

# ASX ANNOUNCEMENT

23 February 2022

Market Announcements Office  
ASX Limited  
Level 4 Stock Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

## **Collection House Limited (ASX Code: CLH) – Recapitalisation Transaction**

Collection House Limited (“CLH” or “the Company”) has entered into a series of transactions (“the Recapitalisation”) which, when completed, will result in the Company being substantially debt-free.

The Recapitalisation provides the Company with a pathway to return the business to profitability, in line with the business turnaround initiatives set out below, and in conjunction with an expectation of improving trading conditions in the debt collection sector.

Since the repayment of a significant portion of senior debt in December 2020, the senior lenders have continued to support the Company as it implemented a substantial change program across its business, while supporting its clients and customers during a challenging COVID impacted trading period. The lenders have worked closely with the Company and its advisors to deliver a capital solution which will see CLH in a more sustainable financial position, allowing it to deliver critical receivables management and

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customer support services to a wide range of clients in Australia, New Zealand and the Philippines.

### Overview of the Recapitalisation

The Recapitalisation comprises a number of interrelated transactions:

- the Company has entered into a binding agreement to sell its New Zealand purchased debt ledgers (the "**NZ PDL Transaction**") to Credit Corp Group Limited ("CreditCorp") for a total purchase price of NZD \$13.0 million (approximately A\$12 million). The transaction is subject to customary closing conditions and adjustments and is expected to complete by the end of March 2022;
- CreditCorp has agreed to provide the Company with a short term working capital facility (the "**Working Capital Facility**") repayable upon the earlier of completion of the NZ PDL Transaction and 30 June 2022;
- CreditCorp has simultaneously agreed to acquire substantially all of CLH's outstanding senior debt – approximately A\$52 million (the "**Acquired Senior Debt**") from the Company's existing lenders, and has agreed to a standstill on the repayment of the Acquired Senior Debt; and
- Upon completion, the proceeds of the NZ PDL Transaction will be applied to repay the Working Capital Facility in full, and in part repayment of the Senior Debt. CreditCorp will then release the Company from the remaining balance of the Acquired Senior Debt.

Following the completion of the Recapitalisation, CLH will have approximately A\$9 million of net cash reserves (on a pro forma basis to unaudited 31 December 2021 accounts). The Company's only remaining senior debt will be a A\$6m facility secured on a limited-recourse basis against the Company's investment in Volt Bank Limited (the "**Volt Facility**"). CLH is actively exploring opportunities to realise this investment and expects to repay this remaining facility in the near future.

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CLH expects a progressive return to pre-COVID business activity levels over coming months, but anticipates that debt recovery activities will continue to be under close scrutiny by regulators. As a result, clients will continue to require a more transparent and empathetic approach to supporting customers having difficulty making debt repayments, particularly those experiencing vulnerability and hardship. Within this context, the Company believes that its customer centric business model is well positioned to respond to these dynamics and provide a platform for sustainable growth.

A stronger balance sheet will provide CLH and its clients with the confidence to continue to transform the way receivables management services are delivered. It also enables it to continue to pursue its organisational vision of serving its customers and clients better, and creating more sustainable outcomes for all stakeholders.

#### **Pro forma impact of the Recapitalisation**

Please note that the following pro forma financial information is indicative only and based on the Company's unaudited accounts for the 6 months to 31 December 2021. Balances as at 31 December 2021 are provisional and remain subject to audit review. The pro forma should not be interpreted as earnings guidance.

The likely effect of the Recapitalisation on the Company's consolidated total assets, total liabilities and total equity interests have been presented on a pro forma basis using the unaudited 1H 2022 results as though it occurred on 31 December 2021 and was included in the 1H 2022 unaudited results.

