

ASX release

19 November 2020

## Company update

### 2020 Annual General Meeting

Following is Pioneer Credit Limited's (ASX: PNC) (**Company**) Chairman's Address and AGM presentation for the annual general meeting to be held today at 10:00 am AWST at:-

Conference Room  
Lobby  
Brookfield Place Tower 2  
123 St Georges Terrace  
Perth WA 6000

### Appendix 4C – Quarterly Cashflow Flow and Activities Reports

The Company advises that it is no longer required to submit Appendices 4C Quarterly Cash Flow and Activities Reports to the ASX platform.

The Company will continue to provide regular and detailed Company Updates.

Authorised by:

The Board of Directors, Pioneer Credit Limited

### Investor and media enquiries:

Keith John  
Managing Director  
Pioneer Credit Limited  
M: 0438 877 767

Nyomi Horgan  
Citadel-MAGNUS  
P: 0412 415 573

### About Pioneer

Pioneer Credit is an ASX-listed company (ASX: PNC) providing high quality, flexible, financial services support to help everyday Australians out of financial difficulty. Pioneer Credit has the trust of long-term vendor partners to do the right thing and respectfully support customers to achieve their financial independence.

Pioneer Credit has established a solid foundation to pursue further growth by leveraging its outstanding industry relationships, compliance record and customer-focused culture.

[www.pioneercredit.com.au](http://www.pioneercredit.com.au)

ASX release

19 November 2020

## 2020 Annual General Meeting - Chairman's Address

The very first thing to say is the fact that we are here today, talking about our hopes for our shareholders, is the product of an extraordinary time. We have gone from a background of a profitable company getting a qualification over the uncertainty of which accounting standard we would be reporting against, leading to a technical breach of a banking covenant, to selling the business at \$1.82 per share in an extensive process with full due diligence, to the successful bidder withdrawing from that offer, to the lawyers, to the threat of administration and the potential total loss to shareholders and bond holders, and now 66 board meetings later, and with the absolute grit and determination of our management and our advisors, we have preserved the business for our shareholders and kept our commitment to the bond holders. We emerge with regret about the loss of value to shareholders and proud of the fact that we have an opportunity to rebuild the business in market circumstances that are favourable to Pioneer.

In presenting the year that was, the operational impact of restrictive agreements with funders and the unnecessary distraction and material cost of dealing with the circumstances of the terminated scheme of arrangement resulted in a disappointing result for Pioneer for FY20. In short:-

- Cash receipts of \$103m was down 15% on pcp,
- PDP investments of \$55.7m was down 25% on pcp; and
- PDP carrying value of \$260m was up 4% on pcp,

resulting in a statutory net loss after tax of \$40.1m and a normalised EBITDA of positive \$51.1m.

Pleasingly, and as expected, the Company continued to generate significant operating cash flow which enabled it to carry on its PDP investment program in a manner that supported its liquidations performance and enabled the business to grow the value of its PDPs.

Pioneer also received strong vendor engagement and support throughout the period. This is in part due to the unique customer servicing approach that continues to be highly valued by our vendors. This is significant as this strong engagement has resulted in renegotiated vendor terms, reflecting a reduction in the pricing of forward flow agreements from pre-COVID agreements and further growth opportunities with a new vendor.

Today's AGM draws a line under the challenging past period and becomes the backdrop for Pioneer's return to strong business performance. Keith will provide further detail on our future focus and will provide a presentation at the close of this meeting.

Pioneer is re-capitalised and ready for growth. We remained focused on what differentiates us – which is our approach to providing high-quality, flexible and customised financial services to help everyday Australians out of financial difficulty.

– End –

19 Nov 2020

# Managing Director's Presentation

## FY20 Annual General Meeting



# Important notice: Disclaimer

---

This presentation has been prepared by Pioneer Credit Limited (“**Pioneer**” or the “**Company**”).

**Disclaimer:** This presentation contains information about Pioneer’s activities current as at the date of the presentation and should not be considered to be comprehensive or to comprise all the information that an investor should consider when making an investment decision. This information is provided in summary form and is not considered to be comprehensive or complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should consult with their own legal, tax, business and/or financial advisors in connection with any investment decision.

