

H1 FY 2022 Investor Presentation

Cash Converters (ASX:CCV)

February 2022

About Us



Supporting good borrowers.

We are Australia’s leading sub-prime, non-bank lender, providing responsible cash solutions through a well-established store and online network. Our core competency is helping good borrowers with challenging credit files, and we aim to support the millions of Australians excluded by other lenders on this basis.



- 37+ years in operation.
- 85% Brand Awareness in Australia (Nov 2021).
- 155 Stores in Australia.
- 515 Stores overseas.
- Growing online customer base.
- New products reaching younger digital customers.



- As at 31 December 2021:
- Share Price \$0.27 | Market Cap. ~\$160.0m
 - Net Tangible Assets (NTA) 29.59 cents per share.
 - Cash & Equivalents \$64.1m.
 - EV / Operating EBITDA 4.3x.
 - H1 FY 2022 Dividend \$0.01c (100% Franked).



Why Invest?

- ✓ Revenue Growth.
- ✓ Market Expansion.
- ✓ Balance Sheet Strength.
- ✓ Dividend Yield.
- ✓ Diversified Model.
- ✓ New Products.
- ✓ ESG Focused.
- ✓ Acquisition Opportunity.

Our Competitive Advantage



Large Customer Base

- ✓ Transacting with over **20,000** new customers a month.
- ✓ NPS **60+** indicates high trust and satisfaction.
- ✓ Attracting younger, value and environmentally conscious customers.
- ✓ Geographic customer diversification.



Leading Tech Platform

- ✓ Proprietary platforms built inhouse, growing digital volumes.
- ✓ Machine learning powered credit risk models enable lending decisions to credit impaired borrowers.
- ✓ Processing over **400,000** loan apps a year, cash disbursed instantly via the New Payments Platform (NPP).



Healthy Balance Sheet

- ✓ Over **\$64.1m** in cash, and **~\$80.0m** in undrawn funding lines.
- ✓ Strong profit and operating cash flow generation, supportive financiers with facility headroom.
- ✓ Fully franked **2c** dividend declared in FY 2021.



Sustainability

- ✓ Facilitating circular economy, **~4.0m** second-hand transactions conducted each year.
- ✓ Inventory predominantly sourced through our stores which act as our supply chain i.e., no manufacturing or warehousing.
- ✓ Essential and responsible financial service provider to millions of Australians.



Regulation

- ✓ Already meeting National Credit Act for all products.
- ✓ Regulation risk for unregulated lending sectors (e.g. BNPL) presents opportunities.
- ✓ Industry leading lending and compliance platform supports new product releases.

H1 FY 2022 Highlights

Revenue Growth | Loan Book Growth | Online Growth | Strong Free Cashflow | Operating Profit Steady | Dividend Declared



Earnings Leverage

\$115.2m
Revenue (up 23%)

\$24.4m
Operating EBITDA (flat)

\$7.7m
Operating NPAT (flat)

- 24% of trading days lost to COVID-19.
- Strong revenue growth.
- Significant loan book growth resulted in \$7.7m ECL net expense variance.
- Bad debt expense steady at 9.5% of YTD average loan book¹.
- \$0.01c fully franked dividend declared.



Operating Leverage

\$134.0m
Total Outgoings (up 36%)

\$192.1m
Total Gross Loan Book (up 23%)

\$43.2m
MACC¹ Outgoings (up 123%)

- Personal Finance loan books growing.
- \$27.6m in MACC²/SACC³ outgoings in single month of December 2021.
- Vehicle finance outgoings up 543% to \$9.6m.
- MACC loan book up 111% on December 2020.



Strategy Execution



PayAdvance⁴ Released



Future New Products



Inorganic Opportunities

- Over 1,600 PayAdvance loans written in first few weeks of pilot launch, 75% new customers.
- Line of Credit (LOC) development in progress.
- Store network review progressing.

All comparisons are against Previous Corresponding Period (pcp) being H1 FY 2021.

