Research as a Service

Cash Converters International Ltd

FY24 Trading Update

Delivering to the brief

Consumer Finance

5 August 2024

Cash Converters International (ASX:CCV) is a consumer finance company operating as a service provider, owner and franchisor of second-hand goods and financial services stores in Australia and internationally. CCV has released an unaudited trading update for FY24, which it generally does at the end of each period prior to a formal results release, with revenue growth of 26% over the previous corresponding period (pcp) to $382.6m. The gross loan book has grown 6% to $288m, which is all the more impressive as the business transitions away from SACC products due to regulatory change, more than offset by growth in other products, domestically and internationally. The update provided a revenue and loan book position broadly in line with our forecasts, and although no earnings guidance was provided, management stated "operating profit is not expected to differ materially from the prior period". This is slightly ahead of our expectation and a strong result given the year of transition. Second half net loss rates on the loan book have improved materially from 11.0% to 8.0%, again slightly better than our forecast. We believe FY24 has proven to be a year of validation for a change in strategy to position the business well for FY25 and beyond. Management has optionality over various growth drivers. Our forecasts are broadly unchanged and our DCF-based valuation remains $0.42/share, representing capital upside potential of 100% with a 9.1% fully franked yield.

Business model

Cash Converters is a diversified business generating income through many revenue streams and geographies. The store network, particularly in Australia, New Zealand and the UK, provides the company with a well understood and loyal customer base, to which CCV offers several loan products and services. That cohort of customers is showing strong demand for CCV's suite of products. The loan book is growing, with a composition of loan products that are highly regulated, less risky and longer in duration than those of the past. This growth should be complemented by the corporatisation of more stores away from the franchise model, both domestically and offshore, giving CCV increased control and significant earnings upside potential.

Positioned to enter a strong growth phase

Revenue growth, loan book growth, regulatory clearance, integration of acquisitions and continued dividend payments have all been delivered in FY24. Management now appears focussed on directing capital towards key growth drivers including the increase and optimisation of domestic loan book returns through a stable and regulated product suite, complemented by acquisitions in its core existing regions including Australia and the UK, and a high possibility of acquiring stores in new regions, such as Spain, currently operated by master franchisors.

DCF valuation retained at $0.42/share

Our forecasts are broadly unchanged and our DCF valuation remains $0.42/share. We believe CCV also offers value on several other financial metrics, including a deep discount to intrinsic value on a ROE-based methodology and a relative PER pricing discount of 47% to peers whilst CCV also has materially higher forecast growth. We see this as further validation of inherent value, particularly considering our forecast EPS growth with a CAGR of 23% over the three-year forecast period. If management can deliver on its growth ambitions, we think CCV is a compelling investment opportunity, offering both capital growth and income.

Earnings history and RaaS' estimates (in A$m unless otherwise stated)

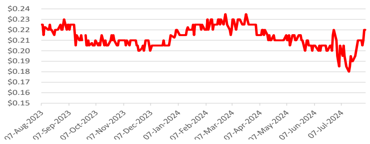
Year end	Revenue	EBITDA adj.*	NPAT adj.*	EPS adj.* (c)	EV/EBITDA (x)	PER (x)
06/22a	245.9	52.7	19.0	3.3	2.8	6.6
06/23a	302.7	57.2	20.2	3.1	3.5	7.1
06/24f	383.8	67.7	19.6	3.1	3.6	7.0
06/25f	403.1	74.6	22.8	3.5	3.6	6.3

Source: RaaS estimates for FY24f and FY25f; Company data for historical earnings; *Adjusted for one-time and non-cash items

Share Details

ASX code	CCV
Share price (2-Aug)	$0.22
Market capitalisation	$137.5M
Shares on issue	625M
Net debt 31-Dec-2023	$99.1M

Share Performance (12 months)



Upside Case

- Acquire large franchisees in Australia and/or the UK to further increase corporate ownership
- Deliver loan growth in new products ahead of expectation
- Drive earnings upside from recently acquired offshore businesses

Downside Case

- Severe economic deterioration driving bad debts or prolonged increase in funding costs
- Higher/longer interest rates reduce profitability
- Regulatory or legal matters

Catalysts

- Acquisition of franchised stores in Aus/UK/Europe
- Increase of the debt facility for funding certainty and loan book growth (H1 FY25)

RaaS Initiation Report

Cash Converters Initiation Report 24 Jan 2024

Board of Directors

Timothy Jugmans	Non-Executive Chair
Peter Cumins	Exec. Deputy Chair
Sam Budiselik	Managing Director/CEO
Lachlan Given	Non-Executive Director
Andrew Spicer	Ind. Non-Exec. Director
Robert Hines	Ind. Non-Exec. Director
Harry Shiner	Ind. Non-Exec. Director
Mark Ashby	Ind. Non-Exec. Director

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FY24 Trading Update Discussion

Exhibit 1 illustrates the FY24 performance against FY23.

