

CCV - Updating FY'24 Numbers

CCV.ASX | CASH CONVERTERS INTERNATIONAL LIMITED | CONSUMER DISCRETIONARY | SPECIALTY RETAIL

PRICE
A\$0.22/sh

TARGET PRICE
A\$0.28/sh
(FROM A\$0.36/sh)

RECOMMENDATION
BUY
(UNCHANGED)

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Event

CCV delivered FY'23 results, which saw the business growing YoY on an operating basis and declared a 2c dividend. On face value results may look slightly better than the market expectation for FY'23 given delivered growth and trading on 9.3% yield (ex franking credit) though FY'24 will likely see weaker earnings as the SACC loan book rolls off with legislation change.

Impact

- Revenue of \$302.7m, up 23% from \$245.9m PCP. (vs Euroz \$270.0m)
- Operating EBITDA of \$57.2m, up from \$52.7m PCP. (vs Euroz \$59.4m)
- Operating PBT of \$28.8m, up from \$26.6m PCP. (Vs Euroz \$31.2m)
- Operating NPAT of \$20.1m, up from \$19.0m PCP. (vs Euroz \$23.2m).
- Reported NPAT (inclusive of impairment and one-offs) \$97.2m loss.

As reported at the half operating results include a \$115.2m impairment, primarily relating to write-down of historic SACC acquisition goodwill - reflecting the legislation changes resulting in enhanced regulation of the in SACC loans and consequently forecast reduction in earnings + one off costs relating to acquisitions.

1c fully franked dividend declared; 2c fully franked dividend for the full year (9.3% yield ex franking credit). Year end cash of \$71.6m (NTA of \$0.29/sh). Balance sheet can support maintenance of dividend through FY'24.

- Gross loan books \$271.4m (up 27%); good growth in the MACC and GLA (+35%) with focus on diversifying earnings away from SACC through FY'23. We have pushed through adjustments to our FY'24 gross loan book assumptions to include roll off of SACC book and launch of new line of credit product.

Action

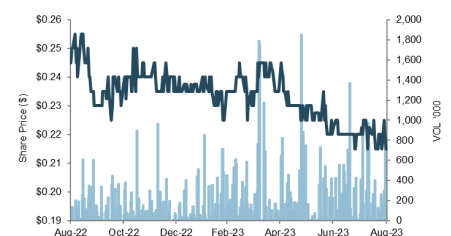
We have revised downwards our FY'24 earnings assumptions which reflects changes in the SACC book lending profile. Though in our view this is likely already reflected in the share price at \$0.22/sh. NTA is \$0.29/sh, while EZ Corp continues to add to holdings and dividend yield of 9.3% is hardly demanding. Price Target \$0.28/sh which is average weighting 10x PE, NTA and repriced dividend yield.

Catalysts

- AGM
- 1H'23 results

CCV LTD			
Share Price	0.22	A\$/sh	
Price Target	0.28	A\$/sh	
Valuation (DCF)	0.48	A\$/sh	
WACC	11.4%		
Terminal Growth	2.5%		
Shares on issue	628	m,	
Market Capitalisation	141.6	A\$m	
Enterprise Value	270.7	A\$m	
Cash (FY'23)	71.6	A\$m	
Debt (FY'23)	200.7	A\$m	
Key Financial Metrics	FY'23	FY'24	FY'25
Revenue (A\$m)	302.7	386.0	393.9
EBITDA (A\$m)	57.2	57.4	65.8
EBIT (A\$m)	44.8	45.6	53.7
Reported NPAT (A\$m)	-97.2	16.0	21.4
Normalised NPAT (A\$m)	20.1	16.0	21.4
Gross Cashflow (A\$m)	-21.4	19.0	21.7
Capex (A\$m)	-4.5	-5.8	-6.2
Op. Free Cashflow (A\$m)	-28.7	17.2	15.4
Revenue Growth (%)	22%	23%	28%
EBITDA Growth (%)	-8%	38%	0%
Norm. NPAT Growth (%)	8%	7%	4%
Normalised EPS (Ac)	3.20	2.54	3.41
Norm. EPS growth (%)	6%	-21%	34%
PER (x)	-1.4	8.6	6.4
EV:EBITDA (x)	4.7	4.7	4.1
EV:EBIT (x)	6.0	5.9	5.0
DPS (Ac)	2.0	2.0	2.0
Dividend Yield (%)	9.1%	9.1%	9.1%
Net cash (A\$m)*	-129.1	-148.3	-144.3
Net Debt:Equity (%)	40%	47%	70%

