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Credit Corp reports solid finish to FY2024 and improved outlook

Credit Corp Group Limited (Credit Corp or the Company) reports the following highlights for the 2024 fiscal year:

- 18% growth in lending segment net profit after tax (NPAT)
- 24% growth in the consumer loan book to a record gross closing balance of $445 million
- Improved US operational performance over the final quarter of FY2024
- Strong FY2025 US investment pipeline secured

Underlying NPAT[1] fell by 11 per cent over the prior year to $81.2 million. While lending segment earnings grew strongly, the impact was offset by continued run-off in the core AU/NZ debt buying business and degraded US collection conditions.

US operational performance improved in the final quarter of FY2024 with record quarterly collections, 6 per cent higher than the prior comparative period (pcp) despite reduced purchasing. This improvement reflected more than twelve months of investment in the US operation, with significant increases in customer contact and higher rates of conversion into paying outcomes. Enhanced management of the legal collection channel also delivered positive results.

Mr. Thomas Beregi, Managing Director and Chief Executive Officer (CEO), said that operational improvement meant that Credit Corp was already more competitive in the market. “We secured more than half of our expected annual US investment during the month of July alone, as recent operational improvement supported more competitive bidding,” he said.

Purchasing conditions in the US remain favourable, with steady pricing and supply expected to increase over the near-term. Collection conditions, which deteriorated late in FY2023, have remained static despite ongoing uncertainty as to the outlook for US credit-impaired consumers.

The consumer lending book grew to a record gross closing balance of $445 million with significant growth throughout FY2024, while arrears and losses remained within pro-forma levels. While demand remained strong, settled volumes were below expectations for the final quarter. In line with this recent trend, more modest book growth is expected in FY2025. This will translate into an expected 27 per cent increase in lending segment NPAT as higher interest income is realised on the record starting loan book.

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[1] Underlying NPAT after adding back $45.6 million (after tax) for the US purchased debt ledger (PDL) impairment reported in H1 FY2024 and subtracting $15.1 million (after tax) for the change in estimated PDL collection life from six to eight years to the statutory NPAT of $50.7 million.

Secured auto loan volumes remain deliberately constrained. Persistently elevated used car prices have increased risk in the credit-impaired auto segment.

Mr. Beregi noted that medium-term growth in the consumer lending division depended on product and/or geographic diversification. “The Wallet Wizard cash loan book will deliver strong earnings growth over the next few years, however, further growth will depend on other products including auto and one of the current or planned pilots being rolled-out at scale,” he said.

The AU/NZ debt buying market has remained subdued, with sale volumes still substantially lower than pre-COVID levels. Credit Corp has enjoyed a strong market share in recent years and in FY2024 secured the highest direct-from-issuer investment volume in AU/NZ since FY2020.

Run-off in the AU/NZ ledger book and the attendant loss of operating leverage stabilised late in FY2024. Segment earnings are not expected to fall significantly in FY2025. While a recovery in debt sale volumes is not expected, Credit Corp is well-positioned for such a scenario with industry-leading compliance metrics, a very competitive operation and the ability to grow operational scale promptly.

Credit Corp extended and increased its banking facilities with limits increasing to $505 million consisting of a consumer lending warehouse of $250 million expiring in October 2028 and a $255 million syndicated corporate facility expiring in July 2029. Although funding costs have increased, the amended facility provides medium-term funding certainty, with a five-year tenor for the syndicated corporate facility.

Mr. Beregi noted that planned investment would not require drawing down the additional capacity available under the new facility but that it provided strategic benefits. “The expanded facility allows for opportunistic investment across Credit Corp’s markets,” he said.

Final dividend

Credit Corp will pay a final dividend for the 2024 financial year of 23 cents per share representing a full year payout ratio of 51 per cent.

Outlook and guidance

The record starting consumer lending loan book, US operational improvement and a stabilised AU/NZ debt buying business should produce FY2025 NPAT of $90-100 million. At the midpoint of the range this is an increase of 17 per cent relative to FY2024.

PDL investment is expected to remain in line with the amount outlaid in FY2024 and net lending will likely be substantially lower.

Credit Corp advises of guidance for FY2025 in accordance with the following ranges:

	FY25 Guidance Jul-24
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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