



Collection House Limited

FY16 Results Presentation

18 AUGUST 2016





AGENDA

1. FY16 result overview

Anthony Rivas, CEO


2. The FY16 result in detail

Adrian Ralston, CFO

Kristine May, Deputy CFO

3. Strategy & outlook

Anthony Rivas, CEO



FY16 RESULT OVERVIEW

ANTHONY RIVAS, CEO





FY16 OVERVIEW

NPAT IN LINE WITH GUIDANCE

- Statutory profit after tax of \$18.6m at top end of revised guidance
- Underlying NPAT of \$20.9m (excluding one-off restructuring and headquarter relocation costs)

INCREASED REVENUE GROWTH

- FY16 revenue increased 5.3% to \$133m
- Collection Services segment increased revenue by 19.1%

BALANCE SHEET STRENGTHENED

- Net debt to equity ratio (gearing) closed at 37.7% at 30 June
- Successful finalisation of the three year WBC/CBA bank funding facilities, at a lower overall borrowing cost
- Capacity exists to invest in PDLs when desired – investment strategy will be reviewed to consider a wider spectrum of debt across different markets

NEW BUSINESSES EMBEDDED

- New Government Services division and dedicated call centre established, incorporating the ATO contract and other government clients
- The financial brokerage Cashflow Financial Advantage rebranded as ThinkMe – a full service broker matching reputable credit providers with our customers



FY16 OVERVIEW

DIVIDEND PAYOUT

- Final dividend 3.9c, taking full year dividend to 7.8c

CEO TRANSITION COMPLETE

- Anthony Rivas commenced 6 July 2016
- Matt Thomas officially retired as CEO on 5 July 2016, and handover is complete

QUALITY OF PDL PORTFOLIO REMAINS

- PDL collections as a percentage of face value maintained at 8% YOY, reflecting the quality of the book and the ability to largely maintain PDL collections despite reduced PDL investment
- 62% of PDL recoveries in FY16 were from PDLs purchased over two years ago, while recoveries from PDLs of more than three years age was over 40% - demonstrating ability to liquidate older assets
- \$62 million invested in PDLs in FY16

HEAD OFFICE RELOCATION

- New headquarter relocation complete, with all Brisbane staff now in one purpose-built fit-out in Newstead
- All operating units are now in the same location for the first time in several years, with capacity for future growth

INVESTMENT IN TECH CONTINUED

- Continued enhancements and expansion of our proprietary collections platform C5
- Continued R&D in innovation and digital

THE FY16 RESULT IN DETAIL

ADRIAN RALSTON, CFO





FINANCIAL RESULTS

\$m	FY12	FY13	FY14	FY15	FY16	%
PDL Revenue [#]	51.4	57.9	63.1	77.6	74.6	-4%
Collection Services Revenue	37.8	39.4	44.2	48.5	58.1	20%
Total Revenue	89.1	97.3	107.3	126.0	132.7	5%
Net Profit After Tax and Before Significant Items	12.7	15.6	18.7	22.5	20.9	-7%
Significant Items	0.0	0.0	0.0	0.0	2.4	-
Net Profit After Tax	12.7	15.6	18.7	22.5	18.6	-17%
PDL Cash Collections	88.7	96.7	106.5	127.6	123.3	-3%
EPS (cents)	12.1	13.7	14.7	17.2	14.0	-19%
EPS Normalised (cents)	12.1	13.7	14.7	17.2	15.7	-9%
DPS (cents)	6.4	7.2	8.0	9.1	7.8	-14.1%

- Revenue growth driven by Collection Services
- Underlying profit excludes one-off restructuring and headquarter relocation costs
- PDL cash collections down YOY due to lower PDL investment in FY16 – the focus in FY16 has been on increasing collection effectiveness, staff retention and productivity into FY17

[#] Includes PDL Gains on Sale in FY16 of \$4.1m (FY15 \$0.8m)



