

prospa

# 1H22 Results

16 February 2022



# Our purpose is to keep small business moving

Changing the way small businesses  
experience finance through digital innovation  
– helping SMEs prosper



**Greg Moshal**

Chief Executive Officer, Co-Founder



**Beau Bertoli**

Chief Revenue Officer, Co-Founder



**Ross Aucutt**

Chief Financial Officer

# Record half year performance across all key metrics



## Originations<sup>1</sup>



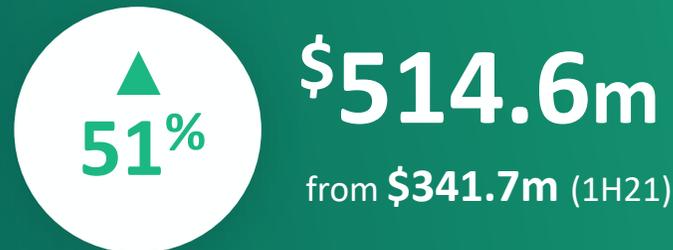
## Revenue<sup>2</sup>



## EBITDA



## Closing Gross Loans



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) in Australia and New Zealand. Small retrospective changes in origination figures may occur as result of back dated cancellations or modifications to support customer outcomes.

2. Revenue before transaction costs.

# Significant progress in key strategic deliverables



## AU/NZ Leadership

- ✓ >\$2.4bn<sup>1</sup> of lending provided to small businesses in AU and NZ since inception, adding \$9.6bn to GDP<sup>2</sup>
- ✓ Recognised as Australia & New Zealand's #1 online small business lender<sup>3</sup>



## Customer Acquisition

- ✓ Record originations of \$315m
- ✓ New Zealand originations up 110% on 1H21
- ✓ 13,200+ active customers
- ✓ Static loss rates within Board mandated tolerance (4-6%)



## Data / Technology

- ✓ Leveraging customer data and industry insights in our proprietary Credit Decision Engine, driving scale and efficiency
- ✓ Investment in technology to deliver new products, improving user experience and enhancing customer lifetime value resulting in record originations in the half



## Funding platform for growth

- ✓ Inaugural \$200 million Term Asset Backed Securitisation issued and priced in September. The first of this asset class in Australia, providing significant cost of funding benefits and cash efficiency
- ✓ \$580.7 million in available third-party facilities (\$105.1 million in available undrawn facilities) and \$110.5 million of cash (\$62.4 million is unrestricted)



## Investing for growth

- ✓ Increased investment in building and developing new products, including our All-in-One Business Account, as well as continued investment in existing products and platforms for optimisation

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 ProspaPay in Australia and New Zealand, unless otherwise indicated. Small retrospective changes in origination figures may occur as result of back dated cancellations or modifications to support customer outcomes.

2. RFI Group research, The economic impact of Prospa lending to small business, commissioned by Prospa, January 2019.

3. In the Non-bank Financial Services category, Prospa is the #1 ranked online small business lender in Australia and New Zealand on independent review site TrustPilot with a TrustScore of 4.9 and over 6,200 reviews in Australia and a TrustScore of 4.9 and over 800 reviews in New Zealand as at 31 December 2021.

