

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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): October 31, 2024



PATHWARD FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	0-22140	42-1406262
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

5501 South Broadband Lane, Sioux Falls, South Dakota 57108
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(877) 497-7497**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$.01 par value	CASH	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.01 Completion of Acquisition or Disposition of Assets.

On October 31, 2024, Pathward, N.A. ("Pathward") a wholly owned subsidiary of Pathward Financial, Inc. (the "Company"), completed the sale (the "Transaction") of substantially all of the assets and liabilities related to Pathward's commercial insurance premium finance business (the "Business") pursuant to the previously disclosed Asset Purchase and Sale Agreement (the "Purchase Agreement") dated August 28, 2024 with Honor Capital Corporation, a Florida corporation ("Purchaser"), the successor by assignment to AFS IBEX Financial Services, LLC ("AFS IBEX"), and Honor Capital Holdings, LLC as guarantor ("Guarantor").

The cash purchase price paid by the Purchaser at the closing was \$603.3 million, based on the net asset value of the assets purchased and liabilities assumed pursuant to the Purchase Agreement plus a \$31.2 million premium, subject to customary post-closing adjustment based on the final determination of the net asset value of the assets purchased and liabilities assumed pursuant to the terms of the Purchase Agreement (the "Purchase Price").

The foregoing description of the Purchase Agreement does not purport to be complete, and is subject to, and qualified in its entirety by, the terms of the Purchase Agreement, which was filed as Exhibit 2.1 to Pathward's Current Report on Form 8-K filed on August 29, 2024 and is incorporated herein by reference.

Item 7.01 Regulation FD Disclosure.

The Company is increasing its fiscal year 2025 GAAP earnings per diluted share guidance to a range of \$7.25 to \$7.75. This guidance includes the following assumptions:

- Two 25 basis point rate cuts – one in November 2024 and the second in December 2024.
- The expectation that net interest margin in fiscal year 2025 will exceed that of fiscal year 2024.
- An effective tax rate of 18 to 22% for the fiscal year 2025.
- The expectation that the Company will sell between approximately \$150 to \$200 million in securities during the first quarter of fiscal 2025 based on the rate environment, generating a loss that will largely offset the pre-tax gain from the sale of its Business.
- Guidance also includes expected share repurchases.

The information in this Item 7.01 shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities thereof, nor shall it be deemed to be incorporated by reference in any filing under the Exchange Act or under the Securities Act, except to the extent specifically provided in any such filing.

Forward-Looking Statements

This Current Report contains certain "forward-looking statements" with respect to our earnings per diluted share guidance, which are made in good faith by the Company pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on information currently available to us and assumptions about future events, and include statements with respect to the Company's beliefs, expectations, estimates, and intentions, which are subject to significant risks and uncertainties, and are subject to change based on various factors, some of which are beyond the Company's control. The Company's actual actions or results may differ materially from those expected or anticipated in the forward-looking statements due to both known and unknown risks and uncertainties. Specific factors that might cause such a difference include but are not limited to our ability to successfully deploy the capital received from the sale of the Business and the expected sale of investment securities on our contemplated timetable, whether such deployment of capital generates the risk-adjusted returns we expect, whether we are able to sell the expected amount of investment securities in the expected timeframe and on acceptable terms, and the additional factors affecting the Company's business and prospects reflected under the caption "Risk Factors" and in other sections of the Company's Annual Report on Form 10-K for the Company's fiscal year ended September 30, 2023 and in other filings made by the Company with the Securities and Exchange Commission. We caution you not to place

undue reliance on these forward-looking statements. The forward-looking statements included in this Current Report speak only as of the date hereof. Except as may be required by law, the Company does not undertake any obligation to make any revisions to the forward-looking statements contained in this Current Report or to update them to reflect events or circumstances occurring after the date of this Current Report. Unless required by law, the Company expressly disclaims any intent or obligation to update, revise or clarify any forward-looking statements, whether written or oral, that may be made from time to time by or on behalf of the Company or its subsidiaries, whether as a result of new information, changed circumstances, or future events or for any other reason.

Item 9.01 Financial Statements and Exhibits.

