



NEWS RELEASE

# Atlanticus Reports First Quarter 2021 Financial Results

2021-05-17

Net Income Attributable to Common Shareholders Grows to \$39.4 Million, \$2.62 Per Share

ATLANTA, May 17, 2021 (GLOBE NEWSWIRE) -- Atlanticus Holdings Corporation (NASDAQ: ATLC) ("Atlanticus," "the Company", "we," "our" or "us"), a technology-enabled financial services company that assists financial institutions in offering credit to millions of everyday Americans, today announced its financial results for the quarter ended March 31, 2021.

Financial and Operating Highlights (all comparisons to the prior year period)

## *2021 First Quarter Highlights compared to 2020 First Quarter*

- Net income attributable to common shareholders increased to \$39.4 million, or \$2.62 per basic common share, compared to \$2.7 million, or \$0.18 per basic common share
- Net income to common shareholders increased to \$1.91 per diluted common share, compared to \$0.17 per diluted common share
- Net income attributable to common shareholders on a trailing twelve months basis increased to \$7.76 per basic common share from \$1.52 per basic common share.
- Managed receivables,(1) associated with our Credit and Other Investments Segment, increased 19.0% to \$1.1 billion as of March 31, 2021
- Total operating revenue increased 2.4% to \$143.9 million
- Combined net charge-off ratio, annualized(1) associated with our Credit and Other Investments Segment, improved to 13.6% from 29.0%
- The number of total customers we serve at March 31, 2021 increased 31.7% to 1.9 million(2)

*(1) Managed receivables and combined net charge-off ratio, annualized are non-GAAP financial measures. See "Non-GAAP Financial Measures" for important additional information.*

*(2) In our calculation of total customers, we include all customers with account activity or customers who have open lines of credit at the end of the referenced period.*

## **Management Commentary**

Jeff Howard, President and Chief Executive Officer, stated, "Our results for the first quarter of 2021 demonstrated our ongoing success in enabling our bank partner, through our technology platform, to empower better financial outcomes for everyday Americans. Our technology allows our bank partner to extend credit across multiple asset classes and marketing channels. This flexibility, and leveraging our almost 25 years of data aggregation, allowed us to increase customers served by 31.7% and grow point-of-sale and direct-to-consumer receivables by 19.0% despite high payment rates resulting from federal stimulus. With our proven approach to analytics, our omnichannel origination capabilities across point-of-sale and general-purpose asset classes, and extremely low level of delinquencies, we believe we are in an excellent position to continue benefiting from the economic recovery throughout 2021."

## **Quarterly Highlights**

(In Thousands)	For the Quarter Ended March 31,		Income
	2021	2020	Increases (Decreases) From 2020 to 2021
Total operating revenue	\$ 143,895	\$ 140,518	3,377
Other non-operating revenue	840	(10)	830
Total revenue	144,735	140,508	4,227
Interest expense	(12,298)	(13,584)	1,286
Loss on repurchase of convertible senior notes	(7,807)	-	(7,807)
Provision for losses on loans, interest and fees receivable recorded at net realizable value	(4,135)	(67,336)	63,201
Changes in fair value of loans, interest and fees receivable and notes payable associated with structured financings recorded at fair value	(27,491)	(15,191)	(12,300)
Net margin	\$ 93,004	\$ 44,397	48,607
Total operating expense	\$ 41,207	\$ 37,750	3,457
Net income	\$ 44,027	\$ 5,362	38,665
Net income attributable to controlling interests	\$ 44,075	\$ 5,425	38,650
Preferred dividends and discount accretion	\$ (4,687)	\$ (2,759)	(1,928)
Net income attributable to common shareholders	\$ 39,388	\$ 2,666	36,722
Net income attributable to common shareholders per common share—basic	\$ 2.62	\$ 0.18	2.44
Net income attributable to common shareholders per common share—diluted	\$ 1.91	\$ 0.17	1.74

## 2021 First Quarter Financial Results (all comparisons to the prior year period)

### *Total revenue*

Period-over-period increases in operating revenue primarily relate to growth in point-of-sale finance and direct-to-consumer accounts and receivables. Managed receivables increased from \$917.5 million as of March 31, 2020 to \$1.1 billion as of March 31, 2021 as total customers increased from 1.4 million to 1.9 million. This increase in managed receivables was achieved despite reduced consumer purchase behavior, higher than expected payment behavior and overall decreased demand for general-purpose card products.

