

16 Feb 2012

CASH CONVERTERS INTERNAT. LIMITED

UK margins disappointing otherwise a good result

Cash Converters Limited ("Cash Converters", "CCV", "Company") reported FY11 NPAT of ~\$13.2m (versus our expected \$14.0m). The Company declared a dividend of 1.75cps (as expected).

Finance division growing quickly, but bad debts have risen

The loan book grew substantially to ~\$75m including the UK loan book of ~8.5m GBP. Revenue was \$38m in the half, but PBT margins have fallen to 37.2% (from ~43% in each of the last two halves) due to the UK business. The UK finance division now contributes to revenue but dilutes margins because it is yet to mature and so margins are starting from a low base. The margins for the UK division were especially weak in the half due to a spike in bad debts. The UK bad debt charge (bad debt written off to principle advanced) increased to 11.01% from 9.16%. (it has since begun to recover after a tweak in lending practices). The Australian charge reduced to 6.17% from 6.3%. We estimate that margins for the Australian Safrok business have held up well. We have assumed blended Safrok PBT margins drift to ~30% over coming years due to an assumed negative regulatory effect in Australia being offset by rising UK margins.

The short term finance division also showed deteriorating margins to 83.1% (from 87.4%).

Corporate stores were better than expected. Revenue, profit and margins all increased. Franchise profits continue to drift lower due to falling revenue from the corporatisation of stores, as expected.

Cashflow continues to be reinvested

Net operating cash flow (our measure) was \$12.4m for 1H12. Investment has increased again with capex of \$6.5m, store purchases of ~\$6m and growth in the loan book (~\$12m).

Balance sheet: running out of room

The Company was in a net debt position of \$18m, taking gearing (nd / nd + e) to 9.5%. Debt facilities are nearly fully drawn but the Company has \$20m of cash on the balance sheet and ~\$80m of customer loans (already with a provided bad debt charge) due within the next twelve months.

Hartleys lowers FY12 and FY13 earnings forecast

The Company made no explicit earnings guidance, but commentary on business operations is positive. The Company is hopeful of an improved Australian regulatory environment.

We have lowered our FY12 NPAT by 8% to \$30m and lowered our FY13 NPAT by 18% to \$32.3m. We expect the Company to continue to pay at 3.5cps annual dividend into the foreseeable future.

Retain Buy recommendation.

We believe the Company will continue to generate NPAT of the order of \$30m for the next three years based on our base case view of the regulatory impact on the Australian business (no improvement in corporate store sales, 40% decline in margins for Mon-e and 30% decline in margins for Safrock Australia).

The stock is trading on FY12e p/e of 7.3x, FY13e of 6.8x and FY14e of 7.2x. We have a twelve month price target of \$0.75. We believe that the 3.5cps dividend can be maintained for the foreseeable future making the stock an attractive yield play.

Share Price:	\$0.550
Valuation:	\$0.67
12mth price target:	\$0.75

Brief Business Description:

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

Hartleys Brief Investment Conclusion:

Worst case Australian regulatory changes already priced into the stock.

Chairman & CEO:

Mr Reginald Webb (Chairman)
Mr Peter Cummins (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

Issued Capital:	379.8m
- fully diluted	399.8m
Market Cap:	\$208.9m
- fully diluted	\$219.9m
Net Debt (31 Dec '11a):	\$18.7m

	FY11a	FY12e	FY13e
Op Cash Flw	31.7	27.1	38.6
Free Cash Flw	-5.6	7.1	28.2
NPAT (A\$m)	28.6	30.0	32.3
EPS (\$, dil)	7.1	7.5	8.1
P/E (basic)	7.6x	7.1x	6.5x
P/E (diluted)	7.7x	7.3x	6.8x
EV / EBITDA	5.2x	4.6x	4.0x
DPS (\$)	0.035	0.035	0.035
Franking	100%	100%	100%
Dividend Yield	6.4%	6.4%	6.4%
N.D. / equity	-0.5%	14.0%	20.8%

