



1H11 Results Presentation

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Who are we?

Who Are We?

Collection House (CLH) is a leading Australasian receivables management provider, utilising effective, ethical and innovative techniques, excellent management information and advanced proprietary technology



Collection House's points of difference

- Collection House brand is recognised as the choice for **ethical collections** – having a very strong focus on Compliance, client brand protection and Corporate Social Responsibility
- **Diversification** – only ASX listed company providing full range of receivables management products, debt purchasing and legal services – both in Australia and New Zealand
- Strong investment in **people and culture** – high average tenures by industry standards and extensive investment in professional development and training. Collection House Learning and Development Pty Ltd is a subsidiary and Registered Training Organisation
- **Powerful technology** – capability including adaptable proprietary collection software and strong management reporting systems – and a database containing valuable statistical data on over 7 million accounts

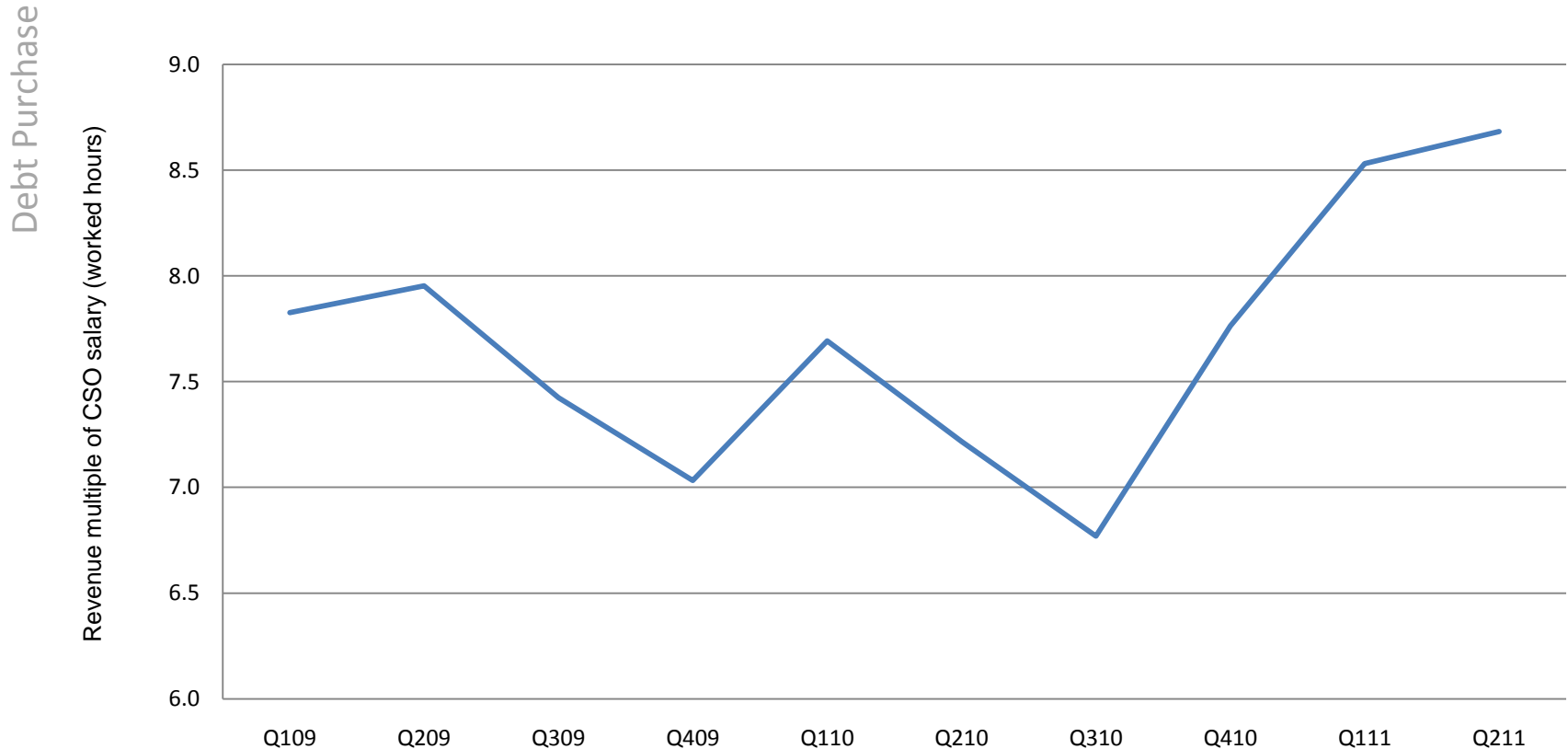
1H11 Highlights

Highlights

- Fourth consecutive first half increase in EBIT, EBITDA, DPS and Shareholders Equity
- Profit Before Tax and significant items up 9%
- EBITDA* up 10.4%
- Earnings Per Share 5.3 cents
- Interim Dividend per share up 11%
- Purchased Debt Collections up 9.6%
- Repayment Arrangement Book up 10% to \$140m
- Investment in debt purchases more than double that of 1H10
- Adaptation of National Consumer Credit Code completed and Australian Credit Licences successfully obtained
