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25 February 2019

1H19 Results Presentation

The logo for Pioneer Credit, featuring the word "pioneer" in a bold, lowercase, orange font with a yellow-to-orange gradient, and the word "credit" in a smaller, lowercase, grey font below it.

pioneer
credit

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1H19 Financials

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	1H19	FY19 Guidance
Liquidations	\$50.5m 1H18: \$46.1m ▲9.6%	>\$120m
PDP Investment	\$31.4m 1H18: \$44.0m ▼28.6%	\$80m
EBITDA	\$24.3m 1H18: \$24.3m Steady	>\$65m
NPAT	\$5.5m 1H18: \$8.1m ▼32.7%	>\$20m

A half of tactical realignment

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We continue to challenge performance and test new strategies...

Pioneer continues to develop and challenge its operational strategy

- Operational strategies were tested in 1H which resulted in lower liquidations than expected
- Strategies have been adjusted with early signs positive for 2H recovery
- Negative impact of \$4.5m in deferred liquidations
 - Liquidations are not 'lost' and will be recovered in subsequent periods

Originators are prioritising Pioneer's differentiated offering

- Increased prioritisation takes time and we continue to work with originators who are realigning sale strategies where we are involved
 - Delays experienced in acquiring from existing vendors as they responded to external factors resulting in:
 - Lowest proportion of investment in recent memory, though our full year guidance of \$80m investment remains (~\$72m contracted)
 - \$31.4m invested in 1H19
- Lowest average investment price in three years (after excluding low value and utilities portfolio)
 - Investment in the same products and from the same partners as in prior periods

A half of tactical realignment

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... and are better positioned to benefit from a changing landscape...

Upfront investment in compliance enhancements

- We ramped up compliance and infrastructure investment in 1H to further reinforce our reputation
 - Driven by early read from the Hayne Royal Commission and originators' increasing desire to choose quality over price
 - Added capacity to our compliance team and enhanced compliance focus

Personal loans on hold pending regulatory clarity and for better ROI opportunities

- In current environment too much uncertainty in non-bank lending
 - Resulted in a more cautious approach to credit assessments through the period
 - Portfolio held at \$10m advanced, at least until regulatory clarity is provided
 - Though Pioneer's products are not captured within Senate enquiry scope
 - Interest and finance cost from corporate bond – additional \$1.1m in the half (recurring cost)
 - Prudent to explore and utilise new funding opportunities to accelerate growth

A half of tactical realignment

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... with a logical path to FY19 guidance

Pioneer have a track record of performance

- Liquidations split is consistent with past performance

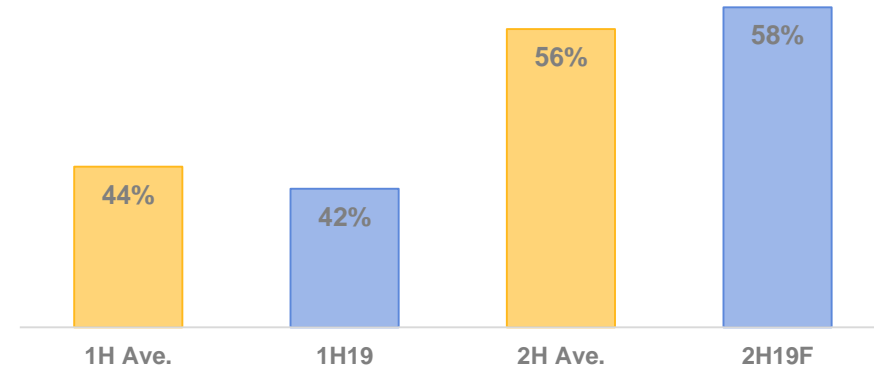
Focus on operational strategy

- Strategy re-alignment
- Emphasis on core operations with lending on hold
- Redeployment of Connect staff into Solutions

Contracted investment to increase in Q3

- Investment discipline remains, no short term view on acquisition of PDPs
- Discussions underway with new vendors in existing and new segments
- Entry in utilities market - opportunity to expand

Liquidations split



Historical liquidations split	1H	2H
Average achieved	44%	56%
Minimum achieved	40%	54%
Maximum achieved	46%	60%

