

FY17 Investor Presentation

22 August 2017

*cash*converters



Mark Reid
Chief Executive Officer

Corporate Overview

Cash Converters is a leading Australian (and international) franchisor operating in the retail, second hand goods and financial services businesses.

- The Company has a worldwide network of 740 stores in 19 countries.
- In Australia, there are more than 150 Cash Converters outlets with over 1,750 employees.
- Internationally the Company operates in the United Kingdom, has an equity interest of 25% in Cash Converters New Zealand and a franchise presence in a further 16 countries around the world.
- The core business of Cash Converters is the ownership and franchising of retail and financial services stores.
- Cash Converters has also successfully developed online channels for retailing, personal lending and auto finance.
- The Company has built unique brand strength in Australia and internationally.
- Cash Converters strategy is one of growth, leveraging our trusted brand and continuing to put the customer at the centre of everything we do.






Our Ambition




Cash Converters is looking to deliver on our 'customer-first' focus in everything we do, enhancing our customer experience by:

- integrating our digital and store experience,
- evolving our product suite, and
- investing in technology.

- We aim to become Australia's most trusted personal finance and second hand retail goods provider.
- We are building a strong culture of social responsibility and evolving our brand to be synonymous with 'value' and 'trust'.
- We have a leadership team with the capability to deliver our long term growth strategy and long term shareholder value.

FY17 Achievements

Restructure		
Green Light Auto is now growing	Progressing well	
UK business profitable	Complete	
Clearer segment reporting	Complete	

Regulatory changes		
SACC lending enhancements	Complete	
Successful introduction of MACC product	Complete	
EU remediation and compliance review	Progressing well	

A young man with short brown hair, wearing a blue and grey hoodie, is shown in profile, looking towards the right. He is standing in a library, with his right hand reaching out to touch a book on a shelf. The background is filled with rows of bookshelves, creating a sense of depth and focus on the man's action.

01

FY17 Financial Results

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FY17 Overview

- Statutory NPAT \$20.6m in line with guidance and up from a \$5.3m* loss in the prior year.
- Revenue from continuing operations \$271.5m down from \$310.0m previous corresponding period (pcp).
- Personal Finance net bad debt written off down 8.8% to \$29.9m from \$32.8m pcp.
- \$80.6m cash at bank at 30 June 2017 to fund business growth in FY18.
- EPS 4.21c up from loss of 1.9c* pcp.
- Total loan book positioned to grow with MACC / GLA / new product and channel opportunities.

Consolidated basis	FY17 (\$m)	FY16 (\$m)	Variance (%)
Revenue	271.5	310.0	-12.4%
EBITDA	45.7	47.7	-4.1%
EBITDA as % of revenue	16.8%	15.4%	
NPAT from Continuing Operations	20.6	25.9	-20.4%
Discontinued operations	-	(31.2)	-
Statutory NPAT	20.6	(5.3)	
EPS (basic) cents per share	4.2c	(1.1c)	

*continuing and discontinued operations

FY17 Divisional EBITDA

Divisional* EBITDA	FY17 (\$m)	FY16 (\$m)	Movement (%)
Franchise operations	10.5	6.9	+51.5%
Store operations	17.5	23.5	-25.5%
Personal Finance	49.5	65.9	-24.9%
Green Light Auto	(0.4)	(4.6)	+91.1%
Total before Head Office costs	77.1	91.7	-15.9%
Corporate Head Office costs**	(31.4)	(44.0)	+28.7%
Total divisional EBITDA	45.7	47.7	-4.1%

*Refer to Appendix 1 for Divisional Overview

** FY16 Corporate Head Office Costs includes a \$12.5m compliance provision

Franchise Operations

- United Kingdom EBITDA of \$1.7m
- Australian revenue steady at \$4.1m
- International revenue up 55.8% to \$739k
- New Zealand's 25% equity contribution of \$314k profit

Corporate Stores

- Decrease in revenue as a result of the reduction in Cash Advance lending.
- All other areas of store network saw improved performance: retail sales up 2.9% and pawn broking revenue up 3.3% on pcp.

Personal Finance

- Net bad debt written off fell from \$32.8m in FY16, to \$29.9m in FY17.
- Introduced medium amount credit contract (MACC).
- New assessing platform and guidelines implemented, Interim EU report delivered with no recommendations.

GLA

- GLA on track for profit in FY18.

FY17 Balance Sheet

	FY17 (\$m)	FY16 (\$m)	Movement (%)
Cash and cash equivalents	80.6	73.6	+9.5%
Loan receivables	102.0	104.5	-2.4%
Trade and other receivables	31.0	39.4	-21.2%
Other assets	51.2	75.9	-32.5%
Intangible assets (including goodwill)	134.0	131.1	2.3%
Total assets	398.8	424.5	-6.0%
Borrowings	107.2	134.0	+20.0%
Other liabilities	30.8	48.2	+36.2%
Total liabilities	138.0	182.2	+24.3%
Total equity	260.8	242.3	+7.7%
Net debt (gross debt less cash)	26.7	60.4	+55.8%
Gross debt/EBITDA	2.35	2.81	+16.5%

Loan Receivables

- The reduction in Small Amount Credit Contracts has driven an overall reduction in loan receivables, however the introduction of Medium Amount Credit Contracts and the continued growth in auto loans has reduced the movement to a net decrease of only 2.4%

Other assets and intangibles

- Capital investment continued throughout 2017, with \$8.2m of capital expenditure, primarily in software development.
- Store inventory was also up 19.2%

Borrowing and Gearing

- The increase in free cash and reduction in borrowings has reduced the gearing rate to 10.2% (FY16 24.9%).

