

PNC - Proof Relationships Still Matter!

Pioneer delivered strong NPAT growth this year, which we expect to continue into FY26e, supported by improvements over the past 12 months to its funding structure, cost to serve, and consistent execution of attractively priced PDP acquisitions. As the "only PDP purchaser in Australia with agreements in place with all Big Four banks", Pioneer is positioned to benefit from a larger PDP opportunity. Given this participant has likely been out of the market since 2017, we believe there is a backlog of charged off accounts they will be incentivised to sell, which could be attractive and highly accretive for PNC and provide upside to our current estimates. We view Pioneer as an attractive turnaround play, with the balance of risk and reward skewed to the upside. Our Overweight recommendation corresponds to a \$0.87 price target.

Key Points

Key Metrics: i) Cash collections of \$42m up +1% vs. pcip; ii) PDP Purchases were \$69m this year implying \$39m in the 2H up from ~\$30m in the 1H; iii) Cost to Service came in at 32% down from 33% last year and below their guidance range of 35-37%; iv) EBITDA increased +6% to \$94m; and v) NPAT came in at \$10.5m vs. their guidance of \$9m and up from \$1.2m in FY24.

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.

Final Big 4 Bank Returns: PNC outlined it is the "only PDP purchaser in Australia with agreements in place with all Big 4 Banks". This over time could provide a material increase in the size of the PDP market. With this participant not having likely been in market since 2017, we believe it would also likely have a backlog of charged-off accounts that it would be incentivized to sell. This could prove attractive and highly accretive to PNC providing upside to our current estimates.

Guidance: Pioneer is guiding to PDP purchases of >\$80m (WILSe: \$86m) which at the bottom end is +\$11m vs. the \$69m of purchases they completed this year showing its likely conservative. It has also retained its NPAT target of >\$18m which represents strong growth of +\$7.5m vs. this year. We see this as achievable with our estimate at \$18.3m as Pioneer is likely to benefit from an expected strong 1H26e of PDP purchases (WILSe: \$47m), continued tight cost to service, and financing improvements on the back of past and expected cash rate cuts. As a reminder every 25bps reduction in the RBA cash rate is ~\$700k of annualised pre-tax savings.

Forecasts and Valuation: We are forecasting FY26e NPAT of \$18.3m in line with management's guidance of >\$18m. Our target price of \$0.87 is based on a DCF.

Financial summary (Y/E Jun, AUD)	FY24A	FY25A	FY26E	FY27E	FY28E
Sales (\$m)	71.1	93.5	100.4	111.1	119.9
Consensus sales (\$m)			108.1	115.8	116.0
NPAT norm (\$m)	1.2	10.5	18.3	19.6	20.9
NPAT growth (%)	500.0	775.0	74.1	7.3	6.8
EV/Sales (x)	5.1	4.0	4.1	3.8	3.8
P/E (x)	57.9	8.6	5.2	4.9	4.6

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 owns 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)	\$0.87
Share price @ 27-Aug-25 (AUD)	\$0.60
Forecast 12-mth capital return	45.3%
Forecast 12-mth dividend yield	0.0%
12-mth total shareholder return	45.3%

Market cap (\$m)	80.3
Enterprise value (\$m)	374.4
Shares on issue (m)	133.9
Sold short (%)	0.0
ASX All Ords weight (%)	0.0
Median turnover/day (\$m)	0.0

Lachlan Woods

lachlan.woods@wilsonsadvisory.com.au

Tel. +61 3 9640 3818

Ross Barrows

ross.barrows@wilsonsadvisory.com.au

Tel. +61 3 9640 3854

Cameron Halkett

cameron.halkett@wilsonsadvisory.com.au

Tel. +61 2 8247 3162

12-mth price performance (\$)



	1-mth	6-mth	12-mth
Abs return (%)	20.0	11.1	15.4
Rel return (%)	16.1	2.4	3.7

Key changes		8-Aug	After	Var %
Sales	FY26E	112.2	100.4	-10%
(\$m)	FY27E	119.2	111.1	-7%
	FY28E	126.5	119.9	-5%
NPAT	FY26E	18.7	18.3	-2%
norm	FY27E	19.8	19.6	-1%
(\$m)	FY28E	21.3	20.9	-2%
Price target		0.82	0.87	6%
Rating		O/W	O/W	

