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cash**converters**

# Investor Presentation

April 2009

# Overview



- Cash Converters International Limited (ASX:CCV) is a company owned and franchised retail network
- **Services offered** include:
  - Sale of second hand goods
  - Cash advance loans (30 day only term, small loan size)
  - Personal loans (longer term with average of 7 months, larger loan size)
  - Pawn broking (loans using goods as security)
- **Competitive advantages** include:
  - Modern retailing practices
  - Professional management techniques with standardised systems
  - High ethical standards to the management of its stores throughout the chain
  - Appeal to a wide cross section of the community
- Achieving growth through lending services, acquiring franchises and organic
- Targeting NPAT of \$14.5m to \$15.0m for 2009FY

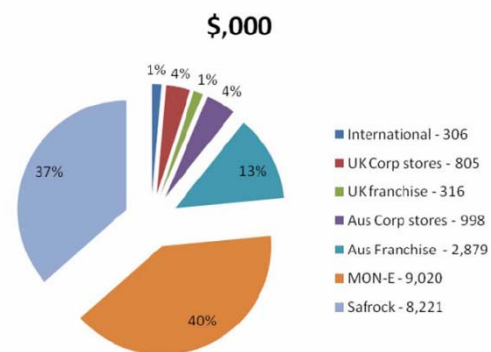
# Summary



<b>Share price</b>	<b>\$0.375</b>
<b>Shares on issue</b>	<b>240 m</b>
<b>Market capitalisation</b>	<b>\$90.0 m</b>
<b>Cash on hand</b>	<b>\$11.5 m</b>
<b>Interest bearing liabilities</b>	<b>\$14.1 m</b>
<b>Enterprise value</b>	<b>\$92.6 m</b>

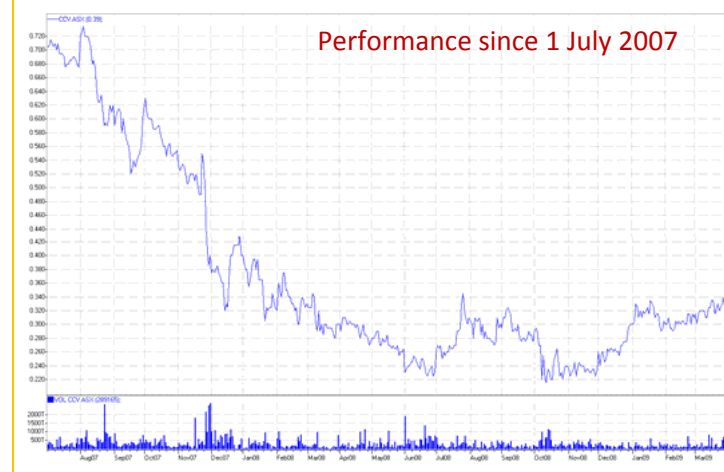
<b>PER on 2008A earnings</b>	<b>5.97 x</b>
<b>Dividend yield on 2008A</b>	<b>8.0%</b>
<b>Guidance NPAT 2009 earnings</b>	<b>\$14.5m to \$15.0m m</b>
<b>Implied PER on 2009 guidance</b>	<b>6.2x to 6.0 x</b>

## 2008 EBIT Contributions



Total EBIT \$22.6m

- Retail network as at 31 Dec 2008:
  - Franchised stores world wide: **496**
  - Franchised stores UK : **112**
  - Company owned stores UK : **18**
  - Franchised stores Australia: **122**
  - Company owned stores: **13**



# Background



- **1984** First retail outlet established
- **1988** Seven stores open, franchising begins with two stores
- **1990** Commence national expansion
- **1991** First store opened in the UK
- **1994** First store opened in non-English speaking market (France)
- **1999** First payday loan
- **2005** Opened first company store in Bolton UK
- **2006** Acquired MON-E and Safrock Group
- **2007** Acquired first franchised stores in UK & Australia
- **2008** Launched Cash Converters online shopping - Webshop

