

prospa

1H21 Results

25 February 2021



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"With a small business you're always hamstrung for capital to expand and grow. I've got quite a few plans for next year on expanding equipment and areas of the market that I'm trying to penetrate ... so, I quite expect that I'll be going back to Prospa for a helping hand again next year."

Phil, Christchurch, New Zealand

Section 1

Overview and performance summary

Prosopa at a glance

prosopa

We are a financial technology company building cash flow products and services for the small business economy

\$1.8b

in funding deployed to ANZ small businesses since inception¹



#1

ranked non-bank lender on Trust Pilot²



11,300

active customers³



200+

Employees



Proprietary credit decision technology platform



Disrupting a market segment underserved by traditional banks



Multi-channel distribution network

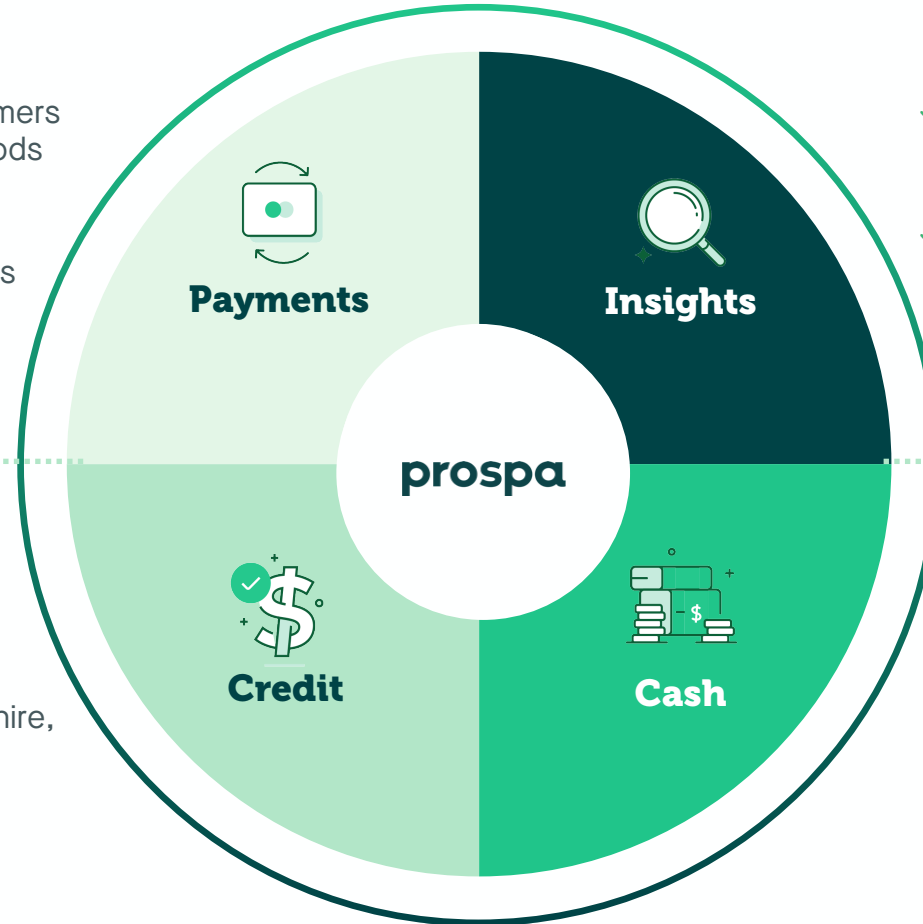
1. Originations to date from all sources, including Small Business Loan, Line of Credit, Back to Business Loan, Back to Business Line and ProsopaPay; and all geographies including Australia and New Zealand, as at 31 December 2020.
2. Prosopa is ranked #1 in Australia in the Non-bank Financial Services category on independent review site TrustPilot with a TrustScore of 4.9 and 6,192 reviews as at 23 February 2021. Prosopa is ranked #1 in New Zealand in the Non-bank Financial Services category on independent review site TrustPilot with a TrustScore of 4.9 and 791 reviews as at 23 February 2021.
3. Active customers as at 31 December 2020.

Prospa: a cohesive platform helping small business grow, run and pay



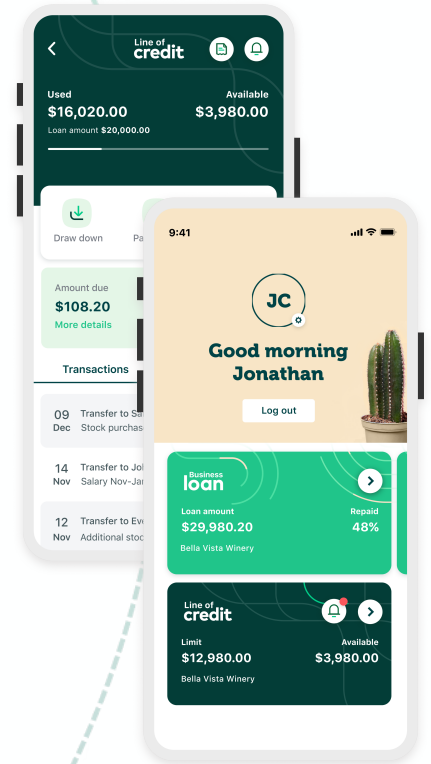
- ✓ Enable customers to pay for goods and services
- ✓ Manage daily expenses, bills and accounts payable

- ✓ Fund growth opportunities
- ✓ Re-stock, re-hire, upgrade equipment



- ✓ Identify challenges and opportunities
- ✓ Smarter, data driven decisions

- ✓ Improve cash flow
- ✓ Manage short falls and surplus
- ✓ Understand cash position and projections

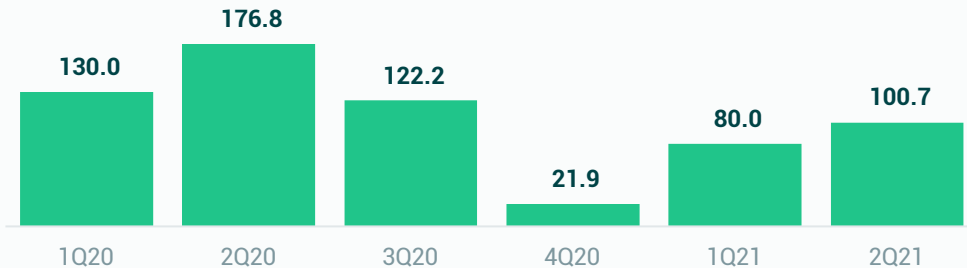


Half Year Financial Highlights

prospa

Strong rebound in originations from the 4Q20 trough¹

1H21 \$180.7m²



Revenue³

1H21 \$55.7m

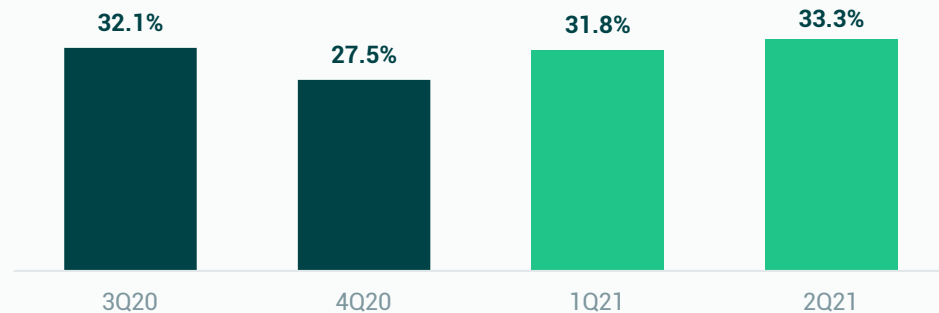
Six-month portfolio yield
stable at 32.5%

EBITDA⁴

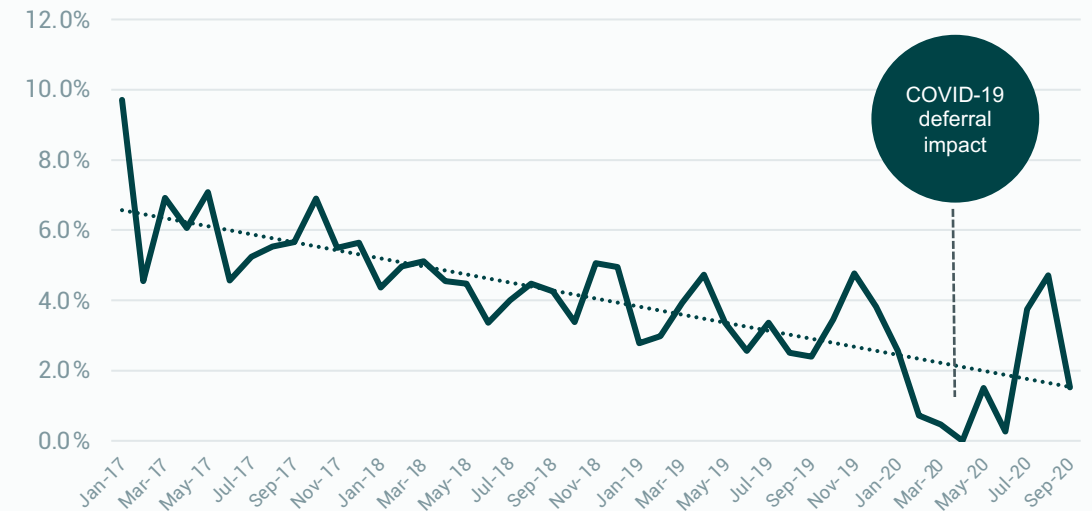
\$4.1m

Lower expenses aligned
with originations

Portfolio yield improving to pre-COVID levels⁵



Continued improvement in Early Loss Indicator⁶



1. All references to Originations in this document are from all sources, including Small Business Loan, Line of Credit (including undrawn amounts), Back to Business Loan, Back to Business Line (including undrawn amounts) and ProsparPay; and all geographies including Australia and New Zealand, unless otherwise indicated.
2. All references to dollars in this document are in AUD unless otherwise indicated.
3. Revenue equals total Interest income plus other income, excludes Transaction costs.
4. Refer to the appendix for a full breakdown of the Profit and Loss statement.
5. Quarterly portfolio yield, annualised. Pre-COVID levels are defined as up to the 3Q20 period.
6. 30+ days past due at 4 months.

