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Media Release H1 FY2017 Results
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Highlights

The directors of Credit Corp Group Limited (Credit Corp) are pleased to report a strong result for the first half of the 2017 financial year (FY2017). Key highlights are as follows:

- 19 per cent increase in Net Profit after Tax (NPAT) over the prior corresponding period (pcp)
- Record first half purchased debt ledger (PDL) acquisitions of $143 million
- 16 per cent growth in the consumer loan book over the first half to $156 million, gross of provisions

H1 FY2017 Financials

	Versus pcp			Actual
PDL acquisitions	up	45%	to	$142.9m
Net lending	down	5%	to	$30.4m
Revenue	up	15%	to	$129.1m
NPAT	up	19%	to	$25.2m
EPS (basic)	up	17%	to	53.5 cents
Dividend (fully franked)	up	17%	to	27 cents / share

Performance Commentary

Increased PDL collections and growth in the loan book produced a 15 per cent increase in revenue over the pcp. Strong core domestic debt buying performance combined with a doubling in profits from the consumer lending business to produce 19 per cent growth in NPAT over the pcp.

The debt buying business performed solidly, benefitting from increased purchasing. Collection efficiency was in line with the prior year and collection effectiveness was maintained with a 6 per cent increase in collections on PDLs purchased more than two years ago. Ongoing effectiveness will be underpinned by the recurring payment arrangement book, which grew by 5 per cent over the half year to a face value of more than $1.2 billion.

Purchasing

Strong PDL acquisitions in the first half reflected increased market share achieved during the 2016 financial year and the opportunistic NCML acquisition. Competition has remained strong with some loss of share during the first half. Purchasing will reduce over the second half, with limited contestable volume available. Consequently FY2017 purchasing is likely to be close to the present contracted pipeline of $220 million.

There have been signs of an easing ahead with some forward flows renewed at reduced prices.

Consumer Lending

The consumer lending book grew by 16 per cent over the half year to $156 million. Much of this growth occurred in the final quarter with seasonally higher demand and increased marketing of the well-established ‘Wallet Wizard’ brand. New customer originations remained consistent with the pcp, while numbers of returning customers increased in line with the growing customer base.

Settled volumes are expected to decrease in the second half due to reduced seasonal demand. Lower up-front origination costs should produce substantially higher second half lending segment NPAT. Segment return on assets (ROA) will improve further and the outlook is for the lending segment to achieve pro-forma rates of return in FY2018.

Credit Corp's uniquely sustainable loan products continue to be among the lowest cost and most sustainable offerings in the credit impaired consumer segment. All products are priced below the general interest rate cap, rather than at the much higher rates permissible under any of the concessional pricing regimes (e.g. Small Amount Credit Contracts or 'payday loans'). Credit Corp has been insulated from the regulatory and stakeholder action to which these higher-priced products have been subject.

US Operations

Market conditions have improved over the half year with listed competitors reporting reduced prices and improving returns. Supply conditions are also moving favourably with growth in reported credit card charge-offs despite the major issuers who withdrew from sale not yet returning. The market has become increasingly compliance focused resulting in ongoing industry consolidation. Credit Corp's strong compliance credentials position it strongly as the market continues to transition.

Operational performance has substantially improved with collection efficiency increasing by 35 per cent over the pcp, facilitating increased purchasing. Losses in the first half were reduced by more than 50 per cent from the pcp and the US operation is expected to achieve monthly breakeven during the second half.

A key focus for the second half will be to increase operational capacity to support higher levels of purchasing as market conditions allow.

Outlook

The company reaffirms FY2017 NPAT guidance upgraded in November 2016, representing profit growth in the range of 15 to 20 per cent. In accordance with the commentary above, NPAT from the lending segment is expected to be substantially higher in the second half and elevated first half purchasing will sustain strong collections and earnings from the core debt buying business.

The increased PDL purchasing pipeline of $220 million has necessitated a revision of the FY2017 PDL purchasing guidance.

A moderation in purchasing and net lending over the second half will return Credit Corp to positive net operating (free) cash flow, improving the company's ability to capture favourable purchasing opportunities that may arise in an easing market.

The company has revised its previously stated guidance for the 2017 financial year in accordance with the following ranges:

	Updated guidance (November 2016)	Updated guidance (January 2017)
PDL acquisitions	$195 - $215m	$225 - $235m
Net lending volumes	$35 - $45m	$35 - $45m
NPAT	$53 - $55m	$53 - $55m
EPS	112 - 116 cents	112 - 116 cents

This media release should be read in conjunction with the Appendix 4D, interim financial statements and results presentation.

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