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29 April 2020

## **FY2020 MARKET UPDATE AND FULLY UNDERWRITTEN INSTITUTIONAL PLACEMENT TO RAISE A\$120 MILLION**

Credit Corp Group (ASX: CCP) ("**Credit Corp**" or the "**Group**") is today announcing a fully underwritten Institutional Placement ("**Placement**") to raise approximately A\$120 million and a non-underwritten Share Purchase Plan ("**SPP**") to retail shareholders in Australia and New Zealand which aims to raise approximately A\$30 million<sup>1</sup> (together, the "**Offer**"). Proceeds from the Offer will be used to enhance balance sheet flexibility, support the business during the current macro-economic uncertainty and materially increase liquidity and reduce net debt.

The Placement issue price of A\$12.50 ("**Issue Price**") represents an 11.6% discount to the closing price on 28 April 2020 and a 10.5% discount to the 5-day volume weighted average price ("**VWAP**").

### **FY2020 market update**

All segments were performing strongly prior to the COVID-19 pandemic. For 9 months to March 2020:

- **Aus/NZ debt buying:** Collections were up 9 per cent versus the prior comparative period ("**pcp**") and productivity was up by 4 per cent despite headcount increasing by 16 per cent over the pcp. The face value of accounts under payment arrangement was maintained at a record \$1.4 billion, which represents 80% of collections.
- **US debt buying:** Collections were up 57 per cent versus the pcp. Productivity remained in line with the pcp despite a 72 per cent increase in headcount over the pcp.
- **Consumer lending:** Loan settlements were 12 per cent higher than the pcp for the 9 months to March 2020. Arrears and losses were below pro-forma and in line with the pcp.

The initial impacts of COVID-19 have resulted in Aus/NZ collections falling 15 per cent below pre-COVID 19 expectations with the US 16% below previous expectations. The initial fall in collections stabilised following Government support and general community forbearance.

Consumer loan application volumes have halved and, together with tighter underwriting, have led to an 80 per cent decline in loan settlements over recent weeks. Arrears have increased by 2ppts but currently remain within pro-forma expectations.

We are responding flexibly to the circumstances of our customers by supplementing our leading approach to hardship with measures including interest freezes, repayment moratoriums and the suspension of certain forms of collection activity.

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<sup>1</sup> Credit Corp reserves the right (in its absolute discretion) to scale-back applications (pro rata to current shareholdings) if demand exceeds A\$30 million or to raise a higher amount

Operational capacity has largely remained intact despite some sites being subject to local COVID-19 shutdowns. 75 per cent of Aus/NZ onshore operational staff are working from home.

To protect cash flow, short-term cost reductions of \$2 million per month have been implemented. These measures include decreases in Board, Executive and Support remuneration together with reductions in discretionary costs.

Credit Corp is working closely with its debt sale clients to introduce more flexibility into ongoing purchasing arrangements in response to the deteriorating and uncertain economic outlook.

### **Rationale for the Offer**

The purpose of the Offer is to enhance Credit Corp's financial position by:

- **Strengthening the balance sheet:** The Offer mitigates the risk of the business having to move into a prolonged asset run-off under some scenarios. This will assist the Group to continue to provide sustainable debt purchasing services to its clients.
- **Responding to increased supply:** Credit issuers both in the US and Australia are already reporting increased credit provisioning in anticipation of rising delinquency and charge-offs.
- **Building flexibility:** Debt buying opportunities may arise and increasing capital headroom maximises Credit Corp's flexibility to respond to market conditions, including the potential for one-off secondary purchasing opportunities. Following the Offer, gearing will reduce to ~10% of the carrying value of financial assets.

Commenting on the Offer, Credit Corp's CEO, Thomas Beregi, said that: "while we face a period of uncertainty as a result of the economic consequences of the pandemic, we anticipate that opportunities to return to growth will emerge. Today's raising provides Credit Corp with the balance sheet strength and flexibility to ensure the business will not need to move to run-off and can maximise investment as these opportunities emerge".

### **Use of proceeds**

Proceeds from the Offer will be used to strengthen the balance sheet by initially reducing debt to ~10% gearing which is below the stated target range of 25% to 30%. This will provide Credit Corp with increased funding capability. Post completion of the Offer, Credit Corp is expected to have significant headroom in committed undrawn debt facilities and a robust balance sheet. This provides capacity to withstand the economic impact of the COVID-19 pandemic by maintaining the ability to continue debt ledger purchasing and collection services and to avoid a prolonged run-off in the business, while also retaining capacity to invest in opportunities that might arise during the period. Credit Corp will remain disciplined in its investment decisions.

