

ASX release

27 October 2017

## Annual General Meeting – 27 October 2017

Following are the Chairman's Address and Chairman and Managing Director presentations to the Annual General Meeting of Pioneer Credit Limited (ASX: PNC) to be held today 27 October 2017 at 10 a.m. at Level 8, Exchange Tower, 2 The Esplanade, Perth.

### Investor and media enquiries:

Keith R. John  
Managing Director  
Pioneer Credit Limited  
P: 08 9323 5001  
E: [krjohn@pioneercredit.com.au](mailto:krjohn@pioneercredit.com.au)

Mr Leslie Crockett  
Chief Financial Officer  
Pioneer Credit Limited  
P: 08 9323 5008  
E: [lcrockett@pioneercredit.com.au](mailto:lcrockett@pioneercredit.com.au)

## Chairman's Address to 2017 AGM – Michael Smith

Good morning.

While we all play many roles in life, today we are joined together by the common interest we have in our investment in Pioneer Credit.

We all want to know what we can expect from the Company in the future and we have a deep interest in understanding how Pioneer has performed over the past year.

Our remarkable managing director Keith John will give you a detailed presentation on these foundation topics later in the meeting.

So, with my board colleagues, I have wrestled with the question of what is the most useful information to give you in this, the Chairman's Address.

While Pioneer is a successful financial services business with a focused niche, we have invested in more than that.

Most of us have invested in the idea of Pioneer. Many other debt acquisition and servicing firms seem to 'chase' funds.

The Pioneer idea is that helping (rather than chasing) good people, who have had a financial set-back, is the very best approach to getting them back on their feet. Not only do we share in the benefit of them recovering, we form the basis of a long lasting relationship with new products and services that are a really good match for people we have come to know well.

Like most good ideas, Pioneer's is simple.

Our core business has been debt purchase and servicing, where we primarily purchase 180 day credit card and personal loan customer accounts from major financial institutions.

Our first instinct is to listen to the stories of our customers. What happened? How do they feel about getting their credit status back? What is the best way to plan for and work together on recovery.

With our expertise in relationship management and how to look after an individual's finances when things are tight, we do much better in liquidating accounts sustainably over time.

We believe our vendors like to deal with us because of the service and care their customers get, and we hope to buy at better rates because of this. Indeed we are very disciplined about the prices we pay and expect to pay, on average less than our competitors for similar portfolio classes.

Our long term rate of recovery will also be better on the basis we are working in an expert way with our customers, so we see an advantage there too.

And then the end, when the customer has rehabilitated the financial circumstances, it is not so much an end, as a new beginning.

When the customer has recovered we have been an important partner in that success and built both a strong relationship with them and a detailed knowledge of their financial needs, aspirations and capacities.

We understand the risk profile better than anyone else could, helped also by the considerable investment we have in data analytics and science.

Given our growing access to quality and often bespoke credit products we are perfectly placed to provide the right product to the right customer, price the risk more accurately and to have very low selling costs given that we are in a partnership with a customer that has been built over years.

If you have invested at the float in this idea, your total shareholder return until today would be 101%.

In that time we have grown our customer numbers from 66,000 to over 180,000.

Our liquidations for each financial year has shown consistent growth as demonstrated by the chart, and that we remain on target to achieve a 4x investment multiple within ten years.

The faith in our stock since IPO is reflected in a P/E multiple at 11x with market capitalisation growing two and a half times over the same time frame.

We have increased the number of institutions we deal with to now include all major banks and a range of high quality specialty financial services groups.

You would expect that customers in financial hardship or default would have an uneasy relationship with the company that owns the account, regardless of the approach. Not so. We have an NPS of +13 noting that 67% of all customers give us seven out of ten or better.

We have met and exceeded guidance every year from IPO.

So it is possible to conclude that the idea is working.

And while the results do look good, it has taken a lot of hard work from an exceptional team that has grown in capability and capacity. We have had times when it has been difficult to meet our goals, and we expect that to continue.

Our sector is changing and we expect that evolution to continue to create an environment which will favour businesses with quality relationships and tight business models.

We are changing too.

The board is overseeing a movement of our centre of gravity from being based around debt acquisition and servicing to one defined by relationships with the movement to include the provision of credit related products and services to help our customers make the most of their financial needs and opportunities.

