



**23 February 2012**

## **Increased Collections Support Earnings Spike**

### **Key Financial Highlights**

Leading Australian receivables manager Collection House Limited (ASX Code: CLH) today reported a 24% spike in after-tax earnings to \$6.4M on the back of a 12% jump in Purchased Debt Ledger ('PDL') collections and commission revenue to \$62.7M for the December 2011 half-year, compared to the previous corresponding period.

The profit result represents earnings per share of 6.4 cents, enabling an increased 3.2 cents per share interim dividend to be declared on the expanded capital base, following a successful capital raising in November. The fully franked dividend represents a 50% pay-out ratio and will be paid to shareholders on 23 March 2012.

The Dividend Re-investment Plan will be operative in respect to this dividend and the share dividend discount price is 5%.

### **Increased PDL Investment**

Chief Executive Officer Matt Thomas said the increased PDL collections follows significantly higher investment levels in PDLs, particularly from the December 2010 half-year. Current purchasing commitments for the full year equate to investment of \$61m, within the \$60-70m target range set for FY12. All PDLs will be sourced in familiar Australian/NZ markets.

PDL purchases in the current half-year totalled \$31M, an increase of 27% compared to the previous corresponding period. This investment in fresh debt during the current 6 months has been complemented by an equally important investment in 50 new people to collect this additional debt.

Optimal productivity of the recent hires can be expected following 6 months of training and experience, so the combined economic impact of rising employee productivity and increased operational scale should support continued earnings growth into the next financial year.

### **Increased Repayment Arrangement Book**

Continuing the trend of recent years the repayment arrangement book (including litigated and insolvency accounts) grew by 12% to \$229M as at 31 December 2011. This substantial increase in the value of debt supported by regular repayment payment arrangements serves to generate cash for an extended period with a higher degree of certainty.

## Collection House - Overview



Moreover, many individual debtors who maintain an agreed repayment arrangement may have their credit rating restored in the future, so all parties to the arrangement derive meaningful benefits.

### PDL Debt Funding

PDL debt funding has been contained to 46% of the PDL carrying value as at 31 December 2011, despite the significant ramp-up in PDL volumes during the current reporting period. The Board considers that the slightly reduced dividend pay-out ratio compared to recent years is appropriate for the current debt level. The measurably higher repayment arrangement book and resultant dependable cash-flows also support the current PDL debt funding ratio. This view is shared by our bankers, which is important given the present robust PDL pipeline.

### Key Financial Highlights

\$m	1H10	1H11	1H12	% pcp
Net Profit After Tax	5.5	5.1	6.4	24.1
PDL Collections and Commission	52.8	55.9	62.7	12.1
Return on Equity (Annualised)	9.7%	10.5%	11.9%	13.3
EBITDA	25.9	28.6	32.4	13.3
EBIT	9.2	10.1	12.3	21.8
EBIT Margin	25%	26%	28%	7.7
PDL debt funding /PDL carrying value%	47%	46%	46%	0.2
EPS (c)	5.7	5.3	6.4	22.2
DPS (c)	2.8	3.1	3.2	3.2

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## Outlook

Second half results will be supported by higher PDL inventory levels and the continuation of improving results in the Commission Collections business segment (1st half revenue up 15% pcp). The benefit of higher productivity levels from recently hired collection staff and the planned use of offshore collection staff from the final quarter should assist the improving EBIT margin trend of the past 2 years.

Despite an uncertain economic outlook and fragile consumer confidence, we are well positioned to deal with these circumstances should they persist throughout the remainder of the financial year.

Accordingly, and in view of our increased investment in Purchased Debt and improving outlook for Commission Collections business, the Board updates expectations of net profit after tax to \$11.5 – 12m for the FY12 full year.

Chairman John Pearce said of the result; “Our key performance measures are trending in the right direction as we continue to work toward narrowing the gap between our reported net asset per share value of \$0.99 and the current share price”.








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## Collection House - Overview



### The Collection House Group [www.collectionhouse.com.au](http://www.collectionhouse.com.au)

Collection House Limited	Debt collection and receivables management	
Lion Finance Pty Ltd	Debt purchasing and recovery	
Jones King Lawyers Pty Ltd	Legal services including insolvency administration	
Midstate Credit Management Services Pty Ltd	Debt collection services, specialising in Local Government	
Collective Learning and Development Pty Ltd	Credit management and related training services	
Cashflow Accelerator Pty Ltd	Credit risk assessment and cash flow optimisation services	
Founding Partner of Financial Basics Foundation	Financial Education for young people	

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