

**HELPING  
HARDWORKING  
PEOPLE** GET access  
TO FAST,  
**TRUSTWORTHY  
CREDIT**

**2019**  
**annual REPORT**



# IN THE WORDS OF OUR CUSTOMERS

The Business Backer was an easy, low-stress loan process. Michelle was very informative and helpful to work with. There wasn't the tons of paperwork to dig up and time consuming process of many loan procedures.

— Kathryn, The Business Backer

Funciona mesmo comigo foi super rápido e fácil em menos de 24 horas o dinheiro tava na conta... obrigada Simplic.

— Lenne, Simplic

It was easy to apply and I had the money I needed the next morning. Thank you CashNetUSA.

— Beverly, CashNetUSA Customer

I needed to pay a bill and NetCredit came through!

— Dan, NetCredit

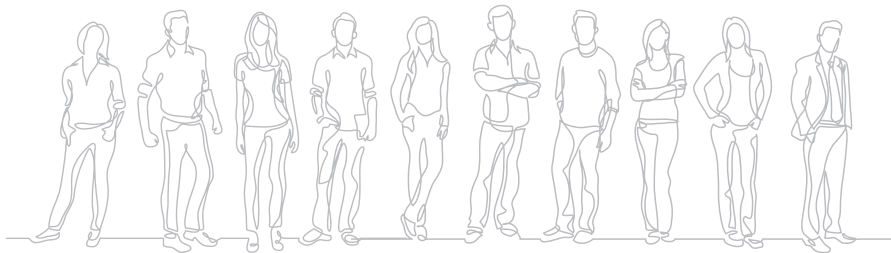
I spent almost a year getting quotes for unconventional daily pay business loans. While Headway offered similar programs, they were able to get me a more conventional line of credit. The process was fast. I received funds as expected. I look forward to seeing what the future holds for us and this company!

— SSAP LLC, Headway Capital

Dear Fellow Stockholders,

Since Enova was founded in 2003, we have been consistently delivering on our mission of helping hardworking people get access to fast, trustworthy credit. Over the years, we have adapted our business to continuously drive growth amid changes in consumer preferences, evolution of regulatory guidelines, and the growth and contractions of multiple economic cycles. We have demonstrated our ability to generate strong revenue and earnings growth quarter after quarter, year after year. Through all of this, we have consistently delivered value to our customers and our shareholders.

Enova had another terrific year in 2019, driven by healthy customer demand, solid execution, efficient marketing and stable credit. We served a record number of new customers, driving revenue growth of 21% year-over-year and, combined with the operating leverage in our online model, adjusted EPS and adjusted EBITDA growth of 71% and 36%, respectively.



Over **6** MILLION Customers Served

# [ FOCUSED ] GROWTH

## Enova's 5 Growth Businesses

**U.S. SUBPRIME**

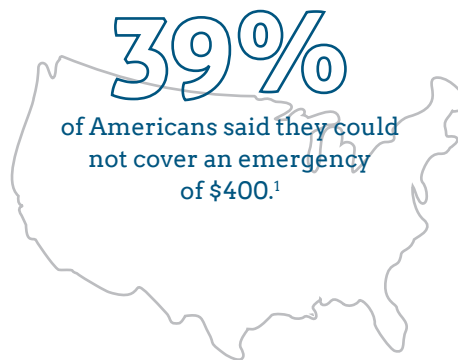
**U.S. near-PRIME**

**U.S. SMALL BUSINESS**

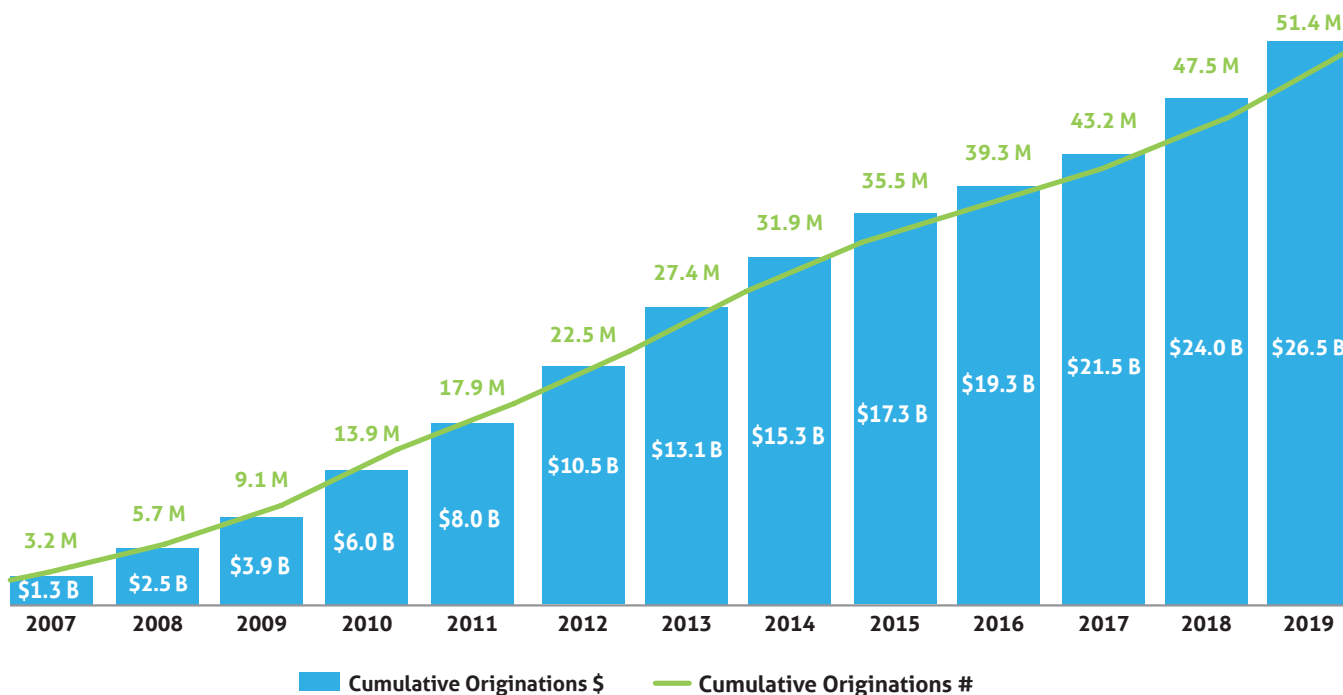
**BRAZIL**

**enova DECISIONS**

Our five growth businesses continued to drive our financial performance, namely our: U.S. subprime business, U.S. near-prime product offering, U.S. small business financing, installment loan business in Brazil, and Enova Decisions, our Analytics-as-a-Service offering. In particular, we have continued to generate strong growth and profitability across our entire U.S. portfolio while further diversifying our product mix—only 4% of our loan balances are from single-pay products, down from 7% in 2018.



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



<sup>1</sup>May 2019 Federal Reserve Board Survey

<sup>2</sup>From inception through December 31, 2019, including originations from discontinued operations.

Looking ahead to 2020, Enova is well positioned to manage and react quickly to the ongoing economic slowdown. Our formal recession monitoring and response process, powered by our leading analytics and technology capabilities, enables us to take informed and timely action to mitigate risk in response to internal portfolio metrics and external economic factors. In addition, our highly flexible online business model facilitates more rapid and decisive actions to right-size business activities. Enova has an excellent track record of consistent profitability, and our earnings capacity provides a solid first line of defense.

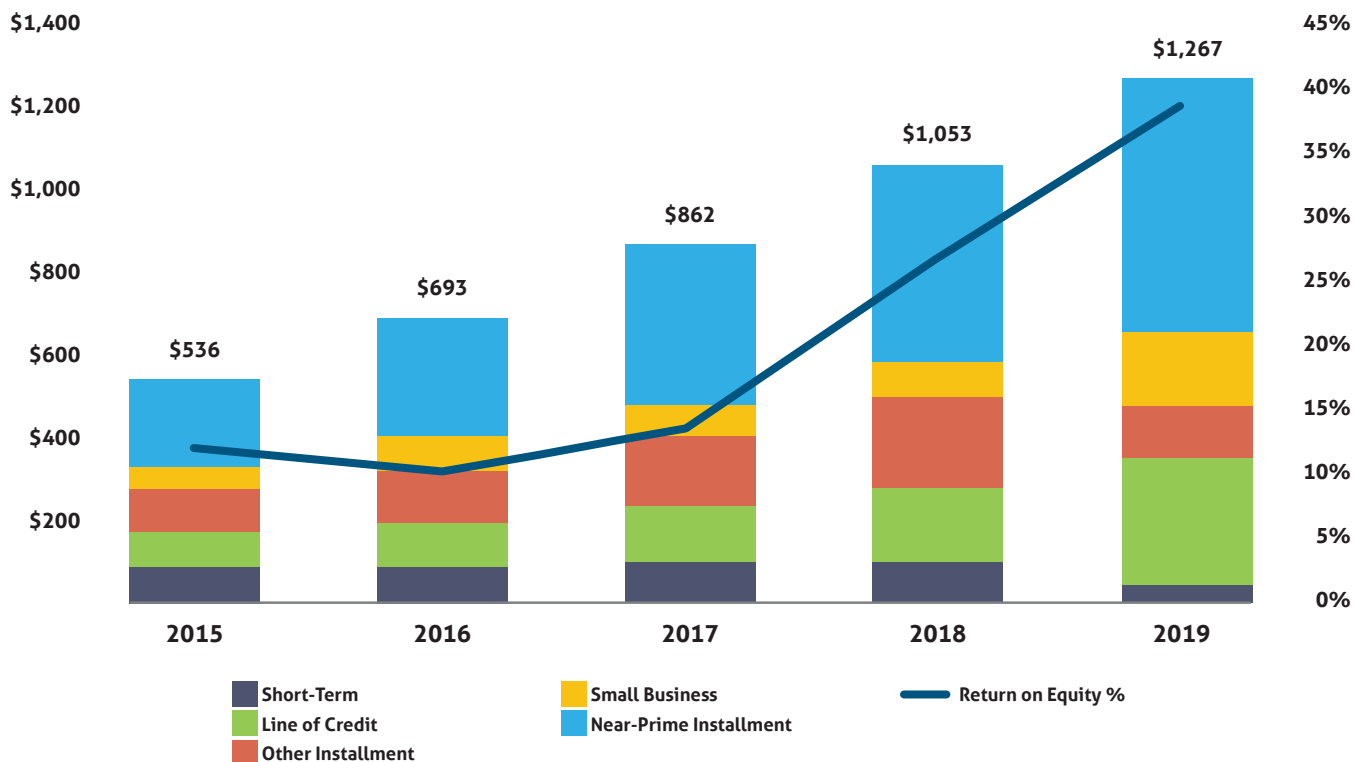
Our strong balance sheet and solid liquidity position provide flexibility, which is reassuring, particularly in times of macroeconomic stress. We continue to optimize our debt and capital structure, laddering our debt maturities and lowering our

Since 2016, successful financing transactions have reduced cost of funds by

**210**  
BASIS POINTS.

### Combined Receivables and Returns<sup>1,2</sup>

(in millions)

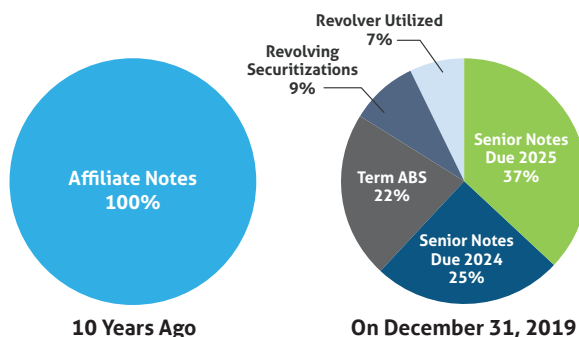


<sup>1</sup>Including loans issued as part of our CSO program and, through 2018, loans from discontinued operations.

<sup>2</sup>ROE is based on trailing twelve months Adjusted Net Income.

cost of capital by almost 80 basis points over the year. Cash flows from operations continue to be strong, and we had over \$300 million of aggregate unused committed capacity on our secured revolving line of credit and securitization facilities at year-end. We are confident that our operating needs, including satisfying our obligations under our debt agreements and funding our working capital growth, will be well satisfied. Finally, our experienced management team and talented employees provide deep experience in guiding organizations through economic downturns.

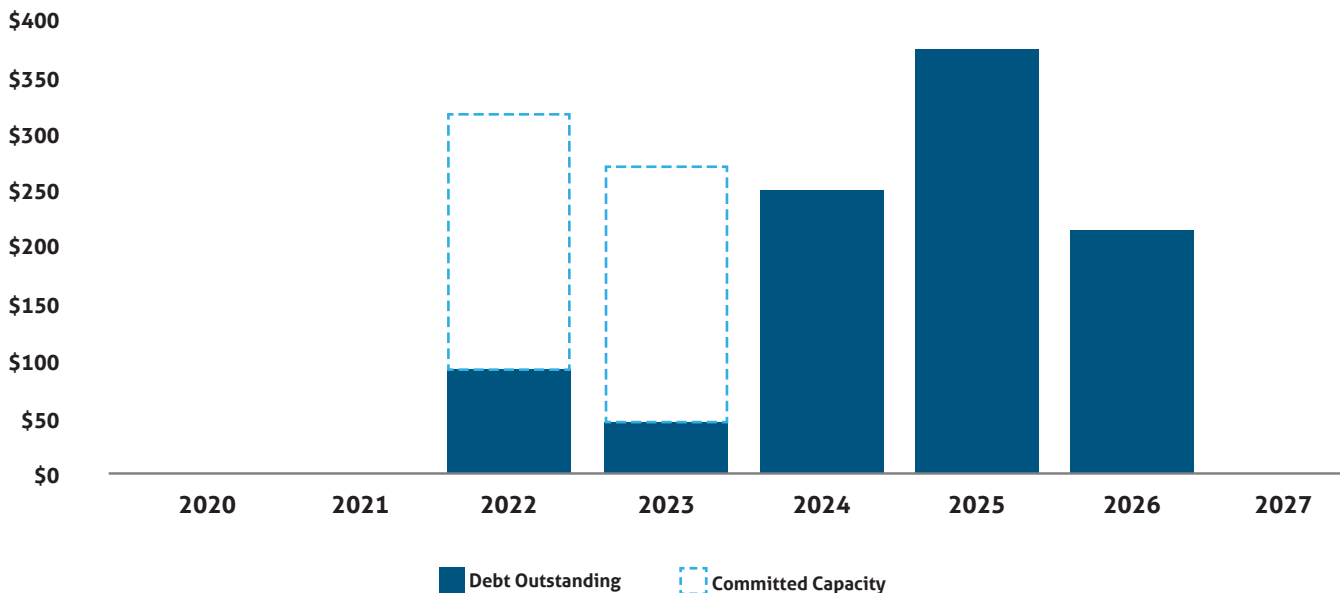
### Funding Diversification by Source



**SINCE 2018,**  
**\$1.1B**

in term debt and revolving debt commitments raised from diverse sources at competitive costs with laddered maturities.

### Enova's Debt Maturities



## 2019 FACTS<sup>1</sup>



**21%**  
**REVENUE GROWTH**



**106%**  
**EPS GROWTH**



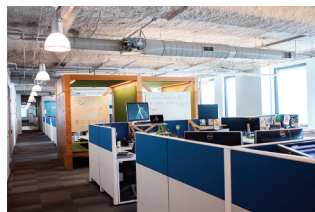
**33%**  
**INCREASE IN  
COMBINED AR**

<sup>1</sup>Compared to 2018, excluding discontinued operations.

While we work to manage our businesses through macroeconomic uncertainty, we also remain excited about the opportunities ahead of us. The same competitive advantages that enable us to weather headwinds will also give us the advantage to quickly ramp up our five growth businesses coming out of the downturn. We also believe we may be in a position to opportunistically explore an expanding market share product breadth at attractive costs. Above all, we are confident that our history of consistent performance and our focused growth strategy position us well to produce long-term, sustainable and profitable growth, while continuing to serve our customers with fast, trustworthy credit.

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, 2019

OR

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

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

Commission File Number 1-35503



**Enova International, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation or organization)

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

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

60604  
(Zip Code)

Registrant's telephone number, including area code:  
(312) 568-4200

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, \$.00001 par value per share	ENVA	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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Emerging growth company

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 33,039,620 shares of the registrant's common stock, par value \$0.00001 per share, held by non-affiliates on June 30, 2019 was approximately \$761,563,241.

At February 24, 2020 there were 32,463,048 shares of the registrant's Common Stock, \$0.00001 par value per share, outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Company's Proxy Statement for the 2020 Annual Meeting of stockholders are incorporated by reference into Part III of this report.

ENOVA INTERNATIONAL, INC.

YEAR ENDED DECEMBER 31, 2019

INDEX TO FORM 10-K

**PART I**

Item 1. Business .....	1
Item 1A. Risk Factors .....	14
Item 1B. Unresolved Staff Comments.....	33
Item 2. Properties .....	33
Item 3. Legal Proceedings.....	33
Item 4. Mine Safety Disclosures.....	33

**PART II**

Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities .....	34
Item 6. Selected Financial Data .....	36
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.....	39
Item 7A. Quantitative and Qualitative Disclosures about Market Risk.....	68
Item 8. Financial Statements and Supplementary Data .....	69
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure .....	109
Item 9A. Controls and Procedures.....	109
Item 9B. Other Information .....	109

**PART III**

Item 10. Directors, Executive Officers and Corporate Governance.....	110
Item 11. Executive Compensation.....	110
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.....	110
Item 13. Certain Relationships and Related Transactions, and Director Independence.....	110
Item 14. Principal Accountant Fees and Services .....	111

**PART IV**

Item 15. Exhibits, Financial Statement Schedules .....	112
Item 16. Form 10-K Summary .....	117

<b>SIGNATURES</b> .....	118
-------------------------	-----

## 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;
- 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 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 2019, we extended approximately \$2.2 billion in credit or financing to borrowers. As of December 31, 2019, we offered or arranged loans or draws on lines of credit to consumers in 40 states and Washington D.C. in the United States 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, 2019, we have completed over 51.1 million customer transactions and collected approximately 37 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 15 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 2019, we processed approximately 3.8 million transactions, and we continue to grow our loan and finance receivables portfolio and increase the number of customers we serve through desktop, tablet and mobile platforms. Our highly customizable technology platforms allow us to efficiently develop and deploy new products to adapt to evolving regulatory requirements and consumer preference, and to enter new markets quickly. In 2012, we launched a new product in the United States designed to serve near-prime customers. 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. These new products have allowed us to further diversify our product offerings and customer base.

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 program, which we refer to as our CSO program, that we arrange and guarantee. As of December 31, 2019, we offered or arranged short-term consumer loans in 15 states in the United States. 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 9.7% of our total revenue in 2019, 14.5% in 2018, and 17.4% in 2017.

***Line of credit accounts.*** We offer new consumer line of credit accounts in 12 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 45.6% of our total revenue in 2019, 37.4% in 2018, and 36.0% in 2017.

***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 program, as defined below, multi-payment unsecured consumer installment loan products in 37 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 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 42.7% of our total revenue in 2019, 46.7% in 2018, and 44.4% in 2017.

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 1.8% of our total revenue in 2019, 1.3% in 2018, and 2.1% in 2017.

***CSO programs.*** We currently operate a CSO program in Texas. Until April 2019, we also operated a CSO program in Ohio. Through our current and former 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 program 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 program, 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 for our CSO program, generally have terms of eight to 35 days, and specific installment loans, which have terms of four to six months, if they go into default.

As of December 31, 2019, 2018 and 2017, the outstanding amount of active short-term consumer loans originated by third-party lenders under the CSO programs was \$14.9 million, \$25.4 million and \$28.9 million, respectively, which were guaranteed by us. The outstanding amount of active installment loans originated by third-party lenders under the CSO programs was \$12.7 million, \$4.2 million and \$5.3 million as of December 31, 2019, 2018 and 2017, 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. 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. In December 2019, we launched a similar Bank Program, whereby our bank partner offers unsecured consumer installment loans in multiple states in the United States. Revenue

generated from these Bank Programs for the years ended December 31, 2019, 2018 and 2017 was 0.8%, 1.9% and 1.8% 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, 2019, 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 98.2% of our total revenue in 2019 and 97.3% of our total revenue in 2018.

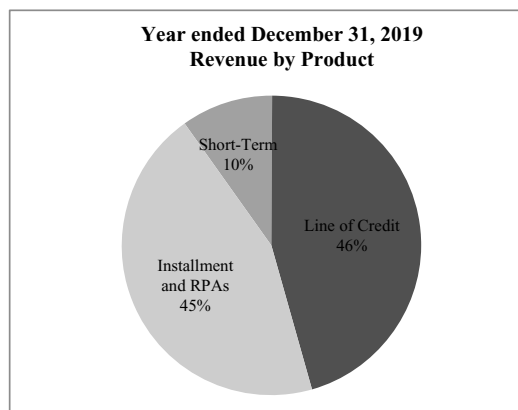
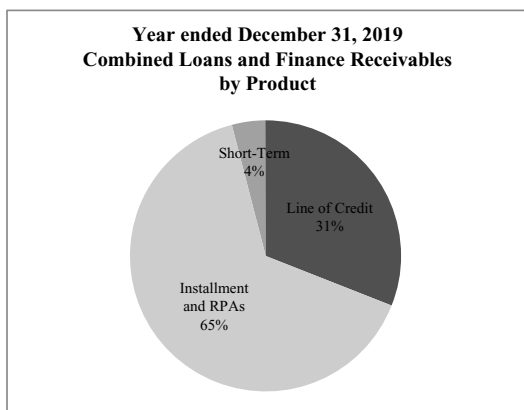
**Brazil.** In June 2014, we launched our business in Brazil under the name Simplic at [www.simplic.com.br](http://www.simplic.com.br), where we arrange installment loans for a third party lender. We plan to continue to invest in and expand our financial services program in Brazil. Brazil represented 1.8% of total revenue in 2019 and 2.7% of total revenue in 2018.

