



pioneer
credit

1H17 RESULTS PRESENTATION

24 February 2017

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

Corporate snapshot

Strong share price momentum, new debt facility, improving liquidity, and an increasingly institutionally owned register with high founder and management ownership

- Specialist acquirer and servicer of 'Tier 1'¹ retail customer accounts
- Operates a unique, customer-centric service platform
- Conducts business by a guiding set of "Leadership Principles"
- Offices in Perth, Australia, and Manila, Philippines
- Portfolio across Australia and New Zealand

Top shareholders

Keith John - Managing Director	15.4% ²
Banksia Capital	9.8%
OC FM	7.4%
Discovery AM	6.3%
Management (ex Keith John)	3.8% ²

Share price and daily value traded over past year (\$/\$m)



Capital structure

Share price 23-Feb-17	\$1.99
Shares on issue ³	\$49.7m
Market capitalisation 23-Feb-17	\$98.9m
Cash 31-Dec-16	\$2.4m
Debt 31-Dec-16	\$70.0m
Enterprise value 23-Feb-17	\$166.5m
Portfolio assets at carrying value 31-Dec-16	\$128.1m

Notes:

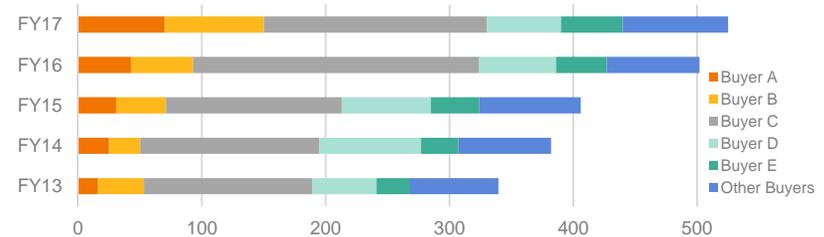
1. Customers not regarded as credit impaired when originated
2. Includes Equity Incentive Plan (EIP) rights where conditions met (save for service conditions), likely to be acquired on market
3. Excludes 0.3m unlisted options and EIP rights per note 2 above

Australian retail debt sale market conditions

High pricing continues, but increased opportunity for 'customer focused' buyers

- In FY16 market conditions showed:
 - Growth in PDP investment – up 53% on FY13
 - Banking and finance volumes were flat
 - Increasing number of issuers transitioning to forward flow
 - Multiple smaller buyers have entered the market but market share of the few key buyers (including Pioneer) continues to expand
 - PDP pricing at historically high levels as buyer competition intensity continues
- Kessler Group surveys show protection of brand and reputation are the primary concerns of debt sellers
- Growth in PDP sales (and in turn spending) is expected to slow down substantially in FY17, forecast increase of 5%

Growth in spend (\$m)



Most important factors when selecting a buyer



Source: Chart, data and some of the text on this page reproduced with the permission of leading debt advisory group Kessler Financial Services Australia

Key profit & loss metrics

Historically strong performance consolidated by driving earnings momentum in 1H17

	1H16	1H17	
Net revenue	\$21.1m	\$24.6m	↑ 17%
EBITDA ¹	\$13.7m	\$14.6m	↑ 7%
EBIT	\$5.5m	\$7.0m	↑ 27%
NPAT	\$3.3m	\$4.2m	↑ 27%
EPS (basic)	7.23cps	8.45cps	↑ 17%
DPS	3.60cps	4.22cps	↑ 17%
Gross operating cash flow/EBITDA	101%	104%	↑ 3%

- PDP liquidations up 8% to \$30.8m
- Strong net revenue result from focus on quality investments at reasonable price points
- Increasing free cash generation underpinning growth in PDP investments
 - Considered **upgrade to at least \$53m** in PDP investments for FY17
- CIV expensing rate
 - Continued caution in valuation relative to liquidations – maintaining cautious bias
 - 22.5% for 1H17, up from 21.7% for FY16
- Continued appreciation of EPS and DPS
 - 17% growth in 1H17 EPS and DPS
 - Fully franked dividend, record date of 31 March 2017, payment 28 April 2017

Notes:

1. EBITDA is before the non-cash Change in Value movement

Key balance sheet metrics

Growing balance sheet strength and flexibility continues to be a focus for Pioneer

