

Strengthening profit outlook

Pioneer Credit Limited (ASX:PNC) is one of the leading acquirers and managers of impaired credit in Australia and has gained its status by maintaining positive customer engagement, an unblemished compliance record with ASIC, and strong relationships with Australia's largest bank and non-bank lenders. PNC purchases debt from numerous Australian vendor partners (18 different vendors in the past 12 months) with long-term partnership purchasing arrangements in place with Commonwealth Bank of Australia (ASX:CBA). Pioneer's success in purchasing large debt portfolios at attractive IRRs since October highlights the strong position the company occupies in the marketplace. PNC has now appointed Nomura to manage syndicate PNC's senior debt with the aim of increasing capacity and lowering finance costs to around 9%. We expect the new facility to be finalised before 30 June. Management has reiterated the estimated benefit of the restructure is in the range of \$8m-\$11m savings which will fall directly to NPAT in FY25. Our forecasts do not take this fully into account. Additional finance provided by Nomura has allowed PNC to raise investment guidance from \$60m to \$85m for FY24 and in part caused us to raise our forecasts and valuation.

Business model

Pioneer Credit Limited acquires and manages performing and non-performing consumer debt portfolios (PDPs). The company acquires portfolios of defaulted consumer (non-mortgage) debts from the "Big Four" banks and other credit providers. Operations involve purchasing distressed debt portfolios at a discounted rate and then collecting the outstanding amounts from the debtors. PNC generates revenue by recovering the debts via contacting the debtors and negotiating payment arrangements or settlements. The company borrows at a margin over bank bills to fund purchases of PDPs, paying a discounted face value typically less than \$0.20/\$ of debt. Profit then depends on ethical and efficient management of the debtor/customer and accurate assessment of the credit risk inherent in the debtor profile.

Good purchasing drives top-line growth

Portfolio performance in H1 FY24 has been positive and recent purchases appear to have been made at attractive IRRs. Refinancing of PNC's debt facilities should allow the company to accelerate acquisitions further during a period when competition, pricing and supply in the PDP market appears to be moving in PNC's favour. Accordingly, we have raised our forecasts and valuation while still not fully crediting current management expectations. Once new finance is in place we would expect to see further upgrades.

Valuation base case at \$217m (\$1.93/share), previously \$177m

Our valuation is based on the discounted cash-flow methodology using a discount rate of 16.5% (beta 2.0, risk-free rate 3.5%). We have modelled three cases mainly differentiated by finance margin, PDP price, and cash collection performance, and including a cyclical component in our estimates. Our base-case valuation is \$217m or \$1.93/share (previously \$177m or \$1.58/share). Our downside case values PNC at \$186m (\$1.65/share), while we can see potential upside to \$286m (\$2.54/share) using a range of more positive factors. Finance interest margin and cash collection performance are the crucial determinants of value, in our view. Our peer analysis shows that Pioneer Credit is trading at 55% of its closest peer Credit Corp (ASX:CCP) and 79% of the peer median Price/Book Value. In our opinion, PNC is receiving little or no credit for the improved outlook for FY 2024 and beyond.

Historical earnings and RaaS estimates (in A\$m unless otherwise stated)

Year end	Revenue	EBITDA	EBIT	NPAT	EPS (c)	P/E (x)	Price / Book (x)
06/22a	62.6	8.9	6.1	(33.1)	(29.2)	n.a.	7.1
06/23a	73.7	36.2	34.0	0.2	0.2	224.6	7.7
06/24f	90.1	42.8	40.6	4.2	3.9	9.6	8.1
06/25f	97.8	43.0	40.5	12.2	11.4	3.3	9.6

Source: Company data, Management accounts presentation, RaaS estimates

Financial Services

11 March 2024

Share Details

ASX code	PNC
Share price (08 Mar)	\$0.375
Market capitalisation	\$42.1M
Shares on issue	112.4M
Cash at 31-Dec-2023	\$9.2M
Free float	49%

Share Performance (12 months)



Upside Case

- PNC retains strong relationships with major banks based on quality of results
- Prices for debt portfolios weaken as majors high-grade their portfolios
- PNC refinances successfully at lower margins over BBSY bill rates

Downside Case

- Portfolio performance weakens more than expected as financial stress increases
- Banks do not sell more debt portfolios as credit growth slows
- Borrowing interest rates remain higher for longer

Company Interview

[Pioneer Credit RaaS Interview 29 January 2024](#)

Board and Management

Stephen Targett	Non-Executive Chairman
Peter Hall	Non-Executive Director
Suzan Pervan	Non-Executive Director
Pauline Gately	Non-Executive Director
Keith John	Managing Director
Barry Hartnett	Chief Financial Officer
Sue Symmons	Co. Sec./General Counsel

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Investment Case and Forecast Changes

In our view, Pioneer Credit Limited is positioned to grow strongly in the next two years due to:

- Strong credit purchasing discipline has been maintained;
- Competition in the market for debt portfolios is declining due to corporate failures, consolidation, and strategic withdrawal;
- Volumes of PDPs offered for sale by major banks and non-bank institutions have increased in a higher inflation, higher interest rate environment;
- Pioneer has maintained strong relationships with vendor partners including a five-year partnership agreement with Commonwealth Bank and relationships with 18 bank and non-bank vendors which has been reflected in recent portfolio acquisitions;
- The company has successfully raised additional finance during the half year to December while continuing the process of a full finance restructure to lower borrowing costs. PNC estimates the benefits of a new deal will be between \$8m and \$11m in a full year and are likely to accrue in FY25. Our base case forecasts a smaller improvement;
- PNC's valuation reflects the difficulties (funding cost increases, COVID) and the impact of the past three years without recognition of the change in market and corporate circumstances in FY23/24, in our opinion. In addition, PNC is apparently not getting credit for the expected reduction in finance costs in FY25;
- Under either our base or upside case we believe Pioneer should be capable of paying a significant dividend from FY25 onward (depending upon external/internal financing choices when making PDP purchases); and
- Management interests appear strongly aligned with shareholders through ownership and a long-term incentive plan with three years of annual targets and the final LTI hurdle of NPAT >\$18m in FY26. Our upside case for FY26 slightly exceeds this level.

