

27 February 2018

# 1H18 Results Presentation

The logo for Pioneer Credit, featuring the word "pioneer" in a bold, lowercase, orange font with a stylized 'p' that has a yellow-to-orange gradient. Below it, the word "credit" is written in a smaller, lowercase, grey font.

**pioneer**  
credit

# Important notice: Disclaimer

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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.

# Highlights

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- ✓ Increased **senior debt facility** to **\$130m** to underpin growth
- ✓ Finalised **personal loan** product for existing and external customers
- ✓ Launched **Pioneer Path** personal finance mobile app
- ✓ Westpac Institutional Bank and Acacia Partners appointed as Joint Lead Managers for a **medium term debt raising**
- ✓ **Record cash generation** with \$24.3m EBITDA (up 60% on 1H17)
- ✓ **Record half-year NPAT** of \$8.1m (up 93% on 1H17 and 24% on 2H17)

## \$44.0m

1H18 PDP investment

FY18 now contracted at \$80m

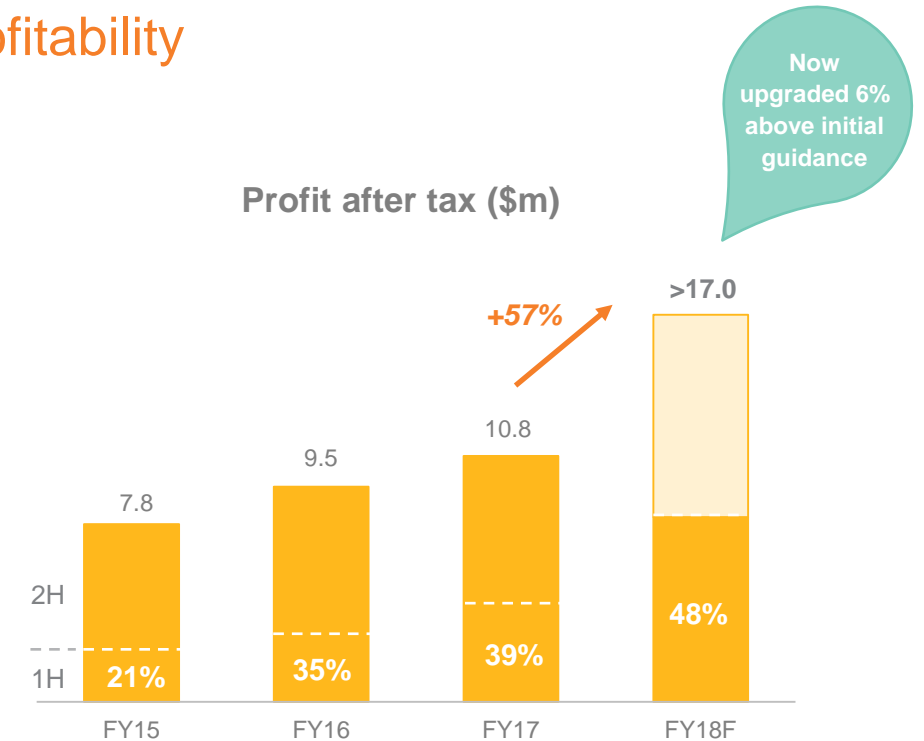
## \$8.1m NPAT

Record half-year earnings

