# Half-Year Financial Results – H1 FY2024

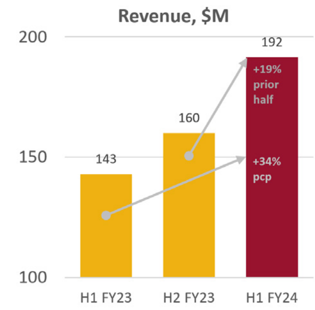
## Focused Strategy Building Scale - Powering Revenue and Earnings Growth

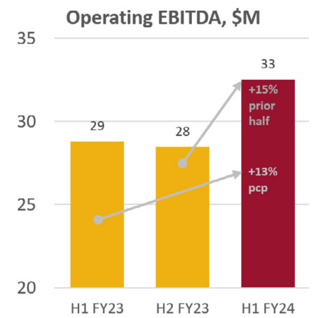
| Group Operating Results $m | H1 FY2024 | H1 FY2023 (pcp) | % |
|---|---|---|---|
| Revenue | 191.5 | 142.7 | +34% |
| Operating EBITDA | 32.6 | 28.8 | +13% |
| Operating Net Profit After Tax | 9.8 | 10.3 | -5% |
| After tax operating adjustments: non-cash impairment items & normalised costs | 0.1 | (116.0) | - |
| Statutory Net Profit After Tax | 9.9 | (105.7) | - |
| Gross Loan Book | 294.4 | 256.1 | +15% |
| Cash and Cash Equivalents | 48.8 | 66.6 | -27% |

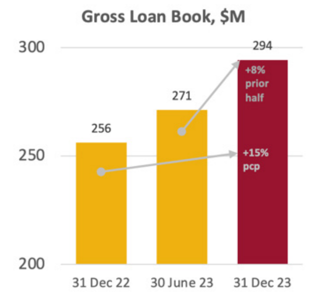


## Highlights

- **Revenue up 34% pcp to $191.5m** – driven by continued loan book growth, Australian corporate store performance and inclusion of strong trading results from the UK franchise network acquisition (Capital Cash) completed in early July 2023.
- **Operating EBITDA up 13% pcp to $32.6m and Operating NPAT of $9.8m** – earnings growth delivering statutory net profit of $9.9m, despite the transition away from high margin Small (SACC)[1] Loans and increased funding costs.
- **Gross Loan Book up 15% pcp to $294.4m** – strong credit demand continued throughout H1 FY2024, with Principal Advanced (new funds lent out) up 15% pcp:
  - Medium[2] & Vehicle[4] loan books growing strongly;
  - New loan product released (LoC[3]) and loan book growing;
  - Small Loan product strategic reposition off the back of legislative change - now accounting for only 21% of total loan book down from 32% a year ago;
  - Net Loss Rates[7] remain in line with expectations - steady at 9.0% vs 8.6% in H1 FY2023.
- **AUSTRAC enforceable undertaking finalised** confirming robust compliance systems in place.
- **Balance sheet remains strong** with Cash and Cash Equivalents of $48.8m after funding loan book growth and settlement of the United Kingdom and Australian franchise acquisitions.
- **Net Tangible Assets** of 28 cents per share.
- **Dividend** of 1 cent per share fully franked declared for H1 FY2024 representing the seventh consecutive half-year dividend.




**Cash Converters Managing Director, Sam Budiselik stated:**

‘‘Delivering a first half statutory net profit after tax of $9.9m was extremely pleasing, considering the transition from Small Loans that commenced with industry wide regulatory changes implemented in June 2023. These changes impacted the Small Amount Credit Contract (SACC) loan product only, and throughout the half the share of Small Loans continued to decrease as a proportion of our total gross loan book (now down to 21% from 32% pcp).

Our strategy remains focused on building scale in our core businesses, leveraging our proprietary underwriting and credit model technology and continuing to expand our network reach - as we continue **growing loan books** and **acquiring franchise stores globally**.

Across the first half it was pleasing to see the contribution of these strategic initiatives, namely the release and growth of a new Line of Credit (LoC) loan product, acquisition of three franchise stores in Australia, and strong trading results from the recent store network acquisition in the United Kingdom.

The resulting revenue growth for the half (up 34% on pcp to to $191.5m) ensured the earnings impact of the SACC loan book reductions were mitigated, in the process establishing the foundation of what will be a larger and more resilient business over time.

