

Debt driven recovery

Pioneer Credit Limited (ASX:PNC) was founded in 2009 and listed on the ASX in 2014. The company has grown to be one of the leading acquirers and managers of impaired credit in Australia by; maintaining strong customer engagement, an unblemished compliance record with ASIC, consistently good Net Promoter Score from customers and strong relationships with Australia's largest bank and non-bank lenders. PNC currently purchases debt from 18 different vendor partners with long-term partnership purchasing arrangements in place with Commonwealth Bank of Australia (ASX:CBA). This has led to strong growth in the purchase of "Performing Portfolios" in the past two years which have delivered sustainable cashflows in addition to revenues from conventional distressed PDPs. A change to Australian Accounting Standards in 2019 and subsequent audit uncertainty resulted in significant corporate disruption. COVID compounded this in 2020 and 2021 with fewer PDPs available due to loan deferrals. PNC has returned to a more normal environment in 2022 and now sees strong growth in FY2023 and beyond, as a tightening economy with full employment provides a more certain outlook for purchase of PDPs and profitability. The company additionally expects to refinance a portion of the current debt facility in calendar 2023. We initiate coverage of Pioneer Credit with a base-case valuation of \$177m or \$1.58/share.

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, 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.

Growth in post-COVID, inflationary environment

Full employment, a higher cost of living and catch-up of loan deferrals from COVID-impacted 2020 and 2021 are expected to leave higher numbers of consumers in distress but able to restructure debt payments. This environment should provide PNC with the opportunity to purchase PDPs at reasonable price/return ratios and allow the company to deliver a stronger profit in addition to maintaining asset and revenue growth. If PNC can continue to refinance on more favourable terms, then we expect margins to improve for several years.

Valuation base case at \$177m (\$1.58/share)

Our valuation is based on the discounted cashflow 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 \$177m or \$1.58/share. Our downside case values PNC at \$146m (\$1.30/share), while we can estimate upside to \$236m (\$2.11/share) using a range of more positive factors. Finance interest margin and cash collection performance are the crucial determinants of value. Our peer analysis shows that Pioneer Credit is trading at 53% of its closest peer Credit Corp (ASX:CCP) and 73% of the peer median Price/Book Value. In our view, PNC is receiving no credit for the turnaround in FY23 to date nor for the improved outlook for FY2024 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	106.8	60.6	3.4	(33.1)	(23.7)	n.a.	7.2
06/23f	130.0	84.0	31.4	0.8	0.8	48.7	7.7
06/24f	141.1	93.7	38.3	4.4	3.9	9.1	8.0
06/25f	144.9	96.5	37.2	11.3	10.1	3.5	7.5

Source: Company data, Management accounts presentation, RaaS Advisory estimates

Financial Services

12 July 2023

Share Details

ASX code	PNC
Share price (11 July)	\$0.34
Market capitalisation	\$41.04M
Shares on issue	111.9M
Cash at 31-Dec-2022	\$6.3M
Free float	53%

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 12 July 2023

Board and Management

Stephen Targett	Non-Executive Chairman
Peter Hall	Non-Executive Director
Michelle d'Almeida	Non-Executive Director
Keith John	Managing Director
Barry Hartnett	Chief Financial Officer
Sue Symmons	Co Sec/General Counsel

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Pioneer Credit Limited

Pioneer Credit Limited (ASX:PNC) is a company focused on ethical debt recovery by buying impaired credit portfolios (PDPs) with a high level of price and return discipline and flexibly managing recovery of the debt by focusing on customer care and maintaining a consistently positive customer relationship (as measured by net promoter score). The company was founded in 2009 with four people and today employs more than 350. Following consolidation in the sector Pioneer is now the second largest purchaser of PDPs at a time when the market is expected to recover from the constraints of COVID impact management.

Investment Case

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 throughout the past three years;
- Competition in the market is reduced due to corporate failure and consolidation;
- Volumes of PDPs offered for sale by major banks and non-bank institutions are expected to increase 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.
- The company has reduced its financing costs from previous punitive levels and expects to further reduce costs in the current calendar year.
- PNC's valuation reflects the travails of the past three years without recognition of the change in market and corporate circumstances in FY23.
- Under either the Base or Upside cases Pioneer should be capable of paying a significant dividend from 2H24 onward depending upon external / internal financing choices when making PDP purchases.

DCF Valuation

We have considered the following valuation methods:

- Discounted cash flow, with three growth cases (see Exhibit 19 for greater detail); and
- Peer comparison, however, prefer the DCF method given the limited competitor comparisons available.

Our base-case DCF is \$177m or \$1.58/share (the stock traded at \$221m in August 2018) suggesting very strong potential share price growth as Pioneer demonstrates robust execution of its relatively simple business model. Improving PDP pricing and availability, along with refinancing to lower credit margins. will drive a closure of the valuation gap formed during the uncertainty of 2019-2021.

Exhibit 1: Valuation methodologies addressed in this report

Valuation method	Discount rate	10 Yr CAGR in revenue	Value in A\$m	Value per share A\$
Base-case DCF valuation	16.50%	(1.3%)	\$176.5	\$1.58
An upside case DCF	16.50%	1.0%	\$235.7	\$2.11
A downside case DCF	16.50%	(3.1%)	\$145.8	\$1.30

Source: RaaS analysis

Company History

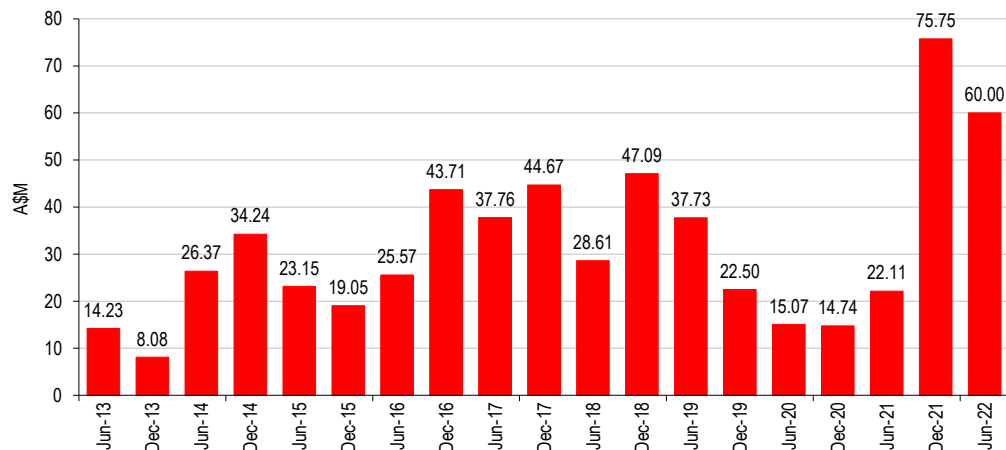
Pioneer was originally founded by Keith John as a family business in 1999, focusing on collection of outstanding hospital and health-related accounts. The business was subsequently sold. Keith reestablished Pioneer Credit in 2003 and facilitated a sale to Credit Corp in 2006, assuming a key executive role. Subsequently Keith parted with Credit Corp and re-established Pioneer Credit in 2009 with a business model focused on Purchased Debt Portfolios. Pioneer acquired its first portfolio from a regional bank in August 2010 and entered its first forward flow agreement with a regional bank in October 2010. Growth resulted in a move to a CBD office in 2012, a larger customer service team and opening of an operations centre in Manila in 2013. The company's beginning in medical collections is a significant part of the customer-centric culture fostered by Keith John, a key component in Pioneer's success in managing outstanding debts. Pioneer was listed on the ASX in 2014.

Q3 FY23 YTD Update

Pioneer issued an investor update following the end of Q3. In the quarter Pioneer noted:

- Record cash collections in Q3 (\$32.4m) and YTD \$100.4m +43%;
- PDP investment of \$7.5m in Q3 and \$50.3m up+14% likely to exceed guidance of >\$61m;
- EBITDA YTD \$65.7m +83% and a likely full year record¹;
- EBIT YTD \$23.1m up from \$3.6m pcp;
- Discussions are underway to reduce the cost of funding.
- PNC has decided to implement a new accounting, customer and information management system and announced the appointment of a new CIO - who assumes the position from 30th June.

Exhibit 2: PDP investment YTD FY23



Source: Company reports

PNC's record of PDP investment highlights the impact of COVID on the market in 2019, 2020 and 2021, and the recovery in activity in FY22.

¹ reported in PNC management's preferred P&L structure.

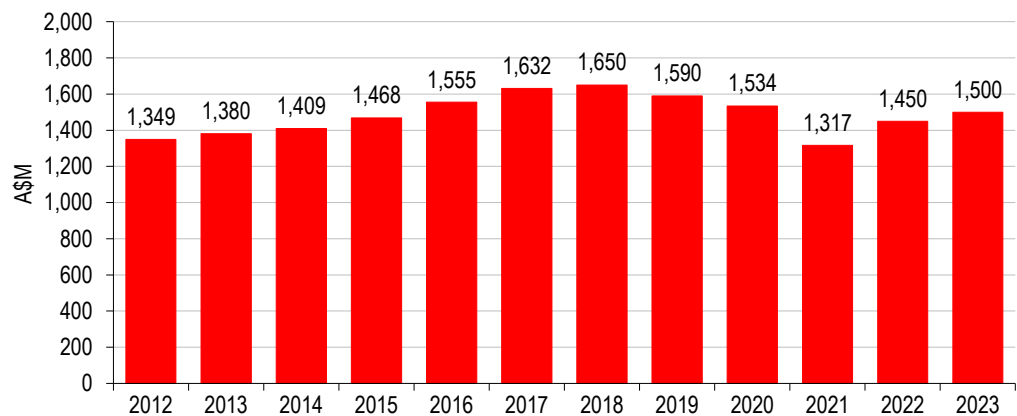
The Debt Collection Sector

The Australian debt collection market size is estimated at \$1.5bn by revenue in 2023². Firms generate revenue by either;

- acting as an agent for a creditor, receiving a fee for service and/or a contingent fee based on the amount collected,
- or by buying bad debts from the original creditor or lender in a portfolio structure and at a discount to the debt's face value. (See Exhibit 10).

Purchased Debt Ledgers/Portfolios (PDPs) are estimated at 64% of industry revenue in FY23³. Returns to the purchaser are then contingent on an accurate assessment of the credit risk of the PDP and a repeatable, ethical collection management process.

Exhibit 3: Australian Debt Collection market by revenue (In A\$m)



Source: IBISWorld Research

Since a peak in 2018 the industry has suffered a series of setbacks, reducing available revenues and causing firms to pull back from purchases of loan portfolios in favour of agency operations - which also were reduced.

- The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the Royal Commission) handed down its report in February 2019 and the course of the inquiry and report conclusions caused the major lenders – particularly the large four banks⁴ - to pause debt collection outsourcing and sales of PDPs. Subsequently ASIC issued a regulatory guide to the industry which has clarified the rights of creditors, collectors and debtors.⁵ This process increased financial stress on the actual debt collection industry.
- The COVID pandemic impacted industry revenues in 2020 and 2021 with loan deferrals, extended payment terms and higher levels of consumer saving all helping to reduce demand for collection services and management. Large Vendors were also more reluctant to release control of overdue loans in the

² IBISWorld Research, <https://www.ibisworld.com/au/market-size/debt-collection/>

³ IBISWorld Research Industry Report N7293A Debt Collection in Australia in the Independent Expert Report of Jenny Nettleton, KordaMentha, page 7, for Collection House Limited Administrator's Explanatory Memorandum, 30 Sept 2022,

⁴ Commonwealth Bank of Aust (CBA), Westpac (WBC), National Australia Bank (NAB) and Australian and New Zealand Banking Corp (ANZ).

