

1 February 2023

HI FY2023 **RESULTS**

Thomas Beregi
CEO

Michael Eadie
CFO



Credit Corp Group

ersonal use only

Leadership of the credit impaired financial services segment ...

ANALYTICS & DISCIPLINE

Australian / NZ debt buying

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

US debt buying

- Large market opportunity
- Diversified purchasing across several sellers

Australian / NZ lending

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

OPERATIONAL EXCELLENCE

- High asset turnover ¹
- Low cost to collect ²
- High performing on-shore and off-shore platforms
- Strong 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
- High level of efficiency

SUSTAINABILITY & COMPLIANCE

- Low dispute rate
- \$1.4b in ongoing repayment arrangements

- Low regulator complaint rate

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

Target

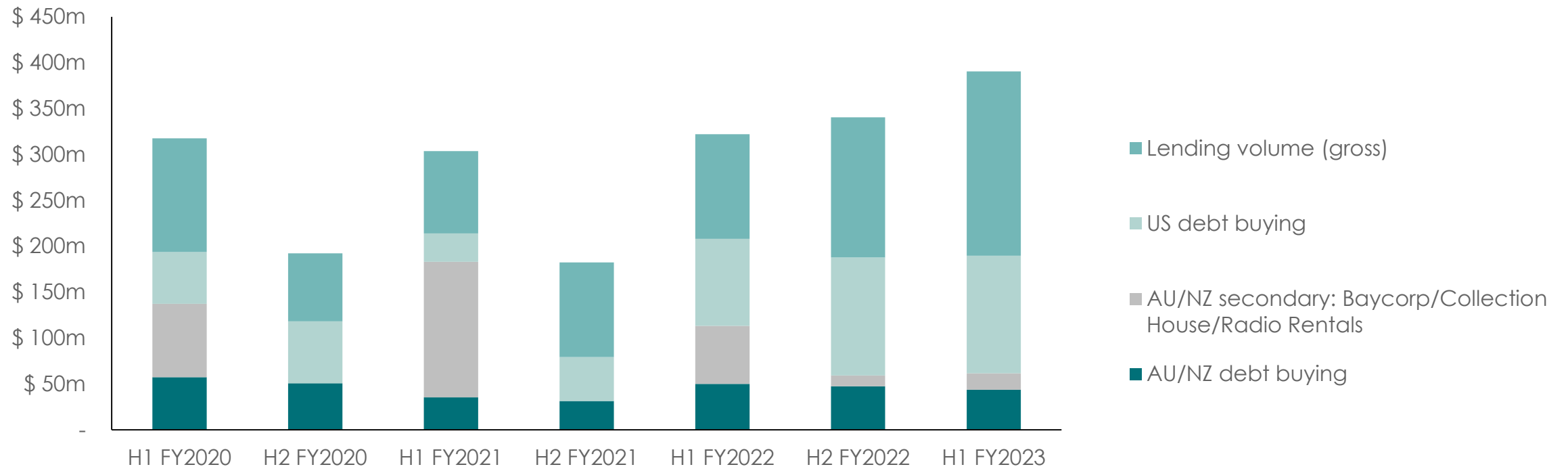
- Long term growth
- ROE 16% - 18%
- Low gearing

1. 1H FY2023 ratio of cash collections from PDLs to average PDL carrying value in Australian Debt Ledger Purchasing segment of 1.1x.

2. 1H FY2023 cash costs as a proportion of collections in the Australian Debt Ledger Purchasing segment of 38%.

...has produced record half-year investment...

- Accelerated growth in Wallet Wizard lending
- Increased purchasing from existing US forward flows



...but has suppressed H1 earnings

- Increased US resourcing yet to convert to collections
- Up-front loan loss provisioning and marketing affecting lending segment earnings
- Continued run-off in AU/NZ debt purchasing

	H1 FY2022	H1 FY2023	Var %
AU/NZ debt buying	\$118.8m	\$108.2m	(9%)
US debt buying	\$42.8m	\$47.0m	10%
AU/NZ lending	\$42.3m	\$65.4m	55%
Revenue total	\$203.9m	\$220.5m	8%
AU/NZ debt buying	\$29.0m	\$21.4m	(26%)
US debt buying	\$10.5m	\$6.1m	(42%)
AU/NZ lending	\$6.2m	\$4.3m	(31%)
NPAT total ¹	\$45.7m	\$31.8m	(30%)
EPS (basic) ¹	67.7c	46.9c	(31%)
Dividend	38.0c	23.0c	(40%)

¹. H1 FY2022 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

Earnings expected to recover during H2

- **US collections on track to improve**

- new teams gaining traction
- payment arrangement growth
- enlarged legal pipeline

- **Lending NPAT set to grow from \$4.3 million in H1 to \$25 - \$30 million in H2**

