

# ASX ANNOUNCEMENT

23 February 2021

Market Announcement Officer  
Australian Securities Exchange Limited  
Level 4 Stock Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

## **Collection House Limited (ASX Code: CLH) – 1H21 results**

Collection House Limited (“the **Company** or “the **Group**”) (ASX: CLH) is pleased to release its financial results for the six month period to 31 December 2020. Key features of the result were:

- Consolidated Net Loss after Tax (NLAT) of \$9.6 million (1H20: NLAT of \$47.3 million)
- Total revenue \$46.2 million
- Loss per share of -6.8 cents (1H20: Loss per share -33.8 cents)
- No asset impairment adjustments were recognised during the period as the Company’s purchased debt ledger assets had already been adjusted to their recoverable amount in its 30 June 2020 financial statements
- Earnings for the half included one-off non-recurring restructuring and transaction costs of \$8.0 million
- Gross PDL asset sale proceeds of \$157.7 million received and applied in immediate reduction to senior debt
- Senior debt reduced to \$61.6 million and refinanced for a further three years.

### **Collection House Limited**

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The period saw significant refinement in group strategy, with fundamental changes to the Company's capital structure. During the period the Company also contended with difficult trading conditions as the economic effects of COVID-19 continued to impact the Company's customer base with flow-on effects to both service fee income and cash collections from PDL assets in all of its operating jurisdictions.

The Group disposed of the majority of its purchased debt assets, the proceeds of which were applied to reduce the Company's senior debt position. The Group retains a small but profitable portfolio of PDL assets in New Zealand and intends to participate in future PDL purchasing through a co-investment program which is currently being negotiated. Importantly, CLH retains its best-in-class systems, processes and people and applies those capabilities in servicing its large portfolio of clients through contingent collection arrangements.

Revenue from the purchased debt business was \$16.9 million for the six months to December 2020, a reduction of 67 per cent from the prior corresponding period. The sale of the PDL assets took effect from 30 September 2020, with the purchaser entitled to cash received from the sale portfolio between 1 October 2020 and settlement date of 31 December 2020, after an adjustment equivalent to an arms-length collection fee. Collection House also remains entitled to a maximum of \$15.0 million additional consideration from the purchaser, over an eight-year period, depending on the future performance of the relevant PDL assets.

Revenue from the Collection Services business was \$28.9 million for the reporting period, compared with \$35.0 million in the prior corresponding period. This business was affected by the economic impacts of COVID-19.

Following completion of the refinancing transaction, the Company has largely eliminated the financial risk associated with its historical purchased debt assets, substantially reduced its debt levels, and greatly simplified its business model. However, the significant organisational changes that have occurred during the period, in particular the decision to sell assets to reduce debt, will impact short term earnings and cashflow.

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Chairman, Mr Leigh Berkley said, "We expect the next few accounting periods to remain subdued, but there is a wide-ranging program of change which should put the Company on a path of sustainable growth. The Company is well positioned to capitalise on the market opportunities ahead of it and the Board and I are confident that we now have a sound customer focused growth strategy which it can execute over coming periods."

Chief Executive Officer, Mr Doug McAlpine, said, "The complexion of credit markets is changing, in response to feedback from the Financial Services Royal Commission and in response to the long-term economic impacts of COVID-19 on the global economy. There is an exciting opportunity ahead for Collection House to differentiate itself through an improved service model which is focused on better customer outcomes and underpinned by a solid governance framework and innovative technology which enhances customer experience and improves operating efficiency."

This announcement was authorised to be provided to the ASX by the Company's Board of Directors.

Yours faithfully

Collection House Limited

**Jonathon Idas**

Chief Legal Officer & Company Secretary

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