



**Credit Corp** Group

**Thomas Beregi**  
Chief Executive Officer

**Michael Eadie**  
Chief Financial Officer

## Core Australian debt buying business



- Largest participant in market
- CAGR in NPAT of 26% over the 5 years to FY14
- Generating acceptable returns with limited gearing

Leverage strengths to expand into high opportunity markets



### Credit-impaired consumer lending

- Apply our experience with credit-impaired consumers
- Sustainable and affordable products
- Segment not serviced by mainstream credit issuers



### US debt buying

- Much larger than the Australian market
- Apply our strengths as the US market transitions

## Core business has delivered strong earnings growth...

### FY14 Financial Results

	FY14	FY13 Underlying <sup>(1)</sup>	% Change
Revenue	\$174.0m	\$138.3m	26% ↑
NPAT	\$34.8m	\$29.9m	16% ↑
EPS (basic)	75.4 cps	65.2 cps	16% ↑
Dividend per share	40.0 cps	37.0 cps <sup>(2)</sup>	8% ↑

(1) FY13 results are underlying and exclude a one-off item with a positive impact of Revenue: \$4m; NPAT: \$2m; EPS: 4.6 cps.

(2) The FY13 dividend included a 4 cps payout of the one-off item; excluding this the FY13 dividend was 33 cps.

... and growth momentum will now switch to lending

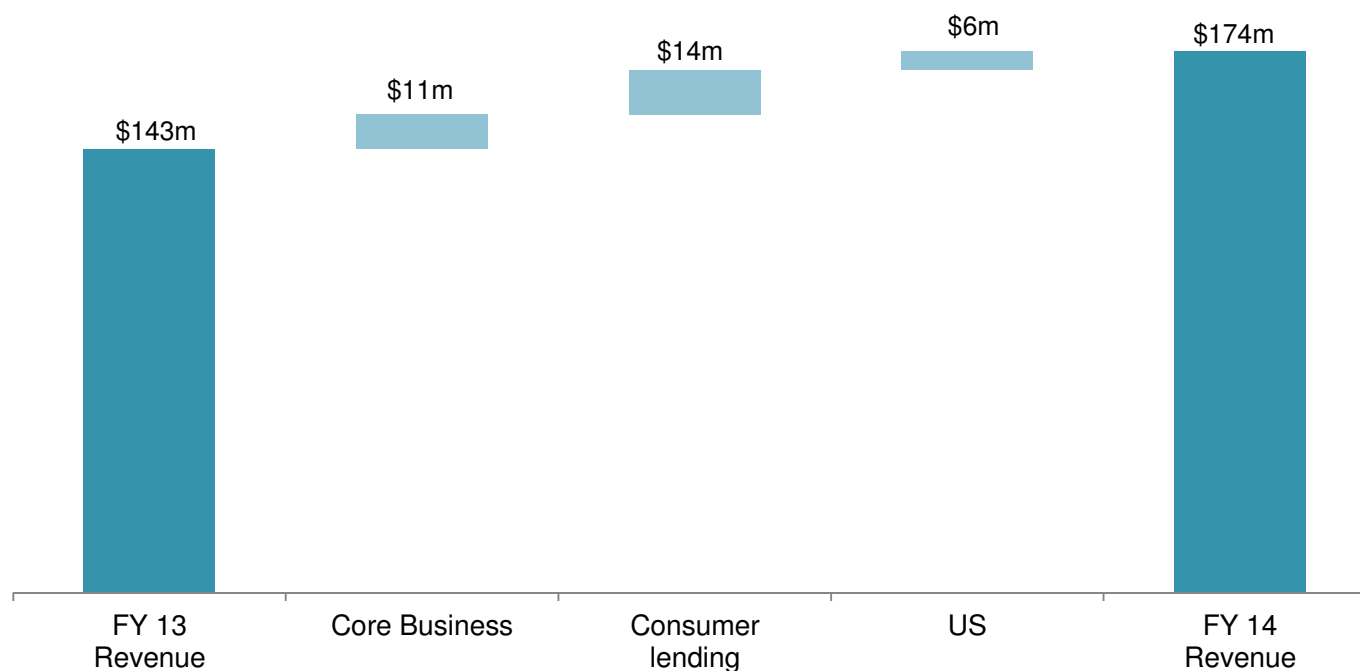
- Reduced PDL acquisitions in the second half
- Lending volumes offset reduced PDL acquisitions
- Lending on track for profit in FY15

\$ million	FY14		B/(W)
	H1	H2	Δ
<b>PDL outlay</b>	\$86.5	\$58.7	(\$27.8)
<b>Net lending</b>	\$17.0	\$31.6	\$14.6
<b>Lending NPAT</b>	(\$2.0)	(\$0.5)	\$1.5

## New businesses already delivering at the top-line

- Core business revenue driven by consecutive years of record purchasing
- Lending generated 40% of total revenue growth