The impact on our fundamental assumptions of improving portfolio yields because of:

- Higher quality underlying borrowers;
- Lower pricing; and
- PNC's increased investment guidance

The result is shown below in Exhibit 1 with updated forecast assumptions shown in Exhibit 8. Note PNC's deferred tax asset of \$25m will likely be recognised and reduce tax paid.

Exhibit 1: Change in forecasts (in A\$m unless otherwise stated)					
Year end	Revenue	Gross profit	EBITDA	NPAT	EPS (c)
Current forecasts					
06/24e	90.1	42.8	40.6	4.2	3.9
06/25e	97.8	43.0	40.5	12.2	11.4
Previous forecasts					
06/24e	89.6	41.1	37.6	3.5	3.1
06/25e	91.2	40.7	37.3	11.4	10.2
Source: RaaS estimates					

Valuation

We have updated our valuation following the H1 2024 result. Our valuation has increased because of:

- Forecast period roll-forward to positive cash flow in FY 2033;
- An update for achieved portfolio yields in H1 FY24; and

- Indications that yield will be at least maintained as PDP supply is higher while buyers are fewer.

Consequently, our base-case DCF has risen +23% to \$217m from \$177m or \$1.93/share (the stock traded at \$221m in August 2018).

Exhibit 2: Valuation range (in A\$m unless otherwise stated)						
	New valuation			Previous valuation		
	Base case	Downside case	Upside case	Base case	Downside case	Upside case
DCF valuation p.s.	\$1.932	\$1.655	\$2.542	\$1.58	\$1.30	\$2.11
DCF value	217.3	186.1	285.9	176.5	145.8	235.7
FCF FY24	30.8	29.6	33.6			
FCF FY33	20.5	13.6	36.5			
Revenue FY24	95.4	93.7	99.3			
EBITDA FY24	42.8	41.2	46.8			
Revenue FY33	82.4	70.1	100.5			
EBITDA FY33	28.4	18.5	51.2			

Source: RaaS estimates

H1 FY24 Result Analysis

Pioneer reported continued revenue growth, progress on refinancing, increased PDP acquisition activity in a generally improving competitive landscape, and a positive outlook. Management reiterated its expectation that refinancing will result in savings in FY25 of between \$8m and \$11m. We have raised our medium-term forecasts to take into account improving market conditions and a degree of improvement in finance costs.

Exhibit 3: Half-year data (in A\$m unless otherwise stated)								
	H1 '22a	H2 '22a	H1 '23a	H2 '23a	H1 '24a	H2 '24 forecast	H1 24 / H2 23 % change	H1 24 % change pcp
Revenue	28.4	26.0	38.5	44.3	46.5	48.9	5	21
Costs	(22.9)	(22.5)	(22.8)	(23.8)	(25.9)	(26.7)	9	13
EBITDA	5.5	3.4	15.7	20.5	20.7	22.2	1	32
Depreciation	(1.8)	(1.0)	(1.1)	(1.1)	(1.0)	(1.2)	(10)	(12)
Finance costs	(26.5)	(12.6)	(15.8)	(18.0)	(19.7)	(16.8)	9	25
Pre-tax profit	(22.8)	(10.2)	(1.2)	1.3	0.0	4.1	(99)	(102)
NPAT	(22.9)	(10.2)	(1.2)	1.3	0.0	2.9	(98)	(102)
EPS	-\$0.291	-\$0.119	-\$0.012	\$0.013	\$0.000	\$0.027	(98)	(102)
Operating cash flow	9.2	19.8	35.9	25.7	25.6	27.6	0	(29)
Investing cash flow	(22.2)	(54.4)	(59.6)	(21.7)	(42.6)	(20.3)	97	(28)
Financing cash flow	10.3	50.0	7.8	(2.0)	17.8	(5.0)	(1,004)	130
Net cash flow	(2.8)	15.5	(15.9)	2.1	0.8	2.3	(61)	(105)
Net debt	213.5	242.7	268.4	266.2	283.9	285.4	7	6
PDP purchases reported	22.1	77.4	42.4	21.5	65.6	20.0		

Source: Company data, RaaS estimates

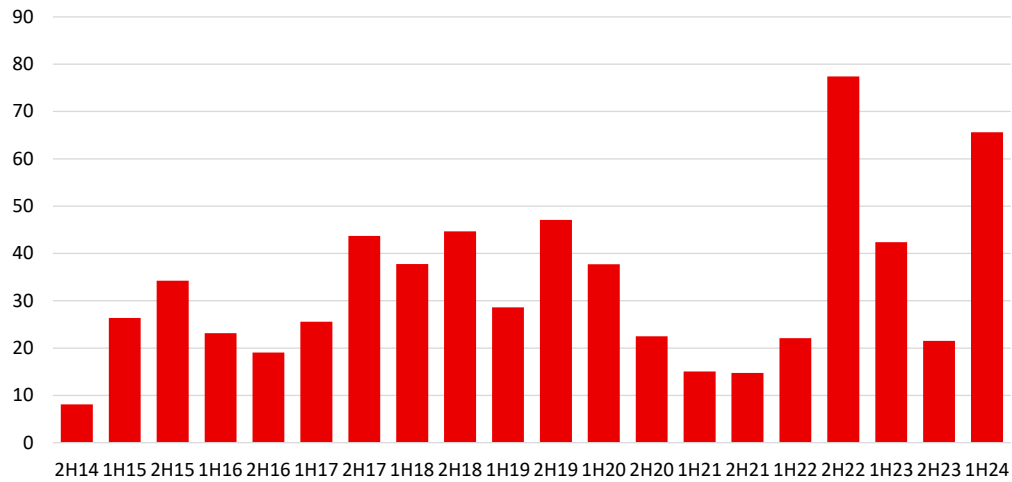
Key Events

Events in the half year included:

