

ASX ANNOUNCEMENT

3 November 2021

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

Dear Sir/Madam

2021 Annual General Meeting Chairman's Address

Ladies and gentlemen, fellow shareholders, welcome and thank you for attending the 2021 Annual General Meeting of Collection House. My name is Leigh Berkley, and it is my great honour to be the Chairman of Collection House.

Before I start, I would like to introduce the Members of our Board who are with us today. They are Sandra Birkenleigh, Catherine McDowell and Michael Knox.

The Board has been very active this year, and has worked closely with Management and our advisors to complete our refinancing, and to set a new path for the future of Collection House. Thank you Michael, Catherine and Sandra for your commitment, hard work and sound advice throughout the year.

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Before I introduce our CEO, Doug McAlpine, who will talk to you in more detail about the business, I would like to highlight some of the developments at Collection House over the last 12 months.

The past year has been another year of significant challenges for everyone at Collection House, our clients and customers, and for many of you, our shareholders. Following our Strategic Review in 2020, our strategy has now evolved in a number of areas over the last year, and we look forward to sharing it with you today.

Despite the ongoing restrictions of COVID-19, our people have transformed Collection House by divesting PDL assets, reducing our senior debt, simplifying the business, and providing new levels of service and support to our customers and clients. We have also brought forward a new purpose and values for the Group.

Our teams across Australia, New Zealand and the Philippines have proven tremendously resilient throughout these tough times. I am very proud of how our people have consistently supported our customers in need, while adapting so quickly and efficiently to the many personal challenges I know they have faced themselves.

Before we move on, I'd also like to thank our shareholders for your patience and loyalty throughout the year. With our business transformation nearly complete, the Board and I see a sustainable period of growth and profitability ahead post-Covid, as restrictions ease and the economy evolves to a new normal.

Challenging results in challenging times

The year ended 30 June 2021 has been another challenging, and in some ways frustrating, year. We fully acknowledge that the Group's financial performance has been disappointing, largely due to COVID-19, as we reposition the organisation for future growth.

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In summary, the Group reported an accounting loss of \$32.0 million for the year ended 30 June 2021. This included material restructuring costs and other non-recurring charges that arose as the Company completed its transition to a capital light business model, and reduced its fixed overhead cost structure.

The underlying operating loss of \$15.3 million for the year reflected a significant reduction in Collection Services revenues because of COVID-19 collection restrictions, and a much reduced contribution from purchased debt assets.

However, the Company's overhead costs have been significantly reduced year on year. There is still more we can do here though, as we hope to sub-lease much of our head office space to reflect our new remote working model.

All costs are being closely managed to support future growth and profitability. In light of the poor economic performance for the year, the Executive Leadership Team did not receive any short term incentives (STI), and were not issued any securities under the Company's long term incentive (LTI) scheme.

Looking at the results by segment, the Collection Services business, which is now the Group's primary operating segment, experienced challenging market conditions because of fluctuating client referral volumes and collections being paused by our clients during the numerous lockdowns.

However, we're seeing some green shoots now in terms of new referrals, and we've launched a new Business Development initiative which has been very well received by clients and prospects alike, and is already yielding results across a number of sectors.

As Australia, New Zealand and the Philippines continue to open up over the coming months, we expect further growth and new business in each geography, with a significant bounce-back expected in referral volumes from existing clients.

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Turning to the PDL segment, following the sale of the majority of these assets at the end of 2020, the remaining portfolios have performed broadly in line with expectations, with the main focus on helping customers to maintain sustainable repayment arrangements where possible, and signposting them to additional help or granting a payment moratorium where needed.

During the year, the Company has bid on a number of debt purchasing opportunities, but prices have so far been prohibitively high. In short, until more sustainable market conditions return to the purchased debt sector, we will continue to be very selective, carefully evaluate opportunities and proceed cautiously.

In the long term, however, we remain committed to a co-investment approach to purchasing debt portfolios, which will see us invest a substantially lower level of the Group's capital and generate a higher return on equity.

Importantly, our client relationships remain strong despite difficult market conditions, and the Company has secured significant new client opportunities that will result in an improvement in underlying revenue as market conditions stabilise.

Resetting the business for future growth

Over recent years, there has been a major change in the operating environment for businesses like Collection House. A new standard of ethical, customer focused service is now justifiably required from the debt collection industry. Debt recovery practices continue to come under scrutiny by our regulators, and our clients require a more empathetic approach to better support their customers, particularly those who are suffering vulnerability and experiencing hardship.