# Profit and loss

Another half of outperforming expectations and growing profitability

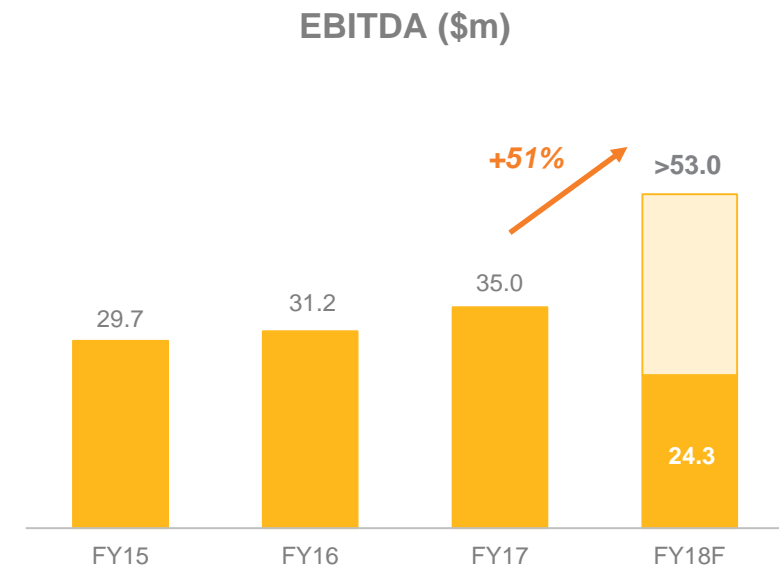
	1H17	1H18	
PDP liquidations	\$31.3m	<b>\$46.1m</b>	<b>+47%</b>
Net revenue	\$24.6m	<b>\$36.8m</b>	<b>+50%</b>
EBITDA	\$15.2m	<b>\$24.3m</b>	<b>+60%</b>
EBIT	\$7.0m	<b>\$12.8m</b>	<b>+83%</b>
NPAT	\$4.2m	<b>\$8.1m</b>	<b>+93%</b>
EPS	8.48cps	<b>13.33cps</b>	<b>+57%</b>
DPS	4.22cps	<b>6.62cps</b>	<b>+57%</b>



# Cash flow

Disciplined investment, scale and quality recruitment are driving strong cash generation

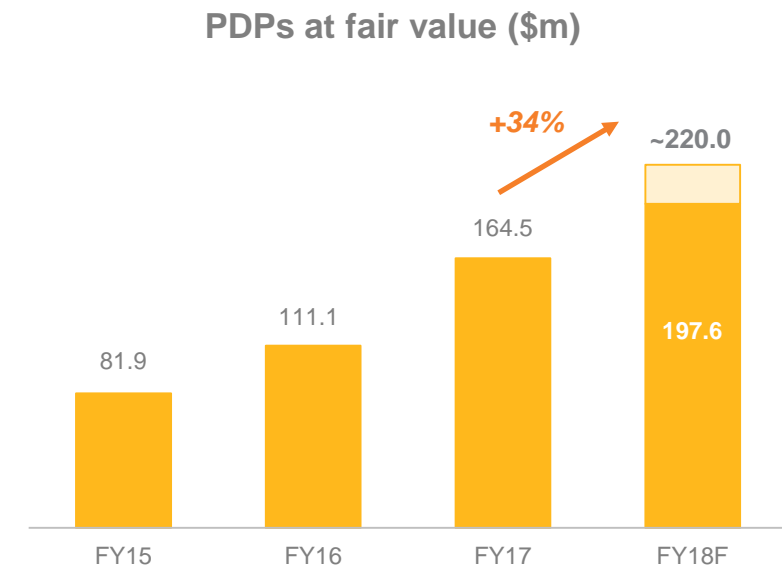
	1H17	1H18	
EBITDA	\$15.2m	<b>\$24.3m</b>	<b>+60%</b>
Gross operating cash flow	\$15.8m	<b>\$25.4m</b>	<b>+61%</b>
Net cash inflow from operating activities	\$9.6m	<b>\$22.1m</b>	<b>+130%</b>
PDP investments	(\$25.6m)	<b>(\$37.8m)</b>	<b>+48%</b>
Dividends paid	(\$3.1m)	<b>(\$3.2m)</b>	<b>+5%</b>
Net proceeds from financing	\$16.1m	<b>\$21.1m</b>	<b>+31%</b>
Net increase in cash held	(\$2.5m)	<b>\$2.3m</b>	<b>+192%</b>



# Balance sheet

Asset growth reflects disciplined investment and cautious approach to PDP valuation

