

21 Feb 2011

## CASH CONVERTERS INTERNAT. LIMITED

### Operating cash flow an impressive \$14.5m in 1H11

Cash Converters Limited ("Cash Converters", "CCV", "Company") reported 1H11 NPAT of \$14.3m, much better than our estimate of \$12.2m. The Company declared a dividend of 1.75cps, which is an increase from previous halves but in line with our estimate.

### Finance division remains strong...and growing

The loan book grew substantially to \$47.3m and the UK loan book is now 2.3m GBP (UK finance division was loss making, which is to be expected given its still in ramp-up). Overall, the Safrock division reported PBT of \$10.6m for the half.

Although the operating divisions are all strong, overheads are running higher than we expected at ~\$10m pa.

### Cashflow excellent...but continues to be reinvested

Net operating cash flow was a very strong \$14.5m. The Company had net cash of \$11.5m at end December, which is down around \$25m in the six month period. The Company made acquisitions (mainly stores) of \$23m and net investments in the loan book of ~\$8m (the remainder draw down in cash was modest capex and payment of dividends).

The current balance sheet together with cash flow should allow for continued growth, especially if the Company moves towards a net debt position (which historically it has preferred to avoid).

### Queensland flood impact

One of the stores in Queensland was damaged in the recent floods. There is an outstanding insurance claim, but we have been conservative and assumed a \$1.2m one-off pre-tax cost. Additionally, we have normalised our NPAT estimate for the MD's long term incentive (LTI) plan expense.

### Hartleys increases FY11 and FY12 earnings forecast

The Company expects to improve on previous guidance of \$27-27.5m. We have increased our FY11 NPAT reported estimate by 4.1% to \$28.7m and increased our FY12 estimate by 4.7% to \$33.1m.

We have kept our FY11 DPS estimate unchanged at 3.5cps but increased our FY12 estimate by 6% to 4.25cps.

### Retain Buy recommendation

CCV has demonstrated strong and consistent NPAT growth. Additionally it has a history of providing twelve month ahead guidance and consistently beating it. Yet it trades on ~11x FY11 p/e (10.5x on our implied annualised 2H NPAT).

We have increased our twelve month price target to \$0.95 (from \$0.82 previously). We maintain our Buy recommendation.

Share Price:	\$0.840
Valuation:	\$0.85
12mth price target:	\$0.95

#### Brief Business Description:

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

#### Hartleys Brief Investment Conclusion:

Undervalued and consistently beats earnings guidance

#### Chairman & CEO:

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

#### Top Shareholders:

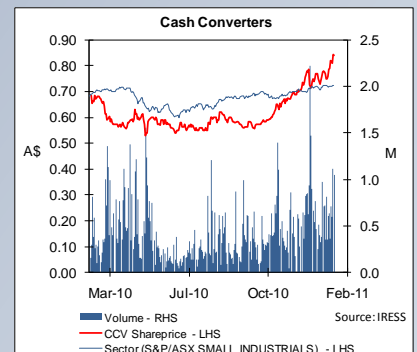
EZ Corp (32.8%)  
Rand Holdings Pty Ltd (5.1%)

#### Company Address:

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

<b>Issued Capital:</b>	379.8m		
- fully diluted	399.8m		
<b>Market Cap:</b>	\$319.0m		
- fully diluted	\$335.8m		
<b>Net Debt (31 Dec '10a):</b>	-\$11.5m		
	<b>FY10a</b>	<b>FY11e</b>	<b>FY12e</b>
Op Cash Flw	16.5	28.2	32.6
Free Cash Flw	-1.9	-6.0	17.8
<b>NPAT (A\$m)</b>	<b>21.6</b>	<b>30.0</b>	<b>33.1</b>
EPS (\$, dil)	6.5	7.5	8.3
P/E (basic)	13.0x	11.1x	9.6x
P/E (diluted)	13.0x	11.2x	10.1x
EV / EBITDA	9.4x	7.0x	5.8x
DPS (\$)	0.030	0.035	0.043
Franking	100%	100%	100%
Dividend Yield	3.6%	4.2%	5.1%
N.D. / equity	-22.6%	-2.4%	1.7%