- Commencement of proceedings against PWC in the Supreme Court of Western Australia¹;
- Acquisition of a debt portfolio from Panthera Finance Pty Ltd for \$24.1m funded by a Nomura Australia finance facility;
- An increase in FY24 investment guidance from \$60m to \$85m;
- Acquisition of a Part IX (Insolvency) portfolio from Max Recovery Australia Pty Ltd for \$15.8m; and
- Following a review of alternate offers appointment of Nomura Australia Ltd to arrange senior finance facilities.

¹ PNC release to the ASX, "Commencement of proceedings against PwC", 31st October 2023.

Exhibit 4: PDP investment (A\$m)



Source: Company reports

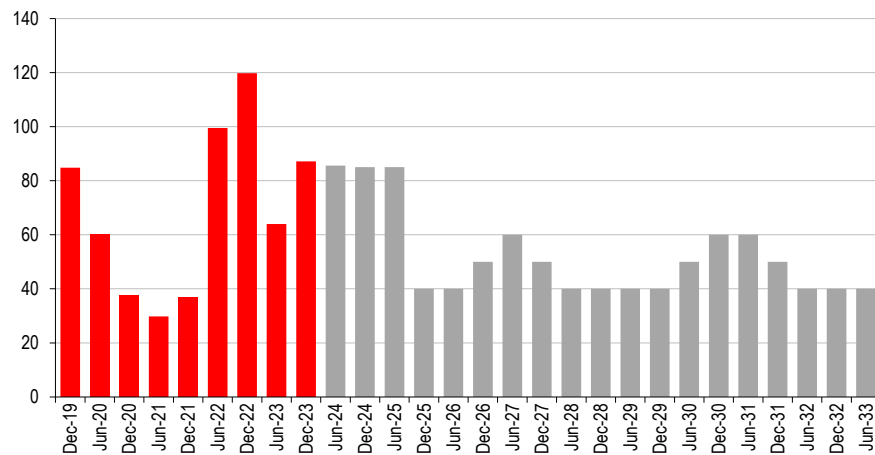
Forecast Revisions

As noted in our initial report², when estimating Pioneer’s possible revenue and profits in future years we have worked with a framework allowing for some cyclical impact, consequently revenues and cash flows do not rise steadily throughout the forecast period (see Exhibits 5 to 9 below).

- Considering the current economic outlook and a decline in competition for PDPs we assume a general increase in Pioneer’s acquisitions of PDPs over the next few years followed by a relative reduction as portfolio prices rise.
- We model a cycle of cash collections rising then falling and rising again as recovery rates are affected by inflation, employment and cost-of-living pressures.
- We model finance costs to progressively improve on the basis PNC demonstrates stable outcomes and progressively refinances at lower margins.
- These assumptions may prove to be overly conservative (or optimistic), but we believe allowing for a cycle provides a more realistic context for our valuation process.

The outcomes of this approach are charted below.

Exhibit 5: Estimated PNC rolling 12-month PDP purchased (in A\$m) base case

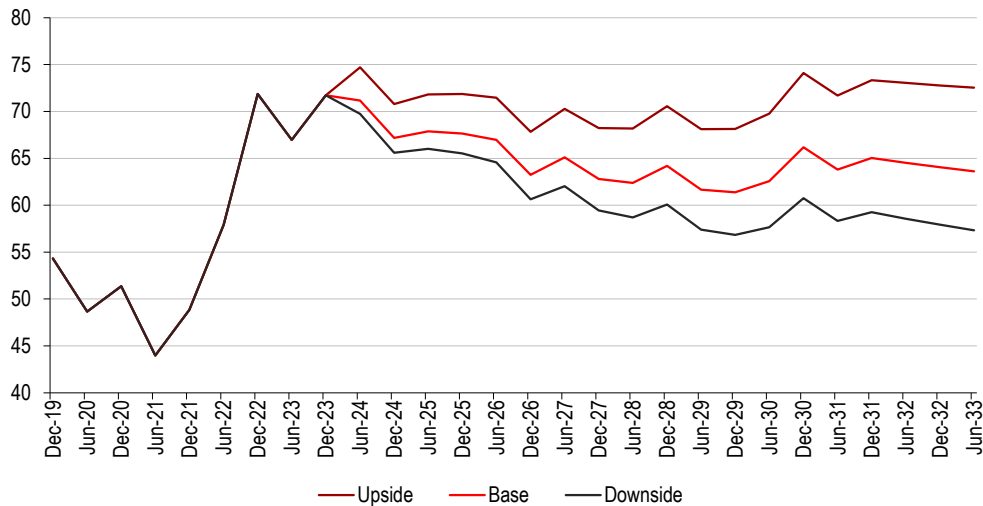


Source: PNC for actuals, RaaS estimates from Jun-24

² RaaS - Pioneer Credit Ltd, Debt Driven Recovery, 12 July 2023.

We believe we are conservative in our forecasts of near-term portfolio purchases with portfolio IRR (driven by borrower capacity to repay and customer management) more important in driving our cash collection expectations.

