

# ASX announcement

29 November 2018

## Chairman's Address – Collection House 2018 Annual General Meeting

Fellow Shareholders, Collection House colleagues, Ladies and Gentlemen, good afternoon and welcome to the Company's 2018 AGM.

I will now present my Chairman's Address.

### Financial performance in FY18

FY18 has been a year of significant transformation for Collection House as we focused on meeting or exceeding our financial targets and delivering greater shareholder returns and value.

- We achieved excellent results, with a 50% increase in statutory Net Profit After Tax (NPAT) to \$26.1 million.
- Earnings per share were 19.2 cents up from 12.8 cents in FY17.
- Average return on equity grew from 9.3% to 13.1%.
- The total dividend for the year was 7.8 cents per share, fully franked.

So it was a cracking year in FY18 and we are announcing today some updates to our FY19 Guidance, which Anthony Rivas will cover in his presentation.

### Capital management

Prudent capital management played a central role in our operations in the past financial year.

A key factor contributing to our success during FY18 was our first Balbec Capital LP transaction as part of our Portfolio Enhancement Programme (PEP). This transaction allowed us to free up capital tied up in older PDL purchases and buy new, higher-yielding PDLs with the proceeds.

The transaction yielded \$19.5m of unencumbered cash, of which more than \$15m was deployed on higher return PDL purchases within two weeks.

Our prudent approach to PDL purchasing also saw us increase our level of PDL acquisitions to \$81.3 million – (up 39% from FY17). We are generating higher returns from these acquisitions due to improvements in collection efficiencies, technology adoption and improved data analysis thanks to our new pricing and valuation models.

I was pleased to have the opportunity to work closely with our talented management team on the Portfolio Enhancement Programme and scrutinising our new pricing and valuation models this year working with our Chief Data Scientist, Andy Adusumilli, and his team.

All these initiatives will continue yielding shareholder value in FY19.

### Strategy

Beyond this excellent financial performance, in the past 12 months, your Board and management team have led some of the most significant positive changes in Collection House's history, particularly around digital transformation.

It was a year in which Collection House took major steps forward in the execution of its strategic plan which responds to the reality of operating a modern receivables management company.

A key priority for Collection House over the past 12 months has been our investment in technology as part of our digital transformation. These initiatives are benefiting the business in terms of increasing our client reach, consumer engagement, as well as enhancing our transactional platforms.

## Strategy (continued)

This digital transformation strategy includes our successful C5 software, the new Customer Portal, along with our continuing focus on data analytics and Artificial Intelligence. Anthony Rivas will speak to you shortly about some of these exciting innovations in his presentation.

This prudent investment in technology is also about increasing productivity, making cost savings and generating higher revenues.

The Customer Portal is really motoring for us now after just eight months, and Anthony Rivas will update you on this in his presentation.

One of the key strengths of this Company is our ability to see around corners to identify the emerging trends in our industry. This has enabled us to gain first mover advantage in a number of exciting areas.

We were first in our industry to obtain Comprehensive Credit Reporting (CCR) information for ThinkMe Finance within the Lion Finance Segment. CCR gives us access to a more complete picture of the customer's credit profile, so we can work with them to improve their credit score. I have seen this operate in other parts of the world and it is going to be a step change for us here in Australia.

Collection House was also first to work with some of the Australian Banks to consider the consequences of financial instruments standard AASB 9. The steps we have taken to leverage this strategic opportunity have already contributed to us achieving significant PDL growth during the year, and we are ready to accommodate additional volumes in FY19.

## Governance and culture

The Board's successful renewal programme commenced in FY18 has enhanced the company's governance and culture.

In September, we announced the appointment of two new high-calibre independent Directors to the Board.

The new independent Non-Executive Directors are Sandra Birkensleigh and Catherine McDowell.

This has the added benefit of increasing our diversity on both gender and experience.

Sandra has extensive experience in financial services, particularly in the areas of risk management, corporate governance and compliance, including with a number of listed companies. She has been appointed chair of the Audit and Risk Committee.

She will provide invaluable assistance as we continue to strengthen our risk and compliance framework.

Catherine also has broad experience in the banking, financial services and investment industries, and was appointed Chair of the reconstituted Nominations and Remuneration Committee.

She brings excellent international, commercial and investment experience and an impressive track record in delivering cultural change programmes for major organisations, resulting in significant step changes in performance standards, customer service and staff engagement.

