

# H1 FY2021 Investor Presentation

25 February 2021

*cash*converters



# Business Overview

## Network



**152**  
Australian Stores

- Unsecured Loans (up to \$5,000)
- Vehicle Loans
- Pawnbroking
- Secondhand Retail



**70** Corporate



**82** Franchise



Online



**548** International

## Segment Reporting



**4** Business Units

### EBITDA Contribution % (Before Head Office Costs)

**48.3%** Personal Finance      **20.0%** Corporate Stores

**14.2%** Franchise Operations      **17.5%** Vehicle Finance

## Key Financials

**\$151.1m**

Gross Loan Book

**\$150.0m**

Loan Facility

**\$70.3m**

Loan Facility drawn

**\$314.5m**

Net Assets

**(\$21.0m)**

Net Debt

**\$24.6m**

H1 EBITDA

## CCV 13-month Share Price



### Corporate Profile (at 31 December 2020)

Shares on issue	616,437,946
Share price	\$0.23
Market Capitalisation (undiluted)	\$141.8m
Cash & Equivalents	\$91.3m
Gearing (net debt/equity)	-6.7%
Earnings Per Share	\$0.0125
Net Tangible Assets (NTA) per share	\$0.30

# Our Competitive Advantage



# Regulated vs Unregulated Credit

## Regulated



### We operate within:



- ✓ National Consumer Credit Protection Act 2009 (National Credit Act)
- ✓ Credit Licensing: Responsible Lending Conduct (RG209)
- ✓ Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act)
- ✓ Financial Transaction Reports Act 1988 (FTR Act)
- ✓ State-based Pawnbroking and Secondhand Dealers Act

### With oversight by:



- ✓ Australian Securities and Investment Commission (ASIC)
- ✓ Australian Transaction Reports & analysis Centre (AUSTRAC)
- ✓ State & Territory Police

### Resulting in:



- ✓ Credit pricing determined and capped by the appropriate legislative frameworks
- ✓ Comprehensive assessing procedures, like a mortgage application
- ✓ Over 70% of loan applications being declined based on unsuitability

## Unregulated



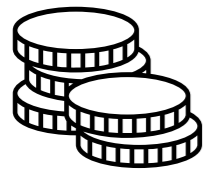
**Buy-Now-Pay-Later**



**Early Wage Access**

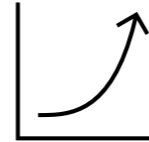
# H1 FY 2021 Metrics

Our unique business model continued to demonstrate its strength as we leveraged our extensive store and online network to combat the impact of COVID-19.



