

22 Mar 2011

## CASH CONVERTERS INTERNAT. LIMITED

### Not bad, could it have been better?

Cash Converters International Limited ("Cash Converters", "CCV", "Company") announced that EZCORP proposes to purchase another ~20% of CCV at \$0.91/shr. The transaction is via a scheme of arrangement whereby EZCORP would compulsorily acquire 30% of all other shareholders' shares. Post deal, EZCORP will have 4 (of 7) CCV directors.

### 'Strategic Alliance' set up to grow new geographic market

As part of the transaction, a 'Strategic Alliance' will be set up between CCV and EZCORP to develop opportunities in new markets. The Alliance will be capitalised by EZCORP with \$3m. The alliance will own two JVs. The first JV will pursue opportunities in the Americas (CCV own 20%) and the other JV will focus on the rest-of-world excluding Australia and UK (CCV own 50%). CCV will continue to own 100% of its operations in Australia and UK.

### EZCORP to move through 50% shareholding

EZCORP already owns ~33% of CCV. Post the transaction, EZCORP would own 53% of CCV. Consequently, it will move to controlling shareholder position without ever paying a control premium, in our view.

### How much does the 'Strategic Alliance' need to earn?

On page 3 we present a scenario analysis to show how much NPAT the Alliance needs to earn to be value neutral for non-EZCORP shareholders (based on maintaining a p/e multiple). Assuming the Alliance does not need to compensate for the lack of a control premium, we believe the JV has several years before it would need to be profitable. However, if shareholders believe the Alliance needs to compensate for the control premium, we estimate that the Alliance needs to contribute ~\$2.8m NPAT in FY13 to CCV. Although there is yet to be any guidance provided by the Company, we believe the Alliance could generate that level.

### EPS neutral but may be value dilutive for bullish shareholders

The transaction is not eps dilutive given no new shares will be issued. The Alliance will presumably need more capital but we hope that will be for immediately eps accretive opportunities. However, depending on your view of CCV valuation, the transaction is potentially value dilutive for shareholders who will be required to sell 30% of their holding.

Effectively shareholders (other than EZCORP) participation in the organic upside of CCV is diluted by 30%. Based on our valuation of ~\$0.88, and ignoring the lack of a control premium, there is no value dilution.

### More clarity required. Moving to Hold recommendation.

If you can rationalise the lack of a control premium we believe the transaction price is reasonable. We have had a valuation for CCV around 80-90cps for the last two years, and need more clarity about the potential future contribution for CCV shareholders from the Alliance in order to significantly increase our valuation. We expect more information in the independent expert's report. We have reduced our recommendation to Hold given we see less than 20% total shareholder return over the coming year.

Share Price:	\$0.875
Valuation:	\$0.88
12mth price target:	\$0.98

#### Brief Business Description:

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

#### Hartleys Brief Investment Conclusion:

Near valuation. Need earnings guidance for the Strategic Alliance

#### Chairman & CEO:

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

#### Top Shareholders:

EZ Corp 32.8% (52.9%)  
Rand Holdings Pty Ltd 5.1% (3.0%)

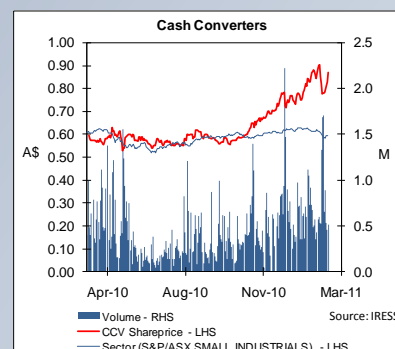
#### Company Address:

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

Issued Capital:	379.8m
- fully diluted	399.8m
Market Cap:	\$332.3m
- fully diluted	\$349.8m
Net Debt (31 Dec '10a):	-\$11.5m

	FY10a	FY11e	FY12e
Op Cash Flw	16.5	28.2	32.5
Free Cash Flw	-1.9	-6.0	17.7
NPAT (A\$m)	21.6	30.0	32.9
EPS (\$, dil)	6.5	7.5	8.2
P/E (basic)	13.5x	11.6x	10.1x
P/E (diluted)	13.5x	11.7x	10.6x
EV / EBITDA	9.8x	7.3x	6.0x
DPS (\$)	0.030	0.035	0.043
Franking	100%	100%	100%
Dividend Yield	3.4%	4.0%	4.9%
N.D. / equity	-22.6%	-2.4%	6.9%

Source: Hartleys Research



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Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Cash Converters International, for which it has earned fees and continues to earn fees. See disclosure on back page for details.

