

FIRSTCASH HOLDINGS (FCFS): THE FORTRESS AND THE GAMBLE

An Investment Analysis of the Global Leader in Pawn Lending

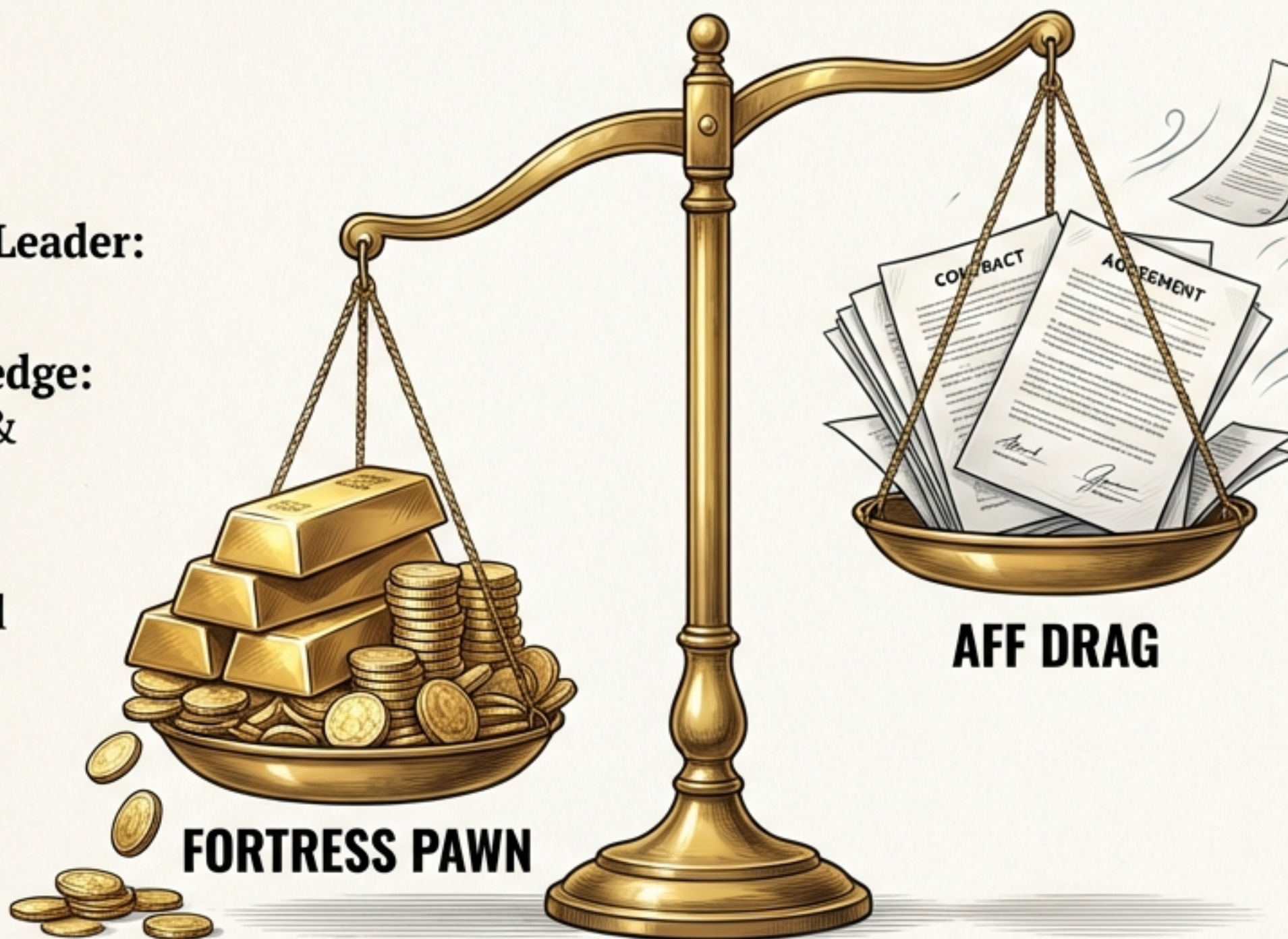


Based on FY 2025 Financial Performance and Strategic Outlook

EXECUTIVE SUMMARY: A TALE OF TWO BUSINESSES

THE FORTRESS (CORE PAWN)

