



Credit Corp Group

FY16 May Update

12 May 2016

Thomas Beregi, CEO
Michael Eadie, CFO

Competitive leadership in the credit-impaired consumer segment





Core business leadership and diversification for sustained growth...

Australia / NZ		USA
Debt Buying (Core)	Consumer Lending	Debt Buying
<ul style="list-style-type: none"> Operational superiority <ul style="list-style-type: none"> Highest asset turnover (1.6x p.a.¹) Lowest cost to collect (35%²) Analytical superiority <ul style="list-style-type: none"> Largest database History of pricing accuracy Compelling client proposition <ul style="list-style-type: none"> No adverse orders or undertakings Lowest complaint rate Largest and longest established Strong returns and financial structure <ul style="list-style-type: none"> ROE > 18% Gearing < 40%⁵ 	<ul style="list-style-type: none"> The sustainable alternative for consumers with impaired credit records Regulatory upside <ul style="list-style-type: none"> No 'payday loans' No 'SACCs' No 'MACCs' No 'consumer leases' APRs well below legislated caps Served 100,000 customers since 2012 Strong book and earnings growth <ul style="list-style-type: none"> Book size \$130m³ FY16 NPAT \$5.8m⁴ 	<ul style="list-style-type: none"> Large market <ul style="list-style-type: none"> > 10x AUS / NZ Improved operations on track for breakeven mid FY17 Early signs that adverse pricing conditions may be easing Sizeable operation (120 FTE) ready to scale to take advantage of any improvement in conditions

1 Forecast FY16 ratio of cash collections from PDLs to average PDL carrying value

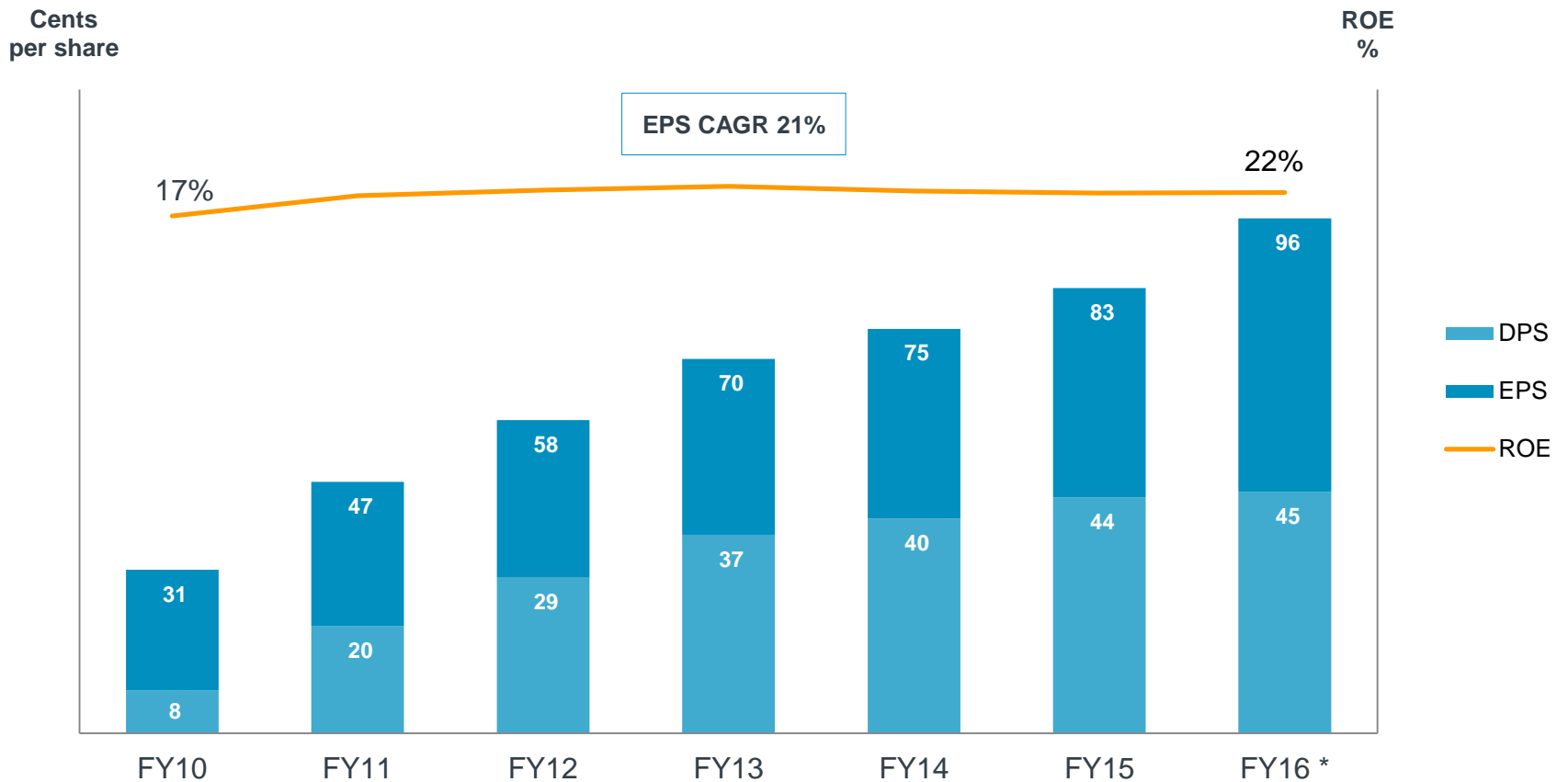
2 Forecast FY16 ratio of cash costs of the Debt Ledger Purchasing segment to collections

