



## **News Release**

October 28, 2008

### **Cash Store Financial releases First Quarter Results, achieves record earnings and declares increased dividend**

EDMONTON, October 28, 2008 /CNW/ - The Cash Store Financial Services Inc. ("Cash Store Financial") today announced first Quarter results for the period ended September 30, 2008.

#### **First Quarter Highlights (table of results at end of release)**

- Net income of \$6.1 million, compared to \$3.0 million for the same quarter last year.
- Diluted earnings per share of \$0.31, compared to \$0.15 for the same quarter last year.
- Branch operating income of \$14.6 million, compared to \$9.4 million for the same quarter last year.
- Same branch sales increased 10.8% to \$99,600 from \$89,900 for the same quarter last year.
- Retention payments of \$4.3 million (2.9% of loan volume), compared to \$5.8 million (4.4% of loan volume) for the same quarter last year.
- Working capital of \$17.5 million, compared to \$16.7 million at June 30, 2008.
- Cash increased to \$20.3 million in the first quarter compared to \$15.6 million at June 30, 2008.

Mr. Gordon Reykdal, Chairman and CEO commented, "I am very pleased to report that the first quarter of 2008 was the strongest in the company's history in terms of both top-

line revenue and bottom line earnings. We have reached a new stage in our evolution as a company and are now benefiting from a strong network of experienced managers who understand the operational dynamics of the business and are committed to its success. Through improved incentive packages for all retail-level associates and the increased hands-on involvement of senior management in operations, we are well-poised for continued strong performance through fiscal 2009.

He further commented, "For several quarters now we have fuelled the growth of our branch network through internal cash flow while, at the same time, buying back shares and paying dividends. Throughout, we have maintained strong working capital and cash positions. Given our expectations of continued strong performance and our proven ability to sustain liquidity we will increase our quarterly dividend to 6.5 cents per share. This will be paid on November 27, 2008 to shareholders on record as of November 12, 2008."

He added: "Key positive developments over the quarter on a year over year comparative basis included a marked increase in same-branch-sales, improved contributions to earnings from our ancillary products, a significant reduction in retention payments, and improved overall earnings by branches. Over the past several quarters, we have concentrated significantly on the training and development of our associates. This effort has been rewarded through our improved performance and management will continue to focus on these operational areas in future periods."

Mr. Reykdal also added, "Current liquidity restrictions in Canada's capital markets have had no impact on the accessibility of funds for our customers."

## **Financial Results**

Revenue for the first quarter increased 16.1% to \$37.4 million from \$32.2 million in the same quarter last year. The higher revenue reflects an increase in both brokerage fees and other services.

Same branch sales for the 344 locations open since the beginning of the first quarter of fiscal 2008 increased by 10.8% compared to the same quarter last year, with same branch sales averaging \$99,600 in the first quarter compared to \$89,900 in the first quarter of the previous year. Management believes that same branch sales 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.

Revenue from other services (including fees from cheque cashing, money transfer, payment protection, debit cards, term loans, revolving lines of credit, collections and telephone re-connect services) increased to \$6.4 million in the first quarter, up from \$4.9

million in the same quarter last year. These improvements demonstrate the progress made against our objective of diversifying our revenue stream and extracting value out of our existing suite of products.

At the end of the quarter the company had a cash position of \$20.3 million and a positive working capital of \$17.5 million. During the quarter, working capital has increased by \$800,000 from \$16.7 million at June 30, 2008.

Expenses for the first quarter totalled \$22.6 million, an increase from \$20.0 million in the same quarter last year. The increase is primarily due to the number of branches increasing by 30 and increased bonuses related to higher profitability.

Third-party lender retention payments for the first quarter totalled \$4.3 million (2.9% of loans brokered), compared to \$5.8 million (4.4% of loans brokered) in the same quarter last year. Improved collection protocols have contributed to a continued reduction in retention payments in line with management's expectations.

Amortization of capital and intangible assets for the quarter totalled \$1.3 million, compared to \$1.1 million in the first quarter last year. The increase reflects the additional branches.

