ASX ANNOUNCEMENT

4 November 2016

Chairman's Address and CEO's Presentation to Annual General Meeting

Attached is a copy of the Chairman's Address and CEO's Presentation to be presented at the 2016 Annual General Meeting of Collection House Limited being held today.

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2016 Annual General Meeting
Chairman's Address

4 November 2016

Good morning fellow shareholders and guests, and welcome to the Collection House Limited Annual General Meeting for 2016.

As Chairman of the Collection House Board, I am delighted to officiate this morning's meeting.

I will keep my address this morning relatively brief, as our new Chief Executive has a comprehensive presentation to share with you.

As we are all aware, the 2016 financial year was a challenging year for the Group for a number of reasons. After several years of record financial results, it tested our Board and management team to respond to the challenge and maintain focus on long term value creation.

The market's reaction in late 2015 and early 2016 was blunt, and we moved quickly to address the operational issues which caused the poor performance in the first half.

The net profit after tax result at the end of 2016 financial year was 17% lower than the previous year at $18.6 million, including the one-off proceeds of a debt ledger sale.

Revenue across the Group increased, particularly in the Collection Services segment. Purchased Debt Ledger collections of circa $123 million were slightly down on the previous year, largely due to the lower PDL investment which was flagged at the beginning of the year.

Many of the actions taken in the second half of 2016 were with an eye to the future, and to position the Group to be able to capitalise on sustainable growth opportunities.

Key to this is our three year bank funding facility, which was successfully renewed at a lower overall borrowing cost. This provides us with capacity to invest in Purchased Debt Ledgers when desired, and we have undertaken a lot of work in this area which our CEO Anthony Rivas will touch on shortly.

Speaking of Anthony, the CEO transition is now complete, with his commencement in early July as our new Chief Executive. Anthony joins the Group with extensive collections knowledge and experience, having worked in the industry across the world for his entire career. His deep operational knowledge is an asset to our Company as we continue to focus on performance improvement initiatives Group-wide, and look to expand into natural adjacencies to ensure we grow sustainable shareholder value.

Together with our management team, a very thorough operational review has kicked off, and a number of efficiency and productivity improvements have either been implemented or are planned to be rolled out. Anthony will provide more detail on these in his presentation.

Part of the year's repositioning focus has also incorporated the Board, with a Board renewal process undertaken and two new Non-executive Directors appointed as of the 1st July. Leigh Berkley is a debt purchase and collections senior executive based in the UK who brings extensive collections experience to the Board table; and Lev Mizikovsky is an experienced company director and major shareholder in CLH. They both bring fresh thinking and new ideas to the Board, and we welcome their input and contribution.

With Anthony's arrival, we took the opportunity in the first quarter of this financial year to refresh the Group's strategy, purpose statement and values. We have crystallised the Purpose of the CLH Group as being to strengthen clients', customers' and shareholders' financial situation through our exceptional people – offering education, innovative products and services to all.

In other words, we want to strengthen our **clients'** financial situation by providing a world class service that allows them to focus on their core capabilities; we want to strengthen our **customers'** financial situations by helping them to meet their obligations in a way they can manage, and potentially improve their access to credit going forward; and we want to improve the financial situation of you, our **shareholders**, by delivering consistent and predictable returns.

There are a number of key enablers to be able to deliver on this Purpose, with two of the major ones being our people and our technology. We are committed to providing an environment that rewards, recognises and develops all members of the Collection House Group to help them become the leading providers of credit management solutions in Australasia. And we are equally committed to continue our investment in developing and utilising technology in ways that will keep us efficient, relevant and ahead of the curve in this digital age.

Our focus in FY17 is on stabilising our core collections business through productivity and efficiency initiatives, and also on growing our existing business and new subsidiaries. We are enthusiastic about the breadth of innovation and new products on the roadmap for FY17 and beyond.

In closing, there are a number of acknowledgements I would like to make. As always, I would firstly like to acknowledge the employees of each of the divisions and companies that make up the Collection House Group for their efforts and commitment over the past year. The work our team undertakes is often very challenging, and we thank them for their contribution.

I would also like to acknowledge former Director David Gray, who retired from the Board during the year. David served as a Director from 2011 until August this year and made a significant contribution to the Board, particularly through his role as Chair of the Remuneration and Nomination Committee. On behalf of the Board, I would like to thank David for his contribution, and we wish him the best in his retirement.

And speaking of retirement, as previously advised to shareholders this is the last meeting I will be presiding over as Chairman. With the CEO transition and Board renewal process complete, I am handing the baton over to long-standing Director Kerry Daly at the end of today's meeting.

I have enjoyed my time with Collection House, in particular seeing the ongoing growth and diversification of the Group into a broader financial services company. With another fresh chapter of evolution now underway, the future looks promising.