- CEO transition completed smoothly

* EBITDA includes Fair Value through Profit and Loss adjustment

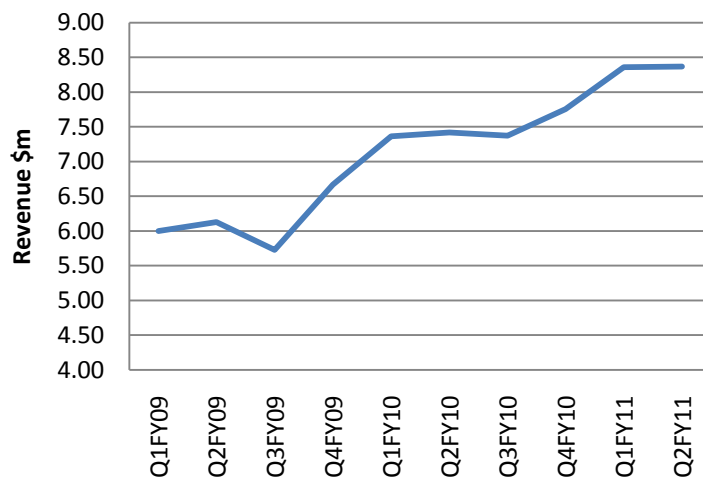
Productivity in Purchased Debt has continued to improve due to increasing CSO tenure and new debt volumes



Paying arrangements continue to grow and provide predictable long term revenues, total PDL portfolio face value now exceeding \$1.2 billion

Debt Purchase

PDL Portfolio Size Breakdown @ 31/12/2010	Face Value
Repayment Arrangement Book	\$140m
Part 9 Arrangements and Litigated Accounts	\$65m
<i>subtotal</i>	\$205m
All other debts	\$1 bn
TOTAL	\$1.205 bn



- Repayment Arrangement Book size has increased from \$128m at end FY10 to \$140m at end Q2FY11
- Collections from Repayment Arrangement Book similar in Q1 and Q2 due to fewer working days in Q2

Revenue Segments

Debt Purchase – 71% of revenue

CLH buys portfolios of written down receivables. These are well spread geographically and by segment and consist largely of unsecured consumer loans.

Presently holds debt purchase contracts with 4 of the 5 largest sellers in financial sector and has also purchased debt from 3 of the largest telcos. Since 2002, has purchased **\$3.6 billion** of debt at a cost of **\$398 million**.

Commission Collections – 23% of revenue

Collection of mainly consumer debts on a fee for success basis by organisations seeking to bring forward cash flows and reduce risk of default.

Receivables Management – 6% of revenue

Outsource of all collection activities to CLH by progressive companies seeking a more efficient and cost effective way of measuring all receivables – from as early as one day past due.

