Collection House Group

ASX ANNOUNCEMENT

27 February 2019

Collection House Limited 1H19 results

Collection House Limited (ASX:CLH) is pleased to release 1H19 results in line with expectations, and maintains full year guidance.

Total revenue for the Group was $66.0 million, an increase of 4% compared to the six months to 31 December 2017. The consolidated Net Profit After Tax (NPAT) was up 3% at $8.5 million for the 6 months to 31 December 2018 (31 December 2017: $8.2 million).

1H19 Highlights:

- Revenue $66.0 million, up 4% on pcp
- $8.5 million Equity Investment in Volt Corporation Ltd (Volt), the holding company of Australia's digital bank, Volt Bank Ltd (Volt Bank)
- Acquisition of New Zealand-based Receivables Management (NZ) Limited (RML) for a total cash consideration of NZ$14.1m (approx. A$13.4m)
- Net Profit After Tax (NPAT) $8.5 million, up 3% on pcp
- Underlying Net Profit After Tax (NPAT) $8.7 million, up 2% on pcp
- Earnings Per Share 6.2cps, flat on pcp
- Dividend Per Share 4.1cps,
- Dividend Reinvestment Plan (DRP) at 2.5% discount
- FY19 Earnings Per Share guidance maintained at 19.2 – 19.5cps, or 15.2 – 15.5cps excluding PEP transactions

The results were marginally better than the previous corresponding period, but we are expecting solid progress in the second half. The relatively flat group result belies a good performance from Lion finance, our PDL division, which reported better metrics across the board. We reported improving Collections, resulting in solid revenue growth and better margins. In addition, we are seeing good improvements in the quality of PDL purchasing and strong growth in customers moving to repayment arrangements, which is better for both them and our shareholders.

Anthony Rivas, Managing Director and CEO said "in the last six months we have made considerable operational progress. We are not yet satisfied with the group profit performance but improving cash collections from a lower cost base is now having the desired effect, with a strong divisional performance from Lion Finance. Our job is to hit all the right notes at the same time and we are confident that Collection Services will make a more meaningful contribution in the second half."

"We are particularly pleased with the growth in the Arrangement book and we look forward to working with our new colleagues at RML to build on their success in New Zealand. Our investment in Volt Bank is tremendously exciting and goes to the heart of the changing role that our business plays in the life of those who are looking to financially rehabilitate. We look forward to working with the expectational talent in Volt to bring to the Australian market products that will better service the needs of this community."

Collection House Limited
Level 12, 100 Skyring Terrace
Newstead QLD 4006 Australia
p. +61 7 3292 1000
f. +61 7 3832 0222
PO Box 2247
Fortitude Valley BC QLD 4006

Collection House Group

Chairman Leigh Berkley added "in 1H19 we continued to expand the business with quality PDL purchases, help our customers and increase shareholder value. We welcome our new colleagues at RML into the Collection House family, and we are excited at the potential benefits our relationship with Volt will bring to our customers. We look forward to updating you further on all of these initiatives as the year progresses."

Purchased Debt Ledger (PDL) Segment

The Purchase Debt Ledger segment reported revenue of $34.0 million, up 12% on 1H18.

PDL collections were up 9% to $55.1 million, which means the last 12 months has been the best period since FY16.

Continuing to build on the improvement in 2H18 the Company reported $431 million of active repayment Arrangements, up from $320 million at the end of 1H18. We expect this improvement to continue.

The market pricing for PDL portfolios remains competitive but rational and we expect $87 – $92 million in purchases in FY19, of which $78 million has already been committed by forward flow agreements and purchases already made, compared to $62 million at the same time last year.

Collection Services Segment

Collection Services reported revenue of $32.2 million, down 3% on 1H18. The productivity improvements implemented were offset by some client revenue being deferred in the first half, but much like last year when we suffered from some seasonal weighting to the latter half, we expect to report this revenue in 2H19.

Consequently, although the half year segment result was lower than in 1H18, the second half will see a significant improvement, and we expect the full year result to be in line with, or above FY18.

ENDS

For more information please contact:

Kristine May, CFO & Company Secretary
Email: kristine.may@collectionhouse.com.au
Ph: (07) 3292 1015