



# H1 FY2024

Half-year ended 31 December 2023

# **Results Presentation**

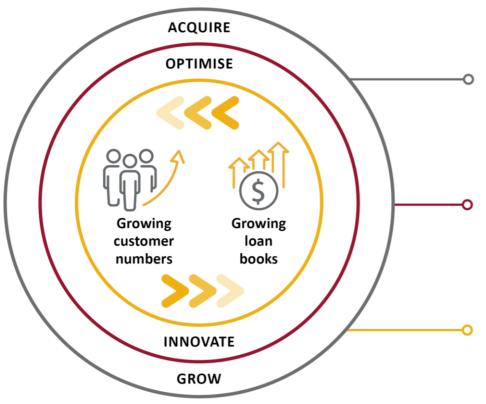
Cash Converters International Limited (ASX:CCV) February 2024



## **About Us**

## A global store network powering the circular economy, supporting good borrowers

- Provide a solution to customer cash needs through our stores globally and online
- Our core competency is using our data to build a risk profile of good borrowers that other lenders can't
- A global store network repurposing pre-owned items, facilitate an increasingly important role in the circular economy



#### **Corporate Strategy**

As a global store network we have the balance sheet and operational capability to leverage our market dominance, innovate new product releases and to grow by acquiring franchisees.

#### **Business Drivers**

An industry leader in the application of artificial intelligence to help make better credit decisions and allow us to help more people. Our focus is on flexible lower cost loan products.

#### **Operating Strategy**

Our scale, expertise and ability to optimise and innovate within our operation gives us the means to pursue our organic growth strategy in a responsible and profitable way.

## 40 years in operation

ASX listed 1997

## 680 stores globally

At 31 December 2023

## 757,000+

Personal loan applications processed p.a. (FY23)

## 1,100,000+

Retail transactions in Australia p.a. (FY23)

#### Regulated by ASIC & AUSTRAC, member of AFCA

Operating under the National Credit Act as a responsible lender

#### As at 31 December 2023:

| • | Share Price               | \$0.215  |
|---|---------------------------|----------|
| • | Net Tangible Assets (NTA) | 27.6 cps |
| • | 1H24 Operating EPS        | 1.57 cps |
| • | Market Cap.               | ~\$135m  |
| • | 1H24 Operating EBITDA     | \$32.6m  |
| • | Cash & Equivalents        | \$48.8m  |
| • | 1H24 Dividend Declared*   | 1.0 cps  |
| • | FY23 Dividends Paid       | 2.0 cps  |
|   |                           |          |

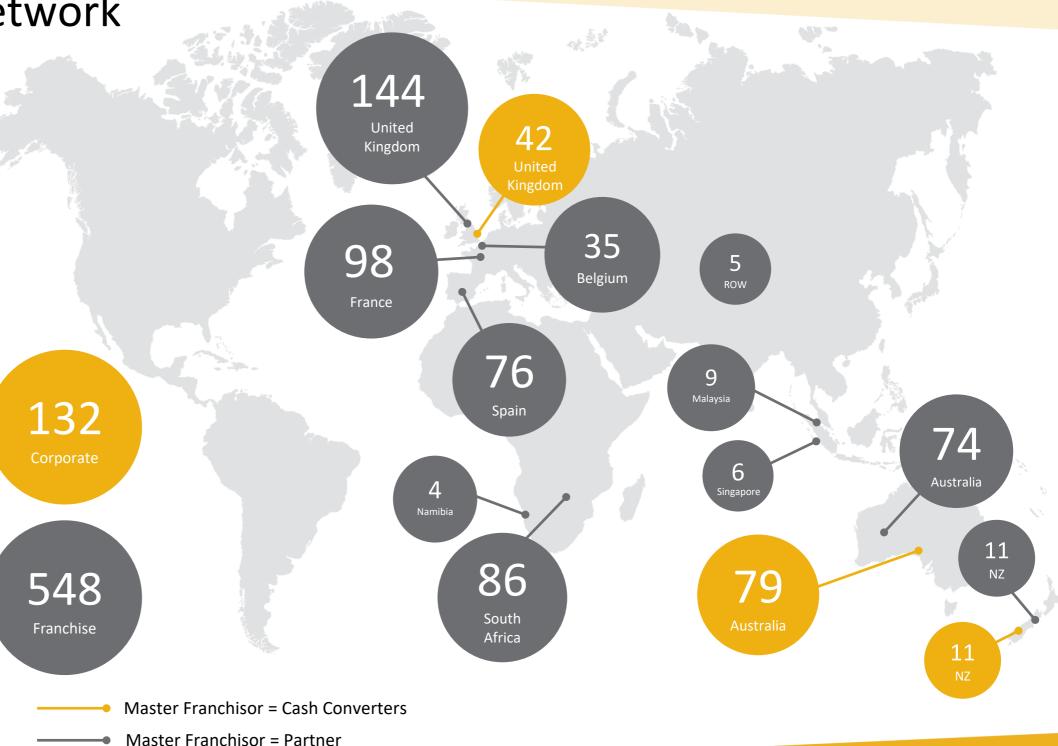
\* 7<sup>th</sup> consecutive half-year dividend declared with these results

