

24 August 2018

# FY18 Results Presentation

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

---

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.

Any forward-looking statements included in this presentation speak only as at the date of the presentation and undue reliance should not be placed upon such statements. Although Pioneer believes the forward looking statements to be reasonable, they are not certain. To the maximum extent permitted by law, responsibility for the accuracy or completeness of any statement whether as a result of new information, future events or results or otherwise is disclaimed.

Subject to applicable disclosure requirements Pioneer is under no obligation to update any of the forward-looking statements contained in this presentation.

**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

---

- ✓ Liquidations exceed **\$100m** for the first time, up 44% to \$101.67m
- ✓ 'Industry first' forward flow for LMI residuals
- ✓ Issued \$40m Medium Term Notes – **diversifying funding and increasing tenor**
- ✓ Commenced **personal lending** with \$6.0m advanced to date
- ✓ Included in the **S&P/ASX All Ordinaries Index** from March 2018
- ✓ Largest ever PDP investment at **\$84m**, at a slightly lower price than prior year

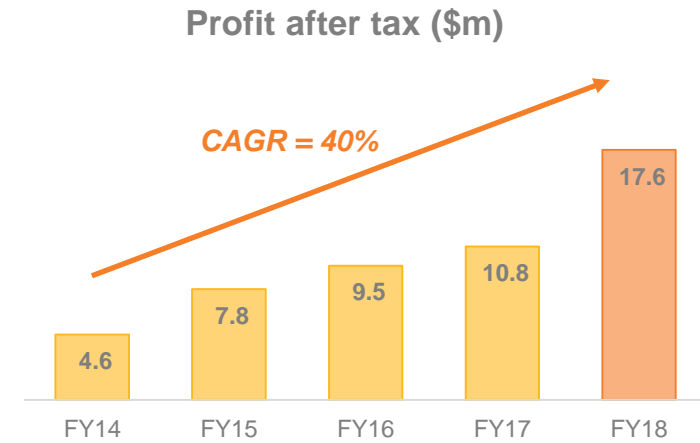
**\$54.3m EBITDA**  
Up 55% on prior year

**\$17.6m NPAT**  
Up 64% on prior year

# Profit and loss

PDP liquidations and operational excellence drive record profit

	FY17	FY18	
PDP liquidations	\$70.7m	<b>\$101.7m</b>	<b>+44%</b>
Services & lending revenue	\$1.9m	<b>\$2.9m</b>	<b>+53%</b>
<b>Net revenue</b>	<b>\$56.3m</b>	<b>\$81.5m</b>	<b>+45%</b>
EBITDA	\$35.0m	<b>\$54.3m</b>	<b>+55%</b>
EBIT margin	31.0%	<b>35.4%</b>	<b>+14%</b>
NPAT	\$10.8m	<b>\$17.6m</b>	<b>+64%</b>
EPS	20.77cps	<b>28.88cps</b>	<b>+39%</b>
DPS	9.50cps	<b>14.33cps</b>	<b>+51%</b>



