

9 Jun 2010

## CASH CONVERTERS LIMITED

### Funded for growth.

Cash Converters Limited ("Cash Converters", "CCV", "Company") provided FY10 EBITA guidance (2 June 2010) of \$31.9m. We calculate that this implies FY10 NPAT should be ~\$21.4m. The Company also recently announced a placement to EZ Corp to raise \$9.7m. Following these announcements, we have updated our model.

### Revising down FY10 NPAT to \$21.4m (from \$22.7m)

We have lowered our FY10 NPAT forecast by 5.8% to \$21.4m. The revision is driven by less than anticipated corporate store acquisitions (we now assume 53 at year end) and from the weaker GBP versus the AUD. Additionally, we have rebuilt our Safrock model, which takes better account of the bad and doubtful debt (BDD) provisioning.

We have lowered our 2H10 dividend forecast to 1.5cps from 1.75cps, given it seems unlikely to us that the dividend will be increased following the capital raising. We now assume a 1.5cps final, which is the same as 1H10.

### FY11 NPAT revised down to \$27.6m (from \$32.7m)

Our FY11 NPAT has been revised down by 15.7% to \$27.6m. We expect a lower Safrock loan book of \$50m (UK + Aust) at 30 June 2011. Our FY11 eps forecast has been lowered 19.3%, more than NPAT due to the dilution from the placement.

### Retain Buy recommendation, no change to price target

We retain our Buy recommendation. The Safrock business earns high returns, and because it is funded with equity and cash flow, is not affected by current financial market uncertainty (other than the potential for regulatory changes). Additionally, the softer economic environment can help demand for CCV's products (although a strong economy is not necessary an adverse outcome either). Our twelve month price target is unchanged as we have put more emphasis on our bear case DCF valuation. We have a \$0.88 twelve month price target.

Fig. 1: Hartleys Forecast Changes

Profit & Loss (\$m)	Actual		6/10F			6/11F		
	6/08A	6/09A	Old	New	% diff	Old	New	% diff
Revenue	73.8	93.9	135.6	130.8	-3.5%	182.7	168.6	-7.7%
<b>EBITDA</b>	<b>22.8</b>	<b>25.1</b>	<b>34.8</b>	<b>32.3</b>	<b>-7.1%</b>	<b>50.0</b>	<b>41.3</b>	<b>-17.4%</b>
Depreciation/Amortisation	-0.9	-1.2	-2.1	-2.0	-1.7%	-3.4	-3.4	1.5%
PBT before o/head interest	21.9	24.0	32.7	30.3	-7.4%	46.7	37.9	-18.8%
Net Interest	-0.3	-0.7	0.8	0.5	nm	1.0	1.5	nm
Pretax Profit	21.6	23.3	32.7	30.8	-5.9%	46.7	39.3	-15.7%
Tax	-6.4	-7.2	-10.0	-9.4	-5.9%	-14.0	-11.8	-15.7%
<b>Norm. Net Profit After Tax</b>	<b>15.1</b>	<b>16.2</b>	<b>22.7</b>	<b>21.4</b>	<b>-5.8%</b>	<b>32.7</b>	<b>27.6</b>	<b>-15.7%</b>
- margin	20.5%	17.2%	16.7%	16.3%		17.9%	16.3%	
Reported Profit	15.1	16.2	22.7	21.4	-5.8%	32.7	27.6	-15.7%
DPS	3.00	3.00	3.25	3.00	-7.7%	4.00	3.50	-12.5%
EPS	6.1	6.7	6.8	6.4	-6.2%	9.0	7.3	-19.3%
P/E	9.5x	8.7x	8.5x	9.1x		6.5x	8.0x	
Net Debt	-4.1	9.9	-16.6	-34.9	109.6%	-5.5	-19.6	254.3%
Safrock Loan Book (end)	13.8	21.4	39.2	38.1	-2.7%	58.3	49.6	-14.9%
Company Owned Stores (end)	22	37	57	53	-7.0%	68	72	5.9%

Source: Hartleys Research

Share Price:	\$0.580
Valuation:	\$1.04
12mth price target:	\$0.88

#### Brief Business Description:

Payday lending, consumer finance & second hand retailer in UK & Aust.

#### Hartleys Brief Investment Conclusion:

Undervalued with regulatory risks seemingly overplayed.

#### Chairman & CEO:

Mr Reginald Webb (Chairman)  
Mr Peter Cumins (Managing Director)

#### Top Shareholders:

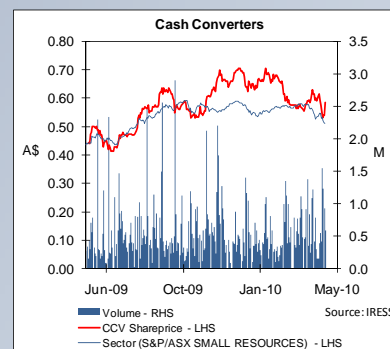
EZ Corp (32.8%)  
Rand Holdings Pty Ltd (5.1%)