⁵ Australian Securities & Investments Commission, Regulatory Guide 96, Debt collection guideline: for collectors and creditors, April 2021. <https://download.asic.gov.au/media/hw4nf11g/rq96-published-13-april-2021.pdf>

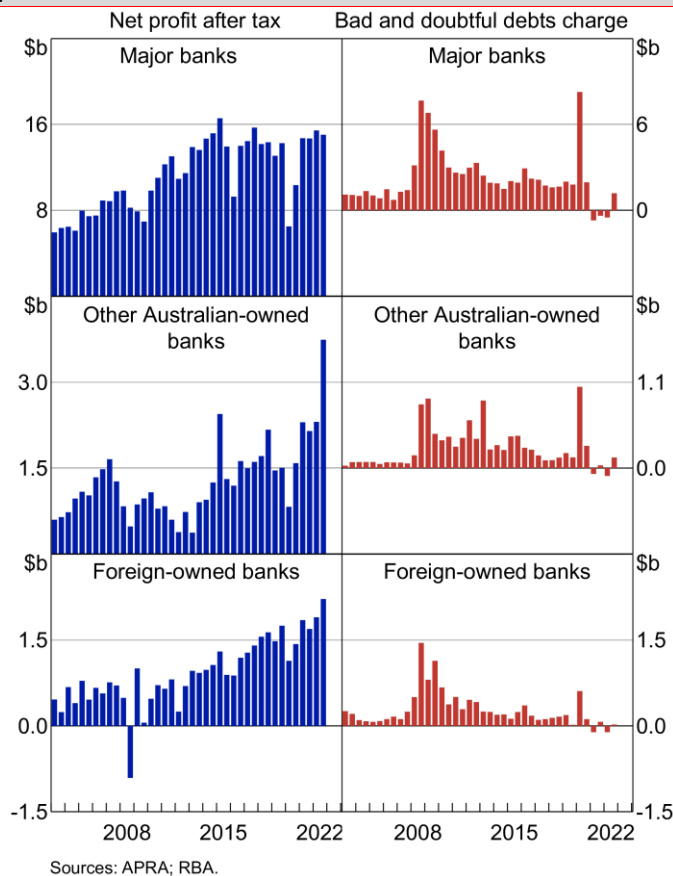
regulatory and social environment of these years. As the impact of the pandemic has receded in 2022 the sector has moved toward more normal operations, within the new regulatory framework.

Vendors and drivers of Debt Portfolio sales

The largest vendors of PDPs are of course the four largest banks along with a range of other credit providers in the Australian market. Pioneer currently deals with 18 vendor partners. However, the size of the bank portfolios means bank policies essentially determine the volume of debt portfolios available for purchase. Pioneer focuses on portfolios comprised of high-quality banking and finance products, primarily personal loans and credit cards, generally more than 180 days overdue. The portfolios are assembled by the bank’s credit department and offered for sale with (anonymised) details of the debtors and payment histories of the loans comprising the portfolio. The scale of portfolios available is contingent on a range of factors including;

- Levels of financial stress felt by borrowers – both due to personal events and society-wide impacts (inflation, interest rate change, environmental disaster);
- Internal corporate policy regarding the level of resources devoted to debt recovery – outsourcing vs internal management;
- The strength of vendor balance sheets and the scale of any requirement to maintain strong capital ratios;
- Regulatory requirements for management of customer relationships and the nature of loan agreements.

Exhibit 4: Bank profits and bad debt ratios

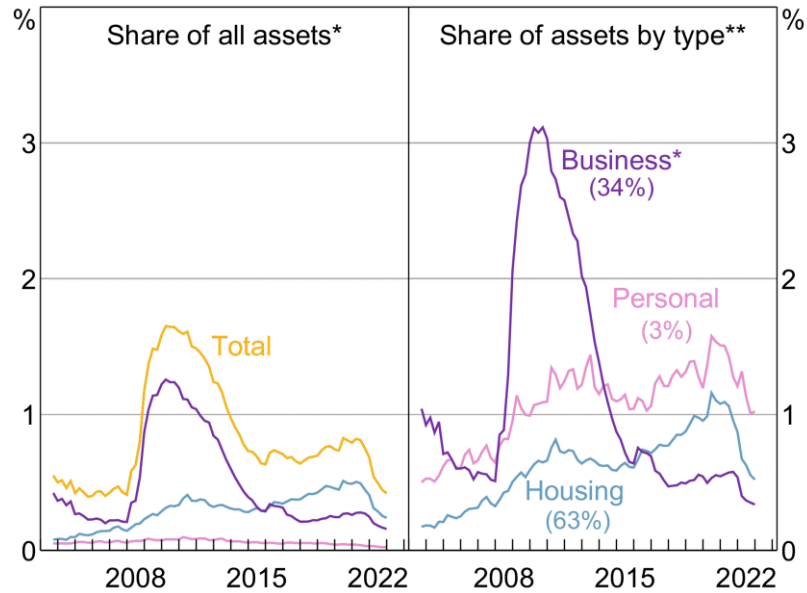


Source: APRA, RBA

The range of influences means that the volume and prices of available debt portfolios are not directly reflected in economic indicators. Substantial leads and lags in the process of reaching the point of

impairment and particular corporate policies are driving sales decisions. Notably banking bad debt ratios and balance sheet strength appear to have little immediate direct impact (See Exhibit 4 and 5) on sales volumes or prices. Exhibit 4 shows bank profits remain high while bad debt charges are at historic lows in 2022.

Exhibit 5: Bank non-performing assets



* Includes lending to financial businesses, bills, short-term and long-term debt securities and other non-household loans

** Each category's share of total domestic lending at December 2022 is shown in parentheses; shares may not add up to 100 due to rounding

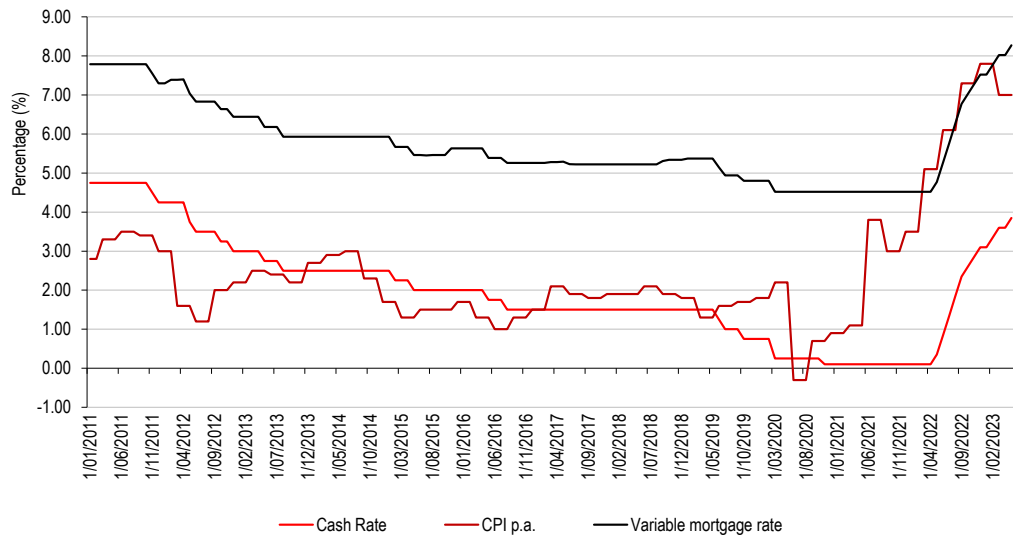
Sources: APRA; RBA

Source: APRA, RBA

The impact of particular areas of business on profits is also not showing a clear relationship with non-performing Personal loans only 1% of assets and 3% of total Australian lending. All segments have clearly trended toward stronger outcomes.

Despite these relatively benign longer-term perspectives the short-term outlook for household finances has clearly become more difficult with significant increases in CPI inflation driving the RBA to implement higher cash interest rates with flow-on to Mortgage Rates at a time when household debt to income ratios are high.

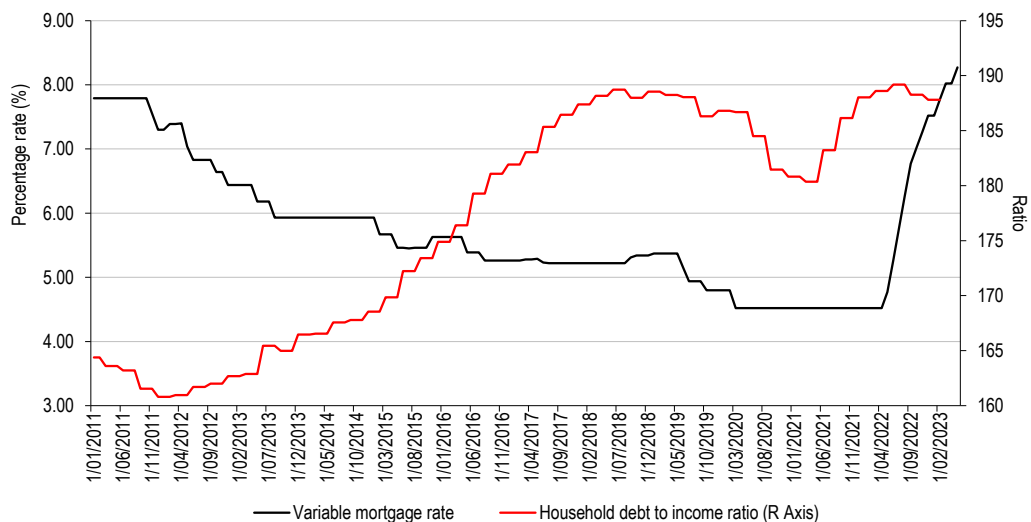
Exhibit 6: RBA cash rate, CPI and mortgage rate



Source: APRA, RBA

While banking institutions are in a demonstrably strong financial position, we feel that the increasing cost-of-living and interest rate stress on households will drive a rise in bad debts and likely a follow-on increase in sales of debt portfolios by lending institutions.