FINANCIAL RESULTS

\$m	FY12	FY13	FY14	FY15	FY16
Operating cash flow	57.3	62.2	65.9	77.7	84.3
PDL acquisitions and capex	62.6	52.9	85.6	75.3	67.2
PDL Acquisitions	61.0	52.3	82.2	72.3	61.9
PDL carrying value	185	196	234	256	265
Net Borrowings	88	87	99	112	109
Net Borrowings/PDL carrying value %	47.3%	44.3%	42.4%	43.7%	41.2%
Net Debt/Net Debt + Equity Ratio	44.5%	41.4%	38.9%	39.6%	37.7%
EBITDA	63.3	69.2	77.5	90.3	84.7
EBIT	23.9	28.5	32.4	37.8	32.1
EBIT (Before Significant Items)	23.9	28.5	32.4	37.8	34.5



PURCHASED DEBT LEDGER (PDL) SEGMENT



Lion Finance is the Group's purchased debt entity, responsible for the collection of PDLs the Group has bought from credit providers such as tier 1 banks, finance companies, telco's, utility companies, and government departments.

PDL PORTFOLIO OVERVIEW

TOTAL PORTFOLIO	FY12	FY13	FY14	FY15	FY16
Face Value	\$1.4bn	\$1.4bn	\$1.5bn	\$1.5bn	\$1.5bn
Number of Accounts	214,000	253,000	263,000	304,000	262,000
ARRANGEMENT BOOK	FY12	FY13	FY14	FY15	FY16
Face Value	\$274m	\$300m	\$353m	\$389m	\$357m
Number of Accounts	41,000	45,000	51,000	55,000	49,000

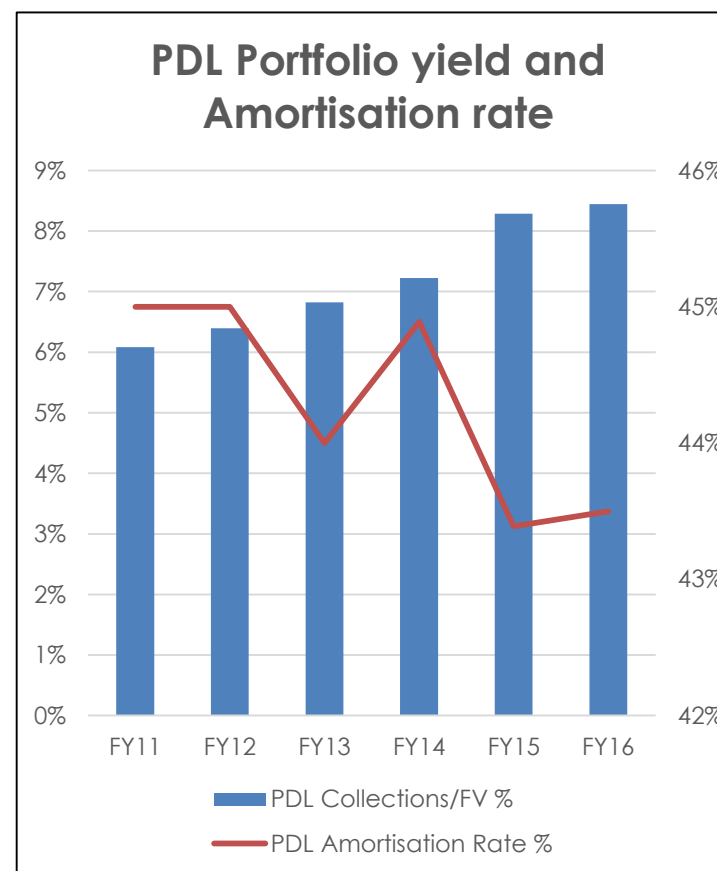
- Our Repayment Arrangements and Litigated Account Portfolio had a face value of \$357m as at 30 June 2016, from which we expect to recover \$247m



PURCHASED DEBT LEDGERS (PDL) SEGMENT

PORTFOLIO QUALITY METRICS

- The rate of expensing assets (amortisation rate) averaged 43.5% over FY16, and has remained in tight range of 42% - 45% since FY11
- PDL Collections / Face Value were maintained YOY at 8%