# Agenda

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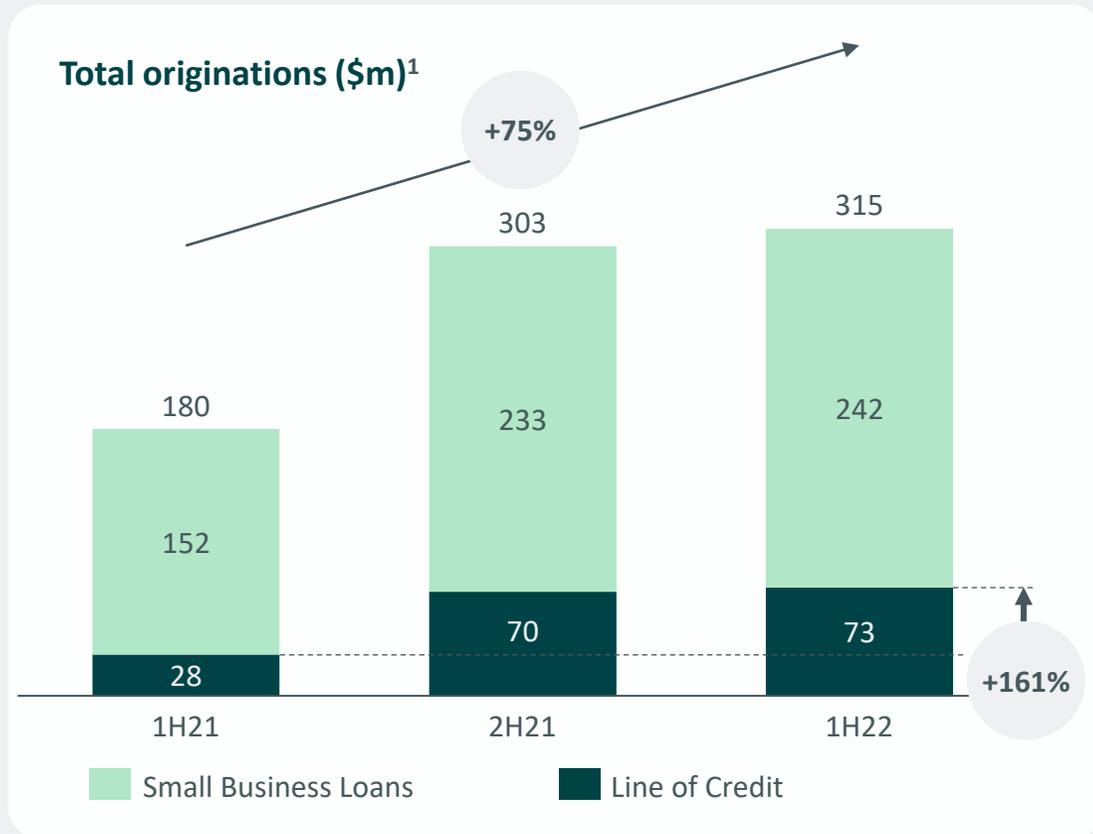
SECTION 1

# Prospa update

# 1

# Record performance with all time high half yearly originations

\$315m of originations achieved, underpinned by strong growth in small business loans across Australia and New Zealand and maintained the Line of Credit performance

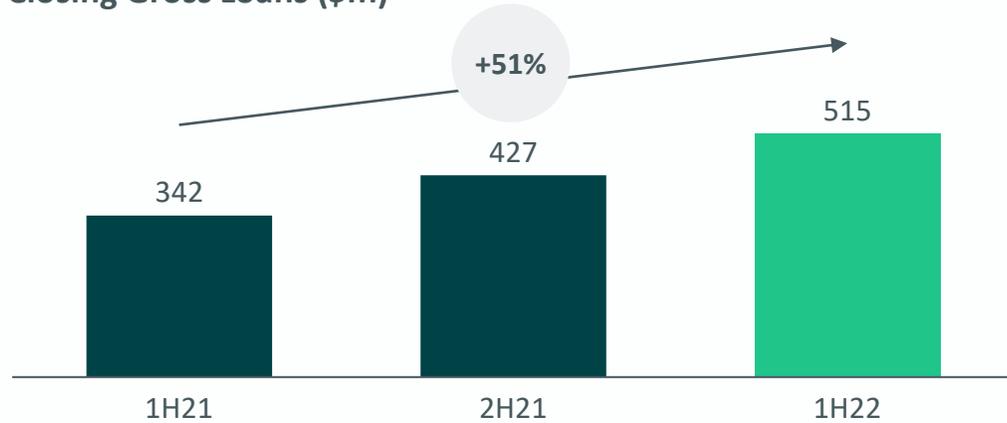


- Originations of **\$315m**, at an all time high, **up 75%** on pcp (1H21: \$180m)
- Small Business Loans originations **up 59%** on pcp (1H21: \$152m)
- Another half of strong support for Prospa’s Line of Credit, with originations **up 161%** on pcp (1H21: \$28m)
- New Zealand originations **increased 110%** on pcp (1H21: \$24m)

