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## **FY2019 MARKET UPDATE AND FULLY UNDERWRITTEN INSTITUTIONAL PLACEMENT TO RAISE A\$100 MILLION**

Credit Corp Group (ASX: CCP) (“**Credit Corp**” or the “**Group**”) is today announcing a fully underwritten Institutional Placement (“**Placement**”) to raise approximately A\$100 million and a non-underwritten Share Purchase Plan (“**SPP**”) to retail shareholders in Australia and New Zealand which aims to raise approximately A\$10 million<sup>1</sup> (together, the “**Offer**”). Proceeds from the Offer will enhance the strategic position of the Group, accelerate the execution of the Group’s strategic expansion initiatives and provide the Group with additional balance sheet flexibility.

The Placement issue price of A\$20.45 (“**Issue Price**”) represents a 7.8% discount to the closing price on 29 March 2019 and a 7.3% discount to the 5-day volume weighted average price (“**VWAP**”).

### **FY2019 market update**

Credit Corp is on track to deliver strong earnings growth in FY19 and increased investment and debt capacity positions the Group for further growth.

The core Aus/NZ debt buying operation continues to perform well despite reduced investment in the last two years. Cash collections are tracking close to the record levels of FY2018 and the payment arrangement book has been maintained. Credit Corp has maintained its industry leading compliance and sustainability metrics and is positioned to benefit from a potential market re-balancing.

The consumer lending segment has experienced growth in new customer volumes and settlements of almost 20% relative to FY2018. The loan book is now \$208 million, improving the segment growth outlook in FY20.

US market conditions remain favourable, allowing the US strategy to be accelerated, with investment almost 40% higher relative to FY2018 and headcount now almost 300 FTE. Increased investment and growth in productive capacity improve the medium term outlook for the US debt buying segment.

The FY19 investment guidance in relation to Purchased Debt Ledger (“**PDL**”) acquisitions and net lending has been modestly increased. The Company’s NPAT and EPS (basic) guidance has been re-confirmed (refer to table below).

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<sup>1</sup> Credit Corp reserves the right (in its absolute discretion) to scale-back applications if demand exceeds A\$10 million or to raise a higher amount

Increased investment guidance	Issued guidance Jan 2019	Upgraded guidance Apr 2019
PDL acquisitions	A\$200m - A\$210m	A\$210 - A\$215m
Net lending	A\$50 - A\$55m	A\$55 - A\$60m
NPAT	A\$69 - A\$70m	A\$69 - A\$70m
EPS (basic)	144 - 146 cents	144 - 146 cents

Note: guidance does not reflect the impact of the Offer.

### Rationale for the Offer

The purpose of the Offer is to enhance the strategic position of Credit Corp:

- **Aus/NZ debt buying:** Maximise the opportunity to participate in a potential re-balancing of the Aus/NZ debt buying market should conditions improve. Capital availability to the sector is tightening and there is increasing credit issuer compliance sensitivity. The Offer provides additional financial capacity to enable Credit Corp to benefit from these dynamics.
- **US debt buying:** US market conditions are favourable and represent a substantial opportunity for Credit Corp. The plan is to accelerate growth with a second operational site planned to be opened in Q2 of FY2020 with the existing Salt Lake City, Utah site expected to be filled in Q1 of FY2020. Access to additional capital supports the execution of this accelerated US strategy.
- **Balance sheet flexibility:** Debt buying can be opportunistic and increasing capital headroom maximises Credit Corp's flexibility to respond to market conditions. Following the Offer, gearing will reduce to ~20% and notwithstanding the equity raising, it is expected that the Company will maintain an ROE above the target rate of 16-18%.

Commenting on today's transaction, Credit Corp's CEO, Thomas Beregi, said that: "we are witnessing very favourable market conditions for Credit Corp's business in Australia and the opportunity in the US continues to be increasingly attractive. Today's equity raising provides the Group with the flexibility and liquidity to take advantage of these opportunities, further bolstering the outlook for the business over the medium term".

### Use of proceeds

Proceeds from the Offer will be used to accelerate the execution of the Group's strategic expansion initiatives and strengthen the balance sheet by initially reducing debt to ~20% gearing which is below the stated target range of 25% to 30%. This will provide Credit Corp with increased funding flexibility. Post completion of the Offer, Credit Corp is expected to have significant headroom in committed undrawn debt facilities and a robust balance sheet. This provides additional capacity to pursue its strategic growth initiatives. Credit Corp will remain disciplined in the execution of its investment strategy.

