

FY 2022 Investor Presentation

Cash Converters (ASX:CCV)

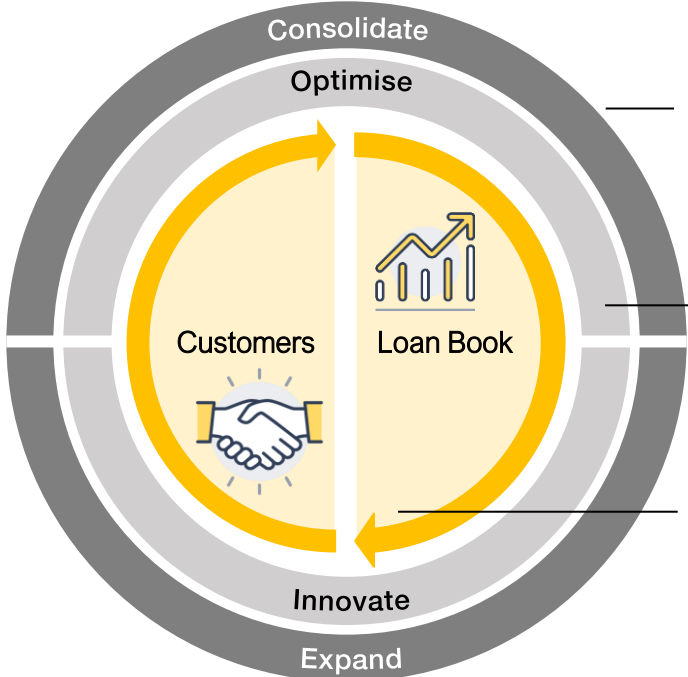
August 2022

About Us



Supporting good borrowers.

We are Australia’s leading non-bank lender, providing responsible cash solutions through a well-established store and online network. Our core competency is helping good borrowers with challenging credit profiles, and we aim to support the millions of Australians excluded by other lenders on this basis.



Corporate Strategy

We have the balance sheet and operational capability to consolidate and expand our position by acquiring franchisees, adjacent entities and assets.

Operating Strategy

Our scale, expertise and ability to optimise and innovate within our organic operation gives us the means to pursue our Corporate strategy.

Business Drivers

Our operating and corporate strategies are driven by our ability to grow our customer base and loan books, leading our industry with the application of technology and machine learning to help us make better decisions, allowing us to help more people.



- 38 years in operation
- 155 Stores in Australia
- 548 Stores overseas
- Growing online customer base



- As at 30 June 2022:
- Share Price \$0.23
 - Market Cap. \$144.3m
 - NTA 29.9 cents per share
 - Cash & Equivalents \$58.1m
 - Dividend \$0.02c p.a.(Fully Franked)

Our Strategic Priorities

Australia



Consolidate

- Acquire franchisees.
- Acquire loan books.
- Optimise core business.
- Enhance customer value.
- Increase free cash flow.



Expand

- Launch new products.
- Reach new customers.
- Acquire adjacent businesses.
- Grow balance sheet and earnings.

International



Maximise

- Increase equity ownership.
- Establish European 'Hub'.
- Fund strategic expansion.
- Invest in adjacent entities.

Our Competitive Advantage



Large Customer Base

- ✓ NPS 62+ indicates high trust and satisfaction.
- ✓ Over **3.2m** unique customer records in our database, **over 580,000** loan applications processed and **over 290,000** retail transactions completed in FY2022.
- ✓ Attracting younger value and environmentally conscious customers.
- ✓ Geographic customer diversification.

Leading Tech Platform

- ✓ Proprietary lending and POS platforms built in-house, growing digital volumes.
- ✓ Cash disbursed instantly via the New Payments Platform (NPP).
- ✓ Web and mobile assets processing retail, lending and payment functionality.
- ✓ Machine learning powered credit risk models enable lending decisions to credit impaired borrowers.