David Liddy
Chairman

FY16

Annual General Meeting

CEO Address

Collection House Group

FY16 overview

FY16 financial results

Statutory profit after tax of $18.6m

Total revenue increased 5.3% to $133m

Final dividend 3.9c, taking full year dividend to 7.8c (56% payout ratio)

Quality of PDL portfolio intact

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

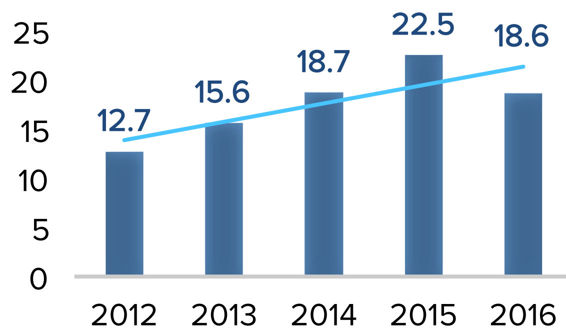
Continued R&D in innovation and digital

CollectionHouse Group

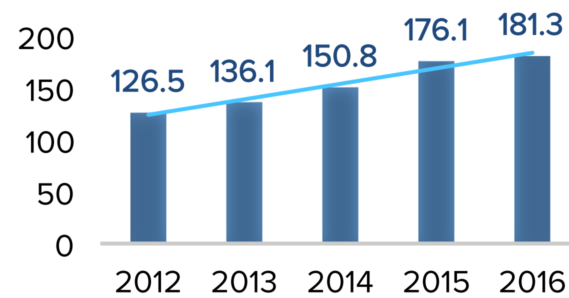
Key financial metrics

- Inherited a sound business that has produced solid results for several years – the diversification of the business is positive
- FY16 was a “blip” – a number of operational outcomes had a negative financial impact – however these are being decisively addressed

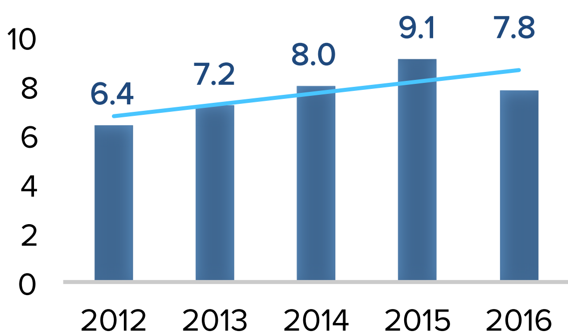
NET PROFIT AFTER TAX ($M)



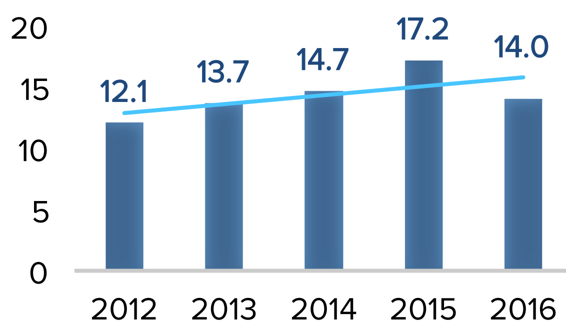
PDL CASH COLLECTIONS & COMMISSIONS ($M)



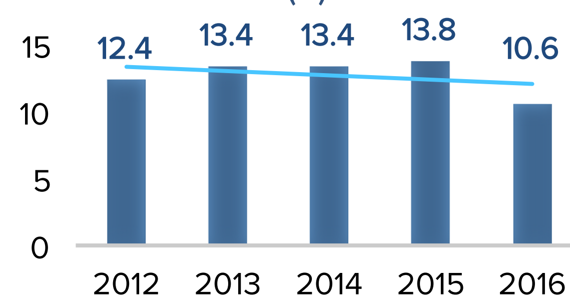
DIVIDEND PER SHARE (CENTS)



EARNINGS PER SHARE (CENTS)



AVERAGE RETURN ON EQUITY (%)



Issues contributing to the FY16 result

Productivity

Initial operational review has identified a number of productivity issues, including:

- Staff numbers
- Dated dialer system
- Lack of transparency and focus on metrics to drive operational performance

Debt sale

The PDL sale in 2H16 provided a strong revenue contribution in the short term, however has a negative financial impact in FY17

Underinvestment in PDLs

In FY16, CLH participated in approximately 12 out of 75 PDL new bidding opportunities due to perceived pricing issues

Whilst flagged to the market early, the reduced PDL investment in FY16 will impact the number of accounts available for collection in FY17

Increased costs

The initial operational review has identified procurement and cost control as key focus areas

Steps taken so far to address opportunities

Productivity

Performance measurement and incentive programs under review, including the recent introduction of an Employee Share Scheme

Internationally experienced BPO specialists hired to manage Manila

Full scope pilot of world recognised ‘Interactive Intelligence’ contact centre solution – early results are promising

Productivity improvements allowed permanent reduction of 76 roles up to October (underperforming collection agents and duplicated roles)

PDL investment

Taking advantage of new technology and big data to enhance our PDL pricing model

Collaborative approaches to pricing on PDL purchases, leveraging experienced internal and external resources

