

Pioneer Credit Limited – Company Update and Appendix 4C

Pioneer Credit Limited ('Pioneer' or the 'Company') provides this Company Update and Appendix 4C, Quarterly Cash Flow and Activities Report for the quarter ended 30 September 2020.

Highlights

- Refinanced to capture improved market opportunities
- Record first quarter liquidations
- Continued growth in the Payment Arrangement portfolio

Completion of Refinancing Process

On 23 September 2020 Pioneer completed the refinancing of its senior debt facility with Carlye¹ by entering into a new Senior Finance Syndicate Facility arranged by Nomura Australia Limited.

The funding solution provides Pioneer with the capacity to grow through the purchasing of debt portfolios. The new facility is for \$169m (fully drawn) and an additional \$20m (undrawn) to fund the additional purchasing of debt portfolios as they become available and are assessed to be value accretive to shareholders.

The Company continues to explore opportunities to reduce its cost of funding.

Balance Sheet and Liquidity

Pioneer's cash position as at 30 September 2020 was \$8.724 million.

Please refer to the Appendix 4C, Quarterly Cash Flow Report for the quarter ending 30 September 2020 following this announcement for further information.

During the period the Company receipted \$25.604m in cash flow from ordinary operations. Cash outflows for operating activities totalled \$16.973m which were in line with the Company's expectations, noting that a significant portion of these costs, in the amount of \$6.368m, were paid in relation to the process to refinance the senior debt facility, and these costs are one off and non-recurring in nature.

Cash outflow for investing activities was \$9.727m. Of this, \$0.241m was for other assets, and \$9.486m was for PDPs. PDP investment in the period was \$10.649m, with \$1.163m remaining payable at 30 September 2020.

During the quarter non-executive directors were paid a total of \$112,027. An amount of \$18,876 was paid to the related party The John Family Primary Investments Trust ('JFPIT') in respect of the Company's lease of 190 Bennett Street, East Perth. Mr Keith John is the Sole Director and Secretary of Avy Nominees Pty Limited, the trustee of JFPIT and the lease is on arm's length

¹ Robin BidCo Pty Ltd and/or Robin HoldCo Holdings Ltd and/or Project Robin LP, all entities part of the group of entities doing business as 'The Carlyle Group'

terms. The Company paid Midbridge Investments Pty Ltd, a company associated with Mr Keith John, and JFPIT the sum of \$87,500 in respect of real estate and financial security provided by these entities to support the Company's recent refinancing. This transaction is on arms length terms, and the Board took advice from appropriately qualified independent third parties.

COVID-19 Customer Response

Consistent with the service differentiation that Pioneer has become renowned for among its banking and other vendor partners, the Company continues to prioritise its customers and ensure they are supported through the COVID-19 pandemic.

To assist customers during this challenging period, Pioneer has provided a range of options to support individuals who are concerned about or experiencing financial pressures. This support includes payment holidays, interest rate deferrals, payment reductions and in some cases debt waivers. These support options continue.

Furthermore, Pioneer has not credit-listed or default-listed any customer's credit file, issued or enforced any statutory acceleration type notices, nor has it commenced any legal proceedings during the pandemic period.

Underpinning the Company's core values and the strong brand it maintains with customers and the market, Pioneer's rolling 6 month Net Promoter Score ('NPS') has been +13. NPS is a practical way of measuring, and to evidence, the support and customer outcomes achieved through this period and the Company is pleased to maintain positive results.

Liquidations

For the quarter ended 30 September 2020 Pioneer's PDP liquidations were \$25.3 million. This marks a record period for the Company, with the liquidations achieved in the past quarter exceeding the liquidations of any first quarter since the Company's inception.

This result demonstrates the quality of Pioneer's portfolio and the customer-centric approach it continues to affect during the COVID-19 period.

The rate of liquidations corresponds to solid growth in the Payment Arrangement portfolio from \$356m at 30 June 2020 to \$367m at the close of the quarter. This growth has offset a reduction in the average payment instalments and lump sum settlements, consistent with the expectation that customers would naturally become more cautious about their finances during the pandemic.

PDP Investment

The Company invested \$10.649m in PDP's for first quarter FY21.

The Company maintains strong relationships with the full complement of its valued vendor partners. These relationships continue under the terms renegotiated at the end of FY20, they reflect a material reduction in the pricing of forward flow agreements from pre-COVID agreements.

