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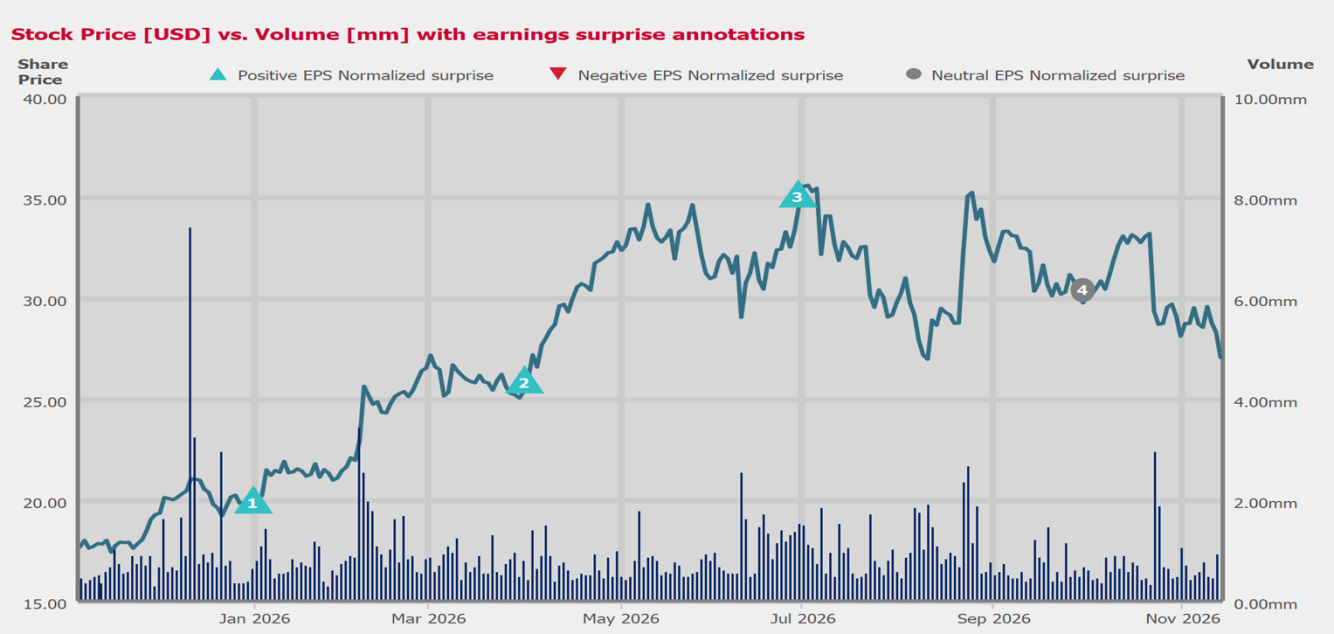
FQ4 2026 Earnings Call Transcripts

Thursday, November 12, 2026 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2026-			-FQ1 2027-	-FY 2026-			-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.43	0.43	0.00	0.62	2.03	2.02	(0.49 %)	2.22
Revenue (mm)	428.15	447.06	4.42	478.50	1675.79	1694.71	1.13	1833.84

Currency: USD
Consensus as of Nov-12-2026 7:07 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2026	0.43	0.55	27.91 %
FQ2 2026	0.40	0.58	41.46 %
FQ3 2026	0.41	0.47	14.63 %
FQ4 2026	0.43	0.43	0.00 %

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Table of Contents

Call Participants	.....	3
Presentation	.....	4
Question and Answer	.....	9

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Call Participants

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ATTENDEES

Sean Mansouri
Elevate Ir

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Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the EZCORP Fourth Quarter and Fiscal Year 2026 Earnings Call. [Operator Instructions] As a reminder, this call is being 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
Elevate Ir

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 and other factors that are discussed in our annual, quarterly, and other reports filed with the Securities and Exchange Commission.

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'll turn the call over to Lachie.

