

ASX ANNOUNCEMENT

22 January 2021

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

Dear Sir/Madam,

2020 Annual General Meeting 22 January 2021

Chief Executive Officers Address

My name is Doug McAlpine and I am the Chief Executive Officer of Collection House. I joined the business in July 2019 and after a short period in the role of Chief Financial Officer, took over as Chief Executive in November 2019. May I begin by expressing my disappointment that I cannot be talking with you face to face. That would be my preference, but as Leigh has already said, a virtual meeting was the right thing to do in the circumstances. I look forward to a return to normal protocols for our next meeting.

It is fair to say that my time as Chief Executive has been challenging and during that time the Board and Management Team have addressed a range of financial and operational challenges. I recognise that a number of the decisions we have taken, while in my view essential, have had significant short term impacts to shareholder

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value and likely raised concerns about the capability of management to set the business on a path of sustainable growth. It is my hope that today can be the start of restoring confidence in the team and creating a dialogue with shareholders around a new vision for our Company.

I apologise for the significant frustration that you have experienced while we have addressed fundamental challenges with our capital structure. The significant organisational changes that have occurred, in particular the decision to sell assets to reduce debt, will at least for now impact earnings and cashflow. We expect that the next few accounting periods are likely to remain challenging and there is a large program of change which must be delivered to set the Company on a path of sustainable growth. However, I am confident that we can build a better version of our business – one which can deliver sustainable value for shareholders, makes a genuine difference to our customers and enable us to make a wider contribution to society. We believe there is a distinct competitive advantage in being an innovative, agile receivables management company with the will to change the way things have been historically done.

In the short term, it will be challenging for us to successfully compete head to head with larger, better capitalised organisations. But the recapitalisation has put the Company in a financial position from which we can re-build our presence in the purchased debt market in the longer term. Opportunistic participation in the PDL space is the appropriate approach for now, while we continue to drive growth in our contingent collection business.

In the short to medium term, supply of capital to the purchased debt sector is likely to

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remain tight and the cost of capital is likely to increase. Competition among debt buyers will be intense and is likely to push prices upward. In light of these factors, we have concluded that a capital light business model, with a higher return on equity profile will produce a superior result for shareholders at the present time. For this reason, we are looking to participate in the PDL sector in conjunction with a co-investment partner who can provide the relevant capital. Under that model, Collection House will put less of its own capital at risk and create a valuable revenue stream through applying our industry leading collection capabilities.

Successful delivery of this plan will dramatically simplify our business model, make our client and customer value propositions more clear and will allow us to devote organisational resources to the right activities. I am confident we can build a better business and restore shareholder value on this platform.

Implications of the refinancing outcome

Leigh has already set out the circumstances which gave rise to the decision to dispose of our Australian PDL portfolio, so I will not go through that again. However, I would summarise our situation by saying that our historical capital management approach was not adequate to deal with rapid growth of the Company's PDL portfolio and substantial change in our operating environment. Cashflow from PDLs are generally realised over eight years, whereas our debt facilities historically had three-year repayment terms. This financing model worked so long as debt can be successfully refinanced and the timing of cash realisation remains stable. Challenges to approach arose when changes to our collections approach impacted the NPV of

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expected future cash collections. The timeframe required to repay our debt facilities was also brought forward.

The refinancing process ultimately identified that the disposal of a material portion of the Company's Australian purchased debt ledger assets was the most effective solution to substantially reduce the Company's debt position within the timeframe provided by our existing lenders. No traditional refinancing outcome, could be implemented at an acceptable cost or to the extent required in the given timetable.

The transaction we have delivered provides a stable capital structure which protects the core of our business and provides a base upon which we can grow our core collection services capability over the coming years. The business has working capital funding for the next 18 months, which provides us with time to grow our services business and implement a PDL co-investment partnership. Overall debt levels have been substantially reduced and the platform is now in place to pursue the capital light model I described earlier.

Collection House continues to have two business streams. Our Collection Services – or contingent collections - business collects debt and provides customer service and hardship assistance on behalf of our clients – banks, public utilities, government agencies, etc. We receive fees for our collections service and this equated to approximately \$65 million of revenue for the 2020 financial year.

Our other earnings stream from Purchased Debt Ledgers has been substantially reduced. Through this business we acquire debt portfolios and collect within the customer service expectations of the organisations who originated the debt. But we yield all of the economic performance from those assets. The recapitalisation has put

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the Company in a position from which we can rebuild our presence in the purchased debt market over time.

Pleasingly, the refinancing process has allowed us to build relationships with a number of highly reputable, potential co-investment partners who are looking for high quality servicing partners in this market. We are confident of finalising a partnering arrangement that will enable us to appropriately pursue PDL purchasing opportunities, but with a lower level of balance sheet risk moving forward. A partnering arrangement will provide us with an attractive servicing fee income stream using our industry leading collection capabilities and allow us to partly fund PDL purchases as revenues grow.

