

EZCORP, Inc. (Q3 2025 Earnings)
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Corporate Speakers:

- Sean Mansouri; EZCORP, Inc.; Investor Relations Adviser
- Lachlan Given; EZCORP; Chief Executive Officer
- Timothy Jugmans; EZCORP; Chief Financial Officer

Participants:

- John Hecht; Jefferies; Analyst
- Brian McNamara; Canaccord Genuity; Analyst
- Kyle Joseph; Stephens; Analyst
- Raj Sharma; Texas Capital Bank; Analyst
- Andrew Scutt; ROTH Capital Partners; Analyst

PRESENTATION

Operator^ Good morning, ladies and gentlemen. Welcome to the EZCORP Third Quarter Fiscal 2025 Earnings Call. (Operator Instructions) As a reminder this call may be recorded.

I'd now like to turn the conference over to Sean Mansouri, the company's Investor Relations adviser with Elevate IR. Please go ahead, Sean.

Sean Mansouri^ Thank you. And good morning, everyone. During our prepared remarks, we will refer to slides which are available for viewing or download from our website at investors.ezcorp.com.

Before we begin, I'd like to remind everyone that this conference call as well as the presentation slides contain certain forward-looking statements regarding the company's expected operating and financial performance for future periods. These statements are based on the company's current expectations. Actual results for future periods may differ materially from those expressed due to a number of risks or other factors that are discussed in our annual, quarterly and other reports filed with the Securities and Exchange Commission. And as noted in our presentation materials and unless otherwise identified, results are presented on an adjusted basis to remove the effect of foreign currency fluctuations and other discrete items.

Joining us on the call today are EZCORP's Chief Executive Officer, Lachie Given; and Tim Jugmans, Chief Financial Officer.

Now I'd like to turn the call over to Lachie Given. Lachie?

Lachlan Given^ Thanks. And good morning, everyone. This quarter showcased the continued strong financial and operating momentum across the business, disciplined

execution by our team and the growing operating leverage in our platform, which drove exceptional earnings growth for our shareholders.

We delivered record third quarter revenue of \$319.9 million, up 14% year-over-year and an all-time high PLO of \$293.2 million, reflecting sustained demand for immediate cash and affordable preowned merchandise across our geographies. Earnings for the quarter were up significantly. Adjusted EBITDA rose 42% to \$45.2 million and diluted EPS increased 38% to \$0.33, driven by operating leverage embedded in our model.

As we scale, we're capturing more margin and deeper customer engagement across both new and existing markets. Turning to Slide 3. EZCORP now operates 1,336 pawn stores across the United States and Latin America including 604 in Mexico.

We remain a global leader in short-term collateralized lending and pre-owned retail. Persistent inflation and tighter access to credit continue to drive customers towards pawn as a trusted and transparent alternative for instant cash. Our value proposition is fast and accessible with no credit checks, no collections and no long-term obligations. This ongoing demand is translating into strong lending activity and deeper customer engagement across the business.

Our 8,000-plus team members' commitment to customer service and innovation allows us to scale with discipline, remain highly engaged with the customer and deliver valuable financial solutions when people need them most. Moving on to Slide 4. This was a meaningful quarter for both expansion of our store footprint and earning asset base, a clear demonstration of how we're deploying capital to grow the business in ways that support long-term earnings growth.

During the quarter, we acquired 40 stores under the Monte Providencia and Tu Empeño Efectivo brands across 13 Mexico states. The business offers traditional pawn loans as well as auto pawn transactions, some of which are through stand-alone auto pawn stores. These stores not only expand our geographic footprint; they also meaningfully broaden our addressable market through secured auto lending. Auto pawn is a growing category of collateral in Mexico with higher ticket sizes and stronger appeal to customers who may not qualify for traditional credit.

It also allows us to reach a broader demographic and participate in a segment where we've historically been underpenetrated. In the U.S., we added three new stores including a Max Pawn luxury format location in Miami Beach and opened 10 de novo locations across Latin America, focusing on Mexico, Guatemala and El Salvador. All of this helped drive earning assets to \$520 million including a record PLO of \$293.2 million, up 12% year-over-year.

We saw continued strength in same-store lending and rising average loan sizes, particularly given increased jewelry volume. The PLO to inventory ratio also remains healthy at 1.3 times. We ended the quarter with \$472.1 million in cash, down from

\$505.2 million last quarter, reflecting capital deployed into store acquisitions and growth in earning assets, partially offset by strong operating cash flow.

