

FY18 Results Presentation

31 July 2018



Credit Corp Group



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Leadership in the credit impaired consumer segment...

ANALYTICS & DISCIPLINE	OPERATIONAL EXCELLENCE	SUSTAINABILITY & COMPLIANCE
Australian / NZ debt buying		
<ul style="list-style-type: none"> • Largest database • History of pricing accuracy 	<ul style="list-style-type: none"> • Highest asset turnover ¹ • Lowest cost to collect ² 	<ul style="list-style-type: none"> • No adverse orders or undertakings • Low complaint rate • \$1.3bn in ongoing repayment arrangements
Australian / NZ lending		
<ul style="list-style-type: none"> • Leverage knowledge of consumer • Up-front loss provisioning • Analytical monitoring 	<ul style="list-style-type: none"> • Automated decisioning • Collection strength • Unmatched efficiency 	<ul style="list-style-type: none"> • APRs below cap applicable to mainstream credit • Regulatory upside - no 'payday loans'
USA debt buying		
<ul style="list-style-type: none"> • Adapted knowledge to US environment • Large market opportunity 	<ul style="list-style-type: none"> • Productivity up by 30% over 2 years • Emphasis on payment arrangements and a lower proportion of litigated outcomes 	<ul style="list-style-type: none"> • Low regulator complaint rate • Strong client audit outcomes

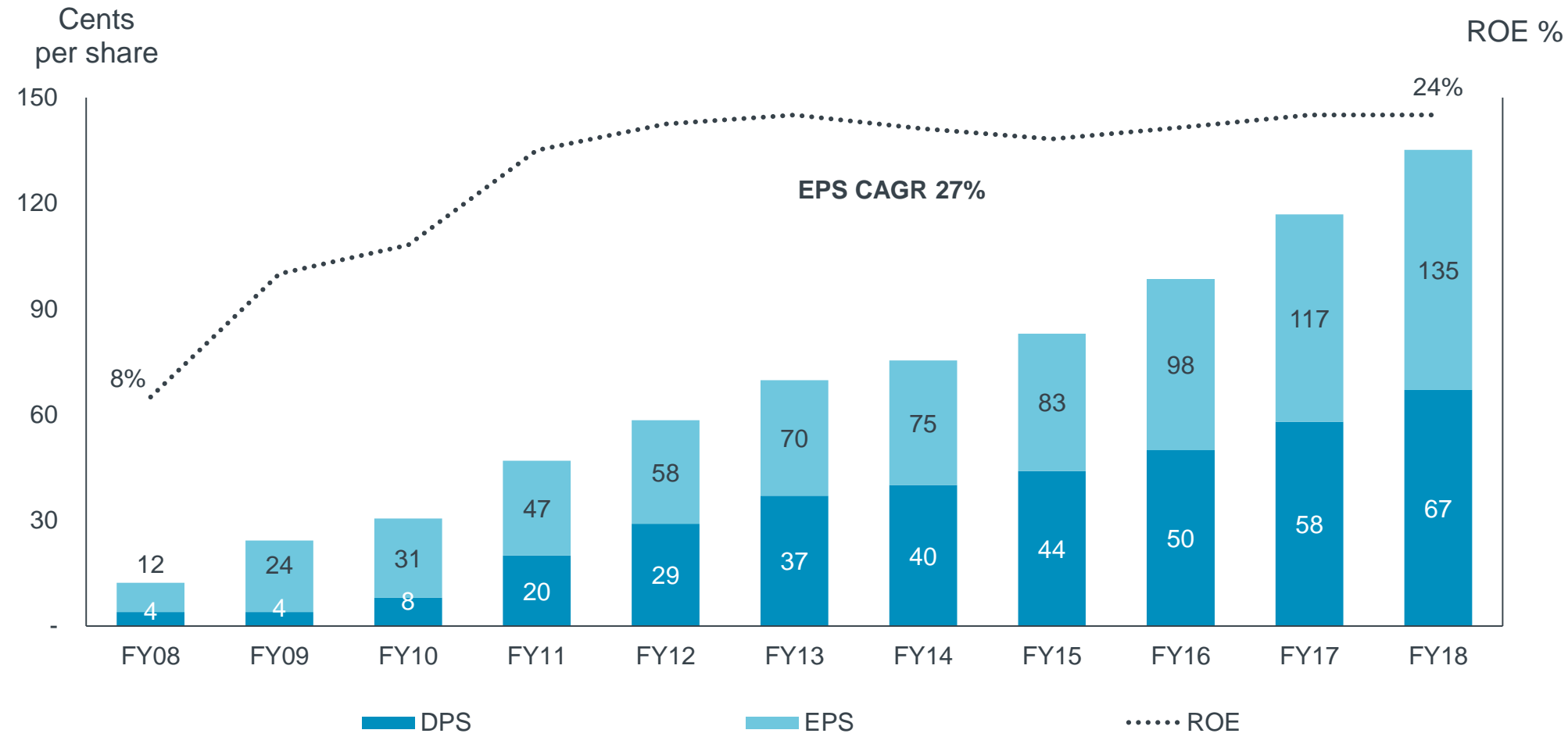
- Long-term growth
- ROE 16% - 18%
- Low gearing

1. FY18 ratio of cash collections from PDLs to average PDL carrying value in Australian / NZ debt buying operation of 1.2x

2. FY18 ratio of cash costs of the Debt Ledger Purchasing segment to collections of 36%

...has produced sustained financial performance...

Earnings Per Share, Dividends Per Share and Return on Equity



...delivering 17% earnings growth in 2018...

FY18 Financial results

	FY18	FY17	\$ change	% change
Aus/NZ debt buying ¹	\$195.7m	\$186.4m	+ \$9.3m	+ 5%
Aus/NZ lending	\$79.3m	\$66.4m	+ \$12.9m	+ 19%
US debt buying	\$24.0m	\$13.1m	+ \$10.9m	+ 83%
Revenue total	\$299.0m	\$265.9m	+ \$33.1m	▲ + 12%
Aus/NZ debt buying ¹	\$46.3m	\$43.9m	+ \$2.4m	+ 6%
Aus/NZ lending	\$16.1m	\$12.3m	+ \$3.8m	+ 31%
US debt buying	\$1.9m	(\$1.0m)	+ \$2.9m	>100%
NPAT total	\$64.3m	\$55.2m	+ \$9.1m	▲ + 17%
EPS (basic)	135.1cps	116.8cps	+ 18.3cps	▲ + 16%
Dividend	67.0cps	58.0cps	+ 9.0cps	▲ + 16%

