

WORLD ACCEPTANCE CORP
Form 10-Q
November 02, 2009

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

Form 10-Q

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

For the quarterly period ended September 30, 2009.

or

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

For the transition period from _____ to _____

Commission File Number: 0-19599

WORLD ACCEPTANCE CORPORATION
(Exact name of registrant as specified in its charter.)

South Carolina
(State or other jurisdiction of
incorporation or organization)

57-0425114
(I.R.S. Employer Identification
Number)

108 Frederick Street
Greenville, South Carolina 29607
(Address of principal executive offices)
(Zip Code)

(864) 298-9800
(registrant's telephone number, including area code)

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

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

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

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Large Accelerated Filer

Accelerated Filer

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

Smaller reporting company

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

The number of outstanding shares of the issuer's no par value common stock as of November 2, 2009 was 16,249,812.

WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES

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WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

| | September 30, 2009 | March 31, 2009 As adjusted (Note 2) | September 30, 2008 |
|--|-----------------------|---|-----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 7,287,502 | 6,260,410 | 8,070,083 |
| Gross loans receivable | 754,853,611 | 671,175,985 | 667,178,690 |
| Less: | | | |
| Unearned interest and fees | (198,898,768) | (172,743,440) | (175,250,949) |
| Allowance for loan losses | (43,682,344) | (38,020,770) | (38,120,647) |
| Loans receivable, net | 512,272,499 | 460,411,775 | 453,807,094 |
| Property and equipment, net | 23,120,785 | 23,060,360 | 22,969,529 |
| Deferred income taxes | 12,975,338 | 12,250,834 | 12,629,849 |
| Other assets, net | 10,249,313 | 9,541,757 | 9,285,885 |
| Goodwill | 5,580,946 | 5,580,946 | 5,384,021 |
| Intangible assets, net | 8,045,652 | 8,987,551 | 9,927,166 |
| Total assets | \$ 579,532,035 | 526,093,633 | 522,073,627 |
| LIABILITIES & SHAREHOLDERS' EQUITY | | | |
| Liabilities: | | | |
| Senior notes payable | 145,400,000 | 113,310,000 | 146,700,000 |
| Convertible senior subordinated notes payable | 85,000,000 | 95,000,000 | 110,000,000 |
| Debt discount | (8,135,041) | (11,268,462) | (15,464,789) |
| Income taxes payable | 4,761,236 | 11,412,722 | 367,598 |
| Accounts payable and accrued expenses | 23,679,446 | 21,304,466 | 16,406,308 |
| Total liabilities | 250,705,641 | 229,758,726 | 258,009,117 |
| Shareholders' equity: | | | |
| Preferred stock, no par value | | | |
| Authorized 5,000,000 shares, no shares issued or outstanding | - | - | - |
| Common stock, no par value | | | |
| Authorized 95,000,000 shares; issued and Outstanding 16,244,062 and 16,211,659 shares at September 30, 2009 and March 31, 2009, respectively | - | - | - |
| Additional paid-in capital | 19,311,095 | 17,046,310 | 16,054,120 |
| Retained earnings | 312,765,165 | 283,518,260 | 248,411,201 |
| Accumulated other comprehensive loss | (3,249,866) | (4,229,663) | (400,811) |
| Total shareholders' equity | 328,826,394 | 296,334,907 | 264,064,510 |
| Commitments and contingencies | | | |
| | \$ 579,532,035 | 526,093,633 | 522,073,627 |

See accompanying notes to consolidated financial statements.

WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Three months ended September 30, | | Six months ended September 30, | |
|---|-------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 2009 | 2008 As adjusted (Note 2) | 2009 | 2008 As adjusted (Note 2) |
| Revenues: | | | | |
| Interest and fee income | \$ 91,540,199 | 80,053,547 | 176,607,997 | 156,403,033 |
| Insurance and other income | 12,665,568 | 11,667,020 | 27,828,135 | 23,738,565 |
| Total revenues | 104,205,767 | 91,720,567 | 204,436,132 | 180,141,598 |
| Expenses: | | | | |
| Provision for loan losses | 25,156,035 | 23,307,132 | 45,584,298 | 41,164,045 |
| General and administrative expenses: | | | | |
| Personnel | 33,911,917 | 31,199,851 | 70,203,226 | 64,515,626 |
| Occupancy and equipment | 7,113,165 | 6,477,994 | 13,816,838 | 12,531,644 |
| Data processing | 494,415 | 580,950 | 1,028,011 | 1,170,397 |
| Advertising | 2,448,594 | 2,531,623 | 4,821,094 | 5,241,588 |
| Amortization of intangible assets | 567,688 | 623,200 | 1,132,458 | 1,223,547 |
| Other | 7,219,156 | 6,965,683 | 14,086,053 | 12,486,354 |
| | 51,754,935 | 48,379,301 | 105,087,680 | 97,169,156 |
| Interest expense | 3,617,034 | 3,891,920 | 6,727,181 | 7,500,483 |
| Total expenses | 80,528,004 | 75,578,353 | 157,399,159 | 145,833,684 |
| Income before income taxes | 23,677,763 | 16,142,214 | 47,036,973 | 34,307,914 |
| Income taxes | 9,065,930 | 6,196,833 | 17,790,068 | 13,019,334 |
| Net income | \$ 14,611,833 | 9,945,381 | 29,246,905 | 21,288,580 |
| Net income per common share: | | | | |
| Basic | \$ 0.90 | 0.61 | 1.80 | 1.31 |
| Diluted | \$ 0.89 | 0.60 | 1.79 | 1.29 |
| Weighted average common shares outstanding: | | | | |
| Basic | 16,235,346 | 16,213,658 | 16,230,347 | 16,242,334 |
| Diluted | 16,418,257 | 16,492,710 | 16,369,820 | 16,534,674 |