Our advanced machine learning-based credit risk models are well established, enabling profitable loan book growth. The consolidated gross loan book closed the half at a record high of $294.4m (up 15% pcp). This growth has been achieved whilst Net Loss Rates[7] remain steady (9.0% vs 8.6% pcp) despite difficult economic conditions, demonstrating not only the effectiveness of our credit models, but also the prudent and caring approach of our collections team when working closely with our customers.

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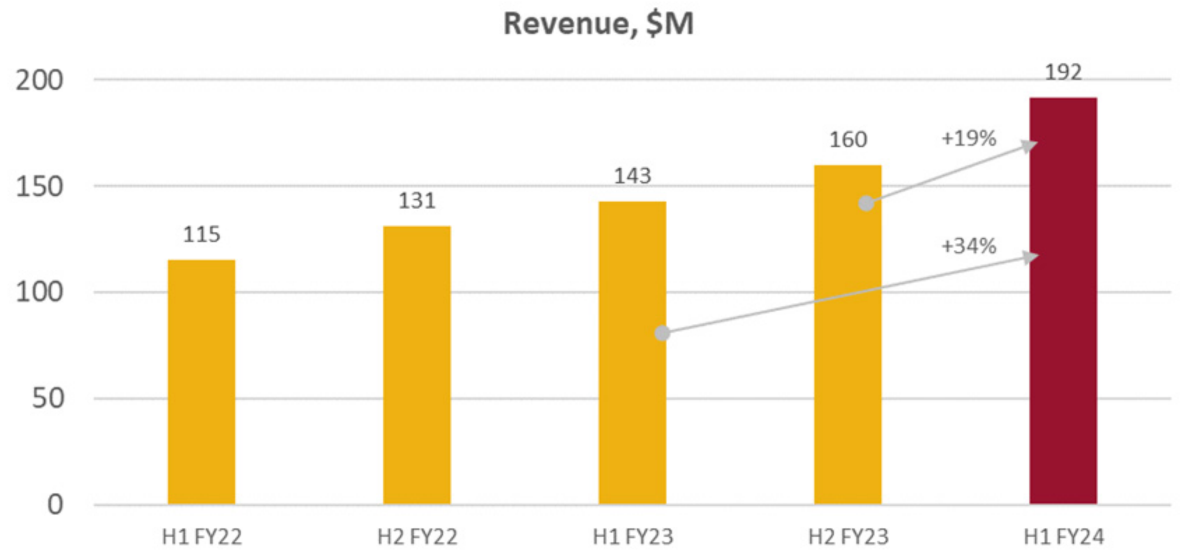
The substantial increase in interest expense (up 64% pcp at $11.2m) has not been passed on to Personal Finance customers due to regulated interest rate caps. Our statutory net profit in the period demonstrates that the business is well positioned to continue growing sustainably and profitably.

Our corporate store network continues to grow, with Australian revenue up 5.3% on pcp as our network reach expands within Australia and the United Kingdom. A changing inventory mix and focus on luxury items (handbags, watches, jewellery and technology) in certain geographies, sold from smaller footprint locations, is showing promising early signs of achieving higher gross profit margins. The repurposing of goods, that the Cash Converters global network of stores facilitates, is central to growing the ‘circular economy’ required to reduce manufacturing and address the global issue of landfill.

Finally, it is a testament to the team that the Enforceable Undertaking to AUSTRAC was successfully closed in January 2024, confirming that the growth delivered was with an internal culture of continuous improvement of our risk and compliance function, across our entire business.”

