

14 Mar 2017

## CASH CONVERTERS INT. LTD (CCV)

### 1H earnings actually okay, but not at the bottom yet

Cash Converters Limited recently reported 1H17 NPAT of \$11.5m (we expected \$12.2m). No DPS was declared (none expected).

EBITDA was \$25.7m (we expected \$26.0m), implying Q2 EBITDA of \$12.6m (Q1 was \$13.1m, unaudited). This was a better Q2 than we had expected, and hence we have increased our FY17 estimates to guidance (previously we were well below the guidance range).

Net debt was \$35m (much better than our expected \$60.4m). The loan book fell by \$16.9m which helped cash.

The personal loan division (the most important earnings driver) reported EBITDA of \$23.6m, down from \$27.9m in 2H16 and \$30.2m in 1H17. We expect the decline to continue in 2H17 given the lower loan book.

### Cashflow strong.

Operating cash flow (adjusted for fall in the loan book to \$86m) was \$21.6m. Capex (including intangibles) was \$3m. Note, the \$10.8m in remediation payments is yet to be paid, and we expect will be made before year end.

### Hartleys FY17 NPAT \$20.2m, FY18 \$19.8m

The Company has lowered NPAT guidance to the bottom of the previous range of \$20-23m. This implies 2H NPAT of ~\$8.5m, which appears reasonable, as long as MACC volumes and overhead reductions can partially offset declining SACC earnings as that order book runs off. We assume a u-shaped recovery in profits, with 1H18 flat on 2H17, and then assume that 2H18 can grow back to 1H17 levels. This implies a meaningful growth in MACC loans to offset SACC loan book declines. We no longer expect dividends in the foreseeable future.

### Maintain Neutral

CCV still appears to have significant risks to navigate (regulation, mainstream financial exclusion, political risk, new product rollout). We maintain our Neutral. We would look to upgrade once we are confident that regulatory, operating and finance risks have receded and earnings momentum is positive.

Share Price:	\$0.330
Valuation:	\$0.34
12mth price target:	\$0.37

#### Brief Business Description:

MACC lending, SACC lending, consumer finance & second hand retailer.

#### Hartleys Brief Investment Conclusion:

Regulatory, political and financial risks remain high. Earnings cycle due to bottom.

#### Chairman & CEO:

Mr Stuart Grimshaw (Chairman, EZ Corp)  
Mark Reid - CEO

#### Top Shareholders:

EZ Corp 30.8%  
Perpetual Ltd 10.8%

#### Company Address:

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

Issued Capital:	<b>493.0m</b>
- fully diluted	499.8m
Market Cap:	<b>\$162.7m</b>
- fully diluted	\$164.9m
Net Debt (31 Dec '16a):	<b>\$35.7m</b>

	FY16a	FY17e	FY18e
Op Cash Flw	79.1	25.9	19.6
Free Cash Flw	51.0	3.1	11.1
<b>NPAT (A\$m)*</b>	<b>36.7</b>	<b>20.2</b>	<b>19.8</b>
EPS (\$, dil)	7.4	4.1	4.0
P/E (diluted)	4.5x	8.2x	8.3x
EV / EBITDA	2.9x	4.2x	4.5x
DPS (\$)	3.00	-	-
Franking	100%	100%	100%
Dividend Yield	9.1%	0.0%	0.0%
N.D. / equity	25.1%	7.3%	21.6%