Any forward-looking statements included in this presentation speak only as at the date of the presentation and undue reliance should not be placed upon such statements. Although Pioneer believes the forward looking statements to be reasonable, they are not certain. To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statement whether as a result of new information, future events or results or otherwise is disclaimed.

Subject to applicable disclosure requirements Pioneer is under no obligation to update any of the forward-looking statements contained in this presentation.

**Monetary Values:** Unless otherwise stated, all dollar values are in Australian dollars (A\$). The information in this presentation is subject to change without notice.

## PA portfolio growth through COVID-19 is testament to underlying customer quality

### PA portfolio continues to grow

- While liquidations softened during the pandemic, PA<sup>1</sup> portfolio grew from \$290m (FY19) to \$356m (FY20). Now \$369m (Oct-20)
  - Demonstrates Pioneer's superior customer quality (majority Australian bank originated)
  - Customers are willing and able to service their obligations - to make payments and enter into PAs

### Improving liquidations from older vintages

- Reduced PDP<sup>2</sup> investments during Apr-20 to Jun-20 due to COVID-19, meant lower liquidation contributions from newer vintages
- Pioneer has continued to realise the value of its older vintages with increasing liquidations

### Earnings impacted by one-off events

- Significant one-off costs mostly caused by Carlyle<sup>3</sup> related corporate activity, with some impact from COVID-19

#### Notes:

1. Payment Arrangement - where a customer agrees to make payments at an agreed repayment amount
2. Purchased Debt Portfolio
3. Robin Bidco Pty Ltd and/or Robin Holdco Holdings Limited and/or Project Robin, L.P., all entities part of the group of entities doing business as 'The Carlyle Group'

The Pioneer Principles are the foundation of our Company



# Experienced team to execute on strategy

5

## Board of Directors



**Michael Smith**  
Chairman

- Managing Director of strategic marketing consultancy firm Black House
- Chairman of 7-Eleven Stores and Starbucks Australia
- Previously Deputy Chair of Automotive Holdings Group Ltd, Chairman of the Lionel Samson Sadleirs Group, iiNet Ltd, Synergy, Verve, Perth International Film Festival, West Coast Eagles, Indian Pacific Ltd and Scotch College



**Keith John**  
Managing Director

- Founder of Pioneer Credit
- Over 25 years' experience in the financial services, both in Australia and Asia
- Director of Midbridge Investments and Bondi Born



**Andrea Hall**  
Non-Executive Director

- Over 20 years experience in governance and risk management, including as Risk Consulting Partner at KPMG
- Director of Fremantle Football Club, Evolution Mining Ltd and Parenti Group Ltd
- Previously Director of Automotive Holdings Group Ltd, Lotterywest & Tap Oil Ltd
- Fellow Chartered Accountants Australia New Zealand, BComm, Masters of Applied Finance



**Ann Robinson**  
Non-Executive Director

- 13 years at Wesfarmers, most recently Executive Director at Wesfarmers Chemicals Energy & Fertilisers
- Extensive experience in management consulting, M&A, post merger integration and innovation
- Director of Lionel Samson Sadleirs Group and member of Rottnest Island Authority Board and Curtin University Audit, Risk and Compliance Committee
- Bachelor of Arts, Bachelor of Psychology, GradDip Applied Finance & Investment, GAICD

## Executive Leadership



**Sue Symmons**  
General Counsel &  
Company Secretary

- Appointed General Counsel and Company Secretary on 1 Oct 15
- Over 25 years experience including at Evans & Tate Ltd, Automotive Holdings Group Ltd, Helloworld Ltd and Heytesbury Pty Ltd
- BComm, Master of Business Law, Member of the Governance Institute of Australia and Australian Institute of Company Directors



**Barry Hartnett**  
Chief Development Officer

- Over 7 years experience at Pioneer across finance and strategy & development
- Bachelor of Finance, Accounting and Economics
- Member of the Chartered Institute of Management Accountants



**Jason Musca**  
Chief Financial Officer

- Over 20 years experience across Australia and the United Kingdom, primarily in financial services
- 8 years with Bankwest as Divisional CFO of Retail and Business Banks
- Other roles include Financial Services Consultant for Versant Partners (London & Perth) and Transaction Services & Advisory Manager for PwC
- Chartered Accountant, BComm (Accounting & Finance)



