



ASX ANNOUNCEMENT

23 October 2015

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 2015 Annual General Meeting of Collection House Limited being held today.

For more information please contact:

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2015 Annual General Meeting Chairman's Address

23 October 2015

Good morning fellow shareholders, and welcome to the Collection House Annual General Meeting for 2015.

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

The 2015 financial year was another successful one for the Group.

The Group posted a new record profit of \$22.5 million which is the fifth consecutive year of 20 per cent earnings growth for Collection House.

For shareholders, this translated into a 14 per cent increase in dividends per share this financial year, and a 17 per cent increase in earnings per share.

These outcomes continue to show the strong success story of the Company.

Heading into 2016, we remain resolute in our aim to deliver continued business growth and shareholder value. We have a continued commitment to invest in our people and our technology, which we believe ensures a robust platform for moving forward.

We will continue to use our superior analytic capabilities, and embrace new technology to better understand and service our customers' needs, as well as drive new business opportunities.

Technology is an enabler of everything we do and we are in a sound position to research, explore and harness new technological developments as they apply to our business. There are already a number of exciting initiatives underway in this regard, which Matt will touch on shortly.

As a Group we remain united in striving to achieve best practice in all areas of our operations, an ethos that is embedded in our company culture and not something that we simply pay lip service to. We aim to conduct business that is lawful, ethical and for the betterment of the individuals we come into contact with as well as the communities in which we operate. Again this year, we released our Corporate Social Responsibility report which details significant achievements in this area.

2015 was a pivotal year in positioning the business for a future that's changing at a faster pace than anything we have witnessed before.

Australia overall is facing challenging times, economic growth is weak, consumer confidence is low and economic realities are catching up with consumers and that is affecting their discretionary spending and willingness to take on additional financial commitments.

The Collection House Group is continuing to plan ahead for resilience. Even though our 2015/16 year is providing challenges, we will continue to invest in our technology, data, brands and research and development to create continued long-term value for our shareholders.

Shareholders can continue to have confidence in the diversity of the Collection House business model which, although complex, limits reliance on the performance of any single product or segment of the market – ensuring strategic resilience. Matt will outline some of our specific initiatives in his address this morning.

This diversity also provides the Group with a unique perspective of the end-to-end debt collection industry. It is this depth and breadth of industry knowledge that is our greatest competitive advantage, and is precisely what gives us our reputation and credibility as a market leader - as well as the opportunity to identify new products and new segments within our core markets that we can expand into.

Of course, the continued success of the Collection House Group is only possible because of the talented and dedicated people who work with us. Their job is not always easy, however they are driven by the Group's underlying Purpose of helping clients and customers resolve their financial problems.

To the team across Australia, New Zealand, and the Philippines, to Matthew Thomas, and to my fellow Board members: I extend my thanks on behalf of all stakeholders for your important individual contributions.

I'd like to take this opportunity to also acknowledge Tony Coutts, who retired from the Board at the end of June this year after 20 years with Collection House. His guidance and loyal association to the Group is greatly appreciated. We wish Tony all the best for his retirement.

I would also like to announce today that our Deputy Chair and longtime Board member, Mr Dennis Panches has indicated his desire to retire from our Board at the conclusion of today's meeting.

Given Dennis' extensive local and international industry expertise I have asked Dennis, and he has accepted, to remain associated with our Company in an advisory capacity.



Dennis' contributions to our Company are far too extensive for me to cover in this address however, I will acknowledge Dennis' contributions later in the meeting.

And finally, I'd like to thank you, our shareholders, for your attendance this morning and for choosing to invest in Collection House. We look forward to your ongoing support to enable the Group to continue to create long term value for all.