Our Global Store Network

Across Australia, New Zealand and the United Kingdom, Cash Converters operates Corporate owned stores and is the Master Franchisor of a franchise network of stores.

The balance of the international operations are run by Master Franchisors that pay a royalty for the right to the intellectual property and brand to operate a network of Cash Converters stores.





As at 31 December 2023



Our strategy



# **Growth Strategy**

We continue to invest our capital to sensibly acquire stores from franchisees, establish new loan books and expand our store network reach throughout Australia and the UK.



Inorganic Expansion

- Acquire AU and UK franchisees
- Grow European 'Hub' (UK)
- Establish new greenfield sites
- Evaluate aligned asset purchases
- Integrate and grow NZ



Organic Optimisation

- New products meeting underlying demand
- Reach new customer segments
- Optimise operational cost base
- Grow balance sheet, free cash and earnings



Customer & Product

- Enhance customer life-time value
- Innovative new product releases
- Expand global customer numbers
- Loyalty reward & recognition
- Lowering costs to customers





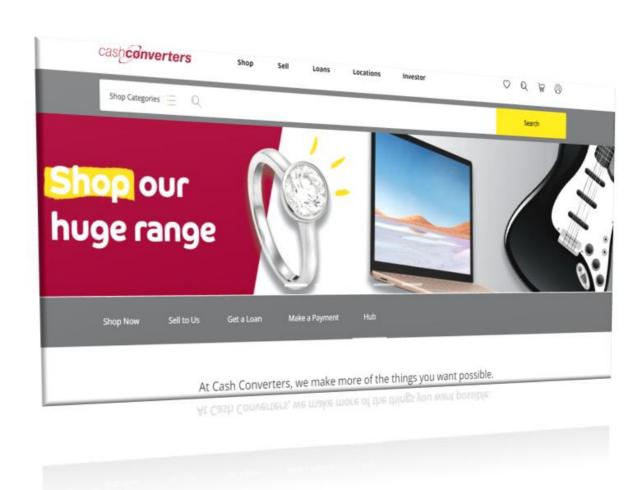
# Our Stores – New Look & Feel

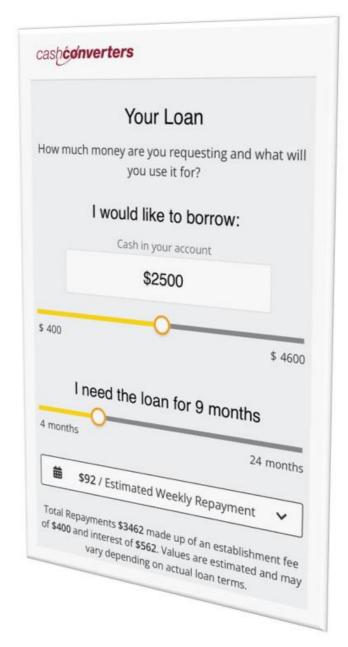
- √ New Formats (ranging from 100-500sqm)
- ✓ Exposed ceiling services (black or natural) and more industrial finish e.g polished concrete floors are now balanced against natural timber finishes, grooved acoustic panelling and neutral colours.
- ✓ Additional experiential elements such as the "tech table" used to improve customer interaction.
- ✓ Luxury goods category building e.g. handbags, luxury watches, collectible sneakers and consumer electronics.



