



Cash Converters Half-Year Result

Cash Converters International Limited is pleased to report a growth in revenue of 20.5% on the previous corresponding period to \$187.7 million. The normalised EBITDA profit for the period was \$32.4 million, up 31.4% on the previous period.

During the half-year, the termination of the Kentsleigh/Cliffview agency agreement was finalised. As previously disclosed, this termination, although earnings accretive and cash flow positive in future periods, following the termination payment of \$30.8 million, has resulted in a charge to profit and loss during the period of \$29.6 million. Pursuant to accounting standard requirements, this charge could not be capitalised. However, it is deductible for tax purposes.

Financial results summary (Statutory Reporting Basis)	31 December 2014	31 December 2013	Variance %
Revenue	187,745,183	155,760,342	+20.5
EBITDA	2,849,597	21,731,131	-86.9
Depreciation and amortisation	(4,513,859)	(3,801,175)	+18.7
EBIT	(1,664,262)	17,929,956	-109.3
Income tax	1,009,354	(4,010,072)	-125.2
Finance costs	(4,641,158)	(4,039,471)	+14.9
Net profit / (loss) after tax	(5,296,066)	9,880,413	-153.6
Normalised EBITDA	31 December 2014	31 December 2013	Variance %
EBITDA	2,849,597	21,731,131	-86.9
Stamp duty on store acquisitions	385,595	1,827,508	-78.9
Ausgroup provision	(1,158,099)	1,101,197	-205.2
Kentsleigh agency termination payment	29,628,270	-	-
Termination fees – bank facility	700,000	-	-
EBITDA normalised	32,405,363	24,659,836	+31.4
Divisional EBITDA (Normalised basis)	31 December 2014	31 December 2013	Variance %
Franchise operations	3,618,832	3,179,386	+13.8
Store operations	10,461,063	6,870,046	+52.3
Financial services - administration	6,078,141	4,920,328	+23.5
Financial services - personal loans	22,559,184	18,288,097	+23.4
Green Light Auto (before minority interest)	(828,055)	(2,916,186)	+71.6
Minority interest - Green Light Auto	201,372	2,623,306	-92.3
Total before head office costs	42,090,537	32,964,977	+27.7
Corporate head office costs	(9,685,174)	(8,305,141)	-16.6
Total Divisional EBITDA	32,405,363	24,659,836	+31.4



Major highlights for the half-year include:

- Record breaking December lending performance in Australia for both the personal loan and cash advance loan products with \$23.0 million (up 25.5% on previous corresponding period) and \$24.2 million (up 7.7% on previous corresponding period) respectively, loaned out;
- Strong revenue growth compared to the previous corresponding period of 20.5% rising to \$187.7 million (2013:\$155.8 million). The major drivers for revenue growth over the period included an increase in personal loan income of \$21.8 million (up 34.0%) and an increase in corporate store revenue of \$9.7 million (up 11.5%);
- The personal loan book in Australia grew by 22.7%, from \$94.3 million as at 31 December 2013 to \$115.7 million as at 31 December 2014. The value of loans written in December was \$23.0 million, a record, and up 25.5% on the previous December;
- The growth of the online personal loan business in Australia continues to be very strong with the value of loans written increasing to \$31.3 million for the period, up 65.2% on the previous corresponding period. December 2014 was a record month at \$7.6 million in value of loans written, up 24.9% on the previous December;
- The value of the Australian online cash advance and personal loans approved in the period increased 68.1% to \$36.3 million; and
- The corporate store network in the UK and Australia has seen revenue grow by 11.5% to \$93.6 million over the corresponding period. The combined EBITDA was \$10.5 million, representing an increase of 52.3% on the corresponding period.

Dividend

The directors have declared an interim dividend of two cents per share. The dividend will be fully franked and will be paid on 31 March 2015 to those shareholders on the register at the close of business on 17 March 2015.

Comment on the Result

The Company recorded growth in revenue of 20.5% on the previous corresponding period to \$187.7 million with the normalised EBITDA profit, before contract termination costs, for the period increasing by 31.4% on the previous corresponding period to \$32.4 million.

The Company recorded a statutory accounting loss of \$5.3 million (\$15.3 million normalised net profit) due to the accounting treatment required in relation to the termination of the agency agreements with our development agents Kentsleigh and Cliffview. The termination of the licences are earnings accretive to the Company going forward and will have a positive impact on future operating cash flow. These licences had been in place for approximately 10 years and provided for the development agents to develop and promote the cash advance (Cliffview) and the personal loan products (Kentsleigh) across the Cash Converters network.



