

# annual REPORT 2016



# 6 GROWTH BUSINESSES

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## U.S. SUBPRIME

The logo for CashNetUSA, featuring the word "Cash" in orange, "Net" in blue, and "USA" in blue, with a registered trademark symbol.

## BRAZIL

The logo for Simplic, featuring the word "Simplic" in a green, cursive font with a registered trademark symbol.

## U.S. near-PRIME

The logo for NetCredit, featuring a circular icon with a green and blue gradient and the word "NetCredit" in a dark blue, sans-serif font with a registered trademark symbol.

## U.S. SMALL BUSINESS

The logo for BB THE BUSINESS BACKER, featuring a stylized "BB" in a blue and white box and the text "THE BUSINESS BACKER" in a smaller, blue, sans-serif font.The logo for HEADWAY CAPITAL, featuring the words "HEADWAY CAPITAL" in a bold, dark blue, sans-serif font with a trademark symbol, and "CREDIT FOR SMALL BUSINESSES" in a smaller, dark blue, sans-serif font below it.

## U.K. CONSUMER

Two logos for U.K. consumer businesses. The first is "POUNDS POCKET" in a bold, dark blue, sans-serif font with a registered trademark symbol, accompanied by a blue shield icon with a white "£" and a "to" in a blue box. The second is "OnStride" in a dark blue, sans-serif font with a registered trademark symbol, with "FINANCIAL" in a smaller, dark blue, sans-serif font below it.

## enova decisions

The logo for ENOVA DECISIONS, featuring the words "ENOVA DECISIONS" in a dark blue, sans-serif font with a registered trademark symbol, enclosed in a red square frame.

# [ FOCUSED ] GROWTH

Dear Fellow Stockholders,

Since Enova was founded 12 years ago, we have consistently delivered on our mission to help hardworking people fulfill their financial responsibilities with fast, trustworthy credit. We've brought innovative financial technology products to consumers and businesses while successfully managing credit quality through multiple economic cycles, competitor shakeouts and substantial regulatory changes. Additionally, over the last several years, we've made progress diversifying our business. At the core of our sustained success is the extensive experience of our talented team, our commitment to putting our customers first and our sophisticated technology and analytics.

In 2016, Enova generated revenue of \$745.6 million, an increase from \$652.6 million in 2015. Our total

loan book grew 29% year-over-year, primarily due to the growth of our NetCredit and line of credit products. Installment loans, receivables purchase agreements and lines of credit now comprise 75% of our total revenue and total loan portfolio.

Throughout the year, we executed on our strategy of Focused Growth and delivered strong results. And while competitors faltered due to credit and liquidity challenges, we used our depth of experience and solid diversified funding to maintain growth and achieve our targets. Our success was built with a focus on our six growth businesses, which we see driving long-term shareholder value: our U.S. subprime business, our U.S. near-prime offering, our U.K. consumer business, our U.S. small business financing, our installment loan business in Brazil and Enova Decisions, our Analytics as a Service business.



**113%**

**3-Year  
COMPOUND  
ANNUAL GROWTH  
RATE FOR  
NETCREDIT**

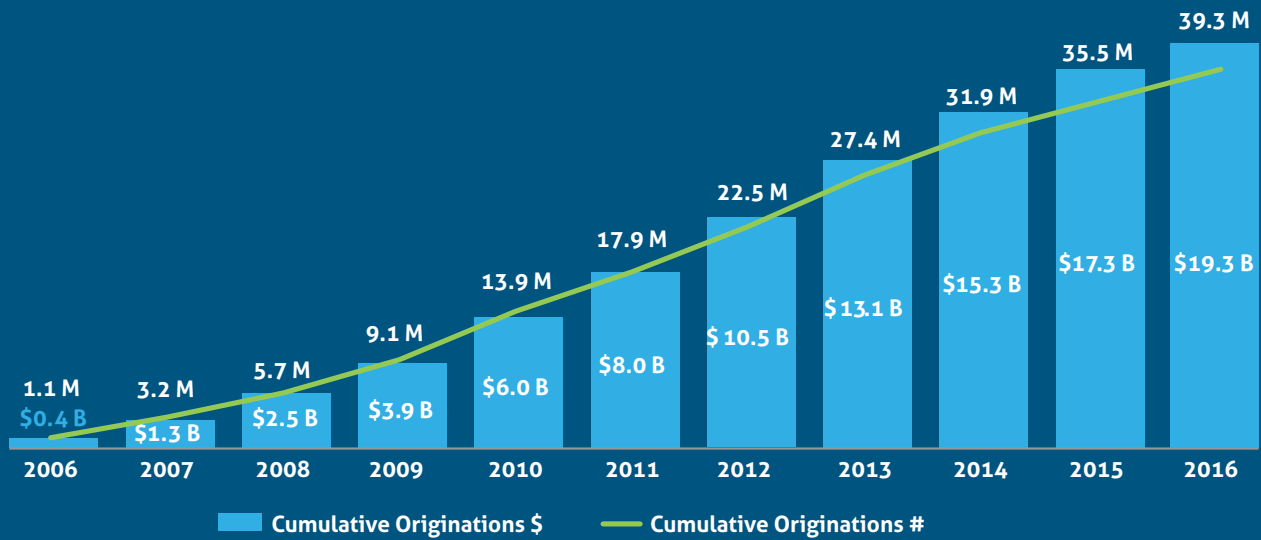


**46%**

**OF AMERICANS  
SAID THEY DIDN'T  
HAVE SUFFICIENT  
SAVINGS TO COVER  
AN EMERGENCY  
OF \$400<sup>1</sup>**

<sup>1</sup>2015 Federal Reserve Board Survey.

## Cumulative Originations



  
**\$745.6**  
**MILLION**  
**2016 annual**  
**revenue**

Our large U.S. subprime business generated another strong year of profitability, continuing to grow and become more diversified, with our U.S. subprime portfolio consisting of 44% line of credit products, 31% installment products and only 25% single pay products. At the same time, we navigated through changes in paid search marketing while increasing our marketing efficiency across multiple channels.

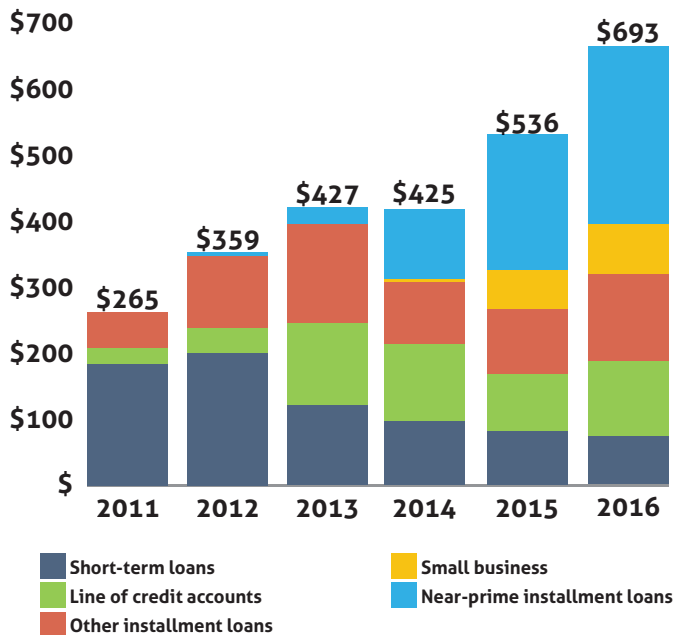
Our U.S. near-prime offering, NetCredit, maintained rapid growth in 2016, with originations up 24% over 2015 and loan balances up 43%. We launched a bank program with Republic Bank in early 2016, increasing our U.S. addressable market for NetCredit by more than 60%. Additionally, we completed two securitizations to help NetCredit further expand and meet high customer demand. As a result of our efforts, NetCredit

exceeded our expectations by generating over \$25 million of EBITDA contribution in 2016, and we anticipate meaningfully higher EBITDA contribution in 2017.

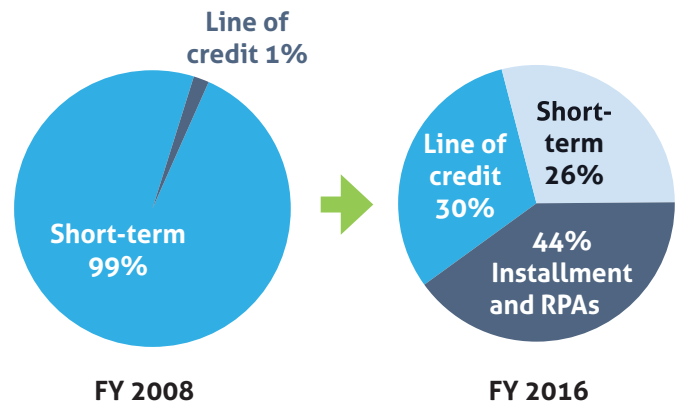
In the U.K., we continue to demonstrate our ability to grow a profitable business following the regulatory changes that were implemented in 2014 and 2015. On a constant currency basis, loan originations increased 26% in 2016 over the prior year period, while loan balances rose 16%. In early 2016, we received full authorization from our regulator for all of our U.K. businesses. Today we are the number one lender by market share in the U.K., with 35% total share in our addressable market, up from the number three lender prior to the regulatory changes. Our U.K. business remains profitable, generating approximately \$25 million in EBITDA contribution in 2016.

## Combined Receivables<sup>1</sup>

(in millions)

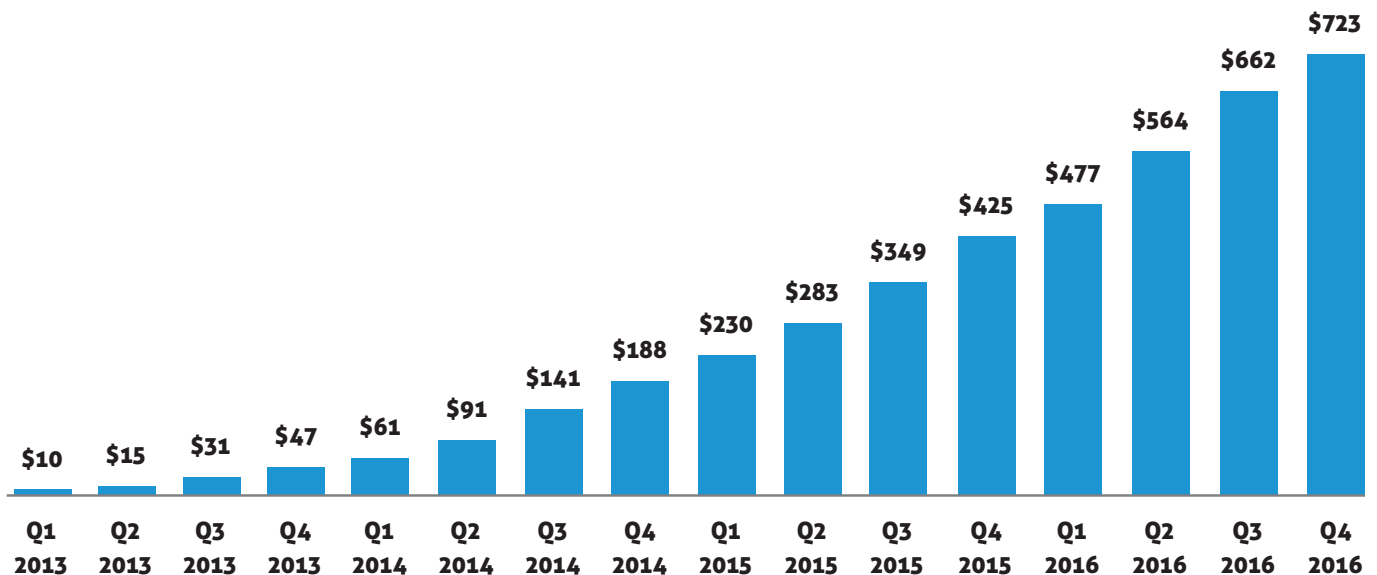


## Revenue Diversification by Product Type



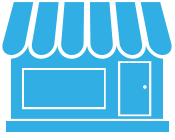
## NetCredit Cumulative Originations<sup>2</sup>

(in millions)



<sup>1</sup>Includes amounts extended by third parties.

<sup>2</sup>Originations beginning in Q1 2016 through the present include loans originated by both Enova and as part of the Republic Bank program.



**55%**

**1-Year GROWTH  
RATE IN GROSS  
ACCOUNTS  
RECEIVABLE  
FOR OUR SMALL  
BUSINESS  
PORTFOLIO**

With our newer Brazil business and small business products, we continued to refine our offerings and underwriting models, and we have seen positive results.

Our Brazilian loan portfolio more than tripled to almost \$17 million. We continue to see encouraging unit economics and expect to see additional growth in 2017, and we continue to ramp up our originations there and leverage our first-mover advantage in this \$42 billion market.

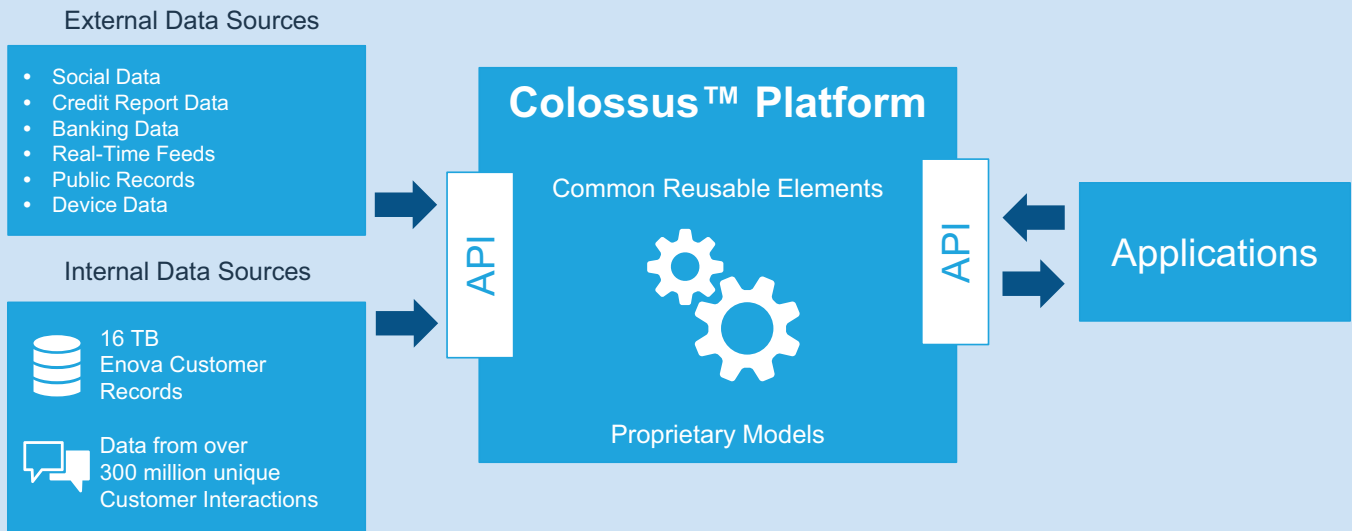
Small business financing grew to represent 12% of our total loan and receivable purchase agreement book at the end of 2016. With improved unit economics and an anticipated drop in acquisition costs from the ongoing competitor shakeout, we enter 2017 poised to capture a greater share of this \$82 billion market.

**272%**

**1-Year GROWTH RATE  
IN GROSS ACCOUNTS  
RECEIVABLE FOR BRAZIL**



# REAL TIME ANALYTICS-DRIVEN DECISIONING PLATFORM



Behind all of our products are our 12 years of experience, world-class technology and analytics. Our capabilities in these areas have enabled us to make incremental improvements to all areas of our business, including underwriting, marketing and customer service. Leveraging our proven, scalable, real-time decision-making capabilities, we launched our Analytics as a Service business, Enova Decisions, in early 2016. Throughout the year, we have experienced significant customer traction with Enova Decisions; we have signed a number of large clients across several industries and generated meaningful revenue in our first year of operation. We have a strong pipeline for Enova Decisions and remain excited about the opportunity for this business.

Overall, 2016 was a strong year for Enova, and we remain optimistic heading into 2017. I feel confident in our direction and believe that our world-class team, focused growth strategy, strong competitive position and solid balance sheet will drive continued success. We will execute, innovate, be bold and move fast to deliver on our promises. I'm looking forward to another successful year as we work to serve our customers and create value for shareholders.

We appreciate your support.

David Fisher  
Chief Executive Officer  
Enova International, Inc.

# MISSION

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**HELPING HARDWORKING PEOPLE FULFILL  
THEIR FINANCIAL RESPONSIBILITIES WITH  
FAST, TRUSTWORTHY CREDIT**





**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-35503



**Enova International, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation or organization)

**45-3190813**  
(I.R.S. Employer  
Identification No.)

**175 West Jackson Blvd.**  
**Chicago, Illinois**  
(Address of principal executive offices)

**60604**  
(Zip Code)

Registrant's telephone number, including area code:

(312) 568-4200

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

Common Stock, \$.00001 par value per share

New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter time that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of 26,241,769 shares of the registrant's common stock, par value \$0.00001 per share, held by non-affiliates on June 30, 2016 was approximately \$193,139,420.

At February 22, 2017 there were 33,293,100 shares of the registrant's Common Stock, \$0.00001 par value per share, outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

None

**ENOVA INTERNATIONAL, INC.**  
**YEAR ENDED DECEMBER 31, 2016**

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## CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You should not place undue reliance on these statements. These forward-looking statements give current expectations or forecasts of future events and reflect the views and assumptions of senior management with respect to the business, financial condition, operations and prospects of Enova International, Inc. and its subsidiaries (collectively, the “Company”). When used in this report, terms such as “believes,” “estimates,” “should,” “could,” “would,” “plans,” “expects,” “intends,” “anticipates,” “may,” “forecast,” “project” and similar expressions or variations as they relate to the Company or its management are intended to identify forward-looking statements. Forward-looking statements address matters that involve risks and uncertainties that are beyond the ability of the Company to control and, in some cases, predict. Accordingly, there are or will be important factors that could cause the Company’s actual results to differ materially from those indicated in these statements. Key factors that could cause the Company’s actual financial results, performance or condition to differ from the expectations expressed or implied in such forward-looking statements include, but are not limited to, the following:

- the effect of laws and regulations targeting our industry that directly or indirectly regulate or prohibit our operations or render them unprofitable or impractical;
- the effect of and compliance with domestic and international consumer credit, tax and other laws and government rules and regulations applicable to our business, including changes in such laws, rules and regulations, or changes in the interpretation or enforcement thereof, and the regulatory and examination authority of the Consumer Financial Protection Bureau with respect to providers of consumer financial products and services in the United States and the Financial Conduct Authority in the United Kingdom;
- changes in our U.K. business practices in response to the requirements of the Financial Conduct Authority;
- the effect of and compliance with enforcement actions, orders and agreements issued by applicable regulators, such as the November 2013 Consent Order issued by the Consumer Financial Protection Bureau;
- our ability to process or collect loans and finance receivables through the Automated Clearing House system;
- the deterioration of the political, regulatory or economic environment in countries where we operate or in the future may operate;
- the actions of third parties who provide, acquire or offer products and services to, from or for us;
- public and regulatory perception of the consumer loan business, small business financing and our business practices;
- the effect of any current or future litigation proceedings and any judicial decisions or rule-making that affects us, our products or the legality or enforceability of our arbitration agreements;
- changes in demand for our services, changes in competition and the continued acceptance of the online channel by our customers;
- changes in our ability to satisfy our debt obligations or to refinance existing debt obligations or obtain new capital to finance growth;
- a prolonged interruption in the operations of our facilities, systems and business functions, including our information technology and other business systems;
- our ability to maintain an allowance or liability for estimated losses that is adequate to absorb credit losses;
- compliance with laws and regulations applicable to our international operations, including anti-corruption laws such as the Foreign Corrupt Practices Act and the U.K. Bribery Act 2010 and international anti-money laundering, trade and economic sanctions laws;
- our ability to attract and retain qualified officers;
- cyber-attacks or security breaches;
- acts of God, war or terrorism, pandemics and other events;
- the ability to successfully integrate newly acquired businesses into our operations;
- interest rate and foreign currency exchange rate fluctuations;
- changes in the capital markets, including the debt and equity markets;
- the effect of any of the above changes on our business or the markets in which we operate; and
- other risks and uncertainties described herein.

The foregoing list of factors is not exhaustive and new factors may emerge or changes to these factors may occur that would impact the Company's business and cause actual results to differ materially from those expressed in any of our forward looking statements. Additional information regarding these and other factors may be contained in the Company's filings with the Securities and Exchange Commission (the "SEC"), including on Forms 10-Q and 8-K. Readers of this report are encouraged to review all of the Risk Factors contained in Part I, Item 1A. Risk Factors to obtain more detail about the Company's risks and uncertainties. All forward-looking statements involve risks, assumptions and uncertainties. The occurrence of the events described, and the achievement of the expected results, depends on many events, some or all of which are not predictable or within the Company's control. If one or more events related to these or other risks or uncertainties materialize, or if management's underlying assumptions prove to be incorrect, actual results may differ materially from what the Company anticipates. The forward-looking statements in this report are made as of the date of this report, and the Company disclaims any intention or obligation to update or revise any forward-looking statements to reflect events or circumstances occurring after the date of this report. All forward-looking statements in this report are expressly qualified in their entirety by the foregoing cautionary statements.

## **PART I**

### **ITEM 1. BUSINESS**

#### **Overview**

We are a leading technology and analytics company focused on providing online financial services. In 2016, we extended approximately \$2.1 billion in credit to borrowers. As of December 31, 2016, we offered or arranged loans to consumers in 33 states in the United States and in the United Kingdom and Brazil. We also offered financing to small businesses in all 50 states and Washington D.C. in the United States. We use our proprietary technology, analytics and customer service capabilities to quickly evaluate, underwrite and fund loans or provide financing, allowing us to offer consumers and small businesses credit or financing when and how they want it. Our customers include the large and growing number of consumers who and small businesses which have bank accounts but use alternative financial services because of their limited access to more traditional credit from banks, credit card companies and other lenders. We were an early entrant into online lending, launching our online business in 2004, and through December 31, 2016, we have completed over 39.3 million customer transactions and collected approximately 16 terabytes of currently accessible consumer behavior data, allowing us to better analyze and underwrite our specific customer base. We have significantly diversified our business over the past several years having expanded the markets we serve and the financing products we offer. These financing products include short-term loans, line of credit accounts, installment loans and receivables purchase agreements (“RPAs”).

We believe our customers highly value our products and services as an important component of their personal or business finances because our products are convenient, quick and often less expensive than other available alternatives. We attribute the success of our business to our advanced and innovative technology systems, the proprietary analytical models we use to predict the performance of loans and finance receivables, our sophisticated customer acquisition programs, our dedication to customer service and our talented employees.

We have developed proprietary underwriting systems based on data we have collected over our more than 12 years of experience. These systems employ advanced risk analytics to decide whether to approve financing transactions, to structure the amount and terms of the financings we offer pursuant to jurisdiction-specific regulations and to provide customers with their funds quickly and efficiently. Our systems closely monitor collection and portfolio performance data that we use to continually refine the analytical models and statistical measures used in making our credit, purchase, marketing and collection decisions.

Our flexible and scalable technology platforms allow us to process and complete customers’ transactions quickly and efficiently. In 2016, we processed approximately 3.8 million transactions, and we continue to grow our loan and finance receivables portfolio and increase the number of customers we serve through desktop, tablet and mobile platforms. Our highly customizable technology platforms allow us to efficiently develop and deploy new products to adapt to evolving regulatory requirements and consumer preference, and to enter new markets quickly. In 2012, we launched a new product in the United States designed to serve near-prime customers, and in April 2014 we introduced a similar product in the United Kingdom. In June 2014, we launched our business in Brazil, where we arrange financing for borrowers through a third party lender. In addition, in July 2014, we introduced a new line of credit product in the United States to serve the needs of small businesses. In June 2015, we further expanded our product offering by acquiring certain assets of a company that provides financing to small businesses by offering RPAs (see Note 3 in the Notes to Consolidated Financial Statements). These new products have allowed us to further diversify our product offerings, customer base and geographic scope. In 2016, we derived 83.6% of our total revenue from the United States and 16.4% of our total revenue internationally, with 84.4% of international revenue (representing 13.9% of our total revenue) generated in the United Kingdom.

We have been able to consistently acquire new customers and successfully generate repeat business from returning customers when they need financing. We believe our customers are loyal to us because they are satisfied with our products and services. We acquire new customers from a variety of sources, including visits to our own websites, mobile sites or applications, and through direct marketing, affiliate marketing, lead providers and relationships with other lenders. We believe that the online convenience of our products and our 24/7 availability to accept applications with quick approval decisions are important to our customers.

Once a potential customer submits an application, we quickly provide a credit or purchase decision. If a loan or financing is approved we or our lending partner typically fund the loan or financing the next business day or, in some cases, the same day. During the entire process, from application through payment, we provide access to our well-trained customer service team. All of our operations, from customer acquisition through collections, are structured to build customer satisfaction and loyalty, in the event that a customer has a need for our products in the future. We have developed a series of sophisticated proprietary scoring models to support our various products. We believe that these models are an integral component of our operations and they allow us to complete a high volume of customer transactions while actively managing risk and the related credit quality of our loan and finance receivable portfolios. We believe our successful application of these technology innovations differentiates our capabilities relative to competitive platforms as evidenced by our history of strong growth and stable credit quality.

## ***Products and Services***

Our online financing products and services provide customers with a deposit of funds to their bank account in exchange for a commitment to repay the amount deposited plus fees, interest and/or revenue on the receivables purchased. We originate, arrange, guarantee or purchase short-term consumer loans, line of credit accounts, installment loans and RPAs. We have one reportable segment that includes all of our online financial services.

***Short-term consumer loans.*** Short-term consumer loans are unsecured loans written by us or by a third-party lender through our credit services organization and credit access business programs, which we refer to as our CSO programs, that we arrange and guarantee. As of December 31, 2016, we offered or arranged short-term consumer loans in 18 states in the United States and the United Kingdom. Short-term consumer loans generally have terms of seven to 90 days, with proceeds typically deposited promptly in the customer's bank account in exchange for a pre-authorized debit from their account or debit card. Due to the credit risk and high transaction costs of serving our customer segment, the interest and/or fees we charge are generally considered to be higher than the interest or fees charged to consumers with superior credit histories by banks and similar lenders who are typically unwilling to make unsecured loans to non-prime credit consumers. Our short-term consumer loans contributed approximately 26.3% of our total revenue in 2016, 31.4% in 2015, and 31.7% in 2014.

***Line of credit accounts.*** We offer consumer line of credit accounts in seven states in the United States and business line of credit accounts in 24 states in the United States, which allow customers to draw on their unsecured line of credit in increments of their choosing up to their credit limit. Customers may pay off their account balance in full at any time or make required minimum payments in accordance with their terms of the line of credit account. As long as the customer's account is in good standing and has credit available, customers may continue to borrow on their line of credit. As a result of regulatory changes in 2014, we discontinued offering line of credit accounts to new customers in the United Kingdom in late 2014 and effective January 1, 2015, we discontinued draws on existing accounts. Our line of credit accounts contributed approximately 29.6% of our total revenue in 2016, 28.4% in 2015, and 37.7% in 2014.

***Installment loans.*** Installment loans are longer-term loans that generally require the outstanding principal balance to be paid down in multiple installments. We offer, or arrange through our CSO Programs and in Brazil, multi-payment unsecured consumer installment loan products in 17 states in the United States and in the United Kingdom and Brazil. Terms for our installment loan products range between two and 60 months. These loans generally have higher principal amounts than short-term loans. The loan may be repaid early at any time with no prepayment charges. Our installment loans contributed approximately 43.9% of our total revenue in 2016, 39.9% in 2015, and 30.5% in 2014.

We have been investing and will continue to invest in the growth of our near-prime installment lending portfolio, particularly loans with an annual percentage rate ("APR"), at or below 36%, and those through loan programs that we are establishing with a small number of banks.

***Receivables purchase agreements.*** Under RPAs, small businesses receive funds in exchange for a portion of the business's future receivables at an agreed upon discount. In contrast, lending is a commitment to repay principal and interest. A small business customer who enters into a RPA commits to delivering a percentage of its receivables through ACH or wire debits or by splitting credit card receipts until all purchased receivables are delivered. We offer RPAs in all 50 states and in Washington D.C. in the United States.

***CSO Programs.*** Through our CSO programs, we provide services related to third-party lenders' short-term and installment loan products by acting as a credit services organization or credit access business on behalf of consumers in accordance with applicable state laws. Services offered under our CSO programs include credit-related services such as arranging loans with independent third-party lenders and assisting in the preparation of loan applications and loan documents ("CSO loans"). When a consumer executes an agreement with us under our CSO programs, we agree, for a fee payable to us by the consumer, to provide certain services, one of which is to guarantee the consumer's obligation to repay the loan received by the consumer from the third-party lender if the consumer fails to do so. For CSO loans, each lender is responsible for providing the criteria by which the consumer's application is underwritten and, if approved, determining the amount of the consumer loan. We, in turn, are responsible for assessing whether or not we will guarantee such loan. The guarantee represents an obligation to purchase specific short-term loans, which generally have terms of less than 90 days, and specific installment loans, which have terms of four to 12 months, if they go into default.

***Bank program.*** In March 2016, we launched a program with a state-chartered bank where we provide technology, loan servicing and marketing services to the bank (the "Bank Program"). Our bank partner offers unsecured consumer installment loans with an APR at or below 36%. We also have the ability to purchase loans originated through this program. We plan to grow this program through expanding to more states and adding additional partners. Revenue generated from this program for the year ended December 31, 2016 was 0.6% of our total revenue.

As of December 31, 2016, 2015 and 2014, the outstanding amount of active short-term consumer loans originated by third-party lenders under the CSO programs was \$26.1 million, \$25.2 million and \$36.3 million, respectively, which were guaranteed by us.

The outstanding amount of active installment loans originated by third-party lenders under the CSO programs, which have terms of four to 12 months, was \$6.1 million, \$9.0 million and \$7 thousand as of December 31, 2016, 2015 and 2014, respectively, which were guaranteed by us.

***Our Markets***

We currently provide our services in the following countries:

***United States.*** We began our online business in the United States in May 2004. As of December 31, 2016, we provided services in all 50 states and Washington D.C. We market our financing products under the names CashNetUSA at [www.cashnetusa.com](http://www.cashnetusa.com), NetCredit at [www.netcredit.com](http://www.netcredit.com), Headway Capital at [www.headwaycapital.com](http://www.headwaycapital.com) and The Business Backer at [www.businessbacker.com](http://www.businessbacker.com). The United States represented 83.6% of our total revenue in 2016 and 78.2% of our total revenue in 2015.

***United Kingdom.*** We provide services in the United Kingdom under the names QuickQuid at [www.quickquid.co.uk](http://www.quickquid.co.uk), Pounds to Pocket at [www.poundstopocket.co.uk](http://www.poundstopocket.co.uk) and On Stride Financial at [www.onstride.co.uk](http://www.onstride.co.uk). We began our QuickQuid short-term consumer loan business in July 2007, our Pounds to Pocket installment loan business in September 2010, and our On Stride near-prime installment loan business in April 2014. We offered a line of credit product from March 2013 to December 2014 under the brand name QuickQuid FlexCredit. The United Kingdom represented 13.9% of our total revenue in 2016 and 19.9% of our total revenue in 2015.

***Brazil.*** On June 30, 2014, we launched our business in Brazil where we arrange installment loans for a third party lender under the name Simplic at [www.simplic.com.br](http://www.simplic.com.br). We plan to continue to invest in and expand our lending in Brazil. Brazil represented 1.6% of total revenue in 2016 and 0.3% of total revenue in 2015.

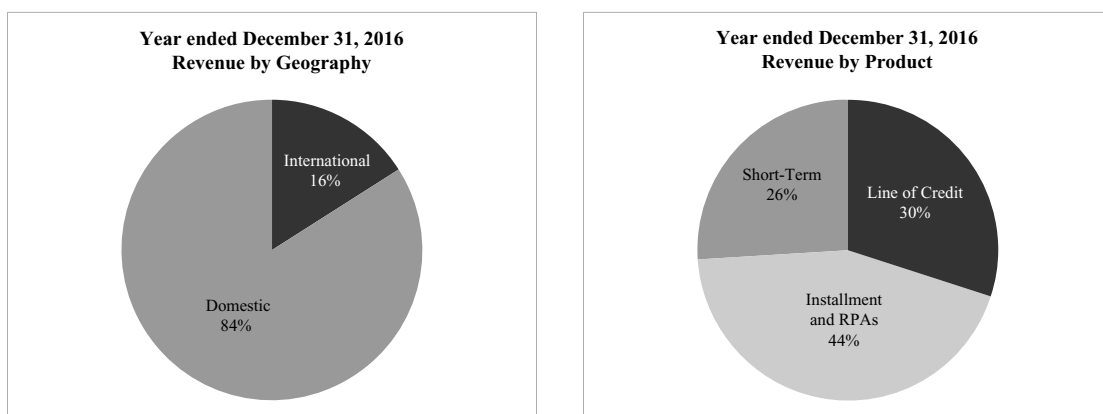
***Exiting Australia and Canada Markets***

We previously provided services under the name DollarsDirect at [www.dollarsdirect.com.au](http://www.dollarsdirect.com.au) in Australia, and we began providing services there in May 2009. We previously provided services in Canada in the provinces of Ontario, British Columbia, Alberta and Saskatchewan under the name DollarsDirect at [www.dollarsdirect.ca](http://www.dollarsdirect.ca), and we began providing services there in October 2009. Due to the small size of the Australian and Canadian markets and our limited operations there, we decided to exit those markets in 2016 and reallocate our resources to our other existing businesses. As a result, we have stopped lending activities and have wound down our loan portfolios.

***Key Financial and Operating Metrics***

We have achieved significant growth since we began our online business as we have expanded both our product offerings and the geographic markets we serve. We measure our business using several financial and operating metrics. Our key metrics include domestic and international combined loans and finance receivables outstanding, in addition to other measures described under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

This growth in product offerings and geographic markets has resulted in significant revenue diversification, as set forth below:



Additional financial information regarding our operating segment and each of the geographic areas in which we do business is provided in “Note 18. Operating Segment Information—Geographic Information” to our Audited Financial Statements in Part II,

Item 8 of this report. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent Regulatory Developments—Financial Conduct Authority” included in Part II, Item 7 of this report for a discussion about our expectations for our U.K. business going forward.

### ***Our Industry***

The internet has transformed how consumers and small businesses shop for and acquire products and services. According to a study by the United Nations, 47% of the world’s population had access to the internet in 2016, a 3% increase from a year before. International Data Corporation reported that global internet usage is expected to increase at a pace of 2% annually through 2020. Accompanying the rise in internet usage is the continued disruption of storefront retail by e-commerce companies like Amazon, as consumers flock to purchase goods and interact with businesses online. According to the U.S. Census Bureau, U.S. e-commerce sales as a percent of total quarterly retail sales increased threefold from the first quarter of 2006 to the third quarter of 2016, reaching 8.4%. In addition, a number of traditional financial services such as banking, bill payment and investing have become widely available online. A March 2016 report by the Consumer and Community Development Research Section of the Federal Reserve’s Board of Division of Consumer and Community Affairs found that approximately 71% of bank customers in a U.S. sample have used online banking as a means of accessing banking services. This level of use highlights the extent to which consumers now accept the internet for conducting their financial transactions and are willing to entrust their financial information to online companies. We believe the increased acceptance of online financial services has led to an increased demand for online lending and financing, the benefits of which include customer privacy, easy access, security, 24/7 availability to apply for a loan or financing, speed of funding and transparency of fees and interest.

We use the internet to serve the large and growing number of underbanked consumers and small businesses who have bank accounts but use alternative financial services because of their limited access to more traditional credit from banks, credit card companies and other lenders. Demand from these consumers has been fueled by several demographic and socioeconomic trends, including an overall increase in the population and stagnant to declining growth in the household income for working-class individuals. The necessity for alternative financial services was highlighted by a May 2016 report from the Federal Reserve, which found that 46% of respondents could not cover an emergency expense of \$400, or would cover it by selling something or borrowing money. The report also found a sizeable portion of the population is unable to access credit through traditional financial channels, with 26 percent turning to alternative financial services options in the prior year. Approximately 18% of respondents had been denied credit, were offered less credit than they desired, or desired credit but did not apply for fear of denial.

Small businesses are also suffering from lack of access to credit from traditional lenders. Among a sample of small businesses surveyed for the National Small Business Association’s 2016 Mid-Year Economic Report, 52% reported that capital availability was a problem for their business. Similarly, according to a 2016 study by the Federal Reserve, only 50% of small employer firms that were approved for financing received the full amount requested. Online lending and funding options are emerging as a solution for small businesses which are seeking capital. According to data provided by small business credit tracker Paynet Inc. for a November 2015 Wall Street Journal article, banks issued only 43% of business loans up to \$1 million through August of 2015 a decrease of 15% from 2009. Conversely, nonbank lenders increased their market share from 10% to 26%, and the Federal Reserve found that 20 percent of small businesses surveyed used credit from online lenders. Aside from the need for capital, businesses seek out online lenders for their often faster, easier application process. In the Federal Reserve study, approved applicants cited the long wait for a credit decision and the difficult application process as top reasons for their dissatisfaction with banks, whereas online lenders performed the best in these areas.

We believe that consumers and small businesses seek online lending services for numerous reasons, including because they often:

- prefer the simplicity, transparency and convenience of these services;
- require access to financial services outside of normal financial services storefront hours;
- have an immediate need for cash for financial challenges and unexpected expenses;
- have been unable to access certain traditional lending or other credit services;
- seek an alternative to the high cost of bank overdraft fees, credit card and other late payment fees and utility late payment fees or disconnect and reconnection fees; and
- wish to avoid potential negative credit consequences of missed payments with traditional creditors.

With increasing competition across industries, tightening regulations and higher expectations from consumers, businesses are seeking solutions for faster, more accurate decision making. In 2016, we launched a product that uses our proprietary technology and analytics capabilities to offer businesses a solution for real-time decisioning at scale. Based on our own analysis, the market size for analytics-as-a-service was approximately \$4 billion in 2014; the market has since expanded to more than \$5 billion, with high potential for future growth.



## ***Our Customers***

Our U.S. sub-prime consumer customer base is comprised largely of individuals living in households that earn an average annual income of \$41,000 in the United States and £25,000 in the United Kingdom, and our U.S. near-prime customers earn an average annual income of \$61,000. Based on our analysis of industry data, we believe our addressable markets are approximately 68 million and 7 million individuals in the United States and the United Kingdom, respectively. The short-term lending market is sizable in the United States, the United Kingdom and Brazil. We estimate there is a \$69 billion consumer lending opportunity market in the United States. The U.K. Parliamentary Commission on Banking Standards estimated that the high-cost credit market, which includes short-term lending, represented over \$9 billion in loan volume as of September 2013. However, in its February 2015 final report following its investigation of the U.K. payday lending industry, the Competition & Markets Authority found that revenue for the seven major payday lenders was down 27% year over year for the first nine months of 2014. In Brazil, we estimate there to be 74 million class C and D consumers and a \$42 billion consumer loans market. Small business is also an attractive market opportunity, with total U.S. small business loan market of \$193 billion. Tighter banking regulations forced banks to vacate the market for loans under \$1 million. Loans under \$100 thousand are the fastest growing loan segment and 66% of all small business loan growth.

Our small business customers who enter into RPAs average approximately \$1.5 million in annual sales and 10 years of operating history while those who obtain an open line of credit account average approximately \$450 thousand in annual sales and 7 years of operating history.

In 2016, we launched an analytics-as-a-service business that we believe has applications for multiple industries, including finance, education, real estate, and insurance, for example.

## ***Our Competitive Strengths***

We believe that the following competitive strengths position us well for continued growth:

- ***Significant operating history and first mover advantage.*** As an early entrant in the online lending sector, we have accumulated approximately 16 terabytes of currently accessible consumer behavior data from more than 39 million transactions in our more than twelve years of experience. This database allows us to market to a customer base with an established borrowing history as well as to better evaluate and underwrite new customers, leading to better loan performance. In order to develop a comparable database, we believe that competitors would need to incur high marketing and customer acquisition costs, overcome customer brand loyalties and have sufficient capital to withstand higher early losses associated with unseasoned loan portfolios. Additionally, we are licensed in all jurisdictions which require licensing and believe that it would be difficult and time consuming for a new entrant to obtain such licenses. We have also created strong brand recognition over our more than twelve years of operating history and we continue to invest in our brands, such as CashNetUSA, NetCredit, Pounds to Pocket, QuickQuid, On Stride Financial, Headway Capital, The Business Backer and Simple, to further increase our visibility.
- ***Proprietary analytics, data and underwriting.*** We have developed a fully integrated decision engine that evaluates and rapidly makes credit and other determinations throughout the customer relationship, including automated decisions regarding marketing, underwriting, customer contact and collections. Our decision engine currently handles more than 100 algorithms and over 1,000 variables. These algorithms are constantly monitored, validated, updated and optimized to continuously improve our operations. Our proprietary models are built on over twelve years of lending history, using advanced statistical methods that take into account our experience with the millions of transactions we have processed during that time and the use of data from numerous third-party sources. Since we designed our system specifically for our specialized products, we believe our system provides more predictive assessments of future loan behavior than traditional credit assessments, such as the Fair Isaac Corporation score (“FICO score”), and therefore, results in better evaluation of our customer base.
- ***Scalable and flexible technology platforms.*** Our proprietary technology platforms are designed to be powerful enough to handle the large volume of data required to evaluate customer applications and flexible enough to capitalize on changing customer preferences, market trends and regulatory requirements. These platforms have enabled us to achieve significant growth over more than twelve years as we have expanded both our product offerings and the geographic markets we serve. We began offering installment loans in the United States and United Kingdom in 2008 and 2010, respectively, and added line of credit products in the United States and United Kingdom in 2010 and 2013, respectively. We have experienced significant growth in these products, with revenue contribution from installment and line of credit products increasing from 11.7% of total revenue in 2010 to 73.5% of total revenue in 2016. Similarly, total revenue contribution from our international operations, primarily in the United Kingdom, grew from \$40.5 million, or 15.9% of total revenue in 2009, to \$335.1 million, or 41.4% of total revenue in 2014, before declining to \$142.4 million, or 21.8% of total revenue in 2015 due to regulatory changes in the United Kingdom. International revenue was \$122.6 million, or 16.4% of total revenue in 2016. Due to the scalability of our platform, we were able to achieve this growth without significant investment in additional infrastructure, and over the past three years capital expenditures have averaged only 2.8% of revenue per year. We expect our advanced technology and underwriting platform to help continue to drive significant growth in our business.

- **Focus on customer experience.** We believe that non-prime credit consumers and small businesses are not adequately served by traditional lenders. To better serve these consumers and small businesses, we use customer-focused business practices, including extended-hours availability of our customer service team by phone, email, fax and web chat. We continuously work to improve customer satisfaction by evaluating information from website analytics, customer surveys, call center feedback and focus groups. Our call center teams receive training on a regular basis and are monitored by quality assurance managers. We believe customers who wish to access credit again often return to us because of our dedication to customer service, the transparency of our fees and interest charges and our adherence to trade association “best practices.”
- **Diligent regulatory compliance.** We conduct our business in a highly regulated industry. We are focused on regulatory compliance and have devoted significant resources to comply with laws that apply to us, while we believe many of our online competitors have traditionally not done so. We tailor our lending products and services to comply with the specific requirements of each of the jurisdictions in which we operate, including laws and regulations relating to fees, loan durations and renewals or extensions, loan amounts, disclosures and underwriting requirements. Our compliance experience and proprietary technology platform allow us to launch new products and to enter new geographic regions with a focus on compliance with applicable laws and customer protection. We are members of industry trade groups, including the Online Lenders Alliance in the United States and the Consumer Finance Association in the United Kingdom, which have promulgated “best practices” for our industry that we have adopted. The flexibility of our online platform enables us to rapidly adapt our products as necessary to comply with changes in regulation, without the need for costly and time consuming retraining of store-based employees and other expenses faced by our storefront competitors.
- **Proven history of growth and profitability.** Over the last six years, we grew our net loan and finance receivables, which are the gross outstanding balances for our loan and finance receivables carried in the consolidated balance sheets net of the allowance for estimated losses, at a compound annual growth rate of 28.1%, from \$163.0 million as of December 31, 2011 to \$561.6 million as of December 31, 2016. Over the same period, our revenue grew at a compound annual growth rate of 9.2%, from \$480.3 million in 2011 to \$745.6 million in 2016, while Adjusted EBITDA grew at a compound annual growth rate of 10.1%, from \$87.7 million to \$142.3 million. Adjusted EBITDA margin has likewise improved, increasing from 18.3% of revenue in 2011 to 19.1% of revenue in 2016. See note (a) in “Selected Financial Data—Part II, Item 6” of this report for a reconciliation of Adjusted EBITDA to net income and Adjusted EBITDA as a percentage of total revenue (which is Adjusted EBITDA margin).
- **Talented, highly educated employees.** We believe we have one of the most skilled and talented teams of professionals in the industry. Our employees have exceptional educational backgrounds, with numerous post-graduate and undergraduate degrees in science, technology, engineering and mathematics fields. We hire and develop top talent from graduate and undergraduate programs at institutions such as Carnegie Mellon University, Northwestern University and the University of Chicago. The extensive education of our team is complemented by the experience our leadership team obtained at leading technology firms and financial services companies such as optionsXpress, HSBC, Discover Financial Services, First American Bank and JPMorgan Chase.

### ***Our Growth Strategy***

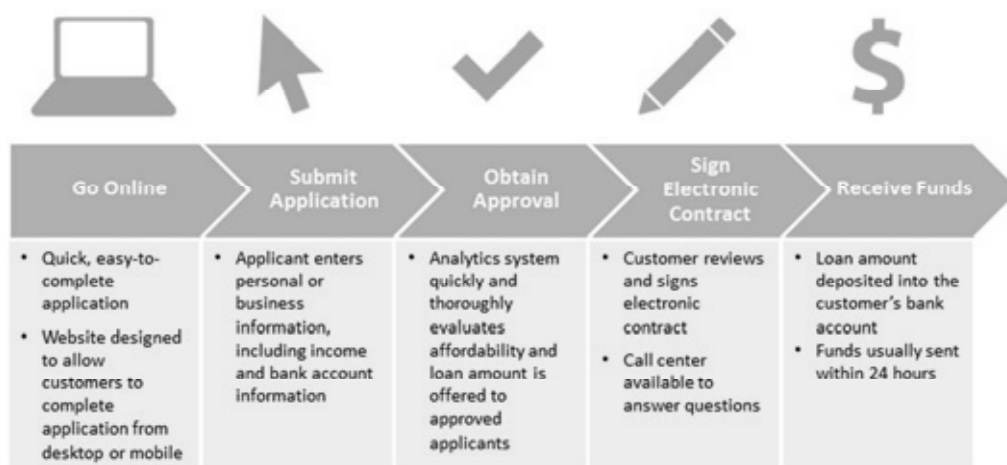
- **Increase penetration in existing markets through direct marketing.** We believe that we have reached only a small number of the potential customers for our products and services in the markets in which we currently operate. We continue to focus on our direct customer acquisition channels, with direct marketing (traditional and digital) generating approximately 49% of our new consumer transactions in 2016, as compared to 32% in 2009. We believe these channels will ultimately allow us to reach a larger customer base at a lower acquisition cost than the traditional online lead purchasing model. Additionally, as our smaller and less sophisticated competitors, both online and storefront, struggle to adapt to both regulatory developments and evolving customer preference, we believe we have the opportunity to gain significant market share.
- **Expand globally to reach new markets.** We are building on our global reach by entering new markets. In June 2014, we launched our business in Brazil, where we arrange loans for borrowers through a third party lender. We also operated a pilot program in China in 2014 and 2015 where we arranged loans for borrowers through a third party lender but in 2016 decided to address the Chinese market as an analytics provider going forward. We believe that these countries have significant populations of underserved consumers. When pursuing geographic expansion, factors we consider include, among others, whether there is (i) widespread internet usage, (ii) an established and interconnected banking system and (iii) government policy that promotes the extension of credit. Our business in Brazil and our previous pilot in China, as well as our launches into the United Kingdom in 2007 and Australia and Canada in 2009, demonstrate that we can quickly and efficiently enter and explore new markets. Our revenue from international operations has increased from \$1.6 million in 2007, or 0.9% of our total revenue, to \$122.6 million in 2016, or 16.4% of our total revenue.
- **Introduce new products and services.** We plan to attract new categories of consumers and small businesses not served by traditional lenders through the introduction of new products and services. We have introduced new products to expand our businesses from solely single-payment consumer loans to installment loans, line of credit accounts and small business loans and financing, using our analytics expertise and our flexible and scalable technology platform. In 2012, we launched NetCredit, a longer duration installment loan product for near-prime consumers in the United States, and we launched On Stride Financial, a

similar near-prime product, in the United Kingdom in April 2014. In July 2014 we launched Headway Capital, a line of credit product in the United States that serves the needs of small businesses. On June 23, 2015, we completed the purchase of certain assets of a company operating as The Business Backer, which now allows us to provide short-term financing to small businesses throughout the United States through RPAs. In addition, we intend to continue to evaluate and offer new products and services that complement our online specialty financial services in order to meet the growing needs of our consumers and small businesses.

### **Online Loan Process**

Our consumer and small business loan transactions are conducted almost exclusively online. When a customer takes out a new loan, nearly all customers choose to have funds promptly deposited in their bank account and choose to use a pre-authorized debit for repayment from their bank account or debit card. Where permitted by law and approved by us, a customer may choose to renew a short-term consumer loan before payment becomes due by agreeing to pay an additional finance charge. If a loan is renewed or refinanced, the renewal or refinanced loan is considered a new loan.

We have created a quick and simple process for customers to apply for an online loan, as shown below:



### **Technology Platform**

Our proprietary technology platforms are built for scalability and flexibility and are based on proven open source software. The technology platforms were designed to be powerful enough to handle the large volumes of data required to evaluate customer and small business applications and flexible enough to capitalize on changing customer preferences, market trends and regulatory changes. The scalability and flexibility of our technology platforms allow us to enter new markets and launch new products quickly, typically within three to six months from conception to launch.

We continually employ technological innovations to improve our technology platforms, which perform a variety of integrated and core functions, including:

- **Front-end system**, which includes external websites, landing pages and mobile sites and applications that customers use when applying for loans or financing and managing their accounts;
- **Back-end and customer relationship management (“CRM, systems”)**, which maintain customer-level data and are used by our call center employees to provide real-time information for all inquiries. Our back-end system and CRM system includes, among other things, our contact management system, operational and marketing management system, automated phone system, Interactive Voice Response and call center performance management system;
- **Decision engine**, which rapidly evaluates and makes credit and financing decisions throughout the customer relationship; and
- **Financial system**, which manages the external interface for funds transfers and provides daily accounting, reconciliation and reporting functions.

The key elements of our technology platforms include:

- **Scalable Information Technology infrastructure.** Our Information Technology infrastructure allows us to meet customer demand and accommodate business growth. Our services rely on accessing, evaluating and creating large volumes of data including, for example, information collected from approximately 52 million credit reports during 2016. This rich dataset has

grown significantly over our more than twelve-year history and will continue to grow as our business expands. We believe that our scalable IT infrastructure enables us to meet substantial growth demands.

- ***Flexible software and integration systems.*** Our software system is designed to allow us to enter new markets and launch new products rapidly, modify our business operations quickly and account for complex regulatory requirements imposed in the jurisdictions in which we operate. We have developed a proprietary software solution that allows us to innovate quickly and to improve the customer experience. Our integration system allows us to easily interface with banks and other strategic partners in order to deliver the best financial products and services possible. Our software and integration systems and their flexibility allow us much more control over the continually evolving aspects of our business.
- ***Rapid development processes.*** Our software development life cycle is rapid and iterative to increase the efficiency of our platform. We are able to implement software updates while maintaining our system stability.
- ***Security.*** We collect and store personally identifiable customer information, including names, addresses, social security numbers and bank account information. We have safeguards designed to protect this information. We also created controls to limit employee access to that information and to monitor that access. Our safeguards and controls have been independently verified through regular and recurring audits and assessments.
- ***Redundant disaster recovery.*** Certain key parts of our technology platform, such as our phone system for handling U.S. and U.K. customer service on consumer loans, are distributed across two different locations. In addition, critical components of our platform are redundant. This provides redundancy, fault tolerance and disaster recovery functionality in case of a catastrophic outage.

### ***Proprietary Data and Analytics***

#### ***Decision Engine***

We have developed a fully integrated decision engine that evaluates and rapidly makes credit and other determinations throughout the customer relationship, including automated decisions regarding marketing, underwriting, customer contact and collections. Our decision engine currently handles more than 100 algorithms and over 1,000 variables. The algorithms in use are constantly monitored, validated, updated and optimized to continuously improve our operations. In order to support the daily running and ongoing improvement of our decision engine, we have assembled a highly skilled team of over 50 data and analytics professionals as of December 31, 2016.

#### ***Proprietary Data, Models and Underwriting***

Our proprietary models are built on more than twelve years of history, using advanced statistical methods that take into account our experience with the millions of transactions we have processed during that time and the use of data from numerous third-party sources. We continually update our underwriting models to manage risk of defaults and to structure loan terms. Our system completes these assessments within seconds of receiving the customer's data.

Our underwriting system is able to assess risks associated with each customer individually based on specific customer information and historical trends in our portfolio. We use a combination of numerous factors when evaluating a potential customer, which can include a consumer's income, rent or mortgage payment amount, employment history, external credit reporting agency scores, amount and status of outstanding debt and other recurring expenditures, fraud reports, repayment history, charge-off history and the length of time the customer has lived at his or her current address. While the relative weight or importance of the specific variables that we consider when underwriting a loan changes from product to product, generally, the key factors that we consider for loans include monthly gross income, disposable income, length of employment, duration of residency, credit report history and prior loan performance history if the applicant is a returning customer. Similar factors are considered for small business applicants and also include length of time in business, online business reviews, and sales volumes. Our customer base for consumer loans is predominantly in the low to fair range of FICO scores, with scores generally between 500 and 680 for most of our loan products. We generally do not take into account a potential customer's FICO score when deciding whether to make a loan. A Vantage score is one of the factors in our credit models for our near-prime installment product in the United States. Since we designed our system specifically for our specialized products, we believe our system provides more predictive assessments of future payment behavior and results in better evaluation of our customer base when compared to traditional credit assessments, such as a FICO score.

#### ***Fraud Prevention***

Our robust fraud prevention system is built from in-depth analysis of previous fraud incidences and information from third party data sources. To ensure sustainable growth, our fraud prevention team has built rigorous systems and processes to detect fraud trends, identify fraudulent applications and learn from past fraudulent cases.

Working together with multiple vendors, our systems first determine whether the customer information submitted matches other indicia regarding the application and that the applicant can authorize transactions for the submitted bank account. To prevent more organized and systematic fraud, we have developed predictive models that incorporate signals from various sources that we have found to be useful in identifying fraud. These models utilize advanced data mining algorithms and recent technologies to effectively identify fraudulent applications with a very low false positive rate. In addition, we have built strong loan processing teams that handle suspicious activities efficiently while minimizing friction in customer experience. Our fraud prevention system incorporates algorithms to differentiate customers in an effort to identify suspected fraudulent activity and to reduce our risks of loss from fraud.

We continuously develop and implement ongoing improvements to these systems and, while no system can completely protect against losses from fraud, we believe our systems provide protection against significant fraud losses.

### ***Marketing***

We use a multi-channel approach to marketing our online loans and financing products, with both broad-reach and highly-targeted channels, including television, digital, direct mail, telemarketing and partner marketing (which includes lead providers, independent brokers and marketing affiliates). The goal of our marketing is to promote our brands and products in the online lending marketplace and to directly acquire new customers at low cost. Our marketing has successfully built strong awareness of and preference for our brands, as our products have achieved market leadership through the following:

- ***Traditional advertising.*** We use television, direct mail, radio and outdoor advertisements, supported by technology infrastructure and key vendors, to drive and optimize website traffic and loan volume. We believe our investments through these channels have helped create strong brand awareness and preference in the customer segments and markets we serve.
- ***Digital acquisition.*** Our online marketing efforts include pay-per-click, keyword advertising, search engine optimization, marketing affiliate partnerships, social media programs and mobile advertising integrated with our operating systems and technology from vendors that allow us to optimize customer acquisition tactics within the daily operations cycle.
- ***Partner Marketing.*** We purchase qualified leads for prospective new customers from a number of online lead providers and independent brokers and through marketing affiliate partnerships. We believe that our rapid decision-making on lead purchases, strong customer conversion rate and significant scale in each of our markets make us a preferred partner for lead providers, brokers and affiliates while at the same time our technology and analytics help us determine the right price for the right leads.
- ***User experience and conversion.*** We measure and monitor website visitor usage metrics and regularly test website design strategies to improve customer experience and conversion rates.

Our brand, technology and analytics-powered approach to marketing has enabled us to increase the percentage of consumer loans sourced through direct marketing (where we have more visibility and control than in the lead purchase or affiliate channels) from approximately 32% in 2009 to 49% in 2016, and we believe we have also improved customer brand loyalty during the same period.

### ***Customer Service***

We believe that our in-house call center and our emphasis on superior customer service are significant contributors to our growth. To best serve our consumers and small businesses, we use customer-oriented business practices, such as offering extended-hours customer service. We continuously work to improve our customers' experience and satisfaction by evaluating information from website analytics, customer satisfaction surveys, call center feedback, call monitoring and focus groups. Our call center teams receive training on a regular basis, are monitored by quality assurance managers and adhere to rigorous internal service-level agreements. We do not outsource our call center operations, except in Brazil. We have two call center facilities, one in our corporate offices in Chicago and another in Gurnee, Illinois, a Chicago suburb. As of December 31, 2016, we had over 500 employees in our call centers supporting our customers.

### ***Collections***

We operate centralized collection teams within our two call centers to coordinate a consistent approach. We have implemented loan and financing collection policies and practices designed to optimize regulatory compliant loan and financing repayment, while also providing excellent customer service. Our collections employees are trained to help the customer understand available payment alternatives and make arrangements to repay the loan or financing. We use a variety of collection strategies to satisfy a delinquent loan, such as settlements and payment plans, or to adjust the delivery of finance receivables.

Call center employees contact customers following the first missed payment and periodically thereafter. Our primary methods of contacting past due customers are through phone calls, letters and emails. At times, we sell loans that we are unable to collect to debt collection companies or place the debt for collection with debt collection companies.

## ***Competition***

We have many competitors. Our principal competitors are consumer loan companies, CSOs, online lenders, credit card companies, consumer finance companies, auto title lenders, pawnshops and other financial institutions that offer similar financial products and services, including loans on an unsecured as well as a secured basis. We believe that there is also indirect competition to some of our products, including bank overdraft facilities and banks' and retailers' insufficient funds policies, many of which may be more expensive alternative approaches for consumers and small businesses to cover their bills and expenses than the consumer and small business loan and financing products we offer. Some of our U.S. competitors operate using other business models, including a "tribal model" where the lender follows the laws of a Native American tribe regardless of the state in which the customer resides.

We believe that the principal competitive factors in the consumer and small business loan and financing industry consist of the ability to provide sufficient loan size to meet customers' loan requests, speed of funding, customer privacy, ease of access, transparency of fees and interest and customer service. We believe we have a significant competitive advantage as an early mover in many of the markets that we serve. New entrants face obstacles typical to launching new lending operations, such as successfully implementing underwriting and fraud prevention processes, incurring high marketing and customer acquisition costs, overcoming customer brand loyalty and having or obtaining sufficient capital to withstand early losses associated with unseasoned loan portfolios. In addition, there are substantial regulatory and compliance costs, including the need for expertise to customize products and obtain licenses to lend in various states in the United States and in international jurisdictions. Our proprietary technology, analytics expertise, scale, international reach, brand recognition and regulatory compliance would be difficult for a new competitor to duplicate.

