

ASX release

25 November 2019

## 2019 Annual General Meeting

Following is Pioneer Credit Limited's (ASX: PNC) Chairman's Address and AGM presentation for the annual general meeting to be held today at 10 am AWST at:-

Function Centre,  
Level 8, Exchange Tower,  
2 The Esplanade  
Perth WA 6000

### Investor and media enquiries:

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Citadel-MAGNUS  
P: 0413 355 997

### 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.

With a track record of consistent earnings growth, 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](http://www.pioneercredit.com.au)

## 2019 Annual General Meeting – Chairman's Address

Over several years, I have come to know many shareholders personally. Some have been present at many of the AGMs I have chaired both here at Pioneer and at iiNet.

As a director and Chairman this has always been personal. Shareholders are real people, demonstrating faith and trust in making investments that we have a deep responsibility to look after with care and skill.

All shareholders are theoretically equal but your guidance comes from thinking about those people with limited superannuation funds invested in your company. They are depending on you.

It is very rewarding when we do well for these investors and we all feel it when the results are disappointing. Given the challenges we have faced at Pioneer over the last reporting period we have deep empathy for those that feel disappointed. The leadership of this business have a significant holding. Our incentives have always been predominantly equity based and aligned with shareholder interests.

There is no getting around it. We are sorry that our shareholders have had a disappointing period with us.

I therefore want to give you my personal assurance that in the extraordinary confluence of events over these past 12 months the Board of Pioneer has always acted in the best interest of shareholders.

We have been careful and made extensive use of advisors on these key points.

Since Pioneer floated, we have enjoyed strong growth based on high quality customer service.

Any observer of the finance sector will see customer treatment as a major issue. As a business built on care for customers we have a track record of doing the right thing and respectfully taking care of customers.

Our industry-leading compliance record has enabled us to establish, long-term relationships with both vendors and customers.

Of course, like every business, we too have faced challenges. Our consistent approach is to be open and to take responsibility.

In the same vein: it's vitally important that I, as Chairman, be transparent with you, our shareholders.

When we get to the results, you will see that Pioneer has continued its 'weaker first half, strong second half' liquidations performance. This past year was a bit more pronounced than normal. While we finished with a record EBITDA result of over \$63m, the first half was softer than usual.

The directors believe a major issue was the qualification of our accounts.

The timing was unfortunate. In February this year our Auditor advised that we would have our half year financial accounts qualified due to the uncertainty over which accounting method we would use at the full year due in August. The circumstances were complicated.

ASIC had been in discussions with Pioneer during the first half, firstly enquiring as to why the Company preferred the Fair Value method. The Company shared its reasoning, international experiences and advice.

After a number of discussions, and exchange of evidence, ASIC expressed a preference to have Pioneer use Amortised Cost, consistent with others in the sector, but that they believed it would be wise to wait to consider the opinion of independent senior counsel engaged by Pioneer. In the meantime ASIC were prepared to have the Company report Fair Value at the half year.

I want to thank ASIC for the time and the helpful approach that was taken through this. We always felt that ASIC were open to hear all points of view and were clear that our stance was to work with them.

Broadly speaking, there are two ways that companies handling credit impaired assets, PDPs in this case, can report.

From even prior to being publicly listed, Pioneer has taken a lot of expert advice on AC vs Fair Value from leading firms, including our Auditor.

The advice was consistent; it is complicated and the best explanation of our financial reporting was Fair Value Through the Profit and Loss account.

Up until 2019 half year audit, it was a view supported by our Auditor.

In the Half Year Report, our Auditor concluded there was uncertainty about the accounting standard the Company would use at year end and so they qualified the accounts.

In the circumstances, the Company made the decision to change from Fair Value to Amortised Cost.

Changing from classification and measurement involved the construction, interpretation and management of a highly detailed collection of models.

We engaged Deloitte to assist the Company in making the transition and we worked with them to finalise our accounts ready for the auditors.

