



10 June 2020

Prosopa Trading Update & Continued COVID-19 Response

- March quarter performance was solid, with \$122.8 million of total loan originations and \$37.4 million of revenue, both in line with management's expectations¹
- Performance for the months of April and May has been materially impacted by COVID-19 related pressures on small businesses in Australia and New Zealand but Prosopa is now seeing improved demand in both countries
- In response to COVID-19, Prosopa has provided 5,501 customers with relief packages, including short-term payment deferrals and reduced repayments
- The small business sector is showing early signs of resilience with 18.6% of customers on full deferrals returning to full repayments since 15 May 2020²
- Prosopa has temporarily adjusted its underwriting parameters and credit assessment model in prudent response to changing economic environment, resulting in materially reduced origination volumes in April and May
- Operating expenses have been stepped down for Q4FY20 and are expected to be approximately 32% lower than for the prior quarter Q3FY20
- Prosopa has worked with its warehouse funders who remain supportive of Prosopa providing its customers with COVID-19 relief
- Unrestricted cash³ has increased from \$43.8 million as at 31 December 2019 to \$61.9 million as at 31 May 2020, providing Prosopa with an improved liquidity position. This has arisen as a result of reduced spending and reduced originations in response to the COVID-19 environment
- Prosopa is planning for the future and how it can better support small businesses and respond to emerging opportunities in the SME working capital market

Prosopa Group Limited (ASX: PGL) ("Prosopa" or "Company" or "Group"), Australia's number one online lender to small business⁴, today provides an update on the Company's response to COVID-19 and a trading update.

Since the COVID-19 crisis began, we have been committed to the ongoing support of our team and the operational resilience of our business, which remain our top priorities. Prosopa activated its Business Continuity Plan in early March and staff have been working remotely since then without any operational interruptions to the business. Prosopa has now begun a phased voluntary return to office program guided by employee feedback and Government restrictions, with the flexibility to respond to changing scenarios.

¹ Unaudited management accounts.

² As at 4 June 2020.

³ Unrestricted cash includes cash and cash equivalents as reflected in our consolidated balance sheet in accordance with applicable accounting standards, but does not include cash held in securitisation trusts; as explained in our Response to the ASX Query letter dated 23 April 2020 (and also refer to footnote 7). This applies to all references to unrestricted cash in this release.

⁴ Prosopa is ranked #1 in Australia in the Non-bank Financial Services category on independent review site TrustPilot with a TrustScore of 4.9 and over 5,210 reviews as at 31 May 2020.



Solid Q3FY20 performance⁵

Prospa experienced solid Q3FY20 performance with total loan originations of \$122.8 million, up 21.5% on the prior corresponding period (Q3FY19: \$101.1 million) and in line with management's expectations.

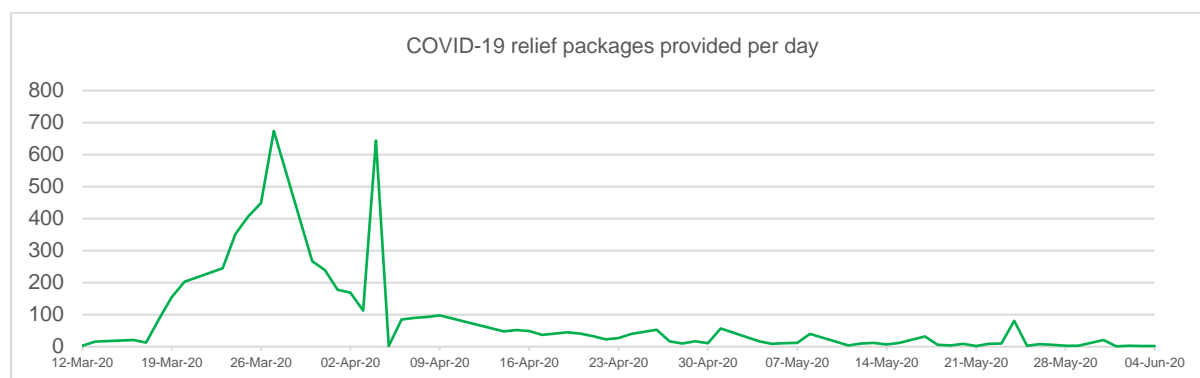
Group revenue during the quarter was \$37.4 million, up 13% on the prior corresponding period (Q3FY19: \$33.1 million) and also in line with management's expectations.

The business delivered average gross loans during the quarter of \$465 million, up 41.7% on the prior corresponding period (Q3FY19: \$328.1 million).