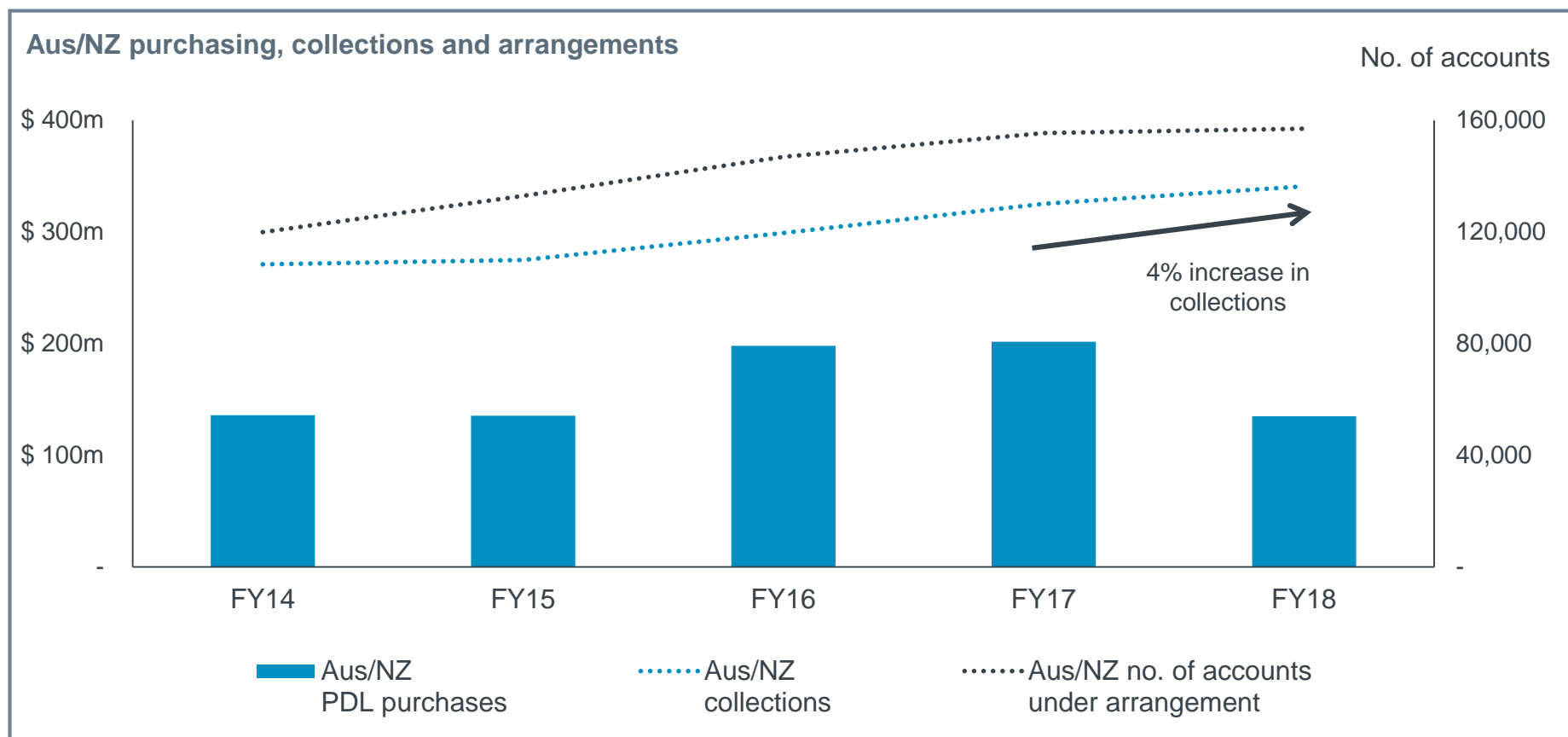
1. Aus/NZ debt buying includes agency activities

...while positioning CCP to seize opportunity across all segments...

Segment	Market conditions	Credit Corp's response
Aus/NZ Debt buying	<ul style="list-style-type: none">Continued pricing competitionCompliance is an increasing sensitivity for credit issuers	<ul style="list-style-type: none">Momentum into FY19 provided by strong operational performanceLeverage compliance credentialsMaintain investment discipline
Aus/NZ Lending	<ul style="list-style-type: none">Accelerated consumer demand for cash loansSigns of credit rationing likely to create opportunities	<ul style="list-style-type: none">Drive loan book growthExpand auto lending pilot
US Debt buying	<ul style="list-style-type: none">Pricing conditions remain favourable	<ul style="list-style-type: none">Operational improvement to achieve competitive superiorityGrowth to capture the market opportunity

Solid momentum in Aus/NZ debt buying...

- Collections growth of 4% despite reduced investment
- Stable bank of recurring payment arrangements provides a strong starting position for FY19
- FY19 Aus/NZ collections and earnings on track to achieve FY18 levels



Supported by improved operational performance

Pricing accuracy and returns on track

- Total cumulative collections above aggregate pricing expectations
- Total collections up 7% over the year
- Aus/NZ collections up 4% despite reduced purchasing

(Refer to Appendix 2 and 3)

Arrangement book growth

- Face value of accounts under arrangement maintained at a record level of \$1.3bn at Jun-18
- Payments under arrangement represent 81% of collections

(Refer to Appendix 5)

Efficiency

- Productivity up by 10% over the prior year
- Aus/NZ productivity up by 7% over the prior year

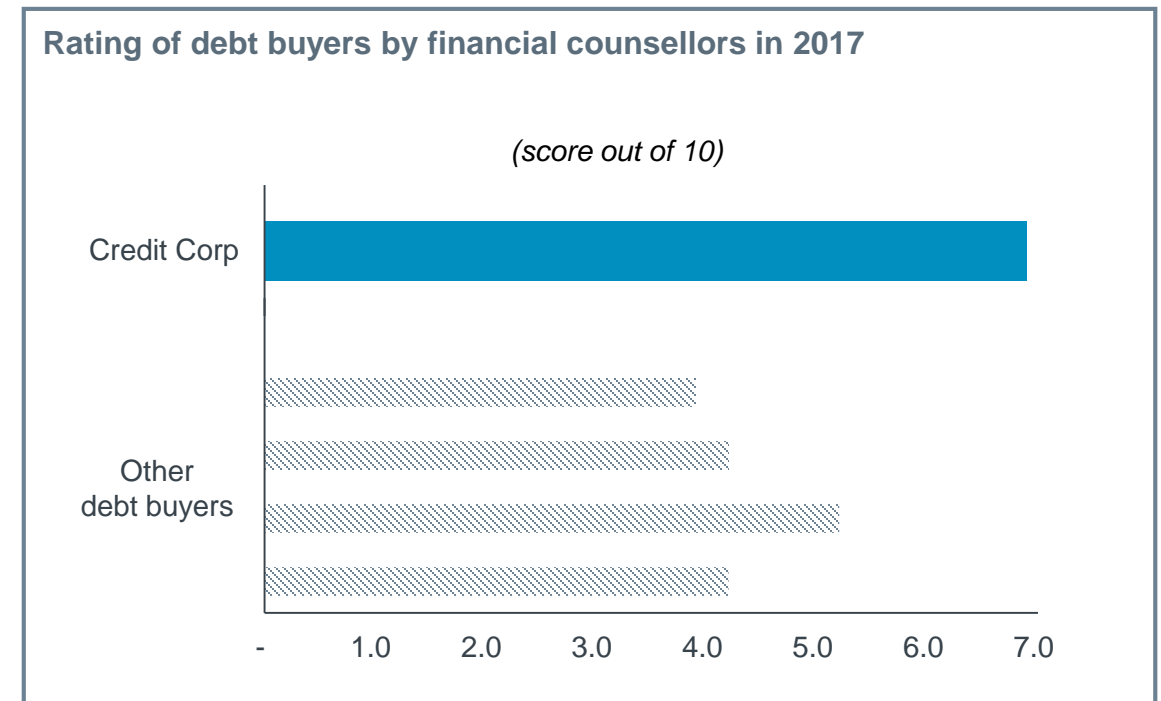
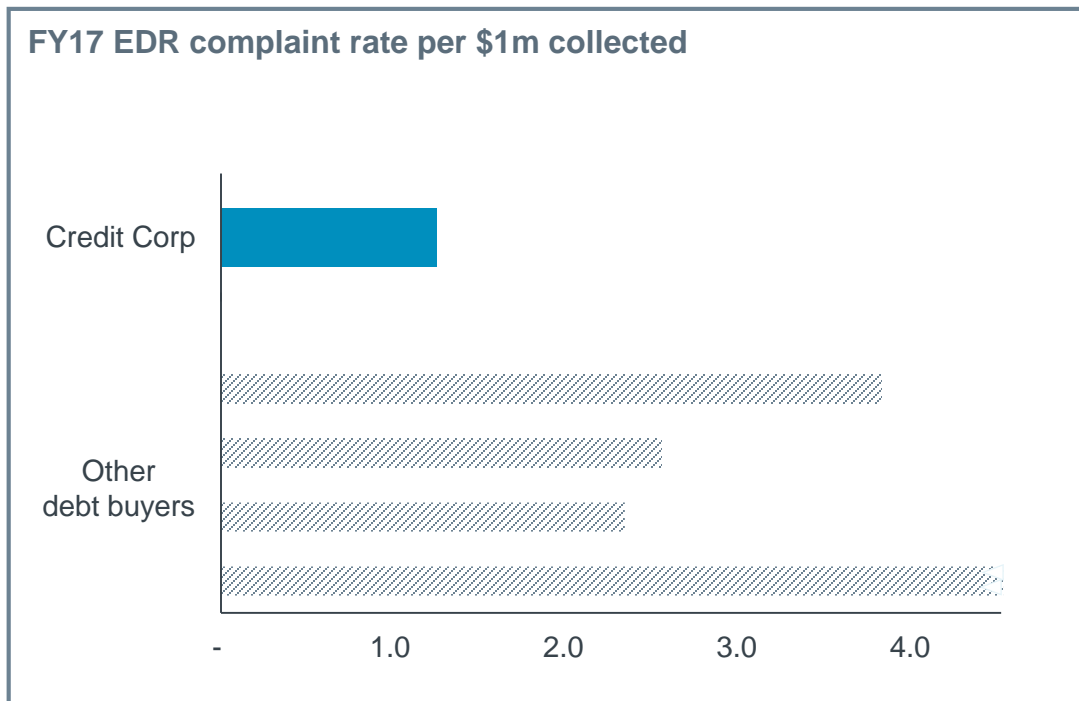
(Refer to Appendix 4)

