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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 September 30, | | Six months ended 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