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# H1 FY2022 RESULTS

1 February 2022

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Credit Corp Group

## BUILDING MOMENTUM



# Leadership in the credit impaired consumer segment ...

## ANALYTICS & DISCIPLINE

### Australian / NZ debt buying

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

### US 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 productive capacity across two sites
- 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
- \$1.6b 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%

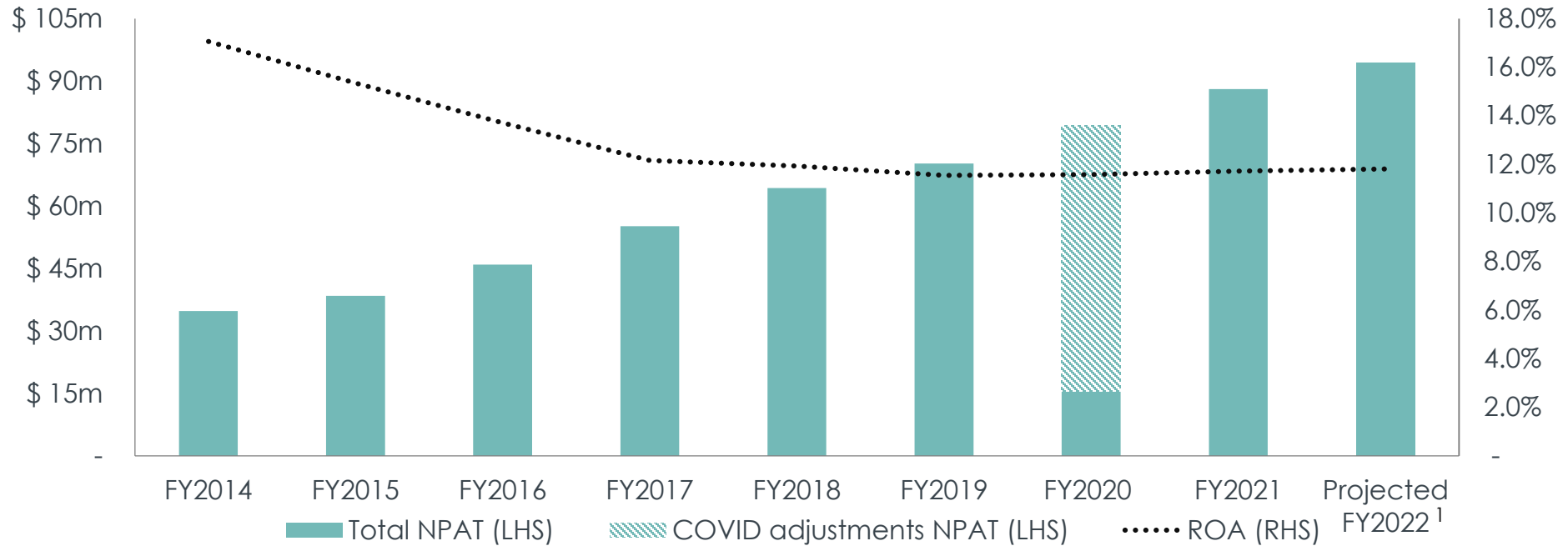
Low gearing

1. H1 FY2022 ratio of cash collections from PDLs to average PDL carrying value in Australian Debt Ledger Purchasing segment of 1.2x

2. H1 FY2022 cash costs as a proportion of collections in the Australian Debt Ledger Purchasing segment of 35%

... has delivered sustained growth ...

### NPAT AND RETURN ON ASSETS



1. Midpoint of FY2022 NPAT guidance

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... and a solid start to the year ...

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**8%**  
growth in NPAT

	H1 FY2021	H1 FY2022	Var %
AU/NZ debt buying	\$113.3m	\$118.8m	5%
US debt buying	\$37.3m	\$42.8m	15%
AU/NZ lending	\$37.4m	\$42.3m	13%
<b>Revenue total</b>	<b>\$188.0m</b>	<b>\$203.9m</b>	<b>8%</b>
AU/NZ debt buying	\$27.5m	\$29.0m	5%
US debt buying	\$8.0m	\$10.5m	31%
AU/NZ lending	\$6.7m	\$6.2m	(7%)
<b>NPAT total <sup>1</sup></b>	<b>\$42.3m</b>	<b>\$45.7m</b>	<b>8%</b>
EPS (basic) <sup>1</sup>	62.8 c	67.7 c	8%
<b>Dividend</b>	<b>36.0c</b>	<b>38.0c</b>	<b>6%</b>

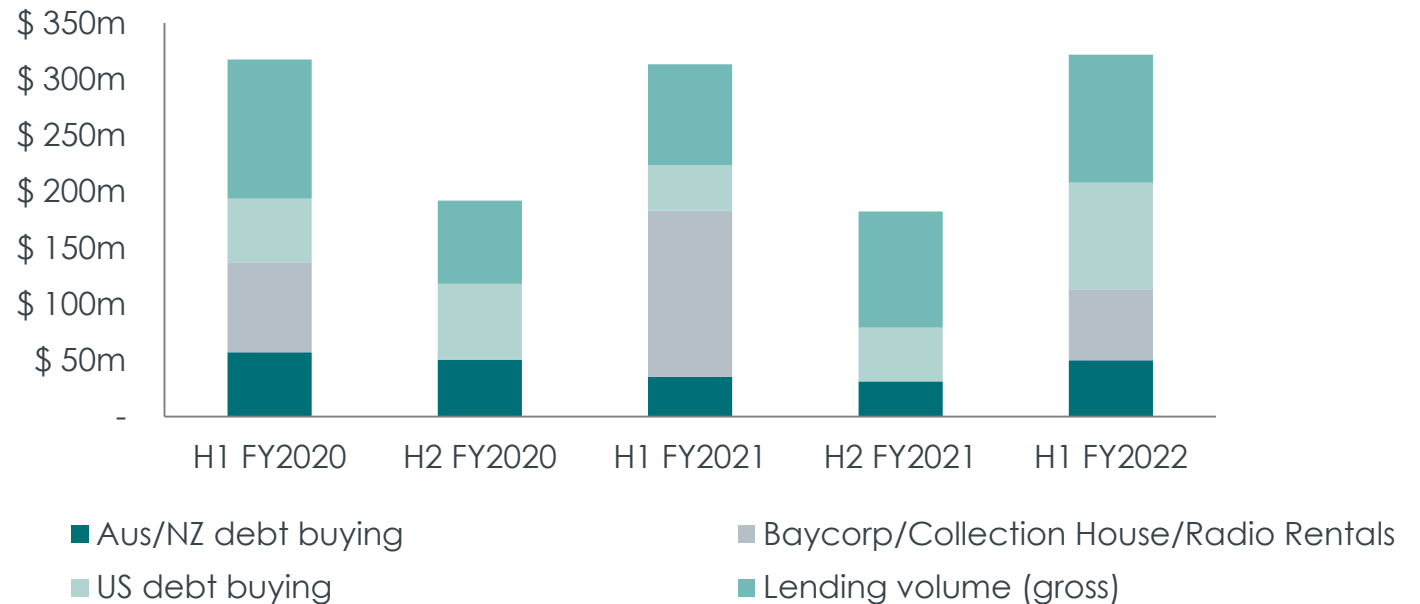
<sup>1</sup> Statutory NPAT of \$50.2 million and EPS of 74.4 cents includes \$4.5 million US Paycheck Protection Program (PPP) loan forgiveness which occurred in H1 FY2022

... with record investment to support ongoing growth ...

