

Media Release

1 February 2023

Credit Corp on track for solid FY2023 result

Credit Corp Group Limited (Credit Corp or the Company) reports the following highlights for the first half of the 2023 fiscal year:

- 32% growth in the consumer loan book to \$331 million
- On track for record full year consumer lending segment earnings
- Continued recovery in charge-off volumes producing strong US investment
- Significant step-up in US resourcing to meet the opportunity

First half net profit after tax (NPAT) fell by 30 per cent over the prior corresponding period to \$31.8 million. This was due to:

- up-front loss provisioning and marketing expense from rapid loan book growth;
- costs arising from increased US resourcing; and
- run-off in the core AU/NZ debt buying segment.

Earnings are expected to recover strongly over the second half of the fiscal year and the Company's full year NPAT guidance remains intact. Loan book growth will moderate over the second half, while the record starting book will drive increased interest revenue. US collections will improve as elevated resourcing is converted into collections. High project costs incurred in the first half will not recur over the balance of the year.

Loan book growth was attributable to the Wallet Wizard unsecured cash loan product. Strong consumer demand produced record gross lending of \$201 million during the half-year. Arrears and losses remain within pro-forma.

Mr Thomas Beregi, CEO of Credit Corp, said that loan book growth had been achieved while maintaining credit standards and rationing the volume of longer-duration auto loans.

"Wallet Wizard credit settings remain conservative and short durations coupled with relatively small loan sizes will contain risk should economic conditions deteriorate," he said.

Strong US purchased debt ledger (PDL) investment reflected growth in purchases under ongoing buying arrangements, or forward flows, as market sale volumes increased towards pre-pandemic levels. To service the increased investment, US resourcing expanded significantly during the half including growth across all three US operational sites and offshore resourcing from the Philippines and Australia. Purchasing will reduce over the balance of the year as forward flows expire.

Mr Beregi said that while increased US resourcing was yet to produce a commensurate increase in collections, it placed the Company in a strong position for further growth as PDL supply conditions improved.

“US charge-off volumes are growing and increased resourcing will enable Credit Corp to service recent and future purchases, growing collections and earnings over the medium-term,” he said.

Investment volumes in the AU/NZ PDL market remain very low, with no signs of a significant recovery in unsecured credit balances and charge-off rates. While Credit Corp maintained a strong share of the diminished market, collections and earnings declined against prior corresponding periods enhanced by one-off secondary purchases, including the Radio Rentals acquisition in FY2022.

The Collection House agency acquisition completed during the first half is on track to make a positive contribution over the full year after a significant initial cost restructuring. All key clients have been retained and the expanded collection services segment presents an opportunity to enhance client relationships and improve margins through ongoing integration.

Outlook and guidance

As noted above, earnings are expected to recover strongly over the second half, primarily driven by a record consumer lending segment result. Credit Corp remains on track to produce earnings within the previously advised guidance range. Record net lending and elevated US purchasing in the first half have prompted an increase in investment guidance ranges. Investment will, however, moderate over the second half to produce free cash flow and reduced net borrowings.

Credit Corp advises of amended guidance for FY2023 in accordance with the following ranges:

	Guidance issued Oct-22	Guidance revised Feb-23
PDL acquisitions	\$240 - \$260m	\$290 - \$295m
Net lending volumes	\$50 - \$60m	\$140 - \$150m
NPAT	\$90 - \$97m	\$90 - \$97m
EPS	133 - 143 cents	133 - 143 cents

This media release should be read in conjunction with the Appendix 4D and Consolidated Interim Financial Statements and the results presentation.

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

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