Strategy

There is a huge program of work to be done to deliver on our vision of being an industry leading, customer centric collections organisation, but the foundations of that change are simple:

- Realign all activities within a framework of putting the customer first
- Exceed the requirements of the rapidly evolving governance and compliance landscape
- Improve customer experience through ongoing investment in our people and systems
- Build deeper client relationships through providing data driven analysis and insights

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Focus on the customer

The complexion of credit markets in this country is changing and we believe there is an opportunity to differentiate ourselves through an improved service model which is focused on better customer outcomes. This model needs to be underpinned by a solid governance and compliance framework and innovative technology which enhances customer experience and improves our operating efficiency.

We are well advanced in a process of organisational change, focused on enhancing our deep competency in these areas. We are challenging ourselves to reimagine the end-to-end operation of our business by putting each customer's individual circumstances at the centre of our activities, so that we provide a fairer and more compassionate experience.

We already have a customer focused team, a best in class technology platform and a strong governance track record. We will continue to enhance our value proposition in these areas through listening to our clients and customers. We already know these objectives resonate with our existing client base, but more importantly, provide a better platform for engagement with a range of potential consumer and commercial clients who need effective receivables management solutions.

Conduct, governance and compliance

Changes to the regulatory and competitive environment and evolving customer expectations have created the need for a more flexible collections model which is more closely aligned with originators' customer experience objectives. We have

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already made significant changes to systems, policies, processes and procedures around our day to day collection practices, particularly in respect of supporting our customers who are experiencing vulnerability and hardship.

Direct feedback from clients and customers, and themes identified from the Financial Services Royal Commission, highlight the inter-relationship between a sustainable business model and the objective of ensuring the customer is always treated fairly. We will continue to evolve our governance and compliance systems, policies and procedures to build improved transparency and trust with our customers, clients and third party stakeholders.

Ongoing investment in digital strategy and our technology platform

The Company's ability to maintain high quality engagement with clients and customers during rolling lock-downs demonstrates the effectiveness of our core technology systems. We will continue to develop these systems, which represent a key area of competitive advantage for us across the whole collections cycle. Importantly, however, we must continue to develop our systems to meet evolving client and customer expectations and the need to deliver agile, cost effective engagement platforms. An omni-channel customer engagement approach remains a core element of our strategy, but with a focus on ensuring we are always creating deep human connection with our customers.

We are also strengthening our data analytics approach and capability to provide improved productivity and deeper insights for our contingent collection clients. A more data and analytics led approach will allow us to create deeper client

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engagement and will also be the foundation for achieving a lower sustainable cost to collect.

Outlook

For the reasons highlighted today, the Company's economic performance for FY2020 year was poor and in response the business model has now been repositioned for a new phase of growth. We have completed a comprehensive review of our direct and overhead cost structures, resulting in a significant reduction to the Company's cost base. However, growth must be delivered quickly in order to return the business to profitability. The refinancing transaction provides the Company with the working capital to support that rebuilding phase.

COVID-19 impacted our operations in New Zealand and the Philippines, but the Company's flexible systems and pro-active management approach to the crisis saw resources efficiently re-deployed through remote working arrangements. Pleasingly the New Zealand market has recovered well and we are starting to see an increase in opportunities in the contingent collections space. The Philippines operation remains strategically important to the Company's overall service delivery model, and our experienced and capable team continues to service international clients from that location.

It would be remiss of me not to talk about our people. Our business is a people business, with hundreds of our staff interacting with customers who are experiencing financial challenges each and every day. The relationships formed and maintained through that engagement are fundamental to achieving our commercial objectives,

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but more importantly delivering on our promise to make a difference. The value of our business and execution of our growth strategy depends on the quality of each and every interaction. Our people must be applauded for their focus, diligence and genuine care for our customers during a challenging and highly disrupted year. No words can adequately express how lucky we are to have such an incredible team.

As I said at the outset, the Board and Management recognise that a significant amount of work is needed to restore the shareholder confidence and value which has been lost as a result the events of the last twelve months. It is the Company's view that there are significant opportunities for a collection services company that is well managed, focused on the customer and appropriately capitalised. The Company has achieved its refinancing objectives and retains its best in class capabilities in people, systems and processes.

Conclusion

Collection House's competitive advantage has been our industry leading capability to provide end-to-end receivables management services to clients and customers under either contingent collections or purchased debt frameworks. The core of this capability is a fundamental desire to provide the highest standards of service to our clients and customers. We are confident of the deep partnerships with our clients, many spanning more than 10 years. Their commitment to our relationship is demonstrated through the re-signing of agreements and expansion of the scope of services we provide.

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During the past year, we have already adapted our services in response to changing market conditions where COVID-19 deeply impacted many customers. We have worked with our clients to pivot our traditional services to deliver greater hardship assistance to those most vulnerable and in need. We are also delivering our customers new digital engagement options which provide them with greater control over their financial situation.

It is this long and successful service track record, combined with a genuine desire to do better which will create the platform upon which we will rebuild the business. I look forward to reporting our progress on this important journey over the coming year.

Thank you for your time today and for the opportunity to share with you my perspective on the business and the plan for the future. I will now hand back to Leigh who will address the formal business of the meeting.

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

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