

Pioneer raises A\$11.35m via share placement and acquires major portfolio, upgrades FY22 guidance

- **A\$11.35m raised through Institutional and Sophisticated Investor Placement at premium to share price**
- **\$5m cornerstone investment from existing substantial investor James Simpson, co-founder Platinum Asset Management**
- **Priority Shareholder Offer to follow**

Pioneer Credit Limited (**'Pioneer'** or **'the Company'**) is pleased to announce the completion of an A\$11.35 million placement (**'Placement'**).

The capital raise coincided with Pioneer's appointment as the preferred buyer of a significant portfolio, comprised largely of performing assets. The portfolio will be acquired for ~\$38.5m, growing Pioneer's Performing Arrangements (PA) portfolio by 15% to \$458m, including \$30m (face value) of other accounts.

All accounts within the portfolio, consisting of ~9,550 customers with a face value of ~\$85m, have originated from a Big 4 bank or financial services group ensuring high quality customers.

The equity raise will fund part of the purchase price of the portfolio, with an additional ~\$28.5m to be provided under an increased senior debt facility with the Company's funders.

Pioneer Managing Director, Keith John said: "At the half year we titled our presentation 'Primed for Growth'. Our team has worked incredibly hard for a long time to position Pioneer to take advantage of some unique opportunities that will arise in the market from here. This portfolio acquisition is the first of those, and one which we expect to immediately improve the economics of the business."

In addition to the above, the Company will use every dollar of liquidations received from this portfolio to pay down its debt facilities, a move that will quickly deleverage Pioneer, improve its balance sheet and better position it for future transactions and other opportunities.

The Placement received strong support from existing investors including substantial shareholder, Mr James Simpson, co-founder of Platinum Asset Management, who was the cornerstone investor of the raise with \$5m. This follows Mr Simpson's earlier investment of

\$2m in November last year. Pioneer also welcomes numerous new investors to its register, and the return of several institutional investors.

The issue price for the Placement Shares was \$0.55 per share, representing a premium of 6.8% to the last traded share price of \$0.515 on Friday 4 March 2022. With 20,636,363 fully paid ordinary shares (**'Placement Shares'**) to be issued and, subject to receipt of shareholder approval, Placement participants will receive an attaching 1-for-1 option at an \$0.80 exercise price, expiring on 31 March 2025 (**'Option'**). Placement Shares will rank equally with existing Pioneer fully paid ordinary shares.

The issue of the Placement Shares utilises the Company's full capacity under ASX Listing Rules 7.1 and 7.1A.

Mr John said he was pleased with the result which occurred in a challenging market.

"Given the uncertainty in the world markets, today's result is exceptional and reflects the reputation of, and belief in, Pioneer's leadership and the strength of Pioneer's underlying business," Mr John said.

"The acquisition of this portfolio is a substantial growth driver for Pioneer and will add a significant value uplift to the Company's financial position with liquidations expected to increase immediately and the Company's PA portfolio to be uplifted by approximately 15% and, off the back of this acquisition, Pioneer has now upgraded its guidance for FY22."

The Company is now pleased to provide its updated guidance to the market:

Guidance	1HFY22	Previous FY22 Guidance	Upgraded FY22 Guidance
Liquidations	\$48.6m	> \$105m	> \$110m
PDP Investment	\$23.7m	> \$41m	> \$74m
EBITDA	\$25.1m	> \$59m	> \$64m
NPAT	(\$22.9m)	> \$1.5m	> \$2.9m

Priority Shareholder Offer

Following the completion of the Placement and subject to the receipt of shareholder approval, Eligible Shareholders¹ will have the opportunity to participate in a Priority Shareholder Offer to raise up to \$5 million (**'Priority Offer'**). The Priority Offer will be conducted on the same terms as the Placement and Eligible Shareholders will have the opportunity to apply for Shares and Options without incurring broker or transaction costs.

Further details of the Priority Offer will be contained in a prospectus (**'Prospectus'**) to be despatched in accordance with the timetable below.

