



prospa

# Prospa overview

27 November 2019

**Section 1**      CEO welcome and highlights

**Section 2**      Business update

**Section 3**      Funding and credit

**Section 4**      Outlook and close

Section 1

---

# CEO welcome and highlights

# Our Purpose

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

prospa



**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 position<sup>1</sup> 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 Australia<sup>1</sup>

**24,000**

customers since inception<sup>2</sup>

**\$1.35b+**

loans originated since inception<sup>2</sup>

**10,000+**

Distribution Partners<sup>2</sup>

**+77**

Customer NPS<sup>3</sup>

**67%**

repeat business<sup>4</sup>

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.

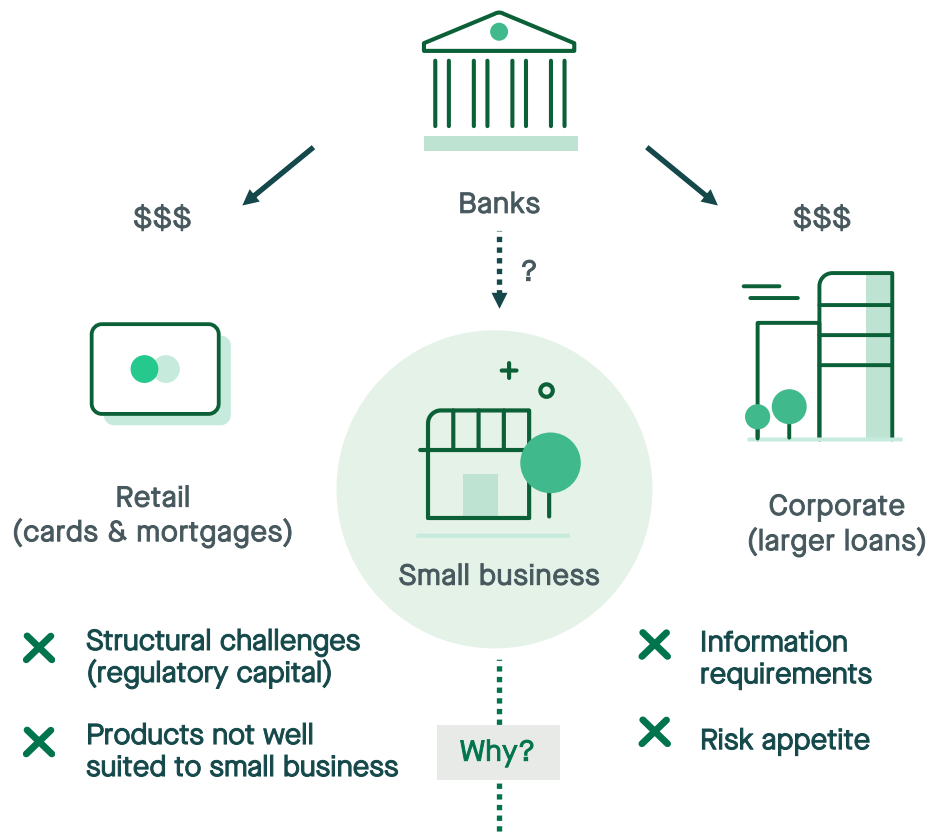
3. Net Promoter Score in excess of +77 for CY18.

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.

# Strategic focus

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

# of small businesses with turnover > \$50k

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

**2.3 million**  
ABS 8165 June 2018 (released in February 2019)

**1.7 million<sup>2</sup>**  
large enough to consider financing

**1.2 million**  
acceptable risks

**\$30,000<sup>3</sup>**  
Prosopa's average loan size

**>\$20 billion<sup>1</sup>**  
Potential market opportunity

**< 2% market penetration in AU**



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

prospa

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



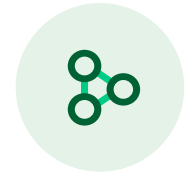
"I hired an extra 4 staff and have massively grown our clientele and business. It's been awesome."

