SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

FOR THE TRANSITION PERIOD FROM ______________ TO _____________

COMMISSION FILE NUMBER 0-19424

EZCORP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	74-2540145
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(IRS EMPLOYER IDENTIFICATION NO.)

1901 CAPITAL PARKWAY
AUSTIN, TEXAS 78746
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)
(ZIP CODE)

(512) 314-3400
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

NA
(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR, IF CHANGED SINCE LAST REPORT)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

The only class of voting securities of the registrant issued and outstanding is the Class B Voting Common Stock, par value $.01 per share, 100% of which is owned by one record holder who is an affiliate of the registrant. There is no trading market for the Class B Voting Common Stock.

As of March 31, 2001, 10,897,040 shares of the registrant's Class A Non-voting Common Stock, par value $.01 per share and 1,190,057 shares of the registrant's Class B Voting Common Stock, par value $.01 per share were outstanding.

EZCORP, INC.
INDEX TO FORM 10-Q

PART I

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

Condensed Consolidated Balance Sheets

	March 31, 2001	March 31, 2000	September 30, 2000
		(In thousands)	
Assets:	(Unaudited)		(Note A)
Current assets:			
Cash and cash equivalents	$ 2,785	$ 1,816	$ 3,126
Pawn loans	40,477	39,227	46,916
Short-term loans and finance charges receivable, net	121	36	40
Pawn service charges receivable	7,205	7,466	8,629
Inventory, net	34,148	39,455	35,660
Deferred tax asset	6,135	7,759	9,636
Federal income tax receivable	--	1,202	5,045
Prepaid expenses and other current assets	2,170	2,845	1,525
Total current assets	93,041	99,806	110,577
Investment in unconsolidated affiliate	14,002	13,480	14,021
Property and equipment, net	58,378	64,501	61,130
Other assets, net	18,061	21,190	18,065
Total assets	$ 183,482	$ 198,977	$ 203,793
Liabilities and stockholders' equity:			
Current liabilities:			
Current maturities of long-term debt	$ 66,773	$ 11	$ 22,087
Accounts payable and other accrued expenses	8,815	9,325	12,011
Restructuring reserve	355	--	1,649
Customer layaway deposits	2,486	2,591	2,332
Total current liabilities	78,429	11,927	38,079
Long-term debt, less current maturities	94	63,606	59,025
Deferred tax liability	599	1,696	3,639
Other long-term liabilities	614	394	379
Total long-term liabilities	1,307	65,696	63,043
Commitments and contingencies			
Stockholders' equity:			
Preferred Stock, par value $.01 per share; Authorized 5,000,000 shares; none issued and outstanding	--	--	--
Class A Non-voting Common Stock, par value $.01 per share; Authorized 40,000,000 shares; 10,906,073 issued and 10,897,040 outstanding at March 31, 2001 and September 30, 2000; 10,831,043 issued and 10,822,010 outstanding at March 31, 2000	109	108	109
Class B Voting Common Stock, convertible, par value $.01 per share; Authorized 1,198,990 shares; 1,190,057 issued and outstanding at March 31, 2001, September 30, 2000 and March 31, 2000	12	12	12
Additional paid-in capital	114,572	114,501	114,569
Retained earnings (deficit)	(10,073)	7,055	(11,159)
	104,620	121,676	103,531
Treasury stock (9,033 shares)	(35)	(35)	(35)
Receivable from stockholder	(729)	(729)	(729)
Accumulated other comprehensive income	(110)	442	(96)
Total stockholders' equity	103,746	121,354	102,671
Total liabilities and stockholders' equity	$ 183,482	$ 198,977	$ 203,793

See Notes to Condensed Consolidated Financial Statements (unaudited).

