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Prospa overview

November 2019



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Section 1

CEO welcome and highlights

About Prospa

We are Australia's #1 online lender to small business¹, disrupting a market segment that has traditionally been underserved



Greg Moshal

Joint CEO and
Co-Founder



Beau Bertoli

Joint CEO and
Co-Founder



Ed Bigazzi

Chief Financial Officer

Who we are

- Founder-led fintech
- Online small business lender
- Established in 2012
- Early mover with #1 position¹ and a scale advantage in a fragmented market
- Proprietary technology platform
- Headquartered in Sydney, Australia

What we do

- Mission: to keep small business moving
- Fast and flexible cash flow solutions
- Decisions and funding often by the next business day
- Continue innovating, leveraging our technology and data
- Operate a multi-channel distribution network

Why we exist

- Australian small businesses are underserved by traditional banks
- Evolving customer expectations
- Technology and access to capital are enabling disruptors to meet these expectations

#1

in Australia¹

24,000

customers since
inception²

\$1.35b+

loans originated
since inception²

10,000+

Distribution Partners²

+77

Customer NPS³

67%

repeat business⁴

1. Online lender to small business - Prospa volume as a % of total Australian market volume (measured by loan value) for 2017 (sourced from The Cambridge Centre for Alternative Finance "3rd Asia Pacific Region Alternative Finance Industry Report", November 2018, p86).

2. Measured to 31 October 2019.

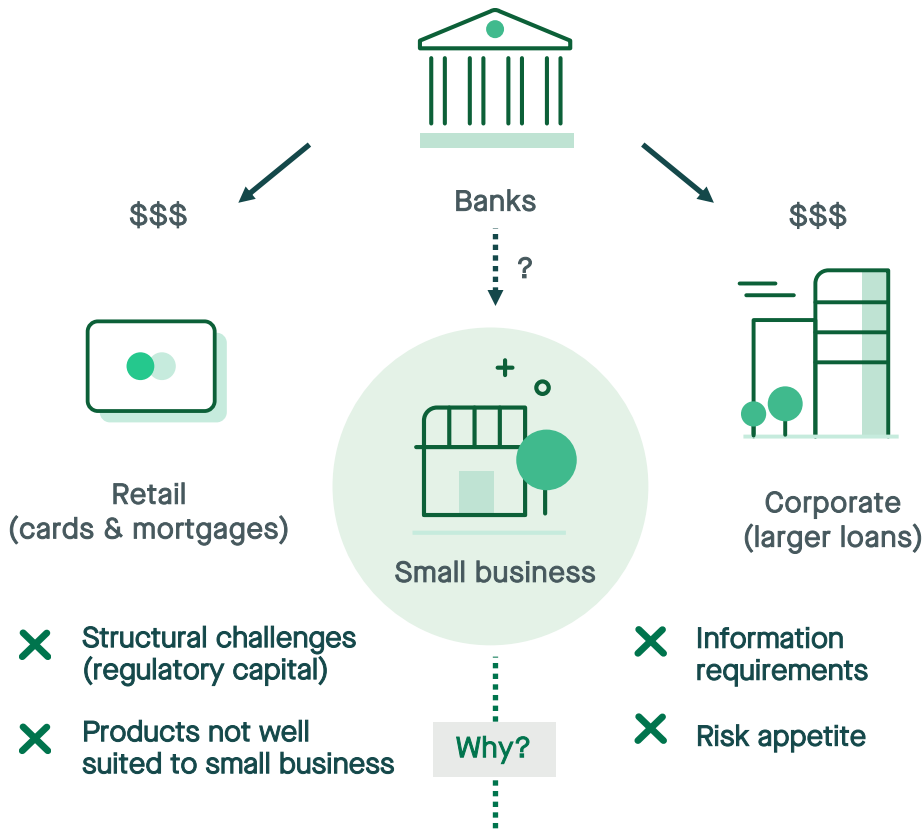
3. Net Promoter Score in excess of +77 for CY18.