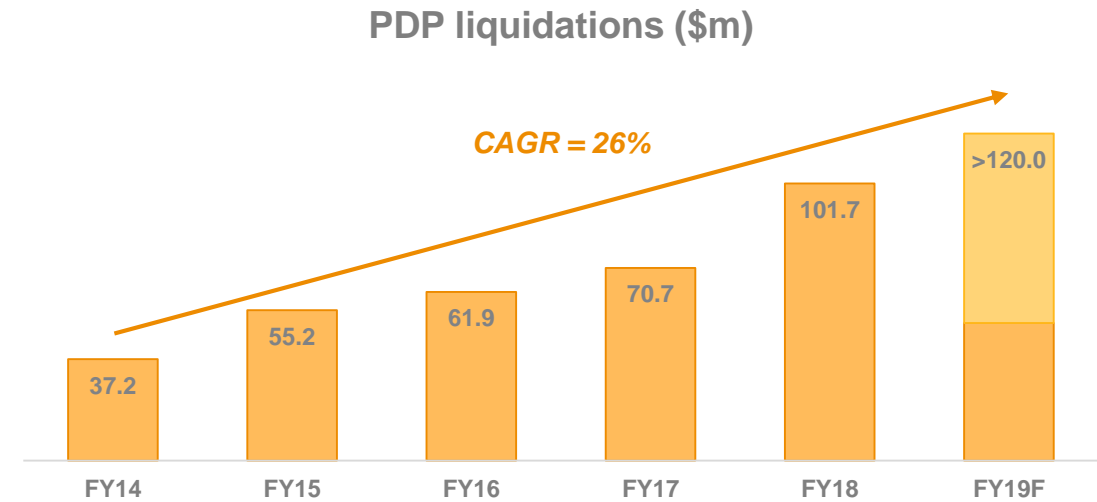
Note:
Historical liquidations are from FY14 to FY18

Profit & loss

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Liquidations continue to grow, but not quite to our expectations...

	1H18	1H19	
PDP liquidations	\$46.1m	\$50.5m	10%
Services & lending revenue	\$1.5m	\$1.7m	10%
Net revenue	\$36.8m	\$40.5m	10%
EBITDA	\$24.3m	\$24.3m	-
EBIT margin	34.9%	26.9%	-
NPAT	\$8.1m	\$5.5m	(33%)
EPS	13.33cps	8.86cps	(34%)
DPS	6.62cps	4.31cps	(35%)

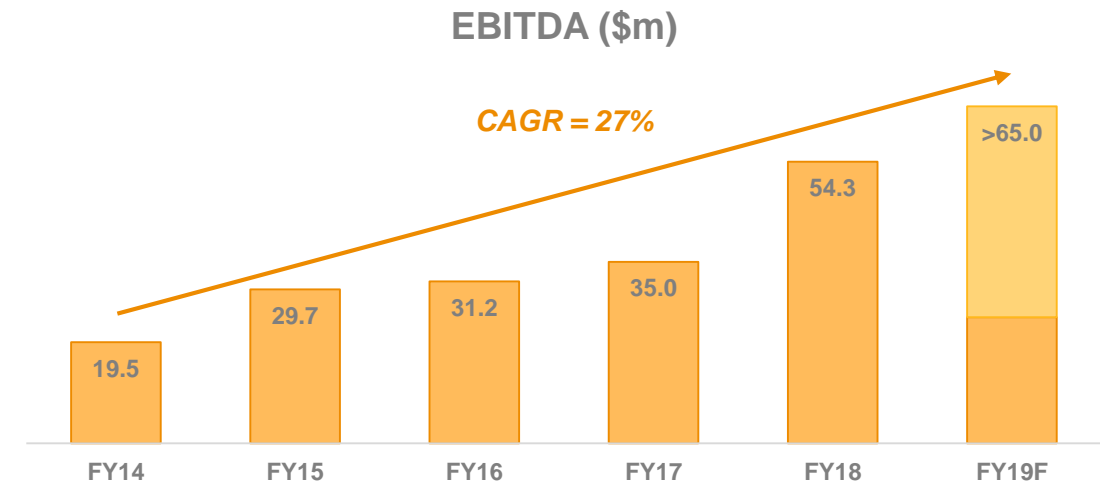


Cash flow

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... though “cash is king” and cash conversion remains very strong...