3 Apr-16 consumer loan book gross of expected loss provisions per unaudited management accounts

4 Midpoint of Consumer lending segment NPAT implicit in FY16 guidance

5 Net borrowings as a proportion of PDL and consumer loan book value

...to build on our track record of strong financial performance



* FY16 midpoint of most recent market guidance

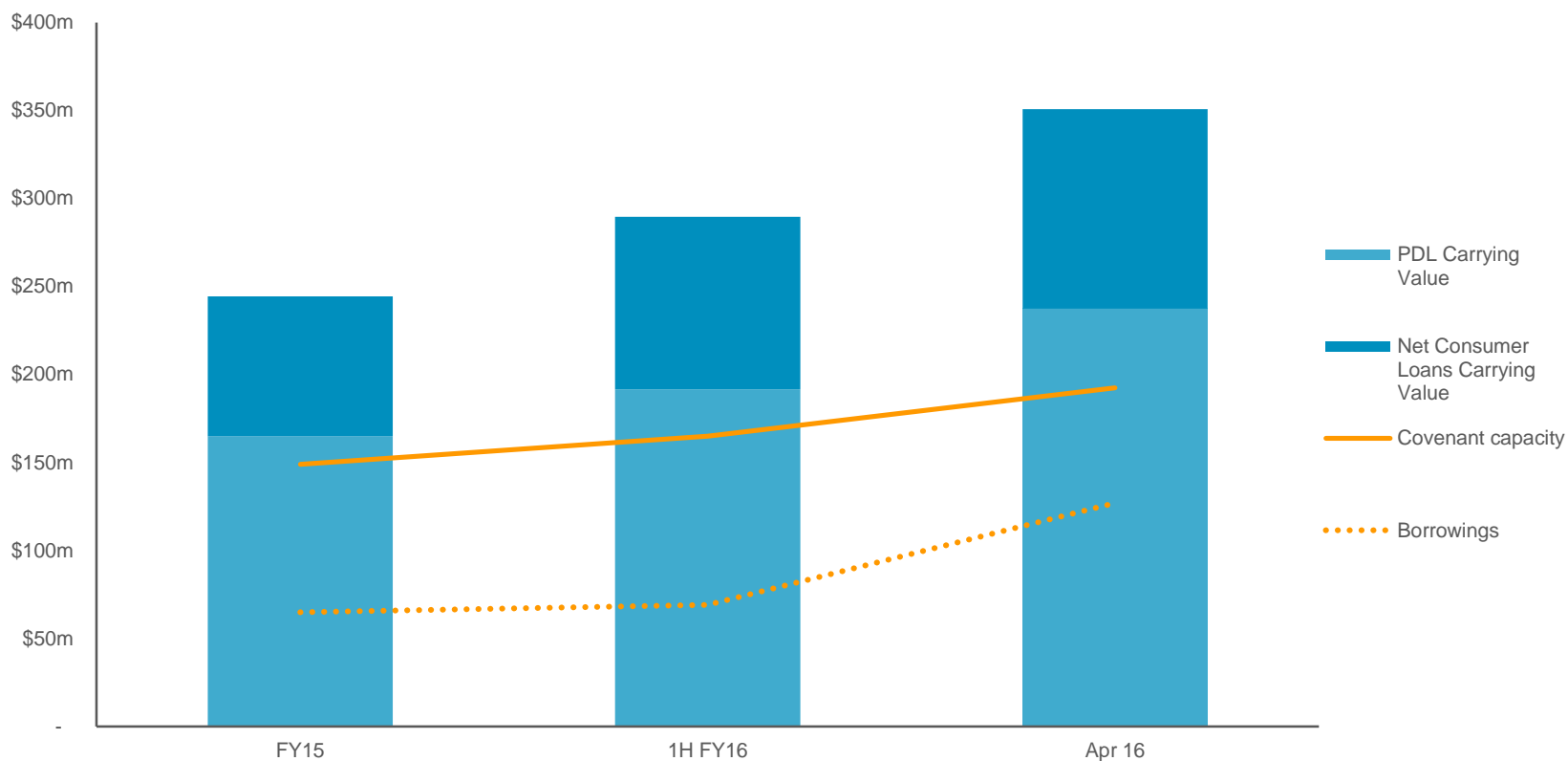
Increased opportunity to invest at our target rate of return...