Efficient management of expenses and cash enables strong foundation to support future growth

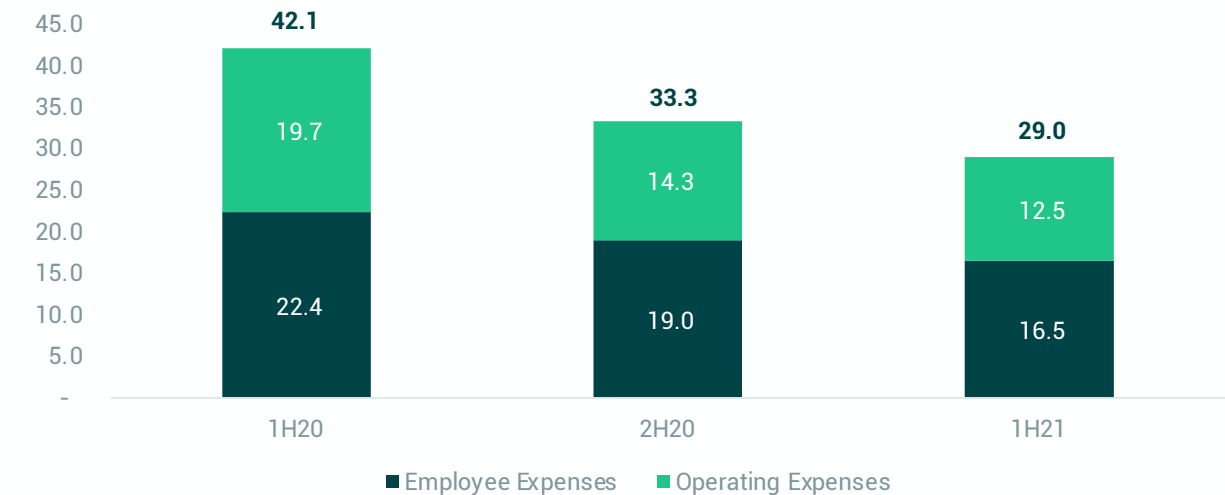
Expenses

- 26%** Reduction in Employee Expenses (1H21 \$16.5 million, 1H20 \$22.4 million)
- 37%** Reduction in Operating Expenses (1H21 \$12.5 million, 1H20 \$19.7 million)

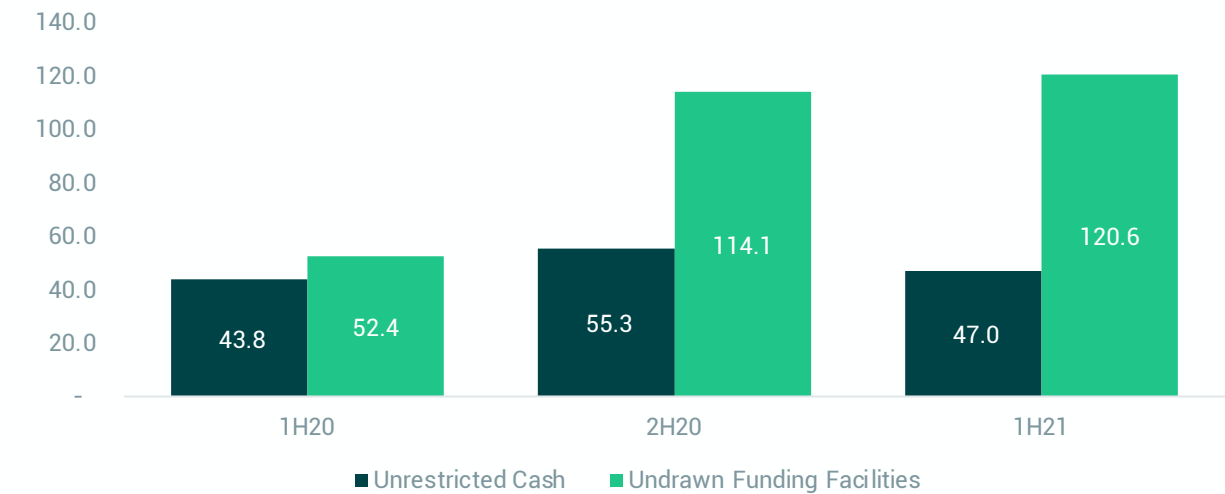
Available Cash and Funding

- +74%** Increase in available cash and funding (1H21 \$167.6 million, 1H20 \$96.2 million)

Half yearly expenses (\$m)



Half yearly available cash and funding (\$m)



Progress against our strategic priorities

prospa

AU/NZ leadership



Maintain and grow our leadership role in small business lending in Australia and New Zealand. Invest in brand, customer acquisition and distribution partner marketing

- ✓ #1 in Australia and New Zealand¹
- ✓ Early mover with a scale advantage in a fragmented market
- ✓ Over +77 NPS²

Customer acquisition



Identify and target customer sectors and geographies where Prosopa has the best opportunity to grow loan originations

- ✓ Total originations of \$100.7 million in 2Q21, up 25.9% on prior quarter
- ✓ New Zealand originations of A\$18.0 million³, up 200% on prior quarter
- ✓ Measured increase in Sales and Marketing as demand returns
- ✓ 62% repeat business from customers⁴

Funding platform for growth



Continue to focus on funding relationships and diversification to support demand

- ✓ Committed funding lines from a diverse range of domestic and international senior and junior funders
- ✓ \$420.3 million in available third-party facilities, including \$120.6 million in available undrawn facilities to support further balance sheet growth
- ✓ \$110.9 million of cash (\$47.0 million is unrestricted)

Data analysis



Proactively monitor for potential impacts on risk appetite and customer demand. Grow our data insights and underwriting capability

- ✓ Leveraging data, industry insights, and our purpose-built credit decision engine to lend within the Board's mandated 4-6% stable static loss rate
- ✓ Successfully concluded Prosopa's COVID-19 deferral period for customers with over 83% of customers who have settled their loans or returned to contractual repayments

1. 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 6,192 reviews as at 23 February 2021. Prosopa is ranked #1 in New Zealand in the Non-bank Financial Services category on independent review site TrustPilot with a TrustScore of 4.9 and 791 reviews as at 23 February 2021. Prosopa also reported the highest prompted and unprompted brand awareness for alternative lenders in research conducted by RFI Group, Australian SME Banking Council, September 2020.

2. Average for period 1 July 2020 to 31 December 2020.

3. 2Q21 A\$18.0 million, up from A\$6.0 million 1Q21.

4. 62% represents the repeat rate for eligible customers only (where eligible customers are defined as not having defaulted on their Prosopa loan), based on the average monthly repeat rates for the 24-month period of 1 Jul 2017 to 30 June 2019. Cohorts originated after Jun 2019 are still in the process of seasoning and therefore excluded from this analysis. Australia Small Business Loan product only between 1/7/2017-30/6/2019.



“Prospa could help us out straight away – it’s just been easy and helpful, when you feel like your business is stuck in a position waiting to take the next step, but you can’t because of lack of funds. I’m proud of what we’ve achieved in the past five years, and Prospa has been there with us for a large part of that.”