Because numerous competitors offer consumer and small business loan and financing products, and many of our competitors are privately held, it is difficult for us to determine our exact competitive position in the market. However, we believe our principal online competitors in the United States include Avant, Elevate, LendUp and Speedy Cash. Storefront consumer loan lenders that offer loans online or in storefronts are also a source of competition in some of the markets where we offer consumer loans, including Advance America, Ace Cash Express, Check Into Cash, Check 'n Go, Dollar Financial and One Main Financial. For online small business financing, we believe our main competitors are CAN Capital, OnDeck and Kabbage. In the United Kingdom, we believe that our principal online competitors include 118118, Amigo, Avant, Lending Stream, Mr. Lender, PaydayUK, Satsuma, Sunny and Wonga.

Our products also compete with those of other financial institutions, such as banks, credit unions, pawn shops, credit services organizations, auto title lenders and consumer finance companies, which can offer loans on an unsecured as well as a secured basis.

## ***Intellectual Property***

Protecting our rights to our intellectual property is critical, as it enhances our ability to offer distinctive services and products to our customers, which differentiates us from our competitors. We rely on a combination of trademark laws and trade secret protections in the United States and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect the intellectual property rights related to our proprietary analytics, predictive underwriting models and software systems. We have several registered trademarks, including CashNetUSA, QuickQuid and our "e" logo. These trademarks have varying expiration dates, and we believe they are materially important to us and we anticipate maintaining them and renewing them.

## ***Seasonality***

Demand for our consumer loan products and services in the United States has historically been highest in the third and fourth quarters of each year, corresponding to the holiday season, and lowest in the first quarter of each year, corresponding to our customers' receipt of income tax refunds. Typically, our cost of revenue for our consumer loan products, which represents our loan loss provision, is lowest as a percentage of revenue in the first quarter of each year, corresponding to our customers' receipt of income tax refunds, and increases as a percentage of revenue for the remainder of each year. Consequently, we experience seasonal fluctuations in our domestic operating results and cash needs.

## **Financial Information on Segments and Areas**

Additional financial information regarding our operating segment and each of the geographic areas in which we do business is provided in "Item 8. Financial Statements and Supplementary Data—Note 18" of this report.

## Operations

### Management and Personnel

#### Executive Officers

Our executive officers, and information about each as of December 31, 2016, are listed below.

NAME	POSITION WITH ENOVA	AGE
David A. Fisher.....	President & Chief Executive Officer	47
Greg Zeeman.....	Executive Vice President—Chief Operating Officer	48
Kirk Chartier.....	Executive Vice President—Chief Marketing Officer	53
Steven Cunningham.....	Executive Vice President—Chief Financial Officer and Treasurer	47
Joseph DeCosmo.....	Vice President—Chief Analytics Officer	51
John J. Higginson.....	Vice President—Chief Technology Officer	49
Sean Rahilly.....	Vice President—Chief Compliance Officer	43
Jim Salters.....	Vice President – Operations	39
Lisa M. Young.....	Vice President—General Counsel & Secretary	50

There are no family relationships among any of the officers named above. Each officer of Enova holds office from the date of appointment until removal or termination of employment with Enova. Set forth below is additional information regarding the executive officers identified above.

**David A. Fisher** has served as our President and Chief Executive Officer since March 29, 2013. Mr. Fisher has served as our Chief Executive Officer since January 29, 2013 when he joined Enova. Mr. Fisher has also served as our Director since February 11, 2013. Prior to joining Enova, Mr. Fisher was Chief Executive Officer of optionsXpress Holdings, Inc., or optionsXpress, from October 2007 until The Charles Schwab Corporation (“Schwab”), acquired the business in September 2011. Following the acquisition, Mr. Fisher served as President of optionsXpress until March 2012. Mr. Fisher also served as the President of optionsXpress from March 2007 to October 2007 and as the Chief Financial Officer of optionsXpress from August 2004 to March 2007. Prior to joining optionsXpress, Mr. Fisher served as Chief Financial Officer of Potbelly Sandwich Works from February 2001 to July 2004, and before that in the roles of Chief Financial Officer and General Counsel for Prism Financial Corporation. In addition, Mr. Fisher has served on the Board of Directors of InnerWorkings, Inc. since November 2011 and has served on the Board of Directors of GrubHub, Inc. since May 2012. Mr. Fisher also served on the Boards of Directors of optionsXpress from October 2007 until September 2011 and CBOE Holdings, Inc. from January 2007 until October 2011. Mr. Fisher received a Bachelor of Science degree in Finance from the University of Illinois and a law degree from Northwestern University School of Law.

**Greg Zeeman** has served as our Executive Vice President and Chief Operating Officer since October 2015. From September 2014 to October 2015, Mr. Zeeman served as Chief Executive Officer of Main Street Renewal, a firm specializing in the acquisition and leasing of single-family properties. From March 2012 to July 2014, Mr. Zeeman served as Chief Operating Officer and Senior Executive Vice President of HSBC USA. From March 2011 to March 2012, Mr. Zeeman served as Executive Vice President and Head, Change Delivery, HSBC Americas, and from January 2009 to March 2011, Mr. Zeeman served as Deputy Chief Executive Officer, HSBC Singapore. From 1999 to 2010, Mr. Zeeman held various roles with Household Credit Card Services and HSBC Consumer & Mortgage Lending. From 1995 to 1999, Mr. Zeeman was a consultant with Boston Consulting Group. Mr. Zeeman holds a Master of Business Administration degree from Harvard University and a Bachelor of Arts degree in Economics and Political Science from the University of North Carolina – Chapel Hill.

**Kirk Chartier** has served as our Executive Vice President—Chief Marketing Officer since February 2016. Mr. Chartier joined Enova in April 2013 as our Senior Vice President—Chief Marketing Officer. Prior to joining Enova, Mr. Chartier was the Executive Vice President & Chief Marketing Officer of optionsXpress Holdings from January 2010 until Schwab acquired the business in September 2011. Following the acquisition, Mr. Chartier served as Vice President of Schwab through May 2012. From 2004 to 2010, Mr. Chartier was the Senior Managing Principal and Business Strategy Practice Leader for the Zyman Group, a marketing and strategy consultancy owned by MDC Partners, where he also served in interim senior marketing executive roles for Fortune 500 companies, including Safeco Insurance. Mr. Chartier has held executive roles at technology companies including as Senior Vice President of Business Services & eCommerce for CommerceQuest, as Vice President of Online Marketing & Strategy for THINK New Ideas and as a Corporate Auditor for the General Electric Company. He started his career as a combat pilot with the U.S. Marine Corps and is a veteran of Desert Storm. Mr. Chartier received a Master of Business Administration from Syracuse University, a Bachelor of Arts in Economics from the College of the Holy Cross, and a Bachelor of Science in Engineering from Worcester Polytechnic Institute.

**Steven Cunningham** has served as our Executive Vice President—Chief Financial Officer and Treasurer since he joined Enova in June 2016. Mr. Cunningham joined Enova from Discover Financial Services, where he most recently served as Executive Vice President and Chief Risk Officer for Discover’s \$8.7 billion direct banking and payment services business. He joined Discover as its Corporate Treasurer in 2010. Prior to Discover, Mr. Cunningham was the CFO of Harley-Davidson Financial Services, a \$7 billion receivables business, and spent eight years at Capital One Financial in various corporate and line of business finance leadership positions, including CFO for the Auto Finance segment, a \$20 billion receivables business, and CFO for the company’s banking segment. Mr. Cunningham also has experience as a bank regulator with the FDIC. Mr. Cunningham received a bachelor’s degree in Corporate Finance and Investment Management from the University of Alabama and a Master of Business Administration from George Washington University. He also holds the professional designation of Chartered Financial Analyst.

**Joseph DeCosmo** has served as our Vice President—Chief Analytics Officer since joining Enova in January of 2014. Prior to joining Enova, from October 2012 until January 2014, Mr. DeCosmo served as a Director of West Monroe Partners, a management and technology consulting firm, where he led their Advanced Analytics practice. From September 2011 until October 2012, Mr. DeCosmo was Vice President of Analytics for HAVI Global Solutions located in suburban Chicago. Mr. DeCosmo also served as Executive Vice President of Analytics and Consulting Services for The Allant Group from 2005 to September 2011. Prior to The Allant Group, Mr. DeCosmo founded and led an independent analytics firm called DeCosmo and Associates from 1995 to 2005, when the business was acquired by The Allant Group. Mr. DeCosmo began his career in 1987 at Argonne National Laboratory, spent three years in regulatory and business research at Illinois Bell, and three years at Donnelley Marketing. Mr. DeCosmo is a current board member and President-Elect of the Chicago Chapter of the American Statistical Association, a Past-President of The Chicago Association of Direct Marketing, and a member of the Advisory Board of the University of Illinois at Chicago’s College of Business Administration. Mr. DeCosmo holds a Bachelor of Arts in Economics from Lewis University and a Master of Arts in Economics from The University of Illinois at Chicago.

**John J. Higginson** has served as our Vice President—Chief Technology Officer since joining Enova in December of 2014. Prior to joining Enova, from December 2013 until December 2014, Mr. Higginson served as Chief Technology Officer of Wheels, Inc., an automotive fleet leasing and management company for Fortune 500 companies. From March 2010 until December 2013, Mr. Higginson was Executive Vice President—Chief Technology Officer of FTD Companies, Inc. the leading provider of consumer flower and gift products in the U.S., Canada, the U.K. and Ireland. He also served as FTD Companies, Inc.’s Senior Vice President—Software Development from 2006 to 2009. Mr. Higginson began his career with Applied Systems, Inc., the premier developer of solutions for the independent agent/broker industry in North America, holding various roles from 1990 to 2004, including Executive Vice President—Technology. Mr. Higginson holds a Bachelor of Arts in English from Northern Illinois University and a Master of Science in Information Technology and Privacy Law, with honors, from The John Marshall Law School.

**Sean Rahilly** has served as our Vice President—Chief Compliance Officer since joining Enova in October 2013. Mr. Rahilly previously served as Assistant General Counsel and Compliance Officer of First American Bank from September 2006 to September 2013. He also served as First American Bank’s Vice President—Community Reinvestment Act and Compliance Officer from January 2006 to September 2006, Vice President—Compliance Manager from November 2003 to January 2006 and Assistant Vice President—Compliance and Community Reinvestment Act from July 2002 to November 2003. Prior to joining First American Bank, Mr. Rahilly served as an attorney with the Law Offices of Victor J. Cacciatore, a project assistant with Schiff Hardin & Waite and in various roles with Pullman Bank and Trust Company. He received a Bachelor of Science in Accountancy from DePaul University College of Commerce and a Juris Doctor from DePaul University College of Law.

**Jim Salters** has served as our Vice President—Operations since June 2015. Mr. Salters previously served as Chief Executive Officer of Alta Financial, LLC (“Alta”), operating as The Business Backer, from January 2009 to June 2015. Prior to joining Alta, Mr. Salters was a strategy consultant with Glenbrook Partners from January 2006 to December 2008. From July 2000 to December 2005, Mr. Salters was the Director of Technology Initiatives and Project Development for the Financial Services Technology Consortium, and from July 1999 to July 2000, he was an Associate with Princeton Consultants. Mr. Salters received a Bachelor of Science degree in Electrical Engineering, with honors, from Princeton University.

**Lisa M. Young** has served as our Vice President—General Counsel and Secretary since September 2011. Ms. Young joined Enova (then known as CashNetUSA) in June 2009 as General Counsel and became Vice President—General Counsel in August 2011. Ms. Young previously served as Vice President—Assistant General Counsel of JPMorgan Chase following the merger of Bank One and JPMorgan Chase in July 2004, and she served in this position until she joined us in 2009. From May 2003 to June 2004, she served as Senior Counsel with Bank One. Prior to joining Bank One, Ms. Young served as an attorney in the Consumer Financial Services Litigation practice groups of McGuireWoods LLP and Lovells LLP (currently known as Hogan Lovells US LLP) and as a litigation attorney at Goldberg Kohn Ltd. She received a Bachelor of Science degree in Electrical Engineering from the University of Notre Dame and a Juris Doctor from Northwestern University.

#### *Personnel*

As of December 31, 2016, we had 1,099 employees.



## ***Market and Industry Data***

The market and industry data contained in this Annual Report on Form 10-K, including trends in our markets and our position within such markets, are based on a variety of sources, including our good faith estimates, which are derived from our review of internal surveys, information obtained from customers and publicly available information, as well as from independent industry publications, reports by market research firms and other published independent sources. Although we believe these sources are reliable, we have not independently verified the information. None of the independent industry publications used in this report were prepared on our behalf.

## **REGULATION**

Our operations are subject to extensive regulation, supervision and licensing under various federal, state, local and international statutes, ordinances and regulations.

### **U.S. Federal Regulation**

*Consumer Lending Laws.* Our consumer loan business is subject to the federal Truth in Lending Act (“TILA”), and its underlying regulations, known as Regulation Z, and the Fair Credit Reporting Act (“FCRA”). These laws require us to provide certain disclosures to prospective borrowers and protect against unfair credit practices. The principal disclosures required under TILA are intended to promote the informed use of consumer credit. Under TILA, when acting as a lender, we are required to disclose certain material terms related to a credit transaction, including, but not limited to, the annual percentage rate, finance charge, amount financed, total of payments, the number and amount of payments and payment due dates to repay the indebtedness. The FCRA regulates the collection, dissemination and use of consumer information, including consumer credit information. The federal Equal Credit Opportunity Act (“ECOA”), prohibits us from discriminating against any credit applicant on the basis of any protected category, such as race, color, religion, national origin, sex, marital status or age, and requires us to notify credit applicants of any action taken on the individual’s credit application.

*Consumer Reports and Information.* The use of consumer reports and other personal data used in credit underwriting is governed by the FCRA and similar state laws governing the use of consumer credit information. The FCRA establishes requirements that apply to the use of “consumer reports” and similar data, including certain notifications to consumers where their loan application has been denied because of information contained in their consumer report. The FCRA requires us to promptly update any credit information reported to a credit reporting agency about a consumer and to allow a process by which consumers may inquire about credit information furnished by us to a consumer reporting agency.

*Information-Sharing Laws.* We are also subject to the federal Fair and Accurate Credit Transactions Act, which limits the sharing of information with affiliates for marketing purposes and requires us to adopt written guidance and procedures for detecting, preventing and responding appropriately to mitigate identity theft and to adopt various policies and procedures and provide training and materials that address the importance of protecting non-public personal information and aid us in detecting and responding to suspicious activity, including suspicious activity that may suggest a possible identity theft red flag, as appropriate.

*Marketing Laws.* Our advertising and marketing activities are subject to several federal laws and regulations including the Federal Trade Commission Act (the “FTC Act”), which prohibits unfair or deceptive acts or practices and false or misleading advertisements in all aspects of our business. As a financial services company, any advertisements related to our products must also comply with the advertising requirements set forth in TILA. Also, any of our telephone marketing activities must comply with the Telephone Consumer Protection Act (the “TCPA”), and the Telephone Sales Rule (the “TSR”). The TCPA prohibits the use of automatic telephone dialing systems for communications with wireless phone numbers without express consent of the consumer, and the TSR established the Do Not Call Registry and sets forth standards of conduct for all telemarketing. Our advertising and marketing activities are also subject to the CAN-SPAM Act of 2003 which establishes certain requirements for commercial email messages and specifies penalties for the transmission of commercial email messages that are intended to deceive the recipient as to the source of content.

*Protection of Military Members and Dependents.* Federal law also limits the annual percentage rate to 36% on certain consumer loans made to active duty members of the U.S. military, reservists and members of the National Guard and their immediate families. This 36% annual percentage rate cap applies to a variety of consumer loan products, including short-term consumer loans. Therefore, due to these rate restrictions, we are unable to offer certain short-term consumer loans to active duty military personnel, active reservists and members of the National Guard and their immediate dependents. Federal law also limits the annual percentage rate on existing loans when the borrower, or spouse of the borrower, becomes an active-duty member of the military during the life of a loan. Pursuant to federal law, the interest rate must be reduced to 6% per year on amounts outstanding during the time in which the servicemember is on active duty.

On July 22, 2015, the Department of Defense published its final rule amending the MLA’s implementing regulation. The new rule expands the scope of the credit products covered by the MLA. The rules under the MLA will restrict us from offering consumer loan products to covered borrowers above the military annual percentage rate, which is defined by the rules as 36%, and contain various

disclosure requirements, limitations on renewals and refinancing, as well as restrictions on the use of prepayment penalties, arbitration provisions and certain waivers of rights. The rule provides that a lender is subject to fines and other penalties if it extends credit to a covered borrower on prohibited terms. The new rule provides a safe harbor for a lender if it verifies an applicant's status as a covered borrower before extending credit by checking the Department of Defense's database or a database of a national credit reporting agency that provides military status information. The rule became effective on October 3, 2016.

*Funds Transfer and Signature Authentication Laws.* The consumer loan business is also subject to the federal Electronic Funds Transfer Act ("EFTA"), and various other laws, rules and guidelines relating to the procedures and disclosures required in debiting or crediting a debtor's bank account relating to a consumer loan (i.e., Automated Clearing House ("ACH") funds transfer). Furthermore, we are subject to various state and federal e-signature rules mandating that certain disclosures be made and certain steps be followed in order to obtain and authenticate e-signatures.

*Debt Collection Practices.* Additionally, our collection activities related to our CSO programs and our Bank Program are required to comply with the federal Fair Debt Collection Practices Act ("FDCPA"), and we also use the FDCPA as a guide in connection with operating our other collection activities. We are also required to comply with all applicable state collection practices laws.

*Privacy and Security of Non-Public Customer Information.* We are also subject to various federal and state laws and regulations relating to privacy and data security. Under these laws, including the federal Gramm-Leach-Bliley Act ("GLBA"), we must disclose to consumers our privacy policy and practices, including those policies relating to the sharing of consumers' nonpublic personal information with third parties. This disclosure must be made to consumers when the customer relationship is established and, in some cases, at least annually thereafter. These regulations also require us to ensure that our systems are designed to protect the confidentiality of consumers' nonpublic personal information. These regulations also dictate certain actions that we must take to notify consumers if their personal information is disclosed in an unauthorized manner.

*Anti-Money Laundering and Economic Sanctions.* We are also subject to certain provisions of the USA PATRIOT Act and the Bank Secrecy Act under which we must maintain an anti-money laundering compliance program covering certain of our business activities. In addition, the Office of Foreign Assets Control ("OFAC"), prohibits us from engaging in financial transactions with specially designated nationals. Certain of our subsidiaries are also registered as money services businesses with the U.S. Treasury Department and must re-register with the Treasury Department's Financial Crimes Enforcement Network ("FinCEN") at least every two years.

*Anticorruption.* We are also subject to the U.S. Foreign Corrupt Practices Act, (the "FCPA"), which generally prohibits companies and their agents or intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business and/or other benefits.

## **CFPB**

In July 2010, the U.S. Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and Title X of the Dodd-Frank Act created the Consumer Financial Protection Bureau (the "CFPB"), which regulates consumer financial products and services, including consumer loans that we offer. The CFPB has regulatory, supervisory and enforcement powers over providers of consumer financial products and services, including explicit supervisory authority to examine and require registration of such providers. Pursuant to these powers, the CFPB has examined our lending products, services and practices, and we expect to continue to be examined on a regular basis by the CFPB.

On November 20, 2013, Cash America International, Inc. ("Cash America"), our parent company at the time, consented to the issuance of a Consent Order by the CFPB pursuant to which it agreed, without admitting or denying any of the facts or conclusions made by the CFPB from its 2012 examination of Cash America and us, to pay a civil money penalty of \$5 million. The Consent Order relates in part to issues self-disclosed to the CFPB by us, including the making of a limited number of loans to consumers who may have been active-duty members of the military at the time of the loan at rates in excess of the annual percentage rate permitted by the federal Military Lending Act, and for which we have made refunds of approximately \$33,500, and for certain failures to timely provide and preserve records and information in connection with the CFPB's examination of us. In addition, as a result of the CFPB's review, we have enhanced and continue to enhance our compliance management system and have implemented additional policies and procedures to address the issues identified by the CFPB. These new policies, procedures and other initiatives are in many cases subject to review and potential objection by the CFPB. We remain subject to the restrictions and obligations of the Consent Order, including the CFPB's order that we ensure compliance with federal consumer financial laws and develop more robust compliance policies and procedures.

On May 5, 2016, the CFPB issued proposed rules prohibiting the use of mandatory arbitration clauses and class action waiver provisions in consumer financial services contracts. We do not currently know the nature and extent of the final rule that the CFPB will adopt. Any final rule would apply to consumer financial services entered into after the final rule becomes effective (and will not apply to prior arbitration agreements).

On June 2, 2016, the CFPB issued its Notice of Proposed Rulemaking (the “Proposed Rule”) on Payday, Vehicle Title, and Certain High-Cost Installment Loans. The Proposed Rule would impose significant limitations on all short-term and installment loans with APRs above 36%, including all of our short-term loan products and certain of our installment loan products. Among other provisions, the Proposed Rule requires lenders to conduct a specific assessment regarding a borrower’s ability to repay, including a requirement to verify borrowers’ income and major financial obligations. The Proposed Rule also includes limitations on the number of loans that certain borrowers can have within a specified time frame and requires additional disclosures in loan documents and notices regarding payments. The Proposed Rule was published in the Federal Register on July 22, 2016, and comments on the Proposed Rule were due to the CFPB by October 7, 2016. The CFPB will review all submitted comments before issuing a final rule. We do not currently know the nature and extent of the final rule that the CFPB will adopt.

On July 28, 2016, the CFPB, pursuant to the authority provided in the Dodd-Frank Act, issued an outline of proposals pertaining to third-party debt collectors and others covered by the FDCPA that is intended to increase consumer protection during debt collection (“Debt Collection Outline”). In the Debt Collection Outline, the CFPB is considering substantive rules under the FDCPA that would, among other proposals: (i) require collectors to substantiate the debt and confirm that they have sufficient consumer information before starting collection; (ii) limit communication attempts to six per week through any point of contact; (iii) make it easier for consumers to stop specific ways collectors are contacting them; (iv) prohibit collectors from communicating with certain parties for 30 days after a consumer’s death; (v) make it easier for consumers to dispute debts by, among other proposals, requiring collectors to include more specific information about the debt in the initial collection notices sent to consumers as well as a “tear-off” portion of the notice that consumers could send back to the collector; (vi) require collectors to verify a debt through a written report if the debt is disputed in writing by a consumer; (vii) prohibit collectors from continuing collection efforts or suing for debt until the necessary documentation is checked if a consumer disputes the debt; and (viii) require a subsequent holder of a debt to resolve any outstanding dispute about the debt before attempting to collect.

The proposals in the Debt Collection Outline would apply to our collection of debt originated by other lenders, including under our CSO programs and our Bank Program. The proposals in the Debt Collection Outline would not apply to our collection of debt that we originate; however, the CFPB has announced that it plans to address consumer protection issues involving first-party debt collectors and creditors separately. The CFPB published its Debt Collection Outline in preparation for convening a Small Business Review Panel to determine whether its proposal could have a significant economic impact on small businesses. The Debt Collection Outline does not include proposed or final rules, and any future rules could be significantly different from those in the Debt Collection Outline. The CFPB has not yet defined a date for any proposed rules related to debt collection nor has it defined the effective date for the implementation of final rules.

For further discussion of the CFPB and its regulatory, supervisory and enforcement powers, see “Risk Factors—Risks Related to Our Business and Industry— *The Consumer Financial Protection Bureau has examination authority over our U.S. consumer lending business that could have a significant impact on our U.S. business*” in Part I, Item 1A of this report.

## **U.S. State Regulation**

Our consumer lending business is regulated under a variety of enabling state statutes, all of which are subject to change and which may impose significant costs or limitations on the way we conduct or expand our business. As of the date of this report, we offer or arrange consumer loans in 33 states that have specific statutes and regulations that enable us to offer economically viable products. We currently do not offer consumer loans in the remaining states or in the District of Columbia because we do not believe it is economically feasible to operate in those jurisdictions due to specific statutory or regulatory restrictions, such as interest rate ceilings, caps on the fees that may be charged, or costly operational requirements. However, we may later offer our consumer products or services in any of these states or the District of Columbia if we believe doing so may become economically viable because of changes in applicable statutes or regulations or if we determine we can broaden our product offerings to operate under existing laws and regulations.

The scope of state regulation of consumer loans, including the fees and terms of our products and services, varies from state to state. The terms of our products and services vary from state to state in order to comply with the laws and regulations of the states in which we operate. In addition, our advertising and marketing activities and disclosures are subject to review under various state consumer protection laws and other applicable laws and regulations. The states with laws that specifically regulate our consumer products and services typically limit the principal amount of a consumer loan and set maximum fees or interest rates customers may be charged. Some states also limit a customer’s ability to renew a short-term consumer loan and require various disclosures to consumers. State statutes often specify minimum and maximum maturity dates for short-term consumer loans such as ours and, in some cases, specify mandatory cooling-off periods between transactions. Our collection activities regarding past due amounts are subject to consumer protection laws and state regulations relating to debt collection practices. In addition, some states require certain disclosures or content to accompany our advertising or marketing materials. Also, some states require us to report short-term consumer loan activity to state-wide databases and restrict the number and/or principal amount of loans a consumer may have outstanding at any particular time or over the course of a particular period of time, typically twelve months.

In Texas and Ohio, where we offer our CSO programs, we comply with the applicable jurisdiction's Credit Services Organization Act or a similar statute. These laws generally define the services that we can provide to consumers and require us to provide a contract to the customer outlining our services and the cost of those services to the customer. In addition, these laws may require additional disclosures to consumers and may require us to be registered with the jurisdiction and/or be bonded.

We must also comply with state restrictions on the use of lead providers. In 2013, California began enforcing its short-term lending statute to require lead providers to be licensed in order to provide leads to licensed lenders. As a result, we discontinued using lead providers to generate leads for short-term consumer loans in California. In April 2014, the Attorney General of the State of Illinois filed a lawsuit against a lead provider, alleging that the lead provider offered and arranged payday loans without a license. As a result, we discontinued the use of lead providers in Illinois. In December 2015, in a complaint filed in federal court, the CFPB alleged that T3Leads bought and sold personal information from payday and installment loan applications without properly vetting buyers and sellers. Although we cannot predict what measures will be taken, we expect that other states may propose or enact similar restrictions on lead providers in the future.

Over the last few years, legislation that prohibits or severely restricts our consumer loan products and services has been introduced or adopted in a number of states. As a result, we have ceased making consumer loans in five states where we formerly made such loans, and we have also modified our business operations in other states where restrictive legislation has been enacted. Additional legislation or regulations targeting or otherwise directly affecting our products and services have also been recently passed in several states. We regularly monitor proposed legislation or regulations that could affect our business.

### **Local Regulation—United States**

In addition to state and federal laws and regulations, the short-term loan industry is subject to various local rules and regulations. These local rules and regulations are subject to change and vary widely from city to city. Local jurisdictions' efforts to restrict short-term lending have been increasing. Typically, these local ordinances apply to storefront operations, however, local jurisdictions could attempt to enforce certain business conduct and registration requirements on online lenders lending to residents of that jurisdiction. Actions taken in the future by local governing bodies to impose other restrictions on short-term lenders such as us could impact our business.

### **International Regulation**

#### ***United Kingdom***

In the United Kingdom, we are subject to regulation by the Financial Conduct Authority, ("FCA"), and must comply with the FCA's rules and regulations set forth in the FCA Handbook, the Financial Services and Markets Act 2000 ("FSMA"), the Consumer Credit Act 1974, as amended (the "CCA"), and secondary legislation passed under the CCA, among other rules and regulations. We must also follow the Irresponsible Lending Guidance, or the Guidance, of the Office of Fair Trading (the "OFT"), which provides greater clarity for lenders as to business practices that the OFT (and now the FCA) believes constitute irresponsible lending under the CCA. In January 2016, we received full authorization from the FCA to provide consumer credit and to perform related activities. We will be required to continue to satisfy certain minimum standards set out in the FSMA, which will result in additional costs to us.

The FCA regulates consumer credit and related activities in accordance with the guidance of the FSMA and the FCA Handbook, which includes prescriptive regulations and carries across many of the standards set out in the CCA and its secondary legislation as well as the Guidance. The FSMA gives the FCA the power to authorize, supervise, examine and bring enforcement actions against providers of consumer credit such as us, as well as to make rules for the regulation of consumer credit. On February 28, 2014, the FCA issued the Consumer Credit Sourcebook ("CONC"), which incorporates prescriptive regulations for lenders such as us, including mandatory affordability checks on borrowers, limiting the number of rollovers on short-term loans to two, restricting how lenders can advertise, banning advertisements that the FCA deems misleading, and introducing a limit of two unsuccessful attempts on the use of continuous payment authority (which provides a creditor the ability to directly debit a customer's account for payment when authorized by the customer to do so) to pay off a loan. Certain provisions of the CONC took effect on April 1, 2014, and other provisions for high cost short-term credit providers such as us, such as the limits on rollovers, continuous payment authority and advertising, took effect on July 1, 2014.

On January 2, 2015, the FCA implemented a cap on the total cost of high-cost short-term credit, which includes a maximum rate of 0.8% of principal per day, and limits the total fees, interest (including post-default interest) and charges (including late fees which are capped at £15) to an aggregate amount not to exceed 100% of the principal amount loaned. The final rule required us to make changes to all of our high-cost short-term products in the United Kingdom. As a result of the final rule, we discontinued offering line of credit accounts to new customers in the United Kingdom in late 2014 and effective January 1, 2015, we discontinued draws on existing line of credit accounts in the United Kingdom.

Due to the transfer of the consumer credit regime to the FCA and implementation of the rate cap, we made significant modifications to many of our business practices to address the FCA's requirements. These modifications included adjustments to our affordability

assessment practices and underwriting standards that govern who will qualify for a loan from us, reductions in certain maximum loan amounts, alterations to our advertising practices and adjustments to our collections processes (including our practices relating to continuous payment authority) and debt forbearance processes (or our practices regarding customers who have indicated that they are experiencing financial difficulties), all of which resulted in a significant year-over-year decrease in our U.K. consumer loan volume, U.K. loan balances and U.K. revenue for the second half of 2014 and the first half of 2015 as a result of our adapting our U.K. business practices in response to the requirements of the FCA. The implementation of stricter affordability assessments and underwriting standards resulted in a decrease in the number of consumer loans written, the average consumer loan amount and the total amount of consumer loans written to new and returning customers. Additionally, the changes we made to our collections and debt forbearance practices in the United Kingdom could result in lower collection rates on delinquent loans, and we have experienced and will continue to experience an increase in compliance- and administrative-related costs for our U.K. operations.

The FCA conducted a consultation in 2015 and published its response on September 28, 2015, allowing firms to use continuous payment authority to collect repayments where a customer is in arrears or default and the lender is exercising forbearance. The FCA also imposed a number of regulatory changes on credit brokers and lenders operating in the high-cost-short-term credit market in the United Kingdom. The FCA also implemented a provision that requires providers of high-cost short-term credit include a risk warning in all financial promotions, including previously exempted size-limited ads like SMS text messages and pay-per-click ads. The majority of these changes came into force on November 2, 2015.

On November 29, 2016, the FCA issued a Call for input, seeking evidence and feedback to further inform its previous reviews of the high-cost credit market, including a review of the payday loan price cap. The Call for input covers all high-cost products, including payday loans, rent-to-own, pawnbroking loans, guarantor loans, credit cards and installment loans, as well as overdrafts. The CMA has previously identified a number of competition issues with overdrafts, including poor price transparency and the nature and level of charges, especially for unarranged overdrafts. The FCA will look in more detail at overdrafts from a consumer protection and a competition perspective. The FCA will also review the price cap that was implemented on January 2, 2015 to assess whether there is evidence that suggests the price cap should be changed and to determine whether there is any evidence of consumers turning to illegal money lenders as a result of being excluded from the high-cost credit market because of the price cap. The FCA will also continue to monitor the impact that repeat and multiple borrowing has on the market and consumers. The FCA has requested responses to the Call for input by February 15, 2017 and expects to publish its findings on the review of the price cap by mid-2017.

The FCA has stated that previous measures taken by it with respect to the payday loan industry will likely force about a quarter of the firms out of the industry in the United Kingdom. For recent developments related to the FCA, including serious concerns that were previously expressed by the FCA regarding our compliance with U.K. legal and regulatory requirements, such as the requirement that our business be capable of being effectively supervised by the FCA and compliance with FCA rules and principles and our affordability assessment and debt forbearance practices, see “Risk Factors—Risks Related to Our Business and Industry— *Our primary regulators in the United Kingdom have previously expressed serious concerns about our compliance with applicable U.K. regulations, which caused us to make significant changes to our U.K. business that have impacted and will continue to negatively impact our operations and results, and this impact has been and will continue to be significant,*” and “— *The United Kingdom has imposed, and continues to impose, increased regulation of the short-term high-cost credit industry with the stated expectation that some firms will exit the market,*” “— *Competition regulators in the United Kingdom have reviewed and may in the future again review our industry and, together with the FCA, could require lenders to implement changes to their operations, which could have a negative effect on our operations in the United Kingdom.* in Part I, Item 1A of this report.

In June 2013, the OFT referred the payday lending industry in the United Kingdom to the Competition Commission, which is now the Competition & Markets Authority (“CMA”), for a market investigation. The CMA has gathered data from industry participants, including us, in connection with its review of the U.K. payday lending industry to determine whether certain features of the payday lending industry prevent, restrict or distort competition (which is also referred to as having an adverse effect on competition) and, if so, what remedial action should be taken. On August 13, 2015, the CMA published its final order which requires online lenders to provide details of their products on at least one price comparison website which is authorized by the FCA once the FCA publishes rules concerning price comparison websites. The CMA also requires online and storefront lenders to provide existing customers with a summary of their cost of borrowing as of August 13, 2016.

Furthermore, we are subject to the Bribery Act, which prohibits the giving or receiving of a bribe to any person, including but not limited to public officials, and makes failing to prevent bribery by relevant commercial organizations a criminal offense. This offense applies when any person associated with the organization offers or accepts bribes anywhere in the world intending to obtain or retain a business advantage for the organization or in the conduct of business. The Bribery Act is applicable to businesses that operate in the United Kingdom such as us. The Bribery Act is broader in scope than the FCPA in the United States in that it directly addresses commercial bribery in addition to bribery of government officials and it does not recognize certain exceptions, notably facilitation payments that are permitted by the U.S. FCPA.

In the United Kingdom, we are also subject to the requirements of the Data Protection Act 1988 (“DPA”) and are required to be fully registered as a data-controller under the DPA. The DPA controls how organizations, businesses and/or the government use personal

data and how they should process it. The current Data Protection regime will be strengthened by changes from the EU General Data Protection Regulation (“GDPR”), a regulation by which the European Parliament, the European Council and the European Commission intend to strengthen and unify data protection for individuals within the European Union (“EU”). It also addresses export of personal data outside the EU. The primary objectives of the GDPR are to give citizens back the control of their personal data and to simplify the regulatory environment for international business by unifying the regulation within the EU. When the GDPR takes effect, it will replace the data protection directive from 1995.

The GDPR contains a number of new protections for EU data subjects and threatens significant fines and penalties for non-compliant data controllers and processors once it comes into effect. The regulation was adopted on April 27, 2016. It is effective May 25, 2018 after a two-year transition period and, unlike a directive, it does not require any enabling legislation to be passed by national governments.

On October 6, 2015, the European Court of Justice invalidated the so-called “Safe Harbor” framework, which previously evidenced compliance with the U.K. Data Protection Act and the European Union Data Protection Directive and allowed companies to pass European Union data to non-European Union countries if certain certification requirements were met by the company. Although many companies, including us, had Safe Harbor certification, the European Union and the United Kingdom provide other guidance regarding compliance with data protection laws and regulations for companies who pass data outside the European Union. In addition, there are circumstances under which a company is exempt from complying with those laws and regulations. Despite the invalidation of the Safe Harbor framework, we believe we are exempt from and/or in compliance with all E.U. and U.K. privacy laws and regulations.

On February 2, 2016, the European Commission and the United States agreed on a new framework for transatlantic data flows, the “EU-US Privacy Shield”, which will replace the invalidated Safe Harbor framework. The EU-US Privacy Shield is a framework designed by the U.S. Department of Commerce (the “Commerce Department”) and European Commission to provide companies on both sides of the Atlantic with a mechanism to comply with EU personal data from the European Union to the United States in support of transatlantic commerce. On July 12, 2016, the European Commission adopted the EU-US Privacy Shield, which consists of four components: (i) the privacy shield principles, which is a code of conduct outlining protections for the handling of personal data; (ii) oversight and enforcement; (iii) ombudsperson mechanism; and (iv) safeguards and limitations. The Commerce Department began accepting certifications to the EU-US Privacy Shield on August 1, 2016. We expect to apply for certification to the EU-US Privacy Shield, and in the interim, despite the invalidation of the Safe Harbor framework, we believe we are exempt from and/or are in compliance with all E.U. and U.K. privacy laws and regulations

In the United Kingdom, we are also subject to specific anti-money laundering and counter terrorist financing requirements that require us to develop and maintain anti-money laundering and counter terrorist financing policies and procedures including reporting suspicious activity to the Serious Organised Crime Agency (“SOCA”), pursuant to the Proceeds of Crime Act 2002 and the Terrorism Act 2000. The National Crime Agency (“NCA”), is a law enforcement agency created in 2013 to reduce the harm caused to people and communities in the UK by serious and organized crime. The NCA replaced the SOCA and is charged with strengthening the UK’s borders, fighting fraud and cyber-crime and protecting children and young people from sexual abuse and exploitation. The NCA has the mandate and powers to work in partnership with other law enforcement organizations and has an international role of liaising with overseas law enforcement agencies. It has a “four pillars” approach to fighting crime: pursue, prevent, protect and prepare.

Our U.K. operations are also overseen by the Financial Ombudsman Service (“FOS”), a public body established by the U.K. Parliament to carry out statutory functions on a non-commercial, not-for-profit basis. The FOS is the statutory dispute-resolution scheme set up under the FSMA. The FOS works closely with other U.K. regulators governing the financial services market.

In international jurisdictions where we operate, our advertising and marketing activities and disclosures are subject to regulation under various consumer protection laws and other applicable laws and regulations.

### **Separation from Cash America**

Prior to November 13, 2014, we were a wholly-owned subsidiary of Cash America. On October 22, 2014, the Board of Directors of Cash America, after receiving a private letter ruling from the Internal Revenue Service, an opinion from Cash America’s tax counsel and a solvency opinion from an independent financial advisor, approved a tax-free spin-off (the “Spin-off”) for our separation. Since 2011, we have owned all of the assets and incurred all of the liabilities related to Cash America’s e-commerce business, with some limited exceptions, in which case such assets were transferred to us and such liabilities were assumed by us pursuant to a Separation and Distribution Agreement upon completion of the Spin-off. The Spin-off occurred on November 13, 2014. Following the Spin-off, we became an independent, publicly traded company, and our shares of common stock are listed on the New York Stock Exchange under the symbol “ENVA.” On September 1, 2016, Cash America merged with First Cash Financial Services, Inc. and is now known as FirstCash, Inc. (“First Cash”).

### ***Our Post-Separation Relationship with Cash America***

As part of the Spin-off, we entered into several agreements with Cash America that governed the relationship between us and Cash America (and any successors) after the Spin-off. The agreements provided for the allocation between us and Cash America (and any successors) of various assets, liabilities, rights and obligations (including insurance and tax-related assets and liabilities). Our guarantees of Cash America's long-term indebtedness were released in connection with the Spin-off. These agreements also included arrangements with respect to certain transitional services to be provided by Cash America to us and vice versa.

For additional information regarding the Separation and Distribution Agreement, see the section entitled "Risk Factors—Risks Related to the Spin-off."

### **Company and Website Information**

Our principal executive offices are located at 175 West Jackson Blvd., Chicago, Illinois 60604, and our telephone number is (312) 568-4200.

Our website is located at [www.enova.com](http://www.enova.com). Through our website, we provide free access to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. These reports may be obtained by visiting the Public Reference Room of the SEC at 100 F Street, NE, Washington, D.C. 20549, or by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov).

## **ITEM 1A. RISK FACTORS**

Our business and future results may be affected by a number of risks and uncertainties that should be considered carefully in evaluating us. In addition, this report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks faced by us described below. The occurrence of one or more of the events listed below could also have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.

### **Risks Related to Our Business and Industry**

***Our business is highly regulated, and if we fail to comply with applicable laws, regulations, rules and guidance, our business could be adversely affected.***

Our products and services are subject to extensive regulation, supervision and licensing under various federal, state, local and international statutes, ordinances, regulations, rules and guidance. For example, our loan products may be subject to requirements that generally mandate licensing or authorization as a lender or as a credit services organization or credit access business ("CSO"), establish limits on the amount, duration, renewals or extensions of and charges for (including interest rates and fees) various categories of loans, direct the form and content of our loan contracts and other documentation, restrict collection practices, outline underwriting requirements and subject us to periodic examination and ongoing supervision by regulatory authorities, among other things. We must comply with federal laws, such as TILA, ECOA, FCRA, EFTA, GLBA and Title X of the Dodd-Frank Act and the FDCPA, among other laws, as well as regulations adopted to implement those laws. In addition, our marketing and disclosure efforts and the representations made about our products and services are subject to unfair and deceptive practice statutes, including the FTC Act, the TCPA and the CAN-SPAM Act of 2003 in the United States and analogous state statutes under which the Federal Trade Commission (the "FTC"), the CFPB, state attorneys general or private plaintiffs may bring legal actions.

We are also subject to various international laws, licensing or authorization requirements and disciplinary actions in connection with the products or services we offer in Brazil and the United Kingdom, which are discussed below. Compliance with applicable laws, regulations, rules and guidance requires forms, processes, procedures, training, controls and the infrastructure to support these requirements. Compliance may also create operational constraints, be costly or adversely affect operating results. See "Business—Regulation" of Part I, Item 1 of this report for further discussion of the laws applicable to us.

The regulatory environment in which we conduct our business is extensive and complex. From time to time we become aware of instances where our products and services have not fully complied with requirements under applicable laws and regulations or applicable contracts. Determinations of compliance with applicable requirements or contracts, such as those discussed above, can be highly technical and subject to varying interpretations. When we become aware of such an instance, whether as a result of our compliance reviews, regulator inquiry, customer complaint or otherwise, we generally conduct a review of the activity in question and determine how to address it, such as modifying the product, making customer refunds or providing additional disclosure. We also evaluate whether reports or other notices to regulators are required and provide notice to regulators whenever required. In some cases

we have decided and will decide to take corrective action even after applicable statutory or regulatory cure periods have expired, and in some cases we have notified regulators even where such notification may not have been required. Regulators or customers reviewing such incidents or remedial activities may interpret the laws, regulations and customer contracts differently than we have, or may choose to take regulatory action against us or bring private litigation against us notwithstanding the corrective measures we have taken. This may be the case even if we no longer offer the product or service in question.

State, federal and international regulators, as well as the plaintiffs' bars, have subjected our industry to intense scrutiny in recent years. In addition, our contracts for certain products and services are governed by the law applicable in a state other than the state in which the customer resides. If a court were to reject our choice of law and determine that a contract was governed by the laws of another state, the contract may be unenforceable. Failure to comply with applicable laws, regulations, rules and guidance, or any finding that our past forms, practices, processes, procedures, controls or infrastructure were insufficient or not in compliance, could subject us to regulatory enforcement actions, result in the assessment against us of civil, monetary, criminal or other penalties (some of which could be significant in the case of knowing or reckless violations), result in the issuance of cease and desist orders (which can include orders for restitution, as well as other kinds of affirmative relief), require us to refund payments, interest or fees, result in a determination that certain financial products are not collectible, result in a suspension or revocation of licenses or authorization to transact business, result in a finding that we have engaged in unfair and deceptive practices, limit our access to services provided by third-party financial institutions or cause damage to our reputation, brands and valued customer relationships. We may also incur additional, substantial expenses to bring those products and services into compliance with the laws of various jurisdictions or stop offering certain products and services in certain jurisdictions.

Our failure to comply with any regulations, rules or guidance applicable to our business could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows and could prohibit or directly or indirectly impair our ability to continue current operations.

***The lending and financing industry continues to be targeted by new laws or regulations in many jurisdictions that could restrict the lending and financing products and services we offer, impose additional compliance costs on us, render our current operations unprofitable or even prohibit our current operations.***

Governments at the national, state and local levels, as well as international governments, may seek to impose new laws, regulatory restrictions or licensing requirements that affect the products or services we offer, the terms on which we may offer them, and the disclosure, compliance and reporting obligations we must fulfill in connection with our lending and financing business. They may also interpret or enforce existing requirements in new ways that could restrict our ability to continue our current methods of operation or to expand operations, impose significant additional compliance costs, and may have a negative effect on our business, prospects, results of operations, financial condition and cash flows. In some cases these measures could even directly prohibit some or all of our current business activities in certain jurisdictions, or render them unprofitable and/or impractical to continue.

In recent years, consumer loans, and in particular the category commonly referred to as "payday loans," which includes certain of our short-term loan products, have come under increased regulatory scrutiny that has resulted in increasingly restrictive regulations and legislation that makes offering such loans in certain states in the United States or the international countries where we operate (as further described below) less profitable or unattractive. Laws or regulations in some states in the United States require that all borrowers of certain short-term loan products be reported to a centralized database and limit the number of loans a borrower may receive or have outstanding. Other laws limit the availability of some of our consumer loan products in the United States to active duty military personnel, active members of the National Guard or members on active reserve duty and their spouses and immediate dependents.

Certain consumer advocacy groups and federal and state legislators and regulators have advocated that laws and regulations should be tightened so as to severely limit, if not eliminate, the type of loan products and services we offer to consumers, and this has resulted in both the executive and legislative branches of the U.S. federal government and state governmental bodies exhibiting an interest in debating legislation that could further regulate consumer loan products and services such as those that we offer. The U.S. Congress, as well as other similar federal, state and local bodies and similar international governmental authorities, have debated, and may in the future adopt, legislation or regulations that could, among other things, place a cap (or decrease a current cap) on the interest or fees that we can charge or a cap on the effective annual percentage rate that limits the amount of interest or fees that may be charged, ban or limit loan renewals or extensions of short-term loans (where the customer agrees to pay the current finance charge on a loan for the right to make payment of the outstanding principal balance of such loan at a later date plus an additional finance charge), including the rates to be charged for loan renewals or extensions, require us to offer an extended payment plan, limit origination fees for loans, require changes to our underwriting or collections practices, require lenders to be bonded or to report consumer loan activity to databases designed to monitor or restrict consumer borrowing activity, impose "cooling off" periods between the time a loan is paid off and another loan is obtained or prohibit us from providing any of our consumer loan products in the United States to active duty military personnel, active members of the National Guard or members on active reserve duty and their spouses and immediate dependents.



We cannot currently assess the likelihood of any future unfavorable federal, state, local or international legislation or regulations being proposed or enacted that could affect our products and services. We closely monitor proposed legislation in jurisdictions where we offer our loan products. Additional legislative or regulatory provisions could be enacted that could severely restrict, prohibit or eliminate our ability to offer a consumer or small business loan or financing product. In addition, under statutory authority, U.S. state regulators have broad discretionary power and may impose new licensing requirements, interpret or enforce existing regulatory requirements in different ways or issue new administrative rules, even if not contained in state statutes, that could adversely affect the way we do business and may force us to terminate or modify our operations in particular states or affect our ability to obtain new licenses or renew the licenses we hold.

Significant new laws and regulations have also been adopted in the United Kingdom, and further new laws and regulations will continue to be imposed. See “— *The United Kingdom has imposed, and continues to impose, increased regulation of the short-term high-cost credit industry with the stated expectation that some firms will exit the market*” below for additional information.

Furthermore, legislative or regulatory actions may be influenced by negative perceptions of us and our industry, even if such negative perceptions are inaccurate, attributable to conduct by third parties not affiliated with us (such as other industry members), or attributable to matters not specific to our industry. Any of these or other legislative or regulatory actions that affect our lending and financing business at the national, state, international and local level could, if enacted or interpreted differently, have a material adverse impact on our business, prospects, results of operations, financial condition and cash flows and could prohibit or directly or indirectly impair our ability to continue current operations.

***The Consumer Financial Protection Bureau has examination authority over our U.S. consumer lending business that could have a significant impact on our U.S. business.***

In July 2010, the U.S. Congress passed the Dodd-Frank Act, and Title X of the Dodd-Frank Act created the CFPB, which regulates U.S. consumer financial products and services, including consumer loans offered by us. The CFPB has regulatory, supervisory and enforcement powers over providers of consumer financial products and services, such as us, including explicit supervisory authority to examine and require registration of such providers.

The CFPB has begun exercising supervisory review over and examining certain non-bank providers of consumer financial products and services, including providers of consumer loans such as us. The CFPB has examined our lending products, services and practices, and we expect to continue to be examined on a regular basis by the CFPB. The CFPB’s examination authority permits CFPB examiners to inspect the books and records of providers of short-term, small dollar lenders, and ask questions about their business practices, and the examination procedures include specific modules for examining marketing activities; loan application and origination activities; payment processing activities and sustained use by consumers; collections, accounts in default, and consumer reporting activities as well as third-party relationships. As a result of these examinations, we could be required to change our products, services or practices, whether as a result of another party being examined or as a result of an examination of us, or we could be subject to monetary penalties, which could materially adversely affect us.

Furthermore, because the CFPB is a relatively new entity, its practices and procedures regarding examination, enforcement and other matters relevant to us and other CFPB-regulated entities are subject to further development and change. Where the CFPB holds powers previously assigned to other regulators, the CFPB may not continue to apply such powers or interpret relevant concepts consistent with previous regulators’ practice. This may adversely affect our ability to anticipate the CFPB’s expectations or interpretations in our interaction with the CFPB.

The CFPB also has broad authority to prohibit unfair, deceptive and abusive acts and practices and to investigate and penalize financial institutions that violate this prohibition. In addition to having the authority to obtain monetary penalties for violations of applicable federal consumer financial laws (including the CFPB’s own rules), the CFPB can require remediation of practices, pursue administrative proceedings or litigation and obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief). Also, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations implemented thereunder, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions to remedy violations of state law. If the CFPB or one or more state attorneys general or state regulators believe that we have violated any of the applicable laws or regulations, they could exercise their enforcement powers in ways that could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.

***We are subject to a Consent Order issued by the Consumer Financial Protection Bureau, and any noncompliance would materially adversely affect our business.***

On November 20, 2013, Cash America, our parent company at the time, consented to the issuance of a Consent Order by the CFPB pursuant to which it agreed, without admitting or denying any of the facts or conclusions made by the CFPB from its 2012 review of Cash America and us, to pay a civil money penalty of \$5 million. The Consent Order also relates, in part, to issues self-disclosed to the CFPB during its 2012 examination of us, including the making of a limited number of loans to consumers who may have been active

duty members of the military at the time of the loan at rates in excess of the interest rate permitted by the federal Military Lending Act, for which we have made refunds of approximately \$33,500, and for certain failures to timely provide and preserve records and information in connection with the CFPB's examination of us. In addition, as a result of the CFPB's review, we enhanced our compliance management system and are implementing additional policies and procedures to address the issues identified by the CFPB. We remain subject to the restrictions and obligations of the Consent Order, including the CFPB's order that we ensure compliance with federal consumer financial laws and develop more robust compliance policies and procedures. These new policies, procedures and other initiatives are in many cases subject to review and potential objection by the CFPB, and no guarantee can be made regarding the timing, substance or effect of any such measures the CFPB may decide to take. Furthermore, the compliance plan mandated by the Consent Order requires us to perform a formal consumer protection compliance risk review before introducing or implementing new or changed products or services. This requirement could result in additional delay or cost when introducing or implementing new or changed products or services, or a decision not to proceed with such initiatives. Any noncompliance with the Consent Order or similar orders or agreements from other regulators could lead to further regulatory penalties and could have a material adverse impact on our business, prospects, results of operations, financial condition and cash flows and could prohibit or directly or indirectly impair our ability to continue current operations.

***The CFPB could soon promulgate a new rule affecting the consumer lending industry, and this rule or a subsequent new rule and regulations may significantly restrict the conduct of our U.S. consumer lending business.***

On June 2, 2016, the CFPB issued its Notice of Proposed Rulemaking (the "Proposed Rule") on Payday, Vehicle Title, and Certain High-Cost Installment Loans. The Proposed Rule would impose significant limitations on all short-term loans and on installment loans with an APR above 36%, including our short-term loan products and certain of our installment loan and line of credit products. Among other requirements, the Proposed Rule obligates lenders to conduct a specific assessment regarding a borrower's ability to repay, including a requirement to verify borrowers' income and major financial obligations. The Proposed Rule also includes limitations on the number of loans that certain borrowers can have within a specified time frame and requires additional disclosures in loan documents and notices regarding payments.

The Proposed Rule was published in the Federal Register on July 22, 2016, and comments on the Proposed Rule were due to the CFPB by October 7, 2016. The CFPB will review all submitted comments before issuing a final rule. If the CFPB adopts a final rule that significantly restricts the conduct of our business, any such rule could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows or could make the continuance of all or part of our U.S. business impractical or unprofitable. Any new rule adopted by the CFPB could also result in significant compliance costs.

***Election of a new U.S. president supported by a majority of the U.S. Congress from the same political party could significantly change regulatory, legal or other policies that could affect our business.***

In January 2017, a majority of both the U.S. House of Representatives and the U.S. Senate was won by a Republican Party majority. In addition, a Republican was sworn in as the 45th President of the United States. The President and certain Republicans in the U.S. Congress have made statements regarding the desire to lessen the regulatory burden on businesses to create job growth and regarding the status of the Dodd-Frank Act, and the many rules adopted thereunder. The Dodd-Frank Act created the CFPB, which regulates consumer financial products and services including consumer loans that we offer. Until specific laws are passed, executive actions are taken or federal regulatory action is enacted, it is unclear what impact changes to regulatory, legal or other policies will have on our business.

***The United Kingdom has imposed, and continues to impose, increased regulation of the short-term high-cost credit industry with the stated expectation that some firms will exit the market.***

In the United Kingdom, the FCA regulates consumer credit and related activities pursuant to the FSMA and the FCA Handbook, which includes prescriptive rules and regulations and carries across many of the standards set out in the CCA and its secondary legislation as well as previous guidance initially set out by the OFT. The regulations under the FCA consumer credit regime are more prescriptive than the former U.K. consumer credit regime. The FSMA gives the FCA the power to authorize, supervise, examine and bring enforcement actions against providers of consumer credit, as well as to make rules for the regulation of consumer credit. On February 28, 2014, the FCA issued the CONC contained in the FCA Handbook. The CONC incorporates prescriptive regulations for consumer loans such as those that we offer, including mandatory affordability checks on borrowers, limiting the number of rollovers on short-term loans to two, restricting how lenders can advertise, banning advertisements that the FCA deems misleading, and introducing a limit of two unsuccessful attempts on the use of continuous payment authority (which provides a creditor the ability to directly debit a customer's account for payment when authorized by the customer to do so) to pay off a loan. Certain provisions of the CONC took effect on April 1, 2014, and other provisions for high-cost short-term credit providers, such as the limits on rollovers, continuous payment authority and advertising, took effect on July 1, 2014. As a result of the FCA's requirements, we made significant adjustments to many of our business practices in the United Kingdom, as discussed below under "*— Our primary regulators in the United Kingdom have previously expressed serious concerns about our compliance with applicable U.K. regulations, which caused us*

*to make significant changes to our U.K. business that have impacted and will continue to negatively impact our operations and results, and this impact has been and will continue to be significant.”*

On January 2, 2015, the FCA implemented a cap on the total cost of high-cost short-term credit, which includes a maximum rate of 0.8% of principal per day and limits the total fees, interest (including post-default interest) and charges (including late fees which are capped at £15) to an aggregate amount not to exceed 100% of the principal amount loaned. The final rule required us to make changes to all of our high-cost short-term products in the United Kingdom. As a result of the final rule, we discontinued offering line of credit accounts to new customers in the United Kingdom in late 2014 and effective January 1, 2015, we discontinued draws on existing line of credit accounts in the United Kingdom.

The FCA conducted a consultation in 2015 and published its response on September 28, 2015, allowing firms to use continuous payment authority to collect repayments where a customer is in arrears or default and the lender is exercising forbearance. The FCA also imposed a number of regulatory changes on credit brokers and lenders operating in the high-cost-short-term credit market in the United Kingdom. The FCA also implemented a provision that requires providers of high-cost short-term credit include a risk warning in all financial promotions, including previously exempted size-limited ads like SMS text messages and pay-per-click ads. The majority of these changes came into force on November 2, 2015.

On November 29, 2016, the FCA issued a Call for input, seeking evidence and feedback to further inform its previous reviews of the high-cost credit market, including a review of the payday loan price cap. The Call for input covers all high-cost products, including payday loans, rent-to-own, pawnbroking loans, guarantor loans, credit cards and installment loans, as well as overdrafts. The CMA has previously identified a number of competition issues with overdrafts, including poor price transparency and the nature and level of charges, especially for unarranged overdrafts. The FCA will look in more detail at overdrafts from a consumer protection and a competition perspective. The FCA will also review the price cap that was implemented on January 2, 2015 to assess whether there is evidence that suggests the price cap should be changed and to determine whether there is any evidence of consumers turning to illegal money lenders as a result of being excluded from the high-cost credit market because of the price cap. The FCA will also continue to monitor the impact that repeat and multiple borrowing has on the market and consumers. The FCA has requested responses to the Call for input by February 15, 2017 and expects to publish its findings on the review of the price cap by mid-2017.

During the years ended December 31, 2016 and 2015, our U.K. operations represented 13.9% and 19.9%, respectively, of our consolidated total revenue.

These changes that we have implemented or are required to implement in the future as a result of such legislative and regulatory activities could have a material adverse effect on our U.K. business, as further described below under “— *Our primary regulators in the United Kingdom have previously expressed serious concerns about our compliance with applicable U.K. regulations, which caused us to make significant changes to our U.K. business that have impacted and will continue to negatively impact our operations and results, and this impact has been and will continue to be significant,*” and “— *Due to restructuring of the consumer credit regulatory framework in the United Kingdom, we are required to obtain full authorization from our U.K. regulators to continue providing consumer credit and perform related activities in the United Kingdom, and there is no guarantee that we will receive full authorization to continue offering consumer loans in the United Kingdom.*” We cannot give any assurances that the result of the FCA’s review of the high-cost credit market and the payday loan rate cap and any potential new rules will not have a material impact on our U.K. products and services.

***Our primary regulators in the United Kingdom have previously expressed serious concerns about our compliance with applicable U.K. regulations, which caused us to make significant changes to our U.K. business that have impacted and will continue to negatively impact our operations and results, and this impact has been and will continue to be significant.***

In February 2012, the OFT launched a review of the payday lending sector and conducted examinations of a number of payday lenders in the United Kingdom, including us. In May 2013, the OFT sent us a letter of findings related to its examination of our U.K. short term consumer loan (or payday) business, which indicated that we may not have been in full compliance with all relevant laws and guidance. In July 2013, we provided the OFT with an independent audit report setting out the steps taken to address each concern the OFT had identified.

On April 1, 2014, the FCA assumed the supervision and regulation of us, and we are subject to ongoing examination and review by the FCA. In 2014, the FCA informed us that it had serious concerns regarding our compliance with the FCA’s rules and principles, including those with respect to our affordability assessment process and our debt forbearance practices (or our practices regarding customers who have indicated they are experiencing financial difficulty). The FCA also noted concerns regarding certain of our advertising practices. The FCA appointed an independent auditor to undertake a review of certain of our practices as well as our ability to be effectively supervised. That review identified activities that were deemed to have potentially caused consumer detriment or were not in full compliance with the FCA’s rules and guidance. On November 4, 2015, the FCA announced the final redress program, in which we provided 3,940 customers total redress of approximately \$2.6 million through a combination of loan balance

waivers and cash refunds of interest and fees paid. The skilled person oversaw the execution of the redress program, which was concluded in the fourth quarter of 2015.