1. Bad debt expense as a % of Year-to-Date (YTD) average loan book excludes Pawnbroking loan book.

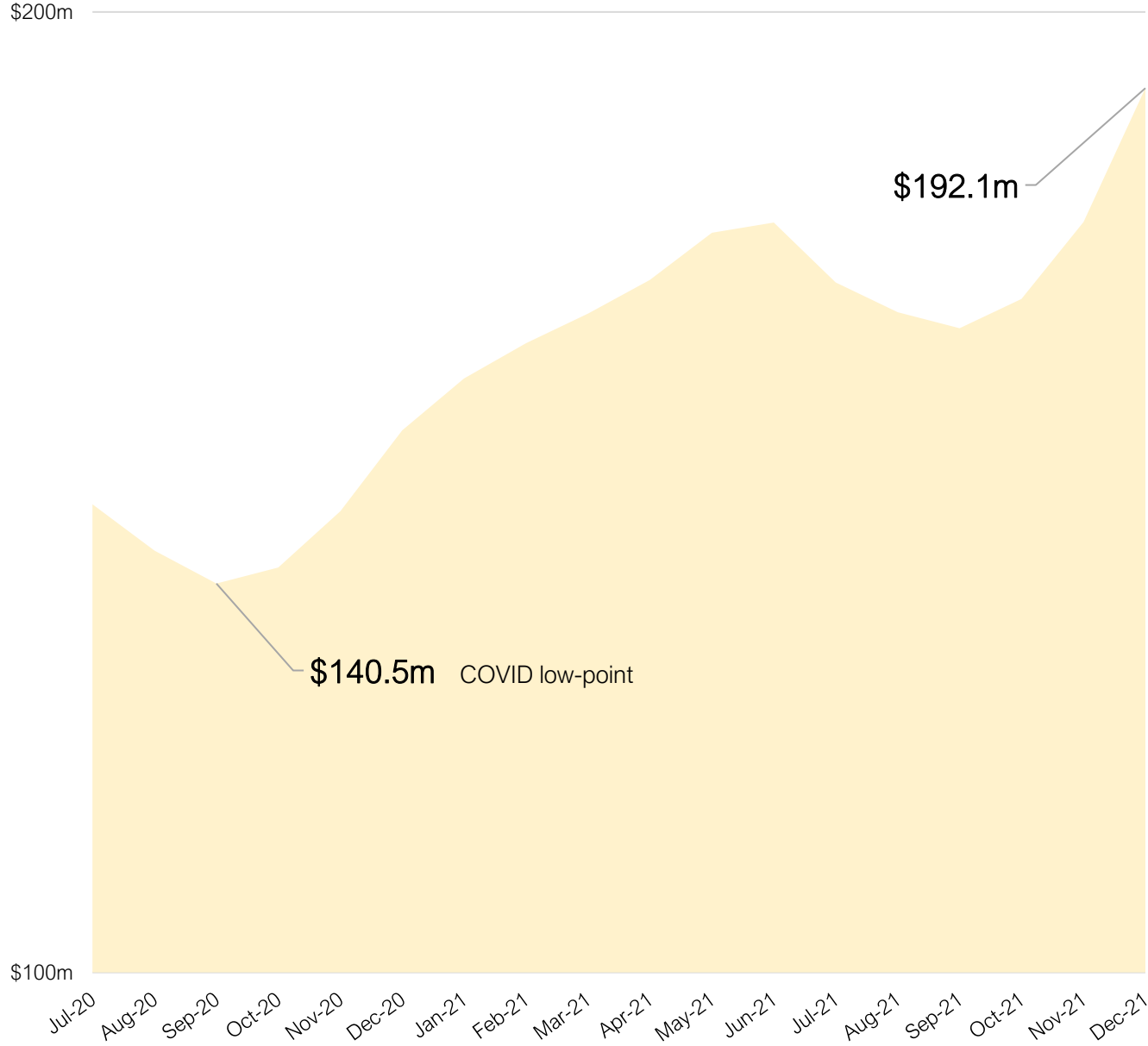
2. Medium Amount Credit Contract (MACC) is a regulated unsecured personal loan product, transacted in-store and online, up to \$5,000.

3. Small Amount Credit Contract (SACC) is a regulated unsecured personal loan product, transacted in-store and online, up to \$2,000. Cash Converters offers 'Cash Advance' and 'Personal Loan' 'SACC' products.

