



Credit Corp Group

# FY2021 Performance Update

Thomas Beregi CEO  
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# Continued Leadership in the credit-impaired consumer segment...

## ANALYTICS & DISCIPLINE

### Australian / NZ debt buying

- Largest database
- History of pricing accuracy
- Purchasing levels vary inversely with market pricing

### USA debt buying

- Adapted knowledge to US environment
- Large market opportunity
- Diversified purchasing across major sellers

### Australian / NZ lending

- Leverage knowledge of consumer
- Up-front loss provisioning
- Analytical monitoring
- Unique statistical underwriting

## OPERATIONAL EXCELLENCE

- Highest asset turnover <sup>1</sup>
- Lowest cost to collect <sup>2</sup>
- High performing on-shore and off-shore platforms
- Leading technology and use of data

- Significant growth in productive capacity with opening of second site
- Emphasis on payment arrangements and a lower proportion of litigated outcomes

- Automated decisioning
- Collection strength
- Unmatched efficiency

## SUSTAINABILITY & COMPLIANCE

- No adverse orders or undertakings
- Low dispute rate
- \$1.4Bn in ongoing repayment arrangements

- Low regulator complaint rate
- Strong client audit outcomes

- APRs below cap applicable to mainstream credit
- Regulatory upside - no 'payday loans'
- Superior pricing disrupting the market

### Target

Long-term growth

ROE 16% - 18%

Low gearing

1.FY2021 ratio of cash collections from PDLs to average PDL carrying value in Australian Debt Ledger Purchasing segment of 1.3x  
2.FY2021 ratio of cash costs of the Australian Debt Ledger Purchasing segment to collections of 37%

# ...producing solid debt buying operational metrics...

- ➔ Collections on track
  - Strong first quarter
  - AUS/NZ tracking to guidance expectation with step-down in October in-line with reductions in government and private sector support
  - US ahead of expectation despite expiry of key support measure in July (federal unemployment supplement)
- Operational effectiveness and capacity intact
  - Continued rotation between home and office working
  - Increased office presence for management and supervisory staff
  - Recruitment underway to offset turnover

## AUS/NZ debt buying



	Q1 FY2021	Δ Q1 2020 <sup>1</sup>
<b>Collections</b>	\$100m	4%
<b>Productivity</b>	\$316 per hour	5%
<b>Operations headcount <sup>2</sup></b>	916	2%
<b>Payers book <sup>2</sup></b>	\$1,373m	5%

