

Pioneer Credit finalises sale of non-core portfolio

- **Successful sale of \$3 million portfolio of non-core customer accounts**
- **First material contribution of this revenue stream**
- **\$6.6 million profit forecast reaffirmed for FY15**

Pioneer Credit Limited (ASX: PNC) has finalised the sale of a non-core portfolio of customer accounts, generating \$3.1 million cash and a pre-tax profit of approximately \$1 million.

The sale is of a portfolio of Part IX accounts (also commonly referred to as bankruptcy compromised accounts) that do not align with Pioneer's business model.

It represents the Company's second successful transaction of this type, following the execution of its first sale of a non-core portfolio of customer accounts in December 2014 that effectively tested the process for such a sale.

Managing Director Keith John said: "These are accounts where our service teams cannot add any further value to the customer, and we are able to capitalise on an opportunity to realise a superior gain than we can achieve through our normal servicing."

Accounts identified for inclusion in the sale must meet strict criteria, as set out in the Company's 1H15 Interim Report.

"Part IX accounts emerge in our portfolios some time after acquisition through the changing circumstances of our customers. While the majority of our customers experience an improved financial position over time, unfortunately some do not, as is the case with this small portfolio," Mr John said.

The portfolio sale will be reported separately to the Company's customer payments to ensure shareholders have visibility of both the contribution of this revenue stream and the balance sheet, particularly in relation to fair value movement. This demonstrates the caution with which Pioneer values its assets.

Pioneer anticipates that similar portfolio sales will become a regular feature of the Company's operations, providing a recurring revenue stream.

"With respect to the sale of this portfolio, it is worth noting that even though we have achieved a better return by selling it now, we have still achieved a multiple of more than 3.3x investment. We would typically seek an outcome like this over an eight to ten year period

and in this case it was achieved in just over two years (weighted average age of ownership) at a gross internal rate of return of more than 70%," Mr John said.

While these results are very strong, it should be noted that they do not translate directly to the whole portfolio. The Company is very satisfied with the performance of its portfolios to date, and encouraged by the opportunity to outperform expectations as Pioneer continues to develop a deeper understanding of its customers needs, and further refine its ability to provide appropriate solutions to them.

"While the sale of this portfolio delivers a good profit to Pioneer, these funds are being invested in this period to further expand the business, predominantly through the continued development of new products for our customers. As a result this will not add to the Company's forecast profit for FY15."

Profit outlook reaffirmed

With three months left to run this financial year, Pioneer is pleased to reaffirm its forecast of a profit after tax of \$6.6 million for the year to 30 June 2015.

"We are cautious though, noting that over the 18 month Prospectus forecast period, and more particularly in recent months, we have witnessed a change in consumer sentiment, resulting in the Company receiving less one-off customer payments than usual. We continue to hold to our strict portfolio discipline and the maintenance of the integrity of our portfolios by not discounting accounts extravagantly to drive short-term top line performance.

"The sale of this portfolio results in us foregoing a material amount of customer payments in this half and beyond. More significantly, our strong customer engagement strategy continues to yield results, with our payment arrangement book growing by an average of 11% per quarter in the two quarters to 31 March 2015, up from a historical quarterly growth rate of approximately 8%. This growth is increasingly important as we embark on the roll-out of new products, as it enables us to learn more about our customers while they repay us fully over time. Most importantly, the growth in this part of our business will drive stronger customer payments into the future that will translate to increased earnings.

"The quality of our earnings is strong and improving as evidenced by the steady growth in our payment arrangement book since listing. Our core operating margins have also improved as a result of operational efficiencies we have extracted across the business.

"Our focus is now very firmly on quality customers whose creditworthiness can be successfully rehabilitated and who can ultimately be a part of our plans to market new financial products to as the business continues to evolve." Mr John said.

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

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