

## **Credit Corp Group 2019 AGM Chairman's Address**

In a turbulent year for Australian financial services companies Credit Corp stands out as a values-driven organisation confidently looking forward to a period of increased opportunity and growth. Our long-term commitment to sustainable business practices and the provision of genuine solutions to our customers has insulated Credit Corp from much of the turmoil while freeing us to devote ourselves to delivering continuous growth at an appropriate rate of return.

It has been intriguing to observe the public discourse about the industry and, in particular, the supposed conflict between “people and profits”. The Board and management of Credit Corp has never needed to confront such a conflict. We have always put customers at the forefront of our thinking because we operate in competitive markets and we know that dissatisfied customers ultimately means less business and declining profits.

The real conflict is the prioritisation of short-term outcomes to the detriment of long-term performance. Credit Corp is committed to all its businesses and all the markets in which it operates for the long-term. Maintaining a positive reputation as a responsible and compliant provider is a critical part of this approach even if it means foregoing some short-term gains.

In 2019 we produced a 9 per cent increase in Net Profit after Tax and we are in a strong position to reap the rewards of our long-term perspective and sustainable approach.

In our core Australian and New Zealand debt buying business, we have seen some competitors adopt what appears to have been a short-term approach. In some instances, this has involved paying high prices for purchased debt ledgers, while in other instances it has involved the use of inappropriate practices to generate additional collections. These competitors have taken market share from Credit Corp over the past few years as we have not been tempted to abandon our commitment to pricing and compliance discipline.

Over the past year, we have started to see the inevitable consequences of this conduct emerge. Some industry participants have faced scrutiny over their accounting methods while others have been the subject of regulatory investigation and action for their collection practices. Funding to the sector has become more limited creating financial pressures. One major participant has withdrawn from the industry and media reports have suggested that another is the subject of a sale process.

In contrast, we have used this period of reduced purchasing to focus on the key sources of long-term advantage in debt buying by driving operational improvement and ongoing refinement of our compliance framework. This resulted in increased productivity and a reduction in our complaint rate.

Sellers of purchased debt ledgers have increasingly prioritised compliance and reputation in the selection of debt sale partners. As a consequence, Credit Corp returned to purchasing growth in its core Australian and New Zealand debt buying business late in 2019 and there are signs that this trend may continue.

In our Australian lending business, we continue to provide the most sustainable and responsible loans to consumers who might otherwise be financially excluded. These consumers are restricted in their borrowing alternatives and most competitor offerings attract prices which are substantially higher than ours. Our long-term commitment to the market means that we are devoted to providing the cheapest and most responsible loan we can sustainably provide.

During 2019 the intense scrutiny on the lending practices of some of Australia's largest credit providers has resulted in more consumers being denied access to credit. As a consequence, we have experienced increased demand and have grown our new customer lending volumes by 18 per cent over the prior year.

We are pleased to have been able to provide sustainable finance to the growing number of Australians unable to access credit from major providers. And we are proud of our record of promoting financial inclusion, with over 200,000 Australians having received a loan from Credit Corp since we commenced lending operations.

In the United States, we have been similarly rewarded for our long-term approach. Rising purchased debt ledger supply and market consolidation arising from the failure of short-term focused competitors have produced another year of favourable pricing conditions.

We took the opportunity to increase our investment and grow our capacity. Our commitment to compliance was critical in achieving this, helping us to secure two new debt sale partners during the year as a platform for further investment growth.

And we have seen the benefits of our perseverance in the US. All the hard work done in previous years to build a solid operational foundation saw us grow rapidly while preserving our efficiency. This resulted in a near-tripling of US segment Net Profit after Tax in 2019 and the expectation of another year of rapid earnings growth from the US in 2020.

In the context of our achievements it is fitting to recognise Robert Shaw's service as a Non-Executive Director and Chairman of the Audit and Risk Committee over more than 11 years. Rob has made a substantial contribution to Credit Corp over that time and is retiring following this meeting.

I would also like to welcome Trudy Vonhoff and John Nesbitt who recently joined the Board and who are eligible for election in this meeting. They bring a diversity of skills and experience to the Board which complement those of the existing Directors.

I also thank my other fellow directors, our CEO Thomas Beregi and his management team for their long-term approach to the leadership of Credit Corp.

On behalf of the Board and shareholders, I wish to thank all our employees for their ongoing contribution to the success of the company.

We look forward to seeing what we can achieve over the next financial year.