

EZCORP, Inc. NasdaqGS:EZPW

FQ3 2026 Earnings Call Transcripts

Thursday, August 6, 2026 1:00 PM GMT
S&P Global Market Intelligence Estimates

	-FQ3 2026-			-FQ4 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.41	0.47	▲ 14.63	0.45	1.91	2.14
Revenue (mm)	426.95	418.75	▼ (1.92 %)	437.62	1631.55	1770.05

Currency: USD

Consensus as of Aug-06-2026 7:42 AM GMT

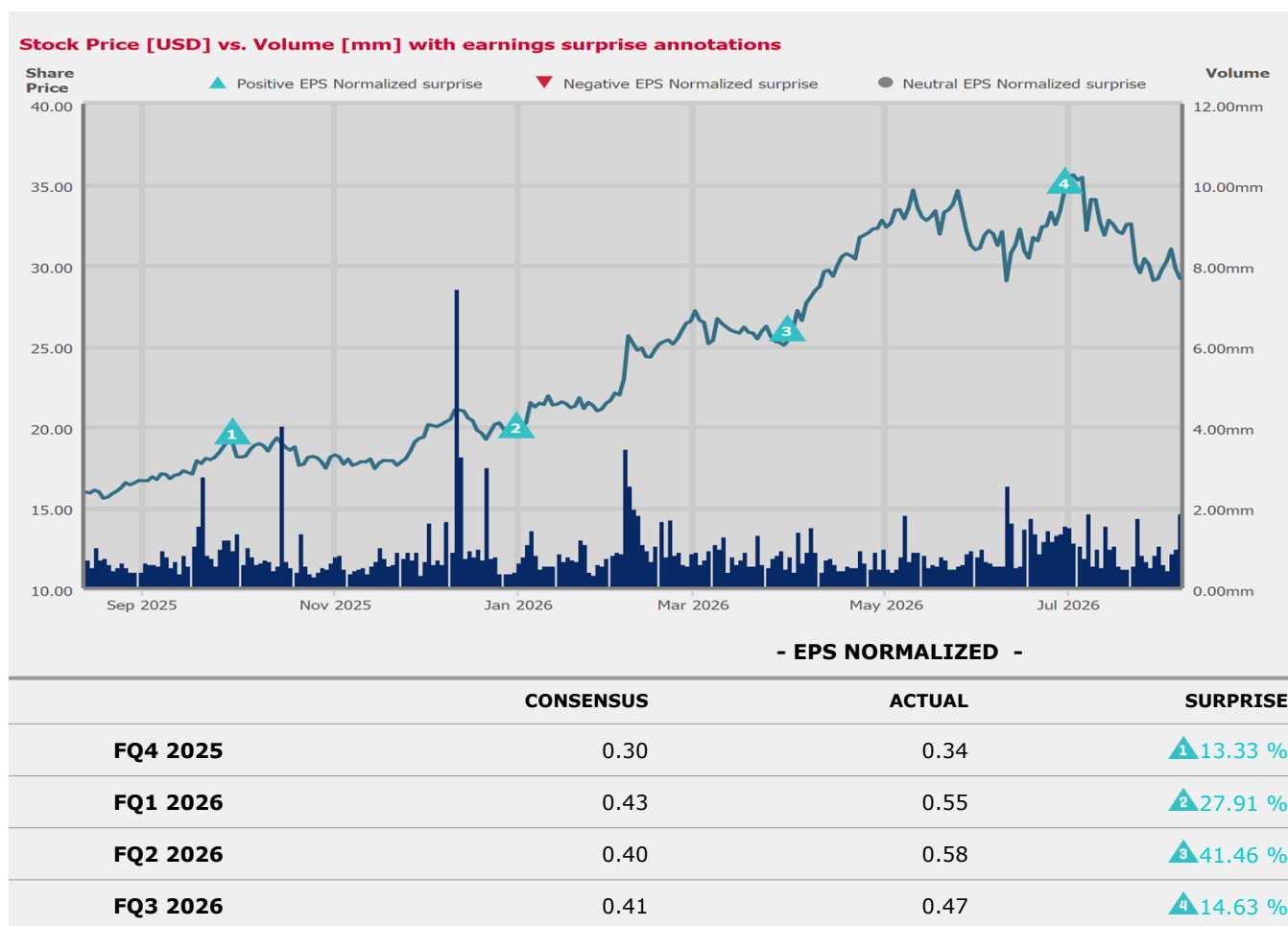


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Call Participants

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Lachlan P. Given
CEO & Director

Timothy K. Jugmans
Chief Financial Officer

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BTIG, LLC, Research Division

ATTENDEES

Sean Mansouri
Elevate Ir

Presentation

Operator

Good morning, ladies and gentlemen. Welcome to the EZCORP Third Quarter Fiscal 2026 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 *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 or 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 effects of foreign currency fluctuations and other discrete items.

Joining us on the call today are EZCORP's Chief Executive Officer, Lachlan Given; and Tim Jugmans, Chief Financial Officer. Now I'll turn the call over to Lachlan.

