



Credit Corp Group

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# FY2021 RESULTS

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## BUILDING MOMENTUM



# 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

### US 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 <sup>1</sup>
- Lowest cost to collect <sup>2</sup>
- 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 dispute rate
- \$1.6b 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

### Target

Long-term growth

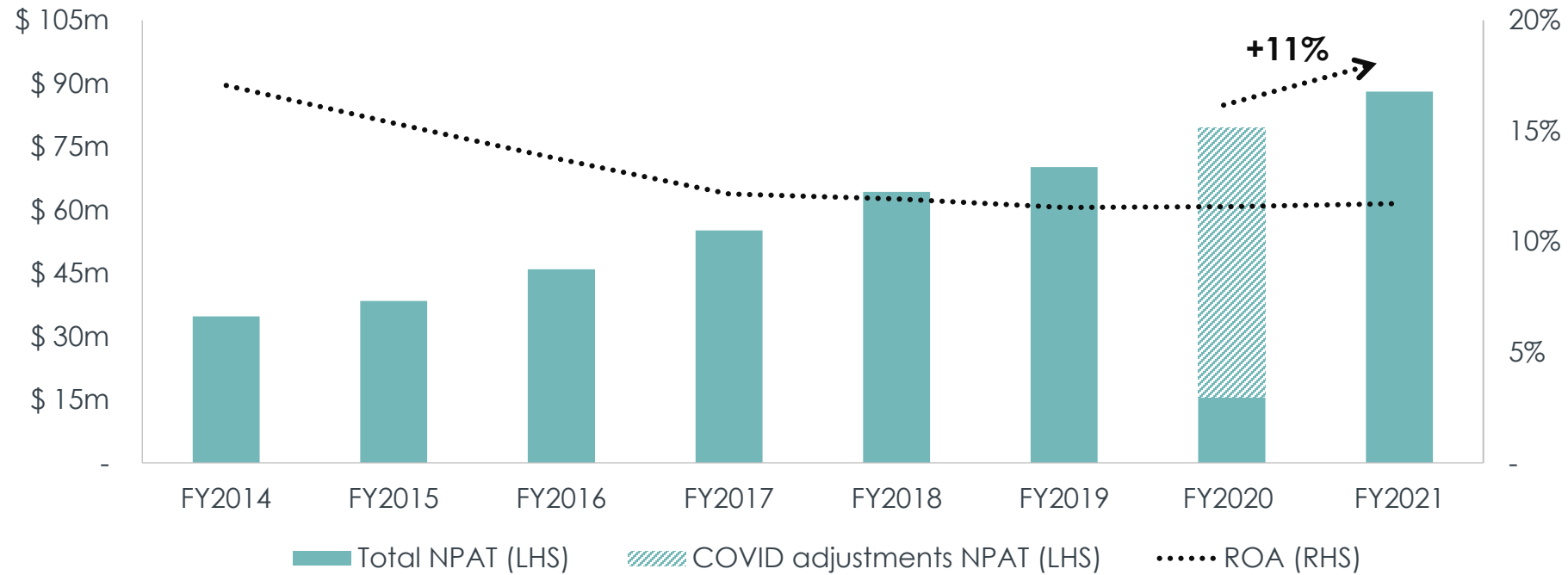
ROE 16% - 18%

Low gearing

1. FY2021 ratio of cash collections from PDLs to average PDL carrying value in Australian Debt Ledger Purchasing segment of 1.2x  
2. FY2021 cash costs as a proportion of collections in the Australian Debt Ledger Purchasing segment of 35%

... has delivered a return to pre-COVID growth trajectory ...

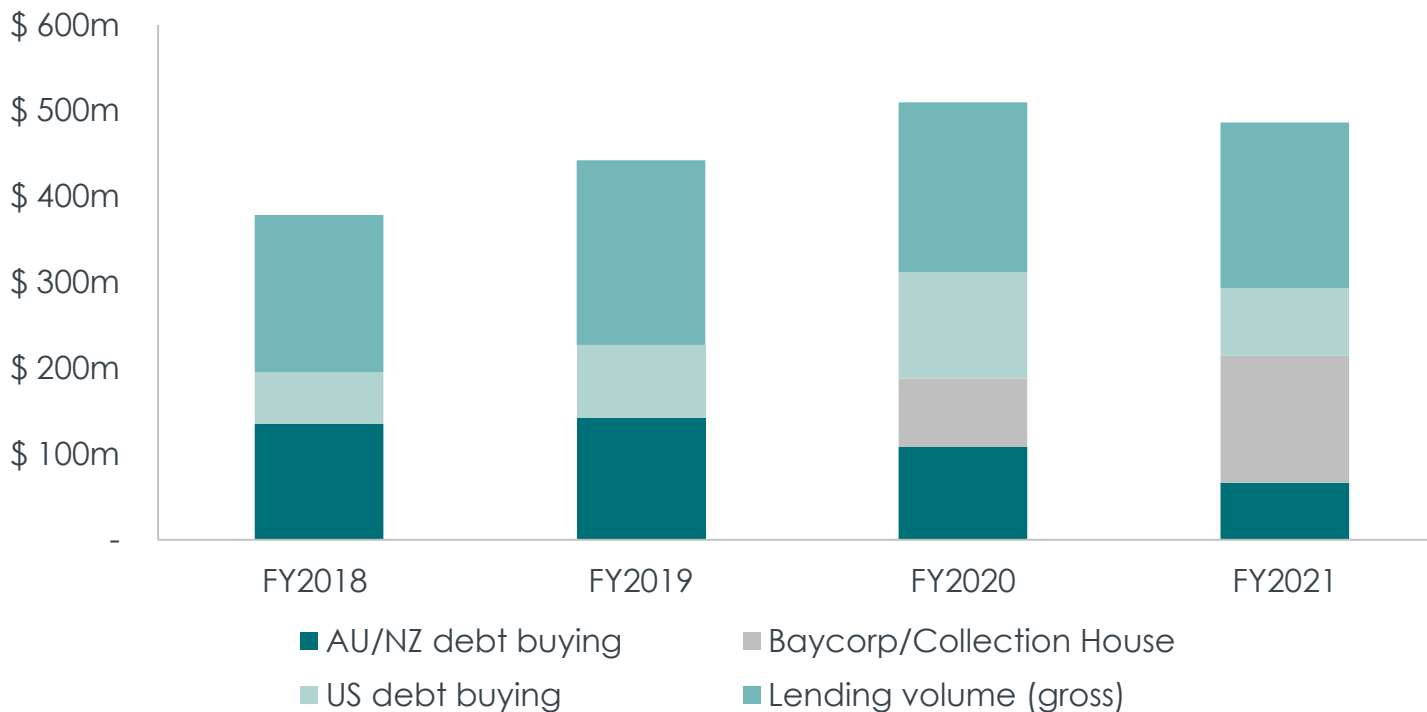
### NPAT AND RETURN ON ASSETS



## ... and considerable investment to sustain momentum ...

- Near-record investment outlay in FY2021 driven by:
  - The Collection House PDL acquisition; and
  - A return to lending growth, despite a COVID-induced temporary reduction in PDL supply

