ASX ANNOUNCEMENT

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Investor Presentation

Attached is an Investor Presentation to be delivered by Matthew Thomas, Managing Director and CEO to the 2014 UBS Emerging Companies Conference being held in Sydney later today.

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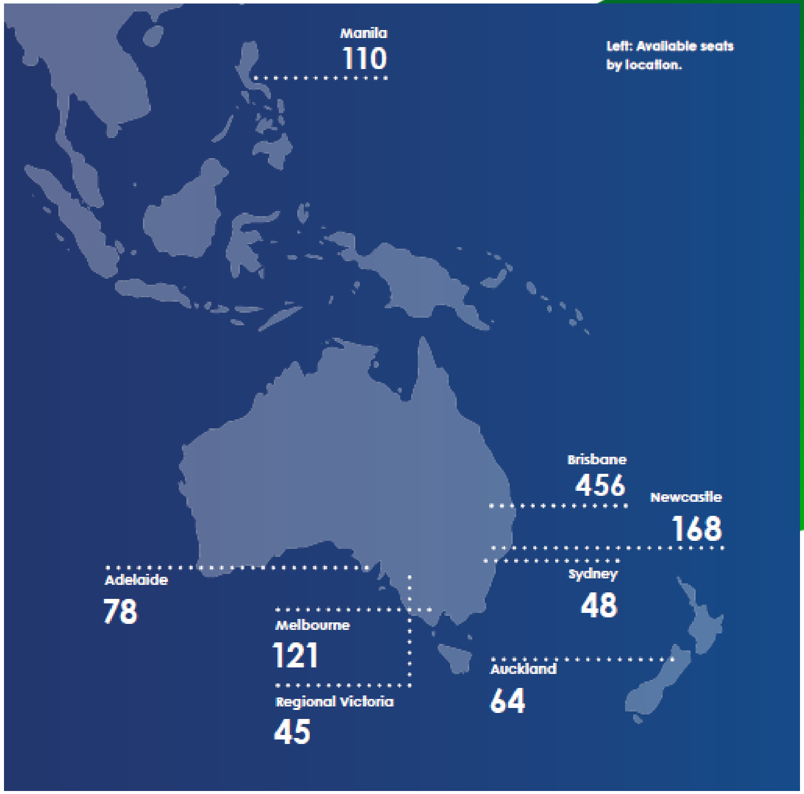
Collection House Limited

2014 UBS Emerging Companies Conference

Collection House limited is a leading Australasian receivables management provider, utilising effective, ethical and innovative techniques and advanced proprietary technology

- Commenced business in 1992
- Listed on ASX in 2000
- 950 staff in Australia, NZ and Philippines
- Experienced executive team – average tenure exceeds 10 years
- Key differentiators:
  - Ethical working culture underpinning market leading compliance standards, brand protection and customer outcomes
  - Long standing strategy of diversification at various levels: products, clients, office locations, staff diversity



Product and client mix

Receivables Management

We offer a receivables management service for our clients to assist their customers maintain their credit facility.

Collection Services

We provide debt collection services on referred default accounts, receiving a commission fee for each successful collection undertaken.

Credit Management Training

We deliver development and training services for people working in the collection industry.

customers and clients

Credit Consulting and Assessment

We assist small and medium enterprises improve their credit management efficiencies, accounts receivable operations and cash flow.

Legal and Insolvency Services

We provide specialised legal advice in debt recovery and insolvency matters.

Purchased Debt

We purchase delinquent credit facilities from providers and assume the obligations and benefits of the debt. We then collect on the account to generate a result superior to our debt collection cost.

- **Banking and Finance** – banking and finance products, credit and charge cards, and loans
- **Corporate** – telecommunications, essential services and international debts
- **Government** – federal, state and local government authorities
- **Insurance** – motor vehicle, general insurance, rental default and malicious damage, overpayment of wages, public liability and marine
- **Utilities** – electricity and water supply services.

