Company Initiation

Ord Minnett Research Friday, 5 February, 2010

Cash Converters

Initiation of coverage – growth niche

- Cash Converters (CCV) is a major provider of pawn broking services, second hand goods retailing and alternative credit (consumer finance). CCV operates both corporate stores and a franchisee model.
- The pawn broking and lending industry has a poor reputation. This perception is increasingly at odds with the current reality. The industry is moving towards corporatised structures, conducted with high levels of regulation, in modern, well lit stores with a large range of goods.
- CCV is well positioned with defined growth paths into new geographic locations (local and international) and movement into adjacent markets.
- CCV has been able to acquire small franchisees for very reasonable multiples (3.5X EBIT) and by deploying better retailing practices and greater product ranges.
- The sub prime crisis has created a large supply side shock with wholesale withdrawal from alternative (sub prime) credit markets by banks, drastically reducing competition in the core alternative finance market for CCV.
- The business has a strong balance sheet with the $54m placement for 30% of the diluted capital to EZCORP ($18.16 EZPW.US) in August 2009.
- The business offers value with a P/E 10.0X – FY10 with ~13.7ps cash or a post cash P/E of 7.9X FY10. OM has a DCF value of 79c per share.
- The business does have a **high risk** profile – with potential regulation of the alternative finance industry - initiate with **Accumulate.**

Key Financials Year-end June (A$)	FY08A	FY09A	FY10E	FY11E
Revenue ($m)	74.3	94.4	115.1	137.4
EBITDA ($m)	23.4	25.6	30.1	33.9
Net profit after tax ($m)	15.2	16.1	20.7	24.2
EPS (¢)	6.1	6.6	6.4	6.7
P/E (x)	10.4	9.6	10.0	9.6
EV/EBITDA	6.4	6.4	6.3	5.7
Dividend (¢)	3.0	3.0	3.5	4.0
Net Yield (%)	4.7%	4.7%	5.5%	6.2%
Franking (%)	100%	100%	100%	100%
Normalised NPAT ($m)	15.2	16.1	20.7	24.2
Normalised EPS (¢)	6.1	6.6	6.4	6.7
EPS Growth (%)	26.7%	8.0%	-3.9%	4.5%
Normalised P/E (x)	10.4	9.6	10.0	9.6
Relative P/E (%)	70.2%	65.0%	67.6%	64.7%
Normalised ROE (%)	20.6%	19.6%	13.8%	15.1%

Source: Iress, Company Data, Ord Minnett Est. Share price: $ 0.64 Feb 04, 2010

ASX A$0.64

Recommendation
Accumulate

Risk Assessment
High

Consumer discretionary - retail

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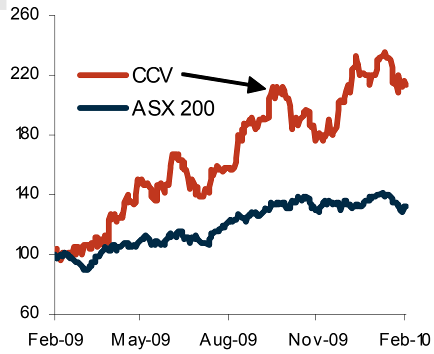
Cash Converters	
ASX Code	CCV
52 week range	A$0.29 - A$ 0.71
Market Cap	232.4
Shares Outstanding	363.2
Av Daily Turnover	254,200
ASX All Ordinaries	4,644
ASX200 Industrials	3,869
NTA FY09 (¢ per share)	9.17
Net Debt FY09	9.8

Relative price performance



Source: Iress

Consensus earnings

	FY10F	FY11F
NPAT (C)*	$20.5-$21.0	n/a
NPAT (OM)		
EPS (C)	n/a	n/a
EPS (OM)		

Source: * CCV guided $m

Executive summary

Positives

- ✓ **Tangible growth drivers** at both the industry and corporate level underpin high growth rates into the future.
- ✓ Corporate growth is driven via:-
  1. **Corporate store acquisitions** (estimated to be 50 stores over the next 4-5 years)
  2. **Expansion into new products** (financial services)
  3. **Infilling underweight geographies** such as NSW and Victoria.
  4. Introducing better systems, renovating stores and **expanding the product range (helped by a large network).**
- ✓ Wholesale departure of high street banks from alternative (micro) credit lending has given the **entire industry improved supply side dynamics**. The alternative credit and pawn broking industry globally has performed well during the downturn.
- ✓ Within the UK business, **alternative financial loans and payday lending are in a ramp up stage and have only been fully marketing since November 2009**. This should start to materially contribute in the 2H10 to the business.
- ✓ **The internet makes disposing of products easier** (and is also a material threat) and has driven technology products cycles (computers, games). The internet also makes price discovery and valuation of goods such as technology easier.
- ✓ An extremely strong balance **sheet with circa $40m cash available** also enables the business to expand at a pace that suits it and enables opportunities to be taken.
- ✓ CCV believes that **brand awareness in Australia is 95%+.**This gives it a material advantage over other competitors. CCV has gone from a brand of last resort to a brand of choice.
- ✓ Conversion of franchisee stores and turning them into CCV corporate stores often provides an uplift in performance by greater marketing of financial products and payday lending, refitting and cleaning up the store(s), marking aged stock down more aggressively, timely manner to liquidate, increased training of staff to sell financial products and higher energy levels (often franchisees are selling as a succession plan).

Negatives

- × Adverse consumer lending legislation and the public perception that the business in unscrupulous. The Federal Government is to examine the issue of interest rate caps when it reviews the second phase of regulation of consumer credit in mid 2010. The Federal Minster for Superannuation and Corporate Law, Nick Sherry, has said the key elements of the phase 2 (mid 2010) action plan include:-

"Enhancements to the specific conduct obligations, an examination of State approaches to interest rate caps; and other fringe lending issues as they arise.

This is a risk to this business – with lobbying of the government and some restructuring of the operation potentially required if onerous caps are put in place. Earnings may also be reduced by adverse legislation.

Tangible growth drivers

A lack of supply of alternative credit and a reduction in the number of small operators – a reduced supply going forward.

On a P/E of 10.0X FY10 and with 13.7c in net cash – the business is effectively priced on P/E of 7.9X

Risks do exist including the possibility of greater regulation of interest rates that can be charged

- OM believes that increased licensing of operators is highly likely. A renewed focus on consumers' capacity to repay loans (and avoid a debt trap) will be major outcome of the legislation. The government has to confront a withdrawal of service. There is also the practical issue i.e that lending someone, say $50, requires a high interest rate to cover the administrative costs (and risks attached).
- Goods deflation, the gold price and acrimony with franchisees remain tangible risks for the business. OM understands that current relations between franchisees and CCV are good both in the UK and in Australia.

Back of envelope downside from Federal Government regulation of Alternative interest rates

FY09 Finance EBITDA	$16.4m	From accounts
Australia split	$12.3m	75%+ of total store numbers
States already impacted	50%+	88/136 stores already in states with heavily interest rate caps.
Exposure	$6.1m	Extra volume may occur and payday loans growth may help. Back book some cushion
Lost earnings est.	~$6.1m	25% EBITDA lost or at least a years profit growth

Source – OM estimates

The degree of downside depends on the timing of any legislation, its details and the continued growth from the UK finance business potentially acting as an offset. At present, Australian finance contributes greater than 50% of Finance division's earnings and the downside could therefore be greater than our rough analysis suggests.