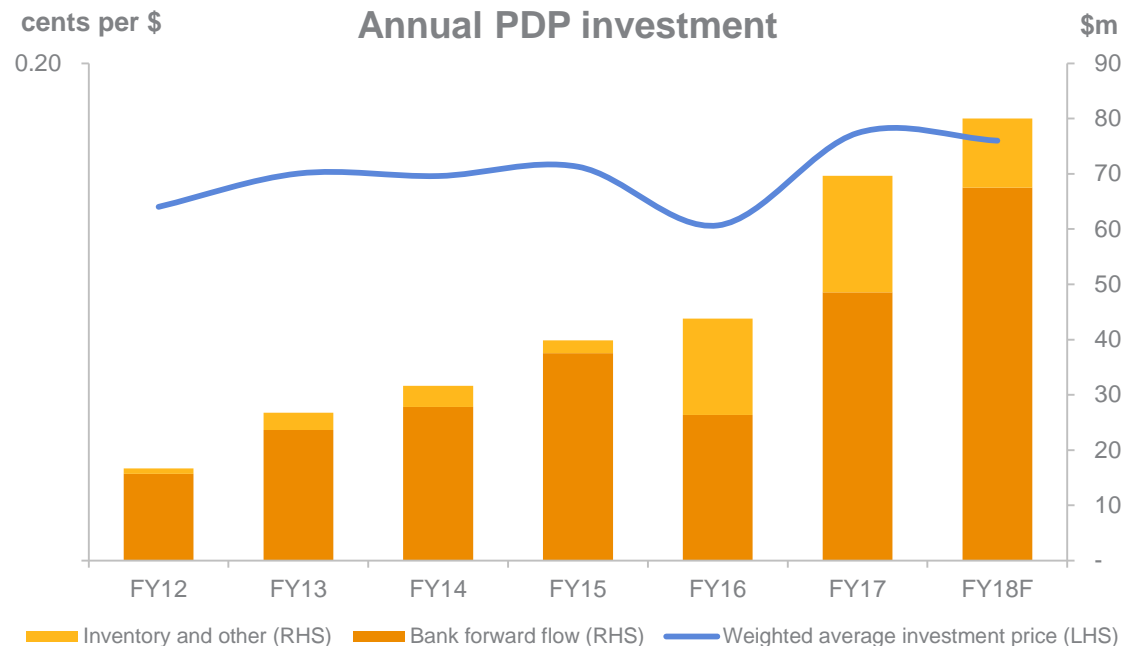
	1H17	1H18	
Cash and cash equivalents	\$2.4m	<b>\$5.5m</b>	<b>+129%</b>
PDPs at fair value	\$128.1m	<b>\$197.6m</b>	<b>+54%</b>
Total assets	\$143.3m	<b>\$214.8m</b>	<b>+50%</b>
Borrowings	\$70.0m	<b>\$101.5m</b>	<b>+45%</b>
Total liabilities	\$76.3m	<b>\$118.3m</b>	<b>+55%</b>
Gearing	52.9%	<b>51.1%</b>	<b>-3%</b>
Total credit facilities	\$110.0m	<b>\$130.0m</b>	<b>+18%</b>



# Investment discipline

## Price certainty underpinned by strong vendor relationships

- Portfolio continues to be built with only highest quality customers, critical when considering a return multiple
  - Includes only 'Tier 1' customers – mostly bank originated customers on forward flow agreements
  - **No** payday, bankruptcy, telco, utility, SACC, MACC
- **FY18 investment upgraded to \$80m, all contracted**



# New PDP type – Lenders Mortgage Insurance residuals

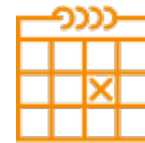
## Commenced 'industry first' forward flow agreement for LMI, a new growth opportunity

