

# creditclear limited

**FY23 Q4**  
**Investor Presentation**  
**ASX: CCR | 28 July 2023**

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# Business Overview

Transforming debt collection after decades of under investment in **technology**, poor **regulatory adherence** and a failure to **change with customer behaviour**



An ASX-listed technology company that has invested \$30m into its commercially proven AI-driven software platform that delivers +20% uplift in collections



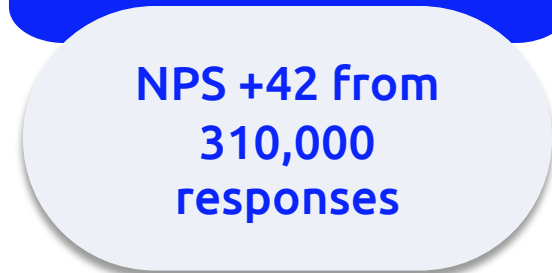
Unmatched digitally led hybrid service offering that has been deployed across thousands of clients, in highly regulated and diverse industries with millions of end customers



Growing addressable market with strong economic tailwinds and growing data-driven moat, creating high barriers to entry



Technology is aligned with rapidly changing customer behaviour, it lifts collection rates by enhancing the customer's experience



# Key Metrics – FY23 Q4

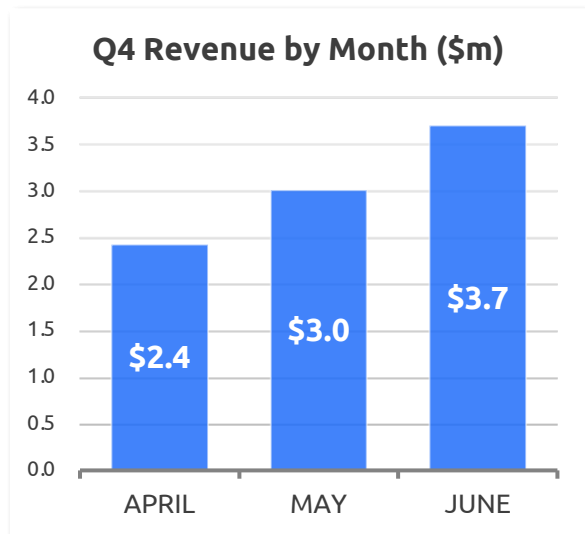
Record quarterly revenue drives positive cash flow from operations

## \$9.1m<sup>1</sup>

Q4 Revenue

+6% PCP

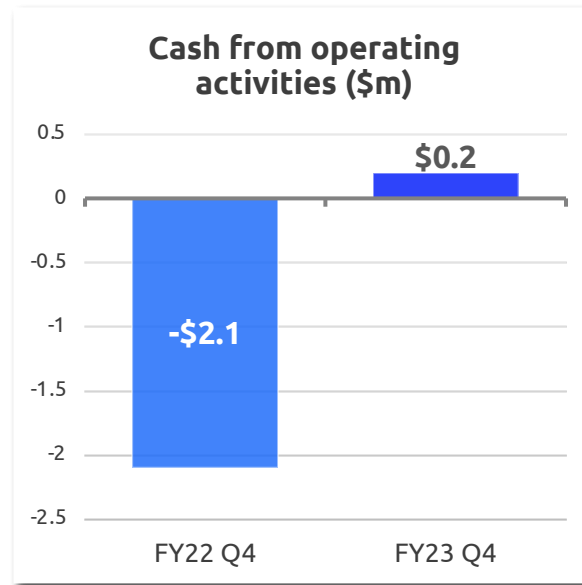
With record monthly revenue in June of \$3.7m



## \$0.2m<sup>2</sup>

Cash from operating activities

\$2.3m improvement PCP



## \$12m

Cash at bank

(Strong balance sheet following capital raise in May and nil debt)

Use of funds:

- Onboarding and integration tier 1 clients;
- Data and security compliance requirements for tier 1 clients;
- Business Processing Outsourcing opportunities;
- Invest in sales team and SaaS sales;
- Fund channel sales acceleration