Prior to October 25, 2019, we provided services in the United Kingdom under the names QuickQuid, Pounds to Pocket and On Stride Financial. Due in part to the challenging and uncertain regulatory environment, we evaluated potential courses of action with our regulator, including, but not limited to, a scheme of arrangement, to reduce exposure to complaints about historical lending. On October 24, 2019, we announced our intention to exit the U.K. market and on October 25, 2019, a licensed U.K. insolvency practitioner was appointed as administrator to take control of management of the U.K. business. As a result, we have deconsolidated our U.K. businesses and are presenting them as discontinued operations.

**Key Financial and Operating Metrics**

We have achieved significant growth since we began our online business as we have expanded our product offerings. We measure our business using several financial and operating metrics. Our key metrics include 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 has resulted in significant combined loans and finance receivables and revenue diversification, as set forth below:



## ***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, 53.6% of the world's population had access to the internet in 2019, a 9% 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 tripled from the first quarter of 2009 to the third quarter of 2019, reaching 11.2%. 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 2019 report from the Federal Reserve, which found that 39% 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 (22%) is unbanked or underbanked, with two-fifths of unbanked consumers turning to alternative financial services options in the prior year. Approximately 31% of respondents who applied for credit were denied credit or were offered less credit than they desired, and 3% 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 Federal Reserve Banks 2019 Small Business Credit Survey, 31% 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 2019 study by the Federal Reserve Banks, only 39% 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 2018 report from the Cambridge Centre for Alternative Finance, online alternative finance platforms in the United States facilitated more than \$10.1 billion of loans to small and medium enterprises in 2017, up 37% from 2015. The Federal Reserve found that 32% of small businesses surveyed applied for credit from online lenders. Aside from the need for capital, 63% of businesses surveyed 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 our U.S. near-prime customers earn an average annual income of \$61,000. Based on our analysis of



industry data, we believe our addressable markets are approximately 68 million individuals in the United States. The short-term lending market is sizable in the United States and Brazil. We estimate there is a \$69 billion consumer lending opportunity market in the United States. 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 accounts for 60% of all small business loan growth. Our small business customers who enter into RPAs average approximately \$1.9 million in annual sales and 15 years of operating history, while those who obtain a line of credit account average approximately \$473 thousand in annual sales and 7 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 37 terabytes of currently accessible consumer behavior data from more than 51 million transactions in our more than 15 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 15 years of operating history and we continue to invest in our brands, such as CashNetUSA, NetCredit, 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 15 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 15 years as we have expanded our product offerings. We began offering installment loans in the United States in 2008 and added line of credit products in 2010. We have experienced significant growth in these products, with revenue contribution from installment and line of credit products increasing from 71.0% of total revenue in 2015 to 90.1% of total revenue in 2019. 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 and web chat. We continuously work to improve customer satisfaction by evaluating information from website analytics, customer surveys, contact center feedback and focus groups. Our contact 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, 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 five 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 27.5%, from \$374.0 million as of December 31, 2015 to \$1,062.7 million as of December 31, 2019. Over the same period, our revenue grew at a compound annual growth rate of 22.4%, from \$522.9 million in 2015 to \$1,174.8 million in 2019, while Adjusted EBITDA grew at a compound annual growth rate of 27.5%, from \$104.4 million to \$275.6 million. Adjusted EBITDA margin has increased from 20.0% of revenue in 2015 to 23.5% of revenue in 2019. 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, Discover Financial Services, First American Bank, JPMorgan Chase and Groupm.

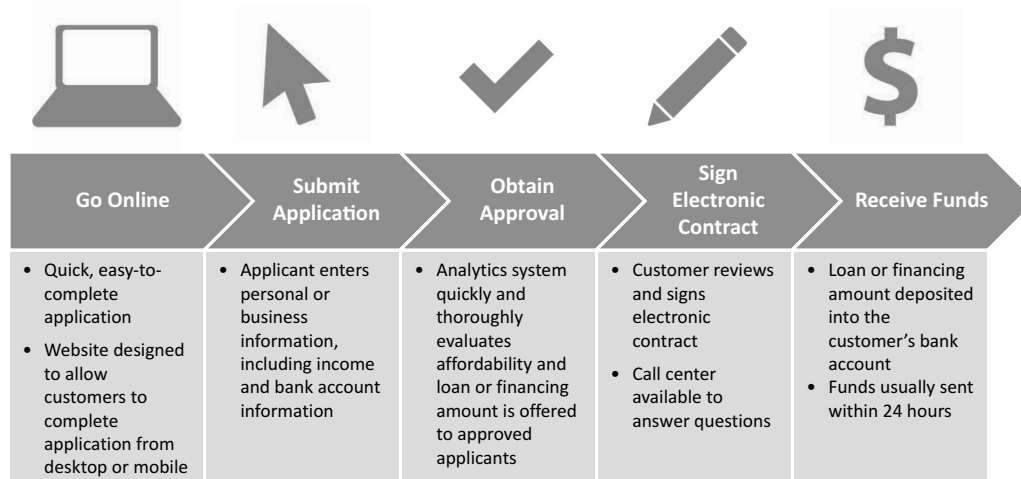
### ***Our Growth Strategy***

- **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 55% of our new consumer transactions in 2019, 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.
- **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 June 2014, we launched our business in Brazil, where we arrange loans for borrowers through a third party lender. 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%. We suspended the program in 2018 and launched a similar program in 2019. 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.
- **Expand globally to reach new markets.** We are building on our global reach by entering new markets.

### ***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 contact 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 contact 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 126 million credit reports during 2019. This rich dataset has grown significantly over our more than 15-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 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, 2019.

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

Our proprietary models are built on more than 15 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 55% in 2019, and we believe we have also improved customer brand loyalty during the same period.

## ***Customer Service***

We believe that our in-house contact 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, contact center feedback, call monitoring and focus groups. Our contact 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 contact center operations, except in Brazil. We have two contact center facilities to support our U.S. operations, one in our corporate offices in Chicago and another in Gurnee, Illinois, a Chicago suburb. As of December 31, 2019, we had 569 employees in our contact centers supporting our customers.

## ***Collections***

We operate centralized collection teams within our two contact 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.

Contact 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.

### ***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 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 16" of this report.

### **Operations**

#### ***Management and Personnel***

##### *Executive Officers*

Our executive officers, and information about each as of December 31, 2019, are listed below.

<u>NAME</u>	<u>POSITION WITH ENOVA</u>	<u>AGE</u>
David Fisher.....	Chief Executive Officer	50
Kirk Chartier.....	Chief Marketing Officer	56
Steven Cunningham.....	Chief Financial Officer	50
Sean Rahilly.....	General Counsel, Secretary & Chief Compliance Officer	46

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.

**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, 2019, we had 1,325 employees, of whom 112 were responsible for the continued servicing of loans related to our discontinued U.K. operations.

### **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 service member 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”) and the California Consumer Privacy Act of 2018 (“CCPA”), 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. 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.

*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.

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. On June 17, 2019 the CFPB issued a final rule to delay the compliance date for the Small Dollar Rule’s mandatory underwriting provisions to November 19, 2020. The provisions relating to payments were still scheduled to take effect on August 19, 2019, but the Final Rule has been stayed indefinitely by a Texas federal district court.

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 40 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 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 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.

In Texas, where we offer our CSO program, we comply with the jurisdiction's Credit Services Organization Act and related regulations. 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.

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. In October 2018, Ohio enacted House Bill 123. The law took effect on April 27, 2019, and placed new restrictions on companies operating under the Ohio Credit Services Organization Act, the Ohio Small Loan Act, and the Ohio General Loan Law. We previously offered services under the Credit Services Organization Act but began offering a credit product under the Ohio Short-Term Loan Act after the implementation date of House Bill 123. 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.

### **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 (collectively, “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 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, 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.

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.

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.

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. On June 17, 2019 the CFPB issued a final rule to delay the compliance date for the Small Dollar Rule's mandatory underwriting provisions to November 19, 2020. It is 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.

***Our advertising and marketing materials and disclosures have been and continue to be subject to regulatory scrutiny.***

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.

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

***Significant changes in international laws or regulations or a deterioration of the political, regulatory or economic environment of 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. 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 could restrict our ability to sustain or expand our operations. 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 administration of our subsidiary, CashEuroNet, through which we conducted our U.K. business, could have an adverse impact on our liquidity and financial position.***

Effective October 25, 2019, in accordance with the provisions of the U.K. Insolvency Act and pursuant to approval by the board of directors of CashEuroNet, insolvency practitioners from Grant Thornton UK LLP were appointed as administrators in respect of CashEuroNet. In conjunction with the administration, claims related to the management and financial support of CashEuroNet prior to the administration could be asserted, which could result in additional expense to us. We are currently providing certain administrative, technical and other services, and incur other exit costs and expenses related to CashEuroNet during its administration. While we do not believe there will be claims or costs beyond the initial anticipated charge of \$74.5 million, we cannot provide complete assurance we will not experience significant additional claims or costs related to the administration of CashEuroNet and its prior business conducted in the U.K.

***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, 2019, we did not offer or arrange consumer loans in 10 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.

On May 7, 2019, the CFPB issued a Notice of Proposed Rulemaking under the FDCPA (the “Proposed Debt Collection Rule”) which would apply to third-party debt collectors covered by the FDCPA, including our attempts to collect certain debt originated by other lenders such as under our CSO program. The Proposed Debt Collection Rule would not apply to our attempts to collect debt that we originate; however, the CFPB previously announced its intent to separately address consumer protection issues involving first-party debt collectors. The CFPB has not defined a date for issuance of the final rule or the ultimate implementation date. We cannot currently assess the likelihood that the CFPB will make additional changes to the Proposed Debt Collection Rule, nor when the Proposed Debt Collection Rule will become effective. Restrictions on our third-party debt collectors or that apply to our attempts to collect debt originated by other lenders, may have an adverse impact on our U.S. products and services.

Non-U.S. jurisdictions also regulate 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 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.

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 came 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. 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.

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.

***Control of the Congress and the executive branch of the U.S. government could have a significant impact on financial services legislation passed in Congress and signed into law.***

In January 2019, the Democratic party took control of the House of Representatives. 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 the Presidency makes it unlikely that any material legislation detrimental to our business will be enacted. The results of the 2020 presidential and congressional elections could have further impacts on our industry if new legislation or regulations are adopted, which may depend in part on which major political party controls the Congress or the Presidency. We are unable to predict at this time the effect of any such new legislation or regulations.

***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 program, 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, contact 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, 2019 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 \$176.9 million at December 31, 2019, and the liability for estimated losses on third-party lender-owned consumer loans was \$1.5 million at December 31, 2019. 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, 2019, 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, 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.

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 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 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.

***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, 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. In 2019, 1.8% of our total revenue was derived from our international operations. Our results of operations and certain of our intercompany balances associated with our Brazil business 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 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, 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.

As disclosed in Note 1 to the Consolidated Financial Statements, we plan on utilizing the fair value option for our loan and finance receivables portfolio effective January 1, 2020. The fair values of our loans and finance receivables are determined using Level 3 inputs for which changes could significantly impact our fair value measurements. Valuations are highly dependent upon the reasonableness of our assumptions and the predictability of the relationships that drive the results of our valuation methodologies. A variety of factors including, but not limited to, estimated customer default rates, the timing of expected payments, estimated costs to service the portfolio, interest rates, and valuations of comparable portfolios may ultimately affect the fair values of our loans and finance receivables. Modifications to our assumptions due to the passage of time and more information becoming available could result in material changes to our fair value calculations.

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, 2019 we had approximately \$991.2 million of total debt outstanding. Interest expense on our indebtedness totaled \$76.9 million during the year ended December 31, 2019. 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 maintain a leased office in Gurnee, Illinois for one of our contact center operations, Blue Ash, Ohio for The Business Backer operations and São Paulo, for our Brazilian operations. We also operate a leased office out of South Jordan, Utah focusing on consumer application intake and support functions. 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

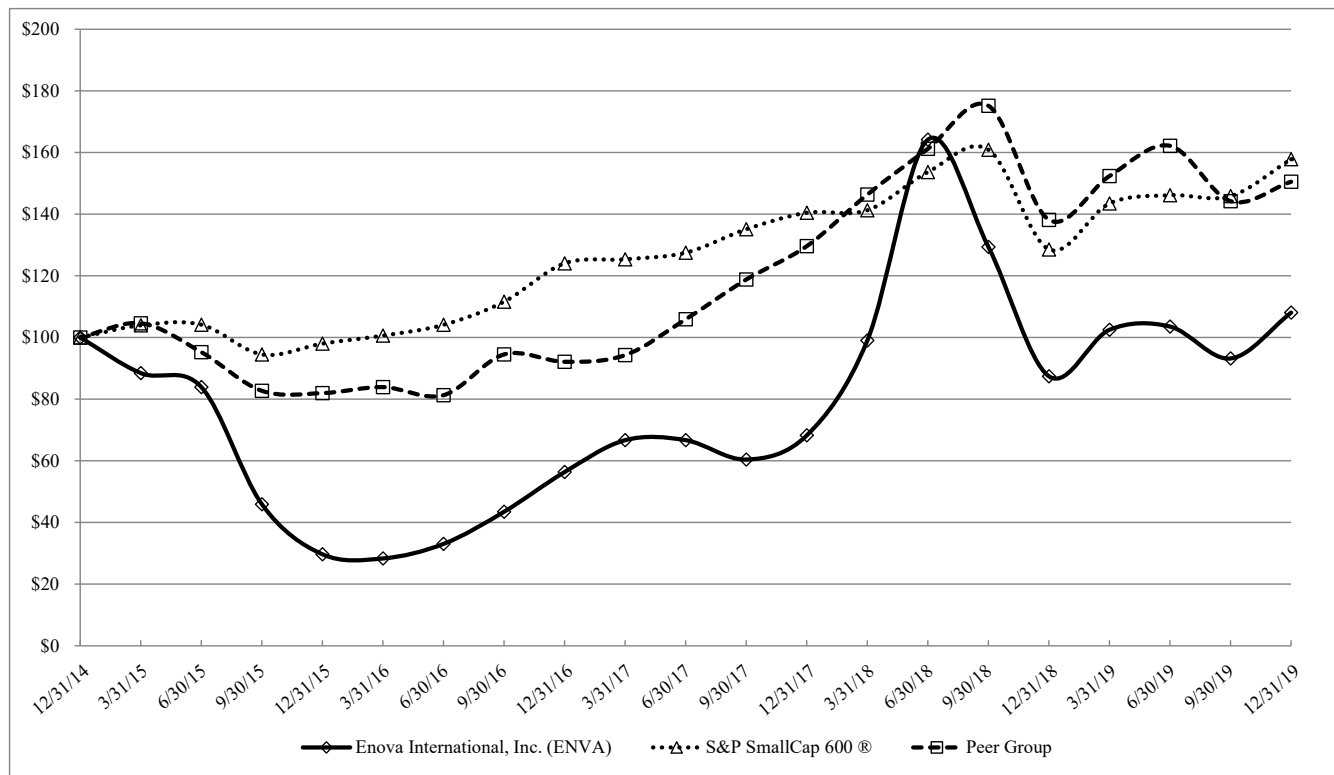
There were 297 registered stockholders of record of Enova common stock as of February 24, 2020.

#### Dividends

We do not anticipate paying any dividends on our common stock in the foreseeable future. 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. 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 December 31, 2014 through December 31, 2019. This data assumes an investment of \$100 in each of our common stock and the two indices on December 31, 2014 and that all dividends were reinvested. Our peer group index is comprised of CoreLogic, Inc., Envestnet, Inc., Fair Isaac Corporation, Green Dot Corporation, Groupon, Inc., Grubhub, Inc., LendingClub Corporation, Morningstar, Inc., Nelnet, Inc., On Deck Capital, Inc., OneMain Holdings, Inc., Regional Management Corp., SS&C Technologies Holdings, Inc., and World Acceptance Corp.



#### Unregistered Sales of Equity Securities

We did not sell any unregistered securities during the three years ended December 31, 2019.

## 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, 2019 .....	224,512	\$ 20.46	223,001	\$ 74,548
November 1 – November 30, 2019 .....	381,084	23.14	381,084	65,731
December 1 – December 31, 2019 .....	420,900	23.28	420,900	55,931
Total.....	<u>1,026,496</u>	<u>\$ 22.61</u>	<u>1,024,985</u>	<u>\$ 55,931</u>

(a) Includes shares withheld from employees as tax payments for shares issued under the Company's stock-based compensation plans of 1,511 shares for the month of October. 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. 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 (the "January 2019 Authorization"). On October 22, 2019, the Board of Directors authorized a new share repurchase program totaling \$75.0 million that expires December 31, 2020. The new program replaces the January 2019 Authorization. All share repurchases made under these repurchase authorizations have been through open market transactions.

## ITEM 6. SELECTED FINANCIAL DATA

(In thousands, except per share)

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Statement of Income Data:</b>					
Revenue.....	\$ 1,174,757	\$ 972,621	\$ 728,903	\$ 642,091	\$ 522,897
Cost of revenue .....	602,894	503,405	353,488	301,186	204,652
<b>Gross Profit</b> .....	<b>571,863</b>	<b>469,216</b>	<b>375,415</b>	<b>340,905</b>	<b>318,245</b>
<b>Expenses</b>					
Marketing.....	115,132	95,960	76,558	71,959	81,974
Operations and technology .....	84,262	78,367	69,631	61,043	48,416
General and administrative .....	109,204	105,143	99,754	95,461	96,354
Depreciation and amortization.....	15,055	14,200	13,282	14,408	16,922
<b>Total Expenses</b> .....	<b>323,653</b>	<b>293,670</b>	<b>259,225</b>	<b>242,871</b>	<b>243,666</b>
<b>Income from Operations</b> .....	<b>248,210</b>	<b>175,546</b>	<b>116,190</b>	<b>98,034</b>	<b>74,579</b>
Interest expense, net.....	(75,604)	(79,364)	(74,005)	(66,453)	(52,953)
Foreign currency transaction (loss) gain, net.....	(216)	(2,318)	381	1,569	(928)
Loss on early extinguishment of debt .....	(2,321)	(24,991)	(22,895)	—	—
<b>Income before Income Taxes</b> .....	<b>170,069</b>	<b>68,873</b>	<b>19,671</b>	<b>33,150</b>	<b>20,698</b>
Provision for income taxes.....	42,053	5,301	2,057	13,844	8,345
<b>Net income from continuing operations</b> .....	<b>128,016</b>	<b>63,572</b>	<b>17,614</b>	<b>19,306</b>	<b>12,353</b>
Net (loss) income from discontinued operations .....	(91,404)	6,526	11,626	15,296	31,639
<b>Net Income</b> .....	<b>\$ 36,612</b>	<b>\$ 70,098</b>	<b>\$ 29,240</b>	<b>\$ 34,602</b>	<b>\$ 43,992</b>
<b>Earnings Per Share:</b>					
Earnings per common share – basic:					
Continuing operations.....	\$ 3.80	\$ 1.87	\$ 0.52	\$ 0.58	\$ 0.37
Discontinued operations.....	(2.71)	0.19	0.35	0.46	0.96
Total earnings per common share – basic.....	<b>\$ 1.09</b>	<b>\$ 2.06</b>	<b>\$ 0.87</b>	<b>\$ 1.04</b>	<b>\$ 1.33</b>
Earnings per common share – diluted:					
Continuing operations.....	\$ 3.72	\$ 1.81	\$ 0.52	\$ 0.58	\$ 0.37
Discontinued operations.....	(2.66)	0.18	0.34	0.46	0.96
Total earnings per common share – diluted.....	<b>\$ 1.06</b>	<b>\$ 1.99</b>	<b>\$ 0.86</b>	<b>\$ 1.03</b>	<b>\$ 1.33</b>
Weighted average common shares outstanding:					
Basic.....	33,715	33,993	33,523	33,192	33,006
Diluted.....	34,398	35,176	34,132	33,462	33,026
<b>Other Financial Data:</b>					
Adjusted EPS <sup>(a)</sup> .....	\$ 4.08	\$ 2.39	\$ 1.03	\$ 0.66	\$ 0.65
Adjusted EBITDA <sup>(a)</sup> .....	275,602	202,039	138,421	117,664	104,401
Adjusted EBITDA margin <sup>(a)</sup> .....	23.5%	20.8%	19.0%	18.3%	20.0%
Gross profit margin.....	48.7%	48.2%	51.5%	53.1%	60.9%
Number of employees (at period end) .....	1,213	1,043	939	920	911
<b>Balance Sheet Data (at period end):</b>					
Cash and cash equivalents .....	\$ 35,895	\$ 28,114	\$ 49,772	\$ 27,577	\$ 26,912
Loans and finance receivables, net .....	1,062,650	780,112	625,407	504,938	374,034
Total assets.....	1,574,352	1,334,351	1,163,669	986,550	724,851
Long-term debt.....	991,181	857,929	788,542	649,911	541,909
Total stockholders' equity .....	376,613	347,768	281,687	241,699	205,968
<b>Other Operating Data:</b>					
Combined loans and finance receivables, gross					
Short-term loans <sup>(b)</sup> .....	\$ 44,621	\$ 63,156	\$ 63,006	\$ 60,849	\$ 55,710
Line of credit accounts.....	392,837	227,563	170,068	144,141	100,809
Installment loans and RPAs <sup>(b)</sup> .....	829,691	663,311	534,304	420,839	310,628
Total combined loans and finance receivables, gross <sup>(b)</sup> .....	<b>\$ 1,267,149</b>	<b>\$ 954,030</b>	<b>\$ 767,378</b>	<b>\$ 625,829</b>	<b>\$ 467,147</b>
Combined loan and finance receivable originations					
Short-term loans.....	\$ 663,273	\$ 802,655	\$ 735,577	\$ 762,297	\$ 871,453
Line of credit accounts.....	642,914	393,547	301,255	318,385	237,325
Installment loans and RPAs.....	941,955	782,198	615,622	547,449	438,060
Total combined originations .....	<b>\$ 2,248,144</b>	<b>\$ 1,978,400</b>	<b>\$ 1,652,454</b>	<b>\$ 1,628,131</b>	<b>\$ 1,546,838</b>



