

Media Release

29 January 2019

Credit Corp reports first half profit growth of 13% and improved outlook

Credit Corp Group Limited (Credit Corp) reports the following highlights for the first half of the 2019 fiscal year:

- 13 per cent increase in Net Profit after Tax (NPAT) to \$33.6 million
- 18 per cent growth in the consumer loan book to \$203 million
- 71 per cent growth in US revenue and initial purchases from two new issuers
- Upgraded full year outlook for NPAT, purchasing and net lending

The consumer lending and US business segments exceeded expectations during the half and the core Australia and New Zealand debt buying segment sustained near-record collections despite reduced purchasing.

Mr Thomas Beregi, CEO of Credit Corp said that to maintain collections after two years of reduced investment in Credit Corp's core Australia and New Zealand segment reflects a very strong operational performance. "Our uniquely resilient collection approach and our focus on continuous improvement have produced an outstanding result from our core debt buying business" he said.

Total investment in financial assets was up by 5 per cent over the prior year, with an increased allocation to the consumer lending and US business segments. The Australia and New Zealand debt buying market remains competitive, with limited purchasing opportunities capable of meeting Credit Corp's return criteria.

Mr Beregi said that competition remained very strong in the Australia and New Zealand debt buying market. "We have seen some very high prices being paid for purchased debt ledgers (PDLs) by competitors. Our response is to remain disciplined and prepare ourselves for better opportunities in the periods ahead."

In anticipation of increased investment opportunities across all businesses the company maintains debt headroom of almost \$100 million under its present banking facilities.

Consumer lending growth for the half was very strong, with the loan book up by 18 per cent over the same point in the prior year. The result was driven by 20 per cent growth in new customer volume.

Mr Beregi put the strong result down to providing consumers with the cheapest and most sustainable product in the market. "Wallet Wizard is the cheapest cash loan available in our segment of the market. It is substantially cheaper than any commercially-provided offering and is even cheaper than a charitably-funded alternative from the not-for-profit provider."

US market conditions remain favourable, with continued growth in unsecured credit issuance and charge-off rates which remain below historical levels. Credit Corp has secured a \$74 million PDL investment pipeline in the US, a 23 per cent increase on the \$60m outlaid in 2018. This investment includes initial purchases from two new issuers, including the largest seller of charged-off debts in the market.

Mr Beregi said that the US was now growing strongly and profitably. "Collections and revenues are up by more than 70 per cent over the prior year. We will continue to build out our Salt Lake City site and plan to grow our purchasing accordingly" he said.

Indicators of collection effectiveness and efficiency in the US operation are already comparable to those being achieved by publicly traded competitors in that market. This provides confidence in Credit Corp's ability to successfully execute on the substantial US opportunity.

Outlook for balance of 2019

As a consequence of increased US investment and unexpectedly strong consumer lending book growth in the period, 2019 earnings guidance has been revised to represent profit growth in the range of 7 to 9 per cent. The company has also increased its PDL acquisition and net lending guidance. The updated 2019 guidance is in accordance with the following ranges:

| | Upgraded guidance (November 2018) | Upgraded guidance (January 2019) |
|---------------------|--------------------------------------|-------------------------------------|
| PDL acquisitions | \$170 - \$190m | \$200 - \$210m |
| Net lending volumes | \$45 - \$50m | \$50 - \$55m |
| NPAT | \$67 - \$69m | \$69 - \$70m |
| EPS | 140 - 144 cents | 144 - 146 cents |

This media release should be read in conjunction with the Appendix 4D, Consolidated 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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