

ASX release

9 April 2019

Market Update and Teleconference

Pioneer Credit Limited has pleasure in providing the following market update to clarify information regarding the classification and measurement of its Purchased Debt Portfolios.

To support the presentation, a teleconference will be held on Wednesday 10 April 2019 at 7 a.m. (WST) / 9 a.m. (AEST) to respond to any questions stakeholders may have in relation to the subject matter and this presentation. Details of the teleconference are as follows:-

Date:	10 April 2019
Time:	7 a.m. (WST) / 9 a.m. (AEST)
Conference Call Access Number:	Toll Free: 1800 123 296
	Toll: +61 2 8038 5221
Conference ID:	9482967

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Market update

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

Important notice: Disclaimer

This presentation has been prepared by Pioneer Credit Limited (“Pioneer”).

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Monetary Values: Unless otherwise stated, all dollar values are in Australian dollars (A\$). The information in this presentation is subject to change without notice.

Outcomes pursuant to AASB 9

Pioneer to report Fair Value ('FV') and Amortised Cost ('AC') for at least the next two reporting periods

FY19 Guidance reiteration and comparison

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

Liquidations do not change under AC

Cashflows do not change under AC

As detailed analysis continues our preliminary assessment with respect to AC is:

- At least 14% increase in NPAT to >\$20m
 - Both methods have the same estimated future cash flows**
 - Profit expected to be similar under AC**
- PDP valuation will be reported at full year under FV and AC
 - Both methods have the same estimated future cash flows**
 - PDP valuation expected to be similar under AC**

Since 1 March 2019

- Extensive review of the Board's determination confirmed PDPs must be classified and measured under FV
- Opinion of David Russell AM QC & Ian Fullerton unequivocally confirms "*Pioneer is applying AASB 9 correctly*"
- Board continues to seek evidence to understand alternative views
- Appointed Big 4 accounting firm to assist with development of amortised cost models and calculation

Next steps

- **Pioneer will report audited FV and AC for at least the next two reporting periods**
 - This will facilitate comparability in the absence of standardisation
- Consultation with ASIC and PwC continues with respect to classification of PDPs
 - Board continues to seek evidence to understand alternative views
- For industry clarity and certainty Pioneer may seek a Determination of the Federal Court

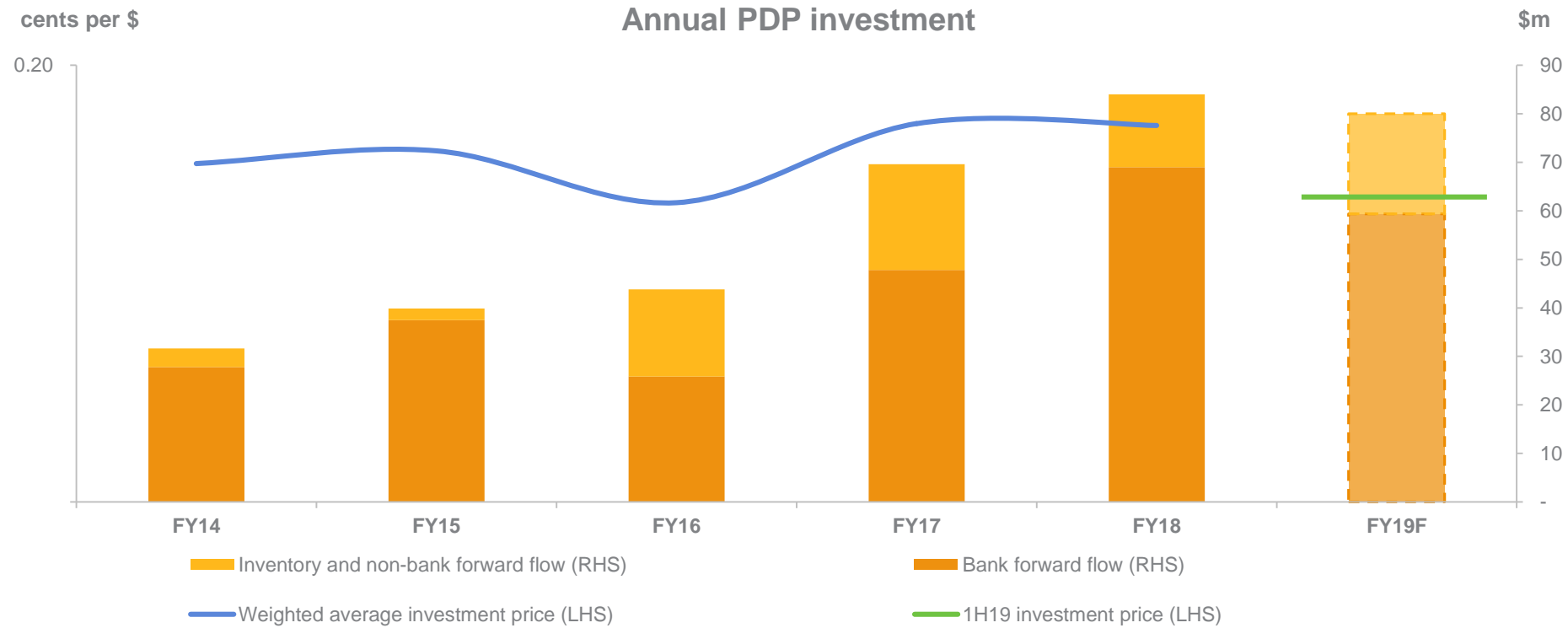
When we report FV and AC what does this mean?