Continuous improvement focus

- Improved rates of conversion to paying outcomes
 - Systems enhancements
 - Ongoing skills development
- Technology improving contact rates in the US

Heavily differentiated compliance model...

- Peerless compliance record
 - No regulatory orders or undertakings despite being the largest and longest established operator
 - No reportable External Dispute Resolution (EDR) systemic issues
- Superior EDR complaint rate ¹
- Clear leader in survey conducted by Financial Counselling Australia ²



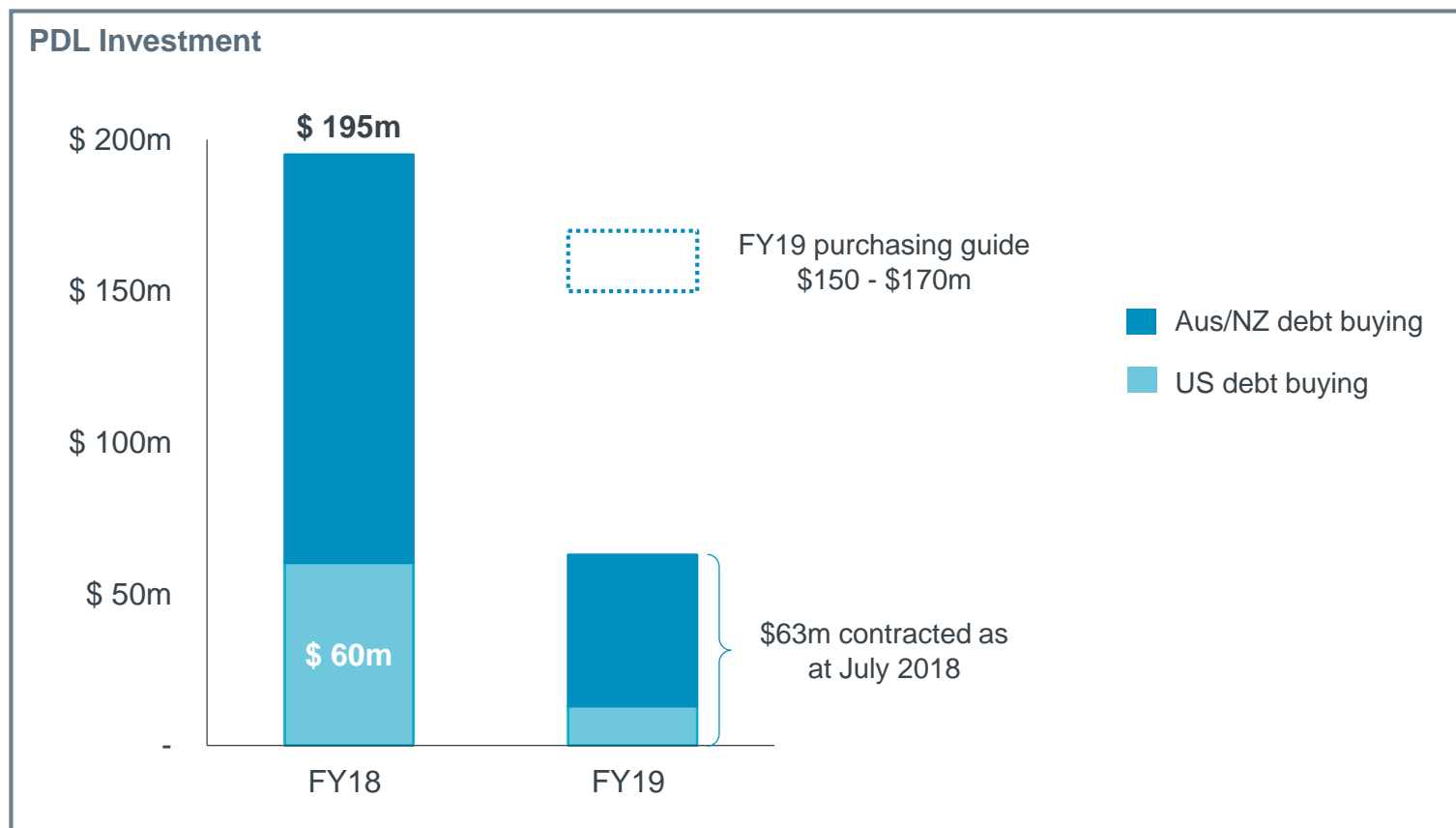
1. No. of complaints reported to EDR services divided by total PDL collections expressed in millions of dollars

2. Financial Counselling Australia: National Rank the Banks Survey 2017, March 2018, page 17

[https://www.financialcounsellingaustralia.org.au/getattachment/Corporate/Publications/Reports/Rank-the-Banks-2017-Final-1-\(1\).pdf](https://www.financialcounsellingaustralia.org.au/getattachment/Corporate/Publications/Reports/Rank-the-Banks-2017-Final-1-(1).pdf)

