NEWS RELEASE

Atlanticus Reports Third Quarter 2024 Financial Results

2024-11-07

Third Quarter 2024 Total operating revenue growth of 19.0% over prior year, with 3.7 million accounts served (1)
ATLANTA, Nov. 07, 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 third quarter ended September 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

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

- Managed receivables2 increased 14.6% to $2.7 billion
- Total operating revenue increased 19.0% to $351.0 million
- Return on average equity of 21.0%3
- Purchase volume of $819.0 million
- Over 380,000 new accounts served during the quarter, 3.7 million total accounts served1
- Net income attributable to common shareholders of $23.2 million, or $1.27 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 September 30, 2024 and June 30, 2024 as the denominator, annualized.

Management Commentary

Jeff Howard, President and Chief Executive Officer at Atlanticus stated, “Consistent with prior quarters, we are pleased with our continued growth in revenue, managed receivables, and serviced accounts. Following several quarters of maintaining a conservative credit posture, we are proud of our consistent profitability with another quarter exceeding 20% return on equity.

“For several quarters, the everyday Americans we serve have experienced real wage gains as incomes have risen more than inflation. This has resulted in relatively stable consumer performance, albeit at slightly higher levels of delinquency than existed prior to the pandemic. This consistency allows us to pursue prudent growth across our platform.

“As we look forward, we are excited about the ongoing growth opportunities across our three primary product lines within our Credit as a Service segment. Each product line – general purpose credit card, point of sale of finance, and healthcare payments – represents substantial market opportunities. Our pipeline of new partners, new channels, and new offerings for each of these product lines positions us for an above-market rate of long-term growth.”

Financial Results *(Dollars in thousands, except per share data)*	For the Three Months Ended September 30,		
	2024	2023	% Change
Total operating revenue	$350,954	$294,913	19.0%
Other non-operating revenue	270	(6)	nm
Total revenue	351,224	294,907	19.1%
Interest expense	(42,492)	(28,274)	50.3%
Provision for credit losses	(4,633)	(538)	nm
Changes in fair value of loans	(203,739)	(177,854)	14.6%
Net margin	$100,360	$88,241	13.7%
Total operating expenses	$(63,074)	($56,483)	11.7%
Net income	$29,189	$24,973	16.9%
Net income attributable to controlling interests	$29,543	$25,240	17.0%
Preferred stock and preferred unit dividends and discount accretion	(6,316)	(6,341)	nm
Net income attributable to common shareholders	$23,227	$18,899	22.9%
Net income attributable to common shareholders per common share—basic	$1.58	$1.30	21.5%
Net income attributable to common shareholders per common share—diluted	$1.27	$1.03	23.3%

*nm = not meaningful

Managed Receivables

Managed receivables increased 14.6% to $2.7 billion with over $338.9 million in net receivables growth from September 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 5.9% to 3.7 million. Ongoing purchases by customers of our existing retail partners and new private label credit retail partners helped grow our private label credit receivables by $261.5 million in the twelve months ended September 30, 2024. Our general purpose credit card receivables grew by $77.6 million during the twelve months ended September 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 — 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 September 30, 2024, total operating revenue increased 19.0% to $351.0 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 general purpose credit card receivables, as was noted in 2024 (relative to growth in private label credit card receivables), we expect to have slightly lower total managed yield ratios. We currently 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 seasonal shift in our mix of acquired private label receivables to higher FICO receivables that have lower gross yields (and correspondingly lower charge-off expectations) in the third quarter each year, which may result in marginally lower managed yield ratios when compared to the corresponding periods in 2023.

Interest Expense

Interest expense was $42.5 million for the quarter ended September 30, 2024, compared to $28.3 million for the quarter ended September 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 $1,976.8 million as of September 30, 2024 from $1,719.7 million as of September 30, 2023. The majority of this increase in outstanding debt relates to the addition of multiple credit facilities in 2023 and 2024. 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 higher effective interest rates on new debt compared to rates on maturing debt. 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 $203.7 million for the quarter ended September 30, 2024, respectively, compared to $177.9 million for the quarter ended September 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 further limit the late fee charged to consumers in most instances.

