

ASX Announcement

15 May 2020

## Pioneer Credit Limited – Company Update and Appendix 4C

Pioneer Credit Limited (ASX: PNC) (**'Pioneer'** or the **'Company'**) provides this Company Update and Appendix 4C, Quarterly Cash Flow and Activities Reports for the quarter ended 31 March 2020.

### Litigation Process

As detailed in the Company's announcement of 22 April 2020, Pioneer is involved in litigation with Project Robin, L.P. (an entity which is part of The Carlyle Group) ('Carlyle'). The litigation concerns allegations by Project Robin L.P. of defaults by Pioneer under the Syndicated Facility Agreement.

Following the termination of the Scheme Implementation Agreement with Robin Bidco Pty Ltd and Robin HoldCo Pty Ltd (entities part of The Carlyle Group) ('Carlyle'), the Company, through its advisors Azure Capital, has engaged with a broad range of parties across both Refinancing and Change of Control opportunities. Some of these parties were involved in the process undertaken by Pioneer in the second half of 2019, and others are new to Pioneer.

The Company's primary focus is currently on refinancing the Carlyle debt. To this end, Pioneer is progressing well with negotiations for a facility that would enable it to refinance the Carlyle debt. While the Company is pleased with the progress made, it cautions that the negotiations taking place remain indicative in nature and incomplete, and there is no assurance that the Company will be able to refinance the Carlyle debt.

In all instances the Company is steadfastly focussed on ensuring the best available outcome is achieved for shareholders.

### Balance Sheet and Liquidity

Pioneer's cash position as at 8 May 2020 was \$5.95 million (up from \$4.8 million at 17 April 2020). Please refer to the Appendix 4C, Quarterly Cash Flow Report for the quarter ending 31 March 2020 following this announcement for further information. Quarterly Cash Flow and Activities Reports are being provided to the market following the ASX recently advising the Company that it was required to comply with Listing Rules 4.7B and 4.7C. These Quarterly Reports will be provided to the market until such time as the ASX advises the Company otherwise.

As foreshadowed in the announcement of 22 April 2020, with limited purchased debt portfolio (**'PDP'**) investment likely in this quarter as a result of the COVID-19 impact on the economy, the Company expects its cash balance to continue to grow through the period.

As at 30 April 2020 Pioneer's PDP holdings were \$271.5 million (compared to \$274.0 million at 31 March 2020) (unaudited). These figures have been calculated using substantially the same Amortised Cost assumptions as were used for the 1H20 reviewed accounts released to the market on 28 February 2020, are not audited and do not consider the impact arising from COVID-19 or other changes that may have occurred or may occur to the Company's portfolio.

During the quarter \$18,876 was paid to the related party The John Family Primary Investments Trust ("JFPIT") in respect of the Company's lease of 190 Bennett Street, East Perth. Mr Keith John is the Sole Director and Secretary of Avy Nominees Pty Limited, the trustee of JFPIT and the lease is at arm's length terms.

### **COVID-19 Customer Response**

Consistent with the service differentiation that Pioneer has become renowned for among its banking and other vendor partners, the Company continues to prioritise its customers and ensure they are supported through the COVID-19 pandemic.

To assist customers during this challenging period, Pioneer has provided a range of options to support individuals who are concerned about or experiencing financial pressures as a result of COVID-19. This support includes payment holidays, interest rate deferrals, payment reductions and in some cases debt waivers.

Furthermore, Pioneer has not credit-listed or default-listed any customer's credit file, issued or enforced any statutory acceleration type notices, nor has it commenced any legal proceedings during the pandemic period, to date.

Underpinning the Company's core values and the strong brand it maintains with customers and the market, Pioneer's Net Promoter Score ('NPS') has been +18 for the past month. NPS is a practical way of measuring, and to evidence, the support and customer outcomes achieved through this period and the Company is pleased to maintain positive results.