4. 68% represents the repeat rate for eligible customers only (where eligible customers are defined as not having defaulted on their Prospa loan), based on the average monthly repeat rates for the 25-month period of March 2015 to March 2017. The average unique repeat rate (including ineligible customers) for this same period would be 64%. Cohorts originated after March 2017 are still in the process of seasoning and therefore excluded from this analysis.

Substantial and growing market opportunity

We operate in a growing category driven by increasing awareness and structural tailwinds

The small business challenge



1. Determined based on a number of key assumptions, including that the broader Australian small business lending market and our current portfolio are similar in composition, in terms of need for finance and credit characteristics; and our average loan size of \$30,000 is representative of the average funding need of small businesses.

2. Annual turnover of over \$50k represents businesses which we consider to be of a sufficient size to be funded by business loans.

3. Average for the 12 months ended 30 June 2019.

of small businesses defined as having < 20 employees

2.3 million

ABS 8165 June 2018 (released in February 2019)

of small businesses with turnover > \$50k

1.7 million²

large enough to consider financing

Small businesses with risk profile and need consistent with our risk criteria and product offer (based on above assumptions)

1.2 million

acceptable risks

\$30,000³

Prospect's average loan size

>\$20 billion¹

Potential market opportunity

< 2% market penetration in AU

We're helping small business owners prosper and grow the economy

A major contributor to the economy has been underserved by the traditional banking system



2.75m

Small businesses in AU and NZ¹



24,000

Customers across AU and NZ (<2% market penetration)²



\$5.4b

Impact on GDP³



77,000+

Jobs maintained³

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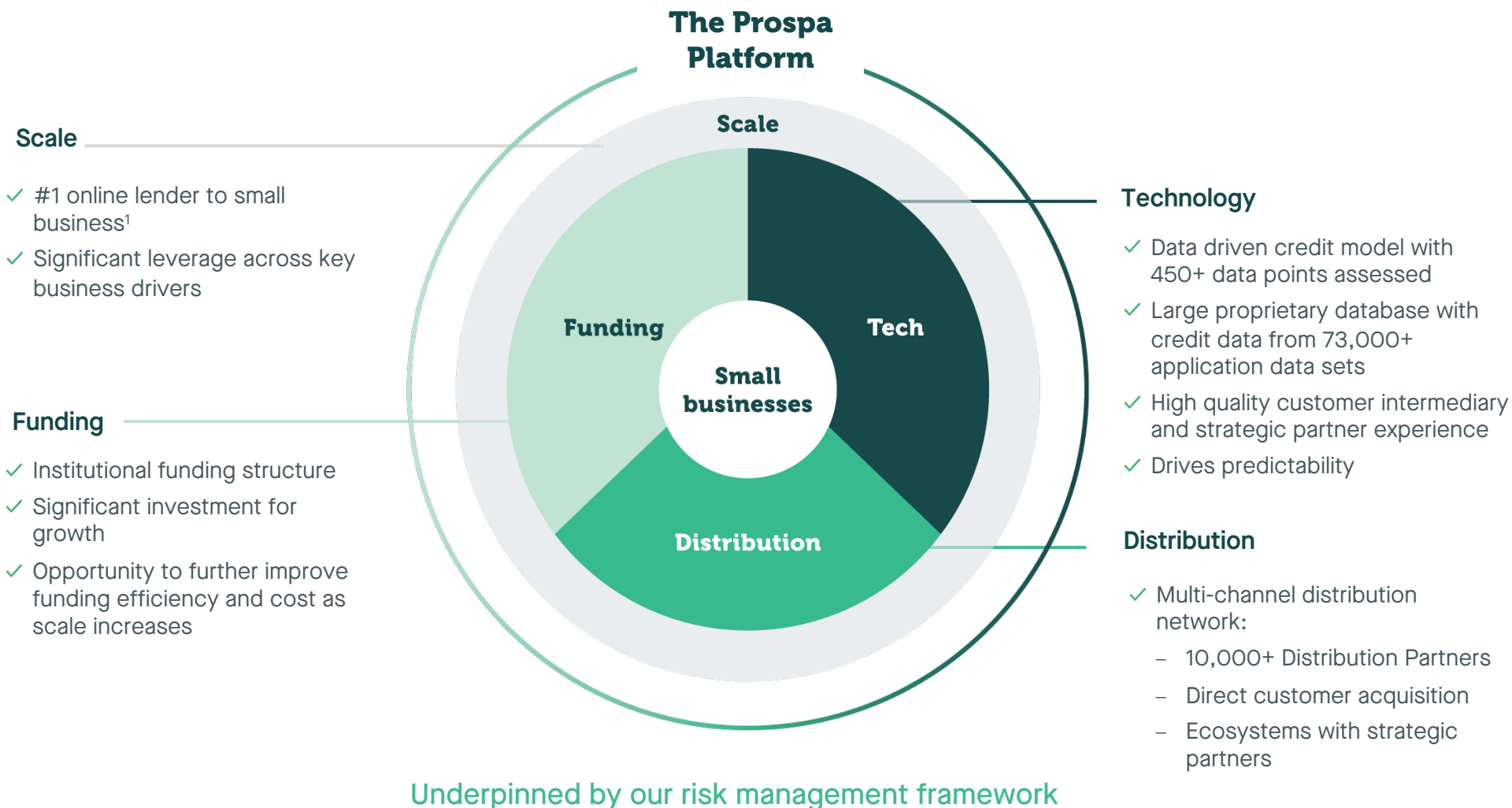
“I hired an extra 4 staff and have massively grown our clientele and business. It’s been awesome.”

