

A woman with dark hair pulled back, wearing a brown cardigan over a white top, is smiling warmly at the camera. She is in an office environment with a desk, binders, and a plant visible in the background. The background also features a wall with diagonal black and white stripes and a wooden beam.

prospa

2019 Annual General Meeting

10.00am, Tuesday 26 November 2019
Prospa Group Limited
Level 3, 4-16 Yurong St, Sydney

Your Board

● **Greg Moshal**
Joint CEO &
Executive Director

● **Greg Ruddock**
Non Executive Director

● **Avi Eyal**
Non Executive Director

● **Gail Pemberton AO**
Chairman

● **Beau Bertoli**
Joint CEO &
Executive Director

● **Fiona Trafford-Walker**
Non Executive Director



Chairman's Address

Gail Pemberton AO

FY19 in review

\$501.7m

Loans originated

+36.6% on pcp

\$136.4m

Revenue

+31.2% on pcp

\$6.8m

EBITDA

-12% on pcp

#1

In Australia¹

24,000

Customers since inception²

\$1.35b

Loans originated since inception²

+77

Customer NPS³

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.

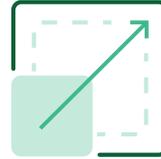
1



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

Chief Executives' Presentation

Greg Moshal & Beau Bertoli



Our Purpose

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

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

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

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



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

Brie, NSW



2.75m

Small businesses in AU and NZ¹



24,000

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



\$5.4b

Impact on GDP³



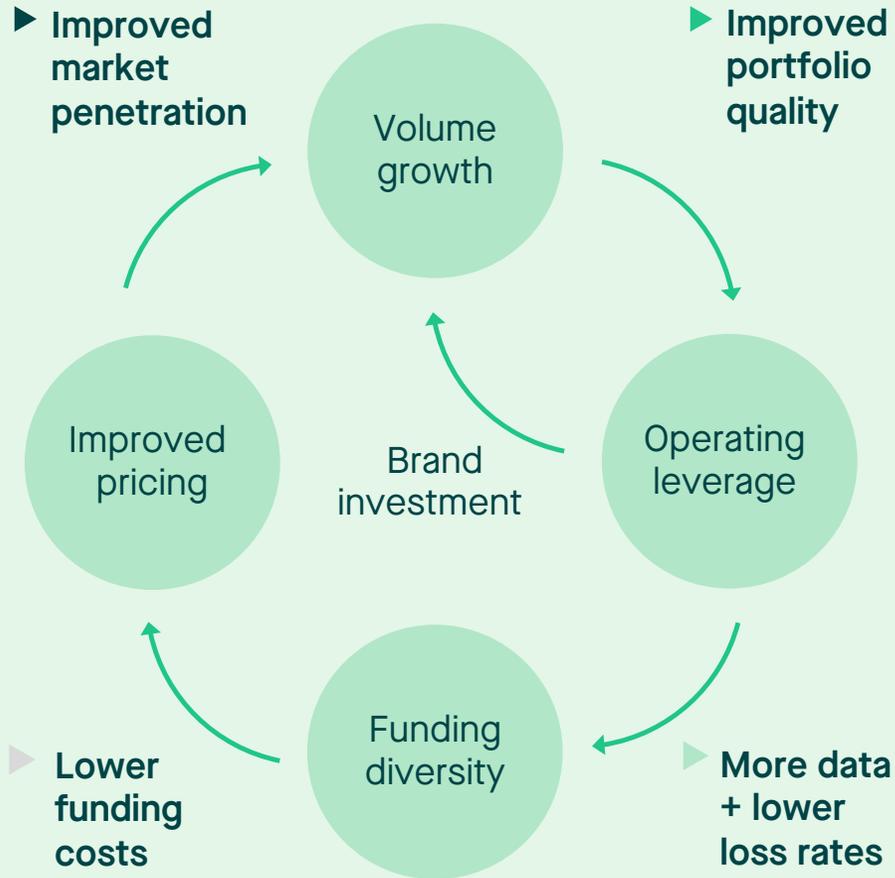
77,000+

Jobs maintained³

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.

