



Matthew Thomas

Managing Director / Chief Executive Officer

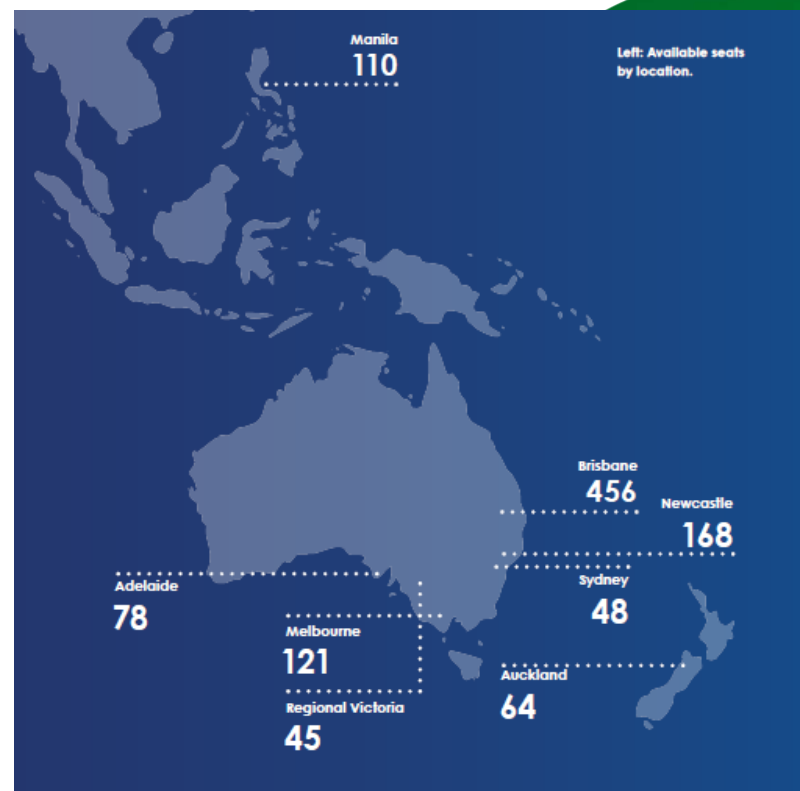
Collection House Limited

2014 Morgans QLD Conference



Collection House limited is a leading Australasian receivables management provider, utilising effective, ethical and innovative techniques and advanced proprietary technology

- Commenced business in 1992
- Listed on ASX in 2000
- 850 staff in Australia, NZ and Philippines
- Experienced executive team – average tenure of all executives exceeds 10 years
- Key differentiators:
 - Ethical working culture underpinning market leading compliance standards, brand protection and customer outcomes
 - Long standing strategy of diversification at various levels: products, clients, office locations, staff diversity



Product and client mix



- **Banking and Finance** – banking and finance products, credit and charge cards, and loans
- **Corporate** – telecommunications, essential services and international debts
- **Government** – federal, state and local government authorities
- **Insurance** – motor vehicle, general insurance, rental default and malicious damage, overpayment of wages, public liability and marine
- **Utilities** – electricity and water supply services.

FY14 Results Highlights

- NPAT increased 20% (from FY13) to \$18.7m, a record profit result for the Group.
- Final dividend increased 14% (from FY13) to 4.1c, taking full year dividend to 8c.
- Average ROE stable at 13% - notwithstanding capital raising completed during the year.
- **Collection Services revenue increased 12% in FY14 compared to FY13.**
- **PDL collections increased 10% to \$106.5 million in FY14 compared to FY13.**
- EBIT margin improved from 29% to 30% year on year, despite significant operational changes and investments in growth during the year.
- **\$82.2m invested in PDLs during FY14 (record PDL investment), with \$53m already committed under contract for FY15 .**
- Market share of core PDL forward flow contracts increased during the year.
- Earnings per share growth increased by 7% to 14.7c in FY14.

Collection
Services revenue
increased

12%

FY14 Results Highlights (continued)

- Consistent with the plans explained at the 2013 AGM, capabilities have been enhanced in terms of people, structure, systems and balance sheet strength required to execute the 'gear shift' driving our growth strategy.
- Interim expansion of Manila operations complete – now 110 operational seats of capacity.
- Syndicated banking facilities established and announced 29 January 2014.
- Gearing levels reduced from 42% to 39% (end FY13 to FY14, Net Debt/Net Debt plus Equity).
- **Gearing reduced to a seven year low, notwithstanding PDL investment levels at record high .**