The board, through Keith and the management team, has been focused on 5 main issues during the year:

1. Continuing to deepen our detailed understanding of the value of our book;
2. Strengthening our analytics and data science to best match effort and service to customers;
3. Lifting our systems capabilities to support excellent operational ability and a broader product set;
4. Capital management strategy and structure such that we have the right mix of financial resources to meet our potential; and
5. New credit-related products and services.

We are a member of a community which has given us an opportunity to succeed, and we express our gratitude and sense of commitment in a number of ways.

Last financial year, Pioneer's internal vision was 'We rise by lifting others' and in FY18 our vision is 'Together we make a difference'. These visions are established to provide support and opportunity to our team members, promote better service to our customers and to support the communities in which we operate.

Through our community programmes we continue to support Toybox International with our Christmas initiative, Starlight Children's Foundation with a major 3 year sponsorship commitment exceeding \$360,000 and CommBank's Tour de Cure initiative, focused on finding a cure for cancer, through our third significant sponsorship for that programme.

We are also very proud to have supported last weekend's 2017 Channel 7 Telethon with a meaningful donation. For 50 years, Telethon has raised money for children of WA, supporting advances in the treatment of life threatening diseases and providing equipment, resources and critical services for children across the state.

Pioneer has also provided valuable funds to the Sanfilippo Children's Foundation in FY18 through supporting the Westpac Debt Sale team in the September Big Feet Little Feet Fun Run in Sydney. Sanfilippo is a rare genetic condition that causes fatal brain damage and is referred to as a childhood disease because most patients never reach adulthood.

Our own community based volunteer program, Pioneer Hearts will also continue with members of our team providing their own time to volunteer for worthy events such as the recent Telethon 'Make WAFL History' event. All up, your business, has grown its community programs such that in FY18 it will contribute in excess of \$300,000 back to the very communities we are all part of.

Your Board and executive believe this is both a wise investment in the health of the very communities we operate in, and a firm display of the very characteristics we seek and have in our 550 employees.

In concluding my address, on behalf of the Board, I convey my thanks to Keith John and the management team and to all of our employees for their efforts for the company. Thank you also to our shareholders for your ongoing support. It is much appreciated.

27 October 2017

**Annual General Meeting  
Chairman's Address**

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

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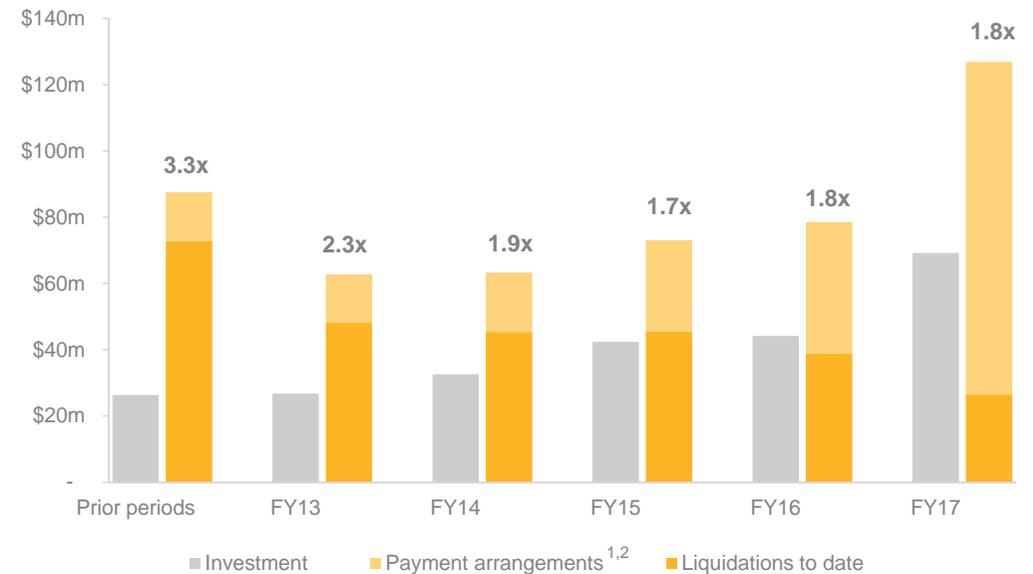
**Monetary Values:** Unless otherwise stated, all dollar values are in Australian dollars (A\$). The information in this presentation is subject to change without notice.