Performance



Source: IRESS

Year to 30 June	23A	24F	25F	Year to 30 June	23A	24F	25F
FINANCIAL STATEMENTS				PERFORMANCE RATIOS			
Income Statement				Growth & Margins			
Revenue	302.7	386.0	393.9	Revenue Growth	22%	23%	28%
Cost of Goods Sold	-115.8	-165.2	-167.2	EBITDA Growth	-8%	38%	0%
Gross Profit	186.9	220.8	226.7	EBITDA margin	17%	19%	15%
OPEX	-118.7	-163.4	-160.8	EBIT margin	11%	15%	12%
EBITDA	57.2	57.4	65.8	EBIT Growth	-3%	61%	2%
Depreciation & amortisation	-12.4	-11.8	-12.2	Normalized net profit margin	8%	7%	4%
EBIT	44.8	45.6	53.7	Effective tax rate	30%	30%	30%
Net finance expense	-16.0	-22.8	-23.1	Liquidity			
EBT	28.8	22.8	30.6	Capex/depreciation (x)	0.4	0.5	0.5
Tax expense	-6.1	-6.8	-9.2	Current ratio (x)	1.9	1.9	1.9
Reported Earnings	-97.2	16.0	21.4	Quick ratio (x)	0.7	0.8	0.8
Abnormal Expenses / (Incomes)	117.3	0.0	0.0	Receivable days	4	11	11
Normalized Net Profit	20.1	16.0	21.4	Payable days	62	73	76
Cash flow (A\$m)				Risk Measures			
Net Profit after Tax	-97.2	16.0	21.4	Dividend Cover (x)	-7.7	1.3	1.7
(+) D&A	12.4	11.8	12.2	Payout ratio (%)	-2%	19%	14%
(-) Lease Expense	-7.1	-7.1	-7.1	Net interest cover (x)	2.8	2.0	2.3
(+/-) Impairments, Non-cash	114.5	0.0	0.0	Net debt/equity (%)	-49%	-46%	-42%
(+/-) FX	0.0	0.0	0.0	Returns			
(+/-) Net Loan funds change	-45.4	-1.7	-4.8	ROIC(%)	11%	10%	11%
Gross Cashflow	-21.4	19.0	21.7	Return on assets (%)	-22%	3%	4%
(-) Capital Expenditure	-4.5	-5.8	-6.2	Return on equity (%)	-47%	8%	10%
(-) Change in WC	-2.8	3.9	-0.1				
Operating Free cashflow	-28.7	17.2	15.4				
(-) Dividend Paid	-12.6	-12.6	-12.6	SHARE DATA/VALUATION			
(-/+) Proceeds from Disposals	0.0	0.0	0.0	Share Data			
(-) Investments	-13.8	-25.0	0.0	Issued shares (m)	627.5	627.5	627.5
(+/-) Other	-0.1	0.0	0.0	Weighted ave shares (m)	625.4	627.5	627.5
