

ASX ANNOUNCEMENT

21 February 2017

Collection House Limited 1H17 results

Collection House Limited (Group) ASX Code: CLH has today announced a net profit after tax (NPAT) of \$8.2 million.

1H17 Result Key Points:

- Net Profit After Tax (NPAT) \$8.2 million, down 2% on pcp
- Revenue of \$66m, up 2% on pcp
- Earnings Per Share (EPS) 6.1c, down 4% on pcp
- Dividend Per Share (DPS) 3.9c fully franked, same as pcp
- Contracted PDL acquisitions \$52.1m
- Gearing ratio at 31 December 2016 of 38.3%

Financial Results by Segment

	Collection Services		Purchased Debt Ledgers		Consolidated	
	1H17 \$ '000	1H16 \$ '000	1H17 \$ '000	1H16 \$ '000	1H17 \$ '000	1H16 \$ '000
Revenue						
Sales	33,577	28,245			33,577	28,245
Interest income			32,306	36,302	32,306	36,302
Total segment revenue	33,577	28,245	32,306	36,302	65,883	64,547
All other segment revenue					157	5
Consolidated revenue	33,577	28,245	32,306	36,302	66,040	64,552
Results						
Segment result	4,960	4,963	13,013	12,119	17,973	17,082
Interest expense & borrowing costs					(2,865)	(3,089)
All other segment expenses					(2,923)	(2,610)
Profit before income tax					12,185	11,383
Income tax expense					(3,996)	(3,068)
Profit for the half-year					8,189	8,315

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Collection Services Segment

Collection Services exhibited strong revenue growth in 1H17, up 19% to \$33m on pcp. This was driven by productivity improvements gained through enhanced processes and the introduction of the new contact centre technology; resulting in improved performance on behalf of our clients and a subsequent increase in the volume of accounts being referred.

Chief Executive Officer Anthony Rivas said the newly established salesforce had secured a number of new clients for the Collection Services segment in the first half, including the first client for new business division CLH Business Services.

“Cash Converters became our inaugural client for CLH Business Services on 1 December 2016. We have taken over management of their early arrears customers and introduced a dedicated financial hardship management team, call recording, and quality assurance program. Results so far and customer feedback has been so positive that we are now working with them to integrate with our C5 collections platform,” Mr Rivas said.

“Our Commercial Services team has recently won the Transurban account, to undertake their recovery work for unpaid tolls.

“We have also undertaken a complete review of our Manila operations, including appointing new experienced management together with new technology, improved processes, and an outward approach to obtaining new business. We are delighted to announce EBAY (NASDAQ: EBAY), our first US based client, worked exclusively out of Manila, will commence operations at the end of February.

“This is an example of the previously untapped potential of our Manila operations, which we are keen to explore further in the coming months,” Mr Rivas said.

One-off costs incurred in the half-year to generate productivity and efficiency gains have temporarily crimped operating margins, however these investments in future growth initiatives are expected to be offset by ongoing revenue growth.

Purchased Debt Ledger (PDL) Segment

PDL pricing is competitive, although showing early signs of easing, with \$52.1m in PDLs contracted as at December 2016. Full year purchases are estimated to be \$63m - \$65m.

A revised PDL operating model is progressively being implemented, including a re-engineering of processes, roles and training and a disciplined approach to management of the Arrangement Book. Similarly, an end-to-end review of PDL legal processes has led to the adoption of a “firmer but fair” position with customers who refuse to meet their obligations, generating an increase in the pool of actionable accounts.

Mr Rivas said the new contact centre technology piloted in 1H17 complemented these operating model changes, and would help Account Representatives to be productive and compliant.

“The three month pilot of the world renowned ‘Interactive Intelligence’ (ININ) call centre software clearly demonstrated the productivity boost this technology could provide us, and we have subsequently commenced installing this throughout the organisation,” Mr Rivas said.

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“ININ is an important component of our growth strategy, as the software significantly increases our outbound call volume capability. This will help us to maintain our lower employee numbers as well as providing capacity for future growth.

“We are also in the process of installing ININ’s extra functionality to allow voice analytics and real-time call monitoring. This will enable us to ensure that our Account Representatives are compliant, are using our best practice call model, and will give them access to tailored and timely feedback and coaching.

“These changes set a solid platform for growth, which we are focused on through our increasing PDL investment, and the continued acquisition of new clients for our Collection Services segment.”

Total Group employee numbers as at the end of December were 730, compared to 802 in the previous corresponding period. In addition to this, 91 employees are based in the Philippines.

Outlook

FY17 NPAT is estimated to be in the range of \$19.4m to \$20m, or 14 – 14.5 cents EPS.

PDL acquisitions contracted for the full year are estimated to be within the range of \$63m to \$65m.

Mr Rivas said the primary focus looking forward would remain on performance and productivity enhancements, and the implementation of further cost savings and sales initiatives identified since July 2016.

Changes to the Board of Directors

A search is underway for a Director grounded in analytics and economic strategy to work with the existing board in overseeing the development of suitable predictive models to optimise the Board’s decision making with regards to debt pricing and valuation as well as debt purchasing.

An appointment is likely to be announced in March.

For more information please contact:

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Collection House Group - Overview



Debt collection and receivables management for third parties



Debt purchasing and recovery



Legal services including insolvency administration



Tailored debt collection services, specialising in Local Government



Nationally recognised training provider in financial services and leadership



Customer service outsourcing for third parties



Licensed specialist finance broker for the provision of credit



Provision of financial hardship services for third parties

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