

ASX Release

19 February 2018

Half-Year Financial Results

For the period ended 31 December 2017

Cash Converters International Limited (ASX: CCV) ('Cash Converters' or the 'Company') today announces the Company's financial results for the half-year ended 31 December 2017 (H1 FY18).

Results Summary:

- H1 FY18 NPAT \$9.4m exceeding guidance by 2.2% (H2 FY17 NPAT \$9.2 million) (H1 FY17 \$11.5 million).
- Total loan book of \$155.7 million as at 31 December 2017, up 35.2% from 30 June 2017 (all growth quoted vs H2 FY17):
 - o Medium Amount Credit Contract (MACC) loan book growth of 125.0%, to \$30.1 million.
 - o Small Amount Credit Contract (SACC) loan book growth of 13.8%, to \$77.4 million.
 - o Green Light Auto (GLA) Finance loan book growth of 57.2%, to \$31.6 million.
 - o Pawn broking loan book growth of 4.9%, to \$10.5m.
 - o Cash Advance loan book growth of 66.0%, to \$6.2m.
- Revenue of \$122.9 million, delivering EBITDA of \$21.5 million which was up 6% on H2 FY17.
- Strengthened Balance sheet and cash position.
- Improvement in net bad debt written off from 21.5% in pcp to 11.3% of principal advanced, as loan book quality continues to improve.
- Reduction in net bad debt expense by 34.4% (or \$5.5 million) on H1 FY17.
- Enforceable Undertaking (EU) with ASIC successfully closed.
- GLA EBITDA of \$0.9m (H1 FY17: loss of \$0.8m), delivering entity's maiden reported profit.
- UK operations EBITDA of \$1.4m up 40% on H1 FY17 EBITDA of \$1.0m.

Chief Executive Officer, Mark Reid, commented: "The first half results for the 2018 financial year show the early signs that the transition of Cash Converters to deliver long-term, sustainable growth is working. The significant expansion in the total loan book supports this and provides a leading indicator for anticipated revenue growth in the second half of the 2018 financial year and beyond.

"The NPAT result, exceeding our original guidance, demonstrates the strength of the new leadership team in delivering on our objectives and our dedicated focus on putting the customer at the centre of everything we do. We are delighted to have exceeded the commitments we made and look forward to maintaining this momentum into the second half of the year.

“We will continue to invest in our brand, new products and technology to ensure that the trajectory of performance is maintained. With some significant milestones in the online offering scheduled for delivery in the next quarter, we have the opportunity to further surpass our customers’ expectations and deliver increased revenue and profit for the second half of the year.”

FINANCIAL RESULTS SUMMARY

| | 31 Dec 2017 (\$'000) | 31 Dec 2016 (\$'000) | Movement (%) |
|---|-------------------------|-------------------------|-----------------|
| Revenue | 122,948 | 140,643 | (12.6) |
| Divisional EBITDA | | | |
| Franchise Operations | 5,763 | 5,046 | 14.2 |
| Store Operations | 8,176 | 9,527 | (14.2) |
| Personal Finance | 21,847 | 25,850 | (15.5) |
| Vehicle Financing (Green Light Auto) | 887 | (763) | N/A |
| EBITDA Totals | 36,673 | 39,660 | (7.5) |
| Corporate head office Costs | (15,196) | (14,204) | (7.0) |
| Total EBITDA after head office Costs | 21,477 | 25,456 | (15.6) |
| Depreciation and Amortisation | (3,854) | (3,862) | 0.2 |
| Finance Costs | (4,287) | (4,935) | 13.1 |
| Profit Before Tax | 13,336 | 16,659 | (19.9) |
| Income Tax | (3,976) | (5,204) | 23.6 |
| Net Profit after Tax | 9,360 | 11,456 | (18.3) |

DIVISIONAL RESULTS

Personal Finance Business

Over the past year the personal finance business has undergone a period of repositioning, with the half year to 31 December 2017 showing the early signs of delivering long-term profitable growth. Both the SACC and MACC personal loan books increased during the period, with MACC increasing by 125% to \$30.1 million, and the SACC book delivering a net increase of 13.8% to \$77.4 million.

With significantly high application volumes, the new assessing criteria means a lower acceptance rate, but an improved quality of customer, and a significant reduction in bad debt expense, down \$5.5 million to \$10.4 million, or 11.3% of principal advanced (H1 FY17: \$15.9 million and 21.5% of principal advanced).

Subsequent to the end of H1 FY18, the Company has successfully completed all commitments made to the Australian Securities and Investments Commission (ASIC) as part of the Enforceable Undertaking (EU) relating to concerns over historic lending assessment practices.

With the approval of ASIC, an independent expert (Deloitte) was engaged to conduct a thorough review of Cash Converters’ responsible lending practices and its obligations under its Australian Credit Licence. This review has not identified any deficiencies or resulted in any recommended actions for Cash Converters to achieve compliance.

ASIC has now confirmed no further work is required and Cash Converters has met its commitments under the Enforceable Undertaking (EU) and this has now been successfully closed.

Vehicle Financing

The Green Light Auto Group Pty Ltd.’s (GLA) EBITDA of \$887 thousand (H1 FY17: loss of \$763 thousand) is the entity’s maiden reported profit and reflects the significant turnaround since moving from the lease model to secured vehicle finance.

With a focus on building out the dealer and broker distribution channel, which now sits at more than 100 partners,

and leveraging synergies from the integration with Cash Converters' loan management software, GLA has achieved 57% loan book growth in this reporting period, to \$31.6 million. The steady increase of new loans is projected to compound the growth in revenue and profit over the coming years.

Store Operations

The Corporate owned store network delivered overall EBITDA of \$8.2 million (H2 FY17: \$8.0 million), despite a generally challenging retail environment. Online retail sales grew by 7.3% over the previous corresponding period and pawn broking remained ahead of the previous corresponding period, with interest income up by 3.5% to \$14.8 million.

Franchise Operations

Cash Converters' Franchise Operations in Australia and internationally contributed an overall increase in EBITDA of 14.2% compared with H1 FY17, to \$5.8 million. The increase was largely driven by the uplift in profit from Cash Converters' UK operations improving their performance as the master franchisor, with an overall increase in EBITDA from \$1.0 million (H1 FY17) to \$1.4 million for the period and Cash Converters' New Zealand operations, where CCV's 25% equity interest contributed \$541 thousand (up from \$189 thousand in the previous corresponding period).

OUTLOOK

The Company anticipates continued revenue and profit growth of the business in the second half, to deliver stronger net profit for H2 FY18, as compared with H1 FY18.

The additional funding secured during H1 FY18 materially increases the Company's securitisation facility with Fortress Finance to \$150 million, that will support the strategic growth across all loan products. Loan book growth, coupled with continued improvements in risk assessment provides a reliable indicator of future revenue expansion.

With this clear strategic focus and the foundations laid in the preceding 12 months, Cash Converters is well-positioned to consolidate the operational efficiencies and deliver on the growth targets. The delivery of this strategy will be underpinned by a continued focus on growth in all products and channels whilst evolving our credit risk profile to drive down bad debt expense and attract a higher quality, lower risk loan book.

The impact of these initiatives will combine during H2 FY18 to deliver sustainable growth in revenue and profit for the Company, while at the same time providing a better customer experience, more relevant and appropriate products and services, and ultimately, stronger returns for shareholders.

ENDS

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