

28 Oct 2014

CASH CONVERTERS LIMITED (CCV)

First quarter profit points to a good FY15 result

Cash Converters International Ltd reported Q1 unaudited EBITDA (normalised) of \$16.6m (\$16m reported). This was in line with our estimate.

The personal loan book in Australia was \$105m, down from \$109m at June. Seasonally, the September quarter is weak (due to the end of the tax year/consumer seasonality etc). Consequently, the reduction in the loan book is not a concern. Bad debts increased though from 6.6% to 7.2% between the June and September quarter. As previously explained by the Company, the rise in bad debts is due to an expansion of the loan customer base in late FY13 to include some higher risk customers. The new loan policy returned to the more conservative position in 2H14, and hence we expect BDD to reduce in 2H15 as all the poorer quality loans will expire by then. Cash advance and on-line cash advance remain strong.

The UK division remains weak. We estimate that the UK loan book remains at £15m, and is barely profitable. As a division, we estimate that the UK is modestly loss making. The confirmation of the new lending regulations in the UK suggest that, in the medium term, the UK can return to profitability and potentially become a meaningful contributor.

Carboodle continued with a modest loss (~\$0.2m in the quarter). We expect Carboodle will be profitable in FY16.

Hartleys FY15e normalised NPAT \$38.5m, FY16e \$44.1m

We expect FY15 normalised EBITDA of \$71.6m, which is on-track provided the seasonal kick in the December quarter occurs. Our forecasts imply Q2 EBITDA of ~\$18m and then Q3/Q4 of \$37.1m (~\$18.5m each). Based on today's Q1 result, we believe the risk to our FY15 estimate is skewed slightly to the upside.

We estimate 1H normalised EBITDA of \$34.5m, NPAT of \$18.1m, DPS of 2.0cps and net debt of ~\$93m.

Maintain Buy

We maintain our Buy recommendation. On our estimates, CCV is trading on a FY15 p/e of 12.5x and EV/EBIT of 8.9x. We have a twelve month price target of \$1.28, implying a FY16 p/e of 12.5x.

Fig. 1: Hartleys estimates of quarterly earnings

	FY14				FY15
	Q1e	Q2e	Q3e	Q4e	Q1e
Reported EBITDA	7.6	11.5	14.5	18.0	16.0
Store Stamp Duty	1.8	0	-0.1	0.1	0.4
Ausgroup	0	1.1	0.6	-0.3	0.0
Carboodle losses	2.5	0.4	0.2	0.2	0.2
GST adjustment	0	0	0.7	0.5	0.0
Total abnormals	4.3	1.5	1.3	0.5	0.6
"Like-FY13" EBITDA (ex Carb.)	11.9	13.0	15.8	16.2	16.6
Underlying EBITDA (inc Carb.)	9.4	12.6	15.7	15.9	16.4
- annualised	37.6	50.4	62.7	63.7	65.4

Source: Hartleys Research estimates, CCV reports

Share Price:	\$1.090
Valuation:	\$1.20
12mth price target:	\$1.28

Brief Business Description:

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

Hartleys Brief Investment Conclusion:

High returns, Australian business growth outlook strong. Market leader.

Chairman & CEO:

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

Top Shareholders:

EZ Corp 31.7%
Perpetual Ltd 12.5%
CBA 6.0%
Fidelity Mgt & Res. (FMR) 5.5%

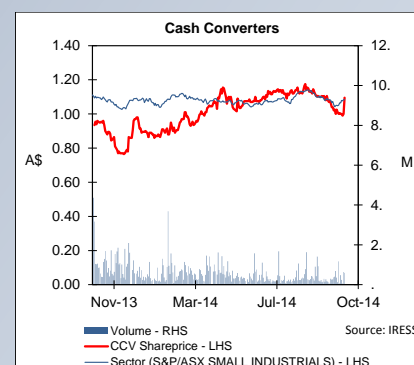
Company Address:

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

Issued Capital:	431.5m
- fully diluted	439.5m
Market Cap:	\$470.3m
- fully diluted	\$479.1m
Net Debt (30 Jun '14a):	\$97.1m
Net Debt (30 Jun '14a) adj:	\$77.1m