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. 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	16 Feb 2012	Level 18, 37 St. Georges Tce			AUD/GBP	0.627	0.661	0.669	0.649
Share Price	\$0.550	Perth, WA, 6000			Safrock Loan Book	62.2	83.6	115.3	134.9
52 Week High-Low	\$0.91 - \$0.39	Ph: (08) 9221 9111			Safrock Revenue	56.6	78.5	97.7	113.4
Market Cap (\$m)	\$208.9	Fax: (08) 9221 9011			Safrock PBT	24.4	30.5	32.5	35.0
Enterprise Value (\$m)	\$227.6	www.cashconverters.com.au			<i>margin</i>	43.1%	38.9%	33.3%	30.9%
Ordinary Shares	379.8				Mon-e Revenue	13.9	16.9	18.3	19.3
Fully Diluted Shares	399.8				Mon-e PBT	12.3	14.4	15.6	10.0
Valuation					<i>margin</i>				
Spot DCF - 10 years explicit + terminal growth value (Base Case)	\$0.67				Owned # (UK + Aust) - end	88	105	125	125
12mth fwd DCF - 10 years explicit + terminal growth value (Base Case)	\$0.69				Owned Stores Revenue	100.9	121.2	143.2	162.6
12mth forward P/E (diluted) of 9.9x (back calc. based on 10x FY14)	\$0.77				Owned Stores PBT	8.6	8.5	10.0	11.4
Price / Book (Dec '11a) 1x \$0.46	\$0.46				<i>margin</i>	8.5%	7.0%	7.0%	7.0%
12mth fwd Div Yield of 4.4% (Gross yield=6.4%)	\$0.79				Franchised # (UK + Aust) - end	249	262	270	270
12 Months Price Target (wgted avg above 4 avg)	\$0.75				Franchise Revenue	27.4	23.9	24.8	25.7
P / E (6/12F) at price target	10.0x				Franchise PBT	6.5	5.7	5.9	6.1
P / E (6/13F) at price target	9.3x				<i>margin</i>	23.7%	23.7%	23.7%	23.7%
P / E (6/14F) at price target	9.8x				Divisional PBT	51.8	59.1	64.0	62.4
EV/EBITDA (6/14F) at price target	6.1x				Overheads	-12.6	-17.6	-18.2	-18.9
EV/EBIT (6/14F) at price target	7.4x				EBITDA - Group	43.9	49.7	56.6	56.2
Multiples (\$/price at \$0.55)	6/11A	6/12F	6/13F	6/14F	growth	34.8%	13.2%	13.9%	-0.8%
P / E (basic, weighted)	7.6x	7.1x	6.5x	7.0x	EBITDA / Sales	23.7%	20.7%	19.9%	17.5%
P / E (fully diluted, weighted)	7.7x	7.3x	6.8x	7.2x	Depreciation/Amortisation	-3.4	-5.5	-7.9	-9.3
P / E (ord mkt cap / NPAT)	7.3x	7.0x	6.5x	6.8x	EBIT	40.6	44.3	48.7	46.9
Dividend Yield	6.4%	6.4%	6.4%	6.4%	EBIT / Sales	21.9%	18.4%	17.2%	14.6%
Group Free Cash Flow (f.c.f.) / EV	-10.0%	-6.3%	-1.5%	5.5%	Net Corporate Interest	0.0	-1.7	-2.9	-3.3
Equity f.c.f. / Mkt Cap	-12.2%	-8.4%	-3.6%	3.6%	Pretax Profit	39.2	41.5	45.8	43.5
Norm f.c.f. / Mkt cap	-12.2%	-8.4%	-3.6%	3.6%	Tax	-11.6	-12.3	-13.5	-12.9
Mkt cap / operating cash flow	5.0x	5.1x	3.8x	3.8x	Effective Tax Rate	29.5%	29.5%	29.5%	29.5%
EV/EBITDA multiple	5.2x	4.6x	4.0x	4.0x	Minorities	0.0	0.0	0.0	0.0
EV/EBIT multiple	5.6x	5.1x	4.7x	4.9x	Normalised NPAT to equity	28.6	30.0	32.3	30.7
Price / Book Value	1.2x	1.1x	1.0x	1.0x	Norm. Net Profit / Sales	15.4%	12.5%	11.4%	9.6%
Price / NTA	2.7x	2.3x	1.9x	1.7x	Abnormals / discontinued	-0.9	-0.8	0.0	0.0
Ratios					Reported Profit to equity	27.6	29.3	32.3	30.7
Return on Average Equity	16.9%	16.4%	16.1%	14.0%	Reported EPS (basic, weighted)	7.28	7.70	8.45	7.9
Return on Assets	13.3%	11.9%	11.2%	9.7%	Normalised EPS (dil, wghtd)	7.15	7.51	8.07	7.7
ND / ND + Equity	-0.5%	12.3%	17.2%	16.4%	DPS (\$)	0.0350	0.0350	0.0350	0.0350
