# ASX ANNOUNCEMENT

**Media Release: Collection House Limited ("CLH") 30 June 2017 Profit Result**

24 August 2017

CLH has announced a $17.4 million after-tax profit, down 6% from the previous year, representing 12.8 cents per share. The final dividend of 3.9 cents fully franked remains unchanged.

**FY17 Results Key Points:**

- Reported NPAT of $17.4m (FY16: $18.6m) -6% on previous corresponding period ('pcp')
- Underlying NPAT of $19.9m (FY16: $17.8m) +12% on pcp
- Revenue of $133.4m (FY16: $132.7m) +1% on pcp
- Statutory EPS of 12.8 cents (FY16: 14.0 cents) -8% on pcp
- Underlying EPS of 14.7 cents (FY16: 15.7 cents) -6% on pcp

CEO Anthony Rivas cited a $1.7 million after-tax computer software write-down as the primary reason for the decline in statutory profit.

However, he is upbeat about the company's future growth prospects following the introduction of new technology that enables a deeper analysis of customer behaviours.

"We now have the tools to look closely at our customer's financial position and negotiate a mutually rewarding outcome that enhances the quality of the company's debt ledgers by restoring the creditworthiness of individual customers", Mr Rivas said.

Chairman Kerry Daly added "Tilting the business from a pure debt collector to a service provider focused primarily on resolving the customer's financial difficulties delivers benefits to both parties".

"We rely more on empathy rather than the detached indifference of the traditional debt collection model and by doing this we build a stronger business for shareholders by establishing a deeper and lasting relationship with many people previously considered not creditworthy", Mr Daly said.

Mr Rivas stated that the business will focus on continued employee productivity improvement by matching staff training activities with specific customer needs to support sustained earnings growth.

After rigorous analysis it has been deemed prudent to increase the PDL amortisation rate to 46% up from 43%, for the 2018 financial year.

This will result in an approximate $2.3 million after-tax increase in amortisation expense for the 2018 financial year.

The board recently carried out a similar assessment of computer software after which it was decided to increase the software amortisation rate by reducing estimated useful life from 15 years to 10 years from July 2016. The full year cost of this change in amortisation policy is $0.6m after-tax, including the accelerated write-off of specific software components.

Mr Rivas also referred to the company's higher amortisation rate of debt ledgers and accelerated write-down of existing computer software development costs, commencing from the current financial year. "This is a reflection of the company's prudence in determining values attributed to key assets", he said.

These amounts have been taken into account in determining 2018 earnings guidance.

"Although a solid year across the company, many of the changes implemented in FY17 are only starting to bear fruit in the current period and we look forward to FY18 with confidence," Mr Rivas said.

"We are targeting $63m - $65m of PDL purchases in FY18 and are tracking well to this target with 57% already committed to date", he added.

We expect to report FY18 NPAT in the range of $19.0m - $19.7m, equivalent to earnings per share of 14 - 14.5 cents.

ENDS

*For more information please contact:*

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

# Collection House Group - Overview

Debt collection and receivables management for third parties

Debt purchasing and recovery

Legal services including insolvency administration

Tailored debt collection services, specialising in Local Government

Nationally recognised training provider in financial services and leadership

Customer service outsourcing for third parties

Licensed specialist finance broker for the provision of credit

Provision of financial hardship services for third parties