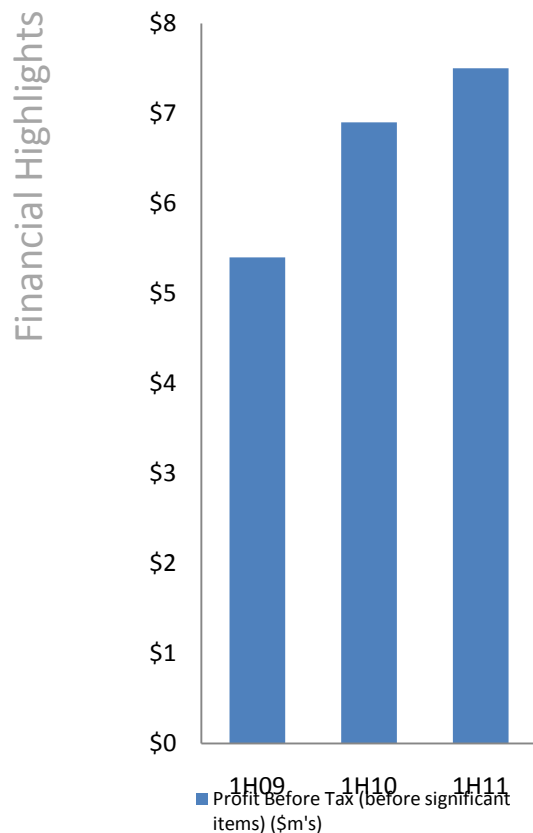
- Subsidiaries:** – **Jones King Lawyers Pty Ltd** – Litigation and Insolvency Administration specialists.
– **Midstate Credit Management Services Pty Ltd** – Regionally-based collection services and specialist in local Government recoveries.

Further increase in staff retention – 72% of collection staff now have at least 12 months of service

Staffing Levels

FTE	FY08	FY09	FY10	FY11
Collections	368	394	394	374
Support	63	56	58	66
Executive & Senior Management	5	5	6	4
Subsidiaries	68	63	60	53
Total	504	518	518	497
% collection staff < 6 months	26%	29%	18%	17%
% collection staff 6-12 months	20%	12%	12%	11%
% collection staff 1-4 years	34%	41%	50%	52%
% collection staff > 4 years	20%	18%	20%	20%

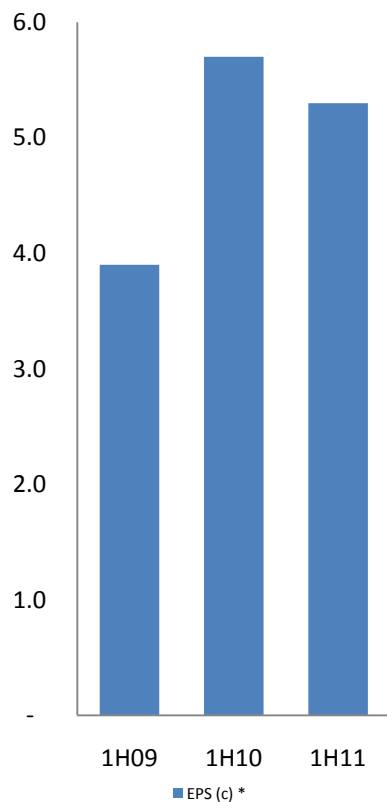
1H11 Financial Highlights



	1H09	1H10	1H11
Profit Before Tax (before significant items) (\$m's)	5.4	6.9	7.5
% growth		28%	9%

