ASX release **1 September 2022**

Financial Year 2022 Results Investor Briefing

The Pioneer Credit Limited (ASX: PNC) (‘**Pioneer**’) (‘the Company’) financial year 2022 (FY22) Investor Briefing was held at 7.30 am (AWST) this morning.

A link to a full replay of the briefing follows:

Pioneer Credit Limited FY22 Results Presentation

A copy of the transcript is also attached.

Pioneer is now looking forward to presenting to the market the Company’s current strong investment case at these upcoming events:

19-23 September 2022	Investor Roadshow (Sydney and Melbourne)	Sydney and Melbourne
18-19 October 2022	Australian Microcap Investment Conference Presentation (Melbourne)	Melbourne
2 November 2022	Annual General Meeting – 1H23 Guidance and Strategy Update	Webcast

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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

TRANSCRIPT – PIONEER CREDIT LIMITED FY22 RESULTS PRESENTATION

HELD ON 1 SEPTEMBER 2022 AT 7.30 A.M. (AWST)

KEITH JOHN, MANAGING DIRECTOR

Thank you for joining us and welcome to the Results Presentation Webinar for our FY22 Financial Year Results.

As you are fully aware, the last few years have been very challenging for Pioneer, a period through which our management team and your Board have worked very hard to position this business for the future and the unique opportunity that sits in front of Pioneer today.

I am very pleased with where we are at, and today's presentation will focus on FY22 to the extent that it is a period that we are reporting on. But it is really about the future, and what the future holds for Pioneer, and how we, as shareholders in this business together, succeed from this point going forward.

In terms of the year just passed, operationally we had an exceptionally strong period. Liquidations were up 13% to almost $107 million. If you think about the environment that we've come through, stress on the consumer and very low sales opportunities in the beginning of the period, that is an exceptionally solid result.

More to the point, our investment through the period of almost $100 million, our largest ever, and more than the preceding two years combined, sets us up for a very strong FY23. A lot of that investment came late in the year, and had no impact on FY22. We look forward to demonstrating our ability to liquidate, and to liquidate well and appropriately, through the coming period.

Our EBITDA - our cash generation - was also strong, up 11% to $61 million. Demonstrating the unique generating abilities of this business, that we can then reinvest back into the growth that we have ahead of us. Our net revenue was up as well, up to $54 million. That is after a very significant movement in our PDP valuation, which I will talk through in a moment, to position us well for the future.

The important thing to remember in our business is that the removal, or the amortisation, of our PDP does not mean that the cash is gone. It means that the expense for future periods no longer exists. We are very well-positioned with an exceptionally clean balance sheet and a very strong starting position to make FY23 the year of profitability, and the future of this business and the growth of this business moving forward.

I also highlight that we have got net assets per share of about $0.61. It is really important, it is materially above the prevailing share price. Whilst we haven't had much to sell over the last couple of years, now we have an incredible amount to sell, with an incredible investment proposition for shareholders and for new equity investors. We will be out marketing that very heavily, starting from today.

In terms of our FY22 strategy, we laid that out right at the beginning of last year for shareholders to see, and for you to measure us against. I believe we have done an exceptional job, and my Team's done an exceptional job of delivering on that.

The first was the opportunity to refinance our senior facilities. To that end we did that about a year earlier than anyone expected, and materially reduced our funding costs. But also increased our capacity to borrow as well, and to invest back into this business.

We completed two successful capital raises. Those raises were both at a premium to market, something that is almost unheard of in Australian equity markets. The reason that they are at premium to market is this business is substantially better than the share price reflects. On that basis we expect people to invest at that level if they are introducing new capital. Your Board and your Management Team participated along the way.

We capitalised on the PDP opportunities that existed in the market. We have spoken about this for a couple of years. We were heading towards a contracting market, and that has certainly eventuated. Quality participants, like Pioneer that have an exceptional track record of treating customers well, of being differentiated, and being able to demonstrate that differentiation to quality vendors, are going to win.

Pioneer has just completed its largest investment ever of almost $100 million through the period, as I have mentioned, and that is very good for the outlook for our business moving forward. The opportunity for us to buy performing portfolios is also very important. Through the course of the year, we have grown our Performing Arrangements book from $377 million to $464 million. It is significant growth, and it is growth that underpins the valuation of our book. It is growth that underpins our future liquidations, and it is growth that underpins the security and the operational advantage that we have sitting inside this business.

