

Prospa's Q3 FY24 trading update



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Prospa Group Limited (ASX: PGL) ("Prospa" or the "Company" or the "Group") provides a trading update for the quarter year ending 31 March 2024.

Group highlights¹:

- Closing gross loans of \$822.1 million were 7.7% lower than the prior corresponding period ("pcp") (Q3 FY23: \$890.4 million), as Prospa maintains its cautious risk appetite.
- Revenue of \$69.3 million, a 7.3% decrease on pcp (Q3 FY23: \$74.8 million), largely driven by the reduction in the portfolio.
- Total Originations of \$159.3 million were down 7.9% to pcp (Q3 FY23: \$172.9 million) consistent with Prospa's reduced risk appetite.
- New Zealand Originations were flat on pcp at \$35.5 million (Q3 FY23: \$35.3 million).
- Active customers grew by 3.0% on the prior quarter to 21,500, an increase of ~600.
- Prospa's third public asset-backed securities ("ABS") offering of A\$200 million was successfully priced on 5 April 2024.

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

"Early arrears are trending within acceptable levels as changes in risk settings continue to take effect. More mature arrears remain elevated and we are working with those customers on revised payment arrangements as required. We retain two focus areas in relation to the loan book – managing credit performance on the existing loan book whilst attracting premium grade customers.

In relation to our funding, we were pleased to receive strong support from a range of investors for our third ABS solidifying our position as a reliable issuer in this important funding market.

Our technology re-platforming investment demonstrates our continued investment in delivering better digital experiences for our customers and partners and our long term commitment to the business."

Q3 FY24 Financials

Closing gross loans of \$822.1 million are down 7.7% on the prior corresponding period ("pcp") (Q3 FY23: \$890.4 million).

Total revenue decreased by 7.3% on pcp to \$69.3 million (Q3 FY23: \$74.8 million), with the portfolio yield remaining stable at 34.0% (Q3 FY23: 34.6%).

¹ Unaudited management accounts.

Originations for the third quarter totaled \$159.3 million, down 7.8% on pcp (Q3 FY23: \$172.8 million), as Prospa maintained its cautious risk appetite. New Zealand Originations were flat on pcp at \$35.5 million (Q3 FY23: \$35.3 million).

Active customers of 21,500 were 3.0% up compared to pcp (Q3 FY23: 20,900), and we also maintained our industry-leading net promoter score (NPS) above 70.

During the quarter, Prospa successfully reduced its operating expenses across all functions to further streamline the cost base.

Prospa also continued to execute on its technology re-platforming program, including uplifting its digital experience across lending and transaction products.

Portfolio Management & Funding

As macroeconomic uncertainty continues, Prospa continues to take proactive measures to address credit performance in specific customer segments. Prospa remains focused on the credit quality of the loan book.

Prospa's Net Interest Margin (NIM)² for the third quarter reduced to 25.7% (Q3 FY23: 27.7%), which was due to both cash rates in Australia and New Zealand remaining elevated and an increase in the number of premium grade customers in the loan book.

As of 31 March 2024, Prospa had access to \$890.5 million of secured funding facilities, a decrease of \$73.7 million on pcp (Q3 FY23: \$964.2 million), of which \$146.4 million was undrawn (Q3 FY23: \$161.6 million). This excludes the \$12 million corporate debt facility established on 7 July 2023, the proceeds of which have not been actively utilised within the business.

On 5 April 2024, Prospa announced the pricing of an A\$200 million ABS offering to wholesale investors, supported by a pool of Australian small business loans and line of credit facilities. This is Prospa's third ABS issuance in as many years and it saw strong support. There were a total of nine investors of which five were new to Prospa.

Outlook

Prospa remains focused on delivering profitable growth alongside best-in-class products and services as the financial partner of choice for small business. While small improvements are being seen across the economy, the economic outlook across Australia and New Zealand remains uncertain. Our focus remains on the credit quality of Prospa's loan book, and early loss indicators are trending within acceptable levels.

We continue to monitor our customer base for risks and opportunities, and our premium customer offer is being well received by customers and partners alike.

Prospa will continue to deliver on its strategic roadmap by expanding its capital product reach and enhancing the Business Account offering to benefit partners and customers.

Scheme Update

The Scheme process is continuing in accordance with the timetable that was set out in Scheme Implementation Deed which was released to the ASX on 27 February 2024 and which can be accessed [here](#).

This announcement has been authorised for release by the Board.

² Net Interest Margin includes bank interest and referral income received.

ENDS

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About Prospa

Prospa Group Limited (ASX: PGL) is a leading fintech with a commitment to unleash the potential of small business in Australia and New Zealand. We do this through an innovative approach to developing simple, stress free and seamless financial management products and services.

Since 2012, we have provided more than \$4.0 billion of funding to support the growth and operations of thousands of small businesses. We also work with more than 17,000 trusted brokers, accountants, and aggregator partners, to deliver flexible funding solutions to their clients.

At Prospa, we're serious about our impact on our people, communities, and the planet. Our core company value of One Team is backed by our recognition as a Great Place To Work in Australia and a WORK180 Endorsed Employer for Women.

For more information about Prospa, visit prospa.com or investor.prospa.com.