In the 3-month period ending July 31, we repurchased \$3 million worth of shares. In July, we also provided an additional \$3 million in secured loan to Founders One, a growth platform through which we invest in Simple Management Group, which currently operates 99 pawn stores. The acquisition pipeline remains robust, and we believe that with our highly liquid balance sheet, we can continue to deploy capital opportunistically to significantly scale the platform for our shareholders. Turning to Slide 5. Although you can only see the past four quarters of performance here, it's worth noting that we've delivered more than two years of consecutive growth across all four of our key performance metrics: revenue, PLO, adjusted EBITDA and adjusted EPS, a testament to the durability of our model and the execution across our store network.

Additionally, our earnings growth has accelerated for three quarters in a row, further demonstrating the momentum in our business. Total revenue increased 14% year-over-year to \$319.9 million, driven by growth in PSC, merchandise sales and a significant increase in scrap. Merchandise sales grew 10% with same-store sales up 9%, supported by strong customer demand and effective retail execution. Gross profit rose 13% to \$188.4 million, in line with revenue growth. EBITDA increased 42% to \$45.2 million, with EBITDA margin expanding 280 basis points to 14.1% and adjusted EPS rose 38% to \$0.33.

It's worth noting that EBITDA margin has now expanded five quarters in a row on a year-over-year basis. These results reflect the operating leverage we're capturing as we scale, both in terms of loan demand and retail productivity.

Slide 6 provides a closer look at our consolidated revenue and gross profit performance for the quarter. In Q3, total revenue grew 14% to \$319.9 million and gross profit increased 13% to \$188.4 million, supported by growth across all major revenue streams. As always, our focus is on driving both gross profit dollars and margin, whether from PSC, merchandise sales or scrap. PSC increased 10% year-over-year to \$118.2 million and remains our most consistent and high-margin earnings engine. Merchandise and sales gross profit rose 19% to \$70.2 million, reflecting both higher gold prices and improved execution at the counter.

Gross margin held steady at 59%, even as we scaled, a reflection of the consistency embedded in our model. While PLO increased 12% year-over-year, inventory grew at a faster pace, up 32%, driven by greater purchasing activity this quarter, higher layaways as well as lower inventory turns. It's worth noting that outright purchases generally yield higher margins than pawn sourced goods. From a mix perspective, U.S. pawn continues to drive the majority of our business, contributing 69% of revenue and 71% of gross profit this quarter.

As we continue to grow in Latin America, we're applying the same operating model that's delivered consistent results in the U.S. from pricing and inventory systems to training and

in-store execution. The opportunity ahead is clear to improve performance, strengthen unit economics and drive higher margin contribution as the platform scales. Turning to Slide 7, our business strategy highlights for the quarter.

We continue to strengthen our core pawn operations while advancing the initiatives that position us for long-term growth across customer experience, digital engagement and field execution. Our EZ+ Rewards program continues to grow as we added 300,000 new members during the third quarter, reaching 6.5 million globally and accounting for over 70% of our known customer transactions in Q3.

Website traffic grew 9% to 1.9 million visits, supported by continued improvements in our SEO programs. We also saw increased digital traction with \$30 million in U.S. Online payments. In Mexico, 20% of layaways and extensions were completed digitally, more than double from this time last year. Our view-online purchase in-store experience now covers nearly 80% of U.S. stores, making our inventory more accessible and convenient to browse. We also began testing Instant Quote, a new tool that gives customers a preliminary loan estimate before visiting the store.

While still early, we believe it has the potential to drive stronger conversion and improve in-store efficiency. Max Pawn ecommerce platform sales increased 28%, reflecting sustained demand for affordable luxury and reinforcing our position in the high-quality resale category.

From a team perspective, we completed the FY '25 team member engagement survey during the quarter with 89% participation and an engagement score of 85, both well above industry benchmarks. This speaks to our unique culture of pride to work at EZCORP, serving our customers with passion and respect and genuine alignment to our company-wide mantra of people, pawn and passion. Having a highly engaged tenured workforce is a unique competitive advantage for EZCORP and continues to be a strong focus for our leadership team. Our strategy remains focused on investing in the platform, empowering our people and delivering consistent, high-quality service at scale.

With that, I'll hand the call over to Tim Jugmans, our CFO, who will provide a deeper look at our financial results. Tim?

Timothy Jugmans^ Thanks, Lachie. Slide 9 provides a detailed look at our consolidated financial results for the third fiscal quarter. We ended Q3 with record pawn loans outstanding of \$293.2 million, up 12% year-over-year and 9% on a same-store basis. Growth was driven by sustained demand, improved operational execution and higher average loan size, supported by both organic expansion and new store contributions. Pawn service charges revenue increased 10%, generally in line with PLO growth and reflecting strong lending activity across our footprint.

Merchandise sales rose 10% with 9% same-store growth as customer demand continues to support strong retail performance. Inventory increased 32% year-over-year, driven by higher PLO, elevated purchase activity and growth in our U.S. layaway program.

