

MICROFINANCIAL INC  
Form 10-Q  
November 14, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2012

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

Commission File No. 1-14771

**MICROFINANCIAL INCORPORATED**

(Exact name of registrant as specified in its charter)

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**Massachusetts**  
(State or other jurisdiction of  
incorporation or organization)  
**04-2962824**  
(I.R.S. Employer  
Identification No.)  
**16 New England Executive Park, Suite 200, Burlington, MA 01803**  
(Address of principal executive offices)  
**(781) 994-4800**  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(b) of the Securities and 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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

As of November 8, 2012, 14,320,219 shares of the registrant's common stock were outstanding.

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**MICROFINANCIAL INCORPORATED**

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(Unaudited)

	September 30, 2012	December 31, 2011
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,281	\$ 2,452
Restricted cash	359	382
Net investment in leases:		
Receivables due in installments	212,491	200,499
Estimated residual value	24,045	23,287
Initial direct costs	1,729	1,476
Less:		
Advance lease payments and deposits	(3,334)	(3,530)
Unearned income	(62,715)	(59,946)
Allowance for credit losses	(13,359)	(13,180)
Net investment in leases	158,857	148,606
Investment in service contracts, net	348	
Investment in rental contracts, net	1,126	898
Property and equipment, net	1,609	1,911
Other assets	1,995	1,093
Total assets	\$ 166,575	\$ 155,342
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Revolving line of credit	\$ 69,312	\$ 62,740
Accounts payable	2,880	2,546
Capital lease obligation		1
Dividends payable	34	19
Other liabilities	2,802	2,220
Income taxes payable		760
Deferred income taxes	10,969	11,333
Total liabilities	85,997	79,619
Stockholders' equity:		
Preferred stock, \$.01 par value; 5,000,000 shares authorized; no shares issued at September 30, 2012, and December 31, 2011		
Common stock, \$.01 par value; 25,000,000 shares authorized; 14,313,852 and 14,257,324 shares issued at September 30, 2012, and December 31, 2011, respectively	143	143
Additional paid-in capital	47,215	46,727
Retained earnings	33,220	28,853
Total stockholders' equity	80,578	75,723
Total liabilities and stockholders' equity	\$ 166,575	\$ 155,342

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The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
<b>Revenues:</b>				
Income on financing leases	\$ 10,160	\$ 9,306	\$ 29,715	\$ 27,543
Rental income	2,462	2,192	7,181	6,271
Income on service contracts	95	97	265	308
Loss and damage waiver fees	1,370	1,241	3,978	3,662
Service fees and other	950	935	2,837	2,798
<b>Total revenues</b>	<b>15,037</b>	<b>13,771</b>	<b>43,976</b>	<b>40,582</b>
<b>Expenses:</b>				
Selling, general and administrative	4,466	3,900	12,847	11,890
Provision for credit losses	4,847	4,517	14,291	13,520
Depreciation and amortization	1,083	873	3,156	2,337
Interest	747	700	2,035	2,043
<b>Total expenses</b>	<b>11,143</b>	<b>9,990</b>	<b>32,329</b>	<b>29,790</b>
Income before provision for income taxes	3,894	3,781	11,647	10,792
Provision for income taxes	1,587	1,456	4,688	4,155
Net income	\$ 2,307	\$ 2,325	\$ 6,959	\$ 6,637
Net income per common share basic	\$ 0.16	\$ 0.16	\$ 0.49	\$ 0.47
Net income per common share diluted	\$ 0.16	\$ 0.16	\$ 0.47	\$ 0.46
<b>Weighted-average shares:</b>				
Basic	14,311,900	14,253,702	14,297,888	14,244,074
Diluted	14,716,500	14,538,910	14,669,997	14,513,708

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Stockholders Equity
	Shares	Amount			
Balance at December 31, 2010	14,231,933	\$ 142	\$ 46,475	\$ 22,870	\$ 69,487
Stock issued for deferred compensation	77,274	1	353		354
Stock-based compensation			138		138
Stock repurchase program	(51,883)		(239)		(239)
Common stock dividends (\$0.21 per share)				(3,008)	(3,008)
Net income				8,991	8,991
Balance at December 31, 2011	14,257,324	143	46,727	28,853	75,723
Stock issued for deferred compensation	48,148		346		346
Stock-based compensation			142		142
Shares issued upon vesting of restricted stock units	8,380				
Common stock dividends (\$0.18 per share)				(2,592)	(2,592)
Net income				6,959	6,959