Lachlan P. Given *CEO & Director*

Thank you, Sean, and good morning, everyone. EZCORP delivered another outstanding quarter, one of the strongest quarters in our history. Adjusted EBITDA was up 48% to \$65.6 million, and adjusted diluted EPS was up 47% to \$0.47. The key highlight for the quarter was the exceptionally strong core pawn operating metrics, which normalize out global scrap across all of the markets in which we operate.

Core pawn revenues grew 24%, core pawn gross profit rose 28%, and same-store core pawn gross profit increased 13%. As anticipated, gold prices stabilized, and scrap sales and margin declined sequentially, while our earnings momentum and growth continued to build in a meaningful way for all of our shareholders.

Core demand for our product remains strong across all of the markets in which we serve. PLO finished the quarter at a record \$382 million, up 31%, driven by higher average loan sizes and the addition of new stores. More consumers are also choosing affordable, high-quality pre-owned goods, so sales and turns remain robust.

Latin America was a standout again this quarter. In constant currency, PLO grew 33%. Core pawn gross profit rose 31%, and segment EBITDA increased 40%, with margins expanding on both the merchandise and EBITDA lines.

We continue to grow our scale in this region during the quarter, extending our market leadership position in Guatemala, where we acquired 33 stores. We also opened 9 de novo stores across the region, which represents a very exciting element of our short- and long-term growth story as our de novos are consistently performing above expectations.

We also reached an important milestone with SMG. During the quarter, we acquired the remaining interest in founders and increased our ownership of SMG to 97.4%. In July, shortly after quarter end, we purchased the remaining shares and now own 100% of SMG.

Our view on SMG has strengthened as we see considerable opportunity in introducing EZ systems, operating disciplines, culture, and capital across the platform.

I'll now hand it over to Tim to take you through the financials before returning for closing remarks. Tim?

Timothy K. Jugmans

Chief Financial Officer

Thanks, Lachie. Turning to Slide 5 for the consolidated financial highlights. Adjusted EBITDA rose 48% to \$65.6 million, and EBITDA margin expanded 190 basis points to 16%, driven by merchandise margin expansion, expense discipline, and higher scrap gross profit. Adjusted diluted EPS improved 47% to \$0.47. Earnings grew well ahead of the revenue, demonstrating the operating leverage in our model.

Total revenues grew 31% to \$408.4 million on higher merchandise sales, PSC, and scrap, along with new stores, including SMG. Gross profit also increased 31% to \$240.3 million. PLO ended the quarter at \$382 million, up 31%.

That PLO strength flowed through to PSC, which rose 29% to \$149.1 million, with same-store PSC up 13%. On the retail side, merchandise sales grew 21% to \$203.5 million, with same-store sales up 6%. Merchandise margin expanded 190 basis points to 38% on pricing execution and inventory quality.

On Slide 6, we have provided the consolidated revenue and EBITDA bridges, which show the composition and quality of this quarter's growth. On revenues, SMG contributed \$43.1 million in the second quarter of consolidation, and same-store core pawn revenues added \$24.5 million.

Scrap sales on a same-store basis added \$15.9 million, and other new stores contributed \$13.9 million. Same-store core pawn revenues grew 9%, and same-store core pawn gross profit grew 13%. As a reminder, core pawn excludes scrap entirely, giving the cleanest read on underlying business performance.

The EBITDA bridge provides a clear view of earnings drivers. Same-store EBITDA, excluding scrap gross profit, contributed \$12.9 million of the year-over-year increase, the largest single driver of the bridge. SMG added \$6.6 million, and same-store scrap gross profit added \$3.5 million. Core operations and new stores, not scrap, drove the majority of our earnings growth this quarter.

Scrap sales of \$55.7 million increased \$28.8 million year-over-year on higher gold prices. Sequentially, scrap sales and margin declined from the second quarter's unusually elevated levels as gold stabilized, consistent with the outlook we provided on last quarter's call.

Scrap gross margin was 26%, compared to 38% in the second quarter and 29% in the prior year quarter. Scrap gross profit of \$14.5 million remained well above the \$7.9 million we generated a year ago. Scrap remains a valuable contributor to earnings and cash. As a reminder, we lend against longer-term gold values, not daily price movements, and use scrap to manage inventory, not speculate on gold.

Consolidated net inventory ended at \$312.5 million, up 39%, reflecting higher PLO purchases and layaways. Turnover was 2.3x, compared with 2.4x a year ago, and aged general merchandise declined 132 basis points to 1.3% of total general merchandise inventory. Inventory growth was driven by jewelry, which is scrapped if it doesn't sell within approximately 12 months.

Moving to the U.S. Pawn segment on Slide 7 and 8. We ended the quarter with 560 stores across 19 states, including 1 store acquired during the period. Total revenues increased 14% to \$251.2 million, with more than half of the improvement attributed to core pawn. Core pawn revenue grew 9%, and core pawn gross profit grew 12%, supported by healthy pawn activity and further merchandise margin expansion.

