

FY 2019 Half-Year Results Investor Presentation

cashconverters

11 March 2019

Strategic Priorities

Cash Converters' strategic priority is to remain relevant to our customers, achieving sustainable long term growth...

1. Improve and increase our store network;
2. Invest in our core IT platform and data analytics;
3. Become the best 'bricks and clicks' financial services company in Australia;
4. Increase the number of international franchises;
5. Pursue the talent necessary to ensure the execution of our strategy.

Building trust by delivering value to our customers at every opportunity...

- We take a customer-first approach, understanding our customers' needs and building enduring relationships with a culture of social responsibility.
- We are enhancing our customer experience by:
 - Better understanding our customers' needs
 - Evolving our product offerings
 - Optimising physical and digital channels
 - Looking to reward our existing customers over time
- Maintaining our ambition to be the most compliant operator in the industry.

Chief Executive Officer Appointment



- As announced on 5 December 2018, Mr. Brendan White was appointed Chief Executive Officer of Cash Converters International Limited and is due to commence 18 March 2019.
- Brendan previously served as Group Executive for Bank of Queensland (BOQ) Business over a period of 6 years. In that time Brendan oversaw significant acquisitions and investment in start-up segments, diversifying BOQ Business nationally across all lending segments, to a point where it now contributes close to 60% of BOQ Group's cash earnings.
- Prior to joining BOQ Brendan held senior roles over a 10 year period at Commonwealth Bank of Australia including Executive General Manager of the Regional Commercial and Agribusiness Banking team nationally and the Global Head of Financial Markets Sales and Offshore Markets.
- Brendan also held senior positions at Société Générale and British Petroleum, where he gained international experience over a 12 year period in Commodities Hedging and Financial Risk Management in the BP Finance and Treasury divisions in Australasia, US & UK.

Class Action Update

Lynch Proceeding

- The Company defended the proceeding and trial of the matter was completed in November 2018. The parties presently await judgement. Given the current stage of the Lynch Proceeding, the financial impact of the action on Cash Converters cannot be reliably and accurately determined at this time. Due to this uncertainty the Company has not made any provision in the financial statements for any potential outcome.
- If Cash Converters does not successfully defend the Lynch Proceeding, the Company would likely be required to make a significant payment by way of damages or settlement, which could have a material adverse impact on the financial performance and position of the Company.

McKenzie Proceeding

- On 22 October 2018, the Company reached a settlement in relation to the McKenzie Proceeding. Under the terms of the settlement Cash Converters paid \$16.4 million into a fund for distribution to members of the class, legal, administration and other costs. The settlement scheme has now received the approval of the federal court and the full cost has been included in the financial results for the period.

Both proceedings relate to the brokerage fee charged to customers in Queensland. The brokerage fee system has not been used since 30 June 2013.

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H1 FY19 Highlights

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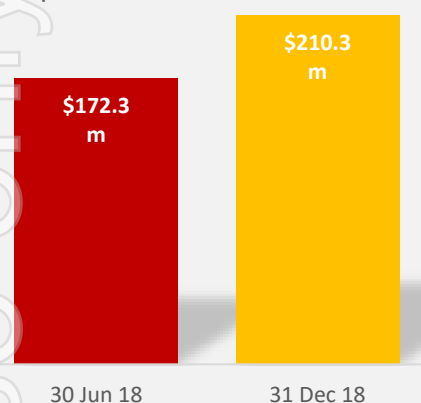
H1 FY19 Financial Highlights