...the best measure of performance, pre tax profits up 9%

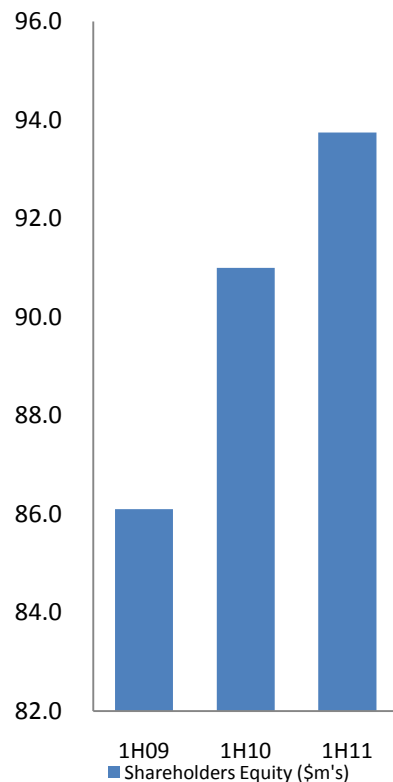
1H11 Financial Highlights



	1H09	1H10	1H11
Earnings per share (cents)*	3.9	5.7	5.3
% growth		46%	-7%

* Whilst earnings on a pre tax basis (before significant items) increased 9%, 1H10 EPS reflected a one off tax benefit related to Rapid Ratings.

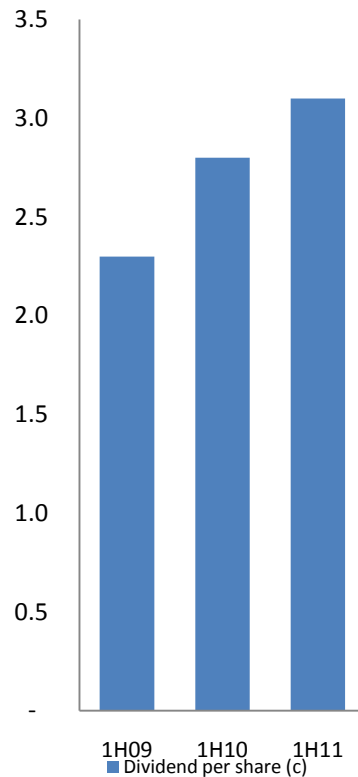
1H11 Financial Highlights



	1H09	1H10	1H11
Shareholders equity (\$m)	86.1	91.0	93.7
% growth		6%	3%

....shareholders equity up, with shares still trading at a discount to net asset backing

1H11 Financial Highlights



	1H09	1H10	1H11
Dividends per share (cents)	2.3	2.8	3.1
% growth		22%	11%

....fully franked dividends up again

Continued growth in profits and dividends, despite the economic conditions

Financials

\$m	1H09	1H10	1H11	%
Profit Before Tax	5.2	6.9	7.4	7
Significant Items	0.3	-	0.1	
Profit Before Tax (before significant items)	5.4	6.9	7.5	9
Taxation	(1.7)	(1.4)	(2.3)	
Net Profit After Tax*	3.8	5.5	5.1	-7
Purchased Debt Ledger (PDL) collections, Commission and other revenue	52.9	52.8	55.9	6
EPS* (c)	3.9	5.7	5.3	-7
DPS (c)	2.3	2.8	3.1	11
NPBT%	10.2%	13.1%	13.4%	3%