Subject to shareholder approval, the Placement Options will also be offered under the Prospectus, with the intention that the Options be listed, subject to meeting ASX quotation requirements.

"We appreciate the support our shareholders have provided us over the past few years in particular, and it is pleasing to be able to offer them the opportunity to further invest in Pioneer's future on the same terms offered to institutional and sophisticated investors", Mr John added.

Shareholder Approval

A general meeting of shareholders is anticipated to be held on or about 28 April 2022 to approve the following:-

1. issue of the Placement Shares;
2. issue of Shares under the Priority Offer;
3. issue of Options under the Placement and Priority Offer;
4. participation by Directors in the Priority Offer; and
5. refresh the Company's share capital.

Indicative Timetable

Below is the indicative timetable for the completion of the Placement and the Priority Offer.

Indicative Timetable	
Record Date for the Priority Offer	Tuesday 15 March 2022
DVP Settlement of New Shares issued under the Placement	Tuesday, 15 March 2022
Issue and normal trading of New Shares issued under the Placement	Wednesday, 16 March 2022
Despatch of Notice of Meeting	On or around Tuesday, 29 March 2022

¹ Eligible Shareholders are those registered in Australia, New Zealand, Hong Kong and Singapore on the Company's share registry on the record date of 15 March 2022.

Prospectus lodged with ASIC & ASX	On or around Wednesday, 6 April 2022
Opening Date for Priority Offer	Thursday, 7 April 2022
General Meeting	On or around Thursday, 28 April 2022
Closing Date for Priority Offer	Friday 29 April 2022
DVP Settlement of any New Shares issued as a result of Oversubscriptions	On or around Tuesday, 3 May 2022
Issue of shares issued as result of Priority Offer and Placement Options	On or around Wednesday, 4 May 2022
Quotation of Listed Options (subject to ASX approval)	On or around Friday, 6 May 2022

All dates & times are indicative only and in AEDT. The Company reserves the right to vary these times and dates without notice, subject to the ASX Listing Rules..

A copy of the investment overview 'Payment Arrangement Portfolio Transaction' made to investors follows.

Authorised by:
The Board of Directors

Investor and media enquiries:

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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

9 March 2022

Performing Arrangement Portfolio Transaction

Investment Overview



Executive Summary

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Pioneer has been appointed the preferred buyer of a Performing Arrangement ('PA') Portfolio for an investment of \$38.5m

1.	Portfolio consists of ~9,550 Big 4 bank and International lender customers, with a face value of \$85m
2.	Pioneer has excellent experience in acquiring and servicing performing assets
3.	Portfolio return forecast of ~1.8x investment with lifetime liquidations of \$68.5m, representing a Net IRR of at least +13%
4.	Provides a step change in Pioneer's scale, with a significant increase in liquidations (+\$10.6m in FY23), against a marginal cost increase - reducing Cost to Service ('CTS')
5.	The investment results in a significant uplift to the Company's existing PA Portfolio, increasing by ~15% from \$400m to ~\$458m
6.	Fortress Investment Group will upsize the Senior Debt Facility with a commitment of up to \$40m
7.	Provides a low-risk path to deleverage quickly, with all liquidations generated from the Portfolio paying down the facility used for this investment
8.	\$11.35m equity raise to support this transaction is cornerstoned for \$5m by a current substantial shareholder
9.	The deal aligns to Pioneer's long-term strategy, and provides a platform for growth across further PDP acquisitions and M&A opportunities

Pioneer leveraged its high-quality on-book Banking & Finance customer accounts to price the Portfolio

