



Building momentum

1H'24 Results Presentation

ASX: CCR | 26 February 2024

- **Upgraded guidance**
- **Cash flow and EBITDA positive**
- **Expanding operating leverage**

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All references to dollars, cents or \$ are a reference to Australian currency, unless otherwise stated.

Agenda

1. CEO Update

Andrew Smith



2. Financial Update

Victor Peplow



3. Technology and Strategy Update

Jason Serafino



4. Q&A

1H'24 a pivotal inflection point for Credit Clear

- **Cash flow positive half in 1H'24 generating \$1.6m cash from operations**
- **The Company is now growing sustainably, profitably and generating free cash flow**



Credit Clear delivered record revenue of \$20.03m, up 15% on pcp and tracking ahead of guidance which has been upgraded:

- **FY24 revenue guidance up from \$39m - \$41m to \$40m - \$42m**
- **FY24 Underlying EBITDA¹ guidance up from \$1m - \$2m to in excess of \$3m**

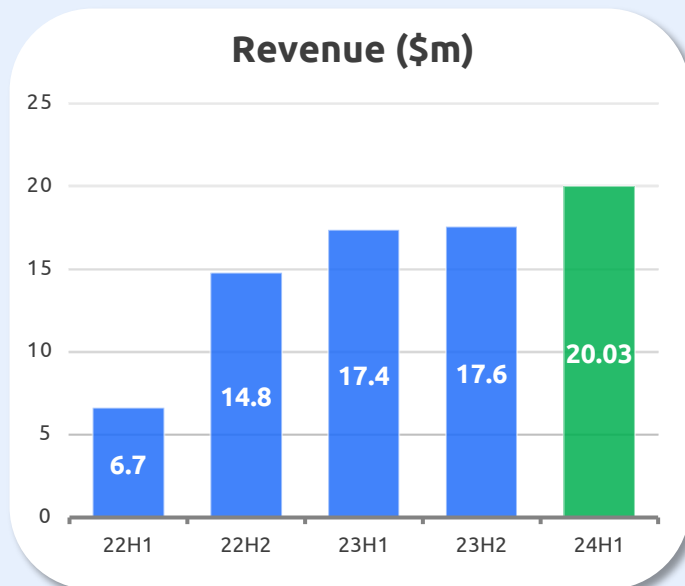
1H'24 – Key Metrics

Growing revenue, improving profitability, cash flow and a strong balance sheet

\$20.03m

1H'24 Revenue

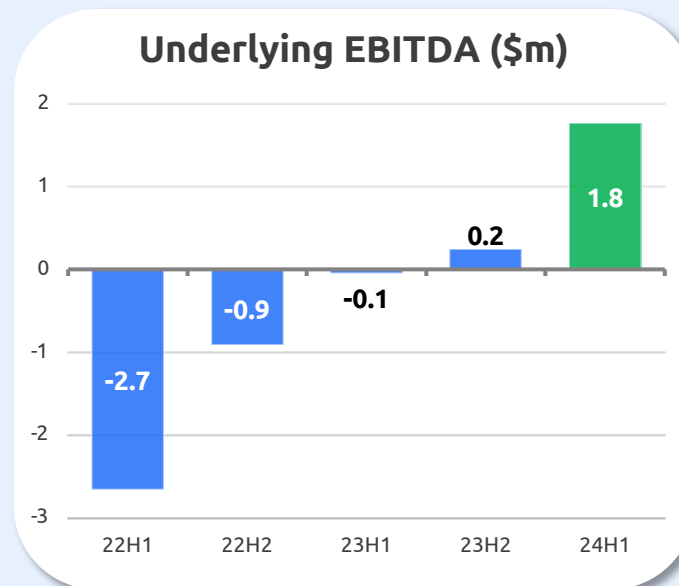
+15% PCP



\$1.8m

Underlying EBITDA¹

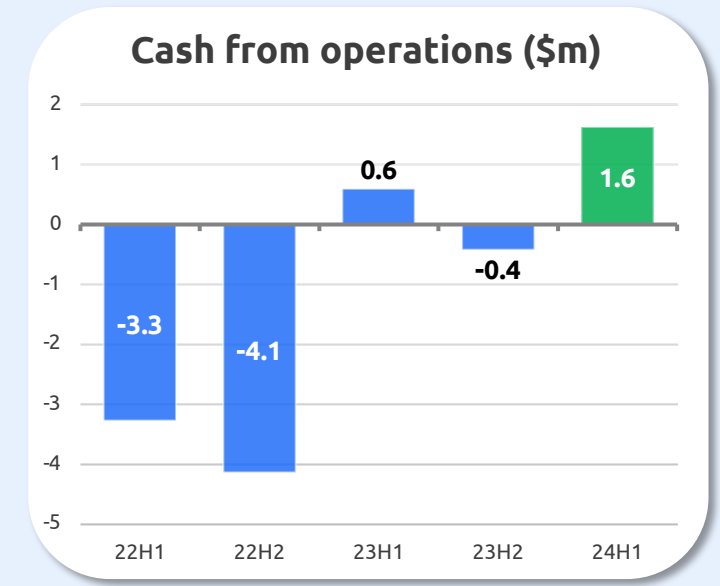
\$1.8m improvement on PCP



\$13.0m

Cash at bank

Funded for growth opportunities

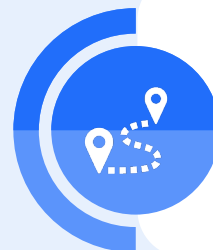


1H'24 – Highlights



\$20.03M

RECORD REVENUE
UP 15% ON PCP



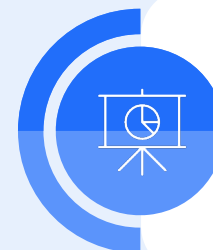
9%

UNDERLYING EBITDA¹
MARGIN TO REVENUE
IMPROVES FROM 0% TO 9%



\$1.0M

STATUTORY EBITDA
A \$5.4M IMPROVEMENT ON PCP



54%

GROSS MARGIN
UP FROM 50% IN 1H'23 DRIVEN BY DIGITAL



\$1.8M

UNDERLYING EBITDA¹
\$1.8M IMPROVEMENT ON PCP



\$1.6M

CASH FROM OPERATIONS
\$13M AT BANK

1H'24 – Underlying vs Statutory EBITDA

	1H'24 \$000's	2H'23 \$000's	1H'23 \$000's	Notes
EBITDA - Underlying Business				
Revenue	20,030	17,577	17,374	Revenue up 15% on pcp (1H'23)
Expenses				
Employee Benefits	(10,417)	(9,876)	(10,675)	Employee benefits down 2% on PCP
Tech Development - OPEX	(1,114)	(1,029)	(1,019)	Continued investment in Tech Dev at same level
Other	(6,728)	(6,426)	(5,731)	Other expenses have increased to support client acquisition and business growth
	(18,259)	(17,331)	(17,425)	Total expenses increase 5% on pcp
