

Media Release

31 January 2024

Credit Corp reports solid result

Credit Corp Group Limited (Credit Corp or the Company) reports the following highlights for the first half of the 2024 fiscal year (H1 of FY24):

- Continued US operational improvement
- 16% growth in the consumer loan book to a record gross closing balance of \$414 million
- Tripling in consumer lending Net Profit after Tax (NPAT) over the prior comparative period (pcp)

Statutory NPAT for the half year was a loss of \$12.1 million. This reflects the previously announced impairment of the Company's US Purchased Debt Ledger (PDL) book. Excluding the \$45.6 million impact on NPAT of this charge, underlying NPAT for the period was 5 per cent higher than the prior comparative period (pcp) at \$33.5 million.

Elevated delinquency on US payment arrangements which gave rise to the impairment continued but remained stable throughout the period. Notwithstanding the delinquency, operational improvement produced increased efficiency with US collections 5 per cent higher than the pcp on a constant currency basis.

US market conditions improved during the period due to a combination of increasing PDL supply and more restricted access to credit and higher borrowing costs affecting competitor demand. As a result, PDL pricing improved during the period and the present full year US investment pipeline of A\$120 million will deliver 45 per cent more in face value per dollar outlaid relative to purchases made in the prior year.

Mr Thomas Beregi, CEO of Credit Corp, said that there was the prospect of securing further US PDL volume at favourable pricing. "We continue to see increasing supply being offered for sale by many of our clients and, having already secured a strong pipeline, Credit Corp can invest selectively over the balance of the year," he said.

The consumer lending book grew to a record \$414 million gross of expected life-of-loan loss provisions. Despite tighter credit settings, lending volume was 2 per cent higher than the record level set for the same period in the prior year. Wallet Wizard branded cash loans accounted for 90 per cent of the volume.

Credit quality remains intact with losses within pro-forma levels and arrears within historical norms.

Mr. Beregi noted that strong credit demand was continuing into the second half and that Credit Corp would look to maintain its share. "Wallet Wizard is a responsible product which is meeting the requirements of a growing number of consumers with limited borrowing alternatives," he said.

PDL supply in the AU/NZ debt buying market has remained constrained, with no indications of a short-term recovery. Interest bearing credit card balances are still approximately 30 per cent below pre-COVID levels.

As the AU/NZ PDL book runs-off and collections decrease, management of direct and indirect costs is mitigating the impact on earnings.

Interim dividend

Credit Corp will pay an interim dividend for the 2024 financial year of 15 cents per share which is in line with a full year payout rate of approximately 50 per cent of the mid-point of EPS guidance.

Outlook and guidance

The record loan book balance will produce increased consumer lending division earnings over the second half. If lending volume remains strong over the second half, the Company will incur increased customer acquisition and life-of-loan loss provision expense and deliver NPAT at the bottom end of the guidance range.

Investment ranges have been adjusted to reflect the debt ledger pipeline already secured and the record lending volumes. Credit Corp refines its FY24 guidance in accordance with the following ranges:

	FY24 Guidance revised Oct-23	FY24 Guidance refined Jan-24
PDL acquisitions	\$200-\$250m	\$230-\$250m
Net lending volumes	\$45-55m	\$140-150m
NPAT pre-impairment	\$80-\$90m	\$80-\$90m
NPAT statutory	\$35-\$45m	\$35-\$45m
EPS	51-66 cents	51-66 cents

This media release should be read in conjunction with the Appendix 4D and Consolidated Interim Financial Statements and the results presentation.

To watch the presentation go to: <https://www.creditcorpgroup.com.au/investors/interviews-presentations/>

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**CREATING
OPPORTUNITY**

31 JANUARY 2024

H1 FY2024 RESULTS

THOMAS BEREGI
CEO

MICHAEL EADIE
CFO

LEADERSHIP OF THE CREDIT IMPAIRED CONSUMER SEGMENT ...

ANALYTICS AND DISCIPLINE	OPERATIONAL EXCELLENCE	SUSTAINABILITY AND COMPLIANCE
Australian / NZ debt buying		
<ul style="list-style-type: none"> • Large database • History of pricing accuracy • Purchasing levels vary inversely with pricing 	<ul style="list-style-type: none"> • High asset turnover ¹ • Low cost to collect ² • High performing on-shore and off-shore platforms • Strong technology and use of data 	<ul style="list-style-type: none"> • Low dispute rate • \$1.3bn in ongoing repayment arrangements
US debt buying		
<ul style="list-style-type: none"> • Large market opportunity • Diversified purchasing across several sellers 	<ul style="list-style-type: none"> • Significant productive capacity across several sites • Emphasis on payment arrangements and a lower proportion of litigated outcomes 	<ul style="list-style-type: none"> • Low regulator complaint rate
Australian / NZ lending		
<ul style="list-style-type: none"> • Leverage knowledge of consumer • Up-front loss provisioning • Analytical monitoring • Unique statistical underwriting 	<ul style="list-style-type: none"> • Automated decisioning • Collection strength • High level of efficiency 	<ul style="list-style-type: none"> • APRs below cap applicable to mainstream credit • Regulatory upside - no 'payday loans' • Lower pricing disrupting the market

TARGET

Long term growth

ROE 16% - 18%

Low gearing

1. H1 FY24 ratio of cash collections from PDLs to average PDL carrying value in Australian Debt Ledger Purchasing segment of 1.0x

2. H1 FY24 cash costs as a proportion of collections in the Australian Debt Ledger Purchasing segment of 42%

SEGMENT	ASSESSMENT OF MARKET CONDITIONS	CREDIT CORP RESPONSE
US debt buying	<ul style="list-style-type: none"> • PDL pricing reduced with continuing strong supply • Collection environment more challenging since late FY23 	<ul style="list-style-type: none"> • Secure solid FY24 investment pipeline at historically low pricing • Operational improvement focus • Re-base ledger carrying value and outlook to reflect continued adverse conditions
Australian / NZ lending	<ul style="list-style-type: none"> • Strong demand • Delinquency remains within pro-forma • Uncertain outlook for used car prices 	<ul style="list-style-type: none"> • Advertising to capture the opportunity • Credit scorecard adjusted for recent experience • Improved collection response • Limited auto lending
Australian / NZ debt buying	<ul style="list-style-type: none"> • Continued low market volumes: <ul style="list-style-type: none"> - Interest-bearing credit card balances still approx 30 per cent below pre-Covid levels - Bank arrears and losses remain low 	<ul style="list-style-type: none"> • Manage cost base to minimise loss of operating leverage • Maintain resourcing through redeployment to collection services work

Recap of October 2023 disclosure:

- Sustained deterioration in US collection environment
 - Increased repayment plan delinquency emerged in Q4 FY23
 - Elevated delinquency persisted throughout Q1 FY24
- Reforecast of remaining collections to reflect a continuation of these conditions over the medium term (3 years)
- Impairment of 14 per cent of FY24 opening US PDL book (\$45.6 million NPAT)
- Current year US segment NPAT outlook reduced by \$10 million

