

Attractive Turnaround Play; Initiating on Pioneer Credit at OverWeight

We initiate coverage on Pioneer Credit ("PNC"), an Australian debt purchaser and servicer specialising in buying and managing non-performing consumer and commercial debts. Over the last few years, the debt collection industry has turned into largely a duopoly (Credit Corp #1; Pioneer #2) driven by reduced Purchased Debt Portfolios ('PDP') volumes during COVID and increased compliance, regulatory and funding costs. Therefore, with reduced competition, we expect operating leverage to develop as a result of Pioneer having improved its funding structure and driven efficiency in its operating base. We see Pioneer as an attractive turn around play with the balance of the risk and reward to the upside with further improvements (funding & operating) expected over the medium term along with a return to growth in the PDP industry. Our OverWeight recommendation corresponds to a \$0.82 price target.

Key Points

Chequered History now Likely in the Past: After a turbulent 2019-20 marked by an audit restatement (now the subject to proceedings against the auditor), a covenant breach and an aborted Carlyle takeover, Pioneer has methodically rebuilt its balance-sheet and improved its operating platform. Governance has improved with new additions to the management team, operational discipline restored, and PDP purchasing recently scaled back up as funding stability has returned. Going forward the legacy issues look to have largely been resolved, positioning the business well for durable growth going forward.

PDP Market Now a Duopoly: A reduction in PDP volumes during COVID along with increased funding costs and compliance costs post several regulatory changes resulted in many smaller players exiting the market due to a lack of scale. This has resulted in effectively a duopoly with only Pioneer Credit and Credit Corp having access to Forward Flow agreements from the Big 4 banks. The exclusivity of these agreements will likely prevent smaller players from being able to build sufficient scale to become a genuine 3rd player over the next few years.

Profitability Inflection: NPAT growth is expected post the \$272.5m facility refinancing in July-24 (\$8m of savings annualised), further potential funding benefits from repaying / refinancing Medium-Term-Notes, tight control of Cost to Service, back-office automation improvements from the core system replacement, and finally operating leverage from net revenue growth.

Catalysts: i) Growth in PDP Investment Market; ii) Last Big 4 Bank returning to Forward Flow Market; iii) Balance sheet deleverage & improvement in terms of Medium-Term-Notes; iv) Cash rate cuts; and v) Proof of operating leverage from hitting NPAT Guidance.

Forecasts and Valuation: We are forecasting FY25e NPAT of \$9.2m (vs. ~\$1m in FY24) and \$18.7m in FY26e. This is largely in line with management's guidance of >\$9m in FY25e and >\$18m in FY26e. Our target price of \$0.82 is based on a DCF.

Financial summary (Y/E Jun, AUD)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales (\$m)	82.7	71.1	96.3	112.2	119.2
Consensus sales (\$m)			101.8	109.8	114.7
NPAT norm (\$m)	0.2	1.2	9.2	18.7	19.8
NPAT growth (%)	(100.6)	500.0	666.9	103.5	5.6
EV/Sales (x)	3.9	4.9	4.0	3.7	3.7
P/E (x)	n/m	49.2	8.5	4.4	4.1

Source: Company data, Wilsons Advisory estimate, Refinitiv, IRESS.
All amounts are in Australian Dollar (A\$) unless otherwise stated.

Wilsons Advisory Equity Research

Analyst(s) who own shares in the Company: n/a Issued by Wilsons Advisory and Stockbroking Limited (Wilsons Advisory) ABN 68 010 529 665 – Australian Financial Services Licence No 238375, a participant of ASX Group and should be read in conjunction with the disclosures and disclaimer in this report. Important disclosures regarding companies that are subject of this report and an explanation of recommendations can be found at the end of this document.

Recommendation	OVERWEIGHT
12-mth target price (AUD)	\$0.82
Share price @ 6-Aug-25 (AUD)	\$0.51
Forecast 12-mth capital return	61.4%
Forecast 12-mth dividend yield	0.0%
12-mth total shareholder return	61.4%

Market cap (\$m)	68.3
Enterprise value (\$m)	350.7
Shares on issue (m)	133.9
Sold short (%)	0.0
ASX All Ords weight (%)	0.0
Median turnover/day (\$m)	0.0

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12-mth price performance (\$)



	1-mth	6-mth	12-mth
Abs return (%)		(5.6)	7.4
Rel return (%)	(2.1)	(8.1)	(6.2)

Business Description

Pioneer Credit Limited (PNC) is an Australian debt purchaser and servicer specialising in buying and managing non-performing consumer and commercial debts. The company focuses on recovering debts primarily from credit cards and personal loans. Its clients include financial institutions and non-bank lenders.

Catalysts

i) Growth in PDP Investment Market; ii) Last Big 4 Bank returning to Forward Flow Market; iii) Balance sheet deleverage; iv) Interest rate cuts and improvement in funding terms; v) Growth in PA portfolio

P&L (\$m)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	82.7	71.1	96.3	112.2	119.2
EBITDA norm	36.2	14.1	46.9	62.7	66.5
EBIT norm	34.0	12.2	45.3	61.0	64.6
PBT norm	0.2	(31.4)	9.7	26.8	28.3
NPAT norm	0.2	1.2	9.2	18.7	19.8
NPAT reported	0.2	1.2	9.2	18.7	19.8
EPS norm (cents)	0.2	1.0	6.0	11.7	12.4
DPS (cents)	0.0	0.0	0.0	0.0	0.0

Growth (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	52.3	(14.1)	35.5	16.5	6.2
EBITDA norm	306.9	(61.2)	233.8	33.7	5.9
NPAT norm	(100.6)	500.0	666.9	103.5	5.6
EPS norm (cents)	(100.5)	449.7	478.6	95.3	5.6
DPS (cents)	n/m	n/m	n/m	n/m	n/m

Margins and returns (%)	FY23A	FY24A	FY25E	FY26E	FY27E
EBITDA margin	43.8	19.8	48.7	55.9	55.8
EBIT margin	41.1	17.2	47.0	54.4	54.2
PBT margin	0.2	(44.2)	10.1	23.9	23.7
NPAT margin	0.2	1.7	9.6	16.7	16.6
ROA	10.4	3.3	11.2	13.3	12.9
ROIC	11.3	3.7	11.9	14.2	13.8
ROE	0.5	2.7	15.0	22.5	19.2

Interims (\$m)	1H24A	2H24A	1H25A	2H25E	1H26E
Sales	46.5	24.6	47.9	48.4	52.1
EBITDA norm	20.7	(6.6)	22.8	24.1	27.4
EBIT norm	19.7	(7.5)	22.1	23.2	26.6
PBT norm	0.0	(31.4)	1.9	7.8	10.0
NPAT norm	1.1	0.1	3.6	5.6	7.0
NPAT reported	1.1	0.1	3.6	5.6	7.0
EPS norm (cents)	1.0	0.1	2.4	3.5	4.4
DPS (cents)	0.0	0.0	0.0	0.0	0.0

Stock specific	FY23A	FY24A	FY25E	FY26E	FY27E
Collections on PDPs	(128.0)	(136.1)	(142.1)	(171.0)	(183.8)
Interest Income Accrued	73.7	83.6	92.0	111.8	118.8
Net Gain / (Impairment)	3.8	(17.8)	3.8	0.0	0.0
Closing PDP Balance	304.3	322.9	363.9	395.3	425.5
Total Operating Revenue	82.7	71.1	96.3	112.2	119.2
NPAT (statutory)	0.2	1.2	9.2	18.7	19.8

Source: Company data, Wilsons Advisory estimate, Refinitiv, IRESS.
All amounts are in Australian Dollar (A\$) unless otherwise stated.