Brie, NSW



**2.75m**

Small businesses  
in AU and NZ<sup>1</sup>



**24,000**

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



**\$5.4b**

Impact on GDP<sup>3</sup>



**77,000+**

Jobs maintained<sup>3</sup>

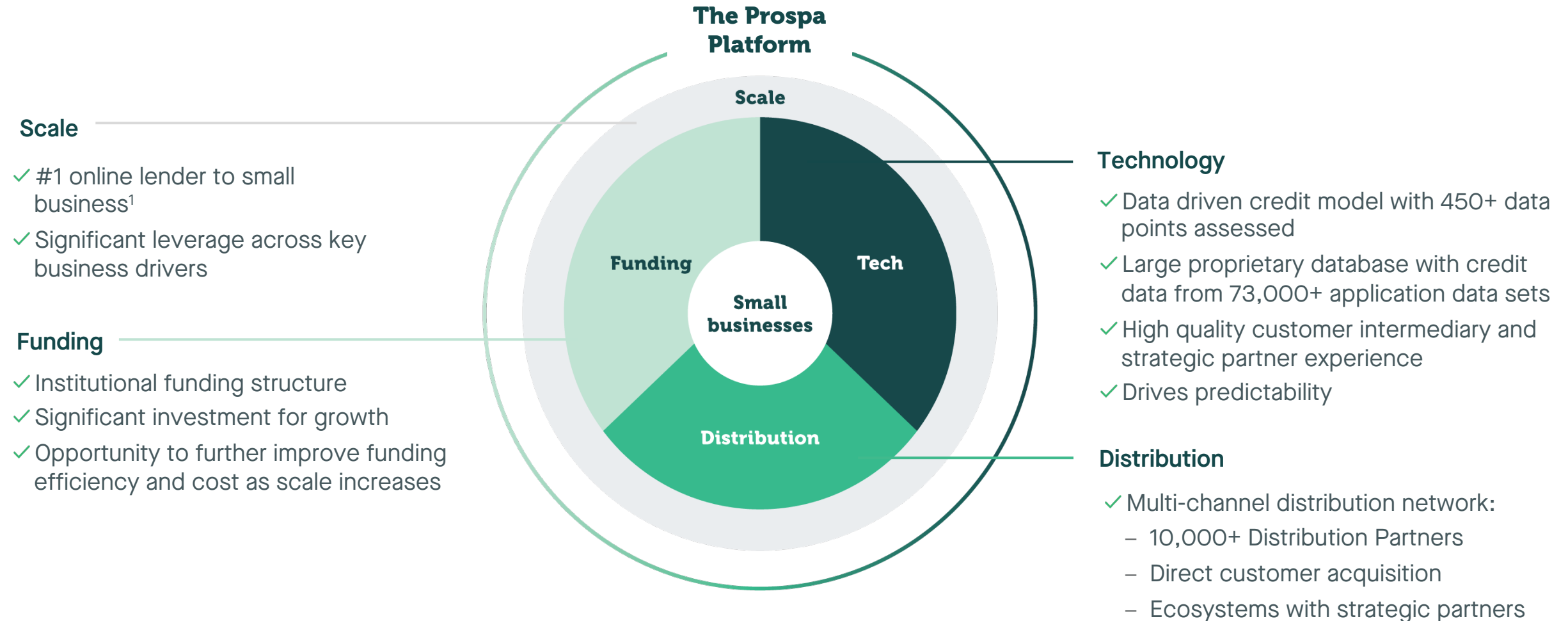
1. ABS 8165 June 2018 (released in February 2019); and Small Business in New Zealand' Ministry of Business, Innovation & Employment, June 2017.

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).