## US debt buying



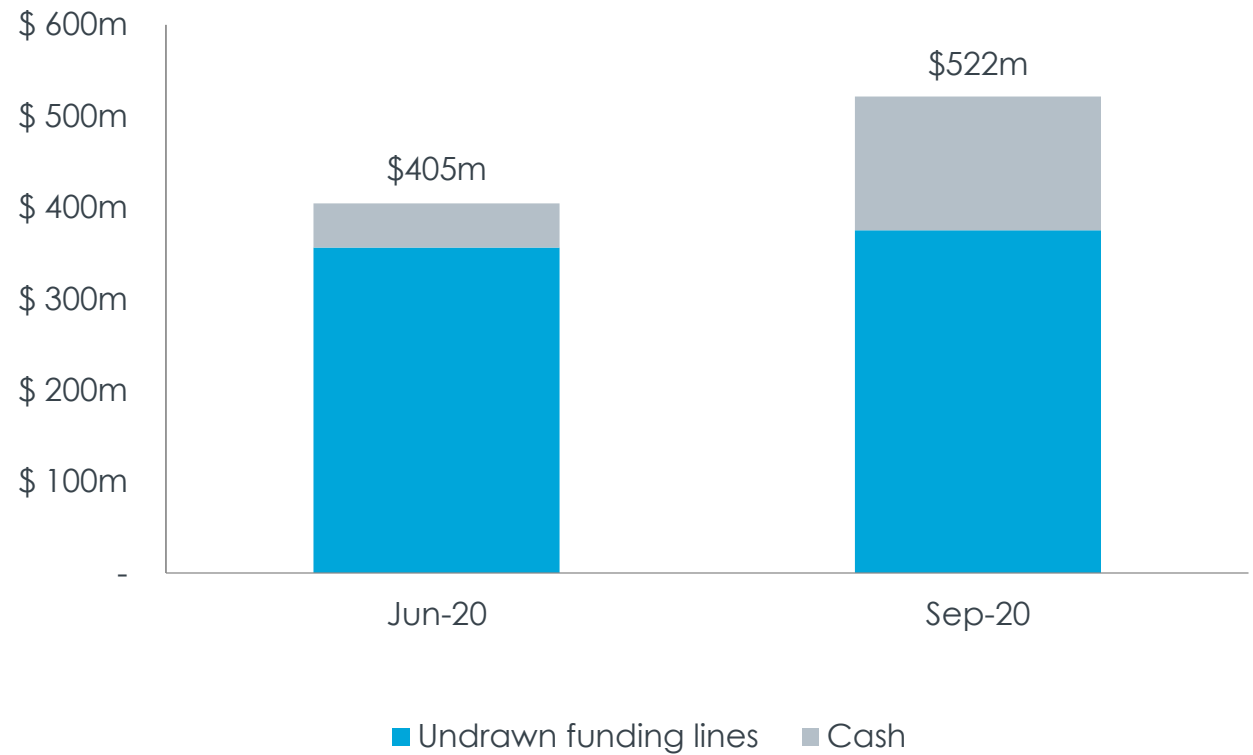
	Q1 FY2021	Δ Q1 2020
<b>Collections</b>	\$36m	34%
<b>Productivity</b>	\$247 per hour	20%
<b>Operations headcount <sup>2</sup></b>	365	(7%)
<b>Payers book <sup>2</sup></b>	\$235m	28%

1. Adjusted for impact of Baycorp acquisition in August 2019