We made significant adjustments to many of our business practices, including modifying our affordability assessments and underwriting standards, reducing certain maximum loan amounts, changing our collections processes (including our practices relating to continuous payment authority) and debt forbearance practices and altering certain advertising practices, all of which resulted in a significant year-over-year decrease in our U.K. loan volume, U.K. loan balances and U.K. revenue in the second half of 2014 and the first half of 2015. The implementation of stricter affordability assessments and underwriting standards resulted in a decrease in the number of consumer loans written, the average consumer loan amount and the total amount of consumer loans written to new and returning customers. Additionally, we experienced and will continue to experience an increase in compliance- and administrative-related costs for our U.K. operations. In addition, the FCA, in its supervisory role, could subject us to periodic or ongoing examination and review by the FCA, and as such, the FCA could require us to make additional changes to our business that could further negatively affect future results for our U.K. operations. We are continuing to assess the impact of the changes we have made to our U.K. operations, but the impact of these changes was significant, and future changes to our operations as a result of FCA oversight of our business could result in a material adverse effect on our U.K. business and our prospects, results of operation, financial condition and cash flows.

***Competition regulators in the United Kingdom have reviewed and may in the future again review our industry and, together with the FCA, could require lenders to implement changes to their operations, which could have a negative effect on our operations in the United Kingdom.***

In June 2013, the OFT referred the payday lending industry in the United Kingdom to the Competition Commission, which is now the Competition & Markets Authority (“CMA”), for a market investigation. The CMA gathered data from industry participants, including us, in connection with its review of the U.K. payday lending industry to determine whether certain features of the payday lending industry prevent, restrict or distort competition (which is also referred to as having an adverse effect on competition) and, if so, what remedial action should be taken.

On June 11, 2014, the CMA released a provisional findings report in which it indicated that it believes that many payday lenders fail to compete on price and indicated that it will look at potential ways to increase price competition. The CMA also announced the expansion of its review of the payday lending industry to include lead generators. The CMA announced its provisional decision on remedies on October 9, 2014, and published its final report on February 24, 2015. On August 13, 2015, the CMA published its final order which requires online lenders to provide details of their products on at least one price comparison website. The CMA also requires online and storefront lenders to provide existing customers with a summary of their cost of borrowing as of August 13, 2016.

The impact of the CMA’s August 13, 2015 order on our operations has not been significant. However, we do not know whether future actions by the CMA and the FCA could impact consumer acceptance of our products or the consumer experience in obtaining loans or if any future actions could otherwise significantly restrict the conduct of our business or otherwise have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.

***Customer complaints to the Financial Ombudsman Service could increase, which could have a negative effect on our operations in the United Kingdom.***

We have experienced an increased volume of complaints about loans issued prior to changes we implemented in 2014, and the FOS has taken a very consumer friendly approach to its complaint handling process and in dispute resolutions. If the FOS continues to issue findings in favor of consumers, such findings could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.

***Our advertising and marketing materials and disclosures have been and continue to be subject to regulatory scrutiny, particularly in the United Kingdom.***

In the jurisdictions where we operate, our advertising and marketing activities and disclosures are subject to regulation under various industry standards, consumer protection laws, and other applicable laws and regulations. Consistent with the consumer lending industry as a whole, our advertising and marketing materials have come under increased scrutiny. In the United Kingdom, for example, consumer credit firms are subject to the financial promotions regime set out in the FSMA (Financial Promotions) Order 2005 and specific rules in the CONC, such as the inclusion of a risk warning on certain advertising materials. The FCA has also decided to adopt certain elements of industry codes as FCA rules on a case by case basis. Our advertising and marketing materials in the United Kingdom are reviewed both by the FCA and the Advertising Standards Authority. We have in some cases been ordered to withdraw, amend or add disclosures to such materials, or have done so voluntarily in response to inquiries or complaints. In addition, the FCA now requires that providers of high-cost short-term credit include a risk warning in all financial promotions, including previously exempted size-limited ads like SMS text messages and pay-per-click ads.

Going forward, there can be no guarantee that we will be able to advertise and market our business in the United Kingdom or elsewhere in a manner we consider effective. Any inability to do so could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.

***Significant changes in international laws or regulations or a deterioration of the political, regulatory or economic environment of the United Kingdom or Brazil, or any other country in which we begin operations, could affect our operations in these countries.***

We offer, arrange and/or service online consumer loans to customers in Brazil and the United Kingdom. The United Kingdom has recently increased regulation of our industry as well as demonstrated an increasing interest in legislation or regulations that could further regulate or restrict the consumer loan products we offer.

Significant changes in international laws or regulations or a deterioration of the political, regulatory or economic environment of Brazil or the United Kingdom could restrict our ability to sustain or expand our operations in these countries. Similarly, a significant change in laws, regulations or overall treatment (including an interpretation or application of such laws and regulations not anticipated when exploring or initiating business) or a deterioration of the political, regulatory or economic environment of any other country in which we may decide to do business, could also materially adversely affect our prospects and could restrict our ability to initiate a pilot program or develop a pilot program into full business operations.

***We have previously ceased business in certain jurisdictions due to regulatory restrictions and, if we are forced to exit many key jurisdictions due to regulatory restrictions, it could adversely affect our business as a whole.***

In the past we have ceased business in, restricted our operations in, or chosen not to begin business in, certain jurisdictions due to regulatory restrictions which render our operations impermissible, unprofitable or impractical. In addition, because we are in some cases subject to state/provincial and local regulation in addition to federal/national regulation, we may restrict or discontinue business in certain jurisdictions within countries where we are otherwise active. For example, as of December 31, 2016, we did not offer or arrange consumer loans in 17 U.S. states or in the District of Columbia because we do not believe it is economically feasible to operate in those jurisdictions due to specific statutory or regulatory restrictions, such as interest rate ceilings or caps on the fees that may be charged.

The adoption of state regulatory measures cannot be predicted, but we expect that other states may propose or enact similar restrictions on our consumer or small business loan or financing products in the future, which could affect our operations in such states. Legislation or regulations targeting or otherwise directly affecting our products and services have been introduced or adopted in a number of states over the last few years, and we regularly monitor proposed legislation or regulations that could affect our business. For more information, see “Regulation and Legal Proceedings—U.S. State Regulation.”

If we are forced to exit many key jurisdictions due to such concerns, we cannot guarantee that we will be able to find suitably attractive additional business opportunities elsewhere, which could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.

***Our access to payment processing systems to disburse and collect loan and financing proceeds and repayments, including the Automated Clearing House, is critical to our business, and any interruption or limitation on our ability to utilize any of the available means of processing deposits or payments could materially adversely affect our business.***

When making loans and providing financing in the United States, we use several means of depositing proceeds into and collecting repayments from our customers’ bank accounts, including the use of ACH and remotely-created check processing. Our business, including loans made through the CSO programs, depends on payment processing systems to collect amounts due by repayments from our customers’ bank accounts when we have obtained authorization to do so from the customer. Our transactions are processed by banks, and if these banks cease to provide any of the available means of payment processing services, we would have to materially alter, or possibly discontinue, some or all of our business if alternative processing methods are not as effective or not available.

It has been reported that actions by the U.S. Department of Justice (the “Justice Department”), the Federal Deposit Insurance Corporation (“FDIC”) and certain state regulators, referred to as Operation Choke Point, appear to be intended to discourage banks and ACH payment processors from providing access to the ACH system for certain short-term consumer loan providers that they believe are operating illegally, cutting off their access to the ACH system to either debit or credit customer accounts (or both). This heightened regulatory scrutiny by the Justice Department, the FDIC and other regulators has caused banks and ACH payment processors to cease doing business with consumer lenders who are operating legally, without regard to whether those lenders are complying with applicable laws, simply to avoid the risk of heightened scrutiny or even litigation.

In addition, the National Automated Clearinghouse Association (“NACHA”) (which oversees the ACH network) has certain operating rules that govern the use of the ACH system. Amendments to the rules were adopted by NACHA’s members in August 2014 and became effective in 2015 and 2016. These amendments, among other things (1) established certain ACH return rate levels, including

an overall ACH return rate level of 15% of the originator's debit entries (and if any of the specified return rate levels are exceeded, the origination practices and activities of the originator would be subject to a new preliminary inquiry process by NACHA), (2) enhanced limitations on certain ACH reinitiation activities, (3) imposed fees on certain unauthorized ACH returns and (4) allowed for increased flexibility in how NACHA rules violation investigations can be initiated, which does not change the rules enforcement process, but defines additional circumstances under which NACHA may initiate a risk investigation or rules enforcement proceeding based on the origination of unauthorized entries. The revised rules provide clarification that certain industries deal with customers who are more likely to experience an insufficient funds scenario and that the review of an originator with returns in excess of certain of the specified thresholds would take into account the originator's business model in conjunction with its ACH origination practices. We have implemented processes and procedures to address the amendments to the ACH operating rules and that has had an adverse effect on our ability to collect on our loans. As a result of these amendments, our access to the ACH system could be restricted, our ACH costs could increase and we may need to make changes to our business practices.

Our access to payment processing systems could be impaired as a result of actions by regulators to cut off the access to payment processing systems to payday lenders or the NACHA rule amendments. The limited number of financial institutions we depend on may choose to discontinue providing ACH processing, remotely created check processing and similar services to us. If our access to any of these means of payment processing is impaired, we may find it difficult or impossible to continue some or all of our business, which could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows. If we are unable to maintain access to needed services on favorable terms, we would have to materially alter, or possibly discontinue, some or all of our business if alternative processors are not available.

***The failure to comply with debt collection regulations could subject us to fines and other liabilities, which could harm our reputation and business.***

The FDCPA regulates persons who regularly collect or attempt to collect, directly or indirectly, consumer debts owed or asserted to be owed to another person. Many states impose additional requirements on persons collecting or attempting to collect consumer debts owed to them and on debt collection communications, and some of those requirements may be more stringent than the federal requirements. Moreover, regulations governing debt collection are subject to changing interpretations that differ from jurisdiction to jurisdiction.

In addition, on July 28, 2016, the CFPB issued an outline of proposals intended to increase consumer protection pertaining to third-party debt collectors and others covered by the FDCPA, which would apply to our attempts to collect debt originated by other lenders, including under our CSO programs and our Bank Program. The proposals would not apply to our attempts to collect debt that we originate; however, the CFPB has announced that it plans to address consumer protection issues involving first-party debt collectors and creditors separately. The CFPB outline does not include proposed or final rules, and any future rules could be significantly different from those in the outline. The CFPB has not yet defined a date for any proposed rules related to debt collection nor has it defined the effective date for the implementation of final rules. We cannot give any assurances that the effect of such rules will not have a material impact on our U.S. products and services.

Non-U.S. jurisdictions also regulate debt collection. For example, in the United Kingdom, due to new rules under the CONC we have made adjustments to some of our business practices, including our collections processes, which could possibly result in lower collections on loans made by us and has resulted in a decrease in the number of new customers that we are able to approve. In addition, the concerns previously expressed to us by the OFT and the FCA related in part to debt collection. We could be subject to fines, written orders or other penalties if we, or parties working on our behalf, are determined to have violated the FDCPA, the CONC or analogous state or international laws, which could have a material adverse effect on our reputation, business, prospects, results of operations, financial condition and cash flows.

***We use lead providers and marketing affiliates to assist us in obtaining new customers, and if lead providers or marketing affiliates do not comply with an increasing number of applicable laws and regulations, or if our ability to use such lead providers or marketing affiliates is otherwise impaired, it could adversely affect our business.***

We are dependent on third parties, referred to as lead providers (or lead generators) and marketing affiliates, as a source of new customers. Our marketing affiliates place our advertisements on their websites that direct potential customers to our websites. Generally, lead providers operate, and also work with their own marketing affiliates who operate, separate websites to attract prospective customers and then sell those "leads" to online lenders. As a result, the success of our business depends substantially on the willingness and ability of lead providers or marketing affiliates to provide us customer leads at acceptable prices.

If regulatory oversight of lead providers or marketing affiliates is increased, through the implementation of new laws or regulations or the interpretation of existing laws or regulations, our ability to use lead providers or marketing affiliates could be restricted or eliminated. For example, the CFPB has indicated its intention to examine compliance with federal laws and regulations by lead providers and to scrutinize the flow of non-public, private consumer information between lead providers and lead buyers, such as us. In December 2015, in a complaint filed in federal court, the CFPB alleged that T3Leads bought and sold personal information from payday and installment loan applications without properly vetting buyers and sellers. In addition, during 2013, the State of California

began enforcing its short-term lending statute to require lead providers to be licensed in order to provide leads to licensed lenders. As a result, we discontinued using lead providers to generate leads for short-term consumer loans in California. In April 2014, the Attorney General of the State of Illinois filed a lawsuit against a lead provider, alleging that the lead provider offered and arranged payday loans without a license. As a result, we discontinued the use of lead providers in Illinois. While these discontinuations did not have a material adverse effect on us, we expect that other states may propose or enact similar restrictions on lead providers and potentially on marketing affiliates in the future, and if other states adopt similar restrictions, our ability to use lead providers or marketing affiliates in those states would also be interrupted. Although we cannot predict what measures will be taken, we expect that other states may propose or enact similar restrictions on lead providers in the future.

We also expect that the ongoing regulatory review of consumer lending in the United Kingdom may lead to increased restrictions on the operations and/or use of lead providers. On December 1, 2014, the FCA published a policy statement which set out its concerns about the practices of some credit brokers which charge upfront fees to consumers. It also introduced new rules targeted at ensuring that key features of brokers' relationships with consumers are transparent, which came into effect on January 2, 2015. In addition, in its report regarding the payday industry, the CMA recommended that the FCA take steps to ensure that lead generators explain how they operate much more clearly to customers, including that lead generators be required to state that application details are referred to the lender that offers the lead generator the best commercial deal rather than to the lender that offers the most suitable loan for the customer's needs. On September 28, 2015, the FCA published its policy statement confirming its retention of the credit broking rules previously introduced as well as imposing minor changes to CONC rules on credit brokers, which became effective on January 2, 2016.

Lead providers' or marketing affiliates' failure to comply with applicable laws or regulations, or any changes in laws or regulations applicable to lead providers or marketing affiliates' or changes in the interpretation or implementation of such laws or regulations, could have an adverse effect on our business and could increase negative perceptions of our business and industry. Additionally, the use of lead providers and marketing affiliates could subject us to additional regulatory cost and expense. If our ability to use lead generators or marketing affiliates were to be impaired, our business, prospects, results of operations, financial condition and cash flows could be materially adversely affected.

***The use of personal data for credit underwriting is highly regulated.***

In the United States the FCRA regulates the collection, dissemination and use of consumer information, including consumer credit information. Compliance with the FCRA and related laws and regulations concerning consumer reports has recently been under regulatory scrutiny. The FCRA requires us to provide a Notice of Adverse Action to a consumer loan applicant when we deny an application for credit, which, among other things, informs the applicant of the action taken regarding the credit application and the specific reasons for the denial of credit. The FCRA also requires us to promptly update any credit information reported to a consumer reporting agency about a consumer and to allow a process by which consumers may inquire about credit information furnished by us to a consumer reporting agency. Historically, the FTC has played a key role in the implementation, oversight, enforcement and interpretation of the FCRA. Pursuant to the Dodd-Frank Act, the CFPB has primary supervisory, regulatory and enforcement authority of FCRA issues, although the FTC also retains its enforcement role regarding the FCRA but shares that role in many respects with the CFPB. The CFPB has taken a more active approach than the FTC, including with respect to regulation, enforcement and supervision of the FCRA. Changes in the regulation, enforcement or supervision of the FCRA may materially affect our business if new regulations or interpretations by the CFPB or the FTC require us to materially alter the manner in which we use personal data in our credit underwriting.

In the United Kingdom, we are also subject to the requirements of the Data Protection Act 1988 (the "DPA") and are required to be fully registered as a data-controller under the DPA. On October 6, 2015, the European Court of Justice invalidated the so-called "Safe Harbor" framework, which previously evidenced compliance with the DPA and the European Union Data Protection Directive and allowed companies to pass European Union data to non-European Union countries if certain certification requirements were met by the company. Although many companies, including us, had Safe Harbor certification, the European Union and the United Kingdom provide other guidance regarding compliance with their data protection laws and regulations for companies who pass data outside the European Union. In addition, there are circumstances under which a company is exempt from complying with those laws and regulations. Despite the invalidation of the Safe Harbor framework, we believe we are exempt from and/or in compliance with all E.U. and U.K. privacy laws and regulations.

On February 2, 2016, the European Commission and the United States agreed on a new framework for transatlantic data flows: the "EU-US Privacy Shield", which will replace the invalidated Safe harbor framework. The EU-US Privacy Shield is a framework designed by the U.S. Department of Commerce (the "Commerce Department") and European Commission to provide companies on both sides of the Atlantic with a mechanism to comply with EU personal data from the European Union to the United States in support of transatlantic commerce. On July 12, 2016, the European Commission adopted the EU-US Privacy Shield, which consists of four components: (i) the privacy shield principles, which is a code of conduct outlining protections for the handling of personal data; (ii) oversight and enforcement; (iii) ombudsperson mechanism; and (iv) safeguards and limitations. The Commerce Department began accepting certifications to the EU-US Privacy Shield on August 1, 2016. We expect to apply for certification to the EU-US Privacy

Shield, and in the interim, despite the invalidation of the Safe Harbor framework, we believe we are exempt from and/or are in compliance with all E.U. and U.K. privacy laws and regulations.

On June 23, 2016, the United Kingdom voted to exit the European Union. The details and timeline of the exit have not yet been finalized. When the United Kingdom exits the European Union, it is expected that the United Kingdom will establish a new framework for data flow between the United Kingdom and the United States or will agree to continue the protections of the EU-US Privacy Shield for the transfer of personal data into and out of the United Kingdom. We expect to comply with any framework established by the United Kingdom for the transfer of personal data into and out of the United Kingdom.

The oversight of the FCRA by both the CFPB and the FTC and any related investigation or enforcement activities or our failure to comply with the DPA may have a material adverse impact on our business, including our operations, our mode and manner of conducting business and our financial results.

***Negative public perception of our business could cause demand for our products to significantly decrease.***

In recent years, consumer advocacy groups and some media reports have advocated governmental action to prohibit or place severe restrictions on short-term and high-cost consumer loans. Such consumer advocacy groups and media reports generally focus on the annual percentage rate for this type of consumer loan, which is compared unfavorably to the interest typically charged by banks to consumers with top-tier credit histories. The fees and/or interest charged by us and others in the industry attract media publicity about the industry and can be perceived as controversial. If the negative characterization of these types of loans becomes increasingly accepted by consumers, demand for any or all of the consumer loan products that we offer could significantly decrease, which could materially affect our business, prospects, results of operations, financial condition and cash flows. Additionally, if the negative characterization of these types of loans is accepted by legislators and regulators, we could become subject to more restrictive laws and regulations applicable to short-term loans or other consumer loan products that we offer that could materially adversely affect our business, prospects, results of operations, financial condition and cash flows and could impair our ability to continue current operations.

In addition, our ability to attract and retain customers is highly dependent upon the external perceptions of our level of service, trustworthiness, business practices, financial condition and other subjective qualities. Negative perceptions or publicity regarding these matters—even if related to seemingly isolated incidents, or even if related to practices not specific to short-term loans, such as debt collection—could erode trust and confidence and damage our reputation among existing and potential customers, which could make it difficult for us to attract new customers and retain existing customers and could significantly decrease the demand for our products, could materially adversely affect our business, prospects, results of operations, financial condition and cash flows and could impair our ability to continue current operations.

***Current and future litigation or regulatory proceedings could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.***

We have been and are currently subject to lawsuits (including purported class actions) that could cause us to incur substantial expenditures, generate adverse publicity and could significantly impair our business, force us to cease doing business in one or more jurisdictions or cause us to cease offering or alter one or more products. We are also likely to be subject to further litigation in the future. An adverse ruling in or a settlement of any current or future litigation against us or another provider or loans or financings could cause us to have to refund fees and/or interest collected, forego collection of the principal amount of loans or the delivery of purchased receivables, pay treble or other multiple damages, pay monetary penalties and/or modify or terminate our operations in particular jurisdictions.

Defense of any lawsuit, even if successful, could require substantial time and attention of our management and could require the expenditure of significant amounts for legal fees and other related costs. We and others are also subject to regulatory proceedings, and we could suffer losses as a result of interpretations of applicable laws, rules and regulations in those regulatory proceedings, even if we are not a party to those proceedings. Any of these events could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows and could impair our ability to continue current operations.

***Judicial decisions, CFPB rule-making or amendments to the Federal Arbitration Act could render the arbitration agreements we use illegal or unenforceable.***

We include arbitration provisions in our consumer and business loan and financing agreements. These provisions are designed to allow us to resolve any customer disputes through individual arbitration rather than in court and explicitly provide that all arbitrations will be conducted on an individual and not on a class basis. Thus, our arbitration agreements, if enforced, have the effect of shielding us from class action liability. Our arbitration agreements do not generally have any impact on regulatory enforcement proceedings. We take the position that the arbitration provisions in loan and financing agreements, including class action waivers, are valid and enforceable; however, the enforceability of arbitration provisions is often challenged in court. If those challenges are successful, our



arbitration and class action waiver provisions could be unenforceable, which could subject us to additional litigation, including additional class action litigation.

In addition, the U.S. Congress has considered legislation that would generally limit or prohibit mandatory arbitration agreements in consumer contracts and has enacted legislation with such a prohibition with respect to certain mortgage loan agreements and also certain consumer loan agreements to members of the military on active duty and their dependents. Further, the Dodd-Frank Act directed the CFPB to study consumer arbitration and report to the U.S. Congress, and it authorized the CFPB to adopt rules limiting or prohibiting consumer arbitration, consistent with the results of its study.

On May 5, 2016, the CFPB issued proposed rules prohibiting the use of mandatory arbitration clauses and class action waiver provisions in consumer financial services contracts. We do not currently know the nature and extent of the final rule that the CFPB will adopt. As a result, it is not currently possible to predict the ultimate scope, extent, nature, timing or effect of any rule eventually adopted and made effective by the CFPB. Any final rule would apply to consumer financial services contracts entered into only after the compliance date (and will not apply to prior contracts that contain arbitration agreements). We cannot give any assurances that the effect of such rules will not have a material impact on our U.S. products and services.

Any judicial decisions, legislation or other rules or regulations that impair our ability to enter into and enforce consumer arbitration agreements and class action waivers could significantly increase our exposure to class action litigation as well as litigation in plaintiff-friendly jurisdictions, which would be costly and could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.

***The failure of third parties who provide products, services or support to us to maintain their products, services or support could disrupt our operations or result in a loss of revenue.***

A portion of our short-term consumer loan and installment loan revenue depends in part on the willingness and ability of unaffiliated third-party lenders, through the CSO programs, to make loans to customers. We also utilize many other third parties to provide services to facilitate our lending and financing, including in our underwriting and payment processing. In addition, we rely on a third party lender in connection with our lending business in Brazil. The loss of the relationship with any of these third parties, and an inability to replace them or the failure of these third parties to maintain quality and consistency in their programs or services or to have the ability to provide their products and services, could cause us to lose customers and substantially decrease the revenue and earnings of our business. Our revenue and earnings could also be adversely affected if any of those third-party providers make material changes to the products or services that we rely on. We also use third parties to support and maintain certain of our communication systems and information systems. If a third-party provider fails to provide its products or services, makes material changes to such products and services, does not maintain its quality and consistency or fails to have the ability to provide its products and services, our operations could be disrupted. Any of these events could result in a loss of revenue and could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.

***Our business depends on the uninterrupted operation of our systems and business functions, including our information technology and other business systems, as well as the ability of such systems to support compliance with applicable legal and regulatory requirements.***

Our business is highly dependent upon our employees' ability to perform, in an efficient and uninterrupted fashion, necessary business functions, such as internet support, call center activities, and processing and servicing of our loans and receivables purchase agreements. A shut-down of or inability to access the facilities in which our internet operations and other technology infrastructure are based, such as a power outage, a failure of one or more of our information technology, telecommunications or other systems, or sustained or repeated disruptions of such systems could significantly impair our ability to perform such functions on a timely basis and could result in a deterioration of our ability to underwrite, approve and process loans and finance receivables, provide customer service, perform collections activities, or perform other necessary business functions. Any such interruption could have a materially adverse effect on our business, prospects, results of operations, financial condition and cash flows.

In addition, our systems and those of third parties on whom we rely must consistently be capable of compliance with applicable legal and regulatory requirements and timely modification to comply with new or amended requirements. For example, we believe that the federal Military Lending Act compliance issues involved in the CFPB's Consent Order were related in part to system errors. Any such systems problems going forward could have a material adverse effect on our business, prospects, results of operations, financial conditions and cash flows and could impair or prohibit our ability to continue current operations.

***Decreased demand for our products and specialty financial services and our failure to adapt to such decrease could result in a loss of revenue and could have a material adverse effect on us.***

The demand for a particular product or service may decrease due to a variety of factors, such as regulatory restrictions that reduce customer access to particular products, the availability of competing or alternative products or changes in customers' financial

conditions. Should we fail to adapt to a significant change in our customers' demand for, or access to, our products, our revenue could decrease significantly. Even if we make adaptations or introduce new products to fulfill customer demand, customers may resist or may reject products whose adaptations make them less attractive or less available. In any event, the effect of any product change on the results of our business may not be fully ascertainable until the change has been in effect for some time. In particular, we have changed, and will continue to change, some of our operations and the products we offer. Any of these events could result in a loss of revenue and could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.

***Potential union activities could have an adverse effect on our relationship with our workforce.***

None of our employees are currently covered by a collective bargaining agreement or represented by an employee union. Occasionally we experience union organizing activities. In addition, on April 14, 2015, the National Labor Relations Board's new representation election rules became effective, which may make it easier for unions to organize. If our employees become represented by an employee union or become subject to a collective bargaining agreement, it may make it more difficult for us to manage our business and to attract and retain new employees and may increase our cost of doing business. Having our employees become represented by an employee union, having a collective bargaining agreement or having additional requirements related to our employees imposed on us could result in work stoppages and higher employee costs and could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows and could impair our ability to continue current operations.

***If our allowance for losses and liability for estimated losses on third-party lender-owned consumer loans is not adequate to absorb losses or if we do not successfully manage our credit risk for our unsecured loans or financings, our business, prospects, results of operations, financial condition and cash flows may be adversely affected.***

As more fully described under Note 1 to our consolidated financial statements for the year ended December 31, 2016 included in Part II, Item 8, Financial Statements and Supplementary Data in this report, we utilize a variety of underwriting criteria, monitor the performance of our loan portfolios and maintain either an allowance or liability for estimated losses on loans (including fees and interest) at a level estimated to be adequate to absorb credit losses inherent in the receivables portfolio and expected losses from loans guaranteed under the CSO programs. The allowance deducted from the carrying value of consumer loans was \$98.9 million at December 31, 2016, and the liability for estimated losses on third-party lender-owned consumer loans was \$2.0 million at December 31, 2016. These reserves are estimates, and if actual loan losses or losses on our receivables purchase agreements are materially greater than our reserves, our results of operations and financial condition could be adversely affected. In addition, if we do not successfully manage credit risk for our unsecured loans and receivables purchase agreements through our underwriting, we could incur substantial credit losses due to customers being unable to repay their loans or financings. Any failure to manage credit risk could materially adversely affect our business, prospects, results of operations, financial condition and cash flows.

***We are subject to impairment risk.***

At December 31, 2016, we had goodwill totaling \$267.0 million on our consolidated balance sheets, all of which represents assets capitalized in connection with acquisitions and business combinations. Accounting for goodwill requires significant management estimates and judgment. Events may occur in the future, and we may not realize the value of our goodwill. Management performs periodic reviews of the carrying values of our goodwill to determine whether events and circumstances indicate that impairment in value may have occurred. A variety of factors could cause the carrying value of goodwill or an intangible asset to become impaired. Should a review indicate impairment, a write-down of the carrying value of the goodwill or intangible asset would occur, resulting in a non-cash charge, which could adversely affect our results of operations and could also lead to our inability to comply with certain covenants in our financing documents, which could cause a default under those agreements.

***We are subject to anticorruption laws including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010, anti-money laundering laws and economic sanctions laws, and our failure to comply therewith, particularly as we continue to expand internationally, could result in penalties that could harm our reputation and have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.***

***Anticorruption Laws.*** We are subject to the FCPA, which generally prohibits companies and their agents or intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business and/or other benefits. Although we have policies and procedures designed to ensure that we, our employees, agents and intermediaries comply with the FCPA and other anticorruption laws, such policies or procedures may not work effectively all of the time or protect us against liability for actions taken by our employees, agents and intermediaries with respect to our business or any businesses that we may acquire. In the event that we believe, or have reason to believe, that our employees, agents or intermediaries have or may have violated applicable anti-corruption laws, including the FCPA, we may be required to investigate or have a third party investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. Our continued operation and expansion outside the United States could increase the risk of such violations in the future.

We are subject to other anti-corruption laws, such as the Bribery Act, which prohibit the giving or receiving of a bribe to any person, including but not limited to public officials, and make failing to prevent bribery by relevant commercial organizations a criminal offense. This offense applies when any person associated with the organization offers or accepts bribes anywhere in the world intending to obtain or retain a business advantage for the organization or in the conduct of business. The Bribery Act is applicable to businesses that operate in the United Kingdom such as us. The Bribery Act is broader in scope than the FCPA in that it directly addresses commercial bribery in addition to bribery of government officials and it does not allow certain exceptions, notably facilitation payments that are permitted by the FCPA.

Other countries in which we operate or have operated, including Brazil and other countries where we intend to operate also have anticorruption laws, which we are, have been or will be subject to.

If we are not in compliance with the FCPA, the Bribery Act and other laws governing the conduct of business with government entities (including local laws), we may be subject to criminal and civil penalties and other remedial measures, which could have an adverse effect on our business, reputation, results of operations and financial condition. Any investigation of any potential violations of the FCPA, the Bribery Act or other anticorruption laws by U.S. or foreign authorities could harm our reputation and could have a material adverse effect on our business, reputation, prospects, results of operations, financial condition and cash flows.

*Anti-Money Laundering Laws.* We are also subject to anti-money laundering laws and related compliance obligations in the United States and other jurisdictions in which we do business. In the United States, the USA PATRIOT Act and the Bank Secrecy Act require us to maintain an anti-money laundering compliance program covering certain of our business activities. The program must include: (1) the development of internal policies, procedures and controls; (2) designation of a compliance officer; (3) an ongoing employee training program; and (4) an independent audit function to test the program. Furthermore, certain of our subsidiaries are registered as money services businesses with the U.S. Treasury Department and must re-register with the Financial Crimes Enforcement Network (“FinCEN”) at least every two years. If we are not in compliance with U.S. or other anti-money laundering laws, we may be subject to criminal and civil penalties and other remedial measures, which could have an adverse effect on our business, results of operations, financial condition and cash flows. Any investigation of any potential violations of anti-money laundering laws by U.S. or international authorities could harm our reputation and could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows. In the United Kingdom, we are also subject to specific anti-money laundering and counter terrorist financing requirements that require us to develop and maintain anti-money laundering and counter terrorist financing policies and procedures, including reporting suspicious activity to the Serious Organised Crime Agency pursuant to the Proceeds of Crime Act 2002 and the Terrorism Act 2000.

*Economic Sanctions Laws.* The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. In particular, the United States prohibits U.S. persons from engaging with individuals and entities identified as “Specially Designated Nationals,” such as terrorists and narcotics traffickers. These prohibitions are administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”). OFAC rules prohibit U.S. persons from engaging in financial transactions with or relating to the prohibited individual, entity or country, require the blocking of assets in which the individual, entity or country has an interest. Blocked assets (e.g., property or bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Other countries in which we operate also maintain economic and financial sanctions regimes. In the event that we believe, or have reason to believe, that our employees, agents or intermediaries have or may have violated applicable laws or regulations, we may be required to investigate or have a third party investigate the relevant facts and circumstances, which can be expensive and require significant time and attention from senior management. If we are not in compliance with OFAC regulations and other economic and financial sanctions regulations, we may be subject to criminal and civil penalties and other remedial measures, which could have an adverse effect on our business, prospects, results of operations, financial condition and cash flows. Any investigation of any potential violations of OFAC regulations or other economic sanctions by U.S. or foreign authorities could harm our reputation and could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.

Our continued international expansion could increase the risk of violations of FCPA, the Bribery Act, anti-money laundering laws, OFAC regulations, or similar applicable laws and regulations in the future.

***Increased competition from banks, credit card companies, other consumer lenders, and other entities offering similar financial products and services could adversely affect our business, prospects, results of operations, financial condition and cash flows.***

We have many competitors. Our principal competitors are consumer loan companies, CSOs, online lenders, credit card companies, consumer finance companies, pawnshops and other financial institutions that offer similar financial services. Many other financial institutions or other businesses that do not now offer products or services directed toward our traditional customer base, many of whom may be much larger than us, could begin doing so. Significant increases in the number and size of competitors for our business could result in a decrease in the number of loans that we fund, resulting in lower levels of revenue and earnings in these categories.

Competitors of our business may operate, or begin to operate, under business models less focused on legal and regulatory compliance, which could put us at a competitive disadvantage. Some of our U.S. competitors operate using other business models, including a “tribal model” where the lender follows the laws of a Native American tribe regardless of the state in which the customer resides. Competitors using these models may be able to lend in jurisdictions where we do not and may have higher revenue per customer and significantly less burdensome compliance requirements, among other advantages. Additionally, negative perceptions about these models could cause legislators or regulators to pursue additional industry restrictions that could affect the business model under which we operate. To the extent that these models or other new lending models gain acceptance among consumers, small businesses and investors or that they face less onerous regulatory restrictions than we do, we may be unable to replicate their business practices or otherwise compete with them effectively, which could cause demand for our products to decline substantially. We may be unable to compete successfully against any or all of our current or future competitors. As a result, we could lose market share and our revenue could decline, thereby affecting our ability to generate sufficient cash flow to service our indebtedness and fund our operations. Any such changes in our competition could materially adversely affect our business, prospects, results of operations, financial condition and cash flows.

***Our success is dependent, in part, upon our officers, and if we are not able to attract and retain qualified officers, our business could be materially adversely affected.***

Our success depends, in part, on our officers, which are a relatively small group of individuals. Many members of the senior management team have significant industry experience, and we believe that our senior management would be difficult to replace, if necessary. Because the market for qualified individuals is highly competitive, we may not be able to attract and retain qualified officers or candidates. In addition, increasing regulations on and negative publicity about the consumer financial services industry could affect our ability to attract and retain qualified officers. If we are unable to attract or retain qualified officers, it could materially adversely affect our business.

***Our international operations subject us to foreign exchange risk.***

We are subject to the risk of unexpected changes in foreign currency exchange rates by virtue of our loans to residents of Brazil and the United Kingdom. In 2016, 16.4% of our total revenue was derived from our international operations (including loans to residents of Australia and Canada before our wind-down of those businesses). Our results of operations and certain of our intercompany balances associated with our Brazil and United Kingdom businesses are denominated in their respective currencies and are, as a result, exposed to foreign exchange rate fluctuations. Upon consolidation, as exchange rates vary, gross profit and other operating results may differ materially from expectations, and we may record significant gains or losses on the remeasurement of intercompany balances.

***A sustained deterioration in the economy could reduce demand for our products and services and result in reduced earnings.***

A sustained deterioration in the economy could cause deterioration in the performance of our loan and finance receivables portfolios. An economic slowdown could result in a decreased number of loans and financing being made to customers due to higher unemployment or an increase in defaults in our products. During an economic slowdown, we could be required to tighten our underwriting standards, which would likely reduce loan and finance receivable balances, and we could face more difficulty in collecting defaulted receivables, which could lead to an increase in losses.

***We may be unable to protect our proprietary technology and analytics or keep up with that of our competitors.***

The success of our business depends to a significant degree upon the protection of our software, fraud defenses, underwriting algorithms and other proprietary intellectual property rights. We may be unable to deter misappropriation of our proprietary information, detect unauthorized use or take appropriate steps to enforce our intellectual property rights. In addition, competitors could, without violating our proprietary rights, develop technologies that are as good as or better than our technology. Our failure to protect our software and other proprietary intellectual property rights or to develop technologies that are as good as our competitors' could put us at a disadvantage relative to our competitors. Any such failures could have a material adverse effect on our business.

***We may be subject to intellectual property disputes, which are costly to defend and could harm our business and operating results.***

From time to time, we face, and we expect to face in the future, allegations that we have infringed the trademarks, copyrights, patents or other intellectual property rights of third parties, including from our competitors or non-practicing entities. Patent and other intellectual property litigation may be protracted and expensive, and the results are difficult to predict and may require us to stop offering certain products or product features, acquire licenses, which may not be available at a commercially reasonable price or at all, or modify our products, product features, processes or websites while we develop non-infringing substitutes.

In addition, we use open source software in our technology platform and plan to use open source software in the future. From time to time, we may face claims from parties claiming ownership of, or demanding release of, the source code, potentially including our valuable proprietary code, or derivative works that were developed using such software, or otherwise seeking to enforce the terms of the applicable open source license. These claims could also result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to change our platform, any of which could have a negative effect on our business and operating results.

***We are subject to cyber security risks and security breaches and may incur increasing costs in an effort to minimize those risks and to respond to cyber incidents.***

Our business involves the storage and transmission of consumers' and businesses' proprietary information, and security breaches could expose us to a risk of loss or misuse of this information, litigation, and potential liability. We are entirely dependent on the secure operation of our websites and systems as well as the operation of the internet generally. While we have incurred no material cyber-attacks or security breaches to date, a number of other companies have disclosed cyber-attacks and security breaches, some of which have involved intentional attacks. Attacks may be targeted at us, our customers, or both. Although we devote significant resources to maintain and regularly upgrade our systems and processes that are designed to protect the security of our computer systems, software, networks and other technology assets and the confidentiality, integrity and availability of information belonging to us and our customers, our security measures may not provide absolute security. Despite our efforts to ensure the integrity of our systems, it is possible that we may not be able to anticipate or to implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently or are not recognized until launched, and because cyber-attacks can originate from a wide variety of sources, including third parties outside the company such as persons who are involved with organized crime or associated with external service providers or who may be linked to terrorist organizations or hostile foreign governments. These risks may increase in the future as we continue to increase our mobile and other internet-based product offerings and expand our internal usage of web-based products and applications or expand into new countries. If an actual or perceived breach of security occurs, customer and/or supplier perception of the effectiveness of our security measures could be harmed and could result in the loss of customers, suppliers or both. Actual or anticipated attacks and risks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third party experts and consultants.

A successful penetration or circumvention of the security of our systems could cause serious negative consequences, including significant disruption of our operations, misappropriation of our confidential information or that of our customers, or damage to our computers or systems or those of our customers and counterparties, and could result in violations of applicable privacy and other laws, financial loss to us or to our customers, loss of confidence in our security measures, customer dissatisfaction, significant litigation exposure, and harm to our reputation, all of which could have a material adverse effect on us. In addition, our applicants provide sensitive information, including bank account information when applying for loans or financing. We rely on encryption and authentication technology licensed from third parties to provide the security and authentication to effectively secure transmission of confidential information, including customer bank account and other personal information. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in the technology used by us to protect transaction data being breached or compromised. Data breaches can also occur as a result of non-technical issues.

Our servers are also vulnerable to computer viruses, physical or electronic break-ins, and similar disruptions, including "denial-of-service" type attacks. We may need to expend significant resources to protect against security breaches or to address problems caused by breaches. Security breaches, including any breach of our systems or by persons with whom we have commercial relationships that result in the unauthorized release of consumers' personal information or businesses' proprietary information, could damage our reputation and expose us to a risk of loss or litigation and possible liability. In addition, many of the third parties who provide products, services or support to us could also experience any of the above cyber risks or security breaches, which could impact our customers and our business and could result in a loss of customers, suppliers or revenue.

Any of these events could result in a loss of revenue and could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.

***If internet search engine providers change their methodologies for organic rankings or paid search results, or our organic rankings or paid search results decline for other reasons, our new customer growth or volume from returning customers could decline.***

Our new customer acquisition marketing and our returning customer relationship management is partly dependent on search engines such as Google, Bing and Yahoo! to direct a significant amount of traffic to our desktop and mobile websites via organic ranking and paid search advertising. Our competitors' paid search activities, pay per click or search engine marketing may result in their sites receiving higher paid search results than ours and significantly increasing the cost of such advertising for us.

Our paid search activities may not produce (and in the past have not always produced) the desired results. Internet search engines often revise their methodologies, which could adversely affect our organic rankings or paid search results, resulting in a decline in our

new customer growth or existing customer retention, difficulty for our customers in using our web and mobile sites, more successful organic rankings, paid search results or tactical execution efforts for our competitors than for us, a slowdown in overall growth in our customer base and the loss of existing customers, and higher costs for acquiring returning customers, which could adversely impact our business. In addition, search engines could implement policies that restrict the ability of consumer finance companies such as us to advertise their services and products, which could preclude companies in our industry from appearing in a favorable location or any location in the organic rankings or paid search results when certain search terms are used by the consumer. For example, on July 20, 2016, Google implemented a new policy that prohibits lenders, lead providers and affiliates from advertising certain financial products on Google AdWords. Advertisements for personal loans which require repayment within 60 days, or U.S. loans with an APR of 36 percent or more, are no longer allowed on Google paid search advertising. In addition, Google requires that advertisements for personal loans contain or link to information about the features, fees, risks and benefits of the advertised loan product.

Our online marketing efforts are also susceptible to actions by third parties that negatively impact our search results such as spam link attacks, which are often referred to as “black hat” tactics. Our sites have experienced meaningful fluctuations in organic rankings and paid search results in the past, and we anticipate similar fluctuations in the future. Any reduction in the number of consumers or small businesses directed to our web and mobile sites could harm our business and operating results.

***Our operations could be subject to natural disasters and other business disruptions, which could adversely impact our future revenue and financial condition and increase our costs and expenses.***

Our services and operations are vulnerable to damage or interruption from tornadoes, hurricanes, earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors and similar events. A significant natural disaster, such as a tornado, hurricane, earthquake, fire or flood, could have a material adverse impact on our ability to conduct business, and our insurance coverage may be insufficient to compensate for losses that may occur. Acts of terrorism, war, civil unrest, violence or human error could cause disruptions to our business or the economy as a whole. Any of these events could cause consumer and small business confidence to decrease, which could result in a decreased number of loans and financing being made to customers. Any of these occurrences could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.

***Failure to keep up with the rapid changes in e-commerce and the uses and regulation of the internet could harm our business.***

The business of providing products and services such as ours over the internet is dynamic and relatively new. We must keep pace with rapid technological change, consumer and small business use habits, internet security risks, risks of system failure or inadequacy, and governmental regulation and taxation, and each of these factors could adversely impact our business. In addition, concerns about fraud, computer security and privacy and/or other problems may discourage additional consumers and small businesses from adopting or continuing to use the internet as a medium of commerce. In countries such as the United States and the United Kingdom, where e-commerce generally has been available for some time and the level of market penetration of our online financial services is relatively high, acquiring new customers for our services may be more difficult and costly than it has been in the past. In order to expand our customer base, we must appeal to and acquire customers who historically have used traditional means of commerce to conduct their financial services transactions. If these customers prove to be less profitable than our previous customers, and we are unable to gain efficiencies in our operating costs, including our cost of acquiring new customers, our business could be adversely impacted.

***Our business is subject to complex and evolving U.S. and international laws and regulations regarding privacy, data protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.***

Our business is subject to a variety of laws and regulations in the United States and internationally that involve user privacy issues, data protection, advertising, marketing, disclosures, distribution, electronic contracts and other communications, consumer protection and online payment services. The introduction of new products or expansion of our activities in certain jurisdictions may subject us to additional laws and regulations. In addition, international data protection, privacy, and other laws and regulations can be more restrictive than those in the United States. U.S. federal and state and international laws and regulations, which can be enforced by private parties or government entities, are constantly evolving and can be subject to significant change, and the U.S. government, including the FTC and the Department of Commerce, has announced that it is reviewing the need for greater regulation of the collection of information concerning consumer behavior on the internet, including regulation aimed at restricting certain targeted advertising practices. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving e-commerce industry in which we operate, and may be interpreted and applied inconsistently from country to country and inconsistently with our current or past policies and practices. A number of proposals are pending before federal, state, and international legislative and regulatory bodies that could significantly affect our business. For example, the European Commission is currently considering a data protection regulation that may include operational requirements for companies that receive personal data that are different than those currently in place in the European Union, and that may also include significant penalties for non-compliance. Similarly, there have been a number of recent legislative proposals in the United States, at both the

federal and state level, that could impose new obligations in areas such as privacy. In addition, some countries are considering legislation requiring local storage and processing of data that, if enacted, would increase the cost and complexity of delivering our services. These existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products, the expansion into new markets, result in negative publicity, increase our operating costs, require significant management time and attention, and subject us to inquiries or investigations, claims or other remedies, including demands that we modify or cease existing business practices or pay fines, penalties or other damages.

***Growth may place significant demands on our management and our infrastructure and could be costly.***

We have experienced substantial growth in our business. This growth has placed and may continue to place significant demands on our management and our operational and financial infrastructure. Expanding our products or entering into new jurisdictions with new or existing products can be costly and require significant management time and attention. Additionally, as our operations grow in size, scope and complexity and our product offerings increase, we will need to enhance and upgrade our systems and infrastructure to offer an increasing number of enhanced solutions, features and functionality. The expansion of our systems and infrastructure will require us to commit substantial financial, operational and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. Continued growth could also strain our ability to maintain reliable service levels for our customers, develop and improve our operational, financial and management controls, develop and enhance our legal and compliance controls and processes, enhance our reporting systems and procedures and recruit, train and retain highly skilled personnel. Competition for these personnel is intense and is particularly intense for technology and analytics professionals. We may not be successful in attracting and retaining qualified personnel. We have from time to time in the past experienced, and we expect to experience in the future, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources or more attractive compensation mixes than we have had. Managing our growth will require significant expenditures and allocation of valuable management resources. Failure to achieve the necessary level of efficiency in our organization as it grows could materially adversely affect our business, prospects, results of operations, financial condition and cash flows and could impair our ability to continue current operations.

***New top level domain names may allow the entrance of new competitors or dilution of our brands, which may reduce the value of our domain name assets.***

We have invested heavily in promoting our brands, including our website addresses. The Internet Corporation for Assigned Names and Numbers, the entity responsible for administering internet protocol addresses, has introduced, and has proposed the introduction of, additional new domain name suffixes in different formats, many of which may be more attractive than the formats held by us and which may allow the entrance of new competitors at limited cost. It may also permit other operators to register websites with addresses similar to ours, causing customer confusion and dilution of our brands, which could materially adversely affect our business, prospects, results of operations, financial condition and cash flows. Any defensive domain registration strategy or attempts to protect our trademarks or brands could become a large and recurring expense and may not be successful.

***Future acquisitions could disrupt our business and harm our financial condition and operating results.***

Our success will depend, in part, on our ability to expand our product and service offerings and markets and grow our business in response to changing customer demands, regulatory environments, technologies and competitive pressures. In some circumstances, we may expand our offerings through the acquisition of complementary businesses, solutions or technologies rather than through internal development. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified acquisitions. Furthermore, even if we successfully complete an acquisition, we may not be able to successfully assimilate and integrate the business, technologies, solutions, personnel or operations of the business that we acquire, particularly if key personnel of an acquired company decide not to work for us. In addition, we may issue equity securities to complete an acquisition, which would dilute our stockholders' ownership and could adversely affect the price of our common stock. Acquisitions may also involve the entry into geographic or business markets in which we have little or no prior experience or may expose us to additional material liabilities. Consequently, we may not achieve anticipated benefits of the acquisitions, which could harm our operating results.

***We may incur property, casualty or other losses not covered by insurance.***

We maintain a program of insurance coverage for various types of property, casualty and other risks. The types and amounts of insurance that we obtain will vary from time to time, depending on availability, cost and management's decisions with respect to risk retention. The policies are subject to deductibles and exclusions that could result in our retention of a level of risk on a self-insurance basis. Losses not covered by insurance could be substantial and may increase our expenses, which could harm our results of operations and financial condition.

***The preparation of our financial statements and certain tax positions taken by us require the judgment of management, and we could be subject to risks associated with these judgments or could be adversely affected by the implementation of new, or changes in the interpretation of existing, accounting principles, financial reporting requirements or tax rules.***

The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. In addition, management's judgment is required in determining the provision for income taxes, the deferred tax assets and liabilities and any valuation allowance recorded against deferred tax assets. Management's judgment is also required in evaluating whether tax benefits meet the more-likely-than-not threshold for recognition under Accounting Standards Codification 740-10-25, *Income Taxes*. Upon audit, if the ultimate determination of the taxes owed by us is for an amount in excess of amounts previously accrued, we could be required to make certain additional tax payments, which could materially adversely affect our results of operations and cash flows.

In addition, we prepare our financial statements in accordance with generally accepted accounting principles ("GAAP") and its interpretations are subject to change over time. If new rules or interpretations of existing rules require us to change our financial reporting, our results of operations and financial condition could be materially adversely affected, and we could be required to restate historical financial reporting.

***Our U.S. consumer loan businesses are seasonal in nature, which causes our revenue and earnings to fluctuate.***

Our U.S. consumer loan businesses are affected by fluctuating demand for our products and services and fluctuating collection rates throughout the year. Demand for our consumer loan products in the United States has historically been highest in the third and fourth quarters of each year, corresponding to the holiday season, and lowest in the first quarter of each year, corresponding to our customers' receipt of income tax refunds. Typically, our cost of revenue for our consumer loan products in the United States, which represents our loan loss provision, is lowest as a percentage of revenue in the first quarter of each year, corresponding to our customers' receipt of income tax refunds, and increases as a percentage of revenue for the remainder of each year. This seasonality requires us to manage our cash flows over the course of the year. If our revenue or collections were to fall substantially below what we would normally expect during certain periods, our ability to service debt and meet our other liquidity requirements may be adversely affected, which could have a material adverse effect on our business, prospects, results of operations, and financial condition.

### **Risks Related to the Spin-Off**

***We may be responsible for U.S. federal and state income tax liabilities that relate to the distribution.***

The Tax Matters Agreement that we entered into with Cash America in connection with the Spin-off allocates the responsibility for taxes for periods prior to the distribution among Cash America and us. For periods prior to the distribution, generally we are required to reimburse Cash America (and its successor) with respect to any U.S. federal, state or local or international income taxes reportable on returns that include us that are attributable to us. We are responsible for filing and paying all U.S. federal, state or local or international income taxes that are reportable on returns that only include us. We and Cash America (and its successor) are responsible for certain non-income taxes, such as property, excise, sales and use taxes, attributable to each company and its respective subsidiaries.

Under the Tax Matters Agreement, we are generally required to indemnify Cash America (and its successor) against any tax resulting from the distribution to the extent that such tax resulted from (i) an acquisition of all or a portion of our stock or assets, whether by merger or otherwise, (ii) other actions or failures to act by us or (iii) any of our representations or undertakings being incorrect. Our indemnification obligations to Cash America (and its successor) and its officers and directors are not limited by any maximum amount. If we are required to indemnify Cash America or such other persons under the circumstances set forth in the Tax Matters Agreement, we may be subject to substantial liabilities.

***As a result of our Spin-off from Cash America, our historical consolidated financial information is not necessarily indicative of our future prospects. We may be unable to achieve some or all of the benefits that we expected to achieve as an independent, publicly traded company.***

We may not realize the potential benefits we expected from our Spin-off from Cash America. In addition, we have incurred and will continue to incur significant costs, including those described below, which may exceed our estimates, and we have incurred and will incur some negative effects from our Spin-off from Cash America, including loss of access to some of the financial, managerial and professional resources from which we benefited in the past.

The historical consolidated financial information included in this report for periods prior to consummation of the Spin-off may not necessarily reflect what our financial position, results of operations or cash flows would have been had we been an independent entity during the periods presented or those that we will achieve in the future. The costs and expenses reflected in such historical



consolidated financial information for periods prior to the separation and distribution include an allocation for certain corporate functions historically provided by Cash America, including executive oversight, insurance and risk management, government relations, internal audit, treasury, licensing, and to a limited extent finance, accounting, tax, legal, human resources, compensation and benefits, compliance and support for certain information systems related to financial reporting that may be different from the comparable expenses that we would have incurred had we operated as a stand-alone company. We have not adjusted our historical consolidated financial information for periods prior to the Spin-off to reflect changes that have occurred in our cost structure and operations as a result of our transition to becoming a stand-alone public company, including changes in our employee base, any increased costs associated with reduced economies of scale and increased costs associated with SEC reporting and the requirements of the New York Stock Exchange (“NYSE”). Therefore, our historical consolidated financial information for periods prior to the Spin-off may not necessarily be indicative of what our financial position, results of operations or cash flows will be in the future. Please refer to Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our historical consolidated financial statements and the notes to those statements included elsewhere in this report.

***The one-time and ongoing costs of the distribution and operating as a stand-alone public company have been and may continue to be significant.***

We have incurred and are incurring costs in connection with our transition to being a stand-alone public company that relate primarily to accounting, tax, legal and other professional costs; compensation, such as modifications to certain incentive awards upon completion of the distribution; recruiting and relocation costs associated with hiring additional senior management personnel; and costs to separate assets and information systems. In addition, in 2014 we incurred costs of approximately \$16.3 million in connection with obtaining independent financing that we needed in order to operate as a separate stand-alone company. These costs may continue to be significant and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***We have a limited history operating as an independent public company. We have incurred and will continue to incur significant costs to create the corporate infrastructure necessary to operate as an independent public company and meet our legal and regulatory compliance requirements. We may be unable to continue to make, on a timely or cost-effective basis, the changes necessary to operate as an independent company and meet our legal and regulatory compliance requirements.***

Prior to our Spin-off from Cash America, we used Cash America’s corporate infrastructure to support some of our business functions, including services related to executive oversight, insurance and risk management, government relations, internal audit, treasury, licensing, and to a limited extent finance, accounting, tax, legal, human resources, compensation and benefits, compliance and support for certain information systems related to financial reporting. The expenses related to establishing and maintaining this infrastructure were spread among all of Cash America’s businesses. Following the Spin-off and after the expiration of the transition arrangements described below, we no longer had access to Cash America’s infrastructure and have had to establish our own. We are incurring costs to establish the necessary infrastructure and expect to continue to incur such costs.

Cash America was contractually obligated to provide to us certain transition services specified in the Transition Services Agreement and the other agreements we entered into with Cash America in connection with the Spin-off, generally for a period not longer than 12 months from the distribution date. We may be unable to continue to replace in a timely manner or on comparable terms the services or other benefits that Cash America previously provided to us. Since the expiration of our agreements with Cash America, many of the services that were covered in such agreements are now provided internally or by unaffiliated third parties. We have and expect to continue to incur higher costs for such services than we incurred prior to the Spin-off or under the terms of such agreements.

Furthermore, we face significant ongoing legal and regulatory compliance requirements arising from the heavily regulated industry in which we operate, which continues to be targeted by legislators and regulators, and also from compliance with enforcement actions, orders and agreements issued by applicable regulators, such as the November 2013 Consent Order issued by the Consumer Financial Protection Bureau. In particular, the Consent Order requires us to allocate resources to ensure that we have a compliance function that is commensurate with our size, complexity, product lines, and business operations to ensure the implementation of an adequate compliance program, including appropriate staffing levels with qualified and experienced personnel. If, as a stand-alone company, we are unable to maintain these resources in a timely manner or on comparable terms, we may face an increased risk of noncompliance with the Consent Order and other regulatory requirements or additional enforcement actions. These risks could have a material adverse impact on our business, prospects, results of operations, financial condition and could prohibit or directly or indirectly impair our ability to continue current operations.

***In connection with our Spin-off from Cash America, we and Cash America (and our successors) agreed to indemnify each other for certain liabilities. If we are required to act on our indemnities, we may need to divert cash to meet those obligations, and Cash America’s (or its successors) indemnity could be insufficient or Cash America (or its successors) could be unable to satisfy its indemnification obligations.***

Pursuant to the Separation and Distribution Agreement and other agreements with Cash America, Cash America (and any successor) agreed to indemnify us for certain liabilities related to tax, regulatory, litigation or other liabilities, and we agreed to indemnify Cash

America (and any successor) for certain similar liabilities, in each case for uncapped amounts. Indemnities that we may be required to provide Cash America (and any successor) are not subject to any cap, may be significant and could negatively impact our business, particularly indemnities relating to our actions that could impact the tax-free nature of the distribution. Third parties could also seek to hold us responsible for any of the liabilities that Cash America (and any successor) agreed to retain. Further, the indemnity from Cash America (and any successor) could be insufficient to protect us against the full amount of such liabilities, or Cash America (and any successor) may be unable to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from Cash America (and any successor) any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves and could suffer reputational risks if the losses are related to regulatory, litigation or other matters. Each of these risks could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.

***We are subject to certain contingent liabilities of Cash America.***

There are several significant areas where the liabilities of Cash America may become our obligations. For example, under the Code and the related rules and regulations, each corporation that was a member of the Cash America consolidated U.S. federal income tax reporting group during any taxable period or portion of any taxable period ending on or before the effective time of the distribution is jointly and severally liable for the U.S. federal income tax liability of the entire Cash America consolidated tax reporting group for that taxable period. In connection with the Spin-off, we entered into a Tax Matters Agreement with Cash America that allocates the responsibility for prior period taxes of the Cash America consolidated tax reporting group between us and Cash America (and any successor). However, if Cash America (or its successor) is unable to pay any prior period taxes for which it is responsible, we could be required to pay the entire amount of such taxes.

***The Spin-off may expose us to potential liabilities arising out of state and federal fraudulent conveyance laws and legal distribution requirements.***

The Spin-off could be challenged under various state and federal fraudulent conveyance laws. An unpaid creditor or an entity vested with the power of such creditor (such as a trustee or debtor-in-possession in a bankruptcy) could claim that the distribution left Cash America insolvent or with unreasonably small capital or that Cash America intended or believed it would incur debts beyond its ability to pay such debts as they mature and that Cash America did not receive fair consideration or reasonably equivalent value in the Spin-off. If a court were to agree with such a claim, then such court could void the distribution as a fraudulent transfer and could impose a number of different remedies, including without limitation, returning our assets or the distributed shares of our stock to Cash America, voiding our liens and claims against Cash America, or providing Cash America with a claim for money damages against us in an amount equal to the difference between the consideration received by Cash America and the fair market value of our Company at the time of the distribution.

The measure of insolvency for purposes of the fraudulent conveyance laws will vary depending on which jurisdiction's law is applied. Generally, however, an entity would be considered insolvent if either the fair saleable value of its assets is less than the amount of its liabilities (including the probable amount of contingent liabilities), or it is unlikely to be able to pay its liabilities as they become due. We do not know what standard a court would apply to determine insolvency. Further, a court could determine that Cash America was insolvent at the time of or after giving effect to the distribution of Enova common stock.

Under the Separation and Distribution Agreement, we are responsible for the debts, liabilities and other obligations related to the business or businesses which we own and operate. Although we do not expect to be liable for any obligations not expressly assumed by us pursuant to the Separation and Distribution Agreement, it is possible that we could be required to assume responsibility for certain obligations retained by Cash America should Cash America (or its successor) fail to pay or perform its retained obligations.

## **Risks Related to our Indebtedness**

***We have incurred significant indebtedness, which could adversely affect our financial condition and prevent us from fulfilling our obligations under anticipated agreements governing our indebtedness.***

On January 15, 2016, we entered into a receivables securitization (the "2016-1 Securitization Facility") with certain purchasers, Jefferies Funding LLC, as administrative agent and Bankers Trust Company, as indenture trustee and securities intermediary. The 2016-1 Securitization Facility securitizes unsecured consumer installment loans that have been, or will be, originated or acquired under our NetCredit brand and that meet specified eligibility criteria. Under the 2016-1 Securitization Facility, Receivables are sold to a wholly-owned special purpose subsidiary and serviced by another subsidiary. The maximum principal amount of notes of the special purpose subsidiary that may be outstanding at any time under the 2016-1 Securitization Facility is \$275 million. On December 1, 2016, we and certain of our subsidiaries entered into another receivables securitization (the "2016-2 Securitization Facility") with Redpoint Capital Asset Funding, LLC, as lender. The 2016-2 Facility securitizes unsecured consumer installment loans that have been, or will be, originated or acquired under our NetCredit brand and that meet certain eligibility criteria. Under the 2016-2 Facility, the receivables are sold to a wholly-owned special purpose subsidiary and serviced by another subsidiary of ours. The special purpose subsidiary has issued a revolving note with an initial maximum principal balance of \$20.0 million. The facility size may be increased

to \$40.0 million. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consumer Loan Securitization.”