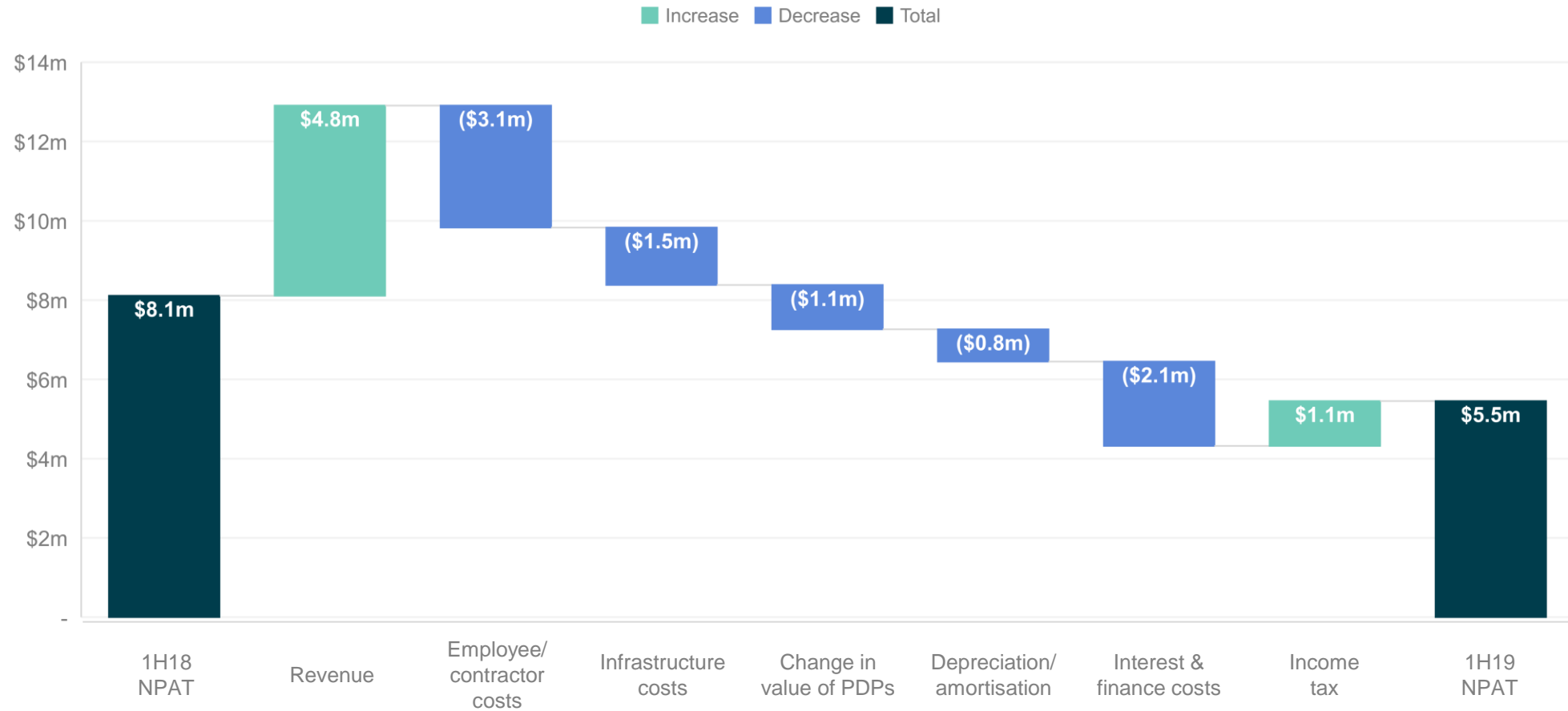
	1H18	1H19	
EBITDA	\$24.3m	\$24.3m	-
Gross operating cash flow	\$25.4m	\$24.8m	(2%)
Gross operating cash flow / EBITDA	105%	102%	-
Net cash inflow from operating activities	\$22.1m	\$15.3m	(31%)
PDP investments	(\$37.8m)	(\$29.6m)	(22%)
Net loans advanced	-	(\$6.0m)	-
Proceeds of financing	\$21.1m	\$20.4m	(3%)
Dividends paid	(\$3.2m)	(\$4.8m)	50%
Equity raising and DRP proceeds	\$0.5m	\$5.7m	-



