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Credit Clear FY21 Annual Results Webcast Transcript

Australian receivables management solution provider Credit Clear Limited (ASX:CCR) ("Credit Clear" or the "Company") is pleased to release an edited transcript from its FY21 Annual Results Webcast held at 12.00pm (AEST) on 26 August 2021.

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Operator: Thank you for standing by and welcome to the Credit Clear FY21 Annual Results. If you wish to ask a question via the webcast, please enter it into the ask a question box and click submit. I would now like to hand the conference over to Mr. Lewis Romano, Executive Director and Founder. Please go ahead.

Lewis Romano: Thank you, and thanks all for joining us here today. We are really looking forward to sharing with you the growth and success of Credit Clear over the past 12 months, and our first Annual Results as a listed entity on the ASX. We've achieved tremendous growth in all key metrics of the business, and importantly, a 70% increase in revenue from the last financial year. When we started Credit Clear five years ago, our aim was to help consumers deal with debt matters in a better way. We're proud to be able to have infiltrated corporate Australia and government agencies over the past five years, who have adopted Credit Clear and allowed their end users to engage in debt matters in a customer friendly and frictionless manner. So, I'd like to pass on to David, our CEO, and Brenton, the Managing Director of Credit Solutions, to talk through the results in further detail. Thank you.

David Hentschke: Thanks Lewis. As Lewis mentioned, thank you all very much for attending. Credit Clear has had a fantastic first year as a publicly listed company, with record revenue of $11 million, up over 70% on the last financial year. In addition, revenues generated through our digital platform are growing much faster and we're up 147% to a record $3.5 million. This is important since digital revenues generate gross profit margins of over 90% compared to around 60% for traditional letters and calls, which provides considerable margin expansion for Credit Clear.

We've also had a strong focus on converting Credit Solutions' traditional client base to digital, with converted revenues up over thirteen and a half times the last financial year, which Brenton will talk through later. It's certainly worth emphasizing though, how great that deliberate strategy to acquire Credit Solutions has been for the company.

As for clients, we now have over a thousand clients in total, with 82 new clients signed up in FY21, including several blue-chip companies, won on our own digital capabilities alone. We're gaining a lot of interest and starting to win new clients based on our industry leading digital functionality. Potential clients are starting to see our value as a real differentiator in the market, which is important.

We've now sent over 11 million digital communications in FY21, up 164% on FY20, and I can't neglect the metric that continues to amaze me: our net promoter score for our digital app has consistently maintained a score of over 44, with over 60,000 respondents. These respondents are people being chased for overdue payments, taking the extra time to rate their experience with our platform. We certainly believe we're gaining momentum and we're well positioned to drive strong long-term growth.

Over the past year we've successfully executed several initiatives across our three strategic priorities, namely, accelerating core growth, enhancing our digital capabilities and transformational growth. Now let's discuss each of these in more detail. It's certainly worth highlighting, we achieved what we set out to do in October last year when we listed, including rolling out new technology enhancements on our technology roadmap, as well as recently establishing a presence in the UK, where we now have resources on ground assessing the market. We're working really hard on market entry strategies and approaching potential clients with a view that we'll look to establish operations in the UK in the next six to twelve months. We are also looking to enter the large US market at the back end of FY22. The UK and US are massive markets, and we see Credit Clear's future as global. At this stage, we have been approached by organisations international identifying Credit Clear's digital solution as the best in the market. Transformational growth involves looking at local markets for potential value-accretive strategic acquisitions, given success and margin expansion we've gained from the Credit Solutions acquisition in 2019.

Credit Clear is fundamentally changing the way companies engage with their customers.

The modern consumer has so many more financial obligations than consumers ten or twenty years ago, and the expectations on how they like to be engaged are different. However, companies have not really changed their approach over the same period. Twenty years ago, the average consumer would have had a monthly mortgage repayment, a telco bill, a couple of utilities, and maybe a motor vehicle lease coming out of their account every month. The modern consumer has all these in addition to a range of other subscription type services such as gym memberships, streaming services, and even dating apps – which adds up significantly. These are modern day typical consumers juggling their budget, who invariably fall behind and can face legitimate financial hardship. Traditional approaches would include embarrassing and inconvenient phone calls and letters from a debt collection agency, which makes it difficult to establish trust and empathy, and it's certainly not conducive to a long and enduring relationship with a brand.

Credit Clear is changing the relationship between consumers and brands, by making two-way communication experience easy and less awkward, and the whole repayment process frictionless. Modern consumers deserve, and increasingly expect more financial product control and flexibility. This is essentially what we're all about: building great brand loyalty with modern consumers.