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)	FY24A	FY25A	FY26E	FY27E	FY28E
Sales	71.1	93.5	100.4	111.1	119.9
EBITDA norm	14.1	46.5	54.9	62.1	66.9
EBIT norm	12.2	45.0	53.4	60.4	65.1
PBT norm	(31.4)	6.7	19.2	24.8	27.9
NPAT norm	1.2	10.5	18.3	19.6	20.9
NPAT reported	1.2	10.5	18.3	19.6	20.9
EPS norm (cents)	1.0	6.9	11.5	12.3	13.1
DPS (cents)	0.0	0.0	0.0	0.0	0.0

Growth (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Sales	(14.1)	31.6	7.3	10.7	7.9
EBITDA norm	(61.2)	230.5	18.2	13.0	7.7
NPAT norm	500.0	775.0	74.1	7.3	6.8
EPS norm (cents)	449.7	570.6	65.0	7.3	6.8
DPS (cents)	n/m	n/m	n/m	n/m	n/m

Margins and returns (%)	FY24A	FY25A	FY26E	FY27E	FY28E
EBITDA margin	19.8	49.7	54.7	55.9	55.8
EBIT margin	17.2	48.1	53.2	54.4	54.3
PBT margin	(44.2)	7.1	19.1	22.3	23.3
NPAT margin	1.7	11.2	18.2	17.7	17.5
ROA	3.3	11.6	12.1	12.2	12.0
ROIC	3.7	12.7	13.0	13.2	12.9
ROE	2.7	17.3	22.3	17.6	15.8

Interims (\$m)	2H24A	1H25A	2H25A	1H26E	2H26E
Sales	24.6	47.9	45.6	47.9	52.5
EBITDA norm	(6.6)	22.8	23.6	25.9	29.1
EBIT norm	(7.5)	22.1	22.9	25.1	28.3
PBT norm	(31.4)	1.9	4.8	7.8	11.4
NPAT norm	0.1	3.6	6.9	8.0	10.3
NPAT reported	0.1	3.6	6.9	8.0	10.3
EPS norm (cents)	0.1	2.4	4.6	5.0	6.4
DPS (cents)	0.0	0.0	0.0	0.0	0.0

Stock specific	FY24A	FY25A	FY26E	FY27E	FY28E
Collections on PDPs	(136.1)	(142.2)	(152.6)	(173.3)	(186.2)
Interest Income Accrued	83.6	88.3	99.0	110.7	119.5
Net Gain / (Impairment)	(17.8)	4.8	1.0	0.0	0.0
Closing PDP Balance	322.9	343.0	376.7	404.8	434.2
Total Operating Revenue	71.1	93.5	100.4	111.1	119.9
NPAT (statutory)	1.2	10.5	18.3	19.6	20.9

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 an improvement in PNC's Cost-To-Serve ('CTS') and funding terms should support strong NPAT growth over the next 12 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)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash & equivalents	4.1	3.6	3.0	10.1	8.0
Current receivables	4.3	7.2	6.8	11.4	12.2
Current inventory	114.1	116.7	124.3	133.6	143.3
PPE	0.5	0.4	0.7	0.9	1.2
Intangibles	0.8	0.9	2.9	1.8	3.7
Other assets	244.1	259.8	304.9	335.9	372.4
Total assets	367.9	388.6	442.6	493.8	540.7
Current payables	25.7	20.4	21.4	20.4	19.9
Total debt	286.6	297.6	331.1	355.4	380.8
Total liabilities	323.7	328.0	360.8	382.3	408.3
Shareholders equity	44.2	60.6	81.9	111.5	132.4

