

Regional Management Corp.
Form 10-Q
October 27, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period ended _____

Commission File Number: 001-35477

Regional Management Corp.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of	57-0847115
incorporation or organization)	(I.R.S. Employer
979 Batesville Road, Suite B	Identification No.)
Greer, South Carolina	29651
(Address of principal executive offices)	(Zip Code)
(864) 448-7000	
(Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for 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 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 (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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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

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

Smaller reporting company

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

As of October 26, 2016, the registrant had outstanding 11,444,998 shares of Common Stock, \$0.10 par value.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Regional Management Corp. and Subsidiaries****Consolidated Balance Sheets****(in thousands, except par value amounts)**

	September 30, 2016 (Unaudited)	December 31, 2015
Assets		
Cash	\$ 3,959	\$ 7,654
Gross finance receivables	887,316	785,042
Unearned finance charges, insurance premiums, and commissions	(191,167)	(156,598)
Finance receivables	696,149	628,444
Allowance for credit losses	(39,100)	(37,452)
Net finance receivables	657,049	590,992
Property and equipment, net of accumulated depreciation	10,701	9,049
Restricted cash	7,906	10,506
Intangible assets, net	4,608	2,307
Goodwill	716	716
Repossessed assets at net realizable value	429	307
Deferred tax asset, net		1,982
Other assets	5,961	2,860
Total assets	\$ 691,329	\$ 626,373
Liabilities and Stockholders Equity		
Liabilities:		
Long-term debt	\$ 481,766	\$ 411,177
Unamortized debt issuance costs	(2,403)	(2,692)
Net long-term debt	479,363	408,485
Accounts payable and accrued expenses	11,436	12,661
Deferred tax liability, net	432	
Total liabilities	491,231	421,146
Commitments and Contingencies		
Stockholders equity:		
Preferred stock, \$0.10 par value, 100,000 shares authorized, no shares issued or outstanding		

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Common stock, \$0.10 par value, 1,000,000 shares authorized, 12,984 shares issued and 11,438 shares outstanding at September 30, 2016 and 12,914 shares issued and outstanding at December 31, 2015	1,298	1,291
Additional paid-in-capital	91,524	89,178
Retained earnings	132,322	114,758
Treasury stock, at cost, 1,546 shares at September 30, 2016	(25,046)	
Total stockholders equity	200,098	205,227
Total liabilities and stockholders equity	\$ 691,329	\$ 626,373

The following table presents the assets and liabilities of our consolidated variable interest entity:

Assets		
Cash	\$ 41	\$ 376
Finance receivables	49,608	80,309
Allowance for credit losses	(2,976)	(2,588)
Restricted cash	4,786	7,605
Repossessed assets at net realizable value	142	36
Other assets	10	
Total assets	\$ 51,611	\$ 85,738
Liabilities		
Net long-term debt	\$ 45,205	\$ 71,226
Accounts payable and accrued expenses	4	50
Total liabilities	\$ 45,209	\$ 71,276

See accompanying notes to consolidated financial statements.

Table of Contents**Regional Management Corp. and Subsidiaries****Consolidated Statements of Income****(Unaudited)****(in thousands, except per share amounts)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue				
Interest and fee income	\$ 57,420	\$ 49,741	\$ 161,309	\$ 144,474
Insurance income, net	2,346	2,767	7,886	8,816
Other income	2,709	2,588	7,302	7,331
Total revenue	62,475	55,096	176,497	160,621
Expenses				
Provision for credit losses	16,410	14,085	43,587	35,899
Personnel	18,180	15,993	51,981	51,964
Occupancy	5,175	4,458	14,808	12,791
Marketing	1,786	1,134	5,363	5,614
Other	5,312	4,597	17,654	16,679
Total general and administrative expenses	30,453	26,182	89,806	87,048
Interest expense	5,116	4,335	14,637	11,871
Income before income taxes	10,496	10,494	28,467	25,803
Income taxes	4,020	3,987	10,903	9,805
Net income	\$ 6,476	\$ 6,507	\$ 17,564	\$ 15,998
Net income per common share:				
Basic	\$ 0.57	\$ 0.51	\$ 1.47	\$ 1.25
Diluted	\$ 0.56	\$ 0.50	\$ 1.44	\$ 1.22
Weighted average shares outstanding:				
Basic	11,384	12,881	11,963	12,835
Diluted	11,664	13,111	12,194	13,063

See accompanying notes to consolidated financial statements.

Table of Contents**Regional Management Corp. and Subsidiaries****Consolidated Statements of Stockholders Equity****(Unaudited)****(in thousands)**

	Common Stock		Additional	Retained	Treasury	Total
	Shares	Amount	Paid-in-Capital	Earnings	Stock	
Balance, December 31, 2014	12,748	\$ 1,275	\$ 85,655	\$ 91,393	\$	\$ 178,323
Issuance of restricted stock awards	108	11	(11)			
Exercise of stock options	145	14				14
Excess tax benefit from stock option exercises, net			378			378
Shares withheld related to net share settlement	(87)	(9)	(534)			(543)
Share-based compensation			3,690			3,690
Net income				23,365		23,365
Balance, December 31, 2015	12,914	\$ 1,291	\$ 89,178	\$ 114,758	\$	\$ 205,227
Issuance of restricted stock awards	36	4	(4)			
Exercise of stock options	160	16				16
Excess tax deficiency from stock option exercises, net			(81)			(81)
Repurchase of common stock					(25,046)	(25,046)
Shares withheld related to net share settlement	(126)	(13)	(350)			(363)
Share-based compensation			2,781			2,781
Net income				17,564		17,564
Balance, September 30, 2016	12,984	\$ 1,298	\$ 91,524	\$ 132,322	\$ (25,046)	\$ 200,098

See accompanying notes to consolidated financial statements.

Table of Contents**Regional Management Corp. and Subsidiaries****Consolidated Statements of Cash Flows****(Unaudited)****(in thousands)**

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income	\$ 17,564	\$ 15,998
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	43,587	35,899
Depreciation and amortization	4,948	2,778
(Gain) loss on disposal of property and equipment	(15)	343
Accretion of discounts on purchased receivables		(20)
Share-based compensation	3,006	3,595
Fair value adjustment on interest rate caps	213	419
Deferred income taxes, net	2,414	1,605
Changes in operating assets and liabilities:		
(Increase) decrease in other assets	(3,436)	50
Increase (decrease) in other liabilities	(1,687)	1,200 &n