WA Industrials: Subprime Finance

Hartleys

CCV.asx
Speculative Buy

CASH CONVERTERS INT. LTD (CCV)

Well placed in the early days of COVID-19

We provide an update on Cash Converters International Ltd (CCV) in light of COVID-19. In our view, CCV is relatively well-placed. The key COVID-19 related risks appear to be the potential for increased losses in CCV's loan book and the potential for store closures in Australia.

In this regard we believe CCV is well-positioned to manage its loan book and, if required, to significantly reduce its cost base in the event that store closures in Australia become necessary. We outline our views in these respects from page 3.

Cash and funding capacity solid

At 1H20 CCV had pro-forma cash of ~$37m plus headroom of ~$27m under the Fortress loan funding facility. This places CCV in a solid position. In the short-term we expect a slight contraction in the loan book as less loans are approved in the current environment. If this were to eventuate, it will have the short-term effect of increased cash flowing back into the business.

The $150m debt facility with Fortress has an expiry date of November 2020. We understand that CCV has initiated the process to formally extend the facility under a two-year option.

Forecasts reduce; FY20 adjusted NPAT $17.5m, FY21 $16.3m

Our forecasts reduce on the back of two key assumptions; i) a lower loan book on the back of tightened lending criteria in the current environment and ii) lower franchise fees given a material number of CCV's ~550 international franchise stores have been closed as a result of various lockdowns, with CCV waiving fees during this period.

We expect a continuation of these impacts into FY21, with the depth and duration subject to the path that COVID-19 ultimately takes. We highlight that given this uncertainty our forecasts should be treated with caution.

Speculative Buy, Price Target $0.28

On an underlying profit basis, CCV presents as very cheap, trading on a PE of ~5x our reduced forecasts. Putting the current COVID-19 uncertainty aside, clearly a key issue for investors is that for a number of years underlying earnings have borne little resemblance to reported earnings due to a number of material self-inflicted wounds along with ongoing regulatory uncertainty. Looking forward, one of the key questions is whether underlying earnings will now be reflective of real earnings and cash flow.

Outside of potential COVID-19 impacts we see the key risks to CCV being extension of its funding facility and long-awaited proof that the business has turned the corner from an operational and management perspective.

CCV remains high risk, though the current share price offers potentially significant upside. We maintain our Speculative Buy recommendation with a price target of $0.28 / share (from $0.26 previously).

	7 Apr 2020
Share Price:	$0.150
12mth price target:	$0.28

Brief Business Description:
MACC lending, SACC lending, consumer finance, car finance and pawn broking operations.

Hartleys Brief Investment Conclusion:
High risk, though current share price offers potentially significant upside.

Chairman & CEO:
Stuart Grimshaw (Non-Exec. Chairman)
Sam Budiselik (CEO)

Top Shareholders:

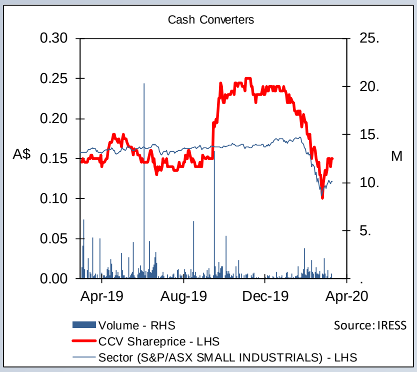
EZCORP	34.7%
Perpetual Ltd	12.1%
MUFG	7.9%

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

Issued Capital:	616m
- fully diluted	634m
Market Cap:	92m
- fully diluted	95m
Net Debt (1H20):	63m

	FY19a	FY20e	FY20e
Revenue	280.6	271.0	276.3
NPAT (A$m)	-1.7	-26.1	16.3
NPAT (A$m) *	20.7	17.5	16.3
EPS ($, dil)*	3.3	2.8	2.6
P/E (diluted)	4.6x	5.4x	5.8x
EV / EBITDA	10.6x	15.3x	3.0x
N.D. / equity	13.3%	8.9%	9.1%

Source: Hartleys Research. *normalised



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SUMMARY MODEL

Cash Converters International (CCV)