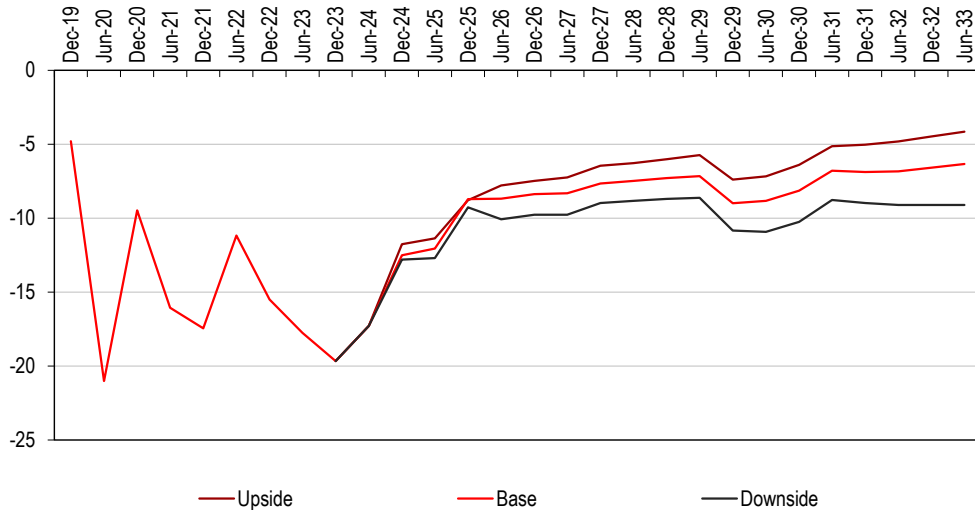
Exhibit 6: Estimated PNC cash collections (in A\$m)



Source: PNC for actuals, RaaS estimates from Jun-24

We model an improvement in interest costs but have not given a benefit as large as management suggests may be possible in FY25 following refinancing.

Exhibit 7: Estimated PNC net interest paid (A\$m)



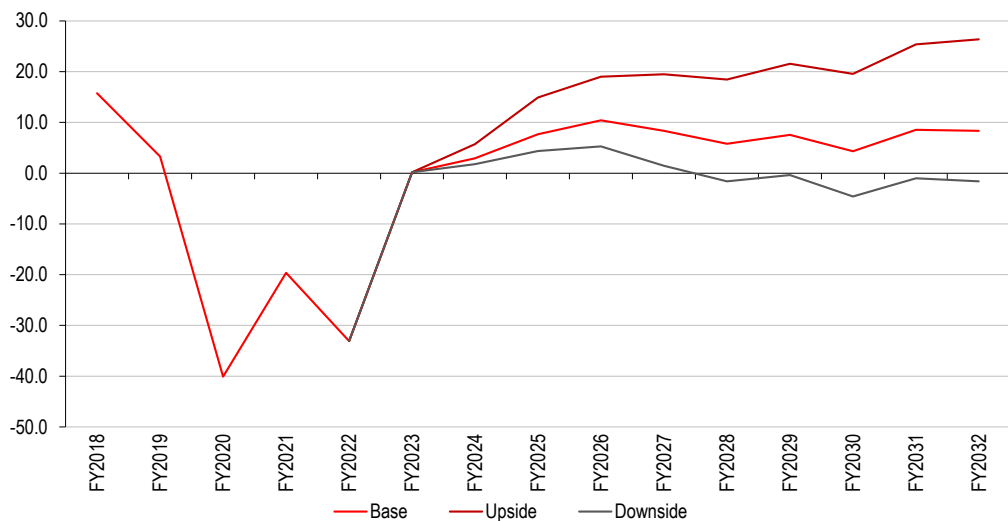
Source: PNC for actuals, RaaS estimates from Jun-24

Using our cyclical assumptions we believe Pioneer should see a substantial revenue expansion, a reduction in interest costs, and an increase in other operating costs. The difference in NPAT outcomes (See Exhibit 9) from our three cases is driven largely by yield, financing and consequent purchasing assumptions. We feel our base case more than adequately accounts for vendor and financing risks which may be faced by the company.

Exhibit 8: RaaS forecast assumptions

		Base case		Downside case		Upside case	
		H1 24	% change to H2 25	H1 24	% change to H2 25	H1 24	% change to H2 25
Income							
Net sales revenue	\$m	65.7	(28.9)	65.7	(32.5)	65.7	(22.3)
Net interest expense	\$m	(19.7)	(38.7)	(19.7)	(35.4)	(19.7)	(42.2)
Gross margin	%	(10.4)	26.4%	(10.4)	21.1	(10.4)	35.8
Operating costs (excl. impairments)							
- Employment costs	\$m	(\$25.9)	5.1	(25.9)	4.3	(0.1)	(343.0)
- Sales, general and admin expenses	\$m	(4.9)	10.3	(4.9)	9.5	(4.9)	8.7
Other SG&A	\$m	(\$2.7)	98.7	(2.7)	97.3	(2.7)	95.9
PDP purchases							
PDP purchases	\$m	65.6	(69.5)	65.6	(71.0)	65.6	(68.0)
Asset sales and roll-offs	\$m	(\$6.0)	251.9	(6.0)	259.3	(6.0)	244.4
Asset value end of period	\$m	363.9	0.1	363.9	(1.1)	363.9	1.3
Cash collections							
Cash flow	\$m	72	(5.4)	72	(8.0)	72	0.1
Yield on prior period end assets	%	\$0	(13.2)	0	(14.6)	0	(9.2)
Yield on prior period face value	%	3.79	(20.0)	3.79	(18.8)	3.79	(21.4)
Funding							
Borrowings	\$m	15	127.6	15	134.9	15	129.4
Borrowings non-current	\$m	278	(0.6)	278	6.1	278	1.0
- Proceeds from borrowings	\$m	22	(100.0)	22	(100.0)	22	(55.1)
Total financial income / (expense)	\$m	(20)	(38.8)	(20)	(35.6)	(20)	(42.4)
Six-month interest rate %	%	6.0	(2.4)	6.0	(2.4)	6.0	(2.4)
Cash flow							
Cash at beginning of period	\$m	8	(58.9)	8	168.8	8	13.1
Operating cash flow	\$m	26	11.9	26	3.0	26	31.6
Investing cash flow	\$m	(43)	(52.2)	(43)	(54.6)	(43)	(49.9)
Financing cash flow	\$m	18	(156.1)	18	(156.1)	18	(128.1)
Net cash at end of period	\$m	9	(80.7)	9	112.9	9	83.0