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Loan Books

\$210.3m

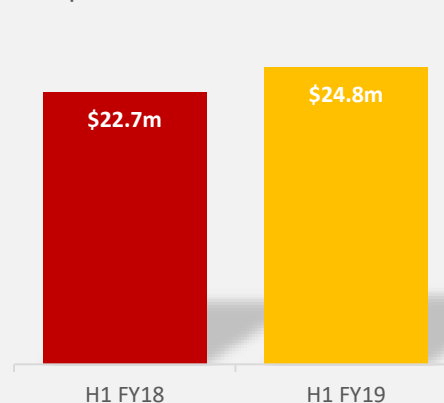
Up 22.0%



Adjusted EBITDA*

\$24.8m

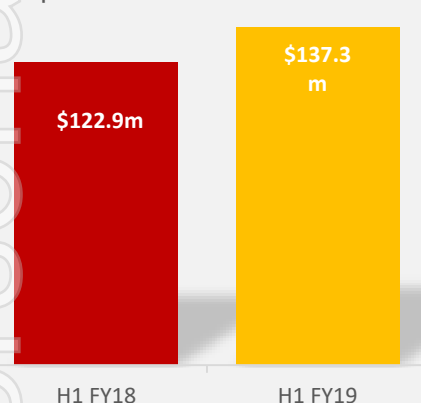
Up 9.2%



Revenue

\$137.3m

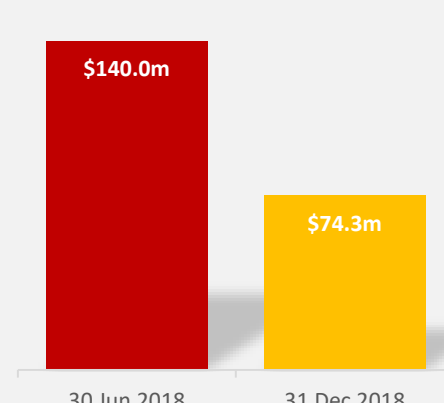
Up 11.6%



Cash

\$74.3m

Down 46.9%



- H1 FY19 Net Loss after Tax of \$5.2m (NPAT \$9.4m previous corresponding period or 'pcp'), after settling the McKenzie Proceeding for \$16.4m.
- Group revenue increased 11.6% on pcp to \$137.3m:
 - Vehicle Finance +46.9%;
 - Personal Finance +21.5%;
 - Pawnbroking +3.2%;
 - Retail +2.1%.
- Normalised EBITDA for the Group was \$21.4m, down 6.0% on pcp. Adjusted* EBITDA was \$24.8m, up 9.2% on pcp.
- Total lending up 11.7% on pcp, to \$144.5m.
- Total loan books up 22.0% on 30 June 2018 to \$210.3m, of which less than 3% is now in store Cash Advance.
- Green Light Auto (GLA) EBITDA increased to \$1.6m, up 80.7%.
- Cash on hand at bank down to \$74.3m (from \$140.0m as at 30 June 2018) due to settlement of class action and repayment of \$60.0m unsecured bond.
- Adjusted EBITDA includes add backs for Class Action Settlement, Legal and restructuring costs and impact of increased provisioning for bad debts due to the adoption of new accounting standard AASB 9 during the period.

Green Light Auto (GLA)

Overview

- GLA is a specialist lender providing loans to consumers who may be excluded by other financial institutions' traditional lending criteria.
- Loan products are distributed by an extensive network of Australia's leading finance brokers and motor dealers, with 700+ accredited users and growing.

Size of Addressable Market

- Total addressable market for secured asset lending in the subprime segment is approximately \$1.3b (23.23% CAGR in the last 3 years).