David Liddy
Chairman

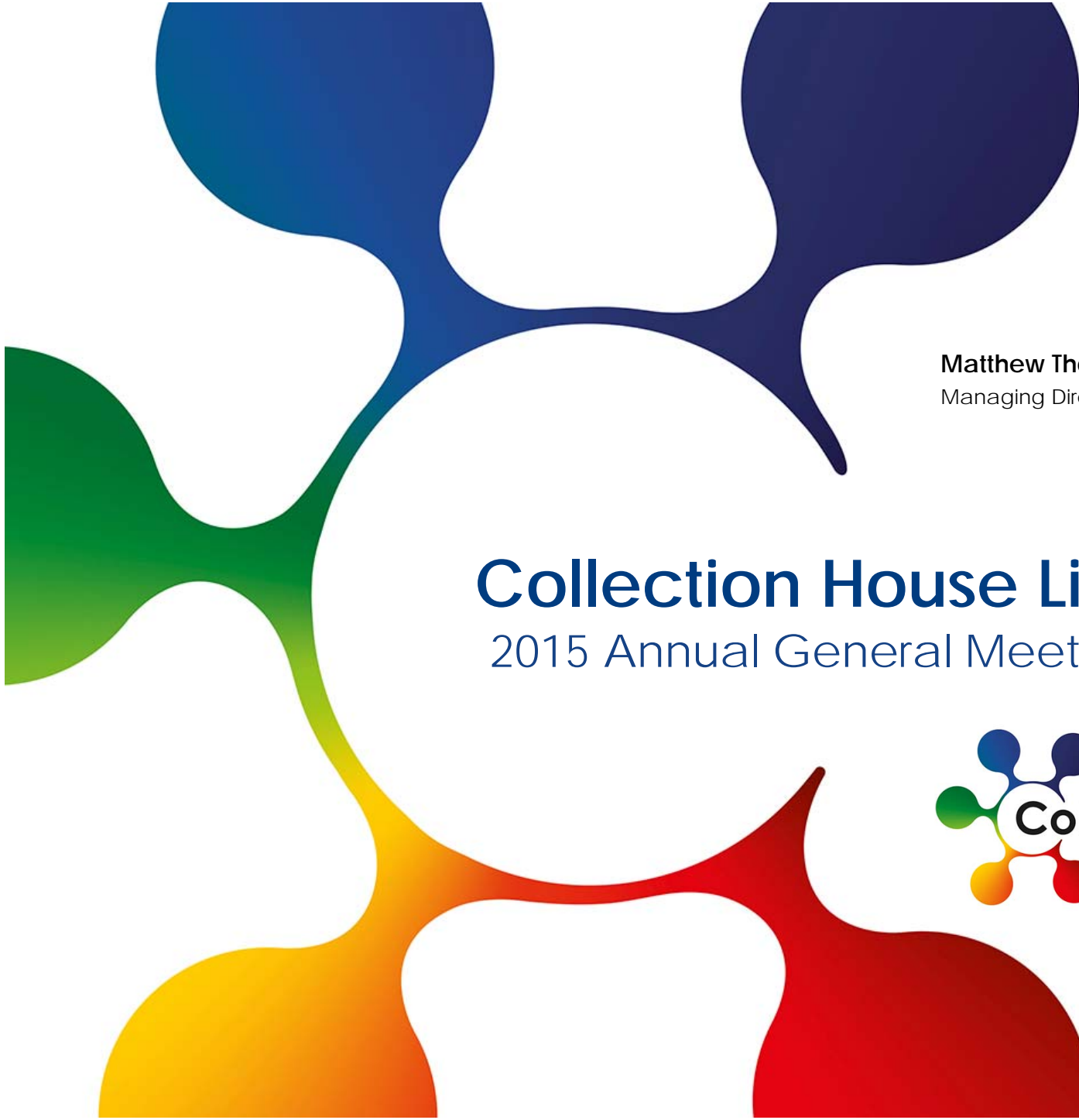
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Matthew Thomas
Managing Director / Chief Executive Officer

Collection House Limited

2015 Annual General Meeting



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 \$51m already committed under contract for FY16

