

## Annual General Meeting – 29 October 2015

Following is the Managing Director's address and presentation to the Annual General Meeting of Pioneer Credit Limited (ASX:PNC) to be held today, 29 October 2015, at 10 a.m. at the offices of K&L Gates, Level 32, 44 St Georges Terrace, Perth.

### About Pioneer Credit

Pioneer is an Australian financial services provider, specialising in acquiring and servicing unsecured retail debt portfolios.

These portfolios consist of people with financial obligations to Pioneer. These people become the cornerstone of Pioneer's business and are our customers.

We work closely with our customers who – for a range of reasons – have found themselves in financial difficulty. In the great majority of cases this has come about through a significant life event such as loss of job, serious health issues, marriage breakdown or domestic violence.

A key goal at Pioneer, as we work with our customers, is to see them achieve financial recovery and evolve as a 'new consumer'.

For further information about Pioneer see [www.pioneercredit.com.au](http://www.pioneercredit.com.au)

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## MANAGING DIRECTOR'S AGM ADDRESS

Since Pioneer listed in May 2014 we have embarked on a journey of building a long term sustainable growth business renowned for five key things:

1. A differentiated service offering to our vendor partners – which enables us to buy the highest quality customer portfolios at long term sustainable prices;
2. A genuinely customer focussed service for all our valued customers – so we can work with them to tailor solutions in order to get their financial lives back on track, and grow them over time into new financial consumers of substance;
3. Quality – in everything we do. Quality in the way we present Pioneer, the way we engage with our stakeholders and of course the quality of customer portfolios we acquire.

Pioneer purchases 'Tier 1'<sup>1</sup> customer portfolios only. That is, the highest quality portfolios from Australia's leading financial institutions, and has no exposure to payday lending, telecommunications, utility or other lower quality customer segments;

4. Discipline – in the way we allocate our capital, the way we assess and pursue growth, and in the way we focus on quality outcomes for all our stakeholders; and
5. Finally, and perhaps most importantly – Pioneer's Leadership Principles – which guide our every move, including the way we recruit our exceptional team of some 350 people and in the way we drive the corporate culture which our valued shareholders invest in.

Of course all businesses work to a set of guidelines. Living up to them, holding yourself accountable to them and being able to implement and execute to the highest standard is something that Pioneer does relentlessly.

So why am I telling you this? Why is our approach so important?

Much has been published in recent weeks about the 'debt purchase' sector and rising asset prices, falling customer commitments, payday lending, the impact of interest rate increases and poor corporate behaviour.

Importantly, you should know that Pioneer has said, and continues to state, that prices have not materially shifted in our business in many years. This continues to be the case because Australia's leading banks recognise and prefer our approach as being uniquely focussed on quality in all aspects, and this delivers better outcomes for those people who were once their customers. This also produces better outcomes for Pioneer.

Pioneer's quality approach continues to prove its worth through the continued availability of quality customer portfolios from leading financial institutions at realistic prices.

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<sup>1</sup> Tier 1 accounts are customers that are not regarded as credit impaired when originated

This includes those institutions recognising that a business which does not participate in payday lending, and that does not participate in the utility or the telecommunications space, is the only type of business that can genuinely align with a bank's customer plan.

Pioneer does this, in a very unique way in the Australian market place. We will continue to do this into the future. And make no mistake, this behaviour, this strategy and the complete transparency we provide to every one of our stakeholders, is and will continue to be rewarded by good financial institutions, to our long term mutual benefit.

In addition to having a considered and backable business strategy, you also need an exceptional servicing platform to deliver on that strategy. In the case of Pioneer, our servicing team is engaged, empowered and focussed on finding the best solution for our customer and is led by my Chief Operating Officer, Lisa Stedman, who has many years of experience working with high performance teams.

Pioneer now has some 300 customer service team members across Australia (Perth) and the Philippines (Manila). The amount we invest in these teams is significant. From our 3 month induction program, to our Certificate IV program in Customer Contact, run in-house and customised for Pioneer, to our Leadership Series for aspiring leaders, and our monthly Technical Competence workshop series for every team member.

This focus and investment in our customer service team has enabled us to have enviable employee retention and an engagement with our customers that is consistently impressive.

Continuing the growth of our customer engagement this month sees the commencement of the mobile optimised Pioneer customer survey which will include the integration of the Net Promoter System across our business.