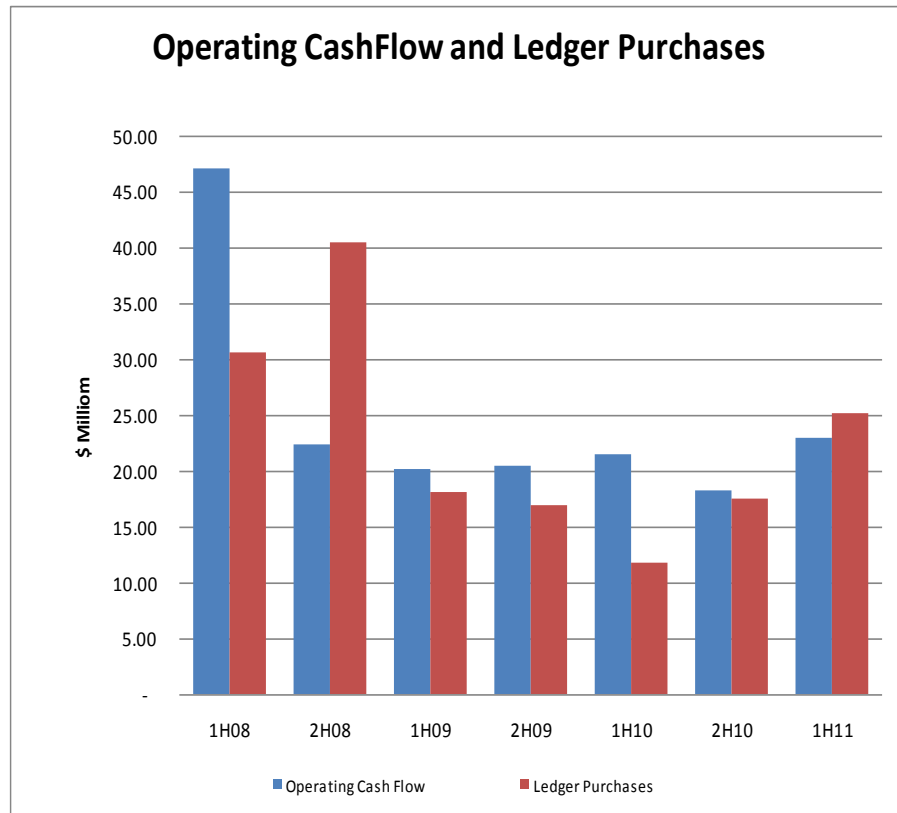
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The business exhibits strong cash flows and balance sheet

\$m	1H09	1H10	1H11
Operating cash flow	20.0	21.1	23.0
PDL acquisitions and capex	25.1	12.9	25.9
Free cash flow	(5.1)	8.2	(3.0)
PDL carrying value	145	143	153
Net Bank debt	67	63	70
Net debt/carrying value%	46%	44%	46%
EBITDA*	24.6	25.9	28.6
EBIT	7.3	9.2	10.1
EBIT Margin	14%	17%	18%