In terms of FY22 from a P&L perspective. As I mentioned, we had strong liquidations and we had strong EBITDA. We have increased our amortisation charge by about $9 million to reflect what we see as the emerging, or the significant commentary around cost-of-living pressures. One of the things I will say about that is it is not something that's wholly reflected in our book. It is part of the unique set of circumstances that exist in Australia at the moment *where we seem to have lots of cost-of-living pressures and no movement and no material downside to retail sales, or any other sort of consumer measures.*

We are seeing that as well, but we think positioning ourselves today for the future is very important. Like I said, the cash is still there, the opportunity is still there. It is incumbent upon my Team to realise that for all of us, and realise that appropriately, which is exactly what they are doing.

In terms of our balance sheet, it is as clean as a balance sheet could possibly get. There are no intangibles on our balance sheet, there is no goodwill on our balance sheet, it is straight out assets less liabilities gives you a net position. We are in a very strong position to take this business forward from here.

In FY23 we will, for the first time in a number of years, be able to present a set of financial results to you without any one-offs, without any explaining to do. It is exactly what it is, and we are very confident that we're going to be presenting that to you with profit at a statutory line, which we will be updating shareholders on the progress of, and guidance of, at our General Meeting in November.

In terms of our leverage, this is an important part of our business. It is something that hasn't been fully understood by Australian equity markets, and is certainly something that we need to do a better job of explaining to people. Compared to the largest peers internationally of pure play debt purchases and collections businesses, Pioneer's leverage is below average. That doesn't mean it is at a level that we are comfortable with. It means that compared to the rest of the world it is below average. It means that compared to the rest of the world this is actually an exceptionally sustainable amount of leverage.

That said, your Board, your Management, are very focused on reducing that through time. What that means for us is increasing the operational leverage in this business, decreasing our cost of service, improving our liquidations, and investing that back into our balance sheet. All said, the next opportunity for us is the opportunity to refinance our existing facilities and bring those costs down. That opportunity exists for us, there is significant interest in people funding this business moving forward. We look forward to exploring that over the course of the next 12 months.

I have mentioned PDP investment to you, $100 million which is our largest ever. We are very proud of the way that we have grown that book, and the way that our Team has done that discreetly and for great returns back to our shareholders. We look forward to bringing those through in the coming periods.

You can see on the right-hand side of the slide [slide 10], the price that we have paid over the course of the journey remains around about the same. That is important. The way we invest your money, the way we invest our money, our cumulative money, is critically important. We have been very successful at doing that now for a very long period of time. We have done it again during FY22, and we will absolutely do it again during FY23.

I mentioned our Performing Arrangements portfolio and our PDPs in total. We now have 41,700 Performing Arrangements customers. These are customers that are paying us on a weekly, fortnightly or monthly basis. Not dissimilar to a performing loan book. It is incredibly valuable. It is $464 million of customer payments most of which is accruing interest, coming back into this business.

In addition to that, we have got about $1.5 billion of opportunity for us to work with. These are customers that have capacity through time to repay us, and we look forward to working with those customers to help them relieve their debt stress. Those customers contribute to the incredible value that sits within Pioneer.

The reason why we have great opportunities in front of us, both from a liquidations' perspective, but also importantly from a purchasing perspective and an investment perspective, is because of the way we treat the customer. Long before anyone started talking about customer treatment in our sector, long before anyone focused on what compliance outcomes were, long before anyone talked about putting the customer first, Pioneer was there and doing it. It has been doing it since day 1. It is in our culture, it is in our blood, and it is why vendors choose Pioneer in preference to others.

That means when we invest in portfolios and quality participants, we get the opportunity to do it at a fair price, without the need to pay up like some others might have to. The opportunity to work with those customers over time to get a reasonable outcome for them, and a reasonable outcome for us. That is good business. It is very good business in this industry, and it has proven to be very good business over the course of the last couple of years. We are in a sector that has significantly fewer competitors today than it did only a few years ago. That is not true of many sectors. But it is true in this one because of the way we have differentiated our business, and the way that we are supported by vendors to work with those customers over time.

In addition to that, as you know, we are working through B Corp certification to establish and demonstrate our ESG credentials. We have passed the self-certification process for that. We are some way through the audit of that now. It is a lengthy process, but it is important to continue to demonstrate the way that we are different, the way that we think *differently, and the way that we think about our social responsibility both to the market and to our vendors. We look forward to updating shareholders with respect to that over time.*

Finally to the FY23 outlook. This is what it is all about for Pioneer, and this is what it is all about for you as our shareholders, and hopefully for those that are looking to join our shareholder register. We have incredibly market tail winds. We have been talking about this for a number of years. There is less competition. People want to deal with good people. They want to deal with good companies, and they want to deal with the companies that understand the value of a customer and who put them first.

