

5 Sep 2011

CASH CONVERTERS INTERNAT. LIMITED

What's certainty worth?

The Federal Government recently released the "National Consumer Credit Protection Amendment (Enhancements) Bill 2011". The Bill proposes restrictions on charges and operations of micro-lenders. Key changes are:

- 1) A credit provider must not enter into a credit contract (other than a 'small amount credit contract') if the annual cost rate of the contract exceeds 48%.
- 2) for contracts for less than \$2,000 that run for less than two years (ie 'small amount credit contracts') lenders will be limited to charging only
 - i. An establishment fee (maximum of 10%).
 - ii. Monthly fees that can be a maximum of 2%.
 - iii. Default fees (capped at 200%).

The Bill is open for public comment with legislation unlikely to be effective until 1 July 2012. The introduction of the interest rate caps may be deferred by another twelve months and we assume are effective in July 2013.

Earnings impact could be significant, already in the price

We have updated our Cash Converters Limited ("Cash Converters", "CCV", "Company") model with our best estimate of the earnings impact. At this early stage the final impact is uncertain given the changes are likely to have far reaching impacts on the industry that are difficult to model (ie they are likely to decrease competition for CCV which could increase demand and so NPAT could rise even if margins fall). The impact on return on capital is easier though, and we assume a significant reduction for the Australian operations. We assume that the profit margin for Safrock (avg loan size ~\$1500) almost halves. We assume that the profit margin for Mon-e (~avg loan size \$300) falls by ~70% and there is a risk that this business closes down completely in Australia. We assume that Company owned store revenue increases by ~13% (as customers that can't obtain finance begin trading second-hand products instead). We assume that the impact is felt in FY14 (ie two year transition period). The consequence is a ~34% reduction in EBITDA and a ~38% reduction in NPAT.

Minimal changes to FY12 and FY13 NPAT

Given we assume the regulations are not effective until FY14, we have made minimal changes to our FY12 and FY13 estimates (\$33.5m & \$39.7m respectively). Subsequent to the release of the proposed legislation, the Company has said it expects to meet market expectations for FY12, so we are happy with our estimate. We believe the Company can, and will, continue to pay at least a 3.5cps dividend.

Maintain Buy

Our base case forecasts now assume a realistic, but perhaps pessimistic, impact from the proposed legislation. Under that scenario, NPAT is likely to bottom out at a healthy ~\$27m. Too good to be true? Maybe. But other times CCV has been hit with regulation there has been an opportunity cost impact rather than actual material earnings impact, and the logic outlined above suggests the same will be true this time. Ezc corp recently abandoning the deal to move >50% could cast some doubts in the near term, but they may be being opportunistic in their approach rather than perhaps rational. Our DCF valuation is now \$0.73 and we have a twelve month price target of \$0.76. It is entirely possible that earnings in FY14 are significantly stronger, driven by stronger UK operations or better returns in Australia than we've assumed.

Share Price:	\$0.465
Valuation:	\$0.73
12mth price target:	\$0.76

Brief Business Description:

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

Hartleys Brief Investment Conclusion:

Share price now assumes a negative regulatory outcome. Undervalued.

Chairman & CEO:

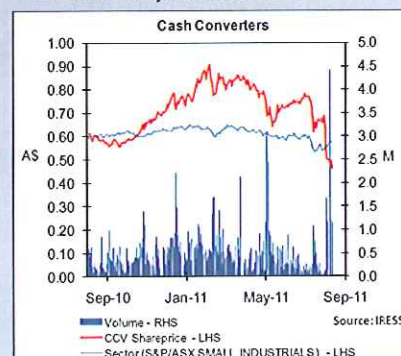
Mr Reginald Webb (Chairman)
Mr Peter Cumins (Managing Director)
Top Shareholders:
EZ Corp 32.8%
Rand Holdings Pty Ltd 5.1%

Company Address:

