



Credit Corp Group

H1 FY2020 Results Presentation

28 January 2020

Thomas Beregi CEO
Michael Eadie CFO

Leadership in the credit-impaired consumer segment...

ANALYTICS & DISCIPLINE

Australian / NZ debt buying

- Largest database
- History of pricing accuracy
- Purchasing levels vary inversely with pricing

USA debt buying

- Adapted knowledge to US environment
- Large market opportunity
- Diversified purchasing across major sellers

Australian / NZ lending

- Leverage knowledge of consumer
- Up-front loss provisioning
- Analytical monitoring
- Unique statistical underwriting

OPERATIONAL EXCELLENCE

- Highest asset turnover ¹
- Lowest cost to collect ²
- High performing on-shore and off-shore platforms
- Leading technology and use of data

- Significant growth in productive capacity with opening of second site
- Emphasis on payment arrangements and a lower proportion of litigated outcomes

- Automated decisioning
- Collection strength
- Unmatched efficiency

SUSTAINABILITY & COMPLIANCE

- No adverse orders or undertakings
- Low complaint rate
- \$1.4Bn in ongoing repayment arrangements

- Low regulator complaint rate
- Strong client audit outcomes

- APRs below cap applicable to mainstream credit
- Regulatory upside - no 'payday loans'
- Superior pricing disrupting the market

Long-term growth

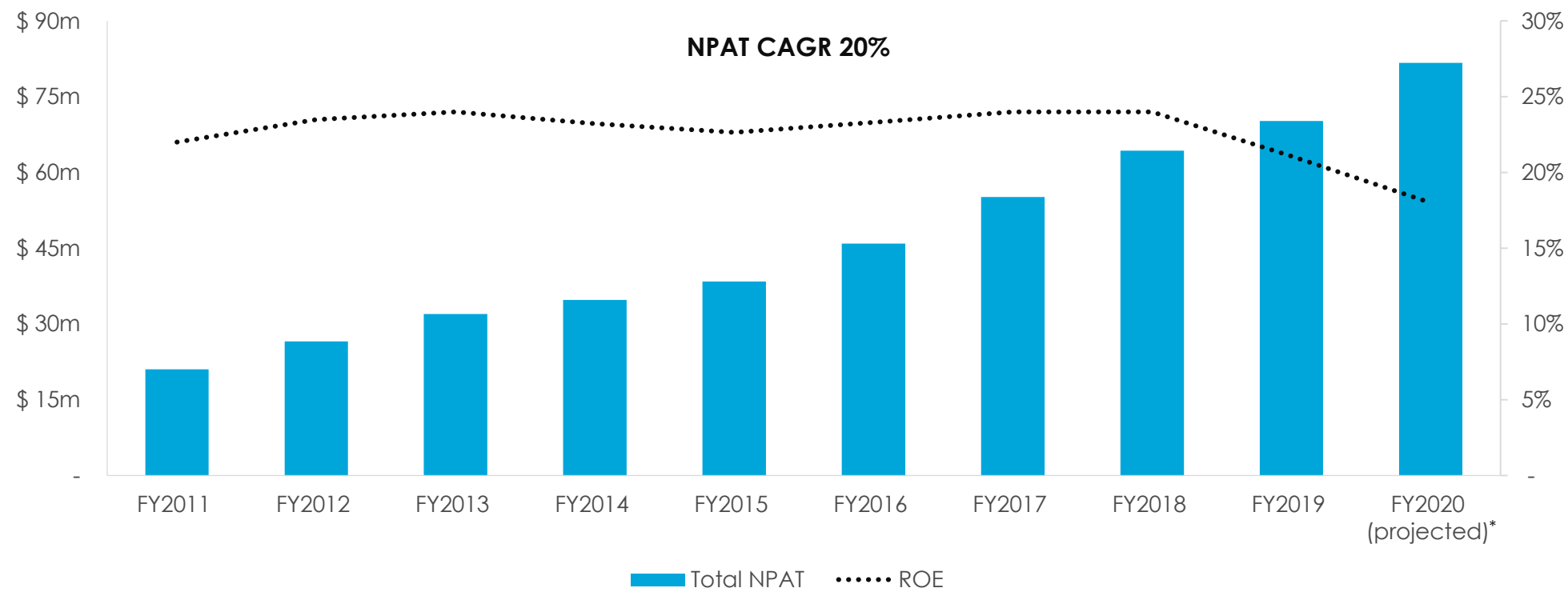
ROE 16% - 18%

Low gearing

1.FY20 ratio of cash collections from PDLs to average PDL carrying value in Australian Debt Ledger Purchasing segment of 1.2x
2.FY20 ratio of cash costs of the Australian Debt Ledger Purchasing segment to collections of 35%

...has delivered sustained growth and returns...

NPAT AND RETURN ON EQUITY



*Midpoint of guidance range of \$81m to \$83m

...with all segments driving growth in H1 of FY2020...

15%
growth in NPAT

US and consumer
lending are now
**41% of group
revenue and 33%
of NPAT**

	FY2020 H1	FY2019 H1	Var %
AU/NZ debt buying ¹	\$112.7m	\$97.4m	16%
US debt buying	\$28.0m	\$17.4m	61%
AU/NZ lending	\$50.2m	\$44.4m	13%
Revenue total	\$190.9m	\$159.2m	20%
AU/NZ debt buying ¹	\$25.7m	\$23.0m	12%
US debt buying	\$3.3m	\$2.6m	27%
AU/NZ lending	\$9.6m	\$8.0m	20%
NPAT total	\$38.6m	\$33.6m	15%
EPS (basic)	70.3c	70.2c	<1%
Dividend	36.0c	36.0c	-

1. AU/NZ debt buying includes agency activities

... and continued opportunity

SEGMENT

MARKET CONDITIONS

CREDIT CORP POSITIONING

AU/NZ debt buying



- Reduced access to bank funding
- Heightened compliance sensitivity - exclusion of some competitors by issuers
- Consolidation of sector underway

- Strong capital position
 - \$170m of debt headroom
- Compliance leadership maintained
- Recent market share gains

US debt buying



- Market remains in equilibrium with credit and charge-off growth offsetting demand
- Formalising of regulations delayed

- Growth in productive capacity to support increased purchasing
- Diversified purchasing relationships