Source: RaaS estimates. Change is (H2 FY27 / H2 FY23 -1) except margin, yield and rates = (H2FY27 – H1FY23)

Exhibit 9: Estimated PNC NPAT (in A\$m)


Source: PNC for actuals, RaaS estimates FY2024 onwards

Valuation detail

We considered both a comparable company approach and a discounted cash-flow approach to valuation of Pioneer's business and future opportunity. Following a review of listed direct competitors and companies in adjacent sectors we conclude that:

- Credit Corp Group Ltd is the clearest comparison for Pioneer despite a substantial US business component. Comparisons suggest a possible valuation of Pioneer of more than \$700m (Exhibit 11). However, this is a single point comparison; and
- Other companies in the financial services sector are predominantly lenders or transaction based although non-bank financial characteristics are broadly like those of PNC (Exhibit 13).
- International peers have experienced a similarly difficult, COVID-impacted, trading history and recent losses which have resulted in significant restructuring of businesses. Using the group average forward price/earnings ratio of 9.2x suggests a PNC market capitalisation of \$82m with a similar price/book ratio of 1.0x (Exhibit 10).

We feel a discounted cash-flow valuation technique remains a better summation of Pioneer's potential. The DCF is based on the revenue and cost estimates for the base, upside and downside cases noted above. We use the Australian 10-year bond rate as the risk-free reference rate (currently at 4.02%) but adjust that in the context of a longer-term outlook to avoid the impact of short-term adjustments in fixed-interest markets. We continue to use 3.5% as our risk-free base. To achieve a discount rate, we add the long-term observed equity risk premium of 6.5%. We then multiply the market risk premium by the equity beta factor for PNC to consider the behaviour of the security relative to the broader market. PNC's observed beta over three years has been 0.97³, suggesting a similar volatility to the broad market. However, we feel this misrepresents the price performance of the company and the funding volatility of PNC's 2019 and 2020. Accordingly, we have adjusted the beta to 2.0 noting that CCP currently trades on a beta of 1.9x. This results in a discount rate of 16.5%. We have applied the discount rate to cash flows generated using the three business cases noted above to generate a base-case valuation of \$217m or \$1.93/share. Note that in each case the asset value of the PDPs represents a significant proportion of valuation.

Finally, a reality check is that Pioneer traded at \$3.50 per share in August 2018 or a market capitalisation of \$221m.

³ Refinitiv observed three-year, weekly beta

Northern Hemisphere Peers

We have reviewed a group of companies whose business is substantially acquisition and management of debt portfolios and/or debt collection and systems management. The industry represented by the group in Exhibit 10 has undergone significant restructuring as companies have moved out of less-profitable markets, sold non-core businesses, and changed strategic direction in an effort to manage higher funding and operating costs and lower portfolio yields. As is evident from the 52-week price performance shown some have been viewed by investors as more successful than others. The summary from this review is that while PNC's issues in 2019 and 2020 were caused by a change to accounting standards and a related auditor issue, PNC's global peers have been stressed in similar ways to other entities in the Australian market. We believe PNC has maintained a higher-quality business model and consequently the underlying business has remained strong.

Exhibit 10: Financial services sector – related listed companies (in A\$M unless otherwise stated)										
Name	Code	GICS sub-industry name	Price (local currency)	Mkt. cap. A\$M	Net income after tax A\$M FY0	Forward P/E FY1	Price to book value per Share FY0	Net debt to EBITDA FY0	Beta - 3 year	52-week price % change
KRUK/d	KRU.WA	Consumer finance	422.4	8,108.2	1,012.8	7.62	2.41	2.44	1.14	25.27
HOIST FINANCE/d	HOFI.ST	Consumer finance	41.75	3,697.7	711.0	5.78	0.67	4.88	0.81	69.58
INTRUM/d	INTRUM.ST	Diversified support services	30	3,621.6	284.0	2.48	0.50	7.86	0.97	(77.61)
B2 IMPACT/d	B2I.OL	Consumer finance	7.75	2,979.6	363.0	7.00	0.49	6.30	0.80	1.97
AXACTOR ASA/d	ACR.OL	Consumer finance	4.735	1,420.6	33.6	3.98	0.32	7.00	1.06	(31.82)
ENCORE CAP GRP/d	ECPG.O	Consumer finance	47.97	1,129.5	(206.5)	7.46	1.28	7.43	0.92	(5.48)
PRA GROUP INC/d	PRAA.O	Consumer finance	24.69	969.0	(66.8)	29.71	0.88	21.88	0.98	(40.46)
Average						9.15	0.94	8.26	0.95	9.15

Source: Refinitiv, RaaS research (closing prices on 6 March 2024)

Australian Peer Comparison

We have selected peers from ASX-listed non-bank financial companies between \$1.4b and \$300k shown below in Exhibits 11 and 13. Within this group only Credit Corp Group Ltd (ASX: CCP) is a direct competitor, in our view.

