



World Acceptance
Corporation



2020 Annual Report

COMPANY PROFILE

WORLD ACCEPTANCE CORPORATION (“World”), founded in 1962, is one of the largest small-loan consumer finance companies in the United States. It offers short-term small loans, medium-term larger loans, related credit insurance products, and ancillary products to individuals who have limited access to other sources of consumer credit. It also offers income tax return preparation services to its customer base and to others.

World emphasizes quality customer service and the building of strong personal relationships with its customers. As a result, a substantial portion of World's business is repeat business from the renewal of loans to existing customers and the origination of new loans to former customers. As of March 31, 2020, World had approximately 890,000 customers. During fiscal 2020, World loaned \$2.9 billion in 1.9 million transactions. World's loans are generally less than \$4,000 with maturities of less than 42 months. World's average gross loan, including refinances, made in fiscal 2020 was \$1,517, and the average contractual maturity was approximately twelve months.

As of June 30, 2020, World operated 1,240 offices in Alabama, Georgia, Idaho, Illinois, Indiana, Kentucky, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, South Carolina, Tennessee, Texas, Utah and Wisconsin.

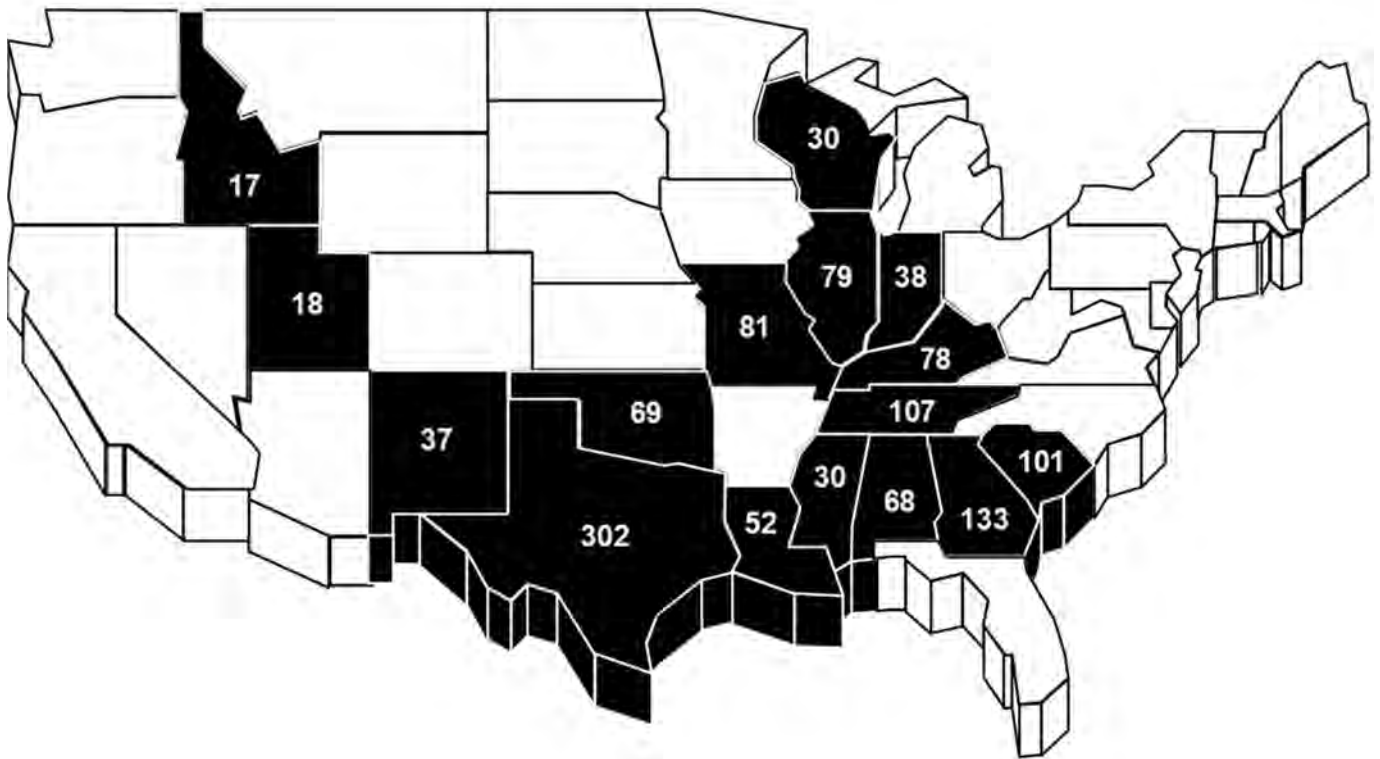


TABLE OF CONTENTS

Item No.	Contents	Page
	Financial Highlights	3
	Message to Shareholders	4
 PART I		
1.	Business	6
1A.	Risk Factors	18
1B.	Unresolved Staff Comments	32
2.	Properties	32
3.	Legal Proceedings	32
4.	Mine Safety Disclosures	34
 PART II		
5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	34
6.	Selected Financial Data	36
7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	37
7A.	Quantitative and Qualitative Disclosures About Market Risk	53
8.	Financial Statements and Supplementary Data	54
9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	93
9A.	Controls and Procedures	93
9B.	Other Information	94
 PART III		
10.	Directors, Executive Officers and Corporate Governance	94
11.	Executive Compensation	94
12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	94
13.	Certain Relationships and Related Transactions, and Director Independence	94
14.	Principal Accountant Fees and Services	94
 PART IV		
15.	Exhibits and Financial Statement Schedules	94
16.	Form 10-K Summary	95
	SIGNATURES	96

TO OUR SHAREHOLDERS

(Dollars in thousands, except per share and statistical data)

	Years Ended March 31,		Change (%)
	2020	2019	
<u>Select Statement of Operations Data:</u>			
Total revenues	590,029	544,543	8.4%
Net income.....	28,157	37,325	(24.4%)
Diluted earnings per share	3.54	4.05	(12.5%)
<u>Selected Balance Sheet Data:</u>			
Gross loans receivable	1,209,871	1,127,957	7.3%
Total assets	1,030,086	854,988	20.5%
Total debt.....	451,100	251,940	79.1%
Total shareholders' equity	411,963	552,117	(25.4%)
<u>Selected Ratios:</u>			
Return on average assets.....	2.8%	8.8%	(68.2%)
Return on average shareholders' equity	7.3%	13.6%	(46.3%)
Shareholders' equity to assets	40.0%	64.6%	(38.1%)
<u>Statistical Data:</u>			
Number of customers at period end.....	895,949	852,593	5.1%
Number of loans made.....	1,931,212	1,836,100	5.2%
Number of offices	1,243	1,193	4.2%

See our Consolidated Financial Statements and accompanying notes included herein.



World Acceptance Corporation

Shareholders,

In my letter last year, I discussed how our mission of helping customers “Get Back to the Good” in life is a reflection of our company’s long-standing history and culture. In summary, World serves the people that banks have traditionally ignored or left behind in our communities. We have served the underbanked, credit challenged, and unscored credit customers that were left as banks moved to higher credit quality customers and higher balance products. And, we’ve done so in a manner that treats our customers with respect and dignity. We help them in their time of need and give them the opportunity to improve their credit history for future needs. Our annual customer success statistics include nearly a quarter million customers moving out of deep subprime or subprime, half a million customers earning reduced interest rates and/or increased credit limits, and lending to nearly one hundred thousand customers without a credit score. These results exemplify what we aim to achieve as a company: customer success. We do all of this by underwriting the customer, not just the value of their collateral in case they default. At World, we are naturally aligned with our customer and share in their success.

With the unexpected changes in our country’s economy and culture during recent months, this is an appropriate time to dive deeper into what has driven us through these times and will continue to direct us in the future. This year, I’ll share the “why” behind our decisions.

Two years ago, before I accepted the responsibility as President and CEO, I deliberated at length on what my own guiding principles would be in this position. The interaction between self-interest, company-interest, and other external interests is a real and tangible issue facing leaders on a daily basis. Similarly entangled are the interests of a company’s many stakeholders and the related management challenge of sorting and prioritizing them. Conventional wisdom suggests the only responsibility is to the shareholders and the board, who represents them. While there is no question about the importance of these two constituents, using them as the only guideposts seemed to be too narrow, I thought. Using only these guideposts would provide little guidance on the day to day running of the company, notably how best to affect and drive the indirect or intangibles such as: why people should join my team and why customers should choose us. Positive externalities, especially those that are difficult to quantify financially, become less important when accountable only to shareholders. On the other hand, expanding accountability across too many stakeholders seemed overly complicated and inevitably conflict laden.

After much internal debate, I resolved to use stewardship as my guiding principle. Stewardship would become the yard stick to hold myself accountable in all decision-making, both easy and difficult, financial and cultural. To me, CEO stewardship means leading with the tangible goal of one day leaving World Acceptance much better off than I found it. Today, this leadership philosophy sets the tone for how I make decisions personally and how I encourage my team to make decisions. As such, it guides us. Implicit in this is a natural impermanence of leadership. Just as I have inherited a strong company built by prior leaders, I will one day leave it to others who will lead after me. My job, as I view it, is to embrace impermanence and leave World in an even better position for the next leader, hopefully many years from now. The reality that World will continue after me or my team, obligates us to grow its long-term producing assets for the future and not use them purely for short-term gains.

To fully align myself in this philosophy, I have four constituents under the stewardship umbrella: Shareholders, Customers, Team Members, and the Communities we serve. Improving outcomes for all four of these is the driving force behind our decisions. Stewardship, by definition, measures success in long-term outcomes, sometimes at the expense of the near-term. I am not interested in improving one constituent over another one as this is fundamentally short-term in nature. Instead our goal is to work across the common interests of each to achieve long-term benefit for all, as this ultimately maximizes benefit to the shareholder over the long-term.

To help embrace the mindset of long-term stewardship, we eliminated short-term incentives for our executives. This isn’t to minimize the importance of short-term performance, as short-term success ensures long-term existence. It is designed to always prioritize long-term success when in conflict or inconsistent with the short-term. All executives are now primarily fiscally motivated by long-term incentives. We’ve also expanded the individuals influenced by long-term equity driven incentives. Today three times the historical number of team members are long-term equity driven, including all senior leaders across the company. We altered our branch team member bonus plans to encourage healthy growth across both the short- and long-term cycles. These changes have had the added benefit of reducing compartmentalization of results and improved

To Our Shareholders

collaboration across departments. Even our daily discussions on capital allocation continue to be driven by this principal. The mindset has emboldened us to invest in the kind of technology and infrastructure, customer growth and portfolio acquisitions, stock repurchases, and long-term employee and cultural changes with a long-term horizon in mind. More so than ever, all levels in the company are aligned for long-term results.

Our emphasis on long-term growth is balanced by customer satisfaction in order to maintain and improve customer retention levels. Former customer return rates have grown dramatically over the last few years, with superior customer service and improving customer outcomes being a few of the main drivers. New borrowers coming to World through customer referrals continues to grow season after season. As we continue to focus on customer outcome and satisfaction, the end affect is improving the 1,200+ communities where we live and serve across the country.

While this philosophy of stewardship, “leaving it better than you found it”, has been a driving tenant during the historical customer growth over the last two years, it also guided our decision-making during the recent COVID-19 pandemic. During this period, we offered several benefits to our customers impacted by illness or unemployment, even eliminating the normal waiting period for insurance product benefits. We decided to prudently right size our staff in our pursuit of increasing the number of accounts each branch associate can service, decreasing in some areas while investing in others. We kept 97% of our stores open throughout March, April, and May to serve our communities while also providing flexibility to our team members to reduce their hours without impacting benefits. All of these decisions were made to steward the company over the long-term. I’m very proud of how quickly our team has responded, adapted, and come together to support each other and our customers.

We will continue to engrain the philosophy of stewardship throughout the culture of the company in order to maximize shareholder value, provide “good” to our customers, and treat our team members like family.

A handwritten signature in black ink, appearing to read "Chad Prashad". The signature is written in a cursive, slightly slanted style.

Chad Prashad
President & Chief Executive Officer

Introduction

World Acceptance Corporation, a South Carolina corporation, operates a small-loan consumer finance (installment loan) business in sixteen states as of March 31, 2020. As used herein, the "Company," "we," "our," "us," or similar formulations include World Acceptance Corporation and each of its subsidiaries, except as the context otherwise requires. All references in this report to "fiscal 2021" are to the Company's fiscal year ending March 31, 2021; all references in this report to "fiscal 2020" are to the Company's fiscal year ended March 31, 2020; all references to "fiscal 2019" are to the Company's fiscal year ended March 31, 2019; all references to "fiscal 2018" are to the Company's fiscal year ended March 31, 2018; all references to "fiscal 2017" are to the Company's fiscal year ended March 31, 2017; and all references to "fiscal 2016" are to the Company's fiscal year ended March 31, 2016.

PART I.

Item 1. Description of Business

General. The Company was incorporated under the laws of South Carolina on February 22, 1973 and is now one of the nation's largest small-loan consumer finance companies, offering short-term small installment loans, medium-term larger installment loans, related credit insurance and ancillary products and services to individuals. The Company offers standardized installment loans generally between \$100 and \$3,200, with the average loan being \$1,005. The Company operates 1,243 branches in Alabama, Georgia, Idaho, Illinois, Indiana, Kentucky, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, South Carolina, Texas, Tennessee, Utah, and Wisconsin as of March 31, 2020. The Company generally serves individuals with limited access to other sources of consumer credit such as banks, credit unions, other consumer finance businesses and credit card lenders. The Company also offers income tax return preparation services to its loan customers and other individuals.

The small-loan consumer finance industry is a highly fragmented segment of the consumer lending industry. Small-loan consumer finance companies generally make loans to individuals of less than \$2,000 with maturities of less than 18 months. These companies approve loans on the basis of the personal creditworthiness of their customers and maintain close contact with borrowers to encourage the repayment or, when appropriate to meet the borrower's needs, the refinancing of loans. By contrast, commercial banks, credit unions and other consumer finance businesses typically make loans of more than \$5,000 with maturities of greater than one year. Those financial institutions generally approve consumer loans on the security of qualifying personal property pledged as collateral or impose more stringent credit requirements than those of small-loan consumer finance companies. As a result of their higher credit standards and specific collateral requirements, commercial banks, savings and loans and other consumer finance businesses typically charge lower interest rates and fees and experience lower delinquency and charge-off rates than do small-loan consumer finance companies. Small-loan consumer finance companies generally charge higher interest rates and fees to compensate for the greater risk of delinquencies and charge-offs and increased loan administration and collection costs.

The majority of the participants in the industry are independent operators with generally less than 100 branches. We believe that competition between small-loan consumer finance companies occurs primarily on the basis of the strength of customer relationships, customer service and reputation in the local community rather than pricing, as participants in this industry generally charge interest rates and fees at, or close to, the maximum permitted by applicable state laws. We believe that our relatively large size affords us a competitive advantage over smaller companies by increasing our access to, and reducing our cost of, capital.

Small-loan consumer finance companies are subject to extensive regulation, supervision, and licensing under various federal and state statutes, ordinances, and regulations. Consumer loan offices are licensed under state laws which, in many states, establish maximum loan amounts and interest rates and the types and maximum amounts of fees and other charges. In addition, state laws govern other aspects of the operation of small-loan consumer finance companies. Periodically, constituencies within states seek to enact stricter regulations that would affect our business. Furthermore, the industry is subject to numerous federal laws and regulations that affect lending operations. These federal laws require companies to provide complete disclosure of the principal terms of each loan to the borrower in accordance with specified standards prior to the consummation of the loan transaction. Federal laws also prohibit misleading advertising, protect against discriminatory lending practices and prohibit unfair, deceptive, or abusive credit practices.

Impact of COVID-19. COVID-19 is having a global impact and the Company is closely tracking and reacting to the continued effects of the pandemic. Thus far, nearly all branches have remained open as a result of being classified as an essential business by government authorities. In each, steps have been taken to reduce personal interactions and assist associates and customers. Some of these measures include reducing store hours, providing additional leave for those directly impacted, closing lobbies and offering curbside service, and encouraging customers to service accounts digitally rather than in person. Branch team

members have remained positive, strong, and have worked hard to continue to be a resource for customers during these uncertainties.

As we began to experience non-essential business and school closures, we proactively halted marketing efforts and updated underwriting criteria given the uncertainty at that time. The Company experienced expected declines in customer demand due to a combination of reduced marketing and stay-at-home orders reducing customer mobility. Rapid increases in unemployment and subsequent federal stimulus packages have both altered the underwriting landscape. As a result, the Company has seen significant increases in online and phone activity related to account access, payments, and refinances. To assist customers impacted by COVID-19, the normal 30 day wait period for unemployment insurance claims was waived and payment deferrals have been offered to impacted customers. The Company has also expedited projects related to its digital presence and online lending and is currently piloting remote applications, signatures, and funding for select customers.

See Part I, Item 1A for an update to our risk factors related to COVID-19.

Expansion. During fiscal 2020, the Company opened 19 new branches, purchased 38 branches, and merged or consolidated 7 branches into existing branches due to their inability to generate sufficient returns or for efficiency reasons. In fiscal 2021, the Company currently plans to open or acquire approximately 25 new branches by increasing the number of branches in its existing market areas or commencing operations in new states where it believes demographic profiles and state regulations are attractive. The Company may merge other branches on a case-by-case basis based on profitability or other factors. The Company's ability to continue existing operations and expand its operations in existing or new states is dependent upon, among other things, laws and regulations that permit the Company to operate its business profitably and its ability to obtain necessary regulatory approvals and licenses. There can be no assurance that such laws and regulations will not change in ways that adversely affect the Company or that the Company will be able to obtain any such approvals or consents. See Part I, Item 1A, "Risk Factors" for a further discussion of risks to our business and plans for expansion.

The Company's expansion is also dependent upon its ability to identify attractive locations for new branches and to hire suitable personnel to staff, manage, and supervise new branches. In evaluating a particular community, the Company examines several factors, including the demographic profile of the community, the existence of an established small-loan consumer finance market and the availability of suitable personnel.

The following table sets forth the number of branches of the Company at the dates indicated:

At March 31,										
State	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Alabama	68	65	65	65	69	68	68	64	62	51
Georgia	133	124	123	125	114	113	110	108	105	103
Idaho ⁽¹⁾	18	19	20	21	17	8	—	—	—	—
Illinois	79	77	82	80	82	82	82	81	75	68
Indiana ⁽²⁾	38	35	32	29	25	22	17	8	—	—
Kentucky	78	78	78	77	79	79	76	71	70	66
Louisiana	52	47	47	47	48	49	48	47	44	40
Mississippi ⁽³⁾	30	27	25	20	20	12	5	—	—	—
Missouri	81	77	76	75	77	78	76	76	72	66
New Mexico	37	37	38	39	42	44	44	44	44	44
Oklahoma	69	69	71	74	82	83	83	82	82	82
South Carolina	102	95	97	92	96	99	101	98	97	97
Tennessee	107	107	105	104	106	107	105	105	105	103
Texas	303	298	291	291	300	300	297	279	262	247
Utah ⁽⁴⁾	18	9	—	—	—	—	—	—	—	—
Wisconsin	30	29	27	30	29	28	26	21	14	5
Total	1,243	1,193	1,177	1,169	1,186	1,172	1,138	1,084	1,032	972

⁽¹⁾ The Company commenced operations in Idaho in October 2014.

⁽²⁾ The Company commenced operations in Indiana in September 2012.

⁽³⁾ The Company commenced operations in Mississippi in September 2013.

⁽⁴⁾ The Company commenced operations in Utah in October 2018.

Mexico Exit. On August 3, 2018 the Company and its affiliates completed the sale of the Company's Mexico operating segment in its entirety. The Company sold all of the issued and outstanding capital stock and equity interest of WAC de Mexico and SWAC to the Purchasers, effective as of July 1, 2018, for a purchase price of approximately \$44.36 million. The Company has not and will not have any other involvement with the Mexico operating segment subsequent to the sale's effective date. The Company and its subsidiaries no longer operate in Mexico. Information about the Mexico operating segment is presented as discontinued operations in this annual report on Form 10-K.

Loan and Other Products. In each state in which we operate, we primarily offer pre-computed consumer installment loans that are standardized by amount and maturity. Consumer installment loans are our principal product and interest and fee income from such loans accounted for 86.2%, 86.2%, and 86.7% of our total revenues in fiscal years 2020, 2019, and 2018, respectively. Our loans are payable in fully-amortizing monthly installments with terms generally from 3 to 16 months and are pre-payable at any time without penalty. In addition, we offer income tax preparation and filing services as well as interest and fee-free tax advance loans.

The following table sets forth information about our loan products for fiscal 2020:

	Minimum Origination ⁽¹⁾	Maximum Origination ⁽¹⁾	Minimum Term (Months)	Maximum Term (Months)
Small loans	\$ 100	\$ 2,450	3	25
Large loans	\$ 2,500	\$ 20,600	12	48

⁽¹⁾ Gross loan net of finance charges.

Specific allowable interest, fees, and other charges vary by state and, consistent with industry practice, we generally charge at, or close to, the maximum rates allowable under applicable state law in those states that limit loan rates. The finance charge is a combination of origination or acquisition fees, account maintenance fees, monthly account handling fees, interest and other charges permitted by the relevant state laws. As of March 31, 2020, the annual percentage rates on loans we offer for small and large loans, including interest, fees and other charges as calculated in accordance with the Federal Truth in Lending Act, ranged from 0% to 199%, depending on the loan size, maturity, and the state in which the loan was made.

As of March 31, 2020, annual percentage rates applicable to our gross loans receivable as defined by the Truth in Lending Act were as follows:

Low	High	Amount	Percentage of total gross loans receivable
— %	36 %	\$ 361,084,827	29.8
37 %	50 %	286,670,650	23.7
51 %	60 %	170,055,923	14.1
61 %	70 %	70,063,032	5.8
71 %	80 %	36,531,908	3.0
81 %	90 %	70,723,111	5.8
91 %	100 %	119,397,778	9.9
101 %	120 %	84,806,608	7.0
121 %	150 %	9,630,303	0.8
151 %	199 %	907,226	0.1
		<u>\$ 1,209,871,366</u>	<u>100</u>

The Company, as an agent for an unaffiliated insurance company, markets and sells credit life, credit accident and health, credit property and auto, unemployment, and accidental death and dismemberment insurance in connection with its loans in selected states where the sale of such insurance is permitted by law. Credit life insurance provides for the payment in full of the borrower's credit obligation to the lender in the event of death. Credit accident and health insurance provides for repayment of loan installments to the lender that come due during the insured's period of income interruption resulting from disability from illness or injury. Credit property and auto insurance insures payment of the borrower's credit obligation to the lender in the event that the personal property pledged as security by the borrower is damaged or destroyed by a covered

event. Unemployment insurance provides for repayment of loan installments to the lender that come due during the insured's period of involuntary unemployment. Accidental death and dismemberment insurance insures against unintentional death or dismemberment of the insured. The Company offers credit insurance for all loans originated in Georgia, Indiana, Kentucky, Louisiana, Mississippi, Missouri, and South Carolina, and on a more limited basis in Alabama, Oklahoma, Tennessee, and Texas. Customers in those states typically obtain such credit insurance through the Company. Charges for such credit insurance are made at filed, authorized rates and are stated separately in the Company's disclosure to customers, as required by the Truth in Lending Act and by various applicable state laws. In the sale of insurance policies, the Company, as an agent, writes policies only within limitations established by its agency contracts with the insurer. The Company does not sell credit insurance to non-borrowers.

The Company has a wholly-owned, captive insurance subsidiary that reinsures a portion of the credit insurance sold in connection with loans made by the Company. Certain coverages currently sold by the Company on behalf of the unaffiliated insurance carrier are ceded by the carrier to the captive insurance subsidiary, providing the Company with an additional source of income derived from the earned reinsurance premiums.

The Company also offers automobile club memberships to its borrowers in Alabama, Georgia, Idaho, Indiana, Kentucky, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, Tennessee, Texas, and Wisconsin, as an agent for an unaffiliated automobile club. Club memberships entitle members to automobile breakdown coverage, towing reimbursement and related services. The Company is paid a commission on each membership sold, but has no responsibility for administering the club, paying benefits or providing services to club members. The Company primarily sells automobile club memberships to borrowers.

The table below shows the types of insurance and ancillary products the Company sells by state as of March 31, 2020:

	Credit Life	Credit Accident and Health	Credit Property and Auto	Unemployment	Accidental Death & Dismemberment	Non-file	Automobile Club Membership
Alabama ⁽¹⁾	X	X	X				X
Georgia	X	X	X		X	X	X
Idaho							X
Illinois							
Indiana	X	X	X	X	X	X	X
Kentucky	X	X	X	X		X	X
Louisiana	X	X	X		X	X	X
Mississippi	X	X	X				X
Missouri	X	X		X			X
New Mexico							X
Oklahoma ⁽¹⁾	X	X	X	X			X
South Carolina	X	X	X	X		X	
Tennessee ⁽¹⁾	X	X	X	X			X
Texas ⁽¹⁾	X	X	X	X			X
Utah							
Wisconsin							X

⁽¹⁾ Credit insurance is offered for certain loans.

Another service offered by the Company is income tax return preparation and electronic filing. This program is provided in all but a few of the Company's branches. The Company prepared approximately 84,000, 91,000 and 77,000 returns in fiscal years 2020, 2019, and 2018, respectively. Net revenue generated by the Company from this program during fiscal 2020, 2019, and 2018 amounted to approximately \$20.9 million, \$21.5 million, and \$16.8 million, respectively. In addition, our tax customers are eligible to receive an interest and fee-free tax advance loan which is generally a percentage of the anticipated tax refund amount. The Company believes that this is a beneficial service for its existing customer base as well as non-loan customers, and it plans to continue to promote this program.

The following table sets forth information about our tax advance loan product for fiscal 2020:

	Minimum Origination	Maximum Origination	Minimum Term (Months)	Maximum Term (Months)
Tax advance loans	100	5,000	8	8

Loan Receivables. The following table sets forth the composition of the Company's gross loans receivable by state at March 31 of each year from 2011 through 2020:

State	At March 31,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Alabama	5 %	5 %	5 %	4 %	6 %	5 %	4 %	4 %	4 %	4 %
Georgia	13	13	14	15	13	13	13	14	14	14
Idaho ⁽¹⁾	1	1	—	—	—	—	—	—	—	—
Illinois	8	7	7	7	7	7	8	7	7	6
Indiana ⁽²⁾	2	2	2	2	1	1	1	—	—	—
Kentucky	8	8	9	10	10	10	9	10	10	10
Louisiana	3	3	2	2	2	2	2	2	2	2
Mississippi ⁽³⁾	1	1	1	1	—	—	—	—	—	—
Missouri	8	7	7	7	8	8	7	7	6	6
New Mexico	2	2	2	2	2	2	2	2	2	2
Oklahoma	6	7	7	7	8	8	7	7	6	7
South Carolina	10	9	10	11	10	11	12	12	13	14
Tennessee	11	12	13	13	13	13	13	14	15	15
Texas	19	21	19	18	19	19	21	20	20	20
Utah ⁽⁴⁾	1	—	—	—	—	—	—	—	—	—
Wisconsin ⁽⁵⁾	2	2	2	1	1	1	1	1	1	—
Total	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

⁽¹⁾ The Company commenced operations in Idaho in October 2014.

⁽²⁾ The Company commenced operations in Indiana in September 2012.

⁽³⁾ The Company commenced operations in Mississippi in September 2013.

⁽⁴⁾ The Company commenced operations in Utah in October 2018.

⁽⁵⁾ The Company commenced operations in Wisconsin in December 2010.

The following table sets forth the total number of loans, the average gross loan balance, and the gross loan balance by state at March 31, 2020:

	Total Number of Loans	Average Gross Loan Balance	Gross Loan Balance (thousands)
Alabama	55,050	\$ 1,138	\$ 62,639
Georgia	105,132	1,473	154,861
Idaho	9,659	1,026	9,912
Illinois	51,184	1,779	91,055
Indiana	21,777	1,304	28,401
Kentucky	58,615	1,604	94,010
Louisiana	37,803	1,010	38,179
Mississippi	20,325	815	16,563
Missouri	47,840	1,938	92,707
New Mexico	23,717	1,173	27,826
Oklahoma	54,207	1,393	75,529
South Carolina	89,791	1,353	121,459
Tennessee	90,653	1,497	135,707
Texas	229,740	1,012	232,504
Utah	6,152	1,164	7,158
Wisconsin	14,214	1,503	21,361
Total	915,859	\$ 1,321	\$ 1,209,871

Seasonality. The Company's highest loan demand occurs generally from October through December, its third fiscal quarter. Loan demand is generally lowest and loan repayment highest from January to March, its fourth fiscal quarter. Consequently, the Company experiences significant seasonal fluctuations in its operating results and cash needs. Operating results for the Company's third fiscal quarter are generally lower than in other quarters, and operating results for its fourth fiscal quarter are generally higher than in other quarters. However, the effects of COVID-19 could impact our typical seasonal trends.

Lending and Collection Operations. The Company seeks to provide short-term consumer installment loans to the segment of the population that has limited access to other sources of credit. In evaluating the creditworthiness of potential customers, the Company primarily examines the individual's discretionary income, length of current employment and/or sources of income, duration of residence, and prior credit experience. Loans are made to individuals on the basis of their discretionary income and other factors and are limited to amounts we believe that customers can reasonably be expected to repay from that income given our assessment of their stability and ability and willingness to pay. The Company also generates a proprietary credit score in assisting loan decisions to potential new customers that evaluates key attributes such as payment history, outstanding debt, length of credit history, number of credit inquiries as well as credit mix. All loan applicants are required to complete standardized credit applications in person or by telephone at local Company branches. Each of the Company's local branches are equipped to perform rapid background, employment, and credit checks and approve loan applications promptly, often while the customer waits. The Company's employees verify the applicant's sources of income and credit histories through telephone checks with employers, other employment references, and verification with various credit bureaus. Substantially all new customers are required to submit a listing of personal property that will serve as collateral to secure the loan, but the Company does not rely on the value of such collateral in the loan approval process and generally does not perfect its security interest in that collateral. Accordingly, if the customer were to default in the repayment of the loan, the Company may not be able to recover the outstanding loan balance by resorting to the sale of collateral.

The Company believes that development and continual reinforcement of personal relationships with customers improve the Company's ability to monitor their creditworthiness, reduce credit risk, and generate customer loyalty. It is not unusual for the Company to have made a number of loans to the same customer over the course of several years, many of which were refinanced with a new loan after the borrower had reduced the existing loan's outstanding balance by making multiple payments. In determining whether to refinance existing loans, the Company typically requires loans to be current on a recency basis, and repeat customers are generally required to complete a new credit application if they have not completed one within the prior two years.

Approximately 79.6%, 78.7%, and 79.0% of the Company's loans were generated through refinancings of outstanding loans and the origination of new loans to previous customers in fiscal 2020, 2019, and 2018, respectively. A refinancing represents a new loan transaction with a present customer in which a portion of the new loan proceeds is used to repay the balance of an existing loan and the remaining portion is advanced to the customer. The Company markets the opportunity for qualifying customers to refinance existing loans prior to maturity. In many cases the existing customer's past performance and established creditworthiness with the Company qualifies that customer for a larger loan. This, in turn, may increase the fees and other income realized for a particular customer. For fiscal 2020, 2019, and 2018, the percentages of the Company's loan originations that were refinancings of existing loans were 66.9%, 66.2%, and 65.9%, respectively.

The Company allows refinancing of delinquent loans on a case-by-case basis for those customers who otherwise satisfy the Company's credit standards. Each such refinancing is carefully examined before approval in an effort to avoid increasing credit risk. A delinquent loan generally may be refinanced only if the customer has made payments that, together with any credits of insurance premiums or other charges to which the customer is entitled in connection with the refinancing, reduce the balance due on the loan to an amount equal to or less than the original cash advance made in connection with the loan. The Company does not allow the amount of the new loan to exceed the original amount of the existing loan. The Company believes that refinancing delinquent loans for certain customers who have made periodic payments allows the Company to increase its average loans outstanding and its interest, fees and other income without experiencing a significant increase in loan losses. These refinancings also provide a resolution to temporary financial setbacks for these borrowers and sustain their credit rating. Refinancings of delinquent loans represented 1.3%, 1.1%, and 1.2% of the Company's loan volume in fiscal 2020, 2019, and 2018, respectively.

To reduce late payment risk, local branch staff encourage customers to inform the Company in advance of expected payment problems. Local branch staff also promptly contact delinquent customers following any payment due date and thereafter remain in close contact with such customers through phone calls or letters until payment is received or some other resolution is reached. The Company expanded our centralized collections in fiscal 2018, focusing on customers who have become more than 90 days past due on a recency basis. In Alabama, Georgia, Idaho, Indiana, Illinois, Kentucky, Louisiana, Missouri, New Mexico, Oklahoma, Tennessee, Utah, and Wisconsin, the Company is permitted under state laws to garnish customers' wages for repayment of loans, but the Company does not otherwise generally resort to litigation for collection purposes and rarely attempts to foreclose on collateral.

Insurance-related Operations. As discussed above, in certain states, the Company sells credit insurance to customers in connection with its loans as an agent for an unaffiliated insurance company. These insurance policies provide for the payment of the outstanding balance of the Company's loan upon the occurrence of an insured event. The Company earns a commission on the sale of such credit insurance, which, for most products, is directly impacted by the claims experience of the insurance company on policies sold on its behalf by the Company. In states where commissions on certain products are capped, the commission earned is not directly impacted by the claims experience.

The Company has a wholly-owned, captive insurance subsidiary that reinsures a portion of the credit insurance sold in connection with loans made by the Company. Certain coverages currently sold by the Company on behalf of the unaffiliated insurance carrier are ceded by the carrier to the captive insurance subsidiary, providing the Company with an additional source of income derived from the earned reinsurance premiums. In fiscal 2020, the captive insurance subsidiary reinsured approximately 10.5% of the credit insurance sold by the Company and contributed approximately \$2.2 million to the Company's total revenue.

Non-Filing Insurance. The Company typically does not perfect its security interest in collateral securing its smaller loans by filing UCC financing statements. Non-filing insurance premiums are equal in aggregate amount to the premiums paid by the Company to purchase non-filing insurance coverage from an unaffiliated insurance company. Under its non-filing insurance coverage, the Company is reimbursed for losses on loans resulting from its policy not to perfect its security interest in collateral securing the loans.