(a) The tables below show reconciliations of Adjusted Earnings, Adjusted Earnings per Share and Adjusted EBITDA, non-GAAP measures, to Net Income, Diluted Earnings per Share and Adjusted EBITDA as a percentage of total revenue, which is Adjusted EBITDA margin (dollars in thousands):

	Year Ended December 31,				
	2019	2018	2017	2016	2015
Net income from continuing operations .....	\$ 128,016	\$ 63,572	\$ 17,614	\$ 19,306	\$ 12,353
Adjustments:					
Loss on early extinguishment of debt <sup>(1)</sup> .....	2,321	24,991	22,895	—	—
Acquisition-related costs <sup>(2)</sup> .....	—	—	(2,358)	(3,300)	—
Lease termination and cease use costs <sup>(3)</sup> .....	726	—	—	—	3,270
Intangible asset amortization .....	1,070	1,070	1,080	1,137	494
Stock-based compensation expense .....	11,967	11,660	11,307	8,522	9,630
Foreign currency transaction loss (gain), net .....	216	2,318	(381)	(1,569)	928
Cumulative tax effect of adjustments .....	(3,907)	(8,885)	(7,435)	(1,904)	(5,373)
Discrete tax adjustments <sup>(4)</sup> .....	(141)	(11,237)	(7,452)	—	—
Regulatory settlement <sup>(5)</sup> .....	—	633	—	—	—
Adjusted earnings .....	<u>\$ 140,268</u>	<u>\$ 84,122</u>	<u>\$ 35,270</u>	<u>\$ 22,192</u>	<u>\$ 21,302</u>
Diluted earnings per share from continuing operations .....	\$ 3.72	\$ 1.81	\$ 0.52	\$ 0.58	\$ 0.37
Adjustments:					
Loss on early extinguishment of debt <sup>(1)</sup> .....	0.07	0.71	0.67	—	—
Acquisition related costs <sup>(2)</sup> .....	—	—	(0.07)	(0.10)	—
Lease termination and cease use costs <sup>(3)</sup> .....	0.02	—	—	—	0.10
Intangible asset amortization .....	0.03	0.03	0.03	0.04	0.01
Stock-based compensation expense .....	0.35	0.33	0.33	0.26	0.29
Foreign currency transaction loss (gain), net .....	—	0.06	(0.01)	(0.05)	0.03
Cumulative tax effect of adjustments .....	(0.11)	(0.25)	(0.22)	(0.07)	(0.15)
Discrete tax adjustments <sup>(4)</sup> .....	—	(0.32)	(0.22)	—	—
Regulatory settlement <sup>(5)</sup> .....	—	0.02	—	—	—
Adjusted earnings per share .....	<u>\$ 4.08</u>	<u>\$ 2.39</u>	<u>\$ 1.03</u>	<u>\$ 0.66</u>	<u>\$ 0.65</u>

	Year Ended December 31,				
	2019	2018	2017	2016	2015
Net income from continuing operations .....	\$ 128,016	\$ 63,572	\$ 17,614	\$ 19,306	\$ 12,353
Depreciation and amortization expenses .....	15,055	14,200	13,282	14,408	16,922
Interest expense, net .....	75,604	79,364	74,005	66,453	52,953
Foreign currency transaction loss (gain), net .....	216	2,318	(381)	(1,569)	928
Provision for income taxes .....	42,053	5,301	2,057	13,844	8,345
Stock-based compensation expense .....	11,967	11,660	11,307	8,522	9,630
Adjustments:					
Loss on early extinguishment of debt <sup>(1)</sup> .....	2,321	24,991	22,895	—	—
Acquisition-related costs <sup>(2)</sup> .....	—	—	(2,358)	(3,300)	—
Lease termination and cease-use costs <sup>(3)</sup> .....	370	—	—	—	3,270
Regulatory settlement <sup>(5)</sup> .....	—	633	—	—	—
Adjusted EBITDA .....	<u>\$ 275,602</u>	<u>\$ 202,039</u>	<u>\$ 138,421</u>	<u>\$ 117,664</u>	<u>\$ 104,401</u>
Adjusted EBITDA margin calculated as follows:					
Total revenue .....	\$ 1,174,757	\$ 972,621	\$ 728,903	\$ 642,091	\$ 522,897
Adjusted EBITDA .....	\$ 275,602	\$ 202,039	\$ 138,421	\$ 117,664	\$ 104,401
Adjusted EBITDA as a percentage of total revenue .....	23.5%	20.8%	19.0%	18.3%	20.0%

(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.

(4) 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.

(5) 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,				
	2019	2018	2017	2016	2015
<b>Short-term loan balances, gross:</b>					
Company owned.....	\$ 29,764	\$ 37,768	\$ 34,131	\$ 34,757	\$ 30,559
Guaranteed by the Company .....	14,857	25,388	28,875	26,092	25,151
Combined .....	<u>\$ 44,621</u>	<u>\$ 63,156</u>	<u>\$ 63,006</u>	<u>\$ 60,849</u>	<u>\$ 55,710</u>
<b>Line of credit account balances, gross:</b>					
Company owned.....	\$ 392,837	\$ 227,563	\$ 170,068	\$ 144,141	\$ 100,809
Guaranteed by the Company .....	—	—	—	—	—
Combined .....	<u>\$ 392,837</u>	<u>\$ 227,563</u>	<u>\$ 170,068</u>	<u>\$ 144,141</u>	<u>\$ 100,809</u>
<b>Installment loan and finance receivable balances, gross:</b>					
Company owned.....	\$ 816,988	\$ 658,995	\$ 529,045	\$ 414,732	\$ 301,656
Guaranteed by the Company .....	12,703	4,316	5,259	6,107	8,972
Combined .....	<u>\$ 829,691</u>	<u>\$ 663,311</u>	<u>\$ 534,304</u>	<u>\$ 420,839</u>	<u>\$ 310,628</u>
<b>Total loan and finance receivable balances, gross:</b>					
Company owned.....	\$ 1,239,589	\$ 924,326	\$ 733,244	\$ 593,630	\$ 433,024
Guaranteed by the Company .....	27,560	29,704	34,134	32,199	34,123
Combined .....	<u>\$ 1,267,149</u>	<u>\$ 954,030</u>	<u>\$ 767,378</u>	<u>\$ 625,829</u>	<u>\$ 467,147</u>

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

### **RECENT REGULATORY DEVELOPMENTS**

#### **California AB 539**

On October 10, 2019, the Governor of California signed into law Assembly Bill 539 ("AB 539"), which amends several aspects of the California Finance Lenders Law. Specifically, on loans of \$2,500 or more but less than \$10,000, AB 539 caps interest rates at 36% plus the federal funds rate and requires loan terms to be at least 12 months. On loans of at least \$3,000 but less than \$10,000, AB 539 prohibits loan terms from exceeding 60 months and 15 days. The law became effective on January 1, 2020.

#### **Brazil General Data Privacy Law**

On August 14, 2018, Brazil adopted the General Data Privacy Law (Lei Geral de Proteção de Dados Pessoais or "LGPD"). The key provisions of LGPD are quite similar to the European Union's General Data Protection Regulation in that it grants certain rights to data subjects, imposes obligations on companies with regard to the processing of data, and allows authorities to impose substantial fines on companies that violate the law. LGPD was originally anticipated to go into effect on February 15, 2020; however, several amendments to LGPD have been proposed, one of which could delay the effective date of the legislation to August 2020. Compliance with LGPD may increase the cost of conducting business in Brazil, and we could see regulatory compliance costs and enforcement activity once the law goes into effect.

### **RESULTS OF OPERATIONS**

Our financial results for the year ended December 31, 2019 ("2019") are summarized below.

- Revenue increased \$202.2 million, or 20.8%, to \$1,174.8 million in 2019 compared to \$972.6 million in the year ended December 31, 2018 ("2018").
- Gross Profit increased \$102.7 million, or 21.9%, to \$571.9 million in 2019 compared to \$469.2 million in 2018.
- Income from Operations increased \$72.7 million, or 41.4%, to \$248.2 million in 2019, compared to \$175.5 million in 2018.
- Net Income was \$36.6 million in 2019, compared to \$70.1 million in 2018. Diluted earnings per share were \$1.06 in 2019 compared to \$1.99 in 2018.

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,		
	2019	2018	2017
<b>Revenue</b>			
Loans and finance receivables revenue .....	\$ 1,171,857	\$ 971,252	\$ 728,014
Other .....	2,900	1,369	889
<b>Total Revenue</b> .....	<u>1,174,757</u>	<u>972,621</u>	<u>728,903</u>
<b>Cost of Revenue</b> .....	<u>602,894</u>	<u>503,405</u>	<u>353,488</u>
<b>Gross Profit</b> .....	571,863	469,216	375,415
<b>Expenses</b>			
Marketing .....	115,132	95,960	76,558
Operations and technology .....	84,262	78,367	69,631
General and administrative .....	109,204	105,143	99,754
Depreciation and amortization .....	15,055	14,200	13,282
<b>Total Expenses</b> .....	<u>323,653</u>	<u>293,670</u>	<u>259,225</u>
<b>Income from Operations</b> .....	248,210	175,546	116,190
Interest expense, net .....	(75,604)	(79,364)	(74,005)
Foreign currency transaction (loss) gain, net .....	(216)	(2,318)	381
Loss on early extinguishment of debt .....	(2,321)	(24,991)	(22,895)
<b>Income before Income Taxes</b> .....	170,069	68,873	19,671
Provision for income taxes .....	42,053	5,301	2,057
<b>Net income from continuing operations</b> .....	128,016	63,572	17,614
Net (loss) income from discontinued operations .....	(91,404)	6,526	11,626
<b>Net Income</b> .....	<u>\$ 36,612</u>	<u>\$ 70,098</u>	<u>\$ 29,240</u>
Diluted earnings per share – continuing operations .....	\$ 3.72	\$ 1.81	\$ 0.52
Diluted earnings per share – discontinued operations .....	(2.66)	0.18	0.34
<b>Diluted earnings per share</b> .....	\$ 1.06	\$ 1.99	\$ 0.86
<b>Revenue</b>			
Loans and finance receivables revenue .....	99.8%	99.9%	99.9%
Other .....	0.2	0.1	0.1
<b>Total Revenue</b> .....	100.0	100.0	100.0
<b>Cost of Revenue</b> .....	51.3	51.8	48.5
<b>Gross Profit</b> .....	48.7	48.2	51.5
<b>Expenses</b>			
Marketing .....	9.8	9.9	10.5
Operations and technology .....	7.2	8.0	9.6
General and administrative .....	9.3	10.8	13.7
Depreciation and amortization .....	1.3	1.5	1.8
<b>Total Expenses</b> .....	<u>27.6</u>	<u>30.2</u>	<u>35.6</u>
<b>Income from Operations</b> .....	21.1	18.0	15.9
Interest expense, net .....	(6.4)	(8.1)	(10.2)
Foreign currency transaction (loss) gain, net .....	0.0	(0.2)	0.1
Loss on early extinguishment of debt .....	(0.2)	(2.6)	(3.1)
<b>Income before Income Taxes</b> .....	14.5	7.1	2.7
Provision for income taxes .....	3.6	0.6	0.3
<b>Net income from continuing operations</b> .....	10.9	6.5	2.4
Net (loss) income from discontinued operations .....	(7.8)	0.7	1.6
<b>Net Income</b> .....	<u>3.1%</u>	<u>7.2%</u>	<u>4.0%</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,		
	2019	2018	2017
Net income from continuing operations.....	\$ 128,016	\$ 63,572	\$ 17,614
Adjustments:			
Loss on early extinguishment of debt <sup>(a)</sup> .....	2,321	24,991	22,895
Acquisition-related costs <sup>(b)</sup> .....	—	—	(2,358)
Lease termination and cease use costs.....	726	—	—
Intangible asset amortization.....	1,070	1,070	1,080
Stock-based compensation expense.....	11,967	11,660	11,307
Foreign currency transaction loss (gain), net.....	216	2,318	(381)
Cumulative tax effect of adjustments.....	(3,907)	(8,885)	(7,435)
Discrete tax adjustments <sup>(c)</sup> .....	(141)	(11,237)	(7,452)
Regulatory settlement <sup>(d)</sup> .....	—	633	—
Adjusted earnings.....	<u>\$ 140,268</u>	<u>\$ 84,122</u>	<u>\$ 35,270</u>
Diluted earnings per share from continuing operations.....	\$ 3.72	\$ 1.81	\$ 0.52
Adjustments:			
Loss on early extinguishment of debt <sup>(a)</sup> .....	0.07	0.71	0.67
Acquisition related costs <sup>(b)</sup> .....	—	—	(0.07)
Lease termination and cease use costs.....	0.02	—	—
Intangible asset amortization.....	0.03	0.03	0.03
Stock-based compensation expense.....	0.35	0.33	0.33
Foreign currency transaction loss (gain), net.....	—	0.06	(0.01)
Cumulative tax effect of adjustments.....	(0.11)	(0.25)	(0.22)
Discrete tax adjustments <sup>(c)</sup> .....	—	(0.32)	(0.22)
Regulatory settlement <sup>(d)</sup> .....	—	0.02	—
Adjusted earnings per share.....	<u>\$ 4.08</u>	<u>\$ 2.39</u>	<u>\$ 1.03</u>

(a) For the years ended December 31, 2019, 2018 and 2017, we recorded \$2.3 million. (\$1.8 million net of tax), \$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 redemption of \$44.1 million of securitization notes in 2019, 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 year ended December 31, 2017 we recorded a \$2.4 million (\$1.8 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,		
	2019	2018	2017
Net income from continuing operations .....	\$ 128,016	\$ 63,572	\$ 17,614
Depreciation and amortization expenses .....	15,055	14,200	13,282
Interest expense, net .....	75,604	79,364	74,005
Foreign currency transaction loss (gain), net .....	216	2,318	(381)
Provision for income taxes .....	42,053	5,301	2,057
Stock-based compensation expense .....	11,967	11,660	11,307
Adjustments:			
Lease termination and cease use costs .....	370	—	—
Loss on early extinguishment of debt <sup>(a)</sup> .....	2,321	24,991	22,895
Acquisition-related costs <sup>(b)</sup> .....	—	—	(2,358)
Regulatory settlement <sup>(d)</sup> .....	—	633	—
Adjusted EBITDA .....	<u>\$ 275,602</u>	<u>\$ 202,039</u>	<u>\$ 138,421</u>
Adjusted EBITDA margin calculated as follows:			
Total Revenue.....	\$ 1,174,757	\$ 972,621	\$ 728,903
Adjusted EBITDA.....	\$ 275,602	\$ 202,039	\$ 138,421
Adjusted EBITDA as a percentage of total revenue .....	23.5%	20.8%	19.0%

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 Brazil. During 2019, 2018 and 2017, 1.8%, 2.7% and 2.7% of our revenue, respectively, originated in currencies other than the U.S. Dollar, principally the 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 the applicable foreign currency:

	Year Ended December 31,		
	2019	2018	% Change
Brazilian Real .....	0.2548	0.2753	(7.5)%

	Year Ended December 31,		
	2018	2017	% Change
Brazilian Real .....	0.2753	0.3134	(12.2)%

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 2019 COMPARED TO YEAR ENDED 2018

### Revenue and Gross Profit

Revenue increased \$202.2 million, or 20.8%, to \$1,174.8 million for 2019 as compared to \$972.6 million for 2018. On a constant currency basis, revenue increased by \$204.0 million, or 21.0%, for 2019 compared to 2018. The change in revenue was driven primarily by a 47.4% increase in line of credit accounts revenue and an 11.9% increase in installment loan and RPA revenue, partially offset by a 19.2% decline in short-term loan revenue.

Our gross profit increased by \$102.7 million or 21.9% to \$571.9 million for 2019 from \$469.2 million for 2018. On a constant currency basis, gross profit increased by \$103.6 million for 2019 compared to 2018. Our gross profit as a percentage of revenue (“gross profit margin”) increased slightly to 48.7% in 2019 from 48.2% in 2018.

The following table sets forth the components of revenue and gross profit, separated by product for 2019 and 2018 (dollars in thousands):

	<u>Year Ended December 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2019</u>	<u>2018</u>		
<b>Revenue by product:</b>				
Short-term loans .....	\$ 113,826	\$ 140,903	\$ (27,077)	(19.2)%
Line of credit accounts .....	535,742	363,495	172,247	47.4%
Installment loans and RPAs .....	522,289	466,854	55,435	11.9%
Total loan and finance receivable revenue.....	1,171,857	971,252	200,605	20.7%
Other .....	2,900	1,369	1,531	111.8%
Total revenue .....	1,174,757	972,621	202,136	20.8%
Cost of revenue .....	602,894	503,405	99,489	19.8%
Gross profit .....	<u>\$ 571,863</u>	<u>\$ 469,216</u>	<u>\$ 102,647</u>	<u>21.9%</u>
<b>Revenue by product (% to total):</b>				
Short-term loans .....	9.7%	14.5%		
Line of credit accounts .....	45.6%	37.4%		
Installment loans and RPAs .....	44.5%	48.0%		
Total loan and finance receivable revenue.....	99.8%	99.9%		
Other .....	0.2%	0.1%		
Total revenue .....	100.0%	100.0%		
Cost of revenue .....	51.3%	51.8%		
Gross profit .....	<u>48.7%</u>	<u>48.2%</u>		

### Loan and Finance Receivable Balances

The outstanding Company-owned portfolio balance of loans and finance receivables, net of allowance, increased \$282.6 million, or 36.2%, to \$1,062.7 million as of December 31, 2019 from \$780.1 million as of December 31, 2018, and the combined portfolio balance of loans and finance receivables, net of allowance and liability for estimated losses, increased \$281.0 million, or 34.8%, to \$1,088.7 million as of December 31, 2019 from \$807.7 million as of December 31, 2018, due primarily to increased demand for our near-prime installment product and our line of credit products. The outstanding loan balance for our near-prime product increased 29.7% as of December 31, 2019 compared to December 31, 2018, resulting in a near-prime portfolio balance that comprises approximately 48.1% of our total loan and finance receivables portfolio balance while short-term loans comprise approximately 3.5%. We expect this trend to continue as we expand our near-prime installment product offering in 2020. We expect the loan balances for our 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 \$1,239.6 million and \$924.3 million as of December 31, 2019 and 2018, respectively, of our Company-owned receivables balances before the allowance for losses of \$176.9 million and \$144.2 million provided in the consolidated financial statements for December 31, 2019 and 2018, respectively. The combined loan and finance receivable balance also includes \$27.6 million and \$29.7 million as of December 31, 2019 and 2018, 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 \$1.5 million and \$2.2 million, which is included in “Accounts payable and accrued expenses” as of December 31, 2019 and 2018, respectively.

The following table summarizes loan and finance receivable balances outstanding as of December 31, 2019 and 2018 (dollars in thousands):

	As of December 31,					
	2019			2018		
	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 .....	\$ 29,764	\$ 14,857	\$ 44,621	\$ 37,768	\$ 25,388	\$ 63,156
Line of credit accounts .....	392,837	—	392,837	227,563	—	227,563
Installment loans and RPAs .....	816,988	12,703	829,691	658,995	4,316	663,311
Total ending loans and finance receivables, gross .....	<u>1,239,589</u>	<u>27,560</u>	<u>1,267,149</u>	<u>924,326</u>	<u>29,704</u>	<u>954,030</u>
Less: Allowance and liabilities for losses <sup>(a)</sup> .....	<u>(176,939)</u>	<u>(1,511)</u>	<u>(178,450)</u>	<u>(144,214)</u>	<u>(2,166)</u>	<u>(146,380)</u>
Total ending loans and finance receivables, net .....	<u>\$ 1,062,650</u>	<u>\$ 26,049</u>	<u>\$ 1,088,699</u>	<u>\$ 780,112</u>	<u>\$ 27,538</u>	<u>\$ 807,650</u>
Allowance and liability for losses as a % of loans and finance receivables, gross .....	14.3%	5.5%	14.1%	15.6%	7.3%	15.3%

(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, 2019 and 2018:

Average amount outstanding per loan (in ones) <sup>(a)</sup>	As of December 31,	
	2019	2018
Short-term loans <sup>(b)</sup> .....	\$ 494	\$ 540
Line of credit accounts .....	1,800	1,582
Installment loans <sup>(b)(c)</sup> .....	2,640	2,389
Total loans <sup>(b)(c)</sup> .....	<u>\$ 2,002</u>	<u>\$ 1,753</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 \$2,002 as of December 31, 2019 compared to \$1,753 from prior year, mainly due to increases in the average balances of installment loans, driven by a greater mix of larger near-prime loans, and line of credit accounts. Additionally, the mix of lower dollar short-term loans continued to decrease, resulting in a greater mix of line of credit accounts with higher average amounts outstanding per loan relative to short-term loans, as of December 31, 2019 compared to prior year.



## 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 2019 compared to 2018:

	Year Ended December 31,	
	2019	2018
<b>Average loan origination amount (in ones)<sup>(a)</sup></b>		
Short-term loans <sup>(b)</sup> .....	\$ 475	\$ 493
Line of credit accounts <sup>(c)</sup> .....	405	342
Installment loans <sup>(b)(d)</sup> .....	2,192	1,824
Total loans <sup>(b)(d)</sup> .....	<u>\$ 632</u>	<u>\$ 603</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 \$632 from \$603 during 2019 compared to 2018, mainly due to an increase in the average size of installment loan originations, driven by a greater mix of near-prime installment loans, which have a higher origination amount than other installment loans, partially offset by a shift away from short-term loans to lower dollar line of credit draws.