### Revenue movement vs. pcg

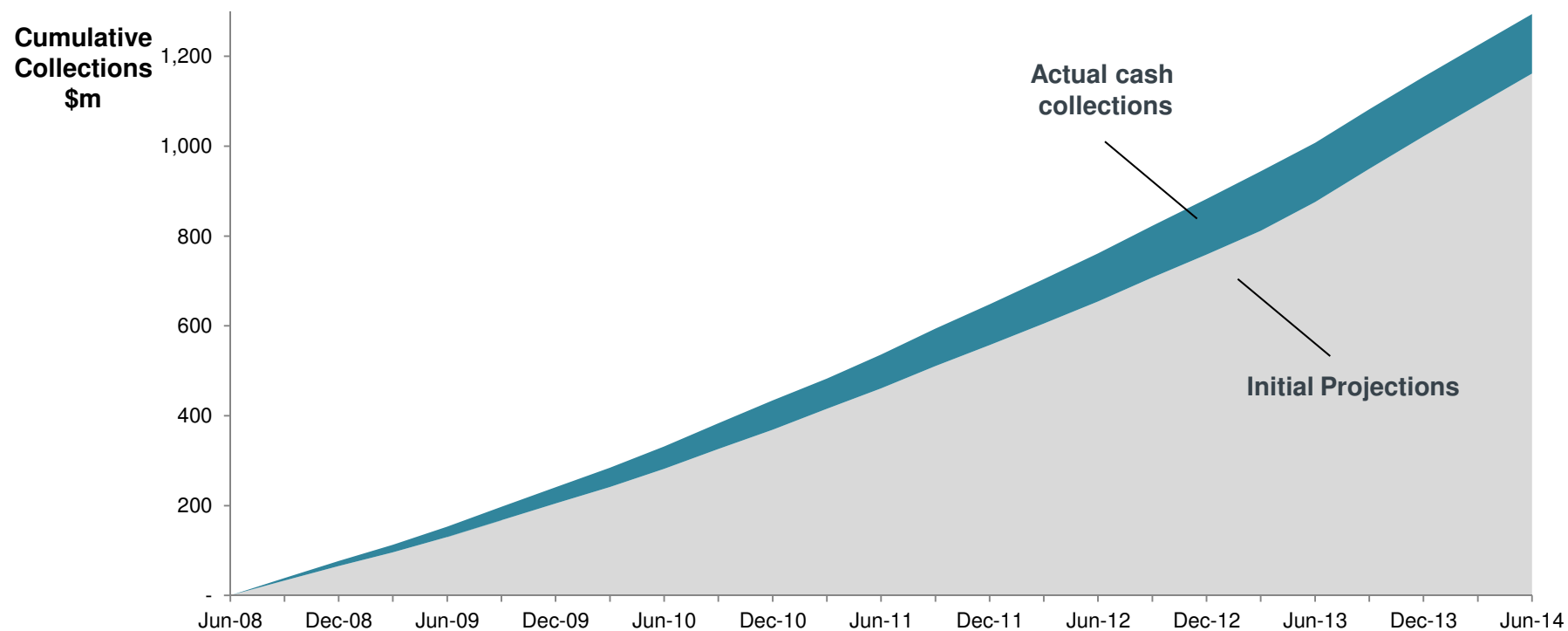


## Operating cash flow fully invested for growth



\$ million	FY14	FY13	FY12
Operating cash flow	184.3	158.2	136.5
PDL acquisitions, lending and capex	(197.3)	(148.5)	(99.6)
<b>Net operating (free) cash flow</b>	<b>(13.0)</b>	<b>9.7</b>	<b>36.9</b>
PDL and consumer loan carrying value	203.7	161.1	132.7
Net bank debt	35.7	4.9	-
<b>Net debt / carrying value (%)</b>	<b>17.5%</b>	<b>3.0%</b>	<b>-</b>

## Return disciplines remain in place...

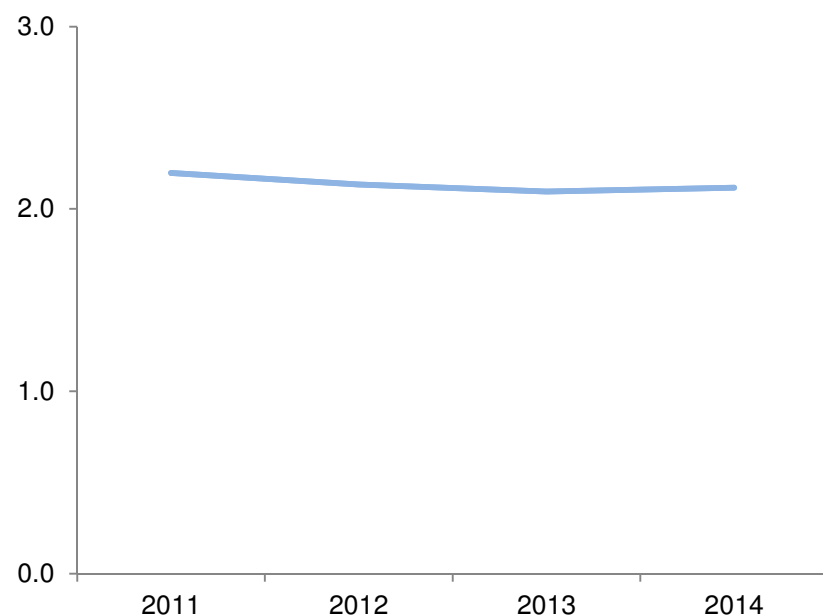


Note: For all PDLs held at June 2008, initial projections represent the forecast at June 2008