Supporting our customers through tough times

During the period 1 March to 31 May 2020, Prospa provided 5,501 customers with COVID-19 related relief packages, typically full deferrals of 6 weeks' duration or partial deferrals of 50% of the typical repayment for 12 weeks. Interest on the outstanding principal during the full or partial deferral periods was capitalised. No fees were charged for this support.

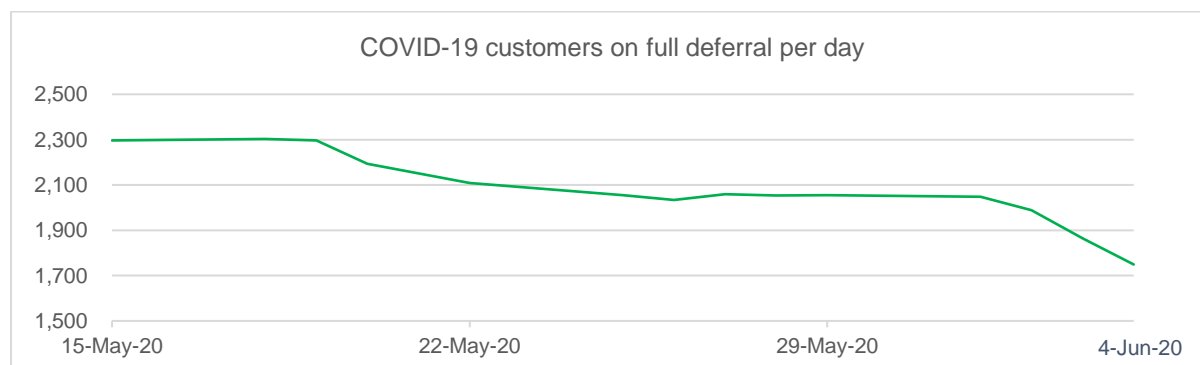
The volume of support requests has returned to pre-COVID-19 levels and remains within portfolio parameters. As at 4 June 2020, 1,749 (12.8%) of Prospa's customers are being supported with a full deferral, 2,731 (19.9%) with a partial repayment arrangement, and 1,021 (18.6%) have reverted to full contractual repayments.



The sectors most adversely impacted by Government restrictions included tourism related businesses, cafes, beauticians, gyms, pubs and restaurants and clothing retailers. The sectors most resilient included chemists, liquor retail, health providers and essential food providers.

Prospa's credit decision engine and regular data capture allowed the business to quickly and proactively evaluate areas of potential stress across its portfolio.

Prospa continues to monitor customer recovery carefully to ensure repayments can occur on a sustainable footing as businesses come out of hibernation.



⁵ Unaudited management accounts.



Prospa's average customer Net Promoter Score for the period 1 March to 31 May 2020 remains in excess of +77, illustrating the positive working relationship we have with our customers.

Pro-active risk assessment and management

Prospa has taken a proactive and dynamic approach to managing operational performance, with the Board and management monitoring three key metrics: the credit performance, appropriate levels of new originations and unrestricted cash position.

Prospa has made pre-emptive adjustments to its underwriting parameters and credit assessment model to reflect the current health and macroeconomic environment as well as sensitivities in industry-specific small business trading models. Approvals are expected to run at a lower than usual rate for the remainder of CY20 to meet Prospa's Board-mandated fully seasoned static loss rate range of 4-6% over the cycle.

Consistent with an adjusted risk appetite and a focus on supporting existing customers, originations for Q4FY20 to 31 May 2020 were slowed and were just over \$8.7 million including SME Guarantee Scheme supported loans.

Cost reduction initiatives

Prospa has taken prudent steps to reduce its cost base in the context of the current operating environment by accelerating cost reduction initiatives already underway and implementing new initiatives to meet the challenges of COVID-19.

During Q3FY20, Prospa made reductions to its workforce, significantly reduced its marketing expenditure, renegotiated contracts with suppliers, and reduced employment-related expenses. As a result, operating expenses are expected to be approximately 32% lower for Q4FY20 than for the prior quarter Q3FY20. Prospa will continue to evaluate the appropriate operating expense levels as conditions evolve.

Capital Management overview

As at 31 May 2020, Prospa had \$449 million in available third party facilities⁶ provided by its local and international senior and junior funding partners, including unused facilities of \$93 million.

Prospa is actively engaged with its funding partners to secure the required flexibility and temporary relief to its warehouse facilities in order to provide its customers with COVID-19 related relief packages. Support from our funders has enhanced Prospa's ability to provide its customers with appropriate assistance during the impact of COVID-19 including reduced payments, revised payment schedules and deferrals. The Company has built a reserve of approximately \$12 million to provide additional credit support across its third party facilities which will be funded from unrestricted cash. This should not be taken as indicative of the Company's expected credit loss provisions which will be provided with the FY20 results.