Healthy Balance Sheet

- ✓ **\$58.1m** in cash, and **\$79.8m** in undrawn funding lines.
- ✓ Strong operating profit and cash flow generation, supportive financiers with facility headroom.
- ✓ Fully franked **2c** dividend paid in FY 2022.
- ✓ Net tangible assets 29.9 cps

Sustainability

- ✓ Facilitating circular economy, through second-hand retail, **1.4m** items purchased.
- ✓ Inventory predominantly sourced through our stores which act as our supply chain (no manufacturing or warehousing).
- ✓ Essential and responsible financial service provider to millions of Australians.

Regulation

- ✓ Already meeting National Credit Act for all products.
- ✓ Regulation risk for unregulated lending sectors (e.g. BNPL) presents opportunities.
- ✓ Industry leading lending and compliance platform supports new product releases.

FY 2022 Highlights

Revenue Growth | Operating Profit Growth | Loan Book Growth | Strong Free Cashflow | Dividend Declared



Earnings
Leverage

\$245.9m

Revenue (up 22%)

\$52.7m

Operating EBITDA¹ (up 6%)

\$19.0m

Operating NPAT¹ (up 26%)

- Strong Revenue and Operating Profit growth
- Significant loan book growth, up 20%
- Future expected loan book income (fees and interest)² of \$65.6m
- Net loss rate³ low at 3.8%
- 1c fully franked final dividend declared and payable: 2c fully franked total dividend paid in FY 2022



Operating
Leverage

\$280.9m

Total Outgoings (up 23%)

\$213.9m

Total Gross Loan Book (up 20%)

\$87.4m

MACC⁴ Outgoings (up 55%)

- Loan books growing, outgoings up 23% to \$280m
- Vehicle finance outgoings up 224% to \$21.8m
- MACC⁴ loan book up 54% on June 2021
- Total loan books up 20% to \$213.9m