# Strong business model

## Delivering sustainable long-term growth since listing

- ✓ Total shareholder return **101%** since IPO
- ✓ Customer growth from 66,000 to over **180,000**
- ✓ Consistent liquidation growth
- ✓ Target **~4.0x** investment multiple within ten years
- ✓ NPS of **+13**
- ✓ **Met and exceeded guidance every year from IPO**

Return multiple by investment vintage



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)

## Pioneer's vision

Pioneer's vision provides support and opportunity to our team members, promotes better service to our customers and supports the communities in which we operate.

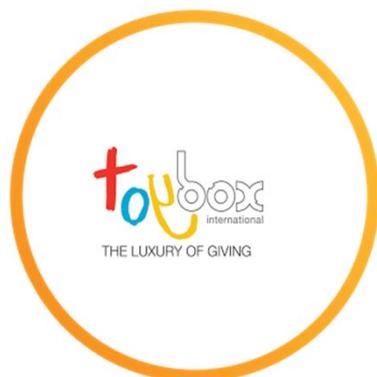
FY17



FY18



# Community Engagement



## Toy Box International

WA-focused Children's Charity



## Starlight Children's Foundation

Sponsorship to create moments of joy and comfort for hospitalised kids and their families



## Tour de Cure

Cycling event supporting funding medical research for a cure to cancer



## Channel 7 Telethon

WA-focused Children's Charity



## Pioneer Hearts

Pioneer's own community-based volunteer program



## Red Cross

Corporate giving program

27 October 2017

**Annual General Meeting  
Managing Director's  
Presentation**

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**pioneer**  
credit

# Corporate snapshot

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

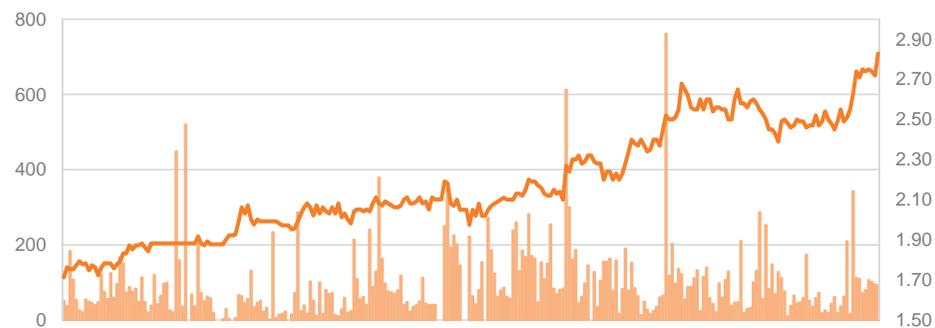
## Overview

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

## Largest shareholders

Keith John <sup>2,3</sup> (Managing Director)	13.43%
OC Funds Management	6.10%
Celeste Funds Management	5.33%
Management <sup>3</sup> (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 26-Oct-17	\$2.85
Shares on issue	61.2m
<b>Market capitalisation 26-Oct-17</b>	<b>\$174.4m</b>
Cash 30-Sep-17	\$4.2m
Debt 30-Sep-17	\$93.5m
<b>Enterprise value</b>	<b>\$263.7m</b>
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 KMP<sup>3</sup> 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 <sup>1,2</sup>
Keith John – Managing Director	13.43%
Management (ex Keith John)	6.78%
<b>Total management ownership</b>	<b>20.21%</b>

### 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 underpins and drives 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
<b>PDP selection</b>	Most classes of unsecured debt, incl. Part IX, bankruptcy, telco, utility, payday, SACC, MACC	' Tier 1' <sup>1</sup> customer portfolios with a preference for credit cards and personal loans	✓ Premium data analytics facilitates selection of lower risk portfolios
<b>Bargaining for PDPs</b>	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
<b>Liquidation profile</b>	1 to 6 year collection cycle	Liquidation profile up to 10 years	✓ Flexible payment schedules optimise total liquidations
<b>Process and customer relationship</b>	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

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

# PDP valuation and payment arrangement metrics

## Cautious and sophisticated valuation approach leads consistently improving liquidations

### Pioneer's valuation approach<sup>1</sup>

- 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 September 2017

<b>Target monthly growth rate</b>	5%	• High expectations driven off the back of a superior customer service offering
<b>Average balance</b>	\$12,823	• Evidence of portfolio quality and value (no low quality customer segments)
<b>Interest rate</b>	11.7%	• Average accruing interest rate
<b>Instalment completion rate</b>	97.0%	• Exceptional customer outcomes and predictable cash flows
<b>Payment arrangement portfolio size</b>	\$249m	• Strong growth through operational excellence

