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# cashconverters



## Australian Microcap Conference

29 October 2024

Cash Converters International Limited (ASX:CCV)

# cashconverters

# What we do

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## Retail

We are the largest global store network focused on repurposing pre-owned items – **circular economy**



## Lending

Providing solutions to meet the **cash needs** of a growing, under-serviced market

- **40 years in operation**
- **Multi-channel** global in-store and online presence
- **Regulated and responsible lender**
- **Retail stores 669** stores globally and **1.7m repurposed items** in Australia alone
- **Personal lending 780,000** Australian personal loan applications p.a.

# About Us

To work together in pursuit of a world free from financial bias, where choice and opportunity is possible for all



## A diverse global business

- Earnings from a network of retail stores
- Buying and selling pre-owned goods
- A burgeoning personal finance business



## Facilitating the circular economy

- Largest worldwide store network focussed on repurposing items
- Sophisticated technology platform to make products and services available online



## Loved by our customers

- High brand awareness and customer satisfaction
- Aided brand awareness 83%<sup>1</sup>
- Net Promoter Score 50+



## Reacquiring our franchise network

- Historically grew internationally leveraging a franchising model
- Commenced a program to purchase these franchise stores back
- Focussed on Australia, New Zealand and the United Kingdom

### Financial Snapshot – 30 Jun-24

• Share Price	\$0.22
• Market Cap.	~\$138m
• Revenue	\$382.6m
• Gross loan book	\$288.0m
• Cash & Equivalents	\$56.2m
• Annual Dividend FY24	2.0 cps

Note:

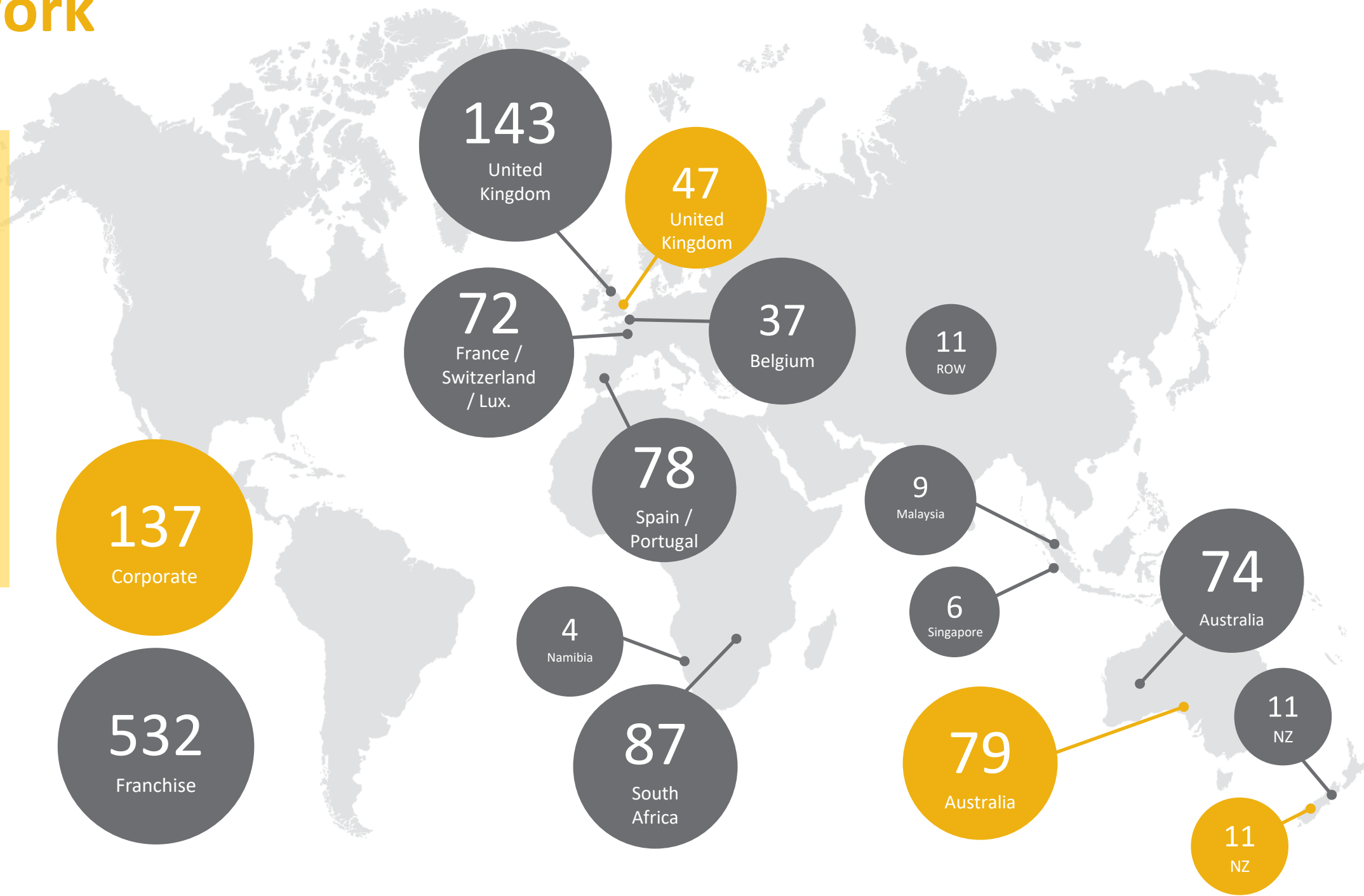
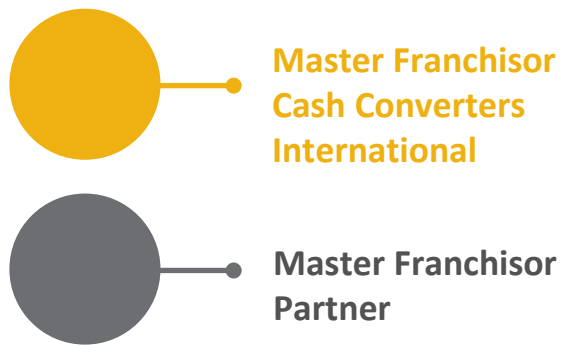
1. Source: Luma research, 2022