## Loans and Finance Receivables Loss Experience

The allowance and liability for estimated losses as a percentage of loans and RPAs decreased to 14.3% as of December 31, 2019 compared to 15.6% as of December 31, 2018 on a Company-owned basis and 14.1% as of December 31, 2019 compared to 15.3% as of December 31, 2018 on a combined basis, due primarily to stabilizing credit performance in our installment and short-term loan products, partially offset by a greater concentration of loans to new customers in the line of credit account portfolio. 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 2019 was \$602.9 million, which was composed of \$603.6 million related to our Company-owned loans and finance receivables partially offset by a \$0.7 million decrease in the liability for estimated losses related to loans we guaranteed through the CSO programs. The cost of revenue in 2018 was \$503.4 million, which was composed of \$503.5 million related to our Company-owned loans and finance receivables partially offset by a \$0.1 million decrease in the liability for estimated losses related to loans we guaranteed through the CSO programs. Total charge-offs, net of recoveries, were \$570.7 million and \$466.4 million in 2019 and 2018, 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):

	2019			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Loans and finance receivables:</b>				
Gross - Company owned .....	\$ 875,049	\$ 966,723	\$ 1,109,923	\$ 1,239,589
Gross - Guaranteed by the Company <sup>(a)</sup> .....	22,296	21,463	23,648	27,560
Combined loans and finance receivables, gross <sup>(b)</sup> .....	897,345	988,186	1,133,571	1,267,149
Allowance and liability for losses on loans and finance receivables .....	123,753	138,991	161,440	178,450
Combined loans and finance receivables, net <sup>(b)</sup> .....	<u>\$ 728,260</u>	<u>\$ 776,720</u>	<u>\$ 866,645</u>	<u>\$ 1,088,699</u>
Allowance and liability for losses as a % of loans and finance receivables, gross <sup>(b)</sup> .....	13.8%	14.1%	14.2%	14.1%

	2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Loans and finance receivables:</b>				
Gross - Company owned .....	\$ 721,289	\$ 780,642	\$ 887,998	\$ 924,326
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> .....	747,883	809,323	918,104	954,030
Allowance and liability for losses on loans and finance receivables.....	97,574	108,081	136,788	146,380
Combined loans and finance receivables, net <sup>(b)</sup> .....	<u>\$ 650,309</u>	<u>\$ 701,242</u>	<u>\$ 781,316</u>	<u>\$ 807,650</u>
Allowance and liability for losses as a % of loans and finance receivables, gross <sup>(b)</sup> .....	13.0%	13.4%	14.9%	15.3%

*(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 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 combined short-term loan balance has decreased year-over-year due in part to the shift of customers to line of credit accounts. This resulted in fewer loans written to new customers and a lower allowance and liability for losses as a percentage of combined loan balance.

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):

	2019			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Short-term loans:</b>				
Cost of revenue .....	\$ 10,914	\$ 10,068	\$ 11,297	\$ 11,554
Charge-offs (net of recoveries) .....	16,731	9,585	11,783	12,260
<b>Average short-term combined loan balance, gross:</b>				
Company owned <sup>(a)</sup> .....	34,769	30,795	30,451	29,198
Guaranteed by the Company <sup>(a)(b)</sup> .....	<u>22,628</u>	<u>15,484</u>	<u>13,877</u>	<u>13,951</u>
<b>Average short-term combined loan balance, gross<sup>(a)(c)</sup> .....</b>	<b><u>\$ 57,397</u></b>	<b><u>\$ 46,279</u></b>	<b><u>\$ 44,328</u></b>	<b><u>\$ 43,149</u></b>
<b>Ending short-term combined loan balance, gross:</b>				
Company owned .....	\$ 28,669	\$ 31,584	\$ 29,988	\$ 29,764
Guaranteed by the Company <sup>(b)</sup> .....	<u>18,339</u>	<u>13,304</u>	<u>13,922</u>	<u>14,857</u>
<b>Ending short-term combined loan balance, gross<sup>(c)</sup> .....</b>	<b><u>\$ 47,008</u></b>	<b><u>\$ 44,888</u></b>	<b><u>\$ 43,910</u></b>	<b><u>\$ 44,621</u></b>
Ending allowance and liability for losses .....	<u>\$ 10,639</u>	<u>\$ 11,122</u>	<u>\$ 10,636</u>	<u>\$ 9,930</u>
<b>Short-term loan ratios:</b>				
Cost of revenue as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	19.0%	21.8%	25.5%	26.8%
Charge-offs (net of recoveries) as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	29.1%	20.7%	26.6%	28.4%
Gross profit margin .....	68.5%	63.2%	56.8%	55.1%
Allowance and liability for losses as a % of combined loan balance, gross <sup>(c)(d)</sup> .....	22.6%	24.8%	24.2%	22.3%
<b>2018</b>				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Short-term loans:</b>				
Cost of revenue .....	\$ 11,486	\$ 12,706	\$ 18,264	\$ 18,355
Charge-offs (net of recoveries) .....	15,128	10,859	14,568	18,776
<b>Average short-term combined loan balance, gross:</b>				
Company owned <sup>(a)</sup> .....	32,292	29,620	35,399	38,084
Guaranteed by the Company <sup>(a)(b)</sup> .....	<u>26,383</u>	<u>23,638</u>	<u>25,913</u>	<u>25,286</u>
<b>Average short-term combined loan balance, gross<sup>(a)(c)</sup> .....</b>	<b><u>\$ 58,675</u></b>	<b><u>\$ 53,258</u></b>	<b><u>\$ 61,312</u></b>	<b><u>\$ 63,370</u></b>
<b>Ending short-term combined loan balance, gross:</b>				
Company owned .....	\$ 27,245	\$ 31,575	\$ 38,299	\$ 37,768
Guaranteed by the Company <sup>(b)</sup> .....	<u>21,409</u>	<u>24,764</u>	<u>25,533</u>	<u>25,388</u>
<b>Ending short-term combined loan balance, gross<sup>(c)</sup> .....</b>	<b><u>\$ 48,654</u></b>	<b><u>\$ 56,339</u></b>	<b><u>\$ 63,832</u></b>	<b><u>\$ 63,156</u></b>
Ending allowance and liability for losses .....	<u>\$ 11,334</u>	<u>\$ 13,181</u>	<u>\$ 16,877</u>	<u>\$ 16,456</u>
<b>Short-term loan ratios:</b>				
Cost of revenue as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	19.6%	23.9%	29.8%	29.0%
Charge-offs (net of recoveries) as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	25.8%	20.4%	23.8%	29.6%
Gross profit margin .....	65.1%	59.2%	51.2%	53.5%
Allowance and liability for losses as a % of combined loan balance, gross <sup>(c)(d)</sup> .....	23.3%	23.4%	26.4%	26.1%

(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 during periods of growth 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. During 2019, we generally experienced lower gross profit margin and 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):

	2019			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Line of credit accounts:</b>				
Cost of revenue .....	\$ 37,900	\$ 48,549	\$ 83,922	\$ 107,940
Charge-offs (net of recoveries) .....	47,546	38,493	59,928	92,351
Average loan balance <sup>(a)</sup> .....	224,416	237,571	300,849	360,062
Ending loan balance .....	218,979	263,825	336,847	392,837
Ending allowance for losses balance .....	\$ 41,363	\$ 51,419	\$ 75,413	\$ 91,002
<b>Line of credit account ratios:</b>				
Cost of revenue as a % of average loan balance <sup>(a)</sup> .....	16.9%	20.4%	27.9%	30.0%
Charge-offs (net of recoveries) as a % of average loan balance <sup>(a)</sup> .....	21.2%	16.2%	19.9%	25.6%
Gross profit margin .....	63.7%	56.1%	42.7%	38.0%
Allowance for losses as a % of loan balance <sup>(b)</sup> .....	18.9%	19.5%	22.4%	23.2%

	2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Line of credit accounts:</b>				
Cost of revenue .....	\$ 25,779	\$ 31,519	\$ 46,934	\$ 59,820
Charge-offs (net of recoveries) .....	29,807	27,589	36,506	50,290
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	\$ 51,009
<b>Line of credit account ratios:</b>				
Cost of revenue as a % of average loan balance <sup>(a)</sup> .....	15.3%	18.7%	23.4%	27.0%
Charge-offs (net of recoveries) as a % of average loan balance <sup>(a)</sup> .....	17.7%	16.3%	18.2%	22.7%
Gross profit margin .....	67.1%	60.4%	52.4%	44.0%
Allowance for losses as a % of loan balance <sup>(b)</sup> .....	16.9%	17.1%	19.1%	22.4%

(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.

Similar to line of credit accounts, the gross profit margin is generally lower for the installment loan and RPA products during periods of growth, 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 other products, particularly our short-term loan products. Our installment loan and RPA portfolio balance outstanding at December 31, 2019 increased \$166.4 million, or 25.1%, compared to December 31, 2018. During 2019, we generally experienced higher gross profit margin than we experienced in the prior year quarters as a result of better credit performance in the 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):

	2019			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b><u>Installment loans and RPAs:</u></b>				
Cost of revenue .....	\$ 70,044	\$ 64,816	\$ 66,967	\$ 78,923
Charge-offs (net of recoveries) .....	77,182	60,176	67,794	76,854
<b>Average installment and RPA combined loan and finance receivable balance, gross:</b>				
Company owned <sup>(a)</sup> .....	648,407	644,140	710,484	779,165
Guaranteed by the Company <sup>(a)(b)</sup> .....	4,228	6,002	9,154	10,772
<b>Average installment and RPA combined loan and finance receivable balance, gross <sup>(a)(c)</sup> .....</b>	<b><u>\$ 652,635</u></b>	<b><u>\$ 650,142</u></b>	<b><u>\$ 719,638</u></b>	<b><u>\$ 789,937</u></b>
<b>Ending installment and RPA combined loan and finance receivable balance, gross:</b>				
Company owned .....	\$ 627,401	\$ 671,314	\$ 743,088	\$ 816,988
Guaranteed by the Company <sup>(b)</sup> .....	3,957	8,159	9,726	12,703
<b>Ending installment and RPA combined loan and finance receivable balance, gross <sup>(c)</sup> .....</b>	<b><u>\$ 631,358</u></b>	<b><u>\$ 679,473</u></b>	<b><u>\$ 752,814</u></b>	<b><u>\$ 829,691</u></b>
Ending allowance and liability for losses .....	\$ 71,751	\$ 76,450	\$ 75,391	\$ 77,518
<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> .....	10.7%	10.0%	9.3%	10.0%
Charge-offs (net of recoveries) as a % of average installment and RPA combined loan and finance receivable balance, gross <sup>(a)(c)</sup> .....	11.8%	9.3%	9.4%	9.7%
Gross profit margin .....	44.0%	46.5%	49.6%	44.9%
Allowance and liability for losses as a % of combined loan and finance receivable balance, gross <sup>(c)(d)</sup> .....	11.4%	11.3%	10.0%	9.3%

	2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Installment loans and RPAs:</b>				
Cost of revenue .....	\$ 55,528	\$ 62,136	\$ 81,605	\$ 79,273
Charge-offs (net of recoveries) .....	60,364	56,752	66,845	78,957
<b>Average installment and RPA combined loan and finance receivable balance, gross:</b>				
Company owned <sup>(a)</sup> .....	535,177	548,751	603,965	648,481
Guaranteed by the Company <sup>(a)(b)</sup> .....	5,760	4,500	4,326	4,279
<b>Average installment and RPA combined loan and finance receivable balance, gross<sup>(a)(c)</sup> .....</b>	<b>\$ 540,937</b>	<b>\$ 553,251</b>	<b>\$ 608,291</b>	<b>\$ 652,760</b>
<b>Ending installment and RPA combined loan and finance receivable balance, gross:</b>				
Company owned .....	\$ 533,121	\$ 567,933	\$ 633,075	\$ 658,995
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>\$ 538,306</b>	<b>\$ 571,850</b>	<b>\$ 637,648</b>	<b>\$ 663,311</b>
Ending allowance and liability for losses .....	\$ 59,120	\$ 63,850	\$ 78,433	\$ 78,915
<b>Installment and RPA loan ratios:</b>				
Cost of revenue as a % of average installment and RPA combined loan and finance receivable balance, gross <sup>(a)(c)</sup> .....	10.3%	11.2%	13.4%	12.1%
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%	10.3%	11.0%	12.1%
Gross profit margin .....	48.4%	42.6%	32.5%	39.0%
Allowance and liability for losses as a % of combined loan and finance receivable balance, gross <sup>(c)(d)</sup> .....	11.0%	11.2%	12.3%	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 \$30.0 million, or 10.2%, to \$323.7 million in 2019, compared to \$293.7 million in 2018. On a constant currency basis, total expenses increased \$30.8 million, or 10.5%, to \$30.8 million for 2019 compared to 2018.

Marketing expense increased \$19.1 million, or 20.0%, to \$115.1 million in 2019 compared to \$96.0 million in 2018, primarily due to higher direct mail, television advertising and digital marketing costs.

Operations and technology expense increased to \$84.3 million in 2019 from \$78.4 million in 2018, due primarily to higher underwriting costs primarily related to growth in loan originations and higher selling expense.

General and administrative expense increased \$4.1 million, or 3.9%, to \$109.2 million in 2019 compared to \$105.1 million in 2018, due primarily to higher corporate services personnel costs, driven primarily by an increase in headcount.

Depreciation and amortization expense increased to \$15.1 million in 2019 compared to \$14.2 million in 2018 primarily related to increased amortization on higher capitalized software development costs.

## **Interest Expense, Net**

Interest expense, net decreased \$3.7 million, or 4.7%, to \$75.6 million in 2019 compared to \$79.3 million in 2018. The decrease was due to a decrease in the weighted average interest rate on our outstanding debt to 8.61% in 2019 from 9.78% in 2018, partially offset by an increase in the average amount of debt outstanding of \$76.4 million to \$887.1 million during 2019 from \$810.7 million during 2018. The increase in average debt outstanding was due primarily to additional principal amounts outstanding under our securitization facilities and a higher balance of senior note debt resulting from the issuance of \$375.0 million in senior notes in September 2018, partially offset by the early pay down of our 9.75% senior notes due 2021. See “—Liquidity and Capital Resources—Consumer Loan Securitizations” below for further information.

## **Provision for Income Taxes**

The effective tax rate of 24.7% in 2019 was higher than the effective tax rate of 7.7% in 2018 due primarily to the acceleration of tax deductions in 2018 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.

The balance of unrecognized tax benefits recorded in our Consolidated Balance Sheet as of December 31, 2019 was \$53.6 million, of which \$13.9 million, 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 and finance receivable portfolio. We are currently under 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 2018 COMPARED TO YEAR ENDED 2017**

### **Revenue and Gross Profit**

Revenue increased \$243.7 million, or 33.4%, to \$972.6 million for 2018 as compared to \$728.9 million for 2017. On a constant currency basis, revenue increased by \$247.5 million, or 34.0%, 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 \$6.7 million (or an increase of \$10.6 million on a constant currency basis), due to a 30.3% increase in international installment loan revenue in 2018 compared to 2017.

Our gross profit increased by \$93.8 million or 25.0% to \$469.2 million for 2018 from \$375.4 million for 2017. On a constant currency basis, gross profit increased by \$95.1 million for 2018 compared to 2017. Our gross profit margin decreased to 48.2% in 2018 from 51.5% in 2017. The decrease in gross profit margin was primarily driven by the strong new customer growth of our installment portfolio 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 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.

The following table sets forth the components of revenue, separated by product 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 .....	\$ 140,903	\$ 126,602	\$ 14,301	11.3%
Line of credit accounts .....	363,495	262,574	100,921	38.4%
Installment loans and RPAs.....	466,854	338,838	128,016	37.8%
Total loan and finance receivable revenue.....	971,252	728,014	243,238	33.4%
Other .....	1,369	889	480	54.0%
Total revenue.....	972,621	728,903	243,718	33.4%
Cost of revenue .....	503,405	353,488	149,917	42.4%
Gross profit .....	<u>\$ 469,216</u>	<u>\$ 375,415</u>	<u>\$ 93,801</u>	<u>25.0%</u>
<b>Revenue by product (% to total):</b>				
Short-term loans .....	14.5%	17.4%		
Line of credit accounts .....	37.4%	36.0%		
Installment loans and RPAs.....	48.0%	46.5%		
Total loan and finance receivable revenue.....	99.9%	99.9%		
Other .....	0.1%	0.1%		
Total revenue.....	100.0%	100.0%		
Cost of revenue .....	51.8%	48.5%		
Gross profit .....	<u>48.2%</u>	<u>51.5%</u>		

#### **Loan and Finance Receivable Balances**

The outstanding Company-owned portfolio balance of loans and finance receivables, net of allowance and liability for estimated losses, increased \$154.7 million, or 24.7%, to \$780.1 million as of December 31, 2018 from \$625.4 million as of December 31, 2017, and the outstanding combined portfolio balance of loans and finance receivables, net of allowance and liability for estimated losses, increased \$150.4 million, or 22.9%, to \$807.7 million as of December 31, 2018 from \$657.3 million as of December 31, 2017, due primarily to increased demand for our near-prime installment product. The outstanding loan balance for our near-prime product increased 26.7% as of December 31, 2018 compared to December 31, 2017, resulting in a near-prime portfolio balance that comprises approximately 49% of our total loan and finance receivables portfolio balance while short-term loans comprise approximately 7%. 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 \$924.3 million and \$733.2 million as of December 31, 2018 and 2017, respectively, of our Company-owned receivables balances before the allowance for losses of \$144.2 million and \$107.8 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 table summarizes 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.....	\$ 37,768	\$ 25,388	\$ 63,156	\$ 34,131	\$ 28,875	\$ 63,006
Line of credit accounts.....	227,563	—	227,563	170,068	—	170,068
Installment loans and RPAs.....	658,995	4,316	663,311	529,045	5,259	534,304
Total ending loans and finance receivables, gross ...	924,326	29,704	954,030	733,244	34,134	767,378
Less: Allowance and liabilities for losses <sup>(a)</sup> .....	(144,214)	(2,166)	(146,380)	(107,837)	(2,258)	(110,095)
Total ending loans and finance receivables, net.....	\$ 780,112	\$ 27,538	\$ 807,650	\$ 625,407	\$ 31,876	\$ 657,283
Allowance and liability for losses as a % of loans and finance receivables, gross .....	15.6%	7.3%	15.3%	14.7%	6.6%	14.3%

(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> .....	\$ 540	\$ 536
Line of credit accounts .....	1,582	1,389
Installment loans <sup>(b)(c)</sup> .....	2,389	2,245
Total loans <sup>(b)(c)</sup> .....	\$ 1,753	\$ 1,581

(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 \$1,753 from \$1,581 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> .....	\$ 493	\$ 496
Line of credit accounts <sup>(c)</sup> .....	342	297
Installment loans <sup>(b)(d)</sup> .....	1,824	1,896
Total loans <sup>(b)(d)</sup> .....	<u>\$ 603</u>	<u>\$ 571</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 \$603 from \$571 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 loans and RPAs increased to 15.6% as of December 31, 2018 compared to 14.7% as of December 31, 2017, on a Company-owned basis, and 15.3% as of December 31, 2018 compared to 14.3% as of December 31, 2017, on a combined basis, 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 \$503.4 million, which was composed of \$503.5 million related to our Company-owned loans and finance receivables 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 \$353.5 million, which was composed of \$353.2 million related to our Company-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 \$466.4 million and \$334.2 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 .....	\$ 721,289	\$ 780,642	\$ 887,998	\$ 924,326
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> .....	747,883	809,323	918,104	954,030
Allowance and liability for losses on loans and finance receivables.....	97,574	108,081	136,788	146,380
Combined loans and finance receivables, net <sup>(b)</sup> .....	<u>\$ 650,309</u>	<u>\$ 701,242</u>	<u>\$ 781,316</u>	<u>\$ 807,650</u>
Allowance and liability for losses as a % of loans and finance receivables, gross <sup>(b)</sup> .....	13.0%	13.4%	14.9%	15.3%

	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Loans and finance receivables:</b>				
Gross - Company owned .....	\$ 531,032	\$ 571,685	\$ 658,008	\$ 733,244
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> .....	553,578	599,698	686,951	767,378
Allowance and liability for losses on loans and finance receivables.....	74,323	76,269	93,826	110,095
Combined loans and finance receivables, net <sup>(b)</sup> .....	\$ 479,255	\$ 523,429	\$ 593,125	\$ 657,283
Allowance and liability for losses as a % of loans and finance receivables, gross <sup>(b)</sup> .....	13.4%	12.7%	13.7%	14.3%

(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

The allowance and liability for losses as a percentage of combined loan balance in 2018 was fairly consistent with 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):

	2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Short-term loans:</b>				
Cost of revenue .....	\$ 11,486	\$ 12,706	\$ 18,264	\$ 18,355
Charge-offs (net of recoveries).....	15,128	10,859	14,568	18,776
<b>Average short-term combined loan balance, gross:</b>				
Company owned <sup>(a)</sup> .....	32,292	29,620	35,399	38,084
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>\$ 58,675</b>	<b>\$ 53,258</b>	<b>\$ 61,312</b>	<b>\$ 63,370</b>
<b>Ending short-term combined loan balance, gross:</b>				
Company owned.....	\$ 27,245	\$ 31,575	\$ 38,299	\$ 37,768
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>\$ 48,654</b>	<b>\$ 56,339</b>	<b>\$ 63,832</b>	<b>\$ 63,156</b>
Ending allowance and liability for losses .....	\$ 11,334	\$ 13,181	\$ 16,877	\$ 16,456
<b>Short-term loan ratios:</b>				
Cost of revenue as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	19.6%	23.9%	29.8%	29.0%
Charge-offs (net of recoveries) as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	25.8%	20.4%	23.8%	29.6%
Gross profit margin.....	65.1%	59.2%	51.2%	53.5%
Allowance and liability for losses as a % of combined loan balance, gross <sup>(c)(d)</sup> .....	23.3%	23.4%	26.4%	26.1%

	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Short-term loans:</b>				
Cost of revenue .....	\$ 11,643	\$ 11,782	\$ 15,268	\$ 16,075
Charge-offs (net of recoveries) .....	14,910	10,045	13,360	15,117
<b>Average short-term combined loan balance, gross:</b>				
Company owned <sup>(a)</sup> .....	30,990	26,994	31,550	33,729
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><u>\$ 54,143</u></b>	<b><u>\$ 48,362</u></b>	<b><u>\$ 57,337</u></b>	<b><u>\$ 60,514</u></b>
<b>Ending short-term combined loan balance, gross:</b>				
Company owned .....	\$ 25,181	\$ 28,880	\$ 32,485	\$ 34,131
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><u>\$ 44,035</u></b>	<b><u>\$ 53,003</u></b>	<b><u>\$ 56,733</u></b>	<b><u>\$ 63,006</u></b>
Ending allowance and liability for losses .....	<u>\$ 10,375</u>	<u>\$ 12,112</u>	<u>\$ 14,020</u>	<u>\$ 14,977</u>
<b>Short-term loan ratios:</b>				
Cost of revenue as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	21.5%	24.4%	26.6%	26.6%
Charge-offs (net of recoveries) as a % of average short-term combined loan balance, gross <sup>(a)(c)</sup> .....	27.5%	20.8%	23.3%	25.0%
Gross profit margin .....	64.0%	60.2%	50.4%	52.6%
Allowance and liability for losses as a % of combined loan balance, gross <sup>(c)(d)</sup> .....	23.6%	22.9%	24.7%	23.8%

(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 during periods of growth 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.