NPAT 1H18 to 1H19

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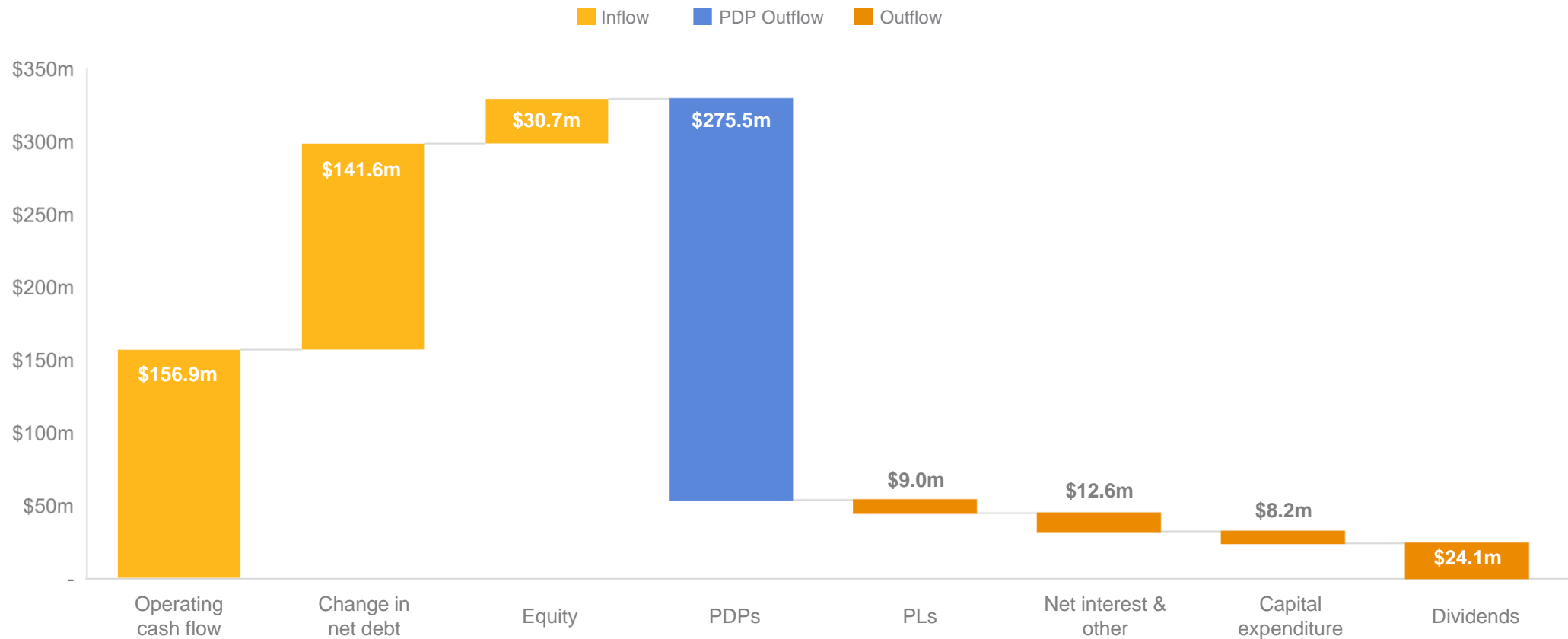
... with an upfront investment in compliance and infrastructure...



Cash bridge Jul-14 to Dec-18

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... and a capital cycle that has funded wise reinvestment in growing the business...



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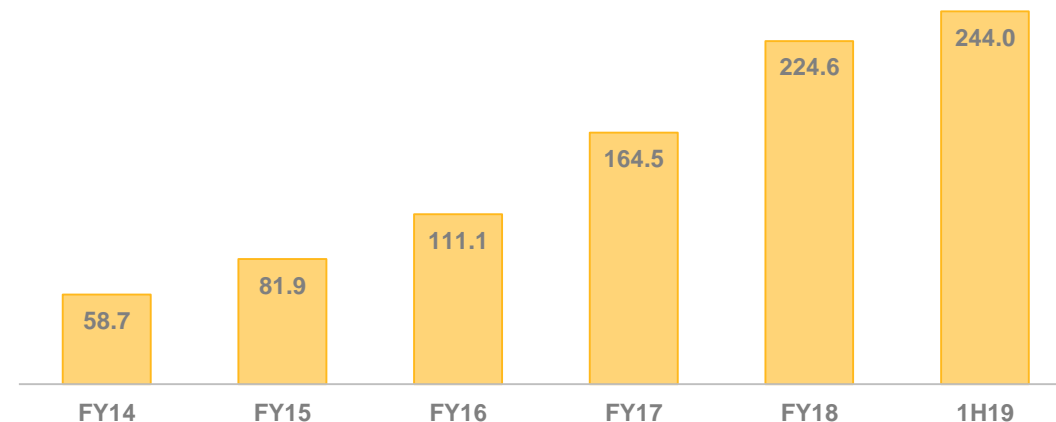
... with a balance sheet positioned to support growth