#### Company Address:

Level 18, 37 St. Georges Tce,  
Perth, WA, 6000

<b>Issued Capital:</b>			379.8m
- fully diluted			379.8m
<b>Market Cap:</b>			\$220.3m
- fully diluted			\$220.3m
<b>Net Debt (30 Jun '10e):</b>			-\$34.9m
	<b>FY09a</b>	<b>FY10e</b>	<b>FY11e</b>
Op Cash Flw	15.3	15.9	26.8
Free Cash Flw	2.8	-2.9	8.8
<b>NPAT (A\$m)</b>	<b>16.2</b>	<b>21.4</b>	<b>27.6</b>
EPS (\$, dil)	6.7	6.4	7.3
P/E (basic)	8.6x	9.1x	7.1x
P/E (diluted)	8.7x	9.1x	7.1x
EV / EBITDA	7.4x	5.7x	3.8x
DPS (\$)	0.030	0.030	0.035
Franking	100%	100%	100%
Dividend Yield	5.2%	5.2%	6.8%
N.D. / equity	12.0%	-21.5%	-11.1%

Source: Hartleys Research



#### Authors:

Trent Barnett, CFA  
Head of Research / Industrial Analyst  
Ph: +61 8 9268 3052  
E: trent\_barnett@hartleys.com.au

Hartleys has completed a capital raising for Cash Converters Limited in the last 12 months for which it expects to receive fees. Hartleys has also provided corporate advice within the past 12 months and continues to provide corporate advice to Cash Converters, for which it received and continues to receive fees. See disclosure on back page for details.