**Andrea Hoskins**  
Chief Operating Officer

- Strategic and commercial leader with over 15 years' experience, predominantly in financial services.
- 10 years with HBF in senior management and executive roles, leading strategy, M&A, health and corporate services
- Non-Executive Director of Football West and Screenwest
- BComm (Marketing & PR); Member of Australian Institute of Company Directors



Pioneer is focussed on its strategy of disciplined growth, diversification and operational efficiency

1.	<b>Capitalise on growth opportunities while being disciplined</b>	<ul style="list-style-type: none"><li>• Emergence of available PDP volumes following the onset of COVID-19 in Australia</li><li>• Pioneer will seek to capitalise on lower priced opportunities while maintaining disciplined PDP acquisition criteria</li></ul>
2.	<b>Vendor and product diversification</b>	<ul style="list-style-type: none"><li>• Continue to mainly purchase from banks while taking measured steps into utilities and telco market</li><li>• Utilities and telco are significant growth segments, but require similar discipline</li></ul>
3.	<b>Focus on growing payment arrangements</b>	<ul style="list-style-type: none"><li>• Pioneer has continued to grow its PA portfolio through COVID-19</li><li>• Evidences Pioneer's approach of treating its customers with respect and dignity</li><li>• Pioneer will continue to execute on this strategy as a foundation of the asset backed value of its portfolio</li></ul>
4.	<b>Thrive under increased regulatory scrutiny</b>	<ul style="list-style-type: none"><li>• The receivables management industry is mature and highly regulated</li><li>• Pioneer's compliance record and long standing vendor relationships are a strong competitive advantage</li><li>• Prioritise compliance &amp; customer outcomes as key value drivers for vendors and purchasing opportunities</li></ul>
5.	<b>Increase operating leverage</b>	<ul style="list-style-type: none"><li>• Continue to increase performance efficiency through cost reduction and acceleration of digital customer engagement</li></ul>

# Differentiated Approach

Pioneer is differentiated by its approach of providing high-quality, flexible and customised financial services to help everyday Australians out of financial difficulty

Resilient Portfolio	Strong Vendor Relationships	Disciplined PDP Acquisition	Do the right thing
<ul style="list-style-type: none"><li>• Data science is driving portfolio selection and performance</li><li>• A clear focus on product segments where customers are working to get ahead</li><li>• Pay day lending and short term cash loans are specifically excluded</li></ul>	<ul style="list-style-type: none"><li>• Specialised in acquiring low risk loan portfolios from Australian banks</li><li>• Strong relationships with financial institutions in Australia makes Pioneer a strong #2 in bank purchase sub-sector</li></ul>	<ul style="list-style-type: none"><li>• Cautious valuation models and customer, product, risk criteria have supported strong liquidation performance against expectations</li><li>• Pioneer services only acquired portfolios, with an unwavering focus on appropriate customer outcomes</li></ul>	<ul style="list-style-type: none"><li>• Pioneer respectfully takes care of its customers, differentiating from others with its compliance record and positive Net Promoter Score of +13</li><li>• Pioneer is focused on finding the right solution for the customer, whether by settlement or PAs</li><li>• Dedicated hardship team in place to identify and support customers experiencing hardship</li><li>• Legal action used sparingly (and currently suspended through pandemic) after all other options are exhausted</li></ul>

Positive early indications realised from strategic focus on disciplined growth and improvements in operational efficiency. Record Q1 liquidations

## Liquidations and focus on PA value creation

- For the quarter ended Sep-20 Pioneer's PDP liquidations were \$25.3 million
  - Liquidations from accounts greater than 2 years has increased by 39% in the 12 month period to Sep-20
  - In the 12 month period to Sep-20 the PA portfolio increased by 17% to a balance of \$367m whilst monthly PA revenue contributions increased by 18%

## Cost efficiency and effectiveness

- Business initiatives in place to drive liquidation efficiency
  - Focus on people and systems - recruitment, training and development and performance measurement
  - Objective to diversify revenue channel via self service and customer journey enhancements

