

CASH CONVERTERS INTER. LTD (CCV)

Underlying operations are improving. 2H to be strong

Cash Converters Limited reported 1H14 NPAT of \$9.9m. The Company declared a 2cps dividend, in line with our estimate. "Like-for-FY13-like" EBITDA was \$24.9m (reported \$19.1m), slightly lower than our \$26.0m. Our measure of operating cash flow was \$9.1m, lower than we expected (mainly due to higher tax) but investing cash flows were also lower than we expected, and hence net debt (\$63.4m) was in line with our expectation.

Accounting of Aust. Safrock loans stays the 'old way'

In October last year CCV announced unaudited 1Q14 EBITDA was \$7.9m, which was well down on our expectations at the time, in part due to a potential change in accounting treatment of Aust Safrock loans. However, after a formal review, the Company has maintained the 'old way' of accounting for loans. Restated, we estimate that EBITDA for Q1 was \$7.6m and Q2 EBITDA was \$11.5m (for \$19.1m in total). We estimate that the "Like-for-FY13-like" split was \$11.9m / \$13m (see table 1). Note that because most of the loan book growth increase was in December, the profit contribution will flow into 2H. We expect 2H EBITDA of \$32.8m, implying ~28% growth from annualised Q2.

The Australian business is definitely improving from the lows

The Australian Safrock loan book increased modestly since June to ~\$94.3m, but rebounded substantially from the October low of \$84.3m (+14%). Profit was \$17.4m, which was down ~20% from 2H13 (recent profit warnings meant weakness was expected). The key now is that momentum is now positive and margins are okay (~36%). Financial Service Administration profits in Australia (EBITDA \$4.5m) were broadly in line with our expectations. Corporate store profits (\$6.2m) were better than we had assumed due to higher margins.

UK continues to perform poorly, but it's a small contributor

The UK division contributed only ~\$2m EBITDA (loss at an EBIT level). Poor performance was broadly based...the loan book is now only £15m (EBITDA margin only 5%), bad debts increased and corporate store overheads increased (albeit intentionally to increase store sales). The UK industry remains highly competitive, and although CCV's performance is poor, it remains an industry leader. We expect competition to rationalise and CCV to improve in the future.

Carboodle performance in line in underlying terms

Carboodle had 778 leases at the end of December, ~200 fewer than we had modelled. The implied reported loss (\$2.9m) was more than expected due to accounting adjustments prior to acquisition. However, we estimate that the underlying business performed more in line with our expectations and we conservatively expect \$0.8m loss in 2H (we hope for breakeven). We have lowered our Carboodle FY15 EBIT contribution for FY15 from \$8.9m to \$0.3m (we hope for ~\$1-3m) due to an assumed slower ramp up in sales.

Hartleys lowers FY14 NPAT to \$32.4m, FY15 to \$39.7 m

The Company expects continued improvement in 2H based on continued positive momentum. We have lowered our adj. NPAT by 4.6% to \$32.4m, and expect \$54.3m EBITDA. We have lowered our FY15 NPAT by 6.4% to \$39.7m.

Retain Buy, looks like it's on the mend

We have a twelve month price target of \$1.09, implying a FY15 p/e of 11.7x. We maintain our Buy recommendation.

	17 Feb 2014
Share Price:	\$0.925
/aluation:	\$1.01
2mth price target:	\$1.09

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Brief Business Description:

Payday lending, consumer finance & second hand retailer in UK & Aust. Hartleys Brief Investment Conclusion: High returns, Australian business looks to be recovering after regulatory change, market leader.

