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NICHOLAS FINANCIAL INC
Form 8-K
July 21, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) July 21,
2005

NICHOLAS FINANCIAL, INC.
(Exact name of registrant as specified in its Charter)

British Columbia, Canada	0-26680	8736-3354
(State or Other Jurisdiction of Incorporation or Organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

2454 McMullen Booth Road, Building C	
Clearwater, Florida	33759
(Address of Principal Executive Offices)	(Zip Code)

(727) 726-0763
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if
changed since last report)

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Item 2.02 Results of Operations and Financial Condition

July 21, 2005 - Nicholas Financial, Inc., (NASDAQ: NICK) announced that net income increased 47% to \$2,394,000 for the three months ended June 30, 2005 as compared to \$1,632,000 for the three months ended June 30, 2004. Diluted earnings per share increased 28% to \$0.23 for the three months ended June 30, 2005 as compared to \$0.18 for the three months ended June 30, 2004. Revenue increased 26% to \$9,160,000 for the three months ended June 30, 2005 as

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compared to \$7,277,000 for the three months ended June 30, 2004. "These excellent results are a direct reflection of our disciplined underwriting," according to Peter L. Vosotas, Chairman and CEO of the Company.

Item 9.01 Financial Statements and Exhibits

Exhibit # Description

9 Press release dated July 21, 2005, announcing record earnings for the quarter ended June 30, 2005.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, hereunto duly authorized.

NICHOLAS FINANCIAL, INC.
(Registrant)

Date: July 21, 2005 /s/ Peter L. Vosotas
Peter L. Vosotas
Chairman, President, Chief
Executive Officer
(Principal Executive Officer)

Date: July 21, 2005 /s/ Ralph T. Finkenbrink
Ralph T. Finkenbrink
(Principal Financial
Officer and Accounting
Officer)

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Exhibit Index

Exhibit Description

9 Press release dated July 21, 2005, announcing record earnings for the quarter ended June 30, 2005.

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Exhibit 9

FOR IMMEDIATE RELEASE

Nicholas Financial, Inc.

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the Company's Annual Report on Form 10-KSB for the year ended March 31, 2005. Such statements are based on the beliefs of the Company's management as well as assumptions made by and information currently available to Company management. Actual events or results may differ materially.

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Nicholas Financial, Inc.
 Condensed Consolidated Statements of Income
 (Unaudited, Dollars in Thousands, Except Per Share Amounts)

	Three Months Ended June 30,	
	2005	2004

Revenue:		
Interest income on		
finance receivables	\$ 9,110	\$ 7,214
Sales	50	63
	-----	-----
	9,160	7,277
Costs and expenses:		
Expenses	3,896	3,157
Provision for credit losses	428	581
Interest expense	981	915
	-----	-----
	5,305	4,653
Operating income		
before income taxes	3,855	2,624
Income tax expense	1,461	992
	-----	-----
Net income	\$ 2,394	\$ 1,632
	=====	=====
Earnings per share:		
Basic	\$ 0.24	\$ 0.19
	=====	=====
Diluted	\$ 0.23	\$ 0.18
	=====	=====
Weighted average shares	9,851,657	8,504,328
	=====	=====
Weighted average shares and assumed dilution	10,481,773	9,095,433
	=====	=====

(Historical shares outstanding and earnings per share have been adjusted for the June 17, 2005 stock split)

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Condensed Consolidated Balance Sheets (Unaudited, Dollars in Thousands)

	June 30, 2005	March 31, 2005
	-----	-----
Cash	\$ 1,442	\$ 853
Finance receivables, net	118,089	113,708
Other assets	6,289	6,254
	-----	-----
Total assets	\$ 125,820	\$ 120,815
	=====	=====
Line of credit	\$ 67,042	\$ 65,331
Other notes payable	600	1,000
Other liabilities	9,236	7,726
	-----	-----
Total liabilities	76,878	74,057
Shareholders' equity	48,942	46,758
	-----	-----
Total liabilities and shareholders' equity	\$ 125,820	\$ 120,815
	=====	=====

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Portfolio Summary	Three months ended June 30,	
	2005	2004