Exhibit 7: Household debt/income ratio and variable mortgage rates



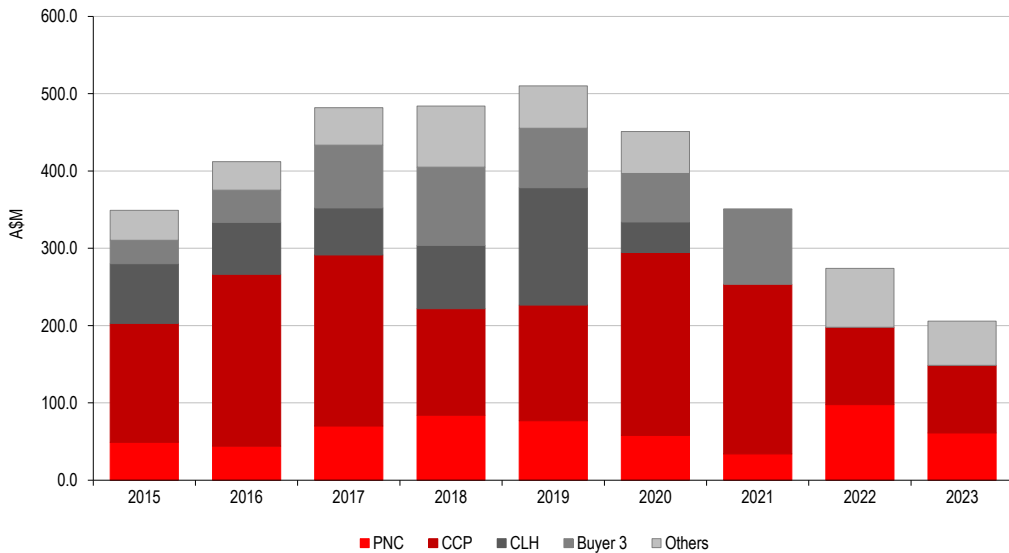
Source: APRA, RBA

Purchased Debt Portfolios

We show our estimates of the scale of PDP transactions in Exhibit 9. These are based on previously published financial data from the major ASX listed participants (CCP, PNC and CLH) with interpolation of Other participants based on the reduction in CCP and PNC volumes FY22 and FY23. Volumes peaked in 2019, then the impact of the Royal Commission, and COVID related delays and behaviour changes shrank volumes further. Combined volumes for CCP and PNC fell -22% in FY22 and -25% (expected) in FY23. Exhibit 9 also highlights

the reduced competition for purchase of PDPs with several companies failing and/or purchased by competitors in the course of 2021 and 2022. (See Competitors below)

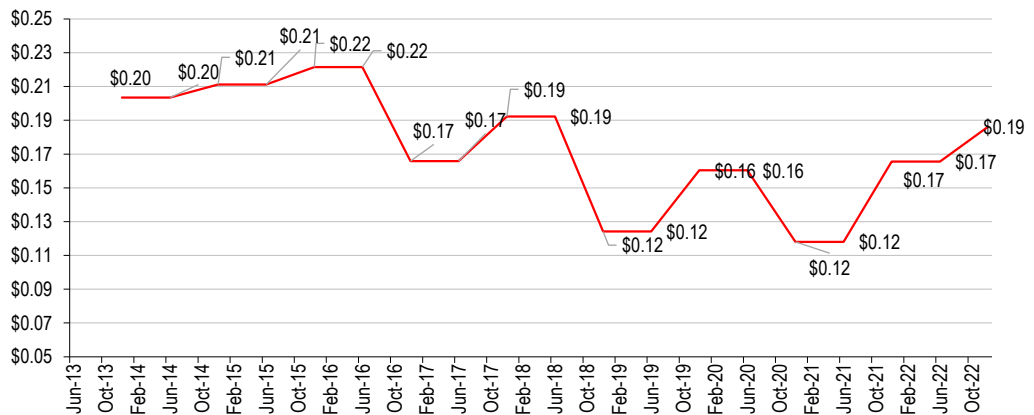
Exhibit 8: Estimated sales of PDPs



Source: PNC, CCP, CLH, RaaS estimates

The cost of purchasing PDPs reflects these volume changes and the relative quality of the mix of products included in a portfolio, with prices per dollar of debt lower in 2018 and 2019 than prior years. The stress of COVID on the market and expected lower returns from portfolios left prices lower through 2020 and 2021 with improving prospective returns and some competition for limited supply moving prices up in 2022. We estimate prices may have reached 20c in the dollar in 2023 but feel this is likely to moderate if supply increases as expected.

Exhibit 9: Estimated prices of PNC acquired PDPs \$/\$ of debt



Source: PNC, RaaS estimates

Competitors

Prior to 2019 the largest companies operating in the purchased debt sector were ASX listed and comprised Credit Corp Group (ASX: CCP), Collection House Ltd. (delisted ASX: CLH), Baycorp Holdings (delisted ASX: BAY) and Pioneer Credit Ltd. (ASX: PNC). The industry stress - due to mis-priced asset purchases (BAY and CLH) - was compounded by the Royal Commission and started a process of exit and consolidation largely executed by Credit Corp - the largest and most diversified company. Despite CCP's purchases even their business contracted through 2019-2022. The quote below from CCP's FY22 annual Report highlights the challenges in the sector.

“COVID has had an adverse impact on the supply of purchased debt ledgers (PDL) from traditional credit issuers in Australia and New Zealand. The accumulation of consumer savings arising from the COVID response continued to suppress both credit arrears and mainstream unsecured credit demand. As has been the case over recent years, Credit Corp was able to apply its strong balance sheet and superior analytics to secure some attractive one-off purchased debt ledger acquisitions. Following the purchase of Baycorp for \$65 million in 2019 and Collection House's Australian PDLs for \$160 million in 2021, Credit Corp secured Thorn Group's Radio Rentals assets for \$63 million and Collection House's New Zealand PDLs for \$12 million in 2022. This allowed a solid earnings result from the segment.”⁶

With the exit of Collection House (administration) and Baycorp (sale by US parent), the major operating entities are CCP and Pioneer Credit. Both have good relationships with vendors of PDLs and good records of customer management and ethical behaviour. In the area of PDPs, Credit Corp is now more focused on the larger US marketplace. Pioneer and CCP both purchased around \$100m worth of PDPs in FY2022 (a significant increase for PNC from \$34m in FY21), however as best we can, estimate this still represented a 22% decline in market volume. With CCP more focused on the US this consolidation likely presents an opportunity for Pioneer.

Pioneer's 2019 And 2020 Corporate Issues

In addition to the stresses noted above Pioneer has coped with a major disruption to the company following a change in the methodology used for valuing debt portfolios from Fair Value to Amortised Cost (AASB 9). Following extensive review and consultation by PNC a change of opinion by the company's auditor late in the 2019 financial year delayed finalisation of the company's annual results. The change in approach resulted in a material difference in expected NPAT and EBIT for FY2019.

- PNC requested a market Trading Halt on 26th August 2019, followed by voluntary suspension.
- Continued inability to sign-off on the accounts caused an extension of the suspension beyond that allowed for under PNC's debt covenants.
- PNC entered a standstill agreement with its Senior Financiers on 24th September and commenced refinancing negotiations with Carlyle Group.
- Completion of refinancing allowed reinstatement of Official Quotation on 23rd Dec 2019.
- Carlyle entered a scheme of arrangement to acquire the listed capital of PNC prior to release of the 2019 Interim result on 28th February 2020 which was qualified with “Material Uncertainty Related to Going Concern” by the Board due to uncertainty surrounding the implementation of the scheme. The Standstill agreement was a significant negative for the operation of the business in the half-year.
- The company was unable to purchase PDPs, contributing to a \$6.4m decline in net revenue relative to 1H19 and a statutory \$8.7m loss after tax and discontinued operations for the 1H20 period.
- Pioneer requested a trading halt on 8th April 2020 upon receiving a letter from Carlyle alleging various defaults under the joint scheme agreements regarding finance and acquisition of PNC shares. Carlyle were

⁶ Chairmans Report, Credit Corp Group 2022 Annual Report.

clearly attempting to end the agreements as the economic and social impact of COVID became more obvious.

- The takeover scheme was terminated, and PNC entered a further finance Standstill Agreement with Carlyle Group on 20th July 2020 pending a successful refinance of Carlyle's facility to PNC. PNC shares remained suspended while this process continued.
- Pioneer announced execution of a new senior finance facility with a syndicate of lenders.
- On 24th September PNC announced FY20 results and completion of the refinancing process and was reinstated to Official Quotation.

The difficulties initiated by disagreements over the correct valuation technique for PDPs was effectively finalised at this point with the company surviving intact and with business operations intact. However, finance costs had markedly increased and COVID impacts had assisted in reducing revenues. PNC continued to recover through calendar 2022 with the 1H23 result has clearly moved beyond these difficulties. The remaining challenge is to again refinance on a lower margin over bank bill to fully return the company to previous levels of operating margins.

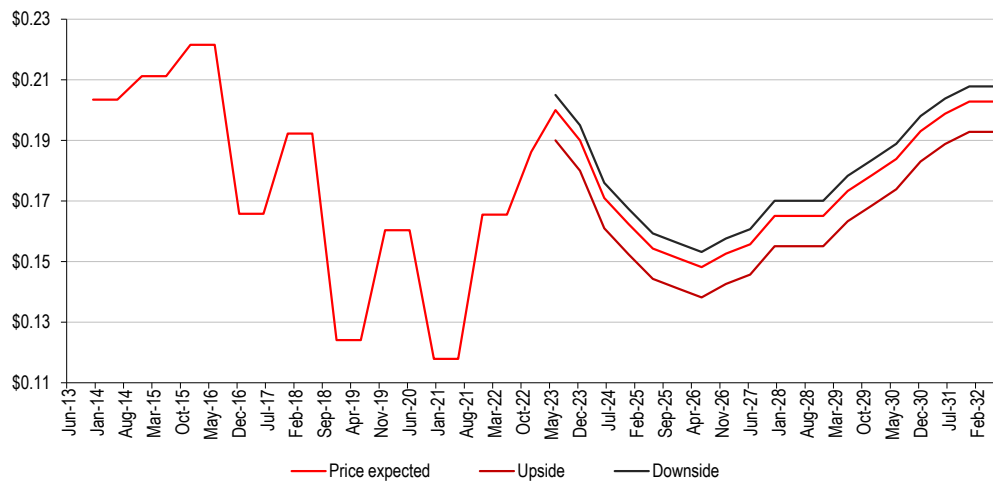
Business Forecasts And Modelling

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 11 to 17 below)

- Considering current the 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 with improved outcomes.
- We similarly model a cycle of cash collections rising then falling and rising again.
- Finance costs are expected to progressively improve as PNC demonstrates stable outcomes and progressively refinances at lower margins. (Currently between 7.25% and 8.75% over Bank Bill bid).
- 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.

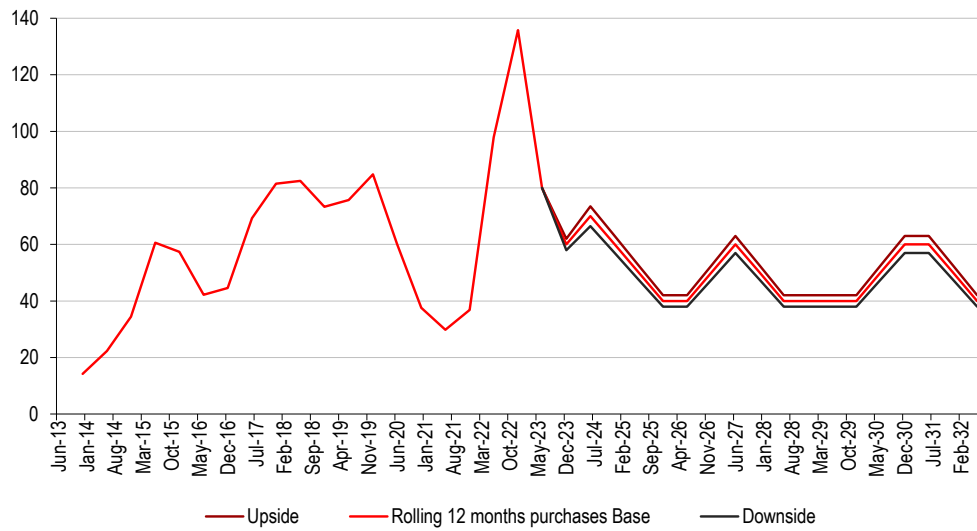
The outcomes of this approach are charted below.

