

FY19 H1 Results Presentation

29 January 2019



Credit Corp Group



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Leadership in the credit-impaired consumer segment...

ANALYTICS & DISCIPLINE	OPERATIONAL EXCELLENCE	SUSTAINABILITY & COMPLIANCE
<p>Australian / NZ debt buying</p> <ul style="list-style-type: none"> • Largest database • History of pricing accuracy • Purchasing levels vary inversely with pricing <p>Australian / NZ lending</p> <ul style="list-style-type: none"> • Leverage knowledge of consumer • Up-front loss provisioning • Analytical monitoring • Unique statistical underwriting <p>USA debt buying</p> <ul style="list-style-type: none"> • Adapted knowledge to US environment • Large market opportunity • Diversified purchasing across major sellers 	<ul style="list-style-type: none"> • Highest asset turnover ¹ • Lowest cost to collect ² • High performing on-shore and off-shore platforms • Leading technology and use of data <ul style="list-style-type: none"> • Automated decisioning • Collection strength • Unmatched efficiency <ul style="list-style-type: none"> • Productivity up by 30% over 2 years • Emphasis on payment arrangements and a lower proportion of litigated outcomes 	<ul style="list-style-type: none"> • No adverse orders or undertakings • Low complaint rate • \$1.3bn in ongoing repayment arrangements <ul style="list-style-type: none"> • APRs below cap applicable to mainstream credit • Regulatory upside - no 'payday loans' • Superior pricing disrupting the market <ul style="list-style-type: none"> • Low regulator complaint rate • Strong client audit outcomes

- Long-term growth
- ROE 16% - 18%
- Low gearing

1. FY19 ratio of cash collections from PDLs to average PDL carrying value in Australia/NZ debt buying operation of 1.2x

2. FY19 ratio of cash costs of the Debt Ledger Purchasing segment to collections of 35%

...has delivered outperformance to revenue and earnings expectations...

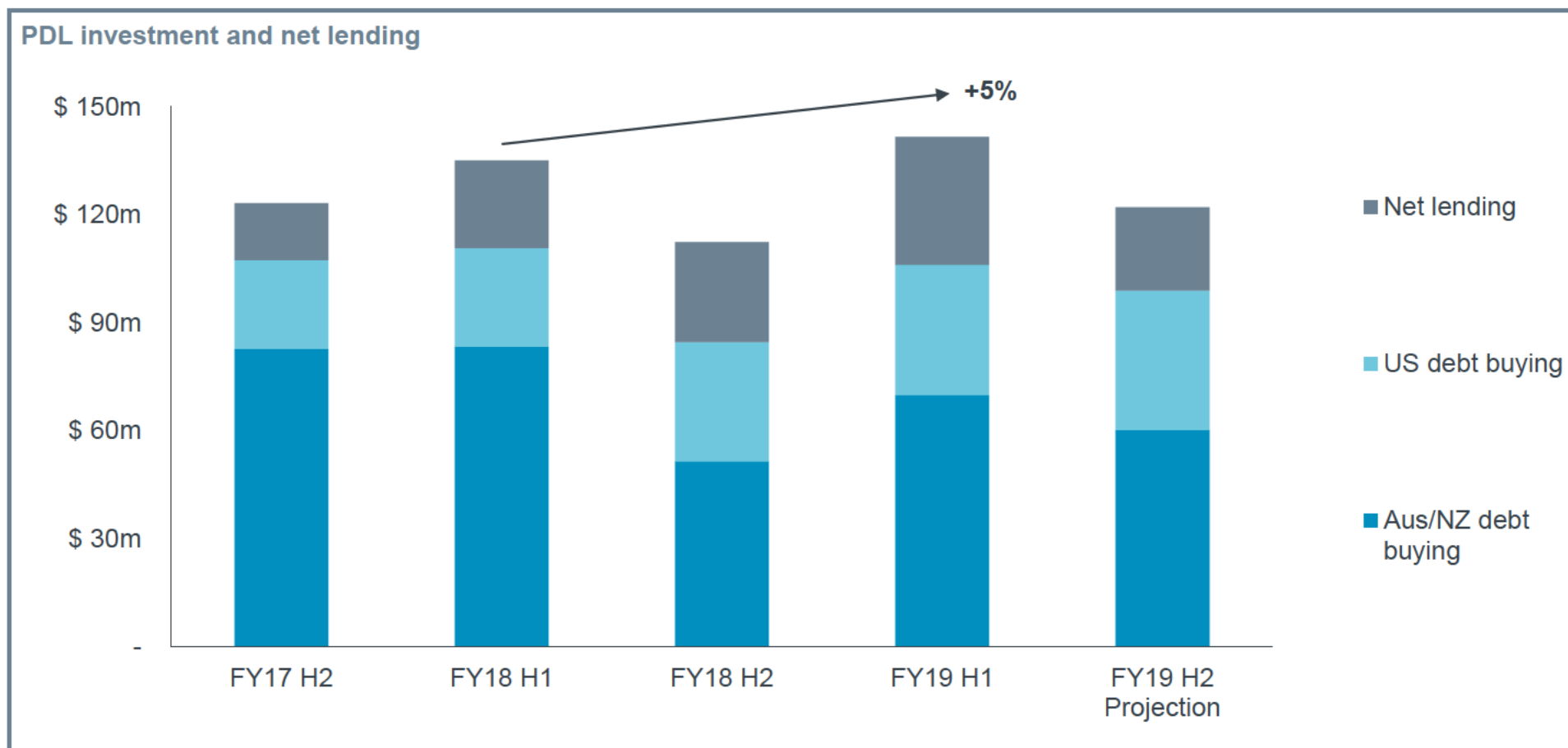
FY19 H1 Financial results

	FY19 H1	FY18 H1	\$ change	% change
Aus/NZ debt buying ¹	\$97.4m	\$99.8m	(\$2.4m)	(2%)
Aus/NZ lending	\$44.4m	\$37.6m	+ \$6.8m	+ 18%
US debt buying	\$17.4m	\$10.2m	+ \$7.2m	+ 71%
Revenue total	\$159.2m	\$147.6m	+ \$11.6m	↑ + 8%
Aus/NZ debt buying ¹	\$23.0m	\$23.4m	(\$0.4m)	(2%)
Aus/NZ lending	\$8.0m	\$5.8m	+ \$2.2m	+ 38%
US debt buying	\$2.6m	\$0.6m	+ \$2.0m	>100%
NPAT total	\$33.6m	\$29.8m	+ \$3.8m	↑ + 13%
EPS (basic)	70.0cps	62.8cps	+ 7.2cps	↑ + 11%
Dividend	36.0cps	31.0cps	+ 5.0cps	↑ + 16%

