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Everyday People.



## Q3 2010 Highlights - Chairman's Remarks and Strategic Outlook Commentary by Gordon J. Reykdal, April 28, 2010

### Introduction

Cash Store Financial operates under two banners: The Cash Store and Instaloans. These are two of the strongest branded-chains in the industry. Our primary offering is to serve as brokers to facilitate short-term advances and to provide other financial services to income-earning consumers.

In addition to brokering small, short-term loans we offer a private label debit card, pre-paid MasterCard, bank accounts, financial product insurance, cheque cashing products and Western Union money transfer services. Cash Store Financial is the only broker of short-term advances and provider of other financial services in Canada publicly-traded on the Toronto Stock Exchange.

Through great products, excellence in customer service, a strong commitment to community and a self-funded growth strategy we have earned our place as the dominant player in Canada's alternative financial services industry. We are a rapidly expanding company with an aggressive growth program in place. We closed the quarter with 489 branches. We have 510 branches in operation by the end of April, inclusive of our recent acquisition of EZ Cash, a Saskatchewan based-operation with 14 locations in that province. The acquisition closed April 26, 2010. Historical revenue is \$4.4 million. We anticipate an EBITA contribution of approximately \$2.2 million.

With 34 percent market share, we are the largest operator in the Canadian marketplace.

A critical component of our go-forward strategy is to further solidify this position with organic growth into underserved communities. We plan to open 18 to 20 branches per quarter for the remainder of this fiscal year and subsequently through each quarter of fiscal 2011. We will also consider the acquisition of existing operators if desirable EBITA multiples are achieved.

#### **Our operational strategic priorities can be broken down in to four main pillars:**

**First** - maturing of our network through improvements to our BOI for all branches. We will achieve this through a continuation of our hands-on management approach, further integration of our marketing and training departments, and further development of our people through our technology-based learning platforms: Cash Store TV and Cash Store College.

**Second** - growing our existing product lines by providing superior service and complementary products that further diversify our revenue streams.

**Third** - new branch openings through organic growth and the acquisition of existing operators at desirable EBITA multiples.

**Fourth** - International expansion into the U.K. and through our strategic investments in Australia and Europe. Subsequent to quarter-end we opened two branches in the United Kingdom. Our expectation is that growth opportunities in that market will be similar to Canada. We currently hold a roughly 18% investment in The Cash Store Australia Holdings Inc., a publicly traded company trading on the TSX-V under the symbol AUC.

As of March 31, 2010, Cash Store Australia owned and operated 50 branches. The Company recently announced its intention to grow to 300 branches by 2014. In its latest earnings release Cash Store Australia reported that it had moved into profitability. We anticipate revenue and earnings trending similar to Cash Store Financial and are anticipating a positive contribution from that investment in subsequent periods.

Cash Store Financial recently acquired a 20% investment in RTF Financial Holdings Inc., which is in the business of short-term lending via a SMS text message lending platform. RTF currently operates in Finland, Sweden, Denmark and the Netherlands, with expansion plans to other European countries.

**Our financial priorities are to:**

- Maximize shareholder value by growing our earnings per share;
- Utilize our strong balance sheet to reducing our cost of capital in regulated provinces;
- Control or reducing costs through a strong focus on operational excellence and taking advantage of our growing buying power; and
- Accelerating the profitability of our newer branches through enhanced branch opening processes and database driven direct mail programs.

Due to seasonality, the third quarter is typically our slowest. Yet we experienced impressive year-over-year revenue and earnings growth. When non-recurring charges are removed, diluted earnings per share were up 29%. The Company continued to execute on its aggressive expansion program.

We added 20 new branches in the quarter, for a total increase of 66 branches relative to Q3 2009. We are well positioned for sustained earnings growth over the long-term.

Also of significance in the third quarter was the introduction of CDIC-insured bank accounts which we rolled out across our entire network in late February. These are offered through an agency agreement with DC Bank. Initial take-up of this product has been very good, with a positive impact on ancillary revenues.