It was not until our Auditors completed their process, ready for our Audit Committee, that we had visibility of the audit view that lead to the finalisation of our full year accounts. I reiterate, we always kept the market informed based on the information and evidence we had at the time.

One significant outworking of the audit process was the discount rate to be applied which in-turn affects statutory net profit. While the amount and timing of cash flow recognition does not change under either Fair Value or AC, the outcomes of the application of discount rates arising from modelling does change the timing of when a profit is reported.

The Board and Management have always understood that regardless of the method chosen, cash recognition, the ultimate arbiter of truth, remains the same.

These are not simple matters. It involved the application of a new accounting standard, it required modelling of over 900 discrete portfolios, acquired over a 10-year period and hundreds of thousands of individual accounts, each with their own characteristics. We need to remember these are credit impaired accounts, customers that have experienced difficulty in meeting payments quite unlike a group that have borrowed an amount and have made all their regular payments on time.

It took our advisors and Auditors a lot of time and a mountain of analysis to get through. Despite the best efforts of all it was not until late on 23rd August that we were advised that, under AC, it was possible there would be a material difference in the profit we expected and had previously disclosed to the market.

We complied with our continuous disclosure obligations at all times. Accordingly, we informed the market and requested a trading halt, and then suspension, until we were able to release our full year financial results. This was to ensure that a false market did not occur. All information disclosed to the market was made based on the available information to hand at the time and was made promptly and without delay.

We also kept our bankers informed of the eventual material change in profit under AC. This breached one bank covenant and our bankers, acting within their rights, informed us of their intention to issue a breach notice and to review our facilities going forward.

Pioneer's stock remains suspended while the Company works through the issues with its financiers. A further update will be provided by no later than 2 December 2019.

I acknowledge and understand the frustration experienced by shareholders due to the stock being suspended while these issues are worked through.

In parallel, the Company and its advisor Azure had been running a twin process of assessing proposals for change of control and the provision of funding, after the Company was presented with a non-binding indicative offer earlier in the year.

Securing funding has always been a key enabler of our growth strategy as it facilitates the purchase of PDPs. It was therefore prudent for us to consider Pioneer's future capital structure as domestic credit availability began to tighten with the withdrawal of a number of the Big Four banks from financing the sector. Reduced access to bank debt funding, which we understand is being experienced by the whole sector, is not isolated to Pioneer.

In an environment where domestic funding to the sector has been constrained, the Board has undertaken a robust, comprehensive process of soliciting and assessing proposals, from both domestic and international parties, to ensure the best outcome for shareholders.

While we are not in a position to announce today, I can advise that we are in negotiations with multiple parties and expect to finalise a transaction in the near-term. In the coming days we expect to decide on and notify a preferred bidder and then move to a recommended transaction for shareholders that will enable the realisation of value for all.

As I have said previously we are not free of risks. We have to continue to perform, satisfy our financiers and to buy well from our vendor partners, while we complete any transaction.

We assure you, our shareholders, that we will continue to keep you informed of progress and the outcome.

We have an enviable compliance record and a strong customer-centric culture. While from a corporate perspective recent months have been disappointing, intense and stressful, the business has remained focused on achieving good outcomes for our customers. It has and continues to do that and Pioneer remains the only significant purchaser in the market that has never had a negative outcome determination from the Ombudsman. An achievement we are proud of, particularly in the post-Hayne Royal Commission environment.

Pioneer is respected by the companies from which we purchase customer accounts and they trust us to treat those customers well.

The team at Pioneer is extremely proud of the business' foundations and the way we conduct ourselves with all our stakeholders – that includes our customers, our business partners and vendors, our staff and, of course, you: our shareholders.

We again reiterate that you, our shareholders, will be kept informed of any outcomes of our current process.

On behalf of my fellow directors I want to thank our people for their dedication to shareholder, customer and company interests.

Our Managing Director, Keith John has built this business on clearly articulated leadership. I thank you too, Keith, for your unwavering leadership with your staff and for your commitment to customers and shareholders alike.

