

# **ASX** ANNOUNCEMENT

# 27 August 2021

Market Announcement Officer Australian Securities Exchange Limited Level 4 Stock Exchange Centre 20 Bridge Street SYDNEY NSW 2000

Dear Sir/Madam

# Collection House Limited (ASX Code: CLH) - Appendix 4E Final Report

Collection House Limited ("the Company or "the Group") (ASX: CLH) today released its Appendix 4E Final Financial Report for the year ended 30 June 2021.

## **Highlights**

- Consolidated Net Loss after Tax (NLAT) of \$32.0 million (2020: NLAT of \$145.1 million)
- Earnings for the year included non-recurring restructuring and transaction costs of \$8.0 million and non-recurring, non-cash adjustments against asset carrying values of \$8.6 million. Underlying loss for the year was \$15.3 million reflecting subdued service income largely due to COVID-19
- 24% reduction to Group overhead costs
- Closing gross assets of \$146.1 million (2020: \$343.9 million) and net assets of \$39.8 million (2020: \$73.1 million)
- Gross PDL asset sale proceeds of \$157.7 million applied in immediate reduction to senior debt
- Senior debt reduced to \$51.1 million and refinanced for a further three years.



## **Collection House Limited**



The financial year ended 30 June 2021 saw the Group complete its first six months of trading under its reimagined customer centric, service focused strategy. The Company fundamentally transformed its operating model and its capital structure and has now embarked on a multi-year transformation journey that will deliver sustainable value to the Company's shareholders and stakeholders.

The Company intends to become the pre-eminent provider of debt collection services, in all of its markets, based on a foundation of delivering better customer outcomes through market leading customer experience. To achieve this objective, Collection House has reassessed how debt collection can be done better and has re-focused its operations around four foundational principles: customer, conduct, service, and impact. Execution of this transformation strategy was undertaken while continuing to provide the highest standards of service to clients and customers during a period of substantial disruption caused by COVID-19.

## **Financial performance**

The underlying operating loss for the year was \$15.3 million. Collection Services (now the Group's primary operating segment) revenue was down \$8.8 million (14%) on the previous corresponding period because of continuing collection restrictions during the COVID-19 pandemic. Collections were lower than the previous corresponding period and federal, state, and local government opportunities have been significantly restricted. Importantly however, the Group is positioned for a swift organic improvement in revenue and profitability, as collection restrictions associated with COVID-19 are relaxed moving forward. Revenue from the Group's remaining PDL assets (predominantly in New Zealand) was in line with expectations.

Difficult market dynamics also impacted the purchased debt sector during the year with significantly lower volumes of debt available for purchase and in the company's view, unsustainable prices being paid. The Company evaluated a number of debt purchasing opportunities during the period, but prices have been prohibitive. Until more sustainable market conditions return to the purchased debt market, the Company will continue to evaluate opportunities and proceed cautiously. The Company continues to pursue a co-investment approach to purchased debt assets, which will see it invest a substantially

#### **Collection House Limited**





lower level of the Group's capital and generate a higher return on equity.

Year on year, the Company has reduced annualised group overheads by 24%. The Company systems and processes can be efficiently scaled to support significant future growth in both the contingent collection and purchased debt segments.

The underlying operating loss of \$15.3 million noted above is derived by taking the Statutory Loss before Tax of \$31.9 million and deducting one-off non-recurring restructuring and transaction costs of \$8.0 million, and one-off non-cash asset related accounting loss adjustments of \$8.6 million.

## **Capital Management**

The Company's strategy of becoming a capital light provider of credit management services continues. As at 30 June 2021, cash on hand was \$7.3 million and total senior debt was \$51.1 million, maturing in January 2024. Refinancing of the Group's senior debt in December 2020, reflects a strong level of confidence in the Company's long-term prospects and support for its new customer focused operating strategy.

## Outlook

Client relationships remain strong, as Collection House has continued to provide support in difficult market conditions. The market has responded positively to the Company's transformation initiatives and customer experience focus, with high levels of client engagement as we explore how we can serve our clients and customers more effectively. The Company has retained all of its key client contracts and secured significant new client opportunities that will result in an improvement in underlying revenue.

The Company expects activity levels within the first half of FY22 to remain subdued but is hopeful that market dynamics will stabilise in the second half as Australia, New Zealand and the Philippines execute their COVID-19 vaccine rollout programs and move toward a greater level of economic and social stability.

CLH has largely eliminated the financial risk associated with its historical purchased debt assets, substantially reduced its debt levels, and greatly simplified its business model. At



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the same time, it has retained its best-in-class capabilities of people, systems, and processes, allowing it to provide end-to-end receivables management services to clients and customers under either contingent collections or purchased debt frameworks.

Due to the sale of the Group's purchased debt assets, the Group has net tax losses of \$65.8 million, \$56.4 million of which are carried on balance sheet as a deferred or current tax asset. These losses will offset the Group's taxable income over the short to medium term, further improving the Company's economic outlook.

Collection House's Chairman Mr Leigh Berkley said, "The last year saw an unprecedented level of change implemented across the organisation. The Directors recognise and appreciate the exceptional ongoing commitment and contribution of the Collection House team, as it brings to life our revised purpose and strategy. We are acutely aware of the difficulties encountered by our people, our clients and our customers due to COVID-19. We also recognise the substantial impact on short term earnings and shareholder value as a consequence, but remain confident that this strategy will create a more sustainable and stronger business for the future."

Chief Executive Officer Mr Doug McAlpine said, "Collection House has made the important decision to fundamentally transform its business model and establish itself as the preferred provider of customer centric receivables management services under both contingent and debt purchase models. Feedback from clients and customers around these changes has been very encouraging and we are excited about the growth opportunities that our customer centric approach will create for the Company moving forward."

This announcement was authorised to be provided to the ASX by the Company's Board of Directors.

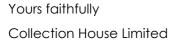


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