WA Industrials: Unsecured Finance

Hartleys

CCV.asx
Buy

CASH CONVERTERS INTERNAT. LIMITED

Profit ticks along, dividends increase

Cash Converters Limited ("Cash Converters", "CCV", "Company") reported 1H NPAT of $18.4m (versus our estimate of $19.3m). The Company declared a 2cps dividend (better than our 1.75cps estimate). Profit was lower than our estimate due to accounting treatment of a potential bonus in 2014 to Ausgroup, softer UK business and higher depreciation.

Aust performing great! UK requires more patience

The loan book continues to grow substantially and is now ~$110m (UK loan book of ~£17.7m and Australia $84.2m). Safrock revenue was $54.7m and PBT margins continue to increase and are now 40.9% (from ~39.4% in 2H12).

But there is a large divergence between Australia and the UK. For Australia, bad debt levels continue to remain stable at 5.4%. We estimate Safrock Australia 1H13 PBT was $19m (margins ~45%) and Mon-e Australia PBT was $6.9m. In the UK though, where the rollout is still in infancy, bad debts remain high (11.5% of the cumulative principal loaned less bad debts). The UK finance profits continue to grow, with group 1H13 EBIT of $3.4m (we estimate UK Mon-e ~$0.5m and UK Safrock $2.9m) but we believe the returns on capital and margins are less than half that of Australia. The performance of UK Mon-e has been particularly disappointing. Our model assumes, and we believe, margins will improve in the UK as the loan book grows (although we continue to push the timing of the improvement out). Conversely, we assume Australian margins decline when the new regulation comes into effect on 1 July. The combination means we have some uncertainty for FY14 profit but believe our estimate errs on the conservative side, particularly as we assume low growth in the Australian loan book (see Fig. 5). Corporate store profits in the UK were also weak (reported a loss) but Australian profits continue to grow (1H13 PBT of >$4.6m).

Cash flow better than we expected

Net operating cash flow (our measure) was $22.8m for 1H13, much better than we had anticipated. Capex was $4m but the anticipated store purchases (we estimate ~$25m) have yet to be completed and hence were not included in the 1H. The loan book is capital intensive with a net contribution of ~$25m required in the half. Net debt was $11m at December. The balance sheet is strong and including expected store acquisitions we believe gearing is ~15% (nd/nd + e). We would like to see increasing financial leverage to unconstrain growth.

Hartleys makes only modest earnings changes

The Company *"expects continued growth in its Australian and UK loan books and in its profitability in the second half".* Our earnings estimates are barely changed, but we have increased our dividend assumptions by increasing the payout ratio toward 50%.

Retain Buy recommendation.

The combined CCV group continues to deliver very attractive returns (ROE 17%, ROA 12%, pre-tax ROIC ~38% in 1H) and the stock is trading at FY14e p/e of 10.2x and a dividend yield of 4.3%. We believe there is still re-rating potential plus we believe there is earnings surprise potential over coming years. In particular, the Company continues to roll-out the Carboodle business. We will look to formally incorporate Carboodle into our model when profitability is achieved (possibly mid 2013), which in turn could increase our FY14 EBITDA estimate by $4m and our FY15 estimate by $40m. We have a twelve month price target of $1.42. We maintain our Buy recommendation.

	15 Feb 2013
Share Price:	$1.210
Valuation:	$1.32
12mth price target:	$1.42

Brief Business Description:
Payday lending, consumer finance & second hand retailer in UK & Aust.
Hartleys Brief Investment Conclusion:
High returns, industry tailwinds, market leader.

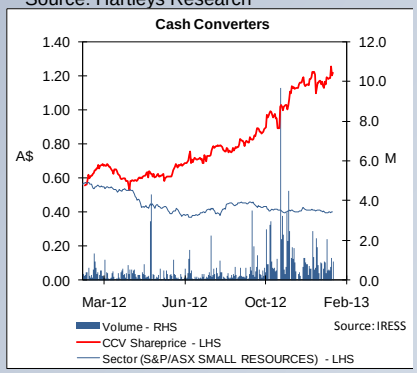
Chairman & CEO:
Mr Reginald Webb (Chairman)
Mr Peter Cumins (Managing Director)
Top Shareholders:
EZ Corp 32.3%
Fidelity Mgt & Res. (FMR) 5.5%

