

9 December 2014

## **ASX Release**

For Immediate Release

### **Investor Presentation**

Pioneer Credit Limited ('Pioneer') is pleased to release this Investor Presentation ahead of an Institutional Investor and Stockbroker Roadshow being conducted this week by Managing Director Keith R. John and Chief Operating Officer Lisa Stedman.

### **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 who, as our customers, are the cornerstone of Pioneer's business.

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

A key goal at Pioneer, as it works with its customers, is to see them progress towards financial recovery, and through this process evolve as a 'new consumer'.

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

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## INVESTOR PRESENTATION

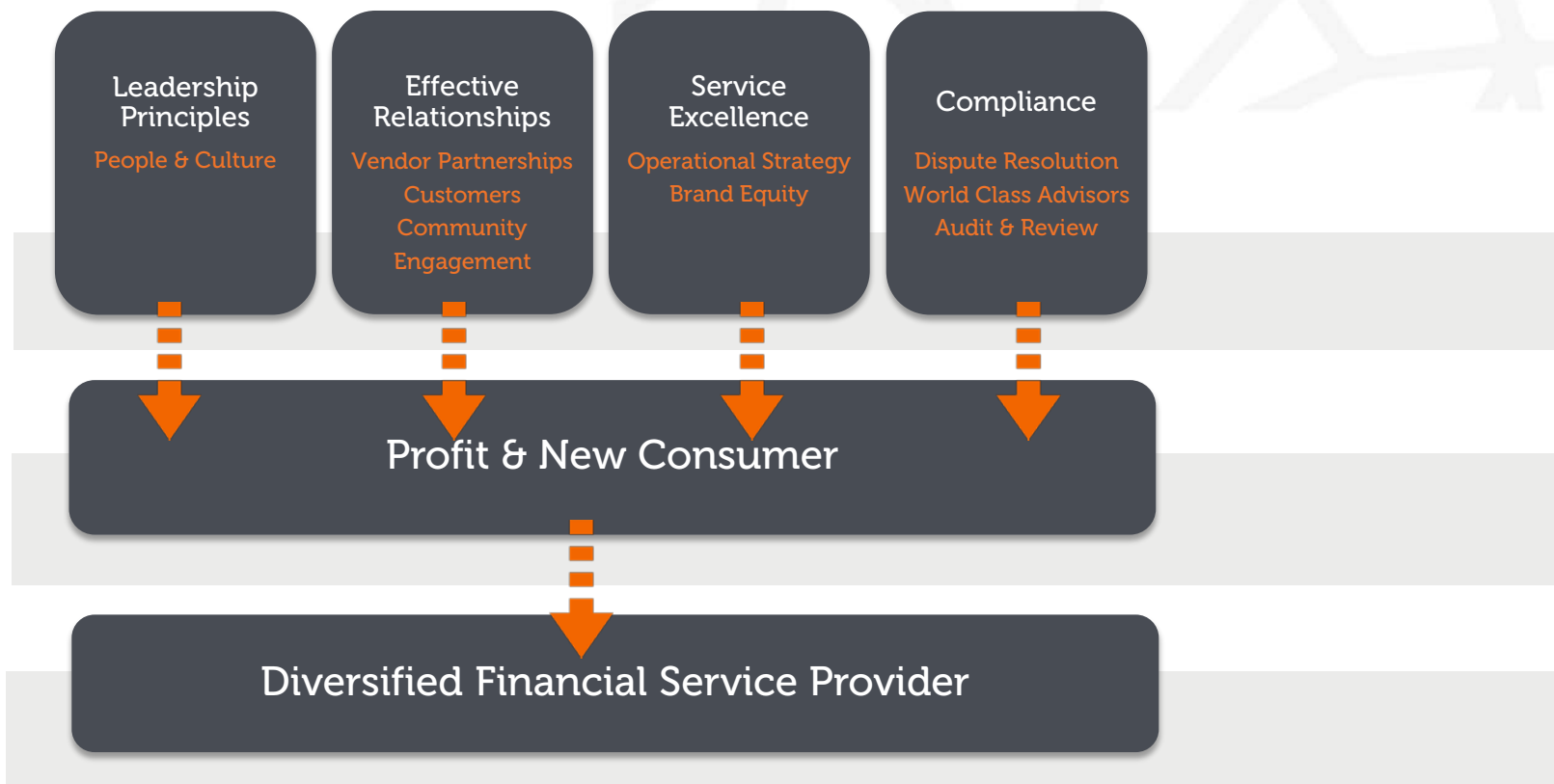
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A key goal at **Pioneer**, as it works with its customers, is to see them progress towards financial recovery, and through this process evolve as a 'new consumer'.







