



Cash Store Financial releases Fourth Quarter and Year End Results; Record revenues, declares dividend on continued positive performance

EDMONTON, Alberta; August 27, 2008/CNW/ — The Cash Store Financial Services Inc. ("The Cash Store" or the "Company") today announced fourth quarter and year end results for the fiscal year ended June 30, 2008.

Fourth Quarter Highlights (table of results at end of release)

- Income from continuing operations up 60% to \$3.2 million compared to \$2.0 million in the fourth quarter last year.
- EBITA for the quarter is up 72% to \$7.6 million from \$4.4 million in the same quarter last year.
- Diluted earnings per share from continuing operations of \$0.16, compared to \$0.09 in the fourth quarter last year.
- Revenue from continuing operations up 10% to \$34.5 million, compared to \$31.5 million in the fourth quarter last year.
- Branch Operating Income up 29% to \$11.7 million, compared to \$9.1 million in the fourth quarter last year.
- Same Branch Sales up 5 % to \$91,700 from \$87,300 in the fourth quarter last year
- Retention payments down 23% to \$4.2 million (3.1% of loans brokered) in the fourth quarter compared to \$5.5 million (4.3% of loans brokered) in the fourth quarter last year.

Year-end Highlights

- Income from continuing operations for fiscal 2008 was up 44% to \$12.5 million, compared to \$8.7 million in the prior year.
- EBITA for the year is up 38% to \$26.3 million from \$19.0 million last year.
- Diluted earnings per share from continuing operations were \$0.62 (\$0.62 basic), compared to \$0.42 (\$0.42 basic) in fiscal 2007.
- Revenue from continuing operations up 6% to \$130.8 million, compared to \$123.6 million in the prior year.
- Branch operating income improved 14% to \$39.8 million from \$35 million for the previous year.
- Same Branch Sales improved 7% to \$375,700 from \$352,300 for the previous year.
- Retention payments dropped 14% to \$20.1 million (3.9% of loans brokered) from \$23.4 million (4.7 % of loans brokered) for the previous year.
- Payment of \$3.6 million of dividends to shareholders compared to nil in fiscal 2007.

- Repurchase of 1,353,110 Common shares during fiscal 2008.
- 384 branches in operation, up 26 from one year ago.

Mr. Gordon Reykdal, Chairman and CEO commented, "Fiscal 2008 was a strong year for Cash Store Financial, marked by a 44% increase in earnings for continuing operations relative to the previous year, and a return to earnings levels exceeding those experienced prior to the systems restructuring initiated in the third quarter of fiscal 2007. Revenue of \$34.5 million in the fourth quarter for continuing operations represents a 10% increase relative to the same period in fiscal 2007. This continued positive trending shows clearly that the business is well positioned for solid financial performance in future periods."

Mr. Reykdal further commented, "Fiscal 2008 was also marked by the successful spin-off in the third quarter of the furniture rental division into a separate publicly-traded company listed on the TSX Venture Exchange, thus enabling senior management to further concentrate attention on the Company's core operations." Shareholders of record in Cash Store Financial at the time of the transaction received an equivalent amount of shares in the new entity.

Mr. Reykdal added, "Overall, fiscal 2008 was marked by a significant increase in revenues and substantive expense reductions. Same branch sales improved 7% to \$375,700 from \$352,300 for the previous year, while branch operating income improved 14% to \$39.8 million from \$35 million the previous year. Retention payments dropped 14% to \$20.1 million (3.9% of loans brokered) from \$23.4 million (4.7% of loans brokered) for the previous year. Recent positive developments in industry regulation should enable the Company to further reduce the cost of loan related capital on a go-forward basis."

Shareholder Returns

During the year the Company repurchased appropriately 1.35 million of its common shares through a normal course issuers bid for an aggregate purchase price of \$6.0 million. This amounts to 7% of its outstanding shares.