On May 30, 2014 we issued and sold \$500 million in aggregate principal amount of 9.75% Senior Notes, due 2021 (the “Notes”), in a private offering. The Notes bear interest at a rate of 9.75% and were sold at a discount of the principal amount thereof to yield 10.0% to maturity. All of the net proceeds from the Notes offering were paid to Cash America to repay all of our intercompany indebtedness and to pay a significant portion of a cash dividend to Cash America.

In addition, on May 14, 2014 we entered into the Credit Agreement (as amended on March 25, 2015, November 5, 2015, December 29, 2015, June 30, 2016 and September 30, 2016) that provides for our unsecured revolving line of credit in an aggregate principal amount of up to \$35 million as of December 31, 2016. Interest on the loans taken under the Credit Agreement will be charged, at our option, at either the London Interbank Offered Rate for one week or one-, two-, three- or six-month periods, as selected by us, plus a margin varying from 2.50% to 3.75% or at the agent’s base rate plus a margin varying from 1.50% to 2.75%. The margin for the Credit Agreement borrowings is dependent on our cash flow leverage ratios. We will also be required to pay a fee on the unused portion of our revolving line of credit ranging from 0.25% to 0.50% based on our cash flow leverage ratios. The revolving line of credit had no outstanding balance at December 31, 2016 and had outstanding standby letters of credit of \$6.6 million as of such date. For additional information regarding the Notes and our Credit Agreement, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources— Consumer Loan Securitization,” “—Senior Notes” and “—Credit Agreement” in Part II, Item 7 of this report.

Our level of debt could have important consequences to our stockholders, including:

- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- exposing us to the risk of increased interest rates to the extent that our borrowings are at variable rates of interest;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- placing us at a disadvantage compared to other, less leveraged competitors or competitors with comparable debt and more favorable terms and thereby affecting our ability to compete; and
- increasing our cost of borrowing.

We and our subsidiaries may incur significant additional indebtedness in the future. If new indebtedness is added to our current indebtedness levels, the related risks that we face would increase.

***The terms of the agreements governing our indebtedness restrict our current and future operations, particularly our ability to respond to changes or to take certain actions, which could harm our long-term interests.***

The agreements governing our indebtedness (including the indenture governing the Notes and the Credit Agreement) contain various restrictive covenants and, in the case of the Credit Agreement, require that we maintain certain financial ratios that impose operating and financial restrictions on us and limit our ability to engage in actions that may be in our long-term best interests. These restrictive covenants, among other things, restrict our ability to:

- incur additional debt;
- incur or permit certain liens to exist;
- make certain investments;
- merge or consolidate with or into, or convey, transfer, lease or dispose of all or substantially all of our assets to, another company;
- make certain dispositions;
- make certain payments; and
- engage in certain transactions with affiliates.

As a result of all of these covenants and restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

Any failure to comply with any of these financial and other affirmative and negative covenants could constitute an event of default under our debt agreements, entitling the lenders to, among other things, terminate future credit availability under our Credit Agreement, and/or increase the interest rate on outstanding debt, and/or accelerate the maturity of outstanding obligations under our debt agreements. Any such default could materially adversely affect our business, prospects, results of operations, financial condition and cash flows and could impair our ability to continue current operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” in Part II, Item 7 of this report for additional information concerning our indebtedness.

***We may not be able to generate sufficient cash to service our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.***

Our ability to make scheduled payments on or refinance our debt obligations will depend on our financial condition and operating performance and our ability to enter into other debt financings, which are subject to prevailing economic and competitive conditions and to financial, business, legislative, regulatory, capital markets and other factors beyond our control. We might not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. For information regarding the risks to our business that could impair our ability to satisfy our obligations under our indebtedness, see “Risk Factors—Risks Related to Our Business and Industry.” If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to affect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. If we cannot make scheduled payments on our debt, we will be in default, and lenders could declare all outstanding principal and interest to be due and payable, the lenders under our Credit Agreement could terminate their commitments to loan money and we could be forced into bankruptcy or liquidation. The agreements governing our indebtedness restrict our ability to dispose of assets and use the proceeds from those dispositions and also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial condition, liquidity, results of operations and cash flows and our ability to satisfy our obligations under our indebtedness.

***Changes in our financial condition or a potential disruption in the capital markets could reduce available capital.***

If funds are not available from our operations and any excess cash or from our Credit Agreement, we will be required to rely on the banking and credit markets to meet our financial commitments and short-term liquidity needs. We also expect to periodically access the debt capital markets to obtain capital to finance growth. Efficient access to the debt capital markets will be critical to our ongoing financial success; however, our future access to the debt capital markets could become restricted due to a variety of factors, including a deterioration of our earnings, cash flows, balance sheet quality, or overall business or industry prospects, adverse regulatory changes, a disruption to or deterioration in the state of the capital markets or a negative bias toward our industry by market participants. Disruptions and volatility in the capital markets may cause banks and other credit providers to restrict availability of new credit. Due to the negative bias toward our industry, commercial banks and other lenders have restricted access to available credit to participants in our industry, and we may have more limited access to commercial bank lending than other businesses. Our ability to obtain additional financing in the future will depend in part upon prevailing capital market conditions, and a potential disruption in the capital markets may adversely affect our efforts to arrange additional financing on terms that are satisfactory to us, if at all. If adequate funds are not available, or are not available on acceptable terms, we may not have sufficient liquidity to fund our operations, make future investments, take advantage of acquisitions or other opportunities, or respond to competitive challenges and this, in turn, could adversely affect our ability to advance our strategic plans. Additionally, if the capital and credit markets experience volatility, and the availability of funds is limited, third parties with whom we do business may incur increased costs or business disruption and this could adversely affect our business relationships with such third parties.

## Risks Related to our Common Stock and the Securities Market

***Certain provisions of our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law may discourage takeovers.***

Our amended and restated certificate of incorporation authorizes our Board of Directors to issue preferred stock and to determine the designations, powers, preferences, and relative, participating, optional, or other special rights, if any, and the qualifications, limitations, or restrictions of our preferred stock, including the number of shares, in any series, without any further vote or action by the stockholders. The rights of the holders of our common stock will be subject to the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock could delay, deter, or prevent a change in control and could adversely affect the voting power or economic value of our stock.

In addition, some provisions of our amended and restated certificate of incorporation and amended and restated bylaws could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our stockholders, including:

- limitations on the ability of our stockholders to call special meetings;
- limitations on the ability of our stockholders to act by written consent;
- a separate vote of 80% of the voting power of the outstanding shares of capital stock in order for stockholders to amend the bylaws; and
- advance notice provisions for stockholder proposals and nominations for elections to the Board of Directors to be acted upon at meetings of stockholders.

***The market price of our shares may fluctuate widely.***

The market price of our common stock may be influenced by many factors, some of which are beyond our control, including, among other things:

- changes in federal, state or international laws and regulations affecting our industry;
- actual or anticipated variations in quarterly and annual operating results;
- changes in financial estimates and recommendations by research analysts following our common stock or the failure of research analysts to cover our common stock;
- actual or anticipated changes in the United States or international economies;
- terrorist acts or wars;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, divestitures, joint ventures, or other strategic initiatives;
- the trading volume of our common stock; and
- the other risks and uncertainties described herein.

The stock markets have experienced price and volume fluctuations that have affected and continue to affect the market price of equity securities of many companies. These fluctuations have often been unrelated or disproportionate to the operating performance of these companies. These broad market fluctuations, as well as general economic, systemic, political, and market conditions, such as recessions, loss of investor confidence, or interest rate changes, may negatively affect the market price of our common stock.

***If securities or industry analysts publish research that is unfavorable about our business, our stock price and trading volume could decline.***

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. We currently have a limited number of analysts who are publishing research about us. In the event that one or more of our analysts downgrades our stock or publishes misleading or unfavorable research about our business, our stock price could decline. If one or more of these analysts ceases coverage of our company, demand for our stock may decrease, which could cause our stock price or trading volume to decline.

*We do not anticipate paying any dividends on our common stock in the foreseeable future. As a result, stockholders will need to sell their shares of common stock to receive any income or realize a return on their investment.*

We do not anticipate paying any dividends on our common stock in the foreseeable future. Any declaration and payment of future dividends to holders of our common stock may be limited by the provisions of the Delaware General Corporation Law (“DGCL”) and are limited by the terms of the Credit Agreement and Notes. The future payment of dividends, if permitted by our Credit Agreement and the indenture governing the Notes, will be at the sole discretion of our Board of Directors and will depend on many factors, including our earnings, capital requirements, financial condition, and other considerations that our Board of Directors deem relevant. As a result, to receive any income or realize a return on their investment, our stockholders will need to sell their shares of common stock.

*Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us.*

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed to us or our stockholders by any of our directors, officers, employees or agents, (iii) any action asserting a claim against us arising under the DGCL or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine. Our stockholders are deemed to have notice of and have consented to the provisions of our amended and restated certificate of incorporation related to choice of forum. The choice of forum provision in our amended and restated certificate of incorporation may limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 2. PROPERTIES**

We lease our corporate headquarters, which is located in Chicago, Illinois. We also maintain a leased office in Gurnee, Illinois for one of our call center operations, a leased office in Blue Ash, Ohio for The Business Backer operations, and leased office space in London, United Kingdom for our U.K. operations. We believe that our leased facilities are adequate to support our operations and that, as needed, we will be able to obtain suitable additional facilities on commercially reasonable terms.

#### **ITEM 3. LEGAL PROCEEDINGS**

On March 8, 2013, Flemming Kristensen, on behalf of himself and others similarly situated, filed a purported class action lawsuit in the U.S. District Court of Nevada against us and other unaffiliated lenders and lead providers. The lawsuit alleges that the lead provider defendants sent unauthorized text messages to consumers on behalf of us and the other lender defendants in violation of the Telephone Consumer Protection Act. The complaint seeks class certification. On March 26, 2014, the Court granted class certification. On July 20, 2015, the court granted our motion for summary judgment, denied Plaintiff’s motion for summary judgment and, on July 21, 2015, entered judgment in favor of us. Plaintiff filed a motion for reconsideration, which was denied. On May 3, 2016, Plaintiff filed a notice of appeal of the order granting summary judgment for us, the judgment in favor of us, and the order denying Plaintiff’s motion to reconsider, and appellate briefing is now complete. Neither the likelihood of an unfavorable appellate decision nor the ultimate liability, if any, with respect to this matter can be determined at this time, and we are currently unable to estimate a range of reasonably possible losses, as defined by Accounting Standards Codification 450-20-20, *Contingencies—Loss Contingencies—Glossary*, for this litigation. We believe that the plaintiff’s claims in the complaint are without merit and intend to vigorously defend this lawsuit.

We are also a defendant in certain routine litigation matters encountered in the ordinary course of our business. Certain of these matters may be covered to an extent by insurance. In the opinion of management, the resolution of these matters is not expected to have a material adverse effect on our financial position, results of operations or liquidity.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Principal Market

The principal market for our common stock is the New York Stock Exchange ("NYSE"). The following table sets forth the high and low intra-day sales prices per share for our common stock on the NYSE.

	2016		2015	
	High	Low	High	Low
First Quarter .....	\$ 7.13	\$ 4.64	\$ 24.65	\$ 18.37
Second Quarter .....	9.54	5.43	20.92	18.45
Third Quarter .....	10.44	6.47	19.91	9.75
Fourth Quarter.....	\$ 13.90	\$ 8.68	\$ 13.66	\$ 5.99

#### Stockholders

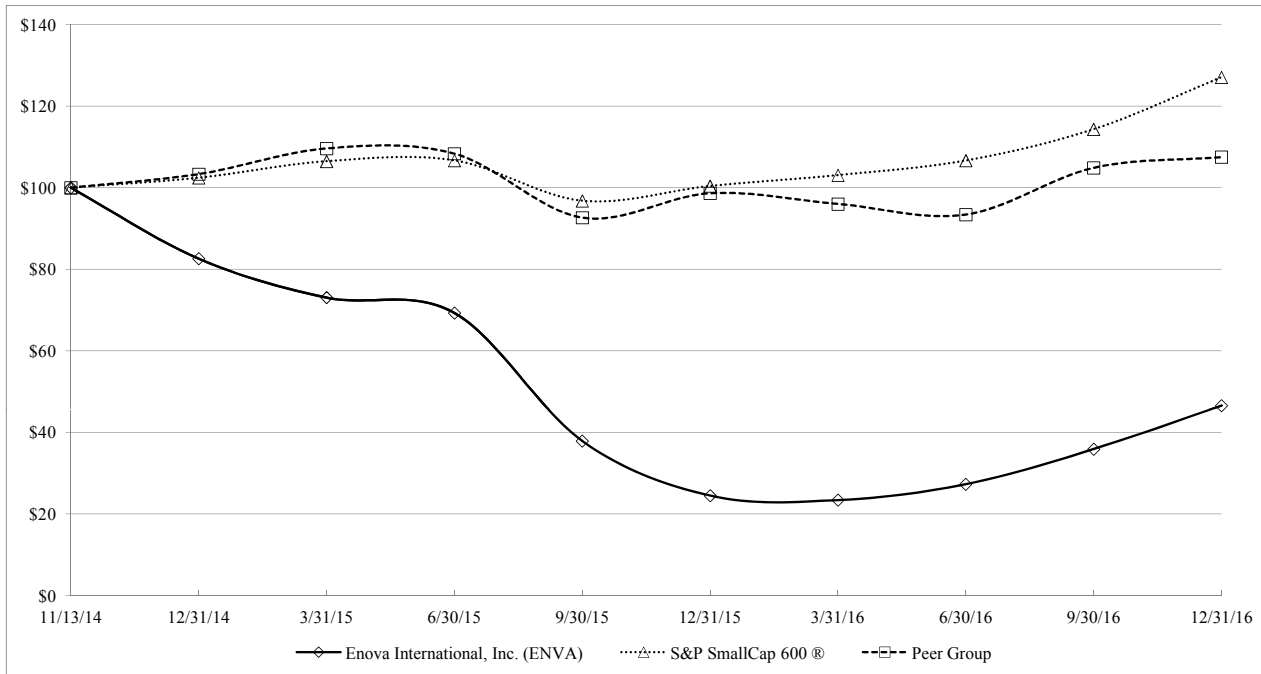
There were 362 registered stockholders of record of Enova common stock as of February 22, 2017.

#### Dividends

During 2014 we paid dividends totaling \$122.4 million, or \$3.71 per share, to Cash America, of which \$120.7 million was paid on May 30, 2014 and \$1.7 million was paid on June 30, 2014. We do not anticipate paying any dividends on our common stock in the foreseeable future. We currently intend to retain our future earnings for use in the operation and expansion of our business. The declaration and amount of any future dividends, however, will be determined by our Board of Directors and will depend on our financial condition, earnings and capital requirements, covenants associated with our debt obligations and any other factors that our Board of Directors believes are relevant. There can be no assurance, however, that we will pay any cash dividends on our common stock in the future. In addition, the terms of the indenture governing the Notes and our Credit Agreement limit our ability to pay future dividends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Senior Notes" and "—Credit Agreement" in Part II, Item 7 of this report.

## Performance Graph

The following graph shows a comparison of the cumulative total shareholder return for our common stock to the total shareholder return for the S&P SmallCap 600® Index and with our peer group from November 13, 2014 (the date our common stock began trading on the NYSE) through December 31, 2016. This data assumes an investment of \$100 in each of our common stock and the two indices on November 13, 2014 and that all dividends were reinvested. Our peer group index is comprised of Bankrate, Inc., CBOE Holdings, Inc., CoreLogic, Inc., CoStar Group Inc., EZCORP, Inc., Fair Isaac Corporation, Green Dot Corporation, Investment Technology Group Inc., Liquidity Services, Inc., Nelnet, Inc., OneMain Holdings, Inc., Regional Management Corp., Shutterfly, Inc., SS&C Technologies Holdings, Inc., TripAdvisor Inc. and World Acceptance Corp.



## Unregistered Sales of Equity Securities

We did not sell any unregistered securities during the three years ended December 31, 2016.



## Issuer Purchases of Equity Securities

The following table provides the information with respect to purchases made by us of shares of our common stock.

Period	Total Number of Shares Purchased <sup>(a)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan
January 1 – January 31, 2016 .....	6,308	\$ 6.61	—	—
February 1 – February 29, 2016 .....	—	—	—	—
March 1 – March 31, 2016 .....	2,675	6.16	—	—
April 1 – April 30, 2016 .....	—	—	—	—
May 1 – May 31, 2016 .....	—	—	—	—
June 1 – June 30, 2016 .....	504	7.36	—	—
July 1 – July 31, 2016 .....	6,442	8.22	—	—
August 1 – August 31, 2016 .....	—	—	—	—
September 1 – September 30, 2016 .....	—	—	—	—
October 1 – October 31, 2016 .....	—	—	—	—
November 1 – November 30, 2016 .....	5,803	11.50	—	—
December 1 – December 31, 2016 .....	20,199	12.65	—	—
Total .....	41,931	\$ 10.42	—	—

*(a) Shares withheld from employees as tax payments for shares issued under the Company's stock-based compensation plans.*

**ITEM 6. SELECTED FINANCIAL DATA**

(In thousands, except per share)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
<b>Statement of Income Data:</b>					
Revenue .....	\$ 745,569	\$ 652,600	\$ 809,837	\$ 765,323	\$ 660,928
Cost of Revenue .....	327,966	216,858	266,787	315,052	288,474
<b>Gross Profit</b> .....	<b>417,603</b>	<b>435,742</b>	<b>543,050</b>	<b>450,271</b>	<b>372,454</b>
<b>Expenses</b>					
Marketing .....	97,404	116,882	127,862	135,336	108,810
Operations and technology .....	85,202	74,012	73,573	70,776	63,505
General and administrative .....	97,956	102,073	107,875	84,420	72,690
Depreciation and amortization .....	15,564	18,388	18,732	17,143	13,272
<b>Total Expenses</b> .....	<b>296,126</b>	<b>311,355</b>	<b>328,042</b>	<b>307,675</b>	<b>258,277</b>
<b>Income from Operations</b> .....	<b>121,477</b>	<b>124,387</b>	<b>215,008</b>	<b>142,596</b>	<b>114,177</b>
Interest expense, net .....	(65,603)	(52,883)	(38,474)	(19,788)	(20,996)
Foreign currency transaction income (loss), net .....	1,562	(985)	(35)	(1,176)	(342)
<b>Income before Income Taxes</b> .....	<b>57,436</b>	<b>70,519</b>	<b>176,499</b>	<b>121,632</b>	<b>92,839</b>
Provision for income taxes .....	22,834	26,527	64,828	43,594	33,967
<b>Net Income</b> .....	<b>\$ 34,602</b>	<b>\$ 43,992</b>	<b>\$ 111,671</b>	<b>\$ 78,038</b>	<b>\$ 58,872</b>
<b>Earnings Per Share:</b>					
Earnings per common share:					
Basic .....	\$ 1.04	\$ 1.33	\$ 3.38	\$ 2.36	\$ 1.78
Diluted .....	\$ 1.03	\$ 1.33	\$ 3.38	\$ 2.36	\$ 1.78
Dividends declared per common share .....	\$ —	\$ —	\$ 3.71	\$ —	\$ —
Weighted average common shares outstanding:					
Basic .....	33,192	33,006	33,000	33,000	33,000
Diluted .....	33,462	33,026	33,008	33,000	33,000
<b>Other Financial Data:</b>					
Adjusted EBITDA <sup>(a)</sup> .....	\$ 142,263	\$ 155,675	\$ 235,819	\$ 162,489	\$ 131,474
Capital expenditures .....	\$ 14,396	\$ 32,241	\$ 13,284	\$ 14,872	\$ 17,872
Gross profit margin .....	56.0%	66.8%	67.1%	58.8%	56.4%
Adjusted EBITDA margin <sup>(a)</sup> .....	19.1%	23.9%	29.1%	21.2%	19.9%
Domestic revenue .....	\$ 622,991	\$ 510,242	\$ 474,715	\$ 395,549	\$ 334,066
International revenue .....	\$ 122,578	\$ 142,358	\$ 335,122	\$ 369,774	\$ 326,862
Number of employees (at period end) .....	1,099	1,132	1,151	1,027	993
<b>Balance Sheet Data (at period end):</b>					
Cash and cash equivalents .....	\$ 39,934	\$ 42,066	\$ 75,106	\$ 47,480	\$ 37,548
Loans and finance receivables, net .....	561,550	434,633	323,611	303,467	228,390
Total assets .....	977,879	840,537	721,315	661,238	580,878
Long-term debt .....	649,911	541,909	480,726	424,133	427,889
Total stockholders' equity .....	241,699	205,968	153,984	173,048	97,416
<b>Other Operating Data:</b>					
Combined loans and finance receivables, gross					
Short-term loans <sup>(b)</sup> .....	\$ 89,097	\$ 83,944	\$ 92,561	\$ 122,165	\$ 194,679
Line of credit accounts .....	144,183	100,855	118,680	125,802	42,700
Installment loans and RPAs <sup>(b)</sup> .....	459,414	351,279	213,588	179,230	121,570
Total combined loans and finance receivables, gross <sup>(b)</sup> ..	<u>\$ 692,694</u>	<u>\$ 536,078</u>	<u>\$ 424,829</u>	<u>\$ 427,197</u>	<u>\$ 358,949</u>
Combined loan and finance receivable originations					
Short-term loans .....	\$ 1,115,891	\$ 1,178,359	\$ 1,303,231	\$ 1,846,024	\$ 2,160,532
Line of credit accounts .....	318,385	237,325	439,562	311,649	116,360
Installment loans and RPAs .....	622,877	516,953	461,432	438,405	222,435
Total combined originations .....	<u>\$ 2,057,153</u>	<u>\$ 1,932,637</u>	<u>\$ 2,204,225</u>	<u>\$ 2,596,078</u>	<u>\$ 2,499,327</u>

(a) The table below shows a reconciliation of Adjusted EBITDA, a non-GAAP measure, to Net Income and Adjusted EBITDA as a percentage of total revenue, which is Adjusted EBITDA margin (dollars in thousands):

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Net Income.....	\$ 34,602	\$ 43,992	\$ 111,671	\$ 78,038	\$ 58,872
Depreciation and amortization expenses .....	15,564	18,388	18,732	17,143	13,272
Interest expense, net .....	65,603	52,883	38,474	19,788	20,996
Foreign currency transaction (gain) loss, net.....	(1,562)	985	35	1,176	342
Provision for income taxes .....	22,834	26,527	64,828	43,594	33,967
Stock-based compensation expense.....	8,522	9,630	664	250	146
Adjustments:					
Acquisition-related costs <sup>(1)</sup> .....	(3,300)	—	—	—	—
Lease termination and relocation costs <sup>(2)</sup> .....	—	3,270	1,415	—	—
Regulatory Penalty <sup>(3)</sup> .....	—	—	—	2,500	—
Withdrawn IPO <sup>(4)</sup> .....	—	—	—	—	3,879
Adjusted EBITDA.....	<u>\$ 142,263</u>	<u>\$ 155,675</u>	<u>\$ 235,819</u>	<u>\$ 162,489</u>	<u>\$ 131,474</u>
Adjusted EBITDA margin calculated as follows:					
Total Revenue.....	745,569	652,600	809,837	765,323	660,928
Adjusted EBITDA .....	142,263	155,675	235,819	162,489	131,474
Adjusted EBITDA as a percentage of total revenue .....	19.1%	23.9%	29.1%	21.2%	19.9%

(1) For the year ended December 31, 2016, the Company recorded a \$3.3 million fair value adjustment (\$2.0 million net of tax) to contingent consideration related to a prior year acquisition.

(2) In May 2015, the Company relocated its headquarters and as a result incurred \$3.3 million of facility cease-use charges (\$2.1 million net of tax) consisting of remaining lease obligations and disposal costs on its prior headquarters. In June 2014 the Company incurred \$1.4 million (\$0.9 million net of tax) of early lease termination charges on our prior headquarters.

(3) For the year ended December 31, 2013, represents the amount paid in connection with the Regulatory Penalty, which is nondeductible for tax purposes.

(4) For the year ended December 31, 2012, represents costs of \$3.9 million, before tax benefit of \$1.5 million related to our withdrawn Registration Statement in July 2012 in connection with efforts in pursuit of an initial public offering.

(b) See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Disclosure—Combined Consumer Loans” in Part II, Item 7 of this report for additional information about combined consumer loans. The table below shows combined consumer loan balances, a non-GAAP measure, which is composed of Company-owned consumer loan balances as reported on our consolidated balance sheets and consumer loans originated by third party lenders through the CSO programs that are not included in our financial statements but are disclosures required by GAAP.

	Year Ended December 31,				
	2016	2015	2014	2013	2012
<b>Short-term loan balances, gross:</b>					
Company owned .....	\$ 63,005	\$ 58,793	\$ 56,298	\$ 80,753	\$ 146,472
Guaranteed by the Company .....	26,092	25,151	36,263	41,412	48,207
Combined.....	<u>\$ 89,097</u>	<u>\$ 83,944</u>	<u>\$ 92,561</u>	<u>\$ 122,165</u>	<u>\$ 194,679</u>
<b>Installment loan and finance receivable balances, gross:</b>					
Company owned .....	\$ 453,307	\$ 342,307	\$ 213,581	\$ 179,230	\$ 121,570
Guaranteed by the Company .....	6,107	8,972	7	—	—
Combined.....	<u>\$ 459,414</u>	<u>\$ 351,279</u>	<u>\$ 213,588</u>	<u>\$ 179,230</u>	<u>\$ 121,570</u>
<b>Total loan and finance receivable balances, gross:</b>					
Company owned .....	\$ 660,495	\$ 501,955	\$ 388,559	\$ 385,785	\$ 310,742
Guaranteed by the Company .....	32,199	34,123	36,270	41,412	48,207
Combined.....	<u>\$ 692,694</u>	<u>\$ 536,078</u>	<u>\$ 424,829</u>	<u>\$ 427,197</u>	<u>\$ 358,949</u>

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

### **RECENT REGULATORY DEVELOPMENTS**

#### **Consumer Financial Protection Bureau**

On June 2, 2016, the CFPB issued its Proposed Rule on Payday, Vehicle Title, and Certain High-Cost Installment Loans. The Proposed Rule would impose significant limitations on all short-term and installment loans with APRs above 36%, including all of our short-term loan products and certain of our installment loan products. Among other provisions, the Proposed Rule requires lenders to conduct a specific assessment regarding a borrower's ability to repay, including a requirement to verify borrowers' income and major financial obligations. The Proposed Rule also includes limitations on the number of loans that certain borrowers can have within a specified time frame and requires additional disclosures in loan documents and notices regarding payments. The Proposed Rule was published in the Federal Register on July 22, 2016, and comments on the Proposed Rule were due to the CFPB by October 7, 2016. The CFPB will review all submitted comments before issuing a final rule. We do not currently know the nature and extent of the final rule that the CFPB will adopt. As a result, it is not currently possible to predict the ultimate scope, extent, nature, timing or effect of any rule eventually adopted and made effective by the CFPB. We cannot give any assurances that the effect of such rule will not have a material impact on our U.S. products and services.

On July 28, 2016, the CFPB, pursuant to the authority provided in the Dodd-Frank Act, issued an outline of proposals pertaining to third-party debt collectors and others covered by the FDCPA that is intended to increase consumer protection during debt collection ("Debt Collection Outline"). In the Debt Collection Outline, the CFPB is considering substantive rules under the FDCPA that would, among other proposals: (i) require collectors to substantiate the debt and confirm that they have sufficient consumer information before starting collection; (ii) limit communication attempts to six per week through any point of contact; (iii) make it easier for consumers to stop specific ways collectors are contacting them; (iv) prohibit collectors from communicating with certain parties for 30 days after a consumer's death; (v) make it easier for consumers to dispute debts by, among other proposals, requiring collectors to include more specific information about the debt in the initial collection notices sent to consumers as well as a "tear-off" portion of the notice that consumers could send back to the collector; (vi) require collectors to verify a debt through a written report if the debt is disputed in writing by a consumer; (vii) prohibit collectors from continuing collection efforts or suing for debt until the necessary documentation is checked if a consumer disputes the debt; and (viii) require a subsequent holder of a debt to resolve any outstanding dispute about the debt before attempting to collect.

The proposals in the Debt Collection Outline would apply to our collection of debt originated by other lenders, including under our CSO programs and our Bank Program. The proposals in the Debt Collection Outline would not apply to our collection of debt that we originate; however, the CFPB has announced that it plans to address consumer protection issues involving first-party debt collectors and creditors separately. The CFPB published its Debt Collection Outline in preparation for convening a Small Business Review Panel to determine whether its proposal could have a significant economic impact on small businesses. The Debt Collection Outline does not include proposed or final rules, and any future rules could be significantly different from those in the Debt Collection Outline. The CFPB has not yet defined a date for any proposed rules related to debt collection nor has it defined the effective date for the implementation of final rules. We cannot give any assurances that the effect of such rules will not have a material impact on our U.S. products and services.

On May 5, 2016, the CFPB issued proposed rules prohibiting the use of mandatory arbitration clauses and class action waiver provisions in consumer financial services contracts. We do not currently know the nature and extent of the final rule that the CFPB will adopt. As a result, it is not currently possible to predict the ultimate scope, extent, nature, timing or effect of any rule eventually adopted and made effective by the CFPB. Any final rule would apply to consumer financial services agreements entered into after the final rule becomes effective (and will not apply to prior arbitration agreements). We cannot give any assurances that the effect of such rules will not have a material impact on our U.S. products and services.

#### **Military Lending Act**

On October 3, 2016, the final rule published by the Department of Defense amending the Military Lending Act's ("MLA's") implementing regulation became effective. The new rule expands the scope of the credit products covered by the MLA. The rules under the MLA will restrict us from offering consumer loan products to covered borrowers above the military annual percentage rate, which is defined by the rules as 36%, and contain various disclosure requirements, limitations on renewals and refinancing, as well as restrictions on the use of prepayment penalties, arbitration provisions and certain waivers of rights. The rule provides that a lender is subject to fines and other penalties if it extends credit to a covered borrower on prohibited terms. The new rule provides a safe harbor for a lender if it verifies that an applicant is not a covered borrower before extending credit by checking the Department of Defense's database or a database of a national credit reporting agency that provides military status information.

## Financial Conduct Authority

During years ended December 31, 2016 and December 31, 2015, our U.K. operations generated 13.9% and 19.9%, respectively, of our consolidated total revenue. Regulatory changes in the United Kingdom during 2014 significantly affected our results from our U.K. operations as described below.

In the United Kingdom, supervision of consumer credit was transferred on April 1, 2014 to the FCA, and pursuant to new legislation, the FCA is authorized to adopt prescriptive rules and regulations. On February 28, 2014, the Consumer Credit Sourcebook was issued as part of the FCA Handbook and incorporates prescriptive regulations for lenders such as us, including mandatory affordability assessments on borrowers, limiting the number of rollovers to two, restricting how lenders can advertise, banning advertisements the FCA deems misleading, and introducing a limit of two unsuccessful attempts on the use of continuous payment authority (which provides a creditor the ability to directly debit a customer's account for payment when authorized by the customer to do so) to pay off a loan. As required by the 2013 amendment to the Financial Services and Markets Act 2000, the FCA implemented a cap on the total cost of high-cost short-term credit effective January 2, 2015. The final rule reflects a maximum rate of 0.8% of principal per day, and limits the total fees, interest (including post-default interest) and charges (including late fees which are capped at £15) to an aggregate amount not to exceed 100% of the principal amount loaned. The rule required us to make changes to all of our high-cost short-term products in the United Kingdom. As a result of the final rule, we discontinued offering line of credit accounts to new customers in the United Kingdom in late 2014 and effective January 1, 2015, we discontinued draws on existing line of credit accounts in the United Kingdom. Once U.K. customers have paid off their outstanding line of credit balance, they may be eligible for either a short-term or installment loan.

On January 29, 2016, we received full authorization from the FCA to provide consumer credit and to perform related activities for both of our U.K. businesses. We will be required to continue to satisfy certain minimum standards set out in the FSMA, which may result in additional costs to us.

On February 24, 2015, the FCA issued a consultation paper that, among other things, proposes to require that providers of high-cost short-term credit include a risk warning in all financial promotions and to amend the FCA rules to allow firms to introduce continuous payment authority to collect repayments where a customer is in arrears or default and the lender is exercising forbearance. The FCA published its response to this consultation on September 28, 2015, and confirmed the ability of firms to use continuous payment authority to collect repayments where a customer is in arrears or default and the lender is exercising forbearance. The FCA also imposed a number of regulatory changes on credit brokers and lenders operating in the high-cost-short-term credit market in the United Kingdom. The FCA now requires that providers of high-cost short-term credit include a risk warning in all financial promotions, including previously exempted size-limited ads like SMS text messages and pay-per-click ads. The majority of these changes came into force on November 2, 2015.

In addition, on August 13, 2015, the CMA published its final order which requires online lenders to publish details of their products on at least one price comparison website which is authorized by the FCA. It is anticipated that the FCA will publish its price comparison website standards in mid-2016 with an effective date at the end of 2016 or 2017. The CMA also ordered online and storefront lenders to provide existing customers with a summary of their cost of borrowing effective August 13, 2016. The CMA also published guidance on the unfair contract provisions in the Consumer Rights Act of 2015, which sets out the CMA's understanding of the provisions in the act which deal with unfair contract terms and notices. The guidance supersedes the general unfair contract terms guidance issued by the OFT

We are subject to ongoing examination and review by the FCA. During 2014 we were in frequent communication with the FCA in an effort to demonstrate that we satisfy the expectations of the FCA, and we made significant modifications to many of our business practices to address the FCA's requirements. These modifications included adjustments to our affordability assessment practices and underwriting standards that govern who will qualify for a loan from us, reductions in certain maximum loan amounts, alterations to advertising practices and adjustments to collections processes (including our practices related to continuous payment authority) and debt forbearance processes (or our practices regarding customers who have indicated they are experiencing financial difficulty). In addition, we previously did not have a physical presence in the United Kingdom as business functions were performed remotely from our facilities in the United States. In order to alleviate concerns in relation to our ability to demonstrate to the FCA that we are capable of being effectively supervised, we established an office in London in 2014 for the management of our U.K. business.

In 2014, the FCA appointed an independent auditor, referred to as a skilled person under section 166 of the FSMA, to undertake a review of certain of our practices, as well as our ability to be effectively supervised. The first phase of that review identified certain of our former business practices that were deemed by the FCA to have caused some consumer detriment, the majority of which were during the limited time frame prior to complete implementation of our enhanced affordability assessment. On November 4, 2015, the FCA announced the final redress program, in which we provided 3,940 customers total redress of approximately \$2.6 million through a combination of loan balance waivers and cash refunds of interest and fees paid. The skilled person oversaw the execution of the redress program, which was concluded in the latter part of the fourth quarter of 2015. The remainder of the section 166 review has been completed and has not identified further activities deemed by the FCA to have caused consumer detriment or that are not in compliance with the FCA's requirements.

In connection with implementing the changes described above to our U.K. business, we experienced a significant year-over-year decrease in our U.K. loan volume, U.K. loan balances and U.K. revenue during 2015. We discontinued offering line of credit accounts to new customers in the United Kingdom in late 2014 and effective January 1, 2015, we discontinued draws on existing line of credit accounts in the United Kingdom. The implementation of stricter affordability assessments and underwriting standards resulted in a year-over-year decrease in the number of consumer loans written, the average consumer loan amount and the total amount of consumer loans written to new and returning customers. Additionally, we experienced an increase in compliance- and administrative-related costs for the United Kingdom, but the overall expenses of our U.K. business (including our cost of revenue) decreased as our U.K. business contracted. The ultimate impact of the changes we have made to our U.K. operations will be dependent on a number of factors (some of which may be unforeseen), including the effectiveness of our execution of the operational changes, the impact the FCA's requirements may have on our competitors that could result in a potential increase in our market share, and consumer reaction to the changes occurring to our services, among other things. The decline in revenue and loan balances in the United Kingdom has been offset to an extent by improved performance of our U.K. consumer loan portfolio as a result of stricter affordability assessments and underwriting standards being implemented, which has resulted in lower consumer loan loss rates, and by continued strong demand for the online loan products we offer and receivables purchased in the United States and other markets.

The results for the year ended December 31, 2014 do not include the full impact of the changes described above. The results for that period are not indicative of our future results of operations and cash flows from our operations in the United Kingdom.

### **Safe Harbor Provisions**

On October 6, 2015, the European Court of Justice invalidated the so-called "Safe Harbor" framework, which previously evidenced compliance with the U.K. Data Protection Act and the European Union Data Protection Directive and allowed companies to pass European Union data to non-European Union countries if certain certification requirements were met by the company. Although many companies, including us, had Safe Harbor certification, the European Union and the United Kingdom provide other guidance regarding compliance with data protection laws and regulations for companies who pass data outside the European Union. In addition, there are circumstances under which a company is exempt from complying with those laws and regulations. Despite the invalidation of the Safe Harbor framework, we believe we are exempt from and/or in compliance with all E.U. and U.K. privacy laws and regulations.

On February 2, 2016, the European Commission and the United States agreed on a new framework for transatlantic data flows, the "EU-US Privacy Shield", which will replace the invalidated Safe Harbor framework. The EU-US Privacy Shield is a framework designed by the U.S. Department of Commerce (the "Commerce Department") and European Commission to provide companies on both sides of the Atlantic with a mechanism to comply with EU personal data from the European Union to the United States in support of transatlantic commerce. On July 12, 2016, the European Commission adopted the EU-US Privacy Shield, which consists of four components: (i) the privacy shield principles, which is a code of conduct outlining protections for the handling of personal data; (ii) oversight and enforcement; (iii) ombudsperson mechanism; and (iv) safeguards and limitations. The Commerce Department began accepting certifications to the EU-US Privacy Shield on August 1, 2016. We expect to apply for certification to the EU-US Privacy Shield, and in the interim, despite the invalidation of the Safe Harbor framework, we believe we are exempt from and/or are in compliance with all E.U. and U.K. privacy laws and regulations.

On June 23, 2016, the United Kingdom voted to exit the European Union. The details and timeline of the exit have not yet been finalized. When the United Kingdom exits the European Union, it is expected that the United Kingdom will establish a new framework for data flow between the United Kingdom and the United States or will agree to continue the protections of the EU-US Privacy Shield for the transfer of personal data into and out of the United Kingdom. We expect to comply with any framework established by the United Kingdom for the transfer of personal data into and out of the United Kingdom.

### **BASIS OF PRESENTATION AND CRITICAL ACCOUNTING POLICIES**

Enova International, Inc. was formed on September 7, 2011 by Cash America to hold the assets of Cash America's online lending business. On September 13, 2011, Cash America contributed to Enova International, Inc. all of the stock of its wholly-owned subsidiary, Enova Online Services, Inc., in exchange for 33 million shares of our common stock. As of December 31, 2016, Enova offered, arranged or purchased consumer and small business loans and receivables purchase agreements (collectively referred to as "loans and finance receivables" throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations) through a number of its subsidiaries to customers in all 50 states and Washington D.C. in the United States, United Kingdom, and Brazil.

Prior to the Spin-off from Cash America, we operated as a division of Cash America and not as a stand-alone company. Our historical consolidated financial statements include the assets, liabilities, revenue and expenses directly attributable to our operations carved out of Cash America's consolidated financial statements. In addition, the historical financial statements for periods prior to the Spin-off include allocations of costs relating to certain functions historically provided by Cash America, including corporate services such as executive oversight, insurance and risk management, government relations, internal audit, treasury, licensing, and to a limited extent

finance, accounting, tax, legal, human resources, compensation and benefits, compliance and support for certain information systems related to financial reporting. The expense allocations were determined on a basis that Cash America and we considered to be reasonable reflections of the utilization of services provided by Cash America.

The amounts recorded for these transactions and allocations are not, however, necessarily representative of the amounts that would have been incurred had we been a separate, stand-alone entity that operated independently of Cash America. As a separate stand-alone public company, our current and future results of operations will include costs and expenses for us to operate as a stand-alone company, and, consequently, these costs may be materially different than as reflected in our historical results of operations. Accordingly, the financial statements for the years when we were a division of Cash America may not be indicative of our future results of operations, financial position and cash flows.

Upon our separation from Cash America, we entered into a transition services agreement with Cash America. Following the completion of the Spin-off and up until December 31, 2015, Cash America provided support for certain information systems related to financial reporting and payment processing to us in exchange for compensation and reimbursement for all out-of-pocket costs and expenses incurred in connection with providing such services.

### **Out-of-Period Adjustment**

In a review of our revenue recognition policy during 2015, we determined that certain fees on our line of credit product should be deferred over the period the draw is outstanding rather than recognized as revenue when assessed. We recorded a \$2.5 million reduction to revenue in the fourth quarter of 2015 as an out-of-period adjustment. This adjustment included a \$2.8 million reduction of revenue associated with periods prior to 2015. We believe this adjustment was not material to any of the prior years' consolidated financial statements.

### **Revenue Recognition**

We recognize revenue based on the financing products and services we offer. "Revenue" in the consolidated statements of income includes: interest income, finance charges, fees for services provided through the CSO programs ("CSO fees"), revenue on RPAs, service charges, draw fees, minimum billing fees, late fees and nonsufficient funds fees as permitted by applicable laws and pursuant to the agreement with the borrower. For short-term loans that we offer, interest and finance charges are recognized on an effective yield basis over the term of the loan. For line of credit accounts, interest is recognized over the reporting period based upon the balance outstanding and the contractual interest rate, draw fees are recognized on an effective yield basis over the estimated outstanding period of the draw, and minimum billing fees are recognized when assessed to the customer. For installment loans, interest is recognized on an effective yield basis over the term of the loan. For RPAs, revenue is recognized on an effective yield basis over the projected delivery term of the agreements and fees are recognized when assessed. CSO fees are recognized on an effective yield basis over the term of the loan. Late and nonsufficient funds fees are recognized when assessed to the customer. Direct costs associated with originating loans and purchasing RPAs, such as third-party customer acquisition costs, are deferred and amortized against revenue on an effective yield basis over the term of the loan or the projected delivery term of the finance receivable. Unpaid and accrued interest and fees and unamortized deferred origination costs are included in "loans and finance receivables, net" in the consolidated balance sheets.

### **Current and Delinquent Loan and Finance Receivables**

We classify our loans and finance receivables as either current or delinquent. Short-term loans are considered delinquent when payment of an amount due is not made as of the due date. If a line of credit account or installment loan customer misses one payment, that payment is considered delinquent and the balance of the loan is considered current. We do not accrue interest on the delinquent payment portion of the loan but do continue to accrue interest on the remaining portion of the loan. If a line of credit account or installment loan customer does not make two consecutive payments, the entire account or loan is classified as delinquent and placed on a non-accrual status. We allow for normal payment processing time before considering a payment or a loan delinquent but do not provide for any additional grace period.

Where permitted by law and as long as a loan is not considered delinquent, a customer may choose to renew a short-term loan or installment loan or extend the due date on a short-term loan. In order to renew or extend a short-term loan, a customer must agree to pay the current finance charge for the right to make a later payment of the outstanding principal balance plus an additional finance charge. In order to renew an installment loan, the customer enters into a new installment loan contract and agrees to pay the principal balance and finance charge in accordance with the terms of the new loan contract. If a short-term loan is renewed, but the customer fails to pay that loan's current finance charge as of the due date, the unpaid finance charge is classified as delinquent. References throughout Management's Discussion and Analysis of Financial Condition and Results of Operations to renewed loans include both renewals and extensions made by customers to their existing loans as discussed above.

We generally do not accrue interest on delinquent loans and do not resume accrual of interest on a delinquent loan unless it is returned to current status. In addition, delinquent loans generally may not be renewed, and if, during an attempt to collect on a delinquent loan, we allow additional time for payment through a payment plan or a promise to pay, it is still considered delinquent. Generally, all payments received are first applied against accrued but unpaid interest and fees and then against the principal balance of the loan.

### **Allowance and Liability for Estimated Losses on Loans and Finance Receivables**

We monitor the performance of our loan and finance receivable portfolios and maintain either an allowance or liability for estimated losses on loans and finance receivables (including revenue, fees and/or interest) at a level estimated to be adequate to absorb credit losses inherent in the portfolio. The allowance for losses on our owned loans and finance receivables reduces the outstanding loan balance in the consolidated balance sheets. The liability for estimated losses related to loans guaranteed under the CSO programs is included in “Accounts payable and accrued expenses” in the consolidated balance sheets.

In determining the allowance or liability for estimated losses on loans and finance receivables, we apply a documented systematic methodology. In calculating the allowance or liability for loan losses, outstanding loans and finance receivables are divided into discrete groups of short-term loans, line of credit accounts, installment loans and RPAs and are analyzed as current or delinquent. Increases in either the allowance or the liability, net of charge-offs and recoveries, are recorded as a “Cost of revenue” in the consolidated statements of income.

The allowance or liability for short-term loans classified as current is based on historical loss rates adjusted for recent default trends for current loans. For delinquent short-term loans, the allowance or liability is based on a six month rolling average of loss rates by stage of collection. For line of credit account and installment loan and RPA portfolios, we generally use a migration analysis to estimate losses inherent in the portfolio. The allowance calculation under the migration analysis is based on historical charge-off experience and the loss emergence period, which represents the average amount of time between the first occurrence of a loss event and the charge-off of a loan. The factors we consider to assess the adequacy of the allowance or liability include past due performance, historical behavior of monthly vintages, underwriting changes and recent trends in delinquency in the migration analysis.

We fully reserve for loans once the loan or a portion of the loan has been classified as delinquent for 60 consecutive days and generally charge-off loans between 60 – 65 days delinquent. If a loan is deemed uncollectible before it is fully reserved, it is charged off at that point. Loans classified as delinquent generally have an age of one to 64 days from the date any portion of the loan became delinquent, as defined above. Recoveries on loans previously charged to the allowance are credited to the allowance when collected.

### **Goodwill**

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. In accordance with Accounting Standards Codification (“ASC”) 350, *Goodwill*, we test goodwill and intangible assets with an indefinite life for potential impairment annually as of June 30 and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount.

We first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. In assessing the qualitative factors, we consider relevant events and circumstances including but not limited to macroeconomic conditions, industry and market environment, our overall financial performance, cash flow from operating activities, market capitalization and stock price. If we determine that the two-step quantitative impairment test is required, we use the income approach to complete our annual goodwill assessment. The income approach uses future cash flows and our estimated terminal values that are discounted using a market participant perspective to determine the fair value, which is then compared to the carrying value to determine if there is impairment. The income approach includes assumptions about revenue growth rates, operating margins and terminal growth rates discounted by an estimated weighted-average cost of capital derived from other publicly-traded companies that are similar but not identical from an operational and economic standpoint. We completed our annual assessment of goodwill as of June 30, 2016 and determined that the fair value of our goodwill exceeded carrying value, and, as a result, no impairment existed at that date. Although no goodwill impairment was noted, there can be no assurances that future goodwill impairments will not occur.

### **Long-lived Assets Other Than Goodwill**

An evaluation of the recoverability of property and equipment and intangible assets subject to amortization is performed whenever the facts and circumstances indicate that the carrying value may be impaired. An impairment loss is recognized if the future undiscounted cash flows associated with the asset and the estimated fair value of the asset are less than the asset’s corresponding carrying value. The amount of the impairment loss, if any, is the excess of the asset’s carrying value over its estimated fair value.

We amortize finite-lived intangible assets subject to amortization on the basis of their expected periods of benefit, generally three to 20 years. The costs of start-up activities and organization costs are charged to expense as incurred.



## **Marketing Expenses**

Marketing expenses consist of online marketing costs such as sponsored search and advertising on social networking sites, and offline marketing costs such as television, radio and direct mail advertising. In addition, marketing expenses include lead purchase costs and broker commissions paid to marketers in exchange for providing information or applications from potential customers interested in using our services. Marketing costs directly related to loan and RPA originations are deferred and amortized against revenue. Online marketing and lead purchase costs not directly resulting in loan and RPA originations are expensed as incurred. The production costs associated with offline marketing are expensed as incurred. Other marketing costs are expensed as incurred.

We also had an agreement with an independent third party pursuant to which we paid a portion of the net revenue received from the customers referred to us by such third party. Prior to the Spin-off, we had an arrangement with Cash America pursuant to which we paid either a lead purchase fee or a portion of the net revenue received from the customers referred to us by Cash America. These referral fees were included in "Marketing" in the consolidated statements of income.

## **Operations and Technology Expenses**

Operations and technology expenses include all expenses related to the direct operations and technology infrastructure related to loan underwriting and processing. This includes call center and operations personnel costs, software maintenance expense, underwriting data from third-party vendors, and telephony costs.

## **General and Administrative Expenses**

General and Administrative expenses primarily include corporate personnel costs, as well as legal, occupancy, and other related costs. In addition, prior to the Spin-off from Cash America, general and administrative expenses included expense allocations for certain corporate service functions historically provided by Cash America, such as executive oversight, insurance and risk management, government relations, internal audit, treasury, licensing, and to a limited extent finance, accounting, tax, legal, human resources, compensation and benefits, compliance and support for certain information systems related to financial reporting. Cash America allocated these expenses to us based on our share of Cash America's corporate services expenses incurred for the consolidated entity.

## **Income Taxes**

We account for income taxes under ASC 740, *Income Taxes* ("ASC 740"). Prior to the spin-off, our operations had been included as part of consolidated and unitary tax returns with Cash America and its affiliated companies. Prior to May 30, 2014, we settled our current tax balances with Cash America on a quarterly basis through an adjustment to our affiliate line of credit with Cash America. With the exception of certain entities outside of the United States, we settled our current tax balances with Cash America on a quarterly basis for the period from May 31, 2014 until the Spin-off.

As part of the process of preparing our consolidated financial statements, we are required to estimate income taxes in each of the jurisdictions in which we operate. This process involves estimating the actual current tax expense together with assessing temporary differences in recognition of income for tax and accounting purposes. These differences result in deferred tax assets and liabilities and are included within the consolidated balance sheets. We must then assess the likelihood that the deferred tax assets will be recovered from future taxable income and, to the extent it believes that recovery is not likely, it must establish a valuation allowance. An expense or benefit is included within the tax provision in the statement of operations for any increase or decrease in the valuation allowance for a given period.

We perform an evaluation of the recoverability of our deferred tax assets on a quarterly basis. We establish a valuation allowance if it is more-likely-than-not (greater than 50 percent) that all or some portion of the deferred tax asset will not be realized. We analyze several factors, including the nature and frequency of operating losses, our carryforward period for any losses, the reversal of future taxable temporary differences, the expected occurrence of future income or loss and the feasibility of available tax planning strategies to protect against the loss of deferred tax assets.

We account for uncertainty in income taxes in accordance with ASC 740, which requires that a more-likely-than-not threshold be met before the benefit of a tax position may be recognized in the consolidated financial statements and prescribes how such benefit should be measured. We must evaluate tax positions taken on our tax returns for all periods that are open to examination by taxing authorities and make a judgment as to whether and to what extent such positions are more likely than not to be sustained based on merit.

Our judgment is required in determining the provision for income taxes, the deferred tax assets and liabilities and any valuation allowance recorded against deferred tax assets. Our judgment is also required in evaluating whether tax benefits meet the more-likely-than-not threshold for recognition under ASC 740.

## **Recent Accounting Pronouncements**

See Note 2 in the Notes to the Audited Consolidated Financial Statements in Part II, Item 8 “Financial Statements and Supplementary Data” in this report for a discussion of recent accounting pronouncements.

## **RESULTS OF OPERATIONS**

### **HIGHLIGHTS**

Our financial results for the year ended December 31, 2016, or 2016, are summarized below.

- Consolidated total revenue increased \$93.0 million, or 14.2%, to \$745.6 million in 2016 compared to \$652.6 million in the year ended December 31, 2015, or 2015. A \$112.8 million, or 22.1%, increase in domestic revenue to \$623.0 million in 2016 from \$510.2 million for 2015 was offset by a \$19.8, or 13.9% decline in international revenue to \$122.6 million in 2016 from \$142.4 million in 2015.
- Consolidated gross profit decreased \$18.1 million, or 4.2%, to \$417.6 million in 2016 compared to \$435.7 million in 2015.
- Consolidated income from operations decreased \$2.9 million, or 2.3%, to \$121.5 million in 2016, compared to \$124.4 million in 2015.
- Consolidated net income was \$34.6 million in 2016, compared to \$44.0 million in 2015. Consolidated diluted earnings per share were \$1.03 in 2016 compared to \$1.33 in 2015.

## OVERVIEW

The following tables reflect our results of operations for the periods indicated, both in dollars and as a percentage of total revenue (dollars in thousands, except per share data):

	Year Ended December 31,		
	2016	2015	2014
<b>Revenue</b>			
Loans and finance receivables revenue .....	\$ 744,092	\$ 650,921	\$ 808,987
Other .....	1,477	1,679	850
<b>Total Revenue</b> .....	<u>745,569</u>	<u>652,600</u>	<u>809,837</u>
<b>Cost of Revenue</b> .....	<u>327,966</u>	<u>216,858</u>	<u>266,787</u>
<b>Gross Profit</b> .....	417,603	435,742	543,050
<b>Expenses</b>			
Marketing .....	97,404	116,882	127,862
Operations and technology .....	85,202	74,012	73,573
General and administrative .....	97,956	102,073	107,875
Depreciation and amortization .....	<u>15,564</u>	<u>18,388</u>	<u>18,732</u>
<b>Total Expenses</b> .....	296,126	311,355	328,042
<b>Income from Operations</b> .....	121,477	124,387	215,008
Interest expense, net .....	(65,603)	(52,883)	(38,474)
Foreign currency transaction gain (loss), net .....	1,562	(985)	(35)
<b>Income before Income Taxes</b> .....	57,436	70,519	176,499
Provision for income taxes .....	<u>22,834</u>	<u>26,527</u>	<u>64,828</u>
<b>Net Income</b> .....	<u>\$ 34,602</u>	<u>\$ 43,992</u>	<u>\$ 111,671</u>
<b>Diluted earnings per share</b> .....	\$ 1.03	\$ 1.33	\$ 3.38
<b>Revenue</b>			
Loans and finance receivables revenue .....	99.8%	99.7%	99.9%
Other .....	<u>0.2</u>	<u>0.3</u>	<u>0.1</u>
<b>Total Revenue</b> .....	100.0	100.0	100.0
<b>Cost of Revenue</b> .....	44.0	33.2	32.9
<b>Gross Profit</b> .....	56.0	66.8	67.1
<b>Expenses</b>			
Marketing .....	13.1	17.9	15.8
Operations and technology .....	11.4	11.4	9.1
General and administrative .....	13.1	15.6	13.4
Depreciation and amortization .....	<u>2.1</u>	<u>2.8</u>	<u>2.3</u>
<b>Total Expenses</b> .....	39.7	47.7	40.6
<b>Income from Operations</b> .....	16.3	19.1	26.5
Interest expense, net .....	(8.8)	(8.1)	(4.7)
Foreign currency transaction gain (loss), net .....	<u>0.2</u>	<u>(0.2)</u>	<u>0.0</u>
<b>Income before Income Taxes</b> .....	7.7	10.8	21.8
Provision for income taxes .....	3.1	4.1	8.0
<b>Net Income</b> .....	<u>4.6%</u>	<u>6.7%</u>	<u>13.8%</u>

## NON-GAAP DISCLOSURE

In addition to the financial information prepared in conformity with generally accepted accounting principles (“GAAP”), we provide historical non-GAAP financial information. We believe that presentation of non-GAAP financial information is meaningful and useful in understanding the activities and business metrics of our operations. We believe that these non-GAAP financial measures reflect an additional way of viewing aspects of our business that, when viewed with its GAAP results, provide a more complete understanding of factors and trends affecting our business.

We provide non-GAAP financial information for informational purposes and to enhance understanding of our GAAP consolidated financial statements. Readers should consider the information in addition to, but not instead of or superior to, our financial statements prepared in accordance with GAAP. This non-GAAP financial information may be determined or calculated differently by other companies, limiting the usefulness of those measures for comparative purposes.

### Adjusted Earnings Measures

In addition to reporting financial results in accordance with GAAP, we have provided adjusted earnings and adjusted earnings per share, or, collectively, the Adjusted Earnings Measures, which are non-GAAP measures. We believe that the presentation of these measures provides investors with greater transparency and facilitates comparison of operating results across a broad spectrum of companies with varying capital structures, compensation strategies, derivative instruments and amortization methods, which provides a more complete understanding of our financial performance, competitive position and prospects for the future. We also believe that investors regularly rely on non-GAAP financial measures, such as the Adjusted Earnings Measures, to assess operating performance and that such measures may highlight trends in our business that may not otherwise be apparent when relying on financial measures calculated in accordance with GAAP. In addition, we believe that the adjustments shown below are useful to investors in order to allow them to compare our financial results during the periods shown without the effect of each of these income or expense items.

The following table provides reconciliations between net income and diluted earnings per share calculated in accordance with GAAP to the Adjusted Earnings Measures, which are shown net of tax (in thousands, except per share data):

	Year Ended December 31,		
	2016	2015	2014
Net Income .....	\$ 34,602	\$ 43,992	\$ 111,671
Adjustments:			
Acquisition-related costs <sup>(a)</sup> .....	(3,300)	—	—
Lease termination and relocation costs <sup>(b)</sup> .....	—	3,270	1,415
Intangible asset amortization.....	1,137	494	45
Stock-based compensation expense .....	8,522	9,630	664
Foreign currency transaction (gain) loss, net .....	(1,562)	985	35
Cumulative tax effect of adjustments .....	(1,907)	(5,373)	(783)
Adjusted earnings .....	<u>\$ 37,492</u>	<u>\$ 52,998</u>	<u>\$ 113,047</u>
Diluted earnings per share .....	\$ 1.03	\$ 1.33	\$ 3.38
Adjustments:			
Acquisition-related costs <sup>(a)</sup> .....	(0.10)	—	—
Lease termination and relocation costs <sup>(b)</sup> .....	—	0.10	0.04
Intangible asset amortization.....	0.04	0.01	—
Stock-based compensation expense .....	0.26	0.29	0.02
Foreign currency transaction (gain) loss, net .....	(0.05)	0.03	—
Cumulative tax effect of adjustments .....	(0.06)	(0.16)	(0.02)
Adjusted earnings per share.....	<u>\$ 1.12</u>	<u>\$ 1.60</u>	<u>\$ 3.42</u>

(a) For the year ended December 31, 2016, we recorded a \$3.3 million fair value adjustment (\$2.0 million net of tax) to contingent consideration related to a prior year acquisition.

(b) In May 2015, we relocated our headquarters and as a result incurred \$3.3 million of facility cease-use charges (\$2.1 million net of tax) consisting of remaining lease obligations and disposal costs on its prior headquarters. In June 2014, we incurred \$1.4 million (\$0.9 million net of tax) of early lease termination charges on our prior headquarters.