Investment Thesis

We expect continued growth in the Australian Purchased Debt Portfolio (PDP) market, which together with anticipated balance sheet deleveraging by PNC should support strong NPAT growth over the next 18 months.

Risks

i) Deterioration of Macroeconomic conditions; ii) Overleverage of funding structure; iii) Increased competition from new entrants in the market; iv) Deterioration of underwriting quality.

Balance sheet (\$m)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash & equivalents	8.4	4.1	1.8	1.1	6.4
Current receivables	1.5	4.3	7.2	12.0	12.5
Current inventory	106.1	114.1	120.1	130.5	140.4
PPE	0.7	0.5	0.6	0.8	1.1
Intangibles	0.5	0.8	0.2	2.0	0.8
Other assets		244.1	275.6	310.9	341.0
Total assets	326.8	367.9	405.4	457.3	502.3
Current payables	6.1	25.7	14.4	18.7	19.6
Total debt	266.5	286.6	319.8	347.5	373.6
Total liabilities	284.8	323.7	344.1	374.2	399.4
Shareholders equity	41.9	44.2	61.4	83.1	102.9

Cash flow (\$m)	FY23A	FY24A	FY25E	FY26E	FY27E
Operating cash flow	61.6	50.8	53.8	65.0	77.1
Maintenance capex	0.0	0.0	0.0	0.0	0.0
Free cash flow	61.6	50.8	53.8	65.0	77.1
Growth capex	(82.0)	(80.3)	(91.7)	(91.5)	(96.1)
Acquisitions/disposals	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Other cash flow	(1.6)	(1.7)	(2.0)	(1.8)	(1.8)
Cash flow pre-financing	(22.1)	(31.3)	(39.9)	(28.4)	(20.8)
Funded by equity	0.0	9.5	9.4	0.0	0.0
Funded by cash/debt	14.7	(5.2)	(7.0)	0.7	(5.3)

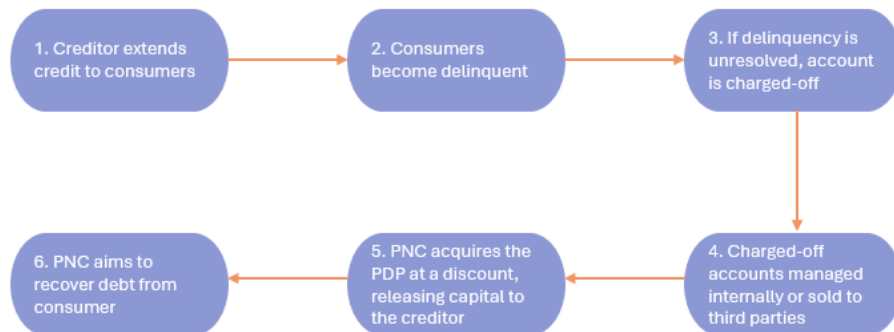
Liquidity	FY23A	FY24A	FY25E	FY26E	FY27E
Cash conversion (%)	252.4	623.5	184.2	171.0	183.6
Net debt (\$m)	258.0	282.5	318.0	346.4	367.1
Net debt / EBITDA (x)	7.1	20.1	6.8	5.5	5.5
ND / ND + Equity (%)	86.0	86.5	83.8	80.7	78.1
EBIT / Interest expense (x)	1.0	0.3	1.3	1.8	1.8

Valuation	FY23A	FY24A	FY25E	FY26E	FY27E
EV / Sales (x)	3.9	4.9	4.0	3.7	3.7
EV / EBITDA (x)	9.0	24.9	8.2	6.6	6.6
EV / EBIT (x)	9.6	28.7	8.5	6.8	6.7
P / E (x)	n/m	49.2	8.5	4.4	4.1
P / BV (x)	1.3	1.5	1.3	1.0	0.8
FCF yield (%)	113.1	74.1	65.9	79.6	94.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Weighted shares (m)	106.1	115.9	153.6	160.0	160.0

Company Overview

Pioneer Credit specialises in the acquisition and servicing of Purchased Debt Portfolios (PDPs). Purchased Debt Portfolios are a bundle of delinquent (past-due) accounts – usually personal loans, credit cards, utility bills etc – that a lender (e.g. bank) has written off as uncollectible or non-core. Instead of pursuing these debts internally, the lender sells the portfolio to a third party (e.g. Pioneer Credit) for a fraction of the total face value who then works to recover the debts through compliant, ethical methods typically in the form of structured repayment plans. These repayment plans are designed to suit the customer’s financial capacity in order to maximise Pioneer’s chance of recovering its amount due.

Figure 1: How Purchased Debt Portfolios are Created and How Pioneer Credit Participates



Source: Wilsons Advisory.

Pioneer operates across Australia and New Zealand servicing over ~210k customers and is headquartered in Perth, Western Australia. It is considered the 2nd largest PDP purchaser in Australia behind Credit Corp with the PDP market considered to be largely a duopoly with only Pioneer and Credit Corp having near exclusive Forward Flow Agreements (‘FFAs’) with the Big 4 banks. These Forward Flow Agreements allow them to secure a consistent pipeline of debt portfolios given them significant scale advantages over the other players in the market.

Pioneer’s approach to FFAs, focusing on high-quality consumer debt and maintaining robust compliance standards, positions it as a trusted partner for banks seeking responsible debt management solutions. The company’s emphasis on customer-centric servicing further differentiates it in the market, fostering long-term relationships with both clients and vendor partners.

Figure 2: Pioneer’s Strengths

Top Australian Player

- Increased barriers to entry, tightened compliance, and regulatory focus are a strong advantage for Pioneer
- Excellent growth opportunities; tight economy drives PDP supply; full employment underwrites cash collections
 - #2 purchaser in the Australian PDP market

Strong Vendor Relationships

- Preferred purchaser of high-quality bank originated customers; 5-year purchase agreement with CBA
- Strong risk and compliance record, underpinning vendor relationships and future purchasing opportunities
 - No payday loans or SACC products

Operating Leverage

- Track record of disciplined underwriting drives earnings
- Investment in analytics and digital strategies to unlock operational leverage and improve cash collections

Source: Pioneer Credit.

Four Key Topics to Explore

1. History and Challenging Times Behind Them?
2. PDP Market Outlook and Competitive Dynamics:
3. Funding and Financial Leverage:
4. Inflection Point in Profitability?

| History and Challenging Times Behind them?

