

ASX release

25 October 2017

Presentation to Bell Potter Emerging Leaders Conference

Following is Pioneer Credit Limited's (ASX: PNC) presentation to Bell Potter's Emerging Leaders Conference being held today.

The Company reminds shareholders and looks forward to welcoming them to the 2017 Annual General Meeting, being held on Friday 27 October 2017 at Level 8, Exchange Tower, 2 The Esplanade, Perth at 10 a.m.

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25 October 2017

Bell Potter: Emerging Leaders Conference

The logo for Pioneer Credit, featuring the word "pioneer" in a bold, lowercase, orange sans-serif font, with the word "credit" in a smaller, lowercase, grey sans-serif font positioned directly below it.

pioneer
credit

Important notice: Disclaimer

This presentation has been prepared by Pioneer Credit Limited ("Pioneer").

Disclaimer: This presentation contains information about Pioneer's activities current as at the date of the presentation and should not be considered to be comprehensive or to comprise all the information that an investor should consider when making an investment decision. This information is provided in summary form and is not considered to be comprehensive or complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should consult with their own legal, tax, business and/or financial advisors in connection with any investment decision.

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

Corporate snapshot

Financial services provider with meaningful levels of founder, board and management ownership

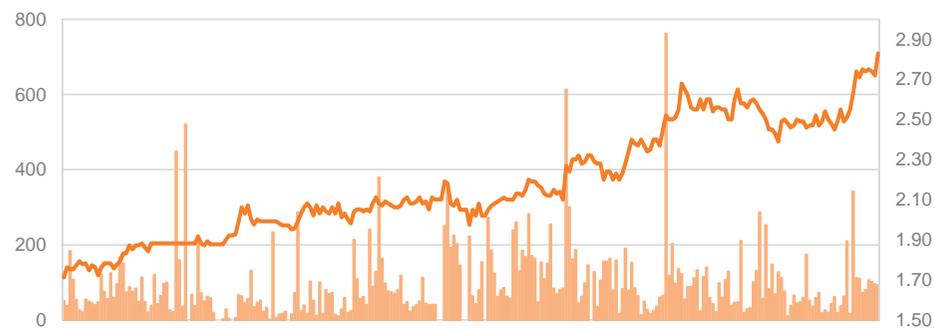
Overview

- Specialist acquirer and servicer of 'Tier 1'¹ retail customer accounts
- Operates a unique, customer-centric service platform
- Offices in Perth, Australia and Manila, Philippines
- Portfolio across Australia (97%) and New Zealand (3%)

Largest shareholders

Keith John ^{2,3} (Managing Director)	13.43%
OC Funds Management	6.10%
Celeste Funds Management	5.33%
Management ³ (ex Keith John)	6.78%

Share price + daily shares traded 12 mths to Oct '17 (ths/\$)



Note:

1. Customers not regarded as credit impaired when originated
2. Includes 500,000 indeterminate rights, subject to shareholder approval
3. Includes Equity Incentive Plan rights, intended to be acquired on market

Capital structure

Share price 18-Oct-17	\$2.83
Shares on issue	61.2m
Market capitalisation 18-Oct-17	\$173.2m
Cash 30-Sep-17	\$4.2m
Debt 30-Sep-17	\$93.5m
Enterprise value	\$262.5m
Portfolio assets at carrying value 30-Jun-17	\$164.5m

Custodians of shareholder wealth

Significant level of management ownership with incentives based on sustainable performance

Management ownership

- Every Executive KMP³ member holds equity in Pioneer
- Every Executive and senior manager participates in the Equity Incentive Plan (EIP)
 - Aligns to strategic goals by appropriately incentivising Executive KMP such that they are accountable for the most significant part of tenure of acquired assets

	Equity ^{1,2}
Keith John – Managing Director	13.43%
Management (ex Keith John)	6.78%
Total management ownership	20.21%

Key aspects of EIP

- 14 participants – diverse and committed executives across entire business
- No Short Term Incentives – fixed base salary only for KMP (ex. COO and selected direct reports)
- EIP provides rights vesting over years 3 to 5 from issue, intended to be acquired on market, ensuring no dilution to shareholders

Loans to KMP (ex MD)