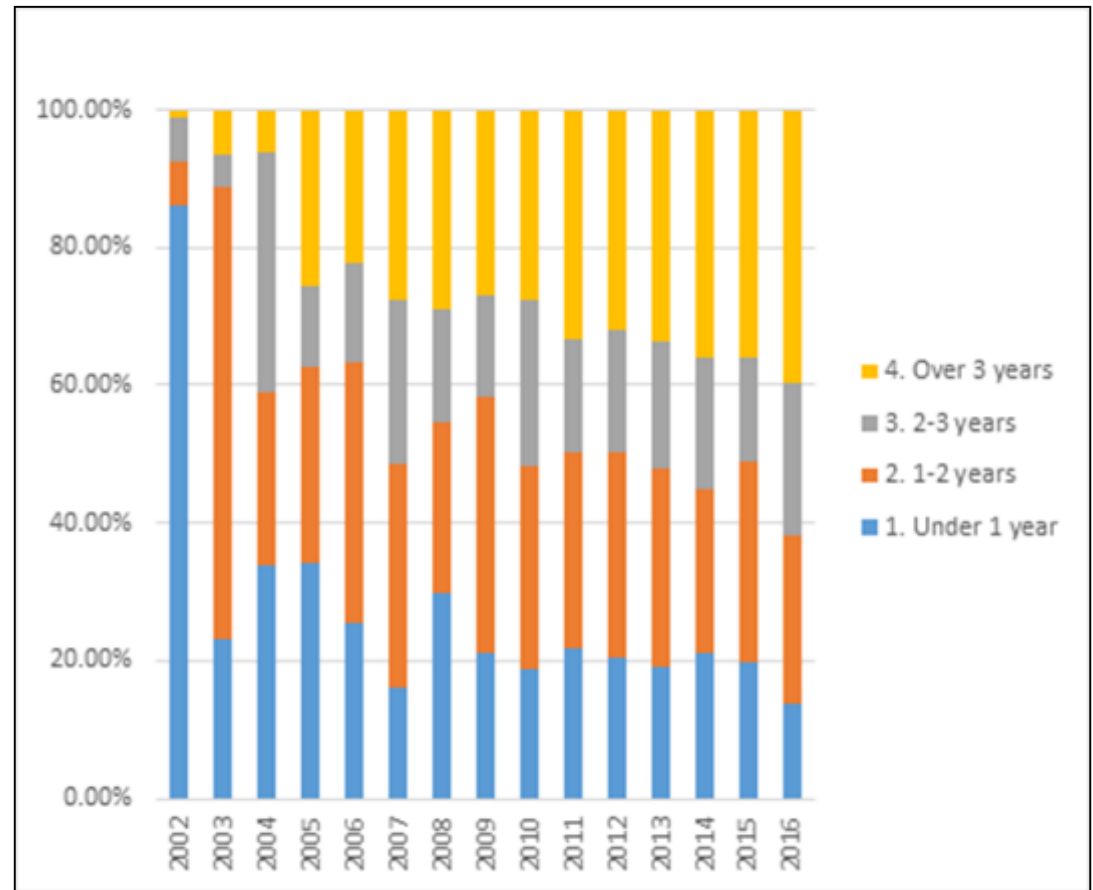




PURCHASED DEBT LEDGERS (PDL) SEGMENT

PORTFOLIO LIQUIDATION TRENDS

- We continue to extract more value out of our book, with a demonstrated ability to continue to liquidate older portfolios – 3+ year debt represented 40% of FY16 collections
- PDL collections on 2+ year debt exceeded 60%