Without question, that is Pioneer, and that is good for us. We demonstrated it last year with $100 million of investment. We will demonstrate it again this year. We already have two-thirds of this year's contracted investment, or forecast investment, under contract. That is very powerful. We believe there are more opportunities for growth for us this year beyond that. We look forward to updating shareholders on that as we progress.

We also focus on our vendor depth and who we work with. There is unquestionably a lot of opportunity in the Australian market, there is a lot of talk about default. We don't just invest because the opportunity exists. We invest because the opportunity exists with the right customers, with the right vendors, at the right price point. We do that because the single largest shareholders in this business, alongside you, is Management. We are all on the same page, all driving for the same long-term sustainable outcomes and sustainable profitability. This is the year that we will demonstrate and show you that.

We will continue to work to grow our Performing Arrangements book. You know the value of that, and we are working through that. We are very pleased with how it is growing. We have grown it consistently over a number of years. We are looking forward to doing that again this year.

Pioneer is thriving under increased regulatory scrutiny. Regulation is our friend. We are well ahead of what the minimum requirements are. All good businesses are. We welcome regulation, we like regulation. It is something we have invested heavily in, and it is one of the reasons why we are winning and that we've got the opportunities in front of us. We will continue to invest in that through this period. We will continue to invest in making sure our customers get the best outcomes. If we do that, we will get great outcomes as well.

It is important to realise operating leverage. There are significant costs in this business. Right up until the last year or so when we reached scale, it is the point of highest cost of service, we reduced it through the period down to 44%. We will reduce it again in FY23 and continuing. We are working hard at doing that in a very real way.

The last bit, as I have mentioned, is funding. This business has an incredible opportunity to decrease its cost of funds over the coming periods. We are working on that. In the way we have done it before, we will do it in a very considered and a very measured way so that the benefits to shareholders flow and are sustainable.

We are very pleased to have the support of our existing funding partner, Fortress. They've been an incredible partner. They understand that they are transitionary and that we are a business that will be able to finance at a materially lower cost in the future. We will be working towards doing that in the coming periods.

As I said at the outset, Pioneer presents a strong investment case. We've worked very hard to get to where we are today, we are supremely confident in our future and into what we'll deliver to you this year. We will start marketing that effective today and start telling our story to the equity markets so that we can see that reflected in our share price and see that accurately reflected in the incredible value that this business represents.

I thank you for your time in listening to my presentation and I welcome your questions.

Question 1

How difficult will it be to scale up the business to meet the demands? For example, can you source the people in this competitive market? Can you pick up people from other previous competitors?

Response: Thank you,. Clearly employees and getting employees to come and join the business has been challenging over the last year or so. We have certainly seen a significant change in the market in the most recent month or two and we've got a significant number of people that are looking to join Pioneer with a big induction starting in the coming weeks. We are very confident that we can get the right number of people on board and get them skilled up in the way that we work to have the human conversations with our customers and for them to be financially contributing to this business.

In terms of our competitors, let me say this at the outset. Pioneer is not a predatory business. There is nothing about us that is predatory and there is nothing about us that is anything other than working with people to get the best outcomes for them, just as with our customers. Some of our competitors have got into trouble, we are all aware of that. Some of them, their employees are now working for us. We suspect that more of them will in the future, but we are trying to work with people to make sure that everyone gets a good outcome because we think that's good for business. And we think there will be more opportunity in that front in the year ahead.

Question 2

What is the likely liquidation amount in 2023?

Response Thank you. We've specifically not guided to any numbers other than to profitability at the moment. We want to update shareholders very clearly on where we are in November at the General Meeting. Needless to say, we're expecting to have a material increase in liquidations over the course of FY23, driven in part by the very significant investment of course, that we made into performing arrangements last year with that $100 million investment that we made through the period.

So, we are expecting very strong improvement in liquidations. Certainly, July and August have led off very nicely for us and we're very comfortable with that and we look forward to updating shareholders fully in early November at the General Meeting.

Question 3

How low can you get on the cost to serve? i.e., in about two years, as you reach greater scale?