2. September 2020

# ...and strong cash flow to deploy as opportunities arise

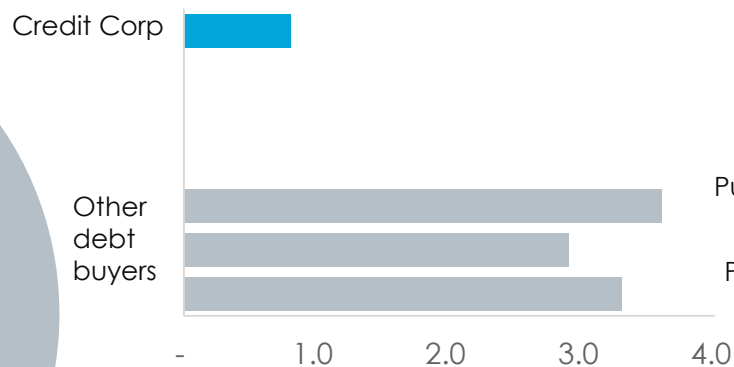
- Enhanced ability to meet client needs as charge-off volumes rise
- Capital to secure potential one-off opportunities



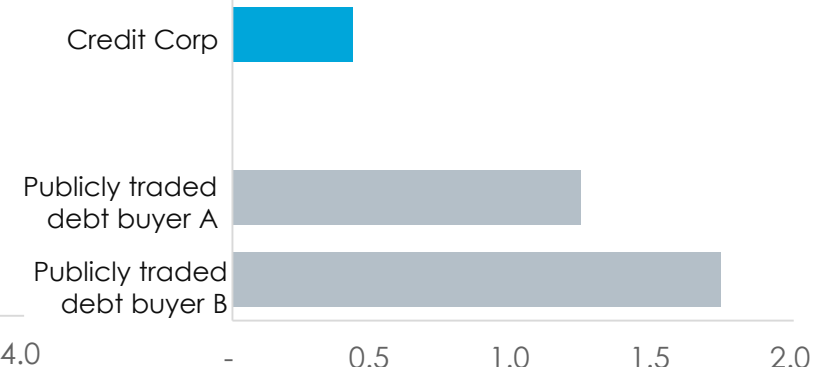
# Industry leading compliance metrics...