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- Record half-year investment (including the Radio Rentals book) in challenging conditions
- Highest Aus/NZ direct from issuer purchasing since pre-pandemic
- Strong recovery in lending volumes late in the period

### PDL INVESTMENT AND LENDING VOLUME

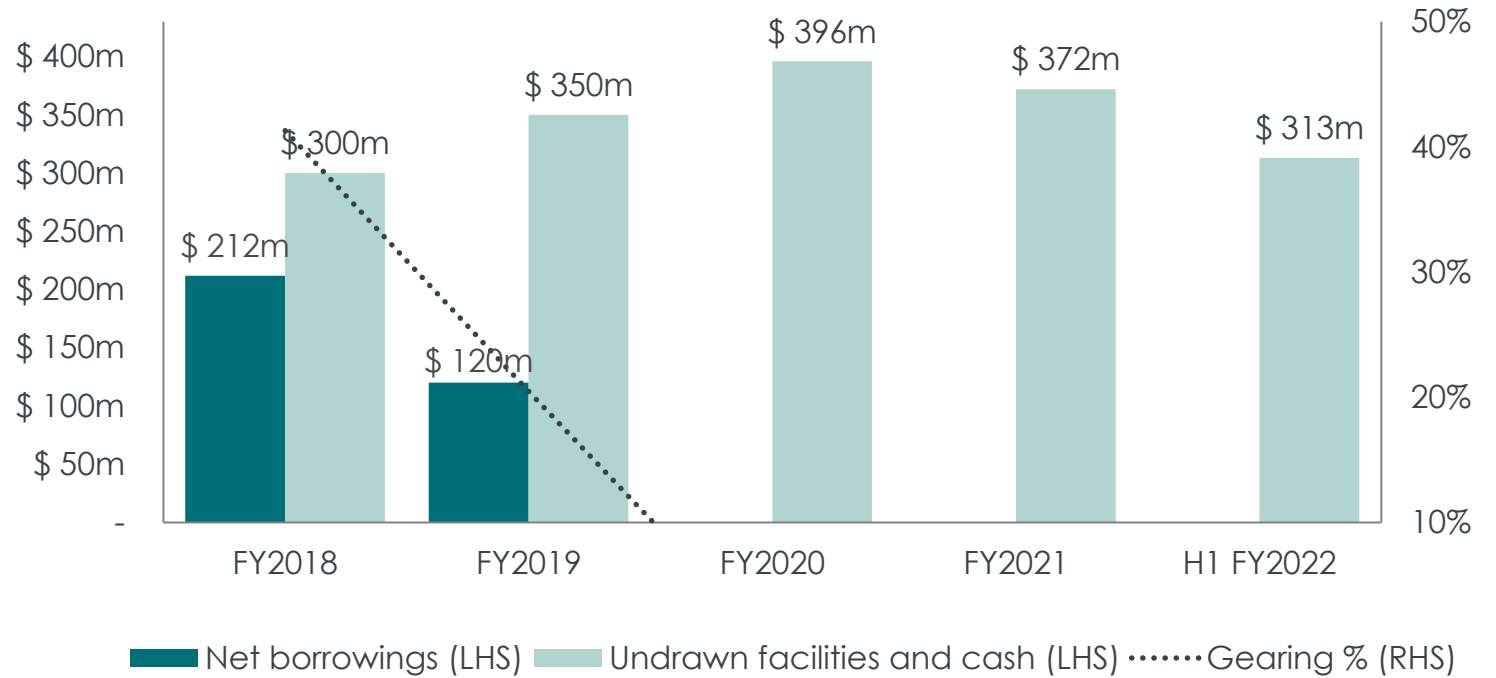


# ... and the financial capacity to seize investment opportunity

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- Undrawn debt headroom intact despite record half-year

## FACILITY HEADROOM AND GEARING



# Solid debt buying operations metrics ...

- Strong Aus/NZ collections despite rolling over prior year stimulus
- Solid US result impacted by labour market conditions in the first quarter
  - Growth in operational capacity from Sep-21

## AU/NZ debt buying



	H1 FY2022	Δ H1 2021 <sup>1</sup>
Collections <sup>3</sup>	\$191m	6%
Productivity	\$305 per hour	5%
Operations headcount <sup>2</sup>	911	(2%)
Payers book <sup>2</sup>	\$1,555m	1%

## US debt buying



	H1 FY2022	Δ H1 2021 <sup>1</sup>
Collections	\$81m	15%
Productivity	\$335 per hour	28%
Operations headcount <sup>2</sup>	374	6%
Payers book <sup>2</sup>	\$253m	14%