Strategy
Execution



PayAdvance⁵ Released



Future New Products



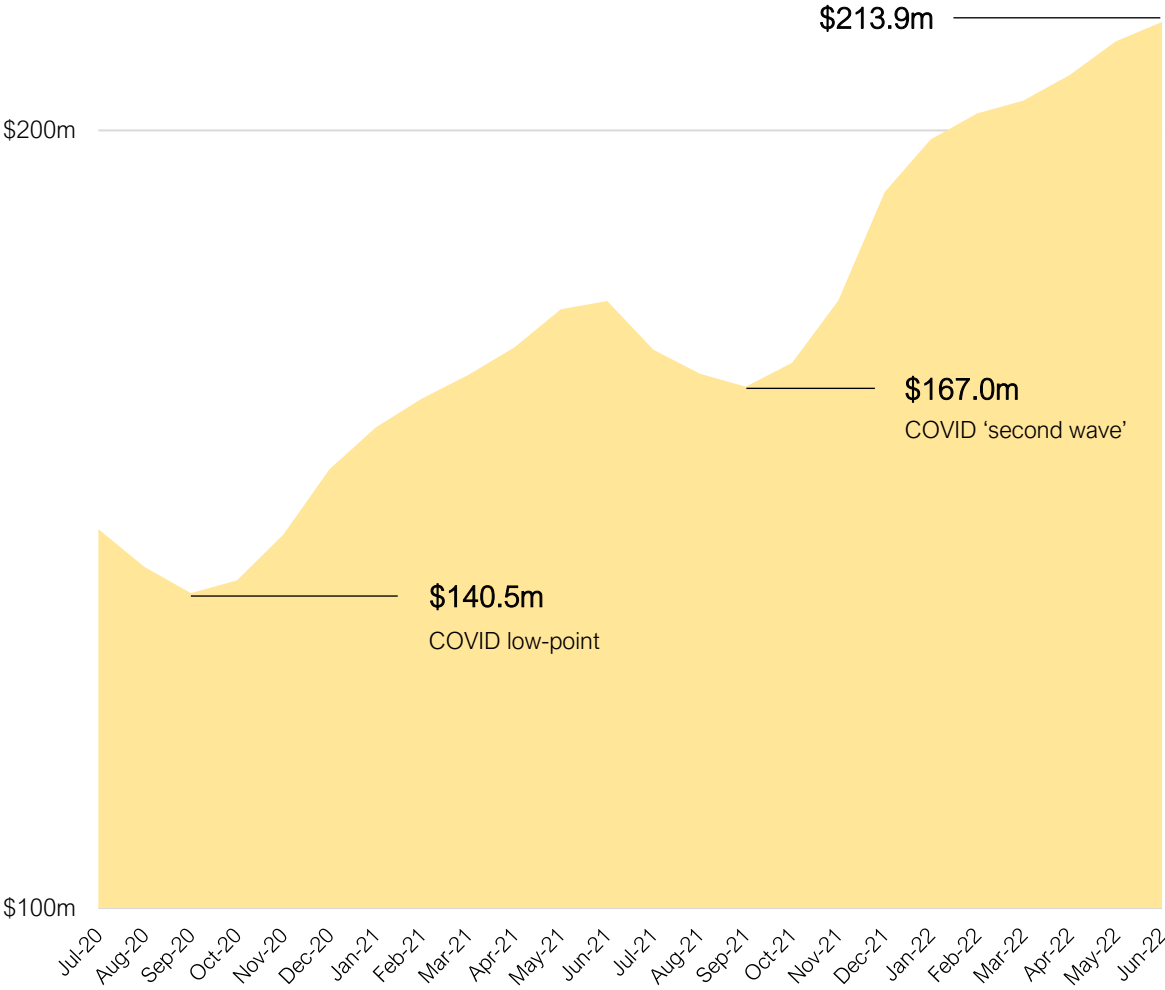
Inorganic Opportunities

- Over 16,000 PayAdvance loans written to date
- 70% of PayAdvance customers are new
- Line of Credit (LOC) development in progress
- Store network review underway

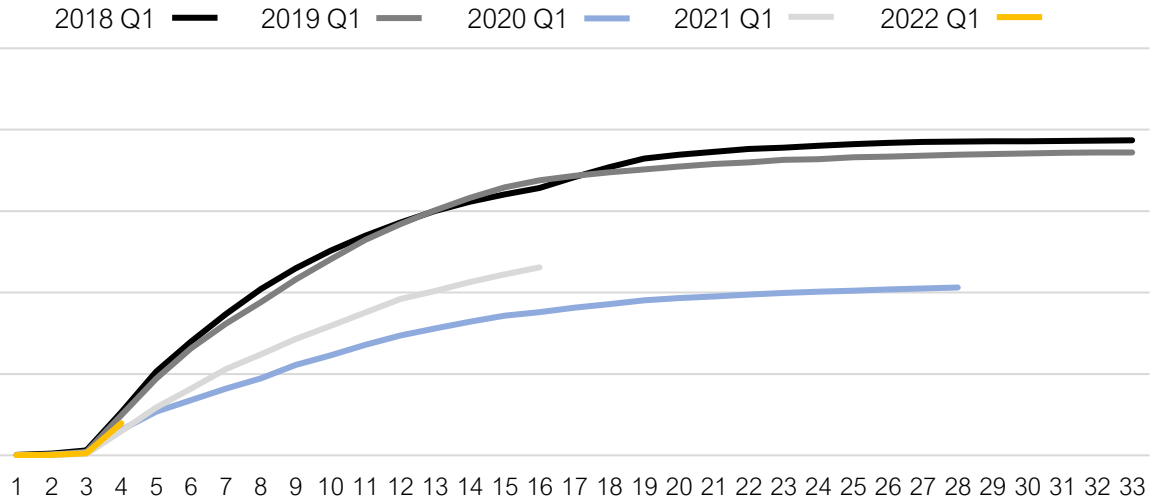
All comparisons are against Previous Corresponding Period (pcp) being FY 2021.

