



Matthew Thomas

Managing Director / Chief Executive Officer

Collection House Limited

2015 Results Presentation



Results Highlights

Compared to FY14:

- NPAT **increased** 20% to \$22.5m, a record profit result for the Group
- Final dividend **increased** 15% to 4.7c, taking full year dividend to 9.1c (+14%)
- Average ROE **increased** from 13.4% to 13.8%
- Collection Services revenue **increased** 10%
- PDL collections **increased** 20% to \$128 million
- Earnings per share growth **increased** by 17% to 17.2c

In FY15:

- EBIT margin maintained at 30% year on year
- \$72m invested in PDLs, with \$41m already committed under contract for FY16

PDL collections
increased

20%



This Results Presentation should be read in conjunction with the Appendix 4E, Financial Report and ASX Announcement. Please note that percentages have been rounded to the nearest unit for this Results Presentation.

Results Highlights (continued)

OUTLOOK PROVIDED IN AUGUST 2014	OUTCOME AT END OF FY15
Board and Management resolved to deliver consistent earnings growth year on year, while maintaining gearing levels over time to deliver superior risk adjusted returns	NPAT up 20% in FY15, and up 123% since FY11 Gearing maintained (39.6% in FY15, 38.9% in FY14)
PDL investment in FY15 not expected to exceed FY14 levels	PDL investment \$72.3m, at 88% of FY14 level
EBIT margins expected to remain steady over FY15, with improving trend in second half	EBIT margin 30.0%, compared to 30.2% in FY14
Steady growth in Collection Services (which forms 39% of group revenue) expected to continue, re-enforcing our diversified sources of overall earnings growth	Collection Services revenue up 10% in FY15, following 12% increase in FY14

Key Financial Highlights

\$m	FY11	FY12	FY13	FY14	FY15	%
Revenue	76.8	89.1	97.3	107.3	126.0	17%
Profit Before Tax	14.6	17.7	22.3	27.0	31.9	18%
Taxation	(4.5)	(5.1)	(6.7)	(8.3)	(9.4)	
Net Profit After Tax	10.1	12.7	15.6	18.7	22.5	20%
PDL Cash Collections	78.0	88.7	96.7	106.5	127.6	20%
Commission and Other Revenue	31.8	37.8	39.4	44.2	48.5	10%
EBIT Margin	26.3%	26.8%	29.3%	30.2%	30.0%	
EPS (cents)	10.4	12.1	13.7	14.7	17.2	17%
DPS (cents)	6.2	6.4	7.2	8.0	9.1	14%

Key Financial Highlights (continued)

\$m	FY11	FY12	FY13	FY14	FY15
Operating cash flow	53.6	57.3	62.2	65.9	77.7
PDL acquisitions and capex	51.3	62.6	52.9	85.6	75.3
PDL Acquisitions	49.1	61.0	52.3	82.2	72.3
PDL carrying value	162	185	196	234	256
Net Borrowings	76	88	87	99	112
Net Borrowings/PDL carrying value %	47.1%	47.3%	44.3%	42.4%	43.7%
Net Debt/Net Debt + Equity Ratio	44.3%	44.5%	41.4%	38.9%	39.6%
EBITDA	56.2	63.3	69.2	77.5	90.3
EBIT	20.2	23.9	28.5	32.4	37.8