# Leadership Principles



*Underpin the Pioneer approach in every aspect of our business*



### Technical Competence

Be consistent and relentless in exhibiting best practice and sharpening your skills  
Always act with integrity



### Clear Communication

Learn to connect with people in a way they can relate to



### Unwavering Passion

The fire inside you and the love for what you do and for your team needs to be visible to all around you



### Fearless Vision

Forward plan to carve the path to exceptional results. Don't be afraid to look outside the square and commit to what you see



### Unlimited Accessibility

Be available when no-one else is



### Selfless Loyalty

Put your team and your company first without question

## Recruitment and Selection

- Dedicated team of Recruitment and Learning & Development Professionals
- Recruitment and selection run in house
- Recruitment based solely on alignment to Pioneer Leadership Principles
- 'Select the behaviours, develop the skills'





## Employee Development Program

- Introduction to culture along with foundational knowledge and skills delivered over 2 weeks in a classroom environment
- Layers of complexity added over the next 10 weeks through structured 'on the job' training, self evaluation and coaching
- Skills, knowledge and behaviours reaffirmed with formal assessment at week 12
- Additional business and leadership development streams run from week 12 onwards for every person



## Reward and Recognition

- Fair base salary supported by monthly incentives based on customer growth
- Entire team recognised for alignment to Leadership Principles and advancement of personal achievement





# Effective Relationships



Pioneer builds relationships with financial institutions that have similar standards for risk assessment, retail credit origination and brand values that are aligned with our own



The customer segments acquired by Pioneer are all similar in nature, predominantly credit cards, personal loans and high quality consumer leases



Pioneer customers are all similar – each had a good credit history when originated, have experienced a 'life event' and are generally aspirational

Our customers want to meet their obligations and 'get ahead'



*Disciplined and focused customer acquisition drives predictable outcomes*

## Pioneer purchases retail consumer accounts at ~180 days overdue

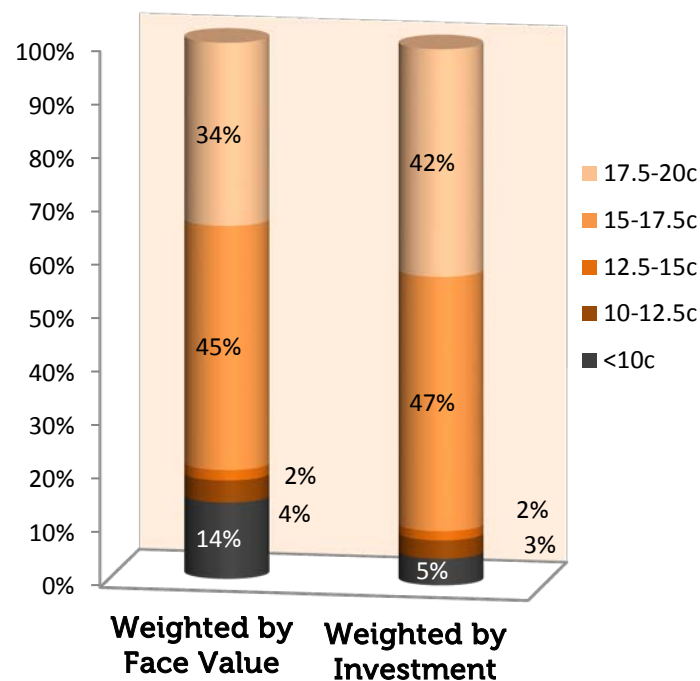
- Purchase predominantly Tier 1 debt (leading financial institutions' customers not regarded as credit impaired when originated)
- Focused on liquidating accounts in full by giving customers adequate time to pay through sustainable payment arrangements
- Historical average portfolio purchase price of 14.3c<sup>2</sup>
- Portfolio carrying value of \$65.8m at 31<sup>st</sup> October 2014

