

Marlin Business Services Corp. Reports Fourth Quarter and Year End 2006 Earnings

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MOUNT LAUREL, N.J., Feb. 15 /PRNewswire-FirstCall/ -- Marlin Business Services Corp. (Nasdaq: MRLN) today reported net income of \$3.9 million for the fourth quarter ended December 31, 2006, compared with net income of \$4.4 million for the same period in 2005. Diluted net income per share was \$0.32 for the fourth quarter of 2006, a decrease of 11.1% compared with \$0.36 for the same period in 2005. The quarterly net income was impacted by a one-time after-tax charge of \$0.9 million or \$0.07 per share related to the departure of Marlin's President, reported in Form 8-K filed December 21, 2006.

For the year ended December 31, 2006, net income was \$18.6 million compared to \$16.2 million for the year ended December 31, 2005. Diluted net income per share for the year ended December 31, 2006 was \$1.53, an increase of 12.5% compared to \$1.36 per diluted share reported for the year ended December 31, 2005. Returns on average assets and equity for the year ended December 31, 2006 were 2.54% and 14.95%, respectively.

Excluding the impact of adjustments related to the departure of Marlin's President in the fourth quarter of 2006 and Hurricane Katrina adjustments in both 2006 and 2005, net income for the year ended December 31, 2006 would have been \$19.0 million compared to \$17.0 million of net income for the year ended December 31, 2005. Diluted earnings per share, excluding the impact of these adjustments, would have been \$1.56 for the year ended December 31, 2006 compared to \$1.42 per diluted share for the year ended December 31, 2005.

"Despite the pressure from a higher interest rate environment, 2006 marked another year of progress and growth in our business," said Daniel P. Dyer, Chairman and CEO of Marlin Business Services Corp. "New lease origination volume grew 22.0% and portfolio asset quality was exceptional. We're also pleased with our progress pursuing new opportunities to serve small businesses with the launch of our Factoring and Business Capital Loan products in 2006."

Highlights for the year and quarter ended December 31, 2006 include:

Asset Origination

- Based on initial equipment cost, lease production increased 22.0% to \$388.7 million for the year ended December 31, 2006 compared to \$318.5 million for 2005.
- Growth from direct sales was 13.9% year over year and growth from the indirect channel was 37.5%.
- Net investment in leases was \$693.9 million at December 31, 2006.
- Based on initial equipment cost, lease production was \$106.8 million in the fourth quarter of 2006 compared with \$102.0 million in the third quarter of 2006 and \$76.5 million in the fourth quarter of 2005.
- Our end user customer base grew to more than 87,000 at December 31, 2006 compared with 86,000 at September 30, 2006 and 82,000 at December 31, 2005. The number of active leases in our portfolio was approximately 110,000 at December 31, 2006.
- As of December 31, 2006 the Company had \$1.8 million of purchased

receivables balances for its factoring business "Marlin Trade Receivables."

- As of December 31, 2006 the Company had \$2.0 million of loan balances recorded for its new Business Capital Loan Product.

Net Interest and Fee Margin and Cost of Funds

- The interest income yield was 13.11% as a percentage of average net investment in leases for the quarter ended December 31, 2006, an increase of 54 basis points from the quarter ended September 30, 2006 and an increase of 15 basis points from the fourth quarter of 2005. This is due primarily to interest income on free cash flow as a result of the debt proceeds raised in our third quarter term securitization.
- Fee income as a percentage of average net investment in leases was 3.07% for the quarter ended December 31, 2006 compared to 3.35% for the quarter ended September 30, 2006. Fee income was \$5.1 million for the quarter ended December 31, 2006 compared to \$5.2 million for the third quarter of 2006. The decrease in fee income is primarily attributed to lower renewal income and lower net residual income on disposed equipment in the current quarter compared to the third quarter of 2006. Renewal income net of depreciation was \$1.6 million in the fourth quarter compared to \$1.7 million in the third quarter of 2006. Residual income from disposed equipment was a net loss of \$76,000 in the fourth quarter ended December 31, 2006 compared to a net gain of \$68,000 in the third quarter ended September 30, 2006.
- The average cost of funds as a percentage of net investment in leases was 4.95% for the quarter ended December 31, 2006. This was a 54 basis point increase from the 4.41% for the quarter ended September 30, 2006. The increase in the average cost of funds was attributed to the assumption of higher debt balances primarily as a result of the prefunding feature of the term securitization completed late in the third quarter. The prefunding proceeds were used to finance fourth quarter originations.
- Due to the factors discussed above, the net interest and fee margin was 11.23% as a percentage of average net investment in leases for the quarter ended December 31, 2006, a decrease of 28 basis points compared to 11.51% for the quarter ended September 30, 2006.
- The average implicit yield on new business was 12.66% for the quarter ended December 31, 2006 compared to 12.73% for the quarter ended September 30, 2006.
- Included in income for the year ended December 31, 2006 is \$160,000 of interest income related to the Company's factoring product and \$67,000 of interest income related to its Business Capital Loan product.

