

Pioneer Credit Limited (PNC)

Rating: Buy | Risk: High | Price Target: \$0.80

27 August 2025

FY25 Result – The Train Has Left the Station, Next Stop FY26 NPAT of A\$18mn

Key Information

Current Price (\$ps)	0.60
12m Target Price (\$ps)	0.80
52 Week Range (\$ps)	0.37 - 0.66
Target Price Upside (%)	33.3%
TSR (%)	33.3%
Reporting Currency	AUD
Market Cap (\$m)	96.4
Sector	Financials
Avg Daily Volume (m)	0.2
ASX 200 Weight (%)	0%

Fundamentals

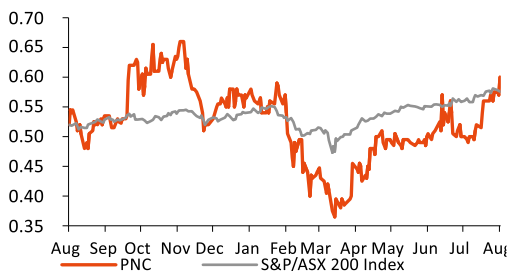
YE 30 Jun (AUD)	FY25A	FY26E	FY27E	FY28E
Sales (\$m)	93.1	104.0	112.4	116.0
NPAT (\$m)	7.0	19.4	21.1	23.3
EPS (cps)	5.8	10.2	11.1	12.3
EPS Growth (%)	681.3%	78.0%	8.7%	10.6%
DPS (cps) (AUD)	0.0	0.0	0.0	0.0
Franking (%)	0%	0%	0%	0%

Ratios

YE 30 Jun	FY25A	FY26E	FY27E	FY28E
P/E (x)	8.6	5.9	5.4	4.9
EV/EBITDA (x)	4.0	3.1	2.8	2.7
Div Yield (%)	0.0%	0.0%	0.0%	0.0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%

Price Performance

YE 30 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	16.9%	13.9%	16.1%	4.7%
Absolute (%)	20.0%	18.8%	22.4%	15.4%
Benchmark (%)	3.1%	4.9%	6.3%	10.7%



Major Shareholders

Samuel Terry Asset Management	13.0%
Keith Johns	11.0%
James Simpson	7.0%
Nomura Special Investments Singapore	5.0%

Event

PNC's momentum continues into FY26 with the company guiding to A\$18mn NPAT (+80% vs pcp) and increased debt portfolio purchases. We also believe PNC should generate positive free cash flow in FY26. That is particularly noteworthy because we expect PNC to procure A\$95mn in debt portfolios, up from A\$69mn in FY25. To achieve positive free cash flow in FY26, PNC will have to increase cash collections to A\$172mn in FY26, up from A\$142mn FY25, by our calculations.

Our financial projections for PNC changed immaterially post the FY25 Financial Report. We left our A\$0.80 target price unchanged and retained our BUY rating.

Highlights

- FY25 Cash Collections were A\$142m +1%.** Although cash collections were below our forecast and flattish with pcp, this was largely explainable by the timing of debt portfolio purchases. A material swathe of PNC's portfolio purchases occurred in the JunQ, indeed late in the JunQ, such that PNC had little time to make collections in FY25. Conversely, the low cash collections in FY25 give us confidence about collections in FY26.
- PNC purchased A\$69mn of debt portfolios in FY25 below the company target of A\$90mn.** About half the gap in purchases vs target was due to advantageous pricing that PNC was able to achieve in a buyers' market. The debt recovery market has consolidated with two companies, PNC and Credit Corp, capturing most of the share. The other half of the gap to target was due to PNC intentionally holding back as it believes there are sizeable and high-returning debt portfolios soon to be put on the market. PNC has indicated that it has already secured at least A\$80mn of portfolio purchases for FY26.

PNC has secured a portfolio from the last of the big-4 banks that returned to the aged debt market post-COVID. This demonstrates PNC's strong relationships and barriers to entry. The return of this bank is likely to spur solid market growth in coming years.

Given PNC's sharp purchasing we consider PNC should achieve high returns on recently acquired portfolios. Therefore, cash collections should grow over the next 3 years.