* EBITDA includes Fair Value through Profit and Loss adjustment

Ledger purchases with disciplined pricing

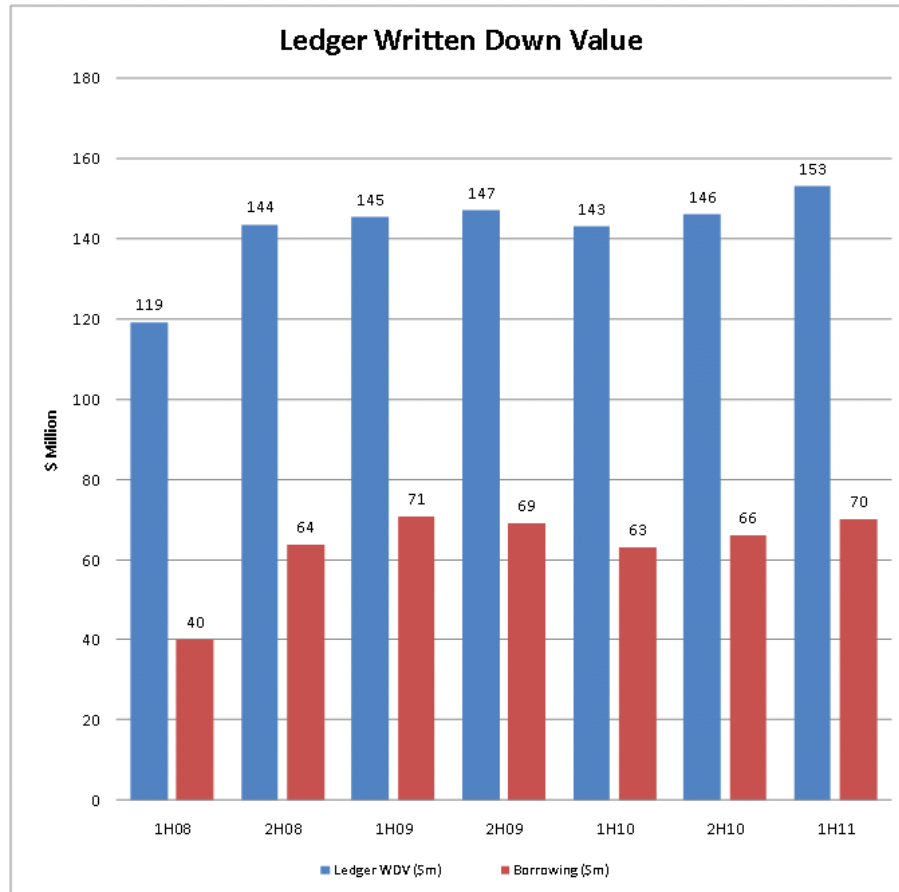


FY11
Guidance \$45m - \$55m

- Largely ledger purchases financed from operating cash flow and this is likely to continue

....paid \$398m for debt with a face value of over \$3.6 billion since 2002

Book values of ledger



- Borrowings just 46% of written down ledger value

Amortisation

	Eg			
1. What % recoveries do we expect?	20%	20%	20%	20%
2. What multiple of our purchase price do we believe we can achieve?	1.8 x	2.0 x	2.2 x	2.5 x
3. Price paid is $\frac{\text{recovery rate}}{\text{multiple}}$	$\frac{20}{1.8}$	$\frac{20}{2.0}$	$\frac{20}{2.2}$	$\frac{20}{2.5}$
	= 11.1c	10.0c	9.1c	8.0c
4. Amortisation rate is $\frac{1}{\text{multiple}}$	$\frac{1}{1.8}$	$\frac{1}{2.0}$	$\frac{1}{2.2}$	$\frac{1}{2.5}$
NB Generally expect to recover purchase price in 12 months	= 55%	50%	45%	40%
5. Regular detailed checks are made of performance against expectations with amortisation rate adjusted accordingly				

A higher amortisation rate can indicate:

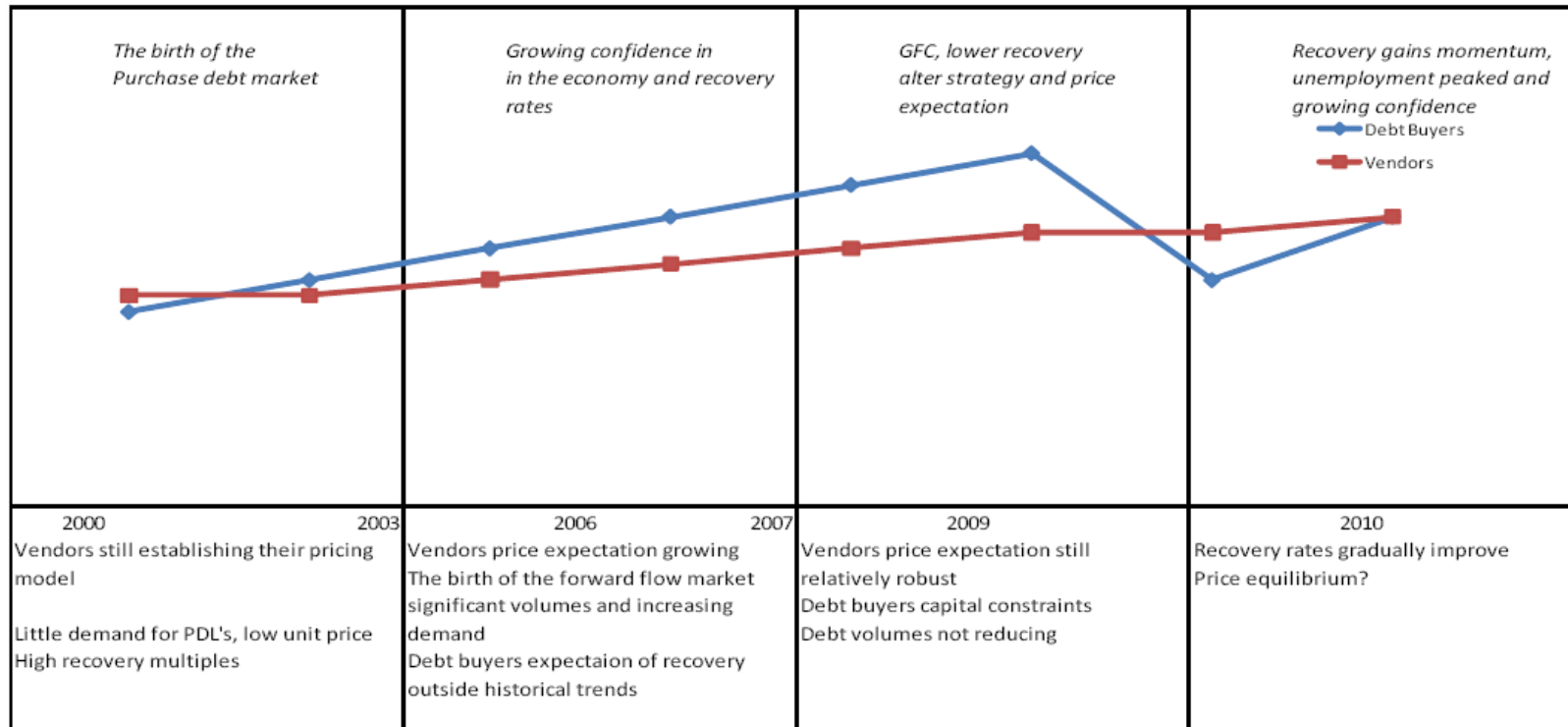
- The book is being properly amortised
- A conservative assessment is made, particularly until new purchases have proved themselves
- More fine margin business
- More poorer performing debt be it older or more current debt
- Poorer collections performance