Condensed Consolidated Statements of Operations (Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2001	2000	2001	2000
	(In thousands, except per share amounts)			
Revenues:				
Sales	$ 35,549	$ 39,436	$ 67,926	$ 77,525
Pawn service charges	13,031	13,981	27,695	29,575
Other	239	280	439	537
	48,819	53,697	96,060	107,637
Cost of goods sold	21,435	24,687	39,533	47,370
Net revenues	27,384	29,010	56,527	60,267
Operating expenses:				
Operations	18,653	21,970	37,716	43,778
Administrative	3,621	5,171	7,513	9,498
Depreciation and amortization	2,814	2,561	5,248	5,083
	25,088	29,702	50,477	58,359
Operating income (loss)	2,296	(692)	6,050	1,908
Interest expense, net	2,332	1,200	4,520	2,532
Equity in net income of unconsolidated affiliate	(110)	(83)	(137)	(148)
(Gain)/loss on sale of assets	(1)	129	(4)	(451)
Income (loss) before income taxes	75	(1,938)	1,671	(25)
Income tax expense (benefit)	42	(659)	585	(9)
Income (loss) before cumulative effect of a change in accounting principle	$ 33	$ (1,279)	$ 1,086	$ (16)
Cumulative effect on prior years (to September 30, 1999) of change in method of revenue recognition, net of tax	--	--	--	(14,344)
Net income (loss)	$ 33	$ (1,279)	$ 1,086	$ (14,360)
Amounts per common share (fully diluted):				
Income (loss) before cumulative effect of a change in accounting principle	$ 0.00	$ (0.11)	$ 0.09	$ (0.01)
Cumulative effect on prior years (to September 30, 1999) of change in method of revenue recognition, net of tax	$ --	$ --	$ --	$ (1.19)
Net income (loss)	$ 0.00	$ (0.11)	$ 0.09	$ (1.20)
Weighted average shares outstanding:				
Basic	12,087	12,012	12,087	12,012
Fully diluted	12,087	12,014	12,087	12,013
Cash dividends per common share	$ --	$ --	$ --	$ 0.0125

See Notes to Condensed Consolidated Financial Statements (unaudited).

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended March 31, 2001	Six Months Ended March 31, 2000
	(In thousands)	
Operating Activities:		
Net income (loss)	$ 1,086	$(14,360)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Cumulative effect of a change in accounting principle	--	14,344
Depreciation and amortization	5,248	5,083
Deferred income taxes	461	1,761
Net gain on sale or disposal of assets	(4)	(451)
Income from investment in unconsolidated affiliate	(137)	(148)
Changes in operating assets and liabilities:		
Service charges receivable	1,424	2,036
Short term loan finance charges receivable	(15)	--
Inventory	1,512	4,090
Notes receivable from related parties	22	(240)
Prepaid expenses, other current assets, and other assets, net	(1,332)	1,141
Accounts payable and accrued expenses	(2,947)	(1,649)
Restructuring reserve	(1,294)	--
Customer layaway deposits	154	169
Other long-term liabilities	--	(114)
Federal income taxes receivable	5,045	318
Net cash provided by operating activities	9,223	11,980
Investing Activities:		
Pawn loans forfeited and transferred to inventory	35,166	39,356
Pawn loans made	(89,014)	(90,211)
Pawn loans repaid	60,287	65,568
Net decrease in loans	6,439	14,713
Short-term loans	(66)	--
Additions to property, plant, and equipment	(3,049)	(11,735)
Additions to intangible assets	--	(488)
Investment in unconsolidated affiliate	143	161
Proceeds from sale of assets	1,214	4,092
Net cash provided by investing activities	4,681	6,743
Financing Activities:		
Proceeds from bank borrowings	9,700	14,500
Payments on borrowings	(23,945)	(34,006)
Payment of dividends	--	(300)
Net cash used in financing activities	(14,245)	(19,806)
Change in cash and cash equivalents	(341)	(1,083)
Cash and cash equivalents at beginning of period	3,126	2,899
Cash and cash equivalents at end of period	$ 2,785	$ 1,816
Non-cash Investing and Financing Activities:		
Foreign currency translation adjustment	$ 14	$ 298
Deferred gain on sale-leaseback	$ 297	$ --
Issuance of stock options	$ --	$ 31

See Notes to Condensed Consolidated Financial Statements (unaudited).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 2001

NOTE A: BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring entries) considered necessary for a fair presentation have been included. The accompanying financial statements should be read with the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended September 30, 2000. As more fully described in Note B, the financial statements for the three and six months ended March 31, 2000 have been adjusted to give effect to a change in accounting principle as of October 1, 1999.

The Company's business is subject to seasonal variations, and operating results for the six-month period ended March 31, 2001 are not necessarily indicative of the results of operations for the full fiscal year.