- FY25 cost to serve ratio was a positive surprise at 32% (vs Shaw 35%)** and sustains improved cash flow and profitability into FY26 and beyond.
- Balance sheet and interest savings:** PNC closed FY25 with net debt of A\$282mn and A\$34mn of undrawn facilities to support growth. In FY26, PNC should benefit from the 75bps cut in the cash rate. PNC about A\$700,000 per annum for each 25bps cut.

Shaw and Partners PNC Financial Model Changes

	FY25a			FY26e			FY27e			FY28e		
	New	Old	Chg %	New	Old	Chg %	New	Old	Chg %	New	Old	Chg %
Cash Collections A\$m	141.8	155.0	-8.5%	172.2	186.1	-7.5%	194.1	198.1	-2.1%	198.3	213.0	-6.9%
Payments for Debt Portfolio A\$m	(65.1)	(90.0)	-27.7%	(95.0)	(95.0)	0.0%	(95.0)	(100.0)	-5.0%	(95.0)	(105.0)	-9.5%
Revenue A\$m	93.1	101.8	-8.5%	104.0	109.8	-5.3%	112.4	114.7	-2.0%	116.0	122.6	-5.4%
EBITDA A\$m	94.0	101.9	-7.7%	124.7	132.5	-5.9%	141.8	141.2	0.4%	143.2	151.4	-5.4%
NPAT underlying A\$m	10.5	10.2	2.5%	19.4	19.3	0.5%	21.1	20.2	4.4%	23.3	22.8	2.4%

Recommendation

Our BUY rating is underpinned by valuation and an improving industry situation. PNC's balance sheet holds an estimated A\$701mn of **estimated remaining collections** from its debt ledger. In present value terms, we consider that to be worth A\$3.21/shr. That value covers PNC's net debt and opex to collect the book.

What remains then is the value we ascribe to PNC's *future business* underpinned by its people, contracts, systems and brand or reputation in a growing industry. We believe that is worth A\$0.80/shr. It is derived from the present value of our *projected* debt purchases and collections.

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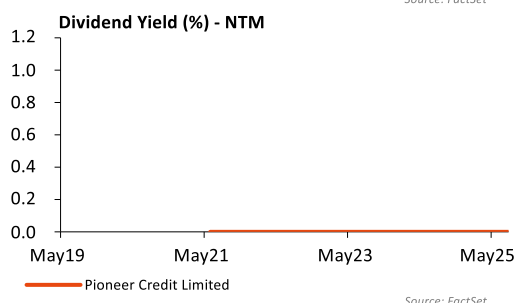
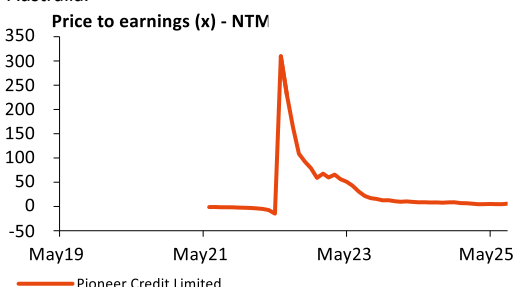
**Pioneer Credit Limited
Financials**

FactSet: PNC-AU / Bloomberg: PNC AU

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	0.60
Target Price (\$ps)	0.80
52 Week Range (\$ps)	0.37 - 0.66
Shares on Issue (m)	160.7
Market Cap (\$m)	96.4
Enterprise Value (\$m)	390.5
TSR (%)	33.3%

Valuation NPV	Data
Beta	1.40
Cost of Equity (%)	12.8%
Risk Free Rate (%)	4.4%
Terminal Growth (%)	2.0%
WACC (%)	9.0%

Pioneer Credit Ltd. engages in the provision of financial services specializing in acquiring and servicing unsecured retail debt portfolios. It also engages in the acquisition and servicing of unsecured retail debt portfolios comprised of personal loans and credit cards. The company was founded by Keith R. John in 1998 and is headquartered in Perth, Australia.



