ExOne Co
Form 10-K
March 22, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

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 001-35806

The ExOne Company

(Exact Name of Registrant as Specified in its Charter)

Delaware	46-1684608
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

127 Industry Boulevard

North Huntingdon, PA 15642

(Address of Principal Executive Offices) (Zip Code)

(724) 863-9663

(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, par value $0.01 per share	The NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every 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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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.

Large accelerated filer	¨	Accelerated filer	x
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 Securities Exchange Act of 1934). Yes ¨ No x

The aggregate market value of common stock held by non-affiliates for the last business day of the registrant’s most recently completed second fiscal quarter was approximately $116.3 million.

As of March 22, 2016, 16,067,954 shares of common stock, par value $0.01 were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed pursuant to Regulation 14A of the general rules and regulations under the Securities Exchange Act of 1934, as amended, for its 2016 Annual Meeting of Stockholders ("Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K.

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EXPLANATORY NOTE

As used in this Annual Report on Form 10-K, unless the context otherwise requires or indicates, the terms “ExOne,” “our Company,” “the Company,” “we,” “our,” “ours,” and “us” refer to The ExOne Company and its wholly-owned subsidiaries.

On January 1, 2013, The Ex One Company, LLC, a Delaware limited liability company, merged with and into a Delaware corporation, which survived and changed its name to The ExOne Company. We refer to this as the “Reorganization.” As a result of the Reorganization, The Ex One Company, LLC became the Company, a Delaware corporation, the common and preferred interest holders of The Ex One Company, LLC became holders of common stock and preferred stock, respectively, of the Company and the subsidiaries of The Ex One Company, LLC became the subsidiaries of the Company. The preferred stock of the Company was converted into common stock on a 9.5 to 1 basis (1,998,275 shares of common stock) immediately prior to our initial public offering (“IPO”).

On February 6, 2013, the Company’s Registration Statement on Form S-1, as amended (File No. 333-185933) was declared effective for the Company’s IPO, pursuant to which the Company registered the offering and sale of 6,095,000 shares of our common stock at a public offering price of $18.00 per share for an aggregate offering price of $109.7 million. The IPO closed on February 12, 2013.

On September 9, 2013, we commenced a secondary public offering of 3,054,400 shares of our common stock at a price to the public of $62.00 per share, of which 1,106,000 shares were sold by us and 1,948,400 were sold by selling stockholders (including consideration of the exercise of the underwriters’ over-allotment option). The secondary offering closed on September 13, 2013.

All consolidated financial information in this report includes the accounts of ExOne, its wholly-owned subsidiaries, ExOne Americas LLC (United States), ExOne GmbH (Germany), ExOne KK (Japan); effective in August 2013, ExOne Property GmbH (Germany); effective in March 2014, MWT—Gesellschaft für Industrielle Mikrowellentechnik mbH (Germany); effective in May 2014, ExOne Italy S.r.l (Italy); effective in July 2015, ExOne Sweden AB (Sweden); and through March 27, 2013 (see further description below), two variable interest entities (“VIEs”) in which ExOne was identified as the primary beneficiary, Lone Star Metal Fabrication, LLC (“Lone Star”) and Troy Metal Fabricating, LLC (“TMF”).

All financial information for periods prior to January 1, 2013 is of The Ex One Company, LLC, our predecessor company, and its subsidiaries, and all financial information for periods prior to March 27, 2013, include TMF and Lone Star, two VIEs in which ExOne was identified as the primary beneficiary.

IMPLICATIONS OF BEING AN EMERGING GROWTH COMPANY

We qualify as an “emerging growth company” (“EGC”) as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). An EGC may take advantage of specified reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies.

As an EGC:

- We are exempt from the requirement to obtain an attestation and report from our independent registered public accounting firm on the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act;
- We are permitted to provide less extensive disclosure about our executive compensation arrangements;
- We are not required to give our stockholders non-binding advisory votes on executive compensation or golden parachute arrangements; and

- We have elected to use an extended transition period for complying with new or revised accounting standards.

We will continue to operate under these provisions until December 31, 2018, or such earlier time that we are no longer an EGC. We would cease to be an EGC if we have more than $1.0 billion in annual revenues, qualify as a “large accelerated filer” under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which requires us to have more than $700 million in market value of our common stock held by non-affiliates, or issue more than $1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some, but not all, of these reduced burdens.

TRADEMARKS, SERVICE MARKS AND TRADE NAMES

We have registrations in the United States for the following trademarks: EXONE, X1 ExOne Digital Part Materialization (plus design), EXCAST, EXMAL, EXTEC, LUXCELIS, M-FLEX, ORION, S MAX, S-PRINT, X1 and X1-LAB. We also have applications for registration pending for the following trademarks: EXERIAL, INNOVENT, M-PRINT and S-MAX. We also have registrations for EXONE in China, Europe (Community Trade Mark), Japan, and South Korea, and an application for registration pending in Canada for that trademark. We have registrations for X1 ExOne Digital Part Materialization (plus design) in China, Europe (Community Trade Mark), Japan, and South Korea, and applications for registration pending in Brazil and Canada for that mark. We have a registration for the mark X1 in Europe (Community Trade Mark). We have a registration for the mark EX-1 in Europe (Community Trade Mark). We have registrations for a stylized form of X1 in Europe (Community Trade Mark) and South Korea. We have registrations for DIGITAL PART MATERIALIZATION in Japan and South Korea and an application pending for that mark in Canada. We have a registration for the trademarks EXERIAL, INNOVENT, M-FLEX and S-MAX in Europe (Community Trade Mark). We also have a registration in Canada for the trademark LUXCELIS. Additionally, in March 2014 we acquired the trade names for Machin-A-Mation Corporation (“MAM”) and MWT — Gesellschaft für Industrielle Mikrowellentechnik mbH (“MWT”).

This Annual Report on Form 10-K also contains trademarks, service marks and trade names of other companies, which are the property of their respective owners. Solely for convenience, marks and trade names referred to in this Annual Report on Form 10-K may appear without the ® or TM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these marks and trade names. Third-party marks and trade names used herein are for nominative informational purposes only and their use herein in no way constitutes or is intended to be commercial use of such names and marks. The use of such third-party names and marks in no way constitutes or should be construed to be an approval, endorsement or sponsorship of us, or our products or services, by the owners of such third-party names and marks.

CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act with respect to our future financial or business performance, strategies, or expectations. Forward-looking statements typically are identified by words or phrases such as “trend,” “potential,” “opportunity,” “pipeline,” “believe,” “comfortable,” “expect,” “anticipate,” “current,” “intention,” “estimate,” “position,” “assu “continue,” “remain,” “maintain,” “sustain,” “seek,” “achieve,” as well as similar expressions, or future or conditional verbs su as “will,” “would,” “should,” “could” and “may.”

We caution that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made and we assume no duty to and do not undertake to update forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

In addition to risk factors previously disclosed in our reports and those identified elsewhere in this report, the following factors, among others, could cause results to differ materially from forward-looking statements or historical performance: timing and length of sales of three dimensional (“3D”) printing machines; risks related to global operations including effects of foreign currency and risks related to the situation in the Ukraine; our ability to qualify more industrial materials in which we can print; the availability of skilled personnel; the impact of increases in operating expenses and expenses relating to proposed investments and alliances; our strategy, including the expansion and growth of our operations; the impact of loss of key management; our plans regarding increased international operations in additional international locations; sufficiency of funds for required capital expenditures, working capital, and debt service; the adequacy of sources of liquidity; expectations regarding demand for our industrial products, operating revenues, operating and maintenance expenses, insurance expenses and deductibles, interest expenses, debt levels, and other matters with regard to outlook; demand for aerospace, automotive, heavy equipment, energy/oil/gas and other industrial products; individual customer contractual requirements; the scope, nature or impact of alliances and strategic investments and our ability to integrate strategic investments; liabilities under laws and regulations protecting the environment; the impact of governmental laws and regulations; operating hazards, war, terrorism and cancellation or unavailability of insurance coverage; the effect of litigation and contingencies; the impact of disruption of our manufacturing facilities or production service centers (“PSCs”); the adequacy of our protection of our intellectual property; material weaknesses in our internal control over financial reporting; the impact of customer specific terms in machine sale agreements on the period in which we recognize revenue; the impact of market conditions and other factors on the carrying value of long-lived assets; and our ability to continue as a going concern.

These and other important factors, including those discussed under Item 1A, "Risk Factors" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K, may cause our actual results of operations to differ materially from any future results of operations expressed or implied by the forward looking statements contained in this Annual Report on Form 10-K. Before making a decision to purchase our common stock, you should carefully consider all of the factors identified in this Annual Report on Form 10-K that could cause actual results to differ from these forward looking statements.

PART I

Item 1. Business.

The Company

We are a global provider of 3D printing machines and 3D printed and other products, materials and services to industrial customers. Our business primarily consists of manufacturing and selling 3D printing machines and printing products to specification for our customers using our installed base of 3D printing machines. Our machines serve direct and indirect applications. Direct printing produces a component; indirect printing makes a tool to produce a component. We offer pre-production collaboration and print products for customers through our nine PSCs, which are located in the United States, Germany, Italy, Sweden and Japan. We build 3D printing machines at our facilities in the United States and Germany. We also supply the associated materials, including consumables and replacement parts, and other services, including training and technical support that is necessary for purchasers of our 3D printing machines to print products. We believe that our ability to print in a variety of industrial materials, as well as our industry-leading printing capacity (as measured by build box size and printhead speed) uniquely position us to serve the needs of industrial customers.

Our 3D printing machines use our binder jetting technology, powdered materials, chemical binding agents and integrated software to print 3D products directly from computer models by repeatedly depositing very thin layers of powdered materials and selectively placing chemical binding agents to form the printed product. One of our key industry advantages is that our 3D printing machines are able to print products in materials which we believe are desired by industrial customers. Currently, our 3D printing machines are able to manufacture casting molds and cores from specialty sands and ceramics, which are the traditional materials for these casting products. Of equal importance, our 3D printing machines are capable of direct product materialization by printing industrial metals, including stainless steel, bronze, iron, bonded tungsten, IN Alloy 625 and glass. We are in varying stages of qualifying additional industrial materials and advancing materials that are printable in our 3D printing machines. Our current emphasis is related to monolithic metals and certain ceramics.

We believe that we are a leader in providing 3D printing machines, 3D printed and other products, materials and services to industrial customers in the aerospace, automotive, heavy equipment, energy/oil/gas and other industries. In an effort to further solidify this position, we have (i) expanded our PSC network to nine global locations, (ii) increased capacity and upgraded technology in our production facilities in Germany, including consolidating our operations from five buildings to one multi-purpose manufacturing, research and development, sales and administrative facility, (iii) expanded our materials development initiatives and (iv) deployed the first phase of an Enterprise Resource Planning (“ERP”) system for our Europe operations to promote operational efficiency and financial controls.

Our revenue growth is driven by increasing customer acceptance of our 3D printing technology. We believe that we can accelerate customer adoption of our technology by delivering turnkey 3D printing services and products, from design through product completion. In developing our next generation 3D printing machine platforms, we successfully focused on achieving the volumetric output rate demanded by our industrial customers. Our refined strategic focus emphasizes all phases of the production cycle, notably enhancements to pre-print, such as Computer Aided Design (“CAD”), simulation, and design optimization, as well as post-print processing, including metal finishing technologies and precision casting capabilities. We are exploring a combination of strategic investments, and/or alliances, some of which we believe will promote advances in pre-print and post-print processing.

We conduct a significant portion of our business with a limited number of customers. Our top five customers represented approximately 19.0%, 23.1% and 25.5% of total revenue for 2015, 2014 and 2013, respectively. There were no customers for 2015, 2014 or 2013 that individually represented 10.0% or greater of our total revenue. Sales of

3D printing machines are low volume, but generate significant revenue based on their per-unit pricing. Generally, sales of 3D printing machines are to different customers in each respective period, with the timing of such sales dependent on the customer’s capital budgeting cycle, which may vary from period to period. The nature of the revenue from 3D printing machines does not leave us dependent upon a single or a limited number of customers. Sales of 3D printed and other products, materials and services are high volume, but generally result in a significantly lower aggregate price per order as compared to 3D printing machine sales. The nature of the revenue from 3D printed and other products, materials and services does not leave us dependent upon a single or a limited number of customers.

The Company manages its business globally in a single operating segment in which it develops, manufactures and markets 3D printing machines, 3D printed and other products, materials and services. Geographically, the Company conducts its business through subsidiaries in the United States, Germany, Italy, Sweden and Japan.

Our History

Our business began as the advanced manufacturing business of the Extrude Hone Corporation, which manufactured its first 3D printing machine in 2003 using licensed technology developed by researchers at the Massachusetts Institute of Technology (“MIT”). In 2005, our business assets were transferred to The Ex One Company, LLC, a Delaware limited liability company, when Extrude Hone Corporation was purchased by another company. In 2007, we were acquired by S. Kent Rockwell through his wholly-owned company Rockwell Forest Products, Inc. On January 1, 2013, our Reorganization was completed when The Ex One Company, LLC was merged with and into a newly created Delaware corporation, which changed its name to The ExOne Company. On February 12, 2013, we completed our IPO, raising approximately $90.4 million in net proceeds after expenses to us. On September 13, 2013 we completed a secondary public offering, raising an additional $64.9 million in net proceeds after expenses to us.

The Additive Manufacturing Industry and 3D Printing

3D printing is the most common type of an emerging manufacturing technology that is broadly referred to as additive manufacturing (“AM”). In general, AM is a term used to describe a manufacturing process that produces 3D objects directly from digital or computer models through the repeated deposit of very thin layers of material. 3D printing is the process of joining materials from a digital 3D model, usually layer by layer, to make objects using a printhead, nozzle, or other printing technology. The terms “AM” and “3D printing” are increasingly being used interchangeably, as the media and marketplace have popularized the term 3D printing rather than AM, which is the industry term.

AM represents a transformational shift from traditional forms of manufacturing (e.g., machining or tooling), which are sometimes referred to as subtractive manufacturing. We believe that AM and 3D printing are poised to displace traditional manufacturing methodologies in a growing range of industrial applications. Our 3D printing process differs from other forms of 3D printing processes, in that we use a chemical binding agent and focus on industrial products and materials.

ExOne and 3D Printing

We provide 3D printed and other products, materials and services primarily to industrial customers and other end-market users. We believe that we are an early entrant into the AM industrial products market and are one of the few providers of 3D printing solutions to industrial customers in the aerospace, automotive, heavy equipment and energy/oil/gas industries.

Our binder jetting 3D printing technology was developed over 15 years ago by researchers at MIT. Our 3D printing machines build or print products from CAD by depositing successive thin layers of particles of materials such as sand or metal powder in a “build box.” A moveable printhead passes over each layer and deposits a chemical binding agent in the selected areas where the finished product will be materialized. Each layer can be unique.

Depending on the industrial material used in printing, printed products may need post-production processing. We generally use silica sand or foundry sand for casting, both of which typically require no additional processing. Products printed in other materials, such as glass or metals, or for use in specific applications, may need varying amounts of heat treating, drying or other post-processing.

Pre-Print. We believe that our customers have the opportunity to take greater advantage of the design freedom that our 3D printing technology provides. While we collaborate with our customers to develop and refine CAD designs that meet our customers’ specifications and can be read and processed by our 3D printing machines, we believe that additional pre-print capabilities would empower our customers to fully exploit the design freedom of 3D printing. As a result, we are exploring ways to develop, through a combination of strategic investments, and/or alliances, advanced CAD, simulation and design optimization tools. With these enhanced pre-print capabilities, our customers will be able to imagine, design, optimize and produce their ideal products, unconstrained by the limitations imposed by traditional manufacturing technologies.

Industrial Materials. As we experience increased demand for our products globally, it is essential that the material supply chain and distribution channels match and be in close proximity to our current and prospective customers. To ensure that such a supply chain exists or quickly develops, we may vertically integrate the supply of our print media.

In addition, for the highest quality printed products, the sand grains and metal particles used in the 3D printing process must be uniform in size and meet very specific tolerances. Vertically integrating would have the additional advantage of ensuring that our PSCs and 3D printing machine customers have certainty of access to the highest quality print media, meeting the exact specifications of our 3D printing machines.

Our Machines. Our 3D printing machines consist of a build box that includes a machine platform and a computer processor controlling the printheads for applying layers of industrial materials and binding agents. We currently build our 3D printing machines in both Germany and the United States. Our 3D printing machines are used to produce molds for castings, products for end users and prototypes. In some situations, we can make prototypes in metal rather than resin polymer, or make a part from a mold for the casting of a newly designed part, which we then cast at a qualified foundry. As a result, the prototype can be made from the same material as the final production part, which allows for more accurate testing of the prototype. We provide a broad spectrum of qualified materials for direct product materialization and are continuing to qualify additional materials for use in our printing process.

Our 3D printing machines are used primarily to manufacture industrial products that are ordered in relatively low volumes, are highly complex and have a high value to the customer. For example, the manufacture of an aircraft requires several complex parts, such as transmission housings (also known as gear-casings), which are needed in relatively low volume and have a high performance value in the aircraft. There are also a variety of machine parts made in traditional machining processes that can be made more cheaply using those processes. Over time, we may be able to manufacture some of those parts more cost effectively. Our technology is not appropriate for the mass production of simple parts, such as injection molded parts or parts made in metal stamping machines. Traditional manufacturing technology is more economical in making those parts. While we expect over time to be able to increase the kinds of parts that we can make more economically than using subtractive manufacturing, we do not ever expect to use our technology to make simple, low-cost, mass-produced parts.

The bulk of our 3D printing machines are used to make complex sand molds, which are used to cast these kinds of parts for several industries; although, in some cases, we make the end part directly. We intend to expand the direct part production segment of our business as we grow. In addition, as our technologies advance and our unit cost of production decreases, we believe that we can increase the type and number of products that our 3D printing machines can manufacture in a cost-effective manner, expanding our addressable market. The latest generation in our machine portfolio allows customers to engage with our binder jetting technology for industrial series production, beyond the rapid prototyping and small batch production for which our other systems are being used.

Post-Print Processing. After a product is printed, the bound and unbound powder in the build box requires curing of the chemical binding agent. In the case of molds and cores, curing generally occurs at room temperature and the printed product is complete after the binder is cured. For certain applications, a drying process (utilizing an industrial microwave or other means) may be necessary. The mold or core is then poured at a foundry, yielding the finished metal product. We have identified and work with high quality foundries, and we are exploring ways to enhance the quality of precision castings in order to drive additional demand for our molds and cores and the machine platforms that print them. In conjunction with precision foundry capabilities, we believe that our casting technology offers a number of advantages over traditional casting methods, including increased yield, weight reduction and improved thermal range.

For other materials, such as stainless steel, bronze, iron and bonded tungsten, the product needs to be sintered, or sintered and infiltrated. With sintering, the product is placed into a furnace in an inert atmosphere to sinter the bonded particles and form a strong bonded porous structure. The porous structure can be further infiltrated with another material to fill the voids. After the sintering and infiltration, the product can be polished and finished with a variety of standard industrial methods and coatings. We believe that our direct materialization capabilities enable customers to develop the ideal design for products, free of the design constraints inherent in traditional manufacturing, in the industrial metal of choice and in a more efficient manner than traditional manufacturing methods.

Customers and Sales

Educating Our Customers

Educating our customers and raising awareness in our target markets about the many uses and benefits of our 3D printing technology is an important part of our sales process. We believe that customers who experience the efficiency gains, decreased lead-time, increased design flexibility, and decreased cost potential of 3D printing, as compared to subtractive manufacturing, are more likely to purchase our 3D printing machines and be repeat customers of our products and services. We educate our customers on the design freedom, speed, and other benefits of 3D printing by providing printing and design services and support through our PSCs. We also seek to expose key potential users to our products through our PSCs, installed machines at customers' locations, university programs, and sales and marketing efforts.

Production Service Centers

We have established a network of nine PSCs in North Huntingdon, Pennsylvania; Troy, Michigan; Houston, Texas; Auburn, Washington; North Las Vegas, Nevada; Gersthofen, Germany, Desenzano del Garda, Italy; Jönköping, Sweden, and Kanagawa, Japan. Our five PSCs located in the United States were certified to ISO 9001:2008 as Industrial Additive Manufacturers. Through our PSCs, we provide sales and marketing and delivery of support and printing services to our customers. At our PSCs, our customers see our 3D printing machines in operation and can evaluate their production capabilities before ordering (i) a 3D printing machine or (ii) a printed product or service. The PSCs are scalable and have a well-defined footprint that can be easily replicated to serve additional regional markets. As described below, placing our PSCs in strategic locations around the world is an important part of our business strategy.

For all customers, we offer the following support and services through our PSCs:

- Pre-production Collaboration. Our pre-print services include data capture using software that enables customers to translate their product vision into a digital design format that can be used as an input to our 3D printing equipment. We help our customers successfully move from the design stage to the production stage, and help customers evaluate the optimal design and industrial materials for their production needs. For example, we worked with a customer to design and manufacture parts that eliminated significant weight from a helicopter, which was possible because of the precision of our AM process. Our 3D printing machines are also able to deliver a replacement for a product broken by the customer rapidly or often immediately because we will already have the production computer file. Using subtractive manufacturing would take significantly longer.
- Consumables. We provide customers with the inputs used in our 3D printing machines, including tools, printing media/industrial materials, and bonding agents.

- Training and Technical Support. Our technicians train customers to use our 3D printing machines through hands-on experience at our PSCs and provide field support to our customers, including design assistance, education on industrial materials, operations and printing training, instruction on cleaning, and maintenance and troubleshooting.
- Replacement Parts and Service. We generally offer a twelve month warranty with the sale of a 3D printing machine to a customer. Thereafter, we offer a variety of service and support plans.

Our Competitive Strengths

We believe that our competitive strengths include:

- Volumetric Output Rate. We believe that our 3D printing machines provide us the highest rate of volume output per unit of time among competing AM technologies. Because of our early entrance into the industrial market for AM and our investment in our core 3D printing technology, we have been able to improve the printhead speed and build box size of our 3D printing machines. As a result, we have made strides in improving the output efficiency of our 3D printing machines, as measured by volume output per unit of time. For example, the machine cost per cubic inch for our mid-size Flex machine is approximately 5% of the comparable machine cost of its predecessor model, assuming a constant 80% utilization rate over a five-year period. With continued advances in our core 3D printing technologies, we believe that our cost of production will continue to decline, increasing our ability to compete with subtractive manufacturing processes, particularly for complex products, effectively expanding our addressable market.
- Printing Platform Size. The size of the build box area and the platform upon which we construct a product is important to industrial customers, who may want to either make a high number of products per job run or make an industrial product that has large dimensions and is heavy in final form. The Exerial is one of the largest commercially available 3D printing build platforms at 3,168 liters. The Exerial is uniquely equipped with two build boxes, each 1.5 times larger than the single build box in our next largest model, the S-Max, a 1,260-liter platform machine, resulting in a total print volume of approximately 2.5 times that of the S-Max. We believe that our technology and experience give us the potential to develop large build platforms to meet the production demands of current and potential industrial customers. In addition, we have created machine platforms in various size ranges in order to cater to the varying demands of our customers. Our two largest platforms, the Exerial and S-Max machines, are differentiated from the machines of our competitors in their ability to print in an industrial size and scale. Our Innovent size platform provides a small build box for both lab work and qualification, as well as small part production.
- Industrial Materials. Currently, our 3D printing machines are able to manufacture casting molds and cores from specialty sands and ceramics, which are the traditional materials for these casting products. Of equal importance, our 3D printing machines are capable of direct product materialization by printing in industrial metals, including stainless steel, bronze, iron, bonded tungsten, IN Alloy 625 and glass. We are in varying stages of qualifying additional industrial materials and advancing materials that are printable in our machines. Our current emphasis is related to monolithic metals and certain ceramics.
- Chemical Binding. We use liquid chemical binding agents during the printing process. We believe that our unique chemical binding agent technology can more readily achieve efficiency gains over time than other AM technologies, such as laser-fusing technologies. As an example, in order to increase the print speed of laser-based technologies, another expensive industrial laser must be added to the manufacturing process, raising the unit cost of production.
- International Presence. Since our inception, we have structured our business to cater to major international markets. We have established one or more PSCs in each of North America, Europe and Asia. Because many of our current or potential customers are global industrial companies, it is important that we have a presence in or near the areas where these companies have manufacturing facilities.
- Co-location of High Value Production. Over the last few years, many United States industrial manufacturers have outsourced products supply or otherwise created long, relatively inflexible supply chains for their high-complexity, high-value products. We believe that over the next few years, many of these companies will need to build these products in the United States, near their main manufacturing facilities, in order to be competitive domestically and internationally. We believe we are well positioned to help these manufacturers co-locate the production of products

so as to optimize our customers' supply chains.

Our Business Strategy

The principal elements of our growth strategy include:

- Qualify New Industrial Materials Printable In Our Systems. Our 3D printing machines are used for both development and commercial printing. We believe certain of our customers are interested in printing materials for their own development or other interests without regard to utilizing our post- processing methods. We have qualified for printing for production by customers or in our PSCs the following direct printed materials: 420 stainless steel infiltrated with bronze;

316 stainless steel infiltrated with bronze; iron infiltrated with bronze; IN Alloy 625; bronze; bonded tungsten and glass. We have also qualified silica sand and ceramics for indirect printing. We are in varying stages of qualifying additional industrial materials and advancing materials that are printable in our machines. Our current emphasis is related to monolithic metals and certain ceramics. These qualified materials are distinguishable from printable materials in that they are commercially available for sale in industrial densities or for finished products printed at our PSCs. Our 3D printing machines are used for both development and commercial printing. Additional materials printable in our printing systems include cobalt-chrome, IN Alloy 718, iron-chrome-aluminum, 17-4 stainless steel, 316 stainless steel and tungsten carbide. By expanding both qualified and printable materials, we believe we can expand our market share and better serve our industrial customer base. During 2013, we established our ExOne Materials Application Laboratory ("ExMAL"), which focuses principally on materials testing. In 2015, we qualified a new application for our additive manufacturing process, Water Wash-out Tooling, designed to aid in the development of manufacturing and composite tooling through ExMAL. We believe ExMAL will continue to assist us in increasing the rate at which we are able to qualify new materials and applications.

- Increase the Efficiency of Our Machines to Expand the Addressable Market. We intend to invest in further developing our machine technology so as to increase the volumetric output per unit of time that our machines can produce. In 2011, we began selling a new second generation mid-sized platform, the S-Print machine. In 2013, we began selling our new M-Flex machine. In 2014, we began selling our S-Max+ and M-Print machines. In 2015, we began selling our Innovent and Exerial machines. In each case, the new machines are designed to increase the volumetric output per unit of time through advances in printhead speed and build box size. The Exerial machine is unique compared to ExOne's predecessor systems in that it contains multiple industrial stations that allow for continuous production and simultaneous processing and is targeted at larger scale production. Achieving improved production speed and efficiency will expand our potential market for our 3D printing machines and for products made in our PSCs.
- Focus Upon Customer Training and Education to Promote Awareness. As part of our ExOne Training and Education Center ("ExTEC") we have supplied 3D printing equipment to numerous universities and research institutions in an effort to expand the base of future adopters of our technology. At ExTEC, technicians guide our current and prospective customers in the optimal use of 3D printing and customers gain digital access to our 3D printing knowledge database as it continues to evolve. We make ExTEC accessible to universities, individual customers, employees/trainees, designers, engineers and others interested in 3D printing. We will continue to educate the marketplace about the advantages of 3D printing. In addition to using ExTEC and our regional PSCs to educate our potential customers, in 2014 we launched the ExTEC Academy in order to advance technical expertise, training and service support for our customer base. Our ExTEC Academy targets not only binder jetting awareness but training of customers and technicians in operations and service. We currently offer ExTEC Academy instruction on indirect printing and machine operation in Gersthofen, Germany, with plans to expand our ExTEC Academy offerings into locations in the United States and Japan. In 2015, we also opened a new state-of-the-art Design and Re-Engineering for Additive Manufacturing ("DREAM") center located within our North Huntingdon, Pennsylvania facility. The DREAM center was strategically developed as a physical and virtual site for collaboration with customers to explore and incorporate the benefits of our binder jetting technology. By providing global access to our creative technical expertise and offering the most advanced software currently available, the DREAM center enables customers to create designs of metal components which maximize the benefits of additive manufacturing. The DREAM center is expected to be a catalyst for the 3D production of parts without the limitations of traditional manufacturing.
- Reducing Overall Costs of Operating Our Machines. We continue to reduce costs associated with operating our 3D printing machines. We seek to qualify lower cost printing materials, including binder, sand and powdered metals, as well as lower cost replacement parts for our 3D printing machines. We use a variety of means, including traditional supply chain and development projects, to reduce those costs. We believe as we lower 3D printing machine run costs we will improve adoption rate by forming more cost efficient production processes.

- Advance Pre-Print Design and Post-Print Processing Capabilities to Accelerate the Growth of Our 3D Printing Technology. Our next generation 3D printing machine platforms have achieved the volumetric output rate and quality necessary to serve industrial markets on a production scale. We believe that there is an opportunity to similarly advance the pre-print and post-print processing phases of product materialization to more fully exploit the transformative power of our 3D printing machines and drive growth. These opportunities relate to both direct and indirect product materialization. For direct printing production, we believe that enhancing pre-print processes, notably design optimization tools and suitable print material availability, can greatly accelerate our capture of market share in the near-term. Additionally, enhancements to post-print processing will increase the applications for printed products. Through ExMAL, we are developing post-print processing technologies to achieve fully dense product materialization without the need for infiltration, and we are exploring technology sharing partnerships to further this initiative. In indirect production utilizing 3D printed molds and cores, advanced performance casting technologies can be leveraged to increase yields and reduce weight of casted products. To address the market opportunity and fill the execution gap, we have developed a suite of processes, many of which are proprietary, for producing high-quality castings through a process that we call ExCast. ExCast provides industry guidance and support through all stages of production, from CAD at the design stage, through the 3D materialization of molds and cores, casting of the end product and rapid delivery to the end-user.
- Expand the Network of Production Service Centers. Our PSCs provide a central location for customer collaboration and provide customers with a direct contact point to learn about our 3D printing technology, purchase products printed by us, and purchase our 3D printing machines. We plan to focus on the utilization and productivity of our existing PSC network, and to consider the appropriate global expansion to match our perceived demand for production as well as prototyping. During 2015 we expanded our PSC network to include Jönköping, Sweden situated in southern Sweden. This PSC was established in collaboration with Swerea, the Swedish Research Institute for Industrial Renewal and Sustainable Growth. In 2015, we installed 3D printing machines and began direct metal printing capabilities in our existing PSCs located in Germany and Japan. Each of our nine PSCs are located in a major industrial center near existing and potential customers. We continuously monitor both customer and market trends in assessing the opportunity to further expand our global PSC network.
- Pursue Growth Opportunities Through Alliances and/or Strategic Investments. We intend to opportunistically identify and, through alliances and/or strategic investment, integrate and advance complementary businesses, technologies and capabilities. Our goal is to expand the functionality of our products, provide access to new customers and markets, and increase our production capacity.

Our Machines and Machine Platforms

We produce a variety of 3D printing machines in order to enable designers and engineers to rapidly, efficiently, and cost-effectively design and produce industrial prototypes and production parts. The models of our 3D printing machines differ based on the materials in which they print, build box size, and production speeds, but all utilize our advanced technology and designs. The variation in the models of 3D printing machines that we produce allows for flexibility of use based on the needs of our customers.

Exerial. The Exerial is our newest indirect 3D printing machine. It is unique compared to our other indirect 3D printing systems in that it contains multiple industrial stations that allow for continuous production and simultaneous processing. The Exerial is distinctly equipped with two build boxes, each 1.5 times larger than the single build box in our next largest model, the S-Max. Notably, the Exerial system offers a total build platform of 3,168 liters and is expected to be capable of printing output rates nearly four times faster than the S-Max. The Exerial utilizes a new recoater system, multiple printheads and automation controls. As part of the development of the Exerial, we have filed six patents related to machine design elements. We formally debuted this 3D printing machine at the GIFA International Foundry Trade Fair in Dusseldorf, Germany in June 2015 and began selling this machine in 2015.

S-Max/S-Max+. The S-Max machine is our second largest indirect 3D printing machine presently available. We introduced the S-Max machine in 2010 to provide improved size and speed over the predecessor model, the S-15. The

S-Max has a build box size of 1,800mm x 1,000mm x 700mm. The S-Max machine is generally used by customers interested in printing complex molds and cores on an industrial scale for casting applications. Each of our global PSCs has at least one S-Max machine installed on-site. In addition to our traditional S-Max machine, during 2014 we introduced an S-Max+ configuration designed for easier post-processing of the build box for certain applications which require phenolic or sodium silicate binder for printing.

S-Print/M-Print. The S-Print (indirect) and M-Print (direct) machines are our mid-sized 3D printing machines presently available. Both the S-Print and M-Print have a build box size of 800mm x 500mm x 400mm. The S-Print machine is generally used by customers interested in printing objects made from silica sand and ceramics, with a particular focus on industrial applications for smaller casting cores that are often required for the aerospace industry, especially in hydraulic applications. The build box size also permits the use of exotic and expensive print materials, such as ceramics, that are required for high heat/high strength applications. The M-Print machine is generally used by customers interested in direct printing of objects made from metals and glass. We have installed both S-Print and M-Print machines in certain of our PSCs to complement our S-Max machines currently in use.

M-Flex. The M-Flex machine is our most flexible direct 3D printing machine presently available. We introduced the M-Flex machine platform in 2013 to satisfy the demand for a large range of industrial customers that are interested in directly printing metals, ceramic and glass products. We have further developed a collaborative process for assisting the users in production implementation through our ExTEC and ExMAL organizational efforts. The M-Flex has a build box size of 400mm x 250mm x 250mm.

Innovent. The Innovent is the smallest of our direct 3D printing machines presently available. We introduced the Innovent machine in 2014 to provide improved size and speed over the predecessor model, the X1-Lab. As an industrial-grade, laboratory-sized machine, Innovent allows for testing material properties, specifically in educational institutions, research laboratories, and research and development departments at commercial organizations. Innovent is uniquely designed in that it balances a specific build box for the technical qualification of materials with a smaller overall lab machine platform size, when compared to other industrial-grade 3D printing machines. Innovent offers a build volume that is eight times larger than the previous X1-Lab model – measuring at 65mm x 160mm x 65mm.

MWT Microwave. We manufacture industrial grade microwaves to be used in conjunction with our 3D printing systems for thermally processing certain sand molds or cores that are 3D printed using binders, such as phenolic binder, that require a drying process. Our microwave technology improves casting quality and reduces production costs for customers in specific industries, such as magnesium parts for aviation and steel alloy parts for hydraulic components. Our microwaves are customized designs and work with various of our systems, including Exerial, S-Max+ and S-Print.

Binding

We use liquid chemical binding agents (including furan, phenolic and sodium silicate) during the 3D printing process. We initially introduced the availability of phenolic binding agent in July 2013, which binder is used with ceramic sands in the 3D printing of molds and cores, offering customers three primary benefits as compared with other binders:

- Casting higher heat alloys;
- Creating a higher strength mold or core; and
- Improving the quality of the casting due to reduced expansion of the mold or core.

These capabilities address challenges faced by the automotive, aerospace, heavy equipment and energy/oil/gas industries.

In September 2015, we expanded our suite of 3D printing binder offerings to add a new class of phenolic binding agent, referred to as cold hardening phenolic ("CHP"). The CHP binder accelerates the 3D printing process by eliminating the infrared heating lamp that is utilized in the printing process with traditional phenolic binders. Using CHP, the polymerization of 3D printed molds and cores may occur at room temperature, further reducing both printing and curing time and eliminating the need for additional equipment such as a microwave. Alternatively, if additional drying is desired this may be achieved in a conventional air oven, equipment which is maintained by most industrial manufacturers. Our initial introduction of CHP is through delivery to customers of benchmark and production parts printed in our Gersthofen, Germany PSC. We are in the process of optimizing our indirect printing machine platforms for utilization of CHP in 2016.

Sodium silicate reduces or eliminates the release of fumes and gas in the casting process, helping to reduce costs associated with air ventilation and electrical and maintenance equipment, which we believe will appeal to casting houses that are in search of cleaner environmental processes.

We believe that our unique chemical binding agent technology can more readily achieve efficiency gains over time than other AM technologies such as laser-fusing technologies. As an example, in order to increase the print speed of laser-based technologies, another expensive industrial laser must be added to the manufacturing process, raising the unit cost of production.

Marketing and Sales

We market our products under the ExOne brand name in our three major geographic regions — North America, Europe and Asia. Our sales are made primarily by our global sales force. Our sales force is augmented, in certain territories, by representatives with specific industry or territorial expertise. Even where we are supported by a representative, all of our product and service offerings provided by our PSCs are sold directly to customers by us.

We believe that our direct selling relationship helps to create one of the building blocks for our business — the creation of true collaboration between us and industrial customers who are interested in 3D printing. Increasingly, industrial producers are considering shifting from subtractive manufacturing techniques to 3D printing. Our marketing efforts include educating potential customers about 3D printing technology through collaboration starting with pre-production services and continuing with production and technical support at our PSCs.

Acquisitions

The Company made two acquisitions in March 2014.

On March 3, 2014, our ExOne Americas LLC subsidiary acquired substantially all the assets of MAM, a specialty machine shop located in Chesterfield, Michigan, for an aggregate purchase price of approximately $4.9 million. The purpose of this acquisition was to complement our existing PSC in Troy, Michigan, by expanding our post-processing capabilities.

On March 6, 2014, our ExOne GmbH subsidiary acquired all of the shares of MWT, a pioneer in industrial-grade microwaves with leading design and manufacturing experience based in Elz, Germany, for approximately $4.8 million. The purpose of this acquisition was to complement our existing indirect 3D printing machine systems with microwave technologies which enhance our post-processing offerings available to customers. During 2015, we took the step to integrate our MWT microwave manufacturing operation with our Gersthofen, Germany manufacturing operations.

Our Customers

Our customers are located primarily in North America, Europe and Asia. We are a party to non-disclosure agreements with many of our customers, and therefore, are often prohibited from disclosing many of our customers' identities. Our customers include several Fortune 500 companies that are leaders in their respective markets. The primary industries that we currently serve are:

- Aerospace;
- Automotive;
- Heavy equipment; and
- Energy/oil/gas.

We conduct a significant portion of our business with a limited number of customers. Our top five customers represented approximately 19.0%, 23.1% and 25.5% of total revenue for 2015, 2014 and 2013, respectively. There were no customers for 2015, 2014 or 2013 that individually represented 10.0% or greater of total revenue. Sales of 3D printing machines are low volume, but generate significant revenue based on their per-unit pricing. Generally, sales of 3D printing machines are to different customers in each respective period, with the timing of such sales dependent on the customer's capital budgeting cycle, which may vary from period to period. The nature of the revenue from 3D printing machines does not leave us dependent upon a single or a limited number of customers. Sales of 3D printed and other products, materials and services are high volume, but generally result in a significantly lower aggregate price per order as compared to 3D printing machine sales. The nature of the revenue from 3D printed and other products, materials and services does not leave us dependent upon a single or a limited number of customers.

For 3D printing machines, our terms of sale vary by transaction. To reduce credit risk in connection with 3D printing machine sales, we may, depending upon the circumstances, require certain amounts be prepaid. In some circumstances, we may require payment in full and may require international customers to furnish letters of credit. For 3D printed and other products and materials, our terms of sale generally require payment within 30 to 60 days after delivery, although we also recognize that longer payment periods are customary in some countries where we transact business. Services arrangements are generally billed in accordance with specific contract terms which typically correspond to performance of the related services.

Services and Warranty

We have fully trained service technicians to perform machine installations in North America, Europe and Asia. We generally provide an industry standard twelve month warranty on sales of 3D printing machines. Customers can purchase additional service contracts for maintenance and service. We also sell replacement parts which we maintain in stock worldwide to assist in providing service expeditiously to our customers.

Suppliers

Our largest suppliers in 2015, based upon dollar volume of purchases, were Bauer GmbH & Co KG, Erhardt & Leimer GmbH, Bosch Rexroth AG, Fuji Film Dimatix, Astro Manufacturing & Design, Sciullo Machine and T&S Materials.

We buy our industrial materials from several suppliers and, except as set forth below, the loss of any one would not materially adversely affect our business. We currently have a single supplier of certain printhead components for our 3D printing machines. While we believe that this printhead component supplier is replaceable, in the event of the loss of this supplier, we could experience delays and interruptions that might adversely affect the financial performance of our business. Additionally, we obtain certain pre-production services through design and data capture providers, and certain post-production services though vendors with whom we have existing and good relationships. The loss of any one of these providers or vendors would not materially adversely affect our business.

Research and Development

We spent approximately $7.3 million, $8.2 million and $5.1 million on research and development during 2015, 2014 and 2013, respectively. We expect to continue to invest significantly in research and development in the future.

A significant portion of our research and development expenditures have been focused on the:

- Chemistry of print materials and binder formulation;
- Mechanics of droplet flight into beds of powder;
- Metallurgy of thermally processing metals that are printed through AM;
- Mechanics of spreading powders in a job box;
- Transfer of digital data through a series of software links, to drive a printhead; and
- Synchronizing all of the above to print ever-increasing volumes of material per unit time.

Intellectual Property

Patents and MIT Licenses. Our technology is covered by a variety of patents or licenses for use of patents. We are the worldwide licensee of certain patents of MIT for certain AM printing processes (the “MIT Patents”), with exclusive rights to practice the patents in certain fields including the application of the printing processes to metals (with sublicensing rights), and non-exclusive rights to practice the patents in certain fields including the application of the printing processes to certain non-metals (without sublicensing rights). Additionally, we hold patents solely as majority owner, as a result of our own technological developments. Our patents are issued in the United States and in various foreign jurisdictions, including Germany and Japan. As a result of our commitment to research and development, we also hold process patents and have applied for other patents for equipment, processes, materials and 3D printing applications. The expiration dates of our patents range from 2016 to 2031. We believe that the expiration of patents in the near term will not impact our business.

The MIT Patents under which we are licensed have expiration dates ranging from 2017 to 2021 in the United States. We believe that the expiration of these licenses will not impact our business; however, the expiration may allow our competitors that were previously prevented from doing so to utilize binder jetting 3D printing. Nonetheless, we have developed know-how and trade secrets relative to our 3D printing technology and believe that our early entrance into the industrial market provides us with a timing and experience advantage. Through our investment in our technology, we have been able to qualify industrial materials for use in our 3D printing machines, and we intend to continue such efforts. In addition, we have taken steps to protect much of our technology as a trade secret. Given the significant steps that we have taken to establish our experience in AM for industrial applications, as well as our ongoing commitment to research and development, we intend to maintain our preeminent position in the AM industry market.

We entered into an Amended and Restated Exclusive Patent License Agreement with MIT in June 2011. The terms of the amended agreement required that we remit both license fees and royalties to MIT based upon net sales of licensed products, processes and consumables. The term of the agreement commenced on January 1, 2011, and was to remain in force until the expiration or abandonment of all issued patent rights.

On January 22, 2013, we agreed with MIT to an amendment of its exclusive patent license agreement. The Amended MIT License Agreement provides for, among other things, (i) a reduction in the term of the agreement between us and MIT from the date of expiration or abandonment of all issued patent rights to December 31, 2016, (ii) an increase in the annual license maintenance fees due for the years ended December 31, 2013 through December 31, 2016 from

$50,000 annually to $100,000 annually, with amounts related to 2013 through 2016 guaranteed by us, (iii) a settlement of all past and future royalties on net sales of licensed products, processes and consumables for a one-time payment of $200,000 (paid in March 2013), and (iv) a provision for optional extension of the term of the arrangement between the parties for an annual license maintenance fee of $100,000 for each subsequent year beyond 2016.

Trademarks. We have registrations in the United States for the following trademarks: EXONE, X1 ExOne Digital Part Materialization (plus design), EXCAST, EXMAL, EXTEC, LUXCELIS, M-FLEX, ORION, S MAX, S-PRINT, X1 and X1-LAB. We also have applications for registration pending for the following trademarks: EXERIAL, INNOVENT, M-PRINT and S-MAX. We also have registrations for EXONE in China, Europe (Community Trade Mark), Japan, and South Korea, and an application for registration pending in Canada for that trademark. We have registrations for X1 ExOne Digital Part Materialization (plus design) in China, Europe (Community Trade Mark), Japan, and South Korea, and applications for registration pending in Brazil and Canada for that mark. We have a registration for the mark X1 in Europe (Community Trade Mark). We have a registration for the mark EX-1 in Europe (Community Trade Mark). We have registrations for a stylized form of X1 in Europe (Community Trade Mark) and South Korea. We have registrations for DIGITAL PART MATERIALIZATION in Japan and South Korea and an application pending for that mark in Canada. We have a registration for the trademarks EXERIAL, INNOVENT, M-FLEX and S-MAX in Europe (Community Trade Mark). We also have a registration in Canada for the trademark LUXCELIS. Additionally, in March 2014 we acquired the trade names for Machin-A-Mation Corporation ("MAM") and MWT — Gesellschaft für Industrielle Mikrowellentechnik mbH ("MWT").

Trade Secrets. The development of our products, processes and materials has involved a considerable amount of experience, manufacturing and processing know-how and research and development techniques that are not easily duplicated. We protect this knowledge as a trade secret through the confidentiality and nondisclosure agreements which all employees, customers and consultants are required to sign at the time they are employed or engaged by us. Additional information related to the risks associated with our intellectual property rights are described within Item 1A, "Risk Factors" of this Annual Report on Form 10-K.

Competition

Other companies are active in the market for 3D printing products and services. These companies use a variety of AM technologies, including:

- Direct metal deposition;
- Direct metal laser sintering;
- Electron beam melting;
- Fused deposition modeling;
- Laser consolidation;
- Laser sintering;
- Multi-jet modeling;
- Polyjet;
- Selective laser melting;
- Selective laser sintering; and
- Stereolithography.

Some of the companies that have developed and employ one or more AM technologies include: 3D Systems Corporation, Stratasys Inc., Voxeljet AG, EOS Optronics GmbH, EnvisionTEC GmbH and Solid Model Ltd.

Some of these processes and companies compete with some of the products and services that we provide. Despite the challenging competitive landscape, we believe that we are the only AM printing solutions provider that focuses primarily on industrial applications on a production scale. Our competitive advantages, including the size of our build platforms, the speed of our printheads, the variety of materials used by industrial manufacturers in which we can print, the industry qualification of many of the materials we print in, our robust market capabilities, and our suite of machine system families offering scale and flexibility, also serve to differentiate us from the other competitors in the AM market.

