Full Year Financial Results

For the year ended 30 June 2022

Strong Operating Leverage & Earnings Momentum

Cash Converters International Limited (ASX: CCV) ("Cash Converters" or "the Company") today announced its financial results for the full year ended 30 June 2022 (FY 2022).

- Strong underlying momentum across the business, Revenue **up 22% to $245.9 million**
- Operating NPAT **up 26% to $19.0 million**, Reported NPAT **down 46% to $11.2 million** due to COVID-related store closures and ECL allowance increases on the prior period - including the timing mismatch of upfront loan loss provision against revenue recognised over the life of loan
- Gross loan book **up 20% to $213.9 million**; future expected loan book income (fees and interest)[1] now sitting at **$65.6 million**; Net loss rate remains low at **3.8%**[2]
- Loan book growth cash funded; loan facility minimum drawn; cash on hand **$58.1 million**
- Over **60%** of lending and **18%** of retail sales now transacted online
- Over **1.4 million** second-hand items purchased in FY 2022, helping reduce landfill
- Final fully franked dividend of **1cps** declared, in addition to 1cps interim dividend paid
- Net tangible assets per security of **29.9c**

Cash Converters Managing Director, Sam Budiselik stated: "In many respects this financial year was a watershed year for Cash Converters, as we navigated the final stages of COVID related store closures and government stimulus across the first half of the financial year. Delivering a solid operating profit in these challenging times ensures our business is well positioned to support our customers, as we enter a period where cost of living pressures continue to increase, in line with inflation".

"As spending resumes, the trend of elevated credit appetite continues, reflected in outgoings increasing to $280.9 million (up 23% on pcp) and accelerating across the second half. We continue to leverage our machine learning, credit assessment and collections capabilities, focusing on offering secured and unsecured credit options to responsibly meet the cash needs of our customers. We remain confident in our credit risk models and loan book quality, as evidenced by the superior cumulative loss rates for more recent loan vintages, when compared to prior periods. We have, however, taken a prudent approach in terms of our loan provisioning, ensuring any potential deterioration in the underlying economy is adequately considered.".

"With society becoming more focused on the environmental impact of consumption, our unique retail model resulted in the purchase of over 1.4 million secondhand goods that in many cases are destined for landfill. A new smartphone, as an example, will generate 85 kilograms of CO_2 in its first year of use (and a laptop 330 kilograms[3]), 95% of which comes from the manufacturing process[4] In FY 2022 we purchased over 45,000 smartphones and laptops throughout our network, potentially offsetting 8,300 tonnes of CO_2."

"With improving organic growth prospects, an exciting new product pipeline and a robust balance sheet, the resulting earnings outlook is positive for the business going forward."

Group Results	FY 2022	FY 2021 [restated][5]	%
Revenue	$245.9 million	$201.3 million	+22%
Reported EBITDA[6]	$41.5 million	$50.0 million	(17%)
Operating[7] EBITDA	$52.7 million	$50.0 million	+6%
Operating[7] PBT	$26.6 million	$21.5 million	+24%
Reported NPAT	$11.2 million	$20.7 million	(46%)
Operating[7] NPAT	$19.0 million	$15.0 million	+26%

Cash Converters recorded an operating profit after tax of $19.0 million (year ended 30 June 2021 restated $15.0 million). The strength of the Company's diversified business model has continued to underpin the customer service proposition with physical store assets complementing industry-leading online digital assets. With a difficult first quarter resulting in over 24% of lost store trading days across the network a strong operating result was achieved in the financial year, compared to the previous corresponding year. The store segment has now recovered to more normal trading levels, with high quality inventory now available to meet growing demand for quality secondhand merchandise.

Included in this statutory result is the impact of a H1 FY 2022 non-cash impairment expense of $11.2 million ($7.9 million post tax), and provision raised against the carrying value of certain individual store assets (as outlined in the H1 FY 2022 release). Pleasingly, store network trading continues recover, with no change to this provision as a result.

The abnormal weighting of unusually strong loan book growth to the second half of FY 2022 has resulted in a volume driven increase in expected credit loss ("ECL") allowance compared to prior periods. During the year end results preparation process some technical points of error were also identified in the models that have been used over the past three years. The ECL allowance model is forward looking, requiring significant management judgement and does not require evidence of an actual loss event for the allowance to be recognised.

This required a restatement of prior period results, primarily impacting Cash Converters' vehicle finance business, Green Light Auto. The revision includes analysis of data reflecting performance on historically originated loans (dating back to 2016) and we remain comfortable with the origination quality of more recent loan cohorts. The vehicle finance loan book has been most impacted by the model revisions due to the longer-term nature of the loans. These restated results are disclosed in Cash Converters' FY 2022 financial statements.

The impact of the revision and restatement does not impact debt facility undertakings and the movement in ECL allowance is a non-cash expense. These factors along with the significant growth in the loan book compared to the prior comparative period resulted in a significant ECL allowance swing of $13.4 million (of which GLA comprises $8.9 million).