	FY14a	FY15e	FY16e
Op Cash Flw	35.1	45.3	54.3
Free Cash Flw	14.8	36.3	45.2
NPAT (A\$m)	26.2	38.5	44.1
EPS (\$, dil)	6.0	8.8	10.1
P/E (basic)	19.1x	12.4x	10.6x
P/E (diluted)	18.3x	12.5x	10.9x
EV / EBITDA	10.6x	7.9x	6.9x
DPS (\$)	4.00	4.25	4.87
Franking	100%	100%	100%
Dividend Yield	3.7%	3.9%	4.5%
N.D. / equity	39.7%	31.8%	39.2%

Source: Hartleys Research



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Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to CCV, 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.

Cash Converters International Ltd (CCV)					Recommendation: Buy				
Company Information					Profit & Loss (\$m)				
Today's Date	28 Oct 2014	Level 18, 37 St. Georges Tce			6/13A	6/14A	6/15F	6/16F	
Share Price	\$1.090	Perth, WA, 6000			AUD/GBP	0.642	0.553	0.537	0.570
52 Week High-Low	\$1.205 - \$0.75	Ph: (08) 9221 9111			Pers. Finance Loan Book	125.7	138.4	137.5	174.4
Market Cap (\$m)	\$470.3	Fax: (08) 9221 9011			Pers. Finance Revenue	113.6	137.7	167.0	196.2
Enterprise Value (\$m)	\$567.4	www.cashconverters.com.au			Pers. Finance EBITDA	43.6	39.8	54.4	61.8
Ordinary Shares	431.5				margin	38.4%	28.9%	32.6%	31.5%
Fully Diluted Shares	439.5				Fin. Services Admin. Revenue	17.7	14.3	19.1	18.7
					Fin. Services Admin. EBITDA	14.2	10.4	11.1	11.0
					margin	80.2%	72.7%	58.0%	59.0%
					Owned # (UK + Aust) - end	118	122	122	122
Valuation					Owned Stores Revenue	136.1	171.9	178.0	173.6
Spot DCF - 9 years explicit + terminal value (Base Case)					Owned Stores EBITDA	11.3	15.6	19.3	18.9
					margin	8.3%	9.1%	10.9%	10.9%
12mth fwd DCF - 9 years explicit + terminal value (Base Case)					Franchised # (UK + Aust) - end	273	253	253	253
12mth forward P/E of 14.0x					Franchise Revenue	24.0	18.5	17.7	17.2
Price / NTA (Jun'14a) 1x \$0.26					Franchise EBITDA	4.3	6.6	6.4	6.2
12mth fwd Div Yield of 3.2% (Gross yield=4.6%)					margin	17.8%	35.9%	35.9%	35.9%
12mth price target					Carboodle fleet value (100%)	9.8	14.4	19.8	37.9
					Carboodle fleet (car leases)	528	807	1,412	3,058
					Carboodle EBIT	nm	-4.2	-1.1	4.7
P / E (6/15F) at price target					14.3x				
P / E (FY16) at price target					12.5x				
EV/EBITDA (FY16) at price target					7.5x				
EV/EBIT (FY16) at price target					8.3x				
Multiples (\$/price at \$1.09)					Group Revenue				
P / E (basic, weighted)	6/13A	6/14A	6/15F	6/16F	272.2	331.7	371.3	405.7	
P / E (normalised, fully diluted)	13.5x	19.1x	12.4x	10.6x	growth	16.6%	21.8%	12.0%	9.2%
P / E (ord mkt cap / rep NPAT)	13.6x	18.3x	12.5x	10.9x	Underlying EBITDA - Group	60.0	53.6	71.6	82.4
Dividend Yield	3.7%	3.7%	3.9%	4.5%	growth	17.2%	-10.7%	33.5%	15.1%
Group Free Cash Flow (f.c.f.) / EV	-7.0%	-5.8%	5.3%	-2.0%	EBITDA / Sales	22.0%	16.2%	19.3%	20.3%
Equity f.c.f. / Mkt Cap	-9.3%	-8.0%	5.0%	-4.1%	Depreciation/Amortisation	-6.5	-7.9	-8.1	-8.2
Norm f.c.f. / Mkt cap	-9.3%	-8.0%	5.0%	-4.1%	EBIT	53.6	45.7	63.4	74.2
Mkt cap / operating cash flow	7.3x	8.3x	6.6x	5.6x	EBIT / Sales	19.7%	13.8%	17.1%	18.3%
EV/EBITDA multiple	9.5x	10.6x	7.9x	6.9x	Net Corporate Interest	-2.4	-8.0	-9.0	-10.7
EV/EBIT multiple	10.6x	12.4x	8.9x	7.6x	Pretax Profit	47.7	35.7	54.4	63.5
Price / Book Value	1.9x	1.9x	1.8x	1.6x	Tax	-14.8	-10.9	-16.6	-19.4
Price / NTA	3.8x	4.2x	3.6x	3.0x	Effective Tax Rate	31.0%	30.6%	30.6%	30.6%
					Minorities	0.0	0.0	0.0	0.0
Ratios					Normalised NPAT to equity				
Return on Average Equity	6/13A	6/14A	6/15F	6/16F	35.3	26.2	38.5	44.1	
Return on Assets	16.5%	10.8%	15.1%	15.8%	Norm. Net Profit / Sales	13.0%	7.9%	10.4%	10.9%
ROIC pre-tax	11.6%	6.9%	9.0%	9.2%	Abnormals / discontinued	-2.4	-1.4	-0.7	0.0