From the completion of the termination in mid-December, the Company will save approximately \$5.7 million in commissions per annum based on the current value of loans written. The future savings from eliminating the commission payments are expected to be significant as the value of loans written continues to grow.

The price for the termination of the agency agreements was \$30.8 million (including GST) and represents an EBIT multiple on the commission savings of 5.4 times.

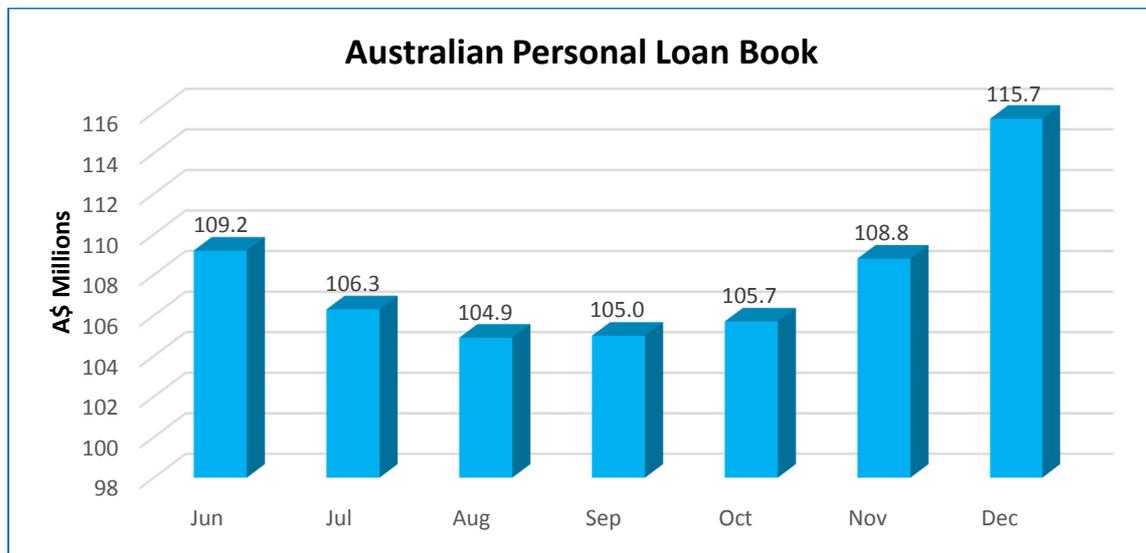
The normalised net profit, before contract termination costs, of \$15.3 million is 27.5% higher than the normalised net profit for the corresponding period.

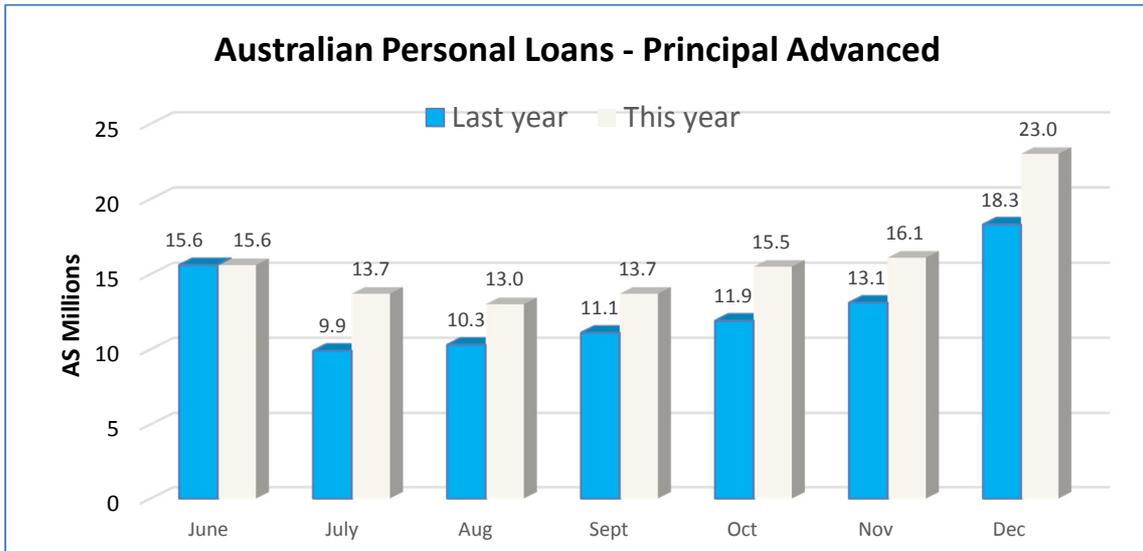
Financial services operations

The combined UK and Australian financial services business produced an EBITDA profit from the personal loans products of \$22.6 million, up 23.4% on last year. The administration business for cash advance services produced a combined EBITDA of \$6.1 million, up 23.5% on the previous period.