Exhibit 1: FY24 Metrics against FY23

	FY24 A$m	FY23 A$m	Change	RaaS Forecast A$m	Difference to forecast
Total Revenue	382.6	302.7	+26%	388.7	-1.5%
Gross Loan Book	288.1	271.4	+6%	302.1	-4.6%
Cash & Cash Equivalents	56.2	71.6	-21%	47.2	+19.1%

Source: Company data and RaaS forecasts

CCV released an unaudited FY24 trading update that only contained a revenue number at the profit and loss level, but provided a number of key data points, including:

- **Revenue growth of 26.4% on pcp to $382.6m** – Management stated that revenue growth was driven by "continued momentum from the underlying Australian store operation and the contribution from franchise store acquisitions across Australia, New Zealand and the United Kingdom". These were the drivers we expected and the guidance was within 1.5% of the RaaS revenue forecast of $388.7m. We view it as a very solid performance in a transition year that has resulted in a change in business mix, partly driven by legislative change within the domestic lending industry which drove CCV to pivot away from its previously largest product in short-dated Small Amount Credit Contract (SACC) loans, complemented by the corporatisation of a number of previously franchised stores in Australia, New Zealand the UK.

- **Gross loan look growth of 6% on pcp to $288.1m** – The company stated that credit demand remained strong through FY24 with principal advanced (new funds lent out) rising 8% over FY23. We discuss this in more detail later in the report, but we view the loan book growth as a strong performance in light of the material reduction in exposure to SACC loans in response to regulatory change in June 2023. CCV made the decision to transition the loan book towards Medium loans (MACC) and the new Line of Credit (LoC) products domestically, and grow the international network through acquisition. The RaaS estimate for 30 June 2024 gross loan book was $302.1m. The major difference can be attributed to the strategic decision to wind down its auto finance business, Green Light Auto (GLA), and various smaller movements across other product lines. In our view, the company has done a commendable job transitioning the loan book through a material change in FY24, which has seen the SACC loan exposure drop from 29% to 19% over the period, whilst still delivering overall loan book growth. We believe this positions the business well for FY25 and beyond with a suite of proven and highly-regulated products that are generating strong customer demand.

- **Solid loan book performance** – The changing product mix within the loan book, combined with what management termed "appropriate credit risk settings", has resulted in materially improved performance of the book from a loss rate perspective. The net loss rate (net bad debt expense over average gross loan book) of 8.0% in 2H24 improved from 11.0% in 2H23. This also represents a further improvement in Q4 from the 8.7% loss rate in Q3.

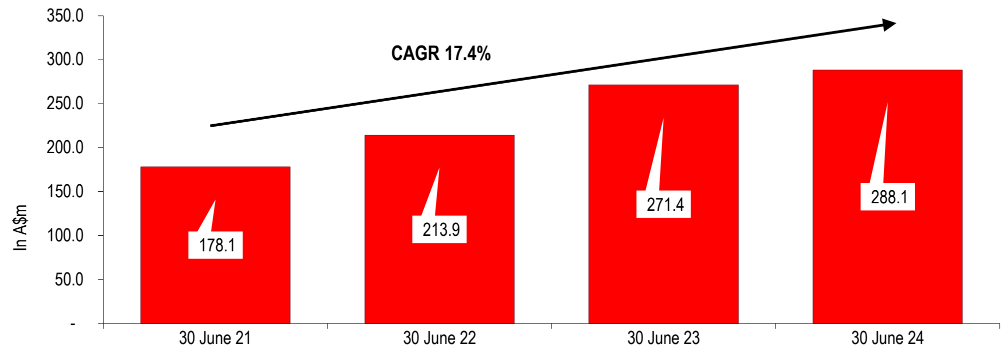
- **Strong domestic store performance –** Australian corporate store retail performance increased 11.0% over the FY23 period. Again, this showed accelerating momentum against the 3rd quarter gains which were 9.1% over the pcp. Management also stated the "UK store acquisitions contributed a majority of the remaining revenue increase on the prior period". For clarity, CCV settled its acquisition of the 42 Capital Cash stores in the UK in July 23 to take them under corporate ownership. All metrics released suggest the UK business has been integrated well and is tracking strongly.

- **Cash position of $56.2m stronger than our 30 June forecast of $47.2m –** As there was no release of accounts it is difficult to ascertain the movements in a complex financial structure such as Cash Converters, but we assume the higher cash position can be partly attributed to the decision to discontinue new loan advances in the vehicle finance business and the short-term impact of lower MACC loan advances, as evidenced by loan book metrics. The cash position has reduced from the 30 June 2023 balance of $71.6m to $56.2m. This is a strong result given the growth in loan book and the fact that the cash balance was reduced due to the cash settlement of the acquisition of the UK business which was completed in July 2023 (acquisition cost of ~$20.3m).