# Cash flow

## PDP liquidations and operational excellence drive record cash generation

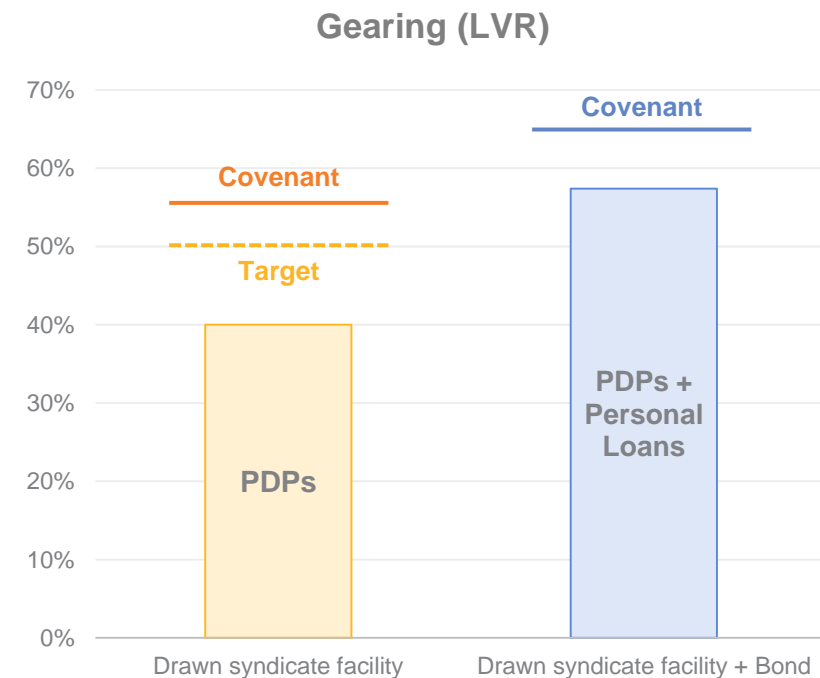
	FY17	FY18	
EBITDA	\$35.0m	<b>\$54.3m</b>	<b>+55%</b>
Gross operating cash flow	\$36.3m	<b>\$55.7m</b>	<b>+53%</b>
Gross operating cash flow / EBITDA	103%	<b>103%</b>	<b>-</b>
Net cash inflow from operating activities	\$26.7m	<b>\$48.5m</b>	<b>+82%</b>
PDP investments	(\$68.7m)	<b>(\$84.4m)</b>	<b>+23%</b>
Net loans advanced	-	<b>(\$3.0m)</b>	<b>-</b>
Proceeds of financing	\$26.8m	<b>\$48.4m</b>	<b>+81%</b>
Dividends paid	(\$5.2m)	<b>(\$7.3m)</b>	<b>+41%</b>
Equity raising and DRP proceeds	\$19.9m	<b>\$1.5m</b>	<b>-92%</b>

- PDP liquidations and disciplined cost management drive significant growth in operating cash flow
- Largest ever investment in PDPs
- Industry first Medium Term Notes issue of \$40m

# Balance sheet

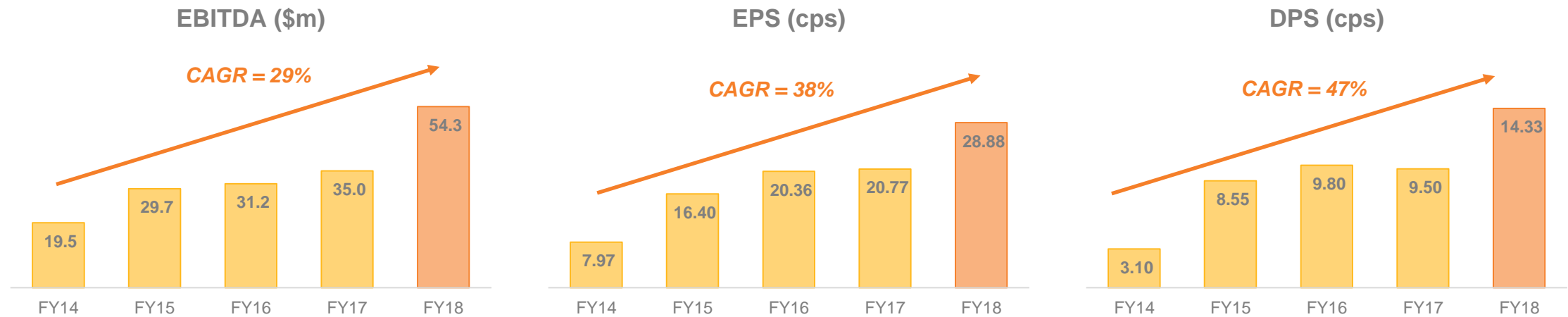
Asset base underpinned by cautious PDP valuation and personal lending growth