FORECAST RETURN

- The opportunity is split into two key segments,
 - PA's and Broken Arrangement's ('BA's')
- Portfolio return forecast of ~1.8x investment with lifetime liquidations of \$68.5m
- As the PA Portfolio remains on active arrangements, Pioneer used the outstanding balance, instalment amount, instalment frequency and interest rate to forecast a liquidation profile. A cautious break rate of 3.5% was then applied to the final cash flows
- Similar on-book Banking & Finance customer accounts subject to BA's were leveraged to forecast the BA Portfolio's
 - To reflect the BA Portfolio, Pioneer also included an inventory Portfolios (credit cards and personal loans) which has similar characteristics
- Forecast returns are in line with those achieved for the comparable Portfolio highlighted on **slide 5**

PORTFOLIO COMPOSITION

- Portfolio composition is aligned to Pioneer's expertise, with 99% of the Portfolio consisting of either credit card or personal loan products
- Customers in the Portfolio have shown strong ability to make repayments, with all customers previously entering a PA, supporting Pioneer's PA Strategy
 - The payment history provided shows strong propensity to pay, with payments dating back to 2010
- The outstanding balance of the customer accounts is in the range of Pioneer's best performing credit card and personal loan products
- ~80% of the Portfolio has made a payment in the last 90 days

Price at low end of range, showing 13% Net IRR reflecting a meaningful return for a low-risk Portfolio

Investment Rationale

The acquisition of these Portfolios is a substantial growth driver for Pioneer and adds a significant value uplift to the Company's financial position. The investment will:

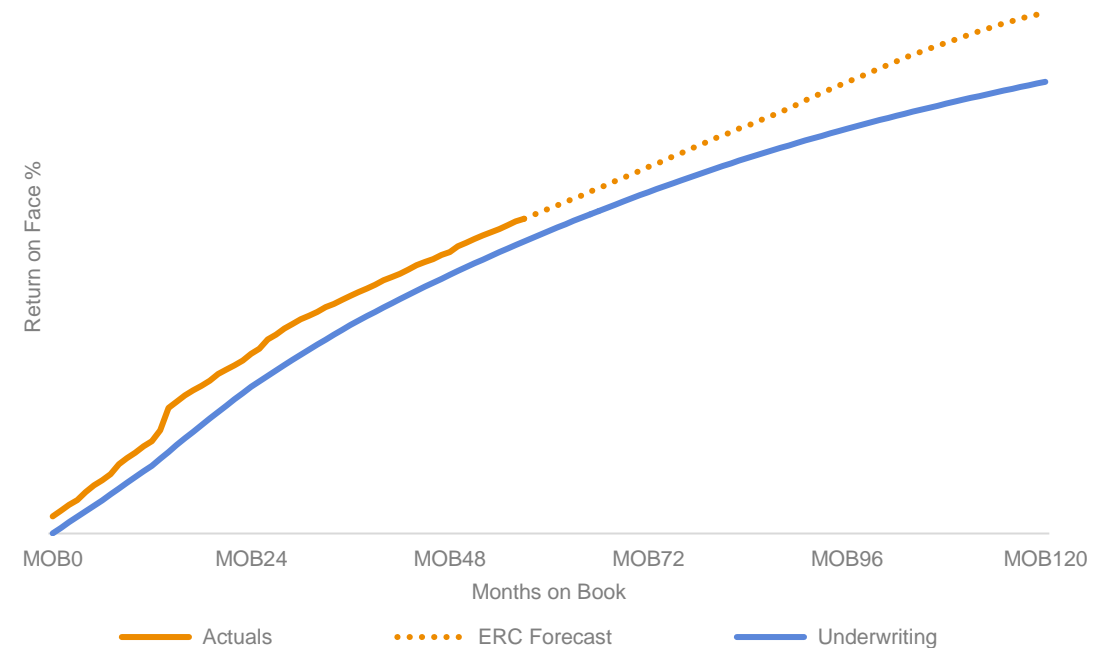
- Result in a significant uplift to Pioneer's PA Portfolio, which provides a stable long-term sustainable income stream
 - Increase in the PA balance by ~15% from \$400m to ~\$458m
- Produce strong returns, in a low-risk setting, as the majority (82% of investment) of the Portfolio is performing in nature
- Provide a step change in Pioneer's scale, with a significant uplift in liquidations (+\$10.6m in FY23), against a marginal cost increase - reducing overall CTS
- Provide Pioneer with a low-risk path to deleverage
 - All liquidations generated from the Portfolio will amortise against the facility used to finance this investment
 - Net Equity improvement, and deleveraging, will facilitate Pioneer's ability to take advantage of further debt and M&A consolidation opportunities
- Strengthen market position and demonstrate the ability to execute large Portfolio transactions, with similarly sized opportunities expected in CY22 & CY23
- Be supported by demonstrated success in acquiring, transitioning, and implementing large PA Portfolios into the Operation