## SUMMARY MODEL

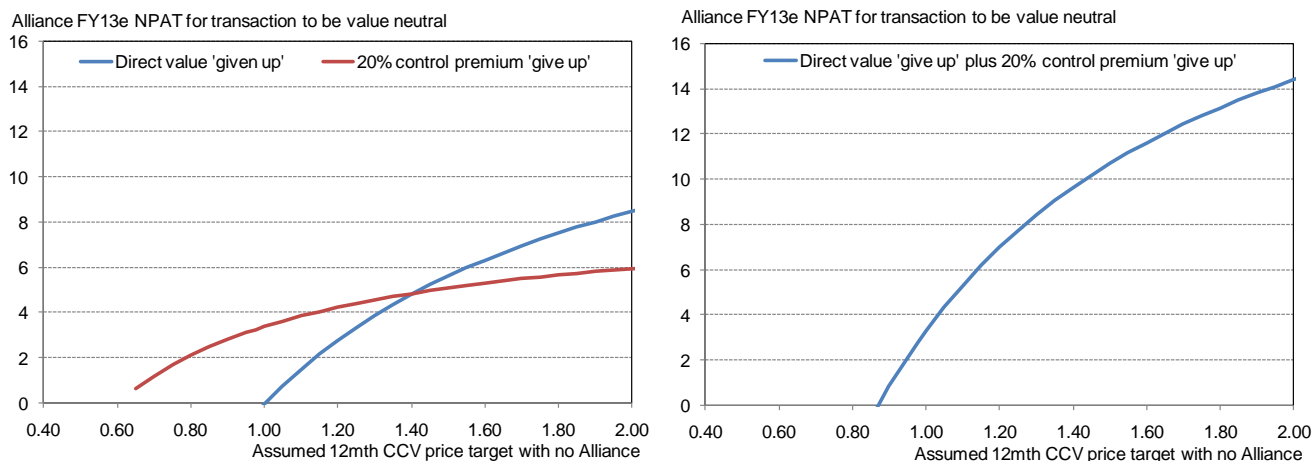
Cash Converters International Ltd (CCV)					Recommendation: <b>Hold</b>				
<b>Company Information</b>					<b>Profit &amp; Loss (\$m)</b>				
Today's Date	22 Mar 2011	Level 18, 37 St. Georges Tce,			AUD/GBP	0.463	0.560	0.616	0.616
Share Price	\$0.875	Perth, WA, 6000			Safrock Loan Book	21.4	38.7	52.9	74.3
52 Week High-Low	\$0.91 - \$0.5	Ph: (08) 9221 9111			Safrock Revenue	20.6	37.1	52.8	61.3
Market Cap (\$m)	\$332.3	Fax: (08) 9221 9011			Safrock PBT	9.8	15.5	22.2	24.6
Enterprise Value (\$m)	\$320.8	www.cashconverters.com.au			<i>margin</i>	47.4%	41.7%	42.1%	40.1%
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
					<i>margin</i>	78.9%	88.9%	89.3%	90.6%
					Owened # (UK + Aust) - end	37	53	96	119
<b>Valuation</b>					Owened Stores Revenue	45.8	62.5	96.5	139.1
Spot DCF - 10 years explicit + terminal growth value	\$0.88				Owened Stores PBT	5.4	6.8	10.6	13.9
12mth fwd DCF - 10 years explicit + terminal growth value	\$0.91				<i>margin</i>	11.8%	10.9%	11.0%	10.0%
12mth forward P/E (diluted) of 12x (Small-cap target)	\$1.13				Franchised # (UK + Aust) - end	235	231	227	232
Price / Book (Dec '10a) 1x \$0.44	\$0.44				Franchise Revenue	24.4	23.0	25.8	21.1
12mth fwd Div Yield of 4.8% (Gross yield=6.8%)	\$0.89				Franchise PBT	9.5	8.7	6.4	5.3
<b>12 Months Price Target (wgted avg above 4 avg)</b>	<b>\$0.98</b>				<i>margin</i>	38.9%	37.9%	25.0%	25.0%
P / E (6/12F) at price target	11.9x				Divisional PBT	32.2	40.1	51.7	59.5
P / E (6/13F) at price target	9.9x				Overheads	-8.9	-8.9	-10.5	-12.3
EV/EBITDA (6/13F) at price target	6.2x				<b>EBITDA - Group</b>	<b>25.1</b>	<b>32.6</b>	<b>44.0</b>	<b>53.4</b>
EV/EBIT (6/13F) at price target	6.9x				<i>growth</i>	10.3%	29.6%	35.1%	21.4%
					<b>EBITDA / Sales</b>	<b>26.8%</b>	<b>25.7%</b>	<b>23.3%</b>	<b>22.4%</b>
<b>Multiples (\$/price at \$0.88)</b>					Depreciation/Amortisation	-1.2	-1.6	-2.9	-5.2
P / E (basic, weighted)	12.9x	13.5x	11.6x	10.1x	<b>EBIT</b>	<b>24.0</b>	<b>31.0</b>	<b>41.1</b>	<b>48.3</b>
P / E (fully diluted, weighted)	13.1x	13.5x	11.7x	10.6x	EBIT / Sales	25.5%	24.5%	21.8%	20.2%
P / E (ord mkt cap / NPAT)	20.6x	15.4x	11.1x	10.1x	Net Corporate Interest	-0.7	0.2	0.0	-1.1
Dividend Yield	3.4%	3.4%	4.0%	4.9%	<b>Pretax Profit</b>	<b>23.3</b>	<b>31.2</b>	<b>41.1</b>	<b>47.1</b>
Group Free Cash Flow (f.c.f.) / EV	-1.4%	-3.9%	-6.3%	-1.2%	Tax	-7.2	-9.5	-12.3	-14.1