We're targeting specific industries and trying to concentrate on a few verticals, but what we're seeing is that the industry is still quite nascent to digital engagement, particularly at the back end of the payments process. Given we're a B2B2C business, acquiring new clients in this traditional, very sticky and conservative back-end space takes a considerable amount of time, coupled with COVID-19 related challenges, and yet Credit Clear still achieved record financial growth this financial year, with great momentum to accelerate forward.

I'd like to now hand over to Brenton, our former CEO and Founder of Credit Solutions, who is now managing that Credit Solutions side of the business.

Brenton Glaister: Thanks David, and welcome everyone. I'll start off by saying that we've had a good year. We've been talking to a lot of companies, and we moved from companies wondering if our digital solution was right for their clients, to companies knowing that it is the right way and embracing it. This is great because in our conversations with corporate Australia, we're all on the same page. The early adopters have helped us, and we're now gaining momentum from those conversations, so much so that in FY21, June was our highest sales month. Historically, June tends to be a quiet month with greater sales in July and August, but we're tracking well July and August will follow in a similar vein.

Currently, we are seeing most of our growth through the states that are not impacted by COVID-19 related restrictions. Queensland, Western Australia and South Australia are giving us massive volumes of debt. We have clients with more than $10 million of files, with probably $20 million to $30 million of files for a single client. New South Wales and Victoria are going through their problems with COVID, holding on to massive amounts of debt, and so much so that major corporations in Australia have not engaged with agencies for around 18 months, and are holding onto ledgers that they certainly will need to release in the near future.

As David alluded to, the success of the Credit Solutions acquisition by Credit Clear, was very successful. We've converted very well, and most of our major Credit Solutions clients have adopted Credit Clear's digital platform. While this is cost effective for us and gives us a great beta testing site for what we can do on an international basis, what it's achieving is an incredible run rate for our clients. We're pitted against our top opposition, which is the top five agencies in Australia, and we are now being seen as the number one provider. These are reports coming from our clients, and it's because we put a lot of money into technology and understanding what our clients are trying to achieve, and the outcomes are certainly coming our way.

Communications in the market has evolved from putting pressure on people to pay via a final notice, intention of summons or a solicitor's letter, to messages like "How can we help you? We're here to help. We want to look after you." This benefits both the client's brand and the consumer because when you want to help someone, you want to show them how they can help themselves and get on top of these matters quite quickly.

Probably one of our biggest wins, from my perspective, was securing the Suncorp contract. Lewis contacted them over a year ago and presented to them. They were interested in our offering, but they also had a larger digital vision that we are helping them with, and I don't think the market quite understands the significance of what we've achieved here.

It's not just sending a couple of messages requesting payments, rather a broader solution for the insurance sector. For example, if a vehicle has collided with another vehicle, there's not a lot of value for the person that's not insured and they're not happy about paying. There's normally a lot of processes involved over a two- or three-month period, and Suncorp are working with us to automate these processes. That's essentially automating communications with the person that's had the accident and the resolution of that matter as well. More importantly, Suncorp sees this as an industry norm and want to promote our technology within the industry because it's better for businesses across the entire insurance market.

If we're able to succeed in doing this in Australia, which I am extremely positive we will, Credit Clear will have a logical product that can be leveraged globally. The administrative expense of dealing with a car accident runs into the hundreds or thousands of dollars, and Credit Clear is working to standardise that process with our digital capabilities. So, I'm very proud of what the Company's achieved with Suncorp.

I really do believe that our sales team are the best in the country. We've signed up companies like Kleenheat, Western Power, Synergy Energy and Water Corp, which covers the majority of the utility collections in WA, and we do that through our digital platform as well. We've got a conference next month with WALGA, which is the WA councils. In South Australia, we have contracts with 59 out of the 68 councils, so we've captured essentially the whole market. The adoption of our services with these councils have also been supported by SA Water, and we're now the sole provider of receivable management services to SA Water. We've also signed with large electricity provider, AGL. So, you can see the impact we're having in areas that have been less affected by restrictions, where we can engage with clients in person.

Two days ago, we signed a contract with the Municipal Association of Victoria, also known as MAV or the Associations for Councils. We have half a dozen councils signed already in Victoria, and there's another 73 that we will be approaching and talking to about our services. The beauty of the MAV contract is that we've been pre-approved for councils, so instead of enduring many tenders and other processes, we've captured the right to fast-track onboarding council clients in Victoria. This has been one of our strategies, and we've implemented it in Western Australia, with WALGA as well.