1. Aus/NZ debt buying includes agency activities

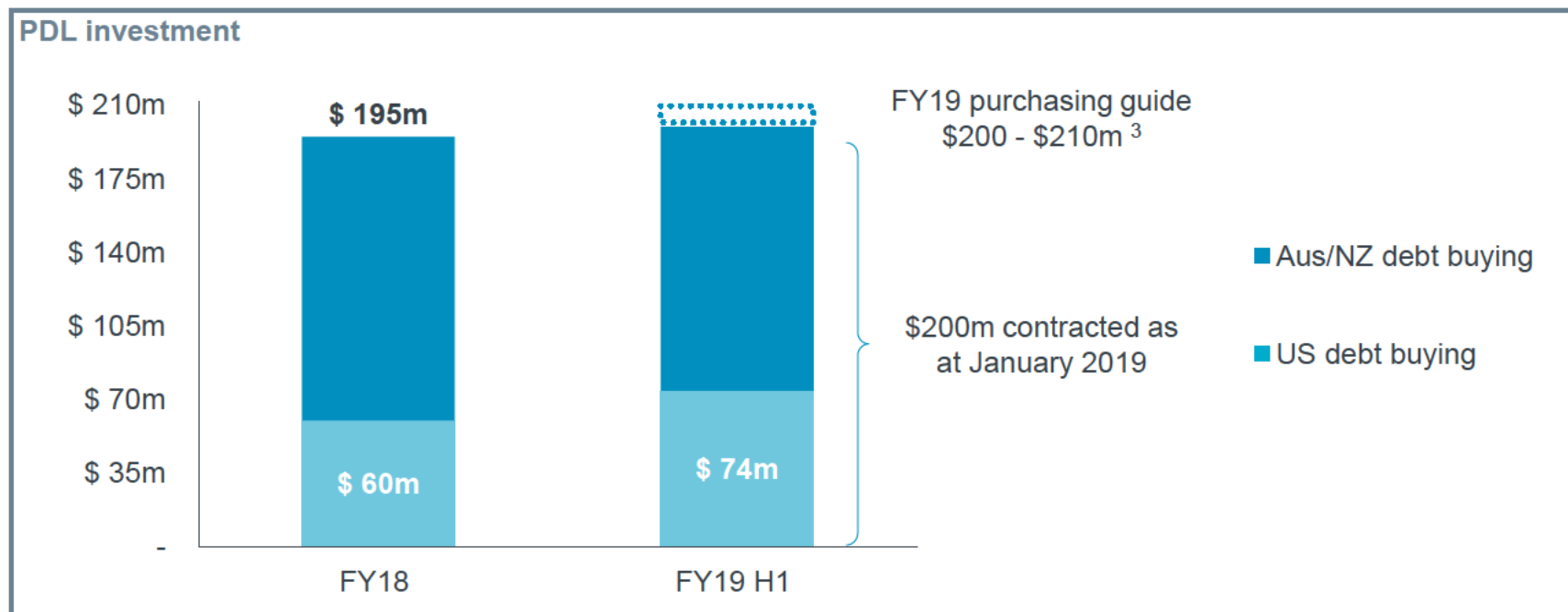
...and increased investment to sustain growth into the future...

- Investment discipline maintained
 - All invested capital expected to achieve corporate hurdle return
 - Increased allocation to consumer lending and US debt buying



...while we maintain discipline in Aus/NZ debt buying...

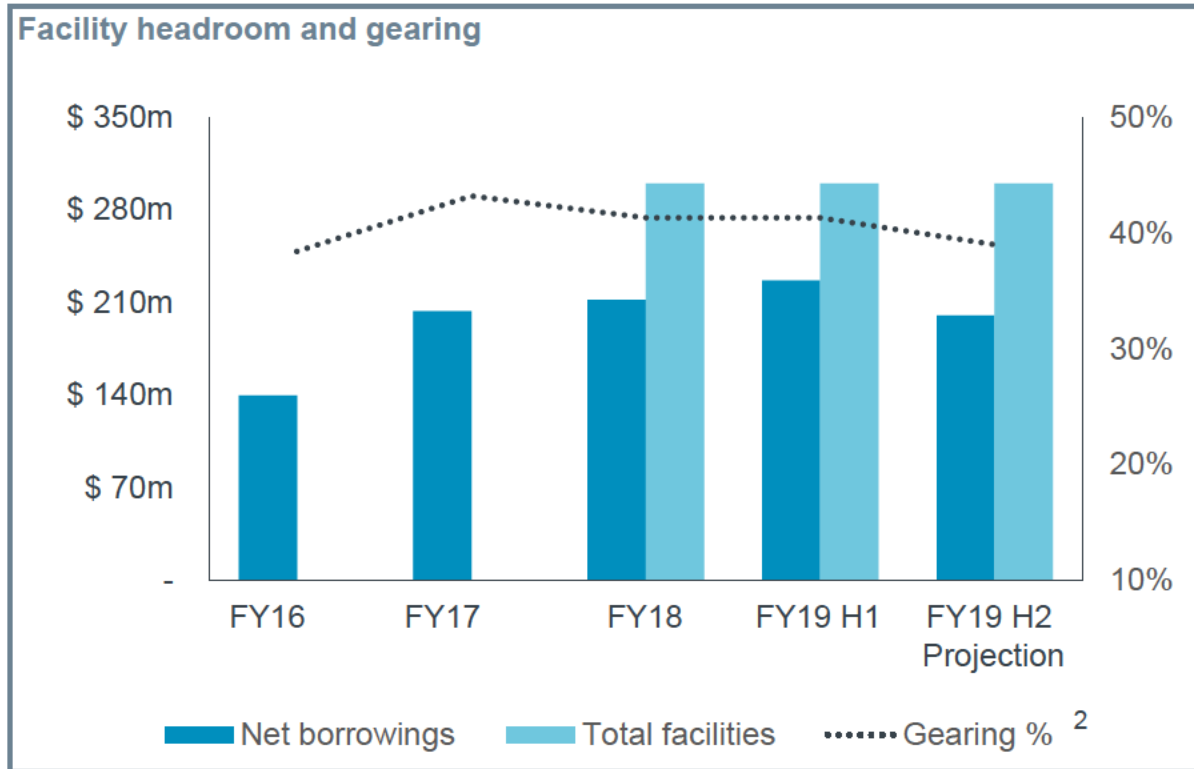
- Domestic purchasing remains competitive with tight supply
 - We have won share in some instances and lost share in others
 - Unsecured credit in run-off ¹
 - Charge-off rates remain low ²
- Aus/NZ purchasing likely to be in line with the prior year



1. Reserve Bank of Australia - C1 Credit and Charge Card Statistics: Total balance of credit and charge cards \$52.1bn in Nov-18 vs. \$52.5bn in Nov-16
2. Proportion of accounts in 90 day+ arrears reported by Commonwealth Bank of Australia [Jun-18 versus Jun-17: Personal Loans 1.44% versus 1.41% and Credit Cards 1.03% versus 1.03%]. Proportion of accounts in 90 day+ arrears reported by Westpac [Sep-18 versus Sep-17: Non-mortgage consumer loans 1.54% versus 1.64%]
3. This is an increase on the Nov-18 guidance of \$170 - \$190m

...and position ourselves for investment opportunities across all segments...

