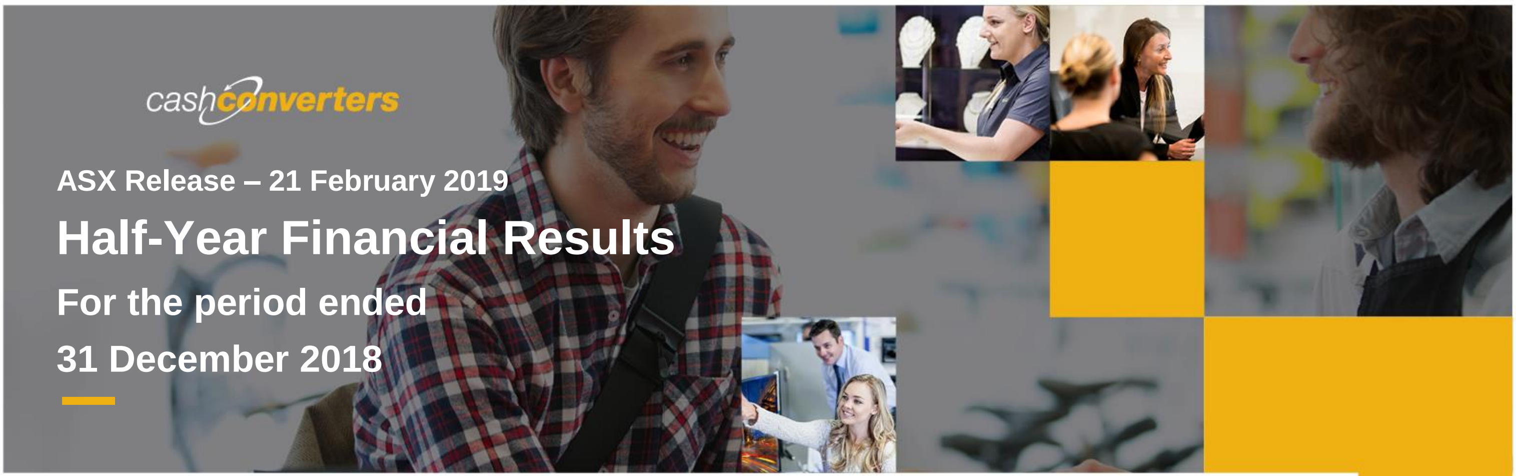

ASX Release – 21 February 2019

Half-Year Financial Results

For the period ended 31 December 2018

Cash Converters International Limited (ASX: CCV) (‘Cash Converters’ or the ‘Company’) today announces the Company’s financial results for the half-year ended 31 December 2018 (H1 FY19).

Financial Results Overview

- H1 FY19 Net Loss After Tax of $5.2 million (H1 FY18 NPAT $9.4 million), including settlement of the McKenzie class action of $16.4 million.
- Revenue of $137.3 million up 11.6%, delivering normalised EBITDA of $24.8 million (after adjustments), which was up 9.2% on H1 FY18.
- Total loan book of $210.3 million as at 31 December 2018, up 22.0% from 30 June 2018, including:
  - Medium Amount Credit Contract (MACC) loan book growth of 23.4%, to $42.0 million.
  - Small Amount Credit Contract (SACC) loan book growth of 15.9%, to $93.1 million.
  - Green Light Auto (GLA) Finance loan book growth of 38.2%, to $58.1 million.
  - Pawnbroking loan book growth of 7.3%, to $11.4 million.
- In comparison to H1 FY18 GLA revenue was up 46.9%, Personal Finance revenue up 21.5% and retail and pawnbroking revenue in corporate stores up 2.1% and 3.2% respectively.
- Bad and doubtful debt increased as anticipated due to SACC loan book growth and as the MACC and GLA loan books mature and further impacted as a result of the implementation of AASB 9.
- GLA EBITDA of $1.6 million, up 80.7% (H1 FY18: EBITDA of $887 thousand).
- CCNZ contribution to EBITDA up 71.9% to $930 thousand.
- FIIG Bond of $60 million repaid, with increased utilisation of the $150 million Fortress Securitisation facility.