In closing, I say to you that none of the Board or leadership team are hiding from responsibility. My belief is that this will be one bad year in a long and healthy life of a great business. That is our shared goal.

To our shareholders, we appreciate your support. Through this support Pioneer has successfully and consistently provided high quality, flexible financial services that help customers re-establish their financial independence.

**Investor and media enquiries:**

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# 2019 Annual General Meeting

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

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

**Disclaimer:** This presentation contains information about Pioneer’s activities current as at the date of the presentation and should not be considered to be comprehensive or to comprise all the information that an investor should consider when making an investment decision. This information is provided in summary form and is not considered to be comprehensive or complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should consult with their own legal, tax, business and/or financial advisors in connection with any investment decision.

Any forward-looking statements included in this presentation speak only as at the date of the presentation and undue reliance should not be placed upon such statements. Although Pioneer believes the forward looking statements to be reasonable, they are not certain. To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statement whether as a result of new information, future events or results or otherwise is disclaimed.

Subject to applicable disclosure requirements Pioneer is under no obligation to update any of the forward-looking statements contained in this presentation.


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





# Annual General Meeting Chairman's Address

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# Annual General Meeting Meeting Formalities

# Receive and consider financial report

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To receive and consider the Financial Report, the Directors' Report and the Independent External Auditor's Report of the Company for the year ended 30 June 2019.

# Resolution 1 – Re-election of Ms Andrea Hall

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That Ms Andrea Hall, who retires in accordance with clause 6.1(f)(i)(A) of the Company's Constitution, and having offered herself for re-election and being eligible, is re-elected as an Independent Non-Executive Director of the Company.

# Resolution 1 – Proxy Votes

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For	15,892,986
Open/Usable	210,406
Against	4,271,570
Abstain	15,198

# Resolution 2 – Remuneration Report

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That the Company's Remuneration Report for the financial year ended 30 June 2019 (as set out in the Directors' Report), be adopted.

# Resolution 2 – Proxy Votes

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For	8,692,370
Open/Usable	133,950
Against	4,619,246
Abstain	34,193

## Resolution 3 – Appointment of Auditor

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That, subject to the resignation of PricewaterhouseCoopers as the auditor of the Company, a replacement auditor be appointed to act as auditor of the Company with effect from the close of this meeting, with such replacement auditor having been nominated by a shareholder and advised to all shareholders at least 21 days prior to this meeting.



# Resolution 3 – Proxy Votes

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For	16,212,730
Open/Usable	219,811
Against	3,540,111
Abstain	417,508

# Meeting Poll



# Managing Director's Presentation

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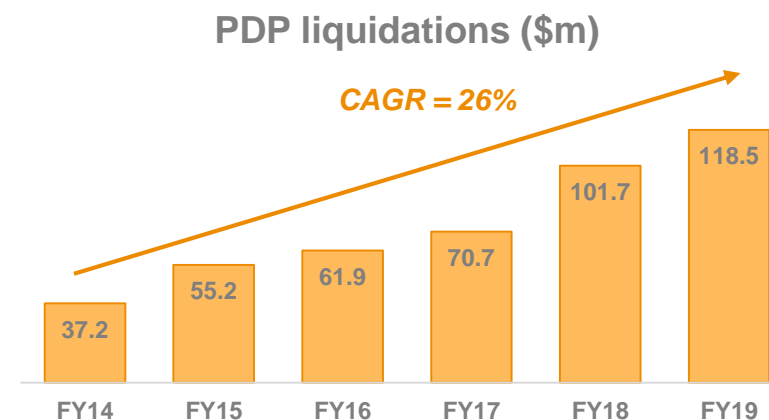
# Our culture is our difference

