Credit Corp Group

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H1 FY2021 Results Presentation

2 February 2021

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Michael Eadie CFO

Leadership in the credit impaired consumer segment …

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ANALYTICS & DISCIPLINE	OPERATIONAL EXCELLENCE	SUSTAINABILITY & COMPLIANCE
Australian / NZ debt buying		
▪ Largest database ▪ History of pricing accuracy ▪ Purchasing levels vary inversely with pricing	▪ Highest asset turnover [1] ▪ Lowest cost to collect [2] ▪ High performing on-shore and off-shore platforms ▪ Leading technology and use of data	▪ No adverse orders or undertakings ▪ Low dispute rate ▪ $1.5b in ongoing repayment arrangements
USA debt buying		
▪ Adapted knowledge to US environment ▪ Large market opportunity ▪ Diversified purchasing across major sellers	▪ Significant growth in productive capacity with opening of second site ▪ Emphasis on payment arrangements and a lower proportion of litigated outcomes	▪ Low regulator complaint rate ▪ Strong client audit outcomes
Australian / NZ lending		
▪ Leverage knowledge of consumer ▪ Up-front loss provisioning ▪ Analytical monitoring ▪ Unique statistical underwriting	▪ Automated decisioning ▪ Collection strength ▪ Unmatched efficiency	▪ APRs below cap applicable to mainstream credit ▪ Regulatory upside - no 'payday loans' ▪ Superior pricing disrupting the market

Target

Long-term growth

ROE 16% - 18%

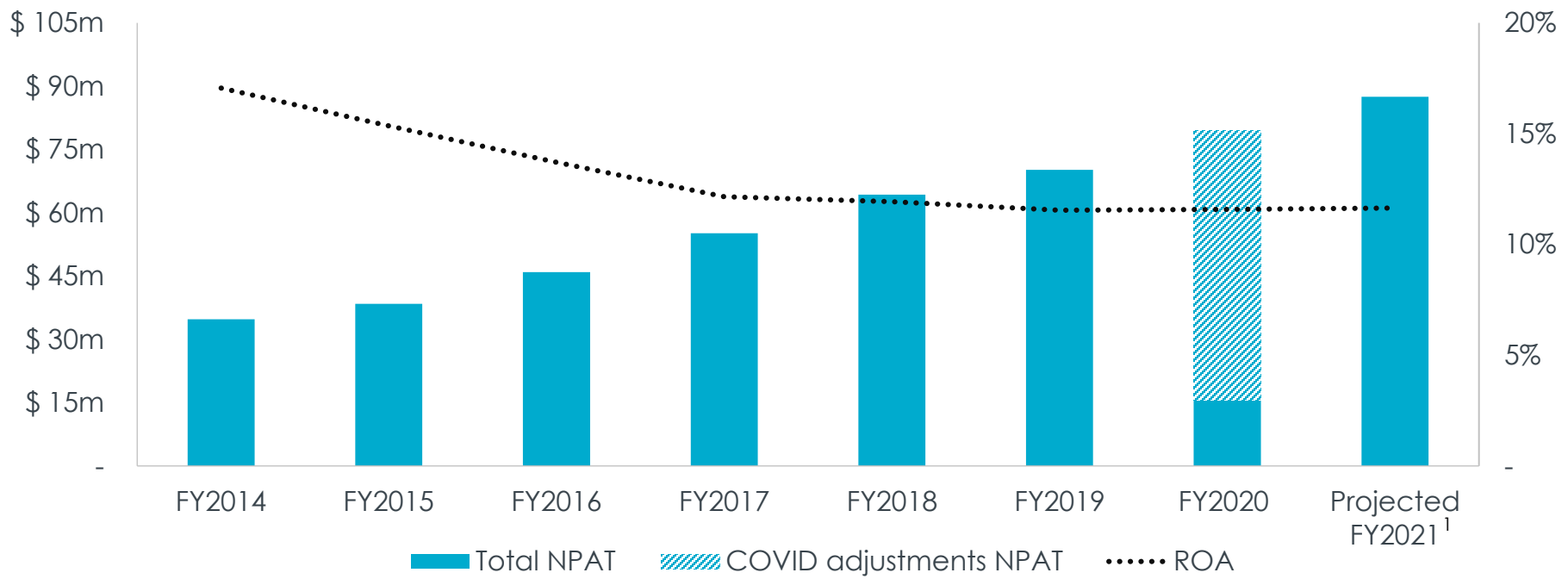
Low gearing

1.H1 FY2021 ratio of cash collections from PDLs to average PDL carrying value in Australian Debt Ledger Purchasing segment of 1.2x
2.H1 FY2021 ratio of cash costs of the Australian Debt Ledger Purchasing segment to collections of 35%

… has delivered sustained growth …

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NPAT AND RETURN ON ASSETS



1.Midpoint of revised FY2021 guidance

… and a solid start to the year…

10%
growth in NPAT driven by strong US performance

	H1 FY2020	H1 FY2021	Var %
AU/NZ debt buying [1]	$112.7m	$113.3m	1%
US debt buying	$28.0m	$37.3m	33%
AU/NZ lending	$50.2m	$37.4m	(26%)
Revenue total	**$190.9m**	**$188.0m**	**(2%)**
AU/NZ debt buying [1]	$25.7m	$27.5m	7%
US debt buying	$3.3m	$8.0m	>100%
AU/NZ lending	$9.6m	$6.7m	(30%)
NPAT total	**$38.6m**	**$42.3m**	10%
EPS (basic)	70.3c	62.8c	(11%)
Dividend	**36.0c**	**36.0c**	**-**

