

# Annual Report 2018



# MISSION

Helping hardworking people get access to fast, trustworthy credit



Very fast and easy! And **a true life saver in an emergency!**

— Amanda, CashNetUSA Customer



Empresa séria resolveu o meu problema rápido.

— Cliente Feliz do Simplic



Great! They have worked with me when I needed it, and are very **kind, patient, and friendly** people.

— Leslie, NetCredit Customer



The process was easy, the management of my funds is easy and the couple of times I've had to call for information, the customer service was expedient and helped me right away. As someone who consults in the service management space, I am truly impressed!

— Jim, Headway Capital Customer



Excellent company. Really helped me out of a tight situation, even with my poor credit rating. Just because my credit rating is poor, doesn't mean I'm bad with handling my finances. Thank you.

— Mariana, On Stride Financial Customer



QuickQuid has helped me out in a tough situation! Would use again.

— Sophie, QuickQuid Customer



I've funded with The Business Backer three times. Their process is simple and funding is quick. Every person I've worked with has been helpful and very friendly!

— Debra, The Business Backer Customer



Dear Fellow Stockholders,

Since we launched our Focused Growth strategy three years ago, we have driven meaningful growth while delivering solid profitability. We have expanded access to credit by focusing our resources on our six growth businesses, namely our U.S. subprime, U.S. near-prime, U.K. consumer, U.S. small business, Brazil and Enova Decisions businesses. We have enhanced our product offerings to drive demand and capture market share. And we have diversified our funding sources while lowering our total cost of capital.

In 2018 we generated record new customer growth with healthy demand. As a result, our revenue increased 32% year-over-year to over \$1 billion. Stable credit, combined with efficient marketing and the strong operating leverage inherent in our online model, led

to solid profitability, even with the high mix of new customers. Our GAAP net income more than doubled in 2018 to \$70 million, or \$1.99 per share, compared to \$29 million, or \$0.86 per share, in the prior year.

Our U.S. subprime business continued to grow revenue and profitability throughout 2018. U.S. subprime originations grew 19% from 2017, demonstrating our ability to continue driving growth in this large business. Innovations like same-day funding and new financial education programs provided customers with added value. This business remains well diversified, consisting of 48% line of credit products, 35% installment products and only 17% single-pay products as of year-end 2018.



41%

OF AMERICANS  
SAID THEY COULD  
NOT COVER AN  
EMERGENCY OF  
\$400<sup>1</sup>



Over 6 Million Customers Served

<sup>1</sup>Federal Reserve Report on the Economic Well-Being of U.S. Households in 2017

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[ FOCUSED ]  
**GROWTH**

**6 Growth Businesses**

**U.S. SUBPRIME**

**U.K. CONSUMER**

**U.S. near-PRIME**

**BRAZIL**

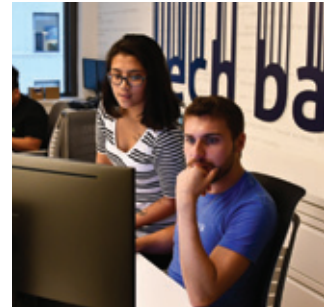
**U.S. SMALL BUSINESS**

**enova DECISIONS**

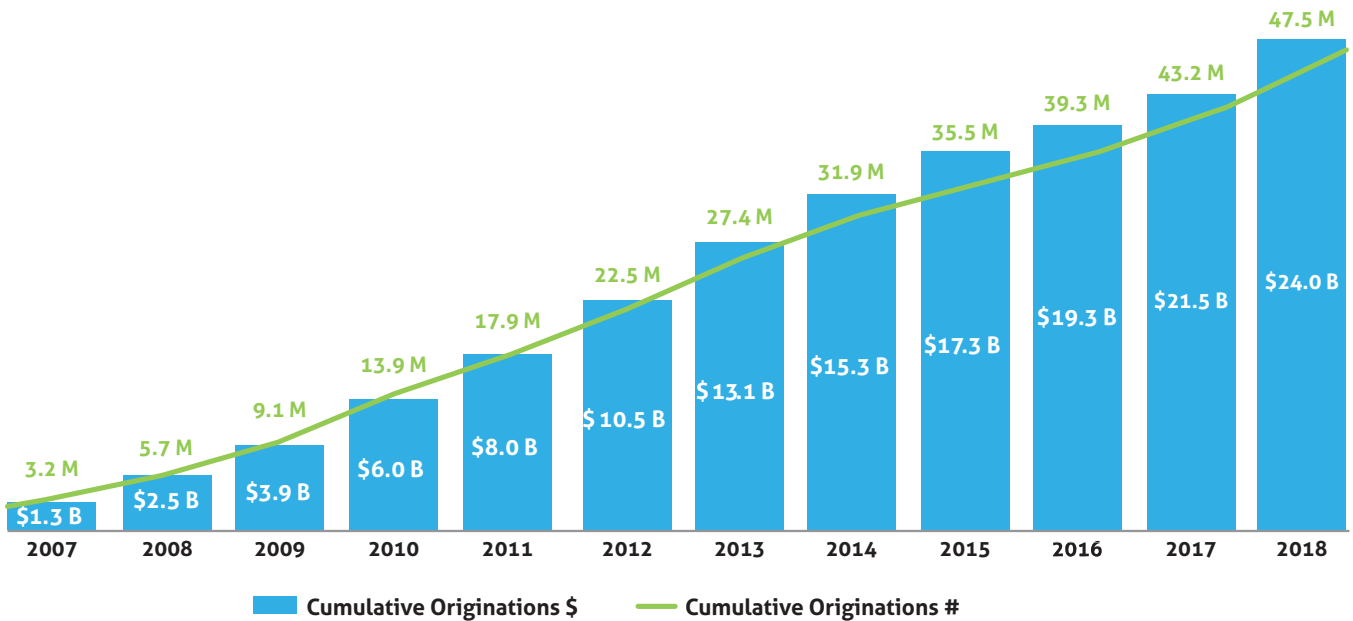
Our U.S. near-prime offering, NetCredit, continued its rapid growth in 2018. NetCredit achieved 26% year-over-year growth in originations and 27% growth in loan balances to \$470 million at the end of 2018. Just six years after its launch, NetCredit reached over \$1.4 billion in issued loans and has become a substantial business for Enova, comprising 45% of our entire loan portfolio at year-end 2018.

In the U.K., we remain the number one market share sub-prime lender. During the third quarter of 2018, we

introduced expanded installment loan options, providing consumers with choices and products that fit them as their needs change. Full-year 2018 U.K. revenue increased 23%, driven by strong demand for our installment product.



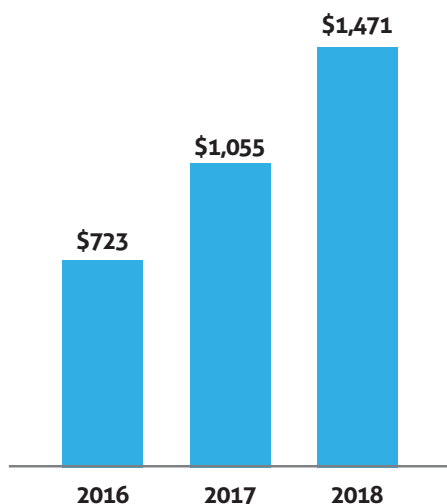
### Enova Cumulative Originations<sup>1</sup>



<sup>1</sup>From FY 2003 through December 31, 2018

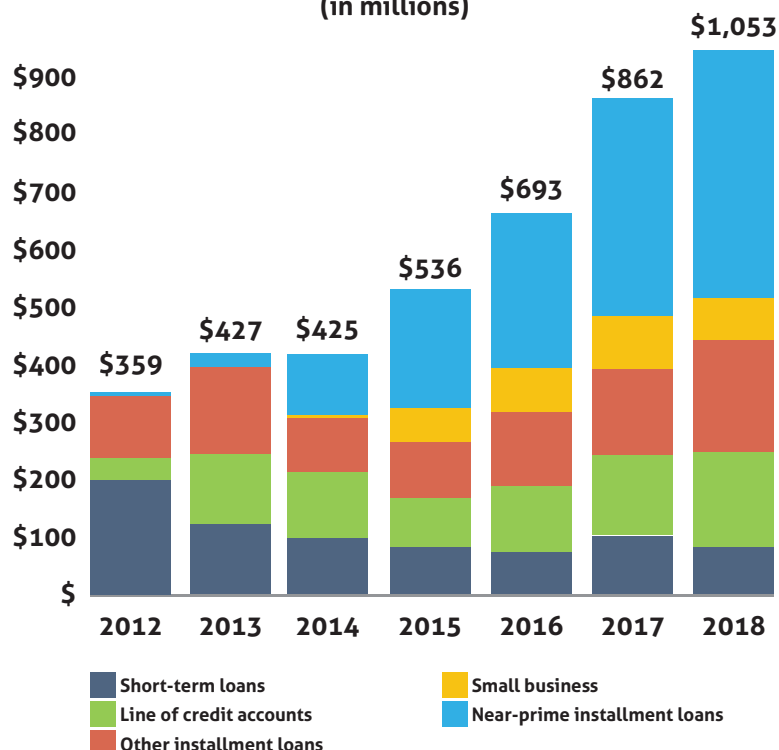
## NetCredit Cumulative Originations<sup>1</sup>

(in millions)



## Combined Receivables<sup>2</sup>

(in millions)



since 2016,  
SUCCESSFUL FINANCING  
TRANSACTIONS HAVE  
REDUCED COST OF  
FUNDS BY

**190 BASIS  
POINTS**

Our methodical approach to growing our small business portfolio continued in 2018. During the year, we saw strengthening demand for small business loans at attractive unit economics. As a result, we became moderately more assertive in expanding in this space. Small business originations increased 3% year-over-year and represented 8% of our total book at the end of the year.

Turning to our Brazil business, we continue to experience strong new customer growth as we refine our product and underwriting. Originations rose 60% on a constant currency basis in 2018, driving a 31% loan portfolio increase year-over-year to \$22 million at the end of 2018.

Finally, our real-time Analytics-as-a-Service business, Enova Decisions, continued to gain momentum in 2018. While this business is still


<sup>1</sup>Originations include loans originated by Enova and as part of third-party programs

<sup>2</sup>Includes amounts extended by third parties

in the early stages, we are actively building out our pipeline across different industries and see ample growth opportunity moving forward.

Over the course of the year, we continued to successfully access financing markets to provide new sources of efficient capital to support growth or re-ladder and refinance existing debt. In total, we

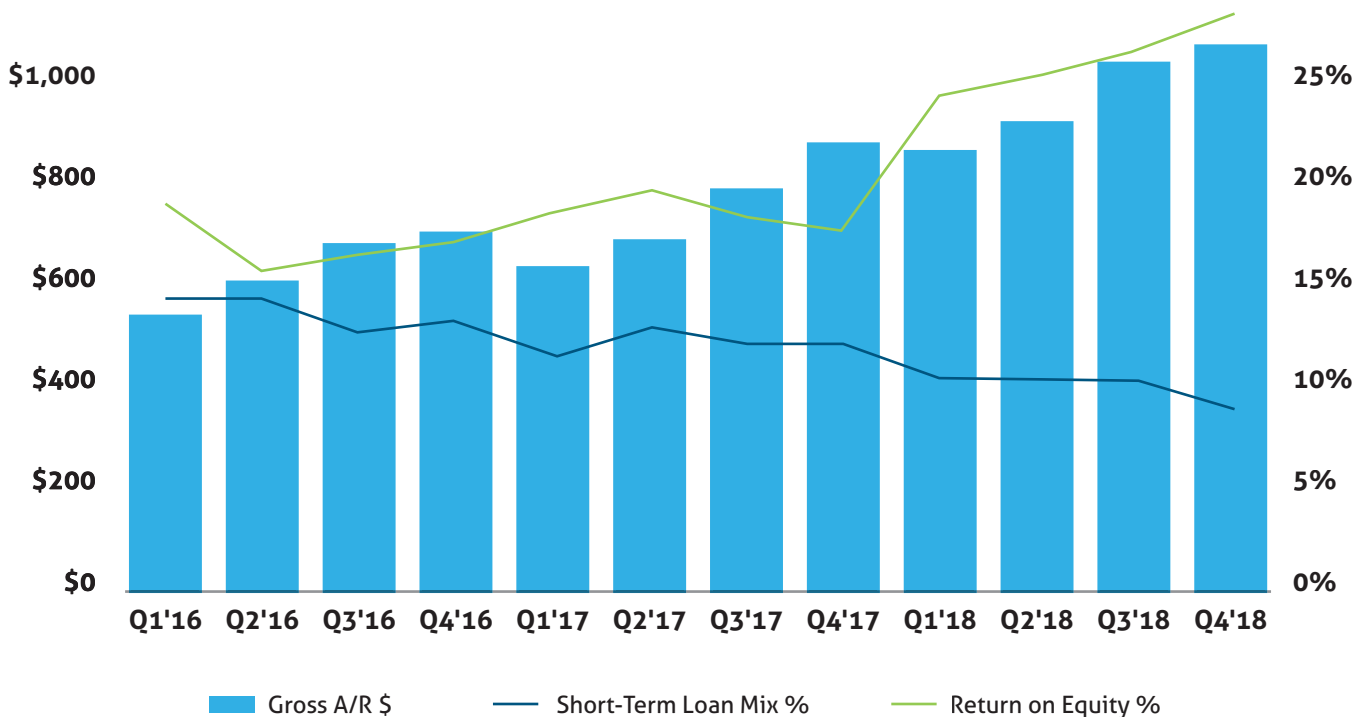
raised \$885 million of funding from diverse sources at competitive costs, lowering our cost of funds, despite increases in benchmark interest rates. We expect our cost of funds to continue to improve into 2019 as we recognize the cost benefits of recent transactions.



**\$885**  
**MILLION**  
OF FUNDING RAISED  
FROM DIVERSE SOURCES  
AT COMPETITIVE  
COSTS WITH LADDERED  
MATURITIES IN 2018

### Growth, Diversification, and Returns<sup>1</sup>

(in millions)



<sup>1</sup>ROE is based on trailing twelve months Adjusted Net Income

## 2018 Wins



EARNINGS PER  
SHARE ROSE  
**133%**

From the previous year



**\$1.3B**  
in assets

Assets at highest level in  
company history



TOTAL REVENUE  
EXCEEDED  
**\$1B**

For the first time (\$1.1B), an  
increase of 32% y/y



Overall, we are very pleased with our financial performance in 2018 and the considerable momentum we have entering 2019. We remain focused on balancing growth with solid profitability as we build Enova for long-term success. Our product offerings are resonating very well within the markets we serve, and we believe our Focused Growth strategy, ongoing diversification and scalable online model, coupled with prudent business management, will ensure sustainable and profitable growth.

Thank you for your continued support and investment in Enova.

David Fisher  
Chief Executive Officer  
Enova International, Inc.



**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, 2018
- 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)

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

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

**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, \$0.00001 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 every Interactive Data File required to be submitted 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 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 32,270,404 shares of the registrant's common stock, par value \$0.00001 per share, held by non-affiliates on June 30, 2018 was approximately \$1,216,033,266.

At February 22, 2019 there were 33,490,724 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, 2018

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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 January 2019 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 rulemaking 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 2018, we extended approximately \$2.5 billion in credit or financing to borrowers. As of December 31, 2018, we offered or arranged loans or draws on lines of credit to consumers in 32 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, 2018, we have completed over 47.5 million customer transactions and collected approximately 26 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 14 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 2018, we processed approximately 4.3 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. In April 2014, we launched On Stride Financial, an installment loan 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 and installment loans to small businesses by offering RPAs (see Note 2 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 2018, we derived 85.0% of our total revenue from the United States and 15.0% of our total revenue internationally, with 84.4% of international revenue (representing 12.7% 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 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 also offer an analytics-as-a-service solution for businesses. 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, 2018, we offered or arranged short-term consumer loans in 17 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 19.7% of our total revenue in 2018, 23.4% in 2017, and 26.3% in 2016.

***Line of credit accounts.*** We offer new consumer line of credit accounts in seven states (and continue to service existing line of credit accounts in one additional state) in the United States and business line of credit accounts in 36 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. Our line of credit accounts contributed approximately 32.6% of our total revenue in 2018, 31.1% in 2017, and 29.6% in 2016.

***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, as defined below, multi-payment unsecured consumer installment loan products in 17 states in the United States and small business installment loans in 18 states. We also offer or arrange multi-payment unsecured consumer installment loan products 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 46.4% of our total revenue in 2018, 43.6% in 2017, and 41.4% in 2016.

We have been investing and will continue to invest in the growth of our near-prime installment lending portfolio.

***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 and/or fees. A small business customer who enters into an 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. RPAs contributed approximately 1.2% of our total revenue in 2018, 1.8% in 2017, and 2.5% in 2016.

***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.

As of December 31, 2018, 2017 and 2016, the outstanding amount of active short-term consumer loans originated by third-party lenders under the CSO programs was \$25.4 million, \$28.9 million and \$26.1 million, respectively, which were guaranteed by us. The outstanding amount of active installment loans originated by third-party lenders under the CSO programs was \$4.3 million, \$5.2 million and \$6.1 million as of December 31, 2018, 2017 and 2016, respectively, which were guaranteed by us.

***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 offered unsecured consumer installment loans with an APR at or below 36%. We also had the ability to purchase loans originated through this program. In May 2018, as a result of a change in the law in Ohio, our bank partner suspended lending and we suspended purchasing loans through this program. We plan to continue and



grow this program in the future by adding new partners and expanding into additional states. Revenue generated from this program for the years ended December 31, 2018, 2017 and 2016 was 1.7%, 2.1% and 0.6% of our total revenue, respectively.

**Decision Management Platform-as-a-Service (“dmPaaS”) and Analytics-as-a-Service (“AaaS”).** Launched under our Enova Decisions brand in 2016, we help businesses make better decisions faster by providing our decision management platform and analytics expertise as a service. Our solutions are designed to automate or augment customer decisions including, but not limited to, credit risk, fraud risk, identity verification, customer profitability, payments, and collection. Services offered under our dmPaaS include machine learning model deployment, business rules management, data source connectivity, decision flow authoring, decision simulation, experiments, and real-time decision flow execution via API. Through our AaaS offerings, we provide tailored predictive/prescriptive analytic model development, explainable machine learning, and mathematical optimization. Industries served include financial services, communications, telecommunications, healthcare, and higher education in North America and Asia. Although still less than 1% of total revenue, we plan to continue to grow this program through increasing the size of our sales team, adding new partners, and continued enhancement of our technology.

**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, 2018, 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 85.0% of our total revenue in 2018 and 84.1% of our total revenue in 2017.

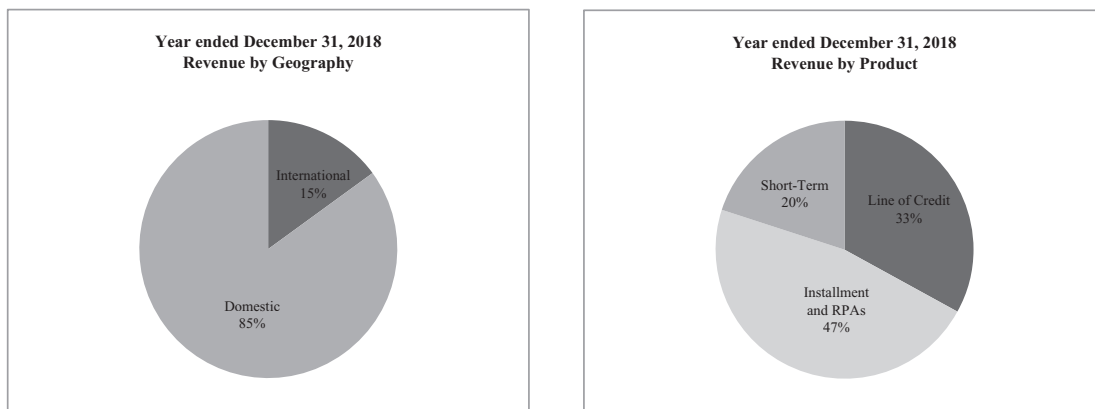
**United Kingdom.** We provide services in the United Kingdom under the names QuickQuid at [www.quickquid.co.uk](http://www.quickquid.co.uk), Pounds to Pocket at [www.poundstopocket.co.uk](http://www.poundstopocket.co.uk) and On Stride Financial at [www.onstride.co.uk](http://www.onstride.co.uk). We 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 installment loan business in April 2014. The United Kingdom represented 12.7% of our total revenue in 2018 and 13.6% of our total revenue in 2017.

**Brazil.** In June 2014, we launched our business in Brazil under the name Simplic at [www.simplic.com.br](http://www.simplic.com.br), where we arrange installment loans for a third party lender. We plan to continue to invest in and expand our financial services program in Brazil. Brazil represented 2.3% of total revenue in 2018 and 2.2% of total revenue in 2017.

**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 17 in the Notes to Consolidated Financial Statements, included in Part II, Item 8 of this report.

## ***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, 51.2% of the world's population had access to the internet in 2018, a 7% increase from 2015. 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, e-commerce sales as a percent of total quarterly retail sales in the United States more than doubled from the first quarter of 2009 to the third quarter of 2018, reaching 9.1%. In addition, a number of traditional financial services, such as banking, bill payment and investing, have become widely available online. A March 2018 report by the Consumer and Community Development Research Section of the Federal Reserve Board's Division of Consumer and Community Affairs found that approximately 50% of bank customers in a U.S. sample have used mobile 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 that 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 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 2018 report from the Federal Reserve, which found that 41% 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 (23%) is unbanked or underbanked, with half of unbanked consumers turning to alternative financial services options in the prior year. Approximately 32% of respondents who applied for credit were denied credit or were offered less credit than they desired, and 4% of respondents 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 2017 Year-End Economic Report, 20% reported that lack of available capital is one of the three most significant challenges to the future growth and survival of their business. Similarly, according to a 2017 study by the Federal Reserve Banks, only 34% of nonemployer firms that were approved for financing received the full amount requested. Online lending and funding options are emerging as a solution for small businesses that are seeking capital. According to a 2017 report from the Cambridge Centre for Alternative Finance, online alternative finance platforms in the United States facilitated more than \$6.9 billion of loans to small and medium enterprises in 2015, up 145% from the previous year. The Federal Reserve found that 24% of small businesses surveyed applied for 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. The analytics-as-a-service market was valued at more than \$7 billion, and, according to a report by Orbis Research, the market is expected to experience a CAGR of 30% between 2017 and 2022, reaching a value of \$49 billion by the end of 2022.



## *Our Customers*

Our subprime 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 \$58,000. 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 and a \$9 billion lending market in the United Kingdom. In Brazil, we estimate there to be an \$80 billion consumer loans market. Small business lending is also an attractive market opportunity, with a total U.S. small business loan market of \$82 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 over 50% of all small business loan growth. Our small business customers who enter into RPAs average approximately \$1.3 million in annual sales and 12 years of operating history, while those who obtain a line of credit account average approximately \$495 thousand in annual sales and 6 years of operating history.

## *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 26 terabytes of currently accessible consumer behavior data from more than 47 million transactions in our more than 14 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 that 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 14 years of operating history and we continue to invest in our brands, such as CashNetUSA, NetCredit, QuickQuid, On Stride Financial, Headway Capital, The Business Backer, Simplic and Enova Decisions, 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 14 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 14 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 in 2010. 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 80.2% of total revenue in 2018. 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. Due to regulatory changes in the United Kingdom, international revenue decreased during 2015 and 2016 to \$142.4 million and \$122.6 million, respectively. However, international revenue increased to \$134.2 million in 2017 and to \$167.6 million, or 15.0% of total revenue, in 2018. 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 1.8% 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 or financing 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 interest, 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 eight years, we grew our net loan and finance receivables, which are the gross outstanding balances for our loan and finance receivables carried on the consolidated balance sheets net of the allowance for estimated losses, at a compound annual growth rate of 26.8%, from \$163.0 million as of December 31, 2011 to \$859.9 million as of December 31, 2018. Over the same period, our revenue grew at a compound annual growth rate of 12.8%, from \$480.3 million in 2011 to \$1,114.1 million in 2018, while Adjusted EBITDA grew at a compound annual growth rate of 13.3%, from \$87.7 million to \$210.6 million. Adjusted EBITDA margin has remained steady, increasing slightly from 18.3% of revenue in 2011 to 18.9% of revenue in 2018. 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 financial services companies and technology firms such as optionsXpress, HSBC, Discover Financial Services, First American Bank, JPMorgan Chase and Groupon.

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

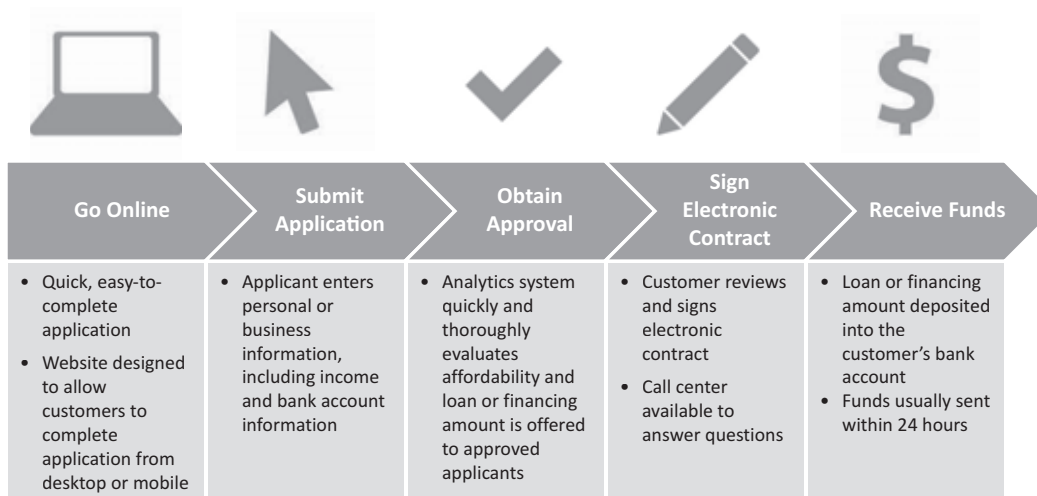
- ***Increase penetration in existing markets through direct marketing.*** We believe that we have reached only a small number of the potential customers for our products and services in the markets in which we currently operate. We continue to focus on our direct customer acquisition channels, with direct marketing (traditional and digital) generating approximately 54% of our new consumer transactions in 2018, as compared to 32% in 2009. We believe these channels 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 \$167.6 million, or 15.0% of our total revenue in 2018.
- ***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. In April 2014, we launched On Stride Financial, an installment loan product, in the United Kingdom. In July 2014, we launched Headway Capital, a line of credit product in the United States that serves the needs of small businesses. In June 2015, we completed the purchase of certain assets of a company operating as The Business Backer, which allows us to provide short-term financing to small businesses throughout the United States through RPAs, and in 2017, The Business Backer began offering an installment loan product. In 2016, we launched a program with a state-chartered bank where we provide technology, loan servicing and marketing services to the bank

on unsecured installment loans that it makes with consumers that have an APR at or below 36%. In May 2018, as a result of a change in the law in Ohio, our bank partner suspended lending and we suspended purchasing loans through this program. We plan to continue and grow this program in the future by adding new partners and expanding into additional states. Also in 2016, we launched Enova Decisions, our analytics-as-a-service product that uses our proprietary technology and analytics capabilities to offer businesses a solution for real-time decisioning at scale. 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 Financing Process

Our consumer and small business financing transactions are conducted almost exclusively online. When a customer is approved for a new loan or RPA, 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 or RPA, 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 consumer 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 systems include, 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 89 million credit reports during 2018. This rich dataset has grown significantly over our more than 14-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 60 data and analytics professionals as of December 31, 2018.

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

Our proprietary models are built on more than 14 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 and financing 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 customer information submitted matches other indicators 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 54% in 2018, 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 to support our U.S. and U.K. operations, one in our corporate offices in Chicago and another in Gurnee, Illinois, a Chicago suburb. As of December 31, 2018, we had approximately 600 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 and finance companies, CSOs, online lenders, credit card 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 or financing size to meet customers' financing 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, Curo, Elevate, and LendUp. 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 Ace Cash Express, Check Into Cash, Check 'n Go 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 118 118 Money, Amigo, Avant, Elevate, Lending Stream, Mr. Lender, PaydayUK, and Satsuma.

### ***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, tradenames and marks 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 17" of this report.

## Operations

### *Management and Personnel*

#### *Executive Officers*

Our executive officers, and information about each as of December 31, 2018, are listed below.

<u>NAME</u>	<u>POSITION WITH ENOVA</u>	<u>AGE</u>
David Fisher.....	Chief Executive Officer	49
Greg Zeeman.....	Chief Operating Officer	50
Kirk Chartier.....	Chief Marketing Officer	55
Steven Cunningham.....	Chief Financial Officer	49
Sean Rahilly.....	General Counsel, Secretary & Chief Compliance Officer	45

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 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 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 Chief Marketing Officer since he joined Enova in April 2013. 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 Chief Financial Officer 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.

**Sean Rahilly** has served as our General Counsel, Secretary and Chief Compliance Officer since June 2018. Mr. Rahilly joined Enova in October 2013 as Chief Compliance Officer. 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.