Company Information		
Date	7 Apr 2020	Level 18, 37 St Georges Tce
Share Price	$0.150	Perth, WA, 6000
52 Week High-Low	$0.27 - $0.10	Ph: (08) 9221 9011
Market Cap ($m)	$92	www.cashconverters.com.au
Net Debt ($m)	$63	
Enterprise Value ($m)	$155	
Ordinary Shares	616	
Fully Diluted Shares	634	
Price Target	$0.28	
Upside / Downside	87%	
Dividend Yield - FY20	0%	
Total Return	87%	

Price Target	
12 Month Price Target	$0.28
P/E (FY20) at price target - Reported EPS	-6.7x
P/E (FY21) at price target - Reported EPS	10.7x
Div. Yld (FY20) at price target	0.0%
Div. Yld (FY21) at price target	0.0%

Multiples (S/price at $0.15)	6/18A	6/19A	6/20F	6/21F
P / E (basic, weighted)	3.3x	-54.6x	-3.6x	5.7x
P / E (norm, diluted, weighted)	3.6x	4.6x	5.4x	5.8x
Dividend Yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA multiple	3.2x	10.6x	15.3x	3.0x
EV/EBIT multiple	3.8x	28.2x	-21.2x	4.5x
Price / Book Value	0.3x	0.3x	0.3x	0.3x
Price / NTA	0.5x	0.5x	0.5x	0.5x

Ratios	6/18A	6/19A	6/20F	6/21F
Return on Average Equity	7.7%	-0.5%	-8.3%	5.4%
Return on Assets	5.0%	-0.3%	-5.3%	3.2%
ND / ND + Equity	5.4%	11.8%	8.2%	8.4%
ND / Equity	5.7%	13.3%	8.9%	9.1%
Net Interest Cover (EBIT)	4.0x	0.6x	-0.6x	3.1x
Revenue growth	-4%	8%	-3%	2%
EBIT growth	9%	-86%	-233%	-568%
NPAT growth	9%	-108%	1441%	-163%
EPS (dil, wghtd) growth	8%	-106%	1430%	0%
EBIT Margin	16%	2%	-3%	12%
Tax Rate	29%	17%	-37%	30%

Cash Flow Analysis	6/18A	6/19A	6/20F	6/21F
Net Operating Cash Flow	34.9	41.3	14.8	22.6
+ Tax Paid	6.4	5.9	-0.7	7.0
+ Net Interest	8.0	12.1	11.7	11.0
Ungeared pre-tax cashflow	49.3	59.2	25.8	40.6
Reported EBITDA	48.0	14.7	10.2	51.7
Cash Conversion	**103%**	**404%**	**254%**	**78%**
Capex / D&A	1.3x	0.8x	0.3x	0.3x

Share Data	6/18A	6/19A	6/20F	6/21F
Ord Issued shares (m)	616.4	616.4	622.8	622.8
growth	25.0%	0.0%	1.0%	0.0%
Weighted ave shares (m)	494.5	616.4	622.8	622.8
growth	0.8%	24.7%	1.0%	0.0%
Diluted shares wgted (m)	508.4	628.6	633.2	630.0
growth	1.4%	23.6%	0.7%	-0.5%

Directors & Senior Mgt	Substantial Shareholders	
Stuart Grimshaw (Non-Exec. Chairman)	EZCORP	34.7%
Peter Cumins (Exec. Deputy Chairman)	Perpetual Ltd	12.1%
Kevin Dundo (NED)	MUFG	7.9%
Lachlan Given (NED)		
Sam Budiselik (CEO)		

Recommendation: Speculative Buy

Profit & Loss ($m)	6/18A	6/19A	6/20F	6/21F
Operating Revenue	259.6	280.6	271.0	276.3
EBITDA	48.0	14.7	10.2	51.7
growth	*8.2%*	*-69.4%*	*-30.6%*	*408.4%*
EBITDA / Revenue	18.5%	5.2%	3.8%	18.7%
Depn & Amort.	-7.4	-9.1	-17.5	-17.5
EBIT	**40.5**	**5.5**	**-7.3**	**34.2**
Net Interest	-10.1	-9.5	-11.7	-11.0
PBT	**30.4**	**-4.0**	**-19.0**	**23.3**
Tax	-8.8	0.7	-7.0	-7.0
Assoc. Cont	0.8	1.6	0.0	0.0
NPAT	**22.5**	**-1.7**	**-26.1**	**16.3**
Pre-tax Adjustments	-1.3	31.7	44.0	0.0
Adjusted EBITDA	**46.6**	**46.4**	**54.2**	**51.7**
Post-tax Adjustments	-1.3	22.4	43.6	0.0
Adjusted NPAT	**21.2**	**20.7**	**17.5**	**16.3**
Reported EPS (basic, wghtd)	**4.6**	**-0.3**	**-4.2**	**2.6**
Normalised EPS (dil, wghtd)	**4.2**	**3.3**	**2.8**	**2.6**
DPS (cps)	**0.0**	**0.0**	**0.0**	**0.0**
Franking	0%	0%	0%	0%
Payout Ratio	0.0%	0.0%	0.0%	0.0%