1. Constant currency basis  
 2. As at December 2021  
 3. Includes initial Radio Rentals receipts

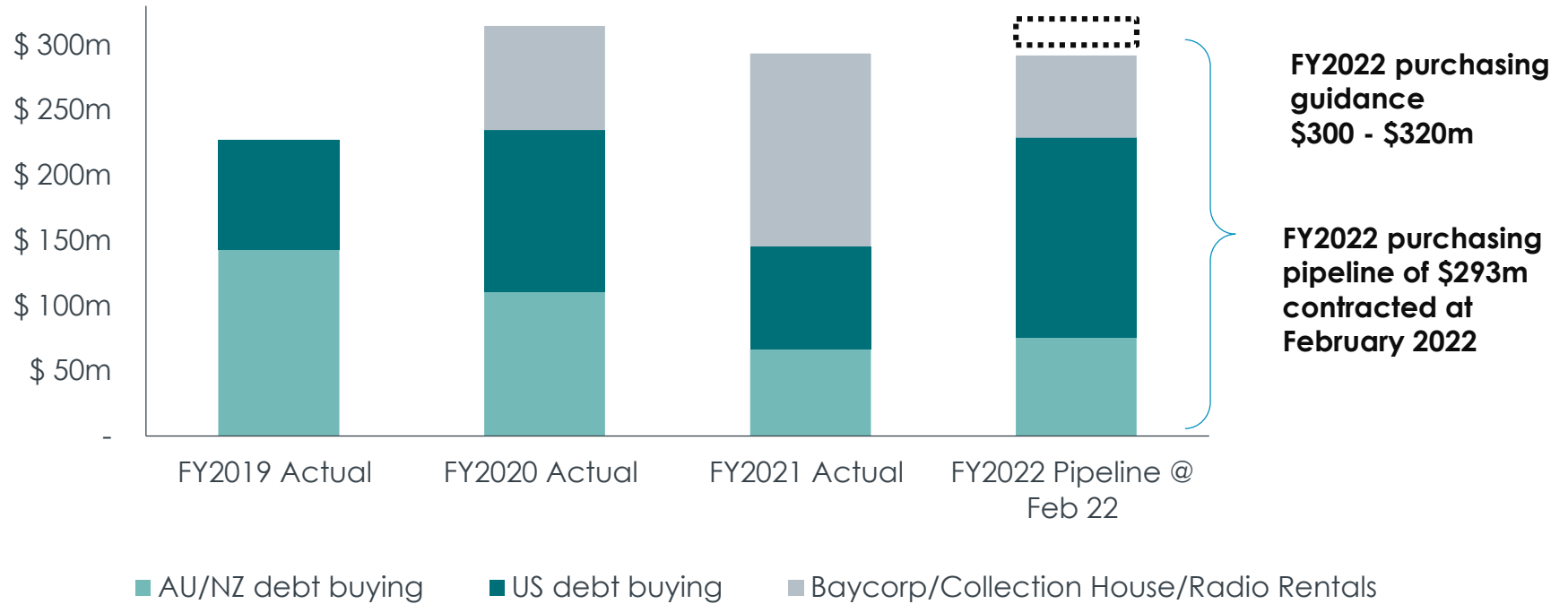
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# ... have contributed to a strong PDL investment outlook

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On track for record investment in challenging market conditions

## PDL INVESTMENT

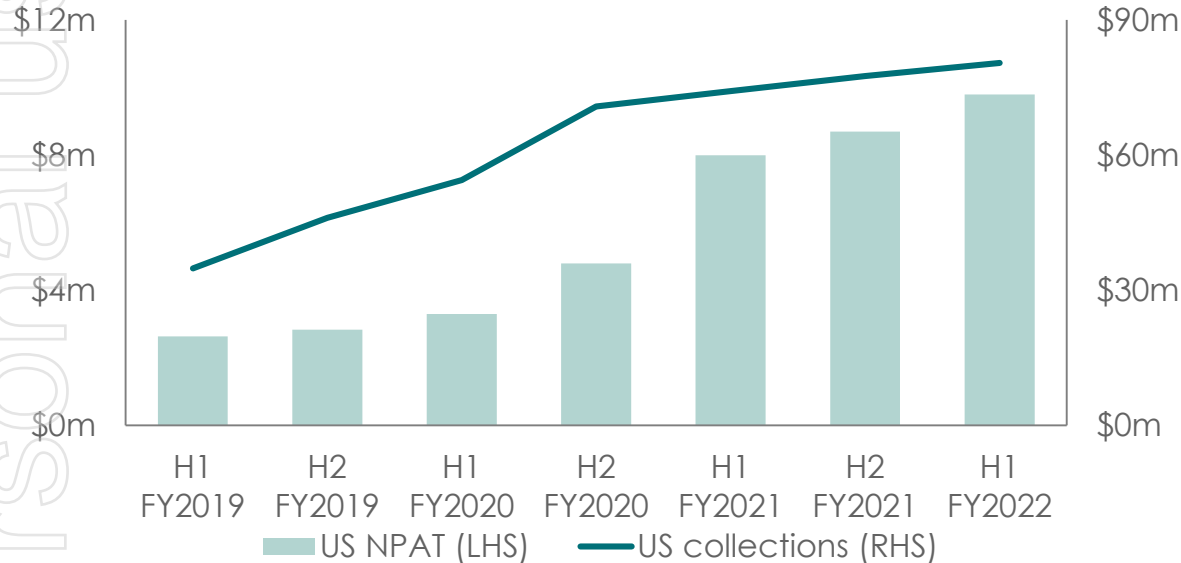




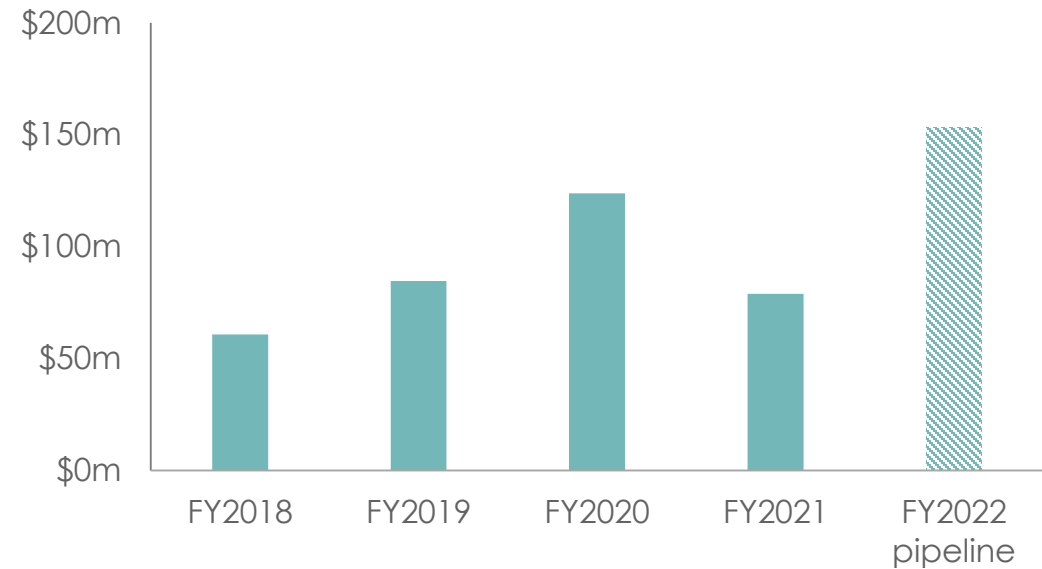
# US NPAT growth driven by purchasing ...

