

MRLN 8-K 8/4/2008

Section 1: 8-K (FORM 8-K FILING DOCUMENT)

**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) **August 4, 2008**

Marlin Business Services Corp.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction
of incorporation)

000-50448
(Commission File Number)

38-3686388
(IRS Employer Identification No.)

300 Fellowship Road, Mount Laurel, NJ
(Address of principal executive offices)

08054
(Zip Code)

Registrant's telephone number, including area code: **(888) 479-9111**

(Former name or former address, if changed since last report)

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 (*see* General Instruction A.2. below):

- 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))

Item 2.02. Results of Operations and Financial Condition.

The Registrant issued a press release on August 4, 2008, announcing its results of operations for the second quarter ended June 30, 2008. A copy of the press release is being furnished as Exhibit 99.1 to this report.

The information in this Current Report, including the Exhibit hereto, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section. The information in this Current Report shall not be incorporated by reference into any registration statement or other document filed with the Securities and Exchange Commission.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press Release issued by Marlin Business Services Corp. on August 4, 2008.

SIGNATURE

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

Marlin Business Services Corp.

Date: August 4, 2008

/s/ DANIEL P. DYER
Daniel P. Dyer
Chief Executive Officer

INDEX TO EXHIBITS

99.1 Press Release issued by Marlin Business Services Corp. on August 4, 2008.

Section 2: EX-99.1 (PRESS RELEASE)

EXHIBIT 99.1

Marlin Business Services Corp. Reports Second Quarter 2008 Net Income Improvement of 25 Percent Over First Quarter

- * Strong liquidity position, \$179.3 million of undrawn capacity in credit facilities
- * Strong capital position, leverage of 4.3:1
- * Pricing on new originations increased 86 basis points year over year
- * Lower 30+ day lease delinquencies compared to first quarter 2008.

reported second quarter 2008 net income of \$1.7 million or \$0.14 per diluted share.

"We continue to make strides on successfully navigating through this challenging period for the economy," says Daniel P. Dyer, Marlin's Chairman and CEO. "This quarter, I'm pleased to report improved profits, stable credit quality and a strengthening of the company's overall liquidity with the growth of our new depository, Marlin Business Bank."

For the second quarter of 2008, the average net investment in leases was \$713.2 million, compared to \$730.0 million for the first quarter of 2008 and \$710.6 million for the second quarter of 2007. Second quarter 2008 lease production was \$62.5 million, based on initial equipment cost, compared to \$70.6 million for the first quarter of 2008 and \$97.3 million for the second quarter of 2007. The lower lease production levels in the second quarter reflect the current economic environment along with our decision to adopt more restrictive credit standards.

Demonstrating our pricing discipline, the average implicit yield on new lease production was 13.90% in the quarter, an increase of 61 basis points from the first quarter of 2008, up 86 basis points from the second quarter of 2007 and the highest yield on new lease production since second quarter 2004.

Included in average total finance receivables is \$17.1 million of the Company's Business Capital Loan product, an increase of \$2.1 million compared to first quarter of 2008 and \$10.4 million compared to second quarter 2007.

The net interest and fee margin for the quarter ended June 30, 2008 was 9.90%, up 8 basis points from 9.82% in the first quarter of 2008. The increase is primarily due to a decrease in interest expense partially offset by lower interest earned on free cash flow. Fee income improved slightly to 3.05% for the quarter ended June 30, 2008 from 3.00% in the first quarter of 2008 due to a higher number of late fee billings. Interest expense as a percentage of average total finance receivables declined 37 basis points to 5.13% in the second quarter of 2008 versus 5.50% in the first quarter of 2008. The decrease is primarily due to lower average borrowings outstanding as a percentage of average total finance receivables, resulting from the term securitization prefunding ending in first quarter of 2008.

Leases over 30 days delinquent were 3.04% as of June 30, 2008, flat compared to 3.05% as of March 31, 2008. On a dollar basis, leases in the 30+ delinquency category were \$24.9 million at June 30, 2008, down from \$25.8 million at March 31, 2008 and \$29.1 million at December 31, 2007. Leases over 60 days delinquent were 1.12% as of June 30, 2008, a slight increase from 1.09% as of March 31, 2008. On a dollar basis, leases over 60 days delinquent were \$9.2 million at June 30, 2008, flat compared to \$9.2 million at March 31, 2008.

Net lease charge-offs in the second quarter were \$5.4 million, or 3.06% of average net investment in leases on an annualized basis compared to \$5.3 million or 2.90% of average net investment in leases on an annualized basis during first quarter 2008.

The Company increased its allowance for credit losses to \$12.9 million as of June 30, 2008, raising the allowance as a percentage of total finance receivables to 1.79% from 1.63% at March 31, 2008.