Premiumisation explained

Rapidly increasing momentum in the flywheel



► Improved market penetration

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

► 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

► Lower funding costs

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

► Lower loss rates

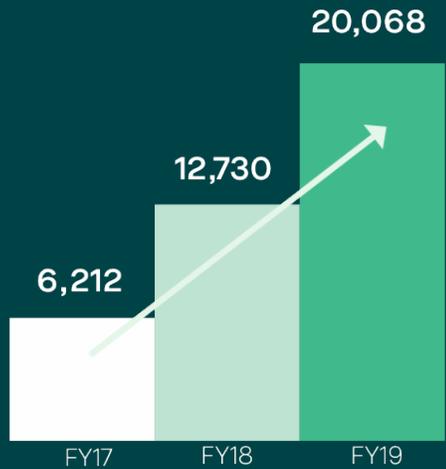
- ✓ Lower net charge offs
- ✓ Lower provision rate and expenses
- ✓ Less delinquency requiring lower collections activity
- ✓ Enables funding diversity

Answering your questions

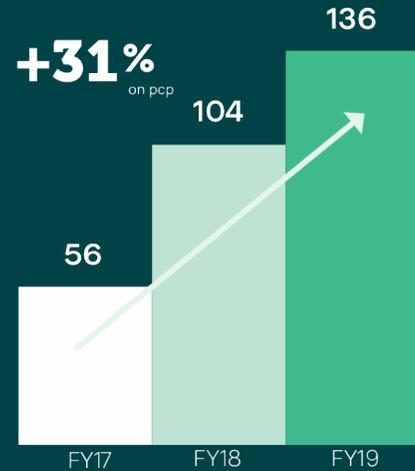


FY19 in review

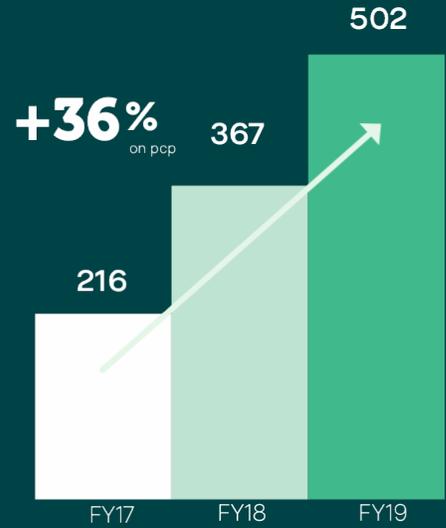
Customers (#)



Revenue (\$m)



Originations (\$m)



Pro Forma EBITDA (\$m)



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).

