WA Industrials: Subprime Finance

CASH CONVERTERS INT. LTD (CCV)

Solid result

Cash Converters International Ltd (CCV) has delivered FY18 NPAT of $22.5m, up 9% on FY17 ($20.6m). The result included a $1.3m after-tax write back related to long-term incentive plan costs. Excluding this benefit, NPAT was $21.2m, ~2% above our forecast of $20.8m.

The result was in line with company guidance for 2H18 NPAT ($11.8m adjusted for the above benefit) to be stronger than 1H18 ($9.4m). As expected no dividend has been declared.

Loan book growth continues

CCV's loan book growth continued in FY18 with the gross loan book reaching $172m at year end, up 50%. Importantly strong growth was achieved in the GLA loan book (up 109% to $42m) and the MACC loan book (up 155% to $34m).

With $150m of funding in place until late 2020 and the recent $39.5m equity raising completed, CCV has significant headroom available to continue driving growth in its loan book.

CEO departure

A surprise announcement made in conjunction with the results release, was the resignation, effective immediately, of CEO Mark Reid, who had been leading CCV since January 2017, having joined the business in November 2015.

The Board has announced that a search for Mr Reid's successor is underway. In the meantime, current COO, Sam Budiselik, has been appointed as interim CEO.

Queensland class actions on the horizon

One of the key issues we see overhanging the stock at present is the uncertainty around the outcome of the two Queensland class actions that CCV faces. These two actions are scheduled to run concurrently, with a commencement date set for late October 2018 and an estimated hearing time of three weeks.

As we have noted previously, it is very difficult to estimate the potential financial impact of these claims were they to ultimately be successful. CCV notes that were it not able to successfully defend either or both of these proceedings that they would likely be required *"to make a significant payment by way of damages or settlement".*

Speculative Buy; Price Target $0.43

CCV has delivered a solid result, building on its recent track record. We believe that the stock presents as cheap, though near term risks, related to the Queensland class actions are high. We maintain our Speculative Buy recommendation and price target of $0.43 / share.

CCV.asx
Speculative Buy

27 Aug 2018

Share Price:	$0.335
12mth price target:	$0.43

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

Hartleys Brief Investment Conclusion:
Earnings posied to grow, solid funding capacity. Regulatory and legal risks remain high.

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

Top Shareholders:

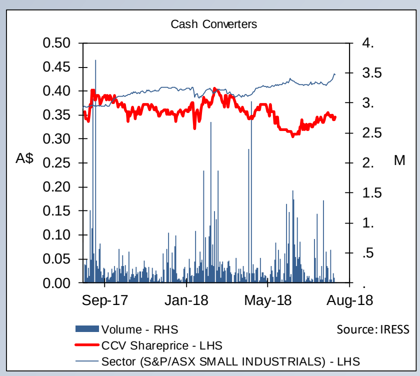
EZCORP	34.7%
Perpetual Ltd	7.9%
Adam Smith AM	7.0%

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

Issued Capital:	616.4m
- fully diluted	626.4m
Market Cap:	$206.5m
- fully diluted	$209.8m
Net Debt (FY18):	$18.4m

	FY18a	**FY19e**	**FY20e**
Revenue	259.6	270.4	276.1
NPAT (A$m)	22.5	25.3	27.3
EPS ($, dil)*	4.2	4.0	4.3
P/E (basic)	7.4x	8.2x	7.7x
P/E (diluted)	8.0x	8.4x	7.8x
EV / EBITDA	4.8x	4.2x	4.0x
DPS (cps)	-	-	-
Franking	0%	0%	0%
Dividend Yield	0.0%	0.0%	0.0%
N.D. / equity	5.7%	10.1%	14.6%

Source: Hartleys Research. *normalised



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Hartleys has provided corporate advice to Cash Converters within the past 12 months and continues to provide corporate advice to Cash Converters, for which it has earned fees and continues to earn fees.

