Credit Corp Group
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The Manager
Company Announcements Office
Australian Stock Exchange Limited
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H1 2008 Earnings Update and Revised Full Year Guidance

In the course of reviewing and finalising the Company's half year results the Board has identified various matters which resulted in the Directors reassessing the company's FY2008 financial outlook and initiating a strategic review to address these matters and the Company's performance.

Directors advise that financial year 2008 full year NPAT outlook has been revised downwards to a range of $10 - $12 million and EBITDA ranging between $83 and $87 million. This result is before anticipated costs associated with a restructure to be implemented by Directors following a detailed review of the Company's operations. These costs and charges are not expected to exceed $5 million.

Directors expect first-half earnings in the range of $6.0 to $6.2 million which will be finalised and reported on Thursday 14 February.

As disclosed at the AGM a number of steps have been taken to deal with matters identified at that time, particularly focusing on improving productivity, however, these steps are not expected to result in targeted improvements at the rate anticipated. A number of additional matters have also arisen. The revision is the result of the following factors:

- Relative underperformance of a proportion of the company's recent debt purchases.

  A substantial proportion of the company's recent purchases have failed to yield collection revenues in line with expectations. A major contributor to this underperformance has been a forward flow agreement which the company has now taken steps to terminate. However, the impact of these unfavourable purchases will adversely affect the company's near term profitability.

- An excessive focus on short-term revenue performance has compromised the company's ability to derive anticipated revenues from purchases made in previous years.

  Rapid growth in the company's purchases over the last 3 years has focused the company's collection operations on freshly purchased debt. In order to maximise short-term revenues the company had arranged its workflow management, recruitment, training and staff incentive systems to focus on maximising the initial yield on fresh purchases.

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- Large scale recruitment as part of the company's growth focus has resulted in lower average productivity.

  In an effort to maximise revenue from a large increase in purchase volumes the company has recruited rapidly over the past 12 months. Tenure is a key driver of productivity, and with more than 65% of the company's collection staff having less than 12 months tenure, overall productivity is significantly lower than prior years. The recruitment and training effort has also resulted in operational distraction as experienced personnel have been co-opted into training and supervisory activities.

- Reduction in volume of new ledger acquisitions:

  As noted above, the company has taken steps to terminate a major forward flow agreement due to underperformance. Further to this, the Company has assessed and rejected several potential portfolio acquisitions due to adverse pricing, preferring to preserve its capital in anticipation of improved pricing conditions in the future. This reduction in volume will have an adverse impact on short-term revenues. There will however be a positive impact on short term cashflows associated with this reduced purchasing program. As a result of these initiatives, ledger acquisition volume is expected to be in the range of $85 and $95 million for the 2008 financial year.

- The company has incurred substantial costs in building a corporate platform consistent with its historical growth objectives.

  The company has made considerable investments in its corporate, facilities and information technology infrastructure as part of its growth strategy. Revenue is expected to increase in the second half of the 2008 financial year, however not at the rate of the above costs. This will contribute to declining profitability in the second half until costs are reduced and further revenue growth is achieved.

In response to the factors which have significantly and rapidly affected performance in the 2008 financial year, the Company has initiated a strategic review to address the above issues. This will include a detailed assessment of each area of activity including:

- Board and management effectiveness.
- Corporate costs, with removal of non essential overhead.
- The number of operational sites currently being managed by the Company and the rate of employee growth at each of those locations.
- Volume and pricing of ledger acquisitions and the quality of returns from the associated capital commitment.
- Performance of current forward flow agreements, particularly given the anticipation of increased supply.
- Allocation of skills to ensure maximum contribution from both newer and older debt portfolios bought by the company
- Performance of each of the non debt purchase businesses currently within the Group.

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Directors further advise that Mr. Christopher Deane has resigned as Chairman of the Company effective today. He will remain in the position of Non Executive Director until a replacement appointment is made as part of the strategic review process.

Mr Deane has been Chairman of the Company since listing in 2000. He initiated the strategic review above, however, believes Shareholder's interests are best served if that review is directed by others.

Mr Richard Thomas has accepted the position of Acting Chairman from today.

Mr Thomas is a professional Company Director with more than 40 years experience in Banking and Finance who has been a Non Executive Director of the Company since September 2006.

An important part of the review will be an independent assessment of the Board. The appropriate mix of skills will be assembled through new appointments and that Board will elect a Chairman.

Similarly, the senior management roles will be assessed. If a skill or performance deficiency is identified, appointments will be made to ensure that desired operational outcomes are delivered.

Further details of operating performance and the strategic review will be provided in the Company's first half earnings release on Thursday 14 February 2008.

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