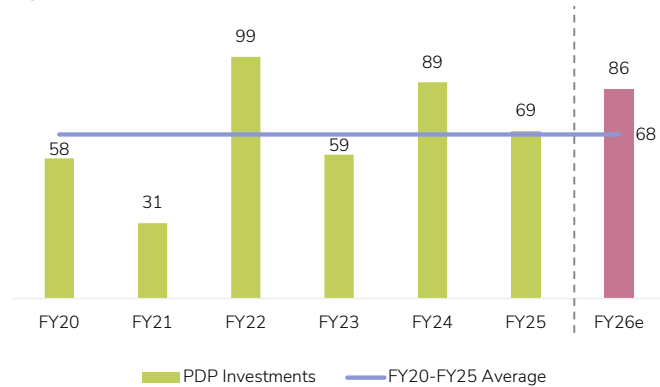
Cash flow (\$m)	FY24A	FY25A	FY26E	FY27E	FY28E
Operating cash flow	50.8	52.5	54.9	66.1	71.4
Maintenance capex	0.0	0.0	0.0	0.0	0.0
Free cash flow	50.8	52.5	54.9	66.1	71.4
Growth capex	(80.3)	(65.3)	(87.1)	(91.5)	(97.0)
Acquisitions/disposals	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Other cash flow	(1.7)	(1.8)	(1.8)	(1.8)	(1.8)
Cash flow pre-financing	(31.3)	(14.6)	(34.1)	(27.2)	(27.4)
Funded by equity	9.5	9.2	0.0	10.0	0.0
Funded by cash/debt	(5.2)	(8.6)	0.5	(17.1)	2.1

Liquidity	FY24A	FY25A	FY26E	FY27E	FY28E
Cash conversion (%)	623.5	179.6	166.5	172.2	172.8
Net debt (\$m)	282.5	294.0	328.1	345.3	372.7
Net debt / EBITDA (x)	20.1	6.3	6.0	5.6	5.6
ND / ND + Equity (%)	86.5	82.9	80.0	75.6	73.8
EBIT / Interest expense (x)	0.3	1.2	1.6	1.7	1.8

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
EV / Sales (x)	5.1	4.0	4.1	3.8	3.8
EV / EBITDA (x)	25.8	8.1	7.4	6.9	6.8
EV / EBIT (x)	29.7	8.3	7.7	7.0	7.0
P / E (x)	57.9	8.6	5.2	4.9	4.6
P / BV (x)	1.8	1.6	1.2	0.9	0.7
FCF yield (%)	63.0	54.8	57.3	69.0	74.5
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)	115.9	151.2	159.6	159.6	159.6

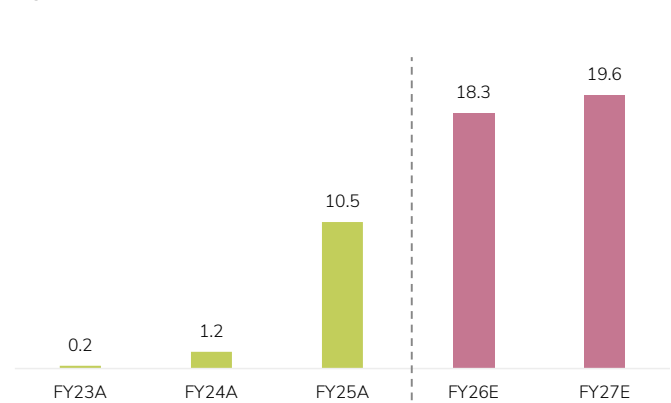
Key Charts

Figure 1: PDP Acquisitions vs. FY26e Guidance of >\$80m



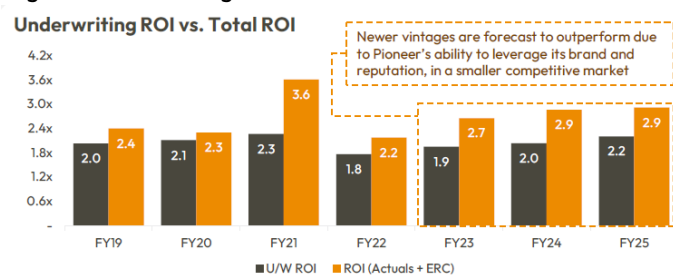
Source: Pioneer Credit, Wilsons Advisory.

Figure 2: Stat. NPAT Growth vs. FY26 Guidance of >\$18m



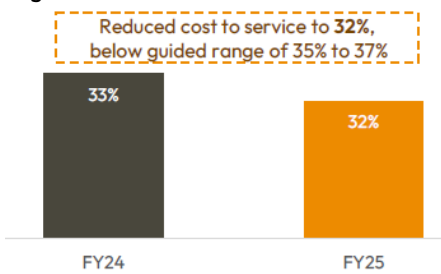
Source: Pioneer Credit, Wilsons Advisory.