Lachlan P. Given
CEO & Director

Thank you, Sean, and good morning, everyone. We finished fiscal 2026 with a very strong fourth quarter and the highest revenue, EBITDA, and pawn loan balance in the company's history. Adjusted EBITDA was up 33% to $64 million, and PLO finished at a record $401.5 million, up 31%. For the year, GAAP diluted EPS grew 46% to $2.07 and adjusted diluted EPS grew 43% to $2.02. The highlight of the quarter was the continued strength and well-balanced growth in our core pawn operating metrics across all of the markets in which we operate. Core pawn revenues grew 24% and core pawn gross profit grew 27% for the quarter. As a reminder, core pawn excludes scrap entirely. On a same-store basis, core pawn gross profit increased 14%, and same-store PLO was up 13% in the US and an extremely strong 24% in Latin America. We've said for some time that high single-digit same-store PLO growth in the US would be a compelling long-term objective for our stores.

So 13% for a third consecutive quarter on top of last year's growth is an outstanding result for our shareholders and provides exciting momentum into 2027.

Lending, merchandise sales and merchandise margin all performed very well this quarter, delivering excellent earnings growth even as scrap margins normalized, consistent with the outlook we've provided to the market in recent quarters. Latin America was once again a standout this quarter. On a constant currency basis, PLO grew 33%, core pawn gross profit grew 30%, and segment EBITDA increased 44%, with margins expanding on both the merchandise sales gross profit and EBITDA lines. We also opened 25 de novos stores across Mexico, Guatemala and Honduras in the quarter and acquired 17 stores in Mexico. Both our acquisitions made to date in 2026 and our de novos in this region continue to perform above expectations.

Turning to the full year, on a consolidated basis, we delivered record revenue and PLO balances to close fiscal 2026. Revenues grew 30% to $1.7 billion and adjusted EBITDA grew 47% to $277 million. It was also the largest year of store growth in our history, reflecting the continued highly robust acquisition and de novo pipeline across our markets, particularly in Latin America. Turning to slide three, we added a net 230 stores, 190 acquired and 48 de novos, less eight consolidated or closed, ending the year with 1,590 stores across 15 countries and approximately 9,800 team members. These additions strengthen our

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position in attractive existing markets, including Texas, Florida, Mexico and Guatemala, and SMG added new markets for us across the Caribbean and Central America, including Puerto Rico.

With SMG now wholly owned, our focus is on bringing those doors onto our systems and embedding our operating disciplines and culture onto what is an exciting growth platform full of committed, highly engaged team members. Slide four provides an update on the strategic initiatives underpinning this year's results. Under Strengthen the Core, we strengthened our pricing and lending on general merchandise, expanding coverage across categories, and improving accuracy where values vary most, heavily supported by AI. We also lifted merchandise margins through sales training, pricing, and loan-to-value adjustments, and continued to grow the jewelry share of PLO, particularly in Latin America. Better decisions at the lending counter through to inventory quality, merchandise margin and return on capital. Under customer focus, the growth in EZ+ Rewards means we now have customer detail on more than 64.5% of our merchandise sales customers, up 479 basis points, helping our teams take better care of and re-engage those customers.

Approximately two thirds of identified customers who completed three or more transactions with us in fiscal 2025 returned in fiscal 2026. And that group accounted for around two thirds of fiscal 2025's new transactions. Website visits more than doubled to 18.8 million. We provided multiple financing alternatives to our customers, rolling out a third-party lease-to-own option to all U.S. stores alongside layaway and buy-now-pay-later.

Net promoter scores of 58 to 60 in the U.S. and Mexico remain above published consumer finance and retail averages. Under team members, we enhanced our field incentive programs with additional sales bonuses, extended long-term incentive eligibility to field leaders, and deepened our leadership bench through stronger enterprise talent planning.

And under Innovate and Grow, in addition to our largest ever year for store growth, we completed the development of the first stage of POS3, our new point of sale platform, using an agile AI first approach. We collected $163 million in US online payments, up $42 million. Mexico's online share of extensions and layaway payments reached 26%. And we expanded Instant Quote, our online loan and purchase estimation tool, to all US stores. These tools simplify transactions for customers and reduce store level complexity, giving our team members more time to serve our customers with passion and respect. I'll now hand it over to Tim to take you through the quarter, the year, and our multi-year track record before returning for closing remarks.

Timothy K. Jugmans
Chief Financial Officer

Thanks, Lachie. Turning to Slide 5 for the consolidated financial highlights for the quarter. Adjusted EBITDA rose 33% to 64 million and EBITDA margin expanded 20 basis points to 15%. Adjusted diluted EPS improved 23% to $0.43. EBITDA outpaced diluted EPS primarily because net interest expense rose $6.7 million from $2.8 million, reflecting lower interest income after we deployed cash into acquisitions.