# Franchise System

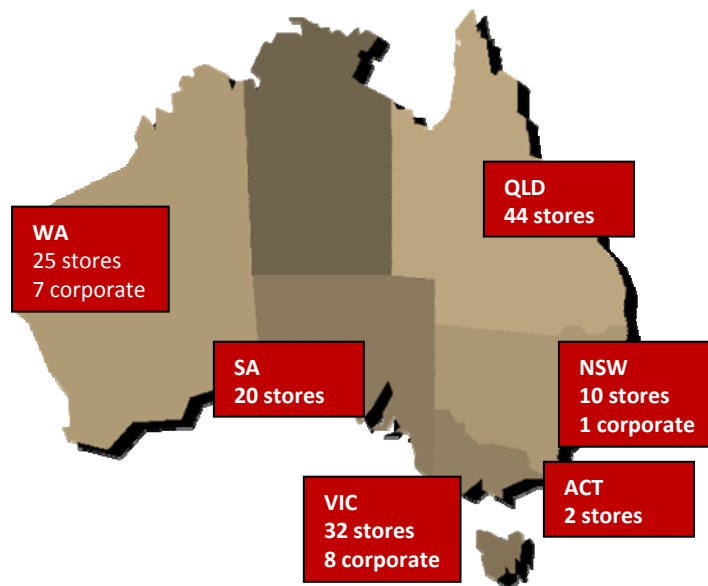


- Franchising has enabled the rapid expansion of business nationally and globally
- Cash Converters International sells a licence for the franchise rights of a country to a sub-franchisor. The sub-franchisor develops each country
- Franchising has benefits to both the franchisor and the franchisee
- Provides:
  - Ability to manage cultural and commercial differences around the world
  - Network to distribute further product initiatives (eg. Personal finance products)
  - Improved operational efficiencies
- Franchisee in turn receives:
  - Benefit of investing in a successful retailing formula
  - Products that are well proven
  - Significantly reduced business risk
  - Business format, business systems and operational support
  - Right to use the Cash Converters trademark

# Store Locations



## Australian Stores



## System Stores

Country	Store Numbers	Country	Store Numbers
Australia	135	UK	130
Belgium	16	Ireland	8
Holland	8	USA	5
Italy	2	New Zealand	21
France	36	South Africa	56
Spain	48	Thailand	3
Portugal	1	Singapore	5
Canada	18	Malaysia	4

- Potential store growth in NSW where CCV is under represented. Market size circa 50 stores
- Potential store growth in UK. Market size circa 400 stores
- High level of corporate owned stores in WA, Victoria and UK with a strong management team and systems in place to assist in growth and management of further corporate stores

# UK Operations



- Cash Converters opened its first UK store in 1991
- Experienced management team in place
- Substantial market size, population of +60 million and well accepted industry sector
- **Total of 130 stores**
  - 112 franchise stores
  - 18 corporate owned stores
- Contributed NPBT of \$860k in FY2008, up 94% on 2007
- Further opportunity for growth:
  - Opening new stores
  - Acquisitions
  - Acquiring franchised stores
- Increasing sales of finance products
- Increasing online presence
- Expect NPBT contribution of \$2.6m in FY2009
- Expect strong growth in the UK to continue

# Target Market



	Quintile 1	Quintile 2	Quintile 3
	<b>No wealth</b>	<b>Low wealth</b>	<b>Growing wealth</b>
<b>Profile</b>	Household Net worth: <b>\$24,321</b> Gross household income: <b>\$255 p/wk</b>	Household Net worth: <b>\$140,133</b> Gross household income <b>\$543 p/wk</b>	Household Net worth: <b>\$295,814</b> Gross household income <b>\$917 p/wk</b>
<b>Demographic</b>	<ul style="list-style-type: none"> <li>Aged up to 34 (stretch up to 44)</li> <li>Few loans &amp; debt</li> <li>Wages &amp; Salary / Government supported</li> <li>Young singles / One-parent households with dependent</li> <li>91% renting</li> <li>22% in Govt housing / 65% with private landlord</li> </ul>	<ul style="list-style-type: none"> <li>Aged 25-44</li> <li>Mostly receive wages &amp; salaries</li> <li>Some vehicle, mortgage and personal loans</li> <li>Most owner occupied mortgage / some 25-34 private renting</li> <li>Couple with dependents / Young single</li> </ul>	<ul style="list-style-type: none"> <li>Aged 35+</li> <li>Mostly receive wages &amp; salaries</li> <li>Vehicle &amp; Mortgage, CC debts</li> <li>Owner occupied and mortgage</li> <li>Couples or Couple with dependents</li> </ul>
<b>Business Category</b>	<ul style="list-style-type: none"> <li>Pawn Broking</li> <li>Sellers</li> <li>Retail</li> </ul>	<ul style="list-style-type: none"> <li>Brand</li> <li>PFC</li> <li>Retail / Webshop</li> <li>Value sellers</li> </ul>	<ul style="list-style-type: none"> <li>Brand</li> <li>Retail</li> <li>PFC</li> <li>WebShop</li> </ul>



# Branding

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- Cash Converters has completed a re-branding exercise to:
  - Contemporize the look and feel
  - Broaden customer appeal
  - Remove barriers
- Cash Converters is not an alternative but a highly unique business :
  - Unique range of solutions for cash requirements
  - Unique retail trading experience
- Unique **offer** - unique **style** - unique Brand **experience**
- Brand of **last resort** to Brand of **choice!**



# Personal Finance Products



- Provides secured and unsecured loans using Cash Converters franchisees as its agent
- Core product are unsecured loans:
  - Active loans at Half Year : **13,659**
  - Loan book at Half Year : **\$15,474**
  - Average loan: **\$1,500**
- Fees on average loan:
  - Establishment fee: **\$350**
  - Interest: **\$576**
  - Total fee: **\$926**
- Current average loan period: **7 months**
- Bad Debts – historically at 7.5% of principal
- Bad Debts as at 31.12.08 – 7.1% of principal

