



# FY 2018 Full Year Results Investor Presentation

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cash**converters**

27<sup>th</sup> August 2018

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# Corporate Overview

Cash Converters is a leading international operator and franchisor in personal financial services and second hand goods markets.



Table 1: Corporate and Franchise Store Network  
\*NZ interest via 25% equity holding.

- Cash Converters’ core business objective is to satisfy the cash needs of our customers
- Cash Converters’ strategy is one of growth, leveraging our trusted brand and continuing to put the customer at the centre of everything we do
- The Company has built unique brand strength in Australia and internationally with the ownership and franchising of financial services and retail stores
- Cash Converters has a network through corporate and licencing arrangements of approximately 726 stores in 18 countries (See Table 1)
- In Australia, there are 153 Corporate and Franchise Cash Converters outlets with over 1,750 employees
- Internationally the Company operates in the United Kingdom, New Zealand\* and under licence in 15 other countries
- Cash Converters has successfully developed online channels for retail and personal lending and established the Green Light Auto secured vehicle finance business in Australia

# Strategic Priorities

**Cash Converters' strategic priority is to remain relevant to our customers, achieving sustainable long term growth...**

- Our aim is to leverage our brand, becoming Australia's most trusted personal finance provider and second hand goods retailer
- We are growing our business by investing in our store network and product offering, leveraging our proprietary technology platform, broadening our customer reach and diversifying our revenue base
- We are upgrading our online platform to further enhance our customer experience
- We have a leadership team with the capability to deliver our long term growth strategy

**Building trust by delivering value to our customers at every opportunity...**

- We take a customer-first approach, understanding our customer's needs and building enduring relationships with a culture of social responsibility
- We are enhancing our customer experience by:
  - Better understanding our customer's needs
  - Evolving our product offerings
  - Optimising physical and digital channels
  - Looking to reward our existing customers over time
- Maintaining our ambition to be the most compliant operator in the industry



# Management Update

## Mr Mark Reid Chief Executive Officer

- Coinciding with the release of the FY2018 results, Mr Reid has decided to leave the company, with his resignation effective 27th August 2018
- Mr Reid joined Cash Converters in November 2015 and has been instrumental in leading the business turnaround, establishing a new executive leadership team and executing the Company's digital transformation strategy during his tenure.
- The successful finalisation of the Enforceable Undertaking and market capital raising during FY18 positions the company well for future growth and underpins the long-term sustainability of the company.

## Ms Ellen Comerford Non-Executive Director

- Ms Comerford has made the decision to resign for the Board of Cash Converters effective 30 September 2018
- Ms Comerford joined the Board of Cash Converters in February 2017 as an independent, non-executive Director and served as Chair of the Remuneration and Nomination Committee and as a member of the Audit and Risk Committee during her tenure.
- The company has benefitted from Ms Comerford's deep experience in a broad range of areas and particularly for the tremendous work done in the Remuneration and Nomination Committee. Ms Comerford leaves to pursue other opportunities

## Mr Ben Cox General Manager Corporate Distribution

- The Company is pleased to appoint Mr Cox to manage the Australian store network.
- Mr Cox joined Cash Converters in Australia in March 2018 following more than a decade working as one of Cash Converters' most successful UK franchisees.
- With an unparalleled understanding of the Cash Converters' customer and a passion for pawnbroking, the Company looks forward to benefiting from Mr Cox's considerable experience in delivering the growth in store profitability.