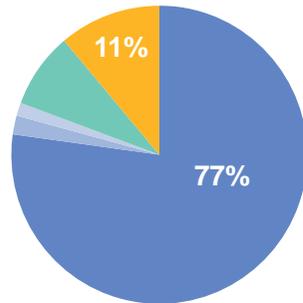
Note:

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

# Vendor investment mix

Vendor diversification illustrates Pioneer's leading market position

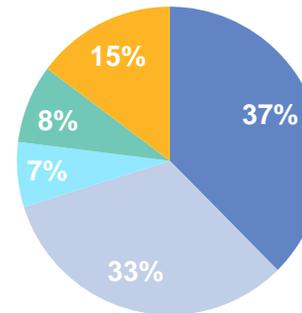
**FY14**  
Portfolio  
Investments  
\$31.6m



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

**Australia**

**FY18F**  
Portfolio  
Investments  
\$70.0m



- Aust. Big 4 bank 'A'
  - Aust. Big 4 bank 'C'
  - Aust. Big 4 bank 'D'
  - Regional (2)
  - Other (4)
- 9 vendors**

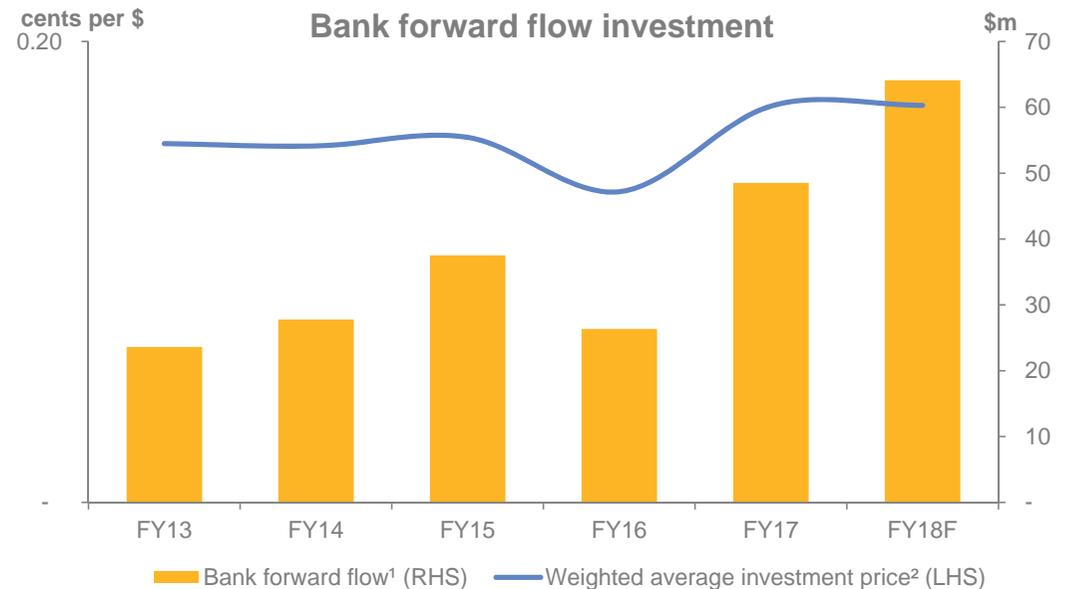
**Australia**

**New Zealand**

# Investment discipline

## FY18F PDP price reflects largest forward flow commitment and long term investment discipline

- Weighted average investment price<sup>2</sup> skews up for bank forward flow agreements – typically the highest quality and priced portfolios
  - Slight decrease in FY18 expected based on current agreements
- Portfolio continues to be built with only highest quality customers, critical when considering a return multiple
  - Pioneer acquire only Tier 1 customers – predominantly high quality bank customers
  - **No** Part IX, bankruptcy, telco, utility, payday, SACC, MACC
- Price fluctuation through time broadly reflects changing distributions between product type (proportion of credit cards vs personal loans) and vendors over the periods