- Agreement in November 2017 after extensive due diligence by both Pioneer and LMI partner
- Pioneer chosen because of their high quality customer service proposition and unique compliance record
- Expected to produce returns  $\geq$  ROE hurdle, though over a slightly longer period than existing portfolio
- Opportunity with other providers and where banks self-insure
- Initial forward flow agreement term of 12 months
- Average LMI portfolio customer account balance \$60,056



**603**

customer accounts  
acquired to date



**8%**

on payment arrangement,  
average 35 days since acquired



**\$291**

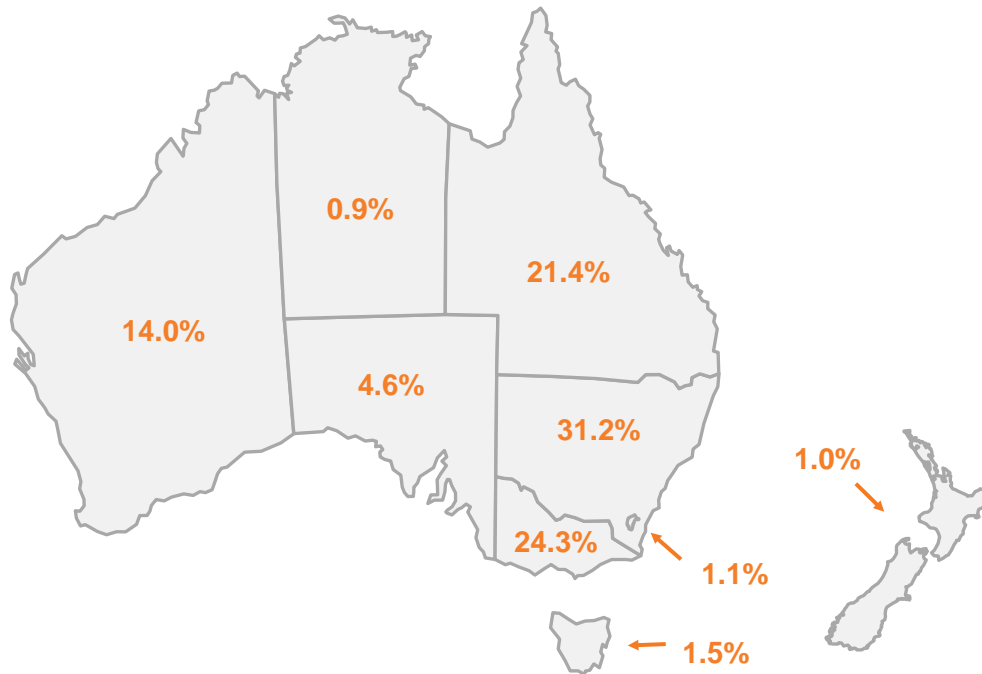
average monthly payment arrangement,  
~1.6x higher than rest of portfolio  
payment arrangements



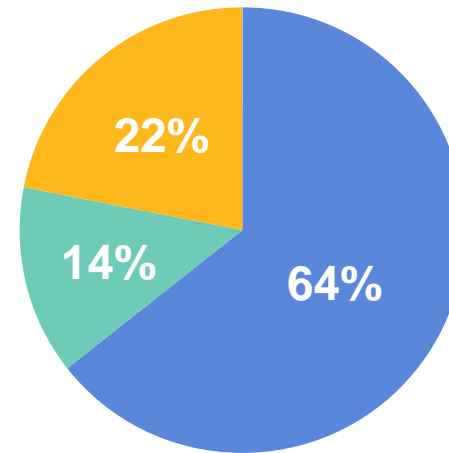
# PDP customer portfolio

Diversified vendor mix with geographic distribution reflective of the Australian population