GLA Strategy

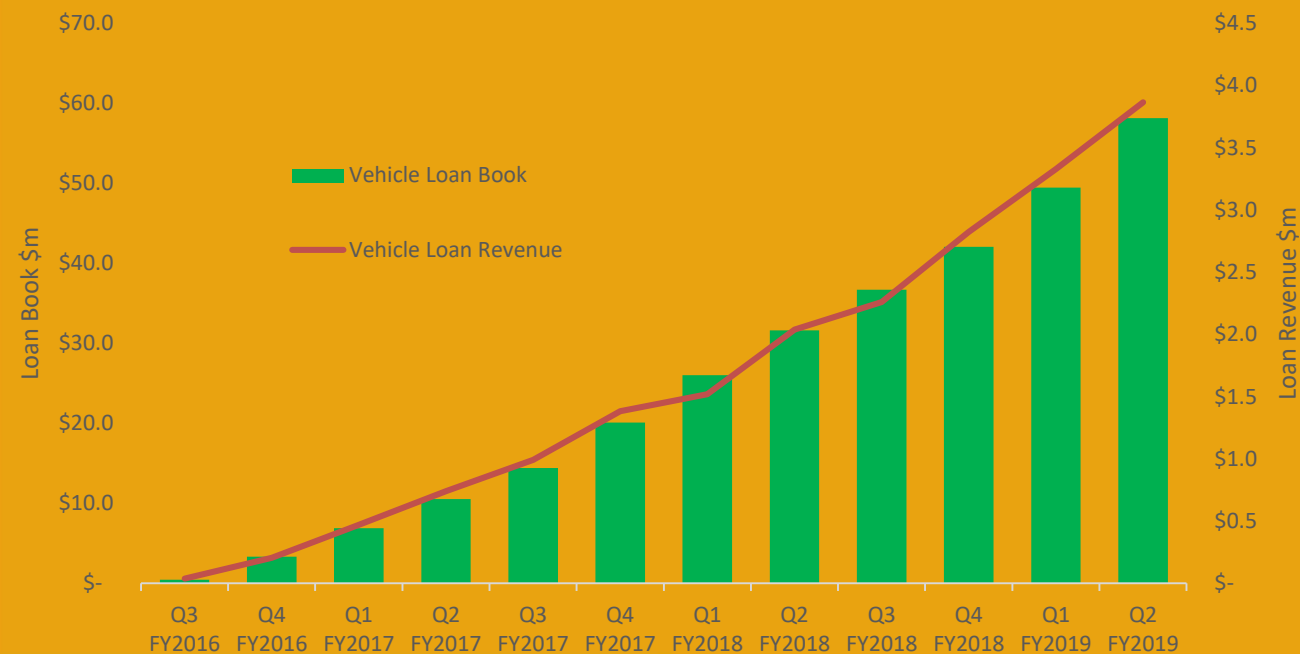
- Access to new customers via a secured lending product.
- Scalable business model with high marginal profitability.
- Addressable market size is huge with high fragmentation.
- Scalability through enhanced technology platform and digital strategy supporting the broker network.

Product Overview

- Secured auto and motorcycle loans from \$3k to \$30k with terms from 2 to 5 years and written rates from 14.9% to 29.9%.

H1 FY19 Growth Continues...

- Green Light Auto (GLA) EBITDA increased to \$1.6m, up 80.7%.
- Loan book increase +38.2% from 30 June 2018.
- 206 Brokers and 36 Dealers on platform nationwide.
- Provisioning for bad debts increased by \$1.2m due to the adoption of new accounting standard AASB 9 during the period.
- Integration of GLA on to Personal Finance platform underway, leveraging substantial investment to date.
- New Broker Portal due for release end of FY19 improving decision speed and overall customer experience.



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H1 FY19 Financial Results

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H1 FY19 Overview

- Group revenue increased 11.6% on pcp to \$137.3m, driven by growth in lending and robust corporate store performance.
- EBITDA adjusted for:
 - McKenzie Proceeding \$16.4m
 - Legal fees associated \$ 2.5m
 - Restructure costs \$ 1.1m
 - Impact of AASB 9 adoption on provision \$ 3.4m
- There has been an increase in the bad debt expense (bad debt written off and provision) for personal finance, due to the adoption of AASB 9, coupled with strong loan book growth.
- Credit risk enhancement measures implemented during the period are already showing improvements across the unsecured loan books.

