



Credit Corp Group

# FY17 Market update

27 April 2017

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# Leadership in the credit impaired consumer segment...

ANALYTICS & DISCIPLINE	OPERATIONAL EXCELLENCE	SUSTAINABILITY & COMPLIANCE	<ul style="list-style-type: none"><li>• Long-term growth</li><li>• ROE 16% - 18%</li><li>• Low gearing</li></ul>
<b>Core Australian / NZ debt buying</b>			
<ul style="list-style-type: none"><li>• Largest database</li><li>• History of pricing accuracy</li></ul>	<ul style="list-style-type: none"><li>• Highest asset turnover <sup>1</sup></li><li>• Lowest cost to collect <sup>2</sup></li></ul>	<ul style="list-style-type: none"><li>• No adverse orders or undertakings</li><li>• Low complaint rate</li><li>• \$1.3bn in ongoing repayment arrangements</li></ul>	
<b>Australian / NZ lending</b>			
<ul style="list-style-type: none"><li>• Leverage knowledge of consumer</li><li>• Up-front loss provisioning</li><li>• Analytical monitoring</li></ul>	<ul style="list-style-type: none"><li>• Automated decisioning</li><li>• Collection strength</li></ul>	<ul style="list-style-type: none"><li>• APRs below cap applicable to mainstream credit</li><li>• Regulatory upside - no 'payday loans'</li></ul>	
<b>USA debt buying</b>			
<ul style="list-style-type: none"><li>• Adapted knowledge to US environment</li><li>• Large market opportunity</li></ul>	<ul style="list-style-type: none"><li>• 35% productivity improvement over pcp in H1 FY17</li><li>• Sizeable operation ready to take advantage of improved conditions</li></ul>	<ul style="list-style-type: none"><li>• Low regulator complaint rate</li><li>• Strong client audit outcomes</li></ul>	

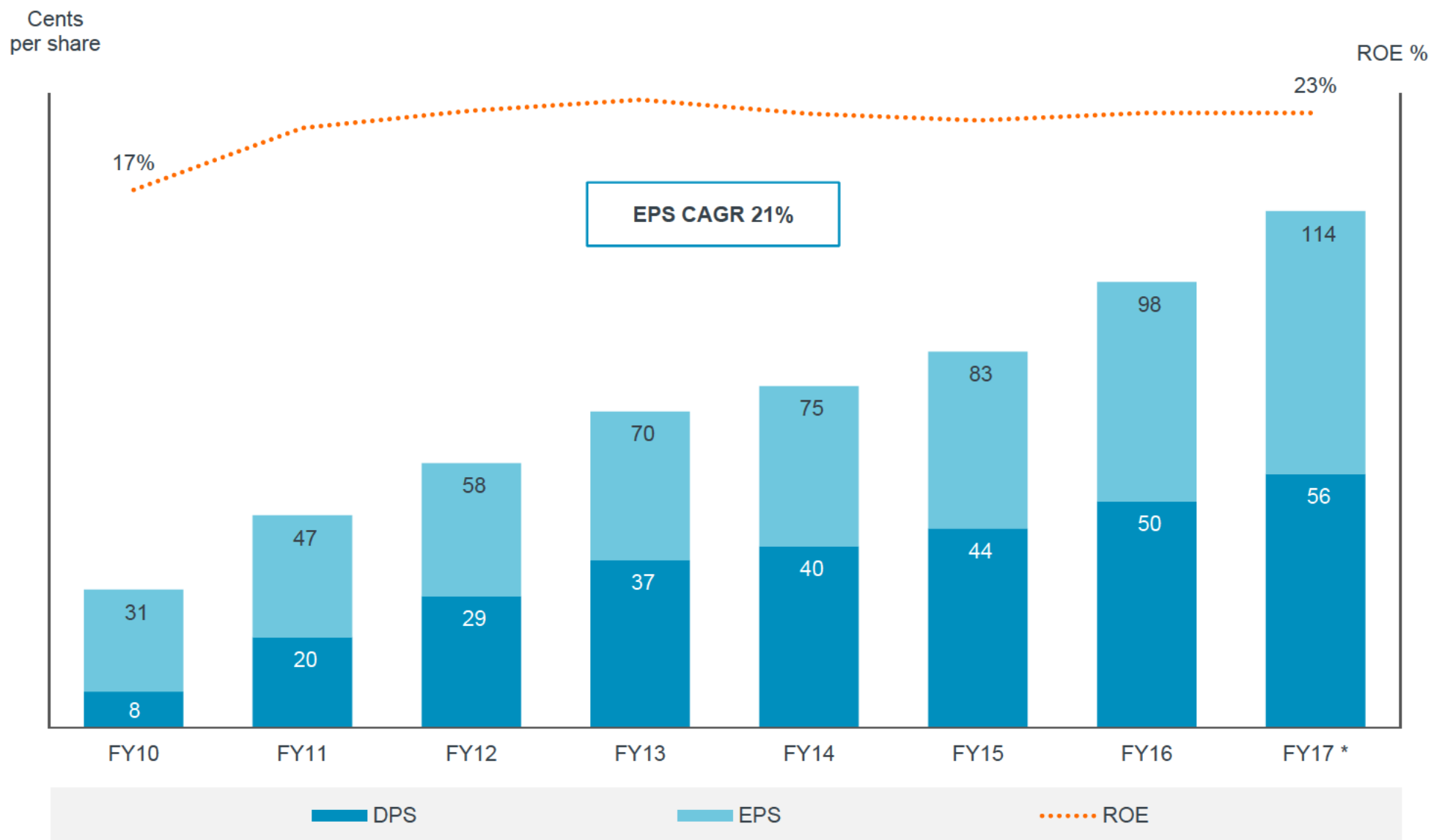
1. YTD Mar-17 annualised ratio of cash collections from PDLs to average PDL carrying value of 1.2x

