

Half-Year Financial Results

For the period ended 31 December 2021

Strong Operating Leverage & Earnings Momentum

Cash Converters International Limited (ASX:CCV) (“Cash Converters” or “the Company”) today announced its financial results for the half-year ended 31 December 2021 (H1 FY 2022).

Cash Converters recorded an operating post-tax profit of \$7.7m. However, the Company recorded a statutory Net Profit After Tax of \$2k.

Included in this statutory result is the impact of a non-cash impairment expense of \$10.9m, and provision raised against the carrying value of certain individual store assets. The provision has been raised against lease right of use assets of \$9.6m, plant and equipment of \$1.0m and the remaining \$332,000 against intangible assets, including software. Whilst most stores have demonstrated resilience to the macroeconomic impact of COVID-19 and have not been impaired, similar to the experience of other national retailers, there are certain individual stores whose momentum and outlook has been impacted by COVID-19. In particular, government-mandated lockdowns impacted trading conditions, with the first quarter of the financial year resulting in over 24% of lost store trading days across the network. The impairment at individual store level, which is not a goodwill impairment, may reverse in future accounting periods and we note that government-mandated lockdowns appear to be easing throughout H2 FY 2022, relative to those experienced in H1 FY 2022.

H1 FY 2022 Highlights (vs PCP¹)

- Strong revenue growth (up 23%) to \$115.2m.
- Significant loan book growth (up 23%) to \$192.1m.
- Medium Amount Credit Contract (MACC) gross loan book increase 111% to \$65.1m.
- Loan originations growth (up 36%) to \$134.0m.
 - Growth resulted in a \$7.7m expected credit loss variance (charge).
- Bad debt expense at 9.5% of YTD average gross loan book³ (flat).
- New *PayAdvance*² product pilot launched, 75% of customers new.
- Cash and Equivalents \$64.1m.

Group Operating Results	H1 FY 2022	H1 FY 2021	%
Revenue	\$115.2m	\$93.9m	+23%
Operating EBITDA	\$24.4m	\$24.6m	-
Operating PBT	\$10.8m	\$10.3m	+4%
Operating NPAT	\$7.7m	\$7.6m	-

Cash Converters Managing Director, Sam Budiselik stated: “The delivery of strong revenue growth and operating profit demonstrates the resilience of our business model in the context of extensive COVID-19 government-mandated store closures during the half. Whilst these closures resulted in a loss of over 24% of trading days across our network, the most of any COVID-19 impacted period, we remained focused on supporting our customers and our team members and ensuring our financial position remained strong.”

“Our ability to significantly increase loan origination to \$134.0m for the half, up 36% on the prior corresponding half, and in turn grow our gross loan book to \$192.1m by the end of December 2021, is further evidence of the value we have recognised from the significant investment in our digital strategy and assets. The growth in origination resulted in a net expected credit loss allowance charge variance of \$7.7m in the half, with the revenue benefit from this lending growth now due to flow throughout the second half of the financial year.”

“We also continue to transition our loan book to longer duration, lower cost loan products, winning market share in this vertical. The MACC loan book growth, up 32% on the prior half to \$65.1m, reflects the success of this strategy.”

“Notwithstanding lockdowns, the Company’s store segment has withstood the impacts of the pandemic relatively well. Uncertainty regarding the ongoing impact of the pandemic across the retail industry, however, has led the Board to determine a prudent approach in the forecast, resulting in a non-cash impairment charge and provision against the carrying value of certain individual store assets. Our stores remain important to the Company’s distribution strategy and the network continues to evolve to accommodate a smaller footprint and lower lease expense format in commercially attractive locations.”

“As a result of significant free cash flow generated this half, in addition to current cash available and overall balance sheet strength, we continue to sensibly evaluate acquisition opportunities, as we look forward to a new phase of inorganic growth ahead of the Company. It is a combination of the balance sheet strength and underlying operating profitability that has enabled the Board to declare a fully franked interim dividend of 1 cent per share.”

“This position of strength is testament to the work of our team over recent years and I take this opportunity to thank everyone in the business for delivering this terrific operating result, during these challenging times.”

Gross Loan Book Growth

Personal Loans

Cash Converters has continued to diversify its personal finance offering, more than doubling its MACC gross loan book in the past twelve months (up 111%). Growing legacy loan books remains a focus as consumer spending improves, in addition to establishing new products to win new customers.

