

# Half-Year Financial Results

For the period ended 31 December 2020

## Continued Recovery & Dividend Update

Cash Converters International Limited (ASX: CCV) (“Cash Converters” or “the Company”) today announced its financial results for the half-year ended 31 December 2020 (H1 FY 2021).

### H1 FY 2021 Key Results

- \$98.4m Revenue down 31%
- \$7.7m Statutory NPAT, Operating NPAT<sup>^</sup> down 28%
- \$24.6m Statutory EBITDA, Operating EBITDA<sup>^</sup> down 19%
- \$8.6m Operating Cash Flow up
- \$12.7m Gross Bad Debt Expense down 56%
- \$5.3m Online Retail Sales up 39%
- \$16.0m Pawnbroking Loan Book up 72%
- \$91.3m Cash and Equivalents

<sup>^</sup>Operating results adjusted for Class Action Settlement

**Note:** Loan book balances are compared against balances as at 30 June 2020. All other comparisons are against the previous corresponding period, being the half-year ended 31 December 2019.

Managing Director, Sam Budiselik stated, “The performance of our underlying business has been extremely impressive considering the substantial impact of COVID-19 throughout the first half of FY 2021. The ongoing Government stimulus had resulted in our inventory levels depleting throughout our store network, our Loan Books contracting and franchise fee revenue reducing as various state-wide (and international) lockdowns occurred throughout the period.

“Despite these headwinds the resilience of our business model continued to demonstrate the appeal of our store service experience and the reach of our online and digital assets.

“Each business unit that contracted in response to the stimulus provided by the Government over the past 12 months, has started the journey towards recovery. Our Pawnbroking book is an example, growing to over \$16 million, from a reported low of \$10.8 million in September 2020.

“The closure of stores in response to the various lockdowns, whilst impacting normal operating revenue, resulted in a surge in online retail sales, climbing to \$5.3 million for the half. Our store inventory levels continue to recover from record lows, ensuring we enter the second half with appropriate levels of stock to meet demand.

“The increase in early loan payouts and reduced credit demand mentioned in our Business Update on 1 July 2020 have reversed and we are rebuilding our loan books at a steady pace, while maintaining the appropriate credit risk disciplines that have seen a dramatic improvement in bad debt. While the value of our combined loan book is lower than the previous corresponding period, our bad debt is well below historic levels. We expect this to normalise somewhat as Government stimulus unwinds and demand fully recovers, but we are confident in our credit risk models and our ability to meet that demand appropriately going forward.

“In the meantime, we have continued to pursue our strategic pillars of Australian network expansion, product development and operational excellence by progressing several key franchise store acquisitions, identifying numerous greenfield site expansion locations nationally and piloting new product for release throughout the calendar year.

“Our priority is, and always will be, to support our customers and I again commend our team for the way they have conducted themselves during this difficult period. We enter the second half with positive momentum and a healthy pipeline of organic growth opportunities.

“As mentioned at last year’s AGM, it is the Board’s intention that Cash Converters again become a dividend paying company, and today we are pleased to confirm the Directors have declared a fully franked interim dividend of 1 cent per share which will be payable on 14 April 2021. The record date for the dividend is 25 March 2021 and the Company will continue its Dividend Reinvestment Plan which will again be offered at a 2.5% discount to the 5-day volume weighted average price following the record date.

“We remain well capitalised, with supportive financiers and a clear vision for where we want to take the Company over the coming years. Had it not been for COVID-19 and the substantial impact that had on our business, the half-year result would have obviously been a lot stronger and that is something that as a management team we remain committed to demonstrating over the next half.

“Thank you to our shareholders for your support, our staff for your efforts and our customers for your loyalty.”

### **Financial Results Summary**

As noted in the 30 June 2020 Annual Report, Cash Converters has continued to focus on the health and wellbeing of its employees and customers. The ability to service customers while doing so and remain profitable demonstrates resilience and an ability to operate effectively during periods of significant uncertainty and change.