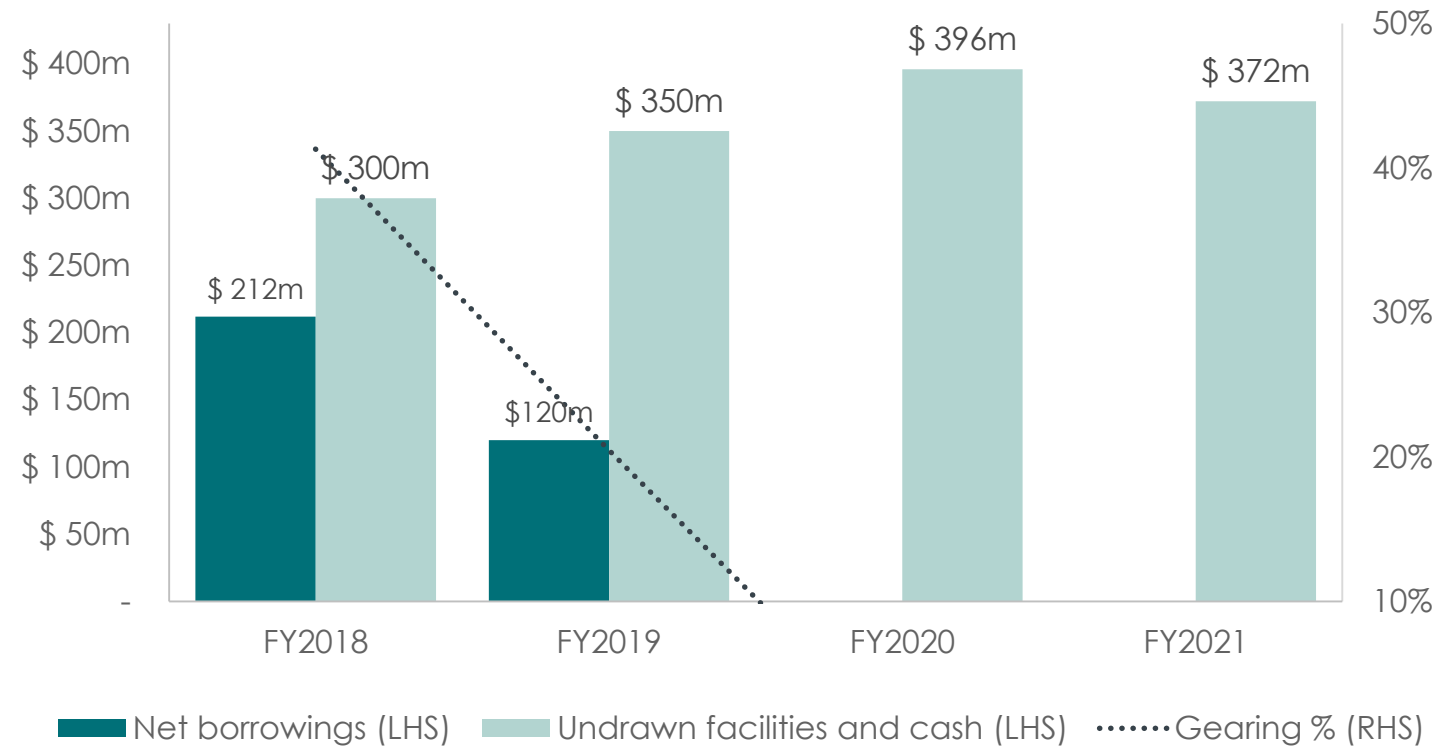
PDL INVESTMENT AND LENDING VOLUME



... with the financial capacity to seize opportunities as they arise ...

- Capital position critical to securing opportunities like the Collection House PDL acquisition
- Potential for recovery in PDL supply