Turnover declined to 2.4 times from 2.7 times last year, some of which is due to greater mix of jewelry, which naturally carries a longer sales cycle. Despite lower inventory turns, aged general merchandise declined 83 basis points to 2.3% or 2%, excluding luxury, reflecting disciplined pricing and markdown execution. Merchandise margin came in at 35.7%, while down 30 basis points year-over-year, it improved 166 basis points sequentially from Q2.

As Lachie mentioned earlier, we continue to grow with discipline and deliver meaningful operating leverage. Adjusted EBITDA increased 42% to \$45.2 million and EBITDA margin expanded 280 basis points to 14%. Moving to our U.S. Pawn segment on Slide 10. Revenue increased 11% year-over-year to \$220 million, of which approximately half came from scrap sales. Earning assets increased 21% to \$387.4 million, which includes an 11% increase in PLO to \$221.1 million and a 36% increase in inventory to \$166.4 million. The inventory increase is a function of higher PLO, greater purchasing activity and the customer layaways program introduced in July of last year.

We remain focused on optimizing our merchandise mix and improving turnover. In the current quarter, we are increasing incentives for our team members, increasing marketing activities including the use of reward points as well as targeted price reductions and category-specific promotions to drive further improvements.

Slide 11 provides a geographic view of our U.S. Operations, where we now have 545 stores across 19 states. As Lachie mentioned earlier, this quarter, we added three stores including a luxury format location in Miami Beach. Our platform continues to be anchored in Texas, Florida and other major urban markets where we benefit from scale advantages, local pricing intelligence and strong brand equity. Lending dynamics remain healthy. U.S. average loan size rose 13% to \$207, supported by increased values in both jewelry and general merchandise. Roughly 80% of that growth came from higher jewelry pricing, particularly gold. Jewelry now accounts for 67% of PLO and 65% of inventory, both up from prior year, given our emphasis on the category and current gold prices.

Slide 12 provides a deeper look at our U.S. segment financial performance for the quarter. All loans outstanding rose 11% year-over-year, supported by higher loan values, improved store level execution and steady demand for short-term liquidity. On service charge revenue rose 8%, primarily driven by same-store PLO growth. While the growth in PSC trailed PLO, the overall performance reflects a strong lending environment across the store base.

On the retail side, merchandise sales rose 4% year-over-year and 4% on a same-store basis. Merchandise margin expanded 80 basis points to 38.5%, supported by better pricing execution and improved product mix. Inventory increased 36%, driven by growth in PLO, purchases and layaways as well as a decline in turnover to 2.1 times from 2.6 times. Despite this, aged general merchandise improved 260 basis points to 2.5% or 1.8%, excluding luxury, a testament to active inventory management. Running a balanced business in the U.S. Pawn segment through a combination of growth in PSC,

merchandise sales and scrap revenue with expense management led to an EBITDA increase of 31% to \$50.3 million and margin expansion of 360 basis points to 23%.

Turning to our Latin American segment on Slide 13. Revenue increased 21% to \$99.9 million in Q3, reflecting continued strength across the region. Earning assets rose 18% with PLO up 16% or 4% on a same-store basis, driven by improved operational performance and increased loan demand. Inventory increased 21% and 13% on a same-store basis with aged general merchandise increasing modestly to 2.2% of total GMV inventory, which equates to a total of \$800,000. The increase in PLO and inventory was also largely driven by our recent acquisition in Mexico.

Importantly, we remain focused on embedding best practice from our U.S. Operations to drive consistent execution and profitability growth across Latin America. As shown on Slide 14, we ended the quarter with 791 stores across four countries. During the period, we acquired 40 stores in Mexico and opened 10 de novo stores across Mexico, Guatemala and El Salvador and consolidated one store in Mexico. Jewelry PLO increased 510 basis points year-over-year to 40%, supported by focused operational initiatives in Mexico and higher gold price.

Jewelry inventory composition also increased 150 basis points to 35%. Turning to Slide 15 for more detail on our LatAm operations. Merchandise sales grew 23% with 90% same-store growth. Merchandise sales gross profit increased 17%, partially offset by a 170 basis point decline in margin due to more frequent counter-based price negotiation, a reflection of higher transaction volumes. PSC grew 13% year-over-year, supported by the growth in PLO.

EBITDA rose 28% to \$15.5 million, driven by higher gross profit and offset in part by a 12% increase in expenses with 7% same-store expense growth, primarily driven by labor expense. EBITDA margin expanded 90 basis points to 15% reflected continued operating leverage. From a balance sheet perspective, our robust position of \$472.1 million and a low net leverage will enable us to continue funding organic growth on compelling acquisition opportunities and thoughtfully return capital to shareholders over time. This quarter's acquisition of 40 pawn stores in Mexico is a strong example of how we're deploying capital with a discipline to capitalize on the global scale opportunity.