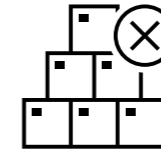
**\$98.4m**

Revenue ▼ 31%



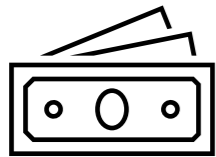
**\$8.6m**

Operating Cash Flow ▲



**\$12.7m**

Gross Bad Debt Expense ▼ 56%



**\$7.7m**

Operating<sup>^</sup> NPAT ▼ 28%



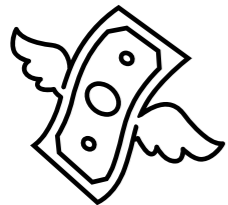
**\$16.0m**

Pawnbroking Loan Book ▲ 72%



**\$5.0m**

Online Retail Sales ▲ 39%



**\$24.6m**

Operating<sup>^</sup> EBITDA ▼ 19%



**\$19.0m**

Inventories ▲ 25%



**58.7%**

Online Lending<sup>^^</sup> ▲ 4.9%

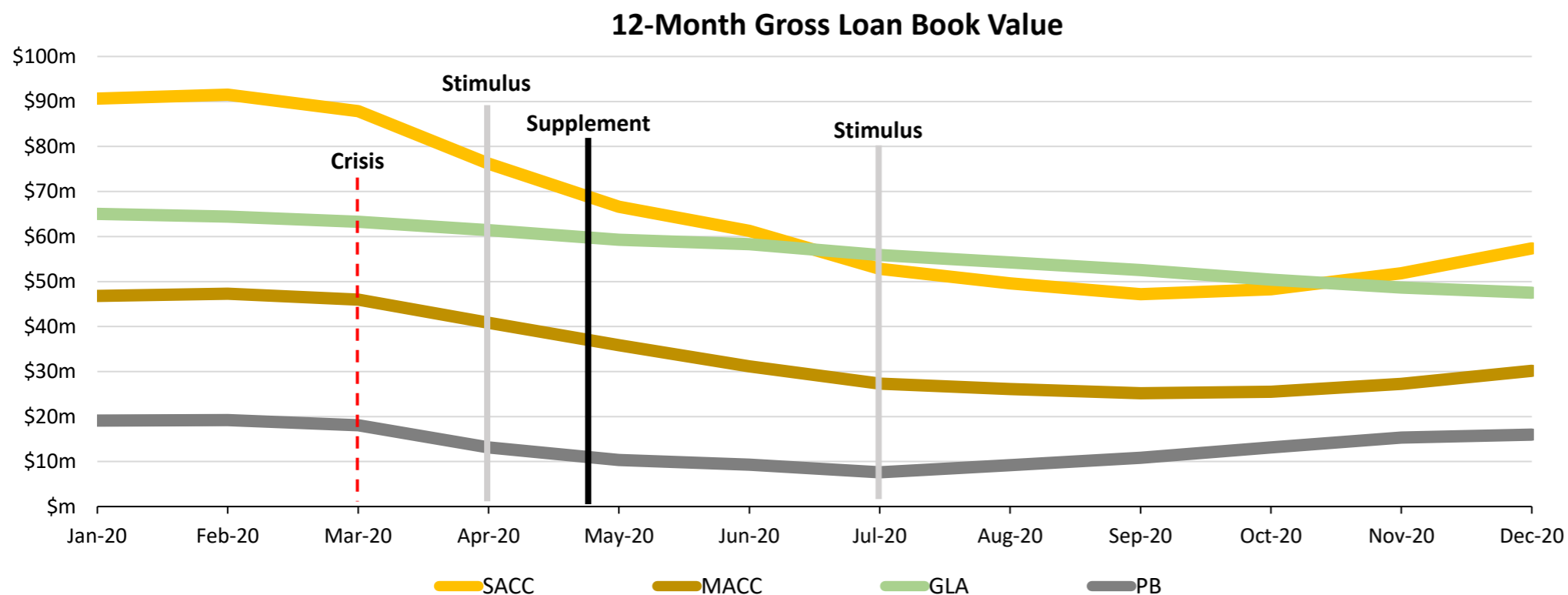
<sup>^</sup>The operating results are presented net of the significant expense items directly associated with the settlement of class action litigation claims in the previous corresponding period.

<sup>^^</sup>Proportion of total principal advanced for SACC and MACC loans originated online, represented as a percentage.

Loan book and inventory balances are compared against balances as at 30 June 2020. All other comparisons are against the previous corresponding period, being the half-year ended 31 December 2019

5 Reconciled EBITDA and NPAT are provided in 'Appendix 1 | Reconciliations' (slide 10)

# Gross Loan Book Value

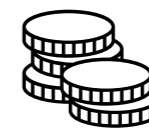


## Q2 FY 2021 Loan Book Recovery



**\$10.2m**

Increase in SACC<sup>^</sup> Loan Book



**\$5.0m**

Increase in MACC Loan Book



**\$5.2m**

Increase in PB Street Value

### Loan Book Provision Commentary

- Cautious assessment of expected credit loss provision includes assessment for accounts reported in hardship and a prudent macro-economic outlook
- Focus on growing loan books with improving credit quality.
- Interest and fees earned on personal and vehicle finance declined in-line with reduced origination volumes on prior period with the impact to EBITDA mitigated by the significant reduction in net bad debt expense.

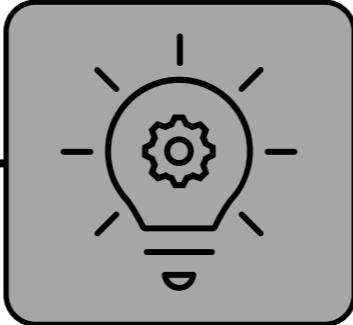
# Cash Flow Strength

	31 Dec 2020	31 Dec 2019	Variance
<b>EBITDA</b>	<b>\$24.6m</b>	<b>(\$12.6m)</b>	<b>\$37.2m</b>
Net non-cash items	(\$0.6m)	(\$1.5m)	\$0.9m
Net Repayment / (funding) of loan books	\$4.0m	(\$9.0m)	\$13.1m
Working capital changes	(\$12.7m)	\$16.3m	(\$28.9m)
Interest and finance costs	(\$3.7m)	(\$4.3m)	\$0.5m
Lease interest payments	(\$2.2m)	(\$2.3m)	\$0.1m
Income tax	(\$0.9m)	(\$2.2m)	\$1.2m
<b>Operating Cash Flow</b>	<b>\$8.6m</b>	<b>(\$15.5m)</b>	<b>\$24.1m</b>
<b>Cash flows from investing activities</b>	<b>(\$1.4m)</b>	<b>(\$1.5m)</b>	<b>\$0.1m</b>
<b>Cash flows from financing activities</b>	<b>(\$22.4m)</b>	<b>(\$5.3m)</b>	<b>(\$17.1m)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(\$15.2m)</b>	<b>(\$22.4m)</b>	<b>\$7.2m</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>\$106.5m</b>	<b>\$81.1m</b>	<b>\$25.4m</b>
Effects of exchange rates changes	(\$0.1m)	\$0.6m	(\$0.7m)
<b>Cash and cash equivalents at end of period</b>	<b>\$91.3m</b>	<b>\$59.4m</b>	<b>\$31.9m</b>

- Included in Cash Flows from Investing Activities is \$3.3m in franchise store acquisitions in the current reporting period (1H19 : \$0)
- Working Capital includes the final class action settlement payment of \$10.0 million paid during the half-year ended 31 December 2020.