## Capital Management

- Re-financing completed in Sep-20. Senior debt facility - \$169m term facility and \$20m purchasing facility.
  - PDP Investment of \$10.6m in Q1 FY21 PDP funded solely from free cash flow
  - FY21 PDP investment, presently \$33.5m contracted, expected to be funded solely from free cash flow
  - Management have commenced work to re-finance at more favourable price point

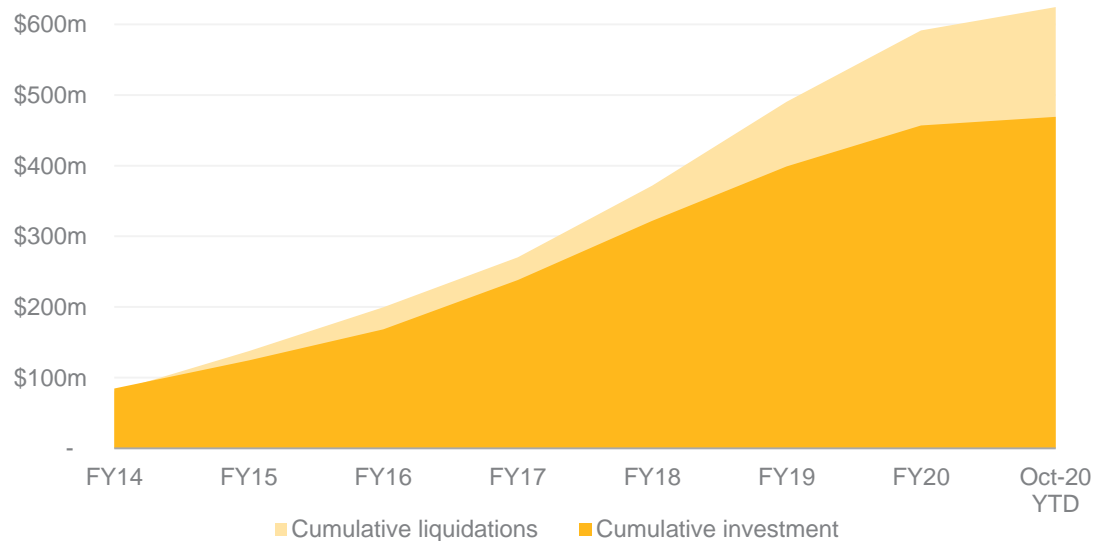
# FY21 Performance

9

With lower PDP investment due to COVID-19, Pioneer has continued to focus on liquidating from older vintages, further demonstrating the quality of the underlying customers in its portfolio