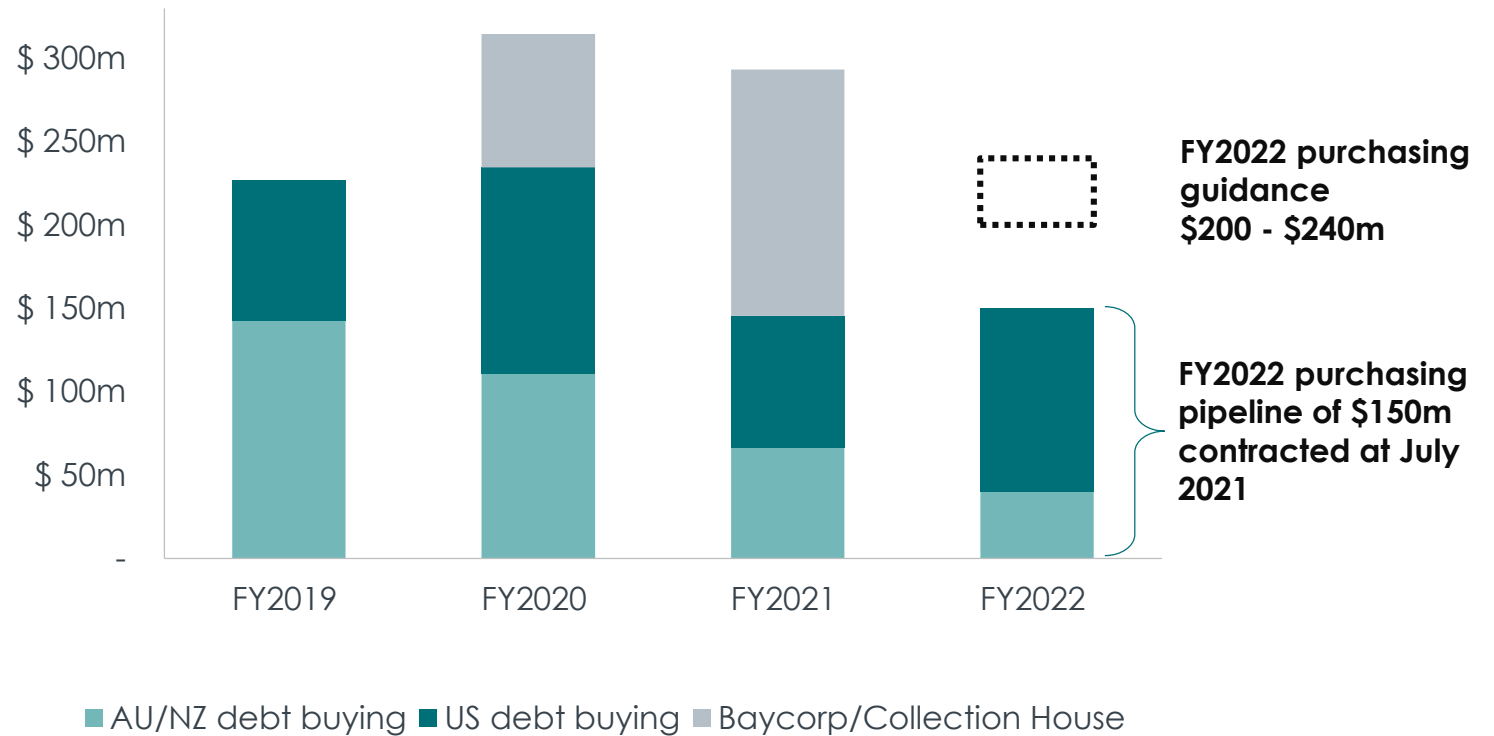
### FACILITY HEADROOM AND GEARING



# ... as the PDL investment outlook improves

- Record July contracted purchasing pipeline
- Month-on-month charge-off volumes starting to grow

PDL INVESTMENT



# Strong financial results driven by US growth ...

**11%**  
growth in NPAT  
driven by US  
performance

	Pre-COVID FY2020 <sup>1</sup>	FY2021	Var % <sup>2</sup>
AU/NZ debt buying	\$225.3m	\$219.4m	(3%)
US debt buying	\$57.3m	\$76.5m	34%
AU/NZ lending	\$99.4m	\$78.9m	(21%)
<b>Revenue total</b>	<b>\$382.0m</b>	<b>\$374.8m</b>	<b>(1%)</b>
AU/NZ debt buying	\$48.7m	\$54.1m	11%
US debt buying	\$8.1m	\$17.7m	>100%
AU/NZ lending	\$22.8m	\$16.3m	(29%)
<b>NPAT total</b>	<b>\$79.6m</b>	<b>\$88.1m</b>	<b>11%</b>
EPS (basic)	25.5 c	130.9 c	>100% <sup>3</sup>
<b>Dividend</b>	<b>36.0c</b>	<b>72.0c</b>	<b>&gt;100% <sup>3</sup></b>

1. FY2020 pre-COVID adjustments for impairments and loan loss provisioning

2. FY2021 v Pre-COVID FY2020

3. FY2021 v Post-COVID FY2020



## ... and strong operational performance

### AU/NZ

- Collection House PDL acquisition offset the impact of temporarily reduced organic PDL supply
- Collections on FY2021 purchases tracked at pre-COVID levels
- Collections on starting book in-line with expectations

### US

- Strong US consumer position supplemented with unprecedented stimulus
- Increased purchasing share offset temporarily reduced organic PDL supply
- Unemployment support driving headcount run-off

#### AU/NZ debt buying



	FY2021	Δ FY2020
Collections	\$348m	(4%)
Productivity	\$292 per hour	9%
Operations headcount <sup>1</sup>	928	(5%)
Payers book <sup>1</sup>	\$1,600m	19%

#### US debt buying



	FY2021	Δ FY2020 <sup>2</sup>
Collections	\$157m	26%
Productivity	\$288 per hour	31%
Operations headcount <sup>1</sup>	333	(18%)
Payers book <sup>1</sup>	\$249m	7%

1. As at June 2021

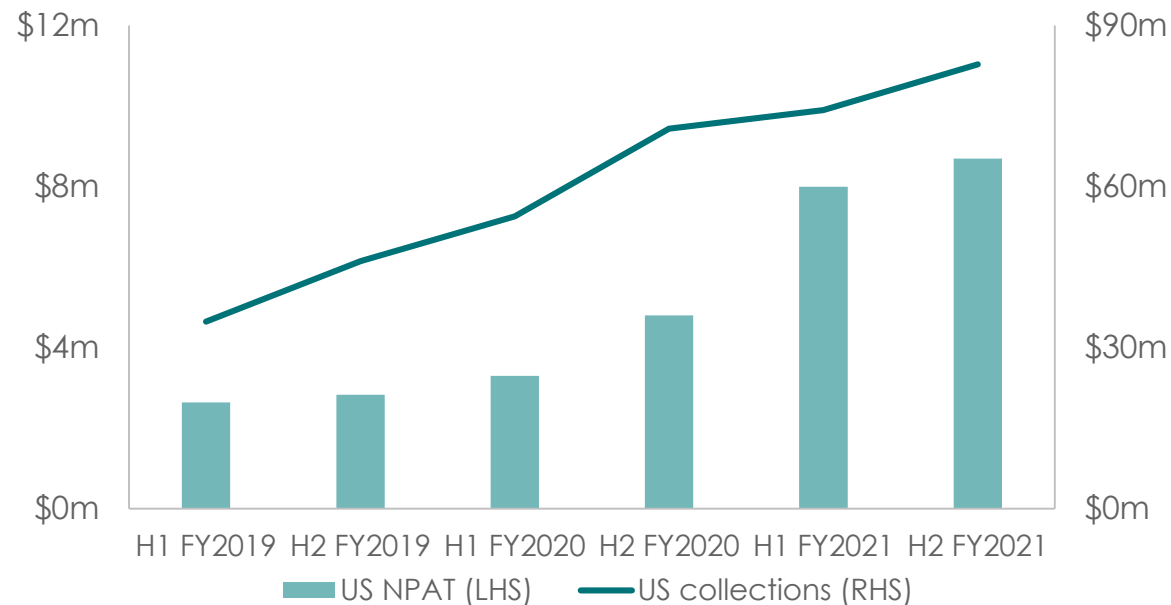
2. Prior year collections adjusted for the FY2021 average exchange rate



