

# Pioneer Credit Limited (PNC)

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

1 October 2025

## Cash Flow Coming: Favourable Conditions Open FY26

### Key Information

Current Price (\$ps)	0.56
12m Target Price (\$ps)	0.80
52 Week Range (\$ps)	0.37 - 0.66
Target Price Upside (%)	42.9%
TSR (%)	42.9%
Reporting Currency	AUD
Market Cap (\$m)	90.0
Sector	Financials
Avg Daily Volume (m)	0.1
ASX 200 Weight (%)	0%

### Fundamentals

YE 30 Jun (AUD)	FY25A	FY26E	FY27E	FY28E
Sales (\$m)	93.1	103.2	112.2	117.0
NPAT (\$m)	7.0	19.1	21.1	23.7
EPS (cps)	5.8	10.1	11.1	12.5
EPS Growth (%)	681.3%	75.5%	10.2%	12.3%
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	5.5	5.0	4.5
EV/EBITDA (x)	4.0	3.2	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 (%)	(4.1%)	10.8%	8.3%	(0.2%)
Absolute (%)	(5.0%)	13.0%	11.9%	7.6%
Benchmark (%)	(0.9%)	2.2%	3.6%	7.8%



Price performance indexed to 100

Source: FactSet

### Major Shareholders

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

### Event

Australia remains employed. The ABS reported last week that employment increased in August to 14,643,000 individuals, an increase of 18,100 over July. Employed Australians generally have the capacity to pay off their debts with time and assistance. This makes for favourable operating conditions for PNC.

We analyse Pioneer Credit from its Cash Flow Statement and its exemplary non-GAAP disclosure regarding its remaining collections. We remain of the view that PNC cash collections from debtors should increase by ~20% in FY26 (A\$169mn vs A\$142mn FY25). We think PNC's Estimated Remaining Collections (ERC) will exceed A\$760mn by FY26 (A\$702mn FY25) with an estimated present value of ~A\$500mn or over A\$3/shr. Finally, with strong cash collections, there is the prospect that PNC generates modest positive free cash flow in FY26 and brings down net debt.

If these financial metrics are delivered in FY26, alongside the company's A\$18mn FY26 NPAT guidance, we think PNC can reach our A\$0.80 Target Price.

No change to Target Price or financial projections with this report.

### Highlights

- FY26 cash collections to be strong.** 1) The late timing of PNC's FY25 aged debt investments pushes cash collections into FY26. 2) Aged debt vendors, including major banks have been more active in FY26 leading to a step-up in aged debt investment by PNC. (PNC indicated at the FY25 Result that it secured at least A\$80mn of portfolio purchases for FY26.) 3) FY26 aged debt investment by PNC has come early in the financial year leading to collections in the current year. 4) Industry consolidation has led to sharper pricing and improved cash return on investment.
- Strong position in a recovering market.** There are two major service providers in the purchased debt market in Australia: PNC and Credit Corp. These two providers capture about 60% of the total market with near duopoly supply to the large bank segment. Recently, PNC was the first to secure a portfolio from the last of the big-4 banks returning 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. We estimate the market size for purchased debt was about A\$350mn in FY25 growing to A\$400mn FY26 and potentially A\$500mn FY27. PNC has capacity with about 400 staff to service A\$100mn of debt investment (FY26E A\$95mn.)
- 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 saves about A\$700,000 per annum for each 25bps cut. Our modelling suggests PNC should be able to achieve positive free cash flow and retire a modest amount of net debt in FY26.

### Recommendation

Our BUY rating is underpinned by valuation and an improving industry situation. As at 30 June 2026, PNC's balance sheet should carry an estimated A\$760mn 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* cash collections less investments in aged debt portfolios.

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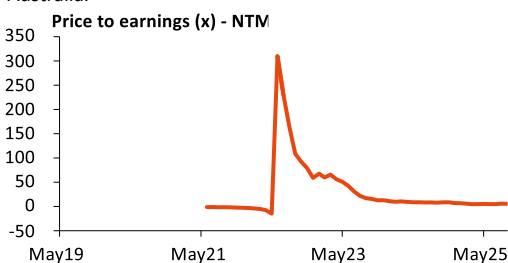
**Pioneer Credit Limited  
Financials**

FactSet: PNC-AU / Bloomberg: PNC AU

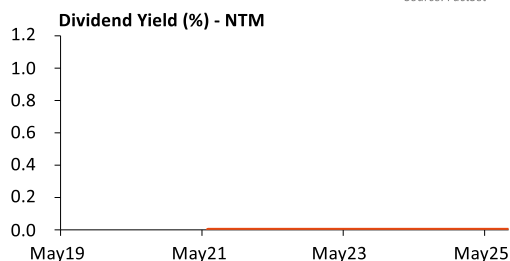
Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	0.56
Target Price (\$ps)	0.80
52 Week Range (\$ps)	0.37 - 0.66
Shares on Issue (m)	160.7
Market Cap (\$m)	90.0
Enterprise Value (\$m)	384.0
TSR (%)	42.9%

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.