# Our Global Network

Across **Australia, New Zealand** and the **United Kingdom**, Cash Converters operates Corporate owned stores and is the Master Franchisor of a franchise network of stores

The balance of the international operations are run by Master Franchisors that pay a royalty for the right to the intellectual property and brand to operate a network of Cash Converters stores

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# The need for personal finance is growing

## Scale

- We are the largest operator offering small and medium loans in our markets

## Growing market

- Target market spanning sub-prime and near-prime borrowers in Australia estimated at over \$4b<sup>1</sup>

## Innovation

- New “Line of Credit” product allows us to expand market share with a lower cost product

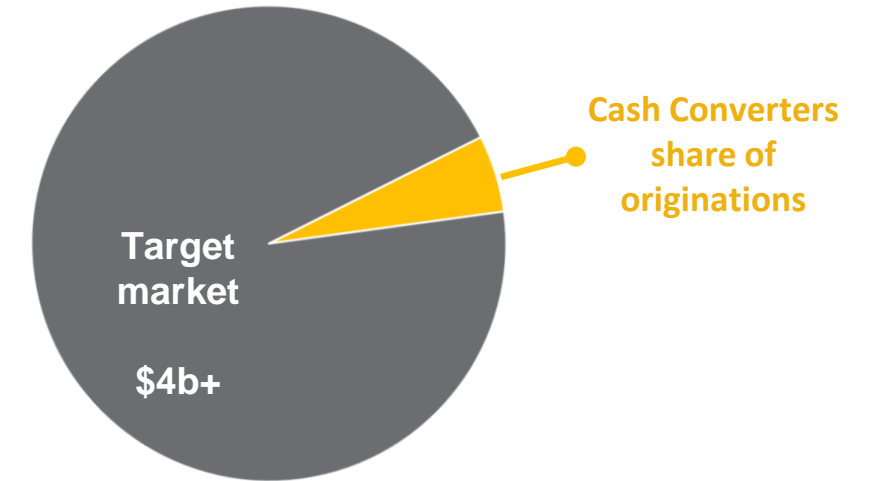
## Profile

- Customers borrowing from us are typically younger (79%<sup>1</sup> 45 and under) and not well serviced by the Big 4 banks