Pioneer Principles drive great outcomes for all stakeholders



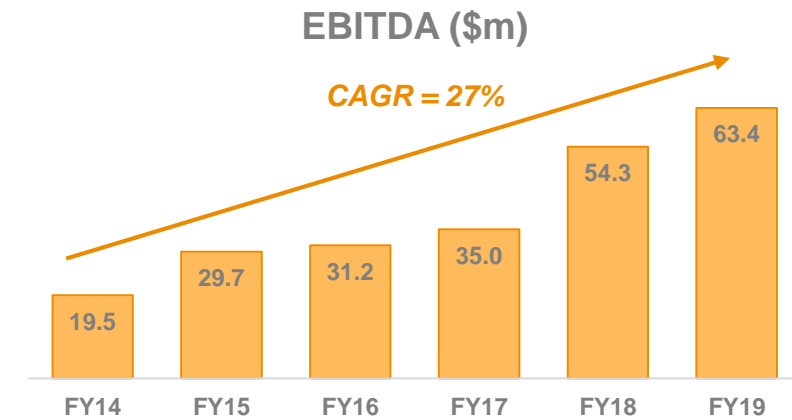
## PDP liquidations and operational excellence drive record cash generation

Profit and Loss	FY18	FY19	
Liquidations of purchased debt portfolios	\$101.7m	\$118.5m	16.5%
Amortisation of PDPs at AC	-	(\$47.3m)	-
Change in value of PDP at FVTPL	(\$23.9m)	-	-
<b>Net earnings from PDPs</b>	\$77.8m	\$71.2m	<b>(8.4%)</b>
Legal Services and other income	\$3.7m	\$4.1m	10.2%
Revenue and other income as reported	\$81.5m	\$75.3m	(7.6%)
<b>EBITDA</b>	\$54.3m	\$63.4m	<b>16.7%</b>
<b>NPAT</b>	\$17.6m	\$4.3m	<b>(75.7%)</b>



Strong operational performance reflected in increased liquidations

Cash flow	FY18	FY19	
EBITDA	\$54.3m	<b>\$63.4m</b>	<b>16.7%</b>
Gross operating cash flow	\$58.0m	<b>\$65.6m</b>	<b>13.0%</b>
Gross operating cash flow / EBITDA	107%	<b>103%</b>	-
Net cash inflow from operating activities	\$45.5m	<b>\$47.1m</b>	<b>3.5%</b>
PDP investments	(\$84.4m)	<b>(\$76.6m)</b>	<b>(9.2%)</b>
Net proceeds of financing	\$48.0m	<b>\$45.3m</b>	<b>(5.5%)</b>
Dividends paid	(\$7.3m)	<b>(\$7.5m)</b>	<b>2.8%</b>



		Pioneer's competitive advantage
<b>Our culture</b>	<ul style="list-style-type: none"> <li>• Inclusive and empowering</li> <li>• Embedded in values for all stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>✓ Pioneer Principles</li> </ul>
<b>PDP selection</b>	<ul style="list-style-type: none"> <li>• Strict investment discipline</li> <li>• 'Tier 1' portfolios</li> </ul>	<ul style="list-style-type: none"> <li>✓ Analytics drives selection of lower risk portfolios</li> <li>✓ Preferred by vendors - <b>no default ever on a PDP agreement</b></li> </ul>
<b>Vendor brand protection</b>	<ul style="list-style-type: none"> <li>• Relationship management, customer-centric service</li> <li>• <b>No payday</b> portfolios</li> </ul>	<ul style="list-style-type: none"> <li>✓ Trusted brand and reputation</li> <li>✓ <b>Unique unblemished compliance record</b></li> </ul>
<b>Process and customer relationship</b>	<ul style="list-style-type: none"> <li>• Enable our customers' ability to pay</li> <li>• Focus on growing our customers' financial capacity</li> </ul>	<ul style="list-style-type: none"> <li>✓ Predictable liquidations</li> <li>✓ <b>NPS +11</b> evidences positive customer experience</li> </ul>
<b>Liquidation profile</b>	<ul style="list-style-type: none"> <li>• Liquidation profile up to 10 years</li> </ul>	<ul style="list-style-type: none"> <li>✓ Flexible payment schedules</li> </ul>
<b>Long term incentives</b>	<ul style="list-style-type: none"> <li>• Vesting over 3 to 5 years</li> </ul>	<ul style="list-style-type: none"> <li>✓ Executives aligned to shareholder wealth creation</li> </ul>