- Continued industry leadership
  - Lowest EDR rate in AU and low US dispute rate
  - Highest rating from consumer stakeholders
  - No regulatory actions
- Leading approach to hardship supplemented with additional COVID measures
- Compliance and sustainable practices are increasingly important to debt sale clients

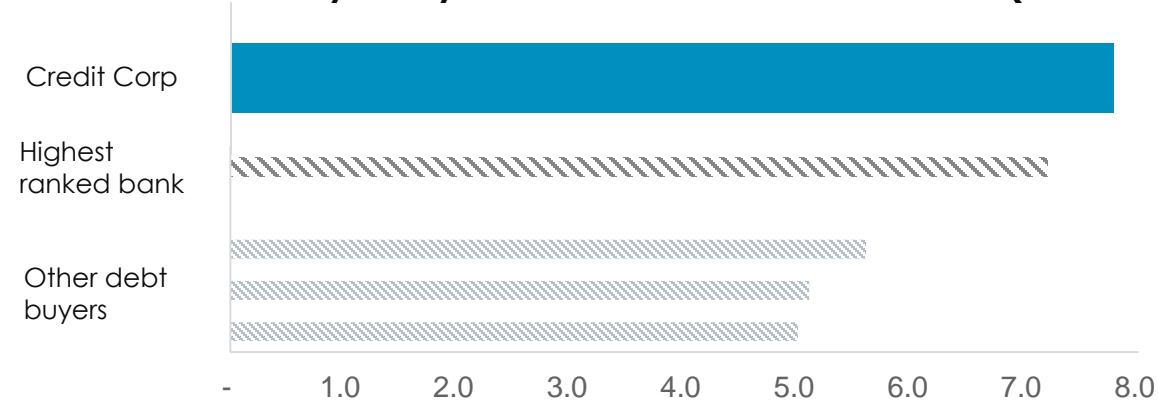
**FY2020 AU EDR Rate <sup>1</sup>**



**12 months to Jun-20 US Dispute Rate <sup>2</sup>**



**Rating of banks & debt buyers by financial counsellors in 2019 <sup>3</sup> (score out of 10)**



1. No. of complaints reported by External Dispute Resolution (EDR) provider (The Australian Financial Complaints Authority) for the 12 month period to Jun-2020 divided by total annual PDL collections expressed in millions of dollars.

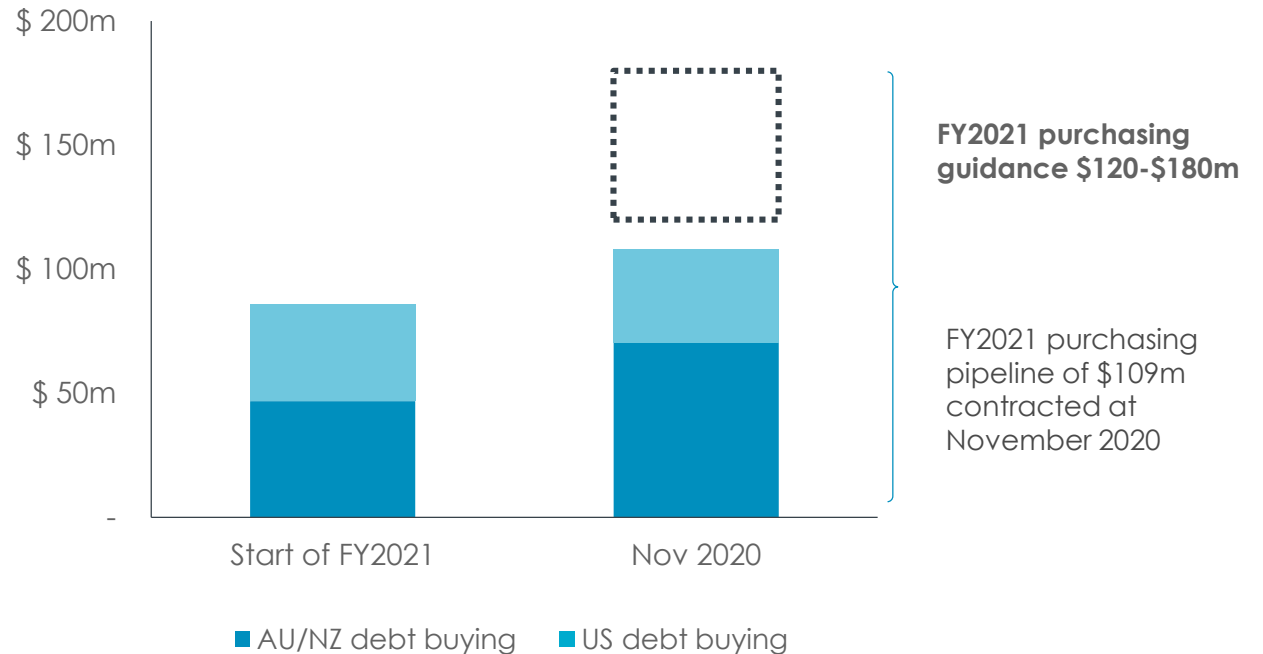
2. Complaint metrics from Consumer Financial Protection Bureau (CFPB) database for the 12 months to Jun-2020 divided by reported collections [https://www.consumerfinance.gov/data-research/consumer-complaints/search/?from=0&searchField=all&searchText=&size=25&sort=created\\_date\\_desc](https://www.consumerfinance.gov/data-research/consumer-complaints/search/?from=0&searchField=all&searchText=&size=25&sort=created_date_desc)