Chairman & CEO:

Mr Reginald Webb (Chairman) Mr Peter Cumins (Managing Director) **Top Shareholders:** EZ Corp 32.1% Perpetual Ltd 12.6% Fidelity Mgt & Res. (FMR) 5.6% CBA 5.0%

Company Address:

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

Issued Capital:			426.3m
- fully diluted			466.3m
Market Cap:		ç	\$394.3m
- fully diluted		ç	\$431.3m
Net Debt (31 De	ec '13a):		\$63.4m
	FY13a	FY14e	FY15e
Op Cash Flw	44.9	29.0	48.2
Free Cash Flw	3.5	15.4	41.3
NPAT (A\$m)	35.3	32.4	39.7
EPS (\$, dil)	8.4	7.4	9.0
P/E (basic)	11.4x	14.6x	10.3x
P/E (diluted)	12.2x	13.3x	10.9x
EV / EBITDA	7.6x	8.4x	6.3x
DPS (\$)	4.00	4.00	4.25
Franking	100%	100%	100%
Dividend Yield	4.3%	4.3%	4.6%
N.D. / equity	20.8%	32.0%	19.8%
Source: Hartleys	Researc	h	

Source: Hartleys Research



Authors:

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

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Cash Converters International Ltd (CCV) Company Information Today's Date 17 Feb 2014 Level 18, 37 St. Georges Tce Share Price 52 Week High-Low Perth. WA. 6000 \$0.925 \$1.565 - \$0.75 Ph: (08) 9221 9111 \$394.3 Market Cap (\$m) Fax: (08) 9221 9011 Enterprise Value (\$m) \$457.7 www.cashconverters.com.au Ordinary Shares 426.3 Fully Diluted Shares 466.3 Spot DCF - 9 years explicit + terminal value (Base Case) \$1.01 12mth fwd DCF - 9 years explicit + terminal value (Base Case) \$1.07 12mth forward P/E of 14.0x \$1 27 Price / NTA (Dec '13a) 1x \$0.31 \$0.31 \$1.18 12mth fwd Div Yield of 3.6% (Gross yield=5.1%) 12mth price target \$1.09 P / E (6/14F) at price target 14.3x P / E (6/15F) at price target EV/EBITDA (6/15F) at price target 11.7x 7.5x EV/EBIT (6/15F) at price target 8.5x Multiples (S/price at \$0.93) 6/12A 6/13A 6/14F 6/15F P / E (basic, weighted) 11.9x 11.4x 14.6x 10.3x P / E (normalised, fully diluted) 12.2x 12.0x 13.4x 13.3x 10.9x P / E (ord mkt cap / rep NPAT) 13.4> 14.6x 10.1x Dividend Yield 3.8% 4.3% 4.3% 4.6% Group Free Cash Flow (f.c.f) / EV -3.4% -8.6% -4.7% 8.0% . Equity f.c.f. / Mkt Cap -4.7% -11.0% -6.8% 7.7% Norm f.c.f. / Mkt cap -4.7% -11.0% -6.8% 7.7% 7.4x 5.3x 6.3x Mkt cap / operating cash flow EV/EBITDA multiple 6.1x 7.6x 9.3x 8.9> 8.4x EV/EBIT multiple 9.8x 8.5x 9.9x 7.1x 1.4x Price / Book Value 1.9x 1.6x 1.5x Price / NTA 3.7x 3.3x 3.0x 2.5x Ratios 6/12A 6/13A 6/14F 6/15F Return on Average Equity Return on Assets 17.8% 16.5% 13.0% 14.6% 8.7% 13.0% 11.6% 9.6% 38.9% 33.8% 24.1% 30.7% ROIC pre-tax ND / ND + Equity 12.3% 17.2% 24.2% 16.6% Net Interest Cover (EBIT) 29.7 22.3 6.0 7.4 Reported eps growth Free Cash Flow Analysis Net Operating Cash Flow 6.4% 4.4% 21.8% 41.8% 6/12A 6/13A 6/14F 6/15F 25.3 44.9 29.0 48.2 Capex (Reported) inc loan book -40.7 -84 4 -50.7 -11.6 -21.7 Group Free Cash Flow (rep'ted) -15.4-39.536.6 -5.1 -4.1 -6.4 **30.2** Fixed Debt Repayments -3.3 -18.7 Equity Free Cash Flow (rep'ted) HP Lease Capex (non-cash) Free Cash Flow (normalised) 0.0 0.0 0.0 0.0 -18.7 -43.6 -26.8 30.2 Capex (inc HP) / depreciation 278% 118% 87% 82% Share Data 6/12A 6/13A 6/15F 6/14F 379.8 0.0% 423.9 11.6% Ord Issued shares (m) 431.6 439.1 1.8% 1.7% arowth Weighted ave shares (m) 379.8 427.7 435.3 406.3 growth Diluted shares wgted (m) 7.0% 419.7 0.0% 5.3% 1.8% 438.4 393.1 443.4 6.8% 4.5% 1.1% growth 1.3% Unpaid Capital (inc estimated DRP) % ord Avg Price <u>\$m unpaid</u> Year Expires Number 7,698,229 \$ 0.89 30-Jun-14 1.8% \$ 6.8 30-Jun-15 7,529,932 1.8% \$ 0.93 \$ 7.0 \$ 0.93 \$ 0.48 7.5 7.9 30-Jun-16 8.140.149 1.9% \$ \$ 30-Jun-17 3.9% 16,617,867 30-Jun-18 0.0% \$ \$ 39,986,178 \$ 0.73 29.2 TOTAL \$ 9.4% Directors & Senior Management Mr Reginald Webb (Chairman) Substantials 32 1% EZ Corp . Perpetual Ltd Mr Peter Cumins (Managing Director) 12.6% Mr William Love (Non-exec, EZ Corp) Fidelity Mgt & Res. (FMR) 5.6% Mr Joseph Beal (Non-exec, EZ Corp) CFO - Mr Ralph Groom СВА 5.0% Analyst: Trent Barnett Phone: +61 8 9268 3052