Brie, NSW

1. ABS 8165 June 2018 (released in February 2019); and Small Business in New Zealand' Ministry of Business, Innovation & Employment, June 2017.
2. Based on 1.2 million Australian small businesses forming our addressable market. Refer pg.31 of the Prospectus (hereafter, "Prospectus").
3. Source: RFI Group and The Centre for International Economics: "The Economic Impact of Prospa Lending to Small Business" (January 2019), commissioned by Prospa.

Our platform and strategic pillars

Investment in our three strategic pillars provides significant scale relative to competitors. We continue building on our competitive advantage



1. Prospa volume as a % of total Australian market volume (measured by loan value) for 2017 (sourced from The Cambridge Centre for Alternative Finance "3rd Asia Pacific Region Alternative Finance Industry Report", November 2018, p86).

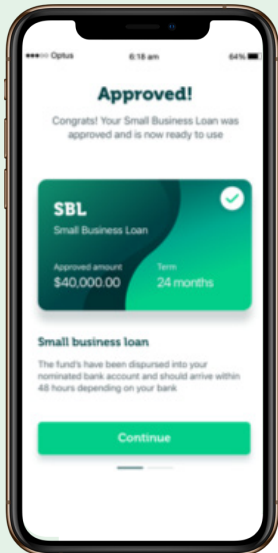
Section 2

Business update

A cohesive customer-focused platform

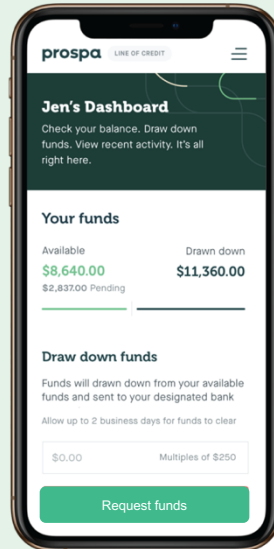
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We build cash flow products and services that allow small businesses to GROW and RUN their business and help them PAY for goods and services



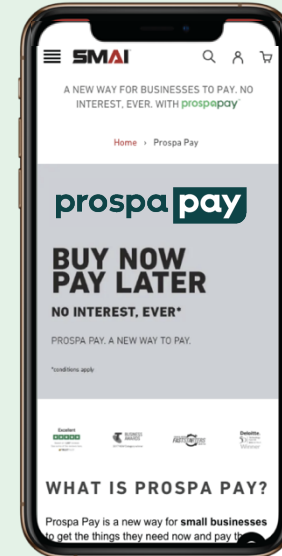
Grow Small Business Loan

- ✓ \$5,000 to \$300,000
- ✓ A one-off lump sum to take advantage of opportunities
- ✓ Mobile app for increased customer engagement and retention