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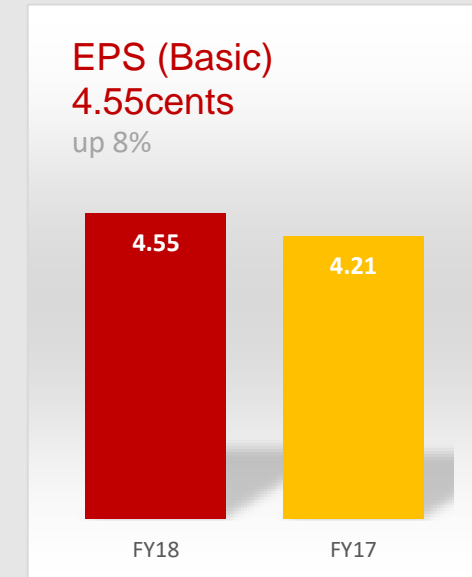
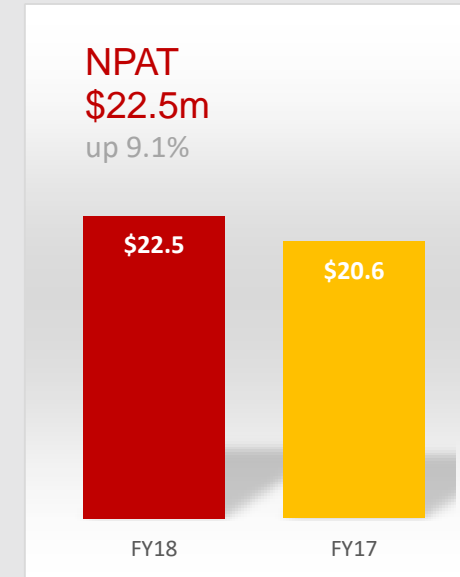
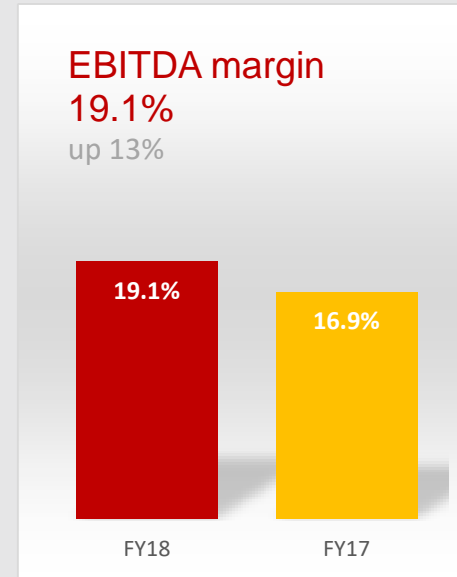
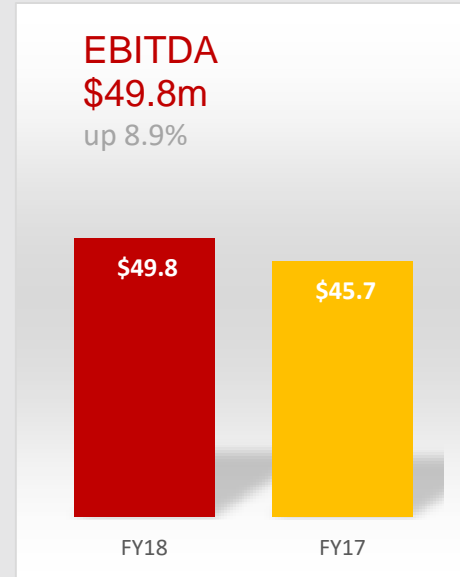
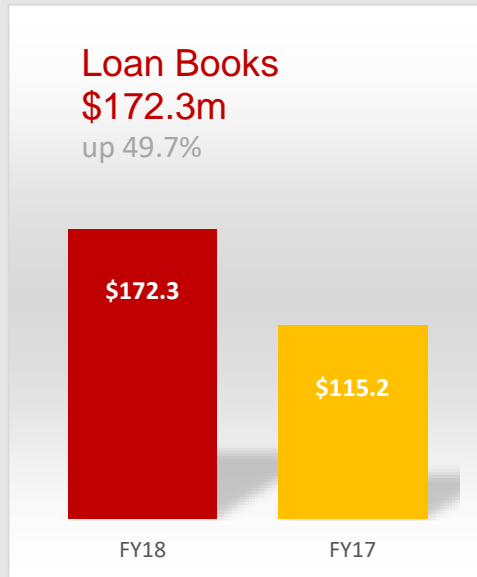
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# FY 2018 Highlights

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# FY 2018 Key Metrics



- Total loan books up 49.7% to \$172.3m
- EBITDA for the group increased to \$49.8m, up 8.9% on previous corresponding period (pcp). EBITDA margin improved to 19.1% of revenue, from 16.9% pcp.
- Improved risk management resulted in a reduction in the rate of bad debt expense for the year, with net bad debt for Personal Finance down from 18.4% of principal advanced to 15.2%.
- NPAT increased to \$22.5 million compared to a prior year result of \$20.6m, an increase of 9.1%.