Sources: IRESS, Company Information, Hartleys Research

Recommendation:				Buy
Profit & Loss (\$m)	6/12A	6/13A	6/14F	6/15F
AUD/GBP Safrock Loan Book	0.644 87.3	0.642 125.7	0.598 144.7	0.610 140.9
Safrock Revenue	87.1	123.7	131.6	140.9
Safrock EBITDA	33.5	43.6	42.4	59.8
margin	38.4%	38.4%	32.2%	33.8%
Fin. Services Admin. Revenue	16.6	17.7	15.1	15.9
Fin. Services Admin. EBITDA	13.7	14.2	10.5	11.1
margin	82.3%	80.2%	69.8%	69.9%
Owned # (UK + Aust) - end	102	118	145	145
Owned Stores Revenue	122.8	136.1	157.8	169.7
Owned Stores EBITDA	8.6	11.3	14.6	15.7
margin	7.0%	8.3%	9.2%	9.2%
Franchised # (UK + Aust) - end	263	273	282	282
Franchise Revenue	23.5	24.0	18.3	18.4
Franchise EBITDA	6.1 25.8%	4.3 17.8%	6.0 33.0%	6.1 33.0%
<i>margin</i> Carboodle fleet value (100%)	25.8%	9.8	14.6	20.7
Carboodle fleet (car leases)	246	528	1,032	1,740
Carboodle EBIT	nm	nm	-3.7	0.3
Group Revenue	233.5	272.2	308.5	367.1
growth	26.2% 51.2	<u>16.6%</u> 60.0	<u>13.3%</u> 54.3	19.0% 73.0
Underlying EBITDA - Group growth	51.2 16.5%	60.0 17.2%	54.3 -9.6%	73.0 34.5%
EBITDA / Sales	21.9%	22.0%	-9.0 <i>%</i> 17.6%	34.5 <i>%</i> 19.9%
Depreciation/Amortisation	-4.3	-6.5	-7.9	-8.4
EBIT	46.9	53.6	46.3	64.6
EBIT / Sales	20.1%	19.7%	15.0%	17.6%
Net Corporate Interest	-1.6	-2.4	-7.7	-8.8
Pretax Profit	41.4	47.7	38.7	55.8
Tax	-12.0	-14.8	-11.6	-16.7
Effective Tax Rate	29.0%	31.0%	30.0%	30.0%
Minorities	0.0	0.0	0.0	0.0
Normalised NPAT to equity	32.2	35.3	32.4	39.7
Norm. Net Profit / Sales	13.8%	13.0%	10.5%	10.8%
Abnormals / discontinued	-2.8 29.4	-2.4	-5.3	-0.7
Reported Profit to equity	29.4	<u>32.9</u> 8.1	27.1 6.3	39.0 9.0
Reported EPS (basic, w'ted) Normalised EPS (dil, w'ted)	8.2	8.4	7.4	9.0
DPS (\$)	0.0350	0.0400	0.0400	0.0425
Franking	100%	100%	100%	100%
Payout Ratio	41.3%	48.1%	53.3%	47.0%
Cashflow Statement (\$m)	6/12A	6/13A	6/14F	6/15F
EBITDA (inc Safrock interest)	51.2	60.0	54.3	73.0
Working Capital Change	-8.9	4.7	-1.0	0.8
Cash from Operations	42.3	64.7	53.3	73.7
Corporate Interest	-1.7	-2.5	-7.7	-8.8
Tax Paid	-15.3	-17.2	-16.6	-16.7
Net Operating Cash Flow	25.3 -11.9	44.9 -7.6	29.0 -6.9	48.2 -6.9
