

CompuCredit Holdings Corp
Form 10-Q
August 06, 2010

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

For the quarterly period ended June 30, 2010

of
COMPUCREDIT HOLDINGS CORPORATION

a Georgia Corporation

IRS Employer Identification No. 58-2336689

SEC File Number 0-53717

Five Concourse Parkway, Suite 400

Atlanta, Georgia 30328

(770) 828-2000

CompuCredit's common stock, no par value per share, is registered pursuant to Section 12(b) of the Securities Exchange Act of 1934 (the "Act").

CompuCredit (1) is required to file reports pursuant to Section 13 or Section 15(d) of the Act, (2) has filed all reports required to be filed by Section 13 or 15(d) of the Act during the preceding 12 months and (3) has been subject to such filing requirements for the past ninety days. CompuCredit Holdings Corporation is not yet required to file Interactive Data Files.

CompuCredit is a smaller reporting company and is not a shell company.

As of July 31, 2010, 35,793,965 shares of common stock, no par value, of the registrant were outstanding. (This excludes 2,252,388 loaned shares to be returned as of that date.)

Table of Contents

COMPUCREDIT HOLDINGS CORPORATION
FORM 10-Q
TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
Item 1.	<u>Financial Statements (Unaudited)</u>
	<u>Condensed Consolidated Balance Sheets</u> 1
	<u>Condensed Consolidated Statements of Operations</u> 2
	<u>Condensed Consolidated Statement of Equity</u> 3
	<u>Condensed Consolidated Statements of Comprehensive Loss</u> 4
	<u>Condensed Consolidated Statements of Cash Flows</u> 5
	<u>Notes to Condensed Consolidated Financial Statements</u> 6
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> 32
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 67
Item 4.	<u>Controls and Procedures</u> 67
PART II. OTHER INFORMATION	
Item 1.	<u>Legal Proceedings</u> 68
Item 1A.	<u>Risk Factors</u> 68
Item 6.	<u>Exhibits</u> 90
	<u>Signatures</u>

Table of Contents

CompuCredit Holdings Corporation and Subsidiaries
Condensed Consolidated Balance Sheets
(Dollars in thousands)

	June 30, 2010 (Unaudited)	December 31, 2009
Assets		
Cash and cash equivalents (including restricted cash of \$41,580 at June 30, 2010 and \$5,636 at December 31, 2009)	\$ 109,865	\$ 190,655
Securitized earning assets	—	36,514
Loans and fees receivable:		
Loans and fees receivable, net (of \$6,836 and \$7,030 in deferred revenue and \$15,459 and \$15,030 in allowances for uncollectible loans and fees receivable at June 30, 2010 and December 31, 2009, respectively)	71,663	70,928
Loans and fees receivable pledged as collateral under structured financings, net (of \$23,789 and \$33,864 in deferred revenue and \$33,083 and \$38,414 in allowances for uncollectible loans and fees receivable at June 30, 2010 and December 31, 2009, respectively)	163,698	214,439
Loans and fees receivable, at fair value	19,277	42,299
Loans and fees receivable pledged as collateral under structured financings, at fair value	530,334	—
Investments in previously charged-off receivables	33,297	29,669
Investments in securities	78,583	2,629
Deferred costs, net	3,672	4,432
Property at cost, net of depreciation	25,532	32,263
Investments in equity-method investees	11,092	13,517
Intangibles, net	2,599	2,816
Goodwill	42,147	43,422
Income tax asset, net	—	32,695
Prepaid expenses and other assets	25,107	32,554
Total assets	\$ 1,116,866	\$ 748,832
Liabilities		
Accounts payable and accrued expenses	\$ 69,268	\$ 67,295
Notes payable associated with structured financings, at face value	131,846	164,368
Notes payable associated with structured financings, at fair value	516,510	—
Convertible senior notes (Note 10)	253,345	307,573
Deferred revenue	1,644	1,875
Income tax liability	63,123	—
Total liabilities	1,035,736	541,111
Commitments and contingencies (Note 11)		
Equity		
Common stock, no par value, 150,000,000 shares authorized: 46,291,997 shares issued and 38,047,750 shares outstanding at June 30, 2010 (including 2,252,388 loaned shares to be returned); and 58,596,545 shares issued and 49,970,111 shares outstanding at December 31, 2009 (including 2,252,388 loaned shares to be returned)	—	—

Edgar Filing: CompuCredit Holdings Corp - Form 10-Q

Additional paid-in capital	405,084	500,064
Treasury stock, at cost, 8,244,247 and 8,626,434 shares at June 30, 2010 and December 31, 2009, respectively	(209,852)	(219,714)
Accumulated other comprehensive loss	(6,969)	(3,293)
Retained deficit	(125,190)	(87,740)
Total shareholders' equity (Note 2)	63,073	189,317
Noncontrolling interests (Note 2)	18,057	18,404
Total equity	81,130	207,721
Total liabilities and equity (Note 2)	\$ 1,116,866	\$ 748,832

See accompanying notes.

Table of Contents

CompuCredit Holdings Corporation and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)
(Dollars in thousands, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Interest income:				
Consumer loans, including past due fees	\$69,179	\$18,967	\$153,367	\$38,768
Other	343	252	369	581
Total interest income	69,522	19,219	153,736	39,349
Interest expense	(16,202)	(10,018)	(33,835)	(20,210)
Net interest income before fees and related income on earning assets and provision for losses on loans and fees receivable	53,320	9,201	119,901	19,139
Fees and related income on earning assets	154,599	40,926	281,493	83,572
Provision for losses on loans and fees receivable	(167,213)	(18,555)	(340,627)	(30,808)
Net interest income, fees and related income on earning assets	40,706	31,572	60,767	71,903
Other operating income (loss):				