

ASX ANNOUNCEMENT

3 November 2021

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

Dear Sir/Madam

2021 Annual General Meeting CEO Presentation

Thank you Leigh. My name is Doug McAlpine and I am the Chief Executive Officer of Collection House. I would like to share with you some of our successes and challenges over the last year, and provide some insight into focus areas for the coming 12 months.

At the last meeting, we highlighted that the next few reporting periods would remain challenging and there was a large program of change required to set the Company on a path of sustainable growth. I am proud of the progress we have made over the last twelve months in building a better version of our business. Our vision of a reimagined Collection House is one that delivers sustainable value for shareholders but also makes a genuine difference to our customers and a wider contribution to society.

That being said, I am extremely conscious that the Group's reported results for the period to 30 June 2021 are disappointing and do not reflect the level of economic recovery that

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we had originally hoped for last financial year. Because COVID-19 has continued to hamper social and economic recovery, the fundamental improvements made to the business over the past twelve months have not yet translated to improved financial performance.

I will provide some further insight about that, but for new shareholders attending today, let me first spend a few minutes providing some background to the Company.

Who is Collection House

Collection House is one of Australia's largest and most respected end-to-end receivables management companies. For over 25 years, the Group has developed deep customer service capabilities and world-class systems that enable it to provide practical, customer focused and cost-effective solutions in collections, credit management and customer care.

We operate in three main markets, Australia, New Zealand and the Philippines and have the ability to support clients globally.

Collection House has two business units. Our Collection Services operation is currently our primary operating segment. Through it, we collect debt and provide customer service and hardship assistance on behalf of our clients – who are banks, financial services companies, public utilities and government agencies. In the 2021 financial year, this business unit generated approximately \$56.3 million of service revenue that is low as a consequence of COVID-19 impacts. This business unit requires no material level of capital to grow.

Our secondary Purchased Debt Ledgers business unit acquires debt portfolios from debt originators, from which the Company retains all of the cash from collections. This business is higher risk and requires substantial capital to deliver consistent growth in earnings. While the earnings contribution from this business unit has substantially reduced over the past twelve months, we have retained our capability to value, acquire and collect on PDLs.

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Performance

We had hoped to see a return to more normal operating conditions in the second half of last year, but with Covid Delta outbreaks in all our operating markets, clients have imposed restrictions on our client contact. Significant proportions of our customer base on hold for the majority of the last year, particularly our public sector clients.

The underlying operating loss of \$15.3 million for the year reflected the reduction in Collection Services revenues as a result of COVID-19 restrictions, and only a relatively minor contribution from Purchased Debt Ledgers.

Month Trading Performance

This graph shows monthly revenue and EBITDA for the twelve-month period up to October 2021. This will not correlate exactly with our published financial results, but it paints a useful picture of the trend in the services business.

The trend of weakening commission revenue from the Collection Services business has flattened and we expect will now start improving. We conservatively estimate that the existing client portfolio has underlying revenue-generating capacity on a normalised basis of approximately \$65M per annum, and hopefully we are on the way back to that level as client restrictions are lifted.

We are confident that our Business Development strategy in the Collection Services business can produce double-digit annual growth under normal operating conditions. Although not reflected in our last 6 months' revenue, the Company has secured several new client service contracts, which will also meaningfully improve revenue in the future.

The Company's cost structure, in particular overhead costs, has been significantly reduced year-on-year, and as you can see, they are now stable and provide a solid platform for

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strong future revenue growth. We are executing an office space subleasing strategy that will further reduce fixed overheads through leveraging savings from remote working.

Purchased debt markets

The hypothesis we made a year ago regarding the outlook for purchased debt markets seems to have been generally correct. Supply is short, prices are high and regulatory surveillance and compliance responsibilities continue to increase.

We will participate in this space through a co-investment strategy that will see us invest a substantially lower level of the Group's capital and generate a higher return on equity. A number of co-investment partners remain interested in the sector in the medium to long term, but are not motivated to deploy capital at present in light of current market conditions. However, we continue to be their preferred servicing partner for this market and have jointly evaluated and bid on several opportunities over the last 12 months.

Our decision to retain the NZ PDL portfolio was the right one, as that book has performed well due to a strong arrangement bank and our focus on customer support during COVID.

Organisational Strategy

Further to Leigh's address, I would now like to make a few additional comments about our strategy. It is important to recognise that Collection House has operated for many years with customer-focused teams, a best-in-class technology platform and a strong governance track record. What we have done in executing our new strategy is amplify these capabilities, and more clearly demonstrate how they address client and customer need post royal commission and during COVID.

Our Strategic Foundation and Direction

The Board and management have established a clear, renewed organisational purpose that is, to **Reimagine how debt is done. Better.**

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This is not only the right thing to do, but is now the minimum standard of organisational behaviour and performance required by clients and customers post the financial services Royal Commission and in light of the challenges presented to customers through COVID - 19.

