



Credit Corp Group

FY14 Results Presentation

5 August 2014

Thomas Beregi
Chief Executive Officer

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Chief Financial Officer

Leveraging our leadership in the credit-impaired consumer segment



Core Australian debt buying business



- Largest participant in market
- CAGR in NPAT of 26% over the 5 years to FY14
- Generating acceptable returns with limited gearing

Leverage strengths to expand into high opportunity markets



Credit-impaired consumer lending

- Apply our experience with credit-impaired consumers
- Sustainable and affordable products
- Segment not serviced by mainstream credit issuers



US debt buying

- Much larger than the Australian market
- Apply our strengths as the US market transitions

Core business has delivered strong earnings growth...



FY14 Financial Results

	FY14	FY13 Underlying ⁽¹⁾	% Change
Revenue	\$174.0m	\$138.3m	26% ↑
NPAT	\$34.8m	\$29.9m	16% ↑
EPS (basic)	75.4 cps	65.2 cps	16% ↑
Dividend per share	40.0 cps	37.0 cps ⁽²⁾	8% ↑

(1) FY13 results are underlying and exclude a one-off item with a positive impact of Revenue: \$4m; NPAT: \$2m; EPS: 4.6 cps.

(2) The FY13 dividend included a 4 cps payout of the one-off item; excluding this the FY13 dividend was 33 cps.

... and growth momentum will now switch to lending

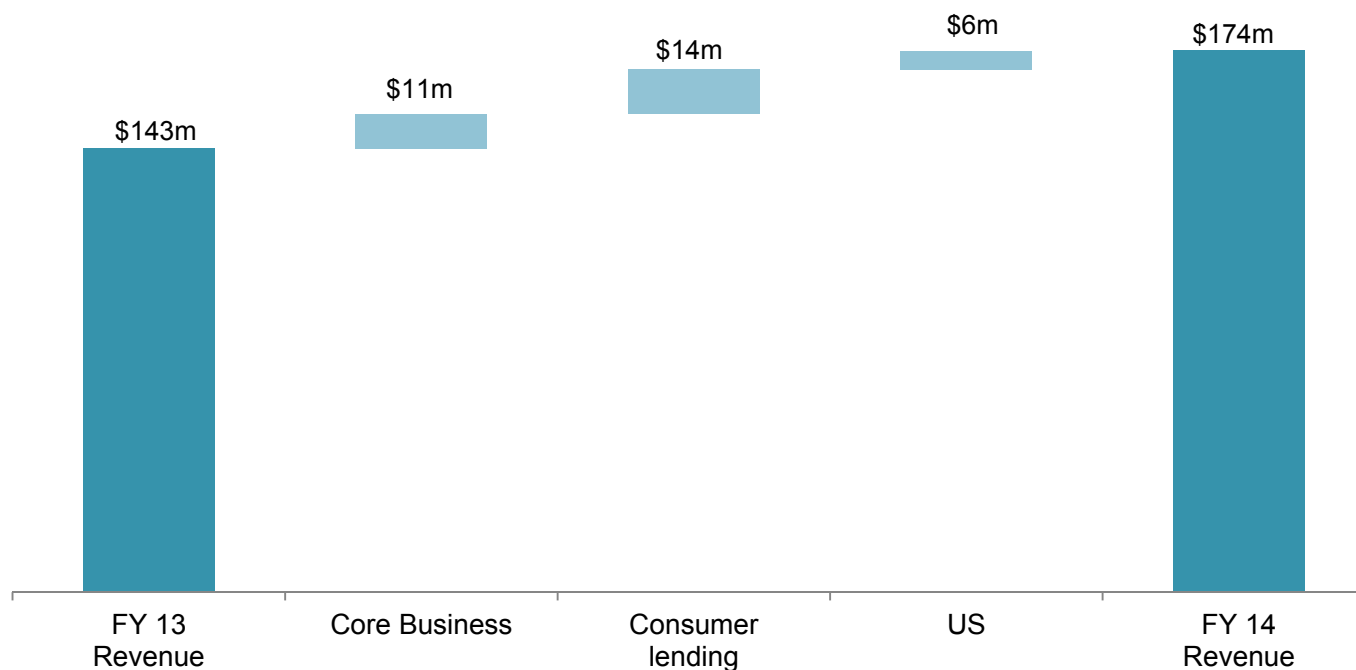
- Reduced PDL acquisitions in the second half
- Lending volumes offset reduced PDL acquisitions
- Lending on track for profit in FY15

\$ million	FY14		B/(W)
	H1	H2	Δ
PDL outlay	\$86.5	\$58.7	(\$27.8)
Net lending	\$17.0	\$31.6	\$14.6
Lending NPAT	(\$2.0)	(\$0.5)	\$1.5

New businesses already delivering at the top-line

- Core business revenue driven by consecutive years of record purchasing
- Lending generated 40% of total revenue growth

