

Media Release H1 FY2016 Results
Thursday 28 January 2016

Highlights

The directors of Credit Corp Group Limited (Credit Corp) are pleased to report a strong performance for the first half of the 2016 financial year. Key highlights are as follows:

- Increased investment:
 - Purchased Debt Ledger (PDL) acquisitions up by 76 per cent to \$98.5 million
 - Net lending up by 97 per cent to \$31.9 million
- Upgraded full year outlook for growth in NPAT of 15 to 17 per cent
- Continued strong investment over the second half of the year
- Pathway to improved results from United States (US) operations

H1 of FY2016 Financials

	Versus pcp			Actual
PDL acquisitions	up	76%	to	\$98.5m
Net lending	up	97%	to	\$31.9m
Revenue	up	20%	to	\$112.2m
NPAT	up	6%	to	\$21.2m
EPS (basic)	up	5%	to	45.7 cents
Dividend (fully franked)	up	5%	to	23 cents/share

Performance Commentary

A strong increase in PDL collections combined with significant growth in the loan book to deliver a 20 per cent increase in revenue. The core PDL business was responsible for the company's profit increase while growth in the loan book suppressed profits from the lending business.

Collections and profit growth were supported by strong core business operating metrics. Collection efficiency improved by 4 per cent and new purchases continued to meet ongoing projections as the company undertook record levels of purchasing. Collection effectiveness was maintained, with a 13 per cent increase over the prior corresponding period in the amount collected on PDLs purchased more than two years ago. Ongoing collection effectiveness will be underpinned by the recurring payment arrangement book, which grew by 5 per cent over the first half to a face value of almost \$1.1 billion.

Purchasing

Strong first half purchasing is set to continue with the contracted full year PDL purchasing pipeline presently at the record level of \$181 million. The reinvestment of operational improvements into strong pricing combined with an industry-leading compliance record to facilitate renewal of most existing forward flow contracts and some additional market share.

The record full year pipeline incorporates a threefold increase in the amount of US PDL purchasing over the prior year.

Consumer Lending

The consumer lending business grew strongly and reached a gross loan book of \$121 million at December 2015. Growth occurred in the longer duration Personal Loan product with the Small Amount Credit Contract (SACC) book declining ahead of Credit Corp's SACC lending withdrawal from March 2016.

Loan book growth will moderate in the second half due to seasonal factors and the transition from SACC lending. Notwithstanding this, the company's full year guidance for net lending of \$30 million to \$40 million will be achieved.

Rapid first half loan book growth has limited NPAT from the lending segment to \$1.4 million. This was a consequence of Credit Corp's policy of up-front life-of-loan loss provisioning as well as elevated customer acquisition costs. More modest growth in the second half will produce significantly higher NPAT from the lending segment.

US Operations

Despite unchanged external conditions, strong progress has been made in the US. A substantially improved operating model implemented for current year purchases has delivered a 35 per cent improvement in collection efficiency. Legal collections have started to track in line with internal targets.

Continued strong results from the improved operating model, together with increased purchasing at current pricing, will place the US operation on a path to break-even. Purchasing was stepped up during the first half and a decision has been made to continue purchasing at these increased levels over the balance of the year.

Outlook

Continued strong collection results and increased second half profits from the lending business have produced an improved profit outlook. The record PDL purchasing pipeline has prompted a revision to Credit Corp's full year purchasing guidance.

The company has revised its previously stated guidance for the 2016 financial year in accordance with the following ranges:

	Updated Guidance (November 2015)	Updated Guidance (January 2016)
PDL acquisitions	\$125 - \$145m	\$185 - \$195m
Net lending volumes	\$30 - \$40m	\$30 - \$40m
NPAT	\$42 - \$44m	\$44 - \$45m
EPS	91 - 95 cents	95 - 97 cents

This media release should be read in conjunction with the Appendix 4D, interim financial statements and results presentation.

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