Building better relationships with vendors to take advantage of new emerging technologies

Actively participating in bids and developing innovative pricing models – we have already exceeded the number of bids made last FY

Cost control

All major vendor relationships being reviewed and renegotiated where necessary

Significantly reduced consultant costs

Committed to delivering and communicating financial performance

All our PDL books are fully amortised after 6 years…

which is consistent with best practice, recording PDLs at amortised cost using the Effective Interest Rate method. We are comfortable with the carrying value of the PDL portfolio

We are reducing the carrying value of our proprietary software system from 15 years to 10 years…

to reflect the speed of technological developments, achieve better alignment with benchmarked systems, and mitigate future balance sheet risk

As far as possible, we will align the performance metrics we present from 1H17 with industry participants…

to enable easier and more accurate comparison on performance and to increase transparency

PDL book: portfolio overview

Positive signs within the Repayment Arrangements and Litigated Account Portfolio:

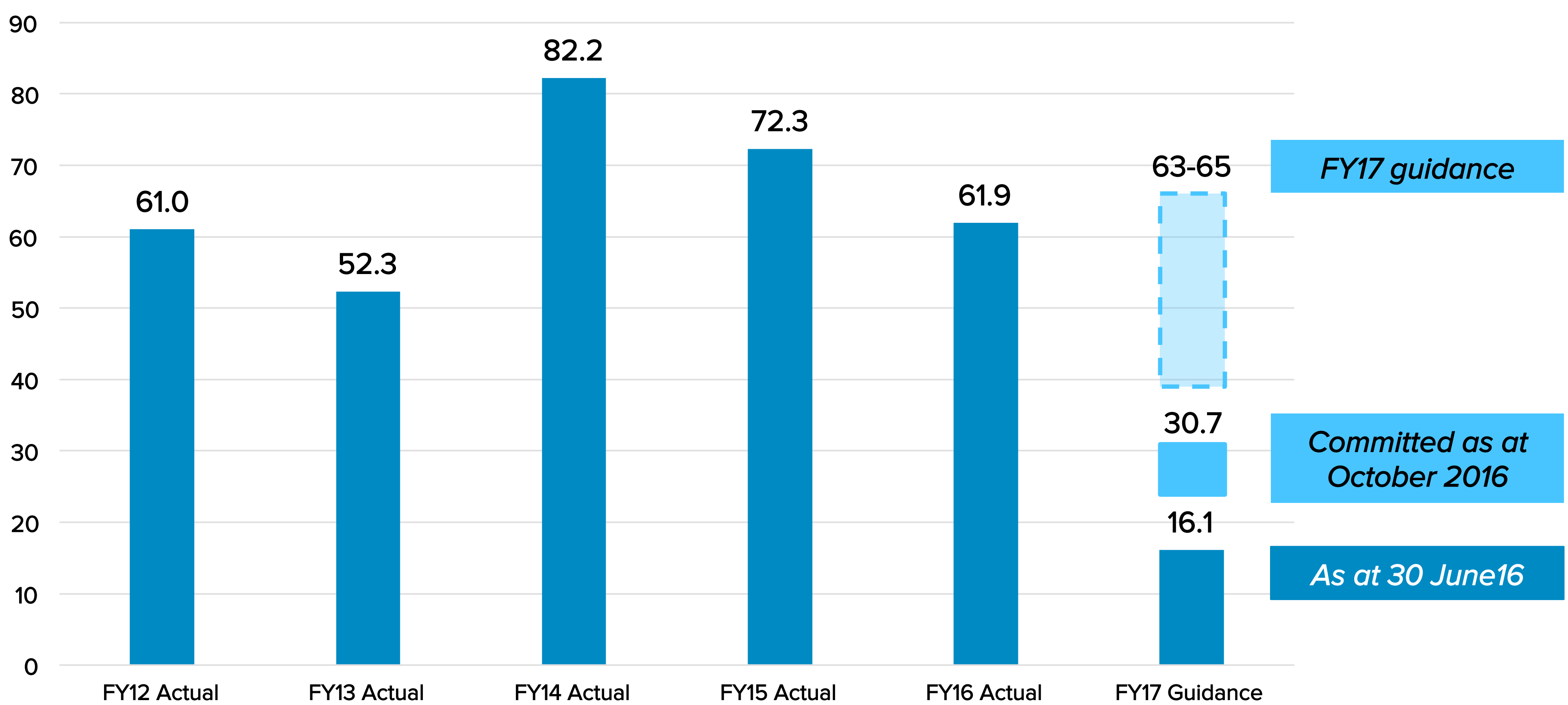
- Average balance has been trending up over time
- Percentage of overall PDL collections under arrangement has been trending up over the past five years

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
Average balance	$6,542	$5,534	$5,703	$4,934	$5,725

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
Average balance	$6,683	$6,667	$6,922	$7,073	$7,286
% of PDL collections	64%	69%	71%	70%	77%

