



NEWS RELEASE

Atlanticus Reports Second Quarter 2024 Financial Results

2024-08-08

Second Quarter 2024 Total operating revenue growth of 8.6% over prior year, with 3.6 million accounts served (1), allowing for continued strong results

ATLANTA, Aug. 08, 2024 (GLOBE NEWSWIRE) -- Atlanticus Holdings Corporation (NASDAQ: ATLC) (Atlanticus, the Company, we, our or us), a financial technology company that enables its bank, retail and healthcare partners to offer more inclusive financial services to millions of everyday Americans, today announced its financial results for the second quarter ended June 30, 2024. An accompanying earnings presentation is available in the Investors section of the Company's website at www.atlanticus.com or by clicking [here](#).

Financial and Operating Highlights

Second Quarter 2024 Highlights (all comparisons to the Second Quarter 2023)

- Managed receivables² increased 11.1% to \$2.4 billion
- Total operating revenue increased 8.6% to \$315.6 million
- Return on average equity of 17.0%³
- Purchase volume of \$727.9 million
- Over 325,000 new accounts served during the quarter, 3.6 million total accounts served¹
- Net income attributable to common shareholders of \$18.0 million, or \$0.99 per diluted common share

1) In our calculation of total accounts served, we include all accounts with account activity and accounts that have open lines of credit at the end of the referenced period.



2) Managed receivables is a non-GAAP financial measure and excludes the results of our Auto Finance receivables. See calculation of Non-GAAP Financial Measures for important additional information.

3) Return on average equity is calculated using Net income attributable to common shareholders as the numerator and the average of Total equity as of June 30, 2024 and March 31, 2024 as the denominator, annualized.

Management Commentary

Jeff Howard, President and Chief Executive Officer at Atlanticus stated, “We continue to be pleased with over fifty consecutive quarters of year over year growth in revenue, managed receivables and serviced accounts. Even as consumer spending has moderated and we have prudently tightened credit, we have been able to achieve double digit receivables growth, record quarterly purchase volume, and attractive returns on our shareholders' capital.

“A highlight of the quarter was the announcement of our partnership with Synchrony. This partnership aligns us with the largest provider of credit at point of sale. Through this deeper partnership and technology integration, our platform will be available to the thousands of merchant partners served by Synchrony and access, over time, to millions of declined applications annually. This partnership was the result of an extensive diligence process and served to highlight our best-in-class technology, collaborative approach to partnership, and analytics-led flexibility upon which we have built our Fortiva brand. This is but one indication of the opportunities we see in the second look point of sale market. As prime providers continue to pull back and newer entrants vacate this market, we see meaningful opportunities for continued long term growth. One illustration of that opportunity is the record purchase volume we experienced during the second quarter in our retail credit business and expectation for continued substantial purchase volume increases for the remainder of year.

“We also continued to execute on our mitigation strategies in anticipation of a potential change in the allowable late fee. While the new rule issued by the Consumer Financial Protection Bureau continues to be litigated, we are positioning our portfolio and receivables originations for that eventuality. These product, policy and pricing changes are realized over time and we have undertaken changes on the majority of our back book and new originations. We believe that these actions will fully offset the economic impact of the new late fee rule if implemented.

“We continue to be pleased with the stability the consumers we serve are exhibiting. Performance within our various product lines has shown resiliency as everyday Americans have benefited from increases in wages in excess of inflation for several quarters.”

Financial Results <i>(Dollars in thousands, except per share data)</i>	For the Three Months Ended June 30,		
	2024	2023	% Change
Total operating revenue	\$315,641	\$290,751	8.6%
Other non-operating revenue	382	87	nm
Total revenue	316,023	290,838	8.7%
Interest expense	(37,948)	(24,215)	56.7%
Provision for credit losses	(1,746)	(309)	nm
Changes in fair value of loans	(186,251)	(177,829)	4.7%
Net margin	\$90,078	\$88,485	1.8%
Total operating expenses	<u>(\$61,475)</u>	<u>(\$56,472)</u>	8.9%
Net income	\$24,127	\$24,814	(2.8%)
Net income attributable to controlling interests	\$24,280	\$25,089	(3.2%)
Preferred stock and preferred unit dividends and discount accretion	(6,308)	(6,289)	nm
Net income attributable to common shareholders	\$17,972	\$18,800	(4.4%)
Net income attributable to common shareholders per common share—basic	\$1.22	\$1.30	(6.2%)
Net income attributable to common shareholders per common share—diluted	\$0.99	\$1.02	(2.9%)

