



27 November 2014

LICENCE TERMINATION TO DRIVE \$5.9 MILLION EARNINGS ENHANCEMENT

Cash Converters International Limited ("Cash Converters", or "the Company") is pleased to announce that it has entered into contracts, the principal effect of which is to terminate the agency agreements ("Licences") with development agents Kentsleigh Pty Ltd and Cliffview Pty Ltd ("Development Agents").

The Licences have been in place for approximately ten years and provided for the Development Agents to develop and promote the cash advance (Cliffview) and personal loan lending products (Kentsleigh) across the Cash Converters network.

The consideration for these services has been an ongoing commission payable to the Development Agents in respect of every loan written. The agreements have no fixed expiration. The Cash Converters loan books have grown significantly over this period of time and as at 30 October 2014 the value of the Australian personal loan book was \$105.7 million with \$15.5 million loaned in October and \$23.1 million loaned for the cash advance product in October. Accordingly, in the absence of this transaction, the Company would have continued paying commissions indefinitely on a growing loan book.

From completion of the transaction in December 2014, the Company will save approximately \$5.7 million (net of \$200k in additional costs) 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 if the value of loans written continue to grow, as management expect them to.

This saving constitutes a significant enhancement to earnings before interest and tax ("EBIT") as it eliminates a direct expense which the Company has been incurring. There is a significant cash flow benefit, no integration risk and minimal additional expenses for Cash Converters to manage the product promotion and development moving forward.

The price for the effective termination of the agency agreements and some ancillary matters is \$30.8 million (including GST). Due to accounting standard requirements this termination payment cannot be capitalised and will have an after tax impact of negative \$18.8 million (including GST savings and the reduction in expenses from December 2014 to 30 June 2015) on the statutory net profit after tax for FY2015. This termination payment amount represents an EBIT multiple (on the commission savings) of 5.4 times. On a normalised basis Cash Converters expects the license termination to be earnings accretive.

Capital Raising

Cash Converters is pleased to advise that it has resolved to raise up to \$45 million through a placement of 47.4 million shares at 95 cents per share ("Placement").

The Placement is being made to institutional and sophisticated investor clients of Hartleys Limited. Cash Converters' major shareholder, EZCORP Inc., will participate in the Placement to its pro-rata interest of 31.88%. The Placement shares will be issued pursuant to the Company's ASX Listing Rule 7.1 15% capacity.

The Placement monies will be used to fund the payment to the Development Agents in respect to the termination of the Licences (\$30.8 million), to acquire stores within the franchised network (\$12 million) over time and for working capital purposes.

Comment

Cash Converters Managing Director, Peter Cumins, said “The termination of these licenses will have an immediate material, positive impact on our normalised earnings and cash flows going forward. The capital raising was oversubscribed with strong support from existing and new institutional investors and we are in a solid financial position to continue to fund our growing loan books and to selectively acquire Cash Converters stores from franchisees. In FY14 the EBITDA contribution from our corporate store operations increased by 72% to \$15.6m and we continue to see opportunities to accretively acquire stores from franchisees”.

This announcement lifts the trading halt on Cash Converters shares.

Ralph Groom
Company Secretary
Cash Converters International Limited
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