We had win in Queensland this year; securing the Queensland Health Contract, which is not easy to do. So, in every state in Australia, we've brought on corporate clients, including the states that are under pressure from COVID.

Finally, our front-end has a reputation of being a great service to adapt to. We have companies like Toyota Finance that are looking to use our services at day 11 of an overdue account, which is very early in the piece. Even at the very back-end of the collection cycle, some courts have changed the rules of certain court procedures, so you can serve documents via email, or via Facebook."

These are fantastic opportunities for us because if we can send documents for a motor vehicle accident to a third party in simplicity and allow them to deal with it, we can serve documents in a court process under the same strategies. To give you a better understanding, at the moment it costs us about a $100 to deliver a personalised court document to a consumer. Under our app, it's not even 1% of that. So, there's a big scope of what we're able to achieve.

At this point I'm going to pass it back over to David, because he runs the technology side. Over to you, David.

David Hentschke: Thanks Brenton for that great update. At its core, Credit Clear is a technology company and Credit Solutions has been fantastic in giving us access to clients and introducing them to our digital platform, as well as to test out new features and functions. I'll touch on some of these functionalities now.

Credit Clear is about increasing the engagement between our clients and their customers to initiate an action, whether that be for a repayment, for more information or another call to action, it's about delivering the right message, through the right channel, at the right time. Over the past year, we've expanded our reach through secure digital channels with the rollout of WhatsApp, for example, which provides a much richer experience to the 7 million users in Australia and 2 billion users globally. Now, WhatsApp and other secure channels have a key advantage in that messages are sent from an approved and authenticated client account, which provides another layer of trust for our clients' customers, increasing the chance of them taking action. That's been a great success.

We've also increased our digital payment rates by incorporating Apple Pay, which allows for a single click payment. Now, clients and their customers are whole heartedly embracing Apple Pay, and we've got around 47% of customers with compatible Apple devices are using Apple Pay to make payments. That's huge and that's also above industry average, so that's been terrific. We've also released a whole lot of functionality that gives customers flexibility and control over their repayments – it's about empowering customers by giving them more control over their own finances. This is where the game changer is; our technology has the ability to schedule payments to match your income and commitments, dispute lodgment inquiries, negotiate and make an offer, and hardship management for those in genuine need.

These are enhancements have had particularly been great and helpful for a lot of people during COVID lockdowns. Our clients have really embraced this, and we're leading the pack in this area. NPS was another feature we had late last year, and as I mentioned, it is proving particularly good in validating our platform experience. Clients are now focusing much more on their own internal efforts to improve NPS outcomes, so they are delighted with the experience Credit Clear can provide their customers. Underpinning all the above is a really smart data analytics capability that goes unseen by customers. We introduced some enhanced AI functionality, which optimises the send time, and we're using other behavioural science techniques to improve customer engagement and optimise outcomes for both our clients and their customers.

We have a team of data scientists really focused on leveraging extensive data resources. To put this into context, we've sent over 20 million digital communications and over 45,000 unique treatments, which is why this is an important competitive advantage for Credit Clear. Through data analytics and machine learning techniques, we know better than anyone else, how different customers respond to digital communications,enabling us to better optimise results than any internal team or any potential competitor. So, this is truly a differentiator that we'll continue to invest in to ensure that we'll continue to lead in this area.

I want to now turn our attention to the successful integration of Credit Solutions since we acquired that back in December 2019. Brenton was the founder of this business, and he is now back leading it. Credit Solutions provided Credit Clear a quality customer base and substantial revenue stream. As I mentioned earlier, traditional collections operate around that 60% gross profit margin, however, digital attains a far better operating leverage with gross profit margins over 90%. So prior to acquisition, Credit Solutions produced annual gross profit of around $6.3 million. However, since acquisition, Credit Solutions has been able to convert 75% of their addressable clients to our digital platform, as well as successfully upselling these clients to expanded digital services. This has resulted in a $2.3 million profit uplift to $8.6 million. There's still more to squeeze out of this customer base too, which we'll continue to work on.

We ran a post-acquisition review and analysed the customer base at the time of the acquisition, and we found that only 40% of Credit Solutions' customers had a mobile phone number or email address provided, which restricted the addressable volumes and our ability to convert. Governments and councils just didn't store this information. What we've learned though, is high digital contactability is certainly a key condition to any further acquisitions globally. That being said, it prompted us to innovate, and we've now included a QR code on our traditional paper bills to give our clients' customers direct access to our platform. When they use the QR code, it's exactly the same as if they were to click on an SMS or email link; it takes them straight to our digital platform.