Underpinned by our risk management framework

Section 2

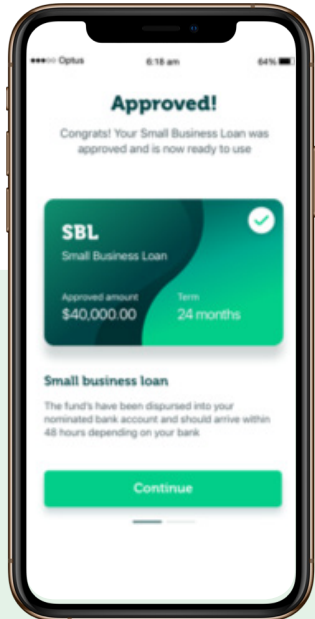
---

# Business update



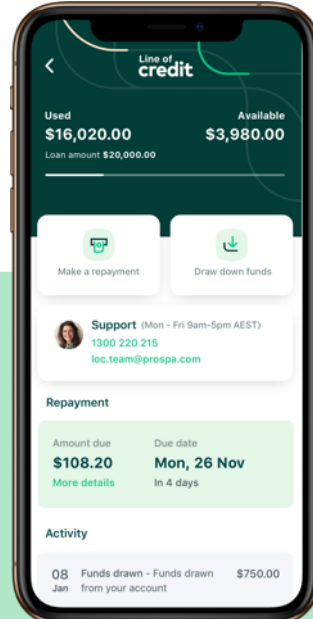
# A cohesive customer-focused platform

prospa



## 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%<sup>1</sup> YoY (more volume per customer)
- Avg term now 14.6 months<sup>1</sup>

### 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 YoY<sup>2</sup>
- Mobile App launched for Business Loan and Line of Credit

**2.8x**  
Customer  
Lifetime Value<sup>3</sup>

**67%**  
Repeat rate<sup>4</sup>



“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.

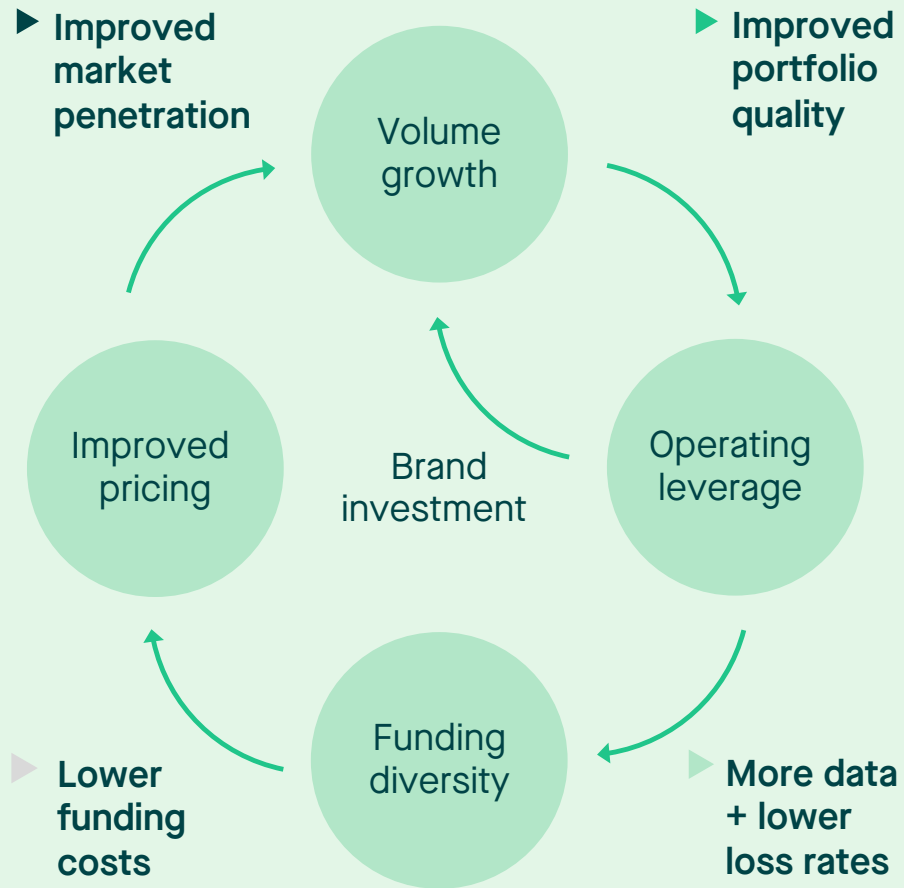
2. Our straight through processing function, Resolve, as applied to the % of applications that fit the criteria of our credit policy.

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%.