Source: Hartleys Research

\*Normalised

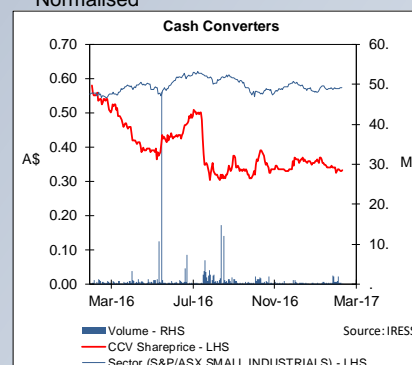


Fig. 1: Earnings Changes

	6/16A actual	old	6/17F New	% diff	old	6/18F New	% diff
Revenue	304.9	211.6	249.0	17.7%	228.7	234.6	2.6%
<b>Norm. EBITDA</b>	<b>69.1</b>	<b>41.9</b>	<b>46.8</b>	<b>11.5%</b>	<b>48.4</b>	<b>44.0</b>	<b>-9.1%</b>
- margin	22.7%	19.8%	18.8%	-5.2%	21.2%	18.8%	-11.4%
Depreciation/Amortisation	-8.6	-8.3	-7.5	-9.3%	-8.5	-7.0	-17.5%
EBIT	60.4	33.7	39.3	16.6%	39.9	37.0	-7.3%
Net Interest	-8.0	-8.9	-10.5	18.2%	-9.6	-8.6	-9.7%
Pretax Profit	52.4	24.8	28.8	16.1%	30.4	28.4	-6.6%
Tax	-15.7	-7.4	-8.6	16.1%	-9.1	-8.5	-6.6%
<b>Norm. Net Profit After Tax</b>	<b>36.7</b>	<b>17.4</b>	<b>20.2</b>	<b>16.1%</b>	<b>21.2</b>	<b>19.8</b>	<b>-6.6%</b>
- margin	12.0%	8.2%	8.1%	9.3%	8.5%		
<b>Reported Group Profit</b>	<b>-11.1</b>	<b>19.8</b>	<b>20.2</b>	<b>1.6%</b>	<b>21.2</b>	<b>19.8</b>	<b>-6.6%</b>
DPS	3.00	2.00	0.00	-100.0%	2.00	0.00	-100.0%
Norm. EPS (diluted)	7.4	3.5	4.1	17.0%	4.2	4.0	-4.4%
P/E (\$0.333)	4.5x	9.4x	8.1x	7.9x	8.3x		
Ordinary Shares (end)	485.0	500.6	493.0	-1.5%	508.5	493.2	-3.0%
Ordinary Shares (avg wgt)	485.0	492.8	489.0	-0.8%	504.6	493.1	-2.3%
Net Debt	60.4	70.2	18.7	-73.3%	53.1	59.9	12.9%

Source: Hartleys Estimates

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Hartleys has provided corporate advice to CCV within the past 12 months for which it has earned fees. The analyst has a beneficial interest in CCV shares. See disclosure on back page.