(b) ***Pro Forma Financial Information.***

The following unaudited pro forma condensed consolidated financial statements of the Company and its subsidiaries reflect disposition of the Business pursuant to the Purchase Agreement, are filed as Exhibit 99.2 to this Current Report on Form 8-K, and incorporated herein by reference:

- Unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2024;
- Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended September 30, 2023 and the nine months ended June 30, 2024; and
- Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements.

(d) *Exhibits.*

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
2.1	Asset Purchase and Sale Agreement dated August 28, 2024, among Pathward, N.A., as seller, and AFS IBEX Financial Services, LLC as Purchaser and Honor Capital Holdings, LLC as Guarantor (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed with the SEC on August 29, 2024)
99.1	Unaudited Pro Forma Condensed Consolidated Financial Statements
104	Cover Page Interactive Data File (the cover page iXBRL tags are embedded within the Inline XBRL document).

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 hereunto duly authorized.

PATHWARD FINANCIAL, INC.

Date: November 1, 2024

By: /s/ Gregory A. Sigrist
Gregory A. Sigrist
Executive Vice President and Chief Financial Officer

PATHWARD FINANCIAL, INC. AND SUBSIDIARIES
Unaudited Pro Forma Consolidated Financial Statements

On August 28, 2024, Pathward, N.A. ("Pathward") a wholly owned subsidiary of Pathward Financial Inc. (the "Company") entered into an Asset Purchase and Sale Agreement (the "Purchase Agreement") with Honor Capital Corporation, a Florida corporation ("Purchaser"), the successor by assignment to AFS IBEX Financial Services, LLC and Honor Capital Holdings, LLC as guarantor ("Guarantor"), pursuant to which Pathward agreed to sell to the Purchaser (the "Transaction") substantially all of the assets and liabilities related to Pathward's commercial insurance premium finance business (the "Business"). The sale closed on October 31, 2024.

The accompanying pro forma consolidated financial statements are presented to show the effects of the sale of the Business, including the receipt of proceeds from the sale, on the Company's consolidated financial statements. The unaudited pro forma consolidated financial statements and the notes thereto should be read together with the Company's consolidated financial statements and the notes thereto as of and for the year ended September 30, 2023; the Management's Discussion and Analysis included in the Company's Annual Report on Form 10-K for the year ended September 30, 2023; and the Company's Quarterly Report on Form 10-Q as of and for the nine months ended June 30, 2024.

Unaudited Pro Forma Consolidated Statements of Financial Condition

(Dollars in thousands, except per share data)

	As of June 30, 2024 (a)	Pro Forma Adjustments	Pro Forma
ASSETS			
Cash and cash equivalents	\$ 298,926	\$ 636,358	(b) \$ 935,284
Securities available for sale, at fair value	1,725,460	—	1,725,460
Securities held to maturity, at amortized cost (fair value \$30,237)	34,026	—	34,026
Federal Reserve Bank and Federal Home Loan Bank Stock, at cost	24,449	—	24,449
Loans held for sale	29,380	—	29,380
Loans and leases	4,612,552	(620,858)	(c) 3,991,694
Allowance for credit losses	(79,836)	1,652	(c) (78,184)
Accrued interest receivable	31,755	—	31,755
Premises, furniture, and equipment, net	36,953	(535)	(c) 36,418
Rental equipment, net	209,544	—	209,544
Goodwill and intangible assets	327,018	(12,270)	(c) 314,748
Other assets	280,053	(1,130)	(c) 278,923
Total assets	\$ 7,530,280	\$ 3,217	\$ 7,533,497
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Deposits	\$ 6,431,516	\$ (12,729)	(c) \$ 6,418,787
Short-term borrowings	—	—	—
Long-term borrowings	33,329	—	33,329
Accrued expenses and other liabilities	300,187	2,150	(c) 302,337
Total liabilities	6,765,032	(10,579)	6,754,453
STOCKHOLDERS' EQUITY			
Preferred stock, 3,000,000 shares authorized, no shares issued, none outstanding at June 30, 2024	—	—	—
Common stock, \$0.01 par value; 90,000,000 shares authorized, 25,215,159 shares issued, 25,085,230 shares outstanding at June 30, 2024	251	—	251
Common stock, Nonvoting, \$0.01 par value; 3,000,000 shares authorized, no shares issued, none outstanding at June 30, 2024	—	—	—
Additional paid-in capital	636,284	—	636,284
Retained earnings	343,392	13,796	(d) 357,188
Accumulated other comprehensive loss	(207,992)	—	(207,992)
Treasury stock, at cost, 129,929 common shares at June 30, 2024	(6,181)	—	(6,181)
Total equity attributable to parent	765,754	13,796	779,550
Noncontrolling interest	(506)	—	—
Total stockholders' equity	765,248	13,796	779,044
Total liabilities and stockholders' equity	\$ 7,530,280	\$ 3,217	\$ 7,533,497