Experience with a similar Portfolio to this transaction, which has outperformed forecast returns

HISTORICAL PA PORTFOLIO INVESTMENT

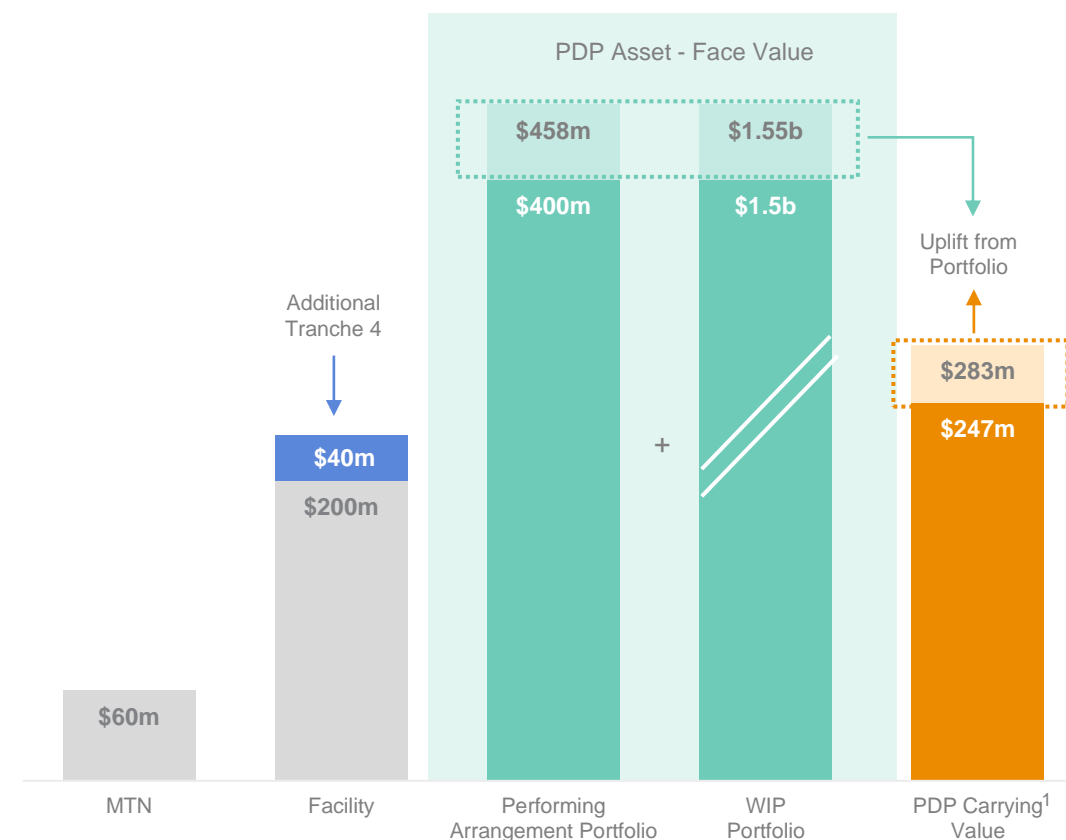
- Pioneer invested in an inventory Portfolio similar in nature to this opportunity in terms of construct and expected returns
- The performance demonstrates Pioneer's ability to operationalise a large Portfolio:
 - Portfolio of ~\$74m face value
- Since investment, the Portfolios have performed above expectations (orange line) exceeding underwriting ('U/W') (blue line) set at investment.
- Based on the PDP valuation model outputs, the overperformance to U/W is expected to continue. The Estimated Remaining Collection's ('ERC') of each Portfolio (orange dotted line) continuing to exceed U/W
 - ERC is derived from actual performance, updated at each valuation period, and audited by Deloitte