Monitoring and Supervision. The Company's loan operations are organized into Southeastern, Central, and Western Divisions. As of March 31, 2020 the Southeastern Division consisted of Georgia, Missouri, South Carolina and Tennessee; the Central Division consisted of Illinois, Indiana, Kentucky, Louisiana, Mississippi, Oklahoma and Wisconsin; and the Western Division consisted of Alabama, Idaho, New Mexico, Texas, and Utah. Several levels of management monitor and supervise the operations of each of the Company's branches. Branch managers are directly responsible for the performance of their respective branches. District Managers are responsible for the performance of 8 to 11 branches in their districts. They typically communicate with the branch managers of each of their branches at least weekly and visit the branches at least monthly. The Regional Vice Presidents of Operations monitor the performance of all branches within their states (or partial state in the case of Texas), primarily through communication with District Managers. These Regional Vice Presidents of Operations typically communicate with the District Managers of each of their districts weekly and regularly visit branches. The Senior Vice

Presidents of each of the Southeastern, Central, and Western Divisions are responsible for supervising the Regional Vice Presidents of Operations.

Senior management has access to daily delinquency, loan volume, charge-off, and other statistical data on a consolidated, state and branch level. At least eight times per fiscal year District Managers examine the operations of each branch in their geographic area and submit standardized reports detailing their findings to the Company's senior management. The Company takes a risk-based approach to determine internal audit frequency. At least once every 18 months each branch undergoes an audit by the Company's internal auditors. These audits include an examination of cash balances and compliance with Company loan approval, review and collection procedures, and compliance with federal and state laws and regulations.

Staff and Training. Local branches are staffed with a minimum of two employees. The branch manager supervises and administers operations of the branch and is responsible for approving all borrower loan applications and requests for increases in the amount of credit extended. Each branch generally has one or two account specialists who take loan applications, process loan applications, apply payments, and assist in the preparation of operational reports, collection efforts, and marketing activities. Larger branches may employ additional account specialists.

New employees are required to review detailed training materials that explain the Company's operating policies and procedures. The Company tests each employee on the training materials during the first year of employment. In addition, each branch associate completes an online training session once every week and attends periodic training sessions outside the branch. The Company has also implemented an enhanced training tool known as World University, which provides continuous, real-time, on-line training to all locations. This allows for more training opportunities to be available to all employees throughout the course of their career with the Company.

Advertising. The Company actively advertises through direct mail, targeting both its present and former customers and potential customers who have used other sources of consumer credit. The Company obtains or acquires mailing lists from third party sources. In addition to the general promotion of its loans for last-minute needs, back-to-school needs and other uses, the Company advertises extensively during the October through December holiday season and in connection with new branch openings. The Company also advertises across digital platforms, by email and to existing customers via SMS/text. The Company believes its advertising contributes significantly to its ability to compete effectively with other providers of small-loan consumer credit. Advertising expenses as a percent of revenue were approximately 4.1%, 4.1%, and 4.2% in fiscal 2020, 2019, and 2018, respectively.

Competition. The small-loan consumer finance industry is highly fragmented, with numerous competitors. The majority of the Company's competitors are independent operators with generally less than 100 branches. Competition from community banks and credit unions is limited because they typically do not make loans of less than \$5,000. We believe that online lending could be affecting the consumer lending market within which we operate. While it appears online lenders are marketing to a different customer segment than that of our primary customers, some of our customers may overlap.

The Company believes that competition between small-loan consumer finance companies occurs primarily on the basis of the strength of customer relationships, customer service, and reputation in the local community rather than pricing, as participants in this industry generally all charge interest rates and fees at or close to the maximum permitted by applicable laws. The Company believes that its relatively larger size affords it a competitive advantage over smaller companies by increasing its access to, and reducing its cost of, capital.

Several of the states in which the Company currently operates limit the size of loans made by small-loan consumer finance companies and prohibit the extension of more than one loan to a customer by any one company. As a result, many customers borrow from more than one finance company, which enables the Company, subject to the limitations of various consumer protection and privacy statutes, including, but not limited to, the Fair Credit Reporting Act and the Gramm-Leach-Bliley Act, to obtain information on the credit history of specific customers from other consumer finance companies.

Employees. As of March 31, 2020, the Company had 3,744 employees, none of whom were represented by labor unions. The Company considers its relations with its employees to be good. The Company seeks to hire people who will become long-term employees, and, as a result, the vast majority of our field leadership has been promoted from within.

Information about our Executive Officers. The names and ages, positions, terms of office and periods of service of each of the Company's executive officers (and other business experience for executive officers who have served as such for less than five years) are set forth below. The term of office for each executive officer expires upon the earlier of the appointment and qualification of a successor or such officer's death, resignation, retirement, or removal.

Name and Age	Position	Period of Service as Executive Officer and Pre-Executive Officer Experience (if an Executive Officer for Less Than Five Years)
R. Chad Prashad (39)	President and Chief Executive Officer	President and Chief Executive Officer since June 2018; Senior Vice President, Chief Strategy & Analytics Officer from February 2018 to June 2018; Vice President of Analytics from June 2014 to February 2018; Senior Director of Strategy Development for Resurgent Capital Services (a consumer debt managing and servicing company) from 2013 to June 2014; Director of Legal Strategy for Resurgent Capital Services from 2009 to 2013.
John L. Calmes Jr. (40)	Executive Vice President, Chief Financial and Strategy Officer, and Treasurer	Executive Vice President and Chief Financial and Strategy Officer and Treasurer since October 2018; Senior Vice President, Chief Financial Officer and Treasurer from November 2015 to October 2018; Vice President, Chief Financial Officer and Treasurer from December 2013 to November 2015; Director of Finance - Corporate and Investment Banking Division of Bank of Tokyo-Mitsubishi UFJ in 2013; Senior Manager of PricewaterhouseCoopers from 2011 to 2013; Manager of PricewaterhouseCoopers from 2008 to 2011.
D. Clinton Dyer (47)	Executive Vice President and Chief Branch Operations Officer	Executive Vice President and Chief Branch Operations Officer since February 2018; Executive Vice President of Branch Operations from September 2016 to February 2018; Senior Vice President, Southeastern Division from November 2015 to September 2016; Senior Vice President, Central Division from June 2005 to November 2015; Vice President, Operations – Tennessee and Kentucky from April 2002 to June 2005.
Luke J. Umstetter (40)	Senior Vice President, Secretary, and General Counsel	Senior Vice President, Secretary and General Counsel since August 2018; General Counsel and Chief Compliance Officer for Shellpoint Mortgage Servicing from December 2015 to August 2018; General Counsel for Global Lending Services from May 2015 to December 2015; Managing Counsel for Resurgent Capital Services, June 2009 to May 2015.
A. Lindsay Caulder (44)	Senior Vice President, Human Resources	Senior Vice President, Human Resources since October 2018; Vice President, Human Resources from February 2016 to October 2018; Divisional Vice President - Human Resources of Family Dollar Corporation from 2012 to 2016; Director - Learning and Talent Acquisition of Family Dollar Corporation from 2009-2012.
Jason E. Childers (45)	Senior Vice President, Information Technology	Senior Vice President, Information Technology since October 2018; Vice President of IT Strategic Solutions from April 2016 to October 2018, Partner and Head of IT at Sabal Financial Group, LP from March 2009 until April 2016.
Scott McIntyre (43)	Senior Vice President, Accounting	Senior Vice President of Accounting since October 2018; Vice President of Accounting-US from June 2013 to October 2018; Controller-US from June 2011 to June 2013.

Government Regulation.

Operations. Small-loan consumer finance companies are subject to extensive regulation, supervision, and licensing under various federal and state statutes, ordinances, and regulations. In many cases these statutes establish maximum loan amounts and interest rates and the types and maximum amounts of fees and other charges. In addition, state laws regulate collection procedures, the keeping of books and records, and other aspects of the operation of small-loan consumer finance companies. Generally, state regulations also establish minimum capital requirements for each local branch. Accordingly, the ability of the Company to expand by acquiring existing branches and opening new branches will depend in part on obtaining the necessary regulatory approvals.

For example, Texas regulation requires the approval of the Texas Consumer Credit Commissioner for the acquisition, directly or indirectly, of more than 10% of the voting or common stock of a consumer finance company. A Louisiana statute prohibits any person from acquiring control of 50% or more of the shares of stock of a licensed consumer lender, such as the Company, without first obtaining a license as a consumer lender. The overall effect of these laws, and similar laws in other states, is to make it more difficult to acquire a consumer finance company than it might be to acquire control of an unregulated company.

All of the Company's branches are licensed under the laws of the state in which the branch is located. Licenses in these states are subject to renewal every year and may be revoked for failure to comply with applicable state and federal laws and regulations. In the states in which the Company currently operates, licenses may be revoked only after an administrative hearing.

The Company and its operations are regulated by several state agencies, including the following:

- The Alabama State Banking Department
- The Industrial Loan Division of the Office of the Georgia Insurance Commissioner
- The Idaho Department of Finance
- The Consumer Credit Division of the Illinois Department of Financial Institutions
- The Indiana Department of Financial Institutions
- The Kentucky Department of Financial Institutions
- The Louisiana Office of Financial Institutions
- The Mississippi Department of Banking and Consumer Finance
- The Missouri Division of Finance
- The Financial Institutions Division of the New Mexico Regulation and Licensing Department
- The Oklahoma Department of Consumer Credit
- The Consumer Finance Division of the South Carolina Board of Financial Institutions and the South Carolina Department of Consumer Affairs
- The Tennessee Department of Financial Institutions
- The Texas Office of the Consumer Credit Commissioner
- The Utah Department of Financial Institutions
- The Wisconsin Department of Financial Institutions

These state regulatory agencies audit the Company's local branches from time to time, and most state agencies perform an annual compliance audit of the Company's operations in that state.

Insurance. The Company is also subject to state regulations governing insurance agents in the states in which it sells credit insurance. State insurance regulations require that insurance agents be licensed, govern the commissions that may be paid to agents in connection with the sale of credit insurance and limit the premium amount charged for such insurance. The Company's captive insurance subsidiary is regulated by the insurance authorities of the Turks and Caicos Islands of the British West Indies, where the subsidiary is organized and domiciled.

Consumer finance companies are affected by changes in state and federal statutes and regulations. The Company actively participates in trade associations and in lobbying efforts in the states in which it operates and at the federal level. There have been, and the Company expects that there will continue to be, media attention, initiatives, discussions, proposals, and legislation regarding the entire consumer credit industry, as well as our particular installment loan business, and possible significant changes to the laws and regulations that govern our business, or the authority exercised pursuant to those laws and regulations. In some cases, proposed or pending legislative or regulatory changes have been introduced that would, if enacted, have a material adverse effect on, or possibly even eliminate, our ability to continue our current business. We can give no assurance that the laws and regulations that govern our business, or the interpretation or administration of those laws and regulations, will remain unchanged or that any such future changes will not materially and adversely affect, or in the worst case, eliminate, the Company's lending practices, operations, profitability, or prospects. See "State legislation" and "Federal

legislation” below and Part I, Item 1A, “Risk Factors,” for a further discussion of the potential impact of regulatory changes on our business.

State legislation. The Company is subject to numerous state laws and regulations that affect our lending activities. Many of these regulations impose detailed and complex constraints on the terms of our loans, lending forms and operations. Further, there is a trend of increased state regulation on loan origination, servicing, and collection procedures, as well as more detailed reporting and examinations, and coordination of examinations among the states. Failure to comply with applicable laws and regulations could subject us to regulatory enforcement action that could result in the assessment against us of civil, monetary, or other penalties.

In addition, state authorities regulate and supervise our insurance operations. The extent of such regulation varies by product and by state, but relate primarily to the following: licensing; conduct of business, including marketing and sales practices; periodic financial and market conduct examination of the affairs of insurers; form and content of required financial reports; standards of solvency; limitations on the payment of dividends and other affiliate transactions; types of products offered; approval of policy forms and premium rates; formulas used to calculate any unearned premium refund due to an insured customer; permissible investments; deposits of securities for the benefit of policyholders; reserve requirements for unearned premiums, losses, and other purposes; and claims processing.

In the past, several state legislative and regulatory proposals have been introduced which, had they become law, would have had a materially adverse impact on our operations and ability to continue to conduct business in the relevant state. Although to date none of these state initiatives have been successful, state legislatures continue to receive pressure to adopt similar legislation that would affect our lending operations.

In addition, any adverse change in existing laws or regulations, or any adverse interpretation or litigation relating to existing laws and regulations in any state in which we operate, could subject us to liability for prior operating activities or could lower or eliminate the profitability of our operations going forward by, among other things, reducing the amount of interest and fees we can charge in connection with our loans. If these or other factors lead us to close our branches in a state, then in addition to the loss of net revenues attributable to that closing, we would also incur closing costs such as lease cancellation payments, and we would have to write off assets that we could no longer use. If we were to suspend rather than permanently cease our operations in a state, we may also have continuing costs associated with maintaining our branches and our employees in that state, with little or no revenues to offset those costs.

Federal legislation. In addition to state and local laws and regulations, we are subject to numerous federal laws and regulations that affect our lending operations. These laws include the Truth in Lending Act, the Equal Credit Opportunity Act, the Military Lending Act, the Fair Credit Reporting Act, and the regulations thereunder, and the Federal Trade Commission's Credit Practices Rule. These laws require the Company to provide complete disclosure of the principal terms of each loan to the borrower prior to the consummation of the loan transaction, prohibit misleading advertising, protect against discriminatory lending practices, and prohibit unfair, deceptive, or abusive credit practices. Among the principal disclosure items under the Truth in Lending Act and Regulation Z, which implements this statute, are the terms of repayment, the final maturity, the total finance charge, and the annual percentage rate charged on each loan. The Equal Credit Opportunity Act prohibits creditors from discriminating against loan applicants on, among other things, the basis of race, color, sex, age, or marital status. Pursuant to Regulation B promulgated under the Equal Credit Opportunity Act, creditors are required to make certain disclosures regarding consumer rights and advise consumers whose credit applications are not approved of the reasons for the rejection. The Military Lending Act applies to active-duty service members and their covered dependents. We are prohibited from charging a borrower covered under the Military Lending Act more than a 36% Military Annual Percentage Rate, which includes certain costs associated with the loan in calculating the interest rate. The Fair Credit Reporting Act, which among other things, governs the use of credit bureau reports and reporting information to credit bureaus. Additionally, the Fair Credit Reporting Act requires the Company to provide certain information to consumers whose credit applications are not approved on the basis of a report obtained from a consumer reporting agency and to provide additional information to those borrowers whose loans are approved and consummated if the credit decision was based in whole or in part on the contents of a credit report. The Credit Practices Rule limits the types of property a creditor may accept as collateral to secure a consumer loan. Violations of these statutes and regulations may result in actions for damages, claims for refund of payments made, certain fines and penalties, injunctions against certain practices, and the potential forfeiture of rights to repayment of loans.

Although these laws and regulations remained substantially unchanged for many years, over the last several years the laws and regulations directly affecting our lending activities have been under review and are subject to change as a result of various developments and changes in economic conditions, the make-up of the executive and legislative branches of government, and the political and media focus on issues of consumer and borrower protection. See Part I, Item 1A, “Risk Factors—Media and public characterization of consumer installment loans as being predatory or abusive could materially adversely affect our business, prospects, results of operations, and financial condition” below. Any changes in such laws and regulations could force

us to modify, suspend, or cease part or, in the worst case, all of our existing operations. It is also possible that the scope of federal regulations could change or expand in such a way as to preempt what has traditionally been state law regulation of our business activities. The enactment of one or more of such regulatory changes could materially and adversely affect our business, results of operations, and prospects.

Various legislative proposals addressing consumer credit transactions have been passed in recent years or are currently pending in the U.S. Congress. Congressional members continue to receive pressure from consumer activists and other industry opposition groups to adopt legislation to address various aspects of consumer credit transactions. As part of a sweeping package of financial industry reform regulations, in July 2010 Congress passed and the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). The Dodd-Frank Act established the Consumer Financial Protection Bureau (commonly referred to as the CFPB), which has sweeping regulatory, supervisory, and enforcement powers over providers of consumer financial products and services, including explicit supervisory authority to examine and require registration of non-depository lenders and to promulgate rules that can affect the practices and activities of lenders. The CFPB continues to actively engage in the announcement and implementation of various plans and initiatives in the area of consumer financial transactions generally. Some of these CFPB announced plans and initiatives, if implemented, would directly affect certain loan products we currently offer and subject us to the CFPB’s supervisory authority. See Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Regulatory Matters,” for more information regarding the CFPB’s regulatory initiatives.

The Dodd-Frank Act also gives the CFPB the authority to examine and regulate large non-depository financial companies and gives the CFPB authority over anyone deemed by rule to be a “larger participant of a market for other consumer financial products or services.” The CFPB contemplates regulating the installment lending industry as part of the “consumer credit and related activities” market. However, this so-called “larger participant rule” will not impose substantive consumer protection requirements, but rather will provide to the CFPB the authority to supervise larger participants in certain markets, including by requiring reports and conducting examinations to ensure, among other things, that they are complying with existing federal consumer financial law. While the CFPB has defined a “larger participant” standard for certain markets, such as the debt collection, automobile finance, and consumer reporting markets, it has not yet acted to define “larger participant” in the traditional installment lending market. If, in the future, a traditional installment lending “larger participant rule” is promulgated by the CFPB, the rule would likely cover only the largest installment lenders, and we do not yet know whether the definition of larger participant would cover us.

In addition to the grant of certain regulatory powers to the CFPB, the Dodd-Frank Act gives the CFPB authority to pursue administrative proceedings or litigation for violations of federal consumer financial laws. In these proceedings, the CFPB can obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief) and monetary penalties. Also, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations thereunder, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions to remedy violations of state law.

Although the Dodd-Frank Act prohibits the CFPB from setting interest rates on consumer loans, efforts to create a federal usury cap, applicable to all consumer credit transactions and substantially below rates at which the Company could continue to operate profitably, are still ongoing. Any federal legislative or regulatory action that severely restricts or prohibits the provision of small-loan consumer credit and similar services on terms substantially similar to those we currently provide would, if enacted, have a material, adverse impact on our business, prospects, results of operations and financial condition. Any federal law that would impose a national 36% or similar annualized credit rate cap on our services would, if enacted, almost certainly eliminate our ability to continue our current operations. See Part I, Item 1A, “Risk Factors - Federal legislative or regulatory proposals, initiatives, actions or changes that are adverse to our operations or result in adverse regulatory proceedings, or our failure to comply with existing or future federal laws and regulations, could force us to modify, suspend, or cease part or all of our nationwide operations,” for further information regarding the potential impact of adverse legislative and regulatory changes.

Available Information. The Company maintains an Internet website, “www.LoansByWorld.com,” where interested persons will be able to access free of charge, among other information, the Company’s annual reports on Form 10-K, its quarterly reports on Form 10-Q, and its current reports on Form 8-K as well as amendments to these filings via a link to a third-party website. These documents are available for access as soon as reasonably practicable after we electronically file these documents with the SEC. The Company files these reports with the SEC via the SEC’s EDGAR filing system, and such reports also may be accessed via the SEC’s EDGAR database at www.sec.gov. Information included on or linked to our website is not incorporated by reference into this annual report.

Item 1A. Risk Factors

Forward-Looking Statements

This annual report contains various “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 that are based on management’s beliefs and assumptions, as well as information currently available to management. Statements other than those of historical fact, as well as those identified by the use of words such as “anticipate,” “estimate,” “intend,” “plan,” “expect,” “believe,” “may,” “will,” “should,” “would,” “could,” and any variations of the foregoing and similar expressions, are forward-looking statements. Although we believe that the expectations reflected in any such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Any such statements are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual financial results, performance or financial condition may vary materially from those anticipated, estimated, expected or implied by any forward-looking statements.

Investors should consider the following risk factors, in addition to the other information presented in this annual report and the other reports and registration statements the Company files with or furnishes to the SEC from time to time, in evaluating us, our business, and an investment in our securities. Any of the following risks, as well as other risks, uncertainties, and possibly inaccurate assumptions underlying our plans and expectations, could result in harm to our business, results of operations and financial condition and cause the value of our securities to decline, which in turn could cause investors to lose all or part of their investment in our Company. These factors, among others, could also cause actual results to differ materially from those we have experienced in the past or those we may express or imply from time to time in any forward-looking statements we make. Investors are advised that it is impossible to identify or predict all risks, and those risks not currently known to us or those we currently deem immaterial also could affect us in the future. The following risks should not be construed as exclusive and should be read with the other cautionary statements that are in this Annual Report on Form 10-K. The Company does not undertake any obligation to update forward-looking statements, except as may be required by law, whether as a result of new information, future developments, or otherwise.

The coronavirus (COVID-19) pandemic has and is expected to continue adversely affecting our business, liquidity, results of operations and financial position.

The COVID-19 pandemic has resulted in widespread volatility and deterioration in household, business, economic, and market conditions. The ultimate extent of the impact of the COVID-19 global pandemic on our capital, liquidity, and other financial positions and on our business, results of operations, and prospects will depend on a number of evolving factors, including the duration, response, effect on customers, employees and service providers, and the effect on markets and economies.

We are unable to estimate the full impact of COVID-19 on our business and operations at this time. However, we have started to experience reduced demand for our products and services. We expect to continue experiencing adverse effects related to the pandemic, any of which could have a material adverse effect on our financial position, results of operations, and prospects. Sustained adverse effects may also prevent us from satisfying our minimum capital ratios and other requirements under our revolving credit facility.

In addition, as a result of our CECL implementation in fiscal 2021, our financial results may be negatively affected as weak or deteriorating economic conditions are forecasted and alter our expectations for credit losses. In addition, due to the expansion of the time horizon over which we are required to estimate future credit losses under CECL, we may experience increased volatility in our future provisions for credit losses. As a result, factoring in COVID-19, we could incur a significant provision expense for credit losses in the first quarter of 2021 and may incur significant provision expense for credit losses in future periods as well.

Given the unprecedented nature of the crisis, our financial and economic models may be unable to accurately predict and respond to the impact of the economic contraction or lasting changes to customer behaviors, which in turn may limit our ability to manage credit risk and avoid higher charge-off rates. Additionally, our credit and economic models may not be able to adequately predict or forecast credit losses, loan receivables or other financial metrics during and after the crisis, which could result in our reserves being too large or insufficient. We do not yet know the full extent of the impacts on our business, our operations or the global economy as a whole.

Federal legislative or regulatory proposals, initiatives, actions, or changes that are adverse to our operations or result in adverse regulatory proceedings, or our failure to comply with existing or future federal laws and regulations, could force us to modify, suspend, or cease part or all of our nationwide operations.

We are subject to numerous federal laws and regulations that affect our lending operations. Although these laws and regulations have remained substantially unchanged for many years, the laws and regulations directly affecting our lending activities have

been under review and subject to change in recent years as a result of various developments and changes in economic conditions, the make-up of the executive and legislative branches of government, and the political and media focus on issues of consumer and borrower protection. Any changes in such laws and regulations could force us to modify, suspend, or cease part or, in the worst case, all of our existing operations. It is also possible that the scope of federal regulations could change or expand in such a way as to preempt what has traditionally been state law regulation of our business activities.

In July 2010 the Dodd-Frank Act was enacted. The Dodd-Frank Act restructured and enhanced the regulation and supervision of the financial services industry and created the CFPB, an agency with sweeping regulatory and enforcement authority over consumer financial transactions. Although the Dodd-Frank Act prohibits the CFPB from setting interest rates on consumer loans, efforts to create a federal usury cap, applicable to all consumer credit transactions and substantially below rates at which the Company could continue to operate profitably, are still ongoing. Any federal legislative or regulatory action that severely restricts or prohibits the provision of small-loan consumer credit and similar services on terms substantially similar to those we currently provide would, if enacted, have a material adverse impact on our business, prospects, results of operations, and financial condition. Any federal law that would impose a 36% or similar annualized credit rate cap on our services would, if enacted, almost certainly eliminate our ability to continue our current operations. Given the uncertainty associated with the manner in which various expected provisions of the Dodd-Frank Act have been and are expected to continue to be implemented by the various regulatory agencies and through regulations, the full extent of the impact such requirements will have on our operations remains unclear; however, these regulations have increased and are expected to further increase our cost of doing business and time spent by management on regulatory matters, which may have a material adverse effect on the Company's operations and results.

The CFPB's rulemaking and enforcement authority extends to certain non-depository institutions, including us. The CFPB is specifically authorized, among other things, to take actions to prevent companies providing consumer financial products or services and their service providers from engaging in unfair, deceptive or abusive acts or practices in connection with consumer financial products and services, and to issue rules requiring enhanced disclosures for consumer financial products or services. The CFPB also has authority to interpret, enforce, and issue regulations implementing enumerated consumer laws, including certain laws that apply to our business. Further, the CFPB has authority to designate non-depository "larger participants" in certain markets for consumer financial services and products for purposes of the CFPB's supervisory authority under the Dodd-Frank Act. Such designated "larger participants" are subject to reporting and on-site compliance examinations by the CFPB, which may result in increased compliance costs and potentially greater enforcement risks based on these supervisory activities. Although the CFPB has not yet developed a "larger participant" rule that directly covers the Company's installment lending business, in June 2016 the CFPB stated that it expects to conduct separate rulemaking to identify larger participants in the installment lending market for purposes of its supervision program. Though the timing of any such rulemaking is uncertain, the Company believes that the implementation of such rules would likely bring the Company's business under the CFPB's direct supervisory authority.

On October 5, 2017, the CFPB issued a final rule under its unfair, deceptive and abusive acts and practices rulemaking authority relating to payday, vehicle title, and similar loans. The final rule imposes limitations on (i) short-term consumer, (ii) longer-term consumer installment loans with balloon payments, and (iii) higher-rate consumer installment loans repayable by a payment authorization. The final rule requires lenders originating short-term loans and longer-term balloon payment loans to first make a good-faith reasonable determination that the consumer has the ability to repay the covered loan along with current obligations and expenses ("ability to repay requirements"). The final rule also curtails repeated unsuccessful attempts to debit consumers' accounts for short-term loans, balloon payment loans, and installment loans that involve a payment authorization and an Annual Percentage Rate over 36% ("payment requirements"). Although the Company does not make loans with terms of 45 days or less or obtain access to a customer's bank account or paycheck for repayment of any of its loans, it does make some vehicle-secured loans with an Annual Percentage Rate within the scope of the final rule. Pursuant to the ability to repay requirements, a lender must consider and verify the amount and timing of the consumer's income, the consumer's major financial obligations, and the consumer's borrowing history prior to making a covered loan. Lenders would also be required to determine that a consumer is able to make all projected payments under the covered longer-term loan as those payments are due, while still fulfilling other major financial obligations and meeting living expenses. This ability to repay assessment applies to both the initial longer-term loan and to any subsequent refinancing. In addition, the final rule includes a rebuttable presumption that customers seeking to refinance a covered longer-term loan lack an "ability to repay" if at the time of refinancing: (i) the borrower was delinquent by more than seven days or had recently been delinquent on an outstanding loan within the past 30 days; (ii) the borrower stated or indicated an inability to make a scheduled payment within the past 30 days; (iii) the refinancing would result in the first scheduled payment to be due in a longer period of time than between the time of refinancing the loan and the next regularly scheduled payment on the outstanding loan; or (iv) the refinancing would not provide the consumer a disbursement of funds or an amount that would not substantially exceed the amount of payment due on the outstanding loan within 30 days of refinancing. To overcome this presumption of inability to repay, the lender must verify an improvement in the borrower's financial capacity to indicate an ability to repay the additional extension of credit. The final rule has significant differences from the CFPB's proposed rules announced on June 2, 2016. Further, on February 6, 2019, the

CFPB issued two notices of proposed rulemaking regarding potential amendments to the Rule. First, the CFPB is proposing to rescind provisions of the Rule governing the ability to repay requirements. Second, the CFPB is proposing to delay the August 19, 2019 compliance date for part of the Rule, including the ability to repay requirements. These proposed amendments are not yet final and are subject to possible change before any final amendments would be issued and implemented. We cannot predict what the ultimate rulemaking will provide. The Company does not believe that these changes, as currently described by the CFPB, would have a material impact on the Company's existing lending procedures, because the Company currently underwrites all its loans (including those secured by a vehicle title that would fall within the scope of these proposals) by reviewing the customer's ability to repay based on the Company's standards. However, the changes for longer-term loans will require changes to the Company's practices and procedures for such loans, which could materially and adversely affect the Company's ability to make such loans, the cost of making such loans, the Company's ability to, or frequency with which it could, refinance any such loans, and the profitability of such loans. Any regulatory changes could have effects beyond those currently contemplated that could further materially and adversely impact our business and operations. The Company will have to comply with the final rule's payment requirements since it allows consumers to set up future recurring payments online for certain covered loans such that it meets the definition of having a "leveraged payment mechanism" under the final rule. The payment provisions of the final rule are expected to go into effect on August 19, 2019. If the payment provisions of the final rule apply, the Company will have to modify its loan payment procedures to comply with the required notices within the mandated timeframes set forth in the final rule.

In addition to the specific matters described above, other aspects of our business may be the subject of future CFPB rulemaking. The enactment of one or more of such regulatory changes, or the exercise of broad regulatory authority by regulators, including but not limited to, the CFPB, having jurisdiction over the Company's business or discretionary consumer financial transactions generically, could materially and adversely affect our business, results of operations and prospects. See Part I, Item 1, "Business-Government Regulation" for more information regarding legislation we are subject to and related risks.

Although we are working to resolve the previously reported investigation of our Mexico operations, there can be no assurance that our efforts to reach settlements will be successful, or if they are, what the timing or terms of any such settlements would be.

In March 2020, our discussions with the SEC progressed to a point that the Company could reasonably estimate a probable loss and recorded an aggregate accrual of \$21.7 million with respect to the SEC matters. As the discussions with the SEC are continuing, there can be no assurance that the Company's efforts to reach a final resolution with the SEC will be successful or, if they are, what the timing or terms of such resolution will be. The Company has no offer of settlement or resolution with the DOJ at this time. Until any settlement or other resolution of these matters is reached, we expect to continue to incur potentially significant costs in connection with the investigation of our former Mexico operations, primarily in the form of professional fees and expenses. At this time, we are unable to predict the developments in, outcome of, and economic and other consequences of the investigation or its impact on our earnings, cash flows, liquidity, financial condition and ongoing business. While we have made an accrual related to the potential resolution, the discussions are continuing with the SEC, and there can be no assurance as to the timing or the terms of the final resolution of these matters. Although we do not presently believe that these matters, including the accrual (and the payment of the accrual at some point-in-time in the future) will have a material adverse effect on our business, financial position, results of operations or cash flows, given the inherent uncertainties in such situations, we can provide no assurance that these matters will not be material to our business, financial position, results of operations or cash flows in the future.

We may be exposed to liabilities under the FCPA, and any determination that the Company or any of its subsidiaries has violated the FCPA could have a material adverse effect on our business and liquidity.

We are subject to the FCPA and various other anti-corruption and anti-bribery laws. We face significant risks and liability if we fail to comply with these laws, which generally prohibit companies and their employees and third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to foreign government officials, political parties or candidates, employees of public international organizations, or private-sector recipients for the corrupt purpose of obtaining or retaining business, directing business to any person, or securing any advantage. As discussed in Part I, Item 3, "Legal Proceedings-Mexico Investigation," in this Annual Report on Form 10-K, we retained outside counsel and forensic accountants to conduct an investigation of certain transactions and payments in Mexico that potentially implicate the Company in violations of the FCPA, including the books and records provisions of the FCPA. In addition, we voluntarily contacted the SEC and the DOJ in June 2017 to advise both agencies that an internal investigation was underway and that the Company intended to cooperate with both agencies. The Company has and will continue to cooperate with both agencies. The SEC issued a formal order of investigation in connection with these matters.

If violations of the FCPA occurred, the Company could be subject to fines, civil and criminal penalties, equitable remedies, including profit disgorgement and related interest, and injunctive relief. In addition, any disposition of these matters could adversely impact the Company's access to debt financing and capital funding and result in further modifications to our business practices and compliance programs. Any disposition could also potentially require that a monitor be appointed to review future business practices with the goal of ensuring compliance with the FCPA and other applicable laws. The Company could also face fines, sanctions, and other penalties from authorities in Mexico, as well as third-party claims by shareholders and/or other

stakeholders of the Company. In addition, disclosure of the investigation or its ultimate disposition could adversely affect the Company's reputation and its ability to obtain new business or retain existing business from its current customers and potential customers, to attract and retain employees, and to access the capital markets. Additional potential FCPA violations or violations of other laws or regulations may be uncovered through the investigation.

In addition to the ultimate liability for disgorgement and related interest, the Company believes that it could be further liable for fines and penalties.

Detecting, investigating, and resolving these matters is expensive and consumes significant time and attention of the Company's senior management. While we are currently unable to predict what actions the DOJ, SEC, or other governmental agencies (including governmental agencies in Mexico) might take, or what the likely outcome of any such actions might be, we may incur substantial additional expenses responding to such actions. In addition, such actions, fines, and/or penalties could adversely affect the Company's reputation and its ability to obtain new business or retain existing business from its current customers and potential customers, to attract and retain employees, and to access the capital markets. If it is determined that a violation of the FCPA has occurred, such violation, or a settlement thereof, may give rise to an event of default under the agreement governing our revolving credit facility, which could have a material adverse effect on our liquidity. See Part I, Item 1A, "Risk Factors- We depend to a substantial extent on borrowings under our revolving credit agreement to fund our liquidity needs" and "-The terms of our debt limit how we conduct our business."

Our investigation of our previous operations in Mexico may expose the Company to other potential liabilities in addition to any potential liabilities under the FCPA and cause the Company to incur substantial expenses.

In addition to the FCPA implications of our internal investigation into our previous Mexico operations, as described in the preceding risk factor, our internal investigation may also uncover other material violations of federal and local laws, including but not limited to violations of tax laws and regulations. Any such violations could expose us to lawsuits and other liabilities under applicable law and have a material adverse effect on our business and our liquidity. Investigating, uncovering, and resolving these matters is expensive and continues to consume significant time and attention of the Company's senior management. In addition, we may incur substantial additional expenses responding to potential lawsuits and the results thereof could adversely affect our reputation and our ability to obtain new business or retain existing business from our current clients and potential clients, to attract and retain employees, and to access the capital markets.

We may suffer significant liability in connection with indemnification provisions of the stock purchase agreement pursuant to which we sold our Mexico subsidiaries.

In the second quarter of fiscal year 2019, we completed the sale of our two Mexico subsidiaries, WAC de Mexico and SWAC, to the Purchasers. Under the terms of the stock purchase agreement, we are obligated to indemnify the Purchasers for claims and liabilities relating to certain investigations of WAC de Mexico, SWAC, or the Sellers by the DOJ or the SEC that commenced prior to July 1, 2018. Any such indemnification claims could have a material adverse effect on our financial condition, including liquidity, and results of operations.

