



Credit Corp Group

**CREATING  
OPPORTUNITY**

9 MAY 2024

# MARKET UPDATE

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# FOCUS ON CORE COMPETENCIES IN THE CREDIT IMPAIRED CONSUMER SEGMENT...

ANALYTICS AND DISCIPLINE	OPERATIONAL EXCELLENCE	SUSTAINABILITY AND COMPLIANCE	<p><b>TARGET</b></p> <p>Long term growth</p> <p>ROE 16% - 18%</p> <p>Low gearing</p>
<b>Australian / NZ debt buying</b>			
<ul style="list-style-type: none"> <li>• Large database</li> <li>• History of pricing accuracy</li> <li>• Purchasing levels vary inversely with pricing</li> </ul>	<ul style="list-style-type: none"> <li>• High asset turnover <sup>1</sup></li> <li>• Low cost to collect <sup>2</sup></li> <li>• High performing on-shore and off-shore platforms</li> <li>• Strong technology and use of data</li> </ul>	<ul style="list-style-type: none"> <li>• Low dispute rate</li> <li>• \$1.3b in ongoing repayment arrangements</li> </ul>	
<b>US debt buying</b>			
<ul style="list-style-type: none"> <li>• Large market opportunity</li> <li>• Diversified purchasing across several sellers</li> </ul>	<ul style="list-style-type: none"> <li>• Significant productive capacity across several sites</li> <li>• Emphasis on payment arrangements and a lower proportion of litigated outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Low regulator complaint rate</li> </ul>	
<b>Australian / NZ lending</b>			
<ul style="list-style-type: none"> <li>• Leverage knowledge of consumer</li> <li>• Up-front loss provisioning</li> <li>• Analytical monitoring</li> <li>• Unique statistical underwriting</li> </ul>	<ul style="list-style-type: none"> <li>• Automated decisioning</li> <li>• Collection strength</li> <li>• High level of efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• APRs below cap applicable to mainstream credit</li> <li>• Regulatory upside - no 'payday loans'</li> <li>• Lower pricing disrupting the market</li> </ul>	

1. H1 FY24 ratio of cash collections from PDLs to average PDL carrying value in Australian Debt Ledger Purchasing segment of 1.0x. The US metric is 0.5x against major US listed competitors showing approximately 0.7x, reflecting an opportunity for improvement

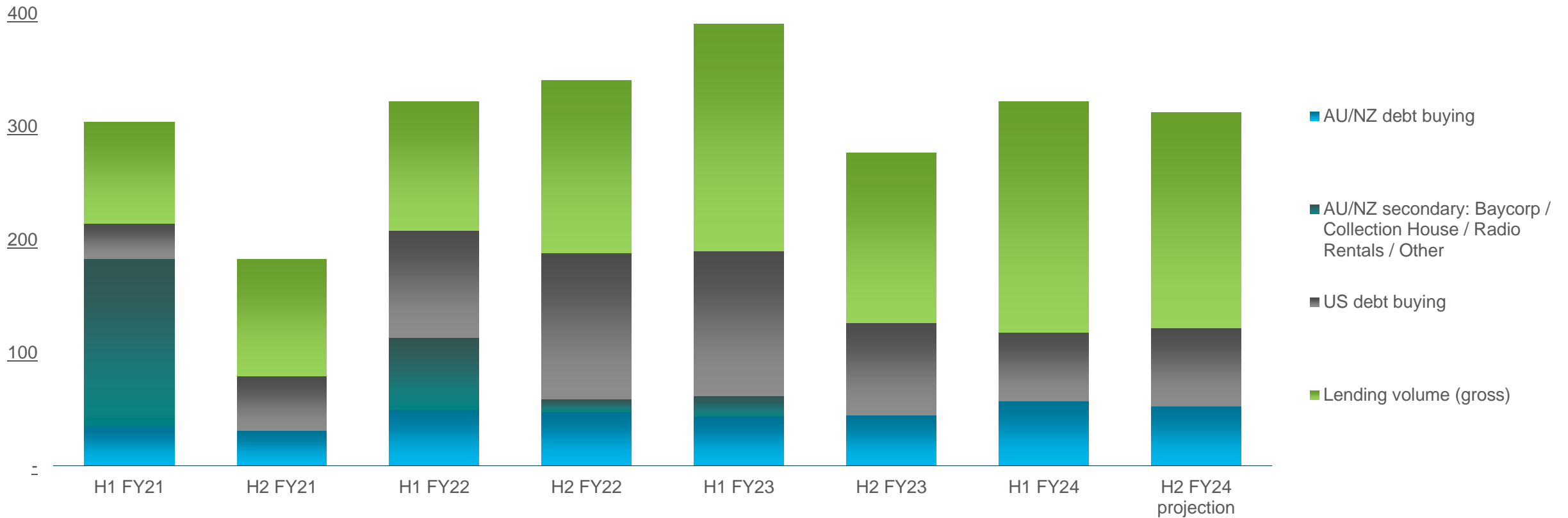
2. H1 FY24 cash costs as a proportion of collections in the Australian Debt Ledger Purchasing segment of 42%

