

31 May 2011

CASH CONVERTERS INTERNAT. LIMITED

Regulatory noise will never go away.

The Cash Converters International Ltd ("Cash Converters", "CCV", "The Company") share price has fallen ~7.5% today to 68.5cps. One explanation for the sell off could be the recent newspaper article which highlights regulatory risk in Australia ("Payday lending cap could convert profit into a loss", The Australian Financial Review, 30 May 2011).

Regulatory risk noise will probably never go away and the CCV share price usually reacts, but we believe regulation that eliminates the industry is very unlikely. The Australian Government is currently assessing Phase 2 of the COAG National Credit Reforms. This process began several years ago and is part of the Federal Government implementing a nationally consistent consumer credit framework to improve the effectiveness of consumer protection and reduce costs of doing business across Australian states. Phase 1 was a significant body of regulatory reform for all credit providers (and has been implemented fully by CCV). Phase 2 is fine tuning of this reform, part of which includes considering interest rate caps.

In the Phase 2 green paper released last year, there were several proposals raised in Section 5 regarding fringe/payday/micro lending:

- 1) Maintain the status quo (no further Commonwealth intervention);
- 2) Implement a national interest rate cap;
- 3) Introduce warnings on high-cost products (enhanced disclosure);
- 4) Prohibit rollovers;
- 5) Place restrictions on fees or charges.

We expect the Government to make proposals in the next six months, and consequently we expect to see more announcements on regulation over coming months.

CCV looks cheap. Upgrade to Buy

CCV recently received a proportional takeover offer from its largest shareholder, EZCORP. The transaction is via a scheme of arrangement whereby EZCORP will compulsorily acquire 30% of all other shareholders' shares, if approved.

If one assumes the deal proceeds, then the current share price (68.5cps) implies that CCV shares post transaction will trade at ~59cps. That would imply CCV trades on ~7.2x FY12 p/e (if the EZCORP deal does not proceed, then CCV is currently trading 8.3x FY12 p/e). So, if you believe there won't be an extreme adverse regulatory outcome, CCV looks like good buying.

Another way of looking at it, if you believe CCV should be a 10x p/e business then the current share price is factoring in ~15-30% regulatory hit to earnings. Consequently, we believe the current share price is now already factoring a pretty severe adverse regulatory outcome and have increased our recommendation to Buy (from Neutral). We have a \$1.00 twelve month price target.

Share Price:	\$0.685
Valuation:	\$0.90
12mth price target:	\$1.00

Brief Business Description:

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

Hartleys Brief Investment Conclusion:

Share price now assumes a negative regulatory outcome. Undervalued.

Chairman & CEO:

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

Top Shareholders:

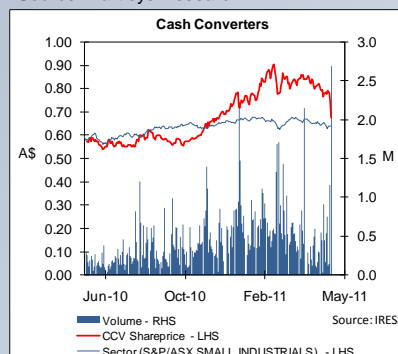
EZ Corp 32.8% (52.9%)
Rand Holdings Pty Ltd 5.1% (2.0%)

Company Address:

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

Issued Capital:	379.8m
- fully diluted	399.8m
Market Cap:	\$260.1m
- fully diluted	\$273.8m
Net Debt (31 Dec '10a):	-\$11.5m
	FY10a FY11e FY12e
Op Cash Flw	16.5 28.2 32.6
Free Cash Flw	-1.9 -6.0 17.8
NPAT (A\$m)	21.6 30.0 33.1
EPS (\$, dil)	6.5 7.5 8.3
P/E (basic)	10.6x 9.1x 7.9x
P/E (diluted)	10.6x 9.1x 8.3x
EV / EBITDA	7.6x 5.7x 4.7x
DPS (\$)	0.030 0.035 0.043
Franking	100% 100% 100%
Dividend Yield	4.4% 5.1% 6.2%
N.D. / equity	-22.6% -2.4% 4.5%

