

# Cash Converters International Ltd

## (CCV \$0.24) Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Harry Stevenson	21 <sup>st</sup> October 2022	\$0.35/sh

### Acquisition of New Zealand Store Network

#### Key Points

CCV has announced the acquisition of the remaining New Zealand franchise store network.

- CCV already holds 25% equity interest in the New Zealand network and will acquire the remaining 75% of the network for a purchase price up to \$15.5m. In FY'22 the 25% equity interest contributed \$0.853m to net earnings, implying \$3.4m for 100% share on FY'22 basis. Expect some cost savings with CCV bringing back office inhouse.
- The purchase will be funded from company's available cash reserves (\$58.1m cash and \$79.5m in undrawn facilities as at FY'22)
- Acquisition is expected to complete late CY'22.
- The transaction is "priced relative to net assets, and earnings accretive." On FY'22 proforma earnings acquired on 4.5x PE (assuming \$15.5m acquisition price), compared to CCV on 7.4x on our current FY'23 forecasts.
- CCV AGM is scheduled for Tuesday 25 October, we expect a Q'1 update released to coincide.

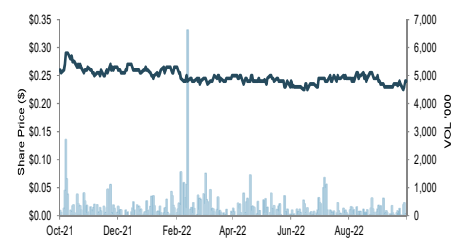
#### Investment Thesis

Store networks are accretive and strong balance sheet position supports deployment of cash while maintaining current dividend paying status. The company provided solid FY'22 results with the business setting itself for stronger FY'23 as loan books continue to recover from Covid lows and the Eastern States emerge from lockdowns. Business continues to trade on attractive metrics providing opportunity. We retain Buy Recommendation

#### Cash Converters International Ltd (CCV)

Share Price	0.24	A\$/sh
Price Target	0.35	A\$/sh
Valuation	0.50	A\$/sh
Shares on issue	628	m(dil)
Market Capitalisation	150.7	A\$m
Enterprise Value	225.7	A\$/m
Debt (FY'22)	133.1	A\$/m
Cash (FY'22)	58.1	A\$/m

#### Share Price Chart



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# Cash Converters International Ltd

## (CCV \$0.24) Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Harry Stevenson	26 <sup>th</sup> October 2022	\$0.36/sh ▲ from \$0.35/sh

### AGM Update and Acquisition of Store Network

#### Event

CCV has recently announced the acquisition of the remaining 75% equity of the New Zealand store network. The company has also provided a Q1 operating update with AGM address calling out continued growth in gross loan book.

#### Impact

CCV will acquire the remaining 75% of the New Zealand network for a purchase price of up to \$15.5m. In FY'22 the 25% equity interest contributed \$0.85m to EBT; implying \$3.4m full year contribution and 4.5x on trailing EBT (assuming \$15.5m acquisition price), accretive compared to CCV on 4.9x EBT on our forecasts.

Total gross loan books \$214.6m up 28% on PCP, broadly in line with our FY'23 gross loan assumptions looking for \$233m.

Q1 revenue reported \$69.0m, we have pushed through some minor adjustments to our top line forecasts incorporating store acquisitions and adjustments to loan books, now looking for revenue of \$270.0m.

#### Action

We have incorporated store acquisitions and minor adjustments to loan book forecasts.

Price Target up slightly to 0.36/sh.

Current trading levels continues to be underpinned by fully franked 2c full year dividend, implying 8.5% yield (12.1% grossed up).

Business has flagged potential for further acquisitions in the pipeline, in our view current cash position and facility headroom is sufficient to support payment of dividend and acquisitions. As at FY'22 cash reserves \$58.1m and a further \$79.5m in undrawn facilities. We forecast FY'23 cash balance of \$49.9m with facilities minimum drawn.

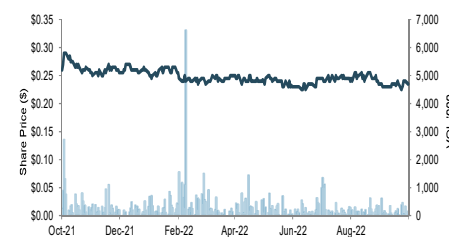
#### Key Catalysts

- 1H'23 Results
- Further strategic acquisitions
- Formal dividend policy.

Cash Converters Int. Ltd	Year End 30 June	
Share Price	0.24	A\$/sh
Price Target	0.36	A\$/sh
Valuation (DCF)	0.51	A\$/sh
WACC	10.5%	
Terminal Growth	2.5%	
Shares on issue	628	m,
Market Capitalisation	151.2	A\$m
Enterprise Value	226.3	A\$m
Cash	58.1	A\$m
Debt	133.2	A\$m

Key Financials	2022A	2023F	2024F
Revenue (A\$m)	245.9	270.0	283.5
EBITDA (A\$m)	41.5	59.4	65.7
EBIT (A\$m)	27.8	44.3	50.1
Reported NPAT (A\$m)	11.2	21.8	25.3
Normalised NPAT (A\$m)	19.0	23.2	25.3
Gross Cashflow (A\$m)	1.5	13.4	19.2
Capex (A\$m)	-6.3	-7.8	-8.4
Op. Free Cashflow (A\$m)	1.2	11.6	11.0
Revenue Growth (%)	22%	10%	5%
EBITDA Growth (%)	-8%	43%	11%
Norm. NPAT Growth (%)	5%	1%	9%
Normalised EPS (Ac)	1.74	3.40	3.93
Norm. EPS growth (%)	17%	22%	9%
PER (x)	13.2	6.7	5.8
EV:EBITDA (x)	5.4	3.8	3.4
EV:EBIT (x)	8.1	5.1	4.5
DPS (Ac)	2.0	2.0	3.0
Dividend Yield (%)	8.5%	8.5%	12.8%
Net cash (A\$m)*	-75.1	-91.8	-96.8
Net Debt:Equity (%)	-0.2	-0.3	-0.3

#### Share Price Chart



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