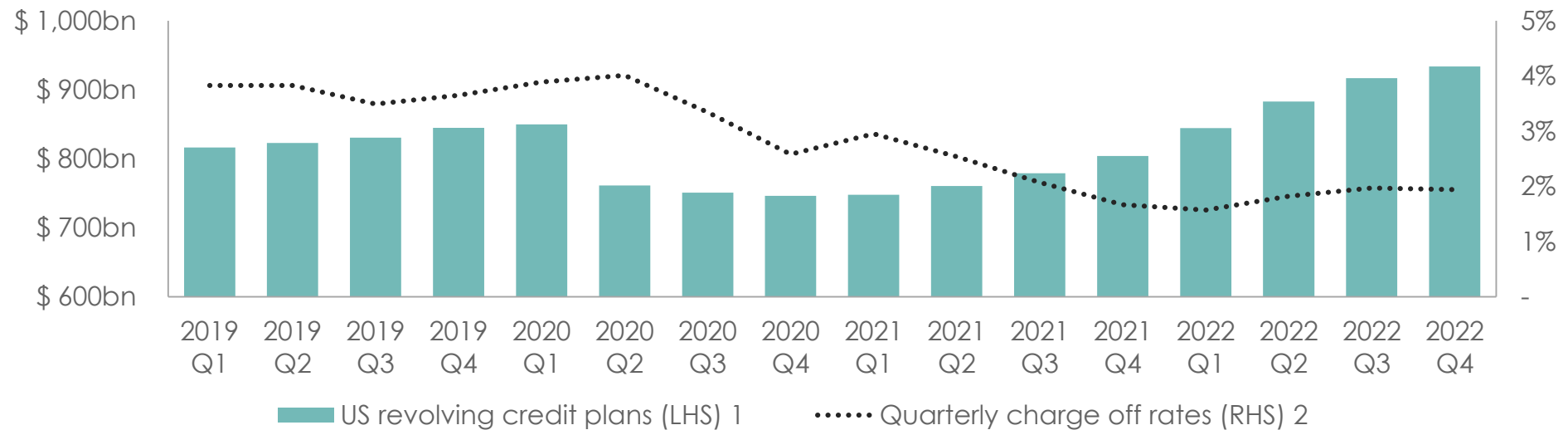
- increased revenue from enlarged starting book
- moderation in volume will reduce provisioning and marketing

- **Project costs reduced**

While US PDL supply is increasing...

- Unsecured credit growth and increasing charge-off rates are producing increased supply

US REVOLVING CREDIT MARKET



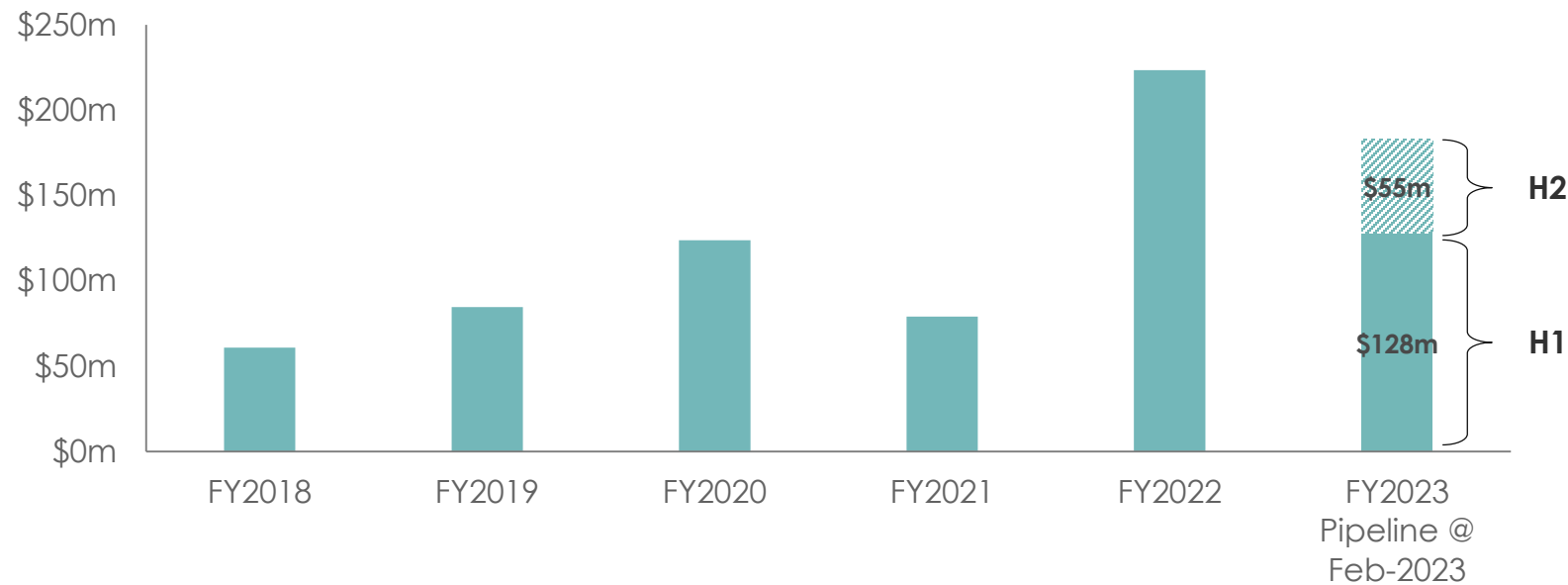
1. Total Revolving Credit Outstanding, Federal Reserve Economic Data (<https://fred.stlouisfed.org/series/CCLACBW027SBOG>)

2. Charge-Off Rate on Credit Card Loans, All Commercial Banks, Federal Reserve Economic Data (<https://fred.stlouisfed.org/series/CORCCACBN>)

...Credit Corp's US purchasing will decrease in H2...

