ASX Announcement

Cash Converters announces new strategy and higher half-year profit

---

Highlights

- Major change in strategy following a comprehensive six month review
- Future strategic focus on sustainable growth and profits delivered through industry leading customer service and satisfaction
- Increased investment to build on brand and network strengths in Australia
- Return to master franchisor role in the United Kingdom; sale of corporate stores and loan book
- Higher half-year net profit of $15.9 million (HY 14: $5.3 million loss)
- Return to dividend with 2.0 (two) cents interim payment
- Revenue up 5.8 per cent to $198.6 million (HY14: $187.7 million)
- Strong performance across all channels in Australia
- Online personal loans principal advanced up 42.5 per cent to $44.6 million (HY14: $31.3 million)
- New financing and transactional banking arrangements to underpin strategy and growth
- Productive engagement with Government agencies on review of small credit legislation

---

Cash Converters International Limited (ASX: CCV) today announced a major change in strategy following a comprehensive review across all businesses. The company will focus on building on its brand and network strengths in Australia, and significantly reduce its operations in the United Kingdom.

Cash Converters also announced a net profit of $15.9 million for the half-year ending 31 December 2015. This was a substantial improvement on the $5.3 million loss for the December 2014 half. It followed a 5.8 per cent lift in revenue to $198.6 million and a strong performance across all channels in Australia.

Managing Director Peter Cumins said: “Our new strategy is to build on our clear brand and network strengths in Australia where we are the industry leader. We believe we have the best prospect of sustainable growth and profits there.
“Our latest financial results confirm our strength in Australia across retail and financial services. Despite an encouraging improvement by our businesses in the United Kingdom they still have major structural and sectoral issues our new strategy will address,” he said.

New Strategy

Cash Converters began a comprehensive review six months ago aimed at developing a new strategy to deliver sustainable growth and profits. Going forward, the focus will be on businesses with returns well above their cost of capital and leadership in customer service and satisfaction.

Australia already has industry leading market share, brand recognition and customer satisfaction. The company will increase investment to build on these strengths. It will expand its national network continuing the successful mix of corporate and franchise stores. It will also increase capabilities to cater for the rapid growth in online lending demand.
The company will broaden its current lending product range with the introduction of medium amount credit contract loans. These are government regulated and with loan periods of up to two years for amounts up to $5000.

In the United Kingdom Cash Converters will ‘go back to the basics’ and return to its original role as a master franchisor. It is currently negotiating to sell its corporate stores to franchisees within its network and will also divest the UK personal loan book. Once these sales are completed it will focus on servicing the needs of its franchisee network throughout the United Kingdom.

In Australia, Carboodle will cease operations with the current lease book wound down. The business will look to transition to a new secured motor lending business, Green Light Auto Finance. This will operate as a low overhead, capital ‘light’ business supported by a funding platform from a third party.

The company has a 25 per cent interest in Cash Converters New Zealand and plans to use that as a platform for future growth in that market.

The company expects to take into its full year 2016 financial results charges related to changes in the United Kingdom and Carboodle businesses. At the date of this report, Cash Converters is in the process of assessing the likely impact of these changes on the 2016 full year financial results, and further clarity will arise as the plans are implemented over the remainder of the current financial year. Based on current estimates the likely financial impact of the strategic changes noted above is not expected to be greater than $35 million before tax, including both cash and non-cash items. Further clarity on this will be provided as the restructuring is implemented.

In commenting on the new strategy, Peter Cumins said customer service was a key objective. “We aim to be the industry leader in customer service and satisfaction through ongoing investment in upgraded products, services and staff capabilities.
“If our industry is to be fully accepted by government and community as an integral part of the financial services sector, we need to ensure we continually deliver high quality products and services while maintaining the highest compliance standards.
“We also need to ensure our businesses consistently deliver returns above their cost of capital. Getting the balance right between these two objectives will be our strategic priority,” he said.

Half Year Results

The net profit for the half year was $15.9 million compared with a loss of $5.3 million for the previous corresponding period.
The higher profit followed a 5.8 per cent rise in revenue from $187.7 million to $198.6. The main drivers of the revenue growth were retail sales up $11.4 million, pawn interest up $1.4 million and financial services commission up $1.5 million.

On a divisional basis normalised EBITDA (underlying earnings before interest, taxes, depreciation, amortisation and impairment) was up 15.1 per cent to $37.3 million.

Strong performance in Australia and improvement in the United Kingdom

On a geographic basis normalised EBITDA was up 11.0 per cent to $38.3 million in Australia. The United Kingdom improved following a concerted effort to reduce costs and increase corporate store earnings. The business recorded an EBITDA loss of $1.1 million compared with a loss of $2.3 million in the previous corresponding period. International EBITDA was $211,942 compared with $295,727 previously.

Australia performed well across all channels. Corporate stores EBITDA was up 2.9 per cent to $10.5 million. The personal loan book was steady at $115.8 million with online growth being strong. Online personal loans were up 42.5 per cent to $44.6 million and online cash advances up 62.1 per cent to $8.2 million.

The Australian cash advance product EBITDA was up 15.7 per cent to $6.2 million.

