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NICHOLAS FINANCIAL INC
Form 8-K
January 27, 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) January
27, 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 (Commission (I.R.S. Employer
Incorporation or Organization) File Number) 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

Clearwater, Florida, - January 27, 2005: Nicholas Financial, Inc. (NASDAQ, NICK), today announced record revenues, net income and earnings per share for the three months ended December 31, 2004. Revenues for the third quarter ended December 31, 2004 increased 34% to \$8,541,000 compared to \$6,385,000 for the quarter ended December 31, 2003. Net income for the quarter increased 70% to \$2,214,000 from \$1,306,000 last year. Earnings per share for the quarter increased 33% to \$0.32 per share from \$0.24 per share last year. The Company has reported record same quarter increases in

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revenues and earnings for 57 out of the past 58 quarters.

Item 9.01 Financial Statements and Exhibits

Exhibit #	Description
9	Press release dated January 27, 2005, announcing record earnings for the third quarter ended December 31, 2004.
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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: January 27, 2005 /s/ Peter L. Vosotas
Peter L. Vosotas
Chairman, President,
Chief Executive Officer
(Principal Executive Officer)

Date: January 27, 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 January 27, 2005, announcing record earnings for the third quarter ended December 31, 2004.

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FOR IMMEDIATE RELEASE

Nicholas Financial, Inc.
Corporate Headquarters

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

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

Nicholas Financial Reports Record 3rd Quarter Results & Expands into Kentucky

Clearwater, Florida, - January 27, 2005: Nicholas Financial, Inc. (NASDAQ, NICK), today announced record revenues, net income and earnings per share for the three months ended December 31, 2004. Revenues for the third quarter ended December 31, 2004 increased 34% to \$8,541,000 compared to \$6,385,000 for the quarter ended December 31, 2003. Net income for the quarter increased 70% to \$2,214,000 from \$1,306,000 last year. Earnings per share for the quarter increased 33% to \$0.32 per share from \$0.24 per share last year. The Company has reported record same quarter increases in revenues and earnings for 57 out of the past 58 quarters.

For the nine months ended December 31, 2004, revenues increased 27% to \$23,651,000 compared to \$18,590,000 for the nine months ended December 31, 2003. Net income for the nine-month period increased 54% to \$5,712,000 from \$3,721,000 last year. Earnings per share increased 25% to \$0.86 per share compared to \$0.69 per share last year.

During the 3rd quarter, the Company opened its first branch office in the state of Kentucky. The branch office is located in Florence, Kentucky.

Founded in 1985, with assets of \$114,029,000 as of December 31, 2004, Nicholas Financial, Inc. is one of the largest publicly traded specialty consumer finance companies based in the Southeast. The Company presently operates out of 35 branch locations in both the Southeast and the Mid-West States. The Company has approximately 6,550,000 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 the Company's Annual Report on Form 10-KSB for the year ended March 31, 2004. 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.

Consolidated Income Statements
(Unaudited, Dollars in Thousands, Except Per Share Amounts)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2004	2003	2004	2003

Revenue:				
Finance charge income	\$ 8,485	\$ 6,335	\$ 23,496	\$ 18,397
Other income	56	50	155	193

	8,541	6,385	23,651	18,590
Costs and expenses:				
Operating expenses	3,506	2,700	9,930	8,090
Provision for losses	566	633	1,806	1,617
Interest expense	909	950	2,720	2,906

	4,981	4,283	14,456	12,613
Income before income taxes	3,560	2,102	9,195	5,977

Income tax provision	1,346	796	3,483	2,256
Net income	\$ 2,214	\$ 1,306	\$ 5,712	\$ 3,721
	=====			
Earnings per share:				
Basic	\$.34	\$.26	\$.92	\$.74
	=====			
Diluted	\$.32	\$.24	\$.86	\$.69
	=====			
Weighted average shares	6,514,634	5,064,623	6,227,129	5,036,730
	=====			
Weighted average shares and assumed dilution	6,929,919	5,438,989	6,629,730	5,395,815
	=====			

Condensed Consolidated Balance Sheets
(Unaudited, Dollars in Thousands)

December 31, March 31,
2004 2004

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Cash	\$ 1,494	\$ 958
Finance receivables, net	106,989	97,237
Other assets	5,546	5,028
	-----	-----
Total assets	\$114,029	\$103,223
	=====	=====
Line of credit	\$ 62,208	\$ 67,510
Other notes payable	1,552	1,593
Other liabilities	6,460	6,674
	-----	-----
Total liabilities	70,220	75,777
Shareholders' equity	43,809	27,446
	-----	-----
Total liabilities and Shareholders' equity	\$114,029	\$103,223
	=====	=====