After a successful payment, we also ask those consumers to update their digital contact details, and we've achieved about 30% response rate of people adding digital contact details, which is certainly very good by industry standards and gives us that data now for future contactability. What is particularly attractive for us about the traditional collections market, is that it's ripe for disruption. There's very little technology investment in the area because the priority funding typically goes to acquiring and managing customers at the front end. This provides Credit Clear a first mover advantage to scale with our superior technology due to that considerable under-investment in the back end.

There's also a big opportunity to offer adjacent solutions and expand revenues from each client and as we've seen with Credit Solutions, because these are very sticky, long-term clients, we want to build that long-term relationship. Once we've secured a client, whether that's through hard-fought contract wins or via an acquisition, they typically don't leave, which gives us a great opportunity to implement our digital solutions and capture the efficiencies and margin expansion. Overall, the Credit Solutions acquisition has been a terrific case for us, and we are certainly looking for other appropriate opportunities that offer real value accretion for shareholders.

The real validation comes from our clients and end users, and our NPS is a great way of measuring that. We also virtually never lose a client either, which goes back to the stickiness of our clients and also the great service both Credit Clear Digital and Credit Solutions have. That's because we've actually changed the philosophy of how we're dealing with our end customers. In one particular case study from one of our larger clients, which is a major global brand providing asset finance, their collections rate improved by about 26% since partnering with Credit Clear, which equates to a saving of approximately

$480,000 a year for that client. Over 60% of their customers have been engaging with our actionable digital communications, which is a 200% improvement over traditional methods they were using, and this represents a whopping 333% return on investments for this client. This is what's really exciting about our solution: the ability to deliver demonstrable value, and that's why we are starting to win more and more clients. It does take time to build clients' confidence, and like what Brenton was saying, if you've established that trust already, it's easy to up sell the digital – which is how we've converted 75% of addressable traditional clients within a year.

We have here a really great quote from the head of collections at BMW. This is typical of the feedback we receive: we're cutting edge, our platform makes it easy for their customers, and we have a great team to work with. This isn't unique feedback, we receive this all the time and it's a reflection of the fantastic effort of the whole Credit Clear team.

Moving on, it's worth highlighting the strong 70% revenue growth overall, and the 147% growth in digital revenues, which is generated through our platform. Operating costs have increased significantly, and this is because we've invested heavily in technology resources over the past year to ensure that we can build a world-class platform that can give us a sustainable competitive advantage. This consistent with what we stated in the IPO prospectus, and it certainly has had a direct impact on our operating EBITDA, which was down 7% year on year. The real focus is getting the fundamentals right, building on them and using that as a platform for growth. There were quite a few non-operating costs associated with the listing as well as costs associated with settling an outstanding legal case, which was also declared in the prospectus. We've got a solid cash balance of nearly $11 million, which gives us the capacity to continue to invest in the digital system and business development, both locally and internationally.

To provide a little bit more detail on our year of record growth, we're seeing strong and relatively uniform upward growth in our digital revenue, which we plan to maintain and even to accelerate further, so that's really exciting. As we've added these enhancements to the technology, and as the existing clients gain stronger acceptance of the benefits of our digital platform, we're seeing an acceleration of the conversion from traditional revenues to digital. Digital revenues are increasing as a proportion of total revenues and now account for 32% or total revenues. The last two quarters of traditional to digital revenue conversions are significantly up from the previous ones. Credit Clear achieves considerable margin expansion through these conversions, which really reflects the investments we've made in the platform and the new enhancements, and it validates our acquisition of Credit Solution, late in 2019.

Although we've invested heavily in technology over the past year, revenues have grown at a faster rate than operating expenses, which has resulted in a low operating expense to revenue ratio, compared to FY20. Whilst I don't see us reducing our investment in technology in the foreseeable future, however, the rate of OPEX increase is reducing, whilst we see revenues accelerating, and allowing Credit Clear to capture the operating leveragewhich digital platforms provide. , we will have a strong foundational pathway to positive cash flow. We're working hard in this area and have clear line of sight moving forward.

Moving onto our three-pillar strategy – this is all about how we plan to achieve strong growth and execute on our strategic initiatives to ensure that we're really leveraging the strong foundations we've built.