PDL book: investment and pipeline

PDL acquisitions ($m)

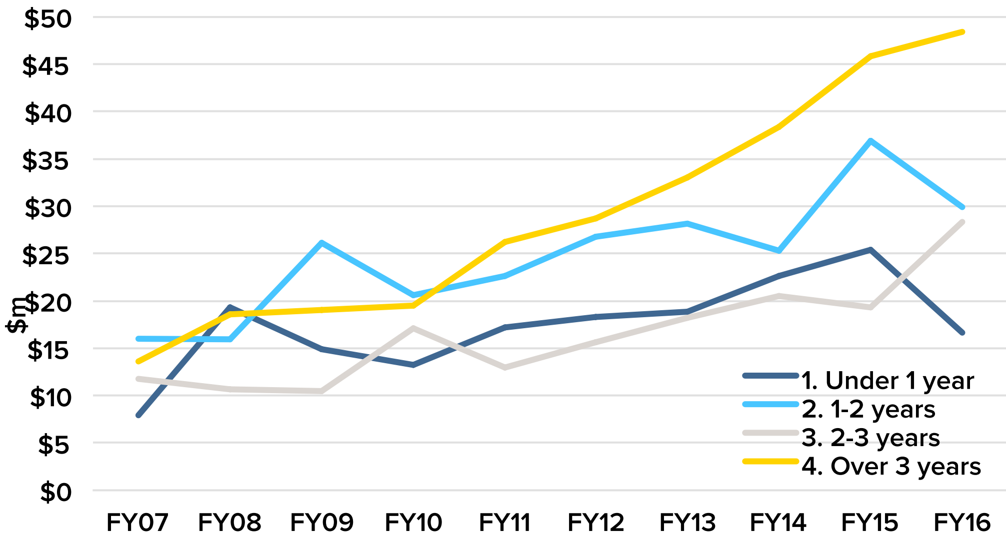


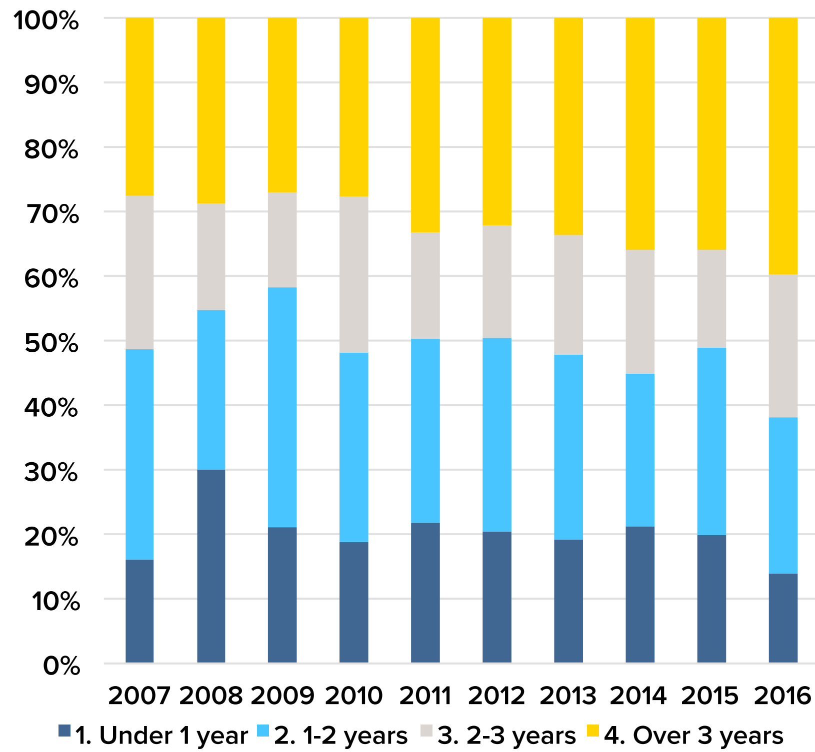
PDL book: liquidation rates over time

PDL collections by vintage

We continue to extract more value out of our book, with a demonstrated ability to continue to liquidate older portfolios:

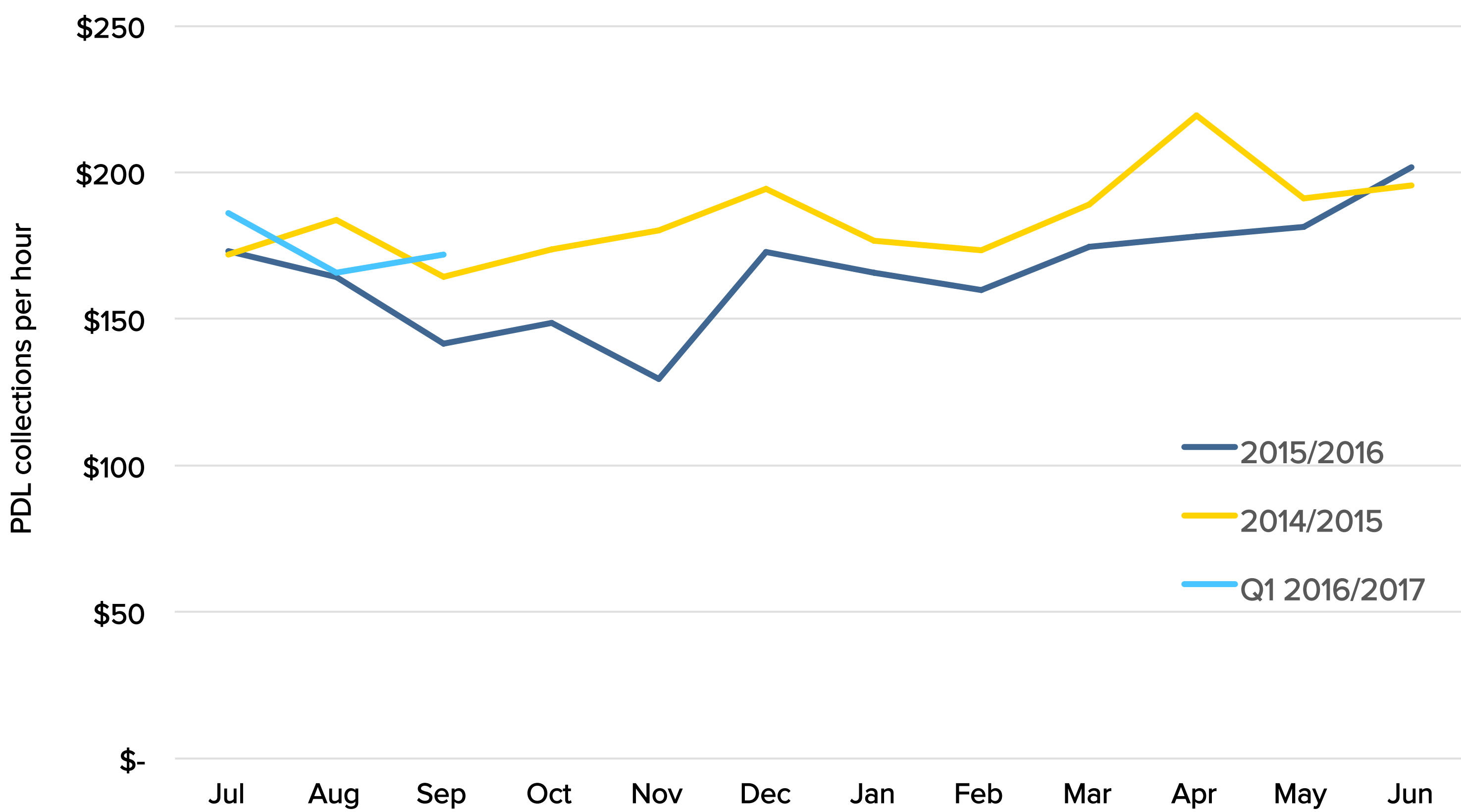
- 3+ year debt represented 40% of FY16 collections
- 2+ year debt exceeded 60% of FY16 collections