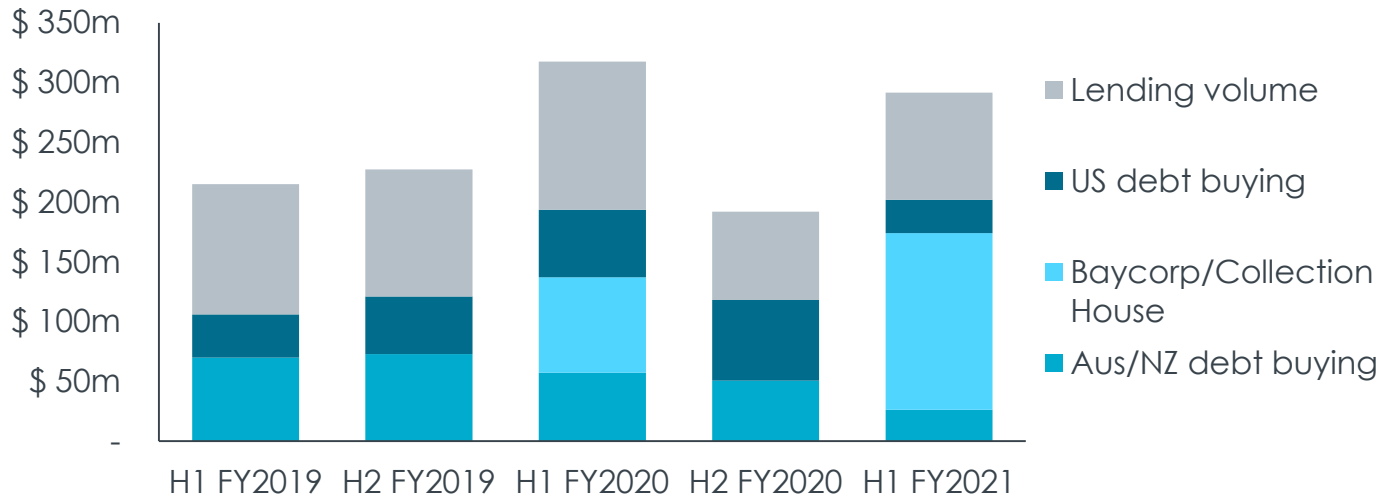
1. AU/NZ debt buying includes agency activities

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… with record PDL investment to drive ongoing growth

- Acquisition of Collection House ledger book produces record half year PDL investment
- Strong recovery in lending volume in December quarter

PDL INVESTMENT AND LENDING VOLUME

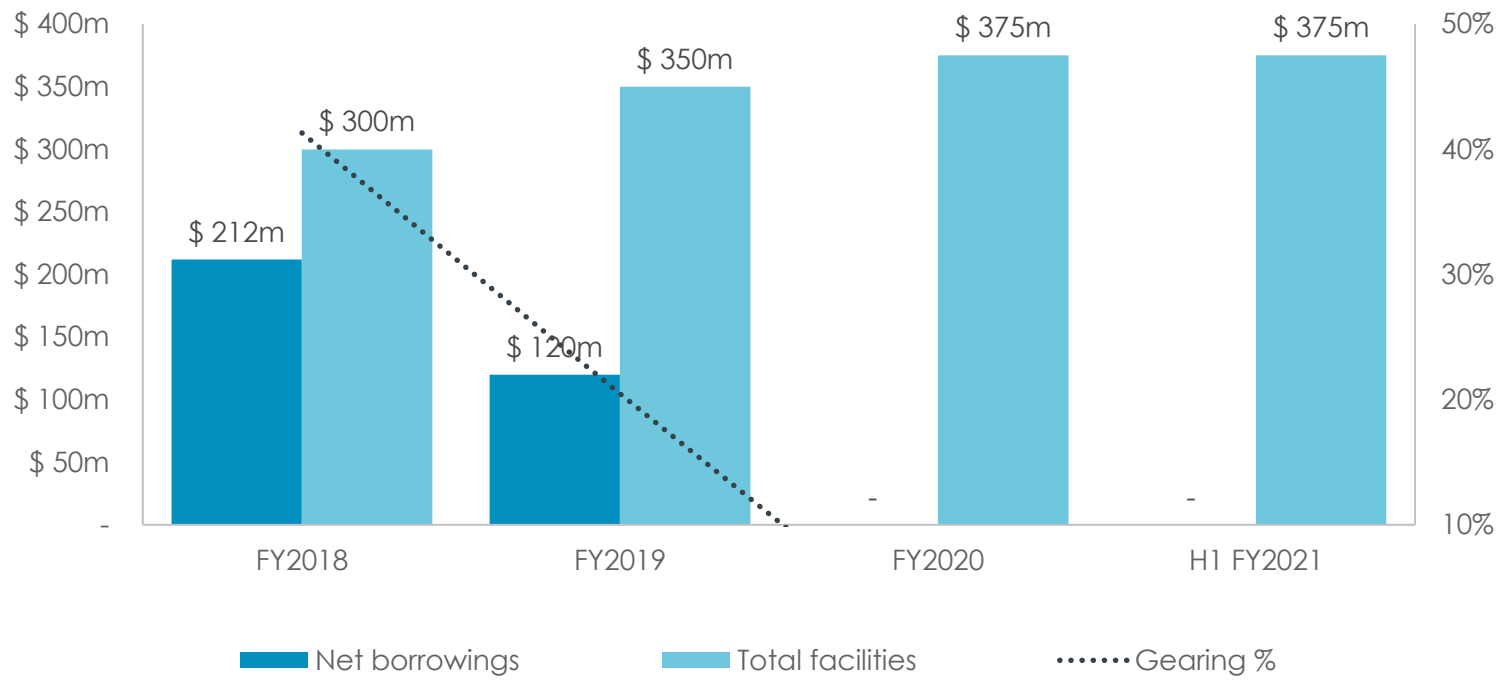


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Substantial capital available to fund further growth opportunities

- In a net cash position despite record investment
- $400m in cash and undrawn lines

FACILITY HEADROOM AND GEARING



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Strong debt buying operations metrics…

- AUS/NZ in line with expectations
- US has outperformed

AUS/NZ debt buying



	1H FY2021	Δ 1H FY2020
Collections	$180m	(1%)
Productivity	$291 per hour	7%
Operations headcount [1]	927	(12%)
Payers book [2]	$1,545m	10%