Franchisee dissent is also a material risk

- The dilution impact of Ezcorp and an inability for the business to now be taken over easily may restrict competitive corporate activity.
- The Internet is both a threat and an opportunity –the internet could (and has) disintermediated pawn brokers with consumers selling goods online. It is important to realise that the growth of the pawn broking business is due to its immediacy and through alternative credit expansion. Most pawn brokers don't really want to be (prima facie) second hand goods merchants but rather lend and then re-lend cash.
- The nature of the franchisees is that they are tough, hard bitten, value conscious, entrepreneurial business operators, who are generally friendly with each other. This means if CCV does not deliver value – then dissent can and has occurred – this can mean systems are not used, levies not paid, and reputations hurt.
- OM estimates that in FY09 about AUD$2.5m in OPBT (11% of the total pre-tax earnings of $23.2) was exposed to the GBP**. Roughly speaking each +/- 5 p movement GBP equates to +/- AUD$250k in pre tax profit or about 1% to EPS.** This will change as OM expects the UK to continue to grow rapidly – but is not a major concern at the moment. There is small debt – circa GBP £1m that also acts as a small cross hedge.

SWOT for CCV

Strengths

- Brand recognition – over 95% in Australia. CCV can afford radio and TV advertising for example.
- Access to capital – a strong balance sheet – giving the business flexibility in pursuing growth and acquisitions.
- Current extensive store footprint, client base and loan book, experience of management.
- Established systems, processes, software and first or 2nd mover into new markets.
- Often the loans are portable and so can be serviced via other branches allowing customers to travel more easily and service loans more effectively (and reduce bad debts).
- A corporate model enables longer opening hours with more staff than mum and dad operators e.g open Sundays
- Large range of goods – enables better resale - more loans to be made against a greater variety of goods.

Weaknesses

- Future growth path is dependent on acquiring franchisees at reasonable prices
- Dependence on franchisees fee income and ongoing use of systems and process –e.g CCV payday lending software
- The there is a portion of the revenue is based in the UK where the devaluing pound is reducing this earnings stream.
- Dependence on the alternative credit business and the threat that regulation brings to this industry.
- Dependence on the Finance division to drive future growth and profitability of the business.

Opportunities

- Changes to Australian credit reporting standards to (include both positive and negative news) and more detail – should assist the business to gain a more accurate picture of a client's true financial position. At the moment Australia only operates a negative system – i.e makes an entry if a problem arises. The UK system records both good news (council rates, phone bills etc payments) and bad news – this makes it easier to lend to people who have been at the same location for some time and have good payment records. It avoids the "skip" problem of serial fraudsters moving around to obtain credit.
- Conversion of international network into Corporate owned stores and or lifting the income derived from these overseas operators e.-g South Africa et al.
- Linked to technology product cycles – computer, mobile phones, computer games and consoles cycles. These cycles are constantly encouraging consumers to lust for and buy new consumer products (and needing cash to do this).
- Geographic – local and international UK expansion into payday lending and alternative finance
- Further movement into the payday market – only 112 of 139 stores in Australia offer this service

Threats

- Ongoing regulatory review of the sector – coupled with the public perception that the sector is populated by sharks and preys on desperate people. A perception which is not born out of reality of the facts.
- The internet creating disintermediation: this however is also an opportunity
- Product deflation and/or the decline in the gold price devaluing categories of inventory. Volatility in the gold price does create some additional opportunities for the business.
- Competition – Walmart setting up a money transfer business, stores offering credit etc. Banks moving into micro credit (unlikely).
- Franchisee dissent and unhappiness

Business model

CCV is one the largest corporate pawn broker and providers of alternative credit in the world (albeit in a highly fragmented industry) with over 542 outlets (franchisee and corporate stores). It has 4 divisions.

1. Australia – including growing corporate store presence.
2. UK – including a growing corporate store presence.
3. Finance – alternative finance and/or micro credit.
4. Franchisee operations (rest of world) – tiny % of revenue despite large footprint.

We estimate that 50% of revenue comes from corporate stores and that this will continue to grow

Australia - 65% of revenue

In Australia the business has 139 stores, with 44 in Queensland, 34 in Victoria, 12 in NSW, 21 in South Australia, 25 in W.A and 3 in Tasmania. Clearly for NSW and Victoria have large scope to open new stores in new geographies given the respective population. The business is resilient to the economic cycle with sales growing 10-15% during the recent GFC. The business also now owns 17 corporate stores in Australia and this is an area of focus and expansion into the future.

UK – 34% of revenue

The business has 147 stores in the UK, with 26 corporate stores. Corporate stores are the focus of expansion into the future.

Australia and the UK are the largest contributors to the group

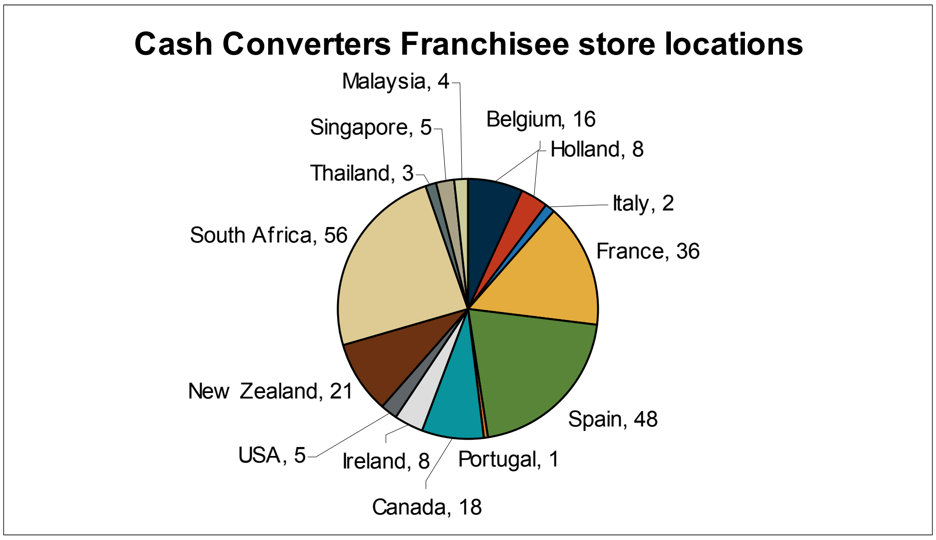
Finance (mostly Australian focused)

CCV is increasingly a provider of micro financial services and pawn broking services. CCV is one of the largest providers of alternative credit in Australia and is one of the few providers that currently actively seeking to expand its loan books (unlike major banks).

Rest of World franchisee operations – 1-2% of revenue

CCV has a large franchised store base spread out over the world with 231 stores. The "rest of world franchisee" segment contributes very little to the business. Individual countries and regions are allocated as sub franchises allowing operators to set up networks of stores in these geographies. There is latent value in this network – with CCV possibly able to buy out these licenses over time (for a fair price).

Rest of world franchisee revenue is a very small part of revenue



The franchised stores typically pay $50,000 to $100,000 upfront to CCV to establish a business along with weekly fees and other levies. This enables franchisees to access site assistance, training, stock management, finance, software and advertising services.