Funding

Cash	\$80.6m
Bond	\$60.0m
<ul style="list-style-type: none"> • Issued by FIIG Securities. • Matures September 2018. • 7.95% cost of funds. 	
Securitisation	\$45.5m
<ul style="list-style-type: none"> • Issued by Fortress Finance. • \$100m facility limit. • BBSY + 6%. • 3-year term (from February 2016) with 2-year extension optional. 	





- Net debt down 56% to \$26.7m
- Securitisation borrowings down in proportion to the decreased SACC Loan book
- Negotiations underway to secure additional funding for MACC and GLA finance loan books.
- Strong cash balances to fund lending growth and capital investment in to FY18

Loan Book Performance

SACC book credit score	Increasing	
Bad debt written off	Reducing	
MACC applications and approvals	Increasing	
Green Light Auto loan applications and settlements	Increasing	
Pawn Broking interest revenue	Increasing	

- January 2017 saw online lending exceed store loans for the first time.
- Personal loan book balance down 17.6% to \$81.4m at 30 June 2017 and stable.
- Loan application volume up 8.2%
- MACC loan book over \$13m.
- Green Light Auto monthly loan numbers increasing.
- Pawn Broking revenue up 3.3% vs pcp.

Addressing Risks

Description	Mitigant	
Legal and Regulatory	Enhanced lending platform technology, process, guidelines, training and audits, combined with ongoing monitoring and new product development.	
Franchisee Oversight	Internal audit process being developed to be consistent with corporate stores	
Funding	Ongoing negotiations with a number of lenders	
Banking	Proprietary platform built interfacing with wholesale banking provider	

Cash Converters is focused on risk mitigation across the business to become Australia's most compliant personal finance and second hand retail goods provider...

02

Looking Forward... Strategy for Growth

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Strategy for Growth – FY18 & Beyond

- Focus on growing loan books – MACC, GLA, Pawnbroking.
- Improving bad debts due to a higher quality and lower risk personal finance loan book.
- Continued focus on improvement in operational efficiencies and cost control.
- Continued improvement of our risk management processes and procedures.
- Evolving our brand, product range and channels to market.
- Transforming our digital capabilities across sales, marketing and risk management.
- Leveraging growth opportunities for our international business.

Putting our customers at the centre of everything we do

1

Significantly grow NPAT from both new/existing brands, products and channels

2

Broaden the revenue base to improve business robustness against regulatory and other market changes

3

Position for future growth by repositioning the brand and culture, building new capabilities in digital and data and establishing a stronger franchise business model

Summary

“I am genuinely excited about the substantial opportunities for growth in our business, to further increase profits over the next three to five years and maximise shareholder returns.”

—
Mark Reid

- Build on our current growth strategy.
- Improve our service delivery to our existing customers.
- Leveraging our brand with new products into new markets.
- Focus on cost and process efficiencies.
- Driving technological change, digital transformation and online sales growth.
- Leadership team has capability to grow the business and deliver the growth strategy and shareholder value.
- Focus on responsible lending to the right customers.
- Improved assessment and collections processes to drive down bad debt.

Questions?

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Appendix 1: Division Detail

Division	Description
Franchise operations	<ul style="list-style-type: none"> Royalties and licence fees from 16 countries with franchised Cash Converters operations as well as Cash Converters UK Ltd (CCUK), a wholly owned subsidiary of the Company, which during the previous financial year was restructured to return to a master franchise operation. This segment also includes fees from 83 franchisee owned stores in Australia and the 25% equity interest in Cash Converters New Zealand
Store operations	<ul style="list-style-type: none"> Covers performance of the 71 Company owned Cash Converters stores in Australia. Revenue from these stores is derived from: <ul style="list-style-type: none"> retailing of new and second hand goods both in-store and online interest from pawn broking loans and cash advance short term loans. Stores also receive commission from successful personal loan applications processed in-store. Stores also receive a share of income from successful online loan applications.
Personal Finance	<ul style="list-style-type: none"> Incorporates the trading results of Mon-E Pty Ltd (Australia) and Cash Converters Personal Finance Pty Ltd (CCPF). Mon-E is responsible for providing the administration services for the Cash Converters network in Australia to offer small cash advance loans to their customers. CCPF provides unsecured loans through the franchise and corporate store networks in Australia and online. The UK Finance Division ceased issuing new loans in May 2016, and therefore does not form part of the Company's continuing operations. All UK revenues are incorporated in the Franchise operations.
Green Light Auto	<ul style="list-style-type: none"> Revenue derived from Cash Converters' vehicle financing business. In March 2016, the business ceased to offer its Carboodle vehicle lease product. These leases are continuing to be managed by the business to their scheduled completion.
Corporate Head Office	<ul style="list-style-type: none"> Corporate costs consist of corporate related activities such as IT, Business Development, Finance, HR, Risk and Internal Audit, Marketing, Legal, and executive and non-executive personnel

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