... HAS PRODUCED SOLID H1 UNDERLYING EARNINGS

	H1 FY23	H1 FY24	Var %
Australian / NZ debt buying	\$108.2m	\$118.3m ¹	9% ¹
US debt buying (pre-impairment)	\$47.0m	\$54.7m ²	6% ^{2,3}
Australian / NZ lending	\$65.4m	\$82.0m	25%
Revenue total	\$220.5m	\$255.0m	16%
Australian / NZ debt buying	\$21.4m	\$13.5m	(37%)
US debt buying (pre-impairment)	\$6.1m	\$6.1m ²	(4%) ³
Australian / NZ lending	\$4.3m	\$13.9m	> 100%
NPAT total pre-impairment	\$31.8m	\$33.5m ³	5%
US PDL impairment	-	\$45.6m	-
NPAT total	\$31.8m	(\$12.1m)	< (100%)
EPS (basic)	46.9c	(17.8c)	< (100%)
Dividend	23.0c	15.0c	(35%)

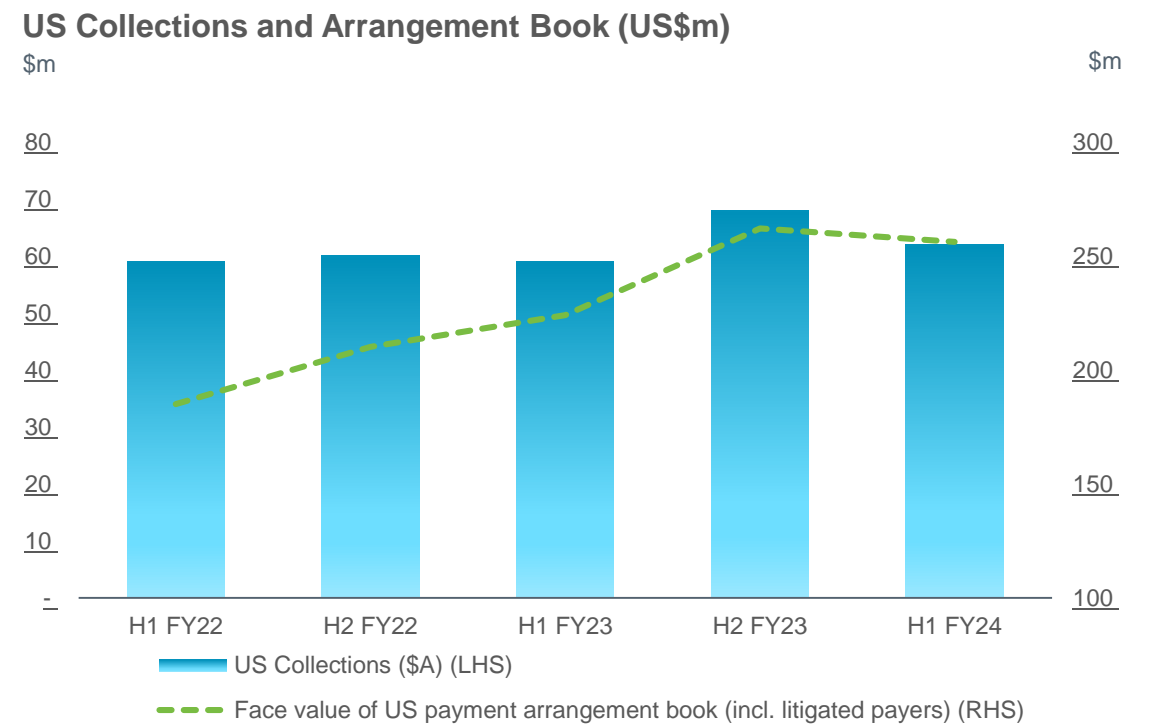
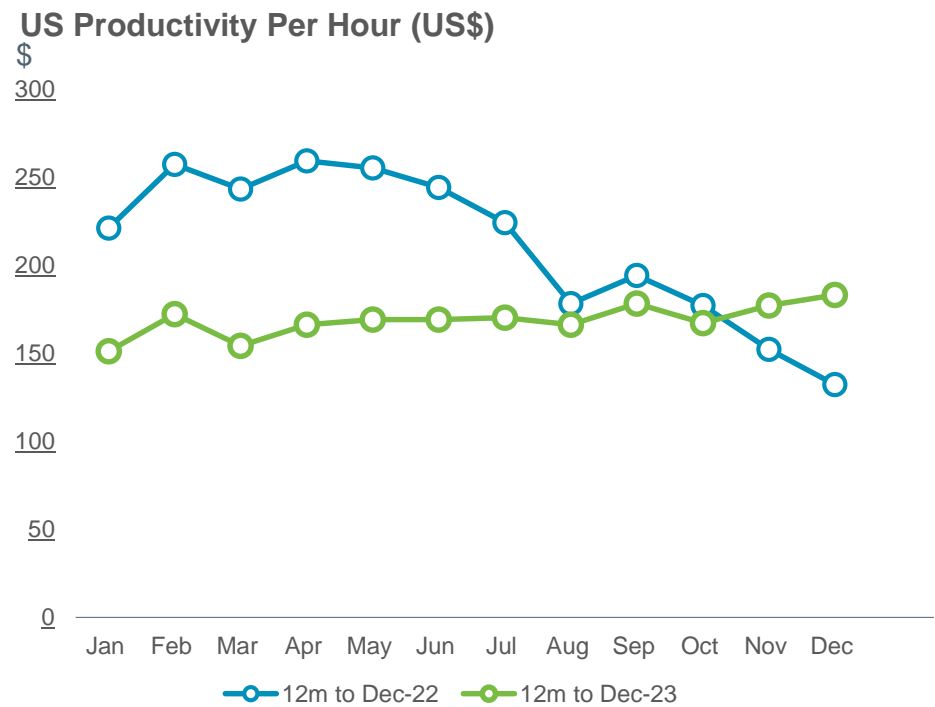
1. H1 FY24 includes \$22 million of incremental Collection Services income from Collection House acquisition completed during H1 FY23

2. Excluding impairment of US PDL (Purchased Debt Ledger) book

3. Constant currency basis

OUR FOCUS REMAINS ON US OPERATIONAL IMPROVEMENT...

- Elevated delinquency first observed in late FY23 has stabilised
- Productivity and collections are improving



... TO FACILITATE PURCHASING IN MORE FAVOURABLE US INVESTMENT CONDITIONS ...