Source: Hartleys Research



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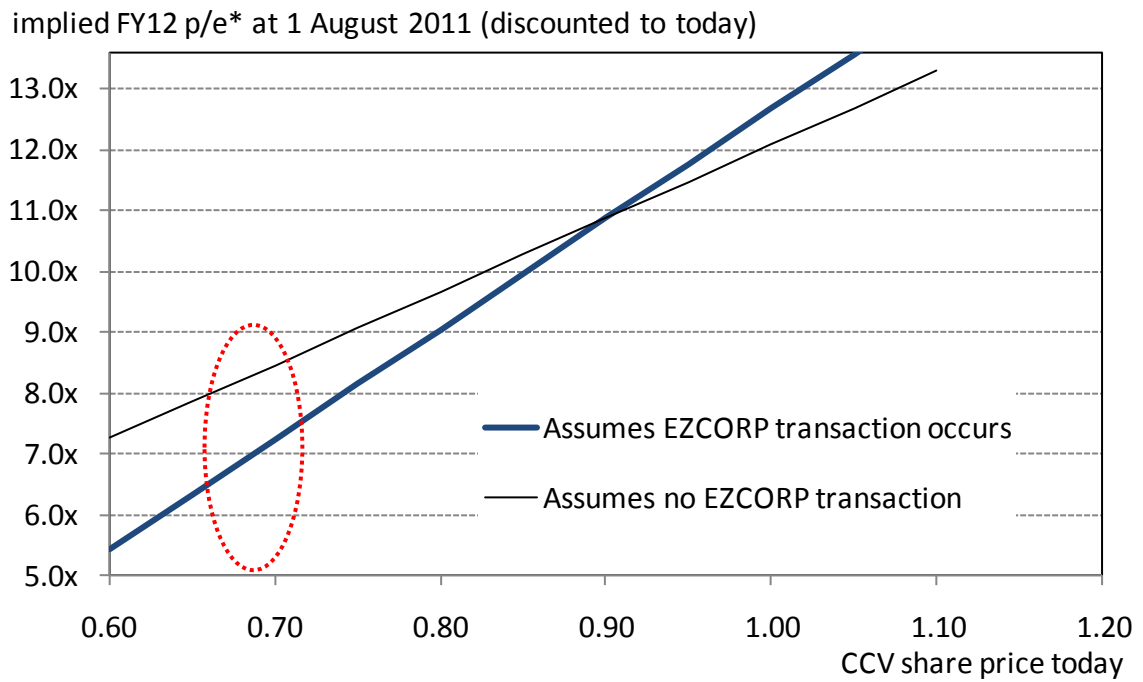
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Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Cash Converters International, for which it has earned fees and continues to earn fees. The analyst has a beneficial interest in CCV shares. See disclosure on back page for details.