Depreciation and amortization also increased with larger store base. Total revenues grew 31% to $439.8 million and gross profit increased 27% to $251.7 million. As Lachie mentioned, PLO ended the year at a record $401.5 million, up 31%, with same-store PLO up 16%, driven by higher average loan size on jewelry collateral. Turning to Slide 6 for the drivers of that growth. PSC rose 27% to $160.2 million with same-store PSC up 13%. As a reminder, PSC reflects average PLO during the quarter rather than just the closing PLO balance. On the retail side, merchandise sales grew 23% to $216.3 million with same-store sales up 9%. Merchandise margin expanded 130 basis points to 37%. Scrap sales of $63.2 million increased $28.9 million on higher gold prices and jewelry purchases. Scrap gross margin was 19% compared to 29% a year ago as the gold price declined from third quarter levels against a sharp increase during the prior year quarter. Scrap gross profit of $12.1 million was up modestly from $10.1 million.

The revenue bridge shows SMG contributing $42.3 million in its third quarter of consolidation, same-store core pawn revenues adding $31.3 million, same-store scrap sales of $18.4 million and other new stores of $10.9 million. Same-store core pawn revenues grew 10%. The EBITDA bridge provides a clear view of the earnings drivers. Same-store EBITDA, excluding scrap gross profit contributed $22.7 million of the year-

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over-year increase, the largest driver. SMG EBITDA added $5.4 million before SMG-related corporate costs included in the other category. Same-store scrap gross profit was down $0.4 million, which shows that this quarter's earnings growth came entirely from excellent performance of the core pawn business rather from scrap.

The other category was an $11.7 million offset, primarily driven by general and administrative expenses. G&A rose 36% to $39.9 million, including $5.5 million related to SMG and its integration. Same-store core pawn profit grew 14% compared to 13% in the third quarter and 12% in the second. Consolidated net inventory ended the year at $357.3 million, up 44% and up 26% on a same-store basis. The growth is mostly jewelry and reflects higher PLO purchase from customers, layaways and additional stores.

Turnover was 2.2x compared to 2.3x a year ago, and aged general merchandise declined 154 basis points to 1.4% of total general merchandise inventory. Moving to the U.S. pawn segment on Slide 8. We ended the year with 563 stores across 20 states after acquiring 4 stores in Louisiana, 1 in Texas and consolidated 2 stores during the quarter. Fiscal year average loan size increased 14% to $239 and jewelry represents 72% of U.S. PLO, up 360 basis points. On Slide 9, fourth quarter total revenues increased 14% to $272.1 million, with over half of that improvement attributed to core pawn.

Core pawn revenue grew 9% and Core pawn gross profit grew 12%. PLO grew 15% to $269.4 million with same-store PLO 13%, driven by high average loan size. PSC increased 12%, primarily driven by same-store PLO growth. On the retail side, merchandise sales increased 7% with same-store sales up 5% and merchandise margin expanded 160 basis points to 39%. Inventory grew 31% to $243.8 million on higher PLO layways and purchases and turnover was 1.9x. Aged general merchandise declined 61 basis points to 1.9% or just over $0.8 million. Our focus remains on improving inventory efficiency. Store expenses increased 1% in total and decreased 1% on a same-store basis, with gross profit up 12%, store expenses up just 1%. Segment EBITDA improved $16 million or 28% to $73.2 million, and EBITDA margin expanded 300 basis points to 27%.

Turning to Latin America on Slide 10. As a reminder, our Latin American results presented on a constant currency basis unless otherwise stated. We ended the year with 922 stores across 4 countries. During the quarter, we opened 25 de novo stores, 13 in Mexico, 10 in Guatemala and 2 in Honduras, acquired 17 stores in Mexico and consolidated 1 location. For the full year, we acquired 64 stores and opened 45 de novos. Fiscal year average loan size rose 23% to $108 on a GAAP basis or 14% in constant currency, and jewelry now represents 49% of Latin American PLO, up 860 basis points. On Slide 11, revenues reached a record $125.4 million, up 28%, with approximately half the improvement from merchandise sales. Core pawn revenues grew 24% and core pawn gross profit grew 30%. PLO increased 33% to $98.4 million with the same-store PLO up 24% on very strong loan demand and improved operational performance. PSC rose 25%, supported by same-store PLO growth and new stores.