Consolidated basis	H1 FY19 (\$m)	H1 FY18 (\$m)	Variance
Revenue	137.3	122.9	+11.6%
EBITDA	1.4	21.5	-93.6%
<i>EBITDA Adjusted</i>	<i>24.8</i>	<i>22.7</i>	<i>+9.2%</i>
NPAT	(5.2)	9.4	-
<i>NPAT Adjusted</i>	<i>11.2</i>	<i>10.2</i>	<i>+9.2%</i>

H1 FY19 Divisional EBITDA

Divisional EBITDA	H1 FY19 (\$m)	H1 FY18 (\$m)	Variance
Personal Finance	16.9	21.8	-22.7%
Corporate Store operations	8.6	8.2	+4.7%
Franchise operations	6.4	5.8	+11.8%
Green Light Auto	1.6	0.9	+80.7%
Total before Head Office costs	33.5	36.7	-8.7%
Corporate Head Office costs	(32.1)	(15.2)	-111.4%
Total divisional EBITDA	1.4	21.5	-93.6%
Comparative Adjustments	23.4	1.2	-
Adjusted EBITDA	24.8	22.7	+9.2%

Personal Finance

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- Personal Finance EBITDA was down 22.7% on pcp, against loan book growth of 17.6% to \$140.7m.
- Pleasingly, the longer term SACC loan book was up +15.9% on 30 June 2018 (with in store Cash Advance declining 6.1%) and MACC up 23.4%.
- We continue to monitor the emergence of the 'Buy Now Pay Later' sector and the impact on our customers.

Corporate Stores

- Corporate Stores EBITDA up 4.7% on pcp to \$8.6m as the Retail growth strategy continues to deliver results.

Franchise Operations

- Franchise operations EBITDA up 11.8% on pcp.
- New Zealand's 25% equity EBITDA contribution was up \$389k on pcp to \$930k and UK EBITDA was up 10.7% on pcp to \$1.6m.
- Australian & other International EBITDA contribution remained steady.

GLA

- GLA EBITDA was up 80.7% on pcp driven by strong revenue growth from a growing Loan Book (which was up 38.2% over the period) with \$19.8m principal funded.
- The adoption of AASB 9 resulted in an additional \$1.2m of provision in comparison to the pcp.

Head Office Costs

- Corporate expenses (adjusted) were down 20.4% on pcp, after an adjustment of \$20.0m for the settlement of the CA, associated legal costs and restructure costs incurred during the half-year.

H1 FY19 Balance Sheet

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As at	31 Dec 18 (\$m)	30 Jun 18 (\$m)	Variance
Cash and cash equivalents	74.3	140.0	-46.9%
Loan receivables	171.8	151.7	+13.2%
Trade and other receivables	14.2	28.2	-49.8%
Other assets and intangibles	199.4	189.2	+5.4%
Total assets	459.7	509.1	-9.7%
Borrowings	123.8	158.3	-21.8%
Other liabilities	22.6	28.4	-20.4%
Total liabilities	146.4	186.7	-21.6%
Total equity	313.3	322.4	-2.8%
Net debt (gross debt less cash)	49.5	18.4	+169.6%

Cash and cash equivalents

- Settlement of class action for \$16.4m, repayment of \$60.0m unsecured bond and profit reduction due to bad & doubtful debt increase due to AASB9 reducing cash balances.

Loan receivables

- A strong half-year has seen growth across all lending products, with the largest growth areas GLA & MACC, with respective loan books up 38.2% and 23.4% respectively.
- SACC loan books ended the period up 15.9%.

Trade and other receivables

- Include the run off of Carboodle leases, loans provided to franchisees in the UK for the purchase of corporate stores in 2016 and a \$2.9m loan to CCNZ, following the repayment of the previous \$15.0m loan in September 2018.

Other assets and intangibles

- Capital investment continued throughout H1 FY19, with \$3.4m of capital expenditure, primarily in software development in projects such as the integration of GLA into the core loan management platform. This spend was down 40.2% on pcp.

Borrowing and Gearing

- Reflects the settlement of the \$60.0m FIIG bond in September 2018 and the draw down of an additional \$25.5m of the securitisation facility with Fortress.