See accompanying notes to unaudited pro forma consolidated financial statements.

Unaudited Pro Forma Consolidated Statements of Operations

(Dollars in thousands, except per share data)	Nine Months Ended June 30, 2024 (a)	Pro Forma Adjustments (e)	Pro Forma
Interest and dividend income:			
Loans and leases, including fees	\$ 293,584	\$ (38,089)	\$ 255,495
Mortgage-backed securities	29,795	—	29,795
Other investments	33,222	—	33,222
	<u>356,601</u>	<u>(38,089)</u>	<u>318,512</u>
Interest expense:			
Deposits	11,900	—	11,900
FHLB advances and other borrowings	5,505	—	5,505
	<u>17,405</u>	<u>—</u>	<u>17,405</u>
Net interest income	339,196	(38,089)	301,107
Provision for credit loss	41,823	296	42,119
Net interest income after provision for credit loss	297,373	(38,385)	258,988
Noninterest income:			
Refund transfer product fees	38,475	—	38,475
Refund advance fee income	43,244	—	43,244
Card and deposit fees	99,502	—	99,502
Rental income	40,958	—	40,958
Gain on sale of other	9,210	—	9,210
Other income	16,188	(185)	16,003
Total noninterest income	247,577	(185)	247,392
Noninterest expense:			
Compensation and benefits	149,174	(6,536)	142,638
Refund transfer product expense	9,694	—	9,694
Refund advance expense	1,923	—	1,923
Card processing	104,061	—	104,061
Occupancy and equipment expense	27,211	(852)	26,359
Operating lease equipment depreciation	31,312	—	31,312
Legal and consulting	16,443	(247)	16,196
Intangible amortization	3,207	(146)	3,061
Impairment expense	3,012	—	3,012
Other expense	37,347	(2,046)	35,301
Total noninterest expense	383,384	(9,827)	373,557
Income before income tax expense	161,566	(28,743)	132,823
Income tax expense	26,088	(7,186)	18,902
Net income before noncontrolling interest	135,478	(21,557)	113,921
Net income attributable to noncontrolling interest	718	—	718
Net income attributable to parent	\$ 134,760	\$ (21,557)	\$ 113,203
Earnings per common share:			
Basic	\$ 5.27		\$ 4.43
Diluted	\$ 5.27		\$ 4.42
Shares used in computing earnings per common share:			
Basic	25,335,621		25,335,621
Diluted	25,364,642		25,364,642

See accompanying notes to unaudited pro forma consolidated financial statements.