PERFORMANCE



Pioneer's Senior Debt Facility will be upsized through Tranche 4, supported by \$11.35m equity with ability to take over subscriptions up to max \$15m

SENIOR DEBT FACILITY	
Structure	<p>Pioneer's senior lender Fortress Investment Group has reviewed the transaction independently, and will provide an additional Tranche 4 to the Senior Facility, on substantially the same terms:</p> <ul style="list-style-type: none"> Commitment Amount of up to \$40m Rate & Fees: As per the existing facility All liquidations from the acquired Portfolio will be swept to cover costs and amortise Tranche 4, reducing total indebtedness and leverage quickly All other terms as per the existing facility
EQUITY ISSUE	
Details	<p>Pioneer is undertaking a capital raise as a Placement ('Placement') as follows:</p> <ul style="list-style-type: none"> Placement to raise \$11.35m at an Offer price of \$0.55 per share under the Company's ASX Listing Rule 7.1 capacity Placement will be cornerstoned for \$5m by a current substantial shareholder The maximum amount that can be raised at \$0.55 per share under the Company's ASX Listing Rule 7.1 capacity is ~A\$11.35m (Placement 1) with amounts raised in excess (Placement 2) subject to shareholder approval at a General Meeting The Placement(s) include attaching Options ('Placement Options') on the basis of one option for each share purchased, exercisable at \$0.80 per share and expiring on 31 Mar-25



Note:

1. PDP Carrying value forecast as at 30 Jun-22

Upgraded FY22 Guidance

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This transaction provides increased scale, cash flow certainty and a low-risk path to deleverage

PROFORMA

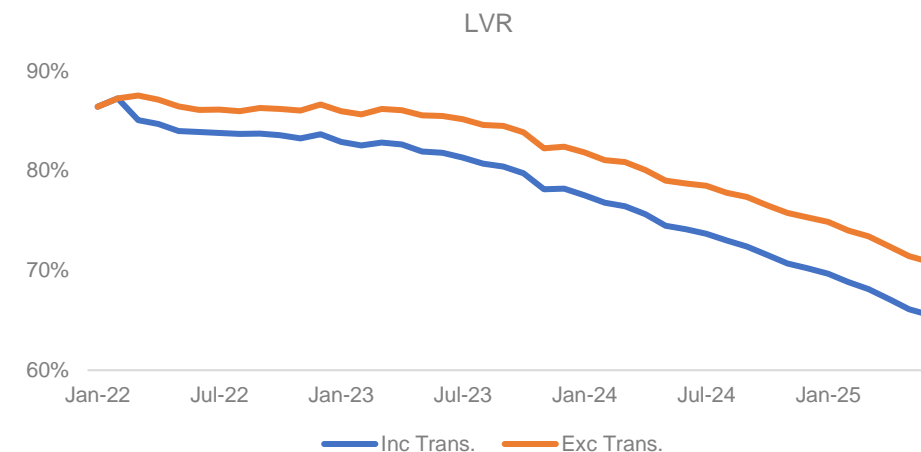
(\$'000)	Dec-21 (Exc Trans.)	FY22 (Exc Trans.)	FY22 (Inc Trans.)	Increase Post-Acquisition
Liquidations	48,595	105,042	110,942	5,901
Total Revenue	48,891	105,707	111,607	5,901
Expenses	(23,805)	(46,641)	(47,415)	(774)
EBITDA¹	25,086	59,066	64,193	5,127
NPAT ²	(22,860)	1,507	2,939	1,433
Cash	7,600	14,947	15,353	406
PDP Carrying Value	252,267	246,903	283,058	36,155
Net Assets	35,859	59,372	70,505	11,133
Borrowings	219,359	220,448	245,264	24,816
EPS ³	(0.28)	0.02	0.03	0.01
Issued Capital	81.5m	82.6m	100.8m	18.2m