During 2018, we experienced lower gross profit margin and 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 .....	\$ 25,779	\$ 31,519	\$ 46,934	\$ 59,820
Charge-offs (net of recoveries) .....	29,807	27,589	36,506	50,290
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	\$ 51,009
<b><u>Line of credit account ratios:</u></b>				
Cost of revenue as a % of average loan balance <sup>(a)</sup> .....	15.3%	18.7%	23.4%	27.0%
Charge-offs (net of recoveries) as a % of average loan balance <sup>(a)</sup> .....	17.7%	16.3%	18.2%	22.7%
Gross profit margin .....	67.1%	60.4%	52.4%	44.0%
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 .....	\$ 20,403	\$ 20,382	\$ 23,681	\$ 30,831
Charge-offs (net of recoveries) .....	25,232	19,300	19,718	26,493
Average loan balance <sup>(a)</sup> .....	135,569	128,278	145,330	161,905
Ending loan balance .....	124,437	134,078	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> .....	15.0%	15.9%	16.3%	19.0%
Charge-offs (net of recoveries) as a % of average loan balance <sup>(a)</sup> .....	18.6%	15.0%	13.6%	16.4%
Gross profit margin .....	65.6%	65.3%	65.6%	59.2%
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.

Similar to 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 our other products, particularly short-term products. 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 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 .....	\$ 55,528	\$ 62,136	\$ 81,605	\$ 79,273
Charge-offs (net of recoveries) .....	60,364	56,752	66,845	78,957
<b>Average installment and RPA combined loan and finance receivable balance, gross:</b>				
Company owned <sup>(a)</sup> .....	535,177	548,751	603,965	648,481
Guaranteed by the Company <sup>(a)(b)</sup> .....	5,760	4,500	4,326	4,279
<b>Average installment and RPA combined loan and finance receivable balance, gross<sup>(a)(c)</sup></b> .....	<b><u>\$ 540,937</u></b>	<b><u>\$ 553,251</u></b>	<b><u>\$ 608,291</u></b>	<b><u>\$ 652,760</u></b>
<b>Ending installment and RPA combined loan and finance receivable balance, gross:</b>				
Company owned .....	\$ 533,121	\$ 567,933	\$ 633,075	\$ 658,995
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>\$ 538,306</u></b>	<b><u>\$ 571,850</u></b>	<b><u>\$ 637,648</u></b>	<b><u>\$ 663,311</u></b>
Ending allowance and liability for losses .....	<u>\$ 59,120</u>	<u>\$ 63,850</u>	<u>\$ 78,433</u>	<u>\$ 78,915</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> .....	10.3%	11.2%	13.4%	12.1%
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%	10.3%	11.0%	12.1%
Gross profit margin .....	48.4%	42.6%	32.5%	39.0%
Allowance and liability for losses as a % of combined loan and finance receivable balance, gross <sup>(c)(d)</sup> .....	11.0%	11.2%	12.3%	11.9%

	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>Installment loans and RPAs:</b>				
Cost of revenue .....	\$ 42,918	\$ 38,515	\$ 53,135	\$ 68,857
Charge-offs (net of recoveries) .....	51,451	39,271	41,566	57,706
<b>Average installment and RPA combined loan and finance receivable balance, gross:</b>				
Company owned <sup>(a)</sup> .....	401,706	392,319	440,892	500,252
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>\$ 406,580</b>	<b>\$ 395,950</b>	<b>\$ 445,520</b>	<b>\$ 505,277</b>
<b>Ending installment and RPA combined loan and finance receivable balance, gross:</b>				
Company owned .....	\$ 381,414	\$ 408,727	\$ 470,834	\$ 529,045
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>\$ 385,106</b>	<b>\$ 412,617</b>	<b>\$ 475,529</b>	<b>\$ 534,304</b>
Ending allowance and liability for losses .....	\$ 42,183	\$ 41,310	\$ 52,996	\$ 63,970
<b>Installment and RPA loan ratios:</b>				
Cost of revenue as a % of average installment and RPA combined loan and finance receivable balance, gross <sup>(a)(c)</sup> .....	10.6%	9.7%	11.9%	13.6%
Charge-offs (net of recoveries) as a % of average installment and RPA combined loan and finance receivable balance, gross <sup>(a)(c)</sup> .....	12.7%	9.9%	9.3%	11.4%
Gross profit margin .....	43.4%	47.9%	39.2%	32.3%
Allowance and liability for losses as a % of combined loan and finance receivable balance, gross <sup>(c)(d)</sup> .....	11.0%	10.0%	11.1%	12.0%

(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 \$34.5 million, or 13.3%, to \$293.7 million in 2018, compared to \$259.2 million in 2017. On a constant currency basis, total expenses increased \$36.3 million, or 14.0%, to \$295.5 million for 2018 compared to 2017.

Marketing expense increased \$19.4 million, or 25.3%, to \$96.0 million in 2018 compared to \$76.6 million in 2017, primarily due to higher direct mail, television advertising, lead purchase and digital marketing costs.

Operations and technology expense increased to \$78.4 million in 2018 from \$69.6 million in 2017, due primarily to higher contact center headcount to support our growth and higher underwriting costs primarily related to growth in loan originations.

General and administrative expense increased \$5.4 million, or 5.4%, to \$105.1 million in 2018 compared to \$99.7 million in 2017, due primarily to higher incentive expenses resulting from our strong financial performance.

Depreciation and amortization expense increased to \$14.2 million in 2018 compared to \$13.3 million in 2017 primarily related to software development projects and amortization thereof.

## **Interest Expense, Net**

Interest expense, net increased \$5.3 million, or 7.2%, to \$79.3 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**

The effective tax rate of 7.7% in 2018 was lower than the effective tax rate of 10.5% in 2017 due primarily to the estimated tax effects of optimizing the timing of certain income tax deductions in 2018 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.

## **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, October 5, 2018 and July 1, 2019, we and certain of our operating subsidiaries entered into amendments to our Credit Agreement, as further described below. As of February 24, 2020, our available borrowings under the Credit Agreement were \$28.8 million. Since 2016, we have entered into several consumer loan securitization facilities and offered asset-backed notes to fund our growth, primarily in our near-prime consumer installment loan business, as further described below under “Consumer Loan Securitization.” As of February 24, 2019, the outstanding balance under our securitization facilities was \$289.2 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, 2019, 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, 2019, the total liabilities of our subsidiaries (other than the guarantors) were \$451.6 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 Senior 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 was used for general corporate purposes.

#### ***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, 2019, the total liabilities of our subsidiaries (other than the guarantors) were \$451.6 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 indenture that governs our 2024 Senior Notes (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.

## 2019-A Notes

On October 17, 2019 (the “2019-A Closing Date”), we issued \$138,888,000 Class A Asset Backed Notes (the “2019-A Class A Notes”), \$44,445,000 Class B Asset Backed Notes (the “2019-A Class B Notes”), and \$16,667,000 Class C Asset Backed Notes (the “2019-A Class C Notes” and, collectively with the 2019-A Class A Notes and the 2019-A Class B Notes, the “2019-A Notes”) through an indirect subsidiary. The 2019-A Class A Notes bear interest at 3.96%, the 2019-A Class B Notes bear interest at 6.17%, and the 2019-A Class C Notes bear interest at 7.62%. The 2019-A Notes are backed by a pool of unsecured consumer installment loans (“Securitization Receivables”) and represent obligations of the issuer only. The 2019-A Notes are not guaranteed by us.

The net proceeds of the offering of the 2019-A Notes on the 2019-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 amount of Securitization Receivables sold to the issuer on the 2019-A Closing Date was approximately \$200.0 million. Additional Securitization Receivables totaling approximately \$22.2 million were sold to the issuer prior to December 31, 2019.

The 2019-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 2019-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.

## 2019-1 Facility

On February 25, 2019 (the “2019-1 Closing Date”), we and several of our 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 or acquired under our NetCredit and CashNetUSA brands by several of our subsidiaries and that meet specified eligibility criteria. Under the 2019-1 Facility, eligible Securitization Receivables are sold to a wholly-owned subsidiary of our (the “2019-1 Debtor”) and serviced by another subsidiary of us.

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 us 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. We have issued a limited indemnity to the 2019-1 Lender for certain “bad acts,” and we have 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 us under our financial performance covenants.

## 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 “2018-2 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 2018-2 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 2018-2 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 "2016-1 Agent") and Bankers Trust Company, as indenture trustee and securities intermediary (the "Indenture Trustee"). The 2016-1 Securitization Facility securitized Securitization Receivables that were originated or acquired under our NetCredit brand and that met specified eligibility criteria. Under the 2016-1 Securitization Facility, Securitization Receivables were 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 on October 20, 2017, provided for a maximum principal amount of \$275 million, an initial term note with an initial principal amount of \$181.1 million and the ability to subsequently issue term notes thereafter, variable funding notes with an aggregate committed availability of \$75 million per quarter with an option to increase the commitment to \$90 million and a revolving period of the facility ending in April 2019.

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.

Subject to certain exceptions, the 2016-1 Issuer was not permitted to prepay or redeem any of the 2016-1 Facility prior to April 15, 2019, but the 2016-1 Agent, the Indenture Trustee, and the holders of the notes agreed to permit an early repayment. On March 29, 2019, the 2016-1 Facility was repaid in full.

### 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 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. In October 2018, the 2016-2 Facility was 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 Veritex Community Bank (as successor in interest to 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. Additionally, on July 1, 2019, the Credit Agreement was amended to, amongst other changes, extend the maturity date to June 30, 2022 from May 1, 2020 and increase the advance rate to 65% from 53%.

The Credit Agreement is secured by domestic receivables. The borrowing limit in the Credit Agreement, as amended, is \$125 million, and its maturity date is June 30, 2022. We had \$72.0 million of borrowings under the Credit Agreement as of December 31, 2019.

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, 2019.

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,		
	2019	2018	2017
Cash flows provided by operating activities			
Cash flows from operating activities - continuing operations .....	\$ 804,608	\$ 603,484	\$ 393,949
Cash flows from operating activities - discontinued operations .....	44,031	81,356	53,224
Cash flows provided by operating activities .....	848,639	684,840	447,173
Cash flows used in investing activities			
Loans and finance receivables.....	(851,056)	(633,944)	(453,768)
Purchases of property and equipment .....	(20,062)	(14,656)	(15,227)
Other investing activities.....	27	251	1,810
Cash flows from investing activities - continuing operations .....	(871,091)	(648,349)	(467,185)
Cash flows from investing activities - discontinued operations .....	(70,306)	(72,584)	(57,383)
Total cash flows used in investing activities .....	(941,397)	(720,933)	(524,568)
Cash flows provided by financing activities.....	\$ 95,484	\$ 22,479	\$ 104,582
Total debt to Adjusted EBITDA <sup>(a)</sup> .....	3.6x	4.2x	5.7x

(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

#### 2019 comparison to 2018

Net cash provided by operating activities increased \$201.1 million, or 33.3%, to \$804.6 million for 2019 from \$603.5 million for 2018. The increase was driven primarily by overall growth in the business with interest and fees paid by customers outpacing operating cash outflows.

#### 2018 comparison to 2017

Net cash provided by operating activities increased \$209.4 million, or 53.2%, to \$603.5 million for 2018 from \$393.9 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.

### Cash Flows from Investing Activities

#### 2019 comparison to 2018

Net cash used in investing activities increased \$222.7 million, or 34.4%, for 2019 compared to 2018, due primarily to a \$217.1 million increase in net cash invested in loans and finance receivables, due to a 34.2% increase in loans and finance receivables originated or purchased and a \$5.4 million increase in purchases of property and equipment.

#### 2018 comparison to 2017

Net cash used in investing activities increased \$181.2 million, or 38.8%, for 2018 compared to 2017, due primarily to a \$180.2 million increase in net cash invested in loans and finance receivables, due to a 39.7% increase in loans and finance receivables originated or purchased.

## Cash Flows from Financing Activities

### 2019 comparison to 2018

Net cash provided by financing activities in 2019 was \$95.5 million compared to \$22.5 million in 2018. Cash flows provided by financing activities for 2019 primarily reflects a net increase of \$50.0 million in net borrowings under the Credit Agreement and \$80.6 million in net borrowings under our securitization facilities, partially offset by \$33.8 million in treasury shares purchased.

On September 15, 2017, we announced 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”). The \$25.0 million limit was reached in January 2019, with all share repurchases having been through open market transactions. On January 31, 2019, we announced the Board of Directors had authorized a share repurchase program for the repurchase of up to \$50.0 million of our common stock through December 31, 2020. On October 24, 2019, we announced the Board of Directors had authorized a new share repurchase program totaling \$75.0 million that expires December 31, 2020. The new program replaced the prior authorization of \$50.0 million. During the current year, we paid \$31.9 million to repurchase common stock under the share repurchase programs.

### 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.

## CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table summarizes our contractual obligations at December 31, 2019, and the effect such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

	2020	2021	2022	2023	2024	Thereafter	Securitizations	Total
Revolving credit agreement <sup>(a)</sup> .....	\$ —	\$ —	\$72,000	\$ —	\$ —	\$ —	\$ —	\$ 72,000
Senior notes <sup>(b)</sup> .....	—	—	—	—	250,000	375,000	—	625,000
Interest on senior notes <sup>(c)</sup> .....	53,125	53,125	53,125	53,125	53,125	31,875	—	297,500
Securitization facilities <sup>(d)</sup> .....	—	—	—	—	—	—	307,885	307,885
Non-cancelable leases <sup>(e)</sup> .....	7,242	7,282	7,018	7,115	6,285	17,179	—	52,121
Total .....	<u>\$60,367</u>	<u>\$60,407</u>	<u>\$60,143</u>	<u>\$60,240</u>	<u>\$309,410</u>	<u>\$424,054</u>	<u>\$ 307,885</u>	<u>\$1,282,506</u>

(a) *Revolving credit agreement may be repaid at any time prior to maturity in June 2022; 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.*

The liability for uncertain tax positions has been excluded due to the high degree of uncertainty regarding the timing of potential future cash outflows. We are unable to make a reasonably reliable estimate of the period of cash settlement with the respective taxing authority.

## 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, 2019 and 2018, the outstanding amount of active consumer loans originated by third-party lenders under the CSO programs was \$27.6 million and \$29.7 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 generally 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, 2019 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 2019 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 consolidated statement of income for any increase or decrease in the valuation allowance for a given period.

We report our loans and finance receivables in the Company's tax returns at fair market value, which differs from how we report them in the consolidated financial statements. Changes in the fair market value of our loans and finance receivables as determined for tax purposes may have a significant impact on the timing and amount of how income taxes are recognized in the consolidated financial statements. The estimates of fair market value are dependent on multiple assumptions, including expected credit losses and discount rates.

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 and interest rates related to our long-term debt.

The net assets of our 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.

We are exposed to interest rate risk primarily related to our 2019-1, 2018-2 and 2018-1 securitization facilities, which are tied to the 1-month London Interbank Offered Rate ("LIBOR"). LIBOR is a measure of the average rate at which banks are willing to borrow wholesale unsecured funds. Any increase in the 1-month LIBOR could result in an increase in our interest expense.

The Financial Conduct Authority of the United Kingdom ("FCA") has secured panel bank support to continue submissions to determine LIBOR, but only until 2021. Beyond this date, the future of LIBOR is not guaranteed. We have evaluated our processes, procedures, and contracts and have concluded that transition from LIBOR to a successor rate(s) will not have a material impact on the results of our operations.



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

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm.....	70
Consolidated Balance Sheets – December 31, 2019 and 2018.....	73
Consolidated Statements of Income – Years Ended December 31, 2019, 2018 and 2017.....	75
Consolidated Statements of Comprehensive Income – Years Ended December 31, 2019, 2018 and 2017 .....	76
Consolidated Statements of Stockholders’ Equity – Years Ended December 31, 2019, 2018 and 2017 .....	77
Consolidated Statements of Cash Flows – Years Ended December 31, 2019, 2018 and 2017 .....	78
Notes to Consolidated Financial Statements.....	79

## 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, 2019 and 2018, 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, 2019, 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, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 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, 2019, 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 the 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.

### ***Critical Audit Matters***

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial

statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### *Allowance for Estimated Losses on Loans and Finance Receivables- Loss Emergence Period and Historical Loss Rates*

As described in Notes 1 and 2 to the consolidated financial statements, the Company's allowance for loan and finance receivable losses of \$176.9 million as of December 31, 2019 represents management's allowance for estimated losses on loans and finance receivables at a level estimated to be adequate to absorb losses inherent in the Company's portfolios. In determining the allowance for estimated losses on loans and finance receivables, management applies a documented systematic methodology and in calculating the allowance for receivable losses, outstanding loans and finance receivables are divided into discrete groups of short-term loans, line of credit accounts, installment loans and receivables purchase agreements ("RPA") and are analyzed as current or delinquent. The allowance for short-term loans classified as current is based on historical loss rates adjusted for recent default trends for current loans. The allowance for delinquent short-term loans is based upon a six-month rolling average of loss rates by stage of collection. For line of credit accounts, installment loans and RPA portfolios, a migration analysis or roll-rate based methodology is used by management to estimate losses inherent in the portfolio. The allowance calculation under the migration analysis and roll-rate methodology is based on historical loss rates 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 principal considerations for our determination that performing procedures relating to the allowance for estimated losses on loans and finance receivables – loss emergence period and historical loss rates is a critical audit matter are (i) there was significant judgment by management when determining the loss emergence period and historical loss rates, which in turn led to a high degree of auditor judgment, subjectivity and audit effort in performing procedures and evaluating audit evidence related to the loss emergence period and historical loss rates for the allowance for loan and finance receivable losses and (ii) the audit effort included the involvement of professionals with specialized skill and knowledge to assist in evaluating the audit evidence obtained from these procedures.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the allowance for loan and finance receivable losses, including controls over the determination of the loss emergence period and historical loss rates. These procedures also included, among others, testing management's process for determining the allowance for loan and finance receivable losses, including evaluating the appropriateness of the methods used by management and reasonableness of the loss emergence period and historical loss rates, and testing inputs into the determination of the loss emergence period and historical loss rates, such as the classification of loan and finance receivable between current and delinquent and the related stage of delinquencies. Professionals with specialized skill and knowledge were used to assist in evaluating the reasonableness of the loss emergence period and historical loss rates.

#### *Unrecognized Tax Benefits Related to the Timing of Recognition of Income and Losses Related to the Loan and Finance Receivable Portfolio*

As described in Notes 1 and 9 to the consolidated financial statements, as of December 31, 2019 the Company recorded \$53.6 million in unrecognized tax benefits 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. As disclosed by management, the Company evaluates tax positions taken in tax returns for all periods that are open to examination by taxing authorities and makes judgments as to whether and to what extent such positions are more likely than not to be sustained based on merit. The Company reports its loans and finance receivables in the Company's tax returns at fair market value which differs from how loans and finance receivables are reported in the consolidated financial statements. The Company's principal uncertainties are related to the timing of recognition of income and losses related to its loans and finance receivables.

The principal considerations for our determination that performing procedures relating to unrecognized tax benefits related to the timing of recognition of income and losses related to loans and finance receivables is a critical audit matter are (i) there was significant judgment by management when assessing uncertainties related to the timing of recognition of income and losses related to the loan and finance receivable portfolio in determining unrecognized tax benefits, which in turn led to a high degree of auditor judgment, subjectivity and audit effort in performing procedures and evaluating audit evidence relating to such timing of recognition, and (ii) the audit effort included the involvement of professionals with specialized skill and knowledge to assist in evaluating the audit evidence obtained from these procedures.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to unrecognized tax benefits, including controls over the determination of timing of recognition of income and losses related to loans and finance receivables. These procedures also included, among others, testing management's process for determining the amount and classification of the unrecognized tax benefits related to loans and finance receivables, including management's assessment of the likelihood of the possible estimated outcome. These procedures also included testing the information used in the calculation of the unrecognized tax benefits. Professionals with specialized skill and knowledge were used to assist in the evaluation of the measurement of the Company's unrecognized tax benefits disclosed within the consolidated financial statements.