During the quarter ended March 31, 2021, total operating revenue increased 2.4% to \$143.9 million, compared to \$140.5 million in the prior year. Total operating revenue consists of: 1) interest income, finance charges and late fees on consumer loans, 2) other fees on credit products including annual and merchant fees and 3) ancillary, interchange and servicing income on loan portfolios. Offsetting period over period growth in total operating revenue from account and receivables growth are lower finance and fee yield due to lower overall utilization by consumers on credit products and historically low delinquency rates.

We are currently experiencing continued period-over-period growth in point-of-sale and direct-to-consumer

receivables, which we expect to continue and to result in net period-over-period growth in our total interest income and related fees and charges for these operations throughout 2021.

### ***Interest expense***

Interest expense was \$12.3 million for the quarter ended March 31, 2021, compared to \$13.6 million in the prior year period. Outstanding notes payable, net, associated with our point-of-sale and direct-to-consumer operations increased from \$682.1 million as of March 31, 2020 to \$781.0 million as of March 31, 2021. Despite, this increase, an overall decrease in the weighted average cost of funds, coupled with repurchases of our convertible senior notes, resulted in a year over year decline in interest expense. We anticipate additional debt financing over the next few quarters as we continue to grow, and as such, we expect our quarterly interest expense to be above that experienced in the prior periods for these operations.

### ***Provision for losses on loans, interest and fees receivable recorded at net realizable value***

Provision for losses on loans, interest and fees receivable recorded at net realizable value decreased to \$4.1 million for the quarter ended March 31, 2021, compared to \$67.3 million in the prior year period. We have experienced a period-over-period decrease in this category primarily reflecting: 1) the effects of our adoption of the fair value option to account for certain loans receivable that are acquired on or after January 1, 2020 which has resulted in a decline in the outstanding receivables subject to this provision and 2) the overall reduction in delinquencies associated with these receivables in part due to recent government stimulus programs, which have served to increase payments on outstanding receivables. This reduction in provision has been offset somewhat due to additional reserves associated with accounts that have been impacted due to COVID-19. Based on delinquencies levels we are currently experiencing and the ongoing expected impacts of government stimulus payments, we expect to see continued period-over-period reductions in our provision for loan losses for the coming quarters.

### ***Total operating expense***

Total operating expense increased 9.2% to \$41.2 million, compared to \$37.8 million in the prior year period. Total annualized operating expense as a percentage of total assets decreased to 13.7% from 15.5% in the prior year period. Certain operating costs are variable based on the levels of accounts and receivables we service and the pace and breadth of our growth in receivables. Increases in operating expenses were largely due to increases in staffing levels based on new and expected increases in receivables acquisition volume as well as increased marketing expenses that often precede the revenues generated from the subsequently acquired assets.

### ***Net Income Attributable to Common Shareholders***

Net income attributable to common shareholders increased 1,377% to \$39.4 million for the quarter ended March 31, 2021, compared to \$2.7 million in the prior year. On a per share basis, net income attributable to common shareholders per basic common share increased to \$2.62 for the period ended March 31, 2021, compared to \$0.18 for the same period in 2020. Similarly, net income attributable to common shareholders per common share diluted increased to \$1.91 for the period ended March 31, 2021, compared to \$0.17 for the same period in 2020. On a trailing twelve-month basis, net income attributable to common shareholders increased to \$7.76 per basic common share from \$1.52 per basic common share.

## **Balance Sheet and Cash Flow Information**

At March 31, 2021, we had \$203.1 million in unrestricted cash and cash equivalents.

During the quarter ended March 31, 2021, we generated \$52.8 million of cash from operations compared to our generation of \$34.9 million of cash from operations during the quarter ended March 31, 2020. The increase in cash provided by operating activities was principally related to increases in finance and fee collections associated with growing point-of-sale and direct-to-consumer receivables. These collections continue to be positively impacted by government stimulus programs as many consumers are electing to pay down outstanding balances.

## **About Atlanticus Holdings Corporation**

Empowering Better Financial Outcomes for Everyday Americans

Founded in 1996, our business utilizes proprietary analytics and a flexible technology platform to enable financial institutions to provide various credit and related financial services and products to everyday Americans. We apply the experience gained and infrastructure built from servicing over 18 million customers and \$25 billion in consumer loans over our 24-year operating history to support lenders that originate a range of consumer loan products. These products include retail and healthcare credit and general-purpose credit cards marketed through our omnichannel platform, including retail point-of-sale, healthcare-point-of-care, direct mail solicitation, internet-based marketing, and partnerships with third parties. Additionally, through our CAR subsidiary, Atlanticus serves the individual needs of automotive dealers and automotive non-prime financial organizations with multiple financing and service programs.