### *Personnel*

As of December 31, 2018, we had 1,218 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 Telemarketing 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.* The Military Lending Act (“MLA”) is a federal law that 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. The MLA’s implementing regulation also contains 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 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.

*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.* We use the Fair Debt Collection Practices Act (“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. Department of the Treasury (“Treasury Department”) and must re-register with the Treasury Department’s Financial Crimes Enforcement Network (“FinCEN”) at least every two years if conducting money services business.

*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 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 and continue to enhance our compliance management system and implemented additional policies and procedures to address the issues identified by the CFPB. These 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 July 10, 2017, the CFPB issued a final rule prohibiting the use of mandatory arbitration clauses and class action waiver provisions in consumer financial services contracts. On November 1, 2017, President Trump signed a joint resolution passed by the House and Senate pursuant to the Congressional Review Act disapproving the CFPB arbitration rule and blocking it from taking effect. The joint resolution also precludes an agency from reissuing a rule in substantially the same form unless the reissued rule is specifically authorized by a law enacted subsequent to the President signing the joint resolution of disapproval.

On October 6, 2017, the CFPB issued its Final Rule (the “Final Rule”) on Payday, Vehicle Title, and Certain High-Cost Installment Loans. The Final Rule would impose significant limitations on all short-term loans and longer-term loans with balloon payments. Among other provisions, the Final 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 Final 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 and limitations regarding payments. The Final Rule was published in the Federal Register on November 17, 2017 and would apply to loan contracts entered into beginning August 19, 2019. On January 16, 2018, the CFPB issued a statement that it intends to engage in a rulemaking process to reconsider the Final Rule. On February 6, 2019, the CFPB issued two notices of proposed rulemaking: (1) to rescind the Final Rule’s mandatory underwriting provisions, including the ability to repay requirements and (2) to delay the August 19, 2019 compliance date for those provisions until November 19, 2020. The proposed rescission of the underwriting provisions is open to public comment for 90 days after the date of publication in the Federal Register. The delay is open to public comment for 30 days. The provisions relating to payments are still scheduled to take effect on August 19, 2019. It is likely that there will be legal challenges to the Final Rule before it goes into effect.

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 32 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 may 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 may be 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. Over the past few years, several states have taken actions that have caused us to discontinue the use of lead providers in those states. Other states may propose or enact similar restrictions on lead providers in the future. In October 2018, Ohio enacted House Bill 123. The law has an implementation date of April 27, 2019, and places new restrictions on companies operating under the Ohio Credit Services Organization Act, the Ohio Small Loan Act, and the Ohio General Loan Law. We are considering our options after the implementation date of the law because we are currently offering services under the Credit Services Organization Act.

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 several states where we formerly made such loans, and we have also modified our business operations in other states where restrictive legislation has been enacted. For example, Maryland passed a law in 2017 that limits the total fees, charges and interest that can be assessed on unsecured revolving credit plans with Maryland consumers to an effective rate of 33% per year. The law went into effect on July 1, 2017 with regard to new revolving credit plans. 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 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.

After issuing a Call for Input on November 29, 2016, the FCA issued findings on July 31, 2017 deciding to maintain the high-cost short-term credit price cap at its current level and committing to review it within three years to ensure that it remains effective. The FCA found that regulation of high-cost short-term credit, including the price cap, has led to substantial benefits to consumers. The FCA also highlighted its priorities for the next stage of the review, which will focus on overdrafts, rent-to-own, home-collected credit and catalog credit. In November 2018, the FCA issued a consultation on its proposed price cap on rent-to-own (“RTO”) products. In December 2018, the FCA issued final rules and guidance concerning rent-to-own good, home-collected credit, catalogue credit and store cards, and Buy Now Pay Later (“BNPL”) products. Also in December, the FCA issued a consultation paper proposing new rules on overdrafts. None of the new or proposed rules applies to high-cost short-term credit (payday loans).

The FCA previously stated that measures taken by it with respect to the payday loan industry would 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 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 negatively impacted our operations and results, and future changes to our operations as a result of regulator concerns could have a material adverse effect on our U.K. business.*,” “— *The United Kingdom has imposed, and continues to impose, increased regulation of the short-term high-cost credit industry and previously stated its expectation that some firms will exit the market,*” and “— *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.

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.

On July 30, 2018, the FCA published Policy Statement 18/19: *assessing creditworthiness in consumer credit: feedback on CP 17/27 and final rules and guidance* (“PS 18/19”) and went into effect on November 1, 2018. PS 18/19 introduced new rules and guidance the purpose of which was to clarify existing rules and guidance in CONC regarding responsible lending, post-contractual requirements, and the application of the general requirements on firms in the Senior Management Arrangements, Systems and Controls sourcebook (“SYSC”). The new rules set forth in PS 18/19 went into effect on November 1, 2018. There are also some minor consequential changes to other parts of CONC, and the Handbook Glossary. In following the new rules and guidance, the FCA states that firms should use their judgement to decide what is appropriate in the circumstances. There may be multiple ways in which firms can comply with the new rules, and it wants firms to have a reasonable degree of flexibility according to the nature of the product and customer base. Given the broad nature of PS 18/19, if in the future, the FCA interprets PS 18/19’s guidance in a manner inconsistent with how we interpreted the guidance, there may be a potential risk for redress.

HM Treasury issued a consultation on proposals for “breathing space” for borrowers struggling with repayment. The consultation sets out proposals for a statutory debt repayment plan. The deadline for responses to the consultation is January 29, 2019. We think any statutory breathing space for debt repayment may limit or alter our collection procedures.

On July 26, 2017, the FCA issued a Consultation Paper on proposed changes to its rules and guidance on individual accountability. The Senior Managers and Certification Regime currently applies to deposit taking institutions and, following the Bank of England and Financial Services Act 2016, is now being extended to FCA solo-regulated firms. The Senior Managers and Certification Regime would replace the Approved Persons Regime, changing how individuals working in financial services are regulated. The objective of the new Senior Managers and Certification Regime is to reduce harm to consumers and strengthen market integrity by making individuals more accountable for their conduct and competence. In July 2018, the FCA issued Policy Statement PS 18/14 titled “Extending the Senior Managers & Certification Regime to FCA Firms – Feedback to CP 17/25 and CP 17/40, and near final rules.” The vast majority of responses supported the FCA’s proposals or asked for clarification of the proposals. Therefore, the FCA intends to implement the proposals set out in CP 17/40 largely as proposed. PS 18/14 is effective December 9, 2019.

The Criminal Finance Act 2017, which became effective in January 2018, amends the Proceeds of Crime Act 2002, to expand provisions for confiscating funds associated with Terrorist Property and proceeds of tax evasion. This act creates the corporate



offenses of failure of a company to prevent facilitation of U.K. and foreign tax evasion. This has required us to enhance our systems and controls to prevent such facilitation.

We are also subject to anti-money laundering and counter terrorist financing requirements that require us to develop and maintain associated policies and procedures, including, but not limited to, customer due diligence, politically exposed person (“PEP”) and sanction screening and training and awareness of staff, as well as reporting suspicious activity, 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 United Kingdom by serious and organized crime. The NCA replaced the Serious Organised Crime Agency (“SOCA”) and is charged with strengthening the U.K.’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. On June 26, 2017, the European Union’s Fourth Anti-Money Laundering Directive came into force, with an emphasis on employing a risk-based approach to money laundering. While the European Union’s Fifth Anti Money Laundering Directive was published in June 2018, it does not become effective until January 2020 and is considered to have little impact on us. In the United Kingdom, we are also subject to the requirements of the Data Protection Act 2018 (“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 aligns with the E.U. 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. It also addresses export of personal data outside the European Union. 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 European Union. When the GDPR takes effect, it will replace the previous data protection directive. The GDPR contains a number of new protections for E.U. 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 February 2, 2016, the European Commission and the United States agreed on a new framework for transatlantic data flows, the “E.U.-U.S. Privacy Shield”, which will replace the invalidated Safe Harbor framework. The E.U.-U.S. 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 E.U. personal data from the European Union to the United States in support of transatlantic commerce. On July 12, 2016, the European Commission adopted the E.U.-U.S. 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 E.U.-U.S. Privacy Shield on August 1, 2016. Although we are exploring the possibility of applying for certification to the E.U.-U.S. Privacy Shield, we continue to believe we are exempt from and/or are in compliance with all E.U. and U.K. privacy laws and regulations and will continue to be so under the GDPR.

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, 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 United Kingdom by serious and organized crime. The NCA replaced the Serious Organised Crime Agency and is charged with strengthening the U.K.’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. On June 26, 2017, the European Union’s Fourth Anti-Money Laundering Directive came into force, with an emphasis on employing a risk-based approach to money laundering.

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.

On June 23, 2016, the United Kingdom voted to exit the European Union. On March 29, 2017, U.K. Prime Minister Theresa May invoked Article 50 of the Lisbon Treaty, thereby setting March 29, 2019 as the date the United Kingdom will leave the European Union. This date can be extended if all E.U. members agree to such extension. No further details of the exit have 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 GDPR 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.

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.

## **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.

## **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, 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 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 prohibit us from providing 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 members of the U.S. military, reservists and members of the National Guard and their immediate families.

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 and previously stated its expectation that some firms will exit the market*” 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 exercises supervisory review over and examines 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.

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 January 25, 2019, we consented to the issuance of a Consent Order by the CFPB pursuant to which we agreed, without admitting or denying any of the facts or conclusions, to pay a civil money penalty of \$3.2 million. The Consent Order relates to issues self-disclosed to the CFPB in 2014, including failure to provide loan extensions to 308 consumers and debiting approximately 5,500 consumers from the wrong bank account. We remain subject to the restrictions and obligations of the Consent Order, including a prohibition from engaging in certain conduct. 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 recently finalized a new rule that may affect the consumer lending industry, and this rule could have a material adverse effect on our U.S. consumer lending business.***

On October 6, 2017, the CFPB issued its final rule on payday and certain high-cost installment loans, also known as the “Small Dollar Rule,” which would cover some of the loans we offer. The Small Dollar Rule requires that lenders who make short-term loans and longer-term loans with balloon payments reasonably determine consumers’ ability to repay the loans according to their terms before issuing the loans. The Small Dollar Rule also introduces new limitations on repayment processes for those lenders as well as lenders of other longer-term loans with an annual percentage rate greater than 36 percent that include an ACH authorization or similar



payment provision. If a consumer has two consecutive failed payment attempts, the lender must obtain the consumer's new and specific authorization to make further withdrawals from the consumer's bank account. For loans covered by the Small Dollar Rule, lenders must provide certain notices to consumers before attempting a first payment withdrawal or an unusual withdrawal and after two consecutive failed payment attempts. The Small Dollar Rule has a compliance date of August 19, 2019, but was stayed indefinitely by a Texas federal district court. On October 26, 2018, the CFPB under then-acting Director Mick Mulvaney announced that the CFPB would reconsider the Small Dollar Rule. In December 2018, Kathy Kraninger was confirmed by the Senate as the CFPB's new director. Following her confirmation, the CFPB announced that it would revisit the Small Dollar Rule. On February 6, 2019, the CFPB issued two notices of proposed rulemaking: (1) to rescind the Small Dollar Rule's mandatory underwriting provisions, including the ability to repay requirements and (2) to delay the August 19, 2019 compliance date for those provisions until November 19, 2020. The proposed rescission of the underwriting provisions is open to public comment for 90 days after the date of publication in the Federal Register. The delay is open to public comment for 30 days. It is also likely that there will be legal challenges to the Small Dollar Rule before it goes into effect. We cannot currently assess the likelihood that the CFPB will make additional changes to the Small Dollar Rule, nor whether the Small Dollar Rule will become effective. If the Small Dollar Rule does become effective in its current proposed form, we will need to make certain changes to our payment processes and customer notifications in our U.S. consumer lending business. If we are not able to execute these changes effectively because of unexpected complexities, costs or otherwise, we cannot guarantee that the Small Dollar Rule will not have a material adverse impact on our business, prospects, results of operations, financial condition and cash flows.

***The United Kingdom has imposed, and continues to impose, increased regulation of the short-term high-cost credit industry and previously stated its 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.

In 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. The provisions of the CONC took effect in 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 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 negatively impacted our operations and results, and future changes to our operations as a result of regulator concerns could have a material adverse effect on our U.K. business.*"

On January 2, 2015, the FCA implemented a cap on the total cost of high-cost short-term credit. In 2015, the FCA also conducted a consultation and implemented a provision that requires providers of high-cost short-term credit include a risk warning in all financial promotions. In 2016, the FCA reviewed the loan price cap that was implemented in 2015 and decided not to change the price cap but to review it again in three years. In July 2017, the FCA issued a Consultation Paper on proposed changes to its rules and guidance on assessing creditworthiness in consumer credit. The FCA requested responses to the consultation by October 31, 2017 and expects to publish its findings in the second quarter of 2018. We do not currently know whether or how the FCA may amend its rules and guidance on assessing creditworthiness in consumer credit or how it will affect our business operations. If any new rules or guidance significantly restrict the conduct of our business, such implementation could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.

The FCA also plans to investigate unarranged overdrafts, the long-term use of high-cost credit, rent-to-own, home-collected credit and catalog credit markets and to issue a Consultation Paper on proposed solutions in the spring of 2018. We do not currently know what solutions the FCA may implement as a result or how any changes may affect our business operations. If any new rules or guidance significantly restrict the conduct of our business, such implementation could have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.

The FCA may review and implement regulatory activities in the future that may impact our U.K. business, and we cannot give any assurances that the result will not have a material impact on our U.K. products and services.

***Our primary regulators in the United Kingdom 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 negatively impacted our operations and results, and future changes to our operations as a result of regulator concerns could have a material adverse effect on our U.K. business.***

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 believed that many payday lenders fail to compete on price and that it would look at potential ways to increase price competition. On August 13, 2015, the CMA published its final order that required online lenders to provide details of their products on at least one price comparison website. The CMA also required 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.

***The Financial Ombudsman Service ("FOS") was created by Parliament in 2000 to act as an independent arbitral body to resolve complaints between businesses and consumers. Customer complaints to the FOS could increase, which could have a negative effect on our operations in the United Kingdom.***

We continue to experience an increased volume of complaints about loans issued both before and after the changes we implemented in 2014, and the FOS has taken a very consumer-friendly approach to its complaint handling process and dispute resolutions. We have been required to make significant payments to customers to resolve these complaints. We have also incurred significant costs in the form of FOS administrative fees associated with each individual complaint submitted to FOS, as well as operational costs necessary to manage the large volume of complaints. The FOS has evidenced signs of expanding its consumer-focused approach through changes in the FOS's interpretation of its complaint handling rights and obligations. We also observed the FOS interpreting FCA rules and guidance in a manner that is stricter than, and sometimes in direct conflict with, the FCA's own interpretation of its rules and guidance. If the FOS continues to issue findings in this manner, and we are required to continue making significant payments to resolve complaints, such findings could again have a material adverse effect on our business, prospects, results of operations, financial condition and cash flows.

We further expect an increase in complaints-related costs due to recent FOS findings effectively eliminating a time bar for claimants to raise complaints.

Much of the increased overall volume of complaints can be attributed to submissions by third party Claims Management Companies ("CMCs") on behalf of borrowers. We have been forced to expend significant resources handling this volume of complaints and determining defense strategies where appropriate. CMC activity is regulated by the Claims Management Regulator; however, effective April 1, 2019, CMC regulation will be transferred to the FCA. CMCs must register with the FCA for authorization by March 31, 2019 and are now eligible to apply for temporary authorization. We believe that this shift in regulator will be beneficial to us as CMCs will be required to meet stricter authorization requirements under the FCA. FCA regulation of CMCs may lower complaints volume but we are not able to know that at this time.

***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.

***The consequences of the United Kingdom leaving the European Union are yet unknown, but could indirectly affect our operations.***

The United Kingdom is scheduled to withdraw from the European Union on March 29, 2019 ("Brexit"). On January 15, 2019, Prime Minister Theresa May's proposal for how the United Kingdom is to withdraw from the European Union was defeated in the House of Commons. We do not believe Brexit, or the uncertainty surrounding Brexit, poses a direct risk to our U.K. business. Brexit may indirectly affect our business through the impact that it has on the value of the British Pound and the U.K. economy as a whole, but, at this time, we are not able to reasonably quantify that risk or the likelihood of Brexit indirectly impacting our U.K. business.

***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 regularly evaluates the regulation of our industry and introduces new regulations and is likely to continue to do so. New legislation or regulations could further 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.

***The election of a new president in Brazil could significantly change regulatory, legal or other policies that could affect our business.***

In October 2018, President Jair Bolsonaro was elected in Brazil. As a result of this election and certain political and regulatory reforms involving the Social Security System and fintech companies expected in 2019, Brazil faces instability that may affect our business.

***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, 2018, we did not offer or arrange consumer loans in 18 U.S. states 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 impacting 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. 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.

Previous heightened regulatory scrutiny by the U.S. Department of Justice, the Federal Deposit Insurance Corporation and other regulators, in an action referred to as Operation Choke Point, caused banks and ACH payment processors to cease doing business with certain short-term consumer lenders who were operating legally, without regard to whether those lenders were complying with applicable laws, simply to avoid the risk of heightened scrutiny or even litigation.

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 by rule changes by the National Automated Clearinghouse Association (“NACHA”), which oversees the ACH network. 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, in 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. 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 changes to rules under the CONC, we previously made adjustments to our collections processes, which resulted in lower collections on loans made by us. 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. Over the past few years, several states have taken actions that have caused us to discontinue the use of lead providers in those states. While these discontinuations did not have a material adverse effect on us, 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. 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.

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. 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 2018, the State of California enacted the California Consumer Privacy Act of 2018 (“CCPA”), which will come into effect on January 1, 2020 and expands the privacy rights of California residents and regulates the sale of the consumer information of California residents. California legislators have stated that they intend to propose amendments to the CCPA and it remains unclear what, if any, modifications will be made to the CCPA or how it will be interpreted. Compliance with the CCPA may increase the cost of conducting business in California and we could see

increased litigation costs once the law goes into effect. Several other states have proposed legislation regarding data privacy and use, which, if passed, could create more risks and potential costs.

In the United Kingdom, we are also subject to the requirements of the Data Protection Act 2018 (the “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 aligns with the E.U. 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. It also addresses export of personal data outside the European Union. The GDPR contains a number of new protections for E.U. data subjects and threatens significant fines and penalties for non-compliant data controllers and processors. Should the United Kingdom exit the European Union, it is expected that the United Kingdom would establish a new framework for data flow between the United Kingdom and the United States or will agree to continue the protections of the GDPR 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.

We previously had Safe Harbor certification, which evidenced compliance with the DPA and the European Union Data Protection Directive and allowed companies to pass E.U. data to non-E.U. countries if certain certification requirements were met by the company. Although the European Court of Justice invalidated the Safe Harbor framework in 2015, there are other circumstances under which a company is exempt from complying with those laws and regulations. In addition, in 2016, the European Commission and the United States agreed on a new framework for transatlantic data flows called the E.U.-U.S. Privacy Shield, which will replace the invalidated Safe Harbor framework. Although we are exploring the possibility of applying for certification to the E.U.-U.S. Privacy Shield and, despite the invalidation of the Safe Harbor framework, we believe that we are exempt from and/or are in compliance with all E.U. and U.K. privacy laws and regulations and will continue to be so under the GDPR.

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.

***Democratic control of the U.S. House of Representatives could reduce the likelihood that significant financial services legislation will be passed in the new Congress.***

In January 2019, the Democratic party took control of the House of Representatives. Both members of the Democratic party, Nancy Pelosi was elected as the Speaker of the House of Representatives and Maxine Waters was appointed the Chairwoman of the U.S. House Committee on Financial Services. We expect this may lead to a heightened degree of oversight from the House of Representatives, particularly with respect to the CFPB, and additional legislation relating to consumer financial services generated by the House of Representatives. Continued Republican control of the U.S. Senate and Presidency makes it unlikely that any material legislation will be enacted.

***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 rulemaking 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.

The CFPB did issue a final rule on arbitration, which would have prohibited class action waivers in certain consumer financial services contracts. However, the House and Senate each passed a resolution of disapproval of the rule, pursuant to their powers under the Congressional Review Act, and the President signed the bill. Because the rule was disapproved, it cannot be reissued in substantially the same form, and the CFPB cannot issue a substantially similar rule unless the new rule is specifically authorized by a law enacted after the date of the joint resolution disapproving the original rule.

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 will 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. 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. 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 on loans and finance receivables and liability for estimated losses on third-party lender-owned consumer loans is not adequate or if we do not successfully manage our credit risk, 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, 2018 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 loans and finance receivables was \$163.3 million at December 31, 2018, and the liability for estimated losses on third-party lender-owned consumer loans was \$2.2 million at December 31, 2018. 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, 2018, 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. 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 National Crime Agency pursuant to the Proceeds of Crime Act 2002 and the Terrorism Act 2000. On July 9, 2018, the European Union's Fifth Anti-Money Laundering Directive came into force, which introduced four key changes to the anti-money laundering regime but are not applicable to us.

*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

Treasury Department'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 and finance 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 2018, 15.0% of our total revenue was derived from our international operations. 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. In addition, federal and some state regulators are considering rules and standards to address cybersecurity risks and many U.S. states and the United Kingdom have already enacted laws requiring companies to notify individuals of data security breaches involving their personal data. These mandatory disclosures regarding a security breach are costly to implement and may lead to widespread negative publicity, which may cause customers to lose confidence in the effectiveness of our data security measures.

Our servers are also vulnerable to computer viruses, physical or electronic break-ins, and similar disruptions, including denial-of-service 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.

***Our ability to collect payment on loans and maintain the accuracy of accounts may be adversely affected by computer viruses, electronic break-ins, technical errors and similar disruptions.***

The accessibility and automated nature of our platform may make for an attractive target for hacking, computer viruses, physical or electronic break-ins and similar disruptions. Despite efforts to ensure the integrity of our platform, it is possible that we may not be able to anticipate or to implement effective preventive measures against all security breaches of these types, in which case there would be an increased risk of fraud or identity theft, and we may experience losses on, or delays in the collection of amounts owed on, a fraudulently induced loan. In addition, the software that we have developed is highly complex and may contain undetected technical errors that could cause our computer systems to fail. Because each loan and financing provided involves our proprietary underwriting and fraud scoring models, and the applications are highly automated, any failure of our computer systems involving our proprietary credit and fraud scoring models and any technical or other errors contained in the software pertaining to our proprietary underwriting and fraud scoring models could compromise the ability to accurately evaluate potential customers, which would negatively impact our results of operations. Furthermore, any failure of our computer systems could cause an interruption in operations that may result in disruptions or reductions in the amount of collections from the loans and financings we provide to customers. If any of these risks were to materialize, it could have a material adverse effect on our business, prospects, results of operations, financial condition or 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, in 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 that 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 could negatively impact our search results. 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 Commerce Department, 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. 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 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 financial condition, results of operations and cash flows.

On December 22, 2017, the U.S. government enacted comprehensive Federal tax legislation commonly referred to as the U.S. Tax Cuts and Jobs Act of 2017 (the "Tax Act"). The Tax Act made changes to the corporate tax rate, business-related deductions, among other items, effective for taxable years beginning after December 31, 2017. In accordance with SEC Staff Accounting Bulletin No. 118 ("SAB 118"), the Company included certain adjustments, related to the finalization of computations related to the Tax Act, in income tax expense as of December 31, 2018. As of December 22, 2018, the Company considers the one-year period provided for under SAB 118 to be closed. Although our accounting for the effects of the Tax Act is finalized under SAB 118, there may be future adjustments based on potential changes in the interpretation of the Tax Act, related regulations, or any subsequent guidance that may be issued. While U.S. tax reform has reduced our effective tax rate, additional guidance or interpretations of the Tax Act could negatively impact our financial results.

In addition, we prepare our financial statements in accordance with U.S. 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**

Enova International, Inc. was formed on September 7, 2011. Prior to November 13, 2014, we were a wholly-owned subsidiary of Cash America. 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 (the "Separation and Distribution Agreement") upon completion of a tax-free spin-off (the "Spin-off"), which 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").

***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.

***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.***

As of December 31, 2018 we had approximately \$857.9 million of total debt outstanding. Interest expense on our indebtedness totaled \$80.5 million during the year ended December 31, 2018. 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 2024 Senior Notes, the 2025 Senior Notes and the 2017 Credit Agreement, as defined under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” in Part II, Item 7 of this report) contain various restrictive covenants and, in the case of the 2017 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 2017 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 2017 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 2017 Credit Agreement, we may be required to access 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 2017 Credit Agreement, 2024 Senior Notes, 2025 Senior Notes and our consumer loan securitizations. The future payment of dividends, if permitted, 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, Blue Ash, Ohio for The Business Backer operations, London, for our U.K. operations and São Paulo, for our Brazilian 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**

Information concerning legal proceedings is incorporated herein by reference to Note 10, “Commitments and Contingencies,” to the Consolidated Financial Statements.

**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”), and our shares of common stock are listed under the symbol “ENVA.”

**Stockholders**

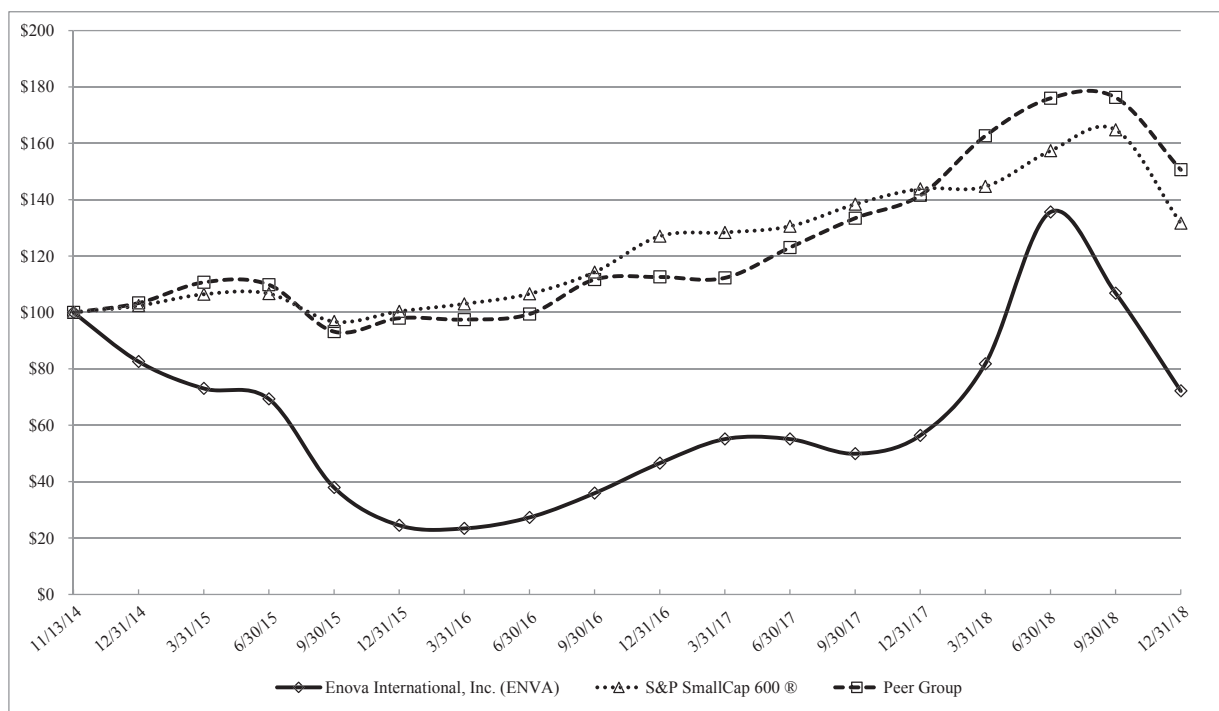
There were 312 registered stockholders of record of Enova common stock as of February 22, 2019.

**Dividends**

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 our 2017 Credit Agreement, 2024 Senior Notes, 2025 Senior Notes and our consumer loan securitizations, limit our ability to pay future dividends. 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.

**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, 2018. 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 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, 2018.

## 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 <sup>(b)</sup>	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan <sup>(b)</sup> (in thousands)
October 1 – October 31, 2018.....	—	\$ —	—	\$ 21,454
November 1 – November 30, 2018.....	136,764	22.55	128,499	18,563
December 1 – December 31, 2018.....	645,320	19.63	622,738	6,360
Total.....	<u>782,084</u>	<u>\$ 20.14</u>	<u>751,237</u>	<u>\$ 6,360</u>

(a) Includes shares withheld from employees as tax payments for shares issued under the Company's stock-based compensation plans of 8,265 and 22,582 shares for the months of November and December, respectively. See Note 12 in the Notes to Consolidated Financial Statements for additional details on the Company's stock-based compensation plans.

(b) On September 15, 2017, the Company announced the Board of Directors had authorized a share repurchase program for the repurchase of up to \$25.0 million of the Company's common stock through December 31, 2019. The \$25.0 million limit was reached in January 2019, with all share repurchases having been through open market transactions. On January 31, 2019, the Company announced the Board of Directors had authorized a share repurchase program for the repurchase of up to \$50.0 million of the Company's common stock through December 31, 2020.