Given the Company's complex history since listing we think its beneficial to look 'backwards' before moving forward. Below is a timeline of Pioneer's key events since listing:

- **2014 - 2018: Pioneer Credit lists on the ASX in 2014 and experiences a strong growth phase** - Initially positions itself as a high-integrity, consumer-friendly debt buyer. It experiences rapid growth in its Purchased Debt Portfolios (PDP), delivering expanding margins and consistent profitability.
- **2019: Onset of accounting issues** - Pioneer delayed its FY19 audited accounts after PwC raised concerns over the classification of PDPs, questioning whether they should be recorded at amortised cost rather than fair value. This accounting change materially reduced reported profits and equity. PNC requested ASIC to replace PwC upon which they resigned. Upon this Deloitte was implemented as the Auditor.
- **Early 2020: Lenders allege covenant breach; Carlyle proposes rescue bid** - Pioneer's accounting restatement eroded equity, leading to a debt covenant breach. Carlyle Group stepped in with a \$200m takeover offer including new debt facility to recapitalise the business and repay lenders.
- **March 2020: Carlyle deal lapses after board rejection** - Carlyle remained open to progressing the deal but Pioneer's board ultimately chose not to proceed, citing market uncertainty from COVID-19 and a belief it could secure better outcomes through refinancing. The lapse left Pioneer facing liquidity pressures and triggered ASX suspension shortly after.
- **April-May 2020: Standstill agreement with Carlyle** - Following the lapse of the takeover proposal, Pioneer enters a short-term standstill agreement with Carlyle (its senior lender at the time). This arrangement provides breathing room to explore refinancing options while navigating a challenging capital structure.
- **June 2020: ASX suspension and audit delays** - Pioneer is suspended from the ASX after failing to lodge its audited financial statements by the regulatory deadline. The delay reflects the absence of a committed debt facility to replace Carlyle's funding. However, management remained in active discussions with potential lenders and expressed confidence in securing refinancing in the coming months.
- **September 2020: \$160m syndicated facility secures refinancing** - Pioneer replaces Carlyle as senior lender with a \$160 million syndicated facility. The transaction stabilises the company's capital structure and allows it to re-engage with the market, albeit at a higher cost of debt (~9.5% vs. previous Carlyle facility at ~6%).

While the Company has faced significant challenges, it has also taken clear steps to address them. Operational and financial improvements since 2020 have helped lay the foundation for a more resilient platform going forward. Key milestones include.

- **February 2021: CFO appointment marks governance reset** - Pioneer appoints a new CFO to reinforce financial discipline and restore credibility following issues of 2019.
- **FY22 & FY23: Return to scale in PDP acquisition** - PDP investment activity accelerates as market conditions improve and confidence in the funding model returns. The company also starts to see margin improvement from operational leverage and tighter cost control.
- **June 2024: \$272.5m senior finance facility secured** - Pioneer successfully refinances its 2020 facility with a larger, more flexible \$272.5 million facility, lowering cost of capital and supporting future growth.
- **H1 FY25: Strong EBIT recovery** - Pioneer reports meaningful EBIT growth, supported by cash collections performance, cost management, and expanded PDP revenue.

| PDP Market Outlook and Competitive Dynamics

Over the last decade debt buyers and collectors operating in Australia have faced several regulatory changes which has impacted their business models, operational practices and the competitive dynamics in the wider industry more broadly. Below we outline the key regulatory changes and their impact on Pioneer and other Australian participants. These regulatory changes were a major catalyst for differentiating those operators who maintain higher ethical and compliance standards (Pioneer Credit & Credit Corp) and those who were seen to operate in a non-compliant manner (e.g. Panthera Finance in Victoria).

- **ASIC and ACCC Updated Debt Collection Guidelines (RG 96) – July 2014**
 - Debt purchasers have to operate with greater sensitivity and compliance when contacting customers.
 - This put an emphasis on debt collectors operating in an ethical and “customer centric” approach and resulted in some players in the industry that operated a high-pressure collection model having to retrain their staff and revisit phone scripts and policies.
 - This resulted in additional costs and complexity for lower quality operators and resulted in sellers placing greater value on those who operate in an ethical way.
 - PNC holds an Australian Credit License and is subject to conduct, reporting and complaints handling obligations similar to banks. However, PNC is not an Authorised Deposit-taking Institution and cannot take deposits.
- **Establishment of the Australian Financial Complaints Authority (AFCA) – November 2018**
 - Required all debt purchasers to become AFCA members and comply with new dispute resolution protocols.
 - Increased compliance costs for all players, especially smaller or less sophisticated collectors who had to build or overhaul internal complaints processes.
- **Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – December 2017**
 - Financial institutions became far more cautious about who they sold debt portfolios to. Vendors faced increased scrutiny as financial institutions favoured established players with stronger governance and compliance frameworks (e.g. Pioneer Credit, Credit Corp).
 - Many smaller or more aggressive players were shut out of big-four vendor relationships as well as relationships with non-bank lenders.

These increased regulatory pressures and compliance costs along with a lower PDP market size as a result of COVID-era government support, led to a decline in market participants operating in the industry.

The figure below outlines which players have recently exited the market. The common theme is that these businesses were subscale in size making it hard to operate profitably in a smaller market post COVID-19 whilst facing rising compliance and funding costs.

Figure 3: Australian debt-buyer exits & Carve-Outs Since 2019

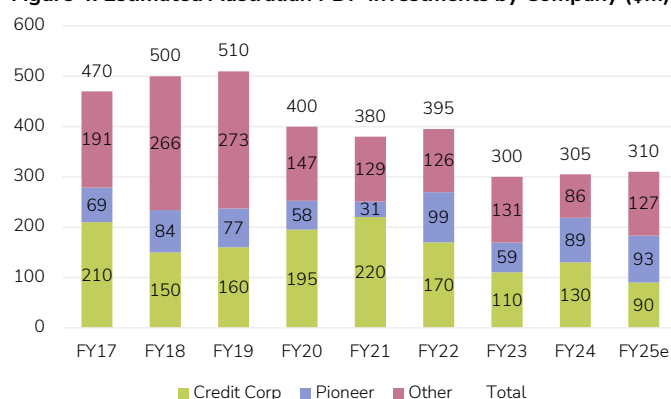
Company Acquired	Buyer	Year	Purchase Price	Book Size Acquired	Why they sold?
Baycorp Holdings	Credit Corp	Aug-19	\$65m	~\$70m PDL	Encore refocused on its core US/UK books; Baycorp had been loss-making after years of shrinking forward-flows and rising compliance costs. CCP wanted scale in NZ and an AU agency bolt-on.
Collection House - Operating Company	Credit Corp	Aug-22	\$11m	NA	Following the Australian PDL asset sale the Collection House shell couldn't refinance and so it entered administration. So, Credit Corp acquired the shell to internalise collectors, pick up-flow client contracts and eliminate a potential competitor.
Collection House - Australian PDL Book	Credit Corp	Dec-20	\$160m + \$15m bridging loan	~\$200m in payment arrangement at signing	Collection House breached banking covenants during COVID and needed liquidity. This was after a period of accounting scandals and compliance issues.
Undisclosed	Pioneer Credit	May-22	\$38.5m	Face Value of ~\$85m	Likely balance sheet / portfolio management.
CBA Credit Card & Personal Loan Book from Panthera Finance	Pioneer Credit	Dec-23	\$24.1m	Face Value of \$367m	Panthera was undertaking balance sheet/liquidity management and portfolio rotation on the back of mounting regulatory and financing pressures.
Panthera Finance Group	Francom Group (Brookfield backed)	Dec-24	~\$88m	~\$1145m PDL Carrying Value	Panthera was battling regulatory litigation (Vic black-listing case, 2020 harassment ruling) and reputational risk; founders opted to sell. Francom gains instant scale (book by ~12x) and re-brands under stricter compliance.
Max Recovery Aus	Pioneer Credit	Feb-24	\$15.8m for PDLs	NA	Parent exited the small Australian market after a strategic review. Max lacked local scale; Pioneer got a large Part IX (insolvency) pool.

