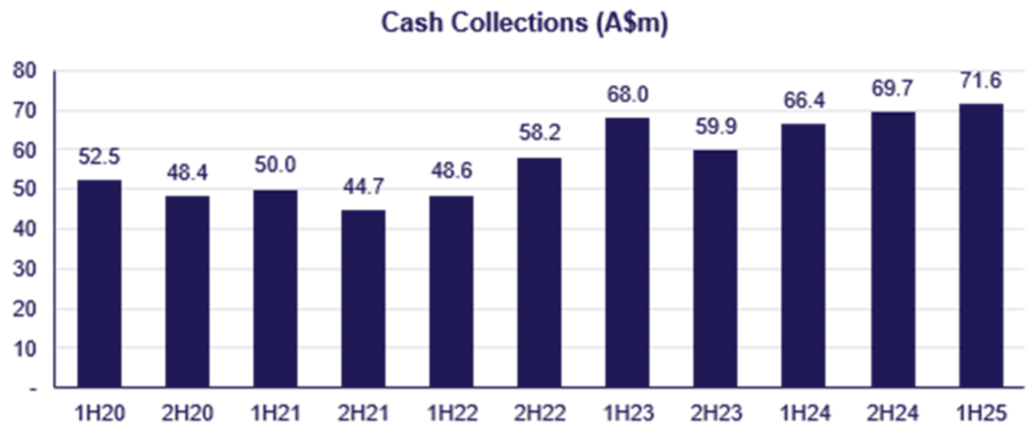
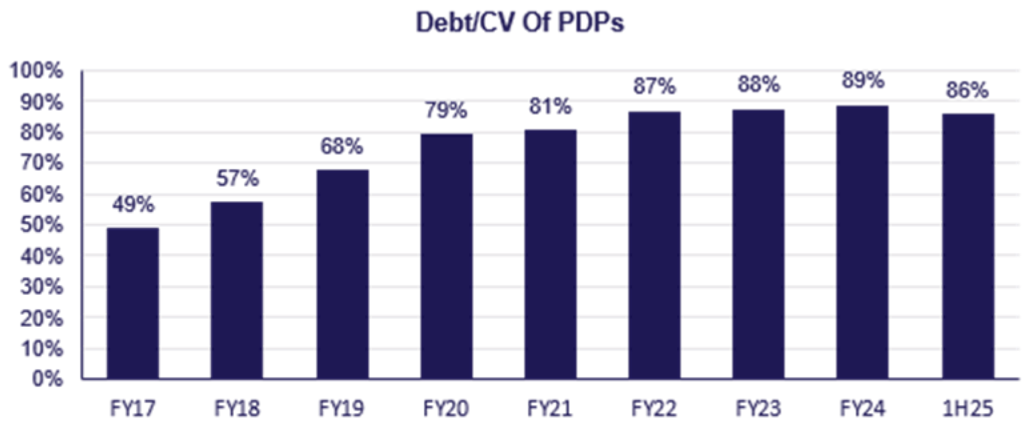
**Pioneer Credit (ASX: PNC)**
Share Price: $0.505
Sector: Financial Services
Market Cap: $81.0m

## 1H25 Results

- **Bottom line: Reported NPAT of** $1.7m (1H24: break-even). Normalised NPAT of $3.6m (1H24: $1,1m) versus our forecast of $4.5m. Normalised NPAT excludes project expenses and refinancing expenses.
- **Gross Cash Collections:** $71.6m (+8% pcp, +2% HoH), in line with our forecast of $71.6m. Total net revenue of $47.9m (+3% pcp, +95% HoH) with 2H24, including a net negative revision of the carrying value of PDP's of $18.1m. 1H25 net revenue included an impairment gain of $3.8m, which PNC has stressed is the excess in actual cash collections above the assumed interest income. 1H25 net revenue contained no vendor compensation payments, with $5.1m received in the pcp. We calculate the PDP amortisation rate in 1H25 at 39% 91H24: 38%).



