



Collection House
Group

Annual General Meeting 2018

Collection House Limited

November 2018

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A background image showing three women in a professional setting, likely a meeting. The woman in the center is wearing glasses and smiling, looking towards the right. The woman on the left is also smiling and looking towards the center. The woman on the right is looking towards the center. They are all wearing dark clothing. The image is dimly lit, with a blue tint.

Chairman's Address

- ❑ FINANCIAL PERFORMANCE
- ❑ STRATEGY
- ❑ GOVERNANCE AND CULTURE
- ❑ RESOLUTIONS – Director elections and Remuneration report

Agenda

- ☑ Chairman's Address
- ☐ Company Summary
- ☐ Who are Collection House now?
- ☐ Financial Performance
- ☐ Financial Analysis
- ☐ Initiatives & Impacts
- ☐ Points of Note
- ☐ Outlook



Company summary

FINANCIAL SUMMARY (CLH.ASX)

Share price (27 Nov 2018)	\$1.29
Shares on issue	138.2 million
Options	0.0 million
Market Capitalisation	\$177.6 million
Cash (30 June 2018)	\$0.5 million
Drawn Debt (30 June 2018)	\$134.5 million
Enterprise Value	\$311.6 million

BOARD AND SENIOR MANAGEMENT

Leigh Berkley	Independent Chairman
Anthony Rivas	Managing Director
Michael Knox	Indep. Non-executive Director
Sandra Birkenleigh	Indep. Non-executive Director
Catherine McDowell	Indep. Non-executive Director
Kristine May	Company Secretary & CFO
Jonathon Idas	Chief Legal Officer
Anand Adusumilli	Chief Data Scientist

Who are Collection House now?



WE ARE A GOOD CORPORATE CITIZEN

Over the last 12 months we have been a first mover in comprehensive credit reporting and made meaningful inroads in our financial hardship programme



WE ARE A FINANCIAL INNOVATOR

Our Portfolio Enhancement Programme (PEP), we have harnessed the power of third parties to recycle our capital into higher yielding assets



WE ARE A BELIEVER IN THE POWER OF TECHNOLOGICAL DISRUPTION

Our online Portal and call centre technology is driving up Cash Collections and driving down costs to collect



WE ARE A CHALLENGER TO THE STATUS QUO

We have changed both capital funding and customer interaction, the next step is to offer our consumers more products and services.





FY18 Financial Performance



Revenue of \$143.9m was up 7.8% on FY17, including the transaction with Balbec Capital LP (“Balbec”) announced in May, which provided a useful new source of capital



Earnings Before Interest & Tax (EBIT) of \$44.4m were up significantly from \$31.4m in the prior year, excluding one-off items and the \$9.6m gain on the Portfolio Enhancement Programme (PEP), EBIT grew 3.2% pcp, or +10.9% on an underlying basis.



PDL purchases were \$81.3m up 36% on FY17 and in line with guidance. Due to the PEP this purchasing was funded with just a \$12m increase in Net Borrowings.



Earning per share of 19.2¢ps statutory and was above guidance of 18.0-18.5¢ps and up 50% on FY17 12.8¢ps.



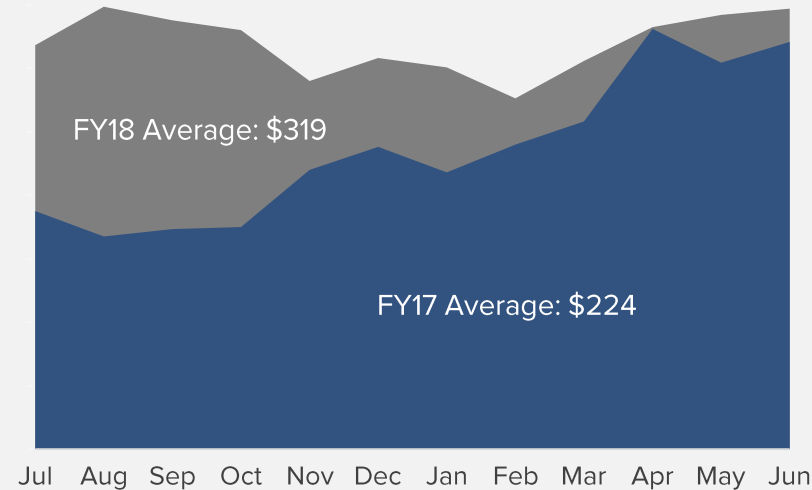
Guidance for FY19 is 19.2-19.5¢ps or 15.2-15.5¢ps excluding the profit on the PEP.