- PDL supply remains tight
- Elevated purchasing reflects increased share and new relationships

### US NPAT and US COLLECTIONS (A\$m)



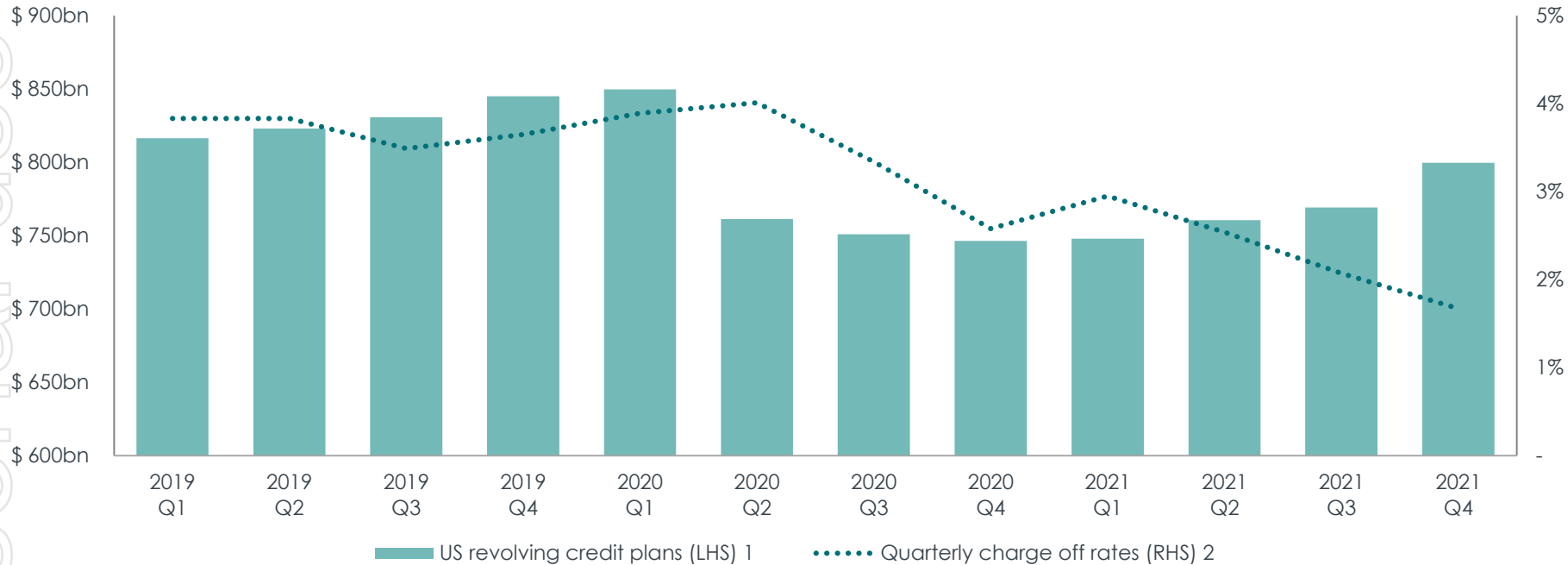
### US PURCHASING (A\$m)



# ... with a positive outlook for supply ...

- US unsecured credit balance recovery accelerating, which should increase PDL supply in the medium term

## US REVOLVING CREDIT MARKET



1. Total Revolving Credit Outstanding, Federal Reserve Economic Data (<https://fred.stlouisfed.org/graph/?g=KHD>)  
 2. Charge-Off Rate on Credit Card Loans, All Commercial Banks, Federal Reserve Economic Data (<https://fred.stlouisfed.org/series/CORCCACBN>)

# ... supported by Credit Corp's competitive platform

- Key efficiency and effectiveness metrics continue to benchmark strongly against US publicly traded debt buyers

	Asset turnover <sup>4</sup>	Cost to collect
CCP	0.9	34.5% <sup>1</sup>
ECPG	1.1	33.7% <sup>2</sup>
PRAA	0.9	34.4% <sup>3</sup>

1. H1 FY2022 CCP US debt buying segment only

2. Calculated based on 12 month period to Sep 21 for US debt buying. Encore Capital Group (NASDAQ: ECPG) is a US-listed global debt buyer

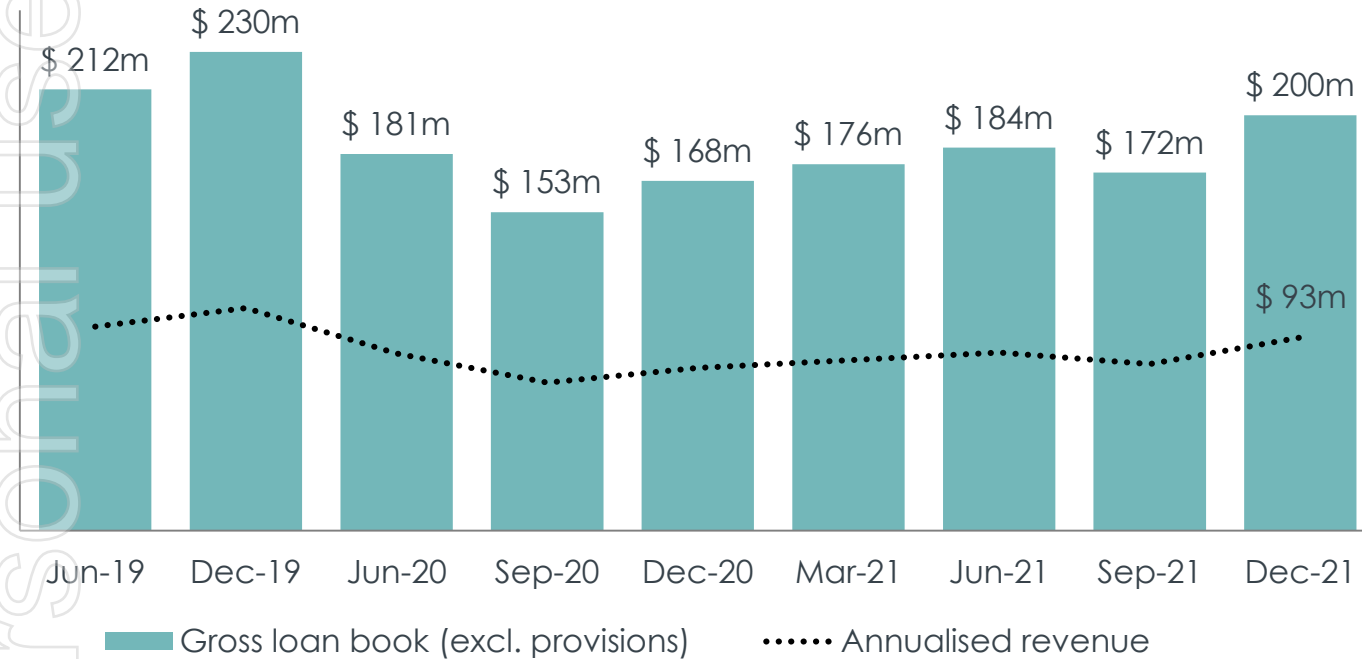
3. Calculated based on 12 month period to Sep 21 blended rate (includes US, Europe and Insolvency). Portfolio Recovery Associates Group (NASDAQ: PRAA) is a US-listed global debt buyer

