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NICHOLAS FINANCIAL INC
Form 8-K
October 21, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) October 21, 2004

NICHOLAS FINANCIAL, INC.
(Exact name of registrant as specified in its Charter)

British Columbia, Canada 0-26680 8736-3354
(State or Other Jurisdiction of (Commission (I.R.S. Employer
Incorporation or Organization) File Number) Identification No.)

2454 McMullen Booth Road, Building C
Clearwater, Florida 33759
(Address of Principal Executive Offices) (Zip Code)

(727) 726-0763
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if
changed since last report)

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Item 2.02 Results of Operations and Financial Condition

Clearwater, Florida, - October 21, 2004: Nicholas Financial, Inc. (NASDAQ, NICK), today announced record revenues, net income and earnings per share for the three months ended September 30, 2004. Revenues for the second quarter ended September 30, 2004 increased 27% to \$7,833,000 compared to \$6,145,000 for the period ended September 30, 2003. Net income for the quarter increased 49% to \$1,866,000 from \$1,249,000. Diluted earnings per share for the quarter increased 17% to \$0.27 per share from \$0.23 per share last

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year. The Company has reported record same quarter increases in revenues and earnings for 56 out of the past 57 quarters.

Item 9.01 Financial Statements and Exhibits

Exhibit #	Description
9	Press release dated October 21, 2004, announcing record earnings for the second quarter ended September 30, 2004.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, hereunto duly authorized.

NICHOLAS FINANCIAL, INC.
(Registrant)

Date: October 21, 2004 /s/ Peter L. Vosotas
Peter L. Vosotas
Chairman, President,
Chief Executive Officer
(Principal Executive Officer)

Date: October 21, 2004 /s/ Ralph T. Finkenbrink
Ralph T. Finkenbrink
(Principal Financial Officer
and Accounting Officer)

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Exhibit Index

Exhibit	Description
9	Press release dated October 21, 2004, announcing record earnings for the second quarter ended September 30, 2004.

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Exhibit 9

FOR IMMEDIATE RELEASE

Nicholas Financial, Inc.
Corporate Headquarters

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2454 McMullen-Booth Rd.
Building C, Suite 501
Clearwater, FL 33759

Contact: Ralph Finkenbrink
Sr. Vice President, CFO
NASDAQ: NICK
Web site: www.nicholasfinancial.com
Ph # - 727-726-0763

Nicholas Financial Reports Record 2nd Quarter Results

Clearwater, Florida, - October 21, 2004: Nicholas Financial, Inc. (NASDAQ, NICK), today announced record revenues, net income and earnings per share for the three months ended September 30, 2004. Revenues for the second quarter ended September 30, 2004 increased 27% to \$7,833,000 compared to \$6,145,000 for the period ended September 30, 2003. Net income for the quarter increased 49% to \$1,866,000 from \$1,249,000. Diluted earnings per share for the quarter increased 17% to \$0.27 per share from \$0.23 per share last year. The Company has reported record same quarter increases in revenues and earnings for 56 out of the past 57 quarters.

For the six months ended September 30, 2004, revenues increased 24% to \$15,110,000 compared to \$12,205,000 for the six months ended September 30, 2003. Net income for the six-month period increased 45% to \$3,498,000 from \$2,415,000. Diluted earnings per share increased 20% to \$0.54 per share compared to \$0.45 per share last year.

Founded in 1985, with assets of \$112,578,000 as of September 30, 2004, Nicholas Financial, Inc. is one of the largest publicly traded specialty consumer finance companies based in the Southeast. The Company presently operates out of 34 branch locations in both the Southeast and the Mid-West States. The Company has approximately 6,500,000 shares of common stock outstanding. For an index of Nicholas Financial Inc.'s news releases or to obtain a specific release, visit our web site at www.nicholasfinancial.com.