Whilst the upfront recognition of loan loss provisions does not match the timing of loan revenue – which is recorded over the life of the loan – anticipated higher earnings on a growing loan book will continue to benefit future periods, with future expected loan book income (fees and interest) sitting at $65.6 million at 30 June 2022.

Gross Loan Book Values at 30 June 2022, up 20% on pcp

		FY 2019	FY 2020	FY 2021	FY 2022	Y-o-Y
SACC[8]	Loan Book	$89.8 million	$63.1 million	$67.6 million	$75.6 million	+12%
	% Of Total	41%	38%	38%	35%	
MACC[9]	Loan Book	$45.3 million	$31.7 million	$49.4 million	$76.1 million	+54%
	% Of Total	21%	19%	28%	36%	
GLA[10]	Loan Book	$67.0 million	$61.5 million	$44.3 million	$46.7 million	+5%
	% Of Total	31%	37%	25%	22%	
PB[11](Corp)	Loan Book	$17.1 million	$9.3 million	$16.8 million	$15.5 million	(8%)
	% Of Total	8%	6%	9%	7%	
Total Gross Loan Book		$219.1 million	$165.6 million	$178.1 million	$213.9 million	+20%
Quarterly 'Net Loss'/ Average Loan Book[2]		6.1%	5.4%	2.8%	3.8%	+1.0%

The focus on longer term, lower cost credit is evidenced by our Medium Amount Credit Contract (up to $5,000) loan book growing 54% over the financial year. Vehicle finance, distributed under our Green Light Auto (GLA) brand through a network of over 1,700 brokers and dealers, also continues to recover as the market normalises after a period of significant disruption. The easing of government stimulus and superannuation access is improving credit demand for vehicles, with a 224% rise in loan origination and 5% gross loan book growth achieved whilst maintaining a conservative risk-based approach to loan-to-value (LVR) ratios, ensuring leverage remains controlled.

The Pawnbroking loan book has stabilised under pre-COVID levels with an average loan value of $192 (up from $142 in FY 2019) and redemption rates remaining strong. The product has traditionally performed well in rising inflationary environments and the book is expected to grow towards the levels experienced prior to the COVID period.

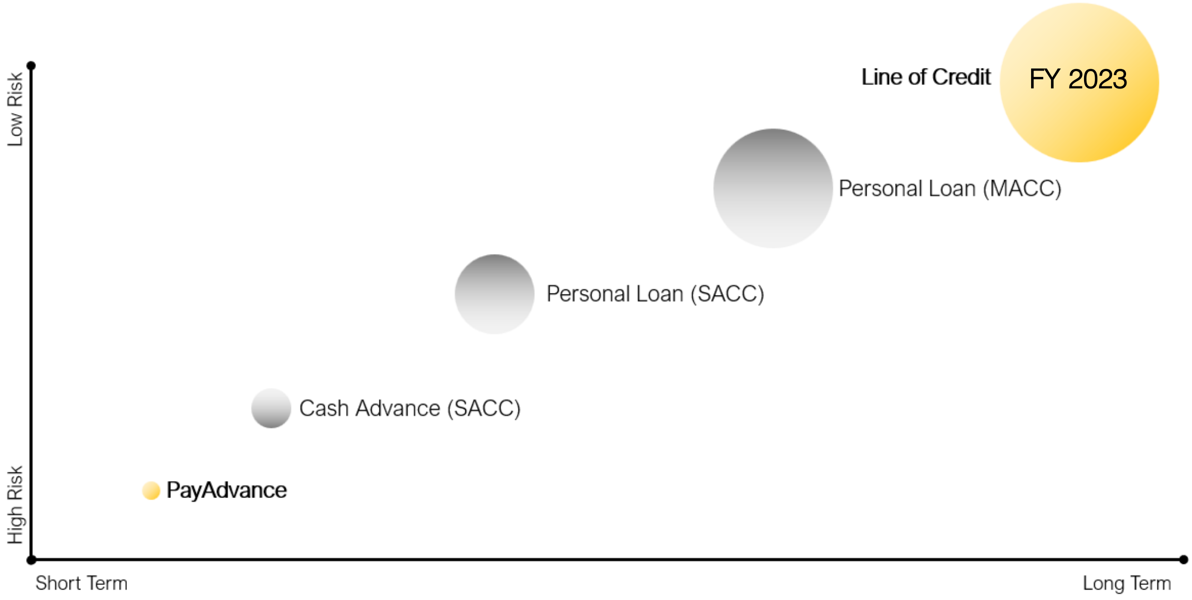
Overall net losses on an expanding loan book remain historically low at 3.8% for FY 2022, however are anticipated to continue to normalise following the post COVID stimulus period. As witnessed in the fourth quarter of the financial year, net losses were higher at 4.2%, but still well below FY 2019 levels of 6.1% - as our advanced credit risk models continue to ensure prudent underwriting.