	FY18	1H19	
Cash and cash equivalents	\$3.4m	\$4.1m	21%
Financial assets at fair value	\$224.6m	\$244.0m	9%
Total assets	\$244.8m	\$270.8m	11%
Borrowings	\$129.0m	\$149.7m	16%
Total liabilities	\$143.1m	\$162.0m	13%
Net assets	\$101.7m	\$108.8m	7%

Renewed and expanded bank syndicate funding

- Extended to March 2020
- Increased by \$10m for additional capacity (if needed)
- Pioneer remains appropriately funded

PDPs at fair value (\$m)



Growth in PDPs, funded by equity and increased borrowings

- Internal ceiling <50% gearing, covenant is at 55%
- Gearing/LVR at 45.51%
- Undrawn facility of ~\$20m

Our culture is our difference

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Pioneer Principles drive great outcomes for all stakeholders



Our culture is our difference

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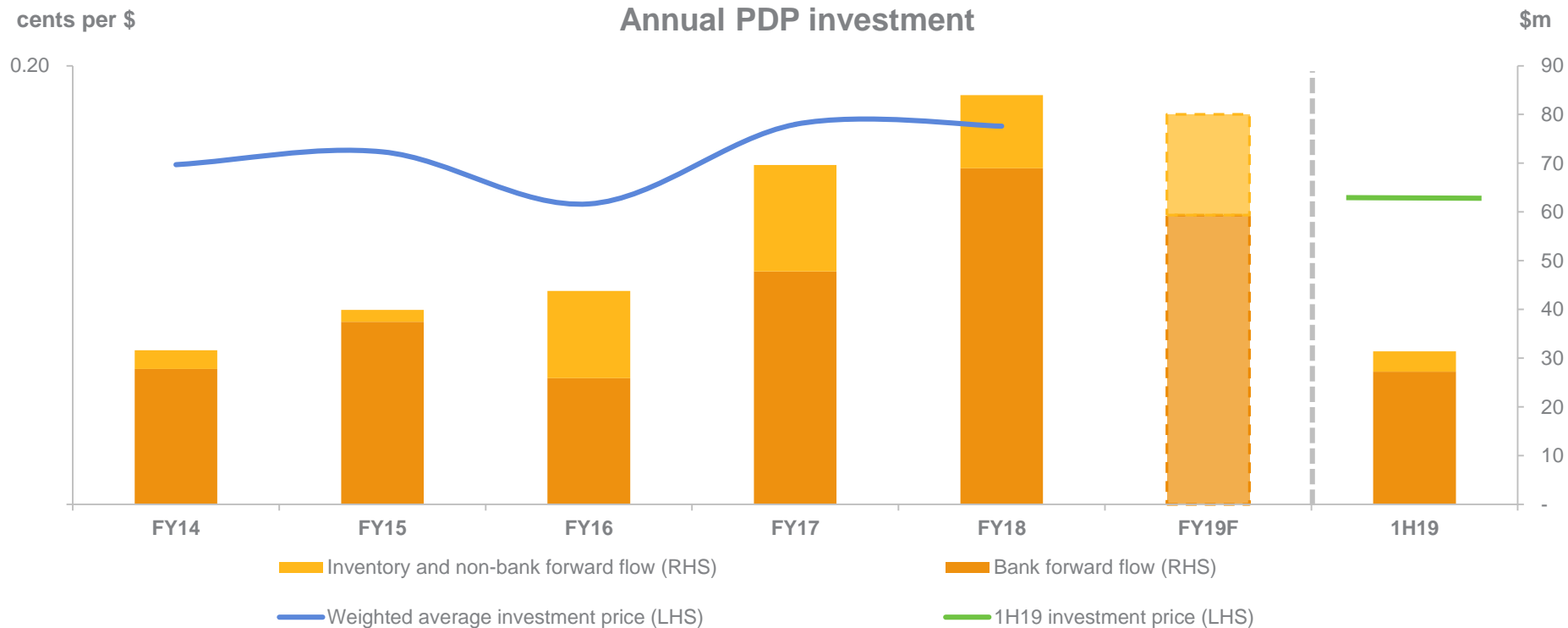
Pioneer's competitive advantage