- Unexpectedly high volumes received under forward flows during H1
- Purchasing will reduce in H2 as commitments expire

US PURCHASING (A\$m)

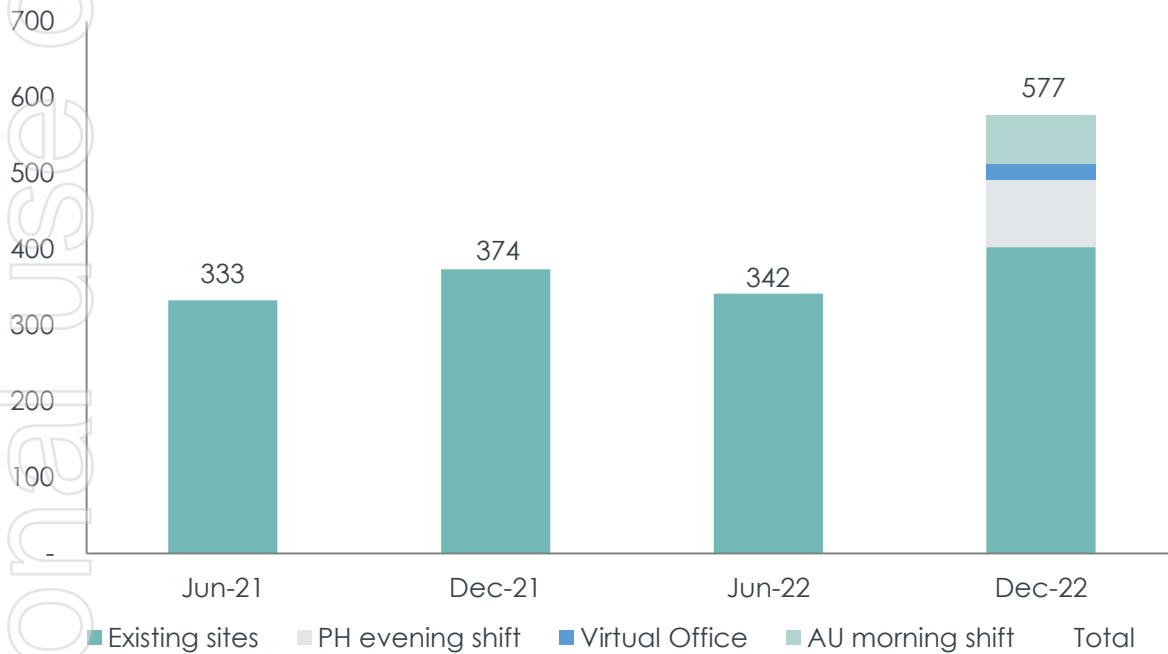


**FY2023
purchasing
pipeline of \$183m
contracted as at
February 2023**

...with the focus on converting US resource growth into collections

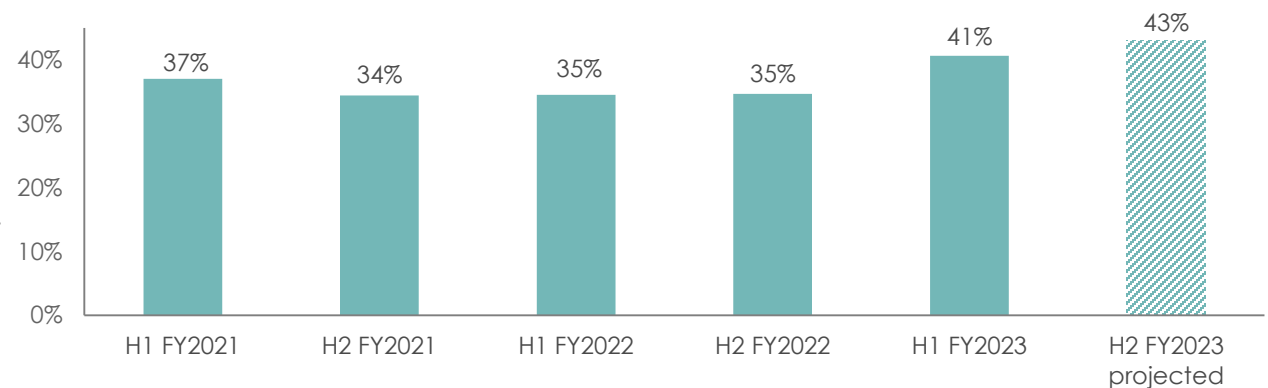
- Rapid resource growth has created a short term challenge
- Payers growth points to improved productivity

US OPERATIONAL HEADCOUNT



US DEBT BUYING	H1 FY2023	Δ H1 FY2022 ¹
Collections	\$88m	- %
Productivity	\$256 per hour	(30%)
Operations headcount ²	577	54%
Payers book ²	\$322m	17%