Merchandise sales climbed 23% with same-store sales up 17% and merchandise margin expanded 350 basis points to 35%. Inventory finished at $82.2 million, up 31%, mainly as a result of PLO growth with turnover consistent at 2.9x. Aged general merchandise remained below 1% of total general merchandise inventory. Store expenses increased 19% in total and 10% on a same-store basis, primarily reflecting higher labor expenses in line with store activity and minimum wage increases. Core pawn gross profit more than offset these costs and segment EBITDA grew 44% or $8 million to $26.3 million with EBITDA margin expanding 230 basis points to 21%. Moving to SMG on Slide 12. We have owned 100% of SMG since July. And because we did not consolidate in prior year period, results are presented on an absolute basis without year-over-year comparisons. SMG ended the quarter with 105 stores across 11 countries after closing 2 stores and consolidating 1 during the quarter. PLO at the end of the quarter was $33.7 million and total revenues were $42.3 million.

Core pawn revenues were $32 million and core pawn gross profit was $19.1 million out of a total gross profit of $21.4 million. Segment EBITDA was $5.4 million compared to $6.6 million in the third quarter before SMG corporate costs discussed earlier. Merchandise margin was 26.3%, and both merchandise and scrap margins were lower sequentially. The integration work is focused on moving the stores onto our systems and embedding our operating disciplines and culture. That work is on track. And over time, we expect to improve lending, retail sell-through and inventory efficiency across the stores in what remains

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an exciting opportunity for us. Turning to Slide 14, which displays our multiyear track record for fiscal 2022 through fiscal 2026. Over the period, total revenues grew from $886 million to $1.7 billion, a 17% compounded annual growth rate with core pawn revenues and core pawn gross profit each compounding at 14%.

Adjusted EBITDA grew from $113 million to $277 million, a 25% CAGR with EBITDA margin expanding from 13% to 17%. On Slide 15, PLO compounded at 18% as the store base expanded from 1,175 to 1,590 stores and average loan size increased. Slide 15 also sets the scrap contribution against gold price. Scrap gross profit rose $3.3 million in fiscal 2022 to $71 million in fiscal 2026 as the average annual gold price moved from approximately $800 to $4,400 an ounce. Slide 16 shows the full year bridge. Same-store core pawn revenues grew 9% for the year. Same-store core pawn gross profit grew 12% and merchandise margin expanded 190 basis points to 37%. On EBITDA, same-store EBITDA, excluding scrap gross profit contributed $57 million, an $89 million increase.

Same-store scrap gross profit $30 million of the increase and SMG contributed $22 million. The other category, primarily G&A included $10 million related to SMG was a $20 million partial offset. EBITDA margin expanded 200 basis points to 17%. Fiscal 2026 total scrap gross profit, including SMG, was $71 million compared with $26.3 million in fiscal 2025. Gold price was a benefit to the full year results and to cash flow. Adjusted net income attributed to EZCORP grew 49% to $161.7 million and adjusted diluted EPS grew 43% to $2.02.

Turning to capital deployment and liquidity on Slide 17. We generated $186 million of operating cash flow, up 25%. We invested $92 million into earning asset growth and $45 million into capital expenditures, including de novos. We deployed $191 million into acquisitions, including the retirement of SMG third-party debt and the acquisition of the remaining minority interests. Under $50 million share repurchase program authorized in November 2025, we repurchased and retired approximately 381,000 shares for $11 million during the year. From a balance sheet perspective, we remain highly liquid and conservatively positioned.

We ended the year with $295 million of unrestricted cash of $311 million, including restricted cash, as shown on Slide 17, against $530 million of debt at par with net debt of $235 million. Our first scheduled debt maturity in December 2029 with an early call date of December 21, 2026. Our current planning assumes no change to the capital structure in the near term. Our capital allocation priorities remain unchanged. Earning assets growth across existing stores, disciplined network expansion through both de novos and M&A and an opportunistic return to shareholders, all with a fiscally conservative and liquid balance sheet. Looking ahead, our operating priorities are also consistent and simple: grow PLO, improve inventory efficiency, build de novos, integrate our recent acquisitions well and execute on more and manage expenses prudently to capitalize on operating leverage inherent in what is an exciting growing business. On scrap, margin obviously depends on gold price when we sell compared with the price we originally made the loan or bought the item.