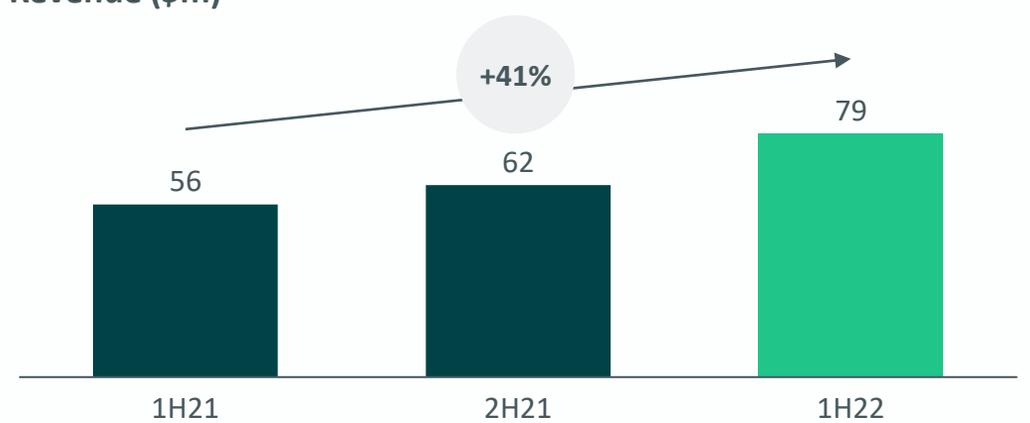
1. Quarterly totals may not add up precisely due to rounding.

# Record performance across all key financial metrics

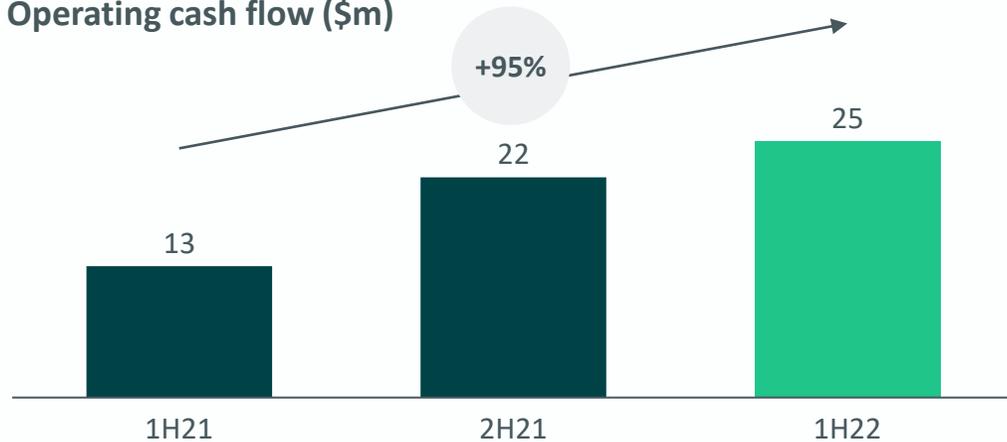
Closing Gross Loans (\$m)



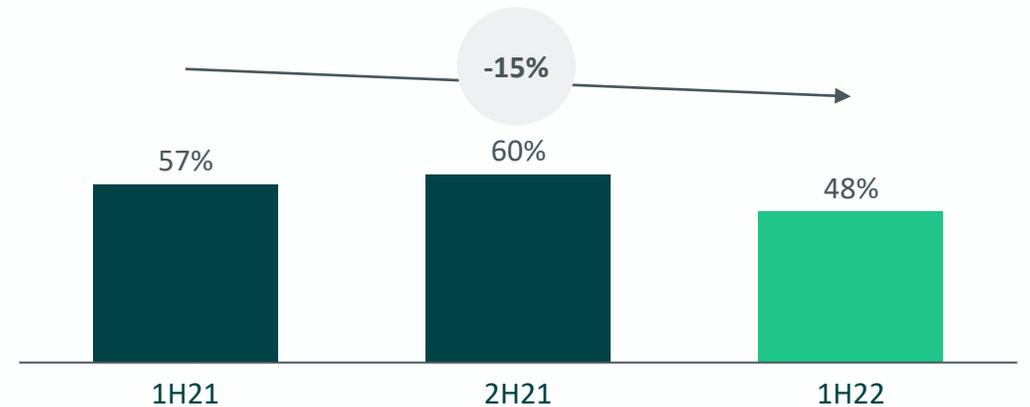
Revenue (\$m)<sup>1</sup>



Operating cash flow (\$m)