- **Undisputed Global Leader:**
3,300+ Locations
- **Counter-Cyclical Hedge:**
Thrives in inflation & credit tightening
- **Regulatory Moat:**
'Grandfathered' local monopolies
- **FY25 Performance:**
Record Earnings
(\$7.42 GAAP EPS)

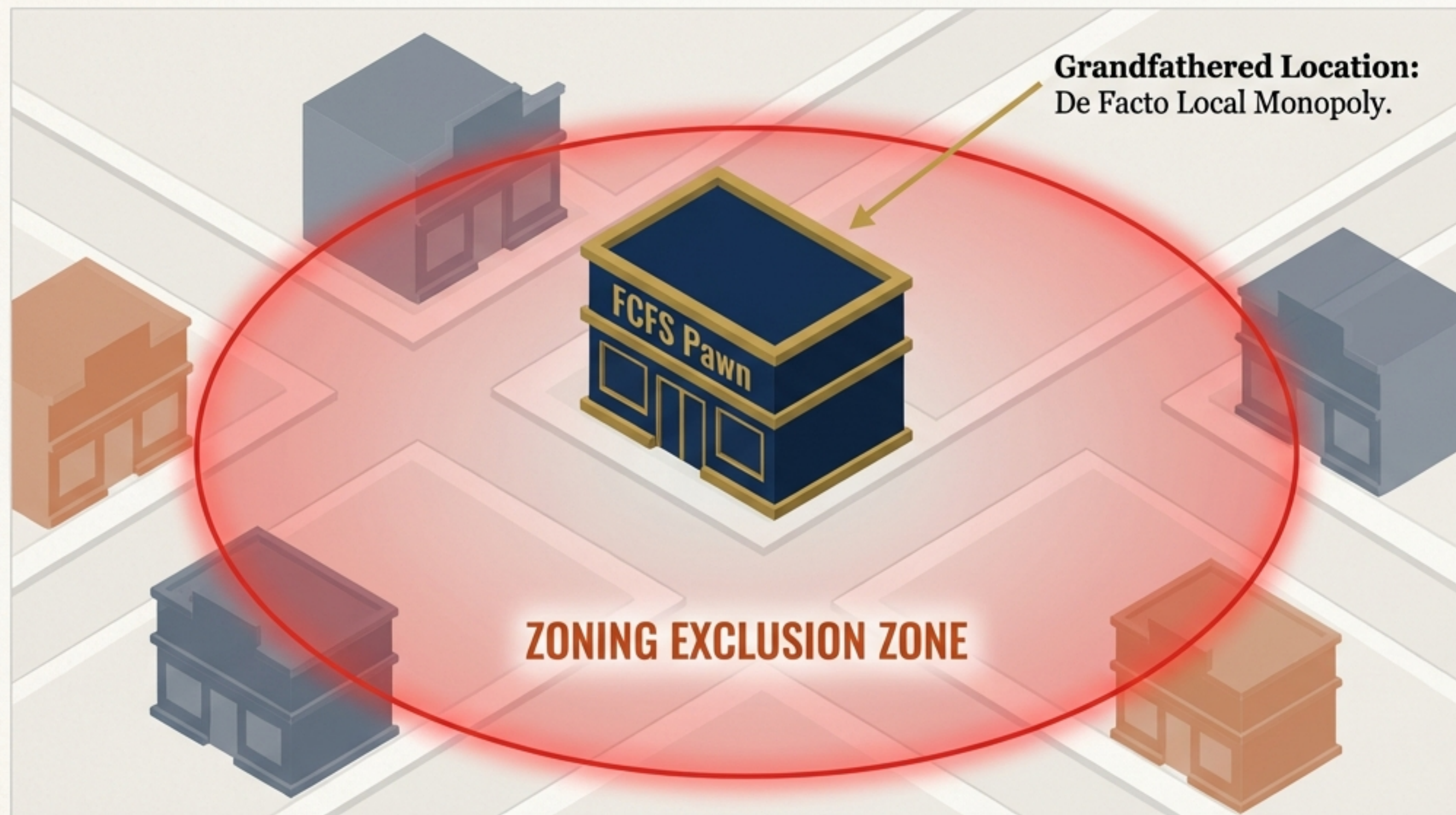


THE GAMBLE (AFF FINTECH)