We also compete with established subtractive manufacturers in the industrial products market. These companies often provide large-scale, highly capitalized facilities that are designed or built to fill specific production purposes, usually mass production. However, we believe that we are well positioned to expand our share of the industrial products market from these manufacturers as AM gains recognition. As our technologies improve and our unit cost of production decreases, we expect to be able to compete with subtractive manufacturing on a wide range of products, thereby expanding our addressable market.

Seasonality

Purchases of our 3D printing machines often follow a seasonal pattern owing to the capital budgeting cycles of our customers. Generally, 3D printing machine sales are higher in our third and fourth quarters than in our first and second quarters.

Backlog

At December 31, 2015, our backlog was approximately $16.5 million, of which, approximately $15.8 million is expected to be fulfilled during the next twelve months. At December 31, 2014, our backlog was approximately $13.2 million.

Environmental Matters

Compliance with federal, state and local laws and regulations relating to the discharge of materials into the environment or otherwise relating to the protection of the environment has not had a material impact on capital expenditures, earnings or the competitive position of us and our subsidiaries. We are not the subject of any legal or administrative proceeding relating to the environmental laws of the United States or any country in which we have an office. We have not received any notices of any violations of any such environmental laws.

Employees

At December 31, 2015, we employed a total of 311 (275 full-time) employees at our eleven global locations. None of these employees is a party to a collective bargaining agreement, and we believe our relations with them are good.

Product and Geographic Information

Refer to Note 19 to the consolidated financial statements included in Part II Item 8 of this Annual Report on Form 10-K for product and geographic information related to our revenues (based on the country where the sale originated) and geographic information related to our long-lived assets (based on the physical location of assets). For information on risks related to our international operations refer to Item 1A, “Risk Factors”.

Executive Offices

Our principal executive offices are located at 127 Industry Boulevard, North Huntingdon, Pennsylvania 15642 and our telephone number is (724) 863-9663.

Available Information

Our website address is http://www.exone.com. Information contained on our website is not incorporated by reference into this Annual Report on Form 10-K unless expressly noted.

We file reports with the Securities and Exchange Commission (the “SEC”), which we make available on our website free of charge at http://www.exone.com/financials.cfm. These reports include Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, each of which is provided on our website as soon as reasonably practicable after we electronically file such materials with or furnish them to the SEC. We also make, or will make, available through our website other reports filed with or furnished to the SEC under the Exchange Act, including our Proxy Statements and reports filed by officers and directors under Section 16(a) of that Act. You can also read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

You can obtain copies of exhibits to our filings electronically at the SEC’s website at www.sec.gov or by mail from the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549 at prescribed rates. The exhibits are also available as part of the Annual Report on Form 10-K for the year ended December 31, 2015, which is available on our corporate website at www.exone.com. Stockholders may also obtain copies of exhibits without charge by contacting our Executive Vice President, Chief Legal Officer and Corporate Secretary at (724) 863-9663.

Item 1A. Risk Factors.

RISK FACTORS

You should carefully consider the following risks, together with all of the other information in this Annual Report on Form 10-K, including our consolidated financial statements and related notes, in evaluating our business, future prospects and an investment in our common stock. If any of the following risks and uncertainties develops into actual events, our business, financial condition, results of operations and cash flows could be materially adversely affected. In that case, the price of our common stock could decline and you may lose all or part of your investment.

Risks Related to Our Business and Industry

We may not be able to significantly increase the number of materials in which we can print products fast enough to meet our business plan.

Our business plan is heavily dependent upon our ability to steadily increase the number of qualified materials in which our machines can print products. Our 3D printing machines are capable of direct product materialization by printing in industrial metals, including stainless steel, bronze, iron, bonded tungsten, IN Alloy 625 and glass. We are in varying stages of qualifying additional industrial materials and advancing materials that are printable in our machines. By expanding into these other materials, we believe we can expand our market share and better serve our industrial customer base. Qualifying new materials is a complicated engineering task, and there is no way to predict whether, or when, any given material will be qualified. If we cannot hire people with sufficient technical skills to work on qualifying new materials for printing, or if we lack the resources necessary to create a steady flow of new materials, we will not be able to meet our business plan goals and a competitor may emerge that is better at qualifying new materials, either of which would have an adverse effect on our business results.

Any future success in qualifying new materials for printing may attract more competitors into our markets, including competitors with greater financial, technical, marketing, and other resources than we have.

If we succeed in qualifying a growing number of materials for use in our 3D printing machines, that will increase our addressable market. However, as we create a larger addressable market, our market may become more attractive to other 3D printing companies or large companies that are not 3D printing companies, but which may see an economic opportunity in the markets we have created. Because we are a supplier of 3D printed products to industrial companies, an increase in the number of competitors for our addressable market is likely to adversely affect our business and financial results.

We may not be able to adequately increase demand for our products.

Our business plan is built around a steady increase in the demand for our products. However, only a relatively small number of our potential customers know of the existence of AM and are familiar with its capabilities, and even fewer understand the potential benefits of using AM to manufacture products. If we do not develop effective strategies to raise awareness among potential customers of the benefits of AM and 3D printing, we may be unable to achieve our planned rate of growth, which could adversely affect our results of operations.

We may not be able to hire the number of skilled employees that we need to achieve our business plan.

For our business to grow in accordance with our business plan, we will need to recruit, hire, integrate and retain additional employees with the technical competence and engineering skills to operate our machines, improve our technology and processes and expand our technological capability to print using an increasing variety of materials.

People with these skills are in short supply and may not be available in sufficient numbers to allow us to meet the goals of our business plan. In addition, new employees often require significant training and, in many cases, take significant time before they achieve full productivity. As a result, we may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits, and we may lose new employees to our competitors or other companies before we realize the benefit of our investment in recruiting and training them. Moreover, new employees may not be or become as productive as we expect, as we may face challenges in adequately or appropriately integrating them into our workforce and culture. In addition, as we move into new geographic areas, we will need to recruit skilled employees in those areas. If we cannot obtain the services of a sufficient number of technically skilled employees, we may not be able to achieve our planned rate of growth, which could adversely affect our results of operations.

Our revenues and operating results may fluctuate.

Our revenues and operating results have fluctuated in the past from quarter-to-quarter and year-to-year and are likely to continue to vary due to a number of factors, many of which are not within our control. Because our business is changing and evolving rapidly, our historical operating results may not be useful in predicting our future operating results. A significant portion of our machine orders are typically received during the third or fourth quarter of the fiscal year as a result of the timing of capital expenditures of our customers. Thus, revenues and operating results for any future period are not predictable with any significant degree of certainty. We also typically experience weaker demand for our machines in the first and second quarters. For these reasons, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of our future performance.

Fluctuations in our operating results and financial condition may occur due to a number of factors, including, but not limited to, those listed below and those identified throughout this "Risk Factors" section:

- The degree of market acceptance of our products;
- The mix of products that we sell during any period;
- Our long sales cycle;
- Generally weaker demand for machines in the first and second quarters;
- Development of competitive systems by others;
- Our response to price competition;
- Delays between our expenditures to develop and market new or enhanced machines and products and the generation of sales from those products;
- Changes in the amount we spend to promote our products and services;
- The geographic distribution of our sales;
- Changes in the cost of satisfying our warranty obligations and servicing our installed base of products;
- Our level of research and development activities and their associated costs and rates of success;
- General economic and industry conditions that affect end-user demand and end-user levels of product design and manufacturing, including the adverse effects of the current economic crisis affecting Europe;
- Changes in accounting rules and tax laws; or
- Changes in interest rates that affect returns on our cash balances and short-term investments.

Due to the foregoing factors, you should not rely on quarter-to-quarter or year-to-year comparisons of our operating results as an indicator of future performance.

We may not be able to generate operating profits.

Since our inception, we have not generated operating profits. In the event that we are unable to execute on our business plan, we may be unable to generate profits in the future.

Our operating expenses (which include research and development and selling, general and administrative expenses) were approximately $29.9 million (excluding approximately $4.4 million of a goodwill impairment charge), $32.2 million and $21.2 million for 2015, 2014, and 2013, respectively. Our research and development expenses are due primarily to continued investment in our 3D printing machine technology and costs associated with our materials qualification activities, including research and development headcount. Our selling, general and administrative expenses are due primarily to personnel costs associated with managing a public company and certain professional service fees (including legal, audit and other consulting expenses). We believe that our operating expenses may increase in future periods as we pursue our growth strategies. Increases in our research and development expenses and selling, general and administrative expenses will directly affect our future results of operations and may have an adverse effect on our financial condition.

We may incur future impairment charges to our long-lived assets held for use.

As a result of continued operating losses and cash flow deficiencies, during 2015 we completed certain tests for the recoverability of long-lived assets held for use at the asset group level. Assessing the recoverability of long-lived assets held for use requires significant judgments and estimates by management. We will be required to conduct additional testing for the recoverability of long-lived assets held for use to the extent that a triggering event requiring such test is identified in a future period. A significant decrease in the market price of a long-lived asset, adverse change in the use or condition of a long-lived asset, adverse change in the business climate or legal or regulatory factors impacting a long-lived asset and continued operating losses and cash flow deficiencies associated with a long-lived asset, among other indicators, could cause a future assessment to be performed which may result in an impairment of long-lived assets held for use. The amount of any impairment could be significant and could have a material adverse impact on our financial condition and results of operations for the period in which the impairment is recorded.

Our independent registered public accounting firm may conclude that there is substantial doubt regarding our ability to continue as a going concern.

As a result of our continued operating losses, cash flow deficiencies and liquidity, our independent registered public accounting firm may conclude, in connection with the audit of our consolidated financial statements that there is substantial doubt regarding our ability to continue as a going concern. If our independent registered public accounting firm issues a "going concern" opinion, it could impair our ability to finance our operations through the sale of equity, incurring debt, or other financing alternatives. If we fail to raise sufficient additional capital, we will not be able to completely execute our business plan. As a result our business would be jeopardized and the Company may not be able to continue.

We may not be able to introduce new machines and related industrial materials acceptable to the market or to improve the technology and industrial materials used in our current machines.

Our revenues are derived from the sale of 3D printing machines for, and products manufactured using, AM. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in a market subject to innovation and rapidly developing and changing technology. A variety of technologies have the capacity to compete against one another in our market, which is, in part, driven by technological advances and end-user requirements and preferences, as well as the emergence of new standards and practices. Our ability to compete in the industrial AM market depends, in large part, on our success in enhancing and developing new 3D printing machines, in enhancing our current 3D printing machines, in enhancing and adding to our technology, and in developing and qualifying new industrial materials in which we can print. We believe that to remain competitive we must continuously enhance and expand the functionality and features of our products and technologies. However, we may not be able to:

- Enhance our existing products and technologies;
- Continue to leverage advances in industrial printhead technology;
- Develop new products and technologies that address the increasingly sophisticated and varied needs of prospective end-users, particularly with respect to the physical properties of industrial materials and other consumables;
- Respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis;
- Develop products that are cost-effective or that otherwise gain market acceptance;
- Distinguish ourselves from our competitors in our industry; and
- Adequately protect our intellectual property as we develop new products and technologies.

ExOne 3D printing machine customer contractual requirements often have specific, individual needs that may in turn impact the period in which we recognize the revenue under accounting principles generally accepted in the United States of America ("GAAP") relating to that 3D printing machine sale.

Once a customer makes the decision to purchase a 3D printing machine from us, we may then be required to address specific, individual factors relating, among other things, to that customer's purchase, its intended use of that 3D printing machine or relating to the installation of that machine in the customer's facilities. These specific, individual requirements are often required by the customer to be included in our commercial agreements relating to the purchase. As a result, our responsiveness to our customers' specific requirements has the potential to impact the period in which we recognize the revenue relating to that 3D printing machine sale.

If the market does not develop as we expect, our revenues may stagnate or decline.

The marketplace for industrial manufacturing is dominated by conventional manufacturing methods that do not involve AM technology. If AM technology does not gain market acceptance as an alternative for industrial manufacturing, or if the marketplace adopts AM based on a technology other than our technology, we may not be able to increase or sustain the level of sales of our products and 3D printing machines and our results of operations would be adversely affected as a result.

Loss of key management or sales or customer service personnel could adversely affect our results of operations.

Our future success depends to a significant extent on the skills, experience and efforts of our management and other key personnel. We must continue to develop and retain a core group of management individuals if we are to realize our goal of continued expansion and growth. While we have not previously experienced significant problems attracting and retaining members of our management team and other key personnel, there can be no assurance that we will be able to continue to retain these individuals and the loss of any or all of these individuals could materially and adversely affect our business. We do not carry key-man insurance on any member of management.

Our business is subject to risks associated with doing business globally.

Sales outside of the United States were 50.9%, 51.9% and 63.0% for 2015, 2014 and 2013, respectively. In addition, one of our growth strategies is to pursue additional opportunities for our business in several areas of the world outside of the United States, any or all of which could be adversely affected by the risks set forth below. Our operations outside of the United States are subject to risks associated with the political, regulatory and economic conditions of the countries in which we operate, such as:

- Civil unrest, acts of terrorism and similar events;
- Fluctuations in foreign currency exchange rates;
- Potentially longer sales and payment cycles;
- Potentially greater difficulties in collecting accounts receivable;
- Potentially adverse tax consequences;
- Reduced protection of intellectual property rights in certain countries;
- Difficulties in staffing and managing foreign operations;
- Laws and business practices favoring local competition;
- Costs and difficulties of customizing products for foreign countries;
- Compliance with a wide variety of complex foreign laws, treaties and regulations;
- Tariffs, trade barriers and other regulatory or contractual limitations on our ability to sell or develop our products in certain foreign markets; and
- Becoming subject to the laws, regulations and court systems of many jurisdictions.

Any of these factors could materially adversely affect sales of our products to global customers or harm our reputation, which could adversely affect our results of operations. In addition, the consequences of terrorism or armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our market opportunities or our business.

Continuing political instability in the Ukraine, sanctions against Russia, and Russia’s response to those sanctions, could materially adversely affect our business, results of operations and financial condition.

In March 2014, the Crimea region of the Ukraine was annexed by Russia. In response to this annexation and subsequent hostilities aimed at the Ukraine, other nations, including the United States and the European Union, imposed evolving economic sanctions against Russia. United States and European concerns related to the political and military conditions in the region have prompted increasing levels of economic sanctions, targeting certain Russian companies in the finance, energy and defense industries and named Russian nationals that have been deemed to have direct involvement in destabilizing the situation in the Ukraine, as well as imposing restrictions on trading and access to capital markets (“Russian Sanctions”). In response, Russia announced its own trading sanctions against nations that implemented or supported the Russian Sanctions, including the United States and some European Union nations.

One of our growth strategies is to pursue opportunities for our business in several areas of the world outside of the United States. This strategy includes pursuing opportunities in Russia through our German subsidiary, ExOne GmbH, which has sold products and services (including 3D printing machines) to customers located in Russia.

ExOne GmbH is subject to the Russian Sanctions, primarily those imposed by the European Union, specifically Germany, related to doing business in Russia. The Russian Sanctions may delay or prevent ExOne GmbH’s ability to collect on existing or future accounts receivable from customers in Russia, to make future sales and to service existing ExOne equipment in Russia or to sell and deliver spare parts and consumables for our machines located in Russia.

In the event that the United States' and the European Union's political relationships with Russia further deteriorate, it is possible that additional and even more severe sanctions could be imposed by the United States or European Union against Russia or that Russia could impose additional retaliatory measures in response to current or future Russian Sanctions. These possible additional sanctions and measures could further disrupt or prevent our ability to do any business in Russia, may further increase the economic uncertainty in the affected regions and lead to further fluctuation in the value of foreign currencies, such as the Euro, used in these regions.

Our international operations pose currency risks, which may adversely affect our operating results.

Our operating results may be affected by volatility in currency exchange rates and our ability to effectively manage our currency transaction and translation risks. In general, we conduct our business, earn revenue and incur costs in the local currency of the countries in which we operate. As a result, our international operations present risks from currency exchange rate fluctuations. The financial condition and results of operations of each of our foreign operating subsidiaries are reported in the relevant local currency and then translated to United States dollars at the applicable currency exchange rate for inclusion in our consolidated financial statements. We do not manage our foreign currency exposure in a manner that would eliminate the effects of changes in foreign exchange rates. Therefore, changes in exchange rates between these foreign currencies and the United States dollar will affect the recorded levels of our foreign assets and liabilities, as well as our revenues, cost of sales, and operating margins, and could result in exchange losses in any given reporting period.

In the future, we may not benefit from favorable exchange rate translation effects, and unfavorable exchange rate translation effects may harm our operating results. In addition to currency translation risks, we incur currency transaction risks whenever we enter into either a purchase or a sale transaction using a different currency from the currency in which we receive revenues. In such cases we may suffer an exchange loss because we do not currently engage in currency swaps or other currency hedging strategies to address this risk.

Given the volatility of exchange rates, we can give no assurance that we will be able to effectively manage our currency transaction and/or translation risks or that any volatility in currency exchange rates will not have an adverse effect on our results of operations.

One of our principal stockholders is able to exert substantial influence in determining the outcome of matters which require the approval of our stockholders.

At December 31, 2015, S. Kent Rockwell, our Chairman and CEO, beneficially owned approximately 21.8% of our outstanding shares of common stock. On January 11, 2016, we entered into a subscription agreement with an entity under common control by Mr. Rockwell resulting in the issuance of an additional 1,423,877 shares of our common stock to the related entity. Immediately following this issuance, Mr. Rockwell beneficially owned approximately 28.8% of our outstanding shares of common stock. As a result of his ownership percentage in our common shares, Mr. Rockwell may have effective control over the election of our Board of Directors and the direction of our affairs. As a result, he could exert considerable influence over the outcome of any corporate matter submitted to our stockholders for approval, including the election of directors and any transaction that might cause a change in control, such as a merger or acquisition. Any stockholders in favor of a matter that is opposed by Mr. Rockwell would have to obtain a significant number of votes to overrule the votes of Mr. Rockwell.

We may need to raise additional capital from time to time if we are going to meet our growth strategy and may be unable to do so on attractive terms.

Expanding our business to meet the growth strategy may require additional investments of capital from time to time, and our existing sources of cash and any funds generated from operations may not provide us with sufficient capital. For various reasons, including any current noncompliance with existing or future lending arrangements, additional financing may not be available when needed, or may not be available on terms favorable to us. If we fail to obtain adequate capital on a timely basis or if capital cannot be obtained at reasonable costs, we may not be able to achieve our planned rate of growth, which will adversely affect our results of operations. Additional equity financing may result in ownership and economic dilution to our existing stockholders and/or require us to grant certain rights and preferences to new investors. Also, although S. Kent Rockwell, our Chairman and CEO and our controlling stockholder, recently provided capital to us through a related entity, he has no obligation to do so and our stockholders should have no expectation that he will do so in the future.

On January 8, 2016, we announced our entry into an At Market Issuance Sales Agreement ("ATM") with FBR Capital Markets & Co. ("FBR") and MLV & Co. LLC ("MLV") pursuant to which FBR and MLV will act as distribution agents in the sale of up to $50.0 million in the aggregate of ExOne common equity in "at the market offerings" as defined in Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"). Our ability to raise capital through the use of our ATM may be restricted for various reasons, including our adherence with SEC regulations prohibiting the sale of our common equity securities for certain periods of time or other adverse market conditions.

We are highly dependent upon sales to certain industries.

Our revenues of 3D printing machines and products have historically been concentrated to companies in the aerospace, automotive, heavy equipment, and energy/oil/gas industries and those industries' respective suppliers. To the extent any of these industries experience a downturn, our results of operations may be adversely affected.

For example, the energy/oil/gas industry is highly cyclical and demand for our products and services in such industry is substantially dependent on the level of expenditures by the industry for the exploration, development and production of crude oil and natural gas reserves, which are sensitive to oil and natural gas prices and generally dependent on the industry's view of future oil and gas prices. Crude oil prices have dropped precipitously since September 2014. As oil and gas companies reduce planned capital spending in light of the decline in commodity prices, our results of operations may be adversely affected.

Additionally, if any of these industries or their respective suppliers or other providers of manufacturing services develop new technologies or alternatives to manufacture the products that are currently manufactured using our 3D printing machines, it may adversely affect our results of operations.

We are currently dependent on a single supplier of certain printhead components.

We currently rely on a single source to supply certain printhead components used by our 3D printing machines. While we believe that there are other suppliers of printhead components upon which we could rely, we could experience delays and interruptions if our supply is interrupted that might temporarily impact the financial performance of our business.

We may not be able to manage the expansion of our operations effectively in order to achieve our projected levels of growth.

We have expanded our operations significantly in recent periods, and our business plan calls for further expansion over the next several years. We anticipate that further development of our infrastructure and an increase in the number of our employees will be required to achieve our planned broadening of our product offerings and customer base, improvements in our 3D printing machines and materials used in our 3D printing machines, and our planned international growth. In particular, we must increase our marketing and services staff to support new marketing and service activities and to meet the needs of both new and existing customers. Our future success will depend in part upon the ability of our management to manage our growth effectively. If our management is unsuccessful in meeting these challenges, we may not be able to achieve our anticipated level of growth which would adversely affect our results of operations.

We may not be able to consummate and/or effectively integrate strategic transactions.

We may from time to time engage in strategic transaction with third parties if we determine that they will likely provide future financial and operational benefits. Successful completion of any strategic transaction depends on a number of factors that are not entirely within our control, including our ability to negotiate acceptable terms, conclude satisfactory agreements and obtain all necessary regulatory approvals. In addition, our ability to effectively integrate an investment into our existing business and culture may not be successful, which could jeopardize future operational performance for the combined businesses.

We completed two acquisitions in the first quarter of 2014 and are currently exploring a combination of strategic investments, and/or alliances, some of which we believe will promote advances in pre-print and post-print processes. With respect to strategic investments, and/or alliances we are currently pursuing, there is no guarantee that we will complete such transactions on favorable terms or at all. The exploration, negotiation, and consummation of strategic investments and/or alliances may involve significant expenditures by us, which may adversely affect our results of operations at the time such expenses are incurred. We may not be able to successfully negotiate and complete a specific investment, or alliance on favorable terms. If we do complete transactions, they may not ultimately strengthen our competitive position or may not be accretive to ExOne for a period of time which may be significant following the completion of such transaction.

We may be required to pay cash, incur debt and/or issue equity securities to pay for any such transaction, each of which could adversely affect our financial condition and the value of our common stock. Our use of cash to pay for transactions would limit other potential uses of our cash, including investments in our sales and marketing and product development organizations, and in infrastructure. The issuance or sale of equity or convertible debt securities to finance any such transactions would result in dilution to our stockholders. If we incur debt, it could result in increased fixed obligations and could also impose covenants or other restrictions that could impede our ability to manage our operations.

Global economic, political and social conditions have adversely impacted our sales and may continue to do so.

The uncertain direction and relative strength of the global economy, difficulties in the financial services sector and credit markets, continuing geopolitical uncertainties and other macroeconomic factors all affect spending behavior of potential end-users of our products. The prospects for economic growth in the United States and other countries (particularly countries within Europe, Russia, India and China) remain uncertain and may cause end-users to further delay or reduce technology purchases. The recent global financial crisis affecting the banking system and financial markets has resulted in a tightening of credit markets, lower levels of liquidity in many financial markets and extreme volatility in fixed income, credit, currency and equity markets. These conditions may make it more difficult for our end-users to obtain financing.

As a global company, we may be adversely affected by violations of the FCPA, similar anti-bribery laws in other jurisdictions in which we currently or may in the future operate, or various international trade and export laws.

Our business plan envisions that we will conduct increasing amounts of business outside of the United States, which will create various domestic and foreign regulatory challenges. The Foreign Corrupt Practices Act of 1977, as amended (the “FCPA”), and similar anti-bribery laws in other jurisdictions generally prohibit United States-based companies and their intermediaries from making improper payments to non-United States officials for the purpose of obtaining or retaining business. We have policies and controls in place designed to ensure internal and external compliance with these and other anti-bribery laws. To ensure compliance, our anti-bribery policy and training on a global basis provides our employees with procedures, guidelines and information about anti-bribery obligations and compliance. Further, we require our partners, subcontractors, agents and others who work for us or on our behalf to comply with anti-bribery laws. We also have procedures and controls in place designed to ensure internal and external compliance. However, such anti-bribery policy, training, internal controls, and procedures will not always protect us from reckless, criminal or unintentional acts committed by our employees, agents or other persons associated with us. If we are found to be in violation of the FCPA or other anti-bribery laws (either due to the intentional or inadvertent acts of our employees, or due to the intentional or inadvertent acts of others), we could suffer criminal or civil penalties, including monetary damages or other sanctions, which could have a material adverse effect on our business. In addition, actual or alleged violations could damage our reputation and adversely affect our results of operations.

We rely on our information technology systems to manage numerous aspects of our business and customer and supplier relationships, and a disruption or failure of these systems could adversely affect our results of operations.

We depend on our information technology (“IT”) systems to manage numerous aspects of our business and provide analytical information to management. We may incur significant costs in order to implement the security measures that we feel are necessary to protect our IT systems. However, our IT systems may remain vulnerable to damage despite our implementation of security measures that we deem to be appropriate. Our IT systems allow us to efficiently purchase products from our suppliers, provide procurement and logistic services, ship products to our customers on a timely basis, maintain cost-effective operations and provide superior service to our customers. Our IT systems are an essential component of our business and growth strategies, and a disruption to or failure of our IT systems could significantly limit our ability to manage and operate our business efficiently. These systems are vulnerable to, among other things, damage and interruption from power loss, including as a result of natural disasters, computer system and network failures, loss of telecommunication services, operator negligence, loss of data, security breaches and computer viruses. If our systems for protecting against cyber security risks prove not to be sufficient, we could be adversely affected by loss or damage of intellectual property, proprietary information, or client data, interruption of business operations, or additional costs to prevent, respond to, or mitigate cyber security attacks. Any such disruption or loss of business information could materially and adversely affect our results of operations.

Regulations related to conflict-free minerals may cause us to incur additional expenses and may create challenges with our customers.

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability regarding the use of “conflict” minerals mined from the Democratic Republic of Congo (the “DRC”) and adjoining countries. These conflict minerals include tantalum, tin, gold or tungsten. The SEC has established annual disclosure and reporting requirements for those companies who manufacture or contract to manufacture certain products containing conflict minerals sourced from the DRC and adjoining countries. These requirements could adversely affect the sourcing, supply and pricing of tantalum, tin, gold or tungsten used in our products. As there may be only a limited number of suppliers offering conflict-free minerals, we cannot ensure that we will be able to obtain these conflict-free minerals in sufficient quantities or at competitive prices. Compliance with these requirements may also increase our costs, including costs that may be incurred in conducting due diligence procedures to determine the sources of certain minerals used in our products and other potential changes to products, processes or sources of supply as a consequence of such verification activities. In addition, we may face challenges with our customers if we are unable to sufficiently verify the origins of the minerals used in our products.

We could be subject to personal injury, property damage, product liability, warranty and other claims involving allegedly defective products that we supply.

The products we supply are sometimes used in potentially hazardous applications, such as the assembled parts of an aircraft or automobile, that could result in death, personal injury, property damage, loss of production, punitive damages and consequential damages. While we have not experienced any such claims to date, actual or claimed defects in the products we supply could result in our being named as a defendant in lawsuits asserting potentially large claims.

We attempt to include provisions in our agreements with customers that are designed to limit our exposure to potential liability for damages arising from defects or errors in our products. However, it is possible that these limitations may not be effective as a result of unfavorable judicial decisions or laws enacted in the future.

Any such lawsuit, regardless of merit, could result in material expense, diversion of management time and efforts, and damage to our reputation, and could cause us to fail to retain or attract customers, which could adversely affect our results of operations.

We may not have adequate insurance for potential liabilities.

In the ordinary course of business, we may be subject to various product and non-product related claims, lawsuits and administrative proceedings seeking damages or other remedies arising out of our commercial operations. We maintain insurance to cover our potential exposure for most claims and losses. However, our insurance coverage is subject to various exclusions, self-retentions and deductibles, may be inadequate or unavailable to protect us fully, and may be cancelled or otherwise terminated by the insurer. Furthermore, we face the following additional risks under our insurance coverage:

- We may not be able to continue to obtain insurance coverage on commercially reasonable terms, or at all;
- We may be faced with types of liabilities that are not covered under our insurance policies, such as environmental contamination or terrorist attacks, and that exceed any amounts that we may have reserved for such liabilities;
- The amount of any liabilities that we may face may exceed our policy limits and any amounts we may have reserved for such liabilities; and
- We may incur losses resulting from interruption of our business that may not be fully covered under our insurance policies.

Even a partially uninsured claim of significant size, if successful, could materially adversely affect our business, financial condition, results of operations and liquidity. However, even if we successfully defend ourselves against any such claim, we could be forced to spend a substantial amount of money in litigation expenses, our management could be required to spend valuable time in the defense against these claims and our reputation could suffer, any of which could adversely affect our results of operations.

If any of our manufacturing facilities or PSCs are disrupted, sales of our products may be disrupted, which could result in loss of revenues and an increase in unforeseen costs.

We manufacture our machines at our facilities in Gersthofen, Germany and North Huntingdon, Pennsylvania. Our PSCs are located in North Huntingdon, Pennsylvania; Troy, Michigan; Houston, Texas; Auburn, Washington; North Las Vegas, Nevada; Gersthofen, Germany, Desenzano del Garda, Italy; Jönköping, Sweden; and Kanagawa, Japan.

If the operations of these facilities are materially disrupted, we would be unable to fulfill customer orders for the period of the disruption, we would not be able to recognize revenue on orders, and we might need to modify our standard sales terms to secure the commitment of new customers during the period of the disruption and perhaps longer. Depending on the cause of the disruption, we could incur significant costs to remedy the disruption and resume product shipments. Such a disruption could have an adverse effect on our results of operations.

Under applicable employment laws, we may not be able to enforce covenants not to compete and therefore may be unable to prevent our competitors from benefiting from the expertise of some of our former employees.

We generally enter into non-competition agreements with our employees. These agreements prohibit our employees, if they cease working for us, from competing directly with us or working for our competitors or customers for a limited period. We may be unable to enforce these agreements under the laws of the jurisdictions in which our employees work, including Germany, Italy, Sweden and Japan, and it may be difficult for us to restrict our competitors from benefitting from the expertise of our former employees or consultants developed while working for us. If we cannot demonstrate that our legally protectable interests will be harmed, we may be unable to prevent our competitors from benefiting from the expertise of our former employees or consultants and our ability to remain competitive may be diminished.

Risks Related to Our Intellectual Property

We may not be able to protect our trade secrets and intellectual property.

While some of our technology is licensed under patents belonging to others or is covered by process patents which are owned or applied for by us, much of our key technology is not protected by patents. Since we cannot legally prevent one or more other companies from developing similar or identical technology to our unpatented technology, it is likely that, over time, one or more other companies may be able to replicate our technology, thereby reducing our technological advantages. If we do not protect our technology or are unable to develop new technology that can be protected by patents or as trade secrets, we may face increased competition from other companies, which may adversely affect our results of operations. We generally enter into confidentiality and/or license agreements with our employees, consultants, vendors and advertisers, and generally limit access to and distribution of our proprietary information. However, we cannot provide assurance that any steps taken by us will prevent misappropriation of our trade secrets and intellectual property.

We enjoy license rights and exclusivity of certain patents and intellectual property and cannot adequately estimate the effects of their expiration upon the entrance or advancement of competitors into the AM industrial market.

We have exclusive license and non-exclusive license rights to certain patents that we utilize in the industrial market. Some of these patents expired in 2015, and others are scheduled to expire in future periods. The expiration of these patents could reduce barriers to entry into the AM industrial market, which could result in the reduction of our market share and earnings potential. We cannot adequately estimate the effect that the expiration of these patents will have upon the entrance or advancement of other AM manufacturers into the industrial market.

We may not be able to obtain patent protection or otherwise adequately protect or enforce our intellectual property rights, which could impair our competitive position.

Our success and future revenue growth will depend, in part, on our ability to protect our intellectual property. We rely primarily on patents, trademarks, and trade secrets, as well as non-disclosure agreements and other methods, to protect our proprietary technologies and processes globally. Despite our efforts to protect our proprietary technologies and processes, it is possible that competitors or other unauthorized third parties may obtain, copy, use, or disclose our technologies and processes. We cannot assure you that any of our existing or future patents or other intellectual property rights will not be challenged, invalidated, or circumvented or will otherwise provide us with meaningful protection. We may not be able to obtain foreign patents corresponding to our United States or foreign patent applications. Even if foreign patents are granted, effective enforcement in foreign countries may not be available. If our patents and other intellectual property protections do not adequately protect our technology, our competitors may be able to offer products similar to ours. We may not be able to detect the unauthorized use of our proprietary technology and processes or take appropriate steps to prevent such use. Our competitors may also be able to develop similar technology independently or design around our patents. Any of the foregoing events would lead to increased competition and lower revenue or gross profits, which would adversely affect our results of operations.

We may be subject to alleged infringement claims.

We may be subject to intellectual property infringement claims from individuals, vendors, and other companies who have acquired or developed patents in the field of AM for purposes of developing competing products or for the sole purpose of asserting claims against us. Any claims that our products or processes infringe on the intellectual property rights of others, regardless of the merit or resolution of such claims, could cause us to incur significant costs in responding to, defending, and resolving such claims, and may prohibit or otherwise impair our ability to commercialize new or existing products. If we are unable to effectively defend our technologies and processes, our market share, sales and profitability could suffer, which could adversely affect our results of operations.

Certain of our employees and patents are subject to German law.

Many of our employees work in Germany and are subject to German employment law. Ideas, developments, discoveries and inventions made by such employees and consultants are subject to the provisions of the German Act on Employees' Inventions (Gesetz über Arbeitnehmererfindungen), which regulates the ownership of, and compensation for, inventions made by employees. We face the risk that disputes can occur between us and our employees or ex-employees pertaining to alleged non-adherence to the provisions of this act that may be costly to defend and take up our management's time and efforts whether we prevail or fail in such dispute. In addition, under the German Act on Employees' Inventions, certain employees retained rights to patents they invented or co-invented prior to 2009. Although most of these employees have subsequently assigned their interest in these patents to us, there is a risk that the compensation we provided to them may be deemed to be insufficient in the future and we may be required under German law to increase the compensation due to such employee for the use of their patent. In those cases where employees have not assigned their interests to us, we may need to pay compensation for the use of those patents. If we are required to pay additional compensation or face other disputes under the German Act on Employees' Inventions, our results of operations could be adversely affected.

Risks Related to the Securities Markets and Ownership of Our Common Stock

We have broad discretion as to the use of the net proceeds from securities offerings and may not use them effectively.

We cannot specify with certainty how we will use the net proceeds that we have received or will receive from securities offerings. Our management has broad discretion in the application of the net proceeds, and we may use these proceeds in ways with which you may disagree or for purposes other than those contemplated at the time of the offering. The failure by our management to apply these funds effectively could have a material adverse effect on our business, financial condition and results of operations. Pending their use, we may invest the net proceeds from a securities offering in a manner that does not produce income or that loses value.

Sales of a significant number of shares of our common stock in the public markets, or the perception that such sales could occur, could depress the market price of our common stock.

Sales of a significant number of shares of our common stock in the public markets, or the perception that such sales could occur as a result of our recently announced "at the market offerings," other utilization of our universal shelf registration statement or otherwise could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our common stock or the market perception that we are permitted to sell a significant number of our securities would have on the market price of our common stock.

The market price of our common stock may fluctuate significantly.

The market price of our common stock has been and is expected to continue to be highly volatile and may be significantly affected by numerous factors, including the risk factors described in this report and other factors which are beyond our control and may not be directly related to our operating performance. These factors include:

- Failure to meet our targeted revenues and gross margin;
- Significant volatility in the market price and trading volume of securities of companies in our sector, which is not necessarily related to the operating performance of these companies;
- The mix of products that we sell, and related services that we provide, during any period;
- Delays between our expenditures to develop and market new products and the generation of sales from those products;
- Changes in the amount that we spend to develop, acquire or license new products, technologies or businesses;
- Changes in our expenditures to promote our products and services;
- Changes in the cost of satisfying our warranty obligations and servicing our installed base of systems;
- Success or failure of research and development projects of us or our competitors;
- Announcements of technological innovations, new solutions or enhancements or strategic partnerships or acquisitions by us or one of our competitors;
- The public’s response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- The general tendency towards volatility in the market prices of shares of companies that rely on technology and innovation;
- Changes in regulatory policies or tax guidelines;
- Changes or perceived changes in earnings or variations in operating results;
- Any shortfall in revenue or earnings from levels expected by investors or securities analysts;
- The market’s reaction to our reduced disclosure as a result of being an EGC under the JOBS Act;
- Threatened or actual litigation;
- Changes in our senior management; and
- General economic trends and other external factors.

If equity research analysts do not publish research or reports about our business, or if they issue unfavorable commentary or downgrade our shares, the price of our shares could decline.

The trading market for our shares will rely in part on the research and reports that equity research analysts publish about us and our business. We do not have control over these analysts, and we do not have commitments from them to write research reports about us. The price of our shares could decline if one or more equity research analysts downgrades our shares, issues other unfavorable commentary, or ceases publishing reports about us or our business.

The price of our shares could decline if there are substantial sales of our common stock, particularly by our directors, their affiliates or our executive officers, or when there is a large number of shares of our common stock available for sale. The perception in the public market that our stockholders might sell our shares also could depress the market price of our shares. From time to time, we may conduct offerings of our securities and our executive officers, directors and selling stockholders would be subject to lock-up agreements that restrict their ability to transfer their shares following the offering. The market price of our shares may drop significantly when the restrictions on resale by our existing stockholders lapse and these stockholders are able to sell their shares into the market. If this occurs, it could impair our ability to raise additional capital through the sale of securities, should we desire to do so.

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We are incurring increased costs as a result of operating as a public company, and our management is required to devote substantial time to new compliance initiatives.

As a public company whose shares are listed on The NASDAQ Stock Market, we incur significant accounting, legal and other expenses that we did not incur as a private company, and these expenses will increase even more after we are no longer an EGC. We incur significant costs associated with our compliance with the public company reporting requirements of the Exchange Act, requirements imposed by the Sarbanes-Oxley Act (most notably Section 404), the Dodd-Frank Wall Street Reform and Protection Act, and other rules adopted, and to be adopted, by the SEC and the NASDAQ Stock Market. Compliance with these rules and regulations have increased our legal and financial compliance costs, introduced new costs (including stock exchange listing fees and costs related to investor relations and stockholder reporting), and made certain activities more time-consuming and costly. They also make it more difficult for us to obtain director and officer liability insurance, and we incur substantial costs to maintain sufficient coverage.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure create uncertainty for public companies generally, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We have invested resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management’s time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected. We cannot predict or estimate the amount or timing of additional costs we may incur in the future to respond to these constantly evolving requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our Board of Directors, our board committees or as executive officers.

As long as we remain an EGC as defined in the JOBS Act, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not EGCs. These exemptions include, but are not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, less extensive disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements to hold a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved and an extended transition period for complying with new or revised accounting standards. We will continue to operate under these provisions for up to five years from our IPO or such earlier time that we are no longer an EGC. We would cease to be an EGC if we have more than $1.0 billion in annual revenues, qualify as a “large accelerated filer” under the Exchange Act, which requires us to have more than $700 million in market value of our common stock held by non-affiliates at the end of our second fiscal quarter, or issue more than $1.0 billion of non-convertible debt over a three-year period.

We have never paid cash dividends on our common stock, and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. Therefore, if our share price does not appreciate, our investors may not gain and could potentially lose on their investment in our shares.

We have never declared or paid cash dividends on our common stock, nor do we anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. As a result, capital appreciation, if any, of our shares will be investors' sole source of gain for the foreseeable future.

The right of shareholders to receive liquidation and dividend payments on our common stock is junior to the rights of holders of future indebtedness and to any other senior securities we may issue in the future.

Shares of our common stock are equity interests and do not constitute indebtedness. This means that the shares of common stock will rank junior to all of our indebtedness and to other non-equity claims against us and our assets available to satisfy claims against us, including our liquidation. Additionally, holders of our common stock are subject to the prior dividend and liquidation rights of holders of our outstanding preferred stock, if any. Our Board of Directors is authorized to issue classes or series of preferred stock in the future without any action on the part of our common shareholders.

As an EGC under the JOBS Act we follow certain permitted corporate governance practices instead of the otherwise applicable SEC and NASDAQ requirements, which may result in less protection than is accorded to investors in a non-EGC.

As an EGC we follow certain corporate governance practices instead of those otherwise required by the SEC and under the listing requirements of the NASDAQ Stock Market. Following our EGC governance practices, as opposed to the requirements that would otherwise apply to a company listed on the NASDAQ Stock Market, may provide less protection to you than what is accorded to investors under the Listing Rules for the NASDAQ Stock Market applicable to non-EGC issuers and could make our common stock less attractive to investors.

As an EGC, we delay adoption of new or revised accounting standards, which may make our stock less attractive to investors and our trading price more volatile.

Pursuant to the JOBS Act, as an EGC, we have elected to take advantage of an extended transition period for any new or revised accounting standards that may be issued by the Financial Accounting Standards Board ("FASB") or the SEC, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an EGC, will delay adoption of the standard until it applies to private companies. This may make a comparison of our financial statements with any other public company that is either not an EGC or is an EGC that has opted out of using the extended transition period difficult, as different or revised standards may be used. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile and could decline.

If we fail to maintain an effective system of internal control over financial reporting in the future, we may not be able to accurately report our financial condition, results of operations or cash flows, which may adversely affect investor confidence in us and, as a result, the value of our common stock.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal controls for financial reporting and disclosure controls and procedures. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. We are required under Section 404(a) of the Sarbanes-Oxley Act to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting.

In connection with the preparation of our consolidated financial statements for the year ended December 31, 2015, we concluded that there are material weaknesses in the design and operating effectiveness of our internal control over financial reporting as defined in SEC Regulation S-X. A material weakness is a control deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. A description of the identified material weaknesses in internal control over financial reporting is as follows:

- The design and operating effectiveness of internal controls related to our financial reporting process were not sufficient to allow for accurate and timely reporting of our consolidated financial results. We did not maintain adequate control with respect to the application of GAAP. This was principally due to a lack of personnel with adequate knowledge and experience in GAAP. As a result, we recorded certain manual, post-close adjustments in order to prepare our consolidated financial statements.
- The design and operating effectiveness of internal controls related to our information technology systems was not sufficient to allow for accurate and timely reporting of our consolidated financial results. Each of our primary locations (United States, Germany, Italy, Sweden and Japan) utilizes separate and distinct information technology platforms to record, process and summarize transactions. As a result, our process to consolidate and report financial information is substantially a manual process and inherently subject to error.
- The design and operating effectiveness of internal controls related to our consolidation process and management's review of our consolidated financial results did not operate at a level of precision sufficient to allow for accurate and timely reporting of our consolidated financial results. Our consolidation process is substantially a manual process and

inherently subject to error. Further, because of internal control weaknesses identified with respect to our financial reporting process and information technology systems, management was unable to complete an adequate review of either subsidiary or consolidated financial results at a sufficient level of precision to prevent or detect misstatements. As a result, we recorded certain manual, post-close adjustments in order to prepare our consolidated financial statements.

With the oversight of senior management and our audit committee, we have put into place a comprehensive plan to remediate the underlying causes of the identified material weaknesses. Our plan throughout 2015 was, and into 2016 is, to continue to take additional steps and implement measures to remediate the underlying causes of the identified material weaknesses, including:

(i) Enhancing our global accounting and reporting process (including our global consolidation of financial information) by redesigning and strengthening the operating effectiveness of internal controls over financial reporting. This includes a detailed review of our existing processes, improvements to the design of our internal controls (including conversion of historically manual control activities to automated control activities), updating documentation related to our business process flows, internal testing of operating effectiveness of our controls and remediation activities, as necessary. This process began in mid-2014 and we expect it to continue during 2016 and beyond as a means of continuous improvement.

(ii) Evaluating our information technology systems to further integrate existing systems or invest in improvements to our technology sufficient to generate accurate and timely financial information. On January 1, 2015, we implemented the first phase of a new ERP system for our Europe operations. Despite certain difficulties encountered in the initial implementation phase of this project, resulting in a delay of the filing of our Quarterly Report on Form 10-Q for the period ended March 31, 2015, we believe that this system, when fully implemented, provides a substantial upgrade in operational and financial reporting as compared to our legacy systems. We continue to address the difficulties encountered in the initial implementation in a variety of ways, including through the direct hire of personnel and collaboration with external consultants, both with system expertise, in an effort to resolve identified issues in a timely and efficient manner. Our 2016 information technology plan includes additional upgrades or enhancements of both this system, as well as our other existing information technologies with the overall goal of a simple, common and global platform for processing, recording and analyzing financial and operational data.

(iii) Continuing to add financial personnel with adequate knowledge and experience in GAAP. In 2015, we hired a new Chief Financial Officer and new Heads of Accounting and Controlling for our Europe operations, each of whom possess extensive knowledge of GAAP and experience in working with or for a United States based multi-national operation. As part of our redesign of our global reporting structure and responsibilities, we have added additional personnel (both temporary and permanent) with requisite GAAP experience to both our United States and Europe operations during 2015. We do not expect a further significant investment in personnel in 2016.

We documented and evaluated our internal control over financial reporting in order to report on the effectiveness of our internal controls as of December 31, 2015, and, as described in Item 9A, “Controls and Procedures”, management has determined that our internal control over financial reporting was ineffective as of December 31, 2015. Furthermore, as our business continues to grow internationally, our internal controls will become more complex and will require significantly more resources and attention to remediate existing control deficiencies and improve the effectiveness of our internal controls over financial reporting. If our management cannot favorably assess the effectiveness of our internal controls over financial reporting, investor confidence in our financial results may weaken, and our share price may suffer.

Notwithstanding the identified material weaknesses, management believes the consolidated financial statements included in this Annual Report on Form 10-K fairly present in all material respects our financial condition, results of operations and cash flows as of and for the periods presented in accordance with GAAP.

Additionally, Section 404(b) of the Sarbanes-Oxley Act requires an attestation from our independent registered public accounting firm on the effectiveness of our internal control over financial reporting. As an EGC, we will not be required to comply with Section 404(b) until we file our Annual Report on Form 10-K for the year ended December 31, 2018 with the SEC, provided we maintain our status as an EGC until December 31, 2018.