Quality Lending Growth

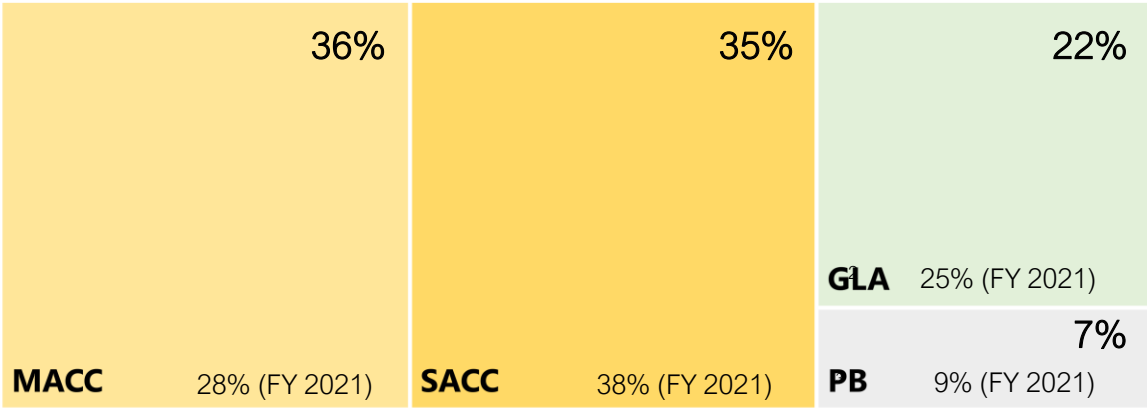
Total Gross Loan Book



Cumulative SACC/MACC Loss Rate³ Since Loan Disbursal

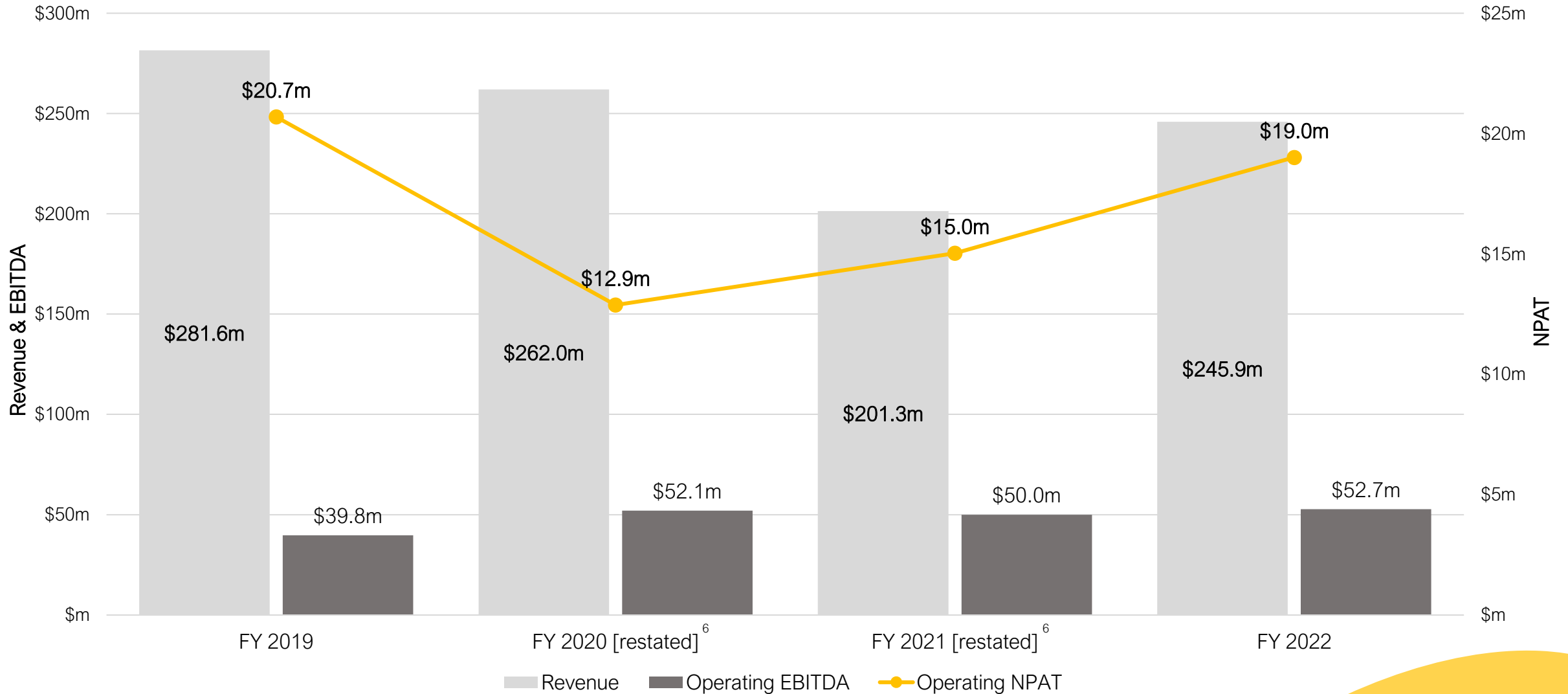


Gross Loan Book Composition



PayAdvance (launched December 2021)

Post COVID Recovery



Strategy Update



Acquisitions & Expansion

Acquiring strategic loan books, franchises, and businesses to expand our distribution network, maximise our store model.

H2 FY 2022

- ✓ 3 potential acquisitions advancing.
- ✓ New store development progressing.
- ✓ Store network review underway.

H1 FY 2023

- Acquire strategic loan books and businesses.
- Disciplined franchise acquisition and network expansion.
- 'Hub & Spoke' store strategy implemented.



Customer & Product

Leveraging our extensive customer database and data science expertise to innovate new products, lower credit cost and maximise lifetime value of our customers.

H2 FY 2022

- ✓ PayAdvance released.
- ✓ Line of Credit development progressed.
- ✓ AI driven credit risk model enhancements released.

H1 FY 2023

- AI powered new product insights.
- Line of Credit release.
- Vehicle finance Broker API release.



Operating Leverage

Maximise the value we generate for customers and shareholders as we continue to grow our business and optimise our operations.

H2 FY 2022

- ✓ Loan books growing.
- ✓ Yield optimisation.
- ✓ Funding review completed.

H1 FY 2023

- Assessing flow optimisation.
- Contact centre platform upgrade.
- Store network optimisation

ESG Framework

Operating for 38 years, we understand the importance of adding value to the lives of our customers by running a sustainable business over the long term.



Environmental

- Our retail trade is fueled by pre-owned items, which directly contributes to the Circular Economy.
- This extends the useful life of products, reducing waste and lowering demand for new manufacturing.
- We run a neighborhood-oriented business, reducing the need for customer travel and delivery services.
- Each store serves as its own “supply chain.” We do not rely on mass supply, distribution or warehouse facilities.