Litigation and regulatory actions, including challenges to the arbitration clauses in our customer agreements, could subject us to significant class actions, fines, penalties, judgments and requirements resulting in increased expenses and potential material adverse effects on our business, results of operations and financial condition.

In the normal course of business, from time to time, we have been involved in various legal actions, including arbitrations, class actions and other litigation, arising in connection with our business activities. All such legal proceedings are inherently unpredictable and, regardless of the merits of the claims, litigation is often expensive, time consuming, disruptive to our operations and resources, and distracting to management. If resolved against us, such legal proceedings could result in excessive verdicts and judgments, injunctive relief, equitable relief, and other adverse consequences that may affect our financial condition and how we operate our business. Similarly, if we settle such legal proceedings, it may affect our financial condition and how we operate our business. Future court decisions, alternative dispute resolution awards, business expansion or legislative activity may increase our exposure to litigation and regulatory investigations. In some cases, substantial non-economic remedies or punitive damages may be sought.

Although we maintain liability insurance coverage, there can be no assurance that such coverage will cover any particular verdict, judgment, or settlement that may be entered against us, that such coverage will prove to be adequate, or that such coverage will continue to remain available on acceptable terms, if at all. If in any legal proceeding we incur liability or defense costs that exceed our insurance coverage or that are not within the scope of our insurance coverage, it could have a material adverse effect on our business, financial condition, and results of operation.

Certain legal actions include claims for substantial compensatory and punitive damages, or claims for indeterminate amounts of damages. While the arbitration provisions in our customer agreements historically have limited our exposure to consumer

class action litigation, there can be no assurance that we will be successful in enforcing our arbitration clause in the future. There may also be legislative, administrative or regulatory efforts to directly or indirectly prohibit the use of pre-dispute arbitration clauses, or we may be compelled as a result of competitive pressure or reputational concerns to voluntarily eliminate pre-dispute arbitration clauses.

Unfavorable state legislation, executive orders, or regulatory actions, adverse outcomes in litigation or regulatory proceedings or failure to comply with existing laws and regulations could force us to cease, suspend or modify our operations in a state, potentially resulting in a material adverse effect on our business, results of operations and financial condition.

In addition to federal laws and regulations, we are subject to numerous state laws and regulations that affect our lending activities. Many of these regulations impose detailed and complex constraints on the terms of our loans, lending forms and operations. Failure to comply with applicable laws and regulations could subject us to regulatory enforcement action that could result in the assessment against us of civil, monetary, or other penalties, including the suspension or revocation of our licenses to lend in one or more jurisdictions.

As discussed elsewhere in this report, the Company's operations are subject to extensive state and federal laws and regulations, and changes in those laws or regulations or their application could have a material adverse effect on the Company's business, results of operations, prospects or ability to continue operations in the jurisdictions affected by these changes. See Part I, Item 1, "Business-Government Regulation-State Legislation" and "Federal Legislation," and Part I, Item 1A, "Risk Factors," for more information regarding this legislation and related risks.

Passage of adverse legislation, such as rate caps on financial lending products or similar initiatives, in any of the states in which we operate could have a material adverse effect on the Company's business, results of operations, prospects, or ability to continue operations in the jurisdictions affected by such changes. We can give no assurance that the laws and regulations that govern our business, or the interpretation or administration of those laws and regulations, will remain unchanged or that any such future changes will not materially and adversely affect or in the worst case, eliminate the Company's lending practices, operations, profitability, or prospects.

In addition, any adverse change in existing laws or regulations, or any adverse interpretation or litigation relating to existing laws and regulations in any state in which we operate, could subject us to liability for prior operating activities or could lower or eliminate the profitability of our operations going forward by, among other things, reducing the amount of interest and fees we can charge in connection with our loans. If these or other factors lead us to close our branches in a state, then in addition to the loss of net revenues attributable to that closing, we would also incur closing costs such as lease cancellation payments and we would have to write off assets that we could no longer use. If we were to suspend rather than permanently cease our operations in a state, we may also have continuing costs associated with maintaining our branches and our employees in that state, with little or no revenues to offset those costs.

Changes in local laws and regulations or interpretations of local laws and regulations could negatively impact our business, results of operations, and financial condition.

In addition to state and federal laws and regulations, our business is subject to various local laws and regulations, such as local zoning regulations. Local zoning boards and other local governing bodies have been increasingly restricting the permitted locations of consumer finance companies. Any future actions taken to require special use permits for or impose other restrictions on our ability to provide products could adversely affect our ability to expand our operations or force us to attempt to relocate existing branches. If we were forced to relocate any of our branches, in addition to the costs associated with the relocation, we may be required to hire new employees in the new areas, which may adversely impact the operations of those branches. Relocation of an existing branch may also hinder our collection abilities, as our business model relies in part on the locations of our branches being close to where our customers live in order to successfully collect on outstanding loans.

We may experience significant turnover in our senior management, and our business may be adversely affected by the transitions in our senior management team.

Executive leadership transitions can be inherently difficult to manage and may cause disruption to our business. In addition, management transition inherently causes some loss of institutional knowledge, which can negatively affect strategy and execution, and our results of operations and financial condition could be negatively impacted as a result. The loss of services of one or more other members of senior management, or the inability to attract qualified permanent replacements, could have a material adverse effect on our business. If we fail to successfully attract and appoint permanent replacements with the appropriate expertise, we could experience increased employee turnover and harm to our business, results of operations, cash flow and financial condition. The search for permanent replacements could also result in significant recruiting and relocation costs.

The departure, transition, or replacement of key personnel could significantly impact the results of our operations. If we cannot continue to hire and retain high-quality employees, our business and financial results may be negatively affected.

Our future success significantly depends on the continued service and performance of our key management personnel. Competition for these employees is intense. Our operating results could be adversely affected by higher employee turnover or increased salary and benefit costs. Like most businesses, our employees are important to our success and we are dependent in part on our ability to retain the services of our key management, operational, compliance, finance, and administrative personnel. We have built our business on a set of core values, and we attempt to hire employees who are committed to these values. We want to hire and retain employees who will fit our culture of compliance and of providing exceptional service to our customers. In order to compete and to continue to grow, we must attract, retain, and motivate employees, including those in executive, senior management, and operational positions. As our employees gain experience and develop their knowledge and skills, they become highly desired by other businesses. Therefore, to retain our employees, we must provide a satisfying work environment and competitive compensation and benefits. If costs to retain our skilled employees increase, then our business and financial results may be negatively affected.

Media and public characterization of consumer installment loans as being predatory or abusive could have a materially adverse effect on our business, prospects, results of operations and financial condition.

Consumer activist groups and various other media sources continue to advocate for governmental and regulatory action to prohibit or severely restrict our products and services. These critics frequently characterize our products and services as predatory or abusive toward consumers. If this negative characterization of the consumer installment loans we make and/or ancillary services we provide becomes widely accepted by government policy makers or is embodied in legislative, regulatory, policy or litigation developments that adversely affect our ability to continue offering our products and services or the profitability of these products and services, our business, results of operations and financial condition would be materially and adversely affected. Furthermore, our industry is highly regulated, and announcements regarding new or expected governmental and regulatory action regarding consumer lending may adversely impact perceptions of our business even if such actions are not targeted at our operations and do not directly impact us.

Damage to our reputation could negatively impact our business.

Maintaining a strong reputation is critical to our ability to attract and retain customers, investors, and employees. Harm to our reputation can arise from many sources, including employee misconduct, misconduct by third-party service providers or other vendors, litigation or regulatory actions, failure by us to meet minimum standards of service and quality, inadequate protection of customer information, and compliance failures. Negative publicity regarding our Company (or others engaged in a similar business or similar activities), whether or not accurate, may damage our reputation, which could have a material adverse effect on our business, results of operations, and financial condition.

Employee misconduct or misconduct by third parties acting on our behalf could harm us by subjecting us to monetary loss, significant legal liability, regulatory scrutiny, and reputational harm.

There is a risk that our employees or third-party contractors could engage in misconduct that adversely affects our business. For example, if an employee or a third-party contractor were to engage in, or be accused of engaging in, illegal or suspicious activities including fraud or theft, we could suffer direct losses from the activity. Additionally, we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial condition, customer relationships and ability to attract future customers. Employee or third-party misconduct could prompt regulators to allege or to determine based upon such misconduct that we have not established adequate supervisory systems and procedures to inform employees of applicable rules or to detect violations of such rules. Our branches have experienced employee fraud from time to time, and it is not always possible to deter employee or third-party misconduct. The precautions that we take to detect and prevent misconduct may not be effective in all cases. Misconduct by our employees or third-party contractors, or even unsubstantiated allegations of misconduct, could result in a material adverse effect on our reputation and our business.

Interest rate fluctuations may adversely affect our borrowing costs, profitability and liquidity.

Our profitability may be directly affected by the level of and fluctuations in interest rates, whether caused by changes in economic conditions or other factors that affect our borrowing costs. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Federal Reserve Board. Changes in monetary policy, including changes in interest rates, could influence the amount of interest we pay on our revolving credit facility or any other floating interest rate obligations we may incur. Our profitability and liquidity could be materially adversely affected during any period of higher interest rates. See Part II, Item 7A, “Quantitative and Qualitative Disclosure About Market Risk” for additional information regarding our interest rate risk.

We depend to a substantial extent on borrowings under our revolving credit agreement to fund our liquidity needs.

Our revolving credit agreement allows us to borrow up to \$685.0 million through June 7, 2022. Pursuant to the terms of our revolving credit agreement, we are required to comply with a number of covenants and conditions, including a minimum borrowing base calculation. If our existing sources of liquidity become insufficient to satisfy our financial needs or our access to these sources becomes unexpectedly restricted, we may need to try to raise additional capital in the future. If such an event were to occur, we can give no assurance that such alternate sources of liquidity would be available to us at all or on favorable terms. Additional information regarding our liquidity risk is included in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources.”

Our risk management efforts may not be effective.

We could incur substantial losses and our business operations could be disrupted if we are unable to effectively identify, manage, monitor, and mitigate financial risks, such as credit risk, interest rate risk, prepayment risk, liquidity risk, and other market-related risks, as well as regulatory and operational risks related to our business, assets, and liabilities. Our risk management policies, procedures, and techniques may not be sufficient to identify all of the risks we are exposed to, mitigate the risks we have identified, or identify additional risks to which we may become subject in the future.

Our current debt and any additional debt we may incur in the future could negatively impact our business, prevent us from satisfying our debt obligations and adversely affect our financial condition.

We may incur a substantial amount of debt in the future. As of March 31, 2020, we had approximately \$451.1 million of total debt outstanding and a total debt-to-equity ratio of approximately 1.1 to 1. The amount of debt we may incur in the future could have important consequences, including the following:

- our ability to obtain additional financing for working capital, debt refinancing, share repurchases or other purposes could be impaired;
- a substantial portion of our cash flows from operations will be dedicated to paying principal and interest on our debt, reducing funds available for other purposes;
- we may be vulnerable to interest rate increases, as borrowings under our revolving credit agreement bear interest at variable rates, as may any future debt that we incur;
- we may be at a competitive disadvantage to competitors that are not as highly leveraged;
- we could be more vulnerable to adverse developments in our industry or in general economic conditions;
- we may be restricted from taking advantage of business opportunities or making strategic acquisitions;
- we may be limited in our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- we may have difficulty satisfying our obligations under the debt if accelerated upon the occurrence of an event of default; and
- we may be more vulnerable to periods of negative or slow growth in the general economy or in our business.

In addition, meeting our anticipated liquidity requirements is contingent upon our continued compliance with our revolving credit agreement. An acceleration of our debt would have a material adverse effect on our liquidity and our ability to continue as a going concern. If our debt obligations increase, whether due to the increased cost of existing indebtedness or the incurrence of additional indebtedness, the consequences described above could be magnified.

Although the terms of our revolving credit agreement contain restrictions on our ability to incur additional debt, as well as any future debt that we incur, these restrictions are subject, or likely to be subject, in the case of any future debt, to exceptions that could permit us to incur a substantial amount of additional debt. In addition, our existing and future debt agreements will not prevent us from incurring certain liabilities that do not constitute indebtedness as defined for purposes of those debt agreements. If new debt or other liabilities are added to our current debt levels, the risks associated with our having substantial debt could intensify. As of March 31, 2020, we had \$180.2 million available for borrowing under our revolving credit agreement, subject to borrowing base limitations and other specified terms and conditions.

We may not be able to generate sufficient cash flows to service our outstanding debt and fund operations and may be forced to take other actions to satisfy our obligations under such debt.

Our ability to make scheduled payments on the principal of, to pay interest on, or to refinance our indebtedness will depend in part on our cash flows from operations, which are subject to regulatory, economic, financial, competitive, and other factors beyond our control. We may not generate a level of cash flows from operations sufficient to permit us to meet our debt service obligations. If we are unable to generate sufficient cash flows from operations to service our debt, we may be required to sell

assets, refinance all or a portion of our existing debt, obtain additional financing, or obtain additional equity capital on terms that may be onerous or highly dilutive. There can be no assurance that any refinancing will be possible or that any asset sales or additional financing can be completed on acceptable terms or at all.

The terms of our debt limit how we conduct our business.

Our revolving credit agreement contains covenants that restrict our ability to, among other things:

- incur and guarantee debt;
- pay dividends or make other distributions on or redeem or repurchase our stock;
- make investments or acquisitions;
- create liens on our assets;
- sell assets;
- merge with or into other companies;
- enter into transactions with shareholders and other affiliates; and
- make capital expenditures.

Our revolving credit agreement also imposes requirements that we maintain specified financial measures not in excess of, or not below, specified levels. In particular, our revolving credit agreement requires, among other things, that we maintain (i) at all times a specified minimum consolidated net worth, (ii) as of the end of each fiscal quarter, a minimum ratio of consolidated net income available for fixed charges for the period of four consecutive fiscal quarters most recently ended to consolidated fixed charges for that period of not less than a specified minimum, (iii) at all times a specified maximum ratio of total debt to consolidated adjusted net worth and (iv) at all times a specified ratio of subordinated debt to consolidated adjusted net worth. These covenants limit the manner in which we can conduct our business and could prevent us from engaging in favorable business activities or financing future operations and capital needs and impair our ability to successfully execute our strategy and operate our business.

A breach of any of the covenants in our revolving credit agreement would result in an event of default thereunder. Any event of default would permit the creditors to accelerate the related debt, which could also result in the acceleration of any other or future debt containing a cross-acceleration or cross-default provision. In addition, an event of default under our revolving credit agreement would permit the lenders thereunder to terminate all commitments to extend further credit under the revolving credit agreement. Furthermore, if we were unable to repay the amounts due and payable under the revolving credit agreement or any other secured debt we may incur, the lenders thereunder could cause the collateral agent to proceed against the collateral securing that debt. In the event our creditors accelerate the repayment of our debt, there can be no assurance that we would have sufficient assets to repay that debt, and our financial condition, liquidity and results of operations would suffer. Additional information regarding our revolving credit facility is included in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources.”

Changes in federal, state and local tax law, interpretations of existing tax law, or adverse determinations by tax authorities, could increase our tax burden or otherwise adversely affect our financial condition or results of operations.

We are subject to taxation at the federal, state and local levels. Furthermore, we are subject to regular review and audit by tax authorities. While we believe our tax positions will be sustained, the final outcome of tax audits and related litigation may differ materially from the tax amounts recorded in our Consolidated Financial Statements, which could adversely impact our cash flows and financial results.

The conditions of the U.S. and international capital markets may adversely affect lenders with which we have relationships, causing us to incur additional costs and reducing our sources of liquidity, which may adversely affect our financial position, liquidity and results of operations.

Turbulence in the global capital markets can result in disruptions in the financial sector and affect lenders with which we have relationships, including members of the syndicate of banks that are lenders under our revolving credit agreement. Disruptions in the financial sector may increase our exposure to credit risk and adversely affect the ability of lenders to perform under the terms of their lending arrangements with us. Failure by our lenders to perform under the terms of our lending arrangements could cause us to incur additional costs that may adversely affect our liquidity, financial condition, and results of operations. There can be no assurance that future disruptions in the financial sector will not occur that could have adverse effects on our business. Additional information regarding our liquidity and related risks is included in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources.”

We are exposed to credit risk in our lending activities.

Our ability to collect on loans to individuals, our single largest asset group, depends on the ability and willingness of our borrowers to repay such loans. Any material adverse change in the ability or willingness of a significant portion of our borrowers to meet their obligations to us, whether due to changes in economic conditions, unemployment rates, the cost of consumer goods (particularly, but not limited to, food and energy costs), disposable income, interest rates, health crises, natural disasters, acts of war or terrorism, political or social conditions, divorce, death, or other causes over which we have no control, would have a material adverse impact on our earnings and financial condition. Although new customers are required to submit a listing of personal property that will serve as collateral to secure their loans, the Company does not rely on the value of such collateral in the loan approval process and generally does not perfect its security interest in that collateral. Additional information regarding our credit risk is included in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operation-Credit Quality.”

Our insurance operations are subject to a number of risks and uncertainties, including claims, catastrophic events, underwriting risks and dependence on a primary distribution channel.

Insurance claims and policyholder liabilities are difficult to predict and may exceed the related reserves set aside for claims (losses) and associated expenses for claims adjudication (loss adjustment expenses). Additionally, events such as cyber security breaches and other types of catastrophes, and prolonged economic downturns, could adversely affect our financial condition and results of operations. Other risks relating to our insurance operations include changes to laws and regulations applicable to us, as well as changes to the regulatory environment, such as: changes to laws or regulations affecting capital and reserve requirements; frequency and type of regulatory monitoring and reporting; consumer privacy, use of customer data and data security; benefits or loss ratio requirements; insurance producer licensing or appointment requirements; required disclosures to consumers; and collateral protection insurance (i.e., insurance some of our lender companies purchase, at the customer’s expense, on that customer’s loan collateral for the periods of time the customer fails to adequately, as required by his loan, insure his collateral).

If our estimates of loan losses are not adequate to absorb actual losses, our provision for loan losses would increase, which would adversely affect our results of operations.

To estimate the appropriate level of allowance for loan losses, we consider known and relevant internal and external factors that affect loan collectability, including the total amount of loan receivables outstanding, historical loan receivable charge-offs, our current collection patterns, and economic trends. Our methodology for establishing our allowance for loan losses is based on the guidance in ASC 450, Contingencies, and, in part, on our historic loss experience. If customer behavior changes as a result of economic, political, or social conditions, or if we are unable to predict how these conditions may affect our allowance for loan losses, our allowance for loan losses may be inadequate. Our allowance for loan losses is an estimate, and if actual loan losses are materially greater than our allowance for loan losses, our provision for loan losses would increase, which would result in a decline in our future earnings, and thus our results of operations could be adversely affected. Neither state regulators nor federal regulators regulate our allowance for loan losses. Additional information regarding our allowance for loan losses is included in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Credit Quality.”

In June of 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (CECL). This ASU significantly changes the way that entities will be required to measure credit losses. The new standard requires that the estimated credit loss be based upon an “expected credit loss” approach rather than the “incurred loss” approach currently required. The new approach will require entities to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable forecasts of collectability. It is anticipated that the expected credit loss model may require earlier recognition of credit losses than the incurred loss approach. CECL became effective for the Company April 1, 2020. We currently expect the adoption of CECL will result in an increase of approximately \$14.5 million to \$26.2 million in our allowance for loan losses. See Note 1 of the Notes to Consolidated Financial Statements included in this report for more information on this new accounting standard.

The concentration of our revenues in certain states could adversely affect us.

We currently operate consumer installment loan branches in sixteen states in the United States. Any adverse legislative or regulatory change in any one of our states, but particularly in any of our larger states could have a material adverse effect on our business, prospects, and results of operation or financial condition. See Part I, Item 1, “Description of Business” for information regarding the size of our business in the various states in which we operate.

We have goodwill, which is subject to periodic review and testing for impairment.

At March 31, 2020 our total assets contained \$7.4 million of goodwill. Under GAAP, goodwill is subject to periodic review and testing to determine if it is impaired. Unfavorable trends in our industry and unfavorable events or disruptions to our operations resulting from adverse legislative or regulatory actions or from other unpredictable causes could result in goodwill impairment charges.

If we fail to maintain appropriate controls and procedures, we may not be able to accurately report our financial results, which could have a material adverse effect on our operations, financial condition, and the trading price of our common stock.

We are required to maintain disclosure controls and procedures and internal control over financial reporting. Section 404(a) of the Sarbanes Oxley Act requires us to include in our annual reports on Form 10-K an assessment by management of the effectiveness of our internal control over financial reporting. Section 404(b) of the Sarbanes Oxley Act requires us to engage our independent registered public accounting firm to attest to the effectiveness of our internal control over financial reporting. We expect to incur significant expenses and to devote resources to Section 404 compliance on an ongoing basis. It is difficult for us to predict how long it will take or costly it will be to complete the assessment of the effectiveness of our internal control over financial reporting for each year and to remediate any deficiencies in our internal control over financial reporting.

If we identify a material weakness in our controls and procedures, our ability to record, process, summarize, and report financial information accurately and within the time periods specified in the rules and forms of the SEC could be adversely affected. In addition, remediation of a material weakness would require our management to devote significant time and incur significant expense. A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. If we are unable to maintain effective controls and procedures we could lose investor confidence in the accuracy and completeness of our financial reports, and we may be subject to investigation or sanctions by the SEC. Any such consequence or other negative effect could adversely affect our operations, financial condition, and the trading price of our common stock.

Regular turnover among our managers and other employees at our branches makes it more difficult for us to operate our branches and increases our costs of operations, which could have an adverse effect on our business, results of operations and financial condition.

The annual turnover as of March 31, 2020 among our branch employees was approximately 32.7%. This turnover increases our cost of operations and makes it more difficult to operate our branches. If we are unable to keep our employee turnover rates consistent with historical levels or if unanticipated problems arise from our high employee turnover, our business, results of operations, and financial condition could be adversely affected.

We may be unable to execute our business strategy due to current economic conditions.

Our financial position, liquidity, and results of operations depend on management's ability to execute our business strategy. Key factors involved in the execution of our business strategy include achieving our desired loan volume and pricing strategies, the use of effective credit risk management techniques, marketing and servicing strategies, continued investment in technology to support operating efficiency, and continued access to funding and liquidity sources. Although our pricing strategy is intended to maximize the amount of economic profit we generate, within the confines of capital and infrastructure constraints, there can be no assurance that this strategy will have its intended effect. Our failure or inability to execute any element of our business strategy could materially adversely affect our financial position, liquidity, and results of operations.

Our ability to execute our growth strategy may be adversely affected.

Our growth strategy includes opening and acquiring branches in existing and new markets and is subject to significant risks, some of which are beyond our control, including:

- the prevailing laws and regulatory environment of each state in which we operate or seek to operate, and, to the extent applicable, federal laws and regulations, which are subject to change at any time;
- our ability to obtain and maintain any regulatory approvals, government permits, or licenses that may be required;
- the degree of competition in new markets and its effect on our ability to attract new customers;
- our ability to obtain adequate financing for our expansion plans; and
- our ability to attract, train, and retain qualified personnel to staff our new operations.

We currently lack product and business diversification; as a result, our revenues and earnings may be disproportionately negatively impacted by external factors and may be more susceptible to fluctuations than more diversified companies.

Our primary business activity is offering small consumer installment loans together with, in some states in which we operate, related ancillary products. Thus, any developments, whether regulatory, economic or otherwise, that would hinder, reduce the profitability of, or limit our ability to operate our small consumer installment loan business on the terms currently conducted would have a direct and adverse impact on our business, profitability, and perhaps even our viability. Our current lack of product and business diversification could inhibit our opportunities for growth, reduce our revenues and profits, and make us more susceptible to earnings fluctuations than many other financial institutions whose operations are more diversified.

A reduction in demand for our products and a failure by us to adapt to such reduction could adversely affect our business and results of operations.

The demand for the products we offer may be reduced due to a variety of factors, such as demographic patterns, changes in customer preferences or financial condition, regulatory restrictions that decrease customer access to particular products, or the availability of competing products, including through alternative or competing marketing channels. For example, we are highly dependent upon selecting and maintaining attractive branch locations. These locations are subject to local market conditions, including the employment available in the area, housing costs, traffic patterns, crime, and other demographic influences, any of which may quickly change, thereby negatively impacting demand for our products in the area. Should we fail to adapt to significant changes in our customers' demand for, or access to, our products, our revenues could decrease significantly and our operations could be harmed. Even if we do make changes to existing products or introduce new products and channels to fulfill customer demand, customers may resist or may reject such products. Moreover, 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, and by that time it may be too late to make further modifications to such product without causing further harm to our business, results of operations, and financial condition.

We operate in a highly competitive market, and we cannot ensure that the competitive pressures we face will not have a material adverse effect on our results of operations, financial condition and liquidity.

The consumer lending industry is highly competitive. We compete with other consumer finance companies as well as other types of financial institutions that offer similar consumer financial products and services. Some of these competitors may have greater financial, technical, and marketing resources than we possess. Some competitors may also have a lower cost of funds and access to funding sources that may not be available to us. While banks and credit card companies have decreased their lending to non-prime customers in recent years, there is no assurance that such lenders will not resume those lending activities. Further, because of increased regulatory pressure on payday lenders, many of those lenders are starting to make more traditional installment consumer loans in order to reduce regulatory scrutiny of their practices, which could increase competition in markets in which we operate. We cannot be sure that the competitive pressures we face will not have a material adverse effect on our results of operations, financial condition, and liquidity.

We depend on secure information technology, and a breach of those systems or those of third-party vendors could result in significant losses, unauthorized disclosure of confidential customer information, and reputational damage, which could materially adversely affect our business, financial condition and/or results of operations, and could lead to significant financial and legal exposure.

Our operations rely heavily on the secure collection, processing, storage, and transmission of personal, confidential, and other information about us, our customers and third parties with which we do business. We process a significant number of customer transactions on a continuous basis through our computer systems and networks and are subject to increasingly more risk related to security systems as we enhance our mobile payment technologies and otherwise attempt to keep pace with rapid technological changes in the financial services industry.

While we commit resources to the design, implementation, maintenance, and monitoring of our networks and systems, we may be required to expend significant additional resources in the future to modify and enhance our security controls in response to new or more sophisticated threats, new regulations related to cybersecurity and other developments. Additionally, there is no guarantee that our security controls can provide absolute security.

Despite the measures we implement to protect our systems and data, we may not be able to anticipate, identify, prevent or detect cyber-attacks, particularly because the techniques used by attackers change frequently or are not recognized until launched, and because cyber-attacks can originate from a wide variety of sources, including third parties who are or may be involved in organized crime or linked to terrorist organizations or hostile foreign governments. Such third parties may seek to gain unauthorized access to our systems directly, by fraudulently inducing employees, customers, or other users of our systems, or by using equipment or security passwords belonging to employees, customers, third-party service providers, or other users

of our systems. Or, they may seek to disrupt or disable our services through attacks such as denial-of-service attacks and ransomware attacks. In addition, we may be unable to identify, or may be significantly delayed in identifying, cyber-attacks and incidents due to the increasing use of techniques and tools that are designed to circumvent controls, to avoid detection, and to remove or obfuscate forensic artifacts. As a result, our computer systems, software and networks, as well as those of third-party vendors we utilize, may be vulnerable to unauthorized access, computer viruses, malicious attacks and other events that could have a security impact beyond our control. Our staff, technologies, systems, networks, and those of third-parties we utilize also may become the target of cyber-attacks, unauthorized access, malicious code, computer viruses, denial of service attacks, ransomware, and physical attacks that could result in information security breaches, the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our customers' confidential, proprietary and other information, or otherwise disrupt our or our customers' operations. We also routinely transmit and receive personal, confidential and proprietary information through third parties, which may be vulnerable to interception, misuse, or mishandling.

If one or more of such events occur, personal, confidential, and other information processed and stored in, and transmitted through our computer systems and networks, or those of third-party vendors, could be compromised or could cause interruptions or malfunctions in our operations that could result in significant losses, loss of confidence by and business from customers, customer dissatisfaction, significant litigation, regulatory exposures, and harm to our reputation and brand.

In the event personal, confidential, or other information is threatened, intercepted, misused, mishandled, or compromised, we may be required to expend significant additional resources to modify our protective measures, to investigate the circumstances surrounding the event, and implement mitigation and remediation measures. We also may be subject to fines, penalties, litigation (including securities fraud class action lawsuits), and regulatory investigation costs and settlements and financial losses that are either not insured against or not fully covered through any insurance maintained by us. If one or more of such events occur, our business, financial condition and/or results of operations could be significantly and adversely affected.

Any interruption of our information systems could adversely affect us.

Our business and reputation may be materially impacted by information system failures or network disruptions. We rely heavily on communications and information systems to conduct our business. Each branch is part of an information network that is designed to permit us to maintain adequate cash inventory, reconcile cash balances on a daily basis, and report revenues and expenses to our headquarters. Any failure or interruption of these systems, including any failure of our back-up systems, network outages, slow performance, breaches, unauthorized access, misuse, computer viruses, or other failures or disruptions could result in disruption to our business or the loss or theft of confidential information, including customer information. A disruption could impair our ability to offer and process our loans, provide customer service, perform collections or other necessary business activities, which could result in a loss of customer confidence or business, subject us to additional regulatory scrutiny or negative publicity, or expose us to civil litigation and possible financial liability, or otherwise materially adversely affect our financial condition and operating results. Furthermore, we may not be able to detect immediately any such breach, which may increase the losses that we would suffer. In addition, our existing insurance policies may not reimburse us for all of the damages that we might incur as a result of a breach.

We may not be able to make technological improvements as quickly as some of our competitors, which could harm our ability to compete with our competitors and adversely affect our results of operations, financial condition, and liquidity.

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial and lending institutions to better serve customers and reduce costs. Our future success and, in particular, the success of our centralized operations, will depend, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience, as well as to create additional efficiencies in our operations. We may not be able to effectively implement new technology-driven products and services as quickly as some of our competitors or be successful in marketing these products and services to our existing and new customers. Failure to successfully keep pace with technological change affecting the financial services industry could harm our ability to compete with our competitors and adversely affect our results of operations, financial condition, and liquidity.

We are subject to data privacy laws, which may significantly increase our compliance and technology costs resulting in a material adverse effect on our results of operations and financial condition.

We are subject to various federal and state privacy, data protection, and information security laws and regulations, including requirements concerning security breach notification. Moreover, various federal and state regulatory agencies require us to notify customers in the event of a security breach. Federal and state legislators are increasingly pursuing new guidance, laws, and regulations. Compliance with current or future privacy, data protection and information security laws affecting customer or employee data to which we are subject could result in higher compliance and technology costs and could materially and

adversely affect our profitability. Our failure to comply with privacy, data protection and information security laws may require us to change our business practices or operational structure, and could subject us to potentially significant regulatory and/or governmental investigations and/or actions, litigation, fines, sanctions, and damage to our reputation.

We are also subject to the theft or misuse of physical customer and employee records at our facilities.

Our branch offices and centralized headquarters have physical and electronic customer records necessary for day-to-day operations that contain extensive confidential information about our customers. We also retain physical records in various storage locations. The loss or theft of customer information and data from our branch offices, headquarters, or other storage locations could subject us to additional regulatory scrutiny and penalties and could expose us to civil litigation and possible financial liability, which could have a material adverse effect on our results of operations, financial condition and liquidity. In addition, if we cannot locate original documents (or copies, in some cases) for certain finance receivables, we may not be able to collect on those finance receivables.

Our off-site data center and centralized IT functions are susceptible to disruption by catastrophic events, which could have a material adverse effect on our business, results of operations, and financial condition.

Our information systems, and administrative and management processes could be disrupted if a catastrophic event, such as severe weather, natural disaster, power outage, act of terror or similar event, destroyed or severely damaged our infrastructure. Any such catastrophic event or other unexpected disruption of our headquarters functions or off-site data center could have a material adverse effect on our business, results of operations, and financial condition.

Absence of dividends could reduce our attractiveness to investors.

Since 1989, we have not declared or paid cash dividends on our common stock and may not pay cash dividends in the foreseeable future. As a result, our common stock may be less attractive to certain investors than the stock of dividend-paying companies. Investors may need to rely on sales of their common stock after price appreciation, which may not occur, as the only way to realize future gains on their investment.

Various provisions of our charter documents and applicable laws could delay or prevent a change of control that shareholders may favor.

Provisions of our articles of incorporation, South Carolina law, and the laws in several of the states in which our operating subsidiaries are incorporated could delay or prevent a change of control that the holders of our common stock may favor or may impede the ability of our shareholders to change our management. In particular, our articles of incorporation and South Carolina law, among other things, authorize our board of directors to issue preferred stock in one or more series, without shareholder approval, and will require the affirmative vote of holders of two-thirds of our outstanding shares of voting stock, to approve our merger or consolidation with another corporation. Additional information regarding the similar effect of laws in certain states in which we operate is described in Part 1, Item 1, "Description of Business - Government Regulation."

Overall stock market volatility may materially and adversely affect the market price of our common stock.

The Company's common stock price has been and is likely to continue to be subject to significant volatility. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market, or political conditions, could reduce the market price of shares of our common stock in spite of our operating performance. Additionally, a variety of factors could cause the price of the common stock to fluctuate, perhaps substantially, including: general market fluctuations resulting from factors not directly related to the Company's operations or the inherent value of its common stock; state or federal legislative or regulatory proposals, initiatives, actions or changes that are, or are perceived to be, adverse to our operations or the broader consumer finance industry in general; announcements of developments related to our business; fluctuations in our operating results and the provision for loan losses; low trading volume in our common stock; decreased availability of our common stock resulting from stock repurchases and concentrations of ownership by large or institutional investors; general conditions in the financial service industry, the domestic or global economy or the domestic or global credit or capital markets; changes in financial estimates by securities analysts; our failure to meet the expectations of securities analysts or investors; negative commentary regarding our Company and corresponding short-selling market behavior; adverse developments in our relationships with our customers; investigations or legal proceedings brought against the Company or its officers; or significant changes in our senior management team.

Changes to accounting rules, regulations or interpretations could significantly affect our financial results.

New accounting rules or regulations, changes to existing accounting rules or regulations, and changing interpretations of existing rules and regulations have been issued or occurred and may continue to be issued or occur in the future. Our methodology for valuing our receivables and otherwise accounting for our business is subject to change depending upon the changes in, and interpretation of, accounting rules, regulations, or interpretations. Any such changes to accounting rules, regulations, or interpretations could negatively affect our reported results of operations and could negatively affect our financial condition through increased cost of compliance.