ND / ND + Equity	33.8%	23.0%	28.1%	28.2%	Reported Profit to equity	32.9	24.8	37.8	44.1
Net Interest Cover (EBIT)	22.3	5.7	7.0	6.9	Reported EPS (basic, w'ted)	8.1	5.7	8.8	10.3
Reported eps growth	4.4%	-29.5%	54.6%	16.6%	Normalised EPS (dil, w'ted)	8.4	6.0	8.8	10.1
Free Cash Flow Analysis					DPS (\$)				
Net Operating Cash Flow	6/13A	6/14A	6/15F	6/16F	0.0400	0.0400	0.0425	0.0487	
Capex (Reported) inc loan book	44.9	35.1	45.3	54.3	Franking	100%	100%	100%	100%
Group Free Cash Flow (rep'ted)	-84.4	-67.8	-15.4	-65.8	Payout Ratio	48.1%	65.5%	47.4%	47.4%
Fixed Debt Repayments	-39.5	-32.7	30.0	-11.5	Cashflow Statement (\$m)				
Equity Free Cash Flow (rep'ted)	-4.1	-5.1	-6.4	-8.0	6/13A	6/14A	6/15F	6/16F	
HP Lease Capex (non-cash)	0.0	0.0	0.0	0.0	EBITDA (inc Pers. Finance interest)	60.0	53.6	71.6	82.4
Free Cash Flow (normalised)	-43.6	-37.8	23.6	-19.5	Working Capital Change	4.7	2.8	-0.6	2.0
Capex (inc HP) / depreciation	118%	80%	79%	81%	Cash from Operations	64.7	56.4	71.0	84.4
					Corporate Interest	-2.5	-8.0	-9.0	-10.7
Share Data					Net Operating Cash Flow				
Ord Issued shares (m)	6/13A	6/14A	6/15F	6/16F	44.9	35.1	45.3	54.3	
growth	11.6%	1.2%	0.0%	0.0%	Capital Expenditure	-7.6	-6.4	-6.4	-6.7
Weighted ave shares (m)	406.3	426.3	428.9	428.9	Other (including loan book)	-40.9	-41.4	-6.3	-56.7
growth	7.0%	4.9%	0.6%	0.0%	Investments & acquisitions	-35.9	-20.0	-2.6	-2.5
Diluted shares wgted (m)	419.7	439.3	437.0	437.0	Net Investing Cash Flow	-84.4	-67.8	-15.4	-65.8
growth	6.8%	4.7%	-0.5%	0.0%	Proceeds from Equity Issues	31.6	0.0	0.0	0.0
Unpaid Capital (inc estimated DRP)					Net Financing Cash Flow				
Year Expires	Number	% ord	Avg Price	\$m unpaid	42.4	35.8	-10.0	31.5	
30-Jun-15	-	0.0%	\$ -	\$ -	Movement in Cash	2.9	3.1	20.0	20.0
30-Jun-16	-	0.0%	\$ -	\$ -	HP Lease Capex (non-cash)				
30-Jun-17	8,067,332	1.9%	\$ -	\$ -	6/13A	6/14A	6/15F	6/16F	
30-Jun-18	-	0.0%	\$ -	\$ -	Cash	20.7	26.8	46.8	66.8
30-Jun-19	-	0.0%	\$ -	\$ -	Receivables	13.0	33.5	35.3	36.2
30-Jun-20	-	0.0%	\$ -	\$ -	Inventories	21.8	25.6	26.5	25.8
TOTAL	8,067,332	1.9%	\$ -	\$ -	Other (including loan book)	123.6	134.2	133.3	170.2
Directors & Senior Management					Balance Sheet (\$m)				
Substantials					Total Current Assets	179.1	220.2	241.9	299.1
Mr Reginald Webb (Chairman)	EZ Corp				Property, Plant & Equipment	22.5	22.6	22.3	22.2
Mr Peter Cummins (Managing Director)	Perpetual Ltd				Intangibles (inc. Goodwill)	121.2	132.7	133.9	134.9
Mr Lachlan Given (Non-exec, EZ Corp)	CBA				Other	24.1	34.8	42.1	61.9
Mr Stuart Grimshaw (N.-exec, EZ Corp)	Fidelity Mgt & Res. (FMR)				Total Non Current Assets	167.8	190.1	198.3	219.0
CFO - Mr Ralph Groom					Total Assets	347.0	410.3	440.2	518.0
					Accounts Payable	20.0	26.8	28.9	31.1
					Interest Bearing Liabilities	70.5	59.9	59.9	59.9
					Other	14.3	14.7	14.7	14.7
					Total Current Liabilities	104.9	101.4	103.5	105.8
					Accounts Payable	0.0	0.0	0.0	0.0
					Interest Bearing Liabilities	0.4	64.0	71.2	120.9
					Other	0.1	0.1	0.1	0.1
					Total Non Current Liabilities	0.5	64.2	71.4	121.1
					Total Liabilities	105.3	165.6	174.9	226.8
					Net Assets	241.6	244.7	265.3	291.2
					Net Asset Value / Share (\$)	0.57	0.57	0.62	0.68
					NTA / Share (\$)	0.28	0.26	0.31	0.36
					Net Debt (net cash)	50.2	97.1	84.3	114.0
					Net Debt (net cash) - adj for NZ	50.2	77.1	64.3	94.0
Analyst: Trent Barnett					Last Earnings Estimate Changes:				
Phone: +61 8 9268 3052					27 October 2014				
Sources: IRESS, Company Information, Hartleys Research									