FY15 NPAT
increased
20%

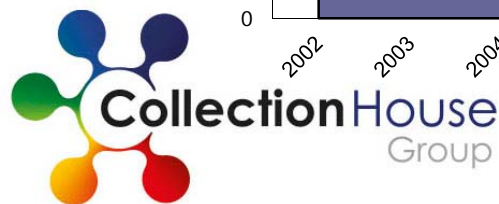
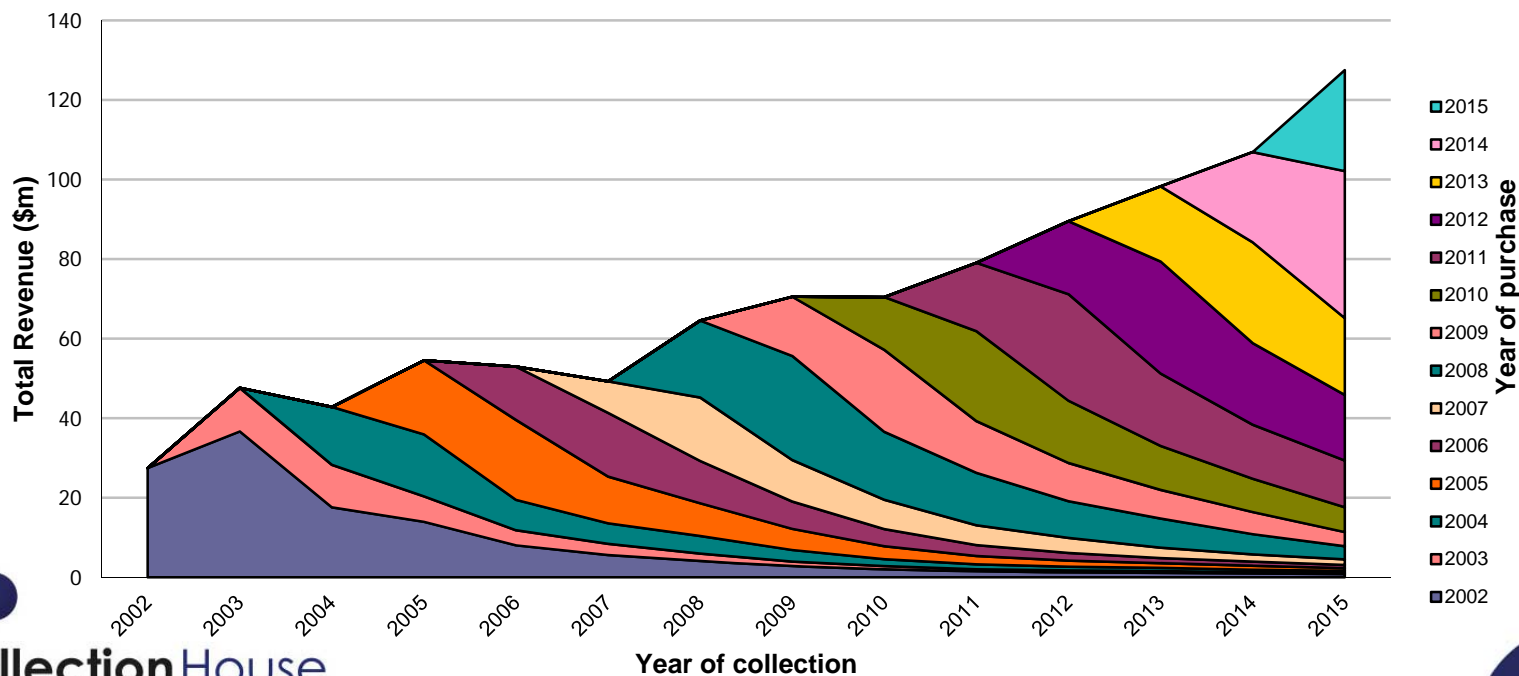


This Results Presentation should be read in conjunction with the Appendix 4E, Financial Report and ASX Announcement. Please note that percentages have been rounded to the nearest unit for this Results Presentation.

Purchased Debt Ledgers (PDL) Segment

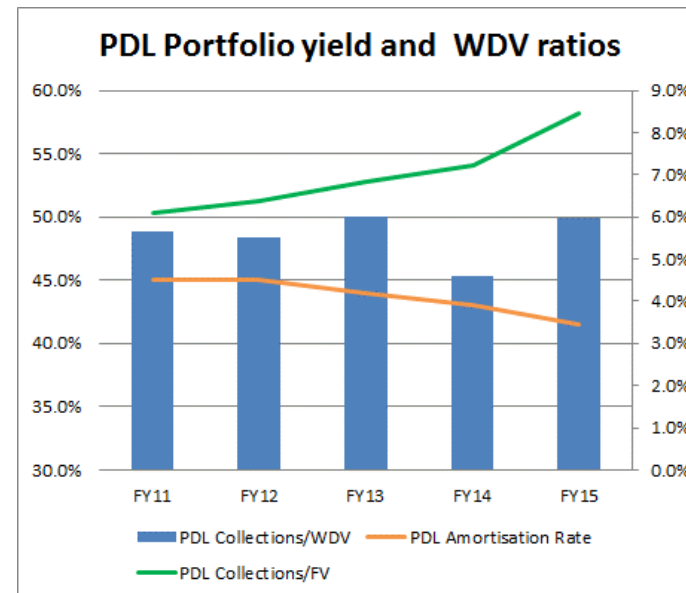
- PDL recoveries by year, segmented by year of purchase shows the more sustained recoveries from purchases in last 7 years, with the recoveries in years 2, 3 and later more sustained giving an enduring 'stacking' effect to overall PDL collections
- 36% of PDL recoveries in FY15 were from PDLs purchased more than three years ago, while recoveries from PDLs of more than two years age was over 50%

