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Prospa hits record full-year EBITDA of c.\$12m and produces originations of \$245.7 million in 4QFY22

Prospa Group Limited (ASX:PGL) (“Prospa” or the “Company” or the “Group”) is pleased to provide a trading update for the quarter ended 30 June 2022 (4QFY22), with another set of record-breaking results across all key metrics as small business customers invest in recovery and growth.

Group highlights:

- Full-year EBITDA of c.\$12 million¹ (FY21 \$0.5 million²) was driven by the growth of the business and investments in core technology.
- Originations of \$245.7 million in 4QFY22, up a significant 35% on the prior corresponding period (“pcp”) (4QFY21: \$182.5 million).
- Demand from small businesses continues with Prospa’s highest month ever recorded for originations reaching \$104.6 million in June 2022.
- Closing Loan Book of \$701.3 million, up 64% against pcp (4QFY21: \$427.1 million).
- Revenue reached \$53.9 million, up 61% against pcp (4QFY21: \$33.4 million).
- Total active customers increased to ~16,100, an additional ~2,100 from the prior quarter and with continued market-leading Net Promoter Score of over 80.
- Prospa’s growth was supported by a strong balance sheet and funding platform of \$702.0 million in available third-party facilities (\$59.2 million in available undrawn facilities) and \$105.8 million in cash (\$49.9 million is unrestricted).
- FY22 operating cashflow was an impressive \$58.8 million (FY21 \$33.1 million³, up 78%), showing the strong cash generation of the underlying business.
- Full-year expected credit loss provision of 7.2% (FY21: 7.9%), of which 5.9% is the base provision, a prudent coverage for the current economic environment.
- Credit losses expected to remain within the board-mandated loss rate range of 4-6%.
- Growth strategy progress continues with full market launch of New Zealand Line of Credit.

4QFY22 Financial Performance

Prospa observed significantly higher demand for funds from small businesses across Australia and New Zealand. The momentum enabled the Company to achieve its highest ever month of \$104.6 million for originations in June 2022. This has led the Company to achieve the highest ever quarter for originations of \$245.7 million over 4QFY22, an increase of 35% on pcp (4QFY21: \$182.5 million).

¹ Unaudited result, which could change

² FY21 EBITDA was previously reported as \$0.4m, with the \$0.1m increase arising from the exclusion of FX Gain/Loss from EBITDA.

³ FY21 Operating cashflow was previously reported as \$34.8m, with the movement being due to a \$1.7m reclassification from operating cashflow to investing cashflow.

The New Zealand business contributed originations of \$39.8 million over the period after successfully scaling the new Line of Credit product into the region, with full launch of the product on 4 July 2022.

In line with originations growth, the Closing Loan Book increased to \$701.3 million, up 20% from the prior quarter (3QFY22: \$583.6 million) and up 64% against pcp (4QFY21: \$427.1 million). Average Gross Loans reached \$633.4 million for the quarter, an increase of 16% from the prior quarter (3QFY22: \$546.6 million). Total revenue increased to \$53.9 million for the period, with yield holding steady at 34% for the period (4QFY21: 34%).

Prospa's continued focus on technology through digital and real-time enhancements has further improved the credit assessment process and the customer journey. These investments have enabled the Company to achieve EBITDA of c. \$12 million over FY22 while remaining within the Board mandated loss rate range of 4-6%. Additionally, total active customers increased to ~16,100, up ~2,100 from March 2022, while maintaining an industry-leading Net Promoter Score above 80.

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

"We are incredibly pleased with the momentum and outcomes the team has achieved. Each quarter this year, they've come back with greater enthusiasm. Their hard work has translated to record-breaking results, including the \$104.6 million originations in June.

"Our partners have played an integral role in the achievement of Prospa's results, placing trust in our products and advocating them to their small business clients. It gives us great satisfaction to know that our funding solutions are supporting small business owners to achieve their business goals. The success stories reaffirm our commitment to keep small business moving, and keep us focused on closing the funding gap for small businesses as a strategic priority."

Ross Aucutt, Chief Financial Officer, said:

"The investments in our technological capabilities and credit decision engine have supported our strong results. We are financially well positioned to support the ever-increasing demand for funds, with continued investment in scaling our funding products, executing prudent decision-making for our growth prospects despite uncertain macro-economic conditions across Australia and New Zealand."

Funding enhancements

As of 30 June 2022, the Group had \$702.0 million in third-party facilities (\$59.2 million in undrawn facilities). The Company is well positioned to fund ongoing growth propelled by the strong demand for funds from small businesses across Australia and New Zealand.

In June 2022, Prospa increased the total facility limit of the Kea 2021-2 Trust from NZ\$63 million to NZ\$90 million to support the strong momentum for future book growth within New Zealand, with an option to further upsize to NZ\$126 million. On 1 July 2022, the Propela Trust's facility limit was expanded from \$67.5 million to \$135 million to support future book growth in Australia.

Closing cash was \$105.8 million, of which unrestricted cash was \$49.9 million (FY21 \$80.4 million total cash, \$39.8 million in unrestricted cash).

Buy Back

On 16 February 2022, Prospa announced an on-market share buy-back programme of up to 10% of PGL's issued share capital over 12 months. The Group's ongoing strong performance led to the Board's decision to return capital to shareholders.

Prospa has repurchased 690,876 ordinary shares up to 30 June 2022. It is intended to recommence the programme following the release of full-year results, and it will continue to be funded by Prospa's existing level of unrestricted cash.

Quarterly key metrics

Financial and operational performance (A\$m) ¹	4Q21 Results	1Q22 Results	2Q22 Results	3Q22 Results	4Q22 Results	% Change from prior quarter	% Change on 4Q21
Total originations (Aus & NZ) ²	182.5	128.4	186.6	172.0	245.7	43%	35%
Closing Loan Book	427.1	442.2	514.6	583.6	701.3	20%	64%
Revenue ³	33.4	37.8	40.7	45.9	53.9	17%	61%
Active customers (000s) ⁴	11.9	12.2	13.2	14.0	16.1	14%	35%

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

2. Originations from 1 April 2021 include lending under the NZ Business Finance Guarantee Scheme (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.

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 270 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 recertified as one of Australia's Great Places to Work in 2022.