- PDL demand impacted by higher borrowing costs and restricted access to credit
- Credit data points to increasing PDL supply

US Revolving Credit Growth



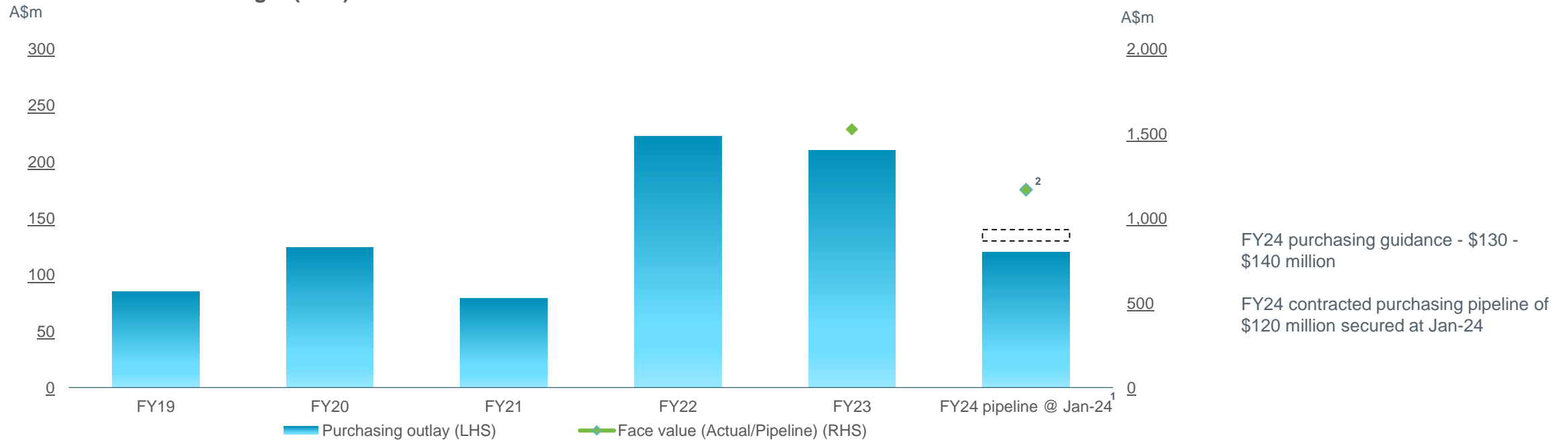
1. Total Revolving Credit Outstanding. Federal Reserve Economic Data <https://fred.stlouisfed.org/series/CCLACBW027SBOG>

2. Charge-off rate on credit card loans. All Commercial banks, Federal Reserve Economic Data
<https://fred.stlouisfed.org/series/CORCCACBN>

... AND BUILD OUR FY24 US INVESTMENT PIPELINE

- FY24 pipeline added at more favourable pricing

US Purchased Debt Ledger (PDL) Investment

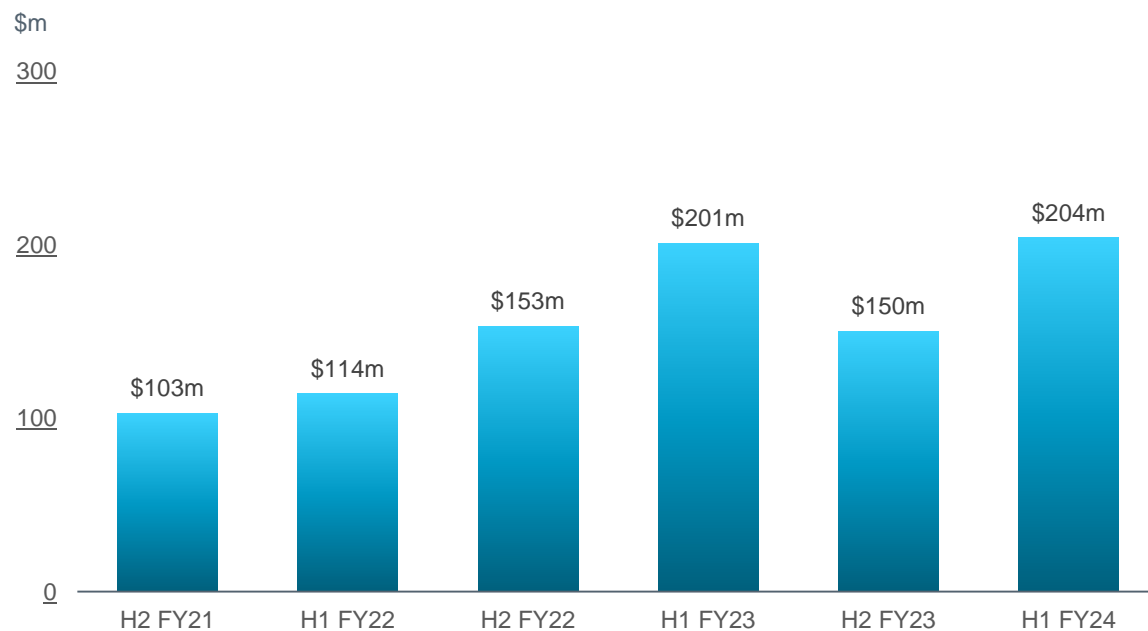


1. FY24 contracted pipeline
 2. Each dollar to be outlaid in FY24 is expected to acquire 45 per cent more face value relative to FY23 acquisitions

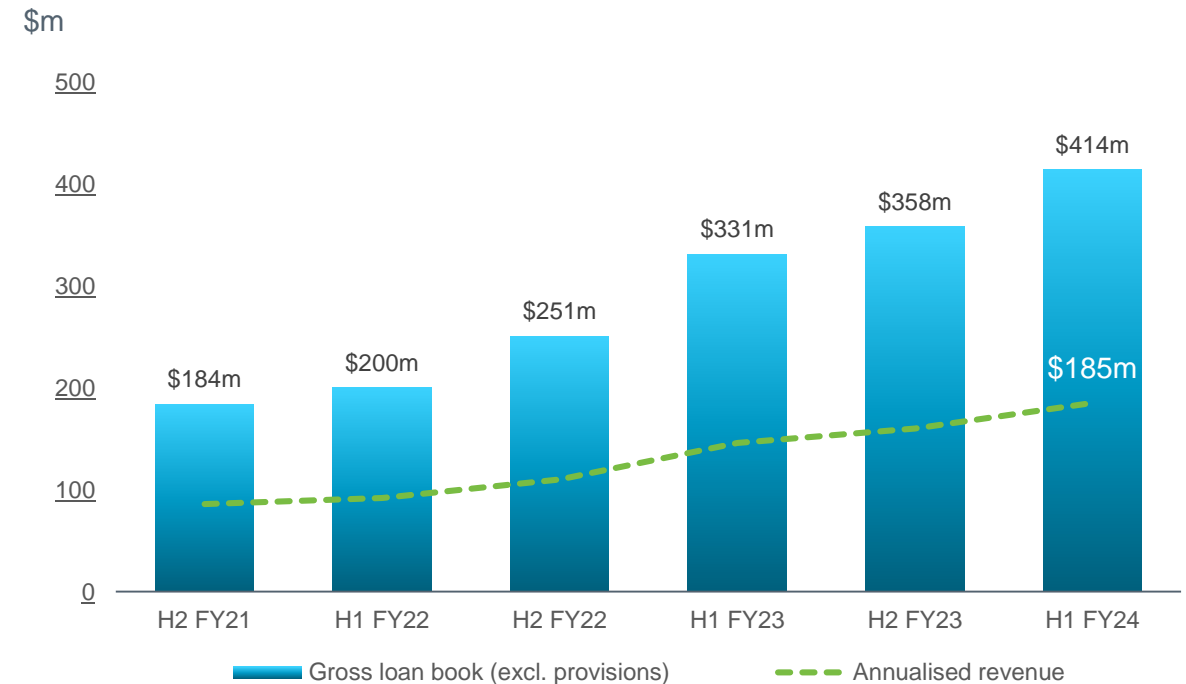
RECORD H1 LENDING VOLUME ...

