

23 Aug 2011

CASH CONVERTERS INTERNAT. LIMITED

10% eps growth. Regulatory decision imminent

Cash Converters Limited ("Cash Converters", "CCV", "Company") reported FY11 normalised NPAT of ~\$28.6m (better than guidance of "better than \$27-27.5m"). The Company declared a dividend of 1.75cps (as expected).

Finance division remains strong...and growing

The loan book grew substantially to ~\$60m including the UK loan book of ~5m GBP. The UK finance division is now profitable. Overall, the Safrock division reported PBT of \$24.4m (1H \$10.6m, 2H \$13.8m) with PBT margins of 43% in 2H. The short term finance division also performed well with margins down slightly in 2H but still healthy at 87.4%.

Corporate stores were disappointing on a reported basis. Revenue grew but reported profit was hurt by one off losses (mainly the ~\$1.5m loss caused by the Queensland floods damaging a store). On a normalised basis, margins were ~9.3% for the 2H (versus 1H 11.7%), the weakness was due to soft trading conditions in the UK in the last months of the year. Franchise margins were also soft and have declined by almost 50% in the last two years to be 21.7% in 2H. The decline is due to falling revenue from the corporatisation of stores.

Cashflow excellent...but continues to be reinvested

Net operating cash flow (our measure) was a very strong \$31.7m for FY11. Investment levels remain high but are slowing in absolute terms and relative to the size of the business. For the full year, net investment spending was \$55m, but this was skewed to the first half. The growth in extra capital for the loan book is slowing (~\$9m in 2H11), although this could be temporary as the UK loan book is still immature and could grow rapidly.

Balance sheet: no cause for a pause

The Company ended FY11 with zero net debt. The Company has \$19m of undrawn debt facilities and is generating ~\$30m in cash flow pa, so there is still substantial organic growth potential. We assume the Company pushes gearing (nd / nd + e) to ~10% by June 2012.

Hartleys makes minimal FY12 and FY13 earnings forecast

The Company made no explicit earnings guidance, which although is unusual for CCV, is understandable given the uncertainty around the regulatory outcomes in Australia. Our forecasts are barely changed. We expect FY12 NPAT of \$33.5m and FY13 NPAT of \$40.1m. We no longer expect increased dividends given the balance sheet and growth prospects.

Retain Buy recommendation. But regulatory decision imminent

We have increased our twelve month price target to \$1.01 (from \$1.00 previously). The Australian Government is currently assessing Phase 2 of the COAG National Credit Reforms, part of which includes considering interest rate caps. We expect the Government to make proposals imminently, which could be, depending on outcomes, a near term risk for the share price.

A benign regulatory outcome combined with certainty would be a major re-rating catalyst. Buying beforehand though is not without risk given the Government's unpredictable policy announcements for other industries. Despite the near term price risk, we maintain "Buy" because we believe, on a medium term outlook, the stock is already priced for an adverse regulatory outcome.

The stock is trading on FY11a p/e of 9.6x, FY12e of 8.2x and FY13e of 6.8x.

Share Price:	\$0.685
Valuation:	\$1.01
12mth price target:	\$1.01

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%)

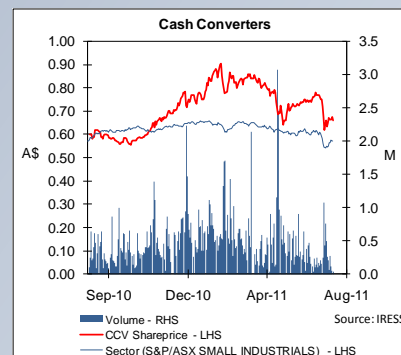
Company Address:

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 (30 Jun '11a):	-\$0.8m

	FY11a	FY12e	FY13e
Op Cash Flw	31.7	29.4	44.7
Free Cash Flw	-5.6	11.9	34.3
NPAT (A\$m)	28.6	33.5	40.1
EPS (\$, dil)	7.1	8.4	10.0
P/E (basic)	9.4x	7.8x	6.5x
P/E (diluted)	9.6x	8.2x	6.8x
EV / EBITDA	5.9x	4.8x	3.9x
DPS (\$)	0.035	0.035	0.035
Franking	100%	100%	100%
Dividend Yield	5.1%	5.1%	5.1%
N.D. / equity	-0.5%	8.9%	7.1%