Cashflow Statement ($m)	6/18A	6/19A	6/20F	6/21F
EBITDA	48.0	14.7	10.2	51.7
Net Interest	-8.0	-12.1	-11.7	-11.0
Working Capital	1.3	10.3	0.6	-1.1
Tax Paid	-6.4	-5.9	0.7	-7.0
Other	0.0	34.3	15.0	-10.0
Net Operating Cash Flow	**34.9**	**41.3**	**14.8**	**22.6**
Net loan funds advanced	-56.4	-73.1	3.1	-17.0
Operating Cash Flow	**-21.5**	**-31.8**	**17.8**	**5.6**
Capital Expenditure	-9.6	-7.4	-5.0	-5.0
Acquisitions	0.0	0.0	0.0	0.0
Other (inc Investments, Asset sales etc)	1.4	15.1	1.5	1.0
Net Investing Cash Flow	**-8.2**	**7.7**	**-3.5**	**-4.0**
Proceeds from Equity Issues	38.0	0.0	0.0	0.0
Net Change in Debt	50.9	-35.0	-6.5	3.5
Dividends Paid	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Net Financing Cash Flow	**88.9**	**-35.0**	**-6.5**	**3.5**
Movement in Cash	59.1	-59.1	7.8	5.1

Balance Sheet ($m)	6/18A	6/19A	6/20F	6/21F
Cash	140.0	81.1	88.9	94.0
Loan Receivables	119.0	128.4	125.4	136.3
Receivables	22.7	7.8	7.8	7.7
Inventories	20.7	20.4	18.5	20.1
Other	6.8	9.7	9.7	9.7
Total Current Assets	**309.2**	**247.3**	**250.2**	**267.7**
Property, Plant & Equipment	9.1	6.2	5.0	5.0
Loan Receivables	32.8	46.2	46.5	49.0
Intangibles	137.1	133.9	133.9	107.0
Other	21.0	30.6	83.8	69.0
Total Non Current Assets	**200.0**	**216.9**	**269.2**	**229.9**
Total Assets	**509.1**	**464.2**	**519.5**	**497.6**
Accounts Payable	19.5	15.3	14.8	15.1
Interest Bearing Liabilities	139.4	87.8	90.0	90.0
Other	7.0	7.0	21.8	21.7
Total Current Liabilities	**165.9**	**110.2**	**126.5**	**126.8**
Interest Bearing Liabilities	19.0	35.5	26.8	30.3
Other	1.9	1.7	52.7	52.7
Total Non Current Liabilities	**20.8**	**37.2**	**79.5**	**83.0**
Total Liabilities	**186.7**	**147.4**	**206.0**	**209.8**
Net Assets	**322.4**	**316.9**	**313.4**	**287.9**
Net Asset Value / Share ($)	0.52	0.51	0.50	0.46
NTA / Share ($)	0.30	0.30	0.29	0.29
Net Debt (net cash)	18.4	42.2	27.9	26.3

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Sources: IRESS, Company Information, Hartleys Research

RISKS

We consider a range of risks to CCV as a result of COVID-19. Given how fluid the situation is proving to be, ultimately there may be risks arising that we haven't considered, as such the below list is not exhaustive.