Credit Quality

- Net charge-offs were 1.56% of average net investment in leases for the year ended December 31, 2006 compared to 1.74% for the year ended December 31, 2005.

- Net charge-offs totaled \$2.4 million for the quarter ended December 31, 2006 compared with \$2.7 million for the third quarter of 2006. On an annualized basis, net charge-offs were 1.46% of average net investment in leases during the fourth quarter of 2006 compared to 1.72% for the third quarter of 2006.
- As of December 31, 2006, 0.71% of our total lease portfolio was 60 or more days delinquent, compared to 0.58% as of September 30, 2006 and 0.61% as of December 31, 2005.
- Allowance for credit losses was \$8.2 million as of December 31, 2006, compared to \$7.8 million as of September 30, 2006. Allowance for credit losses as a percentage of net investment in leases was 1.21% at both December 31, 2006 and September 30, 2006.
- At December 31, 2006, the allowance for credit losses was 144.5% of leases 60 or more days delinquent compared to 176.1% at September 30, 2006.
- In conjunction with this release, static pool loss statistics have been updated as supplemental information on the investor relations section of our website at <http://www.marlincorp.com>.

Operating Expenses

- Salaries and benefits expense was \$6.9 million in the fourth quarter of 2006 compared to \$5.2 million in the third quarter. Salaries and benefits expense included a one-time pretax charge of \$1.45 million due to the separation agreement related to the departure of Marlin's President. Excluding this adjustment, salaries and benefits were 3.30% as an annualized percentage of average net investment in leases for the fourth quarter of 2006 versus 3.31% in the third quarter of 2006. Salaries and benefits also included \$110,000 of expenses in the fourth quarter of 2006 related to Marlin Business Bank (in organization).
- Other general and administrative expenses were \$3.3 million in the fourth quarter of 2006 compared to \$2.9 million in the third quarter. Other general and administrative expenses as an annualized percentage of average net investment in leases were 1.98% for the fourth quarter of 2006 compared to 1.84% for the third quarter of 2006. We incurred approximately \$185,000 in professional fees associated with a follow on offering done on behalf of a shareholder (pursuant to such shareholder's registration rights) completed in the fourth quarter of 2006. In addition, we incurred \$229,000 in external consulting fees related to recruiting and other projects.

Funding and Liquidity

- Our debt to equity ratio was 4.59:1 at December 31, 2006 compared to 5.50:1 at September 30, 2006.
- Capital increased an additional \$143,000 through the exercise of employee stock options and the related tax benefits during the fourth quarter of 2006.

- We raised \$185,000 in additional capital from the sale of 8,270 common shares through the Employee Stock Purchase Plan in the fourth quarter of 2006.
- The Company had \$26.7 million in unrestricted cash balances as of December 31, 2006.

Other

- On November 21, 2006, the Company closed on a follow on offering on behalf of an institutional investor in the amount of 1.0 million shares.

Conference Call and Webcast

We will host a conference call on Friday, February 16, 2007 at 9:00 a.m. EST to discuss our fourth quarter and year end 2006 results. If you wish to participate, please call (800) 909-7113 approximately 10 minutes in advance of the call time. The conference ID will be: "7Marlin." The call will also be Webcast on the Investor Relations page of the Marlin Business Services Corp. website, <http://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 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 <http://www.marlincorp.com> or call toll free at (888) 479-9111.

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
(Dollars in thousands, except per-share data)