The additional measures necessary to remediate the underlying causes of our identified material weaknesses and our future compliance with Section 404(b) will require that we incur substantial accounting expense and expend significant management efforts. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition, results of operations or cash flows. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness or significant deficiency in our internal control over financial reporting once that firm begins its Section 404(b) attestations, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, investor groups like Institutional Shareholder Services could initiate a withhold vote campaign with respect to the re-election of the members of our audit committee, and we could be subject to sanctions or investigations by NASDAQ, the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

Provisions in our charter documents or Delaware law may inhibit a takeover or make it more difficult to effect a change in control, which could adversely affect the value of our common stock.

Our certificate of incorporation and bylaws contain, and Delaware corporate law contains, provisions that could delay or prevent a change of control or changes in our management. These provisions will apply even if some of our stockholders consider the offer to be beneficial or favorable. If a change of control or change in management is delayed or prevented, the market price of our common stock could decline.

Raising additional capital by issuing securities may cause dilution to our stockholders.

We may need or desire to raise substantial additional capital in the future. Our future capital requirements will depend on many factors, including, among others:

- Our degree of success in capturing a larger portion of the industrial products production market;
- The costs of establishing or acquiring sales, marketing, and distribution capabilities for our products;
- The costs of preparing, filing, and prosecuting patent applications, maintaining and enforcing our issued patents, and defending intellectual property-related claims;
- The extent to which we acquire or invest in businesses, products, or technologies and other strategic relationships; and
- The costs of financing unanticipated working capital requirements and responding to competitive pressures.

If we raise additional funds by issuing equity or convertible debt securities, including through the use of our ATM, we will reduce the percentage ownership of our then-existing stockholders, and the holders of those newly-issued equity or convertible debt securities may have rights, preferences, or privileges senior to those possessed by our then-existing stockholders. Additionally, future sales of a substantial number of shares of our common stock or other equity-related securities in the public market could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity or equity-linked securities. We cannot predict the effect that future sales of our common stock or other equity-related securities would have on the market price of our common stock.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We have the following locations:

Location	Nature of Facility	Owned or Leased	Approximate Square Footage
United States			
North Huntingdon, Pennsylvania	Corporate Headquarters, Machine Manufacturing, PSC and Machine Sales Center	Owned	67,886
Troy, Michigan	PSC	Owned	19,646
Chesterfield, Michigan	Specialty Machining	Owned	21,175
Houston, Texas	PSC	Owned	12,000
North Las Vegas, Nevada	PSC	Owned	17,240

St. Clairsville, Ohio	Research and Development	Owned	12,860
Auburn, Washington	PSC	Leased	11,600
Europe			
Gersthofen, Germany	European Headquarters, Machine Manufacturing, PSC and Machine Sales Center	Owned	200,585
Desenzano del Garda, Italy	PSC and Machine Sales Center	Leased	3,300
Jönköping, Sweden	PSC	Leased	N/A*
Asia			
Kanagawa, Japan	PSC and Machine Sales Center	Owned	18,882

* We have a cooperation agreement with Swerea SWECAST AB in Sweden which allows for the use of certain undefined operating space sufficient to support our PSC operations at the facility.

Item 3. Legal Proceedings.

ExOne and its subsidiaries are subject to various litigation, claims, and proceedings which have been or may be instituted or asserted from time to time in the ordinary course of business. Management does not believe that the outcome of any pending or threatened matters will have a material adverse effect, individually or in the aggregate, on our financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Market Information.

Our common stock has been listed on the NASDAQ Stock Market since February 7, 2013 under the symbol “XONE.” The following table sets forth the ranges of high and low sales prices per share of our common stock as reported on the NASDAQ Stock Market for the periods indicated. Such quotations represent inter-dealer prices without retail markup, markdown or commission and may not necessarily represent actual transactions.

Year Ended December 31, 2014	High	Low
First quarter	$70.25	$33.05
Second quarter	$42.57	$24.34
Third quarter	$48.66	$20.35
Fourth quarter	$26.46	$14.91

Year Ended December 31, 2015	High	Low
First quarter	$17.92	$13.19
Second quarter	$15.97	$11.08
Third quarter	$11.42	$5.81
Fourth quarter	$12.67	$6.50

Stockholders

As of March 7, 2016, there were 30 stockholders of record, which excludes stockholders whose shares were held in nominee or street name by brokers. The actual number of common stockholders is greater than the number of record holders, and includes stockholders who are beneficial owners and whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

We do not anticipate that we will declare or pay regular dividends on our common stock in the foreseeable future, as we generally intend to invest any future earnings in the development and growth of our business. Future dividends, if any, will be at the discretion of our Board of Directors and will depend on many factors, including general economic and business conditions, our strategic plans, our financial results and conditions, legal requirements, any contractual obligations or limitations, and other factors that our Board of Directors deems relevant.

Securities Authorized for Issuance Under Equity Compensation Plans

Our 2013 Equity Incentive Plan (the “Plan”) was adopted on January 24, 2013, and approved by our stockholders on August 19, 2013. The table below sets forth information with regard to securities authorized for issuance under the Plan as of December 31, 2015:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)[1]
Equity Compensation Plans Approved by Security Holders	210,970	$ 17.43	1,644,242
Equity Compensation Plans Not Approved by Security Holders	N/A	N/A	N/A

(1) A maximum of 1,041,021 shares of common stock were reserved for issuance under the Plan for 2015, and awards of incentive stock options and restricted stock were made in 2015 for a total of 26,000 awards. Forfeitures and expirations of previously issued awards totaled 4,167 for 2015. The Plan provides for automatic increases in the reserve available annually on January 1 from 2014 through 2023 equal to the lesser of (i) 3.0% of the total outstanding shares of common stock as of December 31 of the immediately preceding year or (ii) a number of shares of common stock determined by our Board of Directors, provided that the maximum number of shares authorized under the Plan will not exceed 1,992,241 shares, subject to certain adjustments. Based on 14,524,637 shares outstanding on December 31, 2015, an additional 435,739 shares of common stock may be reserved for issuance under the Plan for 2016 for a total of 1,454,927 being available for issuance under the Plan for 2016.

Stock Performance Graph

The following graph compares the performance of our common stock with (i) the NASDAQ Composite Index and (ii) the S&P 1500 Industrial Machinery Index. Such information shall not be deemed to be “filed.”

Company/Index	February 7, 2013	June 30, 2013	December 31, 2013	June 30, 2014	December 31, 2014	June 30, 2015	December 31, 2015
The ExOne Company	$ 100	$ 233	$ 228	$ 149	$ 63	$ 42	$ 38
NASDAQ Composite Index	$ 100	$ 108	$ 134	$ 139	$ 150	$ 158	$ 158
S&P 1500 Industrial Machinery Index	$ 100	$ 106	$ 134	$ 139	$ 137	$ 138	$ 125

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Item 6. Selected Financial Data.

The data presented in the Selected Financial Data table should be read in conjunction with the information required to be provided in Part II Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes thereto in Part II Item 8 of this Annual Report on Form 10-K.

(dollars in thousands except per share amounts and machine unit data)	For the years ended December 31, 2015	2014	2013	2012	2011
Statement of consolidated operations and comprehensive loss data:					
Revenue - third party	$38,918	$43,029	$39,480	$28,657	$15,290
Revenue - related party	1,435	871	—	—	—
Total	$40,353	$43,900	$39,480	$28,657	$15,290
Gross profit	$8,343	$10,457	$15,573	$12,143	$3,643
Research and development	$7,279	$8,178	$5,127	$1,930	$1,531
Selling, general and administrative	$22,576	$24,029	$16,119	$18,285	$7,286
Interest expense	$152	$144	$372	$842	$1,570
Net loss attributable to ExOne	$(25,865)	$(21,843)	$(6,455)	$(10,168)	$(8,037)
Net loss attributable to ExOne per common share:					
Basic	$(1.79)	$(1.52)	$(0.51)	N/A*	N/A*
Diluted	$(1.79)	$(1.52)	$(0.51)	N/A*	N/A*
Consolidated balance sheet data:					
Working capital (deficit)**	$34,503	$58,541	$114,754	$(4,504)	$(605)
Cash and cash equivalents	$19,342	$36,202	$98,445	$2,802	$3,496
Property and equipment—net	$54,832	$55,298	$32,772	$12,467	$7,919
Goodwill	$—	$4,665	$—	$—	$—
Total assets**	$107,958	$133,127	$158,435	$32,897	$18,241
Line of credit	$—	$—	$—	$528	$—
Demand note payable to member	$—	$—	$—	$8,666	$—
Long-term debt and capital and financing lease obligations	$2,113	$2,592	$3,233	$10,566	$5,429
Redeemable preferred units	$—	$—	$—	$—	$18,984
Preferred units	$—	$—	$—	$18,984	$—
Common units	$—	$—	$—	$10,000	$10,000
Common stock	$144	$144	$144	$—	$—
Additional paid-in capital	$156,627	$154,902	$153,363	$—	$—
Total stockholders' / members' equity (deficit)	$89,073	$118,545	$146,700	$41	$(15,599)
Other data:					
Machine units sold:					
S-Max+	1	1	—	—	—
S-Max	7	11	13	9	1
S-Print	2	1	3	3	1
S-15	1	1	1	1	2

M-Print***	1	1	—	—	—
M-Flex	3	9	6	—	—
Innovent***	10	—	—	—	—
X1-Lab	1	4	5	—	1
Micromachinery	—	—	1	—	—
	26	28	29	13	5

* Information not comparable for 2012 and 2011 as a result of the Reorganization of the Company as a corporation on January 1, 2013. Refer to Note 1 to consolidated financial statements and related notes thereto in Part II Item 8 of this Annual Report on Form 10-K.

** Amounts relating to 2014, 2013, 2012 and 2011 have been revised as a result of our adoption of FASB guidance relating to the presentation of deferred income taxes in November 2015. Refer to Note 1 to consolidated financial statements and related notes thereto in Part II Item 8 of this Annual Report on Form 10-K.

*** During 2015, one M-Print unit and two Innovent units were sold to related parties. During 2014, one M-Print unit was sold to a related party. There were no sales of 3D printing machines to related parties during 2013, 2012 or 2011. Refer to Note 18 to consolidated financial statements and related notes thereto in Part II Item 8 of this Annual Report on Form 10-K.

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

(dollars in thousands, except per-share amounts)

The following discussion and analysis should be read in conjunction with the "Selected Financial Data" in Part II Item 6 and our consolidated financial statements and related notes thereto in Part II Item 8 of this Annual Report on Form 10-K. Certain statements contained in this discussion may constitute forward looking statements within the meaning of Section 27A of the Securities Act, and, Section 21E of the Exchange Act. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those reflected in any forward looking statements, as a result of a variety of risks and uncertainties, including those described under Item 1, "Cautionary Statements Concerning Forward Looking Statements" and Item 1A, "Risk Factors".

Overview

Our Business

We are a global provider of 3D printing machines and 3D printed and other products, materials and services to industrial customers. Our business primarily consists of manufacturing and selling 3D printing machines and printing products to specification for our customers using our installed base of 3D printing machines. Our machines serve direct and indirect applications. Direct printing produces a component; indirect printing makes a tool to produce a component. We offer pre-production collaboration and printed products for customers through our nine production PSCs, which are located in the United States, Germany, Italy, Sweden and Japan. We build 3D printing machines at our facilities in the United States and Germany. We also supply the associated materials, including consumables and replacement parts, and other services, including training and technical support, necessary for purchasers of our machines to print products. We believe that our ability to print in a variety of industrial materials, as well as our industry-leading printing capacity (as measured by build box size and printhead speed) uniquely position us to serve the needs of industrial customers.

2015 Developments and 2016 Outlook

Our results of operations for 2015 were negatively affected by lower than expected sales of 3D printing machines as a result of longer than expected sales cycles for certain customers and as a result, our gross profit was negatively affected based on a lower contribution margin from the sale of these units. We have additionally experienced overall increased costs of production, principally in the form of expanded facilities and personnel costs both of which were attributable to the transition and expansion of our German and United States operations and deployment of the first phase of our new ERP system for our Europe operations (both resulting in production and operational inefficiencies). Our selling, general and administrative expenses and research and development expenses have both declined in 2015, as we stabilize our operating expenses as a public company. We additionally recognized a goodwill impairment charge in 2015 in connection with completing an interim test for impairment during the quarter ended September 30, 2015, as a result of a significant decline in our market capitalization and continued operating losses and cash flow deficiencies.

Note the following operations highlights for 2015:

- Introduction of Innovent 3D printing system for research and education customers. In January 2015, we announced the introduction of our new laboratory-sized machine offering, the Innovent, which allows for testing material properties, specifically in educational institutions, research laboratories and research and development departments at commercial organizations. Compared to our previous laboratory-sized machine offering, the X1-Lab, the Innovent offers a build volume that is eight times larger and incorporates software and mechanical component upgrades that mirror our M-Flex and M-Print platforms, allowing for integrated use of the platforms together for testing (Innovent) and prototype and series production (M-Flex or M-Print).

- Introduction of six new printable materials for use in our 3D printing systems. In February 2015, we announced the introduction of six new printable materials for use in our 3D printing systems: Cobalt-Chrome, IN Alloy 718, Iron-Chrome-Aluminum, 17-4 Stainless Steel, 316 Stainless Steel and Tungsten Carbide. The introduction of these print materials allows customers interested in 3D printing materials for their own product development the opportunity to utilize a wider variety of materials, each offering unique properties and uses.
- Transition to our new facility in Gersthofen, Germany. In 2015, we completed our transition to our new facility in Gersthofen, Germany which has resulted in approximately doubling our available facility space and has substantially increased our production capacity of indirect printing machines and PSC operations. This transition has also resulted in a full consolidation of our German production, research and development, sales and marketing and administrative teams under one combined facility.
- Expansion of our North Huntingdon, PA facility. In March 2015, we completed our expansion of our North Huntingdon, PA facility which has resulted in approximately doubling our available PSC production space for this facility and has also expanded our available space for research and development activities.

- Debut of the Exerial 3D printing system and delivery of the initial production units. In June 2015, we debuted the Exerial machine platform at the GIFA International Foundry Trade Fair in Dusseldorf, Germany. The Exerial is unique compared to our other indirect printing systems in that it contains multiple industrial stations that allow for continuous production and simultaneous processing. The Exerial is distinctly equipped with two build boxes, each 1.5 times larger than the single build box in our next largest model, the S-Max. Notably, the Exerial system offers a total build platform of 3,168 liters and is expected to be capable of printing output rates nearly four times faster than the S-Max. The Exerial utilizes a new recoater system, multiple printheads and automation controls. As part of the development of the Exerial, we have filed six patents related to machine design elements. We shipped our initial production units in June 2015.
- Qualification of Water Wash-out Tooling process for industrial 3D printing applications. In July 2015, we announced the qualification of a new application for our additive manufacturing process, Water Wash-out Tooling, designed to aid in the development of manufacturing and composite tooling. Intended for the production of hollow parts, typical of mandrel or clamshell molding, our Water Wash-out Tooling process involves the 3D printing of a core in sand, ceramics or carbon, applying a composite lay-up and curing. The final core is then washed out with only the structural composite part remaining. Water Wash-out Tooling is ideal for printing mandrels for filament winding, tape placement or hand lay-up; plugs and source tools; styling and design models; hollow or trapped shape fabrication; and one-off parts for part validation.
- Opening of the ExOne DREAM Center. In July 2015, we announced the opening of our new state-of-the-art Design and Re-Engineering for Additive Manufacturing (“DREAM”) center located in our North Huntingdon, PA facility. The DREAM center has been strategically developed as a physical and virtual site for collaboration with customers to explore and incorporate the benefits of our binder jetting technology. By providing global access to our creative technical expertise and offering the most advanced software currently available, the center will enable customers to create designs of metal components which maximize the benefits of additive manufacturing.
- Opening of our PSC in Sweden. In August 2015, we announced the opening of our ninth PSC in Jönköping, Sweden in collaboration with Swerea, the Swedish Research Institute for Industrial Renewal and Sustainable Growth. Swerea has research specialists who are leaders in the development of new technologies, methods and products for direct application in industry, with 3D printing being an area of focus. Establishing our latest PSC in this facility creates a cost effective opportunity for our introduction of binder jetting technologies to a market that is focused on the benefits of additive manufacturing for industrial applications.
- Introduction of ExOne cold hardening phenolic binder. In September 2015, we announced the expansion of the available suite of our binders to include ExOne cold hardening phenolic, or CHP. Phenolic binders, which we originally introduced in July 2013, are generally used in connection with ceramic sands to produce 3D printed molds and cores that provide the benefit of high heat alloy casting, higher internal strength and higher quality, on the basis of reduced expansion of the mold or core. CHP accelerates the 3D printing process by eliminating the infrared heating lamp that is utilized in the printing process with traditional phenolic binders. In addition, additional curing and drying processes, which previously required the use of an industrial microwave, may be achieved through use of a conventional air oven typically maintained by most industrial manufacturers. Our initial introduction of CHP is through delivery to customers of benchmark and production parts printed in our Gersthofen, Germany PSC. We are in the process of optimizing our indirect printing machine platforms for utilization of CHP with an availability date targeted in 2016.
- At market issuance offering. In January 2016, we announced our entry into our ATM with FBR and MLV pursuant to which FBR and MLV will act as distribution agents in the sale of up to $50,000 in the aggregate of ExOne common equity in “at the market offerings” as defined in Rule 415 under the Securities Act. Through March 22, 2016, we sold 91,940 shares under the ATM at a weighted average selling price of approximately $9.17 per share resulting in gross proceeds of approximately $843. Net proceeds to us from the sale of shares under the ATM during this time period were approximately $595 (after deducting offering costs of approximately $248).
- Registered direct offering to a related party. In January 2016, we announced our entry into a subscription agreement with Rockwell Forest Products, Inc. and S. Kent Rockwell for the registered direct offering and sale of 1,423,877 shares of ExOne common equity at a per share price of $9.13 (a $0.50 premium from the closing price on the close of

business on January 8, 2016). Gross proceeds from the sale of shares in this offering were approximately $13,000. Net proceeds to us from the sale of shares in this offering were approximately $12,400 (after deducting offering expenses).

With our facilities expansion substantially behind us, and our new machine platforms (Exerial, S-Max+ and Innovent) gaining market attention, we continue to focus our attention on improving the operational effectiveness of our business with the primary goal being the continued global adoption of our binder jetting technologies. This includes further expanding our business focus from predominantly prototyping activities and short-run production to series production, principally through our introduction of the Exerial machine platform. We intend to place a firm emphasis of maximizing revenues from our 3D printing machines and continuing to grow our revenues from 3D printed and other products, materials and services. We also plan to continue to effectively manage our costs of production (focusing on our print material costs and machine manufacturing costs) and operating expenses such that we align our spending plans with the anticipated growth of our business.

How We Measure Our Business

We use several financial and operating metrics to measure our business. We use these metrics to assess the progress of our business, make decisions on where to allocate capital, time and technology investments, and assess longer-term performance within our marketplace. The key metrics are as follows:

Revenue. Our revenue consists of sales of our 3D printing machines and 3D printed and other products, materials and services.

3D printing machines. 3D printing machine revenues consist of 3D printing machine sales and leasing arrangements. Sales of 3D printing machines may also include optional equipment, materials, replacement components and services (installation, training and other services, including maintenance services and/or an extended warranty). 3D printing machine sales and leasing arrangements are influenced by a number of factors including, among other things, (i) the adoption rate of our 3D printing technology, (ii) end-user product design and manufacturing activity, (iii) the capital expenditure budgets of end-users and potential end-users and (iv) other macroeconomic factors. Purchases or leases of our 3D printing machines, particularly our higher-end, higher-priced systems, typically involve long sales cycles. Several factors can significantly affect revenue reported for our 3D printing machines for a given period including, among others, (i) the overall low unit volume of 3D printing machine sales, (ii) the sales mix of machines for a given period and (iii) the customer-driven acceleration or delay of orders and shipments of machines.

3D printed and other products, materials and services. 3D printed and other products, materials and services consist of sales of (i) products printed in our global PSC network or manufactured through our specialty machining or ExCast strategy, (ii) consumable materials and replacement parts for the network of 3D printing machines installed by our global customer base and (iii) services for maintenance and certain research and development activities. Our PSCs utilize our 3D printing machine technology to print products to the specifications of customers. In addition, our PSCs also provide support and services such as pre-production collaboration prior to printing products for a customer. Sales of consumable materials, replacement parts and service maintenance contracts are linked to the aftermarket opportunities from our growing network of 3D printing machines installed by our global customer base. Research and development arrangements are a function of customer-specific needs in applying our additive manufacturing technologies.

Cost of Sales and Gross Profit. Our cost of sales consists primarily of labor (related to our global workforce), materials (for both the manufacture of 3D printing machines and for our PSC and other manufacturing operations) and overhead to produce 3D printing machines and 3D printed and other products, materials and services. Also included in cost of sales are license fees (based upon a percentage of revenue of qualifying products and processes) for the use of intellectual properties, warranty costs and other overhead associated with our production processes.

Our gross profit is influenced by a number of factors, the most important of which is the volume and mix of sales of our 3D printing machines and 3D printed and other products, materials and services.

As 3D printing machine sales are cyclical, we seek to achieve a balance in revenue from 3D printing machines and 3D printed and other products, materials and services in order to maximize gross profit while managing business risk. In addition, we expect to reduce our cost of sales over time by continued research and development and supply chain activities directed towards achieving increased efficiencies in our production processes.

Operating Expenses. Our operating expenses consist of research and development expenses and selling, general and administrative expenses.

Research and development expenses. Our research and development expenses consist primarily of salaries and related personnel expenses aimed at 3D printing machine development and materials qualification activities. Additional costs include the related software and materials, laboratory supplies, and costs for facilities and equipment. Research and development expenses are charged to operations as they are incurred. We capitalize the cost of materials, equipment and facilities that have future alternative uses in research and development projects or otherwise.

Selling, general and administrative expenses. Our selling, general and administrative expenses consist primarily of employee-related costs (salaries and benefits) of our executive officers, and sales and marketing (including sales commissions), finance, accounting, information technology and human resources personnel. Other significant general and administrative costs include the facility costs related to our United States and European headquarters and external costs for legal, accounting, consulting and other professional services.

Interest Expense. Interest expense consists of the interest cost associated with outstanding long-term debt and capital and financing lease arrangements. We expect our interest expense to continue to decrease as our outstanding debt is lowered over time. Included in our business strategy is the consideration of early retirement of debt (where practicable).

(Benefit) Provision for Income Taxes. Prior to our Reorganization, we were organized as a limited liability company. Under the provisions of the Internal Revenue Code and similar state provisions, we were taxed as a partnership and were not liable for income taxes. Following our Reorganization, we are taxed as a corporation for United States federal, state, local and foreign income tax purposes. Current statutory tax rates in the jurisdictions in which we operate, the United States, Germany, Italy, Sweden and Japan, are approximately 35.0% (including state taxes), 28.4%, 31.0%, 22.0% and 33.1%, respectively.

Results of Operations

Summary

Net loss attributable to ExOne for 2015 was $25,865 or $1.79 per basic and diluted share, compared with a net loss attributable to ExOne of $21,843 or $1.52 per basic and diluted share for 2014. The increase in our net loss was principally due to (i) a decrease in our revenues and gross profit attributed to an unfavorable mix of sales and increases in production costs associated with the expansion of our global facilities (ii) a goodwill impairment charge of $4,419 as a result of a significant decline in our market capitalization, combined with continued operating losses and cash flow deficiencies. These changes were partially offset by (i) decreases in both research and development activities (for materials qualification and machine development) and selling, general and administrative expense (due mostly to lower provisions for bad debts and selling commissions and favorable currency exchange).

Net loss attributable to ExOne for 2014 was $21,843 or $1.52 per basic and diluted share, compared with a net loss attributable to ExOne of $6,455 or $0.51 per basic and diluted share for 2013. The increase in our net loss was principally due to (i) a decrease in our gross profit attributed to an unfavorable mix of sales and increases in production costs associated with the expansion of our global facilities and (ii) an increase in operating expenses attributed to increased spending in research and development activities (for materials qualification and machine development) and selling, general and administrative expense (due to increased personnel costs and an increase in provisions for bad debts).

Revenue

The following table summarizes revenue by product line for each of the years ending December 31:

	2015			2014			2013		
3D printing machines									
3D printing machines - third party	$14,100	34.9	%	$21,977	50.1	%	$24,851	62.9	%
3D printing machines - related party	1,364	3.4	%	815	1.8	%	—	0.0	%

	15,464	38.3 %	22,792	51.9 %	24,851	62.9 %
3D printed and other products, materials and services						
3D printed and other products, materials and services - third party	24,818	61.5 %	21,052	48.0 %	14,629	37.1 %
3D printed and other products, materials and services - related party	71	0.2 %	56	0.1 %	—	0.0 %
	24,889	61.7 %	21,108	48.1 %	14,629	37.1 %
	$40,353	100.0%	$43,900	100.0%	$39,480	100.0%

Revenue for 2015 was $40,353 compared with revenue of $43,900 for 2014, a decrease of $3,547 or 8.1%. This decrease was principally due to (i) decreases in revenues from 3D printing machines as a result of lower volumes (26 units sold in 2015 versus 28 units sold in 2014) and (ii) an unfavorable mix of sales of 3D printing machines based on unit type (principally a reduction in sales of S-Max units from 2014 to 2015, resulting in a lower average selling price of 3D printing machines sold). Partially offsetting this decrease was a net increase in revenue associated with 3D printed and other products, materials and services driven by (i) an overall continued increase in customer acceptance and demand for our additive manufacturing technologies, resulting in higher PSC volumes, (ii) an increase in materials and service revenues associated with an increased network of our 3D printing machines installed by our global customer base and (iii) strategic price reductions for certain of our product offerings. Unfavorable changes in currency also impacted revenues from both product lines (principally appreciation of the United States dollar against the Euro and Japanese Yen).

Revenue for 2014 was $43,900 compared with revenue of $39,480 for 2013, an increase of $4,420, or 11.2%. This increase was principally due to an increase in revenues from 3D printed and other products, materials and services driven by (i) an overall continued increase in customer acceptance and demand for our additive manufacturing technologies, resulting in higher PSC volumes, (ii) an increase in revenues associated with our ExCast activities, (iii) an increase in materials and service revenues associated with an increased network of our 3D printing machines installed by our global customer base and (iv) revenues attributable to MAM and MWT (acquired in March 2014). Offsetting this increase was a decrease in revenues from 3D printing machines as a result of a reduction in volumes (one fewer unit sold as compared to 2013) and an unfavorable mix of sales of 3D printing machines based on unit type (resulting in a lower average selling price of machines sold) for 2014 as compared to 2013.

The following table summarizes 3D printing machines sold by type for each of the years ending December 31 (please refer to Part I Item 1, “Our Machines and Machine Platforms” of this Annual Report on Form 10-K for a description of 3D printing machines by type):

	2015	2014	2013
3D printing machine units sold:			
S-Max+	1	1	—
S-Max	7	11	13
S-Print			

(in thousands)

Net revenues:

Consumer loan fees and interest
$
8,769

$
10,739

(18)%
Consumer loan bad debt
(1,965
)

(3,125
)

(37)%
Other revenues, net
9

706

(99)%
Net revenues
6,813

8,320

(18)%

Segment operating expenses:

Operating expenses
7,803

7,396

6%
Equity in net loss of unconsolidated affiliates
255

5,473

(95)%
Segment operating loss
(1,245
)

(4,549

)

(73)%

Other segment expenses
11,165

29,406

(62)%
Segment loss
$
(12,410
)

$
(33,955
)

(63)%
* Represents an increase or decrease that is not meaningful.
Segment loss from the Other International segment was $12.4 million, a decrease of $21.5 million, or 63%, from fiscal 2015. This decrease was primarily due to:

- A $15.9 million decrease in impairment of investments due to the fiscal 2016 impairment of our investment in Cash Converters International in the amount of $11.0 million ($7.2 million, net of taxes) as compared to the fiscal 2015 impairment of $26.8 million ($17.4 million, net of taxes);
- A $5.2 million decrease in loss from our unconsolidated affiliate. The loss of $0.3 million presented above for fiscal 2016 includes pre-tax charges totaling $11.8 million including restructuring costs, compliance provision and other, translated using applicable exchange rates in effect for EZCORP’s year ended September 30, 2016;
- A $2.4 million decrease in restructuring costs due to substantial costs in the prior-year pertaining to our fiscal 2015 restructuring plan initiated in the fourth quarter of our fiscal 2015, which included the closure of 12 underperforming Canadian Cash Converters stores during fiscal 2015; partially offset by
- A $1.5 million decrease in segment net revenues due partially to wind down of certain Canadian operations; and
- A $0.4 million increase in segment operating expenses as a result of $2.6 million invested in building an IT marketing platform to provide targeted solutions for our pawn customers, offset by a $2.2 million overall decrease in expenses associated with the wind down of certain Canadian operations.

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Other Items

The following table reconciles our consolidated segment contribution discussed above to net loss attributable to EZCORP, Inc., including items that affect our consolidated financial results but are not allocated among segments:

	Fiscal Year Ended September 30,		Percentage Change
	2016	2015	
	(in thousands)		
Segment contribution	$96,154	$44,908	114%
Corporate expenses (income):			
Administrative	68,101	72,986	(7)%
Depreciation and amortization	11,117	10,676	4%
Loss on sale or disposal of assets	269	1,407	(81)%
Restructuring	183	9,702	(98)%
Interest expense	16,243	16,310	—%
Interest income	(49)	(158)	(69)%
Other (income) expense	(73)	192	*
Income (loss) from continuing operations before income taxes	363	(66,207)	*
Income tax expense (benefit)	9,361	(14,025)	*
Loss from continuing operations, net of tax	(8,998)	(52,182)	(83)%
Loss from discontinued operations, net of tax	(79,432)	(42,045)	89%
Net loss	(88,430)	(94,227)	(6)%
Net loss attributable to noncontrolling interest	(7,686)	(5,035)	53%
Net loss income attributable to EZCORP, Inc.	$(80,744)	$(89,192)	(9)%

*Represents an increase or decrease that is not meaningful.

Net income from continuing operations before income taxes increased $66.6 million from fiscal 2015 to income of $0.4 million in fiscal 2016 primarily due to:

- A $51.2 million increase in segment contributions of $20.2 million, $21.5 million and $9.5 million from the U.S. Pawn, Other International and Mexico Pawn segments, respectively;
- A $9.5 million decrease in restructuring expense primarily due to restructuring actions initiated in prior fiscal years which have wound down; and
- A $4.9 million decrease in administrative expense due primarily to a $3.6 million decrease in salaries and related costs, a $3.4 million decrease in litigation and related costs and $5.8 million in various other individually small reductions in corporate costs, including a reduction in restatement related costs, offset by a $8.0 million increase in short-term and long-term incentive programs. Administrative expenses include $4.2 million of fiscal 2015 restatement related expenses recorded in fiscal 2016; partially offset by
- A $0.4 million increase in depreciation and amortization expense.

Income tax expense increased $23.4 million, from a $14.0 million benefit in the prior year to a $9.4 million expense in the current year, primarily due to the $66.6 million decrease in loss from continuing operations before income taxes. Income tax expense includes other items that do not necessarily correspond to pre-tax earnings and create volatility in our effective tax rate. These items include the impact of earnings and foreign tax credits from our equity investment in Cash Converters International, the net effect of state taxes, non-deductible items and changes in valuation allowances for certain foreign operations. See Note 10 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplemental Data” for quantification of these items.

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Loss from discontinued operations in fiscal 2015 and 2016 was primarily comprised of Grupo Finmart and USFS as further discussed in Note 16 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplementary Data.” Loss from discontinued operations, net of tax increased $37.4 million from fiscal 2015 primarily due to the following in addition to the income tax effects thereon:

- A $26.7 million decrease in net revenues from Grupo Finmart from fiscal 2015 of as a result of delays in collections and other factors; and
- A $73.2 million impairment of Grupo Finmart goodwill in fiscal 2016; partially offset by
- A $34.2 million gain on disposition of Grupo Finmart in fiscal 2016; and
- $42.4 million in fiscal 2015 charges related to exiting USFS.

Liquidity and Capital Resources

Cash Flows

The table below presents a summary of the sources and uses of our cash:

	Fiscal Year Ended September 30, 2017	2016	Percentage Change
	(in thousands)		
Cash flows from operating activities	$51,836	$64,403	(20)%
Cash flows from investing activities	(7,255)	6,716	*
Cash flows from financing activities	53,351	(63,156)	*
Effect of exchange rate changes on cash and cash equivalents	724	(1,350)	*
Net increase in cash and cash equivalents	$98,656	$6,613	1,392%

* Represents an increase or decrease in excess of 100% or not meaningful.

Change in Cash and Cash Equivalents for Fiscal 2017 vs. Fiscal 2016

The decrease in cash flows from operating activities was primarily due to a $22.0 million smaller change in operating assets and liabilities, including $34.2 million received in March 2016 as a result of the carryback of fiscal 2015 tax net operating losses and a $2.2 million decrease in cash dividends received from our unconsolidated affiliate, offset by a $11.7 million increase in net income plus several non-cash items.

The decrease in cash flows from investing activities was primarily due to $35.3 million in net cash proceeds from disposition of Grupo Finmart in fiscal 2016, a $9.3 million increase in additions to property and equipment and a $2.6 million increase in net investments related to loan activities, offset by $29.5 million in principal collections from our Grupo Finmart notes receivable and a $3.8 million decrease in acquisitions, net of cash acquired.

The increase in cash flows from financing activities was primarily due to a $102.1 million increase in net borrowings including issuance of $143.8 million of new debt and retirement of $85 million of previously outstanding debt in July 2017 in addition to a $50 million term loan facility obtained in fiscal 2016 and debt associated with Prestaciones Finmart, S.A.P.I. de C.V., SOFOM, E.N.R. ("Grupo Finmart") prior to its disposition in fiscal 2016, a $15.0 million payout of deferred consideration in fiscal 2016 and an $11.8 million repurchase of redeemable common stock in fiscal 2016, partially offset with various other decreases as a result of the disposition of Grupo Finmart in fiscal 2016.

The net effect of these and other smaller items was a $98.7 million increase in cash on hand during fiscal 2017, providing a $164.4 million ending cash balance.

As of September 30, 2017, our primary source of liquidity was $164.4 million in cash and cash equivalents and cash flows from operations. Of this amount, approximately 6%, or $10.6 million, was held by foreign subsidiaries and is not available to fund domestic operations, portions of which we may be unable to repatriate without incurring United States income taxes. Cash flows from discontinued operations are aggregated with cash flows from continuing operations in the statements of cash flows. Grupo Finmart cash flows are presented separately in Note 16 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplementary Data.”

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Sources and Uses of Cash

Acquisition of GPMX in October 2017

On October 6, 2017, we completed the acquisition of GPMX, a business that owns and operates 112 stores located in Guatemala, El Salvador, Honduras and Peru. The GPMX acquisition significantly expands our store base into Latin American countries outside of Mexico and provides us with a platform for further growth in the region. We paid $53.4 million in cash upon closing, with an additional $2.25 million to be paid contingent upon performance of GPMX's business during the 24 months following the closing date. At the time of closing, GPMX owed $6.6 million in indebtedness to members of the seller's affiliated group, and under the terms of the stock purchase agreement, GPMX repaid such indebtedness during October 2017.

2.875% Convertible Senior Notes Due 2024

In July 2017, we issued $143.75 million aggregate principal amount of 2.875% Convertible Senior Notes Due 2024 (the "2024 Convertible Notes"). For a description of the terms of the 2024 Convertible Notes, see "2.875% Convertible Senior Notes Due 2024" in Note 8 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplementary Data." Net proceeds from the offering, after deducting discounts and expenses, were approximately $140 million and were used as follows:

- $51.6 million was used to pay all outstanding borrowings under, and to terminate, the Term Loan Facility described below;
- $34.4 million was used to repurchase and retire $35.0 million aggregate principal amount of 2.125% Cash Convertible Senior Notes Due 2019 (the "2019 Convertible Notes"), leaving $195 million aggregate principal amount of 2019 Convertible Notes outstanding; and
- The remaining $54 million was added to our cash balances and used for general corporate purposes, including the acquisition GPMX completed in October 2017.

In connection with the repurchase and retirement of 2019 Convertible Notes described above, we entered into agreements to unwind a portion of the note hedge and warrant transactions corresponding to the repurchased and retired 2019 Convertible Notes. We received $0.6 million in connection with the partial settlement of the note hedge transactions and paid $0.5 million in connection with the partial settlement of the warrant transactions. For additional information about the original note hedge and warrant transactions, see "2.125% Cash Convertible Senior Notes Due 2019" in Note 8 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplementary Data."

Sale of Grupo Finmart

In September 2016, we sold all of our equity interests (representing 93.78% of the total issued and outstanding equity interests) in Prestaciones Finmart, S.A.P.I. de C.V., SOFOM, E.N.R. ("Grupo Finmart") to Alpha Holding, S.A. de C.V. ("AlphaCredit") for an adjusted purchase price of $40.9 million, 10% of which ($4.1 million) was paid into an escrow account pending resolution of indemnification claims and the remainder of which was paid in cash.

In connection with the sale, we paid a total of $31.1 million, including future interest payments and penalties, to existing Grupo Finmart lenders and stepped into the position of those lenders, including related collateral, and assumed the receivable from Grupo Finmart with no change in terms. All of this debt has been repaid to us through July 2017, including $6.2 million (principal of $5.3 million) received in July 2017 for early repayment of promissory notes that were originally scheduled to be repaid July 2017 through December 2017.

In connection with the sale, Grupo Finmart issued two promissory notes (the "Parent Loan Notes") to us in the aggregate principal amount of $60.2 million, one being denominated in U.S. dollars and bearing interest at the rate of 4% per annum and the other being denominated in Mexican pesos and bearing interest at 7.5% per annum. The Parent Loan Notes represented the aggregate amount of intercompany indebtedness owed to us by Grupo Finmart at the time of closing. As originally issued, the principal amount of the Parent Loan Notes was payable in three annual installments (30% on the first anniversary of the closing, 40% on the second anniversary of the closing and 30% on the third anniversary of the closing), and accrued interest was payable quarterly.

In September 2017, we and AlphaCredit amended the Parent Loan Notes (which at that time had an aggregate principal amount of $61.0 million due to exchange rate adjustments on the Mexican peso note) as follows:

-

The outstanding principal amount (including the $18.3 million that would otherwise have been payable on September 27, 2017) will be payable on a monthly basis over the remaining two years, commencing October 27, 2017.

- The per annum interest rate has been increased to 10% for the dollar-denominated note and 14.5% for the peso-denominated note. Accrued interest is also payable monthly, commencing October 27, 2017.
- We will receive an additional deferred compensation fee of $14 million, payable $6 million on September 27, 2019, $4 million on March 27, 2020 and $4 million on September 27, 2020.
- The Parent Loan Notes may be prepaid in full voluntarily at any time and are subject to mandatory prepayment in certain circumstances. Upon any prepayment, whether voluntary or mandatory, Grupo Finmart must pay all outstanding principal, all accrued but unpaid interest and an amount equal to the sum of (1) all remaining interest payments that would otherwise be due through the end of the term and (2) the deferred compensation fee. (If the prepayment occurs on or prior to June 30, 2019, the deferred compensation fee will be reduced to $10 million).
- The Parent Loan Notes, as amended, are now guaranteed by AlphaCredit.

As further consideration for these amendments, AlphaCredit agreed to terminate our indemnification obligations with respect to representations and warranties and certain other matters under the Purchase Agreement, dated as of July 1, 2016, that the parties entered into in connection with the sale (the "Purchase Agreement"). Those representations and warranties were originally scheduled to survive until March 27, 2018. AlphaCredit also agreed to terminate all indemnity claims existing at the time of the amendment and to release to us the outstanding balance ($4.1 million) held in escrow pending resolution of indemnification claims.

Term Loan Facility up to $100 Million

On September 12, 2016, we entered into a financing agreement with certain lenders and Fortress Credit Co LLC (as collateral and administrative agent) that provided us with a senior secured credit facility in an aggregate principal amount of up to $100 million (the "Term Loan Facility"). At that time, we drew down the initial term loan of $50 million, with $50 million remaining undrawn as a delayed draw term loan. Borrowings under the Term Loan Facility bore interest at an annual rate initially equal to the London Interbank Offered Rate ("LIBOR") plus 7.5%, and we paid an additional monthly fee of 2.75% per annum on the unused delayed draw term loan and a quarterly loan servicing fee of $15,000.

As noted above, in July 2017, we used $51.6 million of net proceeds from the 2024 Convertible Notes offering to repay all outstanding borrowings under the Term Loan Facility and terminated that facility, including the undrawn delayed draw term loan commitment.

Other

In August 2017, we acquired assets related to two pawn stores in Central Texas and one pawn store in Las Vegas, Nevada, for an aggregate purchase price of $2.3 million, which was paid in cash. We will continue to operate two of these locations and integrated the third into one of our existing stores.

For a description of the 2019 Convertible Notes, the conversion terms thereof and the associated hedges and warrants transactions, see "2.125% Cash Convertible Senior Notes Due 2019" in Note 8 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplementary Data."

We anticipate that cash flow from operations and cash on hand will be adequate to fund our contractual obligations, planned de novo store growth, capital expenditures and working capital requirements during fiscal 2018. Our ability to repay our longer-term debt obligations (including the 2019 Convertible Notes and the 2024 Convertible Notes) may require us to refinance those obligations through the issuance of new debt securities or through new credit facilities.

Contractual Obligations

Below is a summary of our cash needs to meet future aggregate contractual obligations as of September 30, 2017:

		Payments due by Period			
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in thousands)				
Long-term debt obligations (a)	$338,750	$—	$195,000	$—	$143,750
Interest on long-term debt obligations	37,172	8,231	12,409	8,266	8,266
Operating and other lease obligations	255,108	53,829	86,746	53,776	60,757

Total (b) (c)	$631,030	$62,060	$294,155	$62,042	$212,773

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(a) Excludes debt discount and deferred financing costs as well as convertible features.

(b) No provision for uncertain tax benefits has been included as the timing of any such payment is uncertain. See Note 10 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplemental Data." Additionally, no provision for insurance reserves, deferred compensation arrangements, or other liabilities totaling $2.6 million has been included as the timing of such payments are uncertain.

(c) Total excludes contractual obligations already recorded on our consolidated balance sheets as current liabilities, except for the accrued portions of interest and lease obligations.

In addition to the operating lease obligations in the table above, we are responsible for the maintenance, property taxes and insurance at most of our locations. During the fiscal year ended September 30, 2017 these collectively amounted to $21.4 million.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States ("GAAP") requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition, inventory, long-lived and intangible assets, income taxes, contingencies and litigation. We base our estimates on historical experience, observable trends and various other assumptions that we believe to be reasonable under the circumstances. We use this information to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates under different assumptions or conditions.

The critical accounting policies and estimates that could have a significant impact on our results of operations, as well as relevant recent accounting pronouncements, are described in Note 1 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplemental Data." Certain accounting policies regarding the quantification of the sensitivity of certain critical estimates are discussed further below.

Pawn Loan and Sales Revenue Recognition

We record pawn service charges using the effective interest method for all pawn loans we believe to be collectible. We base our estimate of collectible loans on several inputs, including recent redemption rates, historical trends in redemption rates and the amount of loans due in the following months. Unexpected variations in any of these factors could change our estimate of collectible loans, affecting our earnings and financial condition. As of September 30, 2017, the balance of our pawn service charges receivable was $31.5 million. Assuming the pawn loan fees and service charges receivable balance as of September 30, 2017 was overestimated or underestimated by 10%, pawn service charges would decrease or increase by approximately $3.2 million in fiscal 2017 and net income attributable to the Company would decrease or increase by approximately $2.1 million.

Inventory and Cost of Goods Sold

We consider our estimates of obsolete or slow moving inventory and shrinkage critical estimates in determining the appropriate overall valuation allowance for inventory. We monitor our sales margins for each type of inventory on an ongoing basis and compare to historical margins. Significant variances in those margins may require a revision to future inventory reserve estimates. We have historically revised our reserve estimates pertaining to jewelry inventory depending on the current price of gold. Future declines in gold prices may cause an increase in reserve rates pertaining to jewelry inventory. As of September 30, 2017, the gross balance of our inventory was $161.2 million for which we have included reserves of $6.8 million. Assuming the inventory reserve balance as of September 30, 2017 was underestimated or overestimated by 10%, merchandise cost of goods sold would increase or decrease by approximately $0.7 million in 2017 and net income attributable to the Company would decrease or increase by approximately $0.4 million.

Notes Receivable

In September 2017, we restructured our remaining outstanding notes receivable and accounted for such restructuring as new notes for which the modification was more than minor, recognizing $3.0 million of remaining discount as a gain, included under "Interest income" in our consolidated statements of operations. As part of the restructuring of the notes receivable, we negotiated a deferred compensation amount of up to $14.0 million which we will account for as "Interest income" under the effective interest method by adjusting the underlying basis of the notes accordingly, accreting to its ultimate estimated settlement amount through September 2020. We review the payment history, creditworthiness, projected cash flows and related assumptions of Grupo Finmart and AlphaCredit, as applicable, in determining whether our net notes receivable of $61.0 million and deferred compensation amounts are collectible. Through the date of this report, we have received all payments on these restructured notes receivable as contractually obligated. We regularly monitor and evaluate the timeliness of payments and other inputs to the valuation of the notes.

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Goodwill and Other Intangible Assets

We perform our impairment analyses utilizing the income approach. This approach uses future cash flows and estimated terminal values for each of our reporting units (discounted using a market participant perspective) to determine the fair value of each reporting unit, which is then compared to the carrying value of the reporting unit to determine if there is an impairment. Of those reporting units with goodwill, we have determined that they are equivalent to our operating segments for fiscal 2017. The income approach includes assumptions about revenue growth rates, operating margins and terminal growth rates discounted by an estimated weighted-average cost of capital derived from other publicly-traded companies that are similar but not identical from an operational and economic standpoint. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. Discount rates used in our fiscal 2017 goodwill and other intangible asset valuations ranged from 9% to 12%, down from 10% to 14% for fiscal 2016, representing an overall decrease in our weighted-average cost of capital as a result of improving business fundamentals in fiscal 2017 from 2016, as well as a result of our exit from Grupo Finmart and changes in our capital structure. In testing other intangible assets for potential impairment, we apply key assumptions which are consistent with those utilized in our goodwill impairment test. Changes in the economic conditions or regulatory environment could negatively affect our key assumptions.

We may perform a qualitative assessment in making our determination of whether it is more likely than not goodwill and other intangible assets are impaired under appropriate accounting guidance on an annual basis in future reporting periods. In addition to the assumptions discussed above pertaining to the income approach, we consider the assessment of potential triggering events to be a critical estimate.