Run Line of Credit

- ✓ \$2,000 to \$100,000
- ✓ Complementary to small business loan
- ✓ Leverages existing credit infrastructure, technology and distribution
- ✓ Automated customer interactions and increased data



Pay ProspaPay

- ✓ \$500 to \$20,000
- ✓ B2B trade payments
- ✓ Provides interest free 'buy now pay later' solution for vendors
- ✓ Vendors can increase basket size
- ✓ Low cost customer acquisition
- ✓ Network effect

Improving our core product through innovation

Helping small business owners **GROW** their business with a fixed cost lump sum business loan

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Small Business Loan

Additional features appeal to broader customer set

Improved business outcomes

- Avg loan amount increased 5%¹ YoY (more volume per customer)
- Avg term now 14.6 months¹

Reduced Interest Costs

- Lower simple annual interest rates of 9.9% to 26.5% appeals to a broader range of customer profiles

Enhanced customer journey

- 15% of applications automatically assessed in real-time, a 2x increase YoY²
- Mobile App launched for Business Loan and Line of Credit

2.8x

Customer Lifetime Value³

67%

Repeat rate⁴



“I used the money to buy new stock and generate income that way. It has actually allowed me to keep trading.”

Brigid, VIC

1. Average for the 12 months ended 31 October 2019.

2. Our straight through processing function, Resolve, as applied to the % of applications that fit the criteria of our credit policy.

3. Quarterly cohort average including both eligible and ineligible customers measured in loans per customer. In the 2019 Prospectus this figure was 2.6x.

4. 67% represents the average repeat rate for eligible customers only (where eligible customers are defined as not having defaulted on their Prospa loan). In the 2019 Prospectus this figure was 68%.

Benefits of Premiumisation

Rapidly increasing momentum in the flywheel

Lower loss rates

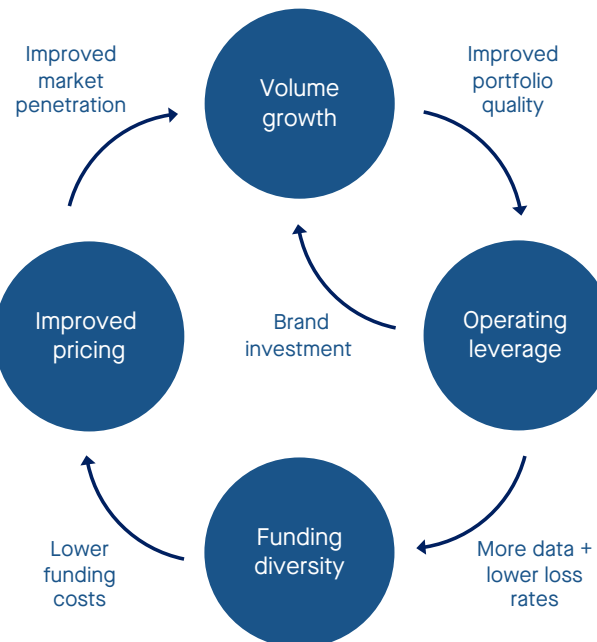
- ✓ Lower net charge offs
- ✓ Lower provision rate and expenses
- ✓ Less delinquency requiring lower collections activity
- ✓ Enables funding diversity

Improved market penetration

- ✓ Increased consideration by better credit quality customers who have more choice
- ✓ Better rates increases propensity to switch
- ✓ Drives volume growth

