

Media Release H1 of FY2014 Results
Thursday 30 January 2014

Highlights

The directors of Credit Corp Group Limited (Credit Corp) are pleased to report strong results for the first half of the 2014 financial year. Key highlights are as follows:

- 18 per cent growth in Net Profit After Tax (NPAT) over the prior corresponding period (pcp)
- Interim dividend of 20 cents per share
- Half-year record Purchased Debt Ledger (PDL) acquisitions of \$86.5 million
- Accelerated growth in the consumer lending book to \$35.0 million
- Increased full year guidance

H1 of FY2014 Financials

	Versus pcp			Actual
PDL acquisitions	up	20%	to	\$86.5m
Revenue ⁽¹⁾	up	25%	to	\$84.1m
NPAT ⁽¹⁾	up	18%	to	\$17.2m
EPS (basic) ⁽¹⁾	up	17%	to	37.4 cents
Dividend (fully franked) ⁽²⁾	steady			20 cents/share

(1) pcp comparatives exclude one-off item representing additional NPAT of \$2m

(2) 2013 interim dividend was 16 cents per share plus a 4 cents payout of the one-off item

Performance Commentary

Underlying revenue growth of 25 per cent over the pcp was driven by record purchasing in 2013 and the first half of 2014 together with expansion of the consumer lending business. 30 per cent of total revenue growth was delivered by consumer lending. With this business yet to transition to positive earnings the growth in revenue translated to 18 per cent growth in underlying NPAT to \$17.2 million.

The first half year's result was supported by continued strength in Credit Corp's core operating metrics. New purchases are on track to meet ongoing projections, reflecting continued purchasing discipline. Despite an increase in operational headcount over the period collection efficiency was in line with the preceding half-year at \$199 per hour.

Ongoing collection results will be underpinned by recurring payment arrangements. The face value of accounts on recurring payment arrangements increased by 7 per cent over the first half to \$791 million.

Purchasing

Record purchasing was produced by a number of unexpected one-off opportunities. Despite this positive result, competition for PDLs continued to intensify over the period. Credit Corp experienced a decline in its share of major forward flows renewed over the half-year. The contracted full-year acquisition pipeline of PDLs stands at \$120 million. Adherence to return disciplines in the face of strong pricing competition means that a significant increase in this position is not anticipated over the balance of the year.

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US Operations

With the opening of an operational site in Salt Lake City, Utah the US operation grew to over 150 FTE staff during the period. Operational performance has been satisfactory with early stage collections on recent purchases achieving ingoing projections.

Purchasing conditions remain challenging. Transition to the new regulatory environment continues to reduce the volume of charged-off receivables being offered for sale. While there have been some instances of consolidation and exit by debt buyers, demand for PDLs continues to exceed supply and prices continue to rise.

Credit Corp will consolidate its US operations with the closure of the San Diego site. This will reduce costs while ensuring that we maintain sufficient scale to gain admission to the debt sale panels of more credit issuers. We will continue to make selected purchases at compromised returns.

Consumer Lending

The consumer lending book grew strongly from a gross loan book of \$19 million at June to \$35 million at December 2013. Strong volumes of the unsecured instalment loan product branded as 'MoneyStart' were supplemented with the roll-out of a secured auto loan product branded as 'CarStart'. Volumes for these products will continue to grow and further products presently in pilot may be rolled out.

The lending business is on track for profitability in 2015 as monthly lending revenues now exceed the up-front life-of-loan loss provisioning on new loans written.

Outlook

Strong first-half PDL purchasing has improved the earnings outlook for the current and 2015 years. As a result we have amended our guidance for the 2014 financial year in accordance with the following ranges:

	Updated Guidance (January 2014)	Previous Guidance (November 2013)
PDL acquisitions	\$125 - \$135m	\$110 - \$120m
NPAT	\$33 - \$35m	\$31 - \$33m
EPS	71 - 76 cents	67 - 71 cents

This media release should be read in conjunction with the Appendix 4D, interim financial statements and results presentation.

For more information, please contact:

Mr Thomas Beregi
Chief Executive Officer
Tel: +61 2 9347 3613
Email: tberegi@creditcorp.com.au

Mr Michael Eadie
Chief Financial Officer
Tel: +61 2 8114 3542
Email: meadie@creditcorp.com.au