

H1 FY2023 Investor Presentation

Half-year period ended 31 December 2022

Cash Converters International Limited (ASX:CCV)

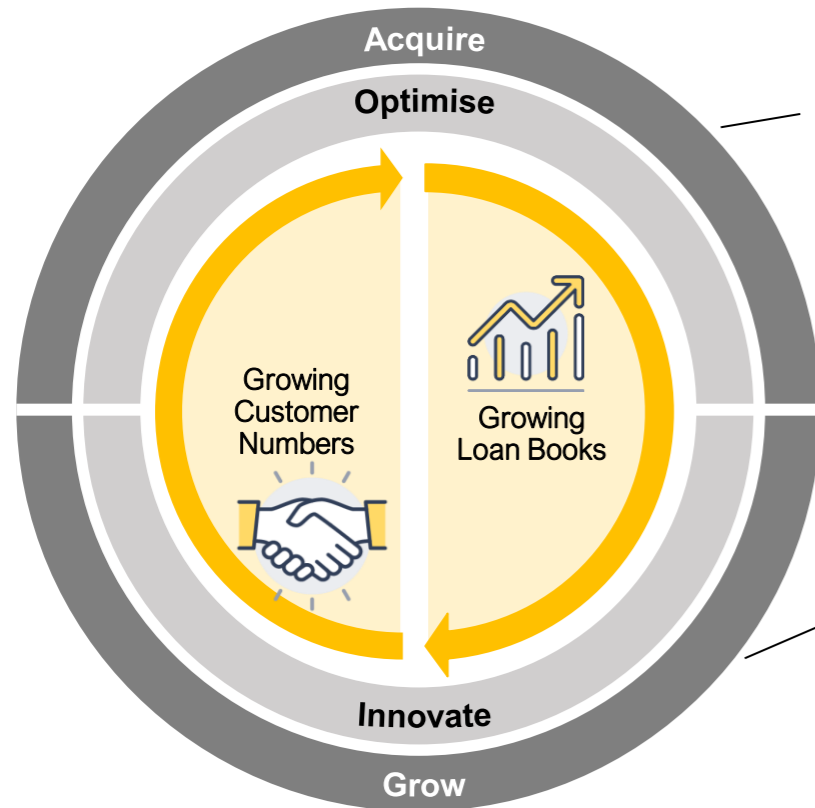
February 2023

About Us



Supporting good borrowers.

We provide solutions to meet our customers cash needs through our store and online network. Our core competency is helping good borrowers excluded from the mainstream financial system, access finance. We also facilitate an increasingly important role in the circular economy, repurposing over 2.0m items each year (in Australia alone), in the process reducing manufacturing carbon emissions and landfill.



Corporate Strategy

As the largest operator in our markets, we have the balance sheet and operational capability to leverage our market dominance, growing by acquiring franchisees and adjacent entities and assets.

Operating Strategy

Our scale, expertise and ability to optimise and innovate within our operation gives us the means to pursue our organic growth strategy.

Business Drivers

We lead the industry with the application of artificial intelligence, to help us make better decisions, allowing us to help more people.



- 38+ years in operation, ASX listed 1997.
- Global operation:
 - 154 Corporate and Franchise Stores in Australia.
 - 22 Corporate and Franchise Stores in New Zealand.
 - 500+ Franchise Stores overseas.
- Over 344,000 personal loan applications and ~1m retail transactions processed this half.

