

Business Update –Trading Momentum & Strategic Execution

Cash Converters International Limited (ASX: CCV) (“Cash Converters” or “the Company”) is pleased to provide the following FY 2021 business update as at 31 May 2021.

FY 2021 Update:

- ***Strong growth rates in personal lending outgoings, loan books growing.***
- ***Vehicle finance product re-launched, outgoings growing in recent months.***
- ***Corporate and franchise store network acquisition and expansion continues.***
- ***New financial product development progressing well.***
- ***Operational efficiency delivering savings, collections function now back in-house.***
- ***Strong balance sheet, commitment to sustainable dividend payments.***
- ***May 2021 cash balance \$73.3 million, undrawn funding facility line of \$79.8 million***

Managing Director, Sam Budiselik, stated, “The performance of our underlying business throughout FY 2021 has been extremely impressive considering the substantial impact of COVID-19 on our loan books, with Government stimulus payments impacting borrower demand and accelerating loan book repayments in the first half of FY 2021 (as outlined previously with the H1 FY 2021 results commentary¹). Whilst borrower demand and business activity throughout the second half of FY 2021 has largely recovered, the expectation of a softer second half earnings result is due to these COVID-19 related factors.

“It is important to highlight this outcome as the business has traditionally experienced a stronger seasonally driven second half earnings profile, a trend that is expected to resume throughout FY 2022, as borrowing demand continues to recover and loan book growth is forecast to continue.”

“The strength of our business model has remained particularly evident over the past 12 months. A unique model that is difficult to replicate, our customer service proposition has been successfully integrated with our physical stores operating in tandem with industry leading online digital assets, powering revenue growth across our retail and lending businesses.”

“We have also continued to succeed in progressing the strategic pillars of Australian network expansion, new product development and operational excellence by progressing several key franchise store acquisitions, opening new greenfield stores and piloting new finance products. Executing a sensible growth strategy remains a key focus of the management team with increasing profitability anticipated throughout FY 2022 and beyond.”

“The disciplined evaluation of investment opportunities and allocation of capital continues and with a strong balance sheet in place the Board remains committed to the resumption of regular dividend payments, following the declaration of a fully franked interim dividend of 1 cent per fully paid ordinary share at the half-year ended 31 December 2020 (H1 FY 2021).”

¹ H1 FY 2021 results commentary released to the ASX on 25 February 2021.

Combined Gross Loan Book Growth +14% (31 May 2021 compared to 31 Dec 2020)

Total gross loan books have increased over the second half of FY 2021, up 14% to \$171.6m (as at 31 May 2021, up from \$151.1m at 31 Dec 2020 – see Table 1 below). Management has continued to execute a deliberate loan book diversification strategy, with the Medium Amount Credit Contract (MACC²) gross loan book increasing 51% on 31 Dec 2020, now comprising 27% of the total gross loan book (up from 20% compared to 31 Dec 2020). The continued growth of the MACC loan book can be expected, in addition to the continued recovery of the secured vehicle finance loan book.

Table 1: Gross Loan Book Values

		30 Dec 2019 ("Pre-COVID")	30 Jun 2020	31 Dec 2020	31 May 2021 ³	Loan Book Growth ³ months to May 2021
Small Amount Credit Contracts (SACC ⁴)	Loan Book	\$89.4m	\$61.2m	\$57.4m	\$65.7m	+14%
	% Total Loan Book	41%	38%	38%	38%	
Medium Amount Credit Contracts (MACC)	Loan Book	\$46.3m	\$31.2m	\$30.2m	\$45.6m	+51%
	% Total Loan Book	21%	20%	20%	27%	
Green Light Auto (Vehicle Finance)	Loan Book	\$65.7m	\$58.3m	\$47.5m	\$43.1m	-9%
	% Total Loan Book	30%	36%	31%	25%	
Pawn Broking* (Corporate Stores)	Loan Book	\$18.1m	\$9.3m	\$16.0m	\$17.2m	+8%
	% Total Loan Book	8%	6%	11%	10%	
Total Gross Loan Book		\$219.5m	\$160.0m	\$151.1m	\$171.6m	+14%

* Including interest accruals.

Strategy Update

The investment framework has been enhanced to ensure the continued disciplined evaluation of all potential investment and capital allocation opportunities, prioritised on an internal rate of return basis. Franchise store acquisitions, loan book funding from cash reserves and funding diversity remain priority initiatives as the Company has continued to successfully execute on the strategic plan outlined to the market at H1 FY 2021.

Australian Store Network Expansion

Acquiring franchise stores provides the Company with a unique opportunity to deploy capital to generate above hurdle returns, with the acquired assets seamlessly folding into the corporate store network. Throughout the course of FY 2021 the Company has acquired (or entered into arrangements to acquire) six franchise stores; in New South Wales (2); Northern Territory (2); Western Australia (1) and Victoria (1). Two new corporate greenfield hybrid stores were also opened; one in Western Australia and one in Victoria, with the acquisition and expansion strategy one of continued disciplined growth as we continue to expand our distribution network to reach new customers.

² Medium Amount Credit Contract (MACC) is a regulated unsecured personal loan product, transacted in-store and online, up to \$5,000.

³ Unaudited management accounts at 31 May 2021

⁴ Small Amount Credit Contract (SACC) is a regulated unsecured personal loan product, transacted in-store and online, up to \$2,000. SACC includes Cash Converters 'Personal Loan' and 'Cash Advance' products combined.

Product Development

Dealing with so many customers in the personal lending market provides an opportunity to leverage data analytics to generate new product insights, optimise default rates and offer risk rated pricing. This capability provides an opportunity to address new markets and serve new customer segments. New non-SACC product research, development and testing continues to progress well and continuing to diversify loan books remains an ongoing priority. Cash Converters remains committed to continue offering all personal finance products under the National Consumer Credit Protection Act.

Operational Excellence

Successfully insourcing our collections function from a third-party in H2 FY 2021 now allows us to provide our unique customer service proposition to our customers across the entire value chain. This initiative is already yielding promising improvements in customer satisfaction, cure rates and overhead cost reductions.

Cash Converters will release approved and audited FY 2021 results by 30 August 2021 and will provide more detailed comments on the FY 2021 result at that time.

ENDS

Authorised for release by the Company Secretary of Cash Converters International Limited.

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