Source: Hartleys Research



Authors:

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

Peter Gray
Analyst
Ph: +61 8 9268 2837
E: peter_gray@hartleys.com.au

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	23 Aug 2011	Level 18, 37 St. Georges Tce,			AUD/GBP	0.560	0.627	0.627	0.627
Share Price	\$0.685	Perth, WA, 6000			Safrock Loan Book	38.7	62.2	79.1	98.4
52 Week High-Low	\$0.91 - \$0.555	Ph: (08) 9221 9111			Safrock Revenue	37.1	56.6	64.8	79.7
Market Cap (\$m)	\$260.1	Fax: (08) 9221 9011			Safrock PBT	15.5	24.4	27.2	34.0
Enterprise Value (\$m)	\$259.3	www.cashconverters.com.au			<i>margin</i>	41.7%	43.1%	42.0%	42.6%
Ordinary Shares	379.8				Mon-e Revenue	10.2	13.9	18.0	19.7
Fully Diluted Shares	399.8				Mon-e PBT	9.1	12.3	16.3	17.8
Valuation					<i>margin</i>				
Spot DCF - 10 years explicit + terminal growth value	\$1.01				Owned # (UK + Aust) - end	53	88	119	139
12mth fwd DCF - 10 years explicit + terminal growth value	\$1.07				Owned Stores Revenue	62.5	100.9	123.5	145.5
12mth forward P/E (diluted) of 12x (Small-cap target)	\$1.22				Owned Stores PBT	6.8	8.6	12.4	14.5
Price / Book (Jun '11a) 1x \$0.46	\$0.46				<i>margin</i>	10.9%	8.5%	10.0%	10.0%
12mth fwd Div Yield of 4.8% (Gross yield=6.8%)	\$0.74				Franchised # (UK + Aust) - end	231	249	254	262
12 Months Price Target (wgted avg above 4 avg)	\$1.01				Franchise Revenue	23.0	27.4	28.6	29.5
P / E (6/12F) at price target	12.0x				Franchise PBT	8.7	6.5	6.8	7.0
P / E (6/13F) at price target	10.1x				<i>margin</i>	37.9%	23.7%	23.7%	23.7%
EV/EBITDA (6/13F) at price target	6.3x				Divisional PBT	40.1	51.8	62.6	73.4
EV/EBIT (6/13F) at price target	7.1x				Overheads	-8.9	-12.6	-15.2	-16.5
Multiples (\$/price at \$0.69)					EBITDA - Group				
P / E (basic, weighted)	6/10A	6/11A	6/12F	6/13F	32.6	43.9	54.2	66.5	
P / E (fully diluted, weighted)	10.4x	9.4x	7.8x	6.5x	growth	29.6%	34.8%	23.3%	22.9%
P / E (ord mkt cap / NPAT)	10.4x	9.6x	8.2x	6.8x	EBITDA / Sales	25.7%	23.7%	23.1%	24.3%
Dividend Yield	12.0x	9.1x	7.8x	6.5x	Depreciation/Amortisation	-1.6	-3.4	-5.3	-7.4
Group Free Cash Flow (f.c.f.) / EV	4.4%	5.1%	5.1%	5.1%	EBIT	31.0	40.6	48.9	59.2
Equity f.c.f. / Mkt Cap	-4.8%	-8.8%	-1.9%	5.8%	EBIT / Sales	24.5%	21.9%	20.8%	21.6%
Norm f.c.f. / Mkt cap	-6.1%	-9.8%	-3.2%	4.2%	Net Corporate Interest	0.2	0.0	-1.4	-2.3
Mkt cap / operating cash flow	-6.1%	-9.8%	-3.2%	4.2%	Pre Tax Profit	31.2	39.2	47.5	56.9
EV/EBITDA multiple	11.1x	6.2x	5.8x	4.1x	Tax	-9.5	-11.6	-14.0	-16.8
EV/EBIT multiple	8.0x	5.9x	4.8x	3.9x	Effective Tax Rate	30.6%	29.5%	29.5%	29.5%
Price / Book Value	8.4x	6.4x	5.3x	4.4x	Minorities	0.0	0.0	0.0	0.0
Price / NTA	1.6x	1.5x	1.3x	1.2x	Normalised NPAT to equity	21.6	28.6	33.5	40.1
	2.8x	3.3x	2.8x	2.2x	Norm. Net Profit / Sales	17.1%	15.4%	14.2%	14.6%
Ratios					Reported Profit to equity				
Return on Average Equity	6/10A	6/11A	6/12F	6/13F	21.6	27.6	33.5	40.1	
Return on Assets	17.6%	16.9%	18.0%	19.2%	Reported EPS (basic, weighted)	6.60	7.28	8.81	10.49
ND / ND + Equity	13.9%	13.3%	13.3%	13.5%	Normalised EPS (dil, wghtd)	6.58	7.15	8.37	10.02
Net Interest Cover (EBIT)	-29.2%	-0.5%	8.2%	6.7%	DPS (\$)	0.0300	0.0350	0.0350	0.0350
Reported eps growth	-155.3	2,051.4	34.5	25.4	Franking	100%	100%	100%	100%