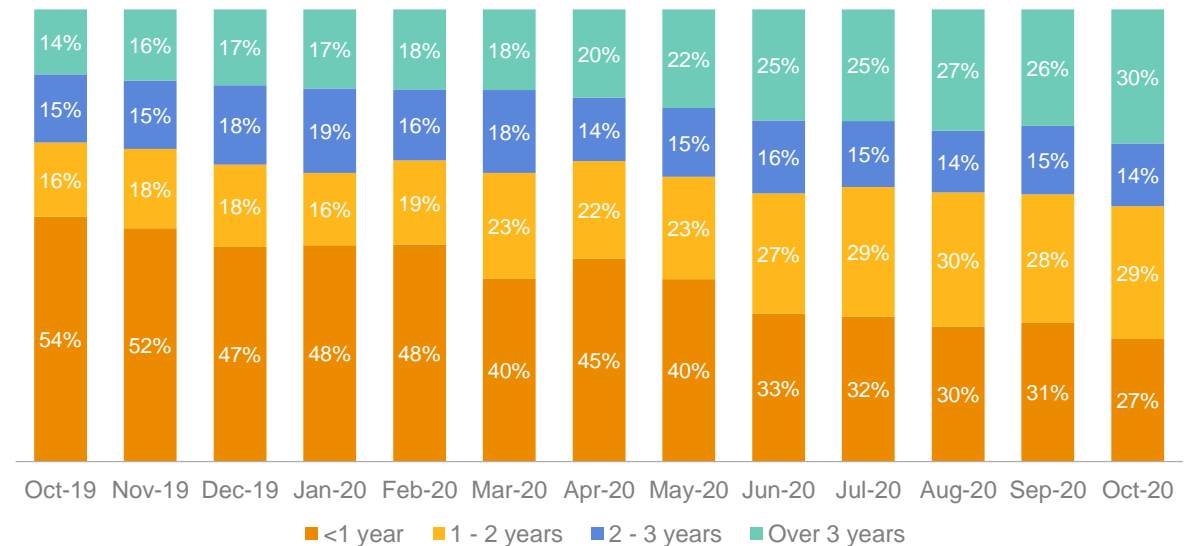
## Returns beyond investment

Cumulative liquidations vs. investments (\$m)



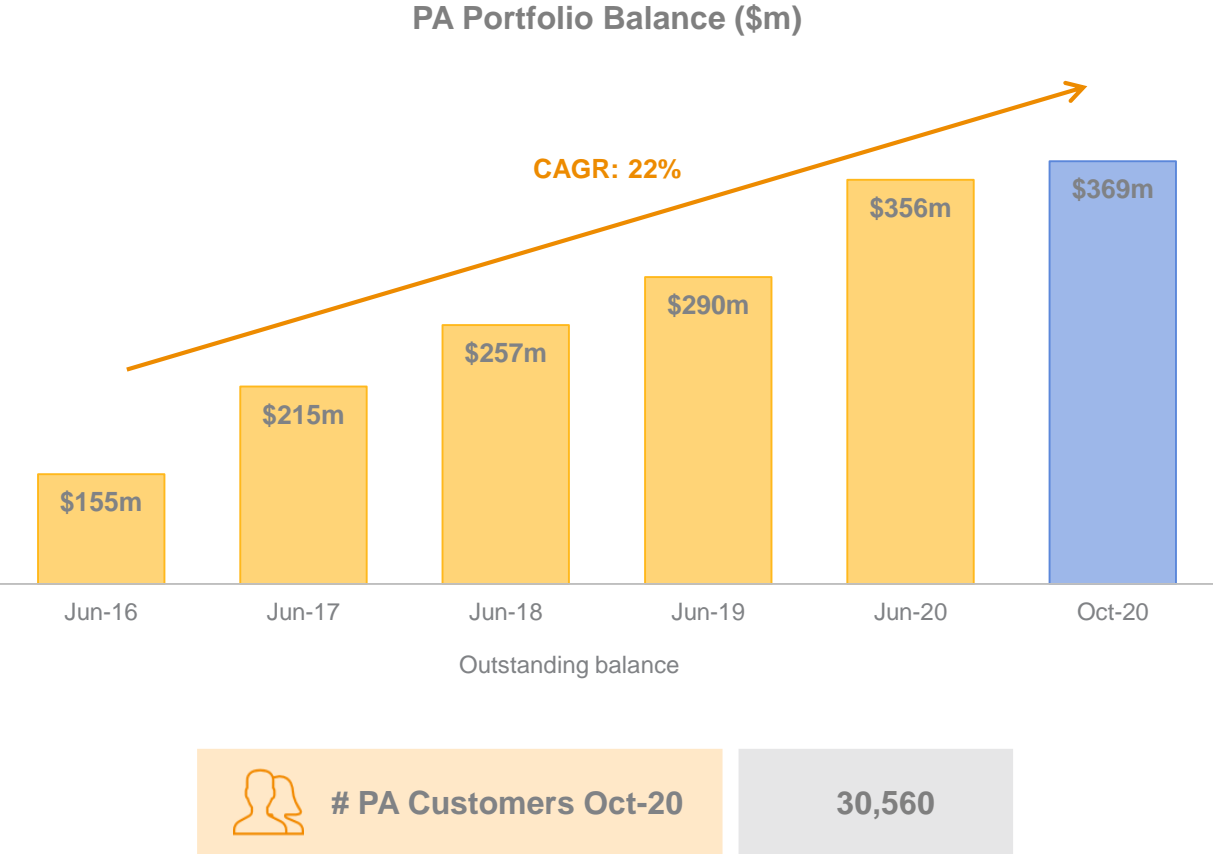
## Liquidations of ~44% from accounts greater than two years old