### **Liquidations**

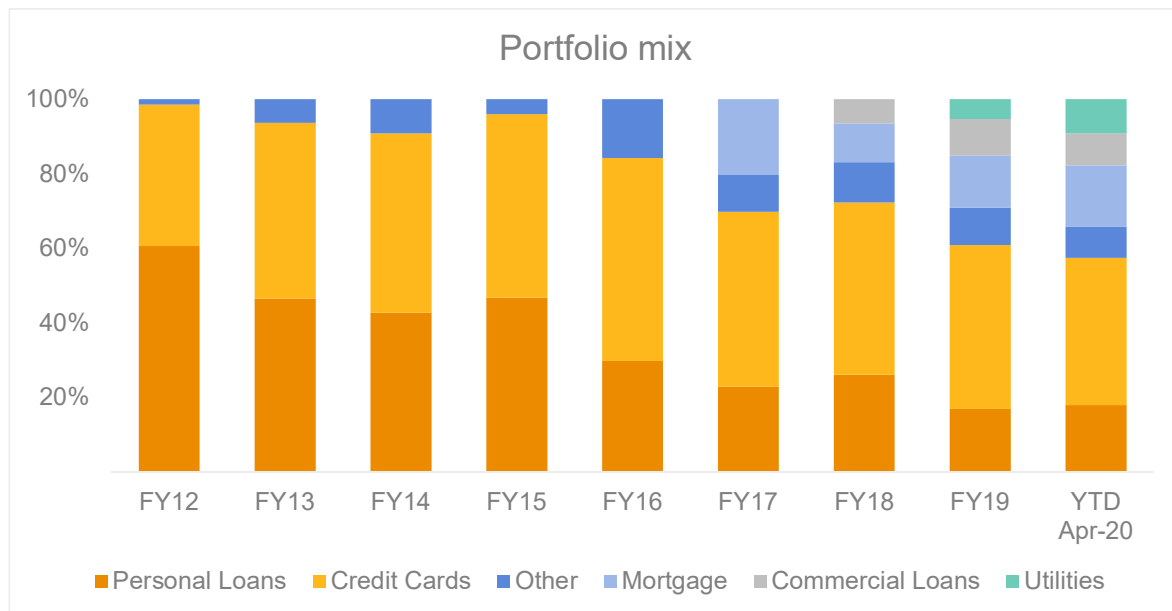
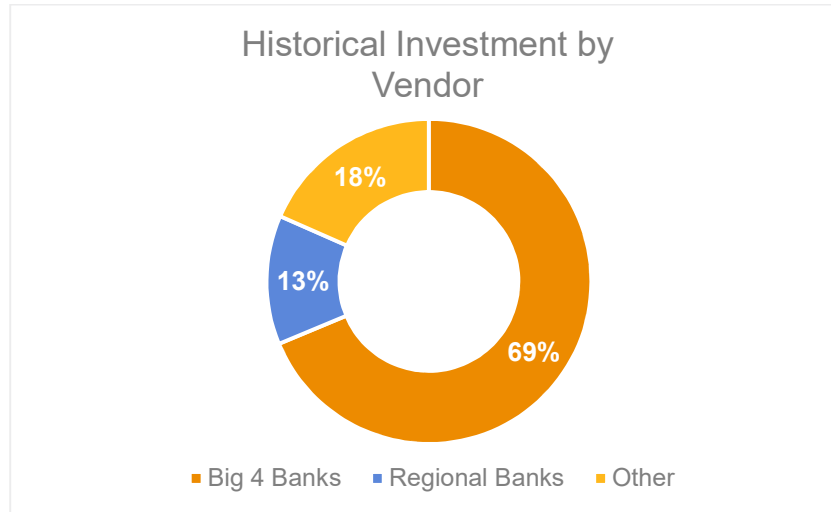
The composition of Pioneer's portfolio and the Company's customer-centric servicing approach are supporting the Company's performance during this COVID-19 period.

For the 10 month period ending 30 April 2020 liquidations were \$87.0 million (up 1 per cent on prior corresponding period). Since the onset of the COVID-19 pandemic in mid March 2020, the Company has experienced a drop in its average payment instalments and lump sum settlements, consistent with the expectation that customers would naturally become more cautious about their finances during the pandemic. The reduction in payments has generally been treated as deferrals of customer payments rather than hard defaults.

Given the measures taken to support customers' financial health and to sustain the Company's long term revenue, Pioneer does not expect the small year to date liquidations' outperformance on the prior period to continue through May and June, which are traditionally stronger months. The Company expects to report full year liquidations lower than last year.