Capital Expenditure Other (including loan book)	-11.9	-40.9	-37.1	-0.9
Investments & acquisitions	-22.7	-40.9	-6.7	0.0
Net Investing Cash Flow	-40.7	-84.4	-50.7	-11.6
Proceeds from Equity Issues	0.0	31.6	6.4	6.5
Net Change in Debt & Leases	20.4	28.2	32.4	-5.8
Dividends Paid	-11.1	-17.4	-17.1	-17.4
Net Financing Cash Flow	9.0	42.4	21.7	-16.6
Movement in Cash	-6.5	2.9	0.0	20.0
HP Lease Capex (non-cash)				
Balance Sheet (\$m)	6/12A	6/13A	6/14F	6/15F
Cash	16.4	20.7	20.7	40.7
Receivables	10.9 17.1	13.0 21.8	14.5 25.2	15.6 27.2
Inventories Other (including loan book)	91.1	21.8 123.6	25.2 142.7	27.2 138.8
Other (including loan book) Total Current Assets	135.5	123.0 179.1	142.7 203.2	222.4
Property, Plant & Equipment	19.6	22.5	23.8	23.3
Intangibles (inc. Goodwill)	92.7	121.2	125.6	124.6
Other	14.9	24.1	47.1	55.6
Total Non Current Assets	127.3	167.8	196.5	203.5
Total Assets	262.7	347.0	399.7	425.9
Accounts Payable	19.6	20.0	24.0	27.8
Interest Bearing Liabilities	11.3	70.5	55.0	55.0
Other	13.8	14.3	14.3	14.3
Total Current Liabilities	44.7	104.9	93.3	97.0
Accounts Payable	0.0	0.0	0.0	0.0
Interest Bearing Liabilities	31.4	0.4	48.3	42.5
Other	0.1	0.1	0.1	0.1
Total Non Current Liabilities	31.4	0.5	48.4	42.6
Total Liabilities	76.1	105.3	141.7 258 0	139.7
Net Asset Value / Share (\$)	186.6 0.49	241.6 0.57	258.0 0.60	286.2 0.65
NTA / Share (\$)	0.45	0.37	0.00	0.03
Net Debt (net cash)	26.2	50.2	82.5	56.8
		gs Estimate		
			uary 2014	
			-	

Hartleys Limited

> "Reported EBITDA": as per accounts

➤ "Like-for-FY13-EBITDA" normalised for abnormals and excludes Carboodle contributions

> "Underlying EBITDA" normalised but includes Carboodle

Fig. 1: Hartleys estimates of Q1 and Q2 earnings

	Q1e	Q2e	1Ha	2He	FY14e	FY15e
Reported EBITDA	7.6	11.5	19.1	29.3	48.4	72.3
<u>ہ</u> Store Stamp Duty	1.8	0	1.8			
E Ausgroup	0	1.1	1.1		2.2	1.0
වි Carboodle losses	2.5	0.4	2.9	0.8	3.7	-0.3
$ar{\Phi}$ Total abnormals	4.3	1.5	5.8	1.5	7.3	7.3
"Like-for-FY13-like" EBITDA	11.9	13.0	24.9	33.1	 58.0	72.7
Underlying EBITDA	9.4	12.6	22.0	32.3	54.3	73.0