Equity f.c.f. / Mkt Cap	-1.4%	-3.8%	-6.2%	-1.3%	Effective Tax Rate	30.7%	30.6%	30.0%	30.0%
Norm f.c.f. / Mkt cap	-1.4%	-3.8%	-6.2%	-1.3%	Minorities	0.0	0.0	0.0	0.0
Mkt cap / operating cash flow	14.7x	14.2x	8.2x	7.0x	<b>Normalised NPAT to equity</b>	<b>16.2</b>	<b>21.6</b>	<b>30.0</b>	<b>32.9</b>
EV/EBITDA multiple	12.8x	9.8x	7.3x	6.0x	<b>Norm. Net Profit / Sales</b>	<b>17.2%</b>	<b>17.1%</b>	<b>15.9%</b>	<b>13.8%</b>
EV/EBIT multiple	13.4x	10.3x	7.8x	6.6x	Abnormals / discontinued	0.0	0.0	-1.3	0.0
Price / Book Value	2.5x	2.0x	1.9x	1.7x	<b>Reported Profit to equity</b>	<b>16.2</b>	<b>21.6</b>	<b>28.7</b>	<b>32.9</b>
Price / NTA	9.5x	3.6x	3.6x	3.1x					
					<b>Reported EPS (basic, weighted)</b>	<b>6.8</b>	<b>6.5</b>	<b>7.6</b>	<b>8.7</b>
<b>Ratios</b>					<b>Normalised EPS (dil, wghtd)</b>	<b>6.7</b>	<b>6.5</b>	<b>7.5</b>	<b>8.2</b>
Return on Average Equity	20.7%	17.6%	17.5%	17.5%	<b>DPS (\$)</b>	<b>0.0300</b>	<b>0.0300</b>	<b>0.0350</b>	<b>0.0425</b>
Return on Assets	15.1%	13.9%	14.2%	13.5%	Franking	100%	100%	100%	100%
ND / ND + Equity	10.7%	-29.2%	-2.4%	6.5%	Payout Ratio	44.5%	52.7%	44.3%	49.0%
Net Interest Cover (EBIT)	36.3	-155.3	nm	43.1					
Reported eps growth	7.7%	-4.3%	16.9%	14.7%	<b>Cashflow Statement (\$m)</b>				
					EBITDA (inc Safrock interest)	25.1	32.6	44.0	53.4
<b>Free Cash Flow Analysis</b>					Working Capital Change	-2.6	-9.2	-3.5	-5.7
Net Operating Cash Flow	15.3	16.5	28.2	32.5	<b>Cash from Operations</b>	<b>22.6</b>	<b>23.4</b>	<b>40.5</b>	<b>47.7</b>
Capex (Reported) inc loan book	-19.8	-29.0	-48.4	-36.2	Corporate Interest	-0.7	0.4	0.0	-1.1
Group Free Cash Flow (rep'ted)	-4.5	-12.5	-20.2	-3.7	Tax Paid	-6.6	-7.3	-12.3	-14.1
Fixed Debt Repayments	-0.2	-0.3	-0.4	-0.6	<b>Net Operating Cash Flow</b>	<b>15.3</b>	<b>16.5</b>	<b>28.2</b>	<b>32.5</b>
<b>Equity Free Cash Flow (rep'ted)</b>	<b>-4.7</b>	<b>-12.8</b>	<b>-20.6</b>	<b>-4.3</b>	Capital Expenditure	-1.5	-3.4	-8.7	-7.3
HP Lease Capex (non-cash)	0.0	0.0	0.0	0.0	Other (including loan book)	-7.2	-10.7	-14.2	-21.4
Free Cash Flow (normalised)	-4.7	-12.8	-20.6	-4.3	Investments & acquisitions	-11.0	-15.0	-25.4	-7.5
Capex (inc HP) / depreciation	129%	215%	303%	141%	<b>Net Investing Cash Flow</b>	<b>-19.8</b>	<b>-29.0</b>	<b>-48.4</b>	<b>-36.2</b>
					Proceeds from Equity Issues	-0.4	68.5	0.0	0.0
<b>Share Data</b>					Net Change in Debt & Leases	4.0	-1.9	7.5	13.0
Ord Issued shares (m)	240.0	379.8	379.8	379.8	Dividends Paid	-7.2	-9.2	-12.3	-14.2
