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Prospa 1H22 Results: Record half-year performance and launch of share buy-back plan

- Record half-yearly originations of \$315.1 million, up 75% on the prior corresponding period (“pcp”) (1H21: \$180.1 million)
- 1H22 revenue increased to \$78.5 million, up 41% on pcp (1H21: \$55.8 million), representing Prospa’s highest half-yearly revenue result
- Record EBITDA of \$9.6 million, a significant improvement of 134% on pcp (1H21: \$4.1 million), driven by the growth in revenue, improved credit performance and scalability of Prospa’s underlying technology platform
- Operating leverage significantly improved during the period, with operating expenses as a proportion of revenue reducing from 59.9% in 2H21 to 48.0% in 1H22
- Closing gross loans of \$514.6 million, up 51% on pcp (1H21: \$341.7 million), another record high for the Company
- Overall growth was supported by Prospa’s robust balance sheet and funding platform, with \$580.7 million in available third-party facilities (\$105.1 million in available undrawn facilities) and \$110.5 million of cash (\$62.4 million is unrestricted)
- Prospa issued its inaugural \$200 million Term Asset-Backed Securitisation in September, with a day one cost of 2.34% p.a., which is expected to provide reductions in total cost of funds over future periods
- The Board has approved a share buy-back programme of up to 10% of PGL’s issued share capital to commence in 2H22

Prospa Group Limited (ASX: PGL) (“Prospa” or “Company”), Australia and New Zealand’s number one online lender to small businesses¹, is pleased to provide its results for the six months ended 31 December 2021 (“1H22”).

1H22 financial highlights

Loan originations continue to gain strong momentum over the period, with record half-year originations of \$315.1 million up 75% on pcp (1H21: \$180.1 million). This was underpinned by the Credit Decision Engine, continued efforts of the team and the significant uptake of the Prospa Small Business Loan product attaining originations of \$242 million. Prospa’s revolving facility, the Line of Credit, continues to grow in contributions to total originations, with \$73.0 million achieved for the half, up 164% on pcp (1H21: \$27.7 million).

Significant momentum also continued in Prospa’s New Zealand operations with originations of \$50.4 million, up 110% on pcp (1H21: \$24.0 million). This highlights the strong ongoing demand from SMEs as the economy continues to open post the country’s lockdown period. Together with remarkable growth of Line of Credit in Australia, the continued support for the New Zealand business sets a strong foundation for the upcoming launch of Prospa’s Line of Credit product in the region.

Revenue (before transaction costs) reached a record of \$78.5 million up 41% on pcp (1H21: \$55.8 million). 1H22 revenue growth was driven by strong performance in originations, delivering higher average gross loans. Revenue has returned to pre-pandemic performance with portfolio yield increasing to 34.3% (1H21: 32.5%).

Demonstrating the strong customer support across Prospa’s operations, closing gross loans reached an all-time high of \$514.6 million, up 51% on pcp (1H21: \$342 million). Average gross loans also reached a record of \$454.5 million, up 33% on pcp (1H21: \$342.8 million). The active customer base also continued to grow and increased to 13,200.

Prospa’s funding platform is stronger than ever with funding rates remaining comparable to the pcp at 5.5% (1H21: 5.4%). Our inaugural \$200 million Term Asset Backed Securitisation was issued and priced in September 2021, this was the first ABS of its kind undertaken in Australia, providing significant cost-of-funding benefits and cash efficiencies. Prospa currently has \$580.7 million in

¹ In the Non-bank Financial Services category, Prospa is the #1 ranked online small business lender in Australia and New Zealand on independent review site TrustPilot with a TrustScore of 4.9 and over 6,200 reviews in Australia and a TrustScore of 4.9 and over 800 reviews in New Zealand as at 31 December 2021.

available third-party facilities (\$105.1 million in available undrawn facilities) and holds \$110.5 million of cash (\$62.4 million is unrestricted).

Employee and operating expenses as a proportion of revenue reduced to 48.0% (2H21: 59.9%), demonstrating Prospa's ability to deliver high originations at sustainable cost levels. Loan impairment expense for the half was \$14.7 million, up 35% on pcp, noting 46% (\$6.8 million) of overall impairment expense was driven by loan book growth.

As at 31 December 2021, net bad debt expenses represent 6.6% of average gross loans (annualised) compared to 9.8% on 31 December 2020. The reduction in bad debt expense relative to gross loans, coupled with the release of the provision, demonstrates the ongoing effectiveness of Prospa's leading credit decision engine and risk management capability.

As a result of the strong growth and active cost management Prospa reported a record half EBITDA of \$9.6 million for the half-year, up 134% on pcp (1H21: \$4.1 million).