Bank covenants

Bank Covenants

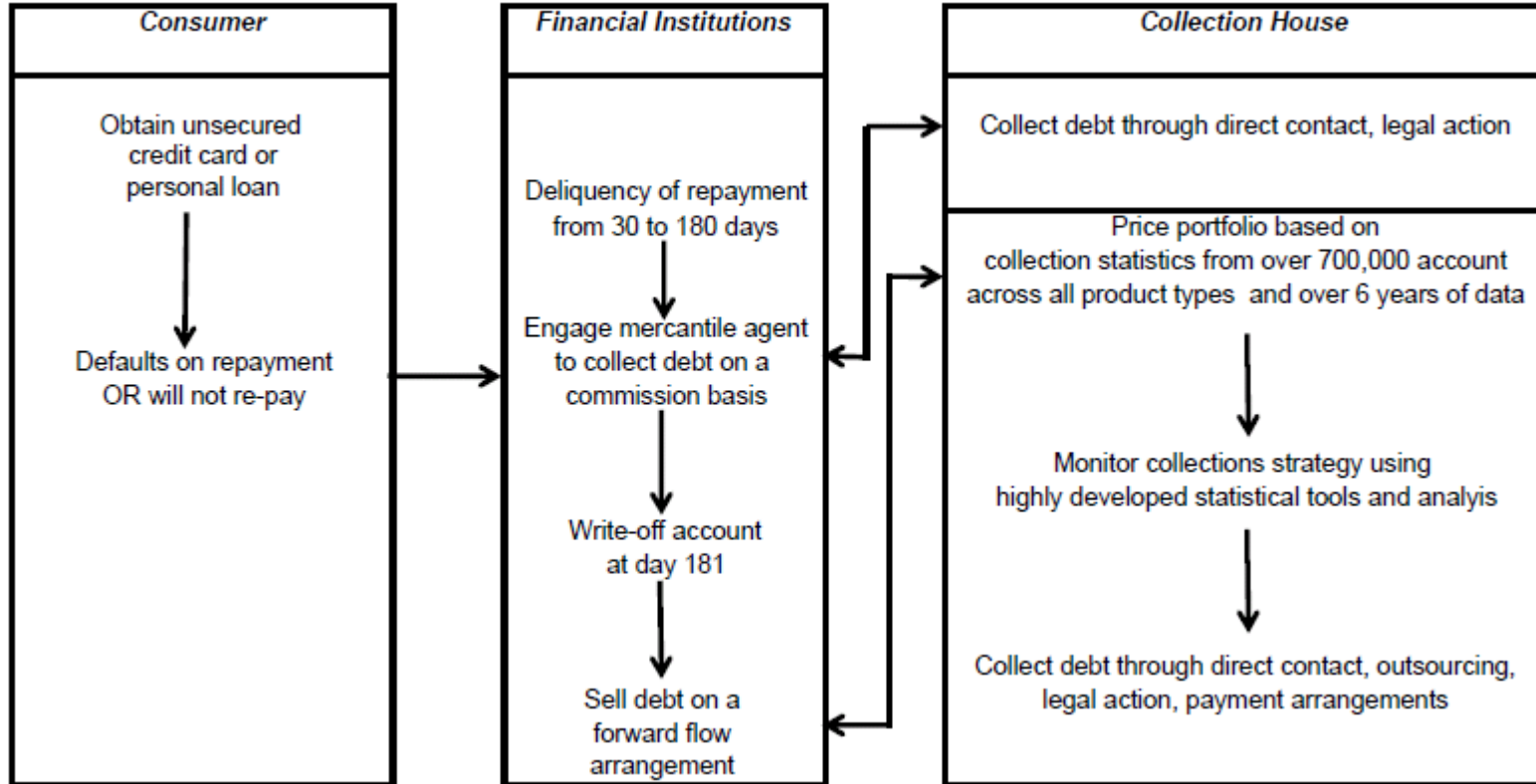
	1H09	1H10	1H11
LVR Ratio less than 50%	47.1	43.3	46.5
EBITDA to Interest greater than 7 times	12.3	17.1	15.8
Tangible net worth greater than \$60m	66.1	70.8	74.2