In June of 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (CECL). This ASU significantly changes the way that entities will be required to measure credit losses. The new standard requires that the estimated credit loss be based upon an “expected credit loss” approach rather than the “incurred loss” approach currently required. The new approach will require entities to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable forecasts of collectability. It is anticipated that the expected credit loss model may require earlier recognition of credit losses than the incurred loss approach. CECL became effective for the Company April 1, 2020. We currently expect the adoption of CECL will result in an increase of approximately \$14.5 million to \$26.2 million in our allowance for loan losses. See Note 1 of the Notes to Consolidated Financial Statements included in this report for more information on this new accounting standard.

If assumptions or estimates we use in preparing our financial statements are incorrect or are required to change, our reported results of operations and financial condition may be adversely affected.

We are required to use certain assumptions and estimates in preparing our financial statements under GAAP, including in determining allowances for credit losses, the fair value of financial instruments, asset impairment, reserves related to litigation and other legal matters, the fair value of share-based compensation, valuation of income, and other taxes and regulatory exposures. In addition, significant assumptions and estimates are involved in determining certain disclosures required under GAAP, including those involving the fair value of our financial instruments. If the assumptions or estimates underlying our financial statements are incorrect, the actual amounts realized on transactions and balances subject to those estimates will be different, and this could have a material adverse effect on our results of operations and financial condition.

In addition, the FASB is currently reviewing or proposing changes to several financial accounting and reporting standards that govern key aspects of our financial statements, including areas where assumptions or estimates are required. As a result of changes to financial accounting or reporting standards, whether promulgated or required by the FASB or other regulators, we could be required to change certain of the assumptions or estimates we previously used in preparing our financial statements, which could negatively impact how we record and report our results of operations and financial condition generally.

A small number of our shareholders have the ability to significantly influence matters requiring shareholder approval and such shareholders have interests which may conflict with the interests of our other security holders.

As of March 31, 2020, based on filings made with the SEC and other information made available to us, Prescott General Partners, LLC and its affiliates beneficially owned approximately 35.0% of our common stock. As a result, these few shareholders are able to significantly influence matters presented to shareholders, including the election and removal of directors, the approval of significant corporate transactions, such as any reclassification, reorganization, merger, consolidation or sale of all or substantially all of our assets, and the control of our management and affairs, including executive compensation arrangements. Their interests may conflict with the interests of our other security holders.

The future issuance of additional shares of our common stock in connection with potential acquisitions or otherwise will dilute all other shareholders.

Except in certain circumstances, we are not restricted from issuing additional shares of common stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. The market price of shares of our common stock could decline as a result of sales of a large number of shares of common stock in the market or the perception that such sales could occur. We intend to continue to evaluate acquisition opportunities and may issue shares of common stock in connection with these acquisitions. Any shares of common stock issued in connection with acquisitions, the exercise of outstanding stock options, or otherwise would dilute the percentage ownership held by our existing shareholders.

Our use of third-party vendors is subject to regulatory review.

The CFPB and other regulators have issued regulatory guidance focusing on the need for financial institutions to perform due diligence and ongoing monitoring of third-party vendor relationships, which increases the scope of management involvement

and decreases the benefit that we receive from using third-party vendors. Moreover, if our regulators conclude that we have not met the standards for oversight of our third-party vendors, we could be subject to enforcement actions, civil monetary penalties, supervisory orders to cease and desist or other remedial actions, which could have a materially adverse effect on our business, reputation, financial condition and operating results. Further, federal and state regulators have been scrutinizing the practices of lead aggregators and providers recently. If regulators place restrictions on certain practices by lead aggregators or providers, our ability to use them as a source for applicants could be affected.

Initiating and processing potential acquisitions may be unsuccessful or difficult, leading to losses and increased delinquencies, which could have a material adverse effect on our results of operations.

We have previously acquired, and in the future may acquire, assets or businesses, including large portfolios of finance receivables, either through the direct purchase of such assets or the purchase of the equity of a company with such a portfolio. Since we will not have originated or serviced the loans we acquire, we may not be aware of legal or other deficiencies related to origination or servicing, and our due diligence efforts of the acquisition prior to purchase may not uncover those deficiencies. Further, we may have limited recourse against the seller of the portfolio.

In pursuing these transactions, we may experience, among other things:

- overvaluing potential targets;
- difficulties in integrating any acquired companies or branches into our existing business, including integration of account data into our information systems;
- inability to realize the benefits we anticipate in a timely fashion, or at all;
- unexpected losses due to the acquisition of loan portfolios with loans originated using less stringent underwriting criteria;
- significant costs, charges, or write-downs; or
- unforeseen operating difficulties that require significant financial and managerial resources that would otherwise be available for the ongoing development and expansion of our existing operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

In January 2020, the Company moved into its new corporate headquarters located at 104 S. Main Street in Greenville, South Carolina. The Company leases approximately 45,000 square feet at this location. This lease expires on November 30, 2029 and includes two five-year options. The Company's previous corporate headquarters, which consists of approximately 42,000 square feet in Greenville, South Carolina, was classified as held for sale as of March 31, 2020.

The Company owns all of the furniture, fixtures and computer terminals located in each of its branches. As of March 31, 2020, the Company had 1,243 branches, most of which are generally leased pursuant to three- to five-year operating leases. During the fiscal year ended March 31, 2020, total lease expense was approximately \$26.4 million, or an average of approximately \$21.5 thousand per branch. The Company's leases generally provide for an initial three- to five-year term with renewal options. The Company's branches are typically located in shopping centers, malls and the first floors of downtown buildings. Branches generally have an average size of 1,603 square feet.

Item 3. Legal Proceedings

Mexico Investigation

As previously disclosed, the Company retained outside legal counsel and forensic accountants to conduct an investigation of its operations in Mexico, focusing on the legality under the FCPA, and certain local laws of certain payments related to loans, the maintenance of the Company's books and records associated with such payments, and the treatment of compensation matters for certain employees.

The investigation addressed whether and to what extent improper payments, which may violate the FCPA and other local laws, were made approximately between 2010 and 2017 by or on behalf of WAC de Mexico, to government officials in Mexico relating to loans made to unionized employees. The Company voluntarily contacted the SEC and the DOJ in June 2017 to

advise both agencies that an internal investigation was underway and that the Company intended to cooperate with both agencies. The Company has and will continue to cooperate with both agencies. The SEC has issued a formal order of investigation.

There have been ongoing discussions with the SEC regarding the possible resolution of these matters. The discussions with the SEC have progressed to a point that the Company can now reasonably estimate a probable loss and has recorded an aggregate accrual of \$21.7 million with respect to the SEC matters as of March 31, 2020. As the discussions with the SEC are continuing, there can be no assurance that the Company's efforts to reach a final resolution with the SEC will be successful or, if they are, what the timing or terms of such resolution will be. The Company has no offer of settlement or resolution with the DOJ at this time. The total amount of the Company's loss incurred in connection with the investigation and any resolution thereof, including those amounts which remain subject to approval by the SEC, may be higher than the amount of the accrual.

If violations of the FCPA or other local laws occurred, the Company could be subject to fines, civil and criminal penalties, equitable remedies, including profit disgorgement and related interest, and injunctive relief. In addition, any disposition of these matters could adversely impact our access to debt financing and capital funding and result in further modifications to our business practices and compliance programs. Any disposition could also potentially require that a monitor be appointed to review future business practices with the goal of ensuring compliance with the FCPA and other applicable laws. The Company could also face fines, sanctions, and other penalties from authorities in Mexico, as well as third-party claims by shareholders and/or other stakeholders of the Company. In addition, disclosure of the investigation or its ultimate disposition could adversely affect the Company's reputation and its ability to obtain new business or retain existing business from its current customers and potential customers, to attract and retain employees, and to access the capital markets. If it is determined that a violation of the FCPA or other laws has occurred, such violation may give rise to an event of default under the Company's credit agreement if such violation were to have a material adverse effect on the Company's business, operations, properties, assets, or condition (financial or otherwise) or if the amount of any settlement, penalties, fines, or other payments resulted in the Company failing to satisfy any financial covenants. Additional potential FCPA violations or violations of other laws or regulations may be uncovered through the investigation. See Part I, Item 1A, "Risk Factors-We may be exposed to liabilities under the FCPA, and any determination that the Company or any of its subsidiaries has violated the FCPA could have a material adverse effect on our business and liquidity" and "-Our investigation of our previous operations in Mexico may expose the Company to other potential liabilities in addition to any potential liabilities under the FCPA and cause the Company to incur substantial expenses."

Further, under the terms of the stock purchase agreement among the Company and the Purchasers in connection with the sale of our Mexico operations, we are obligated to indemnify the Purchasers for claims and liabilities relating to certain investigations of our former Mexico operations, the Company, and its affiliates by the DOJ or the SEC that commenced prior to July 1, 2018. Any such indemnification claims could have a material adverse effect on our financial condition, including liquidity, and results of operations.

General

In addition, from time to time the Company is involved in litigation matters relating to claims arising out of its operations in the normal course of business.

Estimating an amount or range of possible losses resulting from litigation, government actions, and other legal proceedings is inherently difficult and requires an extensive degree of judgment, particularly where the matters involve indeterminate claims for monetary damages, may involve fines, penalties, or damages that are discretionary in amount, involve a large number of claimants or significant discretion by regulatory authorities, represent a change in regulatory policy or interpretation, present novel legal theories, are in the early stages of the proceedings, are subject to appeal or could result in a change in business practices. In addition, because most legal proceedings are resolved over extended periods of time, potential losses are subject to change due to, among other things, new developments, changes in legal strategy, the outcome of intermediate procedural and substantive rulings and other parties' settlement posture and their evaluation of the strength or weakness of their case against us. For these reasons, we are currently unable to predict the ultimate timing or outcome of, or reasonably estimate the possible losses or a range of possible losses resulting from, the matters described above. Based on information currently available, the Company does not believe that any reasonably possible losses arising from currently pending legal matters will be material to the Company's results of operations or financial conditions. However, in light of the inherent uncertainties involved in such matters, an adverse outcome in one or more of these matters could materially and adversely affect the Company's financial condition, results of operations or cash flows in any particular reporting period.

Item 4. Mine Safety Disclosures

None.

PART II.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Since November 26, 1991, the Company's common stock has traded on NASDAQ and is currently listed on the NASDAQ Global Select Market ("NASDAQ") under the symbol WRLD.

Holdings

As of May 15, 2020, there were 30 holders of record of our common stock and a significant number of persons or entities who hold their stock in nominee or "street" names through various brokerage firms.

Dividends

Since April 1989, the Company has not declared or paid any cash dividends on its common stock. Its policy has been to retain earnings for use in its business and selectively use cash to repurchase its common stock on the open market. In addition, the Company's credit agreements contain certain restrictions on the payment of cash dividends on its capital stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources." In the future, the Company's Board of Directors may determine whether to pay cash dividends based on conditions then existing, including the Company's earnings, financial condition, capital requirements and other relevant factors.

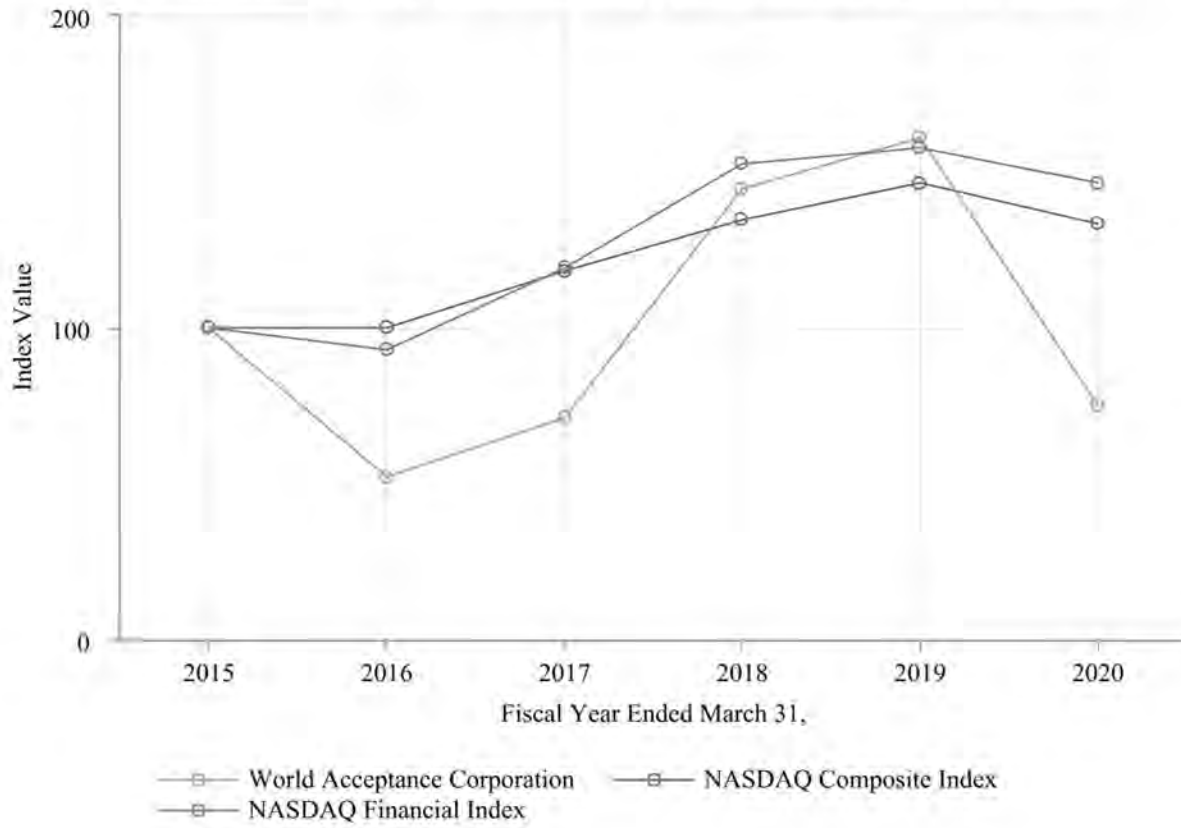
Issuer Purchases of Equity Securities

Since 1996, the Company has repurchased approximately 20.4 million shares for an aggregate purchase price of approximately \$1.13 billion. On March 12, 2020, the Board of Directors authorized the Company to repurchase up to \$30.0 million of the Company's outstanding common stock, inclusive of the amount that remains available for repurchase under prior repurchase authorizations. As of March 31, 2020, the Company had \$22.6 million in aggregate remaining repurchase capacity. The timing and actual number of shares repurchased will depend on a variety of factors, including the stock price, corporate and regulatory requirements, available funds, alternative uses of capital, restrictions under the revolving credit agreement, and other market and economic conditions. The Company's stock repurchase program may be suspended or discontinued at any time.

The repurchase authorization does not have a stated expiration date. The following table details purchases of the Company's common stock, if any, made by the Company during the three months ended March 31, 2020:

	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Approximate dollar value of shares that may yet be purchased under the plans or programs
January 1 through January 31, 2020	—	\$ —	—	\$ 10,030,853
February 1 through February 29, 2020	—	—	—	10,030,853
March 1 through March 31, 2020	128,499	57.47	128,499	22,614,804
Total for the quarter	128,499	\$ 57.47	128,499	

Comparison of Cumulative Total Return Between World Acceptance Corporation, NASDAQ Composite Index and NASDAQ Financial Index



Selected Consolidated Financial and Other Data

Item 6. Selected Financial Data

Selected Consolidated Financial and Other Data

(Amounts in thousands, except number of branches and per share information)

	Years Ended March 31,				
	2020	2019	2018	2017	2016
Statement of Operations Data:					
Interest and fee income	\$ 508,327	\$ 469,154	\$ 435,702	\$ 427,871	\$ 452,925
Insurance income, net and other income	81,702	75,389	66,967	62,951	62,376
Total revenues	590,029	544,543	502,669	490,822	515,301
Provision for loan losses	181,730	148,427	117,620	119,096	114,428
General and administrative expenses:	347,493	288,304	269,108	244,275	241,701
Interest expense	25,896	17,934	19,090	21,504	26,849
Total expenses	555,119	454,665	405,818	384,875	382,978
Income from continuing operations before income taxes	34,910	89,878	96,851	105,947	132,323
Income taxes	6,752	15,981	47,758	38,157	48,979
Income (loss) from discontinued operations	—	(36,662)	4,597	5,810	4,052
Net income	\$ 28,158	\$ 37,235	\$ 53,690	\$ 73,600	\$ 87,396
Net income per common share from continuing operations (basic)	\$ 3.66	\$ 8.22	\$ 5.58	\$ 7.79	\$ 9.65
Basic weighted average shares	7,688	8,994	8,791	8,706	8,636
Net income per common share from continuing operations (diluted)	\$ 3.54	\$ 8.03	\$ 5.48	\$ 7.72	\$ 9.59
Diluted weighted average shares	7,953	9,204	8,959	8,778	8,692
Balance Sheet Data (end of period):					
Loans receivable, net of unearned interest, insurance and fees	\$ 900,891	\$ 837,144	\$ 745,241	\$ 701,733	\$ 716,390
Allowance for loan losses	(96,488)	(81,520)	(66,088)	(60,644)	(60,923)
Loans receivable, net	804,403	755,624	679,153	641,089	655,467
Total assets	1,030,086	854,988	840,987	800,589	806,219
Total debt	451,100	251,940	244,900	295,136	374,685
Shareholders' equity	411,963	552,117	541,108	461,064	391,902
Other Operating Data:					
As a percent of average net loans					
Provision for loan losses	19.6 %	18.0 %	15.6 %	16.2 %	14.7 %
Net charge-offs	18.0 %	16.1 %	14.9 %	16.2 %	15.0 %
Number of branches open at year-end	1,243	1,193	1,177	1,169	1,186

⁽¹⁾ See Note 18 of the Notes to Consolidated Financial Statements included in this annual report on Form 10-K for more information on our discontinued operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The Company's financial performance continues to be dependent in large part upon the growth in its outstanding loans receivable, the maintenance of loan quality and acceptable levels of operating expenses. Since March 31, 2016, gross loans receivable have increased at a 5.83% annual compounded rate from \$964.6 million to \$1.21 billion at March 31, 2020. We believe we were able to improve our gross loans receivable growth rates through acquisitions, improved marketing processes, and analytics. During the four-year period beginning March 31, 2016, the Company has expanded in size from 1,186 branches to 1,243 branches as of March 31, 2020. During fiscal 2021, the Company currently plans to open or acquire approximately 25 new branches and evaluate acquisitions as opportunities arise.

The Company offers an income tax return preparation and electronic filing program in all but a few of its branches. The Company prepared approximately 84,000, 91,000, and 77,000 returns in each of the fiscal years 2020, 2019, and 2018, respectively. Revenues from the Company's tax preparation business amounted to approximately \$20.9 million, a 2.4% decrease over the \$21.5 million earned during fiscal 2019.

The following table sets forth certain information derived from the Company's consolidated statements of operations and balance sheets, as well as operating data and ratios, for the periods indicated:

	Years Ended March 31,		
	2020	2019	2018
	(Dollars in thousands)		
Gross loans receivable	\$ 1,209,871	\$ 1,127,957	\$ 1,004,233
Average gross loans receivable ⁽¹⁾	\$ 1,256,389	\$ 1,120,112	\$ 1,019,005
Net loans receivable ⁽²⁾	\$ 900,891	\$ 837,144	\$ 745,242
Average net loans receivable ⁽³⁾	\$ 928,408	\$ 824,763	\$ 753,116
Expenses as a percentage of total revenue:			
Provision for loan losses	30.8 %	27.3 %	23.4 %
General and administrative	58.9 %	52.9 %	53.5 %
Interest expense	4.4 %	3.3 %	3.8 %
Operating income as a % of total revenue ⁽⁴⁾	10.3 %	19.8 %	23.1 %
Loan volume	2,929,265	2,720,351	2,487,066
Net charge-offs as percent of average net loans receivable	18.0 %	16.1 %	14.9 %
Return on average assets (trailing 12 months)	2.8 %	8.8 %	6.3 %
Return on average equity (trailing 12 months)	6.1 %	13.6 %	10.6 %
Branches opened or acquired (merged or closed), net	50	16	8
Branches open (at period end)	1,243	1,193	1,177

⁽¹⁾ Average gross loans receivable have been determined by averaging month-end gross loans receivable over the indicated period, excluding tax advances.

⁽²⁾ Net loans receivable is defined as gross loans receivable less unearned interest and deferred fees.

⁽³⁾ Average net loans receivable have been determined by averaging month-end gross loans receivable less unearned interest and deferred fees over the indicated period, excluding tax advances.

⁽⁴⁾ Operating income is computed as total revenue less provision for loan losses and general and administrative expenses.

COVID-19 Pandemic Response and Impact

The COVID-19 pandemic has caused significant economic disruption in the United States as many state and local governments, including all of the states in which the Company operates, have ordered non-essential businesses to close and residents to shelter in place at home. For the majority of states in which we operate, we have been considered an essential business and thus nearly all of our branches have remained open to date. However, the impact of COVID-19 is rapidly evolving, its future effects are uncertain, and it may be difficult to assess or predict the extent of the impacts of the pandemic on us as many factors are beyond our control and knowledge.

In response to the spread of COVID-19, we have modified our business practices in order to reduce personal interactions and provide additional support to our associates and customers. Some of these measures include reducing branch hours, limiting employee travel, implementing work-from-home initiatives for employees when possible, cancelling physical participation in meetings and training sessions, providing additional leave for those directly impacted, closing lobbies and offering curbside service, and encouraging customers to service accounts digitally rather than in person. As a result, the Company has seen significant increases in online and phone activity related to account access, payments, and refinances. The Company has expedited projects related to its digital presence and online lending and is currently piloting remote applications, signatures, and funding for select customers.

As non-essential businesses and schools began to close, we proactively halted marketing efforts and updated our underwriting criteria in light of the tremendous uncertainty, rapid increases in unemployment, and federal stimulus packages. The Company is experiencing expected declines in customer demand due to a combination of reduced marketing and stay-at-home orders reducing customer mobility. To assist customers impacted by COVID-19, the Company's typical 30-day wait period for unemployment insurance claims has been waived and payment deferrals are being offered to impacted customers.

As of May 15, 2020, we had \$320.5 million available under our revolving credit facility. We believe we have sufficient liquidity to support the fundamental operations of our business throughout the COVID-19 pandemic. However, we are unable to estimate the long-term impact of COVID-19 on our business and will continue to assess our liquidity needs as the situation evolves. If we experience sustained adverse effects, we may fail to satisfy our minimum capital ratios and other requirements under our revolving credit facility.

The extent to which the pandemic will ultimately impact our business and financial condition will depend on future events that are impossible to predict, including, but not limited to, the duration and severity of the pandemic, the success of actions taken to contain, treat, and prevent the spread of the virus, the effectiveness of our borrower assistance initiatives and government economic stimulus measures, and the speed at which normal economic and operating conditions return.

See Part I, Item 1A, "Risk Factors" for additional information.

Adjustments subsequent to the release of earnings on May 7, 2020

The Company has made certain adjustments to its treatment of historic tax credits purchased during fiscal 2020 since the Company's earnings release was furnished on May 7, 2020. The adjustments correctly present the Company's election to account for historic tax credits purchased using the income statement method in conjunction with the flow-through method. Under this approach, the deferred tax liability related to the difference between the book and tax basis in the underlying historic tax credit investment is recorded in the tax provision and reversed over the same period as the amortization of the historic tax credit investment. As a result of these corrections, the below line items have been adjusted as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED STATEMENT OF OPERATIONS

	Three months ended March 31, 2020			Twelve months ended March 31, 2020		
	As furnished May 7, 2020	Adjustments	As revised	As furnished May 7, 2020	Adjustments	As revised
Insurance income, net and other income	\$ 33,944,288	\$ (27,709)	\$ 33,916,579	\$ 81,813,077	\$ (110,833)	\$ 81,702,244
Total revenues	163,045,541	(27,709)	163,017,832	590,139,848	(110,833)	590,029,015
Other expense	25,010,707	434,096	25,444,803	59,298,010	868,192	60,166,202
Total general and administrative expense	96,272,691	434,096	96,706,787	346,625,068	868,192	347,493,260
Total expenses	136,559,103	434,096	136,993,199	554,251,380	868,192	555,119,572
Income from continuing operations before income taxes	26,486,438	(461,805)	26,024,633	35,888,468	(979,025)	34,909,443
Income tax expense	2,806,485	(85,341)	2,721,144	5,204,183	1,547,782	6,751,965
Net income from continuing operations	23,679,953	(376,464)	23,303,489	30,684,285	(2,526,807)	28,157,478
Net income	\$ 23,679,953	\$ (376,464)	\$ 23,303,489	\$ 30,684,285	\$ (2,526,807)	\$ 28,157,478
Net income per common share from continuing operations, diluted	\$ 3.24	\$ (0.06)	\$ 3.18	\$ 3.86	\$ (0.32)	\$ 3.54
Net income per common share, diluted	\$ 3.24	\$ (0.06)	\$ 3.18	\$ 3.86	\$ (0.32)	\$ 3.54

CONSOLIDATED BALANCE SHEET

	As of March 31, 2020		
	As furnished May 7, 2020	Adjustments	As revised
Deferred income taxes, net	\$ 24,805,767	\$ (1,547,782)	\$ 23,257,985
Income taxes receivable	4,270,778	(4,270,778)	—
Other assets, net	20,734,227	7,813,723	28,547,950
Total assets	1,028,091,272	1,995,163	1,030,086,435
Income taxes payable	—	4,965,302	4,965,302
Accounts payable and accrued expenses	59,742,012	(443,332)	59,298,680
Total liabilities	613,601,398	4,521,970	618,123,368
Shareholders' equity	414,489,874	(2,526,807)	411,963,067
Total liabilities and shareholders' equity	\$ 1,028,091,272	\$ 1,995,163	\$ 1,030,086,435

SELECTED CONSOLIDATED STATISTICS

	Three months ended March 31, 2020			Twelve months ended March 31, 2020		
	As furnished May 7, 2020	Adjustments	As revised	As furnished May 7, 2020	Adjustments	As revised
Expenses as a percentage of total revenue:						
General and administrative	59.0 %	0.3 %	59.3 %	58.7 %	0.2 %	58.9 %
Operating income as a % of total revenue ⁽¹⁾	21.2 %	(0.3)%	20.9 %	10.5 %	(0.2)%	10.3 %
Return on average equity (trailing 12 months)	6.7 %	(0.6)%	6.1 %	6.7 %	(0.6)%	6.1 %

⁽¹⁾ Operating income is computed as total revenues less provision for loan losses and general and administrative expenses.

Comparison of Fiscal 2020 Versus Fiscal 2019

Net income from continuing operations for fiscal 2020 was \$28.2 million, a 61.9% decrease from the \$73.9 million earned during fiscal 2019. The decrease in net income from continuing operations was primarily due to a \$21.7 million accrual for estimated losses related to the investigation into our former Mexican business and a \$33.3 million increase in provision for loan losses.

Net income for fiscal 2020 was \$28.2 million, a 24.4% decrease from the \$37.2 million earned during fiscal 2019. The decrease in net income was primarily due to a \$21.7 million accrual for estimated losses related to the investigation into our former Mexican business and a \$33.3 million increase in provision for loan losses, partially offset by the impairment loss from the prior period. In fiscal 2019 we recognized a \$39.0 million impairment loss on our investment in our Mexico operations in the first quarter of fiscal 2019. In accordance with GAAP, our testing for, and subsequent recognition of, the impairment was triggered by the change in classification of our Mexico operations from continuing operations to held for sale. Of the total impairment loss, \$31.3 million is directly attributable to the cumulative translation loss on the investment stemming from the devaluation of the Mexican Peso relative to the U.S. Dollar since the date of our investment.

Operating income (revenues less provision for loan losses and general and administrative expenses) from continuing operations decreased \$47.0 million.

Total revenues from continuing operations increased \$45.5 million, or 8.4%, to \$590.0 million in fiscal 2020, from \$544.5 million in fiscal 2019. Revenues from continuing operations from the 1,148 branches open throughout both fiscal years increased by 6.4%. At March 31, 2020, the Company had 1,243 branches in operation, an increase of 50 branches from March 31, 2019. The increase was the result of opening 19 new branches and acquiring 38 branches, partially offset by merging 7 branches into existing branches.

Interest and fee income from continuing operations during fiscal 2020 increased by \$39.2 million, or 8.3%, from fiscal 2019. The increase was primarily due to a corresponding increase in average earning loans. Net loans outstanding at March 31, 2020 increased 7.6% compared to March 31, 2019, and average net loans outstanding increased 12.6% during fiscal 2020 compared to fiscal 2019.

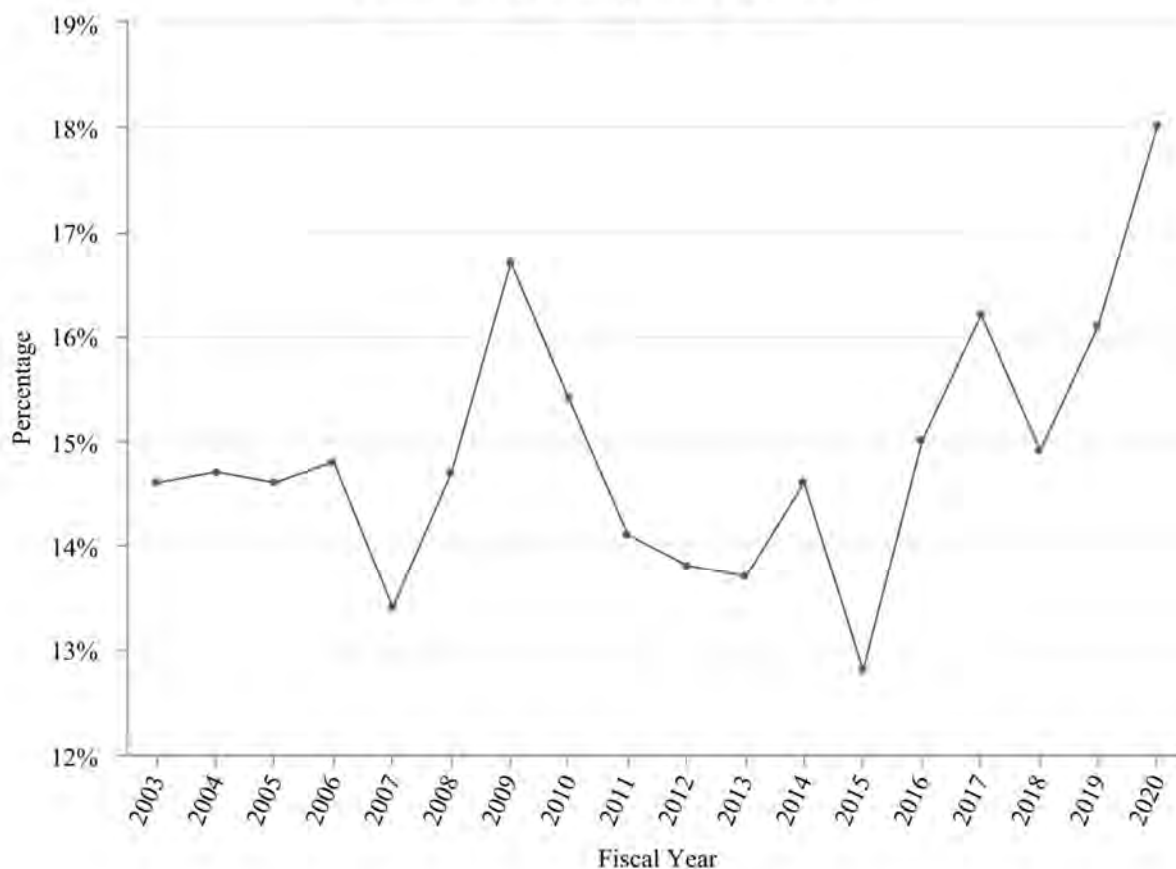
Insurance commissions and other income from continuing operations increased by \$6.3 million, or 8.4%, over the two fiscal years. Insurance commissions from continuing operations increased by \$5.2 million, or 11.5%, when comparing the two fiscal years due to an increase in loan volume in states where we offer our insurance products. Other income from continuing operations increased by \$1.1 million, or 3.8%, when comparing the two fiscal years primarily due to an increase in demand for the Company's motor club product of \$1.8 million, partially off-set by a reduction in tax preparation income of \$0.5 million.

The provision for loan losses from continuing operations during fiscal 2020 increased by \$33.3 million, or 22.4%, from the previous year. This increase can mostly be attributed to an increase in charge-off and delinquency rates during the year. Accounts that were 91 days or more past due represented 4.2% and 3.8% of our loan portfolio on a recency basis at March 31, 2020 and March 31, 2019, respectively. The Company's year-over-year charge-off ratio (net charge-offs as a percentage of average net loans receivable) increased from 16.1% for the year ended March 31, 2019 to 18.0% for the year ended March 31, 2020.

Customers who are new borrowers to World Finance (less than 6 months since their first origination at the time of their current loan) as a percentage of the year-end portfolio have grown 39.4% year over year. These "new to World" customers now account for 17% of the portfolio, an increase from 13.7% last year and an average of 12.5% in the prior 5 fiscal years (2013-2017). Further, customers with less than 1 year tenure as a percentage of the year-end portfolio have grown 33.2% year over year to now account for 23% of the portfolio. This increased weighting of new borrowers, our riskiest customer type, in the portfolio contributed to the increase in delinquency and charge-off rates of the overall portfolio. While we have experienced an increase in portfolio weighting towards less tenured customers during the last 18 months, we have not seen a significant increase in charge-off rates when comparing the less tenured customer segment to prior years.

Charge-off ratios for the past ten fiscal years averaged 14.9%, with a high of 18.0% (fiscal 2020) and a low of 12.8% (fiscal 2015). The following table presents the Company's charge-off ratios since 2003.

Historical Charge-off Ratios



²⁰⁰⁹ In fiscal 2009 the Company's net charge-off rate increased to 16.7% due to the difficult economic environment, which put substantial pressure on our customers' ability to repay their loans.

²⁰¹⁵ In fiscal 2015 the Company's net charge-off rate decreased to 12.8%. The net charge-off rate benefited from a change in branch level incentives during the year, which allows managers to continue collection efforts on accounts that are 91 days or more past due without having their monthly bonus negatively impacted. As expected, the change resulted in an increase in accounts 91 days or more past due and fewer charge-offs during fiscal 2015. We estimate the net charge-off rate would have been approximately 14.0% for fiscal 2015 excluding the impact of the change.