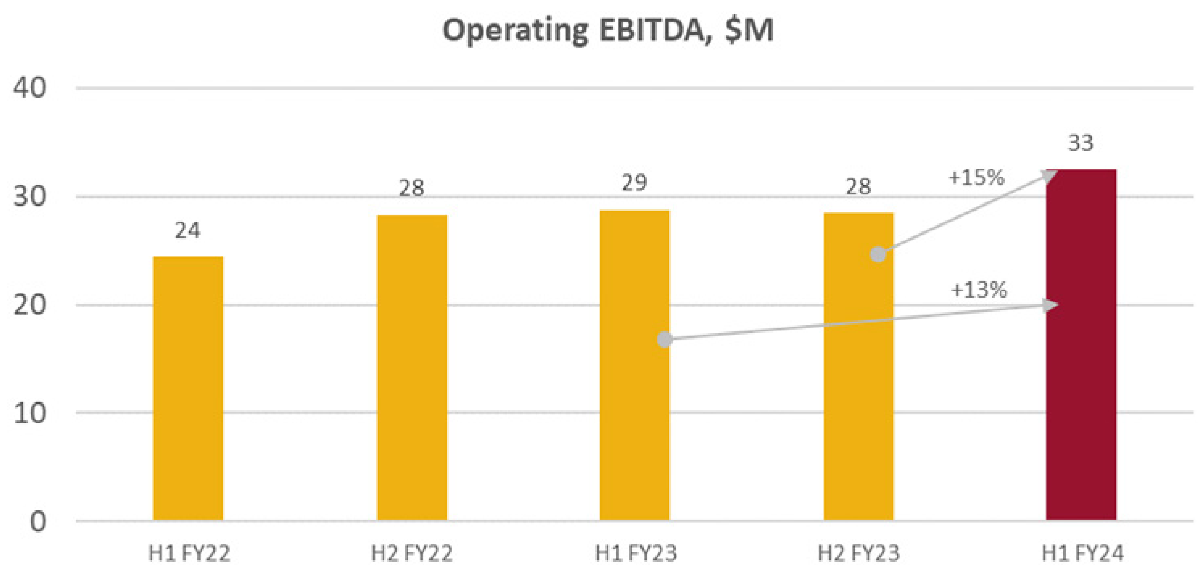
## Revenue Momentum Continues

Revenue growth continued strongly into H1 FY2024 up 34% pcp to $191.5m. Key drivers of this result were the addition of the United Kingdom acquisition of Capital Cash (UK segment revenue +$31.1m pcp); New Zealand (+$10.6m pcp) and continued improvement in domestic Australian operations (+$7.1m pcp).

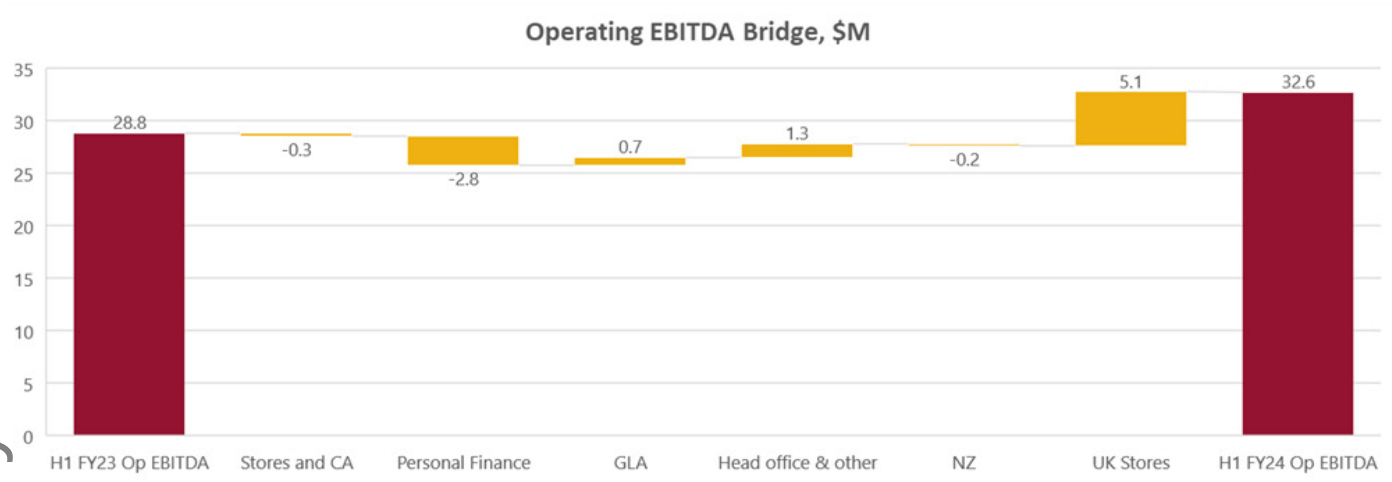



## Growing Operating EBITDA

Operating EBITDA grew 13% pcp to $32.6m (from $28.8m in H1 2023), continuing the trend of growth from FY22 through to FY24. The proportion of SACC loans within the overall loan book has declined, as has revenue from this loan product, following industry wide regulatory changes implemented in June 2023. Alternative revenue streams added, such as the United Kingdom and Australian store acquisitions, whilst lower margin than SACC, are designed to deliver the scale required to profitably grow revenue and earnings moving forward.