The first pillar is accelerating core growth. We've managed to increase our client base by targeting a broad range of sectors and increasing our penetration within those sectors, which include utilities, motor vehicles and of course, insurance. Next, we've been able to transform Credit Solutions into a modern, digitally focused company to accelerate top line growth. We are working with Brenton and his team, to digitise the whole end-to-end collections process or as much of it as possible. Brenton and I often say, "Do you imagine letters and phone calls being used for collections in five years, and certainly not in 10 years' time?". They just won't exist. So, the questionis, how do we transform all of Credit Solutions to digital? Obviously through using our Credit Clear technology at the front end, but also digitising a lot of the processes through to late stage collectionsactivities. Accelerating top-line growth and margin expansion is the key. The last point is in optimising client outcomes. This includes providing a slick onboarding process and ensuring customer success through our insights, that is, using experimentation and data analytics to really drive superior customer outcomes. We have a whole Customer Success team focused on working with clients in this area.

Onto the second pillar; enhancing digital capabilities. We'll continue to invest and enhance our technology to maintain and increase our competitive advantage, and I've got some slides to talk about that later.

Lastly, the third strategic pillar, which is transformational growth. This is where we leverage our platform and capabilities into new adjacencies and potentially new markets. As I mentioned previously, we currently have resources on the ground in the UK, helping us to plan an optimal go-to-market strategy. We're analysing all the options, including licensing arrangements and potential strategic acquisitions, and we'll look to do the same in the US in the second half of the year as well.

Onto our final slide, which outlines our product roadmap and investment across several categories. The first one is artificial intelligence and machine learning. This is a real focus area for us, and we see data and advanced analytics as one of our key competitive advantages, and a real differentiator going forward. The value of data grows exponentially as you collect more, so as I mentioned previously, we're ahead of the pack now on data and insights, given our 20 million digital communications. As we grow and capture more market share, it becomes nearly impossible for any competitor to compete at the same level, let alone any internal client team, because we've got a much better database and data insights which is really important.

Secondly, we'll continue to enhance our core product. We continue to add more communications channels and more payment channels as they become available, and continue investing in automating the compliance controls to ensure that all regulatory obligations are controlled within the platform, ensuring the highest levels of security across our products. This is a really big focus. We actually recruited a Chief Security and Risk Officer two or three months ago and he's really making a difference across the organisation to ensure that we are operating at the highest international standards.

Next is our strategy manager product, which is a real game changer. This provides the capability to easily run digital communication experiments to optimise results for our clients, by collecting and analysing empirical data. This module will be coupled with our advanced analytics and machine learning modules, and we'll have the ability to provide really deep insights through its reporting and analytical capabilities. We're really excited about this product and recently went live with a pilot with a large buy-now-pay-later provider.We also have many other clients that are lined up to pilot this product. It's early days, but we've got a clear roadmap over the next 6 to 12 months to develop our technology, which is very exciting for us.

Finally, we have one of our technology squads focused on the insurance vertical. As Brenton mentioned before, through our partnership with Suncorp, the team is developing an end-to-end digital third party at fault payments process. We've already released an early version, which is currently in pilot and producing encouraging results that Suncorp is very pleased with. The solution will eliminate a lot of internal costs and inefficiencies for the client, as well as produce better collections outcomes. We are also ensuring it's an industry solution rather than a bespoke solution for Suncorp, which is really important.

And of course, there's a great quote from Lewis here too. We want to be the most advanced customer engagement and repayments platform, making repayments frictionless. We are getting calls from around the globe saying they've looked at a whole lot of solutions and they see ours as the best so that's really exciting.

That wraps up the formal part of the presentation so then over to Q&A.

Operator: Thank you. If you wish to ask a question, please type it into the "ask a question" box in the bottom right-hand corner of your screen. Your first question today comes from Robert Hubbard. What is the plan for expansion acquisition? Is the plan to target the Australian market first, or is it a combination or international and domestic?

David Hentschke: Thanks for the question Robert. It's a combination where we're working on both in parallel. Good quality strategic acquisitions are certainly on our strategic roadmap, but it is important that they make sense. If it's a traditional debt collection agency for example, we need to ensure they have the appropriate client base, they have to have high levels of digital contactability, and ultimately has to be significantly value accretive for the organisation. We maintain high expectations and are exploring options both domestically and internationally. Acquisitions, as mentioned previously, given the success we've had with Credit Solutions, are certainly high on our agenda.

Operator: Thank you. Your next question comes from David Key. Do you anticipate the COVID situation in Australia will impact collection over coming quarters?