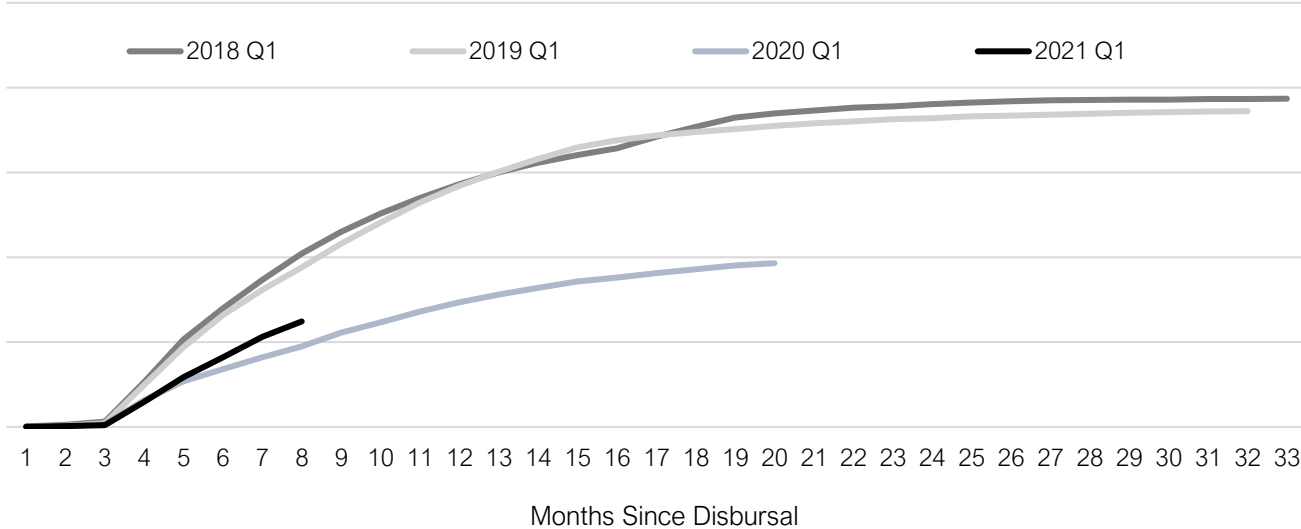
4. PayAdvance is an 'Earned Wage Access' product distributed through Cash Converters' My Loans mobile application.

Quality Lending Growth

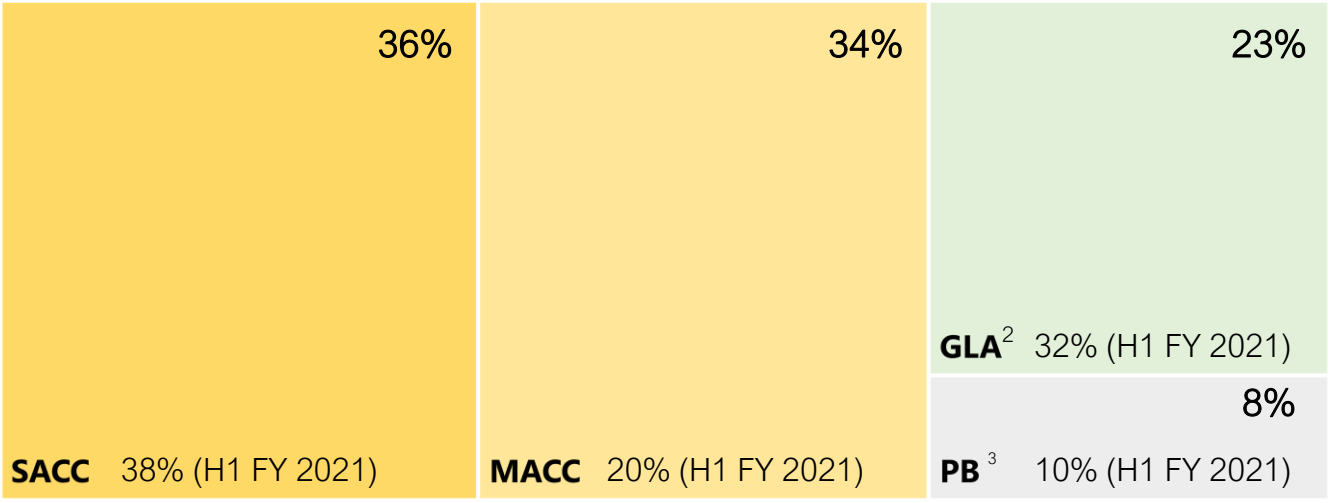
Total Gross Loan Book



Cumulative SACC/MACC Loss Rate¹ Since Loan Disbursal



Gross Loan Book Composition



PayAdvance (launched December 2021)

5
 1. Loss rate based on principal written off as a % of principal advanced (outgoings).
 2. Green Light Auto (GLA) is a fully owned subsidiary of CCV offering secured vehicle loans through a network of brokers and dealers.
 3. Pawnbroking (PB) loan products offered through stores, corporate store loan book balance showing.



Strategy Update



Acquisitions & Expansion

Acquiring strategic loan books, franchises and investing in Greenfields to expand our distribution network, optimising our store model.

H1 FY 2022

- ✓ 3 franchise stores acquired.
- ✓ 1 Greenfields store opened.
- ✓ Store network strategic review.

H2 FY 2022

- Acquire strategic loan books and businesses.
- Disciplined franchise acquisition and network expansion.
- Certain store right-sizing, location reviews.