US COST TO COLLECT

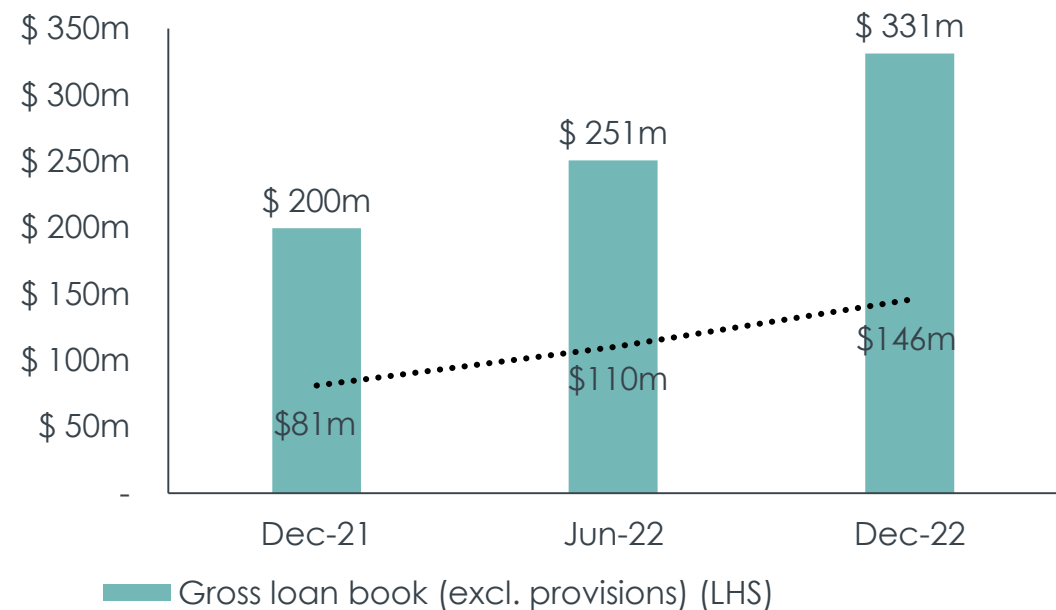


1. Constant currency basis
2. As at December 2022

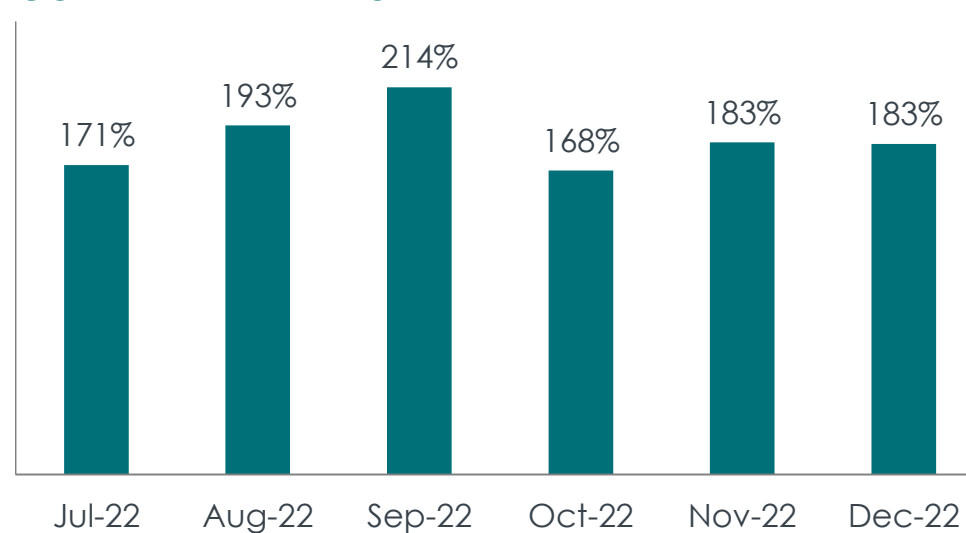
Lending is a key driver of growth

- Current book now producing \$146 million in annualised revenue
- Cash loan demand significantly above pre-COVID peaks
- Arrears and losses remain within pro-forma
- Auto limited to just \$47 million of the loan book