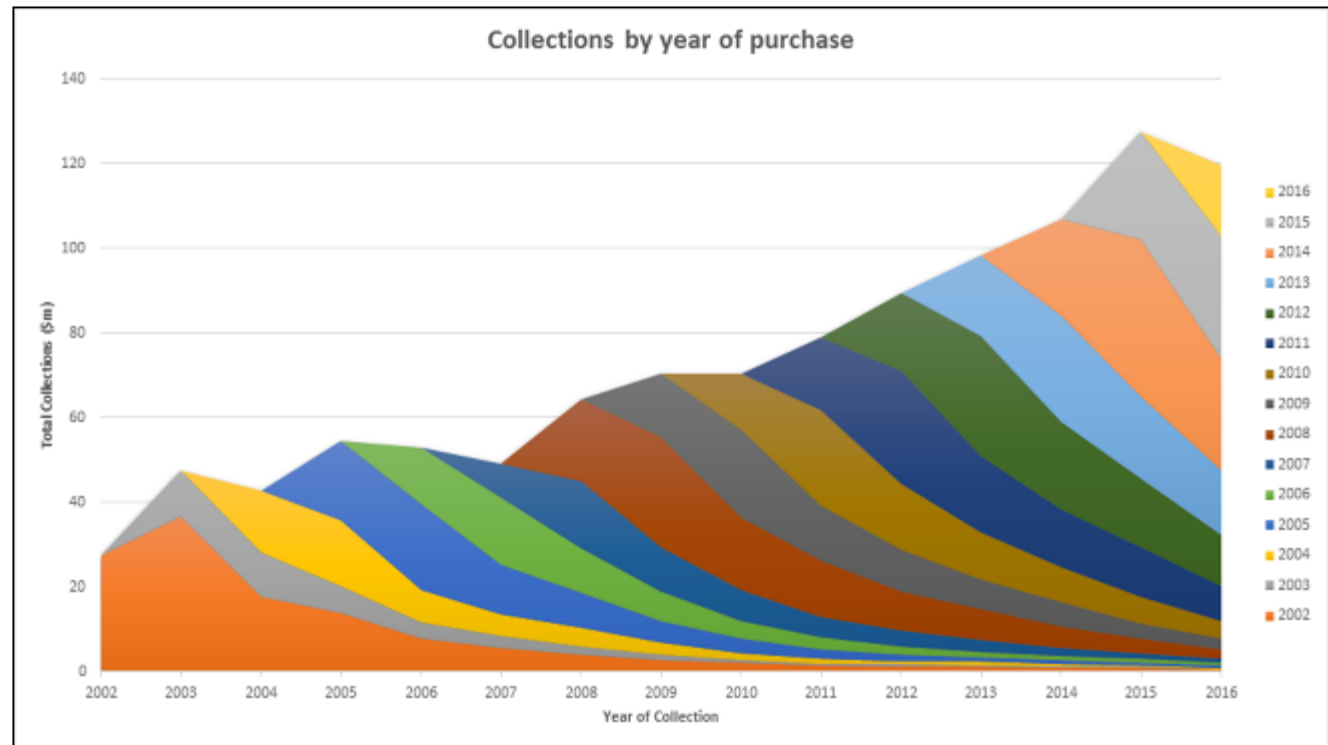




PURCHASED DEBT LEDGERS (PDL) SEGMENT

PORTFOLIO LIQUIDATION TRENDS

- The data charted on the prior slide is presented here in dollar terms, showing PDL recoveries by year of purchase
- It demonstrates that recoveries in years 2, 3 and later are more sustained, giving a 'stacking' effect to our overall PDL collections