# ...HAS FACILITATED CONTINUED INVESTMENT...

- Consumer lending will account for ~62% of gross investment in FY24

## PDL Investment and Lending Volumes

\$m



SEGMENT	ASSESSMENT OF MARKET CONDITIONS	CREDIT CORP RESPONSE
<p><b>US debt buying</b></p>	<ul style="list-style-type: none"> <li>• Collection environment more challenging since late FY23</li> <li>• Uncertainty as to outlook for US credit-impaired consumer</li> <li>• Increased supply of charge-offs with aggregate unsecured credit balances ~25 per cent above pre-Covid levels <sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Operational improvement focus</li> <li>• Raise required return criteria for purchasing</li> </ul>
<p><b>Australian / NZ consumer lending</b></p>	<ul style="list-style-type: none"> <li>• Solid demand for unsecured credit</li> <li>• Delinquency remains within pro-forma</li> </ul>	<ul style="list-style-type: none"> <li>• Advertising to capture the opportunity</li> </ul>
<p><b>Australian / NZ debt buying</b></p>	<ul style="list-style-type: none"> <li>• Direct-from-issuer sale volumes remain low</li> <li>• Interest-bearing credit card balances ~32 per cent below pre-Covid levels <sup>2</sup></li> <li>• Bank arrears and losses remain low</li> <li>• Large bank seller has not returned to market</li> </ul>	<ul style="list-style-type: none"> <li>• Manage cost base to minimise loss of operating leverage</li> <li>• Maintain competitiveness</li> </ul>

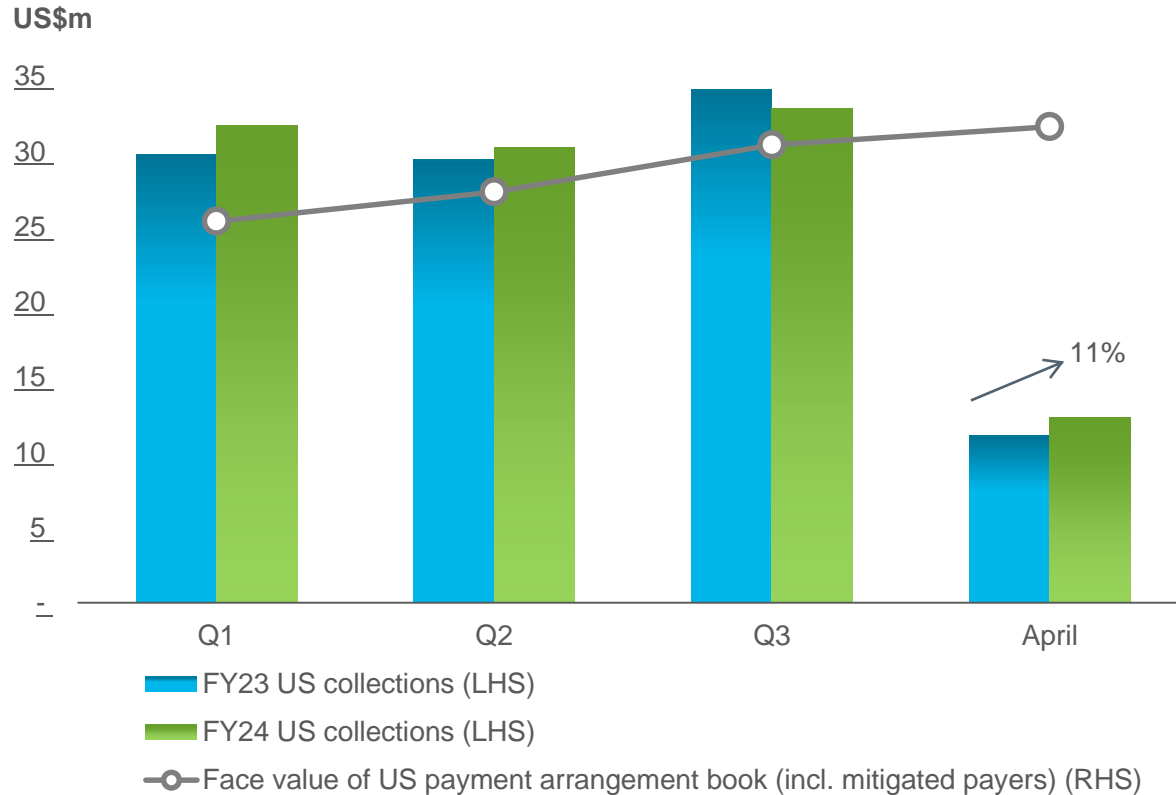
1. Total Revolving Debt Outstanding, Federal Reserve Economic Data (<https://fred.stlouisfed.org/series/CCLACBW027SBOG>)