Company Address:
Level 18, 37 St. Georges Tce
Perth, WA, 6000

Issued Capital:	423.9m
- fully diluted	432.0m
Market Cap:	$512.9m
- fully diluted	$522.7m
Net Debt (31 Dec '12a):	$11.3m

	FY12a	FY13e	FY14e
Op Cash Flw	25.3	41.0	52.7
Free Cash Flw	9.4	-1.3	40.4
NPAT (A$m)	**32.2**	**40.4**	**51.2**
EPS ($, dil)	8.2	9.8	11.9
P/E (basic)	15.6x	12.4x	10.3x
P/E (diluted)	14.8x	12.3x	10.2x
EV / EBITDA	10.2x	7.9x	6.3x
DPS ($)	3.50	4.25	5.25
Franking	100%	100%	100%
Dividend Yield	2.9%	3.5%	4.3%
N.D. / equity	14.1%	21.1%	20.3%

Source: Hartleys Research



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Hartleys was Lead Manager for a capital raising which was completed in the past 12 months for CCV, for which it earned fees. Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to CCV, for which it has earned fees and continues to earn fees. The analyst has a beneficial interest in CCV shares. See disclosure on back page.

Hartleys does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

SUMMARY MODEL

Cash Converters International Ltd (CCV)

Company Information		
Today's Date	15 Feb 2013	Level 18, 37 St. Georges Tce
Share Price	$1.210	Perth, WA, 6000
52 Week High-Low	$1.26 - $0.525	Ph: (08) 9221 9111
Market Cap ($m)	$512.9	Fax: (08) 9221 9011
Enterprise Value ($m)	$524.2	www.cashconverters.com.au
Ordinary Shares	423.9	
Fully Diluted Shares	432.0	

Spot DCF - 9 years explicit + terminal value (Base Case)	$1.32
12mth fwd DCF - 9 years explicit + terminal value (Base Case)	$1.39
12mth forward P/E of 12.0x	$1.50
Price / NTA (Jun '13e) 1x $0.30	$0.30
12mth fwd Div Yield of 3.5% (Gross yield=4.9%)	$1.52
12mth price target	**$1.42**
P / E (6/13F) at price target	*15.2x*
P / E (6/14F) at price target	*12.0x*
EV/EBITDA (6/14F) at price target	*8.1x*
EV/EBIT (6/14F) at price target	*8.9x*

Multiples (S/price at $1.21)	6/11A	6/12A	6/13F	6/14F
P / E (basic, weighted)	16.6x	15.6x	12.4x	10.3x
P / E (fully diluted, weighted)	16.4x	14.8x	12.3x	10.2x
P / E (ord mkt cap / NPAT)	18.0x	15.9x	12.7x	10.0x
Dividend Yield	2.9%	2.9%	3.5%	4.3%
Group Free Cash Flow (f.c.f) / EV	-4.4%	-2.9%	-7.8%	3.0%
Equity f.c.f. / Mkt Cap	-5.0%	-3.6%	-8.7%	2.1%
Norm f.c.f. / Mkt cap	-5.0%	-3.6%	-8.7%	2.1%
Mkt cap / operating cash flow	12.3x	12.1x	8.5x	6.6x
EV/EBITDA multiple	11.9x	10.2x	7.9x	6.3x
EV/EBIT multiple	12.9x	11.2x	8.7x	7.0x
Price / Book Value	2.6x	2.5x	2.1x	1.9x
Price / NTA	5.9x	4.9x	4.0x	3.2x

Ratios	6/11A	6/12A	6/13F	6/14F
Return on Average Equity	16.9%	17.8%	18.8%	19.8%
Return on Assets	13.3%	13.0%	13.5%	14.3%
ROIC	37.8%	38.9%	37.8%	37.1%
ND / ND + Equity	-0.5%	12.3%	17.4%	16.9%
Net Interest Cover (EBIT)	2,051.4	29.7	17.7	17.2
Reported eps growth	10.3%	6.4%	25.8%	20.9%
Free Cash Flow Analysis	**6/11A**	**6/12A**	**6/13F**	**6/14F**
Net Operating Cash Flow	31.7	25.3	41.0	52.7
Capex (Reported) inc loan book	-54.6	-40.7	-81.7	-36.7
Group Free Cash Flow (rep'ted)	-22.8	-15.4	-40.7	16.0
Fixed Debt Repayments	-2.6	-3.3	-4.1	-5.1
Equity Free Cash Flow (rep'ted)	**-25.4**	**-18.7**	**-44.8**	**10.8**
HP Lease Capex (non-cash)	0.0	0.0	0.0	0.0
Free Cash Flow (normalised)	-25.4	-18.7	-44.8	10.8
Capex (inc HP) / depreciation	282%	278%	173%	155%