**Kim and Frank,
Queensland, Australia**

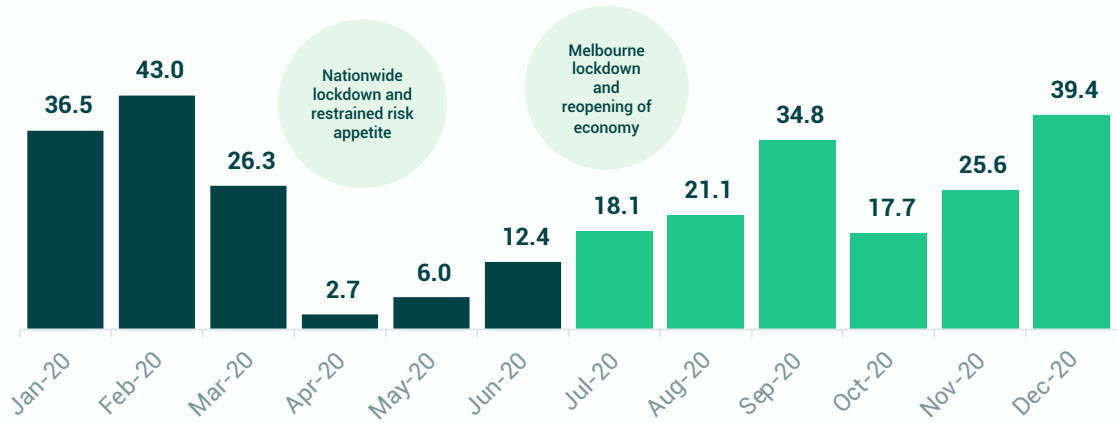
Section 2

Operational update

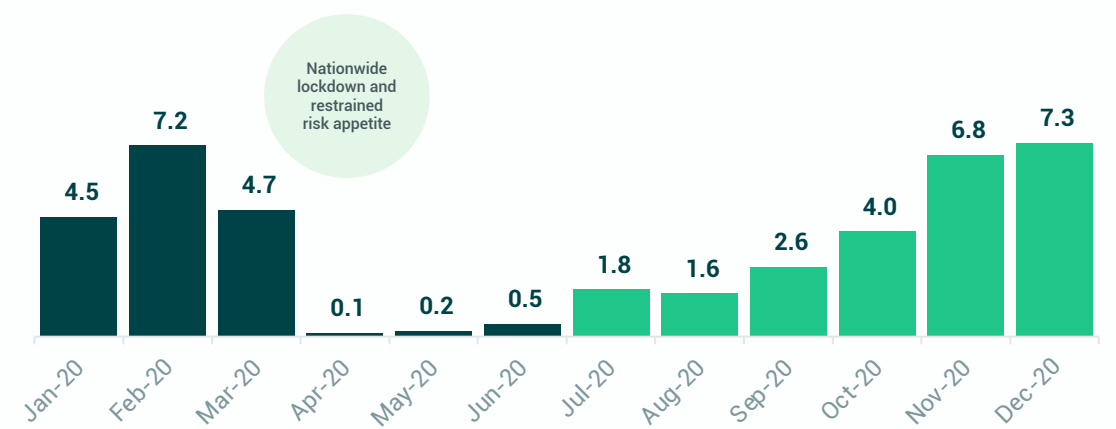
Resurgence in customer demand at 31 December 2020

Significant month on month growth in originations since the peak of COVID-19¹
New Zealand originations have reached the highest ever levels since inception

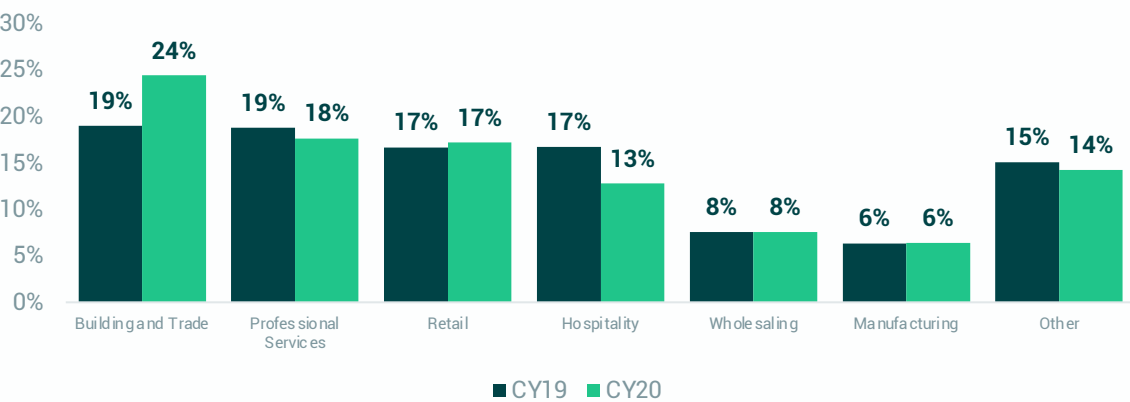
Australia Originations Monthly (\$m)



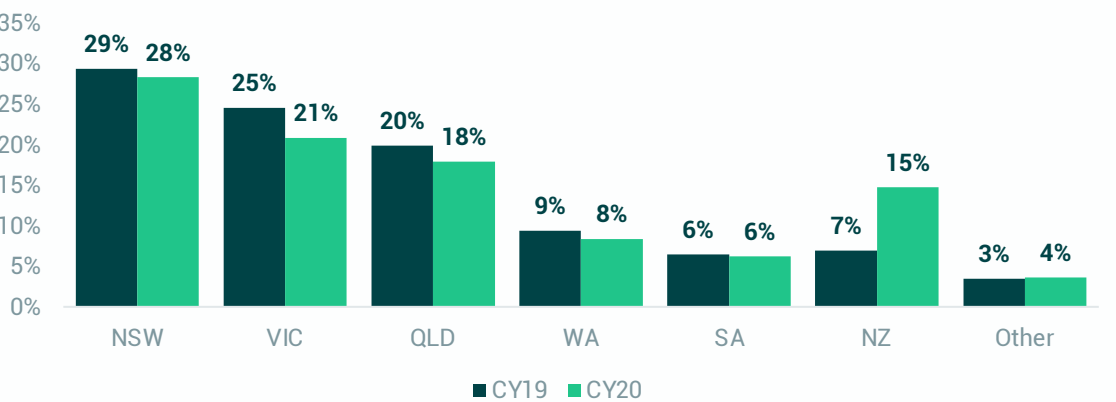
New Zealand Originations Monthly (\$m)²



New Lending by Sector³



New Lending by Geography³



1. Peak of COVID-19 is defined as the 4Q20 period and related lockdowns in Australia and New Zealand.
2. NZD converted to AUD using RBA monthly exchange rates unless otherwise stated.
3. Fresh and refinanced capital originated in Australia & New Zealand, across all products, within reported calendar year.

Portfolio remains balanced and well diversified

At 31 December 2020

Risk management strategy has led to a diverse and growing portfolio across all metrics