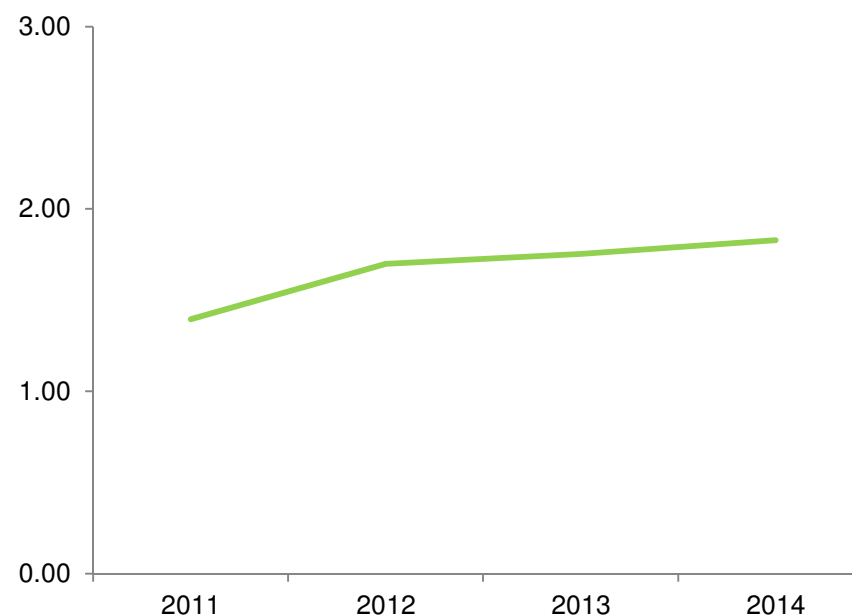
...at a time when PDL prices have increased...

- PDL collection multiples have compressed as prices have increased
- Returns have been maintained by faster PDL liquidation

**Implicit multiple from PDL amortisation**  
(Collections / amortisation)



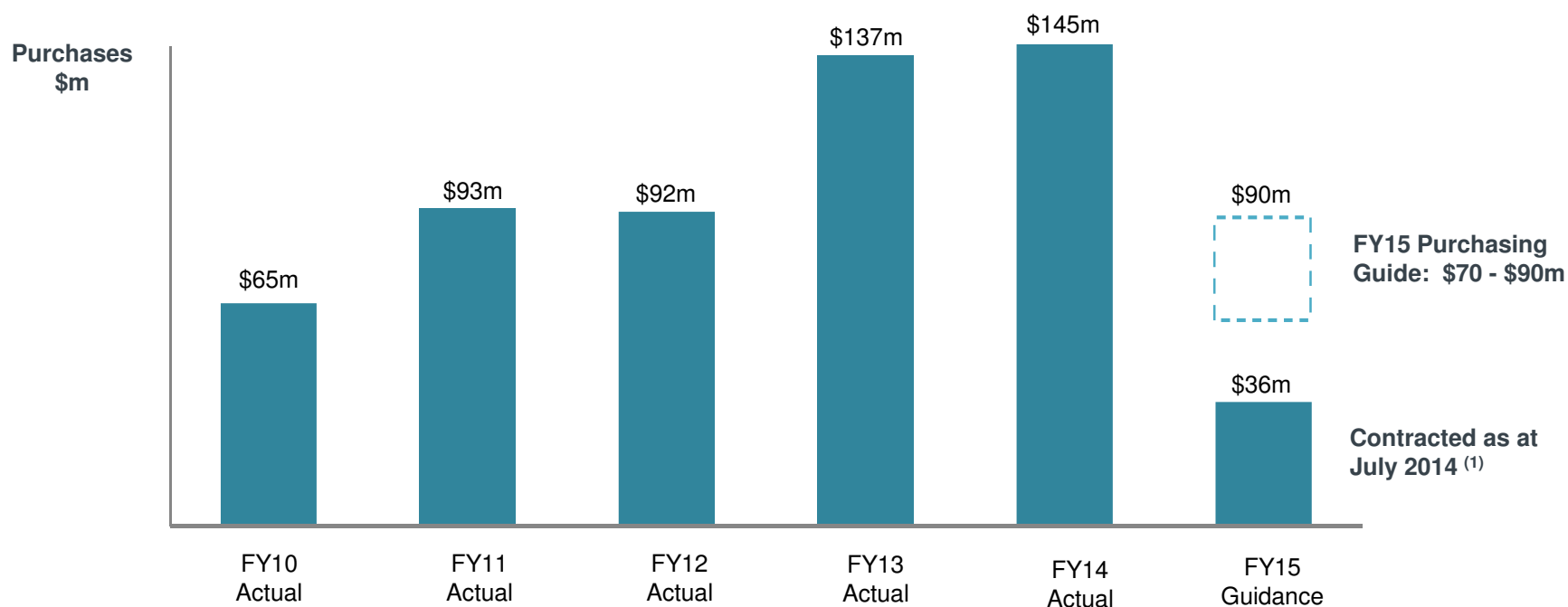
**PDL turnover ratio**  
(Collections / average PDL carrying value)





## ...leading to reduced purchasing

- 2H purchasing \$28m lower than 1H
  - Reduced share of major forward flows
  - Unexpected one-off sales in the first half