Customer & Product

Leveraging our extensive customer database and data science expertise to innovate new products and maximise lifetime value of our customers.

H1 FY 2022

- ✓ PayAdvance released.
- ✓ Line of Credit development progressed.
- ✓ AI driven credit risk model enhancements released.

H2 FY 2022

- AI powered new product insights.
- Line of Credit release.
- Vehicle finance Broker API release.



Operating Leverage

Maximise the value we generate for customers and shareholders as we continue to grow our business and optimise our operations.

H1 FY 2022

- ✓ Loan books growing.
- ✓ Yield optimisation.
- ✓ Digital investment.

H2 FY 2022

- Assessing flow optimisation.
- Funding review.
- Contact centre platform upgrade.

Free Cash Flow

	31 Dec 2021	31 Dec 2020	Variance
	\$'000	\$'000	\$'000
EBITDA	13,469	24,633	(11,164)
Net non-cash items	15,469	(568)	16,037
Net (funding) / repayment of loan books	(13,610)	4,023	(17,633)
Working capital changes	3	(12,658)	12,661
Interest and finance costs	(6,213)	(5,882)	(331)
Income tax	(3,779)	(949)	(2,830)
Operating Cash Flow	5,339	8,598	(3,259)
Cash flows from investing activities	(3,948)	(1,379)	(2,569)
Cash flows from financing activities	(9,534)	(22,400)	12,866
Net increase in cash and cash equivalents	(8,143)	(15,180)	7,037
Cash and cash equivalents at beginning of period	72,166	106,548	(34,382)
Effects of exchange rates changes	78	(111)	189
Cash and cash equivalents at end of period	64,101	91,256	(27,155)

- Strong free cash flow generation, leveraged to fund loan books throughout the half.
- In current period reported EBITDA is impacted by the non-cash impairment charge of \$10.9 m to the carrying value of individual store assets which is added back as part of net non-cash items.
- The outflow of \$13.6m in the current period reflects the use of operating cash flow generated, to fund loan book growth. The comparative period reflects the net inflow experienced as loan books reduced during periods of government funding COVID stimulus.
- Working capital in the prior period reflected the final payout of Class Action settlements which has not recurred.
- Investing activities includes the acquisition of the trade and assets of franchised stores.

ESG Framework

Operating for over 37 years, we understand the importance of adding value to the lives of our customers by operating a sustainable business over the long term.



Environmental

- Our retail trade is driven by pre-owned (second-hand) items, which directly contributes to the Circular Economy.
- This extends the useful life of products, reducing waste and lessening demand for new manufacturing and mining.
- We run a neighborhood-oriented business, reducing the need for customer travel and delivery services.
- Each store serves as its own “supply chain.” We do not rely on mass supply, distribution or warehousing facilities.
- Our store operations leave a small carbon footprint when compared to big-box or other mass retailers.
- We promote environmental stewardship by reducing consumption, recycling paper products and responsibly disposing of computers, electronics and related accessories.



Social

- Our business serves as an essential and responsible financial resource for customers who are predominantly underserved by traditional sources.
- We improve the reach and access to financial services through neighborhood-based stores and digital channels.
- Our transactions are simple, transparent, regulated and safe.
- We foster a culture that values diversity, inclusion and development for all.
- We directly contribute to the identification and prevention of fraud and criminal activity working closely with legislators and regulators to contribute to a trustworthy, reliable financial services industry.



Governance

- We support a culture that reflects real people who are passionate and proud, caring and respectful, and our team are tenacious customer problem solvers.
- We maintain a culture of zero-tolerance for compliance risk that is monitored and overseen by our Board.
- Our Board of seven directors has three independents, and we are recruiting another independent director.
- Our Board Investment, Audit & Risk, and Governance Remuneration & Nomination Committees all require a composition of majority independent directors.
- Protecting the privacy, integrity and security of our customers’ data and our enterprise network is a top priority.

ESG In Practice



As part of its hypermarket transformation plan, Carrefour is continuing to introduce new formats and offerings tailored to changing consumer trends. Carrefour is partnering with Cash Converters to launch the Carrefour Occasion shop-in-shop concept. This offering aims to increase Carrefour's contribution to the Circular Economy while giving customers greater purchasing power.

Cash Converters & Carrefour

Carrefour is a French based hypermarket operator with over 12,225 stores in 30 countries.

Cash Converters has partnered with Carrefour to launch the Carrefour Occasion shop in shop concept in France.

This new offering creates value for the consumer. It aims to increase Carrefour's contribution to the circular economy while giving its customers greater purchasing power.

