Matthew Thomas
Managing Director / Chief Executive Officer

Collection House Limited

1H16 Results Presentation

Collection House Group

1H16 – In Brief

- Net Profit after tax of $8.3m, achieved in line with guidance, and inclusive of one off restructuring expenses of $1.2m ($11.2 NPAT 1H15).
- Revenue of $64.6m, up 1% on prior corresponding period.
- Purchased Debt Ledger (PDL) acquisitions of $30.1m, down 26% on 1H15, reflecting excessively high prices for debt.
- PDL collections reduced 8% from prior half to $59.4m.
- Collection Services and other revenue up 20% on prior half. Revenue from new Government Services division will commence in Q4.
- Preparations for Government Services collection centre opening is on track for April 2016.
- Gearing steady at 40.5%.
- Start up brokerage business "Cashflow Financial Advantage" pilot had over $5m of loans approved during 1H16.

Financial Results

$m	1H12	1H13	1H14	1H15	1H16	%
PDL Revenue	25.7	28.5	30.5	40.3	36.3	-10%
Collection Services Revenue	18.7	18.8	21.5	23.5	28.3	20%
Total Revenue	44.4	47.3	52.0	63.8	64.6	1%
Net Profit After Tax and Before Significant Items	6.4	8.1	9.4	11.2	9.5	-15%
Significant Items	-	-	-	-	1.2	
Net Profit After Tax	6.4	8.1	9.4	11.2	8.3	-26%
PDL Cash Collections	43.9	48.7	51.5	64.4	59.4	-8%
EBIT Margin	27.7%	31.2%	30.8%	29.5%	22.4%	
EBIT Margin (Before Significant Items)	27.7%	31.2%	30.8%	29.5%	25.0%	
EPS (cents)	6.4	7.3	7.6	8.6	6.3	-27%
EPS Normalised (cents)	6.4	7.3	7.6	8.6	7.2	-16%
DPS (cents)	3.2	3.6	3.9	4.4	3.9	-11%

Collection House Group

Financial Results (continued)

$m	1H12	1H13	1H14	1H15	1H16	%
Operating cash flow	25.9	29.7	26.5	37.8	33.3	-12%
PDL acquisitions and capex	31.7	34.7	40.8	42.2	32.0	-24%
PDL Acquisitions	30.5	33.9	38.4	40.5	30.1	-26%
PDL carrying value	174	198	214	250	261	4%
Net Borrowings	84	97	87	111	118	7%
Net Borrowings/PDL carrying value %	48.1%	49.2%	40.9%	44.3%	45.4%	
Net Debt/Net Debt + Equity Ratio	44.7%	45.5%	36.9%	40.4%	40.5%	
EBITDA	31.6	35.9	37.7	44.1	39.1	-11%
EBIT	12.3	14.7	16.0	18.8	14.5	-23%
EBIT (Before Significant Items)	12.3	14.7	16.0	18.8	16.1	-14%

Operational Commentary – Collection

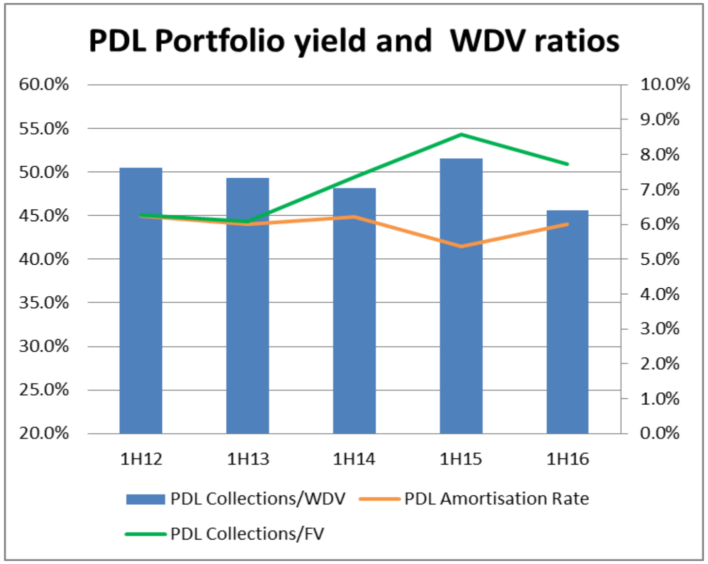
- Our diversified business model limits our dependency on the performance of any single product or market segment, which provides us with strategic resilience and adaptability.
- The five brands shown above combine to form the "Collection Services" business segment, which is achieving significant top line growth with minimal capital requirements and less competitive pricing than the PDL segment.
- Government Services will commence operations during Q4 with keystone client, Australian Tax Office, with further contracts being sought to scale up the new division.