Purchased Debt Ledgers (PDL) Segment

Arrangement Bank

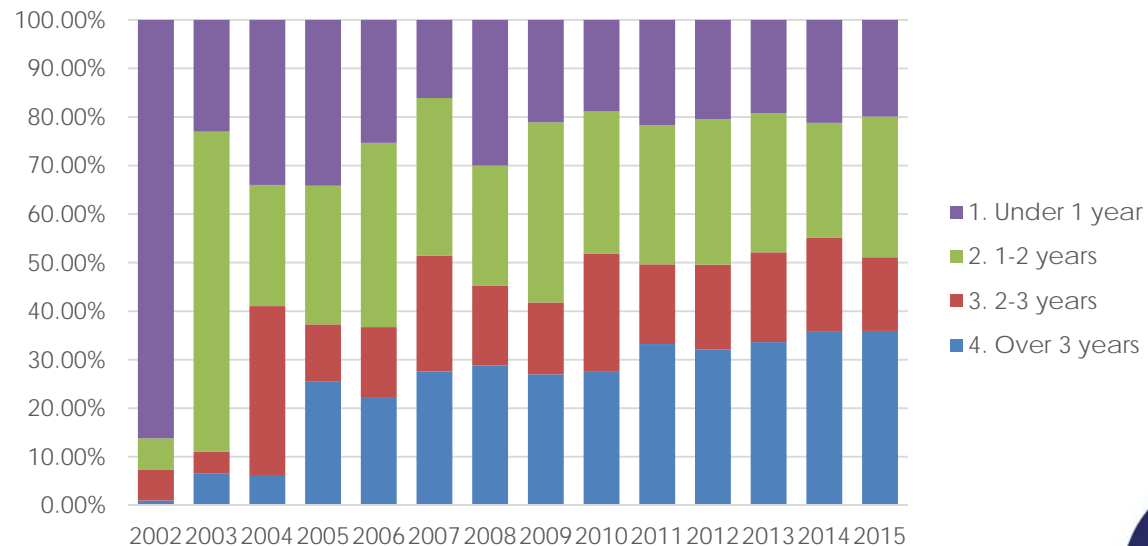
- Taking a highly collaborative approach to customer engagement is not new for Lion Finance, and for many years we have worked patiently and closely with customers to understand their financial position and capacity
- Very often the outcome of those discussions is an agreement to enter a repayment arrangement
- Our Repayment Arrangements and Litigated Account Portfolio continues to grow – it had a face value of \$389m as at 30 June 2015, from which we expect to recover \$262m
- The value of arrangements increased by a net 10% over the year, and the overall credit quality of the arrangement portfolio has improved due to systems enhancements and a disciplined approach to reclassifying non-performing arrangements

Total Portfolio	FY11	FY12	FY13	FY14	FY15
Face Value	1.3bn	1.4bn	1.4bn	1.5bn	1.5bn
Number of Accounts	239,000	214,000	253,000	263,000	304,000
Arrangement Book	FY11	FY12	FY13	FY14	FY15
Face Value	221m	274m	300m	353m	389m
Number of Accounts	35,000	41,000	45,000	51,000	55,000

Purchased Debt Ledgers (PDL) Segment

Portfolio liquidation trends

- Cash recoveries from the Lion Finance PDL portfolio rose to 8.3% (of closing face value)
- 36% of PDL recoveries in FY15 were from PDLs purchased more than three years ago, while recoveries from PDLs of more than two years age was over 50%
- We expect this trend to continue as we continue to grow the size and quality of our arrangement portfolio
- As outlined last year and proven by the FY15 result, a profile of recoveries derived from older PDL acquisitions provides earnings momentum. In the past year we saw recoveries increase 20% even though PDL investment reduced 12% to \$72 million