# Our Technology – Integrated / Agile / Scalable

- ✓ Proprietary point of sale & lending platform
- Online & smart phone assets retail, lending and customer self-serve portal
- ✓ In-house banking platform, New Payment Platform integrated
- ✓ Cloud Hosted
- ✓ Proprietary Machine Learning Powered Credit Models
- ✓ Al driven collections activity, using new means of connecting e.g. WhatsApp
- Onshore tech and mature data science capability

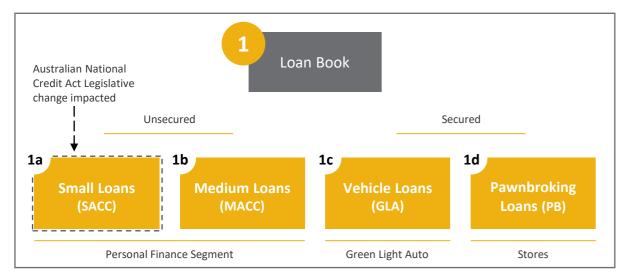


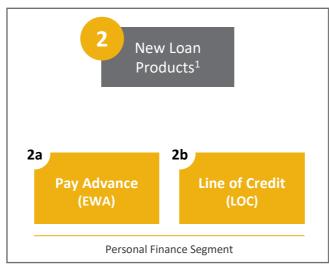


# Business Model – 'Powering up' | FY24 – FY28

CCV has identified upside to the current business, leveraging our business model across an expanding geographic footprint

The Loan Book is structurally shifting away from the small loan product due to Australian legislative changes (implementation mandated on 12 June 2023)









#### Meeting growing demand...

- Considerable demand across several socioeconomic classes for credit in different (under-served) consumer verticals
- CCV has been developing new lending products to meet consumer demand, in a responsible manner
- CCV is now demonstrating Gross Loan Book growth from new lending products (since early 2022)

#### with scale...

- Leveraging CCV's efficient origination model and online platform, positions us well to generate future Loan Book growth
- Platform investment complete, Loan Book growth can be scaled at profitable EBITDA margins
- All loan products regulated. Transitioning out of SACC space due to regulatory changes

#### **Integrated business model**

Integrated physical store and online business model continues to prove to be a strategic strength, leveraging our significant brand value & scale.

#### **Acquisitions and corporate structuring**

Continued opportunity to acquire franchise store networks in Australia and the UK that are value accretive to CCV.

#### Increasing global scale

Diversifying revenue and earnings through acquisitions and new greenfield stores in under-represented regions.

<sup>1</sup> New loan products are recently launched products or products in pilot. All products shown in Australia, overseas may vary

<sup>&</sup>lt;sup>2</sup> In Australia, New Zealand and the United Kingdom, CCIL operates Corporate owned stores and is the Master Franchisor of a franchise network of stores. The rest of the international operations are run by Master Franchisors that pay CCIL a royalty for the right to the intellectual property and brand to operate a network of Cash Converters stores.

<sup>&</sup>lt;sup>3</sup> Commissions on loans include fees and interest written in store (Cash Advance) and commission received from Personal Finance on loans referred.

# Our Ecosystem = Scale

Growing online presence integrated with our stores; serving a large and growing customer base in growing markets.

| Retail CCV has a high customer satisfaction NPS 68+1  | Personal Finance  | \$ Vehicle Finance  |  |  |  |
|---|---|---|--|--|--|
| \$62bn+ Australian Circular Economy <sup>2</sup> \$2bn+ Australian Sub-prime Market Demand <sup>3</sup> |   |   |  |  |  |
| 311k+ Transacting Customers   | 120k+ Borrowing Customers   | ~2k Accredited Brokers and Dealers  |  |  |  |
| On  | В2В   |   |  |  |  |
| Strategic investment pre-COVID – s  | Digital platform developed and deployed pre-COVID   |   |  |  |  |
| • 122k transactions • 153k Loans (59% of Total Loans) • \$34m   |   | <ul> <li>\$86m in applications received</li> <li>\$34m funded (up 58% on FY22)</li> <li>New platform released, approval in minutes</li> </ul> |  |  |  |
| St  | ore   | B2C   |  |  |  |
| <ul> <li>473k transactions</li> <li>\$130m retail sales</li> <li>\$48.4m inventory value</li> </ul>     | <ul> <li>119k Applications (15% of Total Apps)</li> <li>106k Loans (41% of Total Loans)</li> <li>\$105m Outgoings (40% of Total Outgoings)<sup>4</sup></li> </ul> | <ul> <li>Leveraging tech, entered B2C channel</li> <li>Released new online borrower direct product</li> </ul>                                 |  |  |  |