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

"Prospa has achieved a phenomenal result during the first half of FY22, with record-breaking metrics across our loan book, originations and revenue. We are very proud of our Company's unwavering dedication to support small businesses. Through our technology and along with our customer-centric ethos, we have demonstrated the ability to assist small businesses across Australia and New Zealand.

Prospa continues to build momentum to further strengthen the business, while executing on its strategy to provide small businesses with a range of digital solutions to further address leading cashflow management challenges. With the successful launch of Prospa Plus Business Loans in October 2021, the Company is proud to report a significant initial response from new and existing customers. Additionally, Australia's first All-in-One Business Account is also well underway in preparation for launch to broaden our appeal by enabling small businesses to grow, run and pay.

Our results reflect the Company's capability to scale our lending solutions and deliver pioneering digital solutions that will simplify cashflow management solutions to achieve our bold ambition to be indispensable to small businesses."

Operational update

Since its inception, Prospa has provided more than \$2.4 billion in loans to small business customers, adding approximately \$9.6 billion to GDP².

Prospa's ability to leverage customer data and industry insights as part of its proprietary Credit Decision Engine enables dynamic decision-making, improved customer experiences and scalability at a rapid pace. Customer acquisition has excelled during the half, reaching a 2021 high of 13,200+ active customers, underpinned by high levels of repeat and returning customers (54% of total originations during the period). Importantly, repeat business occurs at a materially lower cost of acquisition than new customers.

The Prospa Plus Business Loan product was launched during the half, a solution that provides funding of up to \$500,000 for larger and higher credit quality SMEs was launched during the half.

Prospa's customer-centric and tech-driven approach has resulted in continued recognition as the number one ranked online small business lender in Australia and New Zealand. With a significant base of active and satisfied customers using its purpose-built technology platform, Prospa continues to receive positive feedback reflected in its net promoter score of 80+.

Outlook and strategic priorities

Prospa remains focused on becoming an all-in-one technology platform providing market-leading financial solutions for SMEs. Prospa's strategy for growth includes:

- (1) scaling existing lending solutions;
- (2) diversifying the Group's product suite via the introduction of Australia's first All-in-One Business Account, which includes a range of integrated cash flow management, smart invoicing, overdraft and other payment features; and

² RFI Group research, The economic impact of Prospa lending to small business, commissioned by Prospa, January 2019.

- (3) increasing focus on distribution to new segments.

Following the successful launch of Prospa Plus Business Loans, the Company is on track to deliver on its Line of Credit product in New Zealand, leveraging existing distribution channels and building on its successful lending platform in the region. Launch is planned for later this financial year.

In October, Prospa held its first Investor Day, during which the Company announced its plans to launch the nation's first all-in-one business account. Prospa's business account is currently undergoing trials in preparation for the launch of the transaction account and Visa business debit card features in FY22, followed by a staged release of credit products and smart financial solutions, including invoicing, bill pay and expense management in FY23.

Buy Back

Prospa's Board approved a share buy-back programme of up to 10% of PGL's issued share capital to commence in 2H22. The buy-back is expected to remain in place for a period of up to 12 months. The Board considered recent financial and operational performance, and the level of unrestricted cash, and believe the share buy-back to be an effective mechanism of returning capital to shareholders. The Company will continue to provide further market updates about the progress and outcomes of the share buy-back in accordance with disclosure obligations.

Ross Aucutt, Chief Financial Officer, said:

"Prospa continues to achieve record results across all our key metrics, reaching just over half a billion dollars in our loan book and a record EBITDA result of \$9.6 million. This highlights our ability to successfully increase market share while efficiently managing costs at sustainable levels, whilst focusing on further development to diversify and expand our product suite geared at driving customer engagement and financial growth. This has enabled us to be in a position to purchase shares to return capital to our investors, whilst still growing and investing. We believe a share buy back reflects our strong capital position and positive outlook for the business."

Webcast

Prospa Group CEO and Co-Founder, Greg Moshal, CRO and Co-Founder Beau Bertoli and CFO Ross Aucutt will present the Company's half-year results at 10.00am today, Wednesday, 16 February 2022.

Webcast link for participants wishing to join, please click [here](#).

This announcement has been authorised for release by the Board.

For further information contact:

Company Secretary	Media and Investor Relations	Company Details
Nicole Johnschwager General Counsel and Company Secretary Email: nicole.j@prospa.com	Sharon Chang Corporate Communications Manager Email: sharon.chang@prospa.com	Prospa Group Limited ACN 625 648 722 Level 1, 4-16 Yurong St Darlinghurst NSW 2010 www.prospa.com

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 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.