Source: Hartleys Research estimates, CCV reports

Fig. 2: Earnings Changes

	6/13A		6/14F			6/15F			6/16F		
	actual	Old	New	% diff	Old	New	% diff	Old	New	% diff	
AUD/GBP	0.642	0.562	0.598	6.4%	0.606	0.610	0.7%	0.601	0.601	0.0%	
Safrock Loan Book	125.7	166.8	144.7	-13.3%	198.3	140.9	-28.9%	183.4	169.6	-7.5%	
Safrock Revenue	113.6	128.1	131.6	2.7%	179.5	176.8	-1.5%	178.7	186.7	4.5%	
Safrock EBITDA	43.6	45.8	42.4	-7.5%	64.3	59.8	-7.0%	66.5	60.0	-9.7%	
margin	38.4%	35.8%	32.2%	-10.0%	35.8%	33.8%	-5.6%	37.2%	32.2%	-13.5%	
Fin. Services Admin. Revenue	17.7	26.7	15.1	-43.3%	27.1	15.9	-41.5%	27.2	15.9	-41.5%	
Fin. Services Admin. EBITDA	14.2	13.2	10.5	-20.1%	14.9	11.1	-25.4%	14.9	11.1	-25.5%	
margin	80.2%	49.5%	69.8%	41.0%	54.9%	69.9%	27.4%	54.8%	69.8%	27.3%	
Owned # (UK + Aust) - end	118	145	145	0.0%	145	145	0.0%	145	145	0.0%	
- additional	16	27	27	0.0%	0	0	nm	0	0	nn	
Company owned stores (avg)	110	133	133	0.0%	145	145	0.0%	145	145	0.0%	
Owned Stores Revenue	136.1	163.3	157.8	-3.4%	170.4	169.7	-0.4%	171.2	171.2	0.0%	
Owned Stores EBITDA	11.3	9.3	14.6	56.6%	9.7	15.7	61.5%	9.7	15.8	62.1%	
margin	8.3%	5.7%	9.2%	62.1%	5.7%	9.2%	62.1%	5.7%	9.2%	62.1%	
Franchised # (UK + Aust) - end	273	282	282	0.0%	282	282	0.0%	282	282	0.0%	
Franchise Revenue	24.0	26.7	18.3	-31.5%	26.0	18.4	-29.5%	26.2	18.6	-29.0%	
Franchise EBITDA	4.3	4.8	6.0	25.6%	4.7	6.1	29.3%	4.7	6.1	30.1%	
nargin	17.8%	18.0%	33.0%	83.3%	18.0%	33.0%	83.3%	18.0%	33.0%	83.3%	
Carboodle fleet value (100%)		23.0	14.6	-36.5%	78.0	20.7	-73.5%	91.7	41.6	-54.6%	
Carboodle EBIT (100%)		-1.1	-3.7	230.0%	8.9	0.3	-97.0%	19.3	7.0	-63.7%	
Revenue	272.2	331.5	308.5	-7.0%	408.8	367.1	-10.2%	443.4	392.1	-11.6%	
EBITDA	60.0	56.4	54.3	-3.8%	86.3	73.0	-15.4%	102.8	77.8	-24.3%	
- margin	22.0%	17.0%	17.6%	3.4%	21.1%	19.9%	-5.8%	23.2%	19.8%	-14.4%	
EBITDA reported	60.0	nm	48.4	nm	nm	72.3	nm	98.8	73.8	-25.3%	
- margin	22.0%	18.2%	15.4%	-15.4%	20.4%	20.0%	-2.0%	22.5%	19.1%	-15.4%	
Depreciation/Amortisation	-6.5	-8.1	-7.9	-1.7%	-14.5	-8.4	-42.0%	-23.3	-8.5	-63.4%	
EBIT	53.6	48.3	46.3	-4.1%	71.7	64.6	-10.0%	79.5	69.3	-12.9%	
Net Interest	-2.4	-7.4	-7.7	3.4%	-12.1	-8.8	-27.2%	-14.2	-10.1	-28.8%	
Pretax Profit	47.7	40.9	38.7	-5.5%	59.7	55.8	-6.5%	65.3	59.1	-9.4%	
Гах	-14.8	-12.3	-11.6	-5.5%	-17.9	-16.7	-6.5%	-19.6	-17.7	-9.4%	
Norm. Net Profit After Tax	35.3	33.9	32.4	-4.6%	42.5	39.7	-6.4%	45.7	41.4	-9.4%	
- margin	13.0%	10.2%	10.5%		10.4%	10.8%		10.3%	10.6%		
Reported Group Profit	32.9	28.6	27.1	-5.5%	41.8	39.0	-6.5%	45.7	41.4	-9.4%	
DPS	4.00	4.00	4.00	0.0%	4.50	4.25	-5.6%	4.75	4.35	-8.4%	
EPS (diluted)	8.4	7.7	7.4	-4.7%	9.6	9.0	-6.4%	10.1	9.2	-9.2%	
P/E (\$0.915)	10.9x	11.8x	12.4x		9.6x	10.2x	0.470	9.1x	10.0x	0.27	
Ordinary Shares (end)	423.9	431.0	431.6	0.1%	440.0	439.3	-0.2%	9.1x 449.2	447.5	-0.4%	
Ordinary Shares (end) Ordinary Shares (avg wgt)	423.9 406.3	431.0	431.6	0.1%	440.0 435.5	439.3 435.4	-0.2%	449.2 444.6	447.5 443.4	-0.47	
Net Debt	50.2	94.0	82.6	-12.1%	143.8	56.8	-60.5%	117.0	77.8	-33.5%	