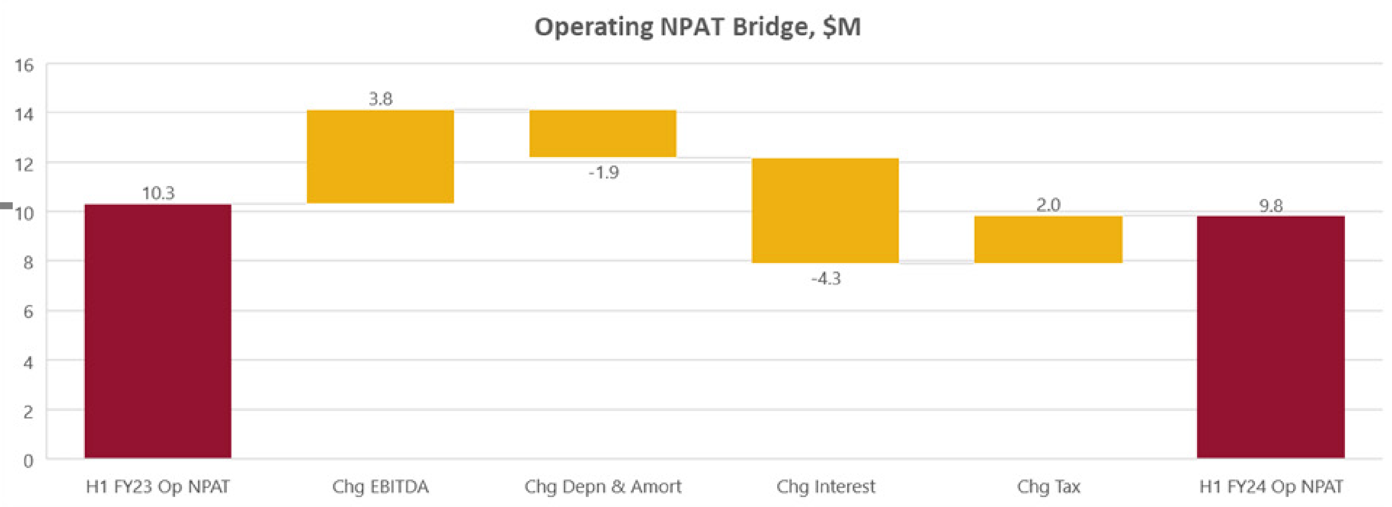


The operating EBITDA increase delivered (+13% on pcp) at a segment level, illustrated below, demonstrates the short term reduction in Personal Finance contribution due to regulatory changes outlined, offset by the United Kingdom store network acquisition, which was consolidated in July 2023.