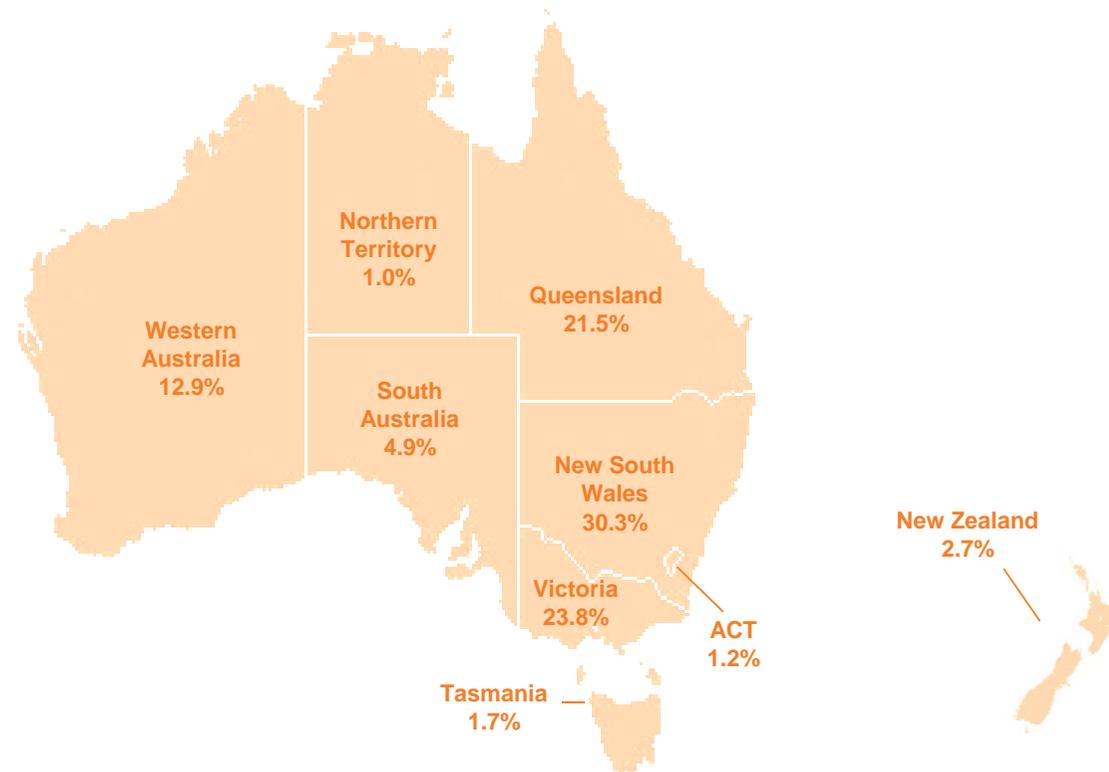


Note:

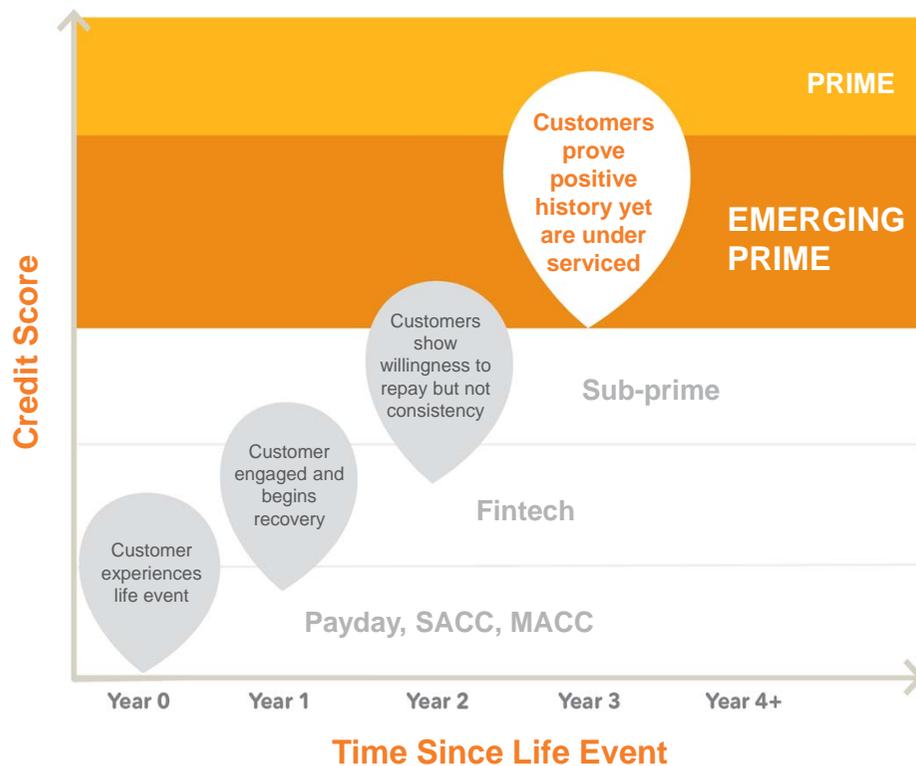
1. A forward flow is an agreement to purchase customer accounts meeting agreed characteristics and price for an agreed term
2. Weighted average investment price excludes low value secondary and non-core portfolios invested in since inception

