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Prospa Group Limited 2021 AGM

Chairman's Address

Gail Pemberton, Prospa Chair

Prospa has executed a pleasing turnaround in FY21, having built a stronger and leaner business to deal with the initial outbreak of the COVID-19 pandemic in Australia and New Zealand and the associated lockdowns and business restrictions. Our performance has continued to grow and scale in line with the remarkable recovery of the SME sector in both countries.

Prospa has emerged as a different company post COVID, moving from a product organisation to a technology enabled solution provider to our SME customer base. We aim to be a one-stop-shop for all the financing requirements of small businesses. We are a company focussed on using technology to innovate and build a full solution set for our SME customers to enable them to grow, run, pay and operate their businesses profitably and easily.

We have retained the hallmarks of our business that are synonymous with our brand and our market presence. We have the same commitment and passion for the small business sector, which is reflected in our Net Promoter Score which has continued to strengthen since our IPO, and now sits at an industry leading score of 80+. We have also retained our agile, democratic and non-hierarchical culture.

As FY22 progresses, the continuing growth of our core business is funding a significant investment in a new integrated digital platform which will enable delivery of a suite of new products and services to our small business customers.

FY21 Highlights

Our full year results for FY21 were supported by record 4th quarter originations of \$182.7 million, and accelerating revenue of \$29.1 million, demonstrating a solid rebound from the COVID-19 lockdowns in second quarter of 2021.

The FY21 highlights include an 8% increase pcp in Originations to \$484 million, a 3% increase in Operating Cash Flow to \$35 million, a 14% increase in Closing Gross Loans of \$427 million. Prospa's performance reflects substantial growth, despite the challenges of COVID-19 over the year.

At the end of FY21, Prospa had over 11,900 active customers and surpassed \$2.1 billion in originations.

The recovery of the SME sector as evidenced in the FY21 H2 results, has continued to hold in Q1 FY22, despite a return to lockdowns, with originations and revenue continuing their growth trajectory, having increased 62% and 35% pcp, respectively.

Our New Zealand business continues to go from strength to strength with FY21 originations growth of 77% compared to pcp and has once again made considerable contribution to the overall results. We have a highly motivated team on the ground in New Zealand who have in just two years helped Prospa achieve and maintain the #1 position in the non-bank financial services category on independent review site Trustpilot.

Strengthening the business and investing for the future

Prospa is a strong cash generating business. The growth of the core business in FY21 generated sufficient cash to fund a significant ongoing technology investment in our new SME business finance delivery platform, which meant we were entirely self-funded with no need to raise new capital.

In October 2021, the Prospa team held its inaugural Investor Day where we unveiled for the first time our strategic roadmap. This was an important milestone for the Company, that has allowed us to present future plans for expansion and growth, and the first of many.

We continue to be a data intensive business and we use our rich repository of credit data built over 9 years to continuously upgrade and refine our proprietary Credit Decision Engine (CDE). This enables us to make faster credit decisions and rapidly pivot our lending activities to the most resilient SME segments as and when business conditions change, which was demonstrated to great effect in the last 12 months and was supported by our materially lower credit provisioning in FY21.

Our first public asset-backed securitisation (“ABS”) of AUD \$200 million issued to wholesale investors in September this year was met with great demand and will contribute a meaningful uplift to our margins in FY22. Last week, FinanceAsia announced that our momentous transaction won the ‘Most Innovative Deal’ of 2021 - a wonderful endorsement of the team’s efforts.

Great results were executed over FY21, and strong headways are being made against the growth strategy. I am proud of Prospa’s achievements and looking forward to the next 12 months ahead.

In March 2021, Mary Ploughman joined our Board. Mary has already made a significant contribution with her deep experience in M&A, Lending, Funding and Securitisation and we are delighted to have her on the team. Mary has also been appointed as Chair of our Remuneration, People and Nomination Committee.

It is with some sadness, that I am announcing the retirement of Greg Ruddock from the Board effective today. Greg has made a very significant contribution to Prospa from its very early startup days as an investor and subsequently as a Board member. His passion for Prospa has not dimmed, but for health reasons he has made the decision to retire. We will all miss Greg’s considerable insight and industry and investment knowledge, and we wish him and his family all the very best for the future.