## ITEM 6. SELECTED FINANCIAL DATA

(In thousands, except per share)

	Year Ended December 31,				
	2018	2017	2016	2015	2014
<b>Statement of Income Data:</b>					
Revenue .....	\$ 1,114,074	\$ 843,741	\$ 745,569	\$ 652,600	\$ 809,837
Cost of revenue .....	571,000	396,632	327,966	216,858	266,787
<b>Gross Profit</b> .....	<b>543,074</b>	<b>447,109</b>	<b>417,603</b>	<b>435,742</b>	<b>543,050</b>
<b>Expenses</b>					
Marketing .....	125,269	101,429	97,404	116,882	127,862
Operations and technology .....	112,483	95,155	85,202	74,012	73,573
General and administrative .....	107,060	101,723	97,956	102,073	107,875
Depreciation and amortization .....	15,190	14,388	15,564	18,388	18,732
<b>Total Expenses</b> .....	<b>360,002</b>	<b>312,695</b>	<b>296,126</b>	<b>311,355</b>	<b>328,042</b>
<b>Income from Operations</b> .....	<b>183,072</b>	<b>134,414</b>	<b>121,477</b>	<b>124,387</b>	<b>215,008</b>
Interest expense, net .....	(79,348)	(74,003)	(65,603)	(52,883)	(38,474)
Foreign currency transaction (loss) gain, net .....	(2,320)	384	1,562	(985)	(35)
Loss on early extinguishment of debt .....	(24,991)	(22,895)	—	—	—
<b>Income before Income Taxes</b> .....	<b>76,413</b>	<b>37,900</b>	<b>57,436</b>	<b>70,519</b>	<b>176,499</b>
Provision for income taxes .....	6,315	8,660	22,834	26,527	64,828
<b>Net Income</b> .....	<b>\$ 70,098</b>	<b>\$ 29,240</b>	<b>\$ 34,602</b>	<b>\$ 43,992</b>	<b>\$ 111,671</b>
<b>Earnings Per Share:</b>					
Earnings per common share:					
Basic .....	\$ 2.06	\$ 0.87	\$ 1.04	\$ 1.33	\$ 3.38
Diluted .....	\$ 1.99	\$ 0.86	\$ 1.03	\$ 1.33	\$ 3.38
Dividends declared per common share .....	\$ —	\$ —	\$ —	\$ —	\$ 3.71
Weighted average common shares outstanding:					
Basic .....	33,993	33,523	33,192	33,006	33,000
Diluted .....	35,176	34,132	33,462	33,026	33,008
<b>Other Financial Data:</b>					
Adjusted EBITDA <sup>(a)</sup> .....	\$ 210,555	\$ 157,751	\$ 142,263	\$ 155,675	\$ 235,819
Capital expenditures .....	\$ 16,079	\$ 16,528	\$ 14,396	\$ 32,241	\$ 13,284
Gross profit margin .....	48.7%	53.0%	56.0%	66.8%	67.1%
Adjusted EBITDA margin <sup>(a)</sup> .....	18.9%	18.7%	19.1%	23.9%	29.1%
Domestic revenue .....	\$ 946,515	\$ 709,537	\$ 622,991	\$ 510,242	\$ 474,715
International revenue .....	\$ 167,559	\$ 134,204	\$ 122,578	\$ 142,358	\$ 335,122
Number of employees (at period end) .....	1,218	1,109	1,099	1,132	1,151
<b>Balance Sheet Data (at period end):</b>					
Cash and cash equivalents .....	\$ 52,917	\$ 68,684	\$ 39,934	\$ 42,066	\$ 75,106
Loans and finance receivables, net .....	859,946	704,705	561,550	434,633	323,611
Total assets .....	1,328,185	1,159,460	977,879	840,537	721,315
Long-term debt .....	857,929	788,542	649,911	541,909	480,726
Total stockholders' equity .....	347,768	281,687	241,699	205,968	153,984
<b>Other Operating Data:</b>					
Combined loans and finance receivables, gross					
Short-term loans <sup>(b)</sup> .....	\$ 93,113	\$ 102,547	\$ 89,097	\$ 83,944	\$ 92,561
Line of credit accounts .....	227,563	170,068	144,183	100,855	118,680
Installment loans and RPAs <sup>(b)</sup> .....	732,282	589,268	459,414	351,279	213,588
Total combined loans and finance receivables, gross <sup>(b)</sup> .....	<u>\$ 1,052,958</u>	<u>\$ 861,883</u>	<u>\$ 692,694</u>	<u>\$ 536,078</u>	<u>\$ 424,829</u>
Combined loan and finance receivable originations					
Short-term loans .....	\$ 1,223,700	\$ 1,127,790	\$ 1,115,891	\$ 1,178,359	\$ 1,303,231
Line of credit accounts .....	393,547	301,255	318,385	237,325	439,562
Installment loans and RPAs .....	925,786	712,002	622,877	516,953	461,432
Total combined originations .....	<u>\$ 2,543,033</u>	<u>\$ 2,141,047</u>	<u>\$ 2,057,153</u>	<u>\$ 1,932,637</u>	<u>\$ 2,204,225</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,				
	2018	2017	2016	2015	2014
Net Income .....	\$ 70,098	\$ 29,240	\$ 34,602	\$ 43,992	\$ 111,671
Depreciation and amortization expenses .....	15,190	14,388	15,564	18,388	18,732
Interest expense, net .....	79,348	74,003	65,603	52,883	38,474
Foreign currency transaction loss (gain), net .....	2,320	(384)	(1,562)	985	35
Provision for income taxes .....	6,315	8,660	22,834	26,527	64,828
Stock-based compensation expense .....	11,660	11,307	8,522	9,630	664
Adjustments:					
Loss on early extinguishment of debt <sup>(1)</sup> .....	24,991	22,895	—	—	—
Acquisition-related costs <sup>(2)</sup> .....	—	(2,358)	(3,300)	—	—
Lease termination and relocation costs <sup>(3)</sup> .....	—	—	—	3,270	1,415
Regulatory settlement <sup>(4)</sup> .....	633	—	—	—	—
Adjusted EBITDA .....	<u>\$ 210,555</u>	<u>\$ 157,751</u>	<u>\$ 142,263</u>	<u>\$ 155,675</u>	<u>\$ 235,819</u>
Adjusted EBITDA margin calculated as follows:					
Total revenue .....	\$ 1,114,074	\$ 843,741	\$ 745,569	\$ 652,600	\$ 809,837
Adjusted EBITDA .....	\$ 210,555	\$ 157,751	\$ 142,263	\$ 155,675	\$ 235,819
Adjusted EBITDA as a percentage of total revenue ...	18.9%	18.7%	19.1%	23.9%	29.1%

(1) For the years ended December 31, 2018 and 2017, the Company recorded \$25.0 million (\$19.6 million net of tax) and \$22.9 million (\$17.7 million net of tax) losses on early extinguishment of debt, respectively, related to the repurchase of \$345.0 million of principal amount of senior notes in 2018 and the repurchase of \$155.0 million principal amount of senior notes and the redemption of \$160.9 million of securitization notes in 2017.

(2) For the years ended December 31, 2017 and 2016, the Company recorded a \$2.4 million (\$1.8 million net of tax) and a \$3.3 million (\$2.0 million net of tax) fair value adjustment to contingent consideration, respectively, related to a prior year acquisition.

(3) 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.

(4) For the year ended December 31, 2018, the Company 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 2014 review of the Company, to pay a civil money penalty of \$3.2 million, which is nondeductible for tax purposes.

(b) See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures—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 (in thousands):

	Year Ended December 31,				
	2018	2017	2016	2015	2014
<b>Short-term loan balances, gross:</b>					
Company owned .....	\$ 67,725	\$ 73,672	\$ 63,005	\$ 58,793	\$ 56,298
Guaranteed by the Company .....	25,388	28,875	26,092	25,151	36,263
Combined .....	<u>\$ 93,113</u>	<u>\$ 102,547</u>	<u>\$ 89,097</u>	<u>\$ 83,944</u>	<u>\$ 92,561</u>
<b>Line of credit account balances, gross:</b>					
Company owned .....	\$ 227,563	\$ 170,068	\$ 144,183	\$ 100,855	\$ 118,680
Guaranteed by the Company .....	—	—	—	—	—
Combined .....	<u>\$ 227,563</u>	<u>\$ 170,068</u>	<u>\$ 100,855</u>	<u>\$ 100,855</u>	<u>\$ 118,680</u>
<b>Installment loan and finance receivable balances, gross:</b>					
Company owned .....	\$ 727,966	\$ 584,009	\$ 453,307	\$ 342,307	\$ 213,581
Guaranteed by the Company .....	4,316	5,259	6,107	8,972	7
Combined .....	<u>\$ 732,282</u>	<u>\$ 589,268</u>	<u>\$ 459,414</u>	<u>\$ 351,279</u>	<u>\$ 213,588</u>
<b>Total loan and finance receivable balances, gross:</b>					
Company owned .....	\$ 1,023,254	\$ 827,749	\$ 660,495	\$ 501,955	\$ 388,559
Guaranteed by the Company .....	29,704	34,134	32,199	34,123	36,270
Combined .....	<u>\$ 1,052,958</u>	<u>\$ 861,883</u>	<u>\$ 692,694</u>	<u>\$ 536,078</u>	<u>\$ 424,829</u>

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

### **RECENT REGULATORY DEVELOPMENTS**

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

On October 6, 2017, the CFPB issued its final rule on payday and certain high-cost installment loans ("Final Rule"), which would cover some of the loans we offer. The rule requires that lenders who make short-term loans and longer-term loans with balloon payments reasonably determine consumers' ability to repay the loans according to their terms before issuing the loans. The rule also introduces new limitations on repayment processes for those lenders as well as lenders of other longer-term loans with an annual percentage rate greater than 36 percent that include an ACH authorization or similar payment provision. If a consumer has two consecutive failed payment attempts, the lender must obtain the consumer's new and specific authorization to make further withdrawals from the consumer's bank account. For loans covered by the rule, lenders must provide certain notices to consumers before attempting a first payment withdrawal or an unusual withdrawal and after two consecutive failed payment attempts. The rule will apply to loan contracts entered into beginning in mid-2019. However, under the Congressional Review Act, Congress has 60 legislative days after publication of the rule in the Federal Register (which occurred on November 17, 2017) to overturn it by a majority vote in both Houses of Congress. On January 16, 2018, the CFPB issued a statement that it intends to engage in a rulemaking process to reconsider the Final Rule. On February 6, 2019, the CFPB issued two notices of proposed rulemaking: (1) to rescind the Final Rule's mandatory underwriting provisions, including the ability to repay requirements and (2) to delay the August 19, 2019 compliance date for those provisions until November 19, 2020. The proposed rescission of the underwriting provisions is open to public comment for 90 days after the date of publication in the Federal Register. The delay is open to public comment for 30 days. It is also likely that there will be legal challenges to the Final Rule before it goes into effect.

### **RESULTS OF OPERATIONS**

Our financial results for the year ended December 31, 2018 ("2018") are summarized below.

- Revenue increased \$270.4 million, or 32.0%, to \$1,114.1 million in 2018 compared to \$843.7 million in the year ended December 31, 2017 ("2017"). A \$237.0 million, or 33.4%, increase in domestic revenue to \$946.5 million in 2018 from \$709.5 million for 2017 and a \$33.4 million, or 24.9%, increase in international revenue to \$167.6 million in 2018 from \$134.2 million in 2017 both contributed to the total increase.
- Gross Profit increased \$96.0 million, or 21.5%, to \$543.1 million in 2018 compared to \$447.1 million in 2017.
- Income from Operations increased \$48.7 million, or 36.2%, to \$183.1 million in 2018, compared to \$134.4 million in 2017.
- Net Income was \$70.1 million in 2018, compared to \$29.2 million in 2017. Diluted earnings per share were \$1.99 in 2018 compared to \$0.86 in 2017.

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,		
	2018	2017	2016
<b>Revenue</b>			
Loans and finance receivables revenue .....	\$ 1,112,701	\$ 842,851	\$ 744,092
Other .....	1,373	890	1,477
<b>Total Revenue</b> .....	1,114,074	843,741	745,569
<b>Cost of Revenue</b> .....	571,000	396,632	327,966
<b>Gross Profit</b> .....	543,074	447,109	417,603
<b>Expenses</b>			
Marketing .....	125,269	101,429	97,404
Operations and technology .....	112,483	95,155	85,202
General and administrative .....	107,060	101,723	97,956
Depreciation and amortization .....	15,190	14,388	15,564
<b>Total Expenses</b> .....	360,002	312,695	296,126
<b>Income from Operations</b> .....	183,072	134,414	121,477
Interest expense, net .....	(79,348)	(74,003)	(65,603)
Foreign currency transaction (loss) gain, net .....	(2,320)	384	1,562
Loss on early extinguishment of debt .....	(24,991)	(22,895)	—
<b>Income before Income Taxes</b> .....	76,413	37,900	57,436
Provision for income taxes .....	6,315	8,660	22,834
<b>Net Income</b> .....	<u>\$ 70,098</u>	<u>\$ 29,240</u>	<u>\$ 34,602</u>
<b>Diluted earnings per share</b> .....	<u>\$ 1.99</u>	<u>\$ 0.86</u>	<u>\$ 1.03</u>
<b>Revenue</b>			
Loans and finance receivables revenue .....	99.9%	99.9%	99.8%
Other .....	0.1	0.1	0.2
<b>Total Revenue</b> .....	100.0	100.0	100.0
<b>Cost of Revenue</b> .....	51.3	47.0	44.0
<b>Gross Profit</b> .....	48.7	53.0	56.0
<b>Expenses</b>			
Marketing .....	11.2	12.0	13.1
Operations and technology .....	10.1	11.3	11.4
General and administrative .....	9.6	12.1	13.1
Depreciation and amortization .....	1.4	1.7	2.1
<b>Total Expenses</b> .....	32.3	37.1	39.7
<b>Income from Operations</b> .....	16.4	15.9	16.3
Interest expense, net .....	(7.1)	(8.7)	(8.8)
Foreign currency transaction (loss) gain, net .....	(0.2)	0.0	0.2
Loss on early extinguishment of debt .....	(2.2)	(2.7)	0.0
<b>Income before Income Taxes</b> .....	6.9	4.5	7.7
Provision for income taxes .....	0.6	1.0	3.1
<b>Net Income</b> .....	<u>6.3%</u>	<u>3.5%</u>	<u>4.6%</u>

## NON-GAAP FINANCIAL MEASURES

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 our 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 consolidated

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,		
	2018	2017	2016
Net Income .....	\$ 70,098	\$ 29,240	\$ 34,602
Adjustments:			
Loss on early extinguishment of debt <sup>(a)</sup> .....	24,991	22,895	—
Acquisition-related costs <sup>(b)</sup> .....	—	(2,358)	(3,300)
Intangible asset amortization .....	1,070	1,080	1,137
Stock-based compensation expense .....	11,660	11,307	8,522
Foreign currency transaction loss (gain), net .....	2,320	(384)	(1,562)
Cumulative tax effect of adjustments .....	(8,885)	(7,435)	(1,907)
Discrete tax adjustments <sup>(c)</sup> .....	(11,237)	(7,452)	—
Regulatory settlement <sup>(d)</sup> .....	633	—	—
Adjusted earnings .....	<u>\$ 90,650</u>	<u>\$ 46,893</u>	<u>\$ 37,492</u>
Diluted earnings per share .....	\$ 1.99	\$ 0.86	\$ 1.03
Adjustments:			
Loss on early extinguishment of debt <sup>(a)</sup> .....	0.71	0.67	—
Acquisition related costs <sup>(b)</sup> .....	—	(0.07)	(0.10)
Intangible asset amortization .....	0.03	0.03	0.04
Stock-based compensation expense .....	0.33	0.33	0.26
Foreign currency transaction loss (gain), net .....	0.07	(0.01)	(0.05)
Cumulative tax effect of adjustments .....	(0.25)	(0.22)	(0.06)
Discrete tax adjustments <sup>(c)</sup> .....	(0.32)	(0.22)	—
Regulatory settlement <sup>(d)</sup> .....	0.02	—	—
Adjusted earnings per share .....	<u>\$ 2.58</u>	<u>\$ 1.37</u>	<u>\$ 1.12</u>

(a) For the years ended December 31, 2018 and 2017, we recorded \$25.0 million (\$19.6 million net of tax) and \$22.9 million (\$17.7 million net of tax) losses on early extinguishment of debt, respectively, related to the repurchase of \$345 million of principal amount of senior notes in 2018 and the repurchase of \$155.0 million principal amount of senior notes and the redemption of \$160.9 million of securitization notes in 2017.

(b) For the years ended December 31, 2017 and 2016, we recorded a \$2.4 million (\$1.8 million net of tax) and a \$3.3 million (\$2.0 million net of tax) fair value adjustment to contingent consideration, respectively, related to a prior year acquisition.

(c) For the years ended December 31, 2018 and 2017, we recorded income tax benefits of \$11.2 million and \$7.5 million, respectively, from the U.S. Tax Cuts and Jobs Act.

(d) For the year ended December 31, 2018, we 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 2014 review of us, to pay a civil money penalty of \$3.2 million, which is nondeductible for tax purposes.



### 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 loss on early extinguishment of debt, acquisition-related costs and the regulatory settlement 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,		
	2018	2017	2016
Net Income .....	\$ 70,098	\$ 29,240	\$ 34,602
Depreciation and amortization expenses .....	15,190	14,388	15,564
Interest expense, net .....	79,348	74,003	65,603
Foreign currency transaction loss (gain), net .....	2,320	(384)	(1,562)
Provision for income taxes .....	6,315	8,660	22,834
Stock-based compensation expense .....	11,660	11,307	8,522
Adjustments:			
Loss on early extinguishment of debt <sup>(a)</sup> .....	24,991	22,895	—
Acquisition-related costs <sup>(b)</sup> .....	—	(2,358)	(3,300)
Regulatory settlement <sup>(d)</sup> .....	633	—	—
Adjusted EBITDA .....	<u>\$ 210,555</u>	<u>\$ 157,751</u>	<u>\$ 142,263</u>
Adjusted EBITDA margin calculated as follows:			
Total Revenue .....	\$ 1,114,074	\$ 843,741	\$ 745,569
Adjusted EBITDA .....	\$ 210,555	\$ 157,751	\$ 142,263
Adjusted EBITDA as a percentage of total revenue .....	18.9%	18.7%	19.1%

Refer to footnotes in previous table for explanation of (a), (b), and (d)

### 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. Outside of the United States, we currently operate in the United Kingdom and Brazil. During 2018, 2017 and 2016, 15.0%, 15.9% and 16.4% of our revenue, respectively, originated in currencies other than the U.S. Dollar, principally the British Pound Sterling and Brazilian Real. As a result, changes in our reported revenue and profits include the impacts of changes in foreign currency exchange rates. We provide constant currency assessments in the following discussion and analysis to isolate 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 currencies:

	Year Ended December 31,		
	2018	2017	% Change
British Pound .....	1.3353	1.2891	3.6%
Brazilian Real .....	0.2753	0.3134	(12.2)%
	Year Ended December 31,		
	2017	2016	% Change
British Pound .....	1.2891	1.3554	(4.9)%
Brazilian Real .....	0.3134	0.2884	8.6%

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. 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 consolidated balance sheets 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 consolidated financial statements.

### YEAR ENDED 2018 COMPARED TO YEAR ENDED 2017

#### Revenue and Gross Profit

Revenue increased \$270.4 million, or 32.0%, to \$1,114.1 million for 2018 as compared to \$843.7 million for 2017. On a constant currency basis, revenue increased by \$269.7 million, or 32.0%, for 2018 compared to 2017. The change in revenue was driven by an increase in revenue of \$237.0 million from our domestic operations, primarily resulting from a 38.4% increase in domestic line of credit accounts revenue in 2018 and a 38.2% increase in domestic installment loan and RPA revenue compared to 2017 driven by growth in these products. Additionally, revenue from international operations increased \$33.4 million (or an increase of \$32.7 million on a constant currency basis), due primarily to a 39.7% increase in international installment loan revenue and a 10.6% increase in international short-term loan revenue in 2018 compared to 2017.

Our gross profit increased by \$96.0 million or 21.5% to \$543.1 million for 2018 from \$447.1 million for 2017. On a constant currency basis, gross profit increased by \$94.5 million for 2018 compared to 2017. Our gross profit as a percentage of revenue (“gross profit margin”) decreased to 48.7% in 2018 from 53.0% in 2017. The decrease in gross profit margin was primarily driven by the strong new customer growth of our domestic and international installment portfolios resulting in a higher mix of new customers overall, which require higher loss provisions as new customers default at a higher rate than returning customers with a successful history of loan performance. Growth in our domestic near-prime installment portfolio also contributed to the lower gross profit margin, as these products typically have a lower margin than our short-term products. However, as the portfolio continues to scale and the underlying longer-term loans continue to season, we expect to achieve increased marginal profitability.

The following tables set forth the components of revenue and gross profit, separated between domestic and international for 2018 and 2017 (dollars in thousands):

	<u>Year Ended December 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2018</u>	<u>2017</u>		
<b>Revenue by product:</b>				
Short-term loans .....	\$ 219,210	\$ 197,408	\$ 21,802	11.0%
Line of credit accounts .....	363,495	262,760	100,735	38.3%
Installment loans and RPAs .....	529,996	382,683	147,313	38.5%
Total loan and finance receivable revenue .....	1,112,701	842,851	269,850	32.0%
Other .....	1,373	890	483	54.3%
Total revenue .....	<u>\$ 1,114,074</u>	<u>\$ 843,741</u>	<u>\$ 270,333</u>	<u>32.0%</u>
<b>Revenue by product (% to total):</b>				
Short-term loans .....	19.7%	23.4%		
Line of credit accounts .....	32.6%	31.1%		
Installment loans and RPAs .....	47.6%	45.4%		
Total loan and finance receivable revenue .....	99.9%	99.9%		
Other .....	0.1%	0.1%		
Total revenue .....	<u>100.0%</u>	<u>100.0%</u>		

	Year Ended December 31,			
	2018	2017	\$ Change	% Change
<b>Domestic:</b>				
Revenue .....	\$ 946,515	\$ 709,537	\$ 236,978	33.4%
Cost of revenue .....	485,382	335,454	149,928	44.7%
Gross profit .....	\$ 461,133	\$ 374,083	\$ 87,050	23.3%
Gross profit margin .....	48.7%	52.7%	(4.0)%	(7.6)%
<b>International:</b>				
Revenue .....	\$ 167,559	\$ 134,204	\$ 33,355	24.9%
Cost of revenue .....	85,618	61,178	24,440	39.9%
Gross profit .....	\$ 81,941	\$ 73,026	\$ 8,915	12.2%
Gross profit margin .....	48.9%	54.4%	(5.5)%	(10.1)%
<b>Total:</b>				
Revenue .....	\$ 1,114,074	\$ 843,741	\$ 270,333	32.0%
Cost of revenue .....	571,000	396,632	174,368	44.0%
Gross profit .....	\$ 543,074	\$ 447,109	\$ 95,965	21.5%
Gross profit margin .....	48.7%	53.0%	(4.3)%	(8.1)%

### Loan and Finance Receivable Balances

The outstanding combined portfolio balance of loans and finance receivables, net of allowance and liability for estimated losses, increased \$150.9 million, or 20.5%, to \$887.5 million as of December 31, 2018 from \$736.6 million as of December 31, 2017, due primarily to increased demand for our domestic near-prime installment product and an increase in international loan balances (up 17.3% on a constant currency basis). The outstanding loan balance for our domestic near-prime product increased 26.7% as of December 31, 2018 compared to December 31, 2017, resulting in a domestic near-prime portfolio balance that comprises approximately 45% of our total loan and finance receivables portfolio balance while short-term loans comprise approximately 9%. We expect this trend to continue as we expand our near-prime installment product offering in 2019. 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. See “—Non-GAAP Financial Measures—Combined Loans and Finance Receivables” above for additional information related to combined loans and finance receivables.

The combined loan and finance receivable balance includes \$1,023.3 million and \$827.7 million as of December 31, 2018 and 2017, respectively, of our Company-owned receivables balances before the allowance for losses of \$163.3 million and \$123.0 million provided in the consolidated financial statements for December 31, 2018 and 2017, respectively. The combined loan and finance receivable balance also includes \$29.7 million and \$34.1 million as of December 31, 2018 and 2017, respectively, of loan and finance receivable balances that are guaranteed by us, which are not included in our consolidated balance sheets, with the exception of the liability for estimated losses of \$2.2 million and \$2.3 million, which is included in “Accounts payable and accrued expenses” as of December 31, 2018 and 2017, respectively.

The following tables summarize loan and finance receivable balances outstanding as of December 31, 2018 and 2017 (dollars in thousands):

	As of December 31,					
	2018			2017		
	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 .....	\$ 67,725	\$ 25,388	\$ 93,113	\$ 73,672	\$ 28,875	\$ 102,547
Line of credit accounts .....	227,563	—	227,563	170,068	—	170,068
Installment loans and RPAs .....	727,966	4,316	732,282	584,009	5,259	589,268
Total ending loans and finance receivables, gross ....	1,023,254	29,704	1,052,958	827,749	34,134	861,883
Less: Allowance and liabilities for losses <sup>(a)</sup> .....	(163,308)	(2,166)	(165,474)	(123,044)	(2,258)	(125,302)
Total ending loans and finance receivables, net .....	\$ 859,946	\$ 27,538	\$ 887,484	\$ 704,705	\$ 31,876	\$ 736,581
Allowance and liability for losses as a % of loans and finance receivables, gross .....	16.0%	7.3%	15.7%	14.9%	6.6%	14.5%

	As of December 31,					
	2018			2017		
	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 .....	\$ 902,447	\$ 29,704	\$ 932,151	\$ 716,555	\$ 34,134	\$ 750,689
Total international, gross .....	120,807	—	120,807	111,194	—	111,194
Total ending loans and finance receivables, gross ....	<u>\$1,023,254</u>	<u>\$ 29,704</u>	<u>\$1,052,958</u>	<u>\$ 827,749</u>	<u>\$ 34,134</u>	<u>\$ 861,883</u>

(a) GAAP measure. The loan and finance receivable balances guaranteed by us relate to loans originated by third-party lenders through the CSO programs and are not included in our consolidated balance sheets.

(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, 2018 and 2017:

	As of December 31,	
	2018	2017
<b>Average amount outstanding per loan (in ones)<sup>(a)</sup></b>		
Short-term loans <sup>(b)</sup> .....	\$ 467	\$ 492
Line of credit accounts .....	1,577	1,384
Installment loans <sup>(b)(c)</sup> .....	2,189	2,174
Total loans <sup>(b)(c)</sup> .....	<u>\$ 1,553</u>	<u>\$ 1,431</u>

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

(c) Excludes RPAs.

The average amount outstanding per loan increased to \$1,553 from \$1,431 during 2018 compared to 2017, mainly due to a greater mix of installment loans and line of credit accounts, which have higher average amounts outstanding per loan relative to short-term loans, in 2018 compared to 2017.

### Average Loan Origination

The average loan origination amount is calculated as the total amount of combined loans originated, renewed and purchased for the period divided by the total number of combined loans originated, renewed and purchased for the period. The following table shows the average loan origination amount by product for 2018 compared to 2017:

	Year Ended December 31,	
	2018	2017
<b>Average loan origination amount (in ones)<sup>(a)</sup></b>		
Short-term loans <sup>(b)</sup> .....	\$ 461	\$ 457
Line of credit accounts <sup>(c)</sup> .....	342	303
Installment loans <sup>(b)(d)</sup> .....	1,644	1,651
Total loans <sup>(b)(d)</sup> .....	<u>\$ 573</u>	<u>\$ 537</u>

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

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

(d) Excludes RPAs.

The average loan origination amount increased to \$573 from \$537 during 2018 compared to 2017, mainly due to a greater mix of installment loans, which have a higher origination amount than short-term loans and line of credit accounts.

### Loans and Finance Receivables Loss Experience

The allowance and liability for estimated losses as a percentage of combined loans and RPAs increased to 15.7% as of December 31, 2018 compared to 14.5% as of December 31, 2017, due primarily to a greater concentration of loans to new customers in the installment loan and line of credit account 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 2018 was \$571.0 million, which was composed of \$571.1 million related to our Company-owned loans and finance receivables and partially offset by a \$0.1 million decrease in the liability for estimated losses related to loans we guaranteed through the CSO programs. The cost of revenue in 2017 was \$396.6 million, which was composed of \$396.4 million related to our Company-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 \$529.3 million and \$373.4 million in 2018 and 2017, respectively.