	December 31, 2006	December 31, 2005
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	(Unaudited)	
Assets		
Cash and cash equivalents	\$26,663	\$34,472
Restricted cash	57,705	47,786
Net investment in direct financing leases	693,911	572,581
Property and equipment, net	3,430	3,776
Property tax receivables	257	191
Fair value of cash flow hedge derivatives	456	3,383
Other assets	13,030	8,800
	-----	-----
Total assets	\$795,452	\$670,989
	=====	=====
Liabilities and Stockholders' Equity		
Revolving and term secured borrowings	\$616,322	\$516,849
Other liabilities:		
Fair value of cash flow hedge derivatives	1,607	-
Sales and property taxes payable	8,034	7,702
Accounts payable and accrued expenses	12,269	8,467
Deferred income tax liability	22,931	25,362
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Total liabilities	661,163	558,380
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Commitments and Contingencies		
Stockholders' equity:		
Common Stock, \$0.01 par value;		
75,000,000 shares authorized;		
12,030,259 and 11,755,225 shares		
issued and outstanding, respectively	120	117
Preferred Stock, \$0.01 par value;		
5,000,000 shares authorized; none issued	-	-
Additional paid-in capital	81,850	77,186
Stock subscription receivable	(18)	(25)
Cumulative other comprehensive income	1,892	3,520
Retained earnings	50,445	31,811
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Total stockholders' equity	134,289	112,609
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Total liabilities and stockholders' equity	\$795,452	\$670,989
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MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES
Consolidated Statements of Operations

(Dollars in thousands, except per-share data)
(Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2006	2005	2006	2005
Income:				
Interest income	\$21,648	\$17,979	\$77,644	\$67,572
Fee income	5,066	4,699	20,311	17,957
Interest and fee income	26,714	22,678	97,955	85,529
Interest expense	8,173	5,933	26,562	20,835
Net interest and fee income	18,541	16,745	71,393	64,694
Provision for credit losses	2,838	2,426	9,934	10,886
Net interest and fee income after provision for credit losses	15,703	14,319	61,459	53,808
Insurance and other income	1,551	1,131	5,501	4,682
Operating income	17,254	15,450	66,960	58,490
Non-interest expense:				
Salaries and benefits	6,898	4,782	22,468	18,173
General and administrative	3,264	3,062	11,957	11,908
Financing related costs	264	382	1,324	1,554
Non-interest expense	10,426	8,226	35,749	31,635
Income before income taxes	6,828	7,224	31,211	26,855
Income taxes	2,946	2,854	12,577	10,607
Net income	\$3,882	\$4,370	\$18,634	\$16,248
Basic earnings per share	\$0.33	\$0.38	\$1.58	\$1.41
Diluted earnings per share	\$0.32	\$0.36	\$1.53	\$1.36

Shares used in computing basic earnings per share	11,889,262	11,646,864	11,803,973	11,551,589
Shares used in computing diluted earnings per share	12,231,808	12,075,882	12,161,479	11,986,088

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

Quarter Ended:	12/31/2005	3/31/2006	6/30/2006
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New Asset Production:			
# of Sales Reps	103	101	103
# of Leases	7,566	7,734	8,553
Equipment Volume	\$76,472	\$82,049	\$97,871
Average monthly sources	1,202	1,219	1,333
Implicit Yield on New Business	12.87%	12.84%	12.68%
Net interest and fee margin			
Interest Income Yield	12.96%	12.54%	12.54%
Fee Income Yield	3.39%	3.45%	3.44%
Interest and Fee Income Yield	16.35%	15.99%	15.98%
Cost of Funds	4.28%	3.87%	4.06%
Net interest and Fee Margin	12.07%	12.12%	11.92%
Average Net Investment in Leases	\$554,705	\$568,248	\$591,905
Portfolio Asset Quality:			
60+ Days Past Due Delinquencies	0.61%	0.49%	0.54%
60+ Days Past Due Delinquencies	\$4,063	\$3,320	\$3,867
Net Charge-offs % on Average Net Investment in Leases Annualized	\$2,513 1.81%	\$2,324 1.64%	\$2,132 1.44%
Allowance for Credit Losses	\$7,813	\$7,904	\$7,370
% of 60+ Delinquencies	192.30%	238.10%	190.59%
90+ Day Delinquencies			

(Non-earning)	\$2,017	\$1,544	\$1,648
Balance Sheet:			
Assets			
Investment in Direct Financing Leases	\$562,039	\$577,219	\$609,359
Initial Direct Costs and Fees	18,355	19,329	20,826
Reserve for Credit Losses	(7,813)	(7,904)	(7,370)
Net Investment in Leases	\$572,581	\$588,644	\$622,815
Cash and Cash Equivalents	34,472	4,929	3,168
Restricted Cash	47,786	52,987	54,457
Other Assets	16,150	23,735	17,667
Total Assets	\$670,989	\$670,295	\$698,107
Liabilities			
Total Debt	\$516,849	\$504,459	\$526,286
Other Liabilities	41,531	46,645	45,580
Total Liabilities	\$558,380	\$551,104	\$571,866
Stockholders' Equity			
Common Stock	\$117	\$118	\$120
Paid-in Capital, net	77,161	78,308	79,583
Other Comprehensive Income	3,520	4,220	4,705
Retained Earnings	31,811	36,545	41,833
Total Stockholders' Equity	\$112,609	\$119,191	\$126,241
Total Liabilities and Stockholders' Equity	\$670,989	\$670,295	\$698,107
Capital and Leverage:			
Tangible Equity	\$112,609	\$119,191	\$126,241
Debt to Tangible Equity	4.59	4.23	4.17
Expense Ratios:			
Salaries and Benefits Expense	\$4,781	\$5,145	\$5,254
Salaries and Benefits Expense annualized % of Avg. Net Invest.	3.45%	3.62%	3.55%
Total personnel end of quarter	296	301	319
General and Administrative Expense	\$3,062	\$2,746	\$3,078
General and Administrative Expense annualized % of Avg. Net Invest.	2.21%	1.93%	2.08%
Efficiency Ratio	43.87%	42.46%	44.16%