CONSUMER LENDING BOOK AND ANNUALISED REVENUE




LENDING VOLUMES INDEXED TO PRE-COVID COMPARATIVE PERIOD ¹



¹. All months indexed against 2019 as both 2020 and 2021 were COVID impacted

AU/NZ operational performance remains sound

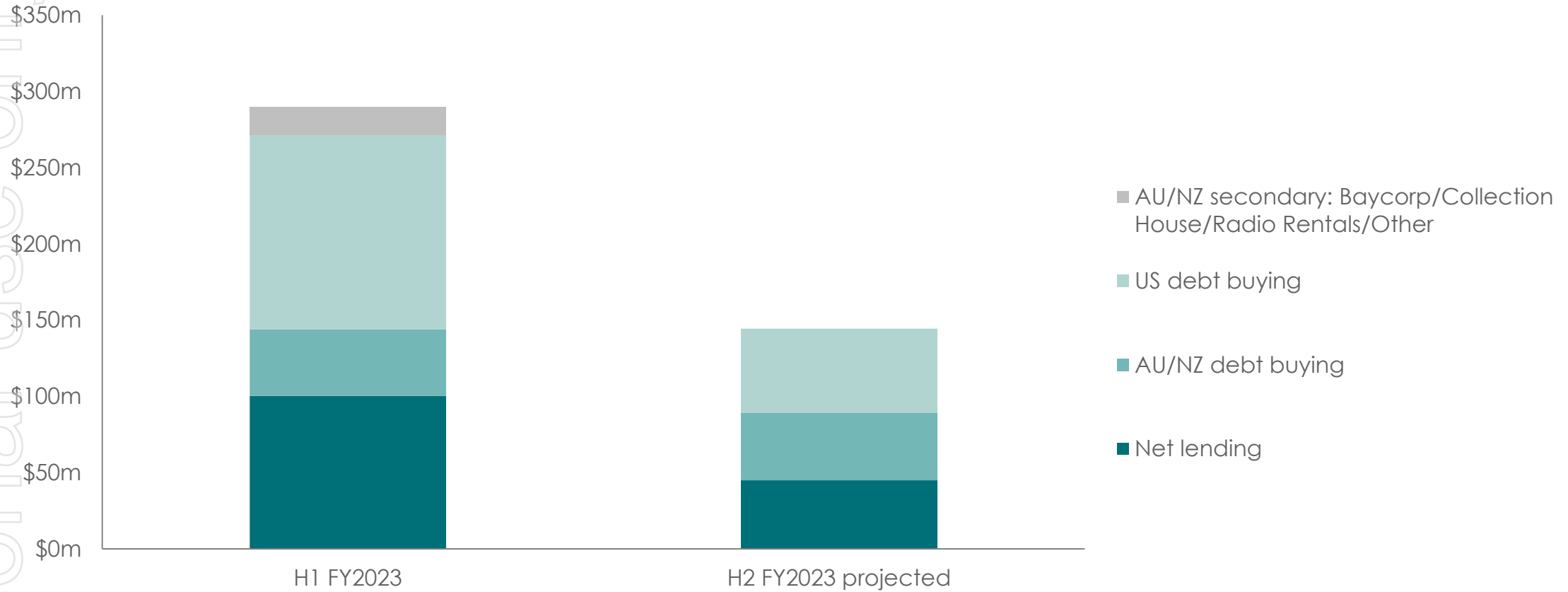
- Some loss of operational leverage as collections have decreased in line with reduced investment

 AU/NZ DEBT BUYING	H1 FY2023	Δ H1 FY2022
Collections	\$163m	(15%)
Productivity	\$310 per hour	(3%)
Operations headcount ¹	824	(10%)
Payers book ¹	\$1,379m	(11%)

¹ As at December 2022

Investment will moderate in H2...