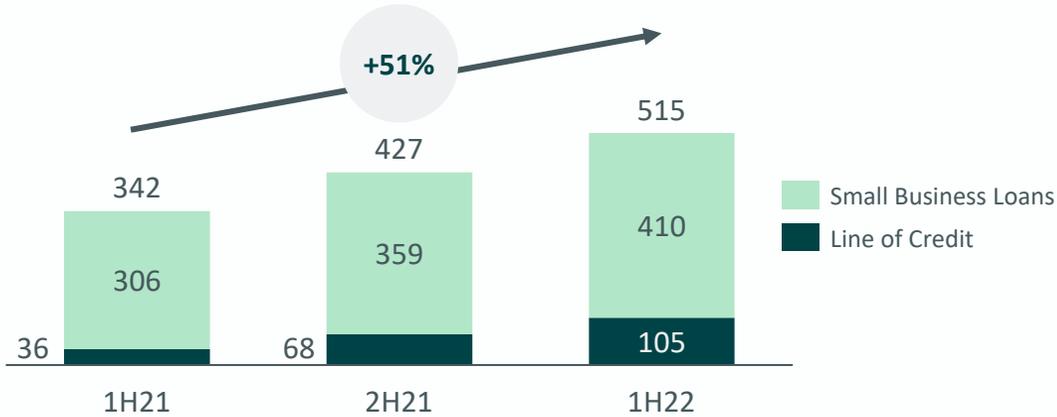
Employee and operating costs as a % of revenue<sup>2</sup> (%)



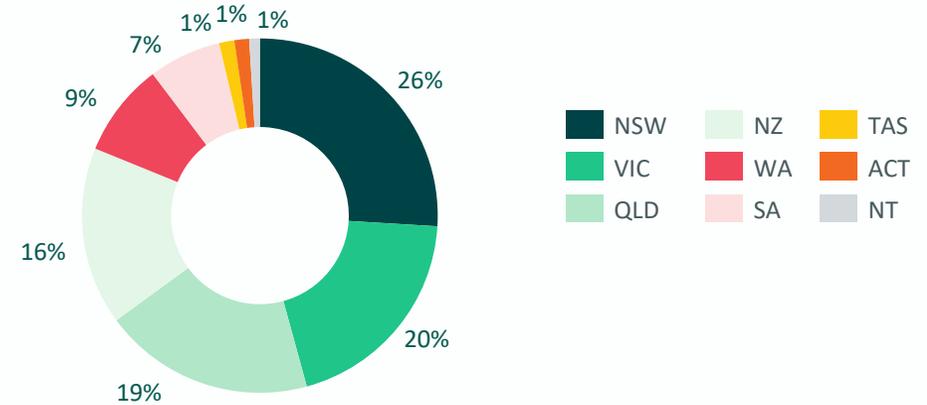
1. Revenue is before transaction costs.  
 2. OPEX excludes JobKeeper payments.

# Significant loan book growth, underpinned by a well diversified portfolio

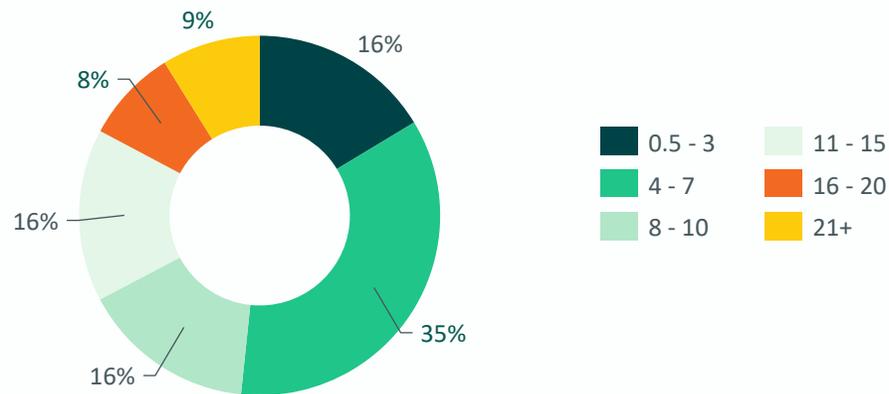
Closing Gross Loans by lending period (\$m)



