

Q3 FY 2022 Unaudited Business & Trading Update

Strong Loan Book Growth & Operating Leverage

Cash Converters International Limited (ASX: CCV) (“Cash Converters” or “the Company”) is pleased to provide the following market update at the conclusion of the third quarter ended 31 March 2022 of the financial year ending 30 June 2022 (FY 2022).

Q3 FY 2022 Highlights (pcp as of Q3 FY 2021)

- Strong gross loan book growth continues **up 21%** on pcp to **\$203.7m**.
- Increased future expected loan book income (fees and interest) now sitting at **\$64.3m**¹.
- Strong Medium Amount Credit Contract (“MACC”)² outgoings exceeding **\$21.8m** across Q3 FY 2022 (**up 33.2%** on pcp) powering MACC loan book growth **up 84%** on pcp.
- With the rapid loan book growth experienced, net losses³ remain low at **4.1% for the third quarter**, resulting from disciplined underwriting and advanced quantitative credit risk models (down from 5.5% during Q3 FY 2020).
- Green Light Auto (“GLA”)⁴ loan book is now growing, with outgoings exceeding **\$5.8m** across the third quarter (**up 177.7%** on pcp) across a national distribution network that now exceeds 1,620 accredited introducers.
- Store network trading continuing to build momentum with foot traffic and trading activity normalising.
- New PayAdvance product pilot progressing well with over 70% of approved loan applicants new to the business and 80% under the age of 40.
- Strong balance sheet with \$150m loan securitisation facility headroom (only drawn to \$70.3m) and cash and cash equivalents of **\$61.7m**.
- Domestic and international acquisition target reviews progressing well.

Gross Loan Book Values at 31 March 2022

		31 Dec 2020	31 Mar 2021	30 Jun 2021	31 Dec 2021	31 Mar 2022	31 Mar 22 vs 31 Dec 21	31 Mar 22 vs 31 Mar 21
SACC ⁵	Loan Book	\$59.8m	\$65.6m	\$67.6m	\$69.0m	\$73.0m	+6%	+11%
	% Of Total	38%	39%	38%	36%	36%		
MACC	Loan Book	\$30.9m	\$39.0m	\$49.4m	\$65.1m	\$71.6m	+10%	+84%
	% Of Total	20%	23%	28%	34%	35%		
GLA	Loan Book	\$49.7m	\$46.6m	\$44.3m	\$43.4m	\$45.0m	+3%	-4%
	% Of Total	32%	28%	25%	23%	22%		
PB ⁶ (Corp)	Loan Book	\$16.0m	\$17.4m	\$16.8m	\$14.4m	\$14.2m	-2%	-18%
	% Of Total	10%	10%	9%	8%	7%		
Total Gross Loan Book		\$156.4m	\$168.6m	\$178.1m	\$192.0m	\$203.7m	+6%	+21%

Business Update

Cash Converters Managing Director, Sam Budiselik, stated, “We are pleased to report continued lending momentum following the elevated volumes reported during the second quarter of FY 2022. We would normally expect our loan books to reduce following the Christmas trading period but have instead seen our unsecured personal loan and secured vehicle financing businesses continue to grow strongly throughout the third quarter of the financial year.”

“Whilst credit demand is continuing to recover as travel and entertainment sectors rebound in particular, the significant investment over recent years in our digital strategy, coupled with the increasing scale of our physical store network, is enabling us to leverage our dominant market position and brand to grow our market share. From this position of strength, throughout the third quarter of FY 2022 our total gross loan book continued to grow, up 21% on a pcp basis with future expected loan book income (fees and interest) now over \$64m”.

“Whilst confident in our credit models (approving less than 25% of loan applications received) the application of the required Expected Credit Loss allowance results in the upfront recognition of future potential credit loss expense, in advance of the fee and interest revenue that is recognised over the loan lifetime. This results in a short-term negative net earnings impact, offset by a longer-term earnings benefit.

As a result of this unexpectedly strong book growth and the revenue and expense timing mismatch, we now forecast a second half earnings profile similar to the first half operating earnings of FY 2022, with the benefit of this loan book growth and future expected income expected to materialise in the first half of the new financial year 2023.”