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

Issued Capital:	379.8m		
- fully diluted	399.8m		
Market Cap:	\$176.6m		
- fully diluted	\$185.9m		
Net Debt (30 Jun '11a):	-\$0.8m		
	FY11a	FY12e	FY13e
Op Cash Flw	31.7	29.4	44.5
Free Cash Flw	-5.6	11.9	34.1
NPAT (A\$m)	28.6	33.5	39.7
EPS (\$, dil)	7.1	8.4	9.9
P/E (basic)	6.4x	5.3x	4.5x
P/E (diluted)	6.5x	5.6x	4.7x
EV / EBITDA	4.0x	3.2x	2.7x
DPS (\$)	0.035	0.035	0.035
Franking	100%	100%	100%
Dividend Yield	7.5%	7.5%	7.5%
N.D. / equity	-0.5%	8.9%	8.9%

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	5 Sep 2011	Level 18, 37 St. Georges Tce,			AUD/GBP	6/11A	6/12F	6/13F	6/14F	
Share Price	\$0.465	Perth, WA, 6000			Safrock Loan Book	62.2	79.1	102.1	101.0	
52 Week High-Low	\$0.91 - \$0.395	Ph: (08) 9221 9111			Safrock Revenue	56.6	64.8	80.9	66.9	
Market Cap (\$m)	\$176.6	Fax: (08) 9221 9011			Safrock PBT	24.4	27.2	33.7	21.4	
Enterprise Value (\$m)	\$175.7	www.cashconverters.com.au			margin	43.1%	42.0%	41.6%	31.9%	
Ordinary Shares	379.8				Mon-e Revenue	13.9	18.0	19.7	20.8	
Fully Diluted Shares	399.8				Mon-e PBT	12.3	16.3	17.8	8.6	
					margin	88.8%	90.5%	90.5%	41.1%	
Valuation					Owned # (UK + Aust) - end					
Spot DCF - 10 years explicit + terminal growth value (Base Case)					\$0.73	88	119	139	139	
12mth fwd DCF - 10 years explicit + terminal growth value (Base Case)					\$0.76	Owned Stores Revenue	100.9	123.5	145.5	171.9
12mth forward P/E (diluted) of 7.9x (back calc. based on 10x FY14)					\$0.74	Owned Stores PBT	8.6	12.4	14.5	17.2
Price / Book (Jun '11a) 1x \$0.46					\$0.46	margin	8.5%	10.0%	10.0%	10.0%
12mth fwd Div Yield of 4.8% (Gross yield=6.8%)					\$0.73	Franchised # (UK + Aust) - end	249	254	262	262
12 Months Price Target (wgted avg above 4 avg)					\$0.76	Franchise Revenue	27.4	28.6	29.5	30.2
P / E (6/12F) at price target					9.1x	Franchise PBT	6.5	6.8	7.0	7.2
P / E (6/13F) at price target					7.6x	margin	23.7%	23.7%	23.7%	23.7%
P / E (6/14F) at price target					11.2x	Divisional PBT	51.8	62.6	73.1	54.3
EV/EBITDA (6/14F) at price target					6.6x	Overheads	-12.6	-15.2	-16.6	-15.7
EV/EBIT (6/14F) at price target					8.1x	EBITDA - Group	43.9	54.2	66.2	48.6
Multiples (\$/price at \$0.47)	6/11A	6/12F	6/13F	6/14F	growth	34.8%	23.3%	22.3%	-26.6%	
P / E (basic, weighted)	6.4x	5.3x	4.5x	6.7x	EBITDA / Sales	23.7%	23.1%	24.0%	16.8%	
P / E (fully diluted, weighted)	6.5x	5.6x	4.7x	6.8x	Depreciation/Amortisation	-3.4	-5.3	-7.4	-8.8	
P / E (ord mkt cap / NPAT)	6.2x	5.3x	4.4x	6.5x	EBIT	40.6	48.9	58.9	39.8	
Dividend Yield	7.5%	7.5%	7.5%	7.5%	EBIT / Sales	21.9%	20.8%	21.4%	13.7%	
Group Free Cash Flow (f.c.f.) / EV	-13.0%	-2.8%	6.3%	16.3%	Net Corporate Interest	0.0	-1.4	-2.5	-1.2	
Equity f.c.f. / Mkt Cap	-14.4%	-4.7%	4.0%	13.3%	Pretax Profit	39.2	47.5	56.4	38.6	
Norm f.c.f. / Mkt cap	-14.4%	-4.7%	4.0%	13.3%	Tax	-11.6	-14.0	-16.7	-11.4	
Mkt cap / operating cash flow	4.2x	3.9x	2.8x	3.8x	Effective Tax Rate	29.5%	29.5%	29.5%	29.5%	
EV/EBITDA multiple	4.0x	3.2x	2.7x	3.6x	Minorities	0.0	0.0	0.0	0.0	
EV/EBIT multiple	4.3x	3.6x	3.0x	4.4x	Normalised NPAT to equity	28.6	33.5	39.7	27.2	
Price / Book Value	1.0x	0.9x	0.8x	0.8x	Norm. Net Profit / Sales	15.4%	14.2%	14.4%	9.4%	
Price / NTA	2.3x	1.9x	1.5x	1.3x	Abnormals / discontinued	-0.9	0.0	0.0	0.0	
Ratios					Reported Profit to equity	27.6	33.5	39.7	27.2	
Return on Average Equity	16.9%	18.0%	19.1%	11.9%	Reported EPS (basic, weighted)	7.28	8.81	10.41	7.0	