Cash Converters International Ltd (CCV)					Recommendation: <b>Neutral</b>						
<b>Company Information</b>					<b>Profit &amp; Loss (\$m)</b>						
Today's Date	14 Mar 2017	Level 18, 37 St. Georges Tce			AUD/GBP	6/15A	6/16A	6/17F	6/18F		
Share Price	\$0.330	Perth, WA, 6000			Pers. Finance Loan Book	126.6	101.5	60.6	112.9		
52 Week High-Low	\$0.63 - \$0.295	Ph: (08) 9221 9111			Pers. Finance Revenue	163.9	144.6	107.8	85.2		
Market Cap (\$m)	\$162.7	Fax: (08) 9221 9011			Pers. Finance EBITDA	48.5	57.4	42.6	33.0		
Enterprise Value (\$m)	\$198.4	www.cashconverters.com.au			<i>margin</i>	29.6%	39.7%	39.5%	38.7%		
Ordinary Shares	493.0				Fin. Services Admin. Revenue	14.7	14.2	4.2	4.2		
Fully Diluted Shares	499.8				Fin. Services Admin. EBITDA	12.5	8.1	4.2	4.2		
<b>Price Target Methodology</b>					<i>margin</i>						
Spot DCF - 9 years explicit + terminal value (Base Case)					\$0.34	85.0%	57.1%	99.7%	99.7%		
12mth fwd DCF - 9 years explicit + terminal value (Base Case)					\$0.38	Owned # (UK + Aust) - end	129	130	71	71	
12mth forward P/E of 14.0x (peak)					\$0.64	Owned Stores Revenue	190.2	140.4	124.3	124.3	
Price / NTA 1x \$0.26					\$0.24	Owned Stores EBITDA	15.8	17.4	13.5	13.5	
12mth fwd Div Yield of 4.2% (Gross yield=6.0%)					\$0.00	<i>margin</i>	8.3%	12.4%	10.9%	10.9%	
<b>12mth Price Target</b>					<b>\$0.37</b>	Franchised # (UK + Aust) - end	253	253	312	312	
P / E (FY17) at Price Target					8.9x	Franchise Revenue	19.0	22.2	19.6	20.0	
P / E (FY18) at Price Target					9.1x	Franchise EBITDA	6.0	6.7	8.8	9.0	
EV/EBITDA (FY18) at Price Target					4.5x	<i>margin</i>	31.5%	30.1%	45.0%	45.0%	
EV/EBIT (FY18) at Price Target					5.4x	Auto revenue				12.0	14.4
						Auto EBITDA				-1.2	1.4
<b>Multiples (\$/price at \$0.33)</b>					6/15A	6/16A	6/17F	6/18F			
P / E (basic, weighted)					-7.0x	-14.4x	8.0x	8.2x			
P / E (normalised, fully diluted)					5.4x	4.5x	8.2x	8.3x			
P / E (normalised, weighted dil.)					5.0x	4.4x	8.0x	8.2x			
P / E (ord mkt cap / rep NPAT)					-7.5x	-14.7x	8.1x	8.2x			
Dividend Yield					6.1%	9.1%	0.0%	0.0%			
Group Free Cash Flow (f.c.f.) / EV					-5.7%	11.0%	22.2%	-20.8%			
Equity f.c.f. / Mkt Cap					-10.9%	8.5%	20.9%	-33.0%			
Norm f.c.f. / Mkt cap					-10.9%	8.5%	20.9%	-33.0%			
Mkt cap / operating cash flow					1.9x	1.6x	3.6x	4.4x			
EV/EBITDA multiple					3.2x	2.9x	4.2x	4.5x			
EV/EBIT multiple					3.8x	3.3x	5.1x	5.4x			
Price / Book Value					0.6x	0.7x	0.6x	0.6x			
Price / NTA					1.3x	1.5x	1.3x	1.1x			
<b>Ratios</b>					6/15A	6/16A	6/17F	6/18F			
Return on Average Equity					12.1%	14.6%	8.1%	7.4%			
Return on Assets					7.2%	8.5%	4.9%	4.6%			
ROIC pre-tax					22.5%	26.1%	20.4%	21.9%			
ND / ND + Equity					22.2%	20.1%	6.8%	17.7%			
Net Interest Cover (EBIT)					6.1	7.5	3.7	4.3			
Reported eps growth					-183.1%	nm	nm	-2.4%			
Norm. eps growth					10.0%	13.5%	-44.6%	-2.4%			
<b>Free Cash Flow Analysis</b>					6/15A	6/16A	6/17F	6/18F			
Net Operating Cash Flow					60.9	79.1	25.9	19.6			
Capex (Reported) inc loan book					-72.3	-57.2	18.1	-60.9			
Group Free Cash Flow (rep'ted)					-11.4	21.9	44.0	-41.2			
Fixed Debt Repayments					-6.4	-8.0	-10.0	-12.5			
<b>Equity Free Cash Flow (rep'ted)</b>					<b>-17.8</b>	<b>13.9</b>	<b>34.0</b>	<b>-53.7</b>			
HP Lease Capex (non-cash)					0.0	0.0	0.0	0.0			
Free Cash Flow (normalised)					-17.8	13.9	34.0	-53.7			
Capex (inc HP) / depreciation					117%	102%	101%	82%			
<b>Share Data</b>					6/15A	6/16A	6/17F	6/18F			
Ord Issued shares (m)					481.2	485.0	493.0	493.2			
<i>growth</i>					12.2%	0.8%	1.7%	0.0%			
Weighted ave shares (m)					458.1	485.0	489.0	493.1			
<i>growth</i>					7.4%	5.9%	0.8%	0.8%			
Diluted shares wgted (m)					466.1	493.0	489.0	493.1			
<i>growth</i>					6.1%	5.8%	-0.8%	0.8%			
<b>Unpaid Capital (inc estimated DRP)</b>											
Year Expires	Number	% ord	Avg Price	\$m unpaid							
30-Jun-17	-	0.0%	\$ -	\$ -							
30-Jun-18	124,166	0.0%	\$ -	\$ -							
30-Jun-19	6,634,152	1.3%	\$ -	\$ -							
30-Jun-20	-	0.0%	\$ -	\$ -							
30-Jun-21	-	0.0%	\$ -	\$ -							
TOTAL	6,758,318	1.4%	\$ -	\$ -							
<b>Directors &amp; Senior Management</b>					<b>Substantials</b>						
Mr Stuart Grimshaw (Chairman, EZ Corp)					EZ Corp					30.8%	
Mr Peter Cumins (Executive Deputy Chairma Perpetual Ltd)										10.8%	
Ms Ellen Comerford (Non-exec)											
Ms Andrea Waters (Non-exec)											
Mr Lachlan Given (Non-exec, EZ Corp)											
Mr Kevin Dundo (Non-exec.)											
Mark Reid - CEO											
CFO - Mr Ralph Groom											
Analyst: Trent Barnett					Last Earnings Estimate Changes:						
Phone: +61 8 9268 3052					14 March 2017						
Sources: IRESS, Company Information, Hartleys Research											