PLO grew 15% to \$254.5 million, with same-store PLO up 13%, driven by increased average loan size and continued strong pawn demand. Average loan size rose 16% to \$240 on higher jewelry composition and

gold prices. Jewelry represents 69% of U.S. PLO. PSC increased 13%, primarily driven by same-store PLO growth.

On the retail side, merchandise sales increased 6%, with same-store sales up 3%, and merchandise margin expanded 130 basis points to 40%. Inventory quality remains excellent. Inventory grew 28% to \$212.2 million on higher PLO purchases and layaways, while turnover came in at 2x. Aged general merchandise declined to 1.9% of total general merchandise inventory or just \$0.7 million.

Segment EBITDA improved 23% to \$64.5 million, and core pawn accounted for 83% of the gross profit growth. Store expenses rose 8% in total and 6% on a same-store basis, well below revenue growth, lifting EBITDA margin 200 basis points to 26%. This reflects the durable demand, disciplined lending, and operating execution in our U.S. stores.

Turning to Latin America on Slide 9 and 10, where the team delivered another excellent quarter. We ended the period with 881 stores across 4 countries. During the quarter, we opened 9 de novo stores, including 5 in Mexico, 3 in Guatemala, and 1 in Honduras, and consolidated 1 location.

In April, we also completed the acquisition of 33 stores in Guatemala, extending our leadership in that market. As a reminder, our Latin American results are presented on a constant currency basis, unless otherwise noted.

Revenues reached a record \$114.1 million, up 25%, with about half of the improvement from merchandise sales. Core pawn revenues grew 22%, and core pawn gross profit grew 31%. So the growth here is broad-based and high quality. PLO increased 33% to \$93.7 million, with same-store PLO up 28% on sustained pawn demand and improved operational performance.

On a GAAP reported basis, average loan size rose 28% to \$112, or 18% in constant currency. Jewelry now represents 49% of PLO. PSC rose 26%, supported by same-store PLO growth and new stores.

Merchandise sales climbed 20%, with same-store sales up 11%. Merchandise margin expanded 490 basis points to 36%, reflecting stronger pricing execution and product mix. Inventory finished at \$71.4 million, up 21% on PLO growth, with turnover of 3.1x. Aged general merchandise remained below 1% of total general merchandise inventory.

Segment EBITDA grew 40% to \$25.4 million, with 95% of the gross profit growth driven by core pawn. Store expenses increased 27% in total and 17% on a same-store basis, primarily reflecting labor costs, including minimum wage increases.

Gross profit growth more than offset those higher costs, and EBITDA margin expanded 240 basis points to 22%.

Moving to SMG on Slide 11. As Lachie mentioned, SMG is now wholly owned, effective in the fourth quarter. Because we did not own SMG in the prior year period, results are presented on an absolute basis without year-over-year comparisons.

SMG ended the quarter with 108 stores across 12 countries under the La Familia and CashWiz banners, including 1 de novo opened during the quarter in Puerto Rico.

PLO at the end of the quarter was \$33.8 million, and total revenues were \$43.1 million, comprised of \$17.1 million of merchandise sales, \$14.3 million of PSC, and \$11.7 million of jewelry scrap sales. Core pawn revenues were \$31.4 million, and core pawn gross profit was \$19.7 million out of a total gross profit of \$22.4 million.

From a balance sheet perspective, we remain highly liquid and conservatively positioned. We ended the quarter with \$311 million in cash. Our first debt maturity is in December 2029, when our convertible notes of \$230 million are due, followed by our \$300 million senior notes in April 2032.

The year-over-year decline in cash primarily reflects the retirement of SMG third-party debt of \$134.2 million in cash deployed into acquisitions. During the quarter, under the \$50 million repurchase program

authorized by our Board in November 2025, we repurchased and retired approximately 132,000 shares of our Class A common stock with \$4 million.

We have used \$8 million of the program to date. Our capital allocation priorities are unchanged: existing store PLO and other earning asset growth, de novos, disciplined M&A, and opportunistic returns to shareholders, all within a fiscally conservative balance sheet.

Looking ahead, our operating priorities are consistent: grow PLO, improve inventory efficiency, build de novos, integrate our recent acquisitions, and manage expenses carefully. As discussed in the last few quarters, scrap margin is mostly driven by year-over-year change in gold price.

As anticipated, consolidated scrap margin came down sequentially year-over-year to 26%. If gold price does not increase, we'd expect continued normalization towards long-term historical levels of scrap margin between 15% and 20%.

On seasonality, a few reminders. For our fiscal fourth quarter, in Latin America, customers receive a midyear bonus payment in July, which typically drives higher redemptions and seasonal step-down in PLO, while the U.S. book usually continues to build. As seen over the recent quarters, PLO yield also compresses gradually as average loan sizes rise since larger loans carry lower monthly rates in states such as Texas.

And as scrap normalizes, historical sequential bottom line patterns will be less useful. Core pawn revenue and core pawn gross profit remain the cleanest read on the underlying business.

On expenses, we will continue to see sequential increase as we continue to grow existing stores, add de novos, and integrate acquisitions, including SMG.