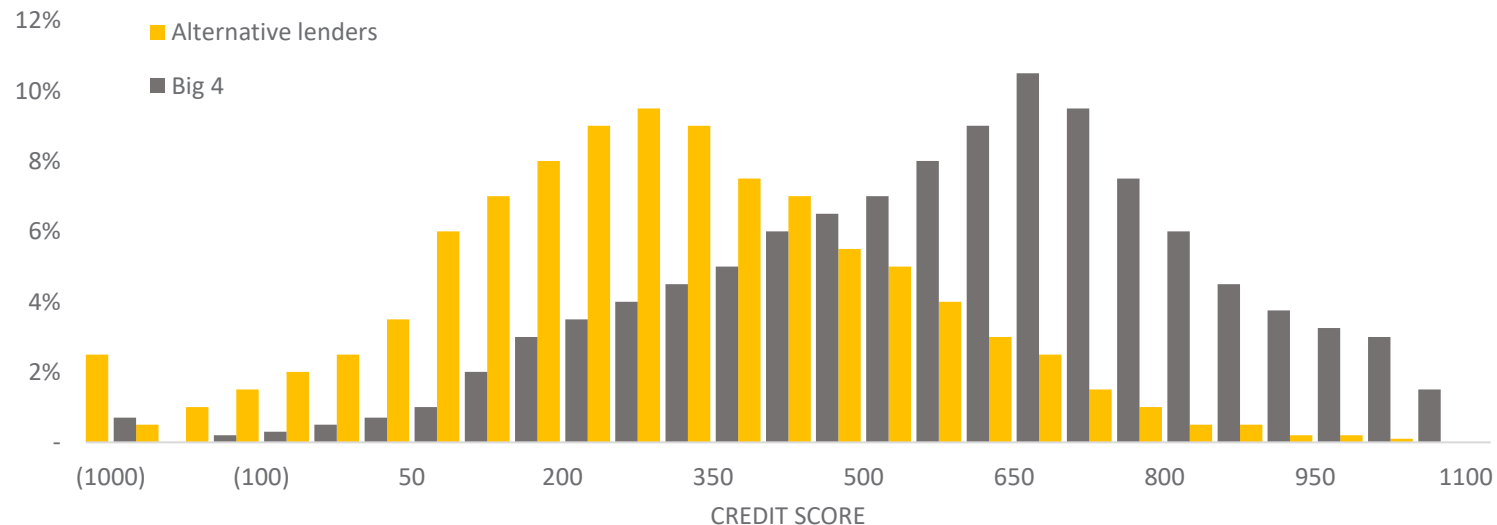
## Purpose

- Responsibly offer those customers choice and opportunity without bias

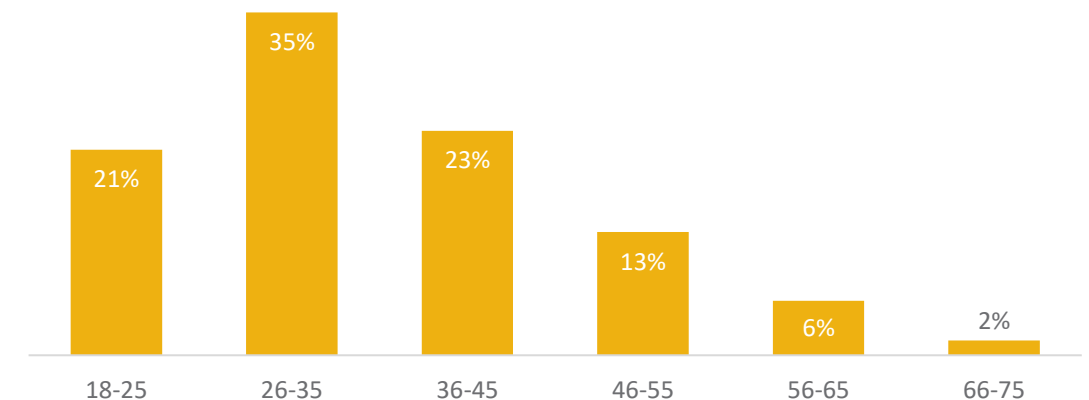
Australian near-prime and sub-prime credit originations



Finance Application - Credit Score distribution



Loan Applicant Age



Note:

- Source: Equifax report April 2024, credit originations CY23
- The information presented in this slide refers to the Australian personal finance segment