### Underwritten institutional placement

Credit Corp is today undertaking a fully underwritten Placement to raise approximately A\$100 million which will be offered to professional and institutional investors<sup>2</sup>. The issue price for the placement is A\$20.45 which represents:

<sup>2</sup> Refer to the equity raising and underwriting risk detailed on page 30 of the Investor Presentation for further information on the risks associated with the Placement.

- 7.8% discount to the last closing price on 29 March 2019
- 7.3% discount to the 5 day VWAP of A\$22.06 on 29 March 2019

It is expected that Credit Corp shares will remain in trading halt until Tuesday, 2<sup>nd</sup> April 2019 while the Placement is conducted, or until such time that Credit Corp announces the expiry of the trading halt to the ASX. Settlement of the new shares issued under the Placement is expected to occur on Thursday, 4<sup>th</sup> April 2019, with allotment and normal trading of the new shares issued under the placement expected on Friday, 5<sup>th</sup> April 2019.

The Placement will be made using Credit Corp's existing placement capacity under ASX Listing Rule 7.1 and shareholder approval is not required for the Offer. New shares issued under the Placement will rank pari passu with existing shares of Credit Corp from their date of issue.

The Placement is fully underwritten by J.P. Morgan Securities Australia Limited.

### **Non-underwritten SPP**

In addition to the Placement, Credit Corp will offer eligible existing shareholders on Credit Corp's register at 7:00pm on Friday, 29<sup>th</sup> March 2019, with registered addresses in Australia and New Zealand, the opportunity to apply for new Credit Corp shares through a non-underwritten SPP, without paying brokerage fees.

The SPP aims to raise approximately A\$10 million and is not underwritten. Credit Corp reserves the right (in its absolute discretion) to scale-back applications if demand exceeds A\$10 million or to raise a higher amount.

The application for new shares under the SPP will be capped at a maximum of A\$15,000 per eligible shareholder. The SPP offer period will be open from Wednesday, 10<sup>th</sup> April 2019 to 5:00pm on Friday, 3<sup>rd</sup> May 2019. Credit Corp reserves the right (in its absolute discretion) to amend these dates. Shares issued under the SPP will rank equally with existing shares of Credit Corp from their date of issue.

The issue price under the SPP will be the lower of (a) the Placement issue price; and (b) the volume weighted average price ("**VWAP**") of Credit Corp shares traded on the ASX over a 5 trading day period ending on the close of the SPP offer period (Friday, 3<sup>rd</sup> May 2019) less a 2.5% discount.

The terms and conditions of the SPP will be set out in the SPP Offer Booklet, which will be lodged with the ASX and sent to eligible shareholders in due course. Participation in the SPP is optional and Credit Corp reserves the right (in its absolute discretion) to scale back any applications under the SPP if demand exceeds A\$10 million or to raise a higher amount.

## Indicative timetable

Event	Date <sup>3</sup>
Record date for SPP	7pm, Friday, 29 March
Trading halt and announcement of the Placement	Monday, 1 April
Placement executed	Monday, 1 April
Announcement of the outcome of the Placement	Tuesday, 2 April
Trading halt lifted and trading of Shares recommences on the ASX	Tuesday, 2 April
Settlement of Shares under the Placement	Thursday, 4 April
Allotment and normal trading of Shares issued under the Placement	Friday, 5 April
SPP offer opens and booklet is dispatched	Wednesday, 10 April
SPP offer closes	5.00pm Sydney time, Friday, 3 May
Announcement of results of the SPP	Tuesday, 7 May
SPP allotment date and normal trading of new Shares issued under the SPP	Friday, 10 May
Dispatch of holding statements of holding statements in respect of new shares issued under the SPP	Monday, 13 May

### Additional information

Further details of the market update and the Offer are set out in the Investor Presentation which has also been provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the placement.

Nothing in this announcement constitutes investment, legal, tax or other advice. You should seek appropriate professional advice before making any investment decision.

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<sup>3</sup> All dates and times are indicative only and subject to change – unless otherwise specified, all times and dates refer to Sydney time

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