Source: Hartleys Estimates

AUD/GBP 0.639 0.643 0.643 0.643 0.643 0.643 0.643 0.643 0.643 0.650 0.656 0.658 0.77 1.032 0.658 0.658 0.658 0.658 0.658 0.658 0.77 1.032 <td< th=""><th>Fig. 3: Half</th><th>year P & L and Bal</th><th>ance S</th><th>Sheet</th><th></th><th></th><th></th><th></th></td<>	Fig. 3: Half	year P & L and Bal	ance S	Sheet				
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Group Revenue 111.7 121.9 134.9 137.3 155.4 153.1 308 business Underlying EBITDA - Group 22.8 28.4 74.9 9.3% 73.2 155.4 153.4 155.4 153.4 308 sappointing growth 2.2% 24.7% 9.3% 76.8% -25.2% 50.0% 17.9 22.5 46.0% -27.3 -3.8 -4.1 -7 nimal profit EBIT / Sales 18.6% 21.4% 20.9% 18.4% 11.5% 18.6% 17.9 22.5 46.0 -7.6 -11 ributor Norm Pretax Profit 20.3 22.1 27.1 20.6 14.2 24.5 38. Norm Pretax Profit 20.3 21.2 27.1 20.6 -4.0 -7.6 -11 Tax 6.0 -0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0	TOW Carboodle fleet	(car leases)	246	460	528	779	1,032	
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appointing met is now mal profit growth suppointing (me is now mal profit 2.2% betweet (me is now mal profit								13.3%
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DPS (\$) 0.0175 0.0175 0.0200 0.0200 0.0200 0.0200 0.0400 Franking 100% 100% 100% 100% 100% 100% 100% 100% 100% 63.24 Balance Sheet (\$m) Dec-11a Jun-12a Dec-12a Jun-13a Dec-13a Jun-14e FY Cash 19.5 16.4 22.7 20.7 50.8 20.7 2 Receivables 11.0 10.9 11.1 13.0 22.5 14.5 1 us Other (including loan book) 80.8 91.1 112.5 123.6 131.4 142.7 14 est) is Property, Plant & Equipment 16.8 19.6 20.4 22.5 24.1 23.8 22 20 and, Intangibles (inc. Goodwill) 91.7 92.7 93.9 121.2 131.5 125.6 12 d into Accounts Payable 14.5 19.6 18.7 20.7 24.1 11.2 <	Reported EPS (basic, weighted) 3.11	4.64	4.70	3.39	2.30	4.03	6.33
Franking Payout Ratio 100% 56.3% 100% 37.7% 100% 42.6% 100% 59.0% 100% 87.0% 100% 49.7% 100% 63.2% Balance Sheet (\$m) Dec-11a Jun-12a Dec-12a Jun-13a Dec-13a Jun-14e FY Cash 19.5 16.4 22.7 20.7 50.8 20.7 22 Ok Inventories 11.0 10.9 11.1 13.0 22.5 14.5 1 Inventories 14.7 17.1 17.4 21.8 23.8 25.2 22 St Other (including loan book) 80.8 91.1 112.5 123.6 131.4 142.7 14 st Total Current Assets 126.1 135.5 163.7 179.1 228.5 203.2 203.2 and, Intangibles (inc. Goodwill) 91.7 92.7 93.9 121.2 131.5 125.6 12 and, Other Total Assets 245.8 262.7 299.9 347.0 395.3 399.7	Normalised EP	S (dil, wghtd) 3.00	5.19	4.85	3.55		4.23	7.38
Payout Ratio 56.3% 37.7% 42.6% 59.0% 87.0% 49.7% 63.24 Balance Sheet (\$m) Dec-11a Jun-12a Dec-12a Jun-13a Dec-13a Jun-14e FY Cash 19.5 16.4 22.7 20.7 50.8 20.7 2 Receivables 11.0 10.9 11.1 13.0 22.5 14.5 1 Inventories 14.7 17.1 17.4 21.8 23.8 25.2 22 Ius Other (including loan book) 80.8 91.1 112.5 123.6 131.4 142.7 144 rest) is Property, Plant & Equipment 16.8 19.6 20.4 22.5 24.1 23.8 22 20 24.1 11.2 47.1 44 feast, Total Non Current Assets 119.8 127.3 136.2 167.8 166.8 196.5 19 od into Accounts Payable 14.5 19.6 18.7 20.0 26.5								0.0400
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								0.31 82.6