SUMMARY MODEL

Cash Converters International (CCV)

Recommendation: Speculative Buy

Company Information		
Date	27 Aug 2018	Level 18, 37 St Georges Tce
Share Price	$0.335	Perth, WA, 6000
52 Week High-Low	$0.415 - $0.30	Ph: (08) 9221 9011
Dil. Market Cap ($m)	$210	www.cashconverters.com.au
Enterprise Value ($m)	$228	
Ordinary Shares	616.4	
Fully Diluted Shares	626.4	
Price Target	$0.43	
Upside / Downside	28%	
Dividend Yield - FY19	0%	
Total Return	28%	

Price Target	
12 Month Price Target	$0.43
P/E (FY19) at price target - Reported EPS	10.5x
P/E (FY20) at price target - Reported EPS	9.9x
Div. Yld (FY19) at price target	0.0%
Div. Yld (FY20) at price target	0.0%

Multiples (S/price at $0.34)	6/17A	6/18A	6/19F	6/20F
P / E (basic, weighted)	8.0x	7.4x	8.2x	7.7x
P / E (norm, diluted, weighted)	8.1x	8.0x	8.4x	7.8x
Dividend Yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA multiple	5.1x	4.8x	4.2x	4.0x
EV/EBIT multiple	6.2x	5.6x	4.9x	4.7x
Price / Book Value	0.6x	0.6x	0.6x	0.6x
Price / NTA	1.3x	1.1x	1.0x	1.0x

Ratios	6/17A	6/18A	6/19F	6/20F
Return on Average Equity	8.2%	7.7%	7.7%	7.8%
Return on Assets	5.0%	5.0%	5.1%	5.3%
ND / ND + Equity	9.3%	5.4%	9.1%	12.7%
ND / Equity	10.2%	5.7%	10.1%	14.6%
Net Interest Cover (EBIT)	4.2x	4.0x	4.4x	4.8x
Revenue growth	-12%	-4%	4%	2%
EBIT growth	308%	9%	16%	3%
NPAT growth	-491%	9%	13%	8%
EPS (dil, wghtd) growth	-486%	8%	-10%	8%
EBIT Margin	14%	16%	17%	18%
Tax Rate	26.9%	28.8%	30.0%	29.0%

Cash Flow Analysis	6/17A	6/18A	6/19F	6/20F
Net Operating Cash Flow	39.0	34.9	34.5	36.0
+ Tax Paid	-5.3	6.4	8.8	10.9
+ Net Interest	7.6	8.0	10.6	10.0
Ungeared pre-tax cashflow	41.4	49.3	53.9	56.9
Reported EBITDA	44.3	46.6	54.8	56.5
Cash Conversion	**93%**	**106%**	**98%**	**101%**
Capex / D&A	1.0x	1.3x	0.9x	0.9x

Share Data	6/17A	6/18A	6/19F	6/20F
Ord Issued shares (m)	493.0	616.4	622.6	629.0
growth	1.7%	25.0%	1.0%	1.0%
Weighted ave shares (m)	490.3	494.5	622.6	629.0
growth	1.7%	0.8%	25.9%	1.0%
Diluted shares wgted (m)	501.2	508.4	635.6	635.7
growth	1.4%	1.4%	25.0%	0.0%

Directors & Senior Mgt	Substantial Shareholders	
Stuart Grimshaw (Non-Exec. Chairman)	EZCORP	34.7%
Peter Cumins (Exec. Deputy Chairman)	Perpetual Ltd	7.9%
Kevin Dundo (NED)	Adam Smith AM	7.0%
Lachlan Given (NED)		
Ellen Comerford (NED)		
Andrea Waters (NED)		
Sam Budiselik (Interim CEO)		
Martyn Jenkins (CFO)		