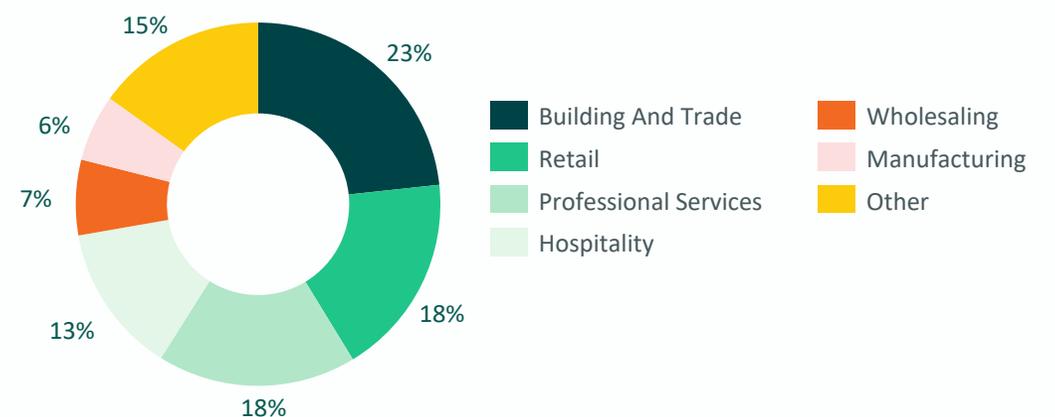
Portfolio by geography



Portfolio by number of number years trading<sup>2</sup>



Portfolio by industry<sup>1</sup>



1. As per Financial Statements, note 11.  
 2. Based on the weighted average principal receivables balance as at 31/12/2021.



SECTION 2

# 1H22 Financials

# 2

# Summary 1H22 financials<sup>1</sup>

134% increase in EBITDA from revenue growth and scale efficiency

\$m	1H22	1H21	1H20	Var. on pcp	Var. % on pcp
<b>1</b> Originations	<b>315.1</b>	<b>180.1</b>	<b>305.8</b>	<b>135</b>	<b>75.0</b>
<b>2</b> Total revenue	<b>78.5</b>	<b>55.8</b>	<b>75.6</b>	<b>22.7</b>	<b>40.7</b>
<b>3</b> Transaction costs	5.2	3.6	4.2	1.7	46.4
<b>4</b> Funding Costs	11.2	8.1	9.4	3.0	37.1
<b>Gross Profit<sup>2</sup></b>	<b>62.1</b>	<b>44.0</b>	<b>62.1</b>	<b>18.0</b>	<b>41.0</b>
<b>5</b> Loan Impairment	14.7	10.9	14.1	3.8	35.2
<b>6</b> Employee Expenses	21.1	16.5	22.2	4.7	28.3
Operating Expenses	16.6	12.5	20.1	4.1	32.6
<b>7</b> Total Expenses	<b>52.4</b>	<b>39.9</b>	<b>56.5</b>	<b>12.6</b>	<b>31.5</b>
<b>EBITDA</b>	<b>9.6</b>	<b>4.1</b>	<b>5.5</b>	<b>5.5</b>	<b>134.0</b>
<b>8</b> Unrestricted cash	<b>62.4</b>	<b>47.0</b>	<b>43.8</b>	<b>15.4</b>	<b>32.8</b>
<b>Operating cash flow</b>	<b>25.4</b>	<b>13.0</b>	<b>14.0</b>	<b>12.4</b>	<b>95.4</b>