Funding

Available Cash	\$62.3m
<ul style="list-style-type: none"> - Cash on hand and at bank Less - Restricted Cash Deposits - Net available Cash Balance 	\$74.3m (\$11.9m) \$62.4m
Bond	\$0.0m
<ul style="list-style-type: none"> • Repaid \$60m in September 2018 	
Securitisation	\$123.8m
<ul style="list-style-type: none"> • Issued by Fortress Investment Group • \$150m facility limit • 3-year term from December 2017 with two year extension optional • Funding now against SACC, MACC and GLA Loan Books 	

Cash Balance

- Settlement of class action for \$16.4m and repayment of \$60m unsecured bond have reduced the cash balance.
- Cash available to fund growth circa ~\$25m with remainder utilised as working capital.

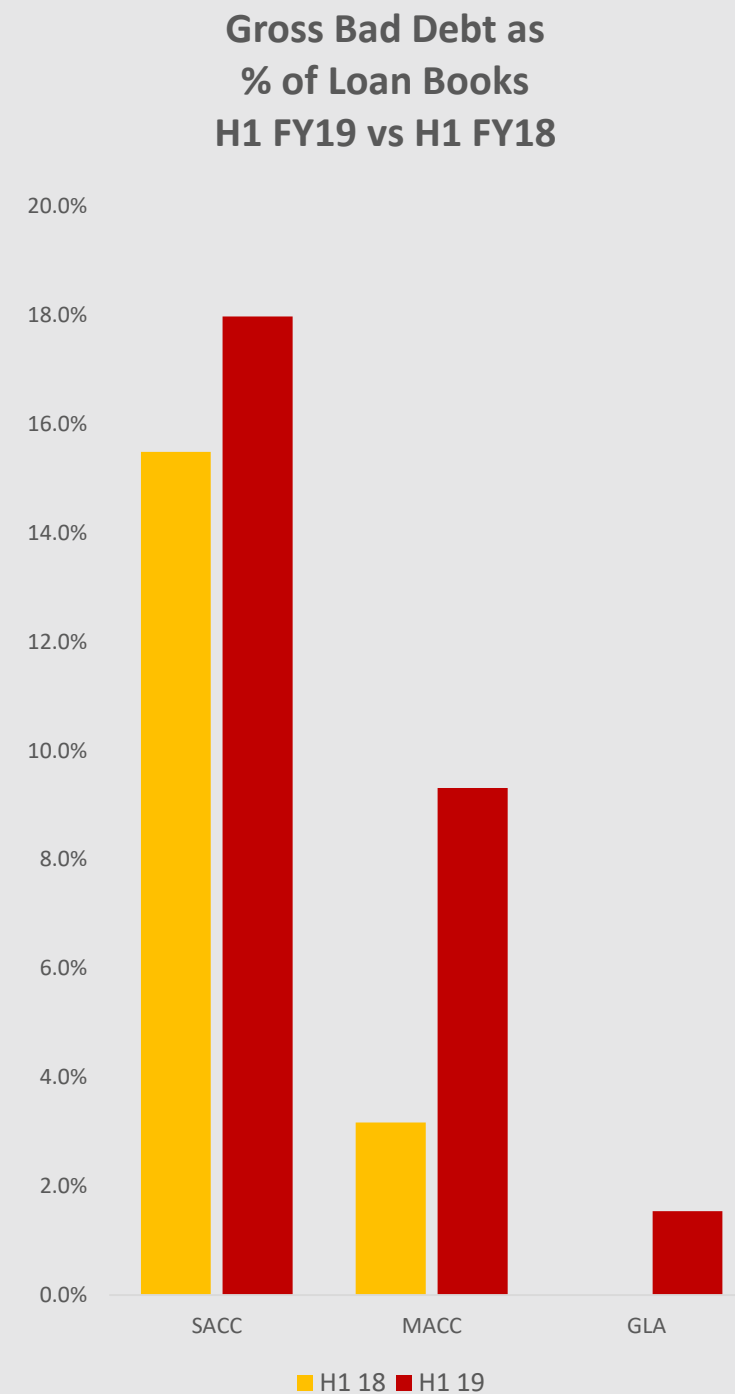
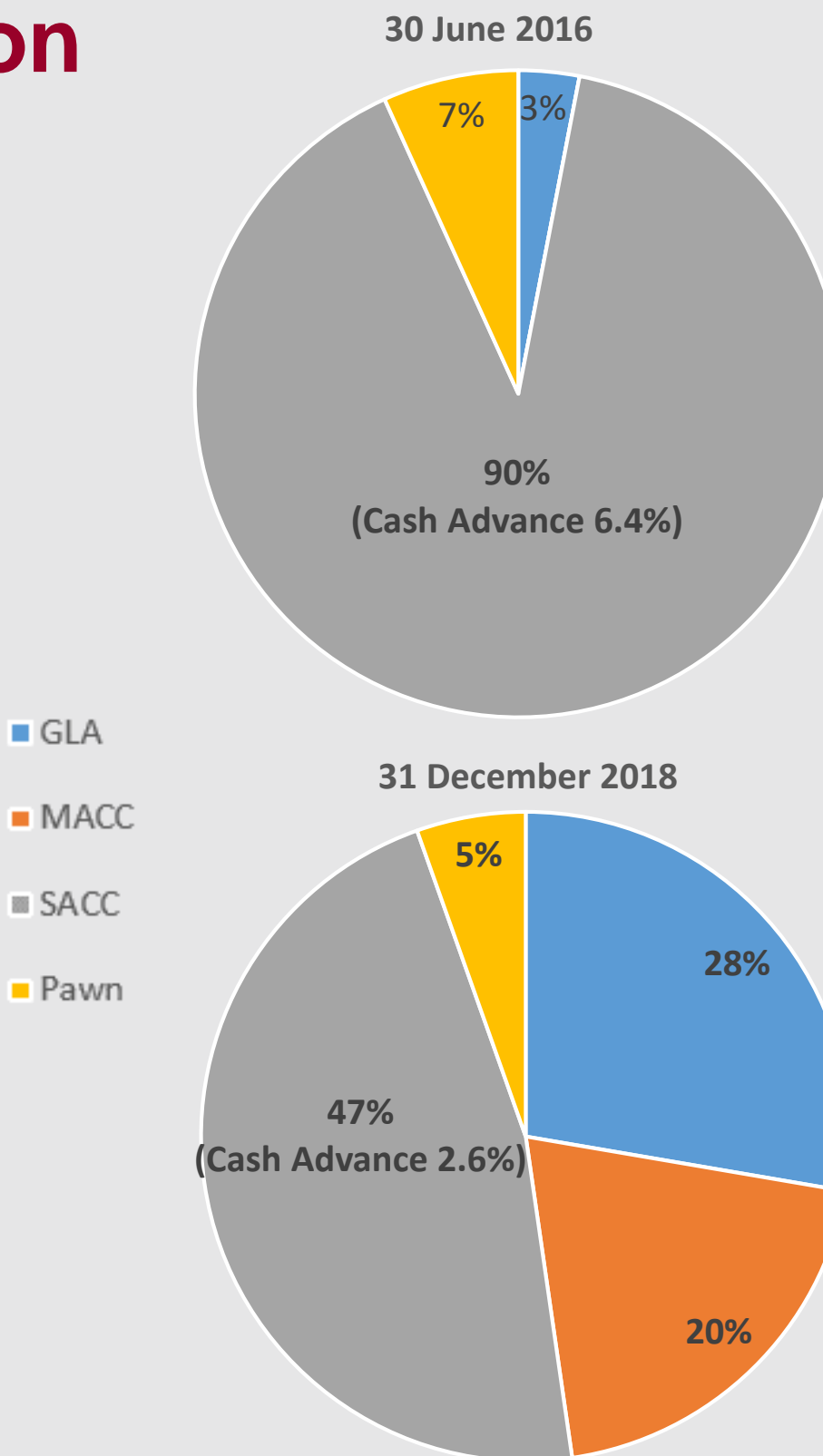
Loan Book Growth

- Securitisation funds on average circa ~70% of the loan book balances.
- The current facility, supported by utilising available cash, therefore facilitates circa ~\$50m of growth in loan books.