Source: Company data.

As a result of several players exiting the Australian market it has turned into effectively a duopoly with Credit Corp the number one player in terms of market share followed by Pioneer. We expect the market to remain a duopoly for the next few years as a result of Pioneer and Credit Corp having exclusive access to Forward Flow Agreements with three of the Big four banks. The fourth bank is likely to return to the market over the coming months.

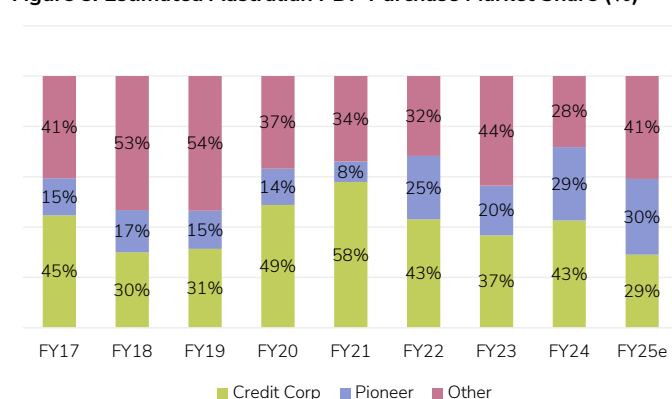
Figure 4 and 5 below is an estimate of what we believe the size of the Australian PDP market was over the last few years along with the likely PDP purchase market share from each participant.

Figure 4: Estimated Australian PDP Investments by Company (\$m)



Source: Company Disclosures, Wilsons Advisory.

Figure 5: Estimated Australian PDP Purchase Market Share (%)



Source: Company Disclosures, Wilsons Advisory.

Without access to the Forward Flows of the Big four banks the challengers can't obtain enough scale to become a meaningful player in the market. With the CBA Forward Flow agreement remaining until June 2027, we believe it's unlikely that a Challenger will be able to enter the market in a meaningful way to disrupt the duopoly. Although additional competition over time is likely to occur particularly from international players with the balance sheet strength to cover the initial losses required to build the scale required to compete, we see the likely entry point as still some years away.

The Big 4 Banks undertook an extensive amount of scrutiny when picking the vendors of their Forward Flow agreements surrounding their compliance standards, governance and ethical operating standards. Pricing over the past few years under these agreements has been rational which limits the benefits likely to be derived from adding additional players to these agreements. Especially when you consider the additional risks a new vendor could bring if it wasn't to meet the regulatory standards expected when collecting from the Bank's customers. Aggressive collections could destroy the bank's relationships with the customers, result in further negative customer reviews and even potential regulatory issues or fines. So, given Credit Corp and Pioneer have received no major complaints from the Big 4 banks the limited potential pricing differential that could be derived from adding an additional player isn't seen to be sufficient to offset the additional risks.

Therefore, as a result of this duopoly we see Pioneer Credit well positioned for strong profitable growth as the PDP market returns to growth over the coming years. Prior to Covid the PDP market was worth \$500-\$550m a year whereas this has now shrunk to circa \$300m. Growth in the market is expected to be driven by the following drivers.

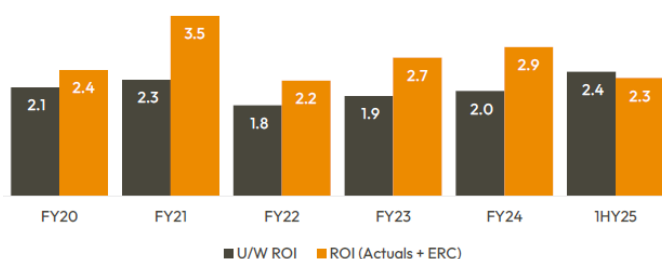
- Final Big 4 bank returning to the PDP market for the first time since around 2017.
- Maturing of COVID-era Forbearance & Deferrals.
- Big 4 Banks wanting to offload non-core assets that impair ROE and to improve regulatory capital and balance sheet optics.
- Strengthened balance sheets from debt purchasers and servicers which allows them to absorb larger flow.
- Rise of non-bank lenders without the in-house teams to service bad debts.

Funding and Financial Leverage

Historically, Pioneer has acquired its PDPs at ~20-30c on the dollar with all vintages to date exceeding the Board's investment net internal rate of return ('IRR') target of >15% (Figure 6). PDP purchases typically have front-loaded cash collections with the vast majority of cashflows coming from vintages 2 years old or less.

Figure 6: Pioneer's Historical Portfolio Performance

UNDERWRITING ROI VS. TOTAL ROI



Source: Pioneer Credit.

- Underwriting ('U/W') is the forecast collections at acquisition
- Return on Investment ('ROI') is the gross multiple on invested capital
- Recent market dynamics have enabled investment in large performing and insolvency transactions, with lower ROI's, but enviable IRR's
- Board Investment Delegation sets net internal rate of return ('IRR') of >15%
 - All vintages have exceeded net IRR of 15%
 - ROI is not a target (IRR is); it is an output of investment

Given PDPs are acquired at a significant discount and cashflows are seen to be predictable and high margin, Pioneer has been able to utilise secured debt facilities to borrow directly against the PDP assets, similar to a warehouse or securitisation facility. This has resulted in Net Borrowings over the last few years representing between 80-90% of the PDP's on its balance sheet.

Figure 7: Net Borrowing's as a % of Pioneer's PDP Carrying Value

Pioneer Credit (PNC)	FY22	1H23	FY23	1H24	FY24	1H25
PDL Carrying Value	295.5	308.1	304.3	340.7	322.9	328.7
Net Cash / (Borrowings)	-233.6	-246.6	-258.0	-276.4	-282.5	-289.1
Net Borrowings / Carrying Value (%)	79%	80%	85%	81%	87%	88%

Source: Pioneer Credit, Wilsons Advisory.

Therefore, any improvement in the terms of Pioneer's financial facilities can have a significant impact on its profitability. In July-24 Pioneer refinanced and upsized its \$200m facility from Fortress Investment partners to a \$272.5m facility from Nomura. This upsized facility had improved terms with the rate improving from previously BBSW + 875bps to BBSW + 550bps resulting in an estimated ~\$8m of annualised interest savings.

Further funding improvements are likely to come from the RBA cutting the cash rate from which a -25bps cut is estimated to result in annualised savings of ~\$700k p.a. to Pioneer. Management is also focussed on improving the terms of its Medium Term Notes given this is its most expensive funding source.

Figure 8: Senior Syndicated Facility

	Old Facility	New Facility
Size	\$200m	\$272.5m
Maturity	Nov-25	Jul-28
Rates	BBSW + 875bps	BBSW + 550bps
Lender	Fortress Investment Group	Nomura

Source: Pioneer Credit, Wilsons Advisory.