Our M&A pipeline remains active in both the U.S. and Latin America, focused primarily on markets we have trusted local management teams and deep operating knowledge. We continue to evaluate every opportunity against strategic fit, integration complexity, 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 clearly an outstanding operating and financial quarter for our company. Most pleasingly, the results were driven mostly by our core pawn operating performance rather than by gold scrap activities.

All regions are performing exceptionally well, and we are very excited about the opportunity for additional growth in SMG. We have a strong, liquid balance sheet, and no near-term debt maturities. The M&A pipeline remains robust, particularly in Latin America, and we're excited about the large-scale de novo opportunity in that region as well.

Finally, a genuine thank you to our 9,700 team members for the passion and professionalism you deliver to our customers every day. I look forward to together closing out what has been an exceptionally strong fiscal year for our company and for our shareholders.

With that, operator, we'll open the line for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Brian McNamara of Canaccord Genuity.

Brian Christopher McNamara

Canaccord Genuity Corp., Research Division

I was hoping you guys could opine on gold prices. I hate to beat the dead horse here, but obviously, it's a concern we hear from investors that gold sits at \$4,300 today versus \$5,400 at the peak in January. How does that impact your day-to-day operations? And kind of if you can give some color on how you price loans and all that good stuff, I think it would be really helpful.

Lachlan P. Given

CEO & Director

Thanks, Brian. Tim, do you want to have a first crack at that?

Timothy K. Jugmans

Chief Financial Officer

Sure. Thank you, Brian, for the question. On setting gold prices, we are looking at -- we look at gold prices on a rolling basis, say, look at like a 3-month rolling basis. So if gold spikes like it did in January and then comes back down, we are not changing what we do on a day-to-day basis. So we're looking at more medium-term gold prices to price loans.

The biggest effect that we do see on the business is scrap. So what we saw in quarter 2 with the rise of the gold prices is that the scrap margin was significantly higher than normal. And this quarter, what we've seen is that gold price is coming down, and the change year-over-year in gold price is declining.

And so now we've seen sequentially that gold price margin decrease, but also year-over-year that scrap margin decrease. And so what we would expect if gold prices remain pretty consistent, where, obviously, it's a little bit of a spike in the last few days, but it's been in that -- just over \$4,000 to \$4,300 for a number of months if we exclude the spike in January. And so we would expect scrap margins to come back down to normal levels.

Lachlan P. Given

CEO & Director

I think to add to that, Brian, as I know you know, we're in the business of satisfying a customer's need for cash. And as you can see from our loan growth, that demand has been pretty phenomenal on a very consistent basis. We're seeing extremely strong lending trends, which is the most important metric in our business is PLO growth.

And you can see across the U.S. and Latin America, particularly, the demand for cash that we're seeing in our stores is exceptionally strong. So clearly, gold is the largest piece of collateral that our customers use.

But I think when you're thinking about the future of this business, it is incredibly robust on a -- from a growth perspective because what we really do is satisfy a customer's need for cash.

And the macro -- both the macro situation with high gas prices, interest rates, inflation, the cost of living, all of those macro indicators continue to be a challenge for our customer. And I think from a micro perspective is what we do in our own stores.

We've still got a lot to do in our own performance to continue to improve these stores organically. So from both perspectives, I'm very excited about the growth potential of our business.

And gold, I know you've gone specifically to gold, which a lot of people are doing, it's a good question. But I think what really underlines the quality of this business is our ability to service that need for cash.

Brian Christopher McNamara*Canaccord Genuity Corp., Research Division*

That's helpful. Just a follow-on to that. I've been of the view that -- and correct me if I'm wrong, a person comes in for a dollar amount, they need \$200 to satisfy a short-term cash need, to your point, if gold drops 25% per se, so something they got 3 months ago, they get for \$160 today for argument's sake. Do you -- would they then pull another item to kind of make up that \$40?

Or do you think there are some folks that just because gold prices are higher, they're getting a higher loan in excess of what the cash they need? I know that's a pretty loaded question there, but we...

Lachlan P. Given*CEO & Director*

Yes. Look, are there certain customers that do the second one? Of course. They take more money because gold is up. But my own anecdotal view here is that, back to what I said, people have a demand for cash, whether it's to pay a medical bill, to fill up their car, that does not depend on the gold price. That is just a fundamental need for cash, and that's what we're there to service.

So look, I know it's a loaded question, and I'm sure there are people who are taking more because the gold price is up. But fundamentally speaking, this customer needs cash, and that's what we're using all sorts of things, whether it's general merchandise, whether it's gold, whether it's jewelry, diamonds, to satisfy that need.

Timothy K. Jugmans*Chief Financial Officer*

We know that to satisfy the need for cash, customers are bringing in less grams than they used to, to satisfy the same amount of cash. And we know there is a group of customers that is not taking what we're offering.

So there's definitely a whole group of customers that take just -- they're taking below what we're offering and not taking any higher.

So it just -- what we would say is that it's -- the effect on the gold price is not -- it doesn't affect the average loan size, right? So if the average loan size was moving with the gold price, it would move very differently.