Australian Addressable Market

- 1. Net Promoter Score (NPS) measures customer satisfaction based on the likelihood of recommending Cash Converters.
- Sourced from Gumtree Second-hand Economy Report (2022) https://www.gumtree.com.au/advice/circular-economy-report-2022/
- 3. This represents the estimated Australian sub-prime market size, by credit demand, across vehicle and unsecured personal finance.
- 4. Outgoings include Small, Medium and Line of Credit loans principal advances (the cash amount of loan funding disbursed).

Note: All ecosystem statistics and market estimates relate to the period 1 July 2022 to 30 June 2023 (FY 2023). Store metrics include franchises.

# Our Competitive Advantage

Substantial scale and data repository provides our business with a competitive advantage.









## **Large Customer Base**

## **Leading Tech Platform**

## **Healthy Balance Sheet**

## Sustainability

## Regulation

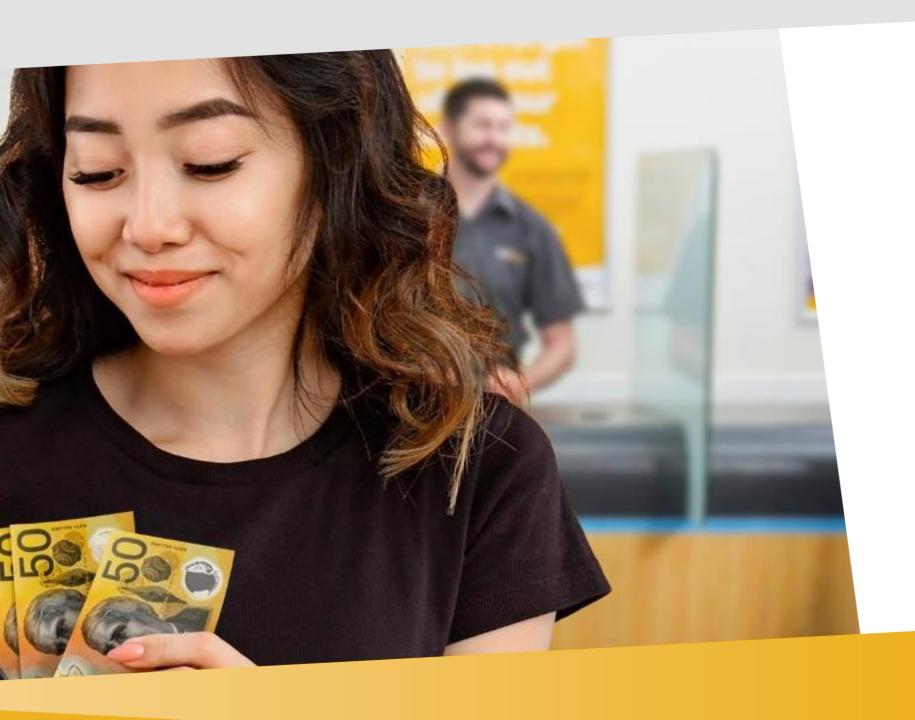
- Scale business and growing demand, transacting with over 100,000 active customers per month
- NPS 68+ at June 2023 indicates high trust and satisfaction
- Targeting value and environmentally conscious customers
- Geographic customer diversification and businesses

- Proprietary platforms built inhouse, growing digital volumes, built to scale up
- Al powered credit risk models, built over years with a large data repository
- Processed over **757,000** loan apps in FY23 cash disbursed instantly via the New Payments Platform (NPP)

- ✓ \$48.8m in cash at 31 December 2023
- Strong operating profit and cash flow generation, supportive financier
- H1 FY24 fully franked 1c dividend declared
- 7<sup>th</sup> consecutive 1c half dividend declared