US debt buying



	1H FY2021	Δ 1H FY2020 [3]
Collections	$70m	36%
Productivity	$274 per hour	39%
Operations headcount	354	(13%)
Payers book	$211m	25%

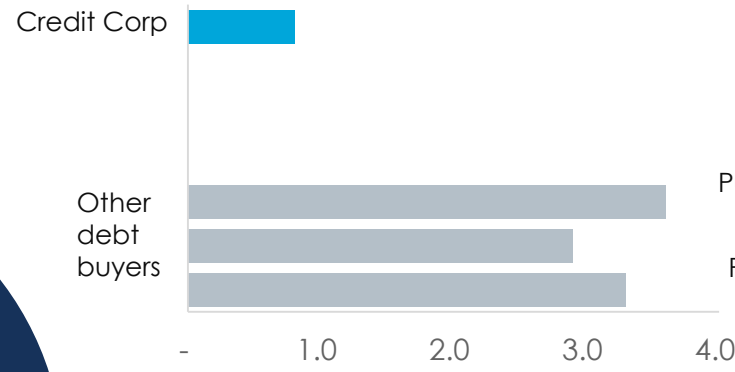
1. As at December 2020
2. Payers book includes $200m for Collection House
3. Comparison to 1H FY2020 expressed on a constant currency basis

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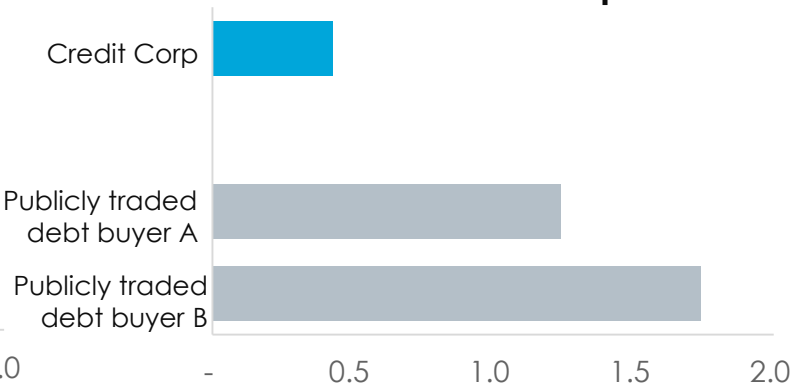
… and industry-leading compliance …

- Continued industry leadership
  - Lowest EDR rate[1] in AU and low US dispute rate[2]
  - Highest rating from consumer stakeholders
  - No regulatory actions
- Leading approach to hardship
- Compliance and sustainable practices are increasingly important to debt sale clients

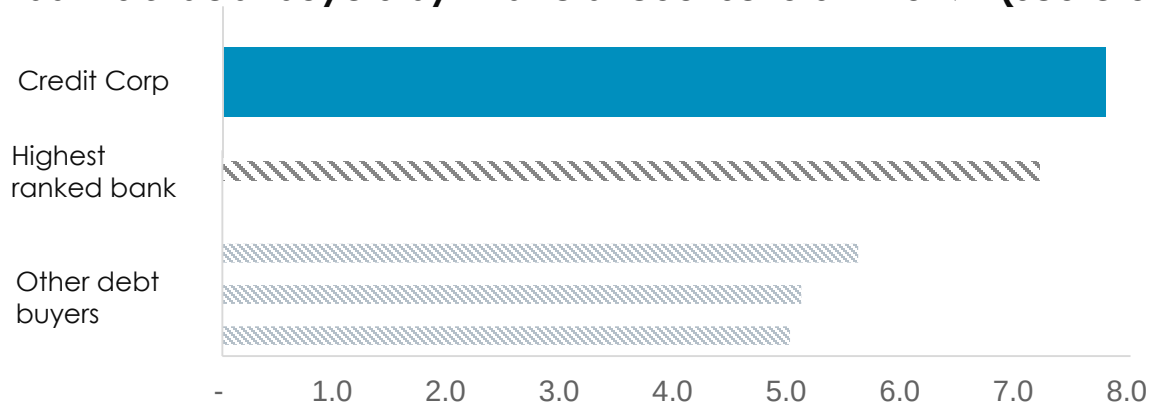
FY2020 AU EDR rate [1]



12 months to Jun-20 US dispute rate [2]



Rating of banks & debt buyers by financial counsellors in 2019 [3] (score out of 10)



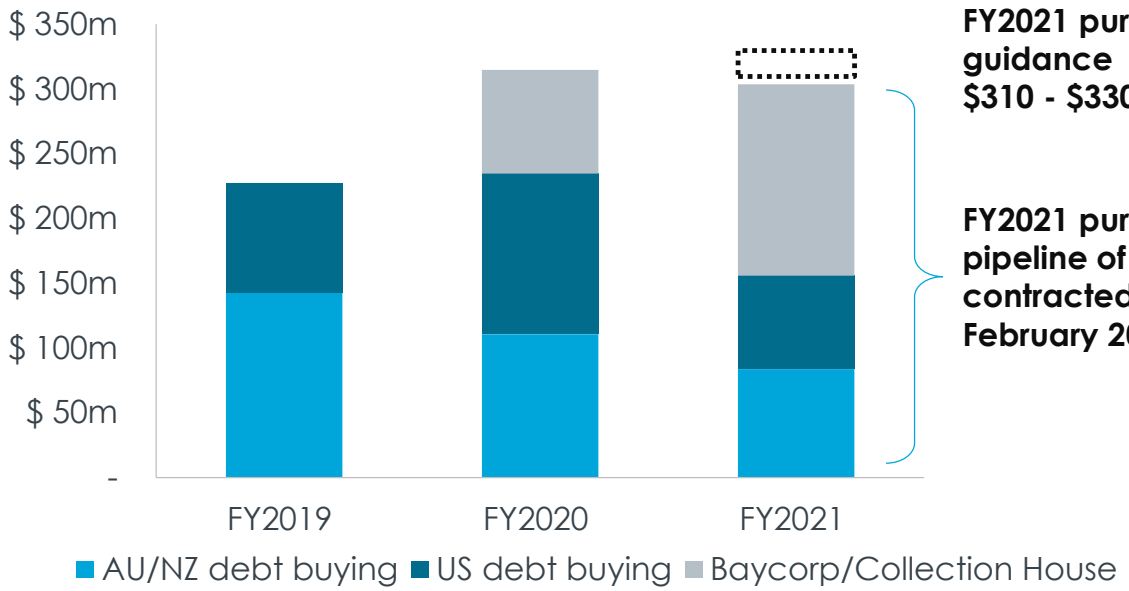
1. No. of complaints reported by External Dispute Resolution (EDR) provider (The Australian Financial Complaints Authority) for the 12 month period to Jun-2020 divided by total annual PDL collections expressed in millions of dollars.
2. Complaint metrics from Consumer Financial Protection Bureau (CFPB)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