PDP investment by region



PDP face value by vendor segment



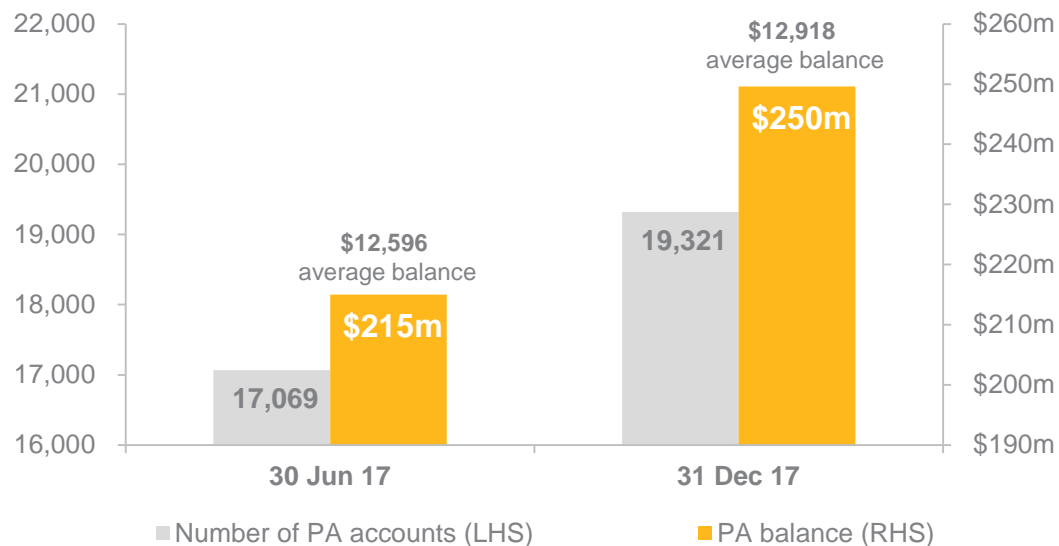
19 vendor partners

- Aust. big 4 banks
- Regional
- Other

# Payment arrangement growth

PA book discipline continues to underpin a sustainable source of liquidations

## Growth in scheduled payment arrangements

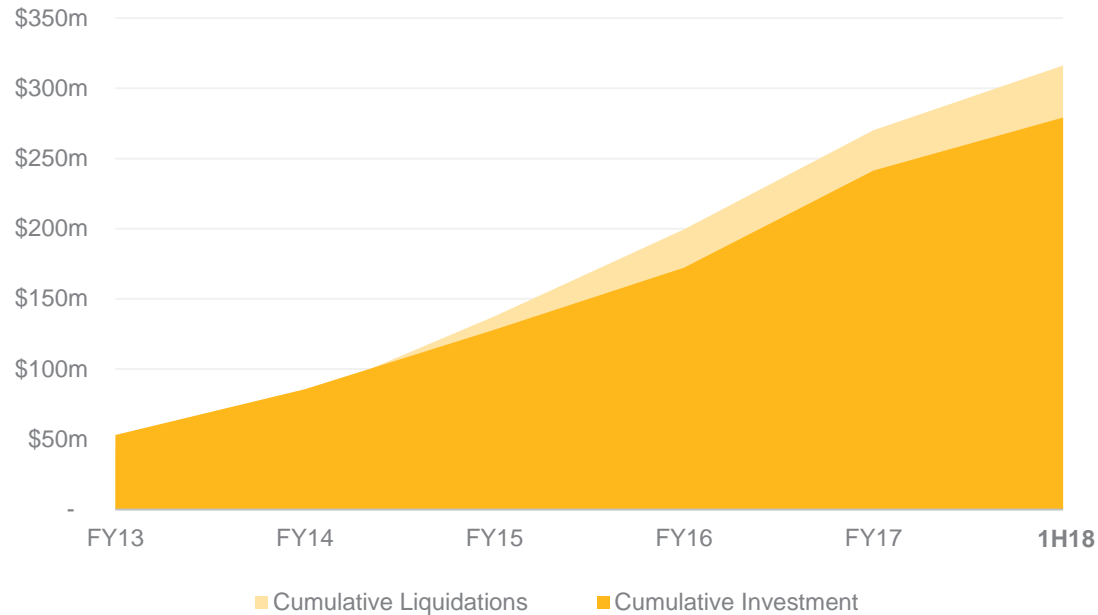


- Data analytics better identifying customers most likely to benefit from a sustainable PA – improving outcomes for the customer and Pioneer
- 16% growth in PAs since June – behind ambitious targets, which remain in place
- Expect PA growth to accelerate in second half