Figure 9: Medium Term Notes

Subordinated Medium Term Notes	Issued Oct-21	Issued June-24
Size	\$60m	\$55.5m
Maturity	Nov-26	Nov-28
Rates	BBSW + 875bps	BBSW + 800bps
Max LVR	Undefined	80%

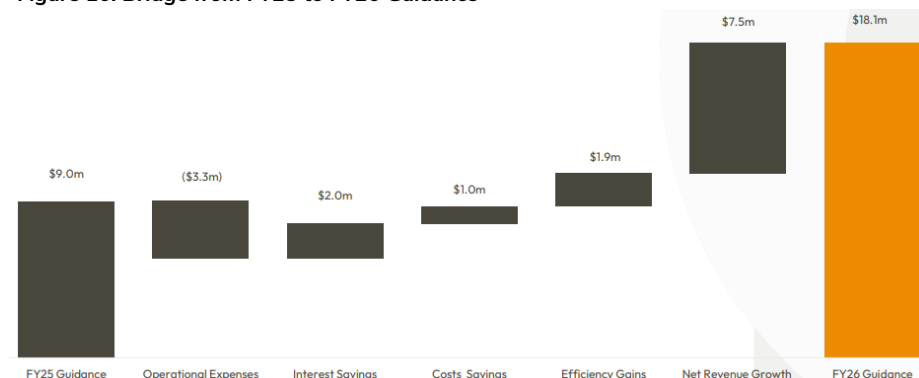
Source: Pioneer Credit, Wilsons Advisory.

Inflection Point in Profitability?

Management is guiding Pioneer’s NPAT to grow to ~\$9m in FY25e up from \$1.2m in FY24. This growth is driven from Pioneer having an expected Cost to Serve of between 35-37% down from 44% in FY22. This is along with Pioneer benefiting from interest savings of ~\$8m in FY25 on the back of it obtaining its July 2025 funding facility of \$272.5m, positions it strongly for improved operating and financial leverage as its PDP asset base returns to growth.

NPAT is then expected to grow even further in FY26 driven predominately from net revenue growth on the back of investments Pioneer has made over the past few years. Growth will also be supported by operational improvements on the back of its Core System Replacement project going live which began its implementation phase in FY25. In 1H25 Pioneer expensed ~\$1.7m on the development for this project. Finally, any RBA cash rate cuts would also benefit PNC with a -25bps decrease in the cash rate being expected to generate annualised savings of ~\$700k p.a..

Figure 10: Bridge from FY25 to FY26 Guidance



Source: Pioneer Credit.

We see management’s guidance for FY25e and FY26e as achievable with our estimates vs. management’s guidance outlined below. We also note Management’s option package requires them to exceed \$18m of NPAT in FY26e giving them strong alignment to make that target a reality.

Figure 11: Management Financial Guidance vs. Wilsons’ Estimates

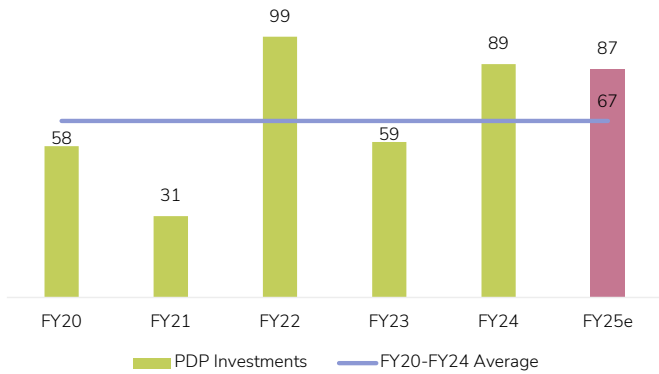
Company Acquired	Management's Guidance	WILSe	WILSe vs. Guidance
FY25e	>\$9m	9.2	2%
FY26e	>\$18m	18.7	4%

Source: Pioneer Credit, Wilsons Advisory.

Post FY26e we think Pioneer’s NPAT growth in dollar terms will slow due to the limited PDP investments it has been making over the last few years. This lack of investments is a result of the tight PDP market post COVID which is only just starting to ease along with Pioneer not having attractive funding facilities available in order to finance growth opportunities.

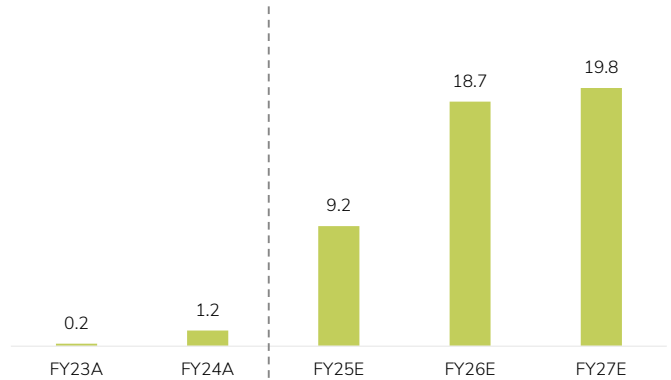
Assuming a 2.4x consistent money multiple Pioneer has a replacement rate of \$56m with any year of PDP investment greater than this resulting in growth. As such, given limited PDP investments in prior years material NPAT growth in FY27e is seen as unlikely. This can be seen in Figure 13 where we forecast Pioneer Credit to reach NPAT of ~\$20m in FY27e. The key lever which could lead to a potential upside opportunity is PNC paying off or refinancing its Medium-Term-Notes. These are PNC's most expensive funding source and an improvement in their terms could result in significant savings and greater capacity to fund growth.

Figure 12: Yearly PDP Investments & 4-Year Average



Source: Pioneer Credit, Wilsons Advisory.

Figure 13: NPAT Forecasts



Source: Pioneer Credit, Wilsons Advisory.

Pioneer already carries ~\$21m of deferred-tax assets (DTAs) on its balance sheet and has identified a further ~\$14.6m of tax losses/credits that remain unrecognised. The booked DTAs (~\$21m) are shielding current profits from cash tax, while the unrecognised portion represents future upside. E.g. once management has sufficient visibility on earnings, that \$14.6m can be brought on-balance-sheet, giving a one-off lift to statutory NPAT/EPS and extending the period of zero cash tax. Together, the DTAs provide a meaningful tailwind to cash NPAT and free cash flow over the next few years and is of significant value to investors.

On top of this PNC has ~\$6.5m in Franking Credits which is of further value to shareholders.

Financial Overview

Segmental Summary

Below we have outlined Pioneer Credit's key business drivers which ultimately drives both its income statement and cashflow summary.

- Debt Portfolios Acquired** – Management guides to ~\$90m of PDP investments in FY25r. With ~\$30m already deployed in 1H FY25, another ~\$60m will be needed in 2H FY25 to meet guidance. We consider this achievable, though activity will likely be skewed toward the June quarter. Actual deployment depends on settlement timing, which typically spans several weeks to a month. From FY26e onwards we then expect the size of Pioneer's PDPs acquired to increase on the back of growth across the overall PDP industry.
- Cash Collections of PDPs** – Since FY21, cash collections have risen despite only modest growth in the total PDP book, reflecting a smaller market. This points to consistent performance across vintages and feeds directly into the cash-flow statement.
- Interest Income Accrued** – Continued growth in accrued interest, even with limited PDP expansion, underscores the strength of Pioneer's underwriting. Interest income remains the company's principal revenue line.
- Net Gain / Impairment** – This represents the fair-value re-measurement of PDPs. Though in PNC's case evidenced through either: i) cash collections on previously fully amortised accounts; or ii) statistical evidence that expected cash collections exceed prior estimates. In FY24, Pioneer booked a precautionary impairment of ~\$18m based on macro data and market commentary rather than any shortfall in collections (which remained on plan). The write-down shielded taxable profit and preserved deferred tax assets. We do not expect material gains or impairments to be a core driver going forward.