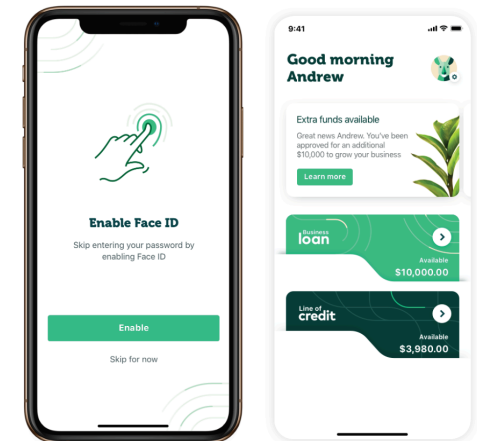
Lower funding costs

- ✓ Increased funding appetite for lower risk assets and longer terms
- ✓ Brings forward improved rating outcomes
- ✓ Enables improved pricing



Improved portfolio quality

- ✓ Better credit quality customers with greater success rates and higher lifetime value
- ✓ Better quality businesses are more resilient to any macro-economic factors
- ✓ Larger businesses with greater capital needs and higher propensity to need complementary products
- ✓ Enables operating leverage

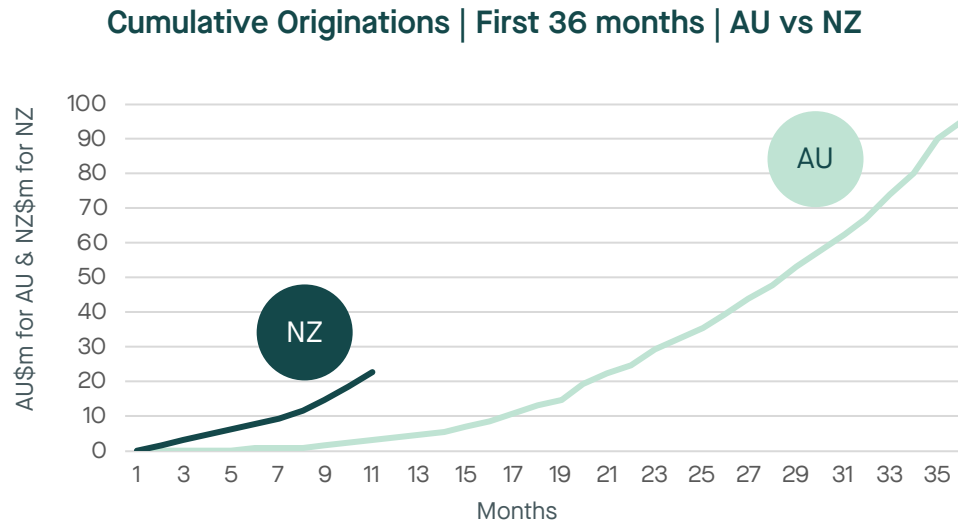


Increasing addressable market through market expansion to NZ

Market dynamics similar to Australia, with risk performance in line with expectations and significant investment in CY19 as we grow

New Zealand

Rapid market penetration & originations expected to scale over CY19 and beyond



>NZ\$4b
potential market
opportunity

NZ\$24m
Originations to FY19



“We were looking at financing and we approached a number of personal banks. We just found the red-tape was incredibly difficult and were unable to get the finance that we required.”

Alex, Auckland NZ

Increasing addressable market through product development

Helping small business owners RUN their business and manage cash flow with a revolving line of credit

Line of Credit

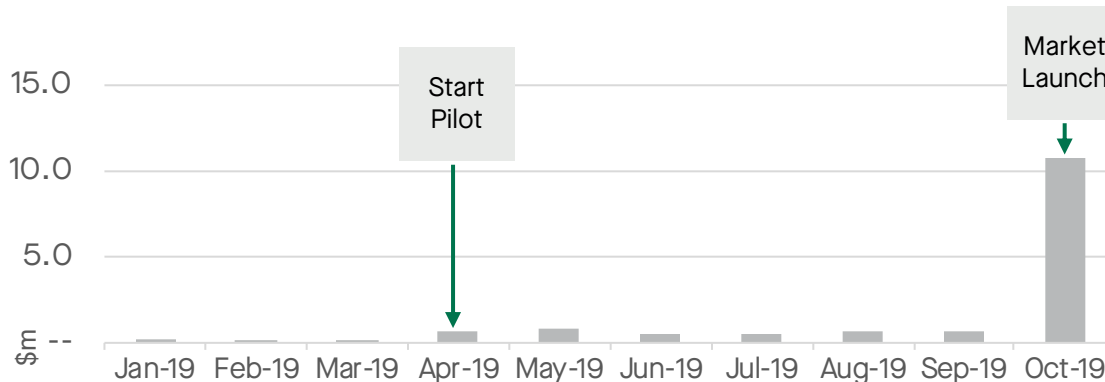
Multiple use cases to support growth

Now

- Customer experience, unit economics and credit performance tested
- Mobile-enabled
- Over \$10 million in originations in October alone