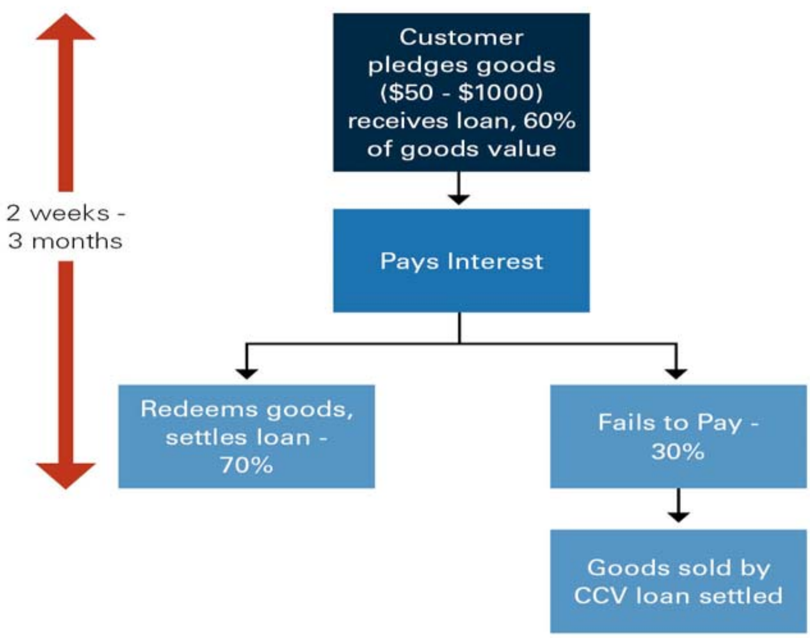
Buying back the "global network" over time could be an area of substantial upside for the business. For instance - the Spain network is well run and profitable according to OM's understanding and could slot in well with the rest of the business.

Product overview

	Safrock – loans	Safrock – loans	MON-E (payday loan)	Pawn broking
Geography	Aust/ UK (recent)	Aust/UK	Aust/ UK (recent)	Aust/UK
Security	Unsecured	Secured	Unsecured	Secured
Loan size	$1000-$2000 (aver. $1500)	$2000-$5000	$50-$1000 (aver. $303)	Average $90
Loan duration	4-7 months	1 -2 years	Repaid 4 weeks	1month –Max 3 months
Credit Check	Yes	Yes	No	N/a
Loan capital provider	CCV	CCV	Franchisee or Corporate store	Franchisee
Fees (prime store operator) i.e owns shop	Varies - % of interest and fees	Varies - % of interest and fees	35%+ of loan value	Varies
CCV "earn"	Interest on loans - Corporate store gets fees or Franchisee get fee	Interest on loans - Corporate store gets fees or Franchisee get fee	10% of loan value – slides down due to volume	Fees (interest) to corporate or franchisee. CCV get service levies.
Bad debts	~7%	~7%	~4-5%	Varies –goods act as security

Source – CCV and OM

Pawn broking – provision of a normally small value loan – with good of intrinsic value taken as security. If the interest and/or loan are not paid back, the good(s) are then sold to recover the lost money.



Basic outline of pawn broking process

Cash advance – or payday loan (MON-E) - provision of small unsecured loans (average size $226) to employed people with bank accounts with repayments directly debited via central computer from their bank accounts. Bad debt levels range around the 3% level. Term of the loans is 30 days. Over 231,000 customers used this service in FY09. This is a rapidly expanding part of the CCV offer. It uses the MON-E software as the back end engine to provide this service to the franchisee and corporate stores. With the MON-E software – CCV earns a transactional fee for providing this service to the franchisee ~ 10 % of the loan's value.

Payday loans are an expanding part of the business

Consumer behaviour research shows that for smaller loans consumers focus on how much the repayments are (and if they can afford them), rather than a purely interest rate driven decision.

Basic features of a pawn broking product vs a traditional bank credit card

	Payday product	Bank credit card
Speed	Fast – immediate – normally approved on the spot – can be declined	At least a few days – can be declined
Ease	No bank account required. Informal	Bank account and credit history required. Formal process.
Cost	35% of Advance	Fees, dishonour charges, credit history issues – interest 20% + anyway
Divisibility	Can be for $50	Generally $1000+ -often more
Interest	Effectively a fee	Interest compounds

Source: Ord Minnett, CCV

Often the most economically sound decision for a consumer is actually to pawn or take a paydown loan. This is cheaper than dishonour fees, disconnection fees, credit problems and penalty interest rates that more traditional products offer and their lack of access creates. Also relationships are not damaged – for example borrowing from friends or an employer and then not paying them back.

Small value loans require high interest rates and fees to justify the risk and cost of doing business (paperwork, time) required.

This product suite is not a true comparison due to the large number of franchisee stores. Franchisees pay 10% fee to MON-E to set up the payday advance – this fee flows back to CCV.

Personal loans – Safrock loan business - loans range from $1000-$2000 and can go as high as $10,000. CCV International (parent co) provides the capital for the loans using proprietary software and credit checks. Smaller, shorter loans are generally unsecured with larger, longer loans ($2000+) secured. The CCV franchisee receives an initial commission for organising the loan.

This business is also rapidly growing, helped by the acquisition of Safrock in 2007– a major personal loan provider. The capital for larger loans is provided directly via CCV with the franchisee earning a fee on the transaction.

Western Union – money transfer business – charges a fee.

Auction site – in a similar fashion to Ebay surplus goods or good where loans have expired are systematically auctioned off. This lifts the sale price (due to a wider audience) and expedites the sale process for unusual items. CCV (CCV) charges a 5% fee to dispose of a product on the CCV website. The site has 80K registered users and had 30m pages viewed last year. The charges are comparable to EBay - once transaction, ad costs and Paypal costs are included.

Divisional snapshot

As mentioned before the business has 3 major divisions – Australia, the UK and the finance division – which we understand sources much of its earnings from the UK and Australia geographies.

CCV – OPBT in $m

	FY08	FY09	%	Comment
Australia	3.5	4.7	20%	Growing due to Corporate store expansion
UK	0.86	2.5	11%	Store expansion, better product mix
Safrock	8.2	9.1	40%	Growing as product(s) are rolled out
MON-E	9.0	6.9	29%	Fell due to fee reduction to franchisees
Total	21.6	23.2	100%	

Source – CCV and OM

By virtue of store numbers, corporate stores and product penetration the UK and Australia are by far the largest contributors to the group's overall profitability. It should be noted that the vast majority of Safrock's business is done in Australia particularly in the corporate stores. Increasingly the UK is expanding into the payday area with a big marketing push across the UK network in November 2009 after some early pilots in May 2009.

Management and board

Management are highly experienced, having made their fair share of mistakes

Peter Cummins- MD - Joined in 1990 as Finance Manager, appointed Managing Director in 1995. Qualified account with a background in finance and health administration.

Reginald Webb – Chairman – Retired PWC partner.

The board has a further 4 non executive directors and probably needs additional non executive directors added as the business grows. Ezcorp (via its 30% stake in CCV) are adding 2 additional directors to the business, Mr William Love, an Austin based Ex KPMG partner and Mr Joseph Beal – who has expertise in engineering, consulting and infrastructure management.

Strategy

UK and Australian expansion via corporate stores and more financial services

1. Expand the Safrock loan book across all geographies (UK and Australia). Management expects the Safrock loan book to grow by ~$10m in FY2010.
2. Accelerate franchise acquisition program. This grows earnings, enables product and distribution control, enables the business to grow the online presence and respond rapidly to any regulatory change.
3. Open new stores – expected to be 5 in FY2010 and CCV expect to acquire 50 stores over the next 3 to 4 years.
4. Setting up new franchisees where appropriate.
5. Defend the current franchisee arrangement(s) and established contractual obligations from new providers (e.g software, finance) or from an unwillingness of franchisee to honour contracted arrangement.

