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Credit Corp reports a strong result and increased opportunity

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

- 9% increase in Net Profit after Tax (NPAT) to $70.3 million
- 16% increase in the consumer loan book to $212 million
- Acceleration in US debt buying:
  - 69% increase in collections
  - 40% increase in investment
  - 69% increase in year-end headcount
  - A near tripling in segment NPAT
- A return to investment growth in Australian/New Zealand debt buying

Mr Thomas Beregi, CEO of Credit Corp, said the result reflected strong growth from the consumer lending and US debt buying businesses, which together represented over 36% of 2019 earnings. “Both segments performed very well and we are guiding for them to grow strongly in 2020. The US is on track to fulfil its potential of becoming as large as the Australian/New Zealand debt buying operation in the medium term” he said.

The core Australian/New Zealand debt buying segment produced near-record collections and earnings results despite two and a half years of reduced investment. Mr Beregi acknowledged this strong operational performance and emphasised the importance of further improvement in the company’s industry-leading complaint rate in producing a return to core business investment growth late in the year. “Credit Corp’s compliance superiority is increasingly valued by our clients and is enabling us to hold, and in some cases grow, market share despite aggressive competitor bidding” he said.

The consumer lending business benefited from tighter lending standards adopted by prime lenders and increased recognition of Wallet Wizard’s product superiority in the cash loan segment. Mr Beregi highlighted unexpectedly strong new customer growth. “We have grown new customer lending by 18% in a favourable environment because we have the cheapest and most sustainable product in our segment of the market” he said.

Investment conditions in the US debt buying market remain favourable, with continued growth in unsecured credit issuance and rising charge-off rates. Mr Beregi drew attention to increased investment and capacity in the US. “We increased our investment in the US by 40% with the addition of new purchasing relationships and we grew headcount strongly during the second half. It is important that we continue to grow our headcount to maximise the present market opportunity” he said.

Mr Beregi drew attention to the strong operating metrics being achieved by the business against the two larger incumbent US debt buyers. “Our operating metrics already compare well to our more established competitors and we are still working to improve them. This gives us the confidence to say that we are on track to build a large and successful business in the US” he said.

Outlook for 2020

Expected increases in earnings from the US debt buying and consumer lending divisions will drive strong profit growth in 2020, with guidance for profit growth in the range of 7% to 10%.

A return to investment growth in Australian/New Zealand debt buying and signs of competitor stress in that market create the prospect of increased investment across all three business segments. The company retains significant debt headroom and will invest as opportunities arise.

At this point the company provides PDL investment guidance in the range of $220 - $240 million.

Initial 2020 guidance is provided in accordance with the following ranges:

	Guidance (July 2019)
PDL acquisitions	$220 - $240m
Net lending volumes	$60 - $65m
NPAT	$75 - $77m
EPS	138 - 140 cents
DPS	72 cents

This media release should be read in conjunction with the Appendix 4E, Consolidated Financial Statements and Results Presentation.

To watch the presentation go to: http://www.creditcorp.com.au/corporate/investors/interviews-presentations/

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