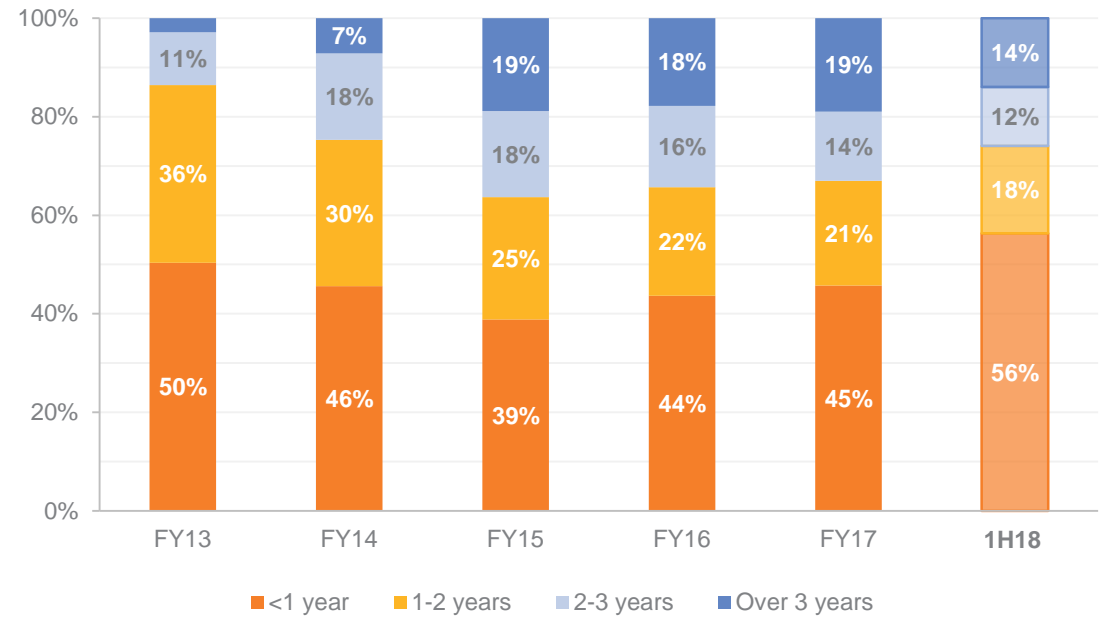
# Growing liquidations with efficient recycling of capital

Strongest year one liquidations reflect quality analytics to realise prior period investment...