Loan Book

The loan book remains a key driver to performance and growth for Cash Converters. As illustrated in Exhibit 2, the group gross loan book has grown well at a compound annual rate (CAGR) of 17.4% over the past 3 years. CCV has managed to grow it by 6% in FY24 to finish the year at $288.1m, again we view this as a strong result due to the material changes made by the company over the course of the year as it reduced its SACC loan exposure by ~$23m, which was more than offset by increases in other areas including domestic MACC loans, vehicle loans (new originations in this vertical ceased late in FY24), a new Line of Credit product and growth in the international business. CCV generally experiences seasonal highs in the loan book in the December quarter, but over the course of the full year has delivered consistent growth.

Exhibit 2: CCV loan book



Source: Company Data

Composition

Composition

The loan book comprises the following products:

- **Small Loans (SACC) and PayAdvance:** The SACC product has been affected by regulatory change so its exposure and contribution is being strategically reduced by CCV.
- **Medium Loans (MACC):** Unsecured personal loans up to $5,000 and up to 24 months. Growing well and replacing a portion of the SACC reduction.
- **Line of Credit (LoC):** A new product being “phased in”. $400 to $10,000 with a set minimum repayment over a maximum of 36 months per redraw. Early metrics appear strong and we believe will likely become a growth engine of the loan book over the coming periods.

- **Vehicle Finance (Green Light Auto (GLA)):** The decision has been made to discontinue new loans in this vertical as management says it believes higher returns are available from other products.
- **Pawnbroking (Corporate):** Pawnbroking loans originated in Australian corporately owned stores. A relatively small part of the loan book with low average balance and short duration.
- **International**: Includes the pawnbroking and personal finance loan books for NZ and the pawnbroking and buyback loan book for the UK.

Exhibit 3 shows the loan book composition and how it has changed over the past three years.

Exhibit 3: CCV Gross Loan Books

AUD Millions		30 Jun 2021	30 Jun 2022	30 Jun 2023	31 Dec 2023	30 Jun 2024	PCP Jun 2024 vs Jun 2023	Jun 2024 vs Dec 2023
Small Loan[1]	Loan Book	67.6	75.6	78.0	63.1	54.9	-30%	-13%
	% Of Total	38%	35%	29%	21%	19%		
Medium Loan[2]	Loan Book	49.4	76.1	99.9	110.2	106.9	7%	-3%
	% Of Total	28%	36%	37%	37%	37%		
Line of Credit[3]	Loan Book	0.0	0.0	2.1	7.0	14.6	n/m	108%
	% Of Total	0%	0%	1%	2%	5%		
Vehicle Loan (GLA)[4]	Loan Book	44.3	46.7	62.9	74.3	72.2	15%	-3%
	% Of Total	25%	22%	23%	25%	25%		
PB[5] (Corp)	Loan Book	16.8	15.5	16.0	16.3	17.3	8%	6%
	% Of Total	9%	7%	6%	6%	6%		
International Loan Book[6]	Loan Book	0.0	0.0	12.5	23.5	22.2	78%	-6%
	% Of Total	0%	0%	4%	9%	8%		
Total Gross Loan Book		178.1	213.9	271.4	294.4	288.1	6%	-2%
Half Year Net Loss Rate[7]		6.1%	8.3%	11.0%	9.0%	8.0%	-	-

Source: Company Presentation

The key movements in the loan book composition are a good representation for the strategic direction of the business and clearly illustrate new growth paths that are being developed:

- **Small Loan (SACC) reduction:** Reduced from $78m to $55m over the past 12 months as management redirects capital to other more sustainable and less risky products on the back of legislative change.
- **Medium Loan (MACC) growth:** The MACC loan book has more than doubled over the past 3 years and remains a key growth focus of management going forward.
- **Line of Credit (LoC) Growth:** A newly developed product that has only recently been made available to the broader CCV client base after a period of testing. The metrics appear strong and we believe the LoC product will be a clear growth focus going forward.
- **Vehicle Loan (GLA) exit:** A wholly-owned subsidiary of CCV offering secured vehicle finance through a network of brokers and dealers. The book had grown well from FY21 to FY23, but management announced in June 2024 that it will no longer originate new loans in the segment and will most likely subsequently close the business after letting the existing book "run-off" over the next few years. Management says it sees stronger returns from directing capital to other sources, such as the MACC and LoC loan products, and/or acquiring stores in its existing core geographies of Australia, NZ and the UK, or entering new regions, most likely in Europe. We view this decision as sensible and believe it illustrates that the CCV team is now clearly focused on growth, has various levers to pull and will allocate capital accordingly. We discuss the impact to our loan book forecasts later.
- **PB (Corp) loans increasing:** These are pawnbroking loans originated in Australian corporately-owned stores. A relatively small part of the loan book with low average balance and short duration, but now resuming growth. We expect this to continue as CCV continues to acquire domestic stores from franchisees over the forecast period.

