cashconverters

Investor Presentation

November 2014

Sept Quarter Update

- Strong revenue growth, up 26.2% to $97.2m on previous corresponding period (pcp). Driven by:
  - Increase of $12.5m from Personal Loan products
  - Increase in Corporate Store revenue of $6.1m
- Personal Loan book $105m as at 30 September, up 23.4% from $85.1m from 30 Sept 2013
  - Amount of online loans advanced for Personal Loan products of $13.1m, up 111.5% (pcp $6.2m)
- Underlying, normalised EBITDA up 61% on pcp to $15.98m. Driven by:
  - Corporate Store EBITDA up 148.7% to $4.7m as acquired stores make a strong contribution
  - Personal Loan EBITDA up 38.8% to $11.8m
  - Cash Advance EBITDA up 11.2% to $2.97m
- The Australian business has been improving strongly as customers settle into the new regulatory regime
- We expect the trend to continue into the typically strong Christmas period

Sept Quarter Update

Financial Results Summary Statutory Reporting Basis	30 Sept 2013 Quarter	30 Sept 2014 Quarter	Variance
Revenue	$77.04m	$97.23m	+26.2%
EBITDA	$8.92m	$15.98m	+79%
EBIT	$7.04m	$13.84	+96.6%
NPAT	$4.38m	$7.72m	+76.4%

Normalised EBITDA	30 Sept 2013 Quarter	30 Sept 2014 Quarter	Variance
EBITDA	$8.92m	$15.98m	+79%
Stamp duty on store acquisitions	$1.66m	$0.384m	-76.9%
Green Light Auto (after minority interest)	$0.19m	$0.190m	-1.6%
EBITDA normalised	$10.28m	$16.55m	+61.0%

Agent Agreements

- Cash Converters has entered into contracts, the principal effect of which is to terminate the development agency agreements with Kentsleigh and Cliffview (Agreements) for $30.8 million cash, including GST
- The Agreements 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
- Kentsleigh succeeded in lifting participation in the distribution of financial products across the Australian franchise network and driving sales growth of the financial products
- CCV benefited from this relationship by reducing capital outlay at a time it was ramping up its product range
- As the loan products business has grown these commission costs have increased accordingly
- In FY14 Cash Converters paid $5.9 million ($5.7m FY13) in commissions to Kentsleigh / Cliffview
- This termination payment amount represents an EBIT multiple (on the expected next 12 months commission savings) of 5.4 times

Agent Agreements

- The termination of the Kentsleigh/Cliffview contracts provide Cash Converters with the following benefits:
  - $5.7 million pa in reduced expenses ($200K staff costs retained)
  - A termination of a commission with savings flowing straight through to the CCV bottom line
  - As loans written continue to grow Cash Converters benefits in that no commissions will be payable
  - Small additional costs ($200K) to Cash Converters
  - No risks in integrating or managing the business, significant cash flow benefits
  - Benefits flow immediately to Cash Converters
- For accounting purposes the full acquisition cost of $30.8 million less tax of $9.0 million will be expensed in the FY15 accounts
- This will impact the statutory NPAT for FY15 by in the order of $18.8m negative (including tax impact, GST savings and the reduction in expenses from December 2014 to 30 June 2015). There will be a positive impact on normalised NPAT, no impact on half year dividend
- There will be no goodwill recorded or ongoing amortisation or depreciation expenses in relation to the acquisition
- The Agreements are subject to financing