<i>growth</i>	0.6%	58.2%	0.0%	0.0%	<b>Net Financing Cash Flow</b>	<b>-3.8</b>	<b>56.8</b>	<b>-4.8</b>	<b>-1.3</b>
Weighted ave shares (m)	238.8	334.0	379.8	379.8	<b>Movement in Cash</b>	<b>-8.3</b>	<b>44.3</b>	<b>-25.0</b>	<b>-5.0</b>
<i>growth</i>	-0.9%	39.9%	13.7%	0.0%	<b>HP Lease Capex (non-cash)</b>				
Diluted shares wgted (m)	242.7	334.0	399.8	399.8					
<i>growth</i>	-1.9%	37.6%	19.7%	0.0%	<b>Balance Sheet (\$m)</b>				
					Cash	7.0	50.7	25.7	20.7
<b>Unpaid Capital</b>					Receivables	6.4	8.2	12.2	15.4
Year Expires	Number	% ord	Avg Price	\$m unpaid	Inventories	7.0	10.7	15.8	22.8
30-Jun-11	-	0.0%	\$ -	\$ -	Other (including loan book)	26.2	43.0	57.3	78.6
30-Jun-12	-	0.0%	\$ -	\$ -	<b>Total Current Assets</b>	<b>46.6</b>	<b>112.6</b>	<b>111.0</b>	<b>137.6</b>
30-Jun-13	4,000,000	1.1%	\$ -	\$ -	Property, Plant & Equipment	4.6	6.8	22.0	27.4
30-Jun-14	10,000,000	2.6%	\$ -	\$ -	Intangibles (inc. Goodwill)	60.3	70.6	86.7	90.9
30-Jun-15	-	0.0%	\$ -	\$ -	Other	3.2	7.1	7.1	7.1
30-Jun-16	-	0.0%	\$ -	\$ -	<b>Total Non Current Assets</b>	<b>68.2</b>	<b>84.5</b>	<b>115.8</b>	<b>125.5</b>
30-Jun-17	6,000,000	1.6%	\$ -	\$ -	<b>Total Assets</b>	<b>114.8</b>	<b>197.1</b>	<b>226.8</b>	<b>263.1</b>
TOTAL	20,000,000	5.3%	\$ -	\$ -	Accounts Payable	8.4	10.5	16.2	20.7
					Interest Bearing Liabilities	3.9	3.3	3.3	3.3
<b>Directors &amp; Senior Management</b>					Other	5.7	8.6	8.6	8.6
Mr Reginald Webb (Chairman)	<b>Substantials (post transaction)</b>				<b>Total Current Liabilities</b>	<b>18.0</b>	<b>22.4</b>	<b>28.1</b>	<b>32.6</b>
Mr Peter Cumins (Managing Director)	EZ Corp	32.8% (52.9%)			Accounts Payable	0.0	0.0	0.0	0.0
Mr John Yeudall (Non-executive Director)	Rand Holdings Pty Ltd	5.1% (3.0%)			Interest Bearing Liabilities	13.0	10.6	18.2	31.1
Mr William Love (Non-executive Director)					Other	1.3	1.3	1.3	1.3
Mr Joseph Beal (Non-executive Director)					<b>Total Non Current Liabilities</b>	<b>14.2</b>	<b>11.9</b>	<b>19.5</b>	<b>32.4</b>
Company Secretary - Mr Ralph Groom					<b>Total Liabilities</b>	<b>32.3</b>	<b>34.3</b>	<b>47.5</b>	<b>65.0</b>
					<b>Net Assets</b>	<b>82.5</b>	<b>162.9</b>	<b>179.3</b>	<b>198.1</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	13.7
Analyst: Trent Barnett					Last Earnings Estimate Changes:				
Phone: +61 8 9268 3052					21 February 2011				
Sources: IRESS, Company Information, Hartleys Research									