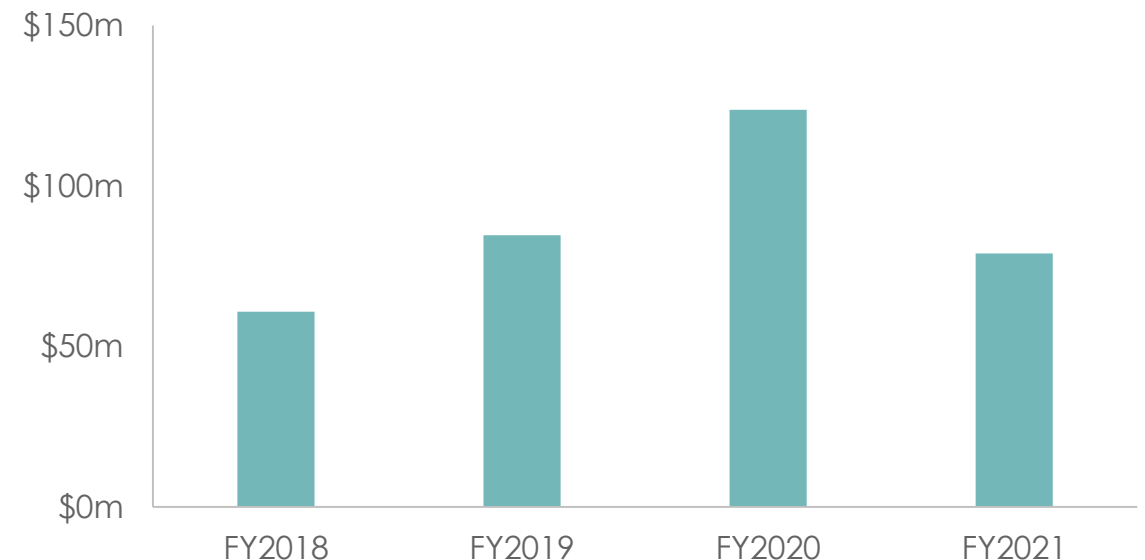
# Strong US segment performance ...

- NPAT more than doubled over the prior year to \$17.7 million
- Strong returns on past purchases through operational improvement
- Increased share of purchasing as PDL supply temporarily affected by COVID

## US NPAT and US COLLECTIONS (A\$m)



## US PURCHASING (A\$m)



## ... with momentum for continued US growth

- Record July contracted purchasing pipeline of A\$110 million - near triple prior year
- Diversified purchasing relationships to support further market share gains
- Growth in unsecured lending to drive a recovery in PDL supply
- Operational infrastructure in place to support ~A\$200 million of annual purchasing with 700 seats across two operational sites
- Competitive platform with ongoing improvements planned

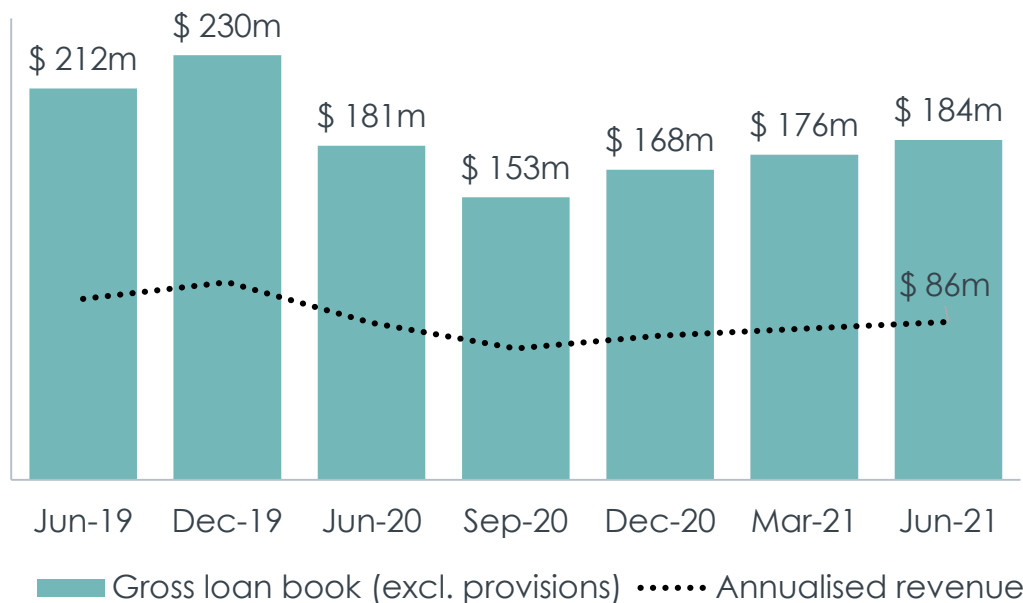
	Asset turnover <sup>4</sup>	Cost to collect
CCP <sup>1</sup>	0.9	35.7%
ECPG <sup>2</sup>	1.1	36.1%
PRAA <sup>3</sup>	0.9	34.6%

1. FY2021 CCP US debt buying segment only  
2. Calculated based on 12 month period to March 2021 for US debt buying. Encore Capital Group (NASDAQ: ECPG) is a US-listed global debt buyer  
3. Calculated based on 12 month period to March 2021 blended rate (includes US, Europe and Insolvency). Portfolio Recovery Associates Group (NASDAQ: PRAA) is a US-listed global debt buyer  
4. Ratio of cash collections from PDLs to average PDL carrying value (CCP: FY2021 US debt buying segment only and ECPG / PRAA annualised FY2021 Q1 cash collections from US debt buying)