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#1
In Australia¹

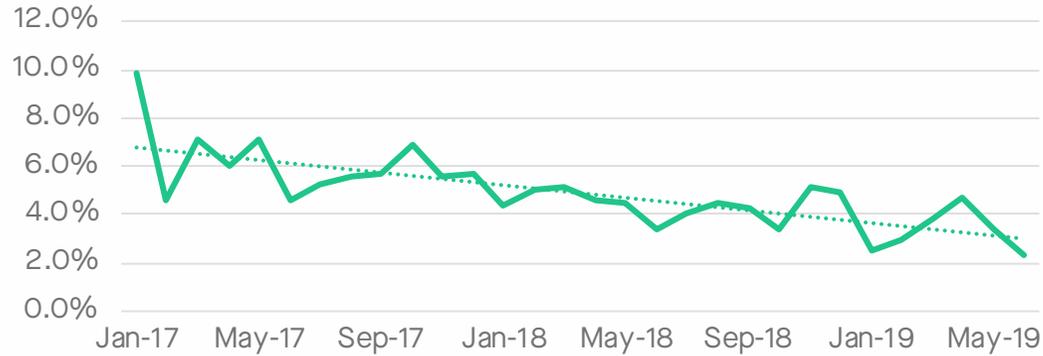
24,000
Customers²

\$1.35b+
Loans originated
since inception²

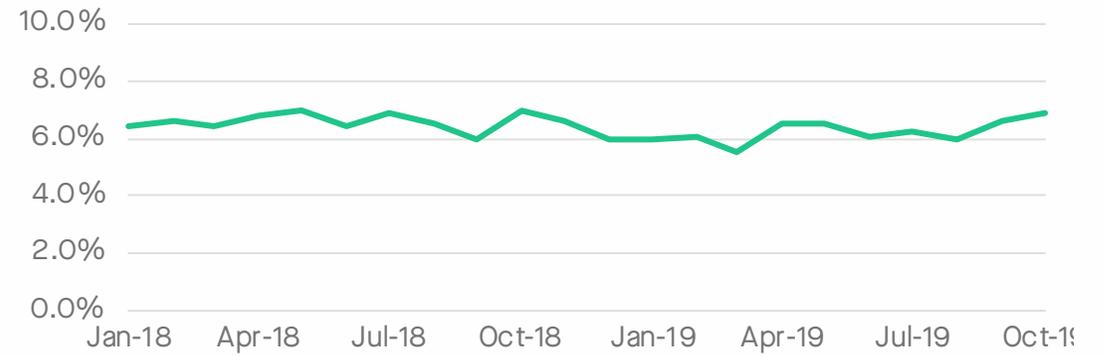
+77
Customer NPS³

Early loss indicators continue to trend down

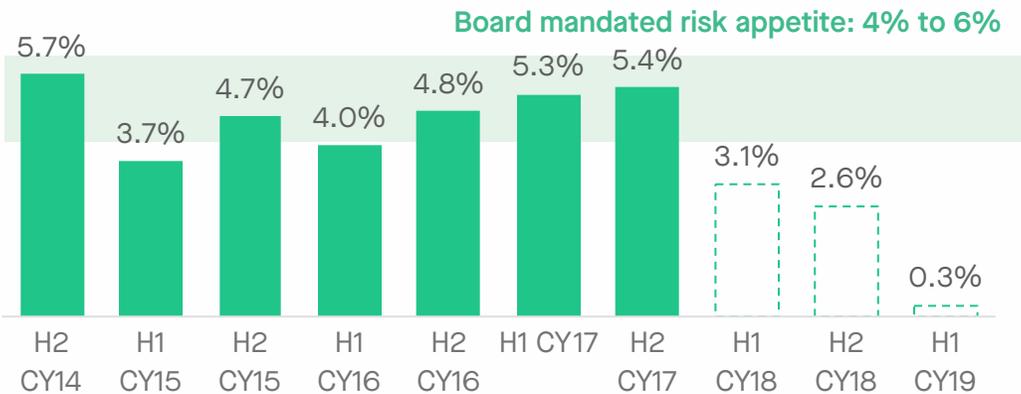
Early loss indicator (30+ days past due at 4 months)²



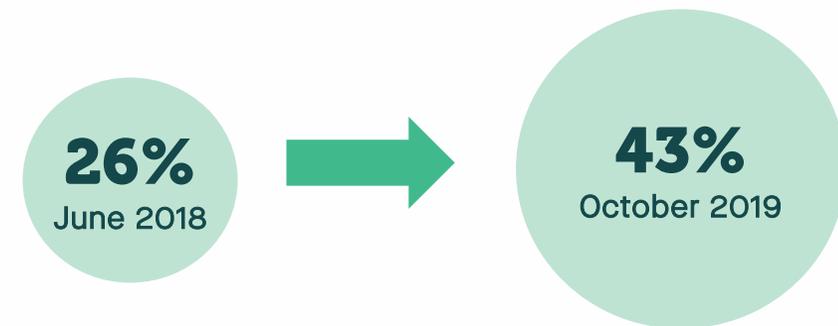
Coincidental delinquency (90+ days past due)³