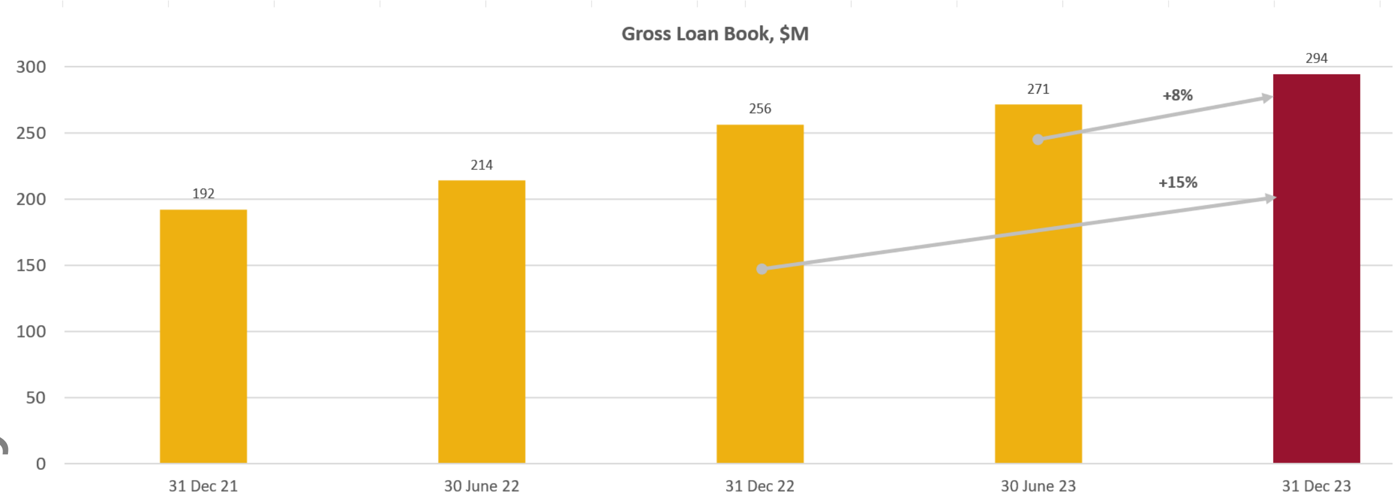

## Operating NPAT

Whilst earnings have grown on the prior corresponding period, similar to other lending businesses we have experienced rising funding costs that have not been passed through to customers. In response, focusing on managing costs that we can control, we have reduced overall head office expenses by $2.7m (down 16% on pcp basis).

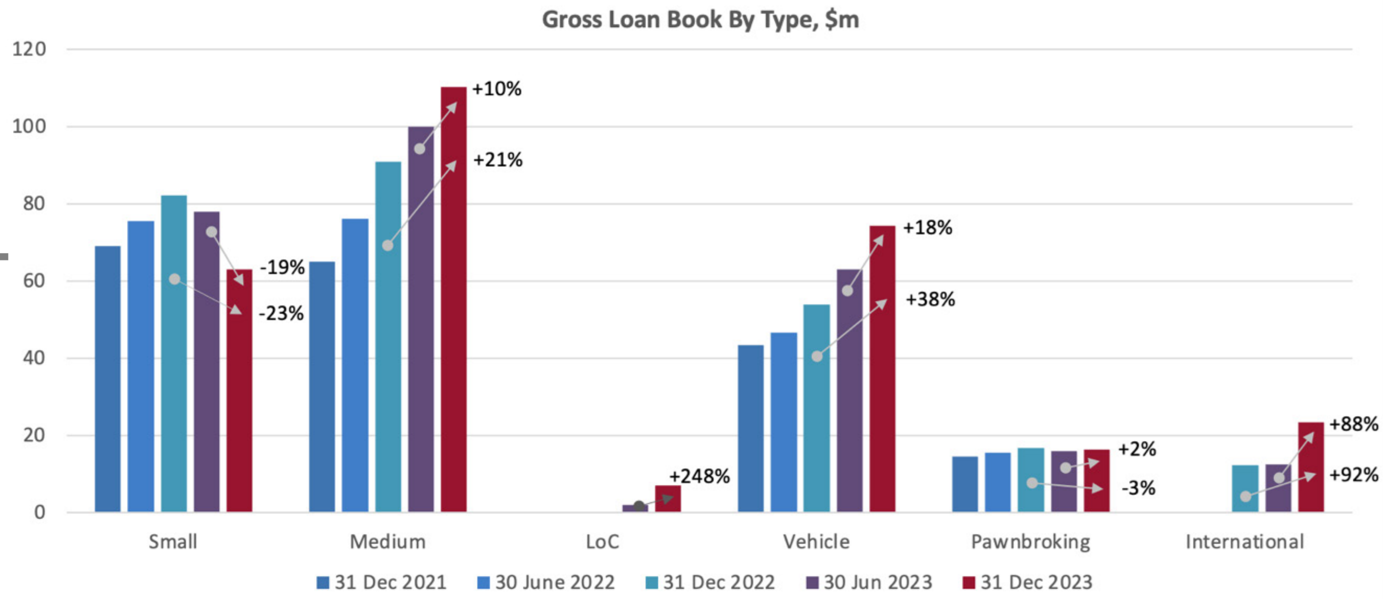



## Loan Books

The Gross Loan Book reached another record level, up to $294.4m at 31 December 2023, up 15% pcp.