Source: Hartleys Research



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Hartleys has completed a capital raising for Cash Converters Internat. Ltd 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 Internat. Ltd, 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	21 Feb 2011	Level 18, 37 St. Georges Tce,			AUD/GBP	0.463	0.560	0.616	0.616	
Share Price	\$0.840	Perth, WA, 6000			Safrock Loan Book	21.4	38.7	52.9	64.0	
52 Week High-Low	\$0.865 - \$0.5	Ph: (08) 9221 9111			Safrock Revenue	20.6	37.1	52.8	60.5	
Market Cap (\$m)	\$319.0	Fax: (08) 9221 9011			Safrock PBT	9.8	15.5	22.2	24.5	
Enterprise Value (\$m)	\$307.5	www.cashconverters.com.au			margin	47.4%	41.7%	42.1%	40.5%	
Ordinary Shares	379.8				Mon-e Revenue	9.5	10.2	13.9	17.3	
Fully Diluted Shares	399.8				Mon-e PBT	7.5	9.1	12.4	15.7	
					margin	78.9%	88.9%	89.3%	90.6%	
					Owned # (UK + Aust) - end	37	53	96	119	
<b>Valuation</b>					Owned Stores Revenue	45.8	62.5	96.5	139.1	
Spot DCF - 10 years explicit + terminal growth value	\$0.85				Owned Stores PBT	5.4	6.8	10.6	13.9	
					margin	11.8%	10.9%	11.0%	10.0%	
12mth fwd DCF - 10 years explicit + terminal growth value	\$0.88				Franchised # (UK + Aust) - end	235	231	227	232	
12mth forward P/E (diluted) of 12x (Small-cap target)	\$1.09				Franchise Revenue	24.4	23.0	25.8	21.1	
Price / Book (Dec '10a) 1x \$0.44	\$0.44				Franchise PBT	9.5	8.7	6.4	5.3	
12mth fwd Div Yield of 4.8% (Gross yield=6.9%)	\$0.88				margin	38.9%	37.9%	25.0%	25.0%	
<b>12 Months Price Target (wqted avg above 4 avg)</b>	<b>\$0.95</b>				Divisional PBT	32.2	40.1	51.7	59.3	
P / E (6/11F) at price target	12.6x				Overheads	-8.9	-8.9	-10.5	-12.0	
P / E (6/12F) at price target	11.4x				<b>EBITDA - Group</b>	<b>25.1</b>	<b>32.6</b>	<b>44.0</b>	<b>53.3</b>	
EV/EBITDA (6/11F) at price target	8.5x				<b>growth</b>	<b>10.3%</b>	<b>29.6%</b>	<b>35.1%</b>	<b>21.1%</b>	
EV/EBIT (6/11F) at price target	9.1x				<b>EBITDA / Sales</b>	<b>26.8%</b>	<b>25.7%</b>	<b>23.3%</b>	<b>22.4%</b>	
<b>Multiples (\$/price at \$0.84)</b>					Depreciation/Amortisation	-1.2	-1.6	-2.9	-5.2	
P / E (basic, weighted)	12.4x	6/09A	6/10A	6/11F	6/12F	<b>EBIT</b>	<b>24.0</b>	<b>31.0</b>	<b>41.1</b>	<b>48.1</b>
P / E (fully diluted, weighted)	12.6x	13.0x	11.1x	9.6x	EBIT / Sales	25.5%	24.5%	21.8%	20.2%	
P / E (mkt cap / NPAT)	19.7x	14.7x	10.6x	9.6x	Net Corporate Interest	-0.7	0.2	0.0	-0.8	
Dividend Yield	3.6%	3.6%	4.2%	5.1%	<b>Pretax Profit</b>	<b>23.3</b>	<b>31.2</b>	<b>41.1</b>	<b>47.4</b>	
Group Free Cash Flow (f.c.f.) / EV	-1.5%	-4.1%	-6.6%	2.2%	Tax	-7.2	-9.5	-12.3	-14.2	
Equity f.c.f. / Mkt Cap	-1.5%	-4.0%	-6.5%	1.9%	Effective Tax Rate	30.7%	30.6%	30.0%	30.0%	
Norm f.c.f. / Mkt cap	-1.5%	-4.0%	-6.5%	1.9%	Minorities	0.0	0.0	0.0	0.0	
Mkt cap / operating cash flow	14.1x	13.6x	7.9x	6.7x	<b>Normalised NPAT to equity</b>	<b>16.2</b>	<b>21.6</b>	<b>30.0</b>	<b>33.1</b>	
EV/EBITDA multiple	12.2x	9.4x	7.0x	5.8x	<b>Norm. Net Profit / Sales</b>	<b>17.2%</b>	<b>17.1%</b>	<b>15.9%</b>	<b>13.9%</b>	
EV/EBIT multiple	12.8x	9.9x	7.5x	6.4x	Abnormals / discontinued	0.0	0.0	-1.3	0.0	
Price / Book Value	2.4x	2.0x	1.8x	1.6x	<b>Reported Profit to equity</b>	<b>16.2</b>	<b>21.6</b>	<b>28.7</b>	<b>33.1</b>	
Price / NTA	9.1x	3.5x	3.4x	3.0x	<b>Reported EPS (basic, weighted)</b>					
<b>Ratios</b>						6.8	6.5	7.6	8.7	
Return on Average Equity	20.7%	6/09A	6/10A	6/11F	6/12F	<b>Normalised EPS (dil, wghstd)</b>	<b>6.7</b>	<b>6.5</b>	<b>7.5</b>	<b>8.3</b>
Return on Assets	15.1%	13.9%	14.2%	13.8%	<b>DPS (\$)</b>	<b>0.0300</b>	<b>0.0300</b>	<b>0.0350</b>	<b>0.0425</b>	
ND / ND + Equity	10.7%	-29.2%	-2.4%	1.6%	Franking	100%	100%	100%	100%	
Net Interest Cover (EBIT)	36.3	-155.3	nm	61.7	Payout Ratio	44.5%	52.7%	44.3%	48.8%	