Stable loss rate²

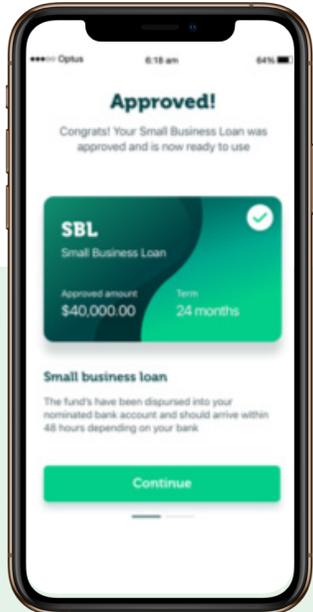


Premium risk grade share of portfolio²



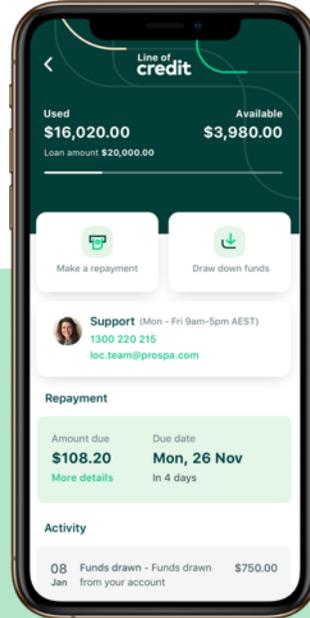
1. Static loss rate net of recoveries as at 30 June 2019. Static loss rates disclosed in the Prospectus: H2CY14: 5.8%; H1CY15: 3.8%; H2CY15: 5.0%; H1CY16: 4.4%; H2CY16: 5.4%; H1CY17: 5.7%; H2CY17: 5.4%; H1CY18: 2.4%; H2CY18: 0.4%. Dotted columns reflect cohorts which are still seasoning.
 2. Premium 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.

A cohesive customer-focused platform



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

Investing in our core product through innovation

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%.

Increasing addressable market through product development

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

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

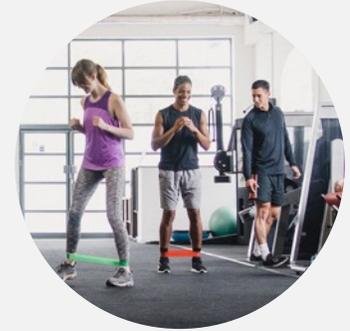
- Second phase of investment including digital platform integration and increased resources
- Leverage existing customer base of >20,000
- Online and offline capability
- Vendor acquisition