Fig. 1: Scenario analysis

Assumed Valuation Today	0.59	0.63	0.68	0.72	0.77	0.82	0.86	0.88	0.91	0.95	1.00	1.04	1.09	1.13
Assumed Twelve month price target	0.65	0.70	0.75	0.80	0.85	0.90	0.95	0.98	1.00	1.05	1.10	1.15	1.20	1.25
FY13 pe (Hartleys NPAT estimate)	6.6x	7.1x	7.6x	8.1x	8.6x	9.1x	9.6x	9.9x	10.1x	10.6x	11.1x	11.6x	12.1x	12.6x
EZCORP offer per share	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91
<b>Direct value 'give up'</b>														
Opport. Gain/Loss per share	-0.32	-0.28	-0.23	-0.19	-0.14	-0.09	-0.05	-0.03	0.00	0.04	0.09	0.13	0.18	0.22
Shares affected (sold)	77	77	77	77	77	77	77	77	77	77	77	77	77	77
Price of Strategic Alliance	-25	-21	-18	-14	-11	-7	-4	-2	0	3	7	10	14	17
Required additional gain on remaining shares	-0.15	-0.13	-0.11	-0.09	-0.07	-0.04	-0.02	-0.01	0.00	0.02	0.04	0.06	0.08	0.11
Required target price on remaining shares	0.50	0.57	0.64	0.71	0.78	0.86	0.93	0.97	1.00	1.07	1.14	1.21	1.28	1.36
Implied required mkt cap	199	228	256	285	313	342	370	388	399	428	456	485	513	542
<b>FY13 NPAT of 'Alliance' to be value neutral</b>	<b>-9.3</b>	<b>-7.4</b>	<b>-5.8</b>	<b>-4.3</b>	<b>-3.1</b>	<b>-2.0</b>	<b>-1.0</b>	<b>-0.5</b>	<b>-0.1</b>	<b>0.7</b>	<b>1.5</b>	<b>2.1</b>	<b>2.8</b>	<b>3.3</b>
<b>20% control premium 'give up'</b>														
Current implied valuation + 20%	0.71	0.76	0.82	0.87	0.92	0.98	1.03	1.06	1.09	1.14	1.20	1.25	1.30	1.36
Opport. Gain/Loss per share	0.02	0.04	0.07	0.09	0.11	0.13	0.16	0.17	0.18	0.20	0.23	0.25	0.27	0.29
Shares affected	255	255	255	255	255	255	255	255	255	255	255	255	255	255
Price of Strategic Alliance	5	11	17	23	29	34	40	43	46	52	57	63	69	75
Required additional gain on remaining shares	0.01	0.02	0.03	0.04	0.05	0.06	0.07	0.08	0.09	0.10	0.11	0.12	0.13	0.14
Required target price on remaining shares	0.66	0.72	0.78	0.84	0.90	0.96	1.02	1.06	1.09	1.15	1.21	1.27	1.33	1.39
Implied required mkt cap	264	288	312	337	361	385	410	425	434	458	482	507	531	555
<b>FY13 NPAT of 'Alliance' to be value neutral</b>	<b>0.6</b>	<b>1.2</b>	<b>1.7</b>	<b>2.1</b>	<b>2.5</b>	<b>2.8</b>	<b>3.1</b>	<b>3.2</b>	<b>3.4</b>	<b>3.6</b>	<b>3.8</b>	<b>4.0</b>	<b>4.2</b>	<b>4.4</b>
<b>Direct value 'give up' plus 20% control premium 'give up'</b>														
Total price of strategic alliance	-19	-10	-1	9	18	27	36	41	46	55	64	73	83	92
Required target price on remaining shares	0.51	0.59	0.67	0.75	0.84	0.92	1.00	1.05	1.08	1.17	1.25	1.33	1.41	1.49
Implied required mkt cap	203	236	269	302	334	367	400	420	433	466	499	531	564	597
<b>FY13 NPAT of 'Alliance' to be value neutral</b>	<b>-8.7</b>	<b>-6.2</b>	<b>-4.1</b>	<b>-2.3</b>	<b>-0.6</b>	<b>0.8</b>	<b>2.1</b>	<b>2.8</b>	<b>3.3</b>	<b>4.4</b>	<b>5.3</b>	<b>6.2</b>	<b>7.0</b>	<b>7.7</b>