Exhibit 11: Peer valuation comparison					
	CCP.AX	PNC.AX	PNC/CCP %	Peer Median	PNC/Median %
Market capitalisation	1,300.1	43.9	3	118.0	37
Revenue FY0	473.4	82.7	17	91.9	90
EBITDA FY0	156.5	86.1	55	23.6	3.6x
NPAT	91.3	0.2	0	(2.9)	(6)
Cash flow from operations FY0	(84.0)	(20.0)	24	(2.6)	7.6x
Shareholders' equity FY0	817.4	41.9	5	93.0	45
Net debt FY0	275.9	161.2	58	129.2	125
Enterprise value FY0	1,623.6	196.5	12	298.3	66
P/E	17.7	12.4	70	14.6	n.a.
Dividend yield	4.7	n.a.	n.a.	7.2	n.a.
ROE	11.2	0.4	4	12.6	n.a.
Price-to-book value	1.7	0.9	55	1.4	69
Price to sales	2.9	0.5	16	1.2	40
Net debt / EBITDA	3.4	4.1	1.2x	6.8	60
3 year weekly beta	1.9	1.0	51	1.0	100
FY0/FY-2 revenue growth p.a. %	12.4	24.5	2x	23.5	104

Source: RaaS estimates PNC, Refinitiv consensus estimates CCP, 07-March-2024.

Key points:

- Pioneer currently trades at 3% of Credit Corp's market capitalisation and 37% of the median of the peer group.
- However, Pioneer reported EBITDA (using management's preferred presentation) of \$86m in FY23, 55% of that reported by CCP.
- Pioneer is trading at 55% of the Credit Corp and 69% of the peer median price/book value.
- Overall we believe Pioneer is receiving no credit for the turnaround in FY23 nor for the improved outlook for FY 2024 and FY 2025.

Valuing PNC at 100% of CCP metrics suggests near a \$700-900m market capitalisation or enterprise value (EV), at 50% of CCP's ratios this could be \$360-450m. Pioneer currently has a market capitalisation of \$43m and EV of \$352m.

Exhibit 12: Peer implied valuation (in A\$m unless otherwise stated)		
	100% of CCP	50% of CCP
EBITDA-implied market capitalisation	715.2	357.6
EBITDA-implied EV	893.2	446.6
Price-to-book value	1385.8	692.9
Price-to-sales	242.5	121.2

Source: RaaS estimates

Exhibit 13: Financial services sector– related listed companies (in A\$M unless otherwise stated)

Code	Company Name	Refinitiv Sub-Industry	Price close A\$	Mkt. cap. (A\$m)	NPAT FY0	PE FY1 x	Price/book p.s. x	Net debt / EBITDA FY0 x	LSEG 3-year beta
TYR.AX	Tyro Payments Ltd	Business Support Services	1.17	612.4	6.0	40.7	3.3	(1.0)	2.1
OFX.AX	OFX Group Ltd	Business Support Services	1.51	367.0	31.4	12.3	2.6	(6.4)	1.0
SPY.NZ	SmartPay Holdings Ltd	Business Support Services	1.49	352.6	8.5	46.9	7.7	(0.2)	0.9
EML.AX	EML Payments Ltd	Business Support Services	0.99	373.0	(284.8)	37.9	2.2	(55.0)	1.0
QFE.AX	QuickFee Ltd	Business Support Services	0.05	13.9	(8.1)	n.a.	2.4	n.a.	0.1
LFS.AX	Latitude Group Holdings Ltd	Consumer Lending	1.16	1,327.0	(137.9)	16.7	1.0	22.3	0.7
ZIP.AX	Zip Co Ltd	Consumer Lending	1.17	1,322.1	(335.9)	240.7	2.8	12.4	2.7
SVR.AX	Solvar Ltd	Consumer Lending	1.01	214.2	47.6	8.1	0.6	4.9	1.6
HUM.AX	Humm Group Ltd	Consumer Lending	0.52	259.3	2.9	18.2	0.4	294.5	2.0
FSA.AX	FSA Group Ltd	Consumer Lending	0.97	116.6	14.8	n.a.	1.4	46.8	0.1
PLT.AX	Plenti Group Ltd	Consumer Lending	0.73	125.4	(13.6)	n.a.	2.3	n.a.	1.1
MME.AX	Money.me Ltd	Consumer Lending	0.08	59.5	12.3	3.8	0.3	8.7	1.8
PGL.AX	Prospa Group Ltd	Consumer Lending	0.42	68.2	(44.9)	n.a.	0.7	n.a.	0.2
OPY.AX	Openpay Group Ltd	Consumer Lending	0.20	45.4	(82.5)	n.a.	n.a.	n.a.	1.5
WZR.AX	WISR Ltd	Consumer Lending	0.04	47.3	(13.2)	n.a.	0.9	19.2	1.6
GFL.NZ	Geneva Finance Ltd	Consumer Lending	0.31	22.5	3.5	n.a.	0.6	11.6	0.3
CCP.AX	Credit Corp Group Ltd	Corporate Financial Services	18.95	1,300.1	91.3	17.7	1.7	3.4	1.9
OBL.AX	Omni Bridgeway Ltd	Corporate Financial Services	1.52	428.1	0.9	n.a.	1.5	n.a.	1.0
FPR.AX	Fleetpartners Group Ltd	Corporate Financial Services	3.50	875.0	81.0	12.1	1.4	3.6	1.1
LITL.L	Litigation Capital Management Ltd	Corporate Financial Services	100.50	118.0	31.5	6.4	1.3	(0.2)	0.9
EPY.AX	Earlypay Ltd	Corporate Financial Services	0.21	59.4	(7.7)	10.2	0.8	17.8	0.7
PNC.AX	Pioneer Credit Ltd	Corporate Financial Services	0.39	43.9	0.2	12.4	0.9	4.1	1.0
BTN.AX	Butn Ltd	Corporate Financial Services	0.08	15.2	(6.5)	n.a.	1.2	149.6	0.4
LAW.AX	Lawfinance Ltd	Corporate Financial Services	0.01	0.3	(31.1)	n.a.	n.a.	64.6	n.a.
IAM.AX	Income Asset Management Group Ltd	Investment Management	0.09	29.8	(6.1)	18.2	4.6	n.a.	0.1
CCV.AX	Cash Converters International Ltd	Miscellaneous Specialty Retailers	0.22	136.8	(97.2)	7.9	0.7	2.9	0.2
CCA.AX	Change Financial Ltd	Software	0.07	41.0	(2.9)	n.a.	3.9	n.a.	0.4
Max				1,327.0	91.3	240.7	7.7	294.5	2.7
Min				0.3	(335.9)	3.8	0.3	(55.0)	0.1
Median				118.0	(2.9)	14.6	1.4	6.8	1.0
Average				310.2	(27.4)	31.9	1.9	30.2	1.0