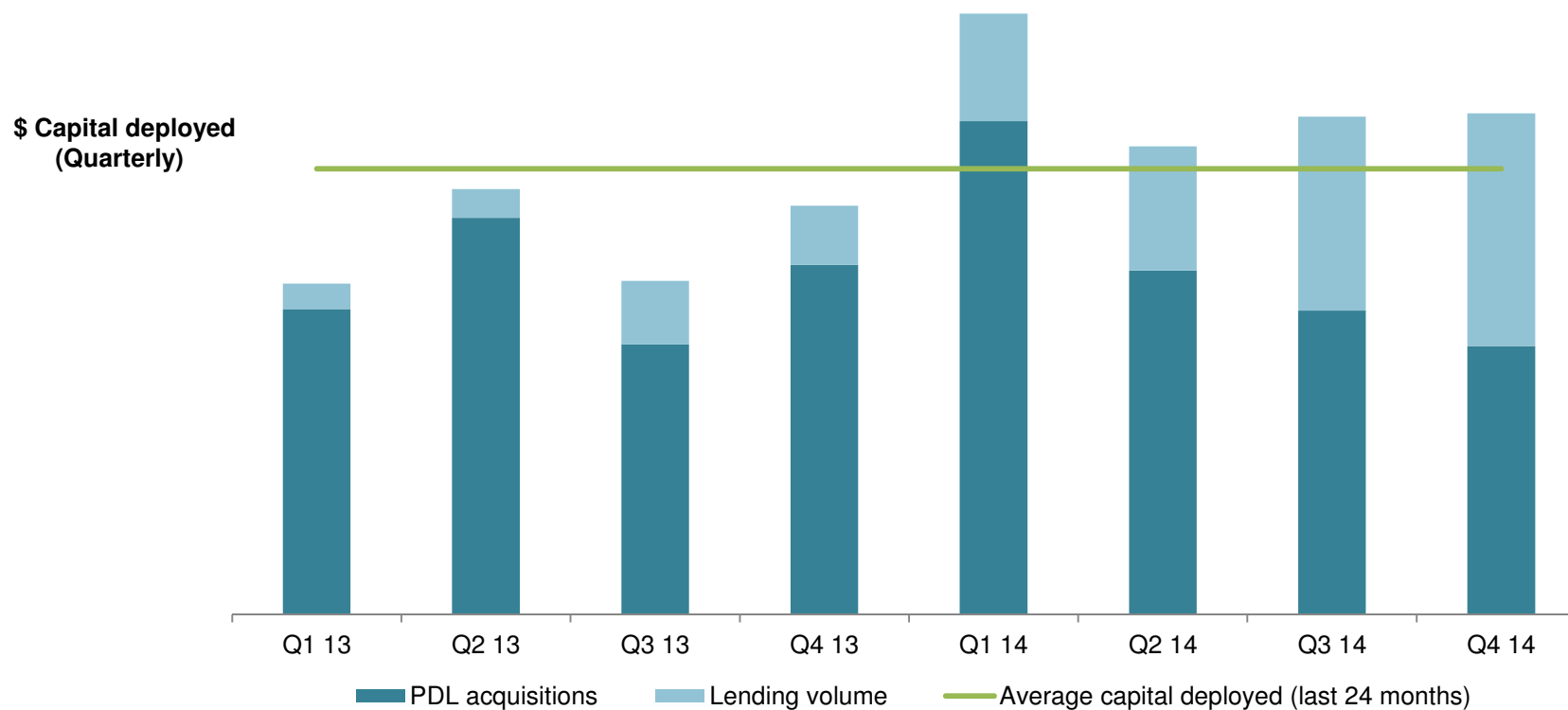


(1) Includes US purchases. Prior year \$47m

## Lending volumes now more than offset reduced PDL acquisitions

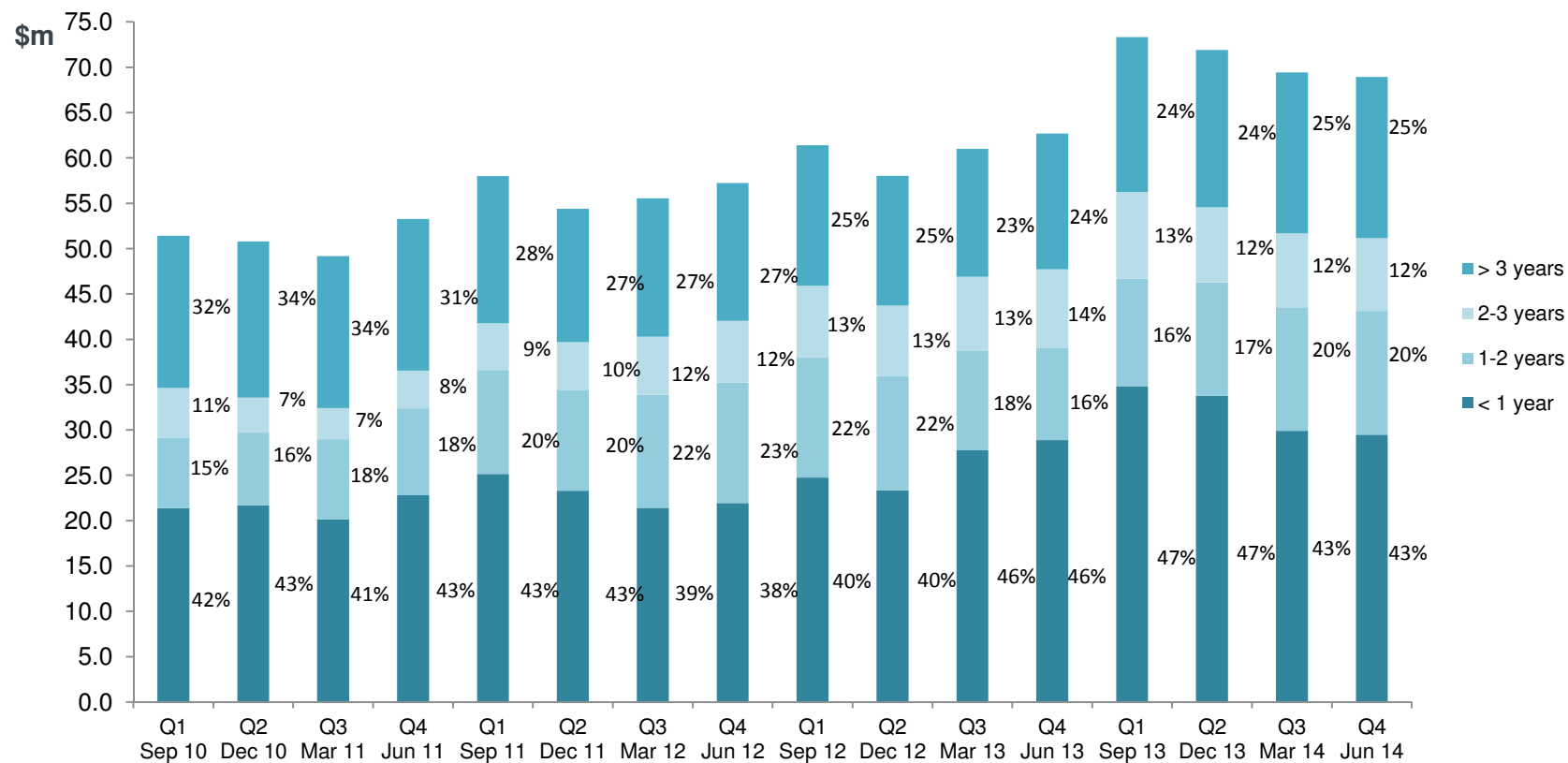