EBITDA - Underlying Result¹	1,771	246	(51)	
UNDERLYING EBITDA¹ AS A % OF REVENUE	9%	1%	0%	Operational leverage improved from 0% to 9%
Other Items				
Revenue	154	389	618	Govt employee training grants
Expenses	(129)	(843)	(452)	Legal fees & redundancies. Decreased materially.
Earnnout - ARMA	0	(464)	(2,510)	No further payments due
Share Based Expenses	(822)	13	(1,989)	(non-cash) Employee and director options & share rights
EBITDA (per Statutory Accounts)	974	(659)	(4,384)	
Depn & Amortisation	(3,252)	(3,199)	(2,870)	(non-cash) Mainly ARMA acquisition. Also Tech Dev Capex Amort and ROU office assets
Interest (net)	81	43	29	
Tax	95	(16)	(2)	1H'24 Tax benefit recognised on DRA acquired intangible assets
Net P/(L) - (per Statutory Accounts)	(2,102)	(3,831)	(7,227)	

Notes: 1. Underlying EBITDA excludes share based expenses and non-core items, but includes tech dev opex

In February 2022 Credit Clear, ARMA and Oakbridge Lawyers merged to create an integrated, digitally enabled, end-to-end provider of debt resolution services.



We believed “traditional plus digital” would be a unique and successful proposition...

Since the merger we have:

- ✓ Won **material new clients** including leading insurers, big four banks, large utilities providers, and government bodies
- ✓ Improved our **tender win rate** from ~30% to ~70%
- ✓ Absorbed the upfront cost of **new client acquisitions and onboarding**
- ✓ Integrated the teams and **deployed the technology** within ARMA
- ✓ Clients signed in FY23 have now achieved **76% of our revenue expectations**, and still building
- ✓ Q2'24 revenue was in line with Q1'24, a record revenue quarter, with **growth overcoming December seasonal weakness**
- ✓ We **expected gross margins** to improve, and they have, from 50% in 1H'23 to 54% in 1H'24
- ✓ Our top line revenue is growing off a relatively stable fixed cost base, **operating leverage is expanding**
- ✓ We are still **early in the growth journey**, with significant customer contracts signed that are not yet generating revenue
- ✓ We have a **strong new business pipeline**
- ✓ Economic conditions provide a **favourable tailwind** for our business, with the percentage of customers falling into arrears continuing to rise
- ✓ **And we are upgrading our guidance**

Our strategy...