“It remains clear that our secured and unsecured loan products continue to responsibly meet the credit demand from the millions of Australians excluded from the mainstream financial system. Meanwhile, our unique second-hand retail offering continues to appeal to value and environmentally conscious consumers.”

Trading Update

Q3 (31 March 2022) Gross Loan Book Growth +6%

Origination was particularly strong across the third quarter with MACC up 33.2% and GLA up 177.7% respectively (on pcp basis). A growing proportional share of total gross loan book value from the MACC product, which now comprises 35% of the total gross loan book, was an anticipated outcome of our continuing shift to longer term, lower cost loan products. Momentum across the secured vehicle finance business has also grown significantly after reaching an August 2020 monthly outgoings low as the platform and product offering was overhauled. Across the third quarter, this business exceeded \$5.8m in outgoings as momentum continues to build across a network that now exceeds 1,620 accredited introducers.

The PayAdvance⁷ Earned Wage Access (“EWA”) pilot product release, whilst still in its early stages, has also progressed well. We have been pleased to observe that over 70% of approved loan applicants are new to the business as we are reaching a younger audience (with 80% of applicants under the age of 40) with a lower cost (five percent one off fee) short term cash solution. As a part of our responsible lending and assessing processes we can now assist these new customers over time, with longer term loan solutions that responsibly address the underlying credit need.

As a result of this customer journey, 12% of PayAdvance customers have now transferred to different credit products across our business, to meet their underlying credit needs.

Cash Converters expects loan book growth to continue into the last quarter of FY 2022.

Strategy Update

Cash Converters continues to execute on a strategy to increase earnings with operating leverage resulting in strong underlying organic growth, whilst assessing inorganic growth opportunities in a disciplined manner.

Network Expansion & Acquisition

Cash Converters is progressing several franchise acquisition opportunities, in Australia and overseas. Viewed as a low-risk way to increase group earnings, with our franchise partners successfully operating networks over time, these Cash Converters branded stores make a logical acquisition target, when executed at attractive earnings multiples.

New Product Development

Following the successful pilot of the new PayAdvance product a national launch is planned throughout Q4 FY 2022. Development of a new line of Line of Credit product, designed to aid in the retention of high lifetime value customers, has progressed well and is due to move into pilot phase in Q4 FY 2022. Continuing to diversify loan books remains a priority, as does addressing increasing competition from lenders operating under National Credit Act exemptions, allowing the provision of credit without many of the sensible safeguards Cash Converters provides.

Funding & Cash

The Company remains well capitalised with substantial debt capacity to fund future growth (\$150m loan securitisation facility only drawn to \$70.3m) and with cash and cash equivalents of \$61.7m.

Outlook

Cash Converters' unique business model continues to demonstrate its strength, leveraging an extensive store and online network to serve a growing number of new customers. A healthy pipeline of potential store acquisition and development opportunities, a sensible new product roadmap and ongoing operational optimisation, supported by a strong balance sheet and operating cash flow, provides the Company with a clear runway for continued, measured, and disciplined growth.

Cash Converters expects to release its FY 2022 results on 25 August 2022.

ENDS

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

Sam Budiselik

Managing Director

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Notes:

- 1 Calculated as the contractual interest and fees receivable from customer accounts on SACC, MACC and GLA products from 1 April 2022 to maturity assuming all scheduled amounts are received with no prepayments or arrears.
- 2 Medium Amount Credit Contract (MACC) is a regulated unsecured personal loan product, transacted in-store and online, up to \$5,000.
- 3 Net losses: Bad debt written off expense net of recoveries compared to average gross loan book for the quarterly period January to March 2022 (and prior period January to March 2020).
- 4 Green Light Auto (GLA) is a fully owned subsidiary of CCV offering secured vehicle loans through a network of brokers and dealers.
- 5 Small Amount Credit Contract (SACC) is a regulated unsecured personal loan product, transacted in-store and online, up to \$2,000.
- 6 Pawnbroking Loan Book – Corporate Stores only.
- 7 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.

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