Return on Assets	13.3%	13.3%	13.3%	8.3%	Normalised EPS (dil, wghtd)	7.15	8.37	9.94	6.8	
ND / ND + Equity	-0.5%	8.2%	8.2%	2.0%	DPS (\$)	0.0350	0.0350	0.0350	0.0350	
Net Interest Cover (EBIT)	2,051.4	34.5	23.8	32.4	Franking	100%	100%	100%	100%	
Reported eps growth	10.3%	21.0%	18.2%	-32.9%	Payout Ratio	46.5%	39.7%	33.8%	50.7%	
Free Cash Flow Analysis					Cashflow Statement (\$m)					
Net Operating Cash Flow	31.7	29.4	44.5	34.2	EBITDA (inc Safrock interest)	43.9	54.2	66.2	48.6	
Capex (Reported) inc loan book	-54.6	-34.4	-33.4	-5.6	Working Capital Change	-2.2	-9.3	-2.6	-1.8	
Group Free Cash Flow (rep'ted)	-22.8	-5.0	11.1	28.6	Cash from Operations	41.8	44.9	63.6	46.8	
Fixed Debt Repayments	-2.6	-3.3	-4.1	-5.1	Corporate Interest	0.1	-1.4	-2.5	-1.2	
Equity Free Cash Flow (rep'ted)	-25.4	-8.2	7.0	23.5	Tax Paid	-10.1	-14.0	-16.7	-11.4	
HP Lease Capex (non-cash)	0.0	0.0	0.0	0.0	Net Operating Cash Flow	31.7	29.4	44.5	34.2	
Free Cash Flow (normalised)	-25.4	-8.2	7.0	23.5	Capital Expenditure	-9.5	-10.5	-10.4	-6.6	
Capex (inc HP) / depreciation	282%	199%	141%	75%	Other (including loan book)	-16.7	-16.9	-23.0	1.0	
Share Data					Investments & acquisitions					
Ord Issued shares (m)	379.8	379.8	383.8	393.8	Net Investing Cash Flow	-54.6	-34.4	-33.4	-5.6	
growth	0.0%	0.0%	1.1%	2.6%	Proceeds from Equity Issues	0.0	0.0	0.0	0.0	
Weighted ave shares (m)	379.8	379.8	381.8	388.8	Net Change in Debt & Leases	9.4	13.3	22.3	-15.0	
growth	15.9%	0.0%	0.5%	1.8%	Dividends Paid	-12.3	-13.3	-13.4	-13.6	
Diluted shares wgted (m)	399.8	399.8	399.8	399.8	Net Financing Cash Flow	-3.5	0.0	8.9	-28.6	
growth	21.6%	0.0%	0.0%	0.0%	Movement in Cash	-26.3	-5.0	20.0	0.0	
Unpaid Capital					HP Lease Capex (non-cash)					
Year Expires	Number	% ord	Avg Price	\$m unpaid						
30-Jun-12	-	0.0%	\$ -	\$ -						
30-Jun-13	4,000,000	1.1%	\$ -	\$ -						
30-Jun-14	10,000,000	2.6%	\$ -	\$ -						
30-Jun-15	-	0.0%	\$ -	\$ -						
30-Jun-16	-	0.0%	\$ -	\$ -						
30-Jun-17	6,000,000	1.6%	\$ -	\$ -						
TOTAL	20,000,000	5.3%	\$ -	\$ -						
Directors & Senior Management					Balance Sheet (\$m)					
Mr Reginald Webb (Chairman)					Cash	23.5	18.5	38.5	38.5	
Mr Peter Cummins (Managing Director)					Receivables	9.0	11.5	13.4	14.1	
Mr John Yeudall (Non-executive Director)					Inventories	14.1	26.6	31.4	37.0	
Mr William Love (Non-executive Director)					Other (including loan book)	66.4	83.2	106.2	105.2	
Mr Joseph Beal (Non-executive Director)					Total Current Assets	112.9	139.8	189.5	194.8	
Company Secretary - Mr Ralph Groom					Property, Plant & Equipment	13.2	21.5	25.3	23.8	
					Intangibles (inc. Goodwill)	96.9	100.8	100.1	99.4	
					Other	9.7	9.7	9.7	9.7	
					Total Non Current Assets	119.7	132.0	135.1	132.9	
					Total Assets	232.7	271.8	324.5	327.7	
					Accounts Payable	20.3	26.0	30.1	34.7	
					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	41.8	45.9	50.5	
					Accounts Payable	0.0	0.0	0.0	0.0	
					Interest Bearing Liabilities	18.0	31.2	53.5	38.5	
					Other	3.3	3.3	3.3	3.3	
					Total Non Current Liabilities	21.3	34.5	56.8	41.8	
					Total Liabilities	57.4	76.3	102.7	92.3	
					Net Assets	175.3	195.4	221.8	235.4	
					Net Asset Value / Share (\$)	0.46	0.51	0.58	0.60	
					NTA / Share (\$)	0.21	0.25	0.32	0.35	
					Net Debt (net cash)	-0.8	17.4	19.7	4.7	
Analyst: Trent Barnett					Last Earnings Estimate Changes:					
Phone: +61 8 9268 3052					5 September 2011					
Sources: IRESS, Company Information, Hartleys Research										