Convertible Debt Securities

In accounting for our 2.875% Convertible Senior Notes Due 2024 (the “2024 Convertible Notes”) at issuance, we separated the Convertible Debt Securities into debt and equity components pursuant to the accounting standards for convertible debt instruments that may be fully or partially settled in cash upon conversion.

The carrying value of the liability component of the 2024 Convertible Notes was calculated by measuring the fair value of a similar liability that does not have an associated conversion feature, including discount rates slightly above 8%. A 50 basis point change in the discount rate used to record the initial carrying value of the liability would have resulted in an approximate $3 million change in the initial carrying value of the liability and associated equity classified conversion feature. The excess of the principal amount of the 2024 Convertible Notes over the fair value of the liability component was recorded as a discount with a corresponding increase in additional paid-in capital. The debt discount will be accreted to “Interest expense” over the term of the 2024 Convertible Notes using the effective interest method. The amount recorded to “Additional paid-in capital” will not be remeasured as long as it continues to meet the conditions for equity classification.

We account for the conversion premium of the 2024 Convertible Notes under the treasury method in accordance with our accounting policy which assumes settlement of the conversion premium (equal to the as-converted value over the face principal amount) in shares of our Class A Common Stock.

Stock Compensation

We measure share-based compensation expense at the grant date based on the fair value of the award and recognize it as expense, net of estimated forfeitures, ratably over the vesting or service period, as applicable, of the stock award. Our policy is to recognize expense on performance-based awards ratably over the awards’ vesting period and recognize expense on awards that only have service requirements on a straight-line basis. We recognize expense on performance-based awards for those awards with performance conditions which we consider probable of achievement. We adopted Financial Accounting Standards Board Accounting Standards Updates ("ASU") 2016-09, Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, during the first quarter of fiscal 2017. This ASU simplifies several aspects of the accounting for share-based payment transactions, including income tax consequences, calculation of the dilutive impact of awards, classification of awards as either equity or liabilities and classification on the statement of cash flows. We prospectively applied the requirement to present excess tax benefits as an operating activity on the statement of cash flows. Further, we continue to estimate the number of award forfeitures in recording costs for share-based awards. The financial impact of adopting ASU 2016-09

was a $0.5 million income tax benefit for excess tax benefits on vested awards which previously would have been recorded to "Additional paid-in capital" prior to adoption of ASU 2016-09.
We adopted ASU 2014-12, Compensation — Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period, during second quarter of fiscal 2016 and applied the amendments prospectively to all awards granted or modified after the effective date. This

ASU requires recognition of compensation costs for share-based awards with performance targets in the period in which it becomes probable that the performance targets will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered.

Income Taxes

Management believes that it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, together with future reversals of existing taxable temporary differences, will be sufficient to fully recover the deferred tax assets. In the event that we determine all or part of the net deferred tax assets are not realizable in the future, we will make an adjustment to the valuation allowance that would be charged to earnings in the period such determination is made.

We consider the earnings of certain non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and our specific plans for reinvestment of those subsidiary earnings. We have not recorded a deferred tax liability related to the U.S. federal and state income taxes and foreign withholding taxes of our undistributed earnings of foreign subsidiaries indefinitely invested outside the U.S.

We may be subject to income tax audits by the respective tax authorities in any or all of the jurisdictions in which we operate or have operated within a relevant period. Significant judgment is required in determining uncertain tax positions. We utilize the required two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. We adjust these reserves in light of changing facts and circumstances, such as the closing of an audit or the refinement of an estimate. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We believe adequate provisions for income taxes have been made for all periods.

Cautionary Statement Regarding Risks and Uncertainties That May Affect Future Results

This Annual Report on Form 10-K, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend that all forward-looking statements be subject to the safe harbors created by these laws. All statements, other than statements of historical facts, regarding our strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives are forward-looking statements. The words “may,” "can," “should,” “could,” “will,” "would," “predict,” “anticipate,” “believe,” “e
“expect,” “intend,” “plan,” “project” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Such statements are only predictions of the outcome and timing of future events based on our current expectations and currently available information. Actual results could differ materially from those expressed in the forward-looking statements due to a number of risks and uncertainties, many of which are beyond our control. Accordingly, you should not regard any forward-looking statement as a representation that the expected results will be achieved. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this report. Such risks and uncertainties include, among other things:

- Changes in laws and regulations;
- Concentration of business in Texas and Florida;
- Changes in the business, regulatory, political or social climate in Latin America;
- Changes in gold prices or volumes;
- Changes in foreign currency exchange rates;
- Changes in pawn redemption rates, loan default and collection rates or other important operating metrics;
- Our ability to continue growing our store count through acquisitions and de novo openings;
- Our ability to recruit, hire, retain and motivate talented executives and key employees;
- Exposure to Grupo Finmart financial performance through promissory notes received in divestiture transaction;

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- The outcome of current or future litigation and regulatory proceedings;
- Our controlled ownership structure;
- Potential disruptive effect of acquisitions, investments and new businesses;
- Potential regulatory fines and penalties, lawsuits and related liabilities related to firearms business;
- Potential robberies, burglaries and other crimes at our stores;
- Potential exposure under anti-corruption, anti-money laundering and other general business laws and regulations;
- Changes in liquidity, capital requirements or access to debt and capital markets;
- Changes in the competitive landscape;
- Our ability to design or acquire, deploy and maintain adequate information technology and other business systems;
- Potential data security breaches;
- Failure to achieve adequate return on investments;
- Potential uninsured property, casualty or other losses;
- Events beyond our control;
- Changes in U.S. or international tax laws;
- Financial statement impact of potential impairment of goodwill; and
- Potential conversion of Convertible Notes into cash (which could adversely affect liquidity) or stock, (which will cause dilution of existing stockholders).

For a discussion of these important risk factors, see "Part I, Item 1A — Risk Factors."

In addition, we cannot predict all of the risks and uncertainties that could cause our actual results to differ from those expressed in the forward-looking statements. You should not place undue reliance on our forward-looking statements. Although forward-looking statements reflect our good faith beliefs, forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Accordingly, you should not regard any forward-looking statements as a representation that the expected results will be achieved.

We specifically disclaim any responsibility to publicly update any information contained in a forward-looking statement except as required by law. All forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement.

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ITEM 7A — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Disclosures

We are exposed to market risk related primarily to gold values and changes in foreign currency exchange rates.

Our earnings and financial position are affected by changes in gold values, and to a lesser extent silver and stone values, and the resulting impact on pawn lending, jewelry sales and jewelry cost of goods sold. The proceeds of scrap sales and our ability to sell jewelry inventory at an acceptable margin depend on gold values. The impact on our financial position and results of operations of a hypothetical change in gold values cannot be reasonably estimated due to the timing of scrap sales, among other operational considerations.

Our earnings and financial position are affected by foreign exchange rate fluctuations related to our equity investments and our foreign operations. Cash Converters International's functional currency is the Australian dollar, Empeño Fácil's functional currency is the Mexican peso and our Canadian operations' functional currency is the Canadian dollar. Subsequent to September 30, 2017 as a result of the acquisition of GPMX, we are exposed to foreign exchange rate fluctuations related to the Guatemalan quetzal, Peruvian sol and Honduran lempira.

The translation adjustment from Cash Converters International through June 30, 2017 (included in our September 30, 2017 results on a three-month lag) was a $1.3 million increase to stockholders' equity, excluding income tax impacts. During the fiscal year ended September 30, 2017, the Australian dollar strengthened to $1.00 Australian to $0.7834 U.S. from $0.7636 U.S. as of September 30, 2016.

The translation adjustment from Latin America representing the weakening of the Mexican peso during the year ended September 30, 2017 was a $4.7 million increase to stockholders' equity. We have currently assumed indefinite reinvestment of earnings and capital in Mexico. Accumulated translation gains or losses related to any future repatriation of earnings or capital would impact our earnings in the period of repatriation. During the fiscal year ended September 30, 2017, the Mexican peso strengthened to $1.00 Mexican to $0.05495 U.S. from $0.05152 U.S. as of September 30, 2016. We have calculated the impact of foreign currency effects on our fiscal 2017 Mexico Pawn results of operations and determined that revenues and operating contribution would have been $108.4 million and $19.6 million, respectively, as compared to actual revenues and operating contribution of $101.2 million and $18.7 million, respectively, had foreign currency exchange rates remained consistent in fiscal 2017 with those in effect during fiscal 2016.

The translation adjustment from our Canadian operations representing the strengthening of the Canadian dollar during the year ended September 30, 2017 was a $0.2 million increase to stockholders' equity. During the fiscal year ended September 30, 2017, the Canadian dollar strengthened to $1.00 Canadian to $0.8023 U.S. from $0.7636 U.S. as of September 30, 2016.

We cannot predict the future valuation of foreign currencies or how further movements in exchange rates could affect our future earnings or financial position due to the interrelationship of operating results and exchange rates.

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ITEM 8 — FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
EZCORP, Inc.
Rollingwood, Texas

We have audited the accompanying consolidated balance sheets of EZCORP, Inc. as of September 30, 2017 and 2016 and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EZCORP, Inc. at September 30, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), EZCORP, Inc.'s internal control over financial reporting as of September 30, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated November 15, 2017, expressed an unqualified opinion thereon.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for discontinued operations in 2016, due to the adoption of Financial Accounting Standards Board's ("FASB") Accounting Standard Update No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity."

/s/ BDO USA, LLP
Dallas, Texas

November 15, 2017

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EZCORP, Inc.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	September 30,	
	2017	2016
Assets:		
Current assets:		
Cash and cash equivalents	$164,393	$65,737
Pawn loans	169,242	167,329
Pawn service charges receivable, net	31,548	31,062
Inventory, net	154,411	140,224
Notes receivable, net	32,598	41,946
Prepaid expenses and other current assets	28,765	35,845
Total current assets	580,957	482,143
Investment in unconsolidated affiliate	43,319	37,128
Property and equipment, net	57,959	58,455
Goodwill	254,760	253,976
Intangible assets, net	32,420	30,681
Notes receivable, net	28,377	41,119
Deferred tax asset, net	16,856	35,303
Other assets	9,715	44,439
Total assets	$1,024,363	$983,244
Liabilities and equity:		
Current liabilities:		
Accounts payable, accrued expenses and other current liabilities	$61,543	$84,285
Customer layaway deposits	11,032	10,693
Total current liabilities	72,575	94,978
Long-term debt, net	284,807	283,611
Other long-term liabilities	7,055	10,450
Total liabilities	364,437	389,039
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Class A Non-Voting Common Stock, par value $.01 per share; shares authorized: 100 million; issued and outstanding: 51,427,832 as of September 30, 2017 and 51,129,144 as of September 30, 2016	514	511
Class B Voting Common Stock, convertible, par value $.01 per share; shares authorized: 3 million; issued and outstanding: 2,970,171	30	30
Additional paid-in capital	348,532	318,723
Retained earnings	351,666	319,808
Accumulated other comprehensive loss	(38,367)	(44,089)
EZCORP, Inc. stockholders' equity	662,375	594,983
Noncontrolling interest	(2,449)	(778)
Total equity	659,926	594,205
Total liabilities and equity	$1,024,363	$983,244

See accompanying notes to consolidated financial statements.

EZCORP, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands, except per share amounts)		
Revenues:			
Merchandise sales	$414,838	$409,107	$402,118
Jewelry scrapping sales	51,189	50,113	57,973
Pawn service charges	273,080	261,800	247,204
Other revenues	8,847	9,485	12,705
Total revenues	747,954	730,505	720,000
Merchandise cost of goods sold	266,525	258,271	267,789
Jewelry scrapping cost of goods sold	43,931	42,039	46,066
Other cost of revenues	1,988	1,965	3,125
Net revenues	435,510	428,230	403,020
Operating expenses:			
Operations	304,636	301,387	294,939
Administrative	53,254	68,101	72,986
Depreciation and amortization	23,661	26,542	30,959
Loss on sale or disposal of assets	359	1,106	2,659
Restructuring	—	1,921	17,080
Total operating expenses	381,910	399,057	418,623
Operating income (loss)	53,600	29,173	(15,603)
Interest expense	27,803	16,477	16,385
Interest income	(12,103)	(81)	(278)
Equity in net (income) loss of unconsolidated affiliate	(4,916)	255	5,473
Impairment of investments	—	10,957	26,837
Other (income) expense	(423)	1,202	2,187
Income (loss) from continuing operations before income taxes	43,239	363	(66,207)
Income tax expense (benefit)	11,206	9,361	(14,025)
Income (loss) from continuing operations, net of tax	32,033	(8,998)	(52,182)
Loss from discontinued operations, net of tax	(1,825)	(79,432)	(42,045)
Net income (loss)	30,208	(88,430)	(94,227)
Net loss attributable to noncontrolling interest	(1,650)	(7,686)	(5,035)
Net income (loss) attributable to EZCORP, Inc.	$31,858	$(80,744)	$(89,192)
Basic earnings (loss) per share attributable to EZCORP, Inc. — continuing operations	$0.62	$(0.15)	$(0.94)
Diluted earnings (loss) per share attributable to EZCORP, Inc. — continuing operations	$0.62	$(0.15)	$(0.94)
Weighted-average basic shares outstanding	54,260	54,427	54,369
Weighted-average diluted shares outstanding	54,368	54,427	54,369

See accompanying notes to consolidated financial statements.

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EZCORP, Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Net income (loss)	$30,208	$(88,430)	$(94,227)
Other comprehensive income (loss):			
Foreign currency translation gain (loss), net of income tax (expense) benefit for our investment in unconsolidated affiliate of ($446), $1,975 and $4,408 for the years ended September 30, 2017, 2016 and 2015, respectively	5,701	(14,580)	(50,667)
Amounts reclassified from accumulated other comprehensive loss	—	22	457
Other comprehensive income (loss), net of tax	5,701	(14,558)	(50,210)
Comprehensive income (loss)	35,909	(102,988)	(144,437)
Comprehensive loss attributable to noncontrolling interest	(1,671)	(8,078)	(10,347)
Comprehensive income (loss) attributable to EZCORP, Inc.	$37,580	$(94,910)	$(134,090)

See accompanying notes to consolidated financial statements.

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EZCORP, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Equity
	(in thousands)						
Balances as of October 1, 2014	53,585	$536	$332,264	$489,744	$ (10,198)	$ —	$812,346
Stock compensation	—	—	(1,558)	—	—	—	(1,558)
Purchase of subsidiary shares from noncontrolling interest	—	—	(20,222)	—	(71)	—	(20,293)
Release of restricted stock	111	1	—	—	—	—	1
Excess tax deficiency from stock compensation	—	—	(236)	—	—	—	(236)
Taxes paid related to net share settlement of equity awards	—	—	(210)	—	—	—	(210)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—	428	—	428
Foreign currency translation adjustment	—	—	—	—	(45,255)	—	(45,255)
Net loss	—	—	—	(89,192)	—	—	(89,192)
Balances as of September 30, 2015	53,696	$537	$310,038	$400,552	$ (55,096)	$ —	$656,031
Stock compensation	—	—	9,152	—	—	—	9,152
Release of restricted stock	403	4	—	—	—	—	4
Excess tax deficiency from stock compensation	—	—	(295)	—	—	—	(295)
Taxes paid related to net share settlement of equity awards	—	—	(172)	—	—	—	(172)
Amounts reclassified from accumulated other comprehensive loss	—	—	—	—	21	—	21
Foreign currency translation adjustment	—	—	—	—	(14,187)	—	(14,187)
Foreign currency translation reclassification upon disposition of Grupo Finmart	—	—	—	—	25,173	—	25,173
Acquisition of noncontrolling interest	—	—	—	—	—	246	246
Net loss	—	—	—	(80,744)	—	(1,024)	(81,768)
Balances as of September 30, 2016	54,099	$541	$318,723	$319,808	$ (44,089)	$ (778)	$594,205
Stock compensation	—	—	5,831	—	—	—	5,831
Release of restricted stock	299	3	—	—	—	—	3
Taxes paid related to net share settlement of equity awards	—	—	(767)	—	—	—	(767)
Reclassification of 2019 Convertible Notes Warrants to liabilities	—	—	(523)	—	—	—	(523)
Foreign currency translation adjustment	—	—	—	—	5,722	(21)	5,701
Equity classified conversion feature of 2024 Convertible Notes, net of tax	—	—	25,268	—	—	—	25,268

Net income (loss)	—	—	—	31,858	—	(1,650)	30,208
Balances as of September 30, 2017	54,398	$ 544	$ 348,532	$ 351,666	$ (38,367)	$ (2,449)	$ 659,926

See accompanying notes to consolidated financial statements.

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EZCORP, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Operating activities:			
Net income (loss)	$30,208	$(88,430)	$(94,227)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	23,661	28,651	37,034
Amortization of debt discount and deferred financing costs	12,303	12,375	13,038
Amortization of prepaid commissions	—	13,083	13,702
Accretion of notes receivable discount	(3,788)	—	—
Consumer loan loss provision	1,988	27,917	51,966
Deferred income taxes	6,046	2,674	(2,124)
Impairment of goodwill and long-lived assets	—	73,244	30,782
Other adjustments	17	7,289	13,925
Gain on restructured notes receivable	(3,048)	—	—
Gain on disposition of Grupo Finmart, net of loss on extinguishment	—	(32,172)	—
Loss on extinguishment of debt and other	5,250	—	—
Loss on sale or disposal of assets	359	1,106	2,893
Stock compensation expense	5,866	5,346	2,374
(Income) loss from investments in unconsolidated affiliate	(4,916)	255	5,473
Impairment of investments in unconsolidated affiliate	—	10,957	26,837
Changes in operating assets and liabilities, net of business acquisitions:			
Service charges and fees receivable	(224)	7,677	(9,987)
Inventory	721	(3,735)	433
Prepaid expenses, other current assets and other assets	5,166	(15,397)	(11,980)
Accounts payable, accrued expenses and other liabilities	(31,041)	(26,297)	15,564
Customer layaway deposits	241	329	1,997
Income taxes, net of excess tax benefit from stock compensation	3,027	37,334	(23,144)
Dividends from unconsolidated affiliate	—	2,197	4,842
Net cash provided by operating activities	51,836	64,403	79,398
Investing activities:			
Loans made	(646,625)	(676,375)	(842,074)
Loans repaid	386,383	428,196	574,353
Recovery of pawn loan principal through sale of forfeited collateral	244,632	235,168	243,692
Additions to property and equipment, net of proceeds from sale of assets	(18,853)	(9,550)	(23,722)
Acquisitions, net of cash acquired	(2,250)	(6,000)	(7,802)
Investments in unconsolidated affiliate	—	—	(12,140)
Proceeds from disposition of Grupo Finmart, net of cash disposed	—	35,277	—
Principal collections on notes receivable	29,458	—	—
Net cash (used in) provided by investing activities	(7,255)	6,716	(67,693)
Financing activities:			
Taxes paid related to net share settlement of equity awards	(767)	(172)	(210)
Payout of deferred consideration	—	(15,000)	(6,000)
Purchase of subsidiary shares from noncontrolling interest	—	—	(32,411)
Proceeds from settlement of forward currency contracts	—	3,557	2,313

Change in restricted cash	—	8,199	40,949
Proceeds from borrowings, net of issuance costs	139,506	64,133	70,130
Payments on borrowings	(85,388)	(112,123)	(72,369)
Repurchase of common stock	—	(11,750)	—
Net cash provided by (used in) financing activities	53,351	(63,156)	2,402
Effect of exchange rate changes on cash and cash equivalents	724	(1,350)	(10,308)
Net increase in cash and cash equivalents	98,656	6,613	3,799
Cash and cash equivalents at beginning of period	65,737	59,124	55,325
Cash and cash equivalents at end of period	$164,393	$65,737	$59,124
Cash paid (refunded) during the period for:			
Interest	$9,068	$18,722	$16,472
Income taxes, net	8,866	2,962	(8,042)
Non-cash investing and financing activities:			
Pawn loans forfeited and transferred to inventory	$257,388	$249,316	$230,998
Dividend reinvestment acquisition of additional ownership in unconsolidated affiliate	1,153	—	—
Issuance of common stock due to acquisitions	—	—	11,696
Deferred consideration	—	—	9,500
Equity adjustment due to noncontrolling interest purchase	—	—	23,251

See accompanying notes to consolidated financial statements.

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EZCORP, Inc.
Notes to Consolidated Financial Statements
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Description of Business
We are a leading provider of pawn loans in the United States and Mexico. Pawn loans are non-recourse loans collateralized by tangible property. We also sell merchandise, primarily collateral forfeited from pawn lending operations and used merchandise purchased from customers, and operate a small number of financial services stores in Canada.
As of September 30, 2017, we operated a total of 786 locations, consisting of:
- 513 United States pawn stores (operating primarily as EZPAWN or Value Pawn & Jewelry);
- 246 Mexico pawn stores (operating as Empeño Fácil); and
- 27 financial services stores in Canada (operating as CASHMAX).

We also own approximately 32% of Cash Converters International Limited (“Cash Converters International”), based in Australia and publicly-traded on the Australian Stock Exchange, which franchises and operates a worldwide network of nearly 700 locations that provide pawn loans, short-term unsecured loans and other consumer finance products, and buy and sell second-hand goods.
Basis of Presentation and Principles of Consolidation
The consolidated financial statements include the accounts of EZCORP, Inc. and its consolidated subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation.
We adopted Financial Accounting Standards Board ("FASB") Accounting Standards Updates ("ASUs") 2014-15, Presentation of Financial Statements — Going Concern (Subtopic 205-40) during the first quarter of fiscal 2017. Upon adoption of the ASU, management has the responsibility to evaluate whether there is substantial doubt about our ability to continue as a going concern for a period of one year after the date that the financial statements are issued (or available to be issued) or to provide related footnote disclosures.
To determine if we hold a controlling financial interest in an entity, we first evaluate if we are required to apply the variable interest entity (“VIE”) model to the entity; otherwise, the entity is evaluated under the voting interest model. Where we hold current or potential rights that give us the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance, combined with a variable interest that gives us the right to receive potentially significant benefits or the obligation to absorb potentially significant losses, we have a controlling financial interest in that VIE. Rights held by others to remove the party with power over the VIE are not considered unless one party can exercise those rights unilaterally.
In evaluating whether we have the power to direct the activities of a VIE that most significantly impact its economic performance, we consider the purpose for which the VIE was created, the importance of each of the activities in which it is engaged and our decision-making role, if any, in those activities that significantly determine the entity’s economic performance as compared to other economic interest holders. This evaluation requires consideration of all facts and circumstances relevant to decision-making that affects the entity’s future performance and the exercise of professional judgment in deciding which decision-making rights are most important.
In determining whether we have the right to receive benefits or the obligation to absorb losses that could potentially be significant to a VIE, we evaluate all of our economic interests in the entity, regardless of form (debt, equity, management and servicing fees and other contractual arrangements). This evaluation considers all relevant factors of the entity’s design, including the entity’s capital structure, contractual rights to earnings or losses, subordination of our interests relative to those of other investors, as well as any other contractual arrangements that might exist that could have the potential to be economically significant. The evaluation of each of these factors in reaching a conclusion about the potential significance of our economic interests is a matter that requires the exercise of professional judgment.
Our fiscal 2017 noncontrolling interest is comprised of activities of an insignificant consolidated VIE of which we have majority ownership and are the primary funding source. In addition, see “Notes Receivable from Grupo Finmart Divestiture” in Note 5 for discussion of the nonconsolidated VIE Prestaciones Finmart, S.A.P.I. de C.V., SOFOM, E.N.R. ("Grupo Finmart").

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Reclassifications to Prior Period Financial Statements

Certain reclassifications of prior period amounts have been made. These reclassifications, other than those pertaining to the adoption of ASUs discussed below, were made to conform to the current period presentation.

Pawn Loan and Sales Revenue Recognition

We record pawn service charges using the effective interest method for all pawn loans we believe to be collectible. We base our estimate of collectible loans on several inputs, including recent redemption rates, historical trends in redemption rates and the amount of loans due in the following months. Unexpected variations in any of these factors could change our estimate of collectible loans, affecting our earnings and financial condition. If a pawn loan is not repaid, we value the forfeited collateral (inventory) at the lower of cost (pawn loan principal) or net realizable value of the item.

We record sales revenue and the related cost when merchandise inventory is sold, or when we receive the final payment on a layaway sale. We record sales revenue and the related cost when scrap inventory is sold and the proceeds to be received are fixed and determinable and ownership is transferred. Sales tax collected on the sale of inventory is excluded from the amount recognized as sales and instead recorded as a liability in “Accounts payable, accrued expenses and other current liabilities” in our consolidated balance sheets until remitted to the appropriate governmental authorities.

Customers may purchase a product protection plan that allows them to exchange certain general merchandise (non-jewelry) sold through our retail pawn operations within six months of purchase. We recognize the fees for this service as revenue ratably over the three to six month period of the plan. We also offer a jewelry VIP package, which guarantees customers a minimum future pawn loan amount on the item sold, allows them full credit if they trade in the item to purchase a more expensive piece of jewelry, and provides minor repair service on the item sold. These fees are recognized upon sale. Customers may also purchase an item on layaway by paying a minimum layaway deposit of typically 10% of the item’s sale price. We hold the item for a 60 to 180-day period, during which the customer is required to pay the balance of the sales price. The initial deposit and subsequent payments are recorded as customer layaway deposits. Layaways are recorded as sales when paid in full. We record product protection, jewelry VIP and layaway fees as merchandise sales revenue, as they are incidental to sales of merchandise.

Inventory and Cost of Goods Sold

If a pawn loan is not redeemed, we record the forfeited collateral at cost (the principal amount of the pawn loan) in "Inventory, net" in our consolidated balance sheets. We do not record loan loss allowances or charge-offs on the principal portion of pawn loans, as they are fully collateralized. We record our inventory using the specific identification method of accounting.

In order to state inventory at the lower of cost or net realizable value, we record an allowance for excess, obsolete or slow moving inventory based on the type and age of merchandise. Our inventory consists primarily of general merchandise and jewelry. Our "Merchandise cost of goods sold" includes the historical cost of inventory sold, inventory shrinkage and any change in the allowance for inventory shrinkage and valuation. We include the cost of operating our central jewelry processing unit under “Jewelry scrapping cost of goods sold,” as it relates directly to sales of precious metals to refiners.

We consider our estimates of obsolete or slow moving inventory and shrinkage critical estimates in determining the appropriate overall valuation allowance for inventory. We monitor our sales margins for each type of inventory on an ongoing basis and compare to historical margins. Significant variances in those margins may require a revision to future inventory reserve estimates. We monitor our reserve estimates pertaining to jewelry inventory depending on the current and projected prices of gold. Future declines in the value of gold prices may cause an increase in reserve rates pertaining to jewelry inventory.

With respect to our Mexico pawn operations, we do not own the forfeited collateral; however, we assume the risk of loss on such collateral and are solely responsible for its care and disposition and as such, record such collateral under “Inventory, net” in our consolidated balance sheets. The amount of inventory from our Mexico pawn operations classified as “Inventory, net” in our consolidated balance sheets was $21.8 million and $19.0 million as of September 30, 2017 and 2016, respectively.

We adopted ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory, during the first quarter of fiscal 2017 on a prospective basis, and such adoption did not have a material impact on our consolidated financial position, results of operations or cash flows. We now measure our inventories at the lower of cost or net realizable value, where net realizable value is "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation." Inventory was previously required to be measured at the lower of cost or market value, where the measurement of market value had several potential outcomes.

Cash and Cash Equivalents and Cash Concentrations

Cash and cash equivalents consist primarily of cash on deposit or highly liquid investments with original contractual maturities of three months or less, or money market mutual funds. We hold cash at major financial institutions that often exceed FDIC insured limits. We manage our credit risk associated with cash and cash equivalents and cash concentrations by concentrating our cash deposits in high quality financial institutions and by periodically evaluating the credit quality of the primary financial institutions issuing investments or holding such deposits. Historically, we have not experienced any losses due to such cash concentrations.

Notes Receivable

As discussed under “Notes Receivable from Grupo Finmart Divestiture” in Note 5, in September 2017 we restructured the repayment arrangements for certain promissory notes that we had received from Grupo Finmart in connection with such divestiture. We accounted for the restructuring as new notes receivable for which the modification was more than minor, recognizing $3.0 million of discount remaining on the original notes receivable as a gain, included in our income statement as a component of “Interest income.” As part of the restructuring of the notes receivable, we negotiated a deferred compensation amount of up to $14.0 million which we will account for as “Interest income” under the effective interest method, accreting to its ultimate estimated settlement amount at September 2020. We review the payment history, creditworthiness, projected cash flows and related assumptions of Grupo Finmart and AlphaCredit (the guarantor of such notes receivable) in determining whether our notes receivable and deferred compensation amounts are collectible. Prior to the restructuring, we amortized the discount on our notes receivable into “Interest income” under the effective interest method over the life of the notes receivable. We currently accrue interest under the terms of the repayment schedules. These items are included in “Corporate items” and “Mexico Pawn” within our segment disclosure in Note 5. As of September 30, 2017, we have included no impairment due to non-collectability on our notes receivable.

Equity Method Investments

We account for our investment in Cash Converters International using the equity method. Since Cash Converters International’s fiscal year ends three months prior to ours, we report the income from this investment on a three-month lag. Thus, income reported for fiscal years ended September 30, 2017, 2016 and 2015 represents our percentage interest in the results of Cash Converters International’s operations from July 1, 2016 to June 30, 2017, July 1, 2015 to June 30, 2016 and July 1, 2014 to June 30, 2015, respectively. Because Cash Converters International publicly files semi-annual financial reports with the Australian Securities & Investments Commission as of and for the periods ended June 30 and December 31, we make estimates for our equity in Cash Converters International’s net income (loss) for Cash Converters International three-month periods ended March 31 (our reporting period ended June 30) and September 30 (our reporting period ended December 31). Those estimates may vary from actual results. We adjust our estimates as necessary in our reporting periods ended March 31 and September 30 to conform to Cash Converters International actual results as shown in their published semi-annual reports. We record all other-than-temporary impairments as of the date of our reporting period.

Cash Converters International records its results of operations under International Financial Reporting Standards (“IFRS”). There have historically been and currently are no material differences between Cash Converters International results of operations based upon IFRS versus results of operations as converted to accounting principles generally accepted in the United States of America (“GAAP”). We will continue to monitor for any potential IFRS to GAAP differences.

Impairments and other items recognized in prior years have created a negative basis in our investment in Cash Converters International of $20.7 million as compared to our proportionate share of equity. We accounted for this negative basis as a reduction in our portion of Cash Converters International goodwill. We will increase our equity in Cash Converters International’s net income in future reporting periods for our portion of any impairments of goodwill that may be recorded by Cash Converters International until such negative basis is restored.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets having indefinite lives are not subject to amortization. We test goodwill and intangible assets with indefinite useful lives for potential impairment annually as of September 30, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. We adopted ASU 2017-04, Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, during the fourth quarter of fiscal 2017, and such adoption did not have a material impact on our consolidated financial position, results of operations or cash flows. This ASU eliminates Step 2 from the goodwill impairment test which previously required measurement of any goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Under the new standard we compare the fair value of our reporting units with their carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, without exceeding the total amount of goodwill allocated to that reporting unit.

We perform our impairment analyses utilizing the income approach. This approach uses future cash flows and estimated terminal values for each of our reporting units (discounted using a market participant perspective) to determine the fair value of each reporting unit, which is then compared to the carrying value of the reporting unit to determine if there is an impairment. We have determined that our reporting units are equivalent to our operating segments for fiscal 2017. The income approach includes assumptions about revenue growth rates, operating margins and terminal growth rates discounted by an estimated weighted-average cost of capital derived from other publicly-traded companies that are similar but not identical from an operational and economic standpoint. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. Discount rates used in fiscal 2017 goodwill and other intangible asset valuations ranged from 9% to 12%. In testing other intangible assets for potential impairment, we apply key assumptions that are consistent with those utilized in our goodwill impairment test. Changes in the economic conditions or regulatory environment could negatively affect our key assumptions.

In addition to the assumptions discussed above pertaining to the income approach, we consider the assessment of potential triggering events to be a critical estimate.

Property and Equipment

We record property and equipment at cost. We depreciate these assets on a straight-line basis using estimated useful lives of 30 years for buildings and two to seven years for furniture, equipment and software development costs. We depreciate leasehold improvements over the shorter of their estimated useful life (typically 10 years) or the reasonably assured lease term at the inception of the lease.

Valuation of Tangible Long-Lived Assets

We assess the impairment of tangible long-lived assets whenever events or changes in circumstances indicate that the net recorded amount may not be recoverable. The following factors could trigger an impairment review: significant underperformance relative to historical or projected future cash flows, significant changes in the manner of use of the assets or the strategy for the overall business, or significant negative industry trends or legislative changes prohibiting us from offering our loan products. An impairment loss is recognized if the future undiscounted cash flows associated with the asset and the estimated fair value of the asset are less than the asset's carrying value.

In addition to the assumptions associated with the determination of projected future cash flows, we consider the assessment of potential triggering events to be a critical estimate.

Software Development Costs and Cloud Computing Arrangements

We capitalize certain costs incurred in connection with developing or obtaining software for internal use and amortize the costs on a straight-line basis over the estimated useful lives of each system, typically five years.

We adopted ASU 2015-05, Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, during the first quarter of fiscal 2017 on a prospective basis for all arrangements entered into or materially modified after adoption of the ASU, and such adoption did not have a material impact on our consolidated financial position, results of operations or cash flows. We now consider whether cloud computing arrangements include a software license. In evaluating whether our arrangements include a software license, we consider whether we have the contractual right to take possession of the software at any time during the hosting period without significant penalty and whether it is feasible for us to either run the software on our own hardware or contract with another party unrelated to the vendor to host the software. If a cloud computing arrangement includes a software license, then we account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, we account for the arrangement as a service contract.

Customer Layaways
Customer layaway deposits are recorded as deferred revenue until we collect the entire related sales price and deliver the related merchandise to the customer.
Insurance Recoveries
We incur legal costs with respect to a variety of issues on an ongoing basis. To the extent that such costs are reimbursable under applicable insurance policies, we believe it is probable such costs will be reimbursed and such reimbursements can be reasonably estimated, we record a receivable from the insurance enterprise and a recovery of the costs in our statements of operations. All loss contingencies are recorded gross of the insured recoveries as applicable.
Fair Value of Financial Instruments
We have elected not to measure at fair value any eligible items for which fair value measurement is optional. We determine the fair value of financial instruments by reference to various market data and other valuation techniques, as appropriate.
Business Combinations
We allocate the total acquisition price to the fair value of assets and liabilities acquired and immediately expense transaction costs. We adopted ASU 2015-16, Business Combinations (Topic 805), during the second quarter of fiscal 2016 to reduce the cost and complexity of accounting for and reporting business combinations, and such adoption did not have a material impact on our consolidated financial position, results of operations or cash flows. This ASU requires recognition of adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, with the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date.
Convertible Debt Securities
In accounting for our 2.875% Convertible Senior Notes Due 2024 (the “2024 Convertible Notes”) at issuance, we separated the 2024 Convertible Notes into debt and equity components pursuant to the accounting standards for convertible debt instruments that may be fully or partially settled in cash upon conversion. The carrying value of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated conversion feature, including discount rates slightly above 8%. The excess of the principal amount of the 2024 Convertible Notes over the fair value of the liability component was recorded as a discount with a corresponding increase in additional paid-in capital. The debt discount will be accreted to “Interest expense” over the term of the 2024 Convertible Notes using the effective interest method. The amount recorded to “Additional paid-in capital” will not be remeasured as long as it continues to meet the conditions for equity classification.
Foreign Currency
Our equity investment in Cash Converters International is translated from Australian dollars into United States dollars at the exchange rates as of Cash Converters International’s balance sheet date each reporting period. The related interest in Cash Converters International’s net income is translated at the average exchange rate for each six-month period reported by Cash Converters International.
The functional currency of Mexico Pawn is the Mexican peso. The functional currency of our wholly owned foreign subsidiary in Canada is the Canadian dollar. Our foreign subsidiaries' balance sheet accounts are translated from their respective functional currencies into United States dollars at the exchange rate at the end of each quarter, and their earnings are translated into United States dollars at the average exchange rate each quarter. We present resulting translation adjustments as a separate component of stockholders’ equity.
Foreign currency transaction gains and losses not accounted for as translations as discussed above are included under “Other expense” in our consolidated statements of operations. These (gains) losses included in continuing operations were $(0.5) million, $1.1 million and $2.2 million for fiscal 2017, 2016 and 2015, respectively.
Operations Expense
Included in “Operations” expense are costs related to operating our stores and any direct costs of support offices. These costs include labor, other direct expenses such as utilities, supplies and banking fees and indirect expenses such as store rent, building repairs and maintenance, advertising, store property taxes and insurance and regional and area

management expenses.

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Administrative Expense

Included in “Administrative” expense are costs related to our executive and administrative offices. This includes executive and administrative salaries, wages, stock and incentive compensation, professional fees, license fees, costs related to the operation of our administrative offices such as rent, property taxes, insurance, information technology and other corporate costs.

Advertising

Advertising costs are expensed as incurred and included primarily under “Operations” expense in our consolidated statements of operations. These costs included in continuing operations were $1.9 million, $2.1 million and $3.1 million for fiscal 2017, 2016 and 2015, respectively.

Stock Compensation

We measure share-based compensation expense at the grant date based on the fair value of the award and recognize it as expense, net of estimated forfeitures, ratably over the vesting or service period, as applicable, of the stock award. Our policy is to recognize expense on performance-based awards ratably over the awards’ vesting period and recognize expense on awards that only have service requirements on a straight-line basis.

We adopted ASU 2016-09, Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, during the first quarter of fiscal 2017. This ASU simplifies several aspects of the accounting for share-based payment transactions, including income tax consequences, calculation of the dilutive impact of awards, classification of awards as either equity or liabilities and classification on the statement of cash flows. We prospectively applied the requirement to present excess tax benefits as an operating activity on the statement of cash flows. Further, we continue to estimate the number of award forfeitures in recording costs for share-based awards. The financial impact of adopting the ASU was a $0.5 million income tax benefit for excess tax benefits on vested awards which previously would have been recorded to "Additional paid-in capital" prior to adoption of the ASU.

We adopted ASU 2014-12, Compensation — Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period, during the second quarter of fiscal 2016 and applied the amendments prospectively to all awards granted or modified after the effective date. This ASU requires recognition of compensation costs for share-based awards with performance targets in the period in which it becomes probable that the performance targets will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered.

Income Taxes

We account for income taxes using 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 value of assets and liabilities and their tax basis and for 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 the related 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 when the rate change is enacted.

We consider the earnings of certain non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and our specific plans for reinvestment of those subsidiary earnings. We have not recorded a deferred tax liability related to the U.S. federal and state income taxes and foreign withholding taxes of our undistributed earnings of foreign subsidiaries indefinitely invested outside the U.S.

We may be subject to income tax audits by the respective tax authorities in any or all of the jurisdictions in which we operate or have operated within a relevant period. Significant judgment is required in determining uncertain tax positions. We utilize the required two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. We adjust these reserves in light of changing facts and circumstances, such as the closing of an audit or the refinement of an estimate. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We believe adequate provisions for income taxes have been made for all periods. We recognize interest and penalties related to unrecognized tax benefits as “Income tax expense” in our consolidated statements of operations, which were $0.2 million, $0.2 million and $0.1 million during fiscal 2017, 2016 and 2015, respectively.

We consider our assessment of the recognition of deferred tax assets as well as estimates of uncertain tax positions to be critical estimates.

Earnings per Share and Common Stock

We compute basic earnings per share on the basis of the weighted average number of shares of common stock outstanding during the period. We compute diluted earnings per share on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding, including conversion features embedded in our outstanding convertible debt, during the period using the treasury stock method. Dilutive potential common shares include outstanding restricted stock awards, as well as shares issuable on conversion of our outstanding convertible debt securities and exercise of outstanding warrants. Potential common shares are required to be excluded from the computation of diluted earnings per share if the assumed proceeds upon exercise or vest are greater than the cost to re-acquire the same number of shares at the average market price, and therefore the effect would be anti-dilutive. There were no participating securities outstanding during fiscal 2017, 2016 and 2015 requiring the application of the two-class method.

Our capital stock consists of two classes of common stock designated as Class A Non-Voting Common Stock (“Class A Common Stock”) and Class B Voting Common Stock (“Class B Common Stock”). The rights, preferences and privileges of the Class A and Class B Common Stock are similar except that each share of Class B Common Stock has one vote and each share of Class A Common Stock has no voting privileges, except as required by law. All Class A Common Stock is publicly held. Holders of Class B Common Stock may, individually or as a class, convert some or all of their shares into Class A Common Stock on a one-to-one basis. Class A Common Stock becomes voting common stock upon the conversion of all Class B Common Stock to Class A Common Stock. We are required to reserve the number of authorized but unissued shares of Class A Common Stock that would be issuable upon conversion of all outstanding shares of Class B Common Stock.

Use of Estimates and Assumptions

The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition, inventory, collectability of notes receivable, loan loss allowances, long-lived and intangible assets, income taxes, contingencies and litigation. We base our estimates on historical experience, observable trends and various other assumptions that we believe are reasonable under the circumstances. We use this information to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from the estimates under different assumptions or conditions.

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Discontinued Operations

We adopted ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) — Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, during the first quarter of fiscal 2016. There was no impact of adopting the ASU on our consolidated financial position, results of operations or cash flows. We have presented our Grupo Finmart segment classified as a discontinued operation as held for sale under the ASU, and our operations discontinued prior to adoption of the ASU including our U.S. Financial Services business ("USFS") under the accounting guidance in effect before the adoption of the ASU.

Accounting Pronouncements Not Yet Adopted

- In May 2017, the FASB issued ASU 2017-09, Compensation — Stock Compensation (Topic 718). This ASU provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted based upon guidance issued within the ASU. A reporting entity should apply the amendment to awards modified after the adoption date on a prospective basis. We do not anticipate that the adoption of the ASU will have a material effect on our financial position, results of operations or cash flows.
- In November 2016, the FASB issued ASU 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash. This ASU requires the inclusion of restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted, including within interim periods. A reporting entity should apply the amendment on a retrospective basis as of the beginning of the fiscal year for which the amendments are effective. We are in the process of evaluating the impact of adopting the on our consolidated financial position, results of operations and cash flows.
- In August 2016, the FASB issued ASU 2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This ASU provides guidance on eight specific cash flow issues. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted, including within interim periods. A reporting entity should apply the amendment on a retrospective basis as of the beginning of the fiscal year for which the amendments are effective. We are in the process of evaluating the impact of adopting the ASU on our consolidated financial position, results of operations and cash flows.
- In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This ASU requires financial assets (or groups of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected, among other provisions. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted as of fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A reporting entity should generally apply the amendment on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting periods in which the amendment is effective. We have not identified any impacts to our financial statements that we believe will be material as a result of the adoption of the ASU, although we continue to evaluate the impact of adoption
- In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU requires companies to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use assets. The provisions of this ASU are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted based upon guidance issued within the ASU. Although we are in the process of evaluating the impact of adopting the ASU on our consolidated financial position, results of operations and cash flows, we anticipate a material impact on our consolidated financial position. Additionally, we are evaluating the disclosure requirements under this ASU and are identifying and preparing to implement changes to our accounting policies, practices and controls to support adoption of the ASU and are evaluating upgrades to our third party software solution concurrently with our adoption. We believe we are following an appropriate timeline to allow for proper recognition, presentation and disclosure upon adoption of the ASU which is effective for fiscal 2020.

- In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606) to defer the effective date to December 15, 2017 for annual reporting periods beginning after that date, with early adoption permitted, but not before the original effective date of December 15, 2016. The core principle of the ASU, and the subsequently issued ASUs modifying or clarifying the ASU, is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, the guidance provides that an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. The new standard allows for two methods of adoption: (a) full retrospective adoption, meaning the standard is applied to all periods presented, or (b) modified retrospective adoption, meaning the cumulative effect of applying the new standard is recognized as an adjustment to the opening retained earnings balance.

We are evaluating the impact that will result from adopting the ASU on our consolidated financial position, results of operations, and cash flows. We currently anticipate adopting the ASU using the modified retrospective method. We do not believe the adoption will have an impact on our pawn service charges recognition as we do not believe such charges are within the scope of the ASU. Further, we have not identified any impacts to our financial statements that we believe will be material as a result of the adoption of the ASU for other revenue streams, although we continue to evaluate the impact of adoption. We believe we are following an appropriate timeline to allow for proper recognition, presentation and disclosure upon adoption of the ASU which is effective for fiscal 2019.

NOTE 2: ACQUISITIONS

We have concluded that the acquisitions described below were immaterial to our overall consolidated financial results and, therefore, have omitted the information that would otherwise be required by ASC 805-10-50-2(h). See Note 18, Subsequent Events, for discussion of an acquisition completed in October 2017.

Fiscal 2017

In August 2017, we acquired certain assets related to two pawn stores in Central Texas and one pawn store in Las Vegas, Nevada, of which two were ultimately placed into operation. The aggregate purchase price for these transactions in total was $2.3 million in cash, of which $0.4 million was recorded as goodwill. For additional discussion of the Central Texas acquisition, see Note 11.

Fiscal 2016

On February 1, 2016, we acquired six pawn stores in the Houston, Texas area doing business under the "Pawn One" brand. The aggregate purchase price was $6.2 million in cash, inclusive of all ancillary arrangements, of which $3.2 million was recorded as goodwill.

Fiscal 2015

On August 17, 2015, we completed the acquisition of 13 pawn stores in Oregon and Arizona doing business under the "USA Pawn" brand. The aggregate purchase price was $12.3 million in cash, inclusive of a $0.2 million reduction for imputed interest and all ancillary arrangements. Of the total purchase price, $3.0 million was paid at closing, $3.0 million was paid in December 2015, and $6.5 million was paid in February 2016.

On February 19, 2015, we completed the acquisition of 12 pawn stores in Central Texas doing business under the "Cash Pawn" brand. The aggregate purchase price for the acquisition was $16.5 million, comprised of $5.0 million cash and 1,168,456 shares of our Class A Common Stock, valued at $10.01 per share less a $0.2 million Holding Period Adjustment. On the first anniversary of the closing date, the sellers exercised their right to require us to repurchase the Class A Common Stock for an aggregate price of $11.8 million.