Fiscal 2026 gross profit of $71 million benefit from gold price that rose through most of the year. If gold holds around current levels, we expect scrap margin to normalize at about 15%. Core pawn revenue and core pawn gross profit remain the key metrics to focus on in assessing the underlying performance of the business. On seasonality, a few reminders. U.S. PLO usually continues to build through December before tax refund season drives higher loan redemptions in our fiscal second quarter. In Latin America, most customers receive additional compensation in December, which typically drives higher redemptions and seasonal step-down in PLO while supporting merchandise sales.

PLO yields can also compress if average loan sizes rise because larger loans carry lower monthly rates in markets such as Texas. On expenses, we expect growth to reflect store activity, de novos and integration work, including SMG, and we expect labor costs in Latin America will continue to rise. SMG will contribute 12 months in fiscal 2027 versus 9 in fiscal 2026 with the additional quarter of consolidation in our first fiscal quarter. At current cash and debt levels, net interest expense will also be higher year-over-year in the first half because interest income on our cash is lower than a year ago.

Our M&A pipeline remains strong and active in both the U.S. and Latin America, focused on markets where we have trusted and high-performing local management teams. In the U.S., we aim to continue with

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smaller target acquisitions, while in Latin America, the pipeline includes larger independent operators and our de novo program remains a core part of our growth. We continue to evaluate every opportunity against strategic rationale, quality of management, integration complexity, growth profile and return on invested capital. Now I'd like to turn it back to Lachie for closing remarks.

Lachlan P. Given
CEO & Director
Thanks, Tim. This was another exceptionally strong quarter for our business. Most pleasingly, the fourth quarter's outstanding earnings growth was driven primarily by the core pawn business across lending, sales and merchandise margins in both the U.S. and Latin America rather than by gold scrapping. We are excited to carry this operating and financial momentum forward into 2027. As Tim said, our focus is simple: to grow the core pawn business in a balanced way by a relentless focus on store-by-store execution, to expand our footprint through de novos and disciplined acquisitions and to allocate capital prudently, all supported by a strong liquid balance sheet. Finally, a very genuine thank you to our 9,800 team members for the passion and professionalism you deliver to our customers every day. Guided by our core values of people, pawn and passion, we remain confident in our ability to scale with discipline, invest with purpose and deliver sustained long-term value for our shareholders. With that, operator, we'll open the line for questions.

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Question and Answer

Operator

[Operator Instructions] And our first question for today comes from the line of Brian McNamara from Canaccord Genuity. Your question, please.

Brian Christopher McNamara
Canaccord Genuity Corp., Research Division

Hey, good morning, gentlemen. Thanks for taking the question, and congrats on another set of really impressive results here. So firstly, your larger competitor had a pretty good set of results three weeks ago, but the stock -- their stock and your stock got hit particularly hard on their loan growth acceleration from plus 19 to plus 12 in the US. Your US business has been pretty steady at plus 13 the last three quarters. So I'm curious how you would characterize the current demand environment and any market share shifts.

Lachlan P. Given
CEO & Director

Look, I think, thanks for the question, Brian. I think the demand for loans is exceptionally strong. 13%, three quarters in a row in the US, I think is an extremely strong result. And the 24% is the same store, the 24% we saw in Latin America was just absolutely outstanding. And in the US, I think, you know, we're all hearing a lot about the cost of living for customers in the US. And I think with our demographic, you can see it in our numbers. You know, the cost of energy, the cost of the gas pump, inflation, rates, they're putting a lot of pressure on customers and I think -- I think the demand for loans, as I said, has been very, very robust. So I think this quarter is probably as good as I've seen the business perform.

Brian Christopher McNamara
Canaccord Genuity Corp., Research Division

Great, that's helpful. Related to that, there are broader industry concerns that the pawn industry can keep growing loans to help people after lapping several years of record results here. So I'm curious what gives you confidence of continued growth next year, both internally and execution-wise and as it relates to the macro front.

