

Media Release

2 August 2022

Credit Corp delivers a solid result in challenging conditions

Credit Corp Group Limited (Credit Corp or the Company) reports the following highlights for the 2022 financial year:

- 9% increase in net profit after tax (NPAT) to \$96.2 million ¹
- Record annual investment:
 - US purchased debt ledger (PDL) outlay 80% above previous peak (FY2020)
 - Gross lending volume 24% above prior record (FY2019)
- 16% increase in US segment NPAT
- Recovery in lending segment earnings and loan book

PDL supply in the core AUS/NZ debt buying market did not recover. Collections growth was achieved from purchases of the Radio Rentals and Collection House New Zealand books. These one-off acquisitions offset run-off arising from reduced regular direct-from-issuer investment since the start of the pandemic.

US PDL investment accelerated in the last quarter as existing clients experienced substantial uplifts in charge-off volumes. While increased purchasing produced collections growth of 18 per cent, collections did not reach levels commensurate with the amount of investment. Performance was adversely impacted by a failure to grow the US workforce to required levels in a challenging labour market.

Various steps have been taken to address this resourcing shortfall. A Philippines-based team comprising approximately 100 experienced collectors has commenced contacting US customers. Hiring of remote workers in less competitive US labour markets has also started.

Mr Thomas Beregi, CEO of Credit Corp, said that the US continues to provide a significant runway for growth despite the present resourcing constraints. "Market volumes have stepped up in recent months and further increases are expected during FY2023. As resource constraints are addressed, this segment will support consistent annual investment of more than A\$200 million and be capable of producing medium-term earnings similar to those of the AUS/NZ operation," he said.

Consumer lending demand accelerated over the course of the year. Television advertising was extended to capture the opportunity, producing record gross lending volume of \$267 million for the year and a recovery in the loan book to \$251 million gross of provisions.

¹ Statutory NPAT of \$100.7 million includes \$4.5 million US Paycheck Protection Program (PPP) loan forgiveness

Credit loss experience was very favourable. The successful repayment of loans previously provided for produced an excess loss provision release of \$10.1 million (net of tax). This release offset the impact of additional loss expense, in accordance with the Company's up-front life-of-loan loss provisioning approach, arising from record lending volume. The resulting provision remains above both pre-COVID levels and historical loss experience to account for any ongoing uncertainty.

Credit Corp achieved a number of important milestones to secure long-term growth in the consumer lending segment. The relaunched auto loan offering produced solid growth, with this component of the gross loan book doubling over the year to \$34 million. Pilots commenced in buy now pay later and US lending. Additional new products reached the final stages of development in FY2022 and are scheduled for pilot commencement during FY2023.

Mr Beregi said that these pilots broaden the product offering and provide alternative pathways for customer acquisition and retention. "While the successful Wallet Wizard branded cash loan product has achieved significant share of its segment other products target alternative segments and points of distribution," he said.

Final dividend

Credit Corp will pay a final dividend for the 2022 financial year of 36 cents per share which represents a full year payout ratio for FY2022 of 52 per cent.

Outlook and guidance

Leading indicators do not suggest a significant recovery in AUS/NZ regular direct-from-issuer PDL sale volumes and US resourcing constraints will not be overcome immediately. In FY2023 growth in US segment earnings is not expected to offset the impact of run-off in the AUS/NZ debt buying business.

While FY2023 has started with a solid investment pipeline, regular investment is expected to moderate from the record levels achieved in FY2022. This should release substantial free cash flow, positioning the Company to secure any sizeable one-off purchasing opportunities that may arise in an uncertain economic environment.

Credit Corp presents FY2023 guidance in accordance with the following ranges:

	Guidance
PDL acquisitions	\$220 - \$260m
Net lending volumes	\$50 - \$60m
NPAT	\$90 - \$97m
EPS	133 - 143 cents

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

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

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