4. Ratio of cash collections from PDLs to average PDL carrying value (CCP: cash collections based on 12 month period to Dec 21 for US debt buying segment only. ECPG / PRAA cash collections based on 12 month period to Sep 21 for US debt buying only)

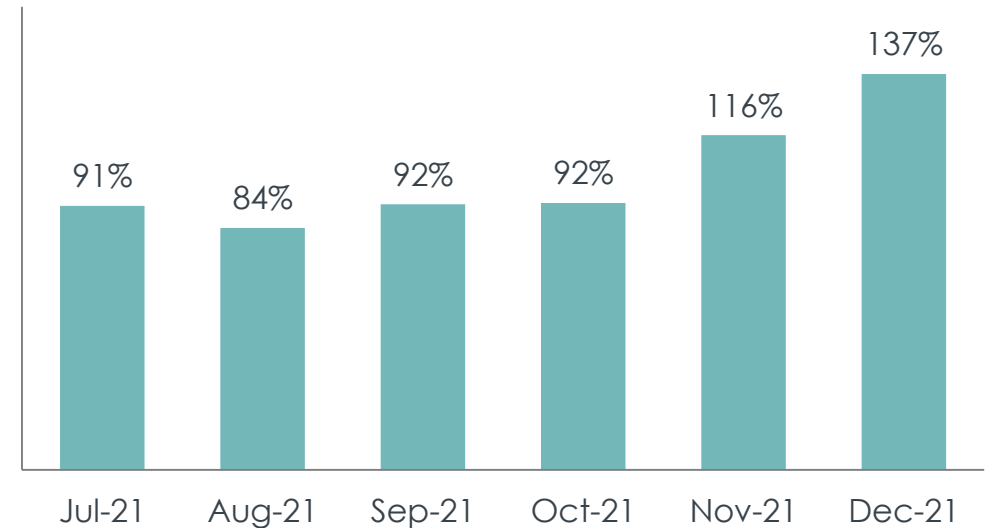
# An acceleration in lending volume ...

- Record monthly volume in December produced the highest loan book balance since pre-pandemic

### CONSUMER LENDING BOOK AND REVENUE



### LENDING VOLUMES INDEXED TO PRE-COVID COMPARATIVE PERIOD <sup>1</sup>

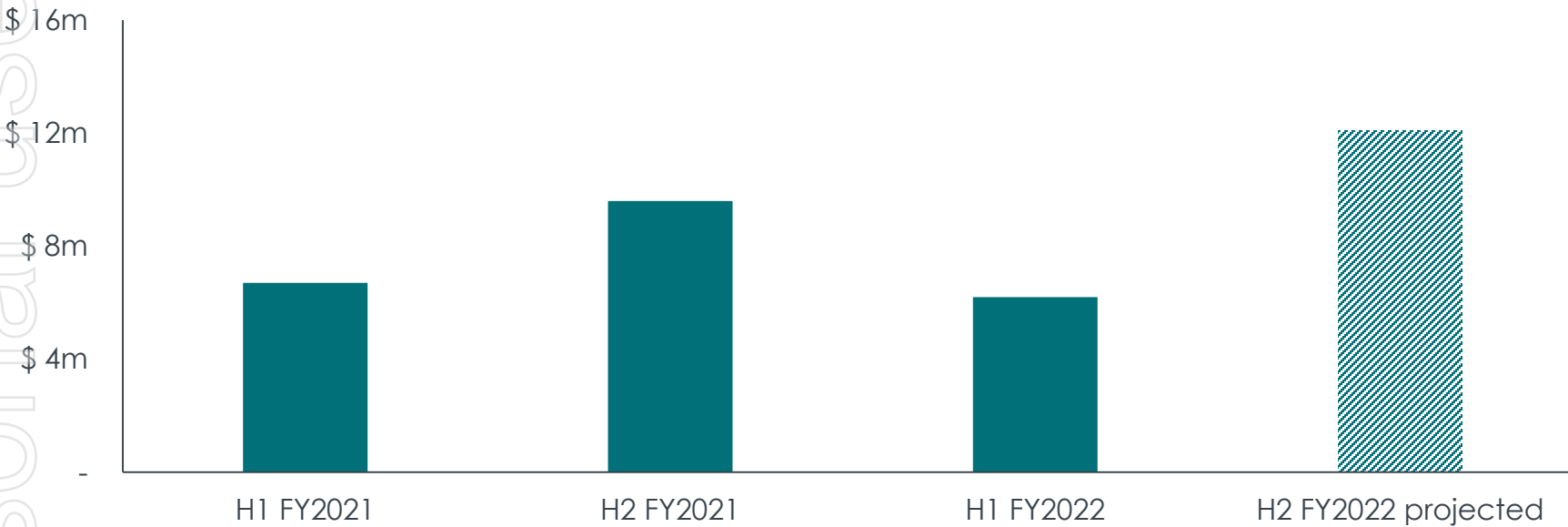


1. All months indexed against 2019, as 2020 was COVID-impacted





# ... has impacted first half lending NPAT

- Up front provisioning has suppressed segment NPAT
- Second half NPAT to benefit from higher starting book

**CONSUMER LENDING NPAT**



# Further activity to sustain long-term growth

<b>US Consumer Lending</b>	<ul style="list-style-type: none"> <li>Cumulative loan volume of \$1 million to 31 Dec 2021</li> <li>Pilot commenced in two states, expanding to seven over coming months (population: 50 million)</li> </ul>	
<b>Auto Lending</b>	<ul style="list-style-type: none"> <li>Product relaunched in Q4 FY2021</li> <li>Volume of \$11 million during H1 FY2022</li> <li>Loan book of \$23 million as at Dec 2021</li> </ul>	
<b>Buy Now Pay Later</b>	<ul style="list-style-type: none"> <li>~300 merchants operational</li> <li>Strong pipeline of prospective merchants</li> </ul>	
<b>Sale of goods by instalment</b>	<ul style="list-style-type: none"> <li>Transaction completed on 20 Dec 2021</li> <li>Integration on schedule</li> <li>Planning for long term model nearing completion</li> </ul>	