Australia

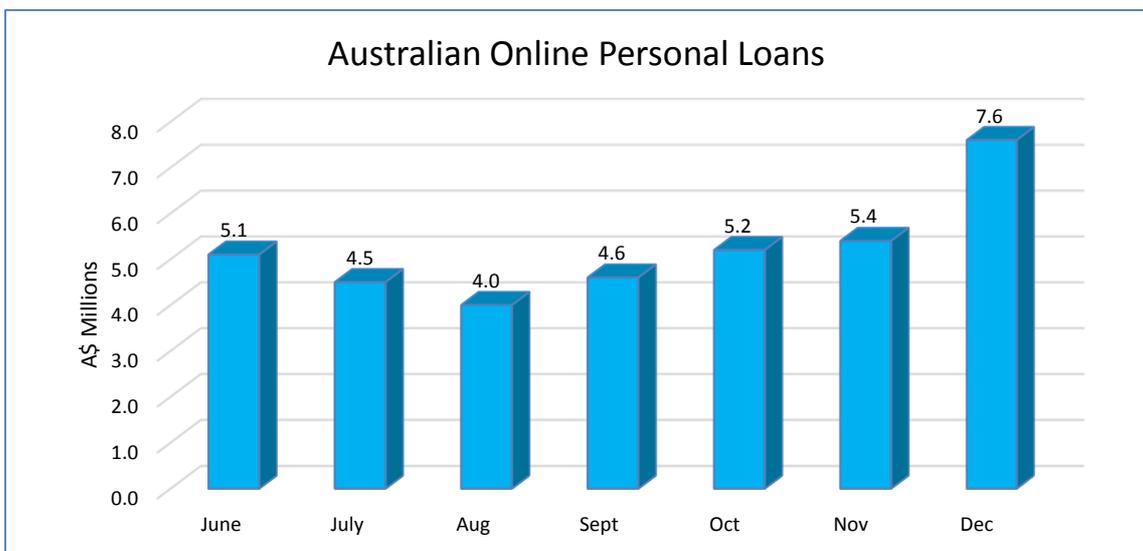
The personal loan book in Australia grew by 22.7%, from \$94.3 million as at 31 December 2013 to \$115.7 million as at 31 December 2014.





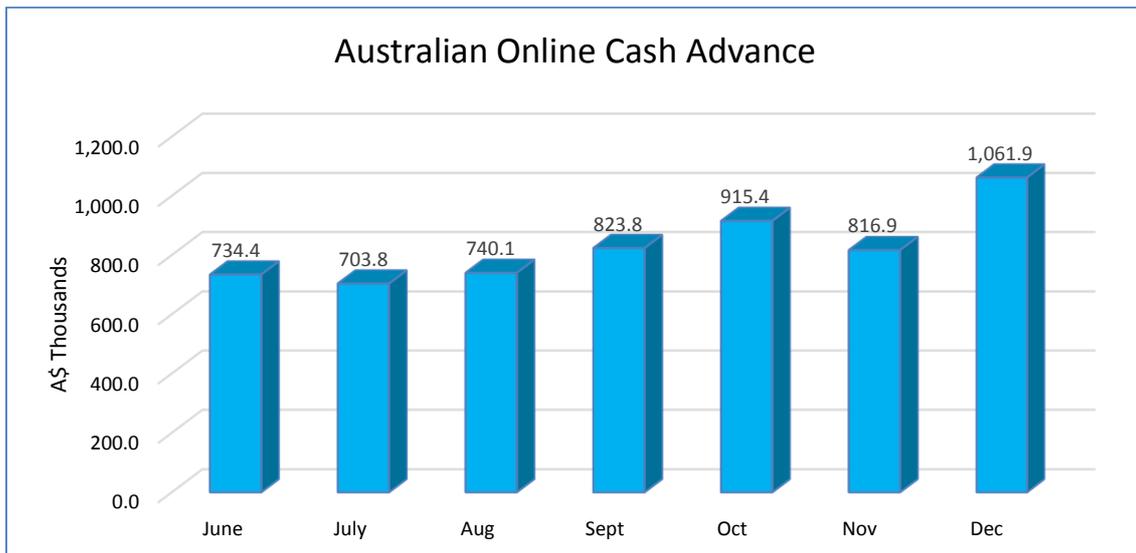
A significant part of this growth has been generated by our online personal loan lending platform, with 27,578 loans made totalling \$31.3 million. Online personal loans now represent 33.3% of the total loan book. The online business has considerable potential for further growth and contributes strongly to the development of the customer base. This view is supported by the fact that approximately 49% of all online customers are new to the Cash Converters loan product.

