



Strategic Investment in New Zealand Master Franchisor and Expansion Plans

Cash Converters International Limited (“Cash Converters” or “the Company”) is pleased to announce that the Company has contracted to invest in the New Zealand Cash Converters Master Franchisor (“NZ Master Franchisor”).

The Company will acquire a 25% equity interest in all aspects of the New Zealand enterprise, including corporate stores, franchise contracts, financial services and software (“Cash Converters New Zealand”). Cash Converters will acquire the 25% interest from the NZ Master Franchisor for AUD\$5 million. This amount reflects the pro rata share of the actual investment cost incurred to date by the NZ Master Franchisor.

The parties have agreed on terms and a mechanism which provides for either party to acquire 100% of Cash Converters New Zealand five years from now.

The Company will also lend AUD\$15 million to Cash Converters New Zealand by way of a fully secured, interest only facility repayable in 2016 or earlier. The interest rate is 8% per annum. The facility can be fully drawn down by Cash Converters New Zealand at completion of the acquisition.

The acquisition is expected to complete in January 2014.

Background on Cash Converters New Zealand

Cash Converters commenced franchised operations in New Zealand in 1993. The Cash Converters New Zealand network currently consists of 14 stores, of these, 9 are franchised and 5 are owned and operated by the NZ Master Franchisor. In FY2013 Cash Converters New Zealand generated an EBIT of approximately NZ\$4m.

New Zealand is home to approximately 4.5m people and the majority of the population is concentrated in 16 major urban areas. New Zealanders enjoy first class banking and legal systems and a stable political environment which encourages business growth.

Significant Network Expansion Planned

Cash Converters New Zealand plans to expand the network from 14 stores to 50 stores over the next 5 years. It is expected that of the total store target of 50, half would be franchised and half would be owned and operated by Cash Converters New Zealand.

The network enjoys strong brand recognition and presence in New Zealand. Financial services, including pawn broking and payday loan products, have been well established since 2005. Cash Converters New Zealand is now preparing to introduce higher value unsecured personal loan products to meet strong consumer demand and to provide additional short term credit choices.

The regulatory regime in New Zealand is governed by the Credit Contracts and Consumer Finance Act 2003. There are no fee cap arrangements in place. As a lender, Cash Converters New Zealand is registered in accordance with the Financial Service Providers (Registration and Dispute Resolution) Act 2008.

Commentary

Cash Converters New Zealand CEO, Neville Bowen, said “We are pleased and excited to partner with Cash Converters International to expand the New Zealand network. As the NZ Master Franchisor we have realised the considerable opportunity to expand the Cash Converters business in New Zealand but we have been capital constrained and we have lacked the infrastructure to scale up the business. We look forward to working with Cash Converters International to drive the growth of the business in New Zealand. Cash Converters New Zealand will now be well financed and well positioned to significantly expand the network and grow the sales of our financial services products.”

Cash Converters Managing Director, Peter Cumins, said “We see a significant opportunity to increase the sales of financial services products through an expanding network of stores across New Zealand. The NZ Master Franchisor has a strong track record of managing franchised and corporate stores and growing their business”.

Cash Converters Manukau Store – New Zealand



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Ralph Groom
Company Secretary
Cash Converters International Limited
24 December 2013