2. YTD Mar-17 ratio of cash costs of the Debt Ledger Purchasing segment to collections of 36%



## ...and return disciplines have generated sustained performance...

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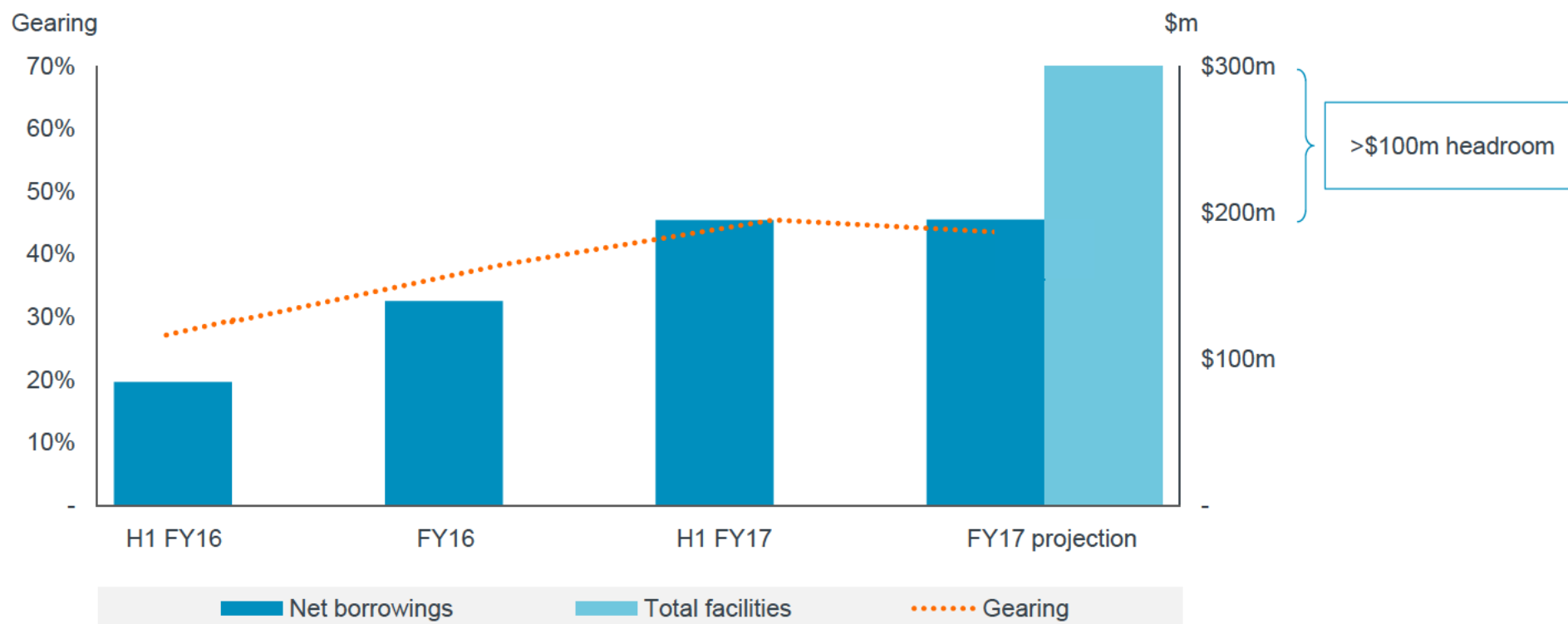
\* FY17 midpoint of most recent market guidance