Source: Company Data, Hartleys Estimates

Operating cash flow was a bit softer than expected due to a larger than expected tax payment

Cashflow Statement (\$m)	Dec-11a	Jun-12a	Dec-12a	Jun-13a	Dec-13a	Jun-14e	FY14e
EBITDA (inc Safrock interest)	22.8	28.4	31.1	29.0	21.7	32.6	54.3
Working Capital Change	-3.5	-5.4	2.2	2.5	0.6	-1.6	-1.0
Cash from Operations	19.3	23.0	33.3	31.4	22.3	31.0	53.3
Corporate Interest	-0.6	-1.1	-1.4	-1.1	-4.0	-3.7	-7.7
Tax Paid	-6.3	-9.0	-9.0	-8.2	-9.1	-7.5	-16.6
Net Operating Cash Flow	12.4	12.9	22.8	22.1	9.1	19.8	29.0
Capital Expenditure	-6.5	-5.4	-3.9	-3.8	-3.5	-3.4	-6.9
Other (including loan book)	-12.1	-10.6	-25.4	-15.5	-13.1	-24.0	-37.1
Investments & acquisitions	-6.1	0.0	-1.0	-34.9	1.3	-8.0	-6.7
Net Investing Cash Flow	-24.8	-16.0	-30.2	-54.2	-15.2	-35.4	-50.7
Proceeds from Equity Issues	0.0	0.0	31.6	0.0	0.0	6.4	6.4
Net Change in Debt & Leases	15.7	4.7	-8.7	36.8	38.7	-6.3	32.4
Dividends Paid	-6.7	-4.5	-8.9	-8.5	-6.3	-10.8	-17.1
Net Financing Cash Flow	9.0	-0.1	14.0	28.4	32.4	-10.7	21.7
Movement in Cash	-3.3	-3.2	6.6	-3.7	26.3	-26.3	0.0
HP Lease Capex (non-cash)							
Free Cash Flow Analysis	Dec-11a	Jun-12a	Dec-12a	Jun-13a	Dec-13a	Jun-14e	FY14
Net Operating Cash Flow	12.4	12.9	22.8	22.1	9.1	19.8	29
Capex (Reported) inc loan book	-24.8	-16.0	-30.2	-54.2	-15.2	-35.4	-50
Group Free Cash Flow (rep'ted)	-12.3	-3.1	-7.4	-32.1	-6.1	-15.6	-21
Fixed Debt Repayments	-5.1	-6.7	-6.4	-8.7	-15.4	-18.1	-5
Equity Free Cash Flow (rep'ted)	-17.4	-9.8	-13.8	-40.8	-21.5	-33.7	-26
HP Lease Capex (non-cash)	0.0	0.0	0.0	0.0	0.0	0.0	0
Free Cash Flow (normalised)	-17.4	-9.8	-13.8	-40.8	-21.5	-33.7	-26
Capex (inc HP) / depreciation	332%	233%	138%	103%	92%	83%	87