# Outlook

Cash Converters has observed early signs of recovery in the Australian market, with demand for credit and consumer sentiment improving. This is the perfect environment for Cash Converters to continue towards its strategic objectives, focusing throughout FY21 and beyond, on the key pillars of **network expansion, product development and operational excellence.**



## Australian Network Expansion

- Greenfield location development in under-represented States (NSW, QLD and VIC).
- Continued disciplined acquisition of franchise stores to expand corporate presence within network.
- Continued development of 'hub & spoke' operating model concept.

## Product Development

- Continued development of new, non-SACC, products to enrich customer options.
- Renewed customer data analysis and insights generation to inform business needs and direction.
- Accelerate direct-to-consumer vehicle financing business.

## Operational Excellence

- Deliver collections insourcing to enhance customer value proposition and optimise recovery yields.
- Continue to progress strategic funding plan.
- Utilise substantial franking credits, return to paying a sustainable dividend.



**Thank you**

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# Appendix 1 | Reconciliations

Reconciled EBITDA <sup>^</sup>	31 Dec 2020	31 Dec 2019	Variance
EBITDA as reported basis	\$24.6m	(\$12.6m)	N/A
Class Action Litigation (claim & costs)	-	\$42.9m	-100.0%
<b>EBITDA Operating<sup>^^</sup> Basis</b>	<b>\$24.6m</b>	<b>\$30.4m</b>	<b>-18.8%</b>

Reconciled Profit	31 Dec 2020	31 Dec 2019	Variance
Reported Profit/ (loss)	\$7.7m	(\$19.4m)	N/A
Class Action Settlement	-	\$42.5m	-100.0%
Class Action Legal Fees	-	\$0.4m	-100.0%
Tax Effect	-	(\$12.9m)	-100.0%
<b>Operating<sup>^^</sup> Profit</b>	<b>\$7.7m</b>	<b>\$10.6m</b>	<b>-27.7%</b>

<sup>^</sup>The Company calculates EBIT as earnings before interest expense and tax and presents EBITDA calculated as EBIT before depreciation and amortisation. EBIT and EBITDA are non-IFRS measures and are alternative performance measures reported in addition to but not as a substitute for the performance measures reported in accordance with IFRS. These measures focus directly on operating earnings and enhance comparability between periods.

<sup>^^</sup>The operating results are presented net of the significant expense items directly associated with the settlement of class action litigation claims in the previous corresponding period

# Appendix 2.1 | Reporting Terms

	Description
<b>Class Action Settlement</b>	<p>On 21 October 2019 Cash Converters announced that the class action commenced against subsidiaries of Cash Converters by Sean Lynch (Lynch v Cash Converters Personal Finance Pty Ltd &amp; Another NSD 900 of 2015) was settled.</p> <ul style="list-style-type: none"> <li>Cash Converters determined to fund the class action settlement (and the associated legal costs) with cash on hand generated from operations. \$32.5 million was paid during the half-year ended 31 December 2019 and the final settlement payment of \$10.0 million was paid during the half-year ended 31 December 2020.</li> </ul>
<b>EBITDA / NPAT Operating Basis</b>	This measure reflects the Company's performance after adding back the Class Action Settlement and associated legal fees.
<b>EBITDA Margin</b>	Measured as: EBITDA / Revenue for the period.
<b>Gross Loan Book</b>	Refers to the combined value of Cash Converters' Small Amount Credit Contract (SACC), Medium Amount Credit Contract (MACC), vehicle finance (GLA), Pawnbroking books.
<b>Net Bad Debt Expense</b>	Measured as: Gross Bad Debt +/- Provision Movement – Recoveries

## Appendix 2.2 | Product Terms

Division	Description
Personal Finance / CCPF / Financial Services	Unsecured personal loan business transacted online and in-store
GLA	Green Light Auto Group Pty Ltd, a wholly owned subsidiary that provides automotive vehicle finance
SACC	Small Amount Credit Contract, transacted in-store and online, up to \$2,000 unsecured personal loan
MACC	Medium Amount Credit Contract, transacted in-store and online, up to \$5,000 unsecured personal loan
Webshop	Online retail website listing retail items available for sale in-store or online
Principal Advanced	Value of amount lent to customers

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