- Post year end four executives entered into interest bearing loan agreements for shares
- 250,000 shares issued to each executive (\$571,600 loan each)
- Significant risk for executives, secured against new shares and any other PNC equity, reflecting strong long term commitment to Pioneer's success

Note:

1. Includes performance or indeterminate rights, intended to be acquired on market
2. Shareholdings based on fully diluted equity structure and includes 500,000 indeterminate rights, subject to shareholder approval
3. Executive KMP (Key Management Personnel) includes MD, COO, CFO, CRO and General Counsel

Leadership Principles

A values based framework that underpin and drive great outcomes for all stakeholders



How is Pioneer different?

Customer centric service that improves creditworthiness and likelihood of full repayment



Typical debt purchasers

Pioneer's competitive advantage

	Typical debt purchasers		Pioneer's competitive advantage
PDP selection	Most classes of unsecured debt, incl. Part IX, bankruptcy, telco, utility, payday, SACC, MACC	' Tier 1' ¹ customer portfolios with a preference for credit cards and personal loans	✓ Premium data analytics facilitates selection of lower risk portfolios
Bargaining for PDPs	Price-based Individual transaction focused	Reputation-based Relationship management, customer-centric service and strong track record of compliance	✓ Unique brand and reputation offering for vendor partners
Liquidation profile	1 to 6 year collection cycle	Liquidation profile up to 10 years	✓ Flexible payment schedules optimise total liquidations
Process and customer relationship	Find the individual capable of paying Artificial deadlines and incentive structures that prioritise immediate payment One size fits all servicing approach	Enable the consumer to be able to pay Personal account managers restructure loans and develop tailored repayment plans to guide customers through their financial recovery	✓ Predictable revenue with vendor partnerships promoting long term customer relationships

Note:

1. Customers not regarded as credit impaired when originated

How is Pioneer different? (cont.)

A differentiated offering and higher standards drive great outcomes for our customers and vendors



Key vendor selection considerations

Pioneer's competitive advantage

Purchase certainty for vendors and Pioneer	<ul style="list-style-type: none"> • Employs strict investment discipline • Invest at a long term sustainable price • Disciplined to not invest when return rate hurdles not met 	<ul style="list-style-type: none"> ✓ Preferred by vendors - Pioneer has never defaulted on a PDP agreement
Vendor brand protection	<ul style="list-style-type: none"> • No low quality customer portfolios – No Part IX, bankruptcy, telco, utility, payday, SACC, MACC • Net Promoter Score used to measure, evaluate and grow customer relationships 	<ul style="list-style-type: none"> ✓ NPS of +13 provides vendors certainty in our servicing and great customer outcomes
Unique compliance record	<ul style="list-style-type: none"> • Never had a negative outcome with Ombudsman • Never had a reportable systemic issue • Never had a regulatory enforceable undertaking • Unique record among major market participants 	<ul style="list-style-type: none"> ✓ Reduces operational cost and underpins continued Pioneers growth against the sector trend

FY17 Profit and loss

Another year of outperforming expectations, FY18 forecast to be very strong

	FY16	FY17	
PDP Liquidations	\$61.9m	\$70.7m	+14%
Net revenue	\$47.8m	\$56.3m	+18%
EBITDA ¹	\$31.2m	\$35.0m	+12%
EBIT	\$15.4m	\$17.4m	+13%
NPAT	\$9.5m	\$10.8m	+14%
EPS	20.36cps	20.77cps	+2%
DPS	9.80cps	9.50cps	-3%

- **Funding capacity increased to \$120m**
 - Current borrowings at \$86.4m, unused capacity of \$33.6m
 - Debt/Portfolio Value (LVR) target of 50% maintained (48.88% at 30 June 17)
- **Forecast PDP investment of \$70m – now contracted**
 - Earliest time in an FY 100% investment achieved
 - High quality portfolios, at attractive price points
 - Capacity to consider significant other portfolios that arise
- **Expected FY18 EPS +48% and NPAT of at least \$16m**
 - Dividends expected to continue at 50% of NPAT, fully franked

Note:

1. EBITDA is before Change in Value (non-cash) movement
2. CIV / PDP liquidations

PDP valuation and payment arrangement metrics

Cautious and sophisticated valuation approach leads consistently improving liquidations