Jan 16 Expectation	May 16 Update
<ul style="list-style-type: none"> PDL acquisitions \$185m - \$195m 	<ul style="list-style-type: none"> Existing forward flow contracts renewed Continued US purchasing Attractive one-off purchases Purchasing now on track for \$225m - \$230m
<ul style="list-style-type: none"> Net lending volume of \$30m - \$40m 	<ul style="list-style-type: none"> Volumes maintained Referral channels in place Expected net lending now \$45m - \$50m
<ul style="list-style-type: none"> NPAT \$44m - \$45m 	<ul style="list-style-type: none"> On track Strong consumer lending result Improved growth outlook for FY17

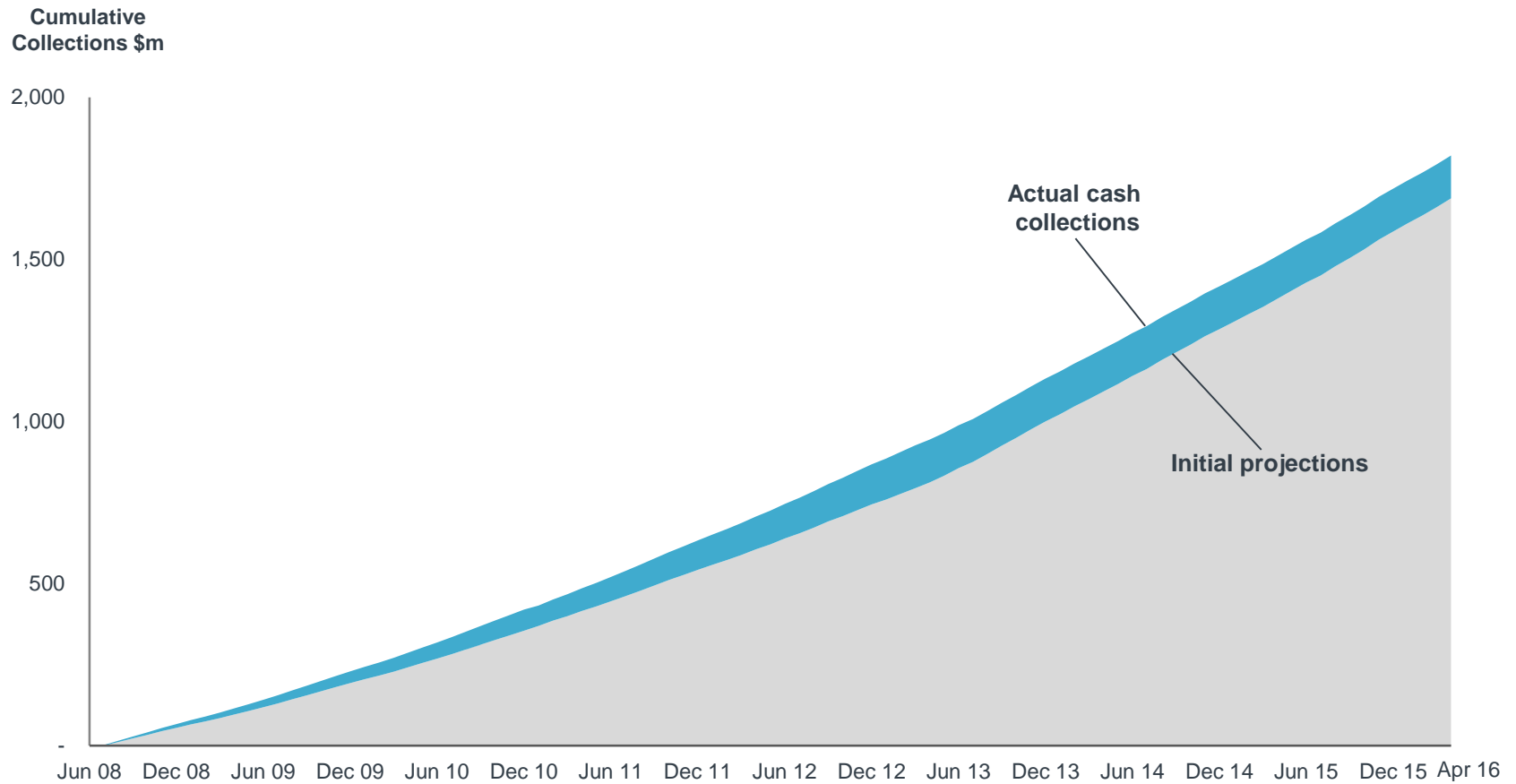


...and the financial capacity to seize opportunities across all markets

- Significant covenant capacity

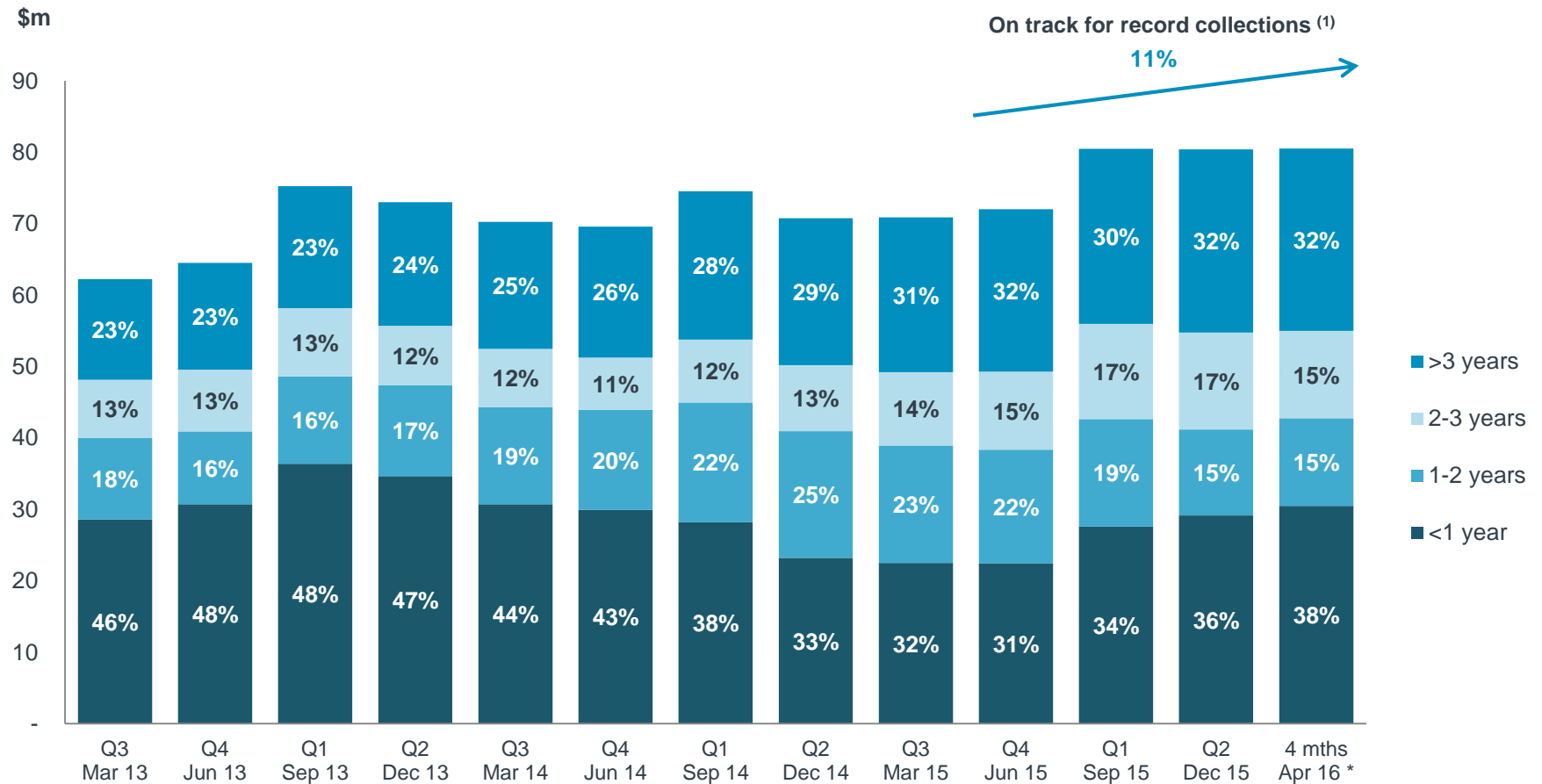