Source: Bloomberg

Fig. 2: Scenario analysis



Source: Bloomberg

Fig. 3: We have believed CCV is worth circa 80-90cps for a long time



Source: Bloomberg

Fig. 4: Half year P &amp; L and Balance Sheet

Profit & Loss (\$m)	Jun-09a	Dec-09a	Jun-10a	Dec-10a	Jun-11e	FY11e
AUD/GBP	0.474	0.538	0.582	0.609	0.623	0.616
Safrock Loan Book	21.4	31.9	38.7	47.3	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>	48.0%	44.9%	39.3%	42.8%	41.5%	42.1%
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>	76.6%	87.7%	89.9%	90.5%	88.3%	89.3%
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>	12.9%	11.8%	10.1%	11.7%	10.3%	11.0%
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>	38.5%	39.3%	36.5%	25.9%	24.1%	25.0%
<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>	11.1%	20.0%	13.5%	30.6%	14.9%	49.3%
<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>	2.7%	21.9%	9.9%	26.8%	3.4%	35.1%
<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, wghtd)</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%
Payout Ratio	43.2%	42.9%	50.4%	46.5%	46.0%	44.3%
<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 believe there is still substantial growth for CCV 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 has been 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.*

*The strategic alliance will also require capital*

<b>Cashflow Statement (\$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>
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>						
<b>Free Cash Flow Analysis</b>	<b>Jun-09a</b>	<b>Dec-09a</b>	<b>Jun-10a</b>	<b>Dec-10a</b>	<b>Jun-11e</b>	<b>FY11e</b>
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: Indicative Timetable**

*Indicatively, the scheme meeting is expected on 22 June 2011*

<b>Event</b>	<b>Date</b>
Execute Transaction Implementation Agreement and announce transaction	Monday, 21 March 2011
Lodge draft of Scheme Booklet (including Independent Expert's Report) with ASIC	Friday 29 April
Lodge Scheme Booklet with the Court	Monday 16 May
Deed Poll executed by EZCORP (or where relevant, the Nominated Subsidiary)	Monday 16 May
First Court Date	Tuesday 17 May
Scheme Booklet registered with ASIC and released to ASX	Tuesday 17 May 2011
Despatch Scheme Booklet and notices of Scheme Meeting, and the General Meeting, to CCV Shareholders	Monday 23 May 2011
Scheme Meeting	Wednesday 22 June 2011
General Meeting (to be held immediately after the Scheme Meeting)	Wednesday 22 June 2011
Second Court Date	Friday 24 June 2011
Effective Date	Monday 27 June 2011
Scheme Record Date	Monday 4 July 2011
Implementation Date (also the date on which the Joint Venture Agreements will come into effect)	Monday 11 July 2011