Figure 14: Key Segmental Drivers

Y/E Jun, AUD		FY23A	FY24A	FY25E	FY26E	FY27E
Opening PDP Balance	[\$m]	295.5	304.3	322.9	363.9	395.3
% Growth	[%]	18.6%	3.0%	6.1%	12.7%	8.6%
Debt portfolios acquired	[\$m]	59.2	89.0	87.2	90.7	95.2
% Growth	[%]	-40.4%	50.2%	-2.0%	4.0%	5.0%
Cash collections of PDPs	[\$m]	(128.0)	(136.1)	(142.1)	(171.0)	(183.8)
% Growth	[%]	19.9%	6.3%	4.4%	20.4%	7.5%
Collection Rate %	[%]	43.3%	44.7%	44.0%	47.0%	46.5%
Interest Income Accrued	[\$m]	73.7	83.6	92.0	111.8	118.8
% Growth	[%]	17.8%	13.4%	10.1%	21.4%	6.3%
Effective Interest Rate %	[%]	24.9%	27.5%	28.0%	29.0%	28.5%
Net Gain / (Impairment)	[\$m]	3.8	(17.8)	3.8	0.0	0.0
% Growth	[%]	-142.3%	-573.6%	-121.4%	NA	NA
Closing PDP Balance	[\$m]	304.3	322.9	363.9	395.3	425.5
% Growth	[%]	3.0%	6.1%	12.7%	8.6%	7.6%

Source: Pioneer Credit, Wilsons Advisory.

Profit and Loss ('P&L')

Key insights into the P&L include:

- **Total Revenue** is expected to grow on the back of an increasing PDP book. Net Impairment/Gain on PDPs isn't expected to be a material driver going forward.
- **Gross Profit** should grow in line with revenue growth. No material change in gross profit margins is expected.
- **Employee expenses** drive most of Pioneer Credit's operating costs, and although the cost-to-serve has already fallen from 44% in FY22 to a forecast of 35–37% in FY25e further gains are possible as the new CRM and self-service portal scales. But, over the long-term we expect it to likely bottom out in the low-to-mid-30% range because many collections will still require staff involvement.
- **Net Finance Costs** have improved over the past year as a result of the Nomura Facility signed in July 2024 which resulted in funding costs decreasing from BBSW + 875bps to BBSW + 550bps. Going forward, further funding improvements could be made as a result of reductions in the cash rate and an improvement in the terms of Pioneer's Medium-Term Notes. The latter remains a key focus of the management team.
- **PBT** going forward is expected to grow by an increasing share than revenue growth as a result of Pioneer's decreasing cost to serve, improvement in net funding costs and the scale benefits it gets from an increasing PDP book. This business is expected to be highly profitable as it achieves scale.

Figure 15: Profit and Loss ('P&L')

Y/E Jun, AUD		FY23A	FY24A	FY25E	FY26E	FY27E
Interest income at amortised cost	[\$m]	73.7	83.6	92.0	111.8	118.8
Net impairment gain on PDPs	[\$m]	3.8	(17.8)	3.8	0.0	0.0
Total Revenue	[\$m]	82.7	71.1	96.3	112.2	119.2
% Growth	[%]	52.3%	-14.1%	35.5%	16.5%	6.2%
Liquidation Expenses	[\$m]	(3.6)	(4.2)	(2.8)	(3.4)	(4.4)
Gross Profit	[\$m]	79.2	66.9	93.5	108.7	114.8
Employee Expenses	[\$m]	(34.4)	(36.2)	(33.7)	(33.0)	(35.0)
Infro technology and communications	[\$m]	(3.5)	(4.2)	(4.8)	(4.8)	(4.9)
Consultancy and professional fees	[\$m]	(1.7)	(9.0)	(4.5)	(4.6)	(4.7)
Other expenses	[\$m]	(3.4)	(3.5)	(3.6)	(3.6)	(3.7)
EBITDA (underlying)	[\$m]	36.2	14.1	46.9	62.7	66.5
Depreciation & Amortisation	[\$m]	(2.2)	(1.8)	(1.7)	(1.7)	(1.8)
EBIT (underlying)	[\$m]	34.0	12.2	45.3	61.0	64.6
Net Finance Costs	[\$m]	(33.8)	(43.6)	(35.6)	(34.2)	(36.4)
PBT (underlying)	[\$m]	0.2	(31.4)	9.7	26.8	28.3
% Margin	[%]	0.2%	-44.2%	10.1%	23.9%	23.7%
Tax Benefit (Expense)	[\$m]	0.0	21.4	-2.4	-8.0	-8.5
NPAT (underlying)	[\$m]	0.2	1.2	9.2	18.7	19.8
% Margin	[%]	0.2%	1.7%	9.6%	16.7%	16.6%

Source: Pioneer Credit, Wilsons Advisory.

Balance Sheet

Key insights into the Balance Sheet includes:

- **Cash** – Pioneer ended 1H25 with only ~\$1m of cash. Because free cash flow has turned positive, we view this as adequate for day-to-day needs, but the limited buffer could hamper participation in large PDP auctions.
- **Purchased Debt Portfolio** – PDPs represent the bulk of assets. Over FY22-24 the book barely outpaced amortisation, so growth stalled. This has also corresponded with PNC being aggressive in its write downs to shield against any future shocks. Going forward we expect PNC's PDP asset base to grow as the Australian PDP market returns to growth. But, Pioneer's ultimate growth will likely be capped by its funding capacity.
- **Deferred Tax Assets ('DTAs')** – The \$21.2m DTA which is expected to grow further this financial year, should result in PNC having to pay no cash tax over the coming years significantly enhancing its free-cash-flow conversion. This excludes ~\$14.6m of tax losses/credits that remain unrecognised and are likely to become DTAs over time.
- **Borrowings** – Debt stood at ~\$290m at 1H25, funding about 88 % of the PDP carrying value. Given that Pioneer acquires portfolios at 20-30c on the dollar, this leverage looks reasonable today but would amplify downside in a severe credit cycle.
- **Trade and Other Payables** – Largely short-term employee-related liabilities. No material working-capital concerns.