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FY14 Results Highlights

- **NPAT increased 20% (from FY13) to $18.7m, a record profit result for the Group.**
- **Final dividend increased 14% (from FY13) to 4.1c, taking full year dividend to 8c.**
- Average ROE stable at 13% - notwithstanding capital raising completed during the year.
- **Collection Services revenue increased 12% in FY14 compared to FY13.**
- **PDL collections increased 10% to $106.5 million in FY14 compared to FY13.**
- 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), with over $70m already committed under contract for FY15 .**
- Market share of core PDL forward flow contracts increased during the year.
- Earnings per share growth increased by 7% to 14.7c in FY14.

Collection Services revenue increased

12%

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FY14 Results Highlights (continued)

- **Consistent with the plans explained at the 2013 AGM, capabilities have been enhanced in terms of people, structure, systems and balance sheet strength required to execute the 'gear shift' driving our growth strategy.**
- Interim expansion of Manila operations complete – now 110 operational seats of capacity.
- Syndicated banking facilities established and announced 29 January 2014.
- Gearing levels reduced from 42% to 39% (end FY13 to FY14, Net Debt/Net Debt plus Equity).
- **Gearing reduced to a seven year low, notwithstanding PDL investment levels at record high .**
- **Low complaint rates continuing – in FY14 -**
  - Customer accounts escalated to IDR (Internal Dispute Resolution)

    – 0.14% of active accounts
  - Customer accounts escalated to EDR (External Dispute Resolution)

    - 0.11% of active accounts

FY14 gearing Levels reduced to

39.3%

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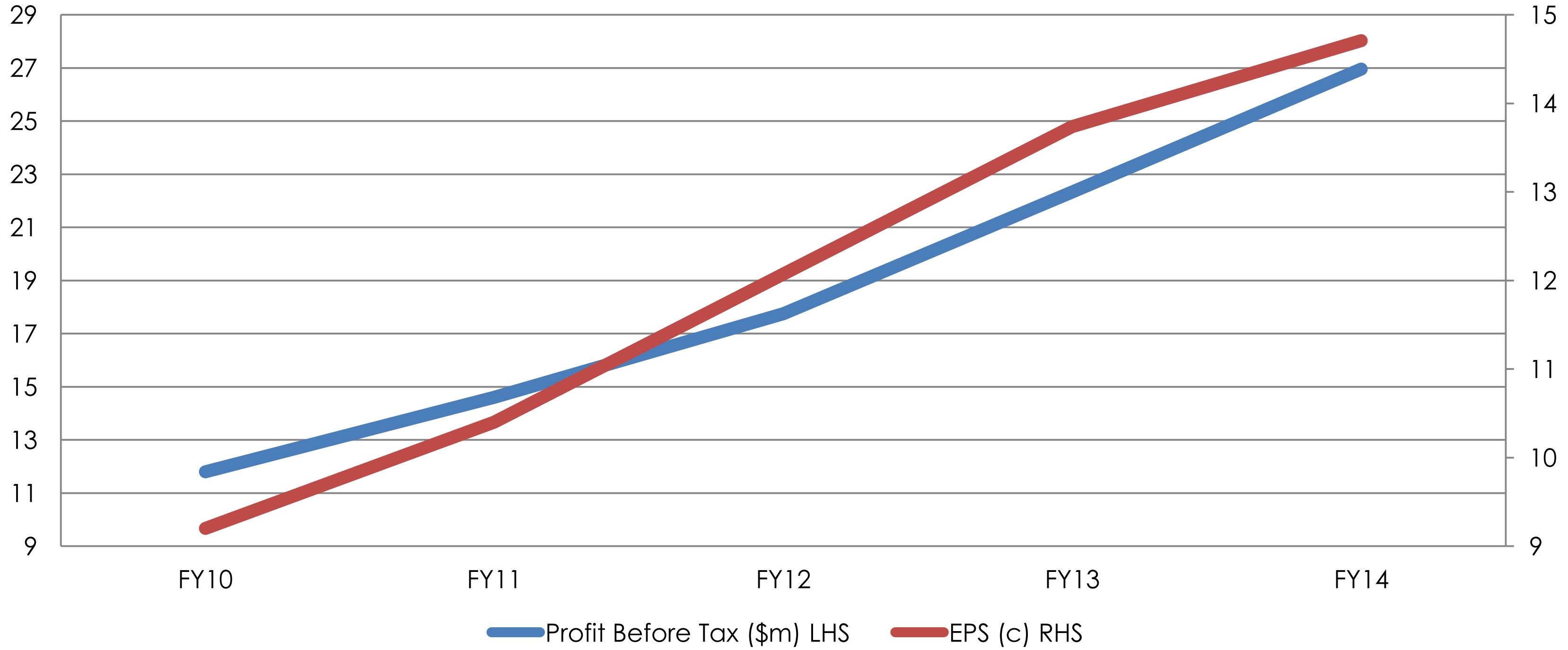
Longer term performance