- Both lending and PDL acquisitions target the same rate of return



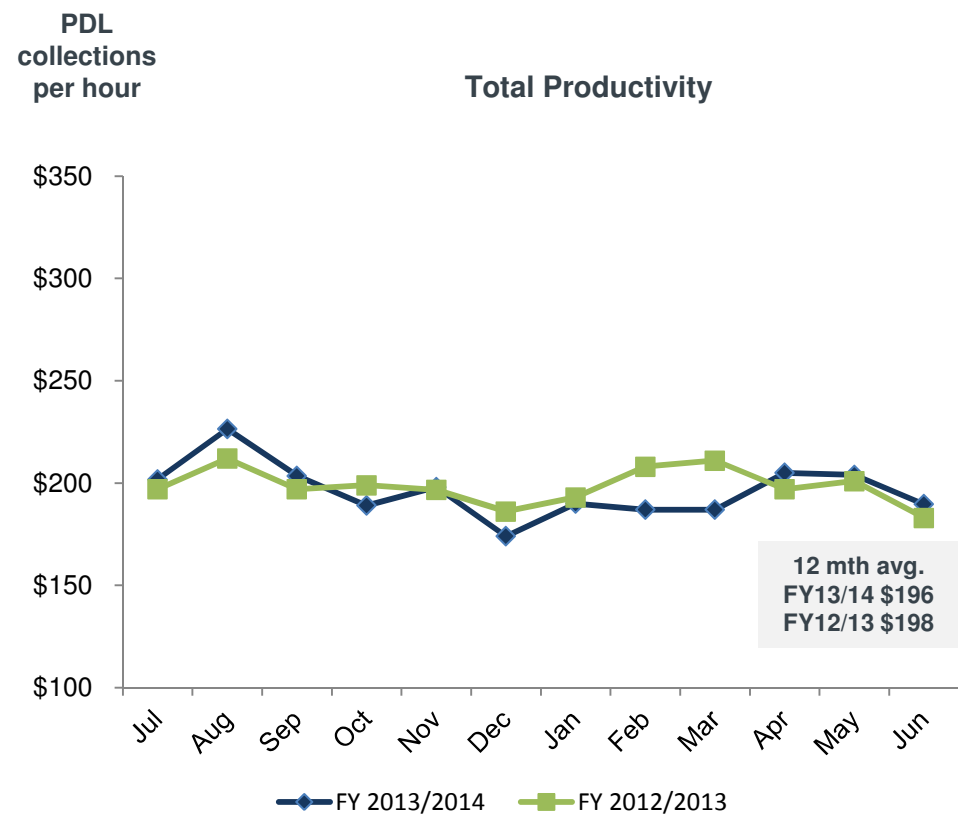
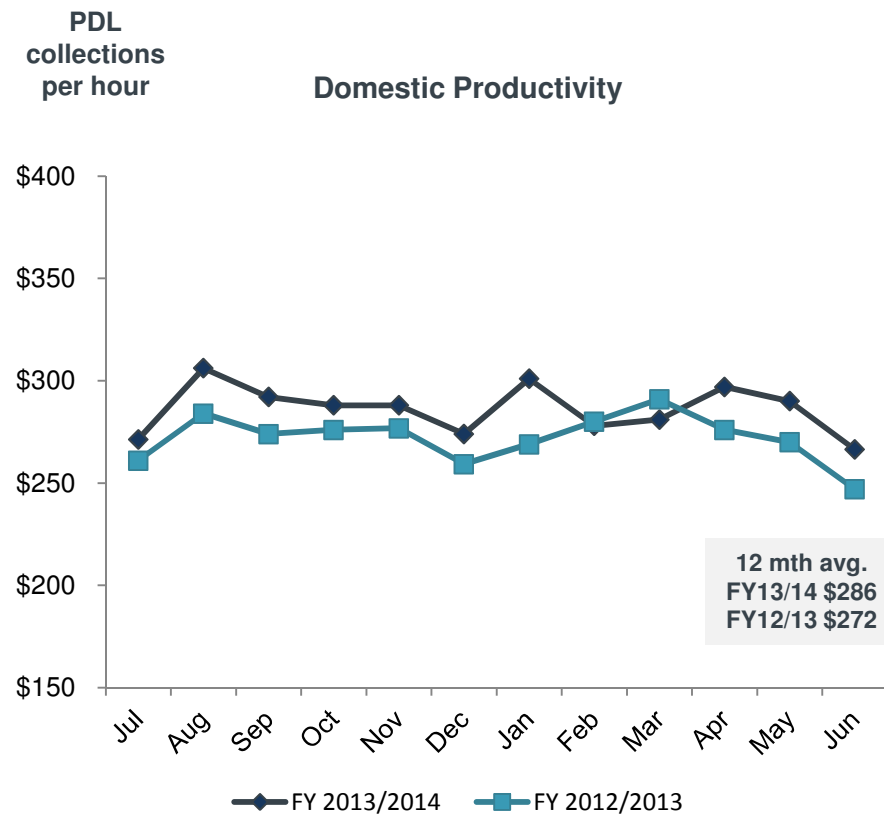
## Operational metrics remain intact – collection life-cycle