Australia

Business Loan

\$36k

Average loan amount¹

Average term
15.0 months³

Line of Credit

\$40k

Average facility limit²

Average utilisation rate
48.8%⁴

New Zealand

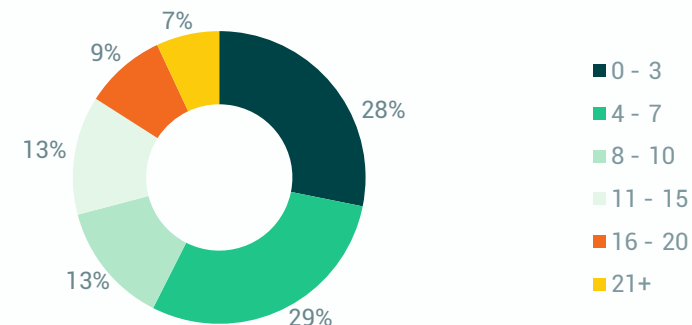
Business Loan

NZ\$30k

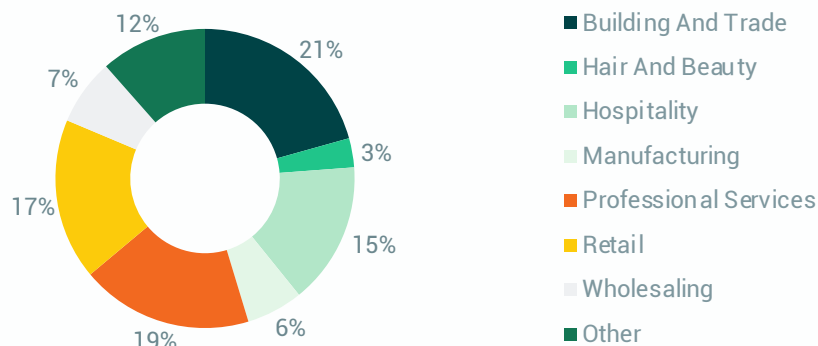
Average loan amount¹

Average term
13.9 months³

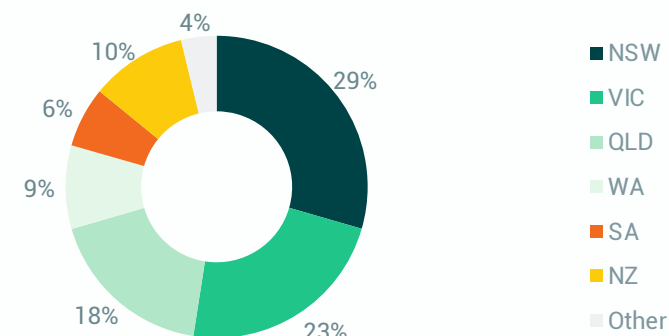
Number of years trading⁶



Portfolio by industry⁵



Portfolio by geography⁵



1. Average fresh capital originated, excluding re-financed amounts, for the period 1H21.

2. Average facility limits originated for the period 1H21.

3. Average loan term for the period 1H21.

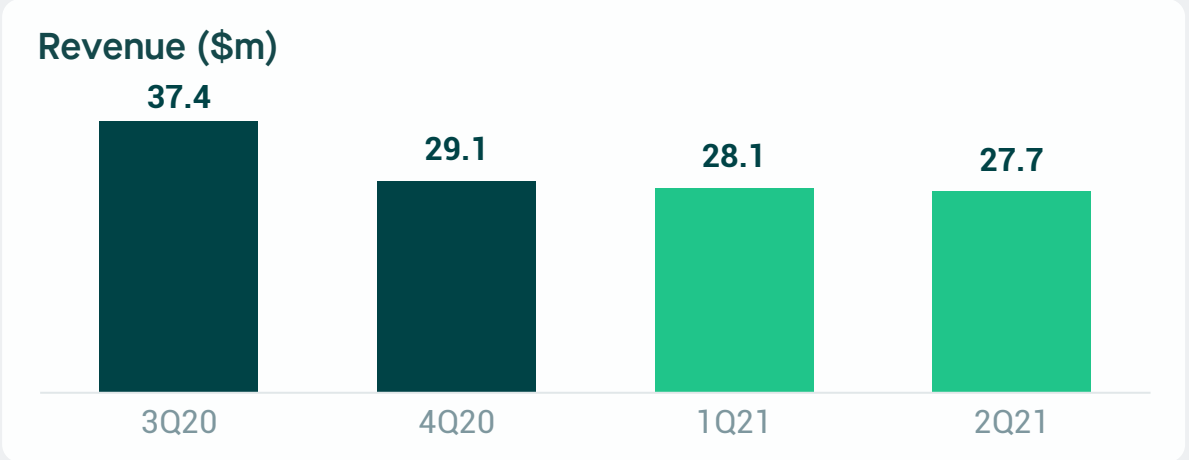
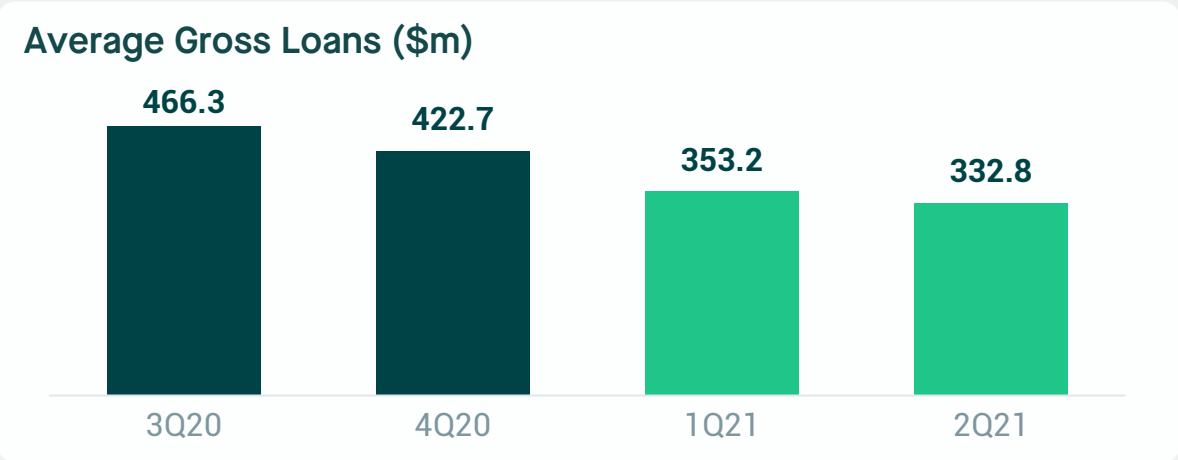
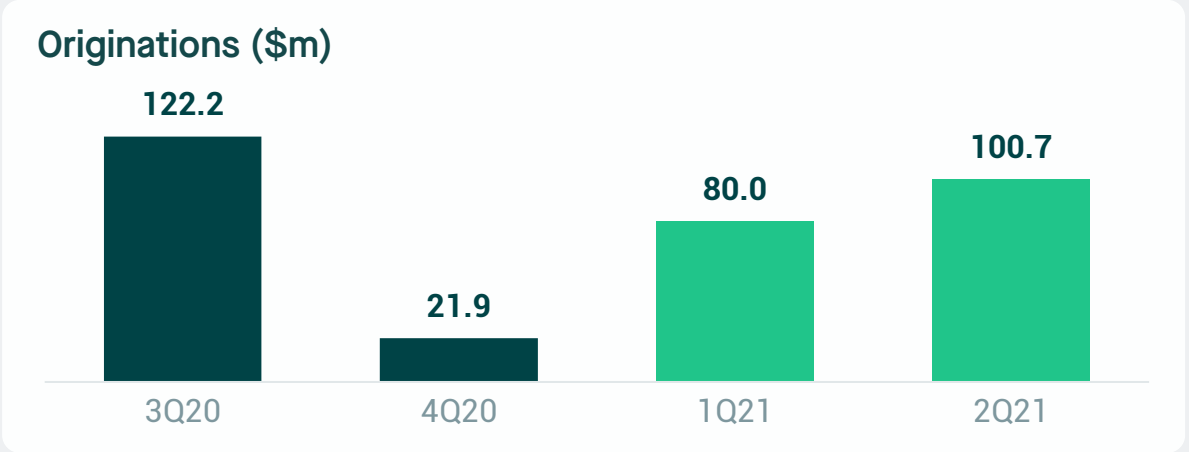
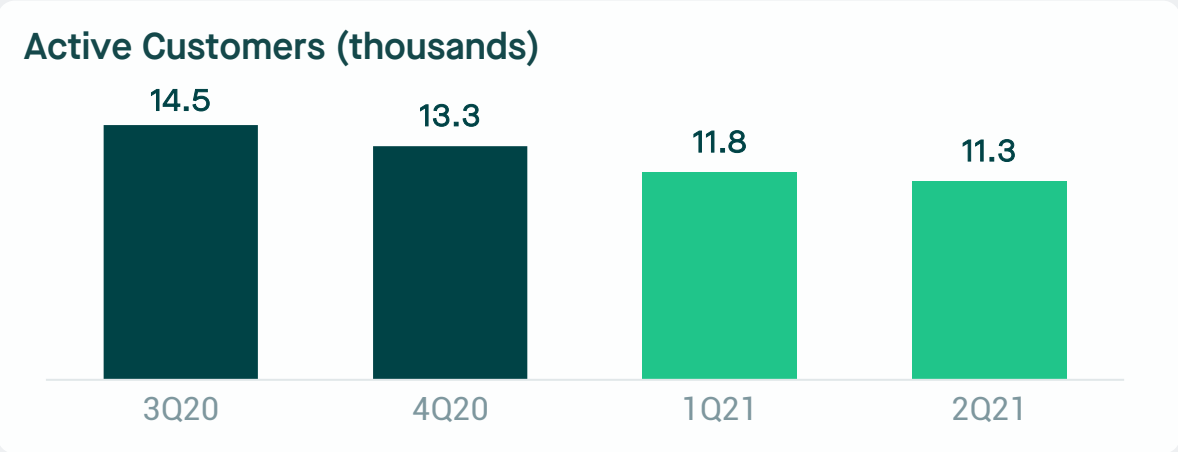
4. Utilisation rate is the % of active utilised lines as at 31/12/2020.

