creditclear
digital payment technology

22 November 2024
ASX Announcement

Record October Result, FY25 Guidance Reaffirmed

Highlights:

- **Record October:** Revenue of $4.29m[1] in October up 23% on PCP has extended Credit Clear's strong start to FY25
- **YTD:** Revenue of $16.3m[1] YTD up 20% on PCP or an annualised revenue run rate of $48.8m[2]
- **Gross Profit Margin:** Improved to 56%[1] in FY25 YTD from 53% in FY24
- **FY25 Guidance:** YTD revenue run rate of ~$48.8m[2] and margin expansion, with high confidence of a materially stronger 2H25 (~10%), places the Company on track to achieve or potentially exceed its FY25 guidance of $48m - $50m in revenue and +$7m in Underlying EBITDA
- **Onboarding clients:** The Company is onboarding and/or developing revenue from eight potential tier-1 clients[3,4] that represents $8m-$10m in additional future revenue
- **Investor briefing:** Register here join the investor presentation today at 11.15am

Australian technology and debt resolution provider **Credit Clear Limited (ASX: CCR)** ("**Credit Clear**" or "**the Company**") is pleased to provide a business update for FY25 YTD (31 October 2024).

Financial update

Credit Clear has delivered a record month in October 2024 of $4.29m[1] in revenue up 23% PCP. YTD the Company's revenue is 20% up PCP to $16.3m[1] and gross profit margins have expanded from 53% in FY24 to 56% YTD in FY25.

YTD revenue run rate of ~$48.8m[2], with expectations of a materially stronger 2H25 (~10% uplift), driven by already onboarded clients that are being developed as well as the onboarding of new clients, places the Company on track to achieve or potentially exceed its FY25 guidance of $48m - $50m in revenue and +$7m in Underlying EBITDA after the first four months of the financial year.

Guidance will be reviewed following the seasonally affected months of December and January, noting that customer engagement plans for several tier-1 clients indicate a shorter communication black out period this year compared to previous years.

Registry movements

FY25 YTD has seen several new institutional investors join the register, particularly following the FY24 roadshow. Five institutions where crossed stock in August from a block of shares from a pre-IPO founder. The ongoing winning, onboarding and development of potential tier-1 clients and the arrival of revenue from those clients, while at the same time continuing to achieve margin expansion has demonstrated Credit Clear is an institutional grade stock. The consistent and recurring nature of tier-1 clients' revenue has been demonstrated with 95% of tier-1s recurring as tier-1s from FY24 into FY25 YTD.

Deepening exposure to industry verticals

Insurance is an industry vertical where Credit Clear has developed specialist skills and experience. Insurance has five tier-1 clients, representing a dominant competitive position in the industry vertical and highlighting the "domino effect" within an industry sector, where large clients tend to engage the same proven and trusted providers to deliver debt resolution services. With deep industry engagement, large clients tend to become increasingly imbedded with providers, as they turn to their trusted partners to solve a broader set of problems or to deliver a broader set of services.

Credit Clear is confident that it will continue to build on these already large Insurance tier-1 clients as they become more integrated within our business.

The Company is onboarding and/or developing revenue from eight potential tier-1 clients that represents $8m-$10m[4] in additional future revenue. Three of the eight are from the Energy sector and another three are from the Telecommunications sector, which represent two new industry verticals into which Credit Clear has made strong inroads in the past 12 months.

Other industry sectors, where at least one tier-1 client or potential tier-1 client is being developed, are: Financial Services (banks and consumer lenders), Healthcare and Education. Once proven, Credit Clear is confident of similarly expanding its industry position deeper into each of these industry segments.

Customer Engagement

The contributions of digital collections and the Company's technology advantage continues to drive revenue growth, profitability and a superior customer experience. Record digital collections were achieved in October of $11.9m, a 23% increase on PCP. Over one million invoices were treated during the month, which is only the second time the Company has exceeded one million invoices in a month. A record 4.6 million communications were sent and 21,633 customers responded to an NPS survey producing an average score of +41.7 for the month of October.

A record $19.6m in new payment plans was also established, representing a 49% increase on PCP, a metric that the Company expects to continue to grow as the average value of debt files increase.

Trading conditions

Trading conditions remain supportive for the Company and have likely strengthened in FY25 YTD. Arrears have accelerated at their quickest rate in five years at NAB, where the Company disclosed that arrears had jumped to 1.39 per cent of all lending – worth roughly $10 billion – as of September 30. This is the highest point since 2020, and up 26 basis points from 1.13 percent this time last year.

Loan arrears at ANZ lifted 17 basis points to 1.69 percent in the 12 months to September 30, while the number of borrowers 90 days behind in their mortgage repayments climbed about 25 basis points to 0.84 percent – still lower than the historical average of 1 percent.

The Reserve Bank of Australia's (RBA) Financial Stability Report highlighted that while many households continue to experience pressure on their budgets, from high inflation and restrictive monetary policy, most Australian households and businesses have continued to manage the pressure that higher inflation and interest rates are placing on their finances.

Information received through the RBA's liaison program indicates that more people than usual are seeking support from community organisations, often for the first time, including dual-income households and mortgagors.

Following the release of the Australian Securities and Investments Commission's (ASIC) report on lenders' approach to supporting borrowers facing financial hardship, many institutions have improved processes to identify stressed borrowers at an early stage and set up hardship arrangements before borrowers fall behind on their repayments.

Data from within ARMA Group demonstrates this flexible approach from clients in action. As the average debt size has increased, more than doubling since FY23, the average number of days to pay in full has also more than doubled.

Despite clear financial pressures and an increase in the value and volume of debt in the system, several economic factors support the ongoing repayment and recoverability of debt including near full employment, equity in homes and cost of living relief measures.

Credit Clear CEO and MD, Andrew Smith, said: "Credit Clear in the past year has demonstrated that it can be a dominant force in the Australian debt resolution industry. Our strategy, to target and win Australia's largest companies in each of our identified industry segments, is working. The validation achieved, revenue and profitability of these clients, once onboarded and developed, is becoming evident. We have achieved a dominant position in the insurance industry, where material growth can now be achieved as a result of our competitive advantage and industry insights. Energy and telecommunications are quickly emerging as industries in which we have a clear pathway to become dominant, with several potential tier-1 already won, while financial services, healthcare and education are all sectors that we have made our first big step into infiltrating. The business has gone from strength to strength following the transformational acquisition of ARMA Group, turning the business operationally cash flow positive and continuing to invest in the research and development of our technology."

Notes:

1. October Revenue, FY25 YTD Revenue and Gross Margin YTD is Unaudited
2. Annualised FY25 YTD October Revenue

3. Tier 1 clients = revenue of >$500k p.a., Tier 2 clients = revenue of >$100k and <$500k p.a. and Tier-3 clients of between >$12k and <$100k
4. Expected revenue is based on information provided by clients

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 in Sydney and offices in Melbourne, Brisbane, Adelaide, and Perth.

www.creditclear.com.au