Dividends of 7.8¢ps (fully franked) were distributed and the DRP was once again available to shareholders at a 2.5% discount.

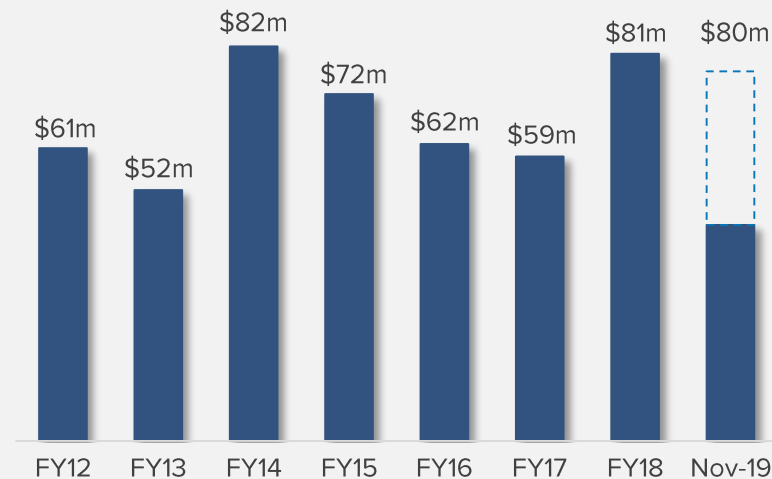
Financial Analysis

PDL collections per FTE hour



1. Improving productivity is lifting investment returns
2. Together with improving analytics providing purchasing insights

PDL purchases



Over half of FY19 original PDL Purchasing Target reached already

3. Giving us confidence to purchase more debt portfolios

New strategic alliance

We are delighted to announce a new strategic alliance with Volt Bank aimed at delivering innovative and ethical financial services and products.

Volt is a new, branchless, digital bank with the mission to use technology to deliver a better, safer and fairer way for people to look after their money.

The alliance will collaborate on key technology areas including our C5 and call centre software, and the Debt Collection Portal.

“We are committed to delivering a better way for customers to achieve their financial goals”

– Anthony Rivas, CEO Collection House



Initiatives

COMPREHENSIVE CREDIT REPORTING (CCR)

We were first in our industry to obtain CCR information and this is being deployed across the business

CHANGE TO AASB9 FINANCIAL REPORTING

Collection House was first to work with some of the Australian Banks to consider the consequences of AASB9

PORTFOLIO ENHANCEMENT PROGRAMME (PEP)

We further activated PEP this year by means of a first transaction with Balbec Capital LP

INTERACTIVE DEBT COLLECTION PORTAL

This highly user-friendly Portal rewards interaction and allows our customers to engage with us online 24/7

THINKME FINANCE

Obtained a full Australian Credit Licence from ASIC enabling us to provide expand our product range

Impacts

Provides a more complete picture of the customer, so we can work with them to improve their credit profile

Early recognition has enabled us to achieve significant Purchased Debt Ledger (PDL) growth during the year

Frees up capital on older PDL portfolios to buy new, higher yielding debt

Portal collections in October were a record and equated to +\$11m in annualised Cash Collections. The system is now being used by some of our major clients

We continue to explore new initiatives in a rapidly changing landscape for consumer finance



Live Portal Demonstration

And what's more...

