

Media Release

31 January 2024

## **Credit Corp reports solid result**

Credit Corp Group Limited (Credit Corp or the Company) reports the following highlights for the first half of the 2024 fiscal year (H1 of FY24):

- Continued US operational improvement
- 16% growth in the consumer loan book to a record gross closing balance of \$414 million
- Tripling in consumer lending Net Profit after Tax (NPAT) over the prior comparative period (pcp)

Statutory NPAT for the half year was a loss of \$12.1 million. This reflects the previously announced impairment of the Company's US Purchased Debt Ledger (PDL) book. Excluding the \$45.6 million impact on NPAT of this charge, underlying NPAT for the period was 5 per cent higher than the prior comparative period (pcp) at \$33.5 million.

Elevated delinquency on US payment arrangements which gave rise to the impairment continued but remained stable throughout the period. Notwithstanding the delinquency, operational improvement produced increased efficiency with US collections 5 per cent higher than the pcp on a constant currency basis.

US market conditions improved during the period due to a combination of increasing PDL supply and more restricted access to credit and higher borrowing costs affecting competitor demand. As a result, PDL pricing improved during the period and the present full year US investment pipeline of A\$120 million will deliver 45 per cent more in face value per dollar outlaid relative to purchases made in the prior year.

Mr Thomas Beregi, CEO of Credit Corp, said that there was the prospect of securing further US PDL volume at favourable pricing. "We continue to see increasing supply being offered for sale by many of our clients and, having already secured a strong pipeline, Credit Corp can invest selectively over the balance of the year," he said.

The consumer lending book grew to a record \$414 million gross of expected life-of-loan loss provisions. Despite tighter credit settings, lending volume was 2 per cent higher than the record level set for the same period in the prior year. Wallet Wizard branded cash loans accounted for 90 per cent of the volume.

Credit quality remains intact with losses within pro-forma levels and arrears within historical norms.

Mr. Beregi noted that strong credit demand was continuing into the second half and that Credit Corp would look to maintain its share. "Wallet Wizard is a responsible product which is meeting the requirements of a growing number of consumers with limited borrowing alternatives," he said.

PDL supply in the AU/NZ debt buying market has remained constrained, with no indications of a short-term recovery. Interest bearing credit card balances are still approximately 30 per cent below pre-COVID levels.

As the AU/NZ PDL book runs-off and collections decrease, management of direct and indirect costs is mitigating the impact on earnings.

### **Interim dividend**

Credit Corp will pay an interim dividend for the 2024 financial year of 15 cents per share which is in line with a full year payout rate of approximately 50 per cent of the mid-point of EPS guidance.

### **Outlook and guidance**

The record loan book balance will produce increased consumer lending division earnings over the second half. If lending volume remains strong over the second half, the Company will incur increased customer acquisition and life-of-loan loss provision expense and deliver NPAT at the bottom end of the guidance range.

Investment ranges have been adjusted to reflect the debt ledger pipeline already secured and the record lending volumes. Credit Corp refines its FY24 guidance in accordance with the following ranges:

	FY24 Guidance revised Oct-23	FY24 Guidance refined Jan-24
PDL acquisitions	\$200-\$250m	\$230-\$250m
Net lending volumes	\$45-55m	\$140-150m
NPAT pre-impairment	\$80-\$90m	\$80-\$90m
NPAT statutory	\$35-\$45m	\$35-\$45m
EPS	51-66 cents	51-66 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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