>\$100b

Potential market opportunity

\$2.4k

Average transaction value



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

James, NSW

Increasing addressable market through market expansion to NZ

New Zealand

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

Cumulative Originations | First 36 months | AU vs NZ



>NZ\$4b
potential market opportunity

NZ\$24m
Originations to FY19



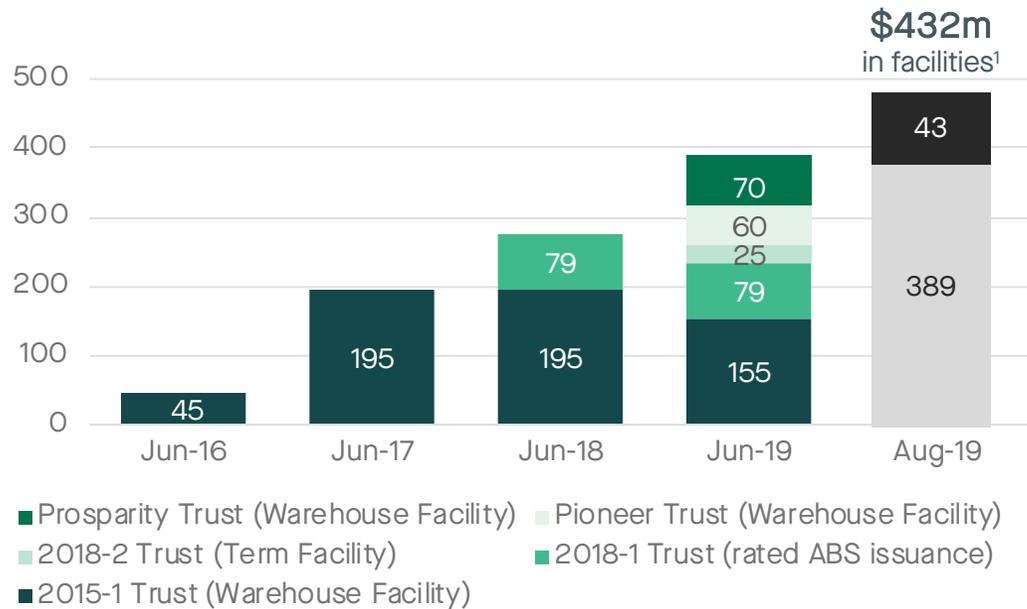
“We were looking at financing and we approached a number of personal banks. We just found the red-tape was incredibly difficult and were unable to get the finance that we required.”

Alex, Auckland NZ

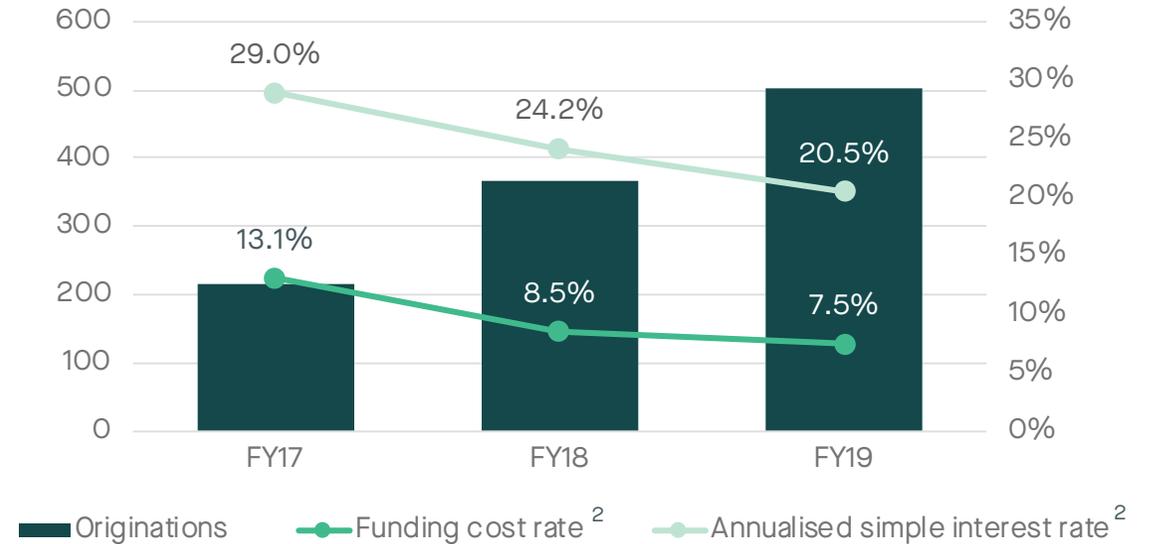
Market leading funding platform

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.

Our FY19 awards



1000
High-Growth Companies
Asia-Pacific
2018

Winner

Financial Times 1000:
High Growth Companies
Asia Pacific, 2018

FINANCIAL REVIEW
LISTS 2018

100
FAST

#9

AFR Fast100, 2018



Winner

MFAA Excellence Awards,
2018-19
Fintech Lender Award,
NSW, QLD, SA, VIC, WA, & National

Deloitte.

