

# ASX ANNOUNCEMENT

21 August 2014

## Collection House Limited posts record profit of \$18.7 million for 2014 financial year

Collection House Limited (Group) (ASX code: CLH) has posted a record net profit after tax (NPAT) of \$18.7 million for the 2014 financial year (FY14) – an increase of 20 percent on last year's result and the Group's seventh successive year of growth.

### Key financial highlights for FY14 include:

- NPAT of \$18.7 million – a record profit for the Group and an increase of 20 percent on 2013 financial year results (FY13).
- A fully franked dividend of 8 cents, an increase of 11 percent on FY13.
- Record investment in PDLs of \$82.2 million.
- Gearing ratio (net debt / net debt plus equity) has been reduced from 41 percent to 39 percent, which is the lowest it has been for seven years.
- Earnings before interest and tax (EBIT) margin has improved from 29 percent to 30 percent.
- Strong operating cash flow of \$65.9 million, up from \$62.2 million in FY13.
- Collection Services revenue increased 12 percent in FY14 compared to FY13.
- Purchased Debt Ledgers (PDLs) collections increased 10 percent in FY14 compared to FY13.

\$m	FY13	FY14	%	Change
Revenue	97.3	107.3	10	▲
Profit Before Tax	22.3	27.0	21	▲
Taxation	(6.7)	(8.3)	-	▲
Net Profit After Tax	15.6	18.7	20	▲
PDL Cash Collections	96.7	106.5	10	▲
EPS (c)	13.6	14.7	8	▲
DPS (c)	7.2	8.0	11	▲
EBIT Margin	29%	30%	-	▲
Return on Equity (Av)	13%	13%	-	-
Net Debt/Net Debt + Equity	41%	39%	-	▼
Net Debt/Equity	71%	64%	-	▼

### Collection House Limited

Level 7, 515 St Pauls Terrace  
Fortitude Valley QLD 4006 Australia

p. +61 7 3292 1000  
f. +61 7 3832 0222

PO Box 2247  
Fortitude Valley BC QLD 4006

### **Key operational highlights**

- A record \$82.2 million invested in PDLs during FY14, with \$53 million already committed under contract for FY15.
- Further developments in business intelligence, data analysis and new infrastructure allowed the Group to successfully expand its new technology platform C5, which has the business poised for continued growth and success in FY15.
- Introduced a Corporate Social Responsibility Policy in February 2014, using the ISO 26000 standard to integrate social responsibility into our organisation.
- Investment in human resources – the Group increased staff by 18 percent to service the needs of our customers and clients and to position the business for continued growth.

### **Record profit and seven successive years of continued growth**

Collection House Group Chair Mr David Liddy said he was very pleased with the record results over the past 12 months.

“I am delighted that we have maintained the momentum of recent years and once again posted double-digit growth across all key businesses,” Mr Liddy said.

“We have had seven successive years of growth, which demonstrates the Group's sustainable business model and highlights the strong prospects for continued success in the years ahead.

“And we have continued to de-risk the business and deliver against all key shareholder value measures,” he said.

### **Strong prospects for continued growth**

Mr Liddy said that the outlook for Collection House Group was positive and he expects the business to go “from strength to strength over the next 12 months”.

“The Group will continue to invest in quality PDLs and expand our collection services, while maintaining our best-in-class compliance record”, he said.

“The Group will always look to grow our business through selective partnerships and acquisitions in adjacent and complementary service areas, and we will continue our strong focus on capital management and balance sheet strength.

“More importantly, the Group's access to multiple revenue streams from a diverse service offering reduces our dependency on the performance of any single product or market segment and provides strength and resilience to our business,” Mr Liddy said.

### **Strategic investment focus the key to success**

The Group's Managing Director and Chief Executive Officer Mr Matthew Thomas said a strategic investment focus over the past 12 months has laid the foundations for the Group's success.

"The Group has promised year after year to deliver consistent earnings growth, and over the past four years we have achieved an average of 19 percent compound growth in earnings," Mr Thomas said.

"But this year required us to do more – not only to perpetuate that growth but to unlock opportunities for greater shareholder returns into the future. To do so, we committed to execute a "gear change" within the business and to enhance capabilities in terms of people, structure, systems and balance sheet strength.

"During the last financial year, the Group increased its human resources by 18 percent and we implemented a new operational structure and redefined key management positions.

"We replaced a number of systems including the core collection software platform utilised by Lion Finance, which required substantial data migration and the retraining of all relevant staff.

"Our investment in new technology platforms and data analysis allows us to respond quickly to the needs of our clients and changes in the market. In fact, our technology division is a key component of our competitive advantage and ongoing operational success," he said.

### **Delivery is hallmark of our success in 2014**

Mr Thomas said the Group was able to deliver using the improved balance sheet strength built throughout FY13 and the proceeds of a highly successful capital raising in September 2013 to capture more of the PDLs market.

"Over the year we increased PDL investments by 50 percent, while reducing gearing from 41 to 39 percent and seeing net debt increase only \$12 million despite the record \$82.2 million outlay on new debt ledgers," he said.

"Debt funding risk has been further mitigated over the year through lower gearing, syndication of banking facilities between Westpac and CBA, and long-term hedging of interest rates.

"Revenue growth driving the result is again diversified: Collection Services revenue increased 12 percent in FY14 compared to FY13, while PDL collections increased 10 percent. Overall, revenue growth has accelerated since FY13 and this is expected to

continue,” Mr Thomas said.

### **An industry leader in ethical collections**

Mr Thomas said Collection House Group enhanced its reputation as being an industry leader in ethical collections over the past 12 months.

“We remain driven by an unwavering commitment to conduct business that is ethical, lawful and respectful of its community and environment,” Mr Thomas said.

“This is expressed through our long-standing goal to “lead the way” in ethical practice and our ongoing emphasis on accountability within the Group as a core feature of our culture.

“The Group introduced a Corporate Social Responsibility (CSR) Policy in February 2014, using the ISO 26000 standard to integrate social responsibility into our organisation. A highlight of our CSR program was providing key support for the successful launch of the National Hardship Register (NHR), which has already produced great results.

“Like many of the investments in business growth that we have made during the last financial year, the NHR is another platform from which great things can be expected in the future,” he said.

### **FY15 Guidance**

The Group expects continued growth and has forecast a NPAT for the 2015 financial year (FY15) of between \$21 million and \$22 million.

### **For more information please contact**

Matthew Thomas  
Managing Director and Chief Executive Officer  
Ph: +61 7 3100 1245

### **Disclaimer**

This information should be considered along with the information disclosed in the Appendix 4E, Financial Reports and Results presentation. Please note that percentages have been rounded to the nearest unit for this Announcement.

## Collection House Group - Overview

### Collection House Limited

Debt collection and receivables management



### Reliance Legal Group

Legal services including insolvency administration



### Lion Finance

Debt purchasing and recovery



### CashFlow Financial Advantage

Licensed intermediary for the provision of credit



### Collective Learning & Development

Credit management and related training services



### Midstate CreditCollect Pty Ltd

Debt collection services, specialising in Local Government



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