- **Structure:** Unsecured, pro-cyclical risk
- **Performance:** Revenue declined 14% in 2025
- **Headwind:** Exposure to partner bankruptcies (Conn's, American Freight)

THE VERDICT: A high-quality business diluted by a medium-quality balance sheet.
The investment case rests on the Pawn Moat outlasting the AFF Drag.

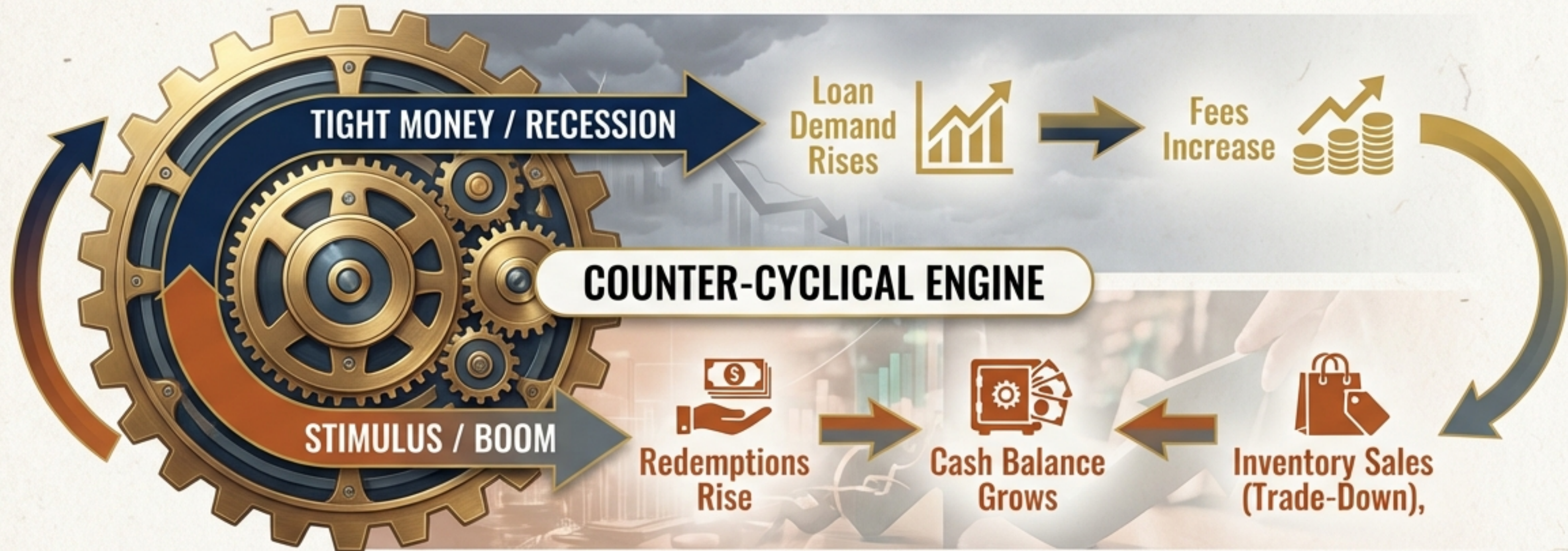
THE REGULATORY MOAT: WHY SCALE EQUALS PROTECTION



- **CONCEPT:**
Zoning ordinances in the U.S. often limit pawn shop density. Existing FCFS locations are protected from new entrants who cannot legally open nearby.
- **LATAM BARRIER:**
Mexico Operational Complexity: High fixed costs for security and government relations prevent small operators from surviving.
- **DATA POINT:**
1,837 Locations in LatAm amortizing security costs.