The proportion of the book comprised of Small Loans has continued to reduce as anticipated, now representing 21% of total gross book value (down from 32% a year ago). The measured transition away from SACC products towards more flexible, lower cost alternatives for our customers, continues as indicated below.




The Medium loan segment grew 21% pcp to $110.2m at 31 December 2023 and our Line of Credit (LoC) product closed the half at $7.0m gross book value. Following a successful pilot, the LoC product is due to become available to all customers in Q4 FY2024 - which is expected to accelerate the LoC book growth rate.



## Loan Book Performance

Loan book performance has been steady throughout a period where household budgets have come under pressure. We continue to carefully control credit quality and Net Loss Rates have remained within expectations.

Two loan book loss related expenses impact profit or loss: 1. Historic loan Net Bad Debt Expense[8], and 2. Current loan Expected Credit Losses[9] (ECL). Net Bad Debt Expense for the half was $25.3m, up from $20.2m pcp. This was anticipated with loan book growth. Success in growing the loan book will result in an ECL expense in the same accounting period (up front expense stemming from increasing the expected loan loss provision on the balance sheet) whilst credit changes in current and prior loans written (e.g., due to missed payments) may see adjustments made. The average ECL rate (ECL divided by gross loan book) across all products at 31 December 2023 was 17% (up from 16% pcp).

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 and reflects ongoing investment in continuing to improve our credit risk models and engaging with our customers in a caring and considered manner, as a core premise of our commitment to being a responsible lender.

## Personal Finance Segment – Small, Medium and New Loan Products

The Personal Finance segment includes earnings from Small, Medium and Line of Credit unsecured loans distributed online and via the Australian and New Zealand* store networks. Small Loans consist of SACC loans and the PayAdvance product. Medium Loans consist of the Medium Amount Credit Contract (MACC) product.

Demand for credit products remained consistently strong across the half. During the first half of FY2024 we received over 390,000** applications for our Australian credit products.

## Vehicle Loan Segment (Green Light Auto)

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. Secured vehicle loans are offered via a partner (B2B) network of brokers and dealers, and also direct to borrower via our fully owned subsidiary Green Light Auto (GLA).

## Store Segment Performance

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. The Capital Cash network now forms our United Kingdom Corporate Store segment going forward, contributing $29.7m of additional revenue during H1 FY2024.

*New Zealand offers a single unsecured personal loan product up to $5,000

**Re-draws against an existing LoC facility are treated as having made an application for credit

## International Network Expansion

### United Kingdom

We are pleased to have settled the acquisition of Capital Cash during the half (July 2023). This acquisition is a key part of our strategy to expand via store network acquisitions and adds significant value to our European operations. The UK store network is performing well and the growing contribution from this strategic acquisition is evident in the results of this half.

### New Zealand

The core New Zealand store business is performing well, however the lending business is tracking behind initial expectations. We have uplifted credit risk controls in this lending business, leveraging the Australian technology and expertise to address assessment and collections functions, aimed at improving performance in this business line. We remain optimistic that New Zealand will become a profitable contributor to our consolidated business as a result.

## Strategy Update & Outlook

We are excited to continue building on the operating momentum across our business and remain focussed on leveraging our core competencies – our technology and network reach to grow our personal finance products, and continuing to acquire franchise stores in Australia and the United Kingdom.

Deploying our capital in a disciplined manner by investing for growth is an important element of securing a strong future for our Company. The maturity of our investment process gives us confidence when considering the best options for creating shareholder value over time. In consideration of the performance of acquired franchise stores to date, we believe investing our capital to ensure future growth is a compelling use of our funds as we balance growth with sustainable returns to our shareholders in the form of dividends.

## Summary Outlook – Growth Drivers:

- ✓ New loan product origination: assessment and credit platform build complete enabling new product releases;
- ✓ Diversification into new loan books, strong demand growing MACC and LoC loan books in particular;
- ✓ Net loss rates within tolerance, advanced machine learning-powered credit risk models in place;
- ✓ Additional value accretive franchise store network acquisitions opportunities in Australia and the United Kingdom;
- ✓ Balance sheet strength, continuing to invest for future growth;
- ✓ Dividend paying track record (7 consecutive half-year dividends declared).