/s/ PricewaterhouseCoopers LLP  
Chicago, Illinois  
February 27, 2020

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,	
	2019	2018
<b>Assets</b>		
Cash and cash equivalents <sup>(1)</sup> .....	\$ 35,895	\$ 28,114
Restricted cash <sup>(1)</sup> .....	45,069	22,169
Loans and finance receivables, net <sup>(1)</sup> .....	1,062,650	780,112
Income taxes receivable .....	32,859	28,914
Other receivables and prepaid expenses <sup>(1)</sup> .....	31,643	29,549
Property and equipment, net .....	54,540	46,062
Operating lease right-of-use asset .....	19,586	—
Goodwill .....	267,013	267,013
Intangible assets, net .....	2,185	3,255
Other assets <sup>(1)</sup> .....	22,912	12,179
Assets from discontinued operations .....	—	116,984
Total assets .....	<u>\$ 1,574,352</u>	<u>\$ 1,334,351</u>
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable and accrued expenses <sup>(1)</sup> .....	\$ 122,163	\$ 81,525
Operating lease liability .....	35,712	—
Deferred tax liabilities, net .....	48,683	39,337
Long-term debt <sup>(1)</sup> .....	991,181	857,929
Liabilities from discontinued operations .....	—	7,792
Total liabilities .....	<u>1,197,739</u>	<u>986,583</u>
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common stock, \$0.00001 par value, 250,000,000 shares authorized, 35,764,943 and 34,856,553 shares issued and 32,974,714 and 33,584,606 outstanding as of December 31, 2019 and 2018, respectively .....	—	—
Preferred stock, \$0.00001 par value, 25,000,000 shares authorized, no shares issued and outstanding .....	—	—
Additional paid in capital .....	63,791	48,175
Retained earnings .....	372,681	336,415
Accumulated other comprehensive loss .....	(3,066)	(13,805)
Treasury stock, at cost (2,790,229 and 1,271,947 shares as of December 31, 2019 and 2018, respectively) .....	<u>(56,793)</u>	<u>(23,017)</u>
Total stockholders' equity .....	<u>376,613</u>	<u>347,768</u>
Total liabilities and stockholders' equity .....	<u>\$ 1,574,352</u>	<u>\$ 1,334,351</u>

(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 14 for additional information.

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Assets of consolidated VIEs, included in total assets above</b>		
Cash and cash equivalents .....	\$ 420	\$ 210
Restricted cash .....	42,354	22,168
Loans and finance receivables, net (includes allowance for losses of \$38,540 and \$27,255 as of December 31, 2019 and 2018, respectively) .....	420,690	318,961
Other receivables and prepaid expenses .....	9	2,712
Other assets .....	2,161	2,544
Total assets of consolidated VIEs .....	\$ 465,634	\$ 346,595
<b>Liabilities of consolidated VIEs, included in total liabilities above</b>		
Accounts payable and accrued expenses .....	\$ 3,171	\$ 3,087
Long-term debt .....	304,598	223,368
Total liabilities of consolidated VIEs .....	\$ 307,769	\$ 226,455

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,		
	2019	2018	2017
<b>Revenue</b> .....	\$ 1,174,757	\$ 972,621	\$ 728,903
<b>Cost of Revenue</b> .....	602,894	503,405	353,488
<b>Gross Profit</b> .....	571,863	469,216	375,415
<b>Expenses</b>			
Marketing .....	115,132	95,960	76,558
Operations and technology .....	84,262	78,367	69,631
General and administrative.....	109,204	105,143	99,754
Depreciation and amortization .....	15,055	14,200	13,282
<b>Total Expenses</b> .....	323,653	293,670	259,225
<b>Income from Operations</b> .....	248,210	175,546	116,190
Interest expense, net .....	(75,604)	(79,364)	(74,005)
Foreign currency transaction (loss) gain, net .....	(216)	(2,318)	381
Loss on early extinguishment of debt.....	(2,321)	(24,991)	(22,895)
<b>Income before Income Taxes</b> .....	170,069	68,873	19,671
Provision for income taxes .....	42,053	5,301	2,057
<b>Net income from continuing operations</b> .....	128,016	63,572	17,614
Net (loss) income from discontinued operations.....	(91,404)	6,526	11,626
<b>Net Income</b> .....	<u>\$ 36,612</u>	<u>\$ 70,098</u>	<u>\$ 29,240</u>
<b>Earnings (Loss) Per Share:</b>			
Earnings (loss) per common share – basic:			
Continuing operations .....	\$ 3.80	\$ 1.87	\$ 0.52
Discontinued operations .....	(2.71)	0.19	0.35
Earnings (loss) per common share – basic.....	<u>\$ 1.09</u>	<u>\$ 2.06</u>	<u>\$ 0.87</u>
Earnings (loss) per common share – diluted:			
Continuing operations .....	\$ 3.72	\$ 1.81	\$ 0.52
Discontinued operations .....	(2.66)	0.18	0.34
Earnings (loss) per common share – diluted.....	<u>\$ 1.06</u>	<u>\$ 1.99</u>	<u>\$ 0.86</u>
Weighted average common shares outstanding:			
Basic .....	33,715	33,993	33,523
Diluted.....	34,398	35,176	34,132

See Notes to Consolidated Financial Statements

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

	Year Ended December 31,		
	2019	2018	2017
Net Income.....	\$ 36,612	\$ 70,098	\$ 29,240
<b>Other comprehensive gain (loss), net of tax:</b>			
Foreign currency translation gain (loss) <sup>(1)(2)</sup> .....	10,739	(5,097)	4,492
Reclassification of certain deferred tax effects .....	—	(1,622)	—
Total other comprehensive gain (loss), net of tax.....	10,739	(6,719)	4,492
<b>Comprehensive Income</b> .....	<u>\$ 47,351</u>	<u>\$ 63,379</u>	<u>\$ 33,732</u>

(1) Net of tax (provision) benefit of \$(3,329), \$974 and \$(2,517) for the years ended December 31, 2019, 2018 and 2017, respectively.

(2) See Note 1 "Reclassification of AOCI to Net Income" for additional detail.

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, 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 from continuing operations .....	—	—	—	17,614	—	—	—	17,614
Net income from discontinued operations .....	—	—	—	11,626	—	—	—	11,626
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 from continuing operations .....	—	—	—	63,572	—	—	—	63,572
Net income from discontinued operations .....	—	—	—	6,526	—	—	—	6,526
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>
Stock-based compensation expense.....	—	—	11,967	—	—	—	—	11,967
Accelerated vesting on RSUs for discontinued operations.....	5	—	94	—	—	—	—	94
Shares issued for vested RSUs.....	540	—	—	—	—	—	—	—
Shares issued for stock option exercises.....	363	—	3,555	—	—	—	—	3,555
Net income from continuing operations .....	—	—	—	128,016	—	—	—	128,016
Net loss from discontinued operations.....	—	—	—	(91,404)	—	—	—	(91,404)
Foreign currency translation gain, net of tax .....	—	—	—	—	10,739	—	—	10,739
Purchases of treasury shares, at cost.....	—	—	—	—	—	(1,518)	(33,776)	(33,776)
Cumulative effect of accounting change (Note 1) .....	—	—	—	(346)	—	—	—	(346)
<b>Balance at December 31, 2019</b> .....	<b>35,765</b>	<b>\$ —</b>	<b>\$ 63,791</b>	<b>\$372,681</b>	<b>\$ (3,066)</b>	<b>(2,790)</b>	<b>\$ (56,793)</b>	<b>\$ 376,613</b>

See Notes to Consolidated Financial Statements

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

	Year Ended December 31,		
	2019	2018	2017
<b>Cash Flows from Operating Activities</b>			
Net Income .....	\$ 36,612	\$ 70,098	\$ 29,240
Less: Net loss (income) from discontinued operations .....	91,404	(6,526)	(11,626)
Net income from continuing operations .....	128,016	63,572	17,614
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization .....	15,055	14,200	13,282
Amortization of deferred loan costs and debt discount .....	6,000	6,201	7,196
Cost of revenue.....	602,894	503,405	353,488
Stock-based compensation expense .....	11,967	11,660	11,307
Fair value changes in contingent purchase consideration .....	—	—	2,358
Loss on early extinguishment of debt.....	2,321	24,991	22,895
Operating leases, net.....	(1,548)	—	—
Lease termination and cease-use costs .....	370	—	—
Deferred income taxes, net .....	4,741	23,007	(3,924)
Other .....	—	55	(55)
Changes in operating assets and liabilities:			
Finance and service charges on loans and finance receivables .....	(36,572)	(21,306)	(15,255)
Other receivables, prepaid expenses and other assets .....	(12,801)	(6,670)	(3,337)
Accounts payable and accrued expenses .....	13,781	11,190	181
Current income taxes .....	70,384	(26,821)	(11,801)
Cash flows from operating activities - continuing operations.....	804,608	603,484	393,949
Cash flows from operating activities - discontinued operations .....	44,031	81,356	53,224
<b>Net cash provided by operating activities .....</b>	<b>848,639</b>	<b>684,840</b>	<b>447,173</b>
<b>Cash Flows from Investing Activities</b>			
Loans and finance receivables originated or acquired.....	(1,807,299)	(1,453,262)	(1,171,598)
Loans and finance receivables repaid.....	956,243	819,318	717,830
Purchases of property and equipment.....	(20,062)	(14,656)	(15,227)
Other investing activities .....	27	251	1,810
Cash flows from investing activities - continuing operations .....	(871,091)	(648,349)	(467,185)
Cash flows from investing activities - discontinued operations .....	(70,306)	(72,584)	(57,383)
<b>Net cash used in investing activities .....</b>	<b>(941,397)</b>	<b>(720,933)</b>	<b>(524,568)</b>
<b>Cash Flows from Financing Activities</b>			
Borrowings under revolving line of credit .....	337,049	203,000	30,000
Repayments under revolving line of credit.....	(287,049)	(181,000)	(30,000)
Borrowings under securitization facilities.....	322,800	348,813	359,842
Repayments under securitization facilities .....	(242,203)	(332,916)	(313,853)
Issuance of senior notes .....	—	375,000	250,000
Repayments of senior notes.....	—	(345,000)	(155,000)
Debt issuance costs paid.....	(3,500)	(13,010)	(14,662)
Debt prepayment penalty paid.....	(1,392)	(18,828)	(16,694)
Payment of promissory note .....	—	(3,000)	—
Proceeds from exercise of stock options .....	3,555	6,734	28
Treasury shares purchased.....	(33,776)	(17,314)	(5,079)
<b>Net cash provided by financing activities .....</b>	<b>95,484</b>	<b>22,479</b>	<b>104,582</b>
Effect of exchange rates on cash .....	979	(7,271)	4,717
<b>Net increase (decrease) in cash, cash equivalents and restricted cash.....</b>	<b>3,705</b>	<b>(20,885)</b>	<b>31,904</b>
<b>Less: decrease (increase) in cash, cash equivalents and restricted cash from discontinued operations .....</b>	<b>26,976</b>	<b>(1,287)</b>	<b>(7,146)</b>
<b>Change in cash, cash equivalents and restricted cash from continuing operations .....</b>	<b>30,681</b>	<b>(22,172)</b>	<b>24,758</b>
<b>Cash, cash equivalents and restricted cash at beginning of year .....</b>	<b>50,283</b>	<b>72,455</b>	<b>47,697</b>
<b>Cash, cash equivalents and restricted cash at end of period .....</b>	<b>\$ 80,964</b>	<b>\$ 50,283</b>	<b>\$ 72,455</b>

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, 2019, the Company offered or arranged loans to consumers under the names “CashNetUSA” and “NetCredit” in 40 states in the United States 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 and the Company has the option, but not the requirement, to purchase the loans it originates. 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)**

On October 25, 2019, the Company's U.K. businesses were placed into administration, which resulted in treatment of the businesses as discontinued operations for all periods presented. Throughout these consolidated financial statements, unless otherwise noted, current and prior year financial information is presented as if the U.K. businesses were excluded from continuing operations as required. For further information about the placement of the segment into administration, refer to "Discontinued Operations" below.

***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.

As a result of the Company's exit from the United Kingdom in 2019, and the liquidation of our subsidiaries in Australia and Canada in 2018, the AOCI balances related to the British pound, the Australian dollar and the Canadian dollar were reclassified from AOCI to Net Income. See "Reclassification of AOCI to Net Income" below for more detail.

***Discontinued Operations***

Beginning in 2007, the Company provided services in the United Kingdom under various brands, including QuickQuid, Pounds to Pocket and On Stride. Due in part to the level of claim and legal settlement costs incurred in conducting our U.K. business and unsuccessful discussions with U.K. regulators, on October 24, 2019, the Company announced its intent to exit the U.K. market. On October 25, 2019, Grant Thornton LLP, a licensed U.K. insolvency practitioner, was appointed as administrators ("Administrators") to take control of management of the U.K. businesses. The effect of the U.K. businesses' entry into administration was to place their management, affairs, business and property under the direct control of the Administrators. Accordingly, the Company deconsolidated its U.K. businesses as of October 25, 2019 and is presenting them as discontinued operations for all periods presented in these consolidated financial statements. The Company recorded a one-time after-tax charge of \$74.5 million, including one-time cash charges of \$52.2 million, as a result of placing the UK businesses into administration.

The Company entered into a service agreement with the Administrators under which the Company provides certain administrative, technical and other services in exchange for compensation by the Administrators. The initial term of the agreement is 12 months with options to extend the term for three-month periods. During the year ended December 31, 2019, the Company recorded \$1.9 million in revenue related to these services. As of December 31, 2019, the Administrators owed the Company \$1.8 million related to services provided.

The following table provides the aggregate carrying amounts of the assets and liabilities of the U.K. businesses included in the Company's consolidated balance sheets (in thousands):

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

	December 31,	
	2019	2018
<b>Assets</b>		
Cash and cash equivalents .....	\$ —	\$ 24,803
Restricted cash .....	—	2,173
Loans and finance receivables, net .....	—	79,834
Other receivables and prepaid expenses .....	—	434
Deferred tax assets, net .....	—	6,166
Property and equipment, net .....	—	3,491
Other assets .....	—	83
Total assets of discontinued operations .....	\$ —	\$ 116,984
<b>Liabilities</b>		
Accounts payable and accrued expenses .....	\$ —	\$ 7,792
Total liabilities of discontinued operations .....	\$ —	\$ 7,792

The following table provides the financial results of the U.K. businesses, which meet the criteria of discontinued operations and, therefore, are excluded from the Company's results of continuing operations (in thousands):

	Year Ended December 31,		
	2019 <sup>(1)</sup>	2018	2017
<b>Revenue</b> .....	\$ 83,772	\$ 141,453	\$ 114,838
<b>Cost of Revenue</b> .....	45,507	67,595	43,144
<b>Gross Profit</b> .....	38,265	73,858	71,694
<b>Expenses</b>			
Marketing .....	13,239	29,309	24,871
Operations and technology .....	43,338	34,116	25,524
General and administrative .....	3,011	1,917	1,969
Depreciation and amortization .....	889	990	1,106
<b>Total Expenses</b> .....	60,477	66,332	53,470
<b>(Loss) Income from Operations</b> .....	(22,212)	7,526	18,224
Interest income, net .....	6	16	2
Foreign currency transaction (loss) gain, net .....	(1)	(2)	3
Impairment charges upon placement into administration .....	(97,513)	—	—
<b>(Loss) Income before Income Taxes</b> .....	(119,720)	7,540	18,229
(Benefit from) provision for income taxes .....	(28,316)	1,014	6,603
<b>Net (loss) income from discontinued operations</b> .....	\$ (91,404)	\$ 6,526	\$ 11,626

<sup>(1)</sup>Includes results of the U.K. businesses from January 1, 2019 to October 25, 2019

**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.

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

***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):

	December 31,		
	2019	2018	2017
Cash and cash equivalents.....	\$ 35,895	\$ 28,114	\$ 49,772
Restricted cash.....	45,069	22,169	22,683
Total cash, cash equivalents and restricted cash .....	\$ 80,964	\$ 50,283	\$ 72,455

***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.

***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.

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

***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 generally 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 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

*(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

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

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.

***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, 2019 and 2018, 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, 2019, 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 contact 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.



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

**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 consolidated statement of cash flows, they are classified in operating activities in the same manner as other cash flows related to income taxes.

**Reclassification of AOCI to Net Income**

In 2019 as part of the Company’s one-time charge related to the placement of the U.K. businesses into administration, the Company recorded a \$13.2 million loss to recognize the cumulative translation adjustment balance that had been previously recorded to “Accumulated other comprehensive loss” on the consolidated balance sheets.

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, 2019 and 2018 (in thousands):

	Foreign currency translation gain (loss)	Total
<b>Balance at December 31, 2017</b> .....	<b>\$ (7,086)</b>	<b>\$ (7,086)</b>
Other comprehensive loss from continuing operations, before reclassifications and tax .....	(2,405)	(2,405)
Tax impact .....	519	519
Other comprehensive loss from discontinued operations, before reclassifications and tax .....	(6,009)	(6,009)
Tax impact .....	982	982
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>
Other comprehensive loss from continuing operations, before reclassifications and tax .....	(671)	(671)
Tax impact .....	124	124
Other comprehensive gain from discontinued operations, before reclassifications and tax .....	1,551	1,551
Tax impact .....	(364)	(364)
Placement of U.K. businesses into administration <sup>(3)</sup> .....	13,188	13,188
Tax impact .....	(3,089)	(3,089)
<b>Balance at December 31, 2019</b> .....	<b>\$ (3,066)</b>	<b>\$ (3,066)</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.

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

- (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.
- (3) Amount represents the reclassification of foreign currency translation losses from AOCI to the consolidated statements of income due to the placement of the U.K. businesses into administration.

**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.

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, 2019, 2018 and 2017 (in thousands, except per share amounts):

	Year Ended December 31,		
	2019	2018	2017
Numerator:			
Net income from continuing operations.....	\$ 128,016	\$ 63,572	\$ 17,614
Net (loss) income from discontinued operations .....	(91,404)	6,526	11,626
Net Income .....	<u>\$ 36,612</u>	<u>\$ 70,098</u>	<u>\$ 29,240</u>
Denominator:			
Total weighted average basic shares .....	33,715	33,993	33,523
Shares applicable to stock-based compensation .....	683	1,183	609
Total weighted average diluted shares.....	<u>34,398</u>	<u>35,176</u>	<u>34,132</u>
Earnings per common share – basic:			
Continuing operations .....	\$ 3.80	\$ 1.87	\$ 0.52
Discontinued operations.....	(2.71)	0.19	0.35
Earnings per common share – basic .....	<u>\$ 1.09</u>	<u>\$ 2.06</u>	<u>\$ 0.87</u>
Earnings per common share – diluted:			
Continuing operations .....	\$ 3.72	\$ 1.81	\$ 0.52
Discontinued operations.....	(2.66)	0.18	0.34
Earnings per common share – diluted .....	<u>\$ 1.06</u>	<u>\$ 1.99</u>	<u>\$ 0.86</u>

For the years ended December 31, 2019, 2018 and 2017, 985,130, 587,045 and 1,563,975 shares of common stock underlying stock options, respectively, and 12,384, 82,929 and 182,008 shares of common stock underlying restricted stock units, respectively, were excluded from the calculation of diluted net earnings per share because their effect would have been antidilutive.

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

**Adopted Accounting Standards**

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 consolidated 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 consolidated 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 non-lease components. In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842): Codification Improvements* (“ASU 2019-01”), which clarifies transition disclosures related to ASC 250, *Accounting Changes and Error Corrections*. ASU 2016-02 and ASU 2019-01 became effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2018.

The Company adopted ASU 2016-02 and ASU 2019-01 on January 1, 2019 and elected the optional transition method permitted by ASU 2018-11. The Company elected the package of transition practical expedients, which allows it to not reassess whether any expired or existing contracts are or contain leases and to not reassess the lease classification for existing or expired leases. The Company also elected the practical expedient to not separate lease and associated non-lease components and the short-term lease exception. The following table sets forth the impact of adoption as of January 1, 2019 (in thousands):

	<b>Increase (decrease)</b>
<b>Assets</b>	
Operating lease right-of-use assets.....	21,830
Assets from discontinued operations .....	467
Total assets .....	\$ 22,297
<b>Liabilities and Stockholders' Equity</b>	
Accounts payable and accrued expenses.....	\$ (16,860)
Operating lease liabilities.....	39,134
Deferred tax liabilities, net.....	(102)
Liabilities from discontinued operations.....	471
Total liabilities .....	22,643
Stockholders' equity:	
Retained earnings.....	(346)
Total stockholders' equity .....	(346)
Total liabilities and stockholders' equity.....	\$ 22,297

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

In November 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU 2019-12”). ASU 2019-12 is intended to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and also clarifying and amending existing guidance to improve consistent application ASU 2019-12 is effective in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact ASU 2019-12 will have on its consolidated financial statements.

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. ASU 2018-15 is effective in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The Company anticipates adopting in the first quarter of 2020 under the prospective transition approach and does not expect adoption to 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

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

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, with early adoption 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. In April 2019 and November 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, and ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, respectively, which provide subsequent amendments to the initial guidance in ASU 2016-13. In May 2019, the FASB issued ASU 2019-05, *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief*, which provides entities that have certain instruments within the scope of ASC 326-20, *Financial Instruments—Credit Losses—Measured at Amortized Cost*, with an option to irrevocably elect the fair value option in ASC 825-10, *Financial Instruments—Overall*, applied on an instrument-by-instrument basis for eligible instruments, upon adoption of ASU 2016-13. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which sets the mandatory effective date of ASU 2016-13 for public business entities that meet the definition of an SEC filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for annual periods beginning after December 15, 2019, and interim periods within those annual periods. The Company adopted ASU 2016-13 and the related aforementioned ASUs effective January 1, 2020 and plans to elect the fair value option on all loans and finance receivables. In accordance with the transition guidance, the Company will (i) release the allowance for estimated losses on loans and finance receivables at that date; (ii) release the unamortized net deferred origination costs at that date; and (iii) measure the loans and finance receivables at fair value. These adjustments are recognized collectively through a cumulative-effect adjustment to opening retained earnings, which the Company currently estimates to be approximately \$100 million, net of tax. As a result of the adoption of this ASU, the Company's loans and finance receivables will be carried at fair value with changes in fair value recognized directly in earnings and origination fees and costs will no longer be deferred.