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… support a solid PDL investment outlook

- All credit issuers selling pre-COVID have now returned to sale
- Volumes remain subdued but are starting to grow as COVID forbearance dissipates

PDL INVESTMENT



FY2021 purchasing guidance $310 - $330m

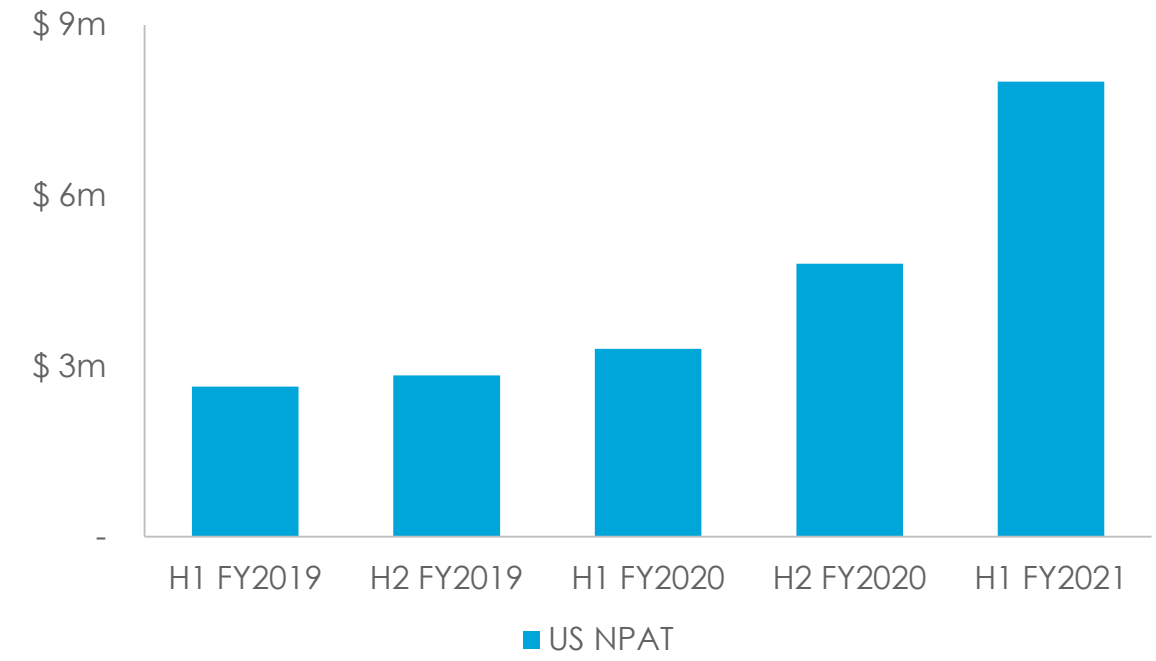
FY2021 purchasing pipeline of $303m contracted at February 2021