Funding costs during the Q3FY20 period remained relatively stable at 5.5% per annum, compared with the H1FY20 period at 5.4%.

The Company's three largest warehouse facilities mature in December 2021, February 2022 and May 2022 respectively, unless extended prior to that date.

⁶ Includes warehouse facilities that are partially utilised but which permit drawdown and repayment under the committed limits at any time during the Availability Period, as explained in our Response to ASX Query letter dated 23 April 2020. This applies to all references to available third party facilities in this release.



At 31 May 2020, unrestricted cash was \$61.9 million⁷. Cash and cash equivalents⁸, unrestricted cash and liquidity have all increased since last reported results as at 31 December 2019 and are at the highest reported level for the Group since inception.

31 May 2020 Cash and cash equivalents <small>Unaudited management accounts</small>	31 Dec 2019 Cash and cash equivalents	% Change	31 May 2020 Unrestricted cash <small>Unaudited management accounts</small>	31 Dec 2019 Unrestricted cash	% Change
\$109.4 million	\$102.5 million	+7%	\$61.9 million	\$43.8 million	+41%

Prospa has also submitted an application to the AOFM managed Structured Finance Support Fund ('SFSF') for additional funding capacity. The SFSF has stated aims to support continued access to funding markets for smaller lenders and mitigate impacts on competition in consumer and business lending markets.

As announced on 14 April 2020, Prospa has received an allocation of up to \$223 million from the Federal Government's Coronavirus SME Guarantee Scheme to help small businesses deal with the impact of COVID-19. This Scheme will be applicable for new lending that meets the criteria and is provided prior to 30 September 2020.

Current trading and outlook

While Prospa adopted a prudent approach to originations during April and May 2020, the Company is now seeing improving demand for credit in both Australia and New Zealand as Government restrictions ease.

The nature of Prospa's business model, credit decision technology and its strong funding position and balance sheet provide it with flexibility to respond to changes in the environment. The business is continuously monitoring conditions by geography and industry.

Further, the changes made to the organisation referred to in this release provide Prospa with the flexibility to manage the business in line with current market conditions and will ensure the company is well positioned to capitalise on a post COVID-19 recovery in small business lending.

Prospa is continuing a strategic review of its portfolio and capabilities through customer research, close monitoring of the competitive environment and microeconomic and macroeconomic trends in local and global markets and will update the market subsequent to the release of its FY20 results.

Due to the continued uncertainty around the potential economic impact on small businesses across Australia and New Zealand, Prospa believes it is not appropriate to issue FY20 originations and revenue guidance at this time.

Greg Moshal, CEO of Prospa said:

"I'm really proud of how quickly the team dedicated themselves to providing the highest level of support to our customers and partners during COVID-19, while also dealing with the impacts on their own lives. As our third quarter results demonstrate, Prospa was in a strong position going into COVID-19 which allowed us to react quickly and adapt to the new operating environment."

"We commend the Government for recognising how important small businesses will be to our economic recovery and for their support programs like the SME Loan Guarantee Scheme. As a company we continue to closely monitor conditions and our data for evidence of the recovery and"

⁷ Specifically in relation to unrestricted cash at 31 May 2020, \$61.9 million includes the reserve built by the Company of approximately \$12 million to provide additional credit support across any third party facilities.

⁸ Includes cash and cash equivalents as reflected in our consolidated balance sheet in accordance with applicable accounting standards, and includes cash held in securitisation trusts, as explained in our Response to ASX Query letter dated 23 April 2020. This applies to all references to cash and cash equivalents in this release.



we're encouraged by the green shoots we're seeing with our customers as they get back to business. Almost one in five of our customers who originally requested relief are already in a position to resume full repayments.

"We have used this time to focus on preserving our capital so we are now well placed to support small businesses as they start to return to work. Our enhanced credit model will allow us to identify and support thousands more Australian businesses who are looking not just to survive, but to prosper, as they emerge from Government restrictions."

This announcement has been authorised for release by the Board.

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About Prospa

- Prospa provides cash flow products and services that allow small businesses to prosper
- Prospa has originated over \$1.5 billion in loans to date across Australia and New Zealand
- Prospa has served more than 28,500 small business customers
- Prospa is a founding signatory of the AFIA Online Small Business Lender Code of Lending Practice
- Prospa has a Net Promoter Score in excess of +77 and is ranked #1 in the Non-bank Financial Services category in Australia and New Zealand on independent review site TrustPilot
- Prospa is recognised as a 2019 Great Place to Work and was awarded AON Hewitt Employer of Choice in 2017 and 2018
- In 2018 and 2019 Prospa won Australian Fintech Lender of the Year, and achieved a clean sweep of the MFAA Excellence awards in all five States.