Net Interest Cover (EBIT)	2,051.4	26.5	16.5	14.1	Franking	100%	100%	100%	100%
Reported eps growth	10.3%	5.9%	9.7%	-6.6%	Payout Ratio	46.5%	44.3%	41.6%	44.9%
Free Cash Flow Analysis					Cashflow Statement (\$m)				
Net Operating Cash Flow	31.7	27.1	38.6	39.4	EBITDA (inc Safrock interest)	43.9	49.7	56.6	56.2
Capex (Reported) inc loan book	-54.6	-41.4	-42.1	-26.8	Working Capital Change	-2.2	-8.7	-1.6	-0.6
Group Free Cash Flow (rep'ted)	-22.8	-14.3	-3.5	12.6	Cash from Operations	41.8	41.0	55.0	55.6
Fixed Debt Repayments	-2.6	-3.3	-4.1	-5.1	Corporate Interest	0.1	-1.7	-2.9	-3.3
Equity Free Cash Flow (rep'ted)	-25.4	-17.6	-7.6	7.5	Tax Paid	-10.1	-12.3	-13.5	-12.9
HP Lease Capex (non-cash)	0.0	0.0	0.0	0.0	Net Operating Cash Flow	31.7	27.1	38.6	39.4
Free Cash Flow (normalised)	-25.4	-17.6	-7.6	7.5	Capital Expenditure	-9.5	-13.1	-10.4	-7.2
Capex (inc HP) / depreciation	282%	240%	132%	77%	Other (including loan book)	-16.7	-21.4	-31.7	-19.6
Share Data					Net Investing Cash Flow				
Ord Issued shares (m)	379.8	379.8	383.8	393.8	Proceeds from Equity Issues	0.0	0.0	0.0	0.0
<i>growth</i>	0.0%	0.0%	1.1%	2.6%	Net Change in Debt & Leases	9.4	17.6	6.9	1.0
Weighted ave shares (m)	379.8	379.8	381.8	388.8	Dividends Paid	-12.3	-13.3	-13.4	-13.6
<i>growth</i>	15.9%	0.0%	0.5%	1.8%	Net Financing Cash Flow	-3.5	4.3	-6.5	-12.6
Diluted shares wgted (m)	399.8	399.8	399.8	399.8	Movement in Cash	-26.3	-10.0	-10.0	0.0
<i>growth</i>	21.6%	0.0%	0.0%	0.0%	HP Lease Capex (non-cash)				
Unpaid Capital					Balance Sheet (\$m)				
Year Expires	Number	% ord	Avg Price	\$m unpaid	Cash	23.5	13.5	3.5	3.5
30-Jun-12	-	0.0%	\$ -	\$ -	Receivables	9.0	11.7	13.9	15.7
30-Jun-13	4,000,000	1.1%	\$ -	\$ -	Inventories	14.1	26.1	30.9	35.1
30-Jun-14	10,000,000	2.6%	\$ -	\$ -	Other (including loan book)	66.4	87.7	119.4	139.1
30-Jun-15	-	0.0%	\$ -	\$ -	Total Current Assets	112.9	139.1	167.6	193.2
30-Jun-16	-	0.0%	\$ -	\$ -	Property, Plant & Equipment	13.2	23.9	27.1	25.6
30-Jun-17	6,000,000	1.6%	\$ -	\$ -	Intangibles (inc. Goodwill)	96.9	100.7	100.0	99.3
TOTAL	20,000,000	5.3%	\$ -	\$ -	Other	9.7	9.7	9.7	9.7
Directors & Senior Management					Total Non Current Assets				
					Total Assets	119.7	134.3	136.8	134.6
					Accounts Payable	20.3	27.4	32.7	38.1
					Interest Bearing Liabilities	4.6	4.6	4.6	4.6
					Other	11.2	11.2	11.2	11.2
					Total Current Liabilities	36.1	43.3	48.5	53.9
					Accounts Payable	0.0	0.0	0.0	0.0
					Interest Bearing Liabilities	18.0	35.6	42.4	43.4
					Other	3.3	3.3	3.3	3.3
					Total Non Current Liabilities	21.3	38.8	45.7	46.7
					Total Liabilities	57.4	82.1	94.3	100.6
					Net Assets	175.3	191.2	210.1	227.2
					Net Asset Value / Share (\$)	0.46	0.50	0.55	0.58
					NTA / Share (\$)	0.21	0.24	0.29	0.32
					Net Debt (net cash)	-0.8	26.7	43.6	44.6
Analyst: Trent Barnett					Last Earnings Estimate Changes:				
Phone: +61 8 9268 3052					16 February 2012				
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	Dec-11a	Jun-12e
AUD/GBP	0.538	0.582	0.609	0.656	0.639	0.684
Safrock Loan Book	31.9	38.7	47.3	62.2	75.0	83.6