## Historical Aggregate Portfolio Investments<sup>2</sup>

Total face value = \$641m<sup>1</sup>

Total investment at Cost = \$95.4m<sup>3</sup>

Carrying Value = \$65.8m<sup>1</sup>



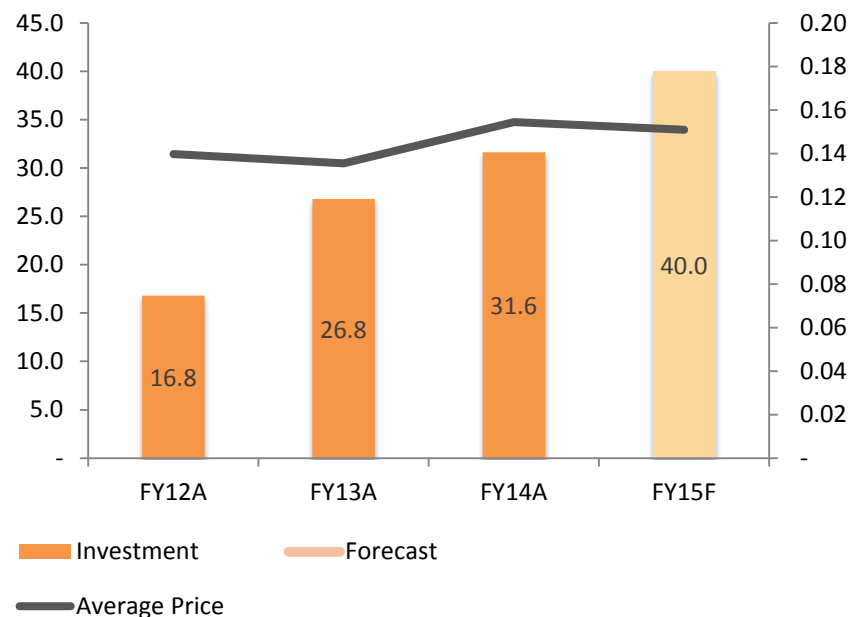
### Notes:

1. As at 31<sup>st</sup> October 2014
2. Excludes low value secondary and non-core portfolios of immaterial value
3. Total investment is net of recourse

- Agreements with three of the four 'big banks'
- Historical average portfolio purchase price of 14.3c<sup>1</sup> - long term pricing disciplined supported and maintained
- Agreements have a history of renewal at Pioneer
  - 5 current agreements the extension of existing agreements
  - A key renewal in FY14 is for up to 5 years - an Australian purchasing first
- 100% of FY15F purchases contracted
- Facilitates strong forecast accuracy

*Pioneer has built strong relationships with Vendor Partners*

Portfolio Investment (\$m) and Average Price



Notes

1. Excludes low value secondary and non-core portfolios of immaterial value

### The Shepherd Centre

Pioneer Credit Financial Hardship Program

### Toy Box International

Western Australian focused Children's Charity

### Financial Counsellors Association of Western Australia

Major supporters of Financial Counsellors Network

*Community – making a difference  
where it matters most*





# Service Excellence



### **Customer Service - Account Management Model**

- First call resolution (PAs, settlements, hardship)
  - Increased customer satisfaction
  - Improved compliance
  - Customer service team empowerment
  - Lower servicing cost that improves cost efficiency



### **Focus on "Re-origination" of customer loans**

- Drives Payment Arrangement growth
- Improves forecasting and income generation
- Evolution to financial recovery





