



# AGM Presentation

November 2016

At this time last year



## At last year's AGM, we were facing the following challenges:

- The bank had terminated our transactional banking and debt facilities as well as forcing a suspension of our final year dividend.
- A Panel had been appointed by Government to review the small amount credit contract (SACC) laws.
- A second writ had been lodged against the Company in respect to lending in Queensland in the period July 2009 to July 2013.
- The UK had produced a \$9m EBITDA loss for FY2015.
- Carboodle had produced a \$1.7m EBITDA loss for FY2015.
- With the help of an outside specialist, we had just commenced a review of the business with the aim of developing a strategic plan to cover the next three years.

Our strategy is to maximise the value of our brand and franchise network through a focus on high return businesses.

- Focus our investment and resources toward maintaining market leadership and sustainable profit growth in Australia.
- Operate in the United Kingdom as a profitable master franchisor.
- Build the brand presence in New Zealand to add value to our investment there.
- Build a specialist vehicle finance company – Green Light Auto Finance.
- Continue our international master franchise operations.

We have made good progress with our strategy implementation.

- Exited UK corporate stores (44 sold and 15 closed).
- Ceased lending in May and expect to have the UK personal loan book closed by December 2016.
- Implemented a new UK organisational structure. Now operating as a master franchisor servicing 201 franchise stores held between 50 franchisees.
- UK restructure completed within budget.
- Carboodle business closed and within budget.
- New Green Light Auto Finance business started in March 2016 offering principal and loan interest product.

Good progress

The logo for Cash Converters, featuring the word "cash" in a red, lowercase, sans-serif font, followed by "converters" in a white, lowercase, sans-serif font. A red swoosh underline is positioned beneath the word "converters".

cashconverters

We have made good progress on the remaining challenges.

- The Government-appointed Panel completed its review of the SACC laws and made 24 recommendations to the Minister in a report dated March 2016. To date, these recommendations are still with the Minister.
- We continue to defend the Queensland class actions.
- We have new transactional banking facilities in place and have secured a \$100m funding facility for our personal loan book.
- The Company paid a full year, fully franked dividend of 3 cents FY2016.

# 2016 Financial Results

# FY16 Financial Results Summary



## 30 June 2016 Full Year (\$ million)

### Statutory reporting basis

REVENUE

EBITDA

EBIT

NPAT

BASIC EPS (cents) for all operations

EBITDA NORMALISED (underlying profit)

FULL YEAR DIVIDEND

	FY 2016	FY 2015
	379.3	374.3
	20.4	9.1
	9.7	(7.5)
	(5.3)	(21.4)
	(1.09)	(4.69)
	71.9	62.7
	3 cents	100% Franked

## FY16 Financial Results Adjustments



<b>Normalisation Adjustments (\$ million)</b>	<b>FY2016</b>	<b>FY2015</b>
<b>Statutory EBITDA</b>	<b>20.4</b>	<b>9.3</b>
Restructure costs	33.3	-
Compliance provision now ASIC EU	12.5	-
Class action legal fees	2.4	1.8
Agency termination payment	-	29.6
Class action settlement	-	23.0
Other normalisation adjustments	3.3	(1.0)
<b>Normalised EBITDA</b>	<b>71.9</b>	<b>62.7</b>

## FY16 Financial Results Segments



### Solid contributions from all segments

Normalised consolidated segment results (\$ million)

Segment	FY2016	FY2015
Franchise operations	7.1	5.9
Store operations	13.8	15.8
Financial services – admin	13.6	12.5
Financial services – PL	57.9	48.5
Vehicle leasing / finance	(2.3)	(1.7)
<b>Totals</b>	<b>90.1</b>	<b>80.8</b>
Corporate office costs	(18.2)	(18.3)
<b>Normalised EBITDA</b>	<b>71.9</b>	<b>62.7</b>

## Enforceable Undertaking



- On 4 November 2016 the Company entered into an Enforceable Undertaking (EU) with ASIC.
- In accordance with the EU, the Company will remediate certain customers who applied for and were granted small amount credit contracts via the Cash Converters website in the period 1 July 2013 to 1 June 2016. The total amount of remediation is \$10.8 million.
- The Company has also agreed to pay related infringement notices in the amount of \$1.35 million.
- The Company has been given an extensive release by ASIC, and entry into the EU is without admission of wrongdoing.
- A copy of the EU is available on the ASIC register.

## Efficient execution of strategy continues to be a priority

- Demand for our well established retail and pawn broking service remains solid.
- UK business returned to profit.
- Strategic decision to reduce activity and volume in some SACC market segments will impact on the Company financial returns and profit.
- Volumes from GLA Finance and MACC lending will continue to grow.
- Strong balance sheet to finance growth.
- Continued focus on compliance and responsible lending obligations.
- Guidance for 2017 is for NPAT to be between \$20m and \$23m.

# First Quarter Results



## On track to meet guidance

Segment	Quarter ending 30 September 2016
Revenue	\$73,678,386
EBITDA	\$13,069,289
EBIT	\$11,449,941
Net profit after tax	\$6,260,752
Basic earnings per share (cents per share)	1.3

- UK produced an EBITDA profit of \$383.7K and returned so far \$6.3m of cash from loan book
- GLA Finance produced an EBITDA loss of \$69K. Loan book at \$8.03m
- The Australian business produced an EBITDA profit of \$12.7m, down 30.4% on previous period.

## Australia – Regulatory Environment

The Government established a panel to review the small amount credit contract (SACC) laws.

The panel completed its review and made 24 recommendations to the Minister in a report dated 15 March 2016. To date these recommendations are still with the Minister.

The Company is concerned that recommendation 1, which suggests that the protected earnings amount (PEA) be lowered from 20% of gross income to 10% of net income and applied to all customers, is not helpful to consumers as it will artificially restrict access to credit to a level below what their income would ordinarily allow them to borrow after completing their affordability assessment. It will also force the loan term to be longer thereby costing the customer more.

The Company is currently discussing this issue with Government.