AU/NZ consumer lending



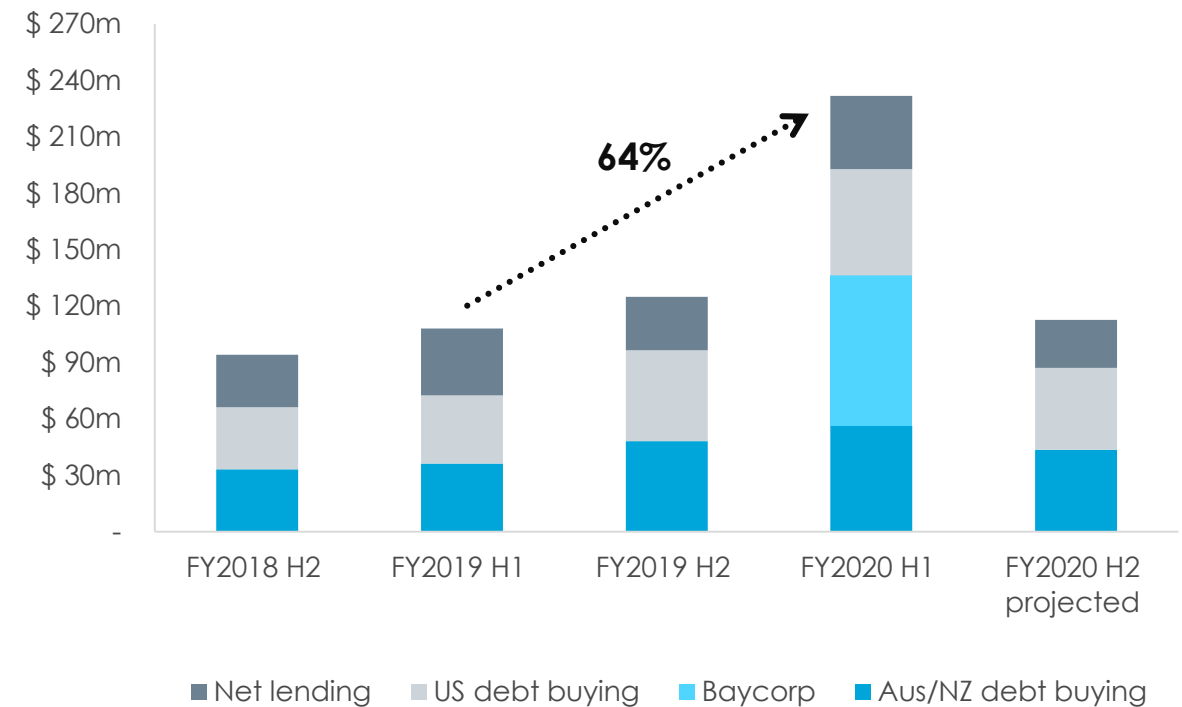
- Continued strong consumer demand
- Additional regulatory clarification with release of RG 209
- Continued scrutiny of predatory products – payday loans and consumer leases

- Strong new customer growth
- Enhanced approval and scoring process driving efficiency and customer experience

Investment growth in all segments...

- Baycorp acquisition and recent AU/NZ debt buying wins
- Continued US debt buying and net lending growth

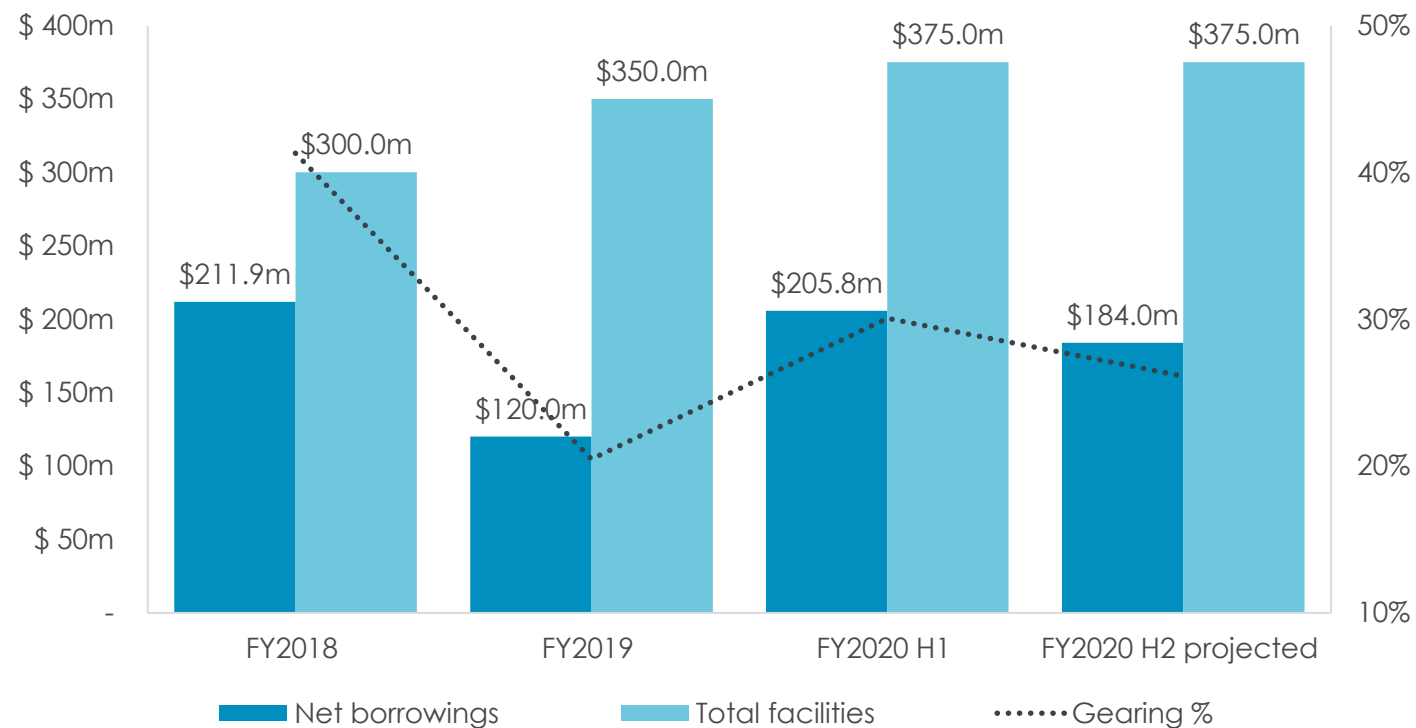
PDL INVESTMENT AND NET LENDING



...with substantial headroom to further step-up investment

- Banking facilities increased to \$375m maturing in 2022 and 2023
- Debt headroom will near \$200m at year-end, Jun-20
- Conservative gearing maintained post the Baycorp acquisition

FACILITY HEADROOM AND GEARING



The Baycorp acquisition is on track...