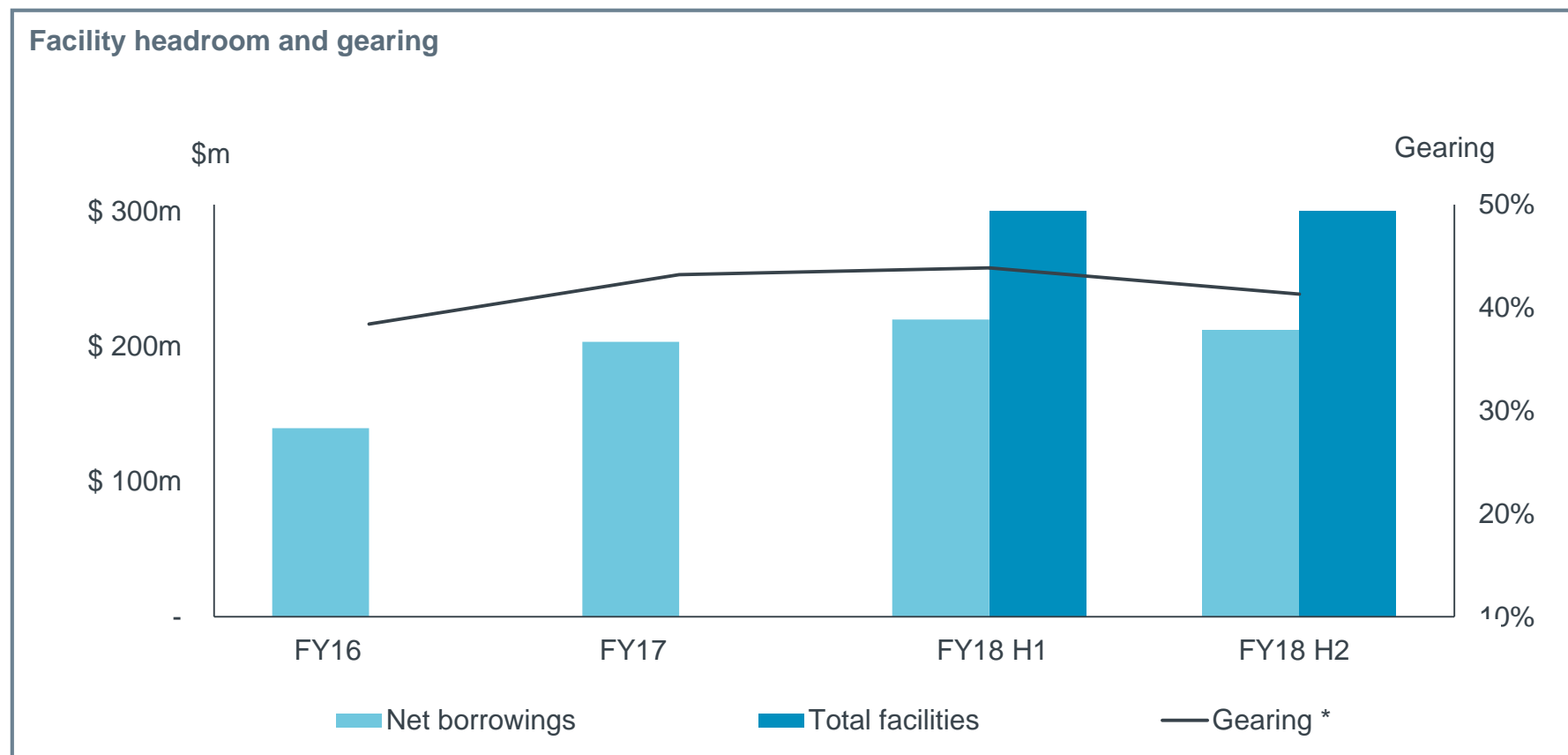
...underpins a solid purchasing outlook

- Purchasing outlook comparable to FY18 at the same point
- Compliance position has delivered uncontested purchasing
- Key US forward flows renewable in early FY19



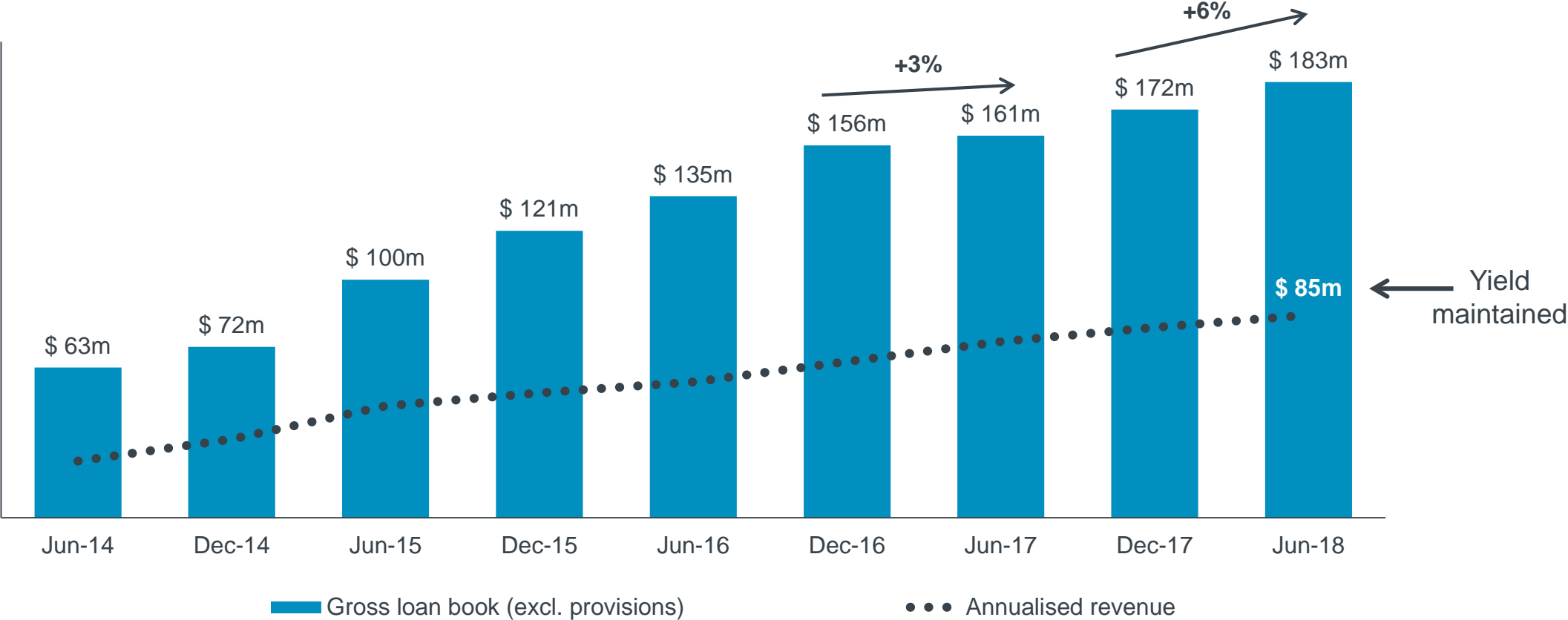
Financial capacity in place to seize any additional opportunity

- Free cash flow has reduced gearing to 41%
- Strong cashflow will increase headroom over FY19



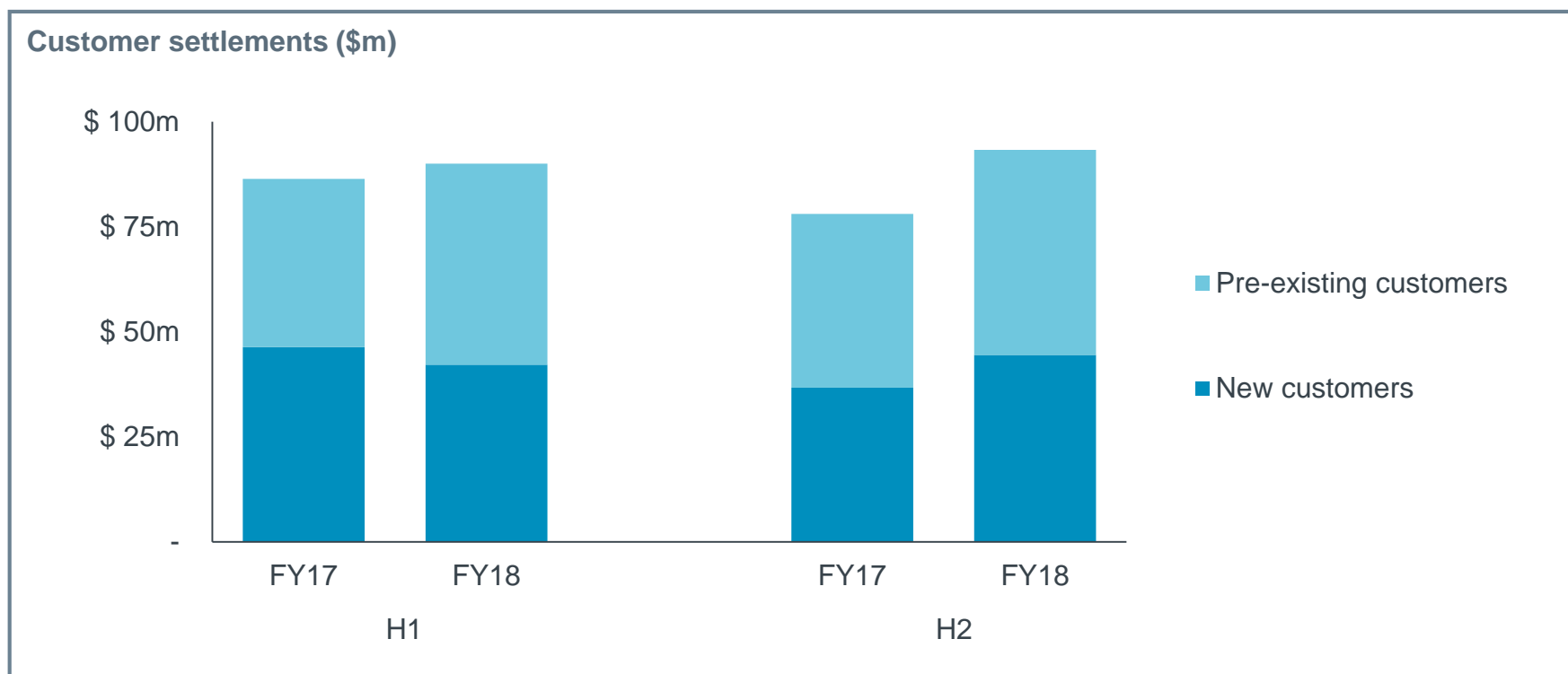
Consumer loan book on accelerating growth trajectory...