Fig. 1: 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	79.1	79.1	0.0%	98.4	102.1	3.8%	105.1	101.0	-3.9%
Revenue	185.1	234.9	234.9	0.0%	274.4	275.6	0.4%	297.6	289.8	-2.6%
EBITDA	43.9	54.2	54.2	0.0%	66.5	66.2	-0.5%	73.7	48.6	-34.1%
Depreciation/Amortisation	-3.4	-5.3	-5.3	0.0%	-7.4	-7.4	0.0%	-8.8	-8.8	0.0%
PBT before o/head interest	40.6	48.9	48.9	0.0%	59.2	58.9	-0.5%	64.9	39.8	-38.7%
Net Interest	0.0	-1.4	-1.4		-2.3	-2.5		-2.1	-1.2	
Pretax Profit	39.2	47.5	47.5	0.0%	56.9	56.4	-0.8%	62.8	38.6	-38.5%
Tax	-11.6	-14.0	-14.0	0.0%	-16.8	-16.7	-0.8%	-18.5	-11.4	-38.5%
Norm. Net Profit After Tax	28.6	33.5	33.5	0.0%	40.1	39.7	-0.8%	44.2	27.2	-38.5%
- margin	15.4%	14.2%	14.2%		14.6%	14.4%		14.9%	9.4%	
Reported Profit	27.6	33.5	33.5	0.0%	40.1	39.7	-0.8%	44.2	27.2	-38.5%
DPS	3.50	3.50	3.50	0.0%	3.50	3.50	0.0%	3.77	3.50	-7.0%
EPS	7.1	8.4	8.4	0.0%	10.0	9.9	-0.8%	11.1	6.8	-38.5%
P/E	6.5x	5.6x	5.6x		4.6x	4.7x		4.2x	6.8x	
Net Debt	-0.8	17.4	17.4	0.0%	15.8	19.7	24.3%	-8.2	4.7	-157.6%