Fig. 1: Hartleys estimates of quarterly earnings

	FY14				FY15	FY15		FY14a	FY15e	FY16e
	Q1e	Q2e	Q3e	Q4e	Q1e	1He	2He			
Reported EBITDA	7.6	11.5	14.5	18.0	16.0	33.4	35.7	51.6	69.5	87.1
Store Stamp Duty	1.8	0	-0.1	0.1	0.4	0.4		1.8		
Ausgroup	0	1.1	0.6	-0.3	0.0	0.0	1.0	1.4	1.0	0.0
Carboodle losses	2.5	0.4	0.2	0.2	0.2	0.7	0.4	3.3	1.1	-4.7
GST adjustment	0	0	0.7	0.5	0.0	0.0	0.0	1.1		
Total abnormals	4.3	1.5	1.3	0.5	0.6	1.1	1.4	7.6	2.1	-4.7
"Like-FY13" EBITDA (ex Carb.)	11.9	13.0	15.8	16.2	16.6	35.2	37.5	56.9	72.7	77.7
Underlying EBITDA (inc Carb.)	9.4	12.6	15.7	15.9	16.4	34.5	37.1	53.6	71.6	82.4
- annualised	37.6	50.4	62.7	63.7	65.4	69.0	74.2	53.6	71.6	82.4

