

Media Release FY2014 Results **Tuesday 5 August 2014**

Highlights

The directors of Credit Corp Group Limited (Credit Corp) are pleased to report strong results for the year to 30 June 2014. Key highlights are as follows:

- 16 per cent growth in underlying Net Profit After Tax (NPAT) to \$34.8 million
- Record Purchased Debt Ledger (PDL) acquisitions of \$145 million
- Continued growth in the consumer lending book to \$63 million
- Expected transition of consumer lending to profitability in FY15

FY2014 Financials

	Versus pcg			Actual	May 2014 Full Year 2014 Guidance
PDL acquisitions	up	6%	to	\$145.2m	\$135 - \$140m
Revenue - underlying ⁽¹⁾	up	26%	to	\$174m	
NPAT - underlying ⁽¹⁾	up	16%	to	\$34.8m	\$34 - \$35m
EPS (basic) - underlying ⁽¹⁾	up	16%	to	75.4 cents	74 - 76 cents
Return on equity	down	1.0pt	to	23.2%	
Dividend (fully franked) ⁽²⁾	up	8%	to	40 cents/share	

(1) pcg comparatives exclude one-off item representing additional Revenue of \$4m, NPAT of \$2m and EPS of 4.6 cents.

(2) Final dividend of 20 cents per share ('cps') fully franked. FY13 dividend of 37 cps included 4 cps for the one-off item.

Performance Commentary

Record levels of core domestic debt purchasing over consecutive years combined with expansion of the consumer lending business to deliver 26 per cent revenue growth.

The result was supported by strong core operating metrics. Collection efficiency remained unchanged from the prior year despite an 11 per cent increase in operational headcount. New purchases are on track to meet ingoing projections and past purchases continue to perform with the total amount collected from PDLs acquired more than 2 years ago increasing over the prior year.

Ongoing collection results will be underpinned by recurring payment arrangements. The face value of accounts on recurring payment arrangements increased by 23 per cent over the year to \$909 million.

Purchasing

Record purchasing of \$145 million was produced by a strong pipeline of forward flow commitments established in the prior year together with a number of unexpected one-off opportunities in the first half.

Adherence to return disciplines in the face of strong pricing competition for PDLs resulted in a reduction in Credit Corp's share of major forward flows. This combined with a reduction in one-off opportunities to produce second half purchases \$28 million lower than the first half.

Consumer Lending

The consumer lending business grew strongly with the gross loan book increasing from \$19 million to \$63 million over the year. Volumes from the 'MoneyStart' instalment loan were supplemented with a secured auto loan branded as 'CarStart' and a small instalment loan product for amounts up to \$2,000 with durations up to 12 months branded as 'ClearCash'. All products are priced well below applicable legislated interest and fee caps and represent ethical and sustainable alternatives for credit-impaired consumers while achieving targeted returns for the company.

Credit Corp's lending targets the same rate of return as its PDL acquisitions. Lending volumes are now offsetting any reduction in PDL purchasing.

The lending business is on track for profitability in 2015 as monthly lending revenues now exceed the up-front life-of-loan loss provisioning on new loans written.

US Operations

Operational performance of the Salt Lake City site has been strong and collection outcomes are in line with pro-forma expectations. While recent evidence suggests that US PDL prices have stabilised, the reduction in supply as credit issuers adjust to the new regulatory environment is yet to reverse. Prices are not expected to fall to levels at which Credit Corp's return targets can be achieved until supply resumes.

Credit Corp will continue to make selective purchases at compromised returns while positioning the US business for upside when prices moderate by gaining admission to further issuer panels and diversifying purchasing.

2015 Outlook

While PDL purchases are not expected to reach the record levels achieved in 2014, the core domestic debt buying business will produce solid earnings growth in 2015. The transition of the consumer lending business to profitability will make a significant contribution to Credit Corp's earnings growth. The US debt purchasing business remains a strategic opportunity with significant potential.

We provide initial guidance for the 2015 financial year in accordance with the following ranges:

	Initial Guidance (August 2014)
PDL acquisitions	\$70 - \$90m
Net lending	\$40 - \$50m
NPAT	\$36 - \$38m
EPS	78 - 83 cents
Dividend per share	39 - 42 cents

This media release should be read in conjunction with the Appendix 4E, Financial Statements and results presentation.

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