SUMMARY MODEL

Cash Converters International Ltd (CCV)					Recommendation: Buy					
Company Information					Profit & Loss (\$m)					
Today's Date	31 May 2011	Level 18, 37 St. Georges Tce,			AUD/GBP	0.463	0.560	0.616	0.616	
Share Price	\$0.685	Perth, WA, 6000			Safrock Loan Book	21.4	38.7	52.9	69.7	
52 Week High-Low	\$0.91 - \$0.53	Ph: (08) 9221 9111			Safrock Revenue	20.6	37.1	52.8	61.2	
Market Cap (\$m)	\$260.1	Fax: (08) 9221 9011			Safrock PBT	9.8	15.5	22.2	24.6	
Enterprise Value (\$m)	\$248.7	www.cashconverters.com.au			<i>margin</i>	47.4%	41.7%	42.1%	40.3%	
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%	
Valuation					Owned # (UK + Aust) - end	37	53	96	119	
Spot DCF - 10 years explicit + terminal growth value	\$0.90				Owned Stores Revenue	45.8	62.5	96.5	139.1	
12mth fwd DCF - 10 years explicit + terminal growth value	\$0.94				Owned Stores PBT	5.4	6.8	10.6	13.9	
12mth forward P/E (diluted) of 12x (Small-cap target)	\$1.15				<i>margin</i>	11.8%	10.9%	11.0%	10.0%	
Price / Book (Dec '10a) 1x \$0.44	\$0.44				Franchised # (UK + Aust) - end	235	231	227	232	
12mth fwd Div Yield of 4.9% (Gross yield=7.0%)	\$0.86				Franchise Revenue	24.4	23.0	25.8	21.1	
12 Months Price Target (wgted avg above 4 avg)	\$1.00				Franchise PBT	9.5	8.7	6.4	5.3	
P / E (6/12F) at price target	12.1x				<i>margin</i>	38.9%	37.9%	25.0%	25.0%	
P / E (6/13F) at price target	10.2x				Divisional PBT	32.2	40.1	51.7	59.5	
EV/EBITDA (6/13F) at price target	6.3x				Overheads	-8.9	-8.9	-10.5	-12.2	
EV/EBIT (6/13F) at price target	7.1x				EBITDA - Group	25.1	32.6	44.0	53.4	
Multiples (\$/price at \$0.69)					growth	10.3%	29.6%	35.1%	21.5%	
P / E (basic, weighted)	10.1x	10.6x	9.1x	7.9x	EBITDA / Sales	26.8%	25.7%	23.3%	22.4%	
P / E (fully diluted, weighted)	10.3x	10.6x	9.1x	8.3x	Depreciation/Amortisation	-1.2	-1.6	-2.9	-5.2	
P / E (ord mkt cap / NPAT)	16.1x	12.0x	8.7x	7.9x	EBIT	24.0	31.0	41.1	48.3	
Dividend Yield	4.4%	4.4%	5.1%	6.2%	EBIT / Sales	25.5%	24.5%	21.8%	20.2%	
Group Free Cash Flow (f.c.f.) / EV	-1.8%	-5.0%	-8.1%	0.4%	Net Corporate Interest	-0.7	0.2	0.0	-1.0	
Equity f.c.f. / Mkt Cap	-1.8%	-4.9%	-7.9%	0.2%	Pretax Profit	23.3	31.2	41.1	47.3	
Norm f.c.f. / Mkt cap	-1.8%	-4.9%	-7.9%	0.2%	Tax	-7.2	-9.5	-12.3	-14.2	
Mkt cap / operating cash flow	11.5x	11.1x	6.4x	5.4x	Effective Tax Rate	30.7%	30.6%	30.0%	30.0%	
EV/EBITDA multiple	9.9x	7.6x	5.7x	4.7x	Minorities	0.0	0.0	0.0	0.0	
EV/EBIT multiple	10.4x	8.0x	6.0x	5.2x	Normalised NPAT to equity	16.2	21.6	30.0	33.1	
Price / Book Value	2.0x	1.6x	1.5x	1.3x	Norm. Net Profit / Sales	17.2%	17.1%	15.9%	13.9%	
Price / NTA	7.4x	2.8x	2.8x	2.4x	Abnormals / discontinued	0.0	0.0	-1.3	0.0	
Ratios					Reported Profit to equity	16.2	21.6	28.7	33.1	
Return on Average Equity	20.7%	17.6%	17.5%	17.5%	Reported EPS (basic, weighted)	6.8	6.5	7.6	8.7	
Return on Assets	15.1%	13.9%	14.2%	13.6%	Normalised EPS (dil, wghtd)	6.7	6.5	7.5	8.3	
ND / ND + Equity	10.7%	-29.2%	-2.4%	4.3%	DPS (\$)	0.0300	0.0300	0.0350	0.0425	
Net Interest Cover (EBIT)	36.3	-155.3	nm	50.0	Franking	100%	100%	100%	100%	
Reported eps growth	7.7%	-4.3%	16.9%	15.1%	Payout Ratio	44.5%	52.7%	44.3%	48.8%	