Replacement of Banking Services

Cash Converters recently announced a new loan securitisation facility with the Fortress Investment Group that re-finances the existing banking facility on market competitive terms. The Fortress facility is for five years with an initial three year loan period and an option for a two year extension.

Cash Converters has also signed a five year agreement with a service provider to replace its existing transactional banking facilities. The transition is expected to be complete by July 2016.

Government review

The Australian Government announced in August 2015 a review of small amount credit contract laws. Cash Converters has been actively engaged in the review process and has lodged submissions as well as meeting with government representatives, agencies and the review panel. The review recommendations are due by the end of February 2016.

Dividend

The directors of the company recommend that an interim dividend of 2.0 (two) cents per share be paid on 29 April 2016 to those shareholders on the register at the close of business on 15 April 2016.

The company's Dividend Reinvestment Plan (DRP) will apply to this dividend, providing shareholders with the option to reinvest all or part of the their eligible dividend at a discount of 2.5% of the price established by the 5 day volume weighted average price (VWAP) up to and including the record date.

Outlook

In commenting on the outlook for the company and its industry sector, Peter Cumins said the signs are positive.

"We will now focus on markets where we already have a strong position, good growth prospects and relatively predictable operating and regulatory environments. In Australia we believe we can use our market and brand leadership to not only improve our financial performance, but also assist in the necessary reshaping of short-term lending into a reputable and credible segment within the overall financial services sector.

"Recent government data shows the short-term lending market in Australia is growing and the range of consumers accessing these products is broadening. This is driving demand for online and more sophisticated lending products.

"Cash Converters is well positioned to meet this demand and respond to industry changes," he said

Further information

Further information about Cash Converters new strategy and financial results is available in the two Investor Slide Packs (*Building on our Strengths* and *Investor Presentation for the Half-Year ending 31 December 2015)* lodged with this release. These packs are available at: www.cashconverters.com

Conference call details
Date: Monday 29 February 2016
Time: 9.00am AWST; 12.00 pm AEST
National Toll Free Number: 1800 280 741
Overseas Toll Free Number: +61 3 8687 7788
Participants are requested to dial in 5-10 minutes prior to the start time.
To register your attendance, please email general.enquiries@cashconverters.com

Ralph Groom
Company Secretary
Cash Converters International Limited
29 February 2016

Please see below for the half-year results summary.

Cash Converters International Limited

Half-Year Results Summary

Financial results summary (Statutory Reporting Basis) in A$	**31 December 2015**	**31 December 2014**	**Variance %**
Revenue	**198,636,848**	**187,745,183**	**+5.8**
EBITDA	**36,537,155**	**2,849,597**	**+1,182.2**
Depreciation, amortisation and impairment*	(6,853,351)	(4,513,859)	+51.8
EBIT	29,683,804	(1,664,262)	+1,883.6
Income tax	(9,540,442)	1,009,354	+1,045.2
Finance costs	(4,256,124)	(4,641,158)	-8.3
Net profit / (loss) after tax	**15,887,238**	**(5,296,066)**	**+400.0**

**This includes an impairment charge for the UK of $2,247,551 for 2015 (2014:nil)*

Geographical split (Statutory EBITDA)	**31 December 2015**	**31 December 2014**	**Variance %**
Australia	37,451,745	3,745,478	+899.9
UK	(1,126,532)	(1,191,608)	+5.5
International	211,942	295,727	-28.3

Normalised EBITDA	**31 December 2015**	**31 December 2014**	**Variance %**
EBITDA statutory	**36,537,155**	**2,849,597**	**+1,182.2**
Stamp duty on store acquisitions	-	385,595	-
Ausgroup provision	-	(1,158,099)	-
Kentsleigh agency termination payment	-	29,628,270	-
Termination fees – bank facility (GLA)	-	700,000	-
Strategy Review costs	801,629	-	-
EBITDA normalised	**37,338,784**	**32,405,363**	**+15.2**

Divisional EBITDA (Normalised basis)	**31 December 2015**	**31 December 2014**	**Variance %**
Franchise operations	3,172,178	3,618,832	-12.3
Store operations	8,196,061	10,461,063	-21.7
Financial services - administration	6,844,283	6,078,141	+12.6
Financial services - personal loans	31,373,760	22,559,184	+39.1
Green Light Auto (before minority interest)	(1,147,779)	(828,055)	-38.6
Minority interest - Green Light Auto	-	201,372	-
Total before head office costs	**48,438,503**	**42,090,537**	**+15.1**
Corporate head office costs	(11,099,719)	(9,685,174)	+14.6
Total Divisional EBITDA	**37,338,784**	**32,405,363**	**+15.2**
Geographical split (Normalised EBITDA)	**31 December 2015**	**31 December 2014**	**Variance %**
Australia	38,253,374	34,459,343	+11.0
UK	(1,126,532)	(2,349,707)	+52.1
International	211,942	295,727	-28.3

EBITDA = Earnings before interest, taxes, depreciation, amortisation and impairment.

The above table provides a normalised EBITDA with adjustments to the respective periods in order to better reflect the underlying performance of the Cash Converters business.