- **International loan book increasing:** The growth can be attributed to the inclusion of the acquired UK business in the loan book. We believe CCV will continue its acquisition strategy internationally. The UK business is similar to the Australian store business in that it is a store network rather than a broader personal finance business. We believe it likely that further store networks will be acquired, potentially in the UK, but also in other parts of Europe. We believe some of the other regions operating under master franchise agreements have personal finance books as well as store networks, so if acquired this may result in the international segment representing a higher proportion of the group loan book over time (which represents upside potential to our forecasts at this stage).

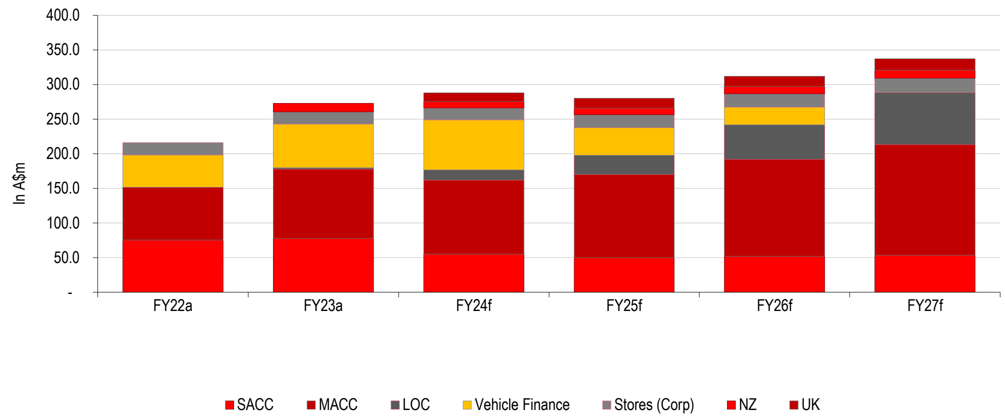
Quality

The "quality" of the loan book is strengthening as the composition changes and shifts away from SACC loans and into lower risk MACC and LoC products. The clearest indication of this is the net loss rate (net bad debt expense over average gross loan book) which continues to trend in the right direction, improving materially in 2H24 to 8.0% against 11.0% for the same period last year.

Loan Book Forecasts

The changing composition of the loan book is illustrated in Exhibit 4 containing the historical figures and the RaaS estimates out to FY27f.

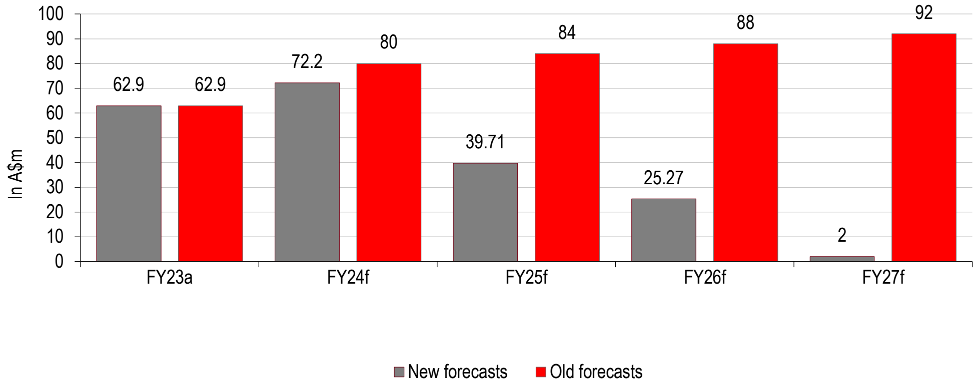
Exhibit 4: Loan Book Composition



Source: Company data and RaaS estimates

We have updated the loan book in line with the data released for the period ending 30 June 2024, noting there were no material surprises as at 30 June. We have adjusted our forecasts to reflect the decision to discontinue lending in the vehicle finance business, which results in a slightly reduced group loan book in FY25f. Exhibit 5 shows the previous forecasts for the vehicle finance business and the new forecasts in which we assume the book reduces to zero over the next three years.

Exhibit 5: Forecast Vehicle Finance Loan Book "Run-off".



Source: Company data and RaaS estimates

We note that it is still a possibility that the business is sold, but either way, we think it important to show the impact to the group loan book. On face value this may be conceived as a negative result, but we believe firmly that this strategic decision by management will yield positive results as the capital previously allocated to vehicle loans will now be used for other purposes that offer higher returns on the capital invested, ultimately resulting in stronger earnings growth for the group. Management hasn't stated its specific intentions at this stage, but we believe it has various options, including:

1. Accelerate MACC loan book.
2. Accelerate LoC loan book.
3. Acquire Australian franchised stores.
4. Acquire UK franchise stores.
5. Acquire other international franchise stores.

As the specific use of funds to execute the growth strategy is yet to be communicated, we do not apply any new growth assumptions beyond our existing forecasts in any material way. We believe the likelihood is that CCV will use a combination of options outlined above to drive growth and diversify the business. We discuss this in more detail in the outlook section of the report.