OM is unusual in that this analyst has recently "worked" 2 days in a family owned pawn broker near Penrith in NSW.

Competitive advantage

1. Owns leading edge proprietary software systems that automates and systemises the lending and pawning broking process.
2. CCV is able to afford TV advertising. Brand awareness is over 95% in Australia.
3. Access to capital – both debt and equity.
4. Store locations, modern, well lit, properly staffed stores, with a good range of stock. Personal knowledge and commitment to service also help.
5. Wide product range with deal flow and the nature of the product (second hand goods) offer value to customers.
6. Good technical knowledge of products – aware of faults, scams and problems along with product cycles – critical in valuing and lending against goods. For example knowing that a new Play Station model is being released next week helps to correctly value an old unit. The internet helps in quick price discovery.
7. Attractive product display and presentation.
8. Portability of loans – customers can make payments into virtually any store in Australia – adding to the convenience of the offer.
9. It is widely reported that in the unsecured lending area there is minimal competition in Australia. This allows terms to be tighter, providers to be choosy and pricing to be firmer.

High brand awareness

Wide range

Well lit, modern stores

Systems and process in place

Barriers to entry

- It is estimated that 60% of consumers determine their consumer finance provider via having dealt with them before. A further 5% base the decision on where they are shopping. For pawn broking/alternative finance this is almost certainly higher again.
- Development of software and business processes to deal with business types (lending, wire transfer), timing of stock release, systematic contacting of clients, establishing the providence of the goods lent against, credit checks, valuing products quickly and accurately.
- Compliance with extensive regulation. In NSW it is hard for instance to set up as a second hand goods dealer. Steps required include:-
    1. Establishing a company, getting a tax file number, getting a bank account.
    2. Applying to the Department of Fair trading for a pawn broking second hand goods license.
    3. Passing police probity check.
    4. Getting access to software to manage the business – specific pawn broking business software.
    5. Getting access to probity software such as a daily download of serial numbers into NSW Police crime computer.
- Initially the business can be quite capital consumptive as money is lent out before money comes back in. This acts as a barrier to entry for small operators.

Value of incumbency

Systems, process

Regulatory process

Initially capital consumptive

Localised business

- The business is very localised. Knowing the local clientele – who is a good customer, who is not, local circumstances and just being a friendly but firm retailer is all part of the skill of the business. This takes time and local knowledge.

Value of a network

- There is value in a network – with goods able to be moved around between branches for optimal selling potential. A very poor area might occasionally produce a very valuable piece of jewellery that can be relocated to a more affluent area for sale (subject to check etc). Common problems can be identified quickly such as blacklisting bad customers, pricing, dealing with common fault in technology items, getting broken items centrally repaired all help.
- Corporate stores can be open longer hours than many local operations.
- Brand awareness is high in Australia at over 95% – this helps to attract business. The business has well positioned well lit, modern retailing premises.
- Greater range and product offer- selling and lending range. The stores are larger and can deal (lent against a greater variety of goods). Many small stores cannot easily lend against jewellery with precious stones. CCV can (and has) invested in diamond verification technology to enable the business to lend and then sell jewellery with precious stones.

Industry overview

We have split the industry into 2 distinct segments – pawn broking and alternative credit.

Pawn broking - Australia

The second hand goods industry is a $1bn industry

The industry is broken into antiques and 2nd hands goods (X -Autos) in Australia. We have stripped out the antique part of the industry to help make an assessment of the size of the 2nd hand goods (pawn broking) industry.

The 2nd hand goods industry is however a $1bn industry in Australia.

IBIS World Snapshot of the second hand good industry in constant prices – adjusted for second hand goods only. In constant currency.

	2007-2008	2008-2009
Industry revenue ($m)	989	1,035
No. of establishments	2,032	1,975
No. of enterprises	1,614	1,570
Employment	4,771	4,624

Source – IBIS World (X antiques)

Demand is expected to remain firm

The pawn broking industry is probably substantially larger than the above analysis suggests when provision of credit is included.

Demand - The entire 2nd hand goods industry has consistently grown in the last 5 years at growth rates above nominal GDP (4.7% in Australia according to IBIS World). Rising real incomes has actually allowed lower income individuals to seek specific used goods – this is borne out with real income growth for even the lowest decile income groups over the last 10 years.

The downturn has driven higher end consumers towards the 2nd hand good industry and this partially explains its strong growth rate compared to other sectors in the downturn. IBIS World is forecasting the industry to expand at 3.5-4% pa for the next 5 years.

Rising internet usage is at the margin creating competition for used good retailers. CCV (and others) see this as an additional channel to offload non redeemed goods and so are less threatened than pure second hand good dealers (who face real threats from the internet). The internet cannot provide the convenience of a pawn broker. Interestingly computers (and games) and the increasing need to access the internet are a major category for pawn brokers.

Supply - The number of enterprises vs establishments also reveals the highly fragmented nature of the industry and some contraction again suggesting reasonable supply side characteristics. The industry concentration remains highly fragmented driven by local and family operated businesses. Gradual industry consolidation is occurring, with the number of outlets falling by 12% in the last 5 years – mainly amongst the pure second hand good dealers and not pawn broking.

Demography - The income distribution table shows (on the next page) shows that Australia has up to 1.4m+ (20%) households with less than $500 p.w in net income. This is the predominant target market for micro lenders and pawn brokers.

Poor households are bigger users of these sorts of services

Industry estimates indicate that over 2m Australian households are unable to borrow from traditional sources and may require alternative lending solutions. There is virtually no viable alternative with government, charities and bank schemes miniscule in scope and scale. It is estimated that 49% of "borrowers" of alternative finance and pawn broking are on less than $35k in annual income suggesting that the lower socio economic groups are the main consumers of these sorts of services. The average customer uses a pawn broker 7 times a year according to US research.

It is estimated that 28% of the 8m Australian household's principal source of income are government pensions or allowances (circa 2m households). This group find it virtually impossible to source credit from any traditional means such as banks or credit cards.

Alternative Finance

The industry is fairly new with payday lending emerging in the US in the early 90's and in Australia, Canada and the UK in the mid to late 90's. The pawn broking industry is on the other hand extremely old.

According to the ABS over $3.5bn of revolving line personal credit was extended to consumers in the month of October 2009 – about 10% of the total credit extended – suggesting this is a large industry.

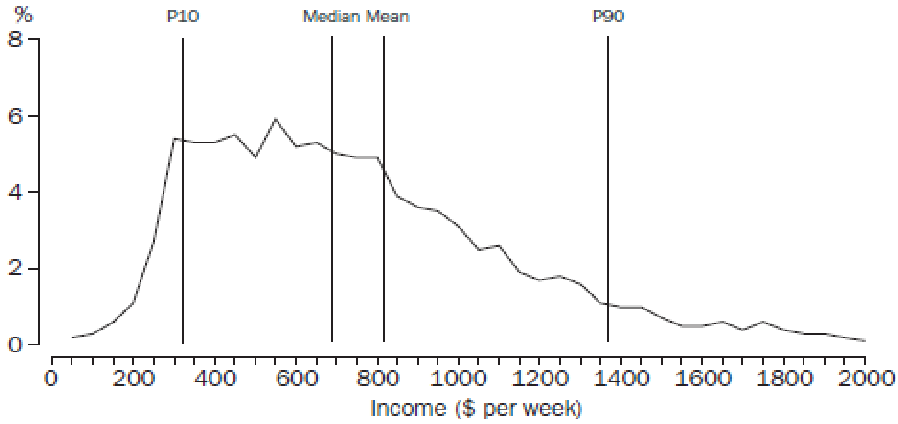
Alternative finance is a large industry – increasingly under serviced by banks

Other lenders (non banks) extended about $570m in October. The providers and usage will all vary widely, however **this indicates that personal finance is a large industry.** The majority of the lending was done via banks; however this is unsecured housing lending. Other figures show the other personal finance segment was circa $729m in Oct 2009.

