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NICHOLAS FINANCIAL INC
Form 8-K
July 21, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) July 21,
2005

NICHOLAS FINANCIAL, INC.
(Exact name of registrant as specified in its Charter)

| | | |
|---|-----------------------------|---|
| British Columbia, Canada | 0-26680 | 8736-3354 |
| (State or Other Jurisdiction of Incorporation or Organization) | (Commission File Number) | (I.R.S. Employer Identification No.) |

| | |
|--|------------|
| 2454 McMullen Booth Road, Building C | |
| Clearwater, Florida | 33759 |
| (Address of Principal Executive Offices) | (Zip Code) |

(727) 726-0763
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if
changed since last report)

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Item 2.02 Results of Operations and Financial Condition

July 21, 2005 - Nicholas Financial, Inc., (NASDAQ: NICK) announced that net income increased 47% to \$2,394,000 for the three months ended June 30, 2005 as compared to \$1,632,000 for the three months ended June 30, 2004. Diluted earnings per share increased 28% to \$0.23 for the three months ended June 30, 2005 as compared to \$0.18 for the three months ended June 30, 2004. Revenue increased 26% to \$9,160,000 for the three months ended June 30, 2005 as

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compared to \$7,277,000 for the three months ended June 30, 2004. "These excellent results are a direct reflection of our disciplined underwriting," according to Peter L. Vosotas, Chairman and CEO of the Company.

Item 9.01 Financial Statements and Exhibits

Exhibit # Description

9 Press release dated July 21, 2005, announcing record earnings for the quarter ended June 30, 2005.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, hereunto duly authorized.

NICHOLAS FINANCIAL, INC.
(Registrant)

Date: July 21, 2005 /s/ Peter L. Vosotas
Peter L. Vosotas
Chairman, President, Chief
Executive Officer
(Principal Executive Officer)

Date: July 21, 2005 /s/ Ralph T. Finkenbrink
Ralph T. Finkenbrink
(Principal Financial
Officer and Accounting
Officer)

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Exhibit Index

Exhibit Description

9 Press release dated July 21, 2005, announcing record earnings for the quarter ended June 30, 2005.

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Exhibit 9

FOR IMMEDIATE RELEASE

Nicholas Financial, Inc.

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Corporate Headquarters

2454 McMullen-Booth Rd.
Building C, Suite 501
Clearwater, FL 33759

Contact: Ralph Finkenbrink NASDAQ: NICK
 Sr.Vice President, CFO Web Site: www.nicholasfinancial.com
 Ph # - 727-726-0763

Nicholas Financial Reports Record 1st Quarter Results

July 21, 2005 - Nicholas Financial, Inc., (NASDAQ: NICK) announced that net income increased 47% to \$2,394,000 for the three months ended June 30, 2005 as compared to \$1,632,000 for the three months ended June 30, 2004. Diluted earnings per share increased 28% to \$0.23 for the three months ended June 30, 2005 as compared to \$0.18 for the three months ended June 30, 2004. Revenue increased 26% to \$9,160,000 for the three months ended June 30, 2005 as compared to \$7,277,000 for the three months ended June 30, 2004. "These excellent results are a direct reflection of our disciplined underwriting," according to Peter L. Vosotas, Chairman and CEO of the Company.

The Company has now reported same quarter record increases for revenue and earnings in 60 out of the past 61 quarters.

The Company opened its 36th branch location in Indianapolis, Indiana during the first quarter. The Company currently has committed to opening additional locations in Conyers, GA, Raleigh-Durham, NC, and Baltimore, MD. The Company expects all three of these new branch offices to be open and fully operational during the second quarter.

The Company will hold its 2005 Annual Meeting at 10:00am on August 10, 2005 at the Company's headquarters located in Clearwater, Florida.

Founded in 1985, with assets of \$125,820,000 as of June 30, 2005, Nicholas Financial, Inc. is one of the largest publicly traded specialty consumer finance companies based in the Southeast. The Company presently operates out of 36 branch locations in both the Southeast and the Mid-West States. The Company has approximately 10,000,000 shares of common stock outstanding. For an index of Nicholas Financial Inc.'s news releases or to obtain a specific release, visit our web site at www.nicholasfinancial.com.