**2. Loans and Finance Receivables, Credit Quality Information and Allowances and Liabilities for Estimated Losses on Loans and Finance Receivables**

Revenue generated from the Company's loans and finance receivables for the years ended December 31, 2019, 2018 and 2017 was as follows (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Short-term loans.....	\$ 113,826	\$ 140,903	\$ 126,602
Line of credit accounts.....	535,742	363,495	262,574
Installment loans and RPAs.....	522,289	466,854	338,838
Total loans and finance receivables revenue.....	1,171,857	971,252	728,014
Other.....	2,900	1,369	889
Total Revenue.....	<u>\$ 1,174,757</u>	<u>\$ 972,621</u>	<u>\$ 728,903</u>

The components of Company-owned loans and finance receivables at December 31, 2019 and 2018 were as follows (in thousands):

	As of December 31, 2019			
	Short-term Loans	Line of Credit Accounts	Installment Loans and RPAs	Total
Current receivables.....	\$ 16,150	\$ 365,820	\$ 759,240	\$ 1,141,210
Delinquent receivables:				
Delinquent payment amounts <sup>(1)</sup> .....	—	22,441	1,924	24,365
Receivables on non-accrual status.....	13,614	4,576	55,824	74,014
Total delinquent receivables.....	13,614	27,017	57,748	98,379
Total loans and finance receivables, gross.....	29,764	392,837	816,988	1,239,589
Less: Allowance for losses.....	(8,879)	(91,002)	(77,058)	(176,939)
Loans and finance receivables, net.....	<u>\$ 20,885</u>	<u>\$ 301,835</u>	<u>\$ 739,930</u>	<u>\$ 1,062,650</u>

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

	As of December 31, 2018			
	Short-term Loans	Line of Credit Accounts	Installment Loans and RPAs	Total
Current receivables .....	\$ 16,621	\$ 213,896	\$ 610,881	\$ 841,398
Delinquent receivables:				
Delinquent payment amounts <sup>(1)</sup> .....	—	10,783	1,490	12,273
Receivables on non-accrual status .....	21,147	2,884	46,624	70,655
Total delinquent receivables .....	21,147	13,667	48,114	82,928
Total loans and finance receivables, gross .....	37,768	227,563	658,995	924,326
Less: Allowance for losses .....	(14,492)	(51,009)	(78,713)	(144,214)
Loans and finance receivables, net .....	<u>\$ 23,276</u>	<u>\$ 176,554</u>	<u>\$ 580,282</u>	<u>\$ 780,112</u>

(1) Represents the delinquent portion of installment loans and line of credit account balances for customers that have only missed one payment. See Note 1 "Significant Accounting Policies-Current and Delinquent Loans and Finance Receivables" for additional information.

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, 2019, 2018 and 2017 were as follows (in thousands):

	Year Ended December 31, 2019			
	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 .....	\$ 14,492	\$ 51,009	\$ 78,713	\$ 144,214
Cost of revenue .....	44,746	278,311	280,492	603,549
Charge-offs .....	(60,164)	(257,803)	(355,986)	(673,953)
Recoveries .....	9,805	19,485	73,980	103,270
Effect of foreign currency translation .....	—	—	(141)	(141)
Balance at end of period .....	<u>\$ 8,879</u>	<u>\$ 91,002</u>	<u>\$ 77,058</u>	<u>\$ 176,939</u>
<b>Liability for third-party lender-owned loans:</b>				
Balance at beginning of period .....	\$ 1,964	\$ —	\$ 202	\$ 2,166
(Decrease) increase in liability .....	(913)	—	258	(655)
Balance at end of period .....	<u>\$ 1,051</u>	<u>\$ —</u>	<u>\$ 460</u>	<u>\$ 1,511</u>

	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 .....	\$ 12,871	\$ 31,148	\$ 63,818	\$ 107,837
Cost of revenue .....	60,952	164,052	278,493	503,497
Charge-offs .....	(72,774)	(158,817)	(314,603)	(546,194)
Recoveries .....	13,443	14,626	51,685	79,754
Effect of foreign currency translation .....	—	—	(680)	(680)
Balance at end of period .....	<u>\$ 14,492</u>	<u>\$ 51,009</u>	<u>\$ 78,713</u>	<u>\$ 144,214</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>

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

	Year Ended December 31, 2017			
	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.....	\$ 11,925	\$ 26,594	\$ 50,173	\$ 88,692
Cost of revenue .....	54,379	95,297	203,552	353,228
Charge-offs.....	(65,181)	(102,392)	(224,711)	(392,284)
Recoveries.....	11,748	11,649	34,717	58,114
Effect of foreign currency translation .....	—	—	87	87
Balance at end of period.....	<u>\$ 12,871</u>	<u>\$ 31,148</u>	<u>\$ 63,818</u>	<u>\$ 107,837</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>

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, 2019 and 2018, the amount of consumer loans guaranteed by the Company was \$27.6 million and \$29.7 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 \$1.5 million and \$2.2 million as of December 31, 2019 and 2018, respectively, is included in “Accounts payable and accrued expenses” in the consolidated balance sheets.

### 3. 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, 2019 and 2018 were as follows (in thousands):

	As of December 31, 2019		
	Cost	Accumulated Depreciation	Net
Computer software.....	\$ 86,509	\$ (47,573)	\$ 38,936
Furniture, fixtures and equipment.....	24,414	(18,777)	5,637
Leasehold improvements .....	17,707	(7,740)	9,967
Total .....	<u>\$ 128,630</u>	<u>\$ (74,090)</u>	<u>\$ 54,540</u>
	As of December 31, 2018		
	Cost	Accumulated Depreciation	Net
Computer software.....	\$ 86,880	\$ (59,409)	\$ 27,471
Furniture, fixtures and equipment.....	34,632	(28,121)	6,511
Leasehold improvements .....	18,073	(5,993)	12,080
Total .....	<u>\$ 139,585</u>	<u>\$ (93,523)</u>	<u>\$ 46,062</u>

The Company capitalized internal software development costs of \$16.8 million, \$10.9 million and \$10.7 million during 2019, 2018 and 2017, respectively.

The Company recognized depreciation expense of \$14.0 million, \$13.1 million and \$12.2 million during 2019, 2018 and 2017, respectively.

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

**4. Goodwill and Other Intangible Assets**

Changes in the carrying value of goodwill for the years ended December 31, 2019 and 2018 were as follows (in thousands):

Balance as of January 1, 2018.....	\$ 267,015
Effect of foreign currency translation.....	<u>(2)</u>
Balance as of December 31, 2018.....	\$ 267,013
Balance as of December 31, 2019.....	<u>\$ 267,013</u>

The Company completed its annual assessment of goodwill as of June 30, 2019 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, 2019 and 2018, were as follows (in thousands):

	<u>As of December 31, 2019</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Customer relationships.....	\$ 3,497	\$ (3,417)	\$ 80
Lead provider and broker relationships .....	5,689	(5,369)	320
Trademarks.....	2,523	(818)	1,705
Non-competition agreements .....	800	(720)	80
Total .....	<u>\$ 12,509</u>	<u>\$ (10,324)</u>	<u>\$ 2,185</u>

	<u>As of December 31, 2018</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Customer relationships.....	\$ 3,497	\$ (3,257)	\$ 240
Lead provider and broker relationships .....	5,689	(4,729)	960
Trademarks.....	2,523	(708)	1,815
Non-competition agreements .....	800	(560)	240
Total .....	<u>\$ 12,509</u>	<u>\$ (9,254)</u>	<u>\$ 3,255</u>

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, 2019, 2018 and 2017, respectively.

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

<u>Year</u>	<u>Amount</u>
2020 .....	\$ 590
2021 .....	110
2022 .....	110
2023 .....	110
2024 .....	110

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

**5. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses at December 31, 2019 and 2018 were as follows (in thousands):

	As of December 31,	
	2019	2018
Unrecognized tax benefits .....	\$ 44,780	\$ —
Trade accounts payable.....	23,829	26,318
Accrued payroll and fringe benefits .....	18,747	17,595
Accrued interest payable.....	17,479	16,976
Deferred fees on third-party consumer loans.....	11,266	5,608
Accrual for consumer loan payments rejected for non-sufficient funds.....	4,381	5,643
Liability for losses on third-party lender owned consumer loans .....	1,511	2,166
Other accrued liabilities .....	170	116
Deferred finish out allowance.....	—	7,103
<b>Total.....</b>	<b>\$ 122,163</b>	<b>\$ 81,525</b>

**6. Marketing Expenses**

Marketing expenses for the years ended December 31, 2019, 2018 and 2017 were as follows (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Advertising.....	\$ 83,952	\$ 66,442	\$ 49,327
Customer procurement expense including lead purchase costs.....	31,180	29,518	27,212
Customer referral and revenue sharing expense .....	—	—	19
<b>Total .....</b>	<b>\$ 115,132</b>	<b>\$ 95,960</b>	<b>\$ 76,558</b>

**7. Leases**

The Company has operating leases primarily for its corporate headquarters, other offices located in the U.S. and certain equipment. The Company's leases have remaining lease terms of less than one year to eight years. Certain leases include options to extend the leases for up to five years, while others include options to terminate the leases within one year. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company determines if an arrangement is an operating lease at inception. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet. All other operating leases are recorded on the consolidated balance sheet with right-of-use assets representing the right to use the underlying asset for the lease term and lease liabilities representing the obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term and include options to extend or terminate the lease when they are reasonably certain to be exercised. The right-of-use assets represent the lease liability, plus any lease payments made at or before the commencement date, less any lease incentives received. If a lease does not provide an implicit rate, the Company uses its incremental secured borrowing rate, adjusted for the maturity date, based on information available at the commencement date in determining the present value of lease payments. Lease agreements with lease and non-lease components are accounted for as a single lease component. The Company's operating lease expense is recognized on a straight-line basis over the lease term and is recorded in general and administrative expense.

Lease expenses for the year ended December 31, 2019 were as follows (in thousands):



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

	<b>Year Ended December 31,</b>
	<b>2019</b>
Operating lease cost .....	\$ 6,096
Operating lease impairment charge .....	370
Variable lease cost .....	363
Short-term lease cost.....	158
Sublease income .....	(82)
Total lease cost .....	\$ 6,905

Rent expense was \$5.6 million and \$5.1 million for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments as of December 31, 2019 are as follows (in thousands):

<b>Year</b>	<b>Amount</b>
2020 .....	\$ 7,242
2021 .....	7,282
2022 .....	7,018
2023 .....	7,115
2024 .....	6,285
Thereafter.....	17,179
Total lease payments.....	\$ 52,121
Less: interest .....	16,409
Present value of lease liabilities.....	\$ 35,712

The weighted average remaining lease term and discount rate as of December 31, 2019 were as follows:

	<b>December 31, 2019</b>
Weighted average remaining lease term (years)	
Operating leases .....	7.2
Weighted average discount rate	
Operating leases .....	10.82%

Supplemental cash flow disclosures related to leases for the year ended December 31, 2019 were as follows (in thousands):

	<b>Year Ended December 31,</b>
	<b>2019</b>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases .....	\$ 7,366
Right-of-use assets obtained in exchange for lease obligations	
Operating leases .....	59

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

**8. Long-term debt**

The Company's long-term debt instruments and balances outstanding as of December 31, 2019 and 2018 were as follows (in thousands):

	December 31,	
	2019	2018
Securitization notes.....	\$ 307,885	\$ 227,288
Revolving line of credit .....	72,000	22,000
8.50% senior notes due 2024 .....	250,000	250,000
8.50% senior notes due 2025 .....	375,000	375,000
<b>Subtotal</b> .....	1,004,885	874,288
Less: Long-term debt issuance costs .....	(13,704)	(16,359)
<b>Total long-term debt</b> .....	\$ 991,181	\$ 857,929

Weighted-average interest rates on long-term debt were 8.61% and 9.78% for the year ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Company was in compliance with all covenants and other requirements set forth in the prevailing long-term debt agreements.

**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 Senior 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 was used for general corporate purposes.

**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.

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

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 indenture that governs the Company's 2024 Senior Notes (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.

***Consumer Loan Securitizations***

2019-A Notes

On October 17, 2019 (the "2019-A Closing Date"), the Company issued \$138,888,000 Class A Asset Backed Notes (the "2019-A Class A Notes"), \$44,445,000 Class B Asset Backed Notes (the "2019-A Class B Notes"), and \$16,667,000 Class C Asset Backed Notes (the "2019-A Class C Notes" and, collectively with the 2019-A Class A Notes and the 2019-A Class B Notes, the "2019-A Notes"), through an indirect subsidiary. The 2019-A Class A Notes bear interest at 3.96%, the 2019-A Class B Notes bear interest at 6.17%, and the 2019-A Class C Notes bear interest at 7.62%. The 2019-A Notes are backed by a pool of unsecured consumer installment loans ("Securitization Receivables") and represent obligations of the issuer only. The 2019-A Notes are not guaranteed by the Company. Under the 2019-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, 2019, the total outstanding amount of the 2019-A Notes was \$173.3 million.

The net proceeds of the offering of the 2019-A Notes on the 2019-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 amount of Securitization Receivables sold to the issuer on the 2019-A Closing Date was approximately \$200.0 million. Additional Securitization Receivables totaling approximately \$22.2 million were sold to the issuer prior to December 31, 2019.

The 2019-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 2019-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.

2019-1 Facility

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 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. As of December 31, 2019, the total outstanding amount of the 2019-1 Facility was \$12.8 million.

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

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.

#### 2018-A Notes

On October 31, 2018 (the "2018-A Closing Date"), the Company issued \$95,000,000 Class A Asset Backed Notes (the "2018-A Class A Notes") and \$30,400,000 Class B Asset Backed Notes (the "2018-A 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 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, 2019 and 2018, the total outstanding amount of the 2018-A Notes was \$41.8 and \$111.4 million, respectively.

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 "2018-2 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, 2019 and 2018, the outstanding amount of the 2018-2 Facility was \$80.0 million and \$25.0 million, respectively.

The 2018-2 Facility is governed by a loan and security agreement, dated as of October 23, 2018, between the 2018-2 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 2018-2 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.

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

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.

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, 2019 the company had no borrowings outstanding under the 2018-1 Facility. As of December 31, 2018, the outstanding 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 "2016-1 Agent") and Bankers Trust Company, as indenture trustee and securities intermediary (the "Indenture Trustee"). The 2016-1 Securitization Facility securitized Securitization Receivables that were originated or acquired under the Company's NetCredit brand and that meet specified eligibility criteria. Under the 2016-1 Securitization Facility, Securitization Receivables were sold to a wholly-owned special purpose subsidiary (the "2016-1 Issuer") and serviced by another subsidiary. The 2016-1 Securitization Facility, as amended on October 20, 2017, provided for a maximum principal amount of \$275 million, an initial term note with an initial principal amount of \$181.1 million and the ability to subsequently issue term notes thereafter, variable funding notes with an aggregate committed availability of \$75 million per quarter with an option to increase the commitment to \$90 million and a revolving period of the facility ending in April 2019.

Subject to certain exceptions, the 2016-1 Issuer was not permitted to prepay or redeem the 2016-1 Facility prior to April 15, 2019, but the 2016-1 Agent, the Indenture Trustee, and the holders of the notes agreed to permit an early repayment. On March 29, 2019, the 2016-1 Facility was repaid in full. As of December 31, 2018, the outstanding amount of the Amended Facility was \$54.9 million.

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

***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 Veritex Community Bank (as successor in interest to Green Bank, N.A.), as lender (as amended 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. Additionally, on July 1, 2019 the Credit Agreement was amended to, amongst other changes, extend the maturity date to June 30, 2022 from May 1, 2020 and increase the advance rate to 65% from 53%.

The Credit Agreement is secured by domestic receivables. The borrowing limit in the Credit Agreement, as amended, is \$125 million and its maturity date is June 30, 2022. The Company had outstanding borrowings under the Credit Agreement of \$72.0 million and \$22.0 million as of December 31, 2019 and 2018, 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 \$1.2 million and \$1.6 million as of December 31, 2019 and 2018, respectively. 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.

As of December 31, 2019, required principal payments under the terms of the long-term debt for each of the five years after December 31, 2019 are as follows (in thousands):

<u>Year</u>	<u>Amount</u>
2020.....	\$ —
2021.....	—
2022.....	72,000
2023.....	—
2024.....	250,000
Thereafter.....	375,000
Securitization .....	307,901 <sup>(1)</sup>
Total .....	<u>\$ 1,004,901</u>

*(1) The 2019-A Notes mature on June 22, 2026, the 2019-1 Facility matures on February 25, 2022, the 2018-A Notes mature on May 20, 2026, the 2018-2 Facility matures on October 23, 2022 and the 2018-1 Facility matures on July 22, 2023.*

**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, 2019 and 2018 were as follows (in thousands):

	<u>As of December 31,</u>	
	<u>2019</u>	<u>2018</u>
Deferred tax assets:		
Loans and finance receivables, net.....	\$ 5,627	\$ 5,362
Compensation and benefits .....	4,699	4,187
Translation adjustments .....	839	1,192
Accrued rent and deferred finish out allowance.....	8,411	3,392
Foreign net operating loss carryforward .....	5,127	4,679
Contingency reserves .....	—	888
Other.....	<u>2,335</u>	<u>2,375</u>
Total deferred tax assets .....	<u>27,038</u>	<u>22,075</u>
Deferred tax liabilities:		
Amortizable intangible assets.....	51,389	44,756
Property and equipment .....	11,775	8,824
Lease liability .....	4,613	—
Other.....	<u>2,567</u>	<u>2,702</u>
Total deferred tax liabilities.....	<u>70,344</u>	<u>56,282</u>
Net deferred tax liabilities before valuation allowance.....	(43,306)	(34,207)
Valuation allowance .....	<u>(5,377)</u>	<u>(5,130)</u>
Net deferred tax liabilities .....	<u>\$ (48,683)</u>	<u>\$ (39,337)</u>

The components of the provision for income taxes and the income to which it relates for the years ended December 31, 2019, 2018 and 2017 are shown below (in thousands):

	<u>Year Ended December 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Income before income taxes:			
Domestic .....	\$ 170,069	\$ 68,873	\$ 19,671
International.....	—	—	—
Income before income taxes .....	<u>\$ 170,069</u>	<u>\$ 68,873</u>	<u>\$ 19,671</u>
Current provision (benefit):			
Federal .....	\$ 24,995	\$ (16,464)	\$ 3,755
International.....	—	42	(3)
State and local.....	<u>6,151</u>	<u>(1,284)</u>	<u>2,229</u>
Total current provision (benefit) .....	<u>\$ 31,146</u>	<u>\$ (17,706)</u>	<u>\$ 5,981</u>
Deferred provision (benefit):			
Federal .....	\$ 7,626	\$ 22,735	\$ (3,786)
International.....	—	—	—
State and local.....	<u>3,281</u>	<u>272</u>	<u>(138)</u>
Total deferred provision (benefit) .....	<u>\$ 10,907</u>	<u>\$ 23,007</u>	<u>\$ (3,924)</u>
Total provision for income taxes .....	<u>\$ 42,053</u>	<u>\$ 5,301</u>	<u>\$ 2,057</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 years ended December 31, 2019 and 2018 and 35% for the year ended December 31, 2017, for the following reasons (dollars in thousands):

	Year Ended December 31,		
	2019	2018	2017
Tax provision computed at the federal statutory income tax rate.....	\$ 35,714	\$ 14,463	\$ 6,886
State and local income taxes, net of federal tax benefits .....	5,254	2,660	1,440
Share-based compensation.....	(2,015)	(1,790)	(1,005)
Foreign exchange gain .....	—	—	724
Deferred tax adjustment from TCJA.....	—	(10,284)	(7,491)
162(m) limit on deductibility of executive compensation .....	742	1,547	—
State rate adjustment .....	2,210	—	—
Other .....	148	(1,295)	1,503
Total provision .....	<u>\$ 42,053</u>	<u>\$ 5,301</u>	<u>\$ 2,057</u>
Effective tax rate .....	24.7%	7.7%	10.5%

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 for the year ended December 31, 2018 are certain adjustments related to the finalization of computations related to the TCJA. As of December 22, 2018, the Company considered the one-year period provided for under SAB 118 to be closed.

The Company has state net operating loss carryforwards of \$16.3 million and \$13.2 million as of December 31, 2019 and 2018, respectively, 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 \$24.4 million, \$20.6 million and \$10.7 million as of December 31, 2019, 2018 and 2017, 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, 2019, 2018 and 2017 (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Balance at beginning of period .....	\$ 5,130	\$ 2,650	\$ 1,807
Additions .....	247	2,480	843
Deductions .....	—	—	—
Balance at end of period.....	<u>\$ 5,377</u>	<u>\$ 5,130</u>	<u>\$ 2,650</u>

A reconciliation of the activity related to unrecognized tax benefits follows for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Balance at beginning of period .....	\$ 40,340	\$ 727	\$ 351
Additions based on tax positions related to the current year.....	15,085	8,248	229
Additions for tax positions of prior years.....	—	31,365	147
Reductions for tax positions of prior years.....	(1,812)	—	—
Balance at end of period.....	<u>\$ 53,613</u>	<u>\$ 40,340</u>	<u>\$ 727</u>

Included in the balances of unrecognized tax benefits at December 31, 2019, 2018 and 2017 are potential benefits of \$13.9 million, \$13.3 million and \$0.7 million, respectively, that, if recognized, would favorably affect the effective tax rate in the period of



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

recognition. The balance of unrecognized tax benefits for temporary items as of December 31, 2019 and 2018 was \$39.7 million and \$27.1 million, respectively. There were no unrecognized tax benefits for temporary items as of December 31, 2017. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The liability for unrecognized tax benefits includes \$2.0 million for accrued interest and penalties related to unrecognized tax benefits as of December 31, 2019. 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 and finance receivable portfolio. The Company is currently under 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 2015. However, the 2015 tax year is still open to the extent of the net operating loss that was carried back from the 2017 tax return. 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**

### ***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, 2019 and 2018, the amount of consumer loans guaranteed by the Company was \$27.6 million and \$29.7 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 \$1.5 million and \$2.2 million, as of December 31, 2019 and 2018, 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 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. The

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

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. The Company’s matching contributions 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 \$2.5 million, \$2.5 million and \$1.8 million for the years ended December 31, 2019, 2018 and 2017, 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 for SERP contributions for each of the years ended December 31, 2019, 2018 and 2017.