## SUMMARY MODEL

Cash Converters International Ltd (CCV)					Recommendation: Buy					
<b>Company Information</b>					<b>Profit &amp; Loss (\$m)</b>					
Today's Date	9 Jun 2010	Level 18, 37 St. Georges Tce,			AUD/GBP	0.463	0.559	0.570	0.570	
Share Price	\$0.580	Perth, WA, 6000			Safrock Loan Book	21.4	38.1	49.6	57.8	
52 Week High-Low	\$0.71 - \$0.41	Ph: (08) 9221 9111			Safrock Revenue	20.6	33.7	44.9	51.0	
Market Cap (\$m)	\$220.3	Fax: (08) 9221 9011			Safrock PBT	9.8	14.9	22.2	25.2	
Enterprise Value (\$m)	\$185.4	www.cashconverters.com.au			<i>margin</i>	47.4%	44.3%	49.3%	49.4%	
Ordinary Shares	379.8				Mon-e Revenue	9.5	10.4	11.5	12.3	
Fully Diluted Shares	379.8				Mon-e PBT	7.5	9.3	10.4	10.0	
					<i>margin</i>	78.9%	90.1%	90.2%	81.3%	
<b>Valuation</b>					Owned # (UK + Aust) - end	37	53	72	94	
Spot DCF - 9 years explicit + terminal growth value	\$1.04				Owned Stores Revenue	45.8	66.8	91.9	117.6	
12mth fwd DCF - 9 years explicit + terminal growth value	\$1.09				Owned Stores PBT	5.4	6.7	9.2	11.8	
12mth forward P/E (diluted) of 10x (Average Aust comps)	\$0.81				<i>margin</i>	11.8%	10.0%	10.0%	10.0%	
Price / Book (June '10e) 1x \$0.43	\$0.43				Franchised # (UK + Aust) - end	235	231	238	245	
12mth fwd Div Yield of 4.8% (Gross yield=6.9%)	\$0.73				Franchise Revenue	24.4	20.0	20.3	21.2	
<b>12 Months Price Target (wgted avg above 4 avg)</b>	<b>\$0.88</b>				Franchise PBT	9.5	7.2	7.3	7.6	
P / E (6/10F) at price target	15.7x				<i>margin</i>	38.9%	36.0%	36.0%	36.0%	
P / E (6/11F) at price target	12.2x				Divisional PBT	32.2	38.1	49.0	54.6	
EV/EBITDA (6/11F) at price target	7.3x				Overheads	-8.9	-7.3	-9.7	-10.6	
EV/EBIT (6/11F) at price target	7.9x				<b>EBITDA - Group</b>	<b>25.1</b>	<b>32.3</b>	<b>41.3</b>	<b>48.2</b>	
<b>Multiples (\$/price at \$0.58)</b>					<b>growth</b>	<b>10.3%</b>	<b>28.6%</b>	<b>27.8%</b>	<b>16.6%</b>	
P / E (basic, weighted)	6/09A	6/10F	6/11F	6/12F	<b>EBITDA / Sales</b>	<b>26.8%</b>	<b>24.7%</b>	<b>24.5%</b>	<b>23.8%</b>	
P / E (fully diluted, weighted)	8.6x	9.1x	8.0x	7.1x	Depreciation/Amortisation	-1.2	-2.0	-3.4	-5.0	
P / E (mkt cap / NPAT)	13.6x	10.3x	8.0x	7.1x	<b>EBIT</b>	<b>24.0</b>	<b>30.3</b>	<b>37.9</b>	<b>43.2</b>	
Dividend Yield	5.2%	5.2%	6.0%	6.8%	EBIT / Sales	25.5%	23.2%	22.5%	21.4%	
Group Free Cash Flow (f.c.f) / EV	-2.4%	-7.4%	-1.5%	4.9%	Net Corporate Interest	-0.7	0.5	1.5	0.8	
Equity f.c.f. / Mkt Cap	-2.1%	-6.3%	-1.4%	3.9%	<b>Pretax Profit</b>	<b>23.3</b>	<b>30.8</b>	<b>39.3</b>	<b>44.0</b>	
Norm f.c.f. / Mkt cap	-2.1%	-6.3%	-1.4%	3.9%	Tax	-7.2	-9.4	-11.8	-13.2	
Mkt cap / operating cash flow	9.8x	8.9x	5.9x	5.0x	Effective Tax Rate	30.7%	30.7%	30.0%	30.0%	
EV/EBITDA multiple	7.4x	5.7x	4.5x	3.8x	Minorities	0.0	0.0	0.0	0.0	
EV/EBIT multiple	7.7x	6.1x	4.9x	4.3x	<b>Normalised NPAT to equity</b>	<b>16.2</b>	<b>21.4</b>	<b>27.6</b>	<b>30.8</b>	
Price / Book Value	1.7x	1.4x	1.2x	1.1x	<b>Norm. Net Profit / Sales</b>	<b>17.2%</b>	<b>16.3%</b>	<b>16.3%</b>	<b>15.2%</b>	
Price / NTA	6.3x	2.4x	2.3x	2.0x	Abnormals / discontinued	0.0	0.0	0.0	0.0	
<b>Ratios</b>					Reported Profit to equity	<b>16.2</b>	<b>21.4</b>	<b>27.6</b>	<b>30.8</b>	
Return on Average Equity	6/09A	6/10F	6/11F	6/12F	<b>Reported EPS (basic, weighted)</b>	<b>6.8</b>	<b>6.4</b>	<b>7.3</b>	<b>8.1</b>	
Return on Assets	20.7%	17.4%	16.2%	16.6%	<b>Normalised EPS (dil, wghtd)</b>	<b>6.7</b>	<b>6.4</b>	<b>7.3</b>	<b>8.1</b>	
ND / ND + Equity	15.1%	14.2%	14.2%	14.5%	<b>DPS (\$)</b>	<b>0.0300</b>	<b>0.0300</b>	<b>0.0350</b>	<b>0.0392</b>	
Net Interest Cover (EBIT)	10.7%	-27.4%	-12.4%	-8.5%	Franking	100%	100%	100%	100%	
	36.3	-59.3	-25.9	-51.3	Payout Ratio	44.5%	53.4%	48.2%	48.2%	