Her skills will be important as we focus on significant cultural change initiatives including a new Code of Conduct for our people. Treating our customers fairly is at the heart of everything we do at Collection House and this new Code will deliver even better outcomes for our people, the business and our customers.

As you know, Sandra and Catherine were identified as high calibre candidates following an extensive search by executive recruitment firm Heidrick & Struggles, with the Board conducting extensive due diligence on their qualifications and suitability before inviting them to join the Board. The Collection House Board is an independent, skills-based Board comprising Directors who, based on a Board skills matrix, collectively have the skills, experience and diversity to effectively govern and direct this world-class Company as it grows.

I would like to take the opportunity afforded by the AGM to welcome Sandra and Catherine to the Board, and also to thank fellow director Michael Knox for his sage advice and valuable contribution this year, particularly on our pricing and valuation models and helping us look ahead in relation to the economy and our business.

## Resolutions – Director elections and Remuneration report

Director elections and the Remuneration report are two matters of importance at today's meeting and they are the subject of resolutions later in the meeting.

Ensuring the appropriate balance of skills, experience, diversity and independence has been a key focus of your Board in FY18.

Today we have three serving Directors standing for election or re-election. I am one of those Directors who will stand for re-election.

I joined the Board in July 2016, and it has been my privilege to serve as your Chairman since November last year.

You are most likely aware I have begun the application process to relocate to Australia from the UK. In fact I'm delighted to say my application is now lodged with the Department of Home Affairs. While I already spend around one-third of my time in Australia, this move will provide the welcome opportunity to work even more closely with Anthony Rivas, the Board and our exceptional management team as we continue to build a world-class company.

Later today you will have the opportunity to ask questions on the Remuneration report and vote on that report.

The Board has taken a range of proactive steps, following last year's AGM to benchmark and look at the remuneration of our executives and senior management team, but also our Board.

We have looked at our remuneration internally and also commenced a process with an external and independent firm to benchmark our remuneration. This is to ensure it can be appropriately tested and benchmarked against similar sized ASX-listed companies operating in similar industries.

We want to ensure that we can understand where we sit on remuneration, against other listed companies, so we can make a decision on remuneration that is about stability, retaining and rewarding the best people and enhancing company performance and shareholder value.

The review and benchmarking is ongoing as we want it to be undertaken in a measured way so we have the benefit of transparent and appropriate benchmarking to support any decisions to ensure:

- alignment of remuneration and rewards with company strategy, the evolution of our business and shareholder value; and
- that we can attract, retain and reward the very best people to achieve this.

We will announce the results of the remuneration review in due course.

We have also undertaken a range of internal steps.

This includes, that we have:

- internally reviewed the overall remuneration strategy, framework and practices adopted by the Group; and
- revised Short Term Incentives targets and weighting with particular focus on financial metrics of Earnings Per Share together with compliance, innovation and improvements to corporate culture.

In addition to this, although the achievement of performance targets has entitled Anthony Rivas to receive a total of 3 million performance rights next June, he has advised the Board that he wishes to forego 2 million of those performance rights currently valued at \$2.6 million at acceptance date, reflecting his longer term commitment to the Company.

## Shareholder resolutions

The Company is in great shape, but nevertheless we respect the right of any shareholder to ask relevant questions and hold us to account. You will likely be aware that certain questions have been asked by Mr Lev Mizikovsky and his company Ankla Pty Ltd in recent times. The Board has responded to those questions, but we hope Mr Mizikovsky will attend today in Brisbane, and hopefully this is a sign of more open and productive dialogue in the future. As we've said before we're prepared to meet with him after the AGM to discuss any remaining concerns he may have.

## Conclusion

In conclusion, I would like to thank you, our shareholders for your support this year. Anthony Rivas and I have been out meeting many of you, and I've been delighted with the growing understanding and appreciation of CLH shown by investors, analysts and proxy advisers.

I would also like to acknowledge my fellow Board members for their invaluable and relevant skills and the extensive experience they bring to the Company.

And I'd also like to thank all of our talented and committed people for their tireless efforts in achieving significant progress for the Company in the past year.

In Anthony Rivas, we are fortunate to have a talented and determined leader driving innovation and performance through every part of the business.

Your Board is confident that the Company is well placed to maximise opportunities as they arise in the best interests of shareholders.

I now invite Anthony Rivas to give his presentation after which we will conduct the formal business of the meeting.