Customer Payments by vintage



# Payment Arrangement Portfolio

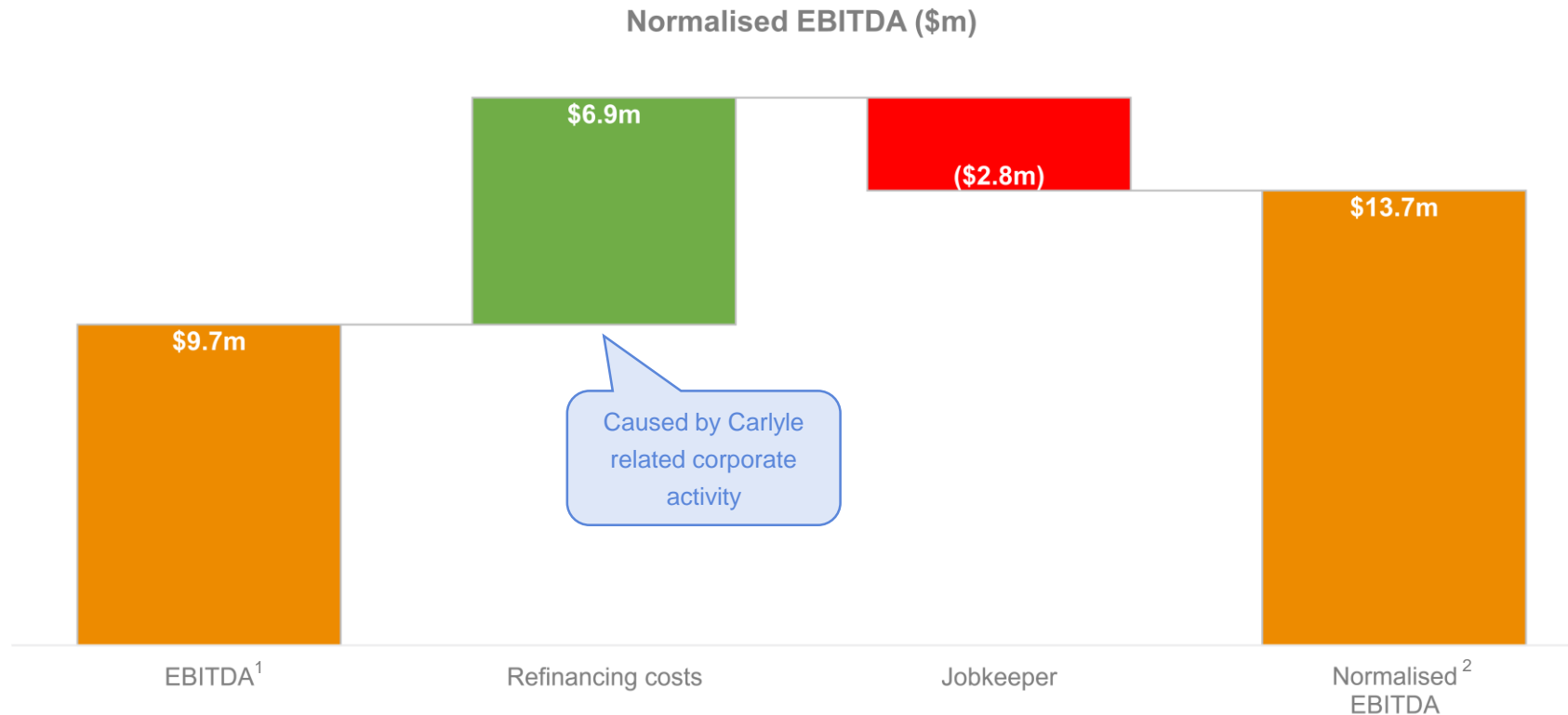
PA portfolio growth through COVID-19 is further testament to underlying customer quality