As of June 30, 2008, the Company has returned \$9.5 million in cash to its shareholders through the repurchase of shares and the payment of a regular quarterly dividend since the beginning of fiscal 2008.

The Company is continuing the trend and has declared two dividends and will continue its share repurchase program. The first dividend is a quarterly cash dividend of \$0.025 per common share and the second dividend is a special cash dividend of \$0.075 per common shares. Both are payable on October 2, 2008 to shareholders of record on September 18, 2008.

The number of common shares to be purchased during the period of the normal course issuer bid (the "Bid") from June 27, 2008 to June 26, 2009 will not exceed 1,208,739 common shares, or approximately 8.9% of the public float outstanding on June 18, 2008.

Discontinued Operations

On November 28, 2007, the Company's shareholders approved a plan to spin-off the Company's rental operations and certain of its assets and liabilities to Insta-Rent Inc., whose common shares were, upon the completion of the "spin-off" transaction, owned by the

shareholders of the Company. Insta-Rent Inc. is publicly traded on the TSX Venture stock exchange under the symbol "IRR".

This spin-off transaction was completed pursuant to a plan of arrangement on March 31, 2008 and accordingly, the Company ceased to consolidate those assets and liabilities of the rental division transferred to Insta-Rent Inc. and have presented the results of its operations and its cash flows for the year ended June 30, 2008 and 2007 as discontinued operations.

The net loss from discontinued operations during the year was \$1.7 million, which includes \$678,000 of costs related to the spin-off transaction, compared to a net loss of \$2.8 million during fiscal 2007. The decrease in the net loss was due to improved branch operating income compared to the prior year.

Fourth Quarter Financial Results

Net income from continuing operations for the fourth quarter of fiscal 2008 increased to \$3.2 million, compared to \$2.0 million for the same quarter last year due to increased revenue, decreased expenses and lower retention payments partially offset by a higher effective tax rate. Diluted earnings per share for continuing operations for the fourth quarter were \$0.16, compared to \$0.09 per share for the same quarter last year.

Fiscal 2008 Financial Results

Net income from continuing operations for the year ended June 30, 2008 was \$12.5 million, compared to \$8.7 million in the prior year. The higher earnings resulted in diluted earnings per share from continuing operations increasing to \$0.62, compared to \$0.41, for the year ended June 30, 2007.

The Company's EBITA (income from continuing operations before interest, income taxes, stock-based compensation, and amortization of capital and intangible assets) for the year ended June 30, 2008 was \$26.3 million, compared to \$19.0 million for the year ended June 30, 2007. The Company's improved revenue and EBITA numbers are due to increased revenues partially offset by higher expenses primarily due to opening 26 new branches, and the Company has, starting January 2007, increased its infrastructure substantially, including the addition of a centralized cheque cashing department and collections department, and increased capacity in both the internal audit and training departments.

The higher fiscal 2008 earnings reflect the following:

- Increased branch-level operating results due to improved revenues, growing same branch sales, and decreased retention payments;
- targeted expenditures on infrastructure enhancements to increase revenue generation, including: a new cheque cashing department, a new centralized collections department, increased capacity in the internal audit and training departments; and, increased capacity for regional and divisional management; and,
- decreased expenditures on stock-based compensation.

Branch revenues have improved by 6%, while same branch sales have increased 5% compared to the same period last year.

Product and revenue diversification initiatives continue to generate positive results. Fees from other services (including fees from cheque cashing, money transfer, payment protection, debit cards, pre-paid credit cards, collections and telephone re-connect services) increased to \$21.7 million for the year ended June 30, 2008, compared to \$19.8 million for the year ended June 30, 2007. A customer loyalty program is currently being tested in some markets. For future periods, the Company is planning to introduce alternative loan products.

The Company is well-positioned to fund future growth initiatives and working capital requirements with a cash position of \$15.6 million and a positive working capital of \$16.7 million as at June 30, 2008. For the year ended June 30, 2008, working capital has increased by \$7.3 million from \$9.4 million at June 30, 2007.