### PDL collections by date of purchase



## Operational metrics remain intact - productivity

### Debt purchase productivity (direct collection staff only)



## Operational metrics remain intact – payers base

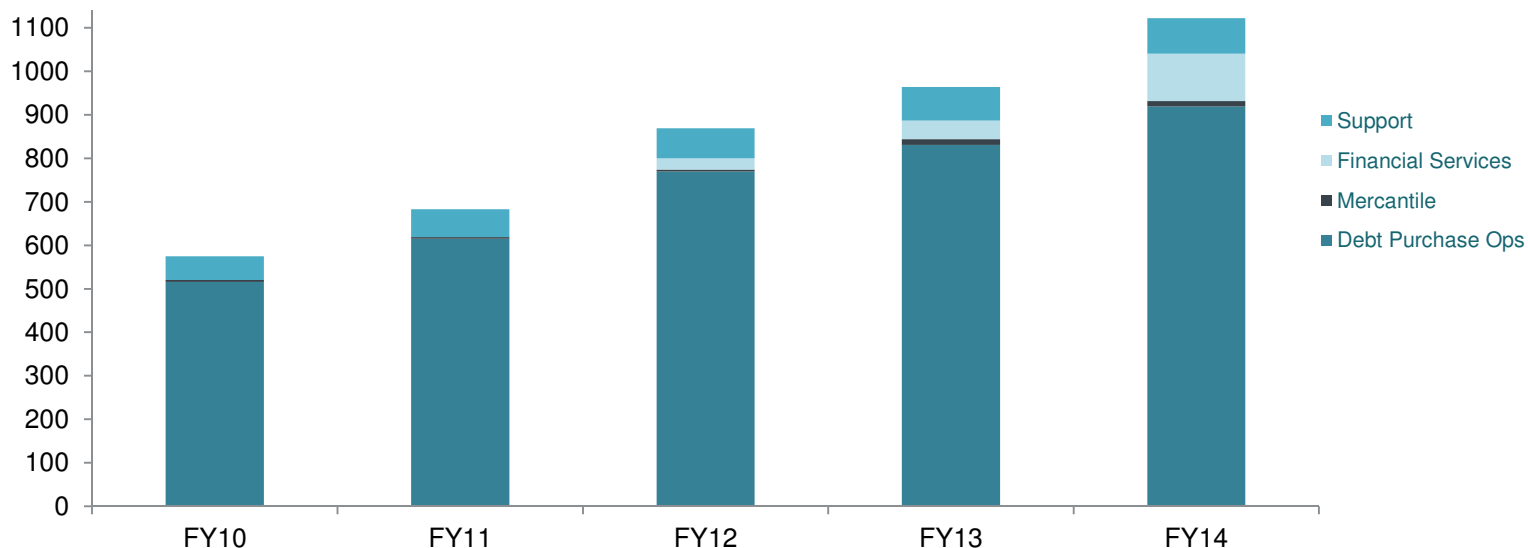


<b>Total Portfolio</b>	Jun 14	Dec 13	Jun 13	Dec 12	Jun 12
Face value	\$4.7bn	\$4.5bn	\$4.0bn	\$3.8bn	\$3.6bn
Number of accounts	744,000	759,000	711,000	650,000	598,000

<b>Payment arrangements</b>					
Face value	\$909m	\$791m	\$742m	\$666m	\$639m
Number of accounts	120,000	111,000	106,000	98,000	90,000
% of PDL collections	73%	71%	72%	72%	71%

