Pioneer Credit (ASX: PNC)

Share Price: $0.60

Sector: Financial Services

Market Cap: $96.2m

FY25 Results

Bottom line: Reported NPAT of $6.7m (FY24: Neg $10.0) versus our forecast of $6.5m. Normalised NPAT of $10.5m (FY24: $1.2m) versus PNC guidance of $8.5m. Normalised NPAT excludes project expenses and refinancing expenses.

Gross Cash Collections: $142.2m (+1% pcp, -1% HoH). Total net revenue of $93.5m (+32% pcp, -5%) with FY24 including a net negative "precautionary" revision of the carrying value of PDPs of $17.8m offset by a $5.3m compensation gain from PDP vendors. The 2H25 versus 1H25 comparison needs to consider a gain of $3.8m, which PNC has stressed is the excess in actual cash collections above the assumed interest income in 1H25. We calculate the PDP amortisation rate in FY25 at 38% FY24: 39%).

OPEX: Normalised expenses (ex finance, project, refinancing and other one-off costs) of $48.6m (-17% pcp) comprising employee expenses of $33.1m (-9% pcp, -9% HoH) and other expenses of $15.5m (-32% pcp, -18% HoH). On its management account basis, PNC cites a Cost-to-Service Ratio on a normalised basis of 32% (FY24: 33%), which is below PNC's guidance range of 35-37%.

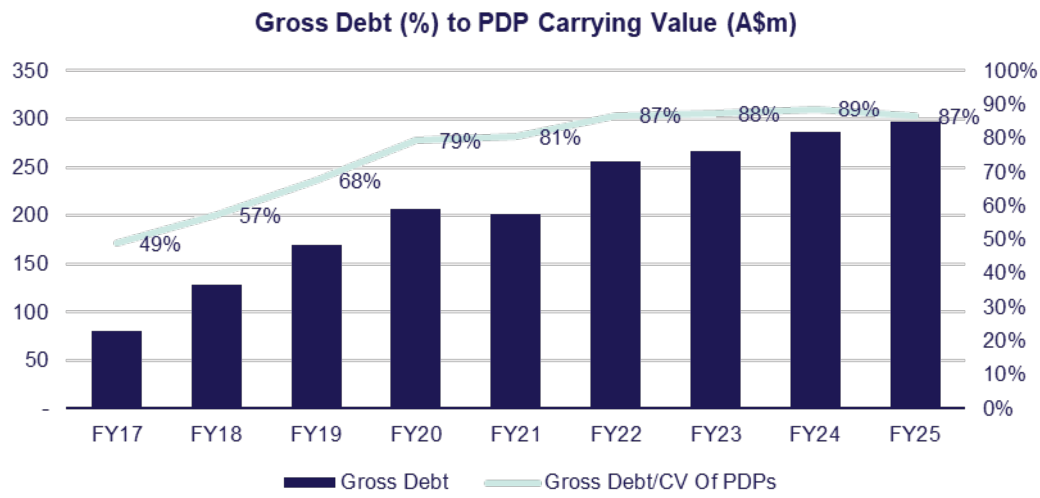
Normalised Finance costs: $38.3m (-10% pcp, -10% pcp) on relatively stable gross simple average debt (our calculation) of $291m in FY25 (FY24: $281m). On a simple average debt formula, we calculate PNC's effective borrowing cost in FY25 at 13% (FY24: 16%, 1H25: 12%). PNC citing that every 25bps reduction in the RBA cash rate adds $0.7m to NPBT on an annualised basis.

Cash: $3.6m (1H25: $0.6m) with PNC stating that the previously thin cash position at 1H25 was offset by debtor payments received in early 2H25.

Interesting debtors at FY24 were $7.2m (1H25: $6.1m). PNC citing current cash (Aug 2025) at $5.9m.

Debt: Operational debt of $298m (1H25: $290m) with PNC citing unrestricted undrawn debt at 1H25 of $34m (1H25: $46m). Debt to the carrying value of PDPs at FY25 of 87% (1H25: 86%).