THE VERDICT: A high-quality business diluted by a medium-quality balance sheet. The investment case rests on the Pawn Moat outlasting the APP Drags

THE PHYSICS OF PAWN: A NATURAL HEDGE

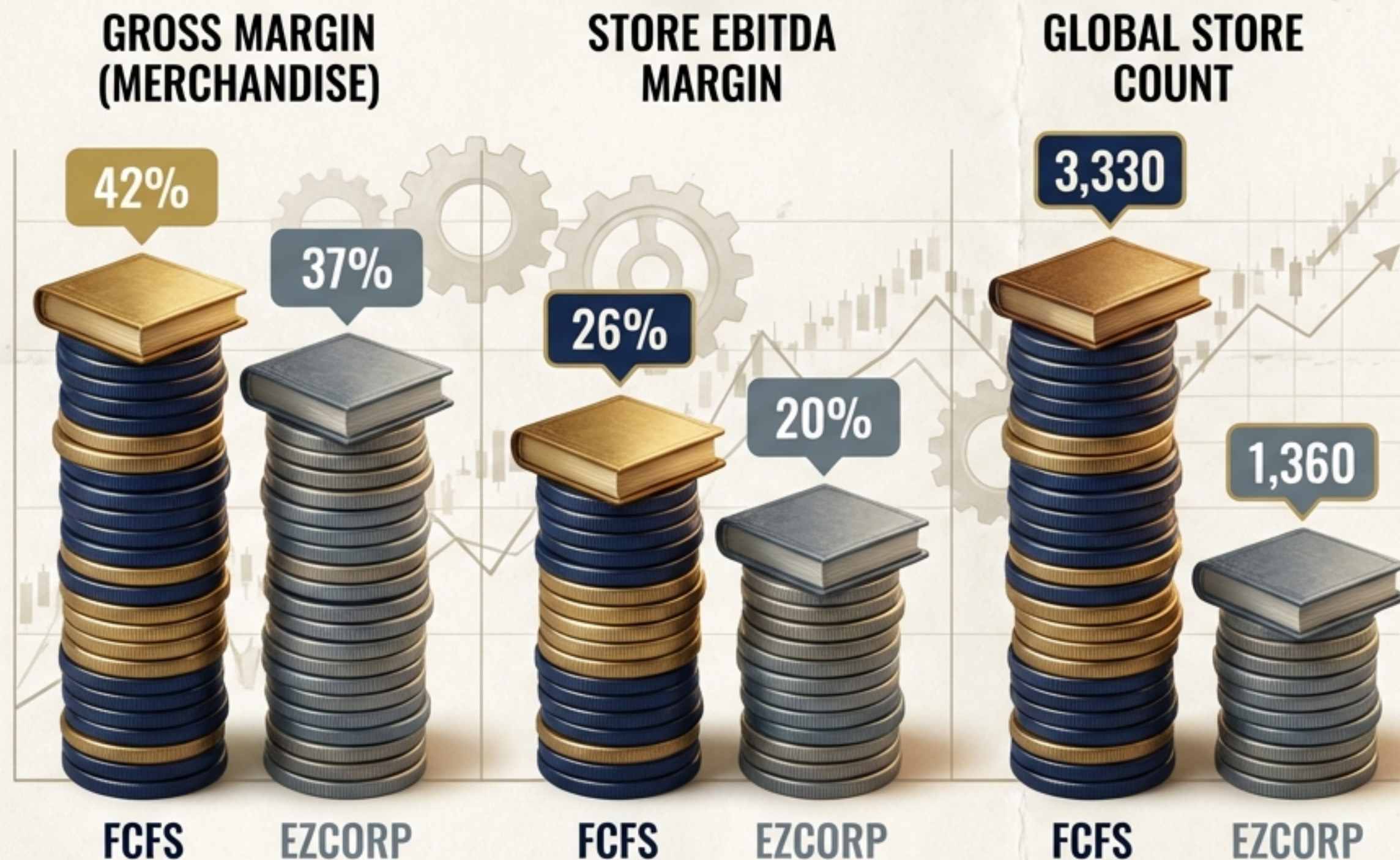


MATURE U.S. STORE ECONOMICS

- Revenue: \$1.2M – \$1.5M
- EBITDA Margin: ~25%+
- De Novo Payback: 3–4 Years

“Liquidity as a Service: The customer pays a fee for immediate problem-solving, not an annualized interest rate.”