2. C1 Credit and Charge Cards (Seasonally Adjusted Series) data, Reserve Bank of Australia (<https://www.rba.gov.au/statistics/tables/>)

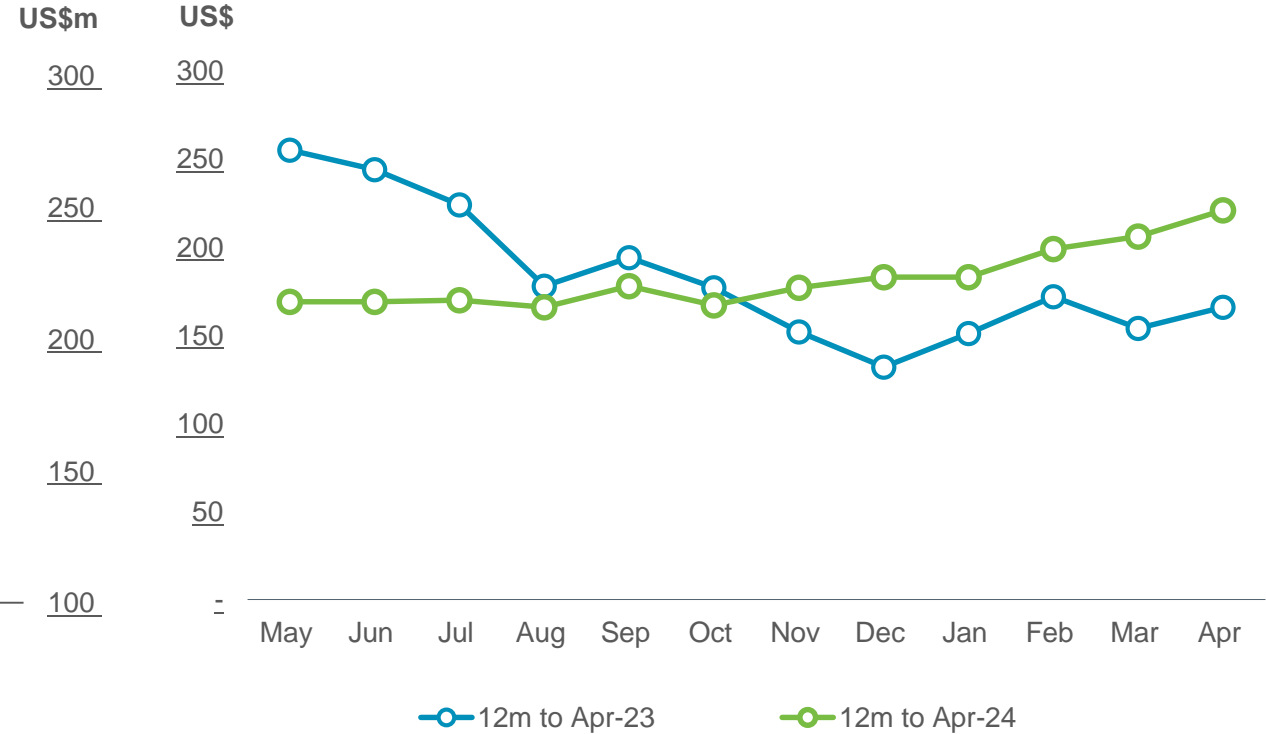
# ...WITH RECENT SIGNS OF OPERATIONAL IMPROVEMENT IN THE US...