	1H16	1H17	
Cash and cash equivalents	\$1.1m	\$2.4m	↑ 118%
Financial assets at fair value	\$96.2m	\$128.1m	↑ 33%
Total assets	\$108.0m	\$143.3m	↑ 33%
Borrowings	\$48.0m	\$70.0m	↑ 46%
Total liabilities	\$53.9m	\$76.3m	↑ 42%
Net assets	\$54.2m	\$66.9m	↑ 23%
Gearing (Facility LVR) ¹	47.6%	52.9%	↑ 11%
Total credit facilities	\$67.1m	\$110.0m	↑ 64%

Highlights

- \$100m 3 year facility settled with Bankwest and Westpac
- Undrawn debt balance of ~\$36m available
 - Supports continued, measured growth
- Strong end-of-half-year cash balance
- Pioneer remains comfortably within its covenants
 - Targeting <50% LVR (currently at 53%)
 - LVR covenant of 55% in facility agreement

Note:

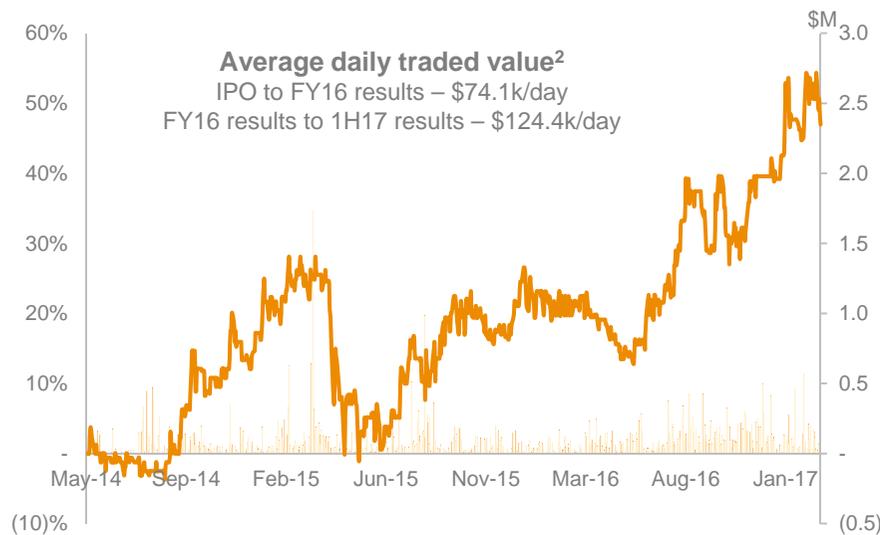
1. Gearing calculated as Debt / Financial Assets at Fair Value

Focus on shareholder returns

Pioneer is focused on delivering strong sustainable earnings growth over the long term

Total shareholder returns¹ and trading liquidity since IPO

- At all time highs, with significantly improved liquidity



Source: Bloomberg

Notes:

- Assumes dividends are reinvested
- Excludes off-market trades, and relevant periods based on date results released

Continued dividend growth and option to participate in DRP

- Fully franked interim dividend of 4.22cps, up 17% on pcp
- DRP is an opportunity for shareholders to increase shareholding
- DRP offered at a 2.5% discount to the 10 day VWAP following the record date 31-Mar-17

Historical interim dividend (cps)



PDP valuation and payment arrangement metrics

Pioneer’s cautious and sophisticated valuation approach is leading to consistently improving liquidations and asset values

Pioneer’s valuation approach¹

- Consistent and cautious approach to valuation
- Apply logistic regression modelling to project expected liquidations from PDPs
- Expected liquidations are **calibrated down by 9%** for economic and model risk and then **discounted to present value at a rate of 20.1%**
- A ten year cap to the liquidation period for customer accounts is applied
- PwC continue as independent auditors

Key payment arrangement metrics in 1H17

Number of customers on an arrangement	+11.9%	<ul style="list-style-type: none"> • Continued strong growth
Average arrangement balance	\$10,267	<ul style="list-style-type: none"> • Quality evidence – no low value telco, utility or payday customers
Interest rate	12.9%	<ul style="list-style-type: none"> • Avg. accruing rate across arrangement portfolio
Instalment completion rate	97.0%	<ul style="list-style-type: none"> • Exceptional consumer outcomes and predictable cash flows