# On track for strong FY2022 earnings growth

## FY2022 guidance

	Issued 30 Nov 2021	Upgraded 1 Feb 2022
Ledger investment	\$280 - \$300 million	\$300 - \$320 million
Net lending	\$45 - \$55 million	\$45 - \$55 million
NPAT	\$92 - \$97 million	\$92 - \$97 million <sup>1</sup>
EPS (basic)	137 - 144 cents	137 - 144 cents <sup>1</sup>

1. Excluding \$4.5 million US Paycheck Protection Program (PPP) loan forgiveness during H1 FY2022



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## Appendices: Key Operating Metrics

Appendix 1: Operating cash flow and gearing

Appendix 2: Pricing discipline and accuracy

Appendix 3: Collections life cycle

Appendix 4: Productivity

Appendix 5: Payers base

Appendix 6: Operational and total headcount

Appendix 7: Industry leading compliance and sustainability



# Operating cash flow and gearing



Operating cash flows and gearing	Jun 2020	Dec 2020	Jun 2021	Dec 2021
Operating cash flow	\$212.3m	\$196.1m	\$217.4m	\$221.8m
Tax payments	(\$7.8m)	(\$5.1m)	(\$22.4m)	(\$16.8m)
PDL acquisitions, net lending and capex	(\$94.1m)	(\$197.8m) <sup>1</sup>	(\$123.2m)	(\$238.0m) <sup>2</sup>
<b>Net operating (free) cash flow</b>	<b>\$110.4m</b>	<b>(\$6.8m)</b>	<b>\$71.8m</b>	<b>(\$33.0m)</b>
PDL carrying value	\$422.6m	\$485.4m	\$467.3m	\$557.2m
Consumer loans net carrying value	\$137.3m	\$123.1m	\$135.2m	\$146.6m
Net cash / (borrowings)	\$26.2m	\$16.2m	\$61.7m	\$1.1m
<b>Net borrowings/carrying value (%)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

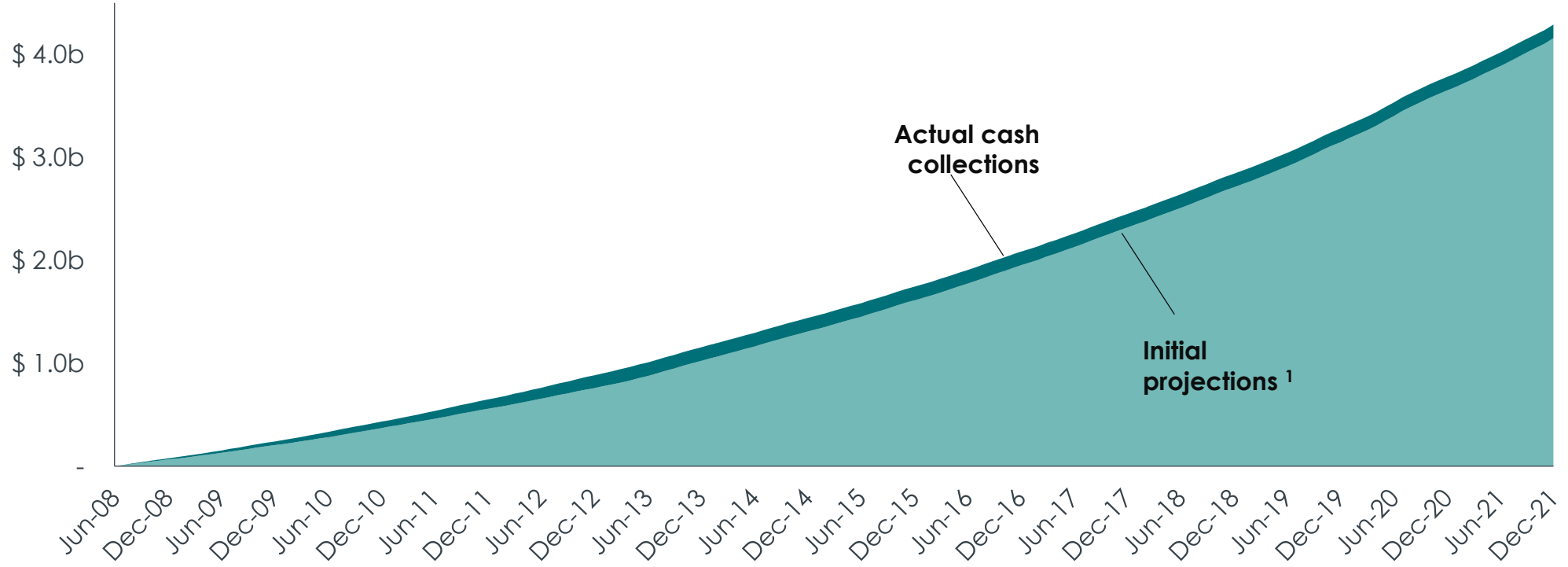
1. Includes outlay of \$146 million for acquisition of Collection House PDL book in Dec 2020