Operational Commentary – Purchased Debt Ledgers

- Despite challenging economic conditions during 2015, PDL prices have continued to rise through the first half (reportedly by 5-8%) – we do not believe such price increases are financially viable or sustainable in the long term.
- We exercised discipline by not offering excessively high prices for debt, and accordingly Purchased Debt Ledger (PDL) acquisitions were down 26% on 1H15.
- The unfavourable economic environment in the first half also contributed to the 8% decline in PDL collections, and we have seen unseasonal trends across other client portfolios.
- Higher staff costs incurred during the period plus restructuring costs also impacted the bottom line result for this half. While we dealt with an unfortunate combination of circumstances during the half, the Group continues to work hard towards restoring operational effectiveness.

PDL Book Performance

- PDL portfolio contains 296,000 active accounts with face value of $1.6bn of which 55,000 accounts with face value of $387m are under active repayment arrangements.
- Cash PDL collections equated to an annualised yield of 7.6% of the total portfolio face value.
- Amortisation over 1H16 applied at 43% of principal collections, up from 41% in 1H15.
- For the purposes of year-on-year comparison, if the amortisation rate applied during 1H16 had been at the lower rate used in 1H15, NPAT before significant items for 1H16 would have been $10.4m compared to prior half result of $11.2m (down 7%).



* Percentage values are annualised by doubling the first half result, to provide meaningful comparisons with equivalent results featured in annual results presentation.

Staff capacity

FTE (Australia/NZ)	FY12	FY13	FY14	1H15	1H16
Collection staff	472	517	625	680	549
Support staff	69	79	88	88	105
Executive Team	4	7	6	6	5
Subsidiaries	67	91	101	102	100
Total	612	694	820	876	759

- Of collection staff, 338 worked in Lion Finance (PDLs) while 211 worked in Collection Services.
- In addition to above, at 31/12/15 we had 96 employees in the Philippines, including 75 Collection Staff.

Excellence in Compliance, Resolutions and Brand Protection

- The Group remains Resolute on its Purpose: ***To help clients and consumers resolve their financial problems.***
- In industry research commissioned by ACCC in 2015, CLH had the lowest number of complaints in the Industry with 0.05 complaints per collection staff. This compared to 0.12 complaints per collection staff for the largest industry player (Source: Research into Australia Debt Collection Industry, ACCC, May 2015 (refer 1).
- Further independent evidence of CLH leading in ethical collections is data released annually by the CIO (industry ombudsman) with just under 40 EDR complaints per 100,000 active accounts. Based on CIO and publicly available data, the equivalent complaint rates for our listed peers are higher at 53 and 75 (refer 2).
- In 2014 CLH was first in the industry to produce a CSR Outcomes Report aligned to ISO 26000. The Group's commitment to CSR continued in 2015 through its ethos: To achieve profitability in a socially and environmentally responsible manner. This was displayed through the following initiatives:
    - Continued Partnership with the Financial Basics Foundation – education programs in schools
    - Assisting the Clemente Learning Program
    - Supporting the National Hardship Register (www.nhr.org.au)
    - Supporting Connexu
- Being awarded the ATO outsource contract was further evidence of our continued commitment to business conduct that is ethical, lawful and respectful ensuring brand protection for our clients.