Safrock Revenue	15.6	21.4	24.8	31.8	38.0	40.5
Safrock PBT	7.0	8.4	10.6	13.8	14.1	16.4
<i>margin</i>	<i>44.9%</i>	<i>39.3%</i>	<i>42.8%</i>	<i>43.4%</i>	<i>37.2%</i>	<i>40.6%</i>
Mon-e Revenue	4.7	5.5	6.6	7.3	8.0	8.9
Mon-e PBT	4.1	5.0	5.9	6.4	6.6	7.8
<i>margin</i>	<i>87.7%</i>	<i>89.9%</i>	<i>90.5%</i>	<i>87.4%</i>	<i>83.1%</i>	<i>87.0%</i>
Owned Stores Revenue	30.8	31.7	48.4	52.5	60.8	60.3
Owned Stores PBT	3.6	3.2	5.6	2.9	4.3	4.2
<i>margin</i>	<i>11.8%</i>	<i>10.1%</i>	<i>11.7%</i>	<i>5.6%</i>	<i>7.0%</i>	<i>7.0%</i>
Franchise Revenue	11.4	11.6	13.3	14.1	12.3	11.6
Franchise PBT	4.5	4.2	3.4	3.1	2.9	2.8
<i>margin</i>	<i>39.3%</i>	<i>36.5%</i>	<i>25.9%</i>	<i>21.7%</i>	<i>23.3%</i>	<i>24.2%</i>
Group Revenue	59.3	67.3	87.9	97.2	111.7	128.8
<i>growth</i>	<i>20.0%</i>	<i>13.5%</i>	<i>30.6%</i>	<i>10.5%</i>	<i>14.9%</i>	<i>15.3%</i>
EBITDA - Group	15.5	17.1	21.6	22.3	22.8	27.0
<i>growth</i>	<i>21.9%</i>	<i>9.9%</i>	<i>26.8%</i>	<i>3.0%</i>	<i>2.2%</i>	<i>18.4%</i>
EBITDA / Sales	26.2%	25.3%	24.6%	22.9%	20.4%	20.9%
Depreciation/Amortisation	-0.7	-0.9	-1.1	-2.3	-2.0	-3.5
EBIT	14.8	16.2	20.5	20.0	20.8	23.5
EBIT / Sales	25.0%	24.1%	23.3%	20.6%	18.6%	18.2%
Net Corporate Interest	0.0	0.2	0.0	0.0	-0.6	-1.1
Pretax Profit	14.8	16.4	20.5	18.7	20.3	21.3
Tax	-4.7	-4.8	-6.2	-5.3	-6.0	-6.2
Effective Tax Rate	32.0%	29.3%	30.4%	28.6%	29.7%	29.4%
Minorities	0.0	-0.1	0.0	0.0	0.0	0.0
Normalised NPAT to equity	10.1	11.6	14.7	13.9	14.0	16.0
Norm. Net Profit / Sales	17.0%	17.2%	16.7%	14.3%	12.5%	12.4%
Abnormals / discontinued	0.0	0.0	-0.4	-0.5	-0.8	0.0
Reported Profit to equity	10.1	11.6	14.3	13.3	13.2	16.0
Reported EPS (basic, weighted)	3.50	3.10	3.77	3.51	3.49	4.22
Normalised EPS (dil, wghstd)	3.50	3.08	3.68	3.47	3.50	4.01
DPS (\$)	0.0150	0.0150	0.0175	0.0175	0.0175	0.0175
Franking	100%	100%	100%	100%	100%	100%
Payout Ratio	42.9%	48.4%	46.5%	49.9%	50.2%	41.5%
Balance Sheet (\$m)	Dec-09a	Jun-10a	Dec-10a	Jun-11a	Dec-11a	Jun-12e
Cash	57.9	50.7	23.4	23.5	19.5	13.5
Receivables	7.4	8.2	9.9	9.0	11.0	11.7
Inventories	7.1	10.7	12.1	14.1	14.7	26.1
Other (including loan book)	35.9	43.0	57.3	66.4	80.8	87.7
Total Current Assets	108.3	112.6	102.7	112.9	126.1	139.1
Property, Plant & Equipment	5.4	6.8	9.4	13.2	16.8	23.9
Intangibles (inc. Goodwill)	62.5	70.6	91.3	96.9	91.7	100.7
Other	4.1	7.1	6.9	9.7	11.2	9.7
Total Non Current Assets	71.9	84.5	107.6	119.7	119.8	134.3
Total Assets	180.1	197.1	210.3	232.7	245.8	273.3
Accounts Payable	11.0	10.5	17.5	20.3	14.5	27.4
Interest Bearing Liabilities	3.4	3.3	3.2	4.6	4.6	4.6
Other	7.1	8.6	9.6	11.2	13.6	11.2
Total Current Liabilities	21.6	22.4	30.3	36.1	32.7	43.3
Accounts Payable	0.0	0.0	0.0	0.0	0.0	0.0
Interest Bearing Liabilities	11.0	10.6	8.8	18.0	33.7	35.6
Other	1.3	1.3	3.0	3.3	3.5	3.3
Total Non Current Liabilities	12.3	11.9	11.8	21.3	37.2	38.8
Total Liabilities	33.9	34.3	42.1	57.4	69.9	82.1
Net Assets	146.3	162.9	168.2	175.3	176.0	191.2
Net Asset Value / Share (\$)	0.40	0.43	0.44	0.46	0.46	0.50
NTA / Share (\$)	0.23	0.24	0.20	0.21	0.22	0.24
Net Debt (net cash)	-43.4	-36.8	-11.5	-0.8	18.7	26.7