3. Financial Counselling Australia: Rank the banks and other creditors survey 2019 - Rating of response to consumer hardship, July 2020, pages 7 and 19 .

# ...are supporting an improved purchasing pipeline

- Improved Aus/NZ pipeline reflects:
  - Re-commencement of sale by 2 major sellers
  - Alignment of pricing with collection outlook
- Limited movement in US pipeline
  - Prices have not fallen to levels which align with Credit Corp's view of the collection outlook

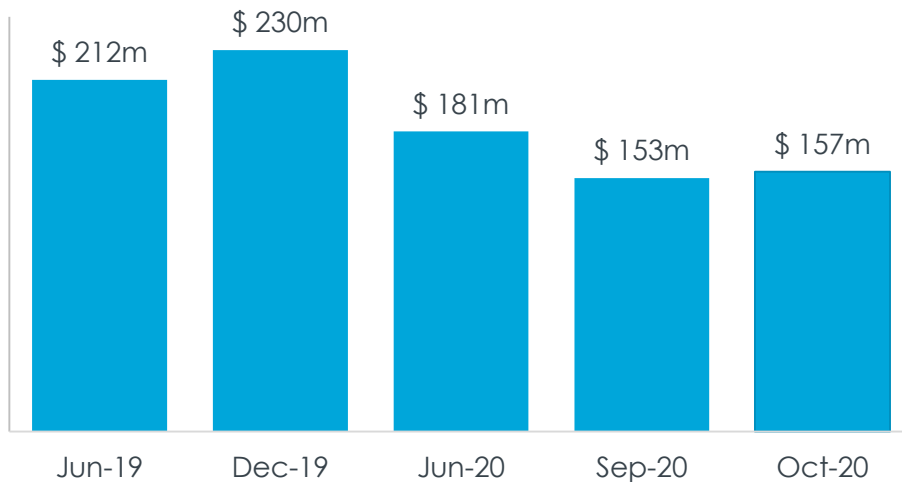
### PDL investment pipeline



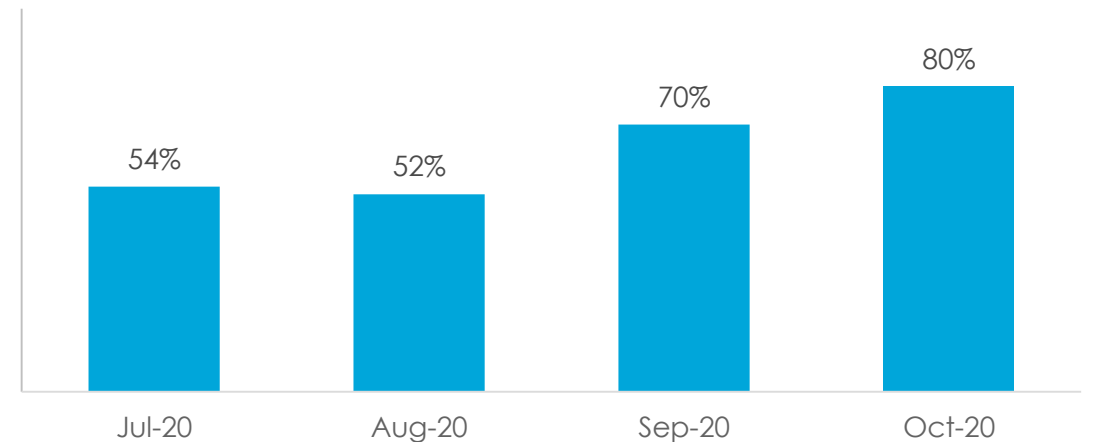
# Consumer lending book stabilising earlier than expected

- Demand and applicant quality has improved over recent months
  - Application volume increasing as superannuation withdrawal and other support is wound back
  - New customer approval rate now at 67% of pre-COVID levels compared with 41% in June
- Gross loan book stabilising in October 2020 rather than December 2020 as expected
- Favourable arrears and losses to date
  - Loss provisions maintained to account for expected deterioration

### Consumer Lending book (gross of provision for losses)



### Lending volume index to pre-COVID expectation



# Solid start to FY2021 in line with expectations...

	Ingoing Assumption	FY2021 experience to date
Aus/NZ debt buying	<ul style="list-style-type: none"> <li>Strong Q1 collections benefitting from government and private sector support, followed by deterioration</li> <li>Purchasing to rebuild as credit issuers return to market</li> </ul>	<ul style="list-style-type: none"> <li>Strong Q1 collections with step-down in October</li> <li>Aus/NZ FY2021 purchasing pipeline increased by 51%</li> </ul>
US debt buying	<ul style="list-style-type: none"> <li>Collections to deteriorate from July as key support measures expire</li> <li>Purchasing subject to further market price reductions</li> </ul>	<ul style="list-style-type: none"> <li>Collections slightly ahead of expectations despite expiry of key support measure</li> <li>No material increase in US purchasing pipeline due to absence of further price decline</li> </ul>
Consumer lending	<ul style="list-style-type: none"> <li>Demand expected to rebuild as support is withdrawn from Q1</li> <li>Loan book balance to stabilise in December 2020</li> </ul>	<ul style="list-style-type: none"> <li>Volume is recovering ahead of schedule, stabilising the loan book balance earlier</li> </ul>



# ...supports confirmation of FY2021 guidance

## FY2021 guidance

PDL investment	\$120 - \$180m
Net lending	(\$5) - \$5m
NPAT	\$60 - \$75m
EPS (basic)	89 - 112 cents
DPS	45 - 55 cents



