ASX ANNOUNCEMENT

22 January 2021

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

Dear Sir/Madam,

2020 Annual General Meeting

Chairman's Address

My fellow shareholders,

2020 was a year of unprecedented challenges for everyone at Collection House, our clients and customers, and for you, our shareholders. From the outset, I would like to thank you for your forbearance while we have worked through extensive organisational changes to improve the quality of service we provide to customers, and to stabilise the business and re-set for future growth.

Before I introduce our CEO, Doug McAlpine, who will talk to you in more detail about the business, and our plans for restoring future revenue growth, I want to address the following topics:

- The factors leading to the Strategic Review we undertook from late 2019, and the results of that Review;

- The resulting effects on our Purchased Debt Ledger (PDL) assets and the financial and operational performance of the Company;
- The recapitalisation we've completed, which has now stabilised the business and positioned it for future growth; and
- Our plans to restore revenue growth and profitability as soon as possible.

Stakeholder feedback in 2019 and the Financial Services Royal Commission clearly highlighted to us that expectations were changing among our clients, from whom we receive debt portfolios, and our customers, the account-holders. Our previous strategy of using legal action and, at times, bankruptcy to recover PDL debts, was clearly within our regulatory obligations. But it was equally clearly at odds with the evolving expectations of our clients, customers and the broader community.

So the Strategic Review we undertook between late 2019 and early 2020 resulted in the adoption of a more flexible and compassionate collections approach, with greatly reduced levels of legal action and no bankruptcies initiated since the start of the Review in the PDL business. This means we are more closely aligned to community expectations, while helping our customers to regain greater financial control.

We are confident that our new collections approach will be instrumental in achieving future growth. We have made fundamental changes across the business that focus on developing a deeper understanding of the individual circumstances of each customer, and supporting those who are dealing with vulnerability and hardship. We have changed our recruitment processes, and put greater emphasis on building the skills of our people.

We are investing in technology that will improve the customer experience, and we have made significant changes to our systems and procedures, including a new portal for Financial Counsellors.

With these new foundations in place, we will continue to improve the ways we interact with our customers so that we provide them with a fairer and more compassionate service. I'm glad to say that this revised approach is already building closer relationships and new clients in a number of sectors.

The financial outcome of the Strategic Review was that, while the amount of money we collect from PDLs would not necessarily be reduced, it would take longer on average for our customers to repay their debts. This reduced the net present value of the PDLs, which was the main cause of the first write-down to the value of those assets on the balance sheet. That write-down in turn caused us to breach covenants under our existing senior lending facilities, which resulted in the standstill arrangement with the Banks, and a commitment to repay the majority of our senior debt facilities once the refinancing process was complete.

I want to be clear with you that, while the Strategic Review and resulting recapitalisation have been difficult and have impacted shareholder value in the short term, they were critical to the survival and future stability of Collection House.

In terms of financial performance, the bushfires in late 2019 and particularly the COVID pandemic from March 2020 have had a significant impact on the financial performance of our business and many others. I am very grateful to Doug, our management team and all of our people for the way they have worked tirelessly to help our clients and customers during these challenges, and to mitigate the effects on the Company. We were one of the first organisations to implement almost total remote working, including our call centre colleagues.

As a result, operational performance and customer payment arrangements actually held up well despite the challenges of the 2020 financial year, and the Company generated net operating cash flow of $65.3 million. The underlying FY2020 result, before impairments and non-recurring restructuring costs, was a profit of $16.2 million.

However, the accounting loss for the financial year was $145.1 million, which reflects the provisions against the carrying value of our Purchased Debt Ledger portfolios. The value of our PDL assets was written down at the end of the first half of the financial year, not because of Covid, but because we had adopted a more customer centric approach to collections. The accounting value was reduced again when the sale of the PDL assets was finalised, to line up with the value we received from that transaction. So all the write downs have been recognised in the 2020 results, giving us a clean start in FY2021.

Moving on to the recapitalisation, the Board explored a wide range of refinancing options. That involved discussions with more than 80 potential financiers from Australia and around the world.

