

7 August 2024

ASX Compliance

ListingsComplianceSydney@asx.com.au

RESPONSE TO ASX AWARE LETTER DATED 5 AUGUST 2024

To whom it may concern

We write in response to the aforementioned letter and provide below responses to the questions and requests for information contained therein.

1. *Does CCP consider that any measure of its statutory or underlying earnings for the 2024 financial year as disclosed in the Results Announcements ('Results') differed materially from the market's expectations, having regard to the Earnings Guidance?*

In your response, please have regard to ASX's commentary in paragraph 4(a) of section 7.3 of Guidance Note 8 about when a variation from market expectations may be material.

No. In relation to underlying NPAT, the reported underlying NPAT of \$81.2 million was within the Earnings Guidance range of \$80 - \$90 million.

In relation to statutory earnings (NPAT), although the reported statutory NPAT was \$50.7 million compared with a range of \$35 - \$45 million in the Earnings Guidance, the statutory NPAT figure included a non-cash gain of \$15.1 million resulting solely from a change in accounting policy (the reasons for which are explained in more detail below). In the absence of this non-cash gain, the statutory NPAT figure would have been within the range stated in our Earnings Guidance.

We consider that the market's expectations of statutory NPAT ignored this non-cash item. ASX Guidance Note 8 (paragraph 3 of section 7.3) recognises this, where examples of considerations for assessing whether or not a change in earnings is market-sensitive include whether the change:

- is attributable to non-cash items that may not impact on underlying earnings, and/or
- is attributable to a change in accounting policies.

2. *Please explain the basis for the view provided in response to question 1, including details of:*

- 2.1. *the Earnings Guidance; and*
- 2.2. *the date when CCP first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, the Earnings Guidance.*

The earnings guidance, last confirmed to the market on 9 May 2024 was for:

- 1. Underlying NPAT of \$80-90 million (reflecting the add-back of non-cash adjustments)
- 2. Statutory NPAT of \$35-45 million.

Credit Corp continued to consider that underlying NPAT remained likely to fall within the guided \$80-90 million since the guidance confirmation on 9 May 2024 until the reporting date of 30 July 2024.

In relation to statutory NPAT, Credit Corp continued to consider that expected statutory NPAT would be within the range in the earlier Earnings Guidance until immediately before the Results Announcement. This was because the Board only approved the change in accounting policy at that time. The relevant change in policy was to the application of the purchased debt ledger (PDL) accounting policy to increase the collection life-cycle assumption from 6 to 8 years, and this change produced a non-cash accounting gain of \$15.1 million (post-tax). This was included in reported statutory NPAT of \$50.7 million, 13 per cent higher than the high-end of the guided statutory NPAT range.

The \$15.1 million gain due to the change in application of the PDL accounting policy was a change approved and reflected in the 2024 consolidated financial statements immediately prior to their release to the market on 30 July 2024. In addition, even if it had been possible to disclose the change in application of PDL accounting policy prior to 30 July 2024, investors and analysts would have disregarded this in assessing underlying NPAT.

3. *Does CCP consider that, at any point prior to the release of the Results Announcements, there was a variance between its expected earnings and the Earnings Guidance for the relevant reporting period of such a magnitude that a reasonable person would expect information about the variance to have a material effect on the price or value of CCP’s securities?
Please answer separately for each measure of earnings referred to in the Results.*

No.

4. *If the answer to question 3 is “no”, please provide the basis for that view.*

As noted in the responses to #s 1 & 2 above, there was never a variance between Earnings Guidance and expected earnings in respect of underlying NPAT.

In relation to statutory NPAT, the variance only arose due to a change in application of an accounting policy approved as part of the FY2024 financial statements immediately prior to release to the market, the consequences of which had no impact on either underlying NPAT or FY2025 and subsequent periods.

A reasonable person would not have construed the change in the application of accounting policy as having any material impact on the price or value of CCP’s securities. As noted above, ASX Guidance Note 8 recognises that non-cash items, or changes in accounting policy, may not be matters that are market-sensitive even if they technically affect reported statutory financial results.

5. *If the entity first became aware of the variance before the release of the Results Announcements, did CCP make any announcement prior to the release of the Results Announcements which disclosed the relevant variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe CCP was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps CCP took to ensure that the information was released promptly and without delay.*

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As noted in the responses to #s 2 and 4 above, the only variance was the non-cash gain due to the change in application of an accounting policy. The change was only approved as part of the financial statements immediately prior to release to the market, and so could not have been announced earlier. It is not considered that this change has or had any material impact on the price or value of CCP's securities and therefore no obligation arose under Listing Rules 3.1 and 3.1A.

6. Please provide details of any other explanation CCP may have for the trading in its securities following the release of the Results Announcements.

Credit Corp cannot, of course, provide any definitive insights as to the views of market participants on the value of the CCP's securities. However, based on broker reports and market feedback received following the release of the FY2024 results on 30 July 2024, it is likely the market responded positively to the following disclosures in the results release:

1. Confirmation of further positive developments in respect of the US debt buying operation which is viewed as a key growth driver due to the opportunity for growth that the US represents:
 - (i) A continuation of the improved operational performance during the June quarter first reported to the market on 9 May 2024 as part of a market update; and
 - (ii) Confirmation of a solid PDL investment pipeline secured in the US market in line with; or slightly better than previous years.
2. Strong levels of investment in the AU/NZ debt buying segment late in FY2024 reinforcing the perception that declining segment earnings for a number of years had reached the bottom; and
3. A record closing consumer lending book and an outlook for the book to remain steady leading to strong earnings growth in FY2025.