Profit & Loss ($m)	6/17A	6/18A	6/19F	6/20F
Operating Revenue	270.9	259.6	270.4	276.1
EBITDA	44.3	48.0	54.8	56.5
growth	*178.0%*	*8.2%*	*14.3%*	*3.0%*
EBITDA / Revenue	16.4%	18.5%	20.3%	20.4%
Depn & Amort.	-7.3	-7.4	-8.0	-8.0
EBIT	**37.0**	**40.5**	**46.8**	**48.5**
Net Interest	-8.8	-10.1	-10.6	-10.0
PBT	**28.2**	**30.4**	**36.2**	**38.4**
Tax	-7.6	-8.8	-10.9	-11.1
Assoc. Cont	0.0	0.8	0.0	0.0
NPAT	**20.6**	**22.5**	**25.3**	**27.3**
Pre-tax Adjustments	0.0	-1.3	0.0	0.0
Adjusted EBITDA	**44.3**	**46.6**	**54.8**	**56.5**
Post-tax Adjustments	0.0	-1.3	0.0	0.0
Adjusted NPAT	**20.6**	**21.2**	**25.3**	**27.3**
Reported EPS (basic, wghtd)	**4.2**	**4.6**	**4.1**	**4.3**
Normalised EPS (dil, wghtd)	**4.1**	**4.2**	**4.0**	**4.3**
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)	6/17A	6/18A	6/19F	6/20F
EBITDA	44.3	48.0	54.8	56.5
Net Interest	-7.6	-8.0	-10.6	-10.0
Working Capital	6.5	1.3	-0.9	0.4
Tax Paid	5.3	-6.4	-8.8	-10.9
Other	-9.4	0.0	0.0	0.0
Net Operating Cash Flow	**39.0**	**34.9**	**34.5**	**36.0**
Net loan funds advanced	4.5	-56.4	-43.1	-47.3
Operating Cash Flow	**43.5**	**-21.5**	**-8.6**	**-11.3**
Capital Expenditure	-7.4	-9.6	-7.0	-7.0
Acquisitions	0.0	0.0	0.0	0.0
Other (inc Investments, Asset sales etc)	1.0	1.4	0.0	0.0
Net Investing Cash Flow	**-6.4**	**-8.2**	**-7.0**	**-7.0**
Proceeds from Equity Issues	0.0	38.0	0.0	0.0
Net Change in Debt	-27.6	50.9	-38.4	23.6
Dividends Paid	-2.2	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Net Financing Cash Flow	**-29.8**	**88.9**	**-38.4**	**23.6**
Movement in Cash	7.3	59.1	-54.1	5.4

Balance Sheet ($m)	6/17A	6/18A	6/19F	6/20F
Cash	80.6	140.0	85.9	91.3
Loan Receivables	87.9	119.0	121.9	131.8
Receivables	7.6	22.7	23.0	23.0
Inventories	21.0	20.7	20.7	20.7
Other	5.5	6.8	6.8	6.8
Total Current Assets	**202.6**	**309.2**	**258.4**	**273.6**
Property, Plant & Equipment	10.2	9.1	8.7	7.7
Loan Receivables	14.0	32.8	64.4	96.6
Intangibles	134.0	137.1	137.1	137.1
Other	38.0	21.0	20.6	20.6
Total Non Current Assets	**196.2**	**200.0**	**230.8**	**262.0**
Total Assets	**398.8**	**509.1**	**489.2**	**535.6**
Accounts Payable	21.3	19.5	20.3	20.7
Interest Bearing Liabilities	46.3	139.4	0.0	0.0
Other	7.1	7.0	11.6	12.8
Total Current Liabilities	**74.7**	**165.9**	**31.9**	**33.6**
Interest Bearing Liabilities	60.9	19.0	119.9	143.5
Other	2.4	1.9	0.0	0.0
Total Non Current Liabilities	**63.4**	**20.8**	**119.9**	**143.5**
Total Liabilities	**138.0**	**186.7**	**151.8**	**177.1**
Net Assets	**260.8**	**322.4**	**337.4**	**358.5**
Net Asset Value / Share ($)	0.53	0.52	0.54	0.57
NTA / Share ($)	0.26	0.30	0.32	0.35
Net Debt (net cash)	26.7	18.4	34.0	52.2

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Last Earnings Estimate Change:
27 August 2018