Cumulative cash generation



Portfolio liquidations by investment date

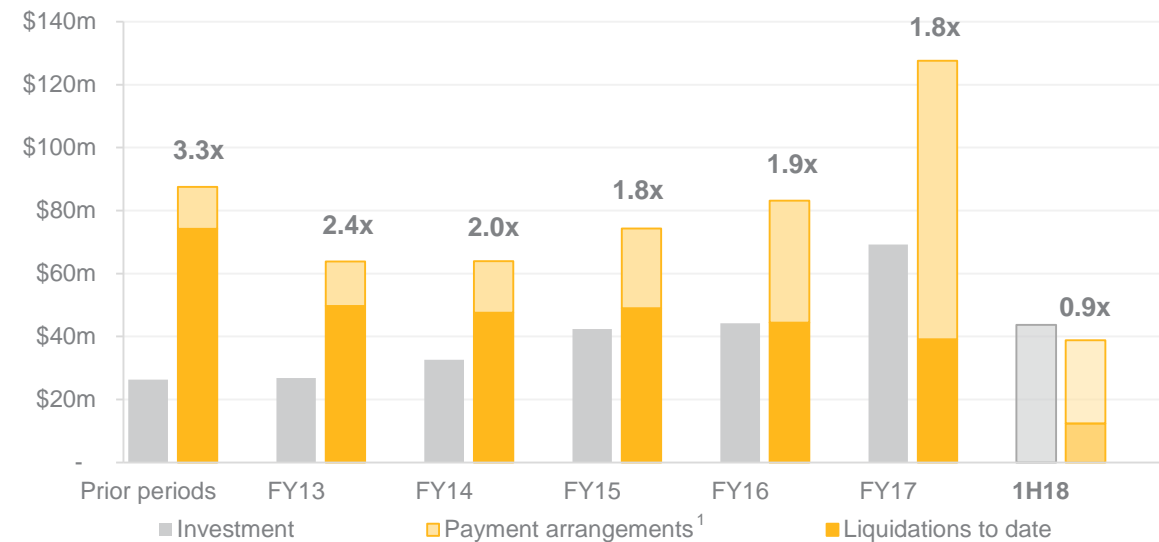


# Return multiples on track

...with growth in liquidations increasing across all age brackets

- Pioneer long term liquidation performance is on track
- Long term pricing discipline continues
- Service offering focused on sustainable payment arrangements with historically low break rates
- Investment timing is important in understanding liquidations across vintages

Committed return by year of investment



Note:

1. Calculated net of historical break rates and any future interest receivables

# We have commenced personal lending

- Commenced 'on balance sheet' lending in February
  - Digital application and approval process
  - Data on over 200,000 financial consumers used during assessment and risk-based pricing process
  - Senior product team all with extensive bank experience
- Risk aware, sustainable lending and engagement strategy that is good for both consumers and Pioneer
- Three initial offerings that cater to customer progress on their Pathway to Prime™
- Targeting \$30m book by December 2018



Pathway Personal Loan



Progress Personal Loan



Peak Personal Loan



Expected average interest rate 15.8%



\$5,000 to \$30,000 loans, up to \$50,000 if secured



No monthly fees or early exit fees

# Custodians of shareholder wealth

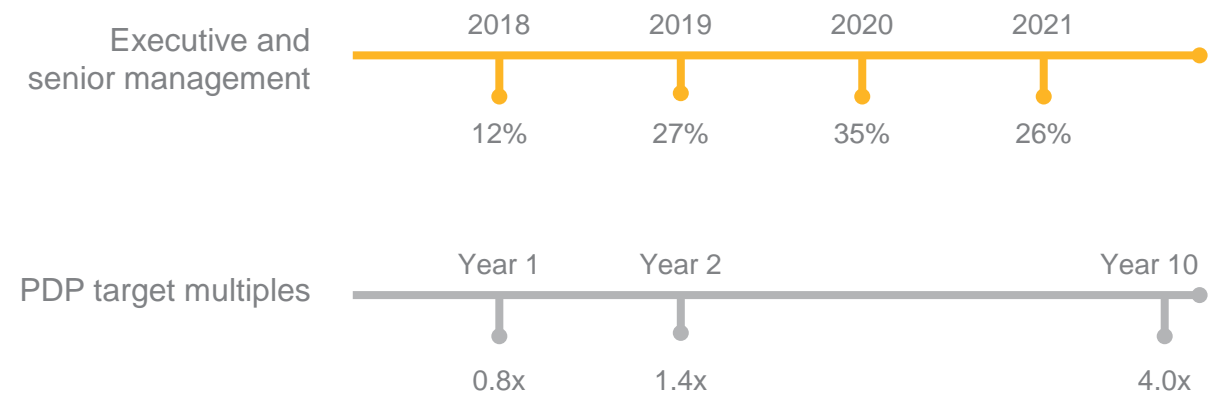
Significant level of management ownership with incentives rewarding sustainable performance

## Management ownership

- Every Executive has equity and participates with senior management in the Equity Incentive Plan (EIP)
- Aligns Executive decisions to long term shareholder wealth creation through EIP realisation over term of assets

