

ASX ANNOUNCEMENT

18 August 2016

Collection House Limited's FY16 annual result

Collection House Limited (Group) ASX Code: CLH has today announced a net profit after tax (NPAT) of \$18.6 million and an Underlying NPAT of \$20.9 million, at the upper end of guidance.

Outcomes of the 2016 financial year include:

- Statutory Net Profit After Tax (NPAT) of \$18.6 million
- Underlying NPAT of \$20.9 million (excluding one-off restructuring and office relocation costs)
- Total revenue increased 5.3% to \$133 million
- Collection Services revenue increased 19.1%
- Purchased Debt Ledger (PDL) collections of \$123.3 million
- PDL collections as a percentage of face value was maintained at 8% YOY
- \$62 million invested in PDLs
- Final dividend of 3.9c, taking full year dividend to 7.8c
- Net debt to equity ratio closed at 37.7% at the end of June
- Successful finalisation of the three year bank funding facilities at a lower overall borrowing cost
- CEO transition complete

\$m	FY14	FY15	FY16	%
Revenue	107.3	126.0	132.7	5
Profit Before Tax	\$27.0	\$31.9	\$26.0	-19
Taxation	(8.3)	(9.4)	(7.4)	
Net Profit After Tax	\$18.7	\$22.5	\$18.6	-17
PDL Cash Collections	\$106.5	\$127.6	\$123.3	-3
EPS (cents)	14.7	17.2	14.0	-19
DPS (cents)	8.0	9.1	7.8	-14.1
Return on Equity (Av)	13.4%	13.8%	10.6%	-
Net Debt/Net Debt + Equity Ratio	38.9%	39.6%	37.7%	-

Collection House Chairman David Liddy acknowledged the challenges faced during the year.

"There is no doubt it has been a challenging year, and our shareholders bore the brunt of the market's dissatisfaction in early 2016. However there are a number of indicators in the latter half of the year to place Collection House in an optimistic position for FY17," Mr Liddy said.

Collection House Limited

Level 7, 515 St Pauls Terrace
Fortitude Valley QLD 4006 Australia

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

PO Box 2247
Fortitude Valley BC QLD 4006

“This position is supported with the commencement in early July of our new Chief Executive Anthony Rivas, who brings enormous operational knowledge through decades of hands-on collections experience internationally, which is a very positive development as we focus on Group-wide performance improvement initiatives.

“Anthony has already identified a number of areas the Group can improve upon and grow, and I believe this places us in good stead for FY17 and beyond,” he said.

Contingent collections grows; PDL quality maintained

Chief Executive Officer Anthony Rivas, who commenced with the Group on 6th July 2016, noted the revenue performance for the year.

“The main driver of increased revenue this year has been the organic growth of our Collection Services segment, increasing revenue by 19.1% to \$58 million for the year,” Mr Rivas said.

“In terms of the PDL segment, PDL collections as a percentage of face value was maintained at 8% year on year despite the reduced investment; and we have also further improved our ability to liquidate older portfolios – collections on debt over two years old exceeded 60% of the year’s collections for the first time, and collections of books more than three years old represented 40%.

“These are all small but positive steps we intend to build upon, and I have already identified a wide range of other operational improvements that will improve performance moving forward,” Mr Rivas said.

“We will also be evolving our PDL investment strategy to consider a wider spectrum of debt across different markets moving forward.”

Investing in the future

During the year, the Group continued its investments in future growth drivers, including:

- Establishing a dedicated Government Services division, which includes the new ATO contract as well as other State and local government clients
- Re-branding the finance brokerage Cashflow Financial Advantage to **ThinkMe**, a full service brokerage which assists Lion Finance and other customers to access credit from reputable providers to refinance their obligations
- Relocating the Group’s headquarters, which brings all operating units into the same location for the first time in several years and accommodates capacity for future growth
- Continued investment in technology initiatives, including ongoing enhancement of the Group’s proprietary collections platform C5.

Enhancing operational effectiveness

Mr Rivas said that he felt humbled and privileged to be chosen to lead the Group, and was confident of his team’s ability to add value for staff, shareholders and the community at large.