5. As per Financial Statements, note 11.

6. Based on the weighted average principal receivables balance as at 31/12/2020.

Recovery in new originations is expected to lead to future book growth

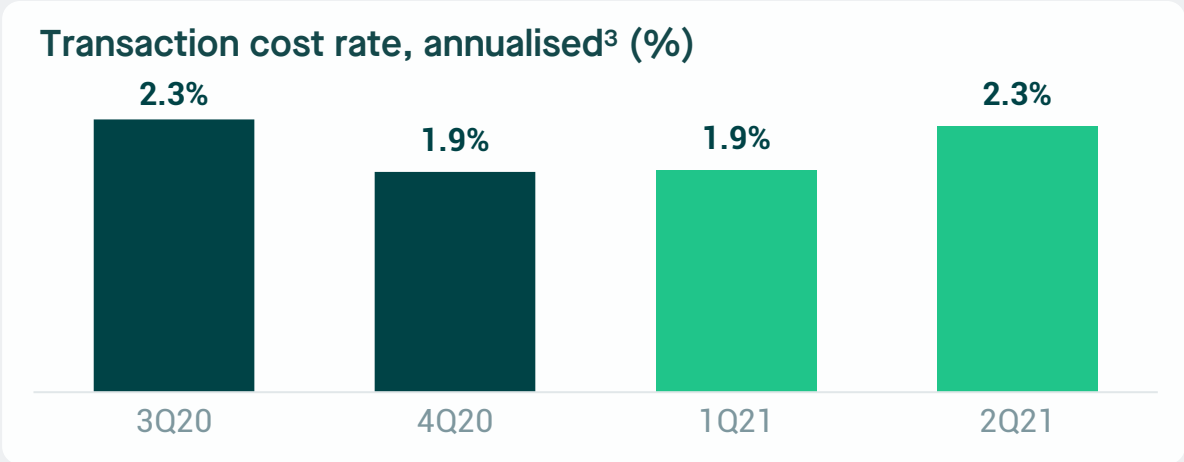
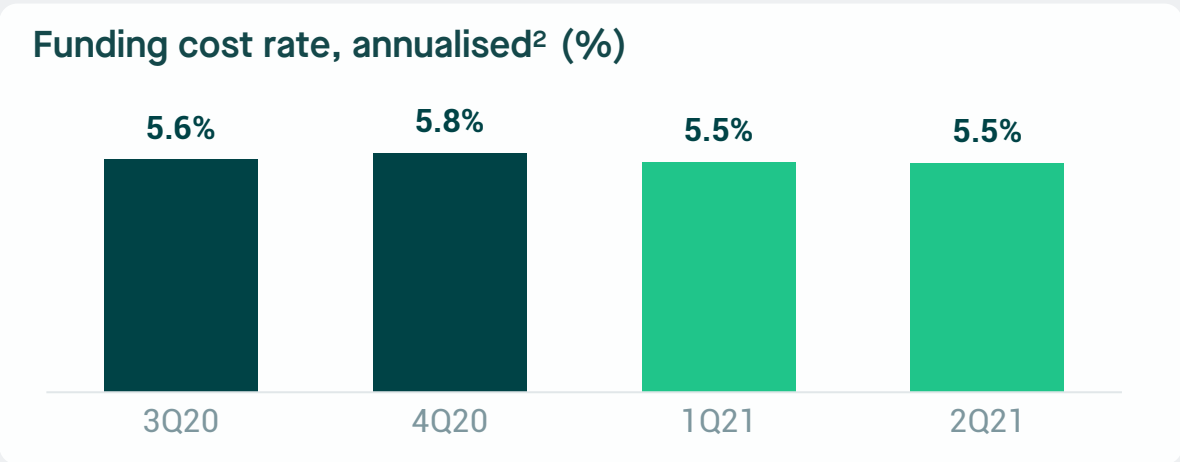
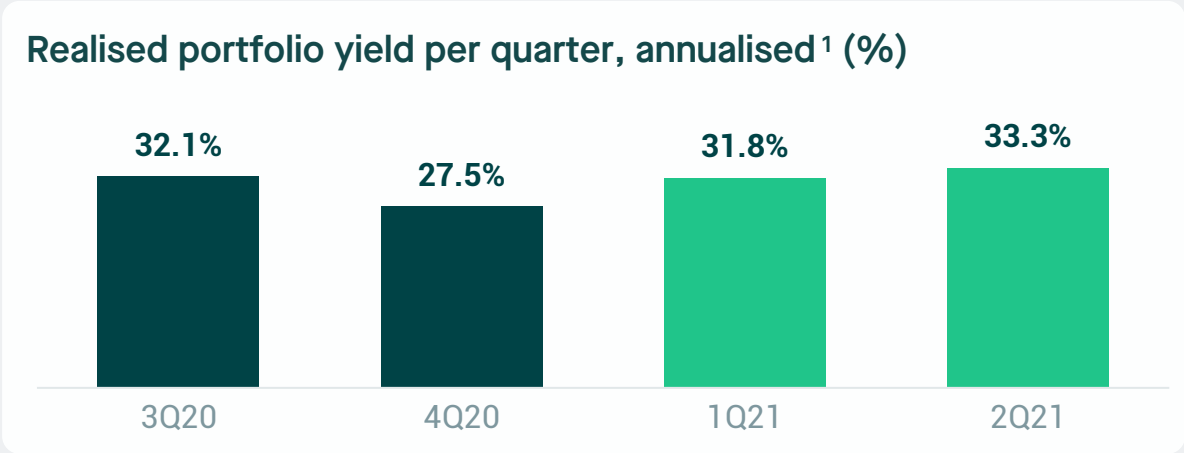
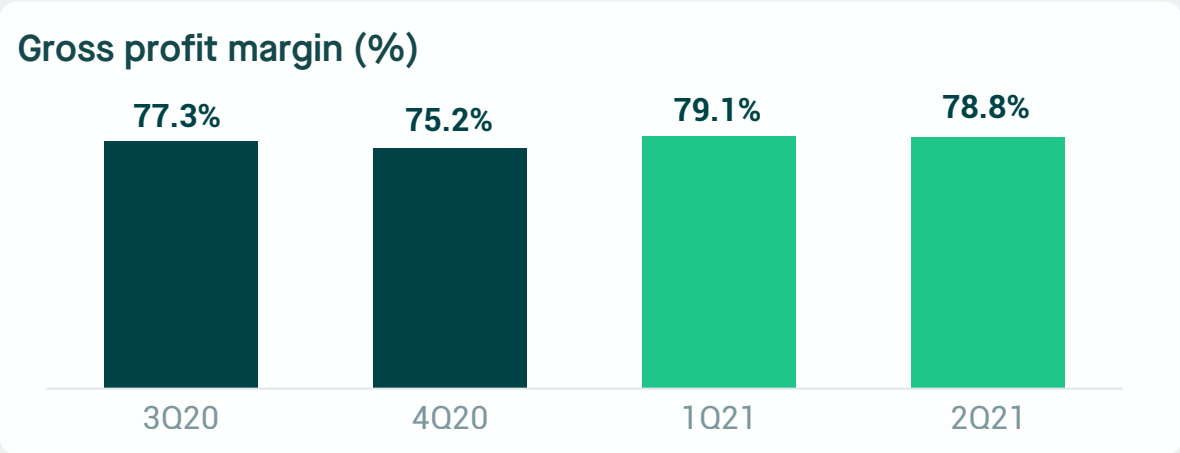
Positive outlook as growth in originations and new customers expected to support average gross loans and revenue in the second half



Strong margin performance despite the impact of COVID-19

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Improvement in annualised portfolio yield and funding rates have resulted in strong gross profit margin



1.

Realised portfolio yield represents the interest (excluding transaction costs) and fee income earned during the period on the average portfolio balance during the period, annualised.

2.

Funding cost rate is equal to funding cost divided by average funding debt, annualised.

3.

Transaction cost rate is equal to transaction cost divided by average gross loans, annualised.



“Prospa gave me that feeling of ‘I don’t have to worry as a business owner, and I don’t have to press pause on my business goals’. My goal is to make sure we cover every square kilometre of New Zealand, and just build a great team of people around us.”

John, Auckland, New Zealand
(pictured right)

Section 3

Financials, funding and credit

Headline Financial Results

29% reduction in expenses offsetting to a large extent the lower originations

Headline financial result (\$m)	1H21	1H20	Var.	Var. %
Originations	180.7	306.8	(126.1)	(41.1%)
Total Revenue	55.7	75.7	(20.0)	(26.4%)
Gross Profit	44.0	61.8	(18.2)	(28.8%)
Total Expenses ¹	39.9	56.2	(16.3)	(29.0%)
EBITDA ¹	4.1	5.6	(1.8)	(26.8%)
Statutory NPAT	(3.2)	0.6	(3.8)	(633.3%)
Operating Cash Flow	13.0	14.0	(1.0)	(7.1%)
Unrestricted Cash	47.0	43.8	3.2	7.3%

