



**pioneercredit**

# 1H15 Results Presentation

20<sup>th</sup> February 2015

# 15



## Who is 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 a vast proportion 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'.



# 1H15 Headlines

## Customer Payments of \$22.2m

Up 38% on prior corresponding period

## Industry leading compliance position

Maintained record of no regulatory orders, undertakings or negative ombudsman outcomes

## Profit After Tax of \$1.6m

EBITDA of \$10.0m  
Prospectus forecast for FY15 reaffirmed

## New Key Forward Flow agreement

3 of 4 major banks under forward flow  
>100% of FY15F investment under contract

## First sale of a 'non-core' portfolio

Small portfolio sale – consolidating understanding of process and paving way for new revenue stream

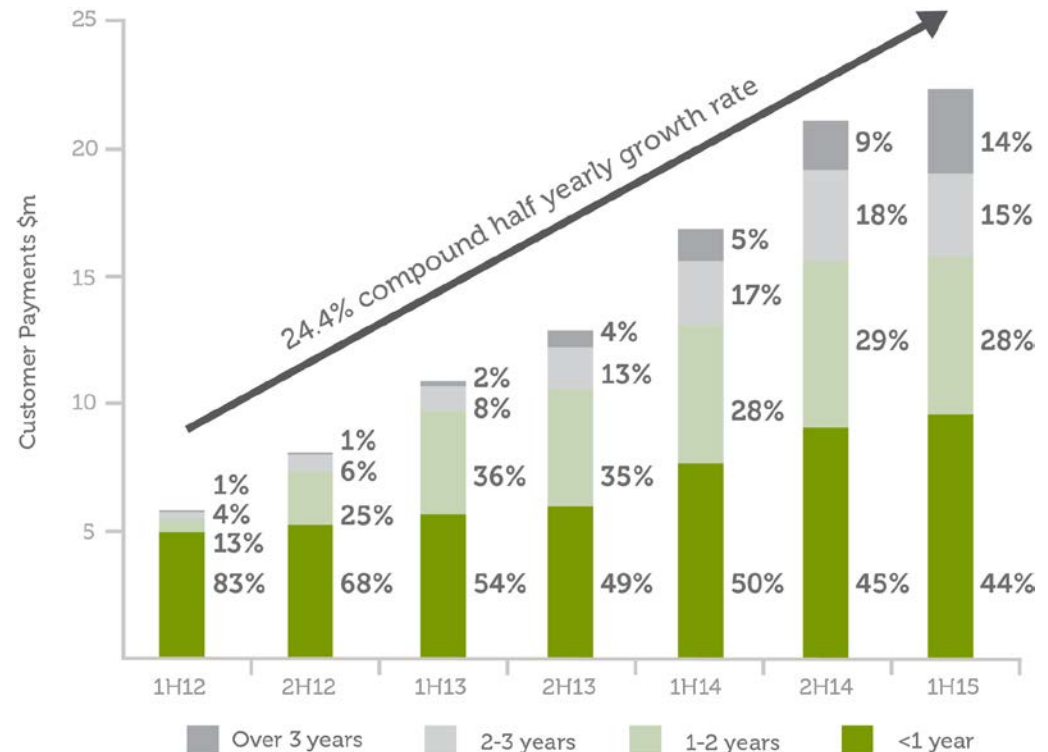
## Interim dividend of 1.75c per share

~50% profit after tax payout, fully franked

# Continued Strong and Improving Customer Payments

- Customer payments up 38% on pcp
- 29% of customer payments receipted in 1H15 from portfolios greater than 2 years old
- Demonstrates performance across entire portfolio with increasing contributions from older part of portfolio
- Half-on-half growth as expected driven by shift in timing of some recruitment to early 2H to take advantage of improving labour market in WA
- Strong liquidation in first 2 years plus increasing contribution from >3 years demonstrates long term yield and supports >3x multiple