# New clients and strong debt file referrals – FY23 Q4

## 75

New clients

+25% PCP

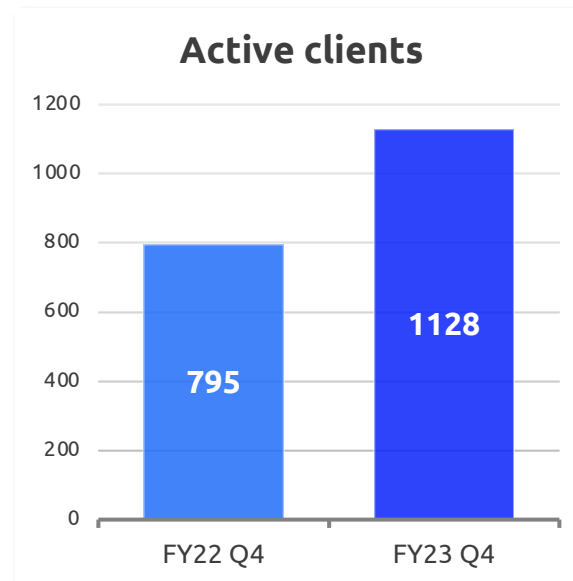
**+\$2.2m in potential revenue**

- Emerged as a new provider to tier 1 organisations
- Tender win rate of over 70% in the past year, winning past six consecutive competitive tenders
- Several clients appointed Credit Clear without going to tender