Fig. 2: Half year P &amp; L and Balance Sheet

Profit & Loss (\$m)	Dec-13a	Jun-14a	Dec-14a	Jun-15a	Dec-15a	Jun-16a	Dec-16a	Jun-17e
<b>Group Revenue</b>	<b>155.4</b>	<b>176.3</b>	<b>187.5</b>	<b>187.4</b>	<b>198.3</b>	<b>106.6</b>	<b>143.4</b>	<b>105.6</b>
<i>Sequential growth</i>	13.2%	13.4%	6.3%	0.0%	5.8%	-46.3%	35%	-26.4%
<b>Underlying EBITDA - Group</b>	<b>21.7</b>	<b>31.9</b>	<b>31.9</b>	<b>29.2</b>	<b>37.0</b>	<b>32.1</b>	<b>25.6</b>	<b>21.1</b>
<i>Sequential growth</i>	-25.2%	47.5%	0.0%	-8.5%	26.7%	-13.3%	-20.2%	-17.4%
<b>EBITDA / Sales</b>	<b>13.9%</b>	<b>18.1%</b>	<b>17.0%</b>	<b>15.6%</b>	<b>18.7%</b>	<b>30.1%</b>	<b>17.9%</b>	<b>20.0%</b>
Depreciation/Amortisation	-3.8	-4.1	-4.5	-4.5	-4.6	-4.0	-3.8	-3.7
<b>EBIT</b>	<b>17.9</b>	<b>27.8</b>	<b>27.4</b>	<b>24.7</b>	<b>32.4</b>	<b>28.0</b>	<b>21.8</b>	<b>17.4</b>
EBIT / Sales	11.5%	15.8%	14.6%	13.2%	16.3%	26.3%	15.2%	16.5%
Net Corporate Interest	-3.7	-4.3	-4.4	-4.1	-3.9	-4.1	-5.2	-5.3
<b>Norm Pretax Profit</b>	<b>14.2</b>	<b>23.5</b>	<b>23.0</b>	<b>20.6</b>	<b>28.5</b>	<b>23.9</b>	<b>16.7</b>	<b>12.1</b>
Norm. Tax	-4.3	-7.3	-6.9	-6.2	-8.5	-7.2	-5.0	-3.6
Effective Tax Rate	30.0%	30.9%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.2	-0.2
<b>Normalised NPAT to equity</b>	<b>9.9</b>	<b>16.2</b>	<b>16.1</b>	<b>14.4</b>	<b>19.9</b>	<b>16.8</b>	<b>11.5</b>	<b>8.7</b>
<b>Norm. Net Profit / Sales</b>	<b>6.4%</b>	<b>9.2%</b>	<b>8.6%</b>	<b>7.7%</b>	<b>10.1%</b>	<b>15.7%</b>	<b>8.0%</b>	<b>8.2%</b>
Abnormals / discontinued	-2.7	1.3	-21.4	-30.8	-4.0	-43.7	0.0	0.0
Group Reported Profit	7.3	17.5	-5.3	-16.4	15.9	-27.0	11.5	8.7
<b>Reported EPS (basic, weighted)</b>	<b>2.30</b>	<b>3.40</b>	<b>-1.21</b>	<b>-3.52</b>	<b>3.64</b>	<b>-5.92</b>	<b>2.6</b>	<b>1.50</b>
<b>Normalised EPS (dil, wghd)</b>	<b>2.23</b>	<b>3.73</b>	<b>3.63</b>	<b>2.92</b>	<b>4.57</b>	<b>2.87</b>	<b>2.6</b>	<b>1.49</b>
<b>DPS (\$)</b>	<b>0.0200</b>	<b>0.0200</b>	<b>0.0200</b>	<b>0.0000</b>	<b>0.0200</b>	<b>0.0100</b>	<b>0.0000</b>	<b>0.0000</b>
Franking	100%	100%	100%	100%	100%	100%	100%	100%
