

ASX ANNOUNCEMENT

3 May 2018

COLLECTION HOUSE LIMITED (ASX: CLH) – BALBEC PARTNERSHIP AND REVISED EARNINGS GUIDANCE

Collection House (CLH:ASX) is pleased to announce that it has completed a transaction under its partnership with US private equity fund manager Balbec Capital LP (Balbec) and its local related entity, InSolve Capital Australia Pty Ltd.

CLH has assigned five years' cash flow from a \$39.5m segment of the Collection House Arrangement book to InSolve through a put and call option agreement. Consideration was in the form of unencumbered cash of \$19.5m, which CLH is proposing to reinvest in further debt purchases this calendar year. An ongoing monthly servicing fee will also be paid to cover the cost of managing the portfolio, which will be managed by the CLH Collection Services division.

CLH has the option to repurchase the residual rights to collect the remaining Arrangements at the end of the five-year agreement, at a market price determined by the performance of the accounts during the term of the agreement. The transaction is a disposal for accounting purposes and will result in a profit in FY18 of \$4.9m after tax, deal costs and other adjustments required as a result of the transaction.

The Call Option Programme, started by CLH in FY17 with a number of successful smaller deals, is a first mover initiative that leverages the strengths of both partners: Balbec's ability to deploy capital through its third global credit fund, InSolve Global Credit Fund III, LP, which has LP commitments of USD \$725m, and CLH's collections and analytics expertise in the Australasian market. The partnership with Balbec and the Australian Credit Recoveries Trust (ACRT) structure, first announced in 2015, will also see the launch of a \$50m off balance sheet facility which will be invested in PDLs and arrangement books in Australia with initial purchases expected in FY19.

Commenting on the deal, CLH Chairman Leigh Berkley said "I'm delighted to announce the activation of our partnership with Balbec. This milestone deal is the result of the great working relationship between the two management teams, and highlights our prudent asset valuation. It will also significantly enhance our ability to recycle capital and invest in strategic portfolios during a period of healthy supply, particularly with the impact of AASB9."

Operationally, the Company continues to perform to expectations. Taking into account the Balbec transaction, Collection House projects EPS of 18.0 – 18.5 cps for the financial year ending June 2018 (up from 14.5 – 15.0 cps).

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CLH CEO Anthony Rivas said, “The combination of our excellent staff trained in helping our customers rehabilitate their financial positions, the improved customer engagement we’re seeing from our investments in technology, and our continued efforts on analytics and the Comprehensive Credit Reporting Programme, will all mean that we can quickly replace the Arrangements being transferred. New purchasing opportunities we’re considering will also build the Arrangements book. We will update the market at the appropriate time.”

The CLH Board has determined to prudently increase the PDL amortisation rate to 48% from the start of FY19 to align Collection House with industry best practice.

About Balbec Capital LP

Balbec Capital LP, together with its affiliate entities, is a global private investment firm with expertise in sourcing, acquiring and managing distressed credit investments. Founded in 2010, Balbec has invested over \$1.9 billion in 14 countries. The senior management team has worked together for an average of 13 years, many with industry-related experience spanning even longer. The company’s strategies typically include (i) investments in distressed opportunities where debtors or assets are subject to bankruptcy, insolvency or other restructuring processes, (ii) provision of capital in insolvency-based situations and (iii) investments and joint-ventures in alternative credit opportunities. Additional information can be found at www.balbec.com.

ENDS

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