Source: Hartleys Research estimates, CCV reports

Fig. 2: Earnings Changes

	6/14A	6/15F			6/16F			6/17F		
	actual	Old	New	% diff	Old	New	% diff	Old	New	% diff
AUD/GBP	0.553	0.563	0.537	-4.6%	0.588	0.570	-3.1%	0.568	0.565	-0.5%
Pers. Finance Loan Book	138.4	136.7	137.5	0.6%	173.4	174.4	0.6%	167.8	167.8	0.0%
Pers. Finance Revenue	137.7	166.1	167.0	0.5%	195.3	196.2	0.5%	210.0	210.2	0.1%
Pers. Finance EBITDA	39.8	54.3	54.4	0.1%	61.8	61.8	0.1%	66.2	66.2	0.0%
margin	28.9%	32.7%	32.6%	-0.5%	31.6%	31.5%	-0.4%	31.5%	31.5%	-0.1%
Fin. Services Admin. Revenue	14.3	18.8	19.1	1.6%	18.5	18.7	1.0%	18.8	18.8	0.2%
Fin. Services Admin. EBITDA	10.4	11.1	11.1	0.3%	11.0	11.0	0.2%	11.0	11.1	0.0%
margin	72.7%	58.8%	58.0%	-1.3%	59.5%	59.0%	-0.8%	58.9%	58.8%	-0.1%
Owned # (UK + Aust) - end	122	122	122	0.0%	122	122	0.0%	122	122	0.0%
- additional	4	0	0	nm	0	0	nm	0	0	nm
Company owned stores (avg)	131	122	122	0.0%	122	122	0.0%	122	122	0.0%
Owned Stores Revenue	171.9	169.4	178.0	5.1%	166.3	173.6	4.4%	168.8	174.3	3.2%
Owned Stores EBITDA	15.6	19.3	19.3	0.4%	18.9	18.9	-0.2%	19.2	18.9	-1.3%
margin	9.1%	11.4%	10.9%	-4.4%	11.4%	10.9%	-4.4%	11.4%	10.9%	-4.4%
Franchised # (UK + Aust) - end	253	253	253	0.0%	253	253	0.0%	253	253	0.0%
Franchise Revenue	18.5	17.3	17.7	2.4%	16.9	17.2	1.5%	17.2	17.3	0.2%
Franchise EBITDA	6.6	6.2	6.4	2.4%	6.1	6.2	1.5%	6.2	6.2	0.2%
margin	35.9%	35.9%	35.9%	0.0%	35.9%	35.9%	0.0%	35.9%	35.9%	0.0%
Carboodle fleet value (100%)	14.4	19.8	19.8	0.0%	37.9	37.9	0.0%	33.7	33.7	0.0%
Carboodle EBIT (100%)	-4.2	-1.1	-1.1	0.0%	4.7	4.7	0.0%	5.0	5.0	0.0%
Revenue	331.7	361.6	371.3	2.7%	397.3	405.7	2.1%	416.0	421.5	1.3%
Norm. EBITDA	53.6	71.7	71.6	-0.2%	82.6	82.4	-0.3%	87.1	86.6	-0.6%
- margin	16.2%	19.8%	19.3%	-2.8%	20.8%	20.3%	-2.3%	20.9%	20.5%	-1.8%
EBITDA reported	51.6	69.6	69.5	-0.2%						
- margin	15.3%	19.5%	19.0%	-2.8%						
Depreciation/Amortisation	-7.9	-8.1	-8.1	0.0%	-8.2	-8.2	0.0%	-8.6	-8.6	0.0%
EBIT	45.7	63.6	63.4	-0.2%	74.4	74.2	-0.3%	78.4	77.9	-0.6%
Net Interest	-8.0	-8.9	-9.0	1.3%	-10.5	-10.7	2.2%	-11.4	-11.6	1.9%
Pretax Profit	35.7	54.6	54.4	-0.4%	63.9	63.5	-0.7%	67.0	66.4	-1.0%
Tax	-10.9	-16.7	-16.6	-0.4%	-19.5	-19.4	-0.7%	-20.5	-20.3	-1.0%
Norm. Net Profit After Tax	26.2	38.6	38.5	-0.4%	44.4	44.1	-0.7%	46.6	46.1	-1.0%
- margin	7.9%	10.7%	10.4%		11.2%	10.9%		11.2%	10.9%	
Reported Group Profit	24.8	37.9	37.8	-0.4%	44.4	44.1	-0.7%	46.6	46.1	-1.0%
DPS	4.00	4.25	4.25	0.0%	4.88	4.87	-0.3%	5.03	5.00	-0.6%
EPS (diluted)	6.0	8.8	8.8	-0.4%	10.2	10.1	-0.7%	10.7	10.5	-1.0%
P/E (\$1.090)	18.3x	12.3x	12.4x		10.7x	10.8x		10.2x	10.3x	
Ordinary Shares (end)	428.9	428.9	428.9	0.0%	428.9	428.9	0.0%	437.0	437.0	0.0%
Ordinary Shares (avg wgt)	426.3	428.9	428.9	0.0%	428.9	428.9	0.0%	432.9	432.9	0.0%
Net Debt	97.1	81.5	84.3	3.5%	110.9	114.0	2.9%	76.4	78.7	2.9%
Net Debt Adj for NZ	77.1	61.5	64.3	4.7%	90.9	94.0	3.5%	56.4	58.7	3.9%

