



CCV - Earnings Momentum

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

PRICE
A\$0.22/sh

TARGET PRICE
A\$0.29/sh
(FROM A\$0.28/sh)

RECOMMENDATION
BUY
(UNCHANGED)

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Event

CCV has released a strong first half results delivering first half NPAT of \$9.9m, well ahead of our \$7.7m forecast and implies upgrade to full year NPAT towards \$18-20m. CCV trading on ~7x PE and yielding 9% + franking credit, stock continues to offer value.

Gross loan book growth was very good up 15% PCP to \$294.4m providing strong foundation for future revenue growth. Revenue was up \$19% on 2H'23 given contribution from UK Capital Cash acquisition. EBITDA of \$33m, up 15% HoH.

On first pass looks a good set of results with the loan book growth providing foundation to drive earnings.

Impact

- Revenue \$191.5m, up from \$142.7m PCP. Earnings driven by inclusion and performance of UK Capital Cash and loan book growth for the period. We are now looking for \$385m full year.
- EBITDA of \$32.6m, up from \$28.8m PCP. Good result given the reduction of the SACC loans (regulatory change) and underperformance of the NZ Store network. We are now looking for \$64.6m full year.
- NPAT of \$9.8m; inline with 2H'23 operating result of \$9.8m. This is a good result for the company given reductio in SACC lending for the half. We are now looking for \$18.8m full year.
- Operating Cash flow was good with \$4.7m for the half and \$37.8m before \$33.1m in net loans in advance. Net cash movement (\$22.7m) predominantly driven by \$6.3m in Dividends and \$22.9m in UK and Australian acquisitions. Cash at 31 December \$48.8m down from \$66.6m. We assume ~\$48m full year, but dependent on timing and drawn debt.
- Gross Loan book up 15% pcp to \$294.4 driven by MACC and GLA loan books, Net Loss rates remain at 9.0% vs 8.6% in PCP. We have pushed through adjustments now looking for \$300m full year.
- 1c fully franked dividend declared, NTA of 28c.

Action

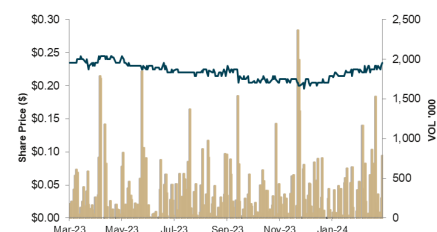
We have pushed through adjustments to forecasts; stock remains value NTA is \$0.29/sh, EZ Corp continues to add to holdings and dividend yield of 9.3% is hardly demanding. At a high level 10x FY'24 PE is \$0.30/sh which is fair for CCV. Remain happy accumulating at current levels for the fully franked dividend, future earnings growth and potential takeover target. Maintain Buy.

Catalysts

- Full year results.

CCV LTD			
Share Price	0.22	A\$/sh	
Price Target	0.29	A\$/sh	
Valuation (DCF)	0.46	A\$/sh	
WACC	11.4%		
Terminal Growth	2.5%		
Shares on issue	628	m,	
Market Capitalisation	141.6	A\$m	
Enterprise Value	313.7	A\$m	
Cash (1H'24)	48.8	A\$m	
Debt (1H'24)	221.0	A\$m	
Key Financial Metr...	FY'23	FY'24	FY'25
Revenue (A\$m)	302.7	384.8	409.2
EBITDA (A\$m)	57.2	64.6	72.8
EBIT (A\$m)	44.8	49.6	57.2
Reported NPAT (A\$m)	-97.2	18.8	23.8
Normalised NPAT (...)	20.1	18.8	23.8
Gross Cashflow (A\$...	-21.4	10.7	25.6
Capex (A\$m)	-4.5	-8.1	-8.8
Op. Free Cashflow ...	-28.7	-9.4	15.8
Revenue Growth (%)	22%	23%	27%
EBITDA Growth (%)	-8%	38%	13%
Norm. NPAT Growth...	8%	7%	5%
Normalised EPS (Ac)	3.20	3.00	3.79
Norm. EPS growth (...)	6%	-6%	26%
PER (x)	-1.4	7.3	5.8
EV:EBITDA (x)	5.5	4.9	4.3
EV:EBIT (x)	7.0	6.3	5.5
DPS (Ac)	2.0	2.0	2.0
Dividend Yield (%)	9.1%	9.1%	9.1%
Net cash (A\$m)*	-129.1	-174.9	-170.6
Net Debt:Equity (%)	40%	55%	83%