Figure 3: Underwriting ROI vs. Total ROI



Source: Pioneer Credit.

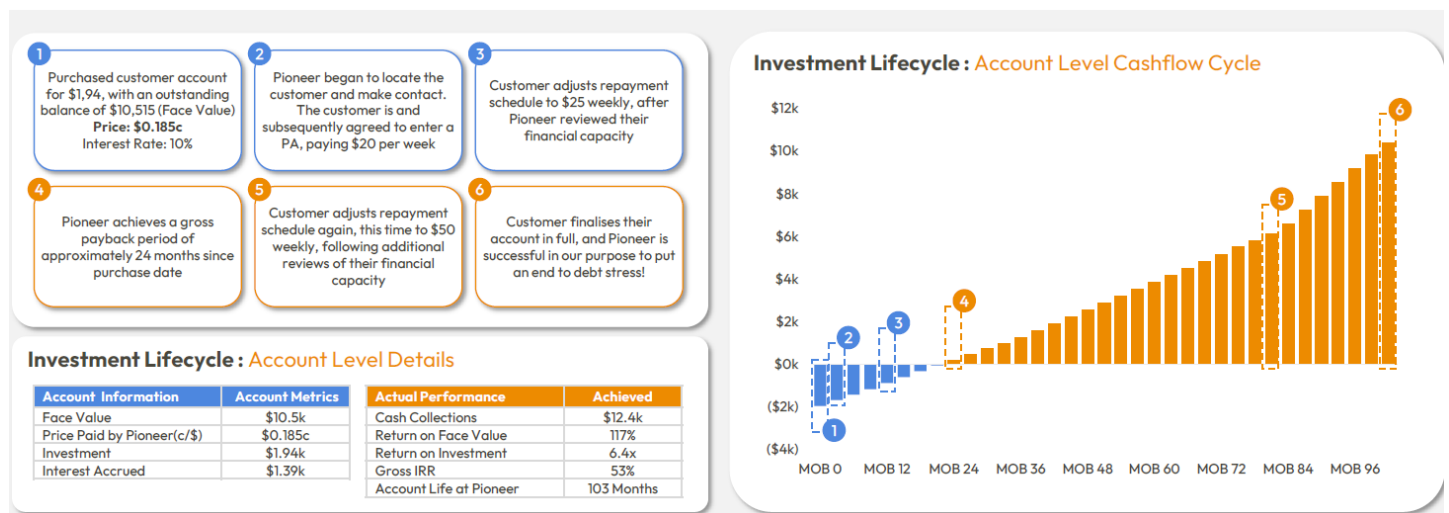
Figure 4: Cost to Service



Source: Pioneer Credit.

Figure 5: Investment Lifecycle Case Study

Individual customer account example, showing consistent cashflows and returns beyond investment



Source: Pioneer Credit.

Results Summary:

The key takeaways from today's results are:

- **Cash Collections** were \$142.2m implying \$70.7m this half vs. \$71.5m in the 1H. This consistent performance across the year shows the strength of Pioneer's underwriting skills and its ability to harvest its existing PDP base. We expect further growth in PNC's cash collections over the coming years as its PDP portfolio returns to consistent growth.
- **PDP Purchases** were \$69m this year implying \$39m in the 2H up slight from ~\$30m in the 1H. This year's result of \$69m was -\$21m below its full year guidance of ~\$90m likely driven by unexpected delays in the final Big Four bank returning to market as well as settlement delays. As a result of the settlement delays we expect a strong 1H26e. More broadly as the PDP market returns to growth over the coming years we expect PNC to be a direct beneficiary given it's the number 2 player in the market.
- **Pioneer's PA Portfolio** fell -5% to \$419.1m as a result of strong cash collections throughout FY25.
- **Cost to Service** came in at 32% down from 33% last year and below their guidance range of 35-37%. We expect it to remain in the low 30's over the medium term due to the human component associated with collections.
- **EBITDA** increased +6% to \$94m. Continued growth is expected across FY26e.
- **NPAT** came in at \$10.5m which was ahead of PNC's full year guidance of more than \$9m and up from \$1.2m in FY24. The net improvement of \$9.3m this year was predominately driven by a funding improvement on the back of the July-24 refinancing with Nomura which resulted in ~\$8m of annualised pre-tax interest savings.
- **FY26e Guidance:** Pioneer is guiding to PDP purchases of >\$80m which at the bottom end is +\$11m vs. the \$69m of purchases they completed this year. It has also retained its FY26e NPAT target of >\$18m which represents strong growth of +\$7.5m vs. this year. We see this as achievable with our estimate at \$18.7m but note strong PDP acquisitions in the 1H and consistent collections throughout the year at a low cost to serve will all be crucial to achieving that guidance. Each potential ~25bps cut in the cash rate is estimated to save PNC about ~\$700k per annum and could prove a meaningful tailwind.