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NOTE 3: EARNINGS PER SHARE

Components of basic and diluted earnings (loss) per share and excluded antidilutive potential common shares are as follows:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands, except per share amounts)		
Net income (loss) from continuing operations attributable to EZCORP (A)	$33,683	$(7,973)	$(51,298)
Loss from discontinued operations, net of tax (B)	(1,825)	(72,771)	(37,894)
Net income (loss) attributable to EZCORP (C)	$31,858	$(80,744)	$(89,192)
Weighted average outstanding shares of common stock (D)	54,260	54,427	54,369
Dilutive effect of restricted stock*	108	—	—
Weighted average common stock and common stock equivalents (E)	54,368	54,427	54,369
Basic earnings (loss) per share attributable to EZCORP:			
Continuing operations (A / D)	$0.62	$(0.15)	$(0.94)
Discontinued operations (B / D)	(0.03)	(1.34)	(0.70)
Basic earnings (loss) per share (C / D)	$0.59	$(1.49)	$(1.64)
Diluted earnings (loss) per share attributable to EZCORP:			
Continuing operations (A / E)	$0.62	$(0.15)	$(0.94)
Discontinued operations (B / E)	(0.03)	(1.34)	(0.70)
Diluted earnings (loss) per share (C / E)	$0.59	$(1.49)	$(1.64)
Potential common shares excluded from the calculation of diluted earnings (loss) per share:			
Restricted stock**	2,356	840	—
2024 Convertible Notes***	14,375	—	—
2019 Convertible Notes Warrants***	12,138	14,317	14,317
Total potential common shares excluded	28,869	15,157	14,317

* As required by ASC 260-10-45-19, amount excludes all potential common shares for periods when there is a loss from continuing operations.

** Includes antidilutive share-based awards as well as performance-based and market conditioned share-based awards that are contingently issuable, but for which the condition for issuance has not been met as of the end of the reporting period.

*** See Note 8 for discussion of the terms and conditions of these potential common shares.

Weighted-average outstanding shares of common stock for fiscal 2016 include the impact of redeemable common stock repurchased as discussed in Note 2.

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NOTE 4: STRATEGIC INVESTMENTS

As of September 30, 2017, we owned 156,552,484 shares, or approximately 32%, of our unconsolidated affiliate Cash Converters International. Our total investment in Cash Converters International was acquired between November 2009 and October 2016 for approximately $82.1 million.

Our equity in Cash Converters International’s net income (loss) was $4.9 million, $(0.3) million and $(5.5) million in fiscal 2017, 2016 and 2015, respectively. We recorded dividends from Cash Converters International of $1.2 million, $2.2 million and $4.8 million in fiscal 2017, 2016 and 2015, respectively, of which the fiscal 2017 dividend was reinvested. Cash Converters International’s accumulated undistributed after-tax earnings included in our consolidated retained earnings were $10.3 million as of September 30, 2017.

The following tables present summary financial information for Cash Converters International’s most recently reported results as of September 30, 2017, 2016 and 2015 as applicable after translation to U.S. dollars:

	June 30,	
	2017	2016
	(in thousands)	
Current assets	$155,749	$173,830
Non-current assets	150,843	141,028
Total assets	$306,592	$314,858
Current liabilities	$57,387	$83,275
Non-current liabilities	48,698	51,873
Shareholders’ equity	200,507	179,710
Total liabilities and shareholders’ equity	$306,592	$314,858

	Fiscal Year Ended June 30,		
	2017	2016	2015
	(in thousands)		
Gross revenues*	$204,684	$225,712	$241,584
Gross profit*	130,943	146,286	174,101
Net profit (loss)	15,546	(3,839)	(18,149)

*Fiscal 2016 amounts recast by Cash Converters International during fiscal 2017.

As of September 30, 2017, the fair value of our investment in Cash Converters International exceeded its carrying value, though during fiscal 2017 the fair value of our investment in Cash Converters International declined below its carrying value. We continue to monitor the fair value of our investment in Cash Converters International for other-than-temporary impairments in future reporting periods and may record additional impairment charges should the fair value of our investment in Cash Converters International further decline below its carrying value for an extended period of time. See Note 5 for the fair value and carrying value of our investment in Cash Converters International.

During fiscal 2016 and 2015, the fair value of our investment in Cash Converters International continued to decline from its previous values and remained below its carrying value as of September 30, 2016 and 2015. As of September 30, 2016 and 2015, we determined that our investment was impaired and that such impairment was other-than-temporary and recognized an other-than-temporary impairment in Cash Converters International of $11.0 million ($7.2 million, net of taxes) in fiscal 2016 and $26.8 million ($17.4 million, net of taxes) in fiscal 2015. These impairments increased the difference between the amount at which our investment was carried and the amount of underlying equity in net assets of Cash Converters International as discussed in Note 1 and were recorded under “Impairment of investment” in our consolidated statements of operations in the “Other International” segment.

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NOTE 5: FAIR VALUE MEASUREMENTS

In accordance with ASC 820-10, our assets and liabilities discussed below are classified in one of the following three categories based on the inputs used to develop their fair values: Level 1 — quoted market prices in active markets for identical assets or liabilities; Level 2 — other observable inputs other than quoted market prices; and Level 3 — unobservable inputs that are not corroborated by market data.

Recurring Fair Value Measurements

The table below presents our financial assets (liabilities) that were carried and measured at fair value on a recurring basis:

Financial Assets (Liabilities):	Balance Sheet Location	September 30, 2017	September 30, 2016
		(in thousands)	
Guarantee asset — Level 3	Prepaid expenses and other current assets	$ —	$ 1,209
Guarantee liability — Level 3	Accounts payable, accrued expenses and other current liabilities	—	(1,258)
2019 Convertible Notes Hedges — Level 2	Other assets, net	6,593	17,692
2019 Convertible Notes Embedded Derivative — Level 2	Long-term debt, net	(6,593)	(17,692)

We initially measured the guarantee asset and liability, discussed below under “Notes Receivable from Grupo Finmart Divestiture,” at fair value and subsequently amortized the guarantees based upon the principal payments received on the associated notes receivable, which approximated the fair value of the guarantees on a recurring basis. As a result of the early repayment in July 2017 of notes receivable from the divestiture of Grupo Finmart discussed below, we wrote-off the remaining associated guarantee asset and liability in the fourth quarter of fiscal 2017.

We measured the fair value of the 2019 Convertible Notes Hedges and the 2019 Convertible Notes Embedded Derivative using the Black-Scholes-Merton model based on observable Level 1 and Level 2 inputs such as conversion price of underlying shares, current share price, implied volatility, risk free interest rate and other factors. As of September 30, 2017 the volatility input was revised downward to 36%, based on observed market inputs including inputs from our recent 2024 Convertible Notes issuance, from 55% as of September 30, 2016. In July 2017, we cash settled the portion of the 2019 Convertible Notes Hedges and 2019 Convertible Notes Warrants relating to $35 million aggregate principal amount of 2019 Convertible Notes that we repurchased and retired, as further discussed in Note 8.

There were no transfers in or out of Level 1, Level 2 or Level 3 for financial assets or liabilities measured at fair value on a recurring basis during the periods presented.

Financial Assets and Liabilities Not Measured at Fair Value

The tables below present our financial assets and liabilities that were not measured at fair value (including those discussed below the following tables) on a recurring basis:

	Carrying Value	Estimated Fair Value			
			Fair Value Measurement Using		
	September 30, 2017	September 30, 2017	Level 1	Level 2	Level 3
	(in thousands)				
Financial assets:					
Notes receivable, net	$60,975	$74,262	$ —	$ —	$74,262
Investment in unconsolidated affiliate	43,319	49,057	49,057	—	—
Financial liabilities:					
2019 Convertible Notes	$177,346	$193,811	$ —	$193,811	$—

2024 Convertible Notes	100,870	175,016	—	175,016	—

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	Carrying Value	Estimated Fair Value			
			Fair Value Measurement Using		
	September 30, 2016	September 30, 2016	Level 1	Level 2	Level 3
	(in thousands)				
Financial assets:					
Notes receivable, net	$83,065	$83,065	$—	$—	$83,065
Investment in unconsolidated affiliate	37,128	37,128	37,128	—	—
Financial liabilities:					
2019 Convertible Notes	$197,954	$227,332	$—	$227,332	$—
Term Loan Facility	47,965	48,688	—	48,688	—

Based on the short-term nature of cash and cash equivalents, pawn loans, pawn service charges receivable and current consumer loans, fees and interest receivable, we estimate that their carrying value approximates fair value. We consider our cash and cash equivalents to be measured using Level 1 inputs and our pawn loans, pawn service charges receivable and current consumer loans, fees and interest receivable to be measured using Level 3 inputs. Significant increases or decreases in the underlying assumptions used to value pawn loans, pawn service charges receivable and current consumer loans, fees and interest receivable could significantly increase or decrease these fair value estimates.

For background information regarding the notes receivable, see “Notes Receivable from Grupo Finmart Divestiture” below. The fair value of the notes receivable as of September 30, 2017 approximated their carrying value taking into account the stated interest rates of 10% and 14.5% and estimated credit ratings for Grupo Finmart and AlphaCredit. We measured the fair value of the notes receivable as of September 30, 2016 under a discounted cash flow approach considering the estimated credit ratings for Grupo Finmart and AlphaCredit and as determined with external consultation, with discount rates ranging primarily from 8% to 15%. Certain of the significant inputs used for the valuation were not observable in the market. Included in the fair value of the notes receivable as of September 30, 2017 is the estimated fair value of the deferred compensation fee negotiated in September 2017, of which the ultimate amount to be received is dependent upon the timing of payment of the notes receivable as discussed in “Notes Receivable from Grupo Finmart Divestiture” below. Significant increases or decreases in the underlying assumptions used to value the notes receivable could significantly increase or decrease these fair value estimates.

The inputs used to generate the fair value of the investment in unconsolidated affiliate (Cash Converters International) were considered Level 1 inputs. These inputs are comprised of (a) the quoted stock price on the Australian Stock Exchange multiplied by (b) the number of shares we owned multiplied by (c) the applicable foreign currency exchange rate as of the end of our reporting period. We included no control premium for owning a large percentage of outstanding shares.

We measured the fair value of the 2019 Convertible Notes and the 2024 Convertible Notes using quoted price inputs from Bloomberg. Neither the 2019 Convertible Notes nor the 2014 Convertible Notes are actively traded, and thus the price inputs represent a Level 2 measurement. The quoted price inputs obtained from Bloomberg are highly variable from day to day, and thus the fair value estimates disclosed above could significantly increase or decrease. See Note 8 for discussion of the use of proceeds from the 2024 Convertible Notes to repurchase and retire a portion of the 2019 Convertible Notes in July 2017.

The fair value of the Term Loan Facility, described in Note 8, approximated its carrying value, inclusive of issuance costs and exclusive of deferred financing costs, as of September 30, 2016. See Note 8 for discussion of the repayment of the Term Loan Facility in July 2017.

Notes Receivable from Grupo Finmart Divestiture

Subsequent to the sale of Grupo Finmart in September 2016, we determined that we retained a variable interest in Grupo Finmart, including notes receivable and a guarantee liability of the future cash outflows of certain Grupo

Finmart foreign exchange forward contracts with a backup guarantee provided by AlphaCredit for any payments we make under the guarantee. We determined that we are not the primary beneficiary of Grupo Finmart subsequent to its disposition as we lack a controlling financial interest in Grupo Finmart.

During fiscal 2017, we collected $29.5 million in principal on these notes receivable. As of September 30, 2017, all of the notes receivable (other than the Parent Loan Notes discussed below) had been repaid and the guarantee liability had been extinguished.

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As of September 30, 2017, only two promissory notes (referred to as the "Parent Loan Notes"), one of which was denominated in Mexican Pesos, remained outstanding from the Grupo Finmart sale, with a total aggregate principal amount of $60.9 million. In September 2017, we and AlphaCredit amended the Parent Loan Notes as follows:

- The outstanding principal amount (including the $18.3 million that would otherwise have been payable on September 27, 2017) will be payable on a monthly basis over the remaining two years, commencing October 27, 2017.
- The per annum interest rate has been increased from 4% to 10% for the dollar-denominated note and from 7.5% to 14.5% for the peso-denominated note. Accrued interest is also payable monthly, commencing October 27, 2017.
- We will receive an additional deferred compensation fee of $14.0 million, payable $6.0 million on September 27, 2019, $4.0 million on March 27, 2020 and $4.0 million on September 27, 2020.
- The Parent Loan Notes may be prepaid in full voluntarily at any time and are subject to mandatory prepayment in certain circumstances. Upon any prepayment, whether voluntary or mandatory, Grupo Finmart must pay all outstanding principal, all accrued but unpaid interest and an amount equal to the sum of (1) all remaining interest payments that would otherwise be due through the end of the term and (2) the deferred compensation fee. (If the prepayment occurs on or prior to June 30, 2019, the deferred compensation fee will be reduced to $10.0 million).
- The Parent Loan Notes, as amended, are now guaranteed by AlphaCredit.

As further consideration for these amendments, AlphaCredit agreed to terminate our indemnification obligations with respect to representations and warranties and certain other matters under the Purchase Agreement, dated as of July 1, 2016, that the parties entered into in connection with the sale of Grupo Finmart (the "Purchase Agreement"). Those representations and warranties were originally scheduled to survive until March 27, 2018. AlphaCredit also agreed to terminate all indemnity claims existing at the time of the amendment and to release to us the outstanding balance ($4.1 million) held in escrow pending resolution of indemnification claims.

We accounted for this amendment as an extinguishment of the original Parent Loan Notes, recognizing $3.0 million of remaining discount as a gain included in "Interest income" in our consolidated statements of operations.

The following table presents the carrying amount and classification of the assets and liabilities compared to the maximum exposure to loss for each asset and liability:

Instrument	Balance Sheet Location	September 30, 2017		September 30, 2016	
		Asset Recorded in Consolidated Balance Sheet	Maximum Exposure to Loss	Asset (Liability) Recorded in Consolidated Balance Sheet	Maximum Exposure to Loss
		(in thousands)		(in thousands)	
Notes receivable	Notes receivable, net (including accreted deferred compensation of $0.1 million)	$60,975	$ 60,975	$83,065	$ 83,065
Guarantee asset	Prepaid expenses and other current assets	—	—	1,209	—
Guarantee liability	Accounts payable, accrued expenses and other current liabilities	—	—	(1,258)	—

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NOTE 6: PROPERTY AND EQUIPMENT

Major classifications of property and equipment were as follows:

	September 30, 2017			2016		
	Carrying Amount	Accumulated Depreciation	Net Book Value	Carrying Amount	Accumulated Depreciation	Net Book Value
	(in thousands)					
Land	$4	$—	$4	$4	$—	$4
Buildings and improvements	80,828	(55,077)	25,751	77,160	(52,934)	24,226
Furniture and equipment	105,319	(78,581)	26,738	98,066	(67,191)	30,875
Software	34,022	(32,623)	1,399	33,279	(31,729)	1,550
In progress	4,067	—	4,067	1,800	—	1,800
	$224,240	$(166,281)	$57,959	$210,309	$(151,854)	$58,455

During fiscal 2015, we recorded impairment charges of $4.3 million and $1.3 million related to long-lived assets of our U.S. Pawn and Mexico Pawn segments, respectively. These impairment charges were recorded under “Operations” expense in our consolidated statements of operations.

NOTE 7: GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and Intangible Asset Balances

The following table presents the balance of each major class of indefinite-lived intangible asset:

	September 30, 2017	2016
	(in thousands)	
Pawn licenses	$9,535	$8,836
Trade name	4,000	4,000
	$13,535	$12,836

The following table presents the changes in the carrying value of goodwill by segment, in addition to discontinued operations:

	U.S. Pawn	Mexico Pawn	Discontinued Operations	Consolidated Including Held for Sale
	(in thousands)			
Balances as of September 30, 2015	$244,330	$7,316	$ 79,133	$ 330,779
Acquisitions	3,208	—	—	3,208
Goodwill impairment	—	—	(73,244)	(73,244)
Effect of foreign currency translation changes	—	(878)	(5,889)	(6,767)
Balances as of September 30, 2016	$247,538	$6,438	$ —	$ 253,976
Acquisitions	356	—	—	356
Effect of foreign currency translation changes	—	428	—	428
Balances as of September 30, 2017	$247,894	$6,866	$ —	$ 254,760

In August 2017, we acquired certain assets of two pawn stores in Central Texas and one pawn store in Las Vegas, Nevada and recorded $0.4 million in goodwill. On February 1, 2016, we acquired six pawn stores in the Houston, Texas area doing business under the "Pawn One" brand and recorded $3.2 million in goodwill. These acquisitions were made as part of our continuing strategy to enhance our earnings over the long-term. The factors contributing to the recognition of goodwill were based on several strategic and synergistic benefits we expect to realize from the acquisitions. These benefits include a greater presence in the Central Texas and Las Vegas markets, as well as the ability to further leverage our expense structure through increased scale. Goodwill from these acquisitions was recorded in the U.S. Pawn segment. We expect substantially all goodwill

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attributable to the fiscal 2017 acquisitions will be deductible and none of the goodwill attributable to the "Pawn One" acquisition will be deductible for tax purposes. See Note 2 for additional information regarding these acquisitions.
The following table presents the gross carrying amount and accumulated amortization for each major class of definite-lived intangible asset:

	September 30, 2017			2016		
	Carrying Amount	Accumulated Amortization	Net Book Value	Carrying Amount	Accumulated Amortization	Net Book Value
	(in thousands)					
Real estate finders' fees	$1,167	$ (847)	$320	$1,902	$ (796)	$1,106
Non-compete agreements	3,659	(3,102)	557	3,581	(2,920)	661
Favorable lease	1,102	(708)	394	909	(637)	272
Internally developed software	29,741	(12,597)	17,144	23,503	(8,674)	14,829
Other	879	(409)	470	1,362	(385)	977
	$36,548	$ (17,663)	$18,885	$31,257	$ (13,412)	$17,845

Impairment of Goodwill and Intangible Assets

We test goodwill and intangible assets with an indefinite useful life for potential impairment annually, or more frequently when there are events or circumstances that indicate that it is more likely than not that an impairment exists. During the fourth quarter of fiscal 2017, we performed our required annual impairment test for all reporting units utilizing the income approach. The income approach uses future cash flows and estimated terminal values (discounted using a market participant perspective) to determine the fair value of each intangible asset. We performed a quantitative analysis and determined that the fair value of each of our reporting units exceeded their carrying value. As of September 30, 2017, the calculated fair value of the U.S. Pawn and Mexico Pawn reporting units exceeded their carrying values by approximately 18% and 95%, respectively.

During the second quarter of fiscal 2016, we recorded an impairment of $73.2 million included under "Loss from discontinued operations, net of tax" in our consolidated statements of operations, the entire amount of the goodwill associated with our previous Grupo Finmart reporting unit. During the fourth quarter of fiscal 2015, we recorded an impairment of $1.7 million included under "Operations" expense in our consolidated statements of operations, the entire amount of the goodwill associated with our previous TUYO reporting unit. During the third quarter of fiscal 2015, we recorded an impairment of $10.6 million, included under "Loss from discontinued operations, net of tax" in our consolidated statements of operations, the entire amount of the goodwill associated with our previous USFS reporting unit. In the fourth quarter of fiscal 2015, we recorded a $3.7 million impairment of internally developed software, included under corporate "Administrative" expenses in our consolidated statements of operations.

Amortization of Definite-Lived Intangibles

The amortization of most definite-lived intangible assets is recorded as amortization expense. The favorable lease asset and other intangibles are amortized to operations expense over the related lease terms.

The following table presents the amount and classification of amortization recognized as expense:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Amortization expense in continuing operations	$4,184	$4,742	$3,875
Amortization expense in discontinued operations	—	2,055	2,397
Operations expense	90	87	103
	$4,274	$6,884	$6,375

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The following table presents our estimate of future amortization expense for definite-lived intangible assets:

Fiscal Year Ended September 30,	Amortization expense	Operations expense
	(in thousands)	
2018	$ 4,006	$ 23
2019	3,772	23
2020	3,343	23
2021	2,310	22
2022	1,390	2

As acquisitions and dispositions occur in the future, amortization expense may vary from these estimates.

NOTE 8: LONG-TERM DEBT

The following tables present our long-term debt instruments outstanding as well as future principal payments due:

	September 30, 2017			September 30, 2016		
	Gross Amount	Debt Discount and Issuance Costs	Carrying Amount	Gross Amount	Debt Discount and Issuance Costs	Carrying Amount
	(in thousands)					
2.125% Cash Convertible Senior Notes Due 2019	$195,000	$(17,654)	$177,346	$230,000	$(32,046)	$197,954
Cash Convertible Senior Notes Due 2019 embedded derivative	6,591	—	6,591	37,692	—	37,692
2.875% Convertible Senior Notes Due 2024	143,750	(42,880)	100,870	—	—	—
Term Loan Facility	—	—	—	50,000	(2,035)	47,965
	$345,341	$(60,534)	$284,807	$317,692	$(34,081)	$283,611

	Principal Payment Schedule				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
	(in thousands)				
2.125% Cash Convertible Senior Notes Due 2019 (a)	$195,000	$ —	$195,000	$ —	$ —
2.875% Convertible Senior Notes Due 2024 (a)	143,750	—	—	—	143,750
	$338,750	$ —	$195,000	$ —	$143,750

(a) Excludes the potential impact of the embedded derivative.

2.875% Convertible Senior Notes Due 2024

In July 2017, we issued $143.75 million aggregate principal amount of 2.875% Convertible Senior Notes Due 2024 (the “2024 Convertible Notes”). All of the 2024 Convertible Notes were issued pursuant to an indenture dated July 5, 2017 (the "2017 Indenture") by and between us and Wells Fargo Bank, National Association, as the trustee. The 2024 Convertible Notes were issued in a private offering under Rule 144A under the Securities Act of 1933. The 2024 Convertible Notes pay interest semi-annually in arrears at a rate of 2.875% per annum on January 1 and July 1 of each year, commencing January 1, 2018, and will mature on July 1, 2024 (the "2024 Maturity Date"), unless converted, redeemed or repurchased in accordance with their terms prior to such date. At maturity, the holders of the 2024 Convertible Notes will be entitled to receive cash equal to the principal amount of the 2024 Convertible Notes plus unpaid accrued interest.

The 2024 Convertible Notes are convertible into cash or shares of Class A Common Stock, or any combination thereof, at our option subject to satisfaction of certain conditions and during the periods described below, based on an initial conversion rate of 100 shares of Class A Common Stock per $1,000 principal amount of 2024 Convertible Notes (equivalent to an initial conversion price of $10.00 per share of our Class A Common Stock). The conversion rate will not be adjusted for any accrued and unpaid interest. The 2024 Convertible Notes contain certain make-whole fundamental change premiums and customary anti-dilution adjustments. We account for the Class A Common Stock issuable upon conversion under the treasury stock

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method. To the extent our share priced increases over $10.00 per share, we are required to recognize incremental dilution of our earnings per share.

Prior to January 1, 2024, the 2024 Convertible Notes will be convertible only under the following circumstances: (1) during any fiscal quarter commencing after the fiscal quarter ending on September 30, 2017 (and only during such fiscal quarter), if the last reported sale price of our Class A Common Stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the “measurement period”) in which the trading price, as defined in the 2017 Indenture, per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our Class A Common Stock and the conversion rate on such trading day; (3) if we call any or all of the 2024 Convertible Notes for redemption, at any time prior to the close of business on the business day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events, as defined in the 2017 Indenture. On or after January 1, 2024 until the close of business on the business day immediately preceding the 2024 Maturity Date, holders of 2024 Convertible Notes may, at their option, convert their 2024 Convertible Notes at any time, regardless of the foregoing circumstances.

We may not redeem the 2024 Convertible Notes prior to July 6, 2021. At our option, we may redeem for cash all or any portion of the 2024 Convertible Notes on or after July 6, 2021, if the last reported sale price of the Class A Common Stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which we provide notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption. The redemption price will be equal to 100% of the principal amount of the 2024 Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

We measured the fair value of the liability component of the 2024 Convertible Notes under a discounted cash flow approach considering our synthetic credit rating, as determined with external consultation, including inputs that are not observable in the market. The fair value of the liability component was estimated by calculating the present value of the cash flows using discount rates slightly above 8% for a similarly structured liability with no conversion feature, maturing in seven years. Our estimate resulted in an initial carrying value of the liability component of the 2024 Convertible Notes of $102.7 million with an associated original issue discount of $41.0 million, exclusive of deferred financing costs, accreted to the face value of the 2024 Convertible Notes based on the effective interest method through the 2024 Maturity Date.

We accounted for the conversion feature of the 2024 Convertible Notes as a separate equity-classified instrument (the “2024 Convertible Notes Embedded Derivative”), initially recorded as $39.8 million ($25.3 million, net of tax), inclusive of deferred financing costs, on the issuance date and included under “Additional paid-in capital” in our consolidated balance sheet, including an allocated portion of the deferred financing costs. The 2024 Convertible Notes Embedded Derivative is expected to remain recorded in equity in our consolidated balance sheets as long as it continues to meet the criteria as an equity-classified instrument in subsequent reporting periods. The carrying amount of the 2024 Convertible Notes Embedded Derivative included under “Additional paid-in capital” in our consolidated balance sheet of September 30, 2017 was $25.3 million.

We incurred transaction costs of $4.2 million related to the issuance of the 2024 Convertible Notes, which we recorded as deferred financing costs and are included under “Long-term debt, net” and “Additional paid-in capital” in our consolidated balance sheets. Deferred financing costs recorded under “Long-term debt, net” are being amortized to interest expense over the expected term of the 2024 Convertible Notes.

Total interest expense pertaining to the 2024 Convertible Notes for fiscal 2017 was $2.1 million, comprised of contractual interest expense and amortization of $1.0 million and $1.1 million, respectively. The effective interest rate for fiscal 2017 was approximately 8%. As of September 30, 2017, the remaining unamortized issuance discount and financing costs will be amortized over the next seven years assuming no early conversion.

Impact of Early Conversion Conditions on Financial Statements

As of September 30, 2017, the 2024 Convertible Notes were not convertible as no conditions of conversion had been met. Accordingly, the net balance of the 2024 Convertible Notes was classified as a non-current liability in our consolidated balance sheets as of September 30, 2017. The classification of the 2024 Convertible Notes as current or non-current in the consolidated balance sheets is evaluated at each balance sheet date and may change from time to time depending on whether any of the conversion conditions has been met.

If one of the conversion conditions is met in any future fiscal quarter, we will classify our net liability under the 2024 Convertible Notes as a current liability in the consolidated balance sheets as of the end of that fiscal quarter. If none of the conversion conditions have been met in a future fiscal quarter prior to the one-year period immediately preceding the 2024 Maturity Date, we will classify our net liability under the 2024 Convertible Notes as a non-current liability in the consolidated balance sheets as of the end of that fiscal quarter. If the note holders elect to convert their 2024 Convertible Notes prior to maturity, any unamortized discount and transaction costs will be recognized as expense at the time of conversion. If the entire outstanding principal amount had been converted on September 30, 2017, we would have recorded an expense associated with the conversion, comprised of $42.9 million of unamortized debt discount and issuance costs. As of September 30, 2017, none of the note holders had elected to convert their 2024 Convertible Notes.

Term Loan Facility up to $100 Million

On September 12, 2016, we and certain of our subsidiaries (as guarantors) entered into a financing agreement with certain lenders and Fortress Credit Co LLC (as collateral and administrative agent) that provided us with a senior secured credit facility in an aggregate principal amount of $100 million, subject to various terms and conditions contained in the financing agreement. The credit facility (the “Term Loan Facility”) consisted of an initial term loan of $50 million that was drawn on September 12, 2016 and a delayed draw term loan of up to $50 million. Borrowings under the facility bore interest at an annual rate initially equal to the London Interbank Offered Rate (“LIBOR”) plus 7.5%, and we paid a monthly fee of 2.75% per annum on the average daily unused portion of the delayed draw term loan facility and a quarterly loan servicing fee of $15,000. Total interest expense pertaining to the Term Loan Facility for fiscal 2017, exclusive of extinguishment charges, was $4.7 million, comprised of contractual interest expense and amortization of $4.3 million and $0.4 million, respectively.

The Term Loan Facility was fully repaid and terminated July 2017, as discussed below under “Extinguishment of Debt.”

2.125% Cash Convertible Senior Notes Due 2019

In June 2014, we issued $200 million aggregate principal amount of 2.125% Cash Convertible Senior Notes Due 2019 (the “2019 Convertible Notes”), with an additional $30 million principal amount being issued in July 2014. All of the 2019 Convertible Notes were issued pursuant to an indenture dated June 23, 2014 (the "2014 Indenture") by and between EZCORP and Wells Fargo Bank, National Association, as the trustee. The 2019 Convertible Notes were issued in a private offering and resold under Rule 144A under the Securities Act of 1933. The 2019 Convertible Notes pay interest semi-annually in arrears at a rate of 2.125% per annum on June 15 and December 15 of each year and mature on June 15, 2019 (the "2019 Maturity Date").

Prior to December 15, 2018, the 2019 Convertible Notes will be convertible only upon the occurrence of certain events and during certain periods, and thereafter, at any time prior to the close of business on the second scheduled trading day immediately preceding the 2019 Maturity Date. At maturity, the holders of the 2019 Convertible Notes will be entitled to receive cash equal to the principal amount of the 2019 Convertible Notes plus unpaid accrued interest.

The 2019 Convertible Notes are unsubordinated unsecured obligations and rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the 2019 Convertible Notes, equal in right of payment with all of our other unsecured unsubordinated indebtedness, and effectively junior to all debt or other obligations (including trade payables) of our wholly-owned subsidiaries. The 2014 Indenture governing the 2019 Cash Convertible Notes does not contain any financial covenants.

Under the terms of the 2019 Convertible Notes, payment of dividends requires a conversion rate adjustment equal to the conversion rate in effect immediately prior to the open of business on the ex-dividend date for such dividend multiplied by the last reported sale price of the Class A Common Stock on the trading day immediately preceding the ex-dividend date for such dividend, divided by the difference between the last reported sale price of the Class A Common Stock on the trading day immediately preceding the ex-dividend date for such dividend and the amount in cash per share we distribute to all or substantially all holders of Class A Common Stock.

Total interest expense pertaining to the 2019 Convertible Notes for fiscal 2017, 2016 and 2015, exclusive of extinguishment charges, was $15.5 million, $15.5 million and $14.1 million, respectively, comprised of contractual interest expense and amortization of $4.7 million and $10.8 million, respectively for fiscal 2017, $4.9 million and $10.6 million, respectively for fiscal 2016, and $4.9 million and $9.2 million, respectively for fiscal 2015. The effective interest rate was approximately 8%. As of September 30, 2017, the remaining unamortized issuance discount

and financing costs will be amortized over the next two years assuming no early conversion.
A portion of the 2019 Convertible Notes were repurchased and retired in July 2017, as discussed below under "Extinguishment of Debt."

2019 Convertible Notes Embedded Derivative
We account for the cash conversion feature of the 2019 Convertible Notes as a separate derivative instrument (the “2019 Convertible Notes Embedded Derivative”), which had a fair value of $46.5 million at the time of original issuance that was recognized as the original issue discount of the 2019 Convertible Notes. This original issue discount is amortized to interest expense over the term of the 2019 Convertible Notes using the effective interest method. As of September 30, 2017, the 2019 Convertible Notes Embedded Derivative is recorded as a non-current liability under “Long-term debt, less current maturities” in our consolidated balance sheets, and will be marked to market in subsequent reporting periods. The classification of the 2019 Convertible Notes Embedded Derivative liability as current or non-current on the consolidated balance sheets corresponds with the classification of the net balance of the 2019 Convertible Notes as discussed below.
The 2019 Convertible Notes are convertible into cash, subject to satisfaction of certain conditions and during the periods described below, based on an initial “Conversion Rate” of 62.2471 shares of Class A Common Stock per $1,000 principal amount of 2019 Convertible Notes (equivalent to an initial “Conversion Price” of approximately $16.065 per share of our Class A Common Stock). Upon conversion of a note, we will pay cash based on a daily conversion value calculated on a proportionate basis for each trading day in the applicable 80 trading day observation period as described in the 2014 Indenture. The Conversion Rate will not be adjusted for any accrued and unpaid interest.
Holders may surrender their 2019 Convertible Notes for conversion into cash prior to December 15, 2018 only under the following circumstances (the “Early Conversion Conditions”): (1) during any fiscal quarter commencing after the fiscal quarter ending on September 30, 2014 (and only during such fiscal quarter), if the last reported sale price of our Class A Common Stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the “measurement period”) in which the trading price, as defined in the Indenture, per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our Class A Common Stock and the Conversion Rate on such trading day; or (3) upon the occurrence of specified corporate events, as defined in the 2014 Indenture. On or after December 15, 2018 until the close of business on the second scheduled trading day immediately preceding the 2019 Maturity Date, holders may convert their notes into cash at any time, regardless of the foregoing circumstances.
If a holder elects to convert its 2019 Convertible Notes in connection with certain make-whole fundamental changes, as that term is defined in the 2014 Indenture, that occur prior to the 2019 Maturity Date, we will, in certain circumstances, increase the Conversion Rate for 2019 Convertible Notes converted in connection with such make-whole fundamental changes by a specified number of shares of Class A Common Stock. In addition, the conversion rate is subject to customary anti-dilution adjustments (for example, certain dividend distributions or tender or exchange offer of our Class A Common Stock).
Upon the occurrence of a fundamental change, as defined in the 2014 Indenture, holders may require us to repurchase for cash all or any portion of the then outstanding 2019 Convertible Notes at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest.
Impact of Early Conversion Conditions on Financial Statements
As of September 30, 2017, the 2019 Convertible Notes were not convertible because the Early Conversion Conditions described above have not been met. Accordingly, the net balance of the 2019 Convertible Notes was classified as a non-current liability in our consolidated balance sheets as of September 30, 2017. The classification of the 2019 Convertible Notes as current or non-current in the consolidated balance sheets is evaluated at each balance sheet date and may change from time to time depending on whether one of the Early Conversion Conditions has been met.
If one of the Early Conversion Conditions is met in any future fiscal quarter, we will classify our net liability under the 2019 Convertible Notes as a current liability in the consolidated balance sheets as of the end of that fiscal quarter. If none of the Early Conversion Conditions have been met in a future fiscal quarter prior to the one-year period immediately preceding the 2019 Maturity Date, we will classify our net liability under the 2019 Convertible Notes as a non-current liability in the consolidated balance sheets as of the end of that fiscal quarter. If the note holders elect to convert their 2019 Convertible Notes prior to maturity, any unamortized discount and transaction costs will be

recorded to expense at the time of conversion. If the entire outstanding principal amount had been converted on September 30, 2017, we would have recorded an expense associated with the conversion, comprised of $17.7 million of unamortized debt discount and debt issuance costs. As of September 30, 2017, none of the note holders had elected to convert their 2019 Convertible Notes.

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2019 Convertible Notes Hedges

In connection with the issuance of the 2019 Convertible Notes, we purchased cash-settled call options (the "2019 Convertible Notes Hedges") in privately negotiated transactions with certain of the initial purchasers or their affiliates (in this capacity, the "Option Counterparties"). The 2019 Convertible Notes Hedges provide us with the option to acquire, on a net settlement basis, approximately 12.1 million shares of our Class A Common Stock at a strike price of $16.065, which is equal to the number of shares of our Class A Common Stock that notionally underlie the 2019 Convertible Notes and corresponds to the Conversion Price of the 2019 Convertible Notes. The 2019 Convertible Notes Hedges have an expiration date that is the same as the 2019 Maturity Date, subject to earlier exercise. The 2019 Convertible Notes Hedges have customary anti-dilution provisions similar to the 2019 Convertible Notes. If we exercise the 2019 Convertible Notes Hedges, the aggregate amount of cash we will receive from the Option Counterparties will cover the aggregate amount of cash that we would be required to pay to the holders of the converted 2019 Convertible Notes, less the principal amount thereof. As of September 30, 2017, we have not purchased any shares under the 2019 Convertible Notes Hedges.

The aggregate cost of the 2019 Convertible Notes Hedges was $46.5 million (or $21.3 million net of the total proceeds from the 2019 Convertible Notes Warrants sold, as discussed below). The 2019 Convertible Notes Hedges are accounted for as a derivative asset and are recorded in the consolidated balance sheets at their estimated fair value in "Other assets, net." The 2019 Convertible Notes Embedded Derivative liability and the 2019 Convertible Notes Hedges asset will be adjusted to fair value each reporting period and unrealized gains and losses will be reflected in the consolidated statements of operations. The 2019 Convertible Notes Embedded Derivative and the 2019 Convertible Notes Hedges are designed to have similar fair values. Accordingly, the changes in the fair values of these instruments are expected to offset and not have a net impact on the consolidated statements of operations.

The classification of the 2019 Convertible Notes Hedges asset as current or long-term on the consolidated balance sheet corresponds with the classification of the 2019 Convertible Notes, which is evaluated at each balance sheet date and may change from time to time depending on whether one of the Early Conversion Conditions has been met.

2019 Convertible Notes Warrants

In connection with the issuance of the 2019 Convertible Notes, we also sold net-share-settled warrants (the "2019 Convertible Notes Warrants") in privately negotiated transactions with the option counterparties for the purchase of up to approximately 14.3 million shares of our Class A Common Stock at a strike price of $20.83 per share, for total proceeds of $25.1 million, net of issuance costs, which was recorded as an increase in stockholders' equity. The 2019 Convertible Notes Warrants have customary anti-dilution provisions similar to the 2019 Convertible Notes. As a result of the 2019 Convertible Notes Warrants, we will experience dilution to our diluted earnings per share if our average closing stock price exceeds $20.83 for any fiscal quarter. The 2019 Convertible Notes Warrants expire on various dates from September 2019 through February 2020 and must be settled in net shares of our Class A Common Stock. Therefore, upon expiration of the 2019 Convertible Notes Warrants, we will issue shares of Class A Common Stock to the purchasers of the 2019 Convertible Notes Warrants that represent the value by which the price of the Class A Common Stock exceeds the strike price stipulated within the particular warrant agreement. As of September 30, 2017, there were 12.1 million 2019 Convertible Notes Warrants outstanding.

Extinguishment of Debt

In July 2017, we used $51.6 million of net proceeds from the 2024 Convertible Notes offering to repay all outstanding borrowings under the Term Loan Facility and terminated that facility, including the undrawn delayed draw term loan commitment. The lenders have released all related security interests in our assets.

Also in July 2017, we used $34.4 million of net proceeds from the 2024 Convertible Notes offering to repurchase and retire $35.0 million aggregate principal amount of 2019 Convertible Notes. We unwound a portion of the 2019 Convertible Notes Hedges and 2019 Convertible Notes Warrants corresponding to the repurchased and retired 2019 Convertible Notes, and received $0.6 million in connection with the partial settlement of the 2019 Convertible Notes Hedges and paid $0.5 million in connection with the partial settlement of 2.2 million of the outstanding 2019 Convertible Notes Warrants.

We recorded a one-time charge of $5.3 million in the fourth quarter of fiscal 2017 related to these transactions included under "Interest expense" in our consolidated statements of operations, including write-off of unamortized debt discount and issuance costs.

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NOTE 9: STOCK COMPENSATION

On May 1, 2010 our Board of Directors approved the adoption of the EZCORP, Inc. 2010 Long-Term Incentive Plan (the “2010 Plan”). The 2010 Plan permits grants of options, restricted stock awards and stock appreciation rights covering up to 1,575,750 shares of our Class A Common Stock plus any shares that become available for issuance under either the 2010 Plan or prior plans as a result of forfeitures or cancellations of awards without delivery of shares or as a result of withholding shares to satisfy tax withholding obligations. In February 2015, March 2015, March 2016 and December 2016, the Board of Directors and the voting stockholder approved the addition of 643,673, 1,081,200, 185,026 and 500,000 shares, respectively, to the 2010 Plan.

In November and December 2016 and April 2017 for fiscal 2017, we granted 931,260 restricted stock unit awards to employees and 72,500 restricted stock awards to non-employee directors, each with a grant date fair value of approximately $9.60 per share. Our long-term incentive awards are generally granted based on our share price as of October 1 each year, which was $11.06 for these fiscal 2017 awards. The awards granted to employees vest on September 30, 2019 subject to the achievement of certain performance targets. As of September 30, 2017, we considered the achievement of these performance targets to be probable. The awards granted to non-employee directors vest over two years, 50% on September 30, 2017 and 50% on September 30, 2018 and are subject only to service conditions.

In March 2016 for fiscal 2016, we granted 961,718 restricted stock unit awards (exclusive of canceled and replaced awards discussed below) to employees which were allocated based on the October 1, 2015 price of $6.17 per share and 130,000 restricted stock awards to non-employee directors with a grant date fair value of $2.96 per share. The awards granted to employees vest on September 30, 2018 subject to the achievement of certain performance targets. As of September 30, 2017, we considered the achievement these performance targets with respect to 80% of the awards probable. The awards granted to non-employee directors vest over two years, 50% on September 30, 2016 and 50% on September 30, 2017.

In connection with the March 2016 grant discussed above, we canceled 720,000 previously issued restricted stock awards that were subject to vesting based on certain stock price levels and had a grant date fair value of $3.4 million and replaced them with 421,394 performance-based restricted stock awards described above. The cancellation and replacement of these awards was treated as a modification with unrecognized compensation cost from the original awards of $1.5 million plus incremental compensation costs resulting from the modification of $0.8 million recognized over the new requisite service period through September 30, 2018.

As of September 30, 2017, the unamortized fair value, exclusive of forfeitures, of share awards to be amortized over their remaining vesting periods was approximately $7.5 million. The weighted-average period over which these costs will be amortized is approximately two years.

The following table presents the compensation costs related to our stock compensation arrangements:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Share-based compensation costs	$5,866	$5,346	$2,374
Income tax benefits on share-based compensation	(841)	(963)	—
Net share-based compensation expense	$5,025	$4,383	$2,374

The following table presents a summary of stock compensation activity:

	Shares	Weighted Average Grant Date Fair Value

Outstanding as of September 30, 2016	2,411,500	$ 5.77
Granted	1,137,340	9.57
Released (a)	(366,775)	6.55
Forfeited	(768,282)	(2.53)
Outstanding as of September 30, 2017	2,413,783	$ 6.53

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(a) 68,087 shares were withheld to satisfy related federal income tax withholding.

The following table presents a summary of the fair value of shares granted:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in millions except per share amounts)		
Weighted average grant-date fair value per share granted (a)	$9.57	$3.53	$10.34 (b)
Total grant date fair value of shares vested	$3.8	$2.3	$1.8

(a) Awards with performance and time-based vesting provisions are generally valued based upon the underlying share price as of the issuance date. Awards with market-conditioned vesting provisions were valued using a Monte Carlo simulation model.

(b) Fiscal 2015 shares granted exclude phantom share-based awards. Including these shares, weighted average grant-date fair value was $5.69 per share.

NOTE 10: INCOME TAXES

The following table presents the components of our income (loss) from continuing operations before income taxes, including inter-segment amounts:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Domestic	$29,740	$(17)	$(71,426)
Foreign	13,499	380	5,219
	$43,239	$363	$(66,207)

The following table presents the significant components of the income tax provision from continuing operations:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Current:			
Federal	$1,092	$11,120	$(42,001)
State and foreign	6,359	3,193	2,000
	7,451	14,313	(40,001)
Deferred:			
Federal	5,190	(3,766)	16,580
State and foreign	(1,435)	(1,186)	9,396
	3,755	(4,952)	25,976
Total income tax expense (benefit)	$11,206	$9,361	$(14,025)

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The following table presents a reconciliation of income taxes calculated at the statutory rate and the provision for income taxes attributable to continuing operations:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Income tax expense (benefit) at the federal statutory rate	$15,134	$128	$(23,172)
State taxes, net of federal benefit	(714)	2,476	(701)
Mexico inflation adjustment	(1,286)	(142)	(302)
Captive insurance company	—	—	(393)
Non-deductible items	1,114	1,860	449
Foreign tax credit	(321)	2,788	(2,413)
Foreign rate differential	(172)	277	880
Change in net operating loss carryforward	1,180	—	—
Change in valuation allowance	(3,211)	1,511	4,846
Stock compensation	(386)	—	—
Uncertain tax positions	472	—	1,781
Tax basis balance sheet adjustment	—	—	2,516
Other	(604)	463	2,484
Total income tax expense (benefit)	$11,206	$9,361	$(14,025)
Effective tax rate	26 %	2,579 %	21 %

The amount of income tax expense (benefit) allocated to discontinued operations was $0.1 million, $(15.1) million, and $(16.4) million during fiscal 2017, 2016, and 2015, respectively.

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The following table shows significant components of our deferred tax assets and liabilities:

	September 30, 2017	September 30, 2016
	(in thousands)	
Deferred tax assets:		
Cash Converters International	$13,550	$15,314
Tax over book inventory	10,094	8,763
Accrued liabilities	6,957	11,276
Pawn service charges receivable	8,687	7,871
Note receivable discount	—	2,427
Stock compensation	3,356	2,065
Foreign tax credit	3,132	2,706
Capital loss carryforward	5,010	8,017
State and foreign net operating loss carryforwards	13,671	12,891
Book over tax depreciation	2,678	—
Other	162	694
Total deferred tax assets before valuation allowance	67,297	72,024
Valuation allowance	(17,860)	(21,078)
Net deferred tax assets	49,437	50,946
Deferred tax liabilities:		
Tax over book amortization	20,629	14,060
Tax over book depreciation	—	445
Note receivable discount	10,569	—
Prepaid expenses	1,383	1,138
Total deferred tax liabilities	32,581	15,643
Net deferred tax asset	$16,856	$35,303

As of September 30, 2017, we had gross state net operating loss carryforwards of approximately $174.0 million, which begin to expire in 2018 if not utilized. We also had foreign net operating loss carryforwards of $34.8 million, which will expire between 2030 and 2037 if not utilized. Additionally, we have a $3.1 million foreign tax credit that will expire during the years 2024 to 2027 that we expect is more likely than not to be fully utilized based on the weight of available evidence.

Deferred tax assets and liabilities are recorded for the estimated tax impact of temporary differences between the tax basis and book basis of assets and liabilities. A valuation allowance is established against a deferred tax asset when it is more likely than not that the deferred tax asset will not be realized. The valuation allowance decreased by $3.2 million in fiscal 2017, primarily due to $3.0 million realization of capital loss carryforwards offsetting capital gain realized on the restructuring of our Grupo Finmart notes. Management believes that our results from future operations will generate sufficient taxable income in the appropriate jurisdictions such that it is more likely than not that the remaining deferred tax assets will be realized.