# Appendices: Key Operating Metrics

Appendix 1: Pricing discipline and accuracy

Appendix 2: Collections life cycle

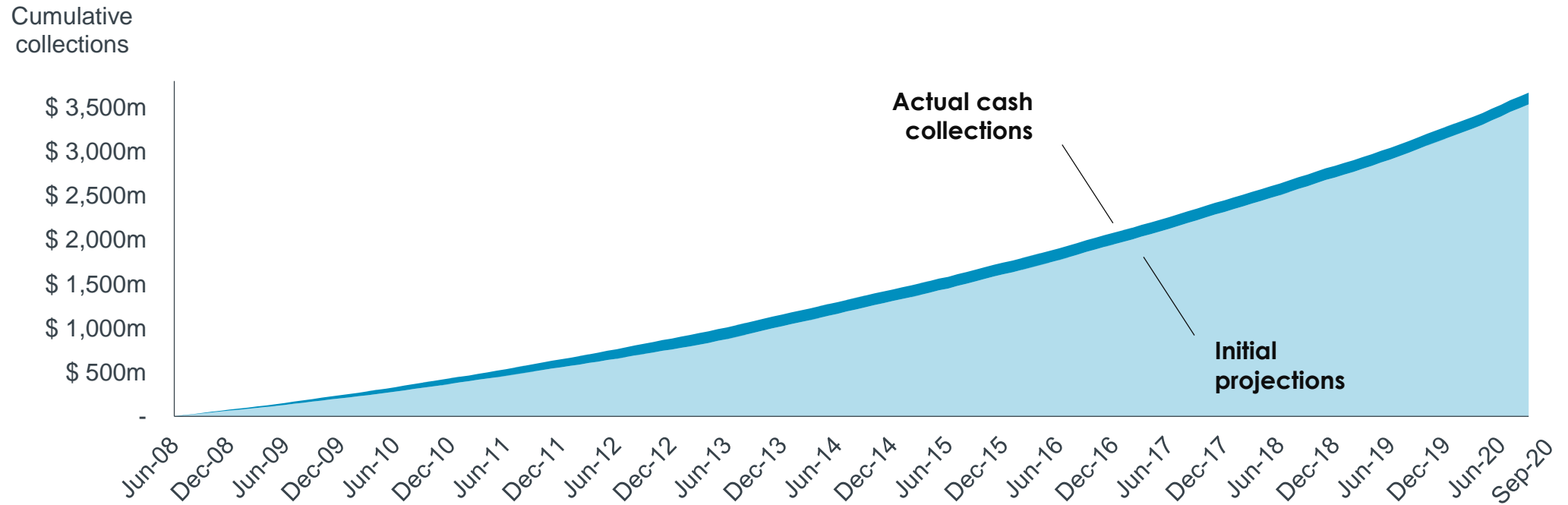
Appendix 3: Productivity

Appendix 4: Payers base

Appendix 5: Operational and total headcount

# Pricing discipline and accuracy

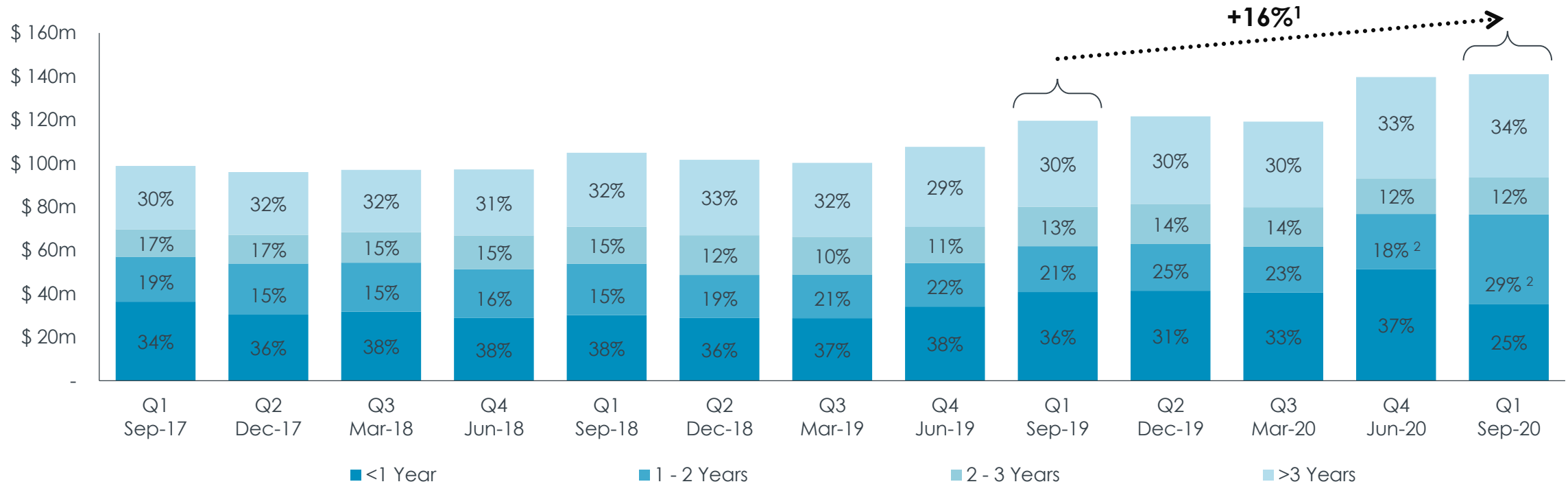