The following tables show loan 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):

	2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Loans and finance receivables:</b>				
Gross - Company owned .....	\$ 817,359	\$ 871,915	\$ 990,368	\$ 1,023,254
Gross - Guaranteed by the Company <sup>(a)</sup> .....	26,594	28,681	30,106	29,704
Combined loans and finance receivables, gross <sup>(b)</sup> .....	843,953	900,596	1,020,474	1,052,958
Allowance and liability for losses on loans and finance receivables .....	115,693	123,876	153,829	165,474
Combined loans and finance receivables, net <sup>(b)</sup> .....	<u>\$ 728,260</u>	<u>\$ 776,720</u>	<u>\$ 866,645</u>	<u>\$ 887,484</u>
Allowance and liability for losses as a % of loans and finance receivables, gross <sup>(b)</sup> .....	13.7%	13.8%	15.1%	15.7%
	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Loans and finance receivables:</b>				
Gross - Company owned .....	\$ 598,717	\$ 647,835	\$ 742,796	\$ 827,749
Gross - Guaranteed by the Company <sup>(a)</sup> .....	22,546	28,013	28,943	34,134
Combined loans and finance receivables, gross <sup>(b)</sup> .....	621,263	675,848	771,739	861,883
Allowance and liability for losses on loans and finance receivables .....	84,441	85,780	107,077	125,302
Combined loans and finance receivables, net <sup>(b)</sup> .....	<u>\$ 536,822</u>	<u>\$ 590,068</u>	<u>\$ 664,662</u>	<u>\$ 736,581</u>
Allowance and liability for losses as a % of loans and finance receivables, gross <sup>(b)</sup> .....	13.6%	12.7%	13.9%	14.5%

(a) Represents loans originated by third-party lenders through the CSO programs, which are not included in our consolidated 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. The higher allowance and liability for losses as a percentage of combined loan balance in 2018 was attributable to strong customer demand for short-term loans in both the United States and the United Kingdom. This led to higher short-term consumer loan balances, which also led to year-over-year increases in the average and ending short-term loan balances for much of 2018.

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):

	2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Short-term loans:</b>				
Cost of revenue.....	\$ 20,323	\$ 20,386	\$ 26,174	\$ 25,386
Charge-offs (net of recoveries) .....	22,213	19,626	21,835	26,822
<b>Average short-term combined loan balance, gross:</b>				
Company owned <sup>(a)</sup> .....	71,442	66,171	73,476	72,952
Guaranteed by the Company <sup>(a)(b)</sup> .....	26,383	23,638	25,913	25,286
<b>Average short-term combined loan balance, gross<sup>(a)(c)</sup> .....</b>	<b>\$ 97,825</b>	<b>\$ 89,809</b>	<b>\$ 99,389</b>	<b>\$ 98,238</b>
<b>Ending short-term combined loan balance, gross:</b>				
Company owned .....	\$ 65,858	\$ 67,255	\$ 78,508	\$ 67,725
Guaranteed by the Company <sup>(b)</sup> .....	21,409	24,764	25,533	25,388
<b>Ending short-term combined loan balance, gross<sup>(c)</sup> .....</b>	<b>\$ 87,267</b>	<b>\$ 92,019</b>	<b>\$ 104,041</b>	<b>\$ 93,113</b>
Ending allowance and liability for losses .....	\$ 20,397	\$ 20,744	\$ 24,981	\$ 23,384
<b>Short-term loan ratios:</b>				
Cost of revenue as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	20.8%	22.7%	26.3%	25.8%
Charge-offs (net of recoveries) as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	22.7%	21.9%	22.0%	27.3%
Gross profit margin .....	61.9%	59.5%	54.8%	56.0%
Allowance and liability for losses as a % of combined loan balance, gross <sup>(c)(d)</sup> .....	23.4%	22.5%	24.0%	25.1%

	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Short-term loans:</b>				
Cost of revenue .....	\$ 15,602	\$ 16,584	\$ 23,849	\$ 22,129
Charge-offs (net of recoveries) .....	18,975	15,539	20,439	21,201
<b>Average short-term combined loan balance, gross:</b>				
Company owned <sup>(a)</sup> .....	58,729	57,653	65,949	70,040
Guaranteed by the Company <sup>(a)(b)</sup> .....	23,153	21,368	25,787	26,785
<b>Average short-term combined loan balance, gross<sup>(a)(c)</sup> .....</b>	<b>\$ 81,882</b>	<b>\$ 79,021</b>	<b>\$ 91,736</b>	<b>\$ 96,825</b>
<b>Ending short-term combined loan balance, gross:</b>				
Company owned .....	\$ 53,205	\$ 61,565	\$ 67,719	\$ 73,672
Guaranteed by the Company <sup>(b)</sup> .....	18,854	24,123	24,248	28,875
<b>Ending short-term combined loan balance, gross<sup>(c)</sup> .....</b>	<b>\$ 72,059</b>	<b>\$ 85,688</b>	<b>\$ 91,967</b>	<b>\$ 102,547</b>
Ending allowance and liability for losses .....	\$ 16,205	\$ 17,449	\$ 21,047	\$ 22,022
<b>Short-term loan ratios:</b>				
Cost of revenue as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	19.1%	21.0%	26.0%	22.9%
Charge-offs (net of recoveries) as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	23.2%	19.7%	22.3%	21.9%
Gross profit margin .....	67.1%	64.5%	52.2%	58.5%
Allowance and liability for losses as a % of combined loan balance, gross <sup>(c)(d)</sup> .....	22.5%	20.4%	22.9%	21.5%

(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 consolidated balance sheets.

(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. During 2018, we experienced lower gross profit margin and/or higher cost of revenue as a percentage of the average combined loan balance for line of credit accounts outstanding than we experienced in the prior year quarters as a result of the strong growth in the line of credit account portfolios.

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):

	2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b><u>Line of credit accounts:</u></b>				
Cost of revenue .....	\$ 25,383	\$ 31,211	\$ 46,749	\$ 59,632
Charge-offs (net of recoveries) .....	29,411	27,281	36,321	50,102
Average loan balance <sup>(a)</sup> .....	168,118	168,881	200,710	221,721
Ending loan balance .....	160,923	181,134	216,624	227,563
Ending allowance for losses balance .....	\$ 27,120	\$ 31,050	\$ 41,478	\$ 51,008
<b><u>Line of credit account ratios:</u></b>				
Cost of revenue as a % of average loan balance <sup>(a)</sup> .....	15.1%	18.5%	23.3%	26.9%
Charge-offs (net of recoveries) as a % of average loan balance <sup>(a)</sup> .....	17.5%	16.2%	18.1%	22.6%
Gross profit margin .....	67.6%	60.8%	52.6%	44.2%
Allowance for losses as a % of loan balance <sup>(b)</sup> .....	16.9%	17.1%	19.1%	22.4%

	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b><u>Line of credit accounts:</u></b>				
Cost of revenue .....	\$ 19,831	\$ 19,868	\$ 23,439	\$ 30,278
Charge-offs (net of recoveries) .....	24,660	18,786	19,476	25,940
Average loan balance <sup>(a)</sup> .....	135,621	128,348	145,398	161,905
Ending loan balance .....	124,498	134,154	154,689	170,068
Ending allowance for losses balance .....	\$ 21,765	\$ 22,847	\$ 26,810	\$ 31,148
<b><u>Line of credit account ratios:</u></b>				
Cost of revenue as a % of average loan balance <sup>(a)</sup> .....	14.6%	15.5%	16.1%	18.7%
Charge-offs (net of recoveries) as a % of average loan balance <sup>(a)</sup> .....	18.2%	14.6%	13.4%	16.0%
Gross profit margin .....	66.6%	66.2%	66.0%	59.9%
Allowance for losses as a % of loan balance <sup>(b)</sup> .....	17.5%	17.0%	17.3%	18.3%

(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, 2018 increased \$143.0 million, or 24.3%, compared to December 31, 2017. During 2018, we generally experienced lower gross profit margin than we experienced in the prior year quarters as a result of the continued growth in our domestic near-prime installment and RPA portfolios.

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

	2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b><u>Installment loans and RPAs:</u></b>				
Cost of revenue .....	\$ 62,847	\$ 69,897	\$ 90,840	\$ 92,172
Charge-offs (net of recoveries) .....	67,081	64,878	75,261	88,429
<b>Average installment and RPA combined loan and finance receivable balance, gross:</b>				
Company owned <sup>(a)</sup> .....	591,739	605,025	663,387	713,821
Guaranteed by the Company <sup>(a)(b)</sup> .....	5,760	4,500	4,325	4,279
<b>Average installment and RPA combined loan and finance receivable balance, gross<sup>(a)(c)</sup> .....</b>	<b><u>\$ 597,499</u></b>	<b><u>\$ 609,525</u></b>	<b><u>\$ 667,712</u></b>	<b><u>\$ 718,100</u></b>
<b>Ending installment and RPA combined loan and finance receivable balance, gross:</b>				
Company owned .....	\$ 590,578	\$ 623,526	\$ 695,236	\$ 727,966
Guaranteed by the Company <sup>(b)</sup> .....	5,185	3,917	4,573	4,316
<b>Ending installment and RPA combined loan and finance receivable balance, gross<sup>(c)</sup> .....</b>	<b><u>\$ 595,763</u></b>	<b><u>\$ 627,443</u></b>	<b><u>\$ 699,809</u></b>	<b><u>\$ 732,282</u></b>
Ending allowance and liability for losses .....	<u>\$ 68,176</u>	<u>\$ 72,082</u>	<u>\$ 87,370</u>	<u>\$ 91,082</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> .....	10.5%	11.5%	13.6%	12.8%
Charge-offs (net of recoveries) as a % of average installment and RPA combined loan and finance receivable balance, gross <sup>(a)(c)</sup> .....	11.2%	10.6%	11.3%	12.3%
Gross profit margin .....	48.5%	43.2%	33.7%	37.6%
Allowance and liability for losses as a % of combined loan and finance receivable balance, gross <sup>(c)(d)</sup> .....	11.4%	11.5%	12.5%	12.4%

	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b><u>Installment loans and RPAs:</u></b>				
Cost of revenue .....	\$ 46,451	\$ 43,410	\$ 60,053	\$ 75,138
Charge-offs (net of recoveries) .....	55,179	44,443	46,598	62,116
<b>Average installment and RPA combined loan and finance receivable balance, gross:</b>				
Company owned <sup>(a)</sup> .....	440,886	433,698	487,436	552,003
Guaranteed by the Company <sup>(a)(b)</sup> .....	4,874	3,631	4,628	5,025
<b>Average installment and RPA combined loan and finance receivable balance, gross<sup>(a)(c)</sup> .....</b>				
	<b><u>\$ 445,760</u></b>	<b><u>\$ 437,329</u></b>	<b><u>\$ 492,064</u></b>	<b><u>\$ 557,028</u></b>
<b>Ending installment and RPA combined loan and finance receivable balance, gross:</b>				
Company owned .....	\$ 421,014	\$ 452,116	\$ 520,388	\$ 584,009
Guaranteed by the Company <sup>(b)</sup> .....	3,692	3,890	4,695	5,259
<b>Ending installment and RPA combined loan and finance receivable balance, gross<sup>(c)</sup> .....</b>				
	<b><u>\$ 424,706</u></b>	<b><u>\$ 456,006</u></b>	<b><u>\$ 525,083</u></b>	<b><u>\$ 589,268</u></b>
Ending allowance and liability for losses .....	<u>\$ 46,471</u>	<u>\$ 45,484</u>	<u>\$ 59,220</u>	<u>\$ 72,132</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> ...	10.4%	9.9%	12.2%	13.5%
Charge-offs (net of recoveries) as a % of average installment and RPA combined loan and finance receivable balance, gross <sup>(a)(c)</sup> .....	12.4%	10.2%	9.5%	11.2%
Gross profit margin .....	45.4%	48.4%	39.3%	34.4%
Allowance and liability for losses as a % of combined loan and finance receivable balance, gross <sup>(c)(d)</sup> .....	10.9%	10.0%	11.3%	12.2%

(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 consolidated balance sheets.

(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 increased \$47.3 million, or 15.1%, to \$360.0 million in 2018, compared to \$312.7 million in 2017. On a constant currency basis, total expenses increased \$47.7 million, or 15.3%, to \$360.4 million for 2018 compared to 2017.

Marketing expense increased \$23.9 million, or 23.5%, to \$125.3 million in 2018 compared to \$101.4 million in 2017, primarily due to higher direct mail and television advertising for our domestic brands and higher lead purchase and digital marketing costs for both our domestic and international businesses.

Operations and technology expense increased to \$112.5 million in 2018 from \$95.2 million in 2017, due primarily to higher call center headcount to support our growth, higher underwriting costs primarily related to growth in loan originations and higher selling expense, which includes ongoing expenses associated with complaints in the United Kingdom.

General and administrative expense increased \$5.3 million, or 5.2%, to \$107.0 million in 2018 compared to \$101.7 million in 2017, due primarily to higher incentive expenses resulting from our strong financial performance.

Depreciation and amortization expense increased to \$15.2 million in 2018 compared to \$14.4 million in 2017 primarily related to software development projects and amortization thereof.



## **Interest Expense, Net**

Interest expense, net increased \$5.4 million, or 7.2%, to \$79.4 million in 2018 compared to \$74.0 million in 2017. The increase was due to an increase in the average amount of debt outstanding of \$116.2 million to \$810.7 million during 2018 from \$694.5 million during 2017, partially offset by a decrease in the weighted average interest rate on our outstanding debt to 9.78% in 2018 from 10.63% in 2017. The increase in average debt outstanding was due primarily to additional principal amounts outstanding under our securitization facilities and the issuance of \$375.0 million in senior notes in September 2018, partially offset by the early paydown of our 9.75% senior notes due 2021. See “—Liquidity and Capital Resources—Consumer Loan Securitizations” below for further information.

## **Provision for Income Taxes**

Provision for income taxes decreased \$2.4 million, or 27.1%, to \$6.3 million in 2018 compared to \$8.7 million in 2017. The decrease was attributable to the estimated tax effects of optimizing the timing of certain income tax deductions for prior year loan and fixed asset related deferred tax items, coupled with the overall decrease in the federal tax rate from 35% to 21% resulting from the Tax Cuts and Jobs Act, which was enacted into law on December 22, 2017. Refer to Note 9 in the Notes to Consolidated Financial Statements for additional discussion.

The balance of unrecognized tax benefits recorded in our Consolidated Balance Sheet as of December 31, 2018 was \$13.3 million, all of which, if recognized, would favorably affect the effective tax rate in the period of recognition. We believe it is reasonably possible that, within the next twelve months, unrecognized domestic tax benefits will change by a significant amount. The principal uncertainties are related to the timing of recognition of income and losses related to our loan portfolio. We anticipate a Joint Committee on Taxation review of certain tax returns that were filed during 2018 in conjunction with the refunds claimed on those returns. Depending upon the outcome of the review and any related agreements or settlements with the relevant taxing authorities, the amount of the uncertainty, including amounts that would be recognized as a component of the effective tax rate, could change significantly. While the total amount of uncertainty to be resolved is not clear, it is reasonably possible that the uncertainties pertaining to this matter will be resolved in the next twelve months.

## **YEAR ENDED 2017 COMPARED TO YEAR ENDED 2016**

### **Revenue and Gross Profit**

Revenue increased \$98.1 million, or 13.2%, to \$843.7 million for 2017 as compared to \$745.6 million for 2016. On a constant currency basis, revenue increased by \$102.2 million, or 13.7%, for 2017 compared to 2016. The change in revenue was driven by an increase in revenue of \$86.5 million from our domestic operations, primarily resulting from a 19.5% increase in domestic line of credit accounts revenue in 2017 and a 16.9% increase in domestic installment loan and RPA revenue compared to 2016 driven by growth in these products. Additionally, revenue from international operations increased \$11.6 million (or an increase of \$15.6 million on a constant currency basis), due primarily to a 17.1% increase in international installment loan revenue and a 4.9% increase in international short-term loan revenue in 2017 compared to 2016.

Our gross profit increased by \$29.5 million or 7.1% to \$447.1 million for 2017 from \$417.6 million for 2016. On a constant currency basis, gross profit increased by \$33.1 million for 2017 compared to 2016. Our gross profit margin decreased to 53.0% in 2017 from 56.0% in 2016. The decrease in gross profit margin was driven primarily by the strong new customer growth of our domestic and international installment portfolios resulting in a higher mix of new customers overall, 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.

The following tables set forth the components of revenue and gross profit, separated between domestic and international for 2017 and 2016 (dollars in thousands):

	Year Ended December 31,		\$ Change	% Change
	2017	2016		
<b>Revenue by product:</b>				
Short-term loans .....	\$ 197,408	\$ 196,255	\$ 1,153	0.6%
Line of credit accounts .....	262,760	220,462	42,298	19.2%
Installment loans and RPAs .....	382,683	327,375	55,308	16.9%
Total loan and finance receivable revenue .....	842,851	744,092	98,759	13.3%
Other .....	890	1,477	(587)	(39.7)%
Total revenue .....	<u>\$ 843,741</u>	<u>\$ 745,569</u>	<u>\$ 98,172</u>	<u>13.2%</u>

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

Short-term loans .....	23.4%	26.3%
Line of credit accounts .....	31.1%	29.6%
Installment loans and RPAs .....	45.4%	43.9%
Total loan and finance receivable revenue .....	99.9%	99.8%
Other .....	0.1%	0.2%
Total revenue .....	<u>100.0%</u>	<u>100.0%</u>

	Year Ended December 31,		\$ Change	% Change
	2017	2016		
<b>Domestic:</b>				
Revenue .....	\$ 709,537	\$ 622,991	\$ 86,546	13.9%
Cost of revenue .....	335,454	291,264	44,190	15.2%
Gross profit .....	\$ 374,083	\$ 331,727	\$ 42,356	12.8%
Gross profit margin .....	52.7%	53.2%	(0.5)%	(0.9)%
<b>International:</b>				
Revenue .....	\$ 134,204	\$ 122,578	\$ 11,626	9.5%
Cost of revenue .....	61,178	36,702	24,476	66.7%
Gross profit .....	\$ 73,026	\$ 85,876	\$ (12,850)	(15.0)%
Gross profit margin .....	54.4%	70.1%	(15.7)%	(22.4)%
<b>Total:</b>				
Revenue .....	\$ 843,741	\$ 745,569	\$ 98,172	13.2%
Cost of revenue .....	396,632	327,966	68,666	20.9%
Gross profit .....	\$ 447,109	\$ 417,603	\$ 29,506	7.1%
Gross profit margin .....	53.0%	56.0%	(3.0)%	(5.4)%

**Loan and Finance Receivable Balances**

The outstanding combined portfolio balance of loans and finance receivables, net of allowance and liability for estimated losses, increased \$144.8 million, or 24.5%, to \$736.6 million as of December 31, 2017 from \$591.8 million as of December 31, 2016, due primarily to increased demand for our domestic near-prime installment product and an increase in international loan balances (up 23.7% on a constant currency basis). The outstanding loan balance for our domestic near-prime product increased 32.9% as of December 31, 2017 compared to December 31, 2016, resulting in a domestic near-prime portfolio balance that comprises approximately 43% of our total loan and finance receivables portfolio balance while short-term loans comprise approximately 12%. We expect this trend to continue as we expand our near-prime installment product offering in 2018. 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. See “—Non-GAAP Financial Measures—Combined Loans and Finance Receivables” above for additional information related to combined loans and finance receivables.

The combined loan and finance receivables balance includes \$827.7 million and \$660.5 million as of December 31, 2017 and 2016, respectively, of Company-owned receivables balances before the allowance for losses of \$123.0 million and \$98.9 million provided in the consolidated financial statements for December 31, 2017 and 2016, respectively. The combined loan and finance receivables balance also includes \$34.1 million and \$32.2 million as of December 31, 2017 and 2016, respectively, of loan and finance receivable balances that are guaranteed by us, which are not included in our consolidated balance sheets, with the exception of the liability for estimated losses of \$2.3 million and \$2.0 million, which is included in “Accounts payable and accrued expenses” in the consolidated balance sheets for December 31, 2017 and 2016, respectively.

The following tables summarize combined loan and finance receivable balances outstanding as of December 31, 2017 and 2016 (dollars in thousands):

	As of December 31,					
	2017			2016		
	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 .....	\$ 73,672	\$ 28,875	\$ 102,547	\$ 63,005	\$ 26,092	\$ 89,097
Line of credit accounts .....	170,068	—	170,068	144,183	—	144,183
Installment loans and RPAs .....	584,009	5,259	589,268	453,307	6,107	459,414
Total ending loans and finance receivables, gross ....	827,749	34,134	861,883	660,495	32,199	692,694
Less: Allowance and liabilities for losses <sup>(a)</sup> .....	(123,044)	(2,258)	(125,302)	(98,945)	(1,996)	(100,941)
Total ending loans and finance receivables, net .....	<u>\$ 704,705</u>	<u>\$ 31,876</u>	<u>\$ 736,581</u>	<u>\$ 561,550</u>	<u>\$ 30,203</u>	<u>\$ 591,753</u>
Allowance and liability for losses as a % of loans and finance receivables, gross .....	14.9%	6.6%	14.5%	15.0%	6.2%	14.6%

	As of December 31,					
	2017			2016		
	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 .....	\$ 716,555	\$ 34,134	\$ 750,689	\$ 576,992	\$ 32,199	\$ 609,191
Total international, gross .....	111,194	—	111,194	83,503	—	83,503
Total ending loans and finance receivables, gross ....	<u>\$ 827,749</u>	<u>\$ 34,134</u>	<u>\$ 861,883</u>	<u>\$ 660,495</u>	<u>\$ 32,199</u>	<u>\$ 692,694</u>

(a) GAAP measure. The loan and finance receivable balances guaranteed by us relate to loans originated by third-party lenders through the CSO programs and are not included in our consolidated balance sheets.

(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, 2017 and 2016:

	As of December 31,	
	2017	2016
<b>Average amount outstanding per loan (in ones)<sup>(a)</sup></b>		
Short-term loans <sup>(b)</sup> .....	\$ 492	\$ 484
Line of credit accounts .....	1,384	1,289
Installment loans <sup>(b)(c)</sup> .....	2,174	1,888
Total loans <sup>(b)(c)</sup> .....	<u>\$ 1,431</u>	<u>\$ 1,254</u>

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

(c) Excludes RPAs.

The average amount outstanding per loan increased to \$1,431 from \$1,254 during 2017 compared to 2016, mainly due to a greater mix of installment loans, which have higher average amounts per loan relative to short-term loans, in 2017 compared to 2016.

### Average Loan Origination

The average loan origination amount is calculated as the total amount of combined loans originated, renewed and purchased for the period divided by the total number of combined loans originated, renewed and purchased for the period. The following table shows the average loan origination amount by product for 2017 compared to 2016:

	Year Ended December 31,	
	2017	2016
<b>Average loan origination amount (in ones)<sup>(a)</sup></b>		
Short-term loans <sup>(b)</sup> .....	\$ 457	\$ 454
Line of credit accounts <sup>(c)</sup> .....	303	306
Installment loans <sup>(b)(d)</sup> .....	1,651	1,734
<b>Total loans<sup>(b)(d)</sup> .....</b>	<b>\$ 537</b>	<b>\$ 517</b>

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

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

(d) Excludes RPAs.

The average loan origination amount increased to \$537 from \$517 during 2017 compared to 2016, mainly due to a greater mix of installment loans, which have a higher origination amount than short-term loans and line of credit accounts.

### Loans and Finance Receivables Loss Experience

The allowance and liability for estimated losses as a percentage of combined loans and RPAs remained relatively flat at 14.5% as of December 31, 2017 compared to 14.6% as of December 31, 2016.

The cost of revenue in 2017 was \$396.6 million, which was composed of \$396.4 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 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. Total charge-offs, net of recoveries, were \$373.4 million and \$295.5 million in 2017 and 2016, respectively.

The following tables show loan 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):

	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Loans and finance receivables:</b>				
Gross - Company owned .....	\$ 598,717	\$ 647,835	\$ 742,796	\$ 827,749
Gross - Guaranteed by the Company <sup>(a)</sup> .....	22,546	28,013	28,943	34,134
Combined loans and finance receivables, gross <sup>(b)</sup> .....	621,263	675,848	771,739	861,883
Allowance and liability for losses on loans and finance receivables .....	84,441	85,780	107,077	125,302
Combined loans and finance receivables, net <sup>(b)</sup> .....	<u>\$ 536,822</u>	<u>\$ 590,068</u>	<u>\$ 664,662</u>	<u>\$ 736,581</u>
Allowance and liability for losses as a % of loans and finance receivables, gross <sup>(b)</sup> .....	13.6%	12.7%	13.9%	14.5%

	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%

*(a) Represents loans originated by third-party lenders through the CSO programs, which are not included in our consolidated 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. The higher allowance and liability for losses as a percentage of combined loan balance in 2017 was attributable to strong customer demand for short-term loans in both the United States and the United Kingdom. This led to higher short-term consumer loan balances, which also led to year-over-year increases in the average and ending short-term loan balances for much of 2017.

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):

	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Short-term loans:</b>				
Cost of revenue .....	\$ 15,602	\$ 16,584	\$ 23,849	\$ 22,129
Charge-offs (net of recoveries) .....	18,975	15,539	20,439	21,201
<b>Average short-term combined loan balance, gross:</b>				
Company owned <sup>(a)</sup> .....	58,729	57,653	65,949	70,040
Guaranteed by the Company <sup>(a)(b)</sup> .....	23,153	21,368	25,787	26,785
<b>Average short-term combined loan balance, gross<sup>(a)(c)</sup> .....</b>	<b>\$ 81,882</b>	<b>\$ 79,021</b>	<b>\$ 91,736</b>	<b>\$ 96,825</b>
<b>Ending short-term combined loan balance, gross:</b>				
Company owned .....	\$ 53,205	\$ 61,565	\$ 67,719	\$ 73,672
Guaranteed by the Company <sup>(b)</sup> .....	18,854	24,123	24,248	28,875
<b>Ending short-term combined loan balance, gross<sup>(c)</sup> .....</b>	<b>\$ 72,059</b>	<b>\$ 85,688</b>	<b>\$ 91,967</b>	<b>\$ 102,547</b>
Ending allowance and liability for losses .....	<u>\$ 16,205</u>	<u>\$ 17,449</u>	<u>\$ 21,047</u>	<u>\$ 22,022</u>
<b>Short-term loan ratios:</b>				
Cost of revenue as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	19.1%	21.0%	26.0%	22.9%
Charge-offs (net of recoveries) as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	23.2%	19.7%	22.3%	21.9%
Gross profit margin .....	67.1%	64.5%	52.2%	58.5%
Allowance and liability for losses as a % of combined loan balance, gross <sup>(c)(d)</sup> .....	22.5%	20.4%	22.9%	21.5%
<b>2016</b>				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Short-term loans:</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>\$ 80,990</b>	<b>\$ 75,767</b>	<b>\$ 85,439</b>	<b>\$ 84,437</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>\$ 72,915</b>	<b>\$ 83,249</b>	<b>\$ 83,503</b>	<b>\$ 89,097</b>
Ending allowance and liability for losses .....	<u>\$ 12,598</u>	<u>\$ 14,746</u>	<u>\$ 19,184</u>	<u>\$ 19,486</u>
<b>Short-term loan ratios:</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%

(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 consolidated balance sheets.

(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. Our gross margin, as well as, our cost of revenue as a percentage of average loan balance have demonstrated consistent year-over-year improvement as the portfolio has shown stable credit quality through strong loan growth in 2017.

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):

	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Line of credit accounts:</b>				
Cost of revenue .....	\$ 19,831	\$ 19,868	\$ 23,439	\$ 30,278
Charge-offs (net of recoveries) .....	24,660	18,786	19,476	25,940
Average loan balance <sup>(a)</sup> .....	135,621	128,348	145,398	161,905
Ending loan balance .....	124,498	134,154	154,689	170,068
Ending allowance for losses balance .....	\$ 21,765	\$ 22,847	\$ 26,810	\$ 31,148
<b>Line of credit account ratios:</b>				
Cost of revenue as a % of average loan balance <sup>(a)</sup> .....	14.6%	15.5%	16.1%	18.7%
Charge-offs (net of recoveries) as a % of average loan balance <sup>(a)</sup> .....	18.2%	14.6%	13.4%	16.0%
Gross profit margin .....	66.6%	66.2%	66.0%	59.9%
Allowance for losses as a % of loan balance <sup>(b)</sup> .....	17.5%	17.0%	17.3%	18.3%

	2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Line of credit accounts:</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>Line of credit account ratios:</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%

(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, 2017 increased \$129.9 million, or 28.3%, compared to December 31, 2016. During 2017, we experienced lower gross profit margin than we experienced in the prior year quarters as a result of the continued growth in our domestic near-prime installment and RPA portfolios.

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

	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b><u>Installment loans and RPAs:</u></b>				
Cost of revenue .....	\$ 46,451	\$ 43,410	\$ 60,053	\$ 75,138
Charge-offs (net of recoveries) .....	55,179	44,443	46,598	62,116
<b>Average installment and RPA combined loan and finance receivable balance, gross:</b>				
Company owned <sup>(a)</sup> .....	440,886	433,698	487,436	552,003
Guaranteed by the Company <sup>(a)(b)</sup> .....	4,874	3,631	4,628	5,025
<b>Average installment and RPA combined loan and finance receivable balance, gross<sup>(a)(c)</sup> .....</b>	<b><u>\$ 445,760</u></b>	<b><u>\$ 437,329</u></b>	<b><u>\$ 492,064</u></b>	<b><u>\$ 557,028</u></b>
<b>Ending installment and RPA combined loan and finance receivable balance, gross:</b>				
Company owned .....	\$ 421,014	\$ 452,116	\$ 520,388	\$ 584,009
Guaranteed by the Company <sup>(b)</sup> .....	3,692	3,890	4,695	5,259
<b>Ending installment and RPA combined loan and finance receivable balance, gross<sup>(c)</sup> .....</b>	<b><u>\$ 424,706</u></b>	<b><u>\$ 456,006</u></b>	<b><u>\$ 525,083</u></b>	<b><u>\$ 589,268</u></b>
Ending allowance and liability for losses .....	\$ 46,471	\$ 45,484	\$ 59,220	\$ 72,132
<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> .....	10.4%	9.9%	12.2%	13.5%
Charge-offs (net of recoveries) as a % of average installment and RPA combined loan and finance receivable balance, gross <sup>(a)(c)</sup> .....	12.4%	10.2%	9.5%	11.2%
Gross profit margin .....	45.4%	48.4%	39.3%	34.4%
Allowance and liability for losses as a % of combined loan and finance receivable balance, gross <sup>(c)(d)</sup> .....	10.9%	10.0%	11.3%	12.2%

	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%

(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 consolidated balance sheets.

