

**pioneercredit**



# FY14 Results Presentation

28 August 2014

# 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 customer relationships. Pioneer works with its customers over time so that they can meet their obligations and progress towards financial recovery, and through this process evolve as a 'new consumer'.



## Leadership Principles

Pioneer’s customer service team is trained to work to Pioneer’s six “Leadership Principles”.



**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



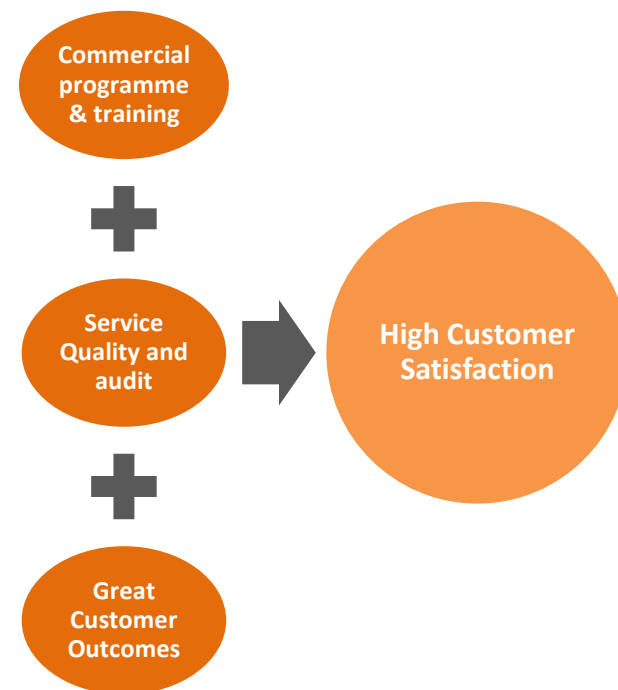
**SELFLESS**  
LOYALTY

- Put your team and your company first without question

## Positive Differentiation

### Leading in Commercial Compliance behavior

- Credit risk moves to Pioneer, brand risk stays with our vendor partner
- Focused effort on a “Commercial Compliance” programme – facilitating good 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



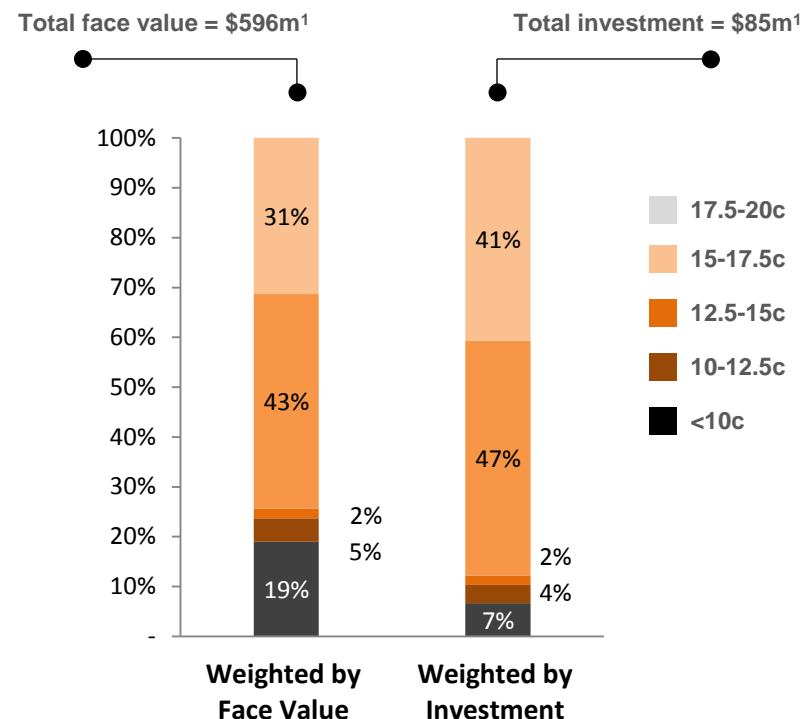
During FY14	Volume
customers active during the period	69,531
total customer contacts	1,130,423
average contacts per customer	~16
customer accounts escalated to internal compliance team	1.69%
customer accounts escalated to external dispute resolution (EDR)	0.13%
EDR matters determined against Pioneer	NIL