Our culture	<ul style="list-style-type: none"> Inclusive and empowering Embedded in values for all stakeholders 	<ul style="list-style-type: none"> ✓ Pioneer Principles
PDP selection	<ul style="list-style-type: none"> Strict investment discipline 'Tier 1' portfolios 	<ul style="list-style-type: none"> ✓ Analytics drives selection of lower risk portfolios ✓ Preferred by vendors - no default ever on a PDP agreement
Vendor brand protection	<ul style="list-style-type: none"> Relationship management, customer-centric service No payday portfolios 	<ul style="list-style-type: none"> ✓ Trusted brand and reputation ✓ Unique unblemished compliance record
Process and customer relationship	<ul style="list-style-type: none"> Enable our customers' ability to pay Focus on growing our customers' financial capacity 	<ul style="list-style-type: none"> ✓ Predictable liquidations ✓ NPS +19 evidences positive customer experience
Liquidation profile	<ul style="list-style-type: none"> Liquidation profile up to 10 years 	<ul style="list-style-type: none"> ✓ Flexible payment schedules
Long term incentives	<ul style="list-style-type: none"> Vesting over 3 to 5 years 	<ul style="list-style-type: none"> ✓ Executives aligned to shareholder wealth creation

Investment discipline

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Discipline underpins investment at attractive price points across diverse vendors and products...



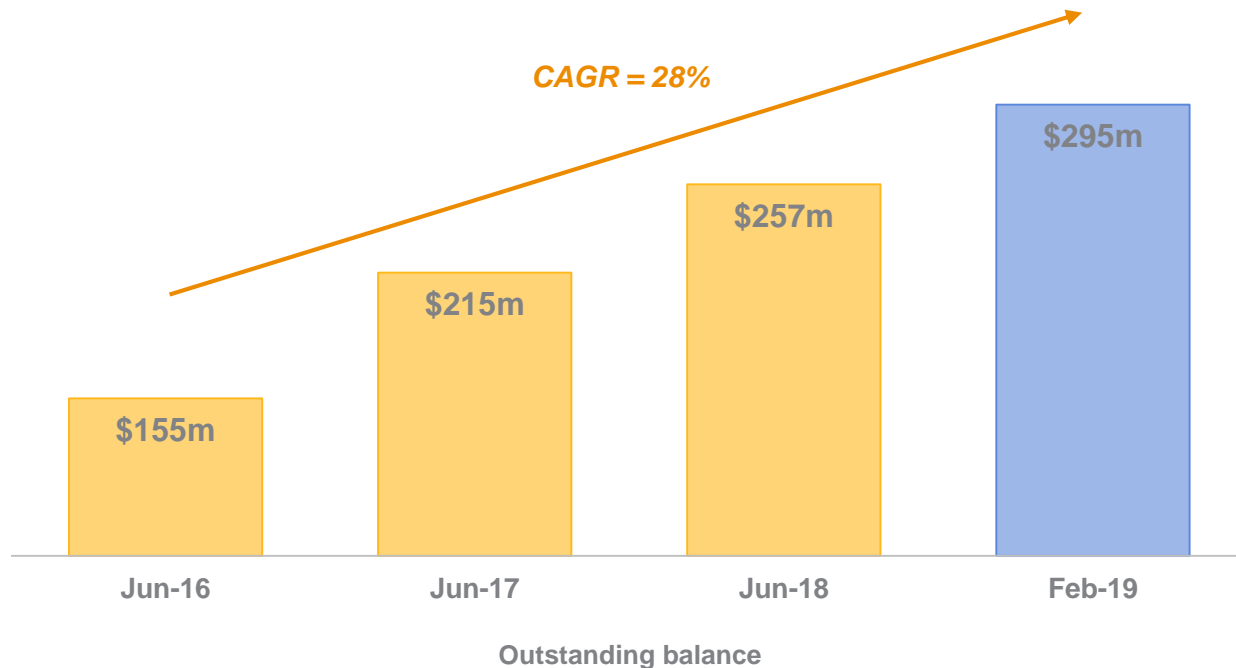
Notes:
 \$72m under contract for FY19
 Weighted average investment price excludes low value portfolios and utilities

Payment arrangement portfolio

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... which translates to a growing arrangements portfolio that is ~50% of yearly liquidations...