DATA AS LEVERAGE: THE EFFICIENCY GAP



The FirstPawn™ Advantage

- Proprietary IT platform aggregates global valuation data from millions of transactions.
- Result: Real-time pricing precision reduces “over-lending” risk and maximizes retail margins by 400–600 basis points over peers.

THE MODEL MISMATCH: SECURED VS. UNSECURED RISK



THE FORTRESS

LEGACY PAWN

- **Asset-Backed** (Collateral held on site)
- **Counter-Cyclical**
- **Non-Recourse** (No debt spiral)

Performance

↑ Receivables +14% (US), +23% (LatAm)



THE GAMBLE



AMERICAN FIRST FINANCE (AFF)

- Unsecured (Lease-to-own)
- Pro-Cyclical (Dependent on retail volume)
- Algorithm-Dependent

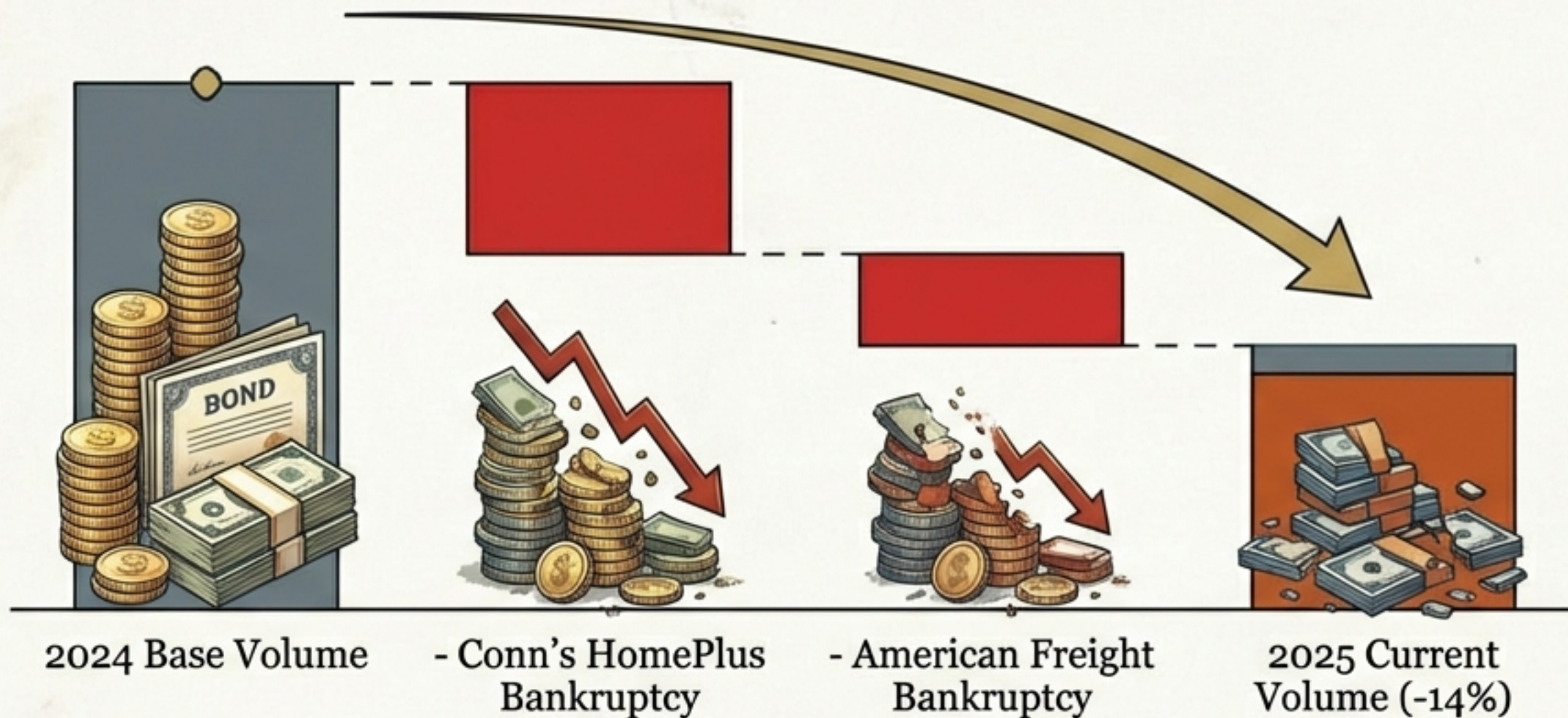
Performance

↓ Revenue -14% (FY 2025)



Strategic Flaw: The 2021 acquisition introduced unsecured credit risk into a business designed to avoid it.

THE BANKRUPTCY DRAG: ANATOMY OF A REVENUE DECLINE



“Market is currently pricing AFF as a distressed asset or ‘free option.’”

THE CATALYST

Collapse of major merchant partners in 2024/2025 exposed dangerous concentration risk.

CURRENT STATUS

Management pivoting to auto repair and dental verticals, but these are fragmented and slower to scale than big-box furniture retail.

LATIN AMERICA: THE ORGANIC GROWTH ENGINE



Mature Market
(1,837 Stores)

The map shows Mexico highlighted in dark blue and Brazil in gold. Callout lines connect these regions to their respective text boxes. Mexico is associated with a 'Mature Market' box, and Brazil is associated with a 'High Growth Frontier' box. Both boxes feature a bar chart icon with an upward arrow and a dollar sign.

High Growth
Frontier

Critical Analysis: Mexico Wage Inflation

Minimum Wage Hike: +12%
(Effective Jan 1, 2026)



Impact:

Operating Expenses
projected to rise 8–10%.



Mitigation: FCFS Historical
Mitigation Strategy:
Pass-through via increased
loan yields and retail margins.

THE U.K. PIVOT: A STRATEGIC RETURN TO CORE COMPETENCY



Acquisition: H&T Group (Aug 2025)

