

## Shareholder Business Update - June 2020

### Executive Summary

We have made strong progress in all aspects of the business, including technology development, integration of the Credit Solutions business and attracting additional customers. Whilst volumes in March - May were impacted by Covid-19 (mostly deferral of activity), we are emerging strongly and expect a good June result

We have continued the evolution of our Board with the appointment of Marcus Price as new independent Director. Marcus is the founder of PEXA (the electronic title exchange provider) which was sold in 2018 to a consortium led by Link Group for \$1.6 billion.

Preparations for an IPO are progressing well.

### Business Update

Volumes were impacted by Covid-19 as many clients ceased or deferred collection activity. Traditional collection methods were significantly impacted by lower volumes; however, revenues from digital collections remained constant. Despite lower volumes, we were able to sign up several new clients. In June, we have seen volumes recover well.

As a consequence, management have revised FY20 forecasts to revenue of \$11.3 Million and pre-tax earnings of -\$1.7 Million (before one-off costs associated with an IPO). Our cash position remains adequate and we carry no debt.

### New Board Appointment - Marcus Price, Non-Executive Director

In February 2020, Credit Clear was pleased to appoint Marcus Price as a non-executive director of the company.

Founder and former chief executive of e-conveyancing group PEXA, Marcus has over 25 years' experience building successful businesses. He has developed and managed transformative businesses from start-up to sale. He specialises in early stage and competitive market entry financial services businesses involving competitive market analysis, equity structures and financial engineering. Marcus has held senior positions with National Australia Bank as well as the Boston Consulting Group. In addition, he developed and exited financial services businesses as the CEO and Executive Director for both Veda and Dun & Bradstreet.

### Acquisition of Credit Solutions

The acquisition of Credit Solutions in December 2019 is already achieving positive results. Integration is well progressed and Credit Solutions personnel have settled in well. There has been no loss of clients or staff. Credit Solutions has provided access to a significant new client base which have been receptive to the digital collection capability offered by Credit Clear, and these cross-sell volumes have exceeded expectations.

Some of the top tier clients of Credit Solutions include Transurban, National Credit Insurance, South East Water, Toyota Finance, Curtin University, AGL and over 60 local government councils.

As part of the acquisition, and the preparation for an IPO, we undertook an audit of the Credit Solutions accounts for the periods FY2018 and FY2019 and HY2019. This audit resulted in two adjustments: the elimination of intercompany revenue (approximately 11% compared to the November 2019 Information Memorandum); and the re-classification of legal cost disbursement recoveries from "revenue" to "cost recovery" in order to comply with accounting standards and usual practice. Both adjustments had no effect on the amount of profit previously recorded and forecast (as included in the November 2019 Information Memorandum).

### COVID-19 Impact - Uncertainty led to lower activity in our traditional collections division, although we saw an acceleration of clients adopting our digital collections platform

Impact on referral volumes during the June quarter from our essential service and government clients has been material. Most of the traditional collection clients in these sectors instructed us to cease legal and collection activity on active accounts and held off referring new accounts. Uncertainty around community receptiveness to financial hardship provisioning and a fear of negative publicity were the key drivers.

In response, we have focussed on promoting non-collections communications services, such as call handling, hardship applications and early-interventions. Some key clients (Transurban, Southeast Water, Synergy and Watercorp) have replaced traditional workflows with digital communications, which yields a more favourable margin for Credit Clear.

Overall, we expect COVID-19 to accelerate the transition from traditional to digital collection methods, a strong endorsement of our strategy. Indeed, some clients have already resumed collection activities in June using digital methods.

Local government clients are taking a conservative approach and continue to defer collections at this stage. They are expected to re-assess their position during the September quarter.

## **New Clients**

We have continued to make progress in winning new clients and cross selling digital services to Credit Solutions clients:

- Local Government – Ten clients were onboarded in last 6 months. This included 8 in South Australia. We now manage 56 of 75 local government contracts in SA, with a further 2 RFT outcomes pending. The technology advantage of the combined group has been a key driver in securing contracts
- BMW contract for outbound calls and inbound overflow commenced in May. This complements early-stage activity provided through the existing digital collection agreement and is an example of the end to end collection service Credit Clear is now able to offer.
- AGL contract went live in March with anticipated volumes being driven through digital collection platform at around 80,000 per month
- Pioneer contract went live in May with anticipated volumes also being processed through digital collections at approximately 50,000 per month
- Transurban (QLD) agreed to use digital collections at day 1 of the collection cycle from day 16 previously. Volumes are anticipated to be 80,000 per month
- Synergy (WA) converted to digital collections and reported a material increase in recovery rates and the likelihood of an increase in volumes by 50%
- Watercorp (WA) converted to the digital platform reducing their staffing requirements by 60% whilst increasing recoveries
- South East Water (VIC) converted to digital with a pilot of 2,500 accounts scheduled in June. Anticipated future volumes are ~ 20,000 per month

## **Technology Platform Development**

Product development of our in-house proprietary platform continues to progress. Additional developers and a Data Scientist were employed recently. Consistent with our continuous product roadmap, the following key enhancements were delivered over the first half of CY 2020:

- Security upgrade to add Multi-Factor Authentication and Single Sign On. This is system security best practice and a mandatory requirement for many large enterprise prospects before they onboard.
- Alpha testing of Send Time Optimisation machine learning algorithm that learns the best time to send messages for each customer to maximise open, click and payment rates
- Priority queue for agents to immediately send a message to customers while still on the phone and talk them through making an arrangement or payment. Previously these would be queued for sending later in the next batch.
- Additional options for customer service teams to initiate one-off and ad-hoc messages. This is a mandatory requirement for agent-led payment arrangements which provides agents with greater flexibility to manage messages.
- Tracking and measuring engagement for links in Credit Clear messages to client web pages outside of the Credit Clear payment portal. Particularly tracking for links to customer service or hardship information (e.g. COVID-19) and reporting within Credit Clear analytics. This enhances the level of detail which is used for data analysis purposes.

## **IPO Preparations Progress**

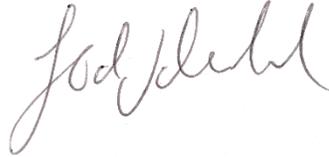
We are progressing preparations for an IPO, including:

- Bell Potter (Lead Manager), Moore Stephens (Auditor), Deutsche Miller (Legal) and Allen and Overy (Legal) appointed as IPO advisors
- Commenced initial discussions with the ASX
- Conversion to Credit Clear Limited and adoption of ASX compliant constitution complete
- Required historical audited accounts finalised for all group entities as well as the preparation of pro-forma numbers in readiness for the prospectus. Pro-forma figures are prepared on the basis that Credit Clear and Credit Solutions had been combined as a group for the years FY18, FY19 and FY20
- Management presentation, prospectus and non-deal-roadshow in final stages

We thank you for your continued trust and support. Should you have any questions, please contact Brenton Glaister directly on 040 233 6501



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