Fig. 1:Risks

Risks / Areas to address	Mitigants / Comments
Increased loan losses / defaults	CCV's Personal Lending Book currently has an embedded loan loss provision of ~17%. Within the existing loan book, we expect that CCV will not to date have seen any increase in loss experience since the onset of COVID-19. In fact, with initial Government stimulus payments of $750 already hitting the Bank accounts of eligible individuals, CCV will likely see some loans being repaid more rapidly. As various stimulus payments (JobSeeker, JobKeeper, Access to Superannuation) continue over the next six months, there is a reasonable likelihood that loan losses will not experience a material increase, if at all. CCV has prudently tightened its lending criteria in recent weeks to guard against a spike in loan losses.
Closure of Australian store network. Potential impacts here include reduced lending and loss of revenue from sale of goods.	Currently all Australian stores remain open. Were a closure of the network nationally or on an individual state basis to be enforced, there would clearly be an impact to CCV's sales. From a lending perspective, ~50% of CCV approved loans are already conducted online. We would expect that store closure would result in a further move to online applications. From a sales perspective CCV's online retail platform "Webshop" generates ~10% of store sales revenue. CCV has a flexible cost base with staff salaries (~$70m annually) making up the predominant share, thus providing material scope to reduce costs if need be. Occupancy costs (~$16m) are CCV's next largest cost. We expect CCV would seek some form of rental relief in the event of store closures. Separately, CCV is seeking to have its Australian stores designated as essential services, to protect it from closure should a stricter lockdown come into place.

Impact of closure on franchisee stores. CCV has approximately 630 franchisee stores, of which ~550 are international stores, including a large presence in UK (~200), France (~100) and Spain (~75). With much of Europe and the rest of the world in lockdown, a significant number of franchisee stores are closed. To date all Australian stores, both Franchisee and Corporate (i.e. company owned) remain open.	Importantly, there is no recourse to CCV from the Franchisee stores. For those stores that have closed, CCV is currently waiving the (fixed) franchise fee. We note that in FY19 franchise fees from continuing operations were ~$15m, in total representing ~5% of group revenue. In FY19 Franchise operations generated EBITDA of $11m prior to any allocation of Corporate costs. In our modelling we assume an EBITDA decline on a full year run rate basis of ~$5m as a result of waived franchisee fees. CCV advises that in the UK its stores have been designated an essential service and as such some stores are investigating the possibility of re-opening. CCV is seeking to have its Australian stores also designated as essential services, should a stricter lockdown come into place.

Source: CCV, Hartleys

OTHER RISKS

There are a number of other risks that CCV carries that we consider prudent to include.

Fig. 2:Other risks

Other Risks	Comments
Extension of the $150m Fortress funding facility. The facility currently expires in November 2020. CCV notes that it holds an option to extend the facility by two years. We are unaware of any particular covenants around the Fortress facility other than noting that the initial announcement stated: - No EBITDA or gearing ratio covenants. - Fortress may suspend or cancel the facility if a change of control event occurs (in respect of CCV) or if CCV's ASX listing is suspended for more than 15 business days. The FY19 financial report notes that the Group's borrowing facilities *"are subject to various covenants and review events. The securitisation has various eligibility criteria which the receivables of the Group must meet to be funded under the facility. During the reporting period (FY19) there have been no events that would cause these covenants to be breached"*.	We see this as a key risk for investors to consider, particularly in the current environment. We understand that CCV has initiated the process to formally extend the facility under the two-year option. CCV remains confident that the facility will be renewed. Were this not to be the case, or indications were coming from Fortress that extension may be problematic, we expect CCV will have sufficient time to seek to arrange additional financing / capital of some form. We highlight that at 1H20 CCV's net loan book was $184m and the Fortress facility was drawn to $122m. On a theoretical basis, CCV could collect all loans, pay off the facility and be in a surplus cash position of $62m (which, in addition to ~$37m of pro-forma unrestricted cash, rises to $99m, more than covering CCV's current market capitalization of $92m).
In February 2019 The Senate Inquiry report into *"Credit and financial services targeted at Australians at risk of financial hardship"* was released. Among other recommendations, the report recommended that the proposed SACC amendments should be passed through Parliament. In September 2019 and December 2019 two Bills were introduced to Parliament. Together the Bills propose to amend the National Consumer Credit Protection Act as follows: - The protected earnings amount (PEA) for SACC's will be reduced from 20% of a consumer's gross income in relation to Centrelink recipients, to 10% of a consumer's net income for each payment period; and - Extend the PEA cap to all borrowers (PEA and non-PEA) not just those receiving 50% or more of their income from Centrelink.	It would appear that this proposed legislation has been further delayed as the House of Representatives website notes that the Amendment Bill is no longer an item of business for consideration by the House. As a reminder, were The Bills ultimately passed into law, they do not take effect until 12 months from the date of receiving Royal Assent. CCV has not released any updated assumptions around potential impacts if the Bills are passed in their current form. At FY19, CCV estimated that the changes likely result in a goodwill impairment in the range of $45m-$60m, were the changes to be enacted from July 2020