Operational metrics maintained - pricing discipline and accuracy



Operational metrics maintained - collection life-cycle

PDL collections by date of purchase



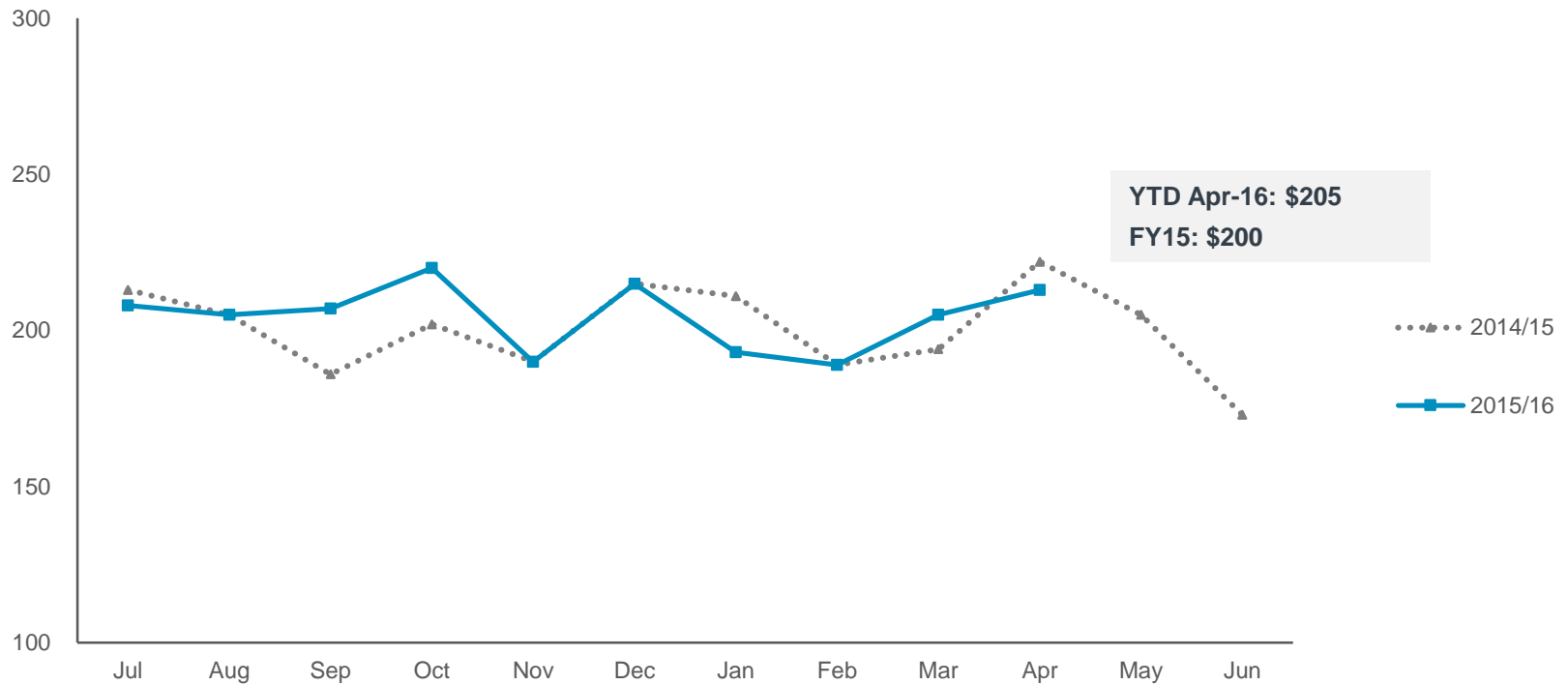
* Pro-rated to a quarterly average

(1) 11% growth based on p.c.p. (Apr 16 YTD vs. Apr 15 YTD)

Operational metrics maintained - productivity

Debt purchase productivity (direct collection staff only)

PDL collections
per hour (\$)