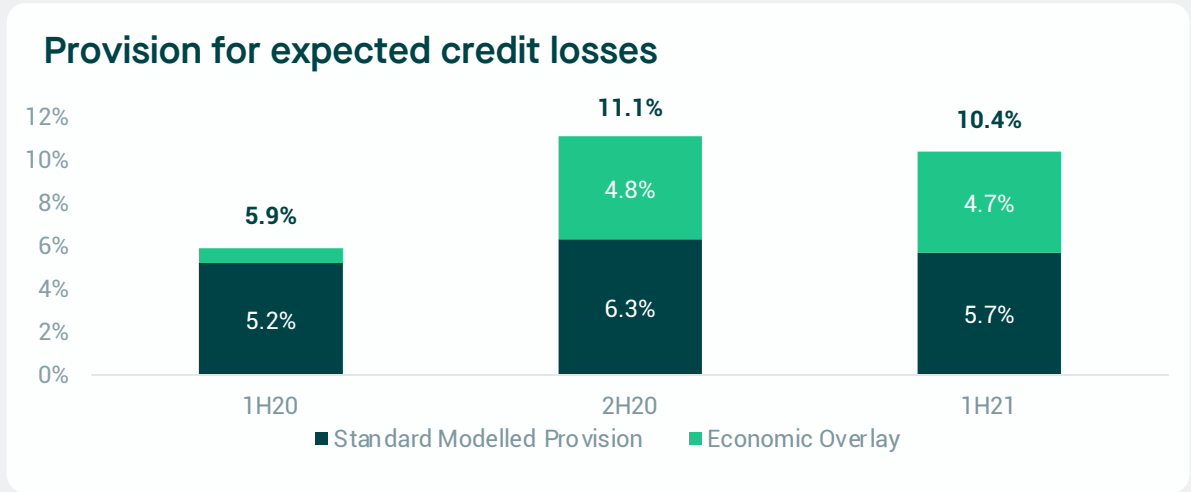
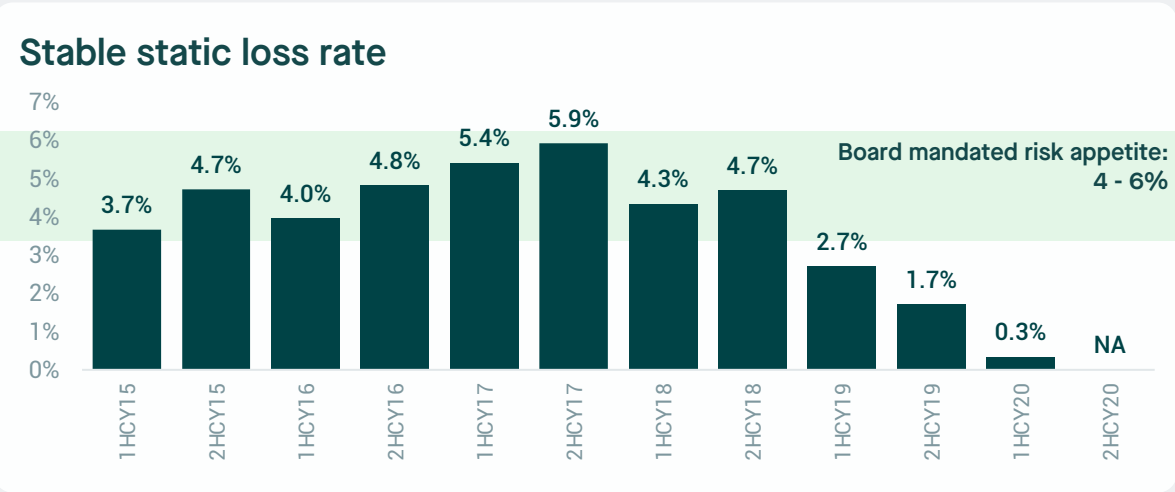
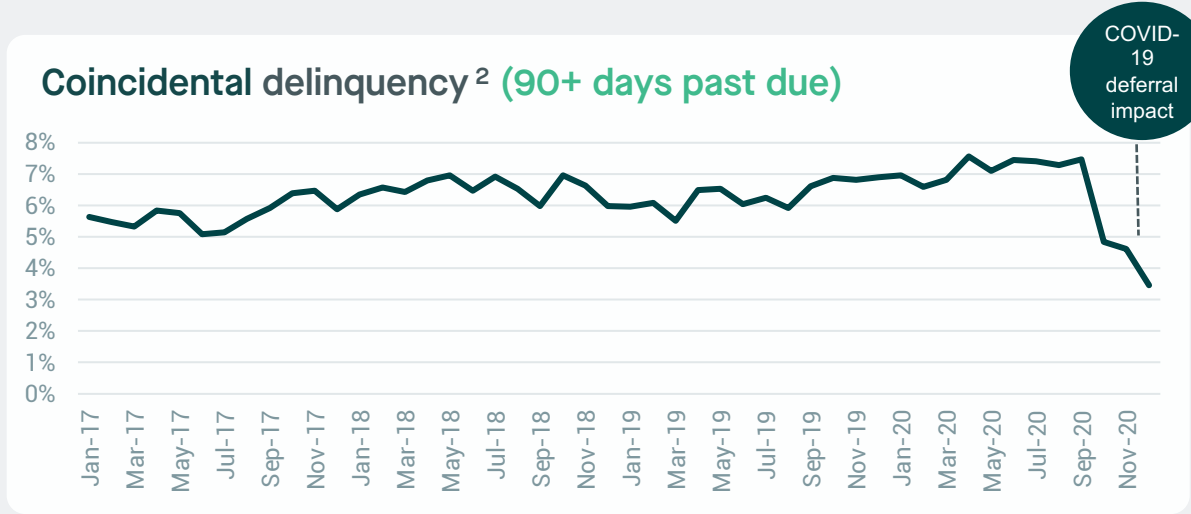
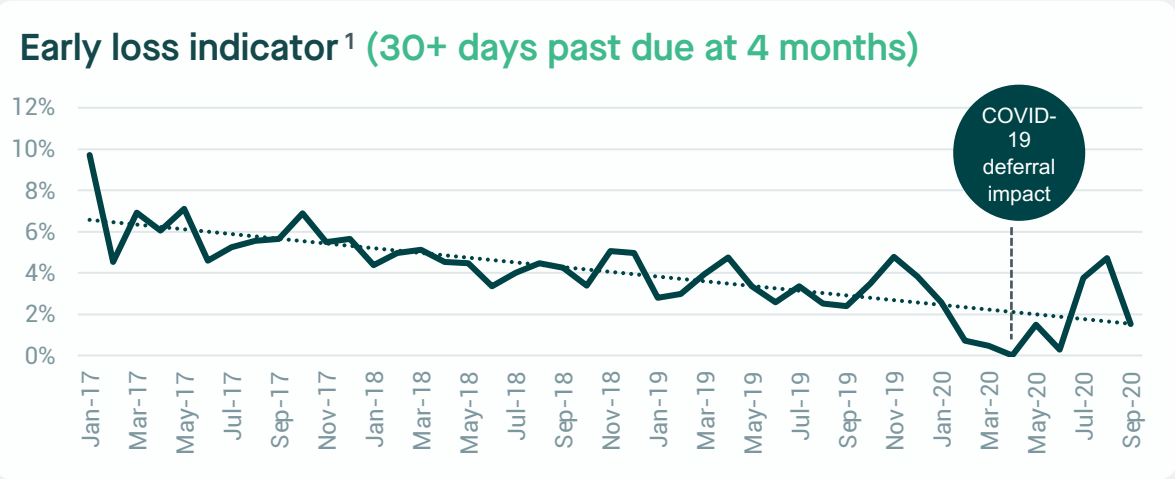
- ✓ Originations up 25.9% between 2Q21 and 1Q21. 1H21 vs 2H20 saw a decline, with 1H20 a record result pre COVID-19
- ✓ Revenue is lower half on half due to the reduced receivables balance. This was driven by the significant decline in originations in 4Q20 impacting the receivables balance
- ✓ 29.0% reduction in total expenses reflects streamlining of business in response to COVID-19 as well as ramp-up of investment in products and geographic footprint
- ✓ Focus on cash management has seen operating cashflow remain flat to 1H20, with significant levels of unrestricted cash (\$47.0 million at 31 December 2020)
- ✓ Operating Cash Flow includes \$2.9 million cash received from the JobKeeper Payment subsidy

1. Refer to appendix for a full breakdown of the Profit and Loss statement.

Credit losses have performed well over the period

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Effectiveness of Prospa’s purpose-built Credit Decision Engine is evident with static loss rates remaining within the board mandated 4% - 6% range and early loss indicators stable



Economic overlay provision maintained as precautionary measure due to the current uncertain economic environment

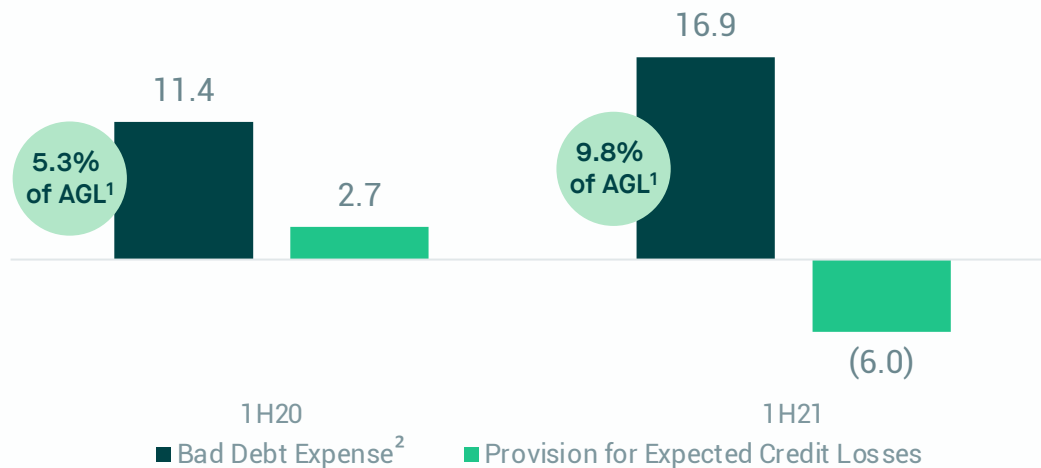
1. Data for the period 1 December 2019 to 31 December 2020 is impacted by COVID-19 related deferrals.
2. Data for the period 1 March 2020 to 31 December 2020 is impacted by COVID related deferrals.