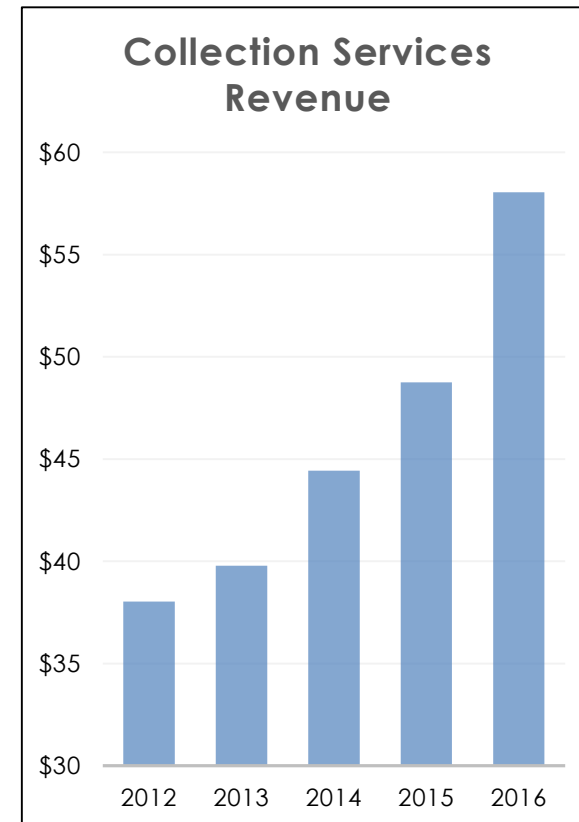




COLLECTION SERVICES SEGMENT

The Collection Services business segment is made up of a number of brands, providing services to businesses, individuals and Government organisations.

- Revenue from the Collection Services segment has continued to grow over the past five years, up to \$58 million in FY16
- Diversification remains a key risk mitigation strategy for the Group: growth in the Collection Services segment – across commercial, government and insurance agency collections – improves overall Group potential





COLLECTION SERVICES SEGMENT



FY16 OUTCOMES

- Maintained 1st or 2nd place ranking on the majority of benchmarked agent panels
- The formation of the Government Services collection centre, and the on-boarding of the ATO contract in record time for the Group
- Collection House (NZ) now participates in either exclusive or panel agreements for >80% of the general insurance market in NZ
- Grew the finance brokerage business, and rebranded it **ThinkMe** ahead of its next phase of expansion
- CLH Legal Group launched a new client-facing website and marketing initiatives, secured a number of new clients



KEY ENABLER: PEOPLE & CULTURE

As a people-based business, Human Resources is a critical driver of our success. We have evolved our approach to managing our team and culture, and will continue investment in this key area.

FY16 OUTCOMES

- A new Chief People & Culture Officer was appointed during the year, who has since realigned the HR function and made improvements to recruitment, staff engagement and training – as evidenced in the increase in tenure of Lion Finance staff over the second half
- The Group's first 'Leadership Academy' was launched, a bespoke 12 month leadership development course developed in-house for all levels of employees

FTE (Full Time Equivalent) Staff	FY12	FY13	FY14	FY15	FY16
Collections	472	517	625	682	647
Support	69	79	88	102	111
Executive Team	4	7	6	6	5
Subsidiaries	67	91	101	107	93
Total	612	694	820	897	857

Collection staff numbers were reduced with the closure of the Newcastle office, and in line with lower PDL investment this year

- Of collection staff, 331 worked in Lion Finance (PDLs), 248 in Collection Services, and 68 across the other divisions
- In addition to the above, there were 101 employees in the Philippines, including 78 collection staff



KEY ENABLER: TECHNOLOGY

CLH's technology and capabilities in this area have long been a competitive advantage, and we are committed to continuing this and further R&D in digital and software development.

FY16 OUTCOMES

- Continued investment in our proprietary collections platform C5. The ATO on-boarding demonstrates the value of this platform – they were on-boarded in record time for the Group
- The Data Vault project delivered its first three reporting “products” during the year, which provide analytics on the characteristics of debt portfolios over time, adherence to payment commitments, and information about staffing levels
- A review and revamp of our campaigns functionality – the C5 tool for managing our treatment of debts in bulk – has enabled the collection of more meaningful analytics, and the ability to create more structured and automated treatment plans
- Improvements delivered to the customer portal have increased the number of customers using this self-service channel, reducing physical mail production by >10%
- The Digital team delivered an industry-first smartphone app, which enables customer offers to be sent and claimed via mobile - initial take-up has been positive

WHAT IS C5?

C5 (or Controller Version 5) is the Group's custom built CRM software solution. C5 uses best of breed technology to embed 23 years of our intellectual property into a collections platform that is designed to drive efficiency, effectiveness, and compliance.

WHAT IS THE DATA VAULT PROJECT?