# 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

## ► 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

## ► Lower loss rates

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

# Increasing addressable market through product development

## Line of Credit

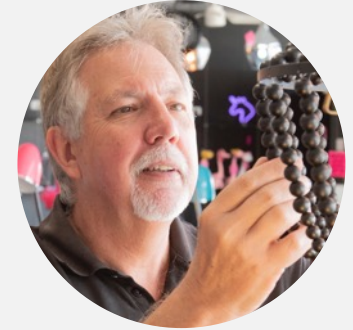
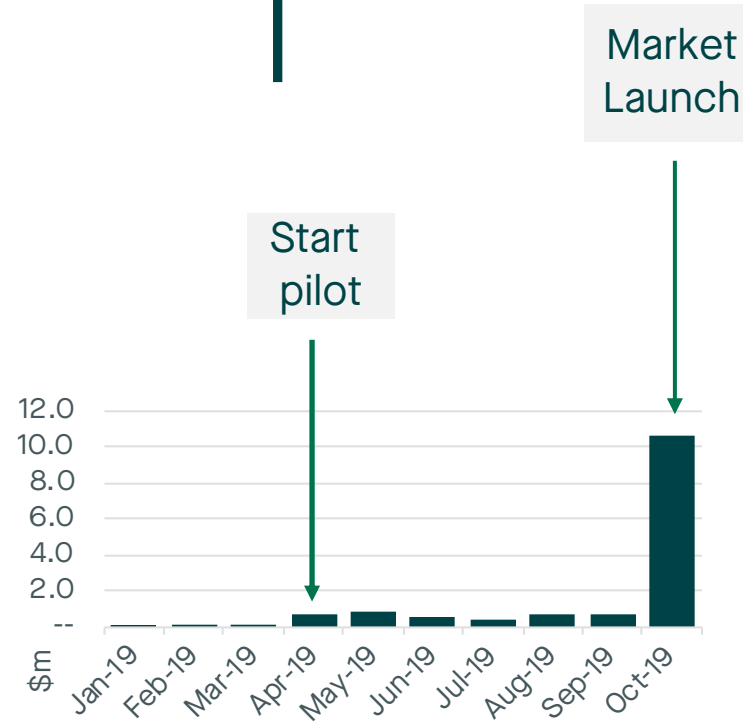
### Multiple use cases to support growth

#### 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 vendors<sup>1</sup>
- Leverages existing credit decision technology
- Customer experience tested
- 2x increase in transactions QoQ<sup>2</sup>

#### Next

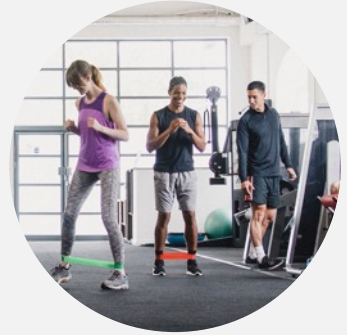
- Second phase of investment including digital platform integration and increased resources
- Leverage existing customer base of >20,000
- Online and offline capability
- Vendor acquisition