	FY17	FY18	
Cash and cash equivalents	\$3.1m	<b>\$3.4m</b>	<b>+9%</b>
Total assets	\$180.2m	<b>\$244.8m</b>	<b>+36%</b>
Borrowings	\$80.4m	<b>\$129.0m</b>	<b>+61%</b>
Total liabilities	\$89.9m	<b>\$143.1m</b>	<b>+59%</b>
Net assets	\$90.3m	<b>\$101.7m</b>	<b>+13%</b>
Total credit facilities	\$110.0m	<b>\$168.5m</b>	<b>+53%</b>



# Earnings growth

Successfully built operational scale is the foundation to continued earnings growth



# Our culture is our difference

Leadership Principles provide a framework to drive great outcomes for all stakeholders





# Our culture is our difference



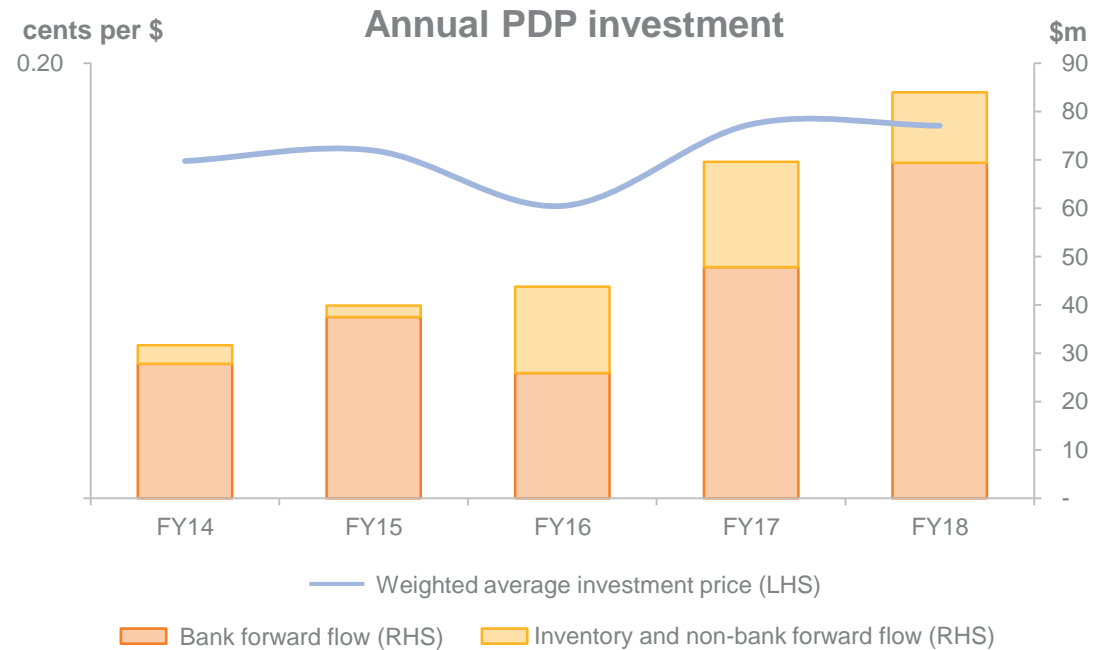
## Pioneer's competitive advantage

<b>Our culture</b>	<ul style="list-style-type: none"> <li>Inclusive and empowering</li> <li>Embedded in values for our customers and vendors</li> </ul>	<ul style="list-style-type: none"> <li>✓ Defined by an unwavering set of Leadership Principles</li> </ul>
<b>PDP selection</b>	<ul style="list-style-type: none"> <li>Strict investment discipline</li> <li>Tier 1 portfolios with preference for credit cards &amp; personal loans</li> </ul>	<ul style="list-style-type: none"> <li>✓ Analytics drives selection of lower risk portfolios</li> <li>✓ Preferred by vendors - <b>no default ever on a PDP agreement</b></li> </ul>
