

ASX Announcement

29 July 2020

Pioneer Credit Limited – Company Update and Appendix 4C

Pioneer Credit Limited ('Pioneer' or the 'Company') provides this Company Update and Appendix 4C, Quarterly Cash Flow and Activities Report for the quarter ended 30 June 2020.

Refinancing Process

The Company refers to its previous announcements in relation to the process being undertaken to replace its senior finance facilities:-

18 May 2020 Pioneer enters into Standstill Agreement with Carlyle Group

29 June 2020 Refinancing Update

20 July 2020 Pioneer Credit Limited extends Standstill Agreement

Pioneer is progressing with negotiations for a senior facility that would enable it to refinance its existing senior finance facilities. 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 senior debt.

As the proposed refinancing of the Company's existing senior finance facilities is not certain, the Company requests that the current suspension of its shares remain in place until the earlier of an announcement regarding the completion of the refinancing or pre-open 17 August 2020.

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 30 June 2020 was \$11.02 million.

Please refer to the Appendix 4C, Quarterly Cash Flow Report for the quarter ending 30 June 2020 following this announcement for further information.

As at 30 June 2020 Pioneer's purchased debt portfolio ('PDP') carrying value was \$266.6 million (compared to \$274.0 million at 31 March 2020). These figures 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, non executive directors were paid a total of \$96,023 for directors' fees and \$18,876 was paid to the The John Family Primary Investments Trust ('JFPIT') in respect of the Company's lease of 190 Bennett Street, East Perth. The Company's Managing Director 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.

During the period the Company receipted \$22.675m in cash flow from ordinary operations and \$8.507m from reimbursed, pre-paid, taxation no longer payable. Operating costs paid in the ordinary course of business amounted to \$11.545m, which was in line with the Company's expectations, noting that a significant portion of these costs, in the amount of \$3.945m, were paid

in relation to the process to refinance the Company's senior finance facilities, and that these costs are non-recurring in nature.

PDP investment in the period was \$2.137m, though cash outflow for investing activities was \$8.837m. Of this, \$0.410m was for other assets, and \$8.427m was for PDPs, of which \$6.290m was for the payment of PDP creditors from the prior period.

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. 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. The Company has resolved to continue this customer treatment for the foreseeable future.

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 +15 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 our customer-centric servicing approach are supporting the Company's performance during this COVID-19 period.

For the financial year ended 30 June 2020 liquidations were ~\$101.0 million. At the onset of the COVID-19 pandemic in mid March 2020, and through April 2020, the Company experienced a reduction 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 Company expected that the reduction in payments would behave in a manner representing deferrals of customer payments rather than hard defaults. This has to date, proven to be the case, with noticeable growth coming through payment arrangements in May 2020 and June 2020 (and continuing during July 2020).

While it is disappointing to close the financial year with lower liquidations, this must be balanced against the business goals and the impacts of the pandemic through this extraordinary period which included the COVID-19 Customer Response (as outlined above) and the PDP Investment (as outlined below).

PDP Investment

As outlined in the Company's last Quarterly Update to the market on 15 May 2020, over the course of 4Q20, most vendors responded to COVID-19 by suspending their debt sale programmes.

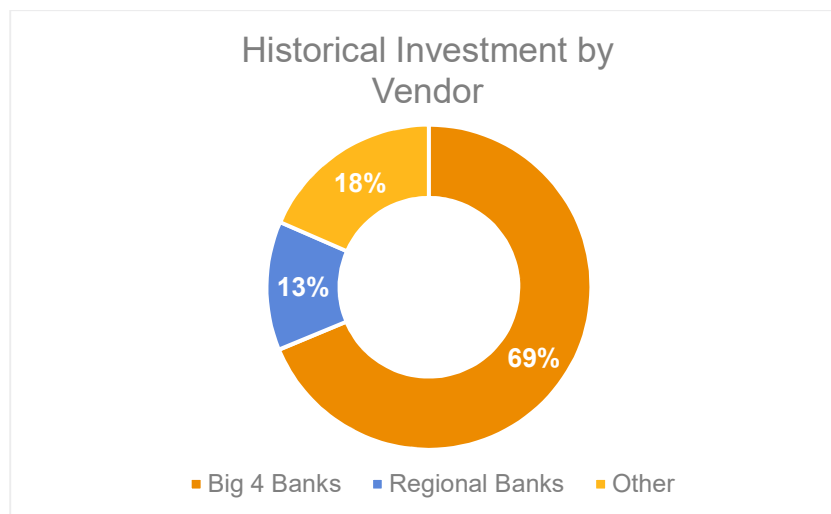
The Company had, at the beginning of 4Q20, ~\$15.3m of PDP investment under contract and expected to renew several agreements during the period which would likely have provided for additional investment beyond that contracted. Ultimately, PDP investment in the period was \$2.137m.

