

Cash Converters International Ltd

Q1 FY25 Update

Delivering to brief

Cash Converters International (ASX:CCV) is a consumer finance company operating as a service provider, owner and franchisor of second-hand goods and financial services stores in Australia and internationally. CCV has released its September quarter unaudited trading update, providing data points on revenue, loan book and some divisional specifics. Quarterly revenue grew 0.9% over the previous corresponding period (pcp) to \$95.8m, 1.4% below RaaS's forecast. The gross loan book retracted 2.0% to \$273.6m, again marginally below our forecast of \$282.5m. These results are not a material surprise to us as CCV strategically transitions its loan book away from SACC (small amount credit contracts) and vehicle finance products, the rate of which is difficult to forecast on a quarter-by-quarter basis. Pleasingly, the quality of the loan book continues to improve as evidenced by the net loss rate strengthening from 4.8% in the pcp to 3.7% in the September quarter, further validating the strategy around changing the business mix. The specifics of profit performance were not released, as has been the case with all CCV's previous quarterly updates. Management appears to have done a good job maintaining the revenue numbers through the business mix transition with performance driven by retail stores in Australia and the UK and continued demand in the growth-focused loan products such as the new Line-of-Credit facility, which grew 29% in the quarter. The business has the funding and optionality over organic and acquisitive growth drivers domestically and internationally. Our forecasts remain unchanged and our DCF-based valuation remains \$0.42/share, representing capital upside potential of 87% with a fully franked dividend yield of 8.9%.

Business model

Cash Converters is a diversified business generating income through many revenue streams and geographies. The store network provides the company with a well understood and loyal customer base, to which CCV offers several loan products and services. That cohort of customers is showing strong demand for CCV's suite of products. This growth should be complemented by the corporatisation of more stores away from the franchise model, both domestically and offshore, giving CCV increased control and significant earnings upside potential.

Well positioned to execute growth initiatives

The stated strategy appears on track with the areas of growth focus the strong performers, namely the recently acquired UK store network, the Australian store network and the transition of the loan book to higher-quality, lower-cost options for customers, such as the Line-of-Credit product. Management also stated additional franchise store acquisition opportunities are currently under review in Australia and the UK.

DCF valuation retained at \$0.42/share

Our forecasts remain unchanged as the company trades through the seasonally stronger second quarter, and our DCF valuation remains \$0.42/share. We forecast EPS growth with a CAGR of 20% over the three-year forecast period from the FY24 base, complemented by a fully franked dividend yield of 8.9%. With management's clear growth ambitions, we think CCV can be viewed as a compelling investment opportunity, potentially offering both capital growth and income.

Earnings history and RaaS' estimates (in A\$m unless otherwise stated)

Year end	Revenue	EBITDA adj.*	NPAT adj.*	EPS adj.* (c)	EV/EBITDA (x)	PER (x)
06/23a	302.7	57.2	20.2	3.1	3.7	7.3
06/24a	382.5	69.1	20.8	3.2	3.4	7.1
06/25f	416.4	74.6	22.8	3.5	3.7	6.4
06/26f	442.1	83.0	26.7	4.1	3.6	5.5

Source: RaaS estimates for FY25f and FY26f; Company data for historical earnings; *Adjusted for one-time and non-cash items

Consumer Finance

31 October 2024

Share Details

ASX code	CCV
Share price (30 October)	\$0.22
Market capitalisation	\$138.9M
Shares on issue	627M
Net debt 30-Jun-2024	\$87.8M

Share Performance (12 months)



Upside Case

- Acquire large franchisees in Australia and/or the UK to further increase corporate ownership
- Deliver loan growth in new products ahead of expectation
- Drive earnings upside from recently acquired offshore businesses

Downside Case

- Severe economic deterioration driving bad debts or prolonged increase in funding costs
- New loans not accelerating to offset SACC and GLA roll-off
- Regulatory or legal matters

Catalysts

- Acquisition of franchised stores in Aus/UK/Europe
- Ongoing proof of traction under growth strategy

RaaS Initiation Report

[Cash Converters Initiation Report 24 Jan 2024](#)