Loan Book Composition

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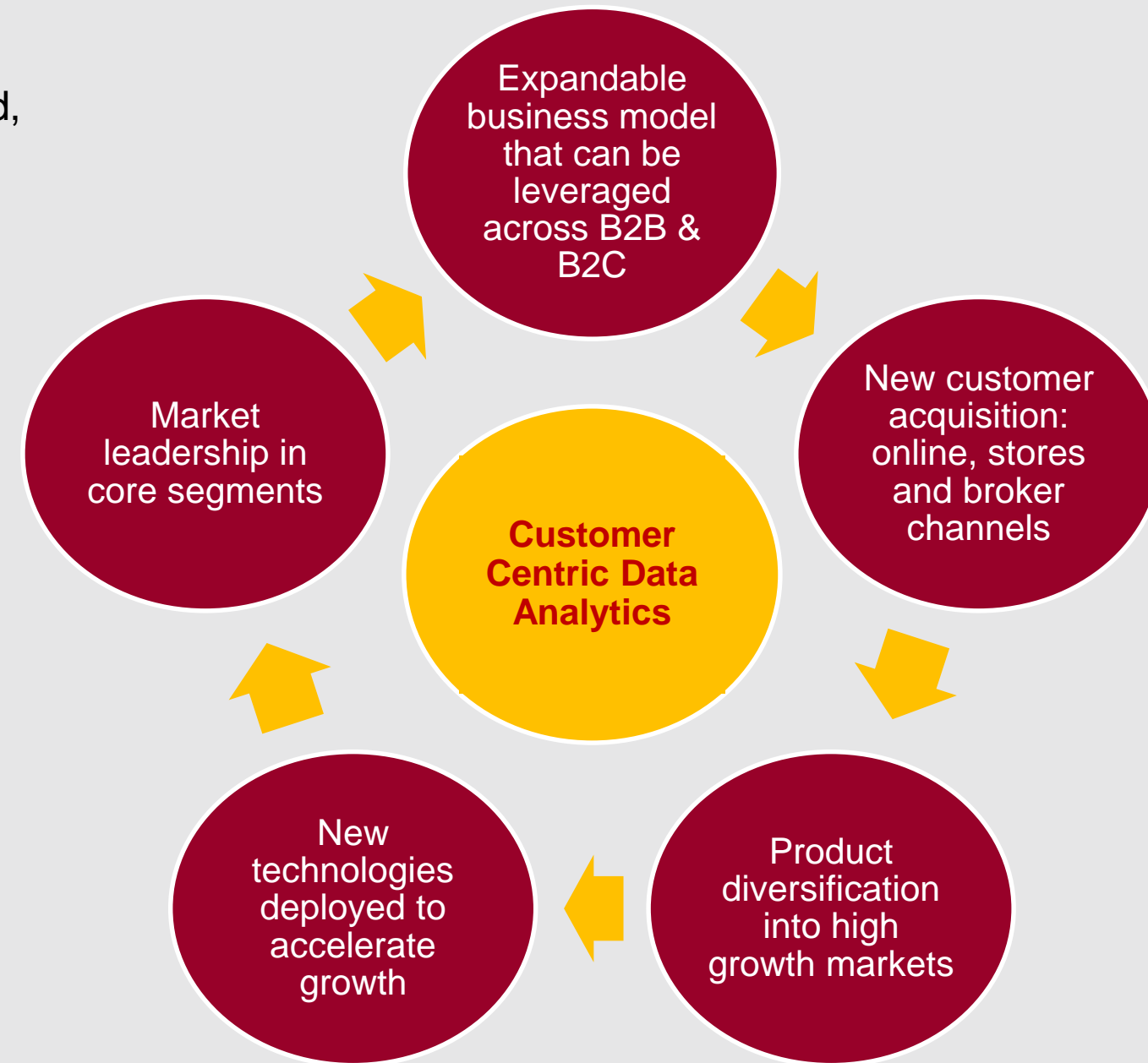
- Achieved H1 FY19 combined loan book growth of 22.0% from 30 June 2018:
 - GLA up 38.2%;
 - MACC up 23.4%;
 - SACC up 15.3%;
 - Pawn Loans outstanding up 7.3%.
- SACC share of total loan book down from 89.7% FY16 to 46.9% H1 FY19 and Cash Advance 2.6% down from 6.4% of total loan books.
- Gross Bad Debt increased as a percentage of loan books, with MACC and GLA books maturing.
- Credit Risk measures, including advanced data analytics and assessing guideline enhancements now implemented, to ensure profitable loan book growth going forward