In previous reports we have discussed a possible increase to the $150m debt facility that is currently in place. This would be a key growth driver going forward, and although the increase has not yet been announced we believe it is in progress and assume it will transpire in the current half. We assume a limit increase (or a whole new facility) of $100m to $250m, being incrementally drawn to limit between September 2024 and July 2028 (~$25- $30m new borrowings p.a. from the debt facility plus cash injection from CCV).

Our current forecasts represent a loan book CAGR of ~5% over the forecast period to FY27 at group level (note: this is organic growth only). However, with capital being reallocated to higher return products, if we exclude the vehicle finance loan book and look at continuing operations, we forecast the book to grow from $215.9m in FY24 to $332.8m in FY27f, representing a compound annual growth rate of 15.7% p.a. The key drivers being:

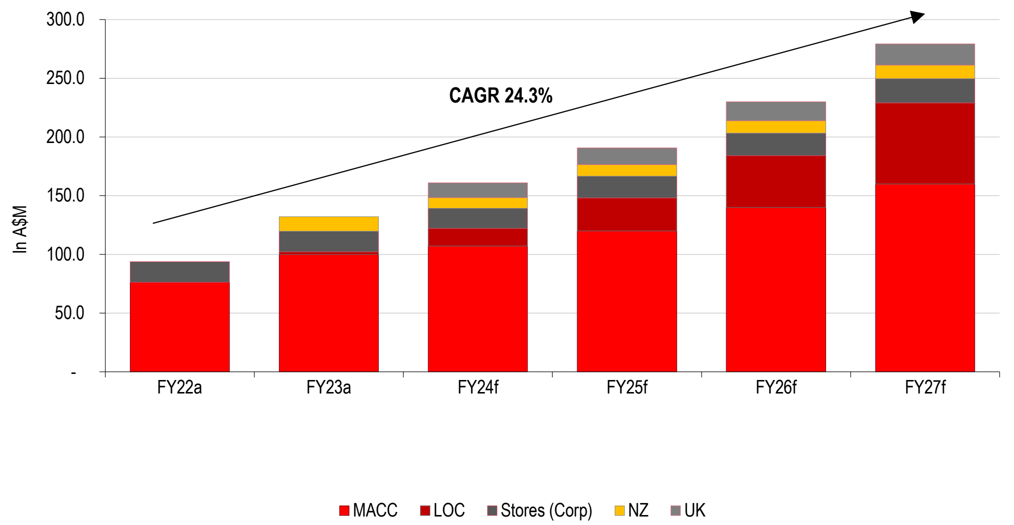
- **Ongoing growth in MACC loans:** The medium-size products are showing strength and are now often a suitable alternative for customers previously using SACC loans. We forecast this product to grow at a rate of 14.3% p.a. from $107m to $160m over the forecast period from FY24 to FY27f.

- **Growth in Line of Credit (LoC):** The product has been trialled and phased in over the past 9 months. As of the June quarter 2024 it is now available to all appropriate customers nationally, with product awareness being driven by a national online marketing campaign. It has already grown strongly and we forecast that to continue at a compound rate of 70% from FY24 to FY27f, at which point we forecast it to represent ~22% of the group loan book (currently 7% excluding vehicle finance). We believe the profit metrics of this product far exceed those of the vehicle loan book.

- **Growth in stores through corporate acquisitions domestically and internationally:** We believe this is a likely outcome but have not included an aggressive acquisition program in our forecasts due to the uncertainty of timing and size. International currently represents 10% of the group book.

We believe the loan book growth strategy is now largely in place. All products are highly regulated and compliant, with the clear growth drivers MACC, LOC, domestic stores and international. If we remove the SACC and vehicle finance exposure, we believe it become very clear where CCV will be allocating its capital to drive growth.

Exhibit 6: Group Loan book (excl SACC & vehicle finance loans).



Source: Company data and RaaS estimates

Outlook

Our forecasts have been adjusted to reflect the exit from the vehicle finance (GLA) vertical. We have allocated a small portion of the subsequently available capital towards MACC and LoC product growth but have not committed to any further acquisitions than already in our estimates (which remain immaterial at this stage). We also assume an associated reduction in operating costs in the GLA as it runs off. The net result of changes to our forecasts are illustrated in Exhibit 7.

Exhibit 7: Earnings adjustments (in A$m unless otherwise stated)

Year ending June 30	FY25f Old	FY25f New	% chg	FY26f Old	FY26f New	% chg
Revenue	412.70	403.15	(2)	452.20	428.81	(5)
EBITDA underlying	74.80	74.60	(0)	91.20	82.97	(8)
NPAT underlying	23.00	22.78	(1)	29.50	26.71	(9)
EPS (cps)	3.50	3.50	(0)	4.50	4.10	(9)

Source: RaaS forecasts

The change in our forecasts is largely representative of the exit from the vehicle finance vertical and associated loss in operating leverage in the FY26f year. Again, we reiterate we are yet to adjust for any upside from alternative growth investment of the capital previously required to fund the vehicle loan book, which we estimate at around $2.0m per month. Accordingly, our estimated cash balance increases between 5%-10% over the forecast period. As capital is directed towards growth initiatives over the next 12 to 24 months we believe it likely that our earnings forecasts will change and potentially offer upside in coming periods.