Figure 6: Deviation Table

Y/E Jun, AUD		FY24A	FY25A	Growth	WILSe	Var
Interest income at amortised cost	\$m	83.6	88.3	6%	92.0	-4%
Net impairment gain on PDPs	\$m	(17.8)	4.8	-127%	3.8	26%
Total Revenue	\$m	71.1	93.5	32%	96.3	-3%
Growth	\$m	-14.1%	31.6%		35.5%	
Liquidation Expenses	\$m	(4.2)	(3.1)	37%	(2.8)	-7%
Gross Profit	\$m	66.9	90.5	35%	93.5	-3%
Margin	\$m	94.1%	96.7%		97.0%	
Employee Expenses	\$m	(36.2)	(33.1)	9%	(33.7)	2%
Infro technology and communications	\$m	(4.2)	(4.1)	3%	(4.8)	18%
Consultancy and professional fees	\$m	(9.0)	(3.5)	158%	(4.5)	29%
Other expenses	\$m	(3.5)	(3.4)	3%	(3.6)	6%
EBITDA (underlying)	\$m	14.1	46.5	231%	46.9	-1%
Margin	\$m	19.8%	49.7%		48.7%	
Depreciation & Amortisation	\$m	(1.8)	(1.5)	23%	(1.7)	10%
EBIT (underlying)	\$m	12.2	45.0	268%	45.3	-1%
Net Finance Costs	\$m	(43.6)	(38.3)	14%	(35.6)	-7%
PBT (underlying)	\$m	(31.4)	6.7	-121%	9.7	-31%
Margin	\$m	-44%	7%		10%	
Tax Benefit (Expense)	\$m	21.4	(0.0)		(2.4)	
NPAT (underlying)	\$m	(10.0)	6.7	-166%	7.3	-9%
One-Offs & Significant Items	\$m	11.2	3.8	-66%	1.9	101%
NPAT (statutory)	\$m	1.2	10.5	775%	9.2	14%

Source: Pioneer Credit, Wilsons Advisory.

Forecast Revisions

Following PNC's PDP acquisitions coming in lower than our forecasts we reduce our revenue forecasts. Given the results we also reduce our OPEX estimates and financing costs. Post these revisions we continue to see PNC's FY26e NPAT target of >\$18m as achievable with our estimate at \$18.3m. This is as Pioneer is likely to benefit from an expected strong 1H26e of PDP purchases (WILSe: \$47m), continued tight cost to service, and financing improvements on the back of past and expected future cash rate cuts. As a reminder every 25bps reduction in the RBA cash rate is ~\$700k of annualised pre-tax savings.

Figure 7: Deviation Table

Y/E Jun, AUD	2026E				2027E			
	New	Old	(\$) Diff	(%) Diff	New	Old	(\$) Diff	(%) Diff
Revenue	100.4	112.2	(11.8)	-10.5%	111.1	119.2	(8.1)	-6.8%
Cash EBITDA (und.)	107.9	117.2	(9.3)	-7.9%	120.1	131.0	(11.0)	-8.4%
Stat EBIT (und.)	53.4	61.0	(7.6)	-12.5%	60.4	64.6	(4.2)	-6.5%
Stat PBT (und.)	19.2	26.8	(7.6)	-28.3%	24.8	28.3	(3.4)	-12.1%
Stat NPAT (und.)	18.3	18.7	(0.4)	-2.4%	19.6	19.8	(0.2)	-0.8%
Diluted EPS (und.)	11.1	11.7	(0.6)	-5.2%	12.3	12.4	(0.1)	-0.5%

Source: Pioneer Credit, Wilsons Advisory.