Average finance receivables, net of unearned interest (1)	\$140,718,717	\$123,025,445
Average indebtedness (2)	\$ 66,986,506	63,714,820
Finance revenue (3)	\$ 9,109,701	\$ 7,214,258
Interest expense	980,553	915,320
	-----	-----
Net finance revenue	\$ 8,129,148	\$ 6,298,938
	=====	=====
Weighted average contractual rate (4)	24.12%	24.29%
	-----	-----
Average cost of borrowed funds (2)	5.86%	5.75%
	=====	=====
Gross portfolio yield (5)	25.90%	23.46%
Interest expense as a percentage of average finance receivables, net of unearned interest	2.79%	2.98%
Provision for credit losses as a percentage of average finance		

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receivables, net of unearned interest	1.22%	1.89%
	-----	-----
Net portfolio yield (5)	21.89%	18.59%
Operating expenses as a percentage of average finance receivables, net of unearned interest (6)	10.83%	10.04%
	-----	-----
Pre-tax yield as a percentage of average finance receivables, net of unearned interest (7)	11.06%	8.55%
	=====	=====
Write-off to liquidation (8)	5.03%	5.46%
Net charge-off percentage (9)	4.44%	4.65%

Note: All three month key performance indicators expressed as percentages have been annualized.

- (1) Average finance receivables, net of unearned interest, represents the average of gross finance receivables, less unearned interest throughout the period.
- (2) Average indebtedness represents the average outstanding borrowings under the Line and notes payable-related party. Average cost of borrowed funds represents interest expense as a percentage of average indebtedness.
- (3) Finance revenue does not include revenue generated by Nicholas Data Services, Inc., ("NDS") the wholly-owned software subsidiary of Nicholas Financial, Inc.
- (4) Weighted average contractual rate represents the weighted average annual percentage rate (APR) of all Contracts purchased and direct loans originated during the period.
- (5) Gross portfolio yield represents finance revenues as a percentage of average finance receivables, net of unearned interest. Net portfolio yield represents finance revenue minus (a) interest expense and (b) the provision for credit losses as a percentage of average finance receivables, net of unearned interest.
- (6) Operating expenses represent total expenses, less interest expense, the provision for credit losses and operating costs associated with NDS.
- (7) Pre-tax yield represents net portfolio yield minus operating expenses as a percentage of average finance receivables, net of unearned interest.
- (8) Write-off to liquidation percentage is defined as net charge-offs divided by liquidation. Liquidation is defined as beginning receivable balance plus current period purchases minus voids and refinances minus

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ending receivable balance.

(9) Net charge-off percentage represents net charge-offs divided by average finance receivables, net of unearned interest, outstanding during the period.

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The following tables present certain information regarding delinquency rates experienced by the Company with respect to Contracts and under its direct loan program.

	At June 30,			
	2005		2004	

Contracts				
Gross Balance				
Outstanding	\$183,005,750		\$159,986,743	
	=====		=====	
Delinquencies				
30 to 59 days	\$ 2,440,862	1.33%	\$ 2,704,294	1.68%
60 to 89 days	649,406	0.35%	539,691	0.34%
90 + days	174,630	0.10%	219,687	0.14%
	-----	-----	-----	-----
Total Delinquencies	\$ 3,264,898	1.78%	\$ 3,463,672	2.16%
	=====	=====	=====	=====
Direct Loans				
Gross Balance				
Outstanding	\$ 6,498,264		\$ 4,726,746	
	=====		=====	
Delinquencies				
30 to 59 days	\$ 70,102	1.08%	\$ 26,903	0.57%
60 to 89 days	28,183	0.43%	20,089	0.43%
90 + days	14,144	0.22%	26,998	0.57%
	-----	-----	-----	-----
Total Delinquencies	\$ 112,429	1.73%	\$ 73,990	1.57%
	=====	=====	=====	=====

The amounts shown in the tables below represent the amount of Contracts purchased, net of unearned interest.

	Three months ended	
	June 30,	
Contracts	2005	2004

Purchases	\$23,421,962	\$22,399,319
Weighted APR	23.99%	24.11%

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Average Discount	8.55%	8.76%
Average Term (months)	45	44
Average Loan	\$8,704	\$8,275
Number of Contracts	2,691	2,707