# Compliance



## Transparency

- Vendors provided unfettered access to business
- Collaborative approach to vendor engagement
- Genuine focus on "Better Practice"
- Sector leading financial statement disclosure

## Customer Dispute Resolution

- Proactive and effective Internal Dispute Resolution (IDR) methodology
- Unique External Dispute Resolution (EDR) position
  - No negative outcomes awarded against Pioneer



*Best practice drives efficiency and customer satisfaction*

- Credit risk moves to Pioneer, brand risk stays with vendor partner
- Focused effort on a "Commercial Compliance" program – facilitating best possible customer outcomes
- Customer interaction is quality measured through formal auditing of all communication – soon to be extended to customer surveys
- Underscores Pioneer's POSITIVE DIFFERENTIATION strategy to vendor partners – exhibited through exceptional compliance outcomes



During FY14	Pioneer Volume	Industry Volume <sup>1</sup>
customers active during the period	69,531	*
total customer contacts	1,130,423	*
average contacts per customer	~16	*
customer accounts escalated to internal compliance team	1.69%	*
customer complaints resolved at IDR	93%	79%
customer complaints resolved at EDR	7%	21%
EDR matters determined against Pioneer/Industry	NIL	26



Notes:

1. Sourced from ACDBA 2014 member survey -17 members representing an estimated > 90% of industry by account volume
- \* Statistics not available or not useful for comparison purposes

## **Majority Independent Non-Executive Directors and Independent Chairman**

- Five member Board of Directors
  - Keith R. John – Founder and Managing Director
  - Michael Smith (Independent Chair) – Chair iiNet Ltd, Deputy Chair Automotive Holdings Group Ltd, 7-Eleven Stores Pty Ltd
  - Rob Bransby (Independent Non-Executive) – Managing Director HBF Limited. 25 years banking experience at NAB
  - Anne Templeman-Jones (Independent Non-Executive) – Director Cuscal Ltd, APN News & Media Ltd
  - Mark Dutton (Non-Executive) – Director at Banksia Capital
- 'Tick' all 8 ASX Corporate Governance Council recommendations

## **Audit committee chaired by experienced sector practitioner**

- "Tier 1" auditors appointed – PricewaterhouseCoopers
- Conservative capital management





# Sustainable Earnings Growth



## Payment Arrangement Book <sup>1</sup>

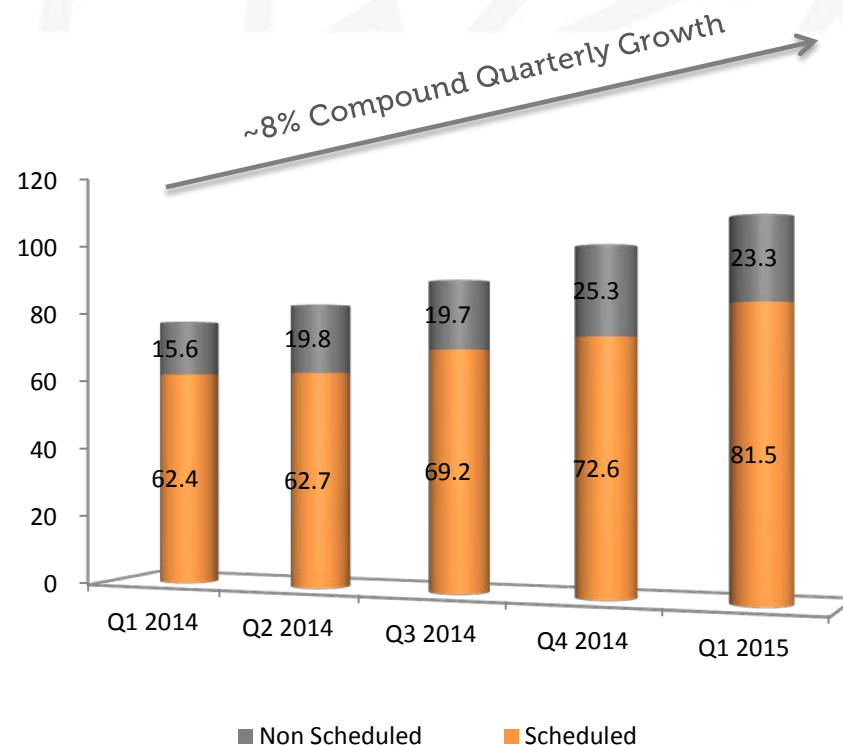
- Two types of Payment Arrangements:
  - Scheduled Payment Arrangements - periodic payments are made with interest at an agreed rate
  - Non Scheduled Payment Arrangements - the customer agrees to pay but is unable to commit to a fixed schedule
- Payment arrangement book growing faster than historically
  - 5.0% growth in October 2014
  - 4.6% growth in November 2014
  - Payment arrangement book balance of \$115.0 at 30 November 2014
- Average account balance of payment arrangement customers is ~\$9,461 with a weighted average age of 1.7 years <sup>2</sup>
- Average account balance across total portfolio is ~\$10,695 <sup>2</sup>