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Step-up in US NPAT …

- H1 US NPAT is up by >100% over the pcp

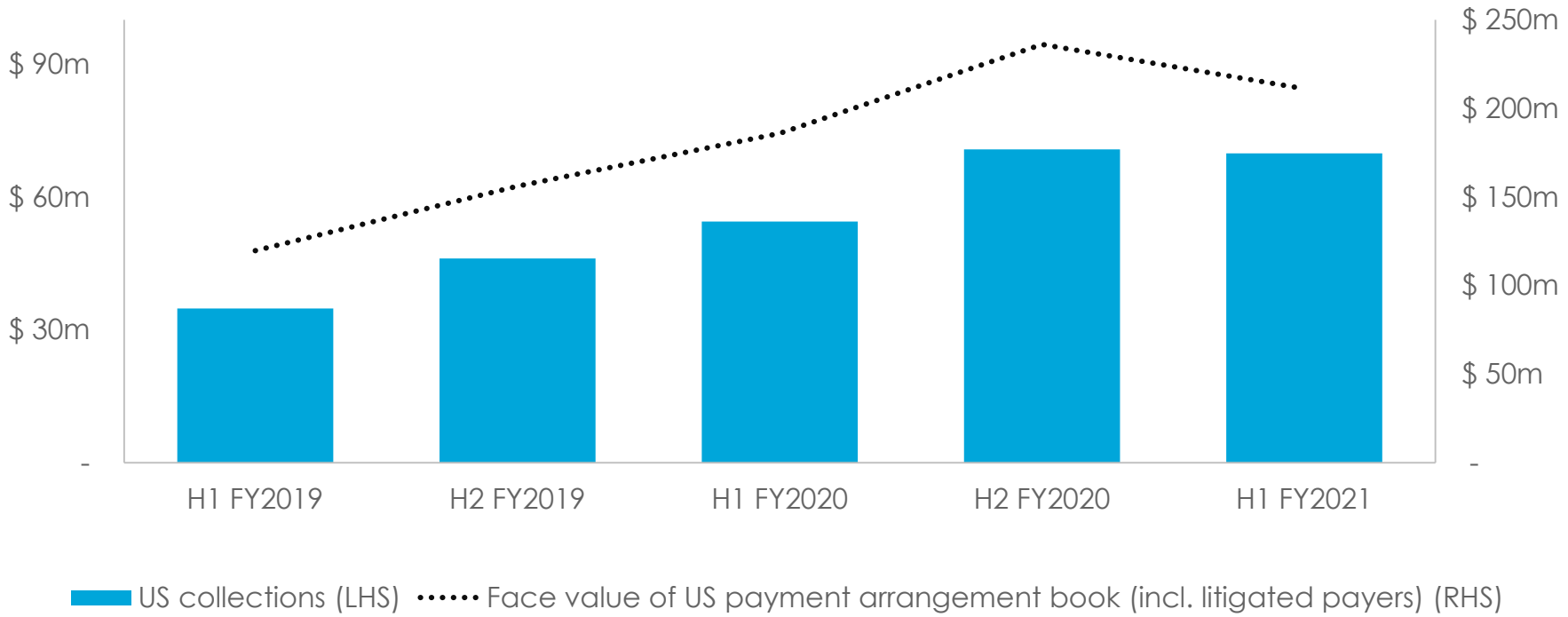
US NPAT



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… driven by strong operational performance …

- 25% growth in the face value of payment arrangements to A$211m has lifted collections and productivity

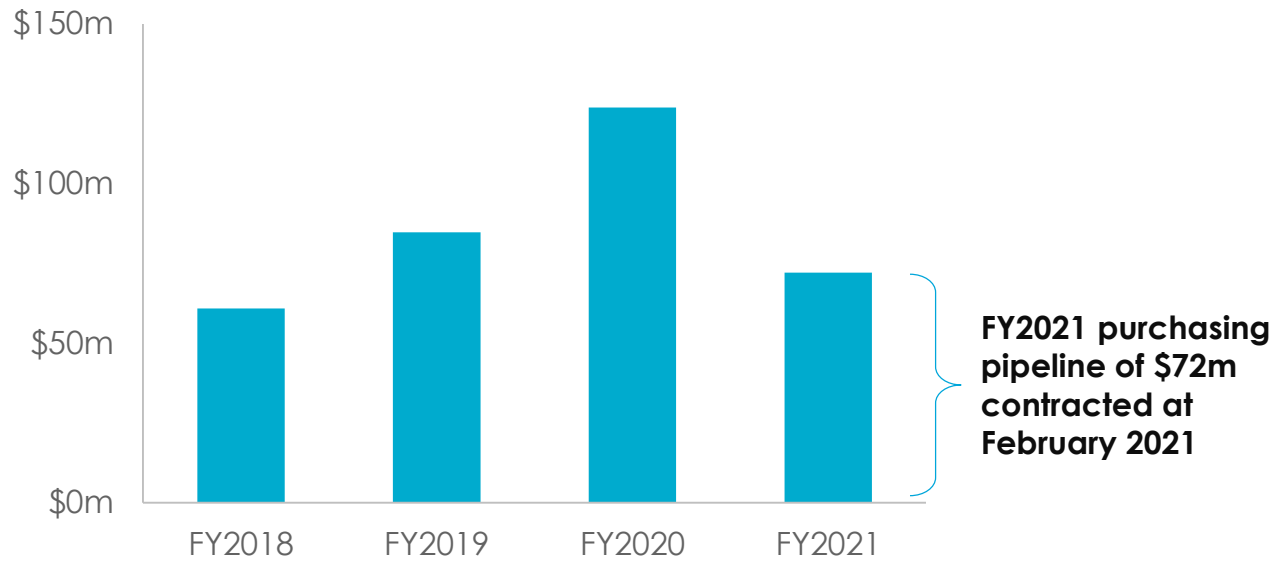


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… and elevated purchasing over recent years

- Strong purchasing in FY2019 and FY2020 has built collections and payers momentum
- COVID will suppress purchasing in FY2021
  - Reduced market volume
  - Impact of monetary stimulus on competitor demand

US PDL INVESTMENT



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Despite reduced near-term purchasing, US remains a strong opportunity

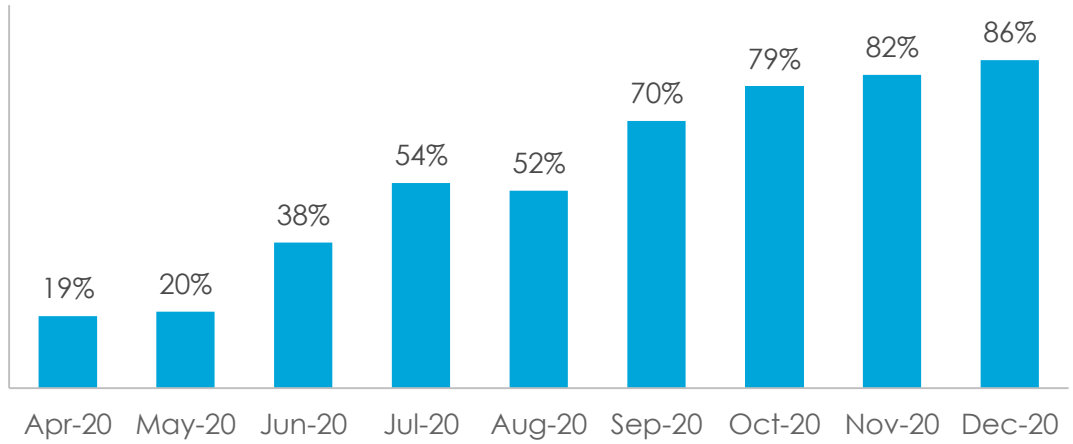
- While market volumes are presently contracting, Credit Corp remains:
  - a 'top 6' US debt buyer
  - with a diversified set of purchasing relationships
  - the infrastructure to support purchasing of $200m p.a. (market share of 7%)
- Increased purchasing will be dependent on:
  - a recovery in supply as forbearance dissipates and lending volumes recover
  - an easing of monetary stimulus to reset competitor purchasing appetite
  - Continued strong collection outcomes