PDP Liquidation – Customer payments by date of investment

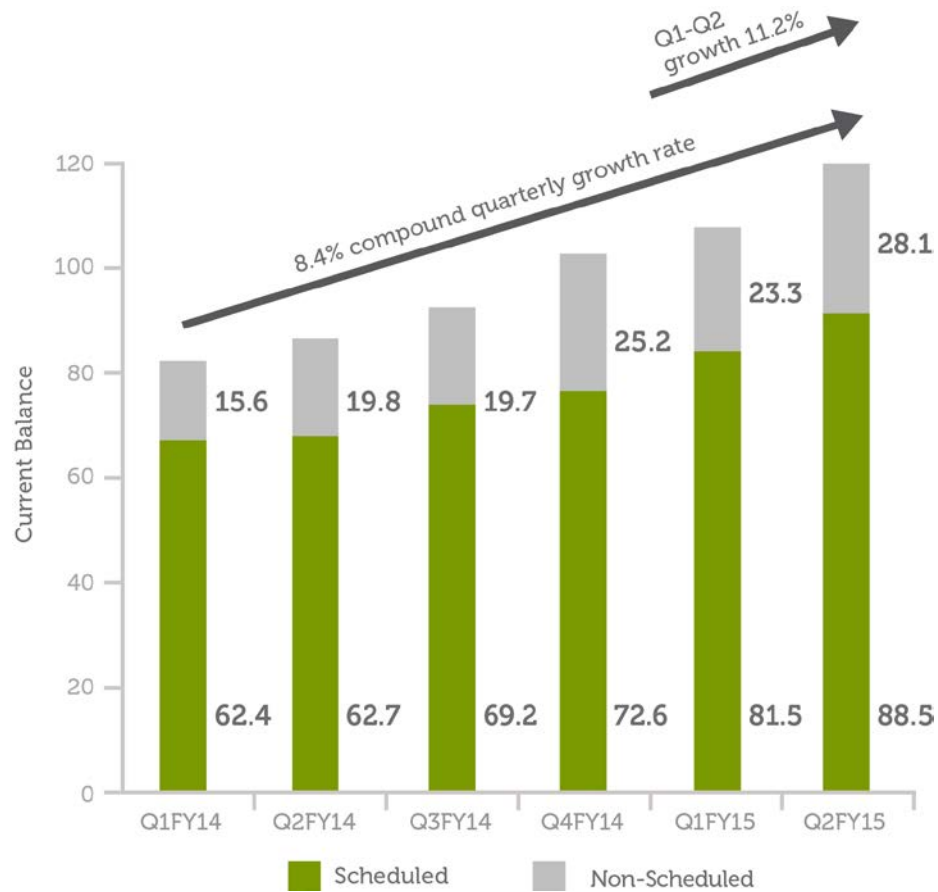


# Customer Service Excellence – Annuity Arrangement Stream

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

- Two types of Payment Arrangements:
  - Scheduled – structured repayments
  - Non-Scheduled – regular paying customers unable to commit to a fixed schedule
- Book has experienced compound quarterly growth of 8.4%<sup>1</sup> over past 6 quarters
- Escalating book growth in latest quarter at 11.2 %<sup>1</sup>
- Average account balance of arrangement customers is ~\$9,670 with a weighted average age of 1.7 years<sup>2</sup>
- Average account balance of total portfolios is ~\$10,700<sup>2</sup>

## Payment Arrangement Book Current Balance (\$m)<sup>2</sup>



### Notes

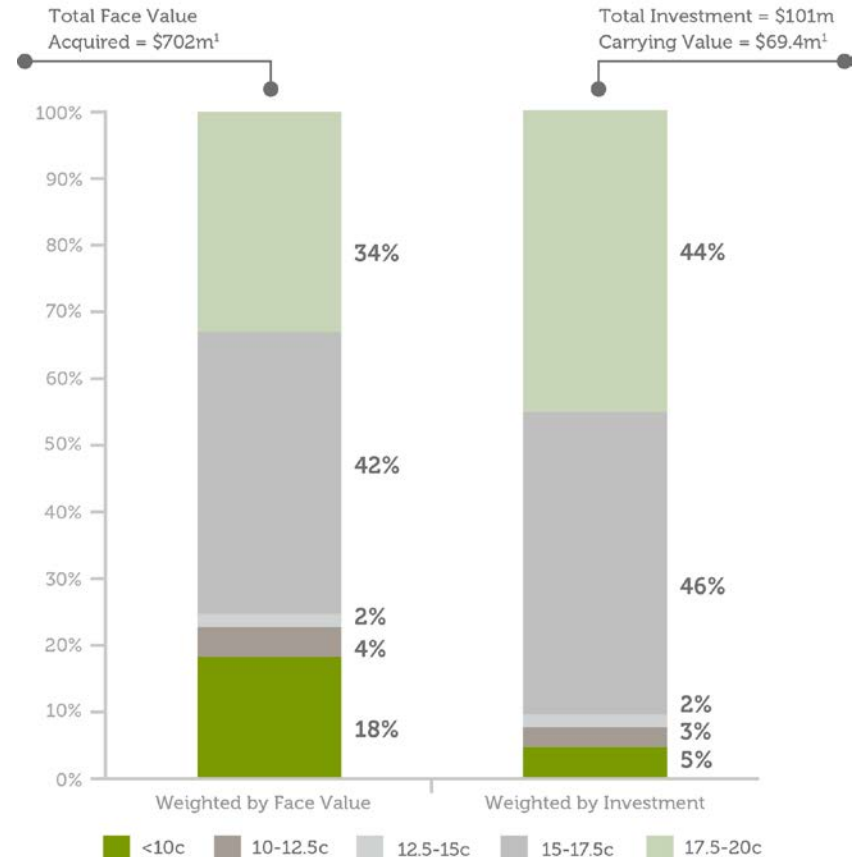
1. Does not include Part IX (bankruptcy compromised) customers
2. As at 31 December 2014