And so I think that's an important part. The only part where the gold price has a big effect and trying to -- people maximize what they're getting is when they're selling their gold to us, that is where the gold price matters much more.

And a lot of that gold that we're buying is stuff that is not really sellable in our stores, so like a broken necklace. And so we're scrapping that pretty quickly. So that's where the customer is trying to maximize. It's quite different when it's a loan product.

Brian Christopher McNamara*Canaccord Genuity Corp., Research Division*

Right. That's very helpful. I appreciate the detail there, guys. On the stuff where your execution matters, like, merchandise margin, I think it was the highest -- your highest U.S. merchandise margin since 2022, and I think some of that was stimulus kind of thing. So it looks like a really good result.

Blended ex-SMG looks north of your targeted 35 to 38 range. Lachie, I know you guys have been working to get that margin up. Any color on what's driving the progress there?

Lachlan P. Given*CEO & Director*

Tim, do you want to take a crack at margin?

Timothy K. Jugmans

Chief Financial Officer

Yes. Margin, we still expect to be still on a consolidated basis going in that kind of range. It's definitely crept up, which is really nice to see. We've got better execution in the store, better at pricing, 2 things. And obviously, there's a little bit of gold and the change in gold price affecting that. But we're still very happy of where it is, but it will continue to move in that range.

Brian Christopher McNamara

Canaccord Genuity Corp., Research Division

Great. And just if I could squeeze one last one on M&A. How is the pipeline looking today? How is the SMG integration going? And how does it come together in terms of getting that asset wholly owned?

Lachlan P. Given

CEO & Director

There's 3 more questions, Brian. There's no worries. You're good at this. So I want to start with SMG. So SMG -- well, it's been a huge couple of quarters, obviously, on the general M&A front. We've done SMG. We've done 33 stores in Guatemala. We've done a bunch in Mexico. We've done a few little ones in the U.S.

So we've been incredibly active these last 2 quarters on execution. And so M&A for me now has 2 sort of heads.

One head is integrating these businesses in a really strong, robust way. And the other side of it is we need to do more. So on the ones we've just done, I think SMG, we're very excited about. I think it's going to take a year to get them -- the big things we need to do is get them on to our point of sale. We need to get them onto Workday. So those 2 things are significant pieces of work and are going on as we speak.

I think from an operational perspective, this was a business that was capital-constrained and is no longer capital-constrained. So we are going through a cultural change now where we don't need to rely on scrapping as much to create cash.

We are now doing what EZCORP does, which is, is to manage inventory with scrap, but to really concentrate on having our jewelry cases full and making strong margins on selling our jewelry.

So there's cultural change going on. So I would say this first year is all about getting on our system, getting onto Workday and some cultural change that we're incredibly excited. Once those things are done and they're on our system, we think this is -- we're probably feeling we're going to be ahead of our own expectations as to what this business can do.

We're very happy with the leadership there. They've been very open, transparent, and we're working really well together.

So I think SMG -- and to your question about how it came together, look, these deals, as I always say to the market, they take time. You've got to have a willing seller, a willing buyer, and you've got to have a price, and they just -- sometimes they just come together. And this is [Technical Difficulty].

Operator

[Operator Instructions] Our next question comes from the line of David Scharf of Citizens Capital Markets.

David Michael Scharf

Citizens JMP Securities, LLC, Research Division

Tell you what, I'm going to follow up and pile on the...

Lachlan P. Given

CEO & Director

Sorry, did you guys lose me then? I had a broker that called my line, sorry. So I was just ending. Sorry, let me just end that. So we're very happy on the SMG side.

But in the pipeline, to Brian's last question, I think the pipeline, as Tim said in his remarks, remains very robust in Latin America, particularly. I think in the U.S., as I've said before, we're kind of in the smaller acquisition zone now you're going to see 1s and 2s. But I think Latin America is super interesting, big independent chains.

And then on top of that, I think what I said in my remarks was that the de novos, they sort of get a little forgotten often because it's just sort of what we do every day, but I think it's a really strong growth platform for us that investors and analysts should remember.

We've got great opportunity across Latin America for de novos as well. So I think it's -- those inorganic opportunities, Brian, are really exciting.

Timothy K. Jugmans
Chief Financial Officer

David, do you want to go ahead with your question?

David Michael Scharf
Citizens JMP Securities, LLC, Research Division

Okay. Yes, I wasn't sure if I was live or not. Sure. Just real quickly, maybe just kind of framing the prior questions a little bit differently. When we think about the cash needs versus the collateral value debate on what a consumer is actually going to do when they walk through your door, maybe more directly, do you think PLO growth would be the same same-store PLO growth with gold prices at last year's levels? Maybe that's a more direct way of just framing the question.

Timothy K. Jugmans
Chief Financial Officer

What was -- if we do -- you mean literally this time last year?

David Michael Scharf
Citizens JMP Securities, LLC, Research Division

Well, just thinking about gold being up 20% or so [year-over-year]. Just trying to get a sense for, once again, this debate about your serving cash needs when somebody walks through the door, are they just going to ultimately act on what they need? Or are they going to assess the collateral value and the potential to borrow more [indiscernible]?

