

ASX Announcement (ASX:CCV)

Managing Director & Chief Executive Officer Address

Following formal close of Annual General Meeting

Thank you, Jason, and good morning fellow Shareholders.

I would like to start by briefly summarising our achievements in financial year 2021, prior to providing an update on the earnings momentum that has continued into the first quarter of financial year 2022.

Your management team is pleased to have delivered a strong profit result for financial year 2021 in the context of a challenging social and economic environment over the past 18 months. Looking back, I am proud of what was a newly formed leadership team that came together during difficult circumstances, delivering a solid profit result by reviewing costs across the business, developing, and leveraging technology, securing funding, and optimising the operations of the business. These actions not only ensured that we remained in a strong financial position but enabled us to capitalise on opportunities to grow that ultimately presented.

To borrow a sporting adage, the past financial year felt like a game of two halves. The first half was impacted by reduced credit demand, with record levels of Government stimulus flooding our customer segment. Our retail business reported sales volumes and gross profit margins that reflected the financial support injected back into the economy.

As we moved into the second half of financial year 2021 our loan books stabilised and began to regrow as credit demand normalised, with the total gross book value up 8% during the financial year (and up 27% from the low in September 2020).

The return on years of investment in our digital assets was realised as COVID lockdowns took hold in Australia, with online lending increasing 13% and online retail sales turnover increasing 14%, on the previous year. Importantly this investment ensured our customers could access our products online with business continuity largely maintained as a result.

Having now once again established our own collections function it was pleasing to observe promising early improvements in recoveries, which will continue to contribute to better outcomes for all stakeholders in our business.

I wanted to take this opportunity to thank everyone across our business who contributed to this result – particularly our store colleagues who safely operated our corporate and franchise stores across the globe, ensuring that we were there when our customers needed us most.

Business Update - Q1 FY 2022 (at 30 September 2021)

I will now turn to our recent trading performance to provide an update on the first quarter of the new financial year 2022. Unless otherwise stated, comparisons to the previous corresponding period (pcp) refer to the first quarter of the prior financial year 2021 (as at 30 September 2020).

We have had a pleasing start to the new financial year with first quarter consolidated revenue of \$55.4m resulting in EBITDA of \$15.5m.

The strength of this first quarter was a result of our diversified business model, with unexpected and prolonged lockdowns in NSW and VIC having a significant negative impact on our results. Positively, our Personal Finance business exceeded expectations, as earnings quality continued to benefit from historically low bad debt levels and continued online lending growth. Personal and vehicle loan origination was up 85% on a pcp basis, reaching \$49.9m (Q1 FY 2021: \$21.6m).

Our store retail sales and pawnbroking book values were lower than forecast, but we remain cautiously optimistic that state governments will continue to lift lockdowns as vaccination rates increase, and that this important part of our business will return to more normal trading conditions.

Gross Loan Books

A table summarising the value of our loan books is displayed on screen and is included in the documents lodged on the ASX this morning.

Gross Loan Book Values

		Q1 FY 2021	Q4 FY 2021	Q1 FY 2022	Q-o-Q	Y-o-Y
SACC	Loan Book	\$48.8m	\$67.6m	\$58.9m	-12.9%	20.7%
	% of Total	34.7%	37.9%	35.2%		
MACC	Loan Book	\$25.7m	\$49.4m	\$51.7m	4.7%	101.4%
	% of Total	18.3%	27.7%	31.0%		
GLA	Loan Book	\$55.2m	\$44.3m	\$43.1m	-2.6%	-21.9%
	% of Total	39.3%	24.9%	25.8%		
PB (Corp)	Loan Book	\$10.8m	\$16.8m	\$13.3m	-21.0%	22.9%
	% of Total	7.7%	9.5%	8.0%		
Total Gross Loan Book		\$140.5m	\$178.1m	\$167.0m	-6.2%	18.9%

As outlined previously we continue to leverage our data analytics and dominant market position to reach new customers and we remain committed to providing longer term, lower cost loan solutions to customers. To that point our focus on the \$2,000 to \$5,000 borrowing range continues with the Medium Amount Credit Contract (MACC) loan book growing 4.7% across the quarter and is now up 101% on a pcp basis. Serving the borrowing needs of employed customers has seen this Loan Book grow rapidly over the past 12 months, with a strong credit profile across the loan book and our proprietary credit risk models deployed to ensure yield optimisation as the book continues to grow.