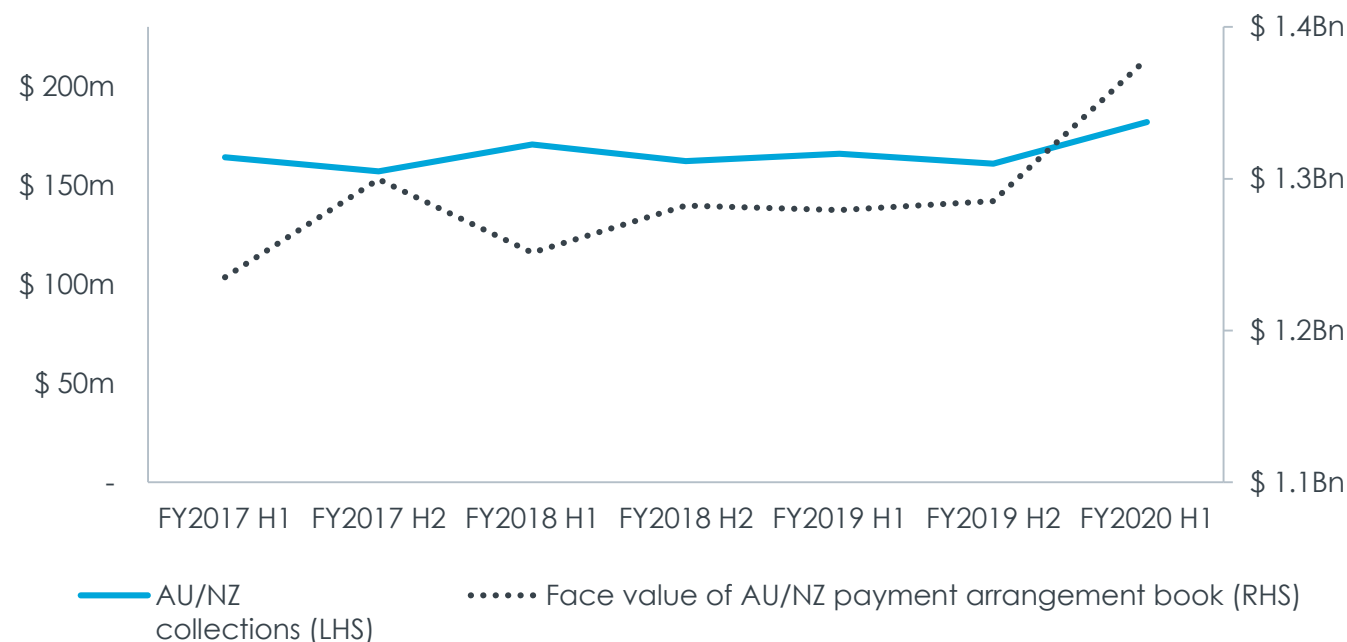
- The Aug-19 acquisition is achieving pro-forma
 - H1 NPAT of \$2.9m and on track for \$6m for FY2020
- Debt purchase transition almost complete
 - Australian PDLs on core operating system
 - NZ PDLs to be cut over shortly
- Integration is ahead of schedule
 - Annualised cost of savings of \$13m achieved
 - Both AU and NZ agency operations profitable
- Purchasing relationships in New Zealand enhanced
 - Buying a record volume in New Zealand



... and is contributing to strong operational performance

- Total collections up 18% over the pcg
- AU/NZ collections up 10% over the pcg to record levels
- Productivity up 5% over the pcg¹
- Total cumulative collections above aggregate pricing expectations²
- Face value of AU/NZ payment arrangements at a record level of \$1.4Bn
- Improved contact efficiency
- Self-service customer portal delivering 8% of AU/NZ collections

AU/NZ PDL COLLECTIONS AND PAYMENT ARRANGEMENT BOOK

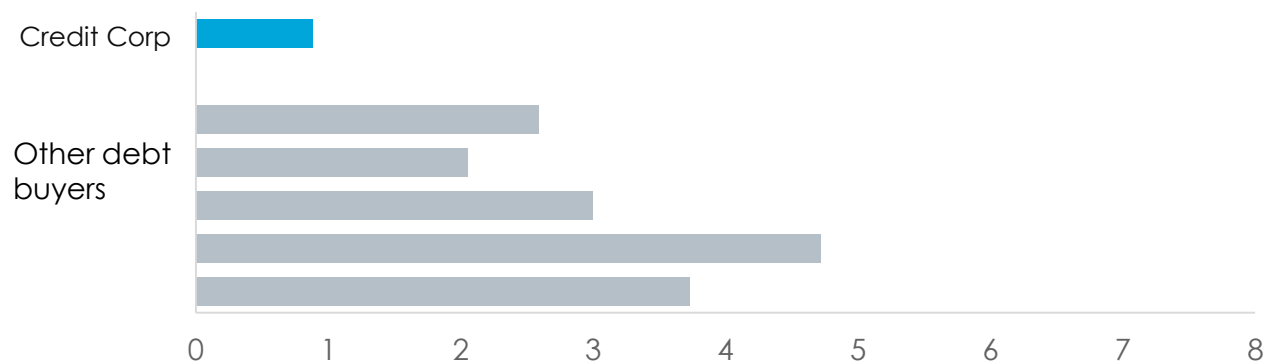


1. Refer Appendix 4
2. Refer Appendix 2

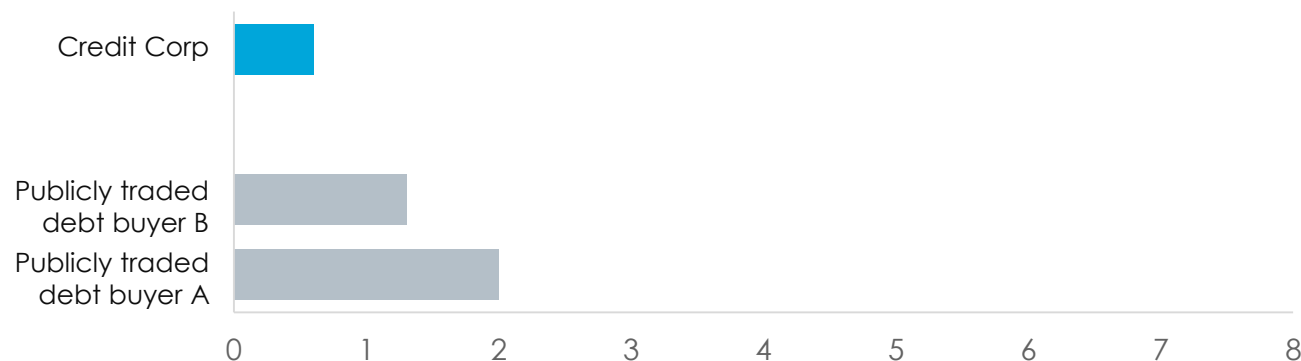
Ongoing compliance and sustainability leadership...

- Industry-leading Australian EDR complaint rate in FY2019
- Low complaint rate with US regulator
- No regulatory action or enforceable undertakings

FY2019 AUS EDR COMPLAINT RATE PER \$1m COLLECTED ¹



2019 US CFPB COMPLAINT RATE PER \$1m COLLECTED ²



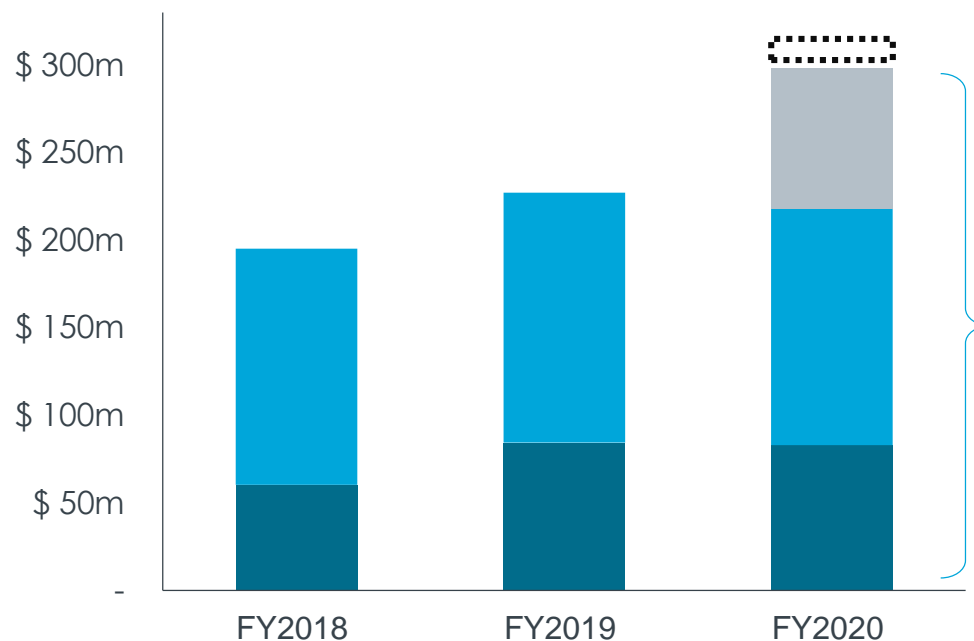
1. No. of complaints reported by External Dispute Resolution (EDR) provider (The Australian Financial Complaints Authority) for the 8 months to 30 June 2019 divided by total annual PDL collections expressed in millions of dollars pro-rated for an 8 month period

