Moody's Ratings assigns first-time ratings to EZCORP, Inc. (Ba1 senior unsecured), outlook is stable

Mar 24, 2025

New York, March 24, 2025 -- Moody's Ratings (Moody's) has assigned a Ba1 corporate family rating (CFR) to EZCORP, Inc. (EZPW). We have also assigned a Ba1 senior unsecured rating to the company's planned $300 million senior unsecured notes maturing in 2032. EZPW's outlook is stable.

RATINGS RATIONALE

EZPW's Ba1 CFR reflects the company's strong profitability and capitalization, low debt leverage and strong franchise in the highly fragmented pawn lending industry in the US, Mexico and Latin America. The company's credit profile is constrained by risks in its pawn business including exposure to fraud and transactions involving stolen goods, geographic concentrations in certain US states, vulnerability to fluctuations in gold prices, heightened regulatory scrutiny, and rapid growth in Latin America.

EZPW has reported strong profitability over the past few years reflective of its strong franchise as the second largest pawn store operator in the US and one of the largest in Latin America. The company's average net income to average managed assets ratio was 4.1% from 2022-24 and has been consistently above 5% over the each of the last five quarters (annualized). Its strong profitability has been supported by growth of earning assets, which increased 13% and 11% annually in the US and Latin America, respectively, since fiscal year-end 2022. Given the company's plan to continue expanding, especially in Latin America, we expect EZPW to continue generating strong and stable profits over the next 12-18 months.

EZPW's CFR also reflects the company's strong capitalization, which supports the company's operations and growth in the pawn lending industry. EZPW's tangible common equity to tangible managed assets ratio was a high 41% as of 31 December 2024. We expect the company to continue to manage its capitalization above peer levels.

The high-risk nature of subprime consumer lending is somewhat offset by the fact that pawn loans are secured and over-collateralized. The company faces inventory risk if its inventory turnover is too low, which could result in reduced cash collection, or if its aged general merchandise increases too much, which could result in high inventory balances with low resale value. As of 31 December 2024, inventory turnover for EZPW's US and Latin American pawn stores was 2.5x and 3.1x, respectively.

The CFR also reflects EZPW's developing funding and liquidity profile. The company currently has no secured debt outstanding besides its operating lease liabilities. With the proposed issuance of $300 million of senior unsecured notes, the proceeds of which will be used to refinance the company's $103 million of convertible notes due May 2025, EZPW will have no near-term debt maturities. Continued improvement in the company's funding profile, for example through improved diversification of funding sources and further debt maturities laddering, would be credit positive.

The Ba1 rating assigned to the senior unsecured notes is equal to EZPW's Ba1 CFR, reflecting the debt's ranking and size in the company's capital structure and incorporates the debt's priority of claim and strength of asset coverage.

EZPW's stable outlook reflects our expectation that the company's strong profitability and capitalization will persist without a material weakening of its funding and liquidity profile over the next 12-18 months; and the regulatory environment will not become more burdensome, especially in markets in which the company is expanding.

The assigned ratings incorporate EZPW's environmental, social and governance (ESG) considerations under our General Principles for Assessing Environmental, Social and Governance Risks. EZPW's credit impact score of CIS-3 indicates that ESG considerations have a limited impact on the current ratings, with potential for greater negative impact over time. We have assigned environmental, social and governance issuer profile scores (IPS) of E-2, S-3 and G-3, respectively.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

EZPW's ratings could be upgraded if the company: 1) continues to scale its business without a material weakening of its profitability, capitalization and asset quality; and 2) improves its funding and liquidity profile through greater diversity of funding sources and further debt maturity laddering.

EZPW's ratings could be downgraded if the company's financial performance materially deteriorates; for example, if profitability weakens whereby net income to average managed assets remains below 3.5% for an extended period of time, or if the company's capitalization materially weakens. The ratings could also be downgraded in the event of a regulatory action or litigation that materially restricts the company's financial profile or business activities, or harms its franchise and reputation.

The principal methodology used in these ratings was Finance Companies published in July 2024 and available at https://ratings.moodys.com/rmc-documents/425167. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

Moody's does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/rmc-documents/435880.

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the EU and UK and is(are) endorsed for use in the EU and UK in accordance with the EU and UK CRA Regulation.

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