Revenue movement vs. pcg

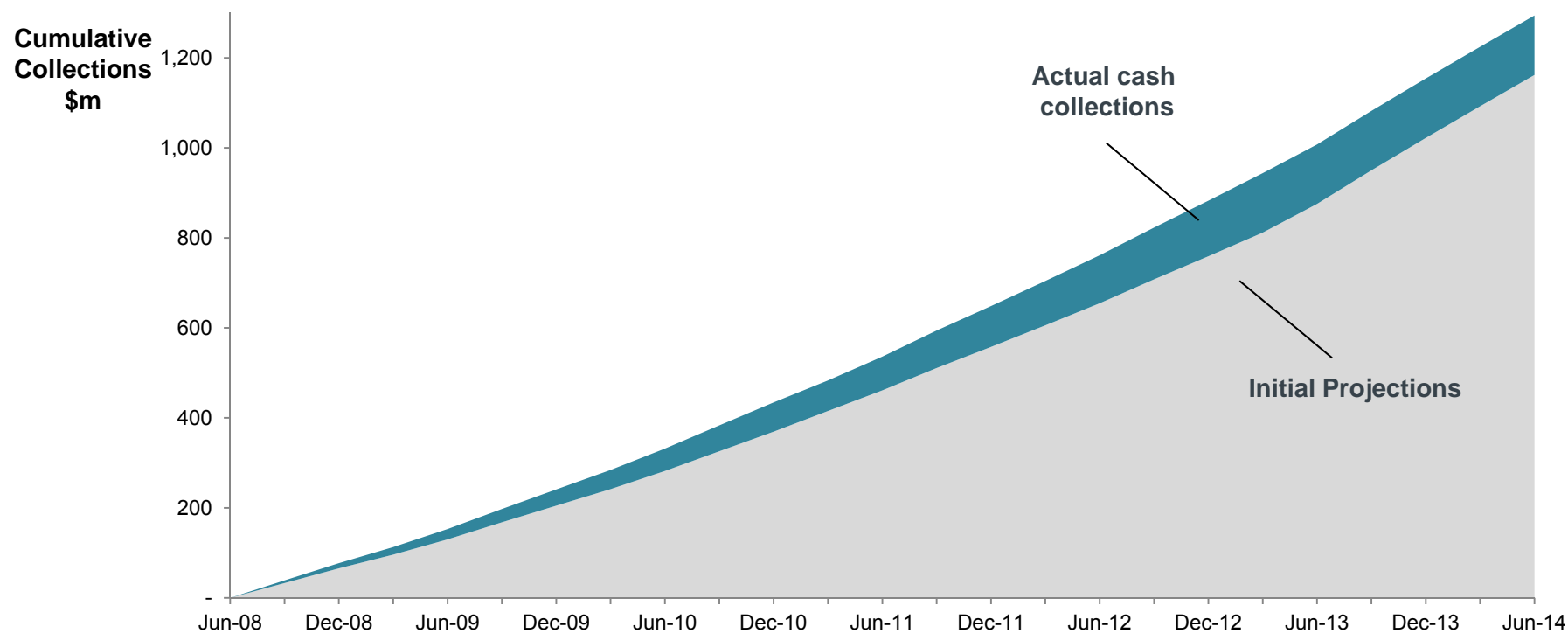


Operating cash flow fully invested for growth



\$ million	FY14	FY13	FY12
Operating cash flow	184.3	158.2	136.5
PDL acquisitions, lending and capex	(197.3)	(148.5)	(99.6)
Net operating (free) cash flow	(13.0)	9.7	36.9
PDL and consumer loan carrying value	203.7	161.1	132.7
Net bank debt	35.7	4.9	-
Net debt / carrying value (%)	17.5%	3.0%	-

Return disciplines remain in place...

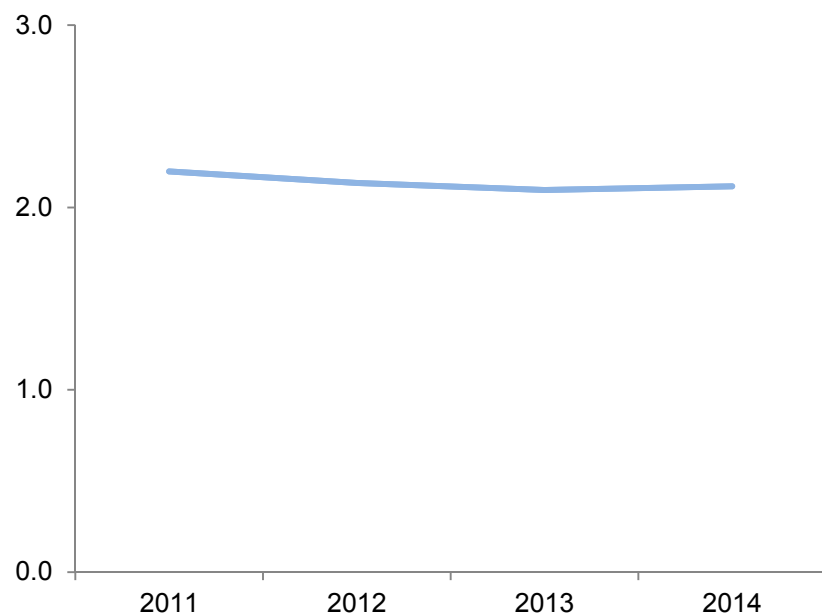


Note: For all PDLs held at June 2008, initial projections represent the forecast at June 2008