- Headroom of ~\$100m enables us to seize opportunities across all segments ¹

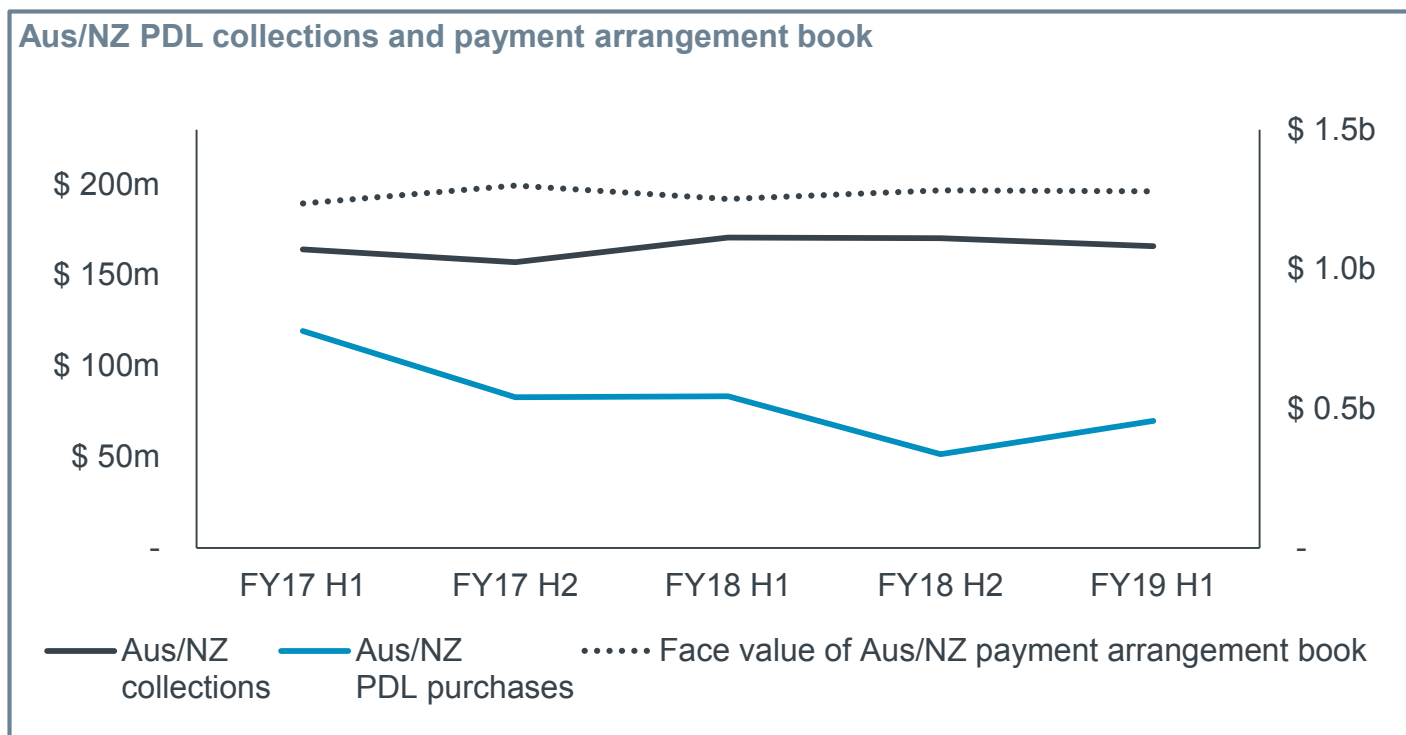


1. Headroom under current facility is projected to reach \$100m by Jun-19

2. Calculated as net borrowings as a proportion of PDL and net consumer loan book carrying value

...while leveraging our uniquely resilient collection model...

- Aus/NZ collections maintained despite sustained purchasing at reduced levels
 - Collections in core business still tracking to the record prior year result (2.8% lower in FY19 H1 vs. FY18 H1)
 - Payment arrangement book maintained



...and our commitment to continuous operational improvement

Pricing accuracy and returns on track

- Total cumulative collections above aggregate pricing expectations
- Total H1 collections up 5% over the pcg
- H1 Aus/NZ collections tracking the record level achieved in the pcg (2.8% lower)

(Refer to Appendix 2 and 3)

Arrangement book growth (Aus/NZ)

- Face value of accounts under arrangement maintained at a record level of \$1.3bn at Dec-18
- Payments under arrangement represent 79% of collections

(Refer to Appendix 5)