## Geographic distribution

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

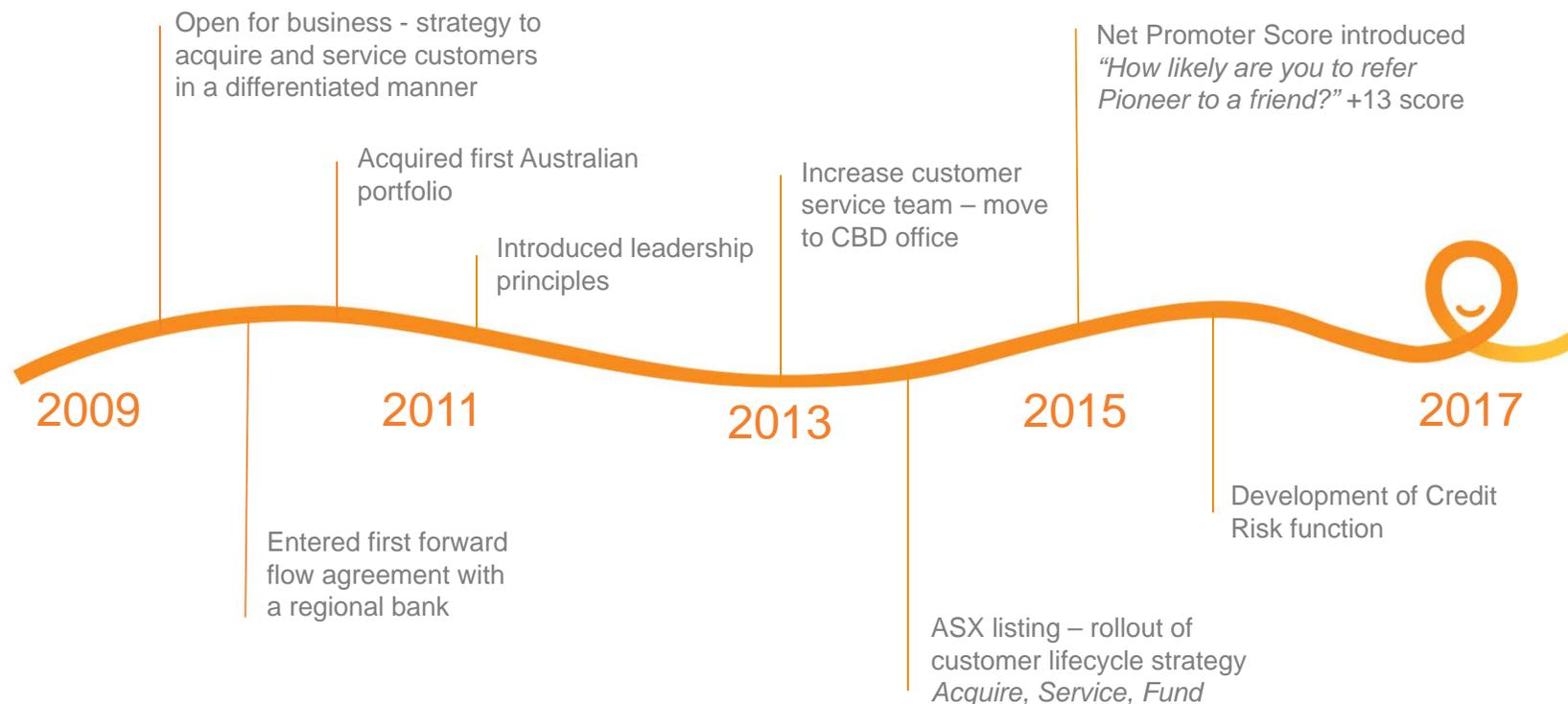


# Connect Personal Loans - background



- For customers with a demonstrated capacity to manage and repay in full
- Generally have limited ability to secure funding from banks
- *Why?* Most assessments are based off negative only attributes which are aged, lack relevance and inappropriately disqualify consumers
  - Pioneer has a unique recent history of a customer's ability to manage and repay an obligation
  - Strong credit risk analytics (with significant bank experience) using negative data + CreditPlace insights + behavioural data (from customers' experience with Pioneer) + bank transaction history + social media + other online data sources
- 'Emerging Prime' customers:
  - Are tested to comply with ASIC Responsible Lending standards
  - Do not include higher risk segments – NO payday, SACC, MACC
  - **Represents up to 40% of the adult population**

## Connect Personal Loans – path to deployment



# Pathway to Prime – Personal Loan development journey

## FY16

## FY17

### People

Appointment of Chief Risk Officer  
Specialist Customer Service Team commenced

Expansion of Connect Customer Service Team  
Commencement of digital marketing specialists  
Broking offering expanded to business, car and home loans

### Process

Connect formally established  
Development of customer analytics and modelling  
Product testing through white label personal loan pilot  