Except for the historical information contained herein, the matters discussed in this news release include forward-looking statements that involve risks and uncertainties including competitive factors, the management of growth, and other risks detailed from time to time in the Company's filings and reports with the Securities and Exchange Commission including the Company's Annual Report on Form 10-KSB for the year ended March 31, 2004. Such statements are based on the beliefs of the Company's management as well as assumptions made by and information currently available to Company management. Actual events or results may differ materially.

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Nicholas Financial, Inc.
 Consolidated Income Statements
 (Unaudited, Dollars in Thousands, Except Per Share Amounts)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2004	2003	2004	2003
Revenue:				
Finance charge income	\$ 7,797	\$ 6,074	\$ 15,011	\$12,063
Other income	36	71	99	142
	-----	-----	-----	-----
	7,833	6,145	15,110	12,205
Costs and expenses:				
Operating expenses	3,269	2,777	6,426	5,390
Provision for losses	659	404	1,240	984
Interest expense	895	968	1,810	1,956
	-----	-----	-----	-----
	4,823	4,149	9,476	8,330
Income before income taxes				
	3,010	1,996	5,634	3,875
Income tax provision				
	1,144	747	2,136	1,460
	-----	-----	-----	-----
Net income	\$1,866	\$1,249	\$3,498	\$2,415
	=====	=====	=====	=====
Earnings per share:				
Basic	\$.29	\$.25	\$.58	\$.48
	=====	=====	=====	=====
Diluted	\$.27	\$.23	\$.54	\$.45
	=====	=====	=====	=====
Weighted average shares				
	6,491,142	5,038,318	6,082,592	5,022,622
	=====	=====	=====	=====
Weighted average shares and assumed dilution				
	6,876,739	5,405,176	6,472,724	5,352,817
	=====	=====	=====	=====

Condensed Consolidated Balance Sheets
 (Unaudited, Dollars in Thousands)

	September 30, 2004	March 31, 2004
	-----	-----
Cash	\$ 1,685	\$ 958
Finance receivables, net	105,146	97,237
Other assets	5,747	5,028
	-----	-----

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Total assets	\$112,578	\$103,223
Line of credit	\$ 63,540	\$ 67,510
Other notes payable	1,001	1,593
Other liabilities	7,038	6,674
	-----	-----
Total liabilities	71,579	75,777
Shareholders' equity	40,999	27,446
	-----	-----
Total liabilities and Shareholders' equity	\$112,578	\$103,223
	=====	=====

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Portfolio Summary	Three months ended		Six months ended	
	September 30,		September 30,	
	2004	2003	2004	2003

Average finance receivables, net of unearned interest (1)	128,266,971	111,195,574	125,646,208	109,204,020
	=====			
Average indebtedness (2)	63,070,954	64,162,081	63,392,887	63,200,691
	=====			
Finance revenue (3)	7,796,997	6,074,326	15,011,255	12,062,800
Interest expense	894,764	968,310	1,810,084	1,955,638

Net finance revenue	6,902,233	5,106,016	13,201,171	10,107,162
	=====			
Weighted average contractual rate (4)	24.06%	24.13%	24.17%	24.10%
	=====			
Average cost of borrowed funds (2)	5.67%	6.04%	5.71%	6.19%
	=====			
Gross portfolio yield (5)	24.31%	21.85%	23.89%	22.09%
Interest expense as a percentage of average finance receivables, net of unearned interest	2.79%	3.48%	2.88%	3.58%
Provision for credit losses as a percentage of average finance receivables, net of unearned interest	2.06%	1.45%	1.97%	1.80%

Net portfolio yield (5)	19.46%	16.92%	19.04%	16.71%
Operating expenses as a percentage of average finance receivables, net of unearned				

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interest (6)	9.96%	9.71%	10.00%	9.57%

Pre-tax yield as a percentage of average finance receivables, net of unearned interest (7)	9.51%	7.21%	9.04%	7.14%
=====				
Write-off to liquidation (8)	7.99%	9.89%	6.75%	8.85%
=====				
Net charge-off percentage (9)	6.85%	8.58%	5.77%	7.63%
=====				