To transform the debt collection industry
through **technology**, improved
regulatory adherence and a focus on
our client's **customer experience**

...is working

Winning new business
and market share over
competitors

Record 225 new
clients in 1H'24,
up from 182 in
1H'23

Outperforming
competitors on
provider panels

95% success rate
on competitive
panels

Expanding profit
margins and operating
leverage

Gross profit
margin
improved on pcg
from 50 to 54%

Proven ability to
acquire and integrate
collection businesses

DRA immediately
contributes
\$1.2m in revenue
and \$0.3m in
earnings this
year

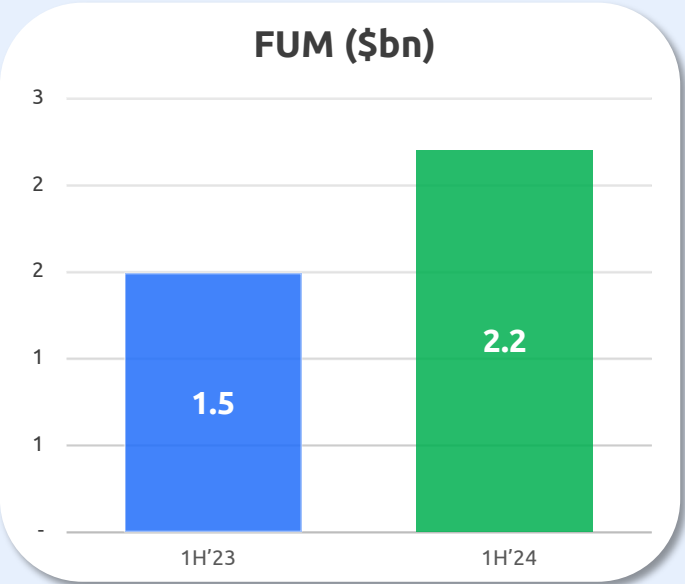
1H'24 – Leading indicators

Referred debt files increasing in value and volume

\$2.2bn

Value of files under management (FUM)

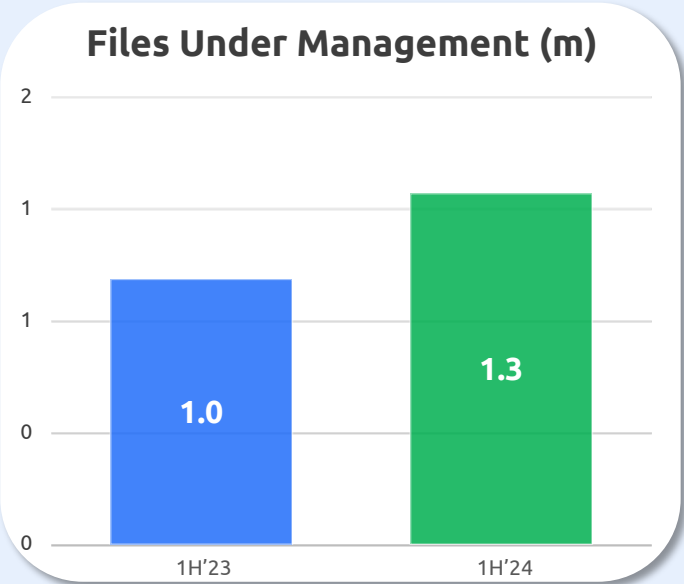
+48% PCP



1.3m

Active files

+32% PCP



225

New clients

+24% PCP



Clients building momentum

Combined end-to-end and integrated offering is unmatched in Australia with SaaS platform and integrated contingent collections resonating strongly with clients providing strong sales momentum



16

**Tier 1 clients¹ in 1H'24,
Increased from 12 to 16**

- **44%** of revenue from tier 1 clients
- **\$1.1m** – average annualised revenue from tier-1 clients in 1H'24
- **\$3.1m** – revenue annualised from largest client in 1H'24

39

Tier 2 clients² in 1H'24

- **18%** of revenue from tier 2 clients
- **\$180k** – average annualised revenue from tier-2 clients in 1H'24
- **\$396k** – revenue annualised from largest tier 2 client in 1H'24