Sources: IRESS, Company Information, Hartleys Research

FY18 RESULT

Fig. 1: FY18 P&L

CCV	FY17a	1H18	2H18	FY18	Chg
Loan Book - Gross	115	156	172	172	49.6%
Revenue	270.9	122.7	136.9	259.6	-4.2%
Gross Profit	**173.1**	**80.9**	**84.0**	**164.9**	**-4.7%**
Expenses	-128.8	-59.7	-57.3	-116.9	-9.2%
EBITDA	**44.3**	**21.2**	**26.8**	**48.0**	**8.2%**
D&A	-7.3	-3.9	-3.6	-7.4	
EBIT	**37.0**	**17.3**	**23.2**	**40.5**	**9.4%**
Net Interest	-8.8	-4.0	-6.1	-10.1	14.4%
PBT	**28.2**	**13.3**	**17.1**	**30.4**	**7.9%**
Tax	-7.6	-4.0	-4.8	-8.8	
NPAT	**20.6**	**9.4**	**13.1**	**22.5**	**9.1%**
Adjustments (pre-tax)	0.0	0.0	-1.3	-1.3	
Adjusted EBITDA	44.3	21.2	25.4	46.6	5.2%
Adjusted NPAT	**20.6**	**9.4**	**11.8**	**21.2**	**2.7%**
EPS - (diluted)	4.1c	1.9c	2.4c	4.2c	1.2%
Reported EPS (basic)	**4.2c**	**1.9c**	**2.7c**	**4.6c**	**8.2%**
Analysis					
GP Margin	63.9%	65.9%	61.3%	63.5%	-0.4%
EBITDA Margin (Adj.)	16.4%	17.3%	18.6%	18.0%	1.6%
Expenses / Revenue	47.5%	48.6%	42.8%	45.5%	-2.0%
Expenses / GP	74.4%	73.8%	69.7%	71.7%	-2.7%
Tax Rate	26.9%	29.8%	26.0%	27.6%	

Source: CCV, Hartleys

- CCV delivered headline FY18 NPAT of $22.5m. When adjusting for the post-tax write-back of $1.3m related to lapsed incentives, NPAT was $21.2m, up 2.7% on FY17.
- A material reduction in expenses contributed to the result. In addition to the $1.3m write-back, CCV incurred $1.2m less in legal costs related to defending the class actions. Outside of these two items, efficiency improvements contributed to a $6.7m drop in Employee expenses.

Divisional EBITDA and CCV commentary are shown in Figure 2.

Fig. 2: EBITDA by division

Divisional EBITDA	FY 2018 ($m)	FY 2017 ($m)	Variance
Franchise operations	12.4	10.5	*+18.2%*
Corporate Store operations	15.8	17.5	*-10.0%*
Personal Finance	46.7	49.5	*-5.6%*
Green Light Auto	2.6	-0.4	-
Total before Head Office costs	**77.4**	**77.1**	***+0.4%***
Corporate Head Office costs	-27.7	-31.4	*-11.8%*
Total divisional EBITDA	**49.8**	**45.7**	***+8.9%***

cashconverters

Franchise Operations
- Franchise operations EBITDA up 18.2% as a result of the strategic turnaround of the United Kingdom business which delivered EBITDA up 84.5% to $3.2m from $1.7m
- New Zealand's 25% equity EBITDA contribution was up $0.5m to $0.8m on pcp
- Australian & other International EBITDA contribution steady

Corporate Stores
- Corporate Stores EBITDA down 10.0% due to enhanced risk management implemented across the store lending business
- Pawn broking revenue remained stable, Webshop sales increased 12.0% on pcp

Personal Finance
- Personal Finance EBITDA was down 5.6% due to enhanced risk management implemented across the lending business
- Pleasingly SACC loan book was up 18.2% and MACC up 154.6% on pcp

GLA
- GLA maiden profit delivered, revenue up 30.7% and loan book up 109.3%
- $26.3m principal advanced funded in the period, up 33.5% pcp

Head Office Costs
- Corporate expenses down 11.8% on pcp reflecting tighter expense control

Source: CCV

BALANCE SHEET & CASHFLOW

Fig. 3: Balance sheet

CCV - Balance Sheet	FY17a	1H18a	FY18a	Comment
Cash	80.6	99.4	140.0	Boosted by $39.5m equity raise in 2H18
Loan Receivables	102.0	135.2	151.7	Net loans outstanding
Inventories	21.0	20.6	20.7	Pre-owned goods held in store
Receivables	31.1	29.6	28.3	
Goodwill	107.0	107.0	107.0	
Other Intangibles	27.0	28.8	30.2	Includes $19m allocated to software
Other	30.3	33.9	31.4	
Total Assets	**398.8**	**454.5**	**509.1**	
Payables	21.3	19.9	19.5	
Debt	107.2	154.8	158.3	$60m FIIG bond to be repaid in 1H19
Other	9.5	8.9	8.9	
Total Liabilities	**138.0**	**183.5**	**186.7**	
Total Equity	**260.8**	**271.0**	**322.4**	
Net Debt	26.7	55.3	18.4	
Net Debt / Equity	10%	20%	6%	
Net debt / gross loans	19%	33%	11%	
Net debt / net loans	26%	41%	12%	
Net Tangible Assets	127	135	185	
NTA / share	$0.26	$0.27	$0.30	