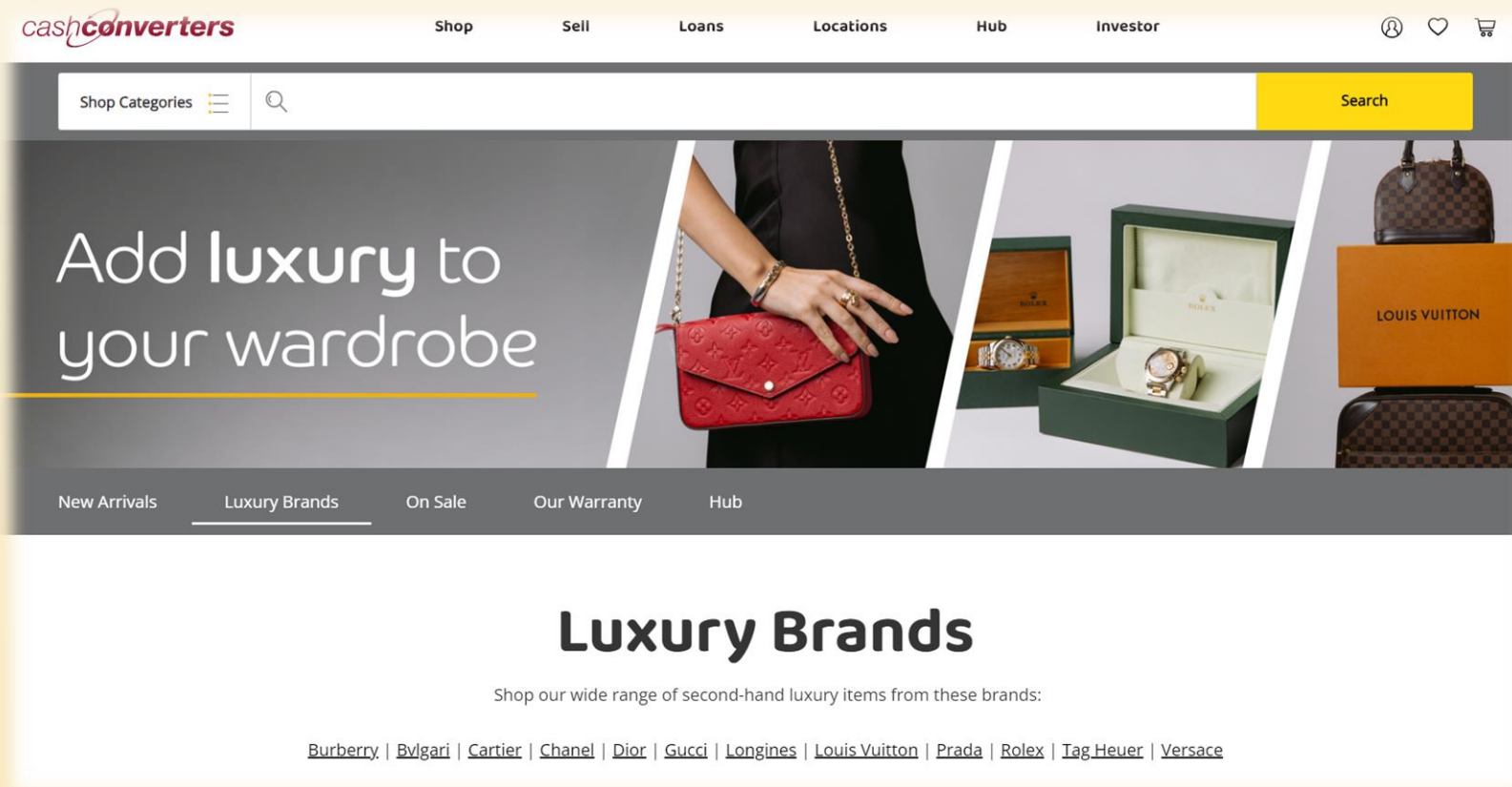


# Retail

## Pre-owned retail is changing

- Growing luxury goods focus
- AI-powered solutions for product verification enabling confident trade in high-end luxury markets
- Luxury focused store concepts underway

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PB-SHD 2025 Conditional to successful ID verification. Entrupy authentication is not available in all locations and

# Prahan store walkthrough video

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Prahan, VIC

3/233

cash converters

Mon - Fri: 9.30am - 5.30pm  
Sat: 10.00am - 5.00pm  
Sun: Closed

Phone: 9230 7309



# Our Technology

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- Proprietary machine learning based credit risk tools, trained using over 170m data points



- Over 770,000 loan applications scored and assessed in FY24



- Open Banking, New Payments Platform, Custom Banking Infrastructure



- AI enabled product authentication enabling new markets



- App and mobile website deployed, customer self-service and payment portals in place



Note:

1. The information presented on this slide refers to the Australian technology platform



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## Our strategy

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# Growth Strategy

Risk managed, customer centric growth

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## Inorganic Expansion

- Well established franchise network helped grow our business
- Acquire AUS & UK franchisees
- Greenfield site expansion
- Grow European 'Hub' (UK)



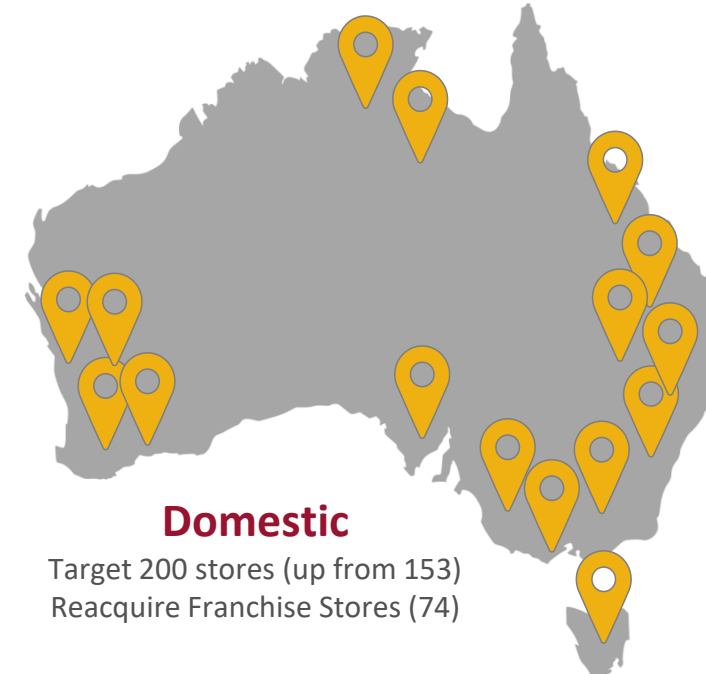
## Organic Optimisation

- Grow loan books
- Leverage AI powered credit models
- Optimise operational cost base
- Profitable and paying dividends