### Portfolio Makeup

Consistent with Pioneer's strategy of long term sustainable performance, the Company continues to focus on the best quality assets in the sector. Pioneer does not purchase payday lending accounts, determining that these customer segments would underperform prime bank customers over the long term. The chart below shows the mix of vendors from whom the Company has purchased accounts since 2008.



### Payment Arrangement Performance

For the 10 months to 30 April 2020, the performance of the Company's payment arrangement portfolio has demonstrated the resilience of Pioneer's customer base which continues to underpin the Company's revenue and net assets. The Company reported its payment arrangement portfolio as \$336 million in face value at 17 April 2020. At 12 May 2020 the portfolio has grown to \$338 million.

72 per cent of the arrangement book (by number of arrangements) is comprised of Big 4 bank customers.

Resilience of the Company's portfolio is confirmed by key metrics which outline a customer's approach to their expected changing circumstances over the long term, specifically:-

- *median years to pay* which has increased only marginally during this period to 4.6 years from 4.5 years;
- *customer default rate* which is trending downwards having peaked at 5.95 per cent during March off a six-month rolling default rate of 5.04 per cent; and
- the *average instalment amount* which has decreased only slightly from its historical average.

#### PA book metrics

12 May 2020



**24,531**  
customers



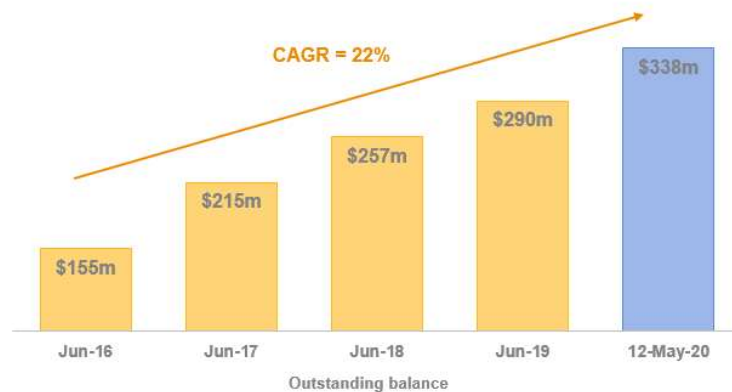
**4.62%**  
>30 days in arrears



**2.5 years**  
average existing relationship



**\$230**  
average monthly payment  
@ Jun-19: \$238  
@ Jun-18: \$231



The Company continues to write new arrangements with its customers each day and has, since its last report, continued to see an increase each week in the net growth of these arrangements.

### Investment in PDPs

As updated in the Company's announcement of 22 April 2020, most PDP vendors have paused debt sales through this period. Pioneer had contracted approximately \$15.3 million to be purchased in the period from April to June 2020 and now expects that investment to total \$2.1 million. As a result, full year PDP investment is expected to close at \$57.5 million.

Vendor PDP sales through this period have been suspended, rather than cancelled. Lower priced sales are anticipated in the future, reflecting changing customer circumstances and vendors' preference for service providers with a very clear focus on customer outcomes.

### **Employee Update**

The Company has continued to approach its contact centre operations with caution as the Federal and State Governments and respective health agencies and authorities have updated work conditions as the pandemic evolves. The Work from Home environment continues for a significant number of Pioneer employees with expectations they will increasingly re-engage with the physical workspace in the coming weeks. In addition, the Executive and management teams continue to support its diverse workforce through frequent personal calls and video. Team morale and productivity has remained positive and no cases of COVID-19 have been reported within the Company's workforce.

Employee numbers have been impacted only by natural attrition, and the small number of regrettable redundancies as previously announced.

The contract with a supplier for the State Government of Western Australia to secure the services of Pioneer employees will end effective 17 May 2020, and while short, it was valuable in terms of being profitable to Pioneer, supporting cash flow and ensuring job security for staff during the peak impact of the pandemic. Now that the COVID-19 peak appears to have passed, the Government is winding back the programme and those Pioneer staff seconded to the programme will return to normal operations.

