

# ASX ANNOUNCEMENT

28 February 2022

Market Announcements Office  
ASX Limited  
Level 4 Stock Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

## **Collection House Limited (ASX Code: CLH) – 31 December 2021 Half Year Financial Report**

Collection House Limited (“CLH” or “the Company”) has released its half-year financial report for the six-month period to 31 December 2021.

Key aspects of Company's activities during the period are:

- Before tax loss consistent with previous six-month trading performance, with an expectation of improved performance as COVID-19 collection restrictions are relaxed;
- A material one-off, tax adjustment reflecting a more conservative position adopted in respect of the accounting for the Company's substantial carried forward tax loss position; and
- Further cost control initiatives implemented during the period, with further action underway to accelerate a return to profitability.

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- Worked to deliver the final stage restructure to the Company's capital structure which when completed in the second half, will result in its short-term net asset position being improved upon and the Company being substantially debt-free.

While trading conditions remained difficult during the six months to 31 December 2021, the Company continued the transformation of its operating model and capital structure in line with the recommendations of the strategic review undertaken in November 2019. During the period, the Company pursued a range of initiatives which will see it better positioned to deliver on its customer focused service strategy, in particular a significant recapitalisation transaction ("Recapitalisation") which was announced on 23 February 2022. When completed, the Recapitalisation will provide additional working capital and a stable capital structure for the Company moving forward.

The Company's operating performance for the period was disappointing, with little improvement from the previous six-month period with revenue being significantly lower than pre-COVID levels. General levels of activity in the receivables management sector over the last six months remained depressed, as clients continued to implement conservative customer engagement strategies in response to the longer than anticipated COVID-19 recovery. CLH is confident that with a return to pre-COVID-19 activity levels and further reduction to fixed overhead costs, the Company can return to sustainable profitability.

The majority of the Company's purchased debt ledgers ("PDLs") were disposed in December 2020, the proceeds of which were applied in debt reduction. As a result, the previous corresponding period includes a significant contribution from the Company's PDL segment, which has now been substantially reduced.

The Company evaluated and bid on a number of debt purchasing opportunities during the period, but prices, particularly in Australia, have remained at prohibitively high levels. In respect of ongoing participation in the PDL sector, the Company continues to pursue a co-investment approach to purchased debt assets, which will see it invest a substantially lower level of the Group's capital and generate a higher return on equity. However, until more sustainable market conditions return to the

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purchased debt market, the Company will continue to proceed cautiously.

The half-year loss is exacerbated by a one-off, non-cash charge to income tax expense of \$49.7 million, arising from the decision to de-recognise the Group's carried forward tax losses.

In light of continued difficult trading conditions and a slower COVID-19 recovery timeline than originally anticipated, accounting rules required the Company to reassess the level of tax losses carried forward as deferred tax assets on the Company's balance sheet. This more conservative commercial outlook has resulted in these deferred tax assets being de-recognised in the half-year results, with the associated charge taken through income tax expense (\$49.7 million) and other comprehensive income (\$1.5 million). Although de-recognised as a tax asset, the Company retains access to carried forward tax losses of \$58.3 million, and remains confident that the losses will be used to offset taxable income over coming financial periods.

### **Outlook**

As announced on 23 February 2022, the Company has entered into a series of transactions which will provide it with additional working capital and, when completed, result in the Company being substantially debt-free.

The Directors are conscious that urgent revenue improvement and tight cost control remain of paramount importance. Employment and overhead costs had already been substantially reduced when compared with the prior period, but are subject to continuous review. Given the longer than anticipated impacts from COVID-19, further cost reduction initiatives are being implemented over the next few months in the areas of technology, occupancy and corporate costs. The Company continues to carefully manage its working capital and liquidity while the short-term operating outlook remains challenging.

Despite trading conditions remaining constrained in the short term, client relationships remain strong, and the Company is advanced in securing a number of significant new client opportunities which will result in an improvement in underlying

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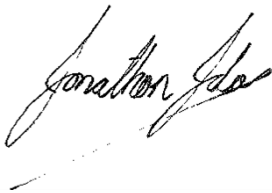
revenue as market conditions stabilise. The market has responded positively to the Company's transformation initiatives, customer experience focus and the Recapitalisation, and we are experiencing a high level of client engagement as we explore how we can serve our clients and customers better.

The Company is cautiously optimistic of customer referral volumes gradually returning to pre-COVID activity levels over the coming months.

This announcement was authorised to be provided to the ASX by the Company's Board of Directors.

Yours faithfully

Collection House Limited



**Jonathon Idas**

Chief Legal Officer & Company Secretary

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## About Collection House

Collection House is one of Australia's largest and most respected end-to-end receivables management companies. For over 25 years, the Group has developed deep customer service capabilities and delivered world-class systems that enable it to provide practical, customer focused and cost-effective solutions in collections, credit management and customer care. We do that through first party and third party contingent collection arrangements and outsourced support style contracts. We retain the organisational capability to value and manage purchased debt portfolios for ourselves and others.

We are a purpose-driven organisation that aspires to help both businesses and individuals improve their financial positions. We seek to lead positive change within the financial services sector and have greater social impact in the communities in which we operate, through collaboration with a range of community partners that share our desire to champion financial inclusion for all.

We have challenged ourselves to reimagine how we can take our experience in the receivables management sector and apply it to support clients and customers through creating best in class solutions across voice, digital and traditional engagement channels. These technical capabilities are supported by a philosophy that genuine care for our customers requires deep human connection. Our strong digital capabilities are backed by a high touch, high care approach to customer engagement which is essential in supporting customers experiencing vulnerability and hardship.

The Group employs over 700 people across Australia, New Zealand and the Philippines, providing a strong platform for growth, but more importantly the capacity, resources and scale to provide the highest standards of service to our diversified portfolio of clients across the globe. Collection House has the inherent flexibility and operational agility to challenge historical expectations of service, compliance and conduct in the receivables management space.

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