## Disciplined Capital Allocation

Pioneer purchases retail consumer accounts are ~180 days overdue

- Focus on purchasing quality personal loan and credit card portfolios
- Competitive advantage lies in brand, reputation, service standard and customer service philosophy
- Of the \$37.9m forecast in FY15, 100% of investment is under contract providing a high degree of certainty of future liquidations
- Pioneer focuses on liquidating accounts in full by giving customers adequate time to pay by entering into sustainable payment arrangements

Historical Aggregate Portfolio Investments



Notes:

1. As at 30<sup>th</sup> June 2014.

## FY14 Headlines

- IPO capital raising of \$40.0m closed over-subscribed
- Customer Payments of \$35.7m in FY14, a 60.3% increase YOY
- Net Revenue of \$25.7m in FY14, a 54.5% increase YOY
- Additional agreements with new and existing vendor partners including a 5 year forward flow contract extension
- Maintenance of pricing discipline (existing agreements rolled on average at more favourable pricing)
- In June 2014 opening of Pioneer's first purpose built facility in the Perth CBD
  - ✓ attracts and retains high performing customer service personnel
- High calibre, experienced Directors appointed to the Board
- Engagement of quality professional advisors including an annual independent audit by PricewaterhouseCoopers

## FY 14 Financial Results

Pioneer's key financial highlights are attractive and reflect strong growth

### Year on Year Performance

	FY13	FY14	% Growth
Customer Payments	23.4	37.6	60.3%
Net Revenue	16.7	25.8	54.5%
EBITDA Adjusted <sup>1</sup>	13.0	19.6	50.5%
EBIT	5.9	7.4	26.0%
Operating Profit after Tax	3.9	4.6	17.4%
PDL Investment	26.5	31.6	19.5%

### Actual vs. Prospectus

	Prospectus <sup>2</sup>	Actual	% Outperformance
Customer Payments	37.0	37.6	1.5%
Net Revenue	25.3	25.8	1.7%
EBITDA Adjusted <sup>1</sup>	19.1	19.6	2.5%
EBIT	7.0	7.4	5.1%
Operating Profit after Tax	4.5	4.6	2.6%
PDL Investment	30.3	31.6	4.7%

### Notes:

1. EBITDA (Adjusted) is EBITDA net of the change in CIV charge
2. Prospectus comprises of first half actual result and second half forecast result

- Customer Payments in the 2H14 exceeded forecast by 2.5%
- Change in Value 'charge' of 32% of Customer Payments, consistent with prospectus forecast
- Net Revenue of \$25.8m, growth of 54.5% YOY
- EBIT growth of 26.0%
  - significant investment in headcount to deliver future EBIT margin growth
- Material one off costs associated with listing and 'clean up' of private capital structure in FY14
- Operating profit after tax of \$4.6m, growth of 17% YOY
- Final fully franked dividend of 3.1 cents per share
  - Record date of 30 September 2014
  - Payment date of 17 October 2014

## Strong cash generation

Cash flow	FY13	FY14
EBITDA Adjusted <sup>1</sup>	13.0	19.6
Operating Cash Flow <sup>2</sup>	13.8	26.4
Tax Paid	(0.8)	(3.2)
PP&E	(0.9)	(0.9)
Operating Cash Flow Before Debt Purchase	12.1	22.2
Debt Purchases	(26.5)	(31.6)
Net Cash Flow Before Interest & Financing	(14.4)	(9.4)
Interest Paid/Received	(0.4)	(0.6)
Net Cash Flow Post Tax	(14.8)	(10.0)
Financing	14.8	13.5
Net Increase in cash and cash equivalents	0.1	3.5
Key Metrics		
YOY Increase in Debt Purchase		20%
Operating Cash Flow/ EBITDA Adjusted	106%	135%