## 1,128

Active clients

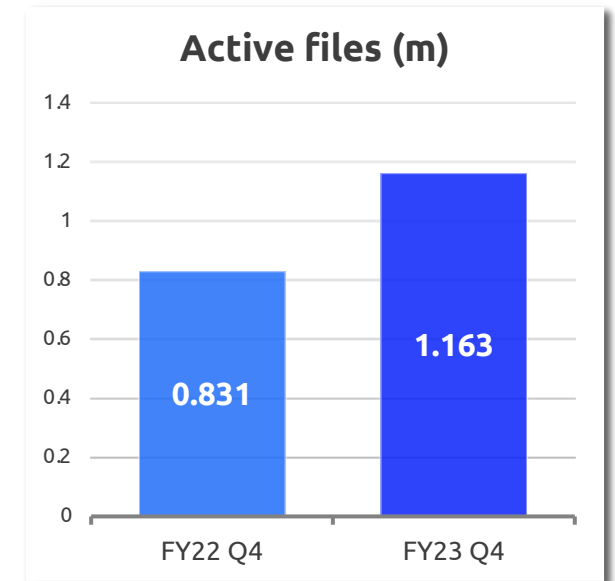
+42% PCP



## 1.2m

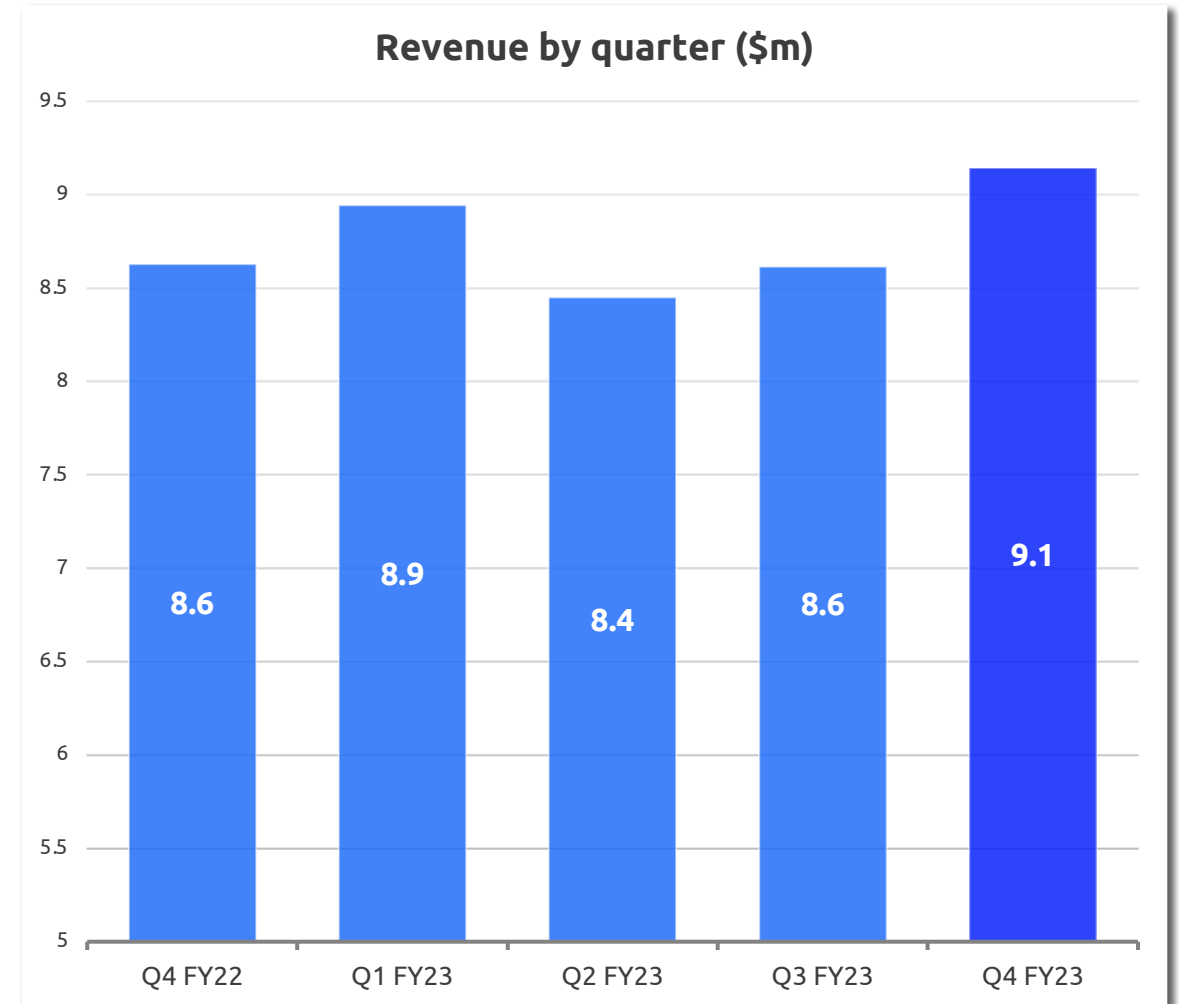
Active files

+40% PCP



# Revenue and clients

- Record quarterly revenue of \$9.1m<sup>1</sup>
- Record monthly revenue achieved in June of \$3.7m, which resulted in a profitable month on an underlying operating basis
- Q4 is seasonally the second strongest quarter
- Q1 is seasonally the strongest quarter, as it is uninterrupted by significant holidays and includes tax season
- June's revenue was driven by new tier-1 clients that once onboarded added ~\$500k in revenue for the month demonstrating the impact tier-1 clients have on the Company
- Strong pipeline of tenders with several tier-1 client tenders expected in 1H24
- Six tier-1 clients currently being onboarded have yet to contribute any revenue