### **Underwritten institutional placement**

Credit Corp is today undertaking a fully underwritten Placement to raise approximately A\$120 million which will be offered to professional and institutional investors<sup>2</sup>. The issue price for the placement is A\$12.50 which represents:

- 11.6% discount to the last closing price of A\$14.14 on 28 April 2020
- 10.5% discount to the 5 day VWAP of A\$13.97 on 28 April 2020

It is expected that Credit Corp shares will remain in a trading halt until 30 April 2020 while the Placement is conducted, or until such time that Credit Corp announces the expiry of the trading halt to the ASX. Settlement of the new shares issued under the Placement is expected to occur

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<sup>2</sup> Refer to the equity raising and underwriting risks detailed on page 24 of the Investor Presentation for further information on the risks associated with the Placement.

on 4 May 2020, with allotment and normal trading of the new shares issued under the placement expected on 5 May 2020.

In accordance with Class Waiver Decision – Temporary Extra Placement Capacity – granted by ASX on 31 March (as revised and amended), the Placement is within Credit Corp's placement capacity calculated as if Credit Corp's placement capacity under ASX Listing Rule 7.1 is 25% and not 15% and accordingly no shareholder approval is required for the Offer. New shares issued under the Placement will rank pari passu with existing shares of Credit Corp from their date of issue.

The Placement is fully underwritten by J.P. Morgan Securities Australia Limited.

### **Non-underwritten SPP**

In addition to the Placement, Credit Corp will offer eligible existing shareholders on Credit Corp's register on 8 May 2020, with registered addresses in Australia and New Zealand, the opportunity to apply for new Credit Corp shares through a non-underwritten SPP, without paying brokerage fees.

The SPP aims to raise approximately A\$30 million and is not underwritten. Credit Corp reserves the right (in its absolute discretion) to scale-back applications (as noted below) if demand exceeds A\$30 million or to raise a higher amount.

The application for new shares under the SPP will be capped at a maximum of A\$30,000 per eligible shareholder. The SPP offer period will be open from 8 May 2020 to 2 June 2020. Credit Corp reserves the right (in its absolute discretion) to amend these dates. Shares issued under the SPP will rank equally with existing shares of Credit Corp from their date of issue.

The issue price under the SPP will be the lower of (a) the Placement issue price; and (b) the volume weighted average price ("VWAP") of Credit Corp shares traded on the ASX over a 5 trading day period ending on the close of the SPP offer period (2 June 2020) less a 2.5% discount.

The terms and conditions of the SPP will be set out in the SPP Offer Booklet, which will be lodged with the ASX and sent to eligible shareholders in due course. Participation in the SPP is optional and Credit Corp reserves the right (in its absolute discretion) to scale back any applications under the SPP (pro rata to shareholders existing shareholdings) if demand exceeds A\$30 million or to raise a higher amount.<sup>3</sup>

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<sup>3</sup> The equity raising structure balances the need for certainty of proceeds received through the Placement (for the purposes described in the Investor Presentation) with Credit Corp's desire to provide its retail shareholders with the opportunity to participate through the SPP. The cap on the SPP of \$30 million is considered appropriate to provide the majority of Credit Corp's retail shareholders with the opportunity to achieve a pro rata allocation having regard to the total equity raising size, the construct of the share register and historical take-up rates in SPPs.

## Indicative timetable

Event	Date <sup>4</sup>
Record date for the SPP	7pm (Sydney time), Tuesday, 28 April
Trading halt, announcement of the Placement and SPP	Wednesday, 29 April
Placement bookbuild	Wednesday, 29 April
Placement completion announcement	Thursday, 30 April
Trading halt lifted	Thursday, 30 April
Settlement of New Shares issued under the Placement	Monday, 4 May
Allotment and normal trading of New Shares issued under the Placement	Tuesday, 5 May
SPP Offer opening date; dispatch of SPP booklet	Friday, 8 May
SPP Offer closing date	Tuesday, 2 June
Issue date for SPP Shares	Thursday, 4 June
New Shares issued under the SPP commence trading on ASX	Wednesday, 10 June
Holding statements for SPP shares dispatched	Thursday, 11 June

## Additional information

Further details of the market update and the Offer are set out in the Investor Presentation which has also been provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the placement.

Nothing in this announcement constitutes investment, legal, tax or other advice. You should seek appropriate professional advice before making any investment decision.

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<sup>4</sup> The timetable is indicative only and subject to change; The commencement and quotation of New Shares is subject to confirmation from ASX; Subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable rules, Credit Corp reserves the right to amend this timetable at any time, including extending the period for the SPP or accepting late applications, either generally or, in particular cases, without notice – unless otherwise specified, all times and dates refer to Sydney time

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