

Media Release

30 January 2018

Credit Corp reports first half profit growth of 18%

Credit Corp Group Limited (Credit Corp) reports the following highlights for the first half of the 2018 fiscal year:

- 18 per cent increase in first half Net Profit after Tax (NPAT) to \$29.8 million
- Australia/New Zealand lending business on track for 30% earnings growth in 2018
- US debt buying operation is profitable and will achieve a full year turnaround of up to \$3 million
- Solid core Australia/New Zealand debt buying earnings and collections growth

While much of the profit growth was attributable to the fast-growing consumer lending division and the turnaround to profitability in the US, the core Australian and New Zealand debt buying operation also grew earnings.

Mr Thomas Beregi, CEO of Credit Corp, said the result demonstrates the success of the company's organic growth strategy pursued over a number of years. "It is pleasing that close to 30 per cent of earnings in 2018 will be derived from the lending and US debt purchasing businesses we have established from scratch over the last five years" he said.

Profits in the core Australia and New Zealand debt buying business increased by 5% and collections by 4% in the first half, despite a 30% reduction in purchasing. Mr Beregi said the collections performance reflected the strength of Credit Corp's operating model. "To grow collections with significantly reduced purchasing demonstrates the strength and sustainability of our collection operation, in particular the merit of our emphasis on building and maintaining a large bank of recurring payment arrangements" he said.

Credit Corp grew its 2018 contracted debt ledger pipeline from \$75 million at the start of the year to \$190 million due to large spot purchases and the rollover of existing forward flow contracts.

Notwithstanding this, Mr Beregi believes the core Australia / New Zealand market remains competitive. "Competitors continue to enjoy access to debt and equity capital to support increased investment" he said. Credit Corp's pricing discipline has reduced purchasing, but will preserve investment returns.

Credit Corp's unique cash loan product, 'Wallet Wizard', continued to grow. Total settled volumes in the first half were higher than the prior year and profits are on track to grow by 30% for the full year.

Mr Beregi said that consumers benefit from Credit Corp's unique competitive strengths including its collections capability, deep understanding of the segment and efficient operations which allow low pricing to be sustained. "Almost 200,000 customers have saved substantial amounts as a consequence of choosing Wallet Wizard" he said.

The US debt purchase business produced its initial half-year profit. Productivity was maintained in line with the prior year despite a 40% increase in headcount.

US market conditions remain favourable. In the first half Credit Corp acquired 50% more face value for just a 13% increase in outlay relative to the same period in the prior year.

Opportunities exist to purchase higher volumes which will meet the company's investment return criteria. This will require additional collection capacity and the company is in the process of securing new premises in Salt Lake City, capable of accommodating headcount growth of more than 50%.

Mr Beregi said that the US opportunity will be a key earnings growth driver for the company in the medium to long-term. "As well as building out the new Salt Lake City premises we plan to secure a second US site during the next 12 months to allow for further growth" he said.

Outlook for balance of 2018

The company reaffirms earlier earnings guidance representing profit growth in the range of 12% to 16%.

The increased Purchased Debt Ledger (PDL) purchasing pipeline of \$190 million has necessitated a revision of the 2018 PDL investment guidance. The updated 2018 guidance is in accordance with the following ranges:

	Upgraded guidance (November 2017)	Updated guidance (January 2018)
PDL acquisitions	\$170 - \$190m	\$190 - \$200m
Net lending volumes	\$35 - \$45m	\$35 - \$45m
NPAT	\$62 - \$64m	\$62 - \$64m
EPS	130 - 134 cents	130 - 134 cents

This media release should be read in conjunction with the Appendix 4D, Interim Financial Statements and results presentation.

To watch the presentation go to: <http://www.creditcorp.com.au/corporate/investors/interviews-presentations/>

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