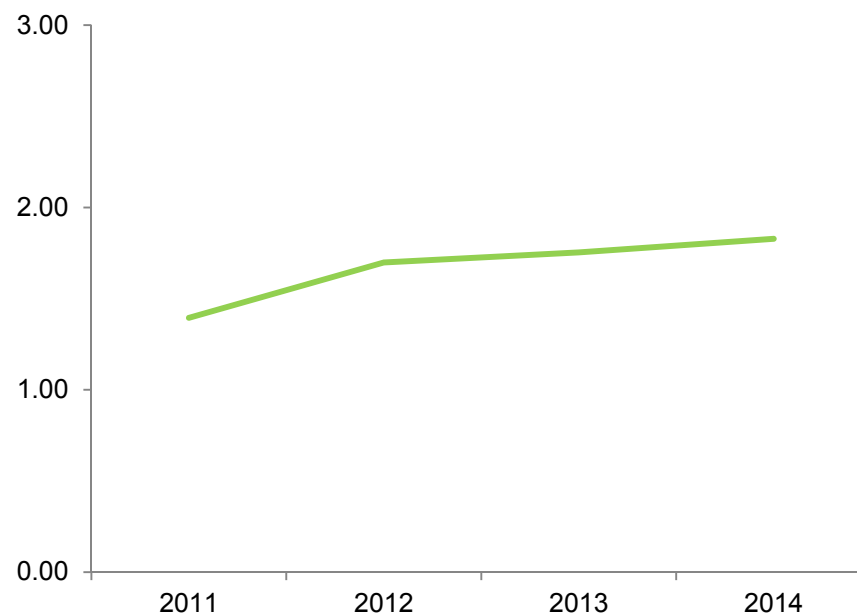
...at a time when PDL prices have increased...

- PDL collection multiples have compressed as prices have increased
- Returns have been maintained by faster PDL liquidation

Implicit multiple from PDL amortisation
(Collections / amortisation)

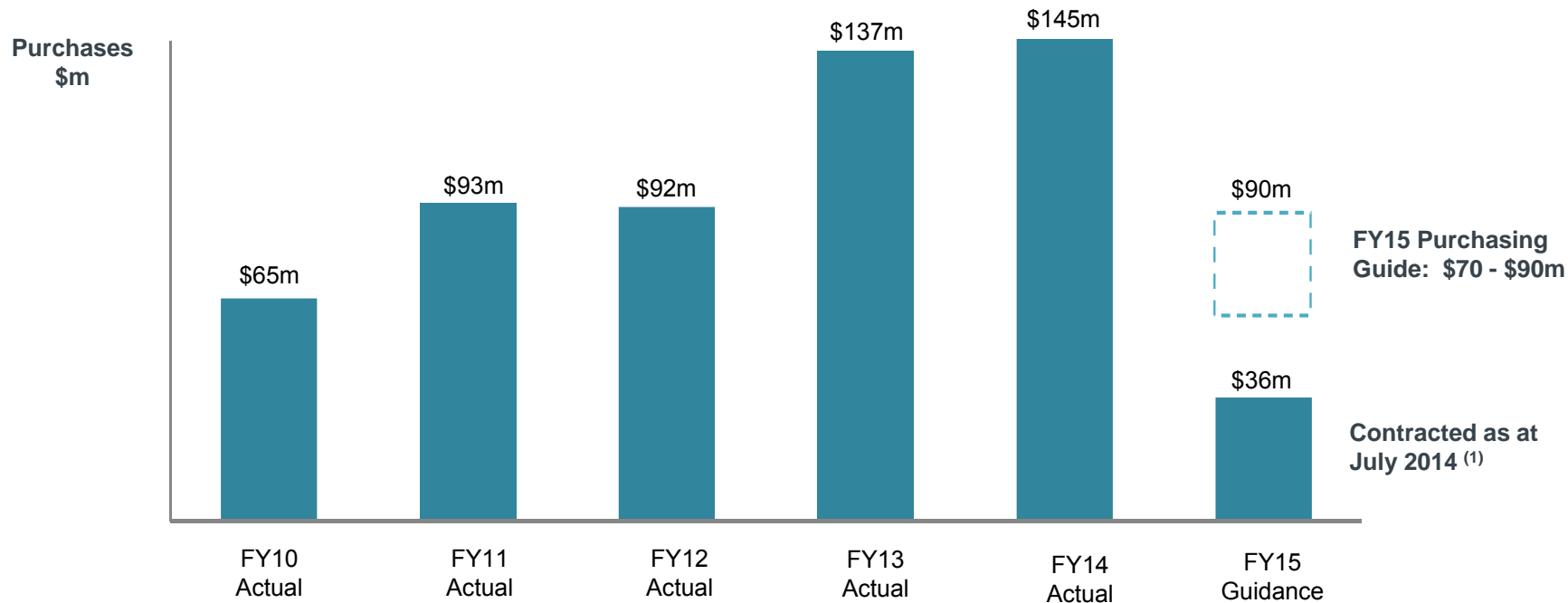


PDL turnover ratio
(Collections / average PDL carrying value)



...leading to reduced purchasing

- 2H purchasing \$28m lower than 1H
 - Reduced share of major forward flows
 - Unexpected one-off sales in the first half