## ...while positioning CCP for the next wave of opportunity

	Market conditions	CCP response
AUS / NZ PDL purchasing	<ul style="list-style-type: none"> <li>Pricing remains strong with signs of easing ahead <ul style="list-style-type: none"> <li>New capital has stimulated pricing</li> <li>At the same time CCP has renewed some forward flows at reduced prices</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Maintain discipline and preserve resources for easing ahead</li> </ul>
AUS / NZ Lending	<ul style="list-style-type: none"> <li>Regulatory and stakeholder focus reducing competitiveness of existing business models <ul style="list-style-type: none"> <li>'Payday loans'</li> <li>'Consumer leases'</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Unique sustainable alternative</li> <li>Driving strong operating cashflow and earnings growth</li> </ul>
US PDL purchasing	<ul style="list-style-type: none"> <li>Diminished competition for PDLs at a time when supply is also increasing</li> </ul>	<ul style="list-style-type: none"> <li>Grow operational capacity</li> <li>Accelerate purchasing at target return criteria</li> </ul>

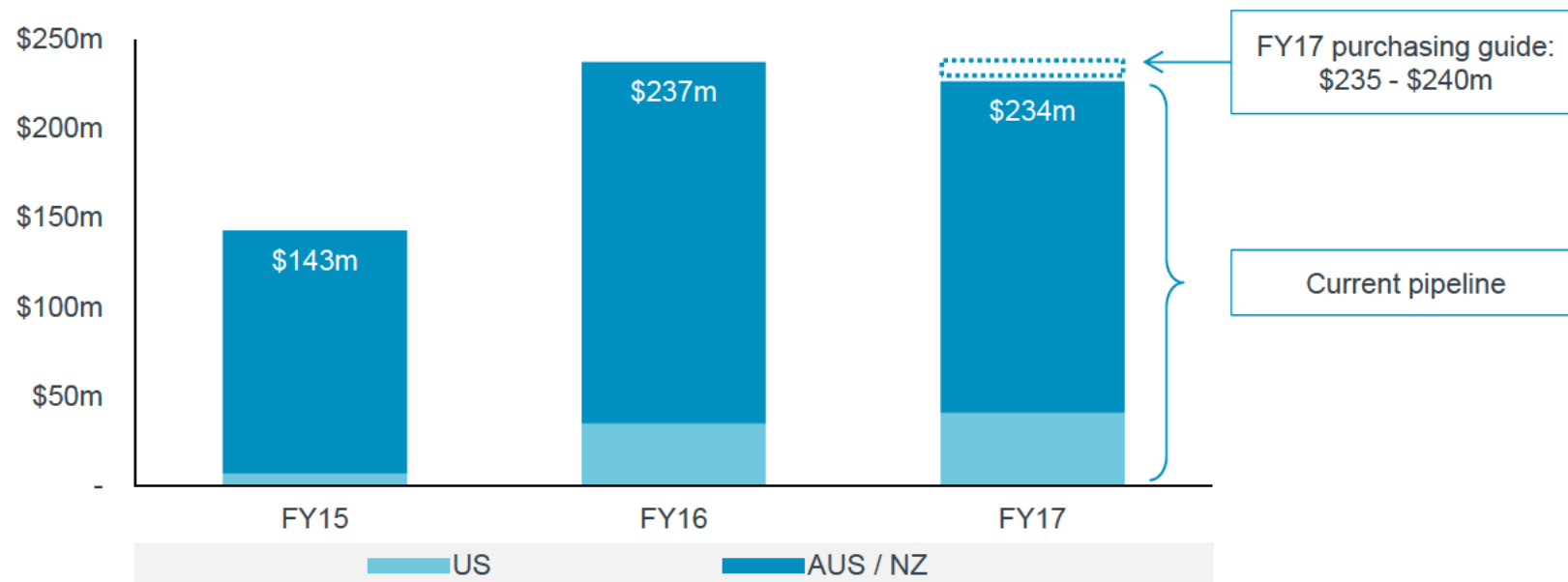
## Expanded loan facility to seize the opportunity

- \$300m of funding lines in place until 2020
  - Delivers >\$100m headroom
- Includes \$85m securitised consumer loan warehouse facility
  - Unique in credit-impaired segment
  - 50% advance rate
- Gearing remains conservative



## AUS / NZ PDL market remains competitive

- Pricing continues to be strong
  - Both listed competitors upgraded purchasing guidance for FY17
  - New capital has entered the market (equity raising / private equity)
  - Loss of some share in maintaining return discipline
- Signs of easing ahead
  - Renewal of some CCP forward flows at reduced prices
- CCP well-positioned for high concentration of forward flow renewals over next 6 months