Payout Ratio	87.0%	58.8%	55.1%	0.0%	43.8%	34.8%	0.0%	0.0%
<b>Balance Sheet (\$m)</b>	<b>Dec-13a</b>	<b>Jun-14a</b>	<b>Dec-14a</b>	<b>Jun-15a</b>	<b>Dec-15a</b>	<b>Jun-16a</b>	<b>Dec-16a</b>	<b>Jun-17e</b>
Cash	50.8	26.8	43.2	52.4	49.2	73.6	84.8	93.6
Receivables	22.5	33.5	35.4	32.3	16.1	16.9	14.4	15.9
Inventories	23.8	25.6	25.2	27.7	23.3	17.6	18.9	15.6
Other (including loan book)	131.4	134.2	142.3	135.4	153.0	126.5	101.5	56.0
<b>Total Current Assets</b>	<b>228.5</b>	<b>220.2</b>	<b>246.0</b>	<b>247.7</b>	<b>241.6</b>	<b>234.6</b>	<b>219.6</b>	<b>181.1</b>
Property, Plant & Equipment	24.1	22.6	23.6	25.4	25.3	13.9	12.1	15.6
Intangibles (inc. Goodwill)	131.5	132.7	133.1	136.1	135.2	131.0	132.1	132.1
Other	11.2	34.8	36.7	32.0	36.3	43.1	51.8	72.7
<b>Total Non Current Assets</b>	<b>166.8</b>	<b>190.1</b>	<b>193.4</b>	<b>193.5</b>	<b>196.8</b>	<b>188.0</b>	<b>196.0</b>	<b>220.4</b>
<b>Total Assets</b>	<b>395.3</b>	<b>410.3</b>	<b>439.4</b>	<b>441.2</b>	<b>438.4</b>	<b>422.6</b>	<b>415.5</b>	<b>401.5</b>
Accounts Payable	26.5	26.8	26.2	26.4	26.3	32.3	31.5	27.6
Interest Bearing Liabilities	55.1	59.9	61.6	60.7	57.4	70.0	58.2	70.0
Other	5.4	14.7	5.0	25.7	10.8	15.6	12.7	3.1
<b>Total Current Liabilities</b>	<b>87.1</b>	<b>101.4</b>	<b>92.8</b>	<b>112.8</b>	<b>94.5</b>	<b>117.9</b>	<b>102.4</b>	<b>100.7</b>
Accounts Payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Bearing Liabilities	59.1	64.0	66.3	66.4	65.9	64.0	62.2	42.7
Other	0.1	0.1	0.2	0.2	3.2	0.3	4.7	0.3
<b>Total Non Current Liabilities</b>	<b>59.2</b>	<b>64.2</b>	<b>66.5</b>	<b>66.7</b>	<b>69.1</b>	<b>64.3</b>	<b>66.9</b>	<b>43.0</b>
<b>Total Liabilities</b>	<b>146.3</b>	<b>165.6</b>	<b>159.3</b>	<b>179.5</b>	<b>163.6</b>	<b>182.2</b>	<b>169.3</b>	<b>143.8</b>
<b>Net Assets</b>	<b>249.0</b>	<b>244.7</b>	<b>280.1</b>	<b>261.7</b>	<b>274.8</b>	<b>240.4</b>	<b>246.3</b>	<b>257.7</b>
Net Asset Value / Share (\$)	0.58	0.57	0.58	0.54	0.57	0.50	0.51	0.52
NTA / Share (\$)	0.28	0.26	0.31	0.26	0.29	0.23	0.24	0.25
Net Debt (net cash)	63.4	97.1	84.8	74.8	74.1	60.4	35.7	19.2

Source: Company Data, Hartleys Estimates.

