ASX release **2 August 2022**

Updated FY22 Guidance

Pioneer Credit Limited (ASX: PNC) ('**Pioneer**' or 'the **Company**') today updates its earnings guidance for the financial year ended 30 June 2022, following completion of its PDP valuation and management accounts (unaudited).

- Liquidations of $106.7m (up 12.7% on pcp)
- EBITDA of $60.7m (up 11.6% of pcp)
- Net Assets $73.304m[1] (up 3.9% from guidance)
- Group LVR at 84.6% (in line with last guidance)
- Performing Arrangements ('**PA**') Portfolio of $515m (improved from $458 at last guidance)

The Liquidations number is below what was guided to the market following the decision of management in late June 2022 to not proceed with the sale of a non-core Purchased Debt Portfolio ('**PDP**'). By way of explanation, Pioneer's typical liquidation program includes the sale of non-core portfolios where the carrying value is of low or no value. This sale was expected to realise ~$4m, but was withdrawn following the late release of a competing sale of an asset divestment of very significant size into the secondary market.

Following the withdrawal of the PDP from sale, and the completion of the PDP valuation, the Company is now updating the market on its full year expectations.

At March 2022, the Company had expected to announce a net profit inclusive of the recognition of its Deferred Taxation Asset ('**DTA**') at the full year. Following the withdrawal of the sale of the non-core portfolio, the Company would, on recognition of the $22.3m DTA, have produced a small profit after taxation, and below that which had been previously guided to the market. As such the Board believes it is prudent to hold the release of the DTA, which it now expects will be released over FY23.

This change, and the decision to withdraw the PDP sale, results in an unaudited Statutory Loss after Taxation of approximately $23m. Notably, the change in not recognising the DTA is non-cash.

These decisions have no impact on the Company's funding, and the Company continues to comply with all covenants and terms of current debt facilities.

It is important to note that the decisions taken by the Company are to preserve the value of its PDPs, and to ensure we extract full value from them. The sale of this portfolio will now occur in its FY23 program.

While the statutory result is disappointing, the Group has delivered a material turnaround during the year. Pleasingly, the Group has improved key metrics including growing its PA portfolio from a base of $377m at 30 June 2021, to $515m (including $50.5m of insolvency

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[1] Includes Deferred Tax Asset of $22.3m not yet recognised.

arrangements) at 30 June 2022. These performing and insolvency arrangements materially contribute to what we expect to be substantially improved liquidations in FY23.

Managing Director Keith John, noted his disappointment that the return to statutory profit has not occurred during FY22.

“Our focus remains on the long term preservation and creation of shareholder value. While the outcome of our decisions is a miss to recording a statutory profit, inclusive of booking the DTA for the Company this year, we recognise the impact flows more substantially in now not recognising the DTA.

“Clearly, my management team and I have significant work to do to earn the trust of the market and no message could be clearer from the market than our shares trading at a material discount to Net Assets per share.

“Management has taken significant steps to be positioned to take advantage of a very favourable market place and to return the Company to profitability. We look forward to delivering that for shareholders.”

The Board noted the disappointing impact to shareholders.

Chairman Michael Smith commented “We are sharing this disappointing news as soon as we have completed the PDP valuation and accounts.

“We are very disappointed and embarrassed that the decision to withdraw the sale of the non-core portfolio has caused a relatively small miss in liquidations and PDP valuation, but has had such a large effect on the profit and shareholders’ value.

“Booking the DTA and the PDP valuation have been the subject of ongoing scrutiny and the projections have been aligned with previous announcements and our expectations.

“Clearly our processes and practices need strengthening, notwithstanding working closely with our Auditors on these matters. This has the Board’s focus.

“Our announcement points to some meaningful increases in underlying value. We encourage you to look at them closely. The Board believes that these point to stronger fundamentals such as Net Assets and the solid value of the PA portfolio.

“The business has grown in strength and opportunities during the year and we plan to revert to profitability and justify the release of the DTA.”

The Company expects to release its audited results to the market on 31 August 2022, and to discuss and present to shareholders on 1 September 2022. Details of the presentation will be provided closer to the time.

Authorised by The Board of Directors of Pioneer Credit Limited.

Investor and media enquiries:

Keith John
Managing Director
Pioneer Credit Limited
M: 0438 877 767

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