Consumer lending book and revenue



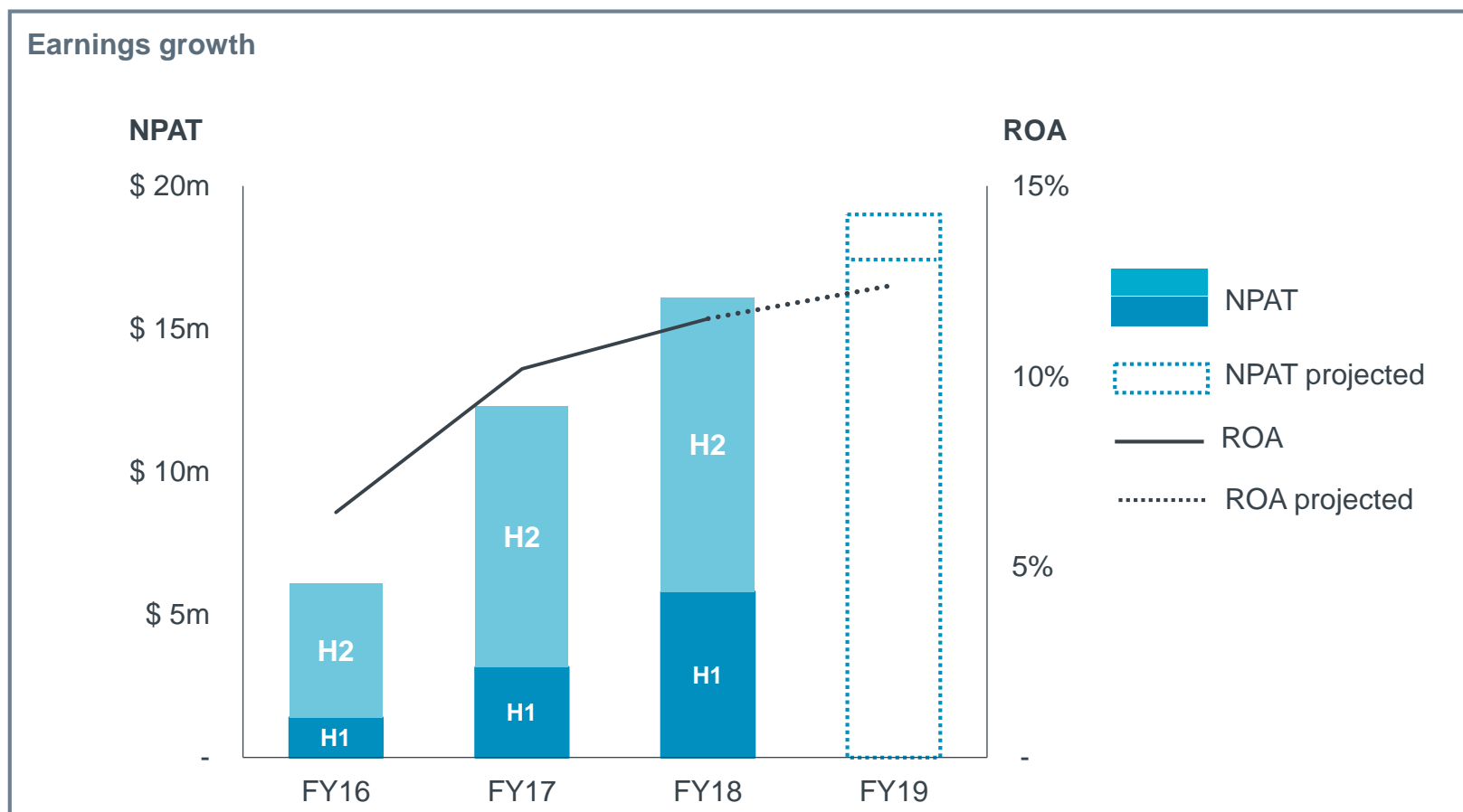
...due to strong customer acquisition and retention...

- Total settlements up by 11% over the prior year
- H2 settlements up by 19% over the pcg
- H2 new customer settlements up by 21% over the pcg



...which is driving impressive earnings growth...

- 31% increase in lending NPAT to \$16.1m in FY18
- On track for strong growth in FY19
- Target returns achieved



...while new lending opportunities emerge

- Changing compliance standards are resulting in tighter rationing of credit
 - Increasing demand in Credit Corp's segment
- Credit Corp's auto lending product pilot showing encouraging results
 - Existing 'vend and lend' product book grew by 20% in FY18 to \$13m
 - Settled \$6.8m of loans during year including \$2.1m in Q4
 - Poised to grow further in FY19



US debt buying economics in line with established competitors...

- US asset turnover comparable to listed competitors despite limited ‘tail’ of collections
- Cost to collect also similar despite the operation still ramping up and up-front expensing of legal costs

US debt buying economics

	Asset turnover ⁴	Cost to collect
CCP	0.7	44.4% ¹
ECPG	0.9	44.2% ²
PRAA	0.8	39.8% ³