We plan to appoint another NED to the Board to replace Greg, in due course.

In closing I’d like to thank to the terrific management and staff at Prospa for their ongoing energy and enthusiasm for the business and our customers. My fellow Board members have also been unflagging in their efforts. I’d also like to thank our shareholders and funding partners for their ongoing support.

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Chief Executive Officer Presentation

Greg Moshal, Prospa CEO

Good morning everyone.

Our performance over the 2021 financial year not only reflects the resilience of small business, but our ability to quickly adjust and to continually work with our partners and customers to provide tailored solutions for small business owners during a time when they needed us most. I'd like to acknowledge the hard-working small business owners, who have demonstrated their ability to navigate through the challenges and setbacks over the year.

I am pleased that our funding solutions, along with the dedication of our team, helped support small business evolve, adapt and strengthen which goes to our core purpose.... to keep small business moving.

The deliberate choices we made throughout financial year 2021 has served us well, ensuring Prospa is in a strong position to continue to meet the expectations of small businesses, our partners and shareholders throughout the next financial year and beyond.

ANZ's Leading Online Lender to Small Business

Prospa began nine years ago to help small businesses quickly and easily access funding to grow, run and pay. We've succeeded by putting our customers at the heart of everything we do, taking proactive steps to strengthen our business model, while providing greater product choices.

As at the end of FY21, we've funded more than \$2.1 billion to more than 34,000 businesses across Australia and New Zealand. And our products are supported by over 10,000 partners, encouraging clients to explore products and solutions from the number one online lender to small business.

Our dedicated team of more than 230 employees has been providing exceptional customer service, building meaningful rapport with business owners and our partners. Their efforts have helped us maintain a net promoter score that exceeds 80 and repeat customers accounting for 66% of gross originations.

Strong financial performance underpinned by enhanced funding platform

As Gail outlined, we successfully navigated through FY21, and now I'd like to speak briefly to the first quarter of FY22.

The commitment of the team and returning economic confidence has been translating across the quarter. Prospa delivered \$128 million in originations over the first quarter, up 65% compared to the same period in FY20. Closing gross loans reached \$442 million, up 3.5% on the prior quarter and only 7% lower than the highest gross loans balance on record for Prospa. The quarter's annualised portfolio yield remained at 34.3%, driving corresponding revenue performance for the period.

Performance over the quarter has been sustained over October, with originations jumping 84% on the prior corresponding period, to \$40 million. With restrictions relaxing, combined with end of year trade, we have observed high demand for capital over November and expect continued momentum through to December.

Utilising our diversified funding platform in both Australia and New Zealand, we remain well positioned to support continued business growth, whilst diversifying our product offering.

With our strong balance sheet consisting of no corporate debt and a solid funding platform of \$582 million in available third-party facilities, which includes our recent ABS transaction of \$200 million, we have ample capacity for another year of substantial growth.

Well diversified portfolio to successfully mitigate risk

Our performance has also been underpinned by Prospa's brand recognition that has helped us build a well-diversified portfolio spread across differing industries, geographies and business maturity. The diversity of our customers, together with our sophisticated credit decisioning, has served as an important business risk mitigation strategy, ensuring we continue to lend and manage our customer portfolio within the Board's mandated 4-6% static loss rate tolerance.

We are very pleased with the growth of the business over the years, and are now in a significant position to expand and reach new markets via product enhancement and innovation.

Addressing the needs of an evolving market to capture opportunities for growth

Prospa's products and solutions are crucial for underserved small businesses requiring access to funds efficiently and easily. It is imperative that we continue to stay ahead and relevant, anticipating new customer needs and removing the stress and time often associated with seeking cash flow funding.

As we mentioned at our Investor Day, there are three key dynamics at play that provide compelling opportunities for Prospa.

First, customer needs for financial services continue to evolve and they are looking for digital tools that are convenient and frictionless for everyday tasks.