	-2.5%	10.3%	21.0%	19.1%	Payout Ratio	52.7%	46.5%	39.7%	33.5%
Free Cash Flow Analysis					Cashflow Statement (\$m)				
Net Operating Cash Flow	6/10A	6/11A	6/12F	6/13F	EBITDA (inc Safrock interest)	32.6	43.9	54.2	66.5
Capex (Reported) inc loan book	16.5	31.7	29.4	44.7	Working Capital Change	-9.2	-2.2	-9.3	-2.8
Group Free Cash Flow (rep'ted)	-29.0	-54.6	-34.4	-29.7	Cash from Operations	23.4	41.8	44.9	63.8
Fixed Debt Repayments	-12.5	-22.8	-5.0	14.9	Corporate Interest	0.4	0.1	-1.4	-2.3
Equity Free Cash Flow (rep'ted)	-15.8	-25.4	-8.2	10.8	Tax Paid	-7.3	-10.1	-14.0	-16.8
HP Lease Capex (non-cash)	0.0	0.0	0.0	0.0	Net Operating Cash Flow	16.5	31.7	29.4	44.7
Free Cash Flow (normalised)	-15.8	-25.4	-8.2	10.8	Capital Expenditure	-3.4	-9.5	-10.5	-10.4
Capex (inc HP) / depreciation	215%	282%	199%	141%	Other (including loan book)	-10.7	-16.7	-16.9	-19.3
Share Data					Net Investing Cash Flow				
Ord Issued shares (m)	6/10A	6/11A	6/12F	6/13F	Proceeds from Equity Issues	68.5	0.0	0.0	0.0
<i>growth</i>	379.8	379.8	379.8	383.8	Net Change in Debt & Leases	-1.9	9.4	13.3	18.4
Weighted ave shares (m)	58.2%	0.0%	0.0%	1.1%	Dividends Paid	-9.2	-12.3	-13.3	-13.4
<i>growth</i>	327.7	379.8	379.8	381.8	Net Financing Cash Flow	56.8	-3.5	0.0	5.1
Diluted shares wgted (m)	37.3%	15.9%	0.0%	0.5%	Movement in Cash	44.3	-26.3	-5.0	20.0
<i>growth</i>	328.7	399.8	399.8	399.8	HP Lease Capex (non-cash)				
	35.4%	21.6%	0.0%	0.0%	Balance Sheet (\$m)				
Unpaid Capital					6/10A	6/11A	6/12F	6/13F	
Year Expires	Number	% ord	Avg Price	\$m unpaid	Cash	50.7	23.5	18.5	38.5
30-Jun-11	-	0.0%	\$ -	\$ -	Receivables	8.2	9.0	11.5	13.4
30-Jun-12	-	0.0%	\$ -	\$ -	Inventories	10.7	14.1	26.6	31.4
30-Jun-13	4,000,000	1.1%	\$ -	\$ -	Other (including loan book)	43.0	66.4	83.2	102.5
30-Jun-14	10,000,000	2.6%	\$ -	\$ -	Total Current Assets	112.6	112.9	139.8	185.7
30-Jun-15	-	0.0%	\$ -	\$ -	Property, Plant & Equipment	6.8	13.2	21.5	25.3
30-Jun-16	-	0.0%	\$ -	\$ -	Intangibles (inc. Goodwill)	70.6	96.9	100.8	100.1
30-Jun-17	6,000,000	1.6%	\$ -	\$ -	Other	7.1	9.7	9.7	9.7
TOTAL	20,000,000	5.3%	\$ -	\$ -	Total Non Current Assets	84.5	119.7	132.0	135.1
Directors & Senior Management					Total Assets	197.1	232.7	271.8	320.8
Substantials (post transaction)					Accounts Payable	10.5	20.3	26.0	29.9
Mr Reginald Webb (Chairman)	EZ Corp				Interest Bearing Liabilities	3.3	4.6	4.6	4.6
Mr Peter Cumins (Managing Director)	Rand Holdings Pty Ltd				Other	8.6	11.2	11.2	11.2
Mr John Yeudall (Non-executive Director)	32.8% (52.9%)				Total Current Liabilities	22.4	36.1	41.8	45.7
Mr William Love (Non-executive Director)	5.1% (2.0%)				Accounts Payable	0.0	0.0	0.0	0.0
Mr Joseph Beal (Non-executive Director)					Interest Bearing Liabilities	10.6	18.0	31.2	49.7
Company Secretary - Mr Ralph Groom					Other	1.3	3.3	3.3	3.3
					Total Non Current Liabilities	11.9	21.3	34.5	52.9
					Total Liabilities	34.3	57.4	76.3	98.7
					Net Assets	162.9	175.3	195.4	222.1
					Net Asset Value / Share (\$)	0.43	0.46	0.51	0.58
					NTA / Share (\$)	0.24	0.21	0.25	0.32
					Net Debt (net cash)	-36.8	-0.8	17.4	15.8
Analyst: Trent Barnett					Last Earnings Estimate Changes:				
Phone: +61 8 9268 3052					23 August 2011				
Sources: IRESS, Company Information, Hartleys Research									