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Timothy Jugmans	Non-Executive Chair
Peter Cumins	Exec. Deputy Chair
Sam Budiselik	Managing Director/CEO
Lachlan Given	Non-Executive Director
Andrew Spicer	Ind. Non-Exec. Director
Robert Hines	Ind. Non-Exec. Director
Harry Shiner	Ind. Non-Exec. Director
Mark Ashby	Ind. Non-Exec. Director

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Exhibit 1: Financial Summary

Cash Converters (CCV)						Share price					AS	
Profit and Loss (A\$m)						Interim (A\$m)					1H25F	2H25F
Y/E 30 June	FY23A	FY24A	FY25F	FY26F	FY27F	Revenue	1H23A	2H23A	1H24A	2H24A	1H25F	2H25F
YE 30 June						Revenue	142.4	160.3	191.5	191.0	204.0	212.4
Sales Revenue	302.7	382.5	416.4	442.1	475.6	EBITDA	28.9	28.3	32.6	33.5	36.5	38.0
EBITDA underlying	57.2	69.1	74.6	83.0	98.9	EBIT	22.7	22.2	24.5	24.8	28.5	29.6
Depn & Amortn	(12.4)	(16.4)	(16.4)	(16.2)	(16.2)	NPAT (normalised)	10.5	9.2	9.5	11.3	11.2	11.6
EBIT underlying	44.8	49.3	58.1	66.8	82.8	Minorities	-	-	-	-	-	-
Interest	(15.9)	(22.4)	(24.4)	(27.4)	(30.4)	NPAT (reported)	(105.5)	9.8	9.5	7.9	11.2	11.6
Profit Before Tax	28.9	26.8	33.7	39.4	52.3	Dividend (cps)	1.00	1.00	1.00	1.00	1.00	1.00
Tax (adj)	(8.7)	(9.5)	(9.8)	(11.4)	(15.3)							
Minorities	0.0	0.0	0.0	0.0	0.0							
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0							
NPAT pre significant items	20.2	20.8	22.8	26.7	35.8	Divisions	FY23A	FY24A	FY25F	FY26F	FY27F	CAGR
Significant & non-cash items	(117.3)	(3.4)	0.0	0.0	0.0	Store Operations	142.0	150.1	176.2	191.5	208.3	10%
NPAT (reported)	(97.0)	17.4	22.8	26.7	35.8	Personal Finance	114.0	106.8	112.7	116.4	130.2	3%
						Vehicle Finance	15.0	18.6	8.7	5.6	0.0	-100%
						Head Office Other	6.4	7.2	7.0	7.4	7.7	5%
						NZ	13.8	25.1	25.9	27.0	29.0	20%
						UK	11.4	74.8	85.8	94.2	100.4	72%
Cash flow (A\$m)						Group revenue	302.7	382.6	416.4	442.1	475.6	12%
Y/E 30 June						Store Operations	20.6	24.3	25.4	27.6	30.0	10%
EBITDA	57.2	69.1	74.6	83.0	98.9	Personal Finance	50.6	44.6	46.2	52.4	66.4	7%
Interest	(10.9)	59.1	(24.4)	(27.4)	(30.4)	Vehicle Finance	6.1	8.2	4.4	2.2	0.0	-100%
Tax	(10.9)	(9.5)	(9.8)	(11.4)	(15.3)	NZ	(0.8)	2.0	2.5	3.2	3.7	<i>na</i>
Working capital changes	(46.9)	(44.7)	(28.0)	(35.0)	(34.5)	UK	3.3	12.8	15.4	17.0	19.1	55%
Operating cash flow	(11.5)	38.5	10.4	10.2	18.4	Head Office	(22.5)	(22.8)	(19.3)	(19.3)	(20.2)	-3%
Capex	(3.0)	(4.6)	(3.1)	(3.2)	(3.3)	Group EBITDA	57.2	69.1	74.6	83.0	98.9	15%
Free cash flow	(14.5)	33.9	7.3	7.0	15.1	Margins, Leverage, Returns	FY23A	FY24A	FY25F	FY26F	FY27F	
Acquisitions/Disposals	(13.8)	(24.3)	(8.0)	(8.0)	(12.0)	EBITDA	18.9%	18.1%	17.9%	18.8%	20.8%	
Other	(14.3)	(9.9)	(8.8)	(9.2)	(9.7)	EBIT	14.8%	12.9%	14.0%	15.1%	17.4%	