NOTE B: CHANGE IN ACCOUNTING PRINCIPLE

During the second quarter of fiscal 2000, the Company changed its method of revenue recognition on pawn loans by reducing the accrual of pawn service charge revenue to the estimated amount which will be realized through loan collection and recording forfeited collateral at the lower of cost (the principal amount of the loan) or market. Previously, pawn service charges were accrued on all loans, and the carrying value of the forfeited collateral was the lower of cost (principal amount of loan plus accrued pawn service charges) or market.

The Company believes the new method of revenue recognition is preferable in that it better aligns reported net revenues and earnings with current economic trends in its business and the management of the Company. In addition, the Company believes the new method improves comparability of its operating results and financial position with similar companies.

The effect of the accounting change on the three months ended March 31, 2000 was to reduce net loss by $2.1 million ($0.17 per share). The effect of the change on the six months ended March 31, 2000, excluding the cumulative effect of $14.3 million, was to decrease the net loss by $2.9 million ($0.24 per share).

NOTE C: RESTRUCTURING CHARGE

As more fully described in Note C to the Company's audited financial statements for the year ended September 30, 2000, the Company reviewed its store portfolio to determine whether closing certain stores would improve the Company's profitability and to determine whether certain stores were strategically viable. As a result of this review and the continuing evaluation of such assets for impairment, the Company decided to close 54 stores and recorded a pretax charge of $11.8 million ($7.8 million net of tax) during the fourth quarter of Fiscal 2000.

Of the 54 stores, 47 were closed as of March 31, 2001, and the remaining 7 are expected to close in fiscal 2001. As of March 31, 2001, 148 employees have been terminated as part of this restructuring, and approximately 41 additional employees will be terminated when the remaining stores close.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 2001

The results of operations from the 54 stores scheduled for closure were as follows (in thousands):

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000	Six Months Ended March 31, 2001	Six Months Ended March 31, 2000
Total revenues	$ 862	$ 5,188	$ 2,500	$ 10,597
Operating loss	$ (60)	$ (880)	$ (356)	$ (1,259)

At March 31, 2001, the Company had a remaining restructuring reserve of $0.4 million. It is anticipated that all remaining material cash outlays required for these store closings and related restructuring costs will be made during fiscal 2001. The following is a summary of the types and amounts recognized as accrued expenses together with cash payments made against such accruals (in thousands):

	Lease Settlement Costs	Workforce Severance	Write-off of Long-Lived and Intangible Assets	Administrative and Other Exit Costs	Net Book Value of Assets Sold	Proceeds from Sale of Assets	Total Reserve
Reserve balance at September 30, 2000	$ 582	$ 908	$ --	$ 456	$ 430	$ (727)	$ 1,649
Reserve Utilized	(402)	(463)	--	(383)	(46)	--	(1,294)
Reserve balance at March 31, 2001	$ 180	$ 445	$ --	$ 73	$ 384	$ (727)	$ 355

In conjunction with the restructuring in fiscal 2000, the Company recorded an additional $1.2 million inventory reserve for anticipated losses on sales at stores to be closed. This amount was charged to cost of goods sold in fiscal 2000 and is excluded from the table above. Of this inventory reserve, $0.1 million was utilized by September 30, 2000, $0.6 million was utilized in the first quarter of fiscal 2001 and $0.0 million was utilized in the second quarter of fiscal 2001, leaving a balance of $0.5 million in the reserve at March 31, 2001. The Company anticipates that the remaining reserve will be utilized in fiscal 2001 as the related inventory is sold.

NOTE D: ACCOUNTING PRINCIPLES AND PRACTICES

The provision for federal income taxes has been calculated based on the Company's estimate of its effective tax rate for the full fiscal year.

The Company provides inventory reserves for shrinkage and cost in excess of market value. The Company estimates these reserves using analysis of sales trends, inventory aging, sales margins and shrinkage on inventory. At March 31, 2001, March 31, 2000, and September 30, 2000, inventory reserves were $1.4 million, $1.2 million, and $2.2 million, respectively.

Property and equipment is shown net of accumulated depreciation of $45.8 million, $41.8 million and $47.2 million at March 31, 2001, March 31, 2000, and September 30, 2000, respectively.

Certain prior year balances have been reclassified to conform with the fiscal 2001 presentation.