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	384.8	409.2	Revenue Growth	22%	23%	27%
Cost of Goods Sold	-115.8	-161.1	-172.0	EBITDA Growth	-8%	38%	13%
Gross Profit	186.9	223.6	237.2	EBITDA margin	17%	19%	17%
OPEX	-118.7	-159.0	-164.5	EBIT margin	11%	15%	13%
EBITDA	57.2	64.6	72.8	EBIT Growth	-3%	61%	11%
Depreciation & amortisation	-12.4	-15.0	-15.6	Normalized net profit margin	8%	7%	5%
EBIT	44.8	49.6	57.2	Effective tax rate	30%	30%	30%
Net finance expense	-16.0	-22.7	-23.2	Liquidity			
EBT	28.8	26.9	33.9	Capex/depreciation (x)	0.4	0.5	0.6
Tax expense	-6.1	-8.1	-10.2	Current ratio (x)	1.9	1.9	2.0
Reported Earnings	-97.2	18.8	23.8	Quick ratio (x)	0.7	0.6	0.7
Abnormal Expenses / (Incomes)	117.3	0.0	0.0	Receivable days	4	18	18
Normalized Net Profit	20.1	18.8	23.8	Payable days	62	54	56
				Risk Measures			
Cash flow (A\$m)				Dividend Cover (x)	-7.7	1.5	1.9
Net Profit after Tax	-97.2	18.8	23.8	Payout ratio (%)	-2%	16%	13%
(+) D&A	12.4	15.0	15.6	Net interest cover (x)	2.8	2.2	2.5
(-) Lease Expense	-7.1	-7.1	-7.1	Net debt/equity (%)	-49%	-56%	-51%
(+/-) Impairments, Non-cash	114.5	0.0	0.0	Returns			
(+/-) FX	0.0	0.0	0.0	ROIC(%)	11%	10%	12%
(+/-) Net Loan funds change	-45.4	-16.1	-6.7	Return on assets (%)	-22%	4%	5%
Gross Cashflow	-21.4	10.7	25.6	Return on equity (%)	-47%	9%	11%
(-) Capital Expenditure	-4.5	-8.1	-8.8				
(-) Change in WC	-2.8	-12.1	-1.0	SHARE DATA/VALUATION			
Operating Free cashflow	-28.7	-9.4	15.8	Share Data			
(-) Dividend Paid	-12.6	-12.6	-12.6	Issued shares (m)	627.5	627.5	627.5
(-/+) Proceeds from Disposals	0.0	0.0	0.0	Weighted ave shares (m)	625.4	627.5	627.5
(-) Investments	-13.8	-25.0	0.0	Fully diluted shares (m)	643.4	643.4	643.4
(+/-) Other	-0.1	0.0	0.0	Basic EPS (c)	-15.5	3.0	3.8
(+) Equity issued	0.0	0.0	0.0	YoY change (%)	-969%	-119%	26%
Net Cashflow	-55.1	-47.0	3.2	Fully diluted EPS (c)	-15.1	2.9	3.7
Bop Net Cash	-75.1	-129.1	-174.9	YoY change (%)	-969%	-119%	26%
(+/-) Net Cashflow	-55.1	-47.0	3.2	Fully diluted normalised EPS (c)	3.2	3.0	3.8
(+/-) Lease Adjustment	1.1	1.2	1.1	YoY change (%)	6%	-6%	26%
EoP Net Cash	-129.1	-174.9	-170.6	Dividend/share (c)	2.0	2.0	2.0
-	-	-	-	Franking (%)	100%	100%	100%
Balance Sheet (\$m)				Gross cashflow/share (c)	-3.4	1.7	4.1
Cash	71.6	47.9	56.7	NBV/share (c)	32.9	33.9	35.7
Receivables	3.6	19.2	20.5	NTA/Share (c)	31.6	28.7	30.4
Loan Receivables	182.1	192.6	198.0	Valuation			
Other	29.0	42.9	45.8	PER (Basic) (x)	-1.4	7.3	5.8
Total Current Assets	286.2	302.7	321.0	PER (Fully diluted) (x)	-1.5	7.5	6.0
Trade and other Receivables	6.6	6.6	6.6	PER (Fully diluted, normalized) (x)	6.9	7.3	5.8
Loan Receivables	42.7	48.2	49.5	P/CFPS (x)	-6.5	12.9	5.4
Plant and Equipment	6.6	4.1	4.1	Price/NBV (x)	0.7	0.6	0.6
Other	100.5	125.5	125.5	Price/NTA (x)	0.7	0.8	0.7
Total Non-Current Assets	156.4	184.4	185.7	market Cap (EOFY)	138.1	138.1	138.1
Payables	19.0	22.6	24.1	EV	313.7	313.7	313.7
Lease Liabilities	7.3	7.3	7.3	EV/EBITDA (x)	5.5	4.9	4.3
Borrowings	109.0	103.4	106.3	EV/EBIT (x)	7.0	6.3	5.5
Provisions	11.8	23.3	24.9	EV/Revenue (x)	1.0	0.8	0.8
Current Tax Payable	0.3	0.3	0.3				
Total Current Liabilities	147.4	156.9	162.9				
Lease Liabilities	56.4	57.3	58.2				
Borrowings	27.9	55.7	57.2				
Provisions	4.4	4.3	4.3				
Total Non-Current Liabilities	88.7	117.4	119.8				
Total Liabilities	236.2	274.3	282.7				
Net Assets	206.5	212.8	224.0				
Issued capital	249.9	249.9	249.9				
Reserves	9.8	9.8	9.8				