Brenton Glaister: Thanks for the question David. The COVID impact is currently minimal because we don't have a huge range of clients in New South Wales and Victoria. Whilst we have some, they haven't been significantly contributing to our sales for the past 18 months. Therefore, our record performance has actually been achieved primarily based off the states that have largely remained open. There is of course some risk exposure here if the entire country is required to go into lockdown. A lot of our clients are either corporate citizens, major corporate companies or government departments. We note that government departments get very nervous about pushing people for payments at a time when they're giving out incentives for them to stay at work. So, it does have an impact, but what we're finding at the moment is that a significant number of our clients have sat on ledgers for approximately 12 months and now require significant collections, which are placed through our platforms.

We're also seeing a complete open-up naturally in Western Australia and South Australia. We're hitting record sales from primarily trading in these states alone. Therefore, when the country opens up, I expect even more positive trading to flow through. We expect acceleration towards business as usual as vaccination uptake improves in coming months.

One positive of the current operating environment is that we've found that most of our traditional clients are now contemplating a different way of collecting early arrears or even late arrears, that being through digital communications, which neatly aligns with our broader business model.

Operator: Thank you. Your next question comes from Susan Robinson. Given your intention to enter the US market, how does Remitter fit into your business strategy going forward? Have the current lockdowns in Australia and New Zealand impacted your ability to collect on debt?

David Hentschke: Thank you Susan. Regarding the second part of the question, I believe Brenton covered this generally and I note we are seeing similar trends in New Zealand, not that we have a specific presence there at this stage. We have a royalty agreement with Remitter. They're building momentum and growing customer base but are small compared with the US market. The US market can easily accommodate us and them, and many more. Our current arrangement is exclusive to them up until end of June next year. We have clearly expressed that we would like to go there ourselves and compete directly, but as mentioned previously, it is highly unlikely we will come up against each other in the US market. The market is significant so it can easily accommodate us and a number of other operators, but we certainly plan to enter the market ourselves.

Operator: Thank you. Your next question comes from Gavin Arnold. How is the school rollout progressing?

Brenton Glaister:: We have made some early strides with the school rollout but have not completed the rollout in entirety. We have signed approximately 30 schools onto our digital approach of collections. Early feedback suggests the schools can see obvious improvements in recoveries. We have dedicated significant sales resources into insurance, finance, and state government at the moment, but our strategy for schools is a little different. We've revised our strategy to target relationship building with school associations in the first instance, then recommending our services back to the school. Our revised strategy was required given the significant volume of schools and required resources to effectively address this opportunity. COVID has further had an impact. For now, there are some easier and lower, pain-free hanging fruits to pick first.

Operator: Thank you. Your next question comes from David Key. Can you give an update on the top tier insurance clients close to signing and the big four bank that committed to a pilot?

David Hentschke: Thanks David. Regarding the big four bank that committed to a pilot, they warned us it's an 18 month process to get through procurement. They commented that "We don't have resources available to progress to the next level until end of September. Please have patience with us, but note we're absolutely committed to progress because we believe your solutions are fantastic, and we'd like to partner". But as mentioned before, all of our top tier clients appear to have this very arduous procurement processes if one is not a pre-approved supplier. In our experience, that is why sometimes acquiring a top tier client through acquisition can be a favourable and accelerated approach.

Regarding insurance, we've received quite a bit of interest, but again, top tier clients take time. We know that we're competent in our sales approach and expect to sign up other insurance companies in the next period.

Lewis Romano: I'd just like to add to David's comment on the insurance space, we're certainly in the later stages with two top-tier agencies and we expect to be able to discuss these soon, but yes, as David notes, tier-one organisations don't tend to move too quickly across the country and in this space, so we're not looking to make any promises that we can't keep on timing, but we promise to ultimately bring these prospective customers into our portfolio.

Brenton Glaister: I also think it's important to note that we have people within the insurance industry promoting our services to non-users. It took a year for Suncorp to reconnect with Lewis saying, " We want you to participate in a tender", so this is further evidence of the pace in the industry. We are very well known in the insurance sector throughout the country and I believe we are being watched closely by a number of other insurance players interested in how we manage receivables. What we are building is a game changer for the insurance industry that I personally haven't seen in the 30 years I've been in the business.

Operator: Thank you. Your next question comes from Paul Wong. What is your marketing and communication strategy over the next 12 months to promote Credit Clear locally and globally? As I noticed that not many people know about Credit Clear as also reflected in the trading volume, although it is an amazing fin-tech company.

Lewis Romano: Thanks. The plan for marketing, critically, is to saturate corporate Australia and government agencies with awareness of Credit Clear over the coming 12 month period. We have resources on the ground in the BDM space, industry veterans and industry vertical specialists with deep contacts operating across our target sectors. This, all in in conjunction with a much broader digital advertising and digital marketing campaign, due for commencement shortly. We look forward to the measurable ROI of these campaigns and initiatives.