## Adjusted EBITDA

The table below shows Adjusted EBITDA, which is a non-GAAP measure that we define as earnings excluding depreciation, amortization, interest, foreign currency transaction gains or losses, taxes and stock-based compensation expense. We believe Adjusted EBITDA is used by investors to analyze operating performance and evaluate our ability to incur and service debt and our capacity for making capital expenditures. Adjusted EBITDA is also useful to investors to help assess our estimated enterprise value. In addition, we believe that the adjustments for acquisition-related costs and the lease termination and relocation costs shown below are useful to investors in order to allow them to compare our financial results during the periods shown without the effect of the income or expense items. The computation of Adjusted EBITDA as presented below may differ from the computation of similarly-titled measures provided by other companies (dollars in thousands):

	Year Ended December 31,		
	2016	2015	2014
Net Income .....	\$ 34,602	\$ 43,992	\$ 111,671
Depreciation and amortization expenses .....	15,564	18,388	18,732
Interest expense, net .....	65,603	52,883	38,474
Foreign currency transaction (gain) loss, net .....	(1,562)	985	35
Provision for income taxes .....	22,834	26,527	64,828
Stock-based compensation expense .....	8,522	9,630	664
Adjustments:			
Acquisition-related costs <sup>(a)</sup> .....	(3,300)	—	—
Lease termination and relocation costs <sup>(b)</sup> .....	—	3,270	1,415
Adjusted EBITDA .....	<u>\$ 142,263</u>	<u>\$ 155,675</u>	<u>\$ 235,819</u>
Adjusted EBITDA margin calculated as follows:			
Total Revenue .....	745,569	652,600	809,837
Adjusted EBITDA .....	142,263	155,675	235,819
Adjusted EBITDA as a percentage of total revenue .....	19.1%	23.9%	29.1%

(a) For the year ended December 31, 2016, we recorded a \$3.3 million fair value adjustment (\$2.0 million net of tax) to contingent consideration related to a prior year acquisition.

(b) In May 2015, we relocated our headquarters and as a result incurred \$3.3 million of facility cease-use charges (\$2.1 million net of tax) consisting of remaining lease obligations and disposal costs on its prior headquarters. In June 2014 we incurred \$1.4 million (\$0.9 million net of tax) of early lease termination charges on our prior headquarters.

## Constant Currency Basis

In addition to reporting financial results in accordance with GAAP, we have provided certain other non-GAAP financial information on a constant currency basis. We currently operate in the United Kingdom and Brazil and have completed a wind-down of our businesses in Australia and Canada in 2016. During 2016, 2015 and 2014, 16.4%, 21.8% and 41.4% of our revenue, respectively, originated in currencies other than the U.S. Dollar, principally the British Pound Sterling. As a result, changes in our reported revenue and profits include the impacts of changes in foreign currency exchange rates. As additional information to the reader, we provide constant currency assessments in the following discussion and analysis to remove and/or quantify the impact of the fluctuation in foreign exchange rates and utilize constant currency results in our analysis of performance. Our constant currency assessment assumes foreign exchange rates in the current fiscal periods remained the same as in the prior fiscal year periods. All conversion rates below are based on the U.S. Dollar equivalent to one of the applicable foreign currency:

	Year Ended December 31,		
	2016	2015	% Change
British Pound .....	1.3554	1.5289	(11.3)%
Australian dollar .....	0.7438	0.7529	(1.2)%
Canadian dollar .....	0.7551	0.7838	(3.7)%
Brazilian real .....	0.2884	0.3057	(5.7)%
	Year Ended December 31,		
	2015	2014	% Change
British Pound .....	1.5289	1.6480	(7.2)%
Australian dollar .....	0.7529	0.9028	(16.6)%
Canadian dollar .....	0.7838	0.9060	(13.5)%
Brazilian real .....	0.3057	0.4263	(28.3)%

We believe that our non-GAAP constant currency assessments are a useful measure, indicating the actual growth and profitability of our operations.

### **Combined Loans and Finance Receivables**

Combined loans and finance receivables is a non-GAAP measure that includes both loans and RPAs we own and loans we guarantee, which are either GAAP items or disclosures required by GAAP. See “—Basis of Presentation and Critical Accounting Policies— Allowance and Liability for Estimated Losses on Loans and Finance Receivables.”

We believe this non-GAAP measure provides investors with important information needed to evaluate the magnitude of potential receivable losses and the opportunity for revenue performance of the loans and finance receivables portfolio on an aggregate basis. We also believe that the comparison of the aggregate amounts from period to period is more meaningful than comparing only the amounts reflected on our balance sheet since both revenue and cost of revenue are impacted by the aggregate amount of receivables we own and those we guarantee as reflected in our financial statements.

## **YEAR ENDED 2016 COMPARED TO YEAR ENDED 2015**

### **Revenue and Gross Profit**

Revenue increased \$93.0 million, or 14.2%, to \$745.6 million for 2016 as compared to \$652.6 million for 2015. On a constant currency basis, revenue increased by \$107.5 million, or 16.5%, for 2016 compared to 2015. The change in revenue is driven by an increase in revenue of \$112.8 million from our domestic operations, primarily resulting from a 32.2% increase in domestic installment loan and RPA revenue and a 40.2% increase in domestic line of credit accounts revenue in 2016 compared to 2015 driven by growth in these products. The increase in revenue from domestic operations was partially offset by a decrease in revenue of \$19.8 million (or an increase of \$5.3 million on a constant currency basis) from our international operations, primarily due to regulatory changes in the United Kingdom and weakness in the British pound sterling since the U.K. vote to leave the European Union.

Our gross profit decreased by \$18.1 million to \$417.6 million for 2016 from \$435.7 million for 2015. On a constant currency basis, gross profit decreased by \$9.4 million for 2016 compared to 2015. Our consolidated gross profit as a percentage of revenue, or our gross profit margin, decreased to 56.0% in 2016 from 66.8% in 2015. The decrease in gross profit margin was primarily driven by the growth of our domestic near-prime installment portfolio and a higher mix of new customers in all products, which require higher loss provisions as new customers default at a higher rate than returning customers with a successful history of loan performance. Although the growth in our domestic near-prime installment portfolio contributed to the lower gross profit margin, as the portfolio continues to scale and the underlying longer term loans continue to season we expect to achieve increased marginal profitability. In addition, our international gross profit margin decreased due to the continued wind down of the U.K. line of credit portfolio and lower margins from our other U.K. products due to regulatory changes.

The following tables set forth the components of revenue and gross profit, separated between domestic and international for 2016 and 2015 (dollars in thousands):

	<u>Year Ended December 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2016</u>	<u>2015</u>		
<b>Revenue by product:</b>				
Short-term loans.....	\$ 196,255	\$ 204,893	\$ (8,638)	(4.2)%
Line of credit accounts.....	220,462	185,521	34,941	18.8%
Installment loans and RPAs.....	327,375	260,507	66,868	25.7%
Total loan and finance receivable revenue.....	744,092	650,921	93,171	14.3%
Other.....	1,477	1,679	(202)	(12.0)%
Total revenue.....	<u>\$ 745,569</u>	<u>\$ 652,600</u>	<u>\$ 92,969</u>	<u>14.2%</u>
<b>Revenue by product (% to total):</b>				
Short-term loans.....	26.3%	31.4%		
Line of credit accounts.....	29.6%	28.4%		
Installment loans and RPAs.....	43.9%	39.9%		
Total loan and finance receivable revenue.....	99.8%	99.7%		
Other.....	0.2%	0.3%		
Total revenue.....	<u>100.0%</u>	<u>100.0%</u>		

	Year Ended December 31,		\$ Change	% Change
	2016	2015		
<b>Domestic:</b>				
Revenue .....	\$ 622,991	\$ 510,242	\$ 112,749	22.1%
Cost of revenue .....	291,264	196,963	94,301	47.9%
Gross profit .....	\$ 331,727	\$ 313,279	\$ 18,448	5.9%
Gross profit margin .....	53.2%	61.4%	(8.2)%	(13.4)%
<b>International:</b>				
Revenue .....	\$ 122,578	\$ 142,358	\$ (19,780)	(13.9)%
Cost of revenue .....	36,702	19,895	16,807	84.5%
Gross profit .....	\$ 85,876	\$ 122,463	\$ (36,587)	(29.9)%
Gross profit margin .....	70.1%	86.0%	(15.9)%	(18.5)%
<b>Total:</b>				
Revenue .....	\$ 745,569	\$ 652,600	\$ 92,969	14.2%
Cost of revenue .....	327,966	216,858	111,108	51.2%
Gross profit .....	\$ 417,603	\$ 435,742	\$ (18,139)	(4.2)%
Gross profit margin .....	56.0%	66.8%	(10.8)%	(16.2)%

### Loan and Finance Receivable Balances

The outstanding combined portfolio balance of loans and finance receivables, net of allowance and liability for estimated losses, increased \$124.8 million, or 26.7%, to \$591.8 million as of December 31, 2016 from \$467.0 million as of December 31, 2015, primarily due to increased demand for our domestic near-prime installment product and growth of our loan and finance receivable portfolios serving the needs of small businesses, and an increase in international loan balances (up 17.6% on a constant currency basis). The outstanding loan balance for our domestic near-prime product increased 43.1% as of December 31, 2016 compared to December 31, 2015, resulting in a domestic near-prime portfolio balance that comprises approximately 40% of our total loan and finance receivables portfolio balance while domestic short-term loans comprise approximately 9%. We expect this trend to continue as we expand our near-prime installment product offering in 2017 by establishing loan programs with one or more banks. We expect the loan balances for our domestic near-prime installment loan product will continue to comprise a larger percentage of the total loan and finance receivable portfolio, due to consumer demand for the product and its longer loan term. Additionally, our portfolio of loans and finance receivables serving the needs of small businesses has grown quickly over the last year and has exceeded 12% of our total loan and finance receivables portfolio. See “—Non-GAAP Disclosure—Combined Loans and Finance Receivables” above for additional information related to combined loans and finance receivables.

The combined loan and finance receivable balance includes \$660.5 million and \$502.0 million as of December 31, 2016 and 2015, respectively, of our owned receivables balances before the allowance for losses of \$98.9 million and \$67.3 million provided in the consolidated financial statements for December 31, 2016 and 2015, respectively. The combined loan and finance receivable balance also includes \$32.2 million and \$34.1 million as of December 31, 2016 and 2015, respectively, of loan and finance receivable balances that are guaranteed by us, which are not included in our financial statements, before the liability for estimated losses of \$2.0 million and \$1.7 million provided in “Accounts payable and accrued expenses” in the consolidated financial statements for December 31, 2016 and 2015, respectively.

The following tables summarize loan and finance receivable balances outstanding as of December 31, 2016 and 2015 (dollars in thousands):

	As of December 31,					
	2016			2015		
	Company Owned <sup>(a)</sup>	Guaranteed by the Company <sup>(a)</sup>	Combined <sup>(b)</sup>	Company Owned <sup>(a)</sup>	Guaranteed by the Company <sup>(a)</sup>	Combined <sup>(b)</sup>
<b>Ending loans and finance receivables:</b>						
Short-term loans .....	\$ 63,005	\$ 26,092	\$ 89,097	\$ 58,793	\$ 25,151	\$ 83,944
Line of credit accounts .....	144,183	—	144,183	100,855	—	100,855
Installment loans and RPAs .....	453,307	6,107	459,414	342,307	8,972	351,279
Total ending loans and finance receivables, gross .....	660,495	32,199	692,694	501,955	34,123	536,078
Less: Allowance and liabilities for losses <sup>(a)</sup> .....	(98,945)	(1,996)	(100,941)	(67,322)	(1,756)	(69,078)
Total ending loans and finance receivables, net .....	<u>\$ 561,550</u>	<u>\$ 30,203</u>	<u>\$ 591,753</u>	<u>\$ 434,633</u>	<u>\$ 32,367</u>	<u>\$ 467,000</u>
Allowance and liability for losses as a % of loans and finance receivables, gross .....	15.0%	6.2%	14.6%	13.4%	5.1%	12.9%

	As of December 31,					
	2016			2015		
	Company Owned <sup>(a)</sup>	Guaranteed by the Company <sup>(a)</sup>	Combined <sup>(b)</sup>	Company Owned <sup>(a)</sup>	Guaranteed by the Company <sup>(a)</sup>	Combined <sup>(b)</sup>
<b>Ending loans and finance receivables:</b>						
Total domestic, gross .....	\$ 576,992	\$ 32,199	\$ 609,191	\$ 422,399	\$ 34,123	\$ 456,522
Total international, gross .....	83,503	—	83,503	79,556	—	79,556
Total ending loans and finance receivables, gross .....	<u>\$ 660,495</u>	<u>\$ 32,199</u>	<u>\$ 692,694</u>	<u>\$ 501,955</u>	<u>\$ 34,123</u>	<u>\$ 536,078</u>

(a) GAAP measure. The loans and finance receivables balances guaranteed by us relate to loans originated by third-party lenders through the CSO programs and are not included in our financial statements.

(b) Except for allowance and liability for estimated losses, amounts represent non-GAAP measures.

### Average Amount Outstanding per Loan

The average amount outstanding per loan is calculated as the total combined loans, gross balance at the end of the period divided by the total number of combined loans outstanding at the end of the period. The following table shows the average amount outstanding per loan by product at December 31, 2016 and 2015:

	As of December 31,	
	2016	2015
<b>Average amount outstanding per loan (in ones)<sup>(a)</sup></b>		
Short-term loans <sup>(b)</sup> .....	\$ 484	\$ 485
Line of credit accounts .....	1,289	1,046
Installment loans <sup>(b)(c)</sup> .....	1,888	1,841
Total loans <sup>(b)(c)</sup> .....	<u>\$ 1,254</u>	<u>\$ 1,132</u>

(a) The disclosure regarding the average amount per loan is statistical data that is not included in our financial statements.

(b) Includes loans guaranteed by us, which represent loans originated by third-party lenders through the CSO programs and are not included in our financial statements.

(c) Excludes RPAs.

The average amount outstanding per loan increased to \$1,254 from \$1,132 during 2016 compared to 2015, mainly due to a greater mix of installment loans, which have higher average amounts per loan relative to short-term loans, in 2016 compared to 2015.

### Average Loan Origination

The average loan origination amount is calculated as the total amount of combined loans originated and renewed for the period divided by the total number of combined loans originated and renewed for the period. The following table shows the average loan origination amount by product for 2016 compared to 2015:

	Year Ended December 31,	
	2016	2015
<b>Average loan origination amount (in ones)<sup>(a)</sup></b>		
Short-term loans <sup>(b)</sup> .....	\$ 454	\$ 467
Line of credit accounts <sup>(c)</sup> .....	306	300
Installment loans <sup>(b)(d)</sup> .....	1,734	1,630
Total loans <sup>(b)(d)</sup> .....	<u>\$ 517</u>	<u>\$ 528</u>

(a) The disclosure regarding the average loan origination amount is statistical data that is not included in our financial statements.

(b) Includes loans guaranteed by us, which represent loans originated by third-party lenders through the CSO programs and are not included in our financial statements.

(c) Represents the average amount of each incremental draw on line of credit accounts.

(d) Excludes RPAs.



The average loan origination amount decreased to \$517 from \$528 during 2016 compared to 2015, mainly due to a greater mix of line of credit draws, which have lower average amounts per loan relative short-term and installment loans.

## LOANS AND FINANCE RECEIVABLES LOSS EXPERIENCE

The allowance and liability for estimated losses as a percentage of combined loans and RPAs increased to 14.6% as of December 31, 2016 from 12.9% as of December 31, 2015, primarily due to a greater concentration of loans to new customers in the short-term and line of credit portfolios. New customers require a greater reserve as these loans default at a higher rate than returning customers with a successful history of loan performance.

The cost of revenue in 2016 was \$328.0 million, which was composed of \$327.7 million related to our owned loans and finance receivables and a \$0.3 million increase in the liability for estimated losses related to loans we guaranteed through the CSO programs. The cost of revenue in 2015 was \$216.9 million, which was composed of \$216.7 million related to our owned loans and finance receivables, and a \$0.2 million increase in the liability for estimated losses related to loans we guaranteed through the CSO programs. Total charge-offs, net of recoveries, were \$295.5 million and \$213.3 million in 2016 and 2015, respectively.

The following tables show loans and finance receivable balances and fees receivable and the relationship of the allowance and liability for losses to the combined balances of loans and finance receivables for each of the last eight quarters (dollars in thousands):

	2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Loans and finance receivables:</b>				
Gross - Company owned .....	\$ 495,906	\$ 563,810	\$ 637,612	\$ 660,495
Gross - Guaranteed by the Company <sup>(a)</sup> .....	27,114	31,227	29,700	32,199
Combined loans and finance receivables, gross <sup>(b)</sup> .....	523,020	595,037	667,312	692,694
Allowance and liability for losses on loans and finance receivables .....	68,886	75,653	96,474	100,941
Combined loans and finance receivables, net <sup>(b)</sup> .....	<u>\$ 454,134</u>	<u>\$ 519,384</u>	<u>\$ 570,838</u>	<u>\$ 591,753</u>
Allowance and liability for losses as a % of loans and finance receivables, gross <sup>(b)</sup> .....	13.2%	12.7%	14.5%	14.6%
	<b>2015</b>			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Loans and finance receivables:</b>				
Gross - Company owned .....	\$ 330,275	\$ 368,715	\$ 445,547	\$ 501,955
Gross - Guaranteed by the Company <sup>(a)</sup> .....	25,355	31,539	36,684	34,123
Combined loans and finance receivables, gross <sup>(b)</sup> .....	355,630	400,254	482,231	536,078
Allowance and liability for losses on loans and finance receivables .....	52,165	52,689	66,718	69,078
Combined loans and finance receivables, net <sup>(b)</sup> .....	<u>\$ 303,465</u>	<u>\$ 347,565</u>	<u>\$ 415,513</u>	<u>\$ 467,000</u>
Allowance and liability for losses as a % of loans and finance receivables, gross <sup>(b)</sup> .....	14.7%	13.2%	13.8%	12.9%

(a) Represents loans originated by third-party lenders through the CSO programs, which are not included in our financial statements.

(b) Non-GAAP measure.

## Loans and Finance Receivables Loss Experience by Product

We evaluate loss rates for all financing products in our portfolio to determine credit quality and evaluate trends. For our products, we evaluate loans and finance receivables losses as a percentage of the average loan and finance receivable balance outstanding or the average combined loan and finance receivable balance outstanding, whichever is applicable, for each portfolio.

### Short-term Loans

Demand for our short-term loan product in the United States has historically been highest in the third and fourth quarters of each year, and lowest in the first quarter of each year, corresponding to our customers' receipt of income tax refunds. Softer demand for short-term loans in the United States combined with tighter underwriting standards in the United Kingdom due to changes in the regulatory environment during 2014 resulted in lower year-over-year average balances during the second and third quarters of 2016. The higher

allowance and liability for losses as a percentage of combined loan balance in the second half of the year was attributable to an increase in originations to new customers, which also led to year-over-year increases in the average and ending short-term loan balances for the fourth quarter of 2016.

Our gross profit margin for short-term loans is typically highest in the first quarter of each year, corresponding to the seasonal decline in consumer loan balances outstanding. The cost of revenue as a percentage of the average combined loan balance for short-term loans outstanding is typically lower in the first quarter and generally peaks in the second half of the year with higher loan demand.

The following table includes information related only to short-term loans and shows our loss experience trends for short-term loans for each of the last eight quarters (dollars in thousands):

	2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b><u>Short-term loans:</u></b>				
Cost of revenue.....	\$ 13,276	\$ 14,214	\$ 20,531	\$ 21,600
Charge-offs (net of recoveries).....	16,540	11,720	15,956	21,021
<b>Average short-term combined loan balance, gross:</b>				
Company owned <sup>(a)</sup> .....	55,839	54,324	60,761	59,728
Guaranteed by the Company <sup>(a)(b)</sup> .....	25,151	21,443	24,678	24,709
<b>Average short-term combined loan balance, gross<sup>(a)(c)</sup>.....</b>	<b><u>\$ 80,990</u></b>	<b><u>\$ 75,767</u></b>	<b><u>\$ 85,439</u></b>	<b><u>\$ 84,437</u></b>
<b>Ending short-term combined loan balance, gross:</b>				
Company owned.....	\$ 52,381	\$ 58,798	\$ 60,124	\$ 63,005
Guaranteed by the Company <sup>(b)</sup> .....	20,534	24,451	23,379	26,092
<b>Ending short-term combined loan balance, gross<sup>(c)</sup>.....</b>	<b><u>\$ 72,915</u></b>	<b><u>\$ 83,249</u></b>	<b><u>\$ 83,503</u></b>	<b><u>\$ 89,097</u></b>
Ending allowance and liability for losses.....	<u>\$ 12,598</u>	<u>\$ 14,746</u>	<u>\$ 19,184</u>	<u>\$ 19,486</u>
<b><u>Short-term loan ratios:</u></b>				
Cost of revenue as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	16.4%	18.8%	24.0%	25.6%
Charge-offs (net of recoveries) as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	20.4%	15.5%	18.7%	24.9%
Gross profit margin.....	72.1%	69.5%	60.5%	56.8%
Allowance and liability for losses as a % of combined loan balance, gross <sup>(c)(d)</sup> .....	17.3%	17.7%	23.0%	21.9%

	2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Short-term loans:</b>				
Cost of revenue.....	\$ 11,843	\$ 14,299	\$ 18,315	\$ 17,837
Charge-offs (net of recoveries).....	13,908	12,683	17,226	18,125
<b>Average short-term combined loan balance, gross:</b>				
Company owned <sup>(a)</sup> .....	52,307	52,677	60,399	59,298
Guaranteed by the Company <sup>(a)(b)</sup> .....	28,626	25,699	26,761	24,215
<b>Average short-term combined loan balance, gross<sup>(a)(c)</sup>.....</b>	<b>\$ 80,933</b>	<b>\$ 78,376</b>	<b>\$ 87,160</b>	<b>\$ 83,513</b>
<b>Ending short-term combined loan balance, gross:</b>				
Company owned.....	\$ 49,012	\$ 58,315	\$ 62,208	\$ 58,793
Guaranteed by the Company <sup>(b)</sup> .....	24,394	27,717	25,966	25,151
<b>Ending short-term combined loan balance, gross<sup>(c)</sup>.....</b>	<b>\$ 73,406</b>	<b>\$ 86,032</b>	<b>\$ 88,174</b>	<b>\$ 83,944</b>
Ending allowance and liability for losses.....	<u>\$ 13,650</u>	<u>\$ 15,472</u>	<u>\$ 16,380</u>	<u>\$ 15,950</u>
<b>Short-term loan ratios:</b>				
Cost of revenue as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	14.6%	18.2%	21.0%	21.4%
Charge-offs (net of recoveries) as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	17.2%	16.2%	19.8%	21.7%
Gross profit margin.....	76.7%	70.5%	66.4%	65.0%
Allowance and liability for losses as a % of combined loan balance, gross <sup>(c)(d)</sup> .....	18.6%	18.0%	18.6%	19.0%

(a) The average short-term combined loan balance is the average of the month-end balances during the period.

(b) Represents loans originated by third-party lenders through the CSO programs, which are not included in our financial statements.

(c) Non-GAAP measure.

(d) Allowance and liability for losses as a % of combined loan balance, gross, is determined using period-end balances.

### Line of Credit Accounts

The cost of revenue as a percentage of average loan balance for line of credit accounts exhibits a similar quarterly seasonal trend to short-term loan loss rates as the ratio is typically lower in the first quarter and increases throughout the remainder of the year, peaking in the second half of the year with higher loan demand.

The gross profit margin is generally lower for line of credit accounts as compared to short-term loans because the highest levels of default are exhibited in the early stages of the account, while the revenue is recognized over the term of the account. As a result, particularly in periods of higher growth for line of credit account portfolios, the gross profit margin will be lower for this product than for our short-term loan products. Conversely, in periods of declining originations and portfolio contraction, as was the case in the first half of 2015, the gross profit margin will be higher for this product. The year-over-year increase in the allowance for losses as a percentage of loan balance was primarily due to the decline during 2015 in the average line of credit balance as a result of changes in business practices in the United Kingdom, partially offset by very strong demand for domestic line of credit accounts in the second half of 2016. In the fourth quarter of 2014, we discontinued offering line of credit accounts to new customers in the United Kingdom, and effective January 1, 2015, we discontinued offering draws on existing line of credit accounts in the United Kingdom due to the FCA's cap on the total cost of high-cost short-term credit that went into effect on January 2, 2015. See "—Recent Regulatory Developments—Financial Conduct Authority" for further discussion. The U.K. line of credit portfolio performed very well as it wound down during 2015 given its seasoned experience level.

The following table includes information related only to line of credit accounts and shows our loss experience trends for line of credit accounts for each of the last eight quarters (dollars in thousands):

	2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b><u>Line of credit accounts:</u></b>				
Cost of revenue.....	\$ 16,471	\$ 17,251	\$ 29,739	\$ 25,028
Charge-offs (net of recoveries).....	16,914	14,506	20,973	25,229
Average loan balance <sup>(a)</sup> .....	100,648	105,553	126,371	138,259
Ending loan balance .....	98,351	118,030	132,388	144,183
Ending allowance for losses balance.....	\$ 15,284	\$ 18,029	\$ 26,795	\$ 26,594
<b><u>Line of credit account ratios:</u></b>				
Cost of revenue as a % of average loan balance <sup>(a)</sup> .....	16.4%	16.3%	23.5%	18.1%
Charge-offs (net of recoveries) as a % of average loan balance <sup>(a)</sup> .....	16.8%	13.7%	16.6%	18.2%
Gross profit margin .....	66.4%	65.7%	49.7%	59.7%
Allowance for losses as a % of loan balance <sup>(b)</sup> .....	15.5%	15.3%	20.2%	18.4%

	2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b><u>Line of credit accounts:</u></b>				
Cost of revenue.....	\$ 7,813	\$ 4,870	\$ 13,048	\$ 17,816
Charge-offs (net of recoveries).....	14,926	8,231	9,262	14,962
Average loan balance <sup>(a)</sup> .....	95,777	72,584	81,511	94,532
Ending loan balance .....	76,196	73,539	89,142	100,855
Ending allowance for losses balance.....	\$ 12,340	\$ 9,091	\$ 12,873	\$ 15,727
<b><u>Line of credit account ratios:</u></b>				
Cost of revenue as a % of average loan balance <sup>(a)</sup> .....	8.2%	6.7%	16.0%	18.8%
Charge-offs (net of recoveries) as a % of average loan balance <sup>(a)</sup> .....	15.6%	11.3%	11.4%	15.8%
Gross profit margin .....	86.0%	88.1%	70.2%	60.5%
Allowance for losses as a % of loan balance <sup>(b)</sup> .....	16.2%	12.4%	14.4%	15.6%

(a) The average loan balance for line of credit accounts is the average of the month-end balances during the period.

(b) Allowance for losses as a % of loan balance is determined using period-end balances.

### ***Installment Loans and RPAs***

For installment loans and RPAs, the cost of revenue as a percentage of average loan and finance receivable balance is typically more consistent throughout the year as compared to short-term loans and line of credit accounts. Due to the scheduled regular payments that are inherent with installment loans and RPAs, we do not experience the higher level of repayments in the first quarter for these receivables as we experience with short-term loans and, to a lesser extent, line of credit accounts.

The gross profit margin is generally lower for the installment loan and RPA products than for other products, primarily because the highest levels of default are exhibited in the early stages of the loan or RPA, while revenue is recognized over the term of the loan or estimated delivery term. In addition, installment loans and RPAs typically have higher average amounts per receivable. Another factor contributing to the lower gross profit margin is that the yield for installment loans and RPAs is typically lower than the yield for the other products we offer. As a result, particularly in periods of higher growth for the installment loan and RPA portfolios, which has been the case in recent years, the gross profit margin is typically lower for this product than for our short-term loan products. Our installment loan and RPA portfolio balance outstanding at December 31, 2016 increased \$108.1 million, or 30.8%, compared to December 31, 2015. During 2016, we experienced lower gross profit margin than we experienced in the prior year quarters as a result of the growth in our domestic near-prime installment portfolio and RPAs.

The following table includes information related only to our installment loans and shows our loss experience trends for installment loans for each of the last eight quarters (dollars in thousands):

	2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b><u>Installment loans and RPAs:</u></b>				
Cost of revenue.....	\$ 39,830	\$ 33,988	\$ 45,121	\$ 50,917
Charge-offs (net of recoveries).....	36,541	32,332	37,383	46,411
<b>Average installment and RPA combined loan and finance receivable balance, gross:</b>				
Company owned <sup>(a)</sup> .....	344,330	362,222	419,225	448,953
Guaranteed by the Company <sup>(a)(b)</sup> .....	7,476	6,094	6,600	6,093
<b>Average installment and RPA combined loan and finance receivable balance, gross<sup>(a)(c)</sup>.....</b>	<b><u>\$ 351,806</u></b>	<b><u>\$ 368,316</u></b>	<b><u>\$ 425,825</u></b>	<b><u>\$ 455,046</u></b>
<b>Ending installment and RPA combined loan and finance receivable balance, gross:</b>				
Company owned.....	\$ 345,174	\$ 386,982	\$ 445,100	\$ 453,307
Guaranteed by the Company <sup>(b)</sup> .....	6,580	6,776	6,321	6,107
<b>Ending installment and RPA combined loan and finance receivable balance, gross<sup>(c)</sup>.....</b>	<b><u>\$ 351,754</u></b>	<b><u>\$ 393,758</u></b>	<b><u>\$ 451,421</u></b>	<b><u>\$ 459,414</u></b>
Ending allowance and liability for losses.....	<u>\$ 41,004</u>	<u>\$ 42,878</u>	<u>\$ 50,495</u>	<u>\$ 54,861</u>
<b><u>Installment and RPA loan ratios:</u></b>				
Cost of revenue as a % of average installment and RPA combined loan and finance receivable balance, gross <sup>(a)(c)</sup> ..	11.3%	9.2%	10.6%	11.2%
Charge-offs (net of recoveries) as a % of average installment and RPA combined loan and finance receivable balance, gross <sup>(a)(c)</sup> .....	10.4%	8.8%	8.8%	10.2%
Gross profit margin .....	48.6%	54.7%	46.8%	43.5%
Allowance and liability for losses as a % of combined loan and finance receivable balance, gross <sup>(c)(d)</sup> .....	11.7%	10.9%	11.2%	11.9%

	2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Installment loans and RPAs:</b>				
Cost of revenue.....	\$ 18,914	\$ 22,367	\$ 34,251	\$ 35,485
Charge-offs (net of recoveries).....	23,302	20,627	24,553	35,470
<b>Average installment and RPA combined loan and finance receivable balance, gross:</b>				
Company owned <sup>(a)</sup> .....	208,668	217,121	265,253	318,400
Guaranteed by the Company <sup>(a)(b)</sup> .....	327	2,281	7,822	10,667
<b>Average installment and RPA combined loan and finance receivable balance, gross<sup>(a)(c)</sup></b> .....	<b>\$ 208,995</b>	<b>\$ 219,402</b>	<b>\$ 273,075</b>	<b>\$ 329,067</b>
<b>Ending installment and RPA combined loan and finance receivable balance, gross:</b>				
Company owned.....	\$ 205,067	\$ 236,861	\$ 294,197	\$ 342,307
Guaranteed by the Company <sup>(b)</sup> .....	961	3,822	10,718	8,972
<b>Ending installment and RPA combined loan and finance receivable balance, gross<sup>(c)</sup></b> .....	<b>\$ 206,028</b>	<b>\$ 240,683</b>	<b>\$ 304,915</b>	<b>\$ 351,279</b>
Ending allowance and liability for losses.....	<u>\$ 26,175</u>	<u>\$ 28,126</u>	<u>\$ 37,465</u>	<u>\$ 37,401</u>
<b>Installment and RPA loan ratios:</b>				
Cost of revenue as a % of average installment and RPA combined loan and finance receivable balance, gross <sup>(a)(c)</sup> ..	9.0%	10.2%	12.5%	10.8%
Charge-offs (net of recoveries) as a % of average installment and RPA combined loan and finance receivable balance, gross <sup>(a)(c)</sup> .....	11.1%	9.4%	9.0%	10.8%
Gross profit margin.....	67.8%	60.4%	48.4%	55.0%
Allowance and liability for losses as a % of combined loan and finance receivable balance, gross <sup>(c)(d)</sup> .....	12.7%	11.7%	12.3%	10.6%

(a) The average loan and finance receivable balance for installment loans is the average of the month-end balances during the period.

(b) Represents loans originated by third-party lenders through the CSO programs, which are not included in our financial statements.

(c) Non-GAAP measure.

(d) Allowance and liability for losses as a % of combined loan and finance receivable balance, gross, is determined using period-end balances.

## Total Expenses

Total expenses decreased \$15.3 million, or 4.9%, to \$296.1 million in 2016, compared to \$311.4 million in 2015. On a constant currency basis, total expenses decreased \$10.3 million, or 3.3%, for 2016 compared to 2015.

Marketing expense decreased \$19.5 million, or 16.7%, to \$97.4 million in 2016 compared to \$116.9 million in 2015. Lower digital marketing costs, revenue-sharing costs and television advertising costs across both domestic and international brands were partially offset by higher direct mail costs and lead generation costs.

Operations and technology expense increased to \$85.2 million in 2016 from \$74.0 million in 2015, primarily due to higher underwriting and transaction costs for our installment and RPA products in our domestic operations and higher software costs.

General and administrative expense decreased \$4.1 million, or 4.0%, to \$98.0 million in 2016 compared to \$102.1 million in 2015, primarily due to an adjustment to recognize the change in fair value of the acquisition-related contingent consideration and lower occupancy costs in 2016, partially offset by higher personnel and incentive expenses.

Depreciation and amortization expense decreased to \$15.5 million in 2016 compared to \$18.4 million in 2015 primarily due to the acceleration of depreciation in the prior year resulting from the early termination of our lease for the relocation of our headquarters that occurred in 2015.

## **Interest Expense, Net**

Interest expense, net increased \$12.7 million, or 24.1%, to \$65.6 million in 2016 compared to \$52.9 million in 2015. The increase was due to the securitization facilities we entered into during 2016 (See “—Liquidity and Capital Resources—Consumer Loan Securitization” below for further information), which increased the average amount of debt outstanding by \$126.4 million to \$615.2 million during 2016 from \$488.8 million during 2015, and an increase in the weighted average interest rate on our outstanding debt to 10.71% in 2016 from 10.59% in 2015.

## **Provision for Income Taxes**

Provision for income taxes decreased \$3.7 million, or 13.9%, to \$22.8 million in 2016 compared to \$26.5 million in 2015. The decrease was primarily due to an 18.6% decrease in income before income taxes, partially offset by an increase in the effective tax rate to 39.8% in 2016 from 37.6% in 2015. The increase in the effective tax rate is mainly due to an adjustment related to share based compensation deferred tax which was partially offset by lower nondeductible executive compensation and lobbying expenses in the current year compared to the prior year.

The balance of unrecognized tax benefits as of December 31, 2016 was \$351 thousand (\$320 thousand net of the federal benefit of state matters), all of which, if recognized, would favorably affect the effective tax rate in any future periods. We had no unrecognized tax benefits as of December 31, 2015 and 2014. We do not believe it is reasonably possible that, within the next twelve months, unrecognized domestic tax benefits will change by a significant amount. We record interest and penalties related to tax matters as income tax expense in the consolidated statement of income.

Our U.S. tax returns are subject to examination by federal and state taxing authorities. The IRS audits for tax years 2011 through 2014 were concluded with no adjustments to the financial statements. The 2015 tax year is open to examination by the IRS. The years open to examination by state, local, and foreign government authorities vary by jurisdiction, but the statute of limitation is generally three to four years from the date the tax return is filed.

## **YEAR ENDED 2015 COMPARED TO YEAR ENDED 2014**

### **Revenue and Gross Profit**

Revenue decreased \$157.2 million, or 19.4%, to \$652.6 million for 2015 as compared to \$809.8 million for 2014. On a constant currency basis, revenue decreased by \$143.8 million, or 17.8%, for 2015 compared to 2014. The change in revenue is driven by a decrease in revenue of \$192.7 million (or \$179.3 million on a constant currency basis) from our international operations, primarily due to regulatory changes in the United Kingdom. The decrease in revenue from international operations was partially offset by an increase in revenue of \$35.5 million from our domestic operations, primarily resulting from a 45.1% increase in domestic installment loan and RPA revenue in 2015 compared to 2014 driven by growth in our near-prime installment product.

Our gross profit decreased by \$107.4 million to \$435.7 million for 2015 from \$543.1 million for 2014. On a constant currency basis, gross profit decreased by \$96.6 million for 2015 compared to 2014. Our consolidated gross profit as a percentage of revenue, or our gross profit margin, decreased to 66.8% in 2015 from 67.1% in 2014. The decrease in gross profit margin was primarily driven by the growth of our domestic near-prime installment portfolio and a higher mix of new customers. The decrease in the domestic gross profit margin was partially offset by an increase in our international gross profit margin due to lower loss experience from the U.K. line of credit portfolio that was wound down during 2015. Approximately 61% of our gross profit decline is attributed to the U.K. line of credit account portfolio. Excluding that discontinued product, our consolidated gross profit margin decreased to 63.7% for 2015 from 66.7% for 2014. Our 2014 results from operations do not include the full impact of changes in our U.K. operations resulting from regulatory and legislative changes that occurred in 2014. See “—Recent Regulatory Developments—Financial Conduct Authority” above for further information.

The following tables set forth the components of revenue and gross profit, separated between domestic and international for 2015 and 2014 (dollars in thousands):

	<u>Year Ended December 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2015</u>	<u>2014</u>		
<b>Revenue by product:</b>				
Short-term loans.....	\$ 204,893	\$ 257,169	\$ (52,276)	(20.3)%
Line of credit accounts.....	185,521	305,118	(119,597)	(39.2)%
Installment loans and RPAs.....	260,507	246,700	13,807	5.6%
Total loan and finance receivable revenue.....	650,921	808,987	(158,066)	(19.5)%
Other.....	1,679	850	829	97.5%
Total revenue.....	<u>\$ 652,600</u>	<u>\$ 809,837</u>	<u>\$ (157,237)</u>	<u>(19.4)%</u>

**Revenue by product (% to total):**

Short-term loans.....	31.4%	31.7%
Line of credit accounts.....	28.4%	37.7%
Installment loans and RPAs.....	39.9%	30.5%
Total loan and finance receivable revenue.....	99.7%	99.9%
Other.....	0.3%	0.1%
Total revenue.....	<u>100.0%</u>	<u>100.0%</u>

	<u>Year Ended December 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2015</u>	<u>2014</u>		
<b>Domestic:</b>				
Revenue.....	\$ 510,242	\$ 474,715	\$ 35,527	7.5%
Cost of revenue.....	196,963	171,798	25,165	14.6%
Gross profit.....	\$ 313,279	\$ 302,917	\$ 10,362	3.4%
Gross profit margin.....	61.4%	63.8%	(2.4)%	(3.8)%
<b>International:</b>				
Revenue.....	\$ 142,358	\$ 335,122	\$ (192,764)	(57.5)%
Cost of revenue.....	19,895	94,989	(75,094)	(79.1)%
Gross profit.....	\$ 122,463	\$ 240,133	\$ (117,670)	(49.0)%
Gross profit margin.....	86.0%	71.7%	14.3%	19.9%
<b>Total:</b>				
Revenue.....	\$ 652,600	\$ 809,837	\$ (157,237)	(19.4)%
Cost of revenue.....	216,858	266,787	(49,929)	(18.7)%
Gross profit.....	\$ 435,742	\$ 543,050	\$ (107,308)	(19.8)%
Gross profit margin.....	66.8%	67.1%	(0.3)%	(0.4)%

**Loan and Finance Receivable Balances**

The outstanding combined portfolio balance of loans and finance receivables, net of allowance and liability for estimated losses, increased \$108.7 million, or 30.3%, to \$467.0 million as of December 31, 2015 from \$358.3 million as of December 31, 2014, primarily due to increased demand for our domestic near-prime installment product and growth of our loan and finance receivable portfolios serving the needs of small businesses, partially offset by a reduction in international loan balances (down 27% on a constant currency basis) due to changes made in our U.K. business as a result of regulatory requirements. The outstanding loan balance for our domestic near-prime product increased 79.7% as of December 31, 2015 compared to December 31, 2014, resulting in a domestic near-prime portfolio balance that comprises approximately 36% of our total loan and finance receivables portfolio balance while domestic short-term loans comprise approximately 10%. Additionally, our portfolio of loans and finance receivables serving the needs of small businesses has grown quickly over the last year and has exceeded 10% of our total loan and finance receivables portfolio. See “— Non-GAAP Disclosure—Combined Loans and Finance Receivables” above for additional information related to combined loans and finance receivables.

The combined loan and finance receivable balance includes \$502.0 million and \$388.6 million as of December 31, 2015 and 2014, respectively, of our owned receivables balances before the allowance for losses of \$67.3 million and \$64.9 million provided in the consolidated financial statements for December 31, 2015 and 2014, respectively. The combined loan and finance receivable balance also includes \$34.1 million and \$36.3 million as of December 31, 2015 and 2014, respectively, of loan and finance receivable balances that are guaranteed by us, which are not included in our financial statements, before the liability for estimated losses of \$1.7 million and \$1.6



million provided in “Accounts payable and accrued expenses” in the consolidated financial statements for December 31, 2015 and 2014, respectively.

The following tables summarize loan and finance receivable balances outstanding as of December 31, 2015 and 2014 (dollars in thousands):

	As of December 31,					
	2015			2014		
	Company Owned <sup>(a)</sup>	Guaranteed by the Company <sup>(a)</sup>	Combined <sup>(b)</sup>	Company Owned <sup>(a)</sup>	Guaranteed by the Company <sup>(a)</sup>	Combined <sup>(b)</sup>
<b>Ending loans and finance receivables:</b>						
Short-term loans .....	\$ 58,793	\$ 25,151	\$ 83,944	\$ 56,298	\$ 36,263	\$ 92,561
Line of credit accounts .....	100,855	—	100,855	118,680	—	118,680
Installment loans and RPAs.....	342,307	8,972	351,279	213,581	7	213,588
Total ending loans and finance receivables, gross .....	501,955	34,123	536,078	388,559	36,270	424,829
Less: Allowance and liabilities for losses <sup>(a)</sup> .....	(67,322)	(1,756)	(69,078)	(64,948)	(1,576)	(66,524)
Total ending loans and finance receivables, net.....	\$ 434,633	\$ 32,367	\$ 467,000	\$ 323,611	\$ 34,694	\$ 358,305
Allowance and liability for losses as a % of loans and finance receivables, gross.....	13.4%	5.1%	12.9%	16.7%	4.3%	15.7%

	As of December 31,					
	2015			2014		
	Company Owned <sup>(a)</sup>	Guaranteed by the Company <sup>(a)</sup>	Combined <sup>(b)</sup>	Company Owned <sup>(a)</sup>	Guaranteed by the Company <sup>(a)</sup>	Combined <sup>(b)</sup>
<b>Ending loans and finance receivables:</b>						
Total domestic, gross .....	\$ 422,399	\$ 34,123	\$ 456,522	\$ 270,801	\$ 36,270	\$ 307,071
Total international, gross .....	79,556	—	79,556	117,758	—	117,758
Total ending loans and finance receivables, gross .....	\$ 501,955	\$ 34,123	\$ 536,078	\$ 388,559	\$ 36,270	\$ 424,829

(a) GAAP measure. The loans and finance receivables balances guaranteed by us relate to loans originated by third-party lenders through the CSO programs and are not included in our financial statements.

(b) Except for allowance and liability for estimated losses, amounts represent non-GAAP measures.

### Average Amount Outstanding per Loan

The following table shows the average amount outstanding per loan by product at December 31, 2015 and 2014:

	As of December 31,	
	2015	2014
<b>Average amount outstanding per loan (in ones)<sup>(a)</sup></b>		
Short-term loans <sup>(b)</sup> .....	\$ 485	\$ 503
Line of credit accounts .....	1,046	834
Installment loans <sup>(b)(c)</sup> .....	1,841	1,365
Total loans <sup>(b)(c)</sup> .....	\$ 1,132	\$ 880

(a) The disclosure regarding the average amount per loan is statistical data that is not included in our financial statements.

(b) Includes loans guaranteed by us, which represent loans originated by third-party lenders through the CSO programs and are not included in our financial statements.

(c) Excludes RPAs.

The average amount outstanding per loan increased to \$1,132 from \$880 during 2015 compared to 2014, mainly due to a greater mix of installment loans, which have higher average amounts per loan relative to short-term loans, in 2015 compared to 2014.

## Average Loan Origination

The following table shows the average loan origination amount by product for 2015 compared to 2014:

	Year Ended December 31,	
	2015	2014
<b>Average loan origination amount (in ones)<sup>(a)</sup></b>		
Short-term loans <sup>(b)</sup> .....	\$ 467	\$ 510
Line of credit accounts <sup>(c)</sup> .....	300	269
Installment loans <sup>(b)(d)</sup> .....	1,630	1,414
Total loans <sup>(b)(d)</sup> .....	\$ 528	\$ 488

(a) The disclosure regarding the average loan origination amount is statistical data that is not included in our financial statements.

(b) Includes loans guaranteed by us, which represent loans originated by third-party lenders through the CSO programs and are not included in our financial statements.

(c) Represents the average amount of each incremental draw on line of credit accounts.

(d) Excludes RPAs.

The average loan origination amount increased to \$528 from \$488 during 2015 compared to 2014, mainly due to a greater mix of installment loans, which have higher average amounts per loan relative to short-term loans. This increase was partially offset by a decrease in the size of the average short-term loan origination.

## LOANS AND FINANCE RECEIVABLES LOSS EXPERIENCE

The allowance and liability for estimated losses as a percentage of combined loans and RPAs decreased to 12.9% as of December 31, 2015 from 15.7% as of December 31, 2014, primarily due to a greater concentration of our near-prime installment loans in the receivable portfolio and, to a lesser extent, improved performance across most products, partially related to the maturing of our product offerings to include a higher percentage of customers with established payment histories and partially related to stricter underwriting standards for our U.K. business.

The cost of revenue in 2015 was \$216.9 million, which was composed of \$216.7 million related to our owned loans and finance receivables and a \$0.2 million increase in the liability for estimated losses related to loans we guaranteed through the CSO programs. The cost of revenue in 2014 was \$266.7 million, which was composed of \$267.2 million related to our owned loans and finance receivables, offset by a \$0.5 million decrease in the liability for estimated losses related to loans we guaranteed through the CSO programs. Total charge-offs, net of recoveries, were \$213.3 million and \$283.7 million in 2015 and 2014, respectively.

The following tables show loans and finance receivable balances and fees receivable and the relationship of the allowance and liability for losses to the combined balances of loans and finance receivables for each of the last eight quarters (dollars in thousands):

	2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Loans and finance receivables:</b>				
Gross - Company owned .....	\$ 330,275	\$ 368,715	\$ 445,547	\$ 501,955
Gross - Guaranteed by the Company <sup>(a)</sup> .....	25,355	31,539	36,684	34,123
Combined loans and finance receivables, gross <sup>(b)</sup> .....	355,630	400,254	482,231	536,078
Allowance and liability for losses on loans and finance receivables .....	52,165	52,689	66,718	69,078
Combined loans and finance receivables, net <sup>(b)</sup> .....	\$ 303,465	\$ 347,565	\$ 415,513	\$ 467,000
Allowance and liability for losses as a % of loans and finance receivables, gross <sup>(b)</sup> .....	14.7%	13.2%	13.8%	12.9%

	2014			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Loans and finance receivables:</b>				
Gross - Company owned .....	\$ 354,466	\$ 359,760	\$ 373,693	\$ 388,559
Gross - Guaranteed by the Company <sup>(a)</sup> .....	29,643	34,915	35,429	36,270
Combined loans and finance receivables, gross <sup>(b)</sup> .....	384,109	394,675	409,122	424,829
Allowance and liability for losses on loans and finance receivables .....	75,479	69,375	71,443	66,524
Combined loans and finance receivables, net <sup>(b)</sup> .....	<u>\$ 308,630</u>	<u>\$ 325,300</u>	<u>\$ 337,679</u>	<u>\$ 358,305</u>
Allowance and liability for losses as a % of loans and finance receivables, gross <sup>(b)</sup> .....	19.7%	17.6%	17.5%	15.7%

(a) Represents loans originated by third-party lenders through the CSO programs, which are not included in our financial statements.

(b) Non-GAAP measure.

## Loans and Finance Receivables Loss Experience by Product

### Short-term Loans

Demand for our short-term loan product in the United States has historically been highest in the third and fourth quarters of each year, corresponding to the holiday season, and lowest in the first quarter of each year, corresponding to our customers' receipt of income tax refunds. Softer demand for short-term loans in the United States combined with tighter underwriting standards in the United Kingdom due to changes in the regulatory environment during 2014 resulted in lower year-over-year average balances during the first half of 2015. Continued higher demand in the United Kingdom, partially offset by lower demand in the United States because of macroeconomic factors such as low unemployment, rising wages and low gas prices, led to flat short-term loan balances on a year-over-year basis as of the end of 2015.

The following table includes information related only to short-term loans and shows our loss experience trends for short-term loans for each of the last eight quarters (dollars in thousands):

	2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Short-term loans:</b>				
Cost of revenue .....	\$ 11,843	\$ 14,299	\$ 18,315	\$ 17,837
Charge-offs (net of recoveries) .....	13,908	12,683	17,226	18,125
<b>Average short-term combined loan balance, gross:</b>				
Company owned <sup>(a)</sup> .....	52,307	52,677	60,399	59,298
Guaranteed by the Company <sup>(a)(b)</sup> .....	28,626	25,699	26,761	24,215
<b>Average short-term combined loan balance, gross<sup>(a)(c)</sup> .....</b>	<u>\$ 80,933</u>	<u>\$ 78,376</u>	<u>\$ 87,160</u>	<u>\$ 83,513</u>
<b>Ending short-term combined loan balance, gross:</b>				
Company owned .....	\$ 49,012	\$ 58,315	\$ 62,208	\$ 58,793
Guaranteed by the Company <sup>(b)</sup> .....	24,394	27,717	25,966	25,151
<b>Ending short-term combined loan balance, gross<sup>(c)</sup> .....</b>	<u>\$ 73,406</u>	<u>\$ 86,032</u>	<u>\$ 88,174</u>	<u>\$ 83,944</u>
Ending allowance and liability for losses .....	<u>\$ 13,650</u>	<u>\$ 15,472</u>	<u>\$ 16,380</u>	<u>\$ 15,950</u>
<b>Short-term loan ratios:</b>				
Cost of revenue as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	14.6%	18.2%	21.0%	21.4%
Charge-offs (net of recoveries) as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	17.2%	16.2%	19.8%	21.7%
Gross profit margin .....	76.7%	70.5%	66.4%	65.0%
Allowance and liability for losses as a % of combined loan balance, gross <sup>(c)(d)</sup> .....	18.6%	18.0%	18.6%	19.0%

	2014			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Short-term loans:</b>				
Cost of revenue.....	\$ 16,316	\$ 19,670	\$ 18,936	\$ 14,984
Charge-offs (net of recoveries).....	19,156	19,755	19,630	17,803
<b>Average short-term combined loan balance, gross:</b>				
Company owned <sup>(a)</sup> .....	71,686	62,404	55,296	49,083
Guaranteed by the Company <sup>(a)(b)</sup> .....	34,321	32,022	35,594	34,461
<b>Average short-term combined loan balance, gross<sup>(a)(c)</sup>.....</b>	<b>\$ 106,007</b>	<b>\$ 94,426</b>	<b>\$ 90,890</b>	<b>\$ 83,544</b>
<b>Ending short-term combined loan balance, gross:</b>				
Company owned.....	\$ 65,910	\$ 60,140	\$ 50,822	\$ 56,298
Guaranteed by the Company <sup>(b)</sup> .....	29,643	34,915	35,389	36,263
<b>Ending short-term combined loan balance, gross<sup>(c)</sup>.....</b>	<b>\$ 95,553</b>	<b>\$ 95,055</b>	<b>\$ 86,211</b>	<b>\$ 92,561</b>
Ending allowance and liability for losses.....	\$ 19,726	\$ 19,829	\$ 18,857	\$ 15,899
<b>Short-term loan ratios:</b>				
Cost of revenue as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	15.4%	20.8%	20.8%	17.9%
Charge-offs (net of recoveries) as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	18.1%	20.9%	21.6%	21.3%
Gross profit margin.....	77.6%	70.1%	69.4%	73.5%
Allowance and liability for losses as a % of combined loan balance, gross <sup>(c)(d)</sup> .....	20.6%	20.9%	21.9%	17.2%

(a) The average short-term combined loan balance is the average of the month-end balances during the period.

(b) Represents loans originated by third-party lenders through the CSO programs, which are not included in our financial statements.

(c) Non-GAAP measure.

(d) Allowance and liability for losses as a % of combined loan balance, gross, is determined using period-end balances.

### Line of Credit Accounts

The year-over-year decrease in the allowance for losses as a percentage of loan balance was primarily due to the decline during 2015 in the average line of credit balance as a result of changes in business practices in the United Kingdom, partially offset by increased demand for domestic line of credit accounts. In the fourth quarter of 2014, we discontinued offering line of credit accounts to new customers in the United Kingdom, and effective January 1, 2015, we discontinued offering draws on existing line of credit accounts in the United Kingdom due to the FCA's cap on the total cost of high-cost short-term credit that went into effect on January 2, 2015. See "—Recent Regulatory Developments—Financial Conduct Authority" for further discussion. The U.K. line of credit portfolio performed very well as it wound down during 2015 given its seasoned experience level. As of December 31, 2015, the U.K. line of credit portfolio balance, net of allowance for losses, was \$46 thousand compared to \$46.9 million as of December 31, 2014. While the U.K. line of credit portfolio continued to decline during the quarter ended December 31, 2015, the domestic line of credit portfolio experienced its seasonal increase.

The following table includes information related only to line of credit accounts and shows our loss experience trends for line of credit accounts for each of the last eight quarters (dollars in thousands):

	2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b><u>Line of credit accounts:</u></b>				
Cost of revenue.....	\$ 7,813	\$ 4,870	\$ 13,048	\$ 17,816
Charge-offs (net of recoveries).....	14,926	8,231	9,262	14,962
Average loan balance <sup>(a)</sup> .....	95,777	72,584	81,511	94,532
Ending loan balance .....	76,196	73,539	89,142	100,855
Ending allowance for losses balance.....	\$ 12,340	\$ 9,091	\$ 12,873	\$ 15,727
<b><u>Line of credit account ratios:</u></b>				
Cost of revenue as a % of average loan balance <sup>(a)</sup> .....	8.2%	6.7%	16.0%	18.8%
Charge-offs (net of recoveries) as a % of average loan balance <sup>(a)</sup> .....	15.6%	11.3%	11.4%	15.8%
Gross profit margin .....	86.0%	88.1%	70.2%	60.5%
Allowance for losses as a % of loan balance <sup>(b)</sup> .....	16.2%	12.4%	14.4%	15.6%

	2014			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b><u>Line of credit accounts:</u></b>				
Cost of revenue.....	\$ 23,913	\$ 21,786	\$ 25,913	\$ 20,849
Charge-offs (net of recoveries).....	26,602	27,211	24,292	23,381
Average loan balance <sup>(a)</sup> .....	121,457	120,228	126,908	121,950
Ending loan balance .....	119,004	122,409	128,275	118,680
Ending allowance for losses balance.....	\$ 26,669	\$ 21,579	\$ 22,672	\$ 19,749
<b><u>Line of credit account ratios:</u></b>				
Cost of revenue as a % of average loan balance <sup>(a)</sup> .....	19.7%	18.1%	20.4%	17.1%
Charge-offs (net of recoveries) as a % of average loan balance <sup>(a)</sup> .....	21.9%	22.6%	19.1%	19.2%
Gross profit margin .....	67.3%	70.9%	68.0%	72.7%
Allowance for losses as a % of loan balance <sup>(b)</sup> .....	22.4%	17.6%	17.7%	16.6%

(a) The average loan balance for line of credit accounts is the average of the month-end balances during the period.

(b) Allowance for losses as a % of loan balance is determined using period-end balances.

### ***Installment Loans and RPAs***

Our installment loan and RPA portfolio balance outstanding at December 31, 2015 increased \$137.7 million, or 64.5%, compared to December 31, 2014. During the second half of 2015, we experienced lower gross profit margin than we experienced in the prior year quarters as a result of the growth in our domestic near-prime installment portfolio and RPAs, coupled with a lower concentration of U.K. installment loans in the portfolio due to changes initiated in that market in 2014.

The following table includes information related only to our installment loans and shows our loss experience trends for installment loans for each of the last eight quarters (dollars in thousands):

	2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b><u>Installment loans:</u></b>				
Cost of revenue.....	\$ 18,914	\$ 22,367	\$ 34,251	\$ 35,485
Charge-offs (net of recoveries).....	23,302	20,627	24,553	35,470
<b>Average installment combined loan and finance receivable balance, gross:</b>				
Company owned <sup>(a)</sup> .....	208,668	217,121	265,253	318,400
Guaranteed by the Company <sup>(a)(b)</sup> .....	327	2,281	7,822	10,667
<b>Average installment combined loan and finance receivable balance, gross<sup>(a)(c)</sup>.....</b>	<b><u>\$ 208,995</u></b>	<b><u>\$ 219,402</u></b>	<b><u>\$ 273,075</u></b>	<b><u>\$ 329,067</u></b>
<b>Ending installment combined loan and finance receivable balance, gross:</b>				
Company owned.....	\$ 205,067	\$ 236,861	\$ 294,197	\$ 342,307
Guaranteed by the Company <sup>(b)</sup> .....	961	3,822	10,718	8,972
<b>Ending installment combined loan and finance receivable balance, gross<sup>(c)</sup>.....</b>	<b><u>\$ 206,028</u></b>	<b><u>\$ 240,683</u></b>	<b><u>\$ 304,915</u></b>	<b><u>\$ 351,279</u></b>
Ending allowance and liability for losses.....	<u>\$ 26,175</u>	<u>\$ 28,126</u>	<u>\$ 37,465</u>	<u>\$ 37,401</u>
<b><u>Installment loan ratios:</u></b>				
Cost of revenue as a % of average installment combined loan and finance receivable balance, gross <sup>(a)(c)</sup> .....	9.0%	10.2%	12.5%	10.8%
Charge-offs (net of recoveries) as a % of average installment combined loan and finance receivable balance, gross <sup>(a)(c)</sup> .....	11.1%	9.4%	9.0%	10.8%
Gross profit margin.....	67.8%	60.4%	48.4%	55.0%
Allowance and liability for losses as a % of combined loan and finance receivable balance, gross <sup>(c)(d)</sup> .....	12.7%	11.7%	12.3%	10.6%

	2014			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Installment loans:</b>				
Cost of revenue.....	\$ 26,203	\$ 25,384	\$ 28,070	\$ 24,759
Charge-offs (net of recoveries).....	29,899	26,818	25,620	23,509
<b>Average installment combined loan and finance receivable balance, gross:</b>				
Company owned <sup>(a)</sup> .....	175,198	171,043	186,298	201,799
Guaranteed by the Company <sup>(a)(b)</sup> .....	—	—	10	22
<b>Average installment combined loan and finance receivable balance, gross<sup>(a)(c)</sup></b>				
	<u>\$ 175,198</u>	<u>\$ 171,043</u>	<u>\$ 186,308</u>	<u>\$ 201,821</u>
<b>Ending installment combined loan and finance receivable balance, gross:</b>				
Company owned.....	\$ 169,552	\$ 177,211	\$ 194,596	\$ 213,581
Guaranteed by the Company <sup>(b)</sup> .....	—	—	40	7
<b>Ending installment combined loan and finance receivable balance, gross<sup>(c)</sup></b>				
	<u>\$ 169,552</u>	<u>\$ 177,211</u>	<u>\$ 194,636</u>	<u>\$ 213,588</u>
Ending allowance and liability for losses.....	<u>\$ 29,084</u>	<u>\$ 27,967</u>	<u>\$ 29,914</u>	<u>\$ 30,876</u>
<b>Installment loan ratios:</b>				
Cost of revenue as a % of average installment combined loan and finance receivable balance, gross <sup>(a)(c)</sup> .....	15.0%	14.8%	15.1%	12.3%
Charge-offs (net of recoveries) as a % of average installment combined loan and finance receivable balance, gross <sup>(a)(c)</sup> .....	17.0%	15.7%	13.8%	11.6%
Gross profit margin.....	58.0%	58.3%	54.6%	59.8%
Allowance and liability for losses as a % of combined loan and finance receivable balance, gross <sup>(c)(d)</sup> .....	17.2%	15.8%	15.4%	14.5%

(a) The average loan and finance receivable balance for installment loans is the average of the month-end balances during the period.