Price: ~\$383 Million

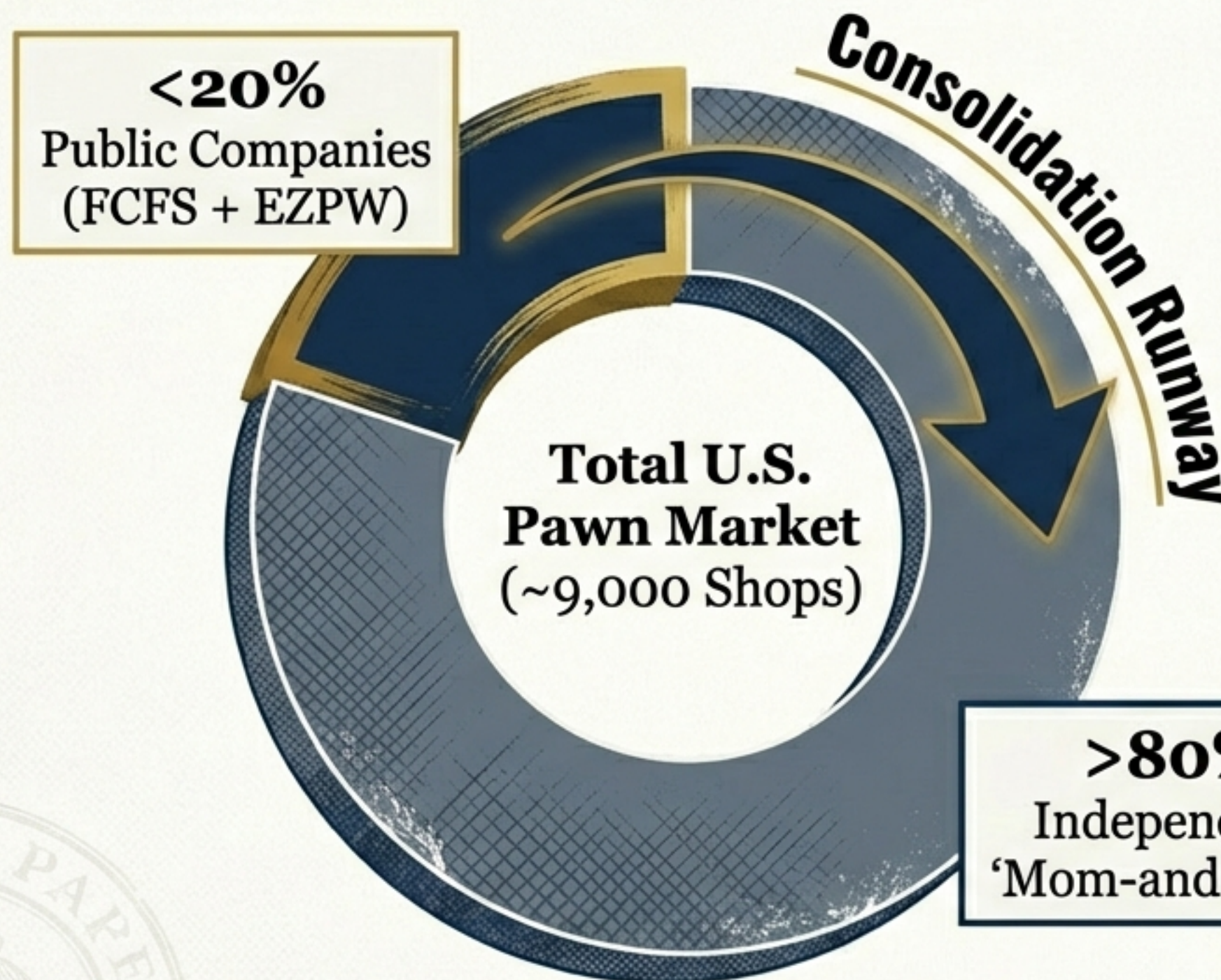
Scale: 286 New Stores
(Instant Market Leadership)

Margins: ~36%
Pre-Tax Margins

Regulatory Shift Opportunity: UK regulators crushed the payday lending industry, leaving Pawn as the primary short-term credit option. This deal signals a return to the 'Fortress' model.



U.S. STRATEGY: CONSOLIDATING A FRAGMENTED MAP



Market Dynamics:

- Mature market, zero organic growth due to zoning.
- **The Playbook:** Acquire independents struggling with compliance costs at 4x-6x EBITDA.
- **Synergy:** Apply FCFS IT platform for instant margin lift.

CAPITAL ALLOCATION: BRILLIANCE VS. OVERREACH



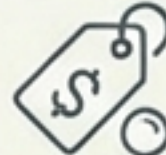
THE GOOD (Discipline)

- **Dividends:** \$0.42/share (\$1.68 annualized). 
- **Buybacks:** \$115M in 2025; New \$150M authorization. 
- **Synergy:** Successful Cash America & H&T integrations. 



THE BAD (Overreach)