Credit growth normally outgrows GDP over the longer term as the proliferation of products; increasing levels of financial wealth and sophistication all stimulate demand.

The ABS defines disposable income as gross income less taxes so it is net income and not very "disposable".

ABS distribution of equivalised disposable (net) income – Household income survey



Note: Persons with an income between $25 and $2,025 are shown in $50 ranges on the graph.

Source – ABS 2007-08

US pawn broking and alternative finance Industry

To put the US industry into some perspective, Operators (and Western Union) estimate that up to 20% of the US population are unbanked (no bank accounts of note). Up to 75M may be underbanked. It is hard to get Australian statistics however one suspects the unbanked portion is much lower but there are a lot of Australians who are underbanked that is can't get credit cards, short term credit due to lack of employment, low income levels etc..

The US industry continues to report strong conditions sustained over the last 5-10 years

The US pawn broking industry is also extremely fragmented with the 3 largest providers estimated to account for 10% of the entire industry. It should also be noted that the major listed US players performed extremely well during the downturn and continue to report strong growth rates and solid industry conditions.

Financial services are more concentrated with the top 10 providers of alternative credit accounting for 40% of the industry.

Forecasts and Outlook

We are forecasting above GDP growth rates for CCV into the next 5 years. Store growth, acquisitions, favourable supply and demand dynamics for the industry all help to underpin this analysis.

Revenue growth and margins assumption(s) table

Store revenue	2008A	2009A	2010F	2011F
Store revenue $m	43.9	65.3	81.4	100.3
Corporate stores	22	38	46	55
Revenue per store $m	-	1.72	1.77	1.82
Comp growth %	-	-	3.0%	3.0%
EBITDA $m	5.6	9.2	11.2	13.5
EBITDA %margin	12.8%	14.1%	13.7%	13.5%

Source - OM

Stores

Store revenue is assisted by the planned acquisition of a further 5 stores (as recently disclosed), plus the recent acquisitions contributing for the full year. Management expects to acquire a further 50 stores over the next 3 to 4 years – further driving growth.

Up to 50 stores are set to be acquired in the next 3-4 years

Acquired growth is also assisting the FY10 outlook.

We have used a conservative assumption with respect to comparable store growth and assumed some margin deterioration over time.

Finance

Finance revenue	2008A	2009A	2010F	2011F
Finance revenue $m	30.4	28.7	33.7	37.1
Revenue growth %			17.5%	10%
EBITDA $m	17.3	16.0	18.9	20.4
EBITDA %margin	56.9%	56.1%	56%	55%

Source – OM

OM expects the business to continue to grow as the product is fully deployed into the UK market and gains greater penetration into the Australian market. Much higher average loan book balances will also help drive growth into the future. About 66% of earning comes from Safrock loan book and about 33% from MON-E (payday) loans.

Payday - MON-E commissions were cut in FY09 – with a volume rebate put into place and with some Queensland franchises using a different provider for a period of time, this has since been rectified via mediation. The revenue in this division is expected to bounce back in FY10. The Safrock business is benefiting from greater numbers of customers who are borrowing larger amounts and hence increasing total loan balance. In order to reflect possible increased competition and to be conservative - OM have assumed some margin deterioration over time.

Finance is expected to grow strongly

Cash advance vital statistics

Item	2007A	2008A	2009A
Cash Advance – MON-E			
Total loaned $m	124.5	143.7	143.1
Customers	202,325	218,125	231,262
Average lent per customer $	615	659	619
No. of loans	486,590	511,275	472,277
Average loan size $	256	286	303
Personal Loans –Safrock	16,012	20,669	28,937
Average loan size $		668	740
Customers	9,965	13,276	19,211
Average loan per customer $		1,039	1,114
Loan book $m	12.8	13.8	21.4

Source – OM, CCV

This data shows a mixed picture for the Cash Advance business with smaller amounts per customer lent and a fall away in the actual number of loans. The fee cut and Queensland problems hit this business. Safrock continues to show good growth across all metrics.

Acquired growth

Outright purchases of existing franchisee stores via a plan to acquire 50 stores in the next 3-4 years. The average acquired store earns EBIT 300k - with 3.5X EBIT multiple = $1.05m to acquire each store. If CCV acquires 5 stores each year this will add EBIT of $1.5m to the group with some minimal loss of franchisee fees.

Each transaction is EPS accretive transaction for the business.

Note the business has $60m in cash from the recent equity raising to help fund the growth.

Recent acquisitions

Year purchased	2007A	2009A	2009A	2010 to date
Location	UK and Vic	UK	Aust	UK
No of stores	13	7	8	3
Total consideration	$15.9m	£1.70m	$8.0	£1.2
Assets acquired	$6.1	£0.79	4.3	£0.03
EBIT	3.3	£0.4	2.4	£0.4
EBIT Multiple	4.8X	4.3X	3.3X	3.0X

Source – CCV

We have assumed acquisitions continue in our modelling with $5m each year in pure acquisition costs (PP&E and goodwill) and the rest taken into the sales and linking this to the working capital demands of a newly acquired business. Growth in FY10 is helped by the annualising of acquired business in FY09 and early FY10.

Bigger picture growth drivers

- ✓ Large banks walking from most high risk consumer lending. The recent downturn and an inability of banks to control and manage sub prime loans have meant many banks have simply exited this part of the market. Extensive local knowledge in lending small amounts against minimal security gives this business a distinct street wise edge compared to the larger banks in this area of the market.
- ✓ Structured computerised high street banking credit practices are increasingly locking out these small micro loans from being made. This is helping facilitate the pawn broker/micro lending business model.
- ✓ Further movement into slightly larger unsecured loans – via the Safrock product is possible. Between ~60% - 80% of users of this product believe no one else would help them if it was withdrawn.
- ✓ Geographic expansion into non English speaking countries and into new geographic areas. For instance the business has a large scope to expand into NSW (regional and western Sydney).
- ✓ Product extension and expansion e.g Payday lending into all stores.
- ✓ Continued buyback of franchised stores and putting these into the international network
- ✓ Revenue was hit in MON-E via a reduction in fees – offset by a volume kicker. In addition 14 Queensland store left the MON-E system in 2008 in breach of their franchisee agreements. They have since returned after arbitration.
- ✓ Safrock now pays an upfront commission rather than over the life of the loan. This is expected to help grow revenues for this product.
- ✓ Increase profit per store particularly from the recently acquired franchises.

- ✓ Expansion into the US – there are substantial opportunities elsewhere and this would be a risky strategy.
- ✓ All exteriors of the stores have been renovated and about 40% of interiors have also been renovated in recent times helping to lift comparable store sales.
- ✓ New franchisees – especially in new geographies.
- ✓ New products particularly in financial services e.g expansion into ATM's, prepaid debit cards, small businesses leases, interest free products.
- ✓ Maturation of existing store base over time – the average store takes 3-4 years to mature.
- ✓ Greater use of online mechanisms to liquidate unwanted stock.
- ✓ Technology and consumer product cycle driving demand for consumer products – which creates demand for credit and a ready market for pawned goods.