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

Profit & Loss (\$m)	Dec-09a	Jun-10a	Dec-10a	Jun-11a	FY12e
AUD/GBP	0.538	0.582	0.609	0.623	0.627
Safrock Loan Book	31.9	38.7	47.3	62.2	79.1
Safrock Revenue	15.6	21.4	24.8	31.8	64.8
Safrock PBT	7.0	8.4	10.6	13.8	27.2
<i>margin</i>	44.9%	39.3%	42.8%	43.4%	42.0%
Mon-e Revenue	4.7	5.5	6.6	7.3	18.0
Mon-e PBT	4.1	5.0	5.9	6.4	16.3
<i>margin</i>	87.7%	89.9%	90.5%	87.4%	90.5%
Owned Stores Revenue	30.8	31.7	48.4	52.5	123.5
Owned Stores PBT	3.6	3.2	5.6	2.9	12.4
<i>margin</i>	11.8%	10.1%	11.7%	5.6%	10.0%
Franchise Revenue	11.4	11.6	13.3	14.1	28.6
Franchise PBT	4.5	4.2	3.4	3.1	6.8
<i>margin</i>	39.3%	36.5%	25.9%	21.7%	23.7%
Group Revenue	59.3	67.3	87.9	97.2	234.9
<i>growth</i>	20.0%	13.5%	30.6%	10.5%	26.9%
EBITDA - Group	15.5	17.1	21.6	22.3	54.2
<i>growth</i>	21.9%	9.9%	26.8%	3.0%	23.3%
EBITDA / Sales	26.2%	25.3%	24.6%	22.9%	23.1%
Depreciation/Amortisation	-0.7	-0.9	-1.1	-2.3	-5.3
EBIT	14.8	16.2	20.5	20.0	48.9
EBIT / Sales	25.0%	24.1%	23.3%	20.6%	20.8%
Net Corporate Interest	0.0	0.2	0.0	0.0	-1.4
Pretax Profit	14.8	16.4	20.5	18.7	47.5
Tax	-4.7	-4.8	-6.2	-5.3	-14.0
Effective Tax Rate	32.0%	29.3%	30.4%	28.6%	29.5%
Minorities	0.0	-0.1	0.0	0.0	0.0
Normalised NPAT to equity	10.1	11.6	14.7	13.9	33.5
Norm. Net Profit / Sales	17.0%	17.2%	16.7%	14.3%	14.2%
Abnormals / discontinued	0.0	0.0	-0.4	-0.5	0.0
Reported Profit to equity	10.1	11.6	14.3	13.3	33.5
					0
Reported EPS (basic, weighted)	3.50	3.10	3.77	3.51	8.8
Normalised EPS (dil, wghtd)	3.50	3.08	3.68	3.47	8.4
DPS (\$)	0.0150	0.0150	0.0175	0.0175	0.0350
Franking	100%	100%	100%	100%	100%
Payout Ratio	42.9%	48.4%	46.5%	49.9%	39.7%
Balance Sheet (\$m)	Dec-09a	Jun-10a	Dec-10a	Jun-11a	FY12e
Cash	57.9	50.7	23.4	23.5	18.5
Receivables	7.4	8.2	9.9	9.0	11.5
Inventories	7.1	10.7	12.1	14.1	26.6
Other (including loan book)	35.9	43.0	57.3	66.4	83.2
Total Current Assets	108.3	112.6	102.7	112.9	139.8
Property, Plant & Equipment	5.4	6.8	9.4	13.2	21.5
Intangibles (inc. Goodwill)	62.5	70.6	91.3	96.9	100.8
Other	4.1	7.1	6.9	9.7	9.7
Total Non Current Assets	71.9	84.5	107.6	119.7	132.0
Total Assets	180.1	197.1	210.3	232.7	271.8
Accounts Payable	11.0	10.5	17.5	20.3	26.0
Interest Bearing Liabilities	3.4	3.3	3.2	4.6	4.6
Other	7.1	8.6	9.6	11.2	11.2
Total Current Liabilities	21.6	22.4	30.3	36.1	41.8
Accounts Payable	0.0	0.0	0.0	0.0	0.0
Interest Bearing Liabilities	11.0	10.6	8.8	18.0	31.2
Other	1.3	1.3	3.0	3.3	3.3
Total Non Current Liabilities	12.3	11.9	11.8	21.3	34.5
Total Liabilities	33.9	34.3	42.1	57.4	76.3
Net Assets	146.3	162.9	168.2	175.3	195.4
Net Asset Value / Share (\$)	0.40	0.43	0.44	0.46	0.51
NTA / Share (\$)	0.23	0.24	0.20	0.21	0.25
Net Debt (net cash)	-43.4	-36.8	-11.5	-0.8	17.4