Timothy K. Jugmans
Chief Financial Officer

We know our customers are very smart. They are, for the majority, only taking what they need because if you're taking a loan, why are you going to take more than you feel comfortable paying back if you want that item back?

That would not make any sense, right? So if you're coming in with something that you want back, you're only going to take what you need and that you feel comfortable repaying. So it's a very important -- it's very different to selling your item, where you're trying to maximize margin.

Now obviously, I'd have to really speculate on what customers would do. But from what we can see at the counter, that's how customers act. So we would say -- if we thought that it was always maximizing, we wouldn't have the amount of customers that don't take the maximum, and we would have a much -- the average loan size would increase much more based on the gold price.

And so those 2 things tell you that this is not a -- this is a demand-led item, not a gold price-led increase in average loan size.

David Michael Scharf

Citizens JMP Securities, LLC, Research Division

Got it. No, that's very helpful. I mean, I think it helps investors sort of pull off.

Timothy K. Jugmans

Chief Financial Officer

[Indiscernible].

David Michael Scharf

Citizens JMP Securities, LLC, Research Division

Yes. Just one follow-up. In terms of the PLO growth in Mexico specifically, I know we're about a good 9, 10 months into this, I think, worker stoppage, the strike at the big Nacional Monte operation. Has there been any direct relationship between the work stoppages there and your foot traffic?

Lachlan P. Given

CEO & Director

I mean, I think there has to have been, right? I think, comparatively speaking, we haven't got a whole lot of stores that are very close to theirs, but I think there is certainly an element of the demand that was in those stores that come to other pawn shops across the country.

Operator

Our next question comes from the line of John Hecht of Jefferies.

John Douglas Hecht

Jefferies LLC, Research Division

Just first one is getting a little bit more on SMG. Just wondering, like, the characteristics of the stores and the metrics, like, store PLO size versus other geographies, inventory turns, the standard loan size and terms, is it consistent there? Or are there differences? And do you guys have objectives to, call it, change the metrics over time?

Lachlan P. Given

CEO & Director

Thanks for the question. Yes. So look, it's region by region. So the biggest 2 markets for SMG are Florida and Puerto Rico. Then there's a bunch of other countries across the Caribbean where it's much smaller. So I would say, generally speaking, the metrics -- the metrics we are certainly aiming for are similar to what we do.

I think each market is different. In Puerto Rico, for example, it's similar to Mexico, where they have the auto business under the pawn regulation there. So those stores do particularly well. And then in Florida, it's very similar metrics to what we are certainly looking to do.

I think, as I said earlier before, SMG was capital-constrained before we bought it. And so I think adding our capital, our operating disciplines, our culture, I think will bring that business much more into line with EZCORP's metrics. But as I said, it's going to take some time.

But the great thing about this business is that across markets and across countries, the metrics are similar, the customer base is similar. Our teams are similar. So we can manage this business in quite a focused way. And so as I said earlier, I'm pretty excited about what SMG can do, particularly once it's on our system and once we've got this culture sort of rolled out.

Timothy K. Jugmans

Chief Financial Officer

John, on Slide 11 in the investor deck, we do have some of those metrics that we go through. You'll see that average loan size for SMG is higher than in the U.S. And most of that is because of the Puerto Rico and the lending on the vehicles, which does push that average loan size up compared to the U.S.

John Douglas Hecht

Jefferies LLC, Research Division

And the second question is the PLO, obviously, has been very strong, the growth in PLO. And that, obviously, translates into obviously strong revenue growth too. Is the mix of revenue in the U.S. and LatAm, is it consistent with what it was a year ago when it was like 30% less? Or are you observing any changes in the types of inventory as things expand?

Timothy K. Jugmans

Chief Financial Officer

On the types of inventory, yes, we definitely -- in the last number of years, we've definitely seen jewelry continue to increase. And then from a general merchandise perspective, we've definitely seen the luxury and shoes continue to increase in the stores.

And things like TVs and other large electronics, they are declining. And so it's all mix-based on what the customer is after and what the customer has to bring in. It also can be quite different neighborhood to neighborhood.

Lachlan P. Given

CEO & Director

I'd say, John, the biggest change we've seen in inventory is in Latin America. I think you'll see in the materials that we are now 50% of our PLO is jewelry. And historically, we were known as the GM lender.

And I think the last 2 years, our training, led by Blair, and a really strong leadership across Latin America has done a phenomenal job in us becoming a very strong jewelry lender too. And I can't remember what the percentage was 3 years ago, but I'd take a guess it was 30% or 35% jewelry, which is now 50%.

So I think that Latin American piece is a big part of the growth story there. And then as Tim said, we've got -- luxury is growing, sneakers are growing, laptops are down. So there's definitely elements of different inventory, but I wouldn't say it's anywhere near as big as the jewelry story.

Operator

Our next question comes from the line of Kyle Joseph of Stephens.

Kyle Joseph

Stephens Inc., Research Division

Since we asked about gold enough, I guess we'll talk about gas prices, obviously been pretty volatile. But in the U.S. specifically, how much of an impact are you seeing these days from fluctuations in gas prices?