Source: Refinitiv, RaaS research (closing prices on 6 March 2024)

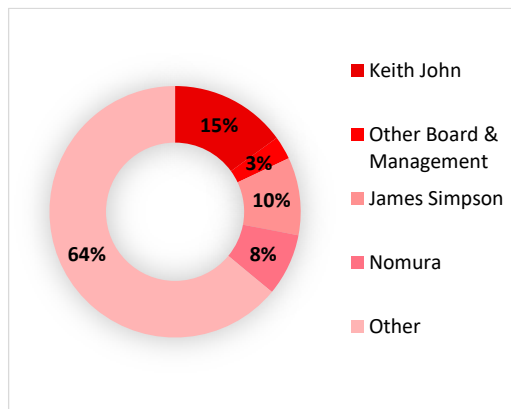
Ownership

Management and the board own 18% of the company with the other significant shareholder, Nomura (arranger of Pioneer's previous and current refinancing), owning 8%. We believe executives and the board have a significant level of financial commitment to the firm including a long-term focused incentive plan.

Exhibit 14: Shareholders' report			
#	Investor name	% outstanding	Position (M)
1	Mr Keith R John	15.0	17.27
2	Jamplat Pty Ltd	10.1	11.30
3	Citicorp Nominees Pty Ltd	8.1	9.11
4	Pacific Custodians Pty Ltd <PNC EIP Trust>	4.0	4.51
5	Buttonwood Nominees Pty Ltd	2.6	2.90
6	BNP Paribas Noms Pty Ltd	2.3	2.60
7	Mr Irwin David Klotz	1.8	2.00
8	Mrs Lilian Jeanette Warmbrand	1.5	1.65
9	Plus 612 Capital Nominees Pty Ltd	1.4	1.52
10	Pacific Custodians Pty Ltd <PNC Employee Sub-Register>	1.3	1.44
11	S & G Morris Super Pty Ltd	1.3	1.42
12	ZLT Investment Co Pty Ltd	1.2	1.30
13	Mr Sunny Yang & Mrs Connie Yang	1.1	1.21
14	Wingate Corporate Credit Fund Pty Ltd	1.0	1.08
15	National Nominees Limited	0.9	1.05
16	Ms Elif Ceren Gunes	0.8	0.91
17	Mr Allan Hart	0.8	0.90
18	Lachlan 11 Holdings Pty Ltd	0.8	0.90
19	Wingate Investment Partners 3 Pty Ltd	0.8	0.84
20	BFA Super Pty Ltd	0.7	0.80