The finance divisions are performing very well, and are the main driver of CCV's earnings and growth. Store and franchise profitability was hurt by one off factors, but nevertheless is lower returning segment.

Note that the loan book (~\$66m + plus unearned interest) is short duration and, theoretically at least, would be turned into cash easily within twelve months if the business was wound down

Source: Company Data, Hartleys Estimates

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)	Dec-09a	Jun-10a	Dec-10a	Jun-11a	FY12e
EBITDA (inc Safrock interest)	15.5	17.1	21.6	22.3	54.2
Working Capital Change	-2.8	-6.4	-2.5	0.3	-9.3
Cash from Operations	12.8	10.6	19.2	22.6	44.9
Corporate Interest	0.0	0.4	0.5	-0.4	-1.4
Tax Paid	-3.6	-3.7	-5.1	-4.9	-14.0
Net Operating Cash Flow	9.2	7.3	14.5	17.2	29.4
Capital Expenditure	-1.5	-1.9	-3.3	-6.2	-10.5
Other (including loan book)	-6.6	-4.0	-7.8	-8.8	-16.9
Investments & acquisitions	-2.8	-12.2	-22.7	-5.7	-7.0
Net Investing Cash Flow	-10.9	-18.1	-33.8	-20.7	-34.4
Proceeds from Equity Issues	58.8	9.7	0.0	0.0	0.0
Net Change in Debt & Leases	-1.7	-0.2	-1.6	11.0	13.3
Dividends Paid	-3.8	-5.5	-5.7	-6.6	-13.3
Net Financing Cash Flow	53.1	3.6	-7.5	4.0	0.0
Movement in Cash	51.4	-7.1	-26.9	0.5	-5.0
HP Lease Capex (non-cash)					
Free Cash Flow Analysis	Dec-09a	Jun-10a	Dec-10a	Jun-11a	FY12e
Net Operating Cash Flow	9.2	7.3	14.5	17.2	29.4
Capex (Reported) inc loan book	-10.9	-18.1	-33.8	-20.7	-34.4
Group Free Cash Flow (rep'ted)	-1.7	-10.8	-19.3	-3.5	-5.0
Fixed Debt Repayments	-2.6	-2.4	-2.2	-2.9	-3.3
Equity Free Cash Flow (rep'ted)	-4.3	-13.1	-21.5	-6.4	-8.2
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	-6.4	-8.2
Capex (inc HP) / depreciation	211%	219%	299%	274%	199%