Looking ahead, we remain focused on growing PLO, improving inventory efficiency and scaling operational best practices across all geographies. Based on the current gold price remaining steady, we expect similar scrap sales gross profit in quarter four and then for scrap margins to decline sequentially during FY '26. We are very pleased with the expense management to date. However we do expect a sequential increase in total expenses. Our M&A pipeline is very attractive in both the U.S. and Latin America, and we continue to approach each opportunity with rigorous financial discipline. We believe this focused execution will continue to drive long-term compounding value for our shareholders.

Now I would like to turn it over to Lachie for a few closing remarks.

Lachlan Given^ Thanks, Tim. I'd like to extend my sincere appreciation to our entire team for delivering an exceptionally strong quarter of earnings growth. It reflects our rigorous focus on operational excellence, increasing scale, robust core business model and an extremely strong balance sheet. As we look ahead, we remain confident in our ability to scale with discipline, invest with purpose and deliver sustained long-term value for our shareholders.

With that, we'll open the call to questions. Operator?

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from John Hecht with Jefferies.

John Hecht^ Congrats on a good quarter. First question is just the U.S. retail margins have been stronger than we expected. There's some sustained momentum there. I'm wondering, if you look at the mix of retail activity with gold, jewelry and other products as well as like aged inventory, what do you attribute the strong margin performance to? Is it that the consumer is negotiating less? Or is it just that the value of jewelry is going up with gold? Or how do we think about the trends there?

Lachlan Given^ Thank you for the question. Tim, do you want to take that one?

Timothy Jugmans^ It's two things there, John. One is the gold price increase has helped, but it's also that we are lending -- improved lending. So that has -- both of those have helped increase that margin. Better lending means that we're pricing it correctly when we lend it. So if it does drop into inventory, that it's at the right price to be able to sell at the right margin.

John Hecht^ Okay. Then you guys have been pretty active in acquisitions and consolidation. Maybe talk about the pipeline now and the pricing in the market and maybe geographically where you guys are looking?

Lachlan Given^ Sure. So -- so we obviously did our financing a few months back and now have a really strong balance sheet from which to pretty opportunistically execute on acquisitions. So we're really excited about the pipeline. I think it's -- we've got plenty of opportunities across our existing markets, and we're starting to look at new markets as well. But I think the pipeline has always been quite robust. It's just that now we are really well capitalized.

I think we've been very consistent in our message to our shareholders and to the market that this is a business that's capable of truly scaling up from here. We think we're actually undercapitalized for our mission because the global opportunity is so large in pawn broking. And just even in our own existing markets, it's -- it's a very, very large scale opportunity.

So we're trying to match our capital base with the size of that opportunity. And clearly, we've got a good amount of cash in the bank at the moment. But as I said, even just in our existing markets in the U.S., Mexico and the rest of Latin America, we see a really large opportunity. We're doing a pretty robust de novo store network store growth strategy as well. Those are proving to be outstanding uses of capital. Then to our capital allocation strategy, we've been pretty clear on our message there as well. This is -- our core strategy is scale.

We think that earnings and cash flow can be scaled significantly from here, but we're trying to balance that with returning some capital to shareholders as well. We think the stock price is materially undervalued, as I know all the analysts do as well. So we're looking to balance our capital allocation. But again our core strategy here is scale in terms of the store base, in terms of profit and in terms of cash flow. And I hope over the next 12 to 18 months, we're going to be announcing more and more of these acquisitions that are done with discipline but match our strategy of scale.

Operator^ (Operator Instructions) Our next question comes from Brian McNamara with Canaccord Genuity.

Brian McNamara^ Congrats on another great quarter. So one question I have is a pretty simple one. Why aren't you guys buying back more stock? I don't want to take away from all the strong execution, but this is by far the number one question we've received recently from investors and number two isn't particularly close. So your recent acquisition of Mexico, I think was \$20 million, but given the unexpected dilution from the May 2025 convert, I think you still have roughly \$80 million more in cash than you would have expected previously even including that acquisition. And I think your prior repurchase authorization expired May 3rd. So why doesn't the Board at least authorize another repurchase program?

I understand you're prioritizing growth and scale here, but can't you do both simultaneously? I think \$2 million to \$3 million a quarter just feels like a rounding error given the huge valuation discount you guys trade at relative to both your larger peer in the market as a whole.

Lachlan Given^ Yes. Look, I touched on this already, but let's start with this quarter. We're up 42% in EBITDA growth. I mean it is an enormous quarter. I don't know how many companies you cover that are delivering 42% earnings growth. But the reason I say that is that you can see what this platform is capable of doing as we scale. It's growing phenomenally strongly with a really conservative balance sheet, which gives stability for our shareholders in the long term. So I've been really consistent on what we're trying to do here, and you can see it this quarter in our earnings numbers.