- Collection conditions remain unchanged since late FY23 deterioration
- Operational initiatives producing more favourable results in Apr-24

## US Collections and Arrangement Book



## US Productivity per hour

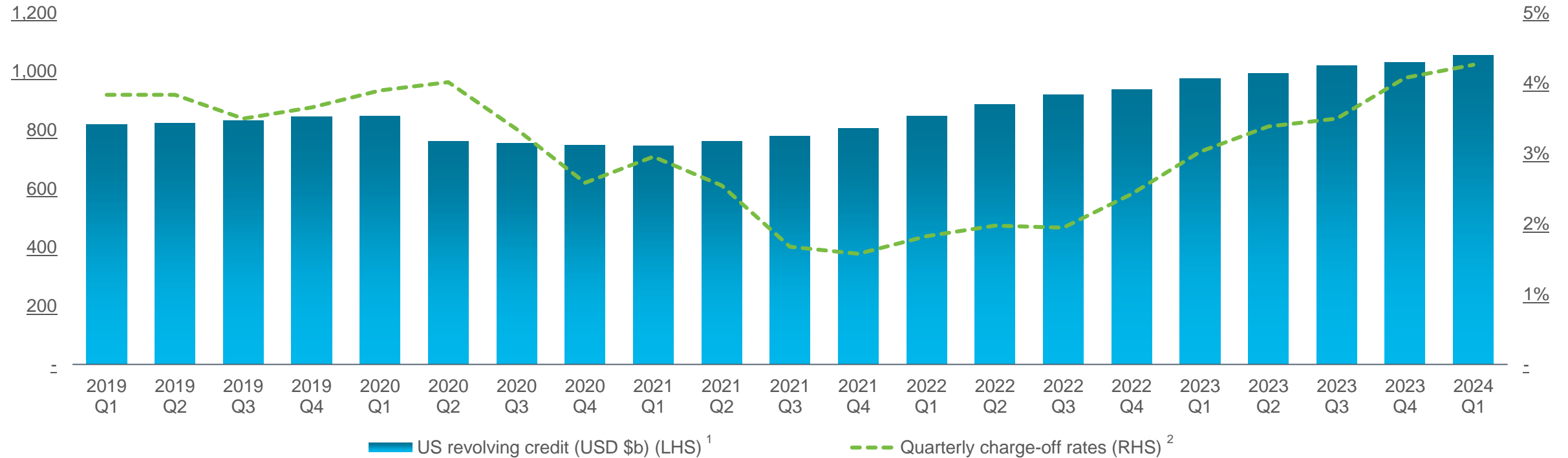


# ...CREATING THE PROSPECT OF SUSTAINED PURCHASING IN FAVOURABLE US INVESTMENT CONDITIONS

- PDL demand impacted by higher borrowing costs and restricted access to credit
- Credit data points to increasing PDL supply