During the quarter, the President and Chief Operating Officer, Barret Reykdal, conducted his annual tour to meet individually with each and every manager in our branch network. This is a critical component of our long-term growth program. The President learns first-hand of the challenges and opportunities facing our front-line associates. Strategies to capitalize on these opportunities are prioritized and quickly implemented. In connection with this tour, additional sales training was provided to all branch managers, including specific training related to our bank account product. The success of our roll-out can be largely attributed to this program.

## Industry Regulation

Many provinces have recently implemented consumer protection measures for the payday loan industry. These measures have included rate caps and a ban on rollovers. Rate caps have ranged from \$21 to \$31 dollars. British Columbia, Alberta, Ontario and Nova Scotia have all fully implemented their regulatory schemes. Over eighty-percent of our branches are located in these jurisdictions. The Province of Saskatchewan has announced a rate cap of \$23, with regulations in that province expected to be fully implemented in the coming months.

These are welcome developments that demonstrate to capital markets that the industry is now supported by a high degree of regulatory certainty and that the industry's long-term stability has been secured. Through our discussions with regulators we understand that implementation has been a smooth process and, most importantly, that consumer complaints about the industry have been minimal.

To date we have not experienced any material negative impacts as a result of regulation and we do not anticipate negative impacts in the future. The Company has accommodated regulation more effectively than some competitors and there has been industry consolidation as a result. Regulation has positioned the Company to lend its own capital. We continue in our efforts to source cheaper capital and expect to achieve savings in the near future. We believe that industry regulation will encourage previously untapped consumer segments to enter the market and offer new revenue opportunities. We continue to view regulation as a positive for the Company and expect the benefits to accrue over the long-term.

Subsequent to quarter end, the Government of Manitoba announced on April 23 proposed new regulations for payday

loans in that province, including a maximum allowable cost of borrowing on a payday loan of \$17 per hundred. The \$17 rate essentially mirrors a rate cap announced by the Manitoba Public Utilities Board over two years ago, which Cash Store Financial successfully challenged before the Manitoba Court of Appeal. The Government of Manitoba nullified the PUB order in order to replace it with exactly the same thing. By comparison, the average rate amongst regulated provinces is \$25 per hundred.

We are reviewing the amended regulations and considering our options. We fully intend to remain in the province and to operate at a profitable level.

## Summary

Our primary financial goal through fiscal 2010 is to continue our progress in maximizing shareholder value by growing earnings per share.

Our dividend for the quarter is \$0.10, payable May 26 to shareholders of record on May 11. The dividend has increased \$0.035 over Q3 2009, an improvement of 54%.

We will continue to maintain a strong balance sheet and pursue aggressive growth at acceptable risk. And we will continue our growth while maintaining healthy operating margins.

We will control costs through operational excellence; and, we will be steadfast in our efforts to have all branches older than one year contributing to profitability.

We will continue expanding our branch network by opening 18 to 20 branches per quarter, through fiscal 2010 and into 2011. We will consider strategic acquisitions at attractive multiples as opportunities arise. We will maintain our focus on associate training programs that enable us to bring our existing branches to maturity more rapidly. We will continue our focus on new product development and bring new offerings on stream in a strategic and measured fashion.

Our ability to expand rapidly and maintain sustained revenue growth and strong operating margins are a testament to the commitment of our associates. Through our innovative profit-sharing compensation program and our use of Cash Store TV and Cash Store College, our technology-based training platforms, we have better-trained our associates to provide quality customer service to every new customer that enters a branch.

We have distinguished ourselves from the competition with our open concept branches and superior customer service. Bettering our performance in this area is a constant priority for the Company. Word of mouth is the primary driver behind our business. Our company continues to experience a significant improvement in associate retention and this has been reflected in our revenue and earnings. Our platform for future growth continues to strengthen.

I would also like to thank all of our associates for their dedication and hard work. It is appreciated. I would like to take this time to welcome our new associates from EZ Cash.

## For additional information or if you have any questions, please contact:

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