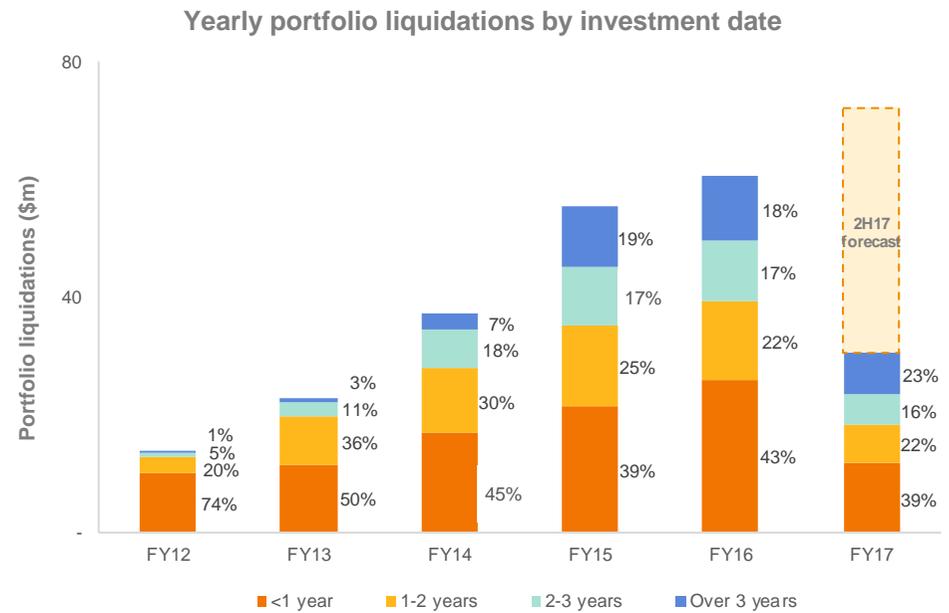
Note:

1. Refer to note 4(c) in the financial statements for further information

Cash flow generation

Growing liquidation contribution across portfolio with quick payback of capital invested

- Pioneer only invests in portfolios it understands well
- Cautious investment and considered servicing underpin solid liquidations and cash flow
 - ~0.8x investment multiple within first year
 - ~1.4x investment multiple within 2 years
- Liquidations growing across entire book
 - Supporting rehabilitation of customer base
 - Demonstrating ability to liquidate on aged portions of book as well as newer portfolios
- Strong cash flow generation to underwrite growth in PDP investments at appropriate price points



Focus on product development

Pioneer is expanding and diversifying its existing suite of products



- Growth entity that refers and brokers loan offerings via external third parties
- Allows us to:
 - Extend customer relationship beyond repayment of account
 - Provide customers with value based products and education
 - Attract new customers



- Offers free credit scores to new and existing customers
- Allows customers to understand their credit history and improve their financial health
- Customers have the ability to find what home loan product is right for them
- Pioneer products and solutions may be offered to help the customer achieve their financial goals



Product offerings

- Personal loans offered to emerging prime customers
 - No payday loans, small amount credit contracts or medium amount credit contracts
- Home loans – brokered back through a range of partners including our PDP vendors
- Car loans
- Small business loans

Strong employee alignment

Alignment strengthened through high levels of founder and management ownership

Management ownership

- Senior management own 19.2%¹ of Pioneer’s shares
- Senior management are strongly aligned to the Company’s strategic goals and vision through high levels of ownership and appropriate incentive structures
- Founder and Managing Director, Keith John, is the largest shareholder (15.4¹%)
- Every executive member of KMP² holds equity in Pioneer

Management ownership	Equity ¹
Keith John - Managing Director	15.4%
Management (ex Keith John)	3.8%
Total management ownership	19.2%

Equity Incentive Plan (EIP)

- Senior team eligible for rights under Pioneer’s EIP
 - EIP ensures alignment to strategic goals and timeframes
 - 12 employee participants