Source: Hartleys Estimates

Fig. 2: Half year P & L

The finance divisions are performing very well, and are the main driver of CCV's earnings and growth.

We assume that under the new regulations the margins for Safrock Australia will almost halve and the margins for Mon-e Australia will fall by ~70% (and there is a risk that the business segment closes altogether).

Assuming a two year transition period, earnings can be offset by the UK finance products, volume growth as competitors leave the market and better store profitability as consumers look for alternative finance methods

Profit & Loss (\$m)	Dec-09a	Jun-10a	Dec-10a	Jun-11a	FY12e
AUD/GBP	0.538	0.582	0.609	0.644	0.627
Safrock Loan Book	31.9	38.7	47.3	62.2	79.1
Safrock Revenue	15.6	21.4	24.8	31.8	64.8
Safrock PBT	7.0	8.4	10.6	13.8	27.2
margin	44.9%	39.3%	42.8%	43.4%	42.0%
Mon-e Revenue	4.7	5.5	6.6	7.3	18.0
Mon-e PBT	4.1	5.0	5.9	6.4	16.3
margin	87.7%	89.9%	90.5%	87.4%	90.5%
Owned Stores Revenue	30.8	31.7	48.4	52.5	123.5
Owned Stores PBT	3.6	3.2	5.6	2.9	12.4
margin	11.8%	10.1%	11.7%	5.6%	10.0%
Franchise Revenue	11.4	11.6	13.3	14.1	28.6
Franchise PBT	4.5	4.2	3.4	3.1	6.8
margin	39.3%	36.5%	25.9%	21.7%	23.7%
Group Revenue	59.3	67.3	87.9	97.2	234.9
growth	20.0%	13.5%	30.6%	10.5%	26.9%
EBITDA - Group	15.5	17.1	21.6	22.3	54.2
growth	21.9%	9.9%	26.8%	3.0%	23.3%
EBITDA / Sales	26.2%	25.3%	24.6%	22.9%	23.1%
Depreciation/Amortisation	-0.7	-0.9	-1.1	-2.3	-5.3
EBIT	14.8	16.2	20.5	20.0	48.9
EBIT / Sales	25.0%	24.1%	23.3%	20.6%	20.8%
Net Corporate Interest	0.0	0.2	0.0	0.0	-1.4
Pretax Profit	14.8	16.4	20.5	18.7	47.5
Tax	-4.7	-4.8	-6.2	-5.3	-14.0
Effective Tax Rate	32.0%	29.3%	30.4%	28.6%	29.5%
Minorities	0.0	-0.1	0.0	0.0	0.0
Normalised NPAT to equity	10.1	11.6	14.7	13.9	33.5
Norm. Net Profit / Sales	17.0%	17.2%	16.7%	14.3%	14.2%
Abnormals / discontinued	0.0	0.0	-0.4	-0.5	0.0
Reported Profit to equity	10.1	11.6	14.3	13.3	33.5
					0
Reported EPS (basic, weighted)	3.50	3.10	3.77	3.51	8.8
Normalised EPS (dil, wghd)	3.50	3.08	3.68	3.47	8.4
DPS (\$)	0.0150	0.0150	0.0175	0.0175	0.0350
Franking	100%	100%	100%	100%	100%
Payout Ratio	42.9%	48.4%	46.5%	49.9%	39.7%