2. Complaint metrics from Consumer Financial Protection Bureau (CFPB) database for the 12 months to Sep-19 divided by reported collections
https://www.consumerfinance.gov/data-research/consumer-complaints/search/?from=0&searchField=all&searchText=&size=25&sort=created_date_desc

... has contributed to a strong purchasing outlook

- Baycorp acquisition
- Recent share gains in AU/NZ
- Initial purchasing from new US issuer

PDL INVESTMENT



FY2020 purchasing guidance
\$310 - \$320m

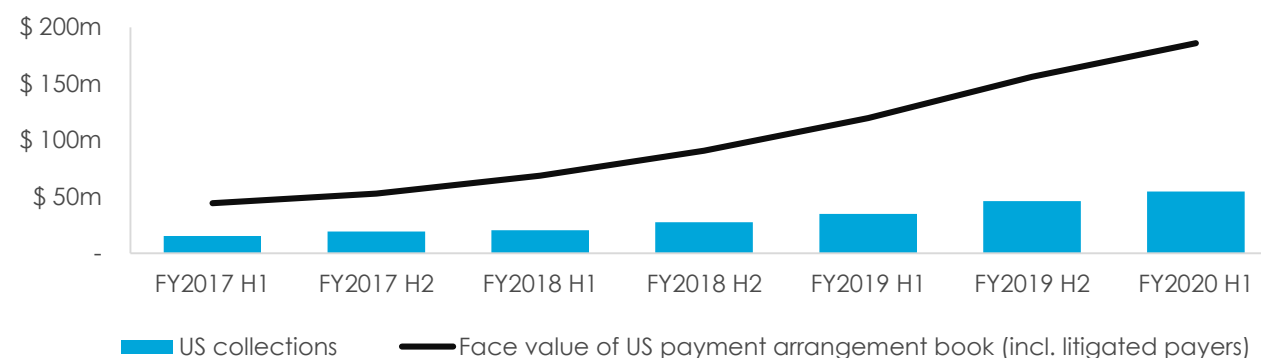
FY2020 purchasing pipeline of \$298m contracted at January 2020

- Baycorp
- AU/NZ debt buying
- US debt buying

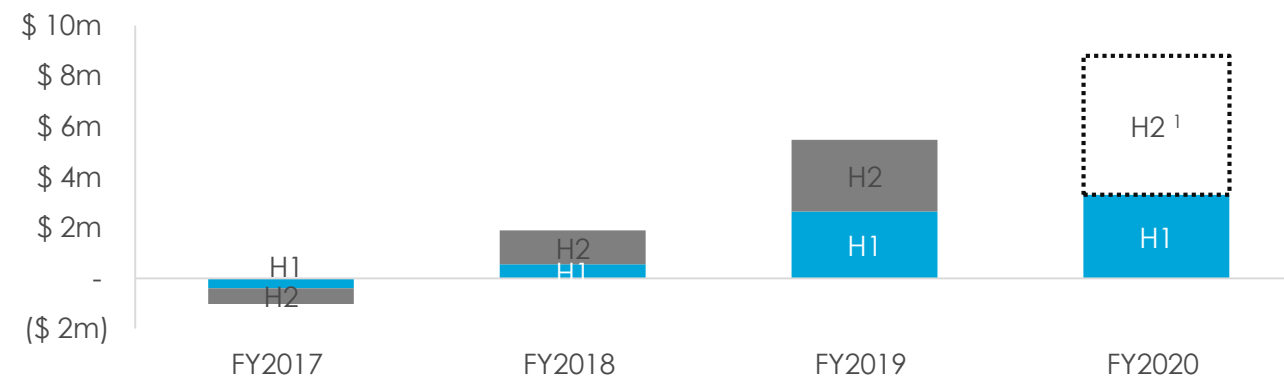
Investment in building a large and profitable US business...

- Cost to collect increased to 43% (39% pcg) on rapid headcount growth
- Collections 57% higher than pcg
- Payment arrangement book will drive continued collections growth
- H1 NPAT up 27%
- Full year NPAT on track for 45-65% increase to \$8-9m

US COLLECTIONS AND ARRANGEMENT BOOK (A\$m)



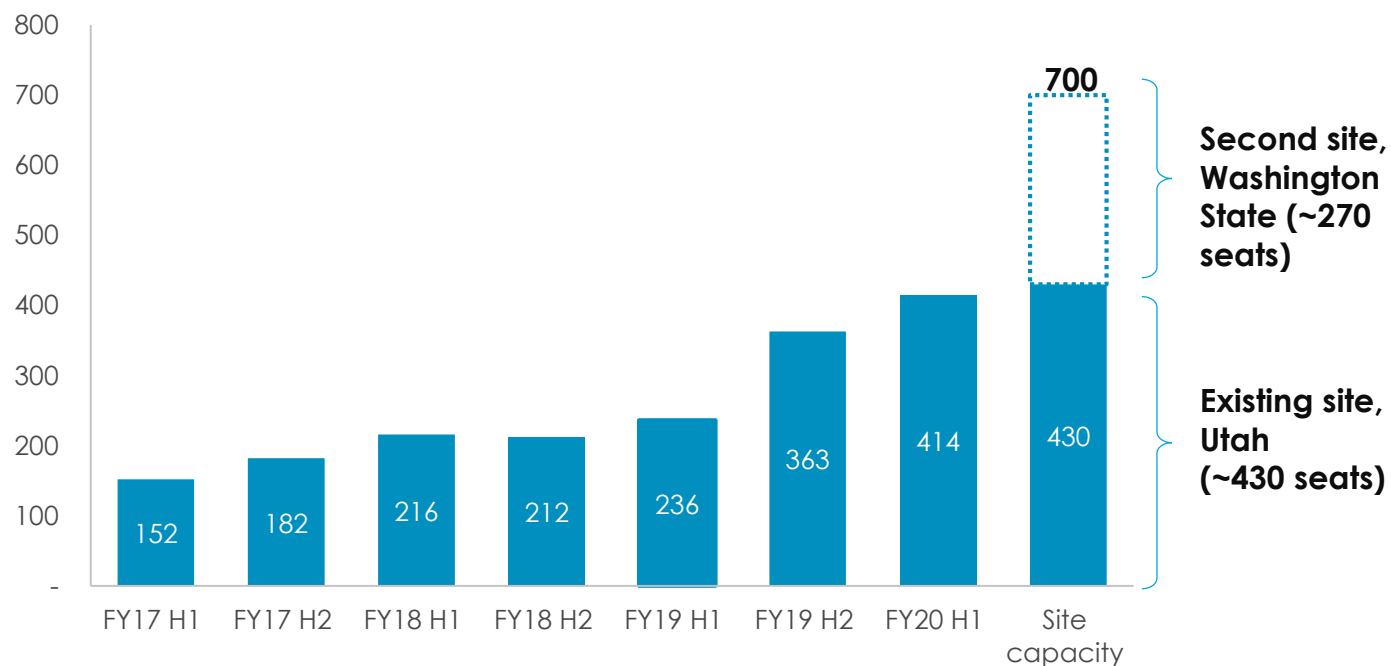
US NPAT (A\$m)



... with continued expansion of operational capacity...