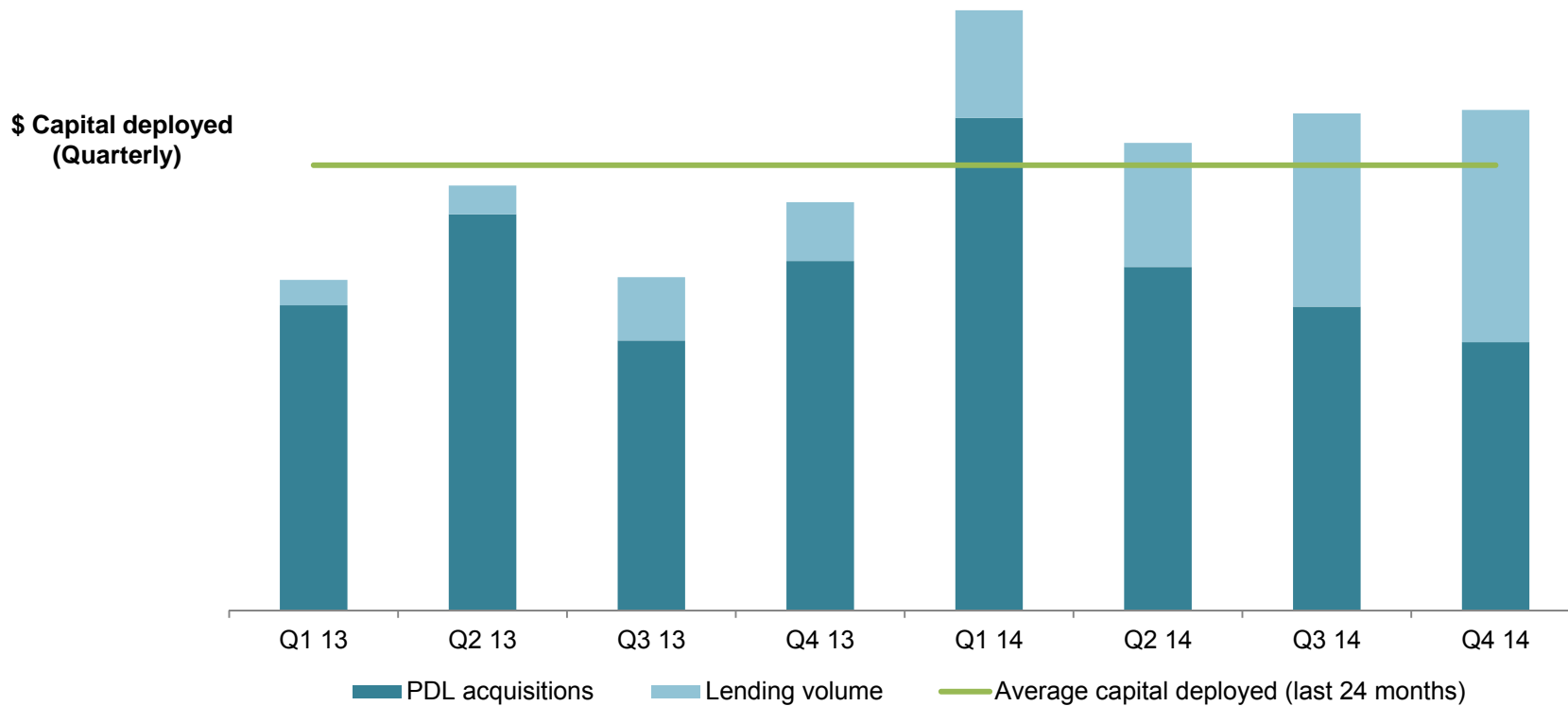


(1) Includes US purchases. Prior year \$47m

Lending volumes now more than offset reduced PDL acquisitions

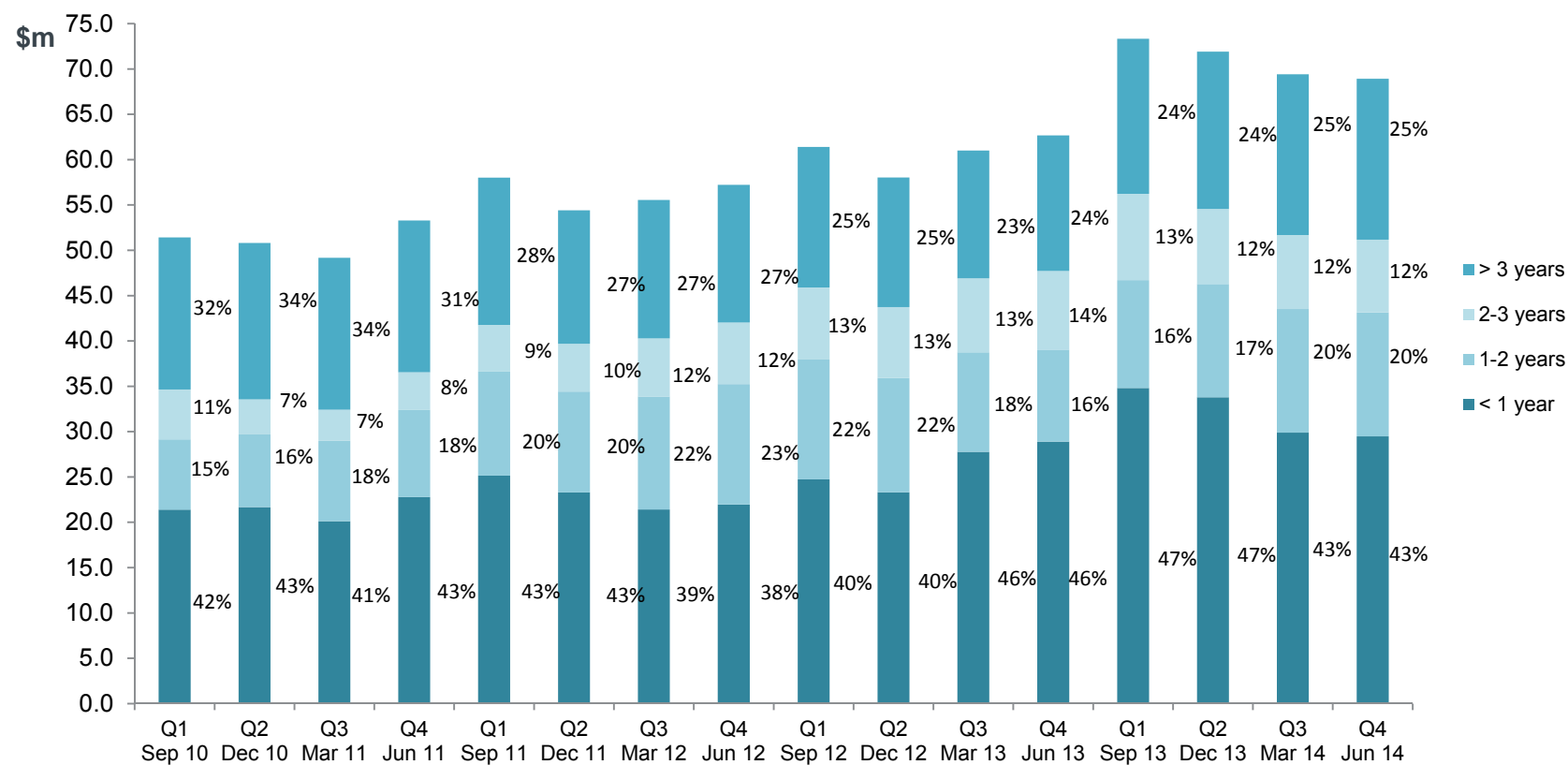