Growth in PA book



PA book metrics



22,183
customers



3.7%
>30 days in arrears
7 bps decrease on 1H18



2.5 years
average existing relationship



\$239
average monthly payment
@ Jun-17: \$211
@ Jun-16: \$208

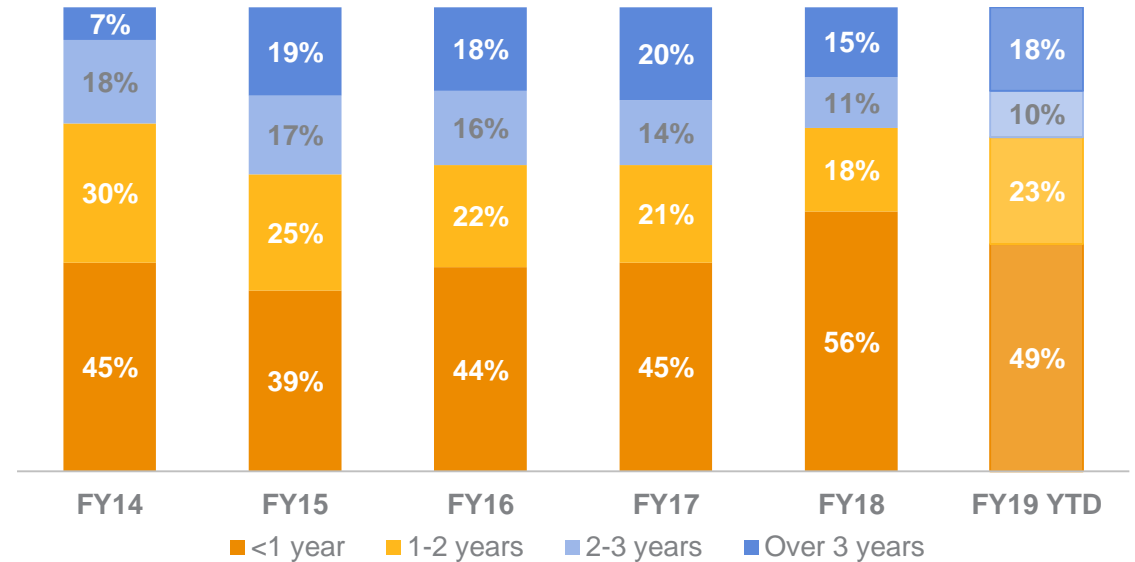
Sustainable cash generation

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... and steadily increasing cash from older vintages...

- Liquidations from newer vintages in FY18 influenced by investment growth immediately prior and during that period
- As investment growth stabilises (FY18 and FY19 similar) liquidations from older vintages are increasing
- FY19 YTD contribution to liquidations from accounts > one year old has increased from 44% in FY18 to 51%
- Evidences ability to liquidate consistently across portfolio and of the value that exists in the portfolio

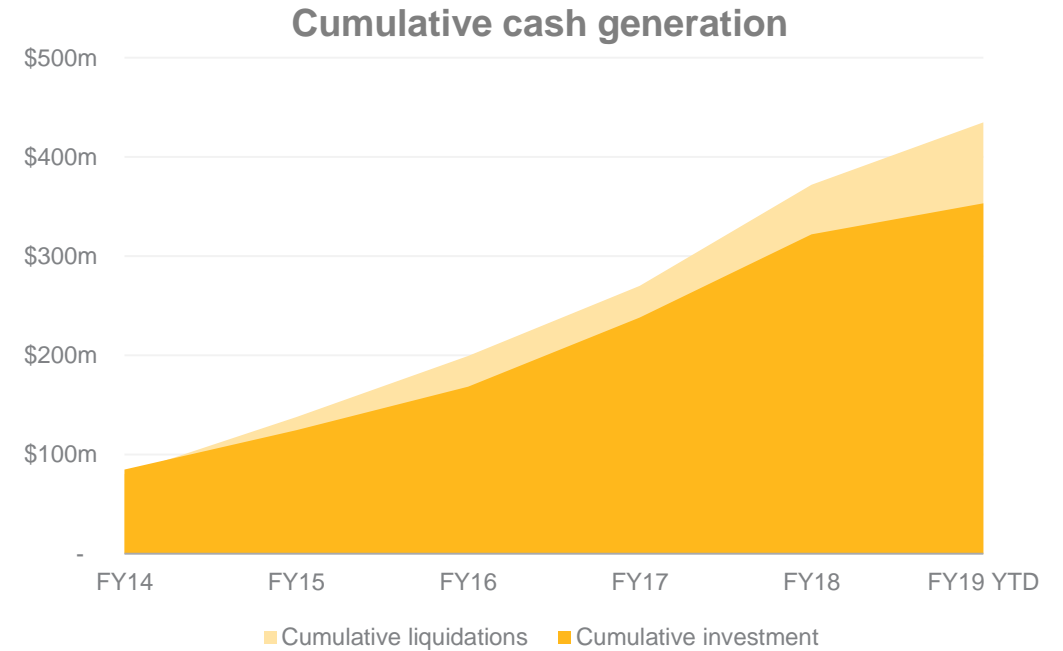
Portfolio liquidations by investment date