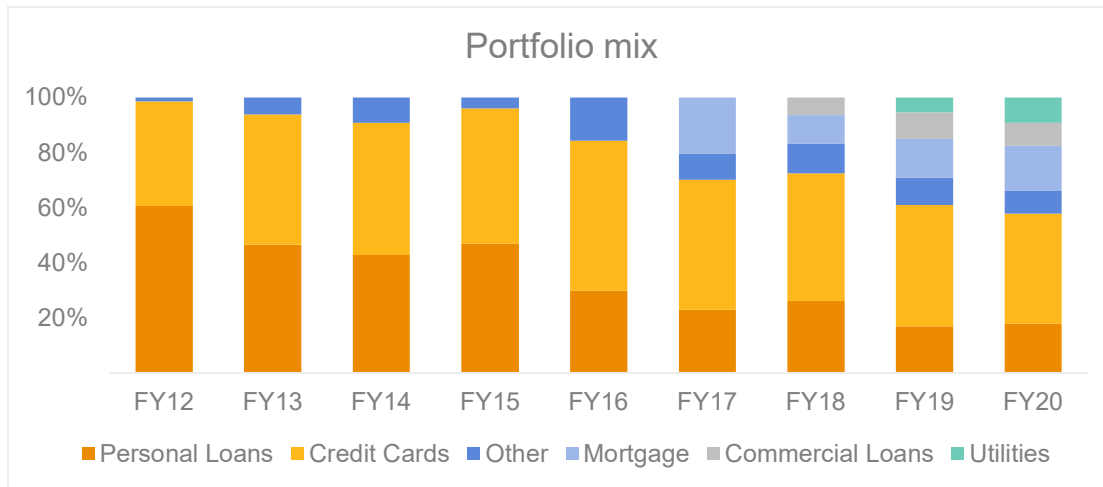
Pleasingly though, during the period, the Company has renegotiated the pricing of most all of its continuing forward flow agreements. Lower priced sales are anticipated to continue in the future, reflecting changing customer circumstances and vendors' preference for service providers with a very clear focus on customer outcomes.

The Company does not have any onerous contracts, and subsequently does not expect to take a charge for any contract in its FY20 financial statements.

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. From the commentary we have viewed across the markets we believe that this goal is supported. The chart below shows the mix of vendors from whom the Company has purchased accounts since inception.



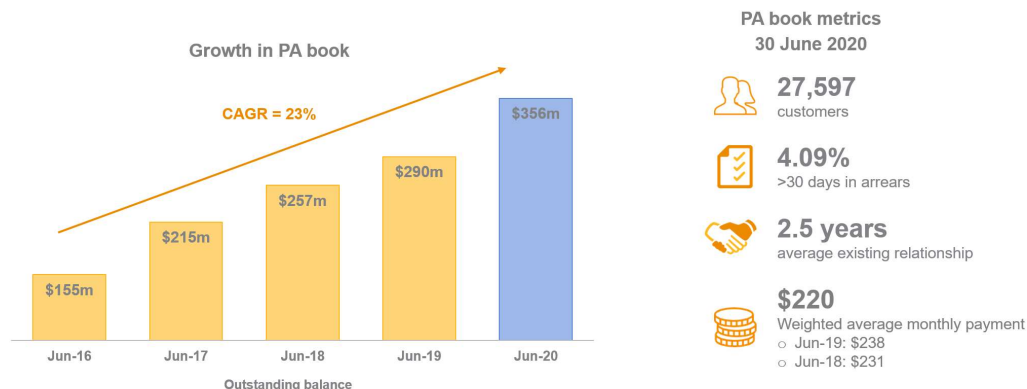


Payment Arrangement ('PA') Performance

For 4Q20 the performance of the Company's PA 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 PA portfolio as \$336m as at 17 April 2020 and at 30 June 2020 was \$356 million in face value, with the majority of the PA portfolio (by number and value of arrangements) comprised of Australian bank customers. Notably this 6% growth has occurred during significantly reduced PDP investment (as detailed above) during the period.