## Pricing discipline and accuracy



\* For all PDLs held at June 2008, initial projections represent the forecast at June 2008

# Collections life cycle

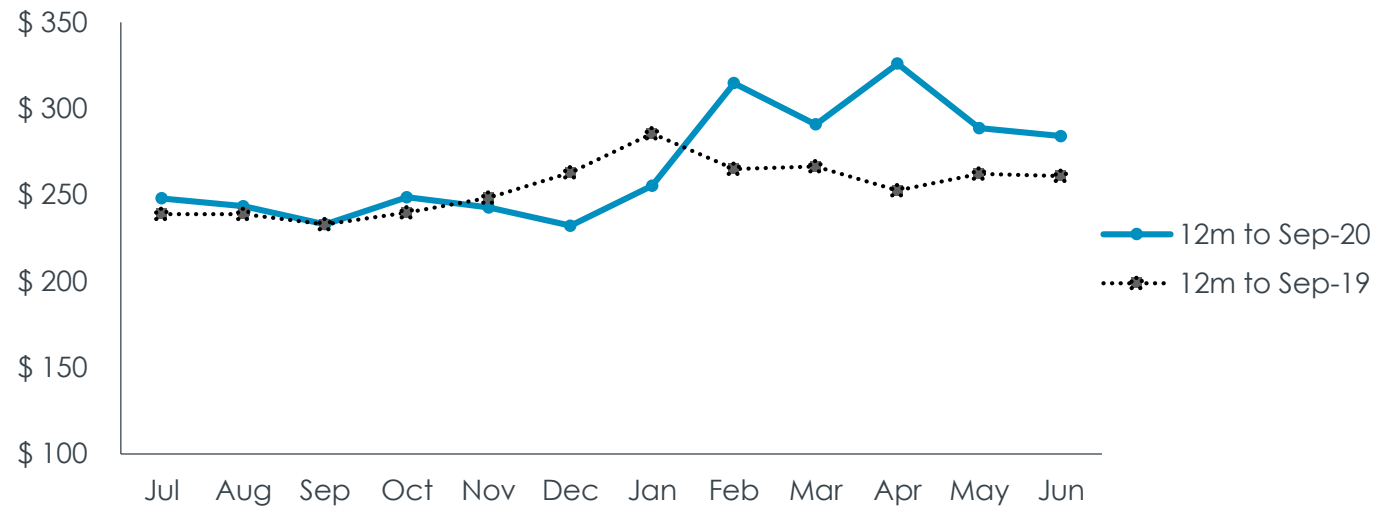
PDL collections by vintage



1. 16% growth on pcp (YTD Sep FY2021 vs. YTD Sep FY2020)  
 2. Reflects Baycorp transition from <1 year to 1 - 2 years