*nm = not meaningful

Managed Receivables

Managed receivables increased 11.1% to \$2.4 billion with over \$241.1 million in net receivables growth from June 30, 2023, driven by growth both in the private label credit and general purpose credit card products offered by our bank partners. Total accounts served increased 8.4% to 3.6 million. New large private label credit retail partners and ongoing purchases by customers of our existing retail partners helped grow our private label credit receivables by \$121.1 million in the twelve months ended June 30, 2024. Our general purpose credit card receivables grew by \$120.2 million during the twelve months ended June 30, 2024. While some of our merchant partners continue to face year-over-year growth challenges, others are benefiting from continued consumer spending and a growing economy. Our general purpose credit card portfolio continues to grow in terms of total customers served and therefore we continue to experience growth in total managed receivables. We expect continued growth in our managed receivables when compared to prior periods in 2023.

Total Operating Revenue

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.

We are currently experiencing continued period-over-period growth in private label credit and general purpose credit card receivables and to a lesser extent in our CAR receivables—growth that we expect to result in net period-over-period growth in our total interest income and related fees for these operations for 2024. Future periods' growth is also dependent on the addition of new retail partners to expand the reach of private label credit operations as well as growth within existing partnerships and the level of marketing investment for the general purpose credit card operations.

During the quarter ended June 30, 2024, total operating revenue increased 8.6% to \$315.6 million. General purpose credit card receivables tend to have higher total yields than private label credit receivables (and corresponding higher charge off rates). As a result, in periods where we have declines in rates of growth of these receivables, as was noted in the first quarter of 2024, we expect to have slightly lower total managed yield ratios. We expect increases in the acquisition of receivables, and correspondingly higher period-over-period operating revenue for the remainder of 2024. This growth includes an expected shift in our mix of acquired private label receivables to higher FICO receivables that have lower gross yields (and correspondingly lower charge-off expectations) which may result in marginally lower managed yield ratios when compared to the corresponding periods in 2023.

Interest Expense

Interest expense was \$37.9 million for the quarter ended June 30, 2024, compared to \$24.2 million for the quarter ended June 30, 2023. The higher expenses were primarily driven by the increases in outstanding debt in proportion to growth in our receivables coupled with increases in the cost of borrowing.

Outstanding notes payable, net of unamortized debt issuance costs and discounts, associated with our private label credit and general purpose credit card platform increased to \$1,816.8 million as of June 30, 2024 from \$1,595.8 million as of June 30, 2023. The majority of this increase in outstanding debt relates to the addition of multiple revolving credit facilities during 2023. Recent increases in the effective interest rates on debt have increased our interest expense as we have raised additional capital (or replaced existing facilities) over the last two years. We anticipate additional debt financing over the next few quarters as we continue to grow coupled with increased effective interest rates. As such, we expect our quarterly interest expense for these operations to increase compared to prior periods.

Changes in Fair Value of Loans

Changes in fair value of loans, interest and fees receivable recorded at fair value increased to \$186.3 million for the

quarter ended June 30, 2024, respectively, compared to \$177.8 million for the quarter ended June 30, 2023, respectively. This increase was largely driven by growth in underlying receivables as well as changes in assumptions due to recent rules enacted by the CFPB, which, if implemented, would limit the late fee charged to consumers in most instances.

We include asset performance degradation in our forecasts to reflect the possibility of delinquency rates increasing in the near term (and the corresponding increase in charge-offs and decrease in payments) above the level that current trends would suggest. Based on observed asset performance, implementation of mitigants to a potential change in late fee billings and general improvements in U.S. economic expectations, some expected degradation has been removed in recent periods. Additionally, as receivables associated with both 1) assets acquired prior to our tightened underwriting standards (mentioned above) and 2) those assets negatively impacted by inflation, gradually become a smaller percentage of the portfolio, we expect to see overall improvements in the measured fair value of our portfolios of acquired receivables.