<b>Vendor brand protection</b>	<ul style="list-style-type: none"> <li>Relationship management, customer-centric service</li> <li><b>No low quality</b> portfolios – no bankruptcy, telco, utility, payday</li> </ul>	<ul style="list-style-type: none"> <li>✓ Trusted brand and reputation offering for vendor partners</li> <li>✓ <b>Unique, unblemished compliance record</b></li> </ul>
<b>Process and customer relationship</b>	<ul style="list-style-type: none"> <li>Enable our customers' ability to pay</li> <li>Focus on growing our customers' financial capacity</li> </ul>	<ul style="list-style-type: none"> <li>✓ Predictable liquidations underpin strong growth</li> <li>✓ <b>NPS +16</b> evidences positive customer experience</li> </ul>
<b>Liquidation profile</b>	<ul style="list-style-type: none"> <li>Liquidation profile up to 10 years</li> </ul>	<ul style="list-style-type: none"> <li>✓ Flexible payment schedules</li> </ul>
<b>Long term incentives</b>	<ul style="list-style-type: none"> <li>Vesting over 2 to 5 years</li> </ul>	<ul style="list-style-type: none"> <li>✓ Executives aligned to shareholder wealth creation</li> </ul>

# Investment discipline

## Sustainable investment discipline

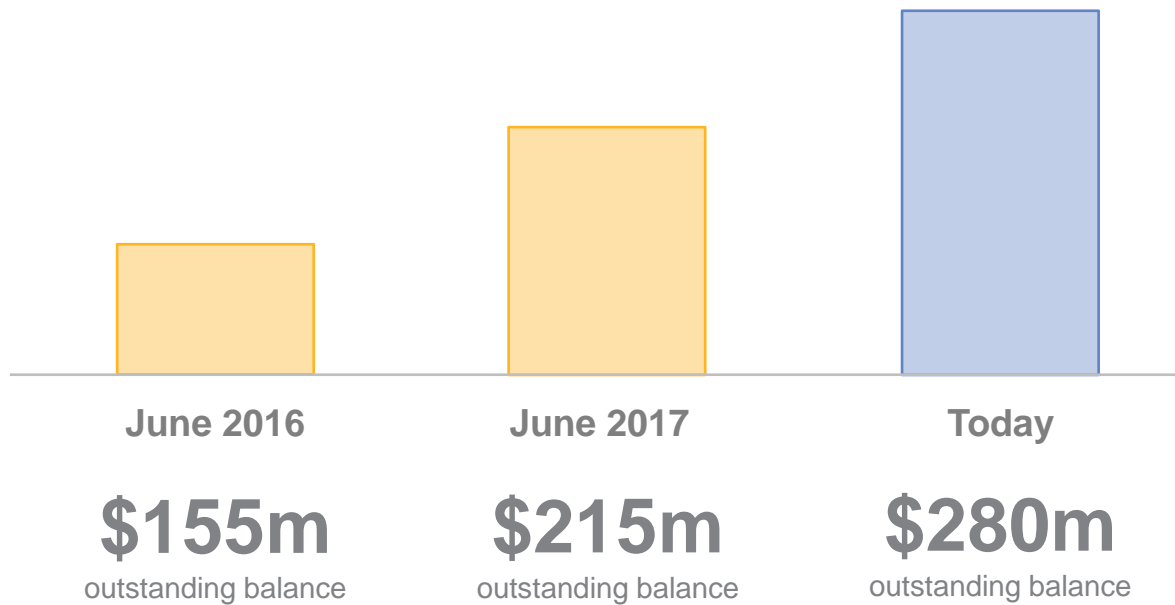
- Continued commentary on increasing competition and prices
  - Neither noticeably impacted Pioneer
  - Slight decrease in investment price in FY18
- Pioneer’s portfolio composition is different to any other significant purchaser in the market
  - Only Tier 1 customers
- Differentiation is recognised and supported by originators