Senior management turnover. At its 1H20 result CCV announced the resignation of CEO Brendan White, who had only commenced with CCV in March 2019 after a lucrative move from Bank of Queensland. Mr White had replaced Mark Reid, who had resigned unexpectedly at the time of the FY18 result. CFO turnover has also been high with Martyn Jenkins resigning at the time of the FY19 result. Mr Jenkins replacement, Michael Murphy was appointed in November 2019. In March 2020 CCV announced that Mr Murphy will depart from the company in September 2020 at the conclusion of his contractual notice period.	Turnover in recent years of senior management is a cause for concern, both from a business disruption perspective and due to the costs involved. Clearly this is an area that the Board of CCV needs to address. Sam Budiselik has been appointed to replace Mr White. Mr Budiselik has been with CCV since 2016 in a variety of roles, most recently COO. Mr Budiselik's time with CCV should help to ensure that there are not too many areas of the business with which he is unfamiliar, reducing the chance of any operational surprises.

Source: CCV, Hartleys

1H20 RESULT SUMMARY

Fig. 3: 1H20 result summary

CCV	1H19	2H19	1H20	Chg v pcp
Revenue	137	144	144	5%
Gross Profit	**78**	**78**	**87**	**11%**
Expenses	-77	-64	-99	
EBITDA	**0.8**	**13.9**	**-12.8**	
D&A	-3.9	-5.3	-8.7	
EBIT	**-3.1**	**8.6**	**-21.5**	
Net Interest	-4.6	-4.9	-6.3	
PBT	**-7.7**	**3.7**	**-27.7**	
Tax	2.4	-1.7	8.3	
NPAT	**-5.2**	**3.5**	**-19.4**	**-270%**
Adjustments (pre-tax)	20.0	11.7	42.9	
Adjusted EBITDA	**20.8**	**25.5**	**30.1**	
Adjusted NPAT	**8.8**	**11.9**	**10.6**	**21%**
EPS - (diluted)	1.4c	1.9c	1.7c	
Reported EPS (basic)	**-0.8c**	**0.6c**	**-3.1c**	
Divisional Gross Profit				
Financial Services	53	55	57	7%
Sale of goods	17	14	19	17%
Other (incl. Franchise Fees)	8	8	10	23%
Group GP Margin	57.1%	53.9%	60.1%	3.1%

