

Media Release

2 February 2021

Credit Corp reports first half profit growth of 10%

Credit Corp Group Limited (Credit Corp or the Company) reports the following highlights for the first half of the 2021 fiscal year:

- 10% increase in net profit after tax (NPAT) to \$42.3 million
- Strong US purchased debt ledger (PDL) segment result with NPAT doubling to \$8.0 million
- Record half-year PDL investment driven by the Collection House purchase
- Strong recovery in consumer lending volume over the December quarter
- Upgraded full-year outlook

All segments either met or exceeded expectations. Aus/NZ debt buying and consumer lending businesses achieved expectations while the US outperformed.

Despite limited organic purchasing Aus/NZ collections remained in line with the prior year. Productivity improved by 7% over the prior corresponding period (pcp), producing solid segment NPAT growth.

Collections reduced over the December quarter in accordance with the phased withdrawal of COVID-19 support measures but remained in line with expectations.

The Collection House purchase was completed on the last day of the period and will make a strong contribution over the second half. Mr Thomas Beregi, CEO of Credit Corp, said that while all credit issuers selling prior to COVID-19 had resumed their sale programs purchasing volumes were only now starting to grow as the impact of issuer forbearance dissipated. "The Collection House purchase will enable us to maintain our operational scale and grow collections while ongoing purchasing volumes recover" he said.

Operational improvement and elevated purchasing over recent years in the US combined to deliver a 36% increase in US collections and a doubling in segment NPAT. Purchasing volumes contracted over the period as a consequence of diminished supply arising from issuer forbearance and the impact of monetary stimulus on competitor purchasing appetite and pricing. Mr Beregi said the strong US profit contribution showed that the business was realising its potential. "While COVID-19 has produced tight purchasing conditions, our US business is very competitive and can grow NPAT rapidly when conditions ease" he said.

After significant run-off driven by COVID-19 uncertainty and the impact of government and other support measures, lending volumes substantially recovered over the December quarter. The consumer loan book grew by 10% over the December quarter.

Prospects for further growth in the loan book and a recovery in segment NPAT are favourable.

December quarter consumer demand, measured by application volume, exceeded the same period in the prior year and delinquencies remained at record lows. Upgraded systems will support more rapid growth, through an improved customer experience, and will facilitate new products.

Outlook and guidance

Favourable operational performance has produced a strong start to FY2021 and this is expected to continue over the balance of the year. While ongoing investment will likely remain subdued the one-off acquisition of the Collection House book will drive collections and NPAT ahead of any recovery in purchasing conditions. The Company remains debt-free, with \$400 million in net cash and undrawn credit lines, putting it in a strong position to seize further one-off opportunities and grow investment across all segments as market conditions allow.

Guidance for FY2021 has been upgraded in accordance with the following ranges:

	Guidance upgraded Feb-21	Guidance issued Dec-20
PDL acquisitions	\$310 - \$330m	\$270 - \$330m
Net lending volumes	\$5 - \$10m	\$(5) - \$5m
NPAT	\$85 - \$90m	\$70 - \$85m
EPS	126 - 134 cents	104 - 126 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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