### **Summary Financial Information**

<i>Thousands of dollars, except for per share amounts and branch figures</i>		<b>Three Months Ended</b>	
<b>Consolidated results</b>		<b>September 30 2008</b>	September 30 2007
	<i>No. of branches</i>	<b>391</b>	361
Revenue			
Brokerage		\$ 37,293	\$ 32,181
Corporate		126	57
		<b>37,419</b>	32,238
Branch expenses		<b>18,538</b>	17,034
Retention payments		<b>4,251</b>	5,792
Branch operating income		<b>14,631</b>	9,412
Regional expenses		<b>1,721</b>	1,734
Corporate expenses		<b>3,404</b>	2,241
Other amortization		<b>214</b>	164
Income from continuing operations before income taxes		<b>9,292</b>	5,273
Income from continuing operations		<b>6,056</b>	3,418
Loss from discontinued operations		-	(390)
EBITA		<b>10,928</b>	6,585
Net income		<b>\$ 6,056</b>	\$ 3,028
Weighted average number of shares outstanding - basic		<b>19,434</b>	20,699
Basic earnings per share			
Income from continuing operations		\$ 0.31	\$ 0.17
Loss from discontinued operations		-	(0.02)
Net income		<b>0.31</b>	0.15
Diluted earnings per share			
Income from continuing operations		<b>0.31</b>	0.17
Loss from discontinued operations		-	(0.02)
Net income		<b>\$ 0.31</b>	\$ 0.15
<b>Consolidated Balance Sheet Information</b>			
Working capital		<b>\$ 17,504</b>	\$ 9,310
Total assets		<b>82,926</b>	89,595
Total long-term liabilities		<b>2,148</b>	1,836
Total liabilities		<b>10,855</b>	12,386
Shareholders' equity		<b>\$ 72,073</b>	\$ 77,209

### **About The Cash Store Financial Services Inc.**

Cash Store Financial is the only payday advance broker in Canada publicly listed for trading on the Toronto Stock Exchange (TSX:CSF). Cash Store Financial operates more than 390 branches across Canada under two banners: The Cash Store and Instalozans.

The Cash Store and Instalozans act as brokers to facilitate payday advance services to income-earning consumers who may not be able to obtain them from traditional banks. Cash Store Financial also provides a private-label debit card, The Freedom Card, and other ancillary products.

Cast Store Financial employs more than 1,500 associates and is headquartered in Edmonton, Alberta.

For further information, please contact:

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*This News Release contains "forward-looking information" within the meaning of applicable Canadian and United States securities legislation. Forward-looking information includes, but is not limited to, information with respect to our objectives, strategies, operations and financial results, competition as well initiatives to grow revenue or reduce retention payments. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved". In particular this News Release contains forward-looking statements in connection with the Cash Store Financials goals and strategic priorities, introduction of products, share repurchase initiatives and branch openings. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Cash Store Financial, to be materially different from those expressed or implied by such forward-looking information, including, but not limited to, changes in economic and political conditions, legislative or regulatory developments, technological developments, third-party arrangements, competition, litigation, risks associated with but not limited to, market conditions, and other factors described in our Annual Information Form ("AIF") dated August 27, 2008 under the heading "Risk Factors". All material assumptions used in making forward-looking statements are based on management's knowledge of current business conditions and expectations of future business conditions and trends, including our knowledge of the current credit, interest rate and liquidity conditions affecting us and the Canadian economy. Although we believes the assumptions used to make such statements are reasonable at this time and have attempted to identify in our continuous disclosure documents important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Certain material factors or assumptions are applied by us in making forward-looking statements, include without limitation, factors and assumptions regarding our continued ability to fund our payday loan business, rates of customer defaults, relationships with, and payments to, third party lenders, demand for our products, as well as our operating cost structure and current consumer protection regulations. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. We do not undertake to update any forward-looking information, except in accordance with applicable securities laws.*

*"EBITA" is earnings before interest, income taxes, stock-based compensation, amortization of capital and intangible assets. EBITA is not a recognized measure under Canadian generally accepted accounting principles ("GAAP"). The Company believes that EBITA is a useful supplemental measure to income (loss), as it provides investors with an indication of cash earnings prior to debt service, capital expenditures, income taxes and certain non-cash items. Investors should be cautioned, however, that EBITA should not be construed as an alternative to net income (loss) determined in accordance with GAAP as an indicator of the Company's performance or to cash flows from operating, investing and*

*financing activities as a measure of liquidity and cash flows. The Company's method of calculating EBITA may differ from the methods by which other companies calculate EBITA and, accordingly, the EBITA used herein may not be comparable to measures used by other companies. EBITA can be reconciled to the sum of income before income taxes and interest, stock-based compensation, amortization of capital assets and intangible assets.*