The NQSP and the SERP are non-qualified, unfunded, deferred compensation plans for which the Company holds securities in rabbi trusts to pay benefits. 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,	
	2019	2018
Prepaid expenses and other assets .....	\$ 2,867	\$ 2,052
Accounts payable and accrued expenses .....	\$ 3,397	\$ 2,580

**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, 2019, there were 5,464,314 shares available for future grants under the Enova LTIP.

During the year ended December 31, 2019, the Company received 76,789 shares of its common stock valued at approximately \$1.9 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, 2019, 2018 and 2017, the Company granted RSUs to Company officers, certain employees and to the non-management members of the Board of Directors under the Enova LTIP. Each vested RSU entitles the holder to receive a share of the common stock of the Company. For Company officers and certain employees, the shares are to be issued upon vesting of the RSUs generally over a period of 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.

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

The following table summarizes the Company's RSU activity during 2019, 2018 and 2017:

	<u>Year Ended December 31,</u>		<u>Year Ended December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2019</u>		<u>2018</u>		<u>2017</u>	
	<u>Units</u>	<u>Weighted Average Fair Value at Date of Grant</u>	<u>Units</u>	<u>Weighted Average Fair Value at Date of Grant</u>	<u>Units</u>	<u>Weighted Average Fair Value at Date of Grant</u>
Outstanding at beginning of year.....	1,242,422	\$ 16.34	1,425,883	\$ 12.00	1,359,057	\$ 9.49
Units granted.....	616,010	24.14	639,109	21.74	763,727	14.70
Shares issued.....	(545,592)	14.23	(604,116)	11.90	(563,689)	9.68
Units forfeited.....	(195,074)	19.61	(218,454)	16.12	(133,212)	11.62
Outstanding at end of year.....	<u>1,117,766</u>	<u>\$ 21.09</u>	<u>1,242,422</u>	<u>\$ 16.34</u>	<u>1,425,883</u>	<u>\$ 12.00</u>

Compensation expense related to these RSUs totaling \$8.4 million (\$6.4 million net of related taxes), \$8.8 million (\$6.7 million net of related taxes) and \$7.3 million (\$5.6 million net of related taxes) was recognized for the years ended December 31, 2019, 2018 and 2017, respectively. Total unrecognized compensation cost related to these RSUs at December 31, 2019 was \$17.4 million, which will be recognized over a weighted average period of approximately 2.5 years. The outstanding RSUs had an aggregate intrinsic value of \$26.9 million at December 31, 2019.

Stock Options

During the years ended December 31, 2019, 2018 and 2017, 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, 2019, the Company estimated the fair value of the stock option grants using the Black-Scholes option-pricing model based on the following assumptions: risk-free interest rate of 2.4%, expected term (life) of options of 4.5 years, expected volatility of 52.7% 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.

The following table summarizes the Company's stock option activity during 2019, 2018 and 2017:

	<u>Year Ended December 31,</u>		<u>Year Ended December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2019</u>		<u>2018</u>		<u>2017</u>	
	<u>Units</u>	<u>Weighted Average Exercise Price</u>	<u>Units</u>	<u>Weighted Average Exercise Price</u>	<u>Units</u>	<u>Weighted Average Exercise Price</u>
Outstanding at beginning of year.....	2,129,837	\$ 17.32	2,054,092	\$ 16.92	1,587,056	\$ 17.98
Options granted.....	513,583	21.34	481,003	21.54	590,988	14.80
Options exercised.....	(362,798)	9.80	(319,764)	21.07	(4,459)	6.29
Options forfeited.....	(196,325)	20.10	(85,494)	17.42	(119,493)	21.02
Outstanding at end of year.....	<u>2,084,297</u>	<u>\$ 19.35</u>	<u>2,129,837</u>	<u>\$ 17.32</u>	<u>2,054,092</u>	<u>\$ 16.92</u>
Exercisable options at end of year.....	<u>1,279,794</u>	<u>18.73</u>	<u>1,246,301</u>	<u>17.27</u>	<u>1,165,837</u>	<u>19.94</u>

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

The weighted average fair value of options granted in 2019 was \$11.71. Compensation expense related to stock options totaling \$3.7 million (\$2.8 million net of related taxes), \$2.9 million (\$2.2 million net of related taxes) and \$4.0 million (\$3.1 million net of related taxes) was recognized for the years ended December 31, 2019, 2018 and 2017, respectively. Total unrecognized compensation cost related to stock options at December 31, 2019 was \$5.3 million, which will be recognized over a period of approximately 1.8 years. At December 31, 2019, the intrinsic value of stock options outstanding was \$10.1 million and the intrinsic value of stock options exercisable was \$6.9 million, respectively.

**13. 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 years ended December 31, 2019 and 2018, the Company incurred \$15.8 million and \$11.4 million, respectively, in expenses related to these services. As of December 31, 2019 and 2018, the Company owed the agency \$4.6 million and \$2.5 million, respectively, related to services provided. For the year ended December 31, 2017, there were no expenses incurred related to the agency.

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.

**14. 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 2018-1, 2018-2, 2018-A, 2019-1 and 2019-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.

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

The following table sets forth certain cash and non-cash activities for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Cash paid during the year for:			
Interest .....	\$ 70,250	\$ 68,350	\$ 63,529
Income taxes (recovered) paid.....	(39,392)	9,581	17,263
Non-cash investing and financing activities:			
Loans and finance receivables renewed .....	\$ 146,039	\$ 98,043	\$ 75,408

**16. Operating Segment Information**

The Company provides online financial services to non-prime credit consumers and small businesses in the United States 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.

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

The following table presents the Company's revenue by geographic region for the years ended December 31, 2019, 2018 and 2017 (in thousands):

<b>Revenue</b>	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
United States .....	\$ 1,153,308	\$ 946,515	\$ 709,537
Other international countries.....	21,449	26,106	19,366
<b>Total revenue</b> .....	<b>\$ 1,174,757</b>	<b>\$ 972,621</b>	<b>\$ 728,903</b>

The Company's long-lived assets, which consist of the Company's property and equipment, were \$54.5 million and \$46.1 million at December 31, 2019 and 2018, 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.

## 17. Fair Value Measurements

### *Recurring Fair Value Measurements*

The Company uses a hierarchical framework that prioritizes and ranks the market observability of inputs used in its fair value measurements. Market price observability is affected by a number of factors, including the type of asset or liability and the characteristics specific to the asset or liability being measured. Assets and liabilities with readily available, active, quoted market prices or for which fair value can be measured from actively quoted prices generally are deemed to have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. The Company classifies the inputs used to measure fair value into one of three levels as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-derived prices whose inputs are observable or whose significant value drivers are observable.

Level 3: Unobservable inputs for the asset or liability measured.

Observable inputs are based on market data obtained from independent sources, while unobservable inputs are based on the Company's market assumptions. Unobservable inputs require significant management judgment or estimation. In some cases, the inputs used to measure an asset or liability may fall into different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level of input that is significant to the entire measurement. Such determination requires significant management judgment.

During the years ended December 31, 2019 and 2018, there were no transfers of assets or liabilities between Level 1, 2 or 3. It is the Company's policy to value any transfers between levels of the fair value hierarchy based on end of period values.

The Company's financial assets that are measured at fair value on a recurring basis as of December 31, 2019 and 2018 are as follows (in thousands):

	<b>December 31,</b>	<b>Fair Value Measurements Using</b>		
	<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Nonqualified savings plan assets <sup>(1)</sup> .....	\$ 2,867	\$ 2,867	\$ —	\$ —
Investment in trading security <sup>(2)</sup> .....	11,449	11,449	—	—
<b>Total</b> .....	<b>\$ 14,316</b>	<b>\$ 14,316</b>	<b>\$ —</b>	<b>\$ —</b>

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

(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.

(2) Investment in trading security is included in "Other assets" in the Company's consolidated balance sheets.

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

The fair value of the nonqualified savings plan assets was deemed Level 1 as they are publicly traded equity securities for which market prices of identical assets are readily observable.

The fair value of the investment in trading security was deemed Level 1 as it is a publicly traded fund with active market pricing that is readily available.

The Company had no liabilities measured at fair value on a recurring basis as of December 31, 2019 or 2018.

***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, 2019 and 2018, there were no assets or liabilities recorded at fair value on a nonrecurring basis.

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

The Company's financial assets and liabilities as of December 31, 2019 and 2018 that are not measured at fair value in the consolidated balance sheets are as follows (in thousands):

	December 31, 2019	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Financial assets:</b>				
Cash and cash equivalents.....	\$ 35,895	\$ 35,895	\$ —	\$ —
Restricted cash .....	45,069	45,069	—	—
Short-term loans and line of credit accounts, net <sup>(1)</sup> .....	322,720	—	—	358,472
Installment loans and RPAs, net <sup>(1)</sup> .....	739,930	—	—	829,111
Investment in unconsolidated investee <sup>(2)</sup> .....	6,703	—	—	6,703
<b>Total</b> .....	<u>\$ 1,150,317</u>	<u>\$ 80,964</u>	<u>\$ —</u>	<u>\$ 1,194,286</u>
<b>Financial liabilities:</b>				
Liability for estimated losses on consumer loans guaranteed by the Company .....	\$ 1,511	\$ —	\$ —	\$ 1,511
Revolving line of credit.....	72,000	—	—	72,000
Securitization Notes .....	307,885	—	308,513	—
8.50% senior notes due 2024 .....	250,000	—	238,750	—
8.50% senior notes due 2025 .....	375,000	—	355,691	—
<b>Total</b> .....	<u>\$ 1,006,396</u>	<u>\$ —</u>	<u>\$ 902,954</u>	<u>\$ 73,511</u>
	December 31, 2018	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Financial assets:</b>				
Cash and cash equivalents.....	\$ 28,114	\$ 28,114	\$ —	\$ —
Restricted cash .....	22,169	22,169	—	—
Short-term loans and line of credit accounts, net <sup>(1)</sup> .....	199,830	—	—	199,830
Installment loans and RPAs, net <sup>(1)</sup> .....	580,282	—	—	614,136
Investment in unconsolidated investee <sup>(2)</sup> .....	6,703	—	—	6,703
<b>Total</b> .....	<u>\$ 837,098</u>	<u>\$ 50,283</u>	<u>\$ —</u>	<u>\$ 820,669</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>

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

---

*(1) Short-term loans, line of credit accounts and installment loans and RPAs are included in “Loans and finance receivables, net” in the Company’s consolidated balance sheets.*

*(2) Investment in unconsolidated investee is included in “Other assets” in the Company’s consolidated balance sheets. See Note 1 for additional information.*

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. As of December 31, 2018, the Company’s methodology for determination of fair value on short-term loans and line of credit accounts considered historical loss rates, recent default trends and estimated remaining loan terms. With relatively short maturity periods that are generally 12 months or less, the Company deemed the carrying value to approximate the fair value. The fair value of installment loans and RPAs was estimated using discounted cash flow analyses, which considered interest rates on loans and discounts offered for receivables with similar terms to customers with similar credit quality, the timing of expected payments, estimated customer default rates and/or valuations of comparable portfolios. Unsecured installment loans typically have terms between two and 60 months. RPAs typically have estimated delivery terms between six and 18 months. As of December 31, 2019, with the availability of more data, the Company enhanced its valuation methodology for loans and finance receivables. The Company utilizes discounted cash flow analyses that factor in estimated losses and prepayments over the estimated duration of the underlying assets. Loss and prepayment assumptions are determined using historical loss data and include appropriate consideration of recent trends and anticipated future performance. Future cash flows are discounted using a rate of return that the Company believes a market participant would require.

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, 2019, the Company estimated the fair value of its investment to be approximately equal to the book 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.

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

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

The following is a summary of the quarterly results of operations for the years ended December 31, 2019 and 2018 (in thousands, except per share data):

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
<b>2019</b>				
Total Revenue .....	\$ 264,438	\$ 259,445	\$ 305,612	\$ 345,262
Cost of Revenue .....	118,858	123,433	162,186	198,417
Gross Profit .....	<u>\$ 145,580</u>	<u>\$ 136,012</u>	<u>\$ 143,426</u>	<u>\$ 146,845</u>
Net income from continuing operations.....	\$ 38,979	\$ 30,626	\$ 28,883	\$ 29,528
Net loss from discontinued operations.....	(3,962)	(5,563)	(1,798)	(80,081)
Net Income .....	<u>\$ 35,017</u>	<u>\$ 25,063</u>	<u>\$ 27,085</u>	<u>\$ (50,553)</u>
Diluted earnings per share – continuing operations.....	\$ 1.13	\$ 0.89	\$ 0.83	\$ 0.87
Diluted earnings per share – discontinued operations .....	(0.11)	(0.16)	(0.05)	(2.35)
Diluted earnings per share <sup>(1)</sup> .....	<u>\$ 1.02</u>	<u>\$ 0.73</u>	<u>\$ 0.78</u>	<u>\$ (1.48)</u>
Diluted weighted average common shares.....	34,421	34,469	34,577	34,119
<b>2018</b>				
Total Revenue .....	\$ 219,309	\$ 219,291	\$ 257,315	\$ 276,706
Cost of Revenue .....	92,793	106,361	146,803	157,448
Gross Profit .....	<u>\$ 126,516</u>	<u>\$ 112,930</u>	<u>\$ 110,512</u>	<u>\$ 119,258</u>
Net income from continuing operations.....	\$ 24,451	\$ 16,060	\$ 13,267	\$ 9,794
Net income (loss) from discontinued operations .....	3,447	2,165	2,037	(1,123)
Net Income .....	<u>\$ 27,898</u>	<u>\$ 18,225</u>	<u>\$ 15,304</u>	<u>\$ 8,671</u>
Diluted earnings per share – continuing operations.....	\$ 0.71	\$ 0.46	\$ 0.37	\$ 0.28
Diluted earnings per share – discontinued operations .....	0.10	0.06	0.06	(0.03)
Diluted earnings per share <sup>(1)</sup> .....	<u>\$ 0.81</u>	<u>\$ 0.52</u>	<u>\$ 0.43</u>	<u>\$ 0.25</u>
Diluted weighted average common shares.....	34,572	35,371	35,665	35,103

*(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.*

**19. Subsequent Events**

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



## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2019 (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, 2019. The effectiveness of our internal control over financial reporting as of December 31, 2019 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, 2019 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 2020 Annual Meeting of Stockholders, or the Proxy Statement, within 120 days after December 31, 2019. 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, 2019, 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)	(c)
Equity compensation plans approved by security holders ...	3,202,063	\$ 12.60	5,464,614
Equity compensation plans not approved by security holders ...	—	—	—
Total .....	3,202,063	\$ 12.60	5,464,614

### 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.....	70
Consolidated Balance Sheets – December 31, 2019 and 2018.....	73
Consolidated Statements of Income – Years Ended December 31, 2019, 2018 and 2017.....	75
Consolidated Statements of Comprehensive Income – Years Ended December 31, 2019, 2018 and 2017.....	76
Consolidated Statements of Stockholders’ Equity – Years Ended December 31, 2019, 2018 and 2017.....	78
Consolidated Statements of Cash Flows – Years Ended December 31, 2019, 2018 and 2017.....	78
Notes to Consolidated Financial Statements .....	79

<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	Description of the Registrant's Securities					X
4.3	Indenture, dated May 30, 2014, between Enova International, Inc., the U.S. subsidiaries of Enova International, Inc., as guarantors, and U.S. Bank National Association, as trustee	10-12B	001-35503	4.3	7/31/2014	
4.4	First Supplemental Indenture, dated as of October 1, 2014, between Enova International, Inc., NC Financial Solutions of Louisiana, LLC, NC Financial Solutions of Montana, LLC, and NC Financial Solutions of Rhode Island, LLC, each, as subsidiary guarantor, and U.S. Bank National Association, as trustee	10-12B	001-35503	4.4	10/2/2014	
4.5	Second Supplemental Indenture, dated February 13, 2015, between Enova International, Inc., the U.S. subsidiaries of Enova International, Inc., as guarantors, and U.S. Bank National Association, as trustee	10-Q	001-35503	10.1	5/8/2015	
4.6	Third Supplemental Indenture, dated November 10, 2015, between Enova International, Inc., the U.S. subsidiaries of Enova International, Inc., as guarantors, and U.S. Bank National Association, as trustee	10-K	001-35503	4.6	3/7/2016	
4.7	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	
4.8	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	
4.9	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	
4.10	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	
4.11	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	
4.12	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	

<b>Exhibit No.</b>	<b>Exhibit Description</b>	<b>Form</b>	<b>File No.</b>	<b>Exhibit</b>	<b>Filing Date</b>	<b>Filed Herewith</b>
10.1	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. Amended and Restated Senior Executive Bonus Plan	10-Q	001-35503	10.1	7/31/2019	
10.6	Enova International, Inc. Supplemental Executive Retirement Plan, as amended and restated effective September 13, 2017*	10-Q	001-35503	10.1	11/1/2017	
10.7	Enova International, Inc. Nonqualified Savings Plan*	10-12B	001-35503	10.6	7/31/2014	
10.8	Form of Enova International, Inc. Severance Pay Plan for Executives*	10-12B	001-35503	10.12	10/2/2014	
10.9	Form of Enova International, Inc. Senior Executive Bonus Plan*	10-12B	001-35503	10.13	10/2/2014	
10.10	Summary of 2014 Terms and Conditions of the Enova International, Inc. Short-Term Incentive Plan*	10-12B	001-35503	10.14	10/2/2014	
10.11	Enova International, Inc. Amended and Restated Annual Short Term Incentive Plan	10-Q	001-35503	10.2	7/31/2019	
10.12	Form of Executive Change-in-Control Severance and Restrictive Covenant Agreement (Chief Executive Officer)*	8-K	001-35503	10.1	9/15/2017	
10.13	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	
10.14	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	
10.15	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	
10.16	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	
10.17	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	
10.18	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	
10.19	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	

<b>Exhibit No.</b>	<b>Exhibit Description</b>	<b>Form</b>	<b>File No.</b>	<b>Exhibit</b>	<b>Filing Date</b>	<b>Filed Herewith</b>
10.20	Form of Enova International, Inc. Second Amended and Restated 2014 Long-Term Incentive Plan Award Agreement for Grant of Restricted Stock Units*	10-K	001-35503	10.18	2/27/2019	
10.21	Form of Enova International, Inc. Second Amended and Restated 2014 Long-Term Incentive Plan Award Agreement for Special Grant of Nonqualified Stock Option with a Limited Appreciation Right	10-Q	001-35503	10.2	5/1/2019	
10.22	Offer letter dated May 19, 2016 between Enova Financial Holdings, LLC and Steven Cunningham*	10-Q	001-35503	10.1	8/4/2016	
10.23	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	
10.24	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	
10.25	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	
10.26	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	
10.27	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	
10.28	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	
10.29	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	
10.30	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	10-K	001-35503	10.27	2/27/2019	
10.31	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	

<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	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	
10.33	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	
10.34	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	
10.35	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	
10.36	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	
10.37	Loan and Security Agreement, dated October 23, 2018, by and between Credit Suisse AG and EFR 2018-2, LLC	10-K	001-35503	10.34	2/27/2019	
10.38	Loan and Security Agreement, dated February 25, 2019, by and between PCAM Credit II, LLC and EFR 2016-2, LLC	10-Q	001-35503	10.1	5/1/2019	
10.39	Third 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 July 1, 2019	10-Q	001-35503	10.3	7/31/2019	
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	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. <sup>(1)</sup>					X <sup>(2)</sup>
101.SCH	Inline XBRL Taxonomy Extension Schema Document <sup>(1)</sup>					X <sup>(2)</sup>
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document <sup>(1)</sup>					X <sup>(2)</sup>
101.LAB	Inline XBRL Taxonomy Label Linkbase Document <sup>(1)</sup>					X <sup>(2)</sup>



<u>Exhibit No.</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>Filed Herewith</u>
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document <sup>(1)</sup>					X <sup>(2)</sup>
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document <sup>(1)</sup>					X <sup>(2)</sup>
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					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, 2019 and December 31, 2018; (ii) Consolidated Statements of Income for the years ended December 31, 2019, December 31, 2018 and December 31, 2017; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2019, December 31, 2018 and December 31, 2017; (iv) Consolidated Statements of Equity at December 31, 2019, December 31, 2018 and December 31, 2017; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2019, December 31, 2018 and December 31, 2017; 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, 2020

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.

Signature	Title	Date
/s/ DAVID FISHER David Fisher	Chairman of the Board of Directors, Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2020
/s/ STEVEN CUNNINGHAM Steven Cunningham	Chief Financial Officer (Principal Financial and Accounting Officer)	February 27, 2020
/s/ ELLEN CARNAHAN Ellen Carnahan	Director	February 27, 2020
/s/ DANIEL R. FEEHAN Daniel R. Feehan	Director	February 27, 2020
/s/ WILLIAM M. GOODYEAR William M. Goodyear	Director	February 27, 2020
/s/ JAMES A. GRAY James A. Gray	Director	February 27, 2020
/s/ GREGG A. KAPLAN Gregg A. Kaplan	Director	February 27, 2020
/s/ MARK MCGOWAN Mark McGowan	Director	February 27, 2020
/s/ MARK A. TEBBE Mark A. Tebbe	Director	February 27, 2020

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]





Enova International, Inc. | 175 W. Jackson Blvd., Suite 1000 | Chicago, IL 60604