- (1) Average finance receivables, net of unearned interest, represents the average of gross finance receivables, less unearned interest throughout the period.
- (2) Average indebtedness represents the average outstanding borrowings under the Line and notes payable-related party. Average cost of borrowed funds represents interest expense as a percentage of average indebtedness.
- (3) Finance revenue does not include revenue generated by Nicholas Data Services, Inc., ("NDS") the wholly-owned software subsidiary of Nicholas Financial, Inc.
- (4) Weighted average contractual rate represents the weighted average annual percentage rate (APR) of all Contracts purchased and direct loans originated during the three and six months ended September 30, 2004 and 2003, respectively.
- (5) Gross portfolio yield represents finance revenues as a percentage of average finance receivables, net of unearned interest. Net portfolio yield represents finance revenue minus (a) interest expense and (b) the provision for credit losses as a percentage of average finance receivables, net of unearned interest.
- (6) Operating expenses represent total expenses, less interest expense, the provision for credit losses and operating costs associated with NDS.
- (7) Pre-tax yield represents net portfolio yield minus operating expenses as a percentage of average finance receivables, net of unearned interest.
- (8) Write-off to liquidation percentage is defined as net charge-offs divided by liquidation. Liquidation is defined as beginning receivable balance plus current period purchases minus voids and refinances minus ending receivable balance.
- (9) Net charge-off percentage represents net charge-offs divided by average finance receivables, net of unearned interest, outstanding during the period.

Note: All three and six month key performance indicators expressed as percentages have been annualized.

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The following tables present certain information regarding delinquency rates experienced by the Company with respect to Contracts and under its direct loan program.

	At September 30,			
	2004		2003	

Contracts				
Gross Balance Outstanding	\$164,289,883		\$142,611,322	
Delinquencies				
30 to 59 days	\$2,866,168	1.74%	\$2,554,310	1.79%
60 to 89 days	801,212	0.49%	921,969	0.65%
90 + days	253,180	0.15%	269,734	0.19%
	-----	-----	-----	-----
Total Delinquencies	\$3,920,560	2.38%	\$3,746,013	2.63%

Direct Loans				
Gross Balance Outstanding	\$ 5,138,519		\$4,378,131	
Delinquencies				
30 to 59 days	\$ 39,728	0.77%	\$ 67,549	1.54%
60 to 89 days	33,915	0.66%	15,716	0.36%
90 + days	27,475	0.54%	47,737	1.09%
	-----	-----	-----	-----
Total Delinquencies	\$ 101,118	1.97%	\$ 131,002	2.99%

The amounts shown in the table below represent the amount of finance receivables purchased, net of unearned interest.

State	Three months ended		Six months ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
FL	\$9,500,663	\$9,077,354	\$20,521,502	\$19,125,752
GA	1,798,615	2,263,364	4,309,158	4,570,548
NC	2,342,704	1,998,984	4,495,934	3,969,578
SC	930,773	743,924	2,065,391	1,479,639
OH	3,319,862	3,109,399	6,571,070	6,214,025
MI	861,955	612,723	1,813,086	1,068,257
VA	1,492,136	184,573	2,869,886	201,613
	-----	-----	-----	-----
Total	\$20,246,708	\$17,990,321	\$42,646,027	\$36,629,412
=====				

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The following table represents information on Contracts purchased by the Company, net of unearned interest:

Contracts	Three months ended September 30,		Six months ended September 30,	
	2004	2003	2004	2003
Purchases	\$20,246,708	\$17,990,321	\$42,646,027	\$36,629,412
Weighted APR	23.91%	24.00%	24.01%	23.96%
Average Discount	8.67%	8.95%	8.71%	8.95%
Average Term(months)	44	43	44	44
Average Loan	\$8,391	\$8,082	\$8,329	\$8,138
Number of Contracts	2,413	2,226	5,120	4,501

End