## Customer & Product

- Enhance customer life-time value
- Innovative new product releases
- Reach new, younger customer segments
- Loyalty reward & recognition
- Lowering costs to customers

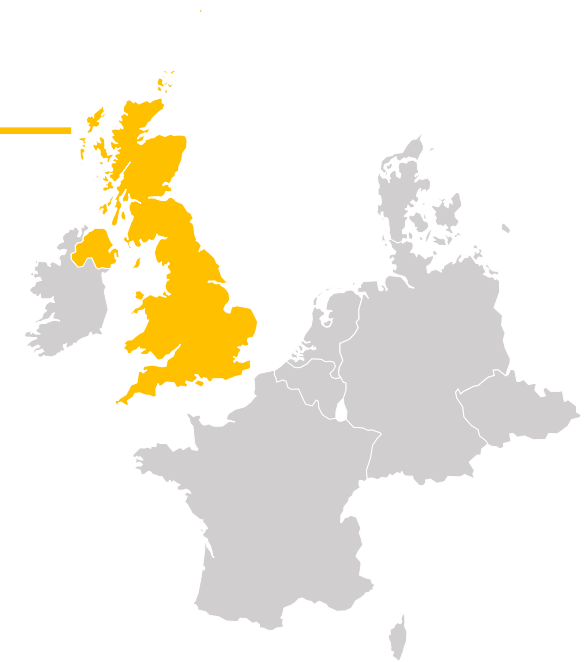


# Store Acquisition

Strong track record, well known targets and demonstrated profit contribution

## United Kingdom

- 42 stores acquired in Jul-23, contributing \$3.4m PBT in FY24
- A further 5 stores acquired June 2024
- Forward pipeline of 12 stores under immediate consideration with further opportunities available
- Number of Franchise stores: **143**



## Australia

- 3 stores acquired through FY24, contributing \$0.3m PBT
- Excellent acquisition track record with store acquisitions made between FY21 and FY24 delivering **98% of target NPAT** in FY24 (\$2.1m)
- Forward pipeline of 39 further stores under consideration
- Number of Franchise stores: **74**