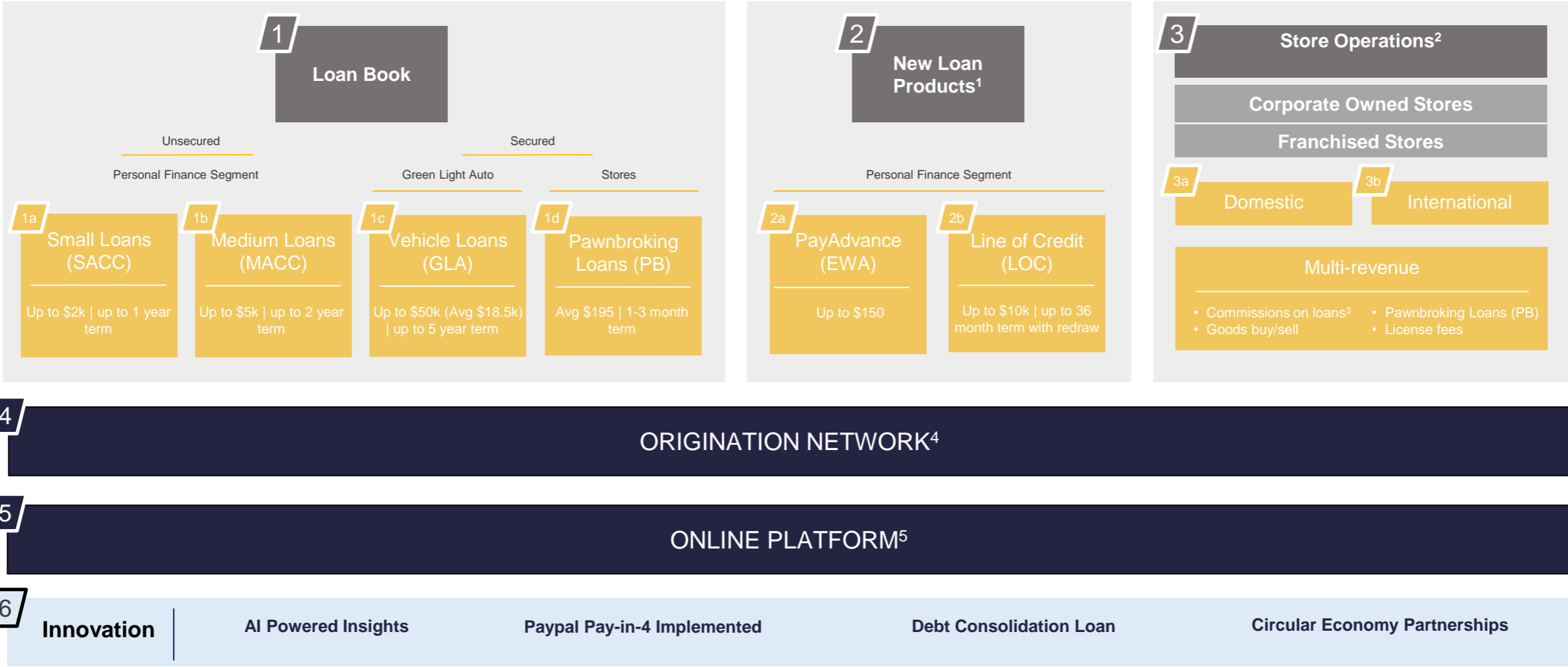


As at 31 Dec 2022:

- Share Price \$0.24
- Market Cap. ~\$147.0m
- NTA 29.00 cents per share.
- Cash & Equivalents \$67.5m.
- H1 Dividend Declared \$0.01c (Fully Franked, fifth straight 1c half dividend).

Our Business model

Omni-channel Store and Online Platform distributing loan and retail products, within Australia and across the globe.



¹ New loan products are recently launched products or products in pilot, not yet materially generating revenue. All products shown in Australia, overseas may vary.
² In Australia and New Zealand, CCIL operates Corporate owned stores and is the Master Franchisor of a franchise network of stores. In the UK, CCIL is the Master Franchisor of a franchise network of stores. The rest of the international operations are run by Master Franchisors that pay CCIL a royalty for the right to the intellectual property and brand to operate a network of Cash Converters stores.
³ Commissions on loans include fees and interest written in store (Cash Advance) and commission received from Personal Finance on loans referred.
⁴ Includes Corporate and Franchise Stores within Australia (B2C) and broker-dealers undertaking loan origination for the GLA segment (B2B).
⁵ Digital Assets include online lending and retail websites and mobile applications enabling customers to buy/sell/borrow and to self-serve loan administration.