NOTE E: EARNINGS PER SHARE

For purposes of calculating earnings (loss) per share, the numerator is net income (loss) for the applicable period. Dilutive warrants and employee stock options for all periods presented are minimal and thus have no dilutive effect on earnings per share.

The following table presents the weighted average shares subject to options outstanding during the periods indicated. Anti-dilutive options have been excluded from the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares and, therefore, the effect would be anti-dilutive.

	Three Months Ended March 31		Six Months Ended March 31	
	2001	2000	2001	2000
Total options outstanding				
Weighted average shares subject to options	1,378,611	1,583,872	1,385,707	1,595,220
Average exercise price per share	$ 8.20	$ 11.20	$ 8.18	$ 11.20
Anti-dilutive options outstanding				
Weighted average shares subject to options	1,378,611	1,563,543	1,385,707	1,585,111
Average exercise price per share	$ 8.20	$ 11.29	$ 8.18	$ 11.25

NOTE F: INVESTMENT IN UNCONSOLIDATED AFFILIATE

The Company owns 13,276,666 common shares of Albemarle & Bond Holdings, plc ("A&B"), representing 29.47% of A&B's outstanding shares. The Company accounts for its investment in A&B using the equity method. Since A&B's fiscal year ends three months prior to the Company's fiscal year, the income reported by the Company for its investment in A&B is on a three month lag. The income reported for the Company's six-month period ended March 31, 2001 represents its percentage interest in the results of A&B's operations from July through December 2000, reduced by the amortization of the excess purchase price over fair market value. A&B's shares are listed on the Alternative Investment Market of the London Stock Exchange and at March 31, 2001, the market value of this investment was approximately $6.3 million, based on the closing market price on that date.

NOTE G: CONTINGENCIES

From time to time, the Company is involved in litigation relating to claims arising from its normal business operations. Currently, the Company is a defendant in several lawsuits. Some of these lawsuits involve claims for substantial amounts. While the ultimate outcome of these lawsuits cannot be ascertained, after consultation with counsel, the Company believes the resolution of these suits will not have a material adverse effect on the Company's financial condition or results of operations. However, there can be no assurance as to the ultimate outcome of these matters.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 2001

NOTE H: COMPREHENSIVE INCOME

Comprehensive income includes net income and other revenues, expenses, gains and losses that are excluded from net income but are included as a component of total shareholders' equity. Comprehensive income (loss) for the three and six months ended March 31, 2001 was approximately $0.2 million and $1.1 million, and the comprehensive loss for the three and six months ended March 31, 2000 was approximately $(1.0) million and ($14.1) million, respectively. The difference between comprehensive income and net income results primarily from the effect of foreign currency translation adjustments in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." The accumulated balance of foreign currency activity excluded from net income is presented in the Condensed Consolidated Balance Sheets as "Accumulated other comprehensive income."

NOTE I: LONG-TERM DEBT

The Company's $85 million credit agreement, maturing December 3, 2001, provides for a $45 million revolving credit facility and two term loan facilities totaling $40 million which are secured by substantially all of the Company's assets. Remaining availability under the revolving credit facility was $4.4 million at March 31, 2001, based on pawn loan and inventory balances. The term facilities require principal payments of $22.1 million during fiscal 2001, $10.5 million of which has been paid by March 31, 2001. The remaining principal payments will be made from operating cash flow and the sale of assets, primarily sale-leaseback transactions of various owned properties. Interest on the facility is at the agent bank's prime rate plus 250 to 350 basis points. The Company pays a commitment fee of 25 basis points on the unused amount of the revolving facility.

The Company's credit agreement requires, among other provisions, that the Company meet certain financial covenants. Specifically, the Company must operate within specified levels of consolidated net worth, leverage ratio, capital expenditures, inventory turnover, fixed charge coverage ratio, and EBITDA (earnings before interest, taxes, depreciation and amortization). The Company has complied with these covenants throughout Fiscal 2001, and believes that it will continue to achieve these covenants requirements through the remainder of the year. Based upon management's fiscal 2001 operating plan, including the sale-leaseback of certain assets and the availability under the revolving credit facility, the Company believes that there is adequate liquidity to fund the Company's working capital requirements, planned capital expenditures, and make the required principal payments under the credit agreement. However, material shortfalls or variances from anticipated performance or delays in the sale of certain of its assets could require the Company to seek a further amendment to its credit agreement or alternate sources of financing, or to limit capital expenditures to an amount less than currently anticipated or permitted under the credit agreement.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion in this section of this report contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this section and those discussed elsewhere in this report.

