

## ASX Announcement (ASX:CCV)

### Managing Director & Chief Executive Officer Address

Following formal close of Annual General Meeting

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Thank you, Tim, and good morning fellow Shareholders.

I would like to start by briefly summarising our achievements in financial year 2022, prior to providing an update on the momentum that has continued into the first quarter of financial year 2023. As Tim touched upon in his address, your management team is pleased to have delivered a strong operating profit, during what was a difficult and disrupted financial year 2022.

This result was a product of an ongoing focus on our customer, as we continue to grow our market share in our key product verticals, whilst continuing the disciplined execution of our strategic plan. These actions taken not only ensure that we remain in a strong financial position to sustainably continue shareholder returns but enables us to capitalise on strategic opportunities to grow as they present.

I wanted to take this opportunity to thank everyone across our business who contributed to the result.

### Unaudited Business Update – Q1 FY 2023

#### Strong Trading Momentum across all Business Lines

Looking forward now to the new financial year 2023, I am pleased to report that the momentum we have built in the business has continued into the new financial year. I should note that unless otherwise stated, comparisons to the previous corresponding period (pcp) refer to the first quarter of the prior financial year 2022 (as at 30 September 2021). Whilst lending volumes and gross loan books were not at September 2020 COVID lows, the pcp period was impacted by COVID related stimulus payments and ongoing credit demand weakness because of continuing lockdowns at that time.

We have had a strong start to the new financial year with first quarter consolidated revenue of \$69.0m, up 24.5% on pcp. The strength of this first quarter continues to demonstrate the momentum of our diversified business model, with elevated demand for credit continuing across our customer segment. (A table summarising the most recent value of our loan books is now onscreen and included in the documents lodged on the ASX this morning.)

#### Combined Outgoings up 38% - Gross Loan Books up 28% - Year on Year.

Lending momentum continued with all loan books growing on a comparative basis, as combined lending volumes lifted to \$73.2m for the quarter (up 38% from \$52.9m pcp). Our gross loan books continued to grow as a result, up 28% on a pcp basis, now sitting at \$214.6m. Future contracted revenue<sup>1</sup> on this combined loan book now sits at \$66.2m.

Our SACC book continues to fall in terms of overall book composition, with our MACC book growing strongly, up 49% on a pcp basis. This reflects our ongoing focus on looking to offer our unsecured borrowers a longer term, lower cost product option, where credit quality makes this possible.

Pleasingly, our vehicle business is growing with the Green Light Auto (GLA) book now sitting at almost \$50m, up 15% on a pcp basis and 7% since the close of FY 2022. Application momentum in this business continues to build as a result of our return to market strategy, with newly released technology that enables instant rate quotes and application fulfilment, across the broker and dealer network that we serve.

## Gross Loan Book Values at 30 September 2022

		Q1 FY 2022	Q2 FY 2022	Q3 FY 2022	Q4 FY 2022	Q1 FY 2023	Y-o-Y
SACC <sup>2</sup>	Loan Book	\$58.9m	\$69.1m	\$73.1m	\$75.6m	\$72.5m	+23%
	% Of Total	35%	36%	36%	35%	34%	
MACC <sup>3</sup>	Loan Book	\$51.7m	\$65.2m	\$71.5m	\$76.1m	\$77.1m	+49%
	% Of Total	31%	34%	35%	36%	36%	
GLA <sup>4</sup>	Loan Book	\$43.2m	\$43.4m	\$45.0m	\$46.7m	\$49.8m	+15%
	% Of Total	26%	23%	22%	22%	23%	
PB <sup>5</sup> (Corp)	Loan Book	\$13.3m	\$14.4m	\$14.2m	\$15.5m	\$15.2m	+14%
	% Of Total	8%	7%	7%	7%	7%	
<b>Total Gross Loan Book</b>		<b>\$167.1m</b>	<b>\$192.1m</b>	<b>\$203.8m</b>	<b>\$213.9m</b>	<b>\$214.6m</b>	<b>+28%</b>
<b>Quarterly 'Net Loss' / Average Loan Book<sup>6</sup></b>		<b>3.4%</b>	<b>3.3%</b>	<b>4.1%</b>	<b>4.2%</b>	<b>4.6%</b>	

We remain confident in our credit risk models and loan book quality, however it is important to note that our customers are impacted by rising living costs, as reflected in appropriate expected credit loss allowances. Looking forward, we remain prepared to support our personal finance customers during these difficult times and we remain committed to providing longer term, lower cost loan solutions to our borrowers where possible.

After an interrupted couple of years our store segment has returned to profitability in the first quarter of the new financial year, as value conscious consumers return to our business, participating in the circular economy that is our retail business model. Throughout the previous financial year we purchased over 1.4m items that were repurposed for use and in many cases prevented from entering landfill. Our Pawnbroking business also continues to recover with loan book growth of 14% on a pcp basis, as a normal trading environment continues to resume.

As we head into the second quarter of the financial year, we are preparing for a busy Christmas period, with activity across the first quarter implying elevated demand can be expected across our business in the second quarter, in comparison to prior years.