1. FY18 CCP US debt buying segment only

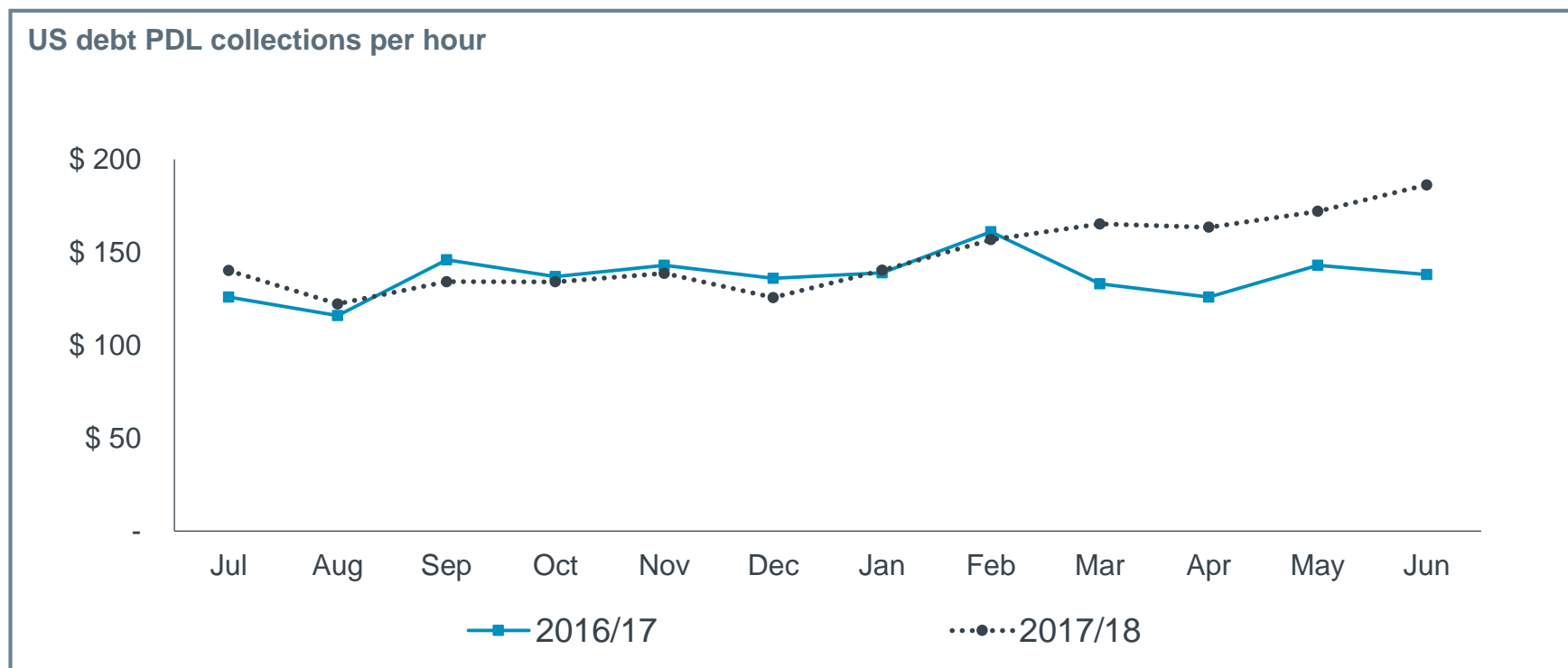
2. Full year 2017 US debt buying segment only. Encore Capital Group (NASDAQ: ECPG) is a US-listed global debt buyer

3. Full year 2017 blended rate (includes US, Europe and Insolvency). Portfolio Recovery Associates Group (NASDAQ: PRAA) is a US-listed global debt buyer

4. Ratio of cash collections from PDLs to average PDL carrying value (CCP: FY18 US debt buying segment only and ECPG / PRAA full year 2017 US debt buying segment only)

...while we continue to focus on growth and improvement...

- New facility opened in June to enable more rapid headcount growth
- Productivity improvement over H2
 - New technology improving contact rates
 - Technology enhancements and skill development driving conversion to paying outcomes



...to capture the market opportunity...

- Strong growth in unsecured credit
- Charge-offs rates increasing to 3.8%
 - Still below long-term historical average of 4.5% - 5.0%
- Pricing remains favourable with recent operator failures preventing excess demand
 - SquareTwo bond default - 2017
 - Mid-tier buyer withdrawing from forward flows - 2018

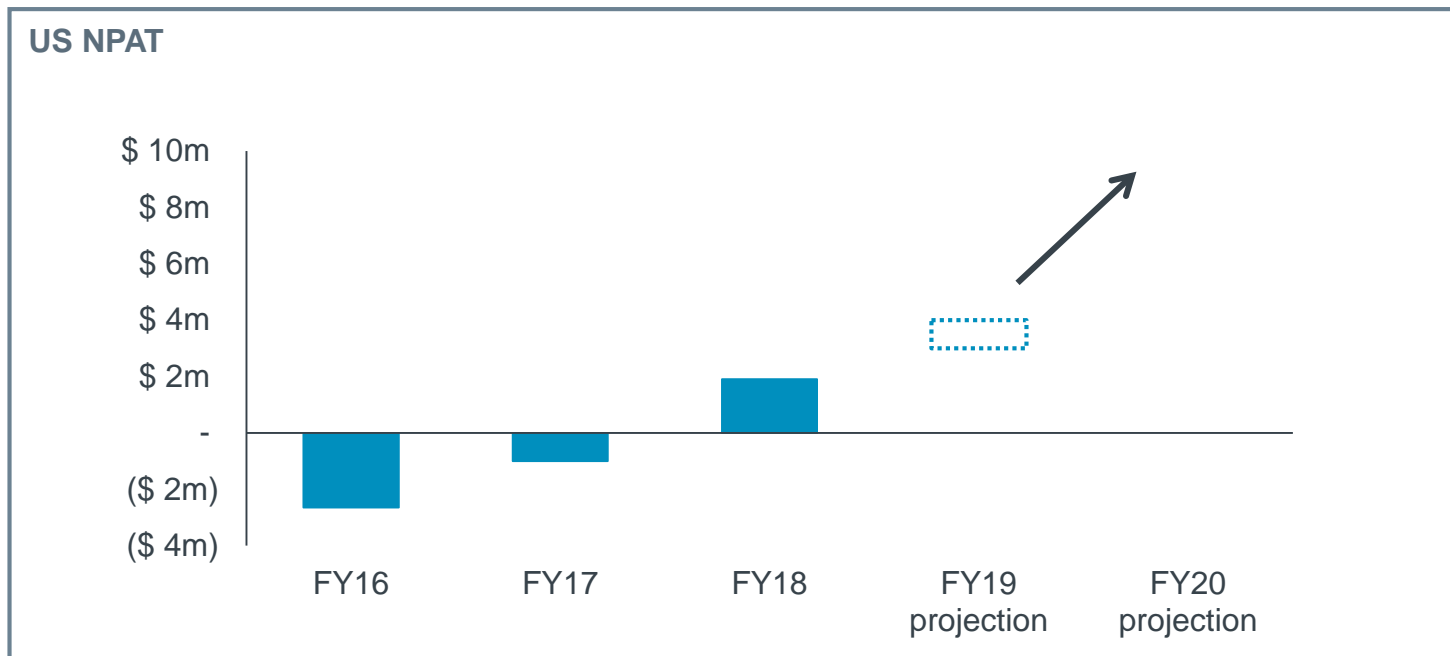


1. Total Revolving Credit Outstanding, Federal Reserve Economic Data (<https://fred.stlouisfed.org/graph/?g=KHD>)

2. Charge-Off Rate on Credit Card Loans, All Commercial Banks, Federal Reserve Economic Data (<https://fred.stlouisfed.org/series/CORCCACBN>)

...and grow profits

- US is now profitable, achieving an NPAT of just under A\$2m in FY18
- Despite planned headcount growth, profitability will increase in FY19
- Profitability to accelerate in FY20 with increased investment and ongoing operational improvement
- Availability of ledgers will not be a constraint
 - Recently added to the bidding panel of a major issuer
 - Still purchasing at minimum lot sizes under existing forward flow contracts



Outlook is for a year of solid earnings growth

FY19 guidance

PDL acquisitions	\$150 - \$170m
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Net lending	\$45 - \$50m
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NPAT	\$67 - \$69m
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EPS (basic)	140 - 144 cents
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DPS	70 - 72 cents
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Questions