Second Quarter Ended March 31, 2001 vs. Second Quarter Ended March 31, 2000

The following table sets forth selected, unaudited, consolidated financial data with respect to the Company for the three months ended March 31, 2001 and 2000.

	Three Months Ended March 31,(a) 2001	Three Months Ended March 31,(a) 2000	% or Point Change(b)
Net revenues:			
Sales	$ 35,549	$ 39,436	(9.9)%
Pawn service charges	13,031	13,981	(6.8)%
Other	239	280	(14.6)%
Total revenues	48,819	53,697	(9.1)%
Cost of goods sold	21,435	24,687	(13.2)%
Net revenues	$ 27,384	$ 29,010	(5.6)%
Other data:			
Gross profit as a percent of sales	39.7%	37.4%	2.3 pts.
Average annual inventory turnover	2.4x	2.3x	0.1x
Inventory per store at end of the period	$ 118	$ 117	0.9%
Loan balance per store at end of period	$ 140	$ 117	19.7%
Average annualized yield on loan portfolio	123%	132%	(9) pts.
Expenses as a percent of total revenues:			
Operating	38.2%	40.9%	(2.7) pts.
Administrative	7.4%	9.6%	(2.2) pts.
Depreciation and amortization	5.8%	4.8%	1.0 pt.
Interest, net	4.8%	2.2%	2.6 pts.
Locations in operation:			
Beginning of period	291	334	
Acquired	--	--	
Established	--	2	
Sold, combined or closed	2	--	
End of period	289	336	
Average locations in operation during the period	290	335	

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(a) In thousands, except percentages, inventory turnover and store count.

(b) In comparing the period differences between dollar amounts or per store counts, a percentage change is used. In comparing the period differences between two percentages, a percentage point (pt.) change is used.

(c) Average locations in operation during the period are calculated based on the average of the locations operating at the beginning and end of such period.

Six Months Ended March 31, 2001 vs. Six Months Ended March 31, 2000

The following table sets forth selected, unaudited, consolidated financial data with respect to the Company for the six months ended March 31, 2001 and 2000.

	Six Months Ended March 31,(a) 2001	Six Months Ended March 31,(a) 2000	% or Point Change(b)
Net revenues:			
Sales	$ 67,926	$ 77,525	(12.4)%
Pawn service charges	27,695	29,575	(6.4)%
Other	439	537	(18.2)%
Total revenues	96,060	107,637	(10.8)%
Cost of goods sold	39,533	47,370	(16.5)%
Net revenues	$ 56,527	$ 60,267	(6.2)%
Other data:			
Gross profit as a percent of sales	41.8%	38.9%	2.9 pts.
Average annual inventory turnover	2.1x	2.1x	0.0x
Inventory per store at end of the period	$ 118	$ 117	0.9%
Loan balance per store at end of period	$ 140	$ 117	19.7%
Average annualized yield on loan portfolio	125%	127%	(2) pts.
Expenses as a percent of total revenues:			
Operating	39.3%	40.7%	(1.4) pts.
Administrative	7.8%	8.8%	(1.0) pt.
Depreciation and amortization	5.5%	4.7%	0.8 pt.
Interest, net	4.7%	2.4%	2.3 pts.
Locations in operation:			
Beginning of period	305	331	
Acquired	--	--	
Established	--	5	
Sold, combined or closed	16	--	
End of period	289	336	
Average locations in operation during the period	301.0	333.5	

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(a) In thousands, except percentages, inventory turnover and store count.

(b) In comparing the period differences between dollar amounts or per store counts, a percentage change is used. In comparing the period differences between two percentages, a percentage point (pt.) change is used.

(c) Average locations in operation during the period are calculated based on the average of the locations operating at the beginning and end of such period.

RESULTS OF OPERATIONS

The following discussion compares results for the three and six-month periods ended March 31, 2001 ("Fiscal 2001 Periods") to the three and six-month periods ended March 31, 2000 ("Fiscal 2000 Periods"). The discussion should be read in conjunction with the accompanying financial statements and related notes.