Lachlan P. Given
CEO & Director

Yes. Look, I think we get this question every single quarter. And we just continue to put outstanding operating results on the scoreboard. I think you can only look at your most recent quarter and the growth in that quarter and you take out scrap. And as I said, the results are phenomenal. I think as we've heard through the midterm elections, this -- as I said, the customer is under significant pressure. I think from an operating perspective, we continue to get better in every single store we've got. We see a lot of opportunity, even our very best stores across all of the markets in which we operate. So I'd just say you look at the most recent quarter, you think about the U.S. customer. And so I think the business is set up exceptionally well for the future.

Brian Christopher McNamara
Canaccord Genuity Corp., Research Division

Great. And then last one for me. I know you guys bucket your stores, tiers one through five, obviously five being the most productive. I'm curious if your tier 5 are reaching kind of peak productivity here, and if not, what are you doing internally to drive growth in stores that are already productive, and how impactful will it be getting your Tiers 1 and 2 up to kind of average productivity.

Lachlan P. Given
CEO & Director

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Yes, I think there's plenty to do in the tier 5, for sure. They've often got our best operators, and we start with their mindset because a lot of people think like the way you just described, which is, wow, I'm so big, I've grown so much. How do I do it again? And so we coach these store managers into thinking much more about a growth mindset, removing obstacles, investing in people. And I think those Tier 5 stores are potentially our best opportunity for growth. We've just included consistency bonuses across the U.S. where we're paying bonuses for teams that get all stores across the line the plan, so Tier 1, 2, 3, 4, 5. So we're trying to grow consistency across the whole store base. But yes, look, I think the Tier 5 stores are a massive opportunity as good as they are.

Operator

And our next question comes from the line of John Hecht from Jefferies.

Aleksander Labosky
Jefferies LLC, Research Division

Good morning. This is Alek Labosky, on for John Hecht. Thank you for taking my question. Just a quick one on the inventory turnover between the geographies. I think on a full year basis, U.S. inventory might have slowed slightly and in LATAM it accelerated. So just wondering if there's any different dynamics between the two geographies. fees or if it's completely just mix driven. Thank you.

Lachlan P. Given
CEO & Director

Yes. There's a lot of issues at play. Thank you for the question. There's a lot of issues at play there. The U.S. was only very, very, very slightly down. That said, pawn broking is about turning that inventory. You start with the lending, but we really need to improve inventory efficiency always. So it's this coming year, it is definitely a focus of the teams to improve, as Tim said in his remarks, improve our inventory turns. Mexico did a phenomenal job as well. So I think you'd see a lot more focus again this year from us in that area.

Aleksander Labosky
Jefferies LLC, Research Division

Great. And then just a second one. I know you guys are seeing pretty strong engagement online. And I'm just curious beyond payments, if there's any milestones or metrics that we should be monitoring, whether that's higher conversion, anything else you could provide there would be great.

Lachlan P. Given
CEO & Director

Yes. It's a good question. We're just -- we're in our infancy, to be honest with you, on the online business itself. We've got pilots going. As a reminder, we've got Max Pawn in Vegas that's fully e-commerce based, so you guys can get on, have a look, you can buy stuff and we'll ship it to you. So it's the full e-commerce model. The rest of EZCORP is essentially you can browse our catalog online and then go into a store and pick up. And we're piloting a small jewelry full e-commerce website just now.

So, Look, we've got a lot of digital initiatives going on. We do a lot of search marketing. We do a lot of digital marketing across social media. But I think I just had a call just yesterday with the team as to getting these metrics nailed. But I do think that online is a real opportunity for us. We all know that pawn broking is a neighborhood physical business, but I think it can be enhanced online. You just look at the big guys out there, Facebook Marketplace, OfferUp, eBay do massive business online. So I can't see why we can't not only acquire new customers online, but sell to them as well. So I think, look, we're in our infancy. But in the coming 12 months, I think you'll hear more from us on those metrics and how we're doing.

Operator

Thank you. And our next question comes from the line of David Scharf from Citizens Capital Markets. Your question, please.

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Unknown Analyst

Hey, good morning. This is an [indiscernible] for David. Thanks for taking our questions and congrats on another strong quarter. Wanted to dig in a little bit more on the average loan size. Obviously, a strong same-store PLO growth. A little bit of upside it sounds like from the jewelry side of things, kind of driving a little bit more of the larger average loan size, particularly in the US. So wanted to see if we can get a little bit more color on kind of how much more upside there is to that metric. Tim, you want to take that? Do we got Tim?