Share Data	6/11A	6/12A	6/13F	6/14F
Ord Issued shares (m)	379.8	379.8	423.9	424.2
growth	0.0%	0.0%	11.6%	0.1%
Weighted ave shares (m)	379.8	379.8	401.8	424.0
growth	15.9%	0.0%	5.8%	5.5%
Diluted shares wgted (m)	388.1	393.1	412.5	432.0
growth	18.1%	1.3%	4.9%	4.7%

Unpaid Capital

Year Expires	Number	% ord	Avg Price	$m unpaid
30-Jun-13	-	0.0%	$ -	$ -
30-Jun-14	300,000	0.1%	$ -	$ -
30-Jun-15	-	0.0%	$ -	$ -
30-Jun-16	-	0.0%	$ -	$ -
30-Jun-17	7,800,000	1.8%	$ -	$ -
TOTAL	8,100,000	1.9%	$ -	$ -

Directors & Senior Management

Mr Reginald Webb (Chairman)
Mr Peter Cumins (Managing Director)
Mr John Yeudall (Non-executive Director)
Mr William Love (Non-executive Director)
Mr Joseph Beal (Non-executive Director)
CFO - Mr Ralph Groom

Substantials	
EZ Corp	32%
Fidelity Mgt & Res. (FMR)	5.5%

Recommendation: Buy

Profit & Loss ($m)	6/11A	6/12A	6/13F	6/14F
AUD/GBP	0.627	0.655	0.667	0.666
Safrock Loan Book	62.2	86.8	126.2	150.7
Safrock Revenue	56.6	87.1	122.6	149.4
Safrock PBT	24.4	33.5	47.7	55.1
margin	*43.1%*	*38.4%*	*38.9%*	*36.9%*
Mon-e Revenue	13.9	16.6	18.6	31.2
Mon-e PBT	12.3	13.7	15.0	18.7
margin	*88.8%*	*82.3%*	*80.5%*	*59.8%*
Owned # (UK + Aust) - end	88	102	120	145
Owned Stores Revenue	100.9	122.8	152.9	200.8
Owned Stores PBT	8.6	8.1	10.7	14.1
margin	*8.5%*	*6.6%*	*7.0%*	*7.0%*
Franchised # (UK + Aust) - end	249	263	272	282
Franchise Revenue	27.4	23.5	24.0	25.1
Franchise PBT	6.5	6.1	4.8	5.0
margin	*23.7%*	*25.8%*	*20.0%*	*20.0%*
Group Revenue	**185.1**	**233.5**	**318.1**	**406.6**
growth	*46.2%*	*26.2%*	*36.2%*	*27.8%*
Divisional PBT	51.8	61.3	78.2	92.8
Overheads	-12.6	-19.9	-21.2	-21.5
EBITDA - Group	**43.9**	**51.2**	**66.6**	**82.6**
growth	***34.8%***	***16.5%***	***30.1%***	***24.1%***
EBITDA / Sales	**23.7%**	**21.9%**	**20.9%**	**20.3%**
Depreciation/Amortisation	-3.4	-4.3	-6.2	-7.9
EBIT	**40.6**	**46.9**	**60.4**	**74.7**
EBIT / Sales	21.9%	20.1%	19.0%	18.4%
Net Corporate Interest	0.0	-1.6	-3.4	-4.4
Pretax Profit	**39.2**	**41.4**	**55.2**	**70.4**
Tax	-11.6	-12.0	-16.0	-20.4
Effective Tax Rate	29.5%	29.0%	29.0%	29.0%
Minorities	0.0	0.0	0.0	0.0
Normalised NPAT to equity	**28.6**	**32.2**	**40.4**	**51.2**
Norm. Net Profit / Sales	**15.4%**	**13.8%**	**12.7%**	**12.6%**
Abnormals / discontinued	-0.9	-2.8	-1.3	-1.3
Reported Profit to equity	**27.6**	**29.4**	**39.2**	**50.0**
Reported EPS (basic, w'ted)	**7.3**	**7.7**	**9.7**	**11.8**
Normalised EPS (dil, w'ted)	**7.4**	**8.2**	**9.8**	**11.9**
DPS ($)	**0.0350**	**0.0350**	**0.0425**	**0.0525**
Franking	100%	100%	100%	100%
Payout Ratio	46.5%	41.3%	44.5%	43.5%