Response: Thanks. The short answer is materially lower from where we are today and we certainly expect to get it into the 30s over the course of the next couple of years. We have reached scale. Cost to serve is going to come down for us for a range of reasons. Part of that is our efficiency in the way that we operationalise things within our business. As you know, over the course of the last couple of years we've made very significant investment into our data analytics and that's certainly proving to be beneficial. So, what that means in the context of cost to serve is making sure that if we're contacting customers, we're contacting the right customers and presenting them to our customer service agents at the right time. So that's one thing that we've become much better at.

The second is our ability to reduce the cost of actually providing the services in our business. So, the cost of which we buy IT at, the cost of which we buy data at and so forth and that's coming down as well. The third is, of course, we've bulked up, as we've said, over the last couple of years and in particular last year with the number of staff that we have. Do we want more people to join us? Absolutely. We think we've got an incredibly bright future with an incredible opportunity that sits in front of us. But we're heavy in terms of staff numbers, in terms of our employee costs and that will come down as a proportion of our revenue as we grow liquidations this year.

Question 4

In terms of other funding arrangements, could this potentially be from major banks? What rough reduction in cost could this be?

Response: Thank you. I think one of the great opportunities that exists for businesses like ours is access to funding and the reason that it exists for us now is because of our scale. So we've said that once we get to $500 million of performing arrangements, which is where we are essentially, that that opens up a world-wide market to us in terms of funding. Are there major banks available to us? The short answer is yes. Is that where we'll shop? Look, not entirely sure and that is because there are now a range of opportunities that exist worldwide that are more suited or could be more suited to our business and we need to explore those fully, which we're in the process of doing.

In terms of a reduction in costs, at the moment our costs are high. I think we all understand that. But there are certainly a few hundred basis points that you'd expect to see come down *over the journey when we refinance. We're certainly pushing for as much as we can. But what we're interested in more than just, or as much as the cost of funds, is what does our relationship look like with those lenders, how does that work, what is the tenor of that and how does that align to the assets that we're buying.*

Again, we've put in the slides this year a comparison of our leverage to the largest listed international participants in the world. Ours is below average. Like I said, we do want to bring it down. We've got an opportunity to bring that down organically, which we will do, but also we'll start providing some more information about what cost of funds will look like a little closer to when we are in a position to realise that. Needless to say, though, the discussions have commenced, our business is performing well and there is significant interest in funding this business going forward.

<u>Question 5</u>

How are you seeing the major banks coming back to selling their books to Pioneer post-COVID?

Response: Thank you.. Over the course of the last couple of years, banks have essentially closed down or suspended selling and they've done that for a range of reasons. Part of it was driven by COVID itself, other parts have been driven by the Hayne Royal Commission remediation issues within certain banks, and other parts have been driven by changes in personnel within the banks and getting back to speed on where things are.

Through the course of the year, we announced that we've reached a five-year deal with the Commonwealth Bank. It is the first deal of its kind in this market and that's taken us a long time to work through with them, as you can appreciate. Doing a five-year deal with a major bank in Australia is a very significant achievement. We are very proud of that and that certainly underpins a good portion of our investment for the years to come.

In terms of the other banks, we've recently completed a deal with one more bank. There are two banks that are back at market or coming back to market in the near future. We've got great engagement with them and we think that serves us well. What I will say is that unequivocally banks have expressed to us a very strong desire to only deal with participants that have a squeaky-clean compliance record and a laser-like focus on the customer. We think that Pioneer is very well positioned in that regard.

To support that position, we will, in September/early October, be launching the rebrand of Pioneer to make it more customer aligned than it has ever been before in terms of the way we present, not just through our website but through our collateral and so forth and we think *that that will further demonstrate to the banks just how focused we are on that. We think that will be good for business and be good to the volumes that are going to flow through to us in 2023 and 2024.*

Closing Remarks

Keith John: Thank you to all of our shareholders and for the equity market participants that have joined us today. We appreciate you giving your time to understand where Pioneer is at. As I said throughout my presentation, we are exceptionally excited by the prospects for Pioneer in FY23 to return to statutory profitability and the opportunity for us to demonstrate to you the incredible value that sits within this business. We have a very strong investment case and we've laid out to shareholders how we'll be marketing that in the weeks and months ahead. In the interim, if you have any questions, our Team is available to talk to you and to answer those over the coming days and weeks.

I thank you again for your interest in Pioneer and look forward to speaking to you soon.

[END OF TRANSCRIPT]