- Our store operations leave a small carbon footprint compared to ‘big-box’ or other mass retailers.
- We promote environmental stewardship by reducing consumption, recycling paper products and responsibly disposing of computers, electronics and related accessories.



Social

- Our business serves as an essential and responsible financial resource for customers who are predominantly underserved by traditional sources.
- We improve the reach and access to financial services through neighborhood-based stores and digital channels.
- Our transactions are simple, transparent, regulated, and safe.
- We foster a culture that values diversity, inclusion, and development for all.
- We directly contribute to the identification and prevention of fraud and criminal activity working closely with legislators and regulators to contribute to a trustworthy, reliable financial services industry.



Governance

- We support a culture that reflects real people who are passionate and proud, caring and respectful, and our team are tenacious problem solvers.
- We maintain a culture of no tolerance for compliance risk that is monitored and overseen by our Board.
- Our Board of eight directors has four independents.
- Our Board Committees are chaired by, and composed of, independent directors.
- Protecting the privacy, integrity and security of our customers’ data and our enterprise network is a top priority.

ESG In Practice – The Circular Economy

Value is generated at each stage; the seller receives cash for unwanted goods, Cash Converters generates revenue through resale, the new owner acquires an item of value, and our combined contribution to waste reduction benefits the environment.

Items of Value are Resold

Reselling an item extends its useful life, enriches the new owner's life, reduces our landfill contribution and carbon emissions.

A new smartphone will generate 85kgs of CO2 in its first year of use, 95% of which comes from the manufacturing process.⁹ So the more use we can get out of these items the better our world will be.