Source: Hartleys Research

PRICE TARGET

Our twelve month price target is lowered to \$1.09 (from \$1.16).

Price Target Methodology	Weighting	Spot	12 mth out
DCF	59%	\$1.01	\$1.07
12mth forward P/E of 14.0x	20%	\$1.10	\$1.27
Price / NTA (Dec '13a) 1x \$0.31	5%	\$0.31	\$0.31
12mth fwd Div Yield of 3.6% (Gross yield=5.1%)	16%	\$1.11	\$1.18
Risk weighted composite 12 Months Forward		\$1.01 \$1.09	\$1.09
Shareprice - Last		\$0.925	
12 mth total return (% to 12mth target + dividend)		22%	

Source: Hartleys Estimate

Fig. 5: Key assumptions and risks for potential new valuation

Risk of not realising assumption	Downside risk to valuation if assumption is incorrect	Comment
High	High	We assume a decline in margins for Mon-e Australia and Safrock Australia.
Low	Low / Upside	We assume that Safrock and Mon-e UK margins increase slowly.
Low	Moderate	We assume Aust store volumes increase, and margins remain robust.
Low	Moderate	We assume that Carboodle is slow to grow, and peaks at 4,000 leases, which is substantially lower than we believe should be achievable.
High	Low / Upside	We assume that the Australian loan book peaks at around the current level, but that the UK book increases to ~A\$75m in FY16, after consolidating at around \$40m for the FY14/FY15.
	assumption High Low Low Low	assumptionvaluation if assumption is incorrectHighHighLowLow / UpsideLowModerateLowModerate

Conclusion

We believe we have been realistic or conservative in our base case assumptions.

Source: Hartleys

USEFUL WEBLINKS

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

www.nocap.com.au

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

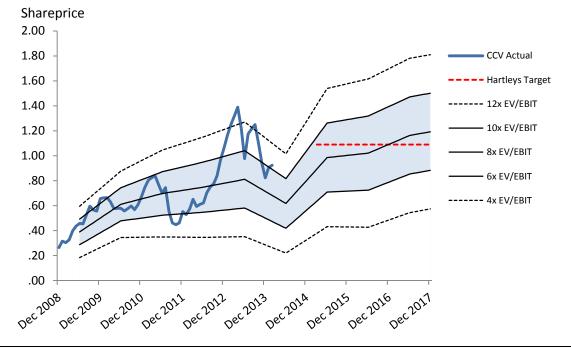
http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2012/038.htm&pageID =003&min=brs&Year=&DocType=

http://www.oft.gov.uk/OFTwork/credit/payday-lenders-compliance-review/

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

EV/EBIT BANDS





Source: Hartleys Estimates, IRESS

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Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce /	It is anticipated to be unlikely that there will be gains over
Take profits	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	Share price could be volatile. While it is anticipated that,
Buy	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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Institutional Sales

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Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Travis Clark	+61 8 9268 2876
Tim Cottee	+61 8 9268 3064
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John Georgiades	+61 8 9268 2887
John Goodlad	+61 8 9268 2890
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David Hainsworth	+61 8 9268 3040
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lan Parker	+61 8 9268 2810
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Brenton Reynolds	+61 8 9268 2866
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