# Effective Relationships - Disciplined Capital Allocation

Pioneer purchases retail consumer accounts at ~180 days overdue

- Purchase mostly Tier 1 customers (those not regarded as credit impaired when originated)
- \$40m investment under contract for FY15 versus forecast of \$37.4m at IPO
- Pioneer focuses on liquidating customer accounts in full by negotiating adequate time to pay and entering into sustainable payment arrangements
- Skew to higher quality '180 day' forward flow contracts continues compared to aged inventory portfolios as comfort on returns strengthens and bank relationships broaden
- Historical Average Purchase Price of 14.3c<sup>2</sup>
- Portfolio Carrying Value of \$69.4m<sup>1</sup>

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



### Notes

1. As at 31 December 2014
2. Excludes low value secondary or non-core portfolios of immaterial value

# Strong Earnings Growth

Key financials reflect strong sustainable growth

\$m	Actual <sup>1</sup>		Prospectus Forecast
	1H14	1H15	FY15
Customer Payments	16.1	22.2	57.4
Sales of PDP	-	0.1	-
Change in Value of PDPs	(5.1)	(6.9)	(18.3)
Other Income	0.1	0.1	-
<b>Net Revenue</b>	<b>11.1</b>	<b>15.5</b>	<b>39.1</b>
Operating Expenses	(8.0)	(12.3)	(28.2)
<b>EBITDA<sup>2</sup></b>	<b>8.3</b>	<b>10.0</b>	<b>29.2</b>
Depreciation & Amortisation	(0.2)	(0.5)	(0.6)
<b>EBIT</b>	<b>3.0</b>	<b>2.6</b>	<b>10.3</b>
Net Interest Expense	(0.4)	(0.3)	(0.8)
<b>Profit Before Tax</b>	<b>2.6</b>	<b>2.3</b>	<b>9.5</b>
Tax Expense	(0.8)	(0.7)	(2.9)
<b>Profit After Tax</b>	<b>1.8</b>	<b>1.6</b>	<b>6.6</b>
<b>Key P&amp;L Metrics</b>			
Customer Payment Growth		38%	53%

## Notes

1. Actual is the core earnings (normalised) performance of the Group
2. EBITDA includes the add back of Change In Value of PDP's

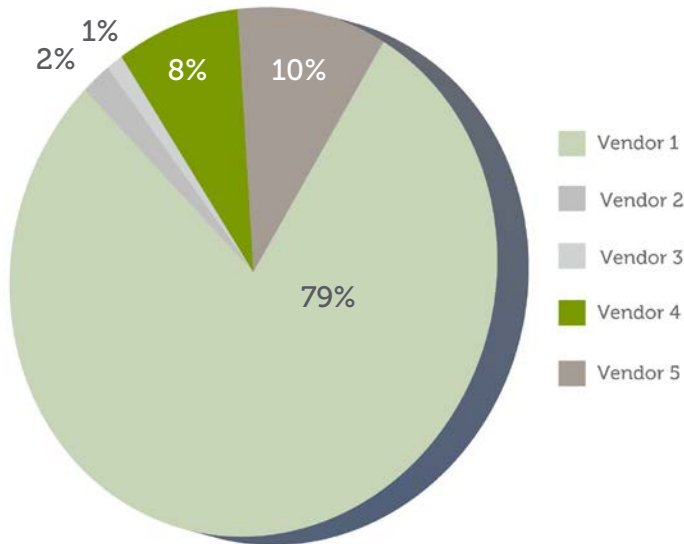
- 1H15 Customer Payments ~ 40% of FY15F in line with prior periods and consistent with guidance
- EBIT tracking ahead of expectations - \$2.6m versus \$2.4m Prospectus forecast
- Change in Value at 31% of Customer Payments
  - Key driver is improving Payment Arrangement performance
  - Cautious view maintained on carrying value
- PwC continue as auditors and reviewer of this half-year report
- First sale of a "non-core" portfolio
- Dividend payout policy of 50% of PAT
  - 1.75c payable 17 April 2015