		30 Jun 2020	31 Dec 2020	30 Jun 2021	31 Dec 2021	Jun 21 vs Dec 21	Dec 20 vs Dec 21
SACC ⁴	Loan Book	\$63.1m	\$59.8m	\$67.6m	\$69.0m	+2%	+15%
	% Of Total	38%	38%	38%	36%		
MACC ⁵	Loan Book	\$31.7m	\$30.9m	\$49.4m	\$65.1m	+32%	+111%
	% Of Total	19%	20%	28%	34%		
GLA ⁶	Loan Book	\$61.5m	\$49.7m	\$44.3m	\$43.4m	-2%	-13%
	% Of Total	37%	32%	25%	23%		
PB ⁷ (Corp)	Loan Book	\$9.3m	\$16.0m	\$16.8m	\$14.4m	-14%	-10%
	% Of Total	6%	10%	9%	8%		
Total Gross Loan Book		\$165.6m	\$156.4m	\$178.1m	\$192.1m	+8%	+23%

Note: Gross loan book metrics have been reclassified to include commissions and broker fees

The successful release of a new *PayAdvance* product is viewed as an opportunity to deal with a younger customer cohort, due to the simple, low cost (5% one off fee) nature of the digital product offering. This is illustrated by 40% of current *PayAdvance* customers sitting in the 18–30-year age range and 78% of current customers under the age of 40 years. This contrasts with the legacy loan books that contain customers with an average around 44 years. Positioning a new creative campaign through digital sales channels we are now reaching a younger customer cohort, with 75% of *PayAdvance* users new to the Company, allows us an opportunity to develop a longer-term relationship with these new customers over time.

Vehicle Loans

Vehicle financing within the Company's wholly owned subsidiary, Green Light Auto (GLA), has been impacted by ongoing COVID-19 related market challenges. Considering elevated second-hand vehicle prices on a historical basis, a cautious approach to assessing the value of security has resulted in our risk appetite for certain deals in some instances being less than that of our competitors. This overlay should normalise over time as second-hand car prices revert to historical levels, however ensuring a high-quality credit risk book remains a short-term priority. Notwithstanding this cautious risk overlay, financing outflows remain strong with \$9.6m financed in the half, a growth rate over 543% in comparison to the prior corresponding period, with momentum in this business unit continuing to build.

Pawnbroking

As mentioned previously, COVID-related lockdowns during the half resulted in the Company's pawnbroking growth remaining subdued. As these restrictions continue to normalise, transaction volumes are expected to recover along with loan book growth.

Strategy Update & Outlook

As outlined previously, addressing the lease costs for certain stores remains a priority as COVID-19 trading impacts are absorbed, with our store strategy continuing to focus on ensuring sustainable long term returns from all store locations, converting to smaller store footprints in some locations and negotiating lease reductions in others.

Our investment in technology continues, to ensure we serve our existing customers without interruption and that we reach new customers and establish new loan books with new product releases. We remain well placed to continue to meet elevated online demand for our retail and lending businesses with future new product development well progressed and new product due for release in the second half of this financial year.

The Company remains well placed to capitalise on inorganic growth opportunities as they present, provided they exceed the necessary return hurdles. Growing loan books should now generate earnings momentum, with a historically stronger second half recorded as a result.

Dividend

The Board confirms the declaration of a fully franked interim dividend of 1 cent per share, payable on 14 April 2022, to those shareholders on the register at close of business 25 March 2022. The Board and management team would like to thank our colleagues for their hard work, our customers for their loyalty, and our shareholders for their continued support.

ENDS

Authorised for release by the Board of Cash Converters International Limited.

Sam Budiselik
Managing Director

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Notes:

- 1 PCP – defined as Previous Corresponding Period i.e., H1 FY 2021 unless otherwise noted
- 2 PayAdvance has a fee of only 5% applied upon repayment, to an advance on earned, but not yet received salary or wages, with no other fees or charges applied.
- 3 Bad debt expense as a % of Year-to-Date (YTD) average loan book excludes Pawnbroking loan book.
- 4 Small Amount Credit Contract (SACC) is a regulated unsecured personal loan product, transacted in-store and online, up to \$2,000.
- 5 Medium Amount Credit Contract (MACC) is a regulated unsecured personal loan product, transacted in-store and online, up to \$5,000.
- 6 Green Light Auto (GLA) is a fully owned subsidiary of CCV offering secured vehicle loans through a network of brokers and dealers.
- 7 Pawnbroking Loan Book – Corporate Stores only

About Cash Converters

Cash Converters International (ASX:CCV) is Australia's leading sub-prime, non-bank lender and second-hand retailer.

Commencing trade in 1984 as a single store in Perth, Western Australia Cash Converters has since expanded its footprint to over 150 stores in Australia and over 500 franchise stores overseas. Its product offering has also been expanded, entering personal and vehicle finance markets where it now maintains significant market share.

Cash Converters has also established a significant online presence in recent years to complement its extensive store network, providing both lending and retail services online to a growing number of customers.

To learn more, please visit: www.cashconverters.com