Timothy K. Jugmans
Chief Financial Officer

What we see the average loan size is more a reflection of the demand for cash from a customer perspective than anything else. So what we've seen over a number of years, obviously, with inflation, with the cost of living is that the need for short-term cash continues to rise over time. And the way that customer is dealing with that need for cash is now a little bit easier to use jewelry than general merchandise because jewelry is worth more. And so we separate those 2 things out. So if you -- the outlook, obviously, from what Lachie was saying and what you can hear in the media is that the cost of living continues to be a constraint for a lot of people. And so the expectation is that, that average loan size is probably going to continue to increase as it has for a number of years in a row. And so that's the way we would look at it.

Unknown Analyst

Got it. That's helpful color. And also wanted to get a little bit more color on the Founders One acquisition and integration. Obviously, store count was down slightly sequentially, assuming just operational efficiency kind of improvements. So I wanted to see what kind of the outlook is for store growth versus the company focusing more on the integration and bringing the stores online to the broader EZCORP system?

Lachlan P. Given
CEO & Director

Yes. Good question. I think it's early in the integration process, but it is the -- one of the biggest priorities in the company is to make sure that this integration is successful. It's probably taking a little slower upfront than what we've hoped, but nothing major. We're just getting that business onto our systems, getting our compensation programs, our cultural things into the business. But it's full of fantastic, really engaged people, as I said. And then to your specific question, I think there's definitely store growth potential in that business, absolutely. I just think for right now, let us get it integrated so that we can then get about building a really exciting growth platform. So I think I'd say to you that this year is integration and then look for growth in the following year.

Operator

And our next question comes from the line of Kyle Joseph from Stephens.

Kyle Joseph
Stephens Inc., Research Division

Just wanted to touch on operating expenses at the U.S. have been really consistent throughout the whole year and were flat Q-on-Q. How are you guys achieving that and still driving really strong growth from that segment? Just want to see the balance there.

Lachlan P. Given
CEO & Director

Tim is exceptionally tight, Kyle, as you know. So he's kept a tight rope on us all. But look, I'll let Tim answer. There are some -- we do have some vacancies in those stores, which I would like to see filled. I want to see more team members in our stores because the activity from customers in our stores is really growing. So I would say to you that while it's a fabulous result, I think going forward, I mean Tim said in

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his prepared remarks, we would expect that to rise because we want to put more team in the stores. But Tim, do you want to add anything to that?

Timothy K. Jugmans
Chief Financial Officer

That's correct, Lachie. We would expect that to rise. But remember, we've also been working on a lot of initiatives to drive efficiencies in stores. And so some of that is coming through in the numbers where previously, we would have to add many more team members as the stores grew. Now with a lot of the investment in technology, we are seeing that there is a little bit less pressure on that as we try and take a lot of the administration out of running stores out of the stores' hands and make it much more a technology or support center part of running the company.

Kyle Joseph
Stephens Inc., Research Division

Great. Really helpful. And then just a follow-up, apologies if I missed it, but seen some good strength in margin. Is that just a function of mix shift of collateral? Is that any adjustments to LTVs? What's driving that?

Timothy K. Jugmans
Chief Financial Officer

The one thing that we are working on is on pricing. Definitely, that pricing team has done a lot of work, especially with the assistance of AI on getting better at pricing the items that come to our store. The better we get at that definitely is starting to reflect into margin, but our stores are also getting better at selling. And so the combination of those 2 are able to drive some of that margin increase. Now that margin will move up and down on -- that sales margin will move up and down through the different cycles depending on how much cash the customers have.

Operator

And our next question comes from the line of Eric Wold from Texas Capital Securities.

Eric Christian Wold
Texas Capital Securities, Research Division

First question, I know that you're intensely focused on improving kind of loan-to-value ratios. But with the target consumer continue to be under pressure here, have you seen any shift in loan redemption levels in recent months, frequency of visits? And then as that average loan size continues to move higher, obviously, with a greater need from the customer, do you think that risks at all the kind of the redemption trends in the coming quarters? And if so, kind of what do you think around those?

Lachlan P. Given
CEO & Director

Take that one, Tim.