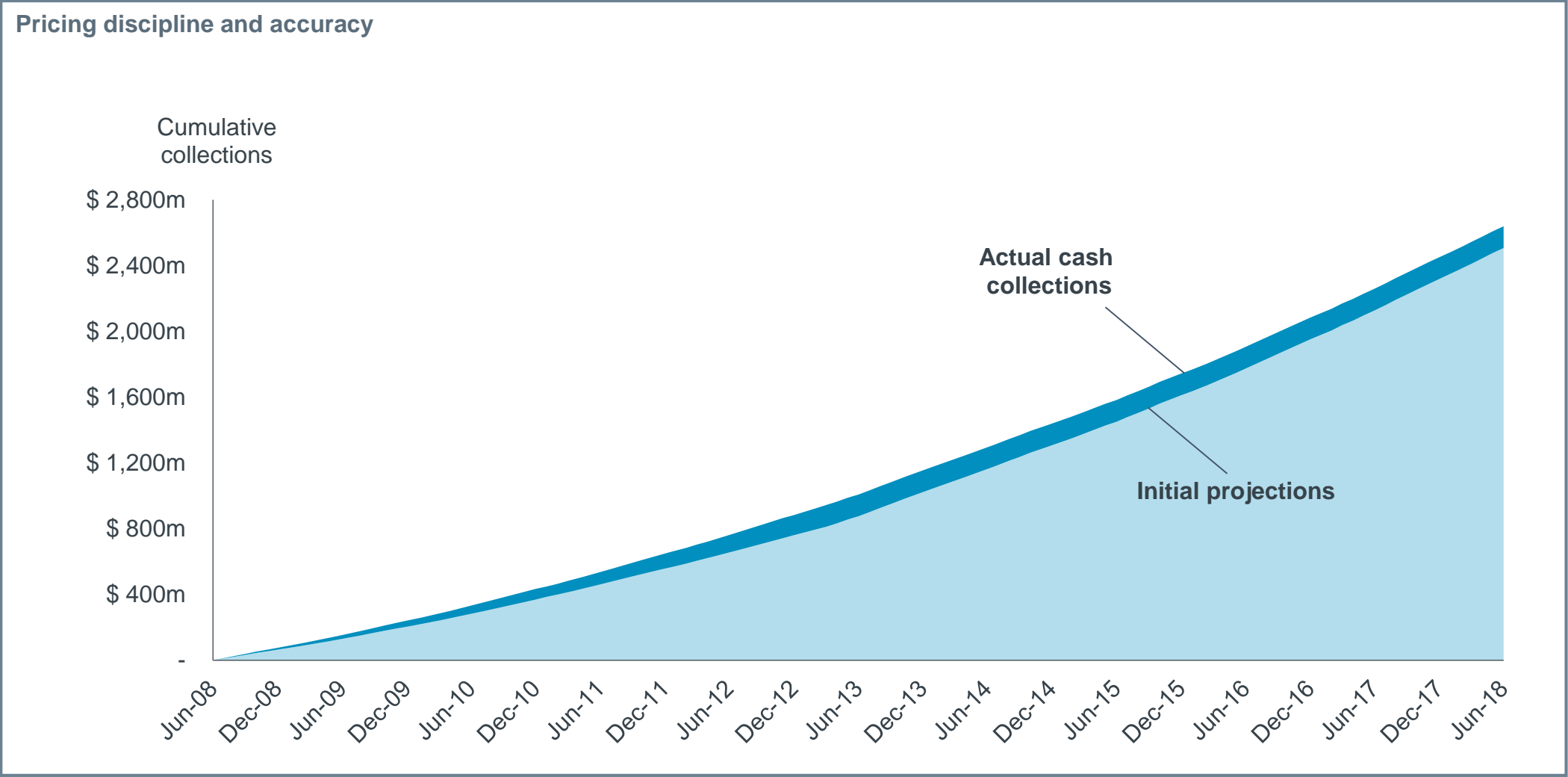
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Appendix | Key operating metrics

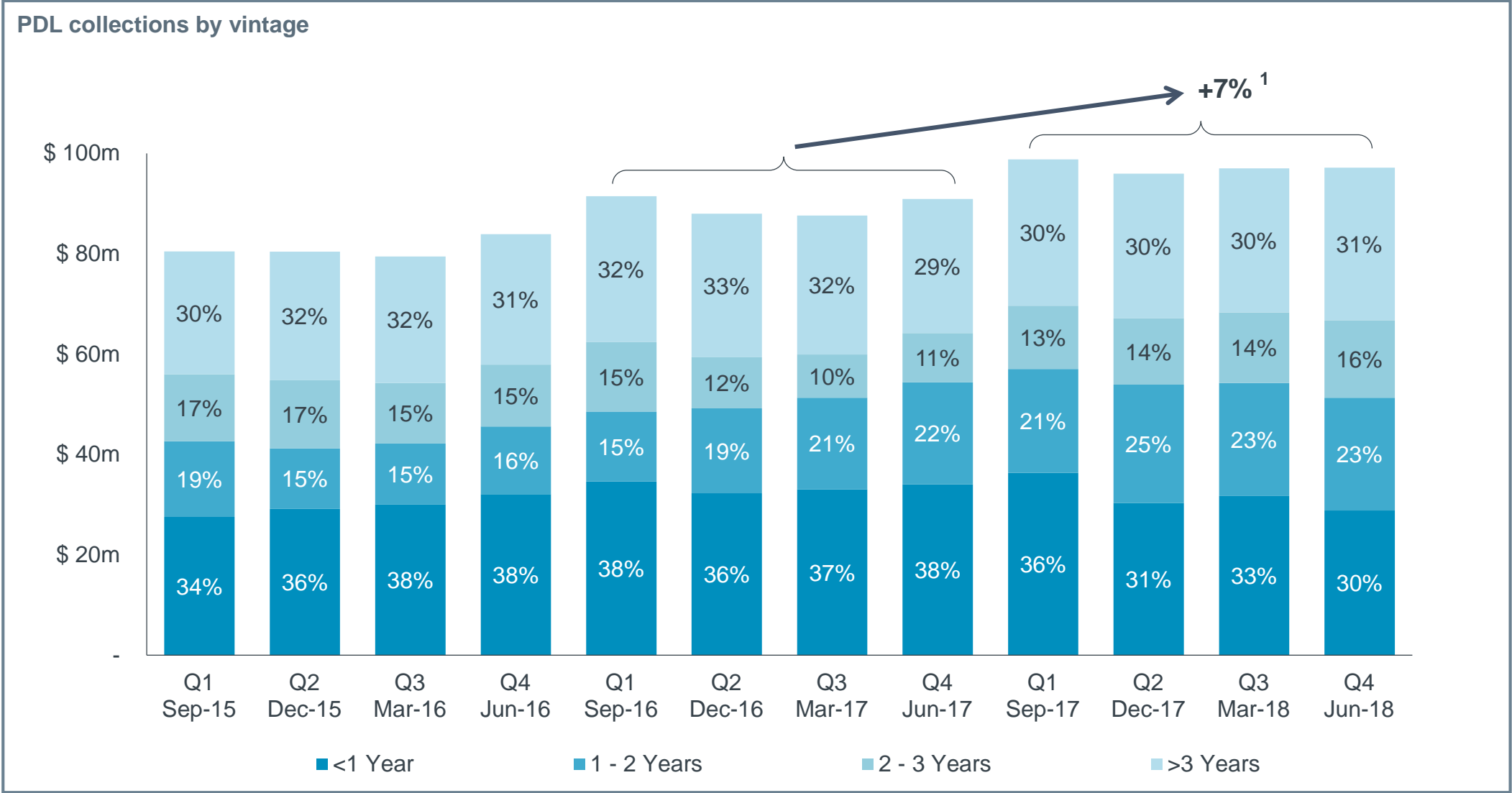
Appendix 1 | Operating cash flows and gearing