Once integrated and onboarded, revenue from these larger clients is consistent and recurring

Clients already signed building momentum

- **Tier 1 clients already signed**

- 2 not generating any revenue yet (still onboarding)
- 3 are onboarded and beginning to build momentum

The average tier-1 client size in 1H'24 was \$1.1m

- **Tier 2 clients**

- 4 not generating any revenue yet (still onboarding)
- 5 are onboarded and beginning to build momentum

The average tier-2 client size in 1H'24 was \$0.2m

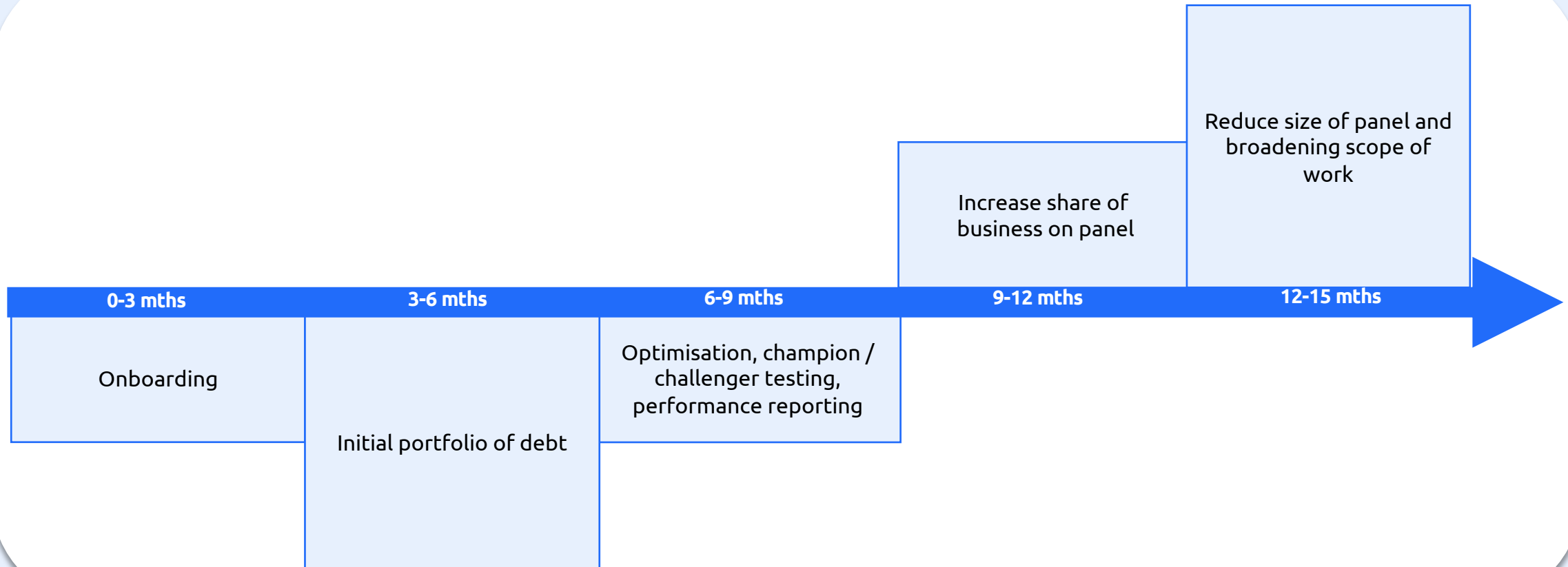
- Expected GP is +50%

- Fixed cost base is relatively stable

Credit Clear delivered record revenue of \$20.03m, up 15% on pcp, tracking ahead of guidance which has been upgraded:

- FY24 revenue guidance up from \$39m - \$41m to **\$40m - \$42m**
- FY24 Underlying EBITDA¹ guidance up from \$1m - \$2m to **in excess of \$3m**

Illustrative client onboarding timeline



FY24 Outlook

Macroeconomic tailwinds

- Economic conditions are supportive with internal and external data suggesting a significant increase in overdue accounts from all time lows pre and during COVID-19
- Australian companies clearly preparing for a deterioration in the economic environment by strengthening their debt resolution capabilities

Organic growth

- Continue to see interest from materially larger clients for the end-to-end hybrid offering
- Continued integration and deployment of technology and SaaS platform across the Company's debt resolution teams is driving performance and gross margin uplift

Guidance

- Strong pipeline with growing list of tenders that we will be actively working through with tier 1 and large tier 2 companies this calendar year
- Strong potential for margin growth on a controlled cost base
- Based on our expectations of our customer base and economic conditions, the Company is upgrading its FY24 revenue guidance from \$39m - \$41m to **\$40m - \$42m**, and its underlying EBITDA¹ guidance from \$1m - \$2m to **in excess of \$3m**



CEO & MD

Andrew Smith

Credit Clear

E: andrew@armagroup.com.au

Investor Relations

Warrick Lace

Credit Clear

e: warrick.lace@creditclear.com.au

m: +61 404 656 408

What sets us apart?