Source: Company Data, Hartleys Estimates

Fig. 3: Balance Sheet

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

Balance Sheet (\$m)	Dec-09a	Jun-10a	Dec-10a	Jun-11a	FY12e
Cash	57.9	50.7	23.4	23.5	18.5
Receivables	7.4	8.2	9.9	9.0	11.5
Inventories	7.1	10.7	12.1	14.1	26.6
Other (including loan book)	35.9	43.0	57.3	66.4	83.2
Total Current Assets	108.3	112.6	102.7	112.9	139.8
Property, Plant & Equipment	5.4	6.8	9.4	13.2	21.5
Intangibles (inc. Goodwill)	62.5	70.6	91.3	96.9	100.8
Other	4.1	7.1	6.9	9.7	9.7
Total Non Current Assets	71.9	84.5	107.6	119.7	132.0
Total Assets	180.1	197.1	210.3	232.7	271.8
Accounts Payable	11.0	10.5	17.5	20.3	26.0
Interest Bearing Liabilities	3.4	3.3	3.2	4.6	4.6
Other	7.1	8.6	9.6	11.2	11.2
Total Current Liabilities	21.6	22.4	30.3	36.1	41.8
Accounts Payable	0.0	0.0	0.0	0.0	0.0
Interest Bearing Liabilities	11.0	10.6	8.8	18.0	31.2
Other	1.3	1.3	3.0	3.3	3.3
Total Non Current Liabilities	12.3	11.9	11.8	21.3	34.5
Total Liabilities	33.9	34.3	42.1	57.4	76.3
Net Assets	146.3	162.9	168.2	175.3	195.4
Net Asset Value / Share (\$)	0.40	0.43	0.44	0.46	0.51
NTA / Share (\$)	0.23	0.24	0.20	0.21	0.25
Net Debt (net cash)	-43.4	-36.8	-11.5	-0.8	17.4

Source: Company Data, Hartleys Estimates

Fig. 4: Free Cash Flow

We assume a fall in the Safrock loan book in Australia in FY14 when we assume legislation is effective which leads to a cash inflow and help fund growth

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

Source: Various

PRICE TARGET METHODOLOGY

Our price target is the average of four components. The assumption is there is a chance of each of the following happening.

Our price target is the weighted average of four components.

Fundamental Valuation (DCF)

Assumes our base case cash flow estimates for CCV are correct and share price trades to our fundamental valuation.

Market Put (Dividend yield)

Assumes company delivers our earnings estimates, but the equity market falls significantly so that dividend yield becomes the support level for the stock.

Earnings Disappointment (NTA)

Net Tangible Asset (NTA) Value - assumes the company misses profit estimates and market is only prepared to pay book value.

Positive Market Momentum (P/E multiple)

Attempts to capture market momentum (i.e. assumes that comparison company P/E's converge when markets are moving).

PRICE TARGET

Our twelve month price target has been lowered to \$0.76 (from \$1.01).