(+) Equity issued	0.0	0.0	0.0	Fully diluted shares (m)	643.4	643.4	643.4
Net Cashflow	-55.1	-20.4	2.9	Basic EPS (c)	-15.5	2.5	3.4
Bop Net Cash	-75.1	-129.1	-148.3	YoY change (%)	-969%	-116%	34%
(+/-) Net Cashflow	-55.1	-20.4	2.9	Fully diluted EPS (c)	-15.1	2.5	3.3
(+/-) Lease Adjustment	1.1	1.2	1.1	YoY change (%)	-969%	-116%	34%
EOp Net Cash	-129.1	-148.3	-144.3	Fully diluted normalised EPS (c)	3.2	2.5	3.4
				YoY change (%)	6%	-21%	34%
Balance Sheet (\$m)				Dividend/share (c)	2.0	2.0	2.0
Cash	71.6	65.0	72.2	Franking (%)	100%	100%	100%
Receivables	3.6	11.6	11.8	Gross cashflow/share (c)	-3.4	3.0	3.5
Loan Receivables	182.1	181.2	185.0	NBV/share (c)	32.9	33.5	34.9
Other	29.0	43.9	44.5	NTA/Share (c)	31.6	28.2	29.6
Total Current Assets	286.2	301.7	313.5	Valuation			
Trade and other Receivables	6.6	6.6	6.6	PER (Basic) (x)	-1.4	8.6	6.4
Loan Receivables	42.7	45.3	46.2	PER (Fully diluted) (x)	-1.5	8.9	6.6
Plant and Equipment	6.6	4.1	4.1	PER (Fully diluted, normalized) (x)	6.9	8.6	6.4
Other	100.5	125.5	125.5	P/CFPS (x)	-6.5	7.3	6.4
Total Non-Current Assets	156.4	181.5	182.4	Price/NBV (x)	0.7	0.7	0.6
Payables	19.0	31.4	31.8	Price/NTA (x)	0.7	0.8	0.7
Lease Liabilities	7.3	7.3	7.3				
Borrowings	109.0	97.3	99.3	market Cap (EOFY)	138.1	138.1	138.1
Provisions	11.8	23.9	24.2	EV	270.7	270.7	270.7
Current Tax Payable	0.3	0.3	0.3	EV/EBITDA (x)	4.7	4.7	4.1
Total Current Liabilities	147.4	160.2	162.9	EV/EBIT (x)	6.0	5.9	5.0
Lease Liabilities	56.4	56.4	56.4	EV/Revenue (x)	0.9	0.7	0.7
Borrowings	27.9	52.4	53.5				
Provisions	4.4	4.3	4.3				
Total Non-Current Liabilities	88.7	113.2	114.3				
Total Liabilities	236.2	273.3	277.2				
Net Assets	206.5	209.9	218.8				
Issued capital	249.9	249.9	249.9				
Reserves	9.8	9.8	9.8				
Retained profits	-53.2	-49.8	-40.9				
Total Equity	206.5	209.9	218.8				

