

# Case Study: Pioneer Credit

## Investment to IPO, Success for Banksia Capital, Founding Shareholders and Management

Pioneer Credit had a successful debut on the ASX in May 2014, raising \$40M and becoming the largest WA based IPO in the previous 20 months. The IPO was the culmination of a successful 4-year investment in the business by Banksia Capital.

Pioneer is an Australian financial services provider, specialising in acquiring and servicing unsecured retail debt portfolios (credit cards and personal loans). Banksia's original investment of \$3M coupled with 2 additional follow-on investments (\$2M and \$3M respectively) supported the rapid growth of the business and helped Pioneer achieve its IPO and \$40M raising.

Since Banksia's initial investment in May 2010, Pioneer has grown at a rate of 75%+ year-on-year and is now the 3rd largest buyer of tier 1 financial debt in Australia. Banksia remains leveraged to the strong growth potential remaining in the business and retained a significant shareholding in the business post IPO.

### How Did We Add Value?

Banksia Capital backed the existing management team to implement its plan. The Company successfully grew its' annual debt purchasing program from \$2M to \$38M and increased its customer payments and customer service staff from \$4M to \$37M pa and 20 to 140+ respectively.

Banksia's investment gave confidence to a senior lender to commit significant funds (without the need of personal guarantees) to further leverage the growth opportunity without dilution of the existing shareholder base.

Further, Banksia assisted in broadening the senior management team by introducing the current CFO to the business. This led to the freeing of other senior execs to better focus on the critical needs of the growing business.

In addition, Banksia Capital led the introduction of key advisors to the business to run and manage the IPO process, which yielded a valuation on IPO at a p/e premium to the market leading comparable company.

## The Investment Approach

The investment fitted well with Banksia Capital's strategy to target WA's under serviced \$3M to \$15M investment-size market niche.

Banksia Capital implemented its approach of:

### Strategy and Business Development

- Banksia assisted in the structured identification of the key drivers of value and critical tasks the business needed to get right
- Banksia led the development of the IPO planning at the Board level and the introduction of key advisors to the business
- Banksia led the development and implementation of an ESOP scheme for senior executives in the business

### Finance

- Banksia introduced and negotiated an attractive funding package from senior lenders to allow the rapid expansion of the business
- Banksia led 2 further follow-on funding rounds concurrent with increasing the debt facilities from the senior lender

### Operations

- Providing access to our network of talented executives  
Banksia introduced the current CFO to the business, who was instrumental in the growth and eventual IPO of the business

## The Strategy

Pioneer and its Founder, Keith John, had built a quality debt purchase and servicing business based in WA, with a strong desire to grow at a more rapid pace and capitalise on an opportunity it saw in the marketplace. Banksia Capital were invited to take a significant minority stake in the business to enable it to scale quickly by purchasing additional debt books and growing its customer service team and capacity.

The following key achievements occurred during Banksia's involvement:

- 75%+ year on year growth in the collections of the business
- Company grew debt purchases from \$3M pa to \$40M pa (now 3rd largest player in Australia)
- Customer service staff growth from ~20 to circa 140+ including international expansion
- Debt facilities increased from nil to \$50M
- IPO at p/e premium to market leader

### Value Added

- Strengthened management team through the introduction of high quality CFO
- Increased alignment between shareholders and management through leading the introduction and implementation of ESOP
- Led the development of the IPO planning at the Board level and the introduction of key advisors to the business

## Executive Summary

### Customer Name

Pioneer Credit

### Industry

Financial Services

### Business Challenge

- Avoiding pitfalls of managing rapid growth business
- Capital requirements

### Business Input Solution

\$8 million invested in tranches to match the business's growth profile

### Business Value

- Increased collections from \$4M to \$37Mpa
- Profitability increased
- Successful \$40M IPO raising

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*“Banksia's funds plus ability to secure debt on attractive terms and their general smarts has helped take the business to the next level. As the MD and major shareholder I was wary of bringing a new partner in but I continue to be impressed with the way they freely give their time to assist in growing value at Pioneer. I don't think of them as a Private Equity group but rather trustworthy and aligned business advisors who also provide funds.”*

**- Keith John - Managing Director**

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