## US Revolving Credit Growth

US\$b



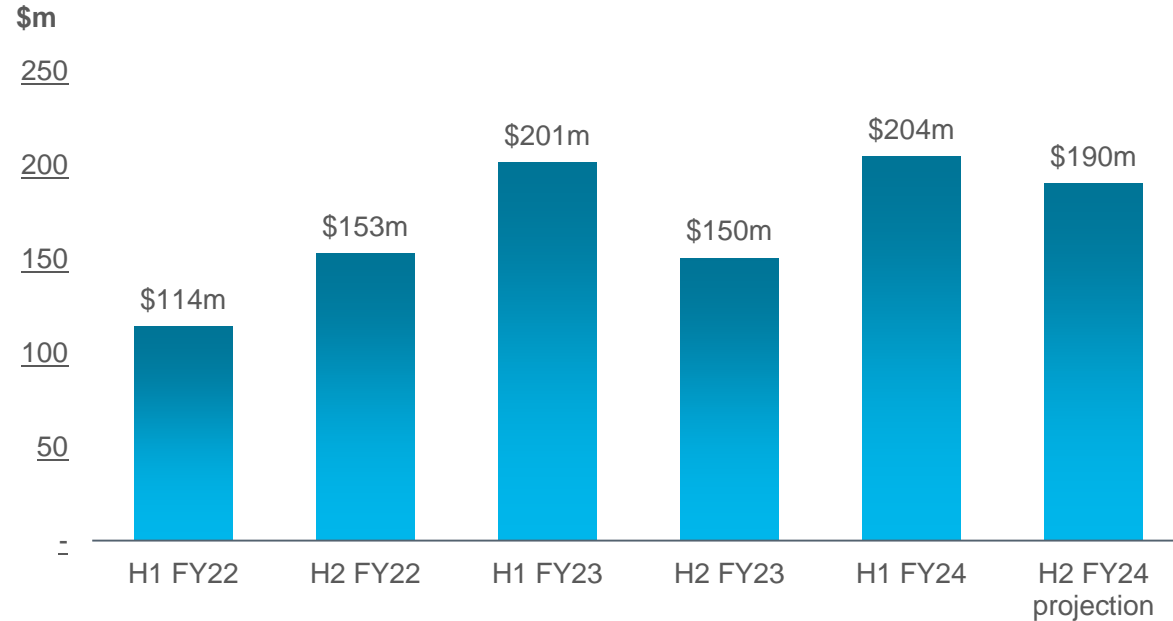
1. Total Revolving Credit Outstanding, Federal Reserve Economic Data (<https://fred.stlouisfed.org/series/CCLACBW027SBOG>)

2. Charge-off Rate on Credit Card Loans, All Commercial Banks (<https://fred.stlouisfed.org/series/CORCCACBN>)

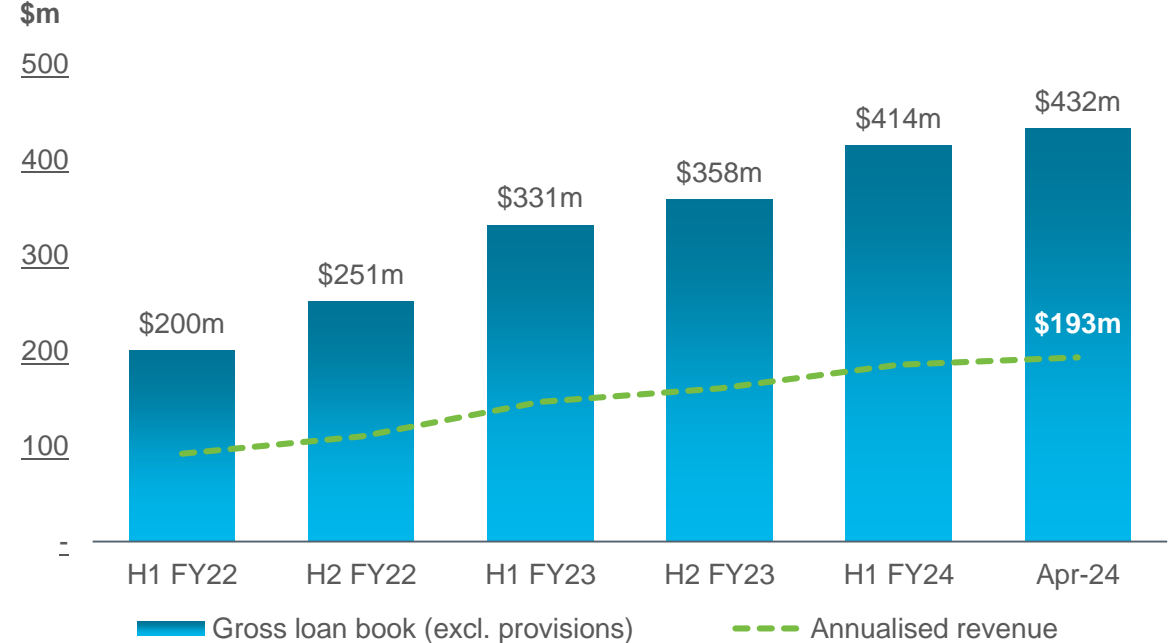
# ON TRACK TO ENTER FY25 WITH ENLARGED LOAN BOOK