- Both lending and PDL acquisitions target the same rate of return



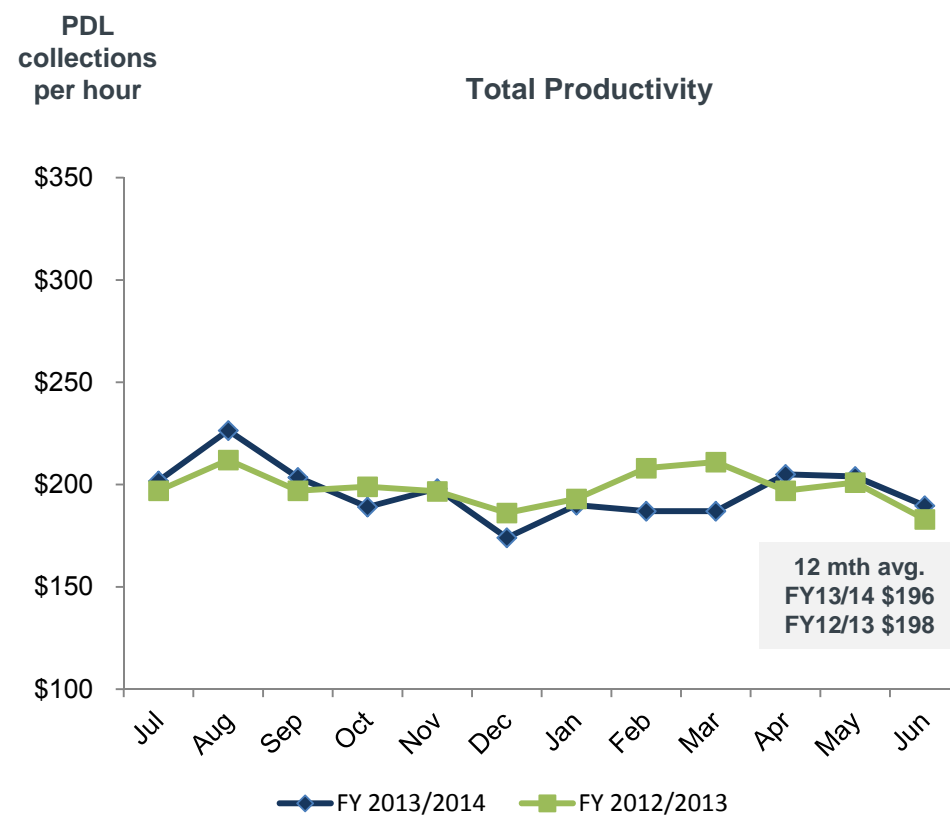
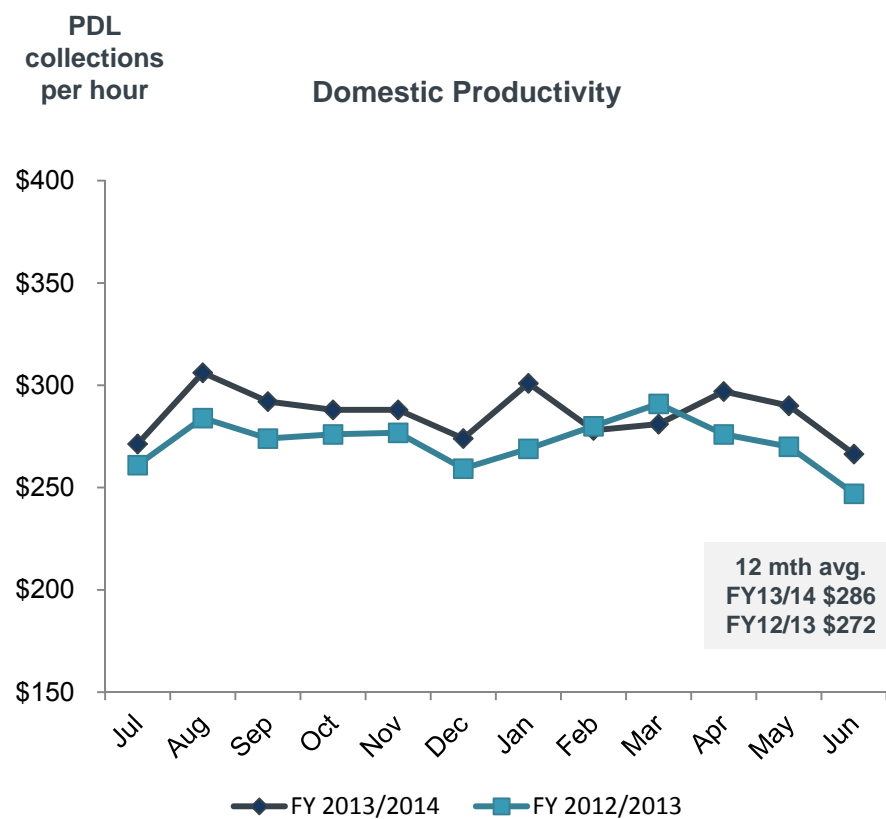
Operational metrics remain intact – collection life-cycle