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Consumer lending volumes have substantially recovered …

- Demand recovered with December quarter application volume exceeding the prior year
- New customer approval rates and loan amounts remain below pre-COVID levels by 30% and 6% respectively

LENDING VOLUMES INDEXED TO PRIOR COMPARATIVE PERIOD

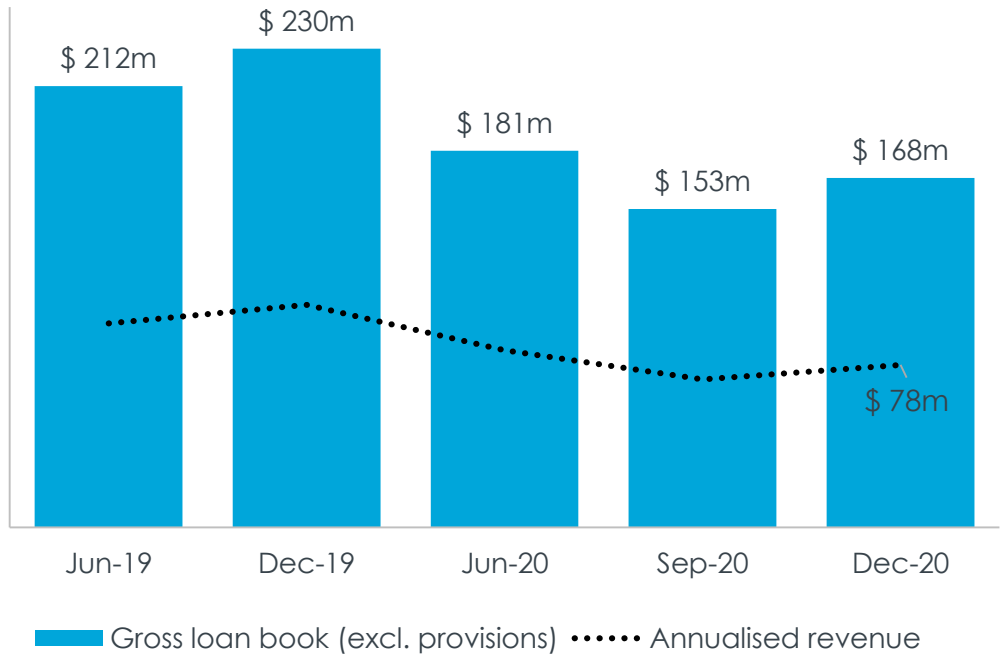


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… stabilising the loan book

- Loan book balance (gross of provisions) has increased by 10 per cent since Sep-20
- Lending revenue and NPAT will return to growth in H2 of FY2021

CONSUMER LENDING BOOK AND REVENUE



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Credit Corp remains positioned for opportunity …

	Current conditions	Credit Corp positioning
AUS/NZ debt buying	▪ Market has returned to pre-COVID activity ▪ Competitors impacted by capital market constraints ▪ Compliance and brand protection has heightened as an issuer sensitivity	▪ Credit Corp sustaining strong share across all issuers ▪ Continuing to lead the industry in compliance and sustainability ▪ Strong capital position to seize further opportunities that emerge ▪ Collection House ledger purchase will drive segment earnings and maintain operational scale while market volume remains subdued
US debt buying	▪ Near term outlook for tight market conditions due to reduced supply and elevated capital availability ▪ Collections not adversely affected by COVID	▪ Ongoing operational improvement has made Credit Corp a very competitive US buyer ▪ Flexibility to scale up rapidly as market conditions ease ▪ Established purchasing relationships
AUS/NZ consumer lending	▪ Demand has substantially recovered as Government and other support has reduced	▪ Settled volumes recovered to close to pre-pandemic levels ▪ Outlook for NPAT Growth ▪ Upgraded systems in place to support more rapid growth and facilitate new products

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… and will deliver a strong result in FY2021

- NPAT growth of 10% expected of 2021[1]

	FY2021 guidance	
	Revised Feb 2021	**Issued Dec 2020**
PDL investment	$310 - $330m	$270 - $330m
Net lending	$5 - $10m	($5) - $5m
NPAT	$85 - $90m	$70 - $85m
EPS (basic)	126 - 134 cents	104 - 126 cents

1. Midpoint of guidance compared with FY2020 pre-COVID adjustment NPAT of $79.6m

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Questions

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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 1

Operating cash flow and gearing

Operating cash flows and gearing	Jun 2019	Dec 2019	Jun 2020	Dec 2020
Pre-tax operating cash flow	$167.3m	$182.4m	$212.3m	$196.1m
Tax payments	($28.9m)	($27.4m)	($7.8m)	($5.1m)
PDL acquisitions, net lending and capex	($148.7m)	($227.7m)[2]	($94.1m)	($197.8m)[1]
Net operating (free) cash flow	**($10.3m)**	**($72.7m)**	**$110.4m**	**($6.8m)**
PDL carrying value	$414.1m	$497.9m	$422.6m	$485.4m
Consumer loans net carrying value	$172.4m	$187.1m	$137.3m	$123.1m
Net cash / (borrowings)	($120.0m)	($205.8m)	$26.2m	$16.2m
Net borrowings/carrying value (%)	**20.5%**	**30.0%**	**N/A**	**N/A**