We believe that in hindsight, FY24 will prove to have been a pivotal year for CCV. The company has delivered some strategically important outcomes and is now positioned to deliver what we forecast to be sustained growth (ex GLA).

We see the key outcomes from FY24 as:

- **A genuine transition year well executed**. CCV faced regulatory change in one of its previously key products namely SACC loans. It has transitioned the loan book accordingly and delivered overall group growth across the year. It also successfully executed cost out initiatives over the year.

- **Regulatory approval across the complete product suite** – Importantly, it also received a favourable outcome in the AUSTRAC Enforceable Undertaking, resulting in compliance and regulatory clearance for all products and operating procedures in the business. RaaS released a report explaining this on 31 January 2024, available here.

- **Revenue momentum** – Revenue growth of 26.4%, delivered through a combination of organic growth and by acquisition over the FY24 year. This follows 23% revenue growth in the previous 12 months.

- **A clean business and a clear strategy on directing capital towards high returns –** We believe CCV exits FY24 with fewer distractions, a stable business that is rightsized, a suite of products that are proven and have recent regulatory clearance, and a clearly stated priority to direct capital towards three clear growth drivers in domestic loan book, domestic store acquisitions and international expansion.

- **Maintaining consistent dividend payment –** CCV has continued its track record of two fully franked dividend payments per year, as it has over the past three and a half years. At the current share price this equates to yield of 9.1% p.a.

We are increasingly confident that CCV will deliver multi-layered growth in FY25f and beyond (ex GLA). We believe earnings growth and share price catalysts are likely to come in the form of:

- **Announcement of a new finance facility to drive next phase of growth in the loan book** – We believe CCV has been working towards increasing its debt facility from the existing limit of $150.0m. We assume this gets increased by at least $100.0m, which would fuel loan book growth and potentially fund an ongoing acquisition program.

- **Ongoing store acquisitions domestically** – There are currently ~153 Cash Converters stores in Australia, of which 79 are corporately owned by the CCV listed entity with the balance owned by franchisees. We expect CCV to continue to acquire stores from franchisees, which offer strong rates of return (we estimate internal rates of return approaching 20%).

- **International acquisitions –** Similarly, over the past two years CCV has acquired 11 of the 22 stores in New Zealand and 47 of the 190 stores in the UK. We expect further acquisitions in these regions or potentially areas where networks of Cash Converters stores are owned by master franchisors, such as Spain. We note that CCV funded a loan to the master franchisor in Spain as disclosed in the FY23 Annual Report (specific amount not disclosed but we estimate $4.0m to $5.0m). A master franchisor typically operates the brand in their region, managing franchisee relationships and ensuring brand standards are maintained. When Cash Converters provides a loan to a master franchisor, it is usually aimed at supporting the franchisor's operations, such as expanding the network, upgrading technology or marketing efforts. This financial support helps strengthen the brand's presence and ensures consistency in service and quality across all franchise locations in the country. We believe the network in Spain totals 78 stores, has an associated personal finance business and we see it as the most likely acquisition candidate outside the three existing core regions.
- **Growth investment complemented by income through consistent dividend payment** – As previously mentioned, CCV has a strong track record of dividend payment at both the interim and full year periods, which we expect to continue.

Base-Case DCF Valuation Is $0.42/Share Fully Diluted

We believe the discounted cash-flow methodology is the most appropriate method to value CCV. We apply a discount rate of 10.7% (beta 1.5, terminal growth rate of 2.2%). This derives a base-case valuation of $0.42/share fully diluted.

Exhibit 8: Base-case DCF valuation

	Parameters
Discount rate (WACC)	10.7%
Terminal growth rate	2.2%
Beta (Observed 0.82)	1.5
Present value of free cash flows ($m)	78.5
Terminal value ($m)	300.7
Plus net cash at 30-Jun-2024	(102.7)
Equity value ($m)	**276.5**
Shares on issue (m) including in-the-money options and performance shares	651.0
Equity value per share fully diluted	**$0.42**

Source: RaaS estimates

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Relative Peer Comparison

Although not used to generate our formal valuation, we think it worthwhile to consider the relative pricing of CCV against its ASX listed peer group. Exhibit 8 illustrates a relative PER discount of 47% with an average EPS growth rate more than 50% higher to that of the peer group average from FY24 to FY26.