Credit Clear Limited is an integrated and end-to-end provider of debt resolution services



An ASX-listed company that has a commercially proven, AI-driven technology platform that improves debt resolution

Winner of Best AI in Fintech Award (2021, 2022) and a Finalist in 2023



Trusted by thousands of clients, in highly regulated and diverse industries to engage millions of end customers

Have signed several of Australia's largest and most valuable brands as clients



Strong economic tailwinds and industry consolidation has significantly expanded the addressable market

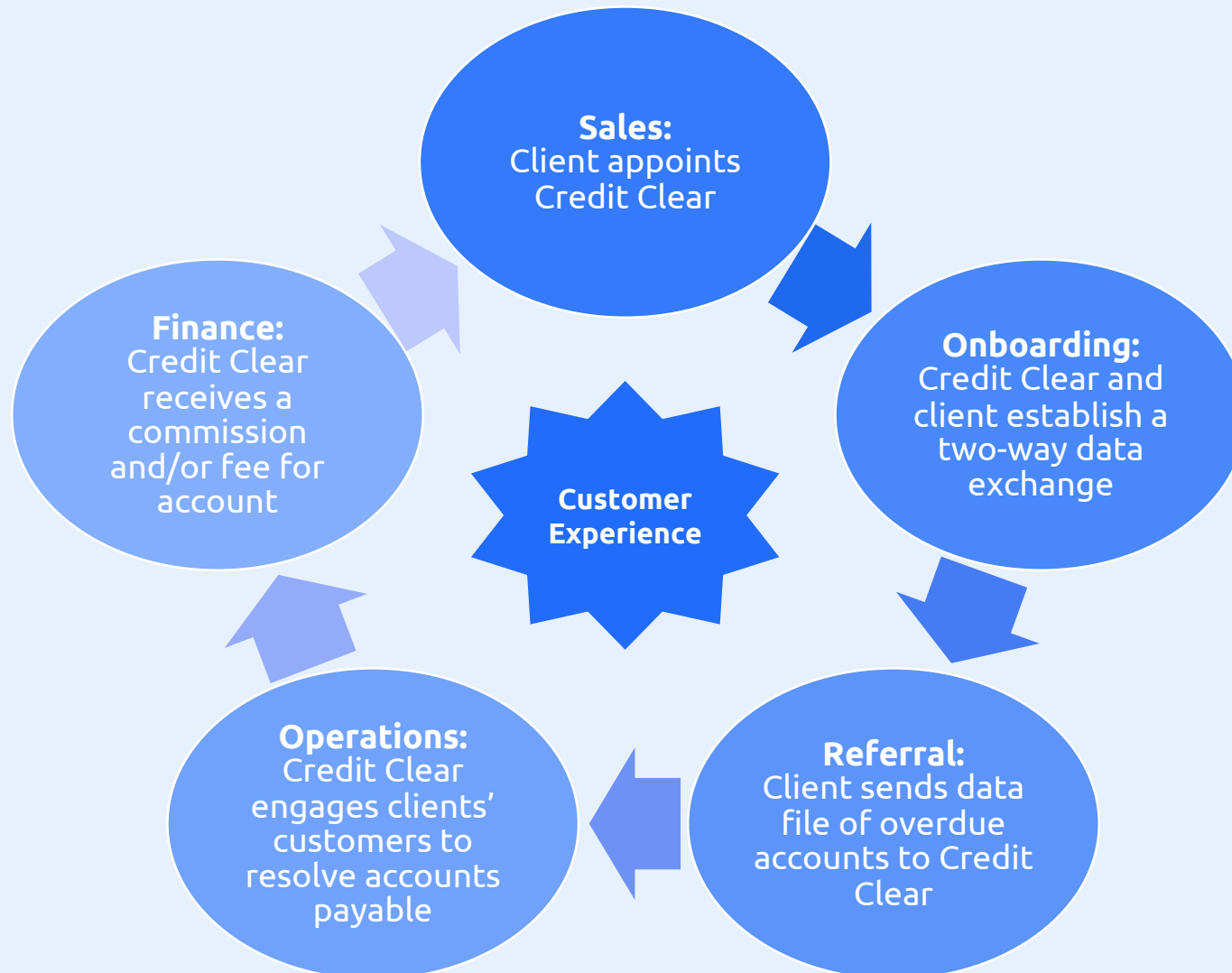
TAM of \$20.8bn under collection in Australia¹