- Utah at practical capacity
- Second site (Washington State) off to a solid start (current FTE of 40)
- Focus on filling Washington State over the next 18 months
- Seating capacity will support increased purchasing and NPAT

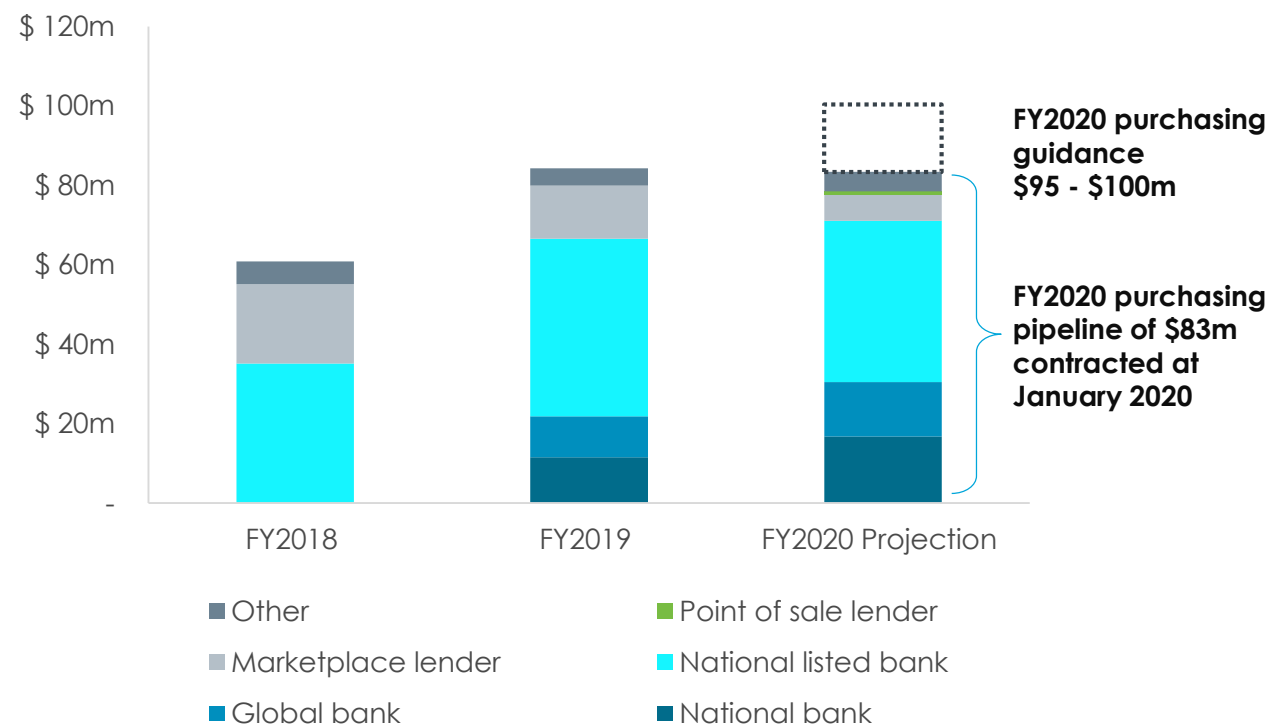
US HEADCOUNT



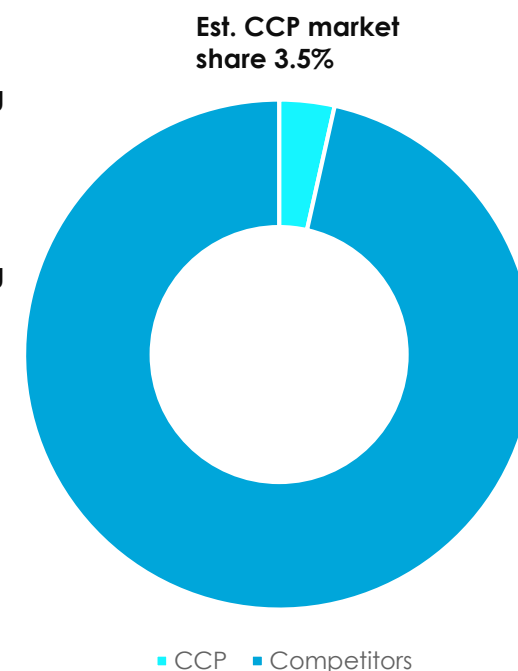
... and the opportunity to grow purchasing

- Currently purchasing from 6 issuers
- Market share of financial services of 3.5%
- Scope for significant purchasing growth without adversely affecting pricing dynamics

US PURCHASING



FY2020 US MARKET SHARE¹



1. Financial services only, excludes major issuers not presently selling

Existing economics support our competitiveness

- Operating metrics benchmark well against publicly traded competitors
- Opportunity for further improvement as headcount growth moderates (FY2021)



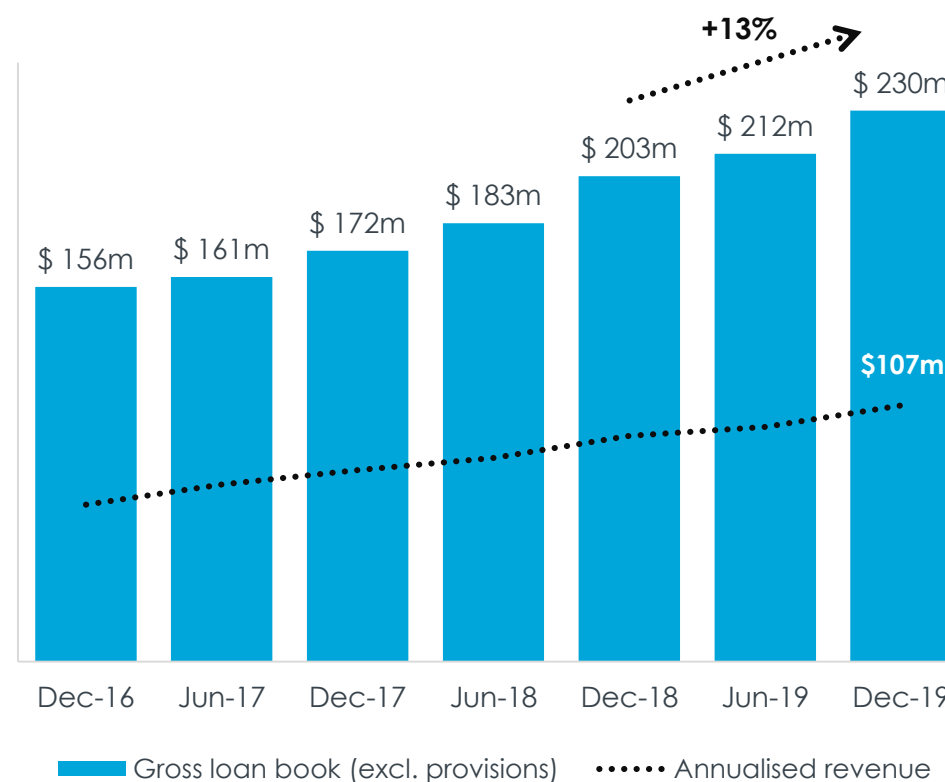
	Asset turnover	Cost to collect
Credit Corp Group	0.7x	42.8%
Portfolio Recovery Associates (NASDAQ: PRAA) ¹	0.7x	40.1%
Encore Capital (NASDAQ: ECPG) ²	0.7x	40.6%