Our Competitive Advantage



Large Customer Base

- ✓ Transacting with over **100,000** active customer per month.
- ✓ NPS **60+** indicates high trust and satisfaction.
- ✓ Attracting younger, value and environmentally conscious customers. Over **22,000** new customers served each month in the first half.
- ✓ Geographic customer diversification and businesses.



Leading Tech Platform

- ✓ Proprietary platforms built inhouse, growing digital volumes.
- ✓ Machine learning powered credit risk models, built over years with the largest industry data repositories.
- ✓ Processing over **344,000** loan apps this half, cash disbursed instantly via the New Payments Platform (NPP).



Healthy Balance Sheet

- ✓ **\$67.5m** in cash, and **~\$29.0m** in undrawn funding lines.
- ✓ Strong operating profit and cash flow generation, supportive financiers with facility headroom.
- ✓ H1 FY23 fully franked 1c dividend declared
- ✓ Fifth straight 1c dividend.



Sustainability

- ✓ Facilitating circular economy, through second- hand retail, **0.8m** items purchased this half.
- ✓ 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 credit products.
- ✓ Recent SACC legislative changes, likely to lead to industry consolidation, presenting opportunities.
- ✓ Industry leading lending and compliance platform supports agile new product release.

H1 FY2023 Highlights

Half-year period ended 31 December 2022

H1 FY2023 Highlights (vs PCP)



Earnings

Revenue up 24%	\$142.4m
Operating EBTIDA up 18%	\$28.9m
Operating NPAT up 36%*	\$10.5m

Dividend

Fully franked declared for the half year; 5th straight half year dividend

1c

- Revenue growth driven by increasing volume across all loan books and store trading improvements.
- *Operating NPAT excludes significant items \$116m predominantly non-cash impairment to carrying value of SACC related goodwill written down due to legislative changes.



Loan book

Gross Loan Book up 33%	\$255.9m
Net Loss Rate (NLR) ¹	8.6%

Small Loans ² up 19%	\$82.2m
Medium Loans ³ up 40%	\$90.9m
Vehicle Loans up ⁴ 24%	\$54.0m
Pawnbroking Loans ⁵ up 17%	\$16.9m

- Gross Loan Book up – all loan books growing.
- Medium Loan (MACC) now largest book at \$90.9m.
- Net Loss Rate (NLR) in line with expectations as loan books continue to perform well.



Strategy Execution – growth drivers



PayAdvance²
Released



Future New
Products in Pilot



Inorganic
acquisitions

- New product releases delivering new growing loan books.
- Franchise store network acquisitions under review, value accretive.
- Balance sheet strength, investing for growth.

PCP – prior corresponding period, H1 FY2022.

1. Net Loss Rate (NLR) measures Net Bad Debt Expense, relative to the average Gross Loan Book for the period.

2. Small Loans include:

• Small Amount Credit Contract (SACC) is a regulated unsecured personal loan product, transacted in-store and online, up to \$2,000 and up to 12 months.

• PayAdvance, which operates under the Earned Wage Access framework, 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, up to \$150.

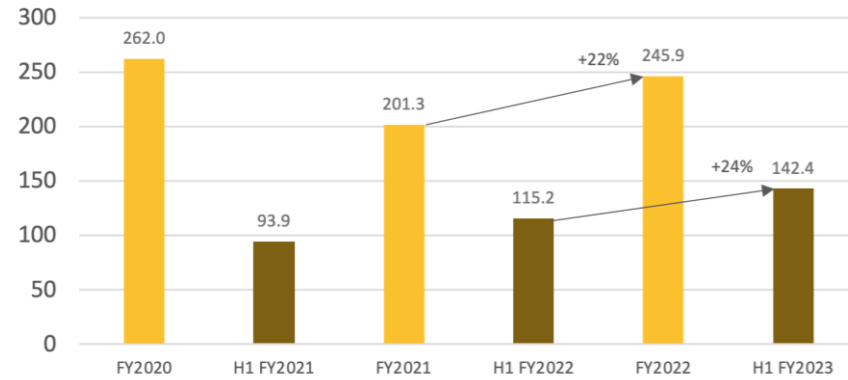
3. Medium Amount Credit Contract (MACC) is a regulated unsecured personal loan product, transacted in-store and online, up to \$5,000 and up to 24 months.