# Key Highlights

## Financial

- FY 2018 NPAT of \$22.5m up 9.1%
- EBITDA of \$49.8m up 8.9%
- Personal Finance lending volume up 22.4% to \$180.9m
- Personal Finance Net Bad Debt down from 18.4% of principal advanced to 15.2%
- Combined loan books up 49.7% to \$172.3m
- GLA loan book increased 109.3% to \$42.1m and maiden profit delivered, with revenue up 30.7%
- Franchise EBITDA up 18.2% largely driven by increased UK contribution
- EPS up to 4.55 cents per share from 4.21cps
- Successful \$39.5m Capital Raise to contribute towards repayment of \$60m FIIG Bond maturing in September

## Operational

- Enforceable Undertaking successfully closed out Feb 2018
- Strengthened Balance Sheet
- Increased Loan Book securitisation facility of \$150m until 2020 along with a broadening of the eligibility criteria to include Medium Amount Credit Contract (MACC) and Green Light Auto secured vehicle lending
- Delivered a new Personal Finance website improving application experience and conversion
- New head of Corporate Stores appointed in Australia
- Online corporate store retail sales up 12.0% with new webshop platform due for delivery in H1 FY19
- Full outsource of all lending collections to Collections House (ASX: CLH) as of 30 June 2018



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# FY 2018 Financial Results

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# FY 2018 Overview

- FY 2018 revenue of \$260.3m was down 4.0% on pcp, as anticipated due to the risk management enhancements implemented across the Personal Finance business
- H2 FY18 revenue was up 11.4% on H1 FY18 and up 4.6% on H2 FY17
- FY 2018 NPAT \$22.5m delivering on guidance of a stronger H2 (H1 FY18 \$9.4m ; H2 FY18 \$13.1m.)
- FY 2018 EBITDA up 8.9% to \$49.8m
- EBITDA as a percentage of revenue up 13.4%, from 16.9% to 19.1% due to bad debt optimisation and cost efficiencies
- Personal Finance Net Bad Debt down from 18.4% of principal advanced to 15.2% on pcp
- EPS 4.55c up from 4.21c

Consolidated basis	FY 2018 (\$m)	FY 2017 (\$m)	Variance
Revenue	260.3	271.2	-4.0%
EBITDA	49.8	45.7	+8.9%
EBITDA as % of revenue	19.1%	16.9%	-
NPAT	22.5	20.6	+9.1%
EPS (basic) cents per share	4.55c	4.21c	+8.1%

# FY 2018 Divisional EBITDA

## Franchise Operations

- Franchise operations EBITDA up 18.2% as a result of the strategic turnaround of the United Kingdom business which delivered EBITDA up 84.5% to \$3.2m from \$1.7m
- New Zealand's 25% equity EBITDA contribution was up \$0.5m to \$0.8m on pcip
- Australian & other International EBITDA contribution steady

## Corporate Stores

- Corporate Stores EBITDA down 10.0% due to enhanced risk management implemented across the store lending business
- Pawn broking revenue remained stable, Webshop sales increased 12.0% on pcip

## Personal Finance

- Personal Finance EBITDA was down 5.6% due to enhanced risk management implemented across the lending business
- Pleasingly SACC loan book was up 18.2% and MACC up 154.6% on pcip

## GLA

- GLA maiden profit delivered, revenue up 30.7% and loan book up 109.3%
- \$26.3m principal advanced funded in the period, up 33.5% pcip

## Head Office Costs

- Corporate expenses down 11.8% on pcip reflecting tighter expense control

Divisional EBITDA	FY 2018 (\$m)	FY 2017 (\$m)	Variance
Franchise operations	12.4	10.5	+18.2%
Corporate Store operations	15.8	17.5	-10.0%
Personal Finance	46.7	49.5	-5.6%
Green Light Auto	2.6	-0.4	-
<b>Total before Head Office costs</b>	<b>77.4</b>	<b>77.1</b>	<b>+0.4%</b>
Corporate Head Office costs	-27.7	-31.4	-11.8%
<b>Total divisional EBITDA</b>	<b>49.8</b>	<b>45.7</b>	<b>+8.9%</b>