During the Company's fourth fiscal 2000 quarter, the Company made the decision to close up to 54 stores. As of March 31, 2001, 47 of the 54 stores have closed. For the three-month Fiscal 2000 Period, these 47 stores had net revenues of $2.2 million, store operating expenses of $2.8 million, and depreciation and amortization of $0.3 million, for an operating loss of $0.9 million. For the six-month Fiscal 2000 Period, these 47 stores had net revenues of $4.9 million, store operating expenses of $5.6 million, and depreciation and amortization of $0.5 million, for an operating loss of $1.2 million.

The Company's primary activity is the making of small, non-recourse loans secured by tangible personal property. The income earned on this activity is pawn service charge revenue. For the three-month Fiscal 2001 Period, pawn service charge revenue decreased $1.0 million from the three-month Fiscal 2000 Period to $13.0 million. The decrease results from closed stores ($0.8 million) and pawn service charge revenues of same stores ($0.2 million). For the six-month Fiscal 2001 Period, pawn service charge revenue decreased $1.9 million from the six-month Fiscal 2000 Period to $27.7 million, a result of closed stores ($1.4 million) and lower same store pawn service charge revenues ($0.5 million).

Same store pawn service charge revenues vary due to changes in average loan balances and changes in the average yield on these balances. Average yields vary due to changes in expected loan forfeitures and mix shifts in the loan portfolio between loans with different yields. For the three-month period, same store loan balances increased 6 percent, while average yields declined 9 percentage points to 123 percent. Same store loan balances were unchanged for the six-month period, while average yields declined 3 percentage points to 125 percent.

A secondary, but related, activity of the Company is the sale of merchandise, primarily collateral forfeited from its lending activity. For the three-month Fiscal 2001 Period, sales decreased $3.9 million from the three-month Fiscal 2000 Period to approximately $35.5 million. This decrease was the result of closed stores ($3.4 million) and lower same store sales ($2.3 million) offset by higher levels of jewelry scrapping ($1.8 million). Annualized inventory turnover for the three-month Fiscal 2001 Period was 2.4 times compared to 2.3 times for the same period last year.

For the six-month Fiscal 2001 Period, sales decreased $9.6 million from the six-month Fiscal 2000 Period to approximately $67.9 million. This decrease was the result of closed stores ($6.2 million) and lower same store sales ($5.2 million) offset by $1.8 million higher levels of jewelry scrapping. Annualized inventory turnover, at 2.1 times, was unchanged from the prior year.

For the three-month Fiscal 2001 Period, gross profits as a percentage of sales improved 2.3 percentage points from the three-month Fiscal 2000 Period to 39.7 percent. Improved margins on merchandise sales contributed 7.9 percentage points, while higher jewelry scrapping reduced this margin improvement by approximately 5.6 percentage points. Inventory shrinkage for the quarter was 1.3 percent of merchandise sales, unchanged from the prior year period.

For the six-month Fiscal 2001 Period, gross profits as a percentage of sales improved 2.9 percentage points from the six-month Fiscal 2000 Period to 41.8 percent. Improved margins on merchandise sales contributed 5.6 percentage points of the increase, offset by 2.7 percentage points from higher levels of jewelry scrapping. Inventory shrinkage for the six-month Fiscal 2001 Period was unchanged from the prior year period at 1.2 percent of merchandise sales.

In the three-month Fiscal 2001 Period, operating expenses as a percentage of total revenues decreased 2.7 percentage points from the three-month Fiscal 2000 Period to 38.2 percent. This decrease results from the closed stores (1.9 percentage points) and greater operating efficiencies at remaining stores (0.8 of a percentage point). Administrative expenses decreased 2.2 percentage points to 7.4 percent, primarily due to lower labor and incentive compensation expenses (1.0 percentage point), lower travel expenses (0.3 of a percentage point), and the write-down of a past due note receivable in the Fiscal 2000 Period (0.7 of a percentage point).

In the six-month Fiscal 2001 Period, operating expenses as a percentage of total revenues decreased 1.4 percentage points from the six-month Fiscal 2000 Period to 39.3 percent. This decrease results from the closed stores (1.8 percentage points), offset by higher operating expenses as a percent of total revenues in the remaining stores (0.4 of a percentage point). Although operating expenses are higher as a percent of total revenues, same store operating expenses fell three percent from the same period last year. Administrative expenses decreased one percentage point to 7.8 percent, primarily due to lower labor and incentive compensation expenses (0.6 of a percentage point), lower travel expenses (0.2 of a percentage point), and the write-down of a past due note receivable in the Fiscal 2000 Period (0.2 of a percentage point).