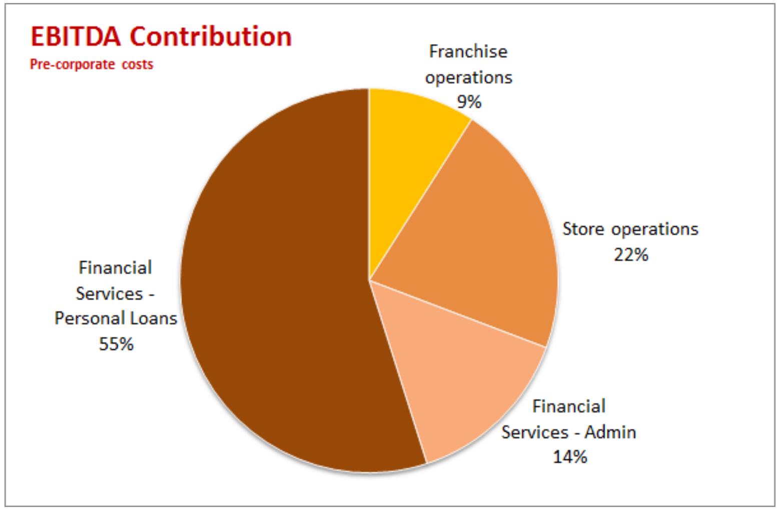
Business Model

Corporate and Franchised Store retail network driving sales of financial services products

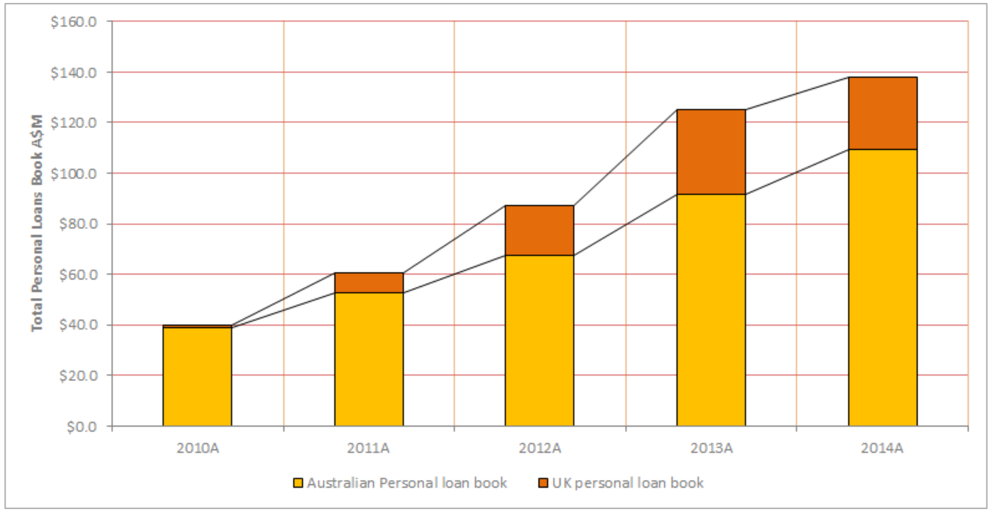
The major revenue segments are:

- Franchise operations
- Retail store operations and pawn-broking (company owned stores)
- Personal Finance – cash advance and pay-day lending
- Personal Finance – personal loans