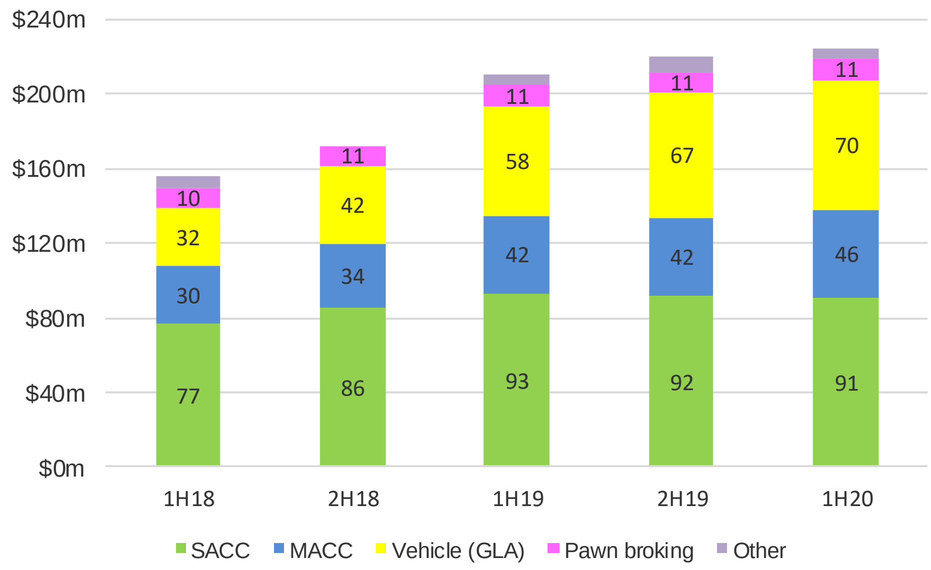
Source: CCV, Hartleys

- CCV reported a Net Loss After Tax of $19.4m, primarily impacted by the $42.5m charge taken in relation to the settlement of the Lynch Class Action (see our note of 21 October 2019 *"Lynch action settlement agreed at $42.5m"*).
- After adjusting for this charge and associated legal costs ($0.4m pre-tax), CCV achieved an Adjusted NPAT of $10.6m up 21% on 1H19.
- The first-time adoption of AASB16 impacted the bottom-line result by $0.9m.
- Gross Profit was up 11% to $86.5m with all divisions achieving growth.
- Notwithstanding a relatively flat loan book, improvements in bad debt experience saw Gross Profit increase by 7% within the Financial Services division.

LOAN BOOK

CCV's gross loan book grew marginally from $221m at FY19 to $224m. Net loan book stands at $184m, up from $175m at FY19.

Fig. 4: Gross loan book



Source: CCV, Hartleys

BALANCE SHEET / FUNDING CAPACITY

In 1H20 operating cash outflows were $15.5m, which included a $32.5m payment (made to a Trust Account) related to the Lynch Class Action settlement.

The residual $10m due under the settlement is to be paid by 30 September 2020. Court approval for the settlement was received on 24 March 2020.

Figure 5, shows our assessment of CCV's cash / funding position. Utilising available cash and the $150m Fortress Facility we estimate that CCV has capacity to fund between $25m and $41m of new lending, excluding any additional capacity that will be generated as a result of operating cashflows.

As discussed earlier, our expectation given the current environment is that the loan book is unlikely to see growth in the short-term.

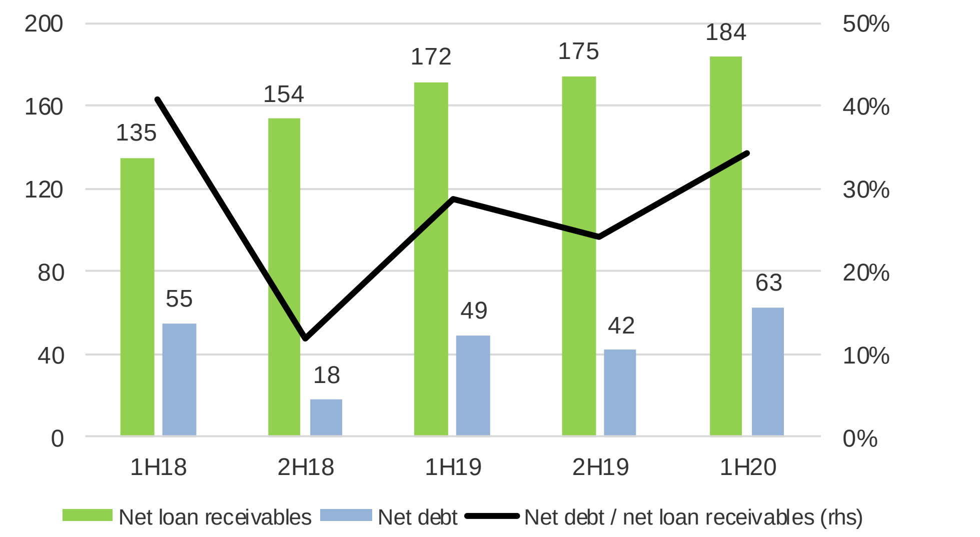
Fig. 5: *Funding / Cash Position*

Cash				Comment
1H20		59.4		
Restricted cash		-12.0		Deposits related to lending facilities.
Unrestricted Cash		**47.4**		
Lynch Settlement - Tranche 2		-10.0		Due by 30 Sep 2020
Proforma Unrestricted Cash	***1***	**37.4**	**37.4**	
Working Capital Required	*2*	-25.0	-30.0	Estimate of working cap. required.
CCV Cash available for new Lending	***3***	**12.4**	**7.4**	
New Lending Capacity				
Maximum CCV loan Funding Contribution		12.4	7.4	Assumes CCV funds 30% of new loans
Fortress Contribution		27.6	17.3	Assumes Fortress funds 70% of new loans
New Lending Capacity	***4***	**41.4**	**24.7**	
Fortress Facility				
Total Facility		150.0		Current expiry 10 November 2020.
Drawn at 1H20		122.4		
Headroom at 1H20		**27.6**		
1H20 Net Receivables (Loan Book)		184		
Funding Ratio		67%		Net Receivables / Fortress facility utilised.