Source: Company Data, Hartleys Estimates

The finance divisions margins were hurt by the UK which is still maturing and suffered a temporary spike in bad debts. The Australian business continues to grow and deliver reasonable margin stability.

Note that the loan book (~\$80m + 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

Fig. 1: Free Cash Flow

Operating cash flow was okay in the half, but 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	Dec-11a	Jun-12e
EBITDA (inc Safrock interest)	15.5	17.1	21.6	22.3	22.8	27.0
Working Capital Change	-2.8	-6.4	-2.5	0.3	-3.5	-5.3
Cash from Operations	12.8	10.6	19.2	22.6	19.3	21.7
Corporate Interest	0.0	0.4	0.5	-0.4	-0.6	-1.1
Tax Paid	-3.6	-3.7	-5.1	-4.9	-6.3	-5.9
Net Operating Cash Flow	9.2	7.3	14.5	17.2	12.4	14.7
Capital Expenditure	-1.5	-1.9	-3.3	-6.2	-6.5	-6.6
Other (including loan book)	-6.6	-4.0	-7.8	-8.8	-12.1	-9.3
Investments & acquisitions	-2.8	-12.2	-22.7	-5.7	-6.1	-0.8
Net Investing Cash Flow	-10.9	-18.1	-33.8	-20.7	-24.8	-16.6
Proceeds from Equity Issues	58.8	9.7	0.0	0.0	0.0	0.0
Net Change in Debt & Leases	-1.7	-0.2	-1.6	11.0	15.7	1.9
Dividends Paid	-3.8	-5.5	-5.7	-6.6	-6.7	-6.6
Net Financing Cash Flow	53.1	3.6	-7.5	4.0	9.0	-4.7
Movement in Cash	51.4	-7.1	-26.9	0.5	-3.3	-6.7
Free Cash Flow Analysis	Dec-09a	Jun-10a	Dec-10a	Jun-11a	Dec-11a	Jun-12e
Net Operating Cash Flow	9.2	7.3	14.5	17.2	12.4	14.7
Capex (Reported) inc loan book	-10.9	-18.1	-33.8	-20.7	-24.8	-16.6
Group Free Cash Flow (rep'ted)	-1.7	-10.8	-19.3	-3.5	-12.3	-2.0
Fixed Debt Repayments	-2.6	-2.4	-2.2	-2.9	-5.1	-6.5
Equity Free Cash Flow (rep'ted)	-4.3	-13.1	-21.5	-6.4	-17.4	-8.5
HP Lease Capex (non-cash)	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow (normalised)	-4.3	-13.1	-21.5	-6.4	-17.4	-8.5
Capex (inc HP) / depreciation	211%	219%	299%	274%	332%	188%