2. Includes outlay of \$63 million for acquisition of Radio Rentals assets in Dec 2021

# Pricing discipline and accuracy

## PRICING DISCIPLINE AND ACCURACY

Cumulative collections



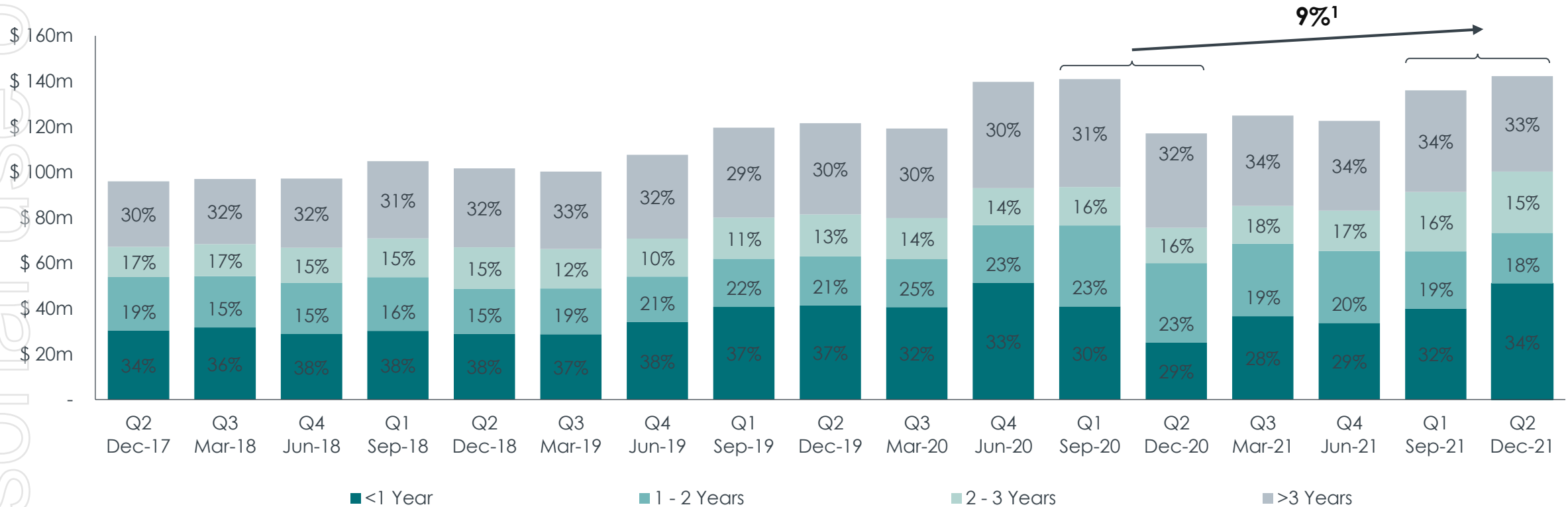
1. For all PDLs held at June 2008, initial projections represent the forecast at June 2008

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# Collections life cycle

## PDL COLLECTIONS BY VINTAGE

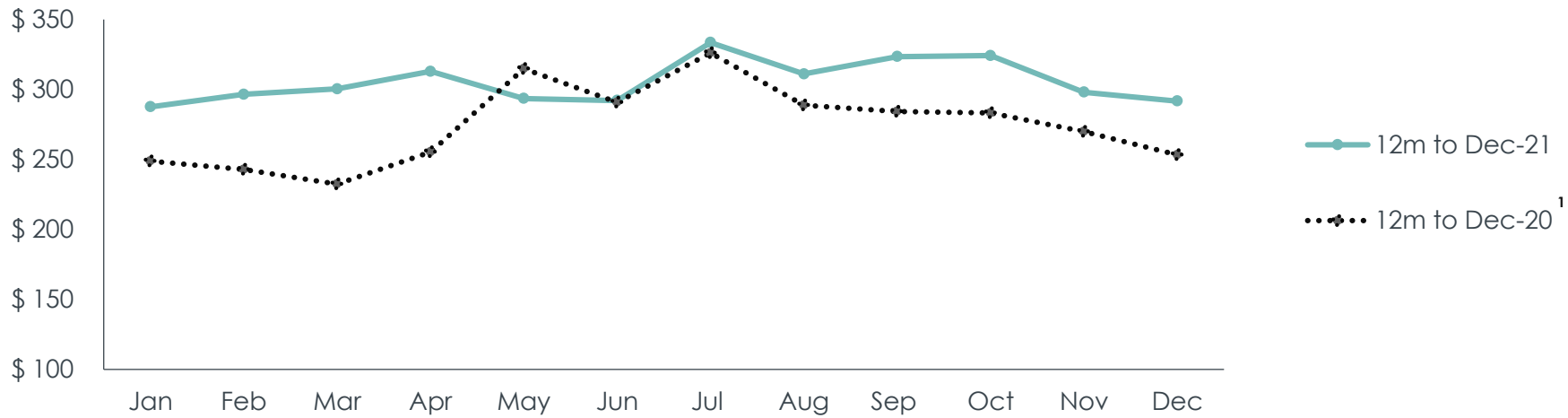
PDL collections by vintage



1. Prior years restated for FY2022 YTD average exchange rate for USD and NZD denominated collections

# Productivity

### PDL COLLECTIONS PER HOUR



**YTD Dec-21 average**

**FY2022: \$314**

**FY2021: \$284<sup>1</sup>**

1. Prior year restated for H1 FY2022 YTD average exchange rate

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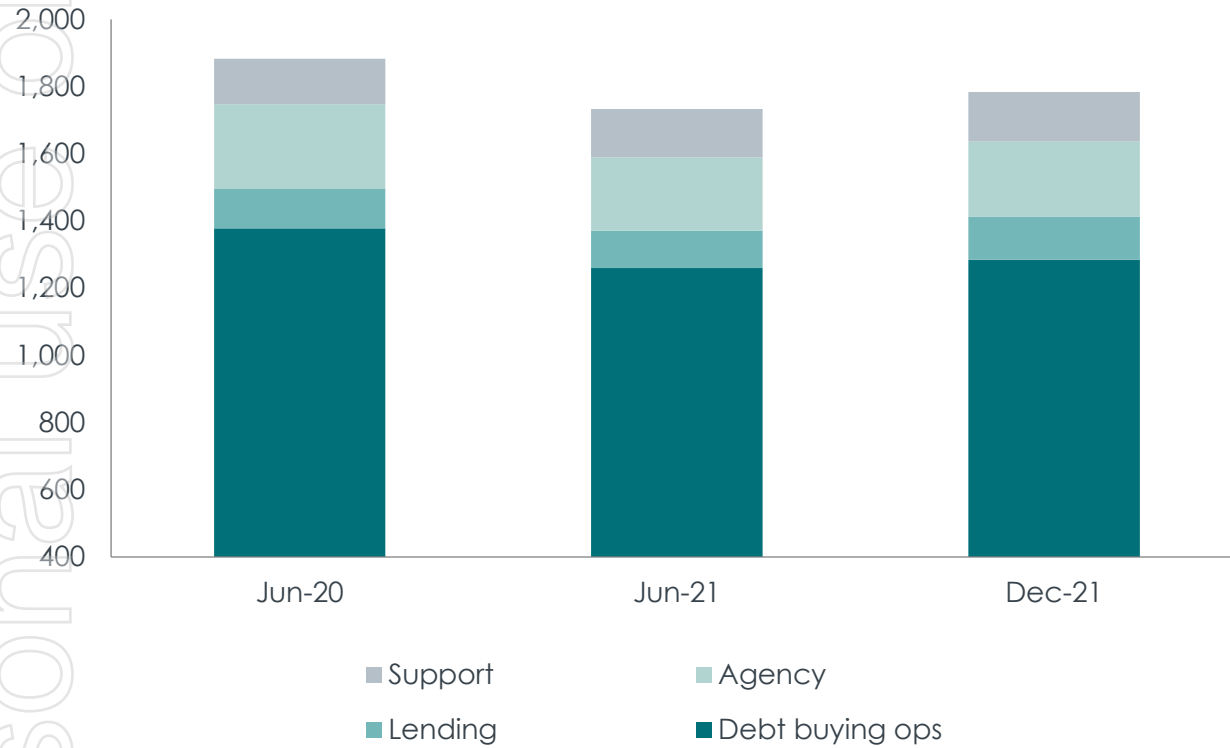
# Payers base