Salaries and Benefits were \$6.3 million for the second quarter ended June 30, 2008 compared to \$5.9 million for the first quarter 2008. The increase over first quarter is primarily related to costs associated with a previously announced workforce reduction.

General and administrative expenses were \$4.0 million for the second quarter ended June 30, 2008 compared to \$4.3 million for the first quarter 2008. The decrease over the first quarter is primarily related to reduced marketing investment related to our working capital loan product.

During the second quarter the Company repurchased 68,000 shares under the stock repurchase program announced in November.

The Company opened its Utah Industrial Bank, Marlin Business Bank, on March 12, 2008. The Bank has funded \$47 million of leases and loans through its initial capitalization of \$12 million and its issuance of \$43.6 million in certificates of deposits at an all in deposit rate of 4.12%. Quarterly average outstandings were \$15.8 million at a weighted average interest rate of 4.17%.

In conjunction with this release, static pool loss statistics have been updated as supplemental information on the investor relations section of our website at www.marlincorp.com.

Conference Call and Webcast

We will host a conference call on Tuesday, August 5, 2008 at 10:00 a.m. EDT to discuss our second quarter 2008 results. If you wish to participate, please call (877) 419-6600 approximately 10 minutes in advance of the call time. The conference ID will be: "Marlin." The call will also be Webcast on the Investor Relations page of the Marlin Business Services Corp. website, www.marlincorp.com. An audio replay will also be available on the Investor Relations section of Marlin's website for approximately 90 days.

About Marlin Business Services Corp.

Marlin Business Services Corp. is a nationwide provider of equipment leasing and working capital solutions primarily to small businesses. The Company's principal operating subsidiary, Marlin Leasing Corporation, finances over 70 equipment categories in a segment of the market generally referred to as "small-ticket" leasing (i.e. leasing transactions less than \$250,000). The Company was founded in 1997 and completed its initial public offering of common stock on November 12, 2003. In addition to its executive offices in Mount Laurel, NJ, Marlin has regional offices in or near Atlanta, Chicago, Denver, Philadelphia and Salt Lake City. For more information, visit www.marlincorp.com or call toll free at (888) 479-9111.

The Marlin Business Services Corp. logo is available at <http://www.primenewswire.com/newsroom/prs/?pkgid=4087>

Forward-Looking Statements

This release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All forward-looking statements (including statements regarding future financial and operating results) involve risks, uncertainties and contingencies, many of which are beyond our control, which may cause actual results, performance, or achievements to differ materially from anticipated results, performance, or achievements. All statements contained in this release that are not clearly historical in nature are forward-looking, and the words "anticipate," "believe," "expect," "estimate," "plan," "may," "intend," and similar expressions are generally intended to identify forward-looking statements. Economic, business, funding, market, competitive, legal and/or regulatory factors, among others, affecting our business are examples of factors that could cause actual results to differ materially from those described in the forward-looking statements. More detailed information about these factors is contained in our filings with the SEC, including the sections captioned "Risk Factors" and "Business" in the Company's Form 10-K filed with the Securities and Exchange Commission. We are under no obligation to (and expressly disclaim any such obligation to) update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES
Consolidated Balance Sheets

	June 30, 2008	December 31, 2007
	-----	-----
	(Dollars in thousands, except per-share data) (Unaudited)	
ASSETS		
Cash and cash equivalents	\$ 36,798	\$ 34,347
Restricted cash	65,136	141,070
Net investment in leases and loans	731,427	765,938
Property and equipment, net	3,173	3,266
Property tax receivables	1,532	539
Fair value of cash flow hedge derivatives	880	4
Other assets	16,631	14,490
	-----	-----
Total assets	\$ 855,577	\$ 959,654
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Revolving and term secured borrowings	\$ 618,330	\$ 773,085
Deposits	43,618	--

Other liabilities:		
Fair value of cash flow hedge derivatives	5,041	4,760
Sales and property taxes payable	11,611	5,756
Accounts payable and accrued expenses	10,069	10,226
Deferred income tax liability	14,513	15,682
	-----	-----
Total liabilities	703,182	809,509
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Common Stock, \$0.01 par value; 75,000,000 shares authorized; 12,193,777 and 12,201,304 shares issued and outstanding, respectively	122	122
Preferred Stock, \$0.01 par value; 5,000,000 shares authorized; none issued	--	--
Additional paid-in capital	83,324	84,429
Stock subscription receivable	(5)	(7)
Accumulated other comprehensive loss	(2,836)	(3,130)
Retained earnings	71,790	68,731
	-----	-----
Total stockholders' equity	152,395	150,145
	-----	-----
Total liabilities and stockholders' equity	\$ 855,577	\$ 959,654
	=====	=====

MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES
Consolidated Statements of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	----	----	----	----
	(Dollars in thousands, except per-share data) (Unaudited)			
Income:				
Interest income	\$ 21,870	\$ 22,151	\$ 44,823	\$ 43,588
Fee income	5,565	5,186	11,159	10,801
	-----	-----	-----	-----
Interest and fee income	27,435	27,337	55,982	54,389
Interest expense	9,359	8,256	19,606	15,967
	-----	-----	-----	-----
Net interest and fee income	18,076	19,081	36,376	38,422
Provision for credit losses	6,530	3,468	13,536	6,860
	-----	-----	-----	-----
Net interest and fee income after provision for credit losses	11,546	15,613	22,840	31,562
Insurance and other income	1,708	1,553	3,469	3,228
	-----	-----	-----	-----
Net interest and other revenue after provision for credit losses	13,254	17,166	26,309	34,790
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Non-interest expense				
Salaries and benefits	6,344	5,113	12,215	10,830
General and administrative	3,994	3,281	8,296	6,633
Financing related costs	231	213	597	459
	-----	-----	-----	-----
Non-interest expense	10,569	8,607	21,108	17,922
	-----	-----	-----	-----
Income before income taxes	2,685	8,559	5,201	16,868
Income taxes	985	3,381	2,142	6,663
	-----	-----	-----	-----
Net income	\$ 1,700	\$ 5,178	\$ 3,059	\$ 10,205
	=====	=====	=====	=====

Basic earnings per share	\$ 0.14	\$ 0.43	\$ 0.25	\$ 0.85
Diluted earnings per share	\$ 0.14	\$ 0.42	\$ 0.25	\$ 0.83

Weighted average shares used in computing basic earnings per share	11,987,220	12,106,482	12,008,544	12,030,155
Weighted average shares used in computing diluted earnings per share	12,061,843	12,341,182	12,107,198	12,297,097

SUPPLEMENTAL QUARTERLY DATA
(dollars in thousands, except share amounts)
(unaudited)

Quarter Ended:	6/30/2007	9/30/2007	12/31/2007	3/31/2008	6/30/2008
	-----	-----	-----	-----	-----
New Asset Production:					
# of Sales Reps	97	105	118	108	92
# of Leases	8,423	7,609	7,615	6,836	6,276
Leased Equipment Volume	\$97,260	\$86,167	\$87,670	\$70,550	\$62,467
Approval Percentage	58%	60%	56%	50%	49%
Average Monthly Sources	1,279	1,180	1,186	1,091	1,047
Implicit Yield on New Leases	13.04%	13.06%	12.98%	13.29%	13.90%
Net Interest and Fee Margin:					
Interest Income Yield	12.34%	12.34%	12.89%	12.32%	11.98%
Fee Income Yield	2.89%	3.10%	2.96%	3.00%	3.05%
Interest and Fee Income Yield	15.23%	15.44%	15.85%	15.32%	15.03%
Cost of Funds	4.60%	4.78%	5.68%	5.50%	5.13%

Net Interest and Fee Margin	10.63%	10.66%	10.17%	9.82%	9.90%
Average Total Finance Receivables	\$717,893	\$733,304	\$745,150	\$745,175	\$730,267
Average Net Investment in Leases	\$710,587	\$724,933	\$733,461	\$729,951	\$713,171
End of Period Net Investment in Leases	\$740,021	\$746,889	\$752,562	\$737,301	\$715,677
End of Period Loans	\$8,118	\$9,038	\$13,376	\$16,234	\$15,750
End of Period Factoring Receivables	\$182	\$95	\$26	\$0	\$0
Total Loan and Lease Sales Personnel	101	114	124	117	95
Portfolio Asset Quality:					
Total Finance Receivables					
30+ Days Past Due Delinquencies	2.59%	3.08%	3.36%	3.07%	3.13%
30+ Days Past Due Delinquencies	\$22,292	\$26,770	\$29,548	\$26,535	\$26,195
60+ Days Past Due Delinquencies	0.68%	0.91%	0.95%	1.10%	1.16%
60+ Days Past Due Delinquencies	\$5,824	\$7,951	\$8,377	\$9,527	\$9,687
Leasing					
30+ Days Past Due Delinquencies	2.60%	3.03%	3.37%	3.05%	3.04%
30+ Days Past Due Delinquencies	\$22,211	\$26,054	\$29,101	\$25,831	\$24,930
60+ Days Past Due Delinquencies	0.68%	0.91%	0.95%	1.09%	1.12%
60+ Days Past Due Delinquencies	\$5,798	\$7,795	\$8,195	\$9,230	\$9,156
Loans					
30+ Days Past Due Delinquencies	0.99%	7.74%	3.03%	4.24%	7.62%
30+ Days Past Due Delinquencies	\$81	\$715	\$426	\$704	\$1,265
60+ Days Past Due					