## **Forward-Looking Statements**

This press release contains forward-looking statements that reflect the Company's current views with respect to, among other things, its business, operations, financial performance, debt financing and the macroeconomic environment. You generally can identify these statements by the use of words such as "outlook," "potential," "continue," "may," "seek," "approximately," "predict," "believe," "expect," "plan," "intend," "estimate" or "anticipate"

and similar expressions or the negative versions of these words or comparable words, as well as future or conditional verbs such as “will,” “should,” “would,” “likely” and “could.” These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. These risks and uncertainties include those risks described in the Company's filings with the Securities and Exchange Commission and include, but are not limited to, risks related to the extent and duration of the COVID-19 pandemic and its impact on the Company, bank partners, merchants, consumers, loan demand, the capital markets and the economy in general; the Company's ability to retain existing, and attract new, merchants and funding sources; changes in market interest rates; increases in loan delinquencies; its ability to operate successfully in a highly regulated industry; the outcome of litigation and regulatory matters; the effect of management changes; cyberattacks and security vulnerabilities in its products and services; and the Company's ability to compete successfully in highly competitive markets. The forward-looking statements speak only as of the date on which they are made, and, except to the extent required by federal securities laws, the Company disclaims any obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In light of these risks and uncertainties, there is no assurance that the events or results suggested by the forward-looking statements will in fact occur, and you should not place undue reliance on these forward-looking statements.

#### **Non-GAAP Financial Measures**

This press release presents information about managed receivables and combined net charge-off ratio, annualized, which are non-GAAP financial measures provided as supplements to the results provided in accordance with accounting principles generally accepted in the United States of America (“GAAP”). These non-GAAP financial measures aid in the evaluation of the performance of our credit portfolios, including our risk management, servicing and collection activities and our valuation of purchased receivables. The credit performance of our managed receivables provides information concerning the quality of loan origination and the related credit risks inherent with the portfolios. Management relies heavily upon financial data and results prepared on the “managed basis” in order to manage our business, make planning decisions, evaluate our performance and allocate resources.

These non-GAAP financial measures are presented for supplemental informational purposes only. These non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, GAAP financial measures. These non-GAAP financial measures may differ from the non-GAAP financial measures used by other companies. The calculation of each of these non-GAAP financial measures is provided below for each of the fiscal periods indicated.

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**Atlanticus Holdings Corporation and Subsidiaries**

**Consolidated Statements of Operations (Unaudited)**

*(Dollars in thousands, except per share data)*

	For the Three Months Ended	
	March 31,	
	2021	2020
Revenue:		
Consumer loans, including past due fees	\$ 102,296	\$ 103,147
Fees and related income on earning assets	37,020	34,645
Other revenue	4,579	2,726
Total operating revenue	143,895	140,518
Other non-operating revenue	840	(10)
Total revenue	144,735	140,508
Interest expense	(12,298)	(13,584)
Loss on repurchase of convertible senior notes	(7,807)	—
Provision for losses on loans, interest and fees receivable recorded at net realizable value	(4,135)	(67,336)
Changes in fair value of loans, interest and fees receivable and notes payable associated with structured financings recorded at fair value	(27,491)	(15,191)
Net margin	93,004	44,397
Operating expense:		
Salaries and benefits	8,239	7,510
Card and loan servicing	17,387	15,837
Marketing and solicitation	10,301	9,317
Depreciation	312	285
Other	4,968	4,801
Total operating expense	41,207	37,750
Income before income taxes	51,797	6,647
Income tax expense	(7,770)	(1,285)
Net income	44,027	5,362
Net loss attributable to noncontrolling interests	48	63
Net income attributable to controlling interests	44,075	5,425
Preferred dividends and discount accretion	(4,687)	(2,759)
Net income attributable to common shareholders	\$ 39,388	\$ 2,666
Net income attributable to common shareholders per common share—basic	\$ 2.62	\$ 0.18
Net income attributable to common shareholders per common share—diluted	\$ 1.91	\$ 0.17