Efficiency

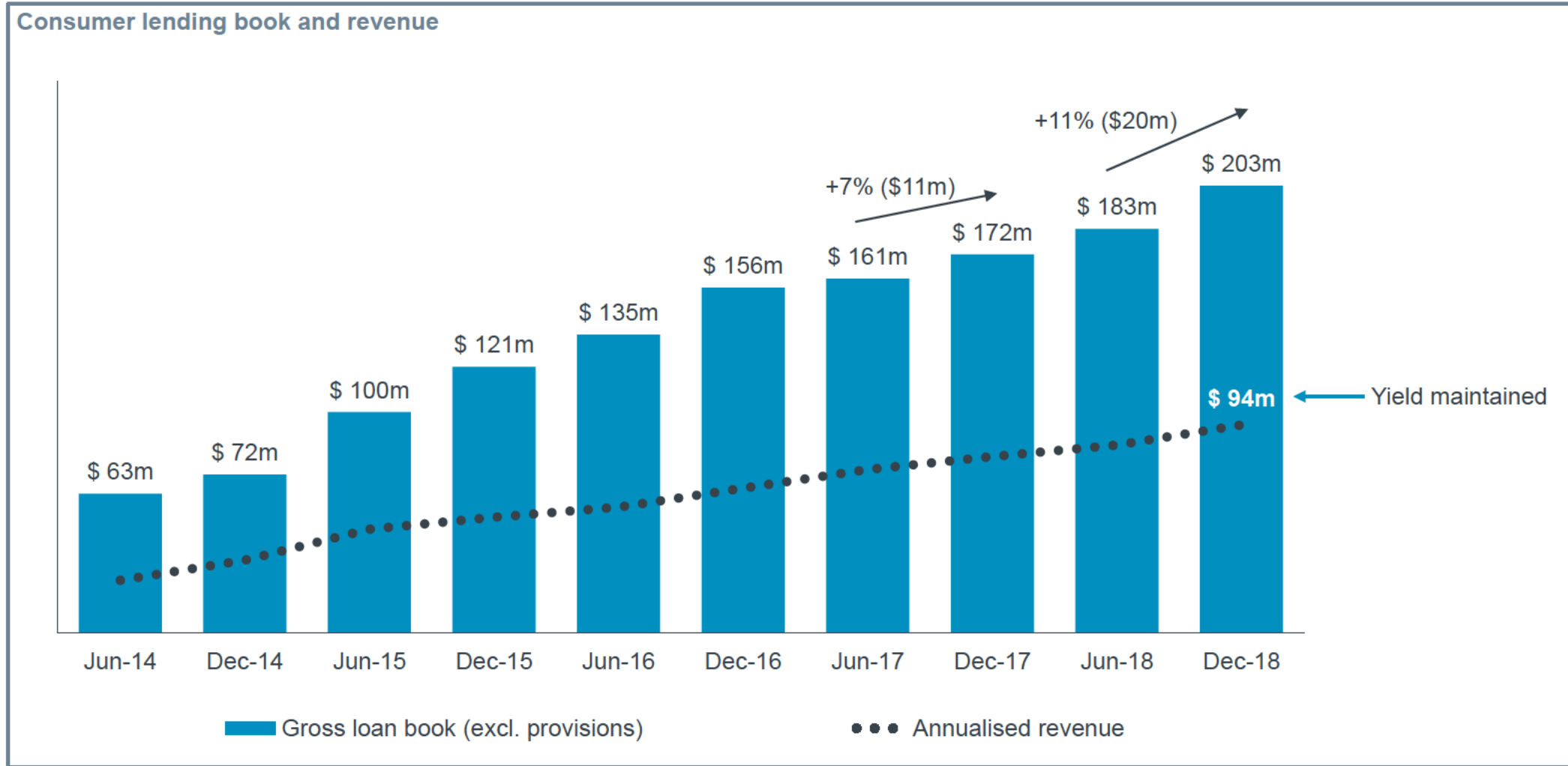
- Productivity up by 7% over the pcg

(Refer to Appendix 4)

Continuous improvement focus

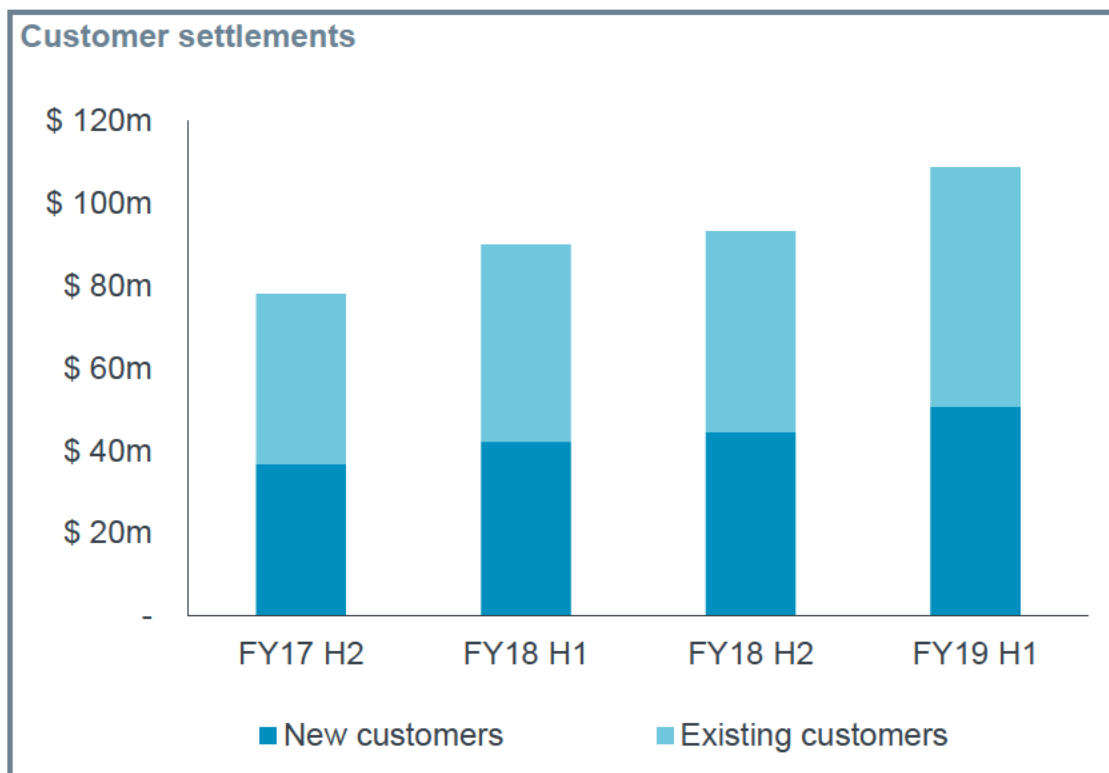
- Continued focus on improved conversion from customer contact
- Technological and analytical enhancements
 - Self-service customer portal
 - Other improvements to operating system

Consumer lending book growth has almost doubled...