Development of risk, legal and compliance frameworks

Completion of personal loan pilot  
Completion of credit risk pricing models  
Approval of Risk Appetite Statement

### Technology

Acquisition of switchmyloan.com.au  
CreditPlace launched – credit score engagement platform

Pioneer Path budgeting app 'soft launch' in Apple App Store  
Settlement of commercials for origination platform

# Pioneer Credit Connect

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## The brand for emerging prime credit consumers in Australia



### Range of financial products – personal loans, brokered home loans, small business loans

- For customers that have paid their account and have a demonstrated capacity to manage and repay
- For new to Pioneer customers that have similar characteristics to existing customers
- Strengthens our relationship, underpins our value to PDP vendor partners
- Through its home loans offering Pioneer is now both an acquirer of assets from and a distributor of products for vendor partners



### Deepens customers' understanding of financial health

- In partnership with and powered by Experian – the world's largest credit bureau
- A free credit score for all members
- Pioneer updated with real time credit movements and other data to enable more accurate risk assessment



### Strategic partnership

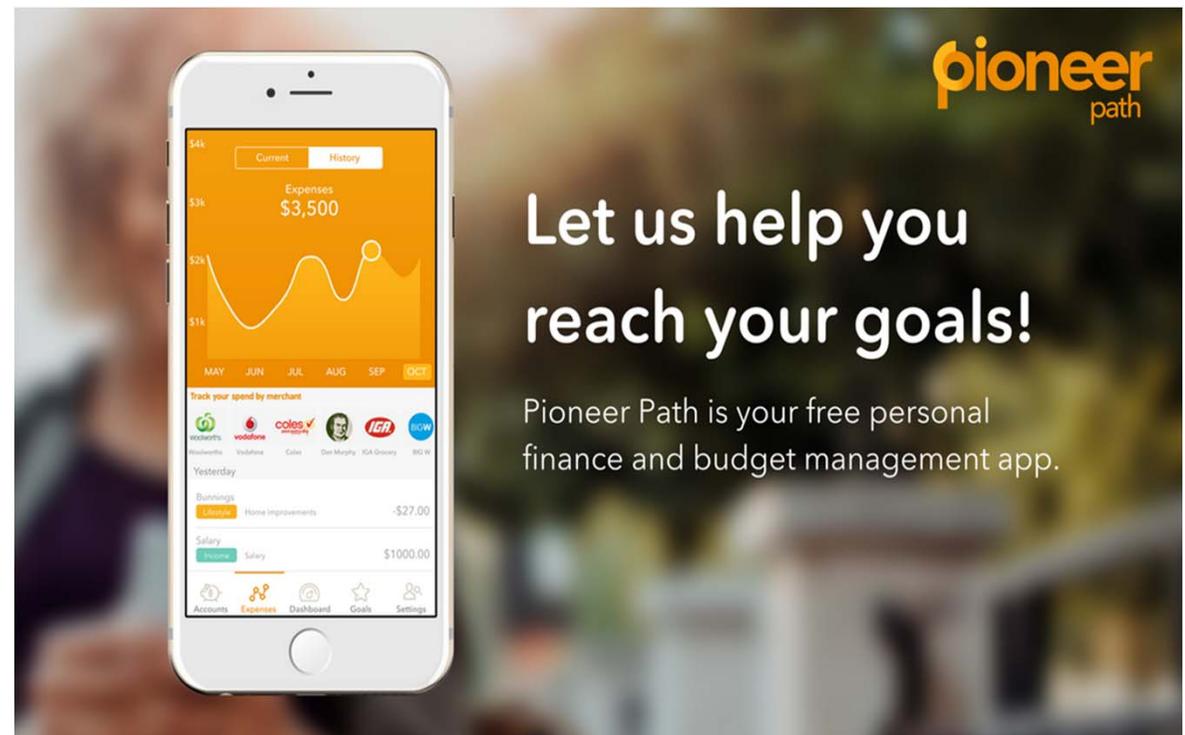
- Expands Pioneer's reach via exclusive marketing of CreditPlace credit score and personal lending products
- Reach extends to over 2.3m consumers



