26 February 2024
ASX Announcement

1H'24 Results

Highlights:

- **Revenue of $20.03m up 15% pcp:** upgraded revenue guidance to $40m - $42m for FY24
- **Growing profitability:** Underlying EBITDA[1] improves $1.8m on pcp and Statutory EBITDA improves $5.4m on pcp
- **FY24 Underlying EBITDA[1] guidance:** upgraded to in excess of $3m
- **Operational leverage:** Underlying EBITDA[1] margin to revenue improves from 0% to 9%
- **Improved margin:** Gross margin expands to 54%, up from 50% in 1H'23, driven by technology efficiency gains in the ARMA Consumer Division
- **Strong balance sheet:** $13m cash at bank, an improvement of $3.7m on pcp, a strong result given that $0.5m was paid for the DRA acquisition during the half
- **Client growth:** 225 new clients signed, 24% increase on pcp, including tier-1 clients in banking, insurance, and essential services (utilities)
- **Digital collection:** Up 72% on pcp to $52.9m, with deployed technology boosting performance and profitability
- **Favourable macro environment:** Rising cost of living and interest rates create increased demand for Credit Clear's services
- **1H'24 investor briefing:** The Company will host a briefing on 26 February at 9.15am, click to register **here**

Australian technology and debt collection provider Credit Clear Limited (ASX: CCR) ("Credit Clear" or "the Company") is pleased to announce its results for the financial half year ending 31 December 2023 (1H'24).

Financials

Credit Clear delivered record revenue of $20.03m, up 15% on pcp, tracking ahead of guidance which has now been upgraded from $39m - $41m to $40m - $42m for FY24.

A strong improvement in profitability was achieved during the half, with Underlying EBITDA[1] margin to revenue improving from 0% to 9%. Underlying EBITDA[1] of $1.8m, was an improvement of $1.8m on pcp, prompting an upgrade of the Company's FY24 Underlying EBITDA[1] guidance from $1m - $2m, to in excess of $3m.

Gross margin expansion to 54% was achieved, up from 50% in 1H'23, driven by efficiency gains from the deployment of technology in the ARMA Consumer Division.

The Company had circa $13.0m cash at bank on 31 December 2023, a $3.7m improvement year-on-year, a strong result given that $0.5m was paid for the DRA acquisition during the half.

1H'24 Financial Summary

	1H'24 $000's	2H'23 $000's	1H'23 $000's	Notes
EBITDA - Underlying Business				
Revenue	20,030	17,577	17,374	***Revenue up 15% on pcp (1H'23)***
Expenses				
Employee Benefits	(10,417)	(9,876)	(10,675)	***Employee benefits down 2% on PCP***
Tech Development - OPEX	(1,114)	(1,029)	(1,019)	***Continued investment in Tech Dev at same level***
Other	(6,728)	(6,426)	(5,731)	***Other expenses have increased to support client acquisition and business growth***
	(18,259)	**(17,331)**	**(17,425)**	***Total expenses increase 5% on pcp***
EBITDA - Underlying Result[1]	**1,771**	**246**	**(51)**	
UNDERLYING EBITDA[1] AS A % OF REVENUE	**9%**	**1%**	**0%**	***Operational leverage improved from 0% to 9%***
Other Items				
Revenue	154	389	618	***Govt employee training grants***
Expenses	(129)	(843)	(452)	***Legal fees & redundancies. Decreased materially.***
Earnout - ARMA	0	(464)	(2,510)	***No further payments due***
Share Based Expenses	(822)	13	(1,989)	***(non-cash) Employee and director options & share rights***
EBITDA (per Statutory Accounts)	**974**	**(659)**	**(4,384)**	
Depn & Amortisation	(3,252)	(3,199)	(2,870)	***(non-cash) Mainly ARMA acquisition. Also Tech Dev Capex Amort and ROU office assets***
Interest (net)	81	43	29	
Tax	95	(16)	(2)	***1H'24 Tax benefit recognised on DRA acquired intangible assets***
Net P/(L) - (per Statutory Accounts)	**(2,102)**	**(3,831)**	**(7,227)**	

Digital technology

Payments made via the high-margin digital platform grew 72% pcp to $52.9m, surpassing $50m collected on the digital platform during a half for the first time, with the Company's Consumer Division continuing to adopt and deploy the technology as it onboards large new tier-1 clients. Digital collections now account for 58% of the Consumer Division's payments in portfolios where digital has been deployed, and where the ongoing transition to digital engagement is positively impacting the Company's collection performance and profitability.

New clients

The Company signed 225 new clients during the half, up 24% on pcp. The half was again characterised by signing several tier-1 and tier-2 consumer businesses (non-bank credit providers, energy retailers, and insurers) that are seeking new and innovative engagement strategies while also looking to introduce a new independent provider onto their collections panel to strengthen their collection capabilities in the current challenging economic environment.

Macro-economic environment

The macroeconomic environment continues to be favourable for Credit Clear. The recent reporting period has shown that many of Australia's largest businesses (by size of customer base) have taken proactive steps to prepare for an increase in the number of customers that are expected to fall behind on their accounts.

Commentary from bank CEOs is that customers were still getting used to higher interest rates and cost-of-living pressures, with many forced to cut back on spending to adjust. They noted that the November rate rise will only now (February 2024) begin to be felt by mortgage customers.

With that hike, and the expectation of a slowing economy, the pressure on households, higher prices and cost of living, will be challenging for a broad spectrum of Australian households, including higher income mortgage holders.

Similarly, large utility providers have reported a sharp rise in their net bad debt expense. Often seen as a precursor to pressure being felt in other areas of the economy, utility providers have a broader sub-set of the Australian economy as customers and would be more reflective of true economic pressures felt in the population.

Credit Clear CEO, Andrew Smith, said: "We have delivered strong performance in the first half of FY24, tracking ahead of financial guidance and positioning us to upgrade our guidance for the full year. The Company's robust financial position, expanding client base, and innovative technology solutions positions us to support our growing client base in the current economic environment."

Shareholder briefing:

The Company invites shareholders and investors to its 1H'24 investor briefing to be hosted by CEO and MD Andrew Smith, CFO Victor Peplow and Chief Product and Technology Officer Jason Serafino.

When: Monday, 26 February 2024
Time: 9.15am
Register for the briefing: **here**

Notes:

1. Underlying EBITDA excludes share based expenses and non-core items, but includes tech dev opex

This ASX announcement was authorised for release by the Board of Credit Clear Limited.

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About Credit Clear

Credit Clear Limited is an Australian technology company that has developed a digital billing and communication platform that helps organisations drive smarter, faster, and more efficient financial outcomes by changing the way customers manage their re-payments through a user experience that the market demands in a digital age, powered by award winning artificial intelligence.

Credit Clear manages customer accounts across a range of industries including transport, financial services, insurance, government, and utilities. The Company is based in Australia with headquarters Sydney and offices in Melbourne, Brisbane, Adelaide, and Perth.

www.creditclear.com.au