

Credit Corp Group 2021 AGM Chairman's Address

This is the first time I stand before you as Chairman, and it gives me great pleasure to report on a strong performance in 2021 together with a promising outlook for 2022 and the years ahead.

Throughout my career I have had the good fortune to work with some excellent organisations, but I regard Credit Corp as one of the best companies I have had the privilege of being associated with. Credit Corp's 2021 performance demonstrates why it is a truly great company with excellent prospects for the future.

The Company's success has been built on continuous improvement and disciplined expansion. This has involved establishing and leveraging strengths with the objective of achieving positions of leadership and positive differentiation across all markets. Credit Corp has applied its ability to understand and work with credit-impaired consumers to develop new businesses capable of delivering ongoing growth for shareholders. The Company has always appreciated the risks associated with its segment of the consumer credit market and the importance of sustainability.

All of the Company's products and services have been structured to provide genuine customer solutions. A strong culture of compliance has been supported by an effective control framework to ensure that Credit Corp always stands out for responsible and sustainable conduct.

These foundations were evident in Credit Corp's ability to successfully navigate through an unfavourable environment to deliver strong results in 2021.

The core Australian and New Zealand debt purchasing business faced difficult and uncertain conditions. A significant proportion of the Company's customer base was being supported by government and private sector stimulus which was progressively withdrawn. A number of major credit issuers had ceased sale as part of their approach to COVID-19 forbearance. Organic purchasing volumes were further reduced as the impact of forbearance programs and stimulus payments temporarily suppressed charge-offs. The core business faced the prospect of rapidly declining collections and dramatically reduced investment.

Staying true to the foundations of the Company's long-term success avoided the prospect of adverse results. Operating disciplines ensured that collections were maintained as government and private sector support was withdrawn. Credit Corp's leadership in responding to financial hardship provided several major credit issuers with the confidence to resume sale and award their entire volume to Credit Corp. Through a combination of superior pricing analytics, leading operational capability and unrivalled financial capacity, the Company was able to acquire the Collection House purchased debt ledger book at an attractive price. This transaction was promptly integrated, making a strong contribution to collections in 2021 and the years ahead.

The lending business also encountered a challenging operating environment. It was necessary to tighten lending criteria to account for the prospect of rising unemployment as government support was withdrawn. At the same time stimulus payments, including the early access to superannuation, were suppressing demand for unsecured credit and producing a high incidence of loan prepayment. As a consequence, the consumer loan book was running off rapidly.

Once again, Credit Corp turned to the disciplines that have made it successful in the past. With each progressive reduction in government support, the impact on repayment behaviour was assessed and lending criteria adjusted. As stimulus subsided existing customers returned to the cheapest and most sustainable product in its category. A decision to resume television advertising during the first half lifted new customer demand and helped deliver record lending volume over the second half of the year.

By the start of 2021 Credit Corp had developed a US business capable of being a market leader. Key operating metrics showed that Credit Corp was competitive with the most successful operators in the country. While its share of purchasing was still small at just three per cent it was the sixth largest buyer in terms of purchasing outlay, one of the largest in terms of in-house collection workforce and had established a diversified range of purchasing relationships.

At the same time there was still concern for the US outlook because COVID-19 was spreading rapidly and consumer support was scheduled to end during the first month of the year. Stimulus and forbearance had temporarily reduced total market purchased debt ledger supply by as much as 50 per cent. Much of the country, however, remained open and over the first half of the year the Company's collection experience showed that the US consumer was in a solid position. With the change of federal administration stimulus was re-introduced and layered on top of a substantially recovered consumer economy. Despite initial concerns and tight ledger supply, it became clear that the US would present an opportunity to accelerate growth.

Credit Corp seized the opportunity to increase its level of ledger investment in the US. It increased its share from existing clients and established three new purchasing relationships. This combined with operational improvement and a strong consumer position to produce a 26 per cent increase in collections and a doubling in segment earnings.

Having recovered during 2021 Credit Corp now looks ahead to reporting another year of solid growth and returns. 2022 has started with a record pipeline of contracted PDL purchasing and considerable excitement around new product and business improvement initiatives to sustain growth well into the future.

After a successful year I want to thank my fellow directors, the Company's CEO Thomas Beregi and his management team for their leadership of Credit Corp over a challenging period. On behalf of the Board and shareholders, I also thank all of the Company's employees for their ongoing commitment and dedication.

I would also like to pay tribute to Mr Don McLay, who retires as a Director later this month. Don was Chairman of the Company for almost thirteen years and oversaw more than a decade of uninterrupted growth in earnings and the transformation of the Company from a monoline Australian and New Zealand debt buyer to the diversified international financial services business it is today. Don's drive and vision has placed the Company in an excellent position for continued growth.

On behalf of the Board and shareholders, I thank Don for his enormous contribution to Credit Corp and wish him well in retirement.