Total Operating Expenses

Total operating expenses increased 8.9% in the quarter when compared to the same period in 2023, driven primarily by increases in variable servicing costs associated with growth in our receivables and costs associated with the implementation of product, policy and pricing changes discussed above. In addition, we experienced growth in both the number of employees and inflationary compensation pressure.

We expect some continued increase in both servicing costs and salaries and benefits in 2024 compared to corresponding periods in 2023 as we expect our receivables to continue to grow.

We expect increased levels of expenditures associated with anticipated growth in private label credit and general purpose credit card operations. These expenses will primarily relate to the variable costs of marketing efforts and card and loan servicing expenses associated with new receivable acquisitions.

In addition, as we continue to adjust our underwriting standards to reflect changes in fee and finance assumptions on new receivables, we expect period over period marketing costs for 2024 to increase relative to those experienced in 2023, particularly towards the third and fourth quarters of 2024, although the frequency and timing of increased marketing efforts could vary and are dependent on macroeconomic factors such as national unemployment rates and federal funds rates.

Net Income Attributable to Common Shareholders

Net income attributable to common shareholders decreased 4.4% to \$18.0 million, or \$0.99 per diluted share for

the quarter ended June 30, 2024.

Share Repurchases

We repurchased and retired 49,203 shares of our common stock at an aggregate cost of \$1.3 million, in the quarter ended June 30, 2024.

We will continue to evaluate the best use of our capital to increase shareholder value over time.

About Atlanticus Holdings Corporation

Empowering Better Financial Outcomes for Everyday Americans

Atlanticus™ technology enables bank, retail, and healthcare partners to offer more inclusive financial services to everyday Americans through the use of proprietary technology and analytics. We apply the experience gained and infrastructure built from servicing over 20 million customers and over \$40 billion in consumer loans over more than 25 years of operating history to support lenders that originate a range of consumer loan products. These products include retail and healthcare private label 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 Auto Finance 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, long-term growth plans and opportunities, operations, financial performance, revenue, amount and pace of growth of managed receivables, mix of receivables, underwriting approach, total interest income and related fees and charges, the Company's partnership with Synchrony, growth of the point-of-sale market, the new CFPB late fee rules and our response thereto, debt financing, liquidity, interest rates, interest expense, operating expense, fair value of receivables, managed yield ratio, charge-offs, credit conditions, consumer spending, and the economy. 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, bank partners, merchant partners, consumers, loan demand, the capital markets, labor availability, supply chains and the economy in general; the Company's ability to retain existing, and attract new, merchant partners 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.

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Atlanticus Holdings Corporation and Subsidiaries
Consolidated Balance Sheets (Unaudited)
(Dollars in thousands)

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Assets		
Unrestricted cash and cash equivalents (including \$146.0 million and \$158.0 million associated with variable interest entities at June 30, 2024 and December 31, 2023, respectively)	\$ 350,907	\$ 339,338
Restricted cash and cash equivalents (including \$33.0 million and \$20.5 million associated with variable interest entities at June 30, 2024 and December 31, 2023, respectively)	56,256	44,315
Loans at fair value (including \$2,168.0 million and \$2,128.6 million associated with variable interest entities at June 30, 2024 and December 31, 2023, respectively)	2,277,379	2,173,759
Loans at amortized cost, net (including \$2.4 million and \$1.8 million of allowance for credit losses at June 30, 2024 and December 31, 2023, respectively; and \$18.1 million and \$17.9 million of deferred revenue at June 30, 2024 and December 31, 2023, respectively)	97,469	98,425
Property at cost, net of depreciation	10,269	11,445
Operating lease right-of-use assets	11,111	11,310
Prepaid expenses and other assets	33,870	27,853
Total assets	<u>\$ 2,837,261</u>	<u>\$ 2,706,445</u>
Liabilities		
Accounts payable and accrued expenses	\$ 70,579	\$ 61,634
Operating lease liabilities	19,679	20,180
Notes payable, net (including \$1,816.7 million and \$1,795.9 million associated with variable interest entities at June 30, 2024 and December 31, 2023, respectively)	1,879,071	1,861,685
Senior notes, net	199,496	144,453
Income tax liability	97,128	85,826
Total liabilities	<u>2,265,953</u>	<u>2,173,778</u>
Commitments and contingencies		
Preferred stock, no par value, 10,000,000 shares authorized:		
Series A preferred stock, 400,000 shares issued and outstanding (liquidation preference - \$40.0 million) at June 30, 2024 and December 31, 2023 (1)	40,000	40,000
Class B preferred units issued to noncontrolling interests	100,400	100,250
Shareholders' Equity		
Series B preferred stock, no par value, 3,300,704 shares issued and outstanding at June 30, 2024 (liquidation preference - \$82.5 million); 3,256,561 shares issued and outstanding at December 31, 2023 (liquidation preference - \$81.4 million) (1)	-	-
Common stock, no par value, 150,000,000 shares authorized: 14,748,938 and 14,603,563 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	-	-
Paid-in capital	88,705	87,415
Retained earnings	345,110	307,260
Total shareholders' equity	<u>433,815</u>	<u>394,675</u>
Noncontrolling interests	(2,907)	(2,258)
Total equity	<u>430,908</u>	<u>392,417</u>
Total liabilities, shareholders' equity and temporary equity	<u>\$ 2,837,261</u>	<u>\$ 2,706,445</u>