Timothy K. Jugmans
Chief Financial Officer

Yes. Because we are changing loan to values and prices on a continual basis, we're always monitoring redemptions as well as drops and ensuring they stay within normal ranges. And so that's how we've run the business for a number of years because we've got much better data on those numbers. And so we -- because we can change it and because the loans are only 30 to 90 days, we're really in control of what's happening. So if you say, look, this consumer is really hurting, they're going to struggle to repay, we would slowly lower those LTVs and prices. The same thing we've done with laptops. Laptops are definitely -- less and less people want laptops. So we're lending less on laptops than we ever used to because the demand on the other side of buying them is not there. And so that's how we run the business. And so we

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are very comfortable through the cycles, depending on the customer demand and what we're going to lend at to ensure that we can always sell through the items that do drop.

Eric Christian Wold
Texas Capital Securities, Research Division

No, that's helpful. And then just obviously, you talked a little bit about the kind of the repeat customer and the loyalty customer and kind of what that drives in your results. Anything you glean from the kind of the profile of the new customers coming through the door that may or may not join the loyalty program that may be different from average that maybe shows a shift in kind of your broadening your reach in this environment?

Lachlan P. Given
CEO & Director

Yes. Look, we're just starting on that journey now of measuring customers, who they are, where they come from. And so no, there's nothing I can really share on anything that's changing there. That said, anecdotally, we hear in our stores that we are seeing more customers coming in the door who may not have been to a pawn shop before. And that tells me that the customer out there who might usually buy second TV at Walmart is happier buying it secondhand because they're under pressure. So I think you're going to see a big initiative from us over the next 12 months where we start talking more about customer metrics, but we're pretty early in the journey there.

Operator

And our next question comes from the line of Andrew Scutt from ROTH Capital Partners.

Andrew Scutt
ROTH Capital Partners, LLC, Research Division

Congrats on the continued progress. So first question for me, you guys opened nearly 50 de novo stores, I believe, with my quick math here in the year. Can you just kind of talk about new store economics, how you've seen the de novos perform so far kind of against your targets?

Lachlan P. Given
CEO & Director

Yes. Thank you for the question. Yes, it's been performing really well in that side of the business. It's become a much more important part of our growth platform. We're now very consistent. We have a full team down in Latin America that's responsible for that business, and they're very experienced and they're very data and AI enabled. So it's it really is an exciting part of the business. I'd like to see it accelerate, but you have to be conscious of acquisitions at the same time. So if you get a meaty acquisition come through the pipeline, you're probably likely to slow your de novo program at least a little. But yes, it's very, very happy with the de novo -- with the de novo performance, the economics are ahead of what we model. Return on capital is extremely strong. Yes, so it's very exciting.

Timothy K. Jugmans
Chief Financial Officer

The one thing I would add there is that the other limiting factor on building a lot more de novos is really expanding the bench strength in our stores, hiring and training new people to be able to go and run new stores is probably the most limiting factor. I think we could physically go build a lot more of the stores. And you've seen that slowly over time. I think we were doing like 30 a year for a number of years, and we've started doing 40, now 50 or close to 50. And so we continue to eat up as we're growing that bench strength, which especially the Latin American team has done a very good job of expanding over time.

Lachlan P. Given
CEO & Director

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And we're already thinking about 2028 now, and that means the bench. So we're already building bench strength now so that we can hopefully start accelerating the de novo program. But yes, it's 48 stores for last year, which is almost 1 a week. So we think it's going really well.

Andrew Scutt
ROTH Capital Partners, LLC, Research Division

That's great to hear and I really appreciate the color. And then second for me, you guys mentioned you developed kind of your first stage of, I guess, your third iteration of your point-of-sale system. Just kind of wondering if you had any rollout targets here in 2027. Was there anything you were kind of targeting to improve, whether it be transaction time, pricing, all of the above? Any color there would be great.

Lachlan P. Given
CEO & Director

Yes, absolutely. So it absolutely does include much faster time, much more user-friendly for our store people. We're including digital receipts, digital contracts where we can, reducing paper in a really big way. But as you said, it's about getting past to the customer quickly. So yes, the first stage is done. We will roll that out over the next sort of 9 months. There's a lot of work for our IT team to do still. But yes, the things that you mentioned are all the objectives of this new system.

Operator
This does conclude the question-and-answer session as well as today's program. Thank you, ladies and gentlemen, for your participation, and have a great day.

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