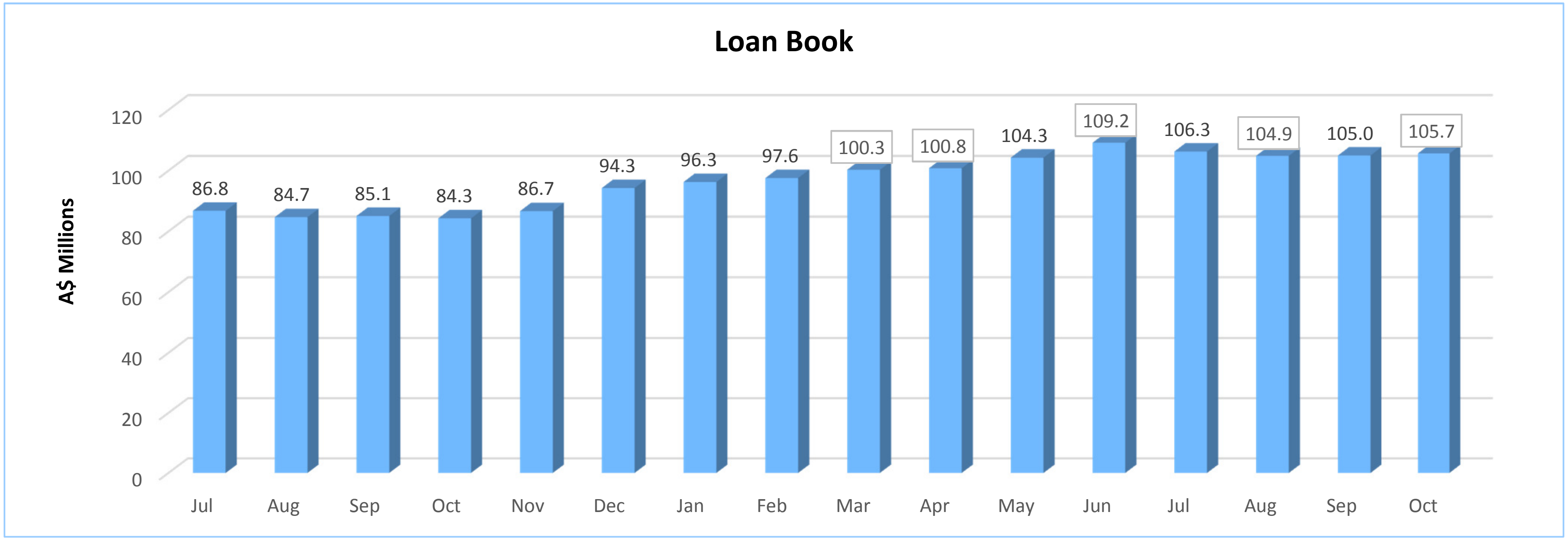
EBITDA (FY14)



Personal Loan Books



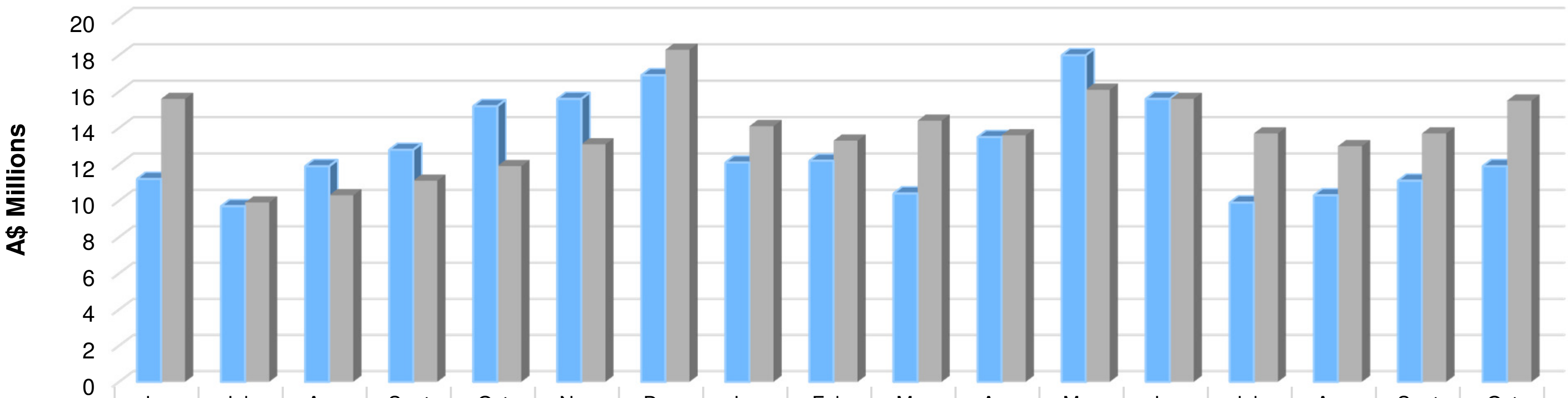
Australian Personal Loan Book



- Loan book at 31 October 2014: $105.7m, up 25.4% on pcp
- Loan book is seasonal but down only 3.2% on 30 June 2014 balance of $109.2m, compared to 7% on pcp
- Loan book growth expected to continue into the seasonally strong Christmas period
- 124,853 active customers