It is worth noting that share trading on 30 July 2024 was relatively volatile with the share price initially falling by over 5 per cent before increasing through the day and closing almost 14 per cent higher. We also note that the share price has fallen over subsequent days and now trades at levels in line with those that existed prior to the release.

7. Please confirm that CCP is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

Credit Corp is in compliance with the Listing Rules including Listing Rule 3.1.

8. Please confirm that CCP's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of CCP with delegated authority from the board to respond to ASX on disclosure matters.

CCP's response has been authorised and approved by the Company Secretary in accordance with its published continuous disclosure policy.

Please do not hesitate to contact me on + 61 2 8651 5542 or meadie@creditcorp.com.au if you wish to discuss any aspect of this response further.

Yours sincerely



Michael Eadie
Chief Financial Officer and Company Secretary
Credit Corp Group Limited

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5 August 2024

Reference: 97368

Mr Michael Eadie
Company Secretary and CFO
Credit Corp Group Limited
Level 15, 201 Kent Street
Sydney NSW 2000

By email

Dear Mr Eadie

Credit Corp Group Limited ('CCP'): ASX Aware Letter

ASX refers to the following:

- A. CCP's announcements released on the ASX Market Announcements Platform ('MAP') on 30 July 2024 in connection with its full year results ('Results Announcements'), being:
 - 1.1 "Appendix 4E", released on MAP at 8:38 am;
 - 1.2 "Annual Report 2024", released on MAP at 8:42 am;
 - 1.3 "Credit Corp Group FY24 Media Release", released on MAP at 8:43 am; and
 - 1.4 "Credit Corp Group FY24 Results Presentation", released on MAP at 8:45 am.
- B. The change in the price of CCP's securities from \$15.20 immediately prior to the release of the Results Announcements to a high of \$17.50 following the release of the Results Announcements.
- C. CCP's announcement "Investor Presentation – Market Update" released on MAP on 9 May 2024 at 8.24 am in which CCP reaffirmed earnings guidance for the 2024 financial year ('Earnings Guidance').
- D. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- E. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity."
- F. Section 4.4 in *Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B* titled "When does an entity become aware of information?"
- G. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure as follows.
 - "3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:
 - 3.1A.1 One or more of the following 5 situations applies:
 - It would be a breach of a law to disclose the information;
 - The information concerns an incomplete proposal or negotiation;

- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

3.1A.3 *A reasonable person would not expect the information to be disclosed."*

- H. ASX's policy position on "market sensitive earnings surprises", which is detailed in section 7.3 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular:

"...If an entity becomes aware that its earnings for the current reporting period will differ materially (downwards or upwards) from market expectations, it needs to consider carefully whether it has a legal obligation to notify the market of that fact."...

"...An earnings surprise will need to be disclosed to the market under Listing Rule 3.1 if it is market sensitive – that is, it is of such a magnitude that a reasonable person would expect information about the earnings surprise to have a material effect on the price or value of the entity's securities."...

Request for information

Having regard to the above, ASX asks CCP to respond separately to each of the following questions and requests for information:

1. Does CCP consider that any measure of its statutory or underlying earnings for the 2024 financial year as disclosed in the Results Announcements ('Results') differed materially from the market's expectations, having regard to the Earnings Guidance?

In your response, please have regard to ASX's commentary in paragraph 4(a) of section 7.3 of Guidance Note 8 about when a variation from market expectations may be material.

2. Please explain the basis for the view provided in response to question 1, including details of:

2.1 the Earnings Guidance; and

2.2 the date when CCP first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, the Earnings Guidance.

3. Does CCP consider that, at any point prior to the release of the Results Announcements, there was a variance between its expected earnings and the Earnings Guidance for the relevant reporting period of such a magnitude that a reasonable person would expect information about the variance to have a material effect on the price or value of CCP's securities?

Please answer separately for each measure of earnings referred to in the Results.

4. If the answer to question 3 is "no", please provide the basis for that view.
5. If the entity first became aware of the variance before the release of the Results Announcements, did CCP make any announcement prior to the release of the Results Announcements which disclosed the relevant variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe CCP was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps CCP took to ensure that the information was released promptly and without delay.

6. Please provide details of any other explanation CCP may have for the trading in its securities following the release of the Results Announcements.
7. Please confirm that CCP is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
8. Please confirm that CCP's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of CCP with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **5:00 PM AEST Thursday, 8 August 2024**.

You should note that, if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, CCP's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out above and may require CCP to request a trading halt immediately if trading in CCP's securities is not already halted or suspended.

Your response should be sent by e-mail to **ListingsComplianceSydney@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow us to review your response to confirm that it is in a form appropriate for release to the market, before it is published on MAP.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in CCP's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to CCP's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that CCP's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A. The usual course is for the correspondence to be released to the market.

Yours sincerely

ASX Compliance