Key terms of EIP rights

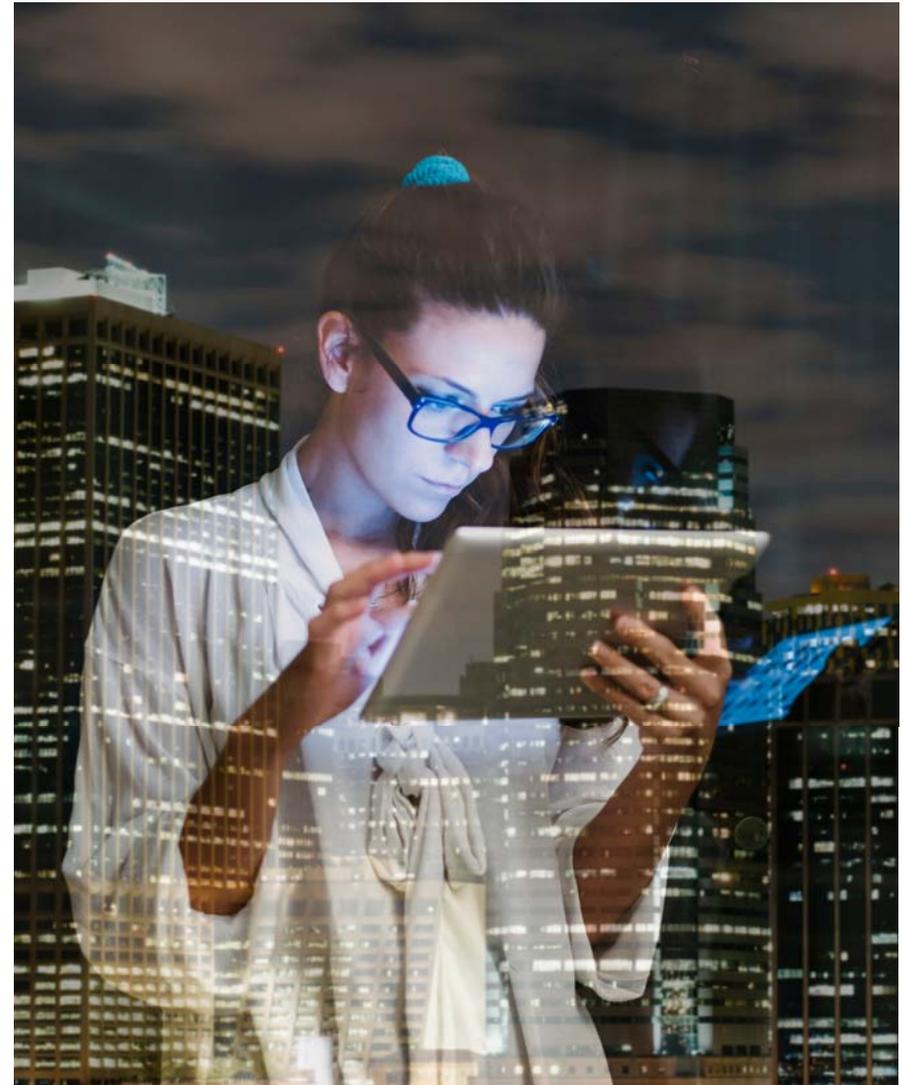
- Performance conditions generally include financial KPIs and assessment against the Leadership Principles
- Rights vest from years 2 to 5 at varying rates
- Incentivised team are invested for the most significant part of life of acquired assets

Notes:
 1. Includes rights where conditions met (save for service conditions), likely to be acquired on market
 2. Executive KMP (Key Management Personnel) are MD, CFO, COO, CRO and General Counsel

2H17 outlook

Preparing for future opportunities

- Changing market dynamics are providing increased opportunity for offerors of differentiated services (like Pioneer)
- Expect next year to provide additional growth opportunities and Pioneer is being positioned for that now, ahead of time
- Expansion of customer service team by ~100 FTE to position for expected opportunities in years ahead
 - Focus firmly on recruiting those that are a cultural fit for Pioneer
 - Strong KPIs in place to ensure quality standards upheld across the team
 - No measurable impact to FY17 earnings
- Across existing portfolios operational performance will be supported by
 - Utilising our expert credit analytics team to improve customer liquidations through better understanding of customer capacity and workflow optimisation
 - Retaining and improving our focus on growing customer financial capacity over time



FY17 guidance

Another year of high quality, disciplined growth is taking shape

- PDP Investment upgraded to at least \$53m – already contracted
 - Additional investment will only occur where Pioneer expects better than historical returns
- Confirm net profit after taxation of at least \$10.5m





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