- Strong underlying demand continuing
  - Moderate decline in new customer volumes over recent months
- Arrears and losses remain within pro-forma
- Enlarged loan book should produce strong FY25 earnings

**Lending Volumes by Half Year**



**Consumer Lending Book and Annualised Revenue**



## GUIDANCE REMAINS INTACT

	FY24 GUIDANCE REFINED JAN-24	FY24 GUIDANCE CONFIRMED MAY-24
<b>Ledger investment</b>	\$230 - \$250 million	\$230 - \$250 million
<b>Net lending</b>	\$140 - \$150 million	\$140 - \$150 million
<b>NPAT pre-impairment</b>	\$80 - \$90 million	\$80 - \$90 million
<b>NPAT statutory</b>	\$35 - \$45 million	\$35 - \$45 million
<b>EPS (basic)</b>	51 - 66 cents	51 - 66 cents





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# APPENDICES: KEY OPERATING METRICS



## APPENDICES

### KEY OPERATING METRICS

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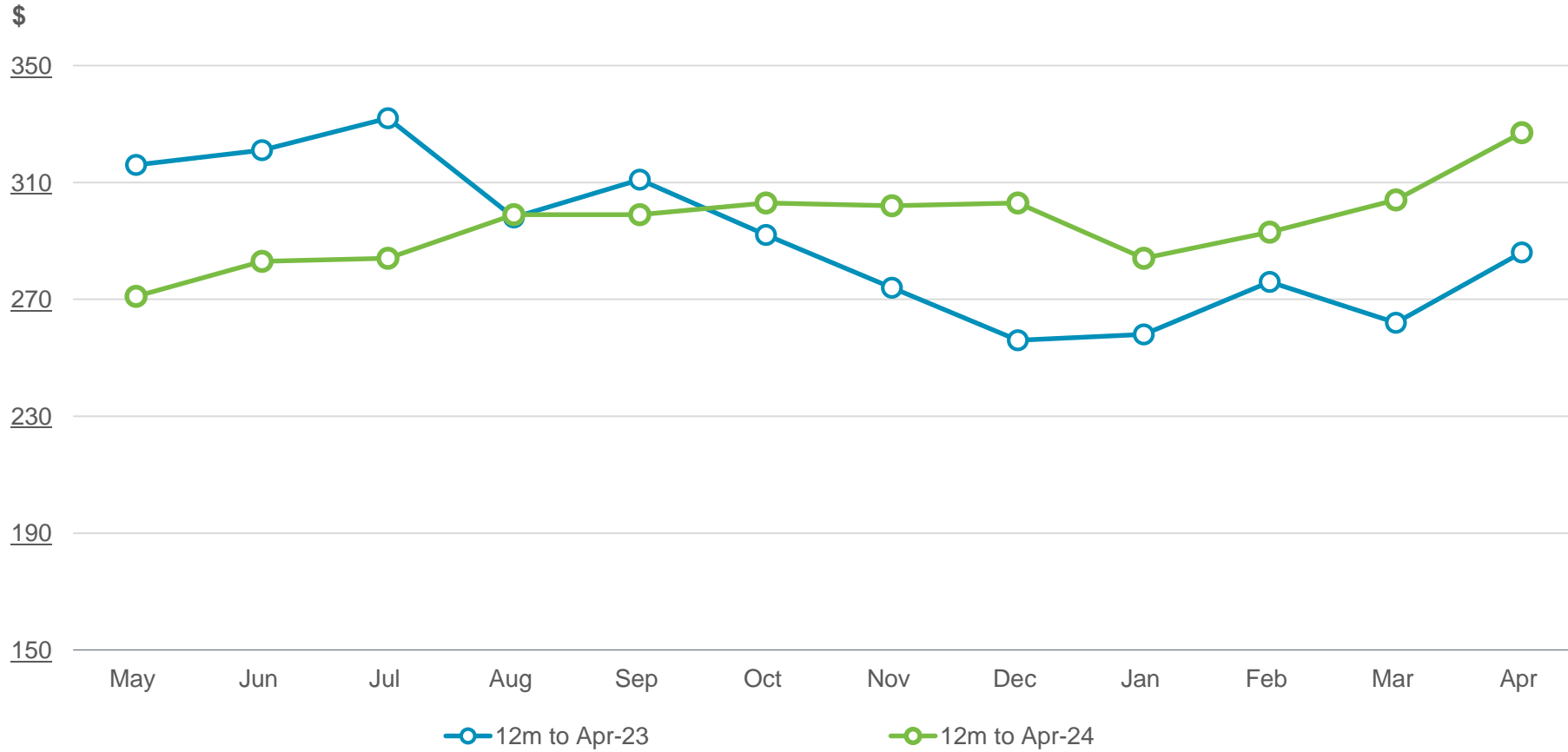
Portfolio Summary: Debt buying