Cashflow Statement ($m)	6/11A	6/12A	6/13F	6/14F
EBITDA (inc Safrock interest)	43.9	51.2	66.6	82.6
Working Capital Change	-2.2	-8.9	-6.2	-5.2
Cash from Operations	**41.8**	**42.3**	**60.4**	**77.5**
Corporate Interest	0.1	-1.7	-3.4	-4.4
Tax Paid	-10.1	-15.3	-16.0	-20.4
Net Operating Cash Flow	**31.7**	**25.3**	**41.0**	**52.7**
Capital Expenditure	-9.5	-11.9	-10.8	-12.3
Other (including loan book)	-16.7	-22.7	-39.4	-24.5
Investments & acquisitions	-28.4	-6.1	-31.5	0.0
Net Investing Cash Flow	**-54.6**	**-40.7**	**-81.7**	**-36.7**
Proceeds from Equity Issues	0.0	0.0	30.8	0.0
Net Change in Debt & Leases	9.4	20.4	15.1	4.2
Dividends Paid	-12.3	-11.1	-15.1	-20.1
Net Financing Cash Flow	**-3.5**	**9.0**	**30.7**	**-16.0**
Movement in Cash	**-26.3**	**-6.5**	**-10.0**	**0.0**
HP Lease Capex (non-cash)				

Balance Sheet ($m)	6/11A	6/12A	6/13F	6/14F
Cash	23.5	16.4	6.4	6.4
Receivables	9.0	10.9	16.1	21.1
Inventories	14.1	17.1	21.3	27.9
Other (including loan book)	66.4	91.1	130.5	155.0
Total Current Assets	**112.9**	**135.5**	**174.3**	**210.5**
Property, Plant & Equipment	13.2	19.6	32.7	37.8
Intangibles (inc. Goodwill)	96.9	92.7	115.6	114.9
Other	9.7	14.9	14.9	14.9
Total Non Current Assets	**119.7**	**127.3**	**163.3**	**167.7**
Total Assets	**232.7**	**262.7**	**337.6**	**378.1**
Accounts Payable	20.3	19.6	22.7	29.3
Interest Bearing Liabilities	4.6	11.3	11.3	11.3
Other	11.2	13.8	13.8	13.8
Total Current Liabilities	**36.1**	**44.7**	**47.8**	**54.4**
Accounts Payable	0.0	0.0	0.0	0.0
Interest Bearing Liabilities	18.0	31.4	46.4	50.6
Other	3.3	0.1	0.1	0.1
Total Non Current Liabilities	**21.3**	**31.4**	**46.5**	**50.7**
Total Liabilities	**57.4**	**76.1**	**94.3**	**105.1**
Net Assets	**175.3**	**186.6**	**243.2**	**273.0**
Net Asset Value / Share ($)	0.46	0.49	0.57	0.64
NTA / Share ($)	0.21	0.25	0.30	0.37
Net Debt (net cash)	-0.8	26.2	51.3	55.5

Analyst: Trent Barnett
Phone: +61 8 9268 3052

Last Earnings Estimate Changes:
14 February 2013

Sources: IRESS, Company Information, Hartleys Research

Margins in Safrock were very strong, despite the dilution from the UK business. As the UK business grows we assume group margins are diluted, but this assumption is due to conservatism. We hope to see UK margins rapidly increase at some point through scale and system refinement

The loan book (~$110m plus unearned interest) is short duration and, theoretically at least, would be turned into cash easily within twelve months if the business was wound down