<b>Free Cash Flow Analysis</b>					<b>Cashflow Statement (\$m)</b>					
Net Operating Cash Flow	6/09A	6/10F	6/11F	6/12F	EBITDA (inc Safrock interest)	25.1	32.3	41.3	48.2	
Capex (Reported)	15.3	15.9	26.8	31.8	Working Capital Change	-2.6	-7.5	-4.2	-4.0	
Capex (Reported) inc loan book	-19.8	-29.6	-29.5	-22.6	<b>Cash from Operations</b>	<b>22.6</b>	<b>24.8</b>	<b>37.1</b>	<b>44.1</b>	
Fixed Debt Repayments	-0.2	-0.3	-0.4	-0.6	Corporate Interest	-0.7	0.5	1.5	0.8	
<b>Equity Free Cash Flow (rep'ted)</b>	<b>-4.7</b>	<b>-13.9</b>	<b>-3.1</b>	<b>8.5</b>	Tax Paid	-6.6	-9.4	-11.8	-13.2	
HP Lease Capex (non-cash)	0.0	0.0	0.0	0.0	<b>Net Operating Cash Flow</b>	<b>15.3</b>	<b>15.9</b>	<b>26.8</b>	<b>31.8</b>	
Free Cash Flow (normalised)	-4.7	-13.9	-3.1	8.5	Capital Expenditure	-1.5	-4.1	-3.5	-8.0	
Capex (inc HP) / depreciation	129%	201%	103%	160%	Other (including loan book)	-7.2	-10.7	-11.5	-8.2	
<b>Share Data</b>					Investments & acquisitions	-11.0	-14.8	-14.5	-6.5	
Ord Issued shares (m)	6/09A	6/10F	6/11F	6/12F	<b>Net Investing Cash Flow</b>	<b>-19.8</b>	<b>-29.6</b>	<b>-29.5</b>	<b>-22.6</b>	
growth	240.0	379.8	379.8	379.8	Proceeds from Equity Issues	-0.4	67.8	-0.3	-0.3	
Weighted ave shares (m)	0.6%	58.2%	0.0%	0.0%	Net Change in Debt & Leases	4.0	-4.8	-1.7	4.4	
growth	238.8	334.0	379.8	379.8	Dividends Paid	-7.2	-9.3	-12.3	-13.3	
Diluted shares wgted (m)	-0.9%	39.9%	13.7%	0.0%	<b>Net Financing Cash Flow</b>	<b>-3.8</b>	<b>53.6</b>	<b>-14.3</b>	<b>-9.2</b>	
growth	242.7	334.0	379.8	379.8	<b>Movement in Cash</b>	<b>-8.3</b>	<b>40.0</b>	<b>-17.0</b>	<b>0.0</b>	
	-1.9%	37.6%	13.7%	0.0%	<b>HP Lease Capex (non-cash)</b>					
<b>Unpaid Capital</b>					<b>Balance Sheet (\$m)</b>					
Year Expires	Number	% ord	Avg Price	\$m unpaid	Cash	6/09A	6/10F	6/11F	6/12F	
30-Jun-10	-	0.0%	\$ -	\$ -	Receivables	7.0	47.0	30.0	30.0	
30-Jun-11	-	0.0%	\$ -	\$ -	Inventories	6.4	10.8	13.9	16.6	
30-Jun-12	-	0.0%	\$ -	\$ -	Other (including loan book)	7.0	7.1	9.8	12.5	
30-Jun-13	-	0.0%	\$ -	\$ -	<b>Total Current Assets</b>	<b>46.6</b>	<b>101.8</b>	<b>102.0</b>	<b>115.7</b>	
30-Jun-14	-	0.0%	\$ -	\$ -	Property, Plant & Equipment	4.6	10.0	15.2	20.7	
TOTAL	-	0.0%	\$ -	\$ -	Intangibles (inc. Goodwill)	60.3	71.8	81.1	85.1	
<b>Directors &amp; Senior Management</b>					Other	3.2	3.2	3.2	3.2	
<b>Substantial Shareholders</b>					<b>Total Non Current Assets</b>	<b>68.2</b>	<b>85.0</b>	<b>99.6</b>	<b>109.0</b>	
Mr Reginald Webb (Chairman)	EZ Corp				32.8%	<b>Total Assets</b>	<b>114.8</b>	<b>186.8</b>	<b>201.6</b>	<b>224.7</b>
Mr Peter Cumins (Managing Director)	Rand Holdings Pty Ltd				5.1%	Accounts Payable	8.4	5.4	7.0	8.4
Mr John Yeudall (Non-executive Director)						Interest Bearing Liabilities	3.9	3.9	3.9	3.9
Mr William Love (Non-executive Director)						Other	5.7	5.7	5.7	5.7
Mr Joseph Beal (Non-executive Director)						<b>Total Current Liabilities</b>	<b>18.0</b>	<b>15.1</b>	<b>16.7</b>	<b>18.1</b>
Company Secretary - Mr Ralph Groom						Accounts Payable	0.0	0.0	0.0	0.0
						Interest Bearing Liabilities	13.0	8.2	6.5	10.8
						Other	1.3	1.3	1.3	1.3
						<b>Total Non Current Liabilities</b>	<b>14.2</b>	<b>9.4</b>	<b>7.7</b>	<b>12.1</b>
						<b>Total Liabilities</b>	<b>32.3</b>	<b>24.5</b>	<b>24.4</b>	<b>30.2</b>
						<b>Net Assets</b>	<b>82.5</b>	<b>162.3</b>	<b>177.2</b>	<b>194.5</b>
						Net Asset Value / Share (\$)	0.34	0.43	0.47	0.51
						NTA / Share (\$)	0.09	0.24	0.25	0.29
						Net Debt (net cash)	9.9	-34.9	-19.6	-15.2
Analyst: Trent Barnett					Last Earnings Estimate Changes:					
Phone: +61 8 9268 3052					9 June 2010					
Sources: IRESS, Company Information, Hartleys Research										