Notes:

1. Excludes the non-cash amortisation charge of the Portfolio
2. Includes Deferred Tax Asset of \$22.1m not yet recognised, expected to be at 30 June 2022
3. Assumes \$10m in new equity raised

PERFORMANCE UPLIFT

- The acquisition of the Portfolio will provide significant value uplift, drive growth and progress balance sheet deleveraging. The investment will:
 - Provide a step change in Pioneer's scale, with a significant uplift in liquidations (+5.9m in FY22), EBITDA (9% in FY22) and EPS (60% in FY22), against a marginal cost increase - reducing overall average CTS
 - Provide net equity improvements through deleveraging. All liquidations generated from this Portfolio will pay down the new debt facility used to finance this investment
 - Group LVR reduces from 86% in Dec-21 to 84% in Jun-22 (reduction to less than 65% in Jun-25), with opportunity to outperform based on performance, execution of strategic initiatives and PDP acquisition



Appendices

Capital Raising Overview

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INSTITUTIONAL PLACEMENT

Placement Structure & Size	<ul style="list-style-type: none">• Institutional Placement to raise gross proceeds of \$11.35m<ul style="list-style-type: none">○ Approximately 21m New Shares to be issued under the institutional and sophisticated investor placement
Placement Price	<ul style="list-style-type: none">• The Placement will be conducted at the fixed price of A\$0.55 per New Share ('Placement Price'), representing a premium of:<ul style="list-style-type: none">○ 6.8% to the last close price of A\$0.515 on, Friday 4th March 2022○ 5.0% to the 10-day VWAP of A\$0.524 up to and including Friday 4th March 2022
Attaching Options	<ul style="list-style-type: none">• For each New Share issued in the Placement one attaching option will be issued. The options are exercisable at \$0.80 per share and will expire on the 31st March 2025• The issue of options is subject to shareholder approval at an GM which is expected to be held late April• Subject to the ASX's Quotation requirements, Pioneer will apply to the ASX for official quotation of the Options
Ranking	<ul style="list-style-type: none">• New Shares Issued under the Placement will rank equally with existing fully paid shares from the date of issue
Use of Funds	<ul style="list-style-type: none">• \$11.35m to settle the acquisition of the PA Portfolio and any additional funds allocated toward working capital

PRIORITY OFFER

Terms	<ul style="list-style-type: none">• Priority Offer to existing shareholders of ordinary shares at \$0.55 to raise up to \$5m with a free attaching option on same terms as Placement, launch date TBC<ul style="list-style-type: none">○ Offer of shares and options made by Pioneer under a s713 prospectus which will also incorporate the Placement options○ Offer available to Australian shareholders○ No maximum individual application size, Pioneer to endeavour to provide a minimum allocation to applicants subject to demand○ Objective of providing three weeks for holders to subscribe, noting the 7-day exposure period on the options prospectus○ Approval sought for placement of shortfall to Directors and refreshment of placement capacity
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Indicative Timetable

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Details	Date ¹
Trading Halt & Placement Bookbuild Opens	Pre-Market Monday, 7 March 2022
Placement Bookbuild Closes	1.00pm AEDT Tuesday, 8 March 2022
Announcement of results of Placement & Trading Halt lifted	Wednesday, 9 March 2022
Settlement of New Shares issued under the Placement	Tuesday, 15 March 2022
Allotment and normal trading of New Shares issued under the Placement	Wednesday, 16 March 2022
GM to Approve issue of Options	Thursday, 28 April 2022
Issue of New Options	Wednesday, 4 May 2022
Quotation of Listed Options (subject to ASX approval)	Friday, 6 May 2022

Note:

1. The dates above are indicative only and may be subject to change