Financial Year End: 30 June

Investment Summary (AUD)	FY24A	FY25A	FY26E	FY27E	FY28E
EPS (Reported) (cps)	(8.7)	4.4	12.2	13.2	14.6
EPS (Underlying) (cps)	0.7	5.8	10.2	11.1	12.3
EPS (Underlying) Growth (%)	448.9%	681.3%	78.0%	8.7%	10.6%
PE (Underlying) (x)	67.9	8.6	5.9	5.4	4.9
EV / EBIT (x)	10.0	8.4	7.1	6.7	6.4
EV / EBITDA (x)	3.5	4.0	3.1	2.8	2.7
DPS (cps) (AUD)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	0%	0%	0%	0%	0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	(52.9%)	(19.3%)	0.2%	9.0%	10.6%
Profit and Loss (AUD) (m)	FY24A	FY25A	FY26E	FY27E	FY28E
Sales	65.8	93.1	104.0	112.4	116.0
Sales Growth (%)	(15.1%)	41.6%	11.7%	8.2%	3.2%
Other Operating Income	5.3	0.4	0.0	0.0	0.0
EBITDA	100.8	94.0	124.7	141.8	143.2
EBITDA Margin (%)	nm	nm	nm	nm	nm
Depreciation & Amortisation	(65.5)	(49.1)	(69.6)	(83.1)	(83.7)
EBIT	35.3	44.9	55.1	58.8	59.5
EBIT Margin (%)	53.7%	48.2%	53.0%	52.3%	51.3%
Net Interest	(43.2)	(37.9)	(35.7)	(35.1)	(32.7)
Pretax Profit	(7.9)	7.0	19.4	23.7	26.8
Tax	9.2	0.0	0.0	(2.6)	(3.5)
Tax Rate (%)	(115.8%)	(0.1%)	0.0%	(11.0%)	(13.0%)
Minorities	0.0	0.0	0.0	0.0	0.0
NPAT Underlying	1.2	7.0	19.4	21.1	23.3
Significant Items	(11.3)	(0.3)	0.0	0.0	0.0
NPAT Reported	(10.0)	6.7	19.4	21.1	23.3
Cashflow (AUD) (m)	FY24A	FY25A	FY26E	FY27E	FY28E
EBIT	35.3	44.9	55.1	58.8	59.5
Tax Paid	0.0	0.0	0.0	(0.6)	(3.5)
Net Interest	(36.9)	(31.0)	(34.3)	(35.1)	(32.7)
Change in Working Capital	(6.4)	(2.7)	6.8	(0.9)	0.1
Depreciation & Amortisation	69.8	47.8	69.6	83.1	83.7
Other	(79.6)	(65.1)	(95.0)	(95.0)	(95.0)
Operating Cashflow	(28.8)	(12.6)	2.1	10.6	12.2
Capex	(0.1)	(0.1)	(0.1)	0.0	(0.1)
Acquisitions and Investments	0.0	0.0	0.0	0.0	0.0
Disposal of Fixed Assets/Investments	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Investing Cashflow	(0.1)	(0.1)	(0.1)	0.0	(0.1)
Free Cashflow	(30.6)	(14.4)	0.2	8.7	10.2
Equity Raised / Bought Back	9.5	9.2	0.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Change in Debt	17.5	11.9	11.0	(5.0)	(15.0)
Other	(1.7)	(8.9)	(1.8)	(1.9)	(2.0)
Financing Cashflow	25.3	12.2	9.2	(6.9)	(17.0)
Exchange Rate Effect	0.0	0.0	0.0	0.0	0.0
Net Change in Cash	(3.6)	(0.4)	11.2	3.7	(4.8)
Balance Sheet (AUD) (m)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash	4.1	3.6	14.7	18.4	13.5
Accounts Receivable	4.3	7.2	1.2	1.3	1.3
Inventory	114.1	116.7	125.8	130.4	134.7
Other Current Assets	1.5	3.7	3.7	3.7	3.7
PPE	0.5	0.4	0.4	0.3	0.3
Other Non Current Assets	242.6	256.1	274.5	283.8	292.9
Total Assets	367.9	388.6	421.2	438.8	447.4
Accounts Payable	25.7	20.4	8.2	7.4	7.5
Short Term Debt	254.3	10.9	0.0	0.0	0.0
Long Term Debt	32.3	286.7	310.0	305.0	290.0
Income Taxes Payable	0.0	0.0	0.0	0.0	0.0
Other	11.5	10.0	23.0	25.3	25.4
Total Liabilities	323.7	328.0	341.2	337.7	322.9
Total Shareholder Equity	44.2	60.6	80.0	101.1	124.4
Ratios	FY24A	FY25A	FY26E	FY27E	FY28E
ROE (%)	2.8%	20.0%	27.6%	23.3%	20.7%
Gearing (%)	86.5%	82.9%	78.7%	73.9%	69.0%
Net Debt / EBITDA (x)	2.8	3.1	2.4	2.0	1.9