We have made important and strategic changes to the way we do business, to ensure the Company is fit for purpose in this new environment.

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First, we undertook our Strategic Review to re-examine our whole collection process from end to end, to ensure we were putting the customer at the heart of everything we do at every stage.

Next, in order to reduce our level of debt after undertaking an exhaustive process, we completed the sale of the majority of our PDL assets in December 2020, and have been working constructively with our lenders to further reduce our borrowing going forward, as we become a capital light, collection services focused business.

Thirdly, Doug and the Executive Leadership Team have delivered significant organisational change to improve the service we provide to customers and clients, and to re-set the business for future growth. This has encompassed improvements to our training, collection techniques and IT systems, while reducing operating costs significantly across the Group.

Then, as previously announced, we are actively pursuing the sale of non-core assets to further reduce borrowings and provide additional working capital. In addition, we are currently exploring both organic and non-organic opportunities to grow the business and further reduce senior debt. Work in this area includes the new Business Development package to clients, and working with interested counterparties to seek out opportunities for growth. We will keep shareholders informed as our thinking develops in these areas over the coming months.

Our Purpose and Values

While addressing these strategic initiatives, in house we have also been working on delivering a renewed organisational purpose: to **Reimagine how debt is done. Better.** I'm delighted to say that this new embedded purpose has helped to give Collection House new clarity and a fresh direction.

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The team has also embraced a fresh set of core values:

- Better Experience
- Better Solutions
- Better Connection

These values were developed in extensive consultation with our colleagues, and are now helping every person on the team to focus on creating better customer experiences every day, offering better solutions to our customers and clients, and building better connections both at work and within our local communities.

Our people are more dedicated than ever to providing authentic and compassionate engagement, especially for those customers experiencing hardship and other forms of financial exclusion.

We see a great opportunity for Collection House to differentiate itself through an improved service model that is focused on better customer outcomes. At the same time, the Company is underpinned by a solid governance framework, and market-leading collections technology which continues to be in demand for use by our clients.

Our commitment to Environmental, Social and Corporate Governance

In a similar vein, and as part of our overarching commitment to Environmental, Social and Corporate Governance, Collection House has established working groups to develop new or revised initiatives for Corporate Social Responsibility, a Reconciliation Action Plan, a Financial Inclusion Action Plan, and we are about to launch a new Customer Experience Charter which sets out in detail how our customers are cared for, and our commitment to delivering the right solutions with integrity and empathy.

Our environmental impact has continued to be at a low level this year due to greatly increased levels of remote working, a lack of business travel, and reduced reliance on postal communication with our customers. We also have in place a number of

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environmental sustainability initiatives, including the introduction of container exchange recycling schemes which lowers waste entering landfill and generates financial support for local not-for-profits, a clothing recycling scheme in our offices which supports our community partner, St Vincent de Paul, and enhancements to our printing technology to reduce waste.

Our commitment to sustainable and responsible environmental conduct is an inherent and long-standing part of our corporate ethos, and one we are committed to continuing to elevate as we look for new ways to reduce our carbon footprint while growing our social impact going forward.

Future growth and opportunities ahead

Our concerted efforts to reimagine and improve the business are already delivering encouraging results. Importantly, we have the strong support of our customers, clients and other stakeholders. However, these improvements are not yet reflected in our financial performance.

Ultimately the benefits of the multi-year recovery journey that we described last year have been slow to start, because of the ongoing effects of COVID-19, which are impacting activity levels across the sector. However, the whole Company has worked assiduously to mitigate the effects of the pandemic, and we continue to explore numerous initiatives to further improve performance for FY22 and beyond.

The Directors recognise and appreciate the exemplary commitment and major contributions of our people and advisors in delivering the Company's revised strategy this year.

I am immensely proud of the dedicated work the whole Collection House team has put in to transform the business and reshape our strategy, so that we can continue to address the challenges that confront the business, our clients and our customers.

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With solid growth prospects and some exciting opportunities ahead, I believe our revised strategy and the transformation of the business this year will bring success and deliver shareholder value as our sector and the economy as a whole stabilise over the coming year.

Finally, I would like to thank you, our shareholders for continuing to stick with us. We hope to repay your loyalty as we return to profitability and growth with an even more sustainable, customer focused approach. We believe there is bright future for the Company, and we're excited for the year ahead.

Thank you.

-ENDS-

This announcement has been authorised for release to the ASX by the Company's Board of Directors.

Yours faithfully

Collection House Limited



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