Reported eps growth	7.7%	-4.3%	16.9%	15.2%	<b>Cashflow Statement (\$m)</b>					
<b>Free Cash Flow Analysis</b>						6/09A	6/10A	6/11F	6/12F	
Net Operating Cash Flow	15.3	16.5	28.2	32.6	EBITDA (inc Safrock interest)	25.1	32.6	44.0	53.3	
Capex (Reported) inc loan book	-19.8	-29.0	-48.4	-25.9	Working Capital Change	-2.6	-9.2	-3.5	-5.7	
Group Free Cash Flow (rep'ted)	-4.5	-12.5	-20.2	6.7	<b>Cash from Operations</b>	<b>22.6</b>	<b>23.4</b>	<b>40.5</b>	<b>47.6</b>	
Fixed Debt Repayments	-0.2	-0.3	-0.4	-0.6	Corporate Interest	-0.7	0.4	0.0	-0.8	
<b>Equity Free Cash Flow (rep'ted)</b>	<b>-4.7</b>	<b>-12.8</b>	<b>-20.6</b>	<b>6.1</b>	Tax Paid	-6.6	-7.3	-12.3	-14.2	
HP Lease Capex (non-cash)	0.0	0.0	0.0	0.0	<b>Net Operating Cash Flow</b>	<b>15.3</b>	<b>16.5</b>	<b>28.2</b>	<b>32.6</b>	
Free Cash Flow (normalised)	-4.7	-12.8	-20.6	6.1	Capital Expenditure	-1.5	-3.4	-8.7	-7.3	
Capex (inc HP) / depreciation	129%	215%	303%	141%	Other (including loan book)	-7.2	-10.7	-14.2	-11.1	
<b>Share Data</b>					Investments & acquisitions	-11.0	-15.0	-25.4	-7.5	
		6/09A	6/10A	6/11F	6/12F	<b>Net Investing Cash Flow</b>	<b>-19.8</b>	<b>-29.0</b>	<b>-48.4</b>	<b>-25.9</b>
Ord Issued shares (m)	240.0	379.8	379.8	379.8	Proceeds from Equity Issues	-0.4	68.5	0.0	0.0	
growth	0.6%	58.2%	0.0%	0.0%	Net Change in Debt & Leases	4.0	-1.9	7.5	2.5	
Weighted ave shares (m)	238.8	334.0	379.8	379.8	Dividends Paid	-7.2	-9.2	-12.3	-14.2	
growth	-0.9%	39.9%	13.7%	0.0%	<b>Net Financing Cash Flow</b>	<b>-3.8</b>	<b>56.8</b>	<b>-4.8</b>	<b>-11.7</b>	
Diluted shares wqted (m)	242.7	334.0	399.8	399.8	<b>Movement in Cash</b>	<b>-8.3</b>	<b>44.3</b>	<b>-25.0</b>	<b>-5.0</b>	
growth	-1.9%	37.6%	19.7%	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	7.0	50.7	25.7	20.7	
30-Jun-11	-	0.0%	\$ -	\$ -	Receivables	6.4	8.2	12.2	15.4	
30-Jun-12	-	0.0%	\$ -	\$ -	Inventories	7.0	10.7	15.8	22.8	
30-Jun-13	4,000,000	1.1%	\$ -	\$ -	Other (including loan book)	26.2	43.0	57.3	68.4	
30-Jun-14	10,000,000	2.6%	\$ -	\$ -	<b>Total Current Assets</b>	<b>46.6</b>	<b>112.6</b>	<b>111.0</b>	<b>127.3</b>	
30-Jun-15	-	0.0%	\$ -	\$ -	Property, Plant & Equipment	4.6	6.8	22.0	27.4	
30-Jun-16	-	0.0%	\$ -	\$ -	Intangibles (inc. Goodwill)	60.3	70.6	86.7	90.9	
30-Jun-17	6,000,000	1.6%	\$ -	\$ -	Other	3.2	7.1	7.1	7.1	
TOTAL	20,000,000	5.3%	\$ -	\$ -	<b>Total Non Current Assets</b>	<b>68.2</b>	<b>84.5</b>	<b>115.8</b>	<b>125.5</b>	
<b>Directors &amp; Senior Management</b>					<b>Total Assets</b>	<b>114.8</b>	<b>197.1</b>	<b>226.8</b>	<b>252.7</b>	
Mr Reginald Webb (Chairman)	<b>Substantial Shareholders</b>				Accounts Payable	8.4	10.5	16.2	20.7	
Mr Peter Cumins (Managing Director)	EZ Corp	32.8%			Interest Bearing Liabilities	3.9	3.3	3.3	3.3	
Mr John Yeudall (Non-executive Director)	Rand Holdings Pty Ltd	5.1%			Other	5.7	8.6	8.6	8.6	
Mr William Love (Non-executive Director)					<b>Total Current Liabilities</b>	<b>18.0</b>	<b>22.4</b>	<b>28.1</b>	<b>32.5</b>	
Mr Joseph Beal (Non-executive Director)					Accounts Payable	0.0	0.0	0.0	0.0	
Company Secretary - Mr Ralph Groom					Interest Bearing Liabilities	13.0	10.6	18.2	20.7	
					Other	1.3	1.3	1.3	1.3	
					<b>Total Non Current Liabilities</b>	<b>14.2</b>	<b>11.9</b>	<b>19.5</b>	<b>22.0</b>	
					<b>Total Liabilities</b>	<b>32.3</b>	<b>34.3</b>	<b>47.5</b>	<b>54.5</b>	
					<b>Net Assets</b>	<b>82.5</b>	<b>162.9</b>	<b>179.3</b>	<b>198.2</b>	
					Net Asset Value / Share (\$)	0.34	0.43	0.47	0.52	
					NTA / Share (\$)	0.09	0.24	0.24	0.28	
					Net Debt (net cash)	9.9	-36.8	-4.3	3.3	
Analyst: Trent Barnett					Last Earnings Estimate Changes:					
Phone: +61 8 9268 3052					21 February 2011					
Sources: IRESS, Company Information, Hartleys Research										