PDL book: productivity metrics

PDL collection staff productivity



Includes direct collection staff and team leaders

FY15 average:
$184 per hour

FY16 average:
$166 per hour

1Q17 average:
$175 per hour

FY17 target:
$195-$205 per hour

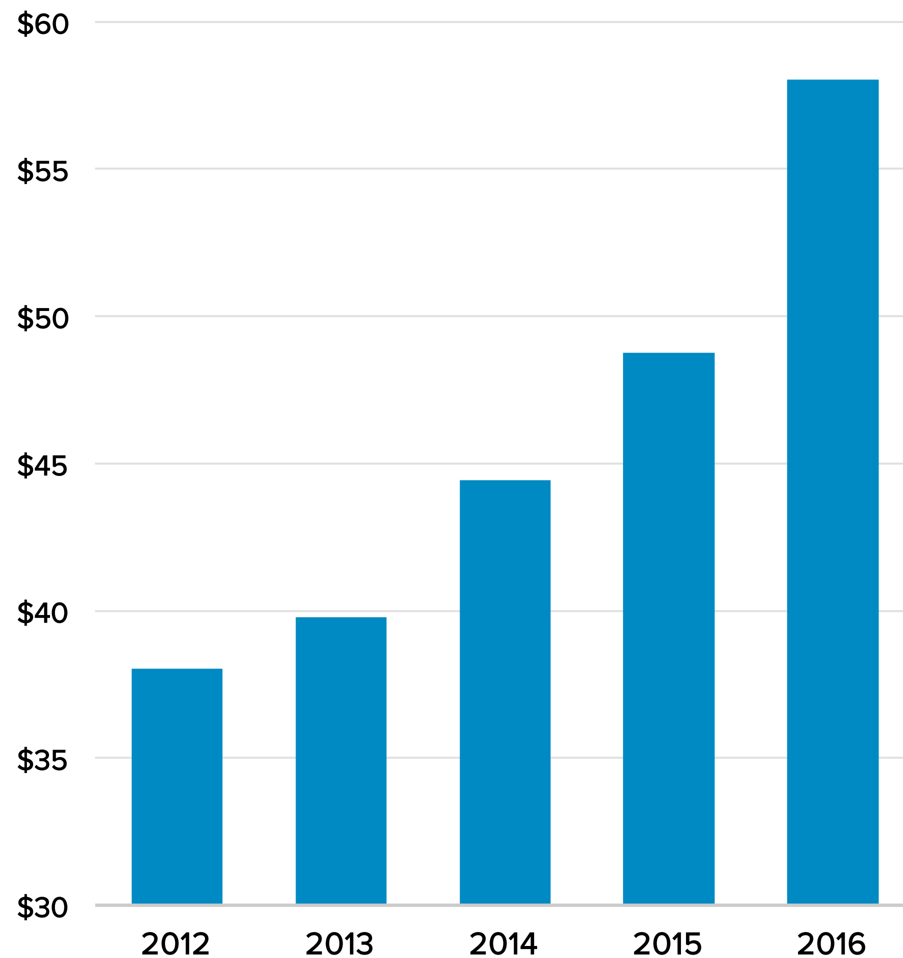
Collection Services segment

Revenue from the Collection Services segment has continued to grow over the past five years, up to $58 million in FY16

Initiatives commenced in 1Q17 are designed to grow this segment, including implementing a new salesforce and process review opportunities (enhanced skip tracing, segmentation strategies, field services, new contact centre technology)

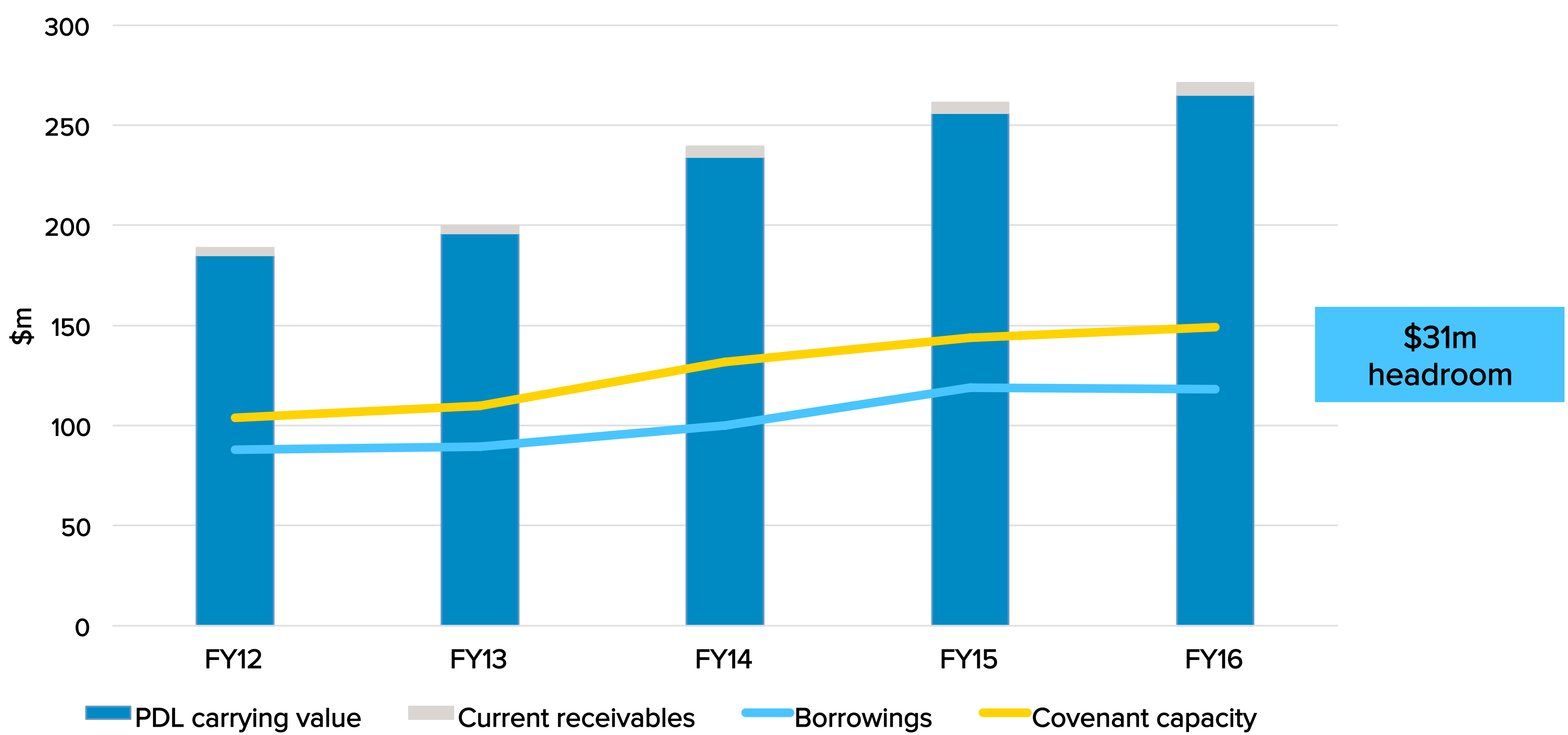
Diversification remains a key risk mitigation strategy for the Group: growth in the Collection Services segment – across commercial, government and insurance agency collections – improves overall Group potential