Free Cash Flow Analysis					Cashflow Statement (\$m)					
Net Operating Cash Flow	15.3	16.5	28.2	32.6	EBITDA (inc Safrock interest)	25.1	32.6	44.0	53.4	
Capex (Reported) inc loan book	-19.8	-29.0	-48.4	-31.6	Working Capital Change	-2.6	-9.2	-3.5	-5.7	
Group Free Cash Flow (rep'ted)	-4.5	-12.5	-20.2	1.0	Cash from Operations	22.6	23.4	40.5	47.8	
Fixed Debt Repayments	-0.2	-0.3	-0.4	-0.6	Corporate Interest	-0.7	0.4	0.0	-1.0	
Equity Free Cash Flow (rep'ted)	-4.7	-12.8	-20.6	0.4	Tax Paid	-6.6	-7.3	-12.3	-14.2	
HP Lease Capex (non-cash)	0.0	0.0	0.0	0.0	Net Operating Cash Flow	15.3	16.5	28.2	32.6	
Free Cash Flow (normalised)	-4.7	-12.8	-20.6	0.4	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	-16.8	
Share Data					Investments & acquisitions	-11.0	-15.0	-25.4	-7.5	
Ord Issued shares (m)	240.0	379.8	379.8	379.8	Net Investing Cash Flow	-19.8	-29.0	-48.4	-31.6	
<i>growth</i>	0.6%	58.2%	0.0%	0.0%	Proceeds from Equity Issues	-0.4	68.5	0.0	0.0	
Weighted ave shares (m)	238.8	334.0	379.8	379.8	Net Change in Debt & Leases	4.0	-1.9	7.5	8.2	
<i>growth</i>	-0.9%	39.9%	13.7%	0.0%	Dividends Paid	-7.2	-9.2	-12.3	-14.2	
Diluted shares wgted (m)	242.7	334.0	399.8	399.8	Net Financing Cash Flow	-3.8	56.8	-4.8	-6.0	
<i>growth</i>	-1.9%	37.6%	19.7%	0.0%	Movement in Cash	-8.3	44.3	-25.0	-5.0	
Unpaid Capital					HP Lease Capex (non-cash)					
Year Expires	Number	% ord	Avg Price	\$m unpaid						
30-Jun-11	-	0.0%	\$ -	\$ -						
30-Jun-12	-	0.0%	\$ -	\$ -						
30-Jun-13	4,000,000	1.1%	\$ -	\$ -						
30-Jun-14	10,000,000	2.6%	\$ -	\$ -						
30-Jun-15	-	0.0%	\$ -	\$ -						
30-Jun-16	-	0.0%	\$ -	\$ -						
30-Jun-17	6,000,000	1.6%	\$ -	\$ -						
TOTAL	20,000,000	5.3%	\$ -	\$ -						
Directors & Senior Management					Balance Sheet (\$m)					
Mr Reginald Webb (Chairman)	EZ Corp				32.8% (52.9%)	Cash	7.0	50.7	25.7	20.7
Mr Peter Cumins (Managing Director)	Rand Holdings Pty Ltd				5.1% (2.0%)	Receivables	6.4	8.2	12.2	15.4
Mr John Yeudall (Non-executive Director)						Inventories	7.0	10.7	15.8	22.8
Mr William Love (Non-executive Director)						Other (including loan book)	26.2	43.0	57.3	74.0
Mr Joseph Beal (Non-executive Director)						Total Current Assets	46.6	112.6	111.0	133.0
Company Secretary - Mr Ralph Groom						Property, Plant & Equipment	4.6	6.8	22.0	27.4
						Intangibles (inc. Goodwill)	60.3	70.6	86.7	90.9
						Other	3.2	7.1	7.1	7.1
						Total Non Current Assets	68.2	84.5	115.8	125.5
						Total Assets	114.8	197.1	226.8	258.4
						Accounts Payable	8.4	10.5	16.2	20.7
						Interest Bearing Liabilities	3.9	3.3	3.3	3.3
						Other	5.7	8.6	8.6	8.6
						Total Current Liabilities	18.0	22.4	28.1	32.6
						Accounts Payable	0.0	0.0	0.0	0.0
						Interest Bearing Liabilities	13.0	10.6	18.2	26.4
						Other	1.3	1.3	1.3	1.3
						Total Non Current Liabilities	14.2	11.9	19.5	27.7
						Total Liabilities	32.3	34.3	47.5	60.3
						Net Assets	82.5	162.9	179.3	198.2
						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	9.0
Analyst: Trent Barnett					Last Earnings Estimate Changes:					
Phone: +61 8 9268 3052					21 February 2011					
Sources: IRESS, Company Information, Hartleys Research										