# Productivity

**PDL collections per hour**



**YTD Sep-2020 average**

**FY2021: \$268**

**FY2020: \$255**

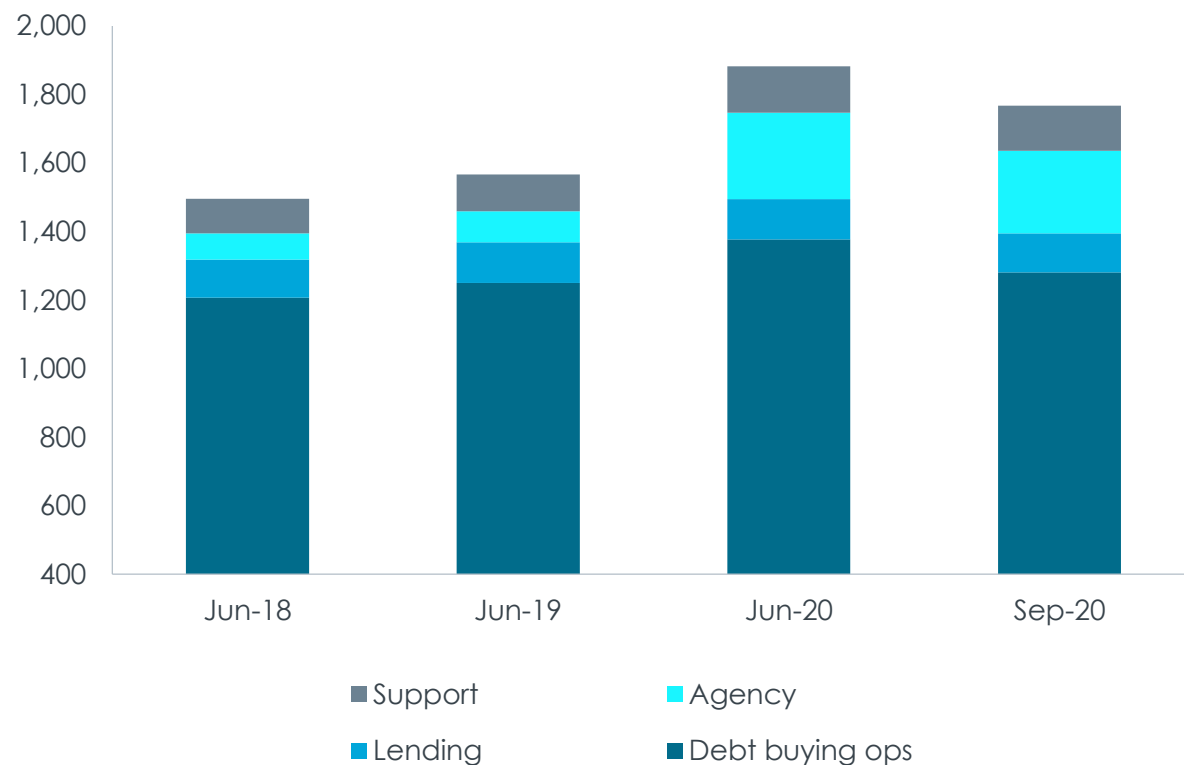
# Payers base

## PORTFOLIO SUMMARY: AU/NZ DEBT BUYING ONLY

<b>Total portfolio</b>	<b>Dec-17</b>	<b>Jun-18</b>	<b>Dec-18</b>	<b>Jun-19</b>	<b>Dec-19</b>	<b>Jun-20</b>	<b>Sep-20</b>
Face value	\$5.9b	\$6.0b	\$6.2b	\$6.4b	\$7.8b	\$7.7b	\$7.4b
Number of accounts	710,000	710,000	753,000	786,000	1,268,000	1,193,000	1,137,000
<b>Payment arrangements</b>							
Face value	\$1,300m	\$1,300m	\$1,300m	\$1,300m	\$1,400m	\$1,350m	\$1,373m
Number of accounts	153,000	157,000	154,000	157,000	200,000	195,000	194,000
<b>% of PDL collections</b>	<b>78%</b>	<b>81%</b>	<b>79%</b>	<b>78%</b>	<b>81%</b>	<b>73%</b>	<b>79%</b>

# Operational and total headcount

**PERIOD END HEADCOUNT (FTE)**



**PERIOD END HEADCOUNT (FTE)**

	Jun-18	Jun-19	Jun-20 <sup>1</sup>	Sep-20
Debt buying operations	1,208	1,250	1,378	1,281
Agency	77	90	251	241
Lending	110	119	118	114
Support	102	108	135	132
<b>Total</b>	<b>1,497</b>	<b>1,567</b>	<b>1,882</b>	<b>1,768</b>
Support %	7%	7%	7%	7%

1. Reflects Baycorp acquisition in August 2019