- Maintained our unique, unblemished compliance record in changing and challenging regulatory landscape
  - No negative outcome;
  - No reportable systemic issue; and
  - No enforceable undertaking
- Our conciliatory approach has resulted in all customer complaints resolved by agreement<sup>1</sup>
- We continue to invest in our compliance framework
  - Increased compliance team by 50% since December 2018
  - Continued focus on compliance training throughout the Company
  - Developing key relationships with all stakeholders
- Our ethical approach to collection activity is aligned to financial industry changes demanded by consumers
  - Lowest number of Bankruptcy applications (4 only) of all compared businesses since 2015/2016<sup>2</sup>

Notes:

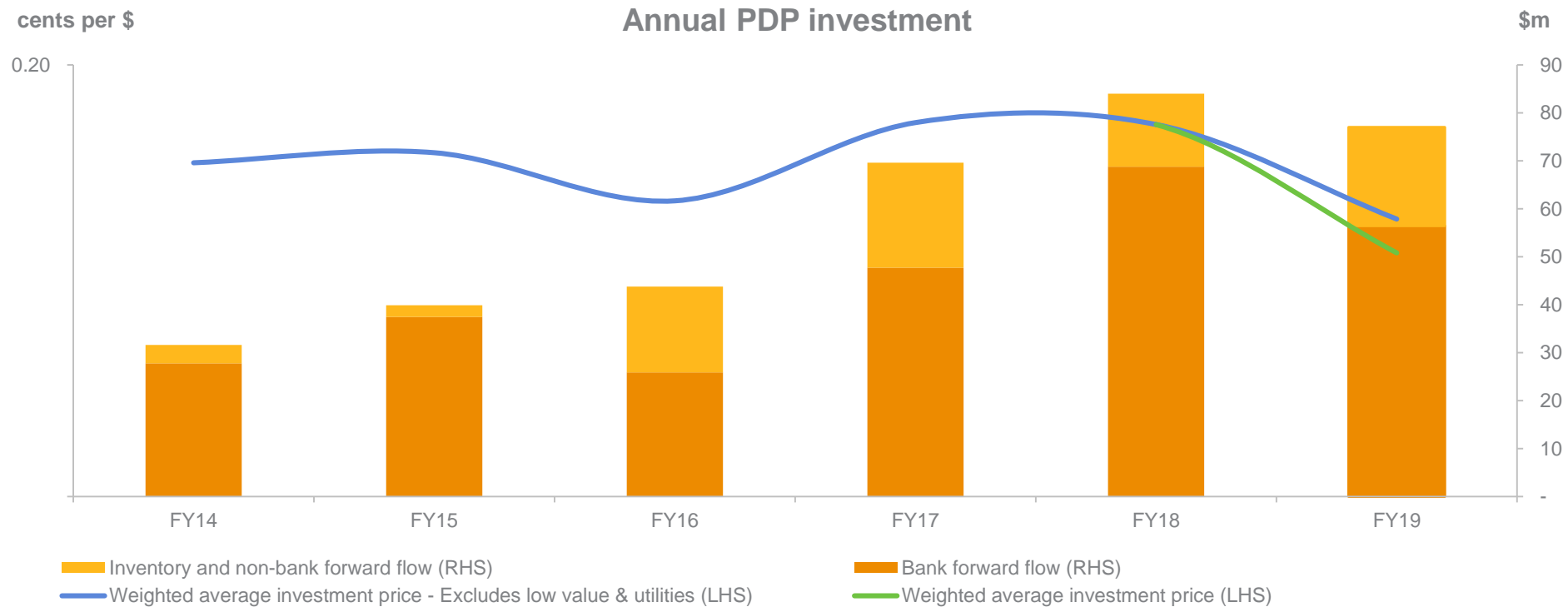
1. AFCA Comparative Report 1 November 2018 to 30 June 2019