Lachlan P. Given

CEO & Director

Thanks, Kyle. Look, we don't have the number. Obviously, this is anecdotal. But clearly, that puts pressure on this customer, and I think the volatility increases the demand for cash. I can't give you a specific number, but it definitely impacts what our customers are doing.

Kyle Joseph

Stephens Inc., Research Division

Got it. And then, yes, on SMG, apologies if I missed this, but I think you're at 108 stores. Just within those markets, do you have a sense for how many stores that could eventually be? Obviously, I guess, some overlap.

Lachlan P. Given

CEO & Director

Yes. It's an interesting question, given the overlap. So what we're doing at the moment is focusing on leadership, how we're going to run this business, is it integrated? Is it -- who's running what? I think the focus is to get on to the right -- onto our system.

So I think that is step 1. And then we're going to assess which of these markets, Puerto Rico looks to be a very attractive market. There's markets in the Caribbean. So I think we're sort of in the process now of assessing that. But given it's 100% owned, that will just be part of our de novo program going forward.

Kyle Joseph

Stephens Inc., Research Division

Got it. And then last one for me. On the Latin American PLO growth, obviously, really strong. What's driving that? How sustainable is it? Is it just a function of higher inflation down there? Or is it kind of influenced by inventory mix as well?

Lachlan P. Given

CEO & Director

I think I want to give that team the credit they deserve. It's just -- it's been phenomenal execution down there. I think jewelry -- the jewelry mix has been a big part of it, just teaching our teams to be much better lenders on jewelry.

As I said before, people would come in with phones and electronics and tools. That was what we were known for. And we just had this very deliberate execution program for the last few years, where jewelry has become a much better part of what we do. And so I think that's been really helpful on the PLO side.

I think the macro, absolutely, things are tough for our customers out there. So it's -- the macro has been supportive, but I think the Latin American story is much more about what we've done from an execution and leadership perspective than what the macro is doing.

Operator

Our next question comes from the line of Vincent Caintic of BTIG.

Vincent Albert Caintic

BTIG, LLC, Research Division

Got 2 quick follow-ups. So first, Tim, it was helpful you provided kind of a lot of commentary in terms of how to think about seasonality. I think there are seasonal components of LatAm and maybe the U.S. is okay.

And then there's also kind of what's happening with jewelry scrap. If you kind of put it all together on a consolidated basis, if you could help us think about should we be thinking about EBITDA or EPS kind of slowing down on a quarter-over-quarter basis? Because underlying, like, it does seem U.S. and LatAm are doing really strong. So I just want to understand just from a near-term perspective, how all of those things shake out.

Timothy K. Jugmans

Chief Financial Officer

Thank you. Yes. The biggest -- obviously, we don't provide guidance on those numbers. But as we've said, you can see that scrap gross profit had a big effect on quarter 2 and less of effect on quarter 3 from a growth perspective.

But what we did say on the core is that scrap margin is, assuming gold price stays relatively stable, it will start coming down to that 15% to 20% range that we've had in -- while gold was stable. And so that normalization will mean that there is less growth year-over-year when you're including scrap. But obviously, excluding scrap is probably a better way to look at the underlying long-term performance of the business.

Lachlan P. Given*CEO & Director*

I think that's -- Vince, thanks for the question. I think that's the key thing that we are trying as a team to show the market and you guys, the analysts, sees it. We don't get credit anyway for scrapping in the market. So I think this business should be looked at on a core basis.

And when you look at the core business, as Tim has done a really good job of outlining in the deck, this is growing really strongly. Lending is strong, sales are strong, margins improving. We're doing M&A in multiple markets. We're building a lot of new stores. We've got a very liquid balance sheet.

And scrapping -- look, scrapping goes up and down by the quarter. We don't get credit for it, which is okay, but from a multiple and an earnings perspective, but it shows what the business can really do and it provides great cash flow, so we can redeploy that into either paying down debt or building de novos or doing M&A.

So I think when you look at it, including scrap, which I don't think many people do, yes, the earnings come down because of scrap. But I think what's best to speak about and to look at to assess the real value of this business and the platform is the core operating metrics that we're putting out, and they're very, very strong.

Vincent Albert Caintic*BTIG, LLC, Research Division*

Okay. Great. That's super helpful. And I guess to follow up on that. Of course, we've been getting a lot of questions and a lot of discussion already on gold prices. I guess my understanding is your underwriting of the business, the way you deal with jewelry or any inventory as you're pricing the business, at a discount, you're evaluating the customers' propensity to pay back or if you have to put the item on retail.

And so it seems like the greatest maybe focus is just if the aged inventory number goes up or down. And it sounds like I mean, that number has been doing really well. So regardless of where gold or inflation or other prices go, as long as you're able to turn over the inventory quickly [indiscernible]?

Lachlan P. Given*CEO & Director*

That's absolutely, sort of the age-old pawnbroker's objective, right? We've got to be really strong at the lending counter, but then you've got to make sure you're turning that inventory.