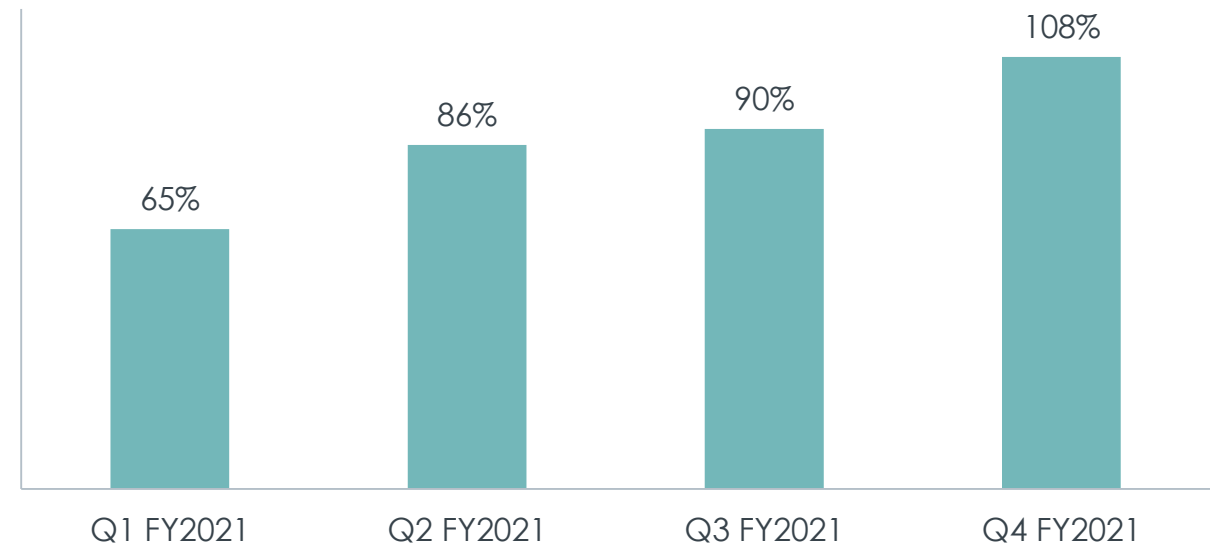
# Consumer lending volumes have recovered to pre-COVID levels ...

- Loan book has regrown from a stimulus-induced low in September 2020
- Volumes now tracking in line with pre-COVID levels for both new and returning customers <sup>1</sup>

## CONSUMER LENDING BOOK AND REVENUE



## LENDING VOLUMES INDEXED TO PRE-COVID COMPARATIVE PERIOD <sup>2</sup>



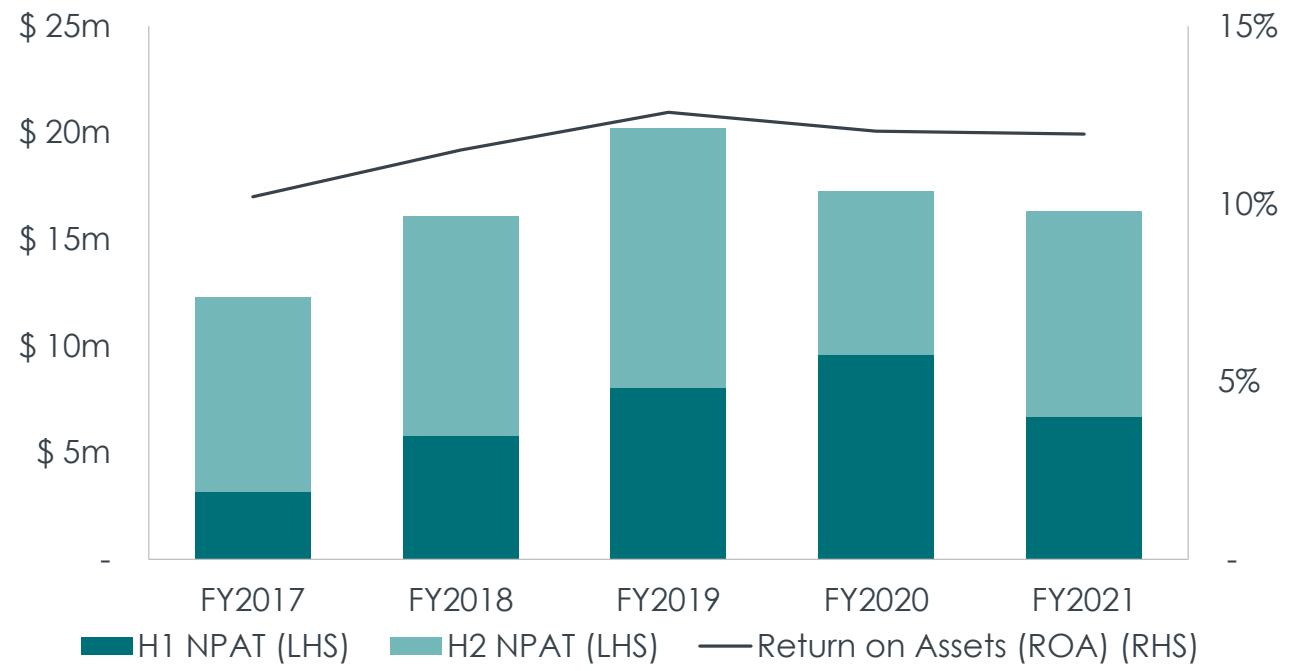
<sup>1</sup> July 2021 lending volumes have softened considerably as a consequence of COVID lockdowns

<sup>2</sup> All quarters indexed against prior year, with the exception of Q4 FY2021 which is indexed against Q4 FY2019 as Q4 FY2020 was severely COVID-impacted

# ... and segment profit is growing

- Strong H2 recovery in segment profit
- On track to re-grow loan book to pre-COVID levels
- Product diversification in place
  - Q4 auto loan re-launch producing solid results
  - Other pilots launched / in development

LENDING NPAT (A\$m)



# On track for sustained growth in FY2022

## FY2022 guidance

Ledger investment	\$200 - \$240 million
Net lending	\$45 - \$55 million
NPAT	\$85 - \$95 million
EPS (basic)	126 - 141 cents