Figure 1: Earnings Changes

Revenues		FY'22	1H'23	2H'23	FY'23	FY'24F	Old	\$	%	FY'25F	Old	\$	%	FY'26F
Franchise Fee revenue	\$m	14.6	7.6	8.7	16.3	16.1	15.5	0.6	3.8%	16.1	15.5	0.6	3.8%	16.1
Financial Services Interest	\$m	148.5	85.8	99.1	184.8	198.8	186.3	12.5	6.7%	205.2	190.5	14.7	7.7%	212.9
Sale of Goods	\$m	80.4	46.7	50.0	96.7	165.1	179.4	-14.3	-8.0%	183.1	183.1	0.0	0.0%	185.1
Other	\$m	2.5	2.3	2.5	4.9	4.9	4.9	0.0	0.0%	4.9	4.9	0.0	0.0%	4.9
Total Revenue		245.9	142.4	160.3	302.7	384.8	386.0	-1.2	-0.3%	409.2	393.9	15.3	3.9%	418.9
Loan Book														
GLA	\$m	46.7	54.0	63.0	63.0	75.0	70.0	5.0	7.1%	76.0	72.0	4.0	5.6%	79.8
MACC	\$m	76.1	90.9	102.0	102.0	120.0	110.0	10.0	9.1%	130.0	115.5	14.5	12.6%	136.5
SACC	\$m	75.6	82.2	78.0	78.0	46.0	46.0	0.0	0.0%	30.0	30.0	0.0	0.0%	30.0
PB	\$m	15.5	16.9	16.0	16.0	20.0	20.0	0.0	0.0%	23.0	22.0	1.0	4.5%	23.0
International LB	\$m	na	11.9	11.9	11.9	24.0	24.0	0.0	0.0	24.0	24.0	0.0	0.0	13.0
Line of Credit	\$m	na	na	na	na	15.0	15.0	0.0	0.0	25.0	25.0	0.0	0.0	30.0
Total	\$m	213.9	255.9	270.9	270.9	300.0	285.0	15.0	5.3%	308.0	288.5	19.5	6.8%	312.3
Cost of sales														
Finance	\$m	-37.1	-23.1	-33.9	-56.9	-64.3	-60.3	-4.0	0.1	-66.4	-61.6	-4.8	0.1	-68.9
Margin %	%	75%	73%	66%	69%	68%	68%	0%	0.00	68%	68%	0%	0.00	68%
Goods	\$m	-46.1	-26.0	-29.9	-55.9	-95.6	-103.7	8.1	-0.08	-104.3	-104.3	0.0	0.00	-105.5
Margin %	%	0.4	44%	40%	42%	42%	42%	0%	0%	43%	43%	0%	0%	43%
Other		-2.5	-1.3	-1.7	-3.0	-1.2	-1.2	0.0	0.0	-1.2	-1.2	0.0	0.0	-1.2
Total Cogs	\$m	-85.7	-50.4	-65.4	-115.8	-161.1	-165.2	4.0	-0.02	-171.97	-167.20	-4.8	0.03	-175.7
Gross Profit	\$m	160.2	92.0	94.9	186.9	223.6	220.8	2.8	0.0	237.2	226.7	10.6	0.0	243.3
GP Margin	%	65%	65%	59%	62%	58%	57%	1%	1.6%	58%	58%	0%	0.7%	58%
Opex	\$m	-107.5	-63.1	-69.2	-132.3	-159.0	-163.4	4.4	-2.7%	-164.5	-160.8	-3.6	2.3%	-163.2
Impairment expense	\$m	-11.2	0.0	0.0	-115.2	0.0	0.0	0.0	na	0.0	0.0	0.0	na	0.0
EBITDA	\$m	41.5	28.9	28.3	57.2	64.6	57.4	7.2	12.6%	72.8	65.8	6.9	10.5%	80.1
Margin		17%	20%	18%	19%	17%	15%	2%	13.0%	18%	17%	1%	6.4%	19%
EBIT	\$m	27.8	22.7	22.2	44.8	49.6	45.6	4.1	9.0%	57.2	53.7	3.5	6.5%	63.8
NPAT	\$m	11.2	-105.5	8.4	-97.2	18.8	16.0	2.9	17.9%	23.8	21.4	2.3	11.0%	28.1
NPAT Normalised	\$m	19.0	10.5	9.6	20.1	18.8	16.0	2.9	17.9%	23.8	21.4	2.3	11.0%	28.1

Source: Euroz Hartleys

We have updated forecasts to reflect 1H'24 results.

Price Target

Figure 2: Price Target

Components	Multiple	Weighting	Equity	A\$/sh.
PE	10.0	33%	201	0.30
Dividend Yield	NA	33%	179	0.29
NTA	1	33%	176	0.28
mean			185.4	0.29

Source: Euroz Hartleys

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Cash Converters International Limited (CCV.ASX) | Price A\$0.22 | Target price A\$0.29 | Recommendation Buy;

Price, target price and rating as at 01 March 2024 (not covered)*

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