Pioneer Credit FY25 Financial Performance

Figure 1: Pioneer Credit Financial Performance vs PCP and Shaw Projections

June Y/E (A\$m)	2H24A	2H25A	% chg	FY24A	FY25A	% chg	Shaw FY5F	% vs Shaw
Cash Collections	70.7	70.7	0.0%	139.7	142.2	1.8%	155.0	-54.4%
PDP Purchases	(42.2)	(31.4)	-25.6%	(79.6)	(65.1)	-18.3%	(90.0)	-65.1%
Opex								
Employee	(18.2)	(15.1)	-17.3%	(36.2)	(32.4)	-10.6%	(38.3)	-60.6%
Other opex	(9.2)	(15.9)	71.9%	(20.9)	(23.6)	13.2%	(16.0)	-0.8%
Other cash items	3.7	5.6		11.4	0.0		6.7	
Working Capital	1.0	(0.9)		(6.4)	(2.7)		(5.2)	
Net Interest Paid	(17.4)	(15.9)	-8.7%	(36.9)	(31.0)	-15.9%	(36.5)	
Taxes Paid	(0.0)	0.0		(0.0)	(0.0)		(0.3)	
Cash from Operations	(16.5)	(2.8)	-83.2%	(28.8)	(12.6)	-56.3%	(24.6)	
EBITDA	49.2	46.4	-5.7%	100.8	94.0	-6.7%	101.9	-54.5%
NPAT adjusted	0.0	8.8	n/m	1.2	10.5	775.0%	10.2	
NPAT reported	0.0	5.0	n/m	(10.0)	6.7		10.2	
EPS (adjusted)	0.03c	4.64c	n/m	0.74c	5.75c	681.4%	6.32c	
DPS	0.00c	0.00c		0.00c	0.00c		0.00c	
Cost to Serve Ratio	33%	31%	(212)bps	32%	32%	32bps	35%	(445)bps
Net Debt (Cash) ex leases	282.5	282.5	0.0%	282.5	282.5	0.0%	302.4	-6.6%
Estimated Remaining Collections	641.7	701.7	9.4%	641.7	701.7	9.4%	697.2	0.6%
Purchased Debt At Amt Cost	322.9	343.0	6.2%	322.9	343.0	6.2%	359.7	-4.7%

Source: Pioneer Credit, Shaw and Partners

Valuation

Our DCF approach comprises of a few components. Figure 2 lists the components. The PV of the estimated remaining collections (ERC) of the existing ledgers (Item 1) is worth A\$3.21/shr and covers the current net debt, lease liabilities and Opex to collect the existing ledgers (Items 2,3,4). Note that our ERC estimate is more conservative than PNC's because PNC incorporates potential collections beyond a 10-year time frame.

Augmenting the valuation is the worth we ascribe to PNC's *future business* underpinned by its people, contracts, systems and brand or reputation in the market (Item 5). We believe that has value of A\$0.80/shr. It is derived from the present value of our projections for PNC's future debt purchases and collections.

Figure 2: Pioneer Credit – Shaw and Partners Valuation Components

Valuation Component	FY 26 Value	
	A\$m	Per Share
1) PV of Estimated Remaining Collections(ERC) of current ledgers	512.2	\$3.21
2) Net Debt	(294.0)	-\$1.84
3) Lease Liabilities	(7.0)	-\$0.04
Cash NTA	211.2	\$1.32
4) PV of Opex to Run Down Current Book	(183.9)	-\$1.15
5) PV of Future Business (DCF forward cash flows)	96.8	\$0.63
PNC Valuation	124.1	\$0.80

Source: Shaw and Partners

Key risks

- Pioneer needs to acquire debt portfolios in order to grow profitably. The availability of debt portfolios at appropriate prices are affected by factors outside Pioneer's control.
- Pioneer may not be able to collect on its debtor accounts in sufficient quantity or time to generate adequate returns on its investments in purchased debt portfolios.
- Pioneer is highly leveraged. Leverage magnifies earnings and valuation volatility.
- Pioneer has debt obligations maturing in 2025 and 2026. Pioneer has in principle agreements to extend maturities to 2029 and is awaiting noteholder approval. There is risk that PNC may not be able to extend its funding arrangements and alternative funding may be required.