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

<b>Profit &amp; Loss (\$m)</b>	<b>Jun-09a</b>	<b>Dec-09a</b>	<b>Jun-10a</b>	<b>Dec-10a</b>	<b>Jun-11e</b>	<b>FY11e</b>
AUD/GBP	0.474	0.538	0.582	0.609	0.623	0.616
Safrock Loan Book	21.4	31.9	38.7	31.9	52.9	52.9
Safrock Revenue	10.6	15.6	21.4	24.8	28.0	52.8
Safrock PBT	5.1	7.0	8.4	10.6	11.6	22.2
<i>margin</i>	<b>48.0%</b>	<b>44.9%</b>	<b>39.3%</b>	<b>42.8%</b>	<b>41.5%</b>	<b>42.1%</b>
Mon-e Revenue	4.1	4.7	5.5	6.6	7.3	13.9
Mon-e PBT	3.1	4.1	5.0	5.9	6.4	12.4
<i>margin</i>	<b>76.6%</b>	<b>87.7%</b>	<b>89.9%</b>	<b>90.5%</b>	<b>88.3%</b>	<b>89.3%</b>
Owned Stores Revenue	26.5	30.8	31.7	48.4	48.1	96.5
Owned Stores PBT	3.4	3.6	3.2	5.6	5.0	10.6
<i>margin</i>	<b>12.9%</b>	<b>11.8%</b>	<b>10.1%</b>	<b>11.7%</b>	<b>10.3%</b>	<b>11.0%</b>
Franchise Revenue	11.8	11.4	11.6	13.3	12.5	25.8
Franchise PBT	4.5	4.5	4.2	3.4	3.0	6.4
<i>margin</i>	<b>38.5%</b>	<b>39.3%</b>	<b>36.5%</b>	<b>25.9%</b>	<b>24.1%</b>	<b>25.0%</b>
<b>Group Revenue</b>	<b>49.4</b>	<b>59.3</b>	<b>67.3</b>	<b>87.9</b>	<b>101.0</b>	<b>188.9</b>
<i>growth</i>	<b>11.1%</b>	<b>20.0%</b>	<b>13.5%</b>	<b>30.6%</b>	<b>14.9%</b>	<b>49.3%</b>
<b>EBITDA - Group</b>	<b>12.7</b>	<b>15.5</b>	<b>17.1</b>	<b>21.6</b>	<b>22.4</b>	<b>44.0</b>
<i>growth</i>	<b>2.7%</b>	<b>21.9%</b>	<b>9.9%</b>	<b>26.8%</b>	<b>3.4%</b>	<b>35.1%</b>
<b>EBITDA / Sales</b>	<b>25.8%</b>	<b>26.2%</b>	<b>25.3%</b>	<b>24.6%</b>	<b>22.1%</b>	<b>23.3%</b>
Depreciation/Amortisation	-0.6	-0.7	-0.9	-1.1	-1.8	-2.9
<b>EBIT</b>	<b>12.1</b>	<b>14.8</b>	<b>16.2</b>	<b>20.5</b>	<b>20.6</b>	<b>41.1</b>
EBIT / Sales	24.5%	25.0%	24.1%	23.3%	20.4%	21.8%
Net Corporate Interest	-0.4	0.0	0.2	0.0	0.0	0.0
<b>Pretax Profit</b>	<b>11.7</b>	<b>14.8</b>	<b>16.4</b>	<b>20.5</b>	<b>20.6</b>	<b>41.1</b>
Tax	-3.5	-4.7	-4.8	-6.2	-6.1	-12.3
Effective Tax Rate	30.0%	32.0%	29.3%	30.4%	29.6%	30.0%
Minorities	0.0	0.0	-0.1	0.0	-0.1	0.0
<b>Normalised NPAT to equity</b>	<b>8.3</b>	<b>10.1</b>	<b>11.6</b>	<b>14.7</b>	<b>15.3</b>	<b>30.0</b>
<b>Norm. Net Profit / Sales</b>	<b>16.7%</b>	<b>17.0%</b>	<b>17.2%</b>	<b>16.7%</b>	<b>15.1%</b>	<b>15.9%</b>
Abnormals / discontinued	0.0	0.0	0.0	-0.4	-0.9	-1.3
Reported Profit to equity	8.3	10.1	11.6	14.3	14.4	28.7
						0