So look, aged, I never like to lead with aged because it leads to poor operating practice. But because it's very, very small dollars. Our aged inventory, it's less than \$5 million. You could write it off today and have very little impact. But you're right, turns are very important to this business.

And so from an operating perspective, we are improving incentives and improving training, and just to make sure that, that remains robust. You can also impact turns pretty easily by scrapping.

So just someone who's not as experienced at looking at these numbers, look, turns are flat, you could easily increase your turns by scrapping. We don't want to do that. We want to make sure that our jewelry cases are full, that customers get a great experience, and we can sell the jewelry at a high margin. But yes, turn is absolutely very critical part of the story.

Timothy K. Jugmans*Chief Financial Officer*

On the numbers there, like AGM in the U.S. at 1.9% is \$0.7 million of inventory. But we're not -- these dollars are not big. So just keep in mind the size. And obviously, jewelry is different because it can easily be scrapped. And so aged general merchandise is the only thing you really need to be worrying about.

Vincent Albert Caintic*BTIG, LLC, Research Division*

Right. So we're not really taking a view of what gold prices were a year ago because that inventory would already pretty much be gone at this point, if I'm thinking about that correctly?

Timothy K. Jugmans

Chief Financial Officer

Correct. It's generally -- the jewelry is generally scrapped at around that 12-month mark. That's correct.

Operator

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

Eric Christian Wold

Texas Capital Securities, Research Division

A couple of follow-ups on some of the topics before, I'll stay off gold prices. But there was a question, kind of, around gas prices and, kind of, what you're seeing. You made the comment that the increase in average loan size really being driven by demand and the need for, kind of, additional liquidity and short-term cash needs.

Maybe diving into that a little bit better, kind of, what are you seeing for the consumers on kind of a more micro level in terms of coming in and seeking loans in terms of repeat visitation trends where you can track from those consumers, payoff, forfeiture? Anything that kind of gives maybe kind of a roundabout view of consumer health in this environment right now versus maybe a few quarters ago?

Lachlan P. Given

CEO & Director

Yes. Thank you for the question. Look, I think you start with PLO growth, right? You can just see it is very strong, which means demand for our core loan products is increasing significantly.

So I think our customer is under pressure, and there is a need for cash. It's across all vertical -- sorry, all -- everything from GM to jewelry. And in terms of forfeitures, I think over a pretty long period of time, that's been pretty stable.

We don't really see big changes in our forfeitures. As Tim mentioned earlier, we're seeing increased activity in customers selling us gold. But I think the metrics around forfeitures, to your question, has remained pretty stable.

I think, then you look at sales, and you take a different view is they're also robust. And particularly in Latin America, we're seeing super strong sales growth. So when you think about the customer being under pressure, then you look at the sales and you say, well, that looks quite strong.

So I think it's a mixed bag, but the good news for us is that both sides of our business, and as I said earlier again, it is a mix of some macro tailwind, but I think much more importantly is what we're doing at the team level. We're just getting much, much better at lending. We're better at pricing inventory. We're better at using digital initiatives, marketing, AI around the core of what we do to help satisfy this growing need for cash from our customers.

Timothy K. Jugmans

Chief Financial Officer

I think the important thing there is that we're lending at 40% to 65% of what we think the value is, but we're assessing that on a regular basis. And so if we see, say, for example, which we've seen with laptops, is no one wants to buy a laptop anymore and those prices continue to decrease, we're going to be lending on the low end of those loan-to-values because we're going to make sure that we can sell it. And so the forfeitures are really in line with our pricing, and that's why they became pretty consistent through all economic cycles.

Eric Christian Wold

Texas Capital Securities, Research Division

Got it. And then just a follow-up question on the acquisition pipeline. There's a question, obviously, about SMG and that, kind of, just coming together timing-wise to go to 100%. What are you kind of seeing in the current pipeline, maybe what's been completed and what's in discussion in terms of length of discussion cycles, receptivity of sellers' valuations? And what are you seeing in that versus kind of what you expect at this point in the cycle?

Lachlan P. Given

CEO & Director

Look, I think it's funny in this industry. The truth of the matter is that these things have a very long cycle with M&A. I could tell you, I've been close to acquisitions for 10 years and then others for 3 months; they just want to get going. So it's -- that one is truly is a mixed bag, just the length of time it gets -- it takes to do these sorts of transactions.

You've got to remember, it's not really private equity that we're dealing with or institutional investors we're dealing with. These are usually family-owned businesses and the personalities and generational change and that kind of stuff.

But there's no real difference in -- I've been doing this a long time now on the M&A side. And I think it's -- there's no real change in how that works. From a multiple perspective, I think they're pretty consistent.

Where you've got to be careful is what scrapping has done. So look, I think that the pipeline itself, particularly in Latin America, is super strong. You've got very large independent chains down there.

So we're pretty excited about that pipeline. And as I said earlier, the U.S., I think the U.S. is much more now a small kind of conveyor belt almost for want of a better word of just doing smaller acquisitions and targeted around the markets in which we've got really strong teams.

Operator

Thank you. This concludes the question-and-answer session. Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.

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