- Amortised Cost is not a straight line / fixed term / pre-set amortisation of any PDP
- Under both methods, PDP valuation is PV of estimated future cash flows and you must re-forecast each reporting date
- Cashflow and Profit over the life of a PDP is the same under both FV and AC
- **For the same asset under the same conditions, re-forecast future cash flows should be the same**

	Classification method	Initial measurement	Straight line amortisation?	Subsequent measurement	Estimated future cash flows	Present value discount rate
PDPs	Fair Value ('FV')	Fair value (transaction price)	No	PV of estimated future cash flows	Same	Benchmark to market
	Amortised Cost ('AC')	Fair value (transaction price + costs)				Effective interest rate set at inception

Pioneer provides visibility on portfolio mix and pricing

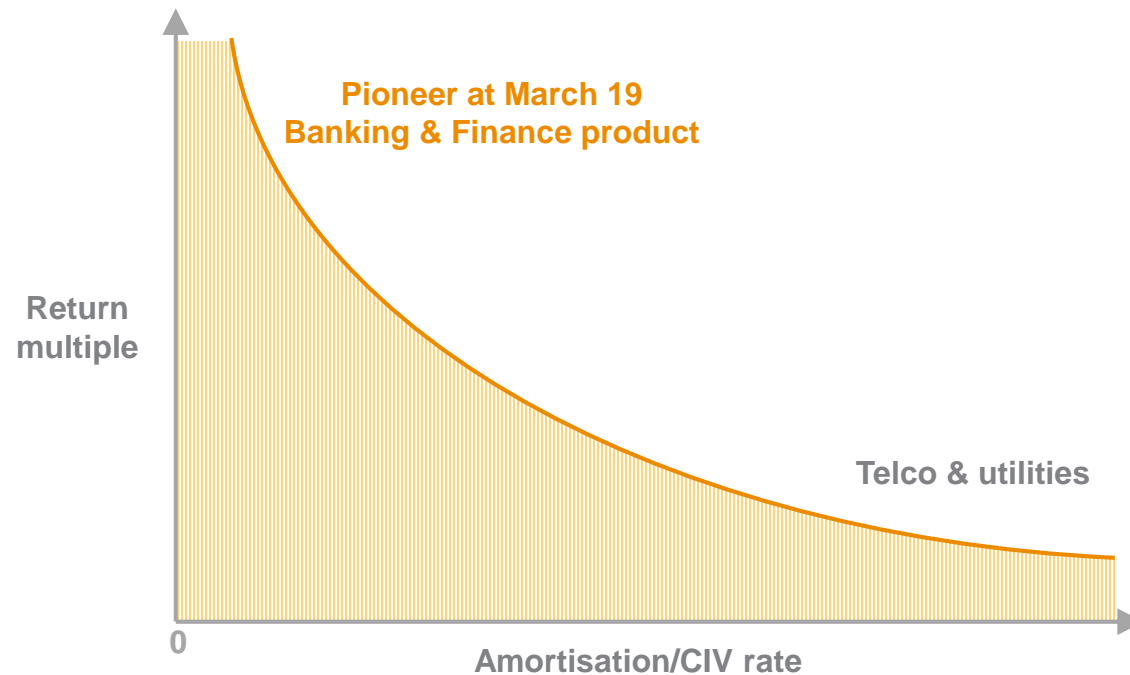
- Pricing principles have not changed
- YTD weighted average price for FY19 is lowest since listing



Notes:
Weighted average investment price excludes low value portfolios and utilities

Product mix drives amortisation/CIV rate

- Pioneer’s portfolio consists primarily of banking and finance products
- Pioneer provides details of the PDPs it buys and the price it pays
 - Required to assess the appropriate amortisation/CIV rate
- PDPs with a higher return multiple and longer duration must have a lower amortisation/CIV rate



	Average face value	Duration (years)
Personal Loans	\$16k	Up to 10
Credit cards	\$10k	Up to 10
Utility	\$2k	1-3
Telco	\$2k	1-3

What happens under AC?