Figure 16: Balance Sheet

Y/E Jun, AUD		FY23A	FY24A	FY25E	FY26E	FY27E
Cash and Cash Equivalents	[\$m]	8.4	4.1	1.8	1.1	6.4
Trade and Other Receivables	[\$m]	1.5	4.3	7.2	12.0	12.5
Other Current Assets	[\$m]	0.7	1.5	1.0	1.0	1.0
Current Tax Assets	[\$m]	0.0	0.0	0.0	0.0	0.0
Purchased Debt Portfolio	[\$m]	106.1	114.1	120.1	130.5	140.4
Current Assets	[\$m]	116.7	124.0	130.1	144.5	160.3
PP&E	[\$m]	0.7	0.5	0.6	0.8	1.1
Right of Use Assets	[\$m]	7.4	6.4	5.8	5.8	5.8
Deferred Tax Assets	[\$m]	0.0	21.4	18.9	10.9	2.4
Purchased Debt Portfolio	[\$m]	198.2	208.9	243.8	264.9	285.1
Other Non-Current Assets	[\$m]	3.8	6.7	6.2	27.4	44.6
Non-Current Assets	[\$m]	210.1	243.9	275.3	309.7	339.0
Total assets	[\$m]	326.8	367.9	405.4	454.3	499.3
Trade and Other Payables and Liabilities	[\$m]	6.1	25.7	14.4	18.7	19.6
Provisions	[\$m]	2.1	2.2	2.2	2.2	2.2
Lease Liabilities	[\$m]	1.1	1.3	1.4	1.4	1.4
Borrowings	[\$m]	11.3	254.3	15.5	15.5	15.5
Other Current Liabilities	[\$m]	0.0	0.0	0.0	0.0	0.0
Current Liabilities	[\$m]	20.7	283.4	33.4	37.7	38.6
Provisions	[\$m]	0.9	1.0	1.0	1.0	1.0
Lease Liabilities	[\$m]	8.2	6.9	5.4	3.6	1.8
Borrowings	[\$m]	255.1	32.3	304.3	332.0	358.1
Non-Current Liabilities	[\$m]	264.1	40.3	310.6	336.5	360.8
Total liabilities	[\$m]	284.8	323.7	344.1	374.2	399.4
Issued Capital	[\$m]	103.8	117.7	131.0	131.0	131.0
Reserves & Other Equity	[\$m]	10.1	7.2	0.8	0.8	0.8
Retained Earnings	[\$m]	(71.9)	(80.6)	(70.4)	(51.7)	(31.9)
Total Equity	[\$m]	41.9	44.2	61.4	80.1	99.9

Source: Pioneer Credit, Wilsons Advisory.

Cashflow Statement

Key insights into the cashflow summary includes:

- **Operating Cashflow – Pre PDP Purchases** – Remains highly profitable, with the cost-to-serve ratio forecast at 35–37% in FY25e. The planned CRM upgrade should nudge this down over time to the low-to-mid-30s, but a materially lower percentage figure is unlikely given Pioneer’s employee-heavy cost base.
- **PDP Acquisitions** – Management has guided to ~\$90m in FY25e, a target we view as achievable subject to settlement timing. Portfolio purchases should expand over the medium term as market supply improves, but the pace will be capped by unused debt facilities and, potentially, fresh equity.
- **Investing cashflow** – With minimal PP&E and intangible assets, investing outflows are expected to remain immaterial.
- **Financing Cashflow** – Primarily reflects draw-downs on debt, as Pioneer funds roughly 80-90% of PDP purchases with borrowings. The company had \$46m of undrawn capacity at 1H25; additional equity could be required if acquisition volumes accelerate.

Figure 17: Cashflow Summary

Y/E Jun, AUD		FY23A	FY24A	FY25E	FY26E	FY27E
Receipts from Customers	[\$m]	138.8	138.6	139.1	166.3	183.3
Payments to Suppliers & Employees	[\$m]	(47.4)	(51.0)	(54.9)	(67.0)	(69.8)
Net Interest Received (Paid)	[\$m]	(29.9)	(36.9)	(30.5)	(34.2)	(36.4)
Taxes Refunded (Paid)	[\$m]	(0.0)	(0.0)	(0.0)	0.0	0.0
Other Cash Incomes (Expenses)	[\$m]	0.0	0.0	2.2	8.0	8.5
OCF - Pre PDP Purchases	[\$m]	61.6	50.8	56.0	73.0	85.6
PDP Acquisitions	[\$m]	(81.5)	(79.6)	(91.2)	(90.7)	(95.2)
OCF - Post OCF Acquisitions	[\$m]	(20.0)	(28.8)	(35.3)	(17.7)	(9.6)
Capex	[\$m]	(0.5)	(0.7)	(0.4)	(0.8)	(0.9)
Other Investing Activities	[\$m]	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	[\$m]	(0.5)	(0.7)	(0.4)	(0.8)	(0.9)
Net Proceeds (Repayments) from (of) Debt	[\$m]	7.4	17.5	28.1	27.7	26.1
Net Proceeds (Buyback) from (of) Equity	[\$m]	0.0	9.5	9.4	0.0	0.0
Lease Principal Repayments	[\$m]	(1.6)	(1.7)	(1.8)	(1.8)	(1.8)
Other Financing Cashflows	[\$m]	0.0	0.0	(0.2)	0.0	0.0
Financing Cash Flow	[\$m]	5.8	25.3	35.6	25.9	24.3
Cash at Beginning of Financial Year	[\$m]	23.1	8.4	4.1	1.8	1.1
Net Increase/(Decrease) in Cash	[\$m]	(14.7)	(4.3)	(0.1)	7.3	13.8
Cash at End of Financial Year	[\$m]	8.4	4.1	4.0	9.1	14.9

Source: Pioneer Credit, Wilsons Advisory.

Recommendation, Target Price & Valuation

We rate PNC as OverWeight with a 12-month share price target of \$0.82. This target price is based on our DCF valuation which is outlined below. Given the length of time it can take to harvest the PDPs the vast majority of Pioneer Credit's valuation is in its Terminal Value.

Figure 18: DCF Overview

Assumptions					
Cost of Capital			Calculation		
Risk free rate	%	4.0%	PV of FCF (10 yrs)	\$m	54.0
Equity risk premium	%	6.0%	PV of terminal value	\$m	366.6
Beta (unlevered)	x	1.6x	Enterprise value	\$m	420.6
Target Gearing (D/D+E)	%	80.0%	TV as % EV	%	87%
Corporate tax rate	%	30.0%	Net debt / (cash)	\$m	289.1
Cost of equity	%	13.6%	Investments	\$m	0.0
Cost of debt (pre tax)	%	8.0%	Minority Interest	\$m	0.0
WACC (pre tax)	%	9.1%	Equity value	\$m	131.6
WACC (post tax)	%	7.2%	SOI (fully diluted)	m	160.0
			Equity value p/share	\$	0.82

Source: Pioneer Credit, Wilsons Advisory.

Below is a comparison of major publicly listed debt-buyers and their trading multiples. Each company has a slightly different business mix with some focussing solely on purchasing charged-off debts, while others also originate new loans. The businesses also employ varied funding models, from balance-sheet funding to asset-management structures.

We note Pioneer is trading at a noticeable discount to Credit Corp its closest listed peer. On a FY+1 PE basis it is also trading at a discount to all listed peers in the sector.

Figure 19: Comparable Valuations

Pioneer Credit Comparables	Ticker	Currency	Year End	Market Cap.	P/Book			P/E		
					FY+1	FY+2	FY+3	FY+1	FY+2	FY+3
Listed debt-buyers										
Credit Corp Group Ltd	CCP.AX	AUD	30-Jun	1,063	1.2x	1.1x	1.0x	11.3x	10.7x	9.9x
PRA Group Inc	PRAA.O	USD	31-Dec	597	0.5x	0.4x	NM	10.5x	6.9x	NM
Encore Capital Group Inc	ECPG.O	USD	31-Dec	840	0.9x	0.7x	NM	5.4x	4.3x	NM
Intrum AB	INTRUM.ST	SEK	31-Dec	6,714	0.5x	0.4x	0.4x	6.3x	6.1x	5.7x
Hoist Finance AB (publ)	HOFI.ST	SEK	31-Dec	8,406	1.4x	1.3x	1.1x	9.8x	7.0x	5.8x
Axactor ASA	ACR.OL	NOK	31-Dec	2,710	7.1x	6.5x	5.8x	NM	NM	NM
Median					1.0x	0.9x	1.1x	9.8x	6.9x	5.8x
Average					1.9x	1.7x	2.1x	8.7x	7.0x	7.1x
Pioneer Credit Ltd	PNC.AX	AUD	30-Jun	58	1.3x	0.9x	0.7x	8.2x	4.3x	4.0x

Source: Pioneer Credit, Wilsons Advisory, Refinitiv.

