

ASX release

31 October 2023

2023 Annual General Meeting – Chairman's Address

Thank you for joining Pioneer Credit Limited's 2023 Annual General Meeting which is being held as a live webcast. My name is Peter Hall, and I will be your Chairman today. Our Board Chair, Steve Targett, is online, and has requested that I deliver this address on his behalf.

Throughout today, and in fact every day, your Board and Executive welcome your feedback. Today we hope that you will feel encouraged to participate fully in our AGM by raising questions and having your queries discussed easily.

As promised to you this time last year, Pioneer returned to profitability in FY23.

While a small profit, it represents a \$33.3m turnaround in only a 12 month period and reflects our continued disciplined approach to investment, cost management and the development of the skills and experience of our people. Of course, this result was achieved in a period with dramatically higher funding costs for the Company and your Board are proud of what has been achieved.

The key financial highlights for FY23 were:-

- Cash collections up 24% on the prior period to \$132.6m
- EBITDA up 42% to \$86.1m
- EBIT up more than 100% to \$31.2m
- NPAT up more than 100% to \$0.2m

These results reflect a strong operational performance and the positive contribution from historical portfolio investments, including the significant investments we made in late FY22. The strong alignment of the remuneration of our Company's leadership and executive, where no-one ever receives a short term incentive, supports the exceptional discipline the team displays into the way it invests our collective capital into Purchased Debt Portfolios each year. We have had two years now of investing at better than what would ordinarily be acceptable returns. We expect this trend to continue for some time and for these investments to significantly contribute to FY24 performance and beyond. Importantly our discipline is matched with an exceptional focus on good customer outcomes, and an alignment to protecting our vendor partners' brands. And, of course, we do not offer any competing products to our vendor partners. These are features of our Company that are valued by vendors and it's because of our unique proposition as a debt purchase partner that we see significant opportunity for our business.

In FY23 your Executive had 5 key deliverables which were:

- A return to profitability of the business
- To capitalise on opportunities to grow our Purchased Debt Portfolios

- To grow the Payment Arrangement (PA) portfolio, which at some \$460m underpins much of our financial performance
- To realise our operational leverage and reduce our Cost to Service
- And importantly, to thrive under increased regulation, which has been a feature of our industry for some years now, and which we should expect will continue.

I will briefly comment on our performance against each of those deliverables.

Return to Profitability – The Company achieved a small profit for the year in a period in which interest rates increased dramatically and unexpectedly. As I said, we are proud of our result in returning the business to profit, particularly with these interest rate headwinds. Now, with the opportunity for us to refinance without the pressures we have experienced in recent times, we expect to decrease our funding costs and for this to make a material contribution to our financial performance in future periods.

Capitalise on opportunities to grow PDP's. Pioneer continues to consider investment into PDPs in a disciplined manner. This discipline has been a key feature of our business since inception, which is supported by the alignment of our remuneration policies so that our leadership and executives are only rewarded in line with the actual performance of the portfolios we buy, which substantially liquidate over 4-6 years. We do not reward simply buying portfolios, or even one, two or even three year returns. And not only did we again invest well in FY23 but we did that across the most vendors in our history - 18 vendor partners, 6 of which were new to Pioneer, and all of whom we continue to have a valued relationship with.

Grow the PA portfolio. The portfolio was stable across the period following significant growth in the prior years. We accepted this outcome as reasonable, given the way PDP investment grew late in the prior year and through FY23, though we are laser focused on ensuring we continue to grow the PA portfolio.

Realise our operational leverage. We have spoken for some time about the need to achieve scale and in doing that also reducing our cost to service. We are pleased that through the past year we did that, and reduced our cost to service, which is our operating costs, pre financing, from 44% in FY22 to 37% in FY23, which is within our long term target range of 35% to 37%. The reduction was also supported by improvements across our IT systems and data and analytics, both functions of which we are investing in heavily through this year to ensure we continue to drive operational efficiency into the future. Keith will provide an update on these workstreams in his presentation.

Thrive under increased regulation. Finally, and of great importance is the place regulation plays in our industry and business. As a group that has always placed customer outcomes, compliance and governance at its core, the increasing focus of vendors and regulators is consistent with our oversight of the business. This past year we further strengthened our oversight functions to ensure that they remain aligned with, and on top of all regulatory requirements and changes.

Of course, Pioneer's solid performance and its growth will not be possible without its people and an appropriate employee value proposition and reward system.

The Pioneer People Strategy seeks to

- optimise Pioneer's employee value proposition,
- attract and retain a skilled and diverse workforce that can relate to Pioneer's Customer base, and
- drive performance across the organisation to deliver on our strategic initiatives, business outcomes and commitment to shareholders.

