

20 November 2018

Collection House responds to shareholder's latest false claims

The Board of Collection House has been made aware by several concerned shareholders that Mr Lev Mizikovsky has written a letter to shareholders which seeks to garner support from shareholders for the resolutions he is proposing at the Annual General Meeting, to be held on 29 November 2018.

Consistent with Mr Mizikovsky's past behaviour and statements, the letter is littered with inaccuracies and misstatements.

The Board of Collection House is concerned that shareholders will be misled by these inaccuracies, vague assertions and misstatements when exercising their vote at the AGM or when voting by proxy.

The truth, which is inconvenient to Mr Mizikovsky, is that:

- » the Company performed strongly in FY18, with statutory Net Profit After Tax up 50% to \$26.1m
- » the Company's strong financial performance is confirmed by the independent auditor's report
- » the existing Board and senior management are improving returns and creating future value for shareholders
- » the existing non-executive Board members are experienced and independent, with professional qualifications and industry expertise that are relevant to the Company's core business. Any loss of those capabilities will not assist in creating shareholder returns or value.

Shareholder returns and value are being put at risk due to the uncertainty created by Mr Mizikovsky and his ongoing and baseless assertions. In the Board's view, Mr Mizikovsky's latest letter has:

- » failed to provide any credible reason for the proposed removal of incumbent Directors or a Board spill
- » failed to provide any compelling reason why his aggregate shareholding of just 11.6% should entitle him to two Board positions
- » failed to provide any detailed plan on how he would enhance shareholder value, improve upon the current strategic direction for the Company or propose a new alternate direction
- » failed to provide any evidence of his two nominees having relevant experience as Directors of publicly-listed financial services companies or in the accounts receivable sector.

Board recommendations

VOTE FOR

1. Re-election of Mr Leigh Berkley
2. Election of Ms Sandra Birkenleigh
3. Election of Ms Catherine McDowell
4. Adoption of the remuneration report

VOTE AGAINST

5. Any conditional spill resolution relating to the remuneration report
6. Election of Mr Rade Dudurovic
7. Election of Mr John Toigo

Collection House Limited

Level 12, 100 Skyring Terrace
Newstead QLD 4006 Australia

p. +61 7 3292 1000
f. +61 7 3832 0222

PO Box 2247
Fortitude Valley BC QLD 4006

The Board believes the attempt by Mr Mizikovsky to gain control of Collection House is opportunistic, self-serving and not in the best interests of the vast majority of Collection House shareholders.

The Board recommends that shareholders ignore Mr Mizikovsky's calls for a Board spill and hold the course with the current highly-experienced Board and management team who are delivering results.

Further Detail

Repeated assertions regarding C5 software, the company's financial statements, and the Balbec transactions demonstrate Mr Mizikovsky's lack of understanding of the fundamentals of the Collection House business.

This is not the first occasion when Mr Mizikovsky has engaged in a campaign of unsubstantiated allegations in the period leading up to an AGM for Collection House. Serious allegations were made by Mr Mizikovsky ahead of last year's AGM, which were also proven to be false.

Throughout this process, Mr Mizikovsky and his lawyers have threatened legal action against the Company and its Directors and an injunction to postpone the AGM as part of their legal strategy to gain control of Collection House.

Mr Mizikovsky's latest letter also reveals his real intentions as being a calculated plan to spill the Board in a grab for control of Collection House, despite his aggregate shareholding of just 11.6%.

Mr Mizikovsky's letter traverses issues that have been comprehensively dealt with in Collection House's formal response to the shareholder's resolutions attached to the AGM Notice of Meeting. This response was lodged with the ASX on 26 October 2018 and has been sent to shareholders.

This response sets out the Board's strong arguments against Mr Mizikovsky's unsubstantiated claims and also the Board's recommendations relating to the resolutions to be voted on at the AGM. This response highlights the company's major transformation and turnaround in financial performance in FY18, the successful Board renewal with the appointment of two high-calibre non-executive Directors, Sandra Birkenleigh and Catherine McDowell, and the Company's strategy which is being implemented and achieving results.

Mr Mizikovsky's latest outlandish claims

Collection House profit

Mr Mizikovsky makes the outlandish claim that the market is being misled as to the financial performance of Collection House. This is false.

The financial performance of CLH is clearly set out in the financial statements contained in the CLH 2018 Annual Report dated 31 October 2018. These financial statements have been audited in accordance with the accounting standards.

The Board is perplexed that Mr Mizikovsky would accuse them of "hiding behind accounting standards" when those standards are in fact the law and must be complied with by all Directors of listed companies.

The Company's high level of transparency and disclosure over the past 12 months has helped investors and analysts understand the business better than ever before.

Mr Mizikovsky's assertions about the Balbec transaction are completely inaccurate. This transaction is not a sale and lease back arrangement, and no liability is required to be recognised on the balance sheet. The transaction yielded \$19.5m of unencumbered cash, of which more than \$15m was deployed on higher return PDL purchases within two weeks. Shareholders can refer to the ASX announcement dated 3 May 2018 for further information.

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Misleading statements regarding Anthony Rivas

Mr Mizikovsky has now resorted to making a number of misleading allegations regarding Mr Rivas's employment history with Repcol Limited more than ten years ago. Mr Rivas was never an employee of the Australian Repcol entity, and was at no time a senior executive or Board member of Repcol Limited.

Mr Mizikovsky shown to be self-serving

The only reasonable inference which can be drawn from the further assertions contained in Mr Mizikovsky's letter is that they serve an ulterior purpose of attempting to discredit existing officers in the pursuit of advancing Mr Mizikovsky's campaign to appoint his own nominees to the Board of Collection House.

As further evidence of Mr Mizikovsky's "grab for power", he has stated that his intention is to spill the Board. After initially advising that he was seeking to remove only the Collection House Chairman and replace him with two of his nominees, his latest letter now details his plan to spill Michael Knox from the Board, and is even voting against the newly-appointed Directors Catherine McDowell and Sandra Birkenleigh. Such inconsistencies in behaviour and comments are not unfamiliar to the Collection House Board.

In doing so Mr Mizikovsky has revealed the level of control he believes he can wield over the company.

It also demonstrates that he has little concern for the cost and disruption to the Company and its shareholders of staging a Spill Meeting in response to any spill resolution he attempts to orchestrate.

These continuing baseless allegations by Mr Mizikovsky represent a substantial and costly distraction from the productive activities of Collection House, and are against the best interests of the vast majority of members.

Since the last AGM the Board has met with Mr Mizikovsky and remains willing to do so again. However, Mr Mizikovsky has not accepted the Board's invitation. In those circumstances, the Board has no alternative but to assume that Mr Mizikovsky would prefer to "grandstand" in relation to these issues rather than receive the explanations which will address his concerns once and for all.

The conduct of Mr Mizikovsky is clearly not that of a person who wants to benefit the vast majority of shareholders. It is disappointing to note that despite the success of the current Board and management team in leading infrastructure development, innovative capital management and improved company performance, Mr Mizikovsky remains unhappy.

The Board respectfully suggests that Mr Mizikovsky's interests would be best served by focusing on more productive matters while enabling the united team at Collection House to continue to build the business and enhance shareholder value.

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