



ASX / MEDIA STATEMENT

29 August 2019

Prospa Full Year 2019 Results

Strong year-on-year top line growth and prospectus targets met or exceeded

- FY19 loan originations of \$501.7 million up 36.6% on the prior year (FY18: \$367.3 million), 3.1% ahead of prospectus forecast.
- FY19 revenue of \$136.4 million up 31.2% on the prior year (FY18: \$104.0 million), in line with prospectus forecast.
- FY19 pro forma EBITDA of \$6.8 million, ahead of prospectus forecast by 11.5%.
- Prospa has now delivered approximately \$1.2 billion in loans since inception and total customer numbers in Australia and New Zealand grew to over 20,000 in FY19, up 58% on the prior year.
- Customer satisfaction remains consistently high, with Prospa's annual average Net Promoter Score in excess of +77 in 2019. Prospa also has a rating of 9.8/10 on independent review platform TrustPilot.
- Business expansion has continued with the successful launch of new cash flow products and services and diversification into New Zealand.
- Further investment in executive strength, with new Chief Technology Officer, Chief Commercial Officer and Executive General Manager, Growth Channels appointed.

Originations exceed prospectus forecasts

Prospa Group Limited ("Prospa" or "the Company"), Australia's number one online lender to small business, is pleased to announce its results for the twelve months ended 30 June 2019 (FY19).

Total loan originations for FY19 were \$501.7 million, up 36.6% on the prior year (FY18: \$367.3 million) and up 3.1% on prospectus forecast of \$486.5 million. Since 2012 Prospa has delivered approximately \$1.2 billion in originations.

Group revenue is in line with prospectus forecast with FY19 revenue of \$136.4 million, up 31.2% on the prior year (FY18: \$104.0 million). This performance was driven by strong loan originations in Australia and New Zealand.

Loan impairment expense for the period was below prospectus forecast by 5.3% (\$1.7 million), demonstrating improving credit quality and ongoing premiumisation¹ of the portfolio. Premium risk grades represented 39% of the loan book portfolio as at June 2019 (June 2018: 26%).

FY19 EBITDA of \$6.8 million was ahead of prospectus forecast by 11.5% (FY18: \$7.7 million), as the company continues to experience improvements in loan impairment expense, lower funding cost and invests in growth in New Zealand and new Line of Credit and ProspaPay products.

1. Premiumisation refers to the lowering of the risk profile of the overall loan portfolio over time as a result of lower rates in market appealing to customers with a lower risk profile who tend to be more rate sensitive.



FY19 statutory NPAT was (\$24.7) million (FY18: \$2.1 million). The result includes a one-off amount of \$22.3 million of Initial Public Offering costs, and fair value adjustments on convertible notes, which were converted to ordinary shares at the Initial Public Offering.

Prospa's total loan originations have now surpassed \$1.2 billion, delivered to over 20,000 small businesses in Australia and New Zealand and demand continues to grow.

Gail Pemberton AO, Chairman of Prospa said: *"Over the past 12 months we've built a fast-growing business and strategically invested in people and technology. We've also focused on embedding the culture and governance to enable Prospa to meet challenges and opportunities ahead with confidence, and to create long-term shareholder value."*

Greg Moshal, co-founder and joint CEO of Prospa, said: *"It's been an incredibly busy year for the team as we continue to help small business owners prosper and grow the economy. We listed on the ASX, helped develop the AFIA Code of Lending Practice for our category, expanded into New Zealand and launched two new products."*

Beau Bertoli, co-founder and joint CEO of Prospa, said: *"We continue to see a structural shift towards online small business lending. Our customer numbers have grown 58% on the prior year, and this demand, plus the strong growth in New Zealand, demonstrates we're providing a much needed service to small business owners."*

Ed Bigazzi, Chief Financial Officer of Prospa, said: *"During the last 12 months Prospa has delivered strong financial performance, including the addition of incremental New Zealand originations and early contributions from Line of Credit and ProspaPay. We've also taken significant steps to lower our cost of funding over the period; and grow our premium risk grade through the introduction of a new rate card for our core small business loan product. We have a balance sheet primed for growth."*

Prospa's vision is to build cash flow products and services that allow small business owners to **grow** and **run** their businesses and **pay** for the products and services they need. To achieve this the Group will use its scale and leverage its existing capabilities across funding, technology and distribution.