(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 increased \$16.6 million, or 5.6%, to \$312.7 million in 2017, compared to \$296.1 million in 2016. On a constant currency basis, total expenses increased \$17.4 million, or 5.9%, to \$313.5 million for 2017 compared to 2016.

Marketing expense increased \$4.0 million, or 4.1%, to \$101.4 million in 2017 compared to \$97.4 million in 2016. Higher direct mail and lead purchase costs were partially offset by lower digital marketing and revenue-sharing costs.

Operations and technology expense increased to \$95.2 million in 2017 from \$85.2 million in 2016, due primarily to underwriting and transaction costs and software costs primarily related to growth in loan originations.

General and administrative expense increased \$3.7 million, or 3.8%, to \$101.7 million in 2017 compared to \$98.0 million in 2016, due primarily to higher personnel and incentive expenses from an increase in corporate headcount.

Depreciation and amortization expense decreased to \$14.4 million in 2017 compared to \$15.5 million in 2016 due primarily to the acceleration of depreciation in the prior year resulting from our exit from the Australian and Canadian markets and the relocation of a datacenter in 2016.

## **Interest Expense, Net**

Interest expense, net increased \$8.4 million, or 12.8%, to \$74.0 million in 2017 compared to \$65.6 million in 2016. The increase was due to an increase in the average amount of debt outstanding, resulting from additional principal amounts outstanding under our securitization facilities (see “—Liquidity and Capital Resources—Consumer Loan Securitizations” below for further information) and the issuance of the 8.50% Senior Unsecured Notes Due 2024 on September 1, 2017 (see “—Liquidity and Capital Resources—8.50% Senior Unsecured Notes Due 2024” below for further information), which increased the average amount of debt outstanding by \$79.3 million to \$694.5 million during 2017 from \$615.2 million during 2016, partially offset by a decrease in the weighted average interest rate on our outstanding debt to 10.63% in 2017 from 10.71% in 2016.

## **Provision for Income Taxes**

Provision for income taxes decreased \$14.1 million, or 62.1%, to \$8.7 million in 2017 compared to \$22.8 million in 2016. The decrease was due primarily to a 34.0% decrease in income before income taxes, and a decrease in the effective tax rate to 22.9% in 2017 from 39.8% in 2016. The decrease in the effective tax rate is mainly due to the Tax Cuts and Jobs Act, and an adjustment related to share based compensation deferred tax.

## **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 \$500.0 million in aggregate principal amount of 9.75% senior notes due 2021 (the “2021 Senior Notes”). On September 1, 2017, we issued and sold \$250.0 million in aggregate principal amount of 8.50% Senior Notes due 2024 (the “2024 Senior Notes”) and used the net proceeds, in part, to retire \$155.0 million in 2021 Senior Notes. On January 21, 2018, we redeemed an additional \$50.0 million in principal amount of the outstanding 2021 Senior Notes. On September 19, 2018, we issued and sold \$375.0 million in aggregate principal amount of 8.50% Senior Notes due 2025 (the “2025 Senior Notes”) and used the net proceeds, in part, to retire the remaining \$295.0 million in principal amount of the outstanding 2021 Senior Notes.

On June 30, 2017, we entered into a secured revolving credit agreement (as amended, the “Credit Agreement”) which replaced our previous credit agreement that was terminated on June 30, 2017. On April 13, 2018 and October 5, 2018, we and certain of our operating subsidiaries entered into amendments of our Credit Agreement, as further described below. As of February 22, 2019, our available borrowings under the Credit Agreement were \$76.4 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 Securitizations.” On October 20, 2017, we amended and restated the 2016-1 Securitization Facility, as further described below. On July 23, 2018 and October 23, 2018, we and several of our subsidiaries entered into the 2018-1 and 2018-2 Securitization Facilities, respectively, as further described below. On October 31, 2018, we issued asset-backed notes through an indirect subsidiary, as further described below. As of February 22, 2019, the outstanding balance under our securitization facilities was \$225.2 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 the Credit Agreement, or any refinancing, replacement thereof or increase in borrowings thereunder, and securitization or sale of loans and finance receivables under our consumer loan securitization facilities.

As of December 31, 2018, 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 the Credit Agreement, or any refinancing or replacement thereof, and reductions in capital spending which could be expected to generate additional liquidity.

### ***8.50% Senior Unsecured Notes Due 2025***

On September 19, 2018, we issued and sold the 2025 Senior Notes. The 2025 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. The 2025 Senior Notes bear interest at a rate of 8.50% annually on the principal amount payable semi-annually in arrears on March 15 and September 15 of each year, beginning on March 15, 2019. The 2025 Senior Notes were sold at a price of 100%. The 2025 Senior Notes will mature on September 15, 2025. The 2025 Senior Notes are unsecured



debt obligations of ours, and are unconditionally guaranteed by certain of our domestic subsidiaries. As of December 31, 2018, the total liabilities of our subsidiaries (other than the guarantors) were \$321.3 million, including trade payables.

The 2025 Senior Notes are redeemable at our option, in whole or in part, (i) at any time prior to September 15, 2021 at 100% of the aggregate principal amount of 2025 Senior Notes redeemed plus the applicable “make whole” premium specified in the indenture that governs our 2025 Notes (the “2025 Senior Notes Indenture”), plus accrued and unpaid interest, if any, to the redemption date and (ii) at any time on or after September 15, 2021 at the premium, if any, specified in the 2025 Senior Notes Indenture that will decrease over time, plus accrued and unpaid interest, if any, to the redemption date. In addition, prior to September 15, 2021, at our option, we may redeem up to 40% of the aggregate principal amount of the 2025 Senior Notes at a redemption price of 108.5% of the aggregate principal amount of 2025 Senior Notes redeemed, plus accrued and unpaid interest, if any, to the redemption date, with the proceeds of certain equity offerings as described in the 2025 Senior Notes Indenture.

The 2025 Senior Notes and the related guarantees have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction, and may not be offered or sold in the United States without registration or an applicable exemption from the registration requirements of the Securities Act and applicable state securities or blue sky laws and foreign securities laws.

We used a portion of the net proceeds of the 2025 Senior Notes offering to retire the remaining outstanding 2021 Senior Notes balance of \$295.0 million, to pay the related accrued interest, premiums, fees and expenses associated therewith. The remaining amount is intended to be used for general corporate purposes, which may include working capital and future repurchases of our outstanding debt securities.

#### ***8.50% Senior Unsecured Notes Due 2024***

On September 1, 2017, we issued and sold the 2024 Senior Notes. The 2024 Senior 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. The 2024 Senior Notes bear interest at a rate of 8.50% annually on the principal amount payable semi-annually in arrears on March 1 and September 1 of each year, beginning on March 1, 2018. The 2024 Senior Notes were sold at a price of 100%. The 2024 Senior Notes will mature on September 1, 2024. The 2024 Senior Notes are unsecured debt obligations of ours, and are unconditionally guaranteed by certain of our domestic subsidiaries. As of December 31, 2018, the total liabilities of our subsidiaries (other than the guarantors) were \$321.3 million, including trade payables.

The 2024 Senior Notes are redeemable at our option, in whole or in part, (i) at any time prior to September 1, 2020 at 100% of the aggregate principal amount of 2024 Senior Notes redeemed plus the applicable “make whole” premium specified in the 2024 Senior Notes Indenture, plus accrued and unpaid interest, if any, to the redemption date and (ii) at any time on or after September 1, 2020 at the premium, if any, specified in the 2024 Senior Notes Indenture that will decrease over time, plus accrued and unpaid interest, if any, to the redemption date. In addition, prior to September 1, 2020, at our option, we may redeem up to 40% of the aggregate principal amount of the 2024 Senior Notes at a redemption price of 108.5% of the aggregate principal amount of 2024 Senior Notes redeemed, plus accrued and unpaid interest, if any, to the redemption date, with the proceeds of certain equity offerings as described in the 2024 Senior Notes Indenture.

The 2024 Senior Notes and the related guarantees have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction, and may not be offered or sold in the United States without registration or an applicable exemption from the registration requirements of the Securities Act and applicable state securities or blue sky laws and foreign securities laws.

We used the net proceeds of the 2024 Senior Notes offering to retire a portion of our outstanding 2021 Senior Notes, to pay the related accrued interest, premiums, fees and expenses associated therewith and for general corporate purposes

#### ***Consumer Loan Securitizations***

We securitize consumer loan receivables originated by certain of our subsidiaries, which are sold to bankruptcy remote special purpose subsidiaries. Each of these securitizations provides that (i) the lenders to a securitization subsidiaries have no recourse to seek repayment or recovery from our operating entities for credit losses on the receivables; (ii) except for certain limited indemnities, such lenders have recourse only to assets of the applicable securitization subsidiary to which they have lent; (iii) such lenders maintain a security interest in all assets of the applicable securitization subsidiary; (iv) cash flows from the assets transferred to such securitization subsidiaries represent the sole source of payment to such securitization subsidiaries. The collections on assets sold to securitization subsidiaries are not available to satisfy the debts or other obligations of the Company unless such amounts have been released from the lien of the lenders.

### 2018-A Notes

On October 31, 2018 (the “2018-A Closing Date”), we issued \$95,000,000 Class A Asset Backed Notes (the “Class A Notes”) and \$30,400,000 Class B Asset Backed Notes (the “Class B Notes” and, collectively with the Class A Notes, the “2018-A Notes”), through an indirect subsidiary. The Class A Notes bear interest at 4.20%, and the Class B Notes bear interest at 7.37%. The 2018-A Notes are backed by a pool of unsecured consumer installment loans (“Securitization Receivables”) and represent obligations of the issuer only. The 2018-A Notes are not guaranteed by us. Under the 2018-A Notes, Securitization Receivables are sold to a wholly-owned subsidiary of ours and serviced by another subsidiary of ours.

The net proceeds of the offering of the 2018-A Notes on the 2018-A Closing Date were used to acquire the Securitization Receivables from us, fund a reserve account and pay fees and expenses incurred in connection with the transaction.

The 2018-A Notes were offered only to “qualified institutional buyers” pursuant to Rule 144A under the Securities Act and to certain persons outside of the United States in compliance with Regulation S under the Securities Act. The 2018-A Notes have not been registered under the Securities Act, or the securities laws of any state or other jurisdiction, and may not be offered or sold in the United States without registration or an applicable exemption from the Securities Act and applicable state securities or blue sky laws and foreign securities laws.

### 2018-2 Facility

On October 23, 2018, we and several of our subsidiaries entered into a receivables funding agreement (the “2018-2 Facility”) with Credit Suisse AG, New York Branch, as agent (the “Agent”). The 2018-2 Facility collateralizes Securitization Receivables that have been and will be originated or acquired under our NetCredit brand by several of our subsidiaries and that meet specified eligibility criteria in exchange for a revolving note. Under the 2018-2 Facility, Securitization Receivables are sold to a wholly-owned subsidiary of ours (the “2018-2 Debtor”) and serviced by another subsidiary of ours.

The 2018-2 Debtor has issued a revolving note with an initial maximum principal balance of \$150.0 million, which is required to be secured by 1.25 times the drawn amount in eligible Securitization Receivables. The 2018-2 Facility is non-recourse to us and matures on October 23, 2022.

The 2018-2 Facility is governed by a loan and security agreement, dated as of October 23, 2018, between the Agent, the 2018-2 Debtor and certain other lenders and agent parties thereto. The 2018-2 Facility bears interest at a rate per annum equal to one-month LIBOR (subject to a floor) plus an applicable margin, which rate per annum is 3.75%. In addition, the 2018-2 Debtor paid certain customary upfront closing fees to the Agent. Interest payments on the 2018-2 Facility will be made monthly. The 2018-2 Debtor shall be permitted to prepay the 2018-2 Facility, subject to certain fees and conditions. Any remaining amounts outstanding will be payable no later than October 23, 2022, the final maturity date.

All amounts due under the 2018-2 Facility are secured by all of the 2018-2 Debtor’s assets, which include the Securitization Receivables transferred to the 2018-2 Debtor, related rights under the Securitization Receivables, a bank account and certain other related collateral.

The 2018-2 Facility documents contain customary provisions for securitizations, including: representations and warranties as to the eligibility of the Securitization 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 that provide for the acceleration of the 2018-2 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 Securitization Receivables and defaults under other material indebtedness of the 2018-2 Debtor.

### 2018-1 Facility

On July 23, 2018, we and several of our subsidiaries entered into a receivables funding agreement (the “2018-1 Facility”) with Pacific Western Bank, as lender (the “2018-1 Lender”). The 2018-1 Facility collateralizes Securitization Receivables that have been and will be originated or acquired under our NetCredit brand by several of our subsidiaries and that meet specified eligibility criteria in exchange for a revolving note. Under the 2018-1 Facility, Securitization Receivables are sold to a wholly-owned subsidiary of ours (the “2018-1 Debtor”) and serviced by another subsidiary of ours.

The 2018-1 Debtor has issued a revolving note with an initial maximum principal balance of \$150.0 million, which is required to be secured by 1.25 times the drawn amount in eligible Securitization Receivables. The 2018-1 Facility is non-recourse to us and matures on July 22, 2023.

The 2018-1 Facility is governed by a loan and security agreement, dated as of July 23, 2018, between the 2018-1 Lender and the 2018-1 Debtor. The 2018-1 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 4.00%. In addition, the 2018-1 Debtor paid certain customary upfront closing fees to the 2018-1 Lender. Interest payments on the 2018-1 Facility are made monthly. The 2018-1 Debtor is permitted to prepay the 2018-1 Facility, subject to certain fees and conditions. In the event of prepayment for the purposes of securitizations, no fees shall apply. Any remaining amounts outstanding will be payable no later than July 22, 2023, the final maturity date.

All amounts due under the 2018-1 Facility are secured by all of the 2018-1 Debtor's assets, which include the Securitization Receivables transferred to the 2018-1 Debtor, related rights under the Securitization Receivables, a bank account and certain other related collateral.

The 2018-1 Facility documents contain customary provisions for securitizations, including: representations and warranties as to the eligibility of the Securitization 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 2018-1 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 2018-1 Debtor.

### 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 (the "Administrative Agent") and Bankers Trust Company, as indenture trustee and securities intermediary (the "Indenture Trustee"). The 2016-1 Securitization Facility securitizes Securitization 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, Securitization Receivables are sold to a wholly-owned special purpose subsidiary of ours (the "2016-1 Issuer") and serviced by another subsidiary of ours. The 2016-1 Securitization Facility, as amended, provided for a maximum principal amount of \$275 million, a variable funding notes maximum principal amount of \$30 million per month and a revolving period of the facility ending in October 2017.

On October 20, 2017 (the "Amendment Closing Date"), we and certain of our subsidiaries amended and restated the 2016-1 Securitization Facility (the "Amended Facility"). The counterparties to the Amended Facility included certain purchasers, the Administrative Agent and the Indenture Trustee. The Amended Facility relates to Securitization Receivables that have been and will be originated or acquired under our NetCredit brand by several of our subsidiaries and that meet specified eligibility criteria. The eligible Securitization Receivables that were owned by the 2016-1 Issuer remained in the Amended Facility and the ineligible Securitization Receivables were removed. Under the Amended Facility, additional eligible Securitization Receivables may be sold to the 2016-1 Issuer and serviced by another subsidiary of ours.

In connection with the amendment and restatement, all of the outstanding notes issued by the 2016-1 Issuer prior to the Amendment Closing Date were redeemed and the 2016-1 Issuer issued an initial term note with an initial principal amount of \$181.1 million (the "2017 Initial Term Note") and variable funding notes (the "2017 Variable Funding Notes") with an aggregate committed availability of \$75 million per quarter with an option to increase the commitment to \$90 million with the consent of the holders of the 2017 Variable Funding Notes. The Amended Facility also authorized the 2016-1 Issuer to issue term notes thereafter (the "2017 Quarterly Term Notes" and, together with the 2017 Initial Term Note and the 2017 Variable Funding Notes, the "2017 Securitization Notes") at the end of each calendar quarter. The maximum principal amount of the 2017 Securitization Notes that may be outstanding at any time under the Amended Facility is \$275 million. The 2017 Securitization Notes are non-recourse to us and mature at various dates, the latest of which will be April 15, 2022 (the "2017 Final Maturity Date").

On October 31, 2018, the 2016-1 Issuer resold a substantial portion of the Securitization Receivables it owned to Enova International, Inc., and used the proceeds to redeem all of the outstanding 2017 Quarterly Term Notes and to repay all amounts owed on the 2017 Variable Funding Notes.

The 2017 Securitization Notes are issued pursuant to an amended and restated indenture, dated as of the Amendment Closing Date, between the 2016-1 Issuer and the Indenture Trustee. The 2017 Securitization Notes bear interest at a rate per annum equal to one-month LIBOR (subject to a floor) plus 7.50%. In addition, the 2016-1 Issuer paid certain customary upfront closing fees to the Administrative Agent and will pay customary annual commitment and other fees to the purchasers under the Amended Facility. Subject to certain exceptions, the 2016-1 Issuer is not permitted to prepay or redeem any of the 2017 Securitization Notes prior to April 15, 2019. Following such date, the 2016-1 Issuer is permitted to voluntarily prepay any of the 2017 Securitization Notes, subject to an optional redemption premium. Interest and principal payments on the 2017 Securitization Notes will be made monthly. Any remaining amounts outstanding will be payable no later than the 2017 Final Maturity Date.

All amounts due under the 2017 Securitization Notes are secured by all of the 2016-1 Issuer's assets, which include the Securitization Receivables transferred to the 2016-1 Issuer, related rights under the Securitization Receivables, specified bank accounts and certain other related collateral.

The Amended Facility documents contain customary provisions for securitizations, including: representations and warranties as to the eligibility of the Securitization 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 2017 Securitization Notes under the Amended 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. From time to time, we repurchase Securitization Receivables at our discretion or under the terms of the Amended Facility.

On October 25, 2017, the 2016-1 Issuer and the Indenture Trustee amended the Amended Facility to permit a holder of a 2017 Term Note or the 2017 Initial Term Note to exchange such notes for notes with an alternative structure with terms not materially different to the 2016-1 Issuer than the exchanged Term Notes or Initial Term Notes.

#### 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 securitized Securitization Receivables that were originated or acquired under our NetCredit brand by several of our subsidiaries and that meet specified eligibility criteria, including that the annual percentage rate for each securitized consumer loan was greater than or equal to 90%. Under the 2016-2 Facility, Securitization Receivables were sold to a wholly-owned subsidiary of ours and serviced by another subsidiary of ours. As of December 31, 2018, there was no remaining outstanding balance under the 2016-2 Facility, the facility has been repaid in full and there is no remaining amount available to be borrowed.

#### ***Revolving Credit Facility***

On June 30, 2017, we and certain of our operating subsidiaries entered into a secured revolving credit agreement with a syndicate of banks including TBK Bank, SSB (“TBK”), as administrative agent and collateral agent, Jefferies Finance LLC and TBK as joint lead arrangers and joint lead bookrunners, and Green Bank, N.A., as lender. On April 13, 2018 and October 5, 2018, the Credit Agreement was amended to include Pacific Western Bank and Axos Bank, respectively, as lenders, in the syndicate of lenders

The Credit Agreement is secured by domestic receivables and matures on May 1, 2020. The borrowing limit in the Credit Agreement, as amended on October 5, 2018, is \$125 million, which is an increase from \$75 million as provided by the first amendment to the Credit Agreement. We had \$22.0 million of borrowings under the Credit Agreement as of December 31, 2018.

The Credit Agreement provides for a revolving credit line with interest on borrowings under the facility at prime rate plus 1.00%. In addition, the Credit Agreement provides for payment of a commitment fee calculated with respect to the unused portion of the line, and ranges from 0.30% to 0.50% per annum depending on usage. A portion of the revolving credit facility, up to a maximum of \$20 million, is available for the issuance of letters of credit. We had outstanding letters of credit under the Credit Agreement of \$1.6 million as of December 31, 2018. The Credit Agreement provides for certain prepayment penalties if it is terminated on or before its first and second anniversary date, subject to certain exceptions.

The Credit Agreement contains certain limitations on the incurrence of additional indebtedness, investments, the attachment of liens to our property, the amount of dividends and other distributions, fundamental changes to us or our business and certain other of our activities. The Credit Agreement contains standard financial covenants for a facility of this type based on a leverage ratio and a fixed charge coverage ratio. The Credit Agreement also provides for customary affirmative covenants, including financial reporting requirements, and certain events of default, including payment defaults, covenant defaults and other customary defaults.

## Cash Flows

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

	Year Ended December 31,		
	2018	2017	2016
Cash flows provided by operating activities .....	\$ 684,840	\$ 447,173	\$ 393,373
Cash flows used in investing activities			
Loans and finance receivables .....	(705,138)	(509,845)	(450,149)
Purchases of property and equipment .....	(16,079)	(16,528)	(14,396)
Other investing activities .....	284	1,805	95
Total cash flows used in investing activities .....	\$ (720,933)	\$ (524,568)	\$ (464,450)
Cash flows provided by financing activities .....	\$ 22,479	\$ 104,582	\$ 99,880
Total debt to Adjusted EBITDA <sup>(a)</sup> .....	4.1x	5.0x	4.6x

(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 Financial Measures—Adjusted EBITDA.”

### Cash Flows from Operating Activities

#### 2018 comparison to 2017

Net cash provided by operating activities increased \$237.7 million, or 53.1%, to \$684.8 million for 2018 from \$447.2 million for 2017. The increase was driven primarily by overall growth in the business with interest and fees paid by customers outpacing operating cash outflows.

#### 2017 comparison to 2016

Net cash provided by operating activities increased \$53.8 million, or 13.7%, to \$447.2 million for 2017 from \$393.4 million for 2016. The increase was driven primarily by a \$68.6 million increase in cost of revenue, a non-cash expense, partially offset by a \$5.4 million decrease in net income, which reflects \$22.9 million of losses on early extinguishment of debt in 2017.

Other significant changes in net cash provided by operating activities for 2017 compared to 2016 included cash flows from the following activities:

- changes in accounts payable and accrued expenses resulted in a decrease of \$13.8 million due primarily to changes in accrued rent and accrued interest and
- changes in current income taxes payable resulted in a \$10.2 million decrease in cash provided by operating activities, due primarily to less estimated tax paid at both a federal and state level, and utilization of 2016 tax return carryforwards.

### Cash Flows from Investing Activities

#### 2018 comparison to 2017

Net cash used in investing activities increased \$196.4 million, or 37.4%, for 2018 compared to 2017, due primarily to a \$195.3 million increase in net cash invested in loans and finance receivables, due to a 23.3% increase in loans and finance receivables originated or purchased.

#### 2017 comparison to 2016

Net cash used in investing activities increased \$42.6 million, or 8.8%, for 2017 compared to 2016, due primarily to a \$59.7 million increase in net cash invested in loans and finance receivables, due to a 8.5% increase in loans and finance receivables originated or purchased, a \$17.5 million decrease in the amount invested in restricted cash resulting from activity related to the securitization facilities and a \$2.1 million increase in property and equipment expenditures.



## Cash Flows from Financing Activities

### 2018 comparison to 2017

Net cash provided by financing activities in 2018 was \$22.5 million compared to \$104.6 million in 2017. Cash flows provided by financing activities for 2018 primarily reflects a net increase of \$30.0 million in our senior notes facilities, \$22.0 million in net borrowings under the Credit Agreement and \$15.9 million in net borrowings under our securitization facilities, partially offset by \$18.8 million of early termination fees paid in connection with the early payment of our 2021 Senior Notes, \$17.3 million in treasury shares purchased and \$13.0 million of debt issuance costs paid in connection with the 2025 Senior Notes, the Credit Agreement and the 2018-1, 2018-2 and 2018-A Securitization Facilities. In regard to the treasury shares, in 2017, we announced that the Board of Directors had authorized a share repurchase program for the repurchase of up to \$25.0 million of our common stock through December 31, 2019 (the “2017 Authorization”). As a result of exhausting this amount in January 2019, our Board of Directors authorized a new share repurchase program for the repurchase of up to \$50.0 million of our common stock through December 31, 2020.

### 2017 comparison to 2016

Net cash provided by financing activities in 2017 was \$104.6 million compared to \$99.9 million in 2016. Cash flows provided by financing activities for 2017 primarily reflects \$95.0 million in net borrowings under our senior notes facilities, \$46.0 million in net borrowings under our securitization facilities, a \$16.7 million penalty paid in connection with the early payment of our 2021 Senior Notes and the 2016-1 Securitization Facility and \$14.7 million of debt issuance costs paid in connection with the Credit Agreement, 2024 Senior Notes and the 2017 Securitization Facility. Additionally, we paid \$3.5 million to repurchase common stock under the 2017 Authorization.

## CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table summarizes our contractual obligations at December 31, 2018, and the effect such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

	2019	2020	2021	2022	2023	Thereafter	Securitizations	Total
Revolving credit agreement <sup>(a)</sup> .....	\$ —	\$22,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 22,000
Senior notes <sup>(b)</sup> .....	—	—	—	—	—	625,000	—	625,000
Interest on senior notes <sup>(c)</sup> .....	53,125	53,125	53,125	53,125	53,125	85,000	—	350,625
Securitization facilities <sup>(d)</sup> .....	—	—	—	—	—	—	227,288	227,288
Non-cancelable leases <sup>(e)</sup> .....	6,932	6,751	6,957	7,010	7,113	23,465	—	58,228
Total .....	<u>\$60,057</u>	<u>\$59,876</u>	<u>\$60,082</u>	<u>\$60,135</u>	<u>\$60,238</u>	<u>\$733,465</u>	<u>\$ 227,288</u>	<u>\$1,261,141</u>

(a) Revolving credit agreement may be repaid at any time prior to maturity in May 2020; as such, no interest payments have been included in the table.

(b) Represents obligations under the 2024 Senior Notes and 2025 Senior Notes.

(c) Represents cash payments for interest on the 2024 Senior Notes and 2025 Senior Notes.

(d) Securitizations and related interest are not included in maturities by period due to their variable monthly payments.

(e) Represents obligations due under long-term operating leases.

## 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, 2018 and 2017, the outstanding amount of active consumer loans originated by third-party lenders under the CSO programs was \$29.7 million and \$34.1 million, respectively, which were guaranteed by us.

## CRITICAL ACCOUNTING ESTIMATES

### 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 losses

inherent in the portfolio. The allowance for losses on our Company-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 the 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, we apply 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, installment loan and RPA portfolios, we generally use either a migration analysis or roll-rate based methodology to estimate losses inherent in the portfolio. The allowance or liability calculation under the migration analysis and roll-rate methodology 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 or RPA. 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. The roll-rate methodology is based on delinquency status, payment history and recency factors to estimate future charge-offs.

We fully reserve for loans and finance receivables once the receivable or a portion of the receivable has been classified as delinquent for 60 consecutive days and generally charge-off loans and finance receivables between 60 to 65 days delinquent. If a loan or finance receivable is deemed uncollectible before it is fully reserved, it is charged off at that point. Loans and finance receivables classified as delinquent generally have an age of one to 64 days from the date any portion of the receivable became delinquent, as defined above. Recoveries on loans and finance receivables 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 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 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 from an operational and economic standpoint. We completed our annual assessment of goodwill as of June 30, 2018 based on qualitative factors and determined that the fair value of our 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 2018 assessment would not have resulted in a goodwill impairment.

## **Income Taxes**

We account for income taxes under ASC 740, *Income Taxes*. 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 we believe that recovery is not likely, we 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. We record interest and penalties related to tax matters as income tax expense in the consolidated statement of income.

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.

## RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Refer to Note 1 in the Notes to the Consolidated Financial Statements in Part II, Item 8 “Financial Statements and Supplementary Data” in this report for a discussion of recently issued accounting pronouncements.

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

Market risks relating to our operations result primarily from changes in foreign currency exchange rates, specifically for our U.K. and Brazilian operations. The net assets of our U.K. and Brazilian operations are exposed to foreign currency translation gains and losses, which are generally included as a component of accumulated other comprehensive income or loss in stockholders’ equity. We have periodically used forward currency exchange contracts to minimize risk of foreign currency exchange rate fluctuations for certain transactions in Brazil. 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 (loss) gain, net” in our consolidated statements of income. The following table sets forth, by each foreign currency hedged, the notional amounts of forward currency exchange contracts as of December 31, 2018 and 2017, the total gains or losses recorded in 2018 and 2017, and sensitivity analysis of hypothetical 10% declines in the exchange rates of the currencies (U.S. dollars in thousands).