(1) Both the Series A preferred stock and the Series B preferred stock have no par value and are part of the same aggregate 10,000,000 shares authorized.

Atlanticus Holdings Corporation and Subsidiaries
Consolidated Statements of Income (Unaudited)
(Dollars in thousands, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue:				
Consumer loans, including past due fees	\$ 242,349	\$ 220,042	\$ 472,723	\$ 429,743
Fees and related income on earning assets	59,506	62,874	107,411	107,231
Other revenue	13,786	7,835	25,681	14,759
Total operating revenue	315,641	290,751	605,815	551,733
Other non-operating revenue	382	87	914	146
Total revenue	316,023	290,838	606,729	551,879
Interest expense	(37,948)	(24,215)	(73,011)	(48,449)
Provision for credit losses	(1,746)	(309)	(4,690)	(1,013)
Changes in fair value of loans	(186,251)	(177,829)	(345,422)	(327,651)
Net margin	90,078	88,485	183,606	174,766
Operating expenses:				
Salaries and benefits	(11,973)	(10,629)	(25,285)	(21,233)
Card and loan servicing	(27,698)	(23,814)	(54,520)	(48,149)
Marketing and solicitation	(13,572)	(14,486)	(24,000)	(24,892)
Depreciation	(653)	(643)	(1,307)	(1,261)
Other	(7,579)	(6,900)	(17,070)	(13,136)
Total operating expenses	(61,475)	(56,472)	(122,182)	(108,671)
Income before income taxes	28,603	32,013	61,424	66,095
Income tax expense	(4,476)	(7,199)	(11,478)	(15,387)
Net income	24,127	24,814	49,946	50,708
Net loss attributable to noncontrolling interests	153	275	504	593
Net income attributable to controlling interests	24,280	25,089	50,450	51,301
Preferred stock and preferred unit dividends and discount accretion	(6,308)	(6,289)	(12,600)	(12,516)
Net income attributable to common shareholders	\$ 17,972	\$ 18,800	\$ 37,850	\$ 38,785
Net income attributable to common shareholders per common share—basic	\$ 1.22	\$ 1.30	\$ 2.57	\$ 2.68
Net income attributable to common shareholders per common share—diluted	\$ 0.99	\$ 1.02	\$ 2.08	\$ 2.11

Additional Information

Additional trends and data with respect to our private label credit and general purpose credit card receivables can be found in our latest Form 10-K filing with the Securities and Exchange Commission under Management's Discussion and Analysis of Financial Condition and Results of Operations.

Calculation of Non-GAAP Financial Measures

This press release presents information about managed receivables, which is a non-GAAP financial measure provided as a supplement to the results provided in accordance with accounting principles generally accepted in the United States of America (GAAP). In addition to financial measures presented in accordance with GAAP, we present managed receivables, total managed yield, combined principal net charge-offs, and fair value to total managed receivables ratio, all of which are non-GAAP financial measures. 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 originations 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. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures or the calculation of the non-GAAP financial measures are provided below for each of the fiscal periods indicated.