-ENDS-

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

Use EasyUpdate (link to our share registry Computershare) to change your communication preferences, and access the InvestorCentre for any other shareholder services. Investor contact: info@cashconverters.com

## Appendix 1: Gross Loan Books

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

Loan Books are in Australian Dollars.

Notes:

[1] **Small Loans include:**

- Small Amount Credit Contract (SACC): a regulated unsecured personal loan product, transacted in-store and online, up to $2,000 and up to 12 months.
  - Cash Advance: average 6-12 week term, $500 loan amount, funds provided by store.
  - Personal Loan: average 6-9 month term, $1000 loan amount, funds provided centrally.
- PayAdvance: has a one-off fee of 5% applied upon repayment, to an advance on earned, but not yet received salary or wages, with no other fees or charges applied, up to $150.

[2] **Medium Loans include:**

- Medium Amount Credit Contract (MACC): a regulated unsecured personal loan product, transacted in-store and online, up to $5,000 and up to 24 months.

[3] **Line of Credit (LoC):** a revolving credit facility with a pre-approved credit limit, from $400 to $10,000 with a set minimum repayment over a maximum 36 month period per redraw.

[4] **Green Light Auto (GLA):** a fully owned subsidiary of CCV offering secured vehicle loans through a network of brokers and dealers. Average loan size excluding origination and establishment fees is $19.3k.

[5] **Pawnbroking Loan:** average loan size circa $195 over 1-3 months. These relate only to Pawnbroking loans originated in Australian corporate owned stores. Franchise store Pawnbroking loans are excluded as loan risk is directly held by the franchises (i.e. loan collateral is also held by the franchises).

[6] **International Loan Book:** includes pawnbroking and Personal Finance loan books for New Zealand and pawnbroking and buyback loan book for United Kingdom.

[7] **Net Loss Rate (NLR):** defined as Bad Debt Written off Expense net of Recovery of Write Offs for the quarter or half year period as applicable, compared to average Gross Loan Book for the quarter or half year period as applicable.

[8] **Net Bad Debt Expense:** consists of 'Bad Debt Written Off' net of 'Recovery of Write Offs' across loan products.

- Bad Debt Written Off: impacted by events occurring in two parts of the loan book: new loans written in the period and existing loans still running (not yet reaching maturity).
- Recovery of Write Off: Written off amounts recovered through the collections process.
- 'Bad Debt Written Off' and 'Recovery of Write Offs' may not correspond to the same accounting period. For example, 'Recovery of Write Offs' may relate to an older period of underlying loans than the underlying loans relating to 'Bad Debts Written Off'.

[9] **Expected Credit Loss:** 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.




## About Cash Converters

**Cash Converters International Limited (ASX: CCV) is an Australian based consumer lender and second-hand goods retailer with owner operated (corporate) and Franchise operated stores across Australia and overseas. Key corporate markets include Australia, New Zealand and the United Kingdom with large franchise operations spanning Europe, South Africa and parts of Asia. In total there are 680 stores operating across 15 countries.**

The business generates multiple revenue streams with a significant portion of its profit derived from its lending operations. The Cash Converters loan book is diversified and consists of multiple lending solutions ranging in duration from under one year to multiple years, secured and unsecured and loan sizes ranging from hundreds of dollars to vehicle finance.

Cash Converters is a technology driven lender, originating and managing the ongoing customer journey through the use of proprietary technology, machine learning-powered credit models and digital applications. Customer loan origination is driven by strong brand and bricks and mortar outlet stores and vehicle finance through a network of brokers and dealers.

Cash Converters' strategy is geared towards growth, recently acquiring Franchise store networks both domestically and in the United Kingdom. The Company's loan book is demonstrating significant growth as an innovative lender - bringing new lending solutions to consumers, with several recently launched loan products. The business model has successfully shown that the Company engages the customer across multiple lending solutions over time.

Cash Converters is a strong advocate of ESG 'in practice' at the consumer level. Its second-hand goods stores contribute to the 'circular economy' repurposing over 2m items in Australia annually. Its lending business adheres to the Australian National Consumer Credit Protection Act and offers customers the key protections under the responsible lending framework overseen by regulators.

To learn more, please visit: [www.cashconverters.com](http://www.cashconverters.com)