19% Compound Growth in Earnings over past 4 years



Why not invest in CLH ?

"It's an unethical sector"

The sector does have an image problem, in part because the "debt collection" term spans a wide variety of operations, varying from large, professional firms like Collection House through to individuals and those operating beyond the law.

Unfortunately, a disproportionate amount of media coverage covers the tiny minority in the latter group, reinforcing the "Hollywood" persona of debt collectors as menacing or even unlawful operators.

By analogy, money lenders in Australia range from the top four banks to "loan sharks" – but unlike our sector, all operators are not collectively described as "banks" hence there is less impact from a minority tarnishing the reputation of the whole sector.

The reality is the sector is mainly serviced by professional and ethical operators, who are highly regulated and scrutinised by brand conscious clients.

Collection House strives to stand out as the leader in ethical and compliant collections, and now publishes a **Corporate Social Responsibility Outcomes Report** to evidence the substance of these efforts.

Why not invest in CLH ?

"They did OK in the last economic cycle but what happens if ....."

The impact of headline economic indicators on our business is over estimated.

In reality, economic growth and contraction both have positive and negative impacts on the market (in terms of pricing, debt recoverability, supply etc) – but leveraging the positives in each cycle is key to success.

For example, post GFC, debt supply was high and pricing fell sharply (but levels of new consumer debt reduced). During subsequent years of recovery, debt recoverability improved, but pricing also increased.

Larger debt buyers are better insulated from negatives of cycle changes as they have larger existing inventories to work with (and higher revenues sourcing from long term repayment agreements with customers).

Unemployment and interest rates do have relevance to our business, but it is often overlooked that the consumer base we deal with are less likely to be employed or active users of credit than the general population.

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Why not invest in CLH ?

"There are few barriers to entry and high competition risks"

This is just not the case regarding barriers to entry. While there are fewer barriers in servicing only (contingent collection services), being a competitive debt buyer requires:

- Establishing vendor relationships and building reputation for servicing (brand protection, compliance, easy of dealings) which takes time
- Having a significant and usable database – to drive both pricing analysis and collection strategies, account scoring models – and analytical tools and capabilities to use the data - Historically CLH has acquired 1.1 million customer accounts with a face value exceeding $5.2 billion.
- Critical mass in portfolio and arrangement pool to have flexibility with timing of PDL investments
- Establishing smart systems to mitigate purchasing risk (for example, ensuring debt ledgers purchased are consistent with due diligence)
- Access to capital

We note that no new significant debt buyers have entered the market in recent years despite the larger players reporting consistent profit growth

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Why not invest in CLH ?

"If debt buyers consistently make good profits, why would banks/originators not collect their own debts "

- Banks do collect the vast majority of their receivables (being current or near current), with less than 2% of total credit exposures being outsourced to debt collectors or buyers
- As debt gets older, and particularly past 180 days overdue where it is fully provisioned, it becomes less suited to the core capability of banks to recover – and customer retention becomes less of an issue
- Conversely, working with consumers having overdue debt is the **core business** of debt buyers/collectors, who have systems and processes customised for that purpose
- With the benefit of that specialised infrastructure, and expertise and scale, debt buyers can recover more (often over the long term) at a lower cost, to the point that the Present Value of future recoveries can represent an attractive option to the banks (or other creditor) to accelerate loss recovery as well as reduce the operating costs of their internal collection functions

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Why not invest in CLH ?