# FY 2018 Balance Sheet

As at	30 Jun 18 (\$m)	30 Jun 17 (\$m)	Variance
Cash and cash equivalents	140.0	80.6	+73.7%
Loan receivables	151.7	102.0	+48.8%
Trade and other receivables	28.2	31.1	-9.0%
Other assets and intangibles	189.2	185.3	+2.1%
<b>Total assets</b>	<b>509.1</b>	<b>398.8</b>	<b>+27.7%</b>
Borrowings	158.3	107.2	+47.7%
Other liabilities	28.4	30.8	-7.8%
<b>Total liabilities</b>	<b>186.7</b>	<b>138.0</b>	<b>+35.3%</b>
<b>Total equity</b>	<b>322.4</b>	<b>260.8</b>	<b>+23.6%</b>
Net debt (gross debt less cash)	19.5	26.7	-26.8%

## Loan receivables

- A strong year has seen growth across all lending products, with the largest growth areas GLA & MACC, with respective loan books up 109.3% and 154.6% respectively
- SACC loan books ended the period up 19.4%

## Other assets and intangibles

- Capital investment continued throughout 2018, with \$7.5m of capital expenditure, primarily in software development in projects such as the integration of GLA into the core loan management platform will bring improved efficiency and scalability.

## Borrowing and Gearing

- Strengthened Balance Sheet
- Cash and cash equivalents includes the \$38.0m net proceeds from the non-renounceable entitlement issue completed in June 2018, committed to repaying the FIIG \$60m bond maturing in September 2018