Operational metrics maintained - payment arrangement book

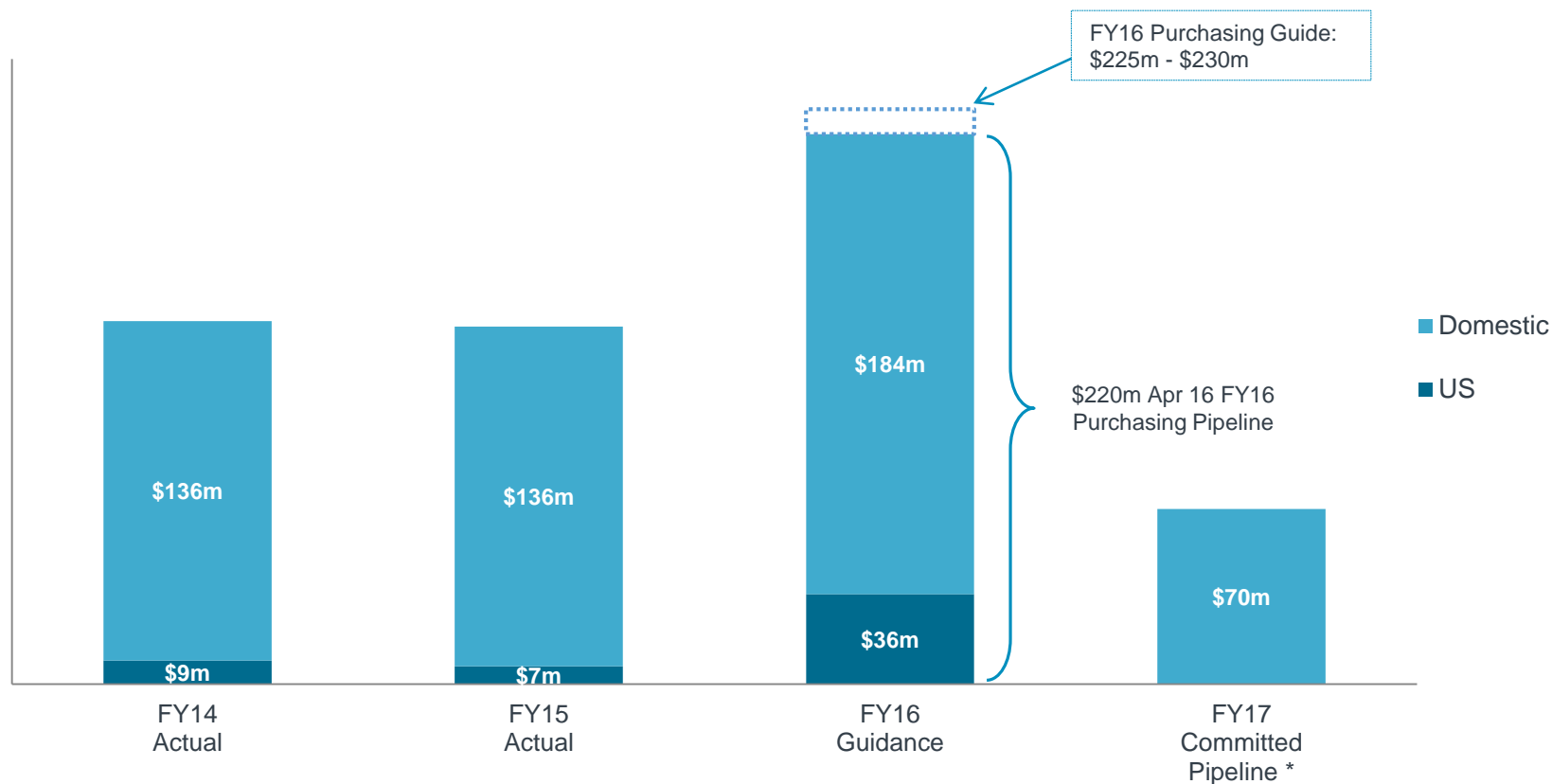
Total Portfolio	Jun 14	Dec 14	Jun 15	Dec 15	Apr 16
Face value	\$4.7bn	\$4.8bn	\$4.9bn	\$5.1bn	\$5.3bn
Number of accounts	744,000	698,000	703,000	687,000	682,000

Payment Arrangements					
Face value	\$909m	\$963m	\$1,044m	\$1,099m	\$1,133m
Number of accounts	120,000	125,000	133,000	139,000	143,000
% of PDL collections	73%	73%	75%	76%	76%