Fig. 1: We have believed CCV is worth circa 80-90cps for a long time



Source: Hartleys. * calculated by determining the share price required to make selling all shares on market today at 68cps realise the same dollar value as waiting and selling 30% of shares into the EZCORP offer at 91cps.

Fig. 2: Current Pay Day Lending Regulations**Table 1: Regulation in the States and Territories**

Jurisdiction	Regulation
ACT	<ul style="list-style-type: none"> • A maximum cap of 48 per cent per annum, inclusive of fees and charges. • Credit providers are required to be registered. • Responsible lending obligations apply to credit card providers. • The ACT Government has not made an announcement about the future of its interest rate cap.
New South Wales	<ul style="list-style-type: none"> • A maximum cap of 48 per cent per annum, inclusive of interest, fees and charges commenced in March 2006. • In March 2010 NSW enacted legislation which continues, until 1 July 2011, its interest rate cap with amendments to expand the definition of credit fees and charges included in the calculation.
Northern Territory	<ul style="list-style-type: none"> • No interest rate cap or licensing/registration requirements.
Queensland	<ul style="list-style-type: none"> • A maximum cap of per cent per annum, inclusive of interest, fees and charges. Current arrangements commenced on 31 July 2008. • Queensland has retained its interest rate cap.
South Australia	<ul style="list-style-type: none"> • No interest rate cap. However, following the release of a discussion paper in October 2006, South Australia developed legislation to introduce an interest rate cap which was put on hold in light of the impending transfer to the Commonwealth.
Tasmania	<ul style="list-style-type: none"> • No interest rate cap or licensing/registration requirements. • Introduced, but did not enact, legislation to restrict advertising of credit products where the total cost of credit exceeded 40 per cent per annum.
Victoria	<ul style="list-style-type: none"> • A maximum cap of 48 per cent per annum for unsecured credit and 30 per cent per annum for secured credit, exclusive of fees and charges. • Victoria has enacted legislation which continues its cap until 1 July 2011. • Credit providers are required to be registered. • Unfair contract terms have applied to credit contracts since mid-2009. • Mandatory EDR membership since March 2009.
Western Australia	<ul style="list-style-type: none"> • No interest rate cap. • Credit providers (except authorised deposit-taking institutions (ADIs)) must be licensed.

Source: The Australian Treasury.

Fig. 3: Half year P & 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%
Group Revenue	49.4	59.3	67.3	87.9	101.0	188.9
<i>growth</i>	11.1%	20.0%	13.5%	30.6%	14.9%	49.3%
EBITDA - Group	12.7	15.5	17.1	21.6	22.4	44.0
<i>growth</i>	2.7%	21.9%	9.9%	26.8%	3.4%	35.1%
EBITDA / Sales	25.8%	26.2%	25.3%	24.6%	22.1%	23.3%
Depreciation/Amortisation	-0.6	-0.7	-0.9	-1.1	-1.8	-2.9
EBIT	12.1	14.8	16.2	20.5	20.6	41.1
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
Pretax Profit	11.7	14.8	16.4	20.5	20.6	41.1
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
Normalised NPAT to equity	8.3	10.1	11.6	14.7	15.3	30.0
Norm. Net Profit / Sales	16.7%	17.0%	17.2%	16.7%	15.1%	15.9%
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
Reported EPS (basic, weighted)	3.47	3.50	2.98	3.77	3.80	7.6
Normalised EPS (dil, wghtd)	3.36	3.50	2.98	3.68	3.82	7.5
DPS (\$)	0.0150	0.0150	0.0150	0.0175	0.0175	0.0350
Franking	100%	100%	100%	100%	100%	100%
Payout Ratio	43.2%	42.9%	50.4%	46.5%	46.0%	44.3%
Balance Sheet (\$m)	Jun-09a	Dec-09a	Jun-10a	Dec-10a	Jun-11e	FY11e
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
Total Current Assets	46.6	108.3	112.6	102.7	111.0	111.0
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
Total Non Current Assets	68.2	71.9	84.5	107.6	115.8	115.8
Total Assets	114.8	180.1	197.1	210.3	226.8	226.8
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
Total Current Liabilities	18.0	21.6	22.4	30.3	28.1	28.1
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
Total Non Current Liabilities	14.2	12.3	11.9	11.8	19.5	19.5
Total Liabilities	32.3	33.9	34.3	42.1	47.5	47.5
Net Assets	82.5	146.3	162.9	168.2	179.3	179.3
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 was very strong in the first 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 with EZCORP will also require capital