CCV Price Target Methodology	Weighting	Spot	12 mth out
DCF	49%	\$0.81	\$0.84
- 10 years explicit + terminal growth value (Bull Case)	15%	\$1.01	\$1.01
- 10 years explicit + terminal growth value (Base Case)	34%	\$0.73	\$0.76
12mth forward P/E (diluted) of 7.9x (back calc. based on 10x FY14)	31%	\$0.68	\$0.74
Price / Book (Jun '11a) 1x \$0.46	10%	\$0.46	\$0.46
12mth fwd Div Yield of 4.8% (Gross yield=6.8%)	11%	\$0.73	\$0.73
Risk weighted composite		\$0.73	\$0.76
12 Months Price Target		\$0.76	
Shareprice - Last		\$0.465	
12 mth total return (% to 12mth target + dividend)		71%	

Source: Hartleys Estimate

RISKS

The key risk for CCV is changes to the regulatory framework. Both the UK and Aust Governments have made recent regulatory announcements which hopefully provides some certainty for the next few years. The other key risks comes from competition in second hand good selling, and potentially in micro lending and controlling the bad and doubtful debts in the money lending segments. For some good reading on regulatory issues, see

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

Aust:

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

www.nocap.com.au

Hartleys Research Coverage	Ticker	Last Price*	M. CAP (A\$m)	Status	Hartleys Research Recommendation
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Hartleys Research Coverage	Ticker	Last Price*	M. CAP (A\$m)	Status	Hartleys Research Recommendation
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Oil & Gas					
Conventional Oil & Gas					
1. Woodside Petroleum Ltd	WFL	35.70	29,318	Major	Buy
2. Nexus Energy Ltd	NXS	0.24	225	Developer / Explorer	No Rating
3. Tap Oil Ltd	TAP	0.72	173	Producer / Explorer	Buy
4. Cooper Energy Ltd	COE	0.39	113	Producer / Explorer	Buy
5. Carnarvon Petroleum Ltd	CVN	0.15	100	Producer / Explorer	Accumulate
6. Otto Energy Ltd	OEL	0.08	94	Explorer / Producer	Buy
7. Pancontinental Oil and Gas NL	PCL	0.10	66	Explorer	Speculative Buy
8. Amadeus Energy Ltd	AMU	0.22	65	Producer / Explorer	Neutral
9. Hawkey Oil and Gas Ltd	HOG	0.23	44	Producer / Explorer	Buy
10. FAR Ltd	FAR	0.03	40	Explorer	Speculative Buy
11. WHL Energy Ltd	WHN	0.04	31	Explorer	Speculative Buy
12. Sun Resources NL	SUR	0.02	9	Explorer / Producer	Neutral
Non Conventional Oil & Gas					
13. Aurora Oil and Gas Ltd	AUT	2.79	1,126	Producer / Developer	Reduce
14. Samson Oil & Gas Ltd	SSN	0.110	192	Developer / Producer	Buy
15. Transenv Energy Ltd	TSV	0.05	139	Developer	Buy
16. Oilex Ltd	OEX	0.33	84	Explorer / Producer	Speculative Buy
17. European Gas Ltd	EPG	0.33	66	Producer / Explorer	Speculative Buy
Sub-Total 30,884					