Source: FactSet



Source: FactSet

**Financial Year End: 30 June**

Investment Summary (AUD)	FY24A	FY25A	FY26E	FY27E	FY28E
EPS (Reported) (cps)	(8.7)	4.4	12.0	13.2	14.8
EPS (Underlying) (cps)	0.7	5.8	10.1	11.1	12.5
EPS (Underlying) Growth (%)	448.9%	681.3%	75.5%	10.2%	12.3%
PE (Underlying) (x)	67.9	8.6	5.5	5.0	4.5
EV / EBIT (x)	9.9	8.3	7.1	6.6	6.4
EV / EBITDA (x)	3.5	4.0	3.2	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%)	(0.7%)	6.2%	10.7%
Profit and Loss (AUD) (m)	FY24A	FY25A	FY26E	FY27E	FY28E
Sales	65.8	93.1	103.2	112.2	117.0
Sales Growth (%)	(15.1%)	41.6%	10.9%	8.7%	4.3%
Other Operating Income	5.3	0.4	0.0	0.0	0.0
EBITDA	100.8	94.0	121.4	138.5	142.6
EBITDA Margin (%)	nm	nm	nm	nm	nm
Depreciation & Amortisation	(65.5)	(49.1)	(67.1)	(80.0)	(82.7)
EBIT	35.3	44.9	54.3	58.5	59.9
EBIT Margin (%)	53.7%	48.2%	52.6%	52.1%	51.2%
Net Interest	(43.2)	(37.9)	(35.2)	(34.8)	(32.7)
Pretax Profit	(7.9)	7.0	19.1	23.7	27.2
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	19.1	21.1	23.7
Significant Items	(11.3)	(0.3)	0.0	0.0	0.0
NPAT Reported	(10.0)	6.7	19.1	21.1	23.7
Cashflow (AUD) (m)	FY24A	FY25A	FY26E	FY27E	FY28E
EBIT	35.3	44.9	54.3	58.5	59.9
Tax Paid	0.0	0.0	0.0	(0.6)	(3.5)
Net Interest	(36.9)	(31.0)	(31.7)	(34.8)	(32.7)
Change in Working Capital	(6.4)	(2.7)	6.8	(0.9)	0.1
Depreciation & Amortisation	69.8	47.8	67.1	80.0	82.7
Other	(79.6)	(65.1)	(95.0)	(95.0)	(95.0)
Operating Cashflow	(28.8)	(12.6)	1.3	7.5	11.6
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)	(0.6)	5.6	9.6
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	3.9	0.0	(15.0)
Other	(1.7)	(8.9)	(1.8)	(1.9)	(2.0)
Financing Cashflow	25.3	12.2	2.1	(1.9)	(17.0)
Exchange Rate Effect	0.0	0.0	0.0	0.0	0.0
Net Change in Cash	(3.6)	(0.4)	3.3	5.6	(5.4)
Balance Sheet (AUD) (m)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash	4.1	3.6	6.9	12.5	7.0
Accounts Receivable	4.3	7.2	1.2	1.3	1.3
Inventory	114.1	116.7	126.7	132.3	137.0
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	276.2	287.6	297.2
Total Assets	367.9	388.6	415.9	438.5	447.5
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	305.0	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	25.5
Total Liabilities	323.7	328.0	336.2	337.7	323.0
Total Shareholder Equity	44.2	60.6	79.7	100.8	124.5
Ratios	FY24A	FY25A	FY26E	FY27E	FY28E
ROE (%)	2.8%	20.0%	27.3%	23.4%	21.0%
Gearing (%)	86.5%	82.9%	78.9%	74.4%	69.5%
Net Debt / EBITDA (x)	2.8	3.1	2.5	2.1	2.0