Pioneer's valuation approach¹

- Continued development and improvement of measurement and valuation models in FY17
- Developed with external and internal statistical and analytics experts
 - Now over 269 key characteristics and data points assessed to forecast and measure portfolios
 - Cautious assumption bias continues
- Maintain key valuation assumptions
 - 9% **downward calibration** of gross forecasts for economic and model risk
 - 20.1% discount rate, **after calibration**, to present value the portfolio
- PwC continue as independent auditors

Key scheduled payment arrangement metrics as at 30 June 2017

Increase in customers	61.4%	• Success through operational excellence
Average balance	\$12,596	• Evidence of portfolio quality and value (no low quality customer segments)
Weighted average liquidation period	2.1 years	• Down slightly from prior period – reflects significant investment in period
Interest rate	12.0%	• Average accruing interest rate
Instalment completion rate	97.0%	• Exceptional customer outcomes and predictable cash flows
Total payment arrangement book size	\$215m	• Scheduled payment arrangements only – exponential growth through operational excellence

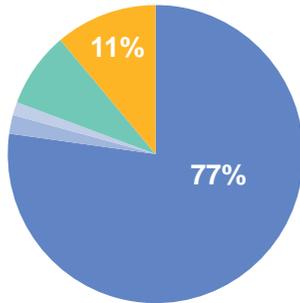
Note:

1. Refer to note 5(b) in the financial statements for further information

Vendor investment mix

Vendor diversification illustrates Pioneer's leading market position in Australia and New Zealand

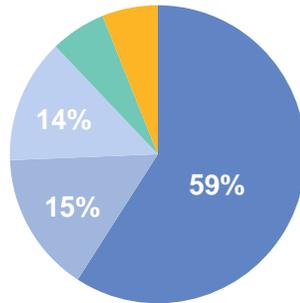
FY14
Portfolio
Investments
\$31.6m



- Big 4 bank 'A'
 - Big 4 bank 'B'
 - Big 4 bank 'C'
 - Regional (1)
 - Other (1)
- 5 vendors

Australia

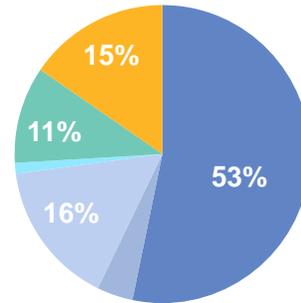
FY15
Portfolio
Investments
\$39.9m



- Big 4 bank 'A'
 - Big 4 bank 'B'
 - Big 4 bank 'C'
 - Regional (1)
 - Other (1)
- 5 vendors

Australia

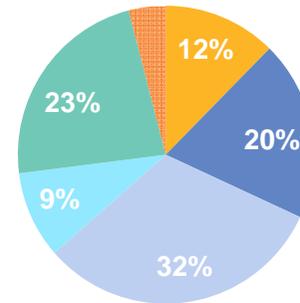
FY16
Portfolio
Investments
\$43.8m



- Big 4 bank 'A'
 - Big 4 bank 'B'
 - Big 4 bank 'C'
 - Big 4 bank 'D'
 - Regionals (2)
 - Other (5)
- 11 vendors