## Debt purchasing metrics remain strong

### Pricing accuracy and returns on track

- Total cumulative collections above aggregate expectations
- Total collections up 12% over pcg
- Collections life cycle on track with 6% increase in collections from purchases made more than 2 years ago

*(Refer to Appendix charts 1 and 2)*

### Productivity maintained

- YTD productivity in line with pcg

*(Refer to Appendix chart 3)*

### Expanded productive capacity

- Total debt buying operations staff up by 7% YTD

### Arrangement book growth

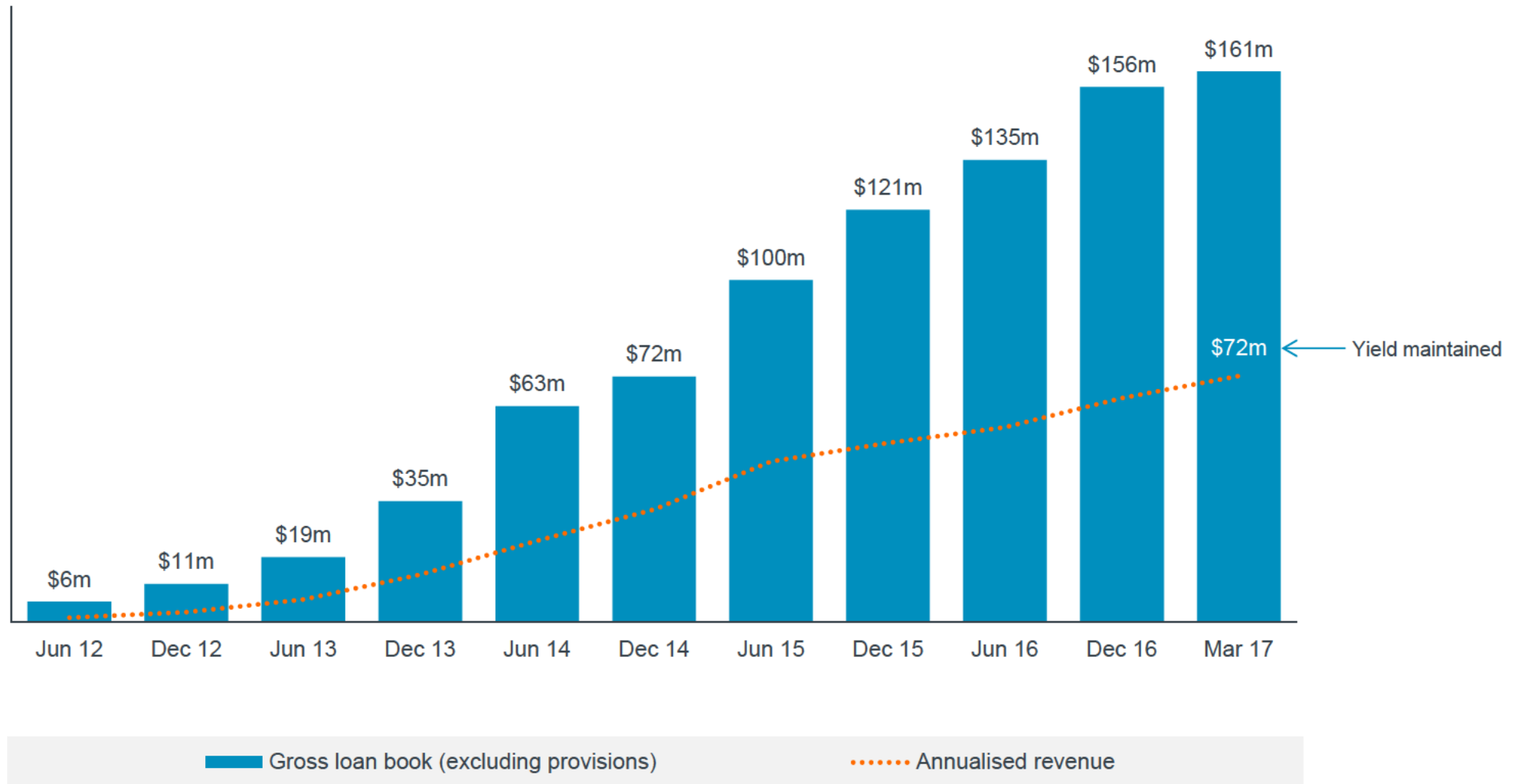
- Face value of accounts under arrangement increased by 10% over YTD to \$1.3bn at Mar-17
- Payments under arrangement represent 79% of collections