	Notional amount of outstanding contracts as of			Gain/(loss) recorded	Sensitivity Analysis <sup>(b)</sup>
	December 31, 2018		in 2018 <sup>(a)</sup>		
Brazilian Real .....	\$ —	\$	243	\$	—
Total .....	\$ —	\$	243	\$	—

	Notional amount of outstanding contracts as of			Gain/(loss) recorded	Sensitivity Analysis <sup>(b)</sup>
	December 31, 2017		in 2017 <sup>(a)</sup>		
Brazilian Real .....	\$ 12,039	\$	(55)	\$	(954)
Total .....	\$ 12,039	\$	(55)	\$	(954)

(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.

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Enova International, Inc. and its subsidiaries (the “Company”) as of December 31, 2018 and December 31, 2017, and the related consolidated statements of income, comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and December 31, 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 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, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated 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 Report of Management on Internal Control over Financial Reporting, appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

### ***Definition and Limitations of Internal Control over Financial Reporting***

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, IL  
February 27, 2019

We have served as the Company’s auditor since 2011.



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

	December 31,	
	2018	2017
<b>Assets</b>		
Cash and cash equivalents <sup>(1)</sup> .....	\$ 52,917	\$ 68,684
Restricted cash <sup>(1)</sup> .....	24,342	29,460
Loans and finance receivables, net <sup>(1)</sup> .....	859,946	704,705
Income taxes receivable .....	28,914	4,092
Other receivables and prepaid expenses <sup>(1)</sup> .....	29,983	23,817
Property and equipment, net .....	49,553	48,525
Goodwill .....	267,013	267,015
Intangible assets, net .....	3,255	4,325
Other assets <sup>(1)</sup> .....	12,262	8,837
Total assets .....	\$ 1,328,185	\$ 1,159,460
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable and accrued expenses <sup>(1)</sup> .....	\$ 89,317	\$ 77,123
Deferred tax liabilities, net .....	33,171	12,108
Long-term debt <sup>(1)</sup> .....	857,929	788,542
Total liabilities .....	980,417	877,773
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common stock, \$0.00001 par value, 250,000,000 shares authorized, 34,856,553 and 33,932,673 shares issued and 33,584,606 and 33,504,555 outstanding as of December 31, 2018 and 2017, respectively .....	—	—
Preferred stock, \$0.00001 par value, 25,000,000 shares authorized, no shares issued and outstanding .....	—	—
Additional paid in capital .....	48,175	29,781
Retained earnings .....	336,415	264,695
Accumulated other comprehensive loss .....	(13,805)	(7,086)
Treasury stock, at cost (1,271,947 and 428,118 shares as of December 31, 2018 and 2017, respectively) .....	(23,017)	(5,703)
Total stockholders' equity.....	347,768	281,687
Total liabilities and stockholders' equity .....	\$ 1,328,185	\$ 1,159,460

*(1) Includes amounts in consolidated variable interest entities ("VIEs") presented separately in the table below.*

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

The following table presents the aggregated assets and liabilities of consolidated VIEs, which are included in the Consolidated Balance Sheets above. The assets in the table below may only be used to settle obligations of consolidated VIEs and are in excess of those obligations. See Note 15 for additional information.

	December 31,	
	2018	2017
<b>Assets of consolidated VIEs, included in total assets above</b>		
Cash and cash equivalents .....	\$ 210	\$ —
Restricted cash .....	22,168	21,696
Loans and finance receivables, net (includes allowance for losses of \$27,255 and \$22,728 as of December 31, 2018 and 2017, respectively) .....	318,961	259,996
Other receivables and prepaid expenses .....	2,712	—
Other assets .....	2,544	178
Total assets of consolidated VIEs .....	<u>\$ 346,595</u>	<u>\$ 281,870</u>
<b>Liabilities of consolidated VIEs, included in total liabilities above</b>		
Accounts payable and accrued expenses .....	\$ 3,087	\$ 1,671
Long-term debt .....	223,368	208,135
Total liabilities of consolidated VIEs .....	<u>\$ 226,455</u>	<u>\$ 209,806</u>

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,		
	2018	2017	2016
<b>Revenue</b> .....	\$ 1,114,074	\$ 843,741	\$ 745,569
<b>Cost of Revenue</b> .....	571,000	396,632	327,966
<b>Gross Profit</b> .....	543,074	447,109	417,603
<b>Expenses</b>			
Marketing .....	125,269	101,429	97,404
Operations and technology .....	112,483	95,155	85,202
General and administrative .....	107,060	101,723	97,956
Depreciation and amortization .....	15,190	14,388	15,564
<b>Total Expenses</b> .....	360,002	312,695	296,126
<b>Income from Operations</b> .....	183,072	134,414	121,477
Interest expense, net .....	(79,348)	(74,003)	(65,603)
Foreign currency transaction (loss) gain, net .....	(2,320)	384	1,562
Loss on early extinguishment of debt .....	(24,991)	(22,895)	—
<b>Income before Income Taxes</b> .....	76,413	37,900	57,436
Provision for income taxes .....	6,315	8,660	22,834
<b>Net Income</b> .....	\$ 70,098	\$ 29,240	\$ 34,602
<b>Earnings Per Share:</b>			
Earnings per common share:			
Basic .....	\$ 2.06	\$ 0.87	\$ 1.04
Diluted .....	\$ 1.99	\$ 0.86	\$ 1.03
Weighted average common shares outstanding:			
Basic .....	33,993	33,523	33,192
Diluted .....	35,176	34,132	33,462

See Notes to Consolidated Financial Statements

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

	Year Ended December 31,		
	2018	2017	2016
Net Income .....	\$ 70,098	\$ 29,240	\$ 34,602
<b>Other comprehensive gain (loss), net of tax:</b>			
Foreign currency translation (loss) gain <sup>(1)</sup> .....	(5,097)	4,492	(6,956)
Reclassification of certain deferred tax effects .....	(1,622)	—	—
Total other comprehensive (loss) gain, net of tax .....	(6,719)	4,492	(6,956)
<b>Comprehensive Income</b> .....	<u>\$ 63,379</u>	<u>\$ 33,732</u>	<u>\$ 27,646</u>

*(1) Net of tax benefit (provision) of \$974, \$(2,517) and \$3,939 for the years ended December 31, 2018, 2017 and 2016, respectively.*

See Notes to Consolidated Financial Statements

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

	Common Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock, at cost		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
	<b>Balance at December 31, 2015</b>	<b>33,151</b>				<b>\$ —</b>	<b>\$ 9,924</b>	
Stock-based compensation expense	—	—	8,522	—	—	—	—	8,522
Shares issued for vested RSUs	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>
Stock-based compensation expense	—	—	11,307	—	—	—	—	11,307
Shares issued for vested RSUs	564	—	—	—	—	—	—	—
Shares issued for stock option exercises	4	—	28	—	—	—	—	28
Net income	—	—	—	29,240	—	—	—	29,240
Foreign currency translation gain, net of tax	—	—	—	—	4,492	—	—	4,492
Purchases of treasury shares, at cost	—	—	—	—	—	(357)	(5,079)	(5,079)
<b>Balance at December 31, 2017</b>	<b>33,933</b>	<b>\$ —</b>	<b>\$ 29,781</b>	<b>\$264,695</b>	<b>\$ (7,086)</b>	<b>(428)</b>	<b>\$ (5,703)</b>	<b>\$ 281,687</b>
Stock-based compensation expense	—	—	11,660	—	—	—	—	11,660
Shares issued for vested RSUs	604	—	—	—	—	—	—	—
Shares issued for stock option exercises	320	—	6,734	—	—	—	—	6,734
Net income	—	—	—	70,098	—	—	—	70,098
Foreign currency translation loss, net of tax	—	—	—	—	(5,097)	—	—	(5,097)
Purchases of treasury shares, at cost	—	—	—	—	—	(844)	(17,314)	(17,314)
Reclassification of certain deferred tax effects	—	—	—	1,622	(1,622)	—	—	—
<b>Balance at December 31, 2018</b>	<b>34,857</b>	<b>\$ —</b>	<b>\$ 48,175</b>	<b>\$336,415</b>	<b>\$ (13,805)</b>	<b>(1,272)</b>	<b>\$ (23,017)</b>	<b>\$ 347,768</b>

See Notes to Consolidated Financial Statements



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

	Year Ended December 31,		
	2018	2017	2016
<b>Cash Flows from Operating Activities</b>			
Net Income .....	\$ 70,098	\$ 29,240	\$ 34,602
Adjustments to reconcile Net Income to net cash provided by operating activities:			
Depreciation and amortization .....	15,190	14,388	15,564
Amortization of deferred loan costs and debt discount .....	6,201	7,196	6,913
Cost of revenue .....	571,000	396,632	327,966
Stock-based compensation expense .....	11,660	11,307	8,522
Fair value changes in contingent purchase consideration .....	—	2,358	3,300
Loss on early extinguishment of debt .....	24,991	22,895	—
Deferred income taxes, net .....	21,971	(4,742)	(2,201)
Other .....	55	(55)	(151)
Changes in operating assets and liabilities:			
Finance and service charges on loans and finance receivables .....	(22,698)	(19,056)	(16,232)
Other receivables and prepaid expenses .....	(6,572)	(3,310)	843
Accounts payable and accrued expenses .....	17,766	(5,306)	8,462
Current income taxes .....	(24,822)	(4,374)	5,785
<b>Net cash provided by operating activities</b> .....	<u>684,840</u>	<u>447,173</u>	<u>393,373</u>
<b>Cash Flows from Investing Activities</b> .....			
Loans and finance receivables originated or acquired .....	(1,750,507)	(1,419,399)	(1,308,197)
Loans and finance receivables repaid .....	1,045,369	909,554	858,048
Purchases of property and equipment .....	(16,079)	(16,528)	(14,396)
Other investing activities .....	284	1,805	95
<b>Net cash used in investing activities</b> .....	<u>(720,933)</u>	<u>(524,568)</u>	<u>(464,450)</u>
<b>Cash Flows from Financing Activities</b>			
Borrowings under revolving line of credit .....	203,000	30,000	58,400
Repayments under revolving line of credit .....	(181,000)	(30,000)	(116,800)
Borrowings under securitization facilities .....	348,813	359,842	280,075
Repayments under securitization facilities .....	(332,916)	(313,853)	(114,656)
Issuance of senior notes .....	375,000	250,000	—
Repayments of senior notes .....	(345,000)	(155,000)	—
Debt issuance costs paid .....	(13,010)	(14,662)	(6,702)
Debt prepayment penalty paid .....	(18,828)	(16,694)	—
Payment of promissory note .....	(3,000)	—	—
Proceeds from exercise of stock options .....	6,734	28	—
Treasury shares purchased .....	(17,314)	(5,079)	(437)
<b>Net cash provided by financing activities</b> .....	<u>22,479</u>	<u>104,582</u>	<u>99,880</u>
Effect of exchange rates on cash .....	(7,271)	4,717	(12,008)
<b>Net (decrease) increase in cash, cash equivalents and restricted cash ..</b>	<u>(20,885)</u>	<u>31,904</u>	<u>16,795</u>
<b>Cash, cash equivalents and restricted cash at beginning of year</b> .....	<u>98,144</u>	<u>66,240</u>	<u>49,445</u>
<b>Cash, cash equivalents and restricted cash at end of period</b> .....	<u>\$ 77,259</u>	<u>\$ 98,144</u>	<u>\$ 66,240</u>

See Notes to Consolidated Financial Statements

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

**1. Significant Accounting Policies**

***Nature of the Company***

Enova International, Inc. (“Enova”), formed on September 7, 2011, is 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.” Enova and its subsidiaries (individually and collectively referred to herein as the “Company”) operate 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, 2018, the Company offered or arranged loans to consumers under the names “CashNetUSA” and “NetCredit” in 32 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, installment loan 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, by a third-party lender through the CSO programs or by a bank partner.

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 consolidated balance sheets with the exception of a liability for the estimated losses related to the guarantee on these loans.

The Company operates a program with a bank to provide technology, marketing services, and loan servicing for near-prime unsecured consumer installment loans. Under the program, the Company receives marketing and servicing fees while the bank receives an origination fee. The bank has the ability to sell the loans it originates to the Company. The Company does not guarantee the performance of the loans originated by the bank.

***Basis of Presentation***

The consolidated financial statements of the Company included herein have been prepared on the basis of accounting principles generally accepted in the United States (“GAAP”) and reflect the historical results of operations and cash flows of the Company during each respective period. The consolidated financial statements include goodwill and intangible assets arising from businesses previously acquired. 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. Intercompany transactions are eliminated. Certain prior period amounts have been reclassified to conform to the current year presentation.

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.

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

***Use of Estimates***

The preparation of these consolidated financial statements in conformity with 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.

***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.

***Cash, Cash Equivalents and Restricted Cash***

The following table provides a reconciliation of cash, cash equivalents and restricted cash to amounts reported within the consolidated balance sheets (in thousands):

	<b>December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalents .....	\$ 52,917	\$ 68,684	\$ 39,934
Restricted cash .....	24,342	29,460	26,306
Total cash, cash equivalents and restricted cash .....	\$ 77,259	\$ 98,144	\$ 66,240

***Revenue Recognition***

The Company recognizes revenue based on the financing products and services it offers and on loans it acquires. "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 billing fees, purchase fees, origination fees, late fees and non-sufficient funds fees as permitted by applicable laws and pursuant to the agreement with the customer. 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 billing fees are recognized when assessed to the customer. For installment loans, interest and origination fees are recognized on an effective yield basis over the term of the loan. For RPAs, revenue and purchase fees are 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. Short-term loans, line of credit accounts, installment loans, RPAs, unpaid and accrued interest, fees and revenue and deferred origination costs are included in "Loans and finance receivables, net" in the consolidated balance sheets.

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

***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. 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, installment loan and RPA portfolios, the Company generally uses either a migration analysis or roll-rate based methodology to estimate losses inherent in the portfolio. The allowance or liability calculation under the migration analysis and roll-rate methodology 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 or RPA. 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, delinquency status, payment history and recency factors.

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

***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

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

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

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(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 generally ranges from one 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 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, management considers relevant events and circumstances including but not limited to macroeconomic conditions, industry and market environment, overall financial performance of the Company, cash flow from operating activities, market capitalization and stock price. If the Company determines that the two-step quantitative impairment test is required, management 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.

***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 20 years. The costs of start-up activities and organization costs are charged to expense as incurred.

***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 Brazil and 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 (loss) gain, net” in the consolidated statements of income.



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

***Investment in Unconsolidated Investee***

The Company has an equity ownership position in an investment without a readily determinable value. In accordance with ASC 321, *Investment – Equity Securities*, the Company has elected to measure the investment at its 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. At each reporting date, the Company reassesses whether the investment still qualifies for this measurement alternative. Further, at each reporting date, the Company performs a qualitative assessment to evaluate whether the investment is impaired. If the qualitative assessment indicates that the investment is impaired and the fair value of the investment is less than its carrying value, the carrying amount of the investment will be reduced and the resulting loss recognized in net income in the period the impairment is identified. As of December 31, 2018 and 2017, the carrying value of the investment was \$6.7 million, which the Company has included in “Other assets” on the consolidated balance sheets. As of December 31, 2018, the Company concluded that the measurement alternative was still appropriate and, as a result of its qualitative assessment, that an impairment charge was not warranted.

***Marketing Expenses***

Marketing expenses consist of digital costs, lead purchase costs and offline marketing costs such as television and direct mail advertising. Marketing costs directly related to loan and RPA originations are deferred and amortized against revenue. Marketing costs not directly resulting in loan and RPA originations are expensed as incurred. The production costs associated with offline marketing are expensed as incurred.

***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, bank and transaction fees 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.

***Stock-Based Compensation***

The Company accounts for its stock-based employee compensation plans in accordance with ASC 718, *Compensation—Stock Compensation* (“ASC 718”). Under this guidance the fair value of share-based compensation is determined at the grant date and the recognition of the related expense is recorded over the period in which the share-based compensation vests. However, with respect to income taxes, the related deduction from taxes payable is based on the award’s intrinsic value at the time of exercise (for an option) or on the fair value upon vesting of the award (for restricted stock units), which can be either greater (creating an excess tax benefit) or less (creating a tax deficiency) than the deferred tax benefit that is recorded as compensation cost is recognized in the consolidated financial statements. Pursuant to Accounting Standards Update (“ASU”) 2016-09, *Improvements to Employee Share-Based Payment Accounting* (“ASU 2016-09”), these excess tax benefits (deficiencies) are recognized in “Provision for income taxes” in the period that the tax deduction arises. In the statement of cash flows, they are classified in operating activities in the same manner as other cash flows related to income taxes.

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

***Reclassification of AOCI to Net Income***

In 2009, the Company began providing services in Australia and Canada under the brand name DollarsDirect. Due to the small size of the Australian and Canadian markets and our limited operations there, the Company decided to exit those markets in 2016 and reallocate its resources to other existing businesses. As a result, the Company ceased loan originations in those countries and have wound down our loan portfolios. During 2018, the Company continued the liquidation process of the legal entities related to Australia and Canada and recorded a \$2.3 million loss to “Foreign currency transaction (loss) gain” in the consolidated statements of income to recognize the cumulative translation adjustment balance that had been previously recorded to “Accumulated other comprehensive loss” on the consolidated balance sheets.

The following table sets forth the components of accumulated other comprehensive loss, net of tax, for the years ended December 31, 2018 and 2017 (in thousands):

	Foreign currency translation gain (loss)	Total
<b>Balance at December 31, 2016</b> .....	<b>\$ (11,578)</b>	<b>\$ (11,578)</b>
Other comprehensive income, before reclassifications and tax ..	7,009	7,009
Tax impact .....	(2,517)	(2,517)
<b>Balance at December 31, 2017</b> .....	<b>\$ (7,086)</b>	<b>\$ (7,086)</b>
Other comprehensive loss, before reclassifications and tax .....	(8,414)	(8,414)
Tax impact .....	1,501	1,501
Australia and Canada liquidation <sup>(1)</sup> .....	2,343	2,343
Tax impact .....	(527)	(527)
Reclassification of certain deferred tax effects <sup>(2)</sup> .....	(1,622)	(1,622)
<b>Balance at December 31, 2018</b> .....	<b>\$ (13,805)</b>	<b>\$ (13,805)</b>

- (1) Amount represents the reclassification of foreign currency translation losses from AOCI to the consolidated statements of income due to the liquidation of the Company’s Australian and Canadian businesses.
- (2) Amount represents the reclassification of stranded tax effects from AOCI to retained earnings resulting from the change in the federal corporate income tax rate under the Tax Cuts and Jobs Act.

***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 asset and liability method of accounting for income taxes in order to recognize the tax effects of temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements.

The Company accounts for uncertainty in income taxes in accordance with ASC 740, *Income Taxes* (“ASC 740”), which 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. The Company records interest and penalties related to tax matters as income tax expense in the consolidated statements of income.

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 9 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.

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

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, 2018, 2017 and 2016 (in thousands, except per share amounts):

	Year Ended December 31,		
	2018	2017	2016
Numerator:			
Net income .....	\$ 70,098	\$ 29,240	\$ 34,602
Denominator:			
Total weighted average basic shares .....	33,993	33,523	33,192
Shares applicable to stock-based compensation .....	1,183	609	270
Total weighted average diluted shares .....	35,176	34,132	33,462
Earnings per share – basic .....	\$ 2.06	\$ 0.87	\$ 1.04
Earnings per share – diluted .....	\$ 1.99	\$ 0.86	\$ 1.03

For the years ended December 31, 2018, 2017 and 2016, 587,045, 1,563,975 and 1,622,331 shares of common stock underlying stock options, respectively, and 82,929, 182,008 and 464,500 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 February 2018, the Financial Accounting Standards Board (“FASB”) issued ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* (“ASU 2018-02”) which allows a reclassification from AOCI to retained earnings for stranded tax effects resulting from the newly enacted federal corporate income tax rate under the Tax Cuts and Jobs Act. The amount of the reclassification would be the difference between the historical corporate income tax rate and the newly enacted 21 percent corporate income tax rate. ASU 2018-02 is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2018 with early adoption in any interim period permitted. The Company adopted this ASU in the first quarter of 2018 and, as a result, reclassified \$1.6 million of accumulated other comprehensive income to retained earnings. The amount of the reclassification is reported as “Reclassification of certain deferred tax effects” on the consolidated statements of comprehensive income and the consolidated statements of stockholders’ equity.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash* (“ASU 2016-18”), which clarifies how entities should present restricted cash in the statement of cash flows. The guidance requires entities to show the changes in the total of cash, cash equivalents and restricted cash in the statement of cash flows. In accordance with implementation guidance, the Company adopted ASU 2016-18 as of January 1, 2018, which included retrospective application to previous periods presented in the Consolidated Statements of Cash Flows. The adoption of ASU 2016-18 resulted in a \$2.6 million decrease in net cash used in investing activities and a \$0.6 million change in the effect of exchange rates on cash for the year ended December 31, 2017 and a \$20.1 million decrease in net cash used in investing activities and a \$1.2 million change in the effect of exchange rates on cash for the year ended December 31, 2016.

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. The Company adopted ASU 2016-16 as of January 1, 2018. The adoption of ASU 2016-16 did not have a material effect on the Company’s consolidated financial statements.

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. The Company adopted ASU 2016-01 as of January 1, 2018, which did not have a material effect on the Company’s consolidated financial statements.

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 ASC 605, *Revenue Recognition*. ASU 2014-09 is based on the principle that

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

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. The Company adopted this ASU under the modified-retrospective method effective January 1, 2018. As the Company's loan and finance receivable contracts are excluded from the scope of ASU 2014-09 adoption was not material to the Company's consolidated financial statements.

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

In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract* ("ASU 2018-15"). ASU 2018-15 requires implementation costs incurred by customers in cloud computing arrangements to be deferred over the noncancellable term of the cloud computing arrangements plus any optional renewal periods (1) that are reasonably certain to be exercised by the customer or (2) for which exercise of the renewal option is controlled by the cloud service provider. The effective date of this pronouncement is for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, and early adoption is permitted. The standard can be adopted either using the prospective or retrospective transition approach. The Company does not expect that the adoption of ASU 2018-15 will have a material effect on its consolidated financial statements.

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 does not expect that the adoption of ASU 2017-04 will have a material effect on its 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 lifetime 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 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. It also requires classification of all cash payments within operating activities in the statement of cash flows. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements* ("ASU 2018-11"), which provides targeted improvements to ASU 2016-02 by providing an additional optional transition method and a lessor practical expedient for lease and nonlease components. ASU 2016-02 is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2018. The Company adopted ASU 2016-02 on January 1, 2019 and elected the optional transition method permitted by ASU 2018-11. On the date of adoption, the Company recorded an increase in total assets of \$22.3 million, an increase in total liabilities of \$22.7 million and a decrease in retained earnings of \$0.4 million.

**2. 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 promissory note and all accrued interest was paid on June 22, 2018. 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. The contingent purchase consideration was 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 in "General and administrative expenses" in the consolidated statements of income. Based on future expected earnings, the Company did not expect to pay any





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

Changes in the allowance for losses for Company-owned loans and finance receivables and the liability for estimated losses on the Company's guarantees of third-party lender-owned loans through the CSO programs for the years ended December 31, 2018, 2017 and 2016 were as follows (in thousands):

	Year Ended December 31, 2018			
	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 .....	\$ 19,917	\$ 31,148	\$ 71,979	\$ 123,044
Cost of revenue .....	92,410	162,975	315,707	571,092
Charge-offs .....	(115,565)	(158,848)	(359,340)	(633,753)
Recoveries .....	25,069	15,733	63,691	104,493
Effect of foreign currency translation .....	(411)	—	(1,157)	(1,568)
Balance at end of period .....	<u>\$ 21,420</u>	<u>\$ 51,008</u>	<u>\$ 90,880</u>	<u>\$ 163,308</u>
<b>Liability for third-party lender-owned loans:</b>				
Balance at beginning of period .....	\$ 2,105	\$ —	\$ 153	\$ 2,258
(Decrease) increase in liability .....	(141)	—	49	(92)
Balance at end of period .....	<u>\$ 1,964</u>	<u>\$ —</u>	<u>\$ 202</u>	<u>\$ 2,166</u>
	<b>Year Ended December 31, 2017</b>			
	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 .....	\$ 17,770	\$ 26,594	\$ 54,581	\$ 98,945
Cost of revenue .....	77,775	93,416	225,179	396,370
Charge-offs .....	(98,243)	(102,725)	(254,109)	(455,077)
Recoveries .....	22,089	13,863	45,773	81,725
Effect of foreign currency translation .....	526	—	555	1,081
Balance at end of period .....	<u>\$ 19,917</u>	<u>\$ 31,148</u>	<u>\$ 71,979</u>	<u>\$ 123,044</u>
<b>Liability for third-party lender-owned loans:</b>				
Balance at beginning of period .....	\$ 1,716	\$ —	\$ 280	\$ 1,996
Increase (decrease) in liability .....	389	—	(127)	262
Balance at end of period .....	<u>\$ 2,105</u>	<u>\$ —</u>	<u>\$ 153</u>	<u>\$ 2,258</u>
	<b>Year Ended December 31, 2016</b>			
	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 .....	\$ 14,652	\$ 15,727	\$ 36,943	\$ 67,322
Cost of revenue .....	69,202	88,489	170,035	327,726
Charge-offs .....	(85,599)	(92,044)	(182,471)	(360,114)
Recoveries .....	20,362	14,422	29,804	64,588
Effect of foreign currency translation .....	(847)	—	270	(577)
Balance at end of period .....	<u>\$ 17,770</u>	<u>\$ 26,594</u>	<u>\$ 54,581</u>	<u>\$ 98,945</u>
<b>Liability for third-party lender-owned loans:</b>				
Balance at beginning of period .....	\$ 1,298	\$ —	\$ 458	\$ 1,756
Increase (decrease) in liability .....	418	—	(178)	240
Balance at end of period .....	<u>\$ 1,716</u>	<u>\$ —</u>	<u>\$ 280</u>	<u>\$ 1,996</u>

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

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, 2018 and 2017, the amount of consumer loans guaranteed by the Company was \$29.7 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 \$2.2 million and \$2.3 million as of December 31, 2018 and 2017, respectively, is included in "Accounts payable and accrued expenses" in the consolidated balance sheets.

**4. Property and Equipment**

As a leading technology and analytics company, a significant amount of capital is invested in developing computer software and systems infrastructure.

Major classifications of property and equipment at December 31, 2018 and 2017 were as follows (in thousands):

	As of December 31, 2018		
	Cost	Accumulated Depreciation	Net
Computer software .....	\$ 95,364	\$ (64,565)	\$ 30,799
Furniture, fixtures and equipment .....	34,730	(28,176)	6,554
Leasehold improvements .....	18,245	(6,045)	12,200
Total .....	\$ 148,339	\$ (98,786)	\$ 49,553
	As of December 31, 2017		
	Cost	Accumulated Depreciation	Net
Computer software .....	\$ 82,757	\$ (56,282)	\$ 26,475
Furniture, fixtures and equipment .....	33,834	(25,912)	7,922
Leasehold improvements .....	25,196	(11,068)	14,128
Total .....	\$ 141,787	\$ (93,262)	\$ 48,525

The Company capitalized internal software development costs of \$12.3 million, \$12.0 million and \$8.1 million during 2018, 2017 and 2016, respectively.

The Company recognized depreciation expense of \$14.1 million, \$13.3 million and \$14.4 million during 2018, 2017 and 2016, respectively.

**5. Goodwill and Other Intangible Assets**

Changes in the carrying value of goodwill for the years ended December 31, 2018 and 2017 were as follows (in thousands):

Balance as of January 1, 2017 .....	\$ 267,010
Effect of foreign currency translation .....	5
Balance as of December 31, 2017 .....	\$ 267,015
Effect of foreign currency translation .....	(2)
Balance as of December 31, 2018 .....	\$ 267,013

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

The Company completed its annual assessment of goodwill as of June 30, 2018 based on qualitative factors and determined that the fair value of its goodwill exceeded carrying value; as such, no impairment existed at that date. The Company expects that its entire goodwill balance will be deductible for tax purposes.

Acquired intangible assets that are subject to amortization as of December 31, 2018 and 2017, were as follows (in thousands):

	As of December 31, 2018		
	Cost	Accumulated Amortization	Net
Customer relationships .....	\$ 3,497	\$ (3,257)	\$ 240
Lead provider and broker relationships .....	5,689	(4,729)	960
Trademarks .....	2,549	(734)	1,815
Non-competition agreements .....	800	(560)	240
Total .....	\$ 12,535	\$ (9,280)	\$ 3,255

	As of December 31, 2017		
	Cost	Accumulated Amortization	Net
Customer relationships .....	\$ 3,536	\$ (3,136)	\$ 400
Lead provider and broker relationships .....	5,689	(4,089)	1,600
Trademarks .....	2,595	(670)	1,925
Non-competition agreements .....	800	(400)	400
Total .....	\$ 12,620	\$ (8,295)	\$ 4,325

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. Non-competition agreements are amortized over the applicable terms of the contract.

Amortization expense for acquired intangible assets was \$1.1 million, for each of the years ended December 31, 2018, 2017 and 2016, respectively.