*Pioneer's primary strategy is to develop effective relationships with its customers*

### Notes:

1. Pioneer does not include Part 9 (bankruptcy compromised) customers arrangements in its Payment Arrangements Book
2. As at 30 November 2014

Payment Arrangement Book Current Balance (\$m) at 30 September 2014

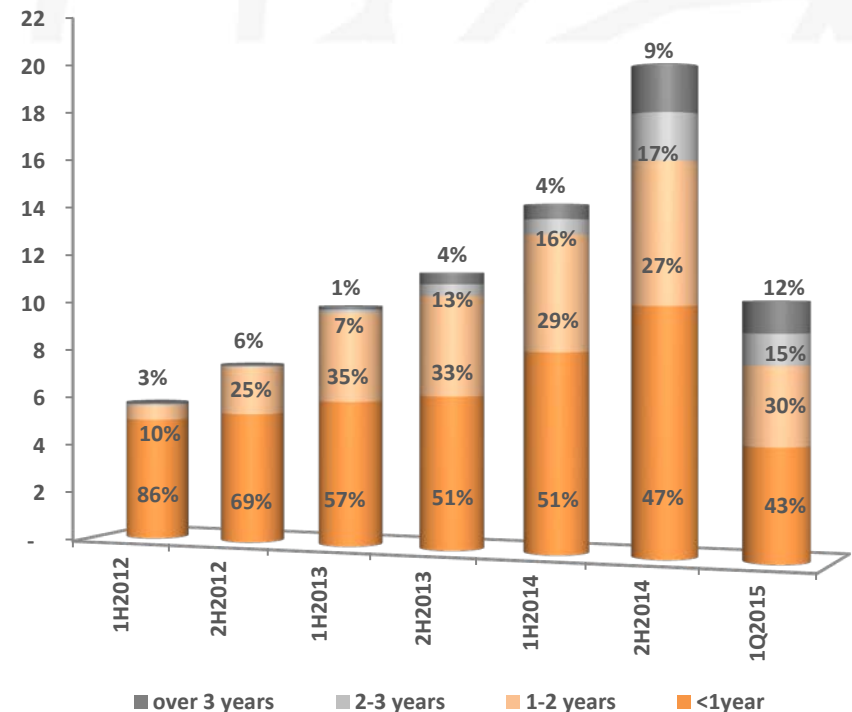




- Demonstrated performance across entire portfolio with greater contributions from older part of portfolio
- 27% of customer payments receipted in 2H14 from portfolios > 2 years old representing 15% of total investment to 30<sup>th</sup> September 2014

*Disciplined investment underpins platform for sustained long term return multiple*

PDP Liquidation (\$m) <sup>1</sup>



Notes:

1. As at 30<sup>th</sup> September 2014, and excludes low value secondary or non-core portfolios of immaterial value

Key financials are attractive and reflect strong sustainable growth

(A\$ m)	Historical			Forecast
P&L	FY12A	FY13A	FY14A	FY15F
Customer Payments	14.3	23.4	37.5	57.4
Change In Value Of PDP's	(4.8)	(6.8)	(11.8)	(18.3)
Net Revenue	9.6	16.6	25.7	39.1
Operating Expenses	(6.4)	(10.4)	(15.5)	(28.2)
EBITDA Adjusted <sup>1</sup>	8.0	13.0	19.5	29.2
Depreciation & Amortisation	(0.1)	(0.4)	(0.4)	(0.6)
<b>EBIT</b>	<b>3.1</b>	<b>5.8</b>	<b>7.3</b>	<b>10.3</b>
Net Interest Expense				(0.8)
<b>Profit Before Tax</b>				<b>9.5</b>
Tax Expense				(2.9)
<b>Profit After Tax</b>				<b>6.6</b>
<b>Key P&amp;L Metrics</b>				
YoY Customer Payment Growth		63%	60%	53%
YoY EBIT Growth		87%	26%	41%
EBIT Margin (On Revenue)	33%	35%	28%	26%

Notes:

1. EBITDA (Adjusted) is equal to EBITDA net of the Change in Value (CIV)

- 1H15 Customer Payments represents ~40% of FY15 in line with prior periods.
- EBIT margin tracking ahead of expectations reflecting strong expense control and improving operational efficiency
- Change in Value (Fair Value Charge) steady at 32% of customer payments
- Dividend payout policy of 50% of PAT
- Profit After Tax guidance of \$6.6m reaffirmed

Abridged Balance Sheet at 31 October 2014 (A\$ m)	
Assets	
Cash And Cash Equivalents	5.1
Financial Assets At Fair Value	65.8
Other Assets	4.7
<b>Total Assets</b>	<b>75.6</b>

Liabilities	
Trade & Other Payables	5.8
Borrowings	23.2
<b>Total Liabilities</b>	<b>29.0</b>

<b>Net Assets</b>	<b>46.6</b>
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Equity	
<b>Total Equity</b>	<b>46.6</b>

Key BS Metrics	
Gearing % (Net Debt/Net Debt plus Equity)	21.6%
Gearing % (Net Debt/Equity)	27.6%

- Strong cash generation has positioned Pioneer with solid cash reserves to fund future growth
- Disciplined purchasing strategy protects that cash
- Purchased customer portfolios held at fair value with very detailed disclosure in financial statements of approach and treatment
  - Rigour in valuation policy
  - Conservative approach to valuation
  - Independently audited by PricewaterhouseCoopers
- ~\$50m facility with senior funder. All covenants met comfortably
- Gearing maintained at low end of internal ceiling (40% to portfolio)

*A sustainable business is resource efficient*



# Future Growth



*Pioneer has multiple growth opportunities outside the retail consumer debt market*

**Growth within existing market segment**

- ~12% market share based on FY15F portfolio investments
- Directors believe this market share can be significantly increased

**Seller of financial products**

- Ultimate goal is to assist customers to improve their financial health and regain an acceptable credit rating
- Opportunity to expand relationships with customers and originate appropriate new products for them
- Targeting first offering of products to customers in late 2015

**Expansion into new market segments in time**

- Currently focused on credit card and personal loan acquisitions
- Opportunity to utilise expertise and relationships to move into other debt markets (including but not limited to mortgage residuals, Part IX accounts, car leases)

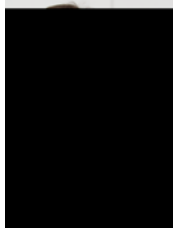




# Board & Senior Management

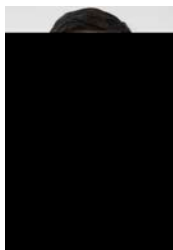


*Pioneer's Founder and Managing Director Keith John and his Directors are committed to driving the future success of Pioneer*