<b>Reported EPS (basic, weighted)</b>	<b>3.47</b>	<b>3.50</b>	<b>2.98</b>	<b>3.77</b>	<b>3.80</b>	<b>7.6</b>
<b>Normalised EPS (dil, wghd)</b>	<b>3.36</b>	<b>3.50</b>	<b>2.98</b>	<b>3.68</b>	<b>3.82</b>	<b>7.5</b>
<b>DPS (\$)</b>	<b>0.0150</b>	<b>0.0150</b>	<b>0.0150</b>	<b>0.0175</b>	<b>0.0175</b>	<b>0.0350</b>
Franking	100%	100%	100%	100%	100%	100%
<b>Balance Sheet (\$m)</b>	<b>Jun-09a</b>	<b>Dec-09a</b>	<b>Jun-10a</b>	<b>Dec-10a</b>	<b>Jun-11e</b>	<b>FY11e</b>
Cash	7.0	57.9	50.7	23.4	25.7	25.7
Receivables	6.4	7.4	8.2	9.9	12.2	12.2
Inventories	7.0	7.1	10.7	12.1	15.8	15.8
Other (including loan book)	26.2	35.9	43.0	57.3	57.3	57.3
<b>Total Current Assets</b>	<b>46.6</b>	<b>108.3</b>	<b>112.6</b>	<b>102.7</b>	<b>111.0</b>	<b>111.0</b>
Property, Plant & Equipment	4.6	5.4	6.8	9.4	22.0	22.0
Intangibles (inc. Goodwill)	60.3	62.5	70.6	91.3	86.7	86.7
Other	3.2	4.1	7.1	6.9	7.1	7.1
<b>Total Non Current Assets</b>	<b>68.2</b>	<b>71.9</b>	<b>84.5</b>	<b>107.6</b>	<b>115.8</b>	<b>115.8</b>
<b>Total Assets</b>	<b>114.8</b>	<b>180.1</b>	<b>197.1</b>	<b>210.3</b>	<b>226.8</b>	<b>226.8</b>
Accounts Payable	8.4	11.0	10.5	17.5	16.2	16.2
Interest Bearing Liabilities	3.9	3.4	3.3	3.2	3.3	3.3
Other	5.7	7.1	8.6	9.6	8.6	8.6
<b>Total Current Liabilities</b>	<b>18.0</b>	<b>21.6</b>	<b>22.4</b>	<b>30.3</b>	<b>28.1</b>	<b>28.1</b>
Accounts Payable	0.0	0.0	0.0	0.0	0.0	0.0
Interest Bearing Liabilities	13.0	11.0	10.6	8.8	18.2	18.2
Other	1.3	1.3	1.3	3.0	1.3	1.3
<b>Total Non Current Liabilities</b>	<b>14.2</b>	<b>12.3</b>	<b>11.9</b>	<b>11.8</b>	<b>19.5</b>	<b>19.5</b>
<b>Total Liabilities</b>	<b>32.3</b>	<b>33.9</b>	<b>34.3</b>	<b>42.1</b>	<b>47.5</b>	<b>47.5</b>
<b>Net Assets</b>	<b>82.5</b>	<b>146.3</b>	<b>162.9</b>	<b>168.2</b>	<b>179.3</b>	<b>179.3</b>
Net Asset Value / Share (\$)	0.35	0.40	0.43	0.44	0.47	0.47
NTA / Share (\$)	0.09	0.23	0.24	0.20	0.24	0.24
Net Debt (net cash)	9.9	-43.4	-36.8	-11.5	-4.3	-4.3

Source: Company Data, Hartleys Estimates

*We expect the strongest growth in CCV to continue to come from UK financial services and Company owned stores*

*Note that the loan book (~\$47m + 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

Operating cash flow was very strong in the half, highlighting the free cash flow power of the Australian Safrock loan book as growth matures.