Estimated future amortization expense for the years ended December 31, is as follows (in thousands):

Year	Amount
2019 .....	\$ 1,070
2020 .....	590
2021 .....	110
2022 .....	110
2023 .....	110

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

**6. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses at December 31, 2018, 2017 were as follows (in thousands):

	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
Trade accounts payable .....	\$ 32,584	\$ 25,579
Accrued payroll and fringe benefits .....	18,202	14,877
Accrued interest payable .....	16,976	11,064
Deferred finish out allowance .....	7,103	7,979
Accrual for consumer loan payments rejected for non-sufficient funds .....	6,555	5,096
Deferred fees on third-party consumer loans .....	5,608	7,074
Liability for losses on third-party lender owned consumer loans .....	2,166	2,258
Promissory note .....	—	3,000
Other accrued liabilities .....	123	196
<b>Total .....</b>	<b>\$ 89,317</b>	<b>\$ 77,123</b>

**7. Marketing Expenses**

Marketing expenses for the years ended December 31, 2018, 2017 and 2016 were as follows (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Advertising .....	\$ 81,257	\$ 64,186	\$ 66,184
Customer procurement expense including lead purchase costs .....	44,012	37,224	30,551
Customer referral and revenue sharing expense .....	—	19	669
<b>Total .....</b>	<b>\$ 125,269</b>	<b>\$ 101,429</b>	<b>\$ 97,404</b>

**8. Long-term debt**

The Company's long-term debt instruments and balances outstanding as of December 31, 2018 and 2017 were as follows (in thousands):

	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
Securitization notes .....	\$ 227,288	\$ 211,406
Revolving line of credit .....	22,000	—
9.75% senior notes due 2021 .....	—	342,558
8.50% senior notes due 2024 .....	250,000	250,000
8.50% senior notes due 2025 .....	375,000	—
<b>Subtotal .....</b>	<b>874,288</b>	<b>803,964</b>
Less: Long-term debt issuance costs .....	(16,359)	(15,422)
<b>Total long-term debt .....</b>	<b>\$ 857,929</b>	<b>\$ 788,542</b>

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

***8.50% Senior Unsecured Notes Due 2025***

On September 19, 2018, the Company issued and sold \$375.0 million in aggregate principal amount of 8.50% senior notes due 2025 (the “2025 Senior Notes”). The 2025 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. The 2025 Senior Notes bear interest at a rate of 8.50% annually on the principal amount payable semi-annually in arrears on March 15 and September 15 of each year, beginning on March 15, 2019. The 2025 Senior Notes were sold at a price of 100%. The 2025 Senior Notes will mature on September 15, 2025. The 2025 Senior Notes are unsecured debt obligations of the Company, and are unconditionally guaranteed by certain of its domestic subsidiaries.

The 2025 Senior Notes are redeemable at the Company’s option, in whole or in part, (i) at any time prior to September 15, 2021 at 100% of the aggregate principal amount of 2025 Senior Notes redeemed plus the applicable “make whole” premium specified in the indenture that governs the Company’s 2025 Notes (the “2025 Senior Notes Indenture”), plus accrued and unpaid interest, if any, to the redemption date and (ii) at any time on or after September 15, 2021 at the premium, if any, specified in the 2025 Senior Notes Indenture that will decrease over time, plus accrued and unpaid interest, if any, to the redemption date. In addition, prior to September 15, 2021, at its option, the Company may redeem up to 40% of the aggregate principal amount of the 2025 Senior Notes at a redemption price of 108.5% of the aggregate principal amount of 2025 Senior Notes redeemed, plus accrued and unpaid interest, if any, to the redemption date, with the proceeds of certain equity offerings as described in the 2025 Senior Notes Indenture.

The 2025 Senior Notes and the related guarantees have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction, and may not be offered or sold in the United States without registration or an applicable exemption from the registration requirements of the Securities Act and applicable state securities or blue sky laws and foreign securities laws.

The Company used a portion of the net proceeds of the 2025 Senior Notes offering to retire \$295.0 million of the remaining outstanding 9.75% senior notes due 2021 (the “2021 Senior Notes”), to pay the related accrued interest, premiums, fees and expenses associated therewith. The remaining amount is intended to be used for general corporate purposes, which may include working capital and future repurchases of its outstanding debt securities.

***8.50% Senior Unsecured Notes Due 2024***

On September 1, 2017, the Company issued and sold \$250.0 million in aggregate principal amount of 8.50% senior notes due 2024 (the “2024 Senior Notes”). The 2024 Senior 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. The 2024 Senior Notes bear interest at a rate of 8.50% annually on the principal amount payable semi-annually in arrears on March 1 and September 1 of each year, beginning on March 1, 2018. The 2024 Senior Notes were sold at a price of 100%. The 2024 Senior Notes will mature on September 1, 2024. The 2024 Senior Notes are unsecured debt obligations of the Company, and are unconditionally guaranteed by certain of its domestic subsidiaries.

The 2024 Senior Notes are redeemable at the Company’s option, in whole or in part, (i) at any time prior to September 1, 2020 at 100% of the aggregate principal amount of 2024 Senior Notes redeemed plus the applicable “make whole” premium specified in the 2024 Senior Notes Indenture, plus accrued and unpaid interest, if any, to the redemption date and (ii) at any time on or after September 1, 2020 at the premium, if any, specified in the 2024 Senior Notes Indenture that will decrease over time, plus accrued and unpaid interest, if any, to the redemption date. In addition, prior to September 1, 2020, at its option, the Company may redeem up to 40% of the aggregate principal amount of the 2024 Senior Notes at a redemption price of 108.5% of the aggregate principal amount of 2024 Senior Notes redeemed, plus accrued and unpaid interest, if any, to the redemption date, with the proceeds of certain equity offerings as described in the 2024 Senior Notes Indenture.

The 2024 Senior Notes and the related guarantees have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction, and may not be offered or sold in the United States without registration or an applicable exemption from the registration requirements of the Securities Act and applicable state securities or blue sky laws and foreign securities laws.

The Company used the net proceeds of the 2024 Senior Notes offering to retire a portion of its outstanding 2021 Senior Notes, to pay the related accrued interest, premiums, fees and expenses associated therewith and for general corporate purposes.



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

***Consumer Loan Securitizations***

2018-A Notes

On October 31, 2018 (the “2018-A Closing Date”), the Company issued \$95,000,000 Class A Asset Backed Notes (the “Class A Notes”) and \$30,400,000 Class B Asset Backed Notes (the “Class B Notes” and, collectively with the Class A Notes, the “2018-A Notes”), through an indirect subsidiary. The Class A Notes bear interest at 4.20% and the Class B Notes bear interest at 7.37%. The 2018-A Notes are backed by a pool of unsecured consumer installment loans (“Securitization Receivables”) and represent obligations of the issuer only. The 2018-A Notes are not guaranteed by the Company. Under the 2018-A Notes, Securitization Receivables are sold to a wholly-owned subsidiary of the Company and serviced by another subsidiary of the Company. As of December 31, 2018, the total outstanding amount of the 2018-A Notes was \$111.4 million.

The net proceeds of the offering of the 2018-A Notes on the 2018-A Closing Date were used to acquire the Securitization Receivables from the Company, fund a reserve account and pay fees and expenses incurred in connection with the transaction.

The 2018-A Notes were offered only to “qualified institutional buyers” pursuant to Rule 144A under the Securities Act and to certain persons outside of the United States in compliance with Regulation S under the Securities Act. The 2018-A Notes have not been registered under the Securities Act, or the securities laws of any state or other jurisdiction, and may not be offered or sold in the United States without registration or an applicable exemption from the Securities Act and applicable state securities or blue sky laws and foreign securities laws.

2018-2 Facility

On October 23, 2018, the Company and several of its subsidiaries entered into a receivables funding agreement (the “2018-2 Facility”) with Credit Suisse AG, New York Branch, as agent (the “Agent”). The 2018-2 Facility collateralizes Securitization Receivables that have been and will be originated or acquired under the Company’s NetCredit brand by several of its subsidiaries and that meet specified eligibility criteria in exchange for a revolving note. Under the 2018-2 Facility, Securitization Receivables are sold to a wholly-owned subsidiary of the Company (the “2018-2 Debtor”) and serviced by another subsidiary of the Company.

The 2018-2 Debtor has issued a revolving note with an initial maximum principal balance of \$150.0 million, which is required to be secured by 1.25 times the drawn amount in eligible Securitization Receivables. The 2018-2 Facility is non-recourse to the Company and matures on October 23, 2022. As of December 31, 2018, the outstanding amount of the 2018-2 Facility was \$25.0 million.

The 2018-2 Facility is governed by a loan and security agreement, dated as of October 23, 2018, between the Agent, the 2018-2 Debtor and certain other lenders and agent parties thereto. The 2018-2 Facility bears interest at a rate per annum equal to one-month LIBOR (subject to a floor) plus an applicable margin, which rate per annum is 3.75%. In addition, the 2018-2 Debtor paid certain customary upfront closing fees to the Agent. Interest payments on the 2018-2 Facility will be made monthly. The 2018-2 Debtor shall be permitted to prepay the 2018-2 Facility, subject to certain fees and conditions. Any remaining amounts outstanding will be payable no later than October 23, 2022, the final maturity date.

All amounts due under the 2018-2 Facility are secured by all of the 2018-2 Debtor’s assets, which include the Securitization Receivables transferred to the 2018-2 Debtor, related rights under the Securitization Receivables, a bank account and certain other related collateral.

The 2018-2 Facility documents contain customary provisions for securitizations, including: representations and warranties as to the eligibility of the Securitization 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 that provide for the acceleration of the 2018-2 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 Securitization Receivables and defaults under other material indebtedness of the 2018-2 Debtor.

2018-1 Facility

On July 23, 2018, the Company and several of its subsidiaries entered into a receivables funding agreement (the “2018-1 Facility”) with Pacific Western Bank, as lender (the “2018-1 Lender”). The 2018-1 Facility collateralizes Securitization Receivables that have been and will be originated or acquired under the Company’s NetCredit brand by several of its subsidiaries and that meet specified eligibility criteria in exchange for a revolving note. Under the 2018-1 Facility, Securitization Receivables are sold to a wholly-owned subsidiary of the Company (the “2018-1 Debtor”) and serviced by another subsidiary of the Company.

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

The 2018-1 Debtor has issued a revolving note with an initial maximum principal balance of \$150.0 million, which is required to be secured by 1.25 times the drawn amount in eligible Securitization Receivables. The 2018-1 Facility is non-recourse to the Company and matures on July 22, 2023. As of December 31, 2018, the carrying amount of the 2018-1 Facility was \$36.0 million.

The 2018-1 Facility is governed by a loan and security agreement, dated as of July 23, 2018, between the 2018-1 Lender and the 2018-1 Debtor. The 2018-1 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 4.00%. In addition, the 2018-1 Debtor paid certain customary upfront closing fees to the 2018-1 Lender. Interest payments on the 2018-1 Facility will be made monthly. The 2018-1 Debtor shall be permitted to prepay the 2018-1 Facility, subject to certain fees and conditions. In the event of prepayment for the purposes of securitizations, no fees shall apply. Any remaining amounts outstanding will be payable no later than July 22, 2023, the final maturity date.

All amounts due under the 2018-1 Facility are secured by all of the 2018-1 Debtor's assets, which include the Securitization Receivables transferred to the 2018-1 Debtor, related rights under the Securitization Receivables, a bank account and certain other related collateral.

The 2018-1 Facility documents contain customary provisions for securitizations, including: representations and warranties as to the eligibility of the Securitization 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 2018-1 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 2018-1 Debtor.

#### 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 Securitization 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, Securitization Receivables are sold to a wholly-owned special purpose subsidiary (the "2016-1 Issuer") and serviced by another subsidiary. The 2016-1 Securitization Facility, as amended, provided for a maximum principal amount of \$275 million, a variable funding notes maximum principal amount of \$30 million per month and a revolving period of the facility ending in October 2017.

On October 20, 2017 (the "Amendment Closing Date"), the Company and certain of its subsidiaries amended and restated the 2016-1 Securitization Facility (the "Amended Facility"). The counterparties to the Amended Facility included certain purchasers, the Administrative Agent and the Indenture Trustee. The Amended Facility relates to Securitization Receivables that have been and will be originated or acquired under the Company's NetCredit brand by several of its subsidiaries and that meet specified eligibility criteria. The eligible Securitization Receivables that were owned by the 2016-1 Issuer remained in the Amended Facility and the ineligible Securitization Receivables were removed. Under the Amended Facility, additional eligible Securitization Receivables may be sold to the 2016-1 Issuer and serviced by another subsidiary of the Company.

In connection with the amendment and restatement, all of the outstanding notes issued by the 2016-1 Issuer prior to the Amendment Closing Date were redeemed and the 2016-1 Issuer issued an initial term note with an initial principal amount of \$181.1 million (the "2017 Initial Term Note") and variable funding notes (the "2017 Variable Funding Notes") with an aggregate committed availability of \$75 million per quarter with an option to increase the commitment to \$90 million with the consent of the holders of the 2017 Variable Funding Notes. The Amended Facility also authorized the 2016-1 Issuer to subsequently issue term notes thereafter and, together with the 2017 Initial Term Note and the 2017 Variable Funding Notes the "2017 Securitization Notes") at the end of each calendar quarter. The maximum principal amount of the 2017 Securitization Notes that may be outstanding at any time under the Amended Facility is \$275 million. The 2017 Securitization Notes are non-recourse to the Company and mature at various dates, the latest of which will be April 15, 2022 (the "2017 Final Maturity Date"). As of December 31, 2018 and 2017, the carrying amount of the Amended Facility was \$54.9 million and \$196.3 million, respectively.

The 2017 Securitization Notes are issued pursuant to an amended and restated indenture, dated as of the Amendment Closing Date, between the 2016-1 Issuer and the Indenture Trustee. The 2017 Securitization Notes bear interest at a rate per annum equal to One-Month LIBOR (subject to a floor) plus 7.50%. In addition, the 2016-1 Issuer paid certain customary upfront closing fees to the Administrative Agent and will pay customary annual commitment and other fees to the purchasers under the Amended Facility. Subject to certain exceptions, the 2016-1 Issuer is not permitted to prepay or redeem any of the 2017 Securitization Notes prior to April 15, 2019. Following such date, the 2016-1 Issuer is permitted to voluntarily prepay any of the 2017 Securitization Notes, subject to an optional redemption premium. Interest and principal payments on the 2017 Securitization Notes will be made monthly. Any remaining amounts outstanding will be payable no later than the 2017 Final Maturity Date.

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

All amounts due under the 2017 Securitization Notes are secured by all of the 2016-1 Issuer's assets, which include the Securitization Receivables transferred to the 2016-1 Issuer, related rights under the Securitization Receivables, specified bank accounts and certain other related collateral.

The Amended Facility documents contain customary provisions for securitizations, including: representations and warranties as to the eligibility of the Securitization 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 2017 Securitization Notes under the Amended 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. From time to time, the Company repurchases Securitization Receivables at its discretion or under the terms of the Amended Facility.

On October 25, 2017, the 2016-1 Issuer and the Indenture Trustee amended the Amended Facility to permit a holder of a 2017 Term Note or the 2017 Initial Term Note to exchange such notes for notes with an alternative structure with terms not materially different to the 2016-1 Issuer than the exchanged Term Notes or Initial Term Notes.

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 securitized Securitization Receivables that were originated or acquired under the Company's NetCredit brand by several of the Company's subsidiaries (the "Originators") and that met specified eligibility criteria, including that the annual percentage rate for each securitized consumer loan was 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, Securitization Receivables are sold to a wholly-owned subsidiary of the Company (the "Debtor") and serviced by another subsidiary of the Company. As of December 31, 2018, there was no remaining outstanding balance under the 2016-2 Facility, as the facility had been repaid in full. There was no remaining amount available to be borrowed, at that date. As of December 31, 2017, the carrying amount of the 2016-2 Facility was \$15.1 million.

***Revolving Credit Facility***

On June 30, 2017, the Company and certain of its operating subsidiaries entered into a secured revolving credit agreement with a syndicate of banks including TBK Bank, SSB ("TBK"), as administrative agent and collateral agent, Jefferies Finance LLC and TBK as joint lead arrangers and joint lead bookrunners, and Green Bank, N.A., as lender (the "Credit Agreement"). On April 13, 2018 and October 5, 2018, the Credit Agreement was amended to include Pacific Western Bank and Axos Bank, respectively, as lenders, in the syndicate of lenders.

The Credit Agreement is secured by domestic receivables and matures on May 1, 2020. The borrowing limit in the Credit Agreement, as amended on October 5, 2018, is \$125 million, which is an increase from \$75 million as provided by the first amendment to the Credit Agreement. The Company had \$22.0 million and no borrowings outstanding under the Credit Agreement as of December 31, 2018 and 2017, respectively.

The Credit Agreement provides for a revolving credit line with interest on borrowings under the facility at prime rate plus 1.00%. In addition, the Credit Agreement provides for payment of a commitment fee calculated with respect to the unused portion of the line, and ranges from 0.30% per annum to 0.50% per annum depending on usage. A portion of the revolving credit facility, up to a maximum of \$20 million, is available for the issuance of letters of credit. The Company had outstanding letters of credit under the Credit Agreement of \$1.6 million as of December 31, 2018. The Credit Agreement provides for certain prepayment penalties if it is terminated on or before its first and second anniversary date, subject to certain exceptions.

The Credit Agreement contains certain limitations on the incurrence of additional indebtedness, investments, the attachment of liens to the Company's property, the amount of dividends and other distributions, fundamental changes to the Company or its business and certain other activities of the Company. The Credit Agreement contains standard financial covenants for a facility of this type based on a leverage ratio and a fixed charge coverage ratio. The Credit Agreement also provides for customary affirmative covenants, including financial reporting requirements, and certain events of default, including payment defaults, covenant defaults and other customary defaults.

**ENOVA INTERNATIONAL, INC. AND SUBSIDIARIES**  
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**9.75% Senior Unsecured Notes Due 2021**

On May 30, 2014, the Company issued and sold \$500.0 million in aggregate principal amount of 9.75% Senior Notes due 2021 (the “2021 Senior Notes”). The 2021 Senior Notes bore 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 2021 Senior Notes were sold at a discount of the principal amount to yield 10.0% to maturity and would have matured on June 1, 2021.

During the years ended December 31, 2018 and 2017 the Company repurchased \$345 million and \$155.0 million, respectively, principal amount of the 2021 Senior Notes for aggregate cash consideration of \$363.8 million and \$166.3 million, respectively, plus accrued interest. For the years ended December 31, 2018 and 2017 the Company recorded a loss on extinguishment of debt of approximately \$24.8 million (\$19.1 million net of tax) and \$14.9 million (\$9.2 million net of tax), respectively, which is included in “Loss on early extinguishment of debt” in the consolidated statements of income.

Weighted-average interest rates on long-term debt were 9.78% and 10.63% during 2018 and 2017, respectively.

As of December 31, 2018 and 2017, the Company was in compliance with all covenants and other requirements set forth in the prevailing long-term debt agreements.

As of December 31, 2018, required principal payments under the terms of the long-term debt for each of the five years after December 31, 2018 are as follows (in thousands):

<u>Year</u>	<u>Amount</u>
2019 .....	\$ —
2020 .....	22,000
2021 .....	—
2022 .....	—
2023 .....	—
Thereafter .....	625,000 <sup>(1)</sup>
Securitization .....	227,304 <sup>(2)</sup>
Total .....	<u>\$ 874,304</u>

(1) The \$250.0 million 8.50% senior unsecured notes and the \$375.0 million senior unsecured notes mature September 1, 2024 and September 15, 2025, respectively.

(2) The 2016-1 Securitization Facility matures at various dates, the latest of which will be April 15, 2022, the 2018-2 Facility matures on October 23, 2022, the 2018-1 Facility matures on July 22, 2023 and the 2018-A Notes mature on May 20, 2026.

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

**9. Income Taxes**

The components of the Company's deferred tax assets and liabilities as of December 31, 2018 and 2017 were as follows (in thousands):

	<u>As of December 31,</u>	
	<u>2018</u>	<u>2017</u>
Deferred tax assets:		
Loans and finance receivables, net .....	\$ 8,209	\$ 27,444
Compensation and benefits .....	4,272	4,423
Translation adjustments .....	4,645	2,531
Accrued rent and deferred finish out allowance .....	3,392	2,786
Foreign net operating loss carryforward .....	4,679	2,164
Contingency reserves .....	1,462	373
Other .....	<u>2,375</u>	<u>1,068</u>
Total deferred tax assets .....	<u>29,034</u>	<u>40,789</u>
Deferred tax liabilities:		
Amortizable intangible assets .....	45,549	42,334
Property and equipment .....	8,824	7,760
Other .....	<u>2,702</u>	<u>153</u>
Total deferred tax liabilities .....	<u>57,075</u>	<u>50,247</u>
Net deferred tax liabilities before valuation allowance .....		
allowance .....	(28,041)	(9,458)
Valuation allowance .....	<u>(5,130)</u>	<u>(2,650)</u>
Net deferred tax liabilities .....	<u>\$ (33,171)</u>	<u>\$ (12,108)</u>

The components of the provision for income taxes and the income to which it relates for the years ended December 31, 2018, 2017 and 2016 are shown below (in thousands):

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Income before income taxes:			
Domestic .....	\$ 76,413	\$ 37,900	\$ 57,422
International .....	—	—	14
Income before income taxes .....	<u>\$ 76,413</u>	<u>\$ 37,900</u>	<u>\$ 57,436</u>
Current (benefit) provision:			
Federal .....	\$ (15,074)	\$ 11,366	\$ 22,656
International .....	42	(3)	94
State and local .....	<u>(943)</u>	<u>2,045</u>	<u>2,347</u>
Total current (benefit) provision .....	<u>\$ (15,975)</u>	<u>\$ 13,408</u>	<u>\$ 25,097</u>
Deferred provision (benefit):			
Federal .....	\$ 18,679	\$ (4,461)	\$ (2,152)
International .....	—	—	—
State and local .....	<u>3,611</u>	<u>(287)</u>	<u>(111)</u>
Total deferred provision (benefit) .....	<u>\$ 22,290</u>	<u>\$ (4,748)</u>	<u>\$ (2,263)</u>
Total provision for income taxes .....	<u>\$ 6,315</u>	<u>\$ 8,660</u>	<u>\$ 22,834</u>



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

The effective tax rate on income differs from the federal statutory rate of 21% for the year ended December 31, 2018 and 35% for the years ended December 31, 2017 and 2016, for the following reasons (dollars in thousands):

	Year Ended December 31,		
	2018	2017	2016
Tax provision computed at the federal statutory income tax rate .....	\$ 16,047	\$ 13,265	\$ 20,103
State and local income taxes, net of federal tax benefits .....	2,091	1,440	1,401
Share-based compensation .....	(1,790)	(1,005)	1,656
Foreign exchange gain .....	—	724	—
Deferred tax adjustment from TCJA .....	(10,284)	(7,491)	—
162(m) limit on deductibility of executive compensation .....	1,547	—	—
Other .....	(1,296)	1,727	(326)
Total provision .....	<u>\$ 6,315</u>	<u>\$ 8,660</u>	<u>\$ 22,834</u>
Effective tax rate .....	8.3%	22.9%	39.8%

As required under ASC 740, the Company revalued the existing deferred tax balances as of December 31, 2017 due to a change in the Federal income tax rate in the period as result of the enactment of the Tax Cuts and Jobs Act (“TCJA”). In accordance with SEC Staff Accounting Bulletin No. 118 (“SAB 118”), the Company obtained further necessary information and incorporated published guidance provided after year end. These items were utilized to prepare the Company’s federal and state income tax filings for the 2017 tax year. Included in the Company’s income tax expense as of December 31, 2018 are certain adjustments related to the finalization of computations related to the TCJA. As of December 22, 2018, the Company considers the one-year period provided for under SAB 118 to be closed.

The Company has state net operating loss carryforwards of \$13.2 million at December 31, 2018 that, if unused, will expire between calendar years 2023 and 2038. The Company has not recorded a valuation allowance related to the state net operating loss carryforwards as they are more likely than not to be utilized. The Company has gross foreign net operating loss carryforwards from Brazilian operations of \$20.6 million, \$10.7 million and \$4.3 million as of December 31, 2018, 2017 and 2016, respectively. 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 allowance activity for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Balance at beginning of period .....	\$ 2,650	\$ 1,807	\$ 1,220
Additions .....	2,480	843	587
Deductions .....	—	—	—
Balance at end of period .....	<u>\$ 5,130</u>	<u>\$ 2,650</u>	<u>\$ 1,807</u>

A reconciliation of the activity related to unrecognized tax benefits follows for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Balance at beginning of period .....	\$ 727	\$ 351	\$ —
Additions based on tax positions related to the current year .....	8,248	229	118
Additions for tax positions of prior years .....	31,365	147	233
Balance at end of period .....	<u>\$ 40,340</u>	<u>\$ 727</u>	<u>\$ 351</u>

Included in the balances of unrecognized tax benefits at December 31, 2018, 2017 and 2016 are potential benefits of \$13.3 million, \$0.7 million and \$0.4 million, respectively, that, if recognized, would favorably affect the effective tax rate in the period of recognition. The balance of unrecognized tax benefits for temporary items as of December 31, 2018 was \$27.1 million. There were no unrecognized tax benefits for temporary items as of December 31, 2017 and 2016. The Company recognizes interest and penalties, if

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

any, related to unrecognized tax benefits in income tax expense. There were no expenses for interest and penalties related to unrecognized tax benefits recorded in 2018, 2017, and 2016. The liability for unrecognized tax benefits included no amounts for accrued interest and penalties related to unrecognized tax benefits as of December 31, 2018 and 2017.

The Company believes it is reasonably possible that, within the next twelve months, unrecognized domestic tax benefits will change by a significant amount. The Company's principal uncertainties are related to the timing of recognition of income and losses related to its loan portfolio. The Company anticipates a Joint Committee on Taxation review of certain tax returns that were filed during 2018 in conjunction with the refunds claimed on those returns. Depending upon the outcome of the review and any related agreements or settlements with the relevant taxing authorities, the amount of the uncertainty, including amounts that would be recognized as a component of the effective tax rate, could change significantly. While the total amount of uncertainty to be resolved is not clear, it is reasonably possible that the uncertainties pertaining to this matter will be resolved in the next twelve months.

The Company's U.S. tax returns are subject to examination by federal and state taxing authorities. The statute of limitations related to the Company's consolidated Federal income tax returns is closed for all tax years up to and including 2013. The years open to examination by state, local and foreign government authorities vary by jurisdiction, but the statute of limitation is generally three years from the date the tax return is filed. For jurisdictions that have generated net operating losses, carryovers may be subject to the statute of limitations applicable for the year those carryovers are utilized. In these cases, the period for which the losses may be adjusted will extend to conform with the statute of limitations for the year in which the losses are utilized. In most circumstances, this is expected to increase the length of time that the applicable taxing authority may examine the carryovers by one year or longer, in limited cases.

**10. Commitments and Contingencies**

***Leases***

The Company leases certain assets, primarily office space, all of which are accounted for as operating leases. The remaining lease terms range from one to nine years with certain rights to extend for additional periods. Future minimum rentals due under non-cancelable leases, which excludes operating expenses and real estate taxes, as of December 31, 2018, are as follows for each of the years ending December 31 (in thousands):

<u>Year</u>	<u>Amount</u>
2019 .....	\$ 6,932
2020 .....	6,751
2021 .....	6,957
2022 .....	7,010
2023 .....	7,113
Thereafter .....	23,465
Total .....	<u>\$ 58,228</u>

Rent expense was \$5.7 million, \$5.2 million and \$5.8 million for the years ended December 31, 2018, 2017 and 2016, respectively.

***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, 2018 and 2017, the amount of consumer loans guaranteed by the Company was \$29.7 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 \$2.2 million and \$2.3 million, as of December 31, 2018 and 2017, respectively, is included in "Accounts payable and accrued expenses" in the accompanying consolidated balance sheets.

***Litigation***

On April 23, 2018, the Commonwealth of Virginia, through Attorney General Mark R. Herring, filed a lawsuit in the Circuit Court for the County of Fairfax, Virginia against NC Financial Solutions of Utah, LLC ("NC Utah"), a subsidiary of the Company. The lawsuit alleges violations of the Virginia Consumer Protection Act ("VCPA") relating to NC Utah's communications with customers, collections of certain payments, its loan agreements, and the rates it charged to Virginia borrowers. The plaintiff is seeking to enjoin NC Utah from continuing its current lending practices in Virginia, restitution, civil penalties, and costs and expenses in connection with the same. Neither the likelihood of an unfavorable 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

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

450-20-20, Contingencies–Loss Contingencies–Glossary, for this litigation. The Company carefully considered applicable Virginia law before NC Utah began lending in Virginia and, as a result, believes that the Plaintiff’s claims in the complaint are without merit and intends to vigorously defend this lawsuit.

The Company is also involved in certain routine legal proceedings, claims and litigation matters encountered in the ordinary course of its business. Certain of these matters may be covered to an extent by insurance or by indemnification agreements with third parties. The Company has recorded accruals in its consolidated financial statements for those matters in which it is probable that it has incurred a loss and the amount of the loss, or range of loss, can be reasonably estimated. 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.