**>\$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%.”

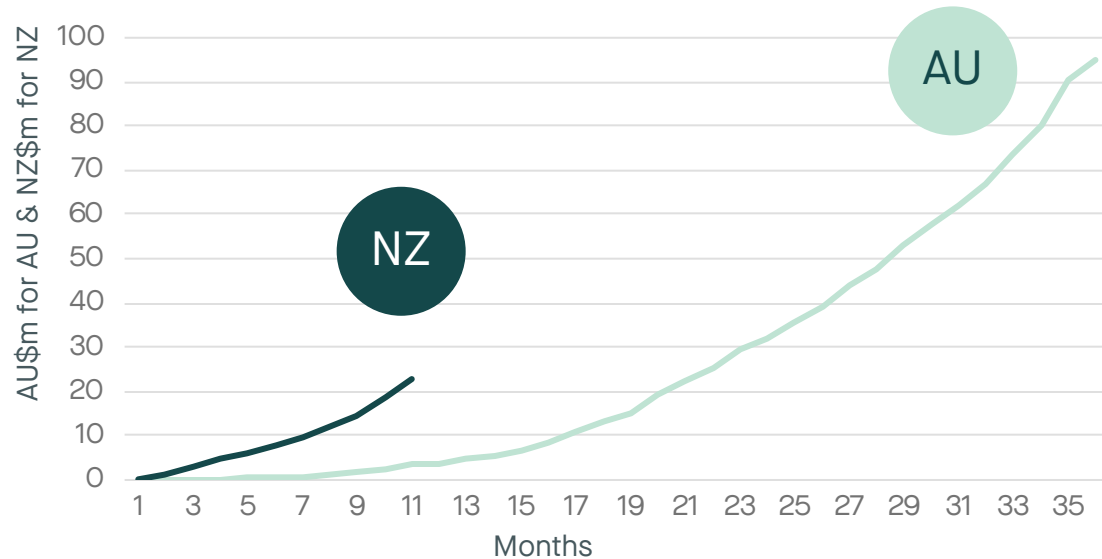
James, NSW

# 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



Section 3

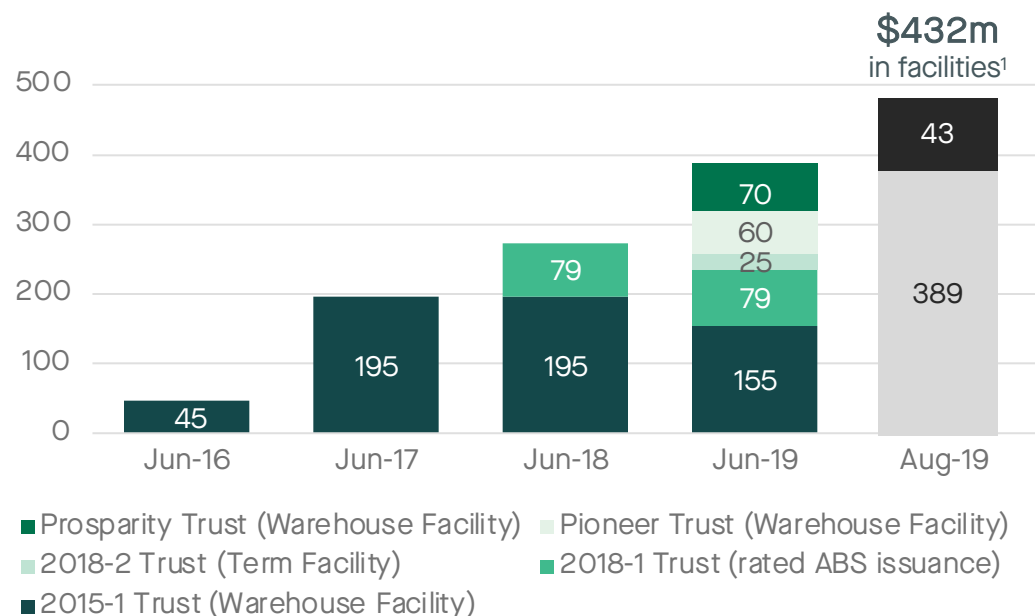
---

# Funding and credit

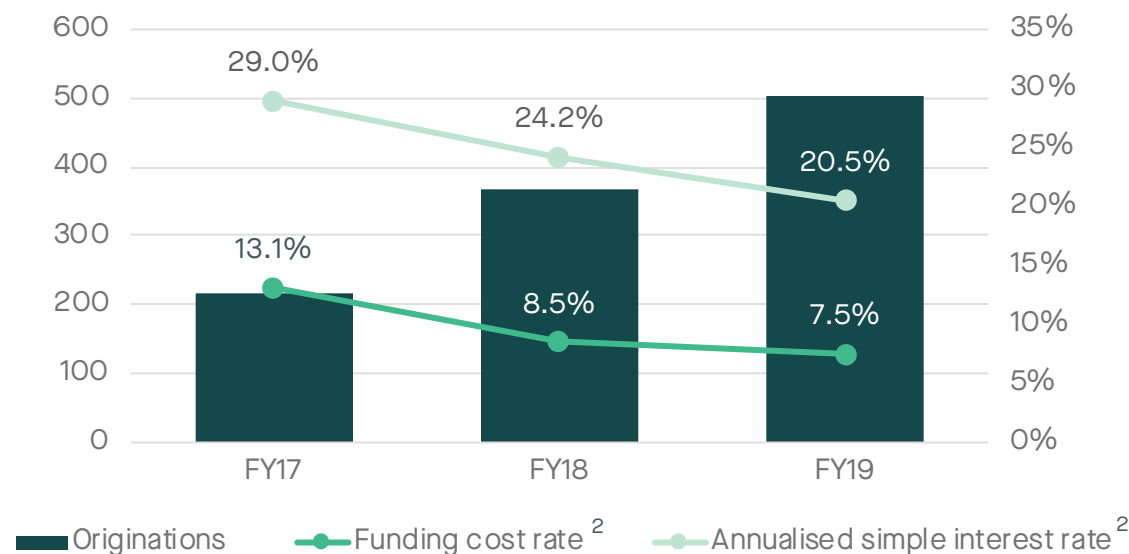
# Market leading funding platform

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.

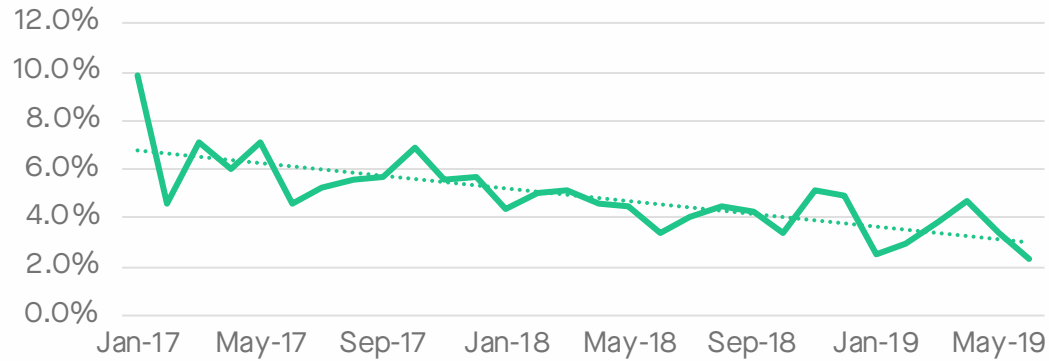
