ASX ANNOUNCEMENT

28 February 2018

Collection House Limited 1H18 results

Collection House Limited (Group) ASX Code: CLH, today reported 1H18 results in line with expectations, and an upgrade to full year guidance.

Total revenue for the Group was $63.4 million, a decrease of 4% compared to 31 December 2016. The consolidated Net Profit After Tax (NPAT) was stable at $8.2 million for the six months to 31 December 2017 (31 December 2016: $8.2 million).

1H18 Highlights:

- Revenue $63.4 million, down 4% on pcp
- Net Profit After Tax (NPAT) $8.2 million, up 0.5% on pcp
- Full year NPAT estimate increased from $19 - $19.7m to $19.7m - $20.4m
- Earnings Per Share (EPS) 6.1c, up 0.2% on pcp
- Full year EPS guidance increased from 14- 14.5c to 14.5 – 15c
- Dividend Per Share (DPS) 3.9c, same as pcp
- Dividend Reinvestment Plan (DRP) reactivated at 2.5% discount
- Committed FY18 PDL acquisitions already at full year estimate of $63 million
- Full year PDL purchase guidance increased from $63 -$65m to $70m - $75m
- $50m additional banking facility in place for H218 PDL purchases
- Gearing ratio at 31 December 2017 41.3%
- Amortisation rate prudently increased from 43% to 46%

The first half results showed solid progress evidenced by the fact that, even with the adoption of a more conservative PDL amortisation rate, the profit has remained stable. On a normalised (like-for-like) basis, the Underlying NPAT grew by 6.0%. The improving underlying performance was achieved in tandem with significant further PDL and infrastructure investments in the period, the benefits of which will start to become apparent in the second half and beyond.

Anthony Rivas, Managing Director and CEO said “In the last 12 months we have made considerable operational progress and brought in the right talent to take us forward. Although the underlying performance has shown good progress, we have also been focused on building the right platform for the future. For H218 we are turning our attention to expansion, with several tier-one customer wins in Collection Services and an upgrade to our PDL purchase guidance.”

“A number of our initiatives remain work in progress, but we are increasingly confident of both our ability to compete and to generate the level of return shareholders should expect, and of which the business is capable.”

The previous FY18 NPAT estimate of $19 million to $19.7 million, or 14 – 14.5 cents per share, has been upgraded to $19.7 million to $20.4 million or 14.5 – 15 cents per share.

Collection Services Segment

Collection Services reported revenue of $33.1 million in 1H18, down 1% on 1H17. Productivity improvements gained through enhanced processes and the introduction of new contact centre technology were offset by some client revenue being deferred, which we now expect to report in the second half.

Similarly, while considerable progress has been made in our business development capabilities, the expense of establishing new client accounts and services were incurred in 1H18, but the revenue contribution is not expected until the latter half of the year and beyond.

Consequently, although the segment result was lower than in 1H17, the second half will see a significant improvement, and we expect the full year result to be in line with, or above, FY17.

The ThinkMe Finance and Safe Horizons businesses have been reclassified from Collection Services to the Purchase Debt Ledger segment during the period, since most of the revenues from these divisions came from PDL accounts.

Purchased Debt Ledger (PDL) Segment

The Purchase Debt Ledger segment reported revenue of $30.3 million, down 6.5% on 1H17. PDL collections were down 3.6% to $50.4m. PDL cash collections remain below the level the business capable of achieving as we continue to be affected by lower purchase volumes and higher prices in FY15 and FY16.

Through productivity enhancements and improved analytics, we have laid the foundations for stronger performance in the second half and beyond. These changes are enhancing our ability to make better purchasing decisions and increasing our expected recoveries from our longer dated customer accounts.

Turning around four previous periods of decline, the Company reported $320 million of active repayment arrangements as at 31 December 2017, up from $317 million at the end of FY17. We expect this improvement to continue.

The market pricing for PDL portfolios is competitive but rational, with $63 million in PDLs already committed as at December 2017. Full year purchases guidance, previously estimated to be $63 - $65 million, has today been upgraded to $70 - $75 million.

Board Recruitment

Heidrick & Struggles have been engaged to undertake a rigorous recruitment process to source high calibre non-executive directors, with appointments to be announced in the near future.

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