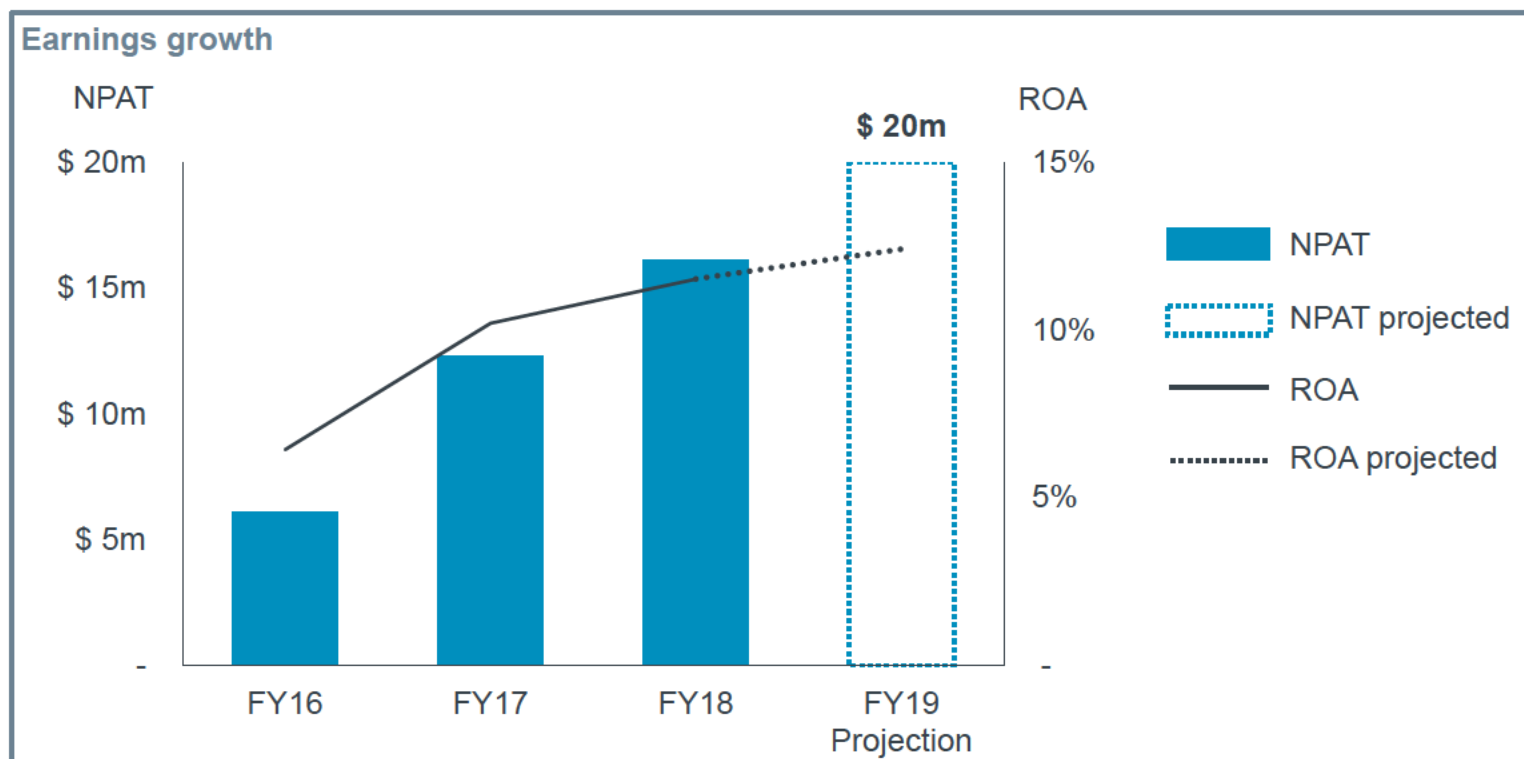
...driven by new customer acquisition and strong retention of existing customers...

- Total settlements up 21% over the pcp
- New customer settlements up by 20% over the pcp despite relative maturity of book



...increasing the segment earnings outlook

- Strong book growth will produce increased revenue
 - FY19 outlook improved
 - Will flow through to FY20



Wallet Wizard is the superior consumer proposition

- Cheapest and most sustainable offering in the segment
- Substantially cheaper than any commercially-provided offering
- Cheaper than a charitably-funded alternative from the not-for-profit provider

	Price ¹	Credit Corp cheaper by
Credit Corp Wallet Wizard	\$148	
Typical cash loan competitor	\$440	66%
Not for profit alternative	\$220	33%

1. Total interest and fees based on a \$1,000 loan over a 6 month duration

US market conditions remain favourable...

- Supply conditions continue to be favourable
 - Charge-off rates still below long-term average
 - Continued unsecured credit growth



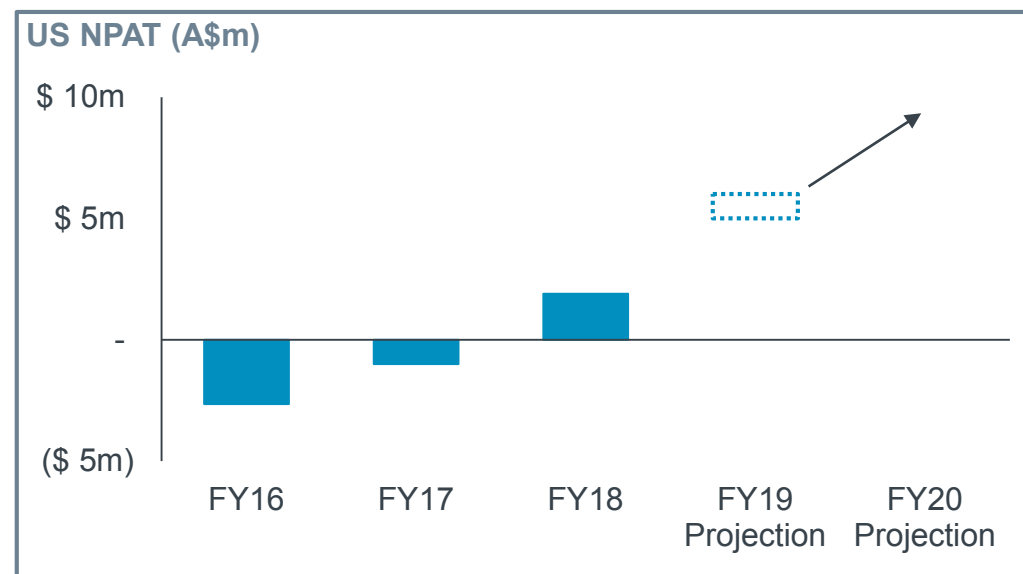
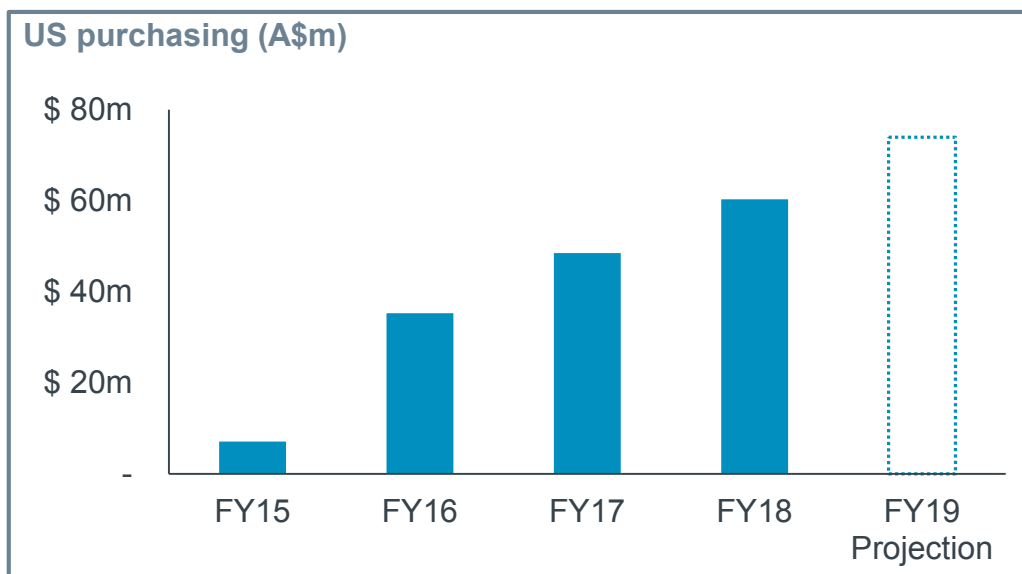
- Pricing remains at levels that enable hurdle return to be achieved
 - Competitors facing some capital tightening with bond yields increasing and upcoming refinancings