Fig. 1: Half year P & L and Balance Sheet

Profit & Loss ($m)	Jun-10a	Dec-10a	Jun-11a	Dec-11a	Jun-12a	Dec-12a	Jun-13e
AUD/GBP	0.582	0.609	0.656	0.639	0.671	0.666	0.668
Safrock Loan Book	38.7	47.3	62.2	75.0	86.8	110.6	126.2
Safrock Revenue	21.4	24.8	31.8	38.0	49.1	54.7	67.9
Safrock PBT	8.4	10.6	13.8	14.1	19.4	22.4	25.3
margin	*39.3%*	*42.8%*	*43.4%*	*37.2%*	*39.4%*	*40.9%*	*37.3%*
Mon-e Revenue	5.5	6.6	7.3	8.0	8.6	9.1	9.5
Mon-e PBT	5.0	5.9	6.4	6.6	7.0	7.3	7.7
margin	*89.9%*	*90.5%*	*87.4%*	*83.1%*	*81.6%*	*80.2%*	*80.8%*
Owned Stores Revenue	31.7	48.4	52.5	60.8	62.0	68.0	84.9
Owned Stores PBT	3.2	5.6	2.9	4.3	3.8	4.6	6.1
margin	*10.1%*	*11.7%*	*5.6%*	*7.0%*	*6.2%*	*6.8%*	*7.2%*
Franchise Revenue	11.6	13.3	14.1	12.3	11.2	11.7	12.4
Franchise PBT	4.2	3.4	3.1	2.9	3.2	2.3	2.5
margin	*36.5%*	*25.9%*	*21.7%*	*23.3%*	*28.5%*	*19.7%*	*20.3%*
Group Revenue	**67.3**	**87.9**	**97.2**	**111.7**	**121.9**	**134.9**	**183.2**
growth	*13.5%*	*30.6%*	*10.5%*	*14.9%*	*9.1%*	*10.7%*	*35.8%*
EBITDA - Group	**17.1**	**21.6**	**22.3**	**22.8**	**28.4**	**31.1**	**35.5**
growth	***9.9%***	***26.8%***	***3.0%***	***2.2%***	***24.7%***	***9.3%***	***14.4%***
EBITDA / Sales	**25.3%**	**24.6%**	**22.9%**	**20.4%**	**23.3%**	**23.0%**	**19.4%**
Depreciation/Amortisation	-0.9	-1.1	-2.3	-2.0	-2.3	-2.8	-3.4
EBIT	**16.2**	**20.5**	**20.0**	**20.8**	**26.1**	**28.3**	**32.1**
EBIT / Sales	24.1%	23.3%	20.6%	18.6%	21.4%	20.9%	17.5%
Net Corporate Interest	0.2	0.0	0.0	-0.6	-1.0	-1.2	-2.2
Pretax Profit	**16.4**	**20.5**	**18.7**	**20.3**	**21.2**	**27.1**	**28.1**
Tax	-4.8	-6.2	-5.3	-6.0	-6.0	-7.8	-8.2
Effective Tax Rate	29.3%	30.4%	28.6%	29.7%	28.3%	28.6%	29.4%
Minorities	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Normalised NPAT to equity	**11.6**	**14.7**	**13.9**	**14.0**	**18.2**	**19.0**	**21.4**
Norm. Net Profit / Sales	**17.2%**	**16.7%**	**14.3%**	**12.5%**	**14.9%**	**14.1%**	**11.7%**
Abnormals / discontinued	0.0	-0.4	-0.5	-0.8	-2.0	-0.6	-0.7
Reported Profit to equity	11.6	14.3	13.3	13.2	16.2	18.4	20.7
Reported EPS (basic, weighted)	**3.10**	**3.37**	**3.90**	**3.12**	**4.62**	**4.70**	**5.05**
Normalised EPS (dil, wghtd)	**3.08**	**3.41**	**3.95**	**3.24**	**4.95**	**4.85**	**4.95**
DPS ($)	**0.0150**	**0.0175**	**0.0175**	**0.0175**	**0.0175**	**0.0200**	**0.0225**
Franking	100%	100%	100%	100%	100%	100%	100%
Payout Ratio	48.4%	51.9%	44.8%	56.0%	37.9%	42.6%	44.6%
Balance Sheet ($m)	**Jun-10a**	**Dec-10a**	**Jun-11a**	**Dec-11a**	**Jun-12a**	**Dec-12a**	**Jun-13e**
Cash	50.7	23.4	23.5	19.5	16.4	22.7	6.4
Receivables	8.2	9.9	9.0	11.0	10.9	11.1	16.1
Inventories	10.7	12.1	14.1	14.7	17.1	17.4	21.3
Other (including loan book)	43.0	57.3	66.4	80.8	91.1	112.5	130.5
Total Current Assets	**112.6**	**102.7**	**112.9**	**126.1**	**135.5**	**163.7**	**174.3**
Property, Plant & Equipment	6.8	9.4	13.2	16.8	19.6	20.4	32.7
Intangibles (inc. Goodwill)	70.6	91.3	96.9	91.7	92.7	93.9	115.6
Other	7.1	6.9	9.7	11.2	14.9	21.9	14.9
Total Non Current Assets	**84.5**	**107.6**	**119.7**	**119.8**	**127.3**	**136.2**	**163.3**
Total Assets	**197.1**	**210.3**	**232.7**	**245.8**	**262.7**	**299.9**	**337.6**
Accounts Payable	10.5	17.5	20.3	14.5	19.6	18.7	22.7
Interest Bearing Liabilities	3.3	3.2	4.6	4.6	11.3	4.6	11.3
Other	8.6	9.6	11.2	13.6	13.8	14.1	13.8
Total Current Liabilities	**22.4**	**30.3**	**36.1**	**32.7**	**44.7**	**37.3**	**47.8**
Accounts Payable	0.0	0.0	0.0	0.0	0.0	0.9	0.0
Interest Bearing Liabilities	10.6	8.8	18.0	33.7	31.4	29.4	46.4
Other	1.3	3.0	3.3	3.5	0.1	0.1	0.1
Total Non Current Liabilities	**11.9**	**11.8**	**21.3**	**37.2**	**31.4**	**30.5**	**46.5**
Total Liabilities	**34.3**	**42.1**	**57.4**	**69.9**	**76.1**	**67.8**	**94.3**
Net Assets	**162.9**	**168.2**	**175.3**	**176.0**	**186.6**	**232.1**	**243.2**
Net Asset Value / Share ($)	0.43	0.44	0.46	0.46	0.49	0.6	0.57
NTA / Share ($)	0.24	0.20	0.21	0.22	0.25	0.4	0.30
Net Debt (net cash)	-36.8	-11.5	-0.8	18.7	26.2	11.3	51.3