The Industry – Purchased Debt Market – Illustrative



....the Purchase Debt Market has gone through several distinct phases

Collections life cycle



....Collection House has two opportunities: commission collections and debt purchase

Strategic priorities progress

10/11 Priorities	1H Progress
Building the Repayment Arrangement Book	<ul style="list-style-type: none">Continued growth: from \$128m to \$140m
Maximising productivity	<ul style="list-style-type: none">PDL productivity gains heldCSO retention rate improving
Higher revenues from purchased debt	<ul style="list-style-type: none">Purchasing program ahead of original expectations – 1H11 more than double 1H10
New service offerings – focus on “leading the way”	<ul style="list-style-type: none">Product development well advanced, new service to be released 2H11
Technology driven innovation	<ul style="list-style-type: none">C5 platform developing ongoing – operational in our Receivables Management division since late October

....degree of success will be instrumental in determining final result

Strategic priorities progress (continued)

10/11 Priorities	1H Progress
Marketing Plan	<ul style="list-style-type: none">• Research and planning complete, implementation underway
Staff Development	<ul style="list-style-type: none">• Staff incentives assessed and adjusted• Additional management training investments made
Analytics	<ul style="list-style-type: none">• Additional investments into portfolio analytics and segmentation to improve collection strategies and value maximisation

....degree of success will be instrumental in determining final result

Longer term growth options

- More volume through relatively fixed cost infrastructure
- New markets and products actively being explored
- Legal services growth anticipated
- Capital management strategies being evaluated to enhance shareholder value and explore future funding opportunities

....opportunities exist to grow the business more rapidly

Outlook

Outlook

- CLH remains in a strong position in its chosen markets
- Strong 1H debt purchases expected to continue, driving revenue growth as previously flagged
- Contingent business remains challenging, but investments now made in sales and marketing will become more apparent in 2H and benefits start to flow
- Committed to the ongoing delivery of consistent growth in profits and dividends
- Impact of Brisbane and the wider Queensland, New South Wales and Victoria floods and cyclone are yet unknown – strategic measures have been taken to limit the floods and cyclone impact on the business
- Second half is seasonally more challenging but strong debt purchases and successful execution of strategic priorities in first half leave us well placed to deliver further positive outcomes in the future.

....confident of further enhancing shareholder value



1H11 Results Presentation

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