Source: CCV, Hartleys

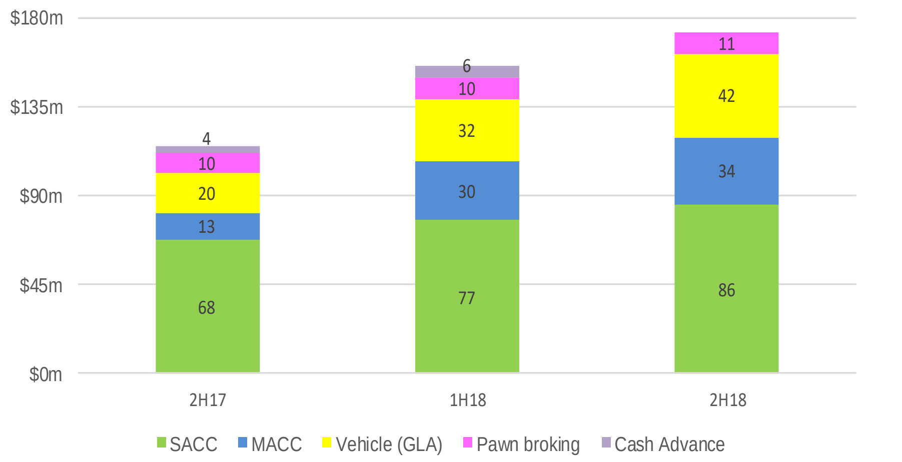
- The key change to the balance sheet over 2H18 is as a result of the $39.5m equity raising undertaken during the period, which has served to reduce gearing ratios.
- The $60m FIIG bond is due to be repaid in September 2018, which will be funded from existing cash reserves.
- Going forward, CCV's $150m facility (expiring November 2020) provides material funding capacity.
- We note that software development costs of $19.4m have been capitalised to the balance sheet.

Net operating cashflow was -$21.5m during FY18, largely due to the net $56.4m increase in loans funded.

LOAN BOOK

CCV's gross loan book grew 50% to $172m (Figure 4), with growth achieved across all product lines. Of note, growth in both MACC and GLA was strong, both at over 100%.

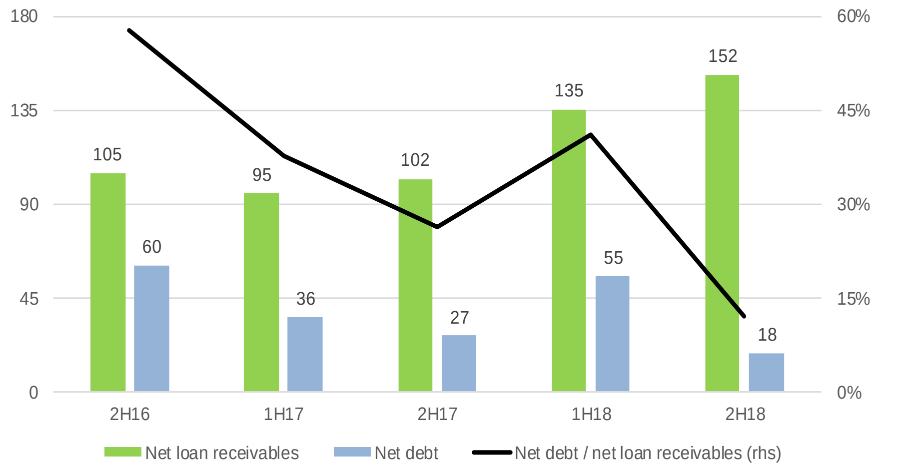
Fig. 4: Loan Book



Source: CCV, Hartleys

Figure 5 shows net loan receivables (after allowance for impairment) and net debt over recent periods.