The Company has recently commenced a forward flow agreement with a new vendor partner, and has now completed the rollover of an existing forward flow with a major international banking group.

Portfolio Makeup

The Company continues to focus on the best quality assets in the sector. Pioneer does not purchase payday lending accounts, determining that these customer segments would underperform prime bank customers over the long term.

Operating Review

Consistent with Pioneer's strategy to increase performance efficiency through cost reduction and the acceleration of digital customer engagement programmes, the Company continues to enhance its customer self-service portal. The portal, which remains under development, now accounts for 9% of customer payments across the business and is contributing to a reduction in operating costs. As the portal continues to be refined an uplift in customers self-serving is expected, providing greater customer satisfaction, and a continuing reduction in operating costs.

Employee and Board Update

As part of its strategic plan, the Company has progressed the process to recruit at least one new Independent Non-Executive Director. The search is being overseen by the Chairman of the Board and Nominations Committee, Michael Smith.

Outlook

Pioneer has a broad range of PDP purchasing opportunities ahead, to which it will apply its disciplined approach with strong consideration to the emerging economic environment in Australia.

Lower priced debt portfolio sales are anticipated to continue in the future, reflecting changing customer circumstances and vendors' preference for service providers with a very clear focus on customer outcomes.

Authorised by the Board of Directors of Pioneer Credit Limited

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About Pioneer

Pioneer Credit is an ASX-listed company (ASX: PNC) providing high quality, flexible, financial services support to help everyday Australians out of financial difficulty. Pioneer Credit has the trust of long-term vendor partners to do the right thing and respectfully support customers to achieve their financial independence.

Pioneer Credit has established a solid foundation to pursue further growth by leveraging its outstanding industry relationships, compliance record and customer-focused culture.

www.pioneercredit.com.au

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

PIONEER CREDIT LIMITED

ABN

44 103 003 505

Quarter ended ("current quarter")

30 SEPTEMBER 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	25,604	25,604
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(5,846)	(5,846)
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(4,799)	(4,799)
(f) administration and corporate costs	(2,296)	(2,296)
1.3 Dividends received (see note 3)		
1.4 Interest received	5	5
1.5 Interest and other costs of finance paid	(4,032)	(4,032)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	8,636	8,636
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(241)	(241)
(d) investments		
(e) intellectual property		
(f) other non-current assets	(9,486)	(9,486)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(9,727)	(9,727)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities		
3.5 Proceeds from borrowings	169,000	169,000
3.6 Repayment of borrowings	(163,425)	(163,425)
3.7 Transaction costs related to loans and borrowings	(6,276)	(6,276)
3.8 Dividends paid		
3.9 Other (provide details if material)	(503)	(503)
3.10 Net cash from / (used in) financing activities	(1,204)	(1,204)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	11,019	11,019
4.2 Net cash from / (used in) operating activities (item 1.9 above)	8,636	8,636
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(9,727)	(9,727)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,204)	(1,204)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	8,724	8,724

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,139	4,139
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other – Escrow & Collateral deposits	4,585	4,585
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,724	8,724

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
227.5

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities <i>Note: the term 'facility' includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	189,000	169,000
7.2 Credit standby arrangements		
7.3 Other (please specify)	40,000	40,000
7.4 Total financing facilities	229,000	209,000

7.5 **Unused financing facilities available at quarter end** 20,000

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

	Total Facility	Total Drawn
Senior Syndicated Facility	189,000	169,000
Initial Term Maturity Date	30-Sep-22	
Secured over all the assets and undertaking of the business		
Weighted average interest rate of BBSY +11%pa, top-up fee to achieve an IRR of 14.5%, including the value of warrants issued to the Syndicate.		
	Total Facility	Total Drawn
Medium Term Notes	40,000	40,000
Maturity date	22-Mar-23	
The Group issued \$ 40m in medium term notes on 22 March 2018. The notes have a maturity date of 22 March 2022 with the option to repay the notes at 101% of par plus any accrued interest one year prior to maturity.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	8,636
8.2 Cash and cash equivalents at quarter end (Item 4.6)	8,724
8.3 Unused finance facilities available at quarter end (Item 7.5)	20,000
8.4 Total available funding (Item 8.2 + Item 8.3)	28,724
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.