

Media Release

1 August 2023

Credit Corp reports solid FY2023 result

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

- 70% growth in lending segment net profit after tax (NPAT)
- 43% growth in the consumer loan book to a record gross closing balance of \$358 million
- Recovery in US operational performance over the second half
- Solid FY2024 US investment pipeline secured in improved pricing conditions

NPAT fell by 5 per cent over the prior year to \$91.3 million. While lending segment earnings grew strongly, the impact was offset by continued run-off in the core AU/NZ debt buying business and costs arising from increased US resourcing.

Consumer lending demand remained strong as credit-impaired consumers re-leveraged post COVID. Delinquency increased part way through the year, but a prompt collection response and tightened credit settings have ensured that arrears and losses remain within pro-forma levels.

Mr Thomas Beregi, CEO of Credit Corp, said that strong loan book growth had been achieved while rationing the volume of longer-duration auto loans. "Short durations and appropriate credit settings will contain risk should economic conditions deteriorate," he said.

After a period of rapid US headcount build-up during the first half of the year, a focus on operational improvement produced 14 per cent growth in collections for the second half. Notwithstanding this outcome, the result for the final quarter showed that collection conditions may have deteriorated as the Company experienced increased repayment plan delinquency.

US purchased debt ledger (PDL) supply has continued to increase. The additional volume had a limited impact on pricing until late in the year. More favourable pricing over recent months has enabled Credit Corp to secure a PDL investment pipeline of A\$70 million for FY2024. Credit Corp has the operational and financial capacity to undertake further purchasing, but it will be subject to the alignment of market pricing with the Company's assessment of the collection outlook.

Mr Beregi noted that while US conditions remain uncertain, Credit Corp was well-positioned. "Continued operational improvement will ensure our competitiveness and support higher levels of future investment," he said.

PDL supply in the AU/NZ debt buying market remains constrained. While some one-off purchases were secured late in the year, the FY2024 investment pipeline remains modest. A further contraction in segment earnings is expected in 2024.

Resourcing in the AU/NZ debt buying operation has run-off in line with reduced investment. Some debt purchasing staff have transferred to the expanded collection services business, bolstered by the acquisition of Collection House during the year.

Credit Corp's corporate banking facility was recently extended to 2026. Mr Beregi noted that the extension was strategically significant. "Increasing the tenor of our \$372 million of funding facilities will allow us to seize any one-off purchasing opportunities that may arise as economic conditions tighten," he said.

Final dividend

Credit Corp will pay a final dividend for the 2023 financial year of 47 cents per share representing a full year payout ratio of 52 per cent.

Outlook and guidance

The record starting loan book should produce strong lending segment earnings growth in 2024. Similarly, expanded collection capacity and operational improvement is anticipated to deliver earnings growth in the US. Another year, however, of reduced purchasing will yield a further decline in earnings from the AU/NZ debt buying segment. Accordingly, Credit Corp anticipates earnings growth of 4 per cent at the mid-point of the NPAT guidance range.

Investment is expected to moderate in FY2024. This should result in significant free cash flow and reduced net borrowings.

Credit Corp advises of guidance for FY2024 in accordance with the following ranges:

	FY24 Guidance Aug-23
PDL acquisitions	\$200 - \$250m
Net lending volumes	\$45 - \$55m
NPAT	\$90 - \$100m
EPS	132 - 147 cents

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

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

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