2. Funding cost rate is the funding cost divided by the average funding debt. Annualised simple interest rate is total interest (excluding origination fees and transaction costs) as a percentage of the original loan amount, adjusted for term, presented on a per annum basis.

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.

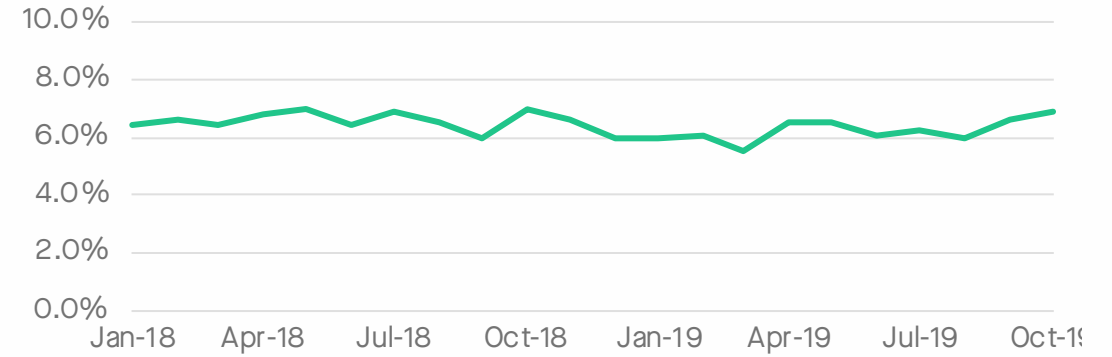
# Early loss indicators continue to trend down