Second, the regulatory environment is supportive of innovative financial services.

Third, strong economic recovery as restrictions lift and businesses reopen. Businesses are expected to require credit to restock and rehire, with research showing approximately \$28 billion of additional credit is necessary for small businesses across Australia and New Zealand.

With these dynamics in mind, we have developed a robust strategy to meet these needs and expand our business.

Scaling our funding solutions to solve the ongoing need for capital

In order to improve our customer experience and help us reach larger businesses, our small business loan now offers enhanced automation for loans up to \$250,000, and we've expanded our Prospa Plus product to up to \$500,000. The launch of these product enhancements last month has been well received, with significant positive feedback coming from our customers and our partners.

Our Line of Credit product provides businesses the choice to use as little or as much as they need within their facility limit, this can be for unexpected opportunities or expenses, with customers paying interest only on their drawn balance. Prospa was the first Australian fintech to provide a revolving, committed, line of credit for small business. We've observed take up and utilisation rates north of 50% month on month.

We plan to provide the same product in New Zealand next year.

Future state

Investment in our cohesive platform continues to be an opportunity to increase Prospa's value proposition to small business. Leveraging insights honed over the past decade, we identified opportunities beyond access to credit to digitise customers' financial management – all in one place. By doing this we become a more integral part of our customers' business.

With many business owners navigating multiple time-consuming financial management tools, there is a clear need for this to be brought together to reduce business reliance on disparate products and remove the friction felt by small business owners every day.

Products to deliver growth and expansion within the SME market

We are excited to continually evolve our suite of products, by connecting payments, cash flow management and access to credit. The solution has been designed to simplify cashflow management, and to enable every small business to conveniently manage their time, money, and business transactions.

Our vision is to build the world's simplest and most powerful financial product suite to make Prospa digitally indispensable to small businesses – helping them grow, helping them run, helping them pay, anywhere, anytime through Prospa's new All-in-One business account.

Prospa's All-in-One Business Account

We are the first in Australia to offer this. The suite of tools will include a business transaction account, which comes with an overdraft facility and a debit card for payments, access to our existing loan and line of credit products, smart invoicing features and intelligent bill management solutions. And it will be available as one integrated suite, to enable every small business to conveniently manage their time and money all in one place.

Growth delivered through an integrated suite of solutions

We have developed a strategy that will deliver genuine value to small businesses and Prospa.

The All-in-One business account will help us expand reach, and the ability to increase customer interaction and engagement for greater customer loyalty. As additional market share is captured, we see significant opportunities for the cross-selling of credit products and diversification of revenue sources for fuelling further growth.

We are excited to launch new and enhanced products throughout calendar year 2022, following the completion of trials with existing and new customers to ensure the product delivers on business and customer expectations.

Conclusion

Before I wrap up, I would like to take the opportunity to acknowledge the dedication of the entire Prospa team, and their commitment to providing the highest level of support to the business, our customers and partners. The team most certainly stepped up and delivered in every aspect.

I also express my appreciation to the Board for their continued support and valuable counsel.

And thank you to our shareholders as they continue to believe in our mission.

This announcement has been authorised for release by the Board.

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About Prospa

Prospa Group Limited (ASX: PGL) is a financial technology company and a leading provider of cash flow products and services that help small businesses to grow and prosper. Headquartered in Sydney, the Company operates across Australia and New Zealand and employs more than 230 people.

Prospa builds cashflow products and services that allow small businesses to grow and run their businesses and help them pay for goods and services through a single app.

Through Prospa's unique, purpose-built credit decision engine, it quickly assesses small business credit applications using proprietary technology and analytics to deliver fast and informed credit decisions and approvals, with high levels of risk controls in place.

As of 30 June 2021, Prospa provided more than \$2.1 billion dollars of funding, has 11,900 loyal and active customers. Prospa's net promoter score increased in 2021 and now exceeds 80, demonstrating the team's commitment to servicing its customers.

The Company has been recognised as the MFAA National Fintech Lender of the Year four years in a row. Prospa was also recertified as one of Australia's Great Places to Work in 2021.