**ASX release** **14 July 2017**

# Upgrade to FY17 guidance and FY18 outlook

- Net Profit after Taxation guidance for FY17 increased to $10.7m
- 93% of expected investment in debt portfolios under contract for FY18
- Net Profit after Taxation for FY18 expected to be at least $16m

Pioneer Credit Limited (ASX: PNC) ("**Pioneer**" or the "**Company**") is pleased to provide this update on the Company's performance for the financial year ended 30 June 2017 and to confirm the outlook for FY18.

## Upgrade to FY17 guidance

Subject to audit, the Company advises that it expects to report Net Profit after Taxation ("**NPAT**") for FY17 of $10.7m. This result has been driven by:

- Pioneer's disciplined approach to investing in purchased debt portfolios ("**PDPs**")
- Increased liquidation performance across PDPs held at a cautious valuation, which continues to drive stronger cash receipts and profitability
- Growing contribution from Pioneer's data analytics team, with improved customer selection and timing to when they are better able to deal with their obligations. The ability to service customers when they are most capable supports Pioneer's differentiated vendor offering
- The leadership of Pioneer's operations team and their ability to provide first-class service to our customers

Pioneer has achieved this result while also continuing to take a considered view of consumer serviceability, economic conditions, and a consistently cautious approach to PDP valuation.

This cautious approach has resulted in the Company increasing the expected change in value ("**CIV**") expensing rate of our PDPs by at least 85 basis points from FY16. If Pioneer's caution proves to be conservative, the emerging value of the PDPs will exceed Pioneer's forecasts. This is expected to be evidenced by stronger cash generation and profitability in future years.

## FY18 PDP investment outlook

Following on from a solid FY17 where PDP investment was $69.4m, and because of changing demand side dynamics for PDPs, vendors continue to prefer Pioneer as their partner of choice.

The current market for PDPs is characterised by increased scrutiny of the servicing treatment of customers by financial institutions. Pioneer's focus on best-in-class service protects the brands of Pioneer and its vendor partners.

In the past few months Pioneer has been offered numerous new PDP contracts and has been selective in its take-up. Additionally, the Company has had the opportunity to rollover existing PDP agreements either early, or for greater volume.

The Company is pleased to advise that it has ~$65m of PDP investment under contract for FY18, against a target of $70m. Pioneer will approach the balance with its usual diligence and caution, with the aim of steadily growing shareholder value. Pioneer's approach is grounded in investing in PDPs which allow the business to secure quality customers. The Company will not complete a PDP investment where it does not fulfil this standard. Pioneer remains encouraged and excited by the market opportunities available to it.

## FY18 NPAT Guidance

As announced on 6 April 2017, Pioneer completed a material portfolio investment (a ~$14m investment for $94m face value) which, along with the Company's increased headcount in 2H17, will support strong earnings growth in FY18.

The Company advises that it expects to increase NPAT by over 49% in FY18 to at least $16m.

## Investor and media enquiries:


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