- Pioneer creditors impose financial covenants on the company. Should Pioneer's performance deteriorate it may breach its financial covenants triggering the need for alternative funding.
- Pioneer operates in an industry with a strict legal and regulatory framework. Any failure by Pioneer to comply with applicable laws could adversely affect Pioneer's reputation, its business and result in substantial losses.
- Key personnel risk: CEO Keith Johns owns 12.9% of Pioneer and has an extensive industry network that is important in Pioneer's operating performance. If Mr Johns departs from Pioneer, performance of the company may be impacted.

Core drivers and catalyst

- The quantity of purchased debt securities drives current year and future year income/cash flows.
- The anticipated collections (total value and rate collection) as well as actual collections drive Pioneers income and cash flow.
- The cost of funding is a factor in Pioneer's profitability. Pioneer currently has funding arrangements in place with Nomura.
- Operating efficiency in collecting debts is a factor in Pioneer's financial performance.

Rating Classification

Buy	Expected to outperform the overall market
Hold	Expected to perform in line with the overall market
Sell	Expected to underperform the overall market
Not Rated	Shaw has issued a factual note on the company but does not have a recommendation

Risk Rating

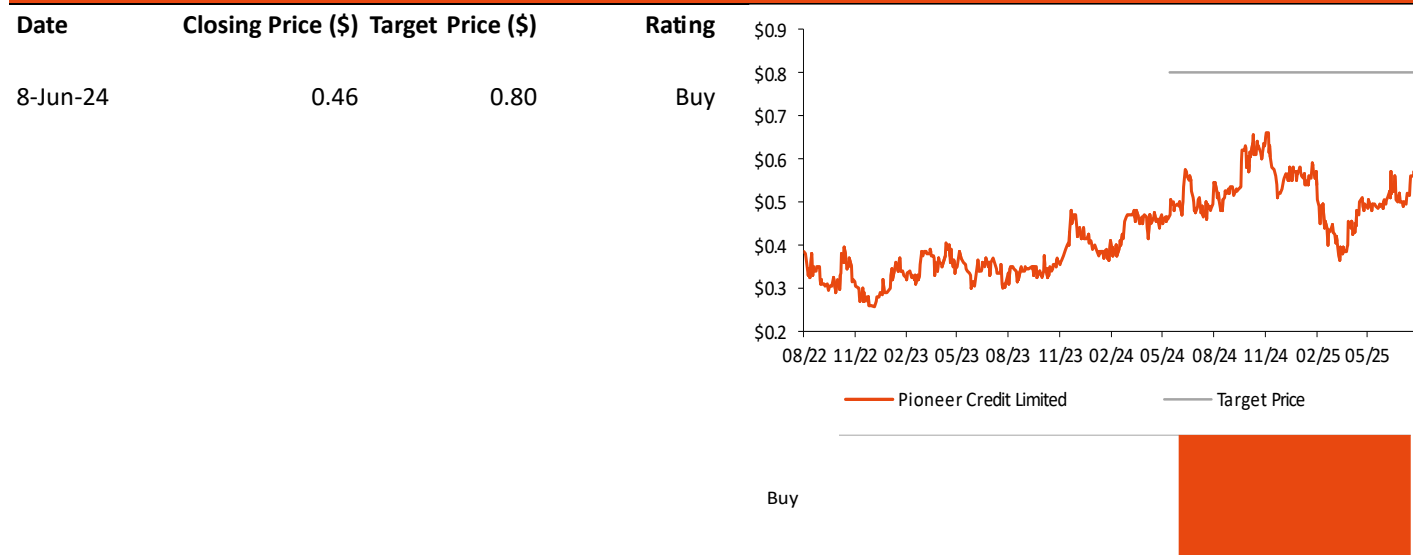
High	Higher risk than the overall market – investors should be aware this stock may be speculative
Medium	Risk broadly in line with the overall market
Low	Lower risk than the overall market

RISK STATEMENT: Where a company is designated as ‘High’ risk, this means that the analyst has determined that the risk profile for this company is significantly higher than for the market as a whole, and so may not suit all investors. Clients should make an assessment as to whether this stock and its potential price volatility is compatible with their financial objectives. Clients should discuss this stock with their Shaw adviser before making any investment decision.

Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	79	86%
Hold	13	14%
Sell	0	0%

History of Investment Rating and Target Price - Pioneer Credit Limited



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