Collections by year of purchase



Purchased Debt Ledgers (PDL) Segment

- A highly collaborative approach to customer engagement is a well established practice for Lion Finance, which leads to more recoveries coming through repayment arrangements.
- This trend is more prevalent in challenging economic conditions and when average debt sizes are increasing faster than incomes
- Hence our Repayment Arrangements and Litigated Account Portfolio continues to grow in size but we are also managing quality with high scrutiny, through system enhancements and a disciplined approach to reclassifying non-performing arrangements
- Through the approaches outlined above and evidenced by the trends on prior slide, and chart to the right, we are becoming more adept at extracting value from older PDL assets
- This will enable us to deal with reduced PDL investment in FY16 and avoid of higher pricing which has been more pronounced through the last two months
- As per chart on right, historic key PDL ratios show positive cash liquidation rates being achieved across the portfolio.



Collection Services Segment



- Collection Services businesses have regained significant competitiveness over recent years, with revenue up 23% and increased margins.
- Where Collection House is an agent on a supplier panel, our performance ranked first or second on the majority of these contracts - benchmarked as at July 2015
- We have also recruited and expanded the leadership team in this segment, including a number of highly experienced personnel, positioning us for growth
- During FY15, initial client portfolios were migrated to the new C5 collection platform- our high tech proprietary collection software.
- We also renewed and expanded St George/Capital Finance contract as announced in February



Collection Services Segment



- Significant opportunities exist in this segment as economic conditions favour additional outsourcing volumes and/or internal cost reductions
- Recently we have responded to several large tenders for collection services contracts, some of which were expected to be announced by clients in Q1 but have been delayed into Q2
- Piloting of new products and strategies continues on a number of fronts, we accept the risk of some innovation not proving viable, while other concepts will test successfully in the market



Growth drivers

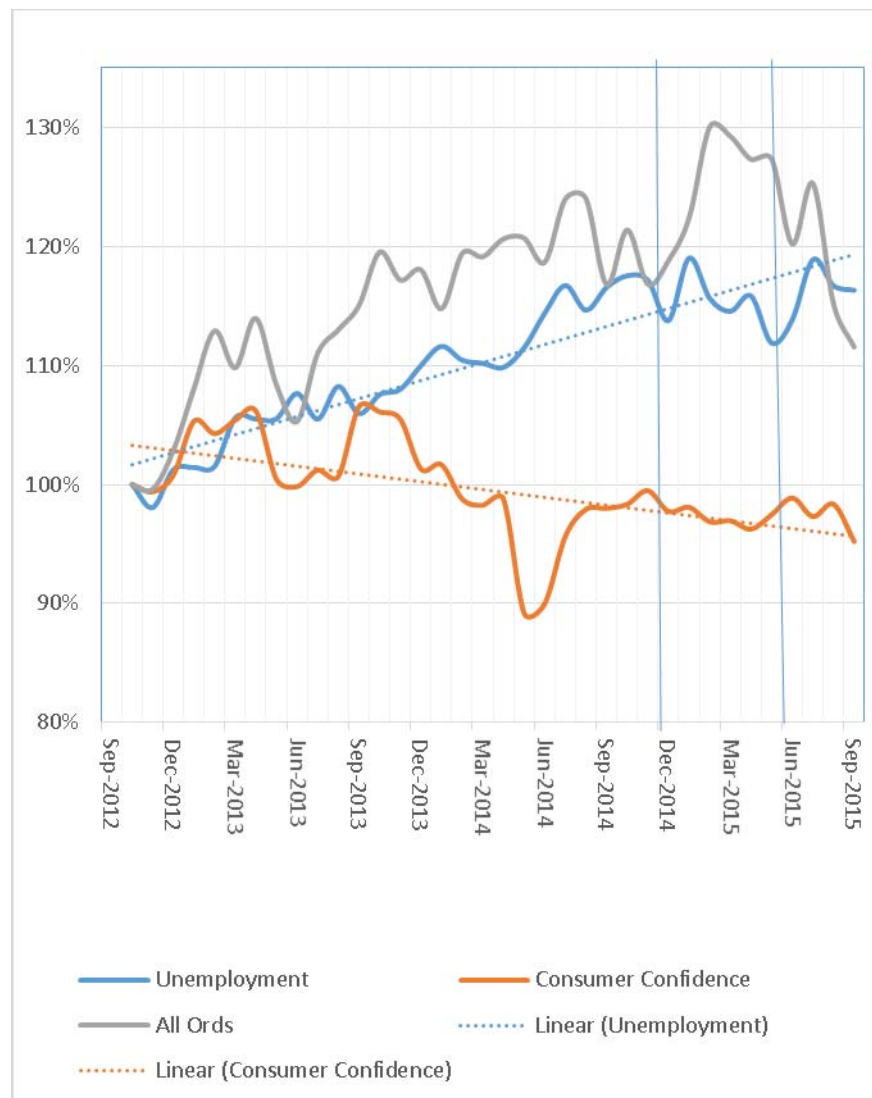
Collection House embraces **innovation** as a corporate value and ongoing investment in future capability is a core element of our strategy. Key examples below have been FY15 activities but many will continue as ongoing multi-year programs

