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3Q22 Trading Update: Prospa delivers third-quarter originations of \$172 million, record quarterly revenue of \$45.9 million and launches Line of Credit solution in New Zealand

Prospa Group Limited (ASX: PGL) ("Prospa" or "Company" or "Group") is pleased to provide a trading update for the quarter ended 31 March 2022 ("3Q22"), showing a record third quarter across various key metrics and a robust balance sheet with enhanced funding arrangements to support future growth.

Group highlights:¹

- Record third-quarter originations of \$172.1 million, up 42% on the prior corresponding period ("pcp") (3Q21: \$120.8 million).
- Momentum over the past three quarters delivers \$487.2 million in originations FY22 year-to-date, already exceeding FY21 total originations (\$483.4 million).
- Closing gross loan book increased to a record of \$583.6 million, up \$69 million from the prior quarter (2Q22: \$514.6 million). The New Zealand business continues to grow surpassing NZ\$100 million in closing gross loans.
- Revenue for the quarter reached a historical record of \$45.9 million, up 60.9% on the pcp (3Q21: \$28.5 million), with yield holding steady at 34.1%.
- Overall growth further supported by the introduction of a new funding warehouse with a European bank as a senior noteholder and the Australian Office of Financial Management (AOFM) as a senior/junior note holder. Prospa now has \$680.0 million in available third-party facilities (\$158.6 million in available undrawn facilities) and \$94.5 million of cash (\$51.6 million of which is unrestricted).
- Progress on its growth strategy with the launch of Prospa's Line of Credit to existing New Zealand customers in March 2022 with full market launch planned for 4Q22.

3Q22 performance

Prospa's robust technology platform has continued to support the high demand for funds from small businesses which has led to strong third-quarter originations of \$172.1 million. This result occurred during what is known to be seasonally the quietest period. Small Business Loans represented 81% (\$139.6 million) of the quarter's originations, including Prospa Plus Business Loans for funds up to \$500,000, while the Line of Credit comprised 19% (\$32.5 million). In New Zealand, the small and medium enterprise (SME) sector continues to expand with originations of \$32.7 million over the quarter, up a significant 64% on the pcp (3Q21: \$19.9 million).

In line with origination growth momentum, closing gross loans for the quarter increased to a record \$583.6 million, up 13.4% from the prior quarter (2Q22: \$514.6 million). Average gross loans of \$546.6 million increased by 16.5% on the prior quarter (2Q22: \$469.2 million). Revenue increased to a record \$45.9 million for the quarter, a total of \$124.4 million year to date, with yield holding steady at 34.1%.

Prospa has continued to invest in its technology to enhance the customer journey and automate the delivery of funds to its small business customers. These investments helped increase Prospa's total active customers to 14,000+, up ~900 from December 2021, while maintaining an industry leading net promoter score above 80².

¹ Note all figures in AUD unless otherwise specified.

² Average net promoter score for the period 1 January 2022 to 31 March 2022.

Growth and strategic update

In addition to delivering on growth, the Group has invested in innovative digital financial technology for greater operational efficiencies and to gain data insights, which we monetise through Prospa's products to deliver market-leading products for the SMEs across Australia and New Zealand.

Investments led to the successful launch of Prospa Plus Business Loans across the trans-Tasman region in October 2021, followed by the launch of Line of Credit to existing customers across New Zealand in March 2022. This is a first for New Zealand small businesses, with the product providing them with a flexible drawdown product to support their growth.

Simultaneously, trial of the Business Transaction Account is well underway in preparation for launch of the product to Australian customers in 4Q22.

In October 2021, Prospa announced its plans to launch the All-in-One account to introduce an integrated suite of innovative cashflow management tools that will be available from one platform to help simplify small business finances. The product will include smart financial solutions such as invoicing, bill pay and expense management. Through long-term engagement with small businesses, we seek to obtain further insights and data to enhance products and generate growth.

Greg Moshal, Co-Founder and Chief Executive Officer said:

"The Prospa team has once again delivered a fantastic quarter to exceed originations achieved in FY21. The outstanding results across all our key metrics would not be possible without our committed team supporting the high demand for funds from small businesses, along with our partners who have shown great trust in our products. Their remarkable efforts over the past nine months have positioned us well as we head into our busiest quarter of the financial year.

"Prospa's ongoing performance reinforces that we have built a great business model, and it will only become stronger. With existing products now providing small businesses with new solutions, we will maintain our position as the lender of choice and further grow our market share.

"We are confident that the Prospa's Business Transaction Account will be integral in helping simplify the management of cashflow for Australian small business customers. The new suite of innovative products will lead us to acquire more customers, encourage long-term engagement, diversify revenue and open up opportunities to cross-sell. We look forward to further differentiating ourselves within the market and being indispensable to small businesses."

Quarterly key metrics

| Financial and operational performance (\$m) ¹ | 3Q21 Results | 4Q21 Results | 1Q22 Results | 2Q22 Results | 3Q22 Results | % Change from prior quarter | % Change on 3Q21 |
|--|--------------|--------------------|--------------|--------------|--------------|-----------------------------|------------------|
| Total originations (Aus & NZ) ² | 120.8 | 182.5 ² | 128.5 | 186.6 | 172.1 | -7.8% | +42.4% |
| Revenue ³ | 28.5 | 33.4 | 37.8 | 40.7 | 45.9 | +12.8% | +60.9% |
| Active Customers (000s) ⁴ | 11.0 | 11.9 | 12.2 | 13.2 | 14.0 | +6.1% | +27.3% |
| Closing Gross Loans | 367.9 | 427.1 | 442.2 | 514.6 | 583.6 | +13.4% | +58.7% |

1. Unaudited management accounts. Quarterly totals may not add up precisely due to rounding.

2. Originations from 1 April 2021 include lending under the BFGS, which ended on 30 June 2021. Small retrospective changes in origination figures may occur due to backdated cancellations or modifications to support customer outcomes.

3. Revenue before transaction costs.

4. Total active customers at the end of each reported period.

Funding enhancements

In March 2022, Prospa introduced a European bank as a senior noteholder in the Propela trust, increasing the total facility limit from \$27 million to \$67.5 million, and with an option to further upsize to \$135 million to support future book growth. The trust includes a \$65 million allocation from the AOFM's Australian Business Securitisation Fund, recognising Prospa's commitment to diversifying Australia's funding landscape and the underlying quality of our business. Further details on the Propela trust are available here: <https://www.securitisation.com.au/news-feed-2022/aofm-absf-update-apr1>

Additionally, the Pioneer trust's total facility limit was increased \$60 million from \$138.8 million to \$198.8 million. Both the Propela and Pioneer trusts have also had reductions in their cost of funding margins as well as extensions to 2024. We expect to see most of this benefit realised in FY23.

As at 31 March 2022, the Group had \$680.0 million in available third-party facilities (\$158.6 million in available undrawn facilities) and \$94.5 million of cash (\$51.6 million is unrestricted).

Ross Aucutt, Chief Financial Officer said:

"Access to funding has always been a strength of Prospa's, and I am really pleased with our further improvements in our funding trusts both in increased capacity and lower margins. We are delighted to have been one of the founding members of the Australian Business Securitisation Fund, including bringing on a European Bank as a senior noteholder."

This announcement has been authorised for release by the Board.

For further information contact:

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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 240 people.

Prospa builds cash flow 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.

Prospa's unique, purpose-built credit decision engine 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.

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.