Source: Various

## 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 \$0.98 (from \$0.95).

CCV Price Target Methodology	Weighting	Spot	12 mth out
DCF	49%	\$0.86	\$0.89
- 10 years explicit & windup	5%	\$0.70	\$0.72
- 10 years explicit + terminal growth value	44%	\$0.88	\$0.91
12mth forward P/E (diluted) of 12x (Small-cap target)	39%	\$0.95	\$1.13
Price / Book (Dec '10a) 1x \$0.44	1%	\$0.44	\$0.44
12mth fwd Div Yield of 4.8% (Gross yield=6.8%)	11%	\$0.78	\$0.89
<b>Risk weighted composite</b>		<b>\$0.88</b>	<b>\$0.98</b>
<b>12 Months Price Target</b>		<b>\$0.98</b>	
Shareprice - Last		\$0.875	
<b>12 mth total return (% to 12mth target + dividend)</b>		<b>17%</b>	

Source: Hartleys Estimate

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## RISKS

Key risk for CCV is the outcome of the current corporate action and the way that outcome is achieved. Other risks for CCV are 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					Hartleys Research Recommendation
Name	Ticker	Last Price*	M. CAP (A\$m)	Status	
<b>Resources</b>					
<b>Gold</b>					
1. Intrepid Mines Limited	IAU	1.95	832	Explorer	Speculative Buy
2. Beadell Resources Limited	BDR	0.855	531	Developer	Speculative Buy
3. Integra Mining Limited	IGR	0.500	378	Producer	Speculative Buy
4. Silver Lake Resources Limited	SLR	2.08	372	Producer	Buy
5. Gold One International Limited	GDO	0.365	295	Producer	Buy
6. Catalpa Resources Limited	CAH	1.745	284	Producer	Buy
7. Focus Minerals Ltd	FML	0.089	255	Producer	Buy
8. Tanami Gold NL	TAM	0.900	234	Producer	Speculative Buy
9. Papillon Resources Limited	PIR	0.815	149	Explorer	Speculative Buy
10. YTC Resources Limited	YTC	0.685	134	Developer	Buy
11. PMI Gold Corporation Limited	PVM	0.650	125	Developer	Speculative Buy
12. Cortona Resources Limited	CRC	0.180	35	Developer	Speculative Buy
13. Emmerson Resources Limited	ERM	0.140	28	Explorer	Speculative Buy
14. Ausquest Limited	AQD	0.125	28	Explorer	Speculative Buy
15. Canyon Resources Limited	CAY	0.420	13	Explorer	Speculative Buy
16. Southern Gold Limited	SAU	0.090	13	Explorer	Speculative Buy
17. Geopacific Resources NL	GPR	0.300	11	Explorer	Speculative Buy
<b>Iron Ore</b>					
1. Atlas Iron Limited	AGO	3.290	1,797	Producer	Buy
2. Centaurus Metals Ltd	CTM	0.105	63	Explorer	Speculative Buy
<b>Coal</b>					
1. Riversdale Mining Limited	RIV	15.900	2,996	Developer	No Rating
<b>Base Metals</b>					
1. Western Areas NL	WSA	6.110	1,093	Nickel Producer	No Rating
2. Jabiru Metals Limited	JML	0.780	431	Zinc-Copper Producer	Buy
<b>Other metals</b>					
1. Kasbah Resources Limited	KAS	0.295	70	Tin Developer	Buy
2. Shaw River Resources Limited	SRR	0.230	58	Manganese:	Speculative Buy
3. Hazelwood Resources Ltd	HAZ	0.200	46	Tungsten Developer	Speculative Buy
<b>Uranium</b>					
1. Peninsula Energy Ltd	PEN	0.105	219	Developer	Speculative Buy
2. Impact Minerals Limited	IPT	0.115	0	Explorer	Speculative Buy
Sub-Total			10,492		