"Compared to major competitors, CLH has less Free Cash Flow"

- Debt purchasing is a capital intensive business, and we've chosen in recent years (FY13 being one exception) to invest our growing operating cash flow into growing market share to drive long term growth.
- Some other debt buyers have not done this to the same extent (either due to choice or lack of available debt volume for sale)
- Through strong reinvestment of cash flow, CLH's NPAT growth has been notably higher in recent years than peers
- Where we see opportunities to reinvest cash profits in business growth and increase shareholder wealth in the long term, we will continue to do so

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Why not invest in CLH ?

"Accounting for PDLs is too complex to understand"

- PDL's are classified as financial assets that are measured as "Fair Value at Amortised Cost".

- Newly acquired PDL's are recognised at cost and thereafter measured at amortised cost using the Effective Interest Method (EIR). The Effective Interest Rate is the rate that discounts the future cash flows to the net carrying value of the PDL. Hence an internal rate of return (IRR) calculation.

- PDL assets are expensed in line with cash collections at a rate (the Amortisation Rate) such that the asset is fully written off over it's useful life – the Amortisation Rate for CLH has been in a narrow range of 43-45% over past several years. Refer example on next slide.

- The value of PDL's are reviewed on a monthly basis in line with our management reports, and in particular checked against the Present Value of forecast future cash recoveries from the portfolio.

- Net gains and losses on the PDL assets are recognised in the income statement.

- This accounting policy is in line with our major Peers.

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Why not invest in CLH ?

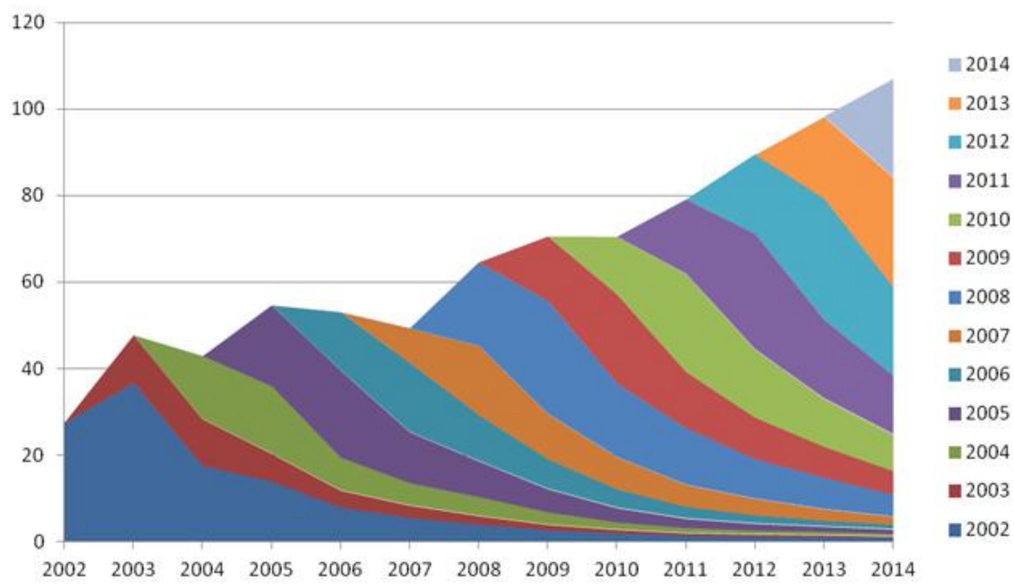
Simple example of expensing of a PDL asset over 6 years