Fig. 1: Half year P &amp; L and Balance Sheet

Profit & Loss (\$m)	Dec-07a	Jun-08a	Dec-08a	Jun-09a	Dec-09a	Jun-10e
AUD/GBP		0.470	0.452	0.474	0.538	0.580
Safrock Loan Book		13.8	15.0	21.4	31.9	38.1
Safrock Revenue			10.1	10.6	15.6	18.0
Safrock PBT			4.7	5.1	7.0	7.9
margin			46.9%	48.0%	44.9%	43.7%
Mon-e Revenue			5.4	4.1	4.7	5.6
Mon-e PBT			4.4	3.1	4.1	5.2
margin			80.8%	76.6%	87.7%	92.0%
Owned Stores Revenue			19.3	26.5	30.8	36.0
Owned Stores PBT			2.0	3.4	3.6	3.1
margin			10.2%	12.9%	11.8%	8.5%
Franchise Revenue			12.6	11.8	11.4	8.6
Franchise PBT			5.0	4.5	4.5	2.7
margin			39.3%	38.5%	39.3%	31.6%
<b>Group Revenue</b>	<b>35.9</b>	<b>37.8</b>	<b>44.5</b>	<b>49.4</b>	<b>59.3</b>	<b>71.5</b>
growth	nm	5.2%	17.7%	11.1%	20.0%	20.6%
<b>EBITDA - Group</b>	<b>10.9</b>	<b>11.9</b>	<b>12.4</b>	<b>12.7</b>	<b>15.5</b>	<b>16.8</b>
growth	nm	9.8%	3.9%	2.7%	21.9%	8.2%
<b>EBITDA / Sales</b>	<b>30.2%</b>	<b>31.5%</b>	<b>27.9%</b>	<b>25.8%</b>	<b>26.2%</b>	<b>23.5%</b>
Depreciation/Amortisation	-0.4	-0.4	-0.5	-0.6	-0.7	-1.3
<b>EBIT</b>	<b>10.4</b>	<b>11.5</b>	<b>11.9</b>	<b>12.1</b>	<b>14.8</b>	<b>15.5</b>
EBIT / Sales	29.0%	30.4%	26.6%	24.5%	25.0%	21.6%
Net Corporate Interest	0.0	-0.3	-0.3	-0.4	0.0	0.5
<b>Pretax Profit</b>	<b>10.4</b>	<b>11.2</b>	<b>11.6</b>	<b>11.7</b>	<b>14.8</b>	<b>16.0</b>
Tax	-3.2	-3.3	-3.6	-3.5	-4.7	-4.7
Effective Tax Rate	30.4%	29.2%	31.4%	30.0%	32.0%	29.5%
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Normalised NPAT to equity</b>	<b>7.2</b>	<b>7.9</b>	<b>7.9</b>	<b>8.3</b>	<b>10.1</b>	<b>11.3</b>
<b>Norm. Net Profit / Sales</b>	<b>20.2%</b>	<b>20.9%</b>	<b>17.8%</b>	<b>16.7%</b>	<b>17.0%</b>	<b>15.8%</b>
Abnormals / discontinued	0.0	0.0	0.0	0.0	0.0	0.0
Reported Profit to equity	7.2	7.9	7.9	8.3	10.1	11.3
<b>Reported EPS (basic, weighted)</b>	<b>3.0</b>	<b>3.3</b>	<b>3.3</b>	<b>3.5</b>	<b>3.5</b>	<b>2.9</b>
<b>Normalised EPS (dil, wghtd)</b>	<b>2.9</b>	<b>3.2</b>	<b>3.3</b>	<b>3.4</b>	<b>3.5</b>	<b>2.9</b>
<b>DPS (\$)</b>	<b>0.0150</b>	<b>0.0150</b>	<b>0.0150</b>	<b>0.0150</b>	<b>0.0150</b>	<b>0.0150</b>
Franking	100%	100%	100%	100%	100%	100%
Payout Ratio	50.0%	45.7%	45.5%	43.2%	42.9%	51.9%
Balance Sheet (\$m)	Dec-07a	Jun-08a	Dec-08a	Jun-09a	Dec-09a	Jun-10e
Cash		16.3	11.5	7.0	57.9	47.0
Receivables		5.2	6.7	6.4	7.4	10.8
Inventories		3.3	4.9	7.0	7.1	7.1
Other (including loan book)		14.6	17.4	26.2	35.9	36.9
<b>Total Current Assets</b>		<b>39.4</b>	<b>40.4</b>	<b>46.6</b>	<b>108.3</b>	<b>101.8</b>
Property, Plant & Equipment		2.6	4.0	4.6	5.4	10.0
Intangibles (inc. Goodwill)		53.5	57.7	60.3	62.5	71.8
Other		3.8	3.4	3.2	4.1	3.2
<b>Total Non Current Assets</b>		<b>59.9</b>	<b>65.1</b>	<b>68.2</b>	<b>71.9</b>	<b>85.0</b>
<b>Total Assets</b>		<b>99.3</b>	<b>105.6</b>	<b>114.8</b>	<b>180.1</b>	<b>186.8</b>
Accounts Payable		6.7	7.7	8.4	11.0	5.4
Interest Bearing Liabilities		4.5	4.0	3.9	3.4	3.9
Other		5.0	4.8	5.7	7.1	5.7
<b>Total Current Liabilities</b>		<b>16.3</b>	<b>16.4</b>	<b>18.0</b>	<b>21.6</b>	<b>15.1</b>
Accounts Payable		0.0	0.0	0.0	0.0	0.0
Interest Bearing Liabilities		7.7	10.1	13.0	11.0	8.2
Other		1.3	1.2	1.3	1.3	1.3
<b>Total Non Current Liabilities</b>		<b>9.0</b>	<b>11.3</b>	<b>14.2</b>	<b>12.3</b>	<b>9.4</b>
<b>Total Liabilities</b>		<b>25.2</b>	<b>27.7</b>	<b>32.3</b>	<b>33.9</b>	<b>24.5</b>
<b>Net Assets</b>		<b>74.0</b>	<b>77.8</b>	<b>82.5</b>	<b>146.3</b>	<b>162.3</b>
Net Asset Value / Share (\$)		0.31	0.33	0.35	0.40	0.43
NTA / Share (\$)		0.09	0.08	0.09	0.23	0.24
Net Debt (net cash)		-4.1	2.6	9.9	-43.4	-34.9

Source: Company Data, Hartleys Estimates +

We expect the strongest growth in CCV to continue to come from Safrock, although store acquisitions should also be a strong contributor. Note that the weak UK pound impacts profit translation back into AUD (particularly for store operations)

CCV is in a net cash position. Additionally, note that the loan book (~\$37m + plus unearned interest) is a short duration and, theoretically at least, would be turned into cash easily within twelve months if the business was wound down

Fig. 1: Free Cash Flow

*Cash flow from operations is growing, but the capital intensity of the loan book combined with acquisitions means free cash flow is negative as the Company grows. Note that growth in the loan book reduces both operating and investing cash flow*