Exhibit 9: Peer group analysis

Company	Code	Business model	Mkt Cap ($m)	EPS Growth 2 year fwd CAGR %	PE fwd 1 yr (x)
Harmoney	HMY	Conumer loans	46	-35%	17.6
Humm	HUM	Previously Flexigroup. Finance various	227	-13%	15.2
Judo Cap	JDO	General financial services SME	1553	41%	11.3
Latitude	LFS	Consumer finance & insurance	1211	116%	8.2
Pepper Money	PPM	General non-bank lender	660	6%	5.9
Resimac	RMC	Non-bank lender and wholesale financier	400	17%	4.9
Solvar	SVR	Auto and personal finance lender	198	11%	6.9
Wisr	WZR	Personal finance lender	52	-29%	31.0
Mean			**543**	**14%**	**12.6**
Cash Converters	**CCV**		**138**	**22%**	**6.7**
(Disc)/Prem					**-47%**
CCV EPS Growth V Peers (x)				**1.5**	

Source: Company data [LSEG consensus and RaaS estimates for CCV [All data as at 02/08/24)]

Exhibit 10: Financial Summary

Cash Converters (CCV)					
Profit and Loss (A$m)					
Y/E 30 June	**FY22A**	**FY23A**	**FY24F**	**FY25F**	**FY26F**
Sales Revenue	245.9	302.7	383.8	403.1	428.8
EBITDA underlying	52.7	57.2	67.7	74.6	83.0
Depn & Amortn	(13.6)	(12.4)	(16.3)	(16.4)	(16.2)
EBIT underlying	39.1	44.8	51.4	58.2	66.8
Interest	(12.5)	(15.9)	(23.0)	(24.4)	(27.4)
Profit Before Tax	26.7	28.9	28.4	33.7	39.4
Tax (adj)	(7.6)	(8.7)	(8.1)	(9.8)	(11.4)
Minorities	0.0	0.0	0.0	0.0	0.0
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0
NPAT pre significant items	**19.0**	**20.2**	**19.6**	**22.8**	**26.7**
Significant & non-cash items	(7.8)	(117.3)	0.0	0.0	0.0
NPAT (reported)	**11.2**	**(97.0)**	**19.6**	**22.8**	**26.7**
Cash flow (A$m)					
Y/E 30 June	**FY22A**	**FY23A**	**FY24F**	**FY25F**	**FY26F**
EBITDA	52.7	57.2	67.7	74.6	83.0
Interest	(9.2)	(10.9)	19.4	(24.4)	(27.4)
Tax	(6.9)	(10.9)	(9.3)	(9.8)	(11.4)
Working capital changes	(28.7)	(46.9)	(43.7)	(28.0)	(35.0)
Operating cash flow	**7.9**	**(11.5)**	**17.6**	**10.4**	**10.2**
Mtce capex	(1.4)	(3.0)	(4.4)	(3.1)	(3.2)
Free cash flow	6.5	(14.5)	13.3	7.3	7.0
Acquisitions/Disposals	(3.6)	(13.8)	(23.8)	(8.0)	(8.0)
Other	(3.9)	(14.3)	(8.3)	(8.8)	(9.2)
Cash flow pre financing	(1.0)	(42.6)	(18.9)	(9.4)	(10.2)
Equity	0.0	0.0	0.0	0.0	0.0
Debt	0.0	68.0	13.0	14.5	25.0
Dividends paid	(12.6)	(12.6)	(12.8)	(13.0)	(12.0)
Net cash flow for year	(13.6)	13.4	(18.6)	(7.9)	2.8
Balance sheet (A$m)					
Y/E 30 June	**FY22A**	**FY23A**	**FY24F**	**FY25F**	**FY26F**
Cash	58.1	71.6	47.3	49.9	52.7
Accounts receivable	3.6	3.6	4.4	4.6	4.9
Inventory	23.9	26.5	33.0	35.3	39.2
Other current assets	144.9	184.6	198.6	190.5	216.4
Total current assets	*230.5*	*286.2*	*283.3*	*280.3*	*313.1*
PPE	4.8	6.6	9.9	8.9	8.3
Intangibles and Goodwill	127.5	23.8	41.3	44.3	41.4
Loan Receivables	32.4	42.7	45.3	61.7	62.4
Deferred tax asset	26.1	29.7	29.0	29.0	29.0
Other non current assets	56.8	53.7	68.9	79.9	89.2
Total non current assets	*247.6*	*156.4*	*194.3*	*223.7*	*230.2*
Total Assets	478.2	442.7	477.5	504.0	543.3
Accounts payable	15.4	19.0	23.9	25.6	28.4
Short term debt	52.0	109.0	112.5	131.3	150.0
Tax payable	1.8	0.3	1.5	1.5	1.5
Other current liabilities	16.7	19.1	20.6	17.6	17.6
Total current liabilities	*85.9*	*147.4*	*158.5*	*176.0*	*197.5*
Long term debt	16.4	27.9	37.5	43.8	50.0
Other non current liabs	60.5	60.8	68.2	61.2	58.0
Total long term liabilities	*76.9*	*88.8*	*105.7*	*105.0*	*108.0*
Total Liabilities	162.8	236.2	264.2	281.0	305.5
Net Assets	**315.3**	**206.5**	**213.3**	**223.1**	**237.8**
Share capital	249.7	249.9	251.2	251.2	251.2
Accumulated profits/losses	57.3	(53.2)	(46.1)	(36.4)	(21.7)
Reserves	8.4	9.8	8.2	8.2	8.2
Minorities	0.0	0.0	0.0	0.0	0.0
Total Shareholder funds	**315.4**	**206.5**	**213.3**	**223.1**	**237.8**