Favourable opportunities seized to produce record PDL investment

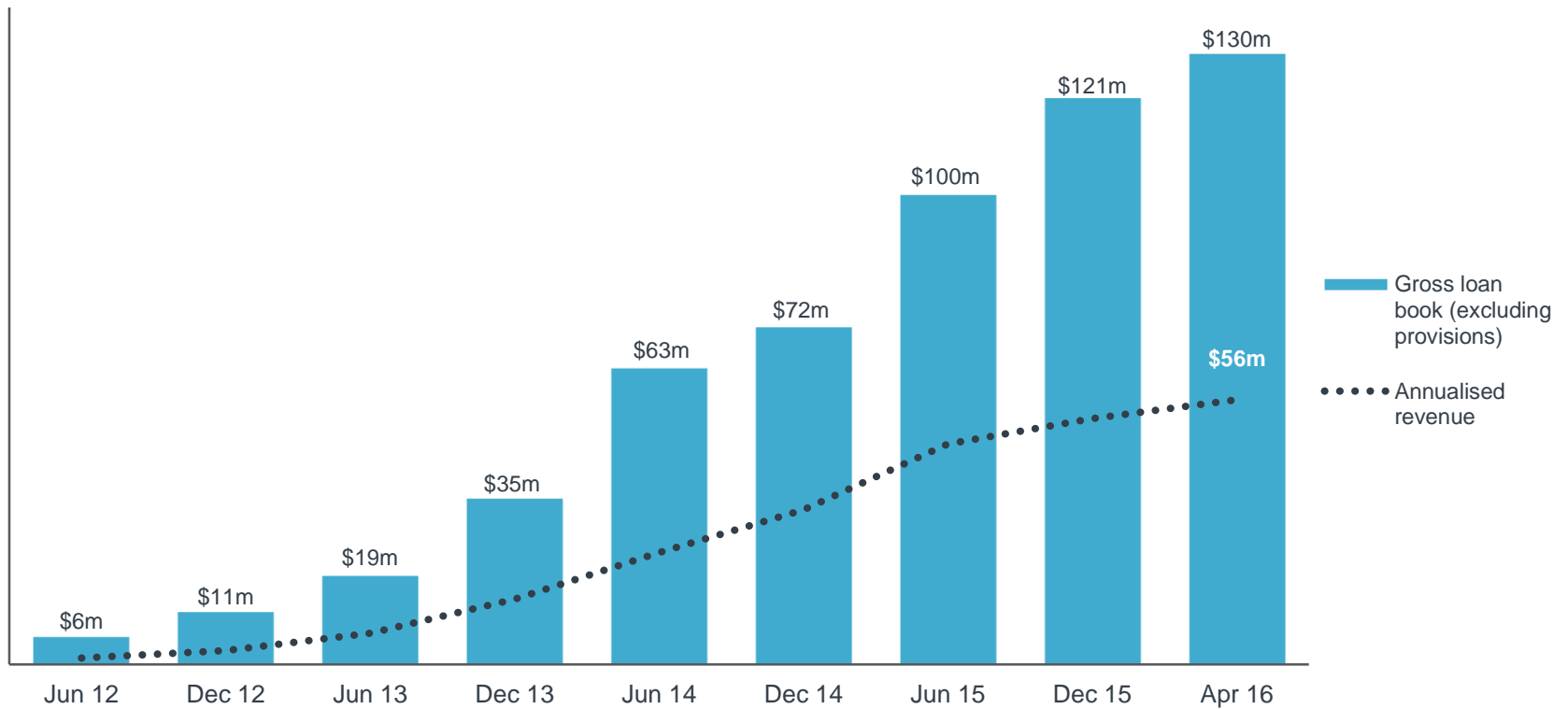
- Continued renewal of forward flows
- Attractive one-off purchases



* As at April 2016

Continued consumer loan book growth

Gross loan book excluding provisions

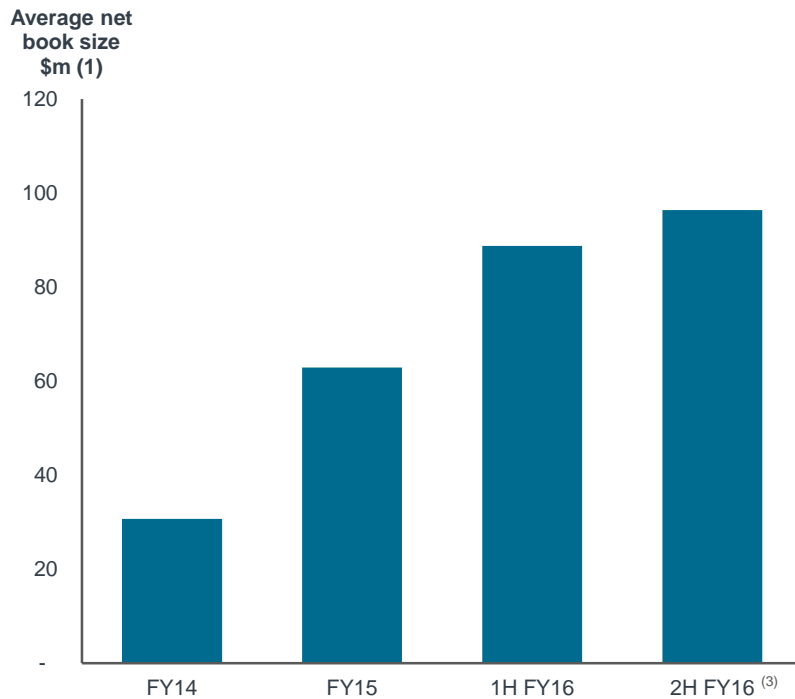


Consumer lending volumes maintained

- Gross lending volumes remain strong
 - Transition to longer duration products
 - Wallet Wizard brand recall driving volume
 - Net lending market guidance increased
- Strategies for continued growth
 - Leveraging our uniquely sustainable offering to establish referral channels
 - SACC review panel recommendations may impact competitive dynamics to Credit Corp's advantage
 - Product refinements in pilot