Next

- Increase facility amount
- Enable third party payments
- Launch through partner channel
- Engage with existing customers
- Digital card



“We approached the banks and found it very difficult... the Line of Credit gives us the freedom to pay invoices early and secure discounts, but generally just to keep the cash flow at a regular, even level.”

Geoff, NSW

Increasing addressable market through product development

Helping small business owners PAY for goods and services with ProspaPay, our B2B trade payments product

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ProspaPay

Network effect on both vendor and customer side

Now

- 247 vendors¹
- Leverages existing credit decision technology
- Customer experience tested
- 2x increase in transactions QoQ²

Next

- Second phase of investment including digital platform integration and increased resources
- Leverage existing customer base of >20,000
- Online and offline capability
- Vendor acquisition

>\$100b

potential market opportunity³

\$2.4k

Average transaction value¹



“By offering ProspaPay to our customers we’ve been able to increase average basket size by more than 60%.”

James, NSW

1. As at 31 October 2019

2. Comparing Q3 FY19 to Q4 FY19

3. Based on assumption that small businesses account for 5% of the \$1.9 trillion B2B purchases of goods & materials and other selected expenses set out in ABS81550D0002_201617 Australian Industry, 2016-17.

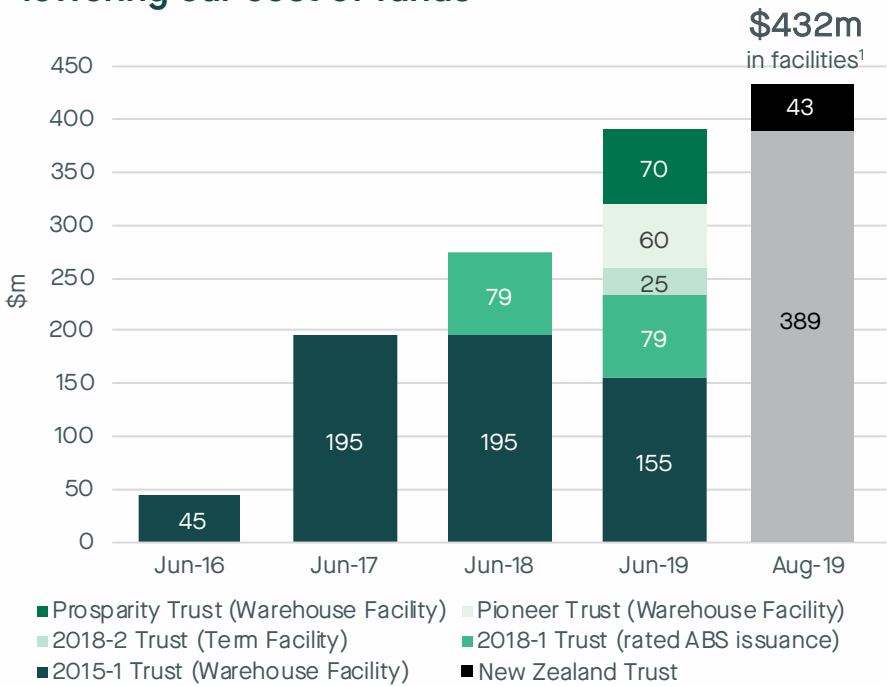
Section 3