- Strong consumer demand converted through efficient advertising
- Record closing book will drive interest revenue over H2

Lending Volumes By Half Year



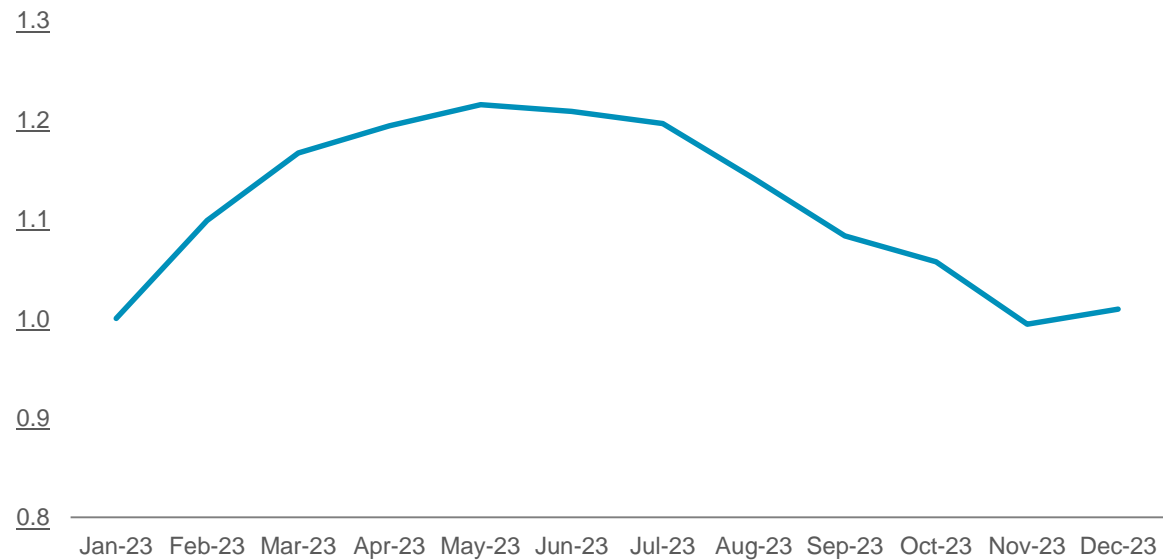
Consumer Lending Book and Annualised Revenue



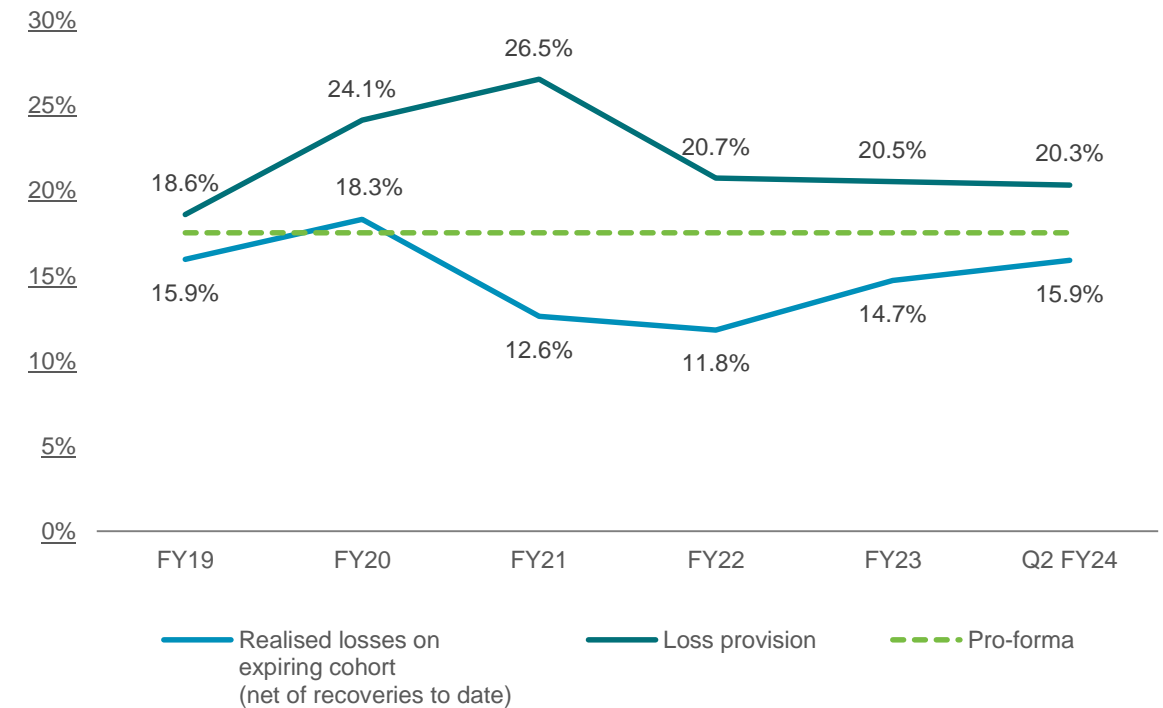
... WHILE MAINTAINING CREDIT QUALITY

- Arrears and losses remain within pro-forma levels
- Arrears at near twelve month low

30+ days arrears ¹



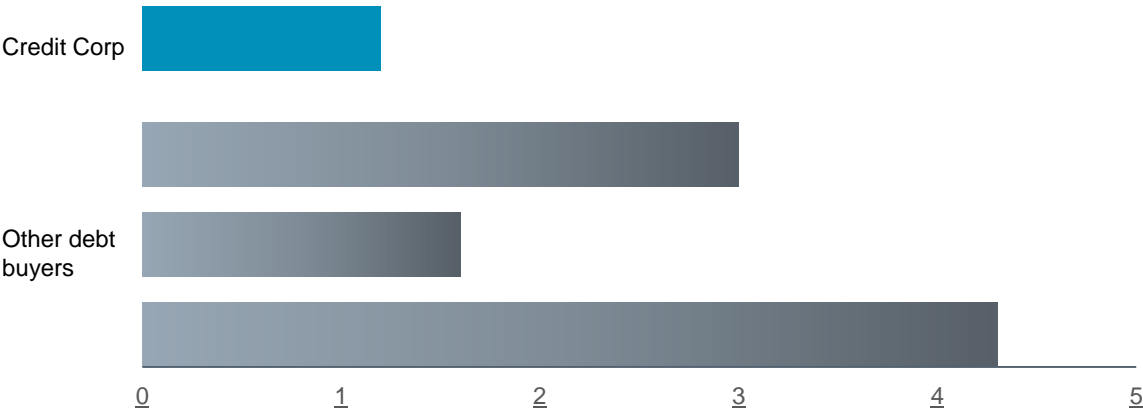
Loss Provision to Realised Losses (%)



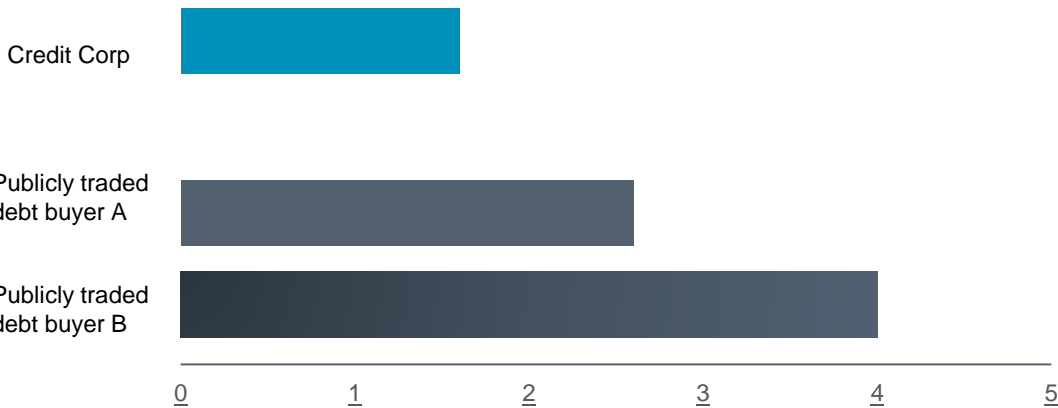
1. Indexed to Jan-23

OUR LEADERSHIP IN RESPONSIBLE PRACTICE ...