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# Financial Highlights

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# Key Highlights

## FY2024

**\$382.6m**

Revenue



Up 26% on pcp  
FY23: \$302.7m

**\$288.0m**

Gross Loan Book



Up 6% on pcp  
FY23: \$271.4m

**\$69.1m**

Operating EBITDA



Up 21% on pcp  
FY23: \$57.2m

**\$20.8m**

Operating NPAT



Up 4% on pcp  
FY23: \$20.1m

**1c per share**

Half-year dividend  
paid



8<sup>th</sup> straight half-year  
dividend declared

## Q1 FY25

**\$95.8m**

Revenue



Up 0.9% pcp  
Q1 FY24: \$95.0m

**\$273.6m**

Gross Loan Book



Down 2% pcp  
Q1 FY24: \$279m

**3.7%**

Net Loss Rate



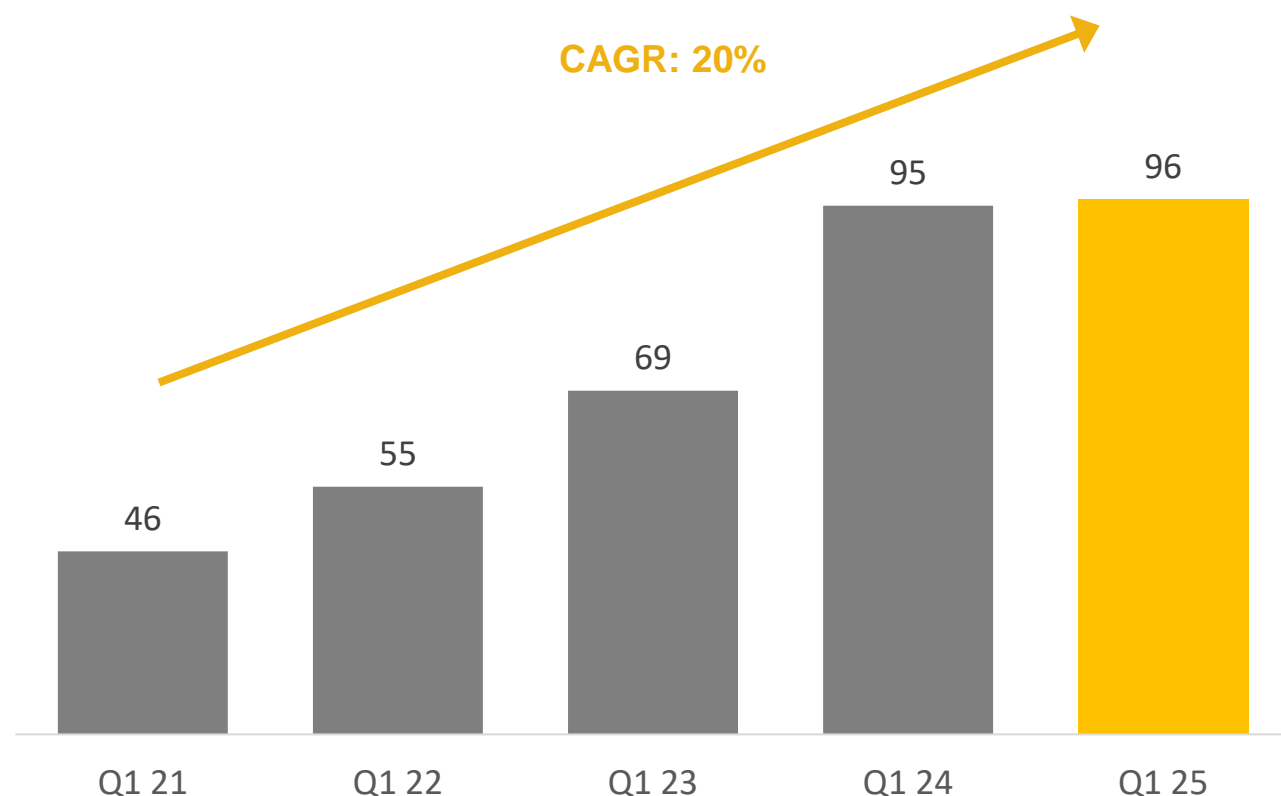
Down on pcp  
Q1 FY24: 4.8%

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# Revenue

Revenue momentum positions us well to achieve our strategic goals

Quarterly Revenue (\$m)



Highlights

- Quarterly revenue increased by 1% on pcp to \$95.8m driven by strong UK trading results and continued momentum in the Australian business:
  - **Stores:** Aus and UK retail store revenue up on pcp 5.9% and 17.7% respectively
  - **Lending:** product mix changes continue, with the ongoing run-down of the GLA (auto) portfolio and the transition away from small amount credit contracts (“SACC” loans, sometimes referred to as “payday” loans) to more flexible, lower cost, longer term loans
- Our company-owned store network has expanded following the acquisition of franchise stores across Australia and the UK. In FY24 we acquired three stores in Australia and achieved significant international growth with the strategic acquisition of 47 stores in the UK
- Our strategy of continuing to acquire stores in our franchise network is yielding results, with the UK store segment representing 20% of consolidated revenue in FY24. There are 143 further franchise stores in the UK and 74 in Australia providing earnings growth optionality over time

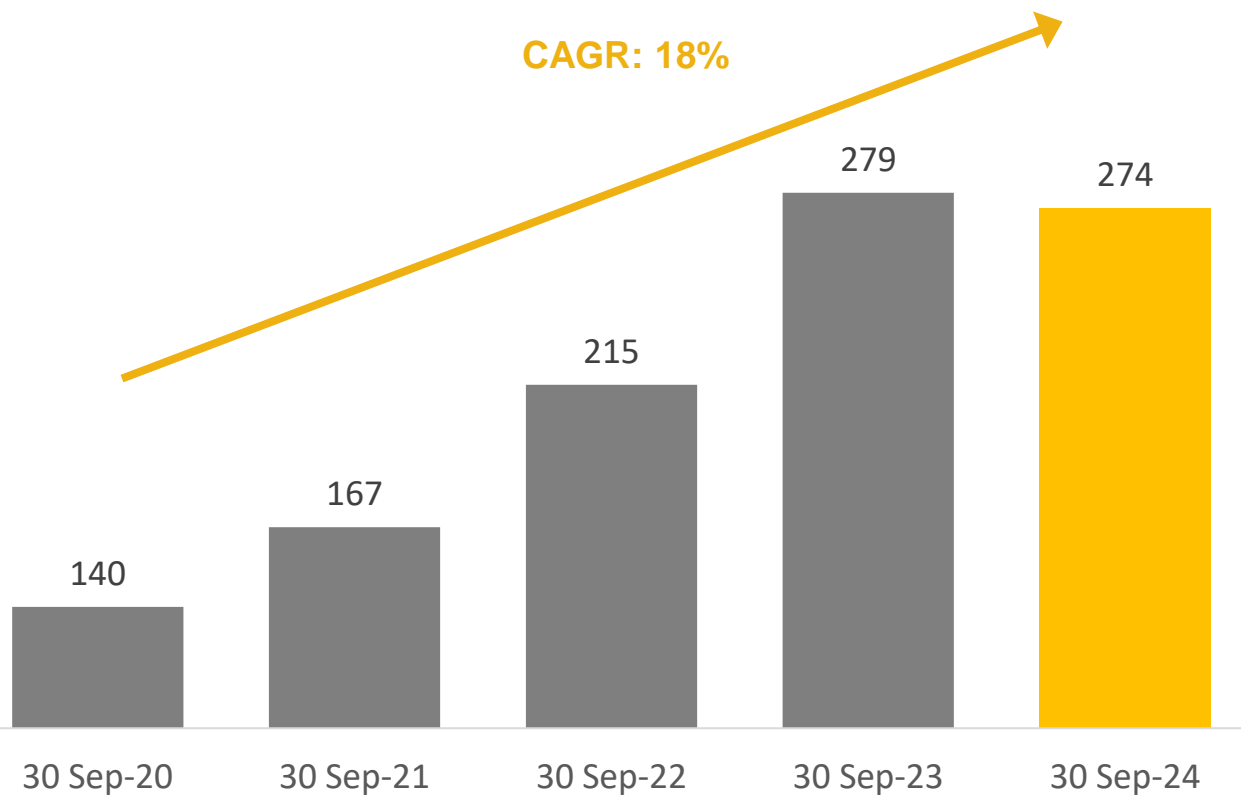
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# Gross Loan Book