Summary Financial Information

Thousands of dollars, except for per share amounts and branch figures		Three Months Ended June 30		Year Ended June 30	
Consolidated results		2008	2007	2008	2007
	<i>No of branches</i>	384	358	384	358
Revenue					
Brokerage		\$ 34,490	\$ 31,451	\$ 130,567	\$ 123,498
Corporate		52	15	232	64
		34,542	31,467	130,799	123,562
Branch Expenses		18,635	16,903	70,853	65,184
Retention payments		4,229	5,501	20,111	23,418
Branch operating income		11,678	9,063	39,835	34,960
Regional expenses		1,985	1,819	7,440	5,969
Corporate expenses		3,523	4,001	11,181	14,754
Other amortization		244	222	821	807
Income from continuing operations before income taxes		5,925	3,021	20,392	13,430
Income from continuing operations		3,210	2,013	12,522	8,670
Loss from discontinued operations		-	(422)	(1,716)	(2,788)
EBITA*		7,613	4,429	26,271	19,020
Net income		3,210	1,591	10,806	5,882
Weighted average number of shares					
outstanding - basic		19,652	20,699	20,124	20,596
- diluted		19,733	20,805	20,242	20,707
Basic earnings per share					
Income from continuing operations		\$ 0.16	\$ 0.09	\$ 0.62	\$ 0.42
Loss from discontinued operations		\$ -	\$ (0.02)	\$ (0.08)	\$ (0.13)
Net income		\$ 0.16	\$ 0.07	\$ 0.54	\$ 0.29
Diluted earnings per share					
Income from continuing operations		\$ 0.16	\$ 0.09	\$ 0.62	\$ 0.42
Loss from discontinued operations		\$ -	\$ (0.02)	\$ (0.09)	\$ (0.14)
Net income		\$ 0.16	\$ 0.07	\$ 0.53	\$ 0.28
Consolidated Balance Sheet Information					
Working capital		\$ 16,740	\$ 9,408	\$ 16,740	\$ 9,408
Total assets		81,252	91,932	81,252	91,932
Total long-term liabilities		1,800	1,857	1,800	1,857
Total liabilities		10,049	14,287	10,049	14,287
Shareholders' equity		\$ 71,202	\$ 77,645	\$ 71,202	\$ 77,645

* EBITA - earnings from continuing operations before interest, income taxes, stock-based compensation, amortization of capital and intangible assets

This press release should be read in conjunction with the consolidated financial statements of The Cash Store Financial Services Inc. for the years ended June 30, 2008 and 2007.

About The Cash Store Financial Services Inc. (formerly Rentcash Inc.)

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

The Cash Store and Instaloans 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.

Cash Store Financial employs more than 1,600 associates and is headquartered in Edmonton, Alberta.

For further information, please contact:

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This News Release contains "forward-looking statements" within the meaning of applicable Canadian securities legislation, including but not limited to, statements about the Company's objectives and strategies, financial result, expectations and outlook, whether for the Company's businesses or the Canadian economy. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "planned", "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". Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, closing of transactions, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to capital markets and additional funding requirements, fluctuating interest rates and general economic conditions, legislative and regulatory developments, the nature of the Company's customers and rates of default, competition and loss of a material relationship as well as those factors discussed in the Company's documents filed on SEDAR (www.sedar.com).

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 management's knowledge of the current market within which the Company operates and other factors affecting the Company's products and the Canadian economy. Although the Company believes the assumptions used to make such statements are reasonable at this time and has attempted to identify in its 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 the Company in making forward-looking statements, including without limitation, factors and assumptions regarding acceptance of its products in the marketplace, consumer purchasing trends, existing relationships as well as its operating cost structure and current legislation and orders regulating its business. There can be no assurance that such statements will prove to be accurate, as

actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements that are contained herein, except in accordance with applicable securities laws. Further information on the Company is available at www.sedar.com.

“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.