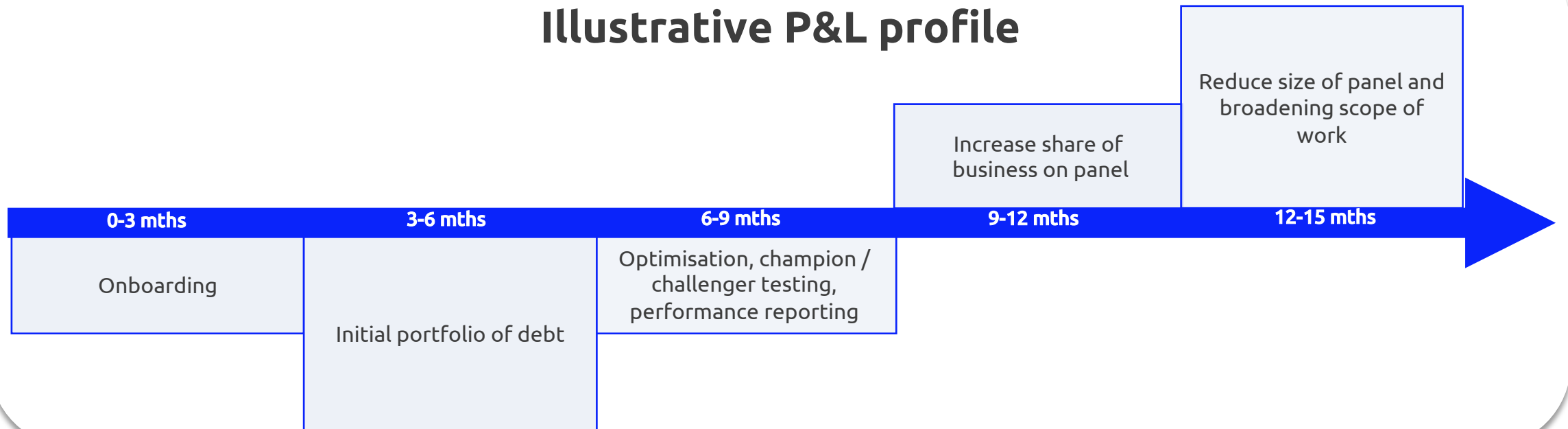


# New clients will drive revenue growth

Tier-1 clients are clients with potential to contribute over \$1m in annual revenue. Currently Credit Clear has several tier-1 clients already signed, but yet to contribute any revenue including:

- A big four bank
- One of Australia's largest telecommunication providers
- Two of Australia's largest general insurance providers
- A non-bank consumer credit providers
- Local and state government departments

## Illustrative P&L profile



# Profound changes in **customer behaviour**

## What's changed?

- 87% of people won't answer the phone to numbers that they don't recognise
- 50% decline in letters being sent
- 54% of people get frustrated if they can't engage a business digitally



## How to engage now?

- On average people spend 5.5 hours of the day on their mobile phone
- Open rate for SMS is 94% and 86% open within three mins of receipt
- Vast majority of customers prefer to self serve before other options are considered



## Credit Clear is achieving:

- Engagement rates of 60 – 80% on its automated workflow campaigns
- 90% completion rate for digital insurance workflow (third-party at fault claims)