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
Cash from Operations	10.3	12.8	10.6	19.2	21.4	40.5
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
Net Operating Cash Flow	6.9	9.2	7.3	14.5	13.7	28.2
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
Net Investing Cash Flow	-8.9	-10.9	-18.1	-33.8	-14.6	-48.4
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
Net Financing Cash Flow	-1.9	53.1	3.6	-7.5	2.7	-4.8
Movement in Cash	-3.9	51.4	-7.1	-26.9	1.9	-25.0
HP Lease Capex (non-cash)						
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
Equity Free Cash Flow (rep'ted)		-4.3	-13.1	-21.5	-3.7	-20.6
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

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).

PRICE TARGET

Our twelve month price target is largely unchanged \$1.00 (from \$0.98).

CCV Price Target Methodology	Weighting	Spot	12 mth out
DCF	49%	\$0.88	\$0.92
- 10 years explicit & windup	5%	\$0.70	\$0.72
- 10 years explicit + terminal growth value	44%	\$0.90	\$0.94
12mth forward P/E (diluted) of 12x (Small-cap target)	39%	\$0.98	\$1.15
Price / Book (Dec '10a) 1x \$0.44	1%	\$0.44	\$0.44
12mth fwd Div Yield of 4.9% (Gross yield=7.0%)	11%	\$0.76	\$0.86
Risk weighted composite		\$0.90	\$1.00
12 Months Price Target		\$1.00	
Shareprice - Last		\$0.685	
12 mth total return (% to 12mth target + dividend)		51%	

Source: Hartleys Estimate

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

Aust:

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	Hartleys Research Recommendation
Resources					
Gold					
1. Intrepid Mines Limited	IAU	1.85	789	Explorer	Speculative Buy
2. Beadell Resources Limited	BDR	0.845	525	Developer	Accumulate
3. Gold One International Limited	GDO	0.510	412	Producer	No Rating
4. Integra Mining Limited	IGR	0.475	359	Producer	Speculative Buy
5. Silver Lake Resources Limited	SLR	1.81	323	Producer	Buy
6. Catalpa Resources Limited	CAH	1.795	292	Producer	Buy
7. Tanami Gold NL	TAM	0.850	221	Producer	Speculative Buy
8. Focus Minerals Ltd	FML	0.071	203	Producer	Buy
9. PMI Gold Corporation Limited	PVM	0.650	125	Developer	Speculative Buy
10. Papillon Resources Limited	PIR	0.635	116	Explorer	Speculative Buy
11. YTC Resources Limited	YTC	0.590	116	Developer	Speculative Buy
12. Ausquest Limited	AQD	0.140	32	Explorer	Speculative Buy
13. Cortona Resources Limited	CRC	0.140	27	Developer	Speculative Buy
14. Emmerson Resources Limited	ERM	0.120	24	Explorer	Speculative Buy
15. Canyon Resources Limited	CAY	0.365	11	Explorer	Speculative Buy
16. Geopacific Resources NL	GPR	0.280	11	Explorer	Speculative Buy
17. Southern Gold Limited	SAU	0.075	11	Explorer	Speculative Buy
Iron Ore					
18. Atlas Iron Limited	AGO	3.70	2,021	Producer	Buy
19. Centaurus Metals Ltd	CTM	0.077	66	Explorer	Speculative Buy
Coal					
20. Riversdale Mining Limited	RIV	16.560	3,120	Developer	No Rating
Base Metals					
21. Independence Group NL	IGO	6.190	1,254	Gold, Ni, Zn, Cu	Buy
22. Aviva Corporation Limited	AVA	0.240	33	Explorer	Speculative Buy
Other metals					
23. Kasbah Resources Limited	KAS	0.250	59	Tin Developer	Buy
24. Shaw River Resources Limited	SRR	0.190	48	Manganese:	Speculative Buy
25. Hazelwood Resources Ltd	HAZ	0.175	40	Tungsten Developer	Speculative Buy
Uranium					
26. Peninsula Energy Ltd	PEN	0.085	177	Developer	Buy
27. Impact Minerals Limited	IPT	0.078	9	Explorer	Speculative Buy
Sub-Total			10,425		