Source: Hartleys Estimates

Fig. 3: Half year P & L

Profit & Loss (\$m)	Jun-11a	Dec-11a	Jun-12a	Dec-12a	Jun-13a	Dec-13a	Jun-14a	Dec-14e
AUD/GBP	0.656	0.639	0.650	0.641	0.643	0.557	0.550	
Pers. Finance Loan Book	62.2	75.0	87.3	110.6	125.7	117.4	138.4	138.0
Pers. Finance Revenue	31.8	38.0	49.1	54.7	58.9	61.8	75.9	80.0
Pers. Finance EBITDA	13.8	14.1	19.4	22.4	21.2	18.3	21.5	25.6
margin	43.4%	37.2%	39.4%	40.9%	36.0%	29.6%	28.4%	32.0%
Fin. Services Admin. Revenue	7.3	8.0	8.6	9.1	8.6	7.1	7.3	7.3
Fin. Services Admin. EBITDA	6.4	6.6	7.0	7.3	6.9	4.9	5.5	4.4
margin	87.4%	83.1%	81.6%	80.2%	80.1%	69.7%	75.7%	60.0%
Owned Stores Revenue	52.5	60.8	62.0	68.0	68.2	78.4	93.5	85.0
Owned Stores EBITDA		6.2	2.4	6.5	4.8	6.9	8.7	9.4
margin		10.2%	3.9%	9.6%	7.0%	8.8%	9.4%	11.0%
Franchise Revenue	14.1	12.3	11.2	10.7	13.3	9.1	9.4	9.4
Franchise EBITDA	3.1	2.9	3.2	3.0	1.2	3.1	3.6	3.2
margin	21.7%	23.3%	28.5%	28.5%	9.3%	33.8%	38.1%	34.0%
Carboodle fleet value (100%)			3.7	6.9	7.9	11.7	12.1	
Carboodle fleet (car leases)			246	460	528	779	807	
Carboodle EBIT						-2.9	-1.3	-1.0
Group Revenue	97.2	111.7	121.9	134.9	137.3	155.4	176.3	181.7
growth	10.5%	14.9%	9.1%	10.7%	1.8%	13.2%	13.4%	3.0%
Underlying EBITDA - Group	22.3	22.8	28.4	31.1	29.0	21.7	31.9	34.5
growth	3.0%	2.2%	24.7%	9.3%	-6.8%	-25.2%	47.5%	8.0%
EBITDA / Sales	22.9%	20.4%	23.3%	23.0%	21.1%	13.9%	18.1%	19.0%
Depreciation/Amortisation	-2.3	-2.0	-2.3	-2.8	-3.7	-3.8	-4.1	-4.1
EBIT	20.0	20.8	26.1	28.3	25.3	17.9	27.8	30.4
EBIT / Sales	20.6%	18.6%	21.4%	20.9%	18.4%	11.5%	15.8%	16.8%
Net Corporate Interest	0.0	-0.6	-1.0	-1.2	-1.2	-3.7	-4.3	-4.5
Norm Pretax Profit	18.7	20.3	21.2	27.1	20.6	14.2	21.5	25.9
Tax	-5.3	-6.0	-6.0	-7.8	-7.0	-4.0	-6.9	-7.8
Effective Tax Rate	28.6%	29.7%	28.3%	28.6%	34.2%	28.2%	32.1%	30.0%
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Normalised NPAT to equity	13.9	14.0	18.2	19.0	16.3	9.9	16.2	18.1
Norm. Net Profit / Sales	14.3%	12.5%	14.9%	14.1%	11.8%	6.4%	9.2%	10.0%
Abnormals / discontinued	-0.5	-0.8	-2.0	-0.6	-1.8	-2.7	1.3	-1.0
Group Reported Profit	13.3	13.2	16.2	18.4	14.4	7.3	17.5	17.1