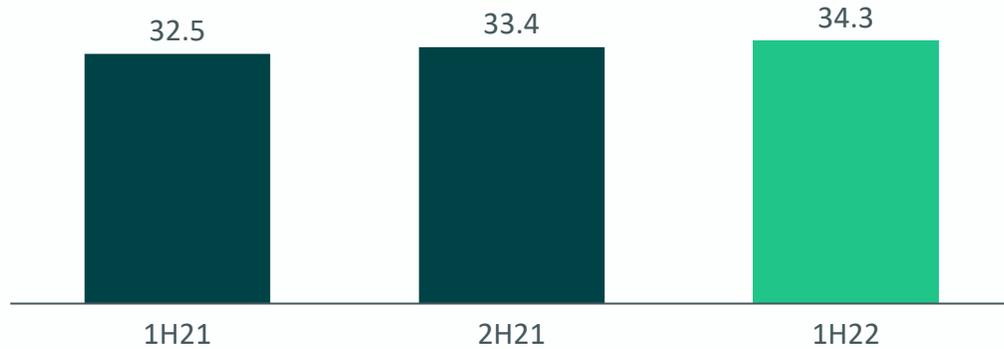
1. Totals may not add up precisely due to rounding.

2. All references to Gross Profit in this document is calculated as Total Revenue less Funding Costs less Transaction Costs.

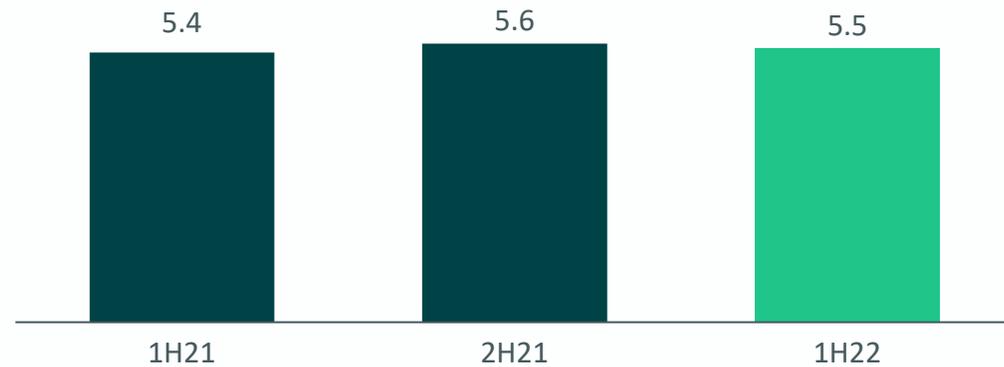
- 1** **75% increase** in half yearly originations, with origination volume growing to quarterly and half yearly records. Strong momentum with 2Q22 originations of **\$186.6m up 85.3%** on pcp
- 2** Revenue before transaction costs **up 40.7%** on pcp and the highest half-year revenue result in PGL's operating history
- 3** Increase in transaction costs trending in line with growth in originations and revenue
- 4** Cost of funds has increased at a slower rate than the growth in revenue as a result of restructuring funding facilities and the launch of the term ABS. Further improvement expected to come through in future periods
- 5** Please refer to slide 14 for further detail on impairment costs
- 6** 1H21 included **\$2.7m** of Jobkeeper benefit. Excluding Jobkeeper, employee expenses grew by 10.3% mainly from investment in technology
- 7** Operating leverage is starting to emerge with total operating expenses increasing by **31.5%** verse revenue growth of **40.7%**. By bringing the business back to pre-pandemic levels the foundations are laid for further revenue growth in future periods
- 8** Unrestricted cash **increased 32.8%** driven by a doubling of operating cash flow with funding restructure benefits, offset by book growth