Source: Various

Fig. 2: Earnings Changes

Profit & Loss (\$m)	Actual		6/11A		6/12F			6/13F		
	6/10A	F'cast	Actual	% diff	Old	New	% diff	Old	New	% diff
Safrock Loan Book (end)	38.7	52.9	62.2	17.5%	69.7	79.1	13.4%	84.7	98.4	16.2%
Revenue	126.6	188.9	185.1	-2.0%	238.7	234.9	-1.6%	277.3	274.4	-1.1%
EBITDA	32.6	44.0	43.9	-0.2%	53.4	54.2	1.3%	64.3	66.5	3.4%
Depreciation/Amortisation	-1.6	-2.9	-3.4	17.1%	-5.2	-5.3	2.2%	-7.0	-7.4	5.0%
PBT before o/head interest	31.0	41.1	40.6	-1.4%	48.3	48.9	1.2%	57.3	59.2	3.2%
Net Interest	0.2	0.0	0.0		-1.0	-1.4	47.1%	-1.6	-2.3	41.8%
Pretax Profit	31.2	41.1	39.2	-4.6%	47.3	47.5	0.3%	55.7	56.9	2.1%
Tax	-9.5	-12.3	-11.6	-6.1%	-14.2	-14.0	-1.3%	-16.7	-16.8	0.5%
Norm. Net Profit After Tax	21.6	30.0	28.6	-4.8%	33.1	33.5	1.1%	38.9	40.1	2.9%
- margin	17.1%	15.9%	15.4%		13.9%	14.2%		14.0%	14.6%	
Reported Profit	21.6	28.7	27.6	-3.8%	33.1	33.5	1.1%	38.9	40.1	2.9%
DPS	3.00	3.50	3.50	0.0%	4.25	3.50	-17.6%	5.07	3.50	-31.0%
EPS	6.6	7.5	7.1	-4.8%	8.3	8.4	1.1%	9.7	10.0	2.9%
P/E	10.4x	9.1x	9.6x		8.3x	8.2x		7.0x	6.8x	
Net Debt	-36.8	-4.3	-0.8	-80.2%	9.0	17.4	94.5%	8.5	15.8	87.3%

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).

PRICE TARGET

Our twelve month price target is largely unchanged \$1.01 (from \$1.00).

CCV Price Target Methodology	Weighting	Spot	12 mth out
DCF	49%	\$0.98	\$1.04
- 10 years explicit & windup	5%	\$0.77	\$0.81
- 10 years explicit + terminal growth value	44%	\$1.01	\$1.07
12mth forward P/E (diluted) of 12x (Small-cap target)	31%	\$1.03	\$1.22
Price / Book (Jun '11a) 1x \$0.46	10%	\$0.46	\$0.46
12mth fwd Div Yield of 4.8% (Gross yield=6.8%)	11%	\$0.74	\$0.74
Risk weighted composite		\$0.92	\$1.01
12 Months Price Target		\$1.01	
Shareprice - Last		\$0.685	
12 mth total return (% to 12mth target + dividend)		52%	

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.

For some good reading on regulatory issues, see

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
Name	Ticker	Last Price*	M. CAP (A\$m)	Status	Research Recommendation