1. Includes acquisition of Collection House PDL book in December 2020
2. Includes acquisition of Baycorp in August 2019

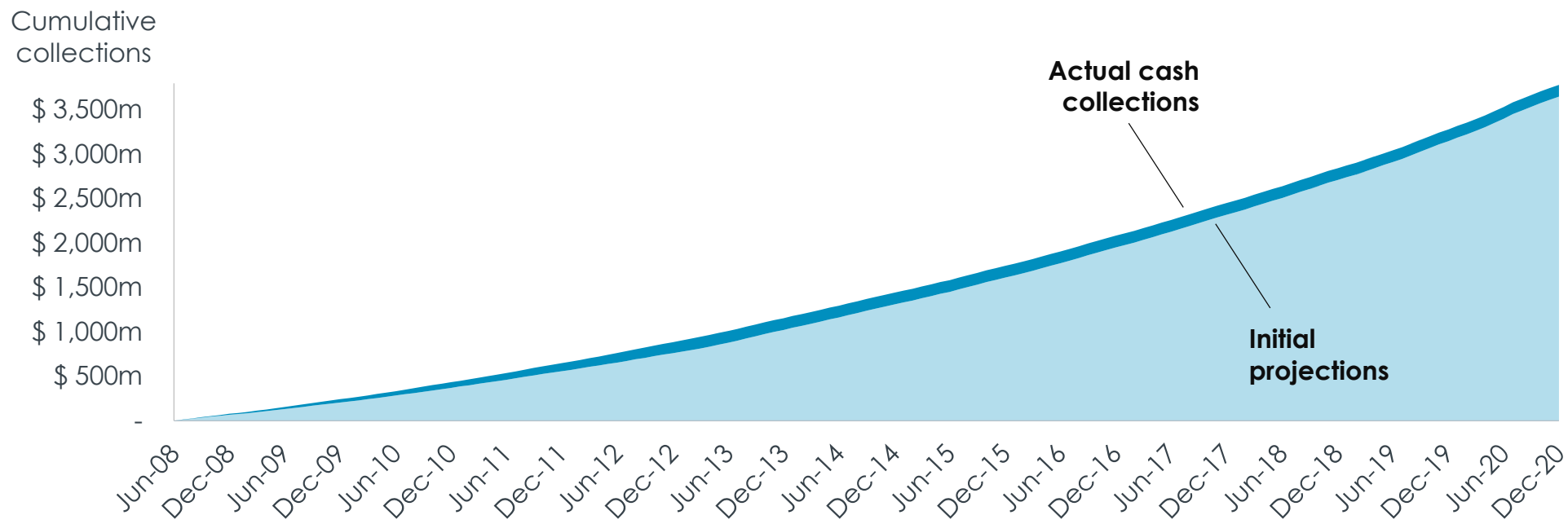
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APPENDIX 2

Pricing discipline and accuracy

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PRICING DISCIPLINE AND ACCURACY

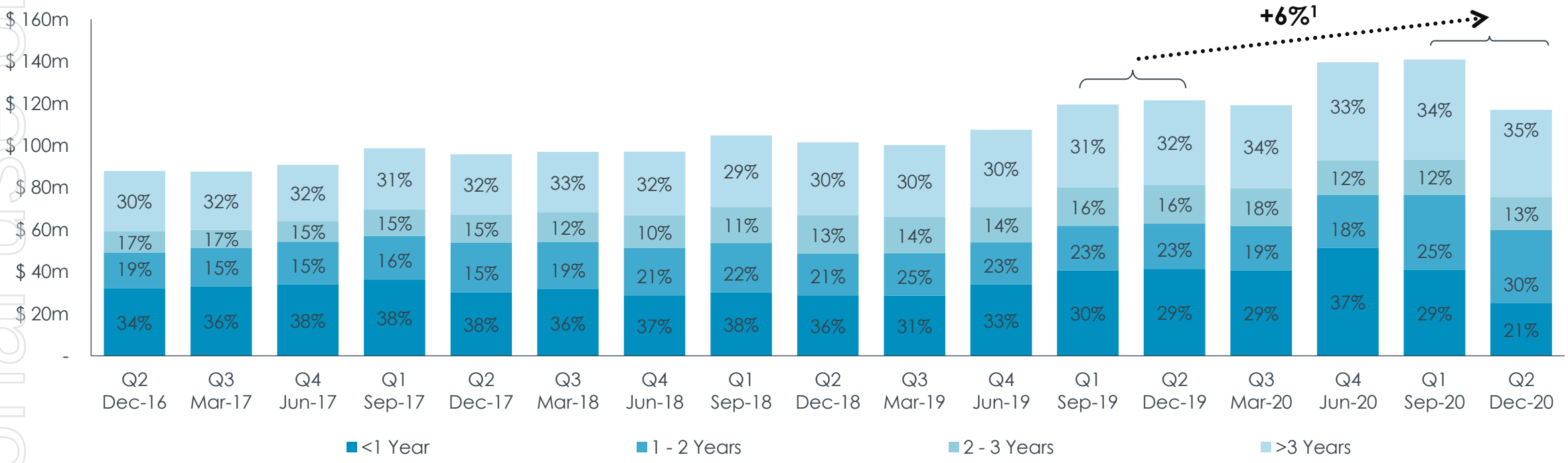


* For all PDLs held at June 2008, initial projections represent the forecast at June 2008