*(Refer to Appendix chart 4)*



## Consumer loan revenue growing strongly...

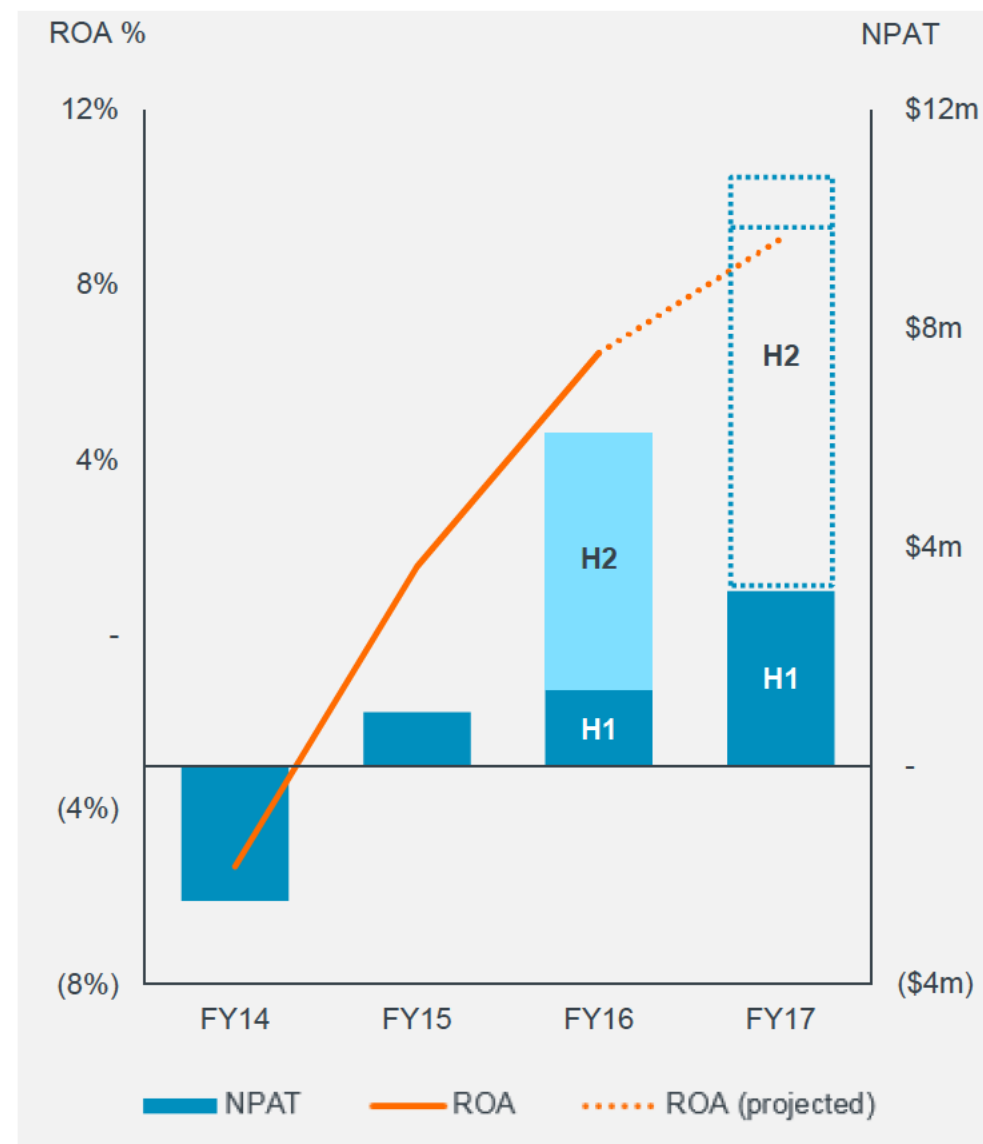
Gross loan book  
excl. provisions





## ...driving returns and profit

- Returns and profit accelerate with scale
- Seasonal earnings skew to H2
- On track for pro-forma ROA of 12% in FY18



## US market conditions continue to improve

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- Reduced demand
  - Industry consolidation over the past 3 years
  - Major debt buyer placed into bankruptcy (SquareTwo) <sup>1</sup>
- Enlarged supply
  - Charge-off rates increased from 3.04% (Q1 2016) to 3.56% (Q4 2016) <sup>2</sup>
- Competitors report improved returns
  - 15% price reduction in recent purchases reported by Encore <sup>3</sup>
  - 10% reduction in prices implied from 2016 PRAA purchasing multiples <sup>4</sup>
- Recent CCP purchases secured at pricing sufficient to meet hurdle return