- Facilitating circular economy,
   2m second-hand items
   purchased p.a.
- Inventory sourced through our stores which act as our supply chain
- Essential and responsible financial service provider to millions of local and international customers

- Already meeting National Credit Act for all credit products
- Lending and compliance platform supports agile new product release



Financial Highlights



# **Key Highlights**

### H1 FY2024

\$191.5m

Revenue

Up 34% on pcp (\$142.7m in H1 FY2023) \$32.6m

**Operating EBITDA** 

Up 13% on pcp (\$28.8m in H1 FY2023) \$9.8m

**Operating NPAT** 

Down 5% on pcp (\$10.3m in H1 FY2023) 1c per share

Half-year dividend declared

7<sup>th</sup> straight half-year dividend declared

Network reach

Added

3 Australian stores

42 store international network



## Loan book

\$294.4m

**Gross Loan Book** 

Up 15% on pcp

(\$256.1m in H1 FY2023)

\$110.2m

Medium loan book

Up 21% on pcp (\$90.9m in H1 FY2023) \$74.3m

Up 38% on pcp

(\$54.0m in H1 FY2023)

Vehicle loan book



\$7.0m

Line of Credit loan book

New book (no comparable value at 1H 2023)

9.0%

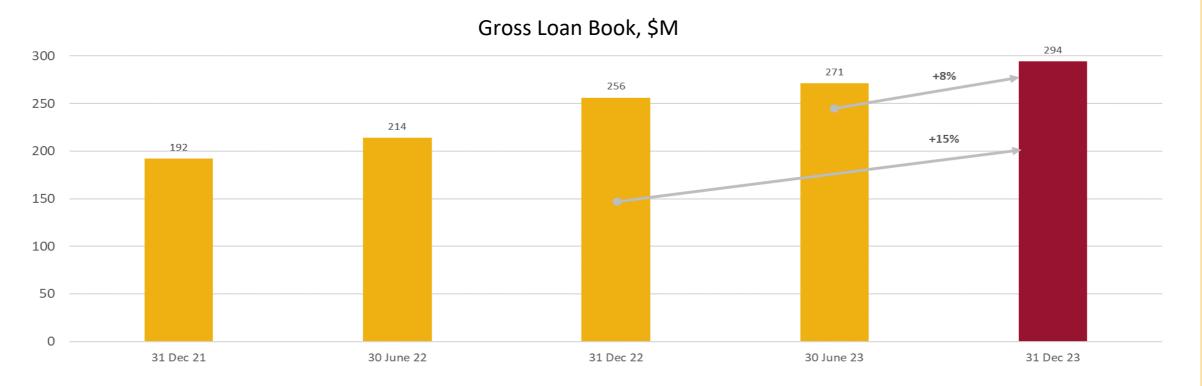
Half-year Net Loss Rate

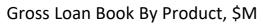


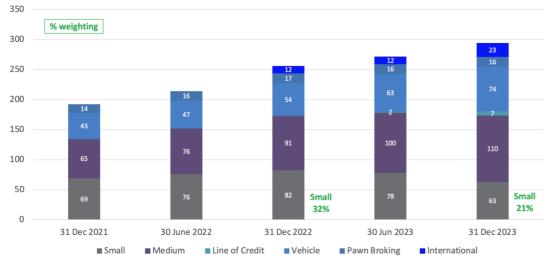
Up from 8.6% pc

Net Loss Rate (NLR) increasing modestly from post COVID stimulus lows but in line with expectations as loan books continue to perform well.