# Q1 FY21 Normalised EBITDA

11

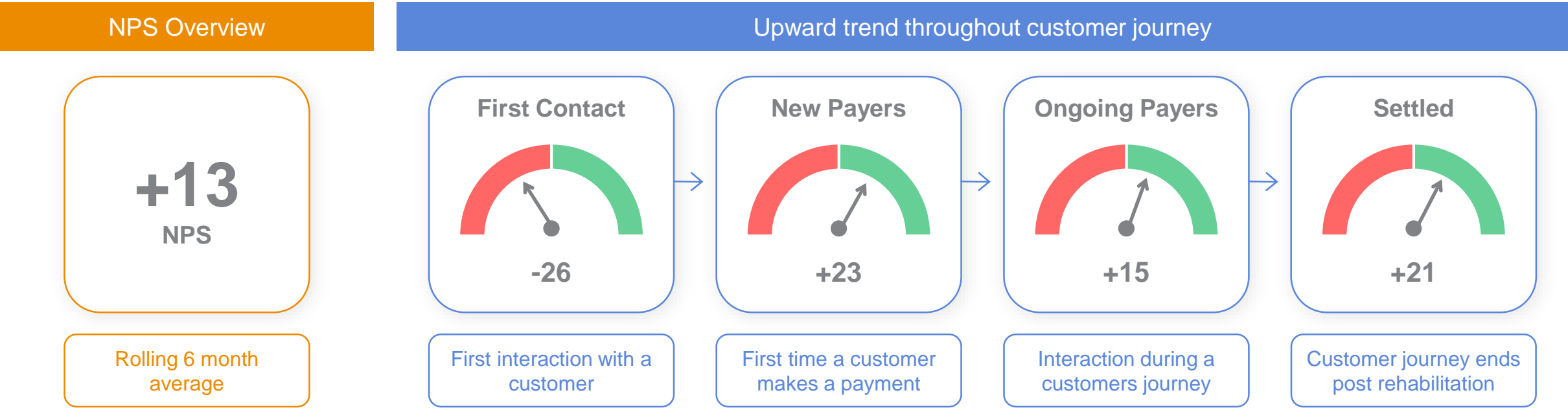
Record liquidations have driven solid EBITDA, with most one-off costs now accounted for. Performance expected to improve through rest of financial year



Notes:

1. EBITDA – Earnings before interest, taxation, depreciation and amortisation. Unaudited.
2. Normalised EBITDA – EBITDA excluding non-recurring revenue and non-recurring expenses

NPS<sup>1</sup> measures the willingness of a customer to recommend a product or service. Pioneer is a recognised leader in measuring and delivering high quality customer outcomes and experience



## Pioneer is well positioned to benefit from current market trends in a growing, oligopolistic industry

### **PDP sales have recommenced, on improved terms for Pioneer**

- Industry fundamentals remain strong with PDP volumes expected to grow as Australia exits the pandemic
- Well funded and compliant sector participants will benefit from strong supply at likely more attractive levels (with lower competition from scrutinised players)

### **A highly regulated industry likely to face increased scrutiny**

- The receivables management industry is highly regulated
- Pioneer's compliance record, and longstanding relationship with banks provide a strong competitive advantage

### **Resilience of Pioneer's portfolio to weather macroeconomic backdrop**

- Pioneer's portfolio is made up of product segments where customers are working to get ahead
- Pay day lending and short term cash loans are specifically excluded from Pioneer's portfolio

### **Pioneer has taken significant steps to organise its business for a 'new normal'**

- Increased investment in compliance, customer treatment strategies and internal audit function
- Progressed on appointment of new Non-Executive Director to broaden the Board's capacity and experience
- Increased investment in data management and analytics to continue to drive liquidations performance



Free cash flow and the purchasing facility will fund growth while more favorable refinancing terms are sought

**Continue to utilise free cash flow to invest in PDPs, with purchasing facility available for any 'out of sight' opportunities**

- Record Q1 liquidations have driven solid EBITDA (Normalised EBITDA of \$13.7m in Q1), expected to increase in FY21
- The Company has \$33.5m in FY21 contracted PDPs, with ample opportunity to significantly increase its PDP investment
- Focus remains on Australian bank originated customer portfolios
- Abundant opportunities available though treading with caution over the near term

**Pioneer will continue to assess refinance options**

- Opportunity to refinance at more favorable cost as economic environment normalises
- Interest already shown by parties, which the Company will explore in the coming months

**Regular updates through FY21 to shareholders on business performance as economic clarity emerges**