Items of Value are Identified

On average, 87% of Australian households have sellable unwanted or un-used items.

The average household contains about 21 of these items, and almost 1 in 5 (19%) have 40 or more around the house.⁷



Items of Value are Tested

Every purchased item is cross-referenced against State Police theft records, cleaned and tested before being put on the shelf. A two-week waiting period between purchase and resale is required to complete this process.



Value of Item is Realised

We purchase over 1.4m second-hand items each year.

Most of these items were destined for landfill, contributing to Australia's over 75m tonnes of solid waste (2018-19), of which households contribute about 16%.⁸



Outlook



Credit Demand

- ✓ Elevated credit demand expected to continue into H1 FY 2023.
- ✓ New product releases designed to lower costs and originate new younger customers into our business will continue over time.

- Elevated credit demand (vs PCP) anticipated throughout H1 FY 2023.
- Increased earnings anticipated (vs PCP) from an expanded Gross Loan Book.
- Ongoing diversification of earnings from new loan product releases (PayAdvance, Line-of-Credit).
- Lower overall CAC (Vs PCP) through optimised digital marketing function.



Credit Performance

- ✓ Low loss rates and superior recent loan cohort vintage curves indicate our credit risk models are performing.
- ✓ Our industry leading data science capability, coupled with our Collections function, allows us to monitor and adapt to customer performance in real time.

- Vehicle finance earnings improve as prudent risk management implemented and outgoings grow.
- Proactive and integrated Collections activity to serve an increasingly diverse customer base.
- Ongoing optimisation of data analysis function to leverage machine learning in product strategy.



Retail Trade

- ✓ COVID-19 prompted a surge in retail trade, with customers purchasing household items in anticipation of social restrictions.
- ✓ This uplift drove online retail sales to record highs, and the volume of trade through our WebShop has remained at an elevated level.

- Continued acquisition of franchisees to expand corporate store network.
- Optimisation of corporate store network.
- Growth of online activity with instalment payment options now implemented.

Appendix

Gross Loan Books

		FY 2019	FY 2020	FY 2021	FY 2022	Y-o-Y
SACC ¹⁰	Loan Book	\$89.8m	\$63.1m	\$67.6m	\$75.6m	+12%
	% Of Total	41%	38%	38%	35%	
MACC	Loan Book	\$45.3m	\$31.7m	\$49.4m	\$76.1m	+54%
	% Of Total	21%	19%	28%	36%	
GLA ¹¹	Loan Book	\$67.0m	\$61.5m	\$44.3m	\$46.7m	+5%
	% Of Total	31%	37%	25%	22%	
PB ¹² (Corp)	Loan Book	\$17.1m	\$9.3m	\$16.8m	\$15.5m	(8%)
	% Of Total	8%	6%	9%	7%	
Total Gross Loan Book		\$219.1m	\$165.6m	\$178.1m	\$213.9m	+20%

Free Cash Flow

	30 June 2022 \$'000	30 June 2021 [restated] ⁶ \$'000	Variance \$'000
EBITDA¹³	41,532	49,958	(8,426)
Net non-cash items	19,595	(7,148)	26,743
Working capital changes	1,675	(19,185)	20,860
Interest and finance costs	(12,478)	(11,715)	(763)
Income tax	(6,907)	(144)	(6,763)
Free Cash Flow	43,417	11,766	31,651
Net (funding) / repayment of loan books	(35,508)	(10,081)	(25,427)
Operating Cash Flow	7,909	1,685	6,224
Cash flows from investing activities	1,886	(6,454)	8,340
Cash flows from financing activities	(23,420)	(29,770)	7,900
Net increase in cash and equivalents	(13,625)	(34,539)	20,914
Cash and equivalents at beginning of period	72,166	106,548	(34,382)
Effects of exchange rates changes	(456)	157	(613)
Cash and equivalents at end of period	58,085	72,166	(14,081)