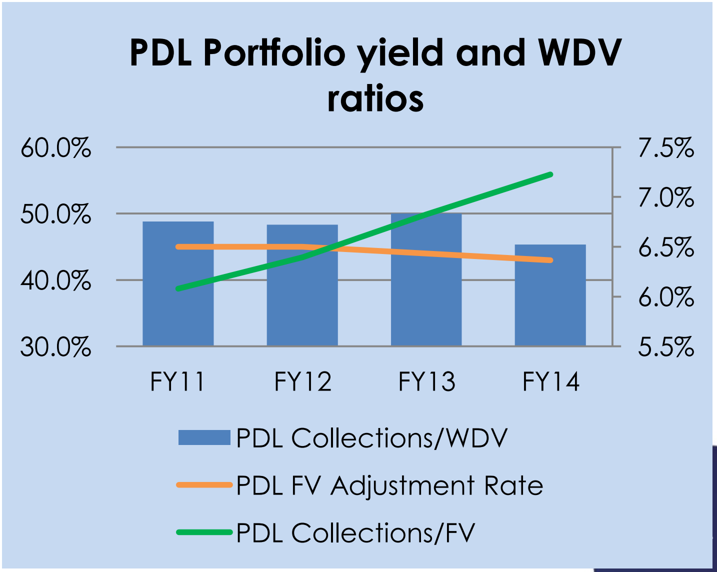
		Year							
		0	1	2	3	4	5	6	Cumulative
Assumptions									
Collection profile			40%	25%	15%	9%	6%	5%	100%
Collection multiple	2.20x								
Ledger purchase $		$ 1,000							
PDL Collections			880	550	330	198	132	110	2,200
Amortisation rate%	45%		400	250	150	90	60	50	1,000
Revenue			480	300	180	108	72	60	1,200
Net Cashflows		**(1,000)**	**880**	**550**	**330**	**198**	**132**	**110**	**1,200**
Balance Sheet		**0**	**1**	**2**	**3**	**4**	**5**	**6**	**Cumulative**
Opening PDL Asset Value			1,000	600	350	200	110	50	1,000
Amortisation			(400)	(250)	(150)	(90)	(60)	(50)	(1,000)
PDL Asset Value			**600**	**350**	**200**	**110**	**50**	**0**	**0**

Why not invest in CLH ?

"The book value of PDLs is too high (or) Profits depend on lower amortisation"

- We publish key data which demonstrates this is not the case, such as page 9 and 10 of FY14 Results Presentation (charts copied below)
- Increasing long term payment recovery is driving sustained recoveries, increasing recovery on older PDL assets (see chart below on left, year of collection vs year of purchase) and increasing over collection yield (collections/Face Value-FV).
- Over past four years, the ratio of PDL cash collections to Written Down Value (of PDL assets) has been in a narrow range of 45-50%, comparable with most peers – a substantially higher ratio could indicate an undervalued PDL asset.
- Meanwhile amortisation (FV Adjustment Rate) has remained in a tight (43-45%) range over the same term





Why not invest in CLH ?

"CLH has too much debt !"

- CLH had it's lowest gearing levels in 7 years as at June 30 2014
- Board mandated gearing target of 40% (Net Debt/Net Debt+Equity) has been achieved and remains in place
- Management and Board believe prudent use of debt at current low funding cost is appropriate leverage of the balance sheet, so as to grow in a capital intensive business
- Debt funding risk mitigated by syndication of facilities between Westpac and CBA in early 2014
- Further mitigated by high level of interest rate hedging in place with cash rates around 3% expiring 2016/17.
- We appreciate some opponents of debt funding favour more expensive equity funding
- Others favour less PDL investment and subsequent slower earnings growth
- We believe there is no single right answer but we have an appropriate balance of debt and equity funding, with alternative options also being explored currently.

PDL Arrangement Bank

- 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
Arrangement Bank	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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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.

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Lion Finance

Reliance Legal Group

CashFlow Financial Advantage

Collective Learning and Development

www.collectionhouse.com.au

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