We include asset performance degradation in our forecasts to reflect both changes in assumed asset level economics and 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 due to the improved inflation environment, some expected degradation has been removed in recent periods. Additionally, as receivables associated with both 1) assets acquired prior to our tightened underwriting standards 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 11.7% 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. In addition, we experienced growth in both the number of employees and inflationary compensation pressure. Certain other nonrecurring accounting and legal expenditures also contributed to increases for the quarter.

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, 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 increased 22.9% to $23.2 million, or $1.27 per diluted share for the quarter ended September 30, 2024.

Share Repurchases

We repurchased and retired 11,193 shares of our common stock at an aggregate cost of $0.3 million, in the quarter ended September 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 new CFPB late fee rules and our response thereto, debt financing, liquidity, interest rates, interest expense, operating expense, fair value of receivables, 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
Condensed Consolidated Balance Sheets (Unaudited)
(Dollars in thousands)

	September 30, 2024	December 31, 2023
Assets		
Unrestricted cash and cash equivalents (including $147.3 million and $158.0 million associated with variable interest entities at September 30, 2024 and December 31, 2023, respectively)	$308,651	$339,338
Restricted cash and cash equivalents (including $22.0 million and $20.5 million associated with variable interest entities at September 30, 2024 and December 31, 2023, respectively)	76,058	44,315
Loans at fair value (including $2,189.4 million and $2,128.6 million associated with variable interest entities at September 30, 2024 and December 31, 2023, respectively)	2,511,619	2,173,759
Loans at amortized cost, net (including $4.6 million and $1.8 million of allowance for credit losses at September 30, 2024 and December 31, 2023, respectively; and $16.9 million and $17.9 million of deferred revenue at September 30, 2024 and December 31, 2023, respectively)	89,109	98,425
Property at cost, net of depreciation	9,676	11,445
Operating lease right-of-use assets	11,040	11,310
Prepaid expenses and other assets	33,811	27,853
Total assets	$3,039,964	$2,706,445
Liabilities		
Accounts payable and accrued expenses	$59,563	$61,634
Operating lease liabilities	19,446	20,180
Notes payable, net (including $1,802.6 million and $1,795.9 million associated with variable interest entities at September 30, 2024 and December 31, 2023, respectively)	2,016,655	1,861,685
Senior notes, net	269,649	144,453
Income tax liability	105,214	85,826
Total liabilities	2,470,527	2,173,778
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 September 30, 2024 and December 31, 2023 (1)	40,000	40,000
Class B preferred units issued to noncontrolling interests	74,975	100,250
Shareholders' Equity		
Series B preferred stock, no par value, 3,300,704 shares issued and outstanding at September 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: 14,738,862 and 14,603,563 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	–	–
Paid-in capital	89,386	87,415
Retained earnings	368,337	307,260
Total shareholders’ equity attributable to Atlanticus Holdings Corporation	457,723	394,675
Noncontrolling interests	(3,261)	(2,258)
Total equity	454,462	392,417
Total liabilities, shareholders' equity and temporary equity	$3,039,964	$2,706,445