Our Values

In conjunction with redefined organisational values, this vision will align and challenge our people to:

- create better customer experiences every day
- providing better technology and process solutions
- build deeper relationships with each other, our customers, our clients and the wider community.

Our purpose will be achieved through focus on four foundational principles that underpin day-to-day operational execution.

Strategic Foundations

Customers

Collection House will put the customer at the heart of everything we do, and provide empathetic and compassionate support, particularly to those customers experiencing vulnerability and hardship. Improvement in customer satisfaction and net promoter scores will measure our effectiveness in delivering industry leading customer experience.

We will invest in the right tools to create effective, human-centred engagement with our customers and clients. We are excited to be shortly launching our Customer Experience Charter, which will publicly set out the service promises our customers can expect in every interaction with us.

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Conduct

We undertake our work with the highest standards of compliance with our regulatory obligations, but also manage reputational risk for our clients and ourselves.

Debt recovery practices are, and will continue to be, under scrutiny by regulators and our clients who rightfully demand a more empathetic approach to supporting customers. We will exceed statutory requirements and deliver solutions that match customers' unique circumstances. We will continue to enhance our governance and compliance systems and controls to remain best in class through promptly addressing customer feedback and implementing controls to eliminate the risk of compliance or regulatory breaches.

Service

We are a service business, and we serve customers through long-term partnership arrangements with our clients. We will be the first choice for our clients by delivering innovative processes and human-centred design solutions that align with their brand specific customer service objectives. We must perform better than our competitors and will measure our success by being in position one on every service panel in which we operate.

There are two fundamental elements of our service strategy:

Our people

Our teams continue to be resilient and tenaciously focused on supporting our customers and clients during these tough times.

During the period, the Company continued to make substantial investment in adult learning and development, and enhanced technical training on communication and compliance. Creating pride in the Collection House brand and delivering an industry

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leading employee experience is fundamental to creating a culture and team aligned to the Company's vision.

Our technology

We see technology as a critical enabler to deliver our customer experience objectives, and will continue to invest in our digital strategy and technology platforms.

The Company continues to maintain and develop world-class systems that are unique in their ability to support end-to-end receivables management across a range of product types for a range of customers. We have had industry-leading customer facing collection portals in market for nearly 5 years and are constantly working to deliver improved customer experience through the next stage of development. Our strong digital capabilities are backed by a high touch, high care approach to customer engagement. In our view, an omni-channel customer engagement approach is the only effective model to empathetically and effectively support a large cross section of customers, particularly those experiencing vulnerability and hardship.

We are also strengthening our data analytics approach and capability to provide improved productivity and deeper insights for our contingent collection clients.

Impact

Lastly, but perhaps most importantly, Collection House has an important role to play in serving clients and customers, while also ensuring we are making a positive impact in the communities we serve.

Financial inclusion is an important global sustainability principle, and it overlaps directly with the work Collection House does daily. Financial inclusion is the availability and equality of opportunities for people to access useful and affordable financial products and services that meet their needs. Working with our customers to develop sustainable

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solutions to manage outstanding debt is instrumental in advancing the principle of financial inclusion.

Over time, we will measure our ability to engage our people around impact, by encouraging deeper social and community contributions through volunteering and giving partnerships with other organisation that are aligned with our purpose and have the capabilities to provide deeper support to our customers who are experiencing financial exclusion.

Outlook

Over the past two years, the Company has fundamentally transformed its operating model and capital structure and commenced a multi-year transformation journey that will deliver sustainable value to shareholders and stakeholders. The Company has substantially reduced debt levels and continued to enhance its service capability through greater focus on the customer and further investment in people and systems.

Commercial Outlook

The Company continues to evaluate strategies to further reduce debt levels and improve its liquidity position. The Company is currently undertaking a further stage of non-core asset sales to further improve its short-term liquidity position, as we navigate what will hopefully be the final six months of commercial disruption caused by COVID-19.

We expect activity levels within the first half of Financial Year 2022 to remain subdued, but we are hopeful that market dynamics will stabilise in the second half as Australia, New Zealand and the Philippines complete their COVID-19 vaccine programs and move toward a greater level of economic and social stability. While we acknowledge the ongoing frustration of weak short-term earnings, we are confident that the transformation we are implementing across the business is creating sustainable long-term value.

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None of this would be possible without the ongoing support of you, our shareholders and the guidance, commitment and resilience of the Board, the Executive Team and all of our people. Management and the Board are working closely together to implement the transformation strategy that we believe will result in improved returns for our shareholders.

We are excited to play our part in fundamentally shifting the traditional perceptions of debt recovery with our human centred, customer centric approach to doing business with compassion and creating more sustainable value for all of our stakeholders.

-ENDS-

This announcement has been authorised for release to the ASX by the Company's Board of Directors.

Yours faithfully

Collection House Limited



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