But the growth in Company owned stores and the roll out of financial services into the UK means free cash flow is negative

Cashflow Statement (\$m)	Jun-09a	Dec-09a	Jun-10a	Dec-10a	Jun-11e	FY11e
EBITDA (inc Safrock interest)	12.7	15.5	17.1	21.6	22.4	44.0
Working Capital Change	-2.4	-2.8	-6.4	-2.5	-1.0	-3.5
<b>Cash from Operations</b>	<b>10.3</b>	<b>12.8</b>	<b>10.6</b>	<b>19.2</b>	<b>21.4</b>	<b>40.5</b>
Corporate Interest	-0.4	0.0	0.4	0.5	-0.5	0.0
Tax Paid	-3.0	-3.6	-3.7	-5.1	-7.2	-12.3
<b>Net Operating Cash Flow</b>	<b>6.9</b>	<b>9.2</b>	<b>7.3</b>	<b>14.5</b>	<b>13.7</b>	<b>28.2</b>
Capital Expenditure	-0.1	-1.5	-1.9	-3.3	-5.4	-8.7
Other (including loan book)	-4.7	-6.6	-4.0	-7.8	-6.4	-14.2
Investments & acquisitions	-4.1	-2.8	-12.2	-22.7	-2.8	-25.4
<b>Net Investing Cash Flow</b>	<b>-8.9</b>	<b>-10.9</b>	<b>-18.1</b>	<b>-33.8</b>	<b>-14.6</b>	<b>-48.4</b>
Proceeds from Equity Issues	0.0	58.8	9.7	0.0	0.0	0.0
Net Change in Debt & Leases	1.6	-1.7	-0.2	-1.6	9.2	7.5
Dividends Paid	-3.6	-3.8	-5.5	-5.7	-6.6	-12.3
<b>Net Financing Cash Flow</b>	<b>-1.9</b>	<b>53.1</b>	<b>3.6</b>	<b>-7.5</b>	<b>2.7</b>	<b>-4.8</b>
<b>Movement in Cash</b>	<b>-3.9</b>	<b>51.4</b>	<b>-7.1</b>	<b>-26.9</b>	<b>1.9</b>	<b>-25.0</b>
<b>HP Lease Capex (non-cash)</b>						
Free Cash Flow Analysis	Jun-09a	Dec-09a	Jun-10a	Dec-10a	Jun-11e	FY11e
Net Operating Cash Flow	6.9	9.2	7.3	14.5	13.7	28.2
Capex (Reported) inc loan book	-8.9	-10.9	-18.1	-33.8	-14.6	-48.4
Group Free Cash Flow (rep'ted)	-2.0	-1.7	-10.8	-19.3	-0.9	-20.2
Fixed Debt Repayments		-2.6	-2.4	-2.2	-2.8	-0.4
<b>Equity Free Cash Flow (rep'ted)</b>		<b>-4.3</b>	<b>-13.1</b>	<b>-21.5</b>	<b>-3.7</b>	<b>-20.6</b>
HP Lease Capex (non-cash)		0.0	0.0	0.0	0.0	0.0
Free Cash Flow (normalised)		-4.3	-13.1	-21.5	-3.7	-20.6
Capex (inc HP) / depreciation		211%	219%	299%	306%	303%

Source: Various

Fig. 2: Earnings Changes

Profit & Loss (\$m)	Actual	6/11F			6/12A		
	6/10A	Old	New	% diff	Old	New	% diff
Safrock Loan Book (end)	38.7	44.0	52.9	20.3%	53.1	64.0	20.5%
Company owned stores (end)	53	83	96	15.7%	102	119	16.7%
- additional	16	30	43		19	23	
Company owned stores (avg)	46	72	74	2.1%	90	107	18.6%
Revenue	126.6	180.9	188.9	4.4%	213.8	238.0	11.3%
<b>EBITDA</b>	<b>32.6</b>	<b>43.5</b>	<b>44.0</b>	<b>1.2%</b>	<b>51.2</b>	<b>53.3</b>	<b>4.1%</b>
Depreciation/Amortisation	-1.6	-3.2	-2.9	-10.7%	-5.4	-5.2	-3.8%
PBT before o/head interest	31.0	40.2	41.1	2.2%	45.8	48.1	5.0%
Net Interest	0.2	-0.7	0.0	nm	-0.6	-0.8	nm
Pretax Profit	31.2	39.5	41.1	4.1%	45.3	47.4	4.7%
Tax	-9.5	-11.9	-12.3	4.1%	-13.6	-14.2	4.7%
<b>Norm. Net Profit After Tax</b>	<b>21.6</b>	<b>27.6</b>	<b>30.0</b>	<b>8.7%</b>	<b>31.6</b>	<b>33.1</b>	<b>4.7%</b>
- margin	17.1%	15.3%	15.9%		14.8%	13.9%	
<b>Reported Profit</b>	<b>21.6</b>	<b>27.6</b>	<b>28.7</b>	<b>4.1%</b>	<b>31.6</b>	<b>33.1</b>	<b>4.7%</b>
DPS	3.00	3.50	3.50	0.0%	4.01	4.25	6.0%
EPS	6.5	7.3	7.5	3.2%	8.3	8.3	-0.6%
P/E	13.0x	11.6x	11.2x		10.1x	10.1x	
Net Debt	-36.8	-15.0	-4.3	-71.6%	-12.4	3.3	-126.4%

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 \$0.95 (from \$0.82).

