

Media Release FY2016 Results
Tuesday 2 August 2016

Highlights

The directors of Credit Corp Group Limited (Credit Corp) are pleased to report a strong performance for the year to 30 June 2016. Key highlights are as follows:

- 20 per cent increase in Net Profit After Tax (NPAT) to \$45.9 million
- Strong consumer lending segment NPAT of \$6.1 million
- Record investment of \$287.0 million to sustain growth
- Positive outlook across all businesses with FY2017 NPAT growth guidance of 13 to 18 per cent

FY2016 Financials

	Versus pcp			Actual	May 2016 Guidance
Purchased Debt Ledger (PDL) acquisitions	up	63%	to	\$231.9m	\$225 - \$230m
Net lending	up	8%	to	\$55.1 m	\$45 - \$50m
Total investment	up	48%	to	\$287.0m	
Revenue	up	19%	to	\$226.7m	
NPAT	up	20%	to	\$45.9m	\$44 - \$45m
EPS (basic)	up	19%	to	98.4 cents	95 - 97 cents
Dividend (fully franked)	up	14%	to	50.0 cents / share	

Performance Commentary

A strong increase in PDL collections combined with significant growth in the loan book to produce a 19 per cent increase in revenue. Growth from core domestic debt buying and significantly higher earnings from the consumer lending business delivered a 20 per cent increase in NPAT.

The debt buying business benefitted from ongoing operational improvement and increased purchasing. Collections increased by 12 per cent to a record \$322 million. Collection efficiency was maintained despite a 9 per cent increase in the productive workforce over the year. Collection effectiveness improved, with a 21 per cent increase over the prior year in the amount collected on PDLs purchased more than two years ago. Ongoing effectiveness will be underpinned by the recurring payment arrangement book, which grew by 12 per cent over the year to a face value of almost \$1.2 billion.

The consumer lending business demonstrated its earnings potential, with segment NPAT increasing to \$6.1 million from \$1.0 million in the prior year.

Purchasing

Operational improvement and Credit Corp's exemplary compliance record combined with a moderation in price growth to facilitate increased market share. All forward flow contracts were renewed during the year and some new volume was secured, with the result that PDL acquisitions were 63 per cent higher than the prior year.

Consumer Lending

The consumer loan book grew by 35 per cent over the year to \$135m. Credit Corp's brands are well established, having been advertised consistently and served more than 100,000 individual consumers. As a consequence, new customer originations remain strong while the enlarged customer base delivers increased lending to returning customers. Referral channels have also been established with prime lenders providing another means of efficient customer acquisition.

Credit Corp's offerings are uniquely sustainable with amongst the lowest effective interest rates in the credit-impaired consumer segment. Credit Corp does not offer any contentious products such as Small Amount Credit Contracts (SACCs) or 'payday loans'. Credit Corp's compliance regime is strong and, unlike many other operators in the segment, we have not been the subject of any regulatory investigations or undertakings. Credit Corp's products are unaffected by any current regulatory reviews or the impact of increased stakeholder scrutiny.

The loan book has now reached critical mass, which means that Credit Corp can look forward to very strong profits and returns from the lending business. The lending business produced \$6.1 million in NPAT for the year, including \$4.7 million in the second half. Lending segment return on assets (ROA) increased from 3 per cent in the first half to 9 per cent in the second half. Returns are expected to continue to improve in FY2017.

US Operations

Strong progress has been made in the US. An upgraded operating approach for FY2016 purchases produced a 35 per cent improvement in collection efficiency on those purchases. Legal collections have begun to track in line with internal targets. These improvements enabled a significant increase in purchasing and reduced losses by 10 per cent over the prior year. The US operation is now expected to achieve monthly breakeven during the second half of FY2017.

While market conditions remain unchanged, with little indication that major issuers who withdrew from sale will return over the next six months, there are some positive signs for Credit Corp. The market is increasingly compliance-focused, resulting in further industry consolidation and the rationalisation of debt buying panels of credit issuers. In addition, major debt buyers have recently reported lower prices for charged off debts and improved returns. Credit Corp is well-positioned to benefit from these developments.

Outlook

A positive outlook across all businesses means that NPAT growth in the range of 13 to 18 per cent is expected for FY2017. Elevated purchasing in FY2016 and a strong purchasing pipeline for FY2017 will drive increased collections and earnings from the debt buying business. In accordance with commentary provided above, NPAT from the lending segment is expected to grow significantly.

We provide initial guidance for the 2017 financial year in accordance with the following ranges:

	Initial Guidance August 2016
PDL acquisitions	\$150 - \$180m
Net lending volumes	\$35 - \$45m
NPAT	\$52 - \$54m
EPS	109.7 - 114.0 cents
Dividend per share	55.0 - 57.0 cents

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

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