Interim Chief Executive Officer, Sam Budiselik stated, *“The net loss for the period masks underlying momentum across the Company, with all divisions reporting revenue growth. In the Personal Finance business, the period has been one of rebuilding the loan books. Record demand for our personal and vehicle finance products has resulted in the focus of the business shifting to optimising credit risk and processing efficiency across all financial services operations. New credit scorecards and risk management measures introduced to strengthen the quality of the loan books will deliver results into the second half of the year, as new products and services are introduced to meet growing customer demand. The corporate stores produced a positive result with revenue growing in a difficult retail trading climate. As announced in December 2018, the Company looks forward to welcoming our new Chief Executive Officer, Brendan White, who arrives with a track record of successfully building and leading businesses, most recently leading Bank of Queensland (BOQ) Business, growing cash earnings to contribute almost 60% of total cash earnings for BOQ”.*

FINANCIAL RESULTS SUMMARY

	Segment revenues		Segment EBITDA results	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	$'000	$'000	$'000	$'000
Franchise operations	9,638	9,504	6,447	5,763
Store operations	59,678	58,848	8,560	8,176
Personal finance	59,263	48,794	16,880	21,847
Vehicle financing	8,112	5,522	1,602	887
Totals before head office costs	136,691	122,668	33,489	36,673
Head office	567	280	(32,121)	(15,196)
Totals after head office costs	137,258	122,948	1,368	21,477
Depreciation, amortisation and impairment			(3,872)	(3,854)
Finance costs			(5,151)	(4,287)
Profit / (loss) before income tax			(7,655)	13,336
Income tax (expense) / benefit			2,419	(3,976)
Profit / (loss) for the half-year			(5,236)	9,360

In order to provide a meaningful comparison to the prior period, the table below highlights one-off costs incurred in the half-year, when compared to the previous corresponding period. Additional costs were incurred due to legal expenses in relation to the McKenzie Proceeding and executive termination payments and search fees. Further to these normalising adjustments that would be non-recurring, the result for the period has also been impacted by the adoption of the new AASB 9 'Financial Instruments' accounting standard. As the current period is the first time the new standard is applicable and to provide comparison to the previous corresponding period, the impact of the change in the standard on the EBITDA for the period is shown below:

	31 Dec 2018 $'000	31 Dec 2017 $'000
EBITDA from continuing operations	1,368	21,477
Normalisation adjustments:		
McKenzie Proceeding settlement	16,400	-
Class action legal fees	2,467	1,268
Restructure costs	1,148	-
Normalised EBITDA	21,383	22,745
Impact of adoption of AASB 9	3,447	-
Normalised EBITDA after adjusting for AASB 9 adoption	24,830	22,745

DIVISIONAL RESULTS

Personal Finance Business

Over the past half-year the Personal Finance business has delivered loan book growth across all product lines, with the half-year to 31 December 2018 demonstrating growing customer demand and the scalability of our new lending platform. Overall lending volumes increased 12.0% and revenue increased 21.5% to $59.3 million, on the previous corresponding period.

The SACC loan book has seen a net increase of 15.9% since 30 June 2018 to $93.1 million, and an increase of 11.9% in loans advanced over the previous corresponding period. The half-year saw an increase of 23.4% in the MACC loan book from 30 June 2018 to $42.0 million at 31 December 2018, and an increase of 12.3% in loans advanced over the previous corresponding period.

The first-time adoption of AASB 9 during the period resulted in a provision for doubtful debts during the period that was greater by $2.2 million for personal finance loans than it would have been if calculated under AASB 139, the standard applicable to the previous corresponding period.

There has been a disproportionate increase in the bad debt expense for personal finance in both SACC and MACC lending, exacerbated by the growth of the book and change to the provision methodology under AASB 9. The business has deployed several new credit risk measures during the period, which are already showing improvements to the early default rates and are expected to have a positive impact on bad debt expense in the second half of the year. Segment EBITDA experienced a 22.7% decrease to $16.9 million as a result.

Application volumes were up 28.1% on the previous corresponding period with operations now receiving an average of approximately 40,000 loan applications per month. MACC showed the largest growth in applications, up 118.1% on the previous corresponding period. Following a period of growth, the business has begun to focus more on its credit risk assessment of the applications, with the overall approval rate dropping as a result.