Resources

Gold / Precious Metals

1. Intrepid Mines Limited	IAU	1.42	739	Explorer	Speculative Buy
2. Beadell Resources Limited	BDR	0.815	536	Developer	Accumulate
3. Integra Mining Limited	IGR	0.575	484	Producer	Buy
4. Silver Lake Resources Limited	SLR	2.67	477	Producer	Buy
5. Gold One International Limited	GDO	0.525	424	Producer	No Rating
6. Catalpa Resources Limited	CAH	1.57	279	Producer	Buy
7. Tanami Gold NL	TAM	1.06	277	Producer	Accumulate
8. Focus Minerals Ltd	FML	0.067	231	Producer	Buy
9. Northern Star Resources Ltd	NST	0.585	178	Producer	Buy
10. Cerro Resources NL	CJO	0.200	150	Developer / Explorer	Accumulate
11. YTC Resources Limited	YTC	0.555	138	Developer	Buy
12. FMI Gold Corporation Limited	PVM	0.650	129	Developer	Speculative Buy
13. Papillon Resources Limited	PIR	0.490	100	Explorer	Speculative Buy
14. Augur Resources Ltd	AUK	0.385	68	Explorer	Speculative Buy
15. Cortona Resources Limited	CRC	0.165	32	Developer	Speculative Buy
16. Emmerson Resources Limited	ERM	0.115	26	Explorer	Speculative Buy
17. Canyon Resources Limited	CAY	0.430	18	Explorer	Speculative Buy
18. Southern Gold Limited	SAU	0.059	14	Explorer	Speculative Buy
19. Geopacific Resources NL	GPR	0.150	5	Explorer	Speculative Buy

Diversified Base / Precious Metals

20. Independence Group NL	IGO	5.600	1,134	Gold & Base Prod./Dev.	Buy
21. Aviva Corporation Limited	AVA	0.190	32	Gold & Base Explorer	Speculative Buy
22. Ausquest Limited	AQD	0.091	21	Diversified explor	Speculative Buy

Iron Ore

23. Atlas Iron Limited	AGO	3.670	3,036	Producer	Buy
24. Centaurus Metals Ltd	CTM	0.086	91	Explorer	Speculative Buy

Uranium

25. Peninsula Energy Ltd	PEN	0.055	115	Developer	Buy
26. Impact Minerals Limited	IPT	0.075	9	Explorer	Speculative Buy

Other metals

27. Kasbah Resources Limited	KAS	0.175	64	Tin Developer	Buy
28. Shaw River Resources Limited	SRR	0.150	38	Manganese: Developer	Speculative Buy
29. Hazelwood Resources Ltd	HAZ	0.115	30	Tungsten Developer	Speculative Buy

Sub-Total 8,875

Hartleys Research Coverage					Hartleys
Name	Ticker	Last Price*	M. CAP (A\$m)	Status	Research Recommendation

Oil & Gas

Conventional Oil & Gas

1. Woodside Petroleum Ltd	WPL	35.12	27,858	Major	Buy
2. Nexus Energy Ltd	NXS	0.18	172	Developer / Explorer	No Rating
3. Tap Oil Ltd	TAP	0.69	165	Producer / Explorer	Buy
4. Cooper Energy Ltd	COE	0.41	120	Producer / Explorer	Buy
5. Carnarvon Petroleum Ltd	CVN	0.15	100	Producer / Explorer	Accumulate
6. Otto Energy Ltd	OEL	0.08	94	Explorer / Producer	Buy
7. Pancontinental Oil and Gas NL	PCL	0.11	69	Explorer	Speculative Buy
8. Amadeus Energy Ltd	AMU	0.22	65	Producer / Explorer	Neutral
9. Hawkey Oil and Gas Ltd	HOG	0.24	46	Producer / Explorer	Buy
10. FAR Ltd	FAR	0.03	41	Explorer	Speculative Buy
11. WHL Energy Ltd	WHN	0.04	31	Explorer	Speculative Buy

Non Conventional Oil & Gas

12. Aurora Oil and Gas Ltd	AUT	2.83	1,142	Producer / Developer	Reduce
12. Samson Oil & Gas Ltd	SSN	0.110	192	Developer / Producer	Buy
13. Transerv Energy Ltd	TSV	0.04	130	Developer	Buy
13. Oilex Ltd	OEX	0.32	81	Explorer / Producer	Speculative Buy
14. European Gas Ltd	EPG	0.35	70	Producer / Explorer	Speculative Buy