Green Light Auto (GLA), provides vehicle finance through an established network of brokers and car dealers, together with a direct to customer offering. The release of a new online portal with integrated banking and credit data enables us to now generate an indicative rate to our partners, with applications fully approved within minutes and funded within the hour.

To give the re-launch of this business some context, in October 2020 GLA financed approximately \$150,000 in car loans, in September 2021 we funded more than \$1.3m and we expect the GLA book to resume growing across the second half of the financial year.

As we head into the second quarter of the financial year, we are preparing for a busy Christmas period with lockdowns hopefully ending and demand for credit continuing to increase.

Strategy Update

We continue a disciplined execution of our strategy with new product development, network expansion and operational excellence initiatives progressing well. Looking forward we anticipate continued MACC Loan Book growth, continued vehicle finance lending growth and the contribution from new product development, as we establish new and growing loan books.

A new *Earned Wage Access* (EWA) online only product innovation called *PayAdvance* was successfully piloted during the quarter, designed as a simple low-cost advance on earned income. This product is repaid in a single low cost (5%) instalment and intended to address a short-term customer need, whilst introducing new customers to our longer term, lower cost loan products. The product has now been released to market and is beating internal plan expectations. Based on our internal research we see this product appealing to over 100,000 new and existing customers over time. We continue to innovate and develop the next generation of longer-term lower-cost finance products, as outlined in our full year presentation.

The store network also continues to serve as an important distribution channel for our products, with the acquisition of three franchise stores in Victoria (in Geelong, Corio and Dandenong) meeting our investment return hurdles, and importantly allowing us to grow in regions where we have historically been underrepresented. As demographic changes occur over time, we believe we are well placed to further invest in certain regions, deploying a new smaller store concept that has been successfully trialled over the past 18 months. We now have six of these stores operating, focused on lending and high value retail trading and we remain committed to expanding our domestic network to reach more customers.

Finally, we continue to observe the recovery of our international franchise operations as the ongoing economic impacts of COVID wane.

Several acquisition opportunities are also currently being assessed, to strategically grow our domestic business and to realise the value of our international network. All investment opportunities are captured within a formal investment decisioning framework overseen by a Board Investment sub-committee and if determined strategically aligned, undergo a thorough due diligence process that includes assessing against return hurdles (benchmarked to a post-tax discount capital cost rate of at least 10.6%).

Outlook

Cash Converters' unique business model continues to demonstrate its strength, leveraging an extensive store and online network to serve a growing number of customers within Australia – and overseas.

The Company remains well capitalised, with a strong balance sheet and facility borrowing capacity available to support loan book growth.

We remain focused on product innovation, leveraging our technology to expand our customer reach and drive loan origination growth, in the process establishing new loan books to further diversify our revenue base moving to longer term, lower loss (and cost) finance products.

We also continue to explore exciting partnership opportunities, such as that recently announced with the global hypermarket operator *Carrefour*, contributing in a meaningful way to reducing manufacturing and landfill by facilitating a circular economy. Managed by Cash Converters, this 'store within a store' concept is intended to 'facilitate sustainable consumerism' buying and selling second-hand items, with a 'large scale' rollout planned according to Carrefour (which has a network that exceeds 12,225 stores in over 30 countries). Cash Converters remains focused on the benefit that re-use delivers to the environment and is actively seeking other partnerships with retailers to further this cause.

In closing, I would like to thank my colleagues across the business, for their unwavering focus on our customers and to our shareholders I thank you for your continued support and look forward to providing another strategy execution and trading update at the conclusion of the half year period.

That now draws our meeting to a close, thank you for your attendance.

ENDS

Authorised for release by the Board of Cash Converters International Limited.

Sam Budiselik

Managing Director & Chief Executive Officer

info@cashconverters.com

About Cash Converters

Cash Converters (ASX:CCV) is a diverse international Group generating revenue from personal and vehicle finance, retail store operations and franchising. We believe that everyone should have options in life, and we provide solutions that 'make life possible' for our customers in a responsible and transparent way.

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