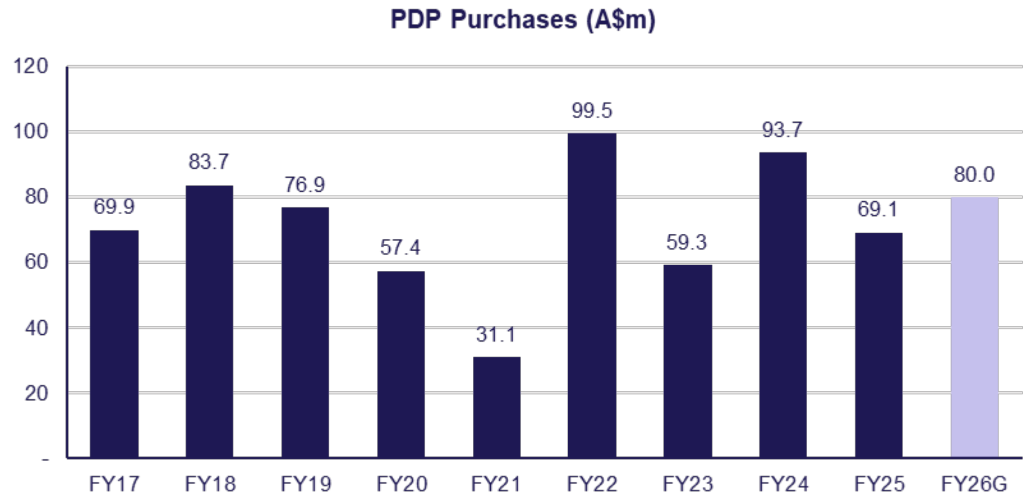
PDP Portfolio: Carrying value of $343m (FY24: $323m) with new PDP investments of $69m (FY24: $94m) with FY24 purchases inflated by acquisitions. PNC has described its 2H25 purchasing as “muted” with a decision to reduce appetite in the short-term due to the anticipated return of a major bank (we assume Westpac) as a vendor to the market. PNC is citing estimated remaining collections of $702m (1H25: $673m) with committed payment arrangements of $419m (FY24: $431m). Of interest is that 41% (FY24: 26%) of the PDP portfolio is now in credit card receivables, with increased emphasis coming at the expense of personal loans receivables.



Outlook

FY26 guidance: PNC has reaffirmed FY26 normalised NPAT guidance of $18m+. PNC had previously provided an FY26 NPAT bridge stating that the lift in profitability would be largely attributable to net revenue growth in addition to lower OPEX and interest costs.

PDP purchasing: PNC has provided FY26 PDL purchasing guidance of $80m+, citing that it now has purchasing agreements in place with all four major domestic banks, with the anticipated return of Westpac to the market. PNC has stated that during FY25, it secured improved terms with PDP vendors, resulting in a discount (unquantified) on the price of forward flows.



Our View

Overall: A stronger than expected result driven by lower OPEX and interest costs due to the benefits of refinancing in FY24 and the partial impact of RBA rate reductions in 2H25. The bridge to FY26 normalised FY26 NPAT guidance now looks less challenging, given the beat to FY25 guidance. PNC will get a full-year benefit in FY26 from the two RBA rate cuts in 2H25 and almost a full year benefit from the most recent rate cut. Further RBA rate cuts in FY26 remain possible. PNC had previously flagged that its CRM replacement and other efficiencies would lower the cost-to-service ratio during FY25, which appears to have done, with full-period benefit in FY26. The challenge for PNC in the near term will remain balance sheet management, with operational gearing remaining higher than desirable in our view. This comes at a time when we understand that Westpac is returning to the PDP market as a vendor. PNC's $32m litigation claim against PWC remains a wild card for valuation and gearing.

Forecasts: Modest changes to FY26 NPAT forecasts, with more conservative cash collection assumptions (lower purchasing than expected in FY25) replaced by improved OPEX and interest cost assumptions. Debut forecasts for FY27 provided.

	Actual	*Previous*	*Revised*	*Debut*
(A$m)	**FY25A**	**FY26F**	**FY26F**	**FY27F**
Cash Collection	142.2	**162.9**	152.8	164.4
PDP Amortisation	(53.9)	**(58.5)**	(55.9)	(60.0)
PDP Impairments	4.8	**-**	-	-
Other	0.4	**0.4**	0.4	0.4
Net Revenue	**93.5**	**104.8**	**97.3**	**104.9**
EBIT	**45.0**	**55.8**	**54.4**	**59.8**
NPBT	**6.7**	**21.0**	**21.2**	**25.1**
NPAT - Reported	**6.7**	**17.9**	**18.0**	**21.4**
Diluted EPS (cps)	*3.7*	*11.2*	*11.3*	*13.4*
PDP Purchases (m)	*$69*	*$90*	*$80*	*$90*
PE	*16.4x*	*5.4x*	*5.3x*	*4.5x*

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