Credit Corp Group

## 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: Industry leading compliance and sustainability

# Operating cash flow and gearing

Operating cash flows and gearing	Dec 2019	Jun 2020	Dec 2020	Jun 2021
Pre-tax operating cash flow	\$182.4m	\$212.3m	\$196.1m	\$217.4m
Tax payments	(\$27.4m)	(\$7.8m)	(\$5.1m)	(\$22.4m)
PDL acquisitions, net lending and capex	(\$227.7m) <sup>2</sup>	(\$94.1m)	(\$197.8m) <sup>1</sup>	(\$123.2m)
<b>Net operating (free) cash flow</b>	<b>(\$72.7m)</b>	<b>\$110.4m</b>	<b>(\$6.8m)</b>	<b>\$71.8m</b>
PDL carrying value	\$497.9m	\$422.6m	\$485.4m	\$467.3m
Consumer loans net carrying value	\$187.1m	\$137.3m	\$123.1m	\$135.2m
Net cash / (borrowings)	(\$205.8m)	\$26.2m	\$16.2m	\$61.7m
<b>Net borrowings/carrying value (%)</b>	<b>30.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

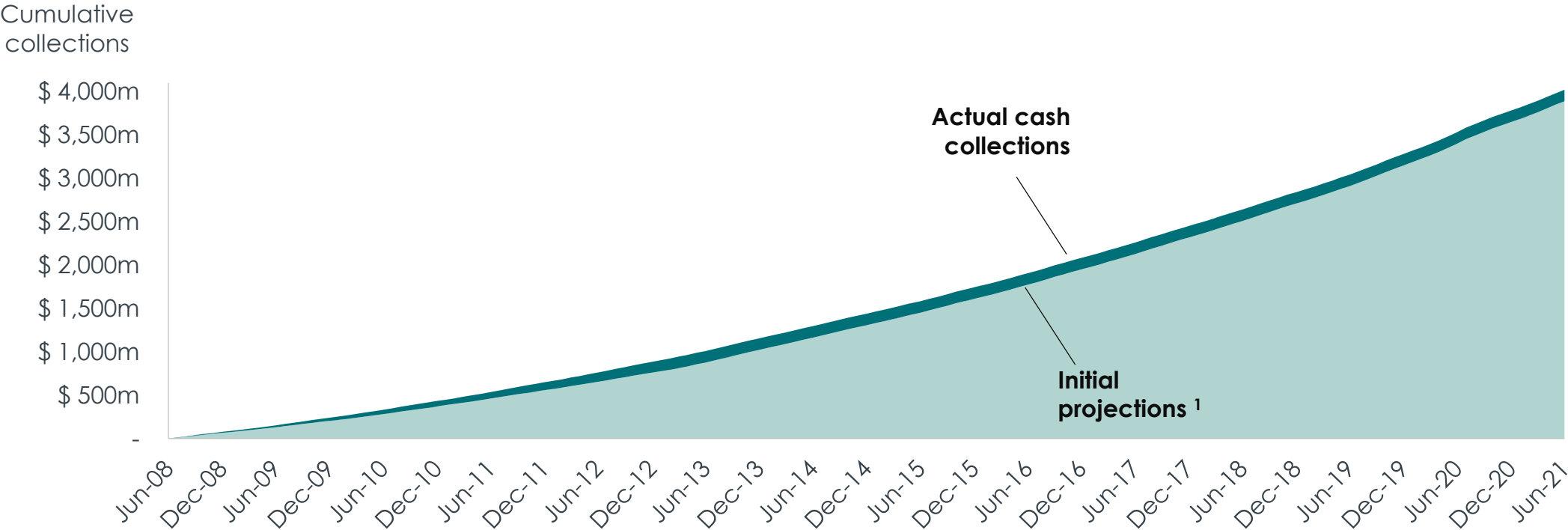
1. Includes outlay of \$146 million for acquisition of Collection House PDL book in December 2020

