

ASX Announcement

30 September 2019

Pioneer reports 2019 Full Year Results

Pioneer Credit Limited (ASX: PNC) ('Pioneer' or 'the Company') announces its full year results for the period ended 30 June 2019, adopting the Amortised Cost (AC) methodology of accounting for the measurement of its Purchased Debt Portfolio (PDP) for the first time.

The application of AC to more than 900 PDP's acquired by the Company over the past 10 years has been complex, most notably changing the timing of when earnings are recognised in the Company's accounts. The transition to AC has resulted in the Company reporting a Net Profit after Taxation (NPAT) of \$4.3 million for the period.

While there has been an impact to NPAT under AC, the Company advises there has been no diminution in the Total Expected Liquidations of its PDPs, which captures the expected timing and receipt of forecast cash flows. Rather, there has been an increase in the discount rates used to derive the present value of the Company's cash flows, which determines the carrying value of its PDP, and subsequently its NPAT.

The Company reported record PDP liquidations of \$118.5 million, up circa 17 per cent on the prior corresponding period (pcp). A strong performance in liquidations was driven by the Company's increased focus on the back book with contributions from accounts older than one year accounting for 51% of FY19 liquidations, clearly demonstrating the ability to liquidate consistently across the portfolio in a year when PDP purchasing was \$76.6 million.

The Company reported EBITDA of \$63.4 million for FY19, up circa 17 per cent on the pcp and representing a Cumulative Annual Growth Rate (CAGR) of 27 per cent over the past 5 years. The Company has reported a \$249.8 million carrying value of its PDPs at AC which includes \$92.7 million (carrying value) of current PDPs to be realised in cash over the next 12 months.

Chairman Michael Smith acknowledged the events associated with transitioning to AC over the past nine months had been tumultuous for shareholders and staff.

"Despite a disappointing NPAT outcome due to the application of Amortised Cost to our portfolio, we are pleased with the growth metrics not impacted by the accounting change, in particular the record EBITDA and cash liquidations, which have continued strongly through the start of FY20, allowing for continued PDP investment," Mr Smith said.

"The Company's business fundamentals remain strong. We are achieving an enviable Net Promoter Score, evidencing the excellent outcomes we are achieving for our customer base. These customer outcomes and our disciplined approach to PDP investment position the company for consistent and continued growth over the long term."

Managing Director Keith John said the Company had successfully diversified its product mix of Tier 1 PDPs through strong purchasing relationships with a number of new vendors commencing with the Company through the period.

“Pioneer is now purchasing PDPs at the lowest weighted average price since before the Company’s listing in 2014. We continue to hold and invest in a quality portfolio that is diversified across debt product and maturity,” Mr John said.

Financing

As previously announced, the difference in the Company’s NPAT for the period flowed to the calculation of Earnings Before Interest and Tax (EBIT) which caused a breach of the interest cover financial covenant under the Company’s Senior Financing Facility and a cross default to the Medium-Term Notes (“Notes”).

The Company also remained voluntarily suspended from trading on the ASX for more than five consecutive trading days, resulting in a default under the Senior Financing Facility and the Notes.

As the Company advised on 24 September 2019, Pioneer has entered into a Standstill Agreement with its Senior Financiers which provides time for the Senior Financiers and the Company to continue discussions.

Concurrently the Company has appointed Azure Capital to assess proposals received for the realisation of the value of its assets, including change of control proposals, or for the provision of either additional or alternative funding. This process, while still in its early stages, has led to significant levels of interest in evaluating a potential transaction with the Company.

Mr Smith said the Directors are focused on appropriately realising value for shareholders.

“The Company has a strong market position due to its servicing approach and continues to fund its PDP forward flow commitments in a sustainable manner from cash flow. Liquidations have started well in FY20 and since the beginning of July there has been a number of approaches from existing and new vendors to sell additional portfolios to the Company, which we expect to capitalise on post the conclusion of the Azure Capital process.” Mr Smith said.

Capital Management

The Company has announced it will not declare a final dividend for this reporting period and, with the assistance of its advisors, is reviewing its capital management plan. The Company expects to update shareholders on the plan when it resumes trading on the ASX.

AGM

The Company advises that its Annual General Meeting will be held at 10:00am on Monday 25th November 2019 and that the Notice of Meeting will be provided to shareholders in due course.

ENDS

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.

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