A large portion of the online growth has been driven by the launch of a new cash loans website platform which incorporates third party tools to expedite the customer application. The website launch was supported by mobile phone advertising to reach new customers which significantly boosted the applications from mobile devices.





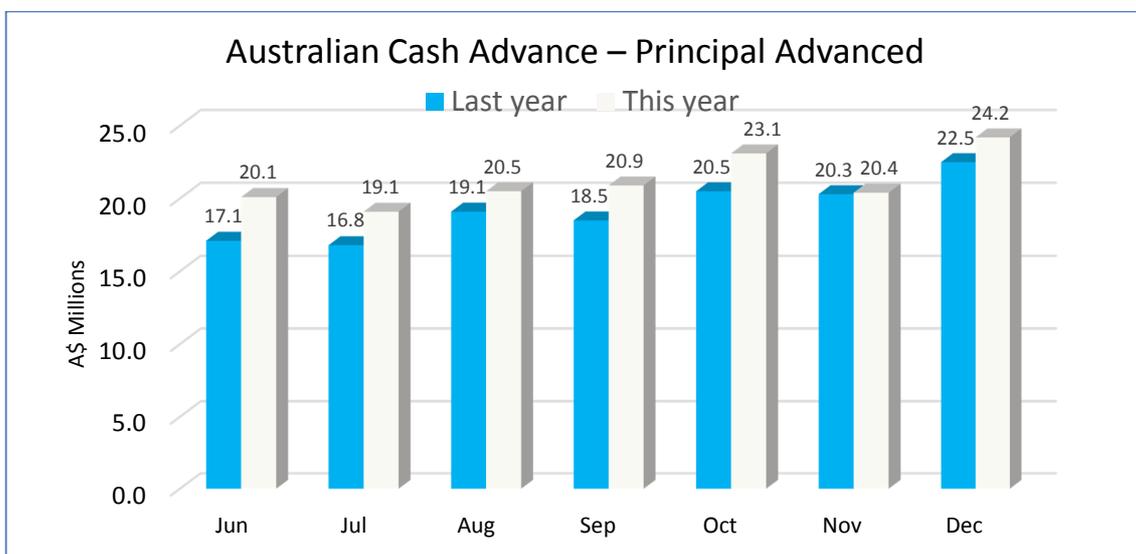
The month of January, traditionally a quiet period for the personal loan product, has maintained a similar loan principal advanced to the corresponding period last year, with \$13.9 million advanced this year and \$14.1 million in 2014.



The Australian personal loan book produced an EBITDA of \$25.5 million (2013: \$17.4 million) up 47% on the previous period.

The bad debt percentage of cumulative principal written off (less bad debts recovered) to cumulative principal advanced for the Australian business has increased to 6.3% as at 31 December 2014 from 5.7% as at 31 December 2013.

The EBITDA for the Australian cash advance products increased 19%, to \$5.4 million (2013: \$4.5 million).





The online cash advance business has contributed to the growth in the overall principal advanced, with the value of loans written in the period being \$5.1 million, up 88.8% on the previous six month period. Approximately 40% of online cash advance customers are new to Cash Converters.

Cash advance (first half of 2015FY compared to second half of 2014FY)

- Total principal loaned increased by 5.8% to \$128.2 million
- Average loan amount increased from \$413 to \$417
- Total customer numbers increased by 6.0% to 568,072

Personal loans (first half of 2015FY compared to second half of 2014FY)

- Total number of active customers increased by 9.7% to 136,935
- Total principal loaned increased by 9.0% to \$94.9 million

A pleasing sign has been the growth in new customer numbers over the previous period for both products.