4. Green Light Auto (GLA) is a fully owned subsidiary of CCV offering secured vehicle loans through a network of brokers and dealers. Average Loan size \$18,500.

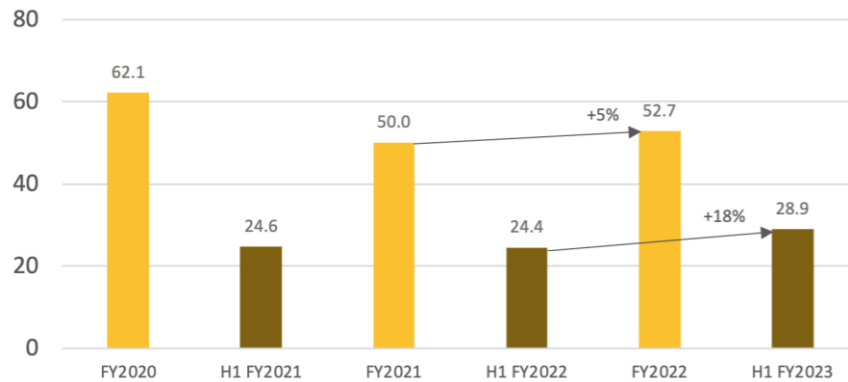
5. Pawnbroking Loan Book, average loan size circa \$195 over 1-3 months. These relate only to Pawnbroking loans originated in corporate owned stores. Franchise store Pawnbroking loans are excluded as loan risk is directly held by the franchisees (ie loan collateral is also held by the franchisees).

H1 FY2023 Highlights Cont...