1. Sourced from the Form 10Q, results presentation and earnings call transcripts for Encore Capital Group, Inc. released on November 6, 2019. All numbers are for the US only.

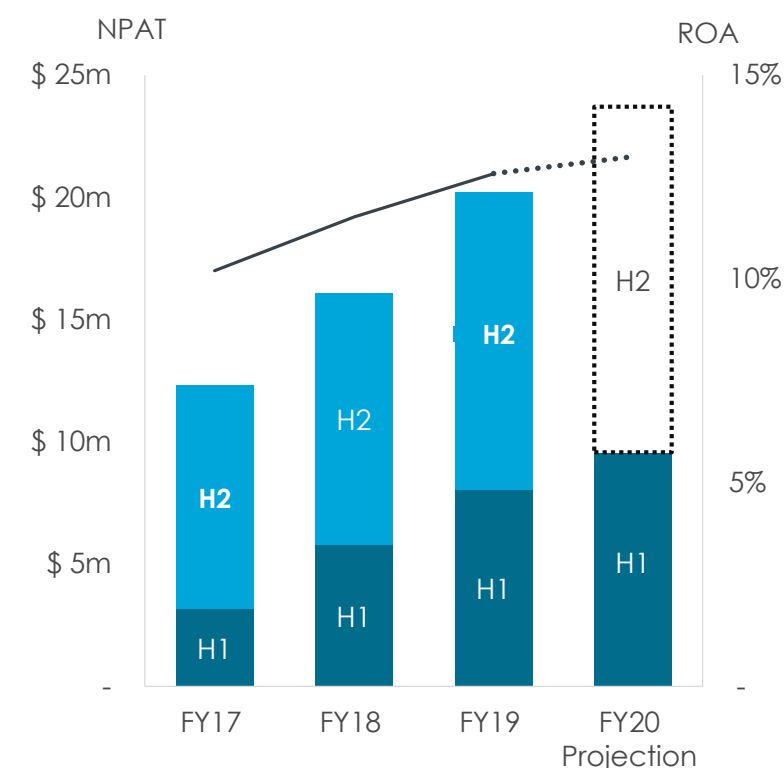
2. Sourced from the Form 10Q, results presentation and earnings call transcripts for Portfolio Recovery Associates, Inc. released on November 8, 2019. All numbers are for the US only other than the cost to collect which is a global figure.

Continued consumer lending book and earnings growth...

CONSUMER LENDING BOOK AND REVENUE



EARNINGS AND RETURN ON ASSETS

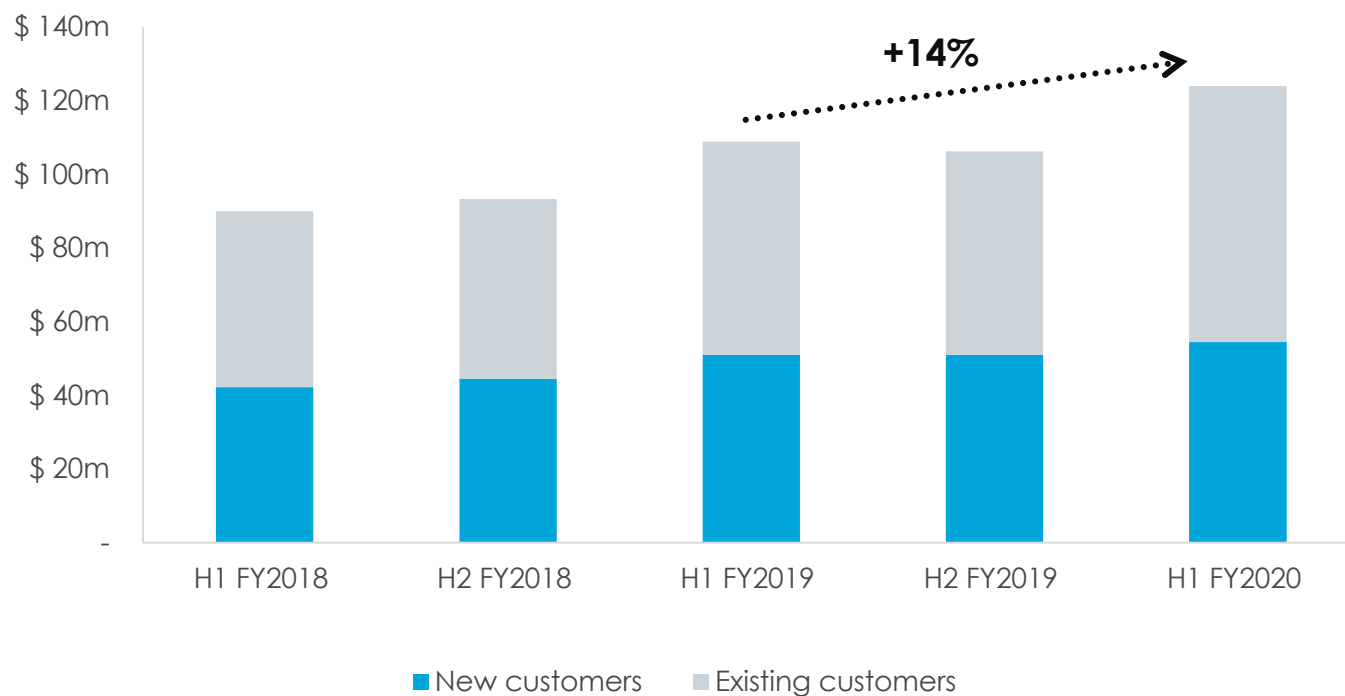


- Loan book growth of 13% over pcp
- H1 NPAT growth of 20%

... driven by strong customer acquisition and retention

- Total settlements 14% higher than pcp
- New customer settlements 8% higher than the pcp
- Customer acquisition and retention supported by:
 - Strong consumer proposition (refer Appendix 7)
 - Well-established brand
 - Upgraded process for improved customer experience

CUSTOMER SETTLEMENTS



On track for up to 18% NPAT growth in FY2020

	FY2019 ACTUALS	FY2020 GUIDANCE (Refined Jan 2020)	Variance
PDL investment	\$ 228.0m	\$310 - \$320m	36 - 40%
Net lending	\$ 64.1m	\$60 - \$65m	-
NPAT	\$ 70.3m	\$81 - \$83m	15 - 18%
EPS (basic)	141.9cps	149 - 151 cents	5 - 6%