FY14
gearing Levels
reduced to
39.3%

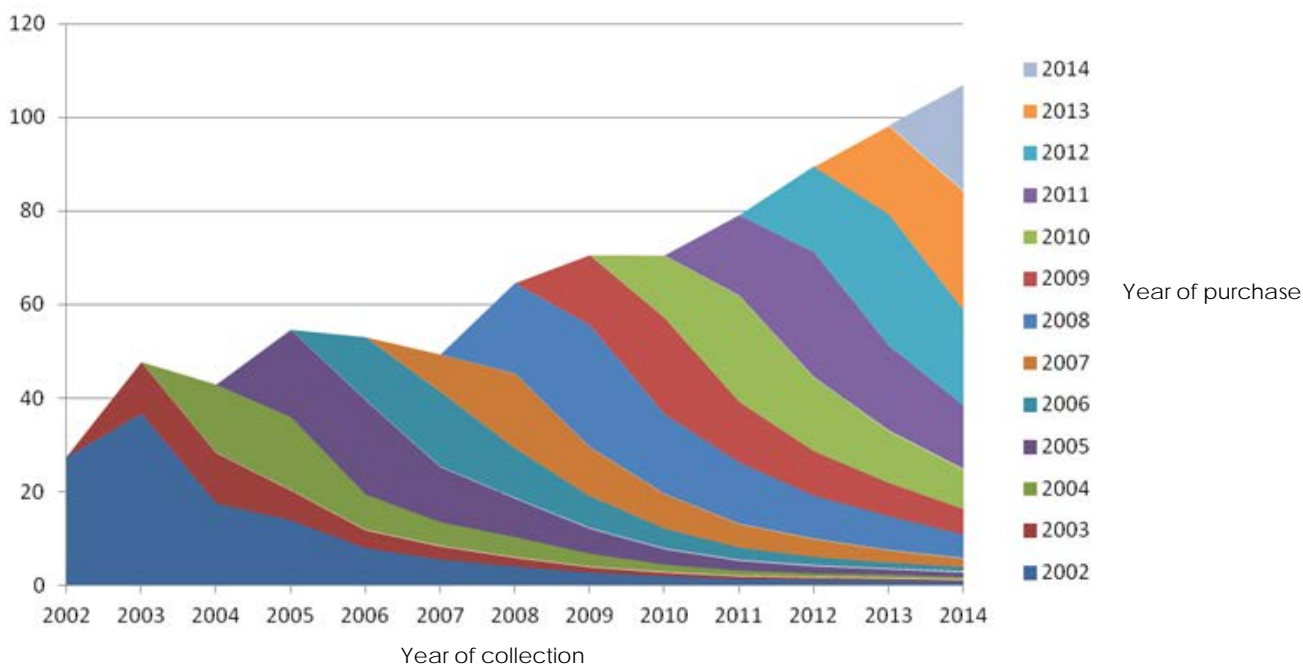
Achieving Quality Earnings and Predictable Future Revenues

- The long standing customer engagement model for Lion Finance is working collaboratively with customers to understand their financial position and capacity, and often the outcome of discussions is agreement to enter a repayment arrangement.
- Subsequently, the Repayment Arrangements and Litigated Account Portfolio continues to grow – it had a face value of \$353m as at 30 June 2014.
- Expected future recoveries from these accounts is \$244m (based on historic yields), providing a stable annuity-like revenue flow.

Total Portfolio	FY10	FY11	FY12	FY13	FY14
Face Value	1.2bn	1.3bn	1.4bn	1.4bn	1.5bn
Number of Accounts	233,000	239,000	214,000	253,000	263,000
Total Portfolio	FY10	FY11	FY12	FY13	FY14
Face Value	196m	221m	274m	300m	353m
Number of Accounts	34,000	35,000	41,000	45,000	51,000

PDL Book Performance

- PDL recoveries by year of purchase displayed in chart below, reflecting the same trends summarised on the prior page in more detail.
- The more sustained recoveries from purchases in last 6 years is clearly evident here, compared to earlier years where recoveries “tail off” more quickly.



Growth Strategy

- **FY15 growth will be driven by:**
 - Increasing sales through new and existing products and clients, with particular focus on leveraging core strengths in compliance, innovation, and depth of experience/data.
 - Expanded collection capacity to increase liquidation rates from PDL assets.
 - Continued expansion into high potential market sectors, eg Government.
 - Enduring strategic themes of innovation, differentiation and people-focus will continue to underpin our overall growth strategy.
 - Further expansion and maturity of Collection House International (BPO) Inc – our Manila operation. The existing call centre has been expanded by 40% to 110 seats, as a transitional step towards a larger facility.
- **Longer term growth will be driven by:**
 - Further organic growth of specialist subsidiaries: Midstate CreditCollect and Reliance Legal Group.
 - Product development of new debt solutions for both clients and customers.
 - Ongoing investment in innovation, technology and analytics – with quicker realisation of benefits.
 - Pioneering new debt purchase markets and models.
 - Exploring acquisition or partnership opportunities in adjacent service areas.

Outlook

- Board and Management resolved to deliver consistent earnings growth year on year, while maintaining gearing levels over time to deliver superior risk adjusted returns.
- PDL investment in FY15 not expected to exceed FY14 levels - \$53m of PDL investment already committed under contract.
- EBIT margins expected to remain steady over FY15, with improving trend in second half.
- Steady growth in Collection Services (which forms 41% of group revenue) expected to continue, re-enforcing our diversified sources of overall earnings growth .
- NPAT for FY15 expected within range of \$21 - \$22m.

Expected NPAT FY15
\$21-22m

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