Loan book is well covered for future losses

Impairments were significantly lower despite high provision coverage

1H20 Total Impairment Expense
\$14.1m

1H21 Total Impairment Expense
\$10.9m



- ✓ 22.7% (\$3.2 million) improvement in overall impairment expense vs pcp demonstrates the ongoing effectiveness of the credit decision engine (CDE) despite the impact of COVID-19
- ✓ Decline in receivables and a reduction in the provision rate to 10.4% was partially offset by increased write-offs in 2Q21, as a result of loans written off in the period that were specifically provided for at 30 June 2020
- ✓ As at 31 December 2020, the provision for expected credit losses represents 10.4% of gross loans compared to 11.1% on 30 June 2020 and 5.9% on 31 December 2019
- ✓ Included in the provision is 4.7% held as a precautionary measure due to the current uncertain economic environment

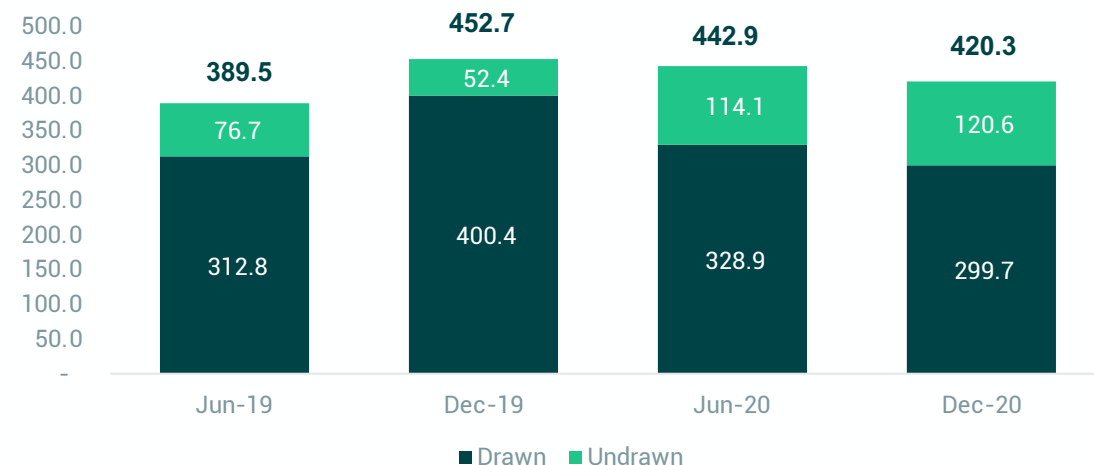
1. AGL is Average Gross Loans. Percentage represents the Bad Debt Expense as % of AGL, annualised.
2. Bad Debt Expense offset by Loss Recoveries received in the period.

Funding platform well placed for balance sheet growth

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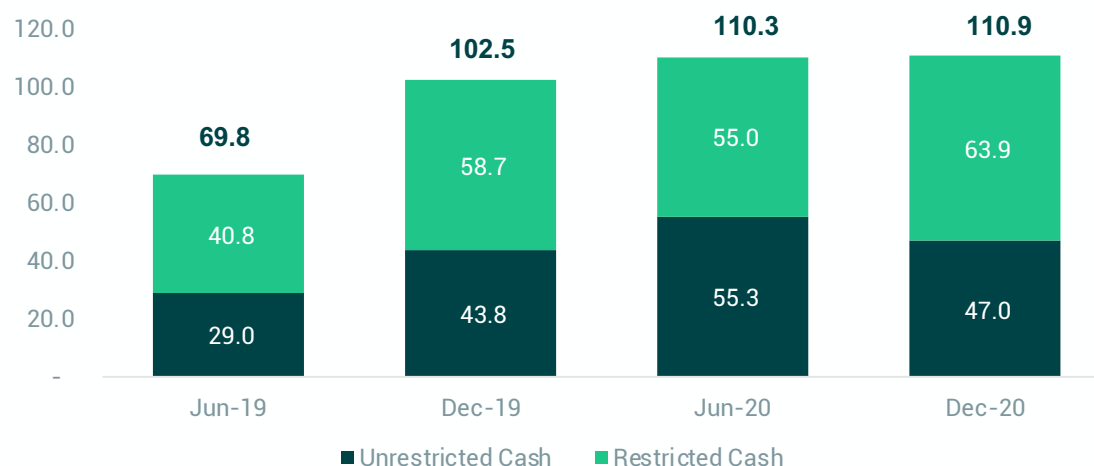
Continued access to diversified funding options, reducing risk and optimising cost of funds

Funding Limits (\$m)¹



- ✓ \$120.6 million of unused facilities as at 31 December 2020
- ✓ Prospa has no corporate debt
- ✓ Our 3 main Australian warehouses have a revolving period ending December 2021, February 2022 and May 2022 respectively²
- ✓ The NZ warehouse has a revolving period ending August 2023
- ✓ On 3 December 2020, the remaining limit of \$27 million (out of maximum \$90 million approved) AOFM funding was allocated to a new Prospa warehouse facility, Propela Trust
- ✓ In December 2020, Prospa exercised its call option on the 2018-1 term issuance to repay the Rated Notes in full

Cash and Cash Equivalents (\$m)



1. Available third-party facilities at end of corresponding period. New Zealand trust facility converted to AUD at end of corresponding period.
2. In Jan-21 we extended warehouse with revolving period ending Feb 2022 for a further 12 months to Feb 2023



“Our first step was to go to our broker ... he suggested Prospa. Our experience with Prospa was absolutely fantastic, it was less about throw your numbers on the table, it was more about okay how can we help you achieve your dreams. Accessing those funds has allowed us to build a state of the art kitchen and employ four new staff members. “

**Kate & Chris, South Australia,
Australia**

Section 4

Outlook

Executing our strategy has **three broad phases**, beginning with strong foundations

Foundations

Strengthen the core business and create on-going capacity to invest in our technology and capabilities we need for the future

Accelerate

Accelerate product innovation and customer engagement in Australia and New Zealand

Expand

Leverage data and strong engagement to meet more of our customers' needs, extend our ability to scale new products, and expand our market

Prosopa has a highly scalable business to meet increased demand



- Prosopa has demonstrated that its business model can quickly scale to meet demand. The company:



is in a **strong financial position** to support the small business economy



has **tested and proven its business model** in challenging economic conditions



has **enhanced its funding platform** to support new loan originations



has **strengthened customer relationships** and has a 62% repeat rate¹



is now delivering **strong return to growth in originations and new customers**

- Leading industry knowledge and insights into the small business economy continues to be a distinct advantage
- Clear priorities for the medium term to grow originations and customer numbers
- Positive outlook with balance sheet expected to return to growth in the second half as originations continue to improve

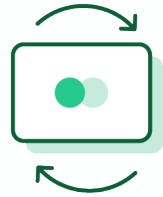
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Prospa's core priorities in FY21



AU/NZ leadership

Maintain our leadership role in small business lending in Australia and NZ. Selectively invest in brand, customer acquisition and distribution partner marketing, and continue to grow the NZ business to capitalise on positive recovery momentum and increasing demand for Prospa's cashflow products.



Growth investment

Invest in short and long term growth by increasing investment in sales and marketing, and research and development to build and trial new payments solutions in market.

Further enhance our product set to include an integrated suite of cashflow management products, allowing us to play a more integral, broader role in our customers' payments and transactions. We will provide the market with a more detailed update on strategy at the end of the financial year.



Customer acquisition

Identify and target customer sectors and geographies where Prospa has the best opportunity to grow loan originations.



Solid funding platform

Continue to focus on funding relationships and diversification to support Prospa's customers and demand.



Data analysis

Proactively monitor for potential impacts on risk appetite and customer demand, and grow our data insights and underwriting capability.

**Thank you
and questions**



Section 5

Additional information

Half Year Profit and Loss

Profit & Loss Statement (\$m)	1H21	1H20	Var.	Var. %
Interest income	52.7	69.8	(17.1)	(24.5%)
Other income	3.0	5.9	(2.9)	(49.2%)
Total income	55.7	75.7	(20.0)	(26.4%)
Transaction costs	3.6	4.5	(0.9)	(20.0%)
Funding costs	8.1	9.4	(1.3)	(13.8%)
Gross profit	44.0	61.8	(17.8)	(28.8%)
Loan impairment expense	10.9	14.1	(3.2)	(22.7%)
Employee expenses ¹	16.5	22.4	(5.9)	(26.3%)
Operating expenses ¹	12.5	19.7	(7.2)	(36.5%)
Total expenses	39.9	56.2	(16.3)	(29.0%)
EBITDA	4.1	5.6	(1.5)	(26.8%)
Depreciation	1.4	1.5	(0.1)	(6.7%)
Amortisation	1.5	1.3	0.2	15.4%
Interest on lease liabilities	0.2	0.3	(0.1)	(33.3%)
Share based payments ²	3.2	1.2	2.0	166.7%
Fair Value	0.0	0.1	(0.1)	(100.0%)
PBT	(2.2)	1.2	(3.4)	(283.3%)
Tax expense	1.0	0.6	0.4	66.7%
NPAT	(3.2)	0.6	(3.8)	(633.3%)

- Previously reported as Sales & Marketing (1H21: \$11.3 million, 1H20: \$15.4 million), Product & Development (1H21: \$4.4 million, 1H20: \$6.1 million) and General & Administrative (1H21: \$16.5 million, 1H20: 21.8 million). General & Administrative historically included share based payments (1H21: \$3.2 million, 1H20: 1.2 million). Refer to note 2 for changes in share based payments reporting.
- Note in prior reporting reported results, share based payments were disclosed within general & administrative and EBITDA. This is not included in total expenses or EBITDA and now disclosed below EBITDA separately.