## Loan Book resilience adapting to regulatory changes and GLA wind-down

Gross Loan Book (\$m)



Highlights

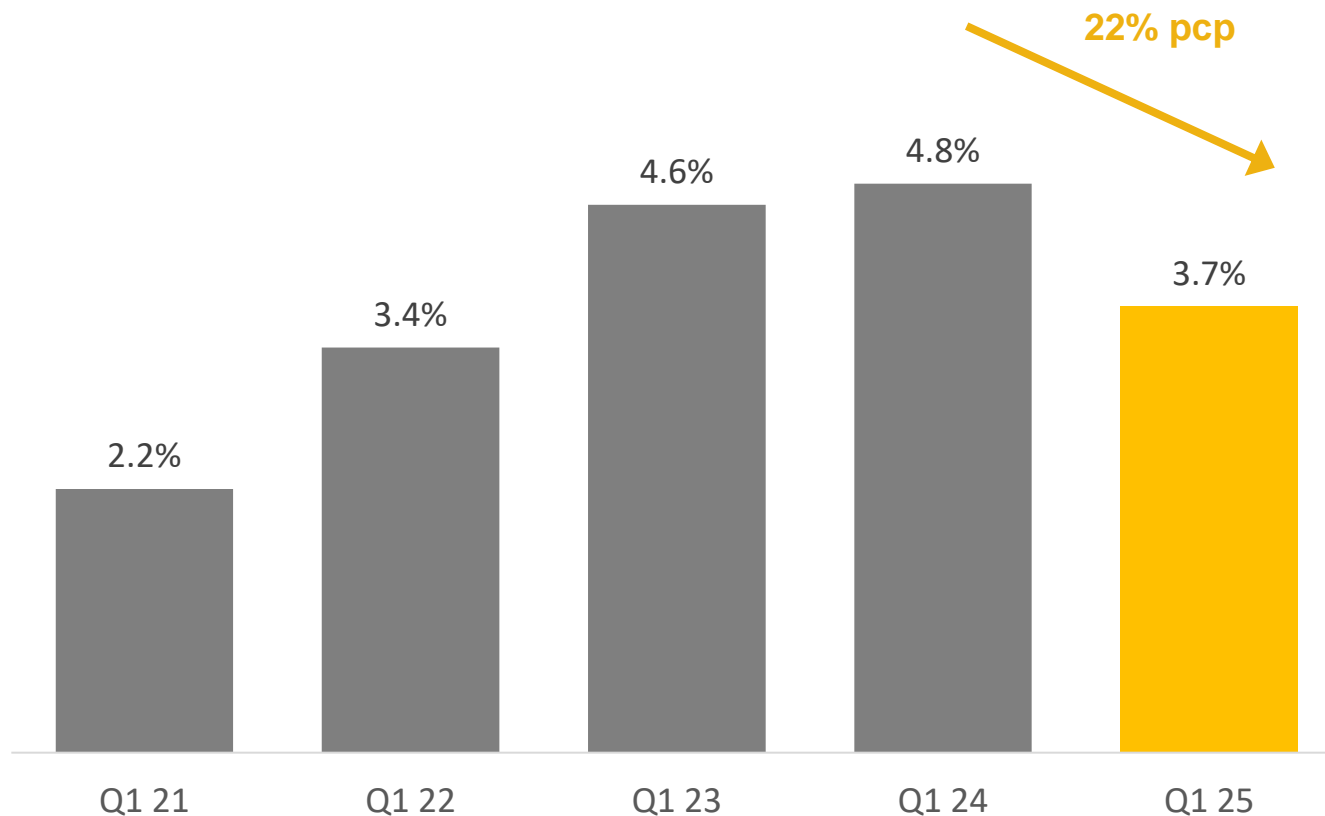
- The Gross Loan Book at \$274m has remained relatively steady on pcp, reflecting strong underlying customer demand
- As the GLA (auto) portfolio winds down and the transition away from SACC (“payday”) loans continues, the changing personal finance product mix demonstrates our ongoing focus on quality lending that supports the long-term well-being of our customers
- The personal finance business has continued to demonstrate demand across both online channels and our Australian store network. In Q1, we received over 236,000 applications, highlighting the ongoing need for accessible credit solutions in a challenging economic environment
- Our focus remains on providing choice and flexibility through tailored credit solutions that enable responsible access to credit
- Our newest product, Line of Credit, grew by 29% in Q1, increasing from \$14.6m as at 30 Jun-24 to \$18.8m. This growth is encouraging, as the strategic shift towards the long-term, lower-cost finance product is supported by strong customer demand