Exhibit 10: Estimated prices of PNC acquired PDPs \$/\$ of debt



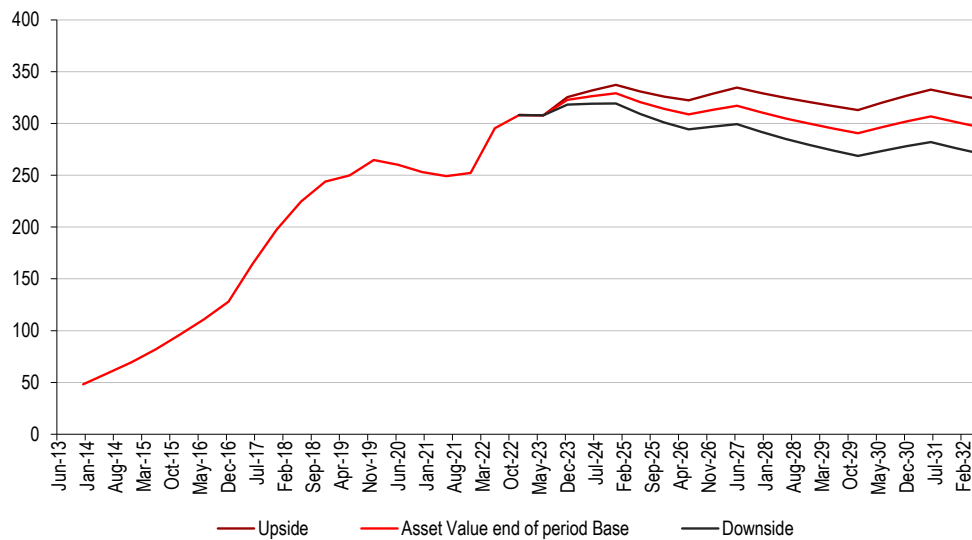
Source: PNC for actuals, RaaS estimates

Exhibit 11: Estimated PNC rolling 12-month PDP purchased (In A\$m)



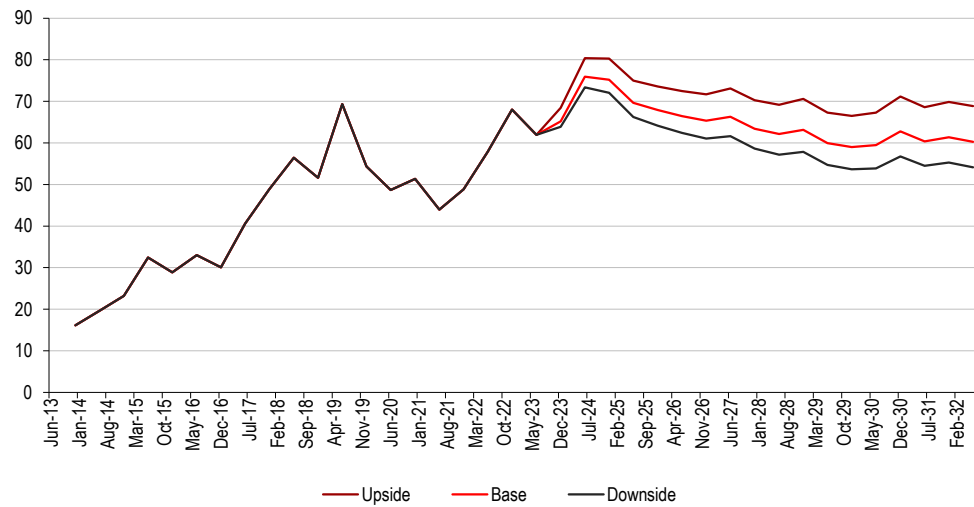
Source: PNC for actuals, RaaS estimates

Exhibit 12: Estimated end of period PDP asset value (In A\$m)



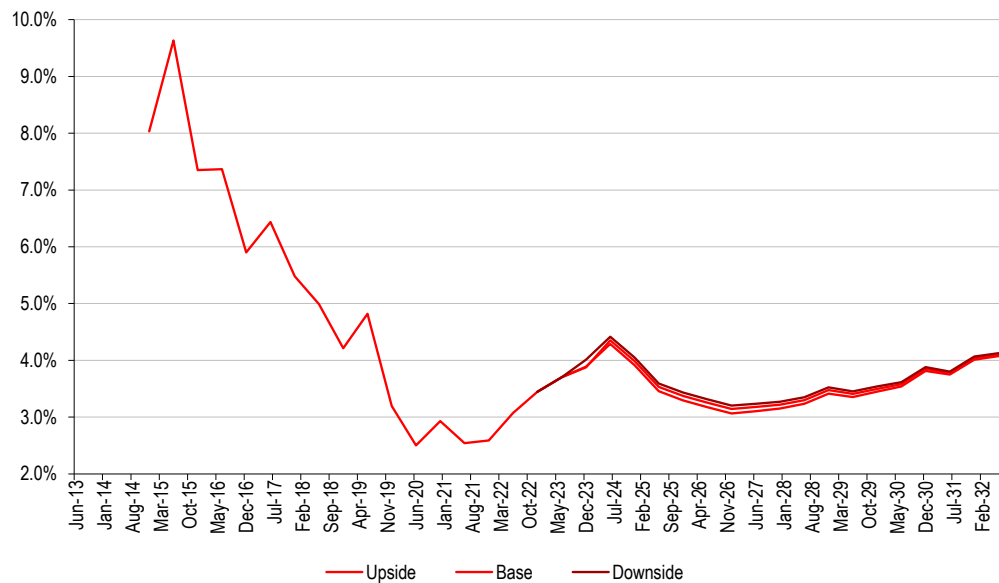
Source: PNC for actuals, RaaS estimates

Exhibit 13: Estimated PNC cash collections (In A\$m)



Source: PNC for actuals, RaaS estimates

Exhibit 14: Estimated PNC yield on PDP face value



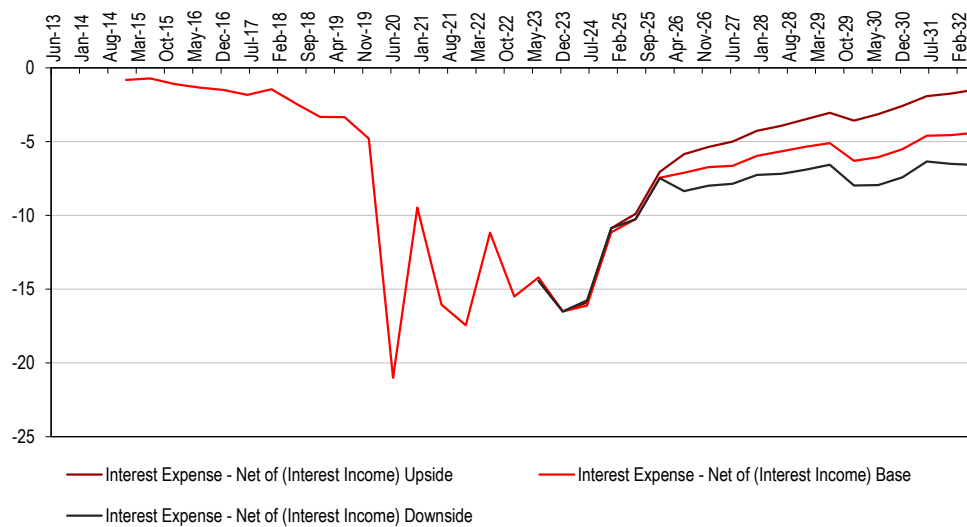
Source: PNC for actuals, RaaS Estimates

Exhibit 15: Estimated PNC net revenue (In A\$m)



Source: PNC for actuals, RaaS estimates

Exhibit 16: Estimated PNC net interest paid



Source: PNC for actuals, RaaS estimates

Using our cyclical assumptions Pioneer is estimated to see a substantial revenue expansion, a reduction in interest costs and an increase in other operating costs. The difference in NPAT outcomes (See Exhibit 19) from our three cases is driven largely by financing and consequent purchasing assumptions. Beyond the next two years these are clearly speculation on our part but serve to demonstrate the possibility of further losses and/or substantial profits. We feel our base case more than adequately accounts for vendor and financing risks which may be confronted by the company. When reviewing changes between 2H23 and 2H27 in Exhibit 17 please recall we have used assumptions based on a cycle and refer to the charts of major variables above for context.

Exhibit 17: RaaS forecast assumptions

Starting assumptions		Base case		Downside case		Upside case	
		2H23	Chge to 2H27	2H23	Chge to 2H27	2H23	Chge to 2H27
Income							
Net Sales Revenue	\$m	\$41.7	-3.3%	\$41.7	-14.9%	\$41.7	13.9%
Net Interest Expense	\$m	-\$14.2	-53.3%	-\$14.4	-45.6%	-\$14.4	-65.4%
Gross Margin	%	10.4%	14.6%	9.9%	2.8%	9.9%	31.9%
Operating Costs (Excl Impairments)							
Employment costs	\$m	-\$23.1	2.0%	-\$23.1	0.0%	\$0.1	322.4%
Sales, general & admin expenses	\$m	-\$4.0	24.2%	-\$4.0	21.8%	-\$4.0	19.4%
Other SG&A	\$m	-\$2.2	121.7%	-\$2.2	117.5%	-\$2.2	113.2%
PDP Purchases							
Pricing trend = scale of purchases		\$0.200	-22.1%	\$0.205	-21.6%	\$0.190	-23.3%
PDP Purchases	\$m	\$20.0	50.0%	\$20.0	42.5%	\$20.0	57.5%
Asset Sales & Roll-offs	\$m	-\$20.3	28.1%	-\$20.3	28.8%	-\$20.3	26.4%
Asset Value end of period	\$m	\$307.8	3.0%	\$307.8	-2.8%	\$307.8	8.7%
Cash Collections							
Cashflow	\$m	62	7.0%	62	-0.6%	62	18.0%
Yield on prior period end assets	%	\$0	3.9%	\$0	2.3%	\$0	8.5%
Yield on prior period face value	%	3.70%	-14.0%	3.70%	-12.6%	3.70%	-16.1%
Funding							
Borrowings	\$m	\$15	-14.6%	\$15	-11.7%	\$15	-31.1%
Borrowings Non-Current	\$m	\$258	-14.6%	\$258	-11.7%	\$258	-31.1%
Proceeds from Borrowings	\$m	\$0	0.0%	\$0	0.0%	\$0	0.0%
Total Financial Income / (Expense)	\$m	-\$14	-53.7%	-\$14	-45.9%	-\$14	-66.1%
Six-month Interest Rate	%	5.2%	-2.5%	5.2%	-2.0%	5.2%	-2.8%
Cashflow							
Cash at beginning of period	\$m	\$6	144.0%	\$6	22.2%	\$6	-263.5%
Operating cashflow	\$m	\$24	40.8%	\$24	26.0%	\$24	68.8%
Investing cashflow	\$m	-\$20	49.2%	-\$20	41.9%	-\$20	56.6%
Financing cashflow	\$m	-\$2	400.0%	-\$2	-100.0%	-\$2	400.0%
Net cash at end of period	\$m	\$8	11.0%	\$8	13.6%	\$8	-252.4%

Source: RaaS estimates. Change is (H2 FY27 / H2 FY23 -1) except Margin, Yield & Rates = (H2FY27 – H1FY23)

Exhibit 18: Estimated PNC NPAT (In A\$m)


Source: PNC for actuals, RaaS estimates

Valuation

We considered both a comparable company approach and a discounted cashflow approach to valuation of Pioneer's business and the opportunity. Following a review of listed direct competitors and companies in adjacent sectors (see Exhibit 24 Peer Comparison below) 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 between \$260m and \$500m. However, this is based on history and ignores Pioneer's improving situation but also fails to consider differences in both current and previous business structure.
- Companies in financial services are predominantly lenders or transaction based although non-bank financial characteristics are broadly like those of PNC; and
- Pioneer's experience between FY2019 and FY2021 does not make for easy direct historical comparisons.