See accompanying notes to consolidated financial statements.

WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

| | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity | Total Comprehensive Income |
|---|----------------------------------|----------------------|---|----------------------------------|----------------------------------|
| Balances at March 31, 2008 | \$ 1,323,001 | 232,812,768 | 169,503 | 234,305,272 | |
| Cumulative effect of change in accounting principle (Note 2) | 14,961,722 | (4,466,014) | - | 10,495,708 | |
| Proceeds from exercise of stock options (142,683 shares), including tax benefits of \$1,320,974 | 2,975,335 | - | - | 2,975,335 | |
| Common stock repurchases (288,700 shares) | (6,527,680) | (1,321,084) | - | (7,848,764) | |
| Issuance of restricted common stock under stock option plan (78,592 shares) | 1,418,031 | - | - | 1,418,031 | |
| Stock option expense | 3,232,229 | - | - | 3,232,229 | |
| Repurchase and cancellation of convertible notes | (336,328) | - | - | (336,328) | |
| Other comprehensive loss | - | - | (4,399,166) | (4,399,166) | (4,399,166) |
| Net income | - | 56,492,590 | - | 56,492,590 | 56,492,590 |
| Total comprehensive income | - | - | - | - | 52,093,424 |
| Balances at March 31, 2009 (As Adjusted – Note 2) | 17,046,310 | 283,518,260 | (4,229,663) | 296,334,907 | |
| Proceeds from exercise of stock options (15,700 shares), including tax benefits of \$107,369 | 247,666 | - | - | 247,666 | |
| Issuance of restricted common stock under stock option plan (16,703 shares) | 956,268 | - | - | 956,268 | |
| Stock option expense | 1,486,500 | - | - | 1,486,500 | |
| Repurchase and cancellation of convertible notes | (425,649) | - | - | (425,649) | |
| Other comprehensive income | - | - | 979,797 | 979,797 | 979,797 |
| Net income | - | 29,246,905 | - | 29,246,905 | 29,246,905 |
| Total comprehensive income. | - | - | - | - | 30,226,702 |
| Balances at September 30, 2009 | \$ 19,311,095 | 312,765,165 | (3,249,866) | 328,826,394 | |

See accompanying notes to consolidated financial statements.

WORLD ACCEPTANCE CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Six months ended September 30, | |
|--|-----------------------------------|---------------------------------|
| | 2009 | 2008 As adjusted (Note 2) |
| Cash flows from operating activities: | | |
| Net income | \$ 29,246,905 | 21,288,580 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Amortization of intangible assets | 1,132,458 | 1,223,547 |
| Amortization of loan costs and discounts | 215,958 | 381,631 |
| Provision for loan losses | 45,584,298 | 41,164,045 |
| Gain on the extinguishment of debt | (2,361,180) | - |
| Amortization of convertible note discount | 1,984,432 | 2,356,836 |
| Depreciation | 2,738,254 | 2,198,658 |
| Deferred income tax benefit (expense) | (724,504) | 2,869,226 |
| Compensation related to stock option and restricted stock plans | 2,442,768 | 2,668,042 |
| Unrealized gains on interest rate swap | (568,588) | (749,925) |
| Change in accounts: | | |
| Other assets, net | (1,031,973) | (13,828) |
| Income taxes payable | (6,616,041) | (17,768,065) |
| Accounts payable and accrued expenses | 2,896,712 | (1,709,680) |
| Net cash provided by operating activities | 74,939,499 | 53,909,067 |
| Cash flows from investing activities: | | |
| Increase in loans receivable, net | (96,103,452) | (75,558,979) |
| Assets acquired from office acquisitions, primarily loans | (628,363) | (7,883,393) |
| Increase in intangible assets from acquisitions | (190,559) | (1,184,732) |
| Purchases of property and equipment, net | (2,628,868) | (6,478,677) |
| Net cash used in investing activities | (99,551,242) | (91,105,781) |
| Cash flows from financing activities: | | |
| Proceeds of senior revolving notes payable, net | 32,090,000 | 42,200,000 |
| Repayment of convertible senior subordinated notes payable | (6,750,000) | - |
| Repurchases of common stock | - | (6,159,203) |
| Repayment of other notes payable | - | (400,000) |