CCV Price Target Methodology	Weighting	Spot	12 mth out
DCF	49%	\$0.83	\$0.86
- 10 years explicit & windup	5%	\$0.65	\$0.67
- 10 years explicit + terminal growth value	44%	\$0.85	\$0.88
12mth forward P/E (diluted) of 12x (Small-cap target)	39%	\$0.95	\$1.09
Price / Book (Dec '10a) 1x \$0.44	1%	\$0.44	\$0.44
12mth fwd Div Yield of 4.8% (Gross yield=6.9%)	11%	\$0.72	\$0.88
<b>Risk weighted composite</b>		<b>\$0.86</b>	<b>\$0.95</b>
<b>12 Months Price Target</b>		<b>\$0.95</b>	
Shareprice - Last		\$0.840	
<b>12 mth total return (% to 12mth target + dividend)</b>		<b>17%</b>	

Source: Hartleys Estimate

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## 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.

For some good reading on regulatory issues, see

UK: [http://www.ofc.gov.uk/shared\\_ofc/reports/consumer\\_credit/High-cost-credit-review/OFT1232.pdf](http://www.ofc.gov.uk/shared_ofc/reports/consumer_credit/High-cost-credit-review/OFT1232.pdf)

Aust:

[http://www.treasury.gov.au/documents/1852/PDF/National\\_Credit\\_Reform\\_Green\\_Paper.pdf](http://www.treasury.gov.au/documents/1852/PDF/National_Credit_Reform_Green_Paper.pdf)