Reported EPS (basic, weighted)	3.96	3.07	4.68	4.70	3.39	2.30	3.40	4.00
Normalised EPS (dil, wghd)	4.01	3.19	5.00	4.85	3.55	2.54	3.42	4.15
DPS (\$)	0.0175	0.0175	0.0175	0.0200	0.0200	0.0200	0.0200	0.0200
Franking	100%	100%	100%	100%	100%	100%	100%	100%
Payout Ratio	44.2%	57.0%	37.4%	42.6%	59.0%	87.0%	58.8%	50.0%
Balance Sheet (\$m)	Jun-11a	Dec-11a	Jun-12a	Dec-12a	Jun-13a	Dec-13a	Jun-14a	Dec-14e
Cash	23.5	19.5	16.4	22.7	20.7	50.8	26.8	26.8
Receivables	9.0	11.0	10.9	11.1	13.0	22.5	33.5	
Inventories	14.1	14.7	17.1	17.4	21.8	23.8	25.6	
Other (including loan book)	66.4	80.8	91.1	112.5	123.6	131.4	134.2	
Total Current Assets	112.9	126.1	135.5	163.7	179.1	228.5	220.2	
Property, Plant & Equipment	13.2	16.8	19.6	20.4	22.5	24.1	22.6	
Intangibles (inc. Goodwill)	96.9	91.7	92.7	93.9	121.2	131.5	132.7	
Other	9.7	11.2	14.9	21.9	24.1	11.2	34.8	
Total Non Current Assets	119.7	119.8	127.3	136.2	167.8	166.8	190.1	
Total Assets	232.7	245.8	262.7	299.9	347.0	395.3	410.3	
Accounts Payable	20.3	14.5	19.6	18.7	20.0	26.5	26.8	
Interest Bearing Liabilities	4.6	4.6	11.3	4.6	70.5	55.1	59.9	59.9
Other	11.2	13.6	13.8	14.1	14.3	5.4	14.7	
Total Current Liabilities	36.1	32.7	44.7	37.3	104.9	87.1	101.4	
Accounts Payable	0.0	0.0	0.0	0.9	0.0	0.0	0.0	
Interest Bearing Liabilities	18.0	33.7	31.4	29.4	0.4	59.1	64.0	60.1
Other	3.3	3.5	0.1	0.1	0.1	0.1	0.1	
Total Non Current Liabilities	21.3	37.2	31.4	30.5	0.5	59.2	64.2	
Total Liabilities	57.4	69.9	76.1	67.8	105.3	146.3	165.6	
Net Assets	175.3	176.0	186.6	232.1	241.6	249.0	244.7	
Net Asset Value / Share (\$)	0.46	0.46	0.49	0.55	0.57	0.58	0.57	
NTA / Share (\$)	0.21	0.22	0.25	0.33	0.28	0.28	0.26	
Net Debt (net cash)	-0.8	18.7	26.2	11.3	50.2	63.4	97.1	93.2

Source: Company Data, Hartleys Estimates

The Australian Personal Finance business continues to be the dominate earnings contributor.

The UK business remains disappointing and we assume is a minimal profit contributor

The loan book (~\$135m 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

PRICE TARGET

Our twelve month price target is increased to \$1.28 (from \$1.27).