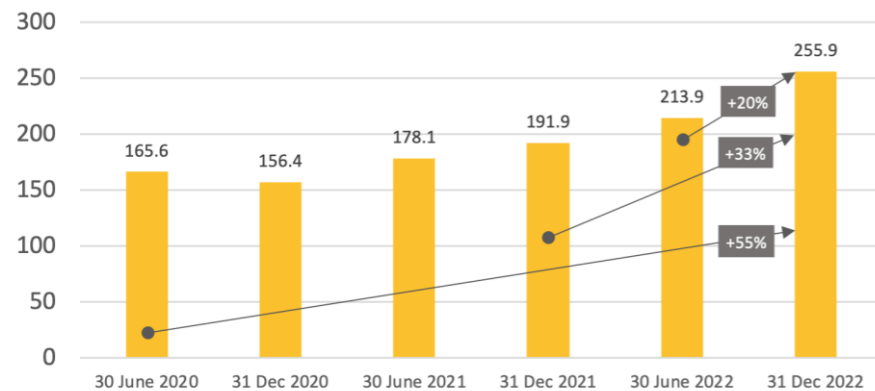
Revenue, \$m



Operating EBITDA, \$m



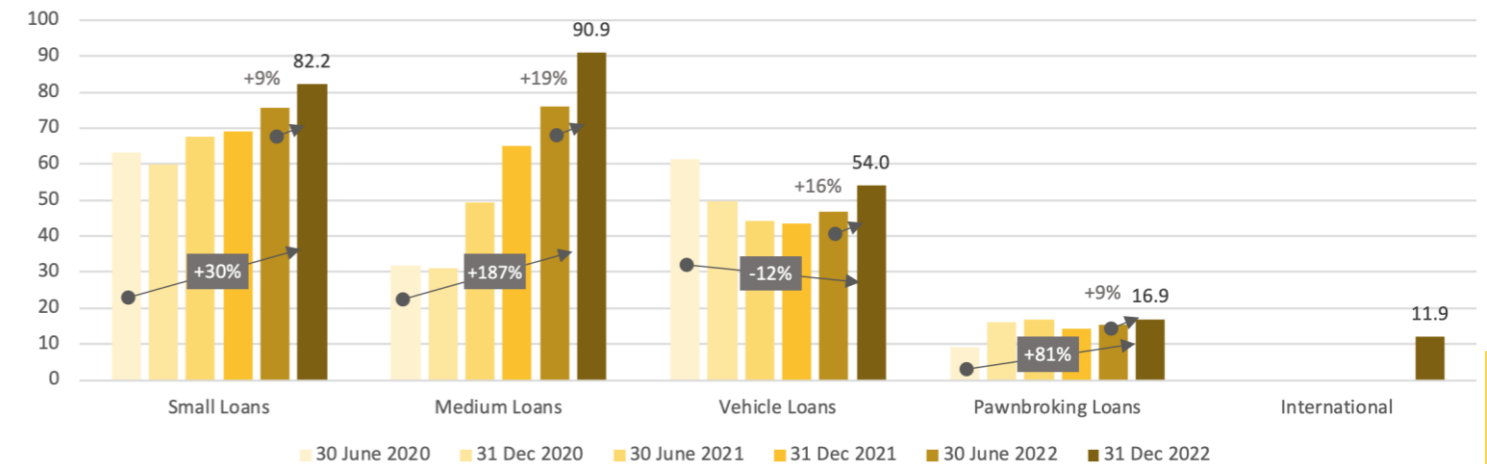
Gross Loan Book, \$m



Outlook – Growth Drivers

- ✓ Diversification of business model away from SACC product sitting within Small Loans (impacted by new legislation); strong customer demand for alternative financing solutions.
- ✓ Marketing optimisation now attracting 22,000+ new customers per month.
- ✓ Medium Loan book growing strongly.
- ✓ Vehicle Loan financing momentum increasing.
- ✓ New product releases delivering new growing loan books.
- ✓ Value accretive franchise store network acquisitions ongoing – domestic & international.
- ✓ International operations recovering.
- ✓ Balance sheet strength, investing for growth.

Gross Loan Book By Type, \$m



Financial Service Reform Bill Update

- As announced by the Company on 21 February 2023, a Bill passed by the Australian Senate in December 2022 contains several Financial Services legislative changes. These changes focus on the enhanced regulation of SACC loan products offered by the Company.
- The key impact resulting from these changes is the extension of a Protected Earnings Amount (PEA) cap requirement that currently exists for Centrelink recipients, to apply to all borrowers (including those fully employed).
- This change only impacts the SACC loan products and will commence in June 2023 (not impacting any other products). This change impacts the outlook for SACC earnings going forward.
- Whilst uncertainty exists as to customer behaviour resulting from these changes, our customers' need for cash does not. If anything, the need is growing with Australians struggling to manage household budgets in an inflationary environment.
- We remain focused on assisting our customers with this transition and confident that where suitable, we will be one of the few lenders offering longer term products with lower re-payments.
- With the changing SACC legislation and the forecast reduction in earnings from SACC loan products going forward, a non-cash impairment charge has been booked on the carrying value of goodwill on the balance sheet, predominantly originating from historic acquisitions, reflecting the diminishing strategic contribution of the SACC loan product going forward (no other products are impacted).
- The management team remains focused on delivering an exciting new product pipeline, in addition to executing on organic and inorganic strategic initiatives as outlined in previous market updates.

Our Strategy

Our Strategic Growth Priorities

Australia



Consolidate

- Acquire franchisees.
- Acquire loan books.
- Optimise core business.
- Enhance customer value.
- Increase free cash flow.