(b) Represents loans originated by third-party lenders through the CSO programs, which are not included in our financial statements.

(c) Non-GAAP measure.

(d) Allowance and liability for losses as a % of combined loan and finance receivable balance, gross, is determined using period-end balances.

## Total Expenses

Total expenses decreased \$16.6 million, or 5.1%, to \$311.4 million in 2015, compared to \$328.0 million in 2014. On a constant currency basis, total expenses decreased \$11.2 million, or 3.4%, for 2015 compared to 2014.

Marketing expense decreased \$10.9 million, or 8.6%, to \$116.9 million in 2015 compared to \$127.8 million in 2014. Lower domestic and international lead generation costs and lower online marketing costs in our international operations were partially offset by higher domestic direct mail costs.

Operations and technology expense increased slightly to \$74.0 million in 2015 from \$73.6 million in 2014, primarily due to higher corporate software costs and higher underwriting costs for our installment and RPA products in both our domestic and international operations, mostly offset by lower incentive accruals due to stronger financial performance in 2014 compared to 2015 for our international businesses and lower transaction costs in the United Kingdom resulting from lower loan originations.

General and administrative expense decreased \$5.8 million, or 5.4%, to \$102.1 million in 2015 compared to \$107.9 million in 2014, primarily due to lower incremental standalone expenses in 2015 compared to corporate services costs allocated from Cash America in 2014 and lower incentive accruals resulting from stronger financial performance in 2014 compared to 2015. These decreases were partially offset by a charge in 2015 for the remaining rent obligations and relocation costs for our prior headquarters.

Depreciation and amortization expense was essentially flat at \$18.4 million in 2015 compared to \$18.7 million in 2014.

## **Interest Expense, Net**

Interest expense, net increased \$14.4 million, or 37.5%, to \$52.9 million in 2015 compared to \$38.5 million in 2014. The increase was due to an increase in the average amount of debt outstanding, which increased \$44.7 million to \$488.8 million during 2015 from \$444.1 million during 2014, and an increase in the weighted average interest rate on our outstanding debt to 10.59% in 2015 from 8.54% in 2014.

On May 30, 2014, we issued and sold \$500.0 million in aggregate principal amount of the Notes in a private offering and terminated our credit agreement with Cash America. The Notes bear interest at a rate of 9.75% and were sold at a discount of the principal amount thereof to yield 10.0% to maturity. We used all of the net proceeds, or \$479.0 million, of the Notes offering to repay all of our intercompany indebtedness due to Cash America, which was \$361.4 million as of May 30, 2014, and the remaining net proceeds were used to pay a significant portion of a \$122.4 million cash dividend to Cash America, of which \$120.7 million was paid on May 30, 2014 and \$1.7 million was paid on June 30, 2014. Prior to issuing the Notes, we utilized affiliate borrowing agreements with Cash America for all borrowing arrangements. Pursuant to these agreements, interest was charged at a base rate plus an applicable margin.

## **Provision for Income Taxes**

Provision for income taxes decreased \$38.3 million, or 59.1%, to \$26.5 million in 2015 compared to \$64.8 million in 2014. The decrease was primarily due to a 60.0% decrease in income before income taxes, partially offset by an increase in the effective tax rate to 37.6% in 2015 from 36.7% in 2014, primarily due to the proportional increase of domestic income subject to state taxes. While the total amount of permanent tax differences decreased, those differences had an increased impact on the effective tax rate due to the lower level of pretax book income in comparison to prior years.

## **Net Income**

Net income decreased \$67.7 million, or 60.6%, to \$44.0 million in 2015 compared to \$111.7 million in 2014. The decrease was primarily due to changes in the United Kingdom regulatory environment during 2014 that reduced our loan portfolio and loan originations during 2015 in that market.

## **LIQUIDITY AND CAPITAL RESOURCES**

### ***Capital Funding Strategy***

Historically, we have generated significant cash flow through normal operating activities for funding both long-term and short-term needs. Our near-term liquidity is managed to ensure that adequate resources are available to fund our seasonal working capital growth, which is driven by demand for our loan and financing products and to meet the continued growth in the demand for our near-prime installment products. On May 30, 2014, we issued and sold the Notes, as further discussed below under “Senior Notes.” On May 14, 2014, we entered into our credit agreement, which was amended on March 25, 2015, November 5, 2015, December 29, 2015, June 30, 2016 and September 30, 2016 as further described below under “Credit Agreement.” As of February 22, 2017, our available borrowings under the Credit Agreement were \$29.0 million. On January 15, 2016 and December 1, 2016, we entered into the 2016-1 and 2016-2 Securitization Facilities, respectively, as further described below under “Consumer Loan Securitization.” As of February 22, 2017, the outstanding balance under our securitization facilities was \$149.9 million. We expect that our operating needs, including satisfying our obligations under our debt agreements and funding our working capital growth, will be satisfied by a combination of cash flows from operations, borrowings under our Credit Agreement, or any refinancing, replacement thereof or increase in borrowings thereunder, and securitization or sale of loan and finance receivables under our consumer loan securitization facilities.

As of December 31, 2016, we were in compliance with all financial ratios, covenants and other requirements set forth in our debt agreements. Unexpected changes in our financial condition or other unforeseen factors may result in our inability to obtain third-party financing or could increase our borrowing costs in the future. To the extent we experience short-term or long-term funding disruptions, we have the ability to adjust our volume of lending and financing to consumers and small businesses that would reduce cash outflow requirements while increasing cash inflows through repayments. Additional alternatives may include the securitization or sale of assets, increased borrowings under our Credit Agreement, or any refinancing or replacement thereof, and reductions in capital spending which could be expected to generate additional liquidity.

### ***Consumer Loan Securitization***

#### **2016-1 Facility**

On January 15, 2016, we and certain of our subsidiaries entered into a receivables securitization (as amended, the “2016-1 Securitization Facility”) with certain purchasers, Jefferies Funding LLC, as administrative agent and Bankers Trust Company, as indenture trustee and securities intermediary. The 2016-1 Securitization Facility securitizes unsecured consumer installment loans (“Receivables”) that have



been, or will be, originated or acquired under our NetCredit brand and that meet specified eligibility criteria. Under the 2016-1 Securitization Facility, Receivables are sold to a wholly-owned special purpose subsidiary (the “Issuer”) and serviced by another subsidiary.

The Issuer issued an initial term note of \$107.4 million (the “Initial Term Note”), which was secured by \$134 million in unsecured consumer loans, and variable funding notes (the “Variable Funding Notes”) with an aggregate availability of \$20 million per month; the 2016-1 Securitization Facility has been amended to increase the availability to \$40 million until December 31, 2016, and \$30 million thereafter, as discussed below. As described below, the Issuer has issued and will subsequently issue term notes (the “Term Notes” and, together with the Initial Term Note and the Variable Funding Notes, the “Securitization Notes”). The maximum principal amount of the Securitization Notes that may be outstanding at any time under the 2016-1 Securitization Facility was limited to \$175 million; the 2016-1 Securitization Facility has been amended to increase the maximum principal amount to \$275 million, as discussed below.

At the end of each month during the nine-month revolving period, the Receivables funded by the Variable Funding Notes will be refinanced through the creation of two Term Notes, which Term Notes will be issued to the holders of the Variable Funding Notes. The non-recourse Securitization Notes mature at various dates, the latest of which will be October 15, 2020 (the “Final Maturity Date”).

The Securitization Notes are issued pursuant to an indenture, dated as of January 15, 2016 (the “Closing Date”). The Securitization Notes bear interest at an annual rate equal to the one month London Interbank Offered Rate (“LIBOR”) rate (subject to a floor of 1%) plus 7.75%, which rate is initially 8.75%. In addition, the Issuer paid certain customary upfront closing fees and will pay customary annual commitment and other fees to the purchasers under the 2016-1 Securitization Facility. The Issuer is permitted to voluntarily prepay any outstanding Securitization Notes, subject to an optional redemption premium. Interest and principal payments on outstanding Securitization Notes will be made monthly. Any remaining amounts outstanding will be payable no later than the Final Maturity Date. The Securitization Notes are supported by the expected cash flows from the underlying Receivables. The holders of the Securitization Notes have no recourse to us if the cash flows from the underlying Receivables are not sufficient to pay all of the principal and interest on the Securitization Notes. Additionally, the Receivables will be held by the Issuer at least until the obligations under the Securitization Notes are extinguished. For so long as they are held by the Issuer, the outstanding Receivables will not be available to satisfy the debts and other obligations of us.

All amounts due under the Securitization Notes are secured by all of the Issuer’s assets, which include the Receivables transferred to the Issuer, related rights under the Receivables, specified bank accounts, and certain other related collateral.

The 2016-1 Securitization Facility documents contain customary provisions for securitizations, including: representations and warranties as to the eligibility of the Receivables and other matters; indemnification for specified losses not including losses due to the inability of consumers to repay their loans; covenants regarding special purpose entity matters and other subjects; and default and termination provisions which provide for the acceleration of the Securitization Notes under the 2016-1 Securitization Facility in circumstances including, but not limited to, failure to make payments when due, servicer defaults, certain insolvency events, breaches of representations, warranties or covenants, failure to maintain the security interest in the receivables, and defaults under other material indebtedness and certain regulatory matters.

On July 26, 2016, we and certain of our subsidiaries entered into a First Omnibus Amendment (the “First Amendment”) of the 2016-1 Facility that was established on the Closing Date, pursuant to various agreements with certain purchasers, the Administrative Agent and the Indenture Trustee. The agreements evidencing the 2016-1 Facility, all dated as of the Closing Date, include (i) an Indenture between the Issuer and the Indenture Trustee, (ii) a Note Purchase Agreement among the Issuer, NetCredit Loan Services, LLC (f/k/a Enova Lending Services, LLC), as the Master Servicer, the Administrative Agent and certain purchasers, and (iii) a Receivables Purchase Agreement between us and Enova Finance 5, LLC. The First Amendment effected a variety of minor technical changes to the Indenture, the Note Purchase Agreement, the Receivables Purchase Agreement and the servicing agreement for the 2016-1 Facility. These changes include revised procedures under the Note Purchase Agreement for the disbursement to the Issuer of proceeds from draws under the Variable Funding Notes and clarification of modifications that the servicer is permitted to effect to the terms of consumer installment loans that have been transferred into the EFR 2016-1 Facility.

On August 17, 2016, we and one of our subsidiaries entered into an Amendment to the Receivables Purchase Agreement. This amendment modified an eligibility criterion for receivables that we sell under the Agreement.

On September 12, 2016, we and certain of our subsidiaries entered into a Second Omnibus Amendment (the “Second Amendment”) to amend the Indenture and Receivables Purchase Agreement. The Second Amendment authorized us to include in the 2016-1 Facility receivables originated by a state-chartered bank and acquired by a subsidiary of us from that bank, and it adjusted the Investment Pool Cumulative Net Loss Trigger for the Initial Term Note Investment Pool (as such terms are defined in the Indenture), which was the seasoned pool of receivables securitized under the 2016-1 Facility on the Closing Date.

On October 20, 2016, we and certain of our subsidiaries entered into a Third Amendment and Limited Waiver (the “Third Amendment”) to amend the Indenture Agreement. The Third Amendment increased the maximum principal amount to \$275 million, increased the Variable Funding Notes maximum principal amount to \$40 million until December 31, 2016, and \$30 million thereafter, and extended the term of the facility to October 2017. The Third Amendment also adjusted the Note Interest Rate on Term Notes issued after, and amounts outstanding under the Variable Funding Notes after, the date of the Third Amendment (as such terms are defined in the Indenture). The weighted average interest rate on such adjusted Notes will be 9.5%.

On November 14, 2016, we and certain of our subsidiaries entered into a Fourth Amendment (the “Fourth Amendment”) to amend the Indenture and Receivables Purchase Agreement. The Fourth Amendment adjusted the Investment Pool Cumulative Delinquency Trigger (as such term is defined in the Indenture), with an effective date of October 31, 2016.

On December 14, 2016, we and certain of our subsidiaries entered into a Fifth Amendment (the “Fifth Amendment”) to amend the Indenture and Receivables Purchase Agreement. The Fifth Amendment adjusted the Investment Pool Cumulative Delinquency Trigger for the Initial Term Notes (as such terms are defined in the Indenture), with an effective date of November 30, 2016, expanded the categories of receivables that could be financed through the securitization facility and made certain other minor changes. These changes will provide us with additional flexibility under the securitization facility.

#### 2016-2 Facility

On December 1, 2016, we and certain of our subsidiaries entered into a receivables securitization (the “2016-2 Facility”) with Redpoint Capital Asset Funding, LLC, as lender (the “Lender”). The 2016-2 Facility securitizes unsecured consumer installment loans (“Redpoint Receivables”) that have been and will be originated or acquired under our NetCredit brand by several of our subsidiaries (the “Originators”) and that meet specified eligibility criteria, including that the annual percentage rate for each securitized consumer loan is greater than or equal to 90%. The average annual percentage rate for loans securitized under the 2016-2 Facility in 2016 was approximately 135%. Under the 2016-2 Facility, Redpoint Receivables are sold to a wholly-owned special purpose subsidiary of ours (the “Debtor”) and serviced by another subsidiary of ours.

The Debtor has issued a revolving note with an initial maximum principal balance of \$20.0 million (the “Initial Facility Size”), which is required to be secured by \$25.0 million in unsecured consumer loans. The Initial Facility Size may be increased under the 2016-2 Facility to \$40 million. The 2016-2 Facility is non-recourse to us and matures on December 1, 2019.

The 2016-2 Facility is governed by a loan and security agreement, dated as of December 1, 2016, between the Lender and the Debtor. The 2016-2 Facility bears interest at a rate per annum equal to LIBOR (subject to a floor) plus an applicable margin, which rate per annum is initially 12.50%. In addition, the Debtor paid certain customary upfront closing fees to the Lender. Interest payments on the 2016-2 Facility will be made monthly. Subject to certain exceptions, the Debtor is not permitted to prepay the 2016-2 Facility prior to October 1, 2018. Following such date, the Debtor is permitted to voluntarily prepay the 2016-2 Facility without penalty. Any remaining amounts outstanding will be payable no later than December 1, 2019.

All amounts due under the 2016-2 Facility are secured by all of the Debtor’s assets, which include the Redpoint Receivables transferred to the Debtor, related rights under the Redpoint Receivables, a bank account and certain other related collateral.

The 2016-2 Facility documents contain customary provisions for securitizations, including: representations and warranties as to the eligibility of the Redpoint Receivables and other matters; indemnification for specified losses not including losses due to the inability of consumers to repay their loans; covenants regarding special purpose entity matters; and default and termination provisions which provide for the acceleration of the 2016-2 Facility in circumstances including, but not limited to, failure to make payments when due, servicer defaults, certain insolvency events, breaches of representations, warranties or covenants, failure to maintain the security interest in the receivables and defaults under other material indebtedness of the Debtor.

#### ***Credit Agreement***

On March 25, 2015, we and certain of our domestic subsidiaries, as guarantors, entered into an amendment to our revolving credit facility with Jefferies Finance LLC, as administrative agent. The amendment reduced our unsecured revolving line of credit to \$65.0 million (from \$75.0 million) and increased an additional senior secured indebtedness basket to the greater of \$20.0 million or 2.75% of consolidated total assets (as defined in the Credit Agreement) (from \$15.0 million or 2% of consolidated total assets). In addition, the March 25, 2015 amendment revised certain definitions and provisions relating to limitations on indebtedness, investments, dispositions, fundamental changes and burdensome agreements to allow certain of our foreign subsidiaries, which opt to become guarantors of our obligations under the Credit Agreement, to be treated as domestic subsidiaries for purposes of those provisions.

On December 29, 2015, we and certain of our domestic subsidiaries, as guarantors, entered into an amendment to the Credit Agreement, which temporarily increased our unsecured revolving line of credit to \$75.0 million, an increase of \$15.0 million (\$5.0 million on December 29, 2015 and \$10.0 million on January 4, 2016). Once we received the proceeds from the 2016-1 Securitization

Facility, we repaid the outstanding balance on the revolving line of credit in full and, in accordance with the terms of the amendment, the revolving commitment amount was reduced to \$40.0 million.

On June 30, 2016, we and certain of our domestic subsidiaries, as guarantors, entered into an amendment to the Credit Agreement, which increased the maximum allowable leverage ratio (as defined in the credit agreement) for the fiscal quarter ended June 30, 2016 to 4.00 to 1.00 (from 3.00 to 1.00) and for the fiscal quarters ended September 30, 2016 and December 31, 2016 to 3.50 to 1.00 (in each case, from 3.00 to 1.00).

On September 30, 2016, we and certain of our domestic subsidiaries, as guarantors, entered into an amendment to the Credit Agreement, which increased the maximum allowable leverage ratio (as defined in the credit agreement) for the fiscal quarters ended September 30, 2016 and thereafter to 4.25 to 1.00 (from 3.50 to 1.00) and decreased the Company's unsecured revolving line of credit to \$35.0 million.

Our Credit Agreement will mature on June 30, 2017, and we are actively reviewing and intend to replace the existing facility on or before the maturity date. We had no borrowings and \$6.6 million of standby letters of credit outstanding under the Credit Agreement as of December 31, 2016.

### Senior Notes

On May 30, 2014, we issued and sold the Notes. The Notes were sold to qualified institutional buyers in accordance with Rule 144A under the Securities Act and outside the United States pursuant to Regulation S under the Securities Act.

We used all of the net proceeds, or \$479.0 million, of the Notes offering to repay all of our intercompany indebtedness due to Cash America, which was \$361.4 million as of May 30, 2014, and the remaining net proceeds were used to pay a significant portion of the \$122.4 million in cash dividends to Cash America, of which \$120.7 million was paid on May 30, 2014 and \$1.7 million was paid on June 30, 2014.

The Notes are governed by an indenture ("the Senior Notes Indenture"), dated May 30, 2014, between us, our domestic subsidiaries, as Guarantors, and the trustee. The Notes bear interest at a rate of 9.75% per year on the principal amount of the Notes, payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2014. The Notes will mature on June 1, 2021. The Notes are senior unsecured debt obligations of Enova and are unconditionally guaranteed by our domestic subsidiaries.

The Senior Notes Indenture contains certain covenants that, among other things, limit our and certain of our subsidiaries' ability to incur additional debt, acquire or create new subsidiaries, create liens, engage in certain transactions with affiliates and consolidate or merge with or into other companies.

The Senior Notes Indenture provides for customary events of default, including nonpayment of interest and principal when due and failure to comply with covenants or other agreements in the Senior Notes Indenture.

### Cash Flows

Our cash flows and other key indicators of liquidity are summarized as follows (dollars in thousands):

	Year Ended December 31,		
	2016	2015	2014
Cash flows provided by operating activities.....	\$ 393,373	\$ 283,921	\$ 429,935
Cash flows used in investing activities			
Loans and finance receivables.....	(450,149)	(322,811)	(291,246)
Change in restricted cash.....	(20,126)	—	(7,868)
Acquisitions .....	—	(17,735)	—
Purchases of property and equipment .....	(14,396)	(32,241)	(13,284)
Investment in unconsolidated investee.....	—	—	(703)
Other investing activities.....	95	618	4
Total cash flows used in investing activities.....	(484,576)	(372,169)	(313,097)
Cash flows provided by (used in) financing activities.....	99,880	56,617	(79,039)
Total debt to Adjusted EBITDA <sup>(a)</sup> .....	4.6x	3.5x	2.0x

(a) Total debt to Adjusted EBITDA, a non-GAAP measure, is calculated using Adjusted EBITDA for the twelve months ended for the respective period indicated. See "—Non-GAAP Disclosure—Adjusted EBITDA."

## ***Cash Flows from Operating Activities***

### *2016 comparison to 2015*

Net cash provided by operating activities increased \$109.5 million, or 38.6%, to \$393.4 million for 2016 from \$283.9 million for 2015. The increase was primarily driven by a \$111.1 million increase in cost of revenue, a non-cash expense, partially offset by a \$9.4 million decrease in net income.

Other significant changes in net cash provided by operating activities for 2016 compared to 2015 included cash flows from the following activities:

- Changes in current income taxes payable resulted in an \$18.1 million increase in cash provided by operating activities, due primarily to 2015 tax overpayments being utilized to offset 2016 estimated tax liabilities, as well as 2016 estimated tax payments more closely matching expected tax liabilities for the period;
- changes in finance and service charges on loans and finance receivables resulted in a decrease of \$15.8 million due primarily to strong line of credit account and installment originations in 2016; and
- changes in other receivables and prepaid expenses resulted in a \$4.6 million increase in net cash provided by operating activities, due primarily to lower prepaid expenses in 2016 compared to 2015.

### *2015 comparison to 2014*

Net cash provided by operating activities decreased \$146.0 million, or 34.0%, to \$283.9 million for 2015 from \$429.9 million for 2014. The decrease was primarily driven by a \$67.7 million decrease in net income, a \$49.8 million decrease in cost of revenue, a non-cash expense, and a \$19.1 million decrease in current income taxes payable due to our 2014 extension and 2015 estimated tax payments in 2015 as compared to 2014.

Other significant changes in net cash provided by operating activities for 2015 compared to 2014 included cash flows from the following activities:

- A \$9.0 million increase in non-cash stock-based compensation expense;
- changes in deferred income taxes, net, resulted in a decrease of \$13.6 million due primarily to amortization of intangible assets along with accelerated tax depreciation on assets acquired due to the headquarters relocation, partially offset by increases in deferred tax assets related to rent abatements and the deferred finish out allowance; and
- changes in non-cash affiliate interest expense resulted in a \$7.6 million decrease in net cash provided by operating activities, due to the repayment of our affiliate line of credit in 2014.

We believe cash flows from operations and available cash balances and borrowings under our Credit Agreement and 2016-1 Securitization Facility will be sufficient to fund our future operating liquidity needs.

## ***Cash Flows from Investing Activities***

### *2016 comparison to 2015*

Net cash used in investing activities increased \$112.4 million, or 30.2%, for 2016 compared to 2015, primarily due to a \$127.3 million increase in net cash invested in loans and finance receivables, due to a 11.6% increase in loans and finance receivables originated or purchased as well as a \$20.1 million increase in the restricted cash balance resulting from activity related to the 2016-1 Securitization Facility. These increases were partially offset by a \$17.8 million decrease in property and equipment expenditures to \$14.4 million in 2016 compared to \$32.2 million in 2015, primarily related to the finish out and relocation of our headquarters in 2015, and \$17.7 million in payments in 2015 related to the acquisition of certain assets of a company operating as The Business Backer. We anticipate that total expenditures for property and equipment will be between \$12 million and \$16 million for the twelve months ended December 31, 2017, primarily for continued development activities related to our technology platform and the purchase of computer hardware.

### *2015 comparison to 2014*

Net cash used in investing activities increased \$59.1 million, or 18.9%, for 2015 compared to 2014, primarily due to a \$31.6 million increase in net cash invested in loans and finance receivables, due to an increase in longer term, larger dollar installment loans and RPAs originated in 2015, partially offset by stricter affordability assessments and underwriting standards in the United Kingdom, and \$17.7 million used for the purchase of certain assets of a company operating as The Business Backer, a small business financing company in Blue Ash, Ohio. Also, a \$7.9 million cash security deposit for a third-party service provider resulted in an increase in net cash used in investing activities in 2014.

Expenditures for property and equipment increased \$18.9 million to \$32.2 million in 2015 compared to \$13.3 million in 2014, primarily related to the relocation of our headquarters. We anticipate that total expenditures for property and equipment for the twelve months ended December 31, 2016 will be between \$11 million and \$16 million, primarily for continued development activities related to our technology platform and the purchase of computer hardware.

### **Cash Flows from Financing Activities**

#### *2016 comparison to 2015*

Net cash provided by financing activities in 2016 was \$99.9 million compared to net cash used in financing activities of \$56.6 million in 2015.

Cash flows provided by financing activities for 2016 primarily reflects \$165.4 million in net borrowings under our securitization facilities, partially offset by \$58.4 million of net repayments under our unsecured revolving line of credit under the Credit Agreement and \$6.7 million of debt issuance costs primarily paid in connection with the consumer loan securitization financing transactions.

#### *2015 comparison to 2014*

Net cash provided by financing activities in 2015 was \$56.6 million compared to net cash used in financing activities of \$79.0 million in 2014.

Cash flows provided by financing activities for 2015 primarily reflects \$58.4 million in net borrowings under our unsecured revolving line of credit, partially offset by \$1.6 million of debt issuance costs paid in connection with the securitization financing transactions that closed in January 2016.

### **Contractual Obligations and Commitments**

The following table summarizes the Company's contractual obligations at December 31, 2016, and the effect such obligations are expected to have on its liquidity and cash flow in future periods (dollars in thousands):

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Thereafter</u>	<u>Securitizations</u>	<u>Total</u>
Senior notes <sup>(a)</sup> .....	\$ —	\$ —	\$ —	\$ —	\$500,000	\$ —	\$ —	\$500,000
Interest on senior notes <sup>(b)</sup> .....	48,750	48,750	48,750	48,750	24,375	—	—	219,375
Securitization facilities <sup>(c)</sup> .....	—	—	—	—	—	—	165,419	165,419
Non-cancelable leases <sup>(d)</sup> .....	6,432	5,986	6,865	6,611	6,621	32,498	—	65,013
Other liabilities <sup>(e)</sup> .....	—	3,000	—	—	—	—	—	3,000
Total.....	<u>\$55,182</u>	<u>\$57,736</u>	<u>\$55,615</u>	<u>\$55,361</u>	<u>\$530,996</u>	<u>\$ 32,498</u>	<u>\$ 165,419</u>	<u>\$952,807</u>

(a) Represents obligations under the Credit Agreement and Notes. See “—Liquidity and Capital Resources—Senior Notes.”

(b) Represents cash payments for interest on the Notes. See “—Liquidity and Capital Resources—Senior Notes.”

(c) Securitizations are not included in maturities by period due to their variable monthly payments.

(d) Represents obligations due under long-term operating leases. The total future minimum lease obligation excludes non-cancelable sublease rental income of \$0.4 million. See Note 11 in the Notes to Consolidated Financial Statements in Part II, Item 8 “Financial Statements and Supplementary Data” in this report for further discussion of our operating lease obligations.

(e) Represents obligations under a promissory note issued in conjunction with our acquisition of certain assets of a company operating as The Business Backer. See Note 3 in the Notes to Consolidated Financial Statements in Part II, Item 8 “Financial Statements and Supplementary Data” in this report for further discussion of our acquisition.

### **Off-Balance Sheet Arrangements**

In certain markets, we arrange for consumers to obtain consumer loan products from independent third-party lenders through our CSO programs. For consumer loan products originated by third-party lenders under the CSO programs, each lender is responsible for providing the criteria by which the customer's application is underwritten and, if approved, determining the amount of the consumer loan. We are responsible for assessing whether or not we will guarantee such loan. When a customer executes an agreement with us under our CSO programs, we agree, for a fee payable to us by the customer, to provide certain services to the customer, one of which is to guarantee the customer's obligation to repay the loan received by the customer from the third-party lender if the customer fails to do so. The guarantee represents an obligation to purchase specific loans if they go into default, which generally occurs after one payment is missed. As of December 31, 2016 and 2015, the outstanding amount of active consumer loans originated by third-party lenders under the CSO programs was \$32.2 million and \$34.1 million, respectively, which were guaranteed by us.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risks relating to our operations result primarily from changes in foreign currency exchange rates. Currently, we periodically use forward currency exchange contracts to minimize risk of foreign currency exchange rate fluctuations in the United Kingdom. Our forward currency exchange contracts are non-designated derivatives. Any gain or loss resulting from these contracts is recorded as income or loss and is included in "Foreign currency transaction gain (loss), net" in our consolidated statements of income. As of December 31, 2016, we had no forward currency exchange contracts outstanding. The following table sets forth, by each foreign currency hedged, the notional amounts of forward currency exchange contracts as of December 31, 2015, the total gains or losses recorded in 2015, and sensitivity analysis of hypothetical 10% declines in the exchange rates of the currencies (U.S. dollars in thousands).

	<b>Notional amount of outstanding contracts as of December 31, 2015</b>	<b>Gain/(loss) recorded in 2015<sup>(a)</sup></b>	<b>Sensitivity Analysis<sup>(b)</sup></b>
British Pound.....	\$ 58,723	\$ 4,525	\$ (3,807)
Total.....	<u>\$ 58,723</u>	<u>\$ 4,525</u>	<u>\$ (3,807)</u>

*(a) The gains (losses) on these derivatives substantially offset the (losses) gains on the hedged portion of international intercompany balances.*

*(b) Represents the decrease to net income attributable to us due to a hypothetical 10% weakening of the foreign currency against the U.S. dollar.*

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Enova International, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Enova International, Inc. and its subsidiaries at December 31, 2016 and December 31, 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits (which were integrated audits in 2016 and 2015). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois  
February 24, 2017



**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
*(dollars in thousands, except per share data)*

	December 31,	
	2016	2015
<b>Assets</b>		
Cash and cash equivalents .....	\$ 39,934	\$ 42,066
Restricted cash and cash equivalents (includes restricted cash of consolidated VIEs of \$19,468 as of December 31, 2016) .....	26,306	7,379
Loans and finance receivables, net (includes loans and allowance for losses of consolidated VIEs of \$234,497 and \$17,731, respectively, as of December 31, 2016) .....	561,550	434,633
Income taxes receivable .....	—	5,503
Other receivables and prepaid expenses .....	19,524	20,049
Property and equipment, net .....	47,100	48,055
Goodwill .....	267,010	267,008
Intangible assets, net .....	5,404	6,540
Other assets .....	11,051	9,304
Total assets .....	\$ 977,879	\$ 840,537
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable and accrued expenses .....	\$ 71,671	\$ 72,141
Income taxes currently payable .....	282	—
Deferred tax liabilities, net .....	14,316	20,519
Long-term debt (includes long-term debt and debt issuance costs of consolidated VIEs of \$165,419 and \$1,869, respectively, as of December 31, 2016) .....	649,911	541,909
Total liabilities .....	736,180	634,569
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock, \$0.00001 par value, 250,000,000 shares authorized, 33,364,525 and 33,151,088 shares issued and 33,293,100 and 33,121,594 outstanding as of December 31, 2016 and 2015, respectively .....	—	—
Preferred stock, \$0.00001 par value, 25,000,000 shares authorized, no shares issued and outstanding .....	—	—
Additional paid in capital .....	18,446	9,924
Retained earnings .....	235,455	200,853
Accumulated other comprehensive loss .....	(11,578)	(4,622)
Treasury stock, at cost (71,425 and 29,494 shares as of December 31, 2016 and 2015, respectively) .....	(624)	(187)
Total stockholders' equity .....	241,699	205,968
Total liabilities and stockholders' equity .....	\$ 977,879	\$ 840,537

See Notes to Consolidated Financial Statements

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
*(in thousands, except per share data)*

	Year Ended December 31,		
	2016	2015	2014
<b>Revenue</b> .....	\$ 745,569	\$ 652,600	\$ 809,837
<b>Cost of Revenue</b> .....	327,966	216,858	266,787
<b>Gross Profit</b> .....	417,603	435,742	543,050
<b>Expenses</b>			
Marketing .....	97,404	116,882	127,862
Operations and technology .....	85,202	74,012	73,573
General and administrative .....	97,956	102,073	107,875
Depreciation and amortization.....	15,564	18,388	18,732
<b>Total Expenses</b> .....	296,126	311,355	328,042
<b>Income from Operations</b> .....	121,477	124,387	215,008
Interest expense, net .....	(65,603)	(52,883)	(38,474)
Foreign currency transaction gain (loss), net.....	1,562	(985)	(35)
<b>Income before Income Taxes</b> .....	57,436	70,519	176,499
Provision for income taxes .....	22,834	26,527	64,828
<b>Net Income</b> .....	<u>\$ 34,602</u>	<u>\$ 43,992</u>	<u>\$ 111,671</u>
<b>Earnings Per Share:</b>			
Earnings per common share:			
Basic .....	\$ 1.04	\$ 1.33	\$ 3.38
Diluted.....	\$ 1.03	\$ 1.33	\$ 3.38
Weighted average common shares outstanding:			
Basic .....	33,192	33,006	33,000
Diluted .....	33,462	33,026	33,008

See Notes to Consolidated Financial Statements

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
*(in thousands)*

	Year Ended December 31,		
	2016	2015	2014
Net Income.....	\$ 34,602	\$ 43,992	\$ 111,671
<b>Other comprehensive loss, net of tax:</b>			
Foreign currency translation loss <sup>(1)</sup> .....	(6,956)	(1,451)	(6,272)
Total other comprehensive loss, net of tax.....	(6,956)	(1,451)	(6,272)
<b>Comprehensive Income</b> .....	<b>\$ 27,646</b>	<b>\$ 42,541</b>	<b>\$ 105,399</b>

*(1) Net of tax benefit of \$3,939, \$592 and \$4,011 for the years ended December 31, 2016, 2015 and 2014, respectively.*

See Notes to Consolidated Financial Statements

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
*(in thousands, except per share data)*

	Common Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock, at cost		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
<b>Balance at December 31, 2013</b> .....	<b>33,000</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 169,947</b>	<b>\$ 3,101</b>	<b>—</b>	<b>\$ —</b>	<b>\$ 173,048</b>
Stock-based compensation expense .....			294	—	—			294
Net equity transactions with Cash America ...			—	(2,373)	—			(2,373)
Net income .....			—	111,671	—			111,671
Dividend paid to Cash America (\$3.71 per share).....			—	(122,384)	—			(122,384)
Foreign currency translation loss, net of tax ...			—	—	(6,272)			(6,272)
<b>Balance at December 31, 2014</b> .....	<b>33,000</b>	<b>\$ —</b>	<b>\$ 294</b>	<b>\$ 156,861</b>	<b>\$ (3,171)</b>	<b>—</b>	<b>\$ —</b>	<b>\$ 153,984</b>
Stock-based compensation expense .....			9,630	—	—			9,630
Shares issued under stock-based plans.....	151	—	—	—	—			—
Net income .....			—	43,992	—			43,992
Foreign currency translation loss, net of tax ...			—	—	(1,451)			(1,451)
Purchases of treasury shares, at cost .....						(29)	(187)	(187)
<b>Balance at December 31, 2015</b> .....	<b>33,151</b>	<b>\$ —</b>	<b>\$ 9,924</b>	<b>\$ 200,853</b>	<b>\$ (4,622)</b>	<b>(29)</b>	<b>\$ (187)</b>	<b>\$ 205,968</b>
Stock-based compensation expense .....			8,522	—	—			8,522
Shares issued under stock-based plans.....	214	—	—	—	—			—
Net income .....			—	34,602	—			34,602
Foreign currency translation loss, net of tax ...			—	—	(6,956)			(6,956)
Purchases of treasury shares, at cost .....						(42)	(437)	(437)
<b>Balance at December 31, 2016</b> .....	<b>33,365</b>	<b>\$ —</b>	<b>\$ 18,446</b>	<b>\$ 235,455</b>	<b>\$ (11,578)</b>	<b>(71)</b>	<b>\$ (624)</b>	<b>\$ 241,699</b>

See Notes to Consolidated Financial Statements

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(in thousands)*

	Year Ended December 31,		
	2016	2015	2014
<b>Cash Flows from Operating Activities</b>			
Net Income .....	\$ 34,602	\$ 43,992	\$ 111,671
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization .....	15,564	18,388	18,732
Amortization of deferred loan costs and debt discount .....	6,913	3,371	1,949
Cost of revenue .....	327,966	216,858	266,787
Non-cash affiliate interest expense.....	—	—	7,629
Stock-based compensation expense .....	8,522	9,630	664
Fair value changes in contingent purchase consideration .....	3,300	—	—
Deferred income taxes, net.....	(2,201)	(1,399)	12,145
Other .....	(151)	984	(199)
Changes in operating assets and liabilities:			
Finance and service charges on loans and finance receivables .....	(16,232)	(467)	3,695
Other receivables and prepaid expenses.....	843	(3,804)	(7,607)
Accounts payable and accrued expenses.....	8,462	8,673	7,705
Current income taxes payable .....	5,785	(12,305)	6,764
<b>Net cash provided by operating activities</b> .....	<u>393,373</u>	<u>283,921</u>	<u>429,935</u>
<b>Cash Flows from Investing Activities</b>			
Loans and finance receivables originated or acquired.....	(1,308,197)	(1,172,169)	(1,298,008)
Loans and finance receivables repaid .....	858,048	849,358	1,006,762
Change in restricted cash .....	(20,126)	—	(7,868)
Acquisitions, net of cash acquired .....	—	(17,735)	—
Purchases of property and equipment .....	(14,396)	(32,241)	(13,284)
Investment in unconsolidated investee .....	—	—	(703)
Other investing activities .....	95	618	4
<b>Net cash used in investing activities</b> .....	<u>(484,576)</u>	<u>(372,169)</u>	<u>(313,097)</u>
<b>Cash Flows from Financing Activities</b>			
Borrowings under revolving line of credit.....	58,400	63,400	—
Repayments under revolving line of credit.....	(116,800)	(5,000)	—
Borrowings under securitization facility.....	280,075	—	—
Repayments under securitization facility.....	(114,656)	—	—
Issuance of long-term debt.....	—	—	493,810
Dividend paid to Cash America.....	—	—	(122,384)
Debt issuance costs paid .....	(6,702)	(1,596)	(16,330)
Treasury shares purchased .....	(437)	(187)	—
Net equity transactions with Cash America.....	—	—	(2,373)
Payments on affiliate line of credit .....	—	—	(431,762)
<b>Net cash provided by (used in) financing activities</b> .....	<u>99,880</u>	<u>56,617</u>	<u>(79,039)</u>
Effect of exchange rates on cash.....	(10,809)	(1,409)	(10,173)
<b>Net (decrease) increase in cash and cash equivalents</b> .....	<u>(2,132)</u>	<u>(33,040)</u>	<u>27,626</u>
<b>Cash and cash equivalents at beginning of year</b> .....	<u>42,066</u>	<u>75,106</u>	<u>47,480</u>
<b>Cash and cash equivalents at end of period</b> .....	<u>\$ 39,934</u>	<u>\$ 42,066</u>	<u>\$ 75,106</u>

See Notes to Consolidated Financial Statements

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Nature of the Company**

The Company operates an internet-based lending platform to serve customers in need of cash to fulfill their financial responsibilities. Through a network of direct and indirect marketing channels, the Company offers funds to its customers through a variety of unsecured loan and finance receivable products. The business is operated primarily through the internet to provide convenient, fully-automated financial solutions to its customers. As of December 31, 2016, the Company offered or arranged loans to consumers under the names “CashNetUSA” and “NetCredit” in 33 states in the United States, under the names “QuickQuid,” “Pounds to Pocket” and “On Stride Financial” in the United Kingdom, and under the name “Simplic” in Brazil. The Company also offered financing to small businesses in all 50 states and Washington D.C. in the United States under the names “Headway Capital” and “The Business Backer.” During 2016 the Company also launched “Enova Decisions” its analytics as a service business that leverages existing tools and technologies in order to help companies make decisions about their own customers.

The Company originates, guarantees or purchases consumer loans. Consumer loans provide customers with cash in their bank account, typically in exchange for an obligation to repay the amount advanced plus fees and/or interest. Consumer loans include short-term loans, line of credit accounts and installment loans. The Company provides financing to small businesses through either a line of credit account or a receivables purchase agreement product (“RPAs”). RPAs represent a right to receive future receivables from a small business. Small businesses receive funds in exchange for a portion of the business’ future receivables at an agreed upon discount. In contrast, lending is a commitment to repay principal and interest. “Loans and finance receivables” include consumer loans, small business loans and RPAs.

Short-term loans include unsecured short-term loans written by the Company or by a third-party lender through the Company’s credit services organization and credit access business programs (“CSO programs” as further described below) that the Company guarantees. Line of credit accounts include draws made through the Company’s line of credit product. Installment loans are longer-term multi-payment loans that generally require the outstanding principal balance to be paid down in multiple installments and are written by the Company or by a third-party lender through the CSO programs.

Through the Company’s CSO programs the Company provides services related to a third-party lender’s consumer loan products in some markets by acting as a credit services organization or credit access business on behalf of consumers in accordance with applicable state laws. Services offered under the CSO programs include credit-related services such as arranging loans with independent third-party lenders and assisting in the preparation of loan applications and loan documents (“CSO loans”). Under the CSO programs, the Company guarantees consumer loan payment obligations to the third-party lender in the event that the customer defaults on the loan. CSO loans are not included in the Company’s financial statements, but the Company has established a liability for the estimated losses in support of the guarantee on these loans in its consolidated balance sheets.

**2. Significant Accounting Policies**

***Basis of Presentation***

On September 7, 2011, Cash America International, Inc. (“Cash America,” now known as FirstCash, Inc. due to its merger with First Cash Financial Services, Inc. on September 1, 2016) formed a new company, Enova International, Inc. On September 13, 2011, Cash America contributed to the Company all of the stock of its wholly-owned subsidiary, Enova Online Services, Inc., in exchange for 33 million shares of the Company’s common stock. On November 13, 2014, Cash America completed the tax-free spin-off of approximately 80% of the Company’s outstanding common stock (the “Spin-off”). Following the Spin-off, the Company became an independent, publicly traded company, and the Company’s shares of common stock are listed on the New York Stock Exchange under the symbol “ENVA.”

The consolidated financial statements of the Company reflect the historical results of operations and cash flows of the Company during each respective period. The financial statements include goodwill and intangible assets arising from businesses previously acquired. Prior to the Spin-off, the financial statements also included the allocation of certain assets and liabilities that were historically held at the Cash America corporate level but which were specifically identifiable or allocable to the Company. Certain transactions with Cash America, such as stock-based compensation and foreign currency transactions were considered to be effectively settled as net equity transactions with parent in “Retained earnings” in the consolidated balance sheets at the time the transaction was recorded. Prior to May 30, 2014, all intercompany transactions between the Company and Cash America were considered to be effectively settled in the financial statements at the time the transaction was recorded. In addition, the historical financial statements include allocations of costs relating to certain functions historically provided by Cash America, including corporate services such as executive oversight, insurance and risk management, government relations, internal audit, treasury, licensing, and to a limited extent finance, accounting, tax, legal, human resources, compensation and benefits, compliance and support for certain information systems related to financial reporting. The expense allocations were determined on a basis that Cash America and the Company consider to be reasonable reflections of the utilization of services provided by Cash America. Also see Note 15 for

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

additional information on the Company's relationship with Cash America. The financial information included herein may not be indicative of the consolidated financial position, operating results, changes in stockholders' equity and cash flows of the Company in the future, or if the Company had been a separate company during the periods presented.

The Company consolidates any variable interest entity ("VIE") where it has determined the Company is the primary beneficiary. The primary beneficiary is the entity which has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance as well as the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE.

***Use of Estimates***

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, allowance for losses on loans and finance receivables, goodwill, long-lived and intangible assets, income taxes, contingencies and litigation. Management bases its estimates on historical experience, empirical data and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates.

***Out-of-Period Adjustment***

In a review of its revenue recognition policy during 2015, the Company determined that certain fees on its line of credit product should be deferred over the period the draw is outstanding rather than recognized as revenue when assessed. The Company recorded a \$2.5 million reduction to revenue in the fourth quarter of 2015 as an out-of-period adjustment. This adjustment included a \$2.8 million reduction of revenue associated with periods prior to 2015. The Company believes this adjustment was not material to any of the prior years' financial statements.

***Foreign Currency Translations***

The functional currencies for the Company's subsidiaries that serve or have served residents of the United Kingdom, Australia, Canada and Brazil are the British pound, the Australian dollar, the Canadian dollar and the Brazilian real, respectively. The assets and liabilities of these subsidiaries are translated into U.S. dollars at the exchange rates in effect at each balance sheet date, and the resulting adjustments are recorded in "Accumulated other comprehensive income (loss)" ("AOCI") as a separate component of stockholders' equity. Revenue and expenses are translated at the monthly average exchange rates occurring during each period.

***Cash and Cash Equivalents***

The Company considers deposits in banks and short-term investments with original maturities of 90 days or less as cash and cash equivalents.

***Restricted Cash***

The Company includes funds to be used for future debt payments relating to its securitization transactions and escrow deposits in restricted cash and cash equivalents.

***Revenue Recognition***

The Company recognizes revenue based on the financing products and services it offers. "Revenue" in the consolidated statements of income includes: interest income, finance charges, fees for services provided through the Company's CSO programs ("CSO fees"), revenue on RPAs, service charges, draw fees, minimum fees, late fees and non-sufficient funds fees as permitted by applicable laws and pursuant to the agreement with the borrower. For short-term loans that the Company offers, interest and finance charges are recognized on an effective yield basis over the term of the loan. For line of credit accounts, interest is recognized over the reporting period based upon the balance outstanding and the contractual interest rate, draw fees are recognized on an effective yield basis over the estimated outstanding period of the draw, and minimum fees are recognized when assessed to the customer. For installment loans, interest is recognized on an effective yield basis over the term of the loan. For RPAs, revenue is recognized on an effective yield basis over the projected delivery term of the agreements and fees are recognized when assessed. CSO fees are recognized on an effective yield basis over the term of the loan. Late and nonsufficient funds fees are recognized when assessed to the customer. Direct costs

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

associated with originating loans and purchasing RPAs, such as third-party customer acquisition costs, are deferred and amortized against revenue on an effective yield basis over the term of the loan or the projected delivery term of the finance receivable. Short-term loans, line of credit accounts, installment loans, RPAs, unpaid and accrued interest and fees and deferred origination costs are included in “Loans and finance receivables, net” in the consolidated balance sheets.

***Current and Delinquent Loans and Finance Receivables***

The Company classifies its loans and finance receivables as either current or delinquent. Short-term loans are considered delinquent when payment of an amount due is not made as of the due date. If a line of credit account or installment loan customer misses one payment, that payment is considered delinquent and the balance of the loan is considered current. The Company does not accrue interest on the delinquent payment portion of the loan but does continue to accrue interest on the remaining portion of the loan. If a line of credit account or installment loan customer does not make two consecutive payments, the entire account or loan is classified as delinquent and placed on a non-accrual status. The Company allows for normal payment processing time before considering a loan delinquent but does not provide for any additional grace period.

Where permitted by law and as long as a loan is not considered delinquent, a customer may choose to renew a short-term loan or installment loan or extend the due date on a short-term loan. In order to renew or extend a short-term loan, a customer must agree to pay the current finance charge for the right to make a later payment of the outstanding principal balance plus an additional finance charge. In order to renew an installment loan, the customer enters into a new installment loan contract and agrees to pay the principal balance and finance charge in accordance with the terms of the new loan contract. If a short-term loan is renewed, but the customer fails to pay that loan’s current finance charge as of the due date, the unpaid finance charge is classified as delinquent.

The Company does not accrue interest on delinquent loans and does not resume accrual of interest on a delinquent loan unless it is returned to current status. In addition, delinquent loans generally may not be renewed, and if, during its attempt to collect on a delinquent loan, the Company allows additional time for payment through a payment plan or a promise to pay, it is still considered delinquent. Generally, all payments received are first applied against accrued but unpaid interest and fees and then against the principal balance of the loan.

***Allowance and Liability for Estimated Losses on Loans and Finance Receivables***

The Company monitors the performance of its loan and finance receivable portfolios and maintains either an allowance or liability for estimated losses on loans and finance receivables (including revenue, fees and/or interest) at a level estimated to be adequate to absorb losses inherent in the portfolio. The allowance for losses on the Company’s owned loans and finance receivables reduces the outstanding loans and finance receivables balance in the consolidated balance sheets. The liability for estimated losses related to loans guaranteed under its CSO programs is initially recorded at fair value and is included in “Accounts payable and accrued expenses” in the consolidated balance sheets.

In determining the allowance or liability for estimated losses on loans and finance receivables, the Company applies a documented systematic methodology. In calculating the allowance or liability for receivable losses, outstanding loans and finance receivables are divided into discrete groups of short-term loans, line of credit accounts, installment loans and RPAs and are analyzed as current or delinquent. Increases in either the allowance or the liability, net of charge-offs and recoveries, are recorded as a “Cost of revenue” in the consolidated statements of income.

The allowance or liability for short-term loans classified as current is based on historical loss rates adjusted for recent default trends for current loans. For delinquent short-term loans, the allowance or liability is based on a six-month rolling average of loss rates by stage of collection. For line of credit account and installment loan and RPA portfolios, the Company generally uses a migration analysis to estimate losses inherent in the portfolio. The allowance or liability calculation under the migration analysis is based on historical charge-off experience and the loss emergence period, which represents the average amount of time between the first occurrence of a loss event and the charge-off of a loan. The factors the Company considers to assess the adequacy of the allowance or liability include past due performance, historical behavior of monthly vintages, underwriting changes and recent trends in delinquency in the migration analysis.

The Company fully reserves for loans once the loan or a portion of the loan has been classified as delinquent for 60 consecutive days and generally charges off loans between 60 – 65 days delinquent. If a loan is deemed uncollectible before it is fully reserved, it is charged off at that point. Loans classified as delinquent generally have an age of one to 64 days from the date any portion of the loan became delinquent, as defined above. Recoveries on loans previously charged to the allowance are credited to the allowance when collected.



**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Property and Equipment***

Property and equipment is recorded at cost. The cost of property retired or sold and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the consolidated statements of income. Costs associated with repair and maintenance activities are expensed as incurred. Depreciation expense is generally provided on a straight-line basis, using the following estimated useful lives:

Computer hardware and software .....	1 to 5 years
Furniture, fixtures and equipment .....	3 to 7 years
Leasehold improvements <sup>(1)</sup> .....	3 to 10 years

*(1) Leasehold improvements are depreciated over the lesser of the estimated useful life, remaining lease term, or 10 years.*

***Software Development Costs***

The Company applies Accounting Standards Codification (“ASC”) 350-40, Internal Use Software (“ASC 350-40”), to its software purchase and development activities. Under ASC 350-40, eligible internal and external costs incurred for the development of computer software applications, as well as for upgrades and enhancements that result in additional functionality of the applications, are capitalized to “Property and equipment” on the consolidated balance sheets. Internal and external training and maintenance costs are charged to expense as incurred or over the related service period. When a software application is placed in service, the Company begins amortizing the related capitalized software costs using the straight-line method based on its estimated useful life, which currently ranges from two to five years.

***Goodwill***

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. In accordance with ASC 350, Intangibles—Goodwill and Other (“ASC 350”), the Company tests goodwill and intangible assets with an indefinite life for potential impairment annually as of June 30 and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

The Company first assesses qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. In assessing the qualitative factors, the Company considers relevant events and circumstances including but not limited to macroeconomic conditions, industry and market environment, its overall financial performance, cash flow from operating activities, market capitalization and stock price. If the Company determines that the two-step quantitative impairment test is required, it uses the income approach to complete its annual goodwill assessment. The income approach uses future cash flows and estimated terminal values for the Company that are discounted using a market participant perspective to determine the fair value, which is then compared to the carrying value to determine if there is impairment. The income approach includes assumptions about revenue growth rates, operating margins and terminal growth rates discounted by an estimated weighted-average cost of capital derived from other publicly-traded companies that are similar but not identical from an operational and economic standpoint. The Company completed its annual assessment of goodwill as of June 30, 2016 and determined that the fair value of its goodwill exceeded carrying value, and, as a result, no impairment existed at that date. A 10% decrease in the estimated fair value for the June 2015 assessment would not have resulted in a goodwill impairment. Although no goodwill impairment was noted, there can be no assurances that future goodwill impairments will not occur.

As of December 31, 2016, the Company had \$267.0 million of goodwill, all of which is expected to be deductible for tax purposes.

***Long-Lived Assets Other Than Goodwill***

An evaluation of the recoverability of property and equipment and intangible assets subject to amortization is performed whenever the facts and circumstances indicate that the carrying value may be impaired. An impairment loss is recognized if the future undiscounted cash flows associated with the asset and the estimated fair value of the asset are less than the asset’s corresponding carrying value. The amount of the impairment loss, if any, is the excess of the asset’s carrying value over its estimated fair value.

The Company amortizes intangible assets subject to amortization on the basis of their expected periods of benefit, generally three to five years. The costs of start-up activities and organization costs are charged to expense as incurred.

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Hedging and Derivatives Activity***

The Company periodically uses foreign currency forward contracts, which are considered derivative instruments, to minimize the effects of foreign currency risk in the United Kingdom related to the operations of the Company. The forward contracts are not designated as hedges as defined by ASC 815, Derivatives and Hedging; therefore, any changes in the fair value of the forward contracts are recognized in “Foreign currency transaction gain (loss), net” in the consolidated statements of income. See Note 14.

***Investment in Unconsolidated Investee***

The Company accounts for its investments in unconsolidated investees in accordance with ASC 325, Investments—Other Investments are recorded on a cost basis. The Company evaluates investments for impairment if an event occurs or circumstances change that would more likely than not reduce the fair value of the investment below carrying value. If an impairment of an investment is determined to be other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary-impairment is identified. The Company’s investments in unconsolidated investees are held in “Other assets” on the consolidated balance sheets.

As of December 31, 2016, the Company owned a \$6.7 million investment in the preferred stock of a privately-held developing financial services entity. The entity is not currently profitable and has historically funded its operations through a series of capital contributions from investors. The Company’s impairment evaluation of this investment as of December 31, 2016 determined that an impairment loss was not probable as of that date. The Company will continue to evaluate the impairment risk of this entity by monitoring and assessing the entity’s ability to raise capital or generate profits to fund its future operations.

***Marketing Expenses***

Marketing expenses consist of online marketing costs such as sponsored search and advertising on social networking sites, and offline marketing costs such as television, radio and direct mail advertising. In addition, marketing expenses include lead purchase costs paid to marketers in exchange for providing information or applications from potential customers interested in using the Company’s services. Marketing costs directly related to loan originations are deferred and amortized against revenue. Online marketing and lead purchase costs not directly resulting in loan and RPA originations are expensed as incurred. The production costs associated with offline marketing are expensed as incurred. Other marketing costs are expensed as incurred.

The Company also had an agreement with an independent third party pursuant to which the Company paid a portion of the net revenue received from the customers referred to the Company by such third party. Prior to the Spin-off, the Company had an arrangement with Cash America pursuant to which the Company paid either a lead purchase fee or a portion of the net revenue received from the customers referred to the Company by Cash America. These referral fees were included in “Marketing” in the consolidated statements of income.

***Operations and Technology Expenses***

Operations and technology expenses include all expenses related to the direct operations and technology infrastructure related to loan underwriting and processing. This includes call center and operations personnel costs, software maintenance expense, underwriting data from third-party vendors, and telephony costs.

***General and Administrative Expenses***

General and Administrative expenses primarily include the Company’s corporate personnel costs, as well as legal, occupancy, and other related costs. In addition, prior to the Spin-off, general and administrative expenses included expense allocations for certain corporate service functions historically provided by Cash America, such as executive oversight, insurance and risk management, government relations, internal audit, treasury, licensing, and to a limited extent finance, accounting, tax, legal, human resources, compensation and benefits, compliance and support for certain information systems related to financial reporting. Cash America allocated these expenses to the Company based on the Company’s share of Cash America’s corporate services expenses incurred for the consolidated entity.

***Stock-Based Compensation***

The Company accounts for its stock-based employee compensation plans in accordance with ASC 718, Compensation—Stock Compensation (“ASC 718”). In accordance with ASC 718, the Company recognizes compensation expense based on the grant date fair value over the remaining vesting periods for stock-based awards. During the periods prior to the Spin-off, certain employees

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

received stock-based compensation in the form of restricted stock units from Cash America. These awards are reflected in stock-based compensation or as a net equity transaction with Cash America in the Company's statement of stockholders' equity. See Note 13.

***Income Taxes***

The provision for income taxes is based on income before income taxes as reported for financial statement purposes. Deferred income taxes are provided for in accordance with the assets and liability method of accounting for income taxes in order to recognize the tax effects of temporary differences between financial statement and income tax accounting.

Prior to the Spin-off, the Company's operations were included as part of consolidated and unitary tax returns with Cash America and its affiliated companies. With the exception of certain entities outside of the United States, prior to the Spin-off, the Company settled its current tax balances with Cash America on a quarterly basis through an adjustment to its affiliate line of credit with Cash America.

The Company accounts for uncertainty in income taxes in accordance with ASC 740, Income Taxes ("ASC 740"). ASC 740 requires that a more-likely-than-not threshold (greater than 50 percent) be met before the benefit of a tax position may be recognized in the consolidated financial statements and prescribes how such benefit should be measured. It also provides guidance on recognition adjustment, classification, accrual of interest and penalties, accounting in interim periods, disclosure and transition.

The Company performs an evaluation of the recoverability of its deferred tax assets on a quarterly basis. The Company establishes a valuation allowance if it is more likely than not that all or some portion of the deferred tax asset will not be realized. The Company analyzes several factors, including the nature and frequency of operating losses, the Company's carryforward period for any losses, the reversal of future taxable temporary differences, the expected occurrence of future income or loss and the feasibility of available tax planning strategies to protect against the loss of deferred tax assets. See Note 10 for further discussion.

***Earnings Per Share***

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by giving effect to the potential dilution that could occur if securities or other contracts to issue common shares were exercised and converted into common shares during the year. Restricted stock units issued under the Company's stock-based employee compensation plans are included in diluted shares upon the granting of the awards even though the vesting of shares will occur over time.

The following table sets forth the reconciliation of numerators and denominators of basic and diluted earnings per share computations for the years ended December 31, 2016, 2015 and 2014 (in thousands, except per share amounts):

	Year Ended December 31,		
	2016	2015	2014
Numerator:			
Net income .....	\$ 34,602	\$ 43,992	\$ 111,671
Denominator:			
Total weighted average basic shares .....	33,192	33,006	33,000
Shares applicable to stock-based compensation.....	270	20	8
Total weighted average diluted shares.....	33,462	33,026	33,008
Earnings per share – basic.....	\$ 1.04	\$ 1.33	\$ 3.38
Earnings per share – diluted.....	\$ 1.03	\$ 1.33	\$ 3.38

For the years ended December 31, 2016, 2015 and 2014, 1,622,331, 1,700,296 and 1,425,196 shares of common stock underlying stock options, respectively, and 464,500, 368,111 and no shares of common stock underlying restricted stock units, respectively, were excluded from the calculation of diluted net income per share because their effect would have been antidilutive.

***Adopted Accounting Standards***

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-17, *Balance Sheet Classification of Deferred Taxes* ("ASU 2015-17"). ASU 2015-17 requires an entity to classify deferred tax liabilities and assets as noncurrent within a classified statement of financial position. The Company adopted ASU 2015-17 on January 1, 2016. As of December 31, 2015, the Company reported \$29.0 million of current deferred tax assets and \$49.5 million of noncurrent deferred

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

tax liabilities. As a result of adopting ASU 2015-17, these amounts are shown net as \$20.5 million under “Deferred tax liabilities” in the consolidated balance sheets.

In June 2015, the FASB issued ASU 2015-10, *Technical Corrections and Improvements* (“ASU 2015-10”). ASU 2015-10 covers a wide range of topics in the Codification. The amendments in this update represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost on most entities. The Company adopted ASU 2015-10 on January 1, 2016. The adoption of ASU 2015-10 did not materially affect the Company’s financial position or results of operations.

In April 2015, the FASB issued ASU 2015-05, *Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement* (“ASU 2015-05”), which amends Accounting Standards Codification (“ASC”) 350-40, *Internal-Use Software*, by providing customers with guidance on determining whether a cloud computing arrangement contains a software license that should be accounted for as internal-use software. The Company adopted ASU 2015-05 on January 1, 2016. The adoption of ASU 2015-05 did not materially affect the Company’s financial position or results of operations.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”), which amends existing guidance to require the presentation of debt issuance costs in the consolidated balance sheets as a deduction from the carrying amount of the related debt liability instead of a deferred charge (as an asset). ASU 2015-15, *Presentation and subsequent measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*, was issued subsequently to permit costs associated with a line of credit arrangement to be presented as an asset and amortized ratably over the term of the arrangement. The Company adopted ASU 2015-03 on January 1, 2016. As of December 31, 2015, the Company had \$11.4 million of unamortized debt issuance costs that are required to be presented as a deduction from the carrying amount of the related debt liability instead of a deferred charge. These amounts were previously recorded in “Other assets” in the consolidated balance sheets.