Australian Personal Loan Book

Principal Advanced

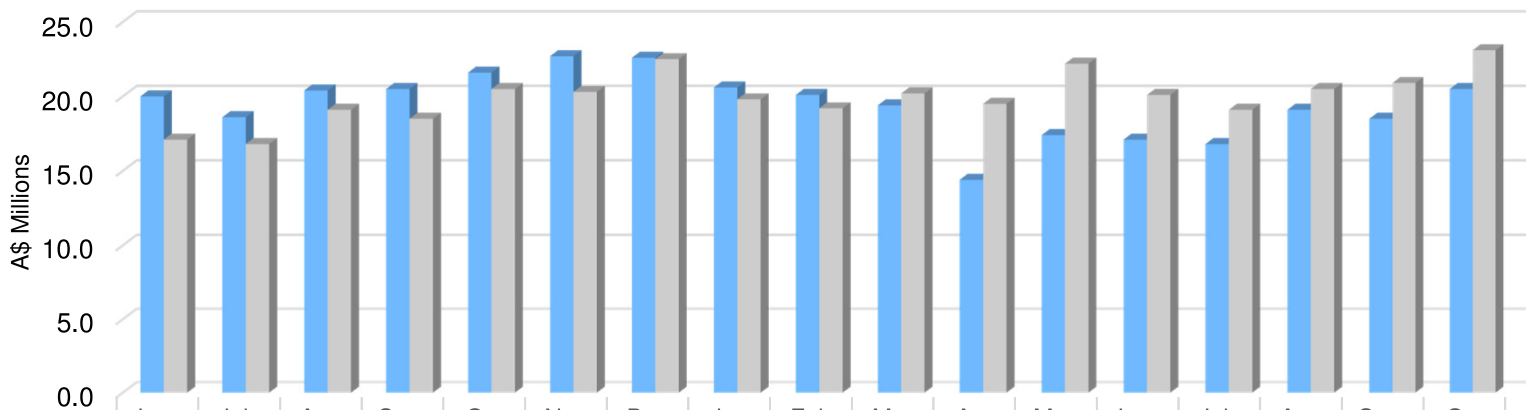


	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct
Last Year	11.2	9.7	11.9	12.8	15.2	15.6	16.9	12.1	12.2	10.4	13.5	18.0	15.6	9.9	10.3	11.1	11.9
This year	15.6	9.9	10.3	11.1	11.9	13.1	18.3	14.1	13.3	14.4	13.6	16.1	15.6	13.7	13.0	13.7	15.5

- Produced EBITDA of $11.8m, up 38.8% on pcp of $8.4m
- Bad debt percentage of principal written off to principal advanced slightly increased to 7.2% (FY14:6.6%). Remain within historical ranges