- **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
 - We continue to invest in and expand the capabilities of C5 to ensure improving efficiencies in our service delivery
 - 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 has grown through 2015. 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 2015 launch of a third party PDL investment vehicle, *Australian Credit Recoveries Trust*



Macro Environment

- Degradation in customer sentiment as reported during 2H15 manifested in further challenges to collection effectiveness in Q1, particularly in late August and into September when substantial falls in equity markets and consumer/business confidence occurred.
- Unemployment also remains high and in fact above the levels during the Global Financial Crisis (GFC).
- As was experienced post the GFC, consumer confidence trends track unemployment (or under-employment), which in turns impacts our collection productivity in a number of ways.
- These include the success in being able to contact customers, the chance of securing a commitment to make a payment, and the amount and timing of such payments.
- Conversely and based on prior experience, we expect growth benefits to flow from these trends as debt supply increases and, over time, PDL prices decline



Outlook

- The recent sustained volatile external environment and its impact on consumer and business confidence makes it more difficult to precisely forecast results a year ahead with confidence.
- The trends outlined on prior page are likely to slow growth in our PDL collections, partly offset by more sustained growth in our Collection Services segment.
- PDL pricing historically takes time to adjust to conditions, due to most volume being sold on forward flow contracts (usually a forward 12 month term). We are not seeing acceptable shareholder returns being achieved by prices that competitors have paid on a number of debt sales finalised over the last quarter (being the busiest period for debt contract renewals), which may lead to our FY16 PDL investment being up to 20% lower than FY15.
- We stand by the need for discipline in the face of higher PDL pricing and a poor economic outlook, which also provides better opportunities to invest capital once conditions improve.
- As stated in August, *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 are at various stages of procurement across a range of tenders and other opportunities within Collection Services, and are confident of further gains in this area.



Outlook

- Market research (IBIS) points to 3.5% revenue growth in the receivables management sector in 2015-2020, which is above forecast GDP growth, but lower than industry growth in the prior five years.
- For the current financial year we do not expect to deliver the same level of earnings growth as averaged over the past five years, and given the deterioration in consumer and business conditions over the past quarter may continue, we estimate that NPAT for FY16 will be approximately \$23.5 million.
- However, having faced challenges early in FY16 it provides us time to adapt and implement measures to improve productivity, secure additional business and manage our expenses in line with the outlook.
- We anticipate FY16 will be another year of strong revenue growth in the Collection Services segment, and anticipate further announcements may be upcoming in regard to ongoing successes in this area.
- We have always focussed on the long term success of the business, and do expect improving performance in 2016 and beyond, once external conditions improve, PDL prices adjust, debt supply increases and our Collection Services segment continues to grow.



Collection House Limited

2015 Results Presentation



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