Disclaimers and Disclosures

Recommendation structure and other definitions

Definitions at wilsonsadvisory.com.au/disclosures.

Analyst certification

Each analyst of Wilsons Advisory and Stockbroking Limited (ACN 010 529 665: AFSL 238375) ("Wilsons Advisory") whose name appears in this research certifies that (1) the recommendations and opinions expressed in this research accurately reflect the analyst's personal, independent and objective views about any and all of the subject securities or issuers; (2) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the analyst in the research; and (3) to the best of the analyst's knowledge, he/she is not in receipt of material non-public information about the issuer.

Disclaimer

This document has been prepared by Wilsons Advisory. This communication is not to be disclosed in whole or part or used by any other party without Wilsons Advisory's prior written consent. All material presented in this document, unless specifically indicated otherwise, is under copyright to Wilsons Advisory. None of the material, its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of Wilsons Advisory. This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Wilsons Advisory to any registration or licensing requirement within such jurisdiction.

This document is being supplied to you solely for your information and no action should be taken on the basis of or in reliance on this document. To the extent that any information prepared by Wilsons Advisory contains any financial product advice, it is general advice only and has been prepared by Wilsons Advisory without reference to your objectives, financial situation or needs. You should consider the appropriateness of the advice in light of your own objectives, financial situation and needs before following or relying on the advice. You should also obtain a copy of, and consider, any relevant disclosure document before making any decision to acquire a financial product. Please refer to Wilsons Advisory's Financial Services Guide for more information: wilsonsadvisory.com.au/disclosures. Any person, before acting on any advice contained within this communication, should first consult with a Wilsons Advisory investment adviser to assess whether the advice within this communication is appropriate for their objectives, financial situation and needs. Those acting upon such information without advice do so entirely at their own risk.

This document provided by Wilsons Advisory is current as at the date of the issue but may be superseded by future publications. Wilsons Advisory assumes no obligation to update the information or advise on further developments relating to the company or companies covered in this document ("Companies") or relevant financial products. Wilsons Advisory has not independently verified all of the information given in this document which is provided at a point in time and may not contain all necessary information about the Companies. Wilsons Advisory makes no warranty, express or implied, concerning any information prepared by Wilsons Advisory. Wilsons Advisory expressly disclaims (1) any implied warranty of merchantability or (2) fitness for a particular purpose, including any warranty for the use or the results of the use of any information prepared by Wilsons Advisory with respect to their correctness, quality, accuracy, completeness, reliability, performance, timeliness, or continued availability. Wilsons Advisory's research content should be viewed as an additional investment resource, not as your sole source of information. To the fullest extent permitted by law Wilsons Advisory, its related bodies corporate and their respective officers, directors, employees or agents, disclaim any and all liabilities for any loss or damage howsoever arising in connection with the use of this document or its contents. Past performance does not necessarily indicate a financial product's likely future performance.

This document may contain "forward-looking statements". Forward-looking statements, opinions and estimates provided in this document are based on assumptions and contingencies which are outside the control of Wilsons Advisory and are subject to change without notice (including but not limited to economic conditions, market volatility and company-specific fundamentals), and therefore may not be realised in the future.

This report does not constitute an offer or invitation to purchase any securities and should not be relied upon in connection with any contract or commitment whatsoever.

Disclaimers and Disclosures

Regulatory disclosure

Wilsons Advisory restricts research analysts from trading in securities for which they write research. Other Wilsons Advisory employees may hold interests in the company, but none of those interests are material. Wilsons Advisory further advises that at the date of this report, neither Wilsons Advisory and Stockbroking Limited or Wilsons Corporate Finance Limited have any material interests in the company.

Wilsons Advisory and Stockbroking Limited may have a conflict of interest which investors should consider before making an investment decision. Wilsons Advisory and Stockbroking Limited, Wilsons Corporate Finance Limited and its related bodies corporate trades or may trade as principal in the securities that are subject of the research report. Wilsons Advisory restricts research analysts from trading in securities for which they write research. Other Wilsons Advisory employees may hold interests in the company, but none of those interests are material.

Wilsons Advisory contact

For more information please phone: 1300 655 015 or email: publications@wilsonsadvisory.com.au