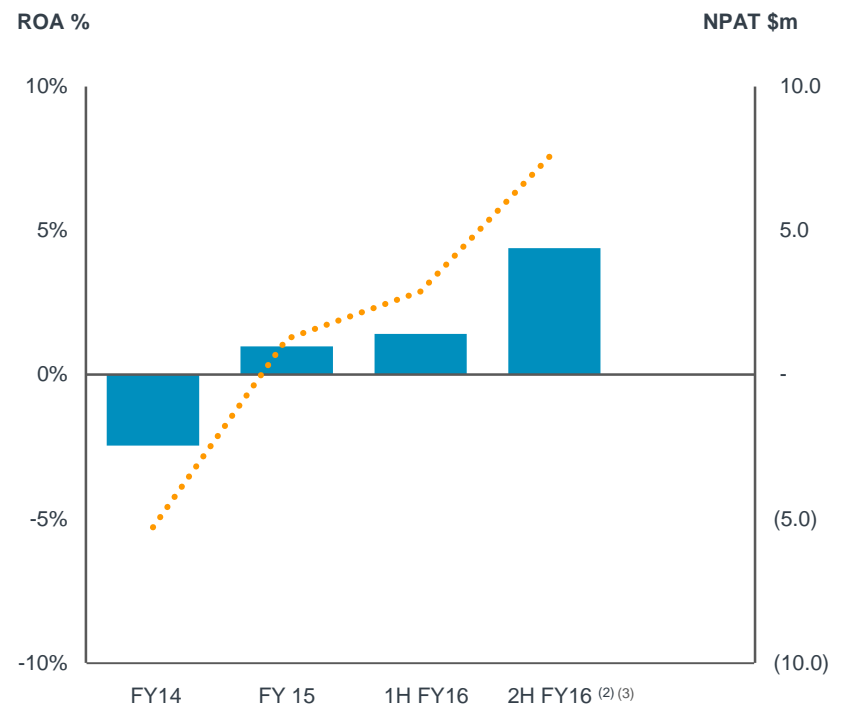
Earnings and return growth on track

- Profitability and returns are improving as book increases in size
- On track to achieve pro-forma returns in coming periods



(1) Net of provisions

(3) Forecasts for Consumer Lending segment implicit in the midpoint of FY16 guidance



(2) ROA based on annualised NPAT

In the US we are making the best of challenging conditions...

- Supply conditions unchanged
 - Proposed rules from federal regulator continue to be delayed
 - Major issuers have not returned to debt sale
 - Consent orders with large debt buyers provide a form of rule-making
- Operational improvements mean recent purchases are on track for modest returns
 - Improved results have facilitated increased investment in FY16
 - Continued purchasing at current pricing will drive the business to monthly breakeven from mid FY17
 - An easing of prices will accelerate profitability

...and there are some signs of more favourable pricing conditions

- Despite unchanged supply conditions, major debt buyers recently reporting ‘rational’ pricing and improving returns

Purchase price multiple on current year purchases ⁽¹⁾	FY14	Q4 FY15
Portfolio Recovery Associates (PRAA)	2.04x	2.09x
SquareTwo	1.53x	1.71x

- *“Presently we’re seeing 15% higher returns from these portfolios [current US forward flows] based on the moderated pricing and continuing improvement in liquidations”* (Ken Vecchione, CEO) ⁽²⁾
- *“We see market pricing starting to decrease slightly across all aged segments in the US from fresh paper to non-fresh paper...we’re seeing pricing running along the same levels as 2014 which is very encouraging to us. So pricing is coming down a little bit which is good...”* (Ken Vecchione, CEO) ⁽²⁾
- *“I think there is better pricing discipline in the market. And I think buyers are willing to hold to their prices more. And I think issuers have readjusted some of their expectations”* (Ken Vecchione, CEO) ⁽²⁾
- Credit Corp is well-positioned to capitalise on any improvement

⁽¹⁾ Derived from PRAA and SquareTwo Form 10-K and Form 10-Q reports

⁽²⁾ Encore Capital Group (ECPG) Q4 2015 and Q1 2016 earnings calls

Updated FY16 Guidance

	Issued Jan 16	Updated May 16
PDL acquisitions	\$185m - \$195m	\$225m - \$230m
Net lending	\$30m - \$40m	\$45m - \$50m
NPAT	\$44m - \$45m	\$44m - \$45m
EPS (basic)	95 - 97 cents	95 - 97 cents



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Questions