FY 2021

- Working capital includes \$10.0m final class action settlement payment

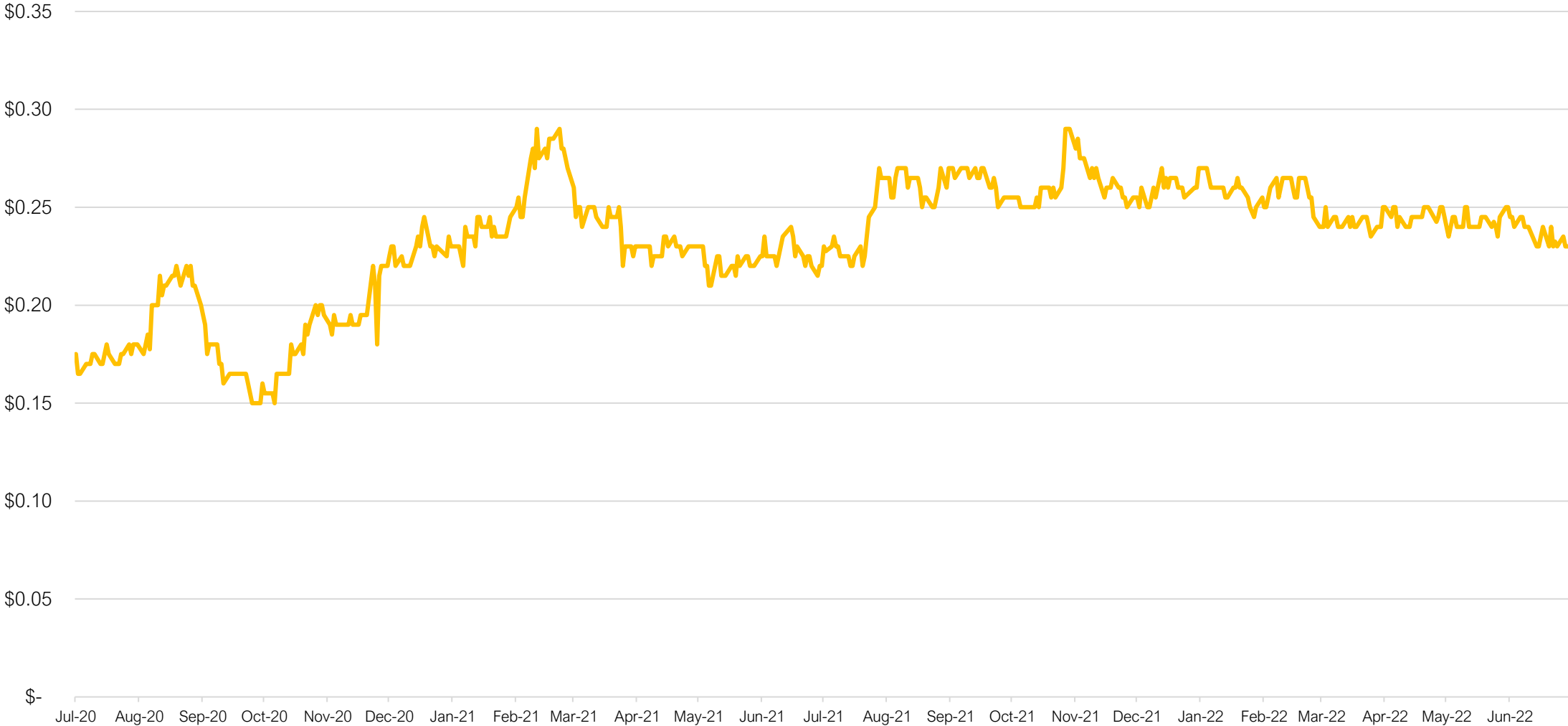
FY 2022

- Non-cash items includes the \$11.2m add-back of the non-cash impairment
- Loan book growth funded by free cash
- Investing activities includes cash received from NZ associate of \$6.0m
- Financing activities includes \$12.6m dividends paid