1. Total Revolving Credit Outstanding, Federal Reserve Economic Data (<https://fred.stlouisfed.org/graph/?g=KHD>)

2. Charge-Off Rate on Credit Card Loans, All Commercial Banks, Federal Reserve Economic Data (<https://fred.stlouisfed.org/series/CORCCACBN>)

...allowing increased investment at favourable returns, improving the profit outlook

- US FY19 contracted purchasing pipeline now A\$74m, up 23% on FY18 investment
 - Has improved profit outlook for FY19
 - Will underpin substantial profit growth in FY20
- Headcount growth in H1 below expectations but will accelerate in H2
- Substantial opportunity to further increase investment as resourcing grows
 - Opportunities to purchase have increased with expanded seller relationships
 - Contracted initial forward flows with two new issuers during the half, including one with the largest seller in the market



Operating metrics remain strong and on track

- Operating metrics continue to benchmark strongly against publicly-traded debt buyers

US debt buying operating metrics		
	Asset turnover ⁴	Cost to collect
CCP	0.7	39.0% ¹
ECPG	0.9	41.7% ²
PRAA	0.7	41.4% ³

1. FY19 H1 CCP US debt buying segment only

2. 2018 Q3 YTD for US debt buying. Encore Capital Group (NASDAQ: ECPG) is a US-listed global debt buyer

3. 2018 Q3 YTD blended rate (includes US, Europe and Insolvency). Portfolio Recovery Associates Group (NASDAQ: PRAA) is a US-listed global debt buyer

4. Ratio of cash collections from PDLs to average PDL carrying value (CCP: FY19 H1 US debt buying segment only and ECPG / PRAA annualised 2018 Q3 YTD cash collections from US debt buying)

Improved full year outlook

	Upgraded guidance Nov 2018	Upgraded guidance Jan 2019
PDL acquisitions	\$170 - \$190m	\$200 - \$210m
Net lending	\$45 - \$50m	\$50 - \$55m
NPAT	\$67 - \$69m	\$69 - \$70m
EPS (basic)	140 - 144 cents	144 - 146 cents