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Portfolio Summary	Three months ended		Nine months ended	
	December 31,		December 31,	
	2004	2003	2004	2003

Average finance receivables, net of unearned interest (1)	\$130,157,442	\$112,338,303	\$127,149,953	\$110,248,781
	=====	=====	=====	=====
Average indebtedness (2)	\$63,908,352	\$66,328,452	\$63,564,709	\$64,243,278
	=====	=====	=====	=====
Finance revenue (3)	\$8,484,354	\$6,334,652	\$23,495,609	\$18,397,452
Interest expense	909,468	950,109	2,719,551	2,905,747
	-----	-----	-----	-----
Net finance revenue	\$7,574,886	\$5,384,543	\$20,776,058	\$15,491,708
	=====	=====	=====	=====
Weighted average contractual rate (4)	23.65%	23.85%	23.90%	24.02%
	=====	=====	=====	=====
Average cost of borrowed funds(2)	5.69%	5.73%	5.70%	6.03%
	=====	=====	=====	=====
Gross portfolio yield (5)	26.07%	22.56%	24.63%	22.25%
Interest expense as a percentage of average finance receivables, net of unearned interest	2.79%	3.38%	2.85%	3.51%
Provision for credit losses as a percentage of average finance receivables, net of unearned interest	1.74%	2.25%	1.89%	1.96%
	-----	-----	-----	-----
Net portfolio yield (5)	21.54%	16.93%	19.89%	16.78%

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Operating expenses as a percentage of average finance receivables, net of unearned interest (6)	10.60%	9.39%	10.25%	9.51%

Pre-tax yield as a percentage of average finance receivables, net of unearned interest (7)	10.94%	7.54%	9.64%	7.27%
	=====			
Write-off to liquidation (8)	7.45%	9.64%	6.99%	9.12%
Net charge-off percentage (9)	6.52%	8.11%	6.03%	7.79%

Note: All three and nine 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 ending receivable balance.
- (9) Net charge-off percentage represents net charge-offs

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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 December 31,			
	2004		2003	

Contracts				
Gross Balance				
Outstanding	\$165,583,890		\$143,113,043	
Delinquencies				
30 to 59 days	\$3,056,372	1.85%	\$2,836,531	1.98%
60 to 89 days	706,221	0.43%	805,643	0.56%
90 + days	327,077	0.19%	247,261	0.17%
	-----	-----	-----	-----
Total Delinquencies	\$4,089,670	2.47%	\$3,889,435	2.71%
Direct Loans				
Gross Balance				
Outstanding	\$5,583,074		\$4,536,172	
Delinquencies				
30 to 59 days	\$61,980	1.11%	\$37,451	0.83%
60 to 89 days	16,758	0.30%	33,612	0.74%
90 + days	27,475	0.49%	30,354	0.67%
	-----	-----	-----	-----
Total Delinquencies	\$ 106,213	1.90%	\$ 101,417	2.24%

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

State	Three months ended		Nine months ended	
	December 31,		December 31,	
	2004	2003	2004	2003

FL	\$10,121,741	\$8,226,294	\$30,643,243	\$27,210,545
GA	1,238,711	1,802,773	5,547,869	6,384,776
NC	2,081,482	1,581,909	6,577,416	5,548,857
SC	781,675	664,595	2,847,066	2,144,234
OH	2,064,868	2,267,575	8,635,938	8,453,317
MI	412,137	597,254	2,225,223	1,665,511

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VA	1,400,228	438,850	4,270,114	611,901
KY	234,820	-	234,820	-
MD	414,908	-	414,908	-

Total	\$18,750,570	\$15,579,250	\$61,396,597	\$52,019,141
=====				

Contracts	Three months ended		Nine months ended	
	December 31,		December 31,	
	2004	2003	2004	2003

Purchases	\$18,750,570	\$15,579,250	\$61,396,597	\$52,019,141
Weighted APR	23.65%	23.66%	23.90%	23.88%
Average Discount	8.73%	8.80%	8.72%	8.91%
Average Term(months)	45	43	44	43
Average Loan	\$8,504	\$8,110	\$8,382	\$8,128
Number of Contracts	2,205	1,921	7,325	6,400

End