Grow

During the reporting period Prospa made a number of enhancements to its core product in the Australian market, the Small Business Loan, including:

1. Increasing the maximum loan amount from \$250,000 to \$300,000;
2. Providing longer terms of up to 24 months for certain customers; and
3. A better customer experience, with 15% of applications assessed in real time, up from 8% last year, and expected to double again in FY20.

These changes have started to deliver more contracted revenue per loan, and more originations volume per customer, with Prospa's average loan amount increasing by 9% YOY and average term now almost 14 months.

In the final quarter of FY19 Prospa launched an updated rate card for the Small Business Loan with simple annual interest rates from 9.9% to 26.5%. The new rate card will allow Prospa to attract certain lower risk profile customers who are typically more price sensitive. This strategy has contributed towards the premium segment of Prospa's portfolio growing, from 26% as at 30 June 2018, to 39% as at 30 June 2019.

Run

In the final quarter of FY19, Prospa launched its business Line of Credit product into market. The Line of Credit product is a convenient and flexible source of funds between \$2,000 and \$25,000, with interest paid only on what customers use, while they use it.



Prospa is leveraging its existing credit infrastructure, technology and distribution channels to more widely distribute this product with an emphasis on maximising automation and the self-service element of the customer journey, driven by the smaller credit approval amounts and shorter payback periods.

As at 30 June 2019, we have provided over \$1.7 million in drawn facilities with an average utilisation of 68% and an average drawn balance per customer of \$14,000.

Pay

ProspaPay is Prospa's new B2B trade payments solution that allows for the purchase of items up to \$20,000 by approved small businesses from approved vendors, on a buy now pay later interest-free basis over terms of between three and nine months. By using ProspaPay, ProspaPay vendors are able to provide an interest free payment service to new and existing customers.

Prospa estimates the potential market opportunity to be over \$100 billion and believes it is well placed to capture a share of this market by leveraging its deep understanding of small business credit risk, and its existing credit technology, funding, customer base and distribution partners.

As at 30 June 2019, ProspaPay had accredited approximately 70 vendors, and results to the end of the period showing an average transaction value of \$2,600 and a 2x increase in transactions from Q4FY19 vs Q3FY19.

Expansion into the New Zealand market

Prospa estimates that the potential opportunity in the New Zealand market to be in excess of NZ\$4 billion per annum. During the pilot phase in August 2018, Prospa reached NZ\$1 million in originations in the first full month of operation (vs. 14 months for the Australian business). Since then Prospa has originated NZ\$24 million of loans to New Zealand small businesses to 30 June 2019.

As at 30 June 2019, the New Zealand business had over 700 customers, with an average loan size of approximately NZ\$27,000 and average loan term of 13 months. Prospa's customer base is diversified across a range of industry sectors including hospitality, retail, professional services and building and trade. The product has a TrustPilot rating in New Zealand of 9.8 out of 10 as at 30 June 2019 and ranks first in the non-bank finance category.

Lower funding costs and increased headroom

During the period, Prospa's funding capacity increased and further diversified, reducing risk and lowering its funding cost rate by 100bps from 8.5% to 7.5% in FY19. This has enabled Prospa to continue to pass savings onto its customers and access greater segments of the small business lending market.

Prospa added three additional warehouse funding structures to its market leading funding platform for Australia, increasing new funding capacity by \$155 million:

1. 2018-2 term facility (\$25 million);
2. Pioneer bank warehouse facility (\$60 million); and
3. Prosperity bank warehouse facility (\$70 million).