Resources					
Gold / Precious Metals					
1. Intrepid Mines Limited	IAU	1.46	757	Explorer	Speculative Buy
2. Beadell Resources Limited	BDR	0.765	516	Developer	Accumulate
3. Integra Mining Limited	IGR	0.550	463	Producer	Buy
4. Silver Lake Resources Limited	SLR	2.52	450	Producer	Buy
5. Gold One International Limited	GDO	0.525	424	Producer	No Rating
6. Catalpa Resources Limited	CAH	1.54	274	Producer	Buy
7. Tanami Gold NL	TAM	1.01	264	Producer	Accumulate
8. Focus Minerals Ltd	FML	0.063	217	Producer	Buy
9. Northern Star Resources Ltd	NST	0.560	171	Producer	Buy
10. Cerro Resources NL	CJO	0.190	142	Developer / Explorer	Accumulate
11. YTC Resources Limited	YTC	0.555	138	Developer	Buy
12. PML Gold Corporation Limited	PVM	0.650	129	Developer	Speculative Buy
13. Papillon Resources Limited	PR	0.460	94	Explorer	Speculative Buy
14. Augur Resources Ltd	AUK	0.410	73	Explorer	Speculative Buy
15. Cortona Resources Limited	CRG	0.150	29	Developer	Speculative Buy
16. Emerson Resources Limited	ERM	0.120	27	Explorer	Speculative Buy
17. Canyon Resources Limited	CAY	0.510	21	Explorer	Speculative Buy
18. Southern Gold Limited	SAU	0.060	15	Explorer	Speculative Buy
19. Geopacific Resources NL	GFR	0.150	5	Explorer	Speculative Buy
Diversified Base / Precious Metals					
20. Independence Group NL	IGO	5.490	1,112	Gold & Base Prod./Dev.	Buy
21. Aviva Corporation Limited	AVA	0.180	30	Gold & Base Explorer	Speculative Buy
22. Ausquest Limited	AQD	0.087	20	Diversified explr	Speculative Buy
Iron Ore					
23. Atlas Iron Limited	AGO	3.720	3,077	Producer	Buy
24. Centaurus Metals Ltd	CTM	0.089	95	Explorer	Speculative Buy
Uranium					
25. Peninsula Energy Ltd	PEN	0.053	111	Developer	Buy
26. Impact Minerals Limited	IFT	0.075	9	Explorer	Speculative Buy
Other metals					
27. Kasbah Resources Limited	KAS	0.175	64	Tin Developer	Buy
28. Shaw River Resources Limited	SRR	0.145	37	Manganese: Developer	Speculative Buy
29. Hazelwood Resources Ltd	HAZ	0.120	32	Tungsten Developer	Speculative Buy
Sub-Total 8,794					

Industrials					
Resource Services - Capital Intensive					
1. Ausdrill Limited	ASL	3.09	941	Contract Drilling	Buy
2. NRW Holdings Ltd	NWH	2.64	740	Contract mining	Buy
3. Mermald Marine Ltd	MRM	3.13	674	Oil & Gas Services	Accumulate
4. Fleetwood Corporation	FWD	11.19	641	Accommodation	Neutral
5. Macmahon Holdings Limited	MAH	0.62	451	Contract mining	Accumulate
6. Index Ltd	IMD	2.05	419	Drilling Supplies	Buy
7. Matrix Composites & MACA Ltd	MCE	4.29	313	Oil & Gas Services	Buy
8. Pacific Energy Ltd	PEA	0.43	149	Contract mining	Buy
9. Swick Mining Services Ltd	SWK	0.35	82	Remote Power	Buy
Resource Services - Labour Intensive					
11. Monadelphous Group Limited	MND	19.56	1,683	Construction	Buy
12. Decmill Group Limited	DCG	2.24	278	Construction	Buy
13. Lycopodium Limited	LYL	6.25	242	Engineer. & Constr.	Accumulate
14. RCR Tomlinson Ltd	RCR	1.45	191	Engineer. & Constr.	Buy
15. LogiComms Limited	LGM	0.80	54	Engineer. & Constr.	Speculative Buy
16. VDM Group Limited	VMG	0.16	34	Engineer. & Constr.	Speculative Buy
Other Industrial Companies					
17. West Media Limited	WMM	3.34	2,739	Media	Accumulate
18. Amcom Telecommunications	AMM	0.85	609	Telecommunications	Accumulate
19. Austal Limited	ASB	2.59	487	Civil and Military	Buy
20. iiNet Limited	IN	2.20	335	Telecommunications	Accumulate
21. Cash Converters Internat.	CCV	0.50	200	Unsecured Finance	Buy
22. RedHill Education Ltd	RDH	0.14	4	*For profit education	Neutral
Sub-Total 11,564					
GRAND TOTAL 51,242					

Source: IRESS, Hartleys Research, * 2 Sep 2011

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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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