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810) - Amendments to the Consolidation Analysis* (“ASU 2015-02”), which provides guidance for reporting entities that are required to evaluate whether they should consolidate certain legal entities. In accordance with ASU 2015-02, all legal entities are subject to reevaluation under the revised consolidation model. The Company adopted ASU 2015-02 on January 1, 2016. The adoption of ASU 2015-02 did not materially affect the Company’s consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern* (“ASU 2014-15”), which requires management to evaluate, in connection with financial statement preparation for each annual and interim reporting period, whether there are conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date the financial statements are issued, and to provide related disclosures. ASU 2014-15 applies to all entities and is effective for annual periods ending after December 15, 2016 and interim periods thereafter, with early adoption permitted. The adoption of ASU 2014-15 did not materially affect the Company’s consolidated financial statements.

***Accounting Standards to be Adopted in Future Periods***

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350) – Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”) to simplify the accounting for goodwill impairment. ASU 2017-04 removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact ASU 2017-04 will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01 *Business Combinations (Topic 805) – Clarifying the Definition of a Business* (“ASU 2017-01”). ASU 2017-01 provides a screen to determine when an asset or group of assets acquired is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated. ASU 2017-01 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017. The Company is currently evaluating the impact ASU 2017-01 will have on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-17 *Consolidation (Topic 810): Interests Held through Related Parties that are Under Common Control* (“ASU 2016-17”), which amends the consolidation guidance on how a reporting entity that is the single decision maker of a VIE should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. ASU 2016-17 requires the reporting entity, in determining whether it satisfies the second characteristic of a primary beneficiary, to include its indirect variable interests in a VIE

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
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held through related parties that are under common control on a proportionate basis as opposed to in their entirety. The amendments in ASU 2016-17 will be applied retrospectively and are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The adoption of ASU 2016-17 is not expected to have a material impact on the Company's financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* ("ASU 2016-16"), which requires entities to recognize the income tax impact of an intra-entity sale or transfer of an asset other than inventory when the sale or transfer occurs, rather than when the asset has been sold to an outside party. ASU 2016-16 is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted. The Company is currently evaluating the impact ASU 2016-16 will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)* ("ASU 2016-15"). The amendments in ASU 2016-15 provide guidance on eight specific cash flow issues, including debt prepayment or debt extinguishment costs, contingent consideration payments made after a business combination, distributions received from equity method investees and beneficial interests in securitization transactions. In addition, in November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash* ("ASU 2016-18"). ASU 2016-18 clarifies certain existing principles in ASC 230, including providing additional guidance related to transfers between cash and restricted cash and how entities present, in their statement of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. ASU 2016-15 and ASU 2016-18 are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The adoption of ASU 2016-15 and ASU 2016-18 will modify the Company's current disclosures and classifications within the consolidated statement of cash flows but they are not expected to have a material effect on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). The amendments in ASU 2016-13 replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted for annual periods beginning after December 15, 2018, and interim periods within those fiscal years. The Company is assessing the impact of ASU 2016-13, which at the date of adoption will increase the allowance for credit losses with a resulting negative adjustment to retained earnings.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). The amendments in ASU 2016-09 simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. The Company does not expect that the adoption of ASU 2016-09 will have a material effect on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). ASU 2016-02 requires lessee recognition on the balance sheet of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments. It further requires recognition in the income statement of a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis. Finally, it requires classification of all cash payments within operating activities in the statement of cash flows. ASU 2016-02 is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2018. Early adoption is permitted for all entities upon issuance. Upon adoption of ASU 2016-02, the Company expects to report higher assets and liabilities as a result of including additional leases on the consolidated balance sheet. The Company does not expect the adoption of ASU 2016-02 to have a material impact on the consolidated statements of income or the consolidated statements of stockholders' equity.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), which requires that equity investments, except for those accounted for under the equity method or those that result in consolidation of the investee, be measured at fair value, with subsequent changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. ASU 2016-01 also impacts the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted only for certain provisions. The Company does not expect that the adoption of ASU 2016-01 will have a material effect on its consolidated financial statements.

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In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”), which supersedes the revenue recognition requirements in Accounting Standards Codification 605, Revenue Recognition. ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU No. 2015-14, *Deferral of the Effective Date*, deferring the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017. In March 2016, the FASB issued ASU 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, to clarify revenue recognition accounting when a third party is involved in providing goods or services to a customer. In April 2016, the FASB issued ASU 2016-10, *Identifying Performance Obligations and Licensing*, to clarify the implementation guidance on identifying performance obligations and licensing. Early adoption of ASU 2016-10 is permitted only as of an annual reporting period beginning after December 15, 2016. In May 2016, the FASB issued ASU 2016-12, *Narrow-Scope Improvements and Practical Expedients*, to reduce the risk of diversity in practice for certain aspects in ASU 2014-09, including collectibility, noncash consideration, presentation of sales tax and transition. In December 2016, the FASB issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, which clarifies the guidance in Topic 606 on assessing certain aspects of the new revenue standard. The Company does not expect that the adoption of ASU 2014-09 will have a material impact on its consolidated financial statements.

**3. Acquisitions**

On June 23, 2015, the Company completed the purchase of certain assets and assumed certain liabilities of a company operating as The Business Backer, LLC, which purchases discounted future accounts receivables from small businesses throughout the United States through RPAs, which provide working capital for small businesses. The total consideration of \$26.4 million was comprised of \$17.7 million in cash at closing, a \$3.0 million promissory note (included in “Accounts payable and accrued expenses” in the consolidated balance sheets) and estimated contingent consideration of \$5.7 million based on future earn-out opportunities. The contingent purchase consideration was recorded at its estimated fair value at the date of acquisition based upon the Company’s assessment of the probable earnings attributable to the business as defined in the purchase agreement. To the extent operating results exceed the Company’s estimate, additional contingent consideration would be due, however the total consideration paid may not exceed \$71 million. The contingent purchase consideration is revalued each reporting period with changes in fair value of the contingent consideration obligations recognized as a gain or loss on fair value remeasurement in the Company’s consolidated statements of income. The fair value of the contingent purchase consideration was remeasured as of December 31, 2016 and a gain from the fair value remeasurement of \$3.3 million was recognized.

During the three months ended December 31, 2015, the Company identified measurement period adjustments that impacted the estimated fair value of the assets and liabilities assumed on June 23, 2015 as a result of new information obtained about the facts and circumstances that existed as of the acquisition date. The total measurement period adjustments resulted in a decrease of finance receivables of \$0.6 million, an increase in intangible assets of \$3.3 million, a decrease in contingent consideration of \$0.5 million and an overall decrease in goodwill of \$2.7 million. This change to the provisional amounts of fair value of the assets and liabilities assumed had an immaterial impact on the consolidated statement of income for the period ended December 31, 2015.

This purchase was not material to the Company’s consolidated financial statements. The operating results of the purchased assets, which were not material, have been included in the Company’s consolidated financial statements from the date of acquisition.

**4. Loans and Finance Receivables, Credit Quality Information and Allowances and Liabilities for Estimated Losses on Loans and Finance Receivables**

Revenue generated from the Company’s loans and finance receivables for the years ended December 31, 2016, 2015 and 2014 was as follows (dollars in thousands):

	Year Ended December 31,		
	2016	2015	2014
Short-term loans .....	\$ 196,255	\$ 204,893	\$ 257,169
Line of credit accounts .....	220,462	185,521	305,118
Installment loans and RPAs .....	327,375	260,507	246,700
Total loans and finance receivables revenue .....	744,092	650,921	808,987
Other .....	1,477	1,679	850
Total Revenue .....	<u>\$ 745,569</u>	<u>\$ 652,600</u>	<u>\$ 809,837</u>



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	Year Ended December 31, 2015			
	Short-term Loans	Line of Credit Accounts	Installment Loans and RPAs	Total
<b>Allowance for losses for Company-owned loans and finance receivables:</b>				
Balance at beginning of period.....	\$ 14,324	\$ 19,749	\$ 30,875	\$ 64,948
Cost of revenue .....	62,571	43,547	110,560	216,678
Charge-offs .....	(83,316)	(68,075)	(129,537)	(280,928)
Recoveries.....	21,374	20,694	25,585	67,653
Effect of foreign currency translation .....	(301)	(188)	(540)	(1,029)
Balance at end of period.....	<u>\$ 14,652</u>	<u>\$ 15,727</u>	<u>\$ 36,943</u>	<u>\$ 67,322</u>
<b>Liability for third-party lender-owned loans:</b>				
Balance at beginning of period.....	\$ 1,575	\$ —	\$ 1	\$ 1,576
(Decrease) increase in liability.....	(277)	—	457	180
Balance at end of period.....	<u>\$ 1,298</u>	<u>\$ —</u>	<u>\$ 458</u>	<u>\$ 1,756</u>

	Year Ended December 31, 2014			
	Short-term Loans	Line of Credit Accounts	Installment Loans and RPAs	Total
<b>Allowance for losses for Company-owned loans and finance receivables:</b>				
Balance at beginning of period.....	\$ 20,466	\$ 29,244	\$ 32,608	\$ 82,318
Cost of revenue .....	70,382	92,461	104,415	267,258
Charge-offs .....	(105,129)	(119,428)	(129,466)	(354,023)
Recoveries.....	28,785	17,943	23,619	70,347
Effect of foreign currency translation .....	(180)	(471)	(301)	(952)
Balance at end of period.....	<u>\$ 14,324</u>	<u>\$ 19,749</u>	<u>\$ 30,875</u>	<u>\$ 64,948</u>
<b>Liability for third-party lender-owned loans:</b>				
Balance at beginning of period.....	\$ 2,047	\$ —	\$ —	\$ 2,047
(Decrease) increase in liability.....	(472)	—	1	(471)
Balance at end of period.....	<u>\$ 1,575</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 1,576</u>

In connection with its CSO programs, the Company guarantees consumer loan payment obligations to unrelated third-party lenders for short-term and installment loans and is required to purchase any defaulted loans it has guaranteed. The guarantee represents an obligation to purchase specific loans that go into default. As of December 31, 2016 and 2015, the amount of consumer loans guaranteed by the Company was \$32.2 million and \$34.1 million, respectively, representing amounts due under consumer loans originated by third-party lenders under the CSO programs. The estimated fair value of the liability for estimated losses on consumer loans guaranteed by the Company of \$2.0 million and \$1.7 million as of December 31, 2016 and 2015, respectively, is included in "Accounts payable and accrued expenses" in the consolidated balance sheets.

## 5. Property and Equipment

As an online financial services provider, a significant amount of capital is invested in developing computer software and systems infrastructure.

Major classifications of property and equipment at December 31, 2016 and 2015 were as follows (dollars in thousands):

	As of December 31, 2016		
	Cost	Accumulated Depreciation	Net
Computer software .....	\$ 72,277	\$ (48,680)	\$ 23,597
Furniture, fixtures and equipment.....	30,974	(22,159)	8,815
Leasehold improvements.....	24,267	(9,579)	14,688
Total.....	<u>\$ 127,518</u>	<u>\$ (80,418)</u>	<u>\$ 47,100</u>



**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
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	As of December 31, 2015		
	Cost	Accumulated Depreciation	Net
Computer software .....	\$ 64,705	\$ (40,462)	\$ 24,243
Furniture, fixtures and equipment.....	26,517	(17,918)	8,599
Leasehold improvements .....	23,277	(8,064)	15,213
Total.....	\$ 114,499	\$ (66,444)	\$ 48,055

The Company capitalized internal software development costs of \$8.1 million, \$9.8 million and \$8.6 million during 2016, 2015 and 2014, respectively.

The Company recognized depreciation expense of \$14.4 million, \$17.9 million and \$18.7 million during 2016, 2015 and 2014, respectively.

**6. Goodwill and Other Intangible Assets**

Goodwill is tested for impairment at least annually. See Note 2 for further discussion.

**Goodwill**

Changes in the carrying value of goodwill for the years ended December 31, 2016 and 2015 were as follows (dollars in thousands):

Balance as of January 1, 2015 .....	\$ 255,862
Acquisitions .....	11,158
Effect of foreign currency translation .....	(12)
Balance as of December 31, 2015 .....	\$ 267,008
Effect of foreign currency translation .....	2
Balance as of December 31, 2016 .....	\$ 267,010

Acquisitions represent the original goodwill allocation and final adjustments to purchase price allocations during the measurement period subsequent to the acquisition date. The impact of final purchase price allocation adjustments on the Company's results of operations and financial position were immaterial.

**Acquired Intangible Assets**

Acquired intangible assets that are subject to amortization as of December 31, 2016 and 2015, were as follows (dollars in thousands):

	As of December 31, 2016		
	Cost	Accumulated Amortization	Net
Customer relationships .....	\$ 3,533	\$ (2,973)	\$ 560
Lead provider and broker relationships .....	5,689	(3,449)	2,240
Trademarks .....	2,590	(546)	2,044
Non-competition agreements.....	800	(240)	560
Total.....	\$ 12,612	\$ (7,208)	\$ 5,404

	As of December 31, 2015		
	Cost	Accumulated Amortization	Net
Customer relationships .....	\$ 3,532	\$ (2,812)	\$ 720
Lead provider and broker relationships .....	5,689	(2,809)	2,880
Trademarks .....	2,592	(372)	2,220
Non-competition agreements.....	800	(80)	720
Total.....	\$ 12,613	\$ (6,073)	\$ 6,540

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Non-competition agreements are amortized over the applicable terms of the contract. Customer, lead provider and broker relationships are generally amortized over three to five years based on the pattern of economic benefits provided. Trademarks are generally amortized over three to 20 years on a straight-line basis.

**Amortization**

Amortization expense for acquired intangible assets was \$1.1 million, \$0.5 million and \$45 thousand for the years ended December 31, 2016, 2015 and 2014, respectively.

Estimated future amortization expense for the years ended December 31, is as follows (dollars in thousands):

<u>YEAR</u>	<u>AMOUNT</u>
2017.....	\$ 1,080
2018.....	1,070
2019.....	1,070
2020.....	590
2021.....	110

**7. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses at December 31, 2016, 2015 were as follows (dollars in thousands):

	<u>As of December 31,</u>	
	<u>2016</u>	<u>2015</u>
Trade accounts payable.....	\$ 25,420	\$ 25,665
Accrued payroll and fringe benefits.....	14,165	8,401
Deferred finish out allowance.....	8,939	8,835
Deferred fees on third-party consumer loans.....	6,869	9,465
Accrued interest payable.....	5,043	4,266
Accrual for consumer loan payments rejected for non-sufficient funds.....	3,680	5,029
Promissory note.....	3,000	3,000
Contingent consideration.....	2,358	5,658
Liability for losses on third-party lender owned consumer loans.....	1,996	1,756
Other accrued liabilities.....	201	66
Total.....	<u>\$ 71,671</u>	<u>\$ 72,141</u>

**8. Marketing Expenses**

Marketing expenses for the years ended December 31, 2016, 2015 and 2014 were as follows (dollars in thousands):

	<u>Year Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Advertising.....	\$ 66,184	\$ 80,526	\$ 74,999
Customer procurement expense including lead purchase costs..	30,551	29,327	42,843
Customer referral and revenue sharing expense.....	669	7,029	10,020
Total.....	<u>\$ 97,404</u>	<u>\$ 116,882</u>	<u>\$ 127,862</u>

See Note 2 for further discussion.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**9. Long-term debt**

The Company's long-term debt instruments and balances outstanding as of December 31, 2016 and 2015 were as follows (dollars in thousands):

	December 31,	
	2016	2015
Securitization notes.....	\$ 165,419	\$ —
Revolving line of credit .....	—	58,400
Senior Notes.....	495,622	494,867
<b>Subtotal</b> .....	<b>661,041</b>	<b>553,267</b>
Less: Long-term debt issuance costs.....	(11,130)	(11,358)
<b>Total long-term debt</b> .....	<b>\$ 649,911</b>	<b>\$ 541,909</b>

***Consumer Loan Securitization***

2016-1 Facility

On January 15, 2016, the Company and certain of its subsidiaries entered into a receivables securitization (as amended, the “2016-1 Securitization Facility”) with certain purchasers, Jefferies Funding LLC, as administrative agent (the “Administrative Agent”) and Bankers Trust Company, as indenture trustee and securities intermediary (the “Indenture Trustee”). The 2016-1 Securitization Facility securitizes unsecured consumer installment loans (“Receivables”) that have been, or will be, originated or acquired under the Company’s NetCredit brand and that meet specified eligibility criteria. Under the 2016-1 Securitization Facility, Receivables are sold to EFR 2016-1, LLC, a wholly-owned special purpose subsidiary (the “Issuer”), and serviced by another subsidiary.

The Issuer issued an initial term note of \$107.4 million (the “Initial Term Note”), which was secured by \$134 million in unsecured consumer loans, and variable funding notes (the “Variable Funding Notes”) with an aggregate availability of \$20 million per month; the 2016-1 Securitization Facility has been amended to increase the availability to \$40 million until December 31, 2016, and \$30 million thereafter, as discussed below. As described below, the Issuer has issued and will subsequently issue term notes (the “Term Notes” and, together with the Initial Term Note and the Variable Funding Notes, the “Securitization Notes”). The maximum principal amount of the Securitization Notes that may be outstanding at any time under the 2016-1 Securitization Facility was limited to \$175 million; the 2016-1 Securitization Facility has been amended to increase the maximum principal amount to \$275 million, as discussed below.

At the end of each month during the nine-month revolving period, the Receivables funded by the Variable Funding Notes have been and will be refinanced through the creation of two Term Notes, which Term Notes have been and will be issued to the holders of the Variable Funding Notes. The non-recourse Securitization Notes mature at various dates, the latest of which will be October 15, 2020 (the “Final Maturity Date”).

The Securitization Notes are issued pursuant to an indenture, dated as of January 15, 2016 (the “Closing Date”). The Securitization Notes bear interest at an annual rate equal to the one month London Interbank Offered Rate (“LIBOR”) (subject to a floor of 1%) plus 7.75%, which rate is initially 8.75%. In addition, the Issuer paid certain customary upfront closing fees and will pay customary annual commitment and other fees to the purchasers under the 2016-1 Securitization Facility. The Issuer is permitted to voluntarily prepay any outstanding Securitization Notes, subject to an optional redemption premium. Interest and principal payments on outstanding Securitization Notes will be made monthly. Any remaining amounts outstanding will be payable no later than the Final Maturity Date. The Securitization Notes are supported by the expected cash flows from the underlying Receivables. The holders of the Securitization Notes have no recourse to the Company if the cash flows from the underlying Receivables are not sufficient to pay all of the principal and interest on the Securitization Notes. Additionally, the Receivables will be held by the Issuer at least until the obligations under the Securitization Notes are extinguished. For so long as they are held by the Issuer, the outstanding Receivables will not be available to satisfy the debts and other obligations of the Company.

All amounts due under the Securitization Notes are secured by all of the Issuer’s assets, which include the Receivables transferred to the Issuer, related rights under the Receivables, specified bank accounts, and certain other related collateral.

The 2016-1 Securitization Facility documents contain customary provisions for securitizations, including: representations and warranties as to the eligibility of the Receivables and other matters; indemnification for specified losses not including losses due to the inability of consumers to repay their loans; covenants regarding special purpose entity matters and other subjects; and default and termination provisions which provide for the acceleration of the Securitization Notes under the 2016-1 Securitization Facility in

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circumstances including, but not limited to, failure to make payments when due, servicer defaults, certain insolvency events, breaches of representations, warranties or covenants, failure to maintain the security interest in the receivables, defaults under other material indebtedness and certain regulatory matters.

On July 26, 2016, the Company and certain of its subsidiaries entered into a First Omnibus Amendment (the “First Amendment”) of the 2016-1 Facility that was established on the Closing Date, pursuant to various agreements with certain purchasers, the Administrative Agent and the Indenture Trustee. The agreements evidencing the 2016-1 Facility, all dated as of the Closing Date, include (i) an Indenture between the Issuer and the Indenture Trustee, (ii) a Note Purchase Agreement among the Issuer, NetCredit Loan Services, LLC (f/k/a Enova Lending Services, LLC), as the Master Servicer, the Administrative Agent and certain purchasers, and (iii) a Receivables Purchase Agreement between the Company and Enova Finance 5, LLC. The First Amendment effected a variety of minor technical changes to the Indenture, the Note Purchase Agreement, the Receivables Purchase Agreement and the servicing agreement for the 2016-1 Facility. These changes include revised procedures under the Note Purchase Agreement for the disbursement to the Issuer of proceeds from draws under the Variable Funding Notes and clarification of modifications that the servicer is permitted to effect to the terms of consumer installment loans that have been transferred into the EFR 2016-1 Facility.

On August 17, 2016, the Company and one of its subsidiaries entered into an Amendment to the Receivables Purchase Agreement. This amendment modified an eligibility criterion for receivables that the Company sells under the Agreement.

On September 12, 2016, the Company and certain of its subsidiaries entered into a Second Omnibus Amendment (the “Second Amendment”) to amend the Indenture and Receivables Purchase Agreement. The Second Amendment authorized the Company to include in the 2016-1 Facility receivables originated by a state-chartered bank and acquired by a subsidiary of the Company from that bank, and it adjusted the Investment Pool Cumulative Net Loss Trigger for the Initial Term Note Investment Pool (as such terms are defined in the Indenture), which was the seasoned pool of receivables securitized under the 2016-1 Facility on the Closing Date.

On October 20, 2016, the Company and certain of its subsidiaries entered into a Third Amendment and Limited Waiver (the “Third Amendment”) to amend the Indenture and Receivables Purchase Agreement. The Third Amendment increased the maximum principal amount to \$275 million, increased the Variable Funding Notes maximum principal amount to \$40 million until December 31, 2016, and \$30 million thereafter, and extended the revolving period of the facility to October 2017. The Third Amendment also adjusted the Note Interest Rate on Term Notes issued after, and amounts outstanding under the Variable Funding Notes after, the date of the Third Amendment (as such terms are defined in the Indenture). The weighted average interest rate on such adjusted Notes is 9.5%.

On November 14, 2016, the Company and certain of its subsidiaries entered into a Fourth Amendment (the “Fourth Amendment”) to amend the Indenture and Receivables Purchase Agreement. The Fourth Amendment adjusted the Investment Pool Cumulative Delinquency Trigger (as such term is defined in the Indenture), with an effective date of October 31, 2016.

On December 14, 2016, the Company and certain of its subsidiaries entered into a Fifth Amendment (the “Fifth Amendment”) to amend the Indenture and Receivables Purchase Agreement. The Fifth Amendment adjusted the Investment Pool Cumulative Delinquency Trigger for the Initial Term Notes (as such terms are defined in the Indenture), with an effective date of November 30, 2016, expanded the categories of receivables that could be financed through the securitization facility and made certain other minor changes. These changes provide the Company with additional flexibility under the securitization facility.

As of December 31, 2016, the carrying amount of the 2016-1 Securitization Facility was \$151.4 million, which included unamortized issuance costs of \$1.9 million. The issuance costs are being amortized to interest expense over a period of four years. The total interest expense recognized was \$13.5 million of which \$3.2 million represented the non-cash amortization of the issuance costs for the year ended December 31, 2016.

#### 2016-2 Facility

On December 1, 2016, the Company and certain of its subsidiaries entered into a receivables securitization (the “2016-2 Facility”) with Redpoint Capital Asset Funding, LLC, as lender (the “Lender”). The 2016-2 Facility securitizes unsecured consumer installment loans (“Redpoint Receivables”) that have been and will be originated or acquired under the Company’s NetCredit brand by several of the Company’s subsidiaries (the “Originators”) and that meet specified eligibility criteria, including that the annual percentage rate for each securitized consumer loan is greater than or equal to 90%. The average annual percentage rate for loans securitized under the 2016-2 Facility in 2016 was approximately 135%. Under the 2016-2 Facility, Redpoint Receivables are sold to a wholly-owned special purpose subsidiary of the Company (the “Debtor”) and serviced by another subsidiary of the Company.

The Debtor has issued a revolving note with an initial maximum principal balance of \$20.0 million (the “Initial Facility Size”), which is required to be secured by \$25.0 million in unsecured consumer loans. The Initial Facility Size may be increased under the 2016-2

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
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Facility to \$40 million. The 2016-2 Facility is non-recourse to the Company and matures on December 1, 2019.

The 2016-2 Facility is governed by a loan and security agreement, dated as of December 1, 2016, between the Lender and the Debtor. The 2016-2 Facility bears interest at a rate per annum equal to LIBOR (subject to a floor) plus an applicable margin, which rate per annum is initially 12.50%. In addition, the Debtor paid certain customary upfront closing fees to the Lender. Interest payments on the 2016-2 Facility will be made monthly. Subject to certain exceptions, the Debtor is not permitted to prepay the 2016-2 Facility prior to October 1, 2018. Following such date, the Debtor is permitted to voluntarily prepay the 2016-2 Facility without penalty. Any remaining amounts outstanding will be payable no later than December 1, 2019.

All amounts due under the 2016-2 Facility are secured by all of the Debtor's assets, which include the Redpoint Receivables transferred to the Debtor, related rights under the Redpoint Receivables, a bank account and certain other related collateral.

The 2016-2 Facility documents contain customary provisions for securitizations, including: representations and warranties as to the eligibility of the Redpoint Receivables and other matters; indemnification for specified losses not including losses due to the inability of consumers to repay their loans; covenants regarding special purpose entity matters; and default and termination provisions which provide for the acceleration of the 2016-2 Facility in circumstances including, but not limited to, failure to make payments when due, servicer defaults, certain insolvency events, breaches of representations, warranties or covenants, failure to maintain the security interest in the receivables and defaults under other material indebtedness of the Debtor.

As of December 31, 2016, the carrying amount of the 2016-2 Facility was \$12.1 million. In connection with the issuance of the 2016-2 Facility, the Company incurred debt issuance costs of approximately \$0.2 million. The unamortized balance of these costs as of December 31, 2016 is included in "Other assets" in the consolidated balance sheets. These costs are being amortized to interest expense over a period of 36 months, the term of the 2016-2 Facility. The total interest expense recognized was \$0.1 million for the year ended December 31, 2016.

***\$35.0 Million Revolving Credit Facility***

On May 14, 2014, the Company and its domestic subsidiaries as guarantors entered into a credit agreement among the Company, the guarantors, Jefferies Finance LLC as administrative agent and Jefferies Group LLC as lender (the "Credit Agreement"). The Credit Agreement provided for an unsecured revolving credit facility of up to \$75.0 million, including a multi-currency sub-facility that gives the Company the ability to borrow up to \$25.0 million that may be specified in foreign currencies subject to the terms and conditions of the Credit Agreement. On March 25, 2015, an amendment to the Credit Agreement reduced the Company's unsecured revolving line of credit to \$65.0 million (from \$75.0 million) and increased an additional senior secured indebtedness basket to the greater of \$20.0 million or 2.75% of consolidated total assets (as defined in the credit agreement) (from \$15.0 million or 2% of consolidated total assets). In addition, the March 25, 2015 amendment revised certain definitions and provisions relating to limitations on indebtedness, investments, dispositions, fundamental changes and burdensome agreements to allow certain of the Company's foreign subsidiaries, which opt to become guarantors of its obligations under the credit agreement, to be treated as domestic subsidiaries for purposes of those provisions. On November 5, 2015 the Company and certain of its domestic subsidiaries, as guarantors, entered into an amendment to the Credit Agreement, which further reduced the Company's unsecured revolving line of credit to \$60.0 million (from \$65.0 million) and increased the maximum allowable leverage ratio as defined in the Credit Agreement to 3.75 to 1.00 (from 3.00 to 1.00) solely for the fiscal quarters ending December 31, 2015 and March 31, 2016. In addition, the November 5, 2015 amendment (i) revised certain definitions and provisions to clarify the treatment of securitization subsidiaries as defined in the credit, and (ii) clarified the treatment of operating leases under the credit agreement in light of contemplated changes to accounting treatment concerning such operating leases.

On December 29, 2015, the Company and certain of its domestic subsidiaries, as guarantors, entered into an amendment to the Credit Agreement, which temporarily increased the Company's revolving line of credit to \$75 million, an increase of \$15.0 million (\$5.0 million on December 29, 2015 and \$10.0 million on January 4, 2016). Once the Company received the proceeds from the consumer loan securitization financing in January 2016, it repaid the outstanding balance on the revolving line of credit in full and, in accordance with the terms of the amendment, the revolving commitment amount was reduced to \$40.0 million.

On June 30, 2016, the Company and certain of its domestic subsidiaries, as guarantors, entered into a fourth amendment to the Credit Agreement, which increased the maximum allowable leverage ratio (as defined in the credit agreement) for the fiscal quarter ended June 30, 2016 to 4.00 to 1.00 (from 3.00 to 1.00) and for the fiscal quarters ended September 30, 2016 and December 31, 2016 to 3.50 to 1.00 (in each case, from 3.00 to 1.00).

On September 30, 2016, the Company and certain of its domestic subsidiaries, as guarantors, entered into a fifth amendment to the Credit Agreement, which increased the maximum allowable leverage ratio (as defined in the credit agreement) for the fiscal quarters

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ended September 30, 2016 and thereafter to 4.25 to 1.00 (from 3.50 to 1.00) and decreased the Company's unsecured revolving line of credit by \$5.0 million from \$40.0 million to \$35.0 million.

Interest on the amounts borrowed will be charged, at the Company's option, at either LIBOR for one week or one-, two-, three- or six-month periods, as selected by the Company, plus a margin varying from 2.50% to 3.75% or at the agent's base rate plus a margin varying from 1.50% to 2.75%. The margin for the borrowings under the Credit Agreement is dependent on the Company's cash flow leverage ratios. The weighted average interest rate (including margin) on the revolving line of credit was 4.18% at December 31, 2015. The Company is also required to pay a fee on the unused portion of the line of credit ranging from 0.25% to 0.50% (0.50% as of each of December 31, 2016 and 2015) based on the Company's cash flow leverage ratios. The Credit Agreement will mature on June 30, 2017. The Company had no outstanding borrowings as of December 31, 2016 and \$58.4 million of outstanding borrowings as of December 31, 2015.

The Credit Agreement also includes a sub-limit of up to \$20.0 million for standby or commercial letters of credit that is guaranteed by the Company's domestic subsidiaries. In the event that an amount is paid by the issuing bank under a letter of credit, it will be due and payable by the Company on demand. Pursuant to the terms of the Credit Agreement, the Company agrees to pay fees equal to the LIBOR margin per annum on the undrawn amount of each outstanding standby letter of credit plus a one-time commercial letter of credit fee of 0.20% of the face amount of each commercial letter of credit plus 0.25% per annum on the average daily amount of the total letter of credit exposure. The Company had outstanding letters of credit of \$6.6 million under its Credit Agreement as of December 31, 2016 and 2015.

In connection with the issuance of the Credit Agreement, the Company incurred debt issuance costs of approximately \$1.6 million, which primarily consisted of underwriting fees and legal expenses. The unamortized balance of these costs as of December 31, 2016 is included in "Other assets" in the consolidated balance sheets. These costs are being amortized to interest expense over a period of 37 months, the term of the Credit Agreement.

***\$500.0 Million 9.75% Senior Unsecured Notes***

On May 30, 2014, the Company issued and sold \$500.0 million in aggregate principal amount of 9.75% Senior Notes due 2021 (the "Senior Notes"). The Senior Notes bear interest at a rate of 9.75% annually on the principal amount payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2014. The Senior Notes were sold at a discount of the principal amount to yield 10.0% to maturity and will mature on June 1, 2021. The Senior Notes are unsecured debt obligations of the Company, and are unconditionally guaranteed by all of the Company's domestic subsidiaries, except for designated securitization subsidiaries. The Senior Notes were sold to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States pursuant to Regulation S under the Securities Act. As required by a registration rights agreement that the Company entered into with the initial purchaser when the Senior Notes were issued, the Company completed an exchange offer in April 2015. All of the unregistered Senior Notes have been exchanged for identical new notes registered under the Securities Act.

The Senior Notes are governed by an indenture (the "Senior Notes Indenture"), dated May 30, 2014, between the Company, the Company's domestic subsidiaries, as guarantors, and the trustee. The Senior Notes Indenture contains certain covenants that, among other things, limit the Company's, and certain of its subsidiaries', ability to incur additional debt, acquire or create new subsidiaries, create liens, engage in certain transactions with affiliates and consolidate or merge with or into other companies. The Senior Notes Indenture provides for customary events of default, including non-payment and failure to comply with covenants or other agreements in the Senior Notes Indenture.

The Senior Notes are redeemable at the Company's option, in whole or in part, (i) at any time prior to June 1, 2017 at 100% of the aggregate principal amount of Senior Notes redeemed plus the applicable "make whole" redemption price specified in the Senior Notes Indenture, plus accrued and unpaid interest, if any, to the redemption date and (ii) at any time on or after June 1, 2017 at a premium specified in the Senior Notes Indenture that will decrease over time, plus accrued and unpaid interest, if any, to the redemption date. In addition, prior to June 1, 2017, at its option, the Company may redeem up to 35% of the aggregate principal amount of the Senior Notes at a redemption price equal to 109.75% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, with the proceeds of certain equity offerings as described in the Senior Notes Indenture. If a change of control occurs, as that term is defined in the Senior Notes Indenture, the holders of the Senior Notes will have the right, subject to certain conditions, to require the Company to repurchase their Senior Notes at a purchase price equal to 101% of the aggregate principal amount, plus accrued and unpaid interest, if any, as of the date of repurchase. The Spin-off did not constitute a change of control under the Senior Notes Indenture.

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The Company used all of the net proceeds of the Senior Notes offering, or \$479.0 million, to repay all of its intercompany indebtedness due to Cash America, which was \$361.4 million as of May 30, 2014, and the remaining net proceeds were used to pay a significant portion of the \$122.4 million in cash dividends to Cash America.

As of December 31, 2016 and 2015, the carrying amount of the Senior Notes was \$486.4 million and \$483.5 million, respectively, which included an unamortized discount of \$4.4 million and \$5.1 million, respectively and unamortized issuance costs of \$9.3 million and \$11.4 million, respectively. The discount and issuance costs are being amortized to interest expense over a period of seven years, through the maturity date of June 1, 2021. For each of the years ended December 31, 2016 and 2015 the total interest expense recognized was \$51.6 million of which \$0.7 million represented the non-cash amortization of the discount and \$2.1 million represented the non-cash amortization of the issuance costs.

Weighted-average interest rates on long-term debt were 10.71% and 10.59% during 2016 and 2015, respectively.

As of December 31, 2016 and 2015, the Company was in compliance with all covenants and other requirements set forth in the prevailing long-term debt agreements.

As of December 31, 2016, required principal payments under the terms of the long-term debt for each of the five years after December 31, 2016 are as follows (dollars in thousands):

<u>YEAR</u>	<u>Amount</u>
2017.....	\$ —
2018.....	—
2019.....	—
2020.....	—
2021.....	500,000 <sup>(1)</sup>
Thereafter .....	—
Securitization .....	165,419 <sup>(2)</sup>
Total .....	<u>\$ 665,419</u>

*(1) The \$500.0 Million 9.75% Senior Unsecured Notes mature June 1, 2021.*

*(2) The 2016-1 Securitization Facility matures at various dates, the latest of which will be October 15, 2020, and the 2016-2 Facility matures on December 1, 2019.*

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**10. Income Taxes**

The components of the Company's deferred tax assets and liabilities as of December 31, 2016 and 2015 were as follows (dollars in thousands):

	<u>As of December 31,</u>	
	<u>2016</u>	<u>2015</u>
Deferred tax assets:		
Loans and finance receivables, net .....	\$ 38,275	\$ 28,629
Compensation and benefits.....	7,397	4,210
Translation adjustments.....	6,726	3,898
Accrued rent and deferred finish out allowance .....	4,372	5,560
Foreign net operating loss carryforward.....	1,449	968
Other.....	1,960	1,785
Total deferred tax assets.....	<u>\$ 60,179</u>	<u>\$ 45,050</u>
Deferred tax liabilities:		
Amortizable intangible assets.....	\$ 60,762	\$ 52,882
Property and equipment.....	11,443	11,359
Other.....	483	108
Total deferred tax liabilities .....	<u>\$ 72,688</u>	<u>\$ 64,349</u>
Net deferred tax liabilities before valuation allowance .....		
	\$ (12,509)	\$ (19,299)
Valuation allowance.....	<u>(1,807)</u>	<u>(1,220)</u>
Net deferred tax liabilities.....	<u><u>\$ (14,316)</u></u>	<u><u>\$ (20,519)</u></u>

The components of the provision for income taxes and the income to which it relates for the years ended December 31, 2016, 2015 and 2014 are shown below (dollars in thousands):

	<u>Year Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Income before income taxes:			
Domestic .....	\$ 57,422	\$ 70,519	\$ 176,494
International .....	14	—	5
Income before income taxes .....	<u>\$ 57,436</u>	<u>\$ 70,519</u>	<u>\$ 176,499</u>
Current provision:			
Federal.....	\$ 22,656	\$ 25,601	\$ 51,144
International .....	94	114	46
State and local .....	2,347	2,211	1,753
Total current provision for income taxes.....	<u>\$ 25,097</u>	<u>\$ 27,926</u>	<u>\$ 52,943</u>
Deferred provision (benefit):			
Federal.....	\$ (2,152)	\$ (1,360)	\$ 11,363
International .....	—	—	—
State and local .....	(111)	(39)	522
Total deferred provision (benefit) for income taxes .....	<u>\$ (2,263)</u>	<u>\$ (1,399)</u>	<u>\$ 11,885</u>
Total provision for income taxes .....	<u><u>\$ 22,834</u></u>	<u><u>\$ 26,527</u></u>	<u><u>\$ 64,828</u></u>



**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
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The effective tax rate on income differs from the federal statutory rate of 35% for the following reasons (dollars in thousands):

	Year Ended December 31,		
	2016	2015	2014
Tax provision computed at the federal statutory income tax rate .....	\$ 20,103	\$ 24,682	\$ 61,781
State and local income taxes, net of federal tax benefits .....	1,401	1,408	1,329
Share based compensation .....	1,656	—	—
Other .....	(326)	437	1,718
Total provision .....	<u>\$ 22,834</u>	<u>\$ 26,527</u>	<u>\$ 64,828</u>
Effective tax rate .....	39.8%	37.6%	36.7%

The Company has foreign net operating loss carryforwards from Brazilian operations of \$1.4 million as of December 31, 2016, \$2.8 million as of December 31, 2015, and \$1.6 million as of December 31, 2014. These net operating loss carryforwards are subject to annual limitations and have an unlimited carryforward period. The Company has recorded a full valuation allowance related to the foreign net operating loss carryforwards, as well as other foreign deferred tax assets, as they are not more likely than not to be utilized.

The following table summarizes the valuation account activity for the years ended December 31, 2016, 2015 and 2014 (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Balance at beginning of period .....	\$ 1,220	\$ 670	\$ 171
Additions .....	587	550	499
Deductions .....	—	—	—
Balance at end of period .....	<u>\$ 1,807</u>	<u>\$ 1,220</u>	<u>\$ 670</u>

The balance of unrecognized tax benefits as of December 31, 2016 was \$351 thousand (\$320 thousand net of the federal benefit of state matters), which if recognized would favorably affect the effective tax rate in any future periods. There were no unrecognized tax benefits as of December 31, 2015 and 2014. The Company does not believe it is reasonably possible that, within the next twelve months, unrecognized domestic tax benefits will change by a significant amount. The Company records interest and penalties related to tax matters as income tax expense in the consolidated statement of income. The Company recorded no expense for interest and penalties related to tax matters as of December 31, 2016.

A reconciliation of the activity related to unrecognized tax benefits follows for the fiscal years indicated (in thousands):

	Year Ended December 31,
	2016
Balance at beginning of period .....	\$ —
Additions based on tax positions related to the current year ..	118
Additions for tax positions of prior years .....	233
Balance at end of period .....	<u>\$ 351</u>

The Company's U.S. tax returns are subject to examination by federal and state taxing authorities. The IRS audits for tax years 2011 through 2014 were concluded with no adjustments to the financial statements. The 2015 tax year is open to examination by the IRS. The years open to examination by state, local, and foreign government authorities vary by jurisdiction, but the statute of limitation is generally three to four years from the date the tax return is filed.

## 11. Commitments and Contingencies

### Leases

The Company leases its headquarters in Chicago, Illinois, a call center facility in Gurnee, Illinois, and office space in Blue Ash, Ohio and London, United Kingdom under operating leases with remaining terms ranging from three to ten years with certain rights to extend for additional periods. The operating expenses and real estate taxes are not included in the table below. Future minimum rentals

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due under non-cancelable leases as of December 31, 2016 are as follows for each of the years ending December 31 (dollars in thousands):

YEAR	AMOUNT
2017.....	\$ 6,432
2018.....	5,986
2019.....	6,865
2020.....	6,611
2021.....	6,621
Thereafter.....	32,498
Total.....	<u>\$ 65,013</u>

The total future minimum lease obligation excludes non-cancelable sublease rental income of \$0.4 million.

Rent expense was \$5.8 million, \$6.8 million and \$3.7 million for the years ended December 31, 2016, 2015 or 2014, respectively.

***Headquarters Relocation***

The Company provided notice in the second quarter of 2014 to the landlord at 200 W. Jackson Boulevard in Chicago, Illinois that it was accelerating the lease expiration date for approximately 86,000 rentable square feet effective June 30, 2015. As a result, the Company recognized an expense of \$1.4 million in the year ended December 31, 2014 related to a lease termination penalty, which was included as “General and administrative expense” in the consolidated statement of income. In July 2014, the Company entered into a lease agreement for its current headquarters office space at 175 W. Jackson Boulevard in Chicago as part of its plans to relocate from its former headquarters. In the second quarter of 2015, the Company ceased using the 200 W. Jackson location and, as a result, recognized additional expense of \$3.7 million for the year ended December 31, 2015, which was also included as “General and administrative expense” and consisted of a lease exit liability of \$2.9 million for the remaining lease payments, net of estimated sublease income of \$1.7 million, and \$0.8 million for the removal of property and restoration costs related to the 200 W. Jackson lease. The Company does not expect to incur further material costs related to the relocation.

The following table is a summary of the exit and disposal activity and liability balances as a result of the headquarters relocation (in thousands):

	Lease Termination Costs	Other Exit Costs	Total
Balance at January 1, 2015.....	\$ 707	\$ —	\$ 707
Additions.....	2,861	808	3,669
Payments.....	(2,143)	(604)	(2,747)
Balance at December 31, 2015.....	<u>\$ 1,425</u>	<u>\$ 204</u>	<u>\$ 1,629</u>
Balance at January 1, 2016.....	\$ 1,425	\$ 204	\$ 1,629
Payments.....	(1,132)	—	(1,132)
Adjustments.....	344	(69)	275
Balance at December 31, 2016.....	<u>\$ 637</u>	<u>\$ 135</u>	<u>\$ 772</u>

***Guarantees of Consumer Loans***

In connection with its CSO programs, the Company guarantees consumer loan payment obligations to unrelated third-party lenders for short-term and installment loans and is required to purchase any defaulted loans it has guaranteed. As of December 31, 2016 and 2015, the amount of consumer loans guaranteed by the Company was \$32.2 million and \$34.1 million, respectively, representing amounts due under consumer loans originated by third-party lenders under the CSO programs. The estimated fair value of the liability for estimated losses on consumer loans guaranteed by the Company of \$2.0 million and \$1.7 million, as of December 31, 2016 and 2015, respectively, is included in “Accounts payable and accrued expenses” in the accompanying consolidated balance sheets.

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Litigation***

On March 8, 2013, Flemming Kristensen, on behalf of himself and others similarly situated, filed a purported class action lawsuit in the U.S. District Court of Nevada against the Company and other unaffiliated lenders and lead providers. The lawsuit alleges that the lead provider defendants sent unauthorized text messages to consumers on behalf of the Company and the other lender defendants in violation of the Telephone Consumer Protection Act. The complaint seeks class certification, statutory damages, an injunction against “wireless spam activities,” and attorneys’ fees and costs. The Company filed an answer to the complaint denying all liability. On March 26, 2014, the Court granted class certification. On July 20, 2015, the court granted the Company’s motion for summary judgment, denied Plaintiff’s motion for summary judgment and, on July 21, 2015, entered judgment in favor of the Company. Plaintiff filed a motion for reconsideration, which was denied. On May 3, 2016, Plaintiff filed a notice of appeal of the order granting summary judgment for the Company, the judgment in favor of the company, and the order denying Plaintiff’s motion to reconsider, and appellate briefing is now complete. Neither the likelihood of an unfavorable appellate decision nor the ultimate liability, if any, with respect to this matter can be determined at this time, and the Company is currently unable to estimate a range of reasonably possible losses, as defined by ASC 450-20-20, Contingencies—Loss Contingencies—Glossary, for this litigation. The Company believes that the Plaintiff’s claims in the complaint are without merit and intends to vigorously defend this lawsuit.

The Company is also a defendant in certain routine litigation matters encountered in the ordinary course of its business. Certain of these matters may be covered to an extent by insurance. In the opinion of management, the resolution of these matters will not have a material adverse effect on the Company’s financial position, results of operations or liquidity.

**12. Employee Benefit Plans**

Effective on July 1, 2012, the Company established the Enova International, Inc. 401(k) Savings Plan (the “401(k) Plan”), which is open to substantially all employees of the Company and its subsidiaries. New employees are automatically enrolled in this plan unless they elect not to participate. Also effective July 1, 2012, the Company established the Enova International, Inc. Nonqualified Savings Plan (the “NQSP”) for certain members of Company management. Participants may contribute up to 75% of their earnings to the 401(k) Plan subject to regulatory and other plan restrictions. NQSP participants may contribute up to 80% of their annual bonus and up to 50% of their other eligible compensation to the NQSP. Prior to January 1, 2015, the Company made matching cash contributions of 50% of each participant’s contributions, based on participant contributions of up to 5% of compensation. Effective January 1, 2015, the Company makes matching contributions of 100% of the first 1% of pay and 50% of the next 5% of pay that each employee contributes to the 401(k) Plan. Company contributions made prior to January 1, 2015 vest at the rate of 20% each year after one year of service; thus a participant is 100% vested after five years of service. The Company’s matching contributions subsequent to January 1, 2015 will fully vest after a participant’s second year of service with the Company. The Company’s consolidated contributions to the 401(k) Plan and the NQSP were \$2.2 million, \$1.4 million and \$1.0 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Effective on January 1, 2012, the Company established the Enova International, Inc. Supplemental Executive Retirement Plan (“SERP”) in which certain officers and certain other employees of the Company participate. Under this defined contribution plan, the Company makes an annual supplemental cash contribution to the SERP based on the objectives of the plan as approved by the Company’s Management Development and Compensation Committee of the Board of Directors. The Company recorded compensation expense of \$0.2 million, \$0.4 million and \$0.2 million for SERP contributions for the years ended December 31, 2016, 2015 and 2014, respectively.

The NQSP and the SERP are non-qualified deferred compensation plans. Benefits under the NQSP and the SERP are unfunded. As of December 31, 2016, 2015 and 2014, the Company held securities in rabbi trusts to pay benefits under these plans. These securities are classified as trading securities, and the unrealized gains and losses on these securities are netted with the costs of the plans in “General and administrative expenses” in the consolidated statements of income.

Amounts included in the consolidated balance sheets relating to the NQSP and the SERP were as follows (dollars in thousands):

	As of December 31,	
	2016	2015
Prepaid expenses and other assets.....	\$ 1,590	\$ 1,075
Accounts payable and accrued expenses.....	\$ 1,860	\$ 1,434

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
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**13. Stock-Based Compensation**

***Enova Awards***

Under the Enova International, Inc. 2014 First Amended and Restated Long-Term Incentive Plan (the “Enova LTIP”), the Company is authorized to issue 8,000,000 shares of Common Stock pursuant to “Awards” granted as incentive stock options (intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended), nonqualified stock options, restricted stock units (“RSUs”), restricted stock, performance shares, stock appreciation rights or other stock-based awards. Since 2014, nonqualified stock options and RSU awards are the only stock-based awards granted under the Plan. As of December 31, 2016, there were 3,171,604 shares available for future grants under the Enova LTIP.

During the year ended December 31, 2016, the Company received 41,931 shares of its common stock valued at approximately \$437,000 as partial payment of taxes required to be withheld upon issuance of shares under RSUs.

Restricted Stock Units

During the years ended December 31, 2016, 2015 and 2014, the Company granted RSUs to Company officers, certain employees and to the non-management members of the Board of Directors under the Enova LTIP. Each vested RSU entitles the holder to receive a share of the common stock of the Company. For Company officers and certain employees, the shares are to be issued upon vesting of the RSUs generally over a period of three or four years. Shares for vested RSU awards granted to members of the Board of Directors are issued twelve months after the grant date.

In accordance with ASC 718, the grant date fair value of RSUs is generally based on the Company’s closing stock price on the day before the grant date and is amortized to expense over the vesting periods. The agreements relating to awards provide that the vesting and payment of awards would be accelerated if there is a change in control of the Company.

The following table summarizes the Company’s restricted stock unit activity during 2016, 2015 and 2014:

	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2016		2015		2014	
	Units	Weighted Average Fair Value at Date of Grant	Units	Weighted Average Fair Value at Date of Grant	Units	Weighted Average Fair Value at Date of Grant
Outstanding at beginning of year .....	641,878	\$ 20.55	549,707	\$ 23.04	—	\$ —
Units granted .....	1,189,136	6.67	356,064	18.39	549,707	23.04
Shares issued .....	(213,437)	19.65	(151,088)	22.62	—	—
Units forfeited .....	(258,520)	15.65	(112,805)	23.04	—	—
Outstanding at end of year .....	<u>1,359,057</u>	<u>9.49</u>	<u>641,878</u>	<u>20.55</u>	<u>549,707</u>	<u>23.04</u>

Compensation expense related to these RSUs totaling \$5.2 million (\$3.1 million net of related taxes), \$4.9 million (\$3.1 million net of related taxes) and \$0.1 million (\$89 thousand net of related taxes) was recognized for the years ended December 31, 2016, 2015 and 2014, respectively. Total unrecognized compensation cost related to these RSUs at December 31, 2016 was \$10.6 million, which will be recognized over a weighted average period of approximately 2.1 years. The outstanding RSUs had an aggregate intrinsic value of \$17.1 million at December 31, 2016.

On May 21, 2015, in connection with the resignation of a certain executive, the Company entered into an employment agreement pursuant to which the executive would become vested on January 1, 2016 in 50% of his RSU Award granted under the RSU award agreement rather than 25% as previously agreed under the RSU award agreement. The acceleration of the vesting was a modification of the plan and required that the fair value be reestablished on the date of the modification. The modification resulted in additional expense in 2015 of approximately \$0.3 million.

Stock Options

During the years ended December 31, 2016, 2015 and 2014, the Company granted stock options to purchase Company stock to Company officers and certain employees under the Enova LTIP. Stock options would allow the holder to purchase shares of the Company’s common stock at a price not less than the fair market value of the shares as of the grant date, or the exercise price.

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Stock options granted under the Enova LTIP become exercisable in equal increments on the first, second and third anniversaries of their date of grant, and expire on the 7th anniversary of their date of grant. Exercise prices of these stock options are equal to the closing stock price on the day before the grant date. In accordance with ASC 718, compensation expense on stock options is based on the fair value of the stock options on the day before the grant date and is amortized to expense over the vesting periods. For the year ended December 31, 2016, the Company estimated the fair value of the stock option grants using the Black-Scholes option-pricing model based on the following assumptions: risk-free interest rate of 1.2%, expected term (life) of options of 4.5 years, expected volatility of 49.1% and no expected dividends.

Determining the fair value of stock-based awards at their respective grant dates requires considerable judgment, including estimating expected volatility and expected term (life). The Company based its expected volatility on a weighted average of the historical volatility of the Company and the historical volatility of comparable public companies over the option's expected term. The Company calculated its expected term based on the simplified method, which is the mid-point between the weighted-average graded-vesting term and the contractual term. The simplified method was chosen as a means to determine expected term as the Company has limited historical option exercise experience as a public company. The Company derived the risk-free rate from a weighted-average yield for the three-and five-year zero-coupon U.S. Treasury Strips. The Company estimates forfeitures at the grant date based on its historical forfeiture rate, which is based on activity of cash-based long-term incentive units granted and outstanding prior to the Spin-off, and will revise the estimate, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The following table summarizes the Company's stock option activity during 2016, 2015 and 2014:

	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2016		2015		2014	
	Units	Weighted Average Exercise Price	Units	Weighted Average Exercise Price	Units	Weighted Average Exercise Price
Outstanding at beginning of year .....	1,891,153	\$ 21.44	1,425,196	\$ 23.04	—	\$ —
Options granted .....	337,081	6.29	785,294	19.19	1,425,196	23.04
Options exercised .....	—	—	—	—	—	—
Options forfeited .....	(641,178)	22.01	(319,337)	23.04	—	—
Outstanding at end of year .....	1,587,056	\$ 17.98	1,891,153	\$ 21.44	1,425,196	\$ 23.04
Options vested at end of year .....	734,896	21.67	475,127	23.05	—	—

The weighted average fair value of options granted in 2016 was \$2.60. Compensation expense related to stock options totaling \$3.3 (\$2.0 million net of related taxes), \$4.7 million (\$2.9 million net of related taxes) and \$0.2 million (\$0.1 million net of related taxes) was recognized for the years ended December 31, 2016, 2015 and 2014, respectively. Total unrecognized compensation cost related to stock options at December 31, 2016 was \$4.0 million, which will be recognized over a period of approximately 1.3 years. At December 31, 2016, the intrinsic value of stock options outstanding was \$2.7 million and the intrinsic value of stock options exercisable was \$0.3 million, respectively.

On May 21, 2015, in connection with the resignation of a certain executive, the Company entered into an employment agreement pursuant to which the executive would become vested on January 1, 2016 in 66.6% of his stock options granted under the stock options award agreement rather than 33.3% as previously agreed under the stock option award agreement. The acceleration of the vesting was a modification of the plan and required that the fair value be reestablished on the date of the modification. The modification resulted in additional expense in 2015 of approximately \$0.3 million.

***Cash America Awards***

In 2013, Cash America's Board of Directors approved a grant of RSUs that vested over a two-year period to the Company's Chief Executive Officer under the Cash America LTIP. In conjunction with the Spin-off on November 13, 2014, the vesting of this grant was accelerated, and each vested RSU entitled the holder to receive a share of common stock of Cash America as well as 0.915 shares of the Company's common stock.

In accordance with ASC 718, the grant date fair value of RSUs was based on Cash America's closing stock price on the day before the grant date and was amortized to expense over the vesting periods.

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the Cash America RSU activity during 2014:

	<u>Year Ended December 31,</u>	
	<u>2014</u>	
	<u>Units</u>	<u>Weighted Average Fair Value at Date of Grant</u>
Outstanding at beginning of year .....	14,260	\$ 48.19
Units granted.....	—	—
Shares issued.....	(14,260) <sup>(1)</sup>	48.19
Units forfeited.....	—	—
Outstanding at end of year .....	—	\$ —
Units vested at end of year.....	—	—

*(1) Amount does not include 13,048 shares of common stock of the Company that were delivered by Cash America to the Company's Chief Executive Officer in connection with his RSUs that vested on November 13, 2014. In connection with the Spin-off, such RSU awards were payable by Cash America in both shares of Cash America common stock and Enova common stock.*

Compensation expense related to Cash America RSUs totaling \$0.4 million (\$0.2 million net of related taxes) was recognized for the year ended December 31, 2014.

#### 14. Derivative Instruments

The Company periodically uses derivative instruments to manage risk from changes in market conditions that may affect the Company's financial performance. The Company primarily uses derivative instruments to manage its primary market risks, which are interest rate risk and foreign currency exchange rate risk.

The Company periodically uses forward currency exchange contracts to minimize the effects of foreign currency risk in the United Kingdom. The forward currency exchange contracts are non-designated derivatives. Any gain or loss resulting from these contracts is recorded as income or loss and is included in "Foreign currency transaction gain (loss), net" in the Company's consolidated statements of income. As of December 31, 2016, the Company did not manage its exposure to risk from foreign currency exchange rate fluctuations through the use of forward currency exchange contracts in the United Kingdom or Brazil.

The Company's derivative instruments are presented in its financial statements on a net basis. The Company had no outstanding derivative instruments as of December 31, 2016. The following table presents information related to the Company's derivative instruments as of December 31, 2015 (dollars in thousands):

Non-designated derivatives:

	<u>As of December 31, 2015</u>			
	<u>Notional Amount</u>	<u>Gross Amounts of Recognized Financial Instruments</u>	<u>Gross Amounts Offset in the Consolidated Balance Sheets<sup>(1)</sup></u>	<u>Net Amounts of Assets Presented in the Consolidated Balance Sheets<sup>(2)</sup></u>
Forward currency exchange contracts				
Assets .....	\$ 58,723	\$ 151	\$ —	\$ 151
Liabilities.....	\$ —	\$ —	\$ —	\$ —

*(1) As of December 31, 2015, the Company had no gross amounts of recognized derivative instruments that the Company makes an accounting policy election not to offset. In addition, there was no financial collateral related to the Company's derivatives. The Company has no assets or liabilities that are subject to an enforceable master netting agreement or similar arrangement.*

*(2) Represents the fair value of forward currency contracts, which is recorded in "Accounts payable and accrued expenses" in the consolidated balance sheets.*

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table presents information on the effect of derivative instruments on the consolidated results of operations and AOCI for years ended December 31, 2016, 2015 and 2014 (dollars in thousands):

	Gains (Losses) Recognized in Income			Gains (Losses) Recognized in AOCI			Gains (Losses) Reclassified From AOCI into Income		
	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Non-designated derivatives:									
Forward currency exchange contracts <sup>(1)</sup> .....	\$ 3,020	\$ 4,525	\$ 287	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total.....	<u>\$ 3,020</u>	<u>\$ 4,525</u>	<u>\$ 287</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

*(1) The gains (losses) on these derivatives substantially offset the (losses) gains on the hedged portion of the foreign intercompany balances.*

### 15. Related Party Transactions

A current officer of the Company has an ongoing ownership interest in the small business from which the Company acquired certain assets and assumed certain liabilities in June 2015 (see Note 3 for additional information). In the normal course of business, the Company attains certain customer relationships from the small business by entering into transactions with the customers to obtain additional RPA financing. In these transactions, the Company satisfies the customer's existing RPA balance with the small business which terminates such customer's responsibilities to the small business. During the years ended December 31, 2016 and 2015, the Company paid \$0.4 million and \$7.7 million, respectively, to the small business to satisfy customers' existing RPA balances. Pursuant to the acquisition, a subsidiary of the Company issued a promissory note to the small business in the amount of \$3.0 million (the "Promissory Note") and granted the company an opportunity to earn certain contingent purchase consideration (see Note 3 for additional information), both of which are guaranteed by the Company. The Promissory Note accrues interest at a rate of 4.0% per annum and will mature on June 23, 2018. The Company incurred interest expense related to the Promissory Note of \$0.1 million in each of the years ended December 31, 2016 and 2015. In addition, as a condition precedent to the acquisition, a subsidiary of the Company executed a Transition Services Agreement with the small business from which the Company acquired certain assets whereby it agreed to provide certain transition services to the business for three years following the acquisition. During the year ended December 31, 2016 and 2015, the Company was paid \$34 thousand and \$0.1 million, respectively, for such services. The subsidiary of the Company also entered into a short-term employee leasing agreement whereby it leased employees at cost from the small business until such employees could be formally hired, under which the Company paid a total of \$0.2 million during the year ended December 31, 2015; no additional payments will be made under this agreement.