Deferred taxes are not provided for undistributed earnings of foreign subsidiaries of approximately $20.6 million which are intended to be reinvested outside of the U.S. Accordingly, no provision for U.S. federal income and foreign withholding taxes associated with a distribution of those earnings has been made. We estimate that, upon distribution of our share of these earnings, we would be subject to U.S. income taxes of approximately $1.0 million as of September 30, 2017. We provided deferred income taxes on all undistributed earnings from Cash Converters International. Any taxes paid to foreign governments on these earnings may be used in whole or in part as credits against the U.S. tax on any dividends distributed from such earnings.

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The following table presents a rollforward of unrecognized tax benefits:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Beginning balance	$6,058	$6,058	$4,402
Tax positions taken during the current period	472	—	1,656
Ending balance	$6,530	$6,058	$6,058

All of the above unrecognized tax benefits, if recognized, would impact our effective tax rate for the respective period of each ending balance. It is reasonably possible that unrecognized tax benefits will decrease by $4.9 million in the next 12 months due to the expiration of the statute of limitations.

We are subject to U.S., Mexico and Canada income taxes as well as income taxes levied by various state and local jurisdictions. With few exceptions, we are no longer subject to examinations by tax authorities for years before the tax year ended September 30, 2013. Management believes that adequate provisions have been made for any adjustments that may result from tax examinations.

NOTE 11: RELATED PARTY TRANSACTIONS

Asset Purchase Agreement

The Company entered into an Asset Purchase Agreement, dated June 8, 2017, with Cash Solution Centers, LLC ("CSC"), pursuant to which the Company agreed to acquire, for an aggregate purchase price of $700,329 in cash, certain assets used in the operation of two pawn stores located in Central Texas. Daniel M. Chism, who was appointed Chief Financial Officer of the Company effective May 9, 2017, was the owner of a 28% interest in CSC. We completed the acquisition on August 14, 2017. Following completion of this transaction, Mr. Chism does not own any interest in any pawn-related businesses outside of his interest in the Company.

The terms of this transaction were reviewed and approved by the Audit Committee of the Board of Directors pursuant to the Company's Policy for Review and Evaluation of Related Party Transactions.

NOTE 12: LEASES

We lease and sublease various facilities and certain equipment under operating and capital leases. Future minimum rentals due under non-cancelable leases and annual future minimum rentals expected under subleases are as follows:

Fiscal Year Ended September 30,	Operating Lease Payments	Sublease Revenue
	(in thousands)	
2018	$53,829	$3,042
2019	46,665	3,211
2020	40,081	3,295
2021	32,154	3,385
2022	21,622	2,908
Thereafter	60,757	2,604
	$255,108	$18,445

After an initial lease term of generally three to 10 years, our real property lease agreements typically allow renewals in three to five-year increments. Our lease agreements generally include rent escalations throughout the initial lease term. Rent escalations are included in the above amounts, with certain future rental payments contingent on increases in a consumer price index. For financial reporting purposes, the aggregate rentals over the lease term, including lease renewal options that are reasonably assured, are expensed on a straight-line basis.

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The following table presents the amount of net rent recognized as expense:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Gross rent expense from continuing operations	$56,794	$56,707	$58,890
Sublease rent revenue from continuing operations	(56)	(156)	(479)
Net rent expense from continuing operations	$56,738	$56,551	$58,411

In December 2014, we entered into a non-cancelable 13-year operating lease for our corporate offices, with rent payments beginning February 2016 and ending March 2029. Annual rent escalates from $3.0 million at lease inception to $4.6 million in the terminal year of the lease. The lease includes two five-year extension options at the end of the initial lease term. The estimated minimum future rental payments under the lease are approximately $48.2 million. During fiscal 2017 and 2016, we initiated subleases for a portion of our corporate operating office lease for estimated minimum future sublease payments of approximately $12.2 million. In addition to the above subleases, subsequent to September 30, 2017 we entered into an amendment to the operating lease surrendering another 15% of the initial leased premises. As a result and including the amendment subsequent to September 30, 2017, sublease payments are expected to offset approximately 88% of our original operating lease obligations through August 2023, with renewal options available until the end of the master operating lease in March 2029.

During the second quarter of fiscal 2015, we entered into non-cancelable subleases for our Miami and Mexico City regional offices for estimated minimum future sublease payments of approximately $6.7 million. Sublease payments are expected to offset substantially all of our original operating lease obligations over the nine-year period beginning March 2015 and ending September 2024 (in the case of the Miami lease) and the three-year period beginning March 2015 and ending June 2018 (in the case of the Mexico City lease).

NOTE 13: EMPLOYMENT AGREEMENTS AND RETIREMENT PLANS

Employment Agreements

We provide the following severance benefits to our executive officers:

- Each of our executive officers will receive salary continuation for one year if his or her employment is terminated without cause.
- Generally, restricted stock awards, including those granted to the executive officers, provide for accelerated vesting of some or all of the unvested shares in the event of the holder’s death or disability.

Retirement Plans

We sponsor a 401(k) retirement savings plan under which eligible employees may contribute a portion of pre-tax earnings. In our sole discretion, we may match employee contributions in the form of either cash or our Class A Common Stock. A participant vests in the matching contributions pro rata over their first three years of service. All of a participant’s matching contributions vest 100% in the event of the participant’s death or disability or the termination of the plan due to a change in control.

The following table presents matching contribution information for our 401(k) plan which were made in cash:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Matching contributions to EZCORP Inc. 401(k) Plan and Trust	$658	$468	$547

We also provide a non-qualified Supplemental Executive Retirement Plan for selected executives. Funds in the Supplemental Executive Retirement Plan vest over three years from the grant date, with one-third vesting each year. All of a participant’s Supplemental Executive Retirement Plan funds from all grants vest 100% in the event of the participant’s death or disability or the termination of the plan due to a change in control. In addition, the Supplemental

Executive Retirement Plan funds are 100% vested when a participant attains his or her normal retirement age (generally 60 years old and five years of active service) while actively employed by us. Expense of contributions to the Supplemental Executive Retirement Plan is recognized based on the vesting schedule.

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The following table provides contribution and amortized expense amounts related to the Supplemental Executive Retirement Plan:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Contributions to the Supplemental Executive Retirement Plan	$536	$636	$356
Amortized expense due to Supplemental Executive Retirement Plan	544	153	405

NOTE 14: CONTINGENCIES

We are involved in various claims, suits, investigations and legal proceedings, including those described below. We are unable to determine the ultimate outcome of any current litigation or regulatory actions. An unfavorable outcome could have a material adverse effect on our financial condition, results of operations or liquidity. Except as noted below, we have not recorded a liability for any of these matters as of September 30, 2017 because we do not believe at this time that any loss is probable or that the amount of any probable loss can be reasonably estimated. The following is a description of significant proceedings.

Shareholder derivative litigation — On July 28, 2014, Lawrence Treppel, a purported holder of Class A Common Stock, filed a derivative action in the Court of Chancery of the State of Delaware styled Treppel v. Cohen, et al. (C.A. No. 9962-VCP). The complaint, as originally filed and as amended on September 23, 2014, names as defendants Phillip E. Cohen, the beneficial owner of all of our outstanding Class B Voting Common Stock; several current and former members of our Board of Directors (Joseph J. Beal, Sterling B. Brinkley, John Farrell, Pablo Lagos Espinosa, William C. Love, Thomas C. Roberts and Paul E. Rothamel); three entities controlled by Mr. Cohen (MS Pawn Limited Partnership, the record holder of our Class B Voting Common Stock; MS Pawn Corporation, the general partner of MS Pawn Limited Partnership; and Madison Park LLC); and EZCORP, Inc., as nominal defendant. The amended complaint asserts the following claims:

- Claims against the current and former Board members for breach of fiduciary duties and waste of corporate assets in connection with the Board's decision to enter into advisory services agreements with Madison Park from October 2004 to June 2014 (Counts I and II, respectively);
- Claims against Mr. Cohen and MS Pawn Limited Partnership for aiding and abetting the breaches of fiduciary duties relating to the advisory services agreements with Madison Park (Count III); and
- Claims against Mr. Cohen and Madison Park for unjust enrichment for payments under the advisory services agreements (Count IV).

The plaintiff seeks (a) recovery for the Company in the amount of the damages the Company has sustained as a result of the alleged breach of fiduciary duties, waste of corporate assets and aiding and abetting, (b) disgorgement by Mr. Cohen and Madison Park of the benefits they received as a result of the related party transactions and (c) reimbursement of costs and expenses, including reasonable attorney's fees.

On November 13, 2014, pursuant to the parties' stipulation, the Court dismissed the action as to Mr. Brinkley, Mr. Rothamel and Mr. Lagos.

The remaining defendants filed motions to dismiss, and a hearing on those motions was held before the Court on September 8, 2015. Prior to that hearing, the plaintiff proposed a dismissal without prejudice for the claims against Mr. Beal, Mr. Love and Mr. Farrell. Those defendants continued to seek a dismissal with prejudice that would bind all potential plaintiffs. On January 15, 2016, the Court issued an opinion dismissing the action as to Mr. Beal, Mr. Love and Mr. Farrell with prejudice only as to the plaintiff.

On January 25, 2016, the Court issued a separate opinion granting in part and denying in part the motions to dismiss filed by the remaining defendants. Specifically, the Court granted the motion to dismiss Count IV (unjust enrichment) for failure to state a claim. The Court also dismissed Count III (aiding and abetting) as to Mr. Cohen, but interpreted Count I (breach of fiduciary duty) to state a claim against Mr. Cohen and MS Pawn, as well as Mr. Roberts. The Court otherwise denied the motions to dismiss, including the motion to dismiss Count III (aiding and abetting) against MS

Pawn.
On February 4, 2016, the remaining defendants filed an Application for Certification of Interlocutory Appeal, which the plaintiff opposed on February 15, 2016, and the Court set a hearing on the application. On February 22, 2016, the Court denied the Application for Certification of Interlocutory Appeal and provided the plaintiff the opportunity to amend its complaint to add a fiduciary-duty claim as to Mr. Cohen and Madison Park, staying proceedings pending a ruling from the Delaware

Supreme Court. After the Application for Certification of Interlocutory Appeal was denied, Mr. Roberts, MS Pawn Corporation and MS Pawn Limited Partnership filed notices of appeal from the interlocutory opinion and order denying the motions to dismiss. On March 10, 2016, the Delaware Supreme Court denied those petitions for an interlocutory appeal. On March 4, 2016, the plaintiff filed a Second Amended Derivative Complaint against Mr. Roberts, Mr. Cohen, Madison Park, MS Pawn Corporation and MS Pawn Limited Partnership with EZCORP, Inc., as nominal defendant.

On August 23, 2017, the parties agreed to a mediated settlement of all remaining claims and entered into a Memorandum of Understanding regarding that settlement. Under the terms of the proposed settlement, a settlement payment of $6.5 million, less attorney fees awarded to the plaintiff's counsel and administrative costs of settlement, will be paid to the Company. Of such amount, $5.5 million will be funded by the Company's insurance carriers and $1.0 million will be funded by Madison Park LLC. The parties have completed confirmatory discovery and are in the process of preparing appropriate settlement papers to be filed with the Court. Those papers will request the Court to set a settlement hearing, at which the Court will consider the fairness and adequacy of the parties' stipulation and agreement of settlement. The proposed settlement will not be final until approved by the Court.

Federal Securities Litigation (WDT) — On July 20, 2015, Wu Winfred Huang, a purported holder of Class A Common Stock, for himself and on behalf of other similarly situated holders of Class A Common Stock, filed a lawsuit in the United States District Court for the Western District of Texas styled Huang v. EZCORP, Inc., et al. (Case No. 1:15-cv-00608-SS). The complaint names as defendants EZCORP, Inc., Stuart I. Grimshaw (our chief executive officer) and Mark E. Kuchenrither (our former chief financial officer) and asserts violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The original complaint related to the Company's announcement on July 17, 2015 that it will restate the financial statements for fiscal 2014 and the first quarter of fiscal 2015, and alleged generally that the Company issued materially false or misleading statements concerning the Company, its finances, business operations and prospects and that the Company misrepresented the financial performance of the Grupo Finmart business.

On August 14, 2015, a substantially identical lawsuit, styled Rooney v. EZCORP, Inc., et al. (Case No. 1:15-cv-00700-SS) was also filed in the United States District Court for the Western District of Texas. On September 28, 2015, the plaintiffs in these two lawsuits filed an agreed stipulation to be appointed co-lead plaintiffs and agreed that their two actions should be consolidated. On November 3, 2015, the Court entered an order consolidating the two actions under the caption In re EZCORP, Inc. Securities Litigation (Master File No. 1:15-cv-00608-SS), and appointed the two plaintiffs as co-lead plaintiffs, with their respective counsel appointed as co-lead counsel.

On January 11, 2016, the plaintiffs filed an Amended Class Action Complaint (the "Amended Complaint"). In the Amended Complaint, the plaintiffs seek to represent a class of purchasers of our Class A Common Stock between November 6, 2012 and October 20, 2015. The Amended Complaint asserts that the Company and Mr. Kuchenrither violated Section 10(b) of the Securities Exchange Act and Rule 10b-5, issued materially false or misleading statements throughout the proposed class period concerning the Company and its internal controls, specifically regarding the financial performance of Grupo Finmart. The plaintiffs also allege that Mr. Kuchenrither, as a controlling person of the Company, violated Section 20(a) of the Securities Exchange Act. The Amended Complaint does not assert any claims against Mr. Grimshaw. On February 25, 2016, defendants filed a motion to dismiss the lawsuit. The plaintiff filed an opposition to the motion to dismiss on April 11, 2016, and the defendants filed their reply on May 11, 2016. The Court held a hearing on the motion to dismiss on June 22, 2016.

On October 18, 2016, the Court granted the defendants' motion to dismiss and dismissed the Amended Complaint without prejudice. The Court gave the plaintiffs 20 days (until November 7, 2016) to file a further amended complaint. On November 4, 2016, the plaintiffs filed a Second Amended Consolidated Class Action Complaint ("Second Amended Complaint"). The Second Amended Complaint raises the same claims dismissed by the Court on October 18, 2016, except plaintiffs now seek to represent a class of purchasers of EZCORP's Class A Common Stock between November 7, 2013 and October 20, 2015 (instead of between November 6, 2012 and October 20, 2015). On December 5, 2016, defendants filed a motion to dismiss the Second Amended Compliant. The plaintiffs filed their opposition to the motion to dismiss on January 6, 2017, and the defendants filed their reply brief on January 20, 2017.

On May 8, 2017, the Court granted the defendants' motion to dismiss with regard to claims related to accounting errors relating to Grupo Finmart's bad debt reserve calculations for "nonperforming" loans, but denied the motion to dismiss with regard to claims relating to accounting errors related to certain sales of loan portfolios to third parties. The case is now in the discovery stage. We cannot predict the outcome of the litigation, but we intend to defend vigorously against all allegations and claims.

SEC Investigation — On October 23, 2014, we received a notice from the Fort Worth Regional Office of the SEC that it was conducting an investigation into certain matters involving EZCORP, Inc. The notice was accompanied by a subpoena, directing us to produce a variety of documents, including all minutes and materials related to Board of Directors and Board committee meetings since January 1, 2009 and all documents and communications relating to our historical advisory services relationship

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with Madison Park (the business advisory firm owned by Mr. Cohen) and LPG Limited (a business advisory firm owned by Lachlan P. Given, our current Executive Chairman of the Board). The SEC has also issued subpoenas to current and former members of our Board of Directors requesting production of similar documents, as well as to certain third parties, and has conducted interviews with certain individuals. We continue to cooperate fully with the SEC in its investigation.

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NOTE 15: SEGMENT INFORMATION

Segment information is prepared on the same basis that our chief operating decision maker reviews financial information for operational decision-making purposes. We currently report our segments as follows: U.S. Pawn — all pawn activities in the United States; Mexico Pawn — all pawn activities in Mexico and other parts of Latin America; and Other International — primarily our equity interest in the net income (loss) of Cash Converters International and consumer finance activities in Canada. There are no inter-segment revenues, and the amounts below were determined in accordance with the same accounting principles used in our consolidated financial statements.

	Fiscal Year Ended September 30, 2017					
	U.S. Pawn	Mexico Pawn	Other International	Total Segments	Corporate Items	Consolidated
	(in thousands)					
Revenues:						
Merchandise sales	$351,878	$62,957	$ 3	$414,838	$—	$ 414,838
Jewelry scrapping sales	48,203	2,986	—	51,189	—	51,189
Pawn service charges	238,437	34,643	—	273,080	—	273,080
Other revenues	219	645	7,983	8,847	—	8,847
Total revenues	638,737	101,231	7,986	747,954	—	747,954
Merchandise cost of goods sold	223,475	43,050	—	266,525	—	266,525
Jewelry scrapping cost of goods sold	41,434	2,497	—	43,931	—	43,931
Other cost of revenues	—	—	1,988	1,988	—	1,988
Net revenues	373,828	55,684	5,998	435,510	—	435,510
Operating expenses (income):						
Operations	259,977	36,211	8,448	304,636	—	304,636
Administrative	—	—	—	—	53,254	53,254
Depreciation and amortization	10,171	2,675	191	13,037	10,624	23,661
Loss on sale or disposal of assets	198	134	—	332	27	359
Interest expense	—	9	—	9	27,794	27,803
Interest income	—	(1,930)	—	(1,930)	(10,173)	(12,103)
Equity in net income of unconsolidated affiliate	—	—	(4,916)	(4,916)	—	(4,916)
Other income	(19)	(69)	(96)	(184)	(239)	(423)
Segment contribution	$103,501	$18,654	$ 2,371	$124,526		
Income from continuing operations before income taxes				$124,526	$(81,287)	$ 43,239

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	Fiscal Year Ended September 30, 2016					
	U.S. Pawn	Mexico Pawn	Other International	Total Segments	Corporate Items	Consolidated
	(in thousands)					
Revenues:						
Merchandise sales	$348,771	$60,331	$ 5	$409,107	$—	$ 409,107
Jewelry scrapping sales	47,810	2,282	21	50,113	—	50,113
Pawn service charges	229,893	31,907	—	261,800	—	261,800
Other revenues	331	385	8,769	9,485	—	9,485
Total revenues	626,805	94,905	8,795	730,505	—	730,505
Merchandise cost of goods sold	217,268	41,002	1	258,271	—	258,271
Jewelry scrapping cost of goods sold	40,138	1,885	16	42,039	—	42,039
Other cost of revenues	—	—	1,965	1,965	—	1,965
Net revenues	369,399	52,018	6,813	428,230	—	428,230
Operating expenses (income):						
Operations	255,321	38,481	7,585	301,387	—	301,387
Administrative	—	—	—	—	68,101	68,101
Depreciation and amortization	12,242	2,965	218	15,425	11,117	26,542
Loss on sale or disposal of assets	664	169	4	837	269	1,106
Restructuring	993	543	202	1,738	183	1,921
Interest expense	125	109	—	234	16,243	16,477
Interest income	(2)	(30)	—	(32)	(49)	(81)
Equity in net loss of unconsolidated affiliate	—	—	255	255	—	255
Impairment of investment	—	—	10,957	10,957	—	10,957
Other expense (income)	—	1,273	2	1,275	(73)	1,202
Segment contribution (loss)	$100,056	$8,508	$ (12,410)	$96,154		
Income from continuing operations before income taxes				$96,154	$(95,791)	$ 363

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	Fiscal Year Ended September 30, 2015					
	U.S. Pawn	Mexico Pawn	Other International	Total Segments	Corporate Items	Consolidated
	(in thousands)					
Revenues:						
Merchandise sales	$334,635	$65,408	$ 2,075	$402,118	$—	$ 402,118
Jewelry scrapping sales	54,343	3,267	363	57,973	—	57,973
Pawn service charges	216,211	30,993	—	247,204	—	247,204
Other revenues	945	1,021	10,739	12,705	—	12,705
Total revenues	606,134	100,689	13,177	720,000	—	720,000
Merchandise cost of goods sold	218,953	47,371	1,465	267,789	—	267,789
Jewelry scrapping cost of goods sold	42,845	2,954	267	46,066	—	46,066
Other cost of revenues		—	3,125	3,125	—	3,125
Net revenues	344,336	50,364	8,320	403,020	—	403,020
Operating expenses (income):						
Operations	244,232	43,927	6,780	294,939	—	294,939
Administrative	—	—	—	—	72,986	72,986
Depreciation and amortization	15,227	4,440	616	20,283	10,676	30,959
Loss (gain) on sale or disposal of assets	995	258	(1)	1,252	1,407	2,659
Restructuring	4,016	799	2,563	7,378	9,702	17,080
Interest expense	60	15	—	75	16,310	16,385
Interest income	(42)	(78)	—	(120)	(158)	(278)
Equity in net loss of unconsolidated affiliate	—	—	5,473	5,473	—	5,473
Impairment of investment	—	—	26,837	26,837	—	26,837
Other expense		1,988	7	1,995	192	2,187
Segment contribution (loss)	$79,848	$(985)	$ (33,955)	$44,908		
Loss from continuing operations before income taxes				$44,908	$(111,115)	$ (66,207)

The following table presents separately identified segment assets:

	U.S. Pawn	Mexico Pawn	Other International	Corporate	Total
	(in thousands)				
Assets as of September 30, 2017					
Pawn loans	$148,124	$21,118	$ —	$ —	$169,242
Pawn service charges receivable, net	28,258	3,290	—	—	31,548
Inventory, net	132,549	21,859	3	—	154,411
Total assets	611,489	82,813	50,462	279,599	1,024,363
Assets as of September 30, 2016					
Pawn loans	$149,791	$17,538	$ —	$ —	$167,329
Pawn service charges receivable, net	28,368	2,694	—	—	31,062
Inventory, net	121,183	19,038	3	—	140,224
Total assets	596,842	66,082	41,775	278,545	983,244

The net assets of our Mexico Pawn segment, exclusive of intercompany amounts and inclusive of certain other assets not separately identified above, were $84.5 million as of September 30, 2017.

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The following tables provide geographic information required by ASC 280-10-50-41:

	Fiscal Year Ended September 30,		
	2017	2016	2015
	(in thousands)		
Revenues:			
United States	$638,737	$626,805	$606,134
Mexico	101,231	94,905	100,689
Canada	7,986	8,795	13,177
Total revenues	$747,954	$730,505	$720,000

	September 30,	
	2017	2016
	(in thousands)	
Long-lived assets:		
United States	$326,736	$326,347
Mexico	17,033	15,893
Canada and Other	1,370	872
Total long-lived assets	$345,139	$343,112

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NOTE 16: SUPPLEMENTAL CONSOLIDATED FINANCIAL INFORMATION AND DISCONTINUED OPERATIONS

Supplemental Consolidated Financial Information

The following table provides information on net amounts included in our consolidated balance sheets:

	September 30,	
	2017	2016
	(in thousands)	
Gross pawn service charges receivable	$42,117	$41,458
Allowance for uncollectible pawn service charges receivable	(10,569)	(10,396)
Pawn service charges receivable, net	$31,548	$31,062
Gross inventory	$161,212	$146,367
Inventory reserves	(6,801)	(6,143)
Inventory, net	$154,411	$140,224
Restricted cash	$—	$3,000
Consumer loans, net	2,615	2,111
Consumer loan fees and interest receivable, net	134	130
Guarantee asset	—	1,209
Accounts receivable	11,165	15,774
Income taxes receivable	2,804	2,533
Prepaid expenses and other	12,047	11,088
Prepaid expenses and other current assets	$28,765	$35,845
Other assets	$3,124	$2,658
Restricted cash	—	4,089
2019 Convertible Notes Hedges	6,591	37,692
Other assets	$9,715	$44,439
Trade accounts payable	$13,064	$21,953
Accrued payroll	4,860	4,638
Bonus accrual	9,010	17,946
Other payroll related expenses	3,922	3,485
Accrued interest	2,212	1,856
Accrued rent and property taxes	11,357	11,201
Deferred revenues	2,483	2,852
Other accrued expenses*	8,310	14,939
Income taxes payable	1,465	2,406
Unrecognized tax benefits	4,860	—
Guarantee liability	—	1,258
Restructuring reserve	—	1,751
Account payable, accrued expenses and other current liabilities	$61,543	$84,285
Unrecognized tax benefits, non-current	$1,758	$6,416
Other long-term liabilities	5,297	4,034
Other long-term liabilities	$7,055	$10,450

* Includes provision for closed stores and accrued lease termination costs, exclusive of stores closed associated with restructuring actions, of $5.2 million as of September 30, 2016.

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Discontinued Operations

Fiscal 2016

In September 2016 we completed the sale of all of our interests in Grupo Finmart to AlphaCredit. The information presented below includes the assets, liabilities, revenues and expenses of variable interest entities which were deconsolidated as a result of the sale of Grupo Finmart. As a result of the decision to sell the Grupo Finmart business, we classified Grupo Finmart as held for sale as of June 30, 2016 and recast all segment operations of Grupo Finmart as discontinued operations. As of the completion of the disposition, Grupo Finmart is no longer a subsidiary of EZCORP and neither Grupo Finmart nor AlphaCredit is considered to be a related party to EZCORP. See Note 5 for additional information regarding our continuing involvement with Grupo Finmart.

The following table presents the reconciliation of the major line items constituting "Loss from discontinued operations, net of tax" of Grupo Finmart and other operations discontinued prior to the adoption of ASU 2014-08 that are presented in the consolidated statements of operations, excluding immaterial amounts in fiscal 2017:

	Fiscal Year Ended September 30,	
	2016	2015
	(in thousands)	
Revenues	$45,256	$68,369
Consumer loan bad debt	(30,081)	(26,446)
Operations expense	(111,984)	(32,664)
Interest expense, net	(16,464)	(24,487)
Depreciation, amortization and other expenses	(12,732)	(7,008)
Gain on disposition	34,237	—
Loss from discontinued operations before income taxes of Grupo Finmart	(91,768)	(22,236)
Income tax benefit	12,896	7,508
Loss from discontinued operations, net of tax of operations discontinued prior to the adoption of ASU 2014-08	(560)	(27,317)
Loss from discontinued operations, net of tax	$(79,432)	$(42,045)
Loss from discontinued operations, net of tax of Grupo Finmart	$(78,872)	$(14,728)
Loss from discontinued operations, net of tax of Grupo Finmart attributable to noncontrolling interest	6,661	4,150
Loss from discontinued operations, net of tax of Grupo Finmart attributable to EZCORP, Inc.	$(72,211)	$(10,578)

There were immaterial cash flows from Grupo Finmart operating and investing activities for fiscal 2017. Cash flows from Grupo Finmart operating activities for fiscal 2016 and 2015 were $2.2 million and $11.1 million, respectively. Cash flows from Grupo Finmart investing activities for fiscal 2016 and 2015 were $42.7 million and $(41.1) million, respectively.

Fiscal 2015

During the fourth quarter of fiscal 2015, in the context of a transformational change in strategy following an intensive six-month review of all Company activities, we implemented a plan that included:

- Exiting our USFS business and ceasing the employment of the employees related to that business; and
- Streamlining our structure and operating model to improve overall efficiency and reduce costs, which includes additional store closures, consolidations and relocations; additional headcount reductions in the remaining business and in the corporate support center; termination of various real property leases; and write-down and write-offs of various assets no longer to be used in the business.

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The following table summarizes the pre-tax charges pertaining to the above discontinued operations in fiscal 2015, in thousands:

Goodwill impairment	$10,550
Long-lived assets impairment	1,685
Other (a)	21,045
Asset disposals	7,443
Lease termination costs	1,720
	$42,443

(a) Includes a $10.5 million one-time charge associated with the settlement of outstanding issues with the U.S. Consumer Financial Protection Bureau and a $4.0 million charge related to the resolution of regulatory compliance issues in our Cash Genie U.K online lending business, which was a part of fiscal 2014 discontinued operations, in addition to employee severance and accelerated amortization of prepaid expenses and other assets.

Total revenue included in “Loss from discontinued operations, net of tax” was $2.1 million and $124.7 million during fiscal 2016 and 2015, respectively, exclusive of Grupo Finmart revenue.

Valuation and Qualifying Accounts

The following table provides information on our valuation and qualifying accounts not disclosed elsewhere:

Description	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Expense	Charged to Revenue		
	(in thousands)				
Allowance for valuation of inventory:					
Year Ended September 30, 2017	$6,143	$658	$ —	$ —	$6,801
Year Ended September 30, 2016	7,090	—	—	947	6,143
Year Ended September 30, 2015	16,043	—	—	8,953	7,090
Allowance for uncollectible pawn service charges receivable:					
Year Ended September 30, 2017	$10,396	$—	$ 173	$ —	$10,569
Year Ended September 30, 2016	9,025	—	1,371	—	10,396
Year Ended September 30, 2015	10,307	—	—	1,282	9,025
Allowance for uncollectible consumer loan fees and interest receivable:					
Year Ended September 30, 2017	$241	$—	$ 42	$ —	$283
Year Ended September 30, 2016	12,045	—	—	11,804 *	241
Year Ended September 30, 2015	13,685	—	—	1,640	12,045
Allowance for valuation of deferred tax assets:					
Year Ended September 30, 2017	$21,078	$—	$ —	$ 3,218	$17,860
Year Ended September 30, 2016	19,567	1,511	—	—	21,078
Year Ended September 30, 2015	14,721	4,846	—	—	19,567

* Includes $9.2 million in allowance that was deconsolidated as a result of the disposition of Grupo Finmart as discussed above.

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NOTE 17: QUARTERLY INFORMATION (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except per share amounts)			
Year Ended September 30, 2017				
Total revenues	$192,624	$189,628	$183,633	$182,069
Net revenues	111,965	109,897	105,555	108,093
Income from continuing operations, net of tax	8,266	8,231	5,467	10,069
Income (loss) from discontinued operations, net of tax	(1,228)	(375)	(265)	43
Net income	7,038	7,856	5,202	10,112
Net loss attributable to noncontrolling interest	(127)	(167)	(58)	(1,298)
Net income attributable to EZCORP, Inc.	$7,165	$8,023	$5,260	$11,410
Basic earnings per share attributable to EZCORP, Inc.:				
Continuing operations	$0.15	$0.15	$0.10	$0.21
Discontinued operations	(0.02)	(0.01)	—	—
Basic earnings per share	$0.13	$0.14	$0.10	$0.21
Diluted earnings per share attributable to EZCORP, Inc.:				
Continuing operations	$0.15	$0.15	$0.10	$0.21
Discontinued operations	(0.02)	(0.01)	—	—
Diluted earnings per share	$0.13	$0.14	$0.10	$0.21

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except per share amounts)			
Year Ended September 30, 2016				
Total revenues	$187,557	$188,213	$170,150	$184,585
Net revenues	112,610	108,365	100,394	106,861
(Loss) income from continuing operations, net of tax	3,419	2,307	2,778	(17,502)
Income (loss) from discontinued operations, net of tax	(11,685)	(78,250)	(9,133)	19,636
Net income (loss)	(8,266)	(75,943)	(6,355)	2,134
Net loss attributable to noncontrolling interest	(792)	(5,131)	(666)	(1,097)
Net income (loss) attributable to EZCORP, Inc.	$(7,474)	$(70,812)	$(5,689)	$3,231
Basic earnings (loss) per share attributable to EZCORP, Inc.:				
Continuing operations	$0.06	$0.05	$0.05	$(0.31)
Discontinued operations	(0.19)	(1.34)	(0.16)	0.37
Basic earnings (loss) per share	$(0.13)	$(1.29)	$(0.11)	$0.06
Diluted earnings (loss) per share attributable to EZCORP, Inc.:				
Continuing operations	$0.06	$0.05	$0.05	$(0.31)
Discontinued operations	(0.19)	(1.34)	(0.16)	0.37
Diluted earnings (loss) per share	$(0.13)	$(1.29)	$(0.11)	$0.06

Financial information in the table above has been adjusted to reflect reclassification of all discontinued operations as discussed in Note 16.

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Fiscal 2017 Quarterly Impacts

During the fourth quarter of fiscal 2017, we recorded a gain of $3.0 million included under “Interest income” in our consolidated statements of operations as a result of the amendment of notes receivable from Grupo Finmart, as further discussed in Note 5.

During the fourth quarter of fiscal 2017, we recorded an extinguishment loss of $5.3 million included under “Interest expense” in our consolidated statements of operations as a result of the repurchase and retirement of $35 million aggregate principal amount of 2019 Convertible Notes and the full retirement of our Term Loan Facility using proceeds from the issuance of our 2024 Convertible Senior Notes, as further discussed in Note 8.

Fiscal 2016 Quarterly Impacts

During the second quarter of fiscal 2016, we recorded an impairment in goodwill of $73.2 million pertaining to discontinued operations as further discussed in Note 7.

We recorded a gain of $34.2 million, before consideration of total associated transaction costs of approximately $9.8 million, with approximately $1.8 million of the total costs to be recorded in future periods due to ongoing employee service requirements, and a $2.1 million loss on assumption of existing Grupo Finmart debt, during the fourth quarter of fiscal 2016 on disposition of Grupo Finmart as further discussed in Note 16, included in discontinued operations.

During the fourth quarter of fiscal 2016, we recorded an impairment of our unconsolidated affiliate of $11.0 million ($7.2 million, net of taxes), as further discussed in Note 4. Further, our equity in net loss of unconsolidated affiliate during the fourth quarter of fiscal 2016 included pre-tax charges totaling $11.8 million including restructuring costs, compliance provision and other.

NOTE 18: SUBSEQUENT EVENTS

On October 6, 2017, we completed the acquisition of 100% of the outstanding stock of Camira Administration Corp. and subsidiaries (“GPMX”), a business that owns and operates 112 stores located in Guatemala, El Salvador, Honduras and Peru. The GPMX acquisition significantly expands our store base into Latin American countries outside of Mexico and provides us with a platform for further growth in the region. We paid $53.4 million in cash upon closing, with an additional $2.25 million to be paid contingent upon performance of GPMX’s business during the 24 months following the closing date. At the time of closing, GPMX owed $6.6 million in indebtedness to members of the seller’s affiliated group, and under the terms of the stock purchase agreement, GPMX repaid such indebtedness during October 2017. The initial accounting for the business combination was incomplete as of the date these financial statements were issued, due to efforts required to finalize the purchase price and related allocation to acquired assets and liabilities at fair values. We have incurred $1.2 million in acquisition-related costs through September 30, 2017, which were expensed as incurred and included under “Administrative” expense in our consolidated statements of operations.

ITEM 9 — CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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ITEM 9A — CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in the reports 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 that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this Annual Report on Form 10-K, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2017. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2017.

Management’s Report on Internal Control Over Financial Reporting

Management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of our internal control over financial reporting. Internal control over financial reporting (as defined in Rules 13a-15(f) and 15d(f) under the Exchange Act) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. GAAP. Internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets, (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, (c) provide reasonable assurance that receipts and expenditures are being made only in accordance with appropriate authorization of management and the Board of Directors, and (d) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

In connection with the preparation of this Annual Report on Form 10-K, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an assessment of the effectiveness of our internal control over financial reporting as of September 30, 2017 based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that assessment, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was effective as of September 30, 2017.

Our internal control over financial reporting as of September 30, 2017 has been audited by our independent registered public accounting firm, as stated in their report appearing on the next page.

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders of
EZCORP, Inc.
Rollingwood, Texas

We have audited EZCORP, Inc.'s internal control over financial reporting as of September 30, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). EZCORP, Inc.'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, included in the accompanying Item 9A, 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

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.

In our opinion, EZCORP, Inc. maintained, in all material respects, effective internal control over financial reporting as of September 30, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of EZCORP, Inc. as of September 30, 2017 and 2016, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2017 and our report dated November 15, 2017 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
Dallas, Texas

November 15, 2017

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Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the fourth quarter of fiscal 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Internal Controls

Notwithstanding the foregoing, management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Limitations inherent in any control system include the following:

- Judgments in decision-making can be faulty, and control and process breakdowns can occur because of simple errors or mistakes.
- Controls can be circumvented by individuals, acting alone or in collusion with others, or by management override.
- 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.
- Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures.
- The design of a control system must reflect the fact that resources are constrained, and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

ITEM 9B — OTHER INFORMATION

None.

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PART III

ITEM 10 — DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Board of Directors

Set forth below are the names of the persons who, as of November 1, 2017, constituted our Board of Directors and their ages and committee assignments as of that date:

Name	Age	Committees
Matthew W. Appel	61	Audit (Chair)
Santiago Creel Miranda	63	Compensation
Peter Cumins	66	—
Lachlan P. Given (Executive Chairman)	41	Compensation
Stuart I. Grimshaw	56	—
Pablo Lagos Espinosa	62	Audit, Compensation (Chair)
Thomas C. Roberts	75	Audit, Compensation
Joseph L. Rotunda	70	—

Director Qualifications — The Board believes that individuals who serve on the Board should have demonstrated notable or significant achievements in business, education or public service; should possess the requisite intelligence, education and experience to make a significant contribution to the Board and bring a range of skills, diverse perspectives and backgrounds to its deliberations; and should have the highest ethical standards, a strong sense of professionalism and intense dedication to serving the interests of our stockholders. The following are qualifications, experience and skills for Board members which are important to our business and its future:

- Leadership Experience — Our directors should demonstrate extraordinary leadership qualities. Strong leaders bring vision, strategic agility, diverse and global perspectives and broad business insight to the company. They demonstrate practical management experience, skills for managing change and deep knowledge of industries, geographies and risk management strategies relevant to our business. They have experience in identifying and developing the current and future leaders of the company.
- Finance Experience — We believe that all directors should possess an understanding of finance and related reporting processes.
- Strategically Relevant Experience — Our directors should have business experience that is relevant to our strategic goals and objectives, including geographical and product expansion. We value experience in our high priority growth areas, including new or expanding geographies or customer segments and existing and new technologies; understanding of our business environments; and experience with, exposure to or reputation among a broad subset of our customer base.
- Government Experience — Our business is subject to a variety of legislative and regulatory risks. Accordingly, we value experience in the legislative, judicial or regulatory branches of government or government relations.

Biographical Information — Set forth below is current biographical information about our directors, including the qualifications, experience and skills that make them suitable for service as a director.

- Matthew W. Appel — Mr. Appel joined EZCORP as a director in January 2015 and is Chair of the Audit Committee. Mr. Appel spent 37 years in finance, administration and operations roles with a variety of companies, most recently Zale Corporation, an NYSE listed jewelry retailer, where he served as Chief Financial Officer from May 2009 to May 2011 and Chief Administrative Officer from May 2011 to July 2014 and co-led the successful turnaround of the company. Prior to joining Zale, Mr. Appel was Chief Financial Officer of EXL Service Holdings, Inc., a NASDAQ listed business process solutions company (February 2007 to May 2009); spent four years (February 2003 to February 2007) at Electronic Data Systems Corporation, serving as Vice President, Finance and Administration BPO and Vice President, BPO Management; and held a variety of finance and operations roles from 1984 to 2003 at Tenneco Inc., Affiliated Computer Services, Inc. and PricewaterhouseCoopers. Mr. Appel began his professional career with Arthur Andersen & Company, working there from 1977 to 1984. Mr. Appel received an MBA in Accounting from the Rutgers University

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Graduate School of Business in 1977 and a Business Administration degree from Rutgers College in 1976. Mr. Appel is a Certified Public Accountant and a Certified Management Accountant.

Director qualifications: leadership, chief financial officer and executive management experience; broad business and strategically relevant experience; retail management experience; financial experience, including accounting, tax and financial reporting; experience in developing growth strategies; personnel development.

- Santiago Creel Miranda — Mr. Creel joined EZCORP as a director in January 2014 and is a member of the Compensation Committee. Mr. Creel is a former Senator of Mexico, having served from 2006 to 2012. During his term, he acted as Speaker of the Senate and Chairman of the Senate's Political Coordination Committee. Prior to being elected to the Senate, Mr. Creel served as Secretary of Governance in President Vicente Fox's administration from 2000 to 2005 and as a Federal Deputy (Congressman) in the 57th Congress, where he was Vice Speaker of the Chamber of Deputies and chaired the Government and Constitutional Issues Committee. Mr. Creel practiced law with the firm of Noriega y Escobedo in Mexico City for almost 20 years, and has been a legal consultant to many companies, both domestic and foreign, as well as to international organizations and to the Mexican government. Mr. Creel is now a member of the governing body of Pacto por México, which sponsors an extensive agenda of political, economic and structural changes in Mexico.

Director qualifications: leadership experience; experience in developing, implementing and managing strategic plans; understanding of our unique business environment; government service experience.

- Peter Cumins — Mr. Cumins joined EZCORP as a director in July 2014. He is the Executive Deputy Chairman, and serves on the board of directors, of Cash Converters International Limited (ASX: CCV), a public company headquartered in Perth, Western Australia. Cash Converters International owns and franchises retail and financial services stores in 21 countries. EZCORP owns approximately 32% of the outstanding ordinary shares of Cash Converters International. Mr. Cumins joined Cash Converters International in August 1990 as Finance and Administration Manager, became General Manager in March 1992 and served as Managing Director from April 1995 to January 2017, when he became Executive Deputy Chairman. During his tenure as Managing Director, Mr. Cumins oversaw the major growth in the number of company-owned and franchised locations in Australia, as well as the international development of the Cash Converters International franchise system. Mr. Cumins is a qualified accountant, and his experience in the management of large organizations has included senior executive positions in the government health sector, specifically with the Fremantle Hospital Group, where he was Finance and Human Resources Manager.

Director qualifications: leadership and executive management experience; retail management experience; deep understanding of consumer businesses and customer service strategies; risk management experience; financial experience; experience in developing, implementing and managing strategic plans; personnel development; deep understanding of conducting business in highly regulated environments.

- Lachlan P. Given — Mr. Given was appointed to the Board of Directors as Non-Executive Chairman in July 2014, became Executive Vice Chairman in August 2014 and Executive Chairman in February 2015. Mr. Given serves on the Compensation Committee. He is the sole beneficial owner of LPG Limited (HK), a business and financial advisory firm, and prior to assuming the role of Executive Vice Chairman of EZCORP, provided international financial and advisory services to a number of companies, including EZCORP from October 2012 to June 2014. Since 2004, Mr. Given has also served as a consultant and advisor to Madison Park LLC, which has, in the past, provided certain advisory services to the Company. Madison Park is wholly owned by Phillip E. Cohen, who is the beneficial owner of all of our Class B Voting Common Stock. Mr. Given is also a director of The Farm Journal Corporation, a 134-year old pre-eminent U.S. agricultural media company; Senetas Corporation Limited (ASX: SEN), the world's leading developer and manufacturer of certified, defense-grade encryption solutions; CANSTAR Pty Ltd, the leading Australian financial services ratings and research firm; and TAB Products Co. LLC, a leading North American records management company. Mr. Given began his career working in the investment banking and equity capital markets divisions of Merrill Lynch in Hong Kong and Sydney, Australia, where he specialized in the origination and execution of a variety of M&A, equity, equity-linked and fixed income transactions. Mr. Given also serves on the board of directors of Cash Converters International Limited.

Director qualifications: broad business experience; financial experience and expertise; international experience and global perspective; industry knowledge; experience in developing growth strategies; understanding of our unique business environment.

- Stuart I. Grimshaw — Mr. Grimshaw joined EZCORP in November 2014 as Executive Chairman and a member of the Board of Directors. He became Chief Executive Officer in February 2015. Prior to joining EZCORP, he was Managing Director and Chief Executive Officer of Bank of Queensland Limited (ASX: BOQ), a consumer banking and financial services institution with branches in every Australian state and territory. During his 30-year career in financial services,

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Mr. Grimshaw held a wide variety of other roles at various banking and finance companies. From 2009 to 2011, he was Chief Executive Officer of Caledonia Investments Pty Ltd. Prior to that, Mr. Grimshaw spent eight years at Commonwealth Bank of Australia, where he served as Group Executive, Premium Business Services (2006 to 2009), Group Executive, Wealth Management (2002 to 2006) and Chief Financial Officer (2001 to 2002). From 1991 to 2001, Mr. Grimshaw held a variety of roles at National Australia Bank (including Chief Executive Officer – Great Britain, and other executive roles in Credit, Institutional Banking, Corporate Financial Services and Global Business Financial Services). Mr. Grimshaw began his career at Australia and New Zealand Banking Group (1983 to 1991). Mr. Grimshaw represented New Zealand in Field Hockey at the 1984 Olympics and has a Bachelor of Commerce and Administration degree from Victoria University in Wellington, New Zealand and an MBA from Melbourne University. He has also completed the Program for Management Development at Harvard Business School. Mr. Grimshaw also serves as non-executive chairman of the board of directors of Cash Converters International Limited.
Director qualifications: leadership, chief executive officer and executive management experience; broad business and strategically relevant experience; financial experience; international experience and global perspective; industry knowledge; experience in developing growth strategies; personnel development; deep understanding of conducting business in highly regulated environments.

- Pablo Lagos Espinosa — Mr. Lagos joined EZCORP as a director in October 2010. He is Chair of the Compensation Committee and a member of the Audit Committee. Mr. Lagos served as President and Chief Executive Officer of Pepsi Bottling Group Mexico from 2006 to 2008 and as its Chief Operating Officer from 2003 to 2006. He previously held various executive management positions with Pepsi Bottling Group, PepsiCo Inc., Unilever Mexico and PepsiCola International, Inc., concentrating exclusively in Latin America. Since his retirement in December 2008, Mr. Lagos has been an investor and consultant in various private business ventures mainly in real estate development and senior living residential services, and has served as a keynote speaker on organizational leadership and management. He currently serves as Chairman of the Board and Executive President for the Mexican subsidiary of Areas, a Spanish global organization dedicated to restaurant and retailing operations in key public transportation hubs, and as Chairman of the board of Casa del Parque, a privately held enterprise focused on developing senior living residences in Mexico. He is also a member of the Mexican Advisory Board for Niagara Waters, a leading manufacturer of bottled water in the U.S. and Mexico.

Director qualifications: leadership, chief executive officer and executive management experience in significant multi-national environments; deep understanding of strategically important geographies and international markets; risk management experience; financial experience; experience in developing, implementing and managing strategic plans, including international expansion; personnel development; legislative and government relations experience

- Thomas C. Roberts — Mr. Roberts rejoined the Board of Directors of EZCORP in July 2014 and currently serves as a member of the Audit Committee and the Compensation Committee. He previously served as a director of the Company from January 2005 to January 2014 and was Lead Director from November 2008 to September 2013. He also served as a member of both the Audit and Compensation Committees until September 2013. Since 1990, Mr. Roberts has been a private investor and served as the Chairman of the Board of Directors of Pensco, Inc., a financial services company in which he held a significant ownership position, between 1990 and April 2016. Previously, he served as a senior executive, including Chief Financial Officer, of Schlumberger, Ltd. from 1970 to 1985 and President of Control Data Computer Systems and Services, as well as a member of Control Data Corporation's Board of Directors (1985 to 1989).