# Cash Advance



- Provided by Cash Converters through MON-E and Quickdraw
- Provides the IT software platform for cash advances <\$1,000 to the Cash Converters network
- Franchisee charges a fee of 35% of principal loaned
- MON-E charges a fee which ranges from a min 3.8% of the principal lent to a max 9.8%, MON-E pays area managers 10% of this fee to service franchise network
- Current average loan amount: **\$264**
- Current average loan period: **4 weeks**
- 112 out of 135 stores currently providing this service
- Bad debts 3%

Key Statistics	FY 2005	FY 2006	FY 2007
Total No. of Loans	281,000	440,000	486,000
Total No. of customers	93,000	154,000	202,300
Total Value of Loans	\$68.6m	\$103.3m	\$124.6m
Group commissions received	\$2.7m	\$3.9m	\$8.0m

# Regulatory Issues



- Consumer Credit to transfer from State based legislation across to a single, standard national regulation of consumer credit
- State regulations limit effective interest rates to:
  - NSW, ACT & QLD: 48% (includes fees and charges)
  - Vic: 48% - unsecured, 30% - secured (excluding fees and charges)
  - WA, TAS & SA – no capping on interest rate
- Phase 1 involves licensing of credit providers, establishment of a Code and external dispute resolution process (to be completed by 1 July 2009)
- Phase 2 involves enhancements to specific conduct obligations to stem unfavourable lending practices and regulatory reform (mandatory comparison rates, default notices) to be completed mid 2010
- Cash Converters, as a leading participant in the micro finance sector, is working closely with Government to ensure customers retain access to credit at a fair cost

# Franchise Consolidation



- Franchising has allowed Cash Converters to harness the collective capital of nearly 500 franchisees to develop a global brand and extensive shop network
- The consolidation strategy involves buying back franchises
- Store ownership provides:
  - Increased earnings
  - Opportunity to improve store performance
  - Greater control of the brand
  - Opportunity to develop new products & services & control the implementation
- Cash Converters acquired 9 franchises in the 2009HY and subsequently a further 3 stores in WA, taking company owned stores to 34.

# Franchise Consolidation



## Acquiring Franchises:

- Cash Converters acquired 5 franchised stores in the UK in July 2007 and 8 franchised stores in the in Victoria in October 2007
- Total consideration \$15.9m
- Total EBIT contribution \$3.3m Total assets acquired \$6.1m
- Average PE on EV equals 4.8

## Further store acquisitions 2009 Financial Year

- Liverpool, UK (3 stores) purchase price of £1.3m
  - Total EBIT £307,000 Total assets £445,000
  - EV multiple of 4.2x
- Perth (7 stores) purchase price \$6.5m
  - EBIT \$1.9m Total assets \$2.7m
  - Average EV multiple of 3.5x

# Franchise Consolidation

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## **Strategy:**

- Continue to open new franchised and company owned stores in both Australia and the UK to maintain our competitive advantage
- Acquire as many franchised stores as are available in the short to medium term
- It is anticipated that a target of 50 acquisitions is not unrealistic in this time frame
- Expect to pay a multiple in the order of 3 to 4 times EV
- Average franchised store EBIT of \$300k at a multiple of say 3.5x = \$1.05 m per store
- Acquisitions will be funded by a combination of debt and equity / retained profits

# Growth



- Growth strategy in place
- Focusing on:
  - Opening of new company owned stores. Key target geographies in the short term are NSW and UK
  - Increasing the penetration of financial products
  - Acquiring available franchised stores
  - New franchisee store openings
  - Improving the performance of acquired franchised stores
  - Creating new financial products and distributing them across the network
  - Growing Cash Converters online shopping revenue



# Outlook



- Targeting NPAT of \$14.5m to \$15.0m for 2009FY
- Cash Converters has counter cyclical characteristics and is experiencing growth despite the current global economic environment
- Continue to acquire franchised stores as they become available
- Capitalise on Cash Converters size and branding to increase market share
- Ongoing growth in sales of personal finance products
- Rollout of personal finance stores in the UK
- Challenges in relation to transfer of State based legislation across to a single, standard national regulation of consumer credit

## Appendix 2

# Product Overview



	Safrock		Mon-e	Pawn Broking
Geography	All Australian States. Does not operate in UK		Australia only. Does not operate in UK	Both Australia and UK
Security	Unsecured	Secured	Unsecured	Secured
Loan Size	\$1000 to \$2000 (avg is \$1,500)	\$2,000 to \$5,000	\$50-\$1000 (avg is \$264)	(avg is \$90)
Loan Duration	Usually four to seven months	usually have a term of between one to two years	usually repaid within four weeks	Varies from a minimum of 1 month to a maximum of 3 months. Goods may be redeemed by their owner at any time.
Credit Check	Yes		No	N/A
Loan capital provider	Cash Converters		Franchisee	Franchisee