Source: Various

Fig. 2: Earnings Changes

Profit & Loss (\$m)	6/11A	6/12F			6/13F			6/14F		
	Actual	Old	New	% diff	Old	New	% diff	Old	New	% diff
Safrock Loan Book (end)	62.2	77.1	83.6	8.5%	99.5	115.3	15.9%	99.8	134.9	35.1%
Company owned stores (end)	88	119	105	-11.8%	139	125	-10.1%	139	125	-10.1%
- additional	35	31	17		20	20		0	0	
Company owned stores (avg)	73	107	93	-12.7%	126	112	-11.1%	139	125	-10.1%
Revenue	185.1	231.8	240.5	3.7%	271.9	284.0	4.5%	287.8	321.1	11.6%
EBITDA	43.9	52.9	49.7	-6.0%	65.5	56.6	-13.5%	52.1	56.2	7.8%
- margin	23.7%	22.8%	20.7%	-9.4%	24.1%	19.9%	-17.2%	18.1%	17.5%	-3.3%
Depreciation/Amortisation	-3.4	-5.3	-5.5	3.7%	-7.3	-7.9	8.0%	-8.7	-9.3	7.0%
PBT before o/head interest	40.6	47.7	44.3	-7.1%	58.2	48.7	-16.2%	43.4	46.9	8.0%
Net Interest	0.0	-1.4	-1.7		-2.4	-2.9		-1.1	-3.3	
Pretax Profit	39.2	44.3	41.5	-6.2%	55.8	45.8	-17.9%	42.2	43.5	3.1%
Tax	-11.6	-13.1	-12.3	-6.2%	-16.5	-13.5	-17.9%	-12.5	-12.9	3.1%
Norm. Net Profit After Tax	28.6	32.6	30.0	-7.9%	39.3	32.3	-17.9%	29.8	30.7	3.1%
- margin	15.4%	14.1%	12.5%		14.5%	11.4%		10.3%	9.6%	
Reported Profit	27.6	31.2	29.3	-6.2%	39.3	32.3	-17.9%	29.8	30.7	3.1%
DPS	3.50	3.50	3.50	0.0%	3.50	3.50	0.0%	3.50	3.50	0.0%
EPS	7.1	8.2	7.5	-7.9%	9.8	8.1	-17.9%	7.4	7.7	3.1%
P/E	7.7x	6.7x	7.3x		5.6x	6.8x		7.4x	7.2x	
Net Debt	-0.8	17.0	26.7	57.5%	18.8	43.6	131.5%	3.5	44.6	1183.6%

Source: Hartleys Estimates

PRICE TARGET

Our twelve month price target is largely unchanged \$0.75 (from \$0.77).

CCV Price Target Methodology	Weighting	Spot	12 mth out
DCF	49%	\$0.77	\$0.79
- 10 years explicit + terminal growth value (Bull Case)	15%	\$1.01	\$1.01
- 10 years explicit + terminal growth value (Base Case)	34%	\$0.67	\$0.69
12mth forward P/E (diluted) of 9.9x (back calc. based on 10x FY14)	31%	\$0.77	\$0.77
Price / Book (Dec '11a) 1x \$0.46	10%	\$0.46	\$0.46
12mth fwd Div Yield of 4.4% (Gross yield=6.4%)	11%	\$0.79	\$0.79
Risk weighted composite		\$0.74	\$0.75
12 Months Price Target		\$0.75	
Shareprice - Last		\$0.550	
12 mth total return (% to 12mth target + dividend)		43%	