# Payment arrangement portfolio

Sustainable arrangements lead great customer outcomes

Growth in PA book



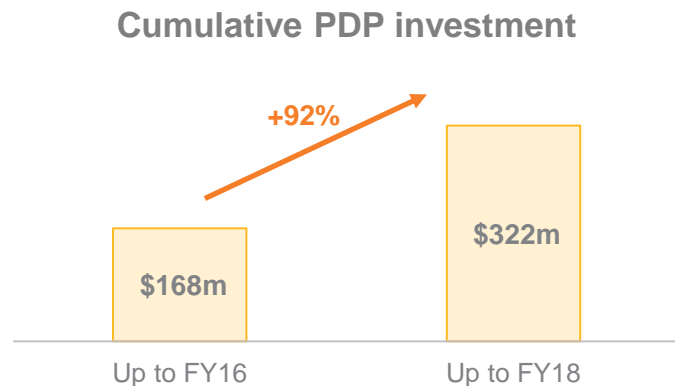
PA book metrics

-  **21,540**  
customers
-  **3.2%**  
>30 days in arrears
-  **\$231**  
average monthly payment
-  **2.3 years**  
average existing relationship

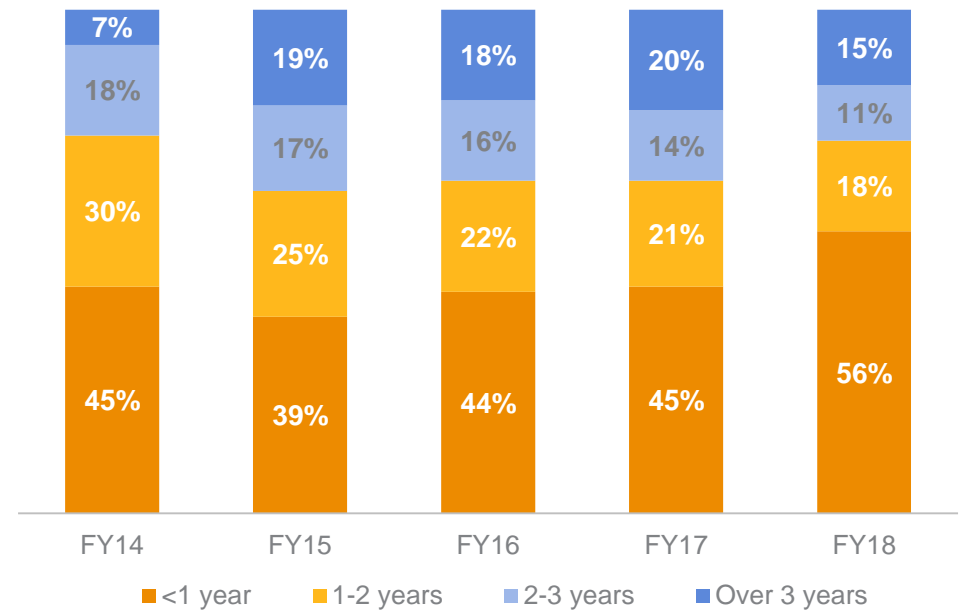
# Sustainable cash generation

## Contribution from older vintages to increase in FY19

- Liquidation contribution from newer vintages in FY18 influenced by recent material investment growth
- As investment growth moderates and employee tenure matures, liquidations from older vintages will increase
- FY19 liquidations from older vintages will return to prior year trends and increase as the portfolio seasons