Australian Cash Advance

CA – Principal Advanced

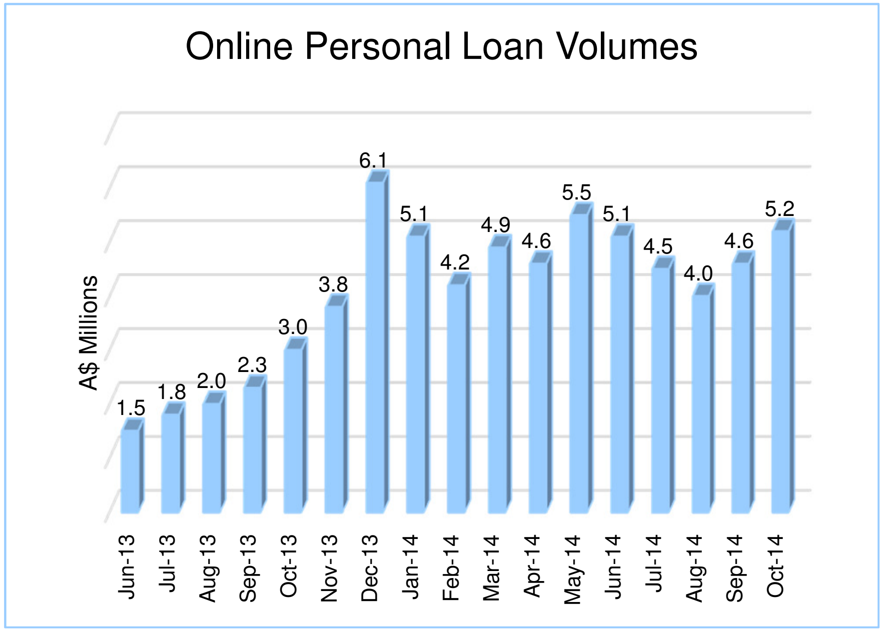


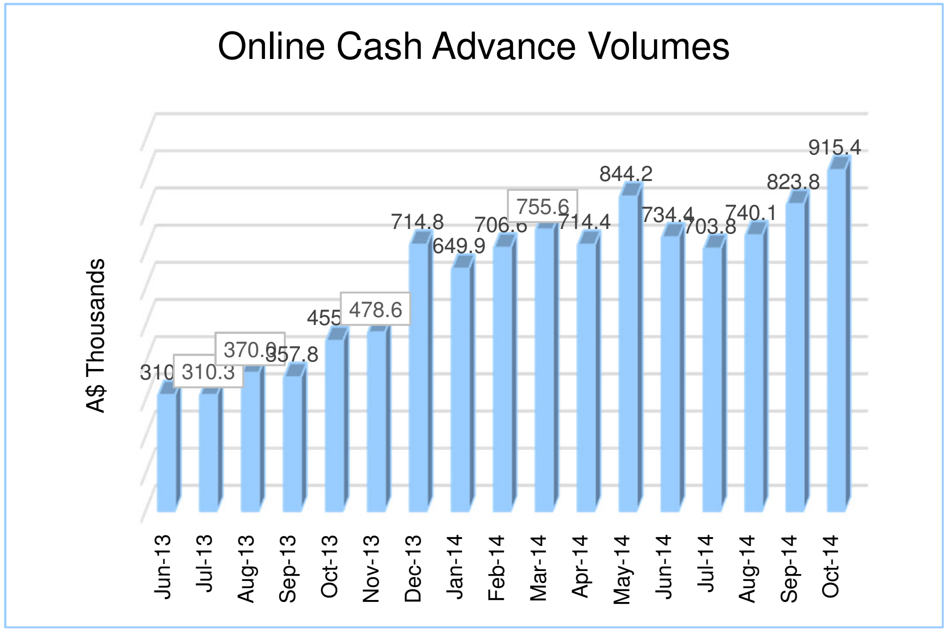
	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct
Last Year	20.0	18.6	20.4	20.5	21.6	22.7	22.6	20.6	20.1	19.4	14.4	17.4	17.1	16.8	19.1	18.5	20.5
This Year	17.1	16.8	19.1	18.5	20.5	20.3	22.5	19.8	19.2	20.2	19.5	22.2	20.1	19.1	20.5	20.9	23.1

- EBITDA contribution of $2.97m, up 11.2% on pcp contribution of $2.67m
- Experiencing continued improvement following the implementing the new rate cap
- Total principal loaned for the quarter increased by 11.2% on pcp to $60.5m

Online Loan Growth

Online loan growth continuing





- Qtr ending 30.9.14 - $13.1m of online advances for the personal loan product, up 114.8% on pcp
- Qtr ending 30.9.14 - $2.3m cash advance online lending, up by 118.4% on pcp

UK Regulatory Environment

Cash Converters has significant experience operating in a number of regulatory regimes

The Financial Conduct Authority (FCA) released Policy Statement PS14/16 on 11 November 2014 in which they detail the rules for a rate cap on high cost, short term credit, effective from 2 January 2015

The rules include the following:

- 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

Growth Opportunities

- Carboodle was established as Green Light Auto Group Pty Ltd (GLA) in 2010 as a total motoring solution providing customers who don't have access to main stream credit with a reliable and well maintained car on lease terms inclusive of running costs (insurance, maintenance, registration, roadside assistance etc) for a weekly payment
- The Company recently completed the acquisition of the remaining 20% of the shares that it did not already own in GLA for consideration of $450,000
- Carboodle entered into a Referral Agreement and a Broker Agreement with Australia's leading online car finance broker, Aussie Car Loans in September 2014. Under the referral agreement, customers that fall outside of the lending matrix for Aussie Car Loans panel of lenders, can now be referred to and obtain access to the financial service products offered by Carboodle. Furthermore, under the broker agreement, Carboodle will have access to Aussie Car Loans panel of lenders and can now offer a wider variety of finance options and products than those previously available

Growth Opportunities

- Carboodle has recently completed a transaction in which it sold the assets of the business (leased vehicles) and then leased them back from a Melbourne based vehicle leasing company, Fleet Partners
- This transaction provides Carboodle with a lower cost of funds on a go forward basis and provides a funding arrangement that doesn't require further capital from Carboodle
- Fleet Partners will also manage the administration of Carboodle's warranty programme for a fee and also provide Carboodle with access to vehicles that come off its leasing plan
- Carboodle is now well positioned for growth

Summary & Outlook

- Revenue up 26.2% and normalised EBITDA up 61% on previous corresponding quarter
- Continuation of the trend which commenced in December 2013 following the transition to the new regulatory regime
- Continued growth in loan advances for the Personal Loan product and the Cash Advance product over the quarter
- Expect momentum for loan product growth to continue into the historically strong Christmas period
- Still experiencing strong growth from the online channel for loan products
- Corporate Store network continuing to perform well with EBITDA contribution up 148% on pcp following acquisitions of franchised stores over the past year
- The termination of the Kentsleigh / Cliffview development agent contracts reduces expenses, improves cash flow and has no integration risk. As the acquisition is a licence termination the consideration value will be taken directly to the profit and loss statement in FY15

Appendices

Corporate Snapshot

Corporate Snapshot	
Shares on issue	**431,476,525**
Share price	**$1.040**
Market capitalisation	**$448,735,586**
Cash (30 June 2014)	$26,843,072.0
Interest bearing liabilities (30 June 2014)	$123,961,911.0
Enterprise value	$545,854,425.0

Borrowings	30-Jun-14
Westpac. Securitisation/warehouse facility	$59,613,840.0
Hire purchase & lease liabilites	$402,379.0
Bank loan facilities (overdraft, term & variable loans)	$5,000,000.0
FIIG Bond facility	$58,945,692.0
Total Borrowings Drawn	$123,961,911.0

September Quarter FY15

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Financial results summary (Statutory Reporting Basis)	30 September 2013 Quarter	30 September 2014 Quarter	Variance %
Revenue	**$77,039,320**	**$97,230,953**	**+26.2**
EBITDA	**$8,923,771**	**$15,976,991**	**+79.0**
Depreciation and amortisation	$1,885,984	$2,137,686	+13.3
EBIT	$7,037,787	$13,839,305	+96.6
Income tax	$862,810	$3,737,405	+333.2
Finance costs	$1,797,714	$2,381,657	+32.5
Net profit after tax	**$4,377,263**	**$7,720,243**	**+76.4**

Divisional EBITDA (Statutory Reporting Basis)	30 September 2013 Quarter	30 September 2014 Quarter	Variance %
Franchise operations	$1,613,035	$1,664,586	+3.2
Store operations	$1,902,051	$4,731,016	+148.7
Financial services - administration	$2,674,316	$2,972,666	+11.2
Financial services - personal loans	$8,468,445	$11,755,867	+38.8
Green Light Auto (after minority interest)	$(193,369)	$(190,266)	-1.6
Total before head office costs	**$14,464,478**	**$20,933,869**	**+44.7**
Corporate head office costs	$(5,540,707)	$(4,956,878)	-10.5
Total Divisional EBITDA	**$8,923,771**	**$15,976,991**	**+79.0**