Grow

- Launch new products.
- Reach new customers
- Acquire adjacent businesses
- Grow balance sheet and earnings

International



Expand

- Integrate and grow NZ.
- Establish European 'Hub' (UK)
- Increase equity ownership.
- Fund strategic expansion.

Strategy Update



Acquisitions & Expansion

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

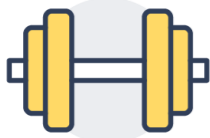
- Disciplined review of investment opportunities continues.
- Ongoing franchise acquisition and network expansion.
- NZ acquisition integrated.



Customer & Product

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

- New Loan Books:
 - ✓ PayAdvance National Launch Completed.
 - ✓ Piloting new Line of Credit Loan.
 - ✓ Developing new Debt Consolidation Loan.



Operating Leverage

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

- Loan books growing, MACC book approaching \$100m.
- Green Light Auto (Vehicle Loans) growing profitably.
- International recovery underway.

ESG Framework

Operating for over 38 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 eight directors has four independents.
- 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.

Appendices

Gross Loan Books \$m

		30 Jun 2020	31 Dec 2020	30 Jun 2021	31 Dec 2021	30 June 2022	31 Dec 2022	PCP H1'23 vs H1'22	Dec 22 vs Jun 22
Small Loan (SACC) ¹	Loan Book	\$63.1m	\$59.8m	\$67.6m	\$69.0m	\$75.6m	\$82.2m	+19%	+9%
	% of Total	38%	38%	38%	36%	35%	32%		
Medium Loan (MACC) ²	Loan Book	\$31.7m	\$30.9m	\$49.4m	\$65.1m	\$76.1m	\$90.9m	+40%	+19%
	% of Total	19%	20%	28%	34%	36%	36%		
Vehicle Loan (GLA) ³	Loan Book	\$61.5m	\$49.7m	\$44.3m	\$43.4m	\$46.7m	\$54.0m	+24%	+16%
	% of Total	37%	32%	25%	23%	22%	21%		
PB ⁴ (Corp)	Loan Book	\$9.3m	\$16.0m	\$16.8m	\$14.4m	\$15.5m	\$16.9m	+17%	+9%
	% of Total	6%	10%	9%	7%	7%	7%		
International loan book*	Loan Book	-	-	-	-	-	\$11.9m	-	-
	% of Total	-	-	-	-	-	4%		
Total Gross Loan Book		\$165.6m	\$156.4m	\$178.1m	\$191.9m	\$213.9m	\$255.9m	+33%	+20%
Net Loss Rate		10.9%	5.0%	6.1%	6.3%	8.3%	8.6%	-	-

NB: all Small, Medium and Vehicle loan books are Australian.

* Includes recent New Zealand franchise acquisition.

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.
5. Net Loss Rate defined as Bad Debt Written off Expense net of Recovery of Write Offs for the period, compared to average Gross Loan Book for the period.

Loan Book Performance – Net bad debt expense & ECL

	31 Dec 2022	31 Dec 2021	Variance
	\$'000	\$'000	\$'000
Bad debts written off	23,647	15,469	8,178
Recovery of bad debts written off	(3,445)	(3,749)	304
Net bad debt expense	20,202	11,720	8,482
Movement in expected credit loss allowance	1,611	2,826	(1,215)
Total loan related bad debts and allowances	21,813	14,546	7,267

- Net bad debt expense reflects the growth in lending demand and loan books. Whilst the Bad Debt Written Off has increased with larger loan books, the Net Loss Rate remains in line with historical levels at 8.6% for the half.
- The favourable variance in the expected credit loss expense is driven by an improvement in the ECL provision as a percentage of gross loan book. The ECL improvement is due to improvements in credit quality as well as the availability of improved quality data upon which to base modelled assumptions combined with enhancements in the model methodology applied.

