ASX ANNOUNCEMENT

31 October 2014

Chairman's Address and Managing Director and CEO's Presentation to Annual General Meeting

Attached is a copy of the Chairman's Address and the Managing Director and CEO's Presentation to be presented at the 2014 Annual General Meeting of Collection House Limited being held today.

For more information please contact:

Matthew Thomas
Managing Director and CEO
Collection House Limited
Ph: 07 3100 1245

2014 Annual General Meeting Chairman's Address

31 October 2014

Fellow shareholders

Good morning, and welcome to Collection House's 2014 Annual General Meeting.

As Chairman of the Collection House Board, I am delighted to officiate this morning's meeting.

And the news is good. The 2014 financial year has been another successful one for the Collection House Group and for you, our shareholders. We have maintained the momentum of recent years and once again posted steady growth across all of our key businesses.

Last year was, in fact, our seventh successive year of growth. This demonstrates the Group's sustainable business model as well as the pragmatic stewardship of the core Executive Team. It also highlights the company's strong prospects for continued success in the years ahead.

In the past financial year, Collection House delivered a net profit after tax of $18.7 million, which I am proud to say, is a new record. It represents a 20 percent increase on last year's result.

Our share price has continued to perform, which has delivered good capital growth and strong dividend yields. On 17 October we paid our shareholders a final fully franked dividend of 4.1 cents per share. This brings the full year dividend to eight cents, an increase of 11 percent on last year.

We continue to de-risk the business and we have delivered against all key shareholder value measures, including:

- Improving earnings per share by 8 percent to 14.7 cents.
- Maintaining return on equity at 13 percent, notwithstanding capital raising completed during the year. Essentially, this means that even though we sought an additional injection of funds for the business, we have still managed to generate an efficient return. This is an important indicator of the health of our operations.

- Further improving Gearing Ratio, sometimes called the Leverage Ratio, it refers to the proportion of our business assets that are financed with borrowed funds. Again this year we've reduced it from 41 percent to 39 percent.

- We also increased the earnings before interest and tax margin, from 29 percent to 30 percent.

During the 2014 financial year, the Collection House Group also made investments in areas that will deliver solid growth over the long-term.

- There was record investment in purchased debt ledgers (PDLs), and the Group expanded into high potential market sectors such as government and statutory authorities.

- We have expanded our national and international operations and made a significant investment in our people.

- In remaining focused to deliver strong sustainable growth through the continued pursuit of innovation, improved technology, productivity and operational efficiencies, we have invested in new technology platforms and data analysis. This allows us to respond quickly to changes in the market and is a key component of our ongoing operational success.

- It is a simple reality that any company conducting business in this fast-paced digital age, needs to keep abreast of technological changes. Now and into the future we will continue to progressively invest in technology.

Another key milestone has been the release of our first ever Corporate Social Responsibility (CSR) Outcomes Report, in keeping with our commitment to *lead the way in ethical and sustainable business practice*, and to underpin an ongoing emphasis on accountability as a core feature of our company's culture.

I am proud to say that we are the first of our industry peers to produce a dedicated CSR report, and the fact that we have done so in the same year as posting a record profit demonstrates very clearly that we can be BOTH: a socially responsible business, and a profitable one.

Looking ahead to 2015, Collection House's growth path will continue. We will remain open to the possibilities of expansion into potentially new markets and new products, which should generate increased sales.

We will continue to invest in quality PDLs and expand collection services, while maintaining our best-in-class compliance record.

We will always look to grow our business and we will continue our strong focus on capital management and balance sheet strength.

Forward indicators point to a modest improvement in the Australian economy as well as consumer confidence, although we are currently in a period of low consumer confidence, which has resulted in low consumption levels.

There are also some other factors to consider such as high household debt. Australian house prices also continue to rise with mortgage debt accelerating at its fastest rate in three years. And unemployment has reportedly risen to its highest level in more than a decade.

Notwithstanding the macro economic environment, the Collection House Group is positioned well to face any challenges. We have access to multiple revenue streams from a diverse service offering, which reduces our dependency on the performance of any single product or market segment, and gives the business strength and resilience.

There is no doubt that the success of Collection House is underpinned by the quality, the dedication, and the resolve of our people, who work hard to achieve value and also results for both shareholders and clients.

Our success over the past 12 months has been the result of the commitment and dedication of our Executive Management Team, skillfully led by Managing Director and Chief Executive Officer Matthew Thomas, as well as all staff across Australia, New Zealand and the Philippines.

On behalf of the Board, I thank them all.

During the 2014 financial year, the Group welcomed two new directors to the Board – Phil Hennessy and Julie-Anne Schafer. Both Phil and Julie-Anne have brought tremendous breadth and depth of financial and commercial acumen to our business. They have moved seamlessly into their roles and, along with all members of the Board, have executed their duties with distinction.

On a final note, I speak on behalf of the Board when I say that we remain resolutely confident that the Collection House Group will continue to achieve sound growth and returns for shareholders throughout the 2015 financial year.

I look forward to your ongoing support and to working with the Collection House team so that the Company can continue to thrive as it moves forward, and we look forward to sharing this success with you.

David Liddy
Chairman

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

Matthew Thomas
Managing Director / Chief Executive Officer

Collection House Limited

2014 AGM Presentation

Collection House
Group

Key Highlights

- NPAT increased 20% (from FY13) to $18.7m, a record profit result for the Group and fifth consecutive year of double digit profit growth.
- Final dividend increased 14% (from FY13) to 4.1c, taking full year dividend to 8c.
- Revenue increased 10%, with double digit growth across both major segments.
- EBIT margin improved from 29% to 30% year on year, despite significant operational changes and investments in growth during the year.
- $82.2m invested in PDLs during FY14 (record PDL investment) while gearing reduced from 41% to 39%.
- In addition to financial outcomes above, substantial growth initiatives were completed throughout the business during the year.