2. Includes outlay of \$68 million for acquisition of Baycorp PDL book and business in August 2019



# Pricing discipline and accuracy

## PRICING DISCIPLINE AND ACCURACY

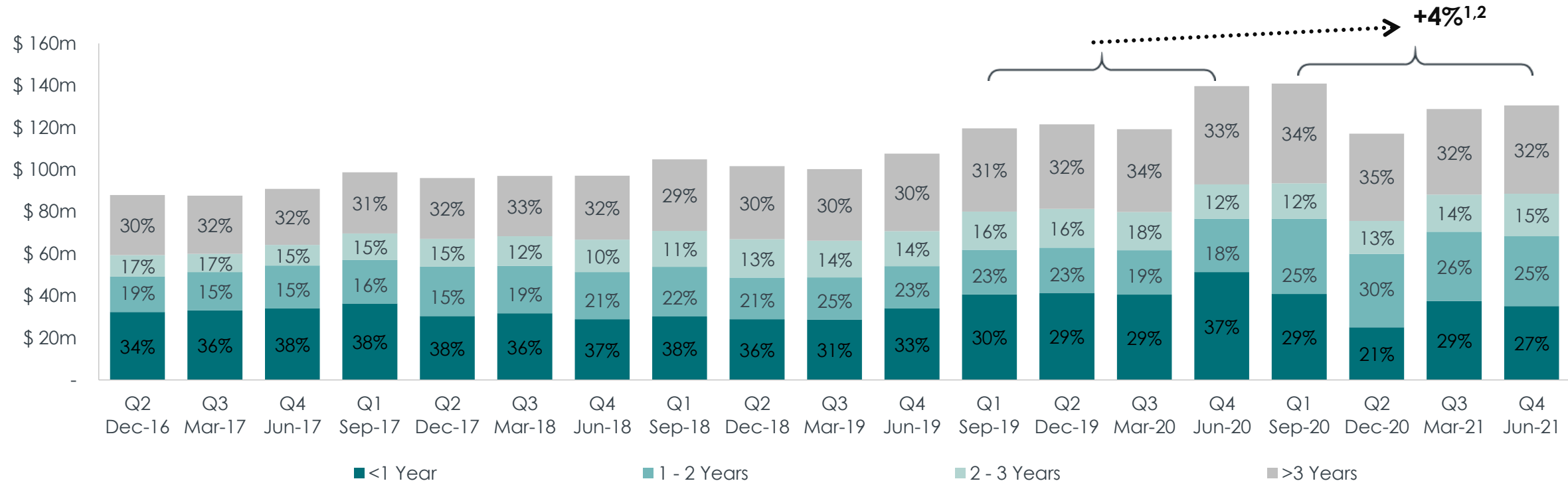


1. For all PDLs held at June 2008, initial projections represent the forecast at June 2008

APPENDIX 3

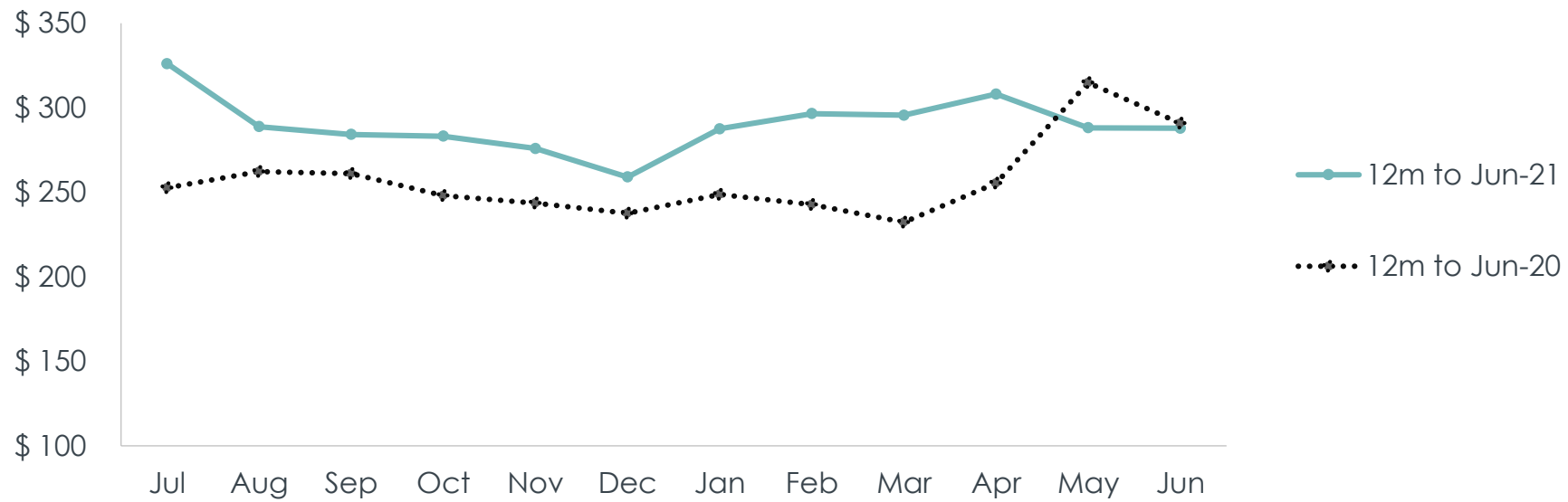
# Collections life cycle

PDL COLLECTIONS BY VINTAGE



1. 1% growth for FY2021 vs. FY2020  
2. Prior year collections adjusted for the FY2021 average exchange rate