IFRS / non-IFRS Reconciliations

	30 June 2022	30 June 2021 [restated] ⁶
	\$'000	\$'000
EBITDA¹³ Reported Basis	41,532	49,958
Impairment expenses	11,196	-
EBITDA Operating Basis	52,728	49,958
EBIT Reported Basis	27,850	33,243
Impairment expenses	11,196	-
EBIT Operating Basis	39,046	33,243
NPAT Reported Basis	11,177	20,704
Impairment expenses	11,196	-
Tax effect	(3,359)	-
Impact of UK DTA	-	(5,673)
NPAT Operating Basis	19,014	15,031

Cash Converters (CCV) Share Price FY 2020 – FY 2022



Glossary

1. The operating results for 2022 are presented excluding the non-cash impairment expense of \$11.196 million (\$7.837 million after tax effect) on the carrying value excluding goodwill of the assets of individual corporate stores where forecast cash flows have been negatively impacted due to factors directly associated with the impact of COVID-19 closures in the first half and uncertainty in the trading conditions beyond reporting date. The operating profit after tax for 2021 is presented excluding a non-recurring prior year tax item of \$5.673 million, highlighted in 2021, recognising in full the deferred tax asset (DTA) arising from carry forward tax losses from previous years due to the ongoing taxable profit forecast in the UK operation. The operating result is presented to aid the comparability and usefulness of the financial information reflecting the underlying performance of the business. This information should be considered in addition to, but not instead of or superior to, the Group's financial statements prepared in accordance with IFRS. The operating results presented may be determined or calculated differently by other companies, limiting the usefulness of those measures for external comparative purposes.
2. Calculated as the contractual interest and fees receivable from customer accounts on SACC, MACC and GLA products from 1 July 2022 to maturity assuming all scheduled amounts are received with no prepayments or arrears.
3. Net losses: Average of the quarterly bad debt written off expense net of recoveries compared to average quarterly gross loan book for the period July 2021 to June 2022 (and prior period July 2020 to June 2021). Net losses include the impact of total \$1.7 million sale of bad debt completed in FY 2022 (FY 2021: \$0.9 million).
4. Medium Amount Credit Contract (MACC) is a regulated unsecured personal loan product, transacted in-store and online, up to \$5,000.
5. PayAdvance is an 'Earned Wage Access' product distributed through Cash Converters' My Loans mobile application.
6. The comparative information for 2021 has been restated. Please see note 1 (a) of the 30 June 2022 annual financial statements.
7. Trading in the Circular Economy Report, Gumtree & Planet Ark, June 2021
8. Waste Account, Australia, Experimental Estimates, ABS, November 2020 (reference period: 2018-19)
9. Making smartphones sustainable: Live long and greener, Deloitte Insights, December 2021
10. Small Amount Credit Contract (SACC) is a regulated unsecured personal loan product, transacted in-store and online, up to \$2,000.
11. Green Light Auto (GLA) is a fully owned subsidiary of CCV offering secured vehicle loans through a network of brokers and dealers.
12. Pawnbroking Loan Book – Corporate Stores only
13. EBIT is calculated as earnings before interest expense and tax and EBITDA calculated as EBIT before depreciation and amortisation. EBIT and EBITDA are non-IFRS measures and are alternative performance measures reported in addition to but not as a substitute for the performance measures reported in accordance with IFRS. These measures focus directly on operating earnings and enhance comparability between periods.

Disclaimer

The material contained in this presentation is intended to be general background information on Cash Converters and its activities current at the date of the presentation. The information is supplied in summary form and is therefore not necessarily complete. It is not intended that it be relied upon as advice to investors or potential investors, who should consider seeking independent professional advice depending on their specific investment objectives, financial situation or particular needs. No representation or warranty is made as to the accuracy, completeness or reliability of the information.

This presentation may contain statements that are, or may be deemed to be, forward-looking statements including statements regarding the Company's intent, belief or current expectations with respect to Cash Converters' business and operations. Readers are cautioned not to place undue reliance on these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, which may cause actual results to differ materially from those expressed or implied in such statements. Cash Converters does not undertake any obligation to update any forward-looking statement contained in this presentation to reflect any change in the assumptions, events, conditions or circumstances on which the statement is based.

Thank you