



## Cash Converters reports higher full year 2016 underlying profit

### New strategy progressing well and on budget

---

#### Highlights

- FY 2016 underlying EBITDA profit<sup>1</sup> up 10.2 per cent to \$69.1 million (FY 2015: \$62.7 million)
- Net statutory loss after tax \$11.1 million (FY 2015: net loss of \$21.4 million)
- Revenue higher at \$379.3 million (FY 2015: \$374.3 million)
- Australia performed well with underlying EBITDA steady at \$72.3 million (FY 2015: \$71.3 million)
- Strong growth in online channel sales in Australia and the United Kingdom
- Key strategy initiatives well advanced and within budget
- Exited all corporate stores in the United Kingdom with the majority sold
- CCUK ceased personal loan lending in May, with the loan book expected to wind-down by November 2016
- Green Light Auto Finance business started with early sales promising

*Note: Information in this release combines the Consolidated Entity's continuing and discontinuing operations. Further details in relation to the continuing and discontinued operations are included in the Appendix 4E lodged with this announcement.*

---

Financial services company Cash Converters International Limited (ASX: CCV) today reported a 10.2 per cent increase in underlying EBITDA profit<sup>1</sup> to \$69.1 million (FY 2015: \$62.7 million) for the 12 months to 30 June 2016. Revenue was \$379.3 million (FY 2015: \$374.3 million).

The statutory net loss for the year was \$11.1 million compared with a loss of \$21.4 million previously.

Cash Converters is well advanced with the implementation of the corporate strategy and associated restructure announced to the market earlier in the year.

In the United Kingdom, the Company has exited its corporate owned stores and is operating as the master franchisor. It is also winding down the United Kingdom personal loan book and expects to have that closed by November 2016. Lending ceased from 31 May 2016.

---

<sup>1</sup> Refer page 5 for definition and reconciliation

In Australia, Carboodle has been closed and Green Light Auto Finance started. The focus of the business is to provide loan products rather than a complete car package. Early sales of the new vehicle finance company's principal and loan interest product have been encouraging.

A new loan product is planned for release in November 2016. These will be medium amount credit contracts (MACC) with the loans ranging in value from \$2,000 to \$5,000.

Managing Director Peter Cumins said: "We are making good progress with the implementation of the new corporate strategy we announced earlier this year. The key changes to our businesses in the United Kingdom and Australia are proceeding as planned and within our estimated budget.

"Our 2016 full year revenue and underlying profit are up, with Australia continuing to be a strong performer. Our efforts to lift the efficiency and reduce the costs in the United Kingdom improved our results. They have also provided a solid foundation for our new business model there," he said.

### **Full Year results**

Underlying EBITDA profit was up 10.2 per cent to \$69.1 million following a 1.3 per cent growth in revenue to \$379.3 million.

Cash Converters booked \$33.3 million in restructuring costs for the year, mainly asset write-downs associated with the corporate stores in the United Kingdom of \$22.6 million. A provision of \$12.5 million has also been made in relation to on-going discussions between the Company and ASIC about potential compliance issues. (Cash Converters issued a statement in regard to this matter on August 26, 2016). After taking into account these and other costs, the full year 2016 net loss was \$11.1 million compared with a net loss of \$21.4 million in the previous corresponding period.

Total store and franchise operations revenues were higher at \$196.6 million (FY 2015: \$190.3 million) and \$22.2 million (FY 2015: \$18.9 million) respectively. In financial services operations, total revenue from personal loans was down slightly at \$162.4 million (FY 2015: \$164.3 million). Financial services - administration revenue was steady at \$14.2 million (FY 2015: \$14.7 million).

On a geographic basis, the Australian business continued to perform well with underlying EBITDA profit of \$72.3 million (FY 2015: \$71.3 million) and solid contributions from all channels.

Recent efforts to lift operational efficiency and reduce costs in the United Kingdom improved results with the latest underlying EBITDA loss of \$4.1 million, compared with a loss of \$9.0 million previously.

The value of Cash Converters ongoing investment in online facilities was evident across all business segments. In Australia, Webshop sales were up 37.6% in corporate stores and online personal loans up 34.0%. In the United Kingdom, online retail sales were up 34.3%. Australia currently has over 100,000 registered online users and the United Kingdom over 300,000.

### **Strategy implementation**

The new strategy announced in early 2016 is to maximise the value of the Cash Converters brand and franchise network through a focus on high return businesses.

Key elements of the strategy include investing for sustainable market leadership and growth in Australia, operating in the United Kingdom solely as a master franchisor and building brand presence in New Zealand. The current international master franchise operations will continue. The strategy also included the closure of Carboodle and the start of a specialist vehicle finance company in Australia.

In the United Kingdom, Cash Converters has exited the corporate store segment with the sale of 44 stores and the closure of 15. The company is now operating as a master franchisor and services 201 stores held between 50 franchisees. The United Kingdom will return a profit in 2017. As part of the new United Kingdom business model the personal loan book is being wound down and is expected to close by November 2016, with no new loans issued after May 2016.

In Australia, Green Light Auto Finance has replaced the former Carboodle operating leases with a more traditional principal and interest loan product. On offer since March 2016, the Green Light Auto Finance loan book was \$3.3 million at June 30 and is expected to grow around \$1.0 million a month.

The Cash Converters organisational structure has been streamlined following the changes to the United Kingdom and Carboodle businesses.

The strategic priorities in the year ahead include expansion of the stores network in Australia and New Zealand, a review of financial services product options and increased investment in online capabilities.

### **Finance and banking arrangements**

During the year, Cash Converters successfully negotiated new financing and banking arrangements. A five year loan securitisation facility was arranged with Fortress Investment Group on market competitive terms. Another five year agreement was signed with a service provider for transactional banking facilities. Cash Converters is well positioned to grow the business through its new financial product range including MACC products and car loan products.