Cashflow Statement (\$m)	Dec-07a	Jun-08a	Dec-08a	Jun-09a	Dec-09a	Jun-10e
EBITDA (inc Safrock interest)	10.9	11.9	12.4	12.7	15.5	16.8
Working Capital Change	1.3	1.9	-0.1	-2.4	-2.8	-4.7
<b>Cash from Operations</b>	<b>12.2</b>	<b>13.8</b>	<b>12.3</b>	<b>10.3</b>	<b>12.8</b>	<b>12.1</b>
Corporate Interest	0.1	-0.3	-0.2	-0.4	0.0	0.5
Tax Paid	-4.3	-2.9	-3.6	-3.0	-3.6	-5.9
<b>Net Operating Cash Flow</b>	<b>8.0</b>	<b>10.6</b>	<b>8.4</b>	<b>6.9</b>	<b>9.2</b>	<b>6.7</b>
Capital Expenditure	-0.5	-0.3	-1.4	-0.1	-1.5	-2.6
Other (including loan book)	-2.3	-0.1	-2.5	-4.7	-6.6	-4.1
Investments & acquisitions	-15.7	-0.1	-6.9	-4.1	-2.8	-11.9
<b>Net Investing Cash Flow</b>	<b>-18.5</b>	<b>-0.5</b>	<b>-10.9</b>	<b>-8.9</b>	<b>-10.9</b>	<b>-18.6</b>
Proceeds from Equity Issues	0.0	-1.2	-0.4	0.0	58.8	9.0
Net Change in Debt & Leases	11.6	-1.4	2.3	1.6	-1.7	-3.1
Dividends Paid	-3.6	-3.6	-3.6	-3.6	-3.8	-5.5
<b>Net Financing Cash Flow</b>	<b>8.0</b>	<b>-6.3</b>	<b>-1.8</b>	<b>-1.9</b>	<b>53.1</b>	<b>0.5</b>
<b>Movement in Cash</b>	<b>-2.4</b>	<b>3.8</b>	<b>-4.2</b>	<b>-3.9</b>	<b>51.4</b>	<b>-11.4</b>
<b>HP Lease Capex (non-cash)</b>						
Free Cash Flow Analysis	Dec-07a	Jun-08a	Dec-08a	Jun-09a	Dec-09a	Jun-10e
Net Operating Cash Flow	8.0	10.6	8.4	6.9	9.2	6.7
Capex (Reported) inc loan book	-18.5	-0.5	-10.9	-8.9	-10.9	-18.6
Group Free Cash Flow (rep'ted)	-	10.4	10.1	-	1.7	11.9
Fixed Debt Repayments					-2.6	-2.2
<b>Equity Free Cash Flow (rep'ted)</b>					<b>-</b>	<b>4.3</b>
HP Lease Capex (non-cash)					0.0	0.0
Free Cash Flow (normalised)					-	4.3
Capex (inc HP) / depreciation					211%	196%

Source: Various

Fig. 2: Earnings Changes

Profit & Loss (\$m)	Actual		6/10F			6/11F		
	6/08A	6/09A	Old	New	% diff	Old	New	% diff
Revenue	73.8	93.9	135.6	130.8	-3.5%	182.7	168.6	-7.7%
<b>EBITDA</b>	<b>22.8</b>	<b>25.1</b>	<b>34.8</b>	<b>32.3</b>	<b>-7.1%</b>	<b>50.0</b>	<b>41.3</b>	<b>-17.4%</b>
Depreciation/Amortisation	-0.9	-1.2	-2.1	-2.0	-1.7%	-3.4	-3.4	1.5%
PBT before o/head interest	21.9	24.0	32.7	30.3	-7.4%	46.7	37.9	-18.8%
Net Interest	-0.3	-0.7	0.8	0.5	nm	1.0	1.5	nm
Pretax Profit	21.6	23.3	32.7	30.8	-5.9%	46.7	39.3	-15.7%
Tax	-6.4	-7.2	-10.0	-9.4	-5.9%	-14.0	-11.8	-15.7%
<b>Norm. Net Profit After Tax</b>	<b>15.1</b>	<b>16.2</b>	<b>22.7</b>	<b>21.4</b>	<b>-5.8%</b>	<b>32.7</b>	<b>27.6</b>	<b>-15.7%</b>
- margin	20.5%	17.2%	16.7%	16.3%		17.9%	16.3%	
Reported Profit	15.1	16.2	22.7	21.4	-5.8%	32.7	27.6	-15.7%
DPS	3.00	3.00	3.25	3.00	-7.7%	4.00	3.50	-12.5%
EPS	6.1	6.7	6.8	6.4	-6.2%	9.0	7.3	-19.3%
P/E	9.5x	8.7x	8.5x	9.1x		6.5x	8.0x	
Net Debt	-4.1	9.9	-16.6	-34.9	109.6%	-5.5	-19.6	254.3%
Safrock Loan Book (end)	13.8	21.4	39.2	38.1	-2.7%	58.3	49.6	-14.9%
Company Owned Stores (end)	22	37	57	53	-7.0%	68	72	5.9%

Source: Hartleys Estimates

## PRICE TARGET METHODOLOGY

Our price target is the average of four components. The assumption is there is a chance of each of the following happening.

*Our price target is the weighted average of four components.*

### Fundamental Valuation (DCF)

Assumes our base case cash flow estimates for CCV are correct and share price trades to our fundamental valuation.

### Market Put (Dividend yield)

Assumes company delivers our earnings estimates, but the equity market falls significantly so that dividend yield becomes the support level for the stock.

### Earnings Disappointment (NTA)

Net Tangible Asset (NTA) Value - assumes the company misses profit estimates and market is only prepared to pay book value.

### Positive Market Momentum (P/E multiple)

Attempts to capture market momentum (i.e. assumes that comparison company P/E's converge when markets are moving).

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## PRICE TARGET

Our twelve month price target is largely unchanged \$0.88 (from \$0.87).

CCV Price Target Methodology	Weighting	Spot	12 mth out
DCF	58%	\$0.92	\$0.96
- 9 years explicit & windup	20%	\$0.69	\$0.72
- 9 years explicit + terminal growth value	38%	\$1.04	\$1.09
12mth forward P/E (diluted) of 10x (Average Aust comps)	31%	\$0.72	\$0.81
Price / Book (June '10e) 1x \$0.43	1%	\$0.43	\$0.43
12mth fwd Div Yield of 4.8% (Gross yield=6.9%)	11%	\$0.62	\$0.73
<b>Risk weighted composite</b>		<b>\$0.82</b>	<b>\$0.88</b>
<b>12 Months Price Target</b>		<b>\$0.88</b>	
Shareprice - Last		\$0.580	
<b>12 mth total return (% to 12mth target + dividend)</b>		<b>57%</b>	

Source: Hartleys Estimate

## RISKS

The key risk for CCV is changes to the regulatory framework. In Australia, the Federal Government is in the process of making some changes, and most of the consultation and reviews have already occurred.