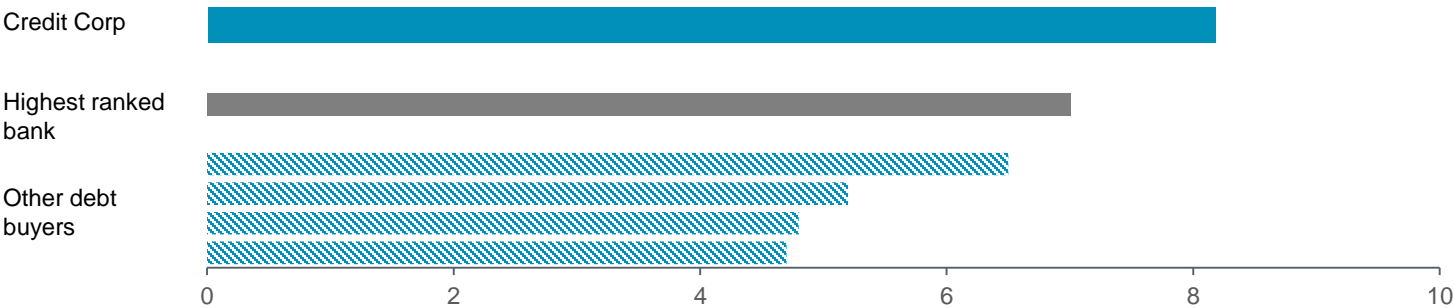
H1 FY23 AU EDR Rate ¹



12 months to Sep-23 US dispute rate ²



Rating of banks and debt buyers by financial counsellors in 2023 ³ (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 June 2023 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 September 2023 divided by reported collections 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 lenders and debt buyers survey 2023 - Rating of response to consumer hardship, December 2023, pages 5 and 7

...HAS HELPED MAXIMISE AU/NZ DEBT BUYING INVESTMENT IN A CONSTRAINED MARKET

AU/NZ Purchased Debt Ledger (PDL) Investment

\$m

400
350
300
250
200
150
100
50
0

FY19

FY20

FY21

FY22

FY23

FY24

■ AU/NZ debt buying

■ AU/NZ secondary: Baycorp/Collection House/Radio Rentals/Other

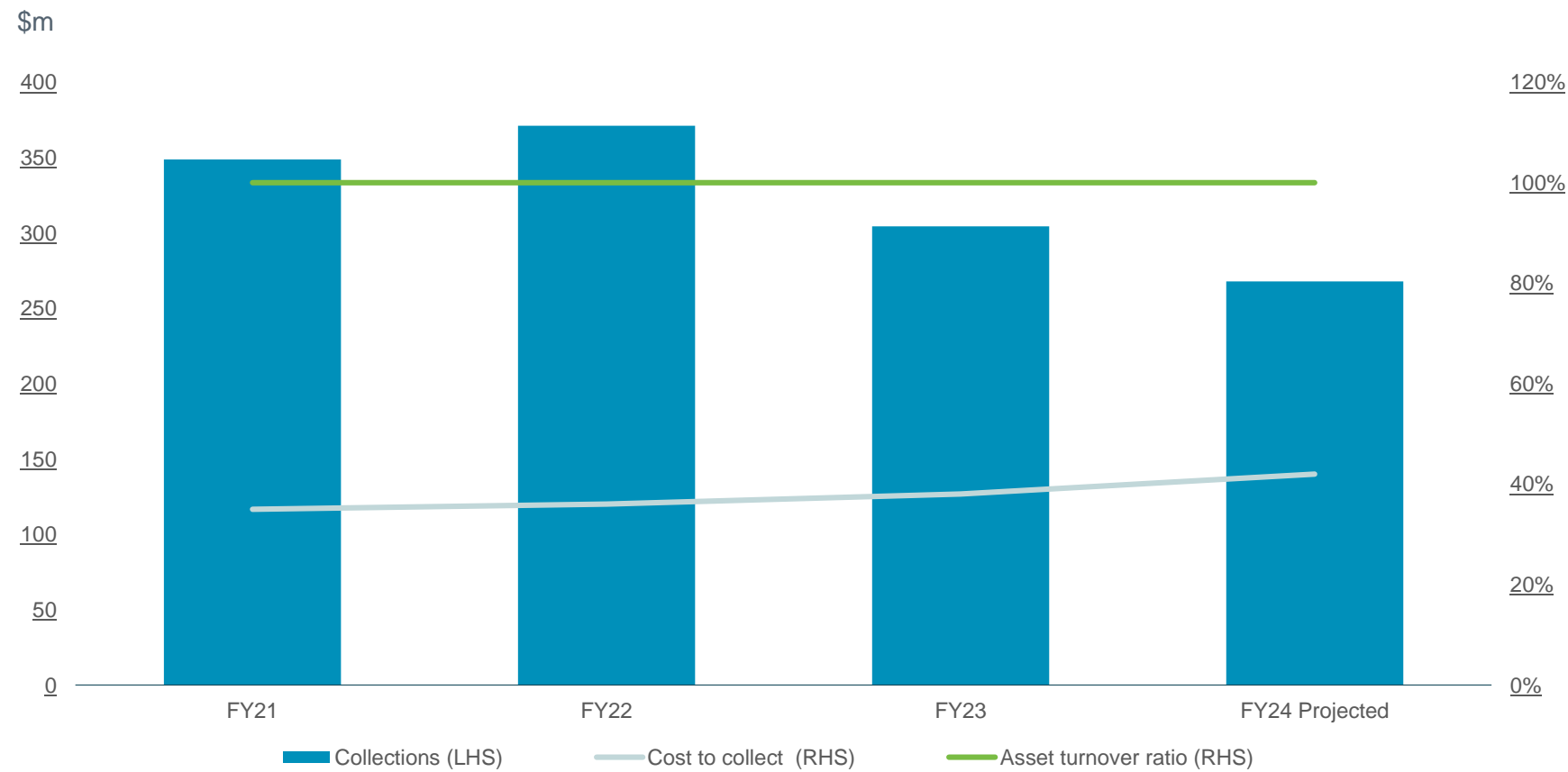
FY24 purchasing guidance - \$100
- \$110 million