1. "SquareTwo Financial Corp files for Chapter 11", <http://www.reuters.com/article/us-squaretwo-financial-bankruptcy-idUSKBN16R01M>

2. "Charge-off and delinquency rates on loans and leases at commercial banks", US Federal Reserve, <https://www.federalreserve.gov/releases/chargeoff/chgallsa.htm>

3. Encore Capital Group (NASDAQ: ECPG) Q4 2016 earnings call transcript

4. Portfolio Recovery Associates Group (NASDAQ: PRAA) Form 10-Q for the quarters ended 31 Mar 16, 30 Jun 16, 30 Sep 16 and 31 Dec 16

## Expanding operational capacity to service increased purchasing

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- Increased operational capacity
  - US headcount now 177, up from 152 at H1
  - On track for 200 by year end
- Step-up in purchasing over recent months
  - On track to outlay A\$45m in US in FY17
  - Recent purchases made at CCP hurdle return
- Operational performance on track
  - Breakeven US NPAT for Q4 FY17
  - Positioned for profitability in FY18

## Updated FY17 guidance

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	Issued Jan 2017	Updated Apr 2017
<b>PDL acquisitions</b>	\$225 - \$235m	<b>\$235 - \$240m</b>
<b>Net lending</b>	\$35 - \$45m	<b>\$40 - \$45m</b>
<b>NPAT</b>	\$53 - \$55m	<b>\$53 - \$55m</b>
<b>EPS (basic)</b>	112 - 116 cents	<b>112 - 116 cents</b>