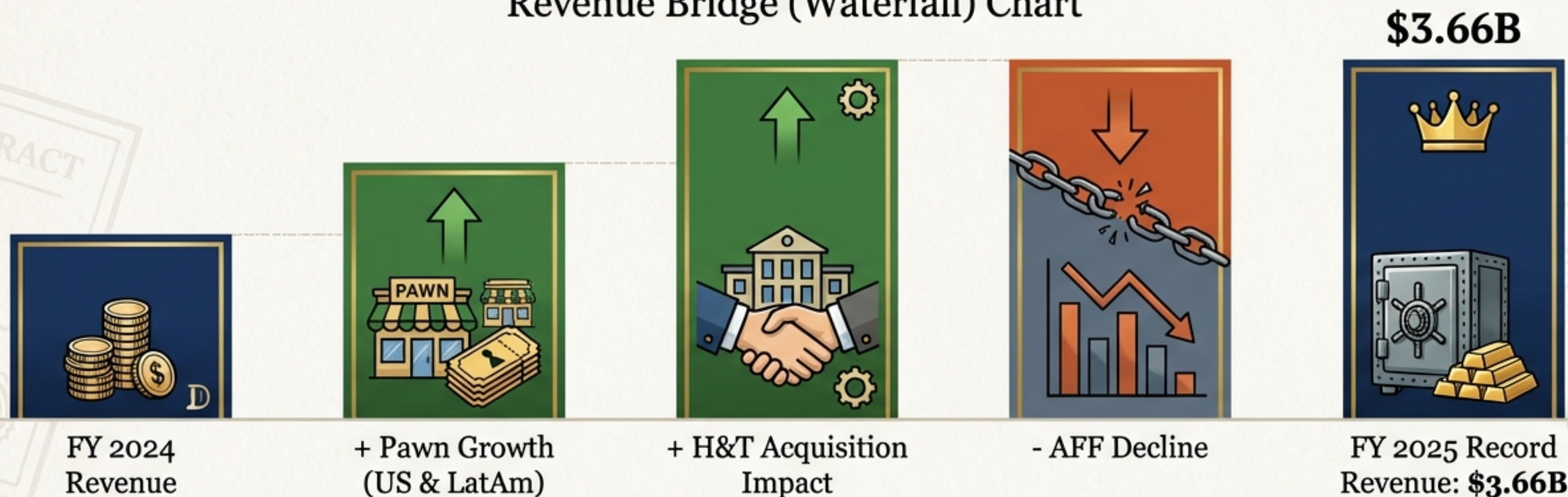


- **AFF Price Tag:** \$1.17B (Peak Fintech Bubble). 
- **Goodwill Risk:** \$486M allocated to AFF remains on balance sheet. 
- **Leverage:** Net Debt / Adj EBITDA at 3.0x. 

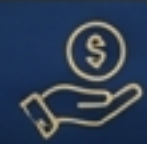
Management's operational excellence is undisputed, but the AFF acquisition remains a capital allocation error that demands stabilization.

FY 2025 FINANCIAL SNAPSHOT: THE PAWN SHIELD

Revenue Bridge (Waterfall) Chart



 Operating Cash Flow:
\$586M

 Adjusted Free Cash Flow:
\$307M

 ROE (Adj):
~18%



Cash flow consistently exceeds Net Income due to non-cash charges, highlighting the cash-generative nature of the Fortress.

THE RISK RADAR: THREATS TO THE THESIS

REGULATORY



- CFPB Watch: \$5M Settlement (July 2025).
- Existential Threat: National 36% APR Cap.

MACRO



- Gold Price Collapse: Collateral values drop.
- Current Gold: +44% in 2025 (High Base).

OPERATIONAL



- Mexico Wage Inflation: 12% Hike.
- Risk: Margin compression if pricing power fails.

CREDIT



- AFF Unsecured Losses.
- 'Note 13' Liability: High loss rates in pilot products.

VALUATION FRAMEWORK: THE QUALITY PREMIUM



Logic: The market is paying a fair price for the Pawn Fortress cash flows.

The Option: AFF is effectively priced at zero. If it stabilizes, it becomes a free call option. If it fails, the Pawn floor supports the valuation.

VERDICT: A COMPOUNDER WITH A COMPLICATION



THE SUMMARY

A high-quality business (Pawn) with a medium-quality balance sheet and a tarnished growth strategy (AFF).



THE BULL CASE

- Long-term compounding via LatAm & UK.
- Defensive hedge against recession.
- Cash generation (\$586M OCF).



THE BEAR CASE

- AFF 'Albatross' continues to drag earnings.
- Regulatory risk (CFPB).
- Mexico Wage Inflation.



For the disciplined investor, the 'Fortress' is strong enough to withstand the 'Gamble,' offering resilience with a complexity discount. Watch for AFF stabilization in H2 2026.