Cost base

As per 2009 accounts.

	$m	%	Comment
Employee expense	19.7	27.7%	Mainly corporate store staff
Changes in inventory	23.9	33.7%	Cost of acquiring inventory
Bad debts	4.8	6.8%	Customer failure to pay
Agent fees	4.9	6.9%	Paying agents commissions for Safrock etc
Rent	3.9	5.5%	Premises normally cheap to rent
Other	13.8	19.4%	Various expenses
Total	71.0	100%	

Source – OM – CCV

Capex

The business has small capex requirements given that it is a retailer and/or master franchisee. CCV either leases space or franchisees take on lease commitments. The store network was also freshened up in recent times with 40% of stores' interiors refurbished and the majority of all stores having the outside of the store renovated. The business expects to spend $17m on store fittings and acquisition costs in the next few years. Our modelling is modestly above this level for both capex and acquisition costs.

Debt profile and Gearing

Post the recent capital raising(s) the business is cash positive with an expected net cash balance of $45m.The capital raised is to be used to execute the corporate strategy of growing the finance book and further buy backs of franchisee stores

Tax

Previous years' tax losses have been used up and we expect it to pay a normal tax rate into the future – perhaps above 30% due to the international nature of its operations.

Balance sheet analysis

Current Assets

Major assets include the $25m loan receivable for the Safrock personal lending business. This business has a $2.1m provision which is in line with historical averages. The loans are externally scored and there is apparently no concentration of credit risk.

Trade receivables and inventories both constitute about $7m in value.

Non Current assets

- $49m in goodwill and $10m in trade names are the major assets.
- The cash balance of $7m will also be boosted via $60m worth of equity raised in FY10 – offset by some store acquisitions and current debt balances to yield $45m net cash

Current liabilities

- Trade and other payables (accruals) of $8.3m.
- Borrowings of $3.9 – offset by large cash balance.
- Some small amounts for provisions and tax

Non Current liabilities

$13m in borrowing – no doubt to the eliminated via recent capital raising.

The major risk is that the loan book is in NOT in order and inadequately priced and provisioned for. OM currently has no indication that this is the case. Given the short term, risk assessed, simple nature, diversity in geographies, hardened street tough nature of the operators (pawn brokers) lends confidence, along with the lack of an alternative creating incentive to keep the loan in order (in order to borrow again).

Risk factors

1. Changes in regulation and government legislation. The Federal government has engaged in phase 1 of regulatory reform and this according to CCV is not putting undue pressure on the business. Further reform of money lending and also money laundering could have the potential to harm the business. This process is expected to be completed by mid 2010.
2. Traditionally CCV and others players in these markets have been able to deal with excessive regulation via restructuring of systems and operating procedures. Capping interest rates might enable a lower interest rate, higher volume and more secured alternative product to be developed
3. Falling gold price in AUD$ terms – a much lower gold price reduces the ability to lend and reduces consumers propensity to scrap and/or buy new jewellery.
4. Loan book is adequately provisioned for – loans are priced properly. Loans must serviced adequately, paperwork correctly processed. Rising levels of bad loans (bad debts have averaged 7.5%) is also a risk. OM understands that bad debts have been fairly stable over time.
5. Inappropriate valuation of goods – particularly systemic problems such as constantly overvaluing a new product or system weaknesses that enable fraud are ever present risks.
6. Exposure to the UK pound – the recent decline in the pound is devaluing the UK earnings – but it is a small slice (~11%) of overall earnings.
7. Franchisee dissatisfaction / revolt.
8. Loss of material legal cases (refer history in appendix 1.
9. Product deflation. Tools for example have been deflated in value and have become harder to lend against. This also devalues goods pledged as collateral.
10. Poor acquisitions – this is somewhat mitigated by having already established franchisee business.
11. Redemption rate not deteriorating – i.e - clients can pay back loans quickly and then don't redraw.
12. Re-engagement of high street banks into the micro credit markets – Unlikely in the short to medium term.
13. Internet disintermediation effecting the store network – however as described earlier the internet also helps to price, dispose and drive consumer cycles.

International competitors – comparables

All major international listed pawn brokers have reported strong and sound results during the downturn (and during the upturn).

The exception is that 1 or 2 players large have been caught with large sub prime lending books that foolishly lived on cheap funding and underpriced loans.

The more transactional, smaller lenders and more traditional pawn brokers have reported countercyclical and secular growth rates well in excess of nominal GDP growth.

Peer valuation - P/E ratio			
	2009	**2010**	**2011**
Ezcorp		10.8	9.6
First Cash Financial	16.4	14.1	
QC Holdings	5.3		
Dollar Financial		10.4	9.2
Advance America	6.5	6.3	
Abemarle and Bond		11.2	10.6
Average	**9.4**	**10.6**	**9.8**

Peer valuation EV/EBITDA			
	2009	**2010**	**2011**
Ezcorp		6.0	5.4
First Cash Financial	9.5	8.4	
QC Holdings			
Dollar Financial		5.9	5.2
Advance America		4.4	4.2
Abemarle and Bond		8.5	8.0
Average	**9.5**	**6.6**	**5.7**

Source – OM and Bloomberg consensus

Ezcorp – (EZPW.US – US $18.16). Ezcorp also owns a large equity holding in CCV (30%) and the UK listed Albemarle and Bond - a pawn broker that specialised in jewellery. Voting control is retained in the hands of Mr Phillip Cohen by virtue of two classes of stock. The business is heavily weighted towards Texas and increasingly Mexico. It should be noted that Ezcorp has traded extremely well in recent times.

EZCORP is primarily a lender or provider of credit services to individuals who do not have cash resources or access to credit to meet their short-term cash needs. In U.S. there are 305 EZPAWN and 38 Mexico Empeño Fácil locations open. Ezcorp offers non-recourse loans collateralized by tangible personal property, commonly known as pawn loans. At these locations, the Company also sells merchandise, primarily collateral forfeited from its pawn lending operations, to consumers looking for good value.

In 478 EZMONEY locations and 71 EZPAWN locations Ezcorp offers short-term non-collateralized loans, often referred to as payday loans, or fee based credit services to customers seeking loans.

First Cash Financial - (FCFS.US US$22.83) –operates pawn stores and operates checking cashing operations along with selling software to 3rd party providers. The Company's locations provide various combinations of short-term loan products, instalment loans, check cashing, credit services and other financial services products. In total, the Company owns and operates almost 500 stores in twelve U.S. states and thirteen states in Mexico. First Cash is also an equal partner in Cash & Go, Ltd., a joint venture, which owns and operates 39 cheque cashing and financial services kiosks located inside convenience stores

QC Holdings - (QCCO.US US$6.15) QC Holdings is a provider of payday loans, cheque cashing, money orders and transfers and other financial services. It does not have a pawn broking operating making it unique in the listed space. It mainly operates in the US.QC operates more than 550 branch locations across the country. QC Holdings started in 1984 with the opening of a rent-to-own store near Kansas City, Missouri. To meet customer needs, co-founders Don Early and Mary Lou Andersen began offering check cashing services in 1989, and payday loans in 1992.