Source: Company Data, Hartleys Estimates

Operating cash flow was very strong in the in the half, but the growth in financial services means free cash flow is negative

Fig. 2: Free Cash Flow

Cashflow Statement ($m)	Jun-10a	Dec-10a	Jun-11a	Dec-11a	Jun-12a	Dec-12a	Jun-13e
EBITDA (inc Safrock interest)	17.1	21.6	22.3	22.8	28.4	31.1	35.5
Working Capital Change	-6.4	-2.5	0.3	-3.5	-5.4	2.2	-8.4
Cash from Operations	**10.6**	**19.2**	**22.6**	**19.3**	**23.0**	**33.3**	**27.1**
Corporate Interest	0.4	0.5	-0.4	-0.6	-1.1	-1.4	-2.0
Tax Paid	-3.7	-5.1	-4.9	-6.3	-9.0	-9.0	-7.0
Net Operating Cash Flow	**7.3**	**14.5**	**17.2**	**12.4**	**12.9**	**22.8**	**18.2**
Capital Expenditure	-1.9	-3.3	-6.2	-6.5	-5.4	-3.9	-6.9
Other (including loan book)	-4.0	-7.8	-8.8	-12.1	-10.6	-25.4	-14.0
Investments & acquisitions	-12.2	-22.7	-5.7	-6.1	0.0	-1.0	-30.5
Net Investing Cash Flow	**-18.1**	**-33.8**	**-20.7**	**-24.8**	**-16.0**	**-30.2**	**-51.4**
Proceeds from Equity Issues	9.7	0.0	0.0	0.0	0.0	31.6	-0.9
Net Change in Debt & Leases	-0.2	-1.6	11.0	15.7	4.7	-8.7	23.7
Dividends Paid	-5.5	-5.7	-6.6	-6.7	-4.5	-8.9	-6.2
Net Financing Cash Flow	**3.6**	**-7.5**	**4.0**	**9.0**	**-0.1**	**14.0**	**16.7**
Movement in Cash	**-7.1**	**-26.9**	**0.5**	**-3.3**	**-3.2**	**6.6**	**-16.6**

Free Cash Flow Analysis	Jun-10a	Dec-10a	Jun-11a	Dec-11a	Jun-12a	Dec-12a	Jun-13e
Net Operating Cash Flow	7.3	14.5	17.2	12.4	12.9	22.8	18.2
Capex (Reported) inc loan book	-18.1	-33.8	-20.7	-24.8	-16.0	-30.2	-51.4
Group Free Cash Flow (rep'ted)	-10.8	-19.3	-3.5	-12.3	-3.1	-7.4	-33.3
Fixed Debt Repayments	-2.4	-2.2	-2.9	-5.1	-6.7	-6.4	-7.6
Equity Free Cash Flow (rep'ted)	**-13.1**	**-21.5**	**-6.4**	**-17.4**	**-9.8**	**-13.8**	**-40.9**
HP Lease Capex (non-cash)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow (normalised)	-13.1	-21.5	-6.4	-17.4	-9.8	-13.8	-40.9
Capex (inc HP) / depreciation	219%	299%	274%	332%	233%	138%	202%