From the campaign that's imminent, I expect the Credit Clear brand to become known further and wider than it currently is. Our operations are now finely tuned and well-oiled, with now being the time for us to efficiently move forward, conquer and continue to convert into FY22.

David Hentschke: To add to that, we're actually recruiting additional resources to head-up marketing communications, but like any fin-tech with limited resources, it is important that we allocate existing resources effectively. In that vein, we've been focusing on product and are now boosting sales teams. We will now start to heavily push marketing and communications as well. It takes time but we're confident that with our current team, we are well placed to move forward on all fronts.

Operator: Thank you. Your next question comes from John Hughes. Would it be reasonable to expect that potential clients in New South Wales and Victoria would see the digital collection platform as a significant advantage in dealing with a large backlog of debt rather than traditional collection methods which have staffing limitations?

Brenton Glaister: Good question, John. I suppose we can reflect on when Western Australia went through their issues relating to COVID. WA had strong ideas about not pursuing consumers for the best part of the year. That came to a head approximately six months ago and we note that we have benefited greatly from that, especially given we were one of two agencies at the time supporting a broad range of government bodies in Western Australia. We were receiving thousands of files per day that cannot be handled easily by any manual team. Digitally however, we are able to allow people to self-cure, revert back to us and advise whether they have a dispute or otherwise, and provide them the ability to do so all on a handheld device.

Sydney's impact will be even bigger. We have an interest in the NSW water utility market as well, and we have tenders in various different sectors within the state. We are aware some NSW based clients have not chased debt for the best part of 18 months so we expect this to result in considerable arrears. A lot of these Sydney consumers are first time debtors and homeowners as well, so we have to have a very clear and sensible way of communicating, which is exactly what Credit Clear prides itself in doing.

We're really looking forward to Sydney and Melbourne being COVID free, or at least better managing COVID in a way that enables us to get back to normal business as soon as possible, because the market share is there for us to capture – we're just waiting for it to come through.

Operator: Thank you. Your next question comes from Jeremy Davis. At previous presentations, you have mentioned the UK as the most likely geography to expand to. Now mentioning the US, what has changed?

David Hentschke: Nothing's changed. Like I said, we have resources on the ground. We have them talking to potential customers about our solutions, and we're working on what the most appropriate market entry strategy is. The UK is probably six months ahead of what we plan to do in the US, so to effectively leverage and achieve the growth we want, we have to progress multiple channels on multiple fronts. That involves focusing on strong growth here in the local market, focusing on the next market, which would be the UK, followed very quickly with the US and potentially others that we're talking to now.

Our platform is also fully transportable, so we can be up and running relatively quickly in other markets. It just comes down to determining the appropriate go to market strategy because we want to absolutely ensure that any new market entry is successful and creates value for all shareholders.

Operator: Thank you. Your next question comes from Matthew Johns. What are the financial goals of the next 12 months? In the past webinars, there was great confidence shown by the management team that the path to profitability was a focus and on track. Today's results have cash spent blown out?

David Hentschke: Not at all. Our results are well in line with what we've planned to do. Our focus was on investment, and that's why we IPO'd. In the prospectus, we advised that we were raising money to invest in technology and that's what we've been doing. We've been recruiting a high-quality team and we've been focusing on ensuring that we have the best platform in market and the best customer engagement platform on the planet. At heart, we see ourselves as a communications platform that just happens to have one of its outcomes being the collection of debts. There are of course other actions that allow us to move further up the channel as well, so we continue to retain our strong focus on investment.

Further, like I mentioned before, the growth in relative cost will reduce. We're not going to reduce it in absolutes per se, but the growth expenditure is expected to be lower than the acceleration in revenues. We're in a strong position and have great momentum to drive and capture increased operational leverage in the near-term. But there are a number of different things happening that prevent us from providing an absolute definition of when breakeven will occur. Whether it will be towards the end of this year, or next year, we're certainly heading in the right direction. To be clear, we're certainly not going to cut expenditure and investment just to get to breakeven. Doing so, could destroy a lot of future value.

Operator: Thank you. Your next question comes from Paul Wong. Hi David. I'm glad to see the momentum and direction of the Credit Clear. Definitely a happy shareholder. I would like to know what should we expect to see in the next 12 months? Alternatively, what does “good” look like to you in 12 months from today?

David Hentschke: Well, good would be 3x revenue and that's what we're looking at but that requires a lot of things to fall in place, and we're not going to get there right now organically given our current stage of development. I'd like to think that we do potentially have one or possibly more acquisitions that would be in our interest but like I said, we have a high bar for acquisition targets.