	AU/NZ		COMBINED AU / NZ / US <sup>1</sup>				
TOTAL PORTFOLIO	JUN-21	DEC-21	JUN-22	DEC-22	JUN-23	DEC-23	APR-24
Face value	\$8.5b	\$7.9b	\$11.8b	\$12.7b	\$12.8b	\$12.9b	\$13.0b
Number of accounts	1,326,000	1,252,000	2,863,000	2,993,000	2,952,000	2,904,000	2,845,000
PAYMENT ARRANGEMENTS							
Face value	\$1,600m	\$1,555m	\$1,742m	\$1,727m	\$1,725m	\$1,709m	\$1,745m
Number of accounts	217,000	243,000	264,000	266,000	274,000	273,000	280,000

1. US segment included from Jun-22 onwards. Prior periods contain only AU/NZ debt buying segment

## APPENDIX 2 PRODUCTIVITY

### Productivity Per Hour (A\$) <sup>1</sup>

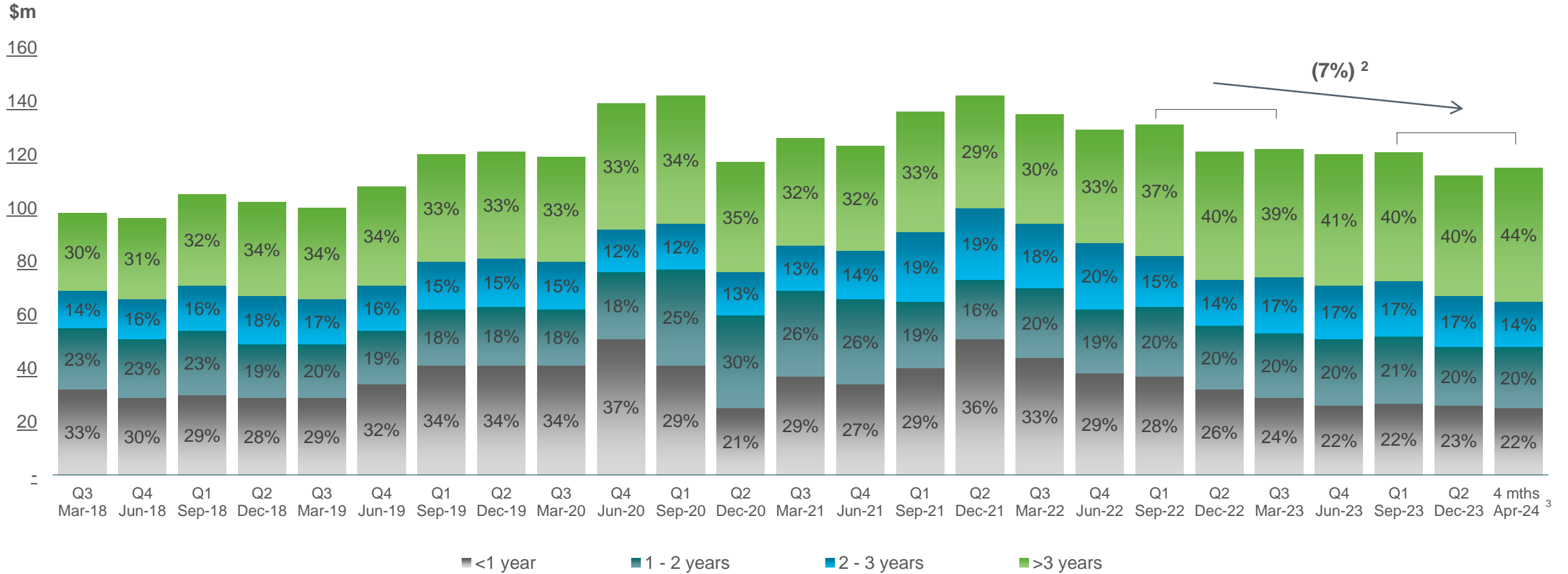


**YTD APR-24 AVERAGE:**  
**FY24: \$300**  
**FY23: \$285**

1. Combined AU/NZ and US segment productivity