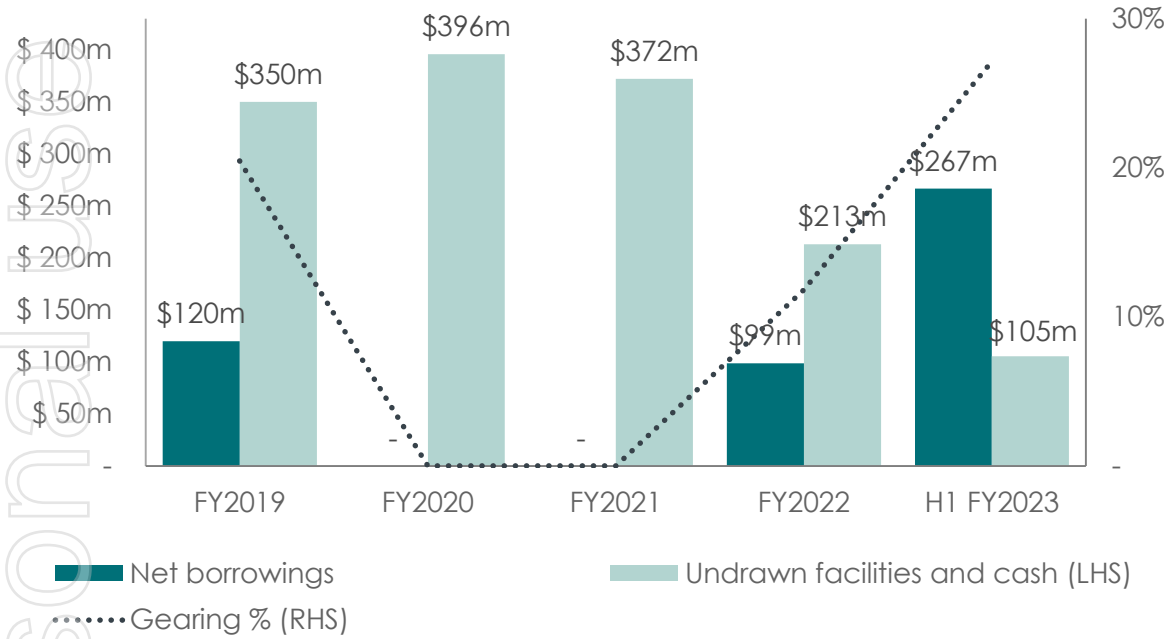
INVESTMENT



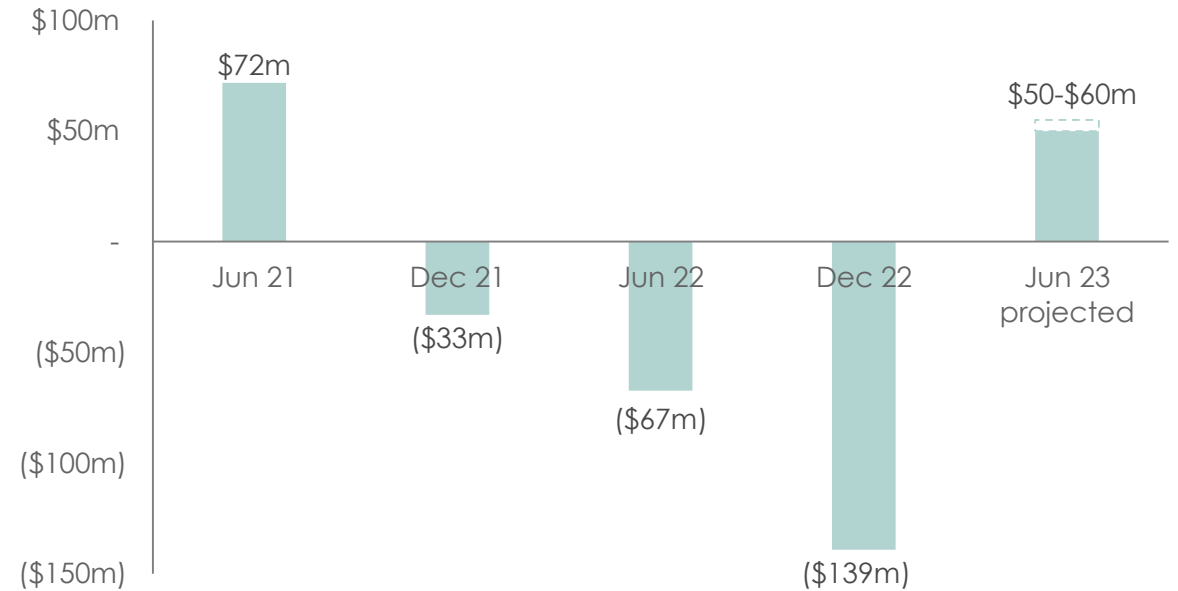
...building financial capacity

- Available lines increased to \$372 million
- Reduced US investment will result in de-leveraging over the balance of FY2023

GEARING AND CASH FACILITIES



FREE CASH FLOW (HALF-YEAR ENDING)



Revised investment guidance

ersonal use only

	FY2023 GUIDANCE ISSUED OCT-22	FY2023 REVISED GUIDANCE FEB-23
Ledger investment	\$240 - \$260 million	\$290 - \$295 million
Net lending	\$50 - \$60 million	\$140 - \$150 million
NPAT	\$90 - \$97 million	\$90 - \$97 million
EPS (basic)	133 - 143 cents	133 - 143 cents

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**

ersonal use only

Operating cash flow and gearing

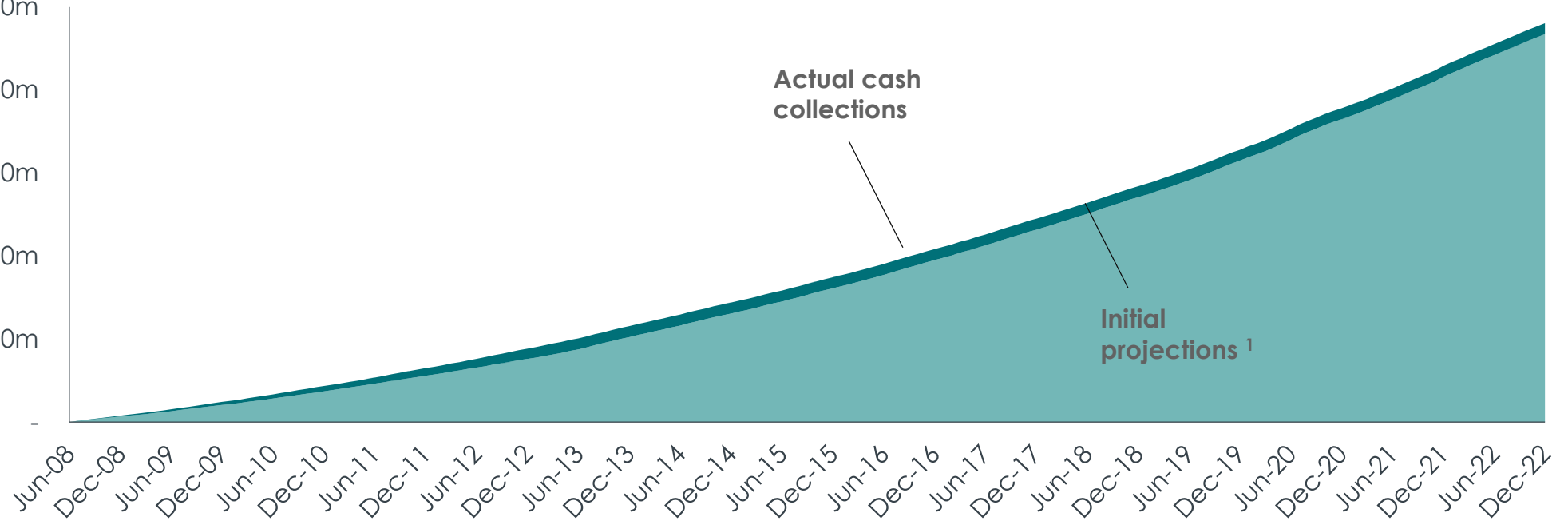
Operating cash flows and gearing	Jun-21	Dec-21	Jun-22	Dec-22
Collections	\$243.8m	\$272.8m	\$264.3m	\$257.2m
Other income	\$55.0m	\$60.4m	\$69.6m	\$80.7m
Interest expense/income	(\$2.1m)	(\$2.1m)	(\$2.6m)	(\$6.0m)
Operating expenses including taxation	(\$101.9m)	(\$126.1m)	(\$149.6m)	(\$166.5m)
PDL acquisitions, net lending and capex	(\$123.2m)	(\$238.0m) ¹	(\$249.0m)	(\$304.5m)
Net operating (free) cash flow	\$71.8m	(\$33.0m)	(\$67.3m)	(\$139.1m)
PDL carrying value	\$467.3m	\$557.2m	\$637.3m	\$719.0m
Consumer loans net carrying value	\$135.2m	\$146.6m	\$198.4m	\$263.3m
Net cash / (borrowings)	\$61.7m	\$1.1m	(\$98.9m)	(\$266.6m)
Net borrowings/carrying value (%)	N/A	N/A	11.8%	27.1%