Funding and credit

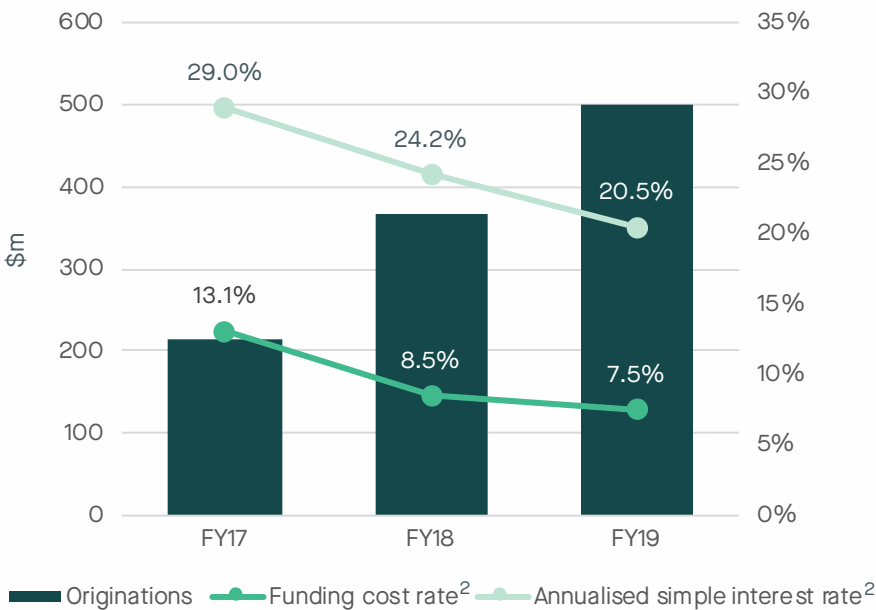
Market leading funding platform continues to scale

Highlighted by additional Tier 1 bank and New Zealand funding warehouse

Funding capacity increased and further diversified over time, reducing risk and lowering our cost of funds



Funding optimisation allows for lower rates and broader customer appeal



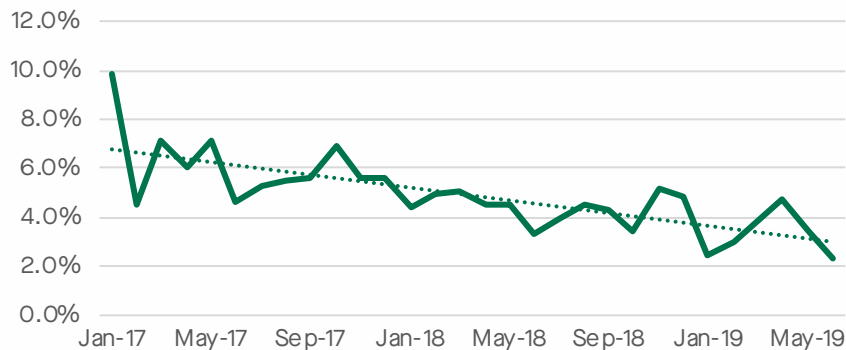
- ✓ Secured second bank funding warehouse and New Zealand funding warehouse
- ✓ Fully drawn funding cost rate reducing from 7.1% to 6.9%
- ✓ Funding headroom 20% at June 2019, growing to >25% with New Zealand facility
- ✓ Base rate improvements through to bottom line

1. Available facilities following the addition of the New Zealand funding for \$NZ45m in August 2019.
 2. Funding cost rate is the funding cost divided by the average funding debt. Annualised simple interest rate is total interest (excluding origination fees and transaction costs) as a percentage of the original loan amount, adjusted for term, presented on a per annum basis.
 3. Full drawn funding cost rate is the funding cost rate assuming facilities are fully drawn. 7.1% is per the Prospectus, pg.66. The fully drawn funding cost rate as at the date of this presentation is 6.9%, which includes the assumed cost of junior facilities in the Pioneer and Prosperity warehouse trusts. Excluding this assumed junior debt expense, the full drawn funding cost rate is 6.4% as at the date of this presentation.

