Credit Corp Group

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Media Release H1 of FY2011 Results
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Highlights

The directors of Credit Corp Group Limited (Credit Corp) are pleased to report strong results for the first half of the 2011 financial year. Key highlights are as follows:

- 53 per cent growth in Net Profit After Tax (NPAT) over the prior corresponding period (pcp)
- 233 per cent increase in the interim dividend to 10 cents per share
- 26 per cent increase in first half Purchased Debt Ledger (PDL) acquisitions
- Entry into new purchasing segments
- Successful opening of an offshore collection operation
- Solid pipeline of PDL acquisitions for the 2011 financial year

H1 of FY2011 Financials

	Versus pcp			Actual	Nov 2010 Full Year 2011 Guidance
PDL acquisitions	up	26%	to	$46.1m	$55 - $60m
PDL collections and fee income	up	16%	to	$103.4m	
Revenue	up	22%	to	$57.0m	
Adjusted EBITDA [(1)]	up	11%	to	$65.2m	$112 - $116m
NPAT [(2)]	up	53%	to	$10.6m	$18 - $20m
EPS (basic)	up	52%	to	23.7 cents	39 - 44 cents
Interim Dividend (fully franked)	up	233%	to	10 cents/share	

(1) Adjusted Earnings Before Interest Tax Depreciation and Amortisation (Adjusted EBITDA) allows for the add-back of amortisation netted against PDL collections to determine revenue in accordance with accounting standard AASB 9.

(2) Relatively strong growth in NPAT driven by reduced PDL amortisation.

Performance Commentary

In the first half of the 2011 financial year Credit Corp has successfully delivered on two fronts. We have leveraged past business initiatives and strong operating disciplines to accelerate earnings growth. At the same time we have successfully implemented fresh initiatives designed to sustain favourable performance into the future.

Credit Corp has recorded impressive revenue and earnings growth. PDL collections and fee income have increased by 16% over the same period in the prior year. This strong top-line performance translated into 53% growth in NPAT to a first half record for the company of $10.6 million.

The first half year's result was supported by continued strength in Credit Corp's core operating metrics. Purchasing discipline was maintained, with cumulative collections on purchases from the commencement of the FY09 financial year meeting ingoing projections. Credit Corp maintained its focus on older PDLs with the contribution from PDL's acquired more than 3 years ago increasing from 32% of collections to 34% over the period. Collection efficiency improved by 3% over the pcp to $241 per hour despite a 19% increase in debt purchase operations headcount.

Continued growth in recurring payment arrangements should produce favourable operating metrics over the balance of the year. The face value of accounts on recurring payment arrangements increased by 14% to $542 million. We are now receiving 70% of total collections from these accounts.

To sustain performance into the future Credit Corp has increased purchasing by expanding into new segments. During the first half the company made its first significant purchases in New Zealand and acquired its first portfolio of Telecommunications receivables. Credit Corp also secured its first insolvency purchases during the half year. The insolvency acquisitions comprise approximately 16% of first half purchases and will deliver lower gross collection returns than the balance of Credit Corp's purchases. However, lower costs of collection should ensure that equivalent net returns are achieved.

Collection capacity expanded by 9% to 561 debt purchase operations FTE staff over the first half through the commencement of Credit Corp's first offshore collections facility. Our new site in Manila, the Philippines, commenced collection activity in November 2010 with 27 FTE staff and has replaced Credit Corp's last remaining offshore agency. Early performance has exceeded expectations, achieving breakeven performance (excluding expat costs) in its third month of operation. Credit Corp plans to expand this facility to 90 FTE over the next 12 months.

Our offshore facility gives us access to a large and economical labour pool and has established a delivery platform for organic expansion into new services and markets.

Credit Corp also implemented pilots of its first major technology initiatives in three years. These innovative in-house systems will both automate work flow management and guide collection staff through more complex and judgmental collection activities. We expect that these initiatives will improve efficiency, enable supervisors to focus on the quality of collection activity, accelerate staff proficiency and provide increased visibility of the quality and extent of portfolio actioning.

We are confident that the initiatives implemented over the last six months will enable Credit Corp to sustain favourable performance into the future.

Outlook

By maintaining our approach of providing our clients with the benefit of our operational improvement through attractive PDL pricing we have secured a solid pipeline of $75 million for the year. This should ensure continued strong performance over the balance of the 2011 financial year and a favourable outlook for 2012.

Accordingly, we have revised our guidance for the 2011 financial year in accordance with the following ranges:

	Revised Guidance (February 2011)	Previous Guidance (November 2010)
PDL acquisitions	$75 - $80m	$55 - $60m
Adjusted EBITDA (1)	$116 - $120m	$112 - $116m
NPAT	$19 - $21m	$18 - $20m
EPS	41 - 46 cents	39 - 44 cents

(1) Adjusted Earnings Before Interest Tax Depreciation and Amortisation (Adjusted EBITDA) allows for the add-back of amortisation netted against PDL collections to determine revenue in accordance with accounting standard AASB 9.

Note: Excludes potential shareholder litigation costs over the balance of the year

This media release should be read in conjunction with the Appendix 4D, Interim Financial Report and results presentation.

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