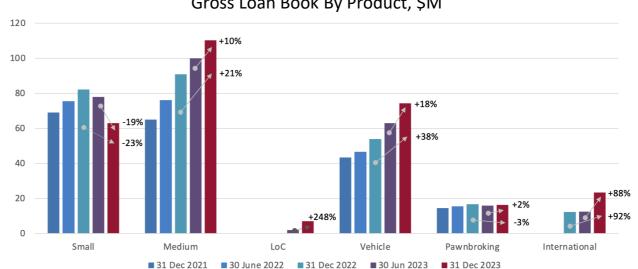
# **Gross Loan Book**







## Gross Loan Book By Product, \$M

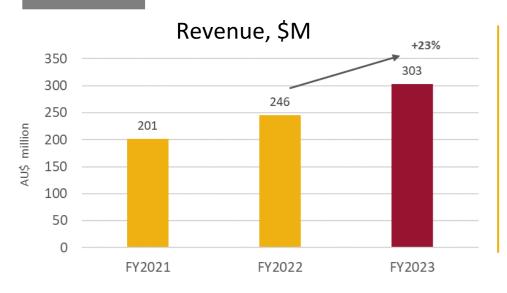


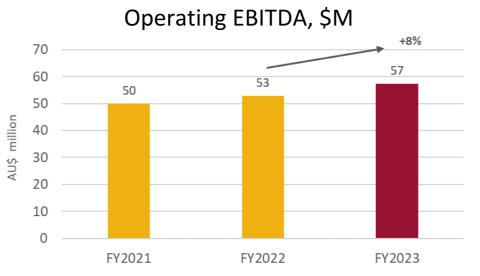
# Diversifying loan product mix with strong growth

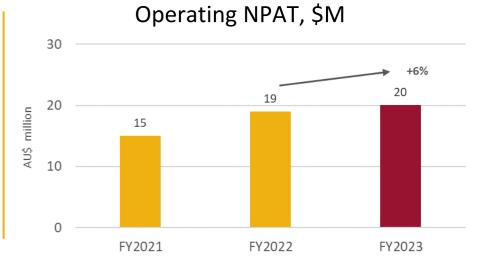
- Small loans weighting dropped further to 21% of the loan book from 32% in 1H FY2023
- ✓ MACC and newly launched loan products increasingly contributing to growth

# Outlook – Powering Up

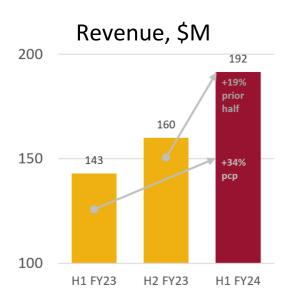
## Annual

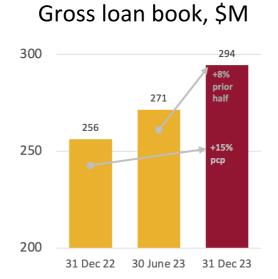






## Half-year





## **Growth Drivers**

- ✓ Strong demand driving loan book growth
- ✓ Revenue and EBITDA contribution from recent strategic acquisitions with NPAT optimisation to follow
- ✓ New product releases delivering new growing loan books
- ✓ Value accretive franchise store network acquisitions ongoing (targeting Australia and the UK)
- ✓ Balance sheet strength, continuing to invest for future growth
- ✓ Consistent dividend of 2 cents per share paid annually



Thank you & Q&A





Appendices



# Gross Loan Books (\$m)

|                                      |            | 30 Jun<br>2022 | 31 Dec<br>2022 | 30 Jun<br>2023 | 31 Dec<br>2023 | PCP<br>Dec 2023 vs Dec<br>2022 | Dec 2023 vs<br>Jun 2023 |
|--------------------------------------|------------|----------------|----------------|----------------|----------------|--------------------------------|-------------------------|
| Small Loan <sup>1</sup>              | Loan Book  | \$75.6m        | \$82.2m        | \$78.0m        | \$63.1m        | -23%                           | -19%                    |
| Siliali Loali                        | % Of Total | 35%            | 32%            | 29%            | 21%            |                                |                         |
|                                      | Loan Book  | \$76.1m        | \$90.9m        | \$99.9m        | \$110.2m       | 21%                            | 109/                    |
| Medium Loan <sup>2</sup>             | % Of Total | 36%            | 36%            | 37%            | 37%            |                                | 10%                     |
|                                      | Loan Book  | \$0.0m         | \$0.0m         | \$2.1m         | \$7.0m         | -                              | 233%                    |
| Line of Credit <sup>3</sup>          | % Of Total | 0%             | 0%             | 1%             | 2%             |                                | 23370                   |
| Vehicle Loan (GLA)⁴                  | Loan Book  | \$46.7m        | \$54.0m        | \$62.9m        | \$74.3m        | 38%                            | 18%                     |
| Venicle Loan (GLA)                   | % Of Total | 22%            | 21%            | 23%            | 25%            | 38%                            |                         |
| PB <sup>5</sup> (Corp)               | Loan Book  | \$15.5m        | \$16.8m        | \$16.0m        | \$16.3m        | 20/                            | 2%                      |
| PB (COIP)                            | % Of Total | 7%             | 7%             | 6%             | 6%             | -3%                            | 270                     |
| International Loan                   | Loan Book  | \$0.0m         | \$12.2m        | \$12.5m        | \$23.5m        | 020/                           | 999/                    |
| Book <sup>6</sup>                    | % Of Total | 0%             | 4%             | 4%             | 9%             | 92%                            | 88%                     |
| Total Gross Loan Book                |            | \$213.9m       | \$256.1m       | \$271.4m       | \$294.4m       | 15%                            | 8%                      |
| Half Year Net Loss Rate <sup>7</sup> |            | 8.3%           | 8.6%           | 11.0%          | 9.0%           | -                              | -                       |