Cash flow pre financing	(42.6)	(0.3)	(9.4)	(10.2)	(6.5)	NPAT pre significant items	6.7%	5.4%	5.5%	6.0%	7.5%	
Equity	0.0	0.0	0.0	0.0	0.0	Net Debt (Cash)	65.4	87.8	125.1	147.3	166.4	
Debt	68.0	0.0	14.5	25.0	25.0	Net debt/EBITDA (x)	1.1	1.3	1.7	1.8	1.7	
Dividends paid	(12.6)	(12.6)	(12.6)	(16.1)	(19.9)	ND/Equity (%)	31.7%	41.5%	56.7%	63.7%	67.3%	
Net cash flow for year	13.4	(12.9)	(7.5)	(1.3)	(1.5)	EBIT interest cover (x)	2.8	2.2	2.4	2.4	2.7	
						ROA	9.7%	10.7%	11.8%	12.7%	14.6%	
						ROE	7.7%	10.0%	10.5%	11.8%	15.0%	
						ROIC	15.0%	17.3%	18.0%	18.4%	20.9%	
Balance sheet (A\$m)						Pricing	FY23A	FY24A	FY25F	FY26F	FY27F	
Y/E 30 June						No of shares (yle) (m)	625	627	627	656	656	
Cash	71.6	56.3	49.9	52.7	58.6	Weighted Av Dil Shar (m)	646	656	656	656	656	
Accounts receivable	3.6	4.7	4.7	5.0	5.4	EPS Reported cps	(15.5)	2.7	3.5	4.1	5.5	
Inventory	26.5	33.0	35.3	39.2	42.6	EPS Normalised/Dilt cps	3.1	3.2	3.5	4.1	5.5	
Other current assets	184.6	184.5	190.5	216.4	231.4	EPS growth (norm/dil)	(6.5%)	2.2%	10.3%	17.3%	34.1%	
Total current assets	286.2	278.5	280.4	313.2	338.0	DPS cps	2.0	2.0	2.0	2.5	3.0	
PPE	6.6	10.7	8.9	8.3	8.0	DPS Growth	0%	0%	0%	23%	23%	
Intangibles and Goodwill	23.8	33.1	44.3	41.4	48.5	Dividend yield	8.9%	8.9%	8.9%	10.9%	13.4%	
Loan Receivables	42.7	58.2	61.7	62.4	67.5	Franking	100%	100%	100%	100%	100%	
Deferred tax asset	29.7	31.3	29.0	29.0	29.0	PE x	7.3	7.1	6.4	5.5	4.1	
Other non current assets	53.7	66.3	79.9	89.2	95.5	EV/EBITDA x	3.7	3.4	3.7	3.6	3.2	
Total non current assets	156.4	199.6	223.7	230.2	248.4	FCF/Share cps	-2.3	5.4	1.2	1.1	2.3	
Total Assets	442.7	478.0	504.2	543.4	586.4	Price/FCF share x	-	9.7	4.2	19.3	21.1	9.8
Accounts payable	19.0	27.2	25.6	28.4	30.9	Free Cash flow Yield	(10.3%)	24.0%	5.2%	4.7%	10.3%	
Short term debt	109.0	104.0	131.3	150.0	168.8	Price/Book x	1.0	1.1	1.2	1.3	1.3	
Tax payable	0.3	3.9	1.5	1.5	1.5							
Other current liabilities	19.1	20.5	17.6	17.6	20.6							
Total current liabilities	147.4	155.7	176.0	197.5	221.7							
Long term debt	27.9	40.1	43.8	50.0	56.3							
Other non current liabs	60.8	70.9	63.6	64.5	61.1							
Total long term liabilities	88.8	111.0	107.4	114.5	117.4							
Total Liabilities	236.2	266.7	283.4	312.0	339.1							
Net Assets	206.5	211.4	220.8	231.4	247.3							
Share capital	249.9	250.5	251.2	251.2	251.2							
Accumulated profits/losses	(53.2)	(48.4)	(38.6)	(28.1)	(12.1)							
Reserves	9.8	9.2	8.2	8.2	8.2							
Minorities	0.0	0.0	0.0	0.0	0.0							
Total Shareholder funds	206.5	211.4	220.8	231.4	247.3							

Source: RaaS estimates; Company data for actuals

FINANCIAL SERVICES GUIDE

RaaS Research Group Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415, of

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