Hartleys Research Coverage					Hartleys Research Recommendation
Name	Ticker	Last Price*	M. CAP (A\$m)	Status	
<b>Oil &amp; Gas</b>					
<b>Conventional Oil &amp; Gas</b>					
1. Woodside Petroleum Ltd	WPL	44.96	35,075	Major	Buy
2. Nexus Energy Ltd	NXS	0.48	455	Developer / Explorer	Speculative Buy
3. Tap Oil Ltd	TAP	1.13	271	Producer / Explorer	Buy
4. Carnarvon Petroleum Ltd	CVN	0.36	244	Producer / Explorer	Buy
5. FAR Ltd	FAR	0.12	149	Explorer / Producer	Speculative Buy
6. Cooper Energy Ltd	COE	0.39	113	Producer / Explorer	Buy
7. Amadeus Energy Ltd	AMU	0.31	93	Producer / Explorer	Hold
8. Otto Energy Ltd	OEL	0.09	92	Explorer / Producer	Buy
9. Hawkeye Oil and Gas Ltd	HOG	0.45	61	Producer / Explorer	Buy
10. Sun Resources NL	SUR	0.03	12	Explorer / Producer	Hold
<b>Non Conventional Oil &amp; Gas</b>					
1. Aurora Oil and Gas Ltd	AUT	2.98	1,202	Producer / Developer	Reduce
2. Samson Oil & Gas Ltd	SSN	0.185	312	Developer / Producer	Buy
3. Oilex Ltd	OEX	0.41	103	Explorer / Producer	Speculative Buy
4. European Gas Ltd	EPG	0.45	90	Producer / Explorer	Speculative Buy
5. Strike Energy Ltd	STX	0.19	61	Explorer / Producer	Buy
6. Entek Energy Ltd	ETE	0.15	43	Producer / Explorer	Speculative Buy
Sub-Total			38,375		
<b>Industrials</b>					
<b>Resource Services - Capital Intensive</b>					
1. Ausdrill Limited	ASL	3.47	909	Contract Drilling	Buy
2. Matrix Composites & Engineering	MCE	9.35	682	Oil & Gas Services	Buy
3. NRW Holdings Ltd	NWH	2.67	671	Contract mining	Buy
4. Mermaid Marine Ltd	MRM	3.14	669	Oil & Gas Services	Speculative Buy
5. Fleetwood Corporation	FWD	11.43	658	Accommodation	Hold
6. Clough Limited	CLO	0.84	571	Oil & Gas Construction	No Rating
7. Macmahon Holdings Limited	MAH	0.55	404	Contract mining	Hold
8. MACA Ltd	MLD	2.60	390	Contract mining	Buy
9. Imdex Ltd	IMD	1.93	373	Drilling Supplies	Buy
10. Pacific Energy Ltd	PEA	0.45	158	Remote Power	Buy
11. Swick Mining Services Ltd	SWK	0.34	80	Contract Drilling	Speculative Buy
12. Neptune Marine Ltd	NMS	0.05	22	Oil & Gas Services	Speculative Buy
<b>Resource Services - Labour Intensive</b>					
13. Monadelphous Group Limited	MND	21.12	1,817	Construction	Buy
14. Decmil Group Limited	DCG	3.03	375	Construction	Buy
15. Lycopodium Limited	LYL	6.49	251	Engineer. & Constr.	Speculative Buy
16. RCR Tomlinson Ltd	RCR	1.62	213	Engineer. & Constr.	Buy
17. LogiCamms Limited	LCM	1.49	89	Engineer. & Constr.	Buy
18. VDM Group Limited	VMG	0.24	50	Engineer. & Constr.	Speculative Buy
<b>Other Industrial Companies</b>					
19. West Australia News Hdgs Ltd	WAN	5.30	3,993	Media	Hold
20. Austal Limited	ASB	2.86	538	Civil and Military Vessels	Buy
21. iiNet Limited	IIN	2.47	376	Telecommunications	Buy
22. Cash Converters Internat. Limited	CCV	0.86	344	Unsecured Finance	Hold
23. Amcom Telecommunications	AMM	0.30	215	Telecommunications	Buy
24. RedHill Education Ltd	RDH	0.18	5	'For profit' education	Hold
Sub-Total			13,851		
67. GRAND TOTAL			62,718		

Source: IRESS, Hartleys Research. \* 22 Mar 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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