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From: Stephen Scott

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To: Stephen Scott

Subject: Cash Converters (CCV - Buy) - Ezc corp partial offer/strategic alliance

Approved for external distribution

ASX Code **CCV**
Company **Cash Converters**

Current Recommendation: Buy

Current Risk Rating: High

Event – Ezc corp offer and global strategic alliance with Cash Converters

- Cash Converters and Ezc corp (EZPW. US, US\$29.08, not covered) to form a strategic alliance to develop financial services products.
- This enables Cash Converters to accelerate the growth of new markets.
- As part of this alliance Ezc corp has offered to buy 30% of CCV that it does not already own (it has a 32.7% holding in CCV already). Should this be successful Ezc corp will end up owning circa 53% of the CCV free float (via a scheme of arrangement).
- The offer price is A\$0.91 cents and represents a 16.6% premium to the 3 month VWAP and a 9.6% premium to the closing price. The total consideration to acquire the extra stake is circa AUD\$70m.
- Two joint ventures are to be established.
 1. JV one is to develop opportunities outside Australia, the UK and Americas. It will be jointly owned.
 2. JV two is to develop opportunities in North and South America with Ezc corp owning 80% and the remaining 20% owned by Cash Converters.
- Ezc corp maintain that it is easier to develop these JV with a greater degree of ownership of Cash Converters.
- Cash Converters will be free to operate its UK and Australian businesses outside the JV arrangements.

OML view

- This alliance make sense as it increases the acceleration of financial services (loans/pay day advances) to the large undeveloped international franchise network that Cash Converters has.
- Cash Converters has for instance over 600 stores and circa 72 corporate stores. Many of these are low yielding franchise stores (pay only nominal franchise fees) and via the injection of financial services can be improved in terms of profitability. This will unlock the latent potential of the overseas network.

- Ezc corp have a strong presence in the US and Mexico but no doubt wanted a global footprint. This transaction enables this to occur.

Cash Converters – total global store locations

- One can debate the price paid but it is a decent premium and the Cash Converters share price (which been very strong over the last few years).
- OML believe that management and the board see further upside in the Cash Converters business and therefore have limited Ezc corp to 53% of the shares outstanding. This enables existing shareholders to get some value for their holdings, introduce greater development of the financial services business and also be able to participate in further upside in the business.
- **We retain our buy recommendation** attracted by the opportunities to rollout further stores and lift the profitability of the existing network via the injection of financial services into these businesses. We are unlikely to upgrade forecasts at this stage but believe this is a very positive development.

About Ezc corp (EZPW, US\$29.08, not covered) is a US listed pawn broking business. It operates over 1,000 stores in the US and to a lesser extent Mexico. It currently owns 32.7% of CCV shares. Ezc corp has a market cap of US\$1.451bn.

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

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 (nominal dividend yield plus capital appreciation) is expected to exceed -15% over 12 months.

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.

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