Except for the historical information contained herein, the matters discussed in this news release include forward-looking statements that involve risks and uncertainties including competitive factors, the management of growth, and other risks detailed from time to time in the Company's filings and reports with the Securities and Exchange Commission including

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the Company's Annual Report on Form 10-KSB for the year ended March 31, 2005. Such statements are based on the beliefs of the Company's management as well as assumptions made by and information currently available to Company management. Actual events or results may differ materially.

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Nicholas Financial, Inc.
 Condensed Consolidated Statements of Income
 (Unaudited, Dollars in Thousands, Except Per Share Amounts)

| | Three Months Ended June 30, | |
|---|-----------------------------|-----------|
| | 2005 | 2004 |
| | ----- | |
| Revenue: | | |
| Interest income on | | |
| finance receivables | \$ 9,110 | \$ 7,214 |
| Sales | 50 | 63 |
| | ----- | ----- |
| | 9,160 | 7,277 |
| Costs and expenses: | | |
| Expenses | 3,896 | 3,157 |
| Provision for credit losses | 428 | 581 |
| Interest expense | 981 | 915 |
| | ----- | ----- |
| | 5,305 | 4,653 |
| Operating income | | |
| before income taxes | 3,855 | 2,624 |
| Income tax expense | 1,461 | 992 |
| | ----- | ----- |
| Net income | \$ 2,394 | \$ 1,632 |
| | ===== | ===== |
| Earnings per share: | | |
| Basic | \$ 0.24 | \$ 0.19 |
| | ===== | ===== |
| Diluted | \$ 0.23 | \$ 0.18 |
| | ===== | ===== |
| Weighted average shares | 9,851,657 | 8,504,328 |
| | ===== | ===== |
| Weighted average shares and assumed dilution | 10,481,773 | 9,095,433 |
| | ===== | ===== |

(Historical shares outstanding and earnings per share have been adjusted for the June 17, 2005 stock split)

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Condensed Consolidated Balance Sheets (Unaudited, Dollars in Thousands)

| | June 30, 2005 | March 31, 2005 |
|---|------------------|-------------------|
| | ----- | ----- |
| Cash | \$ 1,442 | \$ 853 |
| Finance receivables, net | 118,089 | 113,708 |
| Other assets | 6,289 | 6,254 |
| | ----- | ----- |
| Total assets | \$ 125,820 | \$ 120,815 |
| | ===== | ===== |
| Line of credit | \$ 67,042 | \$ 65,331 |
| Other notes payable | 600 | 1,000 |
| Other liabilities | 9,236 | 7,726 |
| | ----- | ----- |
| Total liabilities | 76,878 | 74,057 |
| Shareholders' equity | 48,942 | 46,758 |
| | ----- | ----- |
| Total liabilities and shareholders' equity | \$ 125,820 | \$ 120,815 |
| | ===== | ===== |

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| Portfolio Summary | Three months ended June 30, | |
|---|-----------------------------|---------------|
| | 2005 | 2004 |
| | ----- | |
| Average finance receivables, net of unearned interest (1) | \$140,718,717 | \$123,025,445 |
| Average indebtedness (2) | \$ 66,986,506 | 63,714,820 |
| Finance revenue (3) | \$ 9,109,701 | \$ 7,214,258 |
| Interest expense | 980,553 | 915,320 |
| | ----- | ----- |
| Net finance revenue | \$ 8,129,148 | \$ 6,298,938 |
| | ===== | ===== |
| Weighted average contractual rate (4) | 24.12% | 24.29% |
| | ----- | ----- |
| Average cost of borrowed funds (2) | 5.86% | 5.75% |
| | ===== | ===== |
| Gross portfolio yield (5) | 25.90% | 23.46% |
| Interest expense as a percentage of average finance receivables, net of unearned interest | 2.79% | 2.98% |
| Provision for credit losses as a percentage of average finance | | |

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| | | |
|---|--------|--------|
| receivables, net of unearned interest | 1.22% | 1.89% |
| | ----- | ----- |
| Net portfolio yield (5) | 21.89% | 18.59% |
| Operating expenses as a percentage of average finance receivables, net of unearned interest (6) | 10.83% | 10.04% |
| | ----- | ----- |
| Pre-tax yield as a percentage of average finance receivables, net of unearned interest (7) | 11.06% | 8.55% |
| | ===== | ===== |
| Write-off to liquidation (8) | 5.03% | 5.46% |
| Net charge-off percentage (9) | 4.44% | 4.65% |

Note: All three month key performance indicators expressed as percentages have been annualized.