Source: Hartleys Estimate

Fig. 3: Key assumptions and risks for valuation

Assumption	Risk of not realising assumption	Downside risk to valuation if assumption is incorrect	Comment
Australian regulatory impact felt from 1 January 2013	High	Upside	The original timetable was for the legislation to be effective on 1 January 2013 but with significant changes to the legislation possible it would seem also possible that the introduction date is changed. A delay would be positive for near term earnings
The Australian regulations allow both Mon-e and Safrock to continue operating but at significantly lower margins.	High	Extreme	We assume no improvement in corporate store sales, 40% decline in margins for Mon-e and 30% decline in margins for Safrock Australia. If neither business is allowed to operate at an economic level our earnings estimates would need to be revised down significantly.
UK Safrock margins improve	Low	Moderate	We assume that Safrock UK margins increase significantly but peak at a level much lower than the peak in the Aust business.
Safrock loan book peaks at \$160m in FY17	High	High	We assume that the Australian loan book peaks at around the current level, but that the UK book increases to ~A\$100m from ~\$12m today.
No value for CCV other projects	Low	Upside	We don't attribute any value for the potential that CCV develops other high profit contributing products. Given the history of the Companies innovation, it is likely that the Company will develop new products.

Conclusion

The Company faces some reasonable risks but we believe we have been realistic or conservative in our base case assumptions.

Source: Hartleys

RISKS

For some good reading on regulatory issues, see

http://www.ofc.gov.uk/shared_ofc/reports/consumer_credit/High-cost-credit-review/OFT1232.pdf

<http://www.treasury.gov.au/contentitem.asp?NavId=002&ContentID=2131f>
www.nocap.com.au

http://www.aph.gov.au/senate/committee/corporations_ctte/Consumer_Credit_Corporations_2011/report/report.pdf

Hartleys Gold Research Coverage					Hartleys Research Recommendation
Name	Ticker	Last Price*	M. CAP (A\$m)	Status	Hartleys Research Recommendation
Resources					
Gold / Precious Metals					
1. Evolution Mining Limited	EVN	1.93	1,353	Producer	Buy
2. Silver Lake Resources Limited	SLR	3.61	795	Producer	Buy
3. Intrepid Mines Limited	IAU	1.33	697	Developer	Speculative Buy
4. Gold One International Limited	GDO	0.480	679	Producer	Accumulate
5. Beadell Resources Limited	BDR	0.805	530	Developer	Buy
6. Integra Mining Limited	IGR	0.600	508	Producer	Buy
7. Northern Star Resources Ltd	NST	0.965	338	Producer	Buy
8. PMI Gold Corporation Limited	PVM	1.18	261	Developer	Buy
9. Focus Minerals Ltd	FML	0.054	233	Producer	Buy
10. Papillon Resources Limited	PIR	0.970	230	Explorer	Speculative Buy
11. Tanami Gold NL	TAM	0.805	210	Producer	Accumulate
12. ABM Resources NL	ABU	0.055	179	Explorer	Speculative Buy
13. YTC Resources Limited	YTC	0.420	105	Developer	Buy
14. Cerro Resources NL	CJO	0.120	90	Developer / Explorer	Accumulate
15. Emmerson Resources Limited	ERM	0.240	54	Explorer	Speculative Buy
16. Cortona Resources Limited	CRC	0.160	35	Developer	Accumulate
17. Mutiny Gold Limited	MYG	0.070	30	Developer	Speculative Buy
18. Canyon Resources Limited	CAY	0.540	29	Explorer	Speculative Buy
19. Augur Resources Ltd	AUK	0.125	22	Explorer	Speculative Buy
20. Southern Gold Limited	SAU	0.044	12	Explorer	Speculative Buy
21. Geopacific Resources NL	GPR	0.235	9	Explorer	Speculative Buy
Diversified Base / Precious Metals					
22. Independence Group NL	IGO	4.19	849	Gold & Base Prod./Dev.	Buy
23. Aviva Corporation Limited	AVA	0.130	22	Gold & Base Explorer	Speculative Buy
24. Ausquest Limited	AQD	0.081	18	Diversified explor	Speculative Buy
25. Silver Swan Group Ltd	SWN	0.061	8	Base Metal Explorer	Speculative Buy
Iron Ore					
26. Atlas Iron Limited	AGO	3.27	2,926	Producer / Developer	Buy
27. Centaurus Metals Ltd	CTM	0.580	77	Developer / Explorer	Speculative Buy
Uranium					
28. Peninsula Energy Ltd	PEN	0.074	158	Developer	Buy
Other metals					
29. Kasbah Resources Limited	KAS	0.240	87	Tin Developer	Buy
30. Hazelwood Resources Ltd	HAZ	0.110	29	Tungsten Developer	Speculative Buy
31. Shaw River Manganese Limited	SRR	0.062	16	Manganese: Developer	Speculative Buy
Sub-Total			10,587		

