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Credit Corp acquires Baycorp and increases 2020 guidance

Credit Corp Group Limited (Credit Corp) announces today that it has acquired Baycorp Holdings Pty Limited and its associated entities (collectively Baycorp) from Encore Capital Group (NASDAQ: ECPG) for a total net consideration of approximately A\$65 million.

Baycorp is a large and well-established debt purchasing and debt collection operator across Australia and New Zealand. Its assets comprise a sizeable purchased debt ledger (PDL) book, a PDL collection platform and agency collection businesses in Australia and New Zealand.

Some integration of the acquired businesses will be required in to order to deliver pro-forma returns. The PDL collection platform will be promptly merged with Credit Corp's existing Australian and New Zealand debt buying business. The New Zealand agency business will be preserved and enhanced. The Australian agency operation will be progressively restructured to ensure that it operates sustainably.

Mr Thomas Beregi, CEO of Credit Corp, commented that the acquisition provided both an attractive secondary PDL book acquisition and the opportunity to create a large and successful agency business. "We expect to achieve our targeted investment return on the PDL component of the transaction and see opportunity to scale up our existing agency activities" he said.

Baycorp's New Zealand agency business enjoys a strong reputation and an impressive position in the market. Mr Beregi acknowledged the quality of the business and identified the strategic benefit of acquiring a physical presence in the market. "Entry into the New Zealand agency market by acquiring a leading operator will enable us to broaden our client relationships and put us in a better position to grow our debt buying market share" he said.

Revised 2020 guidance

The acquisition significantly improves Credit Corp's current year earnings outlook. It will produce earnings growth in the core Australian and New Zealand debt buying business to complement strong growth from the company's US debt buying and consumer lending segments. Revised earnings guidance for 2020 is for growth in Net Profit after Tax (NPAT) over the prior year of 15% to 18%.

The Baycorp acquisition increases PDL investment guidance to the range of \$300 - \$320 million.

The transaction has been funded entirely from Credit Corp's committed and undrawn bank debt facility. After the acquisition, the company still maintains debt headroom of \$165 million, with gearing equal to just 30% of the carrying value of financial assets. This will enable Credit Corp to secure other sizeable one-off opportunities as they arise and make ongoing investment at an elevated level.

Revised 2020 guidance is summarised as follows:

	Revised Guidance (August 2019)	Initial Guidance (July 2019)
PDL acquisitions	\$300 - \$320m	\$220 - \$240m
Net lending volumes	\$60 - \$65m	\$60 - \$65m
NPAT	\$81 - \$83m	\$75 - \$77m
EPS	149 - 151 cents	138 - 140 cents

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