Positioned for further growth...

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- ✓ B2B and B2C business models that can be leveraged and expanded, across distribution channels.
- ✓ Improve and expand our store distribution network.
- ✓ Digital capabilities developed to complement 'bricks and mortar' network.
- ✓ Ongoing development of new products.
- ✓ Transformation of Green Light Auto business.
- ✓ Exploring international franchise opportunities.
- ✓ Continued sustainable loan book growth, in high growth markets.
- ✓ Data analytics implemented that will drive the transformation of the Company.
- ✓ Acquisition of talent to capitalise on opportunities and ensure the execution of strategy.



Appendices

Appendix I : Division Details

Division	Description
Personal Finance	<ul style="list-style-type: none"> Incorporates the trading results of Mon-E Pty Ltd and Cash Converters Personal Finance Pty Ltd (CCPF). Mon-E is responsible for providing the administration services for the Cash Converters network in Australia to offer small cash advance loans to their customers. CCPF provides unsecured loans through the franchise and corporate store networks in Australia and online.
Franchise operations	<ul style="list-style-type: none"> Royalties and licence fees from 18 countries with franchised Cash Converters operations as well as Cash Converters UK Ltd (CCUK), a wholly owned subsidiary of the Company and Cash Converters NZ (CCNZ) in which a 25% equity interest is held. This segment also includes fees from 84 franchisee owned stores in Australia.
Corporate Stores	<ul style="list-style-type: none"> Covers performance of the 69 Company owned Cash Converters stores in Australia. Revenue from these stores is derived from: <ul style="list-style-type: none"> retailing of new and second hand goods both in-store and online interest from pawnbroking loans and cash advance short-term loans. Stores also receive commission from successful personal loan applications processed in-store. Stores also receive a share of income from successful online loan applications.
Vehicle Financing	<ul style="list-style-type: none"> Revenue derived from Cash Converters' vehicle financing business. In March 2016, the business ceased to offer its Carboodle vehicle lease product. These leases are continuing to be managed by the business to their scheduled completion in 2020.
Corporate Head Office	<ul style="list-style-type: none"> Corporate costs consist of corporate related activities such as IT, Business Development, Finance, HR, Risk and Internal Audit, Legal, Board and leadership team and Marketing.

Appendix II : Glossary of terms

Division	Description
Personal Finance; CCPF; Financial Services	<ul style="list-style-type: none"> Unsecured personal loan business transacted online and in-store, short/medium and long-term and amount unsecured personal loans
GLA	<ul style="list-style-type: none"> Green Light Auto Group Pty Ltd, a wholly owned subsidiary that provides automotive vehicle finance
CA	<ul style="list-style-type: none"> Cash Advance product, a 6-12 week store based cash loan product, up to \$2,000 unsecured personal loan
SACC	<ul style="list-style-type: none"> Small Amount Credit Contract, transacted in-store and online, up to \$2,000 unsecured personal loan
MACC	<ul style="list-style-type: none"> Medium Amount Credit Contract, transacted in-store and online, up to \$5,000 unsecured personal loan
Principal Advanced	<ul style="list-style-type: none"> Total amount lent to customers

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