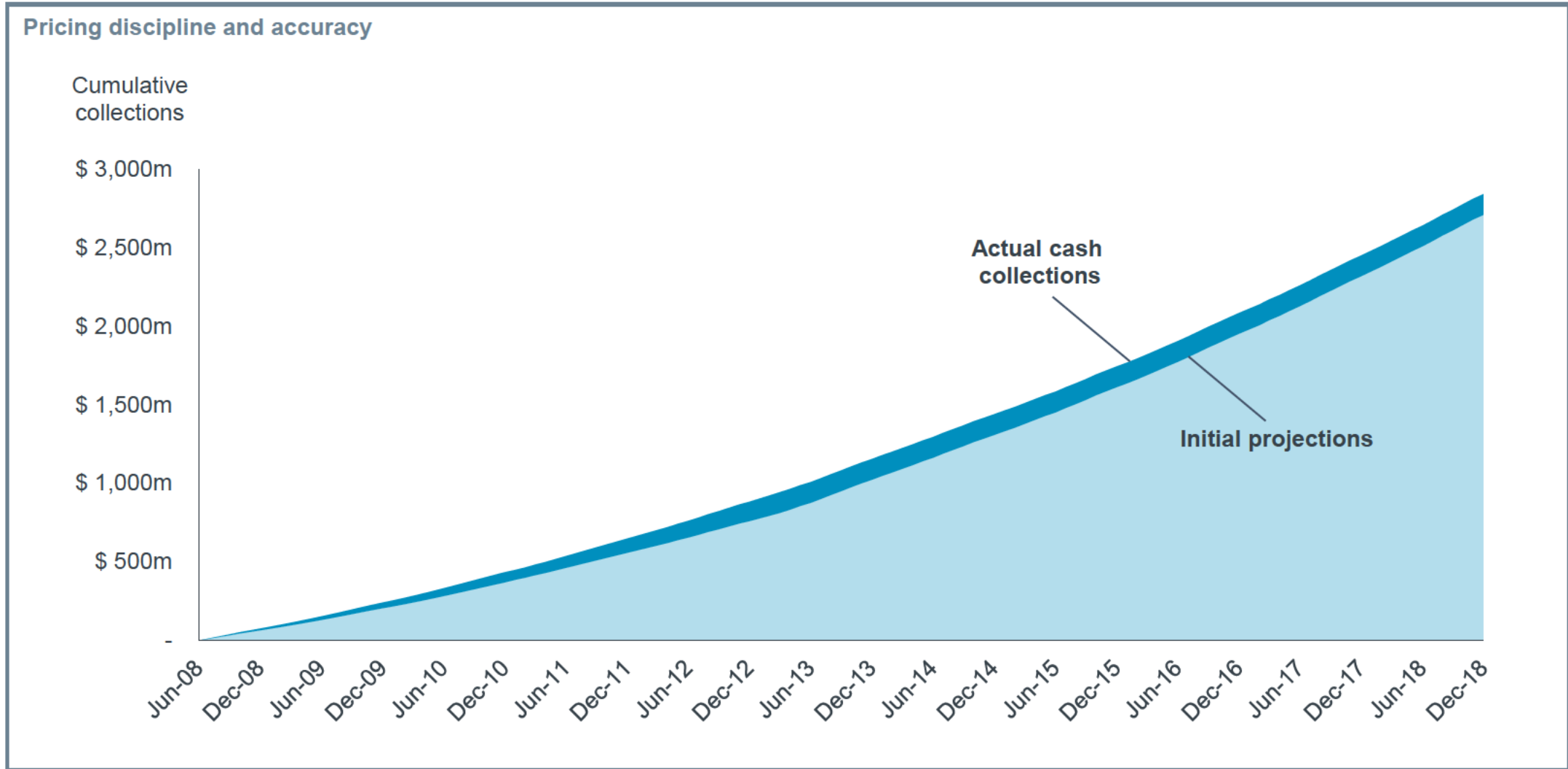


Appendix | Key operating metrics

Appendix 1 | Operating cash flows and gearing

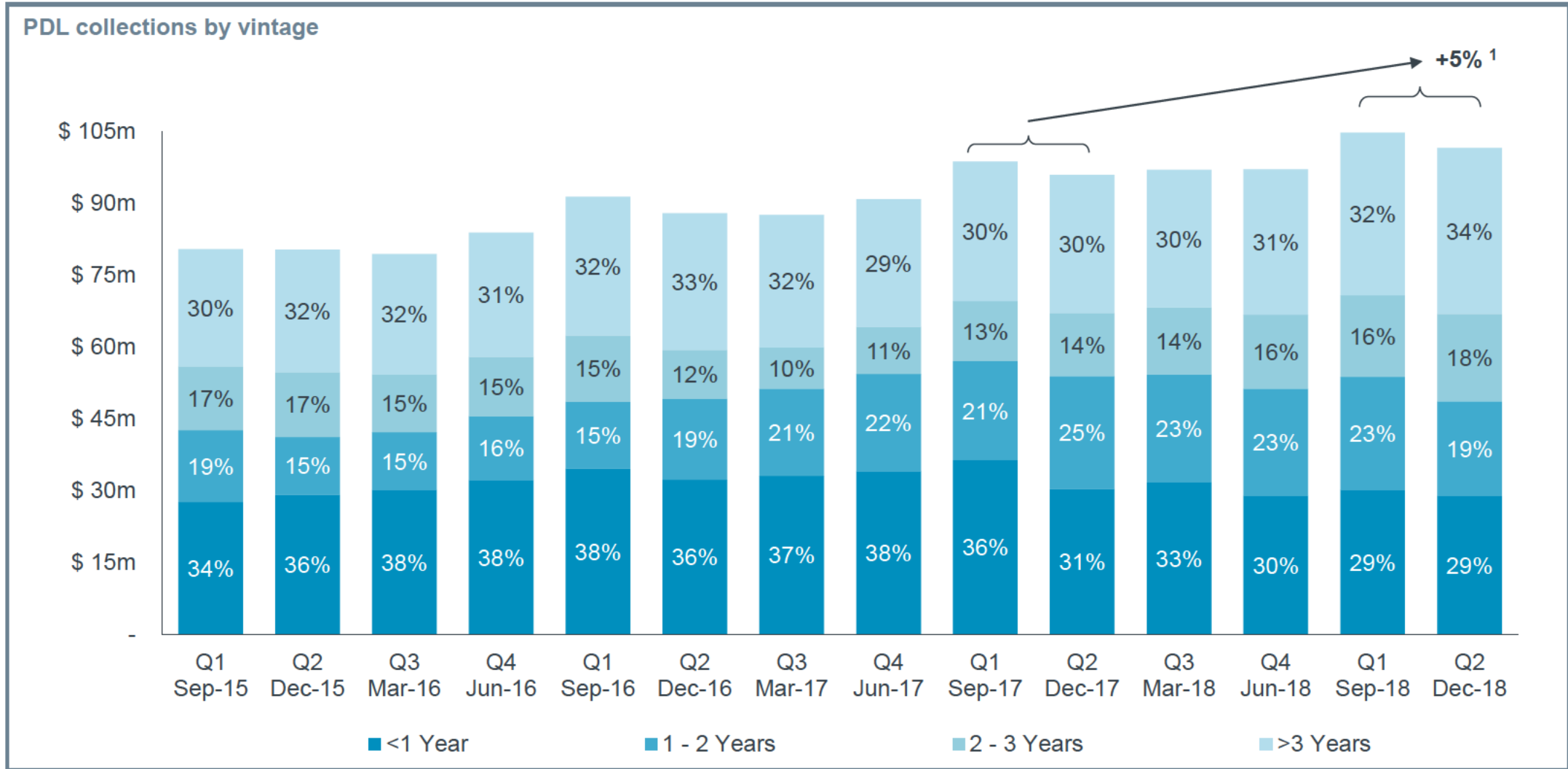
Operating cash flows and gearing				
	Dec-18	Jun-18	Dec-17	Jun-17
Pre-tax operating cash flow	\$163.4m	\$155.0m	\$150.0m	\$139.6m
Tax payments	(\$12.1m)	(\$16.8m)	(\$15.8m)	(\$9.3m)
PDL acquisitions, net lending and capex	(\$144.1m)	(\$114.1m)	(\$135.8m)	(\$122.0m)
Net operating (free) cash flow	\$7.2m	\$24.1m	(\$1.6m)	\$8.3m
PDL carrying value	\$383.6m	\$364.1m	\$361.5m	\$338.4m
Consumer loans net carrying value	\$164.9m	\$148.9m	\$139.8m	\$130.9m
Net borrowings	\$226.7m	\$211.9m	\$219.9m	\$203.5m
Net borrowings / carrying value (%)	41.3%	41.3%	43.9%	43.4%

