ASX ANNOUNCEMENT

23 August 2018

Collection House Limited FY18 results

Collection House Limited (Group) ASX Code: CLH, is pleased to release FY18 results in line with previous guidance and expects to report further growth in FY19.

Total revenue was $143.9 million, an increase of 8% compared to 30 June 2017. The consolidated Net Profit After Tax (NPAT) was up 50% at $26.1 million for the 12 months to 30 June 2018 (30 June 2017: $17.4 million).

FY18 Highlights:

- Revenue $143.9 million, up 8% on pcp
- Successful execution of the transaction with Balbec Capital LP ("Balbec"), announced in May, resulting in $19.5 million of accelerated cashflow and a net profit of $6.7 million, as part of our Portfolio Enhancement Programme (PEP)
- Net Profit After Tax (NPAT) $26.1 million, up 50% on pcp
- Underlying Net Profit After Tax (NPAT) $20.1 million, up 10% on pcp
- Earnings Per Share 19.2cps, up 49% on pcp and above guidance of 18.0 - 18.5cps
- Earnings Per Share (excluding the Balbec transaction) 14.8cps, in line with guidance of 14.5 – 15.0cps
- Dividend Per Share 7.8cps,
- Dividend Reinvestment Plan (DRP) at 2.5% discount
- PDL acquisitions $81.3 million in line with guidance $80.0 – 84.0 million
- FY19 Amortisation rate increased from 46% to 48% as previously announced
- FY19 Earnings Per Share guidance of 19.2 – 19.5cps, or 15.2 – 15.5cps excluding PEP transactions

The FY18 results showed continued progress evidenced by the fact that, even with the adoption of a more conservative PDL amortisation rate, profit growth has been achieved. On an Underlying (like-for-like) basis, NPAT grew by 10%, excluding the profit on the Balbec transaction announced in May as part of our Portfolio Enhancement Programme (PEP) which provides a new source of capital that was immediately reinvested at higher returns.

Anthony Rivas, Managing Director and CEO said "We are particularly pleased with the second half performance and this gives us confidence that further growth will be achieved in the year ahead. We continue to cycle through some historically low PDL purchasing in 2015/16 and some of the initiatives we are most excited about, particularly the Interactive Debt Collection Portal, are still in their infancy. However, with confidence in our analytics, we have been a more aggressive acquirer and in the last 12 months have purchased 39% more PDLs than in the prior 12 months. In addition, our Interactive Debt Collection Portal has already reached $8 million in annualised cash collections, just six months after launch."

Chairman Leigh Berkley added "it is our intention to be early adopters of technology and to be innovative in our utilisation of capital. In FY19 we expect to further improve the business, enhance customer outcomes and increase shareholder value."

Purchased Debt Ledger (PDL) Segment

The Purchase Debt Ledger segment reported revenue of $75 million, up 16% on FY17. This included a $10.1 million contribution from the transaction with Balbec, providing a useful new source of capital that was immediately reinvested at higher returns. We will continue to manage these customers but in freeing up our capital we can purchase new PDLs, where our customer management skills and processes can have more impact, without expanding our borrowings through debt or equity.

PDL collections were up 22% to $126.8 million, with the second half showing particular improvement at $56.8 million (+9% pcp excluding the Balbec transaction).

Turning around the previous trend, the Company reported $335 million of active repayment Arrangements, up from $317 million at the end of FY17. We expect this improvement to continue.

The market pricing for PDL portfolios remains competitive but rational and we expect $77 – 82 million in purchases in FY19, of which $44 million has already been committed by forward flow agreements and purchases already made (against $36m for the pcp).

Collection Services Segment

Collection Services reported revenue of $69 million in FY18, up 2% on FY17 with a similar improvement in EBIT to $12.9 million (normalised). The productivity improvements implemented were offset by some client revenue being deferred and some new client set up costs in the first half, but the benefits were apparent in the latter part of the year.

Consequently, although the full year segment result was flat, the second half performance was improved, with revenue up 3% and normalised EBIT up 10% on the same period last year. This was in line with our expectation, and we expect further growth in FY19.

The ThinkMe Finance and Safe Horizons businesses have been reclassified from Collection Services to the Purchase Debt Ledger segment during the period, since most of the revenues from these divisions came from PDL accounts.

We continue to take a measured view in expanding the ThinkMe Finance business with more details to be provided during the Annual General Meeting.

Board Recruitment

Heidrick & Struggles have undertaken a rigorous recruitment process to source high calibre non-executive directors, and an announcement will be made imminently.

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