**Affirmed Prospectus Profit After Tax forecast of \$6.6m**

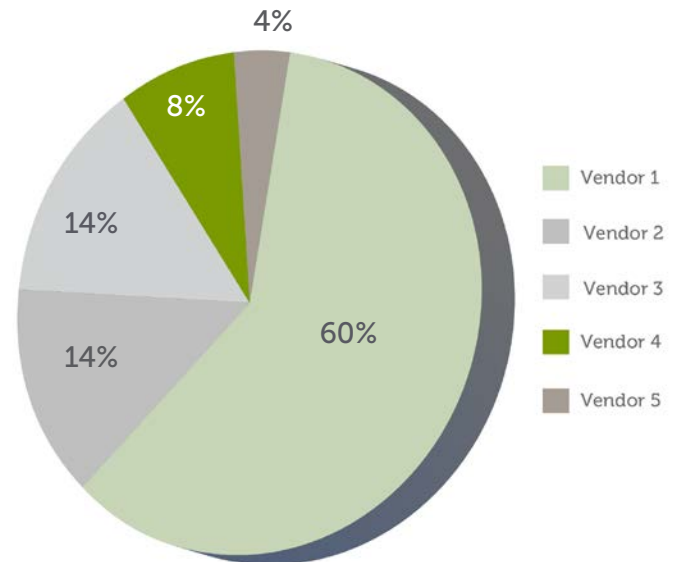
# Effective Vendor Relationships

- Agreements with three of the four "big banks"
- Diversification of PDP vendor base while building on solid and important existing relationships
- >100% of FY15 investment forecast is fully contracted
- Facilitates strong forecasting accuracy
- Pioneer continues to explore opportunities with new vendor partners

FY14A PDP investment



FY15F PDP investment





# Strong Cash Generation

Cash Flow for Half-Year Ended	\$m
	1H15A
<b>Gross Operating Cash Flow</b>	<b>9.6</b>
Decrease in Trade Payables	(9.5)
Other Working Capital Movements (Net)	0.7
<b>Operating Cash Flow after Working Capital</b>	<b>0.8</b>
Taxation	(1.7)
PP&E and Intangibles	(1.3)
<b>Operating Cash Flow before PDP acquisition</b>	<b>(2.2)</b>
PDP acquisitions	(17.5)
<b>Net Cash Flow before Interest and Financing</b>	<b>(19.7)</b>
Net Interest Paid	(0.3)
<b>Free Cash Flow</b>	<b>(20.0)</b>
Net Proceeds from Borrowings	17.8
Dividends Paid	(1.4)
<b>Net Cash Flow</b>	<b>(3.6)</b>
<b>Key Cash Flow Metrics</b>	
Gross Operating Cash Flow/EBITDA	96%

- Gross operating cash flow demonstrates strong conversion of EBITDA to operating cash
- Significant investment in PDP acquisition with pricing discipline underpins future growth
- Gearing % (Net Interest Bearing Debt/PDP) at 32% - below internal ceiling
- ~\$50m senior debt facility with all covenants met comfortably
- Undrawn facility of \$26.3m

# Simple Business Strategy

## Leadership Principles

People & Culture

## Effective Relationships

Vendor Partnerships  
Customers  
Community Engagement

## Service Excellence

Operational Strategy  
Brand Equity

## Compliance

World Class Advisors  
Audit & Review  
Dispute Resolution

Profit &  
New Consumer

Diversified Financial  
Service Provider

# FY15 Outlook



- Continue to build a conservative and long term sustainable business
- Grow and strengthen vendor relationships
- Explore ways in which we can deliver additional value to our customer base through the provision of new products and services
- Pioneer to offer first financial products to customers in late 2015

## FY15 Forecast

- PDP Investment of \$40m
- EBIT Margin of 26%
- Pioneer reaffirms Prospectus forecast for FY15 of profit after taxation of \$6.6m



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