Director qualifications: leadership experience; chief financial officer, chief executive officer and general management experience in significant and complex multi-national environments; deep understanding of strategically important geographies and international markets; risk management experience; financial expertise; experience in developing, implementing and managing strategic plans, including international expansion; personnel development.

- Joseph L. Rotunda — Mr. Rotunda currently serves as Chief Operating Officer, having been appointed to that position in October 2016. Mr. Rotunda has a relationship with the Company that spans the past 17 years. Mr. Rotunda joined EZCORP as President and Chief Operating officer and a director in February 2000 and was promoted to Chief Executive Officer in August 2000. He retired from that position, and as a member of the Board of Directors, in October 2010 and became a consultant to the Company pursuant to a five-year consulting agreement. That agreement was mutually terminated in November 2013. Mr. Rotunda rejoined the Board of Directors in July 2014, and assumed an executive role in May 2015 when he was appointed President, North American Pawn. Prior to joining EZCORP in 2000, Mr. Rotunda was the Chief Operating Officer of G&K Services, Inc. (1998 to 2000) and held several executive positions, including Executive Vice President and Chief Operating Officer, with Rent-A-Center, Inc. (1991 to 1998). Mr. Rotunda served as a director of EasyHome Ltd. of Toronto, Canada from 2000 until 2010 and as a member of the board of directors of eCommission Financial Services, Inc., headquartered in Austin, Texas, until its sale in 2017.

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Director qualifications: leadership, chief executive officer and executive management experience; retail management experience; deep understanding of consumer businesses and customer service strategies; risk management experience; financial experience; experience in developing, implementing and managing strategic plans; personnel development; deep understanding of conducting business in highly regulated environments; understanding of our unique business environment.

Executive Officers

Set forth below are the name, age and position of each of the persons serving as our executive officers as of November 1, 2017:

Name	Age	Title
Stuart I. Grimshaw	56	Chief Executive Officer
Lachlan P. Given	41	Executive Chairman
Scott Alomes	58	Chief Human Resources Officer & New Ventures
Daniel M. Chism	49	Chief Financial Officer
Mark DeBenedictus	56	Chief Customer Experience Officer
David John Hurrell	56	Chief Information Officer
Fransisco Kuthy	52	General Manager, Empeño Fácil
Joseph L. Rotunda	70	Chief Operating Officer
Jacob Wedin	46	Chief Business Development Officer
Thomas H. Welch, Jr.	62	Chief Legal Officer and Secretary

Set forth below is current biographical information about our executive officers, except for Mr. Grimshaw, Mr. Given and Mr. Rotunda, whose biographical information is included under “Board of Directors” above.

Scott Alomes — Mr. Alomes joined EZCORP as Chief Human Resources Officer in March 2015. In October 2016, Mr. Alomes was assigned management oversight responsibility for the Company’s CashMax business in Canada, as well as all new ventures, and his title was changed to Chief Human Resources Officer & New Ventures. He has more than 30 years of experience and has spent his entire career in Human Resources for the financial services industry. He joined EZCORP from Crowe Horwath Australia, where he was HR Leader in the Southern Region for this large provider of accounting, audit, tax business and financial advice to individuals and businesses in Australia. Mr. Alomes has also held HR leadership roles at ClearView Wealth Limited (investments and life insurance products in Australia), Suncorp (banking and wealth management in Australia and New Zealand), Commonwealth Bank and National Australia Bank.

Daniel M. Chism — Mr. Chism rejoined EZCORP as Chief Financial Officer in May 2017. He has over 20 years of accounting, finance and business experience in the pawn industry, with 12 of those years at EZCORP. He served as EZCORP’s Controller from August 1999 to October 2009, when he was promoted to Vice President, Finance and Chief Accounting Officer. He served in that position for two years until he left the company in October 2011. Mr. Chism further previously served as interim Chief Financial Officer from May 2010 to November 2010. After leaving the company, Mr. Chism co-founded, and served as Executive Vice President and Chief Financial Officer of, Cash Solutions Centers, LLC, a privately-held owner and operator of pawnshops and financial services stores. From May 2015 to July 2016, Mr. Chism also served as Executive Vice President - Chief Financial Officer of Gatsby Investments, LLC, a privately-held holding company, as well as Chief Financial Officer to two consumer products companies in the Gatsby Investments portfolio. Mr. Chism began his professional career at Ernst & Young, where he served as Audit Manager on EZCORP’s account. He holds a Bachelor of Business Administration degree in Accounting and a Master in Professional Accounting degree from the University of Texas at Austin, and is a Certified Public Accountant and a Chartered Global Management Accountant.

Mark DeBenedictus — Mr. DeBenedictus joined EZCORP as Chief Customer Experience Officer in May 2017, after having served as a strategic IT consultant for three months. Mr. DeBenedictus is responsible for executive oversight of the Company’s strategic and operational information technology function and for overseeing the Company’s developing and evolving businesses. Prior to joining EZCORP, Mr. DeBenedictus was founding partner and Chief Operating Officer of Repatriate Advisory Solutions LLC, an IT transformation specialist that assists companies in the evaluation and modification of IT and business process outsourcing arrangements. Prior to forming Repatriate Advisory Solutions in 2016, Mr. DeBenedictus spent five years with American International Group (AIG) as Senior Vice President, Global Infrastructure Services, and over twenty years in a variety of capacities with Electronic Data Services (EDS) and related companies, including Vice President, Global Financial Services; Vice President, U.S. Financial Services; Global Vice President, Service Delivery, Australia and New

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Zealand; Managing Director, Credit Services; and Client Delivery Executive. Mr. DeBenedictus received a Bachelor of Arts degree in Computer Science from the State University of New York.

David John Hurrell — Mr. Hurrell joined EZCORP in August 2014 as Vice President, Systems Development and was promoted to Chief Information Officer in February 2016. Prior to joining EZCORP, Mr. Hurrell spent 15 years with Cash America International, Inc., most recently serving as Senior Vice President responsible for New Systems Development and Business Transformation services. Mr. Hurrell started in the pawn industry as an IT Director with H&T Group Plc, which operates pawn stores in the U.K. under the Harvey & Thompson brand. Prior to that, he held senior IT management positions with The Rank Organization and Bass Leisure.

Francisco J. Kuthy Saenger — Mr. Kuthy joined EZCORP in November 2013 as Senior Vice President of Operations for our Mexico Pawn operations, Empeño Fácil, and was promoted to General Manager of that business in May 2014. Prior to joining EZCORP, Mr. Kuthy spent over three years (May 2010 to November 2013) as General Manager of Farmacias Dermatologicas, S.A. de C.V., Mexico's leading retailer of dermatology and derma-cosmetic consumer products; and six years with Comercial Mexicana, a large retail chain in Mexico, serving as Chief Operating Officer Bodega Comercial Mexicana (2006 to 2010) and District Manager Comercial Mexicana Bajio (May 2004 to 2006). Mr. Kuthy held previous positions in business development, sales administration, operations and field management with Bachoco, S.A. de C.V. (1997 to 2004), Sabritas, S.A. de C.V. (1997) and Wal-Mart's Mexican subsidiary (1989 to 1997).

Jacob Wedin — Mr. Wedin joined EZCORP in May 2015 as Chief Product & Process Officer. Prior to joining us, Mr. Wedin was the CEO of the Mexico Division at Bayport Financial Services, a provider of consumer financial services, including short, medium and long-term loans, where he led Bayport's expansion into Mexico. Prior to that, he was Bayport's Business Development Executive in Latin America. Prior to joining Bayport, he served as a representative of the Swedish Trade Commissions for several countries in Latin American and the Caribbean, based in Brazil. He is a native of Sweden and received his MBA from the American International University in London.

Thomas H. Welch, Jr. — Mr. Welch joined EZCORP in April 2009 as Senior Vice President, General Counsel and Secretary, with his title changing to Chief Legal Officer and Secretary in May 2017. He joined Dell Inc.'s legal department in 1995, and served as Vice President, Legal and General Corporate Counsel from April 1999 to April 2008. Mr. Welch was principally responsible for legal support of Dell's corporate securities, corporate finance, mergers and acquisitions, financial services, executive compensation and benefits, facilities, corporate governance and general corporate matters. From 1992 to 1995, Mr. Welch was Vice President - Corporate Development of Parker & Parsley Petroleum Company (predecessor to Pioneer Natural Resources Company), and previously was a shareholder with the law firm of Johnson & Gibbs, P.C., Dallas, Texas.

Section 16(a) Beneficial Ownership Reporting Compliance

Based on written representations and a review of the relevant Forms 3, 4 and 5, during fiscal 2017, all persons subject to Section 16 of the Securities Exchange Act of 1934 with respect to EZCORP timely filed all reports required by Section 16(a) of the Securities Exchange Act.

Code of Conduct

We maintain a Code of Conduct that is applicable to all of our employees, including our chief executive officer, chief financial officer and chief accounting officer. That Code of Conduct, which satisfies the requirements of a "code of ethics" under applicable SEC rules, contains written standards that are designed to deter wrongdoing and to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest; full, fair, accurate, timely and understandable public disclosures and communications, including financial reporting; compliance with applicable laws, rules and regulations; prompt internal reporting of violations of the code, and accountability for adherence to the code. A copy of the Code of Conduct is posted in the Investor Relations section of on our website at www.ezcorp.com

We will post any waivers of the Code of Conduct, or amendments thereto, that are applicable to our chief executive officer, our chief financial officer or chief accounting officer in the Investor Relations section of our website at www.ezcorp.com. To date, there have been no such waivers.

Corporate Governance

Controlled Company Exemptions — The Nasdaq Listing Rules contain several corporate governance requirements for Nasdaq-listed companies. These requirements generally relate to the composition of the board and its committees. For example, the rules require the following:

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- A majority of the directors must be independent (Rule 5605(b)(1));
- The audit committee must have a least three members, each of whom must be independent (Rule 5605(c)(2));
- Executive officer compensation must be determined, or recommended to the board of directors for determination, by either (1) a majority of the independent directors or (2) a compensation committee comprised solely of independent directors (Rule 5605(d)); and
- Director nominations must be selected, or recommended for the board's selection, by either (1) a majority of the independent directors or (2) a nominations committee comprised solely of independent directors (Rule 5605(e)).

Rule 5615(c)(2), however, provides that a "Controlled Company" is exempt from the requirement to have a majority of independent directors and from the requirements to have independent director oversight over executive compensation and director nominations. The Listing Rules define a "Controlled Company" as a company of which more than 50% of the voting power for the election of directors is held by an individual, a group or another company. EZCORP is a "Controlled Company" within this meaning by virtue of the fact that 100% of the outstanding Class B Voting Common Stock (the only class of voting securities outstanding) is held of record by MS Pawn Limited Partnership and beneficially by Phillip E. Cohen. See "Part III, Item 10 — Directors, Executive Officers and Corporate Governance — Corporate Governance — Committees of the Board" and "Part III, Item 13 — Certain Relationships and Related Transactions and Director Independence — Director Independence."

Committees of the Board — The Board of Directors maintains the following committees to assist it in its oversight responsibilities. The current membership of each committee is indicated in the list of directors set forth under "Board of Directors" above.

- Audit Committee — The Audit Committee assists the Board in fulfilling its responsibility to provide oversight with respect to our financial statements and reports and other disclosures provided to stockholders, the system of internal controls, the audit process and legal and ethical compliance. Its primary duties include reviewing the scope and adequacy of our internal and financial controls and procedures; reviewing the scope and results of the audit plans of our independent and internal auditors; reviewing the objectivity, effectiveness and resources of the internal audit function; appraising our financial reporting activities and the accounting standards and principles followed; and reviewing and approving ethics and compliance policies. The Audit Committee also selects, engages, compensates and oversees our independent auditor and pre-approves all services to be performed by the independent auditing firm.

The Audit Committee is comprised entirely of directors who satisfy the standards of independence described under "Part III, Item 13 — Certain Relationships and Related Transactions, and Director Independence — Director Independence," as well as additional or supplemental independence standards applicable to audit committee members established under applicable law and Nasdaq listing requirements. The Board has determined that each Audit Committee member meets the Nasdaq "financial literacy" requirement and that Mr. Appel, Chair of the committee, is a "financial expert" within the meaning of the current rules of the SEC.

- Compensation Committee — The Compensation Committee reviews and approves, on behalf of the Board, the amounts and types of compensation to be paid to our executive officers; reviews and recommends to the full Board the amount and type of compensation to be paid to our non-employee directors; reviews and approves, on behalf of the Board, all bonus and equity compensation to be paid to our other employees; and administers our stock compensation plans. Since September 2014, pursuant to the Nasdaq Controlled Company exemption described above, Mr. Given, our Executive Chairman and a non-independent director, has served on the Compensation Committee. See "Part III, Item 11 — Executive Compensation — Compensation Discussion and Analysis — Composition of the Compensation Committee." The committee has formed an "independent subcommittee," consisting solely of independent directors, to consider and approve any items of compensation that are required to be approved solely by "independent," "non-employee" or "outside" directors.

The Audit Committee and the Compensation Committee are governed by written charters, copies of which can be found in the Investor Relations section of our website at www.ezcorp.com.

Because all of our voting stock is beneficially owned by Phillip E. Cohen and pursuant to the Nasdaq Controlled Company exemption described above, we do not currently maintain a standing nominating committee of the Board of Directors. In the absence of a nominating committee, the full Board of Directors typically evaluates and considers director nominees, fills vacant positions on the Board and, on an annual basis, recommends nominees for election or reelection by the voting stockholder.

Meetings and Attendance — The following table sets forth the number of meetings held during fiscal 2017 by the Board of Directors and each committee thereof, as well as the number of times during the year that action was taken by unanimous

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written consent. The Company's Bylaws currently require the unanimous attendance of all directors in order for a quorum to be present. In addition to the number of official Board meetings noted below, the Board of Directors also held five other meetings that were not considered official meetings due to the absence of a quorum. Those meetings were generally followed by a unanimous written consent approving the matters that were the subject of the discussions.

All directors attended at least 75% of the meetings of the Board and of the committees on which they served, except for Mr. Creel, who attended three Board meetings and three Compensation Committee meetings.

	Fiscal 2017	
	Meetings Held	Action by Unanimous Written Consent
Board of Directors	3	18
Audit Committee	6	—
Compensation Committee	6	8

During fiscal 2017, the Board of Directors formed and commissioned a special acquisition committee, consisting of Mr. Appel, Mr. Creel, Mr. Lagos and Mr. Roberts, to review and evaluate the terms of the GPMX acquisition and to approve the transaction on behalf of the full Board of Directors. This special acquisitions committee met three times from May through October (and each committee member attended all meetings, except for Mr. Creel, who attended two of the meetings) and took one action by unanimous written consent.

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ITEM 11 — EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes our compensation practices and the executive compensation policies, decisions and actions of the Compensation Committee of our Board of Directors (the “Committee”). It focuses specifically on compensation earned during fiscal 2017 by the following individuals, referred to as our Named Executive Officers.

Name	Position
Stuart I. Grimshaw	Chief Executive Officer
Daniel M. Chism (a)	Chief Financial Officer
Lachlan P. Given	Executive Chairman
Joseph L. Rotunda	Chief Operating Officer
Thomas H. Welch, Jr.	Chief Legal Officer and Secretary
Mark Ashby (a)	Chief Financial Officer

(a) Mr. Chism was appointed Chief Financial Officer effective May 9, 2017. Mr. Ashby served as Chief Financial Officer until his departure from the Company on May 8, 2017.

The group of Named Executive Officers consists of (a) the only person who served as principal executive officer of the Company during fiscal 2017 (Mr. Grimshaw), (b) all persons who served as principal financial officer of the Company at any time during fiscal 2017 (Mr. Ashby and Mr. Chism) and (c) the three most highly compensated persons (other than the principal executive officer and principal financial officer) who were serving as executive officers at the end of fiscal 2017 (Mr. Given, Mr. Rotunda and Mr. Welch).

Executive Summary

Fiscal 2017 Business Highlights

The following is a brief overview of certain fiscal 2017 business highlights that influenced the Committee’s executive compensation decisions:

- Reported financial results:
- The Company’s reported net income for fiscal 2017 was $31.9 million, improving from a net loss of $80.7 million in fiscal 2016. This resulted from a 2% increase in net revenue (including a 4% increase in pawn service charges), combined with prudent management of both operating and administrative expenses. These results are even more impressive after factoring out the significant negative impact of hurricanes and other natural disasters and events beyond management’s control.
- EBITDA for fiscal 2017 was $82.6 million, a significant improvement from fiscal 2016. This performance is attributable to continued improvement in our core pawn businesses in the U.S. and Mexico.
- We ended the year with $164.4 million in cash and cash equivalents, an increase of 150% versus the same time last year, while total liabilities were reduced 6.3%.
- During the year, we collected $34 million in payments from AlphaCredit related to our sale of Grupo Finmart, and in September, we restructured the payment of the remaining $61 million in a manner that provides us with an improved risk and return profile.
- In July, we completed a $143.8 million offering of Convertible Notes and retired our Term Loan Facility and $35.0 million in face value of 2019 Cash Convertible Notes, further strengthening our balance sheet and liquidity and locking in an attractive fixed interest rate for a seven-year term.
- In October (within a week of the fiscal year-end), we completed the GPMX acquisition, our largest pawn acquisition to date in terms of store count, expanding our store base into Latin American countries outside of Mexico and providing attractive opportunities for further growth and expansion. Even though this acquisition was completed shortly after the end of the year, the bulk of the work underlying the acquisition was completed during fiscal 2017.

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Best Practices in Compensation Governance

Our executive compensation program contains the following best-practice features:

What We Do	What We Don't Do
þ Heavy emphasis on performance-based variable pay	ý No change-in-control payments
þ 100% of equity incentive grants are performance-based	ý No significant perquisites
þ Stock ownership guidelines for executives and directors	ý No hedging or pledging of Company stock
þ Annual risk assessments	
þ Independent compensation consultant	

Fiscal 2017 Compensation Actions At-A-Glance

The Committee took the following compensation-related actions for fiscal 2017 (all of which are discussed in more detail below):

- Base salaries — Determined that base salaries for the executive officers would generally be held flat for fiscal 2017 compared to fiscal 2016.
- Annual incentive bonuses — At the beginning of the year, approved a short-term incentive (STI) bonus program that established a challenging Target performance goal of $101.6 million of EBITDA, a 135% increase over the EBITDA for fiscal 2016. At the end of the year, confirmed the STI bonus payout at 77% of Target (following certain limited adjustments to the reported EBITDA).
- Long-term incentives — Approved long-term incentive awards that are 100% subject to performance-based vesting. Specifically, vesting on 80% of the awards is contingent on the achievement of sustained earnings growth (measured by the annual growth rate in EBITDA), and vesting on the remaining 20% is contingent on prudent balance sheet management (measured by reduction in net debt). Awards vest based on performance at the end of the three-year performance period.
- Housing allowances — Modified housing allowances for expatriate executive officers to establish finite life of three years from inception, with result that all such housing allowance will be terminated by the end of October 2018.

Executive Compensation Philosophy and Program Design

Philosophy — Our executive compensation philosophy is grounded on three fundamental principles:

- Pay for performance — We expect diligent effort, unwavering commitment and hard work from our executives, and our compensation plans should recognize and reward superior results that generate significant shareholder value. Actual realized compensation should reflect Company and individual performance against specific and quantifiable objectives. Executives should be compensated based on their ability to achieve key operational, financial and strategic results. Compensation earned should parallel our sustained growth in terms of profitability and shareholder value.
- Attract and retain high performers — We want to build and maintain an organization that achieves consistently high results. Therefore, we strive to pay at levels that will attract and retain high quality executives capable of performing at the highest levels and willing to be accountable for the achievement of results. In line with our philosophy of paying well for strong performance, a majority of executive compensation is in the form of incentives that are at risk, but offer significantly higher rewards for the achievement of outstanding results.
- Align long-term interests of our shareholders and executives — Executives should be compensated through compensation components (base salaries, short- and long-term incentives) designed to drive sustained business performance, build an internal culture of ownership and create long-term value for our shareholders.

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Goals — In support of the principles of our compensation philosophy, we have designed our executive compensation programs to accomplish the following primary goals:

Principle and Goal	How Accomplished
Pay for performance — Provide payouts that are closely aligned with the actual financial results of the Company.	• Total compensation opportunities will include a significant portion of performance-based incentives tied to achievement of specific financial or strategic objectives and the growth in stockholder value. • Incentive objectives will be specific, quantifiable and measurable, but may also include goals that require an element of subjective evaluation. • Long-term incentives will have both retention and performance requirements and therefore will vest over time so long as specific objectives are achieved.
Attract and retain high performers — Pay at levels that will help us attract and retain highly qualified individuals capable of leading us to achieve our business objectives.	• Total compensation is designed to provide base salaries and short- and long-term incentive opportunities that will result in highly competitive pay levels when performance objectives are achieved, as well as above-market opportunities when outstanding results are achieved. • Incentive plans provide clear and measurable objectives for top performers to achieve high-level compensation.
Align long-term interests of shareholders and executives — Reinforce a culture of ownership and long-term commitment to shareholder value creation.	• Executives are required to be stockholders and own a minimum level of Company stock throughout their employment. • The vesting of equity incentive awards is tied directly to continued multi-year service (retention) and the achievement of specific long-term financial results.

Components — “Total direct” compensation is composed of three principal components, each one contributing to the accomplishment of our compensation program goals:

Compensation Component	Description	Attract and Retain	Pay for Performance	Shareholder Alignment	Long-term Commitment
Base Salary	• A market-competitive salary is an essential factor in attracting and retaining qualified personnel.	ü			
Annual Incentives	• Annual cash bonus opportunity that is tied to an assessment of annual corporate and business unit financial performance, as well as individual contribution.	ü	ü	ü	
Long-term Incentives	• Equity incentive grants, including performance-vested restricted stock grants tied to achievement of consistent multi-year growth	ü	ü	ü	ü

in earnings and stockholder value.		
• Annual Supplemental Executive Retirement Plan contributions that vest over three years.	ü	ü

Pay Mix — The Committee reviews the mix of base salary, cash bonus and long-term incentives annually. The Committee does not target a fixed percentage allocation among the compensation elements, but rather aims to provide the majority of executive officer compensation opportunities in the form of incentive compensation.

Compensation Methodology and Process

Composition of the Compensation Committee

During fiscal 2017, the Company, relying on the Nasdaq Controlled Company exemption described in Part III, Item 10 — "Directors, Executive Officers and Corporate Governance — Corporate Governance — Controlled Company Exemptions," has included a non-independent director (Mr. Given) on the Compensation Committee. The Board of Directors believes that, with the unique perspective of the non-independent member combined with the perspectives of the independent members, the current Committee is well-situated to act in the interests of all Company stockholders. The Committee has formed a subcommittee comprised of only independent directors (currently, Mr. Lagos and Mr. Roberts) to act on and approve any executive compensation matters that require approval of solely "independent," "non-employee" or "outside" directors.

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Role of the Committee

The Board of Directors has authorized the Committee to establish the compensation programs for all executive officers and to provide oversight for compliance with our compensation philosophy. The Committee delegates the day-to-day administration of the compensation plans to management, but retains responsibility for ensuring that the plan administration is consistent with the Company's policies.

Annually, the Committee sets the compensation for our executive officers, including objectives and awards under incentive plans. The Committee also makes recommendations to the Board of Directors on appropriate compensation for the non-employee directors.

In addition to overseeing the compensation of our executive officers, the Committee approves all awards under long-term incentive plans for all other employees. For more information on the Committee's role, see the Committee's charter, which can be found in the Investor Relations section of our website at www.ezcorp.com.

Role of Management

The Committee receives data regarding compensation trends, issues and recommendations from management. One member of management, Mr. Given, is a member of the Committee and participates in Committee discussions, deliberations and decisions (except for those matters that require approval solely of “independent,” “non-employee” or “outside” directors, in which case the decisions are made by a subcommittee consisting of only independent directors). Other members of management, including our Chief Executive Officer, our Chief Human Resources Officer and our Chief Legal Officer, attend Committee meetings at the invitation of the Committee. In addition, our Chief Executive Officer provides input on individual performance and recommendations regarding compensation adjustments to the Committee for positions other than his own.

Role of the Compensation Consultant

Pursuant to its charter, the Committee has the sole authority to retain, terminate, obtain advice from, oversee and compensate its outside advisors, including its compensation consultant. The Company has provided appropriate funding to the Committee to do so.

For the past several years, the Committee has retained Pearl Meyer & Partners, LLC (“Pearl Meyer”) as its independent executive compensation consultant. None of our management participated in the Committee's decision to retain Pearl Meyer. Pearl Meyer reports directly to the Committee, and the Committee may replace Pearl Meyer or hire additional consultants at any time. Pearl Meyer communicates with, and attends meetings of, the Committee as requested; however, the Committee makes all decisions regarding the compensation of the Company's executive officers.

Pearl Meyer provides various executive compensation services to the Committee, including advising the Committee on the principal aspects of our executive compensation program and evolving best practices and providing market information and analysis regarding the competitiveness of our program design and award values in relationship to our performance.

The Committee regularly reviews the services provided by its outside consultants and believes that Pearl Meyer is independent in providing executive compensation consulting services. The Committee continues to monitor the independence of its compensation consultant on a regular basis.

Competitive Positioning, Benchmarking and Peer Group Data

In order to attract and retain the best executives for key management positions, we target our compensation plans to approximate the 75th percentile of the competitive marketplace. The Committee believes that this competitive positioning is appropriate in order for us to attract and retain the caliber of executives required to maintain exceptional operational and financial results over time.

It is important to note, however, that the majority of pay opportunities for our top executives are incentive-based and that actual realizable compensation is heavily dependent upon actual Company results. See “Executive Compensation Philosophy and Program Design — Pay Mix” above. Failure to achieve targeted results may result in realized compensation being below the 75th percentile, and perhaps below the market median. On the other hand, our incentive compensation programs provide opportunities for compensation to exceed the 75th percentile if specified objectives are achieved at targeted levels or higher. The Committee believes that actual realizable compensation for our top executives is well aligned with our performance.

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While the Committee does not set compensation levels for our executive officers based solely on survey or peer group benchmarks, the Committee does regularly refer to external benchmarking data in their deliberations in order to ensure that the pay opportunities offered to our executives are appropriate in light of our performance relative to our peers. The Committee regularly asks Pearl Meyer to conduct a competitive compensation review for our executive officers in order to benchmark compensation. Data in the Pearl Meyer study were collected from several sources, including published compensation surveys and peer company proxy statements.

Pearl Meyer delivered its fiscal 2017 executive compensation report, dated October 27, 2016, to the Committee in November 2016 in connection with the Committee's review and evaluation of executive compensation programs and levels for fiscal 2017. For that report, Pearl Meyer collected competitive pay data for a peer group of 15 publicly-traded companies based on publicly available data. The peer group included companies that are direct competitors within our industry, have similar business models to our company or have comparable key executive roles. The Company currently falls toward the lower end of the peer group based on financial measures (revenues, EBITDA, total assets and market capitalization), but falls in the upper half of the group based on number of employees). Consequently, benchmarks from this group generally reflect compensation for executives in companies that are, on average, larger than the Company, but may also be considered reflective of compensation required to attract and retain the executive talent required to achieve the Company's strategic growth objectives. The following is the compensation peer group for fiscal 2017:

Peer Company	Stock Symbol	Primary Business
Aaron's Inc.	AAN	Specialty Retail
Cardtronics Plc	CATM	Consumer Finance — IT Services
Cash America International, Inc. (a)	CSH	Consumer Finance — Pawn and Payday Lending
Credit Acceptance Corp.	CACC	Consumer Finance
First Cash Financial Services Inc.	FCFS	Consumer Finance — Pawn and Payday Lending
Green Dot Corporation	GDOT	Consumer Finance — Debit Cards
H&R Block, Inc.	HRB	Diversified Consumer Services
Heartland Payment Systems, Inc.	HPY	Consumer Finance — IT Services
Moneygram International Inc.	MGI	Consumer Finance — Money Transfer and Payment Services
OneMain Holdings, Inc.	OMF	Consumer Finance
Outerwall Inc.	OUTR	Specialty Retail
Rent-a-Center, Inc.	RCII	Specialty Retail
Total System Services, Inc.	TSS	Consumer Finance — IT Services
WEX Inc.	WEX	Consumer Finance — IT Services
World Acceptance Corp.	WRLD	Consumer Finance — Small Loans

(a) Effective September 1, 2016, Cash America International, Inc. merged with First Cash Financial Services Inc. and no longer exists as a separate publicly traded company. The information for Cash America International, Inc. used in the Pearl Meyer peer group study included the latest publicly available information prior to that time.

To supplement peer group data, Pearl Meyer also provided compensation statistics from a review of published compensation surveys. Survey data reflected compensation rates across a broad group of general industry companies with revenues of around $1 billion. Using a survey sample in combination with peer group data (along with the practice of reviewing market quartiles, as opposed to averages) mitigates the impact of outliers, year-over-year volatility of compensation levels and the risk of selection bias.

Pearl Meyer's fiscal 2017 executive compensation review was substantially consistent with the review performed for fiscal 2016, and generally concluded that the total direct compensation for the Company's executives below the Chief Executive Officer level on average approximate the market 75th percentile. Pearl Meyer noted that, when measuring total direct compensation at target levels, the competitive posture of the Company's Chief Executive Officer position was below the 75th percentile, primarily due to below-market long-term incentive opportunities for the Chief Executive Officer. Pearl Meyer also observed that the average mix of pay for the Company's executives is more heavily weighted toward annual cash compensation than the average peer group company, but that the long-term compensation opportunities for the Company's executives continued to be more heavily oriented toward performance-based opportunities than the peer group average, principally as a result of our long-term equity awards being 100% performance-based (vs. a significant time-vested component at most peer companies).

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Components of Compensation

Base Salary

Our primary objective with respect to base salary levels is to provide sufficient fixed cash income to retain and attract experienced and valuable leaders in a competitive market for executive talent. The base salaries of our executive officers are reviewed and adjusted (if appropriate) annually to reflect, among other things, individual performance, base salaries for comparable positions from a review of market data discussed previously, the tenure of the officers, economic conditions and the base salaries of the officers relative to one another.

The following table shows, for each of our Named Executive Officer, the base salaries that were in effect for fiscal 2017 and 2016:

Named Executive Officer	Fiscal 2017 Base Salary	Fiscal 2016 Base Salary	Increase
Mr. Grimshaw	$1,000,000	$1,000,000	—%
Mr. Chism (a)	450,000	—	N/A
Mr. Given	600,000	600,000	—%
Mr. Rotunda	675,000	675,000	—%
Mr. Welch	410,000	410,000	—%
Mr. Ashby (b)	700,000	700,000	—%

(a) Mr. Chism joined the Company as Chief Financial Officer in May 2017. His base salary for fiscal 2017 was negotiated at that time.

(b) Mr. Ashby left the Company in May 2017.

In November 2016, the Committee determined that the base salaries for the executive officers would again be held flat for fiscal 2017 (other than an increase of less than 7% for one executive officer to reflect an expanded role). None of the Named Executive Officers received any base salary increase for fiscal 2017.

In November 2017, the Committee determined that the base salaries for the executive officers would again be held flat for fiscal 2018 (other than an increase of approximately 17% for the General Manager of the Company's Empeño Fácil business in Mexico to recognize outstanding performance and better align his total direct compensation opportunity to the market). Consequently, the fiscal 2018 base salary for each of the Named Executive Officers will be the same as the base salary for fiscal 2017, as shown in the table above.

Annual Incentive Bonus

Our executive officers, as well as other key employees, are eligible to participate in our annual Short-Term Incentive Compensation Plan ("STI"). The annual cash bonus opportunities offered to participants in the plan are designed to provide a powerful performance incentive contingent upon participants' contributions toward achievement of annual corporate and business unit financial results, as well as personal objectives that are tied to our strategic goals.

For fiscal 2017, the incentive bonus opportunity for each executive officer was a function of a designated target amount (stated as a percentage of base salary) and a business performance modifier ranging from 0% to 150% based on the achievement of specified levels of consolidated EBITDA ranging from $86.4 million to $116.8 million. This calculation provides the maximum bonus opportunity for each executive, with the final payout amount being subject to an evaluation of the executive's individual performance. In calculating EBITDA, the Committee is permitted to make adjustments for specified special or extraordinary events or circumstances if the Committee, in its discretion, considers it appropriate to do so. The following table sets forth the fiscal 2017 STI bonus target (stated as a percentage of base salary) for each of the Named Executive Officers:

Named Executive Officer	Fiscal 2017 Target Amount (as a % of base salary)
Mr. Grimshaw	250%
Mr. Chism	80%
Mr. Given	125%
Mr. Rotunda	150%
Mr. Welch	75%
Mr. Ashby (a)	100%

(a) Mr. Ashby left the Company in May 2017.

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In November 2017, the Committee reviewed the Company's performance during fiscal 2017, noting the performance highlights described above under "Executive Summary — 2017 Business Highlights." The Committee also noted that, based on the Company's financial results for fiscal 2017, the Company had achieved consolidated EBITDA of $82.6 million. The Committee considered and approved adjustments that were designed to exclude the impact of special or extraordinary events that are beyond the control of management, such as the looting in Mexico that negatively impacted the Company's performance in the second quarter of fiscal 2017 and the hurricanes in Texas and Florida that negatively impacted the Company's performance in the fourth quarter. The Committee determined that, with those adjustments, adjusted EBITDA for purposes of calculating the fiscal 2017 STI bonus payouts was $94.7 million and, based on that performance, confirmed the fiscal 2017 STI payout at the 77% level. Taking into account the individual performance modifiers, the Committee approved the payouts for the Named Executive Officers as indicated in the "Non-Equity Incentive Plan Compensation" column in the Summary Compensation Table below. Those amounts were calculated as follows:

Named Executive Officer (a)	2017 Salary	Target Amount	Target Opportunity	Company Performance Modifier (b)	Individual Performance Modifier (b)	Actual Award Earned
Mr. Grimshaw	$1,000,000	250%	$2,500,000	77%	N/A	$1,925,000
Mr. Chism (c)	450,000	80%	360,000	77%	50%	85,447
Mr. Given	600,000	125%	750,000	77%	N/A	577,500
Mr. Rotunda	675,000	150%	1,012,500	77%	100%	779,625
Mr. Welch	410,000	75%	307,500	77%	80%	213,098

(a) Mr. Ashby left the Company effective May 8, 2017 and did not receive any payout under the fiscal 2017 STI bonus plan.

(b) For Mr. Grimshaw and Mr. Given, 100% of their Target Opportunity is subject to the Company Performance Modifier. For each of the other Named Executive Officers, 50% of the Target Opportunity is subject to reduction based on the Individual Performance Modifier and then the Company Performance Modifier is applied to the resulting Target Opportunity. The Individual Performance Modifiers for Mr. Chism, Mr. Rotunda and Mr. Welch were recommended by the Chief Executive Officer and approved by the Compensation Committee. The Chief Executive Officer's recommendations were based on his subjective evaluation of each executive's performance during the year relative to the Company's performance as a whole, with the expectation that only extraordinary performance would merit a 100% Individual Performance Modifier. Given these standards, the Chief Executive Officer recommended, and the Compensation Committee approved, the Individual Performance Modifiers noted above.

(c) For Mr. Chism, the award was prorated based on the date of his appointment of Chief Financial Officer effective May 9, 2017.

In November 2017, the Committee approved the short-term incentive bonus plan for fiscal 2018, which will be substantially identical to the fiscal 2017 plan, except that the business performance modifiers for participants who are assigned to specific business units will be based on the EBITDA performance of those respective business units (subject to the achievement of a threshold level of consolidated EBITDA). The business performance modifiers for corporate participants will continue to be based on consolidated EBITDA performance. The fiscal 2018 Target Amount for each of the Named Executive Officers is the same as the fiscal 2017 Target Amount (as shown in the table above).

Long-Term Incentives

General — Long-term incentive compensation, in the form of performance-based equity awards, is a key component in our executive compensation program, helping to encourage long-term commitment, shareholder alignment and long-term performance orientation. The value of equity awards over time bears a direct relationship to the price of our shares and the returns experienced by our stockholders. These awards are made under the EZCORP Long-Term Incentive Plan ("LTIP").

All of our executive officers are eligible to receive equity incentive awards. For fiscal 2016 and forward, we modified our approach to long-term incentive compensation to place greater emphasis on long-term performance that enhances stockholder value. Now, unlike many of our peers who have a significant time-vested component to their long-term awards, 100% of our long-term incentive awards are subject to performance-based vesting. In order to further emphasize the long-term nature of these awards, 100% of the LTIP awards vest at the end of the three-year performance period, rather than a prorated vesting each year during the performance period. The Committee believes that this structure incentivizes and rewards longer term vision and strategies and provides a balance to the Company's short-term programs, which tend to be focused on annual performance.

Grant frequency — The Committee considers new LTIP grants for all executives every year, although we do not necessarily grant new equity to all executives every year. The frequency of LTIP grants and the amount of equity awards granted in a given year are based in part upon an assessment of past equity awards still outstanding at the time new grants are to be made.

LTIP awards may be made at any time as determined by the Committee, and the grant price (i.e., the stock price used to determine the number of shares or units awarded) is generally the closing trading price on the date the award is approved. The annual LTIP awards, however, are intended to incentivize performance over the full designated performance period. Therefore,

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the Committee considers it appropriate to use the stock price at the beginning of the performance period as the grant price, even though the awards may be approved by the Committee at a later date. In the Committee's view, this methodology, consistently applied, neutralizes the stock price as a factor impacting the timing of awards.

Fiscal 2017 LTIP awards — In November 2016, the Committee approved the fiscal 2017 LTIP awards for our key employees, including the executive officers. The approved awards consist of restricted stock units that vest at the end of a three-year period (September 30, 2019) based on the following performance metrics: the vesting of 80% of the units is subject to achieving specified EBITDA growth targets, and the vesting of 20% of the units is subject to achieving specified reductions in net debt (defined as consolidated long-term recourse debt minus cash, cash equivalents and restricted cash). The specified performance metrics provide for vesting of either 0%, 50% or 100% of the units, depending on the level of performance; there is no "kicker" for over-performance, and no more than 100% of the units will vest in any event. The number of units awarded to each recipient was a function of a multiple of the recipient's base salary divided by $11.06 (the closing trading price of our Class A Common Stock on September 30, 2016).

The following table shows the approved fiscal 2017 LTIP awards for the Named Executive Officers:

Named Executive Officer	Percent of Base Salary	Number of Units
Mr. Grimshaw	300%	271,248
Mr. Chism (a)	—%	—
Mr. Given	150%	81,374
Mr. Rotunda	100%	61,031
Mr. Welch	100%	37,071
Mr. Ashby (b)	100%	63,291

(a) Mr. Chism joined the Company in May 2017 and received no LTIP award for fiscal 2017.

(b) Mr. Ashby left the Company in May 2017, and as a result, these units were forfeited.

Fiscal 2018 LTIP awards — In November 2017, the Committee approved the fiscal 2018 LTIP awards, the structure of which will be substantially identical to that of the fiscal 2017 awards, except that the vesting of 100% of the units will be subject to achieving specified EBITDA growth targets over the three-year performance period. Consistent with the Committee's philosophy described above, the stock price used to determine the number of units awarded was $9.50 (the closing trading price of the Class A Common Stock on September 29, 2017, the last trading day of the fiscal year).

In addition, the Committee approved certain special performance-based LTIP awards for certain executives and key employees. These awards are scheduled to vest on September 30, 2018, subject to the achievement of specified levels of consolidated EBITDA during fiscal 2018. The following Named Executive Officers received the number of units indicated: Mr. Grimshaw, 64,000; Mr. Given, 19,000; Mr. Rotunda, 17,000; and Mr. Welch, 13,000. Mr. Chism was not eligible for one of these special awards due to his recent hiring.

Supplemental Executive Retirement Plan

We provide selected executives, including all of the Named Executive Officers, with a non-qualified Supplemental Executive Retirement Plan ("SERP") in order to offset some of the negative impacts of the highly paid executive contribution limitations applicable to our 401(k) retirement savings plan. For fiscal 2017, the Committee approved contributions to the SERP for each of the executive officers equal to 10% of base salary. This resulted in the following contributions to the SERP for each of the Named Executive Officers:

Named Executive Officer	Fiscal 2017 SERP Contribution
Mr. Grimshaw	$ 100,000
Mr. Chism	—
Mr. Given	60,000

Mr. Rotunda	67,500
Mr. Welch	41,000
Mr. Ashby	70,000

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In November 2017, the Committee approved fiscal 2018 contributions to the SERP equal to 10% of base salary for each of the executive officers, including the Named Executive Officers.

Other Benefits and Perquisites

The executive officers participate in other benefit plans on the same terms as other employees. These plans include medical, dental and life insurance benefits, and our 401(k) retirement savings plan. In addition, we provide supplemental healthcare benefits to our executive officers. The amount of that benefit for the Named Executive Officers during fiscal 2017 is included in the "All Other Compensation" column of the Summary Compensation Table below.

Since 2014, we have hired several new executive officers who relocated to Austin, Texas from other countries. To assist these executives with securing suitable housing arrangements in Austin, the Committee has approved housing allowances to cover mortgage or rental payments actually made with respect to housing arrangements in the Austin, Texas area. During fiscal 2017, the Committee agreed to extend each of the previously approved allowances to a total of three years from its inception date. The following table shows for each of Mr. Grimshaw and Mr. Given (the only two Named Executive Officers who are receiving housing allowances) the amount of the allowance approved by the Committee, the scheduled expiration date and the amount actually utilized by the executive during fiscal 2017:

Named Executive Officer (a)	Approved Temporary Housing Allowance Amount (per month)	Scheduled Expiration	Amount of Allowance Utilized in Fiscal 2017 (b)
Mr. Grimshaw	$25,000	November 30, 2017	$ 194,665
Mr. Given	10,000	March 31, 2018	106,473

(a) Mr. Ashby also received a housing allowance, but that allowance terminated upon his departure from the Company in May 2017.

(b) These amounts are included in the "All Other Compensation" column of the Summary Compensation table below.

In addition, our executives who come to the U.S. from other countries find it difficult to secure automobile leases because of their visa status. To assist with this difficulty, the Company has either purchased or leased automobiles on behalf of certain of our expatriate executive officers and then leased or released the automobiles to the executives. We do not consider these arrangements to be compensatory, as the executives are reimbursing the Company the full costs associated with these arrangements.

Compensation Risk

The Committee continually monitors the Company's general compensation practices, specifically the design, administration and assessment of our incentive plans, to identify any components, measurement factors or potential outcomes that might create an incentive for excessive risk-taking detrimental to the Company. The Committee has determined that our compensation plans and policies do not encourage excessive risk-taking.

Our executive compensation program provides a balance of short-term and long-term incentives that reward achievement of profitable, consistent and sustainable results.

- Annual incentive compensation tied to achievement of profitable Company or business unit performance (as measured by consolidated and/or business unit EBITDA); and
- Meaningful long-term equity incentive opportunities that are 100% performance-based and provide an incentive to deliver long-term growth in stockholder value as a result of sustained earnings growth, prudent balance sheet management or other measures.

Other Executive Compensation Matters

Severance — Mr. Ashby, who had been serving as Chief Financial Officer, left the Company effective May 8, 2017 as part of our continuing efforts to align our corporate organizational and expense structure with a more simplified business model. Mr. Ashby's departure was not the result of any issue or concern with our accounting, financial reporting or internal control over financial reporting, nor the result of Mr. Ashby's contributions or performance while at the Company.

In connection with his departure, we entered into a separation agreement that provided Mr. Ashby with the following severance benefits (all of which were approved by the Committee):

- A severance payment equal to one year's salary ($700,000), consistent with Mr. Ashby's terms of hire;

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- Accelerated vesting of 4,667 shares of restricted stock that were otherwise scheduled to vest on September 30, 2017;
- Retention of 63,029 (out of 113,452) restricted stock units that are scheduled to vest on September 30, 2018, with the vesting of the retained units remaining subject to the attainment of the applicable performance goals at the vesting date;
- Accelerated vesting of his SERP account; and
- Payment or reimbursement of the costs of moving Mr. Ashby and his family back to Australia.

In the separation agreement, Mr. Ashby provided a general release of claims against the Company and affirmed certain non-competition and non-solicitation obligations to which he is subject for a period of one year following his termination of employment.

We provide the following severance benefits to our executive officers:

- Each of our executive officers will receive salary continuation for one year if his or her employment is terminated by the Company without cause.
- Generally, restricted stock awards, including those granted to the executive officers, provide for accelerated vesting of some or all of the unvested shares or units in the event of the holder's death or disability.

More information on severance arrangements can be found under “Other Benefit Plans — Certain Termination Benefits” below. The Committee believes that these benefits provide important protection to the executive officers, are consistent with practice of the peer companies and are appropriate for attraction and retention of executive talent.

Restrictive Covenants — Each of the Company's executive officers, along with other key employees, has entered into a Protection of Sensitive Information, Non-competition and Non-solicitation Agreement, under which the executive is subject to confidentiality and non-disclosure obligations with respect to various categories of proprietary, competitively sensitive and confidential information. In addition, the executive has agreed that, for a period of one year (six months, in the case of Mr. Grimshaw) following the termination of employment with the Company, he or she will not compete with the Company (within a defined area) and will not solicit the Company's employees or suppliers.

Other Factors Affecting Compensation — In establishing total compensation for the executive officers, the Committee considers the effect of Section 162(m) of the Internal Revenue Code, which limits the deductibility of compensation paid to each covered employee. Generally, Section 162(m) prevents a company from receiving a federal income tax deduction for compensation paid to a covered employee in excess of $1 million for any year, unless that compensation is performance-based. To the extent practical, the Committee intends to preserve deductibility, but may choose to provide compensation that is not deductible if necessary to attract, retain and reward high-performing executives or if otherwise appropriate under the circumstances.

Compensation Committee Report

The Compensation Committee has reviewed the foregoing Compensation Discussion and Analysis and has discussed it with management. Based on that review and those discussions, the Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017.