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

Pricing discipline and accuracy

PRICING DISCIPLINE AND ACCURACY

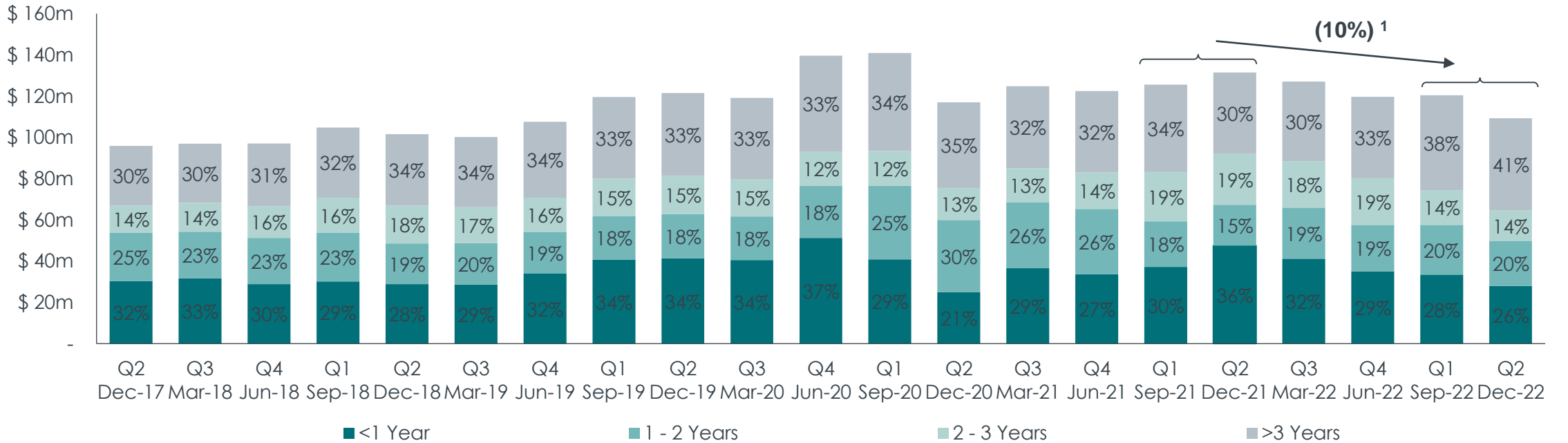
Cumulative
collections
\$ 5,000m



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

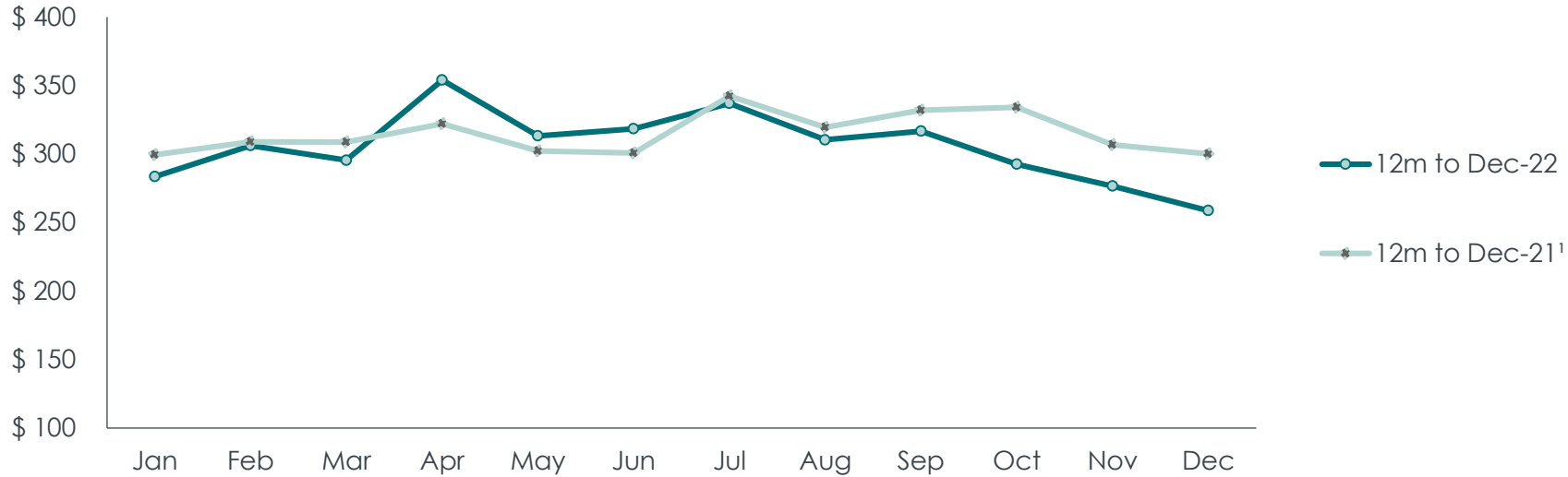
Collections life cycle

PDL COLLECTIONS BY VINTAGE



1. 10% less in FY2023 H1 vs FY2022 H1. Based on constant currency

Productivity



YTD Dec-22 average

- FY2023: \$299
- FY2022: \$322¹

1. Constant currency basis

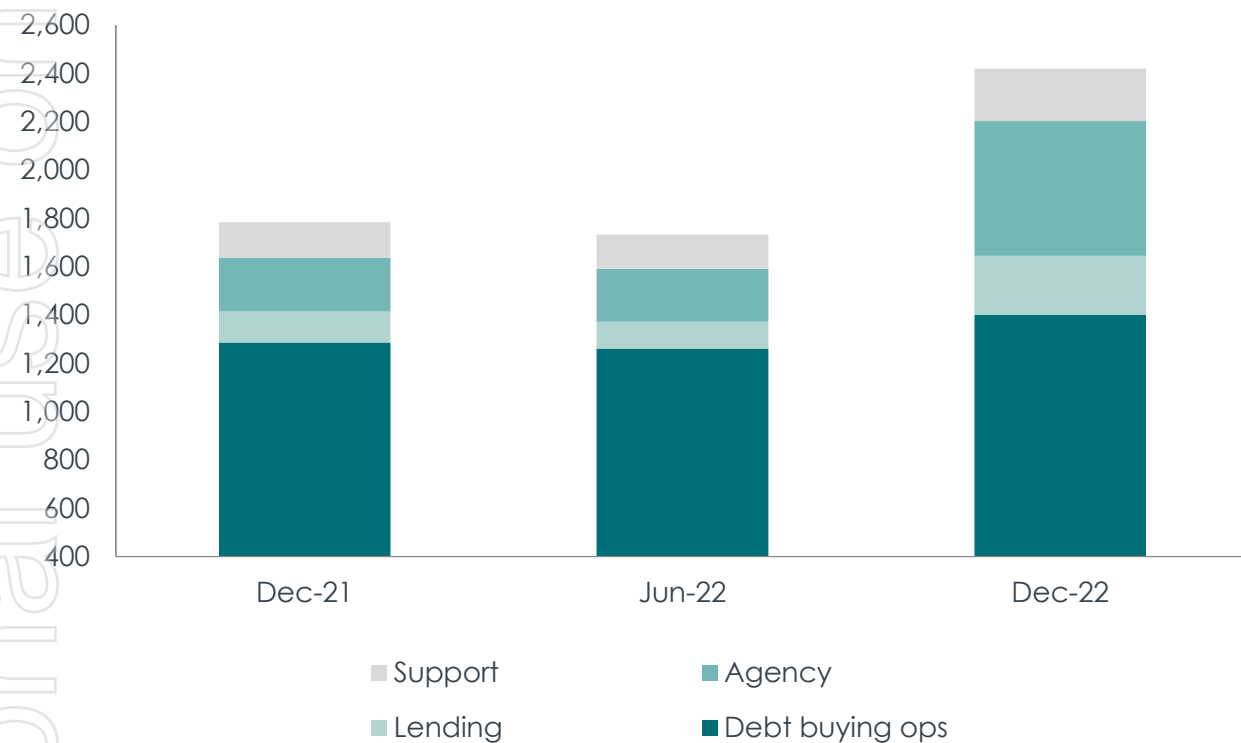
Payers base

PORTFOLIO SUMMARY: AU/NZ DEBT BUYING ONLY

Total portfolio	Jun-20	Dec-20	Jun-21	Dec-21	Jun-22	Dec-22
Face value	\$7.7b	\$8.6b	\$8.5b	\$7.9b	\$7.6b	\$7.9b
Number of accounts	1,193,000	1,392,000	1,326,000	1,252,000	1,236,000	1,259,000
Payment arrangements						
Face value	\$1,350m	\$1,550m	\$1,600m	\$1,555m	\$1,433m	\$1,379m
Number of accounts	195,000	219,000	217,000	243,000	204,000	201,000
% of PDL collections	73%	82%	83%	84%	85%	84%

Operational and total headcount

PERIOD END HEADCOUNT (FTE)



	Dec-21	Jun-22	Dec-22
Debt buying operations	1,285	1,296	1,401
Agency	223	229	558
Lending	129	162	243
Support	147	153	217 ¹
Total	1,783	1,840	2,419
Support %	8%	8%	9%

1. Including staff acquired as part of the acquisition of Collection House during H1 FY2023

For more information, please contact:

Thomas Beregi

Chief Executive officer
Tel: +61 2 8651 5777
tberegi@creditcorp.com.au

Michael Eadie

Chief Financial Officer
Tel: +61 2 8651 5542
meadie@creditcorp.com.au