- (1) Average finance receivables, net of unearned interest, represents the average of gross finance receivables, less unearned interest throughout the period.
- (2) Average indebtedness represents the average outstanding borrowings under the Line and notes payable-related party. Average cost of borrowed funds represents interest expense as a percentage of average indebtedness.
- (3) Finance revenue does not include revenue generated by Nicholas Data Services, Inc., ("NDS") the wholly-owned software subsidiary of Nicholas Financial, Inc.
- (4) Weighted average contractual rate represents the weighted average annual percentage rate (APR) of all Contracts purchased and direct loans originated during the period.
- (5) Gross portfolio yield represents finance revenues as a percentage of average finance receivables, net of unearned interest. Net portfolio yield represents finance revenue minus (a) interest expense and (b) the provision for credit losses as a percentage of average finance receivables, net of unearned interest.
- (6) Operating expenses represent total expenses, less interest expense, the provision for credit losses and operating costs associated with NDS.
- (7) Pre-tax yield represents net portfolio yield minus operating expenses as a percentage of average finance receivables, net of unearned interest.
- (8) Write-off to liquidation percentage is defined as net charge-offs divided by liquidation. Liquidation is defined as beginning receivable balance plus current period purchases minus voids and refinances minus

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ending receivable balance.

(9) Net charge-off percentage represents net charge-offs divided by average finance receivables, net of unearned interest, outstanding during the period.

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The following tables present certain information regarding delinquency rates experienced by the Company with respect to Contracts and under its direct loan program.

| | At June 30, | | | |
|---------------------|---------------|-------|---------------|-------|
| | 2005 | | 2004 | |
| ----- | | | | |
| Contracts | | | | |
| Gross Balance | | | | |
| Outstanding | \$183,005,750 | | \$159,986,743 | |
| | ===== | | ===== | |
| Delinquencies | | | | |
| 30 to 59 days | \$ 2,440,862 | 1.33% | \$ 2,704,294 | 1.68% |
| 60 to 89 days | 649,406 | 0.35% | 539,691 | 0.34% |
| 90 + days | 174,630 | 0.10% | 219,687 | 0.14% |
| | ----- | ----- | ----- | ----- |
| Total Delinquencies | \$ 3,264,898 | 1.78% | \$ 3,463,672 | 2.16% |
| | ===== | ===== | ===== | ===== |
| Direct Loans | | | | |
| Gross Balance | | | | |
| Outstanding | \$ 6,498,264 | | \$ 4,726,746 | |
| | ===== | | ===== | |
| Delinquencies | | | | |
| 30 to 59 days | \$ 70,102 | 1.08% | \$ 26,903 | 0.57% |
| 60 to 89 days | 28,183 | 0.43% | 20,089 | 0.43% |
| 90 + days | 14,144 | 0.22% | 26,998 | 0.57% |
| | ----- | ----- | ----- | ----- |
| Total Delinquencies | \$ 112,429 | 1.73% | \$ 73,990 | 1.57% |
| | ===== | ===== | ===== | ===== |

The amounts shown in the tables below represent the amount of Contracts purchased, net of unearned interest.

| | Three months ended | |
|--------------|--------------------|--------------|
| | June 30, | |
| Contracts | 2005 | 2004 |
| ----- | | |
| Purchases | \$23,421,962 | \$22,399,319 |
| Weighted APR | 23.99% | 24.11% |

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| | | |
|-----------------------|---------|---------|
| Average Discount | 8.55% | 8.76% |
| Average Term (months) | 45 | 44 |
| Average Loan | \$8,704 | \$8,275 |
| Number of Contracts | 2,691 | 2,707 |