Delinquencies 60+ Days Past Due	0.32%	1.69%	1.23%	1.79%	3.20%
Delinquencies	\$26	\$156	\$173	\$297	\$531
Factoring					
Receivables 30+ Days Past Due					
Delinquencies	0.00%	1.01%	70.00%	0.00%	0.00%
30+ Days Past Due					
Delinquencies	\$0	\$1	\$21	\$0	\$0
60+ Days Past Due					
Delinquencies	0.00%	0.00%	30.00%	0.00%	0.00%
60+ Days Past Due					
Delinquencies	\$0	\$0	\$9	\$0	\$0
Net Charge-offs - Leasing	\$3,176	\$3,351	\$4,680	\$5,289	\$5,448
% on Average Net Investment in Leases Annualized	1.79%	1.85%	2.55%	2.90%	3.06%
Net Charge-offs - Other Finance Receivables	\$31	\$49	\$122	\$631	\$283
% on Average Other Finance Receivables Annualized	1.70%	2.34%	4.17%	16.58%	6.62%
Allowance for Credit Losses	\$8,829	\$9,395	\$10,988	\$12,074	\$12,873
% of 60+ Delinquencies	151.60%	118.16%	131.17%	126.73%	132.89%
90+ Day Delinquencies (Non-earning total finance receivables)	\$2,449	\$3,438	\$3,695	\$3,940	\$4,704
Balance Sheet:					
Assets					
Investment in Leases and Loans	\$730,316	\$738,275	\$749,543	\$739,393	\$719,873
Initial Direct Costs and Fees	26,652	27,048	27,383	26,216	24,517
Reserve for Credit Losses	(8,829)	(9,395)	(10,988)	(12,074)	(12,873)
Net Investment in Leases and Loans	\$748,139	\$755,928	\$765,938	\$753,535	\$731,427
Cash and Cash Equivalents	8,060	10,964	34,347	24,089	36,798
Restricted Cash	64,660	68,634	141,070	64,894	65,136
Other Assets	21,343	16,031	18,299	30,315	22,216

Total Assets	\$842,202	\$851,557	\$959,654	\$872,833	\$855,577
Liabilities					
Total Debt	\$651,771	\$659,561	\$773,085	\$680,256	\$618,330
Deposits	\$0	\$0	\$0	\$0	\$43,618
Other					
Liabilities	42,780	41,563	36,424	44,975	41,234
Total					
Liabilities	\$694,551	\$701,124	\$809,509	\$725,231	\$703,182
Stockholders'					
Equity					
Common Stock	\$123	\$123	\$122	\$122	\$122
Paid-in					
Capital, net	84,923	85,638	84,422	83,792	83,319
Other					
Comprehensive					
Income	1,955	(1,006)	(3,130)	(6,402)	(2,836)
Retained					
Earnings	60,650	65,678	68,731	70,090	71,790
Total					
Stockholders'					
Equity	\$147,651	\$150,433	\$150,145	\$147,602	\$152,395
Total					
Liabilities					
and					
Stockholders'					
Equity	\$842,202	\$851,557	\$959,654	\$872,833	\$855,577
Capital and					
Leverage:					
Tangible Equity	\$147,651	\$150,433	\$150,145	\$147,602	\$152,395
Debt to					
Tangible					
Equity	4.41	4.38	5.15	4.61	4.34
Expense Ratios:					
Salaries and					
Benefits					
Expense	\$5,113	\$5,257	\$5,243	\$5,870	\$6,344
Salaries and					
Benefits					
Expense					
Annualized %					
of Avg. Fin					
Recbl	2.85%	2.87%	2.81%	3.15%	3.47%
Total personnel					
end of quarter	324	331	357	354	291
General and					
Administrative					
Expense	\$3,281	\$3,447	\$3,553	\$4,303	\$3,994
General and					
Administrative					
Expense					
Annualized %					
of Avg. Fin					
Recbl	1.83%	1.88%	1.91%	2.31%	2.19%
Efficiency					
Ratio	40.68%	41.06%	42.41%	50.71%	52.25%
Net Income:					

Net Income	\$5,178	\$5,028	\$3,053	\$1,359	\$1,700
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Annualized
Performance
Measures:

Return on Average Assets	2.49%	2.38%	1.25%	0.60%	0.79%
Return on Average Stockholders' Equity	14.36%	13.49%	8.10%	3.66%	4.50%

Per Share Data:

Number of
Shares -

Basic	12,106,482	12,155,152	12,138,824	12,033,523	11,987,220
EPS- Basic	\$0.43	\$0.41	\$0.25	\$0.11	\$0.14

Number of
Shares -

Diluted	12,341,182	12,355,484	12,283,142	12,133,159	12,061,843
EPS- Diluted	\$0.42	\$0.41	\$0.25	\$0.11	\$0.14

Net investment in total finance receivables includes net investment in direct financing leases, loans, and factoring receivables.

CONTACT: Marlin Business Services Corp.
Lynne Wilson
1-888-479-9111 ext. 4108