Managed by Cash Converters, this space will facilitate sustainable consumerism by allowing consumers to buy and sell second-hand items which extends the useful life of these products.

Cash Converters business model of buying and selling second-hand goods is the ultimate circular economy model. We have the expertise, the IT systems and Licenses required to provide a low cost, immediate solution for our partners.

Both Companies are committed to an internal circular economy model to ensure minimisation and eradication of landfill waste across their Company-operated stores and complexes in Europe.

Since the launch of this concept in France in March 2021, Cash Converters has opened 12 Carrefour Occasion stores, with 10 scheduled to open in the first quarter of 2022, with the aim to open a further 45 to 50 stores by the end of calendar year 2022.

In addition to France, the collaboration with Carrefour has been extended to Belgium and Spain with the opening of their first concept stores in the latter half of 2021.

Cash Converters is actively seeking an Australian retail partner to establish the same store within a store concept here in Australia.

Appendix

Reconciliations

	31 Dec 2021	31 Dec 2020	Variance
	\$'000	\$'000	\$'000
EBITDA¹ Reported Basis	13,469	24,633	(11,164)
Impairment expenses	10,934	-	
EBITDA Operating Basis	24,403	24,633	(230)
EBIT Reported Basis	6,109	16,251	(10,142)
Impairment expenses	10,934	-	
EBIT Operating Basis	17,043	16,251	792
(Loss) / profit before tax Reported Basis	(152)	10,365	(10,517)
Impairment expenses	10,934	-	
Profit before tax Operating Basis	10,782	10,365	417
NPAT Reported Basis	2	7,620	(7,618)
Impairment expenses	10,934	-	
Tax effect	(3,280)	-	
NPAT Operating Basis	7,656	7,620	36

1. 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. Non-IFRS measures calculated and disclosed have not been audited in accordance with Australian Accounting Standards although the calculation is compiled from financial information that has been audited

Tax Rate Reconciliation

	Operating Basis	Impairment	As Reported
	\$'000	\$'000	\$'000
EBITDA¹	24,403	(10,934)	13,469
Depreciation & Amortisation	(7,360)	-	(7,360)
EBIT	17,043	(10,934)	6,109
Finance Costs	(6,261)	-	(6,261)
Profit / (Loss) before income tax	10,782	(10,934)	(152)
Taxation	(3,126)	3,280	154
Profit / (Loss) after income tax	7,656	(7,654)	2
Effective tax rate	29%	30%	NM²

1. 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. Non-IFRS measures calculated and disclosed have not been audited in accordance with Australian Accounting Standards although the calculation is compiled from financial information that has been audited

2. NM = Not Meaningful

Gross Loan Books

		30 Jun 2020	31 Dec 2020	30 Jun 2021	31 Dec 2021	Jun 21 vs Dec 21	Dec 20 vs Dec 21
SACC ¹	Loan Book	\$63.1m	\$59.8m	\$67.6m	\$69.0m	+2%	+15%
	% Of Total	38%	38%	38%	36%		
MACC ²	Loan Book	\$31.7m	\$30.9m	\$49.4m	\$65.1m	+32%	+111%
	% Of Total	19%	20%	28%	34%		
GLA ³	Loan Book	\$61.5m	\$49.7m	\$44.3m	\$43.4m	-2%	-13%
	% Of Total	37%	32%	25%	23%		
PB ⁴ (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%

1. Small Amount Credit Contract (SACC) is a regulated unsecured personal loan product, transacted in-store and online, up to \$2,000.
 2. Medium Amount Credit Contract (MACC) is a regulated unsecured personal loan product, transacted in-store and online, up to \$5,000.
 3. Green Light Auto (GLA) is a fully owned subsidiary of CCV offering secured vehicle loans through a network of brokers and dealers.
 4. Pawnbroking Loan Book – Corporate Stores only

Disclaimer

The material contained in this presentation is intended to be general background information on Cash Converters and its activities current at the date of the presentation. The information is supplied in summary form and is therefore not necessarily complete. It is not intended that it be relied upon as advice to investors or potential investors, who should consider seeking independent professional advice depending on their specific investment objectives, financial situation or particular needs. No representation or warranty is made as to the accuracy, completeness or reliability of the information.

This presentation may contain statements that are, or may be deemed to be, forward-looking statements including statements regarding the Company's intent, belief or current expectations with respect to Cash Converters' business and operations. Readers are cautioned not to place undue reliance on these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, which may cause actual results to differ materially from those expressed or implied in such statements. Cash Converters does not undertake any obligation to update any forward-looking statement contained in this presentation to reflect any change in the assumptions, events, conditions or circumstances on which the statement is based.