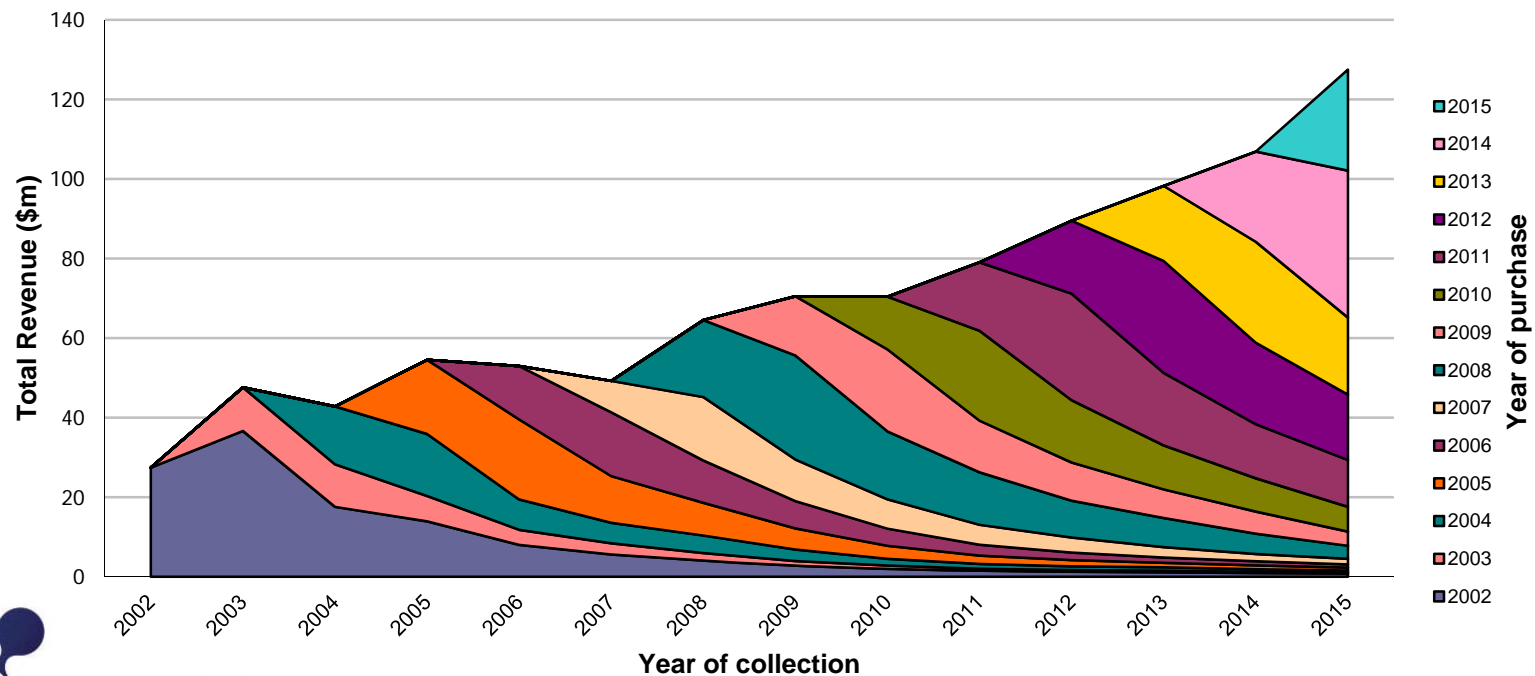


Purchased Debt Ledgers (PDL) Segment

Portfolio liquidation trends

- The data charted on the prior slide is presented here in dollar terms, showing PDL recoveries by year of purchase
- The more sustained recoveries from purchases in last 7 years is clearly evident here, with the recoveries in years 2, 3 and later more sustained giving an enduring 'stacking' effect to overall PDL collections

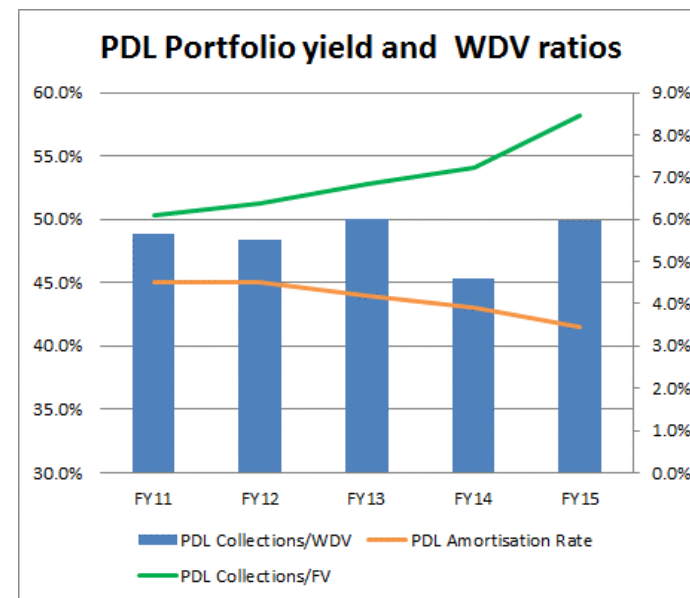
Collections by year of purchase



Purchased Debt Ledgers (PDL) Segment

Portfolio quality metrics

- \$41m of PDL investment are already committed for FY16 period at prices very similar to FY15 – as previously reported we have not experienced sustained higher prices on our core forward flow contracts, some of which has been renewed into FY16 at the same prices as FY15
- Rate of expensing assets (Amortisation rate) averaged 42% over FY15 and has remained in tight range of 42-45% since FY11
- The slight downtrend in that rate reflects the improvement in portfolio yield and proportion of recoveries from older portfolios
- PDL Collections/Written Down Value (WDV) rate of 50% has improved by 10% from prior years due to higher collection rates and increasing portfolio quality