**Notes:**

1. EBITDA (Adjusted) is EBITDA net of the change in CIV charge
2. Operating Cash flow is before debt purchase, interest, financing & tax

- Operating cash flow before purchases of \$21.2m, an increase of 81% YOY
- Cash is invested in new portfolios which drive growth in future years
- EBITDA Adjusted converts strongly to operating cash flow
- Senior debt facility expanded to \$47m
  - Undrawn limit of \$44m at 30 June 2014
- Loan to FV of PDP value ratio of 11.6%
  - Target of < 40% (facility covenant at 45%)
- As per the Prospectus, costs associated with listing on the ASX have had a material one-off impact on the Company's result. The operating cash metrics used above reflect the core earnings performance of the Group

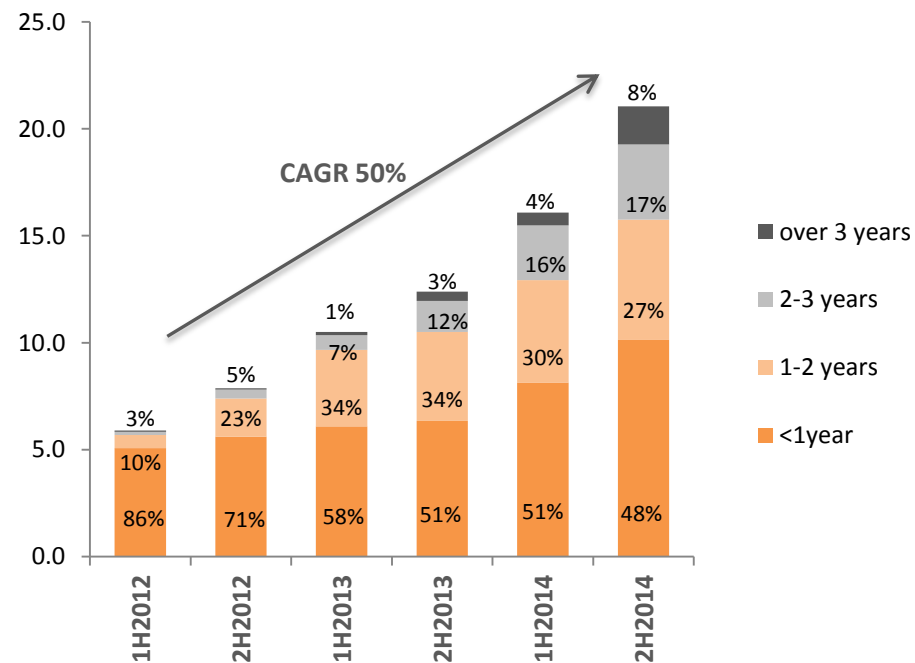


# Liquidation of Purchased Debt Portfolios (PDP)

## Price drives Multiple

- Pioneer's half yearly Customer Payments have grown from \$6.2m in 1H12 to \$21.3m in 2H14.
- A compound annual growth rate of 50%
- 25% of customer payments receipted in 2H14 related to portfolios > 2 years old
- Demonstrated long term liquidations of portfolios