General and administrative expenses from continuing operations during fiscal 2020 increased by \$59.2 million, or 20.5%, over the previous fiscal year. General and administrative expenses from continuing operations, when divided by average open branches, increased 16.6% when comparing the two fiscal years, and, overall, general and administrative expenses from continuing operations as a percent of total revenues from continuing operations increased to 58.9% in fiscal 2020 from 52.9% in fiscal 2019. The change in general and administrative expense from continuing operations is explained in greater detail below.

Personnel expense from continuing operations totaled \$203.8 million for fiscal 2020, a \$23.2 million, or 12.9%, increase over fiscal 2019. The increase was largely due to an \$11.3 million increase in share-based compensation driven by the long-term incentive plan and director equity awards granted during the prior year. Benefits increased \$5.8 million, mostly due to increase in healthcare costs and increases in headcount, and regular payroll expense increased \$8.4 million year over year primarily due to increases in headcount.

Occupancy and equipment expense from continuing operations totaled \$54.2 million for fiscal 2020, a \$5.5 million, or 11.3%, increase over fiscal 2019. Occupancy and equipment expense is generally a function of the number of branches the Company has open throughout the year. In fiscal 2020 the expense per average open branch increased to \$44.2 thousand, up from \$41.0 thousand in fiscal 2019.

Advertising expense from continuing operations totaled \$24.3 million for fiscal 2020, a \$1.8 million, or 8.1%, increase over fiscal 2019. The increase was primarily due to increased spending in our direct mail and digital campaigns.

Amortization of intangible assets from continuing operations totaled \$5.0 million for fiscal 2020, a \$3.5 million, or 228.0%, increase over fiscal 2019, which primarily relates to a corresponding increase in total intangible assets during the comparative periods due to acquisition activity during the current and prior year.

Other expense from continuing operations totaled \$60.2 million for fiscal 2020, a \$25.2 million, or 72.0%, increase over fiscal 2019. The increase was primarily due to a \$21.7 million accrual related to potential resolution of the Company's Mexico investigation, which began in March 2017.

Interest expense from continuing operations increased by \$8.0 million, or 44.4%, during fiscal 2020 when compared to the previous fiscal year as a result of an increase in average debt outstanding of 67.5% partially offset by a decrease in the effective interest rate from 6.7% to 5.8%.

Income tax expense from continuing operations decreased \$9.2 million, or 57.8% for fiscal 2020 compared to the prior fiscal year. The effective tax rate increased to 19.3% for fiscal 2020 compared to 17.8% for fiscal 2019. The increase was primarily due to the recognition of non-deductible penalties totaling \$21.7 million for the current fiscal year which was partially offset by the recognition of net Federal and state tax credits of \$8.1 million in fiscal year 2020 compared to \$3.7 million in fiscal year 2019.

Comparison of Fiscal 2019 Versus Fiscal 2018

As disclosed above, we sold our Mexico operations effective July 1, 2018. As a result of the sale, we have classified the Mexico business as discontinued operations on the statements of operations and balance sheets for the applicable periods. Net income from continuing operations for fiscal 2019 was \$73.9 million, a 50.5% increase from the \$49.1 million earned during fiscal 2018. The increase in net income from continuing operations was primarily due to a \$15.4 million decrease in income tax expense related to the implementation of the Tax Cuts and Jobs Act (TCJA) in the prior year as well as an increase in average net loans receivable in the current period.

Net income for fiscal 2019 was \$37.2 million, a 30.6% decrease from the \$53.7 million earned during fiscal 2018. We recognized a \$39.0 million impairment loss on our investment in our Mexico operations in the first quarter of fiscal 2019. In accordance with GAAP, our testing for, and subsequent recognition of, the impairment was triggered by the change in classification of our Mexico operations from continuing operations to held for sale. Of the total impairment loss, \$31.3 million is directly attributable to the cumulative translation loss on the investment stemming from the devaluation of the Mexican Peso relative to the U.S. Dollar since the date of our investment.

Operating income (revenues less provision for loan losses and general and administrative expenses) from continuing operations decreased \$8.1 million.

Total revenues from continuing operations increased \$41.9 million, or 8.3%, to \$544.5 million in fiscal 2019, from \$502.7 million in fiscal 2018. Revenues from continuing operations from the 1,125 branches open throughout both fiscal years increased by 7.7%. At March 31, 2019, the Company had 1,193 branches in operation, an increase of 16 branches from March 31, 2018. The increase was the result of opening 25 new branches and acquiring 17 branches, partially offset by merging 26 branches into existing branches.

Interest and fee income from continuing operations during fiscal 2019 increased by \$33.5 million, or 7.7%, from fiscal 2018. The increase was primarily due to a corresponding increase in average earning loans. Net loans outstanding at March 31, 2019 increased 12.3% compared to March 31, 2018, and average net loans outstanding increased 9.5% during fiscal 2019 compared to fiscal 2018.

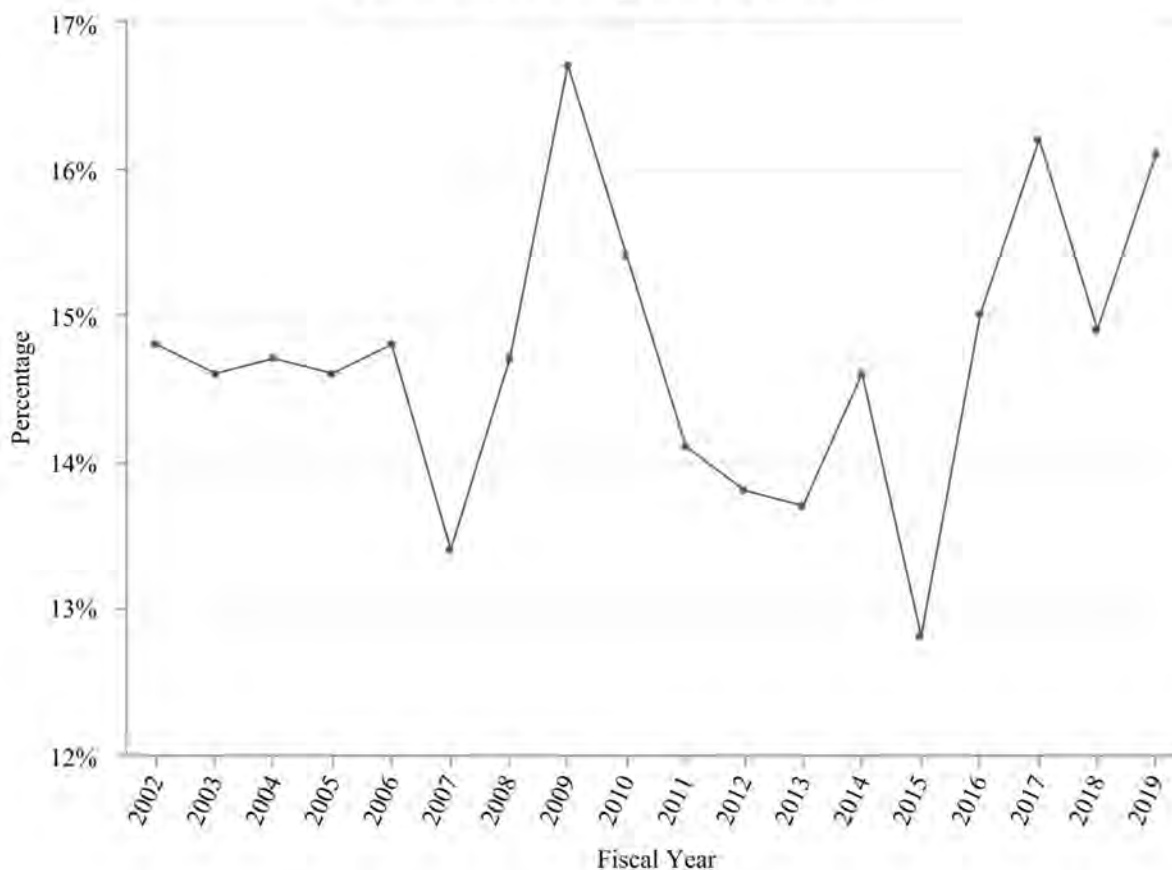
Insurance commissions and other income from continuing operations increased by \$8.4 million, or 12.6%, over the two fiscal years. Insurance commissions from continuing operations increased by \$3.2 million, or 7.7%, when comparing the two fiscal years due to an increase in loan volume in states where we offer our insurance products. Other income from continuing operations increased by \$5.2 million, or 20.8%, when comparing the two fiscal years primarily due to an increase in tax return preparation income of \$4.7 million.

The provision for loan losses from continuing operations during fiscal 2019 increased by \$30.8 million, or 26.2%, from the previous year. Approximately \$17.4 million of the increase can be attributed to growth in the portfolio year over year. Approximately \$13.4 million can be attributed to an increase in charge-off and delinquency rates during the year. Accounts that were 91 days or more past due represented 3.8% and 3.4% of our loan portfolio on a recency basis at March 31, 2019 and March 31, 2018, respectively. The Company's year-over-year charge-off ratio (net charge-offs as a percentage of average net loans receivable) increased from 14.9% for the year ended March 31, 2018 to 16.1% for the year ended March 31, 2019.

Customers who are new borrowers to World Finance (less than 6 months since their first origination at the time of their current loan) as a percentage of the year-end portfolio have grown 39.4% year over year. These "new to World" customers now account for 17% of the portfolio, an increase from 13.7% last year and an average of 12.5% in the prior 5 fiscal years (2013-2017). Further, customers with less than 1 year tenure as a percentage of the year-end portfolio have grown 33.2% year over year to now account for 23% of the portfolio. This increased weighting of new borrowers, our riskiest customer type, in the portfolio contributed to the increase in delinquency and charge-off rates of the overall portfolio. While we have experienced an increase in portfolio weighting towards less tenured customers during the last 18 months, we have not seen an increase in charge-off rates when comparing the less tenured customer segment to prior years.

Charge-off ratios for the past ten fiscal years averaged 14.7%, with a high of 16.2% (fiscal 2017) and a low of 12.8% (fiscal 2015). The following table presents the Company's charge-off ratios from 2002 to 2019.

Historical Charge-off Ratios



²⁰⁰⁹ In fiscal 2009 the Company's net charge-off rate increased to 16.7% due to the difficult economic environment, which put substantial pressure on our customers' ability to repay their loans.

²⁰¹⁵ In fiscal 2015 the Company's net charge-off rate decreased to 12.8%. The net charge-off rate benefited from a change in branch level incentives during the year, which allows managers to continue collection efforts on accounts that are 91 days or more past due without having their monthly bonus negatively impacted. As expected, the change resulted in an increase in accounts 91 days or more past due and fewer charge-offs during fiscal 2015. We estimate the net charge-off rate would have been approximately 14.0% for fiscal 2015 excluding the impact of the change.

General and administrative from continuing operations expenses during fiscal 2019 increased by \$19.2 million, or 7.1%, over the previous fiscal year. General and administrative expenses from continuing operations, when divided by average open branches, increased 5.4% when comparing the two fiscal years, and, overall, general and administrative expenses from continuing operations as a percent of total revenues from continuing operations decreased to 52.9% in fiscal 2019 from 53.5% in fiscal 2018. The change in general and administrative expense from continuing operations is explained in greater detail below.

Personnel expense from continuing operations totaled \$180.6 million for fiscal 2019, a \$16.1 million, or 9.8%, increase over fiscal 2018. The increase was largely due to an \$11.7 million increase in share-based compensation driven by the long-term incentive plan and director equity awards granted during the year. The prior year included \$2.5 million of severance-related expense stemming from the separation agreement with the Company's former President and Chief Executive Officer. The Company also recorded a \$1.8 million expense related to a change in the Company's paid time off policy in the prior year. Regular payroll expense increased \$4.6 million or 4.1% year over year.

Occupancy and equipment expense from continuing operations totaled \$48.8 million for fiscal 2019, a \$9.6 million, or 24.6%, increase over fiscal 2018. Occupancy and equipment expense is generally a function of the number of branches the Company has open throughout the year. In fiscal 2019 the average expense per branch increased to \$41.0 thousand, up from \$33.4 thousand in fiscal 2018.

Advertising expense from continuing operations totaled \$22.5 million for fiscal 2019, a \$1.3 million, or 6.1%, increase over fiscal 2018. The increase was primarily due to consulting fees related to brand research as well as increased spending in our direct mail and digital campaigns.

Amortization of intangible assets from continuing operations totaled \$1.5 million for fiscal 2019, a \$0.5 million, or 54.2%, increase over fiscal 2018, which primarily relates to a corresponding increase in total intangible assets during the comparative periods due to acquisition activity during the current and prior year.

Other expense from continuing operations totaled \$35.0 million for fiscal 2019, a \$8.3 million, or 19.2%, decrease over fiscal 2018. The decrease was primarily due to a decrease in expense related to the Company's Mexico investigation, which began in March 2017.

Interest expense from continuing operations decreased by \$1.2 million, or 6.1%, during fiscal 2019 when compared to the previous fiscal year as a result of a decrease in average debt outstanding of 16.0% partially offset by an increase in the effective interest rate from 6.0% to 6.7%.

Income tax expense from continuing operations decreased \$31.8 million, or 66.5% for fiscal 2019 compared to the prior fiscal year. The effective tax rate decreased to 17.8% for fiscal 2019 compared to 49.3% for fiscal 2018. The decrease was primarily due to a \$10.5 million charge to tax expense related to the net impact of revaluing the U.S. deferred tax assets and liabilities and a \$4.9 million charge to tax expense related to the foreign transition tax both of which occurred in fiscal year 2018, combined with a \$10.3 million decrease in tax expense due to the reduction of the Company's U.S. federal statutory income tax rate from 31.55% to 21%, an \$850.0 thousand decrease in tax expense related to an adjustment in revaluing the U.S. deferred tax assets and liabilities due to additional analysis and change in estimate, and the recognition of state tax credits of \$3.7 million for fiscal 2019.

Mexico Exit

As previously disclosed, the Company sold all of the issued and outstanding capital stock and equity interest of its two Mexico subsidiaries, WAC de Mexico and SWAC, for a purchase price of MXN \$826,795,050, effective as of July 1, 2018. The Company subsequently converted the purchase price into approximately USD \$44.36 million using applicable exchange rates. The Company and its subsidiaries no longer operate in Mexico. Thus, the Company expects its revenues and gross loans receivables to be negatively impacted in future years-compared to historical levels.

Further, under the terms of the stock purchase agreement, we are obligated to indemnify the purchasers for claims and liabilities relating to certain investigations of our former Mexico operating segment, the Company, and its affiliates by the DOJ or the SEC that commenced prior to July 1, 2018. Any such indemnification claims could have a material adverse effect on our financial condition, including liquidity, and results of operations.

Regulatory Matters

Mexico Investigation

As disclosed in Part I, Item 3, "Legal Proceedings-Mexico Investigation" above, As previously disclosed, the Company retained outside legal counsel and forensic accountants to conduct an investigation of its operations in Mexico, focusing on the legality under the FCPA, and certain local laws of certain payments related to loans, the maintenance of the Company's books and records associated with such payments, and the treatment of compensation matters for certain employees.

The investigation addressed whether and to what extent improper payments, which may violate the FCPA and other local laws, were made approximately between 2010 and 2017 by or on behalf of WAC de Mexico, to government officials in Mexico relating to loans made to unionized employees. The Company voluntarily contacted the SEC and the DOJ in June 2017 to advise both agencies that an internal investigation was underway and that the Company intended to cooperate with both agencies. The Company has and will continue to cooperate with both agencies. The SEC issued a formal order of investigation.

There have been ongoing discussions with the SEC regarding the possible resolution of these matters. The discussions with the SEC have progressed to a point that the Company can now reasonably estimate a probable loss and has recorded an aggregate accrual of \$21.7 million with respect to the SEC matters as of March 31, 2020. As the discussions with the SEC are continuing, there can be no assurance that the Company's efforts to reach a final resolution with the SEC will be successful or, if they are, what the timing or terms of such resolution will be. The Company has no offer of settlement or resolution with the DOJ at this time. The total amount of the Company's loss incurred in connection with the investigation and any resolution thereof, including those amounts which remain subject to approval by the SEC, may be higher than the amount of the accrual.

If violations of the FCPA or other local laws occurred, the Company could be subject to fines, civil and criminal penalties, equitable remedies, including profit disgorgement and related interest, and injunctive relief. In addition, any disposition of these matters could result in modifications to our business practices and compliance programs. Any disposition could also potentially require that a monitor be appointed to review future business practices with the goal of ensuring compliance with the FCPA and other applicable laws. The Company could also face fines, sanctions, and other penalties from authorities in Mexico, as well as third-party claims by shareholders and/or other stakeholders of the Company. In addition, disclosure of the investigation or its ultimate disposition could adversely affect the Company's reputation and its ability to obtain new business or retain existing business from its current customers and potential customers, to attract and retain employees, and to access the capital markets. If it is determined that a violation of the FCPA or other laws has occurred, such violation may give rise to an event of default under the Company's credit agreement if such violation were to have a material adverse effect on the Company's business, operations, properties, assets, or condition (financial or otherwise) or if the amount of any settlement, penalties, fines, or other payments resulted in the Company failing to satisfy any financial covenants. Additional potential FCPA violations or violations of other laws or regulations may be uncovered through the investigation. See Part I, Item 1A, "Risk Factors-We may be exposed to liabilities under the FCPA, and any determination that the Company or any of its subsidiaries has violated the FCPA could have a material adverse effect on our business and liquidity," "-Our investigation of our previous operations in Mexico may expose the Company to other potential liabilities in addition to any potential liabilities under the FCPA and cause the Company to incur substantial expenses," "-We depend to a substantial extent on borrowings under our revolving credit agreement to fund our liquidity needs," and "-The terms of our debt limit how we conduct our business" for additional information.

In addition to the ultimate liability for disgorgement and related interest, the Company believes that it could be further liable for fines and penalties. The Company is continuing its discussions with the SEC regarding the matters under investigation, but the ultimate resolution could be higher than the accrual. Further, in the event that a settlement is reached, there can be no assurance as to the timing or the terms of any such settlement.

CFPB Rulemaking Initiative

On October 5, 2017, the CFPB issued a final rule (the "Rule") imposing limitations on (i) short-term consumer loans, (ii) longer-term consumer installment loans with balloon payments, and (iii) higher-rate consumer installment loans repayable by a payment authorization. The Rule requires lenders originating short-term loans and longer-term balloon payment loans to evaluate whether each consumer has the ability to repay the loan along with current obligations and expenses ("ability to repay requirements"). The Rule also curtails repeated unsuccessful attempts to debit consumers' accounts for short-term loans, balloon payment loans, and installment loans that involve a payment authorization and an Annual Percentage Rate over 36% ("payment requirements"). The Company does not believe that the Rule will have a material impact on the Company's existing lending procedures, because the Company currently does not make short-term consumer loans or longer-term consumer installment loans with balloon payments that would subject the Company to the Rule's ability to repay requirements. The

Company also currently underwrites all its loans (including those secured by a vehicle title that would fall within the scope of these proposals) by reviewing the customer's ability to repay based on the Company's standards. However, implementation of the Rule's payment requirements may require changes to the Company's practices and procedures for such loans, which could materially and adversely affect the Company's ability to make such loans, the cost of making such loans, the Company's ability to, or frequency with which it could, refinance any such loans, and the profitability of such loans.

Further, on June 6, 2019, the CFPB amended the Rule to delay the August 19, 2019 compliance date for part of the Rule's provisions, including the ability to repay requirements. The new compliance date for the ability to repay requirements is November 19, 2020. In addition, on February 6, 2019, the CFPB issued a notice of proposed rulemaking proposing to rescind provisions of the Rule governing the ability to repay requirements. The comment period for this proposed rulemaking closed in May 2019. According to the CFPB's Fall 2019 rulemaking agenda, the CFPB is reviewing the approximately 190,000 comments it received and expected to take final action in April 2020 with respect to this proposal. However, no final action has been taken as of yet. Any regulatory changes could have effects beyond those currently contemplated that could further materially and adversely impact our business and operations. Unless rescinded or otherwise amended, the Company will have to comply with the Rule's payment requirements if it continues to allow consumers to set up future recurring payments online for certain covered loans such that it meets the definition of having a "leveraged payment mechanism" under the Rule. If the payment provisions of the Rule apply, the Company will have to modify its loan payment procedures to comply with the required notices and mandated timeframes set forth in the final rule.

The CFPB also has stated that it expects to conduct separate rulemaking to identify larger participants in the installment lending market for purposes of its supervision program. This initiative was classified as "inactive" on the CFPB's Spring 2018 rulemaking agenda and has remained inactive since, but the CFPB indicated that such action was not a decision on the merits. Though the likelihood and timing of any such rulemaking is uncertain, the Company believes that the implementation of such rules would likely bring the Company's business under the CFPB's supervisory authority which, among other things, would subject the Company to reporting obligations to, and on-site compliance examinations by, the CFPB. See Part I, Item 1, "Business - Government Regulation - Federal legislation," for a further discussion of these matters and the federal regulations to which the Company's operations are subject and Part I, Item 1A, "Risk Factors," for more information regarding these regulatory and related risks.

Critical Accounting Policies

The Company's accounting and reporting policies are in accordance with GAAP and conform to general practices within the finance company industry. The significant accounting policies used in the preparation of the Consolidated Financial Statements are discussed in Note 1 to the Consolidated Financial Statements. Certain critical accounting policies involve significant judgment by the Company's management, including the use of estimates and assumptions which affect the reported amounts of assets, liabilities, revenues, and expenses. As a result, changes in these estimates and assumptions could significantly affect the Company's financial position and results of operations. The Company considers its policies regarding the allowance for loan losses, share-based compensation, and income taxes to be its most critical accounting policies due to the significant degree of management judgment involved.

Allowance for Loan Losses

The Company has developed policies and procedures for assessing the adequacy of the allowance for loan losses that take into consideration various assumptions and estimates with respect to its loan portfolio. The Company's assumptions and estimates may be affected in the future by changes in economic conditions, among other factors. For additional discussion concerning the allowance for loan losses, see "Credit Quality" below.

Share-Based Compensation

The Company measures compensation cost for share-based awards at fair value and recognizes compensation over the service period for awards expected to vest. The fair value of restricted stock is based on the number of shares granted and the quoted price of our common stock at the time of grant, and the fair value of stock options is determined using the Black-Scholes valuation model. The Black-Scholes model requires the input of highly subjective assumptions, including expected volatility, risk-free interest rate and expected life, changes to which can materially affect the fair value estimate. Actual results, and future changes in estimates, may differ substantially from our current estimates.

Income Taxes

Management uses certain assumptions and estimates in determining income taxes payable or refundable, deferred income tax liabilities and assets for events recognized differently in its financial statements and income tax returns, and income tax expense. Determining these amounts requires analysis of certain transactions and interpretation of tax laws and regulations. Management

MANAGEMENT'S DISCUSSION AND ANALYSIS

exercises considerable judgment in evaluating the amount and timing of recognition of the resulting income tax liabilities and assets. These judgments and estimates are re-evaluated on a periodic basis as regulatory and business factors change.

No assurance can be given that either the tax returns submitted by management or the income tax reported on the Consolidated Financial Statements will not be adjusted by either adverse rulings, changes in the tax code, or assessments made by the Internal Revenue Service or by state or foreign taxing authorities. The Company is subject to potential adverse adjustments including, but not limited to: an increase in the statutory federal or state income tax rates, the permanent non-deductibility of amounts currently considered deductible either now or in future periods, and the dependency on the generation of future taxable income in order to ultimately realize deferred income tax assets.

Under FASB ASC 740, the Company includes the current and deferred tax impact of its tax positions in the financial statements when it is more likely than not (likelihood of greater than 50%) that such positions will be sustained by taxing authorities, with full knowledge of relevant information, based on the technical merits of the tax position. While the Company supports its tax positions by unambiguous tax law, prior experience with the taxing authority, and analysis that considers all relevant facts, circumstances and regulations, management must still rely on assumptions and estimates to determine the overall likelihood of success and proper quantification of a given tax position.

Credit Quality

The Company's delinquency and net charge-off ratios reflect, among other factors, changes in the mix of loans in the portfolio, the quality of receivables, the success of collection efforts, bankruptcy trends and general economic conditions.

Delinquency is computed on the basis of the date of the last full contractual payment on a loan (known as the recency method) and on the basis of the amount past due in accordance with original payment terms of a loan (known as the contractual method). Upon refinancings, the contractual delinquency of a loan is measured based upon the terms of the new agreement, and is not impacted by the refinanced loan's classification as a new loan or modification of the existing loan. Management closely monitors portfolio delinquency using both methods to measure the quality of the Company's loan portfolio and the probability of credit losses.

The following table classifies the gross loans receivable of the Company that were delinquent on a contractual and recency basis for at least 61 days at March 31, 2020, 2019, and 2018:

	At March 31,		
	2020	2019	2018
	(Dollars in thousands)		
Contractual basis:			
61-90 days past due	\$ 35,021	\$ 28,549	\$ 24,813
91 days or more past due	70,720	59,634	50,020
Total	<u>\$ 105,741</u>	<u>\$ 88,183</u>	<u>\$ 74,833</u>
Percentage of period-end gross loans receivable	8.7 %	7.8 %	7.5 %
Recency basis:			
61-90 days past due	\$ 28,451	\$ 22,393	\$ 19,524
91 days or more past due	50,670	42,772	34,548
Total	<u>\$ 79,121</u>	<u>\$ 65,165</u>	<u>\$ 54,072</u>
Percentage of period-end gross loans receivable	6.5 %	5.8 %	5.4 %

Approximately 79.6%, 78.7%, and 79.0% of the Company's loans were generated through refinancings of outstanding loans and the origination of new loans to previous customers in fiscal 2020, 2019, and 2018, respectively. A refinancing represents a new loan transaction with a present customer in which a portion of the new loan proceeds is used to repay the balance of an existing loan and the remaining portion is advanced to the customer. For fiscal 2020, 2019, and 2018, the percentages of the Company's loan originations that were refinancings of existing loans were 66.9%, 66.2%, and 65.9%, respectively. The

MANAGEMENT'S DISCUSSION AND ANALYSIS

Company's refinancing policies, while limited by state regulations, in all cases consider the customer's payment history and require that the customer has made multiple payments on the loan being considered for refinancing. A refinancing is considered a current refinancing if the customer is no more than 45 days delinquent on a contractual basis. Delinquent refinancings may be extended to customers who are more than 45 days past due on a contractual basis if the customer completes a new application and the manager believes that the customer's ability and intent to repay has improved. It is the Company's policy not to refinance delinquent loans in amounts greater than the original amounts financed. In all cases, a customer must complete a new application every two years. Refinancings of delinquent loans represented 1.3%, 1.1%, and 1.2% of the Company's loan volume in fiscal 2020, 2019, and 2018, respectively.

Charge-offs, as a percentage of loans made by category, are greatest on loans made to new borrowers and least on loans made to former borrowers and refinancings. As a percentage of total loans charged off, refinancings represent the greatest percentage due to the volume of loans made in this category. The following table depicts the charge-offs as a percent of loans made by category and as a percent of total charge-offs during fiscal 2020:

	Loan Volume by Category (by No. of Accounts)	Percent of Total Charge-offs (by Dollars Loaned)	Charge-off as a Percent of Total Loans Made by Category (by Dollars Loaned)
Refinancings	66.9 %	59.7 %	4.8 %
Former borrowers	12.7 %	9.2 %	5.8 %
New borrowers	20.4 %	31.1 %	15.3 %
	100.0	100.0 %	

The Company maintains an allowance for loan losses in an amount that, in management's opinion, is adequate to provide for incurred losses inherent in the existing loan portfolio. The Company charges against current earnings, as a provision for loan losses, amounts added to the allowance to maintain it at levels expected to cover probable incurred losses of principal. When establishing the allowance for loan losses, the Company takes into consideration the growth of the loan portfolio, current levels of charge-offs, current levels of delinquencies, and current economic factors.

The Company uses a mathematical calculation to determine the initial allowance at the end of each reporting period. The calculation originated as management's estimate of future charge-offs and is used to allocate expenses to the branch level. There are two components when calculating the allowance for loan losses, which the Company refers to as the general reserve and the specific reserve. This calculation is a starting point, and over time, and as needed, additional provisions have been added as determined by management to ensure the allowance is adequate.

The general reserve is 4.25% of the gross loan portfolio. The specific reserve generally represents 100% of all loans 91 days or more past due on a recency basis, including bankrupt accounts in that category. This methodology is based on historical data showing that the collection of loans 91 days or more past due is remote.

A process is then performed to determine the adequacy of the allowance for loan losses, as well as considering trends in current levels of delinquencies, charge-off levels, and economic trends (such as energy and food prices). The primary tool used is the movement model (on a recency basis), which considers the rolling twelve months of delinquency to determine expected charge-offs. The sum of expected charge-offs, determined from the movement model (on a recency basis), plus an amount related to delinquent refinancings is compared to the allowance resulting from the mathematical calculation to determine if any adjustments are required to make the allowance adequate. Management also determines if any adjustments are needed in the event the consolidated annual provision for loan losses is less than total net charge-offs. Management uses a precision level of 5% of the allowance for loan losses compared to the aforementioned recency movement model when determining if any adjustments are needed.

The Company's policy is to charge off at the earlier of when such loans are deemed to be uncollectible or when six months have elapsed since the date of the last full contractual payment. The Company's charge-off policy has been consistently applied and no changes have been made during the periods reported. We believe charge-offs during fiscal 2017 were negatively impacted by ceasing all in-person visits to delinquent borrowers in December 2015. The Company's historical annual charge-off rate for the past 10 years has ranged from 12.8% to 18.0% of net loans. Management considers the charge-off policy when evaluating the appropriateness of the allowance for loan losses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

To estimate the losses, the Company uses historical information for net charge-offs and average loan life. This method is based on the fact that many customers refinance their loans prior to the contractual maturity. Average contractual loan terms are approximately 12 months, and the average loan life is approximately 8 months. The Company had an allowance for loan losses that approximated 7 months of average net charge-offs at March 31, 2020. Management believes that the allowance is sufficient to cover estimated losses for its existing loans based on historical charge-offs and average loan life.

A large percentage of loans that are charged off during any fiscal year are not on the Company's books at the beginning of the fiscal year. The Company believes that it is not appropriate to provide for losses on loans that have not been originated, that twelve months of net charge-offs are not needed in the allowance due to the average life of the loan portfolio being less than twelve months and that the method employed is in accordance with GAAP.

The following is a summary of the changes in the allowance for loan losses for the years ended March 31, 2020, 2019, and 2018:

	2020	2019	2018
Balance at beginning of period	\$ 81,519,624	\$ 66,088,139	\$ 60,644,365
Provision for loan losses	181,730,182	148,426,578	117,620,140
Loan losses	(183,439,199)	(148,308,199)	(127,387,857)
Recoveries	16,677,249	15,313,106	15,211,491
Balance at end of period	\$ 96,487,856	\$ 81,519,624	\$ 66,088,139
Allowance as a percentage of loans receivable, net of unearned and deferred fees	10.7 %	9.7 %	8.9 %
Net charge-offs as a percentage of average net loans receivable ⁽¹⁾	18.0 %	16.1 %	14.9 %

⁽¹⁾ Average net loans receivable have been determined by averaging month-end gross loans receivable less unearned interest and deferred fees over the indicated period, excluding tax advances.

Quarterly Information and Seasonality

The Company's loan volume and corresponding loans receivable follow seasonal trends. The Company's highest loan demand typically occurs from October through December, its third fiscal quarter. Loan demand has generally been the lowest and loan repayment highest from January to March, its fourth fiscal quarter. Loan volume and average balances typically remain relatively level during the remainder of the year. This seasonal trend affects quarterly operating performance through corresponding fluctuations in interest and fee income and insurance commissions earned and the provision for loan losses recorded, as well as fluctuations in the Company's cash needs. Consequently, operating results for the Company's third fiscal quarter generally are significantly lower than in other quarters and operating results for its fourth fiscal quarter are significantly higher than in other quarters. However, the effects of COVID-19 could impact our typical seasonal trends.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table sets forth, on a quarterly basis, certain items included in the Company's unaudited Consolidated Financial Statements and shows the number of branches open during fiscal years 2020 and 2019.

	At or for the Three Months Ended							
	2020				2019			
	June 30,	September 30,	December 31,	March 31,	June 30,	September 30,	December 31,	March 31,
	(Dollars in thousands)							
Total revenues	\$ 138,441	\$ 141,573	\$ 146,996	\$ 163,018	\$ 122,790	\$ 127,116	\$ 137,639	\$ 156,997
Provision for loan losses	\$ 41,291	\$ 52,968	\$ 55,219	\$ 32,252	\$ 30,591	\$ 40,359	\$ 48,944	\$ 28,533
General and administrative expenses	\$ 81,776	\$ 78,452	\$ 90,558	\$ 96,707	\$ 67,777	\$ 64,936	\$ 76,964	\$ 78,626
Net income (loss)	\$ 8,608	\$ 2,513	\$ (6,267)	\$ 23,303	\$ (21,503)	\$ 14,538	\$ 6,260	\$ 37,940
Gross loans receivable	\$1,222,696	\$ 1,274,147	\$1,372,769	\$1,209,871	\$1,062,673	\$1,126,792	\$1,258,908	\$1,127,957
Number of branches open	1,218	1,234	1,240	1,243	1,181	1,189	1,204	1,193

Recently Issued Accounting Pronouncements

See Part II, Item 8, Financial Statements and Supplementary Data and Note 1—Summary of Significant Accounting Policies in the Consolidated Financial Statements for the impact of new accounting pronouncements.

Liquidity and Capital Resources

The Company has financed and continues to finance its operations, acquisitions and branch expansion through a combination of cash flows from operations and borrowings from its institutional lenders. The Company has generally applied its cash flows from operations to fund its loan volume, fund acquisitions, repay long-term indebtedness and repurchase its common stock. As the Company's gross loans receivable increased from \$943.3 million at March 31, 2017 to \$1,209.9 million at March 31, 2020, net cash provided by operating activities for fiscal years 2020, 2019, and 2018 was \$257.4 million, \$244.7 million, and \$218.0 million, respectively.

The Company continues to believe stock repurchases are a viable component of the Company's long-term financial strategy and an excellent use of excess cash when the opportunity arises. However, our revolving credit facility limits share repurchases to 50% of consolidated adjusted net income in any fiscal year commencing with the fiscal year ending March 31, 2017. The Company can repurchase additional amounts of shares with prior written consent from lenders.