**11. Employee Benefit Plans**

The Company sponsors the Enova International, Inc. 401(k) Savings Plan (the “401(k) Plan”), which is open to all U.S. employees of the Company and its subsidiaries. New employees are automatically enrolled in this plan unless they elect not to participate. 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 fully vest after a participant’s second year of service with the Company. The Company also offers the Enova International, Inc. Nonqualified Savings Plan (the “NQSP”) for certain members of Company management. The Company’s consolidated contributions to the 401(k) Plan and the NQSP were \$2.7 million, \$1.9 million and \$2.2 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The Company sponsors 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 terms 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 \$0.5 million, \$0.5 million and \$0.2 million for SERP contributions for the years ended December 31, 2018, 2017 and 2016, 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, 2018, 2017 and 2016, 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 (in thousands):

	As of December 31,	
	2018	2017
Prepaid expenses and other assets .....	\$ 2,052	\$ 1,460
Accounts payable and accrued expenses .....	\$ 2,580	\$ 1,993

**12. Stock-Based Compensation**

Under the Enova International, Inc. 2014 Second Amended and Restated Long-Term Incentive Plan (the “Enova LTIP”), the Company is authorized to issue 12,500,000 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 have been the only stock-based awards granted under the Plan. As of December 31, 2018, there were 6,438,286 shares available for future grants under the Enova LTIP.

During the year ended December 31, 2018, the Company received 92,592 shares of its common stock valued at approximately \$2.2 million as partial payment of taxes required to be withheld upon issuance of shares under RSUs.

Restricted Stock Units

During the years ended December 31, 2018, 2017 and 2016, 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

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

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 RSU awards granted to members of the Board of Directors vest and 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 RSU activity during 2018, 2017 and 2016:

	Year Ended December 31, 2018		Year Ended December 31, 2017		Year Ended December 31, 2016	
	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 .....	1,425,883	\$ 12.00	1,359,057	\$ 9.49	641,878	\$ 20.55
Units granted .....	639,109	21.74	763,727	14.70	1,189,136	6.67
Shares issued .....	(604,116)	11.90	(563,689)	9.68	(213,437)	19.65
Units forfeited .....	(218,454)	16.12	(133,212)	11.62	(258,520)	15.65
Outstanding at end of year .....	1,242,422	\$ 16.34	1,425,883	\$ 12.00	1,359,057	\$ 9.49

Compensation expense related to these RSUs totaling \$8.8 million (\$6.7 million net of related taxes), \$7.3 million (\$5.6 million net of related taxes) and \$5.2 million (\$3.1 million net of related taxes) was recognized for the years ended December 31, 2018, 2017 and 2016, respectively. Total unrecognized compensation cost related to these RSUs at December 31, 2018 was \$14.5 million, which will be recognized over a weighted average period of approximately 2.7 years. The outstanding RSUs had an aggregate intrinsic value of \$24.2 million at December 31, 2018.

Stock Options

During the years ended December 31, 2018, 2017 and 2016, the Company granted stock options to purchase Enova 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.

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 seventh 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 grant date fair value of the stock options and is amortized to expense over the vesting periods. For the year ended December 31, 2018, 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 ranging from 2.5% to 2.7% with a weighted average of 2.5%, expected term (life) of options of 4.5 years, expected volatility ranging from 51.5% to 52.2% with a weighted average of 51.5% and no expected dividends.

Determining the fair value of options 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 and revises the estimate, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

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

The following table summarizes the Company's stock option activity during 2018, 2017 and 2016:

	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2018		2017		2016	
	Units	Weighted Average Exercise Price	Units	Weighted Average Exercise Price	Units	Weighted Average Exercise Price
Outstanding at beginning of year .....	2,054,092	\$ 16.92	1,587,056	\$ 17.98	1,891,153	\$ 21.44
Options granted .....	481,003	21.54	590,988	14.80	337,081	6.29
Options exercised .....	(319,764)	21.07	(4,459)	6.29	—	—
Options forfeited .....	(85,494)	17.42	(119,493)	21.02	(641,178)	22.01
Outstanding at end of year .....	2,129,837	\$ 17.32	2,054,092	\$ 16.92	1,587,056	\$ 17.98
Exercisable options at end of year .....	1,246,301	17.27	1,165,837	19.94	734,896	21.67

The weighted average fair value of options granted in 2018 was \$9.65. Compensation expense related to stock options totaling \$2.9 million (\$2.2 million net of related taxes), \$4.0 million (\$3.1 million net of related taxes) and \$3.3 million (\$2.0 million net of related taxes) was recognized for the years ended December 31, 2018, 2017 and 2016, respectively. Total unrecognized compensation cost related to stock options at December 31, 2018 was \$4.4 million, which will be recognized over a period of approximately 1.8 years. At December 31, 2018, the intrinsic value of stock options outstanding was \$17.4 million and the intrinsic value of stock options exercisable was \$8.3 million, respectively.

### 13. 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 foreign currency exchange rate risk.

The Company periodically uses forward currency exchange contracts to minimize the effects of foreign currency risk in Brazil and 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 (loss) gain, net" in the Company's consolidated statements of income.

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, 2018. The following table presents information related to the Company's derivative instruments as of December 31, 2017 (in thousands):

Non-designated derivatives:

	As of December 31, 2017			
	Notional Amount	Gross Amounts of Recognized Financial Instruments	Gross Amounts Offset in the Consolidated Balance Sheets <sup>(1)</sup>	Net Amounts of Assets Presented in the Consolidated Balance Sheets <sup>(2)</sup>
Forward currency exchange contracts				
Assets .....	\$ —	\$ —	\$ —	\$ —
Liabilities .....	\$ 12,039	\$ 55	\$ —	\$ 55

(1) As of December 31, 2017, the Company had no gross amounts of recognized derivative instruments that the Company made 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, 2018, 2017 and 2016 (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,		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Non-designated derivatives:									
Forward currency exchange contracts <sup>(1)</sup>	\$ 243	\$ (55)	\$ 3,020	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total	<u>\$ 243</u>	<u>\$ (55)</u>	<u>\$ 3,020</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.*

**14. Related Party Transactions**

In October 2017, the Company entered into an agreement for direct mail services with a marketing agency where David Fisher, the Company's Chief Executive Officer and Chairman of the Board, also serves as a member of the marketing agency's Board of Directors. During the year ended December 31, 2018, the Company incurred \$11.4 million in expenses related to these services. As of December 31, 2018, the Company owed the agency \$2.5 million related to services provided. As of and for the years ended December 31, 2017 and 2016, there were no amounts due or expenses incurred related to the agency.

An officer of the Company, who resigned effective July 1, 2018, had an ongoing ownership interest in the small business from which the Company acquired certain assets and assumed certain liabilities in June 2015 (see Note 2 for additional information). 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 2 for additional information), both of which were guaranteed by the Company. The Promissory Note accrued interest at a rate of 4.0% per annum and matured 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, 2018, 2017 and 2016.

The Company believes that the transactions described above have been provided on terms no less favorable to the Company than could have been negotiated with non-affiliated third parties.

**15. 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, 2016-2, 2018-1, 2018-2 and 2018-A Securitization Facilities. The Company transfers certain consumer loan receivables to wholly owned, bankruptcy-remote special purpose subsidiaries ("VIEs"), which issue notes backed by the underlying consumer loan receivables and are serviced by another wholly-owned subsidiary of the Company. The cash flows from the loans held by the VIEs are used to repay obligations under the notes.

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 returns related to servicing fee revenue from the VIEs and 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.

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

**16. Supplemental Disclosures of Cash Flow Information**

The following table sets forth certain cash and non-cash activities for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash paid during the year for:			
Interest .....	\$ 68,350	\$ 63,529	\$ 59,609
Income taxes paid .....	9,581	17,263	19,213
Non-cash investing and financing activities:			
Loans and finance receivables renewed .....	\$ 374,563	\$ 322,648	\$ 310,425

**17. 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 shared technology platforms, the type of customer and the nature of the regulatory environment.

The following tables present information on the Company's domestic and international operations as of and for the years ended December 31, 2018, 2017 and 2016 (in thousands).

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Revenue</b>			
Domestic .....	\$ 946,515	\$ 709,537	\$ 622,991
International .....	167,559	134,204	122,578
<b>Total revenue</b> .....	<u>\$ 1,114,074</u>	<u>\$ 843,741</u>	<u>\$ 745,569</u>
<b>Income from operations</b>			
Domestic .....	\$ 294,183	\$ 233,065	\$ 204,084
International .....	1,399	6,147	19,787
Corporate services .....	(112,510)	(104,798)	(102,394)
<b>Total income from operations</b> .....	<u>\$ 183,072</u>	<u>\$ 134,414</u>	<u>\$ 121,477</u>
<b>Depreciation and amortization</b>			
Domestic .....	\$ 7,430	\$ 6,769	\$ 6,005
International .....	1,499	1,539	2,167
Corporate services .....	6,261	6,080	7,392
<b>Total depreciation and amortization</b> .....	<u>\$ 15,190</u>	<u>\$ 14,388</u>	<u>\$ 15,564</u>
<b>Expenditures for property and equipment</b>			
Domestic .....	\$ 8,177	\$ 6,449	\$ 6,955
International .....	4,328	4,589	3,158
Corporate services .....	3,574	5,490	4,283
<b>Total expenditures for property and equipment</b> .....	<u>\$ 16,079</u>	<u>\$ 16,528</u>	<u>\$ 14,396</u>

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

	December 31,	
	2018	2017
<b>Property and equipment, net</b>		
Domestic .....	\$ 19,878	\$ 25,732
International .....	9,778	7,670
Corporate services .....	19,897	15,123
<b>Total property and equipment, net</b> .....	<b>\$ 49,553</b>	<b>\$ 48,525</b>
<b>Assets</b>		
Domestic .....	\$ 1,110,608	\$ 964,697
International .....	138,280	133,449
Corporate services .....	79,297	61,314
<b>Total assets</b> .....	<b>\$ 1,328,185</b>	<b>\$ 1,159,460</b>

**Geographic Information**

The following table presents the Company's revenue by geographic region for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	Year Ended December 31,		
	2018	2017	2016
<b>Revenue</b>			
United States .....	\$ 946,515	\$ 709,537	\$ 622,991
United Kingdom .....	141,453	114,838	103,478
Other international countries .....	26,106	19,366	19,100
<b>Total revenue</b> .....	<b>\$ 1,114,074</b>	<b>\$ 843,741</b>	<b>\$ 745,569</b>

The Company's long-lived assets, which consist of the Company's property and equipment, were \$49.6 million and \$48.5 million at December 31, 2018 and 2017, 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.

**18. 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, 2018 and 2017, there were no transfers of assets or liabilities between Level 1, 2 or 3 in fair value. 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 (liabilities) that are measured at fair value on a recurring basis as of December 31, 2018 and 2017 are as follows (in thousands):

	December 31,	Fair Value Measurements Using		
	2018	Level 1	Level 2	Level 3
<b>Financial assets (liabilities)</b>				
Nonqualified savings plan assets <sup>(1)</sup> .....	\$ 2,052	\$ 2,052	\$ —	\$ —
<b>Total</b> .....	<b>\$ 2,052</b>	<b>\$ 2,052</b>	<b>\$ —</b>	<b>\$ —</b>

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

	December 31, 2017	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Financial assets (liabilities)</b>				
Forward currency exchange contracts .....	\$ (55)	\$ —	\$ (55)	\$ —
Nonqualified savings plan assets <sup>(1)</sup> .....	1,460	1,460	—	—
<b>Total</b> .....	<u>\$ 1,405</u>	<u>\$ 1,460</u>	<u>\$ (55)</u>	<u>\$ —</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 of identical assets are readily observable.

The Company determined the fair value of the liability for the contingent consideration discussed in Note 2 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. Based on future expected earnings, the Company did not expect to pay any additional contingent consideration and recorded an adjustment to write-off the remaining liability in 2017. As of December 31, 2018, the Company had not made and was no longer potentially liable for any contingent payments related to this acquisition.

The change in the fair value of the contingent consideration, which is a Level 3 liability measured at fair value on a recurring basis, is summarized in the table below for the year ended December 31, 2017 (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Contingent consideration	Total
<b>Balance at December 31, 2016</b> .....	\$ 2,358	\$ 2,358
Remeasurement of contingent consideration (see Note 2) .....	(2,358)	(2,358)
<b>Balance at December 31, 2017</b> .....	<u>\$ —</u>	<u>\$ —</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, 2018 and 2017, there were no assets or liabilities recorded at fair value on a nonrecurring basis.

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

***Financial Assets and Liabilities Not Measured at Fair Value***

The Company's financial assets and liabilities as of December 31, 2018 and 2017 that are not measured at fair value in the consolidated balance sheets are as follows (in thousands):

	December 31, 2018	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Financial assets:</b>				
Cash and cash equivalents .....	\$ 52,917	\$ 52,917	\$ —	\$ —
Short-term loans and line of credit accounts, net <sup>(1)</sup> .....	222,860	—	—	222,860
Installment loans and RPAs, net <sup>(1)</sup> .....	637,086	—	—	670,888
Restricted cash .....	24,342	24,342	—	—
Investment in unconsolidated investee <sup>(2)(3)</sup> .....	6,703	—	—	6,703
<b>Total</b> .....	<u>\$ 943,908</u>	<u>\$ 77,259</u>	<u>\$ —</u>	<u>\$ 900,451</u>
<b>Financial liabilities:</b>				
Liability for estimated losses on consumer loans guaranteed by the Company .....	\$ 2,166	\$ —	\$ —	\$ 2,166
Revolving line of credit .....	22,000	—	—	22,000
Securitization Notes .....	227,288	—	225,474	—
8.50% senior notes due 2024 .....	250,000	—	212,500	—
8.50% senior notes due 2025 .....	375,000	—	306,563	—
<b>Total</b> .....	<u>\$ 876,454</u>	<u>\$ —</u>	<u>\$ 744,537</u>	<u>\$ 24,166</u>
	December 31, 2017	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Financial assets:</b>				
Cash and cash equivalents .....	\$ 68,684	\$ 68,684	\$ —	\$ —
Short-term loans and line of credit accounts, net <sup>(1)</sup> .....	192,675	—	—	192,675
Installment loans and RPAs, net <sup>(1)</sup> .....	512,030	—	—	544,799
Restricted cash .....	29,460	29,460	—	—
Investment in unconsolidated investee <sup>(2)(3)</sup> .....	6,703	—	—	6,703
<b>Total</b> .....	<u>\$ 809,552</u>	<u>\$ 98,144</u>	<u>\$ —</u>	<u>\$ 744,177</u>
<b>Financial liabilities:</b>				
Liability for estimated losses on consumer loans guaranteed by the Company .....	\$ 2,258	\$ —	\$ —	\$ 2,258
Promissory note .....	3,000	—	—	3,287
Securitization Notes .....	211,406	—	215,063	—
9.75% senior notes due 2021 .....	342,558	—	365,700	—
8.50% senior notes due 2024 .....	250,000	—	255,000	—
<b>Total</b> .....	<u>\$ 809,222</u>	<u>\$ —</u>	<u>\$ 835,763</u>	<u>\$ 5,545</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 1 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



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

valuations of comparable portfolios. Unsecured installment loans typically have terms between two and 60 months. RPAs typically have estimated delivery terms between six and 18 months.

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, 2018, the Company estimated the fair value of its investment to be approximately equal to the book value.

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 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 its revolving line of credit using Level 3 inputs. The Company considered the fair value of its other long-term debt and the timing of expected payment(s).

The fair values of the Company's Securitization Notes and senior notes are estimated based on quoted prices in markets that are not active, which are deemed Level 2 inputs.

The fair value of the Promissory Note was estimated using a discounted cash flow analysis, which is deemed Level 3.

**19. Quarterly Financial Data (Unaudited)**

The following is a summary of the quarterly results of operations for the years ended December 31, 2018 and 2017 (in thousands, except per share data):

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
<b>2018</b>				
Total Revenue .....	\$ 254,298	\$ 253,301	\$ 293,879	\$ 312,596
Cost of Revenue .....	108,553	121,494	163,763	177,190
Gross Profit .....	<u>\$ 145,745</u>	<u>\$ 131,807</u>	<u>\$ 130,116</u>	<u>\$ 135,406</u>
Net Income .....	\$ 27,898	\$ 18,225	\$ 15,304	\$ 8,671
Diluted earnings per share <sup>(1)</sup> .....	\$ 0.81	\$ 0.52	\$ 0.43	\$ 0.25
Diluted weighted average common shares.....	34,572	35,371	35,665	35,103
<b>2017</b>				
Total Revenue .....	\$ 192,263	\$ 189,904	\$ 217,878	\$ 243,696
Cost of Revenue .....	81,884	79,862	107,341	127,545
Gross Profit .....	<u>\$ 110,379</u>	<u>\$ 110,042</u>	<u>\$ 110,537</u>	<u>\$ 116,151</u>
Net Income (Loss).....	\$ 13,852	\$ 11,873	\$ (3,368)	\$ 6,883
Diluted earnings per share <sup>(1)</sup> .....	\$ 0.41	\$ 0.35	\$ (0.10)	\$ 0.20
Diluted weighted average common shares .....	34,036	34,125	33,670	34,172

*(1) The sum of quarterly per share amounts may not equal per share amounts for the year due to differences in weighted-average shares and/or equivalent shares outstanding for each of the periods presented.*

**20. Subsequent Events**

Subsequent events have been reviewed through the date these financial statements were available to be issued.

On February 25, 2019 (the "2019-1 Closing Date"), the Company and several of its subsidiaries entered into a receivables securitization (the "2019-1 Facility") with PCAM Credit II, LLC, as lender (the "2019-1 Lender"). The 2019-1 Lender is an affiliate of Park Cities Asset Management, LLC. The 2019-1 Facility finances Securitization Receivables that have been and will be originated

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

or acquired under the Company's NetCredit and CashNetUSA brands by several of the Company's subsidiaries and that meet specified eligibility criteria. Under the 2019-1 Facility, eligible Securitization Receivables are sold to a wholly-owned subsidiary of the Company (the "2019-1 Debtor") and serviced by another subsidiary of the Company.

The 2019-1 Debtor has issued a delayed draw term note with an initial maximum principal balance of \$30.0 million and a revolving note with an initial maximum principal balance of \$20.0 million for an aggregate initial maximum principal balance of \$50.0 million, which is required to be secured by eligible Securitization Receivables. The 2019-1 Facility has an accordion feature that, with the consent of the 2019-1 Lender, allows for the maximum principal balance of the delayed draw term note to increase to \$50.0 million and the maximum principal balance of the revolving note to increase to \$25.0 million, for an aggregate maximum principal balance of \$75.0 million. The 2019-1 Facility is non-recourse to the Company and matures three years after the 2019-1 Closing Date.

The 2019-1 Facility is governed by a loan and security agreement, dated as of the 2019-1 Closing Date, between the 2019-1 Lender and the 2019-1 Debtor. The 2019-1 Facility bears interest at a rate per annum equal to LIBOR (subject to a floor) plus an applicable margin, which applicable margin is initially 9.75%. In addition, the 2019-1 Debtor is required to pay certain customary upfront closing fees to the 2019-1 Lender. Interest payments on the 2019-1 Facility will be made monthly. Subject to certain exceptions, the 2019-1 Debtor is not permitted to prepay the delayed draw term note prior to two years after the 2019-1 Closing Date. Following such date, the 2019-1 Debtor is permitted to voluntarily prepay the 2019-1 Facility without penalty. The revolving note may be paid in whole or in part at any time after the delayed draw term note has been fully drawn.

All amounts due under the 2019-1 Facility are secured by all of the 2019-1 Debtor's assets, which include the eligible Securitization Receivables transferred to the 2019-1 Debtor, related rights under the eligible Securitization Receivables, a bank account and certain other related collateral. The Company has issued a limited indemnity to the 2019-1 Lender for certain "bad acts," and the Company has agreed for the benefit of the 2019-1 Lender to meet certain ongoing financial performance covenants.

The 2019-1 Facility documents contain customary provisions for securitizations, including representations and warranties as to the eligibility of the eligible Securitization 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 2019-1 Facility in circumstances including, but not limited to, failure to make payments when due, certain insolvency events, breaches of representations, warranties or covenants, failure to maintain the security interest in the eligible Securitization Receivables, defaults under other material indebtedness of the 2019-1 Debtor and a default by the Company under its financial performance covenants.

## **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, 2018 (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 SEC 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, 2018. The effectiveness of our internal control over financial reporting as of December 31, 2018 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 were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2018 that have materially affected, or are 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 2019 Annual Meeting of Stockholders, or the Proxy Statement, within 120 days after December 31, 2018. 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 SEC 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, 2018, 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 issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)		(b)
Equity compensation plans approved by security holders	3,372,259	\$ 10.94	6,438,286
Equity compensation plans not approved by security holders	—	—	—
Total .....	3,372,259	\$ 10.94	6,438,286

### 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 .....	78
Consolidated Balance Sheets – December 31, 2018 and 2017.....	79
Consolidated Statements of Income – Years Ended December 31, 2018, 2017 and 2016.....	81
Consolidated Statements of Comprehensive Income – Years Ended December 31, 2018, 2017 and 2016.....	82
Consolidated Statements of Stockholders’ Equity – Years Ended December 31, 2018, 2017 and 2016.....	83
Consolidated Statements of Cash Flows – Years Ended December 31, 2018, 2017 and 2016 .....	84
Notes to Consolidated Financial Statements.....	85

<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	3.2	11/17/2017	
3.2	Enova International, Inc. Amended and Restated Bylaws	8-K	001-35503	3.1	11/17/2017	
4.1	Specimen common stock certificate	10-12B	001-35503	4.1	10/2/2014	
4.2	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	
4.3	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	
4.4	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	
4.5	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	
4.6	Fourth Supplemental Indenture, dated as of September 1, 2017, by and among Enova International, Inc., CNU of Iowa, LLC, Computershare Trust Company, N.A. and Computer Trust Company of Canada, as trustee	8-K	001-35503	4.2	9/8/2017	
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	10-K	001-35503	4.7	2/24/2017	
4.8	Indenture, dated as of September 1, 2017, by and among Enova International, Inc., each of the guarantors party thereto and Computershare Trust Company, N.A., as trustee and the Form of 8.500% Senior Note due 2024 (included as Exhibit A).	8-K	001-35503	4.1	9/8/2017	
4.9	Amended and Restated Indenture, dated October 20, 2017, between EFR 2016-1, LLC and Bankers Trust Company, as indenture trustee and securities intermediary <sup>(3)</sup>	10-K	001-35503	4.9	2/26/2018	
4.10	First Amendment, dated October 20, 2017, between EFR 2016-1, LLC and Bankers Trust Company, as indenture trustee and securities intermediary <sup>(3)</sup>	10-K	001-35503	4.10	2/26/2018	
4.11	Indenture, dated as of September 19, 2018, by and among Enova International, Inc., each of the guarantors party thereto and Computershare Trust Company, N.A., as trustee and the Form of 8.500% Senior Note due 2025	10-Q	001-35503	4.1	10/31/2018	

<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>
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, as amended and restated effective September 13, 2017*	10-Q	001-35503	10.1	11/1/2017	
10.6	Enova International, Inc. Nonqualified Savings Plan*	10-12B	001-35503	10.6	7/31/2014	
10.7	Form of Enova International, Inc. Severance Pay Plan for Executives*	10-12B	001-35503	10.12	10/2/2014	
10.8	Form of Enova International, Inc. Senior Executive Bonus Plan*	10-12B	001-35503	10.13	10/2/2014	
10.9	Summary of 2014 Terms and Conditions of the Enova International, Inc. Short-Term Incentive Plan*	10-12B	001-35503	10.14	10/2/2014	
10.10	Form of Executive Change-in-Control Severance and Restrictive Covenant Agreement (Chief Executive Officer)*	8-K	001-35503	10.1	9/15/2017	
10.11	Form of Executive Change-in-Control Severance and Restrictive Covenant Agreement (Executive Officers other than the CEO)*	8-K	001-35503	10.2	9/15/2017	
10.12	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	
10.13	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	
10.14	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	
10.15	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	
10.16	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	
10.17	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	
10.18	Form of Enova International, Inc. Second Amended and Restated 2014 Long-Term Incentive Plan Award Agreement for Grant of Restricted Stock Units*					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>
10.19	Offer letter dated May 19, 2016 between Enova Financial Holdings, LLC and Steven Cunningham*	10-Q	001-35503	10.1	8/4/2016	
10.20	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	
10.21	Loan and Security Agreement, dated December 1, 2016, by and between Redpoint Capital Asset Funding, LLC and EFR 2016-2, LLC	10-K	001-35503	10.37	2/24/2017	
10.22	Sale Agreement, dated December 1, 2016, by and between Enova International, Inc. and EFR 2016-2, LLC	10-K	001-35503	10.38	2/24/2017	
10.23	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	
10.24	Second Amendment to Lease Agreement, dated September 13, 2017, between 175 Jackson L.L.C. and Enova International, Inc.	10-Q	001-35503	10.2	11/1/2017	
10.25	Credit Agreement among Enova International, Inc., as a Borrower and the Parent, certain restricted subsidiaries of the Parent from time to time party hereto, as Borrowers, certain restricted subsidiaries of the Parent from time to time party hereto, as Guarantors, the lenders party hereto, and TBK Bank, SSB, as Administrative Agent and Collateral Agent Dated as of June 30, 2017 <sup>(3)</sup>	10-Q	001-35503	10.1	8/2/2017	
10.26	First Amendment to Credit Agreement among Enova International, Inc., as a Borrower and the Parent, certain restricted subsidiaries of the Parent from time to time party hereto, as Borrowers, certain restricted subsidiaries of the Parent from time to time party hereto, as Guarantors, the lenders party hereto, and TBK Bank, SSB, as Administrative Agent and Collateral Agent dated as of April 13, 2018	10-Q	001-35503	10.1	8/01/2018	
10.27	Second Amendment to Credit Agreement among Enova International, Inc., as a Borrower and the Parent, certain restricted subsidiaries of the Parent from time to time party hereto, as Borrowers, certain restricted subsidiaries of the Parent from time to time party hereto, as Guarantors, the lenders party hereto, and TBK Bank, SSB, as Administrative Agent and Collateral Agent dated as of October 5, 2018					X
10.28	Purchase Agreement by and among Enova International, Inc., the Guarantors party thereto and Jefferies LLC, as Representative of the Initial Purchasers listed therein, dated August 18, 2017	8-K	001-35503	10.1	8/24/2017	
10.29	Amended and Restated Note Purchase Agreement, dated October 20 2017, by and among NetCredit Loan Services, LLC, EFR 2016-1, LLC, Jefferies Funding LLC, WN 2016-1, LLC, Fortress Credit CO LLC, FSLF ENV LLC and other noteholders from time to time party thereto <sup>(3)</sup>	10-K	001-35503	10.26	2/26/2018	
10.30	Amended and Restated Receivables Purchase Agreement, dated October 20, 2017, between Enova Finance 5, LLC and the Company <sup>(3)</sup>	10-K	001-35503	10.27	2/26/2018	
10.31	Loan and Security Agreement, dated July 23, 2018, by and between Pacific Western Bank and EFR 2018-1, LLC	10-Q	001-35503	10.1	10/31/2018	

<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>
10.32	Receivables Purchase Agreement, dated July 23, 2018 by and between EFR 2018-1, LLC, as purchaser, and NetCredit Funding, LLC, as seller	10-Q	001-35503	10.2	10/31/2018	
10.33	Purchase Agreement by and among Enova International, Inc., the Guarantors party thereto and Credit Suisse Securities (USA) LLC, as Representative of the Initial Purchasers listed therein, dated September 14, 2018	10-Q	001-35503	10.3	10/31/2018	
10.34	Loan and Security Agreement, dated October 23, 2018, by and between Credit Suisse AG and EFR 2018-2, LLC					X
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.

(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, 2018 and December 31, 2017; (ii) Consolidated Statements of Income for the years ended December 31, 2018, December 31, 2017 and December 31, 2016; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, December 31, 2017 and December 31, 2016; (iv) Consolidated Statements of Equity at December 31, 2018, December 31, 2017 and December 31, 2016; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2018, December 31, 2017 and December 31, 2016; 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 SEC.

## ITEM 16. FORM 10-K SUMMARY

None.

## 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 27, 2019

By: /s/ DAVID FISHER  
David Fisher  
*Chief Executive Officer*

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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ DAVID FISHER</u> David Fisher	Chairman of the Board of Directors, Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2019
<u>/s/ STEVEN CUNNINGHAM</u> Steven Cunningham	Chief Financial Officer (Principal Financial and Accounting Officer)	February 27, 2019
<u>/s/ ELLEN CARNAHAN</u> Ellen Carnahan	Director	February 27, 2019
<u>/s/ DANIEL R. FEEHAN</u> Daniel R. Feehan	Director	February 27, 2019
<u>/s/ WILLIAM M. GOODYEAR</u> William M. Goodyear	Director	February 27, 2019
<u>/s/ JAMES A. GRAY</u> James A. Gray	Director	February 27, 2019
<u>/s/ GREGG A. KAPLAN</u> Gregg A. Kaplan	Director	February 27, 2019
<u>/s/ MARK MCGOWAN</u> Mark McGowan	Director	February 27, 2019
<u>/s/ MARK A. TEBBE</u> Mark A. Tebbe	Director	February 27, 2019







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