Setting appropriate and market aligned remuneration is an important part of Pioneer's employee value proposition.

At today's meeting you will be asked to consider a resolution to approve an issue of Indeterminate Rights to the Managing Director, Keith John.

As set out in the Notice of Meeting, the recommended incentive to Keith, and that which is awarded to other executives and leaders of the business, has been aligned to the most significant part of tenure of our PDP investments. Vested Rights can create recognisable value to executives and align the executive to the Company's strategic goal of sustainable long term earnings growth. In particular, I highlight the following key points related to this resolution:-

- no short-term incentive is paid to the Managing Director or any other executive;
- Keith will not be eligible for a further issue of Indeterminate Rights until FY26; and
- Remuneration consultants recommended the Managing Director receive an incentive at market, which is 3 times higher than that being considered here today. The Board has considered this external recommendation and decided to recommend to shareholders this more prudent approach.

The Rights for Keith, and in fact for the entire executive and leadership teams have two primary vesting conditions. A yearly condition, which is set by the Board each period which applies for the first three years. The second hurdle is a condition that must be met in the fourth year, for any of the first three years of rights to actually vest. At the time of finalising the Notice of AGM, the fourth and final vesting condition, for FY26 was being finalised. Following careful consideration, and advice and input from various stakeholders, the Board has determined that the most appropriate measure of performance for the company is a Statutory Net Profit after Taxation target. This measure is the most appropriate because

- it is easy for all stakeholders to understand;
- It is a measure which is audited by the Company's independent auditors; and
- it is a target which clearly drives value for shareholders, which is only achievable if we invest well in PDPs over a number of years, operate well, and respect our brand and that of our vendor partners, and respect and provide excellent service to our customers.

The Board has set the vesting target as an Audited Statutory Net Profit after Taxation target of at least \$18m for the financial year ending 30 June 2026. This time frame of course is quite close and we believe this will be an appropriate level of achievement, and most importantly an achievement which again will deliver significant value to our shareholders.

The Board, with Keith John abstaining, unanimously recommend that shareholders vote in favour of the grant of Indeterminate Rights to Keith.

I'd like to take a moment to recognise the important role that Pioneer plays in lifting social sustainability.

Our Diversity and Inclusion Statement, which we call 'Belonging', sets out our genuine approach to welcome and embrace each person's difference. We are cognisant that our customers experience varying levels of vulnerability over the life cycle of their accounts with us. Having a diverse group of people from different backgrounds with diverse opinions and ideas, which, when founded in good, leads to a significantly enhanced culture that produces better outcomes for everyone.

Finally, I will make a few comments about our announcement this morning that we have commenced proceedings against our former auditors, PwC, for negligence, breach of retainer and misleading or deceptive conduct.

When Keith John founded this business, and well before he made the decision to list Pioneer on the ASX, he appointed PwC as the Company's auditors because he wanted top tier accounting advice of the highest calibre from a major consultancy.

Our claim sets out very clearly that, in our opinion, PwC failed to provide accurate advice to Pioneer with respect to the valuation of its Purchased Debt Portfolios. In 2019 PwC changed its advice, which it had provided for more than a year, without notice. These actions have had a significant cost impact on the Company, both to its bottom line and reputationally.

The Company has worked diligently to prepare the claim and quantify the amount of our claim. We will continue to work closely with our legal team to progress the claim prudently and based on advice.

Importantly, as far as this matter relates, you should be aware that we do not expect any interference to the efficient and effective operation of the business, and that we are fully funded for these proceedings.

As custodians of your equity, I can assure you we are all very conscious of the faith you have placed in us, and our obligations to you. With that in mind we will progress this matter appropriately to seek compensation with respect to our claims against PwC.

I know many of you will have questions. And you know, your Board will always provide you with as much information as possible. Obviously given this matter is now before the Courts in a formal litigation process, I am not in a position to say any more today, noting again that we will update you on any significant developments from the proceedings as soon as we are able to.

In closing, let me say my fellow Directors and our entire team are excited to continue to grow our business with both optimism and focus, in what is of course a challenging period for many, and to updating you on our progress throughout the year.

Finally, I'd like to thank our Managing Director Keith John, my fellow directors, management and each one of our over 400 people for their efforts, support and contribution over the last year.

I also thank you, our shareholders for your ongoing support as we continue the Pioneer journey.

Authorised by:

Board of Directors, Pioneer Credit Limited

Investor and media enquiries:

Keith John

Managing Director

Pioneer Credit Limited

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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