## Operational capacity increased in core business and lending

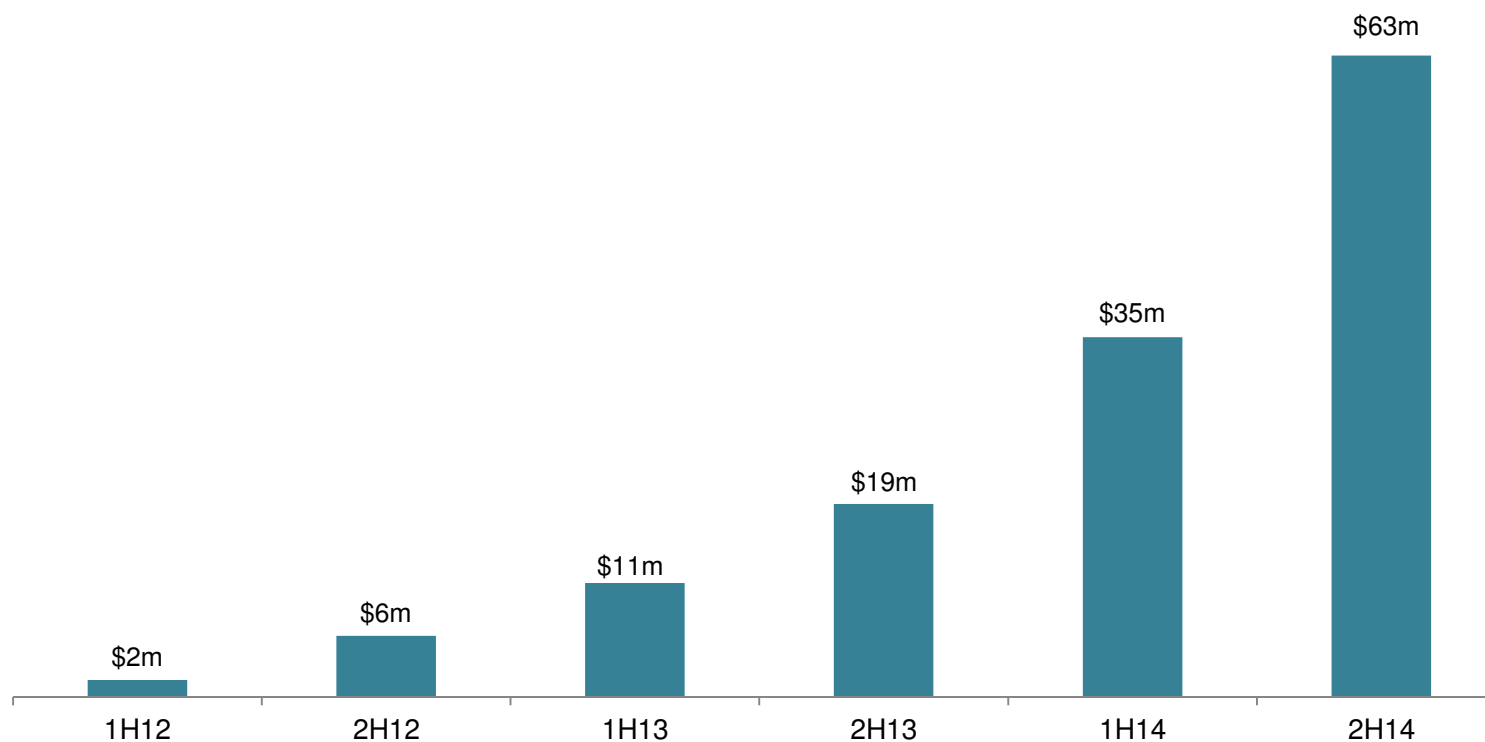
### Headcount (FTE)



Function	FY10	FY11	FY12	FY13	FY14
Debt Purchase Ops	516	615	770	831	919
Mercantile	4	4	4	13	12
Financial Services	-	-	26	43	109
Support	55	64	69	77	82
Financial Services %	-	-	3%	4%	10%
Support %	10%	9%	8%	8%	7%




## Continued strong growth in the consumer lending book

### Gross loan book excluding provisions



## Additional products are contributing to growth

### Credit-impaired consumer lending products

		% of loan book	Pro-forma economics
Secured		13%	✓
	Term: 3 - 4 Years Principal: Up to \$20K (avg. \$16K)		
Unsecured		80%	✓
	Term: 1 - 3 Years Principal: Up to \$5K (avg. \$3K)		
		7%	✓
	Term: 1 - 12 months Principal: Up to \$2K (avg. \$1K)		