Operating cash flows and gearing

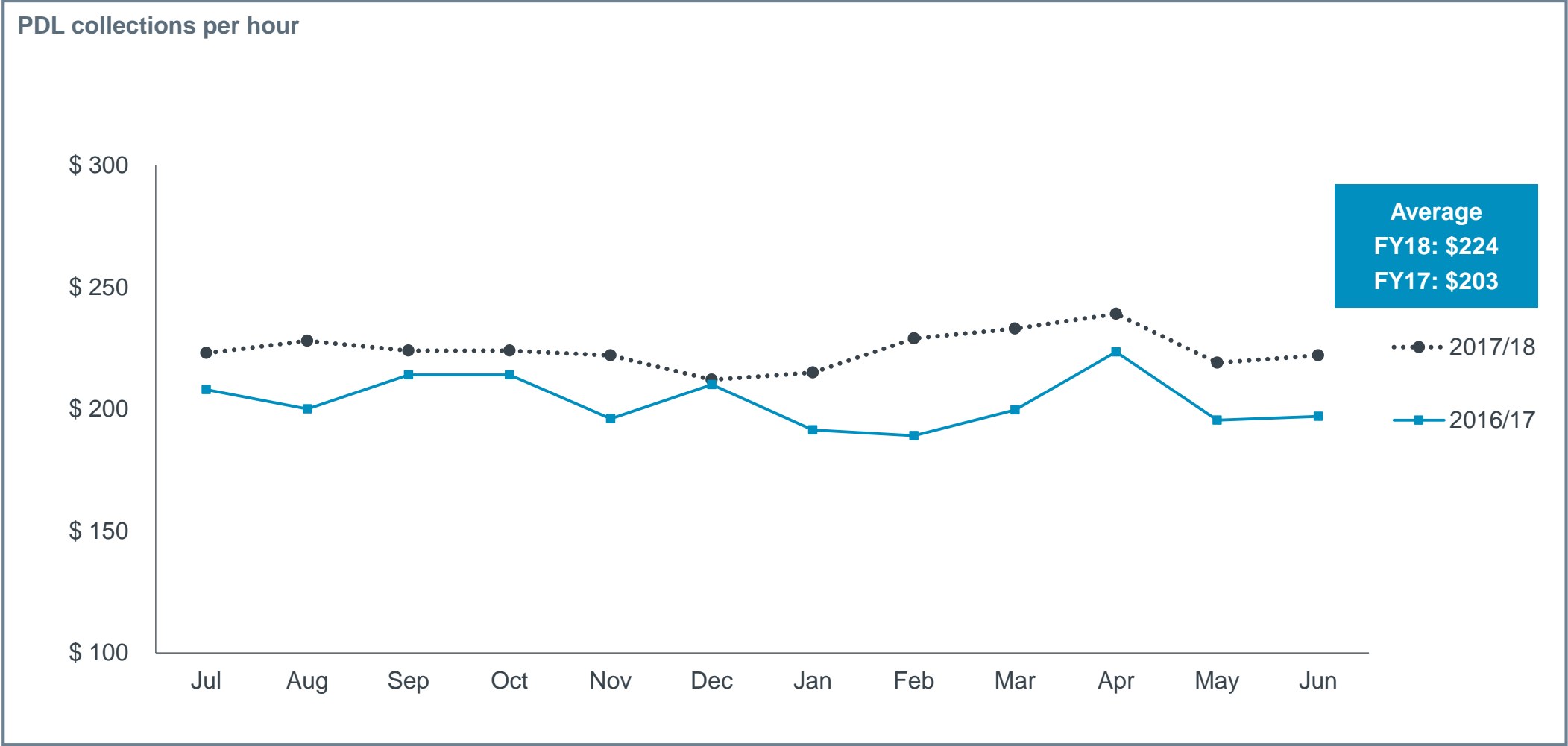
	Jun-18	Dec-17	Jun-17	Dec-16
Pre-tax operating cash flow	\$155.0m	\$150.0m	\$139.6m	\$134.5m
Tax payments	(\$16.8m)	(\$15.8m)	(\$9.3m)	(\$1.4m)
PDL acquisitions, net lending and capex	(\$114.1m)	(\$135.8m)	(\$122.0m)	(\$179.9m)
Net operating (free) cash flow	\$24.1m	(\$1.6m)	\$8.3m	(\$46.8m)
PDL carrying value	\$364.1m	\$361.5m	\$338.4m	\$314.5m
Consumer loans net carrying value	\$148.9m	\$139.8m	\$130.9m	\$125.9m
Net borrowings	\$211.9m	\$219.9m	\$203.5m	\$200.5m
Net borrowings / carrying value (%)	41.3%	43.9%	43.4%	45.5%



* For all PDLs held at June 2008, initial projections represent the forecast at June 2008



1. 7% growth in FY18 vs. FY17



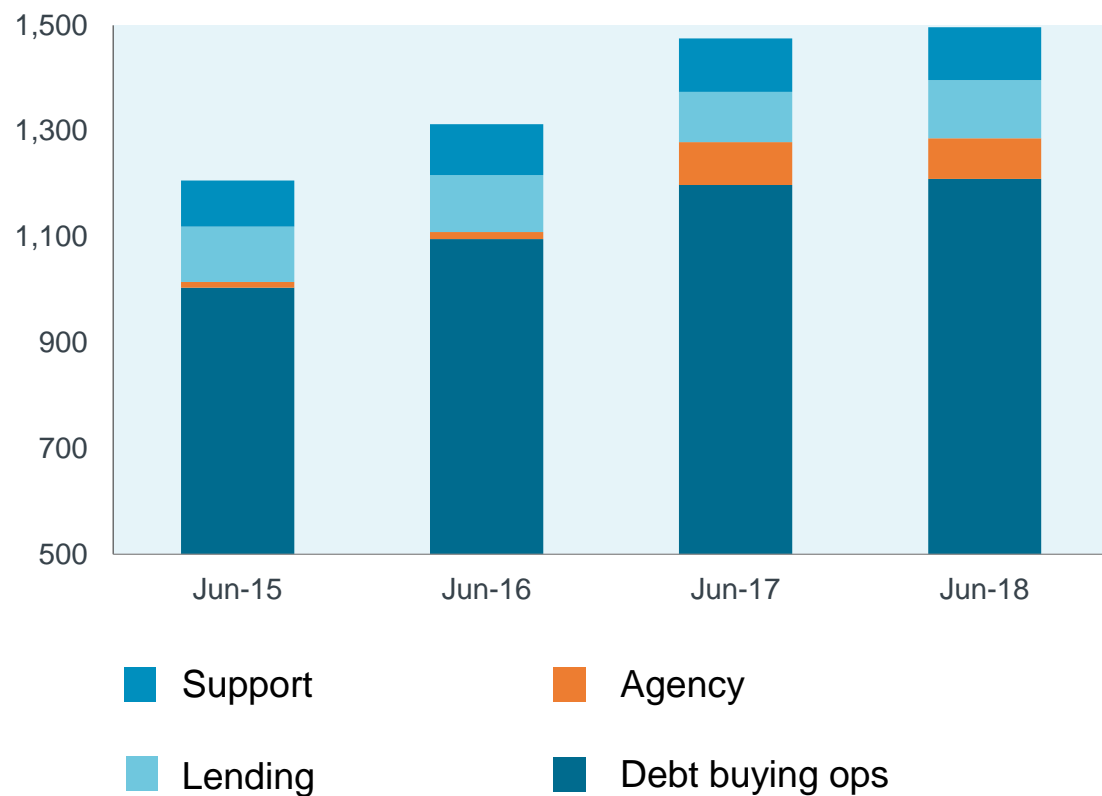
Portfolio summary

Total portfolio	Jun 16	Dec 16	Jun 17	Dec 17	Jun 18
Face value	\$5.3bn	\$5.7bn	\$5.8bn	\$5.9bn	\$6.0bn
Number of accounts	673,000	699,000	716,000	710,000	710,000
Payment arrangements					
Face value	\$1,171m	\$1,235m	\$1,300m	\$1,300m	\$1,300m
Number of accounts	147,000	151,000	157,000	153,000	157,000
% of PDL collections	78%	77%	80%	78%	81%

Aus/NZ debt buying only

Appendix 6 | Operational and total headcount

Period end headcount (FTE)



Period end headcount (FTE)

	Jun 15	Jun 16	Jun 17	Jun 18
Debt buying operations	1,004	1,096	1,198	1,208
Agency	11	13	81*	77
Lending	104	108	95	110
Support	88	96	101	102
Total	1,207	1,313	1,475	1,497
Support %	7%	7%	7%	7%

* Reflects NCML acquisition in September 2016