Compound annual profit growth over past four years

19%

Financial Highlights

$m	FY10	FY11	FY12	FY13	FY14	%
Revenue	73.8	76.8	89.1	97.3	107.3	10
Profit Before Tax	11.8	14.6	17.7	22.3	27.0	21
Taxation	(2.9)	(4.5)	(5.1)	(6.7)	(8.3)	-
Net Profit After Tax	8.9	10.1	12.7	15.6	18.7	20
PDL Cash Collections	69.5	78.0	88.7	96.7	106.5	10
EPS (c)	9.2	10.4	12.1	13.6	14.7	8
DPS (c)	5.8	6.2	6.4	7.2	8.0	11
EBIT Margin	22%	26%	27%	29%	30%	-
Return on Equity (Av)	10%	11%	12%	13%	13%	-
Net Debt/Net Debt + Equity	42%	44%	45%	41%	39%	-
Net Debt/Equity	73%	80%	80%	71%	64%	-

Achieving Quality Earnings and Predictable Future Revenues

- The long standing customer engagement model for Lion Finance is working collaboratively with customers to understand their financial position and capacity, and often the outcome of discussions is agreement to enter a repayment arrangement.
- Subsequently, the Repayment Arrangements and Litigated Account Portfolio continues to grow – it had a face value of $353m as at 30 June 2014.
- Expected future recoveries from these accounts is $244m (based on historic yields), providing a stable annuity-like revenue flow.

Total Portfolio	FY10	FY11	FY12	FY13	FY14
Face Value	1.2bn	1.3bn	1.4bn	1.4bn	1.5bn
Number of Accounts	233,000	239,000	214,000	253,000	263,000
Arrangements/Litigated Portfolio	FY10	FY11	FY12	FY13	FY14
Face Value	196m	221m	274m	300m	353m
Number of Accounts	34,000	35,000	41,000	45,000	51,000

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PDL Market

- Over $60m of PDL investment already committed for FY15 at acceptable price levels.
- Since our last update, we have experienced higher pricing being offered by competitors on some debt purchase contracts. We have walked away from some purchase contracts to avoid risking shareholders' capital by offering purchase prices which do not support profitable returns in the long term.
- With reference to our commentary in the FY14 Results Presentation, a period of higher pricing was anticipated. We have encountered this several times in our 15 year history of debt purchasing.
- We are well prepared for higher PDL competition due to:
  - Record high PDL investments in FY14 of $82.2m.
  - The improved cash yield from our existing $1.5 billion portfolio.
  - The increased proportion of recoveries from older assets – ie more than half in FY14 from debts purchased more than two years ago.
  - Fast action to secure FY15 PDL investments – with 75% of the FY14 record level of PDL investment total already contracted. As previously stated, there is no intention to acquire more PDLs than FY14 levels.
  - Our diversified model – strong revenue growth outside the PDL segment and new product/market opportunities being pursued.

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FY14 Investments > FY15 growth

- **Benefiting from new client engagement model and business development structure:**
  - Collection Services showed fastest top-line growth in FY14 with a number of sizable business development opportunities in the pipeline.
  - Focus on increasing government sector work continues - across the group we now act nationally for 53 Local Government clients and 16 State Government Departments or Authorities.
  - Strong prospects also being pursued in the early receivables outsourcing area.
- **Benefiting from systems investments – “C5” example:**
  - Substantial decrease in time spent training and skilling new inductees - Customer Service Officers (CSOs) can now focus less on learning how to operate the system, and more on having more effective conversations with customers, leading to higher productivity over time.
  - Leading edge data capture processes enable data to be used for both relocation of customers and analytics.
  - Improved document management, client communications and data exchange.
  - Integrated self-service “customer portal” – over 2000 customer visits in June 2014, and almost 23,000 page views, and investment in this innovative platform is set to continue.
- **Benefiting from people investments:**
  - Grew total staff numbers (FTE) by 18% to 820 as at 30 June 2014, and 876 at 30 September 2014.
  - Collection staff increased 21% to 625, while at the same time staff with more than 12 months experience increased to 55% from 53%. As at 30 September 2014, 679 FTE worked in collection roles.

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Growth Strategy

- **FY15 growth will be driven by:**
  - Increasing sales through new and existing products and clients.
  - Expanded collection capacity to increase liquidation rates from PDL assets.
  - Continued expansion into high potential market sectors, eg Government.
  - Scaling up of capacity:
    - Further expansion and maturity of Collection House International (BPO) Inc – our Manila call centre has been expanded by 40% to 110 seats, as a transitional step towards a larger facility.
    - Brisbane call centre expanded by 50% in late FY14, half of this space was filled by end FY14 and remainder is gradually being occupied.
- **Longer term growth will be driven by:**
  - Further organic growth of specialist subsidiaries: Midstate CreditCollect and Reliance Legal Group.
  - Product development of new debt solutions for both clients and customers.
  - Ongoing investment in innovation, technology and analytics – with quicker realisation of benefits.
  - Pioneering new debt purchase markets and models.
  - Exploring acquisition or partnership opportunities in adjacent service areas.

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Outlook

- First quarter results for FY15 are in line with expectations.
- Full year expectations are unchanged from prior guidance - NPAT for FY15 expected within range of $21 - $22m.
- We look forward to updating shareholders again in early 2015 when we release our first half results for FY2015.

Collection House Limited

www.collectionhouse.com.au

Level 7, 515 St Paul's Terrace,
Fortitude Valley QLD 4006

PO Box 2247
Fortitude Valley BC Qld 4006

Adelaide | Auckland
Brisbane | Manila | Melbourne
Newcastle | Sydney