Our priority is scale. I actually think we are completely undercapitalized for our mission because that is the size of the acquisition opportunities and the de novo opportunities that are out there. Our real estate team would love to build 1,000 more stores in Mexico. Our

issue is we've got to actually staff those stores. But it gives you just on the de novo side, the size of the scale opportunity.

In terms of acquisitions, we're not even touching other areas of the world where you look at India and the Philippines and stuff that we're not even close to. These are multiple billion-dollar opportunities. And so while I'm really happy with our cash on the balance sheet, it's not enough to give our shareholders a chance at genuine scale.

So I think in buying EZCORP shares, you should know that our number one strategy here is scaling up profit and cash flow. So while I think it's a great return on capital buying back shares because the shares are so materially undervalued, I think it's probably less than 5 times this year's EBITDA consensus number or somewhere close to that.

So I genuinely do understand the buyback strategy, and that's why we're doing it. But -- and we're looking for balance. I do understand your comment that you think it's too low, but I think our cash at bank is too low because Tim and I, and our team are out there in the market looking at acquisitions that could materially change things for our shareholders.

So I think this has been a very consistent message from us look for balance, but we are erring on the side of scale. But as you say we have bought back shares. We have bought back \$3 million. I don't think that's a rounding error at all. I think it's a good return on capital. But our priority -- and as I said, in the next 12 months, 12 to 18 months, I hope you will see us announcing some -- putting our money to work and putting our money where our mouths are into these scale opportunities. But I don't think there's a new message. I think we've been very consistent on it.

Brian McNamara^ Fair enough. So is it fair to assume -- I think last year, you did \$15 million -- or sorry, you did \$12 million in cash paid for acquisitions the year before about \$15 million, \$16 million. This year, year-to-date, you're at \$17 million. Is it fair to assume that number increases over the next 12 to 18 months, to your point?

Lachlan Given^ I'd love to say yes. But as you know acquisitions are unfortunately -- you need a willing buyer and a willing seller. So I would love to say yes, I hope that that is the case. We now have the firepower to do it. As I said, the pipeline is robust, but it's still opportunistic, and we've got to land these deals. But that is why we've raised this capital because we think we can deploy it into scale. So look, I can't obviously commit to the market that it's going to be more than \$15 million, but my intention is absolutely to be deploying significantly more capital than we have in the last year or two now that we've got this financing behind us.

Brian McNamara^ Fair enough. So second question, you guys loaned an additional \$3 million to Founders, which was invested in Simple. I think that takes your investment there north of \$60 million, correct me if I'm wrong, between preferred equity and loans. Why is that the preferred investment route? And kind of what's the end game there?

Lachlan Given^ Yes. Look, it's a good question. That management team is doing a terrific job in building out their platform. They're now the third largest pawn broker in our region behind First Cash and us. So I think that represents a fantastic opportunity for EZCORP and its shareholders. We're currently assessing exactly the question you've asked. So we're assessing what is the best structure going forward because they've now demonstrated over the last three years since we invested that they are capable of growing really well in their markets. They're in Florida, Puerto Rico, and then I think about 10 other smaller countries across the Caribbean plus Panama and Costa Rica.

So while we are in Florida, most of those markets we're not in. So we're very excited that we've deployed capital there, I think in a really conservative way over the last three years, while they prove up their ability to scale in markets that we're not in. But I think it's very high on our Board's agenda as to what that looks like going forward because I think the management team there has proven they can do it. They built value Pawn and jewelry, which is obviously the best acquisition we ever did for over \$100 million in 2008.

So we know they can do it. The last three years, they proved they can do it again. And as you know we're not recognizing the preferred equity side of that investment in our income statement. So I think it's high on the Board's agenda over the next 12 months or so now that we're very well capitalized, what we do with that investment. But as I said, it's the hypothesis 3 years ago was let's provide some early capital here and see what this team can do. We're very happy with their plan. They've now got 99 stores and doing really, really well as the third force in pawn broking. So I think we've got the key seat at the table there. And I think you'll hear more from us over the next 12 months or so on what we're going to do.

Brian McNamara^ Great. Maybe a couple for Tim. This is probably nitpicky, but worth asking, nonetheless. In the U.S., I think your PLO was up 11%, similar to last year, your larger peer just reported a plus 12% on top of a plus 22%. Anything to call out competitively there?

Timothy Jugmans^ No. I think if you look at quarter-by-quarter, there's different wins for different companies as we go along. But on average, -- our stores do have more PLO than other competitors, and we are focused on maximizing our net revenue per store. I think our numbers continue to prove that out.