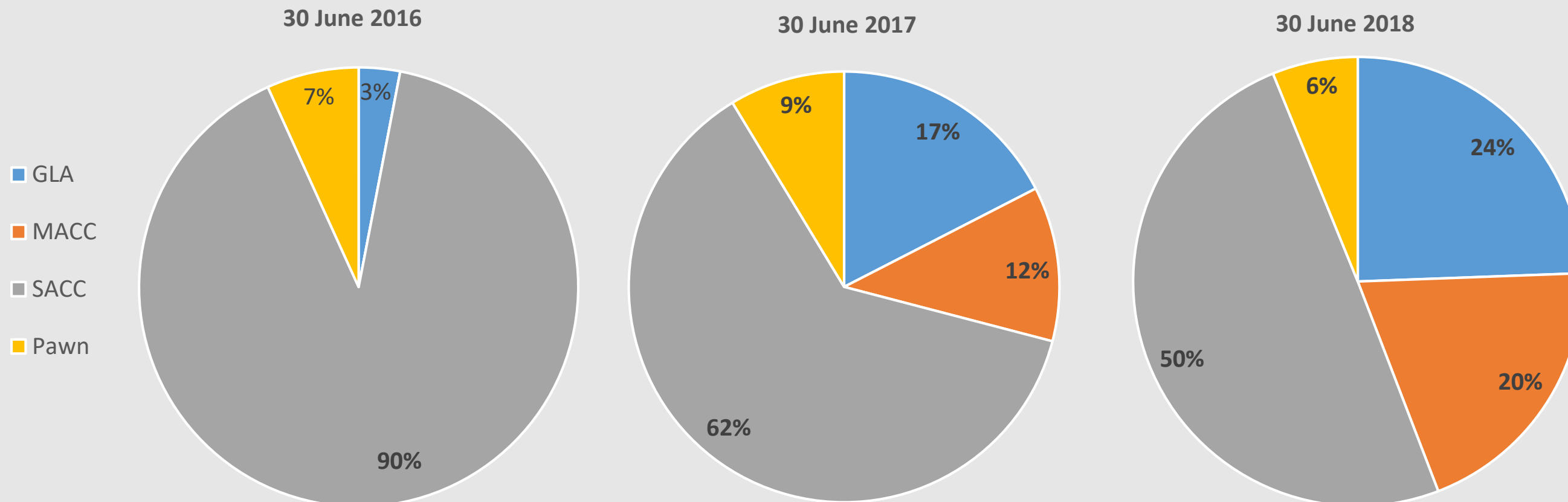


# Funding

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<b>Available Cash</b>	<b>\$69.8m</b>
<i>- Cash on hand and at bank</i>	<i>\$140.0m</i>
<i>Less - Committed to Bond Repayment</i>	<i>(\$60.0m)</i>
<i>Less - Restricted Cash Deposits</i>	<i>(\$10.2m)</i>
<i>- Net available Cash Balance</i>	<i>\$69.8m</i>
<b>Bond</b>	<b>\$60.0m</b>
<ul style="list-style-type: none"><li>• Issued by FIIG.</li><li>• Matures September 2018, will be repaid from cash as indicated above</li><li>• 7.95% p.a. cost of funds</li></ul>	
<b>Securitisation</b>	<b>\$99.5m</b>
<ul style="list-style-type: none"><li>• Issued by Fortress Investment Group</li><li>• \$100m initial facility limit, increased to \$150m in December 2017</li><li>• 3-year term (from February 2016) with 2-year extension optional, renewed on same terms December 2017</li></ul>	

# Loan Book Composition



- A changing loan book profile reflects us meeting our customers diverse funding needs
- Achieved FY 2018 combined loan book growth of 49.7%
  - MACC up 154.6%
  - GLA up 109.3%
  - SACC up 19.4%
  - Pawn up 6.3%

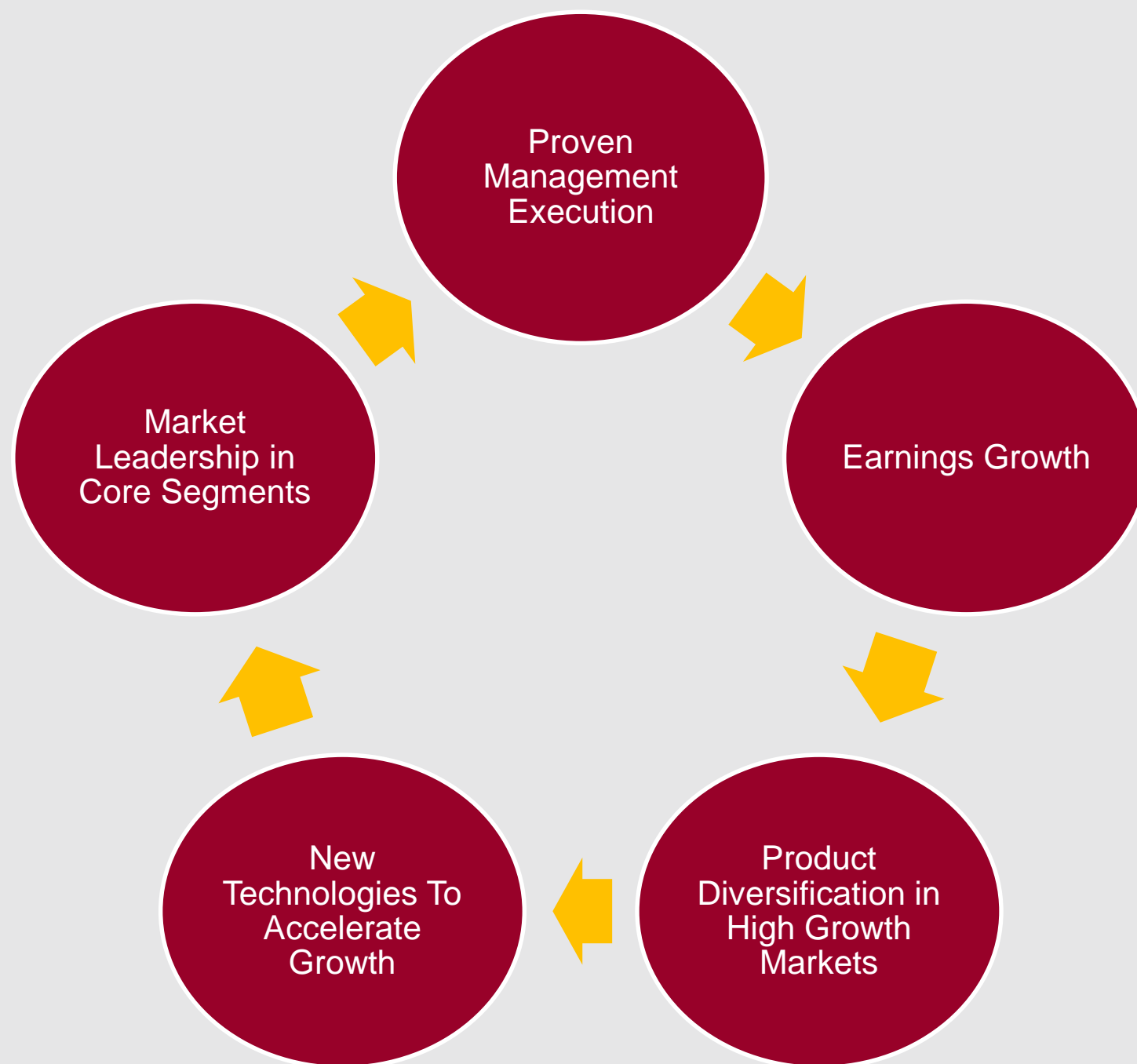
# Positioned for further growth...