1. https://www.accc.gov.au/publications/research-into-the-australian-debt-collection-industry
2. http://www.cio.org.au/publications/annual-report-on-operations/annual-report-on-operations-2015/

Collection House Group

Growth Drivers FY16 and beyond

- In the agency collections business we continue to proactively engage with current and potential clients and have participated in several tender opportunities, including State and Federal Government contacts.
- We have continued to selectively bid on and win some smaller PDL tenders, notwithstanding strong competition in this segment.
- Strong growth in Collection Services and reduced PDL investment was flagged when FY15 results were released in August 2015, and these trends are expected to remain in play in the short-medium term.
- Diversification remains a key risk mitigation strategy - growth in commercial, government and insurance agency collections diversifies away from both reliance on PDLs but also from the competitive Banking sector where insourcing remains a threat.

CollectionHouse Group

Growth Drivers FY16 and beyond

- Our diversification strategy into Consumer Financial Services commenced in FY15 with extensive research into the challenges and needs of people experiencing financial exclusion.
- During 2015 we commenced pilot operations of 'Cashflow Financial Advantage', a brokerage service to match reputable credit providers with our customers who need sustainable and responsible credit facilities.
- Pilot outcomes have exceeded expectations to date, with over $5m of loans approved during 1H16 across five lending partners – with all leads currently generated from within Lion Finance.
- The model facilitates refinancing of debts owed to Lion Finance whilst also generating brokerage commissions.
- In 2016 we will expand the business both in terms of partners and products, as well as undertake a re-branding prior to launching into the wider market.
- As in everything we do, we focus on long term value and take the responsible customer focussed approach, consistent with our brand values.
- For that reason our strategy has always been to avoid Small Amount Credit Contracts (often referred to as "pay day loans").

Collection House Group

Future focused - Investing in capability

- We have retained our commitment to investing in future capability, as to cut such investment for short term benefit would effectively "steal greater value from the future" – some examples include:
- An additional $1m committed to innovation, particularly R&D in digital and software development, continues at pace.
    - Industry first smartphone application launched in December 2015
    - Continued enhancement of consumer 'self service' portal
    - Consumer services website (http://thinkme.com.au/) launched with comprehensive range of online applications for speedier resolution
- Further commitment of over $850,000 to data analytics platforms as part of the multi-year "Data Vault" program, leveraging our strengths in data into behavioural scoring leading to accelerated recoveries.
- Ongoing investment in developing **C5**: our core proprietary collections/CRM platform.
- Expansion of our "LEAD" leadership development program for future leaders within the business.
- Step up in corporate social responsibility activity, building on the work done in FY15 (refer http://www.collectionhouse.com.au/ws-content/uploads/2015_CLH_CSR_Report.pdf)

Collection House Group

Office premises

<u>Brisbane Headquarters – relocation in 1H17</u>

- The relocation to the Group's new state of the art headquarters at Skyring Terrace, Newstead is ahead of schedule.
- The purpose built Government Services floor will be handed over in February 2016, with the final two floors being available for a July 2016 relocation.
- Due to this earlier relocation and unknown make good costs, an estimated accounting expense of $2.2 million after tax may have to be provided for in 2H16.
- There will be no net cash outlay from a cash flow perspective, as attractive lease incentives negotiated under the new lease will exceed the total relocation costs.
- However, accounting standards require the make good costs to be accounted for up front while cash incentives provided to compensate for such costs will be accounted for over the life of the lease.

Outlook

- FY16 has started as a challenging year, and the macro environment remains uncertain, but such challenges have been anticipated and we have experienced these cycles before.

- Given the foresight of our strategic planning, further diversification into new markets and new products is well underway.

- The Group has taken a considered position for our second half estimates which includes estimated relocation and make good costs, a continuing unfavourable economic environment and continued excessively high prices for debt .

- As a result of this the Group has revised its full year statutory earning guidance to a range of $15.5 million to $19.3 million. Noting the once off Significant Items of $3.4 million for the full year, the underlying operating result is then in the range of $18.9 million to $22.7 million after tax.

Collection House Limited

Collection House Limited

Lion Finance

Cash Flow Financial Advantage

CLH Legal Group

Collective Learning and Development

MCC MIDSTATE CREDITCOLLECT PTY LTD

Level 7, 515 St Paul's Terrace, Fortitude Valley QLD 4006 Australia
PO Box 2247 Fortitude Valley BC Qld 4006

Adelaide Auckland Brisbane
Manila Melbourne Sydney