APPENDIX 3

Collections life cycle

PDL COLLECTIONS BY VINTAGE



1. 6% growth in H1 FY2021 vs. H1 FY2020

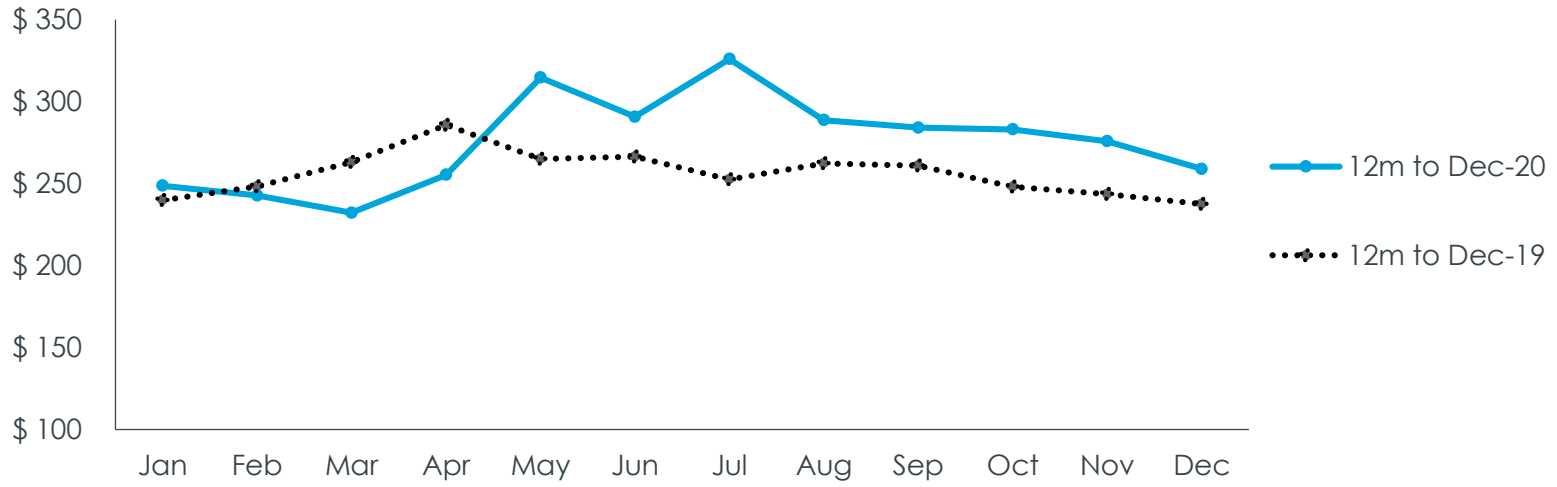
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APPENDIX 4

Productivity

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PDL COLLECTIONS PER HOUR



Half year average

H1 FY2021: $286

H1 FY2020: $250

APPENDIX 5

Payers base

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PORTFOLIO SUMMARY: AU/NZ DEBT BUYING ONLY

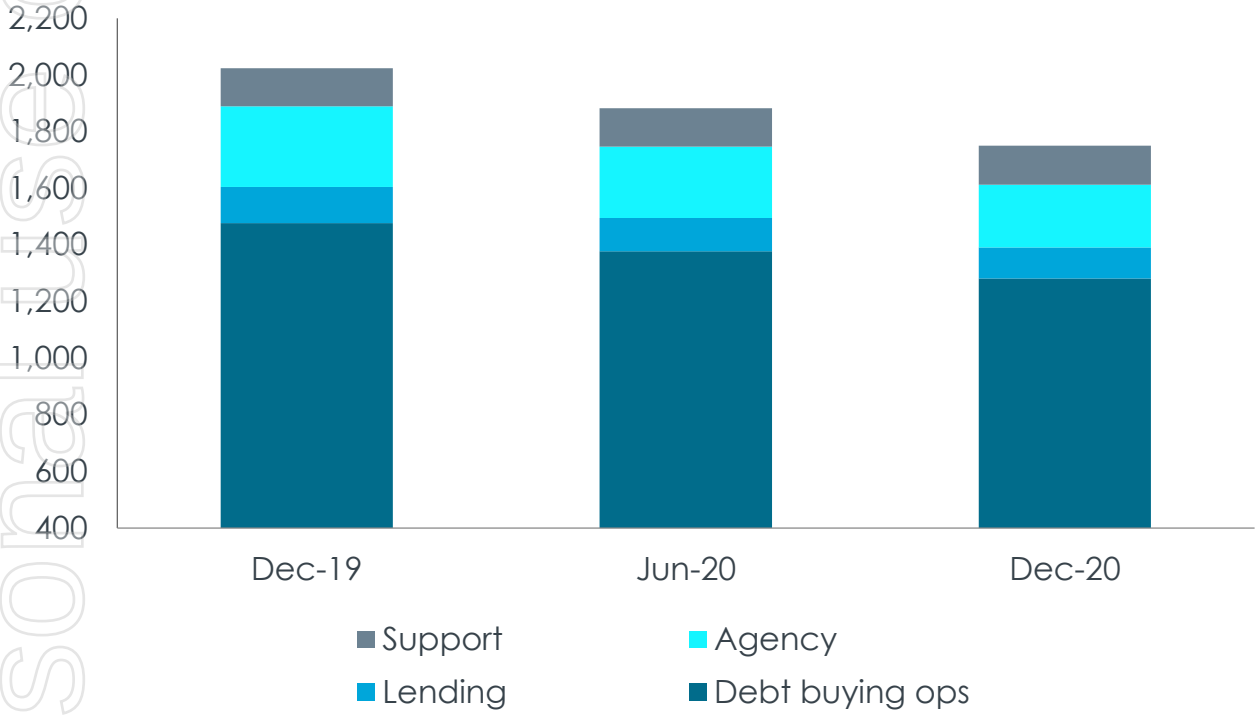
Total portfolio	Jun-18	Dec-18	Jun-19	Dec-19	Jun-20	Dec-20
Face value	$6.0b	$6.2b	$6.4b	$7.8b	$7.7b	$8.6b
Number of accounts	710,000	753,000	786,000	1,268,000	1,193,000	1,392,000

Payment arrangements						
Face value	$1,300m	$1,300m	$1,300m	$1,400m	$1,350m	$1,550m
Number of accounts	157,000	154,000	157,000	200,000	195,000	219,000
% of PDL collections	**81%**	**79%**	**78%**	**81%**	**73%**	**82%**

APPENDIX 6

Operational and total headcount

PERIOD END HEADCOUNT (FTE)



PERIOD END HEADCOUNT (FTE)

	Dec-19	Jun-20 [1]	Dec-20
Debt buying operations	1,455	1,378	1,281
Agency	281	251	222
Lending	126	118	110
Support	133	135	137
Total	1,995	1,882	1,750
Support %	7%	7%	8%

1. Reflects Baycorp acquisition in August 2019

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Thank you