Hartleys Research Coverage					Hartleys Research Recommendation
Name	Ticker	Last Price*	M. CAP (A\$m)	Status	Hartleys Research Recommendation
Oil & Gas					
Conventional Oil & Gas					
1. Woodside Petroleum Ltd	WPL	46.63	36,378	Major	Buy
2. Nexus Energy Ltd	NXS	0.36	340	Developer / Explorer	Speculative Buy
3. Tap Oil Ltd	TAP	0.95	229	Producer / Explorer	Buy
4. Camarvon Petroleum Ltd	CVN	0.22	151	Producer / Explorer	Accumulate
5. FAR Ltd	FAR	0.10	119	Explorer / Producer	Speculative Buy
6. Cooper Energy Ltd	COE	0.40	116	Producer / Explorer	Buy
7. Otto Energy Ltd	OEL	0.10	108	Explorer / Producer	Buy
8. Amadeus Energy Ltd	AMU	0.25	74	Producer / Explorer	Speculative Buy
9. Hawkey Oil and Gas Ltd	HOG	0.33	61	Producer / Explorer	Buy
10. WHL Energy Ltd	WHN	0.03	26	Explorer / Producer	Speculative Buy
11. Sun Resources NL	SUR	0.03	10	Explorer / Producer	Neutral
Non Conventional Oil & Gas					
1. Aurora Oil and Gas Ltd	AUT	3.39	1,368	Producer / Developer	Reduce
2. Samson Oil & Gas Ltd	SSN	0.125	216	Developer / Producer	Buy
3. European Gas Ltd	EPG	0.45	90	Producer / Explorer	Speculative Buy
4. Oilex Ltd	OEX	0.35	89	Explorer / Producer	Speculative Buy
5. Strike Energy Ltd	STX	0.17	54	Explorer / Producer	Buy
6. Entek Energy Ltd	ETE	0.15	43	Producer / Explorer	Speculative Buy
Sub-Total			39,471		
Industrials					
Resource Services - Capital Intensive					
1. Ausdrill Limited	ASL	3.49	1,063	Contract Drilling	Buy
2. NRW Holdings Ltd	NWH	2.86	802	Contract mining	Accumulate
3. Mermaid Marine Ltd	MRM	3.13	667	Oil & Gas Services	Accumulate
4. Fleetwood Corporation	FWD	10.92	626	Accommodation	Neutral
5. Matrix Composites & Engineering	MCE	8.09	590	Oil & Gas Services	Buy
6. Imdex Ltd	IMD	2.07	414	Drilling Supplies	Buy
7. Macmahon Holdings Limited	MAH	0.55	404	Contract mining	Neutral
8. MACA Ltd	MLD	2.50	375	Contract mining	Buy
9. Pacific Energy Ltd	PEA	0.44	154	Remote Power	Buy
10. Swick Mining Services Ltd	SWK	0.41	97	Contract Drilling	Speculative Buy
Resource Services - Labour Intensive					
11. Monadelphous Group Limited	MND	19.02	1,636	Construction	Buy
12. Decmil Group Limited	DCG	3.13	387	Construction	Buy
13. RCR Tomlinson Ltd	RCR	1.80	237	Engineer. & Constr.	Buy
14. Lycopodium Limited	LYL	6.07	235	Engineer. & Constr.	Accumulate
15. LogiCamms Limited	LCM	1.10	73	Engineer. & Constr.	Speculative Buy
16. VDM Group Limited	VMG	0.15	32	Engineer. & Constr.	Speculative Buy
Other Industrial Companies					
17. Seven West Media Limited	SWM	4.30	3,291	Media	Accumulate
18. Austal Limited	ASB	2.70	508	Civil and Military Vessels	Buy
19. iiNet Limited	IIN	2.88	438	Telecommunications	Buy
20. Cash Converters Internat. Limited	CCV	0.69	274	Unsecured Finance	Buy
21. Amcom Telecommunications	AMM	0.34	240	Telecommunications	Buy
22. RedHill Education Ltd	RDH	0.15	4	'For profit' education	Neutral
Sub-Total			12,547		
66. GRAND TOTAL			62,444		

Source: IRESS, Hartleys Research. * 31 May 2011

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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	There is unlikely to be further 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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