# APPENDIX 3 COLLECTIONS LIFE CYCLE

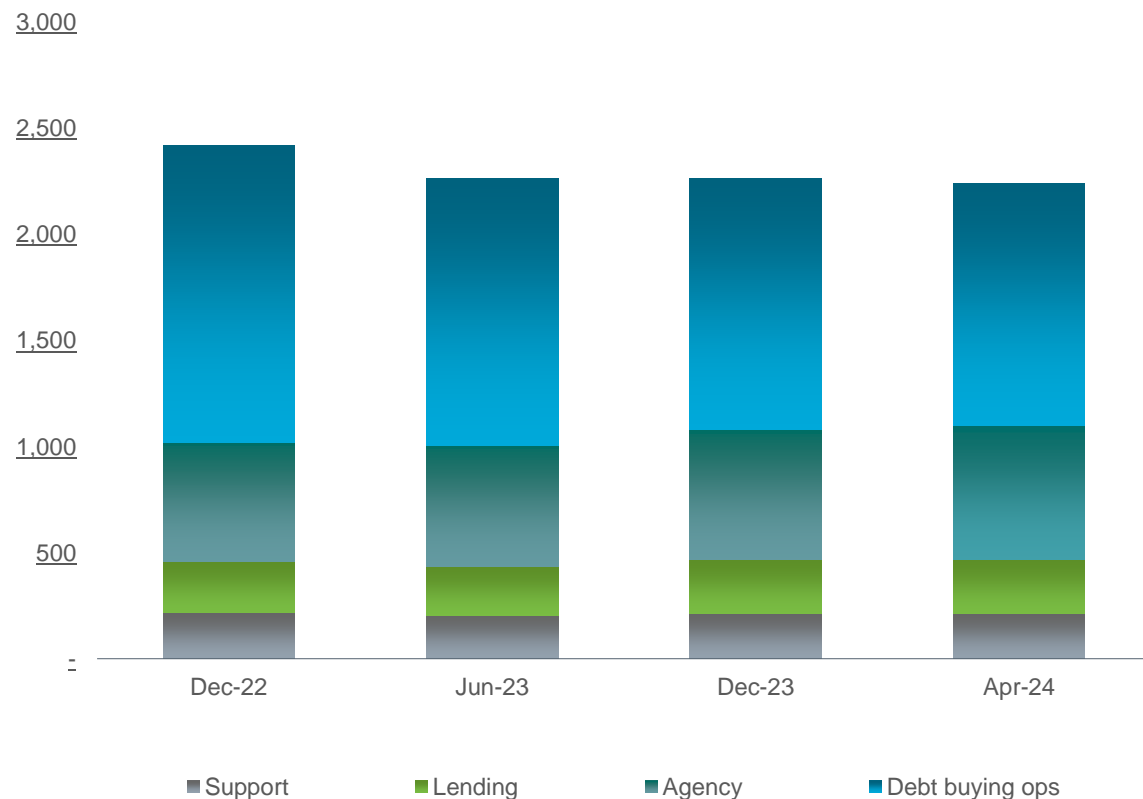
### PDL Collections by Vintage <sup>1</sup>



1. Combined AU/NZ and US PDL collections  
 2. 7% less in YTD Apr FY24 vs YTD Apr FY23  
 3. Pro-rated to a quarterly average

## APPENDIX 4 OPERATIONAL AND TOTAL HEADCOUNT

### Period End Headcount (FTE)



	DEC-22	JUN-23	DEC-23	APR-24
Debt buying operations	1,401	1,255	1,184	1,144
Collection services	558	571	613	628
Lending	243	231	253	258
Support	217	204	213	211
<b>Total</b>	<b>2,419</b>	<b>2,261</b>	<b>2,263</b>	<b>2,241</b>
<b>Support %</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>



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