Global credit markets have been disrupted by the economic impacts of COVID-19, which made our job of agreeing acceptable commercial terms much more challenging, and prolonged the process. Travel restrictions also made it impossible for

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international financiers to conduct due diligence in Australia in person, creating further delays.

These delays meant trading in Collection House shares was suspended for much longer than we would have liked. And while the refinancing discussions were underway, the Company's capital position and the Standstill Agreement with our banks also precluded the payment of dividends to shareholders. While I can assure you that the Board and management team put in tremendous efforts to finalise a refinancing in the best interests of the business and shareholders, these delays were disappointing and I can only apologise for the frustration they have caused to many of you. However, the final transaction was the best option available to us, in that it successfully recapitalised the Company, but also set the scene for future growth.

After examining all the options, the Board determined that selling the majority of the Company's Australian PDL assets was the most effective refinancing option. Borrowing from banks or other financiers would have been a more conventional path to take, but it was a very costly alternative in terms of funding costs and interest. If future collections on our PDLs were below expectations and resulted in less cash coming into the business, financing those PDLs with expensive debt would also have been a poorer outcome for shareholders in the long term.

Unfortunately, selling the PDL portfolios and the revenue streams that go with them has had an impact on shareholder value, as we have all seen since the Company's shares started trading again.

However, looking to the future, completing the refinancing in December 2020 has given Collection House a more sustainable capital structure. The Company has substantially reduced its debt levels and costs, creating greater certainty about its capacity to fund growth, so that we can start rebuilding future earnings and value for shareholders. It is also important to acknowledge that the refinancing has protected almost 800 jobs across the Group.

Now that the refinancing is complete, the Company has good growth prospects, and we are well positioned to generate future value for shareholders. The refinancing means we now have a business model that requires relatively little capital and has the potential to generate a good return on equity in the medium term.

However, your Board and management do recognise that a significant amount of work needs to be done to build for success, and to restore shareholder confidence and value.

In addition to some of our plans to increase revenues that Doug will cover shortly, we are in the process of identifying and securing a debt purchasing partnership which would allow the Company to start buying PDL portfolios again, as market conditions for the sale of debt improve. Such a partnership would mean much less of the Company's capital is put at risk to fund new PDL purchases to generate future earnings.

But we can only do all this with the right team.

The Board recognises and appreciates the huge commitment and dedication shown by the people of Collection House to make sure our services to clients and customers were never interrupted during a year of such great uncertainty. We are enormously grateful that they have been so willing to embrace the need for change. They have done so in spite of the challenges that the pandemic has posed, not only for the business, our clients and our customers, but for them personally. Seeing the capability and resilience of our people in action has been a real highlight for me in a year so full of setbacks and difficulties.

We are also grateful for the feedback that our clients, customers, financial counsellors and other stakeholders have given us about how we can improve the way we do business. The commitment of our people and the constructive input from stakeholders have helped us to transform our collections approach and positively re-position the business for the pandemic and beyond.

I would like to thank Doug McAlpine for an excellent performance in his first year as CEO, the resilient Collection House management team for all their efforts, and our very capable and experienced Board for their wise counsel and commitment throughout 2020. We have met weekly throughout the year, to guide the performance of the business as well as the critical work of restructuring, refinancing and repositioning the Company.

A review was undertaken after the end of the financial year to evaluate the Board's skills and make sure that we still have the right capabilities for the Collection House business. The review showed that the directors do have the requisite skills and experience the business needs to deal with the challenges ahead as we continue our evolution and growth as a Company.

Like every company, Collection House had to deal with COVID-19 and all of the disruption it caused during 2020. On top of that, our clients and customers are justifiably holding our sector to a higher standard of conduct. All of this has meant we have had to make dramatic changes to the business. We have done that because we believe it is doing the right thing for our customers and clients, and in time, we believe the changes will be the right thing for our shareholders.

In closing, I would like to thank you, our shareholders for sticking with us. I hope that we will be able to repay your loyalty with an improving share price and dividend payments as we return to profitability and growth with a more customer-focused approach and a more sustainable capital structure.

Thank You.

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

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