Lachlan Given^ I think to call it out, I think it was a truly phenomenal quarter across the business. I think one thing to call out for everyone is the sustained momentum in Latin America in that business. It was -- Blair and his team, when we came together as a management team four years ago, Blair and the team obviously concentrated on the U.S. to begin with, given its roughly 70% of our business. You can see the incredible growth in that business. But once the team was able to really, truly focus on Mexico and the Latin American business, you can see now that we're kind of I think it's probably about three quarters straight now of really, really exceptional performance.

So I think that leadership team, starting with Blair and then into the Latin American leadership team has just done a fantastic job and where it's not just the earnings performance that you see in the income statement, you can see the balance that's come back to that business of revenue, PLO, EBITDA, or inventory.

So we're really excited about the prospects there as well. But I think it was just a fantastic quarter of -- as I said, looking at 42% EBITDA growth and 38% EPS growth, it just shows the quality of the operating leverage in this business when you get it right. Yes. We've had some tailwinds from gold and from scrap, but that is the leverage that that's available in this platform. And I think it was just a truly phenomenal quarter.

Brian McNamara^ Great. And just the last one is on merch margins in LatAm. I think they've declined three quarters in a row despite obviously the EBITDA has grown really nicely there after good progress on this line last year. Aged inventory is increasing in LatAm also. So what's driving that? And how much of that is just simply the impact from some of these new acquired stores?

Lachlan Given^ Look, Tim will have a view on age. Let's really qualify how much aged inventory in GM we've got. We've just printed \$45 million of EBITDA and the entire aged inventory in GM is \$2 million. So in terms of materiality, it is such a small number, and that includes Lux age. So we're talking about a \$45 million quarter. I think consensus is that we make \$170 million or \$180 million of EBITDA a year. Our aged GM over 365 days is \$2 million. So it is a very, very small number. Are we focused on it? Yes, of course. We -- this business used to operate at 6% or 7% AGM. It's now 2%. So it's well down. The number is small. Are we focused on it? Yes, of course. But it's a pretty small number.

Tim, I don't know if you'd add anything to that.

Timothy Jugmans^ Yes. I think the other thing to look at is the -- not just to look at inventory by itself but look at ratios. Inventory continues to be in the -- above 1, which is what you want to see prior times when age was very high, we had more inventory than PLO. That was not the way to run the business. We found that this is -- sustainably over the last 4, five years, we've done very well at running the business the way we are, and we continue to do that. So very excited about the future as we continue to improve sales.

I talked about a little bit in the call about other things that we're focused on for the next quarter about we're going to increase some promotions. We're going to increase some incentives for team members to drive more sales because we do want to do that. But we don't see this as a major issue in the business right now.

Operator^ (Operator Instructions) Our next question comes from Kyle Joseph with Stephens.

Kyle Joseph^ Nice quarter. Just piggyback off that last one, but just focusing on the U.S. On the margin. Obviously it's been strong. But just weighing -- inventory was obviously

up, but it sounds like a portion of that is attributable to purchases, which obviously support your margins. So just kind of how do you expect that playing out over time? Not asking you to predict gold prices, but just more on the general merchandise side of things.

Lachlan Given^ Yes. Look, inventory is clearly up, but there are reasons for that. First is PLO growth, which is exactly what we want to see. So inventory clearly grows when PLO grows. As you said in Tim's comments, we also make the points that we are purchasing more. Then you've also got layaway growth. So for very good reasons, our inventory is up. Turns are down, however. So as Tim said, we want more sales and more turns. So we've got incentives, and we're going to spend more in marketing dollars on driving those sales. But I think in terms of -- as Tim just said, in terms of whether inventory is an issue, I do not think that this is a major strategic issue for EZCORP. It is growing for good reason, yet it is an opportunity to sell more.

In terms of margin, Tim, do you want to comment on that?

Timothy Jugmans^ Yes. I think just going back to purchases as well the majority of purchases of the increase is really coming from jewelry and gold. People are coming into our store and not necessarily getting a loan on that gold but actually selling that gold based on where the gold prices are.

So you ask questions about not going to guess where gold is, but gold is some of the reason that this is occurring. So that plays into this margin as we go forward. But we continue to improve pricing at the counter on how much we lend on both -- going back to the GM, on the GM items, -- and as we get -- as that improves, we loan better. And as that happens, we also be able to sell better, which helps -- which does help margins.

Kyle Joseph^ Got it. Very helpful. Then just shifting over to Latin America, just kind of hoping for a little bit of a market update there. Last year or in recent years, you've seen impacts of minimum wage increases, particularly in Mexico. In this quarter, it sounds like the redemption rate was really high, and it's never a bad thing to get paid back for a loan. But just talk about any sort of trends you've been seeing in those markets. Obviously there's more than one market in that segment.