Imagine buying customer portfolios of impaired assets and then engaging with a customer so well that you can genuinely ask them "please rate the service that we have provided you today?"

Ultimately you want to know where this all leads us. For the team at Pioneer this is about growing a new consumer, and in the very near future offering our first product range to our best customers. We call these customers "emerging prime", creating a new and exciting consumer segment.

Part of that journey is the growth and evolution of our brand and I am pleased to present today a refresh of the Pioneer brand, from our traditional corporate livery to a genuinely customer focussed brand.

In refreshing the Pioneer brand we spent considerable time challenging ourselves as to who we are, and what makes us successful at what we do. This reflection very quickly highlighted what our brand essence is.

Brand essence can best be described as the single most compelling thing we can say about the Pioneer brand that differentiates it from competitor brands, as perceived by the consumer.

This essence is generally captured by one word, for Pioneer it is -TOGETHER.

**Together** is at the core of our personality;

- We work **together** with our customers to help them get back on track financially;
- We recognise that every customers situation is different and we work **together** with them to develop a plan unique for them;
- Through working **together** with our customers, sometimes over lengthy periods of time, we get to know our customers and establish an understanding and rapport.
- By reinforcing the essence of **together** with our customers, the relationship strengthens our brand equity and drives customer loyalty;
- Pioneer's staff work **together** to assist each other achieve our corporate and personal goals;
- With initiatives such as our recently-introduced Dividend Reinvestment Plan, we encourage long term investors who recognise, appreciate and can relate to our business strategy, and want to work **together** with us to deliver on that strategy.

The point of difference in Pioneer comes from the quality of the relationships we cultivate and this stems back to our Leadership Principles which underpin every aspect of our culture. The value-based partnerships that we form with customers, team members, vendor partners and stakeholders are the backbone of our success and are something that the team place upmost importance upon.

Our new Pioneer brand is very approachable, very marketable and through our market research, well received with the potential to really be at the forefront of the next growth phase of Pioneer as we increase our focus now on our first offering to our valued 'new consumers'.

Supporting this new brand today is confirmation that during FY16 we will launch our first credit card to our 'new consumers' and over the coming months they will see more of our brand as we grow this exciting new offering.

Significant progress has been made on this new development and from a timing perspective we are nearly ready to roll out this product, subject to some final details and scheme approvals which are now due in late February.

As we have repeatedly advised to the market, the rollout of this product will be cautious to begin with, to ensure we get the offering as close to perfect for our valued customers as is possible, and then when we do, we will commence growing it more quickly.

Our forecasts for FY16 do not include any revenue from this new offering. For clarity purposes any revenue we do receive will be minimal, but our forecast does include some \$1m in expenses this financial year as we bring this product to market.

## Trading Update

I would now like to provide you with an update on how we are progressing in what we could term our traditional business.

The year has commenced in line with expectations in almost every regard with a couple of bright spots to complement the work of our teams. We would like to think these bright spots have come through the discipline of the past few years leading into what is clearly a challenging period for the consumer in general.

Despite the sustained general softness in consumer confidence we remain very comfortable with our performance to date and like FY15 we reiterate we will again see a first half/second half earnings skew. This is due to first half expenses in our recruitment strategy and corporate overheads with the benefit realised in the second half of the year—albeit not as pronounced as in prior years, and well on our path to a more normalised 40/60 earnings skew in future years.

In terms of business in general we continue to engage with our vendor partners well, enabling us to roll two forward flow programmes since the end of the financial year at their historical price points (these prices have remained consistent for us now for 4 financial years) along with other purchasing being completed, again at price points we remain very comfortable with.

As always – we exercise extreme caution when investing our money.

And while we currently purchase from a range of financial institutions, we are now progressing to expand this range among the best quality credit originators in the country. As is well documented we currently purchase from 3 of the big 4 banks, though we now expect to complete a purchase from the 4<sup>th</sup> this financial year following much work from both their teams and ours on growing a genuinely collaborative relationship.

Driving our results, as always, is our customer engagement. Engagement can be measured in many ways, and in our case we report to the market on one key metric being our Payment Arrangements book. Historically this has grown at 17% CHGR<sup>2</sup>. Pleasingly, for the first three months of this year our Scheduled Payment Arrangement book has grown at 12%, which is ahead of our expectations, but reflective of our continued unique customer engagement strategy.