## PDL COLLECTIONS PER HOUR



### Full year average

FY2021: \$290

FY2020: \$257

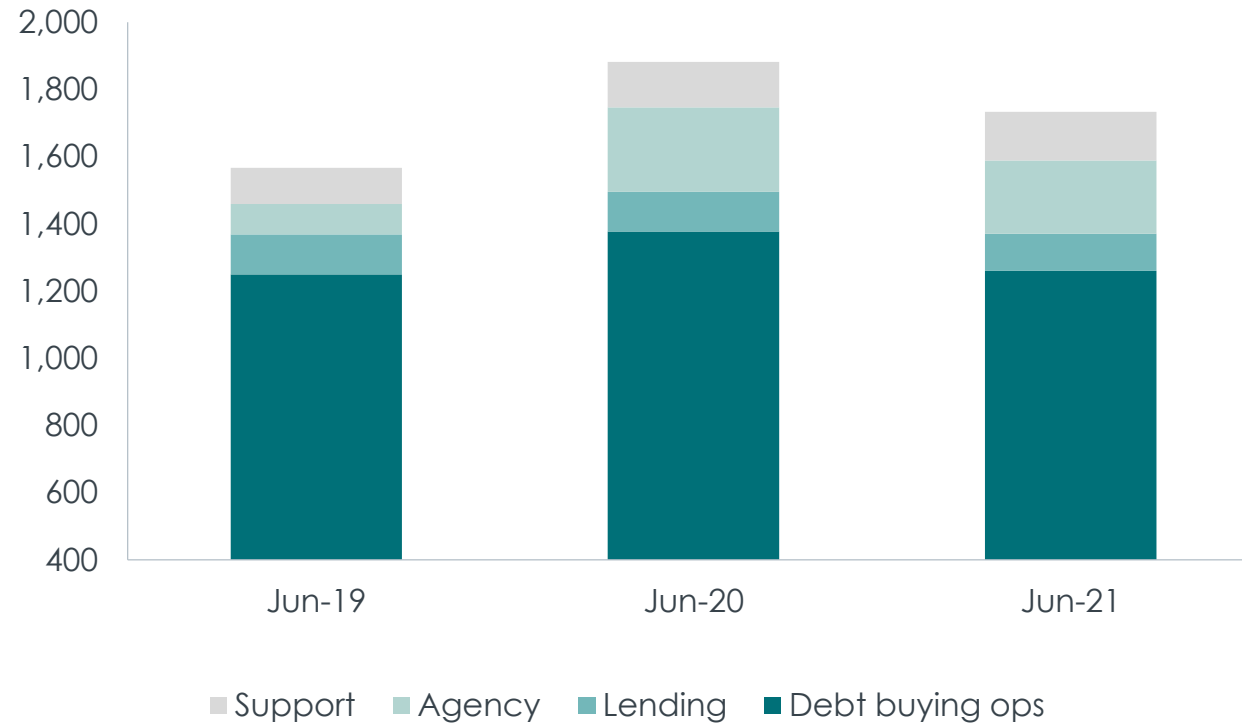
# Payers base

## PORTFOLIO SUMMARY: AU/NZ DEBT BUYING ONLY

Total portfolio	Dec-17	Jun-18	Dec-18	Jun-19	Dec-19	Jun-20	Dec-20	Jun-21
Face value	\$5.9b	\$6.0b	\$6.2b	\$6.4b	\$7.8b	\$7.7b	\$8.6b	\$8.5b
Number of accounts	710,000	710,000	753,000	786,000	1,268,000	1,193,000	1,392,000	1,326,000
<b>Payment arrangements</b>								
Face value	\$1,300m	\$1,300m	\$1,300m	\$1,300m	\$1,400m	\$1,350m	\$1,550m	\$1,600m
Number of accounts	153,000	157,000	154,000	157,000	200,000	195,000	219,000	217,000
<b>% of PDL collections</b>	<b>78%</b>	<b>81%</b>	<b>79%</b>	<b>78%</b>	<b>81%</b>	<b>73%</b>	<b>82%</b>	<b>83%</b>

# Operational and total headcount

PERIOD END HEADCOUNT (FTE)

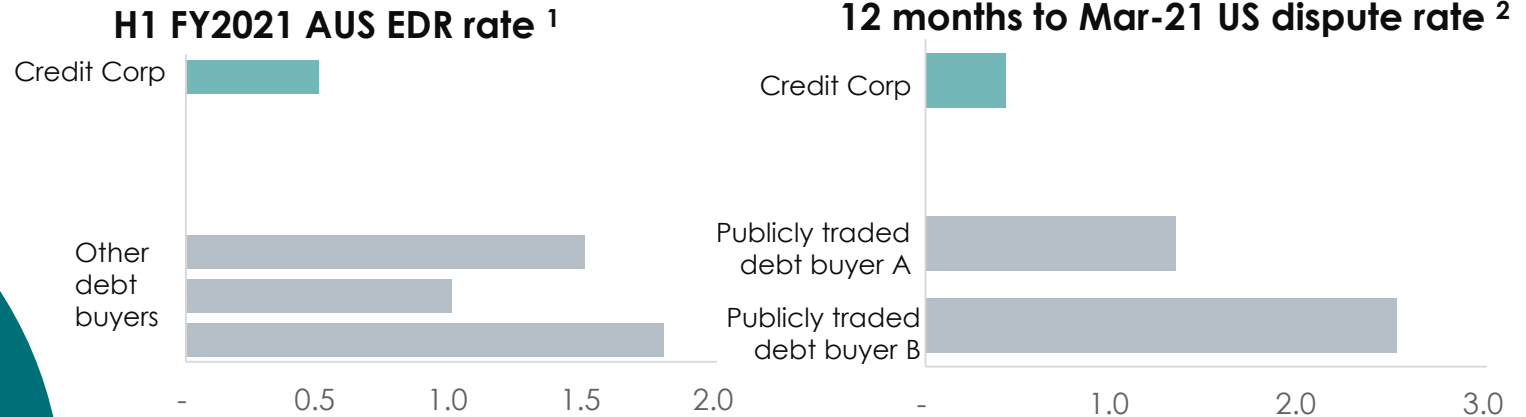


PERIOD END HEADCOUNT (FTE)

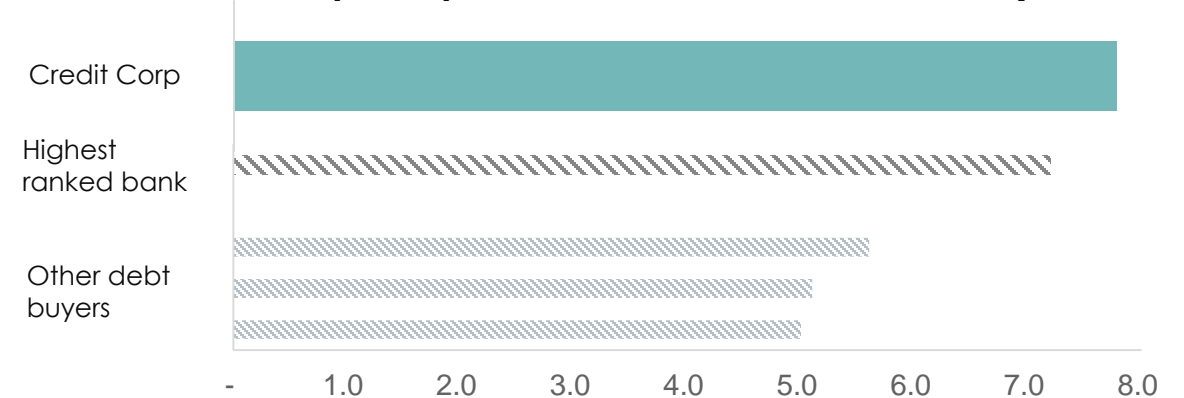
	Jun-19	Jun-20	Jun-21
Debt buying operations	1,250	1,378	1,261
Agency	90	251	218
Lending	119	118	111
Support	108	135	143
Total	1,567	1,882	1,733
Support %	7%	7%	8%

# Industry leading compliance and sustainability

- Continued industry leadership
  - Lowest EDR rate in AU <sup>1</sup> and low US dispute rate <sup>2</sup>
  - Highest rating from consumer stakeholders
  - No regulatory actions
- Leading approach to hardship
- Compliance and sustainability critical in present conditions



## Rating of banks & debt buyers by financial counsellors in 2019 <sup>3</sup> (score out of 10)



1. No. of complaints reported by External Dispute Resolution (EDR) provider (The Australian Financial Complaints Authority) for the 6 month period to December-2020 divided by total annual PDL collections expressed in millions of dollars

2. Complaint metrics from Consumer Financial Protection Bureau (CFPB) database for the 12 months to Mar-2021 divided by reported collections  
[https://www.consumerfinance.gov/data-research/consumer-complaints/search/?from=0&searchField=all&searchText=&size=25&sort=created\\_date\\_desc](https://www.consumerfinance.gov/data-research/consumer-complaints/search/?from=0&searchField=all&searchText=&size=25&sort=created_date_desc)

3. Financial Counselling Australia: Rank the banks and other creditors survey 2019 - Rating of response to consumer hardship, July 2020, pages 7 and 19