## PORTFOLIO SUMMARY: AU/NZ DEBT BUYING ONLY

<b>Total portfolio</b>	<b>Jun-19</b>	<b>Dec-19</b>	<b>Jun-20</b>	<b>Dec-20</b>	<b>Jun-21</b>	<b>Dec-21</b>
Face value	\$6.4b	\$7.8b	\$7.7b	\$8.6b	\$8.5b	\$8.1b
Number of accounts	786,000	1,268,000	1,193,000	1,392,000	1,326,000	1,252,000
<b>Payment arrangements</b>						
Face value	\$1,300m	\$1,400m	\$1,350m	\$1,550m	\$1,600m	\$1,555m
Number of accounts	157,000	200,000	195,000	219,000	217,000	243,000
<b>% of PDL collections</b>	<b>78%</b>	<b>81%</b>	<b>73%</b>	<b>82%</b>	<b>83%</b>	<b>84%</b>

# Operational and total headcount

PERIOD END HEADCOUNT (FTE)



PERIOD END HEADCOUNT (FTE)

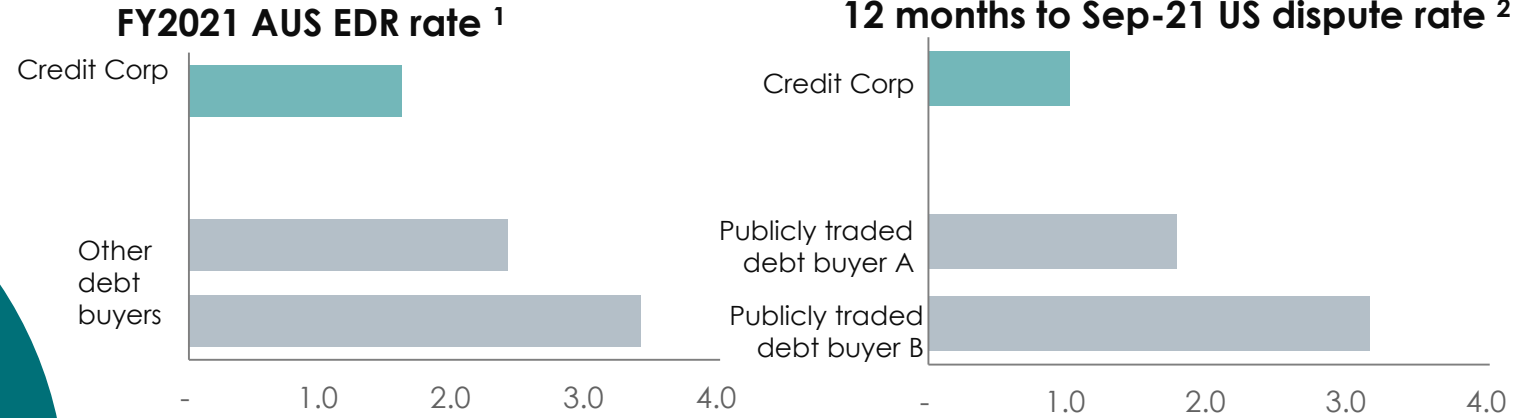
	Dec-20	Jun-21	Dec-21
Debt buying operations	1,281	1,261	1,285
Agency	222	218	223
Lending	110	111	129
Support	137	143	147
<b>Total</b>	<b>1,750</b>	<b>1,733</b>	<b>1,783<sup>1</sup></b>
Support %	8%	8%	8%

1. Excludes Radio Rentals staff on secondment

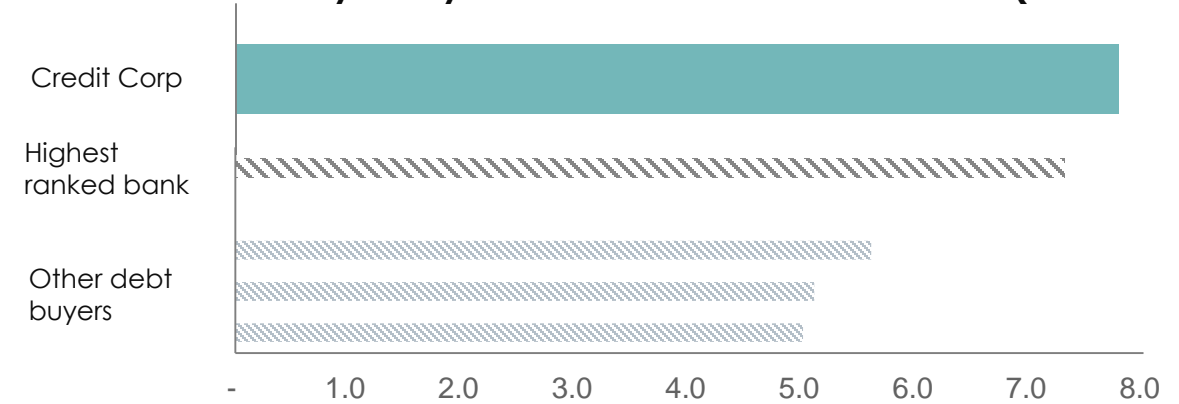
# Industry leading compliance and sustainability

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- Continued industry leadership
  - Lowest EDR rate in AU <sup>1</sup> and low US dispute rate <sup>2</sup>
  - Highest rating from consumer stakeholders
  - No regulatory actions
- Leading approach to hardship
- Compliance and sustainability critical in present conditions



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



<sup>1</sup>. No. of complaints reported by External Dispute Resolution (EDR) provider (The Australian Financial Complaints Authority) for the 12 month period to Jun-21 divided by total annual PDL collections expressed in millions of dollars  
<sup>2</sup>. Complaint metrics from Consumer Financial Protection Bureau (CFPB) database for the 12 months to Sep-2021 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)  
<sup>3</sup>. Financial Counselling Australia: Rank the banks and other creditors survey 2019 - Rating of response to consumer hardship, July 2020, pages 7 and 19