Source: PNC FY23 Annual Report

Exhibit 15: Significant shareholders



Source: PNC

Exhibit 16: Capital structure

Securities on issue	No.
Ordinary shares on Issue	112,033,2063

Source: PNC

Exhibit 17: Financial Summary

Pioneer Credit Ltd						Share price (Date)	8/03/2024					A\$	0.375	
Profit and Loss (A\$m)						Interim (A\$m)								
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	1H23 A	2H23 A	1H24 F	2H24 F	1H25 F	2H25 F			
Sales Revenue	57.0	62.6	73.7	90.1	97.8	Revenue	36.3	37.4	41.2	48.9	46.0	51.8		
Other net income	(3.6)	(8.3)	9.0	5.3	0.0	EBITDA	15.7	20.5	20.7	22.2	18.4	24.6		
EBITDA	11.2	8.9	36.2	42.8	43.0	EBIT	14.6	19.4	19.7	21.0	17.2	23.2		
Depn	(3.3)	(2.1)	(1.6)	(2.0)	(2.2)	NPAT (normalised)	(1.2)	1.3	0.0	4.1	3.2	8.9		
Amort	(0.5)	(0.7)	(0.7)	(0.2)	(0.3)	Minorities	-	-	-	-	-	-		
EBIT	7.4	6.1	34.0	40.6	40.5	NPAT (reported)	(1.2)	1.3	0.0	4.1	3.2	8.9		
Finance Costs	(26.7)	(39.1)	(33.8)	(36.5)	(28.3)	EPS (normalised)	(1.16)	1.27	0.02	3.88	3.02	8.39		
Tax	(2.8)	(0.1)	0.0	0.0	0.0	EPS (reported)	(1.17)	1.27	0.02	3.90	3.04	8.44		
Minorities	0.0	0.0	0.0	0.0	0.0	Dividend (cps)	-	-	-	-	-	-		
Equity accounted assoc	0.0	0.0	(3.8)	0.0	0.0	Imputation	30	30	30	30	30	30		
NPAT pre significant item	(22.1)	(33.1)	0.2	4.2	12.2	Operating cash flow	35.9	25.7	25.6	27.6	25.6	33.8		
Significant items	0.0	0.0	0.0	0.0	0.0	Free Cash flow	35.9	25.7	25.6	27.6	25.6	33.8		
NPAT (reported)	(22.1)	(33.1)	0.2	4.2	12.2	Divisions	1H23 A	2H23 A	1H24 F	2H24 F	1H25 F	2H25 F		
Cash flow (A\$m)						PNC trades as a single operational entity								
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	Revenue	36.3	37.4	41.2	48.9	46.0	51.8		
Cash Collections	95.4	106.8	138.8	142.9	142.5	COGS	(3.9)	(3.7)	(4.9)	(5.1)	(5.3)	(5.4)		
EBITDA	11.2	8.9	36.2	42.8	43.0	Employment	(16.7)	(17.7)	(18.2)	(18.8)	(19.3)	(18.8)		
Interest	(42.0)	(25.7)	(29.9)	(34.2)	(28.3)	Other costs	(2.2)	(2.2)	(2.4)	(2.8)	(2.9)	(3.0)		
Tax	0.6	0.0	0.0	0.0	0.0	EBITDA	15.7	20.5	20.7	22.2	18.4	24.6		
Operating cash flow	12.8	29.0	61.6	53.2	59.4	Margins, Leverage, Returns	FY21A	FY22A	FY23A	FY24F	FY25F			
Mice capex	0.0	0.0	0.0	0.0	0.0	EBITDA	20%	14%	49%	48%	44%			
Free cash flow	12.8	29.0	61.6	53.2	59.4	EBIT	13%	10%	46%	45%	41%			
Growth capex	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items	n.a.	n.a.	0.2%	4.6%	12.4%			
Acquisitions/Disposals	(29.8)	(75.8)	(80.7)	(62.2)	(85.0)	Net Debt (Cash)	194.0	242.7	266.2	285.4	345.6			
Other	0.0	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	17.4	27.2	7.3	6.7	8.0		
Cash flow pre financing	(17.0)	(46.8)	(19.2)	(8.9)	(25.6)	ND/ND+Equity (%)	(%)	139%	120%	119%	120%	121.1%		
Equity	(0.7)	10.2	0.0	0.0	0.0	EBIT interest cover (x)	(x)	3.6	6.4	1.0	0.9	0.7		
Debt	24.7	56.8	5.8	17.8	15.0	ROA			2%	10%	11%	10%		
Dividends paid	0.0	0.0	0.0	0.0	0.0	ROE			(69%)	0%	9%	22%		
Net cash flow for year	7.0	20.2	(13.4)	8.9	(10.6)	ROIC			(12%)	0%	1%	3%		
Balance sheet (A\$m)						NTA (per share)	0.65	0.38	0.39	0.44	0.56			
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	Working capital	69.5	73.2	101.4	105.6	117.9			
Cash	10.4	23.1	8.4	16.5	5.3	WC/Sales (%)	122%	117%	138%	117%	121%			
Accounts receivable	0.9	6.2	1.5	5.2	5.7	Revenue growth	n.a.	10%	18%	22%	9%			
Purchased Debt Portfolio	73.4	96.3	106.1	126.1	140.1	EBIT growth pa	n.a.	-17%	457%	20%	0%			
Other current assets	3.1	4.5	4.0	5.4	0.0	Pricing	FY21A	FY22A	FY23A	FY24F	FY25F			
Total current assets	87.8	130.0	120.0	153.3	151.1	No of shares (y/e)	(m)	81	107	107	107	107		
PPE	5.3	9.3	8.1	7.7	8.4	Weighted Av Dil Shares	(m)	59	113	107	107	107		
Intangibles and Goodwill	1.6	1.0	0.5	0.7	0.7	EPS Reported	cps	(27.1)	(31.0)	0.2	3.9	11.4		
Purchased Debt Portfolio	175.7	199.2	198.2	235.5	261.7	EPS Normalised/Diluted	cps	(37.4)	(29.2)	0.2	3.9	11.4		
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	EPS growth (norm/dil)		n.a.	n.a.	n.a.	2238%	192%		
Other non current assets	0.0	0.0	0.0	0.0	20.5	DPS	cps	-	-	-	-	-		
Total non current assets	182.5	209.4	206.8	243.9	291.3	DPS Growth		n.a.	n.a.	n.a.	n.a.	n.a.		
Total Assets	270.3	339.5	326.8	397.2	442.4	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%		
Accounts payable	4.8	29.2	6.2	25.7	27.9	Dividend imputation		30	30	30	30	30		
Short term debt	0.4	20.4	11.3	34.4	37.1	PE (x)		n.a.	n.a.	224.6	9.6	3.3		
Tax payable	0.0	0.0	0.0	0.0	0.0	PE market		14.5	14.5	14.5	14.5	14.5		
Other current liabilities	6.4	3.4	4.1	3.4	3.4	Premium/(discount)		n.a.	n.a.	1449%	(34%)	(77%)		
Total current liabilities	11.7	53.0	21.6	63.5	68.4	EV/EBITDA		20.1	31.6	8.4	7.6	9.0		
Long term debt	204.0	245.4	263.3	267.5	313.8	FCF/Share	cps	71.2	12.0	27.2	57.8	50.0		
Other non current liab	0.0	0.0	0.0	18.2	0.0	Price/FCF share		0.5	3.1	1.4	0.6	0.8		
Total long term liabilities	204.0	245.4	263.3	285.7	313.8	Free Cash flow Yield		189.8%	32.0%	72.5%	154.1%	133.2%		
Total Liabilities	215.7	298.4	284.8	349.1	382.2									
Net Assets	54.7	41.1	41.9	48.0	60.2									
Share capital	93.6	113.1	113.8	115.8	115.8									
Accumulated profits/losse	0.0	0.0	0.0	4.1	16.3									
Reserves	(39.0)	(72.1)	(71.9)	(71.9)	(71.9)									
Minorities	0.0	0.0	0.0	0.0	0.0									
Total Shareholder func	54.7	41.1	41.9	48.0	60.2									

Source: Company data, Management presentation basis, RaaS analysis



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021



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