The Company plans to open or acquire approximately 25 branches during fiscal 2021. Expenditures by the Company to open and furnish new branches averaged approximately \$41,000 per branch during fiscal 2020. New branches have generally required \$66,000 to \$673,000 to fund outstanding loans receivable originated during their first 12 months of operation. During fiscal 2020, the Company opened 19 new branches and merged or closed 7 branches into existing ones.

The Company acquired 38 branches during fiscal 2020. The Company believes that attractive opportunities to acquire new branches or receivables from its competitors or to acquire branches in communities not currently served by the Company will continue to become available as conditions in local economies and the financial circumstances of owners change.

The Company has a revolving credit facility with a syndicate of banks. The revolving credit facility provides for revolving borrowings of up to the lesser of (a) the aggregate commitments under the facility and (b) a borrowing base, and it includes a \$300,000 letter of credit under a \$1.5 million subfacility. In June 2019, the credit facility was amended and restated to, among other things, (i) increase the aggregate commitments to \$685.0 million (increased from \$480.0 million), provided that certain

MANAGEMENT'S DISCUSSION AND ANALYSIS

conditions are met; (ii) permit the Company to purchase its equity securities or make other distributions in respect of its equity securities in the amount of \$200 million from June 7, 2019 through June 1, 2020 plus up to 50% of consolidated adjusted net income for the period commencing on January 1, 2019, subject to certain restrictions; (iii) provide for a process to transition to a new benchmark interest rate from LIBOR, if necessary; (iv) extend the maturity date of the amended and restated revolving credit agreement to June 7, 2022; and (v) for clarity and convenience, restate the prior credit agreement, as amended since 2010.

Subject to a borrowing base formula, the Company may borrow at the rate of LIBOR plus an applicable margin between 3.0% and 4.0% based on certain EBITDA related metrics set forth in the revolving credit agreement, which will be determined and adjusted on a monthly basis with a minimum rate of 4.0%. The Company's amended and restated revolving credit agreement provides procedures for determining a replacement or alternative rate in the event LIBOR is unavailable or discontinued or if the administrative agent elects to replace LIBOR prior to its discontinuation. There can be no assurances as to whether such replacement or alternative rate will be more or less favorable than LIBOR. We intend to monitor the developments with respect to the potential phasing out of LIBOR and will work to limit any negative impacts that could result during any transition away from LIBOR. At March 31, 2020, the aggregate commitments under the revolving credit facility were \$685.0 million. The \$300,000 letter of credit outstanding under the subfacility expires on December 31, 2020; however, it automatically extends for one year on the expiration date. The borrowing base limitation is equal to the product of (a) the Company's eligible finance receivables, less unearned finance charges, insurance premiums and insurance commissions, and (b) an advance rate percentage that ranges from 79% to 85% based on a collateral performance indicator, as more completely described below. Further, under the amended and restated revolving credit agreement, the administrative agent has the right to set aside reasonable reserves against the available borrowing base in such amounts as it may deem appropriate, including, without limitation, reserves with respect to certain regulatory events or any increased operational, legal, or regulatory risk of the Company and its subsidiaries.

For the year ended March 31, 2020, the effective interest rate, including the commitment fee, on borrowings under the revolving credit facility was 5.8%. The Company pays a commitment fee equal to 0.50% per annum of the daily unused portion of the commitments. On March 31, 2020 \$451.1 million was outstanding under this facility, and there was \$180.2 million of unused borrowing availability under the borrowing base limitations.

The Company's obligations under the revolving credit facility, together with treasury management and hedging obligations owing to any lender under the revolving credit facility or any affiliate of any such lender, are required to be guaranteed by each of the Company's wholly-owned domestic subsidiaries. The obligations of the Company and the subsidiary guarantors under the revolving credit facility, together with such treasury management and hedging obligations, are secured by a first-priority security interest in substantially all assets of the Company and the subsidiary guarantors.

The agreement governing the Company's revolving credit facility contains affirmative and negative covenants, including covenants that restrict the ability of the Company and its subsidiaries to, among other things, incur or guarantee indebtedness, incur liens, pay dividends and repurchase or redeem capital stock, dispose of assets, engage in mergers and consolidations, make acquisitions or other investments, redeem or prepay subordinated debt, amend subordinated debt documents, make changes in the nature of its business, and engage in transactions with affiliates. The agreement also contains financial covenants, including (i) a minimum consolidated net worth of (a) \$365.0 million through December 30, 2020 and (b) \$375.0 million on and after December 31, 2020; (ii) a minimum fixed charge coverage ratio of (a) 2.25 to 1.0 for the fiscal quarters ending March 31, 2020, June 30, 2020 and September 30, 2020 and (b) 2.75 to 1.0 for each fiscal quarter thereafter; (iii) a maximum ratio of total debt to consolidated adjusted net worth of 2.0 to 1.0; (iv) as of the end of each fiscal quarter, provision for loan losses for the four fiscal quarters then ending shall equal or exceed the net loan charge off for the corresponding period (any shortfalls are required to be deducted in the determination of net income and consolidated net worth); and (v) a maximum collateral performance indicator of 24% as of the end of each calendar month. The agreement allows the Company to incur subordinated debt that matures after the termination date for the revolving credit facility and that contains specified subordination terms, subject to limitations on amount imposed by the financial covenants under the agreement.

The collateral performance indicator is equal to the sum of (a) a three-month rolling average rate of receivables at least sixty days past due and (b) an eight-month rolling average net charge-off rate. The Company was in compliance with these covenants at March 31, 2020 and does not believe that these covenants will materially limit its business and expansion strategy.

The agreement contains events of default including, without limitation, nonpayment of principal, interest or other obligations, violation of covenants, misrepresentation, cross-default to other debt, bankruptcy and other insolvency events, judgments, certain ERISA events, actual or asserted invalidity of loan documentation, invalidity of subordination provisions of subordinated debt, certain changes of control of the Company, and the occurrence of certain regulatory events (including the entry of any stay, order, judgment, ruling or similar event related to the Company's or any of its subsidiaries' originating,

MANAGEMENT'S DISCUSSION AND ANALYSIS

holding, pledging, collecting or enforcing its eligible finance receivables that is material to the Company or any subsidiary) which remains unvacated, undischarged, unbonded or unstayed by appeal or otherwise for a period of 60 days from the date of its entry and is reasonably likely to cause a material adverse change. If it is determined that a violation of the FCPA has occurred, as described above in Part I, Item 3, "Legal Proceedings—Mexico Investigation," such violation may give rise to an event of default under our credit agreement if such violation were to have a material adverse effect on our business, operations, properties, assets, or condition (financial or otherwise) or if the amount of any settlement, penalties, fines, or other payments resulted in the Company failing to satisfy any financial covenants.

The Company believes that cash flow from operations and borrowings under its revolving credit facility or other sources will be adequate to fund the expected cost of opening or acquiring new branches, including funding initial operating losses of new branches and funding loans receivable originated by those branches and the Company's other branches (for the next 12 months and for the foreseeable future beyond that). Except as otherwise discussed in this report including, but not limited to, any discussions in Part 1, Item 1A, "Risk Factors" (as supplemented by any subsequent disclosures in information the Company files with or furnishes to the SEC from time to time), management is not currently aware of any trends, demands, commitments, events or uncertainties that it believes will or could result in, or are or could be reasonably likely to result in, any material adverse effect on the Company's liquidity.

The following table summarizes the Company's contractual obligations by period:

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt obligations	\$ 506,041,772	\$ 24,879,293	\$ 481,162,479	\$ —	\$ —
Capital lease obligations	—	—	—	—	—
Operating lease obligations	110,079,871	22,374,762	35,734,461	22,015,904	29,954,744
Purchase obligations	—	—	—	—	—
Other long-term liabilities reflected on the balance sheet under GAAP	—	—	—	—	—
Total	\$ 616,121,643	\$ 47,254,055	\$ 516,896,940	\$ 22,015,904	\$ 29,954,744

Share Repurchase Program

On March 12, 2020, the Board of Directors authorized the Company to repurchase up to \$30.0 million of the Company's outstanding common stock, inclusive of the amount that remains available for repurchase under prior repurchase authorizations. As of March 31, 2020, the Company had \$22.6 million in aggregate remaining repurchase capacity. The timing and actual number of shares of common stock repurchased will depend on a variety of factors, including the stock price, corporate and regulatory requirements, restrictions under the revolving credit facility and other market and economic conditions.

The Company continues to believe stock repurchases are a viable component of the Company's long-term financial strategy and an excellent use of excess cash when the opportunity arises. However, our revolving credit facility limits share repurchases to \$200 million from June 7, 2019 through June 1, 2020 plus up to 50% of consolidated adjusted net income for the period commencing on January 1, 2019, subject to certain restrictions. Our first priority is to ensure we have enough capital to fund loan growth. To the extent we have excess capital, we may repurchase stock, if appropriate and as authorized by our Board of Directors. As of March 31, 2020 the Company's debt outstanding was \$451.1 million and its shareholders' equity was \$412.0 million resulting in a debt-to-equity ratio of 1.1:1.0. Management will continue to monitor the Company's debt-to-equity ratio and is committed to maintaining a debt level that will allow the Company to continue to execute its business objectives, while not putting undue stress on its consolidated balance sheet.

Inflation

The Company does not believe that inflation, within reasonably anticipated rates, will have a materially adverse effect on its financial condition. Although inflation would increase the Company's operating costs in absolute terms, the Company expects that the same decrease in the value of money would result in an increase in the size of loans demanded by its customer base. It is reasonable to anticipate that such a change in customer preference would result in an increase in total loan receivables and an increase in absolute revenues to be generated from that larger amount of loans receivable. The Company believes that this increase in absolute revenues should offset any increase in operating costs. In addition, because the Company's loans have a

relatively short contractual term and average life, it is unlikely that loans made at any given point in time will be repaid with significantly inflated dollars.

Legal Matters

From time to time the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. See Part I, Item 3, "Legal Proceedings" and Note 16 to our audited Consolidated Financial Statements for further discussion of legal matters.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

As of March 31, 2020, the Company's financial instruments consisted of the following: cash and cash equivalents, loans receivable, and senior notes payable. Fair value approximates carrying value for all of these instruments. Loans receivable are originated at prevailing market rates and have an average life of approximately 8 months. Given the short-term nature of these loans, they are continually repriced at current market rates. The Company's outstanding debt under its revolving credit facility was \$451.1 million at March 31, 2020. Interest on borrowings under this facility is based on the rate of LIBOR plus an applicable margin between 3.0% and 4.0% based on certain EBITDA related metrics set forth in the revolving credit agreement, which will be determined and adjusted on a monthly basis with a minimum rate of 4.0%.

Based on the outstanding balance under the Company's revolving credit facility at March 31, 2020, a change of 1% in the LIBOR interest rate would cause a change in interest expense of approximately \$4.5 million on an annual basis.

CONSOLIDATED BALANCE SHEETS

Part II

Item 8. Financial Statements and Supplementary Data

	March 31,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 11,618,922	\$ 9,335,433
Gross loans receivable	1,209,871,366	1,127,957,383
Less:		
Unearned interest, insurance and fees	(308,980,724)	(290,813,752)
Allowance for loan losses	(96,487,856)	(81,519,624)
Loans receivable, net	804,402,786	755,624,007
Right-of-use asset	101,686,918	—
Property and equipment, net	24,761,108	25,424,183
Deferred income taxes, net	23,257,985	23,830,899
Other assets, net	28,547,950	18,398,935
Goodwill	7,370,791	7,034,463
Intangible assets, net	24,448,477	15,340,153
Assets held for sale (Note 17)	3,991,498	—
Total assets	\$1,030,086,435	\$ 854,988,073
LIABILITIES & SHAREHOLDERS' EQUITY		
Liabilities:		
Senior notes payable	\$ 451,100,000	\$ 251,940,000
Income taxes payable	4,965,302	11,550,197
Lease liability	102,759,386	—
Accounts payable and accrued expenses	59,298,680	39,381,251
Total liabilities	618,123,368	302,871,448
Commitments and contingencies (Notes 9 and 16)		
Shareholders' equity:		
Preferred stock, no par value Authorized 5,000,000, no shares issued or outstanding	—	—
Common stock, no par value Authorized 95,000,000 shares; issued and outstanding 7,807,834 and 9,284,118 shares at March 31, 2020 and March 31, 2019, respectively	—	—
Additional paid-in capital	227,214,577	198,125,649
Retained earnings	184,748,490	353,990,976
Total shareholders' equity	411,963,067	552,116,625
Total liabilities and shareholders' equity	\$1,030,086,435	\$ 854,988,073

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended March 31,		
	2020	2019	2018
Continuing operations			
Revenues:			
Interest and fee income	\$ 508,326,771	\$ 469,154,277	\$ 435,701,503
Insurance income, net and other income	81,702,244	75,388,648	66,966,829
Total revenues	590,029,015	544,542,925	502,668,332
Expenses:			
Provision for loan losses	181,730,182	148,426,578	117,620,140
General and administrative expenses:			
Personnel	203,774,574	180,561,501	164,496,081
Occupancy and equipment	54,237,835	48,751,691	39,113,729
Advertising	24,304,023	22,482,553	21,195,718
Amortization of intangible assets	5,010,626	1,527,656	990,399
Other	60,166,202	34,980,314	43,311,742
Total general and administrative expenses	347,493,260	288,303,715	269,107,669
Interest expense	25,896,130	17,934,060	19,089,635
Total expenses	555,119,572	454,664,353	405,817,444
Income from continuing operations before income taxes	34,909,443	89,878,572	96,850,888
Income taxes	6,751,965	15,981,057	47,757,808
Income from continuing operations	28,157,478	73,897,515	49,093,080
Discontinued operations (Note 18)			
Income from discontinued operations before disposal of discontinued operations and income taxes	—	2,341,825	4,353,617
Loss on disposal of discontinued operations	—	(38,377,623)	—
Income taxes (benefit)	—	626,583	(243,321)
Income (loss) from discontinued operations	—	(36,662,381)	4,596,938
Net income	\$ 28,157,478	\$ 37,235,134	\$ 53,690,018
Net income per common share from continuing operations:			
Basic	\$ 3.66	\$ 8.22	\$ 5.58
Diluted	\$ 3.54	\$ 8.03	\$ 5.48
Net income (loss) per common share from discontinued operations:			
Basic	\$ —	\$ (4.08)	\$ 0.52
Diluted	\$ —	\$ (3.98)	\$ 0.51
Net income per common share:			
Basic	\$ 3.66	\$ 4.14	\$ 6.11
Diluted	\$ 3.54	\$ 4.05	\$ 5.99
Weighted average common shares outstanding:			
Basic	7,688,242	8,994,036	8,791,168
Diluted	7,952,900	9,204,377	8,958,676

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31,		
	2020	2019	2018
Net income	\$ 28,157,478	37,235,134	53,690,018
Foreign currency translation adjustments	—	(5,235,838)	1,727,795
Reclassification of cumulative foreign currency translation adjustments due to sale of Mexico business	—	31,290,918	—
Comprehensive income	<u>\$ 28,157,478</u>	<u>63,290,214</u>	<u>55,417,813</u>

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Year ended March 31, 2018				
	Common Stock Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, net	Total Shareholders' Equity
Balances at March 31, 2017	8,782,949	\$144,241,105	344,605,347	(27,782,875)	461,063,577
Proceeds from exercise of stock options	389,888	25,323,531	—	—	25,323,531
Common stock repurchases	(58,728)	—	(4,614,331)	—	(4,614,331)
Restricted common stock expense under stock option plan, net of cancellations (\$1,517,357)	5,334	1,564,048	—	—	1,564,048
Stock option expense	—	2,353,214	—	—	2,353,214
ASU 2016-09 adoption	—	2,405,329	(2,405,329)	—	—
Other comprehensive loss	—	—	—	1,727,795	1,727,795
Net income	—	—	53,690,018	—	53,690,018
Balances at March 31, 2018	<u>9,119,443</u>	<u>\$175,887,227</u>	<u>391,275,705</u>	<u>(26,055,080)</u>	<u>541,107,852</u>

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31,		
	2020	2019	2018
Cash flow from operating activities:			
Net income	\$ 28,157,478	\$ 37,235,134	\$ 53,690,018
Adjustments to reconcile net income to net cash provided by operating			
Loss on sale of discontinued operations	—	38,377,623	—
Loss on assets held for sale	251,263	—	—
Amortization of intangible assets	5,010,626	1,527,656	990,399
Amortization of debt issuance costs	517,499	592,549	865,727
Provision for loan losses	181,730,182	148,426,578	130,979,129
Depreciation	7,147,966	6,608,348	7,339,657
Loss (gain) on sale of property and equipment	339,259	93,199	210,117
Deferred income tax expense (benefit)	572,914	(3,655,751)	8,785,432
Compensation related to stock option and restricted stock plans, net of taxes and adjustments	28,952,161	17,635,309	5,434,619
Change in accounts:			
Other assets, net	(8,602,646)	(5,507,068)	(858,817)
Income taxes payable and receivable	(6,584,895)	(2,547,222)	2,015,553
Accounts payable and accrued expenses	19,917,429	5,877,916	8,574,634
Net cash provided by operating activities	257,409,236	244,664,271	218,026,468
Cash flows from investing activities:			
Increase in loans receivable, net	(183,482,267)	(190,976,279)	(143,373,549)
Net assets acquired from business combinations and asset acquisitions, primarily loans	(47,100,694)	(33,922,279)	(15,586,411)
Increase in intangible assets from acquisitions	(14,455,278)	(10,223,508)	(1,987,762)
Purchases of property and equipment	(11,277,780)	(9,805,084)	(9,171,468)
Proceeds from sale of property and equipment	284,869	466,806	310,542
Proceeds from sale of discontinued operations	—	37,494,505	—
Net cash used in investing activities	(256,031,150)	(206,965,839)	(169,808,648)
Cash flow from financing activities:			
Borrowings from senior notes payable	540,691,400	364,290,000	294,963,800
Payments on senior notes payable	(341,531,400)	(357,250,000)	(345,200,000)
Debt issuance costs associated with senior notes payable	(991,400)	(240,000)	(420,000)
Proceeds from exercise of stock options	4,612,926	5,997,948	25,323,531
Payments for taxes related to net share settlement of equity awards	(4,476,159)	(1,394,835)	(1,517,357)
Repurchase of common stock	(197,399,964)	(74,519,863)	(4,614,331)
Net cash provided by (used in) financing activities	905,403	(63,116,750)	(31,464,357)
Effects of foreign currency fluctuations on cash and cash equivalents	—	2,667,447	132,431
Net change in cash and cash equivalents	2,283,489	(22,750,871)	16,885,894
Cash and cash equivalents at beginning of year from continuing	9,335,433	12,473,833	11,581,936
Cash and cash equivalents at beginning of year from discontinued	—	19,612,471	3,618,474
Cash and cash equivalents at end of year	\$ 11,618,922	\$ 9,335,433	\$ 32,086,304
Cash and cash equivalents at end of year from continuing operations	11,618,922	9,335,433	12,473,833
Cash and cash equivalents at end of year from discontinued operations	—	—	19,612,471
Supplemental Disclosures:			
Interest paid during the year	\$ 23,942,122	\$ 16,835,789	\$ 17,696,711
Income taxes paid during the year	\$ 15,711,692	\$ 23,259,590	\$ 38,741,119

See accompanying notes to Consolidated Financial Statements.

(1) **Summary of Significant Accounting Policies**

The Company's accounting and reporting policies are in accordance with GAAP and conform to general practices within the finance company industry. The following is a description of the more significant of these policies used in preparing the Consolidated Financial Statements.

Nature of Operations

The Company is a small-dollar consumer finance (installment loan) company headquartered in Greenville, South Carolina that offers short-term small loans, medium-term larger loans, related credit insurance products and ancillary products and services to individuals who have limited access to other sources of consumer credit. It also offers income tax return preparation services to its customer base and to others.

As of March 31, 2020, the Company operated 1,243 branches in Alabama, Georgia, Idaho, Illinois, Indiana, Kentucky, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, South Carolina, Tennessee, Texas, Utah, and Wisconsin. Branches in the aforementioned states operate under one of the following names: Amicable Finance, Colonial Finance, Freeman Finance, General Credit, Midwestern Loans, World Acceptance, or World Finance. On August 3, 2018 the Company and its affiliates completed the sale of the Company's Mexico operating segment in its entirety, effective as of July 1, 2018. Thus, the Company operated no branches in Mexico as of March 31, 2020 or 2019. During the first quarter of fiscal 2019, branches in Mexico operated under the name Préstamos Avance or Préstamos Viva. The Company is subject to numerous lending regulations that vary by jurisdiction.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of World Acceptance Corporation and its wholly-owned subsidiaries (the "Company"). Subsidiaries consist of operating entities in various states, ParaData Financial Systems (a software company acquired during fiscal 1994), and WAC Insurance Company, Ltd. (a captive reinsurance company established in fiscal 1994). All significant inter-company balances and transactions have been eliminated in consolidation.

The financial statements of the Company's former foreign subsidiaries in Mexico were prepared using the local currency as the functional currency. Assets and liabilities of these subsidiaries were translated into U.S. dollars at the then-current exchange rate while income and expense are translated at an average exchange rate for the applicable period. The resulting translation gains and losses were recognized as a component of equity in "Accumulated Other Comprehensive Loss, net."

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The most significant item subject to such estimates and assumptions that could materially change in the near term is the allowance for loan losses.

Reclassification

Certain prior period amounts have been reclassified to conform to the current presentation. Such reclassifications had no impact on previously reported net income or shareholders' equity.

Business Segments

The Company reports operating segments in accordance with FASB ASC Topic 280. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance. FASB ASC Topic 280 requires that a public enterprise report a measure of segment profit or loss, certain specific revenue and expense items, segment assets, information about the way that the operating segments were determined and other items.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company has one reportable segment. The other revenue generating activities of the Company, including the sale of insurance products, income tax preparation, and the automobile club, are done within the existing branch network in conjunction with or as a complement to the lending operations. There is no discrete financial information available for these activities, and they do not meet the criteria under FASB ASC Topic 280 to be considered operating segments.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less from the date of original issuance to be cash equivalents. As of March 31, 2020 and 2019 the Company had \$5.4 million and \$5.1 million, respectively, in restricted cash associated with its captive insurance subsidiary that reinsures a portion of the credit insurance sold in connection with loans made by the Company.

Loans and Interest and Fee Income

The Company is licensed to originate consumer loans in the states of Alabama, Georgia, Idaho, Illinois, Indiana, Kentucky, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, South Carolina, Texas, Tennessee, Utah, and Wisconsin. During fiscal 2020, 2019, and 2018 the Company originated loans generally ranging up to \$3,200, with terms of 48 months or fewer. Experience indicates that a majority of the consumer loans are refinanced, and the Company accounts for the majority of the refinancings as new loans. Generally a customer must make multiple payments in order to qualify for refinancing. Furthermore, the Company's lending policy has predetermined lending amounts so that in most cases a refinancing will result in advancing additional funds. The Company believes that the advancement of additional funds constitutes more than a minor modification to the terms of the existing loan if the present value of the cash flows under the terms of the new loan will be 10% or more of the present value of the remaining cash flows under the terms of the original loan.

The following table sets forth information about our loan products for fiscal 2020:

	Minimum Origination	Maximum Origination	Minimum Term (Months)	Maximum Term (Months)
Small loans	\$ 100	\$ 2,450	3	25
Large loans	2,500	20,600	12	48
Tax advance loans	100	5,000	8	8

Gross loans receivable at March 31, 2020 and 2019 consisted of the following:

	2020	2019
Small loans	\$ 761,364,753	\$ 736,643,663
Large loans	442,683,915	383,686,372
Tax advance loans	5,822,698	7,627,348
Total gross loans	\$ 1,209,871,366	\$ 1,127,957,383

Fees received and direct costs incurred for the origination of loans are deferred and amortized to interest income over the contractual lives of the loans using the interest method. Unamortized amounts are recognized in income at the time that loans are refinanced or paid in full except for those refinancings that do not constitute a more than minor modification.

Loans are carried at the gross amount outstanding, reduced by unearned interest and insurance income, net of deferred origination fees and direct costs and an allowance for loan losses. The Company recognizes interest and fee income using the interest method. Charges for late payments are credited to income when collected.

With the exception of tax advance loans, which are interest free, the Company offers its loans at the prevailing statutory rates for terms not to exceed 48 months. Management believes that the carrying value approximates the fair value of its loan portfolio.

Nonaccrual Policy

The accrual of interest is discontinued when a loan is 61 days or more past the contractual due date. When the interest accrual is discontinued, all unpaid accrued interest is reversed against interest income. While a loan is on nonaccrual status, interest revenue is recognized only when a payment is received. Once a loan moves to nonaccrual status, it remains in nonaccrual status until it is paid out, charged off or refinanced.

Allowance for Loan Losses

The Company maintains an allowance for loan losses in an amount that, in management's opinion, is adequate to provide for incurred losses inherent in the existing loan portfolio. The Company charges against current earnings, as a provision for loan losses, amounts added to the allowance to maintain it at levels expected to cover probable incurred losses of principal. When establishing the allowance for loan losses, the Company takes into consideration the growth of the loan portfolio, current levels of charge-offs, current levels of delinquencies, and current economic factors.

The Company uses a mathematical calculation to determine the initial allowance at the end of each reporting period. The calculation originated as management's estimate of future charge-offs and is used to allocate expenses to the branch level. There are two components when calculating the allowance for loan losses, which the Company refers to as the general reserve and the specific reserve. This calculation is a starting point and over time, and as needed, additional provisions have been added as determined by management to make the allowance adequate.

The general reserve is 4.25% of the gross loan portfolio. The specific reserve represents 100% of the gross loan balance of all loans 91 days or more days past due on a recency basis, including bankrupt accounts in that category. This methodology is based on historical data showing that the collection of loans 91 days or more past due is remote.

A process is then performed to determine the adequacy of the allowance for loan losses, which considers trends in current levels of delinquencies, charge-off levels, and economic trends (such as energy and food prices). The primary tool used is the movement model (on a recency basis) which considers the rolling twelve months of delinquency to determine expected charge-offs. The sum of expected charge-offs, determined from the recency movement model plus the amount of delinquent refinancings is compared to the allowance resulting from the mathematical calculation to determine if any adjustments are needed to make the allowance adequate. Management would also determine if any adjustments are needed if the consolidated annual provision for loan losses is less than total charge-offs. Management uses a precision level of 5% of the allowance for loan losses compared to the aforementioned recency movement model when determining if any adjustments are needed.

The Company's policy is to charge off loans at the earlier of when such loans are deemed to be uncollectible or when six months have elapsed since the date of the last full contractual payment. The Company's charge-off policy has been consistently applied and no changes have been made during the periods reported. The Company's historical annual charge-off rate (net charge-offs as a percentage of average net loans receivable) for the past 10 years has ranged from 12.8% to 18.0% of net loans. Management considers the charge-off policy when evaluating the appropriateness of the allowance for loan losses.

Impaired Loans

The Company defines impaired loans as bankrupt accounts and accounts 91 days or more past due on a recency basis. In accordance with the Company's charge-off policy, once a loan is deemed uncollectible, 100% of the net investment is charged off, except in the case of a borrower who has filed for bankruptcy. As of March 31, 2020, bankrupt accounts that had not been charged off were approximately \$6.3 million. Bankrupt accounts 91 days or more past due on a recency basis are reserved at 100% of the gross loan balance. The Company also considers any accounts 91 days or more past due on a recency basis to be impaired, and such accounts are reserved at 100% of the gross loan balance.

Delinquency is the primary credit quality indicator used to determine the credit quality of the Company's receivables (additional requirements from ASC 310-10 are disclosed in Note 2).

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is recorded using

the straight-line method over the estimated useful life of the related asset as follows: buildings, 25 to 40 years; furniture and fixtures, 5 to 10 years; equipment, 3 to 7 years; and vehicles, 3 years. Amortization of leasehold improvements is recorded using the straight-line method over the lesser of the estimated useful life of the asset or the term of the lease. Additions to premises and equipment and major replacements or improvements are added at cost. Maintenance, repairs, and minor replacements are charged to operating expense as incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the consolidated statement of operations.

Operating Leases

The Company's branch leases typically have a lease term of three to five years and contain lessee renewal options and cancellation clauses in the event of regulatory changes. The Company typically renews its leases for one or more option periods. Accordingly, the Company amortizes its leasehold improvements over the shorter of their economic lives, which are generally five years, or the lease term that considers renewal periods that are reasonably assured.

Other Assets

Other assets include cash surrender value of life insurance policies, prepaid expenses, debt issuance costs, and other deposits.

Intangible Assets and Goodwill

Intangible assets include the cost of acquiring existing customers ("customer lists"), and the fair value assigned to non-compete agreements. Customer lists are amortized on a straight line or accelerated basis over their estimated period of benefit, ranging from 8 to 23 years with a weighted average of approximately 9.6 years. Non-compete agreements are amortized on a straight line basis over the term of the agreement, ranging from 3 to 5.3 years with a weighted average of approximately 4.9 years.

Customer lists are allocated at a branch level and are evaluated for impairment at a branch level when a triggering event occurs, in accordance with FASB ASC Topic 360-10-05. If a triggering event occurs, the impairment loss to the customer list is generally the remaining unamortized customer list balance. In most acquisitions, the original fair value of the customer list allocated to a branch is less than \$100,000, and management believes that in the event a triggering event were to occur, the impairment loss to an unamortized customer list would be immaterial.

Non-compete agreements are valued at the stated amount paid to the other party for these agreements, which the Company believes approximates the fair value. The fair value of the customer lists is based on a valuation model that utilizes the Company's historical data to estimate the value of any acquired customer lists. In a business combination, the remaining excess of the purchase price over the fair value of the tangible assets, customer list, and non-compete agreements is allocated to goodwill. The branches the Company acquires are small, privately-owned branches, which do not have sufficient historical data to determine customer attrition. The Company believes that the customers acquired have the same characteristics and perform similarly to its customers. Therefore, the Company utilized the attrition patterns of its customers when developing the estimate of attrition for acquired customers. This estimation method is re-evaluated periodically.

The Company evaluates goodwill annually for impairment in the fourth quarter of the fiscal year using the market value-based approach. The Company has one reporting unit, and the Company has multiple components, the lowest level of which is individual branches. The Company's components are aggregated for impairment testing because they have similar economic characteristics.

Impairment of Long-Lived Assets

The Company assesses impairment of long-lived assets, including property and equipment and intangible assets, whenever changes or events indicate that the carrying amount may not be recoverable. The Company assesses impairment of these assets generally at the branch level based on the operating cash flows of the branch and the Company's plans for branch closings. The Company will write down such assets to fair value if, based on an analysis, the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets. The Company did not record any impairment charges for the fiscal year ended 2020, 2019, or 2018.

Fair Value of Financial Instruments

FASB ASC Topic 825 requires disclosures about the fair value of all financial instruments, regardless of whether the financial instrument is recognized on the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. The Company's financial instruments for the periods reported consist of the following: cash and cash equivalents, loans receivable and senior notes payable. Fair value approximates carrying value for all of these instruments.

Loans receivable are originated at prevailing market rates and have an average life of approximately 8 months. Given the short-term nature of these loans, they are continually repriced at current market rates. The Company's revolving credit facility has a variable rate based on a margin over LIBOR and reprices with any changes in LIBOR.

Insurance Premiums and Commissions

Insurance premiums for credit life, accident and health, property and unemployment insurance written in connection with certain loans, net of refunds and applicable advance insurance commissions retained by the Company, are remitted monthly to an insurance company. All commissions are credited to unearned insurance commissions and recognized as income over the life of the related insurance contracts. The Company recognizes insurance income using the Rule of 78s method for credit life (decreasing term), credit accident and health, unemployment insurance and the Pro Rata method for credit life (level term) and credit property.

Non-filing Insurance

Non-filing insurance premiums are charged on certain loans in lieu of recording and perfecting the Company's security interest in the assets pledged. The premiums and recoveries are remitted to a third party insurance company and are not reflected in the accompanying Consolidated Financial Statements (see Note 8).

Claims paid by the third party insurance company result in a reduction to loan losses. Certain losses related to such loans, which are not recoverable through life, accident and health, property, or unemployment insurance claims are reimbursed through non-filing insurance claims subject to policy limitations. Any remaining losses are charged to the allowance for loan losses.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment related to additional facts and circumstances occurs.

Earnings Per Share

Earnings per share ("EPS") is computed in accordance with FASB ASC Topic 260. Basic EPS includes no dilution and is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of securities that could share in the earnings of the Company. Potential common stock included in the diluted EPS computation consists of stock options and restricted stock, which are computed using the treasury stock method. See Note 11 for the reconciliation of the numerators and denominators for basic and dilutive EPS calculations.

Stock-Based Compensation

FASB ASC Topic 718-10 requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation issued to employees. FASB ASC Topic 718-10 does not change the accounting guidance for share-based payment transactions with parties other than employees provided in FASB ASC Topic 718-10. Under FASB ASC Topic 718-10, the way an award is classified will affect the measurement of compensation cost. Liability-classified awards are remeasured to fair value at each balance-sheet date until the award is settled. Equity-classified awards are measured at grant-date fair value, amortized over the subsequent vesting period, and are not subsequently remeasured. The fair value of non-vested stock awards for the purposes of recognizing stock-based compensation expense is the market price of the stock on the grant date. The fair value of options is estimated on the grant date using the Black-Scholes option pricing model (see Note 12). At March 31, 2020, the Company had several share-based employee compensation plans, which are described more fully in Note 12.

Share Repurchases

On March 12, 2020, the Board of Directors authorized the Company to repurchase up to \$30.0 million of the Company's outstanding common stock, inclusive of the amount that remains available for repurchase under prior repurchase authorizations. As of March 31, 2020, the Company had \$22.6 million in aggregate remaining repurchase capacity. The timing and actual number of shares of common stock repurchased will depend on a variety of factors, including the stock price, corporate and regulatory requirements, restrictions under the revolving credit facility and other market and economic conditions.

The Company continues to believe stock repurchases are a viable component of the Company's long-term financial strategy and an excellent use of excess cash when the opportunity arises. However, our revolving credit agreement limits share repurchases to 50% of consolidated adjusted net income in any fiscal year commencing with the fiscal year ending March 31, 2017 without prior written consent of the lenders. As of March 31, 2020 our debt outstanding was \$451.1 million and our shareholders' equity was \$412.0 million resulting in a debt-to-equity ratio of 1.1:1.0.