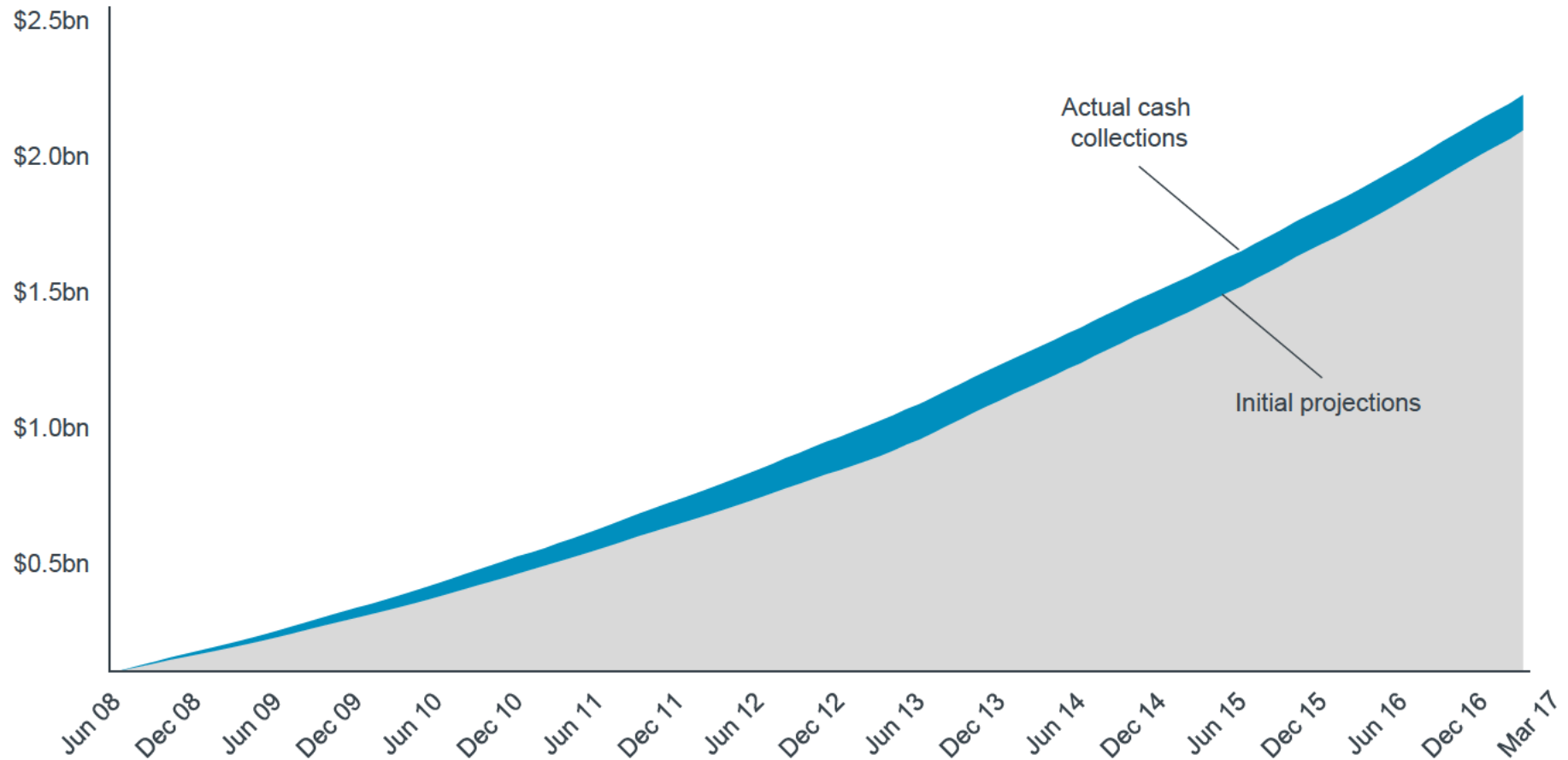
# Questions

# Appendix



## Chart 1: Operational metrics - pricing discipline and accuracy

Cumulative  
collections

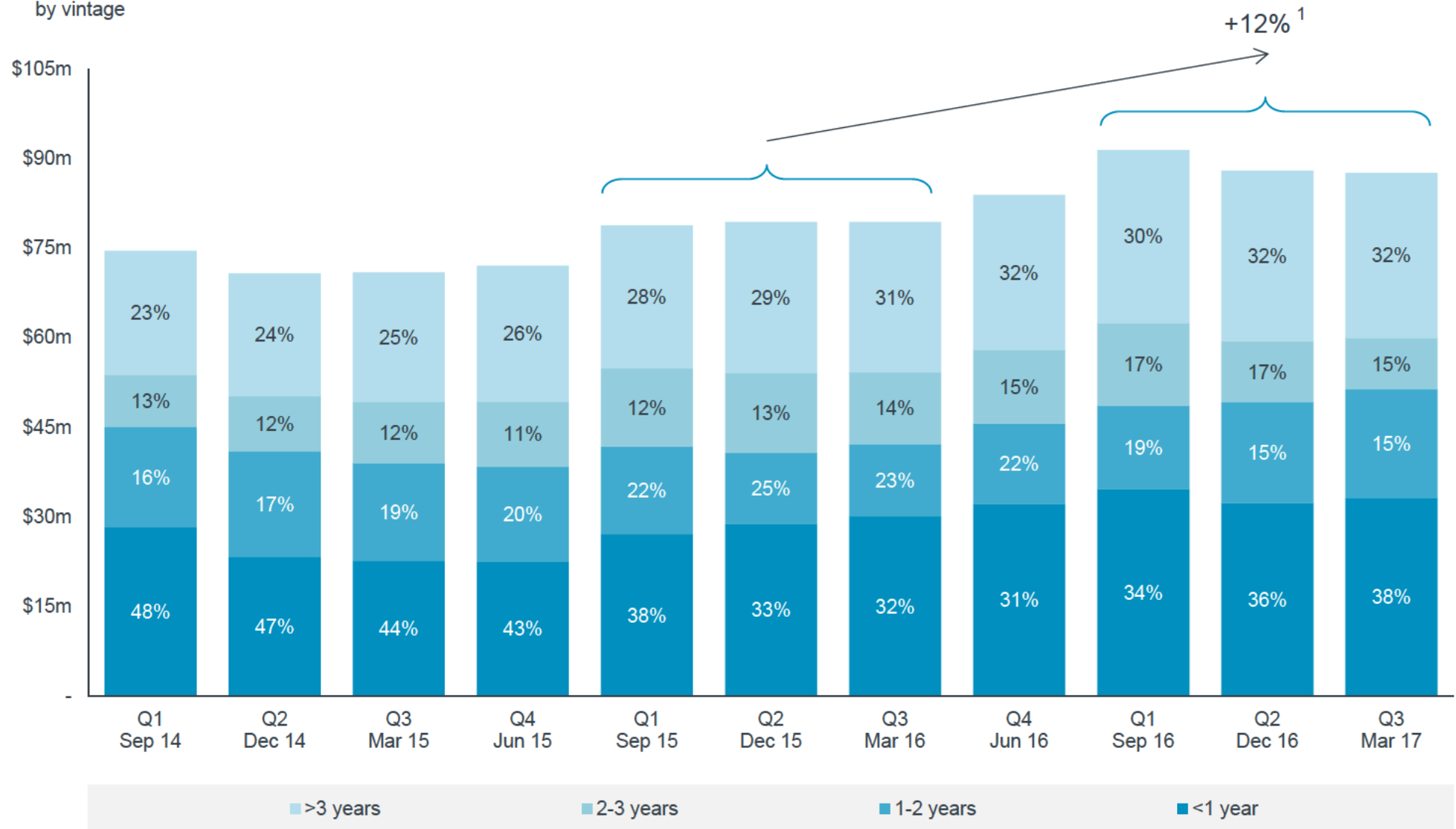


\* For all PDLs held at June 2008, initial projections represent the forecast at June 2008