## Pioneer Credit Financial Metrics

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

June Y/E (A\$m)	2H24A	2H25A	% chg	FY24A	FY25A	% chg	Shaw FY26F	vs FY25
Cash Collections	70.7	70.7	0.0%	139.7	142.2	1.8%	168.9	18.8%
PDP Purchases	(42.2)	(31.4)	-25.6%	(79.6)	(65.1)	-18.3%	(95.0)	46.0%
Opex								
Employee	(18.2)	(15.1)	-17.3%	(36.2)	(32.4)	-10.6%	(33.5)	3.4%
Other opex	(9.2)	(15.9)	71.9%	(20.9)	(23.6)	13.2%	(14.0)	-40.6%
Other cash items	3.7	5.6		11.4	0.0		(0.1)	
Working Capital	1.0	(0.9)		(6.4)	(2.7)		6.8	
Net Interest Paid	(17.4)	(15.9)	-8.7%	(36.9)	(31.0)	-15.9%	(31.7)	
Taxes Paid	(0.0)	0.0		(0.0)	(0.0)		0.0	
<b>Cash from Operations</b>	<b>(16.5)</b>	<b>(2.8)</b>	<b>-83.2%</b>	<b>(28.8)</b>	<b>(12.6)</b>	<b>-56.3%</b>	<b>1.3</b>	
<b>EBITDA</b>	<b>49.2</b>	<b>46.4</b>	<b>-5.7%</b>	<b>100.8</b>	<b>94.0</b>	<b>-6.7%</b>	<b>121.4</b>	<b>29.2%</b>
NPAT adjusted	0.0	8.8	n/m	1.2	10.5	775.0%	19.1	
NPAT reported	0.0	5.0	n/m	(10.0)	6.7		19.1	
EPS (adjusted)	0.03c	4.64c	n/m	0.74c	5.75c	681.4%	10.09c	
DPS	0.00c	0.00c		0.00c	0.00c		0.00c	
Cost to Serve Ratio	33%	31%	(200)bps	32%	32%	0bps	28%	(400)bps
Net Debt (Cash) ex leases	282.5	282.5	0.0%	282.5	282.5	0.0%	298.1	5.5%
Estimated Remaining Collections	641.7	701.7	9.4%	641.7	701.7	9.4%	762.7	8.7%
Purchased Debt At Amt Cost	322.9	343.0	6.2%	322.9	343.0	6.2%	372.3	8.5%

Source: Pioneer Credit, 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

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

## Risk Rating

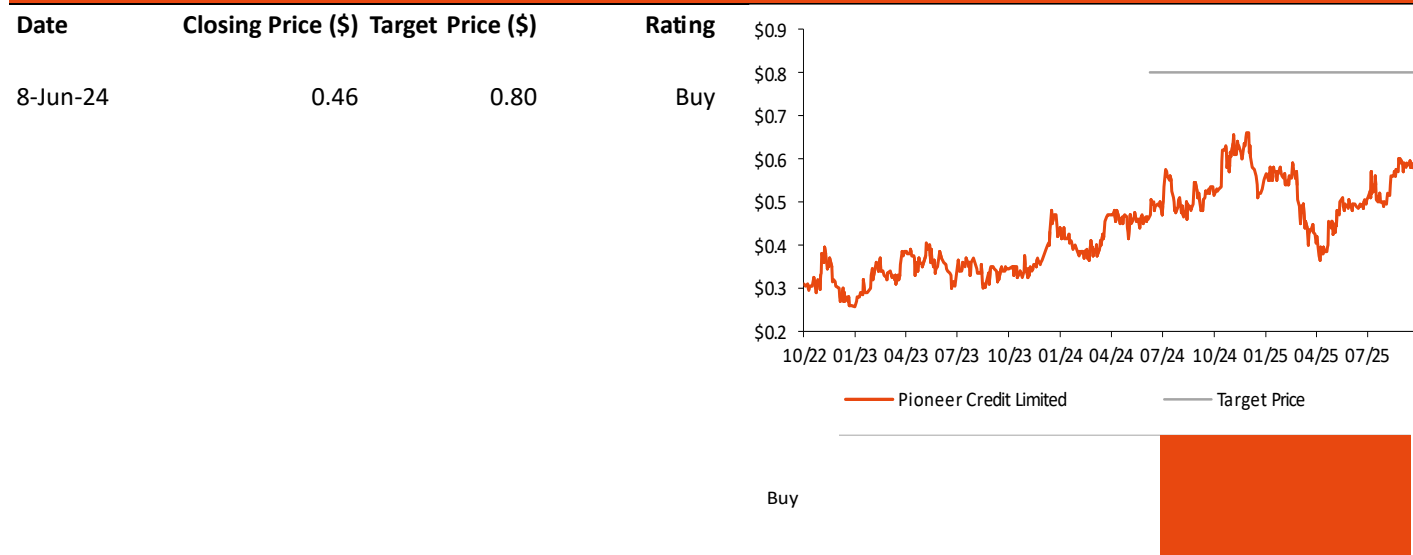
<b>High</b>	Higher risk than the overall market – investors should be aware this stock may be speculative
<b>Medium</b>	Risk broadly in line with the overall market
<b>Low</b>	Lower risk than the overall market

**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	81	87%
Hold	12	13%
Sell	0	0%

### History of Investment Rating and Target Price - Pioneer Credit Limited



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