## Outlook

As we look through this year, we are pleased to confirm that during FY16 you will see 4 key deliverables from Pioneer:

1. A continued focus and demonstration of our differentiated business strategy to our vendor partners. We are pleased to confirm today that our unblemished and unique history from a compliance perspective has been reaffirmed for another year. This remains part of our differentiated strategy and one which our credit risk partners within the banks value very highly;
2. Our investment will remain focussed on the same high quality portfolios we have always focussed on. Some 94% of our investment has been with major banks ensuring we have resilience through any challenging consumer periods. Our focus on the highest quality customers means we only invest in the strongest customer

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<sup>2</sup> Compound half yearly growth rate

portfolios and the most predictable and sustainable outcomes in the asset portfolio sector;

3. An investment of \$2m annualised in corporate overheads – this has largely all been committed and is being expensed now. Our investment in top quality people across corporate, finance and analytics is all about understanding our business better today and positioning our business to take advantage of the opportunities we believe will become evident in the months to come,
4. The rollout of our first offering to our 'new consumers', as outlined previously, is expected during March 2016.

We are also pleased to confirm our purchasing guidance of at least \$42m for FY16, which is broadly in line with FY15 as we continue to demonstrate discipline in our capital allocation and the opportunity for better priced assets in future years.

We also reconfirm our forecast Net Profit after Tax for FY16 of at least \$8.8m. Achievement of this is net profit growth of over 18% this year.

These numbers, which, we believe are both impressive and representative of the high quality business you have invested in, would not be possible without the Company's very capable and diligent board. My thanks to Mark Dutton, Rob Bransby and Anne Templeman-Jones and also to Michael Smith who as Chairman has put an enormous amount of time into not just understanding this business, but guiding a recently listed company into one positioned for a commanding position in the future.

On a more personal level my sincere thanks to my Chief Financial Officer Leslie Crockett, who manages our cash flow and funding brilliantly; my General Counsel and Company Secretary Sue Symmons who has recently joined the Pioneer team and has already made a meaningful impact; and to Lisa Stedman, my Chief Operating Officer, who leads an exceptional team by example every day of the year.



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# 2015 Annual General Meeting

29<sup>th</sup> October 2015

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## Overview

# Who is Pioneer Credit?

**Pioneer is an Australian financial services provider, specialising in acquiring and servicing unsecured retail customer portfolios.**

These portfolios consist of people with financial obligations to Pioneer who are our customers.

A key goal at Pioneer is to help our customers progress towards financial recovery, and through this process evolve as a 'new consumer'.

In FY16 Pioneer will grow this new consumer segment through the offering of new loan and related products in an innovative and risk managed way.

## Corporate Summary

As at 27 October 2015

ASX Code: PNC

Shares on Issue: 45,373,990

Market Cap: \$80 m

## Key People

**Michael Smith** – Independent Chairperson

**Keith John** – Managing Director

**Leslie Crockett** – Chief Financial Officer

**Lisa Stedman** – Chief Operating Officer





# Business Overview

## Differentiated

- Unique quality focus
- Envable compliance record
- No material pricing shifts

## Customer Focused

- Customer Survey & NPS
- New product launch to customers
- Brand refresh launch

## Quality

- Acquire Tier 1 Accounts
- No Payday, Telco, Utility
- Unique alignment to banking partners

## Disciplined

- Considered capital allocation
- Full understanding of price & risk
- Cautious bias at investment
- Sustainable growth focus

## People & Culture

- Leadership principles
- Engaged & empowered team
- 350 exceptional people
- Impressive engagement & retention



Together



# Together – our brand essence

1

Working **together** with our customers to get them back on track financially

2

Working **together** with our customers to develop a solution unique for them, getting to know them and establishing an understanding and rapport

3

Pioneer's team work **together** to assist each other achieve our corporate and personal goals

4

Encouraging long term investors who recognise our business strategy and wish to work **together** with us to deliver on our objectives