United Kingdom

The UK personal loan book decreased by 8.4% in the first half, from £15.7 million at 30 June 2014 to £14.4 million at 31 December 2014. This was a result of the static loan outgoings and the planned running down of the loan book as the Company awaited the outcome of the rate cap review in the UK. The UK personal loan and cash advance business produced an EBITDA loss of \$2.3 million.

During this period the Financial Conduct Authority announced the details of the rate cap which came into effect on 2 January 2015.

The rules consist of the following requirements:

- A rate cap of 0.8% of the outstanding daily balance
- A £15 cap on default fees
- 100% total cost of credit cap
- A general responsible lending obligation in respect to assessing affordability

As disclosed previously our modelling suggests that with a revamped product offering there is still the potential in the UK to sustain our financial services offering albeit on a reduced margin.

The bad debt percentage of principal written off to principal advanced for the UK was 17.5% up from 16.6% as at 30 June 2014. This percentage is likely to remain high as the legislative changes continue to impact the loan book.

Cash advance (first half of 2015FY compared to second half of 2014FY)

- Total principal loaned increased by 2.3% to £16.6 million
- Average loan amount increased from £135 to £143
- Total customer numbers increased by 22.0% to 168,629



Personal loans (first half of 2015FY compared to second half of 2014FY)

- Total number of loans approved decreased by 14.9% to 13,190
- Total principal loaned increased by 17.4% to £8.9 million

Company owned store results

The corporate store network in Australia produced an EBITDA profit of \$10.2 million, up 64.3% on the previous period (2013: \$6.2 million). Included in the result for this half were an additional nine ex-franchised stores acquired by the Company, which added an additional EBITDA of \$1.7 million to the half-year result. Although total retail sales were flat on a like-for-like store basis, pawn broking interest was up 17%, cash advance commission up 20%, and personal loan commission up 37%.

The corporate store network in the UK produced an EBITDA profit of \$242,789, down 62.7% on the previous period (2013: \$650,830). The main causes of the reduction were a fall in retail sales and scrap gold sales which were \$1.0 million and \$0.9 million respectively below the corresponding period last year. An improvement was made in operating overheads which were \$0.6 million less than last year.

Green Light Auto (Trading as Carboodle)

The Carboodle brand was established by Green Light Auto Group Pty Ltd in 2010 ("GLA"). GLA is a licensed motor vehicle dealer providing customers who don't have access to main stream credit with a reliable and well maintained car (retail and commercial). GLA provides late model vehicles to its customers via a four year lease term including most running costs (insurance, maintenance, registration, roadside assistance etc) for a weekly payment.

During the review period, GLA entered into a referral and broker agreement with Aussie Car Loans (ACL) which will allow some ACL customers to be referred to GLA and allow GLA to have access to ACL's panel of lenders. GLA has also entered into an agreement with FleetPartners for the provision of high quality fully maintained, end of lease vehicles, for release to GLA's customers. As part of this agreement, FleetPartners purchased the current fleet of vehicles owned by GLA on a sale and leaseback arrangement. GLA will use FleetPartners exclusively for all future vehicle leasing and as a result, the previous arrangement which was more expensive, has been terminated. This resulted in finance termination costs of \$700,000.

During the period, the Company also completed the acquisition of the remaining 20% of the shares that it did not already own in GLA for the consideration of \$450,000. The Company now has a solid platform to develop the business.

Trading Highlights

- Forward contracted lease payments are \$25.2 million at the end of December 2014
- Total revenue for the six months to 31 December of \$4.6 million



Outlook

The first half result was in line with Company expectations. The Australian business experienced record lending volumes in December and this will result in continued earnings growth in the second half of the fiscal year.

The Australian corporate store network performed strongly in the first half and the Company has contracted the acquisition of an additional seven franchised stores in February 2015 which will see further growth in corporate store profit and the Company will also enjoy the financial benefit of the Kentsleigh/Cliffview agency termination in the second half of 2015.

Managing Director Peter Cumins said “We are very pleased with the sound first half performance. The Company is now enjoying strong profit growth from the two main profit drivers, the Australian corporate stores and financial services business. We now have regulatory clarity in the UK. On that basis, we will concentrate our efforts to take advantage of a less competitive landscape in the UK after the rate cap implementation on 2 January 2015.”

A handwritten signature in black ink, appearing to read "Reginald Webb".

Reginald Webb
Chairman

A handwritten signature in black ink, appearing to read "Peter Cumins".

Peter Cumins
Managing Director

Perth, Western Australia
Date: 16 February 2015