Overall, we feel a discounted cashflow valuation technique provides 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 4.03%) but adjust that in the context of longer-term outlook to avoid the impact of short-term adjustments in fixed-interest markets. Noting that bond rates recently spiked past 4% and have returned to lower levels, 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 0.87⁷, suggesting a lower volatility than the broader market. However, we feel this misrepresents the price performance of the company and the fundamental 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 1.8x. 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 \$173m or \$1.54/share. Note that in each case the asset value of the PDPs represents a significant proportion of valuation.

Exhibit 19: Case valuation range (in A\$m unless otherwise stated)

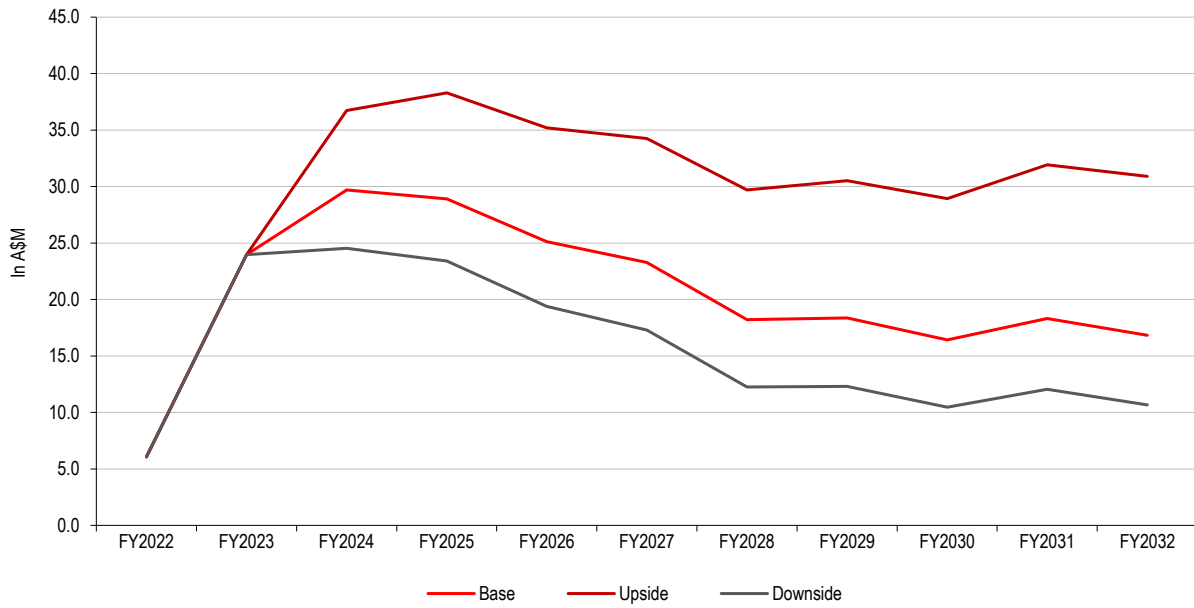
	Base case	Downside case	Upside case
DCF valuation per share	\$1.58	\$1.308	\$2.11
DCF Value	\$176.5	\$145.8	\$235.7
FCF FY23	\$24.0	\$24.0	\$24.0
FCF FY32	\$16.8	\$10.7	\$30.9
Revenue FY23	\$80.1	\$80.1	\$80.1
EBITDA FY23	\$34.2	\$34.2	\$34.2
Revenue FY32	\$71.3	\$60.4	\$87.3
EBITDA FY32	\$22.8	\$14.0	\$42.9

Source: RaaS estimates

We note the base-case DCF value is consistent with the peer comparison despite the challenges of that comparison. Finally, a reality check is that Pioneer traded at \$3.50 per share in August 2018 (prior to COVID and accounting standard challenges) or a market capitalisation of \$221m.

⁷ Refinitiv observed three-year, weekly beta

Exhibit 20: Free cashflow cases



Source: RaaS estimates, Includes maintenance and expansionary capex in discounted cashflow valuation calculation

Peer Comparison

We have selected peers from ASX-listed non-bank financial companies between \$1.4bn and \$300k shown below in Exhibits 24-26. Within this group only Credit Corp Group Ltd. (ASX: CCP) is a direct competitor (as noted above. Relevant ratios are summarised in Exhibit 22.

Exhibit 21: Peer valuation comparison					
	CCP.AX	PNC.AX	PNC/CCP	Peer Median	PNC/Median
Market Capn	1,345.0	39.7	3%	95.2	42%
Revenue FY0	411.2	54.3	13%	77.8	70%
EBITDA FY0	158.7	60.6	38%	19.3	314%
NPAT	100.7	(33.1)	(33%)	(3.8)	878%
Cash Flow from Operations FY0	(100.3)	(46.8)	47%	(7.2)	652%
Shareholders Equity FY0	740.6	41.1	6%	91.3	45%
Net Debt FY0	128.3	147.3	115%	75.1	196%
Enterprise Value FY0	1,503.9	193.7	13%	298.3	65%
P/E	14.9	n.a.	n.a.	14.9	n.a.
Dividend Yield	4.2	n.a.	n.a.	10.1	n.a.
ROE	13.6	n.a.	n.a.	14.0	n.a.
Price to Book Value	1.8	0.9	53%	1.1	85%
Price to Sales	3.2	0.6	19%	1.4	45%
Net Debt / EBITDA	2.1	8.8	408%	14.3	61%
Net Debt / Equity	17.3	358.7	2071%	93.7	383%
3 Year Weekly Beta	1.7	0.9	53%	1.0	95%
FY0/FY-2 Revenue Growth p.a. %	3.8	0.6	16%	18.3	3%

Source: RaaS estimates, Refinitiv, 04/07/2023.

Key points;

- Pioneer currently trades at 3% of Credit Corp's market capitalisation and 42% of the median of the peer group.
- However, Pioneer reported EBITDA (using management's preferred presentation), of \$60.6m in FY22, 38% of that reported by CCP.
- Consensus estimates currently anticipate Credit Corp will report a small fall in NPAT from FY22 \$100m to FY23 \$92m and a similar decline in EBITDA from \$159m to \$153m.⁸
- We expect PNC to report a small profit in FY23 but a substantial increase on the prior year. Guidance suggests EBITDA will exceed \$66m (9 Months to 31st March YTD result).⁹
- Pioneer is trading at 53% of the Credit Corp and 73% of the peer median Price/Book Value.
- Overall Pioneer is receiving no credit for the turnaround in FY23 to date nor for the improved outlook for FY2024.

Valuing PNC at 100% of CCP metrics suggests near a \$500m market capitalisation or Enterprise Value, at 50% of CCP's ratios this could be \$260m. Pioneer currently has a market capitalisation of \$40m and EV of \$194m.

Exhibit 22: Peer implied valuation (In A\$m unless otherwise stated)		
	100% of CCP	50% of CCP
EBITDA-implied Mkt Cap	513.5	256.7
EBITDA-implied EV	574.1	287.1
Price-to-Book Value	1327.0	663.5
Price-to-Sales	173.0	86.5

Source: RaaS estimates

⁸ Refinitiv

⁹ PNC investor update 5 May 2023

Exhibit 23: Financial Services sector– related listed companies (A\$)

Code	Company Name	Relevance	Refinitiv Sub-Industry	Price close A\$	Market capitalisation (A\$m)
TYR.AX	Tyro Payments Ltd	Non-bank financial	Business Support Services	\$1.16	603.5
OFX.AX	OFX Group Ltd	Non-bank financial	Business Support Services	\$2.01	477.2
SPY.NZ	SmartPay Holdings Ltd	Non-bank financial	Business Support Services	\$1.87	445.6
EML.AX	EML Payments Ltd	Non-bank financial	Business Support Services	\$0.69	245.0
QFE.AX	QuickFee Ltd	Non-bank financial	Business Support Services	\$0.05	14.0
LFS.AX	Latitude Group Holdings Ltd	Non-bank financial	Consumer Lending	\$1.21	1,390.7
ZIP.AX	Zip Co Ltd	Non-bank financial	Consumer Lending	\$0.45	354.6
SVR.AX	Solvar Ltd	Non-bank financial	Consumer Lending	\$1.64	337.0
HUM.AX	Humm Group Ltd	Non-bank financial	Consumer Lending	\$0.51	244.5
FSA.AX	FSA Group Ltd	Non-bank financial	Consumer Lending	\$0.99	121.1
PLT.AX	Plenti Group Ltd	Non-bank financial	Consumer Lending	\$0.36	61.6
MME.AX	Moneyme Ltd	Non-bank financial	Consumer Lending	\$0.08	63.2
PGL.AX	Prospa Group Ltd	Non-bank financial	Consumer Lending	\$0.35	55.5
OPY.AX	Openpay Group Ltd	Non-bank financial	Consumer Lending	\$0.20	45.4
WZR.AX	WISR Ltd	Non-bank financial	Consumer Lending	\$0.04	49.0
GFL.NZ	Geneva Finance Ltd	Non-bank financial	Consumer Lending	\$0.30	21.9
CCP.AX	Credit Corp Group Ltd	Direct competitor	Corporate Financial Services	\$20.02	1,345.0
OBL.AX	Omni Bridgeway Ltd	Non-bank financial	Corporate Financial Services	\$2.65	738.3
FPR.AX	Fleetpartners Group Ltd	Non-bank financial	Corporate Financial Services	\$2.56	705.0
LITL.L	Litigation Capital Management Ltd	Non-bank financial	Corporate Financial Services	\$79.80	95.2
EPY.AX	Earlypay Ltd	Non-bank financial	Corporate Financial Services	\$0.19	55.1
PNC.AX	Pioneer Credit Ltd		Corporate Financial Services	\$0.36	39.7
BTN.AX	Butn Ltd	Non-bank financial	Corporate Financial Services	\$0.20	20.3
LAW.AX	Lawfinance Ltd	Non-bank financial	Corporate Financial Services	\$0.01	0.3
IAM.AX	Income Asset Management Group Ltd	Non-bank financial	Investment Management & Fund Operators	\$0.13	36.4
CCV.AX	Cash Converters International Ltd	Non-bank financial	Miscellaneous Specialty Retailers	\$0.23	141.2
CCA.AX	Change Financial Ltd	Non-bank financial	Software	\$0.04	25.1
Max					1,390.7
Min					0.3
Median					95.2
Average					286.4

Source: Refinitiv, RaaS (closing prices on 4 July 2023)

Exhibit 24: Financial Services sector– related listed companies - financial data (in A\$m unless otherwise stated)