## Atlanticus Holdings Corporation and Subsidiaries

### Consolidated Balance Sheets (Unaudited)

*(Dollars in thousands)*

	March 31, 2021	December 31, 2020
<b>Assets</b>		
Unrestricted cash and cash equivalents (including \$131.7 million and \$96.6 million associated with variable interest entities at March 31, 2021 and December 31, 2020, respectively)	\$ 203,050	\$ 178,102
Restricted cash and cash equivalents (including \$29.0 million and \$70.2 million associated with variable interest entities at March 31, 2021 and December 31, 2020, respectively)	40,477	80,859
Loans, interest and fees receivable:		
Loans, interest and fees receivable, at fair value (including \$424.5 million and \$374.2 million associated with variable interest entities at March 31, 2021 and December 31, 2020, respectively)	481,434	417,098
Loans, interest and fees receivable, gross (including \$489.0 million and \$560.2 million associated with variable interest entities at March 31, 2021 and December 31, 2020, respectively)	592,934	667,556
Allowances for uncollectible loans, interest and fees receivable (including \$102.7 million and \$120.9 million associated with variable interest entities at March 31, 2021 and December 31, 2020, respectively)	(105,881)	(124,961)
Deferred revenue (including \$7.4 million and \$10.3 million associated with variable interest entities at March 31, 2021 and December 31, 2020, respectively)	(33,995)	(39,456)
Net loans, interest and fees receivable	934,492	920,237
Property at cost, net of depreciation	2,002	2,240
Investments in equity-method investee	1,244	1,415
Operating lease right-of-use assets	8,011	9,181
Prepaid expenses and other assets	10,219	15,180
Total assets	\$ 1,199,495	\$ 1,207,214
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 41,153	\$ 41,731
Operating lease liabilities	11,697	13,776
Notes payable, net (including \$781.0 million and \$827.1 million associated with variable interest entities at March 31, 2021 and December 31, 2020, respectively)	839,251	882,610
Notes payable associated with structured financings, at fair value (associated with variable interest entities)	2,791	2,919
Convertible senior notes	13,818	24,386
Income tax liability	33,566	25,932
Total liabilities	942,276	991,354
<b>Commitments and contingencies</b>		
Preferred stock, no par value, 10,000,000 shares authorized:		
Series A preferred stock, 400,000 shares issued and outstanding at March 31, 2021 (liquidation preference - \$40.0 million); 400,000 shares issued and outstanding at December 31, 2020	40,000	40,000
Class B preferred units issued to noncontrolling interests	99,425	99,350
<b>Shareholders' Equity</b>		
Common stock, no par value, 150,000,000 shares authorized: 16,640,267 shares issued and outstanding (including 1,459,233 loaned shares to be returned) at March 31, 2021; and 16,115,353 shares issued and outstanding (including 1,459,233 loaned shares to be returned) at December 31, 2020	—	—
Paid-in capital	192,207	194,950
Retained deficit	(73,591)	(117,666)
Total shareholders' equity	118,616	77,284
Noncontrolling interests	(822)	(774)
Total equity	117,794	76,510

Total liabilities, preferred stock and shareholders' equity	\$	1,199,495	\$	1,207,214
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### Calculation of non-GAAP financial measures

*Loans, interest and fees receivable, at face value*

Below are the reconciliation of Loans, interest and fees receivable, at fair value to Loans, interest and fees receivable, at face value (in millions):

	As of	
	March 31, 2021	March 31, 2020
Loans, interest and fees receivable, at fair value	\$ 481.4	\$ 89.4
Fair value mark against receivable(1)	112.3	17.5
Loans, interest and fees receivable, at face value	\$ 593.7	\$ 106.9

(1) The fair value mark against receivables reflects the difference between the face value of a receivable and the net present value of the expected cash flows associated with that receivable.

### *Managed receivables*

Below is the calculation of managed receivables (in millions):

	As of	
	March 31, 2021	March 31, 2020
Loans, interest and fees receivable, gross	\$ 498.8	\$ 810.6
Loans, interest and fees receivable, gross from fair value reconciliation above	593.7	106.9
Total managed receivables	\$ 1,092.5	\$ 917.5

*Combined net charge-off ratio, annualized*

The calculation of Combined net charge-offs used in our Combined net charge-off ratio, annualized is as follows (in millions):

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	For the Three Months Ended	
	March 31, 2021	March 31, 2020
Net losses on impairment of loans, interest and fees receivable recorded at fair value	\$ 14.3	\$ 0.3
Gross charge-offs on non fair value accounts	26.3	70.5
Recoveries on non fair value accounts	(3.4)	(4.4)
Combined net charge-offs	\$ 37.2	\$ 66.4

The Combined net charge-off ratio, annualized is calculated using the annualized combined net charge-offs as the numerator and period-end average managed receivables as the denominator.

Source: Atlanticus Holdings Corp