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Particulars A\$m	Unaudited balances as at 31 December 2021	Pro forma adjustment for NZ PDL Transaction See note (1) below	Pro forma adjustment for debt release / repayment See note (2) below	Unaudited balances as at 31 December 2021 with pro forma adjustment for the Recapitalisation
Total Consolidated Assets <sup>(3)</sup>	121.0	0.6	(17.3)	104.3
Total Consolidated Liabilities <sup>(3)</sup>	94.9	-	(51.8)	43.1
Total Equity <sup>(3)</sup>	26.1	0.6	34.5	61.2
Net Cash / (Debt) <sup>(3)</sup>	(52.9)	12.3	49.3	8.7

## Notes

(1) Pro forma adjustments to Total Consolidated Assets for the NZ PDL Transaction assume a sale of the PDL assets occurring on 31 December 2021 with sale proceeds of NZD \$13 million (assumes 1.07 NZD to 1 AUD) and associated disposal of the PDL assets of carrying value at 31 December 2021 of A\$11.4m. This results in a A\$0.6m pro forma adjustment to Total Equity (net of tax). The sale proceeds will be subject to completion adjustments to reflect collections undertaken by CLH in respect of the NZ PDL assets between 31 December 2021 and settlement, less an arm's length collection fee payable to CLH.

(2) Pro forma adjustments to Total Consolidated Assets for the debt release / repayment of the Acquired Senior Debt and consequential reduction of the deferred tax asset amount to approximately A\$15m. The pro forma adjustment to Total Consolidated Liabilities reflects the partial debt repayment and associated release by CreditCorp of the remaining Acquired Senior Debt. The pro forma adjustment to Total Equity is approximately A\$34.5m.

(3) As the pro forma adjustments to Total Consolidated Assets, Total Consolidated Liabilities and Total Equity are presented as at 31 December 2021, the above balances do not incorporate additional drawdown in borrowings which occurred since 31 December 2021 of A\$3.0m which

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form part of the Volt Facility. The pro forma adjustments also exclude restructuring costs in relation to the Recapitalisation of approximately A\$3.5m (pre-tax).

### **Business turnaround initiatives**

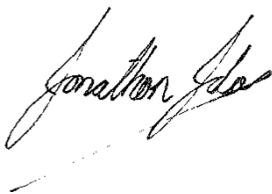
Although the Recapitalisation results in an immediate improvement to CLH's balance sheet, the Company continues to focus on revenue and productivity improvements in order to return the business to sustainable profit as a matter of priority. Our expectation of underlying recovery in the debt collection sector will assist in this recovery. However, the Company is also implementing a range of strategies to reduce its overhead cost structure across premises, technology and corporate costs. Further details on these initiatives will be included as part of the Company's results announcement on or before 28 February 2022.

The Board and Management are confident that the repositioning of the Company to a capital light, customer focused operating model provides a platform to better service our customers, clients and communities.

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

Yours faithfully

Collection House Limited



**Jonathon Idas**

Chief Legal Officer & Company Secretary

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## About 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 delivered world-class systems that enable it to provide practical, customer focussed and cost-effective solutions in collections, credit management and customer care. We do that through first party and third party contingent collection arrangements and outsourced support style contracts. We retain the organisational capability to value and manage purchased debt portfolios for ourselves and others.

We are a purpose-driven organisation that aspires to help both businesses and individuals improve their financial positions. We seek to lead positive change within the financial services sector and have greater social impact in the communities in which we operate, through collaboration with a range of community partners that share our desire to champion financial inclusion for all.

We have challenged ourselves to reimagine how we can take our experience in the receivables management sector and apply it to support clients and customers through creating best in class solutions across voice, digital and traditional engagement channels. These technical capabilities are supported by a philosophy that genuine care for our customers requires deep human connection. Our strong digital capabilities are backed by a high touch, high care approach to customer engagement which is particularly essential in supporting customers experiencing vulnerability and hardship.

The Group employs over 700 people across Australia, New Zealand and the Philippines, providing a strong platform for growth, but more importantly the capacity, resources and scale to provide the highest standards of service to our diversified portfolio of clients across the globe. Collection House has the inherent flexibility and operational agility to challenge historical expectations of service, compliance and conduct in the receivables management space.

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