(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
Condensed Consolidated Statements of Income (Unaudited)
(Dollars in thousands, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue:				
Consumer loans, including past due fees	$255,389	$224,682	$728,112	$654,425
Fees and related income on earning assets	78,572	59,853	185,983	167,084
Other revenue	16,993	10,378	42,674	25,137
Total operating revenue	350,954	294,913	956,769	846,646
Other non-operating revenue	270	(6)	1,184	140
Total revenue	351,224	294,907	957,953	846,786
Interest expense	(42,492)	(28,274)	(115,503)	(76,723)
Provision for credit losses	(4,633)	(538)	(9,323)	(1,551)
Changes in fair value of loans	(203,739)	(177,854)	(549,161)	(505,505)
Net margin	100,360	88,241	283,966	263,007
Operating expenses:				
Salaries and benefits	(12,299)	(11,360)	(37,584)	(32,593)
Card and loan servicing	(28,069)	(25,864)	(82,589)	(74,013)
Marketing and solicitation	(14,848)	(12,599)	(38,848)	(37,491)
Depreciation	(656)	(647)	(1,963)	(1,908)
Other	(7,202)	(6,013)	(24,272)	(19,149)
Total operating expenses	(63,074)	(56,483)	(185,256)	(165,154)
Income before income taxes	37,286	31,758	98,710	97,853
Income tax expense	(8,097)	(6,785)	(19,575)	(22,172)
Net income	29,189	24,973	79,135	75,681
Net loss attributable to noncontrolling interests	354	267	858	860
Net income attributable to controlling interests	29,543	25,240	79,993	76,541
Preferred stock and preferred unit dividends and discount accretion	(6,316)	(6,341)	(18,916)	(18,857)
Net income attributable to common shareholders	$23,227	$18,899	$61,077	$57,684
Net income attributable to common shareholders per common share—basic	$1.58	$1.30	$4.15	$3.99
Net income attributable to common shareholders per common share—diluted	$1.27	$1.03	$3.35	$3.14

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:

	At or for the Three Months Ended							
	2024			2023				2022
(in Millions)	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31
Loans at fair value	$2,511.6	$2,277.4	$2,150.6	$2,173.8	$2,050.0	$1,916.1	$1,795.6	$1,818.0
Fair value mark against receivable (1)	142.5	137.7	167.5	237.5	265.2	257.9	260.1	302.1
Total managed receivables (2)	$2,654.1	$2,415.1	$2,318.1	$2,411.3	$2,315.2	$2,174.0	$2,055.7	$2,120.1
Fair value to Total managed receivables ratio (3)	94.6%	94.3%	92.8%	90.2%	88.5%	88.1%	87.3%	85.8%

(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 are 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:

	At or for the Three Months Ended							
	2024			2023				2022
(in Millions)	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31
Consumer loans, including past due fees	$245.3	$232.1	$220.0	$214.6	$214.6	$210.3	$200.5	$202.9
Fees and related income on earning assets	78.5	59.5	47.9	71.7	59.8	62.9	44.3	48.0
Other revenue	16.8	13.6	11.7	12.0	10.2	7.6	6.7	8.5
Total operating revenue - CaaS Segment	340.6	305.2	279.6	298.3	284.6	280.8	251.5	259.4
Adjustments due to acceleration of merchant fee discount amortization under fair value accounting	(15.1)	(12.6)	4.0	6.5	(6.8)	(10.6)	(0.5)	3.4
Adjustments due to acceleration of annual fees recognition under fair value accounting	(8.0)	1.1	10.1	(12.6)	(3.1)	(9.8)	7.3	7.9
Removal of finance charge-offs	(60.6)	(62.9)	(63.7)	(59.5)	(47.1)	(54.2)	(61.7)	(58.3)
Total managed yield	$256.9	$230.8	$230.0	$232.7	$227.6	$206.2	$196.6	$212.4

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

	At or for the Three Months Ended							
	2024			2023				2022
(in Millions)	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31
Charge-offs on loans at fair value	$ 201.5	$ 217.0	$ 231.7	$ 215.2	$ 173.5	$ 180.0	$ 191.9	$ 182.3
Finance charge-offs (1)	(60.6)	(62.9)	(63.7)	(59.5)	(47.1)	(54.2)	(61.7)	(58.3)
Combined principal net charge-offs	$ 140.9	$ 154.1	$ 168.0	$ 155.7	$ 126.4	$ 125.8	$ 130.2	$ 124.0

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

Source: Atlanticus Holdings Corp