Timothy Jugmans^ That market has substantially increased in profitability, as you can see. So very excited about and continue to see more opportunities to improve the stores. We definitely focused when this team came together about four years ago, 4.5 years ago, we did focus on the U.S., driving where the dollars are, and we continually -- we continue to try and put best practices across all geographies.

We continue to see those improvements coming through in Latin America. I think the big focus that we've been talking to about is in Mexico on the gold. You can see that we continue to increase the gold PLO, which continues to be a great driver of the business including, obviously the gold price increasing at the same time has definitely helped us.

Lachlan Given^ And I think Kyle, you can see on the inventory side, I think one of the analysts raised an issue last quarter that inventory was growing too quickly in Latin America. You can see this quarter how quickly you can fix that. You can see 19% sales growth on a same-store basis in Latin America and inventory coming right back into balance.

So I think they're demonstrating down there that their operating practices have improved significantly, and you can see how quickly you can bring the business back into balance. So I think it's a super exciting region. As you say we're in a bunch of different countries, but we're obviously the market leader in Guatemala by far, and that business is doing very well but I'm particularly excited about the Mexican opportunity as well.

Operator^ (Operator Instructions) Our next question comes from Raj Sharma with Texas Capital Bank.

Raj Sharma^ Solid results. Congratulations. I just wanted to understand -- I know you've already addressed this. The pipeline of acquisitions you say stays robust. Is it fair to assume you're focused more on LatAm or international rather than the U.S.? Then any size you're likely to do or one you wouldn't do? So related questions on capital return would be -- the shareholders would be a priority? And are dividends more in the cards or not? Could you give some color on that, please, clarify.

Lachlan Given^ Yes, of course. So let me start on the acquisition side. So in terms of which region, we've spoken about SMG already. That's -- that's clearly a large opportunity for us that straddles both the U.S. and Latin America. So that's the third largest pawn broker in the region in which we operate, which I've already discussed. So that's clearly an opportunity.

Then in terms of size, look, we look at everything, right? So this quarter, we did three, One store acquisitions in the U.S. So we're looking at everything from one store to much bigger chains in Mexico. And we've got the Max Pawn business, too. We bought a pawn shop in Miami Beach this quarter. It's the only pawn shop in Miami Beach. It's relatively small in terms of size, but we're really, really excited about that opportunity. It's the first time we've done anything in the luxury category outside of Las Vegas.

So we're going to see how that one goes, but we're excited by that. But in Latin America, you've got everything from one store to many chains that are over 100 stores. So I think it's a pretty balanced view of the markets that we're already in. We're looking -- absolutely, we look at new markets, of course. I think there's just so much to do in our existing markets. So I think you'll -- I think it's pretty balanced between the U.S. and Latin America.

In terms of your last question on dividends, look, obviously you can never say never because I think a Board of Directors has to consistently look at its capital allocation alternatives. But in terms of the dividend, I think it's back to that same thing I said earlier, which is the size of our opportunity is so large and that I think we're actually under -- the

naked eye sees how much cash we've got, but I think we're actually undercapitalized for our mission.

So I wouldn't expect to see any dividends, notwithstanding that the Board is always considering that. But I think we're going to put our capital into high-return scale opportunities across the world in pawn broking because I think scale as our competitor has shown is the main game because I mean your corporate costs don't have to materially change as you scale. So more stores means more EBITDA and more EBITDA margin. With the opportunity set that we've got, I think that's where we're going to put our capital.

Raj Sharma^ Got it. And just a follow-on. The retail gross margins are up nicely in the U.S., they're down in LatAm. Any color there as to the reason? Does it -- and also, are your LTVs getting impacted in the business where the retail margins are up?

Lachlan Given^ Tim, do you want to take that?

Timothy Jugmans^ Yes. So we definitely -- yes, we're definitely moving LTVs all the time. We're looking at how much things are selling for; how much consumers are negotiating. So we continually move -- we have a whole team that continually monitors every category and moves the prices and therefore, the LTVs on what we lend. So that -- because we have 30- to 90-day loans, we can affect what we do very quickly.

So that has helped -- that's some of the reasons that's helped the margins in the U.S. But obviously gold and gold price as well is also affecting things. In Mexico, yes, it does move around a little bit as we go along some quarters, consumers are pushing a lot harder on negotiating and other quarters are a little bit easier. But no -- still running at relatively the same kind of margins as we've run before. So I think nothing unusual.

Raj Sharma^ Got it. Then just lastly, obviously a lot of the performance seems to be driven by the rise in gold prices. Is there any -- can you comment on any thoughts on the sensitivity of the scrapping revenues to changes in gold prices, given gold had such a climb, if gold was to stabilize or go down, would -- do you think it seems to impact your operations?