2. *Who is making Australians bankrupt?* report dated 13 August 2019 by Consumer Action Law Centre (Consumer Action), Financial Counselling Australia (FCA) and Financial Rights Legal Centre (Financial Rights)



# Weighted average price for FY19 is lowest since listing

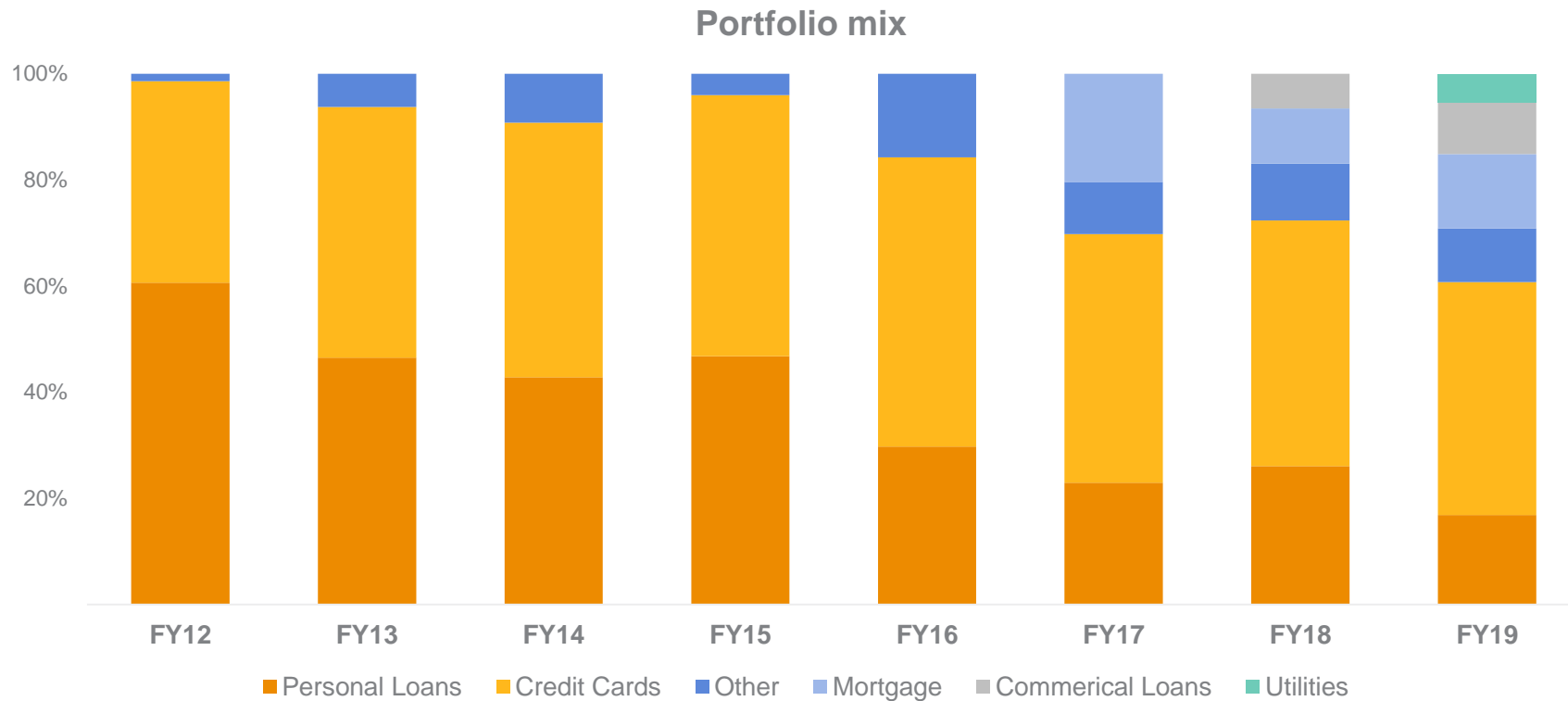
Pioneer has achieved solid pricing and product diversification as investment stabilised