<sup>1.</sup> Small loans include SACC and PayAdvance products.

<sup>2.</sup> Medium loans includes the MACC product.

<sup>3.</sup> Line of Credit product launched Q3 FY2023.

<sup>4.</sup> Green Light Auto (GLA) is a fully owned subsidiary of CCV offering secured vehicle loans through a network of brokers and dealers.

<sup>5.</sup> Pawnbroking Loan Book – Corporate Stores only.

<sup>6.</sup> International Loan Book includes pawnbroking and Personal Finance loan books for New Zealand and pawnbroking and buyback loan book for United Kingdom.

<sup>7.</sup> Net Loss Rate (NLR) is defined as Bad Debt Written off Expense net of Recovery of Write Offs for the half-year period, compared to average Gross Loan Book for the half-year period.

# Loan Book Performance

## Net bad debt expense & Expected Credit Loss\* ("ECL") movement

|   | 31 Dec 2023 31 Dec 202 |       | 2 Variance |  |
|---|------------------------|-------|------------|--|
|   | \$m                    | \$m   | \$m        |  |
|   |                        |       |            |  |
| Bad debts written off                       | 28.7                   | 23.6  | 5.1        |  |
| Recovery of bad debts written off           | (3.4)                  | (3.4) | 0.0        |  |
| Net bad debt expense                        | 25.3                   | 20.2  | 5.1        |  |
|   |                        |       |            |  |
| Movement in expected credit loss allowance  | 2.2                    | 1.7   | 0.5        |  |
| Total loan related bad debts and allowances | 27.5                   | 21.9  | 5.6        |  |
|   |                        |       |            |  |
| Total gross loan book                       | 294.4                  | 256.1 | 38.3       |  |

- Net Bad Debt Expense for 1H FY2024 was \$25.3m, up from \$20.2m in the prior comparative period (pcp), driven by loan book growth during the period.
- Success in growing the loan book will result in an ECL expense in the same accounting period (up front expense) whilst changes in current and prior loans may see adjustments made.
- The half-year net loss rate (Net Bad Debt Expense over average Gross Loan Book) was 9.0% (vs 8.6% pcp). This remains in line with our expectations.

<sup>\*</sup> Expected Credit Loss ("ECL") is the upfront expense recognised in the Income Statement for expected credit losses at the time of writing a new loan as well as for changes in the expected credit losses on existing loans. The ECL expense is a statistical present value calculation based on the accounting standard AASB9 Financial Instruments. Changes in the credit quality of the loan since origination are recognised in the Income Statement.