The Data Vault project involves building a customised enterprise data warehouse solution using modern data architecture. The purpose is to allow CLH to store and access our increasing volumes of data in ways that allows our Analytics team to have a dynamic view of information in almost real time.



KEY ENABLER: COMPLIANCE & RISK MANAGEMENT

CLH has always had a strong commitment to business conduct that is ethical, lawful and respectful. Our compliance and risk management processes ensure we remain alert to changes in our environment and continue to remain true to our ethos.

FY16 OUTCOMES

- Throughout the year we undertook a complete review of our risk management and incident response processes, strengthening our risk mitigants and improving our ability to respond to issues more quickly
- We are proud of our track record of ethical collection practice, as evidenced by the ACCC's 2015 research showing CLH had the lowest number of complaints in the industry with 0.05 complaints per collection staff (*Research into Australian Debt Collection Industry*), and our industry Ombudsman's annual report into EDR complaints
- This is also evidenced in our ability to acquire and grow clients: a new Queensland State government client obtained this year advised they chose CLH due to our sensitive collection practices and trusted collection approach

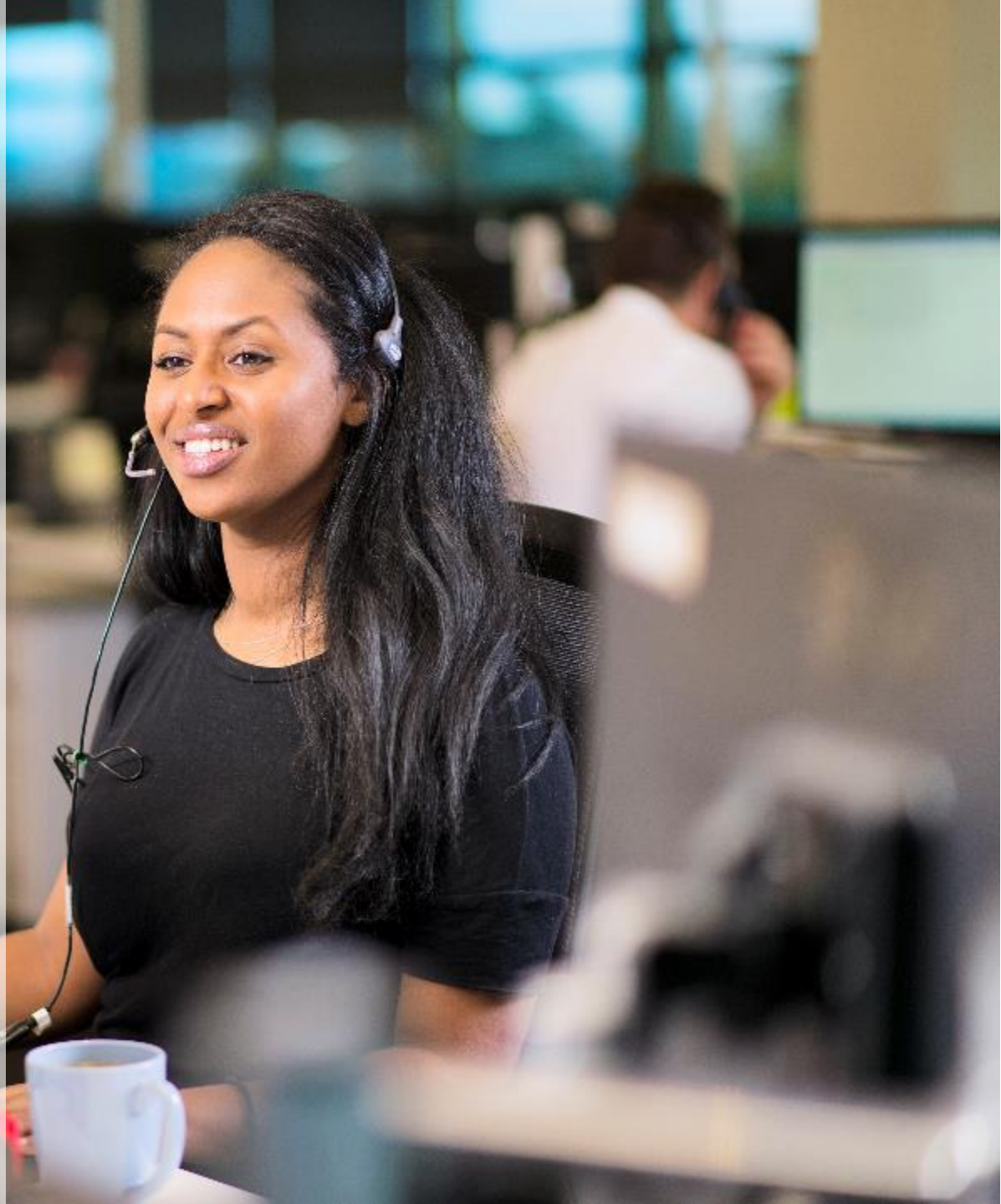
CSR PROGRAM

CLH's FY16 corporate social responsibility program included:

- Sponsorship of Financial Counsellors Australia
- Participating in a 'Restoring Financial Safety' pilot with WEstjustice
- Continued founding partnership with Financial Basics Foundation, with their free financial literacy resources now in 1 in every 2 Australian high school
- Supporting the National Hardship Register
- Assisting the Clemente Learning Program

STRATEGY AND OUTLOOK

ANTHONY RIVAS, CEO





FOCUS AREA: ENHANCING OPERATIONAL EFFECTIVENESS

TRIALLING NEW CONTACT CENTRE TECHNOLOGY

- We have signed up with QPC for a three month full scope pilot of the world recognised 'Interactive Intelligence' (ININ) contact centre solution
- If the pilot is successful and the solution is implemented, it will increase our dialler seats more than six-fold
- Interactive Intelligence offers efficiency and increase in per hour productivity along with tools to optimise performance

TRIALLING NEW SKIP TRACING TOOLS

- We are currently undertaking a trial of multiple vendors' skip tracing products