Source: IRESS, Hartleys Research. * 16 Feb 2012

Name	Ticker	Last Price*	M. CAP (A\$m)	Status	Hartleys Research Recommendation
Oil & Gas					
Conventional Oil & Gas					
1. Woodside Petroleum Ltd	WPL	35.40	28,080	Major	Buy
2. Nexus Energy Ltd	NXS	0.21	279	Developer / Explorer	Speculative Buy
3. Tap Oil Ltd	TAP	0.85	205	Producer / Explorer	Buy
4. Cooper Energy Ltd	COE	0.46	135	Producer / Explorer	Buy
5. Otto Energy Ltd	OEL	0.10	112	Explorer / Producer	Buy
6. Pancontinental Oil and Gas NL	PCL	0.11	95	Explorer	Speculative Buy
7. Carnarvon Petroleum Ltd	CVN	0.11	76	Producer / Explorer	Accumulate
8. FAR Ltd	FAR	0.03	68	Explorer	Speculative Buy
9. Amadeus Energy Ltd	AMU	0.21	63	Producer / Explorer	Neutral
10. WHL Energy Ltd	WHN	0.05	55	Explorer	Speculative Buy
11. Hawkey Oil and Gas Ltd	HOG	0.15	29	Producer / Explorer	Buy
12. Sun Resources NL	SUR	0.02	24	Explorer / Producer	Speculative Buy
Non Conventional Oil & Gas					
13. Aurora Oil and Gas Ltd	AUT	3.12	1,284	Producer / Developer	Reduce
14. Samson Oil & Gas Ltd	SSN	0.10	169	Developer / Producer	Buy
15. Oilex Ltd	OEX	0.20	51	Explorer / Producer	Speculative Buy
16. European Gas Ltd	EPG	0.24	48	Producer / Explorer	Speculative Buy
17. Transerv Energy Ltd	TSV	0.01	30	Developer	Speculative Buy
18. Austin Exploration Ltd	AKK	0.04	22	Producer / Appraisal	Speculative Buy
19. Emerald Oil and Gas NL	EMR	0.03	22	Producer / Appraisal	Speculative Buy
Sub-Total			30,844		
Industrials					
Resource Services - Capital Intensive					
1. Ausdrill Limited	ASL	3.60	1,120	Contract Drilling	Buy
2. NRW Holdings Ltd	NWH	3.23	901	Contract mining	Buy
3. Fleetwood Corporation	FWD	12.29	732	Accommodation	Neutral
4. Mermaid Marine Ltd	MRM	3.16	716	Oil & Gas Services	Accumulate
5. Macmahon Holdings Limited	MAH	0.73	561	Contract mining	Accumulate
6. Imdex Ltd	IMD	2.29	477	Drilling Supplies	Buy
7. MACA Ltd	MLD	2.28	352	Contract mining	Buy
8. Matrix Composites &	MCE	3.15	243	Oil & Gas Services	Neutral
9. Pacific Energy Ltd	PEA	0.37	134	Remote Power	Buy
10. Swick Mining Services Ltd	SWK	0.33	78	Contract Drilling	Buy
Resource Services - Labour Intensive					
11. Monadelphous Group Limited	MND	23.11	2,135	Construction	Accumulate
12. Decmil Group Limited	DCG	2.65	444	Construction	Buy
13. RCR Tomlinson Ltd	RCR	1.88	266	Engineer. & Constr.	Buy
14. Lycopodium Limited	LYL	6.35	245	Engineer. & Constr.	Accumulate
15. LogiCamms Limited	LCM	0.84	57	Engineer. & Constr.	Speculative Buy
Other Industrial Companies					
16. iNet Limited	IIN	2.89	465	Telecommunications	Buy
17. Austal Limited	ASB	1.95	379	Civil and Military	Buy
18. Cash Converters Internat.	CCV	0.59	236	Unsecured Finance	Buy
19. Amcom Telecommunications	AMM	0.87	169	Telecommunications	Accumulate
Sub-Total			9,710		
69. GRAND TOTAL			51,142		

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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.

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