## Free Cash Flow

|  | 31 Dec 2023 | 31 Dec 2022 | Variance |
|--|-------------|-------------|----------|
|  | \$m         | \$m         | \$m      |
| Receipts from customers                                | 142.3       | 91.8        | 50.5     |
| Interest received from personal loans                  | 41.3        | 43.4        | (2.1)    |
| Other receipts   | 0.7         | 0.3         | 0.4      |
| Total receipts   | 184.3       | 135.5       | 48.8     |
| Payments to suppliers, employees and lease liabilities | (130.9)     | (94.2)      | (36.7)   |
| Cash flows before interest, finance and tax            | 53.4        | 41.3        | 12.1     |
| Interest and costs of finance paid                     | (10.9)      | (6.8)       | (4.1)    |
| Income tax paid  | (4.7)       | (7.1)       | 2.4      |
| Cash flows before net loan advances                    | 37.8        | 27.4        | 10.4     |
| Net increase in personal loans advanced                | (33.1)      | (46.1)      | 13.0     |
| Cash flows from the operation                          | 4.7         | (18.7)      | 23.4     |
| Net cashflow from business combinations                | (22.9)      | (13.8)      | (9.1)    |
| Net PPE and Intangibles                                | (3.8)       | (3.0)       | (0.8)    |
| Loan funding to external parties                       | (1.8)       | 0.0         | (1.8)    |
| Cash flows before borrowings                           | (23.8)      | (35.5)      | 11.7     |
| Net borrowings   | 7.4         | 50.4        | (43.0)   |
| Cash flows before dividends                            | (16.4)      | 14.9        | (31.3)   |
| Dividends paid   | (6.3)       | (6.3)       | 0.0      |
| Net change in cash flows                               | (22.7)      | 8.6         | (31.3)   |
| Opening Cash and cash equivalents                      | 71.5        | 58.0        | 13.5     |
| Closing Cash and cash equivalents                      | 48.8        | 66.6        | (17.8)   |

- Strong operating cash flow facilitating loan book funding and investing activities including the acquisition of Capital Cash in the United Kingdom.
- H1 FY2024 Cash & Cash Equivalents of \$48.8m after funding loan book growth and settlement of the UK and Australian franchise acquisitions.
- Operating cash flow generated is used to fund loan book growth reflected in the net outflow of \$33.1m in H1 FY2024.
- H1 FY2024 financing activities includes cash inflows from borrowings supporting loan book growth and strategic acquisitions, and dividends paid of \$6.3m.

# Segment Revenue & Operating EBITDA

| 31 Dec 2023 | 31 Dec 2022 | Variance     |
|-------------|-------------|--------------|
| \$m         | \$m         | \$m          |
|             |             |              |
| 53.5        | 52.9        | 0.0          |
| 9.1         | 7.0         | 2.1          |
| 75.9        | 72.1        | 3.8          |
| 12.8        | 2.2         | 10.6         |
| 36.4        | 5.3         | 31.1         |
| 3.8         | 3.2         | 0.6          |
| 191.5       | 142.7       | 48.8         |
|             |             |              |
| 22.0        | 24.0        | /2.0         |
| 22.0<br>3.6 | 24.8        | (2.8)<br>0.7 |
| 11.2        | 11.5        | (0.3)        |
| 0.0         | 0.2         | (0.2)        |
| 6.6         | 1.5         | 5.1          |
| (10.8)      | (12.1)      | 1.3          |
| 32.6        | 28.8        | 3.8          |

- Demand for credit products remained strong across the half. During the first half of FY2024 we received over 390,000 applications for our Australian credit products.
- Secured vehicle loans performed well during the half with outgoings up 23% pcp to \$20.3m and book value up correspondingly to \$74.3m, a 38% lift on pcp.
- Store performance and Franchise store acquisitions, in particular the acquisition of the Capital Cash network of 42 stores in the United Kingdom, contributed to strong revenue and earnings growth.
- Head Office cost decrease a result of cost management initiatives.

<sup>\*</sup> The Company calculates EBIT as earnings before interest expense and tax and presents 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. Non-IFRS measures calculated and disclosed have not been audited in accordance with Australian Accounting Standards although the calculation is compiled from financial information that has been audited.

# **ESG Framework**

Operating for over 40 years, we understand the importance of adding value to the lives of our customers by operating a sustainable business over the long term.



#### **Environmental**

- Our retail trade is driven by pre-owned (second-hand) items, which directly contributes to the Circular Economy.
- This extends the useful life of products, reducing waste and lessening demand for new manufacturing and mining.
- 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 warehousing facilities.
- Our store operations leave a small carbon footprint when 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 customer problem solvers.
- We maintain a culture of zero-tolerance for compliance risk that is monitored and overseen by our Board.
- Our Board of eight directors has four independents.
- Our Audit & Risk and Governance Remuneration & Nomination Committees all require a composition of majority independent directors.
- Protecting the privacy, integrity and security of our customers' data and our enterprise network is a top priority.

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