These non-GAAP financial measures include only the performance of those receivables underlying consolidated subsidiaries (for receivables carried at amortized cost basis and fair value) and exclude the performance of receivables held by our former equity method investee. As the receivables underlying our former equity method investee reflect a small and diminishing portion of our overall receivables base, we do not believe their inclusion or exclusion in the overall results is material. Additionally, we calculate average managed receivables based on the quarter-end balances.

The comparison of non-GAAP managed receivables to our GAAP financial statements requires an understanding that managed receivables reflect the face value of loans, interest and fees receivable without any consideration for potential loan losses or other adjustments to reflect fair value.

A reconciliation of Loans at fair value to Total managed receivables is as follows:

(in Millions)	At or for the Three Months Ended							
	2024		2023				2022	
	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30
Loans at fair value	\$ 2,277.4	\$ 2,150.6	\$ 2,173.8	\$ 2,050.0	\$ 1,916.1	\$ 1,795.6	\$ 1,818.0	\$ 1,728.1
Fair value mark against receivable (1)	137.7	167.5	237.5	265.2	257.9	260.1	302.1	322.3
Total managed receivables (2)	\$ 2,415.1	\$ 2,318.1	\$ 2,411.3	\$ 2,315.2	\$ 2,174.0	\$ 2,055.7	\$ 2,120.1	\$ 2,050.4
Fair value to Total managed receivables ratio (3)	94.3%	92.8%	90.2%	88.5%	88.1%	87.3%	85.8%	84.3%

(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.

(2) Total managed receivables is equal to the aggregate unpaid gross balance of loans at fair value.

(3) The Fair value to Total managed receivables ratio is calculated using Loans at fair value as the numerator, and Total managed receivables as the denominator.

A reconciliation of our operating revenues, net of finance and fee charge-offs, to comparable amounts used in our calculation of Total managed yield is as follows:

(in Millions)	At or for the Three Months Ended							
	2024		2023				2022	
	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30
Consumer loans, including past due fees	\$ 232.1	\$ 220.0	\$ 214.6	\$ 214.6	\$ 210.3	\$ 200.5	\$ 202.9	\$ 208.9
Fees and related income on earning assets	59.5	47.9	71.7	59.8	62.9	44.3	48.0	48.5
Other revenue	13.6	11.7	12.0	10.2	7.6	6.7	8.5	11.1
Total operating revenue - CaaS Segment	305.2	279.6	298.3	284.6	280.8	251.5	259.4	268.5
Adjustments due to acceleration of merchant fee discount amortization under fair value accounting	(12.6)	4.0	6.5	(6.8)	(10.6)	(0.5)	3.4	(7.9)
Adjustments due to acceleration of annual fees recognition under fair value accounting	1.1	10.1	(12.6)	(3.1)	(9.8)	7.3	7.9	10.0
Removal of finance charge-offs	(62.9)	(63.7)	(59.5)	(47.1)	(54.2)	(61.7)	(58.3)	(45.3)
Total managed yield	\$ 230.8	\$ 230.0	\$ 232.7	\$ 227.6	\$ 206.2	\$ 196.6	\$ 212.4	\$ 225.3

The calculation of Combined principal net charge-offs is as follows:

(in Millions)	At or for the Three Months Ended							
	2024		2023				2022	
	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30
Charge-offs on loans at fair value	\$ 217.0	\$ 231.7	\$ 215.2	\$ 173.5	\$ 180.0	\$ 191.9	\$ 182.3	\$ 134.4
Finance charge-offs (1)	(62.9)	(63.7)	(59.5)	(47.1)	(54.2)	(61.7)	(58.3)	(45.3)
Combined principal net charge-offs	\$ 154.1	\$ 168.0	\$ 155.7	\$ 126.4	\$ 125.8	\$ 130.2	\$ 124.0	\$ 89.1

(1) Finance charge-offs are included as a component of our Changes in fair value of loans in the consolidated statements of income.

Source: Atlanticus Holdings Corp