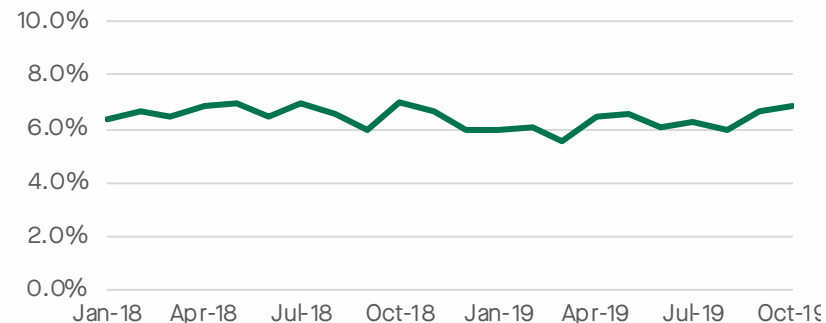
Early loss indicators continue to trend down

Loss rates and ELIs improving due to premiumisation

Early loss indicator (30+ days past due at 4 months)

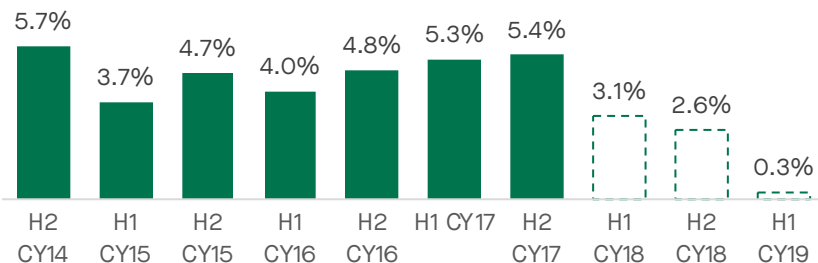


Coincidental delinquency³ (90+ days past due)

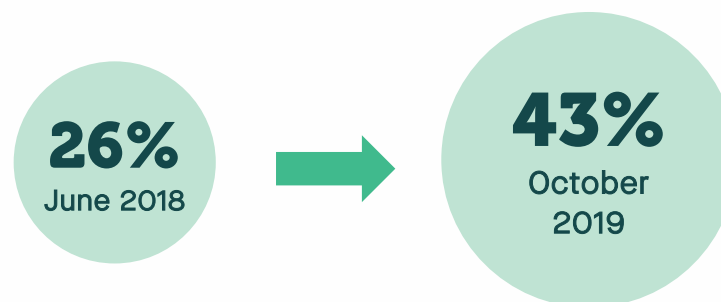


Stable loss rate¹

Board mandated risk appetite: 4% to 6%



Premium risk grade share of portfolio²



1. Static loss rate net of recoveries as at 30 June 2019. Static loss rates disclosed in the Prospectus: H2CY14: 5.8%; H1CY15: 3.8%; H2CY15: 5.0%; H1CY16: 4.4%; H2CY16: 5.4%; H1CY17: 5.7%; H2CY17: 5.4%;

H1CY18: 2.4%; H2CY18: 0.4%. Dotted columns reflect cohorts which are still seasoning.

2. Premium risk grades are the top 3 risk grades (in terms of quality), which were introduced into the business in May 2017.

3. Includes Australia and New Zealand small business loan portfolios.

Section 4

Outlook

1



Financial

- CY19F outlook
 - Originations: \$574 million
 - Revenue: \$144 million
 - EBITDA: \$4 million
- FY20F outlook
 - Originations: \$626 million to \$640 million (25-28% growth on FY19)
 - Revenue: at least \$150 million

2



Scale

- Maintain our market leadership in the small business loan product in Australia (GROW)
- Continue to refine best-in-class credit decision engine and data insights capability
- Continue to invest in brand, customer acquisition and distribution partner marketing
- Continue to leverage the strength of our funding platform
- Maintain focus on premiumisation of our portfolio

3



Growth

- Continue acceleration in the New Zealand market to secure market leadership
- Investment in new solutions expected to underpin growth:
 - Line of Credit (RUN)
 - ProspaPay (PAY)
 - Mobile App
- Explore product adjacencies

**Thank you &
Questions**

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