Resilience of the Company's PA 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* has increased marginally to 4.7 years from 4.5 years one year earlier;
- *customer default rate* continues to trend down and is 4.09% in June, having peaked at 5.95% in March; and
- the *average instalment amount* has decreased slightly from its historical average.



During July 2020, Pioneer has continued to see an increase each week in PAs.

Employee and Board Update

During May and June 2020 those employees not ordinarily on work from home programmes, but who were working offsite, returned to the Company's offices.

The Company made two appointments to its executive team during the period, through the appointment of Jason Musca as Chief Financial Officer and Andrea Hoskins as Chief Operating Officer.

Jason is a qualified Chartered Accountant with extensive financial services experience in Australia and the United Kingdom (UK). He served eight years at Bankwest, a division of Commonwealth Bank of Australia, where he was Divisional CFO for both the Retail and Business Banks and most recently was advising clients on complex commercial litigation cases and international arbitrations as a consultant with Versant Partners, a specialised dispute consulting firm in the UK.

Andrea is an experienced strategic and commercial leader and joins Pioneer from one of Australia's largest private health insurers, HBF, where she was most recently Executive General Manager – Health and Corporate Services. Prior to that, Andrea led the strategy and corporate transactions function for seven years. Andrea is a graduate of the Australian Institute of Company Directors and Massachusetts Institute of Technology and a Non-Executive Director with Football West Limited and Screenwest (Australia) Ltd.

In addition, Barry Hartnett, who has been with the Company for 6 years, was promoted to the newly created role of Chief Development Officer, where he continues to lead strategy and our vitally important vendor relationships.

Through these appointments, the Company has rounded out an exceptionally strong executive team, which includes the Company's long time Company Secretary and General Counsel Sue Symmons and Founder and Managing Director Keith John.

As part of its strategic plan, the Company has also commenced the process to recruit at least one new Independent Non-Executive Director. The search is being overseen by the Chairman of the Board and Nominations Committee, Michael Smith. The Company will inform the market when it completes its search and is able to make a new appointment.

Authorised by the Board of Directors of Pioneer Credit Limited

Investor and media enquiries:

Keith John

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

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")

30 JUNE 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	22,675	102,912
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(2,712)	(14,800)
(c) advertising and marketing	(7)	(43)
(d) leased assets		
(e) staff costs	(6,640)	(32,891)
(f) administration and corporate costs	(2,186)	(5,932)
1.3 Dividends received (see note 3)		
1.4 Interest received	32	46
1.5 Interest and other costs of finance paid	(134)	(5,144)
1.6 Income taxes received (paid)	8,507	4,602
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	73	6,266
1.9 Net cash from / (used in) operating activities	19,608	55,016

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	(30)	(183)
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets	(8,837)	(60,566)
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)		
2.6	Net cash from / (used in) investing activities	(8,867)	(60,749)

3.	Cash flows from financing activities		
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	(22)	(130,193)
3.7	Transaction costs related to loans and borrowings		(1,867)
3.8	Dividends paid		
3.9	Other (provide details if material)	(348)	(1,685)
3.10	Net cash from / (used in) financing activities	(370)	5,568

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	648	11,184
4.2	Net cash from / (used in) operating activities (item 1.9 above)	19,608	55,016
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8,867)	(60,749)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(370)	5,568
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	11,019	11,019

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	11,019	648
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	11,019	648

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**

115

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

7. Financing facilities		
<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>		
	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	141,725	141,725
7.2 Credit standby arrangements		
7.3 Other (please specify)	40,000	40,000
7.4 Total financing facilities	181,725	181,725

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.

	Total Facility	Total Drawn
Carlyle Loan	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 of the Initial 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.		
	Total Facility	Total Drawn
Medium Term Notes	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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	19,608
8.2 Cash and cash equivalents at quarter end (item 4.6)	11,019
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	11,019
8.5 Estimated quarters of funding available (Item 8.4 divided by item 8.1)	N/A

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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

8.6.1 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: N/A

8.6.2 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: N/A

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

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: ...29 July 2020...

Authorised by: .Board of Directors, Pioneer Credit Limited...
(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.