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Q4 2009 and Year-end Financial Highlights – CFO's Review Financial Performance Commentary by Nancy Bland, August 27, 2009

Summary of year end results

Net Income

Excluding class action settlement costs income was up 55% to \$19.4 million from \$12.5 million in the prior year. Inclusive of class action settlement costs, net income for the year ended June 30 was up 17 percent to \$14.6 million. Exclusive of class action settlement costs, the higher earnings resulted in diluted earnings per share increasing 76% to \$1.08 per share from \$0.62 for fiscal 2008. Inclusive of class action settlement costs, EPS grew to \$0.81. Adjusted EBITA was up 35% to \$35.5 million, compared to \$26.3 million last year. Before adjustments EBITA was \$28.6 million.

The higher fiscal 2009 earnings reflect the following:

- Record revenues and branch operating income due to the addition of 40 new branches as well as a 10.7% increase in same branch revenues through improved associate retention, more effective bonus structures, communication of expectations at all levels of the organization and action plans for our lowest performing branches; and
- Improved collection protocols used to reduce retention payments in line with management's expectations

Earnings were reduced by:

- Increased branch expenses as a result of opening a net 40 new branches;
- \$6.9 million in costs associated with the class action settlements;
- Increased costs associated with the class action lawsuits including professional fees and other related costs incurred to defend our position;
- Increased branch, regional and corporate expenses related to enhanced benefits programs and higher bonuses at all levels due to higher profitability. These programs and bonuses have increased associate retention, which should help reduce operational expenses over the long-term;
- Costs associated with provincial regulations;
- Increased branch and corporate expenses related to the enhancement of our information system security and infrastructure as well as the development of a new operating system;
- Branch closure costs; and,
- Increased expenditures on stock-based compensation.

Revenue and Same Branch Revenues

Revenues have improved relative to the year ended June 30, 2008. Revenue for the year ended June 30, 2009 was \$150.5 million, an increase of \$19.7 million or 15% compared to \$130.8 million in the prior year. Same branch Revenue improved 10.7% for the 344 branches open since the beginning of fiscal 2008 averaging \$392,800 in fiscal 2009 compared to \$354,900 in the prior year. Same branch revenues increased through improved staff retention, more effective bonus structures, communication of expectations at all levels of the organization and action plans for our lowest-performing branches.

Product and revenue diversification initiatives continue to generate positive results. Fees from other services (pre-paid MasterCards, financial product insurance, Western Union wire transfers, cheque cashing products, and term loans in selected branches) increased to \$25.4 million for the year ended June 30, 2009, compared to \$21.7 million for fiscal 2008, which was an increase of 17.3%.

Branch Operating Income

Branch operating income for the year was a record \$54.6 million, up 37% compared to \$39 million for the previous year.

Retention Payments

Third-party lender retention payments for the year ended June 30, 2009 totalled \$18.0 million or 3.0% of loans brokered, compared to \$20.1 million or 3.9% of loans brokered last year. Retention payments decreased despite the fact that total loans brokered increased to \$594.2 million this year from \$521.6 million. As a percentage of revenue, retention payments have decreased to 12.0% in the year ended June 30, 2009, compared to 15.4% in the year ended June 30, 2008. Management believes that improved collection protocols have contributed to a continued reduction in retention payments.

Branch Count

As at June 30, 2009, the Company had a total of 424 branches in operation, compared to 384 a year ago. 49 new branches were opened during the year, while five underperforming and 4 acquired branches were closed and their customer accounts transferred to nearby branches.

Working Capital and Cash Flow

The Company is well-positioned to fund future growth initiatives and working capital requirements with a cash position of \$18.5 million, up from \$15.6 million at June 30, 2008. For the year ended June 30, 2009, our working capital decreased to \$9.7 million from \$16.8 million, at June 30, 2008. The \$7.1 million decrease from June 30, 2008 is primarily as a result of settling and accruing for the class action lawsuits in Ontario and British Columbia.

Significant items impacting cash during fiscal 2009 included:

- The repurchase of our shares pursuant to a normal course issuer bid and substantial issuer bid in the amount of \$16.1 million;
- Dividend payments of \$5.3 million;
- Capital asset expenditures of \$6.3 million in the year.

Income Taxes

The Company's effective tax rate was 31.9% for the year ended June 30, 2009, as a result of a decrease in federal and provincial corporate tax rates. Last year's tax rate increase was also due to a reduction of future tax assets as part of the rental division spin-off and a reduction in the overall effective tax rates into the future, thereby reducing the overall future income tax asset when temporary differences will be recognized. The effective rate was also higher than the calculated consolidated statutory rate of approximately 31.3% because of the impact of non-deductible stock-based compensation and warrants to outside agents which totalled \$1.2 million in fiscal 2009 compared to \$625,000 in 2008.

Q4 2009 Compared to Q4 2008

Net Income

Net income from continuing operations adjusted for the class action settlement was \$4.6 million, compared to \$3.2 million for the same quarter last year. Inclusive of class action settlement costs net income was \$1.2 million. Excluding the class action settlement, diluted earnings per share for the fourth quarter were \$0.27 per share. Inclusive of class action settlement costs diluted earnings per share for the quarter were \$0.07.

Revenue and Same Branch Revenue

Revenue for the fourth quarter of fiscal 2009 increased to a record \$39.7 million, compared to \$34.5 million for the same quarter last year due to an additional 40 branches operating during the fourth quarter of fiscal 2009 and an 11.9% increase in same branch revenues. Same branch Revenue for the 365 locations open since the beginning of the fourth quarter of fiscal 2008 increased by 11.9% compared to the same quarter last year, with same branch Revenues averaging \$99,800 in the fourth quarter of fiscal 2009 compared to \$89,100 in the fourth quarter of fiscal 2008.

Management believes that the increase reflects the impact of improved staff retention, more effective bonus structures, and communication of expectations at all levels of the organization and action plans for our lowest performing branches.

Branch Operating Income

Branch operating income increased 27% to \$14.8 million, compared to \$11.7 million in the fourth quarter last year. The increase is primarily related to the maturing of branches, increased emphasis on growth and effective action plans implemented for underperforming branches.

Retention Payments

Retention payments totaled \$4.6 million in the fourth quarter, compared to \$4.2 million in the same quarter last year. As a percentage of revenue, retention payments decreased to 11.6% from 12.3% the previous year.

Income Taxes

Our effective tax rate was 36.2% for the quarter ended June 30, 2009 compared to 46.2% for the same quarter in the prior year. The decrease was caused by lower effective rates being applied on current and future taxes. Last year's tax rate increase was also due to a reduction of future tax assets as part of the rental division spin-off of approximately \$290,000 and a reduction in the overall effective tax rates into the future, thereby reducing the overall future income tax asset when temporary differences will be recognized.

Normal Course Issuer Bid

On June 30, 2009, we announced our intention to make a normal course issuer bid to purchase up to 1,063,295 of our common shares. No purchases related to this Bid were settled during fiscal 2009, however subsequent to year-end we have purchased 361,000 common shares at a total cost of \$3.1 million, which averages approximately \$8.50 per share. Including the 361,000 shares we purchased in Q1 of fiscal 2010, we have purchased and cancelled a total of 4,432,580 common shares since June 28, 2007.

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