Code	Revenue FY -2	Revenue FY -1	Revenue FY 0	EBITDA FY 0	Net income after tax	Net cash from operations FY0	Shareholders' equity FY0	Net debt FY0	Enterprise value FY0	EPS FY0
TYR.AX	209.2	232.8	325.5	10.7	-29.6	-25.3	159.6	-28.1	282.3	-\$0.06
OFX.AX	117.9	147.0	214.1	62.4	31.4	47.0	144.1	-357.7	23.5	\$0.13
SPY.NZ	33.8	48.1	77.8	18.4	8.5	18.6	42.3	2.8	298.3	\$0.04
EML.AX	121.0	192.2	232.4	51.2	-4.8	-41.5	437.1	-1,692.0	-1,232.7	-\$0.01
QFE.AX	2.8	4.0	5.7	n.a.	-13.5	-23.0	16.3	15.3	33.3	-\$0.06
LFS.AX	1,130.6	957.4	927.8	259.1	57.9	-173.2	1,471.4	5,803.6	7,162.9	\$0.13
ZIP.AX	160.2	393.9	620.0	-287.9	-1,105.1	-752.4	436.7	2,139.8	2,443.5	-\$0.62
SVR.AX	121.4	143.2	186.1	99.0	51.6	-65.8	368.9	303.3	722.3	\$0.24
HUM.AX	474.6	444.4	440.4	72.5	-170.3	-520.9	574.1	2,928.8	3,131.9	\$0.12
FSA.AX	83.5	72.0	70.3	n.a.	18.7	26.2	84.4	495.0	649.7	\$0.14
PLT.AX	n.a.	77.6	124.7	-13.2	-13.6	20.6	45.0	1,808.8	1,874.0	-\$0.08
MME.AX	47.7	57.6	140.8	-7.1	-50.4	49.9	91.3	1,346.8	1,482.3	-\$0.26
PGL.AX	112.8	92.6	143.6	12.1	6.7	58.8	136.2	599.9	706.9	\$0.04
OPY.AX	18.0	26.0	32.0	-74.6	-82.5	-77.7	-14.9	74.4	93.4	-\$0.62
WZR.AX	7.2	27.2	59.4	-2.6	-19.9	-2.6	77.8	760.1	860.5	-\$0.01
GFL.NZ	34.8	42.7	63.9	n.a.	3.5	-5.2	36.5	63.9	90.2	n.a.
CCP.AX	382.0	374.8	411.2	158.7	100.7	-100.3	740.6	128.3	1,503.9	\$1.49
OBL.AX	30.6	17.2	31.0	1.3	6.5	-74.5	328.9	4.6	1,368.9	-\$0.17
FPR.AX	674.2	648.1	676.7	166.5	103.3	327.3	620.6	1,096.2	1,758.3	\$0.35
LITL.L	38.4	37.1	47.4	20.2	6.6	-59.9	94.0	40.2	238.9	\$0.09
EPY.AX	45.2	40.6	50.9	27.3	13.2	12.7	85.1	240.9	381.6	\$0.05
PNC.AX	53.7	53.4	54.3	60.6	-33.1	-46.8	41.1	147.3	193.7	-\$0.40
BTN.AX	4.7	4.8	5.6	-2.6	-8.7	-3.9	18.0	40.6	48.3	-\$0.06
LAW.AX	10.6	8.4	6.7	n.a.	-31.1	-7.4	-34.9	52.1	54.2	-\$0.15
IAM.AX	1.3	4.3	7.4	n.a.	-11.7	-7.2	11.4	1.9	40.9	-\$0.04
CCV.AX	262.0	201.3	245.9	n.a.	11.2	7.9	315.4	75.1	219.4	\$0.04
CCA.AX	0.0	6.1	8.2	n.a.	-3.8	-1.8	3.3	-0.2	15.4	-\$0.01
TYR.AX	209.2	232.8	325.5	10.7	-29.6	-25.3	159.6	-28.1	282.3	-\$0.06
OFX.AX	117.9	147.0	214.1	62.4	31.4	47.0	144.1	-357.7	23.5	\$0.13
SPY.NZ	33.8	48.1	77.8	18.4	8.5	18.6	42.3	2.8	298.3	\$0.04
Max	1,130.6	957.4	927.8	259.1	103.3	327.3	1,471.4	5,803.6	7,162.9	
Min	0.0	4.0	5.6	-287.9	-1,105.1	-752.4	-34.9	-1,692.0	-1,232.7	
Median	50.7	57.6	77.8	19.3	-3.8	-7.2	91.3	75.1	298.3	
Average	160.7	161.3	192.9	31.6	-42.9	-52.6	234.5	596.0	905.4	

Source: Refinitiv, RaaS (closing prices on 4 July 2023) Note that 0 denotes last reported year, -1 is the previous financial year and -2 is two previous financial years back

Exhibit 25: Financial Services sector– related listed companies - valuation ratios (A\$)

Code	P/E	DY %	ROE %	Price to book value	Price to sales	Net Debt / EBITDA%	Net Debt / Equity %	Three-year beta	Revenue growth % FY -2 to FY0
TYR.AX	114.7	n.a.	n.a.	3.6	1.5	n.a.	-18	1.7	24.8
OFX.AX	15.0	0.0	21.8	3.4	2.2	n.a.	-248	0.6	34.7
SPY.NZ	35.3	n.a.	20.0	10.5	5.7	0.2	7	0.6	51.6
EML.AX	n.a.	n.a.	n.a.	0.8	1.1	n.a.	-387	1.4	38.6
QFE.AX	n.a.	n.a.	n.a.	1.1	1.4	n.a.	94	0.7	44.1
LFS.AX	63.7	14.1	3.9	0.9	1.4	14.3	394	0.9	-9.4
ZIP.AX	n.a.	n.a.	n.a.	1.2	0.6	n.a.	490	2.5	96.7
SVR.AX	7.0	13.0	14.0	0.9	1.7	3.6	82	1.6	23.8
HUM.AX	11.2	7.1	n.a.	0.4	0.5	53.2	510	2.3	-3.7
FSA.AX	n.a.	10.1	22.2	1.4	1.6	21.0	587	0.1	-8.3
PLT.AX	n.a.	n.a.	n.a.	1.4	0.4	n.a.	4,016	1.1	n.a.
MME.AX	1.6	n.a.	n.a.	0.2	0.3	22.0	1,475	1.6	71.8
PGL.AX	20.0	n.a.	4.9	0.4	0.3	64.9	440	0.5	12.8
OPY.AX	n.a.	n.a.	552.2	n.a.	n.a.	n.a.	-498	1.7	33.2
WZR.AX	n.a.	n.a.	n.a.	0.7	0.6	60.1	976	1.5	187.9
GFL.NZ	n.a.	12.5	9.5	0.6	0.4	n.a.	175	0.3	35.5
CCP.AX	14.9	4.2	13.6	1.8	3.2	2.1	17	1.7	3.8
OBL.AX	n.a.	0.0	2.0	2.3	24.6	n.a.	1	1.0	0.8
FPR.AX	9.1	n.a.	16.6	1.1	1.1	3.3	177	1.2	0.2
LITL.L	9.8	0.0	7.1	2.1	5.5	7.8	43	0.6	11.0
EPY.AX	n.a.	23.4	15.5	0.7	0.9	32.3	283	0.6	6.2
PNC.AX	n.a.	n.a.	n.a.	0.9	0.6	8.8	359	0.9	0.6
BTN.AX	n.a.	n.a.	n.a.	2.1	2.4	n.a.	225	n.a.	8.7
LAW.AX	n.a.	n.a.	89.0	0.0	n.a.	64.6	-149	1.7	-20.7
IAM.AX	n.a.	n.a.	n.a.	2.9	3.5	n.a.	16	0.9	141.1
CCV.AX	n.a.	12.7	3.5	0.7	0.5	2.1	24	0.3	-3.1
CCA.AX	n.a.	n.a.	n.a.	2.9	2.0	n.a.	-6	0.5	1,697.2
Max	114.7	23.4	552.2	10.5	24.6	64.9	4,016.2	2.5	1,697.2
Min	1.6	0.0	2.0	0.0	0.3	0.2	-498.0	0.1	-20.7
Median	14.9	10.1	14.0	1.1	1.4	14.3	93.7	1.0	18.3
Average	27.5	8.8	53.1	1.7	2.6	24.0	336.5	1.1	95.4

Source: Refinitiv, RaaS (closing prices on 4 July 2023) Note that 0 denotes last reported year, -1 is the previous financial year and -2 is two previous financial years back

SWOT Analysis

In our view the strengths and opportunities for the company outweigh the weaknesses and threats.

Exhibit 26: Strengths, Weaknesses, Opportunities, Threats	
Strengths	Opportunities
Credit management	Reduced competition
Customer relations	Expected increase in PDPs offered to market
Vendor relationships (5-year partnership with CBA)	Likely refinance at lower margins
Weaknesses	Threats
Dependent on external finance currently at relatively high rates	Regulatory risk remains significant
Do not control creation of revenue – dependent on third party decisions to provide access to PDPs	Interest rate cycle has not yet peaked
Source: RaaS analysis	

Key Risks

Finance Availability

Pioneer needs external finance to fund purchases of PDPs and as recent experience shows instability in the provision of funding can be a company ending experience.

Bank Policy and regulation

Credit policy and lending experience at other entities, particularly the large banks, drives price and supply of PDPs to the market. If internal policy or external regulation changes the source of Pioneer's revenue is not within the company's control.

Interest Rate Cycle

Aside from purchasing finance arrangements and vendor policy, interest rates and the economic cycle will have a significant impact on the viability of Pioneer's business. A rise in rates may significantly reduce Pioneer's margin from cash collection and at the same time impact Pioneer's ability to purchase PDPs for better or worse.

Key Person Risk

The management team and board are identified in Pioneer's annual report as key risks and clearly this has been the case given the nature of the difficulties of the past three years. However, since 2019 PNC has successfully replaced a CFO, CIO and Chairman and is yet to replace a non-executive Director. The founder / managing director Keith John is the key risk and also is key to the company capital structure with 16% of outstanding securities.