Subsequent to balance date, in August 2019, Prospa announced the establishment of its first New Zealand warehouse funding facility for NZ\$45 million. This facility will allow Prospa to keep expanding rapidly into the New Zealand market and enabled the repatriation of NZ\$6 million in equity to be reinvested in the core business and new products. Headroom at 30 June 2019 was 20% and with the addition of the New Zealand facility, this has grown to over 25% and Prospa has \$431.8 million in available debt funding facilities.



On 11 June 2019 the Company listed via an Initial Public Offering of ordinary shares, raising \$60.0 million in primary capital ordinary shares. The majority of the funds raised will be focused on funding the equity portion of the growing loan book and working capital, investment in new products and geographies. The Group used a portion of the funds to repay corporate debt, resulting in a per annum saving of \$2.2 million in corporate interest expense.

Ed Bigazzi said: *"In June we successfully completed our Initial Public Offering, raising \$60 million in funding to strengthen our balance sheet, enable growth and pay off corporate debt. We head into the new financial year in a strong cash position with large undrawn facilities available to the Group."*

Operational achievements

Prospa was awarded AON Hewitt Employer of Choice for the second year in a row. Prospa also achieved a clean sweep of the 2019 MFAA State Excellence Awards for Best Fintech Lender and won the national excellence award as Best Fintech Lender for the second year in a row, receiving the accolade across all states and territories. The MFAA State Excellence Awards recognise the outstanding work of the finance industry's best brokers, businesses and industry professionals, with a focus on exceptional customer service, professionalism, ethics, growth and innovation.

During the period, Prospa continued to invest in its executive leadership team, appointing Shai Haim as Chief Technology Officer, Simon Griffin as Chief Commercial Officer and Matt Bauld as Executive General Manager, Growth Channels.

Shai has over 20 years' experience in the technology sector with a focus on Artificial Intelligence (AI) and is responsible for leading technology development at Prospa. Prior to joining Prospa, Shai held senior leadership positions at Brigade, Twitter and Campaign Monitor.

Simon is responsible for corporate strategy and planning, including sales and business development, across Prospa. Simon has more than 15 years' experience in customer focused, high-growth businesses and was most recently the CEO of XE.com and has held senior roles at Macquarie Bank, Vodafone and Gemini Consulting.

Matt is responsible for our B2B trade payments line of business, ProspaPay. Matt has been at Prospa since 2014 and was instrumental in establishing Prospa's multi-channel distribution network. He has over 17 years' experience growing trade and consumer finance businesses through third party channels.

Continuing commitment to put customers first

On 1 January 2019 Prospa was pleased to announce that it was one of the first online lenders to be operating in compliance with the AFIA Code of Lending Practice. Prospa has been instrumental in developing the new Code and reaffirms its commitment to increased transparency so that small business owners can clearly assess if a loan is right for their needs, how much it is going to cost, and if it is the best solution available to them.

Prospa has a history of industry leadership and innovation, having funded its first loan in 2012, implemented same day loan approval capability in 2013 and implemented the first Australian small business loan securitisation in 2015. While traditional banks have been pulling back from small business lending, Prospa has invested significantly in customer experience and customer success teams who seek to offer specialised support to small businesses when it matters most.

Outlook

Beau Bertoli said: *"During the FY19 reporting period we met or exceeded our operating metrics from our 2019 Prospectus. We will continue to focus on accelerating our core product in both the Australian and New Zealand*



markets, and invest in growing our Line of Credit and ProspaPay products. Given this positive business momentum and our market leading position, we remain on track to deliver our CY19 prospectus forecast.”

ENDS

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About Prospa

- Prospa provides cash flow products and services that allow small businesses to prosper.
- Prospa has originated over \$1.2 billion in loans to date across Australia and New Zealand
- Prospa has over 20,000 small business customers
- Prospa was awarded AON Hewitt Employer of Choice in 2017 and 2018
- Prospa's Net Promoter Score is in excess of +77
- In 2018 and 2019 Prospa won Australian Fintech Lender of the Year, and achieved a clean sweep of the MFAA Excellence awards in all five States