Unaudited Pro Forma Consolidated Statements of Operations

(Dollars in thousands, except per share data)	Fiscal Year Ended September 30, 2023 (f)	Pro Forma Adjustments (e)	Pro Forma
Interest and dividend income:			
Loans and leases, including fees	\$ 323,602	\$ (42,648)	\$ 280,954
Mortgage-backed securities	41,197	—	41,197
Other investments	33,936	—	33,936
	<u>398,735</u>	<u>(42,648)</u>	<u>356,087</u>
Interest expense:			
Deposits	4,356	—	4,356
FHLB advances and other borrowings	6,518	—	6,518
	<u>10,874</u>	<u>—</u>	<u>10,874</u>
Net interest income	387,861	(42,648)	345,213
Provision for credit loss	57,354	(2,359)	54,995
Net interest income after provision for credit loss	330,507	(40,289)	290,218
Noninterest income:			
Refund transfer product fees	39,452	—	39,452
Refund advance fee income	37,433	—	37,433
Card and deposit fees	150,746	—	150,746
Rental income	54,190	—	54,190
Gain on sale of trademarks	10,000	—	10,000
Gain on sale of other	2,663	—	2,663
Other income	22,115	(589)	21,526
Total noninterest income	316,599	(589)	316,010
Noninterest expense:			
Compensation and benefits	184,318	(8,006)	176,312
Refund transfer product expense	9,723	—	9,723
Refund advance expense	1,863	—	1,863
Card processing	105,498	—	105,498
Occupancy and equipment expense	34,691	(913)	33,778
Operating lease equipment depreciation	45,710	—	45,710
Legal and consulting	27,102	(490)	26,612
Intangible amortization	4,971	(344)	4,627
Impairment expense	3,273	—	3,273
Other expense	47,826	(2,518)	45,308
Total noninterest expense	464,975	(12,271)	452,704
Income before income tax expense	182,131	(28,607)	153,524
Income tax expense	16,324	(7,152)	9,172
Net income before noncontrolling interest	165,807	(21,455)	144,352
Net income attributable to noncontrolling interest	2,192	—	2,192
Net income attributable to parent	\$ 163,615	\$ (21,455)	\$ 142,160
Earnings per common share:			
Basic	\$ 6.01		\$ 5.22
Diluted	\$ 5.99		\$ 5.20
Shares used in computing earnings per common share:			
Basic	26,833,079		26,833,079
Diluted	26,923,606		26,925,606

See accompanying notes to unaudited pro forma consolidated financial statements.

Note 1 - Basis of Presentation

The unaudited pro forma consolidated balance sheet of the Company as of June 30, 2024 is presented as if the Transaction, as described in the notes to these unaudited pro forma consolidated financial statements, had occurred at June 30, 2024. The unaudited pro forma consolidated statements of operations for the year ended September 30, 2023 and for the nine months ended June 30, 2024 are presented as if the disposition had occurred on October 1, 2022. The unaudited pro forma condensed financial statements and related notes were prepared in accordance with Article 11 of Regulation S-X. The unaudited pro forma consolidated financial statements are based on the historical financial statements of the Company for each period presented and in the opinion of the Company's management, all adjustments and disclosures necessary for a fair presentation of the pro forma data have been made. These adjustments do not reflect any expenses incurred in other business lines including those related to interest expense or shared services.

The unaudited pro forma consolidated financial statements are presented for illustrative purposes only, are based on information currently available, do not reflect all actions that may be undertaken by the Company after completion of the sale, and are not necessarily indicative of the results of operations or financial condition that would have been achieved had the disposition been completed as of the dates indicated nor do they purport to project the future financial position or operating results to be expected in any future period.

Note 2 - Pro Forma Adjustments

The following pro forma adjustments have been reflected in the unaudited pro forma consolidated financial statements and are based on preliminary estimates, which may change as additional information is obtained.

a. Reflects the Company's historical consolidated statement of financial condition and statement of operations as of and for the nine months ended June 30, 2024, as presented in the Company's Quarterly Report on Form 10-Q, as filed with the SEC on August 6, 2024.

b. Reflects the net cash consideration of \$644.7 million received by the Company from the sale of the Business, less cash paid for advisory services of \$2.7 million, and less cash on hand within the insurance premium finance business of \$5.7 million as of June 30, 2024. The cash purchase price paid by the purchaser at the closing consisted of the net asset value of the assets purchased pursuant to the Purchase Agreement, which was \$613.5 million, plus a \$31.2 million premium. The purchase price is subject to the settlement of customary post-closing adjustments based on the final determination of the net asset value of the assets purchased and liabilities assumed, which are not expected to be material.

c. Reflects the Company's divestiture of the Business. Amounts represent the adjustments necessary to remove the assets and liabilities associated with the Business.

d. Reflects the adjustments related to the divestiture of the Business and the estimated gain on sale, net of tax, of approximately \$13.8 million. The gain on sale reflects the premium of \$31.2 million.

e. Reflects the Company's divestiture of the Business. Amounts represent the adjustments necessary to remove the historical revenues and expenses of the Business.

f. Reflects the Company's historical consolidated statement of operations for the year ended September 30, 2023, as presented in the Company's Annual Report on Form 10-K, as filed with the SEC on November 21, 2023.