Analysis

Figure 1: Earnings + Earnings Changes

Revenues		FY'22	1H'23	2H'23	FY'23	FY'24F	FY'24 Old vs New	\$	%	FY'25F	\$ YoY Change	%	FY'26F
Franchise Fee revenue	\$m	14.6	7.6	8.7	16.3	15.5	14.8	-0.8	-5.0%	15.5	0.00	0.0%	15.5
Financial Services Interest	\$m	148.5	85.8	99.1	184.8	186.3	182.2	1.4	0.8%	190.5	4.26	2.3%	196.8
Sale of Goods	\$m	80.4	46.7	50.0	96.7	179.4	104.0	82.7	85.5%	183.1	3.65	2.0%	185.1
Other	\$m	2.5	2.3	2.5	4.9	4.9	2.5	0.0	0.0%	4.9	0.00	0.0%	4.9
Total Revenue		245.9	142.4	160.3	302.7	386.0	303.6	83.3	27.5%	393.9	7.91	2.0%	402.2
Loan Book													
GLA	\$m	46.7	54.0	63.0	63.0	70.0	53.6	7.0	11.1%	72.0	2.0	2.9%	75.6
MACC	\$m	76.1	90.9	102.0	102.0	110.0	94.6	8.0	7.8%	115.5	5.5	5.0%	121.3
SACC	\$m	75.6	82.2	78.0	78.0	46.0	81.4	-32.0	-41.0%	30.0	-16.0	-34.8%	30.0
PB	\$m	15.5	16.9	16.0	16.0	20.0	20.0	4.0	25.0%	22.0	2.0	10.0%	22.0
International LB	\$m	na	11.9	11.9	11.9	24.0	0.0	na	na	24.0	na	na	13.0
Line of Credit	\$m	na	na	na	na	15.0	na	na	na	25.0	na	na	30.0
Total	\$m	213.9	255.9	270.9	270.9	285.0	249.5	14.1	5.2%	288.5	3.50	1.2%	291.9
Cost of sales													
Finance	\$m	-37.1	-23.1	-33.9	-56.9	-60.3	-42.9	-3.3	5.9%	-61.6	-1.4	0.0	-63.7
Margin %	%	75%	73%	66%	69%	68%	75%	na	na	68%	na	na	68%
Goods	\$m	-46.1	-26.0	-29.9	-55.9	-103.7	-55.0	-47.8	85.5%	-104.3	-0.65	0.01	-105.5
Margin %	%	0.4	44%	40%	42%	42%	42%	na	na	43%	na	na	43%
Other		-2.5	-1.3	-1.7	-3.0	-1.2	-2.5	1.8	-0.6	-1.2	0.0	0.0	-1.2
Total Cogs	\$m	-85.7	-50.4	-65.4	-115.8	-165.2	-100.4	-49.4	42.6%	-167.20	-2.03	0.01	-170.4
Gross Profit	\$m	160.2	92.0	94.9	186.9	220.8	183.1	33.9	18.1%	226.7	5.9	0.0	231.8
GP Margin	%	65%	65%	59%	62%	57%	65%			58%			58%
Opex	\$m	-107.5	-63.1	-69.2	-132.3	-163.4	-117.4	-31.1	23.5%	-160.8	2.59	-1.6%	-157.7
Impairment expense	\$m	-11.2	0.0	0.0	-115.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	\$m	41.5	28.9	28.3	57.2	57.4	65.7	na	na	65.8	8.47	14.8%	74.1
Margin		17%	20%	18%	19%	15%	23%	na	na	17%	na	na	18%
EBIT	\$m	27.8	22.7	22.2	44.8	45.6	50.1	0.7	1.6%	53.7	8.1	17.8%	60.3
NPAT	\$m	11.2	-105.5	8.4	-97.2	16.0	25.3	113.1	-116.4%	21.4	5.4	34.1%	25.7
NPAT Normalised	\$m	19.0	10.5	9.6	20.1	16.0	25.3	-4.1	-20.6%	21.4	5.4	34.1%	25.7

Source: Euroz Hartleys

- We have pushed through adjustments to our forecasts which reflects changes in the Small Credit regulations; as a result SACC book off from \$78m FY'23 to \$46m FY'24; which partly offset by new line of credit product (though at lower margin).
- We assume net bad debt expense inline with FY'23 as follows:

Figure 2: Net Bad Debt

Loan Book	2022	2023	2024*
Gross Loan	214	271	285
Impairment	- 38	- 59	- 59
Provision	-17.90%	-21.70%	-20.54%
Net	176	212	226
+/- Movement in provision	- 6.2	- 5.1	0.3
Bad Debt Expense	- 28.6	- 49.3	- 57.7
Net Bad Expense	- 34.8	- 49.3	- 57.4
Net bad debt % of average loans*	na	-13%	-13%

*Net bad debt % average loans = average YOY net loan book / net bad debt expense

Source: Euroz

- We have also included UK Capital Cash Acquisition through FY'24; which we see adding ~\$80m to top line earnings.
- Group Interest expenses up through FY'24 to \$15.7m, with Fortress Facility fully drawn at \$150m to support the loan book growth.

Price Target

We drive our Price Target on 10x FY'24 EPS, 1x NTA and dividend yield repriced to 7% (ex franking).

Figure 3: Price Target

Components	Multiple	Weighting	Equity	A\$/sh.
PE	10.0	33%	201	0.25
Dividend Yield	NA	33%	179	0.29
NTA	1	33%	182	0.29
mean			187.4	0.28

Source: Euroz Hartleys

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Cash Converters International Limited (CCV.ASX) | Price A\$0.22 | Target price A\$0.28 | Recommendation Buy;

Price, target price and rating as at 05 September 2023 (not covered)*

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