Comprehensive Income

Total comprehensive income consists of net income and other comprehensive income (loss). The Company's other comprehensive income (loss) and accumulated other comprehensive income (loss) are composed of foreign currency translation adjustments.

Concentration of Risk

The Company generally serves individuals with limited access to other sources of consumer credit such as banks, credit unions, other consumer finance businesses and credit card lenders. During the year ended March 31, 2020, the Company operated in sixteen states in the United States. For the years ended March 31, 2020, 2019, and 2018, total revenue within the Company's four largest states (Texas, Georgia, Tennessee, and South Carolina) accounted for approximately 56%, 57% and 53%, respectively, of the Company's total revenues.

The Company maintains amounts in bank accounts which, at times, may exceed federally insured limits. The Company has not experienced losses in such accounts, which are maintained with large domestic banks. Management believes the Company's exposure to credit risk is minimal for these accounts.

Advertising Costs

Advertising costs are expensed when incurred. Advertising costs were approximately \$24.3 million, \$22.5 million, and \$21.2 million for fiscal years 2020, 2019, and 2018, respectively.

Recently Adopted Accounting Standards

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The ASU, as amended by ASU 2018-01, ASU 2018-10, and 2018-11, requires lessees to recognize assets and liabilities from leases with terms greater than 12

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

months and to disclose information related to the amount, timing and uncertainty of cash flows arising from leases, including various qualitative and quantitative requirements. The amendments of this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018.

Upon adoption of this guidance on April 1, 2019 the Company removed its deferred rent expense balance of \$0.4 million, recorded a right-of-use asset of \$87.4 million, and recorded a lease liability of \$87.8 million. Amounts recorded upon adoption of Topic 842 were adjusted from what was reported in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2019 due to the Company finalizing its implementation since that filing. In conjunction with adoption the Company made the following elections as outlined in ASU 2016-02 and its amendments:

- The Company elected to apply the new guidance retrospectively at the beginning of the period of adoption, and, as a result, the adoption date is the beginning of the reporting period in which the Company first applies the guidance in Topic 842. The Company has not adjusted comparative years in the consolidated financial statements or make the new required disclosures for periods before the adoption date. The new required disclosures are only presented in the period of adoption and subsequently thereafter.
- The Company elected, by class of underlying asset, to expense short-term leases on a straight-line basis over the life of the lease rather than applying the recognition requirements in Topic 842 according to the following table:

Class of Underlying Asset	Election? Yes/No
Buildings (Office Space)	No
Office Equipment	Yes

- The Company elected, by class of underlying asset, not to separate non-lease components from lease components and instead account for each separate lease component and the non-lease components associated with those lease components as a single lease component according to the following table:

Class of Underlying Asset	Election? Yes/No
Buildings (Office Space)	Yes
Office Equipment	Yes

- The Company elected the following practical expedients, which must be elected as a package, when applying Topic 842 to leases that commenced before the adoption date:
 1. Not to reassess whether any expired or existing contracts are or contain leases;
 2. Not to reassess the lease classification for any expired or existing leases (that is, all existing leases that were classified as operating leases in accordance with Topic 840 are classified as operating leases, and all existing leases that were classified as capital leases in accordance with Topic 840 are classified as finance leases); and,
 3. Not to reassess initial direct costs for any existing leases.
- The Company elected to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the its right-of-use assets when applying Topic 842 to leases that commenced before the adoption date.

Adoption of the standard did not impact the Company's consolidated statements of operations nor did adoption require the Company to alter its revolving credit facility to remain in compliance with its debt covenants.

Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill Impairment. ASU No. 2017-04 eliminates Step 2 from the goodwill impairment test. Instead, under the amendments in this Update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. ASU No. 2017-04 also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative assessment, to perform Step 2 of the goodwill impairment test. Therefore, the

same impairment assessment applies to all reporting units. The ASU also eliminates the provision that allowed a best estimate of goodwill impairment to be recognized if the goodwill impairment test is not complete before the financial statements are issued or available to be issued. Thus, the goodwill impairment test now must be complete before issuing the financial statements. The amendments in this Update are effective for public entities who are SEC filers for fiscal years beginning after December 15, 2019. Early adoption is permitted.

The Company early adopted ASU 2017-04 for the period ended March 31, 2020. The adoption had no impact on the Company's financial statements.

Recently Issued Accounting Standards to be Adopted

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses. The update, as amended by ASU 2019-04, seeks to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, The amendments in this ASU require loss estimates be determined over the lifetime of the asset and broaden the information an entity must consider in developing its expected credit losses. The ASU does not specify a method for measuring expected credit losses and allows an entity to apply methods that reasonably reflect its expectations of the credit loss estimate based on the entity's size, complexity and risk profile. For public business entities the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

For the Company, the standard will apply to its loan portfolio. A cross-functional team led by Corporate Finance was established to implement the new standard. We have completed our initial current expected credit loss ("CECL") model and accounting policy elections. We continue to refine and test our model, estimation techniques, operational processes and controls to be used in preparing CECL loss estimates and related financial statement disclosures. The CECL calculated losses on the loan portfolio are derived using a migration type model based on historical loss experience, borrower characteristics, forecasts and other factors. The outstanding loans are segmented into pools with similar risk characteristics, primarily based on the length of time the borrower has been a customer. As the average life of our loans is generally twelve months or less, recent borrower performance is the best indicator we have of expected loss. Forecasted changes in macroeconomic variables generally will not materially impact loans that are outstanding at the end of any given reporting given the short duration of those loans, so we instead consider partial migration curves as well as current internal credit quality trends as compared to historical amounts to forecast any changes in expected losses over the remaining period. We are considering the impact of the COVID-19 pandemic as well as the stimulus packages adopted by the U.S. government as it relates to a qualitative adjustment to the allowance for expected losses.

The Company adopted the guidance on April 1, 2020 using a modified retrospective approach with a cumulative-effect adjustment to retained earnings. The initial range of impact of this standard to the Company's consolidated financial statements is an increase of \$14.5 million to \$26.2 million to the allowance for credit losses with a corresponding decrease to retained earnings, net of tax. These amounts are preliminary while the Company completes the processes noted above.

We reviewed all other newly issued accounting pronouncements and concluded that they are either not applicable to our business or are not expected to have a material effect on the consolidated financial statements as a result of future adoption.

(2) Allowance for Loan Losses and Credit Quality Indicators

The following is a summary of the changes in the allowance for loan losses for the years ended March 31, 2020, 2019, and 2018:

	2020	2019	2018
Balance at beginning of period	\$ 81,519,624	66,088,139	60,644,365
Provision for loan losses	181,730,182	148,426,578	117,620,140
Loan losses	(183,439,199)	(148,308,199)	(127,387,857)
Recoveries	16,677,249	15,313,106	15,211,491
Balance at end of period	<u>\$ 96,487,856</u>	<u>81,519,624</u>	<u>66,088,139</u>

The following is a summary of loans individually and collectively evaluated for impairment for the periods indicated:

March 31, 2020	Loans individually evaluated for impairment (impaired loans)	Loans collectively evaluated for impairment	Total
Gross loans in bankruptcy, excluding contractually delinquent	\$ 5,165,752	—	5,165,752
Gross loans contractually delinquent	70,719,727	—	70,719,727
Loans not contractually delinquent and not in bankruptcy	—	1,133,985,887	1,133,985,887
Gross loan balance	75,885,479	1,133,985,887	1,209,871,366
Unearned interest and fees	(16,848,762)	(292,131,962)	(308,980,724)
Net loans	59,036,717	841,853,925	900,890,642
Allowance for loan losses	(54,090,509)	(42,397,347)	(96,487,856)
Loans, net of allowance for loan losses	<u>\$ 4,946,208</u>	<u>799,456,578</u>	<u>804,402,786</u>

March 31, 2019	Loans individually evaluated for impairment (impaired loans)	Loans collectively evaluated for impairment	Total
Gross loans in bankruptcy, excluding contractually delinquent	\$ 4,644,203	—	4,644,203
Gross loans contractually delinquent	59,633,541	—	59,633,541
Loans not contractually delinquent and not in bankruptcy	—	1,063,679,639	1,063,679,639
Gross loan balance	64,277,744	1,063,679,639	1,127,957,383
Unearned interest and fees	(14,319,795)	(276,493,957)	(290,813,752)
Net loans	49,957,949	787,185,682	837,143,631
Allowance for loan losses	(45,511,124)	(36,008,500)	(81,519,624)
Loans, net of allowance for loan losses	<u>\$ 4,446,825</u>	<u>751,177,182</u>	<u>755,624,007</u>

The average net balance of impaired loans was \$57.2 million, \$47.0 million, and \$42.3 million, respectively, for the years ended March 31, 2020, 2019, and 2018. It is not practicable to compute the amount of interest earned on impaired loans, nor is it practicable to compute the interest income recognized using the cash-basis method during the period such loans were impaired.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is an assessment of the credit quality for the fiscal years indicated:

	March 31, 2020	March 31, 2019
Credit risk		
Consumer loans- non-bankrupt accounts	\$ 1,203,552,152	1,121,895,834
Consumer loans- bankrupt accounts	6,319,214	6,061,549
Total gross loans	\$ 1,209,871,366	1,127,957,383
Consumer credit exposure		
Credit risk profile based on payment activity, performing	\$ 1,104,130,714	1,039,774,448
Contractual non-performing, 61 days or more delinquent ⁽¹⁾	105,740,652	88,182,935
Total gross loans	\$ 1,209,871,366	1,127,957,383
Credit risk profile based on customer type		
New borrower	\$ 124,800,193	138,140,479
Former borrower	127,108,125	116,242,182
Refinance	935,448,882	854,880,194
Delinquent refinance	22,514,166	18,694,528
Total gross loans	\$ 1,209,871,366	1,127,957,383

⁽¹⁾ Loans in non-accrual status

The following is a summary of the past due receivables as of:

	March 31, 2020	March 31, 2019	March 31, 2018
Contractual basis:			
30-60 days past due	\$ 49,137,102	40,300,574	32,959,151
61-90 days past due	35,020,925	28,549,394	24,812,730
91 days or more past due	70,719,727	59,633,541	50,019,567
Total	\$ 154,877,754	128,483,509	107,791,448
Percentage of period-end gross loans receivable	12.8 %	11.4 %	10.7 %
Recency basis:			
30-60 days past due	\$ 48,206,910	35,992,122	29,356,319
61-90 days past due	28,450,942	22,393,106	19,523,845
91 days or more past due	50,669,837	42,771,862	34,548,433
Total	\$ 127,327,689	101,157,090	83,428,597
Percentage of period-end gross loans receivable	10.5 %	9.0 %	8.3 %

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) Property and Equipment

Property and equipment consist of:

	March 31, 2020	March 31, 2019
Land	\$ 100,443	576,977
Building and leasehold improvements	17,048,098	20,383,762
Furniture and equipment	51,376,746	47,027,859
	68,525,287	67,988,598
Less accumulated depreciation and amortization	(43,764,179)	(42,564,415)
Total	\$ 24,761,108	25,424,183

Depreciation expense was approximately \$7.1 million, \$6.6 million, and \$7.3 million for the years ended March 31, 2020, 2019, and 2018, respectively.

(4) Intangible Assets

The following table provides the gross carrying amount and related accumulated amortization of definite-lived intangible assets:

	March 31, 2020			March 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Intangible Asset	Gross Carrying Amount	Accumulated Amortization	Net Intangible Asset
Cost of customer lists	\$ 50,411,969	(27,215,464)	23,196,505	\$37,183,018	(22,509,921)	14,673,097
Value assigned to non- complete agreements	10,054,643	(8,802,671)	1,251,972	9,164,643	(8,497,587)	667,056
Total	\$ 60,466,612	(36,018,135)	24,448,477	\$46,347,661	(31,007,508)	15,340,153

The estimated amortization expense for intangible assets for future years ended March 31 is as follows: \$5.0 million for 2021; \$4.1 million for 2022; \$3.6 million for 2023; \$3.5 million for 2024; \$3.1 million for 2025; and an aggregate of \$5.1 million for the years thereafter.

(5) Goodwill

The following summarizes the changes in the carrying amount of goodwill for the years ended March 31, 2020 and 2019:

	2020	2019
<i>Balance at beginning of year:</i>		
Goodwill	\$ 7,114,094	7,114,094
Accumulated goodwill impairment losses	(79,631)	(79,631)
Goodwill, net	\$ 7,034,463	7,034,463
Goodwill acquired during the year	\$ 336,328	—
Impairment losses	—	—
<i>Balance at end of year:</i>		
Goodwill	\$ 7,450,422	7,114,094
Accumulated goodwill impairment losses	(79,631)	(79,631)
Goodwill, net	\$ 7,370,791	7,034,463

The Company performed an annual impairment test during the fourth quarters of fiscal 2020 and 2019 and determined that none of the recorded goodwill was impaired.

(6) Notes Payable

Senior Notes Payable; Revolving Credit Facility

At March 31, 2020 the Company's notes payable consisted of a \$685.0 million senior revolving credit facility, which has an accordion feature permitting the maximum aggregate commitments to increase to \$685.0 million provided that certain conditions are met. At March 31, 2020 \$451.1 million was outstanding under the facility, not including a \$300.0 thousand outstanding standby letter of credit related to workers compensation. To the extent that the letter of credit is drawn upon, the disbursement will be funded by the credit facility. There are no amounts due related to the letter of credit as of March 31, 2020. The letter of credit expires on December 31, 2020; however, it automatically extends for one year on the expiration date. Subject to a borrowing base formula, the Company may borrow at the rate of LIBOR plus an applicable margin between 3.0% and 4.0% based on certain EBITDA related metrics set forth in the revolving credit agreement, which will be determined and adjusted on a monthly basis with a minimum rate of 4.0%. The revolving credit facility has a commitment fee of 0.50% per annum on the unused portion of the commitment. Commitment fees on the unused portion of the borrowing totaled \$1.0 million, \$1.1 million, and \$0.8 million for the years ended March 31, 2020, 2019, and 2018, respectively. Borrowings under the revolving credit facility mature on June 7, 2022.

For the years ended March 31, 2020, 2019, and 2018 the Company's effective interest rate, including the commitment fee, was 5.8%, 6.7%, and 6.0% respectively, and the unused amount available under the revolver at March 31, 2020 was \$180.2 million.

Substantially all of the Company's assets are pledged as collateral for borrowings under the revolving credit agreement.

Debt Covenants

The agreement governing the Company's revolving credit facility contains affirmative and negative covenants, including covenants that restrict the ability of the Company and its subsidiaries to, among other things, incur or guarantee indebtedness, incur liens, pay dividends and repurchase or redeem capital stock, dispose of assets, engage in mergers and consolidations, make acquisitions or other investments, redeem or prepay subordinated debt, amend subordinated debt documents, make changes in the nature of its business, and engage in transactions with affiliates. The agreement also contains financial covenants, including (i) a minimum consolidated net worth of (a) \$365.0 million through December 30, 2020 and (b) \$375.0 million on and after December 31, 2020; (ii) a minimum fixed charge coverage ratio of (a) 2.25 to 1.0 for the fiscal quarters ending March 31, 2020, June 30, 2020 and September 30, 2020 and (b) 2.75 to 1.0 for each fiscal quarter thereafter; (iii) a maximum ratio of total debt to consolidated adjusted net worth of 2.0 to 1.0; (iv) as of the end of each fiscal quarter, provision for loan losses for the four fiscal quarters then ending shall equal or exceed the net loan charge off for the corresponding period (any shortfalls are required to be deducted in the determination of net income and consolidated net worth); and (v) a maximum collateral performance indicator of 24% as of the end of each calendar month. The agreement allows the Company to incur subordinated debt that matures after the termination date for the revolving credit facility and that contains specified subordination terms, subject to limitations on amount imposed by the financial covenants under the agreement.

The collateral performance indicator is equal to the sum of (a) a three-month rolling average rate of receivables at least sixty days past due and (b) an eight-month rolling average net charge-off rate. The Company was in compliance with these covenants at March 31, 2020 and does not believe that these covenants will materially limit its business and expansion strategy.

The agreement contains events of default including, without limitation, nonpayment of principal, interest or other obligations, violation of covenants, misrepresentation, cross-default to other debt, bankruptcy and other insolvency events, judgments, certain ERISA events, actual or asserted invalidity of loan documentation, invalidity of subordination provisions of subordinated debt, certain changes of control of the Company, and the occurrence of certain regulatory events (including the entry of any stay, order, judgment, ruling or similar event related to the Company's or any of its subsidiaries' originating, holding, pledging, collecting or enforcing its eligible finance receivables that is material to the Company or any subsidiary) which remains unvacated, undischarged, unbonded or unstayed by appeal or otherwise for a period of 60 days from the date of its entry and is reasonably likely to cause a material adverse change. If it is determined

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

that a violation of the FCPA has occurred, as described above in Part I, Item 3, “Legal Proceedings—Mexico Investigation,” such violation may give rise to an event of default under our credit agreement if such violation were to have a material adverse effect on our business, operations, properties, assets, or condition (financial or otherwise) or if the amount of any settlement, penalties, fines, or other payments resulted in the Company failing to satisfy any financial covenants.

Debt Maturities

As of March 31, 2020, the aggregate annual maturities of the notes payable for each of the five fiscal years subsequent to March 31, 2020 were as follows:

2021	\$	—
2022		—
2023		451,100,000
2024		—
2025		—
Total future debt payments	<u>\$</u>	<u>451,100,000</u>

(7) Insurance and Other Income

Insurance and other income for the years ending March 31, 2020, 2019, and 2018 consist of:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Insurance revenue	\$ 50,360,730	45,182,596	41,959,092
Tax return preparation revenue	20,936,447	21,454,117	16,801,909
Auto club membership revenue	6,254,748	4,452,018	3,373,023
Other	4,150,319	4,299,917	4,832,805
Insurance and other income	<u>\$ 81,702,244</u>	<u>75,388,648</u>	<u>66,966,829</u>

The Company has a wholly-owned, captive insurance subsidiary that reinsures a portion of the credit insurance sold in connection with loans made by the Company. Certain coverages currently sold by the Company on behalf of the unaffiliated insurance carrier are ceded by the carrier to the captive insurance subsidiary, providing the Company with an additional source of income derived from the earned reinsurance premiums. Insurance premiums are ceded to the reinsurance subsidiary as written and revenue is recognized over the life of the related insurance contracts. As of March 31, 2020, 2019, and 2018, the amount of net written premiums by the reinsurance subsidiary were \$6.6 million, \$5.6 million, and \$6.2 million, respectively, and the amount of earned premiums were \$6.2 million, \$5.7 million, and \$5.3 million, respectively.

The Company maintains a cash reserve for claims in an amount determined by the ceding company, and as of March 31, 2020 and 2019, the cash reserves were \$4.7 million and \$3.8 million, respectively.

(8) Non-filing Insurance

The Company maintains non-filing insurance coverage with an unaffiliated insurance company. The following is a summary of the non-filing insurance activity for the years ended March 31, 2020, 2019, and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Insurance premiums written	\$ 8,251,927	6,164,871	5,987,538
Recoveries on claims paid	\$ 1,001,288	996,482	1,093,396
Claims paid	\$ 7,570,126	6,553,271	6,540,136

(9) Leases

Accounting Policies and Matters Requiring Management's Judgment

When determining the economic life of a lease the Company adopts a convention of applying an economic life equal to the useful life as specified in its accounting policy. Refer to Note 1, "Property and Equipment," in this Annual Report on Form 10-K for a description of the Company's accounting policy regarding useful lives.

The Company uses its effective annual interest rate as the discount rate when evaluating leases under Topic 842. Management applies its effective annual interest rate to leases entered for the entirety of the subsequent year. For example, fiscal 2019's annual effective interest rate of 6.7% will be used in the determination of lease type as well as the discount rate when calculating the present value of lease payments for all leases entered into in fiscal 2020 or until a new annual effective interest rate is available for application.

Based on its historical practice, the Company believes it is reasonably certain to exercise a given option associated with a given office space lease. Therefore, the Company classifies all lease options for office space as "reasonably certain" unless it has specific knowledge to the contrary for a given lease. The Company does not believe it is reasonably certain to exercise any options associated with its office equipment leases.

Periodic Disclosures

The Company's leases consist of real estate leases for office space as well as office equipment leases, all of which were classified as operating at March 31, 2020. Both the real estate and office equipment leases range from three years to five years, and generally contain options to extend which mirror the original terms of the lease.

The following table reports information about the Company's lease cost for the year ended March 31, 2020:

	<u>2020</u>
<i>Lease Cost</i>	
Operating lease cost	\$ 26,244,323
Short-term lease cost	4,500
Variable lease cost	<u>3,376,275</u>
Total lease cost	<u>\$ 29,625,098</u>

The following table reports other information about the Company's leases for year ended March 31, 2020:

	<u>2020</u>
<i>Other Lease Information</i>	
Cash paid for amounts included in the measurement of lease liabilities	\$ 25,618,886
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 36,826,045
Weighted average remaining lease term — operating leases	8.4 years
Weighted-average discount rate — operating leases	6.7 %

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table reports information about the maturity of the Company's operating leases as of March 31, 2020:

Operating lease liability maturity analysis

FY2021		22,374,762
FY2022		19,655,801
FY2023		16,078,660
FY2024		12,779,675
FY2025		9,236,229
Thereafter		29,954,744
Total undiscounted lease liability	\$	110,079,871
Imputed interest		7,320,485
Total discounted lease liability	\$	102,759,386

The Company had no leases with related parties at March 31, 2020.

(10) Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the TCJA. The TCJA included significant changes to existing tax law, including a permanent reduction to the U.S. federal corporate income tax rate from 35% to 21%, a one-time repatriation tax on deferred foreign income ("Transition Tax"), deductions, credits and business-related exclusions.

The permanent reduction to the U.S. federal corporate income tax rate from 35 % to 21% was effective January 1, 2018. When a federal tax rate changes during a fiscal year, the Internal Revenue Code requires taxpayers to compute a weighted daily average rate for the fiscal year of enactment. As a result, the Company has calculated a U.S. federal statutory corporate income tax rate of 21% for the fiscal years ended March 31, 2020 and 2019 and 31.55% for the fiscal year ended March 31, 2018.

The impact of changes in federal tax rates on deferred tax amounts and the effect of the Transition Tax are significant unusual or infrequent events which are recognized as discrete items in the Company's income tax expense in the period in which the event occurs. The Company recorded a \$10.5 million increase in tax expense related to the net impact of revaluing the U.S. deferred tax assets and liabilities in the third quarter of fiscal 2018. An adjustment was made in the third quarter of fiscal 2019 to record an \$850.0 thousand tax benefit related to the revaluing of the U.S. deferred tax assets and liabilities due to additional analysis and change in estimate from the original calculation. The Company also recorded an increase in tax expense of \$4.9 million related to the foreign Transition Tax during the final quarter of fiscal 2018.

During the first quarter of fiscal 2019, our former Mexican subsidiaries paid the Company a dividend of \$17.1 million. Because of the Transition Tax, the Company's tax basis was greater than its book basis. The recognition of the basis difference upon the sale of the Mexican operations in fiscal 2019 created a capital loss that the Company does not believe will be recognized in the carryforward period; therefore, a full tax valuation allowance was recorded against the recognized loss carryforward.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, expands current benefits of net operating losses and increases the allowable business interest deduction under Section 163(j). The Company does not expect the CARES Act to have a material impact on its income tax position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income tax expense (benefit) from continuing operations consists of:

	Current	Deferred	Total
Year ended March 31, 2020			
Continuing Operations- Federal	\$ 3,307,872	(224,604)	3,083,268
Continuing Operations- State and local	2,871,179	797,518	3,668,697
	<u>\$ 6,179,051</u>	<u>572,914</u>	<u>6,751,965</u>
Year ended March 31, 2019			
Continuing Operations- Federal	\$ 20,508,247	(1,833,943)	18,674,304
Continuing Operations- State and local	(871,439)	(1,821,808)	(2,693,247)
	<u>\$ 19,636,808</u>	<u>(3,655,751)</u>	<u>15,981,057</u>
Year ended March 31, 2018			
Continuing Operations- Federal	\$ 32,398,898	12,073,220	44,472,118
Continuing Operations- State and local	3,191,525	94,165	3,285,690
	<u>\$ 35,590,423</u>	<u>12,167,385</u>	<u>47,757,808</u>

Income tax expense from continuing operations was \$6.8 million, \$16.0 million, and \$47.8 million, for the years ended March 31, 2020, 2019, and 2018, respectively, and differed from the amounts computed by applying the U.S. federal income tax rate of 21% for fiscal years 2020 and 2019, and 31.55% for fiscal 2018 to pretax income from continuing operations as a result of the following:

	2020	2019	2018
Expected income tax	\$ 7,330,983	18,874,500	30,556,455
Increase (reduction) in income taxes resulting from:			
State tax (excluding state tax credits), net of federal benefit	3,398,271	1,576,915	2,249,055
Federal tax credits (net)	(7,616,236)	—	—
State tax credits	(500,000)	(3,704,580)	—
Revalue deferred tax assets and liabilities	—	(852,523)	10,516,827
Foreign transition tax	—	—	4,854,640
Uncertain tax positions	(167,455)	(183,929)	(340,993)
Nondeductible penalties	4,562,830	2,210	4,387
Valuation allowance under Section 162(m)	1,305,975	37,457	—
Excess tax benefits related to equity compensation	(612,987)	(287,703)	(11,435)
Prior year adjustments	(672,358)	106,075	(130,606)
Other, net	(277,058)	412,635	59,478
	<u>\$ 6,751,965</u>	<u>15,981,057</u>	<u>47,757,808</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income tax expense (benefit) from discontinued operations was 0, \$626,583, and (\$243,321), for the years ended March 31, 2020, 2019, and 2018, respectively, and differed from the amounts computed by applying the U.S. federal income tax rate of 21% for fiscal years 2020 and 2019, and 31.55% for fiscal 2018 to pretax income from discontinued operations as a result of the following:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Expected income tax	\$ —	491,783	1,373,566
Increase (reduction) in income taxes resulting from:			
Foreign income adjustments	—	187,974	5,483
Other, net	—	(53,174)	(1,622,370)
	<u>\$ —</u>	<u>626,583</u>	<u>(243,321)</u>

The tax effects of temporary differences from continuing operations that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2020 and 2019 are presented below:

	<u>2020</u>	<u>2019</u>
Deferred tax assets:		
Allowance for loan losses	\$ 23,900,236	20,162,369
Unearned insurance commissions	9,964,655	9,308,138
Accrued expenses primarily related to employee benefits	12,730,245	9,271,182
Reserve for uncollectible interest	1,205,082	1,011,584
Lease liability	25,309,841	—
Foreign tax credit carryforward	3,254,926	3,254,926
Capital loss carryforward	7,784,059	7,856,176
State net operating loss carryforwards	387,558	1,021,275
Gross deferred tax assets	<u>84,536,602</u>	51,885,650
Less valuation allowance	<u>(11,040,259)</u>	(11,112,376)
Net deferred tax assets	<u>73,496,343</u>	40,773,274
Deferred tax liabilities:		
Fair value adjustment for loans receivable	(14,065,135)	(9,589,188)
Property and equipment	(5,097,147)	(2,426,786)
Intangible assets	(925,319)	(1,610,258)
Deferred net loan origination costs	(1,664,486)	(1,593,385)
Prepaid expenses	(1,185,759)	(1,054,110)
Right-of-use asset	(25,045,690)	—
Other	(2,254,822)	(668,648)
Gross deferred tax liabilities	<u>(50,238,358)</u>	(16,942,375)
Deferred income taxes, net	<u>\$ 23,257,985</u>	<u>23,830,899</u>

At March 31, 2020, the Company had state net operating loss carryforwards of approximately \$9.9 million. A deferred tax asset of approximately \$0.4 million has been recorded to reflect the benefit of these losses that the Company expects to be recognized. Approximately \$1,000 of the state net operating loss carryforward will expire in 2025 with the remaining carryforward expiring between 2036 and 2039.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The valuation allowance for deferred tax assets decreased by \$72,117 for the year ended March 31, 2020 when compared to March 31, 2019. The valuation allowance at March 31, 2020 and 2019 was \$11.0 million and \$11.1 million, respectively. The valuation allowance against the total deferred tax assets as of March 31, 2020 consisted of \$1,274 related to state of Colorado net operating loss carryforwards in the amount of \$54,318, which expire in 2025, a foreign tax credit carryforward of \$3.3 million arising in relation to the Section 965 calculation ("Transition Tax") during fiscal 2018 which expires in 2028, and \$7.8 million related to the \$37.1 million capital loss carryforward from the sale of the Mexican operations in fiscal 2019 which expires in 2024. The Company does not expect to generate enough foreign source income or capital gains in future tax years to realize these tax attributes. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset, the Company will need to generate future taxable income prior to the expiration of the deferred tax assets governed by the tax code. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the related temporary differences are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at March 31, 2020. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

As of March 31, 2020, 2019, and 2018, the Company had \$5.8 million, \$5.8 million, and \$8.8 million of total gross unrecognized tax benefits including interest, respectively. Of these totals, approximately \$5.2 million, \$5.4 million, and \$6.9 million, respectively, represents the amount of net unrecognized tax benefits that are permanent in nature and, if recognized, would affect the annual effective tax rate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits at March 31, 2020, 2019, and 2018 are presented below:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Unrecognized tax benefit balance beginning of year	\$4,043,623	6,946,229	7,264,966
Gross increases (decreases) for tax positions of current year	246,725	54,025	166,375
Gross increases (decreases) for tax positions of prior years	786,674	(138,405)	8,228
Settlements with tax authorities	—	(1,356,714)	—
Lapse of statute of limitations	(725,211)	(1,461,512)	(493,340)
Unrecognized tax benefit balance end of year	<u>\$4,351,811</u>	<u>4,043,623</u>	<u>6,946,229</u>

At March 31, 2020, approximately \$3.0 million of gross unrecognized tax benefits are expected to be resolved during the next 12 months through settlements with taxing authorities or the expiration of the statute of limitations. The Company's continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. As of March 31, 2020, 2019, and 2017, the Company had \$1.4 million, \$1.8 million, and \$1.9 million accrued for gross interest, respectively, of which \$(0.1) million, \$1.1 million, and \$0.4 million represented the current period expense for the periods ended March 31, 2020, 2019, and 2018.

The Company is subject to U.S. income tax, as well as various other state and local jurisdictions. With the exception of a few states, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2015, although carryforward attributes that were generated prior to 2015 may still be adjusted upon examination by the taxing authorities if they either have been or will be used in a future period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(11) Earnings Per Share

The following is a reconciliation of the numerators and denominators of the basic and diluted EPS from continuing operations calculations:

	For the year ended March 31, 2020		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS			
Income from continuing operations available to common shareholders	\$ 28,157,478	7,688,242	\$ 3.66
Effect of dilutive securities options and restricted stock	—	264,658	
Diluted EPS			
Income from continuing operations available to common shareholders including dilutive securities	\$ 28,157,478	7,952,900	\$ 3.54
For the year ended March 31, 2019			
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS			
Income from continuing operations available to common shareholders	\$ 73,897,515	8,994,036	\$ 8.22
Effect of dilutive securities options and restricted stock	—	210,341	
Diluted EPS			
Income from continuing operations available to common shareholders including dilutive securities	\$ 73,897,515	9,204,377	\$ 8.03
For the year ended March 31, 2018			
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS			
Income from continuing operations available to common shareholders	\$ 49,093,080	8,791,168	\$ 5.58
Effect of dilutive securities options and restricted stock	—	167,508	
Diluted EPS			
Income from continuing operations available to common shareholders including dilutive securities	\$ 49,093,080	8,958,676	\$ 5.48

Options to purchase 656,347, 592,947, and 299,455 shares of common stock at various prices were outstanding during the years ended March 31, 2020, 2019, and 2018, respectively, but were not included in the computation of diluted EPS because the option exercise price was antidilutive.

(12) Benefit Plans

Retirement Plan

The Company provides a defined contribution employee benefit plan (401(k) plan) covering full-time employees, whereby employees can invest up to the maximum designated for that year. The Company matches 50% of each employee's contributions up to the first 6% of the employee's eligible compensation, providing a maximum employer contribution of 3% of compensation. The Company's expense under this plan was \$1.6 million, \$1.5 million, and \$1.4 million, for the years ended March 31, 2020, 2019, and 2018, respectively.

Supplemental Executive Retirement Plan

The Company has instituted two supplemental executive retirement plans, which are non-qualified executive benefit plans in which the Company agrees to pay certain executives additional benefits in the future, usually at retirement, in return for continued employment by the executives. The SERPs are unfunded plans, and, as such, there are no specific assets set aside by the Company in connection with the establishment of the plans. The executives have no rights under the agreements beyond those of a general creditor of the Company. For the years ended March 31, 2020, 2019, and 2018, contributions of \$0.6 million, \$0.6 million, and \$0.8 million, respectively, were charged to expense related to the SERP. The unfunded liability, which is included as a component of accounts payable and accrued expenses in the Company's Consolidated Balance Sheets was \$6.8 million and \$7.9 million as of March 31, 2020 and 2019, respectively.

For the three years presented, the unfunded liability was estimated using the following assumptions: an annual salary increase of 3.5% for all 3 years; a discount rate of 6.0% for all 3 years; and a retirement age of 65.

Executive Deferred Compensation Plan

The Company has an Executive Deferral Plan. Eligible executives and directors may elect to defer all or a portion of their incentive compensation to be paid under the Executive Deferral Plan. As of March 31, 2020 and 2019 no executive or director had deferred compensation under this plan.

Stock Incentive Plans

The Company has a 2005 Stock Option Plan, a 2008 Stock Option Plan, a 2011 Stock Option Plan, and a 2017 Stock Incentive Plan for the benefit of certain directors, officers, and key employees. Under these plans, a total of 4,350,000 shares of authorized common stock have been reserved for issuance pursuant to grants approved by the Compensation and Stock Option Committee of the Board of Directors. Stock options granted under these plans have a maximum duration of ten years, may be subject to certain vesting requirements, which are generally three to five years for officers, non-employee directors, and key employees, and are priced at the market value of the Company's common stock on the option's grant date. At March 31, 2020 there were a total of 181,789 shares of common stock available for grant under the plans.

Stock-based compensation is recognized as provided under FASB ASC Topic 718-10 and FASB ASC Topic 505-50. FASB ASC Topic 718-10 requires all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense over the requisite service period (generally the vesting period) in the consolidated financial statements based on their grant date fair values. The Company has applied the Black-Scholes valuation model in determining the grant date fair value of the stock option awards. Compensation expense is recognized only for those options expected to vest.