Operator: Thank you. Your next question comes from Matt P. When do you see the company start to make positive cash flow?

David Hentschke: Potentially this financial year, maybe the next. But it’s important to note that this isn't our key objective. The key objective is top line growth in the first instance. We're working hard to achieve this by ensuring we have a product that allows us to build a moat around ourselves that we know is sustainable and best in class moving forward. If that requires additional expenditure, then noted.

Operator: Thank you. Your next question comes from Andrew Smith. How has the business performed by working from home requirements? Has there been any disruption to your service delivery?

David Hentschke: I can speak from a technology perspective given that was my main focus up until recently. We managed seamlessly. We have a fully agile organisation with an effectively distributed team. We've been able to recruit highly skilled developers remotely and nationally. We've put in place all of the tools to continue to operate effectively in this environment. Each Credit Clear team has multiple virtual stand-ups daily, and we’ve found that our technology teams tend to work more effectively. It has been interesting because some of the more “old-school thinking” companies are forcing employees to operate more traditionally which results in an opportunity for us to recruit talent from these organisations. As such, we’ve been able to recruit some great resources due to our distributed model.

Brenton Glaister: To add, we were very early on the front foot of creating a complete, work from home, scenario for all staff. This enabled us to run a complete remote operation from very early on. We’ve been successful in this regard multiple times in the face of changing restrictions and lockdown requirements.

There has been no disruption whatsoever to our service. And that's what our clients expect given we're a high-profile digital company.

Operator: Thank you. Your next question comes from Paul Wong. Can you please share what are the known risks that might prevent Credit Clear to grow during the COVID environment locally and in the UK/US? How do you overcome this? Does Credit Clear have an alternative way to deploy its solution remotely? Thank you.

David Hentschke: Thanks Paul. Certainly for our trading in international markets, there are some challenges. For example, not being able to get on a plane and meet potential clients and prospective staff does create a few issues and slow the process, but I think, for the most part, a lot of corporates have adapted and embraced a new normal. So all things considered, what we're doing is working well.

Further, given we're cloud based and on Azure, we can set up a portion of our code on an Azure database in the UK or the US and do all monitoring remotely from Australia. The biggest challenge however remains that we need a sales force on the ground, in the respective time zone, which would of course be easier to progress in a normal operating environment. It's also worth noting that the UK and US are beginning to open up out of COVID related restrictions so by the time we're ready dedicate significant investment to these markets, they should be significantly free enough for us to accelerate our plans.

Lewis Romano: And just add to that, we're currently in conversations about deploying our platform through a partnership, or a client style relationship in another continent completely remotely. So we can deploy, as David mentioned, a new instance of the platform on the cloud Azure service remotely, which is tremendous.

Brenton Glaister: And just to elaborate on that a bit further, we have had some key companies in international markets approach us, noting they believe that we are going to be a natural market disruptor in their own countries, saying "We would love to work with you. We've got the client base. Why would you want to go and acquire something over this way, when we're happy to do a special purpose vehicle and promote you and roll out your products into the market with the sales team that we have already."

There are many options for David and the board to consider but almost all are very exciting. When we are sought-out by companies that are significantly larger than ours and have the resources to support us through the onboarding process in their respective countries, you know we're on the right track.

Operator: Thank you. Your final question comes from Susan Robinson. Are you running the AI BNPL pilot with Afterpay?

Lewis Romano: We'd love to tell respond more on this Susan, but unfortunately, we cannot comment at this stage.

Operator: Thank you. There are no further questions at this time. I'll now hand back to David for any closing remarks.

David Hentschke: Well, thanks for joining us today. It's a really exciting time, and I'm very excited about where we've got to with our technology and the platform we've built. We are very well positioned to be able to move quickly. Potential clients are, more and more, starting to understand who we are. We're focusing on target verticals. I think we're at a real inflection point in our growth strategy. So very exciting times.

Operator: That does conclude our conference for today. Thank you for participating. You may now disconnect.

ENDS

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About Credit Clear (www.creditclear.com.au)

Founded in 2015, Credit Clear Limited is an Australian receivables management solution provider that has developed a proprietary digital billing and communication technology platform that helps businesses drive smarter, faster and more innovative financial outcomes by changing the way customers manage their payments through a user experience that the market demands in a digital age.

Credit Clear manages more than 350,000 active customer accounts across a range of industries including transport, financial services, insurance, government, and utilities. The Company is based in Australia with headquarters in Melbourne and offices in Sydney, Brisbane, Adelaide, Perth and Geelong.