Recognizing the strong demand for financial products and services, the company in 1994 sold the rent-to-own stores to focus on check cashing and payday loans. Within two years, QC grew from 48 to more than 150 locations through new store openings and acquisitions. Rapid growth continued through the late 1990s to mid-2000s as QC capitalized on strong consumer demand and used its strong regional management group to open new branches across the country.

Dollar Financial Corporation - (DLLR.US US$22.55) is a leading diversified international financial services company serving unbanked and under-banked consumers. Dollar Financial provides a range of consumer financial products and services primarily consisting of check cashing, short-term consumer loans, pawn lending, Western Union money orders and money transfers as well as other conveniences such as utility bill payments, currency exchange and tax preparation.

Dollar Financial Corp. was originally set up in 1979 and now operates a network of approximately 1,188 stores, including 1,032 company operated stores in the United States, Canada, United Kingdom and the Republic of Ireland. Dollar's store network is the second-largest network in the United States and the largest network in both Canada and the United Kingdom. Dollar Financial also has approximately 156 franchised and agent locations in Canada, the United Kingdom and the United States.

Advance America (AEA.US$4.83) with more than 2,800 cash advance locations, Advance America Cash Advance is one of the nation's leading payday loan companies. The Company was founded in 1997.

Abemarle and Bond (ABM.LN £2.50) - Albemarle & Bond was founded in Bristol in 1983 as a pawnbroking service. The largest part of the business was, and remains, the issue of loans against the security of gold jewellery and diamonds. Through internal growth and strategic acquisition the business continues to grow. Following major strategic funding in 1998 the company doubled in size and is now the largest pawnbroker in the UK with 114 stores nationwide under its Cheque and Pawn and Herbert Brown fascias. While remaining committed to its pawnbroking origins, the company is continuing to improve its business model by adding complementary products and services.

Albemarle & Bond has become a major retailer of second-hand and new gold jewellery, and has added two further strands to the loan business, namely Third-Party Cheque Cashing and Micro-Loans (PDAs - PayDay Advances). EZcorp owns a large shareholding in Abemarle and Bond.

Australian Unlisted competitors

In NSW ex cash OM understands old CCV franchisees exist who left CCV due to dispute about fees and charges. These businesses have popped up often with quite similar sounding names – Cash in Flash etc.

This over time creates competition in NSW. Ultimately CCV has substantial competitive advantage and may be able to buy back these businesses that have left the fold.

The "Mom and Pop" operators for example have less access to staff and can't open as long hours. They tend to operate behind bars which impacts the consumer nature of the transaction. CCV also has a much better range of goods which helps to attract customers.

Minimal listed or corporate competition

Charity sector provides some very marginal competition

IBIS Market share estimates for the 2nd hand good markets - 2009

Operator	Market share
CCV	6.1%
St Vincent de Paul	5.0%
Salvation Army	4.3%
Smith Family	1.0%
Others	83.6%

Source – IBIS world

CCV is the largest player in the Australian Industry.

Local pawn broking operators – literally 100's of small owner operators. Often they can't compete on opening hours or range but offer high levels of service to attract and retain customers.

Salvation Army – 450 stores second hand good retailing. IBIS World estimates that this business turns over $100m p.a.

Vinnies (not a direct competitor but worth noting). Run by the Catholic Church – it runs a wide range of services including over 500 stores. Much of the stock is donated. IBIS World estimates that is turns over $120m pa.

Smith Family (not a direct competitor but worth noting) - has 22 stores and depends on donated goods and labour.

Savers Thrift stores (originates from the US). It is estimated that this group has 5 stores with the first store established in Brunswick, Victoria.

Most charities rely on donated labour – but don't provide credit. It is worth noting that their footprint is extensive, they have favourable tax status and the shops' presentation and branding is now much more professional.

Appendix 1

Timeline

1984	First store opened by Brian Cummins in Perth
1988	7 stores opened, franchise model developed
1990	Australia wide expansion – 100 stores rolled out
1991	Expands into the UK – opens first store in Essex
1994	First non English speaking store in France opened
1999	First Payday loan
2000	GST slows the business
1999/2000 and 2001	Records large losses after losing legal cases and expanding too rapidly overseas. Franchisee dissatisfaction becomes a material issue (and leaving system as result). French franchisee files for bankruptcy.
June 2001	Share price falls below 3 cents – due to issued outlined above
2003	Returns to profitability, starts to trial consumer loans $1000+.
2005	Opens first corporate store in Bolton UK
2006	Acquires MON-E (payday loan software) for $15m. Buys Safrock Group (larger unsecured lending) for $17.5m.
2007	Acquires first franchise stores in UK and Australia
2008	Launches CCV online
2009	Launches financial services on-line
Aug 2009	Tries to raise $15m and only manages to raise $5m
Aug 2009	Small bolt on UK acquisitions – tries to raise capital – only raises $5m – shortfall occurs.
Sept 2009	Raises $54m from Ezcorp via issue of 108m shares to fund loan book expansion and buyback of franchisee businesses

Source – OM and CCV

Financial Statements

Cash Converters Int

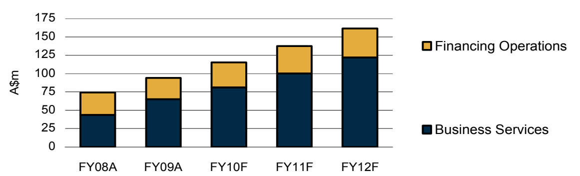
Accumulate

Profit & Loss Statement (A$m)	FY08A	FY09A	FY10F	FY11F	FY12F
Revenue	74.3	94.4	115.1	137.4	161.4
Operating Costs	-51.0	-68.8	-85.1	-103.4	-124.1
EBITDA	**23.4**	**25.6**	**30.1**	**33.9**	**37.3**
Depreciation & amortisation	-0.8	-1.1	-1.0	-1.3	-1.5
EBIT	**22.6**	**24.5**	**29.1**	**32.7**	**35.8**
Net Interest	-1.0	-1.3	0.5	1.9	1.6
PBT pre-unusual items	**21.6**	**23.2**	**29.6**	**34.6**	**37.4**
Unusual non-operating items	0.0	0.0	0.0	0.0	0.0
NPBT	**21.6**	**23.2**	**29.6**	**34.6**	**37.4**
Income Tax Expense	-6.4	-7.1	-8.9	-10.4	-11.2
NPAT pre-OEI	**15.2**	**16.1**	**20.7**	**24.2**	**26.2**
Minority interest	0.0	0.0	0.0	0.0	0.0
NPAT	15.2	16.1	20.7	24.2	26.2
Abnormals / convertible dist.	0.0	0.0	0.0	0.0	0.0
Reported NPAT	**15.2**	**16.1**	**20.7**	**24.2**	**26.2**
Normalised NPAT	**15.2**	**16.1**	**20.7**	**24.2**	**26.2**
Effective Tax Rate	29.6%	30.6%	30.0%	30.0%	30.0%
Reported - diluted EPS	6.1	6.6	6.4	6.7	7.2
Normalised (diluted) EPS	6.1	6.6	6.4	6.7	7.2
DPS (cps)	3.0	3.0	3.5	4.0	4.3
Dividend Yield (%)	4.7%	4.7%	5.5%	6.2%	6.8%
Payout Ratio	48%	44%	55%	60%	60%
Franking	100%	100%	100%	100%	100%
Free cash flow (cps)	7.0	5.6	3.3	4.0	4.3
FCF Yield (%)	10.9%	8.8%	5.2%	6.3%	6.8%