FY24 contracted purchasing pipeline
of \$90 million secured at Jan-24

WE CONTINUE TO MITIGATE THE LOSS OF OPERATING LEVERAGE AS COLLECTIONS RUN OFF



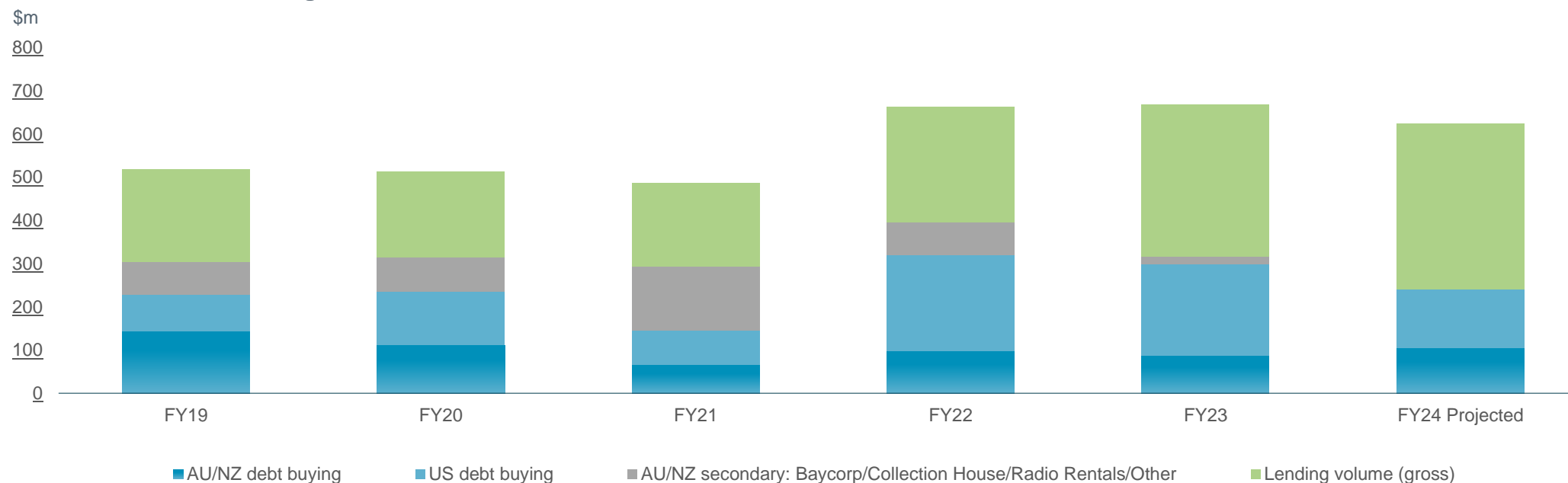
AU/NZ Collections, Cost to collect and Asset Turnover ratio



FY24 WILL BE A YEAR OF STRONG INVESTMENT...

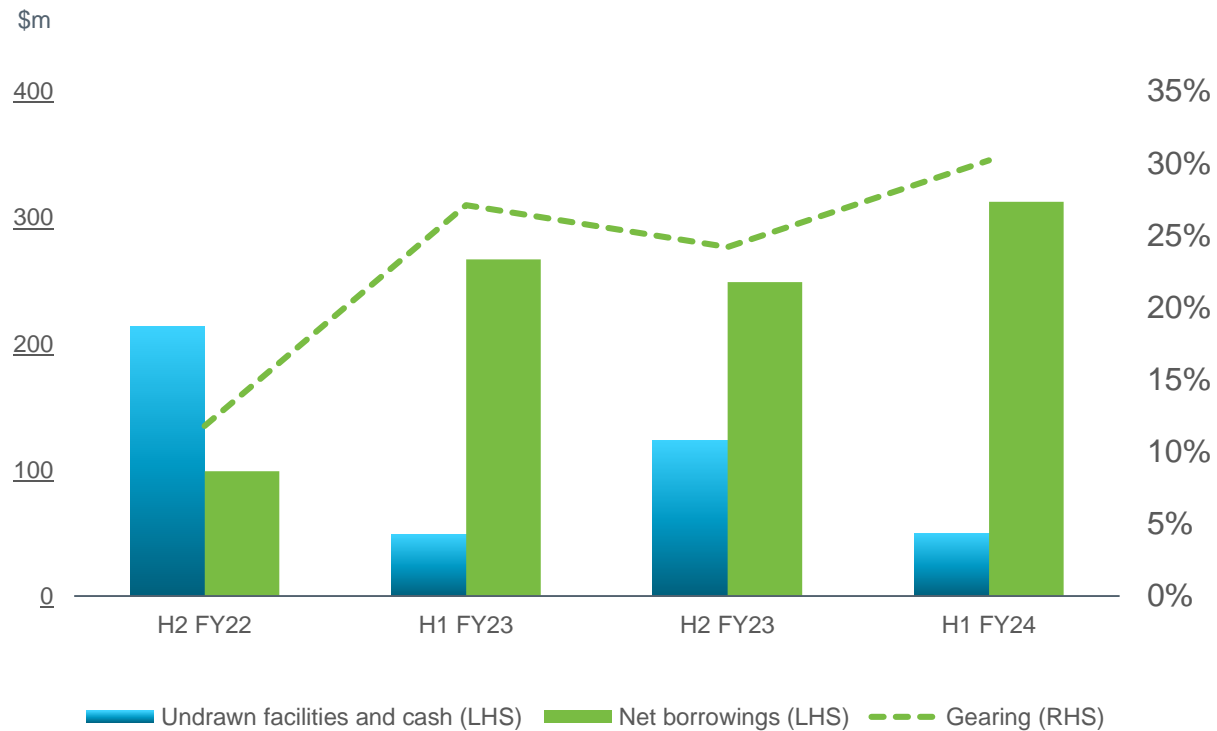
- Advertising likely to be maintained over H2
- US investment dependent on favourable pricing