The deliberate focus on longer term lending has had the greatest impact on store originated Cash Advance outgoings, with the income for administration of the Cash Advance products for the corporate and franchise store networks down 3.2% on the previous corresponding period to $3.6 million (half-year ended 31 December 2017: $3.7 million). Overall Cash Advance lending across the network declined 15.3% in comparison to the previous corresponding period.

Vehicle Financing

Green Light Auto Group Pty Ltd (GLA) is now in its third year of operation in the secured auto finance market and has continued to grow its business in the first half of 2019. The vehicle finance loan book increased 38.2% to $58.1 million delivering an 80.7% increase in EBITDA to $1.6 million (half-year ended 31 December 2017: $887 thousand). GLA experienced a 58.7% increase in loans advanced compared to the previous corresponding period.

The GLA product offering is now available through Cash Converters stores in addition to its expanded broker and dealer distribution channel, now with 206 accredited broker partners and 36 dealership locations across Australia. The product offering has been diversified to include loans for motorcycles and private sale vehicles.

The first-time adoption of AASB 9 during the period resulted in a provision for doubtful debts during the period that was greater by $1.2 million for motor vehicle loans than it would have been if calculated under AASB 139, the standard applicable to the previous corresponding period.

Operationally, the work to migrate GLA onto the Group's personal finance loan management platform is complete for the active loans and a project is underway to overhaul the application portal for an improved experience for direct and broker originations and to consolidate the operating model with that of personal finance.

The old Carboodle leases, which ceased to be offered in 2016, continue to run off, with 144 remaining active vehicle leases scheduled to complete over the next year.

Store Operations

The corporate store network in Australia produced a segment EBITDA of $8.6 million, up 4.7% on the half-year ended 31 December 2017 segment EBITDA result of $8.2 million. Where many Australian retailers have experienced declining revenues, it is positive to see an increase in retail sales of 2.1% to $37.7 million compared to the previous corresponding period. Driving this growth is the stores' continued ability to provide a valuable service to customers to obtain cash for their unwanted items of value, with total buys up 8.9% to $12.3 million.

Also contributing to the ability of stores to continue to provide exceptional value through their second-hand inventory is increased pawnbroking volumes, with a 7.3% increase over the period in pawn loans outstanding to $11.4 million (30 June 2018 $10.6 million). Total pawnbroking revenue was up 3.2% on the previous corresponding period. This growth in buys and loans activity has been achieved through a renewed focus on value to the customer and the refreshed 'Flip it' advertising message, creating greater awareness and understanding of Cash Converters' services.

As a result of more restrictive lending requirements and the focus on more affordable repayments, in store Cash Advance lending has declined during the period, with the net contribution from the product down 14.2% on the previous corresponding period, reflecting a 13.4% drop in loan volumes.

Franchise Operations

Cash Converters' franchise operations incorporate royalties and license fee income from approximately 380 international stores in 16 countries, as well as the master franchisor operation in the United Kingdom which supports a 196-strong franchise store network, and Australia's franchise operation with its 84 franchisee owned stores. Also included is the 25% equity interest in Cash Converters New Zealand, which operates 27 stores (16 corporate and 11 franchise).

EBITDA from franchise operations was $6.4 million, up $683 thousand from the previous corresponding period, which included a contribution from the New Zealand operations of $930 thousand (half-year ended 31 December 2017: $541 thousand). International revenues remained steady, whilst the UK contributed EBITDA of $1.6 million (half-year ended 31 December 2017: $1.4 million).

OUTLOOK

The Company anticipates continued revenue and profit growth of the business in the second half and remains well positioned to service growing demand for unsecured and secured lending across the segments in which it operates. Customer data analytics and a focus on credit risk optimisation remain strategic priorities with several new product launches planned in the second half of the year. These initiatives should ensure the loan book growth delivered in the first half continues, driven by customer needs and delivered in a responsible, sustainable and profitable manner. We also continue to evaluate opportunities in relation to expanding our distribution footprint both domestically and internationally, in addition to leveraging our new online sales platforms.

This release should be read in conjunction with the Appendix 4D and Consolidated Financial Statements.

[ENDS]

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