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Credit Corp reports return to strong growth trajectory

Credit Corp Group Limited (Credit Corp or the Company) reports the following highlights for the 2021 financial year:

- 11% increase in net profit after tax (NPAT) over the prior year to $88.1 million [1]
- Strong US segment result, with NPAT doubling to $17.7 million
- Near record purchased debt ledger (PDL) investment outlay of $293 million [2]
- Record second half gross lending volume of $105 million
- Record committed FY2022 starting PDL investment pipeline of $150 million
- Substantial investment capacity with cash and undrawn lines totaling $372 million

Despite challenging market conditions all segments exceeded full year expectations and finished the year with significant investment momentum for sustained earnings growth.

Aus/NZ PDL collections were within 4% of FY2020's stimulus-induced result. This was achieved with limited organic purchasing as a consequence of reduced PDL supply arising from the temporary impact of COVID stimulus and forbearance on charge off volumes. Acquisition of the Collection House PDL book contributed to the collection result and helped produce lifts in segment productivity and earnings of 9% and 11%, respectively.

Mr Thomas Beregi, CEO of Credit Corp, said that the Collection House PDL purchase brought together the Company's operating strengths. "We used our analytical ability to provide a great price, our operational capability to promptly integrate and uplift collections from the largest individual PDL transaction in Australian history and our financial capacity to secure timely completion of the opportunity" he said. After seven months the purchase continues to perform to expectations.

The US debt buying business was the biggest single contributor to earnings growth in 2021. Operational improvement combined with several years of elevated purchasing and a strong consumer position to produce a 26% increase in collections. To offset a temporary contraction in market sale volumes arising from COVID stimulus and forbearance the Company grew share across its diverse range of purchasing relationships, completing acquisitions from three new credit issuers during the year.

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[1] After adding back the after tax impact of purchased debt ledger (PDL) impairment and additional provisioning associated with COVID-19 to the prior year comparative

[2] Includes $146 million outlay for Collection House PDL purchase

A re-fit of the Washington State office was completed late in the year, boosting US operational capacity to 700 seats as a platform for a further step-up in purchasing and earnings growth. Unsecured credit has returned to growth and charge-off volumes are rising.

Mr Beregi said that the Company's US operation was very competitive and would continue to be a key driver of earnings growth. "Our tightly integrated US platform has the operational effectiveness and infrastructure required to achieve, and surpass, our medium term objective of $200 million in annual US PDL investment" he said.

As stimulus was withdrawn the lending business experienced a rapid increase in demand, particularly from returning customers. This was supplemented with rising new customer volume when approval criteria returned to pre-COVID settings at the start of the fourth quarter. Gross lending exceeded pre-COVID levels over the second half [3]. Arrears and losses remain at historic lows, but this is not expected to continue and the Company has provisioned accordingly.

The auto loan product was relaunched in the fourth quarter and produced encouraging early volumes. Other new products are either in pilot or in development for pilot commencement during FY2022.

Final dividend

Credit Corp will pay a final dividend for the 2021 financial year of 36 cents per share which represents a full year payout ratio for FY2021 of 55 per cent.

Outlook and guidance

Credit Corp enters FY2022 with considerable momentum, having invested heavily during FY2021 and secured a record committed starting PDL investment pipeline for FY2022. Charge off volumes are growing across all markets and the Company anticipates further opportunities to grow purchasing over the course of the year. This anticipated increase in organic PDL investment, together with the ongoing impact of the Collection House PDL acquisition is expected to produce solid earnings growth of 8 per cent at the top end of the guidance range.

Credit Corp presents FY2022 guidance in accordance with the following ranges:

	Guidance
PDL acquisitions	$200 - $240m
Net lending volumes	$45 - $55m
NPAT	$85 - $95m
EPS	126 - 141 cents

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

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

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[3] July 2021 lending volumes have softened considerably as a consequence of COVID lockdowns

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