Fig. 5: Loan Receivables v Debt



Source: CCV, Hartleys

FORECASTS

Fig. 6: Forecasts

CCV	FY18a	FY19 old	FY19 new	Chg	FY20 old	FY20 new	Chg
Loan Book - Gross	172	222	215	-3.3%	248	262	5.8%
Revenue	259.6	275.9	270.4	-2.0%	293.0	276.1	-5.8%
Gross Profit	**164.9**	**184.8**	**172.4**	**-6.7%**	**197.6**	**176.6**	**-10.6%**
Expenses	-116.9	-131.6	-117.6		-139.8	-120.1	
EBITDA	**48.0**	**53.2**	**54.8**	**3.1%**	**57.9**	**56.5**	**-2.4%**
D&A	-7.4	-8.0	-8.0		-8.0	-8.0	
EBIT	**40.5**	**45.2**	**46.8**	**3.7%**	**49.9**	**48.5**	**-2.8%**
Net Interest	-10.1	-9.1	-10.6		-8.0	-10.0	
PBT	**30.4**	**36.0**	**36.2**	**0.5%**	**41.8**	**38.4**	**-8.1%**
Tax	-8.8	-10.8	-10.9		-12.5	-11.1	
NPAT	**22.5**	**25.2**	**25.3**	**0.5%**	**29.3**	**27.3**	**-6.8%**
Adjustments (pre-tax)	-1.3	0.0	0.0		0.0	0.0	
Adjusted EBITDA	**46.6**	**53.2**	**54.8**	**3.1%**	**57.9**	**56.5**	**-2.4%**
Adjusted NPAT	21.2	25.2	25.3	0.5%	29.3	27.3	-6.8%
EPS - Adjusted, dil	**4.2c**	**4.0c**	**4.0c**	**0.5%**	**4.6c**	**4.3c**	**-6.8%**
Reported EPS (basic)	4.6c	4.1c	4.1c	0.5%	4.7c	4.3c	-6.8%
GP Margin	63.5%	67.0%	63.8%	-3.2%	67.4%	63.9%	-3.5%
EBITDA Margin	18.0%	19.3%	20.3%	1.0%	19.7%	20.4%	0.7%

Source: CCV, Hartleys

Our overall earnings expectations for FY19 remain stable, though the composition has changed. Reflective of the FY18 results we have reduced our revenue estimate on the back of a relatively small reduction in our gross loan book forecasts. This reduction is countered by an expectation that cost efficiencies achieved in FY18 are maintained through FY19.

Into FY20, while our loan book forecasts have increased, we now expect a larger portion to be through GLA. The lower interest rate on these products feeds through to our reduced Gross Profit forecast.

CCV's financial accounts note that the adoption of *AASB16 'Leases'* from 1 July 2019 will likely result in an increase in EBITDA of in excess of $11m, though the adoption of higher depreciation and interest expense will result in a reduction to NPAT of $2m-$3m. At this stage we have not made any amendments related to this change to our forecasts until we have more clarity on this issue.

VALUATION & PRICE TARGET

Investors currently face two, potentially material, uncertainties when looking to derive a valuation for CCV; the Queensland class actions and the SACC law review.

The outcomes of both these events are unknown, with the ultimate impact on CCV ranging from nil to materially negative.

With this in mind, we have sought to provide a 'base valuation' for CCV, which ignores the potential impacts of these external factors.

We then consider what the share price impacts may be on CCV based on a range of negative outcomes which may or may not occur as a result of these external factors.

BASE VALUATION

Figure 7 provides a snapshot of valuation multiples of other ASX-listed Consumer Finance businesses, showing that CCV is trading at a ~20% FY19 discount to the peer group average.

Fig. 7: Peer multiples

Company	Code	Share Price	Mkt. Cap ($m)	PER FY18	PER FY19
Eclipx	ECX	$2.60	844	10.2x	9.8x
Credit Corp	CCP	$23.22	1,115	17.2x	16.0x
Flexigroup	FXL	$2.20	808	9.3x	8.4x
Money3	MNY	$2.13	373	12.1x	11.5x
Silver Chef	SIV	$2.00	80		7.3x
Peer Group Average				**12.2x**	**10.6x**
Cash Converters	CCV	$0.335	207	7.4x	8.2x

Source: Hartleys, Bloomberg

In valuing CCV we maintain a PE of 10.5x, to derive a valuation of $0.43 / share. CCV's implied valuation multiples based on our price target are shown in Figure 8.