Source: Various

Fig. 3: Earnings Changes

	6/12A	6/13F			6/14F			6/15F		
	actual	Old	New	% diff	Old	New	% diff	Old	New	% diff
Safrock Loan Book (end)	86.8	108.4	126.2	16.5%	138.2	150.7	9.1%	154.6	166.6	7.8%
Company owned stores (end)	102	122	120	-1.6%	141	145	2.8%	141	145	2.8%
- additional	14	20	18	-10.0%	19	25	31.6%	0	0	nm
Company owned stores (avg)	93	109	110	1.4%	130	134	3.1%	141	145	2.8%
Revenue	233.5	323.0	318.1	-1.5%	363.6	406.6	11.8%	399.6	439.4	10.0%
EBITDA	**51.2**	**65.9**	**66.6**	**1.1%**	**81.6**	**82.6**	**1.2%**	**88.8**	**92.3**	**3.9%**
- margin	**21.9%**	**20.4%**	**20.9%**	**2.6%**	**22.5%**	**20.3%**	**-9.5%**	**22.2%**	**21.0%**	**-5.5%**
Depreciation/Amortisation	-4.3	-4.9	-6.2	25.9%	-5.8	-7.9	36.1%	-6.4	-8.9	39.9%
EBIT	46.9	61.0	60.4	-1.0%	75.8	74.7	-1.5%	82.5	83.4	1.1%
Net Interest	-1.6	-3.3	-3.4	1.8%	-3.5	-4.4	23.4%	-2.9	-4.3	45.8%
Pretax Profit	41.4	57.6	55.2	-4.2%	72.3	70.4	-2.7%	79.5	79.1	-0.5%
Tax	-12.0	-16.7	-16.0	-4.2%	-21.0	-20.4	-2.7%	-23.1	-22.9	-0.5%
Norm. Net Profit After Tax	**32.2**	**40.9**	**40.4**	**-1.1%**	**51.3**	**51.2**	**-0.2%**	**56.5**	**56.9**	**0.8%**
- margin	13.8%	12.7%	12.7%		14.1%	12.6%		14.1%	12.9%	
Reported Profit	**29.4**	**40.9**	**39.2**	**-4.2%**	**51.3**	**50.0**	**-2.7%**	**56.5**	**56.2**	**-0.5%**
DPS	3.50	3.75	4.25	13.3%	4.00	5.25	31.3%	4.40	6.44	46.3%
EPS (diluted)	8.2	9.9	9.8	-1.1%	11.9	11.9	-0.2%	13.1	13.2	0.8%
P/E ($1.210)	14.8x	12.1x	12.3x		10.1x	10.2x		9.1x	9.2x	
Ordinary Shares (end)	379.8	423.9	423.9	0.0%	424.2	424.2	0.0%	424.2	424.2	0.0%
Ordinary Shares (avg wgt)	379.8	401.8	401.8	0.0%	424.0	424.0	0.0%	424.2	424.2	0.0%
Net Debt	26.2	43.8	51.3	17.1%	43.2	55.5	28.3%	21.3	39.5	85.7%

Source: Hartleys Estimates

PRICE TARGET

Our twelve month price target is increased to $1.42 (from $1.32).

Price Target Methodology	Weighting	Spot	12 mth out
DCF	59%	$1.32	$1.39
12mth forward P/E of 12.0x	30%	$1.30	$1.50
Price / NTA (Jun '13e) 1x $0.30	1%	$0.30	$0.30
12mth fwd Div Yield of 3.5% (Gross yield=4.9%)	10%	$1.23	$1.52
Risk weighted composite		**$1.30**	**$1.42**
12 Months Forward		**$1.42**	
Shareprice - Last		$1.210	
12 mth total return (% to 12mth target + dividend)		**21%**	