PDL collections by date of purchase



Operational metrics remain intact - productivity

Debt purchase productivity (direct collection staff only)



Operational metrics remain intact – payers base



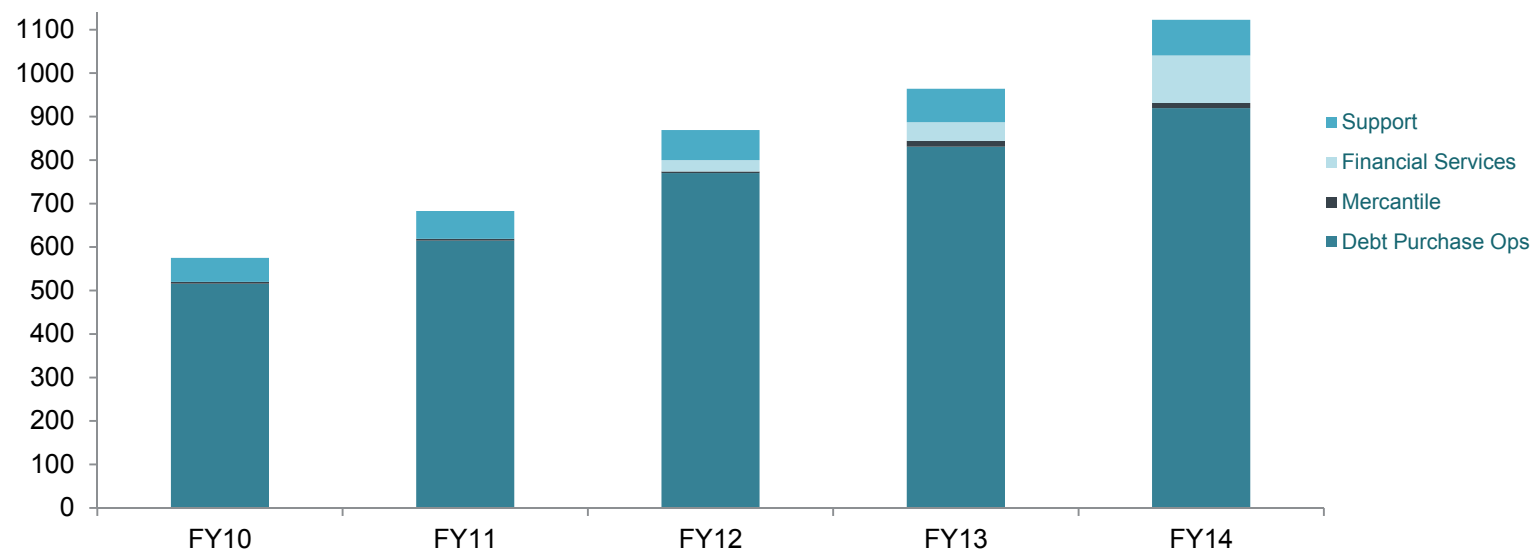
Total Portfolio	Jun 14	Dec 13	Jun 13	Dec 12	Jun 12
Face value	\$4.7bn	\$4.5bn	\$4.0bn	\$3.8bn	\$3.6bn
Number of accounts	744,000	759,000	711,000	650,000	598,000

Payment arrangements					
Face value	\$909m	\$791m	\$742m	\$666m	\$639m
Number of accounts	120,000	111,000	106,000	98,000	90,000
% of PDL collections	73%	71%	72%	72%	71%