The impact of COVID-19 on operations was experienced from mid-March 2020 when the closure of non-essential businesses and the implementation of stay-at-home requirements began. During the year ended 30 June 2020 (FY 2020) all Australian Corporate stores were (and remain) open for business while observing the necessary hygiene and social distancing measures.

During the half-year under review the Group experienced lock-down protocols most significantly in Victoria where store closures extended well over 100 days of the half-year period. Shorter but nonetheless disruptive store closure periods have been experienced in South Australia during the half-year reporting period. Our franchise operation in the United Kingdom has been significantly affected by national lockdowns, implemented in a bid by the government to eradicate the virus, which has resulted in our stores operating under restrictive measures. These restrictions have resulted in franchise fees being discounted and waived to support stores reopening fully at a future date.

It is worth noting that Cash Converters has not been eligible for and has made no direct claims under the JobKeeper Payment scheme allowances. Economic support packages provided to affected workers, businesses and the broader community had a noticeable impact on business.

A reduction in credit demand due to COVID-related Government stimulus and early superannuation access, resulted in the Group’s loan book values decreasing throughout the second half of FY 2020, a trend that continued into the first quarter of FY 2021 but has since reversed. Whilst all loan books are rebuilding, the impact softened performance in the first half of FY 2021, when compared to the previous corresponding period.

Although the overall expected credit loss provision as a percentage of the gross loan book has decreased from the 30 June 2020 balance date from 19% to 16.9%, the Group has continued to be cautious in the assessment of expected credit loss. A specific provision has been included for accounts reported as being in hardship to reflect the uncertainty and increased credit risk for this customer cohort. The provision assessment has required the application of judgement as the underlying data trend seen is potentially impacted by government stimulus which is not anticipated to endure beyond March 2021.

Despite the progress made domestically and abroad towards limiting the spread of COVID-19, significant uncertainty remains. There is prevailing uncertainty with respect to forward-looking statements and there has been a focus on presenting appropriate disclosure with respect to business impacts, risks and uncertainties and key assumptions.

	As reported		Operating <sup>^</sup>	
	31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19
	\$'000	\$'000	\$'000	\$'000
Total revenue	98,428	142,714	98,428	142,714
Profit / (loss) for the year	7,693	(19,397)	7,693	10,644
EBIT <sup>^^</sup>	16,351	(21,216)	16,351	21,700
EBITDA <sup>^^</sup>	24,633	(12,564)	24,633	30,353

<sup>^</sup>The operating results are presented net of the significant expense items that were directly associated with the settlement of class action litigation claims in the previous corresponding period, to aid the comparability and usefulness of the financial information reflecting the underlying performance of the business.

<sup>^^</sup>The Company reports EBIT calculated as earnings before interest expense and tax and EBITDA calculated as EBIT before depreciation and amortisation.

With cash and cash equivalents amounting to \$91.3 million, Cash Converters closed the year with a strong balance sheet. Undrawn and available securitisation facility funding remains of \$79.8 million to fund SACC, MACC and GLA receivables. The facility maturity date is 18 December 2022 meaning the Company remains well funded for the foreseeable future and is well positioned for the ongoing recovery in lending activity.

## Outlook

Cash Converters' unique business model continued to demonstrate its strength by leveraging its extensive store and online network to combat the impact of COVID-19.

Like all businesses, Cash Converters faces uncertainty and the ability to understand, manage and mitigate risk provides a competitive advantage. Cash Converters welcomes the industry emphasis towards non-financial risk, including conduct and culture as well as detecting, deterring, and disrupting criminal abuse of the financial system. The Company views these commitments as an area of continuous improvement and continues to strengthen its risk management and compliance capabilities while engaging transparently with regulators (ASIC and AUSTRAC). Moreover, Cash Converters is committed to addressing all legislative challenges while continuing to support our customers.

A robust pipeline of potential store acquisition and development opportunities, supported by a strong balance sheet and cash flow, provides the Company with a clear runway to grow in a measured, disciplined way.

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

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