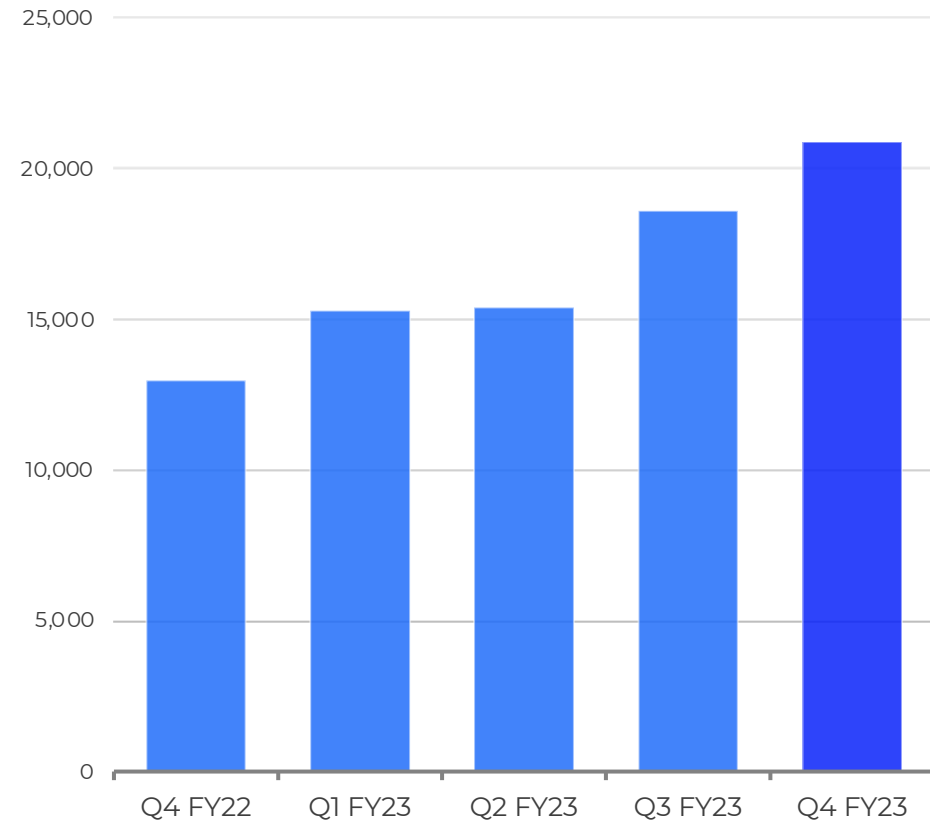




# Digital collections

- Continued acceleration of digital collections
- 61% growth PCP in digital collections clearly shows widespread adoption of digital platform
- Leverage massive and growing data-set through AI with proven results, creating high barrier to entry for competitors
- Developed a 'turn-key' solution to build campaigns, workflows and champion / challenger testing with a few clicks
- Enhanced data analytics and insights with modern, cloud-scale data platform
- Battle testing the digital platform in ARMA

Digital collections



# Large and growing **addressable market**

- Debt under collections in Australia was ~\$21bn at the end of 2022
- Third party contingent collections (~40%) and debt purchasers (~60%), with trend towards less debt being sold
- Does not include debt being worked internally by clients



## Economic tailwinds driving **growth in debt market**

- Interest rates increases and broad-based inflation are impacting cost of living
- Over one million Australians with home loans have or will roll off fixed interest rates in 2023 and 2024
  - 880k in 2023 and 450k in 2024
- CCR data shows that the number and value of overdue accounts has risen sharply in the past 12 months
- Banks, local councils, emergency services, ATO and insurers have all signaled their intention to increase collection activities after reduced activity through COVID



**Grim mortgage reality facing 1.4 million Aussies**

Yahoo Finance Australia

Apple News

# Credit Clear data **reflects macro trends**

## **Consumers deeper in debt**

- Average debt per file has risen 113% in the past year, from \$1,099 to \$2,344 in the second quarter of CY 2023
- Highlights that consumers are struggling with larger recurring bills such as utilities, council rates, mortgages
- Full employment has prevented the volume of stressed household increasing
- As fixed-interest mortgages roll off each month, Credit Clear expects the volume of consumer files to increase steadily into FY2024

## **Business struggling to survive**

- Corporate insolvencies have spiked 62% in the year to June 2023 (ASIC data)
- Credit Clear's corporate division, where overdue debt is collected from companies, has seen an increase 82% in the value of debt referred
- The commercial division has already seen a 72% increase in the number of referrals (closely aligned with the ASIC data), suggesting a growing debt problem among companies in Australia

# Outlook

## NEW CLIENTS

- Focus on realising potential revenue from new clients signed in FY23 where revenue is still to be earned
- Strong pipeline of new business targets across consumer, commercial, insurance and government
- Winning multiple tier-1 clients in 2H23 (IAG, QUU, a Big Four Bank) has clearly positioned the Company as a provider to tier-1 organisations in Australia
- New client win rate improved from ~30% to ~70% with six consecutive competitive tender wins

## PROFITABILITY

- Record quarterly revenue of \$9.1m in Q4 and record monthly revenue of \$3.7m in June
- Focus on deeply integrated clients embracing digitally led approach with recurring revenue
- Maintain fiscal discipline and leverage efficiencies gained through business integration
- Increasing adoption of digitally led hybrid with AI driven technology will improve margins

## MACRO TAILWINDS

- More debt files being referred with larger value of debt
- Significant increase in collection activities following prolonged period of inactivity through COVID
- Industry consolidation and trend away from selling debt favours Credit Clear