Appendix 2 | Pricing discipline and accuracy

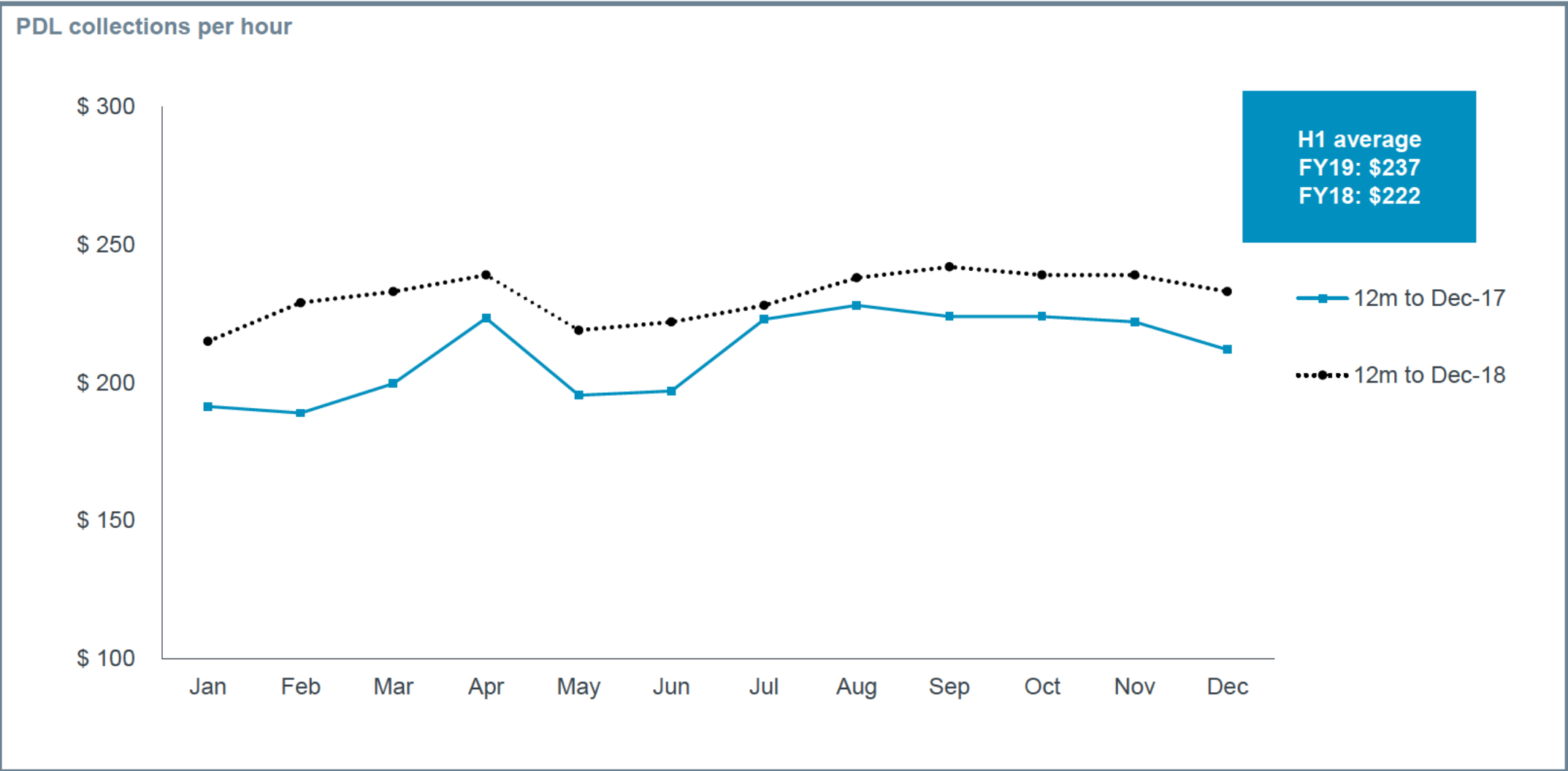


* For all PDLs held at June 2008, initial projections represent the forecast at June 2008

Appendix 3 | Collections life cycle



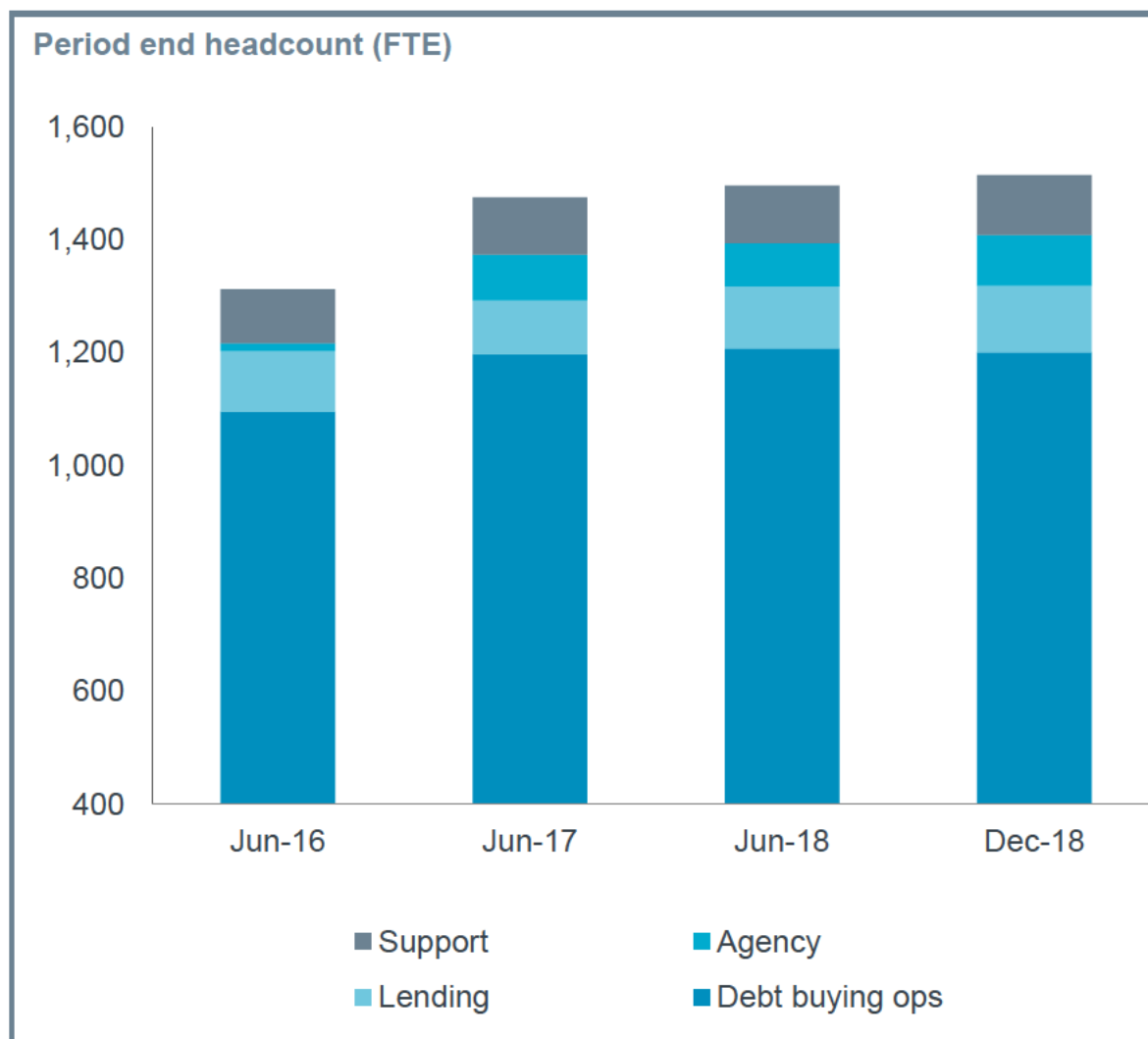
1. 5% growth in FY19 H1 vs. FY18 H1



Portfolio summary					
Total portfolio	Dec-16	Jun-17	Dec-17	Jun-18	Dec-18
Face value	\$5.7b	\$5.8b	\$5.9b	\$6.0b	\$6.2b
Number of accounts	699,000	716,000	710,000	710,000	753,000
Payment arrangements					
Face value	\$1,235m	\$1,300m	\$1,300m	\$1,300m	\$1,300m
Number of accounts	151,000	157,000	153,000	157,000	154,000
% of PDL collections	77%	80%	78%	81%	79%

Aus/NZ debt buying only

Appendix 6 | Operational and total headcount



Period end headcount (FTE)

	Jun-16	Jun-17	Jun-18	Dec-18
Debt buying operations	1,096	1,198	1,208	1,202
Agency	13	81*	77	90
Lending	108	95	110	119
Support	96	101	102	103
Total	1,313	1,475	1,497	1,514
Support %	7%	7%	7%	7%

* Reflects NCML acquisition in September 2016