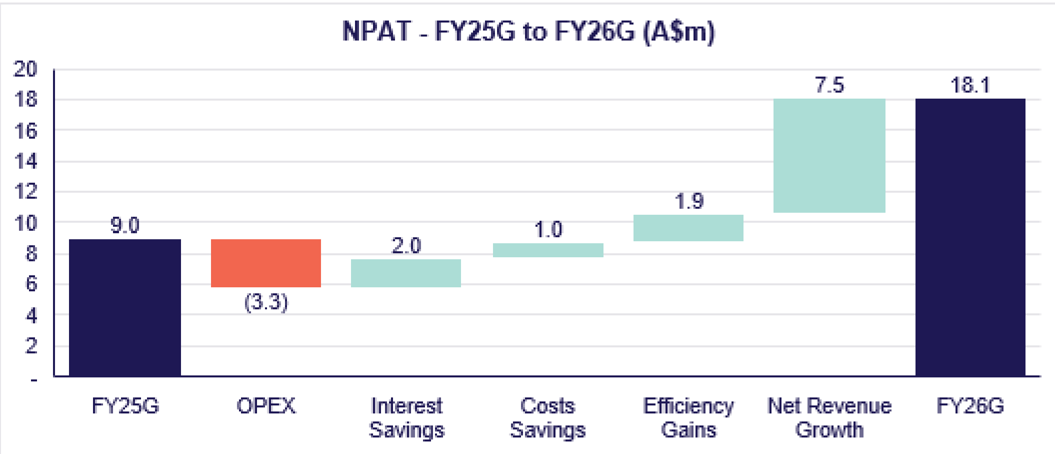

- **OPEX:** Reported expenses (ex-finance costs and PDP impairment movements) of $25.1m (-3% pcp). Employee expenses of $17.3m (-5% pcp). On its management account basis, PNC cites a Cost To Service Ratio on a normalised basis of 33% in 1H24 (1H24: 35%).
- **Finance costs:** $20.2m (+3% pcp), although headline finance costs include bank fees and borrowing expenses of $1.8m (1H24: $0.5m).
- **Cash:** Cash of $0.6m (FY24: $4.1m) with PNC highlighting that debtor payments were received in early 2H25, meaning that current cash is c$5m. PNC undertook a capital raising in 1H25 with net proceeds employed to purchase PDP's in-line with PNC's previous upgrade to PDP purchasing.
- **Debt:** Operational debt of $290m (FY24: $287m) with PNC citing unrestricted undrawn debt at 1H25 of $46m (FY24: $50m). Debt to the carrying value of PDPs at 1H25 of 86% (FY24: 89%).



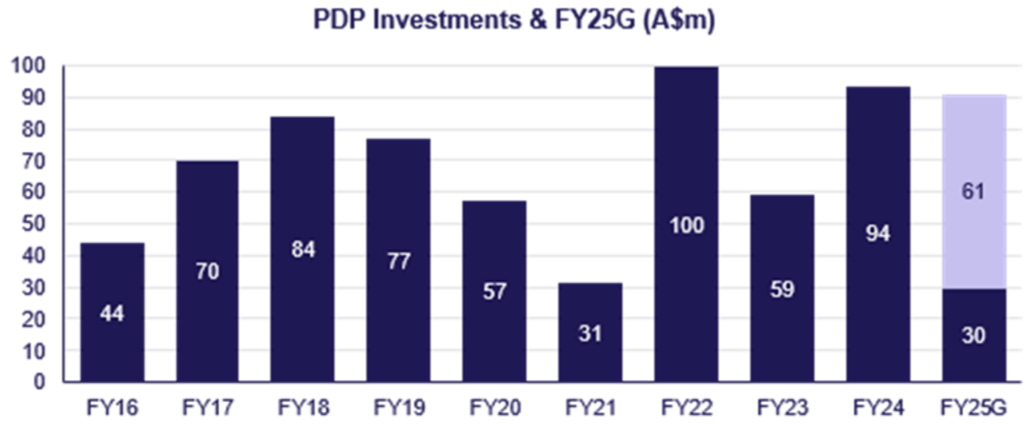

- **PDP Portfolio:** Carrying value of $304m (FY24: $323m) with new PDP investments of $30m (-55% pcp, +5% HoH) with 1H24 purchases inflated by acquisitions. PNC cites gross receivables of $1,9bn at 1H25, with committed payment arrangements of $431m (FY24: $441m).

## Outlook

- **PNC has reaffirmed previous guidance:**
  - FY25: Normalised NPAT of $9m+, which PNC has previously stated will be driven by increased cash collections versus FY24 and the interest rate benefit of the Nomura refinancing. This implies a 2H25 NPAT of $5.4m after recording a normalised NPAT in 1H25 of $3.6m, excluding one-off net expenses of $2.0m post-tax.
  - FY26: NPAT of $18m, with the main contributors being increased collections, efficiency gains from the new CRM platform, which is currently in the testing phase and interest savings.




- **PDP purchasing:** FY25 target of $90m+, which was upgraded in December 2024. PNC is flagging $61m+ in purchases in 2H25 to be funded by available debt facilities and cash receipt recycling.




## Our View

- **Overall:** A solid result with the main takeaway is that the overall collection environment is holding up despite cost-of-living pressures, suggesting that strong economic employment rates are the main driver of the collection environment. The benefits of refinancing at a lower cost have been well documented, with the potential to be augmented by reductions in official interest rates. PNC cited a $0.7m pre-tax benefit for every 25bp reduction. CRM replacement and other efficiencies could lower the cost-to-service ratio during FY25 with full-period benefit in FY26. The optics of the low cash position on the balance sheet appear to have been corrected post-balance date. However, we would not be surprised if PNC returns to equity markets at some stage if it elects to undertake a quantum increase in PDP purchasing – in the interim, we expect PNC to stagger purchases. PNC's $32m litigation claim against PWC remains a wild card for valuation.
- **Forecasts:** There have been modest revisions to the underlying FY25/26 forecasts after the input of the 1H25 result. Our forecasts are based on reported NPAT rather than normalised NPAT. After adding back one-off items of $2.0m post-tax, our FY25 forecast NPAT is $8.5m on a normalized basis versus guidance of $9.0m+.

| | *Previous* | *Revised* | *Previous* | *Revised* |
|---|---|---|---|---|
| **(A$m)** | **FY25F** | **FY25F** | **FY26F** | **FY26F** |
| Cash Collection | 152.4 | 150.1 | 158.7 | 162.9 |
| PDP Amortisation | (53.2) | (54.6) | (55.2) | (58.5) |
| PDP Impairments | - | 3.8 | - | - |
| Other | 4.0 | 0.4 | 0.6 | 0.4 |
| **Net Revenue** | **103.2** | **99.7** | **104.1** | **104.8** |
| **EBIT** | **48.6** | **45.2** | **56.8** | **55.8** |
| **NPBT** | **12.0** | **7.5** | **22.6** | **21.0** |
| **NPAT** | **9.6** | **6.5** | **18.1** | **17.9** |
| *Diluted EPS (cps)* | *7.2* | *4.4* | *13.5* | *11.2* |
| *PDP Purchases (m)* | *$80* | *$90* | *$90* | *$90* |
| *Cost To Service Ratio* | *30%* | *35%* | *29%* | *29%* |
| *PE* | *7.0x* | *11.5x* | *3.7x* | *4.5x* |

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