*Earnings in 2H expected to decline based on guidance and the run-off in the SACC loan book*

*The balance sheet is actually okay, but the Company suffers from mainstream financial exclusion which adds risk*

Fig. 3: Free Cash Flow

Operating cash flow  
was positive.

Cashflow Statement (\$m)	Dec-13a	Jun-14a	Dec-14a	Jun-15a	Dec-15a	Jun-16a	Dec-16a	Jun-17e
EBITDA	21.7	31.9	31.9	29.2	37.0	32.1	25.6	21.1
Working Capital Change	0.6	2.2	7.7	15.6	20.9	13.0	2.7	-4.4
<b>Cash from Operations</b>	<b>22.3</b>	<b>34.1</b>	<b>39.7</b>	<b>44.8</b>	<b>57.9</b>	<b>45.1</b>	<b>28.3</b>	<b>16.7</b>
Corporate Interest	-4.0	-3.9	-4.6	-3.9	-4.3	-5.0	-3.3	-7.1
Tax Paid	-9.1	-4.2	-13.3	-1.7	-2.4	-12.3	-3.0	-5.6
<b>Net Operating Cash Flow</b>	<b>9.1</b>	<b>25.9</b>	<b>21.7</b>	<b>39.2</b>	<b>51.3</b>	<b>27.8</b>	<b>22.0</b>	<b>4.0</b>
Capital Expenditure	-3.5	-2.9	-4.9	-5.7	-6.0	-2.8	-3.1	-4.4
Other (including loan book)	-13.1	-28.4	-13.1	-4.7	-21.1	-4.2	8.7	19.6
Investments & acquisitions	1.3	-21.3	-30.1	-13.9	-23.1	0.0	0.1	-2.8
<b>Net Investing Cash Flow</b>	<b>-15.2</b>	<b>-52.5</b>	<b>-48.0</b>	<b>-24.3</b>	<b>-50.2</b>	<b>-7.0</b>	<b>5.7</b>	<b>12.4</b>
Proceeds from Equity Issues	0.0	0.0	43.3	0.0	0.0	0.0	0.0	2.5
Net Change in Debt & Leases	38.7	9.5	3.8	-1.1	-4.1	12.2	-14.0	-7.6
Dividends Paid	-6.3	-6.1	-6.2	-7.4	0.0	-8.1	-2.2	-2.7
<b>Net Financing Cash Flow</b>	<b>32.4</b>	<b>3.4</b>	<b>40.9</b>	<b>-8.5</b>	<b>-4.1</b>	<b>4.2</b>	<b>-16.2</b>	<b>-7.8</b>
<b>Movement in Cash</b>	<b>26.3</b>	<b>-23.2</b>	<b>14.6</b>	<b>6.4</b>	<b>-3.1</b>	<b>25.0</b>	<b>11.4</b>	<b>8.6</b>
<b>HP Lease Capex (non-cash)</b>								
Free Cash Flow Analysis	Dec-13a	Jun-14a	Dec-14a	Jun-15a	Dec-15a	Jun-16a	Dec-16a	Jun-17e
Net Operating Cash Flow	9.1	25.9	21.7	39.2	51.3	27.8	22.0	4.0
Capex (Reported) inc loan book	-16.5	-31.3	-18.0	-10.4	-27.1	-7.0	5.6	15.2
Group Free Cash Flow (rep'ted)	-7.4	-5.3	3.7	28.9	24.2	20.8	27.6	19.1
Fixed Debt Repayments	-15.4	-19.8	-21.0	-21.3	-20.9	-21.4	-21.2	-19.4
<b>Equity Free Cash Flow (rep'ted)</b>	<b>-22.8</b>	<b>-25.2</b>	<b>-17.3</b>	<b>7.6</b>	<b>3.3</b>	<b>-0.6</b>	<b>6.4</b>	<b>-0.3</b>
HP Lease Capex (non-cash)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow (normalised)	-22.8	-25.2	-17.3	7.6	3.3	-0.6	6.4	-0.3
Capex (inc HP) / depreciation	92%	70%	109%	125%	130%	69%	83%	120%