# Connect outlook

## Capitalising on opportunities

- Pioneer Path launched
  - Personal finance and budget app increasing financial literacy and customer engagement
- Continue to deploy analytics capability
  - Identifying customers for loans and driving early engagement
- CreditPlace credit score rollout to 2.3m Rewardle members
- GMY white label partnership accelerating
- Acacia Partners appointed to finalise funding warehouse
  - Target \$30m in lending by end of 2018
- 5 loan writers placing home loans to vendor partners
  - Unique vendor offering – now an acquirer of assets and distributor of vendor products
  - Further differentiation in market increases Pioneer's value to vendor partners



Let us help you reach your goals!

Pioneer Path is your free personal finance and budget management app.

# Trading update and outlook

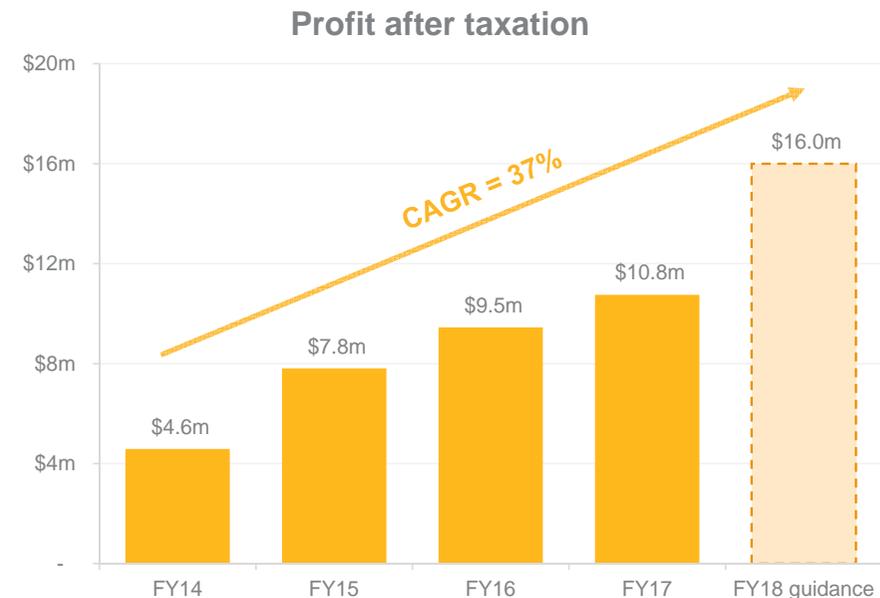
## FY18 trading update

- Strong payment arrangement portfolio growth of 16% for 1Q18 to \$249m
  - Supporting strong revenue growth in future periods
- Liquidations tracking to expectation
- EBIT, EBITDA and NPAT tracking to expectation

## 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**



# Contacts

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**Keith R. John**

Managing Director

P: 08 9323 5001

E: [krjohn@pioneercredit.com.au](mailto:krjohn@pioneercredit.com.au)

**Leslie Crockett**

Chief Financial Officer

P: 08 9323 5008

E: [lcrockett@pioneercredit.com.au](mailto:lcrockett@pioneercredit.com.au)

**Sue Symmons**

Company Secretary & General Counsel

P: 08 9323 5020

E: [ssymmons@pioneercredit.com.au](mailto:ssymmons@pioneercredit.com.au)