Collection Services revenue ($m)



Funding

- Significant covenant headroom remains
- $125m facility was renewed in June 2016, with extension to January 2020



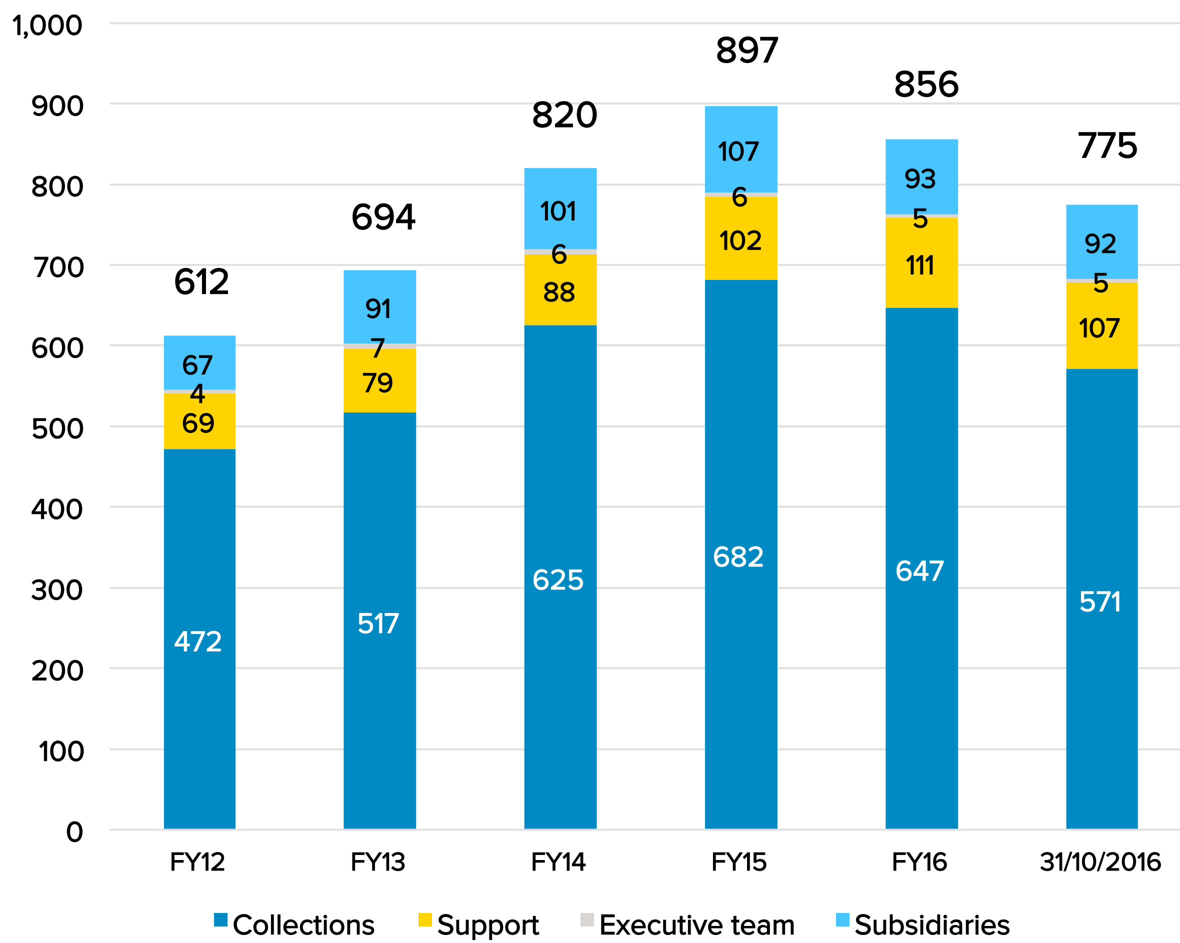
Employee numbers

Employee numbers reduced in October largely due to efficiencies realised from the new contact centre technology

Of collection staff, 273 work in Lion Finance (PDLs), 254 in Collection Services, and 44 across the other divisions (as at 31/10/16)

In addition, as at 30 Sept there are 111 employees in the Philippines, 78 of which are in collections