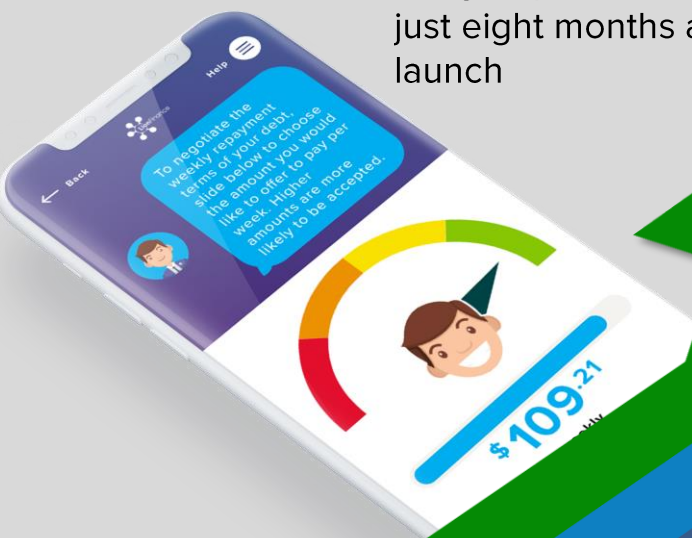
The interactive portal now represents ~7% of the group collections, just eight months after launch

Our operating efficiency has been consistently improving

Our PDL purchases in FY18 were up 39% on the prior year with excellent prospects for FY19

Our focus now is to further improve cash collections and the Collection Services business

After a good start to the year, improving the valuation of your company's shares remains a work in progress



Outlook

The year has started well and we remain confident of the outlook for both Cash Collections and PDL purchases.

Our FY19 guidance is reiterated, and we now expect to be at the upper end of this range:

- EPS of 15.2¢ps-15.5¢ps; and,
- EPS of 19.2¢ps-19.5¢ps, including the profit from the Portfolio Enhancement Programme.

We are today upgrading our FY19 PDL Purchases Target to \$87m - \$92m, from \$77m - \$82m previously.



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Appendix

November 2018

APPENDIX: C5 Software

- Costs reviewed and supported by both KPMG and another external independent big four accounting firm
- Use of C5 system by CLH has increased and enhancements continue to be made – C5 is CLH's core IT platform and is necessary for conducting business
- Key focus area of KPMG's Audit (as evidence by their report refer page 82 of Annual Report) – No issues noted by our Auditors in prior or current year audits
- Costs have been recorded in accordance with Accounting Standard AASB 138 Intangible Assets
- Current value has been assessed as recoverable and appropriate under Accounting Standard AASB 136 Impairment of Assets

APPENDIX: Balbec Transaction

- External advice obtained on accounting treatment for sale
- Sales accounted for in accordance with Accounting Standard AASB 9 Financial Instruments: Recognition and Measurement
- CLH has no ongoing risk or recourse for the sold debts - therefore any reference to sale and lease back is misleading and wrong
- Full disclosure made in Annual Report (and ASX announcements) of transaction, profit made and potential repurchase in 5 years at fair market value
- Repurchase arrangement specifically included in transaction to get first option to purchase these debts in 5 years' time at fair market value
- Potential repurchase does not create any current liability. A liability may be created in 5 years if an agreement to repurchase is achieved
- Transaction results in profit on sale, plus an ongoing collection fee – therefore removes collection risk for CLH



Debt collection and receivables management for third parties



Legal services including insolvency administration



Nationally recognised training provider in financial services and leadership



Licensed specialist finance broker for the provision of credit



Debt purchasing and recovery



Tailored debt collection services, specialising in Local Government



Customer service outsourcing for third parties



Provision of financial hardship services for third parties



AGM Presentation 2018

Thank you

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