prospa

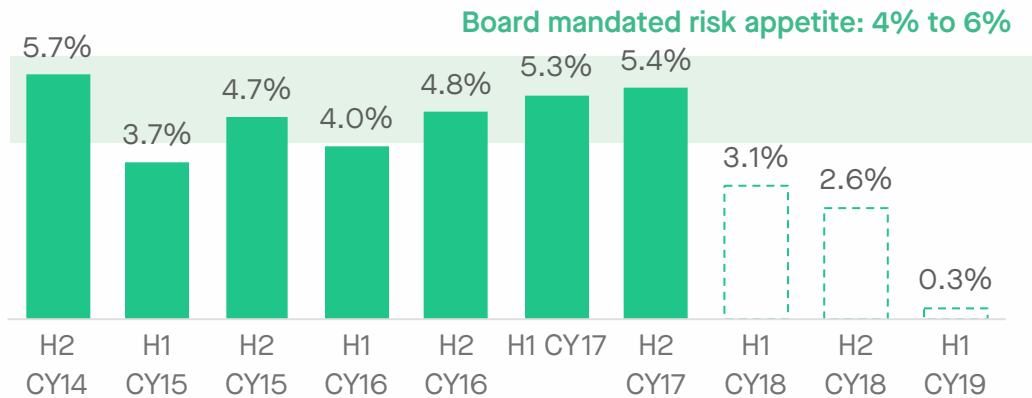
## Early loss indicator (30+ days past due at 4 months)<sup>2</sup>



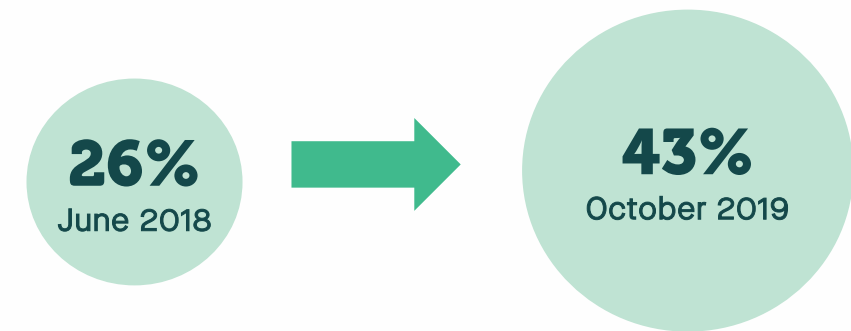
## Coincidental delinquency (90+ days past due)<sup>3</sup>



## Stable loss rate<sup>2</sup>



## Premium risk grade share of portfolio<sup>2</sup>



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

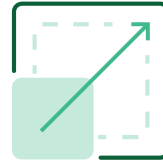
1



## 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



A man with a beard and safety glasses, wearing a dark grey work shirt, stands with his arms crossed in a factory. He is smiling slightly. In the background, there are industrial machines, conveyor belts, and large fans. In the foreground, several glass bottles are visible on a conveyor belt.

# Thank you & Questions

prospa



# Important Notice and Disclaimer

The material in this overview presentation is current as at 27 November 2019.

Should this presentation contain statements that are, or may be deemed to be, forward looking statements, for example statements that use words such as “believe”, “estimate”, “anticipate”, “expect” and similar expressions, you should not place undue reliance on such forward-looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of PGL or any of its related entities which may cause actual results to differ materially from those expressed or implied in such statements.

No representation or warranty, express or implied, is made as to the accuracy, reliability, adequacy or completeness of the information contained in this presentation.

Past performance information in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

The information in the presentation is given for informational purposes only, is in summary form and does not purport to be complete. It is intended to be read by a professional analyst audience in conjunction with PGL’s other announcements to ASX. It is not intended to be relied upon as advice to current shareholders, investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular shareholder or investor. No representation is made as to the accuracy, completeness or reliability of the presentation.

The views expressed in this presentation may contain information that has been derived from publicly available sources that have not been independent verified. No representation or warranty, express or implied, is made as to the accuracy, reliability, adequacy or completeness of the information. Market share information is based on management estimates except where explicitly identified.

To the maximum extent permitted by law, PGL and any person involved in the preparation of this presentation disclaim all liability and responsibility (including without limitation, any liability arising from fault or negligence) for any direct or indirect loss or damage which may arise or be suffered through use or reliance on anything contained in, or omitted from, this presentation.

All currency figures are in Australian dollars unless otherwise stated. Totals may not add up precisely due to rounding.