PayAdvance[12]

The launch of our new *PayAdvance* product continues to perform well and is primarily a customer origination mechanism, designed as a cost-effective way to introduce a younger demographic into the Cash Converters ecosystem. Of the PayAdvance loans generated 46% went to customers aged 18-30 years old, and 78% of all customers are under 40 years old. It is anticipated customers will transition from PayAdvance into longer-term, lower cost Cash Converters products (as illustrated in the diagram following). To date, 9% of new PayAdvance customers have taken out a subsequent, longer-term Cash Converters loan.

With PayAdvance nearing its national release, development of Cash Converters' Line of Credit (LOC) has commenced. This product is designed to provide eligible customers with a risk-rated (lower cost) credit facility that can be drawn over time and is scheduled for pilot release early in H2 of FY 2023.

Personal Finance Product Roadmap



Outlook

We continue to assess new store locations, in addition to focusing on converting some existing stores to smaller footprints and negotiating lease reductions in others, to ensure we continue to efficiently expand our reach to new customers across Australia over time.

The significant investment in our digital assets over recent years also sees us in a strong position to continue growing into our key verticals. We now transact over 60% of our loan outgoings and 18% of our retail turnover online, through our industry leading website and mobile applications.

With a somewhat counter-cyclical business model, we remain well placed to continue to meet elevated demand for our retail and lending businesses as cost-of-living pressures increase.

The Company remains well placed to capitalise on inorganic growth opportunities as they present, provided they exceed the necessary return hurdles. Growing loan books should now generate earnings momentum, with a historically stronger second half recorded as a result.

Dividend

The Board confirms the declaration of a fully franked final dividend of 1 cent per share, payable on 14 October 2022, to those shareholders on the register at close of business on 23 September 2022. The Board and management team would like to thank our colleagues for their hard work, our customers for their loyalty, and our shareholders for their continued support.

ENDS

Authorised for release by the Board of Cash Converters International Limited.

Sam Budiselik
Managing Director

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Use EasyUpdate to change your communication preferences, and access the InvestorCentre for any other shareholder services.

Videos:

- WebShop
- What's It Worth (WiWO)
- My Loans Pawnbroking Portal

Notes:

1 Calculated as the contractual interest and fees receivable from customer accounts on SACC, MACC and GLA products from 1 July 2022 to maturity assuming all scheduled amounts are received with no prepayments or arrears.

2 Net losses: Average of the quarterly bad debt written off expense net of recoveries compared to average quarterly gross loan book for the period July 2021 to June 2022 (and prior period July 2020 to June 2021). Net losses include the impact of total $1.7 million sale of bad debt completed in FY 2022 (FY 2021: $0.9 million)

3 What is the carbon footprint of a laptop?, Circular Computing, August 2021

4 Making smartphones sustainable: Live long and greener, Deloitte Insights, December 2021

5 The comparative information for 2021 has been restated. Please see note 1 (a) of the 30 June 2022 annual financial statements.

6 EBIT is calculated as earnings before interest expense and tax and EBITDA calculated as EBIT before depreciation and amortisation. EBIT and EBITDA are non-IFRS measures and are alternative performance measures reported in addition to but not as a substitute for the performance measures reported in accordance with IFRS. These measures focus directly on operating earnings and enhance comparability between periods.

7 The operating results for 2022 are presented excluding the non-cash impairment expense of $11.196 million ($7.837 million after tax effect) on the carrying value excluding goodwill of the assets of individual corporate stores where forecast cash flows have been negatively impacted due to factors directly associated with the impact of COVID-19 closures in the first half and uncertainty in the trading conditions beyond reporting date. The operating profit after tax for 2021 is presented excluding a non-recurring prior year tax item of $5.673 million, highlighted in 2021, recognising in full the deferred tax asset (DTA) arising from carry forward tax losses from previous years due to the ongoing taxable profit forecast in the UK operation. The operating result is presented to aid the comparability and usefulness of the financial information reflecting the underlying performance of the business. This information should be considered in addition to, but not instead of or superior to, the Group's financial statements prepared in accordance with IFRS. The operating results presented may be determined or calculated differently by other companies, limiting the usefulness of those measures for external comparative purposes.

8 Small Amount Credit Contract (SACC) is a regulated unsecured personal loan product, transacted in-store and online, up to $2,000.

9 Medium Amount Credit Contract (MACC) is a regulated unsecured personal loan product, transacted in-store and online, up to $5,000.

10 Green Light Auto (GLA) is a fully owned subsidiary of CCV offering secured vehicle loans through a network of brokers and dealers.

11 Pawnbroking Loan Book – Corporate Stores only

12 PayAdvance has a fee of only 5% applied upon repayment, to an advance on earned, but not yet received salary or wages, with no other fees or charges applied.

About Cash Converters

Cash Converters International Limited (ASX: CCV) is Australia's leading non-bank lender and secondhand retailer.

Commencing trade in 1984 as a single store in Perth, Western Australia Cash Converters has since expanded its footprint to over 150 stores in Australia and over 500 franchise stores overseas. Its product offering has also been expanded, entering personal and vehicle finance markets where it now maintains significant market share.

Cash Converters has also established a significant online presence in recent years to complement its extensive store network, providing both lending and retail services online to a growing number of customers.

To learn more, please visit: www.cashconverters.com