Australia

FY17
Portfolio
Investments
\$69.6m



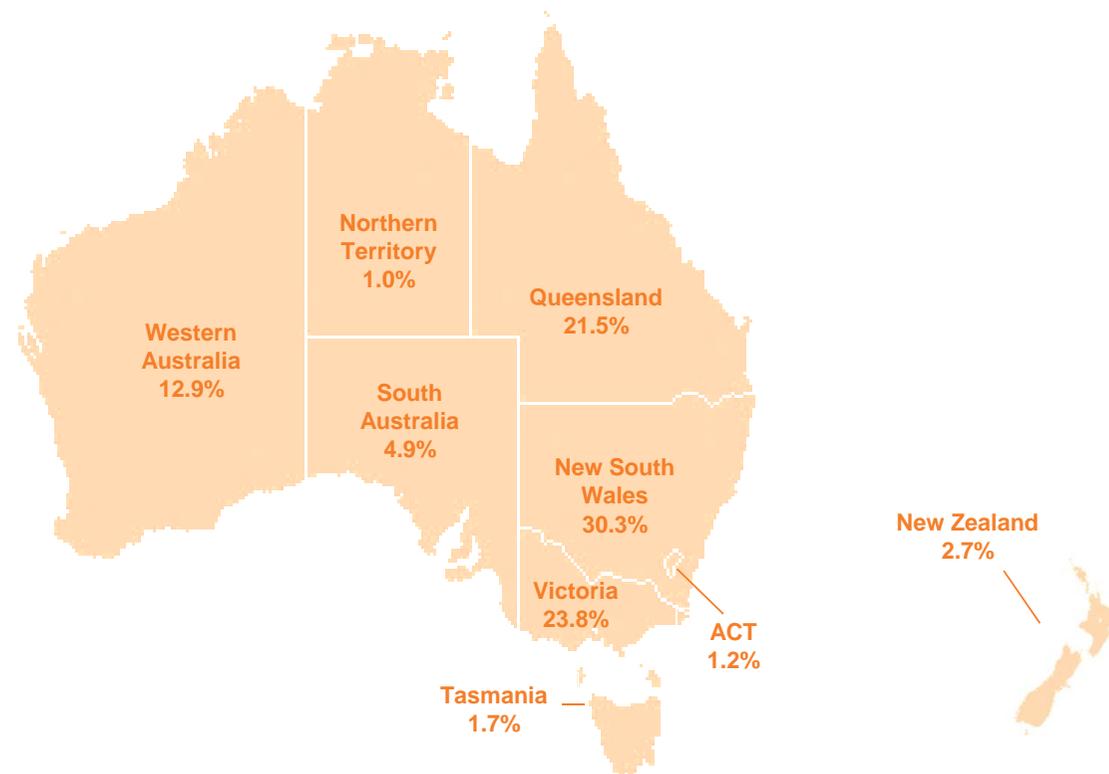
- Big 4 bank 'A'
 - Big 4 bank 'C'
 - Big 4 bank 'D'
 - New Zealand
 - Regional (2)
 - Other (3)
- 9 vendors

Australia

New Zealand

Geographic distribution

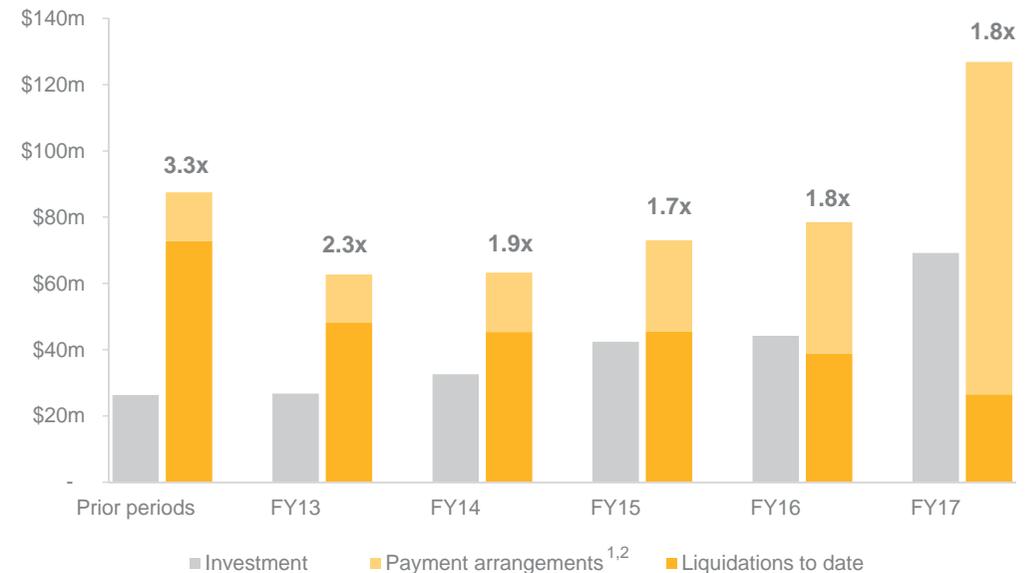
Reflects distribution of the Australian population and Pioneer's emergence into New Zealand