Santiago
Creel
Miranda
Lachlan
P. Given
Pablo
Lagos
Espinosa
(Chair)
Thomas
C.
Roberts

Compensation Committee Interlocks and Insider Participation

Mr. Given (a member of the Compensation Committee) is also an executive officer of the Company. The other members of the Compensation Committee (Mr. Creel, Mr. Lagos and Mr. Roberts) are not and have never been an officer of or employed by the

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Company and do not have any relationship that requires disclosure under Item 404 of Regulation S-K, the SEC's rules requiring disclosure of certain relationships and related party transactions.
Mr. Grimshaw and Mr. Given (both executive officers of the Company) serve as directors of Cash Converters International Limited, and Mr. Cumins (a director) is the Executive Deputy Chairman and a member of the board of directors of Cash Converters International Limited. However, no compensation committee interlocks exist between the two companies.

Summary Compensation Table

The table below summarizes the total compensation for fiscal 2017, 2016 and 2015 for the Named Executive Officers. See "Part III, Item 11 — Executive Compensation — Compensation Discussion and Analysis" for a description of how we determined the Named Executive Officers.

Name and Principal Position	Fiscal Year	Salary (1)	Bonus (2)	Stock Awards (3)	Non-Equity Incentive Plan Compensation (4)	All Other Compensation (5)	Total
Stuart I. Grimshaw (6) Chief Executive Officer	2017	$1,000,000	$ —	$2,603,981	$ 1,925,000	$ 315,929	$5,844,910
	2016	1,000,000	—	1,804,343	4,210,000	504,471	7,518,814
	2015	865,385	1,250,000	5,314,000	1,060,000	278,817	8,768,202
Daniel M. Chism Chief Financial Officer	2017	159,231	—	—	85,447	8,574	253,252
	2016	—	—	—	—	—	—
	2015	—	—	—	—	—	—
Lachlan P. Given (6) Executive Chairman	2017	600,000	—	781,190	577,500	198,213	2,156,903
	2016	600,000	—	541,305	1,125,000	190,126	2,456,431
	2015	604,038	450,000	2,420,200	—	154,505	3,628,743
Joseph L. Rotunda (7) Chief Operating Officer	2017	668,750	—	585,898	779,625	81,924	2,116,197
	2016	668,750	—	263,857	1,518,750	80,726	2,532,083
	2015	169,231	97,200	110,387	—	262,030	638,848
Thomas H. Welch, Jr. Chief Legal Officer and Secretary	2017	410,000	—	355,882	213,098	67,725	1,046,705
	2016	410,000	—	196,695	403,594	63,146	1,073,435
	2015	408,385	153,750	223,963	—	56,487	842,585
Mark Ashby (8) Chief Financial Officer	2017	460,385	—	607,594	—	890,128	1,958,107
	2016	700,000	—	335,818	945,000	201,324	2,182,142
	2015	212,692	787,750	169,179	—	59,695	1,229,316

(1) The amounts shown under "Salary" reflect the gross amounts of base salary paid to each of the Named Executive Officers during the fiscal years so noted. The fiscal 2017 amounts for Mr. Chism and Mr. Ashby and the fiscal 2015 amounts for Mr. Grimshaw, Mr. Ashby and Mr. Rotunda reflect the number of days during the fiscal year that each was employed by the Company.

(2) Of fiscal 2015 amount shown for Mr. Ashby, $665,000 represents a sign-on bonus paid pursuant to his terms of hire. The remaining fiscal 2015 amount for Mr. Ashby ($122,750) and the fiscal 2015 amounts for the other Named Executive Officers reflect discretionary retention bonuses that were approved and paid in November 2015, with Mr. Ashby's and Mr. Rotunda's bonuses being prorated to reflect the number of days each was employed by the Company during fiscal 2015.

(3) Amounts represent the aggregate grant date fair value of restricted stock or restricted stock unit awards, computed in accordance with FASB ASC 718-10-25. See Note 9 of Notes to Consolidated Financial Statements included in "Part II, Item 8 — Financial Statements and Supplementary Data." The actual value realized by the Named Executive Officer with respect to stock awards will depend on whether the award vests and, if it vests, the market value of our stock on the date the stock is sold.

For a description of these awards, see the "Grant of Plan-Based Awards" table under "Incentive Plan Based Awards" below. See also "Compensation Discussion and Analysis — Components of Compensation — Long-Term Incentives" above.

(4) The fiscal 2017 and 2016 amounts represent the amount of bonuses paid pursuant to the fiscal 2017 and 2016 Short-Term Incentive Compensation Plan. See “Compensation Discussion and Analysis — Components of Compensation — Annual Incentive Bonuses” above. The fiscal 2016 amount for Mr. Grimshaw also includes $460,000 representing the final special short-term bonus paid to Mr. Grimshaw pursuant to his terms of hire. The Company did not pay STI bonuses for fiscal 2015, but did pay retention bonuses associated with fiscal 2015 as described in note (2) above. The fiscal 2015 amount shown for Mr. Grimshaw represents the special short-term incentive bonuses paid to Mr. Grimshaw pursuant to his terms of hire.

(5) Amounts include the cost of providing various perquisites and personal benefits (including housing allowances, where applicable), as well as the value of our contributions to the company-sponsored 401(k) plan and Supplemental Executive Retirement Plan. For detail of the amounts shown for each Named Executive Officer, see the table under “Other Benefits and Perquisites — All Other Compensation” below.

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(6) Mr. Grimshaw and Mr. Given also serve on the board of directors of Cash Converters International Limited, with Mr. Grimshaw serving as non-executive chairman. The director fees paid to them by Cash Converters International Limited for fiscal 2017, fiscal 2016 and fiscal 2015 were as follows: Mr. Grimshaw, $129,538, $124,429 and $53,927, respectively; Mr. Given, $81,009, $71,987 and $78,953, respectively. These amounts are not included in the Summary Compensation Table, as they were paid by Cash Converters International Limited, which is not controlled by EZCORP.

(7) The amounts shown for Mr. Rotunda under All Other Compensation for fiscal 2015 include $220,640 in director fees paid and stock awards granted to Mr. Rotunda as compensation for serving on the Company's Board of Directors prior to rejoining the Company as an executive in May 2015. See the table under "Other Benefits and Perquisites — All Other Compensation" below. Mr. Rotunda has not received any additional compensation for serving on the Board of Directors since May 2015.

(8) The amount shown for Mr. Ashby under All Other Compensation for fiscal 2017 includes severance benefits paid to him in connection with his separation from the Company effective May 8, 2017, as described in "Compensation Discussion and Analysis — Other Executive Compensation Matters — Severance" above. For detail of these amounts, see the table under "Other Benefits and Perquisites — All Other Compensation" below.

Incentive Plan Based Awards

The following table sets forth certain information about plan-based awards that we made to the Named Executive Officers during fiscal 2017. For information about the plans under which these awards were granted, see "Compensation Discussion and Analysis — Components of Compensation — Annual Incentive Bonus" and "Compensation Discussion and Analysis — Components of Compensation — Long-Term Incentives" above.

Grants of Plan-Based Awards

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			Grant Date Fair Value (3)
Name	Grant Date	Threshold	Target	Maximum	Threshold	Target	Maximum	
Mr. Grimshaw	10/1/2016	$1,250,000	$2,500,000	$3,750,000				
	11/8/2016				135,624	271,248	271,248	$2,603,981
Mr. Chism	10/1/2016	$72,000	$144,000	$216,000				
Mr. Given	10/1/2016	$375,000	$750,000	$1,125,000				
	11/8/2016				40,687	81,374	81,374	$781,190
Mr. Rotunda	10/1/2016	$506,250	$1,012,500	$1,518,750				
	11/8/2016				30,516	61,031	61,031	$585,898
Mr. Welch	10/1/2016	$153,750	$307,500	$461,250				
	11/8/2016				18,536	37,071	37,071	$355,882
Mr. Ashby	10/1/2016	$350,000	$700,000	$1,050,000				
	11/8/2016				31,646	63,291	63,291	$607,594

(1) These amounts represent the potential payouts under the fiscal 2017 Short-Term Incentive Compensation Plan. See "Compensation Discussion and Analysis — Components of Compensation — Annual Incentive Bonuses" above. The "Target" amount is the amount that will be paid if the specified performance goals are achieved at the target level (although the Compensation Committee may reduce any award if it chooses to do so). The "Threshold" amount reflects the amount that would be paid if the minimum performance goals are achieved, while the "Maximum" amount represents the maximum amount that will be paid if the maximum performance goals are achieved. The numbers shown for Mr. Chism reflect the proration of his potential payout based on his start date of May 8, 2017. See the "Non-Equity Incentive Plan Compensation" column in the Summary Compensation Table above for the amount of the actual payout for each of the Named Executive Officers.

(2) These amounts represent the fiscal 2017 awards under the Long-Term Incentive Plan. See "Compensation Discussion and Analysis — Components of Compensation — Long-Term Incentives" above. The "Target" amount is the

number of units that will vest if the specified performance goals are achieved at the target level. The “Threshold” amount reflects the number of units that will vest if the minimum performance goals are achieved for both the 80% portion of the award subject to EBITDA growth targets and the 20% portion of the award subject to net debt reduction targets. No more than 100% of the Target amount of units will vest; therefore, the “Maximum” amount is the same as the Target amount. Each unit represents the right to receive one share of Class A Common Stock upon vesting.

(3) Represents the estimated grant date fair value of fiscal 2017 equity awards, assuming payout at “Target” level. This is the estimated amount of aggregate compensation cost we expect to recognize over the performance period, determined as of the grant date. See “Compensation Discussion and Analysis — Components of Compensation — Long-Term Incentives” above.

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The following table sets forth certain information about outstanding stock awards held by the Named Executive Officers as of the end of fiscal 2017. None of the Named Executive Officers holds any stock options.

Outstanding Equity Awards at Fiscal Year-End

Name	Award Date	Stock Awards Number of Shares or Units of Stock That Have Not Vested		Market Value of Shares or Units of Stock That Have Not Vested (1)
	11/3/2014	200,000	(2)	$1,900,000
Mr. Grimshaw	3/21/2016	324,149	(3)	3,079,416
	11/8/2016	271,248	(4)	2,576,856
	10/1/2014	150,000	(2)	1,425,000
Mr. Given	3/21/2016	97,245	(3)	923,828
	11/8/2016	81,374	(4)	773,053
	11/13/2015	14,820	(5)	140,790
Mr. Rotunda	3/21/2016	89,141	(3)	846,840
	11/8/2016	61,031	(4)	579,795
	10/1/2014	24,000	(6)	228,000
Mr. Welch	3/21/2016	66,451	(3)	631,285
	11/8/2016	37,071	(4)	352,175
Mr. Ashby	3/21/16	63,029	(3)	598,776

(1) Market value is based on the closing price of our Class A Common Stock on September 29, 2017, the last market trading day of fiscal 2017 ($9.50).

(2) Vesting of these shares is subject to the attainment of specified EBITDA growth objectives. Of these shares, half are scheduled to vest on September 30, 2018 and half are scheduled to vest on September 30, 2020.

(3) These units are scheduled to vest on September 30, 2018 subject to specified performance objectives as follows: vesting of 80% of the units is subject to the attainment of specified EBITDA growth objectives; and vesting of 20% of the units is subject to the attainment of specified net debt reduction objectives. See “Compensation Discussion and Analysis — Components of Compensation — Long-Term Incentives” above.

(4) These units are scheduled to vest on September 30, 2019 subject to specified performance objectives as follows: vesting of 80% of the units is subject to the attainment of specified EBITDA growth objectives; and vesting of 20% of the units is subject to the attainment of specified net debt reduction objectives. See “Compensation Discussion and Analysis — Components of Compensation — Long-Term Incentives” above.

(5) Vesting of 4,940 of these shares was subject to the attainment of specified EBITDA growth objectives, and these shares vested on November 13, 2017 when the Compensation Committee certified that the applicable performance objectives had been achieved. The remaining 9,880 shares vest through fiscal 2020 in specified amounts if the per-share trading price of our Class A Common Stock achieves specified levels ranging from $15 to $80.

(6) Vesting of 8,000 of these shares was subject to the attainment of specified EBITDA growth objectives, and these shares vested on November 13, 2017 when the Compensation Committee certified that the applicable performance objectives had been achieved. The remaining 16,000 shares vest through fiscal 2020 in specified amounts if the per-share trading price of our Class A Common Stock achieves specified levels ranging from $15 to $80.

Stock Vested

The following table sets forth, with respect to each of the Named Executive Officers, certain information about restricted stock vesting during fiscal 2017:

Named Executive Officer	Stock Awards Number of Shares Acquired on Vesting		Value Realized on Vesting (1)
Mr. Grimshaw	100,000	(2)	$1,135,000
Mr. Given	75,000	(2)	851,250
Mr. Rotunda	4,940	(2)	56,069
Mr. Welch	8,000	(2)	90,800
Mr. Ashby	4,667	(3)	41,303

(1) Computed using the fair market value of the stock on the date of vesting.

(2) These shares vested on December 5, 2016 (market value, $11.35 per share).

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(3) Vesting of these shares was accelerated to May 10, 2017 (market value, $8.85 per share) pursuant to the terms of Mr. Ashby's severance from the Company. See "Compensation Discussion and Analysis — Other Executive Compensation Matters — Severance" above.

Other Benefits and Perquisites

401(k) Retirement Plan — All employees are given an opportunity to participate in our 401(k) retirement savings plan (following a new-hire waiting period). This plan allows participants to have pre-tax amounts withheld from their pay and provides for a discretionary employer matching contribution (historically, 25% up to 6% of salary). Until fiscal 2015, we made the matching contribution in the form of shares of our Class A Common Stock, but made the fiscal 2015 and subsequent matching contributions in the form of cash. Participants may invest their contributions in various fund options, but are prohibited from investing their contributions in our common stock. A participant vests in the matching contributions pro rata over their first three years of service. All of a participant's matching contributions vest 100% in the event of the participant's death or disability or the termination of the plan due to a change in control.

Supplemental Executive Retirement Plan — The Internal Revenue Code limits the amount of pre-tax savings that highly paid executives can contribute to the 401(k) plan. To offset some of the negative impact of these limitations on retirement savings and to encourage retention of key executives, we provide selected executives with a non-qualified Supplemental Executive Retirement Plan ("SERP"), with the same investment alternatives as are available under the 401(k) retirement savings plan. Company contributions to the SERP are formula-based, reviewed and recommended by management and approved by the Compensation Committee each year. For fiscal 2017, our annual contributions to the SERP were calculated as a percentage of base salary, with that percentage being 10% for executive officers and 6% for vice presidents. For fiscal 2018, the company contributions to the SERP will continue at the same rate. Under the terms of the SERP, participants are also allowed to voluntarily defer all or a portion of their salary and bonus payments into the SERP. There were nine participants in the SERP during fiscal 2017.

All company-contributed SERP funds have a vesting schedule as an additional retention tool. Generally, the funds vest over three years from the contribution date, with one-third vesting each year. All of a participant's company-contributed SERP funds vest 100% in the event of the participant's death or disability or the termination of the plan due to a change in control. In addition, all company-contributed SERP funds are 100% vested when a participant attains normal retirement age (generally 60 years old and five years of active service) while actively employed by us. All company-contributed SERP funds are forfeited, regardless of vesting status, if the participant's employment is terminated for cause.

A participant may not withdraw any portion of his or her SERP account while still employed by the Company unless, in the sole opinion of management, the participant has an unforeseeable emergency, which is defined as a severe financial hardship resulting from an illness or accident of the participant, the participant's spouse or a dependent; the loss of the participant's property due to casualty; or other similar extraordinary and unforeseeable circumstance arising as a result of events beyond the participant's control.

The following table describes the SERP contributions, earnings and balance at the end of fiscal 2017 for each of the Named Executive Officers:

Nonqualified Deferred Compensation

Named Executive Officer	Company Contributions in Fiscal 2017 (1)	Aggregate Earnings in Fiscal 2017 (2)	Aggregate Withdrawals/Distributions in Fiscal 2017	Aggregate Forfeitures in Fiscal 2017	Aggregate Balance at September 30, 2017 (3)
Mr. Grimshaw	$ 100,000	$ 38,045	$ —	$ —	$ 352,865
Mr. Chism	—	—	—	—	—
Mr. Given	60,000	29,254	—	—	214,783
Mr. Rotunda	67,500	10,859	—	—	149,997
Mr. Welch	41,000	60,019	—	—	543,292
Mr. Ashby (4)	70,000	15,986	—	—	162,115

(1) These amounts were included in the Summary Compensation Table above in the column labeled “All Other Compensation.”

(2) These amounts were not included in the Summary Compensation Table as the earnings were not in excess of market rates.

(3) Of the Aggregate Balance at September 30, 2017, the following amounts were previously reported as compensation in the Summary Compensation Tables for prior years: $200,000 for Mr. Grimshaw, $120,000 for Mr. Given, $400,504 for Mr. Welch and $70,000 for Mr. Ashby.

(4) Pursuant to the terms of Mr. Ashby’s separation agreement, the vesting of 100% of his SERP account was accelerated in connection with the termination of his employment from the Company, including the fiscal 2017 Company contribution of $70,000 and any earnings thereon. See “Compensation Discussion and Analysis — Other Executive Compensation Matters — Severance” above. The balance in the account will be paid to Mr. Ashby in December 2017.

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All Other Compensation — The following table describes each component of the amounts shown in the "All Other Compensation" column in the Summary Compensation Table above.

Named Executive Officer	Year	Health Care Supplemental Insurance (1)	Value of Supplemental Life Insurance Premiums (2)	Company Contributions to Defined Contribution Plans (3)	Housing Allowance	Other Benefits (4)	Total
Mr. Grimshaw	2017	$ 12,896	$ 1,300	$ 105,019	$ 194,665	$ 2,049	$ 315,929
	2016	11,148	1,395	103,975	188,265	199,688	504,471
	2015	6,717	1,173	100,000	168,393	2,534	278,817
Mr. Chism	2017	7,425	500	649	—	—	8,574
	2016	—	—	—	—	—	—
	2015	—	—	—	—	—	—
Mr. Given	2017	19,305	1,300	60,000	106,473	11,135	198,213
	2016	16,656	1,395	60,000	112,075	—	190,126
	2015	8,528	944	60,000	85,033	—	154,505
Mr. Rotunda	2017	12,896	845	68,183	—	—	81,924
	2016	11,148	1,395	68,183	—	—	80,726
	2015	5,574	698	683	—	255,075	262,030
Mr. Welch	2017	19,305	1,300	47,000	—	120	67,725
	2016	16,656	1,395	44,975	—	120	63,146
	2015	10,072	1,395	44,900	—	120	56,487
Mr. Ashby	2017	8,928	900	76,011	72,000	732,289	890,128
	2016	11,148	1,395	70,281	118,500	—	201,324
	2015	—	472	—	58,258	965	59,695

(1) We provide a fully insured supplemental executive medical plan to certain executives, including all of the Named Executive Officers for healthcare costs in excess of amounts covered by our health insurance plans. The amounts shown represent the total premiums paid for the supplemental executive medical plan for each of the Named Executive Officers during each of the years presented.

(2) Represents group life insurance premiums paid on behalf of the Named Executive Officers. The benefit provides life and accidental death and dismemberment coverage for the Named Executive Officers at three times annual salary up to a maximum of $1 million.

(3) Includes the fiscal 2017 Company contributions to the 401(k) plan and the Supplemental Executive Retirement Plan.

(4) The amounts shown as Other Benefits include the following:

Mr. Grimshaw — The amounts shown represent perquisites and other personal benefits, including spousal travel for business-related meetings and Company-paid subsidy for health club membership. The 2016 amount also includes $199,568 paid to Mr. Grimshaw, as previously agreed, to reimburse him for incremental Australian taxes he incurred as a result of the payment of his sign-on bonus in fiscal 2014 prior to his relocation to the U.S.

Mr. Given — The amount shown represents perquisites and other personal benefits, including spousal and family travel for business-related meetings.

Mr. Rotunda — The 2015 amount represents (a) $60,000 in cash and $160,460 in restricted stock awards Mr. Rotunda received as non-employee director compensation prior to his rejoining the Company as an executive officer in May 2015 and (b) $34,615 in fees paid pursuant to a consulting agreement that was terminated in November 2013.

Mr. Welch — The amounts shown represent Company-paid subsidy for health club membership.

Mr. Ashby — The 2017 amount includes $721,063 in aggregate cash payments to Mr. Ashby in connection with his termination of employment and departure from the Company effective May 8, 2017. See "Compensation Discussion and Analysis — Other Executive Compensation Matters — Severance" above. The remainder of the 2017 amount and the

2015 amount represent various perquisites and other personal benefits, including spousal travel and relocation costs.

Certain Termination and Change-in-Control Benefits — The following is a summary of various agreements that provide for benefits to the Named Executive Officers upon termination of employment or a change-in-control:

- Restricted Stock Award Agreements — The standard restricted stock award agreement pursuant to which we grant restricted stock or restricted stock units to our employees generally provides that vesting is accelerated in the event of the holder's death or disability.

Mr. Rotunda's current and future long-term incentive awards contain a special term providing for the continued vesting (rather than forfeiture) of all unvested awards in accordance with their terms (including corporate-level performance criteria) if Mr. Rotunda voluntarily retires from his executive position with the Company.

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SERP Contributions — For all executives (including the Named Executive Officers), any unvested Company contributions to the SERP will vest in the case of death or disability of the participant or a change-in-control.

- General severance benefits — We currently provide each of our executive officers with one year salary continuation if his or her employment is terminated by the Company without cause.

The following table sets forth the amounts of severance or termination benefits that would have been payable to each of the Named Executive Officers upon the occurrence of various events, assuming each of the events occurred on September 30, 2017, except for Mr. Ashby, whose severance benefits shown below reflect actual amounts paid to him upon his departure from the Company effective May 8, 2017.

	Salary	Incentive Bonus	Healthcare Payments	Accelerated Vesting of Restricted Stock (1)	Accelerated Vesting of SERP Balance	Other
Resignation for Good Reason:						
Mr. Grimshaw	$1,000,000	$ —	$ —	$—	$ —	$ —
Mr. Chism	450,000	—	—	—	—	—
Mr. Given	600,000	—	—	—	—	—
Mr. Rotunda	675,000	—	—	—	—	—
Mr. Welch	410,000	—	—	—	—	—
Termination Without Cause:						
Mr. Grimshaw	$1,000,000	$ —	$ —	$—	$ —	$ —
Mr. Chism	450,000	—	—	—	—	—
Mr. Given	600,000	—	—	—	—	—
Mr. Rotunda	675,000	—	—	—	—	—
Mr. Welch	410,000	—	—	—	—	—
Mr. Ashby (2)	700,000	—	—	41,303	54,073	21,063
Death or Disability:						
Mr. Grimshaw	$—	$ —	$ —	$7,556,272	$ 352,865	$ —
Mr. Chism	—	—	—	—	—	—
Mr. Given	—	—	—	3,121,881	214,783	—
Mr. Rotunda (3)	—	—	—	1,567,424	—	—
Mr. Welch (3)	—	—	—	1,211,459	—	—
Mr. Ashby	—	—	—	—	—	—

(1) Represents the number of shares subject to accelerated vesting (as described above), multiplied by the closing sales price of the Class A Common Stock on September 29, 2017 ($9.50).

(2) Mr. Ashby left the Company effective May 8, 2017, and the amounts shown were paid pursuant to his separation agreement. See "Compensation Discussion and Analysis — Other Executive Compensation Matters — Severance" above. The accelerated vesting of restricted stock amount reflects the closing sales price of the Class A Common Stock on May 9, 2017 ($8.85), the first trading day following the effective date of his departure from the Company. The accelerated vesting of SERP balance represents the unvested portion of Mr. Ashby's SERP balance at May 8, 2017. The amount shown under Other represents payment or reimbursement for moving Mr. Ashby and his family back to Australia.

(3) Mr. Rotunda and Mr. Welch are fully vested in their SERP balances.

The Compensation Committee has the authority under our stock-based compensation plans to issue awards with provisions that accelerate vesting and exercisability in the event of a change-in-control. To date, the Committee has not included change-in-control acceleration provisions in any awards. Unless such provisions were subsequently included, then the only benefit that would inure to the Named Executive Officers by reason of a change-in-control itself would be the accelerated vesting for SERP contributions (equal to the same benefit as that set forth under "Death or Disability" in the table above). If an executive's employment was terminated following a change-in-control, then the additional benefits described above would apply, depending on the circumstances of the termination.

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Director Compensation

Each non-employee director receives a basic annual retainer fee, with the chair of the Audit Committee and the chair of the Compensation Committee each receiving an additional amount. During fiscal 2017, the basic annual retainer fee was $80,000, and additional amounts paid to the chair of the Audit Committee and the chair of the Compensation Committee were $27,500 and $15,000, respectively. Annual retainer fees are paid in cash on a quarterly basis.

The non-employee directors are also eligible for stock option and restricted stock awards. The number of options or shares of restricted stock awarded, as well as the other terms and conditions of the awards (such as vesting and exercisability schedules and termination provisions), are determined by the Board of Directors upon the recommendation of the Compensation Committee.

The following table sets forth the compensation paid to our non-employee directors for fiscal 2017. Mr. Grimshaw, Mr. Given and Mr. Rotunda are executive officers of the Company and do not receive any additional compensation for serving on the Board of Directors.

Director	Fees Earned or Paid in Cash (1)	Restricted Stock Awards (2)	Total
Matthew Appel	$127,500	$139,200	$266,700
Santiago Creel Miranda	100,000	139,200	239,200
Peter Cumins	80,000	139,200	219,200
Pablo Lagos Espinosa	115,000	139,200	254,200
Thomas C. Roberts	100,000	139,200	239,200

(1) Amounts shown for Mr. Appel, Mr. Creel, Mr. Lagos and Mr. Roberts include $20,000 each for serving on the special acquisition committee appointed and commissioned by the Board of Directors to review, evaluate and approve the terms of the GPMX acquisition. See “Part III — Item 10 — Directors, Executive Officers and Corporate Governance — Corporate Governance — Meetings and Attendance” above. This special acquisition committee was formed in May 2017 and dissolved as of the completion of the GPMX acquisition in October 2017. In connection with the formation of the special acquisition committee, the Board of Directors approved a special fee of $5,000 per month for each member, commencing June 2017.

(2) Amounts represent the aggregate grant date fair value of restricted stock awards, computed in accordance with FASB ASC 718-10-25. See Note 9 of Notes to Consolidated Financial Statements included in “Part II, Item 8 — Financial Statements and Supplementary Data.” The actual value realized by the director with respect to stock awards will depend on the market value of our stock on the date the stock is sold.

Each non-employee director received a grant of 14,500 shares of restricted stock in November 2016. That amount was determined by dividing $160,000 (200% times the annual director fee) by $11.06, the trading price of the Class A Common Stock at the beginning of fiscal 2017. Half of these shares vested on September 30, 2017, and the remainder are scheduled to vest on September 30, 2018. The values shown above were computed using the closing price of our Class A Common Stock on the date of grant ($9.60 on November 8, 2016) which differed from the amount used to determine the number of shares awarded as the grant date in accordance with FASB ASC 718-10-25 was over a month after the determination date.

As of September 30, 2017, each of the non-employee directors held 7,250 shares of unvested restricted stock.

The non-employee director compensation program for fiscal 2018 will be the same as the fiscal 2017 program described above, except that 100% of the restricted stock award will vest after one year (i.e., on September 30, 2018).

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ITEM 12 — SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plans

Stockholders have approved the 2010 Long-Term Incentive Plan, which we currently use for stock incentive awards. These awards can be in the form of stock options, stock appreciation rights, stock bonuses, restricted stock, restricted stock units, performance units or performance shares. We do not have any equity compensation plans that were not approved by stockholders. The following table summarizes information about our equity compensation plans as of September 30, 2017:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options (a) (1)	Weighted Average Exercise Price of Outstanding Options (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	—	$ —	391,515
Equity compensation plans not approved by security holders	—	—	—
Total	—	$ —	391,515

(1) Excludes 2,413,783 shares of restricted stock that were outstanding as of September 30, 2017.

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Stock Ownership

Phillip E. Cohen controls EZCORP through his ownership of all of the issued and outstanding stock of MS Pawn Corporation, the sole general partner of MS Pawn Limited Partnership, which owns 100% of our Class B Voting Common Stock. The following table presents information regarding the beneficial ownership of our Common Stock as of October 31, 2017 (except as noted below) for (i) each person known to us to be the beneficial owner of more than 5% of the total number of shares outstanding, (ii) each of our directors, (iii) each of the Named Executive Officers (other than Mr. Ashby, who is no longer with the Company), and (iv) all directors and executive officers as a group. Unless otherwise indicated, each person named below holds sole voting and investment power over the shares shown, subject to community property laws where applicable.

	Class A Non-voting Common Stock		Class B Voting Common Stock		
Beneficial Owner	Number	Percent	Number	Percent	Voting Percent
MS Pawn Limited Partnership (a) MS Pawn Corporation Phillip Ean Cohen 2500 Bee Cave Road Bldg One, Suite 200 Rollingwood, Texas 78746	2,974,047 (b)	5.78 % (b)	2,970,171	100 %	100 %
Blackrock, Inc. 55 East 52nd Street New York, New York 10055	5,958,000 (c)	11.59%	—	—	—
Lafitte Capital Management 707 Brazos Street, Suite 310 Austin, Texas 78701	4,400,000 (c)	8.56 %	—	—	—
Dimensional Fund Advisors 6300 Bee Cave Road, Building One Austin, Texas 78746	4,309,470 (d)	8.38 %	—	—	—
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, Pennsylvania 19355	3,668,171 (c)	7.13 %	—	—	—
Rovida Advisory Services, LLC One Gateway Ctr., #2530 Newark, New Jersey 07102	3,175,000 (e)	6.17 %			
Matthew W. Appel	47,250 (f)	*	—	—	—
Santiago Creel Miranda	59,250 (f)	*	—	—	—
Peter Cumins	49,250 (f)	*	—	—	—
Lachlan P. Given	129,487 (g)	*	—	—	—
Stuart I. Grimshaw	172,650 (h)	*	—	—	—
Pablo Lagos Espinosa	76,950 (f)	*	—	—	—
Thomas C. Roberts	91,950 (f)	*	—	—	—
Joseph L. Rotunda	748,505 (i)	1.46 %	—	—	—
Thomas H. Welch, Jr.	50,005 (j)	*	—	—	—
Directors and executive officers as a group (14 persons)	1,453,245 (k)	2.83 %	—	—	—

(a) MS Pawn Corporation is the general partner of MS Pawn Limited Partnership and has the sole right to vote its shares of Class B Common Stock and to direct their disposition. Mr. Cohen is the sole stockholder of MS Pawn Corporation.

(b) The number of shares and percentage reflect Class A Common Stock, inclusive of Class B Common Stock, shares of which are convertible to Class A Common Stock on a one-to-one basis.

(c) As of June 30, 2017. Based on the Form 13F filed in August 2017.
(d) As of September 30, 2017. Based on the Form 13F filed November 13, 2017.
(e) As of September 30, 2017. Based on the Form 13F filed November 9, 2017.
(f) Does not include 7,250 shares of unvested restricted stock.
(g) Does not include 150,000 shares of unvested restricted stock or 178,619 unvested restricted stock units (each of which represents the right to receive one share upon vesting).
(h) Does not include 200,000 other shares of unvested restricted stock or 595,397 unvested restricted stock units (each of which represents the right to receive one share upon vesting).
(i) Includes 1,865 shares held through the Company's 401(k) retirement savings plan and 4,940 shares of unvested restricted stock expected to vest within 60 days, but does not include 9,880 other shares of unvested restricted stock or 150,172 unvested restricted stock units (each of which represents the right to receive one share upon vesting).

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(j) Includes 433 shares held through the Company’s 401(k) retirement savings plan and 8,000 shares of unvested restricted stock expected to vest within 60 days, but does not include 16,000 other shares of unvested restricted stock or 103,522 unvested restricted stock units (each of which represents the right to receive one share upon vesting).

(k) Group includes those persons who were serving as directors and executive officers on November 1, 2017. Number shown includes 2,298 shares held through the Company’s 401(k) retirement savings plan and 23,106 shares of unvested restricted stock expected to vest within 60 days, but does not include 37,880 other shares of unvested restricted stock or 1,733,973 unvested restricted stock units (each of which represents the right to receive one share upon vesting).

* Shares beneficially owned do not exceed one percent of Class A Common Stock.

ITEM 13 — CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Related Party Transactions

Review and Approval of Transactions with Related Persons

The Board of Directors has adopted a written comprehensive policy for the review and evaluation of all related party transactions. Under that policy, the Audit Committee is charged with the responsibility of (a) reviewing and evaluating all transactions, or proposed transactions, between the company and a related person and (b) approving, ratifying, rescinding or taking other action with respect to each such transaction. With respect to any specific transaction, the Audit Committee may, in its discretion, transfer its responsibilities to either the full Board of Directors or to any special committee of the Board of Directors designated and created for the purpose of reviewing, evaluating, approving or ratifying such transaction.

Acquisition of Assets from Cash Solution Centers, LLC

On August 14, 2017, we completed an acquisition of assets from Cash Solution Centers, LLC ("CSC"). The assets had been used by CSC in the operation of two pawn stores located in Central Texas. The aggregate purchase price was $700,329 and was paid in cash. Daniel M. Chism, who was appointed Chief Financial Officer of the Company effective May 9, 2017, was the owner of a 28% interest in CSC and, as such, had a personal interest in the transaction valued at $196,092. The terms of this transaction were reviewed and approved by the Audit Committee pursuant to the Company's Policy for Review and Evaluation of Related Party Transactions, and the execution and performance of the related Asset Purchase Agreement was approved by the full Board of Directors. Following completion of this transaction, Mr. Chism does not own any interest in any pawn-related businesses outside of his interest in the Company.

Director Independence

The Board of Directors believes that the interests of the stockholders are best served by having a substantial number of objective, independent representatives on the Board. For this purpose, a director is considered to be independent if the Board determines that the director does not have any direct or indirect material relationship with the Company that may impair, or appear to impair, the director’s ability to make independent judgments.

The Board has evaluated all relationships between each director and the Company and has made the following determinations with respect to each director’s independence:

Director	Status (a)
Matthew W. Appel	Independent
Santiago Creel Miranda	Independent
Peter Cumins	Not independent (b)
Pablo Lagos Espinosa	Independent
Lachlan P. Given	Not independent (c)
Stuart I. Grimshaw	Not independent (c)
Thomas C. Roberts	Independent
Joseph L. Rotunda	Not independent (c)

(a) The Board’s determination that a director is independent was made on the basis of the standards for independence set forth in the Nasdaq Listing Rules. Under those standards, a person generally will not be considered independent if he or she has a relationship that, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Nasdaq rules also describe specific relationships that will prevent a person from being considered independent.

(b) Mr. Cumins is the Executive Vice Chairman and a member of the board of directors of Cash Converters International Limited. Mr. Grimshaw serves as the chairman of the board of directors of Cash Converters International, and Mr. Given also serves on the board of directors. Because of this relationship, The Board does not treat Mr. Cumins as an independent director, even though he might qualify as such under the Nasdaq Listing Rules.

(c) Mr. Grimshaw, Mr. Given and Mr. Rotunda are executive officers and, therefore, are not independent in accordance with the standards set forth in the Nasdaq Listing Rules.

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The Company has elected to apply the “Controlled Company” exemption to the Nasdaq requirement that a majority of the directors be considered independent under the standards set forth in the Nasdaq Listing Rules. See “Part III, Item 10 — Directors, Executive Officers and Corporate Governance — Corporate Governance — Controlled Company Exemptions.”

ITEM 14 — PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents all fees we incurred in connection with professional services provided by BDO USA, LLP for fiscal 2017 and 2016:

	Year Ended September 30,	
	2017	2016
Audit fees:		
Audit of financial statements and audit pursuant to section 404 of the Sarbanes-Oxley Act	$1,247,169	$1,518,547
Quarterly reviews and other audit fees	105,895	107,700
Total audit fees	1,353,064	1,626,247
Audit related fees (a)	77,758	12,000
Tax fees	—	—
Total fees for services	$1,430,822	$1,638,247

(a) Audit related fees consist primarily of (1) fees incurred in connection with the restatement of previously issued financial statements, including tax revisions in fiscal 2016 and (2) fees incurred in connection with our registration statements on Forms S-3, S-4 and S-8.

The amounts shown for fiscal 2017 include our current estimated costs for the fiscal 2017 integrated audit, for which we have not yet received final billings. The amounts shown for fiscal 2016 include an additional $184,300 of fees that were billed beyond our initial estimates for fiscal 2016 after we filed our Annual Report on Form 10-K for the year ended September 30, 2016.

The Audit Committee has adopted a policy requiring its pre-approval of all fees to be paid to our independent audit firm, regardless of the type of service. All non-audit services were reviewed with the Audit Committee, which concluded that the provision of such services by BDO USA, LLP was compatible with the maintenance of that firm’s independence in the conduct of its auditing functions.

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PART IV

ITEM 15 — EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this 10-K:

(1) Financial Statements

The following consolidated financial statements of EZCORP, Inc. are included in “Part II — Item 8 — Financial Statements and Supplementary Data”:

- Report of Independent Registered Public Accounting Firm (2017 and 2016) — BDO USA, LLP
- Consolidated Balance Sheets as of September 30, 2017 and 2016
- Consolidated Statements of Operations for each of the three years in the period ended September 30, 2017
- Consolidated Statements of Comprehensive Income (Loss) for each of the three years in the period ended September 30, 2017
- Consolidated Statements of Cash Flows for each of the three years in the period ended September 30, 2017
- Consolidated Statements of Stockholders’ Equity for each of the three years in the period ended September 30, 2017
- Notes to Consolidated Financial Statements.

(2) Financial Statement Schedules

Financial statement schedules are omitted because they are not required or are not applicable, or the required information is provided in the consolidated financial statements or notes described in Item 15(a)(1) above.

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(3) Exhibits

Exhibit No.	Description of Exhibit
2.1	Purchase Agreement, dated as of July 1, 2016, among Prestaciones Finmart, S.A.P.I. de C.V., SOFOM, E.N.R., Change Capital International Holdings, B.V., Alpha Holding, S.A. de C.V., Clarum Capital, L.P. and EZCORP, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated July 6, 2016, Commission File No. 0-19424)
2.2	Amendment No. 2 to Purchase Agreement, dated September 27, 2017, among EZCORP, Inc.; Change Capital International Holdings, B.V.; and Alpha Holding, S.A. de C.V. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated October 3, 2017, Commission File No. 0-19424)
2.3	Share Purchase Agreement, dated October 4, 2017, by and between EZCORP International Inc. and Black Icebreaker Corporation (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated October 10, 2017, Commission File No. 0-19424)
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated October 1, 2013, Commission File No. 0-19424)
3.2	Certificate of Amendment, dated March 25, 2014, to the Company's Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated March 25, 2014, Commission File No. 0-19424)
3.3	Amended and Restated By-Laws, effective July 20, 2014 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated July 18, 2014, Commission File No. 0-19424)
4.1	Specimen of Class A Non-voting Common Stock certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 effective August 23, 1991, Commission File No. 33-41317)
4.2	Description of EZCORP, Inc. Class A Non-voting Common Stock (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated October 1, 2013, Commission File No. 0-19424)
4.3	Indenture, dated June 23, 2014, between EZCORP, Inc., and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 17, 2014, Commission File No. 0-19424)
4.4	Indenture, dated July 5, 2017, between EZCORP, Inc., and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 6, 2017, Commission File No. 0-19424)
10.1*	EZCORP, Inc. Supplemental Executive Retirement Plan effective December 1, 2005 (incorporated by reference to Exhibit 10.94 to the Company's Current Report on Form 8-K dated November 28, 2005 and filed December 1, 2005, Commission File No. 0-19424)
10.2*	Amended and Restated EZCORP, Inc. 2010 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 21, 2016, Commission File No. 0-19424)
10.3*	Form of Protection of Sensitive Information, Noncompetition and Nonsolicitation Agreement between the Company and certain employees, including the executive officers (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended September 30, 2010, Commission File No. 0-19424)
10.4*	Form of Restricted Stock Award for non-employee directors (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended September 30, 2010, Commission File No. 0-19424)
10.5	Call Option Confirmation, dated June 17, 2014, between EZCORP, Inc. and Jefferies International Limited (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.6	Call Option Confirmation, dated June 17, 2014, between EZCORP, Inc. and Morgan Stanley & Co. International plc (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q

	for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.7	Call Option Confirmation, dated June 17, 2014, between EZCORP, Inc. and UBS AG, London Branch (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.8	Warrant Confirmation, dated June 17, 2014, between EZCORP, Inc. and Jefferies International Limited (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.9	Amendment Agreement (Warrant Confirmation), dated June 27, 2014, between EZCORP, Inc. and Jefferies International Limited (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)

10.10	Warrant Confirmation, dated June 17, 2014, between EZCORP, Inc. and Morgan and Stanley & Co. International plc (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.11	Amendment Agreement (Warrant Confirmation), dated June 27, 2014, between EZCORP, Inc. and Morgan Stanley & Co. International plc (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.12	Warrant Confirmation, dated June 17, 2014, between EZCORP, Inc. and UBS AG, London Branch (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.13	Amendment Agreement (Warrant Confirmation), dated June 27, 2014, between EZCORP, Inc. and UBS AG, London Branch (incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.14	Additional Call Option Confirmation, dated June 27, 2014, between EZCORP, Inc. and Jefferies International Limited (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.15	Additional Call Option Confirmation, dated June 27, 2014, between EZCORP, Inc. and Morgan Stanley & Co. International plc (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.16	Additional Call Option Confirmation, dated June 27, 2014, between EZCORP, Inc. and UBS AG, London Branch (incorporated by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.17	Additional Warrant Confirmation, dated June 27, 2014, between EZCORP, Inc. and Jefferies International Limited (incorporated by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.18	Additional Warrant Confirmation, dated June 27, 2014, between EZCORP, Inc. and Morgan Stanley & Co. International plc (incorporated by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.19	Additional Warrant Confirmation, dated June 27, 2014, between EZCORP, Inc. and UBS AG, London Branch (incorporated by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, Commission File No. 0-19424)
10.20*	Financing Agreement, dated September 12, 2016, among EZCORP, Inc. (as Borrower), certain subsidiaries of the Borrower from time to time party thereto (as Guarantors), certain Lenders, and Fortress Credit Co LLC (as Administrative Agent and Collateral Agent) (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the year ended September 30, 2017, Commission File No. 0-19424)
10.21	Purchase Agreement, dated June 29, 2017, between EZCORP, Inc., and UBS Securities LLC and Jefferies LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated July 6, 2017, Commission File No. 0-19424)
10.22	Call Option Termination Agreement, dated June 29, 2017, between EZCORP, Inc., and UBS AG, London Branch (incorporated by reference to exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, Commission File No. 0-19424)
10.23	Warrant Termination Agreement, dated June 29, 2017, between EZCORP, Inc., and UBS AG, London Branch (incorporated by reference to exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, Commission File No. 0-19424)
10.24	Call Option Termination Agreement, dated June 29, 2017, between EZCORP, Inc., and Jefferies International Limited (incorporated by reference to exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, Commission File No. 0-19424)
10.25	Warrant Termination Agreement, dated June 29, 2017, between EZCORP, Inc., and Jefferies International Limited (incorporated by reference to exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, Commission File No. 0-19424)

10.26	Call Option Termination Agreement, dated June 29, 2017, between EZCORP, Inc., and Morgan Stanley & Co. International plc (incorporated by reference to exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, Commission File No. 0-19424)
10.27	Warrant Termination Agreement, dated June 29, 2017, between EZCORP, Inc., and Morgan Stanley & Co. International plc (incorporated by reference to exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, Commission File No. 0-19424)
10.28	Separation Agreement and Release dated May 2, 2017, between EZCORP, Inc., and Mark Ashby, former Chief Financial Officer (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated May 3, 2017, Commission File No. 0-19424)
21.1†	Subsidiaries of EZCORP, Inc.

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23.1†	Consent of BDO USA, LLP
31.1†	Certification of Stuart I. Grimshaw, Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2†	Certification of Daniel M. Chism, Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1††	Certification of Stuart I. Grimshaw, Chief Executive Officer, and Daniel M. Chism, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Letter Agreement, dated as of September 27, 2017, among Prestaciones Finmart S.A.P.I. de C.V., SOFOM, E.N.R.; Alpha Holding, S.A. de C.V.; Texas EZPAWN L.P.; and EZPAWN Management Mexico, S. de R.L. de C.V. (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated October 3, 2017, Commission File No. 0-19424)
101.INS†††	XBRL Instance Document
101.SCH†††	XBRL Taxonomy Extension Schema Document
101.CAL†††	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB†††	XBRL Taxonomy Label Linkbase Document
101.DEF†††	XBRL Taxonomy Extension Definition Linkbase Document
101.PRE†††	XBRL Taxonomy Extension Presentation Linkbase Document

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* Identifies Exhibit that consists of or includes a management contract or compensatory plan or arrangement.

† Filed herewith.

†† Furnished herewith.

††† Filed herewith as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at September 30, 2017, and September 30, 2016; (ii) Consolidated Statements of Operations for the years ended September 30, 2017, September 30, 2016 and September 30, 2015; (iii) Consolidated Statements of Comprehensive Income (Loss) for the years ended September 30, 2017, September 30, 2016 and September 30, 2015; Consolidated Statements of Cash Flows for the for the years ended September 30, 2017, September 30, 2016 and September 30, 2015; Consolidated Statements of Shareholders' Equity for the years ended September 30, 2017, September 30, 2016 and September 30, 2015; and (iv) Notes to Consolidated Financial Statements.

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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:

EZCORP, Inc.

Date: November 15, 2017 By: /s/ Daniel M. Chism
Daniel M. Chism,
Chief Financial Officer

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

Signature	Title	Date
/s/ Stuart I. Grimshaw	Chief Executive Officer and Director (principal executive officer)	November 15, 2017
Stuart I. Grimshaw		
/s/ Daniel M. Chism	Chief Financial Officer (principal financial officer)	November 15, 2017
Daniel M. Chism		
/s/ Lachlan P. Given	Executive Chairman of the Board	November 15, 2017
Lachlan P. Given		
/s/ Matthew W. Appel	Director	November 15, 2017
Matthew W. Appel		
/s/ Santiago Creel Miranda	Director	November 15, 2017
Santiago Creel Miranda		
/s/ Peter Cumins	Director	November 15, 2017
Peter Cumins		
/s/ Pablo Lagos Espinosa	Director	November 15, 2017
Pablo Lagos Espinosa		
/s/ Thomas C. Roberts	Director	November 15, 2017
Thomas C. Roberts		
/s/ Joseph L. Rotunda	Director	November 15, 2017
Joseph L. Rotunda		

/s/ David McGuire	Deputy Chief Financial Officer and Chief Accounting Officer (principal accounting officer)	November 15, 2017

David McGuire

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