The other key risks comes from competition in second hand good selling, and potentially in micro lending and controlling the bad and doubtful debts in the money lending segments.

Another risk now is if the deal with EZCORP were to fall over, especially if it were as a result of failing due diligence.

For some good reading on regulatory issues, see

UK: <http://www.berr.gov.uk/files/file52072.pdf> , especially pg 37 & 38.

Aust: <http://www.treasury.gov.au/consumercredit/content/default.asp>

# HARTLEYS RESEARCH COVERAGE LIST

Hartleys Research Coverage					Hartleys Research Recommendation		Industry
Name	Ticker	Last Price*	M. CAP (A\$m)	EV (A\$m)			
<b>Oil &amp; Gas</b>							
1.	Woodside Petroleum Ltd	WPL	43.10	33,499	37,677	Buy	Major
2.	Nexus Energy Ltd	NXS	0.275	263	586	Neutral	Developer / Explorer
3.	Carnarvon Petroleum Ltd	CVN	0.335	230	201	Buy	Producer / Explorer
4.	Tap Oil Ltd	TAP	0.895	140	79	Buy	Producer / Explorer
5.	Cooper Energy Ltd	COE	0.455	133	37	Buy	Producer / Explorer
6.	Otto Energy Ltd	OEL	0.093	100	77	Buy	Explorer / Producer
7.	Strike Energy Ltd	STX	0.235	77	69	Buy	Explorer / Producer
8.	Adelphi Energy Ltd	ADI	0.410	69	59	Buy	Producer / Developer
9.	Red Fork Energy Ltd	RFE	0.425	59	31	Buy	Explorer / Producer
10.	Amadeus Energy Ltd	AMU	0.180	55	98	Buy	Producer / Explorer
11.	First Australian Resources Ltd	FAR	0.058	38	19	Speculative Buy	Explorer / Producer
12.	Entek Energy Ltd	ETE	0.160	36	27	Speculative Buy	Producer / Explorer
13.	European Gas Ltd	EPG	0.160	32	96	Speculative Buy	Producer / Explorer
14.	Oilex Ltd	OEX	0.084	19	0	Neutral	Explorer / Producer
15.	Sun Resources NL	SUR	0.053	18	13	Speculative Buy	Explorer / Producer
			Sub-Total	34,768	39,070		
<b>Resources</b>							
1.	Riversdale Mining Limited	RIV	9.52	1,794	1,526	Speculative Buy	Coal
2.	Atlas Iron Limited	AGO	1.945	870	725	Buy	Iron Ore
3.	Western Areas NL	WSA	4.00	716	895	No Rating	Nickel
4.	Silver Lake Resources Limited	SLR	1.760	315	284	Speculative Buy	Gold
5.	Dominion Mining Limited	DOM	2.840	293	312	Speculative Buy	Gold
6.	Intrepid Mines Limited	IAU	0.560	240	192	Speculative Buy	Gold
7.	Catalpa Resources Limited	CAH	1.450	234	195	Buy	Gold Producer
8.	Gold One International Limited	GDO	0.275	221	292	Buy	Gold
9.	Jabiru Metals Limited	JML	0.315	174	148	Buy	Zinc-Copper
10.	Tanami Gold NL	TAM	0.044	156	198	No Rating	Gold Producer
11.	Focus Minerals Ltd	FML	0.048	137	130	Speculative Buy	Gold Producer
12.	Magma Metals Limited	MMB	0.550	89	69	Speculative Buy	PGM-Cu-Ni
13.	Peninsula Minerals Ltd	PEN	0.034	47	38	Buy	Uranium Developer / Explorer
14.	Emmerson Resources Limited	ERM	0.210	43	30	Speculative Buy	Junior Explorer
15.	YTC Resources Limited	YTC	0.250	41	29	Buy	Junior Explorer
16.	Hazelwood Resources Ltd	HAZ	0.190	36	31	Speculative Buy	Junior Developer
17.	Centaurus Metals Ltd	CTM	0.058	35	28	Speculative Buy	Iron Ore Developer
18.	Ausquest Limited	AQD	0.140	32	6	Speculative Buy	Junior Explorer
19.	Ferrum Crescent Limited	FCR	0.180	28	26	Speculative Buy	Iron Ore
20.	Shaw River Resources Limited	SRR	0.135	27	20	Speculative Buy	Junior Explorer
21.	Orion Gold NL	ORN	0.025	19	15	Speculative Buy	Gold
22.	Impact Minerals Limited	IPT	0.115	14	9	Speculative Buy	Junior Explorer
23.	Southern Gold Limited	SAU	0.086	12	8	Speculative Buy	Junior Explorer
			Sub-Total	5,406	5,095		
<b>Industrials</b>							
1.	West Australia News Hdgs Ltd	WAN	6.55	1,518	1,793	Buy	Media
2.	Monadelphous Group Limited	MND	12.820	1,103	971	Buy	Mining Services
3.	Clough Limited	CLO	0.765	520	580	No Rating	Oil & Gas Services (Construction)
4.	Fleetwood Corporation	FWD	8.66	467	461	Neutral	Consumer & Mining Services
5.	Mermaid Marine Australia Ltd	MRM	2.390	445	579	Buy	Oil & Gas Services
6.	Austral Limited	ASB	2.27	427	438	Speculative Buy	Capital Goods
7.	Macmahon Holdings Limited	MAH	0.555	407	380	Buy	Mining & Civil Construction
8.	Ausdrill Limited	ASL	1.780	373	594	Buy	Mining Services (Drilling & Contract
9.	NRW Holdings Ltd	NWH	0.920	231	296	Buy	Mining & Civil Construction
10.	Cash Converters Limited	CCV	0.575	209	166	Buy	Retail & Consumer Finance
11.	Decmil Group Limited	DCG	1.43	175	142	Buy	Mining & Civil Construction
12.	Imdex Ltd	IMD	0.690	134	148	Buy	Oil & Gas / Mining Drilling Supplies
13.	Lycopodium Limited	LYL	3.260	126	111	Buy	Mining & Industrial Services
14.	RCR Tomlinson Ltd	RCR	0.900	119	162	Buy	Mining & Industrial Services
15.	Neptune Marine Ltd	NMS	0.200	96	125	Speculative Buy	Oil & Gas Services
16.	Swick Mining Services Ltd	SWK	0.360	85	134	Speculative Buy	Mining Services (Drilling)
17.	VDM Group Limited	VMG	0.330	70	88	Buy	Mining & Civil Construction
18.	LogiCamms Limited	LCM	0.810	49	38	Buy	Resource Services
19.	Pacific Energy Ltd	PEA	0.250	47	101	Buy	Mining Services / Power
			Sub-Total	6,600	7,307		
			GRAND TOTAL	46,773	51,471		