Source: Hartleys Research

Fig. 4: Earnings Changes

	6/16A		6/17F		6/18F			6/19F		
	actual	old	New	% diff	old	New	% diff	old	New	% diff
Revenue	304.9	211.6	249.0	17.7%	228.7	234.6	2.6%	246.6	250.1	1.4%
<b>Norm. EBITDA</b>	<b>69.1</b>	<b>41.9</b>	<b>46.8</b>	<b>11.5%</b>	<b>48.4</b>	<b>44.0</b>	<b>-9.1%</b>	<b>53.3</b>	<b>50.2</b>	<b>-5.9%</b>
<b>- margin</b>	<b>22.7%</b>	<b>19.8%</b>	<b>18.8%</b>	<b>-5.2%</b>	<b>21.2%</b>	<b>18.8%</b>	<b>-11.4%</b>	<b>21.6%</b>	<b>20.1%</b>	<b>-7.2%</b>
Depreciation/Amortisation	-8.6	-8.3	-7.5	-9.3%	-8.5	-7.0	-17.5%	-8.4	-6.8	-19.1%
EBIT	60.4	33.7	39.3	16.6%	39.9	37.0	-7.3%	45.0	43.4	-3.4%
Net Interest	-8.0	-8.9	-10.5	18.2%	-9.6	-8.6	-9.7%	-11.3	-9.2	-18.9%
Pretax Profit	52.4	24.8	28.8	16.1%	30.4	28.4	-6.6%	33.6	34.3	1.8%
Tax	-15.7	-7.4	-8.6	16.1%	-9.1	-8.5	-6.6%	-10.1	-10.3	1.8%
<b>Norm. Net Profit After Tax</b>	<b>36.7</b>	<b>17.4</b>	<b>20.2</b>	<b>16.1%</b>	<b>21.2</b>	<b>19.8</b>	<b>-6.6%</b>	<b>23.5</b>	<b>24.0</b>	<b>1.8%</b>
- margin	12.0%	8.2%	8.1%		9.3%	8.5%		9.5%	9.6%	
<b>Reported Group Profit</b>	<b>-11.1</b>	<b>19.8</b>	<b>20.2</b>	<b>1.6%</b>	<b>21.2</b>	<b>19.8</b>	<b>-6.6%</b>	<b>23.5</b>	<b>24.0</b>	<b>1.8%</b>
DPS	3.00	2.00	0.00	-100.0%	2.00	0.00	-100.0%	2.00	0.00	-100.0%
Norm. EPS (diluted)	7.4	3.5	4.1	17.0%	4.2	4.0	-4.4%	4.6	4.8	5.8%
P/E (\$0.330)	4.4x	9.4x	8.0x		7.8x	8.2x		7.2x	6.8x	
Ordinary Shares (end)	485.0	500.6	493.0	-1.5%	508.5	493.2	-3.0%	523.1	499.8	-4.5%
Ordinary Shares (avg wgt)	485.0	492.8	489.0	-0.8%	504.6	493.1	-2.3%	515.8	496.5	-3.7%
Net Debt	60.4	70.2	18.7	-73.3%	53.1	59.9	12.9%	91.8	34.5	-62.4%

Source: Hartleys Estimates

## RECOMMENDATION & RISKS

### PRICE TARGET

Our twelve month price target is \$0.37 (from \$0.40 previously).

Valuation Methodology	Weighting	Spot	12 mth out
DCF	20%	\$0.34	\$0.38
12mth forward P/E of 14.0x (peak)	20%	\$0.57	\$0.64
12mth fwd forward EV/EBIT of 4.0x	10%	\$0.21	\$0.25
12mth fwd forward EV/EBIT of 10.0x	10%	\$0.67	\$0.76
Price / NTA 1x \$0.26	25%	\$0.24	\$0.24
12mth fwd Div Yield of 4.2% (Gross yield=6.0%)	15%	\$0.00	\$0.00
<b>Risk weighted composite</b>		<b>\$0.33</b>	<b>\$0.37</b>
<b>12 Months Forward</b>		<b>\$0.37</b>	
Shareprice - Last		\$0.330	
<b>12 mth total return (% to 12mth target + dividend)</b>		<b>11%</b>	