## Continued Revenue & Earnings Growth

- Customer leadership in our core markets
- Transforming digital capabilities
- Ongoing development of new products and channels
- Transformation of Green Light Auto business
- Investing in our store network
- Exploring International opportunities
- Continued sustainable loan book growth
- Disciplined cost management

## Sound Risk Management Framework

- Remain focused on becoming the most compliant lender in the industry
- Leveraging machine learning credit risk insights across the lending business
- Continue to optimise our collections and recovery models





# Appendices

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# Appendix I : Division Details

Division	Description
Franchise operations	<ul style="list-style-type: none"> <li>Royalties and licence fees from 18 countries with franchised Cash Converters operations as well as Cash Converters UK Ltd (CCUK), a wholly owned subsidiary of the Company and Cash Converters NZ (CCNZ) in which a 25% equity interest is held.</li> <li>This segment also includes fees from 84 franchisee owned stores in Australia.</li> </ul>
Corporate Stores	<ul style="list-style-type: none"> <li>Covers performance of the 69 Company owned Cash Converters stores in Australia. Revenue from these stores is derived from: <ul style="list-style-type: none"> <li>retailing of new and second hand goods both in-store and online</li> <li>interest from pawn broking loans and cash advance short-term loans.</li> </ul> </li> <li>Stores also receive commission from successful personal loan applications processed in-store.</li> <li>Stores also receive a share of income from successful online loan applications.</li> </ul>
Personal Finance	<ul style="list-style-type: none"> <li>Incorporates the trading results of Mon-E Pty Ltd (Australia) and Cash Converters Personal Finance Pty Ltd (CCPF).</li> <li>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.</li> </ul>
Vehicle Financing	<ul style="list-style-type: none"> <li>Revenue derived from Cash Converters' vehicle financing business.</li> <li>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 in 2020.</li> </ul>
Corporate Head Office	<ul style="list-style-type: none"> <li>Corporate costs consist of corporate related activities such as IT, Business Development, Finance, HR, Risk and Internal Audit, Legal, Board and leadership team and Marketing.</li> </ul>

# Appendix II : Glossary of terms

Division	Description
Personal Finance ; CCPF ; Financial Services	<ul style="list-style-type: none"> <li>Unsecured personal loan business transacted online and in-store, short/medium and long-term and amount unsecured personal loans</li> </ul>
GLA	<ul style="list-style-type: none"> <li>Green Light Auto Group Pty Ltd, a wholly owned subsidiary that provides automotive vehicle finance</li> </ul>
CA	<ul style="list-style-type: none"> <li>Cash Advance product, a 6-12 week store based cash loan product, up to \$2,000 unsecured personal loan</li> </ul>
SACC	<ul style="list-style-type: none"> <li>Small Amount Credit Contract, transacted in store and online, up to \$2,000 unsecured personal loan</li> </ul>
MACC	<ul style="list-style-type: none"> <li>Medium Amount Credit Contract, transacted in store and online, up to \$5,000 unsecured personal loan</li> </ul>
Webshop	<ul style="list-style-type: none"> <li>Online retail website listing retail items available for sale in stores or online</li> </ul>
Principal Advanced	<ul style="list-style-type: none"> <li>Value of amount lent to customers</li> </ul>



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