Long-term Incentive Program and Non-Employee Director Awards

On October 15, 2018, the Compensation Committee and Board approved and adopted a new long-term incentive program that seeks to motivate and reward certain employees and to align management's interest with shareholders' by focusing executives on the achievement of long-term results. The program is comprised of four components: Service Options, Performance Options, Restricted Stock, and Performance Shares.

Pursuant to this program, the Compensation Committee approved certain grants of Service Options, Performance Options, Restricted Stock and Performance Shares under the World Acceptance Corporation 2011 Stock Option Plan and the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

World Acceptance Corporation 2017 Stock Incentive Plan to certain employee directors, vice presidents of operations, vice presidents, senior vice presidents, and executive officers. Separately, the Compensation Committee approved certain grants of Service Options and Restricted Stock to certain of the Company's non-employee directors.

Under the long-term incentive program, up to 100% of the shares of restricted stock subject to the Performance Shares shall vest, if at all, based on the achievement of two trailing earnings per share performance targets established by the Compensation Committee that are based on earnings per share (measured at the end of each calendar quarter, commencing with the calendar quarter ending September 30, 2019) for the previous four calendar quarters. The Performance Shares are eligible to vest over the Performance Share Measurement Period and subject to each respective employee's continued employment at the Company through the last day of the applicable Performance Share Measurement Period (or as otherwise provided under the terms of the applicable award agreement or applicable employment agreement).

The Performance Share performance targets are set forth below.

Trailing 4-Quarter EPS Targets for September 30, 2018 through March 31, 2025	Restricted Stock Eligible for Vesting (Percentage of Award)
\$16.35	40%
\$20.45	60%

The Restricted Stock awards will vest in six equal annual installments, beginning on the first anniversary of the grant date, subject to each respective employee's continued employment at the Company through each applicable vesting date or otherwise provided under the terms of the applicable award agreement or applicable employment agreement.

The Service Options will vest in six equal annual installments, beginning on the first anniversary of the grant date, subject to each respective employee's continued employment at the Company through each applicable vesting date or otherwise provided under the terms of the applicable award agreement or applicable employment agreement. The option price is equal to the fair market value of the common stock on the grant date and the Service Options shall have a 10-year term.

The Performance Options shall fully vest if the Company attains the trailing earnings per share target over four consecutive calendar quarters occurring between September 30, 2018 and March 31, 2025 described below. Such performance target was established by the Compensation Committee and will be measured at the end of each calendar quarter commencing on September 30, 2019. The Performance Options are eligible to vest over the Option Measurement Period, subject to each respective employee's continued employment at the Company through the last day of the Option Measurement Period or as otherwise provided under the terms of the applicable award agreement or applicable employment agreement. The option price is equal to the fair market value of the common stock on the grant date and the Performance Options shall have a 10-year term. The Performance Option performance target is set forth below.

Trailing 4-Quarter EPS Targets for September 30, 2018 through March 31, 2025	Options Eligible for Vesting (Percentage of Award)
\$25.30	100%

Stock Options

The weighted-average fair value at the grant date for options issued during the years ended March 31, 2020, 2019, and 2018 was \$57.69, \$53.50, and \$39.49 per share, respectively. This fair value was estimated at grant date using the weighted-average assumptions listed below.

	2020	2019	2018
Dividend yield	0 %	0 %	0 %
Expected volatility	52.28 %	48.94 %	52.97 %
Average risk-free interest rate	1.58 %	3.01 %	1.98 %
Expected life	6.3 years	6.7 years	5.0 years

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The expected stock price volatility is based on the historical volatility of the Company's stock for a period approximating the expected life. The expected life represents the period of time that options are expected to be outstanding after the grant date. The risk-free rate reflects the interest rate at grant date on zero coupon U.S. governmental bonds having a remaining life similar to the expected option term.

Option activity for the year ended March 31, 2020 was as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding, beginning of year	704,240	\$ 85.33		
Granted	24,171	112.54		
Exercised	(69,481)	66.39		
Forfeited	(10,432)	99.43		
Expired	(1,770)	34.75		
Options outstanding, end of period	646,728	\$ 88.30	6.50	\$ 551,175
Options exercisable, end of period	323,729	\$ 75.20	4.41	\$ 549,716

The aggregate intrinsic value reflected in the table above represents the total pre-tax intrinsic value (the difference between the closing stock price on March 31, 2020 and the exercise price, multiplied by the number of in-the-money options) that would have been received by option holders had all option holders exercised their options as of March 31, 2020. This amount will change as the stock's market price changes. The total intrinsic value of options exercised during the periods ended March 31, 2020, 2019, and 2018 was as follows:

2020	2019	2018
\$5,083,094	\$4,433,495	\$12,336,156

As of March 31, 2020, total unrecognized stock-based compensation expense related to non-vested stock options amounted to approximately \$10.9 million, which is expected to be recognized over a weighted-average period of approximately 4.2 years.

Restricted Stock

During fiscal 2020, the Company granted 11,223 shares of restricted stock (which are equity classified), to certain vice presidents, senior vice presidents, executive officers, and non-employee directors with a grant date weighted average fair value of \$90.23.

During fiscal 2019, the Company granted 760,420 shares of restricted stock (which are equity classified) to certain executive officers, with a grant date weighted average fair value of \$101.61 per share.

During fiscal 2018, the Company granted 24,456 shares of restricted stock (which are equity classified) to certain executive officers, with a grant date weighted average fair value of \$107.52 per share. One-third of these awards vest on each anniversary of the grant date over the three years following the grant date.

Compensation expense related to restricted stock is based on the number of shares expected to vest and the fair market value of the common stock on the grant date. The Company recognized compensation expense of \$23.4 million, \$13.6 million, and \$3.1 million for the years ended March 31, 2020, 2019, and 2018, respectively, which is included as a component of general and administrative expenses in the Company's Consolidated Statements of Operations.

As of March 31, 2020, there was approximately \$43.5 million of unrecognized compensation cost related to unvested restricted stock awards, which is expected to be recognized over the next 3.5 years based on current estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of the status of the Company's restricted stock as of March 31, 2020 and changes during the year ended March 31, 2020, are presented below:

	Shares	Weighted Average Fair Value at Grant Date
Outstanding at March 31, 2019	783,450	\$ 100.66
Granted during the period	11,223	90.23
Vested during the period	(89,419)	92.93
Forfeited during the period	—	—
Outstanding at March 31, 2020	<u>705,254</u>	<u>\$ 101.47</u>

Total Stock-Based Compensation

Total stock-based compensation included as a component of net income during the years ended March 31, 2020, 2019, and 2018 was as follows:

	2020	2019	2018
Stock-based compensation related to equity classified units:			
Stock-based compensation related to stock options	\$ 5,522,883	3,991,967	2,353,214
Stock-based compensation related to restricted stock	23,429,277	13,643,343	3,081,405
Total stock-based compensation related to equity classified awards	<u>\$ 28,952,160</u>	<u>17,635,310</u>	<u>5,434,619</u>

(13) Acquisitions

The Company evaluates each set of assets and activities it acquires to determine if the set meets the definition of a business according to FASB ASC Topic 805-10-55. Acquisitions meeting the definition of a business are accounted for as a business combination while all other acquisitions are accounted for as an asset purchase.

The following table sets forth the acquisition activity of the Company for the years ended March 31, 2020, 2019, and 2018:

	2020	2019	2018
Number of branches acquired through business combinations	38	17	5
Number of asset purchases	140	88	34
Total acquisitions	178	105	39
Purchase price	\$ 61,555,973	\$ 44,145,787	\$ 17,574,172
Tangible assets:			
Loans receivable, net	47,026,694	33,920,847	15,583,411
Property and equipment	74,000	1,500	3,000
	<u>47,100,694</u>	<u>33,922,347</u>	<u>15,586,411</u>
Excess of purchase prices over fair value of net tangible assets	<u>\$ 14,455,279</u>	<u>\$ 10,223,440</u>	<u>\$ 1,987,761</u>
Customer lists	\$ 13,228,951	\$ 9,688,440	\$ 815,518
Non-compete agreements	890,000	535,000	205,000
Goodwill	336,328	—	967,243

Acquisitions that are accounted for as business combinations typically result in one or more new branches. In such cases, the Company typically retains the existing employees and the branch location from the acquisition. The purchase price is

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

allocated to the tangible assets and intangible assets acquired based upon their estimated fair values at the acquisition date. The remainder is allocated to goodwill.

The following table describes the Company's business combination activity for the year ended March 31, 2020.

No.	Acquiree Name	Acquiree State(s)	Date
1	Western Shamrock Corporation (11 branches)	GA	4/29/2019
2	Western Shamrock Corporation (7 branches)	SC	5/9/2019
3	Western Shamrock Corporation (3 branches)	AL	5/14/2019
4	Loyal Loans (7 branches)	UT	8/27/2019
5	Courtesy Loans (1 branch)	IL	8/28/2019
6	Courtesy Loans (8 branches)	MO, LA	9/6/2019
7	Eagle Financial Services (1 branch)	TN	2/27/2020

Acquisitions that are accounted for as asset purchases are typically limited to acquisitions of loan portfolios. The purchase price is allocated to the tangible assets and intangible assets acquired based upon their estimated fair values at the acquisition date. In an asset purchase, no goodwill is recorded.

The Company's acquisitions include tangible assets (generally loans and furniture and equipment) and intangible assets (generally non-compete agreements, customer lists, and goodwill), both of which are recorded at their fair values, which are estimated pursuant to the processes described below.

Acquired loans are valued at the net loan balance. Given the short-term nature of these loans, generally eight months, and that these loans are priced at current rates, management believes the net loan balances approximate their fair value.

Furniture and equipment are valued at the specific purchase price as agreed to by both parties at the time of acquisition, which management believes approximates their fair values.

Non-compete agreements are valued at the stated amount paid to the other party for these agreements, which the Company believes approximates the fair value.

Customer lists are valued with a valuation model that utilizes the Company's historical data to estimate the value of any acquired customer lists. Customer lists are allocated at a branch level and are evaluated for impairment at a branch level when a triggering event occurs in accordance with FASB ASC Topic 360-10-05. If a triggering event occurs, the impairment loss to the customer list is generally the remaining unamortized customer list balance. In most acquisitions, the original fair value of the customer list allocated to an office is less than \$100,000, and management believes that in the event a triggering event were to occur, the impairment loss to an unamortized customer list would be immaterial.

The results of all acquisitions have been included in the Company's Consolidated Financial Statements since the respective acquisition date. The pro forma impact of these branches as though they had been acquired at the beginning of the periods presented would not have a material effect on the results of operations as reported.

(14) Fair Value

Fair Value Disclosures

The Company may carry certain financial instruments and derivative assets and liabilities at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Company determines the fair values of its financial instruments based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial assets and liabilities measured at fair value are grouped in three levels. The levels prioritize the inputs used to measure the fair value of the assets or liabilities. These levels are:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are less active.
- Level 3 – Unobservable inputs for assets or liabilities reflecting the reporting entity’s own assumptions.

The Company’s financial instruments for the periods reported consist of the following: cash and cash equivalents, loans receivable, and senior notes payable. Fair value approximates carrying value for all of these instruments. Loans receivable are originated at prevailing market rates and have an average life of approximately 8 months. Given the short-term nature of these loans, they are continually repriced at current market rates. The Company’s revolving credit facility has a variable rate based on a margin over LIBOR and reprices with any changes in LIBOR. The Company also considered its creditworthiness in its determination of fair value.

The carrying amounts and estimated fair values of amounts the Company measures at fair value on a recurring basis are summarized below.

	Input Level	March 31, 2020		March 31, 2019	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
ASSETS					
Cash and cash	1	\$ 11,618,922	\$ 11,618,922	\$ 9,335,433	\$ 9,335,433
Loans receivable, net	3	804,402,786	804,402,786	755,624,007	755,624,007
LIABILITIES					
Senior notes payable	3	451,100,000	451,100,000	251,940,000	251,940,000

The carrying amounts and estimated fair values of amounts the Company measures at fair value on a non-recurring basis, which are limited to the Company’s assets held for sale, are summarized below.

	Input Level	March 31, 2020	
		Carrying Value	Estimated Fair Value
ASSETS			
Assets held for sale	2	\$ 3,991,498	\$ 3,991,498

The Company re-valued its corporate headquarters in Greenville, SC as of March 31, 2020 in conjunction with its reclassification of the related assets as held for sale. The revaluation resulted in an impairment loss of approximately \$251,000, which is included as a component of other expense in the Company’s Consolidated Statements of Operations. The observable inputs the Company used in its revaluation were the agreed-upon prices to sell the assets.

There were no other significant assets or liabilities measured at fair value on a non-recurring basis as of March 31, 2020 and 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) Quarterly Information (Unaudited)

The following sets forth selected quarterly operating data:

	Fiscal 2020				Fiscal 2019			
	First	Second	Third	Fourth	First	Second	Third	Fourth
	(Dollars in thousands, except for earnings per share data)							
Total revenues	\$138,441	141,573	146,996	163,018	122,790	127,116	137,639	156,997
Provision for loan losses	41,291	52,968	55,219	32,252	30,591	40,359	48,944	28,533
General and administrative expenses	81,776	78,452	90,558	96,707	67,777	64,936	76,964	78,626
Interest expense	4,403	6,328	7,130	8,035	4,225	4,158	4,637	4,914
Income tax expense	2,363	1,312	356	2,721	4,559	3,604	834	6,984
Income (loss) from discontinued operations	—	—	—	—	(37,141)	479	—	—
Net income (loss)	<u>\$ 8,608</u>	<u>2,513</u>	<u>(6,267)</u>	<u>23,303</u>	<u>(21,503)</u>	<u>14,538</u>	<u>6,260</u>	<u>37,940</u>
Net income (loss) per common share:								
Basic	<u>\$ 1.01</u>	<u>0.32</u>	<u>(0.87)</u>	<u>3.23</u>	<u>(2.37)</u>	<u>1.60</u>	<u>0.69</u>	<u>4.34</u>
Diluted	<u>\$ 0.97</u>	<u>0.31</u>	<u>(0.87)</u>	<u>3.18</u>	<u>(2.32)</u>	<u>1.56</u>	<u>0.67</u>	<u>4.22</u>

The Company's highest loan demand occurs generally from October through December, its third fiscal quarter. Loan demand is generally lowest and loan repayment highest from January to March, its fourth fiscal quarter. Consequently, the Company experiences significant seasonal fluctuations in its operating results and cash needs. Operating results from the Company's third fiscal quarter are generally lower than in other quarters and operating results for its fourth fiscal quarter are generally higher than in other quarters.

(16) Commitments and Contingencies

Mexico Investigation

As previously disclosed, the Company retained outside legal counsel and forensic accountants to conduct an investigation of its operations in Mexico, focusing on the legality under the FCPA and certain local laws of certain payments related to loans, the maintenance of the Company's books and records associated with such payments, and the treatment of compensation matters for certain employees.

The investigation addressed whether and to what extent improper payments, which may violate the FCPA and other local laws, were made approximately between 2010 and 2017 by or on behalf of WAC de Mexico, to government officials in Mexico relating to loans made to unionized employees. The Company voluntarily contacted the SEC and the DOJ in June 2017 to advise both agencies that an internal investigation was underway and that the Company intended to cooperate with both agencies. The Company has and will continue to cooperate with both agencies. The SEC has issued a formal order of investigation.

There have been ongoing discussions with the SEC regarding the possible resolution of these matters. The discussions with the SEC have progressed to a point that the Company can now reasonably estimate a probable loss and has recorded an aggregate accrual of \$21.7 million with respect to the SEC matters as of March 31, 2020. As the discussions with the SEC are continuing, there can be no assurance that the Company's efforts to reach a final resolution with the SEC will be successful or, if they are, what the timing or terms of such resolution will be. The Company has no offer of settlement or resolution with the DOJ at this time. The total amount of the Company's loss incurred in connection with the investigation and any resolution thereof, including those amounts which remain subject to approval by the SEC, may be higher than the amount of the accrual.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

If violations of the FCPA or other local laws occurred, the Company could be subject to fines, civil and criminal penalties, equitable remedies, including profit disgorgement and related interest, and injunctive relief. In addition, any disposition of these matters could adversely impact our access to debt financing and capital funding and result in further modifications to our business practices and compliance programs. Any disposition could also potentially require that a monitor be appointed to review future business practices with the goal of ensuring compliance with the FCPA and other applicable laws. The Company could also face fines, sanctions, and other penalties from authorities in Mexico, as well as third-party claims by shareholders and/or other stakeholders of the Company. In addition, disclosure of the investigation could adversely affect the Company's reputation and its ability to obtain new business or retain existing business from its current customers and potential customers, to attract and retain employees, and to access the capital markets. If it is determined that a violation of the FCPA or other laws has occurred, such violation may give rise to an event of default under the Company's credit agreement if such violation were to have a material adverse effect on the Company's business, operations, properties, assets, or condition (financial or otherwise) or if the amount of any settlement, penalties, fines, or other payments resulted in the Company failing to satisfy any financial covenants. Additional potential FCPA violations or violations of other laws or regulations may be uncovered through the investigation.

In addition to the ultimate liability for disgorgement and related interest, the Company believes that it could be further liable for fines and penalties. The Company is continuing its discussions with the SEC regarding the matters under investigation, but the ultimate resolution could be higher than the accrual. Further, in the event that a settlement is reached, there can be no assurance as to the timing or the terms of any such settlement.

General

In addition, from time to time the Company is involved in litigation matters relating to claims arising out of its operations in the normal course of business.

Estimating an amount or range of possible losses resulting from litigation, government actions, and other legal proceedings is inherently difficult and requires an extensive degree of judgment, particularly where the matters involve indeterminate claims for monetary damages, may involve fines, penalties, or damages that are discretionary in amount, involve a large number of claimants or significant discretion by regulatory authorities, represent a change in regulatory policy or interpretation, present novel legal theories, are in the early stages of the proceedings, are subject to appeal or could result in a change in business practices. In addition, because most legal proceedings are resolved over extended periods of time, potential losses are subject to change due to, among other things, new developments, changes in legal strategy, the outcome of intermediate procedural and substantive rulings and other parties' settlement posture and their evaluation of the strength or weakness of their case against us. For these reasons, we are currently unable to predict the ultimate timing or outcome of, or reasonably estimate the possible losses or a range of possible losses resulting from, the matters described above. Based on information currently available, the Company does not believe that any reasonably possible losses arising from currently pending legal matters will be material to the Company's results of operations or financial conditions. However, in light of the inherent uncertainties involved in such matters, an adverse outcome in one or more of these matters could materially and adversely affect the Company's financial condition, results of operations or cash flows in any particular reporting period.

(17) Assets Held for Sale

In the fourth quarter of fiscal 2020 the Company moved its corporate headquarters from properties it owned outright in Greenville, SC to leased office space in downtown Greenville, SC. Under ASC 360-10, the properties met the criteria for classification as held for sale as of March 31, 2020. In conjunction with the classification of the properties as held for sale, the Company recognized an impairment loss of approximately \$251,000, which is included as a component of other expense in the Company's Consolidated Statements of Operations.

The following table reconciles the major classes of assets held for sale to the amounts presented in the Consolidated Balance Sheets:

	March 31, 2020
Assets held for sale:	
Property and equipment, net	\$ 3,991,498
Total assets held for sale	\$ 3,991,498

(18) Discontinued Operations

On August 3, 2018 the Company and its affiliates completed the sale of the Company's Mexico operating segment in its entirety. The Company sold all of the issued and outstanding capital stock and equity interest of WAC de Mexico and SWAC to the Purchasers, effective as of July 1, 2018, for a purchase price of approximately \$44.36 million. Under the terms of the stock purchase agreement, we are obligated to indemnify the Purchasers for claims and liabilities relating to certain investigations of WAC de Mexico, SWAC, or the Sellers by the DOJ or the SEC that commenced prior to July 1, 2018. Additionally, the Company has provided limited ParaData systems and software training to the Purchasers, as requested. The Company has not and will not have any other involvement with the Mexico operating segment subsequent to the sale's effective date.

The following table reconciles the major classes of line items constituting pre-tax income (loss) of discontinued operations to the amounts presented in the Consolidated Statements of Operations:

	Year ended March 31,		
	2020	2019	2018
Revenues	\$ —	\$ 9,693,367	\$ 46,037,802
Provision for loan losses	—	1,809,059	13,358,989
General and administrative expenses	—	5,542,483	28,325,196
Income from discontinued operations before disposal of discontinued operations and income taxes	—	2,341,825	4,353,617
Gain (loss) on disposal of discontinued operations	—	(38,377,623)	—
Income taxes (benefit)	—	626,583	(243,321)
Income (loss) from discontinued operations	\$ —	\$ (36,662,381)	\$ 4,596,938

The following table presents operating, investing and financing cash flows for the Company's discontinued operations:

	Year ended March 31,		
	2020	2019	2018
Cash provided by operating activities:	\$ —	\$ 3,553,854	\$ 19,511,343
Cash provided by (used in) investing activities:	—	1,138,084	(3,649,778)
Cash provided by (used in) financing activities:	\$ —	\$ (17,126,000)	\$ —

(19) Subsequent Events

COVID-19 Pandemic

The COVID-19 pandemic has caused significant economic disruption in the United States as many state and local governments, including all of the states in which we operate, have ordered non-essential businesses to close and residents to shelter in place at home. This has resulted in an unprecedented slow-down in economic activity and a related increase in unemployment. Since the COVID-19 pandemic, more than 30 million people have filed claims for unemployment, and stock markets have significantly declined in value.

For the majority of states in which we operate, we are considered to be an essential business. However, the spread of COVID-19 has caused us to modify our business practices, including limiting branch hours and employee travel, implementing work-from-home initiatives for employees when possible, and cancelling physical participation in meetings and training sessions.

On March 27, 2020, the U.S. Congress passed the CARES Act, which provided several forms of economic relief designed to defray the impact of COVID-19. In subsequent weeks, the Company experienced a decrease in loan applications. The extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

In April 2020, the Company began deferring loan payments for some of its customers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company evaluated its March 31, 2020 consolidated financial statements for subsequent events through the date the consolidated financial statements were issued. As a result of the spread of COVID-19 and the response of government authorities, economic uncertainties have arisen which are likely to negatively impact our operational and financial performance. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and impact on our customers, employees and the markets in which we operate, all of which are uncertain and cannot be predicted.

Management is not aware of any other significant events occurring subsequent to the balance sheet date that would have a material effect on the financial statements thereby requiring adjustment or disclosure.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We are responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a – 15(f) under the Securities Exchange Act of 1934. We have assessed the effectiveness of internal control over financial reporting as of March 31, 2020. Our assessment was based on criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Our 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. Our internal control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and board of directors; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, any assumptions regarding internal control over financial reporting in future periods based on an evaluation of effectiveness in a prior period 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.

Based on using the COSO criteria, we believe our internal control over financial reporting as of March 31, 2020 was effective.

Our independent registered public accounting firm has audited the Consolidated Financial Statements included in this Annual Report and has issued an attestation report on the effectiveness of our internal control over financial reporting, as stated in their report.

By: /s/ R. Chad Prashad

R. Chad Prashad

President and Chief Executive Officer

Date: May 29, 2020

By: /s/ John L. Calmes, Jr.

John L. Calmes, Jr.

Executive Vice President and Chief Financial and Strategy Officer

Date: May 29, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of World Acceptance Corporation and subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of World Acceptance Corporation and its subsidiaries (the Company) as of March 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2020, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2020, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated May 29, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with 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 financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the 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 Loan Losses

As described in Notes 1 and 2 to the consolidated financial statements, the Company established an allowance for loan losses of \$96.5 million as of March 31, 2020, which was estimated using quantitative and qualitative factors. The Company's general reserve is 4.25% of the gross loan portfolio and the specific reserve represents 100% of the gross loan balance of all loans 91 days or more days past due on a recency basis, including bankrupt accounts in that category. Management considered the adequacy of the allowance for loan losses by evaluating growth of the loan portfolio, current levels of charge-offs, current levels of delinquencies, and current economic factors. Additionally, management uses a recency movement model which considers the rolling twelve months of delinquency on the basis of the date of last payment made by the customer to determine expected charge-offs, which is compared to the allowance to determine if any adjustments are needed. Management utilizes significant judgment in determining probable incurred losses and in identifying and evaluating qualitative factors.

We identified the Company's allowance for loan losses as a critical audit matter as auditing management's judgments and qualitative factors regarding the allowance for loan losses requires a high degree of auditor judgment and increased extent of audit effort.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Our audit procedures related to the Company's allowance for loan losses include the following, among others:

- We obtained an understanding of the relevant controls related to the allowance for loan losses, and tested such controls for design and operating effectiveness including those controls over (a) validation of data within movement model (on a recency basis), (b) loan charge-off activity, and (c) the management review and approval of the computed allowance for loan losses;
- We tested the completeness and accuracy of data inputs into the recency movement model.
- We evaluated the Company's ability to estimate losses by comparing historical estimates with actual loss experience.
- We evaluated the reasonableness of management's delinquency amounts used within the recency movement model by performing the following procedures:
 - Testing the loan system's recency aging calculation on a sample of loans.
 - Analytically reviewing delinquency trends.
- We evaluated the appropriateness of the general and specific reserve by testing the mathematical accuracy of the quantitative calculations used by the Company.
- We evaluated key assumptions and qualitative factors identified by the Company for reasonableness by comparing to internal and external sources.

/s/ RSM US LLP

We have served as the Company's auditor since 2014.

Las Vegas, Nevada

May 29, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of World Acceptance Corporation and subsidiaries

Opinion on the Internal Control Over Financial Reporting

We have audited World Acceptance Corporation and subsidiaries' (the Company) internal control over financial reporting as of March 31, 2020, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2020, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of March 31, 2020 and 2019 and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2020, and our report dated May 29, 2020 expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) 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 (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

/s/ RSM US LLP

Las Vegas, Nevada
May 29, 2020

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company had no disagreements on accounting or financial disclosure matters with its independent registered public accounting firm to report under this Item 9.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on management's evaluation (with the participation of our principal executive officer and principal financial officer, as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Management assessed our internal control over financial reporting as of March 31, 2020, the end of our fiscal year. Management based its assessment on criteria established in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment.

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of the end of the fiscal year to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP. Management's Report on Internal Control over Financial Reporting is included in Part II, Item 8 of this Form 10-K. We reviewed the results of management's assessment with the Audit Compliance Committee of our Board of Directors.

Our independent registered public accounting firm, RSM US LLP, independently assessed the effectiveness of the Company's internal control over financial reporting. RSM US LLP has issued an attestation report concurring with management's assessment, which is included at the end of Part II, Item 8 of this Form 10-K.

Inherent Limitations on Effectiveness of Controls

Our management, including the principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Item 9B. Other Information

None.

PART III.

Item 10. Directors, Executive Officers and Corporate Governance

Information contained under the captions “Proposal 1 - Election of Directors,” “Corporate Governance,” “Delinquent Section 16(a) Reports” in the Proxy Statement is incorporated herein by reference in response to this Item 10. The information in response to this Item 10 regarding the executive officers of the Company is contained in Item 1, Part I hereof under the caption “Information about our Executive Officers.”

Item 11. Executive Compensation

Information contained under the captions “Corporate Governance,” “Executive Compensation,” “Director Compensation,” and “Compensation Discussion and Analysis” in the Proxy Statement is incorporated herein by reference in response to this Item 11. The “Report of the Compensation Committee” in the Proxy Statement, which shall be deemed furnished, but not filed herewith, is incorporated herein by reference in response to this Item 11.

Item 12. Security Ownership of Certain Beneficial Owners, Management and Related Stockholder Matters

Information contained under the captions “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” in the Proxy Statement is incorporated by reference herein in response to this Item 12.

For additional information on our stock option plans, see Note 12 in the Notes to Consolidated Financial Statements for the year ended March 31, 2020.

Item 13. Certain Relationships and Related Transactions and Director Independence

Information contained under the captions “Certain Relationships and Related Person Transactions” and “Corporate Governance” in the Proxy Statement is incorporated by reference in response to this Item 13.

Item 14. Principal Accountant Fees and Services

Information contained under the caption “Proposal 3 - Ratification of Appointment of Independent Registered Public Accounting Firm” in the Proxy Statement is incorporated by reference in response to this Item 14.

PART IV.

Item 15. Exhibits and Financial Statement Schedules

(a)(1) The following Consolidated Financial Statements of the Company and Report of Independent Registered Public Accounting Firm are filed as part of this Annual Report under Item 8.

Consolidated Financial Statements:

Consolidated Balance Sheets at March 31, 2020 and 2019

Consolidated Statements of Operations for the fiscal years ended March 31, 2020, 2019, and 2018

Consolidated Statements of Comprehensive Income for the fiscal years ended March 31, 2020, 2019, and 2018

Consolidated Statements of Shareholders' Equity for the fiscal years ended March 31, 2020, 2019, and 2018

Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2020, 2019, and 2018

Notes to Consolidated Financial Statements

Reports of Independent Registered Public Accounting Firm

(a)(2) Financial Statement Schedules

All schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions, are inapplicable, or the required information is included elsewhere in the Consolidated Financial Statements.

(a)(3) Exhibits

The list of exhibits filed as a part of this Form 10-K is set forth on the Exhibit Index immediately preceding the signatures to this Form 10-K and is incorporated by reference in this Item 15(a)(3).

(b) Exhibits

The exhibits listed in the accompanying Exhibit Index are filed as a part of this Annual Report on Form 10-K.

(c) Separate Financial Statements and Schedules

Financial statement schedules have been omitted since the required information is included in our Consolidated Financial Statements contained in Item 8 of this Annual Report on Form 10-K.

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.

WORLD ACCEPTANCE CORPORATION

By: /s/ R. Chad Prashad

R. Chad Prashad

President and Chief Executive Officer

Date: May 29, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ R. Chad Prashad

R. Chad Prashad

President and Chief Executive Officer

Signing on behalf of the registrant and as principal executive officer

Date: May 29, 2020

/s/ John L. Calmes, Jr.

John L. Calmes, Jr.

Executive Vice President and Chief Financial and Strategy Officer

Signing on behalf of the registrant and as principal financial officer

Date: May 29, 2020

/s/ Scott McIntyre

Scott McIntyre

Senior Vice President of Accounting

Signing on behalf of the registrant and as principal accounting officer

Date: May 29, 2020

/s/ Ken R. Bramlett, Jr.

Ken R. Bramlett, Jr.

Chairman of the Board of Directors and a Director

Date: May 29, 2020

/s/ Scott J. Vassalluzzo

Scott J. Vassalluzzo

Director

Date: May 29, 2020

/s/ Charles D. Way

Charles D. Way

Director

Date: May 29, 2020

/s/ Darrell Whitaker

Darrell Whitaker

Director

Date: May 29, 2020

BOARD OF DIRECTORS

Ken R. Bramlett Jr.
Private Investor

Charles D. Way
Private Investor

Darrell E. Whitaker
President and Chief Operating Officer
IMI Resort Holdings, Inc.

Scott J. Vassaluzzo
Managing Member
Prescott General Partners LLC

R. Chad Prashad
President and Chief Executive Officer
World Acceptance Corporation

CORPORATE OFFICERS

R. Chad Prashad
President and Chief Executive Officer

Zachary W. Denton
Vice President, Predictive Analytics

John L. Calmes, Jr.
Executive Vice President, Chief Financial and Strategy
Officer and Treasurer

Robert D. Edwards
Vice President, Operations Performance

D. Clinton Dyer
Executive Vice President, Chief Branch Operations Officer

Brian D. Hoff
Vice President, IT Business Applications

Luke J. Umstetter
Senior Vice President, Secretary and General Counsel

Keith T. Littrell
Vice President, Tax and Assistant Secretary

Scott McIntyre
Senior Vice President, Accounting

Victoria G. Hammond
Vice President, Marketing

A. Lindsay Caulder
Senior Vice President, Human Resources

Thomas M. Wagner, Jr.
Vice President, Customer Success

Jason E. Childers
Senior Vice President, Information Technology

Jackie C. Willyard
Senior Vice President, Southeastern Division

Chris M. Simonetti
Senior Vice President, Strategy and Analytics

Jeff L. Tinney
Senior Vice President, Western Division

Common Stock

World Acceptance Corporation's common stock trades on the Nasdaq Global Select Market under the symbol: WRLD. As of July 7, 2020, there were 30 shareholders of record and the Company believes there are a significant number of persons or entities who hold their stock in nominee or "street" names through various brokerage firms. On this date, there were 7,417,863 shares of common stock outstanding.

The table below reflects the stock prices published by Nasdaq by quarter for the last two fiscal years. The last reported sales price on July 7, 2020 was \$64.75.

Market Price of Common Stock

Fiscal 2020

<u>Quarter</u>	<u>High</u>	<u>Low</u>
First	\$ 166.70	\$ 115.10
Second	175.78	119.23
Third	133.98	84.56
Fourth	93.04	50.70

Fiscal 2019

<u>Quarter</u>	<u>High</u>	<u>Low</u>
First	\$ 125.13	\$ 100.05
Second	125.14	99.90
Third	114.39	89.78
Fourth	124.46	99.90

The Company has never paid a dividend on its Common Stock. The Company presently intends to retain its earnings to finance the growth and development of its business and does not expect to pay cash dividends in the foreseeable future. The Company's debt agreements also contain certain limitations on the Company's ability to pay dividends.

Executive Offices

World Acceptance Corporation
Post Office Box 6429 (29606)
100 South Main Street, Suite 400 (29601)
Greenville, South Carolina
(864) 298-9800

Transfer Agent

American Stock Transfer & Trust Company
10150 Mallard Creek Drive, Suite 307
Charlotte, North Carolina 28262
(718) 921-8522

Legal Counsel

Womble Bond Dickinson (US) LLP
550 South Main Street, Suite 400
Greenville, SC 29601

Independent Registered Public Accounting Firm

RSM US LLP
1201 Edwards Mill Road, Suite 300
Raleigh, North Carolina 27607

Annual Report on Form 10-K

A copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, may be obtained without charge by writing to the Corporate Secretary at the executive offices of the Company. In addition to the copy contained herein, the Form 10-K can also be reviewed or downloaded from the Company's website: <http://www.loansbyworld.com>.

For Further Information

R. Chad Prashad
President and Chief Executive Officer
World Acceptance Corporation
(864) 298-9800

(THIS PAGE INTENTIONALLY LEFT BLANK)

(THIS PAGE INTENTIONALLY LEFT BLANK)

World Acceptance Corporation 2020 Annual Report



Photo: VisitGreenvilleSC/Dread Xepelin Aerial