Normalised EBITDA	30 September 2013 Quarter	30 September 2014 Quarter	Variance %
EBITDA	**$8,923,771**	**$15,976,991**	**+79.0**
Stamp duty on store acquisitions	$1,662,983	$384,079	-76.9
Green Light Auto (after minority interest)	$193,369	$190,266	-1.6
EBITDA normalised	**$10,280,123**	**$16,551,336**	**+61.0**

FY2014 Results

		FY 2014	FY 2013	Move
Revenue	$m	331.7	272.7	+21.6%
EBITDA	$m	51.6	57.0	-9.5%
EBIT	$m	43.7	50.6	-13.6%
NPAT	$m	24.2	32.9	-26.4%
EPS	Cps	5.67	8.09	-29.9%
DPS	Cps	4.00	4.00	+0%
Final dividend of $0.02 per share (fully franked) payable on 30 September 2014 to share holders on the register at the close of business on 16 September 2014				
Normalised EBITDA		**FY 2014**	**FY 2013**	**Move**
EBITDA	$m	51.6	57.0	-9.5%
- Ausgroup provision	$m	1.4	1.0	+35.8%
- Stamp duty on store acquisitions	$m	1.8	0.0	-
- Green Light Auto (after minority interest)	$m	1.0	0.0	-
- GST adjustment	$m	1.1	0.0	-
EBITDA normalised	$m	56.9	58.0	-1.9%

Refer to the full year 4E accounts to 30 June 2014 lodged with ASX on 21 August 2014 for detail

HY2014 Segment Results

Divisional EBITDA	FY14	FY13	Move
Franchise Operations	6.63	6.39	+3.9%
Store Operations	15.62	9.10	+71.6%
Financial Services - Administration	10.41	14.20	-26.7%
Financial Services – Personal Loans	39.84	42.46	-6.2%
Green Light Auto (after minority)	(0.98)	0.00	0%
Total before head office costs	71.52	72.14	-0.9%
Corporate Head Office Costs	(19.91)	(15.11)	-31.8%
Total Divisional EBITDA	51.60	57.04	-9.5%

Refer to the full year 4E accounts to 30 June 2014 lodged with ASX on 21 August 2014 for detail

Financial Performance

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenue	$18.6	$22.6	$46.0	$74.4	$94.8	$126.1	$186.4	$234.4	$272.7	$331.7
Revenue Growth		21.6%	103.2%	61.8%	27.4%	33.0%	47.9%	25.8%	16.3%	21.6%
EBITDA	$5.3	$6.9	$17.7	$23.4	$25.6	$33.8	$43.2	$48.1	$57.0	$51.6
EBITDA Growth		30.6%	157.8%	32.6%	9.2%	31.9%	27.9%	11.3%	18.6%	-9.5%
EBIT	$4.7	$6.3	$16.9	$22.6	$24.4	$32.2	$40.3	$43.8	$50.6	$43.7
EBIT Growth		35.0%	167.9%	33.4%	8.3%	31.8%	25.1%	8.7%	15.5%	-13.6%
NPAT	$3.1	$4.3	$11.6	$15.2	$16.2	$21.6	$27.7	$29.4	$32.9	$24.2
NPAT Growth		38.9%	173.0%	30.5%	6.5%	33.8%	28.1%	6.1%	11.8%	-26.4%
EPS	$0.023	$0.029	$0.051	$0.061	$0.068	$0.066	$0.073	$0.078	$0.081	$0.057
DPS	$0.010	$0.018	$0.030	$0.030	$0.030	$0.030	$0.035	$0.035	$0.040	$0.040
Payout ratio	44.2%	60.8%	58.4%	49.0%	44.3%	45.5%	47.9%	44.9%	49.4%	70.4%
EBITDA margin	28.2%	30.3%	38.4%	31.5%	27.0%	26.8%	23.2%	20.5%	20.9%	15.6%
EBIT margin	25.1%	27.9%	36.8%	30.3%	25.8%	25.6%	21.6%	18.7%	18.5%	13.2%
NPAT margin	16.5%	18.8%	25.3%	20.4%	17.1%	17.2%	14.9%	12.5%	12.1%	7.3%