Sub-Total 30,377

Industrials

Resource Services - Capital Intensive

1. Ausdrill Limited	ASL	2.97	905	Contract Drilling	Buy
2. NRW Holdings Ltd	NWH	2.53	709	Contract mining	Buy
3. Mermaid Marine Ltd	MRM	3.10	668	Oil & Gas Services	Accumulate
4. Fleetwood Corporation	FWD	10.85	622	Accommodation	Neutral
5. Macmahon Holdings Limited	MAH	0.59	433	Contract mining	Accumulate
6. Index Ltd	IMD	2.03	415	Drilling Supplies	Buy
7. Matrix Composites &	MCE	4.72	344	Oil & Gas Services	Buy
8. MACA Ltd	MLD	2.01	302	Contract mining	Buy
9. Pacific Energy Ltd	PEA	0.43	149	Remote Power	Buy
10. Swick Mining Services Ltd	SWK	0.33	77	Contract Drilling	Speculative Buy

Resource Services - Labour Intensive

11. Monadelphous Group Limited	MND	18.95	1,630	Construction	Buy
12. Decmil Group Limited	DCG	1.93	240	Construction	Buy
13. Lycopodium Limited	LYL	5.50	213	Engineer. & Constr.	Accumulate
14. RCR Tomlinson Ltd	RCR	1.40	184	Engineer. & Constr.	Buy
15. LogiCarms Limited	LCM	0.80	54	Engineer. & Constr.	Speculative Buy
16. VDM Group Limited	VMG	0.16	34	Engineer. & Constr.	Speculative Buy

Other Industrial Companies

17. Seven West Media Limited	SWM	2.64	2,165	Media	Accumulate
18. Amcom Telecommunications	AMM	0.85	609	Telecommunications	Accumulate
19. Austal Limited	ASB	2.67	502	Civil and Military	Buy
20. iiNet Limited	IIN	2.17	330	Telecommunications	Accumulate
21. Cash Converters Internat.	CCV	0.69	274	Unsecured Finance	Buy
22. RedHill Education Ltd	RDH	0.14	4	'For profit' education	Neutral

Sub-Total 10,862

67. GRAND TOTAL 50,114

HARTLEYS CORPORATE DIRECTORY

Research

Trent Barnett	Head of Research	+61 8 9268 3052
Mike Millikan	Resources Analyst	+61 8 9268 2805
Ben Crowley	Resources Analyst	+61 8 9268 3045
David Wall	Energy Analyst	+61 8 9268 2826
Peter Gray	Research Analyst	+61 8 9268 2837
.Janine Bell	Research Assistant	+61 8 9268 2831

Corporate Finance

Grey Egerton-Warburton	Head of Corp Fin.	+61 8 9268 2851
Richard Simpson	Director – Corp. Fin.	+61 8 9268 2824
Paul Fryer	Director – Corp. Fin.	+61 8 9268 2819
Dale Bryan	Director – Corp. Fin.	+61 8 9268 2829
Ben Wale	Snr Mgr – Corp. Fin.	+61 8 9268 3055
Ben Crossing	Snr Mgr – Corp. Fin.	+61 8 9268 3047
Stephen Kite	Snr Mgr - Corp. Fin.	+61 8 9268 3050
Scott Weir	Mgr - Corp Fin.	+61 8 9268 2821

Registered Office

Level 6, 141 St Georges Tce Postal Address:
Perth WA 6000 GPO Box 2777
Australia Perth WA 6001
PH: +61 8 9268 2888 FX: +61 8 9268 2800
www.hartleys.com.au info@hartleys.com.au

Note: personal email addresses of company employees are structured in the following manner: firstname_lastname@hartleys.com.au

Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

Disclaimer/Disclosure

The author of this publication, Hartleys Limited ABN 33 104 195 057 ("Hartleys"), its Directors and their Associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Hartleys and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of a transaction arising from any advice mentioned in publications to clients.

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.

Any financial product advice contained in this document is unsolicited general information only. Do not act on this advice without first consulting your investment adviser to determine whether the advice is appropriate for your investment objectives, financial situation and particular needs. Hartleys believes that any information or advice (including any financial product advice) contained in this document is accurate when issued. Hartleys however, does not warrant its accuracy or reliability. Hartleys, its officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law.

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
David Hainsworth	+61 8 9268 3040
Neil Inglis	+61 8 9268 2894
Murray Jacob	+61 8 9268 2892
Bradley Knight	+61 8 9268 2823
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
Damir Mikulic	+61 8 9268 3027
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	+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
Alex Wallis	+61 8 9268 3060
Marlene White	+61 8 9268 2806
Samuel Williams	+61 8 9268 3041