Net Income:			
Net Income	\$4,370	\$4,734	\$5,288
Annualized Performance Measures:			
Return on Average Assets	2.49%	2.82%	3.09%
Return on Average Stockholders' Equity	15.89%	16.34%	17.24%
Per Share Data:			
Number of Shares			
- Basic	11,646,864	11,702,161	11,780,018
EPS- Basic	\$0.38	\$0.40	\$0.45
Number of Shares			
- Diluted	12,075,882	12,042,436	12,092,752
EPS- Diluted	\$0.36	\$0.39	\$0.44

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

Quarter Ended:	9/30/2006	12/31/2006
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New Asset Production:		
# of Sales Reps	100	100
# of Leases	8,882	9,045
Equipment Volume	\$101,962	\$106,779
Average monthly sources	1,321	1,309
Implicit Yield on New Business	12.73%	12.66%
Net interest and fee margin		
Interest Income Yield	12.57%	13.11%
Fee Income Yield	3.35%	3.07%
Interest and Fee Income Yield	15.92%	16.18%
Cost of Funds	4.41%	4.95%
Net interest and Fee Margin	11.51%	11.23%
Average Net Investment in Leases	\$624,711	\$660,529
Portfolio Asset Quality:		
60+ Days Past Due Delinquencies	0.58%	0.71%
60+ Days Past Due Delinquencies	\$4,411	\$5,676
Net Charge-offs	\$2,685	\$2,405
% on Average Net Investment in Leases Annualized	1.72%	1.46%

Allowance for Credit Losses	\$7,767	\$8,201
% of 60+ Delinquencies	176.08%	144.49%
90+ Day Delinquencies (Non-earning)	\$1,876	\$2,250
Balance Sheet:		
Assets		
Investment in Direct Financing		
Leases	\$642,113	\$677,848
Initial Direct Costs and Fees	22,496	24,264
Reserve for Credit Losses	(7,767)	(8,201)
Net Investment in Leases	\$656,842	\$693,911
Cash and Cash Equivalents	34,159	26,663
Restricted Cash	179,964	57,705
Other Assets	15,954	17,173
Total Assets	\$886,919	\$795,452
Liabilities		
Total Debt	\$712,355	\$616,322
Other Liabilities	44,963	44,841
Total Liabilities	\$757,318	\$661,163
Stockholders' Equity		
Common Stock	\$120	\$120
Paid-in Capital, net	80,548	81,832
Other Comprehensive Income	2,370	1,892
Retained Earnings	46,563	50,445
Total Stockholders' Equity	\$129,601	\$134,289
Total Liabilities and Stockholders' Equity	\$886,919	\$795,452
Capital and Leverage:		
Tangible Equity	\$129,601	\$134,289
Debt to Tangible Equity	5.50	4.59
Expense Ratios:		
Salaries and Benefits Expense	\$5,171	\$6,898
Salaries and Benefits Expense annualized % of Avg. Net Invest.	3.31%	4.18%
Total personnel end of quarter	310	314
General and Administrative Expense	\$2,868	\$3,264
General and Administrative Expense annualized % of Avg. Net Invest.	1.84%	1.98%
Efficiency Ratio	41.55%	50.58%
Net Income:		
Net Income	\$4,730	\$3,882

Annualized Performance Measures:

Return on Average Assets	2.55%	1.86%
Return on Average Stockholders' Equity	14.79%	11.77%

Per Share Data:

Number of Shares - Basic	11,838,677	11,889,262
EPS- Basic	\$0.40	\$0.33
Number of Shares - Diluted	12,154,889	12,231,808
EPS- Diluted	\$0.39	\$0.32

SOURCE Marlin Business Services Corp.

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