Appendices: Key Operating Metrics

Appendix 1: Operating cash flow and gearing

Appendix 2: Pricing discipline and accuracy

Appendix 3: Collections life cycle

Appendix 4: Productivity

Appendix 5: Payers base

Appendix 6: Operational and total headcount

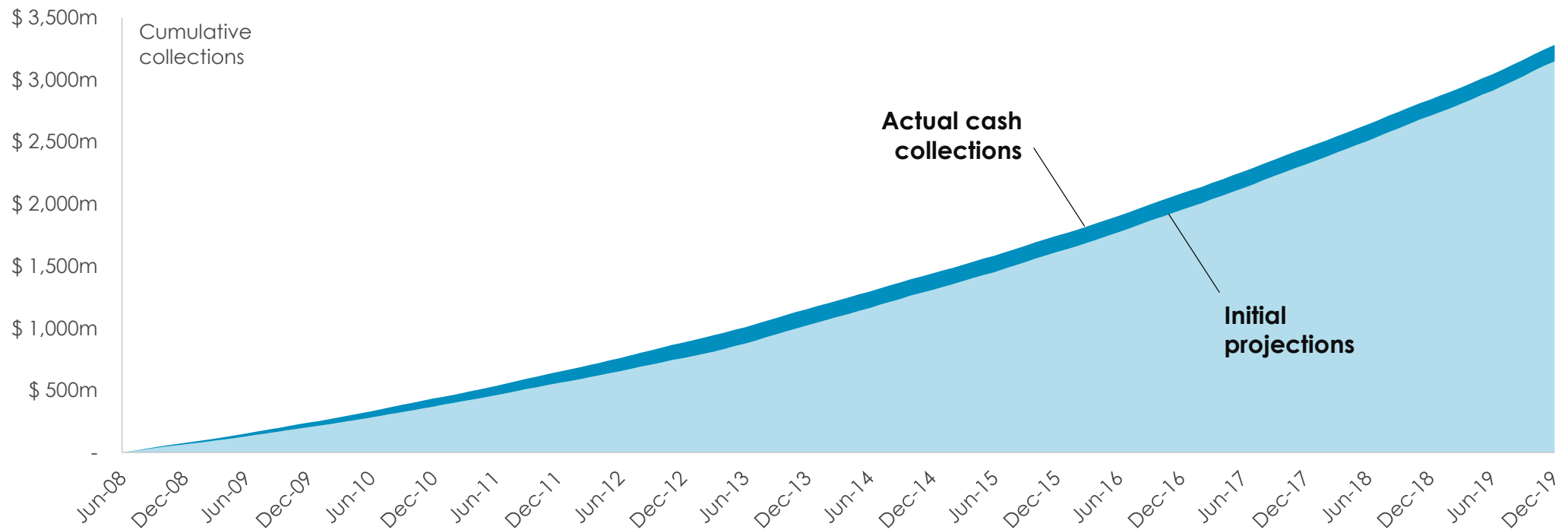
Appendix 7: Superior consumer lending proposition

Operating cash flow and gearing

Operating cash flows and gearing	Dec 2019	Jun 2019	Dec 2018	Jun 2018
Pre-tax operating cash flow	\$182.4m	\$167.3m	\$163.4m	\$155.0m
Tax payments	(\$27.4m)	(\$28.9m)	(\$12.1m)	(\$16.8m)
PDL acquisitions, net lending and capex	(\$160.0m)	(\$148.7m)	(\$144.1m)	(\$114.1m)
Net operating (free) cash flow	(\$5.0m)	(\$10.3m)	\$7.2m	\$24.1m
PDL carrying value	\$497.9m	\$414.1m	\$383.6m	\$364.1m
Consumer loans net carrying value	\$187.1m	\$172.4m	\$164.9m	\$148.9m
Net borrowings	\$205.8m	\$120.0m	\$226.7m	\$211.9m
Net borrowings/carrying value (%)	30.0%	20.5%	41.3%	41.3%

Pricing discipline and accuracy

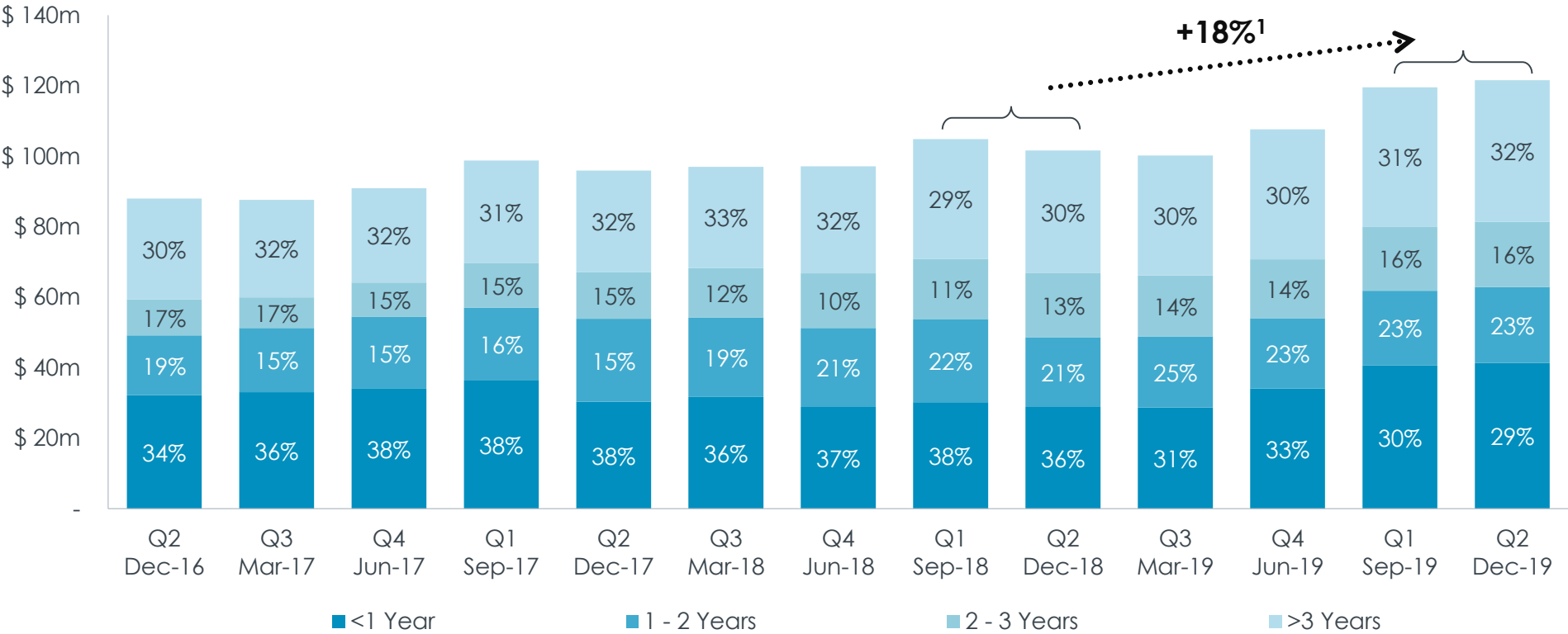
PRICING DISCIPLINE AND ACCURACY



* For all PDLs held at June 2008, initial projections represent the forecast at June 2008