Source: Hartleys Estimate

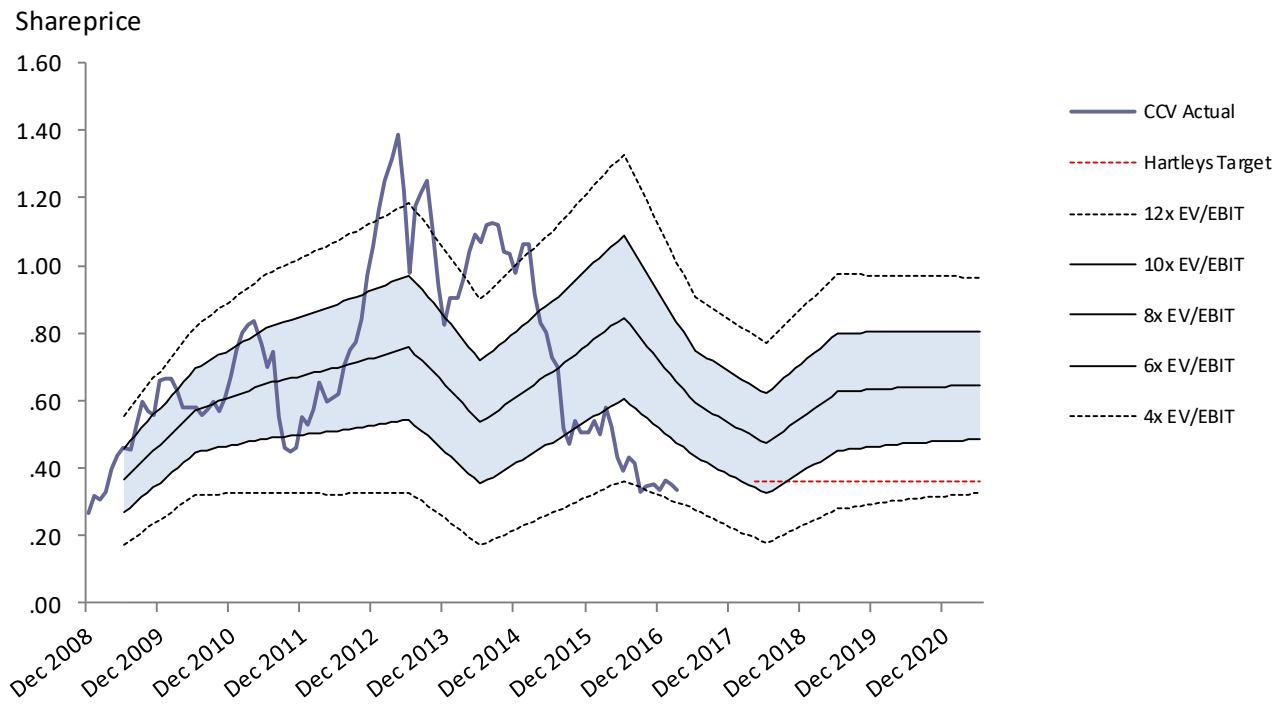
*Fig. 5: Key assumptions and risks for valuation*

Assumption	Risk of not realising assumption	Downside risk to valuation if assumption is incorrect	Comment
Dividend cut	High	Moderate	We assume no dividends in the foreseeable future.
We assume Personal Finance (Safrock) returns have stabilised in Australia. We assume a v-shaped recovery in net Australian loan growth, but there is a substantial mix change away from SACC towards MACC	High	Extreme	The assumption that the MACC product can offset the decline in SACC product is a large assumption
We assume the Cash Advance product ceases to be viable	High	Meaningful	Guidance implies a big drop in volumes
No material financial impact of Q'land court case	Moderate	High	We assume that there is no financial impact. Given the history, this is a risk
No material legislative changes	Low	High	We assume that minimal legislative changes occur.
<i>Conclusion</i>	<i>We believe we have been realistic in our base case assumptions. The biggest risk is the Queensland court case</i>		

Source: Hartleys

## EV/EBIT BANDS

Fig. 6: Using Hartleys base case forecasts



Source: Hartleys Estimates

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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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