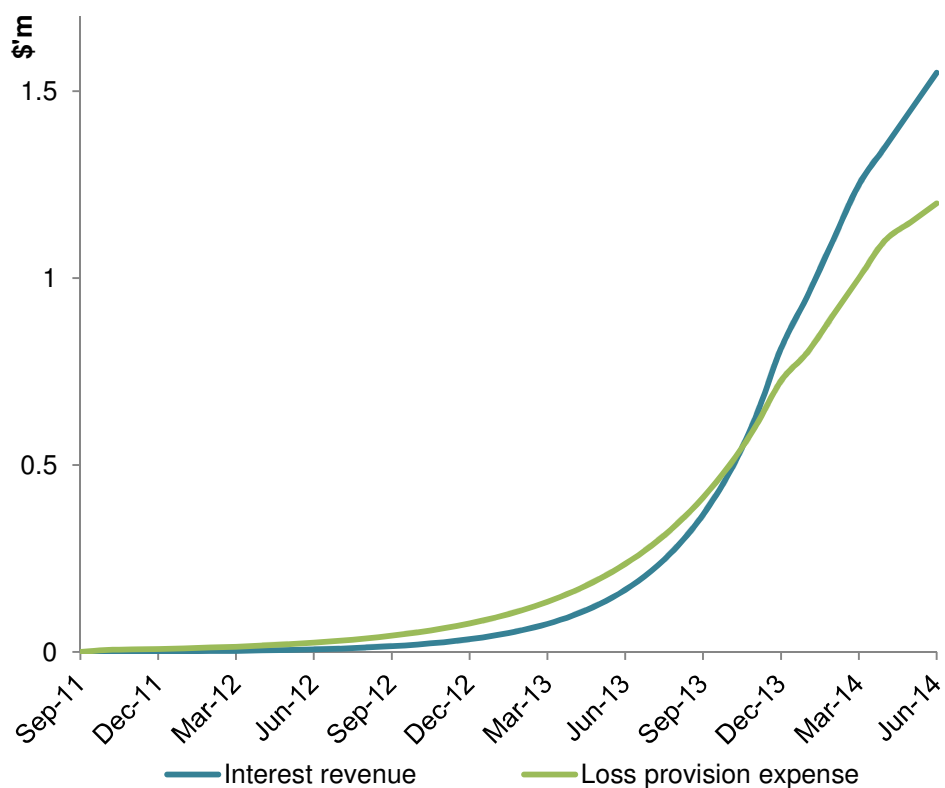
Loan principal / term



## Lending business on track for profitability in FY15

- FY14 H2 loss of (\$0.5m) vs H1 of (\$2.0m)
- MoneyStart interest revenue now exceeds the up-front provision on new loans written

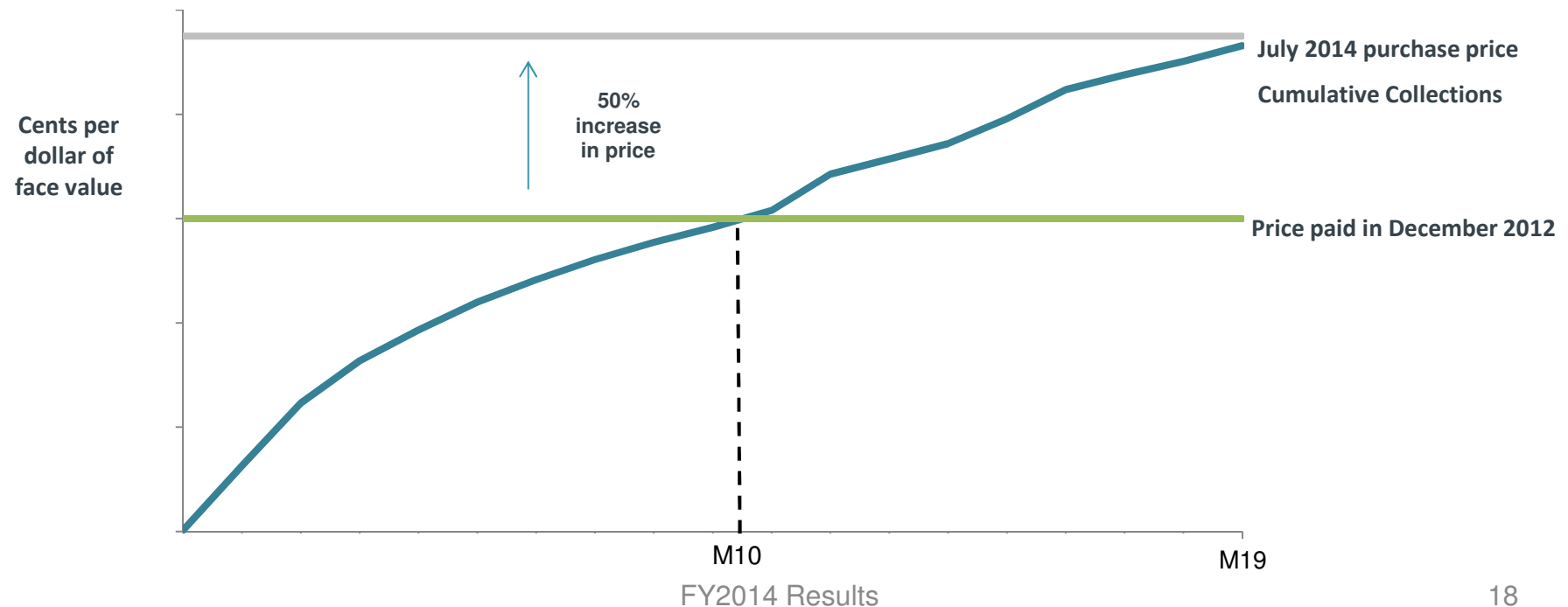
### MoneyStart monthly revenue and up-front provisioning



## US operational performance positive but pricing is unfavourable

- Operational performance has continued to improve
  - Pro-forma returns on purchases being achieved
  - Legal collections will deliver back-end returns
- Regulatory flux reduced supply and increased prices
  - Prices have now stabilised
  - Banks who withdrew from the market have not yet returned

### Example of fresh charge-off



### **Objective**

- Contain losses while positioning for upside when prices moderate

### **Actions**

- Operation reduced to 100 staff in a single location
- Selective purchasing at compromised returns
- Admission to further issuer panels
- Purchasing diversified into other asset types
- Enhanced legal collections channel to maximise returns

## FY15 initial guidance



	FY15 Initial Guidance
PDL acquisitions	\$70 - \$90m
Net lending	\$40 - \$50m
NPAT	\$36 - \$38m
EPS (basic)	78 - 83 cents
Dividend per share	39 - 42 cents



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**Questions**

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