Source: IRESS, Hartleys Research. \* 8 Jun 2010

# HARTLEYS CORPORATE DIRECTORY

## Research

Trent Barnett	Head of Research	+61 8 9268 3052
Andrew Muir	Senior Resources Analyst	+61 8 9268 3045
Mike Millikan	Resources Analyst	+61 8 9268 2805
David Wall	Oil and Gas Analyst	+61 8 9268 2826
Janine Hodges	Research Assistant	+61 8 9268 2831

## Corporate Finance

Grey Egerton-Warburton	Head of Corporate Finance	+61 8 9268 2851
Richard Simpson	Director - Corporate Finance	+61 8 9268 2824
Paul Fryer	Director - Corporate Finance	+61 8 9268 2819
Dale Bryan	Director - Corporate Finance	+61 8 9268 2829
Ben Wale	Manager - Corporate Finance	+61 8 9268 3055
Matt Szwedzicki	Manager - Corporate Finance	+61 8 9268 3047
Scott Weir	Corporate Finance Exec.	+61 8 9268 2821

## Registered Office

Level 6, 141 St Georges Tce  
Perth WA 6000  
Australia

Postal Address  
GPO Box 2777  
Perth WA 6001  
Australia

### Contact Details

Telephone: +61 8 9268 2888  
Facsimile: +61 8 9268 2800  
Website: [www.hartleys.com.au](http://www.hartleys.com.au)  
Email: [info@hartleys.com.au](mailto:info@hartleys.com.au)

Note: personal email addresses of company employees are structured in the following manner:  
[firstname\\_lastname@hartleys.com.au](mailto:firstname_lastname@hartleys.com.au)

## Hartleys Recommendation Categories

No Rating	No recommendation.
Buy	Share price appreciation anticipated
Speculative Buy	Share price appreciation anticipated but it is higher risk than a "Buy". For the share price to rise it may be contingent on the outcome of an uncertain or distant event.
Neutral	Take no action. Stock is already trading near the share price target and there are no foreseeable near term catalysts.
Reduce / Take profits	Stock is trading above the share price target and there is a near term negative catalyst that could cause temporary weakness.
Sell	Significant price depreciation anticipated

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## Institutional Sales

Carrick Ryan	+61 8 9268 2864
Justin Stewart	+61 8 9268 3062
Simon van den Berg	+61 8 9268 2867
Steven Boyce	+61 8 9268 2817
Nick Wheeler	+61 8 9268 3053

## Wealth Management

Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Adrian Brant	+61 8 9268 3065
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Travis Clark	+61 8 9268 2876
David Cross	+61 8 9268 2860
Nicholas Draper	+61 8 9268 2883
John Featherby	+61 8 9268 2811
Ben Fleay	+61 8 9268 2844
John Georgiades	+61 8 9268 2887
John Goodlad	+61 8 9268 2890
Andrew Gribble	+61 8 9268 2842
Neil Inglis	+61 8 9268 2894
Murray Jacob	+61 8 9268 2892
Gavin Lehmann	+61 8 9268 2895
Shane Lehmann	+61 8 9268 2897
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
Christian Marriott	+61 8 9268 2828
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Nicole Morcombe	+61 8 9268 2896
Jamie Moullin	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Ian Plowman	+61 8 9268 3054
Margaret Radici	+61 8 9268 3051
Charlie Ransom (CEO)	+61 8 9268 2868
Elliott Rowton	+61 8 9268 3059
Conlie Salvemini	+61 8 9268 2833
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruyf	+61 8 9268 2855
Marlene White	+61 8 9268 2806