Pursuant to AASB 9:

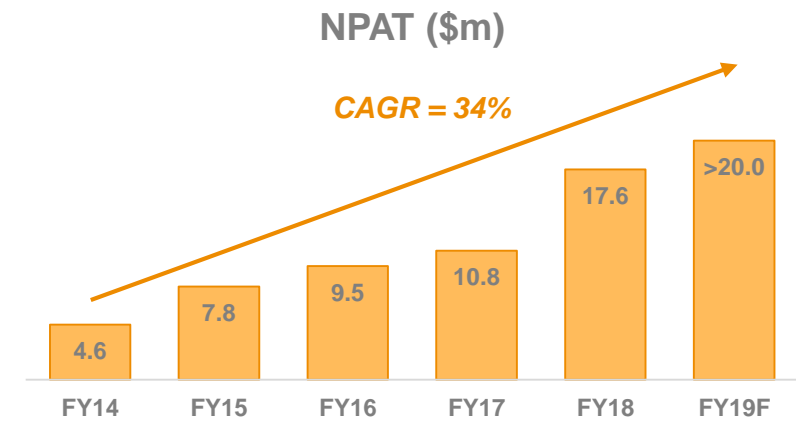
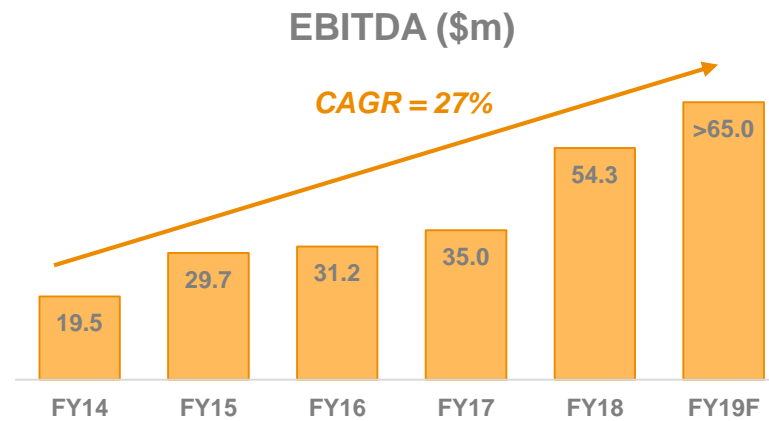
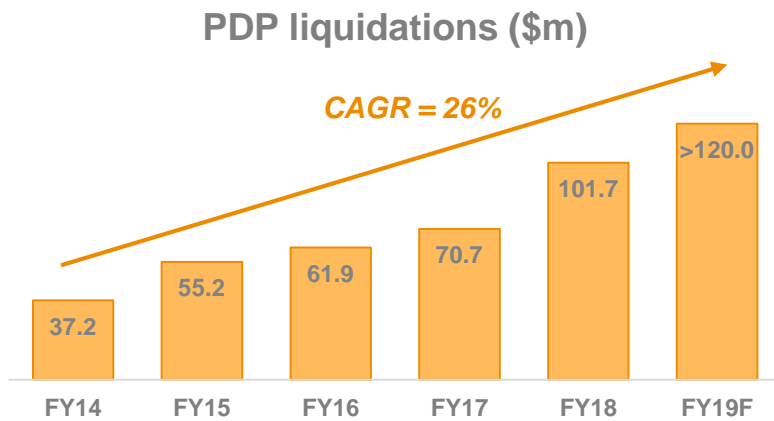
- Re-forecast future cashflows are required every period and normally result in impairment gains and losses
 - Impairment gains and losses must be disclosed separately
- Earnings must be recorded as either total interest earned or net impairment gains
 - Cash received on a fully amortised PDP must be reported as an impairment gain
- Fair Value amount must be disclosed in a way that permits comparability
 - If not provided, under the Standards, the AC amount must be a reasonable approximation of FV
- As detailed analysis continues our preliminary assessment is:
Both methods have the same estimated future cash flows
PDP valuation expected to be similar under AC

Pioneer is compliant with all financier requirements & covenants

- Covenant calculations are based on PDPs valued at fair value
 - Fair Value is required to be measured under both FV and AC
- Covenants are regularly tested and provided to financiers in the normal course of business
- Financiers are fully informed and there are no review events arising irrespective of measurement method
- Expect that in the ordinary course of business, facilities will be renewed when required

Our history of performance

Strong growth in all cashflow measures since listing, with FY19 guidance reiterated



AC	Amortised cost calculated at reporting date using the effective interest rate method under AASB 9
CAGR	Compound annual growth rate
CIV	Change in Value of PDPs held at fair value
EBITDA	Calculated before CIV
EIR	Effective interest rate calculated under AASB 9
Forward flow	An agreement to purchase customer accounts meeting agreed characteristics and price for an agreed term
FV	Fair value through profit or loss under AASB 9
Inventory	An agreement to purchase specific customer accounts on an agreed date
Liquidations	Comprises any cash-flow source from a PDP
NPAT	Net profit after tax
PDP	Purchased debt portfolio
PV	Present value
Weighted average investment price	Paid on PDP investment, excludes low value portfolios and utilities

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