

Credit Corp Group Limited (CCP)

Finance

HOLD

CCP A\$22.40

TARGET PRICE \$23.75

Credit Corp Group Limited (CCP) is an Australian receivables management company which provides debt purchase and debt collection services, primarily focusing on the acquisition of purchased debt ledgers (PDLs) comprised of distressed consumer debt from Australian and New Zealand banks, finance companies, telecommunication companies and utility providers. CCP has expanded into the US.

Number of shares	67.8M
Market Capitalisation (\$M)	1,649.7
Free float (%)	95.7
12-month high/low	\$35.20/\$18.97
Average Daily Turnover (\$m)	5.1
% S&P/ASX200	0.080%
DDM Ranking	340
% All Ordinaries	0.062%
GICS Industry Group	Finance

Source: FactSet, BPC

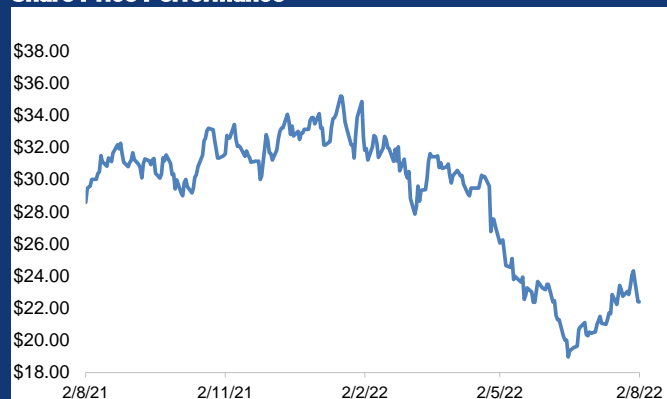
Earnings Summary (AUD)

Year end June	2022A	2023F	2024F
Revenue (\$M)	411.2	406.9	444.3
Reported NPAT (\$M)	100.7	92.4	102.0
Adjusted NPAT (\$M)	96.2	93.1	102.7
Reported EPS (c)	148.9	143.7	157.8
Adjusted EPS (c - FD)	142.2	137.4	150.0
Adjusted EPS growth (%)	9.5	8.4	8.1
Adjusted P/E (x)	17.1	13.7	12.6
Dividend (c/sh)	74.0	72.2	78.6
Gross yield (%)	4.3	4.2	4.6
Net yield (%)	3.0	3.0	3.2
ROIC (%)	15.7	11.9	12.0

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Smartkarma.

Share Price Performance



Source: FactSet, Barclay Pearce Capital

2022 Annual Report Release

On the 2nd of August 2022, Credit Corp Group Limited (CCP) released its 2022 Annual Report, with the following highlights:

Highlights:

- Total Revenue of \$411.2m, up 10% from \$374.8m vs PCP;
- Statutory NPAT of \$100.7m;
- Underlying NPAT of \$96.2m, up 9% from \$88.1m vs PCP;
- Reported EPS of 148.9c;
- Adjusted EPS of 142.2c, up 9% from 130.9c vs PCP;
- Dividend of 74.0c, up 3% from 72.0c vs PCP;
- Pre-tax Operating Cash Flow of \$420.6m, up 2% from \$413.5m vs PCP;
- Income Generating Assets of \$835.7m, up 39% from \$602.5m vs PCP;
- Free Cash Flow (\$100m);
- PDL supply in the core AUS/NZ debt buying market did not recover;
- Collections growth was achieved from purchases of the Radio Rentals and Collection House New Zealand books; and
- These one-off acquisitions offset run-off arising from reduced regular direct-from-issuer investment since the start of the pandemic.

Outlook:

- Leading indicators do not suggest a significant recovery in AUS/NZ regular direct-from-issuer PDL sale volumes and US resourcing constraints will not be overcome immediately;
- In FY2023 growth in US segment earnings is not expected to offset the impact of run-off in the AUS/NZ debt buying business;
- While FY2023 has started with a solid investment pipeline, regular investment is expected to moderate from the record levels achieved in FY2022; and
- This should release substantial free cash flow, positioning the Company to secure any sizeable one-off purchasing opportunities that may arise in an uncertain economic environment.

Guidance:

- Range of \$220-260mn in PDL Acquisitions for FY23
- Range of \$50-60mn in net lending volumes for FY23
- Range of \$90-97mn NPAT for FY23
- Range of 133-143 cents EPS for FY23

Earnings changes

CCP announced FY23 NPAT guidance in the range of \$90-97m, which is 8-15% below market expectations of \$105.8m. Hence, we expect negative earnings revisions of 12% for FY23 and for future periods.

Valuation

We are updating our 12-month target price from \$26.97 to \$23.75 and retaining our HOLD recommendation. The price target is underpinned by our valuation.

Russell Wright

02 August 2022

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Disclaimer

This Research Report has been prepared by Russell Wright ("Mr Wright") in his capacity as an Authorised Representative (AR: 422117) and is issued by Barclay Pearce Capital Management Pty Ltd (BPCM) AFSL 503261.

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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for BPCM to assign a Buy or Underperform rating.

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02 August 2022

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Buy	37.9%	0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	22.8%	0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	39.4%	0.0% of stocks with recommendations are Barclay Pearce clients)