**Michael Smith**  
Non-executive  
Chairman

- Appointed Non-Executive Chairman of Pioneer in February 2014
- Managing Director of strategic marketing consultancy firm Black House, Chairman of iiNet Limited and the National President of the Australian Institute of Company Directors
- Deputy Chairman of Automotive Holdings Group Ltd and 7-Eleven Stores Pty Ltd. Board Member of Giving West and Creative Partnership Australia



**Keith R. John**  
Founder /  
Managing Director

- Founder of Pioneer and has been in the receivables management industry since 1988
- Formerly a Director of ACA International Inc (the US based representative body of the worldwide receivables management industry) and TCM Group International Inc (the largest independent network of affiliated receivables management agents in the world)
- Director of the Australian Collectors and Debt Buyers Association Ltd (peak industry body)
- Recognised as one of Western Australia's most exceptional young business leaders in the WABN '40 Under 40' Award in 2006



**Leslie Crockett**  
Chief Financial  
Officer

- Appointed CFO in December 2012. He has experience in a range of industries including financial services, property development, construction, retail and manufacturing
- Chartered Accountant with an international academic background and previously consulted at Deloitte Touche Tohmatsu in the United States
- Holds a Diploma of Business from Melbourne Business School






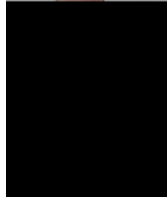

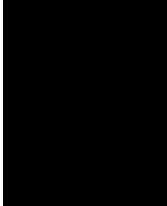


**Lisa Stedman**  
Chief Operating  
Officer

- Commenced with Pioneer in 2011 Previously, Lisa was the State General Manager for a national health club chain managing 550 staff and 35,000 members across 12 locations in Western Australia
- Transformed Pioneer's Customer Service Team, through building a high performance culture
- Graduate of the University of Exeter with an Honours degree in Exercise and Sports Science



*Pioneer's Founder and Managing Director Keith John and his Directors are committed to driving the future success of Pioneer*

  	<p><b>Richard Brown</b> Senior Manager Compliance</p>	<ul style="list-style-type: none"> <li>Commenced with Pioneer in 2009 and is responsible for Pioneer's compliance framework</li> <li>Highly regarded in his field and contributes to compliance and regulatory practices across the industry</li> <li>Bachelor of Communications from Edith Cowan University</li> </ul>
 	<p><b>Mark Dutton</b> Non-executive Director</p>	<ul style="list-style-type: none"> <li>Appointed as a Director of Pioneer in May 2010</li> <li>Founder and Director at Banksia Capital</li> <li>Prior to commencing his private equity career, Mark worked in Audit and Corporate Finance at PwC in the UK and Russia</li> <li>Holds an MA in Management Studies and Natural Sciences from the University of Cambridge</li> </ul>
 	<p><b>Rob Bransby</b> Non-executive Director</p>	<ul style="list-style-type: none"> <li>Appointed as a Director of Pioneer in February 2014</li> <li>CEO and MD of Western Australia's largest private health insurer, HBF. Joined in Aug 2005 following 25 years at NAB</li> <li>President of Private Healthcare Australia and the Australian representative on the International Federation of Health Plans Council of Management</li> <li>Senior Fellow of the Financial Services Institute of Australia and the Australian Institute of Management</li> </ul>
 	<p><b>Anne Templeman – Jones</b> Non-executive Director</p>	<ul style="list-style-type: none"> <li>Appointed as a Director of Pioneer in September 2014</li> <li>Director of Cuscal Limited and APN News &amp; Media Limited</li> <li>Significant banking experience including 7 years to 2013 at Westpac including tenure as Head of Strategy &amp; Risk for Pacific Bank Operations and Director Strategy, Institutional Bank</li> <li>Chartered Accountant with a Bachelor of Commerce from UWA, an Executive MBA from AGSM and a Masters in Risk Management from the University of NSW.</li> </ul>

This presentation has been prepared by Pioneer Credit Limited (**Pioneer**)

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