Source: CCV, Hartleys

- *1.* On a pro-forma basis, post payment of Tranche 2 ($10m), CCV has $37m of available cash.
- *2.* We assume working capital to fund day to day operations of between $25m and $30m.
- *3.* Shows excess funds available to facilitate ongoing growth in lending book.

Fig. 6: *Net loan book / gearing*



Source: CCV, Hartleys

FORECASTS

Fig. 7: Forecasts

CCV	FY19a	FY20 old	FY20 new	Chg	FY21	FY21 new	Chg
Loan Book - Gross	220	234	217	-7%	255	234	-8%
Revenue	280.6	291	271	-7%	298	276	-7%
Gross Profit	**156**	**165**	**159**	**-4%**	**169**	**154**	**-9%**
Expenses	-141	-162	-148		-112	-102	
EBITDA	**14.7**	**2.7**	**10.2**		**57.7**	**51.7**	**-10%**
D&A	-9.1	-8.0	-17.5		-17.5	-17.5	
EBIT	**5.5**	**-5.3**	**-7.3**		**40.2**	**34.2**	**-15%**
Net Interest	-9.5	-9.8	-11.7		-12.0	-11.0	
PBT	**-4.0**	**-15.1**	**-19.0**		**28.2**	**23.3**	**-17%**
Tax	0.7	-8.2	-7.0		-8.5	-7.0	
NPAT	**-1.7**	**-23.3**	**-26.1**		**19.7**	**16.3**	**-17%**
Adjustments (pre-tax)	31.7	45.5	44.0		0.0	0.0	
Adjusted NPAT	**20.7**	**21.3**	**17.5**	**-18%**	**19.7**	**16.3**	**-17%**
EPS - Adjusted, dil	**0.0c**	**3.4c**	**2.8c**	**-18%**	**3.1c**	**2.6c**	**-17%**
Reported EPS (basic)	0.0c	-3.7c	-4.2c	12%	3.2c	2.6c	-17%
GP Margin	55.4%	56.6%	58.5%	1.9%	56.9%	55.7%	-1.1%
EBITDA Margin	16.5%	0.9%	3.8%	2.8%	19.4%	18.7%	-0.6%

Source: CCV, Hartleys

- We assume a reduction in Loan Book to the end of FY20 as some clients repay cash on the back of payments received from Government stimulus. Additionally, we expect that CCV's tightened lending criteria will restrict loan book growth while COVID-19 plays out.
- We reduce our forecast around franchisee fees to reflect the closure of much of the international network. While not material from a revenue perspective, the fees fall largely to the bottom line and hence have a heightened impact on profit.
- We forecast a return to loan book growth, albeit modest in FY21, though this is of course highly uncertain, dependent on the depth and duration of the COVID-19 crisis.

VALUATION

Court approval of the settlement of Lynch Class Action has served to remove uncertainty around this issue.

Risks remain with the potential SACC law review implementation to occur at some stage. Whether or not the SACC law review will be implemented in its current form, or at all, continues to provide some uncertainty. However, it appears that this proposed legislation has been further delayed as the House of Representatives website notes that the Amendment Bill is no longer an item of business for consideration by the House.

We value CCV at $0.28 / share, up from $0.26 / share previously.

Fig. 8: CCV Valuation

CCV	
FY20 EPS	2.8c
Target PER	10.0x
Valuation per share	**$0.28**

Implied Multiples at Price Target	FY19	FY20	FY21
EV/EBITDA	5.3x	4.5x	4.8x
EV/EBIT	6.6x	6.7x	7.2x
PER	8.4x	10.0x	10.7x

Source: Hartleys

We note that at 1H20 CCV's net loan book was $184m and the Fortress facility was drawn to $122m. On a theoretical basis, CCV could collect all loans, pay off the facility and generate a surplus loan book cash position of $62m (which, in addition to ~$37m of pro-forma unrestricted cash, rises to $99m, more than covering CCV's current market capitalization of $92m).

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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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