Source: Hartleys Estimate

Fig. 4: Key assumptions and risks for potential new valuation

Assumption	Risk of not realising assumption	Downside risk to valuation if assumption is incorrect	Comment
Store acquisitions	Low	Moderate	We assume new funds are used for accretive store acquisitions
We assume Mon-e and Safrock margins decline in Australia.	High	Upside	We assume a decline in margins for Mon-e Australia and Safrock Australia.
UK financial margins improve	Low	Moderate	We assume that Safrock and Mon-e UK margins increase significantly but peak at a level much lower than the peak in the Aust business.
Safrock loan book peaks at $165m in FY17	High	High	We assume that the Australian loan book peaks at around the current level, but that the UK book increases to ~A$83m.
$30m in value for other projects	Low	Upside	We attribute $30m for Carboodle (CCV has a convertible note which converts to an 80% equity interest in 2013). Given the history of the Company's innovation, it is likely that CCV will develop new products.
Conclusion	*The Company faces some reasonable risks but we believe we have been realistic or conservative in our base case assumptions.*		

Source: Hartleys

USEFUL WEBLINKS

http://www.oft.gov.uk/shared_oft/reports/consumer_credit/High-cost-credit-review/OFT1232.pdf

www.nocap.com.au

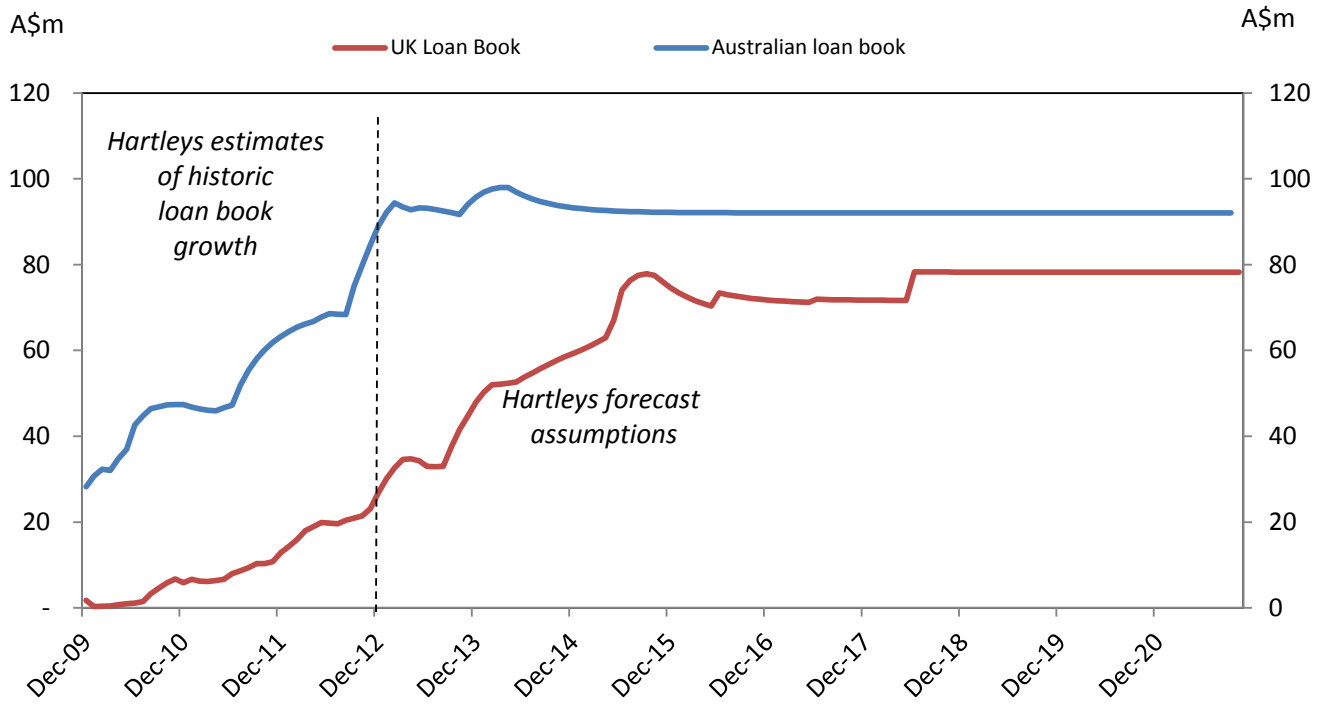
http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4682_ems_b9d82b8b-af71-481c-8975-088be001d298/upload_pdf/370236.pdf;fileType=application%2Fpdf

http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2012/038.htm&pageID=003&min=brs&Year=&DocType=

http://www.oft.gov.uk/OFTwork/credit/payday-lenders-compliance-review/

http://www.guardian.co.uk/money/2012/nov/28/payday-loan-cap

Fig. 5: UK and Aust Loan Growth



Source: Hartleys Estimates

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Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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