	<b>Equity<sup>1</sup></b>
Keith John – Managing Director	10.99%
Management (ex Keith John)	6.75%
<b>Total management ownership</b>	<b>17.74%</b>

## Vesting profile of EIP



Note:

1. Includes performance and indeterminate rights, intended to be acquired on market

# FY18 outlook

Changing competitive landscape as market opportunity continues to expand

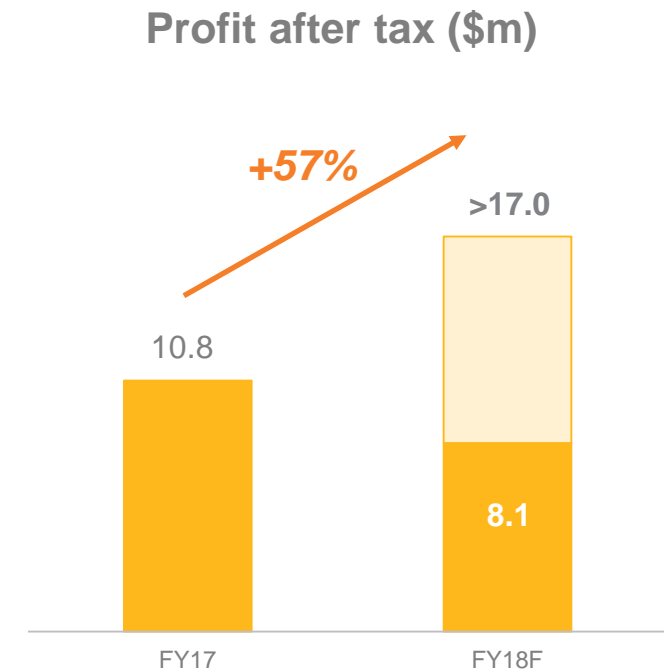
## On-balance sheet lending portfolio

- Up to \$40m OTC bond in the market and expected to close during March
- Lending commenced during February - targeting \$30m book by December 2018

## FY18 investment outlook

- Changing market dynamics continue to provide new and expanded relationship opportunities for Pioneer as a premium provider of differentiated services
- PDP investment contracted at \$80m, no further increase expected for FY18

**FY18 NPAT guidance increased to at least \$17m**



# Glossary

<b>Tier 1</b>	Customers not regarded as credit impaired when originated
<b>MACC</b>	Medium Amount Credit Contract
<b>SACC</b>	Small Amount Credit Contract
<b>Liquidations</b>	Liquidations comprise the flow of economic benefits from the acquiring and servicing of PDPs including all cash-flow sources from each portfolio's respective purchase agreement
<b>PDP</b>	Purchased Debt Portfolio
<b>PA</b>	Payment arrangement, whereby the customer agrees to make payments until the accounts is closed, with interest at an agreed rate
<b>CIV</b>	Change in Value of PDPs held at fair value
<b>EBITDA</b>	Calculated before CIV
<b>Profit after tax</b>	Represents the profit under Australian Accounting Standards ('AAS') adjusted for specific non-cash and significant items
<b>EPS</b>	Calculated consistent with AAS as per the Consolidated Statement of Comprehensive Income
<b>FY18F</b>	FY18 full year forecast
<b>Forward flow</b>	An agreement to purchase customer accounts meeting agreed characteristics and price for an agreed term
<b>Inventory</b>	An agreement to purchase specific customer accounts on an agreed date
<b>LMI</b>	Lenders Mortgage Insurance residuals
<b>Gearing</b>	Expressed in line with syndicate facility covenants as total debt divided by PDPs at fair value
<b>Executive</b>	Includes Managing Director, Chief Operating Officer, Chief Financial Officer, Chief Risk Officer and General Counsel
<b>Weighted average investment price</b>	Paid on PDP investment, excludes low value secondary and non-core portfolios invested in since inception



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