Collection Services Segment



- This segment incorporates all business units and brands other than Lion Finance. Collection Services segment is made up of the following brands: Collection House (Australia and NZ), MCC Group, CLH Lawyers, CashFlow Financial Advantage and Collective Learning and Development
- Solid growth has been achieved during the last two years across these combined businesses, with revenue up 23% since FY13 and overall EBIT margin improved from 18.3% to 19.2%
- Key growth in FY15 was achieved across various sectors including ...
 - Expanded St George/Capital Finance contract (announced late Feb 2015)
 - Increased market share in energy and telecommunications
 - New business won in new service areas such as backup servicing and insourcing



Growth drivers

- **People & Culture**

- People are everything in our business
- AON Hewitt Engagement Survey 2015 – 7% increase in engagement score with 93% participation
- Promoting and leveraging diversity: 16% of our staff are bi-lingual and 63% are female
- Our LEAD and Proteus leadership development programs were further expanded in FY15
- Increased staff engagement through our Corporate Social Responsibility programs (separate report to be released in September with detail)

FTE (Full Time Equivalent) Staff	FY11	FY12	FY13	FY14	FY15
Collections	374	472	517	625	682
Support	66	69	79	88	102
Executive Team	4	4	7	6	6
Subsidiaries	53	67	91	101	107
Total	497	612	694	820	897
% collection staff < 6 months	17%	33%	28%	30%	27%
% collection staff 6-12 months	11%	13%	19%	15%	17%
% collection staff 1-4 years	52%	34%	32%	37%	38%
% collection staff > 4 years	20%	21%	21%	18%	18%



Growth drivers

Collection House embraces **innovation** as a corporate value and ongoing investment in future capability is a core element of our strategy. Key examples below have been FY15 activities but many will continue as ongoing multi-year programs

- **Technology, Innovation & Capability**

- New 8,000 sqm headquarters in Newstead was partly opened in June 2015, with full relocation expected to be complete before September 2016
- New expanded office opened in Bendigo, Victoria under MCC Group brand
- Capability added to expand the C5 collection platform through 2-3 year development program
- Two year analytics platform upgrade has commenced to build a substantially more powerful 'data vault' to enable faster and more sophisticated data modelling and analysis
- New Head of Digital appointment made to oversee group Digital Strategy and ensuring the group is "leading the way" in the new digital economy

- **Business & Product Development**

- Cash Flow Financial Advantage (CFFA) brokerage pilot commenced in 2014. CFFA assists consumer customers with refinancing through trusted partners – additional complementary services for consumers are currently under development
- Launch of dedicated Hardship Assistance team in late 2014
- April 2014 launch of a third party PDL investment vehicle, *Australian Credit Recoveries Trust*



Outlook

- We observed a shift in customer behaviour during 2H15 which correlated with reported volatile swings in consumer sentiment, against a backdrop of a generally weak economic environment
- In response, we have adapted collection strategies to both be more flexible in accepting repayment arrangements while simultaneously being more prudent in managing the quality of our PDL portfolio (refer page 6)
- We expect outcomes of significant new tender opportunities to be known within the next two months
- PDL investment in FY16 is expected to be 90-110% of FY15 levels – with \$41m of PDL investment already committed under contract
- Sufficient funding in place to support PDL investment – Collection House is not impacted by Westpac's recent announcement concerning funding of short term lenders
- Our business model limits our dependency on the performance of any single product or market segment, which provides us with strategic resilience and adaptability
- We expect to achieve above market growth and continue to increase shareholder value, and will continue to update on our performance expectations as and when appropriate

Expected PDL Investment

90-110%
of FY15



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