Collections life cycle

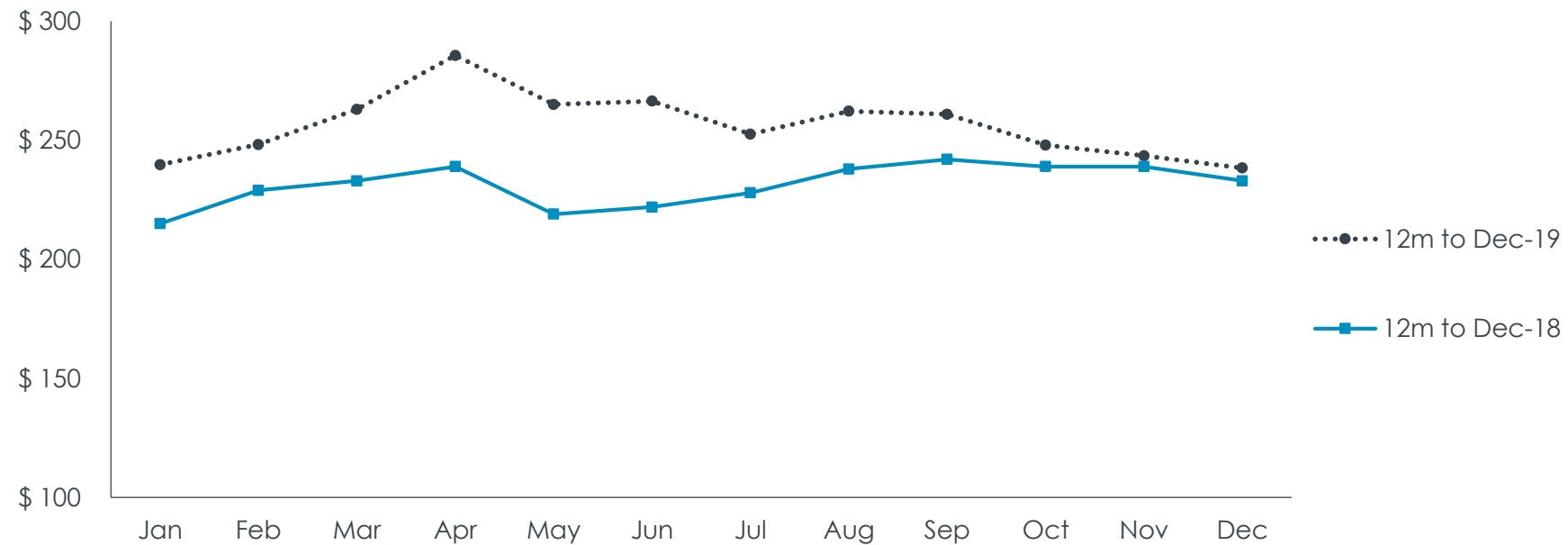
PDL COLLECTIONS BY VINTAGE



1. 18% growth in FY2020 H1 vs. FY2019 H1

Productivity

PDL COLLECTIONS PER HOUR



Half year
average

FY2020 H1: \$250

FY2019 H1: \$237

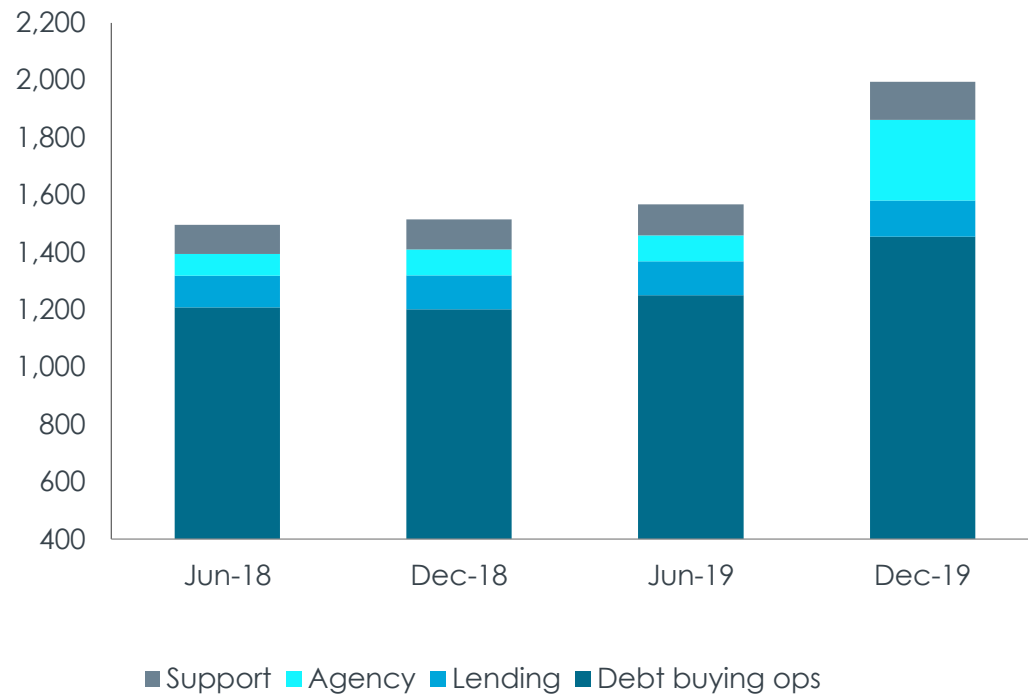
Payers base

PORTFOLIO SUMMARY: AU/NZ DEBT BUYING ONLY

Total portfolio	Dec-17	Jun-18	Dec-18	Jun-19	Dec-19
Face value	\$5.9b	\$6.0b	\$6.2b	\$6.4b	\$7.8b
Number of accounts	710,000	710,000	753,000	786,000	1,268,000
Payment arrangements					
Face value	\$1,300m	\$1,300m	\$1,300m	\$1,300m	\$1,400m
Number of accounts	153,000	157,000	154,000	157,000	200,000
% of PDL collections	78%	81%	79%	78%	81%

Operational and total headcount

PERIOD END HEADCOUNT (FTE)



PERIOD END HEADCOUNT (FTE)

	Jun-18	Dec-18	Jun-19	Dec-19
Debt buying operations	1,208	1,202	1,250	1,455
Agency	77	90	90	281
Lending	110	119	119	126
Support	102	103	108	133
Total	1,497	1,514	1,567	1,995
Support %	7%	7%	7%	7%

* Reflects NCML acquisition in September 2016 and Baycorp acquisition in August 2019

Superior consumer lending proposition

- Most sustainable product in the segment
 - Priced below mainstream pricing cap
 - Cheaper than competitors
 - Cheaper than not for profit alternative
- Unaffected by recommendations from recent senate inquiry

	Price ¹	Credit Corp cheaper by
Credit Corp Wallet Wizard	\$148	-
Typical cash loan competitor	\$440	66%
Not for profit alternative	\$220	33%

1. Total interest and fees based on a \$1,000 loan over a 6 month duration



Credit Corp Group

Thank you.