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



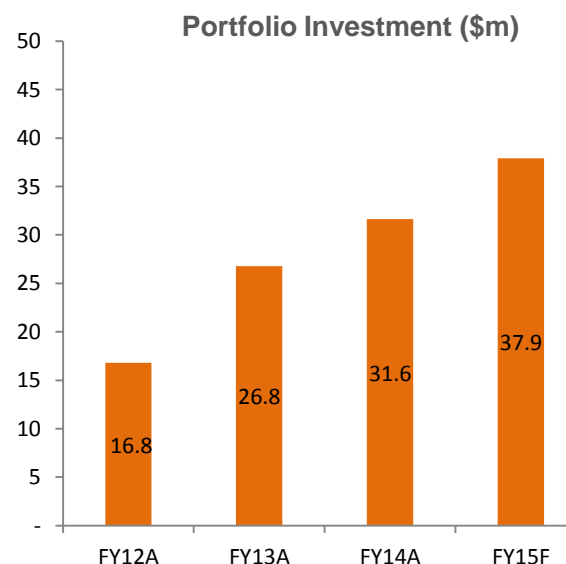
Notes:

1. As at 30<sup>th</sup> June 2014..

## Leading Australian purchaser of financial services debt

### Pioneer has built strong relationships with its Vendor Partners

- Purchases predominantly tier 1 debt (financial institution customers not regarded as credit impaired when originated)
- Agreements with 3 of the 4 major banks in Australia and solid relationships with other major originators
- 100% of FY15 purchases contracted
- Agreements have a history of renewal at Pioneer
  - Five current agreements are the extension or renewal of existing agreements
  - The latest renewal is for a period of up to 5 years, an Australian purchasing commitment first
- Facilitates strong forecast accuracy



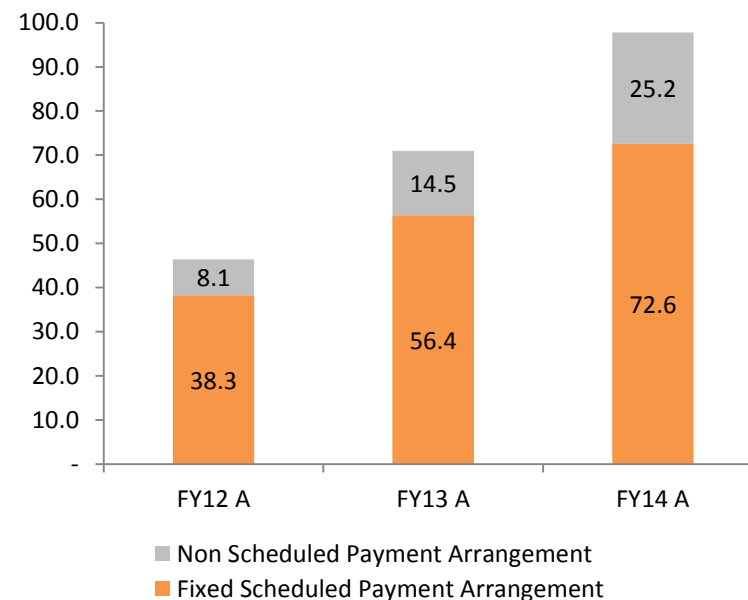
## Customer payment security through a growing Payment Arrangement book

Pioneer's primary strategy is to develop relationships with customers

### Payment Arrangement book

- Two types of Payment Arrangements:
  - Fixed Schedule Payment Arrangements whereby agreed periodic payments are made until the account is closed with interest at an agreed rate; and
  - Non Scheduled Payment Arrangements whereby the customer agrees to pay but does not commit to a fixed schedule.
- Payment Arrangement book of \$97.8m as at 30 June 2014
- Average account balance of committed Payment Arrangement of ~\$9,400 with a weighted average age of 1.5 years
- Average account balance of total portfolios is >\$10,000

Payment Arrangement Book Current Balance (\$m)



## FY15 Growth & Outlook

**Pioneer has a simple business strategy.**

- Continue to work hard at building a conservative and long term sustainable business
- Growth and strengthen vendor relationships
- Explore ways in which we can deliver additional value to our rehabilitated customer base through the provision of new products and services

### **FY15 Forecast**

- PDP Investment of \$37.9m
- Customer Payments of \$57.4m
- EBIT Margin (On Revenue) of 26%
- Profit after tax of \$6.6m



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