Board & Management Team

Board of Directors

PNC's Board currently has 4 directors of which 3 are independent meeting the ASX's best principle of having a majority of the Board members being Independent. Outside of Keith who has been at Pioneer since it was founded 16 years ago, the Board is relatively new with an average tenure of ~2 years. Nonetheless, we see it as strongly aligned to shareholders given Keith owns ~10.8% of all SOI or 13.6% assuming all Rights are exercised. Overtime we would like the size of the Board to expand and for additional skillsets to be brought on particularly outside the Financial Services sector (e.g. Law, Compliance etc). But, for the meantime it is seen to be sufficient for a company of Pioneer's size.

Figure 20: Board of Directors

Name	Position	Executive?	Independent?	Primary Expertise	Joined	Shareholding (million)	Shareholding (%)	Rights (million)	Shareholding & Rights (%)
Stephen Targett	Chairman	No	Yes	Financial Services, Banking & Risk Management	2021	0.2	0.1%	0.0	0.1%
Keith John	Managing Director	Yes	No	Financial Services & Management	2009	17.3	10.8%	2.8	12.5%
Pauline Gately	Director	No	Yes	Accounting and Professional Services	2023	0.0	0.0%	0.0	0.0%
Andrew Whitechurch	Director	No	Yes	Marketing and Risk Management	2024	0.1	0.1%	0.0	0.1%
Total						17.6	10.9%	2.8	12.7%

Source: Pioneer Credit, Wilsons Advisory.

Senior Management

PNC's Senior Management team consists of Keith John (Managing Director since inception in 2009), Barry Hartnett (Senior exec since 2013 and CFO since June 2021) and Sue Symmons (General Counsel and Company Secretary since October 2015). They are then supported by 6 Heads of Departments across Digital & Customer, Operations, Finance, Risk and Compliance, Data & Analytics and Legal Practice. Combined they hold 11.7% of the SOI excluding the inclusion of any Rights.

Senior Management Performance Rights:

Pioneer's senior management team currently have ~7m performance rights which if all issued would equate to an increase in the SOI by +5%. In order to achieve these performance rights, the management team needs to meet yearly financial targets or the relevant rights are immediately lapsed. From there, any remaining rights will be granted only if Pioneer Credit's FY26 NPAT is \geq \$18m. This long-term focus provides strong alignment to existing shareholders as it requires management to operate prudently and focus on fiscally responsible growth.

Pioneer's FY26 NPAT target of \geq \$18m doesn't include any of the benefits from PNC's FY24 impairment (~\$17.8m) or recognition of Deferred Tax Assets (~\$21.4m).

Key Risks

We see the following as the key risks for PNC:

- **Sufficiency of Funding** - Pioneer operates in a capital-intensive and competitive industry that requires access to adequate cash reserves, debt facilities, and potentially external equity to fund the acquisition of attractive Purchased Debt Portfolios (PDPs). A failure to secure sufficient funding could constrain its ability to scale and maintain profitable growth.
- **Breach of Finance Facility Limits** - Adverse macroeconomic conditions or underperformance in PDP collections may lead to breaches of covenants in Pioneer's financing arrangements. In such instances, financiers may call on the company's debt. In addition, a deterioration in credit quality could result in higher borrowing costs or difficulty in securing new financing, limiting the company's ability to pursue future growth opportunities.
- **Availability and Pricing of Debt Portfolios** - Pioneer's business model relies on its ability to acquire PDPs at attractive prices. A reduction in portfolio availability or an increase in acquisition prices could impair margins and constrain growth.
- **Increased Competition** - Rising competition in the debt purchasing sector could lead to elevated PDP acquisition prices. If Pioneer matches these prices to remain competitive, it may face margin compression. Alternatively, not participating could reduce portfolio inflow.
- **Collection Performance** - A decline in Pioneer's ability to collect on existing or future PDPs could negatively impact its earnings, cash flow, and overall financial position. Sustained underperformance may impair the company's balance sheet and P&L.
- **Reliance on Key Personnel** - Pioneer depends on the experience and leadership of its senior management team. The loss of key executives could disrupt operations and strategic execution, impacting business performance.
- **Loss of Key Relationships and Access to Forward Flow Agreements** - Pioneer's ability to source a consistent pipeline of PDPs depends heavily on its relationships with large financial institutions and access to forward flow agreements. The loss or impairment of these relationships could materially affect its portfolio acquisition strategy.
- **Regulatory and Legislative Risk** - Pioneer operates under a strict legal and regulatory framework, including compliance with its Australian Credit Licence. Any breach of applicable laws or regulatory requirements could result in penalties, license suspension, or the loss of key commercial agreements.
- **Macroeconomic Conditions** - A downturn in macroeconomic conditions, such as rising unemployment, cost-of-living pressures, or interest rate increases, may reduce the ability of customers to repay their debts. This could lead to lower collection rates and diminished returns on PDP investments.

Appendix: PWC Legal Case – Overview

PWC was Pioneer's auditors for the financial year ending June 2014 until the financial year ending June 2019. Over this time period Pioneer claims PWC, was negligent, breached its retainer and was misleading or deceptive in terms of its conduct arising from PWC's opinion, first communicated to Pioneer in Dec 2017, where Pioneer was advised to adopt Accounting Standard AASB 9 for the reporting period commencing July 2018, that it could continue to classify and report the value of its PDPs at fair value through the profit and loss. At the time ASIC had raised concerns with Pioneer on the classification and measurement of PDPs at fair value through profit and loss rather than amortised cost.

In early 2020, Pioneer was required to reverse its PDP accounting treatment to amortised cost. This significantly reduced the carrying value of PDPs and altered balance sheet metrics (like asset coverage and leverage ratios) leading to Pioneer breaching the covenants of its senior debt facility. The loss of its debt funding facility weakened its financial position and increased investor scrutiny put Pioneer in a weakened position for reorganising its business. It also impacted its position when in discussions with new credit partners.

As such, Pioneer claims that PWC's conduct caused Pioneer to suffer loss and damage in the vicinity of \$27m or >\$32m when interest is added. On the 16th of September 2024 Pioneer filed and served expert evidence in support of its claim.

Returning to Court could coincide with PWC and Pioneer negotiating a payment outside of Court to close the case. Any payment would likely be utilized by Pioneer to strengthen its balance sheet and/or further PDP purchases. For conservatism our current valuation doesn't consider any payment from PWC. If a favourable award for Pioneer was obtained this could potentially represent a material proportion of its current market cap as seen in the figure below.

An out-of-court settlement would likely fall at the low end of the payout range but carry less execution risk and close sooner. Our current valuation doesn't not include Pioneer receiving any award and so it represents potential upside.

Figure 21: Potential Court Award vs. Spot Market Cap

Syndicated Senior Facility	Potential Payout of Total Award			
	25%	50%	75%	100%
Total Award (Damage + Interest)	\$32m	\$32m	\$32m	\$32m
Potential Award	\$8m	\$16m	\$24m	\$32m
Potential Award as % of Marketcap	10%	20%	30%	40%

Source: Pioneer Credit, Wilsons Advisory.

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Recommendation structure and other definitions

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