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Brand Update



## Primary Colours

1235

144

60% K

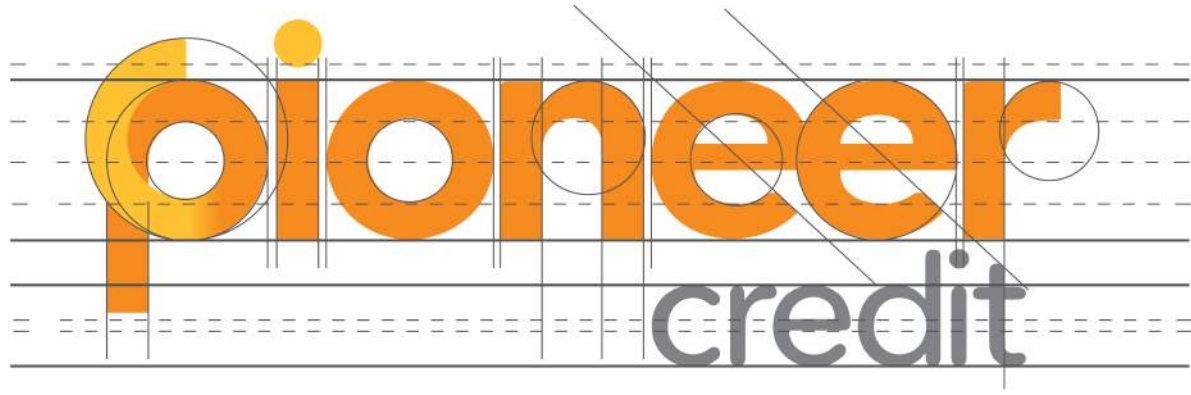
## Secondary Colours

548

2718

3248

7527



# Brand Personality Characters



# Sub Brands



## About Pioneer Credit Solutions

Our friendly team at Pioneer Credit Solutions has one goal: helping people get their finances back on track. We work closely with our customers who – for a range of reasons – have found themselves in financial difficulty. In the great majority of cases this has come about through a significant life event such as loss of job, serious health issues, marriage breakdown or domestic violence. There is nothing we love more than seeing our customers achieve financial recovery and evolve as a 'new consumer'. For further information see [www.pioneercredit.com.au](http://www.pioneercredit.com.au)



## About Pioneer Credit Connect

As the next step on the journey towards financial recovery, Pioneer Credit Connect offers a range of innovative products to our valued customers who are now in a position to broaden their financial capacity. A key goal at Pioneer Credit Connect as we work with our customers is to see them achieve key milestones in their financial journey in order to provide more flexibility and options to them and their families. For further information see [www.pioneercredit.com.au](http://www.pioneercredit.com.au)



Our people  
make the  
difference.

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## Market Update & Outlook

A man with a beard and short hair is running on a city street. He is wearing a dark jacket over a pink shirt and dark pants. He has white earbuds in his ears. The background shows a city street with parked cars and a bridge in the distance. The lighting is bright, suggesting it's daytime.

“

Performance is tracking well and the outlook is encouraging with opportunities increasing for a disciplined team like Pioneer.

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## Solid performance & bright outlook

- We are comfortable with our performance to date
- First half – second half earnings bias remains, though less pronounced than prior years
- Rollover of two forward flow programmes since financial year end at same price points as historically paid
- Other opportunities (inventory and forward flow) at price points which we are very comfortable
- Purchase from the 4th big bank expected during FY16
- Schedule Payment Arrangement growth ahead of prior year comparatives at 12% for 1Q16

# FY16 Outlook

- Continued focus on the demonstration and value of differentiated business strategy for vendor partners
- Investment to remain focused on similar PDPs as historically acquired
- Significant investment in corporate and administrative overhead ~\$2m annualised
- Additional investment of ~\$1m in new product development
- PNC to offer first financial product to customers

## FY16 Guidance

- PDP Investment of at least \$42m
- EBIT Margin of at least 31%
- **Statutory Profit after Taxation of at least \$8.8m**

# Pioneer Credit – Investment Summary

- Leading Australian purchaser of overdue unsecured retail customer accounts
  - Tier 1 debt with >94% investment from banks
  - Ownership of customer accounts portfolio with over \$780m (face value) due at 30 June 2015
  - Direct and growing relationships between PNC and customer
- Scalable business model across a range of other product types and financial services to its over 110,000 customers
- Track record of strong capital and investment discipline
- Track record of consistent and strong cash generation and profit growth
- Focus is on an attractive asset type which is well understood within the business
- Strong balance sheet with low level of debt and gearing (Net Debt/PDP) at 36.6% at 30 June 2015
- Experienced management team with record of delivering value to shareholders in all cycles of the economy



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**More Information**

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