Portfolio profile

Return multiples on track to exceed 4x investment

- Pioneer liquidation performance is on track with
 - Target ~0.8x investment multiple within first year
 - Target ~1.4x investment multiple within two years
 - Target ~4.0x investment multiple within ten years
- Pricing discipline across many years is the foundation to achieving returns – lower investment price equals higher return multiples
- Pioneer's service offering is focused on generating sustainable payment arrangements, demonstrated by historically low break rates
- Investment timing is important in understanding liquidations across vintages – late financial year purchasing underpins subsequent period performance



Note:

1. Calculated net of historical break rates and other downward factors to present the most cautious value of expected liquidations
2. Does not include accruing interest which will become payable (i.e. includes only balances due as at time of printing)

New products

Focus on leveraging expertise into new markets with accelerating rollout of financial products

Organic growth strategy for adjacencies



Expanding into new market sectors

- Pioneer's core skills, expertise and infrastructure are being leveraged to move into adjacent market sectors
- Talent recruitment continuing to deliver exceptional products and services to consumers

Expectations



- Well progressed with significant funding for growing personal loan offering to existing and new customers
- Some significant commercial agreements in final days of being settled with full update at AGM 27 October 2017
- Targeting break-even, on run rate basis, by end of FY18

Customer and product development



Range of value based financial products

- Attracts new customers to Pioneer and extends relationship beyond payment of initial account
- Broadens Pioneer brand to more Australian consumers



Deepens customers' understanding of financial health

- Provision of free credit score and financial literacy education to customers
- Underpins customer engagement strategy



Strategic partnership

- Expands Pioneer's customer reach through the exclusive marketing of personal lending products
- Reach extends to over 2.3m consumers

FY18 outlook

Capitalising on opportunities

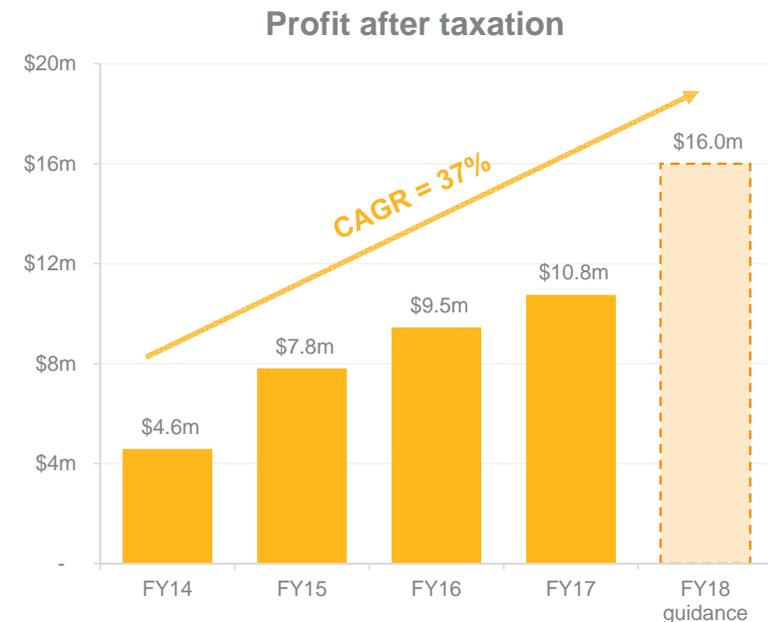
Operational opportunities

- Rollout of personal loans (full update at AGM on 27 Oct 2017)
 - Credit Place engagement offering to 2.3m Rewardle members underway
 - Advisers appointed for warehouse funding, update at 1H18 results
- Continue to deploy increasing analytical capability across portfolio
 - Drive better customer segmentation to increase liquidation performance
 - Identifying customers for personal loans and driving early engagement

PDP investment outlook

- Market dynamics providing new and expanded relationship opportunities
 - Considered participation as 'likely' industry shakeout to continue
 - Reviewing more opportunities than ever to position for the future
- Total PDP investment contracted at **\$70m for FY18**
 - Any additional investment in FY18 likely to be \$5m - \$10m only

FY18 NPAT expected to be at least \$16m



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