Prior to the Spin-off, Cash America provided certain corporate service functions, such as executive oversight, insurance and risk management, government relations, internal audit, treasury, licensing, and to a limited extent finance, accounting, tax, legal, human resources, compensation and benefits, compliance and support for certain information systems related to financial reporting. The costs of such services were allocated to the Company based on the Company's share of Cash America's corporate services expenses incurred for the consolidated entity. Actual corporate services costs that may have been incurred if the Company had been a stand-alone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees, and strategic decisions made in areas such as information technology and infrastructure. The Company believes that the expenses in these financial statements were reported on a basis that fairly represents the utilization of the services provided. These financial statements do not necessarily reflect the financial position or results of operations that would have existed if the Company had been operated as a stand-alone entity during the periods covered and may not be indicative of future results of operations and financial position. General and administrative expenses include allocations by Cash America of \$9.1 million for the year ended December 31, 2014.

The Company also paid \$46.0 million for the year ended December 31, 2014 to Cash America for its share of income taxes as though the Company had been taxed separately from Cash America and had prepared separate tax returns.

After the Spin-off, Cash America charged the Company a transition services fee related to utilization of financial reporting systems and accounts payable processing that is included in general and administrative expenses. The Company recorded \$0.4 million in expense for these services for the year ended December 31, 2015. The Company transitioned to its own financial reporting system in late 2015 and the transition services agreement with Cash America ended on December 31, 2015.

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Prior to the Spin-off, the Company paid Cash America compensation for loans made to or arranged for customers who were referred from Cash America. The Company paid \$1.2 million for the year ended December 31, 2014, pursuant to this arrangement. In addition, the Company administered the consumer loan underwriting model utilized by Cash America's Retail Services Division in exchange for the reimbursement of the Company's direct third-party costs incurred in providing the service. The Company received \$0.6 million for the year ended December 31, 2014 pursuant to this arrangement. The Company and Cash America entered into a new agreement in conjunction with the Spin-off for the Company to continue providing this service. The Company received \$1.0 and \$1.2 million for the years ended December 31, 2016 and 2015, respectively pursuant to this new agreement.

Prior to the issuance of the Senior Notes on May 30, 2014, all payments the Company owed Cash America, offset by any credits or fees Cash America owed the Company in connection with the transactions above, were made through the Affiliate Line of Credit agreement. Since May 30, 2014, amounts due to Cash America have been settled a month in arrears. The balance due from Cash America of \$0.1 million as of each of December 31, 2016 and 2015 is included in "Other receivables and prepaid expenses" in the consolidated balance.

On December 8, 2016, Cash America completed the sale of its entire holding in the Company and no longer has any ownership interest in the Company.

**16. Variable Interest Entities**

As part of the Company's overall funding strategy and as part of its efforts to support its liquidity from sources other than its traditional capital market sources, the Company has established a securitization program through the 2016-1 and 2016-2 Securitization Facilities. The Company transferred certain consumer loan receivables to wholly owned, bankruptcy-remote special purpose subsidiaries (VIEs), which issue term notes backed by the underlying consumer loan receivables and are serviced by another wholly owned subsidiary.

The Company is required to evaluate the VIEs for consolidation. The Company has the ability to direct the activities of the VIEs that most significantly impact the economic performance of the entities as the servicer of the securitized loan receivables. Additionally, the Company has the right to receive residual payments, which expose it to potentially significant losses and returns. Accordingly, the Company determined it is the primary beneficiary of the VIEs and is required to consolidate them.

The assets and liabilities related to the VIEs are included in the Company's consolidated financial statements and are accounted for as secured borrowings.

The Company parenthetically discloses on its consolidated balance sheets the VIE's assets that can only be used to settle the VIE's obligations and the VIE liabilities if the VIE's creditors have no recourse against the Company's general credit. The carrying amounts of consolidated VIE assets and liabilities associated with the Company's securitization entities were as follows (dollars in thousands):

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Restricted cash and cash equivalents.....	\$ 19,468	\$ —
Loans and finance receivables, net.....	216,766	—
Other receivables and prepaid expenses.....	3	—
Other assets .....	2,459	—
Total assets .....	<u>\$ 238,696</u>	<u>\$ —</u>
<b>Liabilities</b>		
Accounts payable and accrued expenses.....	\$ 1,350	\$ —
Long-term debt.....	163,550	—
Total liabilities.....	<u>\$ 164,900</u>	<u>\$ —</u>



**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**17. Supplemental Disclosures of Cash Flow Information**

The following table sets forth certain cash and non-cash activities for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands):

	Year Ended December 31,		
	2016	2015	2014
Cash paid during the year for:			
Interest.....	\$ 59,609	\$ 49,390	\$ 24,807
Income taxes paid.....	19,213	40,759	46,353
Non-cash investing and financing activities:			
Loans and finance receivables renewed .....	\$ 310,425	\$ 253,279	\$ 290,956
Liabilities assumed in acquisitions.....	—	8,658	—
Affiliate interest expense.....	—	—	7,629

**18. Operating Segment Information**

The Company provides online financial services to non-prime credit consumers and small businesses in the United States, United Kingdom, and Brazil and has one reportable segment, which is composed of the Company's domestic and international operations and corporate services. The Company has aggregated all components of its business into a single operating segment based on the similarities of the economic characteristics, the nature of the products and services, the nature of the production and distribution methods, the type of customer and the nature of the regulatory environment.

During 2016, the Company changed the presentation of its operational information to report shared corporate services separately from its domestic and international operations. Corporate services expenses, which were previously allocated between domestic and international based on revenue, are included under the "Corporate Services" heading in the following tables. For comparison purposes, income (loss) from operations and depreciation and amortization expenses for the prior period have been conformed to the current presentation. Corporate Services primarily includes personnel, occupancy and other operating expenses for shared functions, such as executive management, technology, analytics, business development, legal and licensing, compliance, risk management, internal audit, human resources, payroll, treasury, finance, accounting, and tax. Corporate Services assets primarily include: corporate property and equipment, nonqualified savings plan assets, marketable securities, restricted cash and prepaid expenses.

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following tables present information on the Company's domestic and international operations as of and for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands).

	Year Ended December 31,		
	2016	2015	2014
<b>Revenue</b>			
Domestic .....	\$ 622,991	\$ 510,242	\$ 474,715
International .....	122,578	142,358	335,122
<b>Total revenue</b> .....	<u>\$ 745,569</u>	<u>\$ 652,600</u>	<u>\$ 809,837</u>
<b>Income from operations</b>			
Domestic .....	\$ 204,084	\$ 183,582	\$ 177,435
International .....	19,787	42,787	144,487
Corporate services .....	(102,394)	(101,982)	(106,914)
<b>Total income from operations</b> .....	<u>\$ 121,477</u>	<u>\$ 124,387</u>	<u>\$ 215,008</u>
<b>Depreciation and amortization</b>			
Domestic .....	\$ 6,005	\$ 7,920	\$ 8,706
International .....	2,167	2,254	2,448
Corporate services .....	7,392	8,214	7,578
<b>Total depreciation and amortization</b> .....	<u>\$ 15,564</u>	<u>\$ 18,388</u>	<u>\$ 18,732</u>
<b>Expenditures for property and equipment</b>			
Domestic .....	\$ 6,955	\$ 6,268	\$ 7,398
International .....	3,158	3,797	870
Corporate services .....	4,283	22,176	5,016
<b>Total expenditures for property and equipment</b> .....	<u>\$ 14,396</u>	<u>\$ 32,241</u>	<u>\$ 13,284</u>
<b>December 31,</b>			
	2016	2015	
<b>Property and equipment, net</b>			
Domestic .....	\$ 19,734	\$ 15,410	
International .....	5,410	6,193	
Corporate services .....	21,956	26,452	
<b>Total property and equipment, net</b> .....	<u>\$ 47,100</u>	<u>\$ 48,055</u>	
<b>Assets</b>			
Domestic .....	\$ 823,390	\$ 681,050	
International .....	96,606	103,470	
Corporate services .....	57,883	56,017	
<b>Total assets</b> .....	<u>\$ 977,879</u>	<u>\$ 840,537</u>	

**Geographic Information**

The following table presents the Company's revenue by geographic region for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands):

	Year Ended December 31,		
	2016	2015	2014
<b>Revenue</b>			
United States .....	\$ 622,991	\$ 510,242	\$ 474,715
United Kingdom .....	103,478	129,703	325,014
Other international countries .....	19,100	12,655	10,108
<b>Total revenue</b> .....	<u>\$ 745,569</u>	<u>\$ 652,600</u>	<u>\$ 809,837</u>

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company's long-lived assets, which consist of the Company's property and equipment, were \$47.1 million and \$48.1 million at December 31, 2016 and 2015, respectively. The operations for the Company's domestic and international businesses are primarily located within the United States, and the value of any long-lived assets located outside of the United States is immaterial.

**19. Fair Value Measurements**

***Recurring Fair Value Measurements***

In accordance with ASC 820, certain of the Company's assets and liabilities, which are carried at fair value, are classified in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

During the years ended December 31, 2016 and 2015, there were no transfers of assets or liabilities in or out of Level 1, Level 2 or Level 3 fair value measurements. It is the Company's policy to value any transfers between levels of the fair value hierarchy based on end of period values.

The Company's financial assets that are measured at fair value on a recurring basis as of December 31, 2016 and 2015 are as follows (dollars in thousands):

	December 31, 2016	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Financial assets (liabilities)</b>				
Nonqualified savings plan assets <sup>(1)</sup> .....	1,590	1,590	—	—
Contingent consideration .....	(2,358)	—	—	(2,358)
<b>Total</b> .....	<u>\$ (768)</u>	<u>\$ 1,590</u>	<u>\$ —</u>	<u>\$ (2,358)</u>
	December 31, 2015	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Financial assets (liabilities)</b>				
Forward currency exchange contracts.....	\$ 151	\$ —	\$ 151	\$ —
Nonqualified savings plan assets <sup>(1)</sup> .....	1,075	1,075	—	—
Contingent consideration .....	(5,658)	—	—	(5,658)
<b>Total</b> .....	<u>\$ (4,432)</u>	<u>\$ 1,075</u>	<u>\$ 151</u>	<u>\$ (5,658)</u>

*(1) The non-qualified savings plan assets have an offsetting liability of a greater amount, which is included in "Accounts payable and accrued expenses" in the Company's consolidated balance sheets.*

The Company measures the fair value of its forward currency exchange contracts under Level 2 inputs as defined by ASC 820. For these forward currency exchange contracts, current market rates are used to determine fair value. The significant inputs used in these models are derived from observable market rates. The fair value of the nonqualified savings plan assets are measured under a Level 1 input. These assets are publicly traded equity securities for which market prices are readily observable.

The Company determined the fair value of the liability for the contingent consideration based on a probability-weighted discounted cash flow analysis. This analysis reflects the contractual terms of the purchase agreement and utilizes assumptions with regard to future earnings, probabilities of achieving such future earnings, the timing of expected payments and a discount rate. Significant increases with respect to assumptions as to future earnings and probabilities of achieving such future earnings would result in a higher fair value measurement while an increase in the discount rate would result in a lower fair value measurement. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in the fair value hierarchy.

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The changes in the fair value of the contingent consideration, which is a Level 3 liability measured at fair value on a recurring basis, are summarized in the table below for the years ended December 31, 2016 and 2015 (dollars in thousands):

	<b>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</b>	
	<b>Contingent consideration</b>	<b>Total</b>
<b>Balance at December 31, 2014</b> .....	\$ —	\$ —
Issuance of contingent consideration (see Note 3) .....	5,658	5,658
<b>Balance at December 31, 2015</b> .....	\$ 5,658	\$ 5,658
Remeasurement of contingent consideration (see Note 3) .....	(3,300)	(3,300)
<b>Balance at December 31, 2016</b> .....	<u>\$ 2,358</u>	<u>\$ 2,358</u>

***Fair Value Measurements on a Non-Recurring Basis***

The Company measures non-financial assets and liabilities such as property and equipment and intangible assets at fair value on a nonrecurring basis or when events or circumstances indicate that the carrying amount of the assets may be impaired. At December 31, 2016 and 2015, there were no assets or liabilities recorded at fair value on a nonrecurring basis.

***Financial Assets and Liabilities Not Measured at Fair Value***

The Company's financial assets and liabilities as of December 31, 2016 and 2015 that are not measured at fair value in the consolidated balance sheets are as follows (dollars in thousands):

	<b>December 31, 2016</b>	<b>Fair Value Measurements Using</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets:</b>				
Cash and cash equivalents .....	\$ 39,934	\$ 39,934	\$ —	\$ —
Short-term loans and line of credit accounts, net <sup>(1)</sup> .....	162,824	—	—	162,824
Installment loans and RPAs, net <sup>(1)</sup> .....	398,726	—	—	430,895
Restricted cash .....	26,306	26,306	—	—
Investment in unconsolidated investee <sup>(2)(3)</sup> .....	6,703	—	—	6,703
<b>Total</b> .....	<u>\$ 634,493</u>	<u>\$ 66,240</u>	<u>\$ —</u>	<u>\$ 600,422</u>
<b>Financial liabilities:</b>				
Liability for estimated losses on consumer loans guaranteed by the Company .....	\$ 1,996	\$ —	\$ —	\$ 1,996
Promissory note .....	3,000	—	—	3,111
Securitization Notes .....	165,419	—	168,216	—
Senior Notes .....	495,622	—	495,940	—
<b>Total</b> .....	<u>\$ 666,037</u>	<u>\$ —</u>	<u>\$ 664,156</u>	<u>\$ 5,107</u>

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	December 31, 2015	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Financial assets:</b>				
Cash and cash equivalents .....	\$ 42,066	\$ 42,066	\$ —	\$ —
Short-term loans and line of credit accounts, net <sup>(1)</sup> .....	129,269	—	—	129,269
Installment loans and RPAs, net <sup>(1)</sup> .....	305,364	—	—	283,700
Restricted cash .....	7,379	7,379	—	—
Investment in unconsolidated investee <sup>(2)(3)</sup> .....	6,703	—	—	6,703
<b>Total</b> .....	<u>\$ 490,781</u>	<u>\$ 49,445</u>	<u>\$ —</u>	<u>\$ 419,672</u>
<b>Financial liabilities:</b>				
Liability for estimated losses on consumer loans guaranteed by the Company .....	\$ 1,756	\$ —	\$ —	\$ 1,756
Promissory note .....	3,000	—	—	2,984
Credit agreement borrowings.....	58,400	—	—	58,400
Senior Notes.....	494,867	—	374,500	—
<b>Total</b> .....	<u>\$ 558,023</u>	<u>\$ —</u>	<u>\$ 374,500</u>	<u>\$ 63,140</u>

(1) Short-term loans, line of credit accounts and installment loans and RPAs are included in “Loans and finance receivables, net” in the consolidated balance sheets.

(2) Investment in unconsolidated investee is included in “Other assets” in the consolidated balance sheets.

(3) See Note 2 for additional information related to the investment in unconsolidated investee.

Cash and cash equivalents and restricted cash bear interest at market rates and have maturities of less than 90 days. The carrying amount of restricted cash and cash equivalents approximates fair value.

Short-term loans, line of credit accounts, installment loans and RPAs are carried in the consolidated balance sheet net of the allowance for estimated losses, which is calculated by applying historical loss rates combined with recent default trends to the gross receivable balance. Short-term loans and line of credit accounts have relatively short maturity periods that are generally 12 months or less. The unobservable inputs used to calculate the fair value of these receivables include historical loss rates, recent default trends and estimated remaining loan term; therefore, the carrying value approximates the fair value. The fair value of installment loans and RPAs is estimated using discounted cash flow analyses, which consider interest rates on loans and discounts offered for receivables with similar terms to customers with similar credit quality, the timing of expected payments, estimated customer default rates and/or valuations of comparable portfolios. As of December 31, 2016, the fair value of the Company’s installment loans and RPAs was greater than the carrying value of these loans and finance receivables, and as of December 31, 2015, the fair value of the Company’s installment loans and RPAs was lower than the carrying value of these loans and finance receivables. This variance is a result of a change in the valuation technique used for certain portions of the installment loan and RPA portfolio. Unsecured installment loans typically have terms between two and 60 months. RPAs typically have estimated delivery terms between six and 18 months.

In connection with its CSO programs, the Company guarantees consumer loan payment obligations to unrelated third-party lenders for short-term and installment loans the Company arranges for consumers on the third-party lenders’ behalf and is required to purchase any defaulted loans it has guaranteed. The estimated fair value of the liability for estimated losses on consumer loans guaranteed by the Company was \$2.0 million and \$1.7 million as of December 31, 2016 and 2015, respectively. The Company measures the fair value of its liability for third-party lender-owned consumer loans under Level 3 inputs. The fair value of these liabilities is calculated by applying historical loss rates combined with recent default trends to the gross consumer loan balance. The unobservable inputs used to calculate the fair value of these loans include historical loss rates, recent default trends and estimated remaining loan terms; therefore, the carrying value of these liabilities approximates the fair value.

The Company measures the fair value of the Promissory Note using Level 3 inputs. The fair value of the Promissory Note is estimated using a discounted cash flow analysis. As of December 31, 2016, the Promissory Note had a higher fair value than the carrying value. As of December 31, 2015, the Promissory Note had a lower fair value than the carrying value.

The Company measures the fair value of its Securitization Notes using Level 2 inputs. The fair value of the Company’s Securitization Notes is estimated based on quoted prices in markets that are not active. As of December 31, 2016, the Company’s Securitization Notes had a higher fair value than the carrying value.

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company measures the fair value of its Credit Agreement borrowings using Level 3 inputs. The Company considered the fair value of its other long-term debt and the timing of expected payment(s). As of December 31, 2015, the fair value of the Company's Credit Agreement borrowings approximated the carrying value.

The Company measures the fair value of its Senior Notes using Level 2 inputs. The fair value of the Senior Notes is estimated based on quoted prices in markets that are not active. As of December 31, 2016, the Company's Senior Notes had a higher fair value than the carrying value based on the price of the last trade of the Senior Notes. As of December 31, 2015, the Company's Senior Notes had a lower fair value than the carrying value.

The Company measures the fair value of its investment in unconsolidated investee using Level 3 inputs. Because the unconsolidated investee is a private company and financial information is limited, the Company estimates the fair value based on the best available information at the measurement date. As of December 31, 2016 the Company estimated the fair value of its investment to be approximately equal to the book value.

**20. Condensed Consolidating Financial Statements**

The Company's Senior Notes are unconditionally guaranteed by certain of the Company's subsidiaries (the "Guarantor Subsidiaries") and are not secured by its other subsidiaries (the "Non-Guarantor Subsidiaries"). The Guarantor Subsidiaries are 100% owned, all guarantees are full and unconditional, and all guarantees are joint and several. As a result of the guarantee arrangements, we are required to present the following condensed consolidating financial statements.

The condensed consolidating financial statements reflect the investments in subsidiaries of the Company using the equity method of accounting. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions. Condensed consolidating financial statements of Enova International, Inc. (the "Parent"), its Guarantor Subsidiaries and Non-Guarantor Subsidiaries as of December 31, 2016 and 2015 and for the year ended December 31, 2016 and 2015 are shown on the following pages.

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**CONDENSED CONSOLIDATING BALANCE SHEETS**

**As of December 31, 2016**

*(dollars in thousand)*

	<b>Parent</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Assets</b>					
Cash and cash equivalents .....	\$ —	\$ 36,057	\$ 3,877	\$ —	\$ 39,934
Restricted cash .....	—	6,838	19,468	—	26,306
Loans and finance receivables, net .....	—	335,161	226,390	—	561,550
Income taxes receivable .....	—	—	—	—	—
Other receivables and prepaid expenses .....	127	19,095	302	—	19,524
Property and equipment, net .....	—	46,507	593	—	47,100
Goodwill .....	—	267,010	—	—	267,010
Intangible assets, net .....	—	5,400	4	—	5,404
Investment in subsidiaries .....	294,647	25,131	—	(319,778)	—
Intercompany receivable .....	363,941	—	—	(363,941)	—
Other assets .....	597	7,995	2,459	—	11,051
Total assets .....	<u>\$ 659,312</u>	<u>\$ 749,194</u>	<u>\$ 253,093</u>	<u>\$ (683,719)</u>	<u>\$ 977,879</u>
<b>Liabilities and Stockholders' Equity</b>					
Accounts payable and accrued expenses .....	\$ 4,310	\$ 65,714	\$ 1,647	\$ —	\$ 71,671
Intercompany payables .....	—	295,764	68,179	(363,943)	—
Income taxes currently payable .....	(72,704)	73,006	(20)	—	282
Deferred tax liabilities, net .....	(354)	15,156	(486)	—	14,316
Long-term debt .....	486,361	—	163,550	—	649,911
Total liabilities .....	<u>417,613</u>	<u>449,640</u>	<u>232,870</u>	<u>(363,943)</u>	<u>736,180</u>
Commitments and contingencies					
Stockholders' equity .....	241,699	299,554	20,223	(319,777)	241,699
Total liabilities and stockholders' equity .....	<u>\$ 659,312</u>	<u>\$ 749,194</u>	<u>\$ 253,093</u>	<u>\$ (683,720)</u>	<u>\$ 977,879</u>

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**CONDENSED CONSOLIDATING BALANCE SHEETS**

**As of December 31, 2015**

*(dollars in thousand)*

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Assets</b>					
Cash and cash equivalents .....	\$ —	\$ 40,927	\$ 1,139	\$ —	\$ 42,066
Restricted cash .....	—	7,379	—	—	7,379
Loans and finance receivables, net .....	—	430,862	3,771	—	434,633
Income taxes receivable .....	37,201	(31,709)	11	—	5,503
Other receivables and prepaid expenses .....	162	19,791	96	—	20,049
Property and equipment, net .....	—	47,821	234	—	48,055
Goodwill .....	—	267,008	—	—	267,008
Intangible assets, net .....	—	6,532	8	—	6,540
Investment in subsidiaries .....	233,632	14,177	—	(247,809)	—
Intercompany receivable .....	480,112	—	794	(480,906)	—
Other assets .....	2,284	7,020	—	—	9,304
Total assets .....	<u>\$ 753,391</u>	<u>\$ 809,808</u>	<u>\$ 6,053</u>	<u>\$ (728,715)</u>	<u>\$ 840,537</u>
<b>Liabilities and Stockholders' Equity</b>					
Accounts payable and accrued expenses .....	\$ 5,514	\$ 66,220	\$ 407	\$ —	\$ 72,141
Intercompany payables .....	—	480,906	—	(480,906)	—
Deferred tax liabilities, net .....	—	20,562	(43)	—	20,519
Long-term debt .....	541,909	—	—	—	541,909
Total liabilities .....	<u>547,423</u>	<u>567,688</u>	<u>364</u>	<u>(480,906)</u>	<u>634,569</u>
Commitments and contingencies .....	—	—	—	—	—
Stockholders' equity .....	205,968	242,120	5,689	(247,809)	205,968
Total liabilities and stockholders' equity .....	<u>\$ 753,391</u>	<u>\$ 809,808</u>	<u>\$ 6,053</u>	<u>\$ (728,715)</u>	<u>\$ 840,537</u>



**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**For the Year Ended December 31, 2016**  
*(in thousands)*

		<b>Guarantor</b>	<b>Non- Guarantor</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<u>Parent</u>	<u>Subsidiaries</u>	<u>Subsidiaries</u>		
<b>Revenue</b> .....	\$ —	\$ 653,517	\$ 95,646	\$ (3,594)	\$ 745,569
<b>Cost of Revenue</b> .....	—	260,996	66,970	—	327,966
<b>Gross Profit</b> .....	—	392,521	28,676	(3,594)	417,603
<b>Expenses</b>					
Marketing .....	—	95,972	1,432	—	97,404
Operations and technology .....	—	80,999	4,203	—	85,202
General and administrative .....	315	95,840	5,395	(3,594)	97,956
Depreciation and amortization.....	—	15,464	100	—	15,564
<b>Total Expenses</b> .....	315	288,275	11,130	(3,594)	296,126
<b>Income (Loss) from Operations</b> .....	(315)	104,246	17,546	—	121,477
Interest expense, net .....	(53,512)	562	(12,653)	—	(65,603)
Foreign currency transaction gain .....	1,569	(7)	—	—	1,562
<b>Income (Loss) before Income Taxes and Equity in Net Earnings of Subsidiaries</b> .....	(52,258)	104,801	4,893	—	57,436
Provision for income taxes .....	(20,776)	41,665	1,945	—	22,834
<b>Income (loss) before Equity in Net Earnings of Subsidiaries</b> .....	(31,482)	63,136	2,948	—	34,602
Net earnings of subsidiaries.....	66,084	2,948	—	(69,032)	—
<b>Net Income (Loss)</b> .....	<u>\$ 34,602</u>	<u>\$ 66,084</u>	<u>\$ 2,948</u>	<u>\$ (69,032)</u>	<u>\$ 34,602</u>
<b>Other comprehensive (loss) gain, net of tax:</b>					
Foreign currency translation (loss) gain .....	(6,956)	(8,269)	1,331	6,938	(6,956)
Total other comprehensive (loss) gain, net of tax .....	(6,956)	(8,269)	1,331	6,938	(6,956)
<b>Comprehensive Income (Loss)</b> .....	<u>\$ 27,646</u>	<u>\$ 57,815</u>	<u>\$ 4,279</u>	<u>\$ (62,094)</u>	<u>\$ 27,646</u>

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**For the Year Ended December 31, 2015**  
*(in thousands)*

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Revenue</b> .....	\$ —	\$ 650,295	\$ 2,305	\$ —	\$ 652,600
<b>Cost of Revenue</b> .....	—	215,637	1,221	—	216,858
<b>Gross Profit</b> .....	—	434,658	1,084	—	435,742
<b>Expenses</b>					
Marketing .....	—	116,330	552	—	116,882
Operations and technology .....	—	71,993	2,019	—	74,012
General and administrative .....	673	100,642	758	—	102,073
Depreciation and amortization.....	—	18,350	38	—	18,388
<b>Total Expenses</b> .....	673	307,315	3,367	—	311,355
<b>Income (Loss) from Operations</b> .....	(673)	127,343	(2,283)	—	124,387
Interest expense, net .....	(52,816)	(71)	4	—	(52,883)
Foreign currency transaction loss .....	532	(1,516)	(1)	—	(985)
<b>Income (Loss) before Income Taxes and Equity in Net Earnings of Subsidiaries</b> .....	(52,957)	125,756	(2,280)	—	70,519
Provision for income taxes .....	(19,921)	47,306	(858)	—	26,527
<b>Income (loss) before Equity in Net Earnings of Subsidiaries</b> .....	(33,036)	78,450	(1,422)	—	43,992
Net earnings of subsidiaries.....	77,028	(1,422)	—	(75,606)	—
<b>Net Income (Loss)</b> .....	<u>\$ 43,992</u>	<u>\$ 77,028</u>	<u>\$ (1,422)</u>	<u>\$ (75,606)</u>	<u>\$ 43,992</u>
<b>Other comprehensive (loss) gain, net of tax:</b>					
Foreign currency translation (loss) gain .....	(1,451)	(245)	(866)	1,111	(1,451)
Total other comprehensive (loss) gain, net of tax .....	(1,451)	(245)	(866)	1,111	(1,451)
<b>Comprehensive Income (Loss)</b> .....	<u>\$ 42,541</u>	<u>\$ 76,783</u>	<u>\$ (2,288)</u>	<u>\$ (74,495)</u>	<u>\$ 42,541</u>

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**  
**For the Year Ended December 31, 2016**  
*(in thousands)*

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Cash Flows from Operating Activities</b> .....	\$ 59,337	\$ 296,876	\$ 37,859	\$ (699)	\$ 393,373
<b>Cash Flows from Investing Activities</b>					
Loans and finance receivables originated or acquired.....	—	(1,293,273)	(14,924)	—	(1,308,197)
Securitized loans transferred.....	—	359,000	(359,000)	—	—
Loans and finance receivables repaid.....	—	669,088	188,960	—	858,048
Change in restricted cash.....	—	(658)	(19,468)	—	(20,126)
Purchases of property and equipment.....	—	(14,007)	(389)	—	(14,396)
Capital contributions to subsidiaries.....	—	(10,255)	—	10,255	—
Other investing activities.....	—	95	—	—	95
<b>Net cash used in investing activities</b> .....	—	(290,010)	(204,821)	10,255	(484,576)
<b>Cash Flows from Financing Activities</b>					
Payments for (proceeds from) member's equity .....	—	(699)	10,255	(9,556)	—
Debt issuance costs paid.....	(500)	—	(6,202)	—	(6,702)
Treasury shares purchased.....	(437)	—	—	—	(437)
Repayments under revolving line of credit, net.....	(58,400)	—	—	—	(58,400)
Borrowings under securitization facility.....	—	—	280,075	—	280,075
Repayments under securitization facility.....	—	—	(114,656)	—	(114,656)
<b>Net cash provided by (used in) financing activities</b> .....	(59,337)	(699)	169,472	(9,556)	99,880
Effect of exchange rates on cash.....	—	(11,037)	228	—	(10,809)
<b>Net decrease in cash and cash equivalents</b> .....	—	(4,870)	2,738	—	(2,132)
<b>Cash and cash equivalents at beginning of year</b> .....	—	40,927	1,139	—	42,066
<b>Cash and cash equivalents at end of period</b> .....	<u>\$ —</u>	<u>\$ 36,057</u>	<u>\$ 3,877</u>	<u>\$ —</u>	<u>\$ 39,934</u>

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**  
**For the Year Ended December 31, 2015**  
*(in thousands)*

	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
<b>Cash Flows from Operating Activities</b> .....	\$ 31,259	\$ 331,954	\$ (2,695)	\$ (76,597)	\$ 283,921
<b>Cash Flows from Investing Activities</b>					
Loans and finance receivables originated or acquired.....	—	(1,167,107)	(5,062)	—	(1,172,169)
Loans and finance receivables repaid .....	—	849,638	(280)	—	849,358
Acquisitions .....	—	(17,735)	—	—	(17,735)
Purchases of property and equipment .....	—	(31,977)	(264)	—	(32,241)
Capital contributions to subsidiaries .....	(87,876)	(7,255)	—	95,131	—
Other investing activities .....	—	618	—	—	618
<b>Net cash used in investing activities</b> .....	(87,876)	(373,818)	(5,606)	95,131	(372,169)
<b>Cash Flows from Financing Activities</b>					
Payments for (proceeds from) member's equity .....	—	11,279	7,255	(18,534)	—
Debt issuance costs paid .....	(1,596)	—	—	—	(1,596)
Treasury shares purchased .....	(187)	—	—	—	(187)
Borrowings under revolving line of credit, net .....	58,400	—	—	—	58,400
<b>Net cash provided by (used in) financing activities</b> .....	56,617	11,279	7,255	(18,534)	56,617
Effect of exchange rates on cash .....	—	(855)	(554)	—	(1,409)
<b>Net decrease in cash and cash equivalents</b> .....	—	(31,440)	(1,600)	—	(33,040)
<b>Cash and cash equivalents at beginning of year</b> .....	—	72,367	2,739	—	75,106
<b>Cash and cash equivalents at end of period</b> .....	\$ —	\$ 40,927	\$ 1,139	\$ —	\$ 42,066

**21. Quarterly Financial Data (Unaudited)**

The Company's operations are subject to seasonal fluctuations. Demand has historically been highest in the third and fourth quarters of each year, corresponding to the holiday season, and lowest in the first quarter of each year, corresponding to customers' receipt of income tax refunds in the United States. Typically, the Company's cost of revenue, which represents its loan loss provision, is lowest as a percentage of revenue in the first quarter of each year. The following is a summary of the quarterly results of operations for the years ended December 31, 2016 and 2015 (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>2016</b>				
Total Revenue .....	\$ 174,653	\$ 172,535	\$ 195,943	\$ 202,438
Cost of Revenue .....	69,577	65,453	95,391	97,545
Gross Profit .....	\$ 105,076	\$ 107,082	\$ 100,552	\$ 104,893
Net Income .....	\$ 9,863	\$ 8,188	\$ 7,837	\$ 8,714
Diluted earnings per share .....	\$ 0.30	\$ 0.25	\$ 0.23	\$ 0.26
Diluted weighted average common shares <sup>(1)</sup> .....	33,187	33,335	33,558	33,767
<b>2015</b>				
Total Revenue .....	\$ 165,676	\$ 146,280	\$ 165,227	\$ 175,417
Cost of Revenue .....	38,570	41,536	65,614	71,138
Gross Profit .....	\$ 127,106	\$ 104,744	\$ 99,613	\$ 104,279
Net Income .....	\$ 24,530	\$ 10,864	\$ 4,417	\$ 4,181
Diluted earnings per share .....	\$ 0.74	\$ 0.33	\$ 0.13	\$ 0.13
Diluted weighted average common shares <sup>(1)</sup> .....	33,008	33,015	33,022	33,061

*(1) See Note 2 for Basis of Presentation.*

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**22. Subsequent Events**

Subsequent events have been reviewed through the date these financial statements were available to be issued.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2016 (the "Evaluation Date"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective and provide reasonable assurance (i) that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms; and (ii) that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

**Limitations on the Effectiveness of Controls**

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or internal control over financial reporting will prevent or detect all possible misstatements due to error and fraud. Our disclosure controls and procedures and internal control over financial reporting are, however, designed to provide reasonable assurance of achieving their objectives.

**Report of Management on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. We conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control — Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in "Internal Control — Integrated Framework" (2013), management, with the participation of our Chief Executive Officer and Chief Financial Officer, concluded that our internal control over financial reporting was effective as of December 31, 2016. The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in this Form 10-K.

**Changes in Internal Control over Financial Reporting**

There was no change in our internal control over financial reporting during the quarter ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The Company plans to file its Proxy Statement for the 2017 Annual Meeting of Stockholders, or the Proxy Statement, within 120 days after December 31, 2016. Information required by this Item 10 relating to our directors and nominees is included under the captions “Proposal 1: Proposal to Elect Directors—Directors to be Elected by our Stockholders” and “Stockholder Proposals and Communications with our Board—Director Nominations” of our Proxy Statement and is incorporated herein by reference.

The information required by this Item 10 regarding our Audit Committee is included under the caption “Structure and Functioning of the Board—Board Committees—Audit Committee” and is incorporated herein by reference.

Information concerning executive officers is contained in this report under “Item 1. Business—Operations—Management and Personnel—Executive Officers.”

Information required by this Item 10 regarding compliance with Section 16(a) of the Exchange Act of 1934 is included under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in our Proxy Statement and is incorporated herein by reference.

The Company has adopted a Code of Business Conduct and Ethics that applies to all of its directors, officers (including all of its executive officers) and employees. This Code of Business Conduct and Ethics is publicly available on the Company’s website at [www.enova.com](http://www.enova.com) in the Investor Relations section under “Corporate Governance—Code of Conduct”. Amendments to the Code of Business Conduct and Ethics and any grant of a waiver from a provision of the Code of Business Conduct and Ethics requiring disclosure under applicable Securities and Exchange Commission rules will be disclosed on the Company’s website.

### ITEM 11. EXECUTIVE COMPENSATION

Information contained under the caption “Executive Compensation”, “Director Compensation”, “Compensation Committee Interlocks and Insider Participation” and “Executive Compensation—Management Development and Compensation Committee Report” in the Proxy Statement is incorporated into this report by reference in response to this Item 11.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information contained under the caption “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement is incorporated into this report by reference in response to this Item 12.

#### *Securities Authorized for Issuance Under Equity Compensation Plans*

The table below sets forth information, as of December 31, 2016, with respect to shares of common stock of the Company that may be issued under the Company’s existing equity compensation plans.

Plan Category	Number of securities to be		Weighted average exercise	Number of securities
	issued upon exercise of		price of outstanding options,	remaining available for future
	outstanding options, warrants		warrants and rights	issuance under equity
	and rights			compensation plans (excluding
	(a)		(b)	securities reflected in column
				(a)
				(c)
Equity compensation plans				
approved by security holders ...	2,946,113	\$	9.69	3,171,604
Equity compensation plans not				
approved by security holders ...	—		—	—
Total .....	2,946,113	\$	9.69	3,171,604

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information contained under the captions “Certain Relationships and Related Transactions”, “Structure and Functioning of the Board—Board Committees” and “Structure and Functioning of the Board—Director Independence” in the Proxy Statement is incorporated into this report by reference in response to this Item 13.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Information contained under the caption “Audit and Non-Audit Fees” in the Proxy Statement is incorporated into this report by reference in response to this Item 14.



**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

The following consolidated financial statements are filed in Item 8 of Part II of this report:

**Financial Statements:**

Report of Independent Registered Public Accounting Firm .....	84
Consolidated Balance Sheets – December 31, 2016 and 2015.....	85
Consolidated Statements of Income – Years Ended December 31, 2016, 2015 and 2014.....	86
Consolidated Statements of Comprehensive Income – Years Ended December 31, 2016, 2015 and 2014.....	87
Consolidated Statements of Stockholders’ Equity – Years Ended December 31, 2016, 2015 and 2014.....	88
Consolidated Statements of Cash Flows – Years Ended December 31, 2016, 2015 and 2014 .....	89
Notes to Consolidated Financial Statements.....	90

<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>Filed Herewith</u>
2.1	Separation and Distribution Agreement between Cash America International, Inc. and Enova International, Inc.	8-K	001-35503	2.1	11/19/2014	
3.1	Enova International, Inc. Amended and Restated Certificate of Incorporation	8-K	001-35503	3.1	11/19/2014	
3.2	Enova International, Inc. Amended and Restated Bylaws	8-K	001-35503	3.2	11/19/2014	
4.1	Specimen common stock certificate	10-12B	001-35503	4.1	10/2/2014	
4.2	Stockholder's and Registration Rights Agreement between Cash America International, Inc. and Enova International, Inc.	8-K	001-35503	10.3	11/19/2014	
4.3	Indenture, dated May 30, 2014, between Enova International, Inc., the U.S. subsidiaries of Enova International, Inc., as guarantors, and U.S. Bank National Association, as trustee	10-12B	001-35503	4.3	7/31/2014	
4.4	First Supplemental Indenture, dated as of October 1, 2014, between Enova International, Inc., NC Financial Solutions of Louisiana, LLC, NC Financial Solutions of Montana, LLC, and NC Financial Solutions of Rhode Island, LLC, each, as subsidiary guarantor, and U.S. Bank National Association, as trustee	10-12B	001-35503	4.4	10/2/2014	
4.5	Second Supplemental Indenture, dated February 13, 2015, between Enova International, Inc., the U.S. subsidiaries of Enova International, Inc., as guarantors, and U.S. Bank National Association, as trustee	10-Q	001-35503	10.1	5/8/2015	
4.6	Third Supplemental Indenture, dated November 10, 2015, between Enova International, Inc., the U.S. subsidiaries of Enova International, Inc., as guarantors, and U.S. Bank National Association, as trustee	10-K	001-35503	4.6	3/7/2016	
4.7	Trustee Agreement, dated October 20, 2016, by and among Enova International, Inc., U.S. Bank National Association, Computershare Trust Company, N.A., and Computershare Trust Company of Canada					X
4.8	Indenture, dated January 15, 2016, by and between EFR 2016-1, LLC and Bankers Trust Company, as trustee <sup>(3)</sup>	10-Q/A	001-35503	10.1	6/13/2016	
4.9	First Omnibus Amendment, dated July 26, 2016, by and among Enova International, Inc., Enova Finance 5, LLC, NetCredit Loan Services, LLC, EFR 2016-1, LLC, Bankers Trust Company, in its capacity as indenture trustee and securities intermediary, First Associates Loan Servicing LLC, Jefferies Funding LLC, WF 18, LLC and Drawbridge Special Opportunities Fund LP <sup>(3)</sup>	10-Q	001-35503	10.1	11/2/2016	
4.10	Second Omnibus Amendment, dated September 12, 2016, by and among Enova International, Inc., Enova Finance 5, LLC, EFR 2016-1, LLC and Bankers Trust Company <sup>(3)</sup>	10-Q	001-35503	10.3	11/2/2016	
4.11	Third Amendment and Limited Waiver to Indenture, dated October 20, 2016, by and among Enova International, Inc., certain purchasers, Jefferies Funding LLC, as administrative agent, and Bankers Trust Company, as indenture trustee and securities intermediary <sup>(4)</sup>					X

<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>Filed Herewith</u>
4.12	Fourth Amendment to Indenture, dated November 14, 2016, by and among Enova International, Inc., certain purchasers, Jefferies Funding LLC, as administrative agent, and Bankers Trust Company, as indenture trustee and securities intermediary <sup>(4)</sup>					X
4.13	Fifth Amendment to Indenture, dated December 14, 2016, by and among Enova International, Inc., certain purchasers, Jefferies Funding LLC, as administrative agent, and Bankers Trust Company, as indenture trustee and securities intermediary <sup>(4)</sup>					X
10.1	Tax Matters Agreement between Cash America International, Inc. and Enova International, Inc.	8-K	001-35503	10.1	11/19/2014	
10.2	Enova International, Inc. 2014 Long-Term Incentive Plan*	10-Q	001-35503	10.1	11/14/2014	
10.3	Enova International, Inc. First Amended and Restated 2014 Long-Term Incentive Plan*	DEF 14A	001-35503	Appendix A	4/7/2016	
10.4	Enova International, Inc. Senior Executive Bonus Plan*	DEF 14A	001-35503	Appendix B	4/7/2016	
10.5	Enova International, Inc. Supplemental Executive Retirement Plan*	10-12B	001-35503	10.5	7/31/2014	
10.6	Enova International, Inc. Nonqualified Savings Plan*	10-12B	001-35503	10.6	7/31/2014	
10.7	Continued Employment and Separation Agreement between Enova Financial Holdings, LLC, a subsidiary of the Company, and Timothy S. Ho dated January 29, 2013*	10-12B	001-35503	10.7	7/31/2014	
10.8	Form of Enova International, Inc. Severance Pay Plan for Executives*	10-12B	001-35503	10.12	10/2/2014	
10.9	Form of Enova International, Inc. Senior Executive Bonus Plan*	10-12B	001-35503	10.13	10/2/2014	
10.10	Summary of 2014 Terms and Conditions of the Enova International, Inc. Short-Term Incentive Plan*	10-12B	001-35503	10.14	10/2/2014	
10.11	Enova International, Inc. Executive Change-in-Control Severance and Restrictive Covenant Agreement for Chief Executive Officer*	8-K	001-35503	10.2	11/19/2014	
10.12	Form of Enova International, Inc. Executive Change-in-Control Severance and Restrictive Covenant Agreement for Executive Officers*	8-K	001-35503	10.1	11/19/2014	
10.13	Form of Enova International, Inc. 2014 Long-Term Incentive Plan Award Agreement for Special Grant of Restricted Stock Units for Directors*	10-12B	001-35503	10.17	10/17/2014	
10.14	Form of Enova International, Inc. 2014 Long-Term Incentive Plan Award Agreement for Grant of Restricted Stock Units (for Officers)*	10-12B	001-35503	10.18	10/17/2014	
10.15	Form of Enova International, Inc. 2014 Long-Term Incentive Plan Award Agreement for Special Grant of Nonqualified Stock Option with a Limited Stock Appreciation Right (for Officers) *	10-12B	001-35503	10.19	10/17/2014	
10.16	Cash America International, Inc. 1994 Long-Term Incentive Plan*	10-K	001-09733	10.5	3/29/1995	

<b>Exhibit No.</b>	<b>Exhibit Description</b>	<b>Form</b>	<b>File No.</b>	<b>Exhibit</b>	<b>Filing Date</b>	<b>Filed Herewith</b>
10.17	Cash America International, Inc. First Amended and Restated 2004 Long-Term Incentive Plan, as amended (the "CSH LTIP")*	8-K	001-09733	10.1	4/28/2009	
10.18	Amendment to the CSH LTIP dated May 18, 2011*	10-12B	001-09733	10.2	7/22/2011	
10.19	Second Amendment to the CSH LTIP dated May 24, 2012*	10-12B	001-09733	10.2	7/27/2012	
10.20	Cash America International, Inc. 2014 Long-Term Incentive Plan*	DEF 14A	001-09733	Appendix A	4/11/2014	
10.21	Form of Enova International, Inc. 2014 Long-Term Incentive Plan Award Agreement for Grant of Restricted Stock Units*	10-Q	001-35503	10.2	8/11/2015	
10.22	Form of Enova International, Inc. First Amended and Restated 2014 Long-Term Incentive Plan Award Agreement for Grant of Restricted Stock Units*	10-Q	001-35503	10.2	8/4/2016	
10.23	Form of Enova International, Inc. 2014 Long-Term Incentive Plan Award Agreement for Special Grant of Nonqualified Stock Option with a Limited Stock Appreciation Right*	10-Q	001-35503	10.3	8/11/2015	
10.24	Offer letter dated September 29, 2015 between Enova Financial Holdings, LLC and Gregory Zeeman*	10-Q	001-35503	10.1	11/12/2015	
10.25	Offer letter dated May 19, 2016 between Enova Financial Holdings, LLC and Steven Cunningham*	10-Q	001-35503	10.1	8/4/2016	
10.26	Registration Rights Agreement, dated May 30, 2014, between Enova International, Inc., the U.S. subsidiaries of Enova International, Inc., and Jefferies LLC	10-12B	001-35503	10.9	7/31/2014	
10.27	Credit Agreement, dated as of May 14, 2014, by and among Enova International, Inc., as borrower, the U.S. subsidiaries of Enova International, Inc., as guarantors, Jefferies Finance LLC, as administrative agent, and Jefferies Group LLC, as lender	10-12B	001-35503	10.10	7/31/2014	
10.28	Amendment to Credit Agreement, dated March 25, 2015, by and among Enova International, Inc., the Guarantors, the Required Lenders and Jefferies Finance LLC, as administrative agent for the Lenders	S-4	333-203005	10.9	3/25/2015	
10.29	Second Amendment to Credit Agreement dated as of November 5, 2015 among the Company, the Guarantors, the Required Lenders and Jefferies Finance LLC	10-Q	001-35503	10.2	11/12/2015	
10.30	Amendment No. 3 and Revolving Commitment Increase, dated December 29, 2015, by and among Enova International, Inc., the Guarantors, the Lender and Jefferies Finance LLC	10-K	001-35503	10.25	3/7/2016	
10.31	Amendment to Credit Agreement, dated June 30, 2016, by and among Enova International, Inc., the Guarantors, the Required Lenders and Jefferies Finance LLC, as administrative agent for the Lenders	8-K	001-35503	10.1	7/7/2016	

<b>Exhibit No.</b>	<b>Exhibit Description</b>	<b>Form</b>	<b>File No.</b>	<b>Exhibit</b>	<b>Filing Date</b>	<b>Filed Herewith</b>
10.32	Amendment to Credit Agreement, dated September 30, 2016, by and among Enova International, Inc., the Guarantors, the Required Lenders and Jefferies Finance LLC, as administrative agent for the Lenders	10-Q	001-35503	10.4	11/2/2016	
10.33	Note Purchase Agreement, dated January 15, 2016, by and among Enova Lending Services, LLC, EFR 2016-1, LLC, Jefferies Funding LLC, other noteholders party thereto and from time to time party thereto <sup>(3)</sup>	10-Q/A	001-35503	10.2	6/13/2016	
10.34	Receivables Purchase Agreement, dated January 15, 2016, between Enova Finance 5, LLC and the Company <sup>(3)</sup>	10-Q	001-35503	10.3	5/6/2016	
10.35	Amendment Number 1 to Receivables Purchase Agreement, dated August 17, 2016, by and between Enova International, Inc. and Enova Finance 5, LLC <sup>(3)</sup>	10-Q	001-35503	10.2	11/2/2016	
10.36	Director Appointment Agreement, dated March 30, 2016, by and among the Company, SAF Capital Management LLC and certain of its affiliates	8-K	001-35503	10.1	3/31/2016	
10.37	Loan and Security Agreement, dated December 1, 2016, by and between Redpoint Capital Asset Funding, LLC and EFR 2016-2, LLC					X
10.38	Sale Agreement, dated December 1, 2016, by and between Enova International, Inc. and EFR 2016-2, LLC					X
10.39	Lease Agreement, dated July 25, 2014, between 175 Jackson L.L.C. and Enova International, Inc.	10-12B	001-35503	10.11	10/22/2014	
21.1	Subsidiaries of Enova International, Inc.					X
23.1	Consent of PricewaterhouseCoopers LLP					X
31.1	Certification of Chief Executive Officer					X
31.2	Certification of Chief Financial Officer					X
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document <sup>(1)</sup>					X <sup>(2)</sup>
101.SCH	XBRL Taxonomy Extension Schema Document <sup>(1)</sup>					X <sup>(2)</sup>
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document <sup>(1)</sup>					X <sup>(2)</sup>
101.LAB	XBRL Taxonomy Label Linkbase Document <sup>(1)</sup>					X <sup>(2)</sup>
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document <sup>(1)</sup>					X <sup>(2)</sup>
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document <sup>(1)</sup>					X <sup>(2)</sup>

\* Indicates management contract or compensatory plan, contract or arrangement.

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- (1) Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language):
- (i) Consolidated Balance Sheets at December 31, 2016 and December 31, 2015; (ii) Consolidated Statements of Income for the years ended December 31, 2016, December 31, 2015 and December 31, 2014; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, December 31, 2015 and December 31, 2014; (iv) Consolidated Statements of Equity at December 31, 2016, December 31, 2015 and December 31, 2014; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2016, December 31, 2015 and December 31, 2014; and (vi) Notes to Consolidated Financial Statements.
- (2) Submitted electronically herewith.
- (3) Portions of this document have been omitted pursuant to a confidential treatment request approved by the Securities and Exchange Commission.
- (4) Portions of this document have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENOVA INTERNATIONAL, INC.

Date: February 24, 2017

By: /s/ DAVID A. FISHER  
 David A Fisher  
*Chief Executive Officer and President*

Pursuant to the requirements of the Securities and Exchange Act of 1934, the report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ DAVID A. FISHER</u> David A. Fisher	Chairman of the Board of Directors, Chief Executive Officer, President and Director (Principal Executive Officer)	February 24, 2017
<u>/s/ STEVEN E. CUNNINGHAM</u> Steven E. Cunningham	Executive Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)	February 24, 2017
<u>/s/ ELLEN CARNAHAN</u> Ellen Carnahan	Director	February 24, 2017
<u>/s/ DANIEL R. FEEHAN</u> Daniel R. Feehan	Director	February 24, 2017
<u>/s/ WILLIAM M. GOODYEAR</u> William M. Goodyear	Director	February 24, 2017
<u>/s/ JAMES A. GRAY</u> James A. Gray	Director	February 24, 2017
<u>/s/ DAVID C. HABIGER</u> David C. Habiger	Director	February 24, 2017
<u>/s/ GREGG A. KAPLAN</u> Gregg A. Kaplan	Director	February 24, 2017
<u>/s/ MARK MCGOWAN</u> Mark McGowan	Director	February 24, 2017
<u>/s/ MARK A. TEBBE</u> Mark A. Tebbe	Director	February 24, 2017

## EXHIBIT INDEX

Exhibit No.	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
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3.1	Enova International, Inc. Amended and Restated Certificate of Incorporation	8-K	001-35503	3.1	11/19/2014	
3.2	Enova International, Inc. Amended and Restated Bylaws	8-K	001-35503	3.2	11/19/2014	
4.1	Specimen common stock certificate	10-12B	001-35503	4.1	10/2/2014	
4.2	Stockholder's and Registration Rights Agreement between Cash America International, Inc. and Enova International, Inc.	8-K	001-35503	10.3	11/19/2014	
4.3	Indenture, dated May 30, 2014, between Enova International, Inc., the U.S. subsidiaries of Enova International, Inc., as guarantors, and U.S. Bank National Association, as trustee	10-12B	001-35503	4.3	7/31/2014	
4.4	First Supplemental Indenture, dated as of October 1, 2014, between Enova International, Inc., NC Financial Solutions of Louisiana, LLC, NC Financial Solutions of Montana, LLC, and NC Financial Solutions of Rhode Island, LLC, each, as subsidiary guarantor, and U.S. Bank National Association, as trustee	10-12B	001-35503	4.4	10/2/2014	
4.5	Second Supplemental Indenture, dated February 13, 2015, between Enova International, Inc., the U.S. subsidiaries of Enova International, Inc., as guarantors, and U.S. Bank National Association, as trustee	10-Q	001-35503	10.1	5/8/2015	
4.6	Third Supplemental Indenture, dated November 10, 2015, between Enova International, Inc., the U.S. subsidiaries of Enova International, Inc., as guarantors, and U.S. Bank National Association, as trustee	10-K	001-35503	4.6	3/7/2016	
4.7	Trustee Agreement, dated October 20, 2016, by and among Enova International, Inc., U.S. Bank National Association, Computershare Trust Company, N.A., and Computershare Trust Company of Canada					X
4.8	Indenture, dated January 15, 2016, by and between EFR 2016-1, LLC and Bankers Trust Company, as trustee <sup>(3)</sup>	10-Q/A	001-35503	10.1	6/13/2016	
4.9	First Omnibus Amendment, dated July 26, 2016, by and among Enova International, Inc., Enova Finance 5, LLC, NetCredit Loan Services, LLC, EFR 2016-1, LLC, Bankers Trust Company, in its capacity as indenture trustee and securities intermediary, First Associates Loan Servicing LLC, Jefferies Funding LLC, WF 18, LLC and Drawbridge Special Opportunities Fund LP <sup>(3)</sup>	10-Q	001-35503	10.1	11/2/2016	
4.10	Second Omnibus Amendment, dated September 12, 2016, by and among Enova International, Inc., Enova Finance 5, LLC, EFR 2016-1, LLC and Bankers Trust Company <sup>(3)</sup>	10-Q	001-35503	10.3	11/2/2016	



<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>Filed Herewith</u>
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4.12	Fourth Amendment to Indenture, dated November 14, 2016, by and among Enova International, Inc., certain purchasers, Jefferies Funding LLC, as administrative agent, and Bankers Trust Company, as indenture trustee and securities intermediary <sup>(4)</sup>					X
4.13	Fifth Amendment to Indenture, dated December 14, 2016, by and among Enova International, Inc., certain purchasers, Jefferies Funding LLC, as administrative agent, and Bankers Trust Company, as indenture trustee and securities intermediary <sup>(4)</sup>					X
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10.2	Enova International, Inc. 2014 Long-Term Incentive Plan*	10-Q	001-35503	10.1	11/14/2014	
10.3	Enova International, Inc. First Amended and Restated 2014 Long-Term Incentive Plan*	DEF 14A	001-35503	Appendix A	4/7/2016	
10.4	Enova International, Inc. Senior Executive Bonus Plan*	DEF 14A	001-35503	Appendix B	4/7/2016	
10.5	Enova International, Inc. Supplemental Executive Retirement Plan*	10-12B	001-35503	10.5	7/31/2014	
10.6	Enova International, Inc. Nonqualified Savings Plan*	10-12B	001-35503	10.6	7/31/2014	
10.7	Continued Employment and Separation Agreement between Enova Financial Holdings, LLC, a subsidiary of the Company, and Timothy S. Ho dated January 29, 2013*	10-12B	001-35503	10.7	7/31/2014	
10.8	Form of Enova International, Inc. Severance Pay Plan for Executives*	10-12B	001-35503	10.12	10/2/2014	
10.9	Form of Enova International, Inc. Senior Executive Bonus Plan*	10-12B	001-35503	10.13	10/2/2014	
10.10	Summary of 2014 Terms and Conditions of the Enova International, Inc. Short-Term Incentive Plan*	10-12B	001-35503	10.14	10/2/2014	
10.11	Enova International, Inc. Executive Change-in-Control Severance and Restrictive Covenant Agreement for Chief Executive Officer*	8-K	001-35503	10.2	11/19/2014	
10.12	Form of Enova International, Inc. Executive Change-in-Control Severance and Restrictive Covenant Agreement for Executive Officers*	8-K	001-35503	10.1	11/19/2014	
10.13	Form of Enova International, Inc. 2014 Long-Term Incentive Plan Award Agreement for Special Grant of Restricted Stock Units for Directors*	10-12B	001-35503	10.17	10/17/2014	
10.14	Form of Enova International, Inc. 2014 Long-Term Incentive Plan Award Agreement for Grant of Restricted Stock Units (for Officers)*	10-12B	001-35503	10.18	10/17/2014	

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10.15	Form of Enova International, Inc. 2014 Long-Term Incentive Plan Award Agreement for Special Grant of Nonqualified Stock Option with a Limited Stock Appreciation Right (for Officers) *	10-12B	001-35503	10.19	10/17/2014	
10.16	Cash America International, Inc. 1994 Long-Term Incentive Plan*	10-K	001-09733	10.5	3/29/1995	
10.17	Cash America International, Inc. First Amended and Restated 2004 Long-Term Incentive Plan, as amended (the “CSH LTIP”)*	8-K	001-09733	10.1	4/28/2009	
10.18	Amendment to the CSH LTIP dated May 18, 2011*	10-12B	001-09733	10.2	7/22/2011	
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10.26	Registration Rights Agreement, dated May 30, 2014, between Enova International, Inc., the U.S. subsidiaries of Enova International, Inc., and Jefferies LLC	10-12B	001-35503	10.9	7/31/2014	
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10.28	Amendment to Credit Agreement, dated March 25, 2015, by and among Enova International, Inc., the Guarantors, the Required Lenders and Jefferies Finance LLC, as administrative agent for the Lenders	S-4	333-203005	10.9	3/25/2015	
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<b>Exhibit No.</b>	<b>Exhibit Description</b>	<b>Form</b>	<b>File No.</b>	<b>Exhibit</b>	<b>Filing Date</b>	<b>Filed Herewith</b>
10.31	Amendment to Credit Agreement, dated June 30, 2016, by and among Enova International, Inc., the Guarantors, the Required Lenders and Jefferies Finance LLC, as administrative agent for the Lenders	8-K	001-35503	10.1	7/7/2016	
10.32	Amendment to Credit Agreement, dated September 30, 2016, by and among Enova International, Inc., the Guarantors, the Required Lenders and Jefferies Finance LLC, as administrative agent for the Lenders	10-Q	001-35503	10.4	11/2/2016	
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10.34	Receivables Purchase Agreement, dated January 15, 2016, between Enova Finance 5, LLC and the Company <sup>(3)</sup>	10-Q	001-35503	10.3	5/6/2016	
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10.36	Director Appointment Agreement, dated March 30, 2016, by and among the Company, SAF Capital Management LLC and certain of its affiliates	8-K	001-35503	10.1	3/31/2016	
10.37	Loan and Security Agreement, dated December 1, 2016, by and between Redpoint Capital Asset Funding, LLC and EFR 2016-2, LLC					X
10.38	Sale Agreement, dated December 1, 2016, by and between Enova International, Inc. and EFR 2016-2, LLC					X
10.39	Lease Agreement, dated July 25, 2014, between 175 Jackson L.L.C. and Enova International, Inc.	10-12B	001-35503	10.11	10/22/2014	
21.1	Subsidiaries of Enova International, Inc.					X
23.1	Consent of PricewaterhouseCoopers LLP					X
31.1	Certification of Chief Executive Officer					X
31.2	Certification of Chief Financial Officer					X
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document <sup>(1)</sup>					X <sup>(2)</sup>
101.SCH	XBRL Taxonomy Extension Schema Document <sup>(1)</sup>					X <sup>(2)</sup>
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document <sup>(1)</sup>					X <sup>(2)</sup>
101.LAB	XBRL Taxonomy Label Linkbase Document <sup>(1)</sup>					X <sup>(2)</sup>

<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>Filed Herewith</u>
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document <sup>(1)</sup>					X <sup>(2)</sup>
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document <sup>(1)</sup>					X <sup>(2)</sup>

\* Indicates management contract or compensatory plan, contract or arrangement.

(1) Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language):

(i) Consolidated Balance Sheets at December 31, 2016 and December 31, 2015; (ii) Consolidated Statements of Income for the years ended December 31, 2016, December 31, 2015 and December 31, 2014; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, December 31, 2015 and December 31, 2014; (iv) Consolidated Statements of Equity at December 31, 2016, December 31, 2015 and December 31, 2014; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2016, December 31, 2015 and December 31, 2014; and (vi) Notes to Consolidated Financial Statements.

(2) Submitted electronically herewith.

(3) Portions of this document have been omitted pursuant to a confidential treatment request approved by the Securities and Exchange Commission.

(4) Portions of this document have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.





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