Share price							A$
							0.220
Interim (A$m)		**1H23**	**2H23**	**1H24**	**2H24**	**1H25**	**2H25**
Revenue		142.4	160.3	191.5	192.3	197.5	205.6
EBITDA		28.9	28.3	32.6	35.1	36.6	38.0
EBIT		22.7	22.2	24.5	26.9	28.5	29.7
NPAT (normalised)		10.5	9.2	9.5	10.6	11.2	11.6
Minorities		-	-	-	-	-	-
NPAT (reported)		(105.5)	9.8	9.5	10.6	11.2	11.6
EPS (normalised)		1.68	1.36	1.53	1.63	1.72	1.78
EPS (reported)		(17.11)	1.36	1.48	1.63	1.72	1.78
Dividend (cps)		1.00	1.00	1.00	1.00	1.00	1.00
		-	-	-	-	-	-
Operating cash flow		(15.8)	4.3	9.4	8.2	5.7	4.7
Free Cash flow		(17.3)	2.8	12.3	9.7	7.2	6.2
Divisions		**FY22A**	**FY23A**	**FY24F**	**FY25F**	**FY26F**	**CAGR**
Store Operations		123.6	142.0	164.4	176.2	191.5	12%
Personal Finance		94.3	114.0	108.9	112.7	116.4	5%
Vehicle Finance		12.1	15.0	15.9	8.7	5.6	-18%
Head Office Other		4.9	6.4	6.7	7.0	7.4	11%
NZ		0.0	13.8	11.7	12.7	13.7	0%
UK		11.0	11.4	76.2	85.8	94.2	71%
Sales revenue		**245.9**	**302.7**	**383.8**	**403.1**	**428.8**	**15%**
EBITDA (normalised)		**52.7**	**57.2**	**67.7**	**74.6**	**83.0**	**12%**
Margins, Leverage, Returns			**FY22A**	**FY23A**	**FY24F**	**FY25F**	**FY26F**
EBITDA			21.4%	18.9%	17.6%	18.5%	19.3%
EBIT			15.9%	14.8%	13.4%	14.4%	15.6%
NPAT pre significant items			7.7%	6.7%	5.1%	5.7%	6.2%
Net Debt (Cash)			10.3	65.4	102.7	125.1	147.3
Net debt/EBITDA (x)	(x)		0.2	1.1	1.5	1.7	1.8
ND/ND+Equity (%)	(%)		3.4%	46.4%	92.8%	127.7%	162.8%
EBIT interest cover (x)	(x)		3.1	2.8	2.2	2.4	2.4
ROA			8.2%	9.7%	11.2%	11.9%	12.8%
ROE			6.0%	7.7%	9.3%	10.4%	11.6%
ROIC			12.2%	31.8%	27.0%	25.8%	26.2%
Working capital			12.1	11.1	13.4	14.3	15.6
WC/Sales (%)			4.9%	3.7%	3.5%	3.5%	3.6%
Pricing			**FY22A**	**FY23A**	**FY24F**	**FY25F**	**FY26F**
No of shares (y/e)	(m)		621	625	651	651	651
Weighted Av Dil Shares	(m)		621	646	651	651	651
EPS Reported	cps		1.64	(15.52)	3.05	3.50	4.10
EPS Normalised/Diluted	cps		3.32	3.10	3.16	3.50	4.10
EPS growth (norm/dil)			n/a	(6.5%)	1.8%	10.8%	17.2%
DPS	cps		2.0	2.0	2.0	2.0	1.8
DPS Growth			n/a	0%	0%	0%	-8%
Dividend yield			9.1%	9.1%	9.1%	9.1%	8.4%
Franking			100%	100%	100%	100%	100%
PE	x		6.6	7.1	7.0	6.3	5.4
PE market	x		16.0	16.0	16.0	16.0	16.0
Premium/(discount)			(58.6%)	(55.7%)	(56.5%)	(60.7%)	(66.5%)
EV/EBITDA	x		2.8	3.5	3.6	3.6	3.5
FCF/Share	cps		1.0	-2.3	2.0	1.1	1.1
Price/FCF share	x		21.0 -	9.5	10.8	19.5	20.4
Free Cash flow Yield			4.8%	(10.5%)	9.3%	5.1%	4.9%
Price/Book (x)	x		0.5	1.0	1.2	1.2	1.2

Source: RaaS estimates; Company data for actuals

FINANCIAL SERVICES GUIDE

RaaS Research Group Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415, of

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