# Pioneer has achieved Tier 1 debt product diversification

## Changing product mix aligning to strategic opportunities

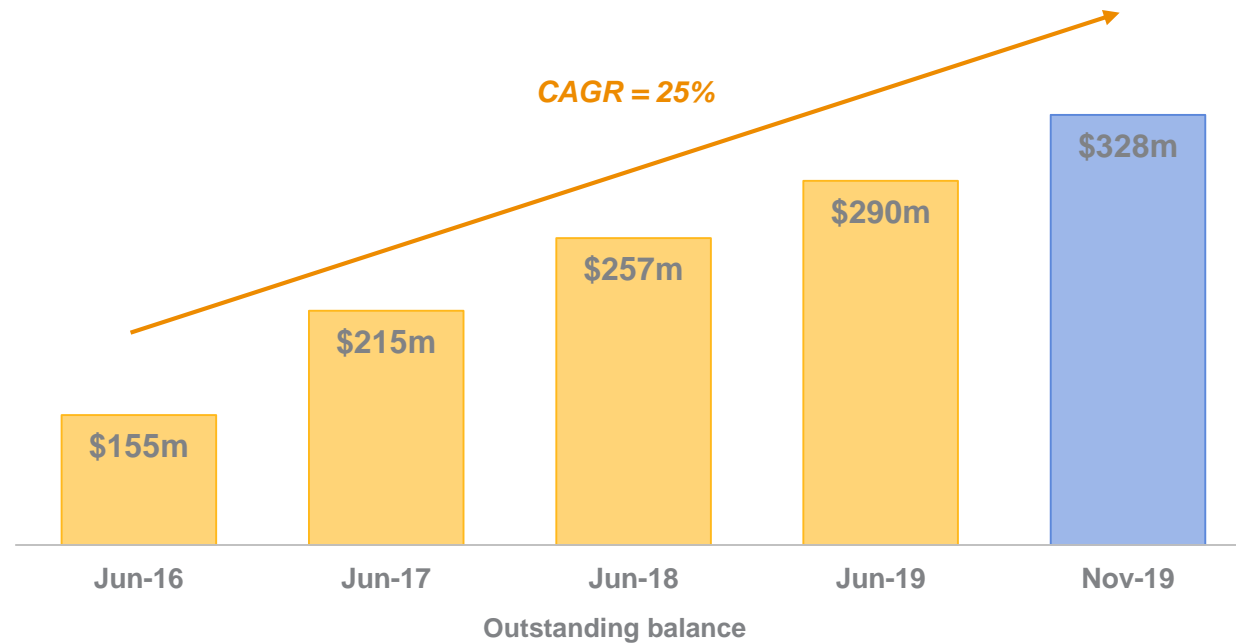
- The introduction of these newer products introduce diversified collection strategies and recovery tenors



# Continued improvement across arranged payment portfolio

Sustainable arrangements lead great customer outcomes

### Growth in PA book



### PA book metrics



**23,365**  
customers



**3.36%**  
>30 days in arrears



**2.3 years**  
average existing relationship



**\$251**  
average monthly payment  
@ Jun-19: \$238  
@ Jun-18: \$231

# Pioneer has contributed over \$1m to our community since IPO

## Our Partners include



WA Children's Charity



Children focused Charity



Initiative that raises funds to support cancer research



Children's charity



Sponsorship to create moments of joy and comfort for hospitalised kids and their families



24 hour telephone crisis support service



Research focused to cure Sanfilippo Syndrome



Pioneer's own community-based volunteer program

## A market of increasing opportunity for a disciplined Pioneer

- Pioneer's strong vendor relationships continue to expand and provide opportunities for investment growth
- Opportunities exist to enter into new segments now including telecommunications
  
- Current PDP investment (completed and contracted) forecast at \$63m
- FY20 Liquidations to October 2019 +10% year on year to \$34.35m
- FY20 Liquidations guidance to be updated upon completion of change of control and financing process

## **Keith R. John**

Managing Director

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## **Leslie Crockett**

Chief Financial Officer

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## **Sue Symmons**

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