### **Dividend**

The Directors of the company recommend that a final dividend of 1.0 cent per share be paid on 28 October 2016 to those shareholders on the register at the close of business on 14 October 2016. The company's Dividend Reinvestment Plan will apply to this dividend, providing shareholders with the option to reinvest all or part of their eligible dividend at a discount of 2.5% of the price established by the five day volume weighted average price up to and including the record date.

EZCORP Inc., the company's largest shareholder, has advised Cash Converters that it will exercise its full DRP rights.

### **Outlook**

In commenting on the outlook for Cash Converters, Peter Cumins said the company made a solid start to implementing the new corporate strategy and three year plan.

"We have delivered creditable financial results given the substantial changes we are managing across our businesses and industry. The second year of our strategy will involve more changes as we build a stronger business model.

"We will continue to improve our internal compliance and responsible lending systems policies and procedures. We will also work closely with government, regulators and industry to achieve better balance between financial inclusion, responsible lending and corporate profitability objectives.

"We are well positioned financially and we expect demand for our well established retail and pawn broking services to remain solid.

"We have decided to reduce our small amount lending with various customer segments and that will impact our overall SACC loan volumes in Australia. This will have a substantial impact on earnings.

"We expect NPAT in 2017 to be in the range of \$20 to \$23 million.

"The coming year will be the second in our overall company transformation and we expect sustained growth in our new MACC product and Green Light Auto Finance . Our aim is that in the third year of our strategy, sales from these new channels will offset the fall in SACC volumes and we will return to overall lending and earnings growth.

"We will continue to carefully manage the impact of restructuring costs and regulatory changes on our revenue and profits," he said.

#### Full year 2016 results summary

	Segment revenues <sup>(i)</sup>		Segment results	
			EBITDA <sup>(ii)</sup>	
	2016	2015	2016	2015
Franchise operations	22,232,373	18,951,232	6,692,609	5,965,054
Store operations - <i>continuing</i>	140,443,672	129,986,769	17,419,605	19,705,552*
Store operations - <i>discontinued</i>	56,278,291	60,254,507	(4,388,217)	(4,698,908)
F. Services – administration	14,247,529	14,726,794	8,135,335	8,262,594*
F. Services – personal loans - <i>continuing</i>	144,644,225	137,955,246	57,402,016	30,002,676*
F. Services – personal loans - <i>discontinued</i>	18,188,784	25,972,345	(344,045)	(6,006,044)
Vehicle leasing	8,146,368	8,715,212	(4,580,596)	(2,687,168)
Intersegment elimination of revenues	(25,669,440)	(24,374,301)	-	-
<b>Totals</b>	<b>378,511,802</b>	<b>372,187,804</b>	<b>80,336,707</b>	<b>50,543,756</b>
Head office – UK & Australia	814,771	2,138,519	(63,054,679)^	(41,422,107)#
<b>Totals after head office costs</b>	<b>379,326,573</b>	<b>374,326,323</b>	<b>17,282,028</b>	<b>9,121,649</b>
Depreciation and amortisation			(8,644,949)	(9,038,058)
Impairment			(2,247,551)	(7,587,315)
Finance Costs			(9,659,026)	(9,072,074)
Income tax expense			(7,808,334)	(5,109,292)
<b>Loss after income tax</b>			<b>(11,077,832)</b>	<b>(21,685,090)</b>
Loss attributable to non-controlling interest			-	201,372
<b>Loss attributable to members of Cash Converters International limited</b>			<b>(11,077,832)</b>	<b>(21,483,718)</b>

- (i) Segment revenue including external interest revenue.
- (ii) EBITDA is earnings before interest, tax, depreciation, amortisation and impairment (non IFRS unaudited measure).
  - ^ Includes the UK restructure costs of \$22,611,746 and compliance provision of \$12,500,000.
  - \* Includes the contract termination expense of \$824,670 in store operations, \$4,256,000 in financial services – administration and \$24,547,600 in financial services – personal loans.
  - # Includes the class action settlement expense of \$23,000,000.

A summary of normalised results is presented below:

	<b>30 June 2016</b>	<b>30 June 2015</b>
EBITDA including non-controlling interest	17,282,028	9,121,649
Add losses attributable to non-controlling interest	-	201,372
<b>EBITDA attributable to members of Cash Converters International Limited</b>	<b>17,282,028</b>	<b>9,323,021</b>
<b>Normalisation Adjustments</b>		
Restructure costs	33,275,251	-
Other costs outside normal operating costs	3,564,168	-
Compliance provision	12,500,000	-
Class action legal fees	2,441,962	1,844,903
Stamp duty on store acquisitions	-	388,663
Ausgroup provision	-	(2,927,229)
Kentsleigh agency termination payment	-	29,628,270
Termination fees – bank facility (GLA)	-	700,000
N.S.W Class action settlement provision	-	23,000,000
Redundancy costs CCUK	-	787,751
<b>EBITDA normalised</b>	<b>69,063,409</b>	<b>62,745,379</b>

**Additional information**

Additional information about Cash Converters financial results and strategy progress is available in the Investor Presentation lodged with this release. (Available at: [www.cashconverters.com](http://www.cashconverters.com))

There will also be an Investor Conference call. The details are:

Date: Tuesday 30 August 2016

Time: 10.00am AWST, 12.00 pm AEST

National Toll Free Number: 1800 280 741

Overseas Toll Free Number: +61 3 8687 0650

Participants are requested to dial in 5-10 minutes prior to the start time.

To register your attendance, please email: [general.enquiries@cashconverters.com](mailto:general.enquiries@cashconverters.com)

Ralph Groom  
Company Secretary  
Cash Converters International Limited  
30 August 2016