In the three-month Fiscal 2001 Period, depreciation and amortization as a percent of total revenue increased one percentage point from the Fiscal 2000 Period to 5.8 percent. This resulted from depreciation and amortization of assets placed in service in the last twelve months and the lower level of total revenue. Interest expense as a percent of total revenue increased 2.6 percentage points from the Fiscal 2000 Period to 4.8 percent. The interest expense increase was due to higher interest rates coupled with increased average debt balances.

In the six-month Fiscal 2001 Period, depreciation and amortization as a percent of total revenue increased 0.8 of a percentage point from the Fiscal 2000 Period to 5.5 percent. This resulted from depreciation and amortization of assets placed in service in the last twelve months and the lower level of total revenue. Interest expense as a percent of total revenue increased 2.3 percentage points from the Fiscal 2000 Period to 4.7 percent. The interest expense increase was due to higher interest rates coupled with increased average debt balances.

Net income for the three-month Fiscal 2001 Period was $33,000 compared to a loss of $1.3 million for the three-month Fiscal 2000 Period. Lower net revenues in the current year period ($1.6 million), mainly due to closed stores, were more than offset by lower total operating expenses ($4.6 million), resulting in operating income $3.0 million above the prior year period. After higher interest expenses in the Fiscal 2001 Period, net income improved $1.3 million over the Fiscal 2000 Period.

Income before the cumulative effect of an accounting change for the six-month Fiscal 2001 Period was $1.1 million compared to a loss of $16,000 in the Fiscal 2000 Period. Lower net revenues in the Fiscal 2001 Period ($3.7 million), mainly due to closed stores, were more than offset by lower total operating expenses ($7.9 million), resulting in operating income $4.1 million above the prior year period. After higher interest expenses in the Fiscal 2001 Period, income before the cumulative effect of an accounting change improved $1.1 million.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities for the six-month Fiscal 2001 Period was $9.2 million compared to $12.0 million provided in the Fiscal 2000 Period, a decrease of $2.8 million. Income was $1.1 million higher in Fiscal 2001 than was income before the cumulative effect of a change in accounting principle in Fiscal 2000, and the Company received a $3.3 million larger income tax refund in Fiscal 2001 than in the prior year. These increases in operating cash flow were more than offset by several factors. The decrease in inventory, which increases the cash provided by operating activities, was $2.6 million smaller in the Fiscal 2001 Period than in the prior year period. $1.3 million was spent on restructuring related payments made in the current period, and changes in other working capital components account for the remaining year-over-year change in cash provided by operating activities. Net cash provided by investing activities was $4.7 million for the Fiscal 2001 Period compared to $6.7 million provided in the Fiscal 2000 Period. The change is due to smaller decreases in pawn loan balances in the Fiscal 2001 Period and lower proceeds from the sale of assets over the prior year period, offset by lower levels of capital expenditures.

The Company's credit agreement requires, among other things, that the Company meet certain financial covenants. Specifically, the Company must operate within specified levels of consolidated net worth, leverage ratio, capital expenditures, inventory turnover, fixed charge coverage ratio, and EBITDA (earnings before interest, taxes, depreciation and amortization). The Company believes that these covenants will continue to be achieved based upon the Company's current and anticipated performance. Based upon management's fiscal 2001 operating plan, including the sale-leaseback of certain assets and the availability under the revolving credit facility, the Company believes that there is adequate liquidity to fund the Company's working capital requirements, planned capital expenditures, and make the required principal payments under the credit agreement. However, material shortfalls or variances from anticipated performance or delays in the sale of certain of its assets could require the Company to seek a further amendment to its credit agreement or alternate sources of financing, or to limit capital expenditures to an amount less than currently anticipated or permitted under the credit agreement.

The outstanding balance under the credit agreement bears interest at the agent bank's prime rate plus 250 to 350 basis points, payable monthly. In addition, the Company pays a commitment fee of 25 basis points of the unused amount of the total commitment. At March 31, 2001, the Company had $66.8 million outstanding under the credit agreement.