The Philippines team continues to be impacted by the rolling lockdown extensions and the Company continues to operate that site with a skeleton workforce. The balance of the work ordinarily performed from that site has been delegated to the Australian-based team to ensure customers are appropriately serviced and supported.

The Company expects to continue to operate at its reduced cost base which, as previously announced on 22 April 2020, results in a saving of approximately \$400,000 per month.

### **Board Update**

During the quarter ended 31 March 2020 Mark Dutton resigned as a Director of the Company. This was announced to the market 4 March 2020.

**Authorised by the Board of Directors of Pioneer Credit Limited**

**Investor and media enquiries:**

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Managing Director  
Pioneer Credit Limited  
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**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)

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

PIONEER CREDIT LIMITED

**ABN**

44 103 003 505

**Quarter ended ("current quarter")**

31 MARCH 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date ( 9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	25,913	80,237
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(3,367)	(12,088)
(c) advertising and marketing	(3)	(36)
(d) leased assets		
(e) staff costs	(8,088)	(26,251)
(f) administration and corporate costs	(752)	(3,746)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	14
1.5 Interest and other costs of finance paid	(748)	(5,010)
1.6 Income taxes paid	-	(3,905)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	3	6,193
<b>1.9 Net cash from / (used in) operating activities</b>	<b>12,959</b>	<b>35,408</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(141)	(153)
(d) investments		
(e) intellectual property		
(f) other non-current assets	(14,003)	(51,729)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date ( 9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(14,144)</b>	<b>(51,882)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		139,313
3.6	Repayment of borrowings	(73)	(130,171)
3.7	Transaction costs related to loans and borrowings		(1,867)
3.8	Dividends paid		
3.9	Other (provide details if material)	(254)	(1,337)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(327)</b>	<b>5,938</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,160	11,184
4.2	Net cash from / (used in) operating activities (item 1.9 above)	12,959	35,408
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(14,144)	(51,882)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date ( 9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(327)	5,938
4.5	Effect of movement in exchange rates on cash held		
4.6	<b>Cash and cash equivalents at end of period</b>	<b>648</b>	<b>648</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	648	2,160
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>		

**6. Payments to related parties of the entity and their  
associates**

- 6.1 Aggregate amount of payments to related parties and their  
associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their  
associates included in item 2

**Current quarter  
\$A'000**

19

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

<b>7. Financing facilities</b>		
<i>Note: the term 'facility' includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	141,725	141,725
7.2 Credit standby arrangements		
7.3 Other (please specify)	40,000	40,000
7.4 <b>Total financing facilities</b>	<b>181,725</b>	<b>181,725</b>

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

	<b>Total Facility</b>	<b>Total Drawn</b>
<b>Carlyle Loan</b>	141,725	141,725
Initial Term Maturity Date	20-Sep-20	
Secured over all the assets and undertaking of the business		
Interest rate of 20% per annum which accrues during the Initial Term but is only payable on the maturity date Term unless the term is extended in which case no interest will be taken to have accrued or required to be paid for the Initial Term and the interest rate during the Extended Term will be 5% per annum.		
	<b>Total Facility</b>	<b>Total Drawn</b>
<b>Medium Term Notes</b>	40,000	40,000
Maturity date	22-Mar-22	
The Group issued \$ 40m in medium term notes on 22 March 2018. The notes have a maturity date of 22 March 2022 with the option to repay the notes at 101% of par plus any accrued interest one year prior to maturity.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	12,959
8.2 Cash and cash equivalents at quarter end (Item 4.6)	648
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	648
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	N/A

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes. The current level of net operating cash flows is expected to be maintained based on the Groups business performance to date and its current forecasts.

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes. The Group has appointed an advisor to assist with the refinancing of its existing debt facility and the Group expects to be able to complete the refinance prior to the expiry of that facility.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes. The Company generates sufficient free cash flow to enable it to continue its operations, meets its business objectives, and to continue its investing activities. The Company's investing activities are presently suspended due to the COVID-19 pandemic, and as a result the Company expects to generate excess free cash to its balance sheet. As at 8 May 2020, the Group has liquidity of ~\$5.95m. The Company expects to recommence its investing activities in July 2020.

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: .....

Authorised by: .....  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.