### Strategy update

We continue a disciplined execution of our strategy with new product development, network expansion and operational excellence initiatives progressing well. Looking forward we anticipate continued MACC and vehicle finance lending growth and the contribution from new product development, as we establish new loan books across a growing store distribution network.

### Acquisitions

As announced last Friday, we have entered into an agreement to acquire the Cash Converters New Zealand Master Franchisor. The Company currently holds a 25% equity interest in the New Zealand enterprise and will acquire the remaining 75% interest upon completion. This is an exciting opportunity to add a network of Cash Converters branded stores, as we continue to review other domestic and international franchise acquisition targets.

The stated objective of these acquisitions is to add earnings accretive store networks in a measured way, based on sensible valuation metrics, that will accelerate group earnings over future years. Moving to full ownership of our New Zealand network aligns to this objective (with

the CCNZ Master Franchisor making a profit before tax of \$3.42m in FY22, expected to grow over future years) with a number of other similar opportunities across our global network under review.

## **New Product**

A new Earned Wage Access (EWA) online only product innovation called PayAdvance<sup>7</sup> was successfully piloted in FY 2022 with a national launch now underway. Designed as a simple low-cost advance on earned income, this product is repaid in a single low cost (5%) instalment and intended to address a short-term customer need, whilst originating new customers in to our business. In addition to the PayAdvance release, a new line of credit product release is planned early in H2 FY2023, ensuring our customers have a wider range of product options, with access to longer term, lower cost credit options where possible.

## **Financial Sector Reform Bill (2022)**

Shareholders may be aware the Federal Labor Government has tabled a Financial Services Reform Bill, potentially impacting the regulation of Small Amount Credit Contracts (SACCs). The Company supports a majority of the proposed changes and in many instances has already implemented many of the proposals.

This loan product is often confused with unregulated credit products, such as Buy Now Pay Later (BNPL) and almost always portrayed as something that it isn't. Unlike BNPL, SACCs are highly regulated, borrowing costs are capped, consumer protections are in place and importantly, this is a product that helps many thousands of Australians meet life's unexpected events in a safe, responsible and transparent manner. Each of Cash Converters applicants undergoes an extensive affordability assessment, that results in only about 1 in 5 applicants being approved for a loan.

A proposal introduced by the Government to restrict employed borrowers from accessing credit, with the introduction of an arbitrary earnings cap, we believe will make small loans between 50% to 70% more expensive<sup>8</sup> for borrowers. Importantly however, this move will further restrict access to credit for a segment of the economy that is already excluded from the mainstream financial system.

We believe these changes will likely result in significant industry consolidation leaving many of the smaller lenders, without the scale and technological capability of Cash Converters, unable to meet the new obligations being considered. Sadly, it is the voice of the customer that has been lost in this debate, with over 20,000 Cash Converters customers alone, having already signed a petition opposing these changes<sup>9</sup> and we continue to encourage the Government to consult with those most impacted by this proposal.

## **Outlook**

Cash Converters' unique business model continues to demonstrate its strength, leveraging an extensive store and online network to serve a growing number of customers within Australia and overseas. Looking forward we anticipate continued MACC and vehicle finance loan book growth and the contribution from new product development, as we establish new and growing loan books.

As many millions of Australian households work to meet rising living costs, we are proud to remain central to supporting a large part of the population that many other lenders won't. There is a real

need in the community for our business service and products, delivering a trusted and respectful service to customers in a responsible and regulated manner.

From a position of balance sheet strength, we remain focused on assessing inorganic growth opportunities (both domestically and internationally) to acquire our franchise store operations, continuing to grow our business in the markets in which we operate. We remain committed to a capital management programme that provides a balance, paying shareholders a dividend, whilst cash funding acquisition opportunities.

In closing, I would like to thank my colleagues across the business, for their unwavering focus on our customers and to our shareholders - I thank you for your continued support. I look forward to providing another strategy execution and trading update at the conclusion of the half year period.

That now draws our meeting to a close, thank you for your attendance.

## ENDS

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

### **Sam Budiselik**

Managing Director & Chief Executive Officer

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## Notes:

<sup>1</sup> Calculated as the contractual interest and fees receivable from customer accounts on SACC, MACC and GLA products from 30 September 2022 to maturity assuming all scheduled amounts are received with no prepayments or arrears.

<sup>2</sup> Small Amount Credit Contract (SACC) is a regulated unsecured personal loan product, transacted in-store and online, up to \$2,000.

<sup>3</sup> Medium Amount Credit Contract (MACC) is a regulated unsecured personal loan product, transacted in-store and online, up to \$5,000.

<sup>4</sup> Green Light Auto (GLA) is a fully owned subsidiary of CCV offering secured vehicle loans through a network of brokers and dealers.

<sup>5</sup> Pawnbroking Loan Book – Corporate Stores only.

<sup>6</sup> Net losses: Bad debt written off expense net of recoveries compared to average gross loan book for the quarterly period.

<sup>7</sup> 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

<sup>8</sup> [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Economics/FARCSLRBill2022/Submissions](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/FARCSLRBill2022/Submissions) (Submission 12)

<sup>9</sup> Cash Converters – My Credit My Choice