Recent Events

Exhibit 27: Significant announcements	
Date	Event
03/07/2023	Pioneer appoints CIO to lead transformational change
16/02/2023	ASX ALERT-Pioneer cash collections surge 40%-PNC.AX
5/12/2022	Pioneer announces Chair succession-PNC.AX
31/08/2022	ASX ALERT-One-off costs now behind a resurgent Pioneer-PNC.AX
4/07/2022	ASX ALERT-Pioneer agrees record \$100m PDP investment in FY22-PNC.AX
1/07/2022	Vesting of Performance Rights-PNC.AX
9/06/2022	ASX ALERT-Pioneer enters five year 'forward flow' agreement with CBA-PNC.AX
25/05/2022	ASX ALERT-Completion of Significant Portfolio Investment-PNC.AX
18/05/2022	ASX ALERT-Pioneer raises \$4.8m via Priority Offer at \$0.55 per share-PNC.AX
9/03/2022	ASX ALERT-\$11.35m equity issue and \$38.5m PDP investment-PNC.AX
7/03/2022	ASX ALERT-Trading Halt-PNC.AX
28/02/2022	ASX ALERT-Turnaround half positions Pioneer as 'Primed for Growth'-PNC.AX
3/02/2022	ASX ALERT-Pioneer completes on Senior Finance Facility-PNC.AX
8/12/2021	ASX ALERT-Performing Arrangements with customers surpass \$400m-PNC.AX
30/11/2021	Appointment of Chief Information Officer-PNC.AX
9/11/2021	Pioneer completes on Senior Finance Facility
1/11/2021	ASX ALERT-Pioneer executes new Senior Finance Facility-PNC.AX
29/10/2021	ASX ALERT-Trading Halt-PNC.AX
14/10/2021	Pioneer Credit Limited - Refinancing Update-PNC.AX
31/08/2021	ASX ALERT-Pioneer Credit Limited reports uplift in EBITDA to \$54.4m-PNC.AX
5/07/2021	Vesting of Performance Rights-PNC.AX
15/06/2021	Appointment of Additional Non-Executive Director-PNC.AX
7/06/2021	ASX ALERT-Board and Management Changes-PNC.AX
11/01/2021	Appointment of Peter Hall as Non-Executive Director-PNC.AX
24/09/2020	ASX ALERT-Reinstatement to Official Quotation-PNC.AX
17/09/2020	ASX ALERT-Pioneer executes new Senior Finance Facility-PNC.AX
14/09/2020	ASX ALERT-Refinancing Update-PNC.AX
8/09/2020	ASX ALERT-Refinancing Update-PNC.AX
31/08/2020	ASX ALERT-Refinancing Update and delay to Appendix 4E-PNC.AX
17/08/2020	ASX ALERT-Refinancing Update-PNC.AX
20/07/2020	ASX ALERT-Pioneer Credit Limited extends Standstill Agreement-PNC.AX
29/06/2020	ASX ALERT-Refinancing Update-PNC.AX
4/06/2020	ASX ALERT-Suspension from Official Quotation-PNC.AX
2/06/2020	Key executive appointments to guide Pioneer-PNC.AX
22/05/2020	Appointment of Chief Financial Officer-PNC.AX
18/05/2020	ASX ALERT-Pioneer enters into Standstill Agreement with Carlyle Group-PNC.AX
20/04/2020	ASX ALERT-Trading Halt-PNC.AX
14/04/2020	ASX ALERT-Company Updates - Carlyle-PNC.AX
8/04/2020	ASX ALERT-Trading Halt-PNC.AX
6/04/2020	Chief Financial Officer Departure-PNC.AX
4/03/2020	Resignation of Director and Appendix 3Z-PNC.AX
23/12/2019	ASX ALERT-Reinstatement to Official Quotation-PNC.AX
20/12/2019	ASX ALERT-Completion of Re-Financing and Performance Update-PNC.AX
20/12/2019	ASX ALERT-Pioneer signs agreements to replace its Debt Facility-PNC.AX
13/12/2019	ASX ALERT-Debt Financing Update and Request for Suspension Extension-PNC.AX
5/12/2019	ASX ALERT-Pioneer signs Scheme Implementation Agreement with Carlyle-PNC.AX
2/12/2019	ASX ALERT-Process Update and Request for Suspension-PNC.AX
31/10/2019	ASX ALERT-Process Update and Request for Suspension Extension-PNC.AX
30/10/2019	ASX ALERT-Standstill Agreement extension executed-PNC.AX
14/10/2019	ASX ALERT-Pioneer and Senior Financiers to extend Standstill Agreement-PNC.AX
30/09/2019	Request for Suspension Extension-PNC.AX
24/09/2019	ASX ALERT-Pioneer enters Standstill Agreement with Senior Financiers-PNC.AX
2/09/2019	Request for Suspension Extension-PNC.AX
28/08/2019	ASX ALERT-Voluntary Suspension-PNC.AX
26/08/2019	ASX ALERT-Trading Halt-PNC.AX
1/08/2019	2019 Full Year Results Update-PNC.AX
11/06/2019	ASX ALERT-Pioneer Credit update on PDP classification-PNC.AX
16/02/2023	ASX ALERT-Pioneer cash collections surge 40%-PNC.AX
5/12/2022	Pioneer announces Chair succession-PNC.AX
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9/06/2022	ASX ALERT-Pioneer enters five year 'forward flow' agreement with CBA-PNC.AX
25/05/2022	ASX ALERT-Completion of Significant Portfolio Investment-PNC.AX (CONTINUED ON THE NEXT PAGE)

Source: Company data, Refinitiv

Exhibit 27: Significant announcements (Continued)

Date	Event
18/05/2022	ASX ALERT-Pioneer raises \$4.8m via Priority Offer at \$0.55 per share-PNC.AX
9/03/2022	ASX ALERT-\$11.35m equity issue and \$38.5m PDP investment-PNC.AX
7/03/2022	ASX ALERT-Trading Halt-PNC.AX
28/02/2022	ASX ALERT-Turnaround half positions Pioneer as 'Primed for Growth'-PNC.AX
3/02/2022	ASX ALERT-Pioneer completes on Senior Finance Facility-PNC.AX
8/12/2021	ASX ALERT-Performing Arrangements with customers surpass \$400m-PNC.AX
30/11/2021	Appointment of Chief Information Officer-PNC.AX
9/11/2021	Pioneer completes on Senior Finance Facility
1/11/2021	ASX ALERT-Pioneer executes new Senior Finance Facility-PNC.AX
29/10/2021	ASX ALERT-Trading Halt-PNC.AX
14/10/2021	Pioneer Credit Limited - Refinancing Update-PNC.AX
31/08/2021	ASX ALERT-Pioneer Credit Limited reports uplift in EBITDA to \$54.4m-PNC.AX
5/07/2021	Vesting of Performance Rights-PNC.AX
15/06/2021	Appointment of Additional Non-Executive Director-PNC.AX
7/06/2021	ASX ALERT-Board and Management Changes-PNC.AX
11/01/2021	Appointment of Peter Hall as Non-Executive Director-PNC.AX
24/09/2020	ASX ALERT-Reinstatement to Official Quotation-PNC.AX
17/09/2020	ASX ALERT-Pioneer executes new Senior Finance Facility-PNC.AX
14/09/2020	ASX ALERT-Refinancing Update-PNC.AX
8/09/2020	ASX ALERT-Refinancing Update-PNC.AX
31/08/2020	ASX ALERT-Refinancing Update and delay to Appendix 4E-PNC.AX
17/08/2020	ASX ALERT-Refinancing Update-PNC.AX
20/07/2020	ASX ALERT-Pioneer Credit Limited extends Standstill Agreement-PNC.AX
29/06/2020	ASX ALERT-Refinancing Update-PNC.AX
4/06/2020	ASX ALERT-Suspension from Official Quotation-PNC.AX
2/06/2020	Key executive appointments to guide Pioneer-PNC.AX
22/05/2020	Appointment of Chief Financial Officer-PNC.AX
18/05/2020	ASX ALERT-Pioneer enters into Standstill Agreement with Carlyle Group-PNC.AX
20/04/2020	ASX ALERT-Trading Halt-PNC.AX
14/04/2020	ASX ALERT-Company Updates - Carlyle-PNC.AX
8/04/2020	ASX ALERT-Trading Halt-PNC.AX
6/04/2020	Chief Financial Officer Departure-PNC.AX
4/03/2020	Resignation of Director and Appendix 3Z-PNC.AX
23/12/2019	ASX ALERT-Reinstatement to Official Quotation-PNC.AX
20/12/2019	ASX ALERT-Completion of Re-Financing and Performance Update-PNC.AX
20/12/2019	ASX ALERT-Pioneer signs agreements to replace its Debt Facility-PNC.AX
13/12/2019	ASX ALERT-Debt Financing Update and Request for Suspension Extension-PNC.AX
5/12/2019	ASX ALERT-Pioneer signs Scheme Implementation Agreement with Carlyle-PNC.AX
2/12/2019	ASX ALERT-Process Update and Request for Suspension-PNC.AX
31/10/2019	ASX ALERT-Process Update and Request for Suspension Extension-PNC.AX
30/10/2019	ASX ALERT-Standstill Agreement extension executed-PNC.AX
14/10/2019	ASX ALERT-Pioneer and Senior Financiers to extend Standstill Agreement-PNC.AX
30/09/2019	Request for Suspension Extension-PNC.AX
24/09/2019	ASX ALERT-Pioneer enters Standstill Agreement with Senior Financiers-PNC.AX
2/09/2019	Request for Suspension Extension-PNC.AX
28/08/2019	ASX ALERT-Voluntary Suspension-PNC.AX
26/08/2019	ASX ALERT-Trading Halt-PNC.AX
1/08/2019	2019 Full Year Results Update-PNC.AX
11/06/2019	ASX ALERT-Pioneer Credit update on PDP classification-PNC.AX
29/04/2019	ASX ALERT-Trading Halt-PNC.AX
8/04/2019	ASX ALERT-Trading Halt-PNC.AX
18/03/2019	Pioneer Credit commences new vendor relationship-PNC.AX

Source: Company data, Refinitiv

Board And Management

Directors

Stephen Targett – Non-Executive Chairman

Appointed a Director in June 2021. Extensive financial services experience as a board member and an executive in Australia and overseas Current Chairman of Member Owned Bank Police & Nurses Limited (P&N) and former Chair of BCU, a division of P&N. Previously CEO of RACQ Bank and in successive executive positions, successfully led National Australia Bank's European services, Lloyds Banking Group's wholesale and international division and ANZ's institutional bank.

Keith John– Managing Director

Founder of Pioneer Credit with over 25 years' experience in the financial services industry. Widely regarded expert in the impaired credit sector in Australia. Director of Midbridge Investments Pty Ltd and Bondi Born.

Peter Hall - Non-Executive Director

Appointed a Director of Pioneer in January 2021. Significant career experience across financial services, with specific expertise in credit risk in Australia, including five years with Genworth Financial Australia and New Zealand, initially as its Managing Director and later as Country Executive. Previously seven years at GE Mortgage Insurance Australia and New Zealand, the final five years as Managing Director and Chief Executive Officer.

Michelle d'Almeida – Non-Executive Director

Appointed a Director in June 2021. Former Managing Director of News Corporation's Sunday Times and Perth Now, Non-Executive Director of Perth Airport and ACTIV Foundation. Previously Non-Executive Director of Community Newspaper Group WA and Variety the Children's Charity.

Directors Retired since FY22.

Michael Smith - previous Non-Executive Chairman

Andrea Hall - Non-Executive Director

Management

Keith John, Managing Director (see above)

Barry Hartnett, Chief Financial Officer

Appointed as CFO in June 2020 Mr Hartnett has 12 years' experience at Pioneer across finance & development functions. He holds a BFin, Acc and Econ and is a Member of the Chartered Accountants Australia & New Zealand.

Sue Symmons, General Counsel & Company Secretary

Ms Susan Symmons joined Pioneer as Company Secretary and General Counsel on 1 October 2015. Ms Symmons has over 25 years' corporate experience including positions with Heytesbury Pty Ltd, Evans & Tate Limited, Automotive Holdings Group Limited, and Helloworld Limited. Ms Symmons holds a Bachelor of Commerce from Curtin University and a Master of Business Law from UNSW and is a member of the Institute of Company Directors and Governance Institute of Australia.

Andrea Hoskins, Chief Operating Officer

Appointed as COO in June 2020 Ms Hoskins is an experienced strategic and commercial leader, and Non-Executive Director. She joined Pioneer from one of Australia's largest private health insurers, HBF, where she was most recently Executive General Manager – Health and Corporate Services. She previously led the strategy and corporate transactions function for seven years. Ms Hoskins is a graduate of the Australian



Institute of Company Directors and Massachusetts Institute of Technology. She is also a Non-Executive Director with Football West Limited and Screenwest (Australia) Ltd.

Over the past 18 months Pioneer has completed planning for IT systems upgrades and selected a core system for deployment overFY24. Pioneer will implement C&R Software's Debt Manager Pro system of record and customer relationship management system. This transition has resulted in a change of CIO as noted below.

Joe Terribile, Chief Information Officer November 2021 to June 2023

Mr Terribile has experience across the private and public sectors including senior leadership roles with some of the world's largest energy and oil and gas companies – locally and globally – including valuable expertise managing IT programs, teams and projects at complex organisations across multiple jurisdictions. Mr Terribile initially commenced with Pioneer in May 2021, and assumed the role of CIO in November 2021.

Ian Brunette, Chief Information Officer appointed from June 2023

Ian has a significant track record of successfully leading organisations through complex transformational change as well as managing large scale IT application and infrastructure operations. His previous positions include Global Director Business Readiness for Tronox, Head of IT Infrastructure and Operations Manager with HBF and Head of Platform Operations and Infrastructure with Bankwest. He is currently a non-executive director of Chorus, a non-profit organisation providing aged care, disability and mental health services in WA.