Fig. 8: CCV Valuation

CCV	
FY19 EPS	4.1c
Target PER	10.5x
Valuation per share	**$0.43**

Implied Multiples at Price Target	FY18	FY19	FY20
EV/EBITDA	5.9x	5.1x	5.0x
EV/EBIT	7.0x	6.0x	5.8x
PER	9.4x	10.5x	9.9x

Source: Hartleys

Queensland Class Actions

The uncertainty in relation to potential outcomes around the two class actions is very high. CCV notes that if they do not successfully defend either or both proceedings that they would *"likely be required to make a significant payment by way of damages or settlement…".*

Figure 9 shows on a per share basis what the one-off impact of a negative outcome (e.g. by way of award or settlement against CCV) may be.

We highlight that this table is illustrative only given the high level of uncertainty as to the extent of any negative outcome, if indeed there was to be one.

Fig. 9: *Class action – potential impacts*

Queensland Class Actions					
Negative Impact	-$10m	-$20m	-$30m	-$40m	-$50m
Per Share Equivalent	**-$0.016**	**-$0.032**	**-$0.049**	**-$0.065**	**-$0.081**

Source: Hartleys

SACC Amendments

SACC law amendments were expected to have been legislated through Parliament long before now. Ultimately, upon passage through Parliament any changes are expected to be a further 12 months away from being implemented.

CCV notes that the impact of the proposed changes if, and when, adopted is uncertain. CCV note the potential for a Goodwill impairment of $45m - $55m if the legislation was enacted in its proposed from 1 November 2019.

In Figure 10, using a range of earnings impacts (based on our FY19 expectations) we derive a range of potential earnings outcomes. To translate these earnings outcomes to a valuation impact we apply a multiple of 10.5x (consistent with the multiple used in our base valuation).

Fig. 10: *SACC Amendments*

SACC Amendments					
Earnings Impact	-5%	-10%	-15%	-20%	-25%
Earnings Impact (FY19 base)	-$1.3m	-$2.5m	-$3.8m	-$5.1m	-$6.3m
Valuation Impact (@ 10.5x)	-$13.3m	-$26.6m	-$39.9m	-$53.2m	-$66.5m
Valuation Impact (per share)	**-$0.022**	**-$0.043**	**-$0.065**	**-$0.086**	**-$0.108**

Source: Hartleys

RISKS

- Queensland Class Actions

  CCV is currently defending two class actions on behalf of borrowers' resident in Queensland. The class actions, being run by Maurice Blackburn, are provisionally listed to commence in the Federal Court in October 2018 and are to be heard concurrently.

  It is very difficult to estimate the potential financial impact of these claims were they to ultimately be successful. CCV is defending these current claims, which it is clearly taking seriously, given it has to date incurred ~$11m in legal fees related to these matters.

- SACC Law Review

  In November 2016, the Federal Government released its response to the final report of the independent review of SACC laws. The review made 24 recommendations, the majority of which the Government supported.

  It was initially expected that legislation would pass through Parliament during 2017 with the proposed changes to apply 12 months after the date of passage of legislation. As it stands the legislation is still to pass through Parliament.

  The key change from a CCV perspective relates to the imposition of a cap on the total amount of all SACC repayments equal to 10% of net income, from a current cap of 20% of gross income. This cap is also to be extended to apply to all consumers, as opposed to the current cap applying only to Centrelink clients.

- The potential for future regulatory reviews and / or proposed changes. Any activity in this regard could impact CCV's operations or may simply cause share price pressure due to the potential for additional investor uncertainty.

- Future disputes or litigation in the ordinary course of business.

- Action of franchisees. The majority of CCV's stores are run under franchise agreements. At present there is a particular focus on the franchisee industry with a Joint Parliamentary Inquiry currently underway. More generally, CCV faces the risk of non-compliance by franchisors to contractual arrangements which could result in damage to CCV's brand and reputation or require CCV to take steps to remedy non-compliance.

- Security of online databases. CCV maintains significant data and client account information online. The theft, loss or corruption of this data is a risk. We note that in November 2017 CCV announced that they had received a threat in relation to an unauthorised breach of customer data related to one of their UK websites.

- Ability to access and maintain funding sources. CCV relies in part on debt to fund its business operations. CCV currently has up to $150m of facilities in place with Fortress until November 2020, with options for a two-year extension.

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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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