Portfolio liquidations by investment date



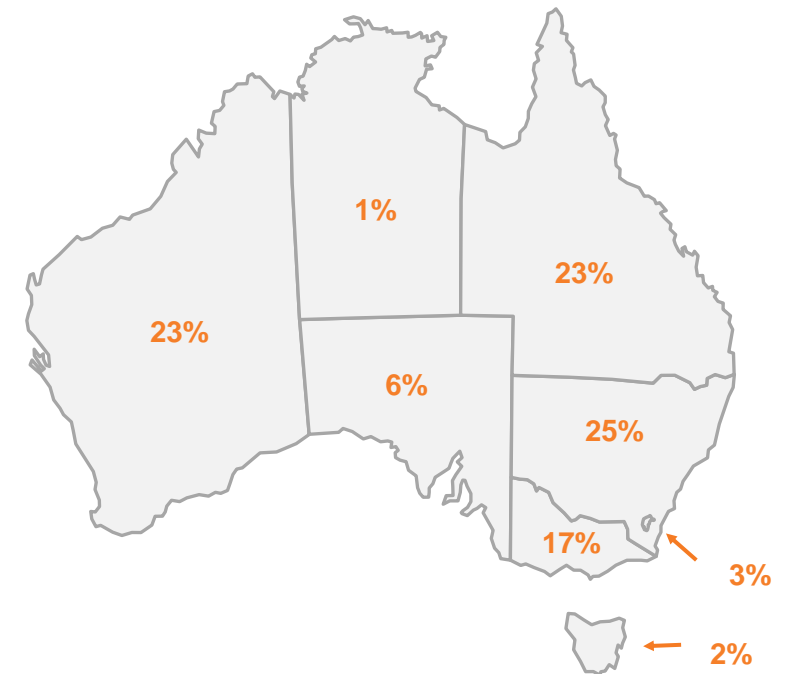
# Personal loans

Credit settings are tight in early stages and will continue for some time

Number of loans disbursed	326
Average loan disbursed	\$18,452
Total loans disbursed	\$6.0m
Average term	4.9 years
Average interest rate	13.7%
Average age of customer	37 years

- \$258,050 loss provision in FY18 with no arrears > 30 days
- \$30m lending target for December 2018 with significant focus to remain on 'quality over quantity' in these early stages

Personal loan customers by state



# Investment in InDebted



## InDebted is a rapidly growing technology business

- InDebted has built a data-driven receivables platform leveraging machine learning to provide a personalised customer experience at scale and has a wide and growing customer base across Australia, New Zealand and the United Kingdom
- Complements Pioneer's customer centric business:



**Reduced compliance risk** – code-controlled compliance enforcing regulation in real time



**Increased customer retention** – offering an exceptional experience through the receivables process



**Machine learning** – data and the effective use of machine learning algorithms



**Customer expectations** – increasingly expect omni-channel interactions and personal empowerment

- In April 2017, InDebted closed a \$1m seed round led by Reinventure
- In May 2018, Pioneer led a second round as a strategic investor, alongside a second investment from Reinventure
- Keith John has joined the InDebted Board of Directors

# FY19 outlook

---

## A market of increasing opportunity for a disciplined Pioneer

### Personal loans

- Target of \$30m in loans advanced by December 2018

### PDP investment and M&A guidance

- PDP investment opportunities are plentiful
- If material sustainable opportunities avail we will advise the market
- Expect PDP investment to be in line with FY18 at \$80m (with 71% contracted)

### FY19 guidance

- Solid top line growth with liquidations of at least \$120m
- **20% growth in EBITDA to at least \$65m**
- **14% increase in NPAT to at least \$20m**

# Appendix



# Corporate snapshot

## Significant level of Board and Management ownership

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

### Largest shareholders

Keith John <sup>1</sup> (Managing Director)	9.36%
Board and Management <sup>1</sup> (ex Keith John)	7.57%
Copia Investment Partners Limited	7.48%
Wroxby Pty Ltd	5.21%

### Capital structure

Share price 23-Aug-18	\$3.46
Shares on issue	61.5m
<b>Market capitalisation 23-Aug-18</b>	<b>\$212.9m</b>
Cash 30-Jun-18	\$3.4m
Debt 30-Jun-18	\$129.0m
<b>Enterprise value</b>	<b>\$338.5m</b>
PDP assets at carrying value 30-Jun-18	\$224.6m
Personal loan assets at carrying value 30-Jun-18	\$2.8m

### Share price and daily value traded over past year (\$/\$m)



Note:

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

# Experienced Board of Directors invested in success



## **Michael Smith, Chairman**

Managing Director of strategic marketing consultancy firm Black House. Chairman of 7-Eleven Stores, Chairman of Starbucks Australia, Chairman of Lionel Samson Sadleir Group and Board Member of Creative Partnerships Australia.