PDL Investment and Lending Volumes

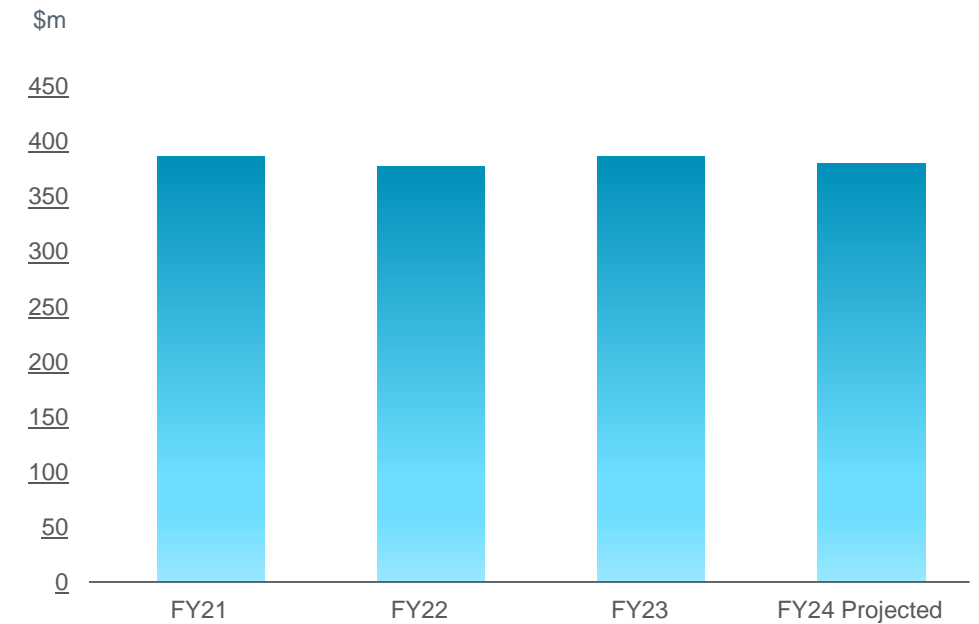


... FUNDED FROM OPERATING CASH FLOW AND EXISTING CREDIT LINES

Gearing and Cash Facilities



Operating Cash Flow Pre-Investment



EARNINGS GUIDANCE MAINTAINED WITH INVESTMENT RANGES REFINED

	FY24 GUIDANCE REVISED OCT-23	FY24 GUIDANCE REFINED JAN-24
Ledger investment	\$200 - \$250 million	\$230 - \$250 million
Net lending	\$45 - \$55 million	\$140 - \$150 million
NPAT pre-impairment	\$80 - \$90 million	\$80 - \$90 million
NPAT statutory	\$35 - \$45 million	\$35 - \$45 million
EPS (basic)	51 - 66 cents	51 - 66 cents

APPENDICES: KEY OPERATING METRICS

APPENDICES

KEY OPERATING METRICS

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APPENDIX 1



CASH FLOW AND GEARING

OPERATING CASH FLOWS AND GEARING	FY21	FY22	FY23	H1 FY24
Collections	\$492.1m	\$535.2m	\$493.8m	\$234.8m
Other income	\$108.8m	\$132.0m	\$198.1m	\$129.8m
Interest expense / income	(\$4.3m)	(\$4.7m)	(\$15.6m)	(\$10.5m)
Operating expenses including taxation	(\$210.6m)	(\$275.8m)	(\$290.6m)	(\$162.9m)
PDL acquisitions, net lending and capex	(\$321.1m)	(\$490.8m) ¹	(\$471.0m)	(\$210.8m)
Net operating (free) cash flow	\$64.9m	(\$104.1m)	(\$85.3m)	(\$26.8m)
PDL carrying value	\$467.3m	\$637.3m	\$762.1m	\$703.2m
Consumer loans net carrying value	\$135.2m	\$198.4m	\$284.5m	\$330.0m
Net cash / (borrowings)	\$58.1m	(\$98.9m)	(\$248.4m)	(\$312.0m)
Net borrowings / carrying value (%)	n/a	11.8%	23.7%	30.2%

1. Includes outlay of \$63 million for acquisition of Radio Rentals assets in Dec-21

APPENDIX 2

AU/NZ AND US DEBT BUYING OPERATIONAL METRICS

  AU/NZ DEBT BUYING	H1 FY2024	Δ H1 FY2023
Collections	\$140m	(14%)
Productivity	\$326 per hour	5%
Operations headcount ¹	635	(23%)
Payers book ¹	\$1,317m	(4%)

  US DEBT BUYING	H1 FY2024	Δ H1 FY2023
Collections	\$95m	5% ²
Productivity	\$265 per hour	1% ²
Operations headcount ¹	549	(5%) ³
Payers book ¹	\$392m	17% ²

1. As at Dec-23

2. Constant currency basis

3. 6 per cent higher average headcount in H1 FY24 v H1 FY23

APPENDIX 3

PAYERS BASE

Portfolio Summary: Debt buying

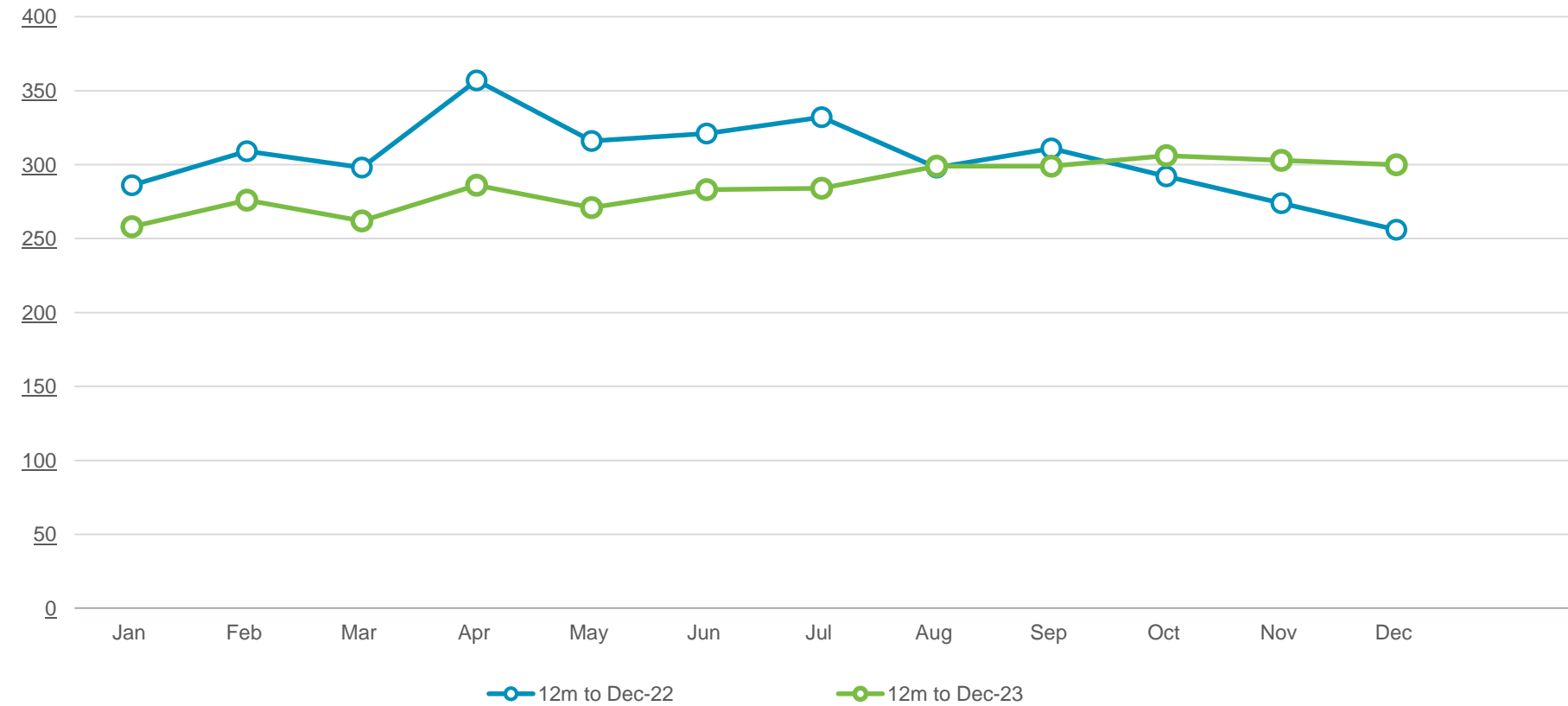
AU/NZ				COMBINED AU/NZ/US ¹			
TOTAL PORTFOLIO	DEC-20	JUN-21	DEC-21	JUN-22	DEC-22	JUN-23	DEC-23
Face value	\$8.6b	\$8.5b	\$7.9b	\$11.8b	\$12.7b	\$12.8b	\$12.9b
Number of accounts	1,392,000	1,326,000	1,252,000	2,863,000	2,993,000	2,952,000	2,904,000
PAYMENT ARRANGEMENTS							
Face value	\$1,550m	\$1,600m	\$1,555m	\$1,742m	\$1,727m	\$1,725m	\$1,709m
Number of accounts	219,000	217,000	243,000	264,000	266,000	274,000	273,000