Ownership

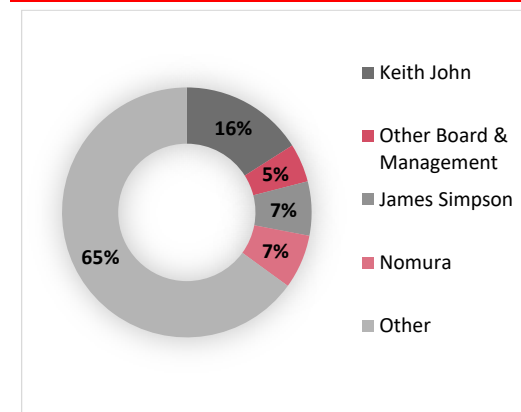
Management and the board own 21% of the company with other significant shareholders including Nomura (arranger of Pioneer's last refinance) owning 14%. Executives and the board have a significant level of financial commitment to the firm and a long-term focused incentive plan.

Exhibit 28: Shareholders report

#	Investor Name	% Outstanding	Position (M)	Value (AUD, M)	Filing Date
1	Jamplat Pty. Ltd.	11.46%	12.83	4.10	17-Feb-2023
2	John (Keith Roy)	10.96%	12.27	4.39	12-Apr-2023
3	Nomura Special Investments Singapore	7.90%	8.84	4.16	19-May-2022
4	Pioneer Credit Ltd. - Employee	4.01%	4.48	1.73	23-Aug-2022
5	Wingate Asset Management Pty Limited	1.72%	1.92	0.74	23-Aug-2022
6	Warmbrand (Lilian Jeanette)	1.48%	1.65	0.64	23-Aug-2022
7	S & G Morris Super Pty. Ltd.	1.18%	1.32	0.51	23-Aug-2022
8	ZLT Investment Co Pty. Ltd.	1.16%	1.30	0.50	23-Aug-2022
9	Yang (Sunny)	0.96%	1.08	0.41	23-Aug-2022
10	Hart (Allan)	0.81%	0.90	0.35	23-Aug-2022
11	BFA Super Pty. Ltd.	0.72%	0.80	0.31	23-Aug-2022
12	Hartnett (Barry)	0.69%	0.77	0.32	30-Jun-2022
13	Jetan Pty. Ltd.	0.67%	0.75	0.29	23-Aug-2022
14	Gunes (Elif Ceren)	0.67%	0.75	0.29	23-Aug-2022
15	Symmons (Susan Dianna)	0.44%	0.50	0.21	30-Jun-2022
16	Casa Nera Pty. Ltd.	0.44%	0.49	0.13	31-Dec-2022
17	Smith (Michael John)	0.28%	0.31	0.08	31-Dec-2022
18	Hoskins (Andrea)	0.24%	0.27	0.11	30-Jun-2022
19	Terribile (Joseph)	0.24%	0.27	0.11	30-Jun-2022
20	Hall (Peter)	0.20%	0.23	0.07	15-Sep-2022
21	Targett (Stephen Craig)	0.12%	0.14	0.06	30-Jun-2022
22	Hall (Andrea)	0.09%	0.10	0.03	16-Feb-2023
23	Smith (Robyn Patricia)	0.07%	0.08	0.02	31-Dec-2022
24	D Almeida (Michelle)	0.03%	0.04	0.02	30-Jun-2022
25	Quinta Investment Management Pty. Ltd.	0%	0	0	07-Dec-2022

Source: Refinitiv

Exhibit 29: Significant Shareholders



Source: PNC

Exhibit 30: Capital Structure

Securities on issue	No.
Shares on Issue	111,944,093
MD options exercisable at \$0.30	8,000,000
Options exercisable at \$0.80	29,361,726
Performance Rights	4,165,250
Shares owned by PNC Employee	4,483,960
Incentive Plan trust	

Source: PNC

Presentation of financial accounts

Exhibit 31 presents Pioneer's financial results, historic and expected, in management's preferred format rather than the statutory presentation. The methods differ in that the Statutory method presents revenue after amortisation of PDP's (Net Revenue) while management include amortisation of PDPs after EBITDA giving an arguably clearer view of the business.

Exhibit 31: Financial Summary

Pioneer Credit Ltd						Share price (Date)		11/07/2023				A\$	0.340						
Profit and Loss (A\$m)						Interim (A\$m)													
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	1H23 A	2H23 F	1H24 F	2H24 F	1H25 F	2H25 F								
Cash Collections	94.7	106.8	130.0	141.1	144.9	68.0	62.0	65.2	75.9	75.2	69.7								
Other net income	2.9	0.6	0.0	0.0	0.0	45.2	38.9	41.3	52.3	50.8	45.7								
EBITDA	54.4	60.6	84.0	93.7	96.5	13.2	16.9	14.4	23.9	21.8	15.4								
Depn	(1.3)	(1.0)	(2.3)	(3.8)	(3.7)	NPAT (normalised)	(2.9)	2.1	(1.5)	5.5	7.6	3.8							
Amort	(45.8)	(57.2)	(52.7)	(55.4)	(59.3)	Minorities	-	-	-	-	-								
EBIT	8.6	3.4	31.4	38.3	37.2	NPAT (reported)	(2.9)	2.1	(1.5)	5.5	7.6	3.8							
Finance Costs	(25.5)	(23.8)	(29.7)	(32.6)	(21.0)	EPS (normalised)	(2.58)	1.84	(1.30)	4.87	6.79	3.38							
Tax	(2.8)	(0.1)	(0.9)	(1.7)	(4.9)	EPS (reported)	(2.71)	1.94	(1.30)	4.87	6.79	3.38							
Minorities	0.0	0.0	0.0	0.0	0.0	Dividend (cps)	-	-	-	-	-								
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Imputation	30	30	30	30	30	30							
NPAT pre significant item	(19.6)	(20.5)	0.8	4.0	11.4	Operating cash flow	35.9	24.1	24.8	33.9	36.7	34.0							
Significant items	0.0	(6.3)	0.0	0.0	0.0	Free Cash flow	35.9	24.1	24.8	33.9	36.7	34.0							
NPAT (reported)	(19.6)	(33.1)	0.8	4.0	11.4	Divisions						1H23 A	2H23 F	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	FY23F	FY24F	FY25F	Cash Collections	68.0	62.0	65.2	75.9	75.2	69.7							
Cash Collections	94.7	106.8	130.0	141.1	144.9	COGS	(3.9)	(4.0)	(4.1)	(4.3)	(4.5)	(4.6)							
EBITDA	54.4	60.6	84.0	93.7	96.5	Employment	(16.7)	(16.9)	(17.4)	(16.9)	(17.4)	(16.8)							
Interest	(42.0)	(25.7)	(27.7)	(32.6)	(21.0)	Other costs	(2.2)	(2.2)	(2.3)	(2.4)	(2.5)	(2.6)							
Tax	0.6	0.0	(0.9)	(2.3)	(4.9)	EBITDA	45.2	38.9	41.3	52.3	50.8	45.7							
Operating cash flow	12.8	29.0	59.9	58.7	70.7	Margins, Leverage, Returns						FY21A	FY22A	FY23F	FY24F	FY25F			
Mtce capex	0.0	0.0	0.0	0.0	0.0	EBITDA	57%	57%	65%	66%	67%								
Free cash flow	12.8	29.0	59.9	58.7	70.7	EBIT	9%	3%	24%	27%	26%								
Growth capex	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items	n.a.	n.a.	0.6%	2.8%	7.9%								
Acquisitions/Disposals	(29.8)	(75.8)	(80.0)	(70.0)	(50.0)	Net Debt (Cash)	190.7	233.6	265.7	277.9	258.1								
Other	0.0	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	3.5	3.9	3.2	3.0	2.7							
Cash flow pre financing	(17.0)	(46.8)	(20.1)	(11.3)	20.7	ND/ND+Equity (%)	(%)	140%	121%	119%	120%	129%							
Equity	(0.7)	10.2	0.0	0.0	0.0	EBIT interest cover (x)	(x)	3.0	7.1	0.9	0.9	0.6							
Debt	24.7	56.8	5.8	12.0	(20.0)	ROA			1%	9%	11%	10%							
Dividends paid	0.0	0.0	0.0	0.0	0.0	ROE			(69%)	2%	9%	22%							
Net cash flow for year	7.0	20.2	(14.3)	0.7	0.7	ROIC			(7%)	0%	1%	4%							
Balance sheet (A\$m)						NTA (per share)						0.65	0.38	0.37	0.41	0.51			
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	Working capital						68.8	73.7	92.2	94.2	93.2			
Cash	10.4	23.1	8.0	7.8	7.6	WC/Sales (%)						73%	69%	71%	67%	64%			
Accounts receivable	0.9	6.2	6.9	8.2	6.9	Revenue growth						n.a.	13%	22%	9%	3%			
Purchased Debt Portfolio	73.4	96.3	100.3	106.3	104.5	EBIT growth pa						n.a.	-61%	829%	22%	-3%			
Other current assets	3.1	4.5	4.3	4.3	4.3	Pricing						FY21A	FY22A	FY23F	FY24F	FY25F			
Total current assets	87.8	130.0	119.6	126.7	123.3	No of shares (y/e)						(m)	81	107	112	112	112		
PPE	5.3	9.3	9.1	10.0	10.9	Weighted Av Dil Shares						(m)	59	113	107	112	112		
Intangibles and Goodwill	1.6	1.0	0.8	0.8	0.8	EPS Reported						cps	(24.1)	(31.1)	0.7	3.6	10.2		
Purchased Debt Portfolio	175.7	199.2	207.5	220.0	216.2	EPS Normalised/Diluted						cps	(33.3)	(23.7)	0.8	3.6	10.2		
Deferred tax asset	0.0	0.0	0.0	0.6	0.6	EPS growth (norm/dil)						n.a.	-29%	-103%	367%	185%			
Other non current assets	0.0	0.0	11.8	17.8	7.3	DPS						cps	-	-	-	-	-		
Total non current assets	182.5	209.4	229.3	249.2	235.8	DPS Growth						n.a.	n.a.	n.a.	n.a.	n.a.			
Total Assets	270.3	339.5	348.8	375.9	359.1	Dividend yield						0.0%	0.0%	0.0%	0.0%	0.0%			
Accounts payable	5.5	28.7	15.1	20.3	18.2	Dividend imputation						30	30	30	30	30			
Short term debt	0.4	20.4	15.3	16.0	14.8	PE (x)						n.a.	n.a.	46.8	9.5	3.3			
Tax payable	0.0	0.0	0.0	0.6	(3.3)	PE market						14.5	14.5	14.5	14.5	14.5			
Other current liabilities	4.6	2.9	2.7	2.7	2.7	Premium/(discount)						n.a.	n.a.	223%	(34%)	(77%)			
Total current liabilities	10.5	52.0	33.1	39.6	32.5	EV/EBITDA						4.0	4.5	3.6	3.4	5.1			
Long term debt	200.7	236.3	258.4	269.8	250.9	FCF/Share						cps	71.2	12.0	25.9	53.5	32.5		
Other non current liab	4.5	10.1	15.1	20.3	18.2	Price/FCF share						0.5	2.8	1.3	0.6	0.6			
Total long term liabilities	205.2	246.4	273.5	290.1	269.0	Free Cash flow Yield						209%	35%	76%	157%	154%			
Total Liabilities	215.6	298.4	306.6	329.7	301.5														
Net Assets	54.7	41.1	42.2	46.1	57.6														
Share capital	93.6	113.1	113.5	113.5	113.5														
Accumulated profits/losse	0.0	0.0	2.1	6.1	17.4														
Reserves	(39.0)	(72.1)	(73.3)	(73.3)	(73.3)														
Minorities	0.0	0.0	0.0	0.0	0.0														
Total Shareholder func	54.7	41.1	42.2	46.2	57.6														

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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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

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Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

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