# Quarterly Net Loss Rate

Enhancing portfolio quality – transitioning product mix

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Quarterly Net Loss Rate %



Highlights

- Quarterly Net Loss Rate decreased to 3.7% from 4.8% pcp, well within our target range, demonstrating our ongoing commitment to providing customer-centered financial solutions in a sustainable and responsible way
- This loss rate reduction reflects significant investment in enhanced credit risk models. In FY24, we assessed ~780,000 Australian loan applications as our integrated and proprietary machine-learning-based credit risk models continue to evolve and enhance our lending platform offering
- We are dedicated to further enhancing our technology platforms by increasingly leveraging customer data insights. This approach drives efficiency gains, controls loss rates, and ultimately improves the overall customer experience
- The personal finance business continues to transition from a high volume business to one that is focused on customers with improving credit profiles looking for more flexible, lower cost loan options

# Outlook

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## Grow

- Additional franchise store acquisition opportunities under review in our core markets of Australia & UK - following the acquisitions of 50 franchise stores in these markets in FY24
- Underlying credit demand strong in an under-served customer segment
- Securitisation facility in place with headroom to grow loan books



## Optimise

- Reduced net loss rates demonstrating the value of advanced proprietary machine-learning powered credit models
- Continue to refine the growing secondhand luxury goods segment
- Optimising capital allocation to drive returns with GLA (auto) book run-down



## Realise value

- Operating leverage: Grow profits and free cashflow from an established operating model
- Continue to change the composition of the loan book exiting auto and focusing on more flexible, lower cost loan solutions
- Stable dividend track record: 8<sup>th</sup> consecutive half-year dividend declared





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# Appendices

# ESG Framework

Operating for 40 years, we understand the importance of adding value to the lives of our customers by operating a sustainable business over the long term



## Environmental

- Our retail trade is driven by pre-owned (second-hand) items, which directly contributes to the Circular Economy
- This extends the useful life of products, reducing waste and lessening demand for new manufacturing and mining
- We run a neighborhood-oriented business, reducing the need for customer travel and delivery services.
- Each store serves as its own “supply chain.” We do not rely on mass supply, distribution or warehousing facilities
- Our store operations leave a small carbon footprint when compared to big-box or other mass retailers.
- We promote environmental stewardship by reducing consumption, recycling paper products and responsibly disposing of computers, electronics and related accessories



## Social

- Our business serves as an essential and responsible financial resource for customers who are predominantly underserved by traditional sources.
- We improve the reach and access to financial services through neighborhood-based stores and digital channels
- Our transactions are simple, transparent, regulated and safe
- We foster a culture that values diversity, inclusion and development for all
- We directly contribute to the identification and prevention of fraud and criminal activity working closely with legislators and regulators to contribute to a trustworthy, reliable financial services industry



## Governance

- We support a culture that reflects real people who are passionate and proud, caring and respectful, and our team are tenacious customer problem solvers
- We maintain a culture of zero-tolerance for compliance risk that is monitored and overseen by our Board
- Our Board of eight directors has four independents
- Our Audit & Risk and Governance Remuneration & Nomination Committees all require a composition of majority independent directors.
- Protecting the privacy, integrity and security of our customers’ data and our enterprise network is a top priority

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### 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 669 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 Converter's 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)

The logo for Cash Converters features the word "cash" in a lowercase, dark red font, followed by "converters" in a bold, white, lowercase font. A red circular arrow graphic is positioned behind the "converters" text, starting from the top right and curving around to the bottom left.

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