Operational capacity increased in core business and lending



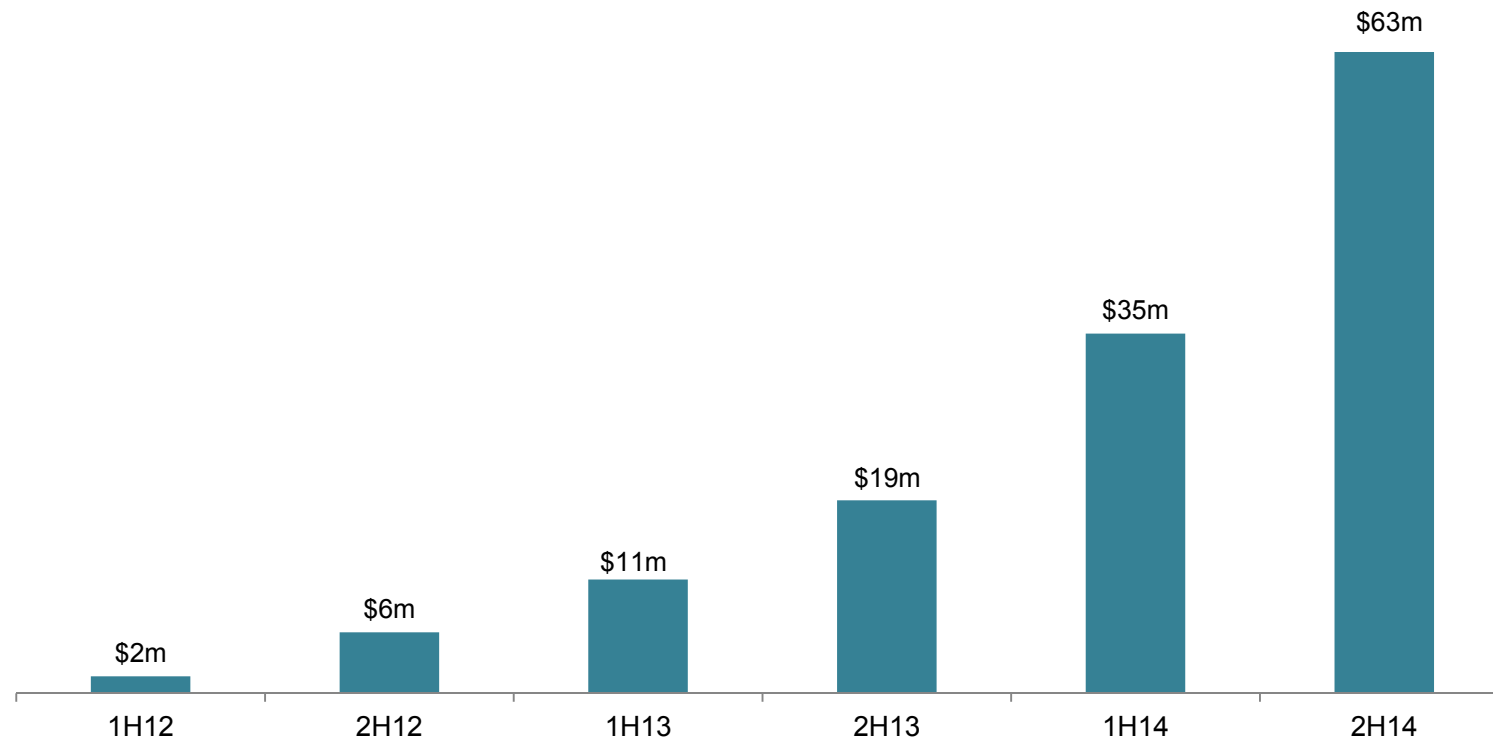
Headcount (FTE)



Function	FY10	FY11	FY12	FY13	FY14
Debt Purchase Ops	516	615	770	831	919
Mercantile	4	4	4	13	12
Financial Services	-	-	26	43	109
Support	55	64	69	77	82
Financial Services %	-	-	3%	4%	10%
Support %	10%	9%	8%	8%	7%




Continued strong growth in the consumer lending book

Gross loan book excluding provisions



Additional products are contributing to growth

Credit-impaired consumer lending products

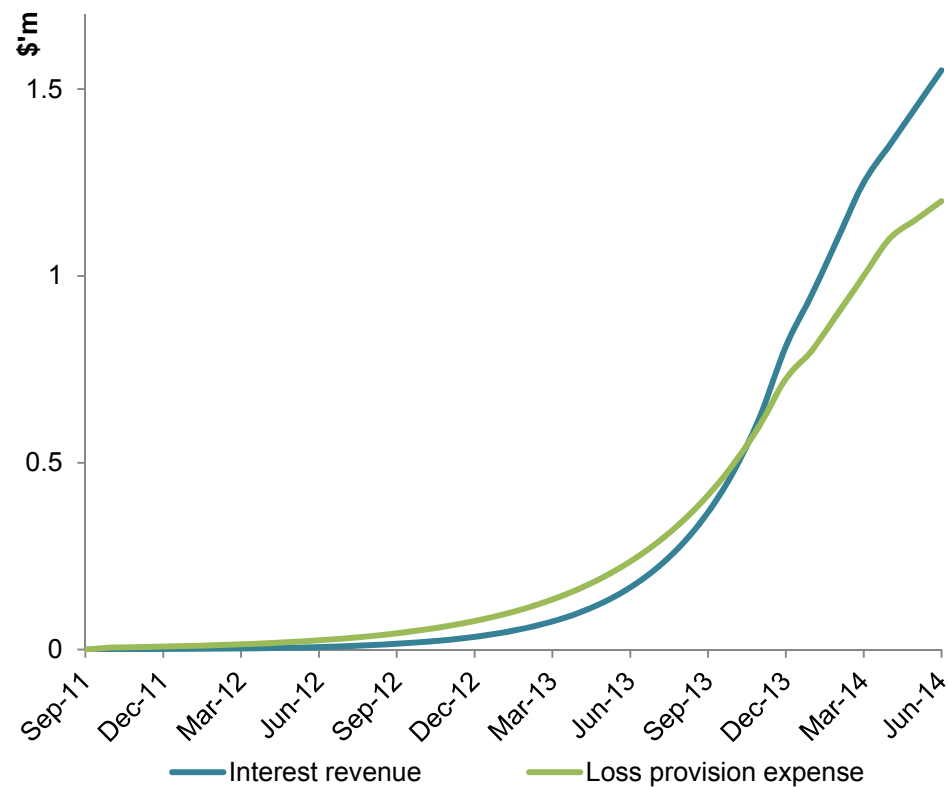
		% of loan book	Pro-forma economics
Secured			
	Term: 3 - 4 Years Principal: Up to \$20K (avg. \$16K)	13%	✓
Unsecured			
	Term: 1 - 3 Years Principal: Up to \$5K (avg. \$3K)	80%	✓
			