Free Cash Flow

	31 Dec 2022	31 Dec 2021	Variance
	\$'000	\$'000	\$'000
Operating EBITDA	28,889	24,403	4,486
Cash based operating adjustments	(1,042)	-	(1,042)
Net non-cash items	18,418	19,312	(894)
Net funding of personal loan books	(46,240)	(28,562)	(17,678)
Working capital changes	(2,031)	178	(2,209)
Interest and finance costs	(6,739)	(6,213)	(526)
Income tax	(7,098)	(3,779)	(3,319)
Cash flow from operations	(15,843)	5,339	(21,182)
Cash flows from investing activities	(15,681)	(3,948)	(11,733)
Cash flows from financing activities	40,818	(9,534)	50,352
Net change in cash and cash equivalents	9,294	(8,143)	17,437
Cash and cash equivalents at beginning of period	58,085	72,166	(14,081)
Effects of exchange rates changes	106	78	28
Cash and cash equivalents at end of period	67,485	64,101	3,384

- The Group's Cash balance grew to \$67.5m in the half (June 2022: \$58.1m), after funding loan book growth and the acquisition of Cash Converters New Zealand.
- Operating cash flow generated is used to fund loan book growth reflected in the outflow of \$46.2m in the current period. The comparative period reflects reduced outflow following loan book contraction experienced in periods of government funding COVID stimulus.
- The half has seen strong organic inventory growth of \$1.7m compared to pcp.
- Strong operating EBITDA facilitating loan book funding and Investing activities including the acquisition of Cash Converters New Zealand.
- Financing activities includes cash inflows from borrowings supporting loan book growth and strategic acquisitions.

Reconciliations

	31 Dec 2022	31 Dec 2021	Variance
	\$'000	\$'000	\$'000
EBITDA¹ Reported Basis	(89,306)	13,469	(102,775)
Impairment and other significant items	118,195	10,934	
EBITDA Operating Basis	28,889	24,403	4,486
EBIT¹ Reported Basis	(95,542)	6,109	(101,651)
Impairment and other significant items	118,195	10,934	
EBIT Operating Basis	22,653	17,043	5,610
Loss before tax Reported Basis	(102,378)	(152)	(102,226)
Impairment and other significant items	118,195	10,934	
Profit before tax Operating Basis	15,817	10,782	5,035
NPAT Reported Basis	(105,526)	2	(105,528)
Impairment and significant items	118,195	10,934	
Tax effect	(2,194)	(3,280)	
NPAT Operating Basis	10,475	7,656	2,819

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

Segment Revenue & Operating EBITDA

	31 Dec 2022	31 Dec 2021	Variance	Variance
	\$'000	\$'000	\$'000	%
REVENUE				
Personal Finance	59,174	46,448	12,726	27%
Vehicle Financing	7,038	5,917	1,121	19%
Store Operations	65,344	54,487	10,857	20%
Franchise Operations	10,524	8,299	2,225	27%
TOTAL	142,080	115,151	26,929	23%
Head Office	311	42	269	-
TOTAL	142,391	115,193	27,198	24%
OPERATING EBITDA				
Personal Finance	31,348	24,772	6,576	27%
Vehicle Financing	2,944	3,655	(711)	(19%)
Store Operations	6,021	3,738	2,283	61%
Franchise Operations	5,192	4,823	369	8%
TOTAL	45,505	36,988	8,517	23%
Head Office	(16,616)	(12,585)	(4,031)	32%
TOTAL	28,889	24,403	4,486	18%

- Personal Finance and Store Operations strong revenue & operating EBITDA growth on pcp as post Covid recovery continued.
- Over 22% of Store trading days were lost in pcp to Covid related lockdowns.
- Credit demand continues to recover following the prior period which was impacted by Covid related Government stimulus and early access to superannuation.
- Vehicle Finance revenue growing in line with growing loan book and ECL movement.
- Head Office cost increase a result of post Covid hiring and increase in risk and compliance FTE.
- Franchise business recovering internationally.

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