ACCOUNTING CHANGE

During the second quarter of fiscal 2000, the Company changed its method of revenue recognition on pawn loans by reducing the accrual of pawn service charge revenues to the estimated amount that will be realized through loan collection, and recording forfeited collateral at the lower of the principal balance of the loan or estimated market value. Previously, pawn service charges were accrued on all loans, and the carrying value of the forfeited collateral was the lower of cost (principal amount of loan plus accrued pawn service charges) or market.

The Company believes the new method of revenue recognition is preferable in that it better aligns reported net revenues and earnings with current economic trends in its business and the management of the Company. In addition, the Company believes the new method improves comparability of its operating results and financial position with similar companies.

The effect of the accounting change on the three months ended March 31, 2000 was to reduce net loss by $2.1 million ($0.17 per share). The effect of the change on the six months ended March 31, 2000, excluding the cumulative effect of $14.3 million, was to decrease the net loss by $2.9 million ($0.24 per share).

SEASONALITY

Historically, pawn service charge revenues are highest in the fourth fiscal quarter (July, August and September) due to higher loan demand during the summer months and merchandise sales are highest in the first and second fiscal quarters (October through March) due to the holiday season and tax refunds.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion about the Company's market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. The Company is exposed to market risk related to changes in interest rates and foreign currency exchange rates. The Company does not use derivative financial instruments.

The Company's earnings are affected by changes in interest rates due to the impact those changes have on its variable-rate debt instruments. The majority of the Company's long-term debt at March 31, 2001 is comprised of variable-rate debt instruments. If interest rates average 25 basis points more during the remainder of fiscal 2001, the Company's interest expense for the year would increase by $84,000. This amount is determined by considering the impact of the hypothetical interest rate increase on the Company's variable rate long-term debt at March 31, 2001.

The Company's earnings and financial position are affected by foreign exchange rate fluctuations related to the equity investment in Albemarle & Bond Holdings, plc ("A&B"). A&B's functional currency is the U.K. pound. The U.K. pound exchange rate can directly and indirectly impact the Company's results of operations and financial position in several ways, including potential economic recession in the U.K. resulting from a devalued pound. The impact on the Company's financial position and results of operations of a hypothetical change in the exchange rate between the U.S. dollar and the U.K. pound cannot be reasonably estimated. The translation adjustment representing the weakening in the U.K. pound during the quarter ended March 31, 2001 was approximately $0.2 million. On

March 31, 2001, the U.K. pound closed at 0.7061 to 1.00 U.S. dollar, an increase from 0.6699 at December 31, 2000. No assurance can be given as to the future valuation of the U.K. pound and how further movements in the pound could effect future earnings or the financial position of the Company.

FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statement of historical information provided herein are forward-looking and may contain information about financial results, economic conditions, trends and known uncertainties. The Company cautions the reader that actual results could differ materially from those expected by the Company depending on the outcome of certain factors, including without limitation (i) fluctuations in the Company's inventory and loan balances, inventory turnover, average yield on loan portfolios, redemption rates, labor and employment matters, competition, operating risk, charges related to store closings, acquisition and expansion risk, liquidity, capital requirements, and the effect of government and environmental regulations and (ii) adverse changes in the market for the Company's services. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligations to release publicly the results of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereon, including without limitation, changes in the Company's business strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events.

PART II

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company is involved in litigation relating to claims arising from its normal business operations. Currently, the Company is a defendant in several lawsuits. Some of these lawsuits involve claims for substantial amounts. While the ultimate outcome of these lawsuits cannot be ascertained, after consultation with counsel, the Company believes the resolution of these suits will not have a material adverse effect on the Company's financial condition or results of operations. However, there can be no assurance as to the ultimate outcome of these matters.

ITEM 2. CHANGES IN SECURITIES

Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable

ITEM 5. OTHER INFORMATION

Not Applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a)

Exhibit Number	Description	Incorporated by Reference to
None		

(b) Reports on Form 8-K

The Company has not filed any reports on Form 8-K for the quarter ended March 31, 2001.

SIGNATURE

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 thereunto duly authorized.

EZCORP, INC.

(Registrant)

Date: May 15, 2001

By: /s/ DAN N. TONISSEN

(Signature)

Daniel N. Tonissen
Senior Vice President,
Chief Financial Officer &
Director