Aligned with rapidly changing customer behaviour that enhances the customer's experience

NPS +41 from 451k responses with a 65% promoter score

Business model



Notes:

1. We do NOT buy debt, we work with our clients to resolve their customers' overdue accounts
2. Our clients include banks, insurers, utility providers and government entities
3. We engage our clients' customers through digital, traditional and legal channels

Economic tailwinds

Deterioration in economic conditions

Household real incomes are not expected to recover to their pre-pandemic levels until 2027, with new data showing Australia's prolonged decline in living standards extended into the second half of 2024.

In the 12 months to September 2023, Australian household incomes slumped 6.1% adjusted for inflation.

Eight consecutive quarters of decline mean Australian real household incomes are back to 2017 levels.

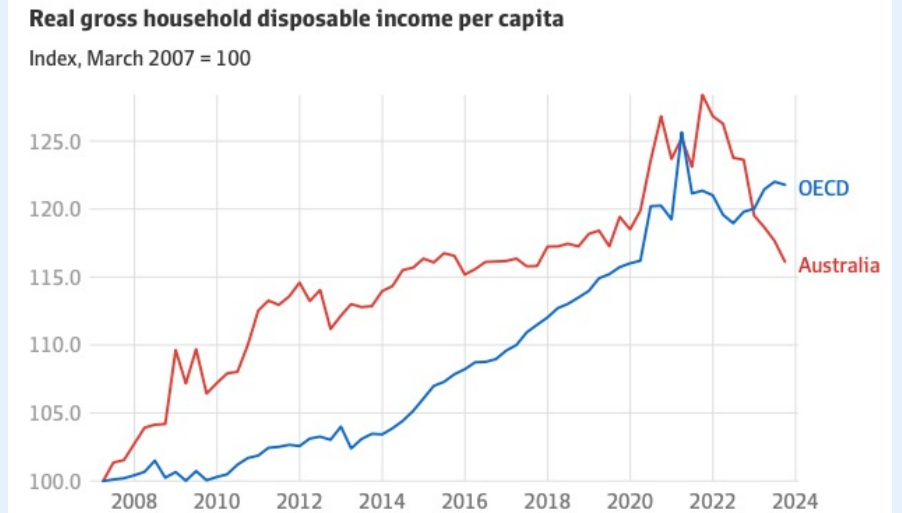


Chart: Michael Read • Source: OECD; Financial Review

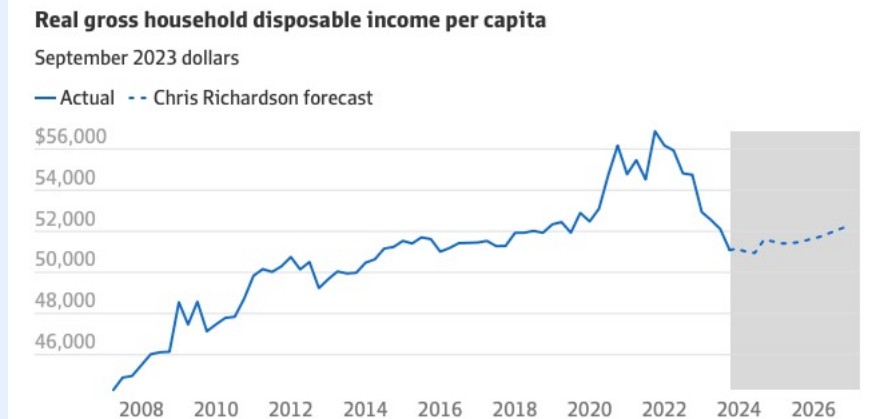


Chart: Michael Read • Source: Australian Bureau of Statistics, Chris Richardson

Large and growing addressable market

- Debt under collections in Australia was ~\$21bn at the end of 2022
- Made up of third-party contingent collections (~40%) and debt purchasers (~60%), with strong trend towards **less debt being sold**
- Does not include debt being worked internally by clients

Fewer competitors

- M&A activity has driven consolidation in the industry and already resulted in new business opportunities with major credit providers