## **Keith John, Managing Director**

Founder of Pioneer with over 25 years' experience in the financial services industry in Australia and in Asia.



## **Mark Dutton, Non-Executive Director**

Founder & Director of Banksia Capital. Chartered Accountant with a background in Audit & Corporate Finance at PwC in the UK and Russia. Holds a Master of Arts in Management Studies and Natural Sciences from the University of Cambridge.



## **Andrea Hall, Non-Executive Director**

A Chartered Accountant with a Bachelor of Commerce and Masters of Applied Finance. Director of Fremantle Football Club, Insurance Commission of WA, C-Wise, Evolution Mining Limited, Automotive Holdings Group Ltd and Chamber of Commerce and Industry WA.



## **Ann Robinson, Non-Executive Director**

Extensive experience in consulting, M&A, post merger integration and innovation. Most recently an Executive Director at Wesfarmers Chemicals Energy & Fertilisers. Holds a Bachelor of Arts, Bachelor of Psychology and GradDip in Applied Finance & Investment.

# Experienced Executives invested in success

---



**Keith John, Managing Director**

Founder of Pioneer with over 25 years' experience in the financial services industry in Australia and in Asia.



**Leslie Crockett, Chief Financial Officer** (commenced Sep 2012)

A Chartered Accountant leading a high performing finance team. Holds a Bachelor of Accounting Science, Honours Diploma in Applied Accounting and a post-graduate Diploma of Business Management.



**Lisa Stedman, Chief Operating Officer** (commenced Aug 2011)

Delivers outstanding service to customers while building an effective culture throughout the organisation. Holds a Bachelor of Exercise and Sports Science, a Diploma in Management and is currently completing her Masters of Business Administration.



**Sue Symmons, Company Secretary & General Counsel** (commenced Sep 2015)

Leads Pioneer's governance programmes. Experience with Heytesbury Pty Ltd and Automotive Holdings Group Ltd. Holds a Bachelor of Commerce and a Masters of Business Law. Member of Governance Institute of Australia and Australian Institute of Company Directors.



**Tony Bird, Chief Risk Officer** (resigned effective Dec 2018)

Over 25 years' banking experience, including Head of Risk at Citibank, Head of Retail Credit Risk at Bankwest and Executive Manager Collections Strategy at CommBank.

# Glossary

<b>Tier 1</b>	Customers not regarded as credit impaired when originated
<b>Liquidations</b>	Comprises any cash-flow source from a PDP
<b>PDP</b>	Purchased Debt Portfolio
<b>PA</b>	Payment arrangement, where a customer agrees to make payments at an agreed interest rate
<b>CIV</b>	Change in Value of PDPs held at fair value
<b>EBIT margin</b>	Earnings before interest expense and corporate tax expense, as a proportion of net revenue
<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>DPS</b>	Dividends per share
<b>EPS</b>	Earnings per share, calculated consistent with AAS as per the Consolidated Statement of Comprehensive Income
<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>Net loans advanced</b>	Personal loans disbursed to customers less repayments received
<b>LVR</b>	Gearing measure expressed in line with syndicate facility covenants as debt divided by long term financial assets
<b>LMI</b>	Lenders Mortgage Insurance
<b>Executive</b>	Includes Managing Director, Chief Operating Officer, Chief Financial Officer, Chief Risk Officer and Company Secretary & General Counsel
<b>Weighted average investment price</b>	Paid on PDP investment, excludes low value secondary and non-core portfolios invested in since inception
<b>RAS</b>	Risk Appetite Statement
<b>NPS</b>	Net Promoter Score, an index that measures the willingness of customers to recommend a product or service to others

# Contacts

---

**Keith R. John**

Managing Director

P: 08 9323 5001

E: krjohn@pioneercredit.com.au

**Leslie Crockett**

Chief Financial Officer

P: 08 9323 5008

E: lcrockett@pioneercredit.com.au

**Sue Symmons**

Company Secretary & General Counsel

P: 08 9323 5020

E: ssymmons@pioneercredit.com.au