# HARTLEYS RESEARCH COVERAGE LIST

Hartleys Research Coverage						Hartleys Research Coverage					
Name	Ticker	Last Price*	M. CAP (A\$m)	Status	Hartleys Research Recommendation	Name	Ticker	Last Price*	M. CAP (A\$m)	Status	Hartleys Research Recommendation
<b>Resources</b>						<b>Oil &amp; Gas</b>					
<b>Gold</b>						<b>Conventional Oil &amp; Gas</b>					
1. Intrepid Mines Limited	IAU	2.09	894	Explorer	Speculative Buy	1. Woodside Petroleum Ltd	WPL	42.58	33,218	Major	Buy
2. Beadell Resources Limited	BDR	0.835	519	Developer	Speculative Buy	2. Nexus Energy Ltd	NXS	0.47	450	Developer / Explorer	Speculative Buy
3. Integra Mining Limited	IGR	0.510	385	Producer	Speculative Buy	3. Camarvon Petroleum Ltd	CVN	0.39	268	Producer / Explorer	Buy
4. Silver Lake Resources Limited	SLR	1.99	355	Producer	Buy	4. Tap Oil Ltd	TAP	0.99	237	Producer / Explorer	Buy
5. Tanami Gold NL	TAM	1.05	271	Producer	Speculative Buy	5. FAR Ltd	FAR	0.14	168	Explorer / Producer	Speculative Buy
6. Catalpa Resources Limited	CAH	1.640	267	Producer	Buy	6. Cooper Energy Ltd	COE	0.40	117	Producer / Explorer	Buy
7. Gold One International Limited	GDO	0.325	262	Producer	Speculative Buy	7. Otto Energy Ltd	OEL	0.10	105	Explorer / Producer	Buy
8. Focus Minerals Ltd	FML	0.068	195	Producer	Speculative Buy	8. Amadeus Energy Ltd	AMU	0.22	66	Producer / Explorer	Hold
9. Papillon Resources Limited	PIR	0.950	174	Explorer	Speculative Buy	9. Hawley Oil and Gas Ltd	HOG	0.49	66	Producer / Explorer	Buy
10. PMI Gold Corporation Limited	PVM	0.650	125	Developer	Speculative Buy	10. Sun Resources NL	SUR	0.06	23	Explorer / Producer	Speculative Buy
11. YTC Resources Limited	YTC	0.475	93	Developer	Buy	<b>Non Conventional Oil &amp; Gas</b>					
12. Cortona Resources Limited	CRC	0.195	38	Developer	Speculative Buy	1. Aurora Oil and Gas Ltd	AUT	3.10	1,251	Producer / Developer	Reduce
13. Ausquest Limited	AQD	0.135	31	Explorer	Speculative Buy	2. Samson Oil & Gas Ltd	SSN	0.130	220	Developer / Producer	Buy
14. Emmerson Resources Limited	ERM	0.125	25	Explorer	Speculative Buy	3. Oilex Ltd	OEX	0.46	114	Explorer / Producer	Speculative Buy
15. Canyon Resources Limited	CAY	0.550	17	Explorer	Speculative Buy	4. European Gas Ltd	EPG	0.45	90	Producer / Explorer	Speculative Buy
16. Southern Gold Limited	SAU	0.085	12	Explorer	Speculative Buy	5. Strike Energy Ltd	STX	0.21	69	Explorer / Producer	Buy
17. Geopacific Resources NL	GPR	0.280	11	Explorer	Speculative Buy	6. Entek Energy Ltd	ETE	0.17	47	Producer / Explorer	Speculative Buy
<b>Iron Ore</b>						Sub-Total 36,509					
1. Atlas Iron Limited	AGO	3.960	2,163	Producer	Buy	<b>Industrials</b>					
2. Centaurus Metals Ltd	CTM	0.120	73	Explorer	Speculative Buy	<b>Resource Services - Capital Intensive</b>					
<b>Coal</b>						1. Ausdrill Limited	ASL	3.54	927	Contract Drilling	Buy
1. Riversdale Mining Limited	RIV	15.710	2,960	Developer	No Rating	2. Fleetwood Corporation	FWD	13.90	800	Accommodation	Hold
<b>Base Metals</b>						3. Mermaid Marine Ltd	MRM	3.36	716	Oil & Gas Services	Speculative Buy
1. Western Areas NL	WSA	6.810	1,219	Nickel Producer	No Rating	4. NRW Holdings Ltd	NWH	2.47	621	Contract mining	Buy
2. Jabiru Metals Limited	JML	0.840	464	Zinc-Copper Producer	Buy	5. Clough Limited	CLO	0.90	612	Oil & Gas Construction	No Rating
3. Avalon Minerals Limited	AVI	0.265	40	Copper/Iron Ore Dev.	Speculative Buy	6. Matrix Composites & Engineering	MCE	8.06	588	Oil & Gas Services	Buy
<b>Other metals</b>						7. Macmahon Holdings Limited	MAH	0.57	418	Contract mining	Hold
1. Kasbah Resources Limited	KAS	0.340	81	Tin Developer	Buy	8. MACA Ltd	MLD	2.75	413	Contract mining	Buy
2. Shaw River Resources Limited	SRR	0.265	67	Manganese	Speculative Buy	9. Imdex Ltd	IMD	1.96	380	Drilling Supplies	Buy
3. Hazelwood Resources Ltd	HAZ	0.220	50	Tungsten Developer	Speculative Buy	10. Pacific Energy Ltd	PEA	0.43	148	Remote Power	Buy
<b>Uranium</b>						11. Swick Mining Services Ltd	SWK	0.40	95	Contract Drilling	Speculative Buy
1. Peninsula Energy Ltd	PEN	0.145	299	Developer	Buy	12. Neptune Marine Ltd	NMS	0.21	89	Oil & Gas Services	Speculative Buy
2. Impact Minerals Limited	IPT	0.165	0	Explorer	Speculative Buy	<b>Resource Services - Labour Intensive</b>					
Sub-Total 11,091						13. Monadelphous Group Limited	MND	19.54	1,681	Construction	Buy
						14. Decmil Group Limited	DCG	2.80	346	Construction	Buy
						15. Lycopodium Limited	LYL	5.40	209	Engineer. & Constr.	Buy
						16. RCR Tomlinson Ltd	RCR	1.50	198	Engineer. & Constr.	Buy
						17. LogiCamms Limited	LCM	1.70	102	Engineer. & Constr.	Buy
						18. VDM Group Limited	VMG	0.26	54	Engineer. & Constr.	Hold
						<b>Other Industrial Companies</b>					
						19. West Australia News Hdgs Ltd	WAN	6.34	1,558	Media	Hold
						20. Austal Limited	ASB	3.00	564	Civil and Military Vessels	Speculative Buy
						21. iiNet Limited	IIN	2.59	394	Telecommunications	Buy
						22. Cash Converters Internat. Limited	CCV	0.84	336	Unsecured Finance	Buy
						23. Amcom Telecommunications	AMM	0.32	229	Telecommunications	Buy
						24. RedHill Education Ltd	RDH	0.23	6	'For profit' education	Hold
						Sub-Total 11,483					
						68. GRAND TOTAL 59,083					

Source: IRESS, Hartleys Research. \* 21 Feb 2011

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## 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.
Hold	Take no action.
Reduce / Take profits	Stock is trading above the share price target and there is a near term negative catalyst that could cause weakness.
Sell	Significant price depreciation anticipated

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