- The trial will enable us to develop a virtual waterfall based on price and effectiveness
- A majority of the vendors are new relationships to CLH
- The intention is to help improve locations and recoveries

NEW BRAND POSITIONING

- To facilitate better engagement with our customers, we are looking to change our brand to **CLH Group**
- The intention is for CLH Group to be the overarching brand name for the Group, with all brands and subsidiaries part of the "CLH Group"
- This will assist in addressing privacy concerns and allow better communication with our customers

REVIEWING VENDOR RELATIONSHIPS

- We are reviewing all vendor relationships and renegotiating agreements where necessary
- Savings achieved in this area will offset costs involved in the implementation of the new contact centre solution and skip tracing tools



FOCUS AREA: GROWTH OPPORTUNITIES



- We are establishing this new division as a natural adjacency to our current offering and capabilities
- **CLH Business Services** will offer customer service outsourcing for our clients – answering customer queries, taking initial applications and front-end validation, and general customer service activities
- Our Manila operations will be the engine of CLH Business Services, and it will enable us to work with clients organically on the non-collections side of their businesses – offering a true end-to-end service



- A further subsidiary will be established in the coming months that also builds on our existing capabilities
- **Safe Horizons** will be a service we offer to clients such as utilities, government and banks to assist them with managing their customers experiencing financial hardship
- We have developed robust and sensitive processes to assist customers in short, medium and long-term financial difficulty, and these capabilities are of value to existing clients as well as new organisations

MANILA OPERATIONS

- There is a significant opportunity to enhance and grow the productivity and sustainability of the Manila operations
- 'Quick win' improvements to daily efficiency have already been initiated, such as increasing the IT bandwidth and participation in the Interactive Intelligence pilot
- New management are in the process of being appointed, including experienced Manila-based and Australian managers
- It is intended to make Manila an enabler of strategic initiatives across the Group



FY17 GUIDANCE

Detailed guidance will be provided at the Annual General Meeting on 4th November



Collection House
Group