Timothy Jugmans^ Yes, gold price is -- so it depends on when we increase the -- how much we lend on gold is really the effect that really has on the short term, and that's really on -- and scrap is really the only -- the real short-term number there. So margins on scrap, if gold stays steady in FY '26, we're not going to see the margins that we're making on scrap as we have in the last quarter. But consumers do have a need for cash. If they need \$200 of cash today and they can bring in one gold chain and next week, they still need \$200 of cash, but the gold chain is only worth \$100, they're going to find another item in their house to get to \$200. So there's -- you can't just take gold by itself and apply it across the business because there's a demand for cash that needs to be met. It doesn't matter what the gold price is.

Raj Sharma^ Got it. Got it. So that's very helpful. And just lastly, LatAm is growing really nicely, but your competitors can't seem to grow that segment that much. Any comments on the gap?

Lachlan Given^ I think everyone is growing pretty well in Mexico and the rest of Latin America. I think it's a very, very attractive market. It's a very large proportion of consumers don't have access to a bank. So on broking is part of the kind of financial fabric of society. So it's a very well-accepted form of consumer credit in Mexico and beyond.

So look, I think it's -- as I said earlier, we think that the size of the de novo opportunity is very large. There is a huge acquisition pipeline in that region. I think as we -- as our training and development programs improve, we're teaching our teams in -- particularly in Mexico, how to be better negotiators at the counter and how to do better on jewelry.

I think even the organic growth opportunity is still very significant as well. So look, we look at acquisitions down there a lot, obviously and most of them are growing pretty well. So I think it's an industry that's growing. It is a large part of society in -- particularly in Mexico and Guatemala. You've seen three quarters in a row of pretty phenomenal growth, and we're excited about what we can still do.

Operator^ (Operator Instructions) Our next question comes from Andrew Scutt with ROTH Capital Partners.

Andrew Scutt^ Congrats on the strong results. A lot of my questions have been answered. So kind of a high-level one for me here. You guys posted another strong quarter across kind of growth metrics for your digitization efforts. Kind of where in the journey would you say you are for digitizing your storefronts? Then secondly, maybe more importantly, how is that kind of allowing in-store management to increase their operational efficiencies across the stores?

Lachlan Given^ Andrew, it's a good question. I would say in terms of where we're at on digitization is that we are still notwithstanding three years of work -- two or three years of work on the rewards program, I still think we're early. We're only just now rolling out our browse online pick up in store program to all of our U.S. stores. So that's only sort of just happened where you can look at all of our inventory online. You still have to go into a store to buy it. That's only just happened. We've got -- and that's just the U.S. only. Then we've got this Instant Quote tool that I mentioned earlier, where you can get a quote -- an initial quote online for a product that you want to pawn. So I think -- and that's only being tested in San Antonio.

So while we've got the EZ app that's been out there for a while, I would say to you, it's still quite early. The good news for EZCORP shareholders is that pawn broking is still fundamentally a store-based business. I think online pawn broking is hard because you really do need that physical product to be stored in the store in order to be paid back. So I think we are fundamentally a physical business with digital channels that support that.

So I think to your question on how does it support the team, look, we've got online extensions and online payments that absolutely help our store teams so that they get off the phone and can help customers with a loan or can help them with a sale. So I think those digital alternatives are growing so fast and are really helpful for our store teams. I think the rewards program is digital, and that gives our store teams a great conversation tool to talk about their rewards points. So look, I think the digital program is absolutely helping our store staff, but I would say it's still quite early.

Timothy Jugmans^ And if we look at it from a global perspective, we started quite a lot in the U.S. The U.S. is early, but in Latin America, we've done -- we've rolled out extension layaways in Mexico, but it's not in the rest of the countries yet. So this is really, really infancy in other countries that we operate. So we're very excited about that opportunity.

I would say that some -- we think some of the reason that the layaway programs have been so successful for us and continue to grow is because we give the customers the ability to just to pay that online. They don't have to come into in-store. So if you're paying something over 10 months, and it's your decision whether or not to pay you can just do it online and press a button. You don't have to come to a store. I think that's really helped our layaway program grow.

Operator^ I'm not showing any further questions at this time. I'd like to turn the call back over to Lachie for any further remarks.

Lachlan Given^ Look, thank you, everyone, for joining the call. Again I think this is -- it's been a phenomenal quarter, which showcases what this platform can achieve. So I'm very grateful to our team for delivering such a strong quarter, and we're excited about where we go from here. So thanks, everyone, for joining, and I'm sure we're going to talk to a lot of you through the course of today and tomorrow in the next few days. So thanks for joining, and we'll talk soon.

Operator^ Thank you. Ladies and gentlemen, this does conclude today's presentation. You may now disconnect. And have a wonderful day.