“It has only been six weeks for me at CLH so far, however it is clear to me already that this is a great, diversified business with the fundamentals in place, but with scope for improving operational effectiveness, focus and future growth.

“I’ve particularly been impressed with the quality of the people within Collection House, and also with the custom-built C5 platform – it is undoubtedly the best collections platform I’ve seen in the world, and there are multiple opportunities to further leverage this application internally and externally.

“We’re currently undertaking a review of overall business efficiency, and as part of this there are four **productivity initiatives** already underway,” he said.

These initiatives include:

- A three month, full scope pilot with QPC of the globally recognised contact centre technology ‘Interactive Intelligence’. This product will increase the number of dialer seats available six-fold – increasing efficiency and per hour productivity, along with providing tools previously unavailable to the Group to optimise performance
- A trial of a number of vendors’ skip tracing products, to help improve locations and recoveries
- The repositioning of the Group’s umbrella brand to **CLH Group**, to better facilitate customer engagement and address privacy concerns
- A review of all significant vendor relationships, and renegotiation of agreements.

Emerging growth opportunities

Mr Rivas advised that two new subsidiaries were being established as natural adjacencies to the CLH Group, leveraging existing capabilities.

“*CLH Business Services* will see the creation of a customer service vertical to complement our financial services vertical, enabling clients to outsource all or part of their customer service function to us. With our call centres, systems and trained people, we can assist clients with the non-collections side of their business, including answering customer queries, taking initial applications and/or front-end validation, and general customer service activities.

“*Safe Horizons* on the other hand will enable clients to outsource their financial hardship services to us. We are very experienced at managing and assisting customers through short, medium and long-term financial difficulty with dignity and follow-up. We can work with clients to help rehabilitate their customers in an appropriate and sensitive way that is customised to their business.

“Both of these new business lines are an opportunity for us to organically increase our services to existing clients, as well as find new opportunities in the marketplace across Australasia.

“Finally, I see a lot of untapped potential with the Group’s current Manila operations, and we have plans to significantly grow their productivity and contribution to the Group. This includes getting some Australian “boots on the ground” in the Philippines, as well as appointing management who have experience in running large operations in Manila.”

New Chief Financial Officer appointment

Mr Rivas announced that Collection House’s Chief Financial Officer, Adrian Ralston, would be leaving the Company in August, and would be replaced by experienced CFO George Wilson.

“I’d like to acknowledge and thank Adrian for his contribution not only in helping my transition over the past six weeks, but also for almost 13 years of service to the Group.

“George Wilson will be starting with us on 1st September, and comes with significant private and public company experience in financial and general management in Australia and internationally.

“George brings great knowledge of financial management, business transformation and investor relations, and I am sure will be a great addition to the team. George will be supported by our long-standing Deputy CFO, Kristine May, who has been with CLH since 2001.

“I would also like to take this opportunity to acknowledge my predecessor, Matthew Thomas, for his long service to the Company, and wish him well in his future endeavours.”

FY17 guidance

Further outlook and detailed FY17 guidance will be provided at the Annual General Meeting on 4th November 2016.

For more information please contact:

Anthony Rivas, CEO
via Tarryn McMullen, Communications
Collection House Limited
Email: tarryn.mcmullen@collectionhouse.com.au
Ph: (07) 3017 3457

A teleconference will be held at **2.30pm** today with CEO Anthony Rivas, and CFO Adrian Ralston.

Contact details for the teleconference:

Australian toll free number: 1800 908 299
New Zealand toll free number: 0800 452 795
USA toll free number: 1855 624 0077
Conference ID: 820533

Collection House Group - Overview

Collection House Limited

Debt collection and receivables management



CLH Legal Group

Legal services including insolvency administration



Lion Finance

Debt purchasing and recovery



ThinkMe

Licensed intermediary for the provision of credit



Collective Learning & Development

Credit management and related training services



Midstate CreditCollect Pty Ltd

Debt collection services, specialising in Local Government



Collection House Limited

Level 7, 515 St Pauls Terrace
Fortitude Valley QLD 4006 Australia

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

PO Box 2247
Fortitude Valley BC QLD 4006