	Term: 1 - 12 months Principal: Up to \$2K (avg. \$1K)	7%	✓

Loan principal / term

Lending business on track for profitability in FY15

- FY14 H2 loss of (\$0.5m) vs H1 of (\$2.0m)
- MoneyStart interest revenue now exceeds the up-front provision on new loans written

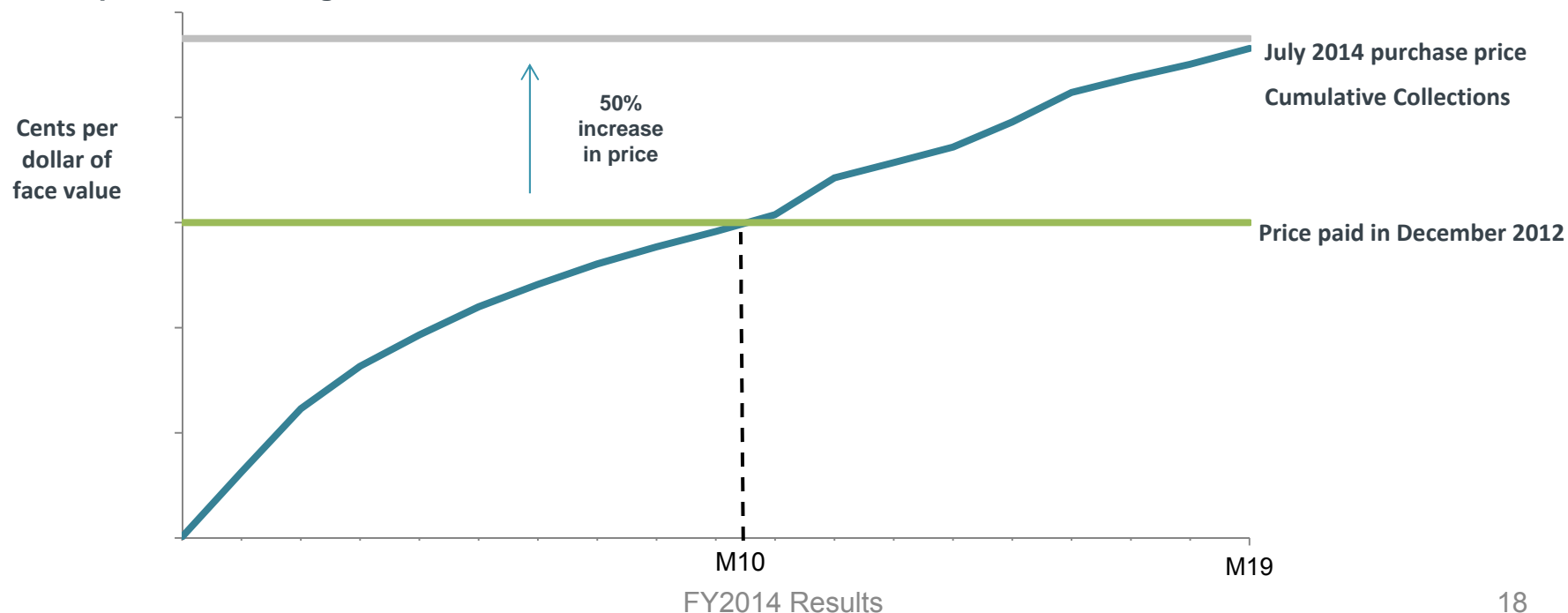
MoneyStart monthly revenue and up-front provisioning



US operational performance positive but pricing is unfavourable

- Operational performance has continued to improve
 - Pro-forma returns on purchases being achieved
 - Legal collections will deliver back-end returns
- Regulatory flux reduced supply and increased prices
 - Prices have now stabilised
 - Banks who withdrew from the market have not yet returned

Example of fresh charge-off



Objective

- Contain losses while positioning for upside when prices moderate

Actions

- Operation reduced to 100 staff in a single location
- Selective purchasing at compromised returns
- Admission to further issuer panels
- Purchasing diversified into other asset types
- Enhanced legal collections channel to maximise returns

FY15 initial guidance



	FY15 Initial Guidance
PDL acquisitions	\$70 - \$90m
Net lending	\$40 - \$50m
NPAT	\$36 - \$38m
EPS (basic)	78 - 83 cents
Dividend per share	39 - 42 cents



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Questions

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