Cash Flow Statement (A$m)	FY08A	FY09A	FY10F	FY11F	FY12F
Gross cashflow	15.5	8.6	22.4	25.1	27.3
Net Interest (paid)/received	-0.2	-0.6	0.5	1.9	1.6
Tax Paid	-7.2	-6.6	-8.9	-10.4	-11.2
Other Operating Items	10.5	13.9	0.0	0.0	0.0
Operating Cash Flow	**18.6**	**15.3**	**14.0**	**16.6**	**17.7**
Capex	-0.8	-1.5	-2.0	-2.0	-2.0
Net Acquisitions and Investments	-18.5	-18.5	-5.0	-5.0	-5.0
Other investing items	0.3	0.3	0.0	0.0	0.0
Investing Cash Flow	**-19.0**	**-19.7**	**-7.0**	**-7.0**	**-7.0**
Inc/(Dec) in Equity	0.0	0.0	60.0	0.0	0.0
Inc/(Dec) in Borrowings	10.2	4.0	-10.0	0.0	0.0
Dividends Paid	-7.3	-7.3	-12.7	-14.5	-15.7
Other Financing Items	-1.2	-0.5	0.0	0.0	0.0
Financing Cash Flow	**1.7**	**-3.8**	**37.3**	**-14.5**	**-15.7**
Net Inc/(Dec) in Cash (ex-FX)	**1.3**	**-8.2**	**44.3**	**-4.9**	**-5.0**

Balance Sheet (A$m)	FY08A	FY09A	FY10F	FY11F	FY12F
Cash and Cash Equivalents	16.3	7.0	51.3	46.4	41.4
Current Receivables	19.4	31.8	39.7	48.9	59.2
Other Current Assets -Inv	3.6	7.7	9.4	11.1	12.9
PP & E	2.6	4.6	8.1	11.4	14.4
Intangibles	53.4	60.3	62.8	65.3	67.8
Other Non Current Assets	3.7	3.2	3.2	3.2	3.2
Total Assets	**99.0**	**114.6**	**174.5**	**186.2**	**198.8**
Short term Debt	4.6	3.9	3.9	3.9	3.9
Current Payables	6.7	8.4	10.4	12.4	14.5
Other Current Liabilities	5.0	5.8	5.8	5.8	5.8
Long term Debt	7.7	12.9	2.9	2.9	2.9
Other Non Current Liabilities	1.3	1.3	1.3	1.3	1.3
Total Liabilities	**25.3**	**32.3**	**24.3**	**26.3**	**28.4**
Total Equity	**73.7**	**82.3**	**150.3**	**159.9**	**170.4**
Net Debt	-4.0	9.8	-44.5	-39.6	-34.6

FY09A Revenue



Source: Ord Minnett, Company Data.

Divisions (A$m)	FY08A	FY09A	FY10F	FY11F	FY12F
Revenue					
Business Services	43.9	65.3	81.4	100.3	122.1
Financing Operations	30.4	28.7	33.7	37.1	39.3
Total	**74.3**	**94.0**	**115.1**	**137.4**	**161.4**
Drivers					
Corporate stores	22	38	46	55	65
Comp sales		3.0%	3.0%	3.0%	2.0%
Financing book Y/E $m	8.5	21.4			

Operational Metrics (%)	FY08A	FY09A	FY10F	FY11F	FY12F
Revenue growth	61.9%	27.1%	22.0%	19.3%	17.5%
EBITDA margin	31.5%	27.1%	26.1%	24.7%	23.1%
EBITDA growth	39.3%	9.4%	17.4%	12.9%	9.8%
EBIT margin	30.4%	26.0%	25.2%	23.8%	22.2%
EBIT growth	40.4%	8.4%	18.6%	12.5%	9.4%
Normalised EPS growth	26.7%	8.0%	-3.9%	4.5%	8.2%
Return on asset	16.1%	14.8%	11.7%	12.3%	12.6%
Normalised ROE	20.6%	19.6%	13.8%	15.1%	15.4%

Valuation Ratios (x)	FY08A	FY09A	FY10F	FY11F	FY12F
Reported P/E	10.4	9.6	10.0	9.6	8.9
Normalised P/E	10.4	9.6	10.0	9.6	8.9
Price To Free Cash Flow	9.2	11.4	19.4	15.9	14.8
EV / EBITDA	6.4	6.4	6.3	5.7	5.3
EV / EBIT	6.6	6.7	6.5	5.9	5.5

Leverage	FY08A	FY09A	FY10F	FY11F	FY12F
Net Debt / Equity	-5%	12%	-30%	-25%	-20%
Net Debt / (ND + Equity)	-6%	11%	-42%	-33%	-25%
Net Debt / Total Assets	-4%	9%	-25%	-21%	-17%
EBITDA Interest Cover (x)	23.4	19.7	-58.6	-17.9	-22.6
EBIT Interest Cover (x)	22.6	18.8	-56.7	-17.2	-21.7

Substantial Shareholders	m	%
Ezcorp	108.2	29.8%
Staff	21.0	5.8%
Rand Holdings	14.9	4.1%

Valuation			
WACC (%)			10.9%
Fully Diluted Number of shares (m)			363.2
Cost of Equity			12.0%
D/EV			20.0%
Risk Free Rate			5.5%
	A$m	**A$**	
Operational NPV (5 year Forecast)	70.2	0.19	
Terminal Value	162.4	0.45	
Net Debt	-44.5	-0.12	
Franking Credits Value (50% weight)	11.3	0.03	
Group NPV	277.1	**0.79**	
Current Share Price		0.64	
NPV Discount to Share Price			**23.4%**

Sensitivity Analysis

		WACC				
		9.9%	10.4%	10.9%	11.4%	11.9%
	1.6%	$0.85	$0.81	$0.77	$0.74	$0.71
Terminal	1.8%	$0.87	$0.82	$0.78	$0.75	$0.72
Growth	2.0%	$0.88	$0.83	$0.79	$0.76	$0.72
Rate	2.2%	$0.90	$0.85	$0.81	$0.77	$0.73
	2.4%	$0.91	$0.86	$0.82	$0.78	$0.74

		β				
		0.9	1.0	1.0	1.1	1.1
Equity	5.2%	$0.93	$0.91	$0.89	$0.86	$0.85
Risk	5.9%	$0.88	$0.86	$0.84	$0.82	$0.80
Premium	6.5%	$0.84	$0.81	$0.79	$0.77	$0.76
	7.2%	$0.80	$0.78	$0.76	$0.74	$0.72
	7.8%	$0.76	$0.74	$0.72	$0.70	$0.69

Please contact your Ord Minnett Adviser for further information on our document.

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AFS Licence Number 237121

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Guide to Ord Minnett Recommendations

BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over 12 months.
ACCUMULATE	The stock's total return is expected to be between 5% and 15%. Investors may add to existing holdings, or initiate holdings on share price weakness.
HOLD	The stock is fairly priced, and its total return is expected to be between 0% and 5%.
LIGHTEN	The stock's total return is expected to be less than 0% and possibly down 15%. Investors should consider selling into share price strength.
SELL	The stock's total return is expected to lose 15% or more.
RISK ASSESSMENT	Classified as High, Medium or Low, denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, volatility, nature of its operations and other relevant quantitative and qualitative criteria.

Analyst Certification: The analyst certifies that: (1) all of the views expressed in this research accurately reflect their personal views about any and all of the subject securities or issuers; and (2) no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed herein.