50

Technology **Fast 50**
2018 AUSTRALIA

#20

Deloitte TechFast50, 2018

#5

Deloitte TechFast50
Leadership, 2019



#6

LinkedIn Top Startup
Places to Work, Australia,
2018



Certified

Great Place To Work
Australia, 2019



Conclusion

Resolutions

A. Consideration of Financial statements and reports



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Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	30 June 2019	30 June 2018
Interest Income		124,967	14,500
Other Income		11,436	9,005



“To receive and to consider the Annual Financial Report of the Company for the financial year ended 30 June 2019 together with the declaration of the Directors, the Directors’ Report, the Remuneration Report and the Auditor’s Report for that financial year.”

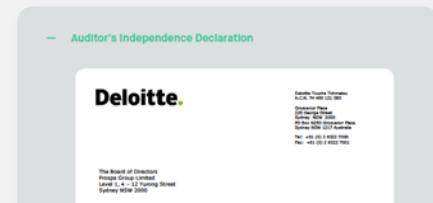
Note: This item of ordinary business is for discussion only and is not a resolution.



	2019	2018
Basic (loss)/earnings per share	35	(21,550)
Diluted (loss)/earnings per share	35	(21,550)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Prospa Group Limited Annual Report 2019 75



B.

Items for approval

Resolution 1

Adoption of Remuneration Report

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:



“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company’s Annual Financial Report for the financial year ended 30 June 2019.”

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company.

Resolution 1

Adoption of Remuneration Report

	Votes	Holder	Percentage
For	105,156,918	46	99.76%
Open	189,836	6	0.18%
Against	58,107	7	0.06%
Total Available Votes	105,404,861		

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

//

That Gail Pemberton, a Director appointed as an additional Director and holding office until the next general meeting of the Company after her appointment in accordance with the Company's Constitution and ASX Listing Rule 14.4, be elected as a Director of the Company, effective immediately."



Resolution 2

Election of Gail Pemberton as Director

Vote results

Resolution 2 Election of Gail Pemberton as Director

	Votes	Holders	Percentage
For	143,181,825	58	99.87%
Open	189,836	6	0.13%
Against	2,242	3	0.00%
Total Available Votes	143,373,903		

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

Resolution 3

Election of Fiona Trafford- Walker as Director



“That Fiona Trafford-Walker, a Director appointed as an additional Director and holding office until the next general meeting of the Company after her appointment in accordance with the Company’s Constitution and ASX Listing Rule 14.4, be elected as a Director of the Company, effective immediately.”

Vote results

Resolution 3

Election of Fiona Trafford- Walker as Director

	Votes	Holders	Percentage
For	143,170,897	58	99.87%
Open	189,536	6	0.13%
Against	242	2	0.00%
Total Available Votes	143,360,675		

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

//

“That Aviad Eyal, a Director appointed as an additional Director and holding office until the next general meeting of the Company after his appointment in accordance with the Company’s Constitution and ASX Listing Rule 14.4, be elected as a Director of the Company, effective immediately.”

Resolution 4

Election of Aviad Eyal as Director



Vote results

Resolution 4

Election of Aviad Eyal as Director

	Votes	Holder	Percentage
For	142,593,230	59	99.46%
Open	189,976	7	0.13%
Against	590,697	2	0.41%
Total Available Votes	143,373,903		

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:



“That, for the purposes of section 327B(1) of the Corporations Act and for all other purposes, Deloitte Touche Tohmatsu, having been nominated by shareholders and consented in writing to act as auditor of the Company, be appointed as auditor of the Company, effective immediately.”

Resolution 5 Appointment of Auditor

Vote results

Resolution 5 Appointment of Auditor

	Votes	Holders	Percentage
For	143,178,957	59	99.86%
Open	194,836	7	0.14%
Against	110	1	0.00%
Total Available Votes	143,373,903		

**Any other
business?**

A man with a beard and safety glasses stands in a factory setting, smiling slightly with his arms crossed. He is wearing a dark, long-sleeved work shirt. The background shows industrial machinery, including a conveyor belt and large fans, under bright overhead lights.

Thank you

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