

ASX ANNOUNCEMENT

4 March 2019

Collection House Limited acquires ACM Group Limited's Purchase Debt Ledger

Collection House Limited (ASX:CLH) is pleased to announce it has reached a binding agreement to acquire the entire Purchase Debt Ledger (PDL) and other selected assets (including plant & equipment, intellectual property and the Sydney lease) from ACM Group Limited ("ACM"). ACM is one of the largest privately-owned collection agencies in Australia, and will cease collection operations after this transaction, with the founder retiring from the industry.

The total cash consideration will be \$40.3m with the purchase expected to settle by the end of March. The acquisition will be funded from existing cash reserves and a \$50m facility expansion from CLH's banking partners. CLH remains vigilant to other opportunities, with \$33m residual capacity under its existing finance facilities and access to approximately \$100m off balance sheet financing through its relationship with Balbec Capital LP.

The acquisition will require additional headcount and new employment contracts will be offered to selected Sydney-based employees of ACM, which will materially expand CLH's presence in New South Wales. As well as banking debt recovery, ACM had particular expertise in the Australian telecommunication market, which will be a useful diversification to CLH's capabilities. It is expected that application of CLH's customer portal technology, analytics and training will provide additional upside to the collectability of the outstanding book.

"The ACM portfolio will benefit greatly from the application of our technology, skills and analytics. With over \$400m in face value there are significant opportunities to outperform our base case projection once we have had more time to assess the less active parts of the book" said Anthony Rivas, Managing Director and CEO.

The valuation has been based on \$75.0m in expected future recoveries, chiefly from accounts already on payment arrangements. The Company expects to incur \$1.3m in one-off acquisition and integration costs in FY19, but still expects to reach at least the top-end of current EPS guidance of 15.5cps on a normalised basis. ACM is forecast to contribute \$5.5m to EBIT in FY20.

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As the consideration is predominantly for the purchase of the PDL book, CLH is pleased to report an upgrade to FY19 PDL purchase guidance to at least \$120m, of which over \$118m is already committed.

CLH Chairman Leigh Berkley said, “we have enjoyed a strong start to 2019, and Anthony and his team have done a great job in bringing this transaction to fruition. ACM will provide us with useful diversification into the telecommunications sector, as well as increasing our volumes in the banking and finance sector and our capacity in Sydney. We look forward to working with our new colleagues from ACM.”

The agreement is subject to a number of customary conditions for a deal of this nature including obtaining third party consents. A further announcement will be made upon completion of the transaction.

ENDS

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