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... all of which result in increasing returns beyond investment

- Cumulative liquidations are accelerating compared to cumulative investment
 - Demonstrates the quality of the portfolio, across all vintages
- Balanced against low PDP investment in 1H19, and forecast flat investment for the full year
- Purchasing discipline remains, no short term view on PDP investments, evidenced by strong and growing cash performance



Personal loan portfolio

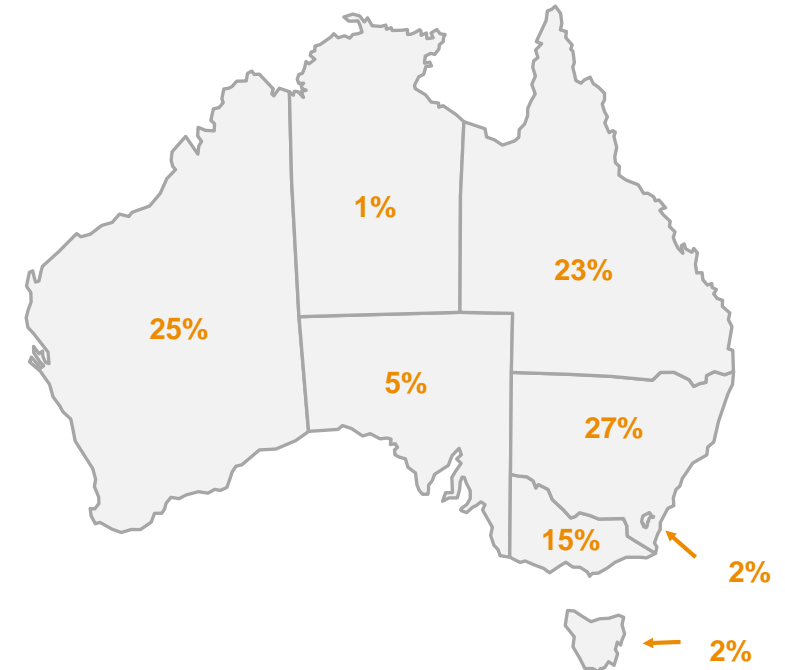
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Lending paused while awaiting regulatory clarity

# of loans disbursed	526
Average loan disbursed	\$19,407
Total loans disbursed	\$10.2m
Average term	5.1 years
Average interest rate	13.7%
Average age of customer	38 years

- 0.4% arrears > 30 days
- We took a more cautious view to new customers towards end of half
- Some uncertainty with non-bank lenders on responsible lending obligations
- Balanced against better ROI opportunities emerging in PDPs

Personal loan customers by state



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Discipline and focus on the medium term creates value

Innovation

- Continue to invest in new operational strategies
 - Some work, some don't... and then we pivot to continue to meet our commitments to the market
 - We will continue to test new strategies, in a controlled manner
- InDebted 'machine learning platform' pilot has commenced
 - 20 team members engaged on the pilot
 - Expected to run to at least the end of FY19

M&A opportunities

- Abound... but those settled to date have been materially beyond Pioneer's view of value – though that won't always be the case
- Industry consolidation has begun and we expect it to increase over the next few periods
- Pioneer continues to invest heavily in building a team of capable leadership, across disciplines, for acquisitions when they occur

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A market of increasing opportunity for a disciplined Pioneer

Changing market dynamics drive relationship opportunities for Pioneer as the provider of differentiated services

- Lowest 1H investment price in over 3 years – continued demonstration of ability to invest on attractive terms
- Unequivocally, originators are choosing Pioneer's quality over price. In a world where the customer comes first, we expect this to continue

PDP investment guidance at \$80m (~\$72m under contract at Feb 2019)

- Despite significant opportunities, no increase expected for FY19. It is not prudent today... but will likely be in future periods
- Expect increasing opportunities as originators place even more emphasis on customer outcomes

FY19 guidance

- At least 18% increase in Liquidations to >\$120m
- At least 20% increase in EBITDA to >\$65m
- At least 14% increase in NPAT >\$20m

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