## Chart 2: Operational metrics - collection life-cycle

PDL collections  
by vintage



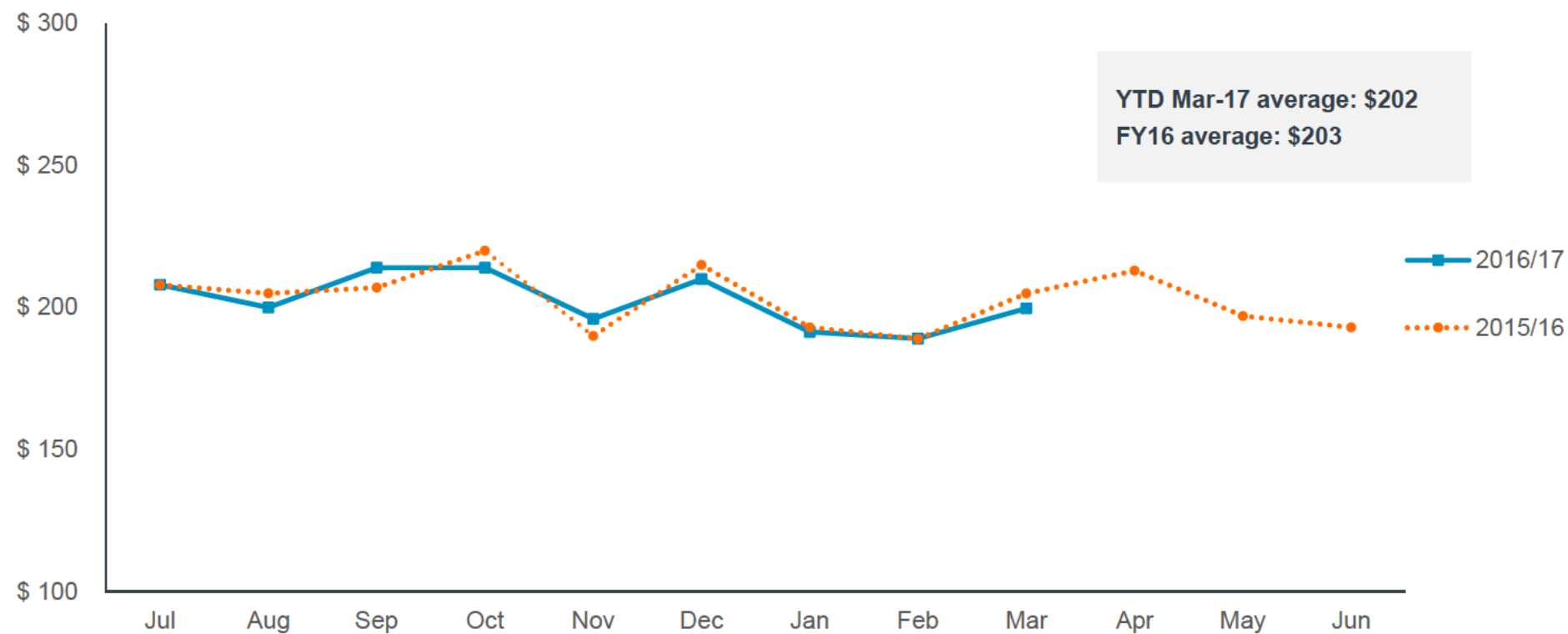
1. 12% growth on p.c.p. (Q1-Q3 FY17 vs. Q1-Q3 FY16)



## Chart 3: Operational metrics - productivity

### Debt purchase productivity (direct collection staff only)

PDL collections  
per hour



## Chart 4: Operational metrics - payers base

Total portfolio	Dec 14	Jun 15	Dec 15	Jun 16	Dec 16	Mar 17
Face value	\$4.8bn	\$4.9bn	\$5.1bn	\$5.3bn	\$5.7bn	\$5.7bn
Number of accounts	698,000	703,000	687,000	673,000	699,000	697,000
Payment arrangements						
Face value	\$963m	\$1,044m	\$1,099m	\$1,171m	\$1,235m	\$1,290m
Number of accounts	125,000	133,000	139,000	147,000	151,000	157,000
<b>% of PDL collections</b>	<b>73%</b>	<b>75%</b>	<b>76%</b>	<b>78%</b>	<b>77%</b>	<b>79%</b>