Full time equivalent staff



The two year plan

Phase 1: By December 2016

Complete cost saving and efficiency review

Continue to review and improve PDL pricing strategies

Complete pilot of new call centre technology

Complete Manila transformation

Secure first clients for **CLH Business Services**

Secure first clients for **Safe Horizons**

Phase 2: By June 2017

Realise performance improvement from new staff training model matching individual needs to specific skills training

Achieve PDL collections per hour $195 - $205 per Account Representative

Implement and achieve cost savings identified

Phase 3: June 2018 onwards

Leverage existing capabilities into new verticals

Achieve further diversification and income streams

Collections per hour $225+

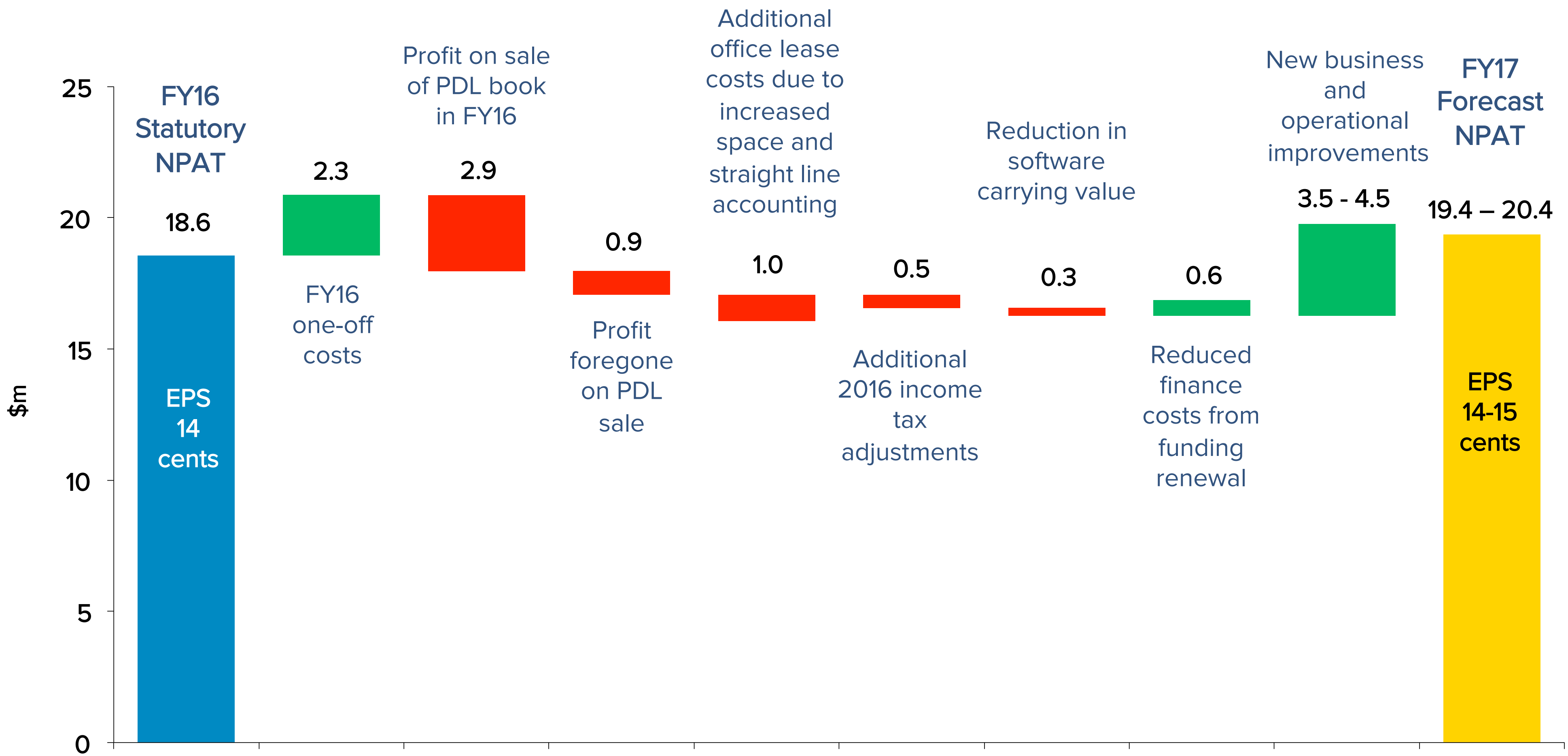
Sustained growth in EPS

Restore and exceed historical margins (EBIT and NPAT)

Outlook

- There are some headwinds, but confident these have been identified and rectification plans in place
- Solid progress made on key priorities
- Sharp focus on improving operational efficiency and productivity in our core business
- Unwavering continued commitment to ethical and compliant practices
- PDL market still competitive but we're actively participating
- New technology and collections productivity improvements will assist competitiveness – we have been successful on a number of bids already
- New business lines expected to produce positive NPAT results in FY17

FY17 guidance



- FY17 first half performance expected to be in line with 1H16
- Operational improvements will have more impact on second half result, FY16 second half lifted by debt sale profit


Collection House
Group