Price Target Methodology	Weighting	Spot	12 mth out
DCF	50%	\$1.20	\$1.28
12mth forward P/E of 14.0x	30%	\$1.28	\$1.43
Price / NTA (Jun'14a) 1x \$0.26	5%	\$0.26	\$0.26
12mth fwd Div Yield of 3.2% (Gross yield=4.6%)	15%	\$1.31	\$1.31
Risk weighted composite		\$1.19	\$1.28
12 Months Forward		\$1.28	
Shareprice - Last		\$1.090	
12 mth total return (% to 12mth target + dividend)		21%	

Source: Hartleys Estimate

Fig. 4: Key assumptions and risks for potential new valuation

Assumption	Risk of not realising assumption	Downside risk to valuation if assumption is incorrect	Comment
We assume Personal Finance (Safrock) returns have stabilised in Australia. We assume very modest Australian loan growth	High	Upside	We believe we are conservative given CCV is under penetrated NSW and on-line lending
UK make modest contribution in near term, but eventually is profitable	Low	Low / Upside	We believe this is reasonable
Carboodle makes a full year slightly positive EBIT contribution in FY16, loss in FY15	Low	Moderate	We assume that Carboodle is slow to grow.
<i>Conclusion</i>	<i>We believe we have been realistic or conservative in our base case assumptions.</i>		

Source: Hartleys

USEFUL WEBLINKS

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

www.nocap.com.au

http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4682_ems_b9d82b8b-af71-481c-8975-088be001d298/upload_pdf/370236.pdf;fileType=application%2Fpdf

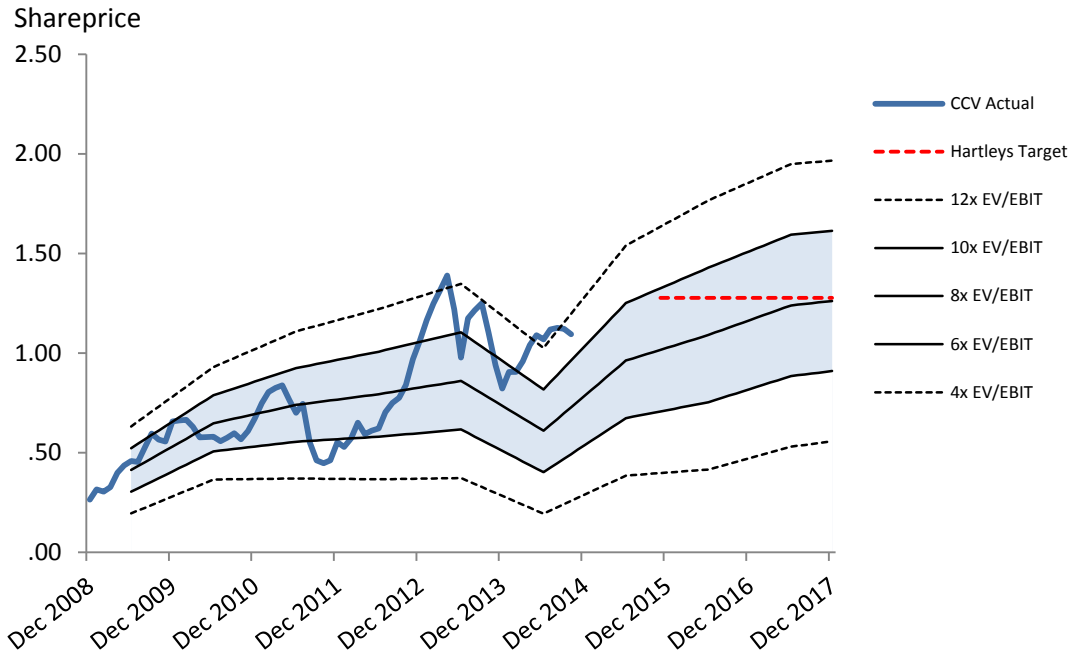
<http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2012/038.htm&pageID=003&min=brs&Year=&DocType=>

<http://www.ofc.gov.uk/OFTwork/credit/payday-lenders-compliance-review/>

<http://www.guardian.co.uk/money/2012/nov/28/payday-loan-cap>

EV/EBIT BANDS

Fig. 5: Using Hartleys base case forecasts



Source: Hartleys Estimates, IRESS

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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	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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