1. US segment included from Jun-22 onwards. Prior periods contain only AU/NZ debt buying segment

APPENDIX 4
PRODUCTIVITY



Productivity Per Hour (A\$) ¹
\$



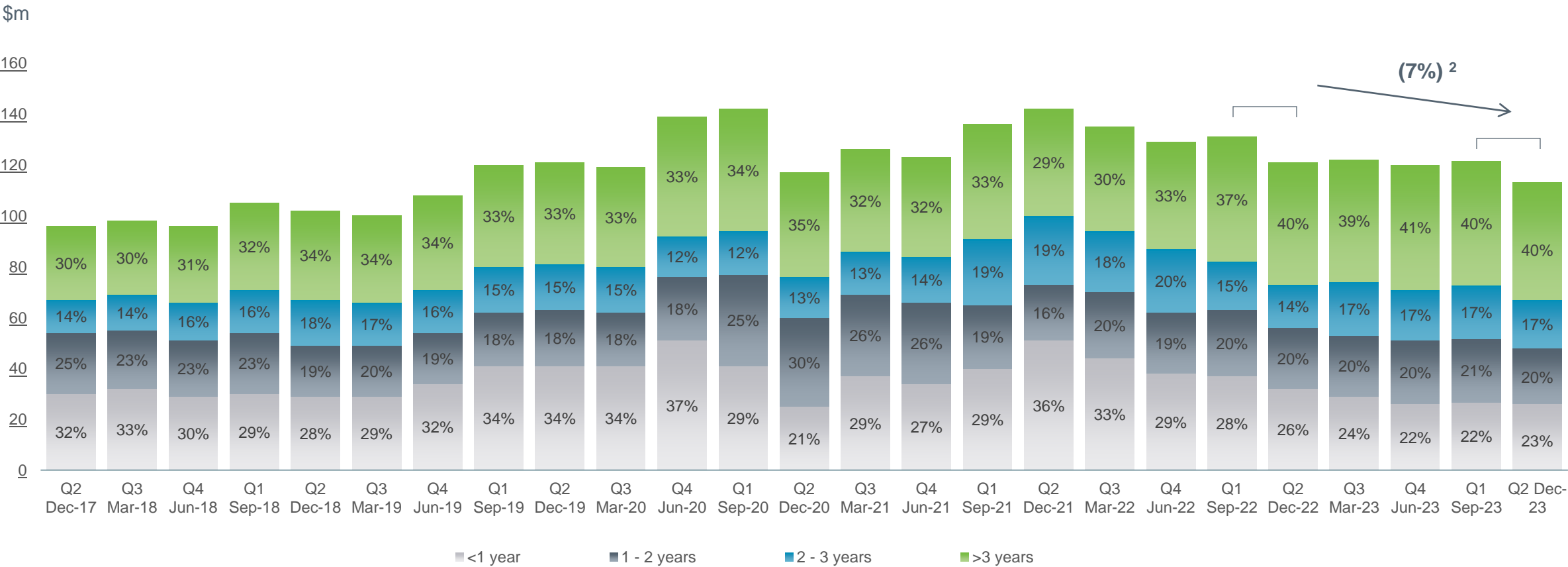
YTD DEC-23 AVERAGE:
FY2024: \$299
FY2023: \$294

1. Combined AU/NZ and US segment productivity

APPENDIX 5
COLLECTIONS LIFE CYCLE



PDL Collections by Vintage ¹



1. Combined AU/NZ and US PDL collections

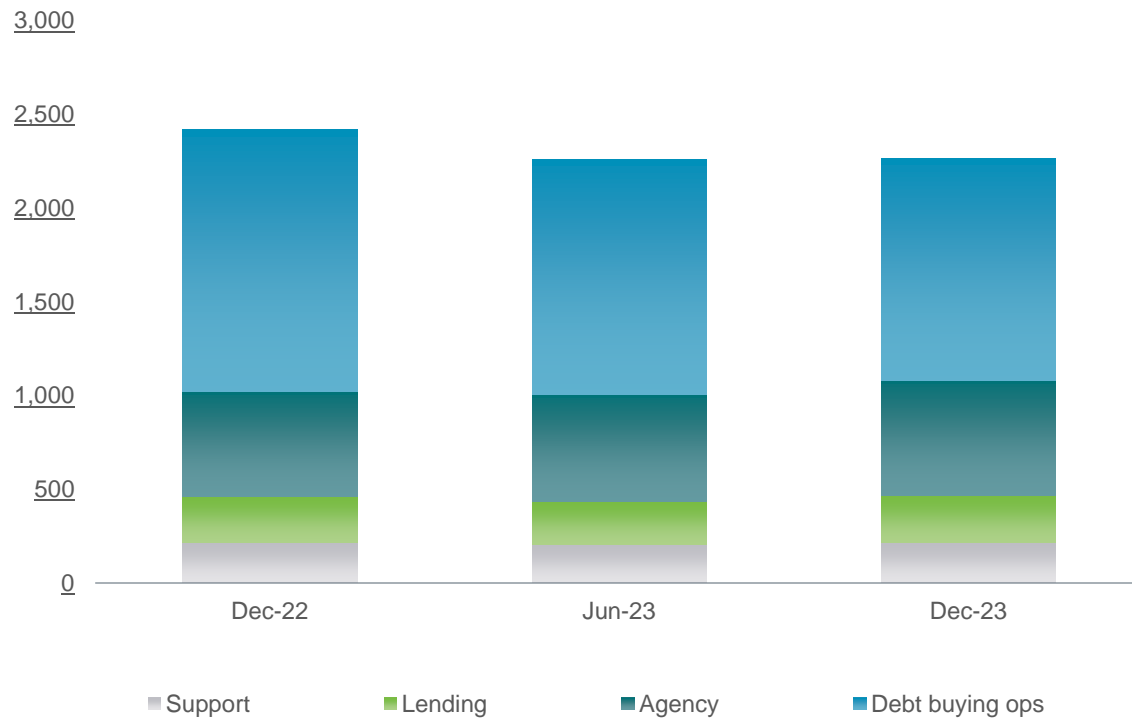
2. 7% less in H1 FY24 vs H1 FY23

Credit Corp Group H1 FY24 Results Presentation – 23

APPENDIX 6

OPERATIONAL AND TOTAL HEADCOUNT

Period End Headcount (FTE)



	DEC-22	JUN-23	DEC-23
Debt buying operations	1,401	1,255	1,184
Collection services	558 ¹	571 ¹	613 ¹
Lending	243	231	253
Support	217	204 ¹	213 ¹
Total	2,419	2,261	2,263
Support %	9%	9%	9%

1. Including staff acquired as part of the acquisition of Collection House during H1 FY23



**CREATING
OPPORTUNITY**

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