Statutory Balance Sheet

Statutory Balance Sheet (\$m)	Dec-20	Jun-20
Cash and cash equivalents	110.9	110.3
Loan receivables	306.2	332.2
Deferred tax asset	10.0	10.9
Property, plant and equipment	1.0	1.5
Intangible assets	8.2	7.8
Right of Use Asset	5.8	6.8
Other assets	3.0	3.7
Total assets	445.2	473.2
Trade and other payables	5.9	6.1
Employee benefits	4.5	2.6
Funding debt	298.0	326.8
Lease liabilities	7.7	8.7
Total liabilities	316.1	344.2
Net assets	129.1	129.0
Issued Capital	610.6	610.7
Reserves	(423.9)	(427.2)
Retained earnings	(57.7)	(54.4)
Total equity	129.1	129.0

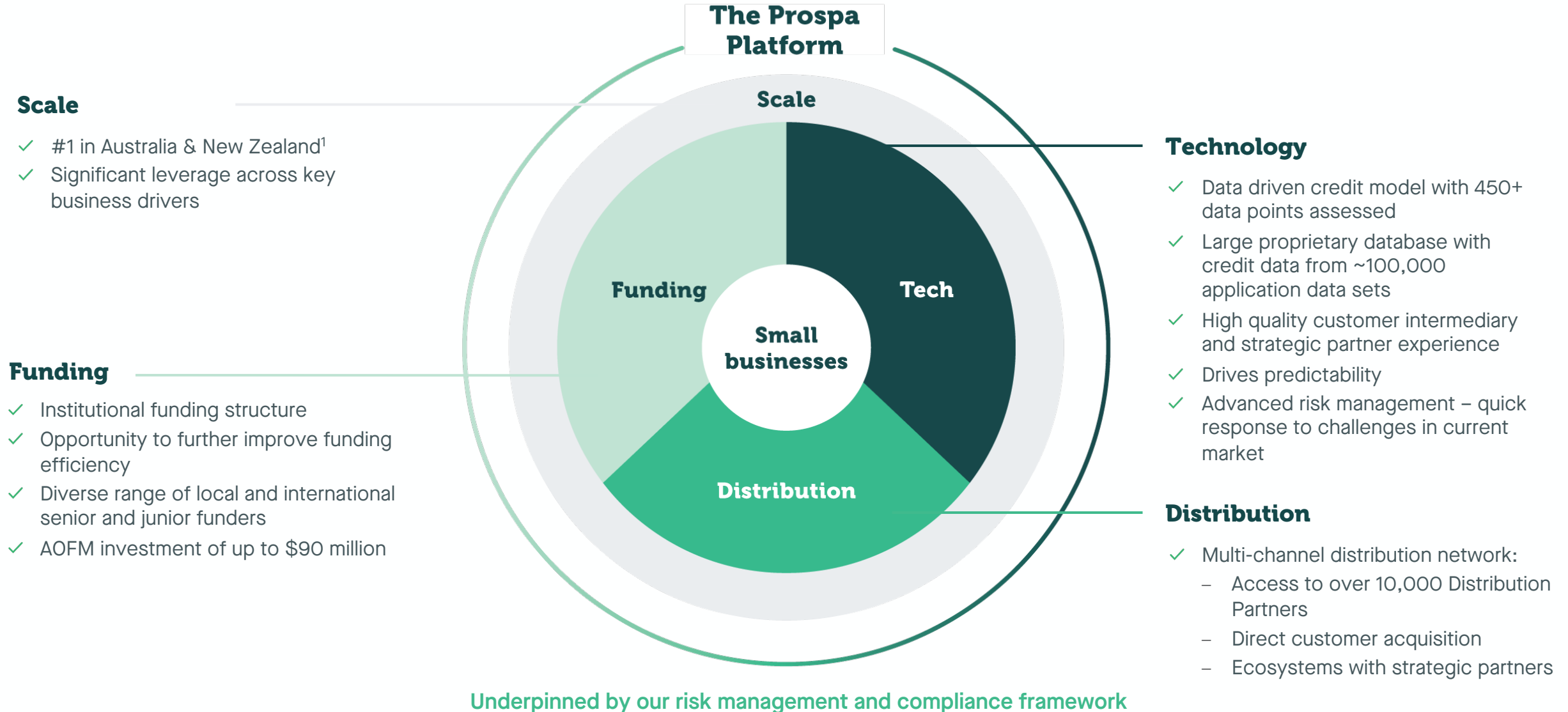
Statutory Cash Flows

Statutory Cash Flow Statement (\$m)	1H21	1H20
Finance income received	48.4	71.2
Other income received	3.3	3.2
Interest and other finance costs paid	(8.7)	(10.0)
Payments to suppliers and employees	(33.3)	(47.9)
Income taxes paid	0.4	(2.5)
JobKeeper payments received	2.9	-
Operating cash flow	13.0	14.0
Net increase in loans to customers	19.4	(65.1)
Capital expenditure (PP&E)	-	(0.3)
Capital expenditure (intangibles)	(1.9)	(2.6)
Investing cash flow	17.5	(68.0)
Proceeds from borrowings	69.4	86.9
Repayment of borrowings	(98.5)	-
Repayment of finance leases	(1.0)	(0.8)
Payments for buybacks	0.0	-
Proceeds from conversion of warrants and options	0.0	0.6
Financing cash flow	(30.0)	86.7
Net cash flow	0.5	32.7

A proven and resilient business model

Prospa's competitive advantage

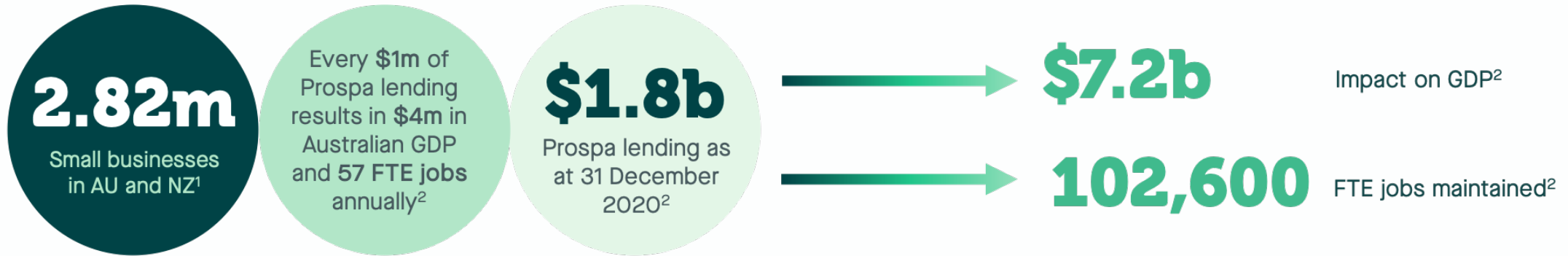
prospa



1. Prospa is ranked #1 in Australia in the Non-bank Financial Services category on independent review site TrustPilot with a TrustScore of 4.9 and 6,192 reviews as at 23 February 2021. Prospa is ranked #1 in New Zealand in the Non-bank Financial Services category on independent review site TrustPilot with a TrustScore of 4.9 and 791 reviews as at 23 February 2021. Prospa also reported the highest prompted and unprompted brand awareness for alternative lenders in research conducted by RFI Group, Australian SME Banking Council, September 2020.

We're continuing to help small businesses as demand for capital rises

Prospa was established in 2012 to help small businesses prosper and grow.



Our mission remains more relevant than ever as small businesses across Australia and New Zealand seek to invest in their businesses in response to changes and opportunities.

In the past 6 months our funding has enabled small businesses to:



Hire new staff



Invest in new equipment



Deliver new products and services



Purchase stock and supplies



Support cashflow

1. ABS 8165 June 2019 (released in February 2020); and "Small Business in New Zealand" Ministry of Business, Innovation & Employment.
2. Using Prospa lending to 31 December 2020. Source: RFI Group and The Centre for International Economics: "The Economic Impact of Prospa Lending to Small Business" (January 2019), commissioned by Prospa.

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Thank you