# Margins continue to improve as the portfolio reaches scalable size

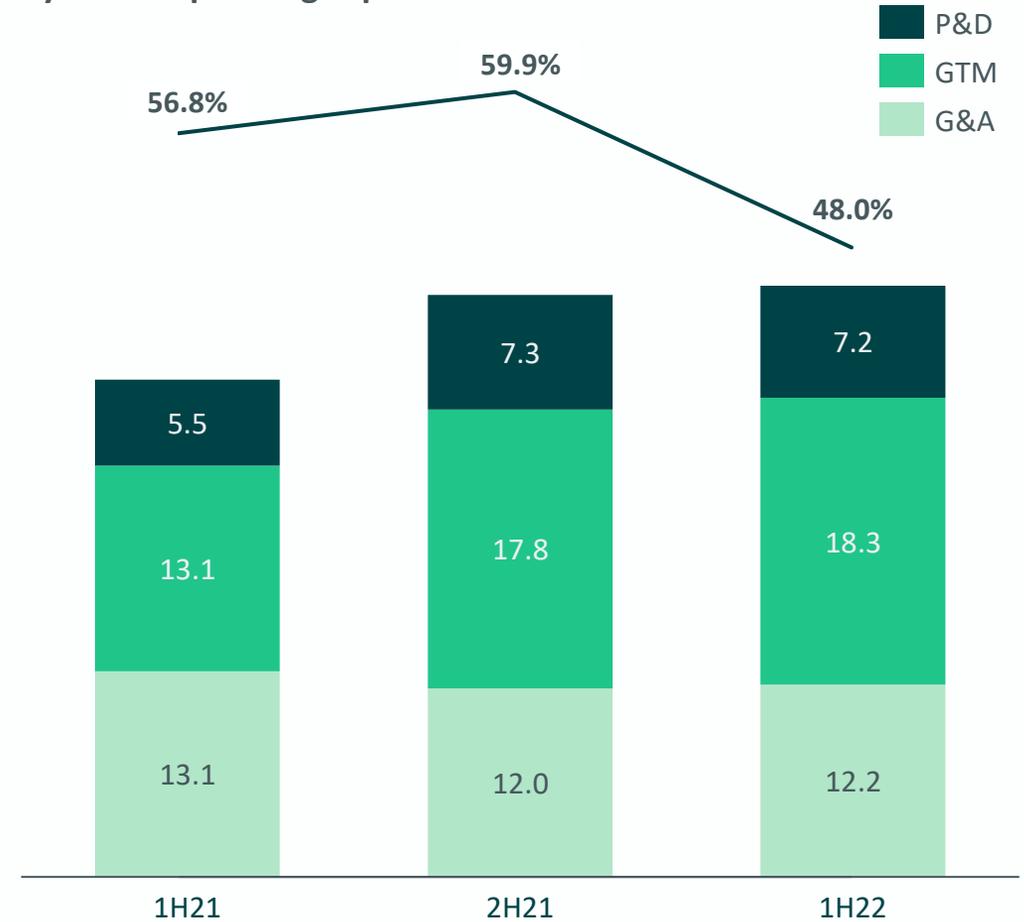
Portfolio yield (%)



Funding cost rate, annualised<sup>1</sup> (%)



Employee and operating expenses as % of revenue<sup>2</sup>

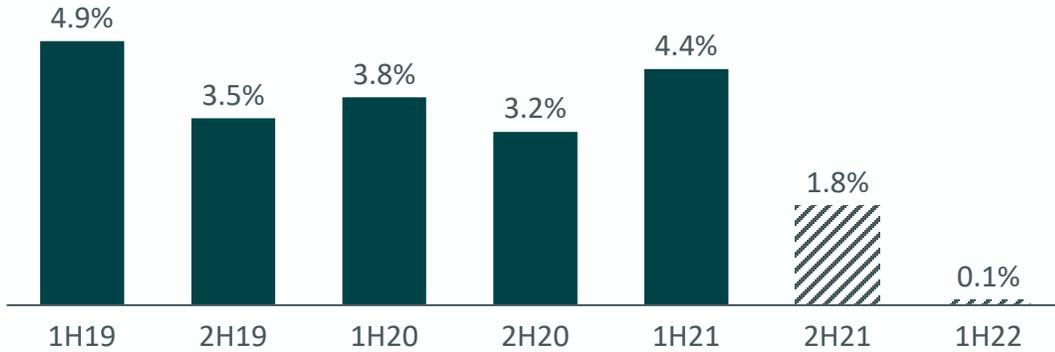


1. Funding cost rate is equal to funding cost divided by average funding debt, annualised.

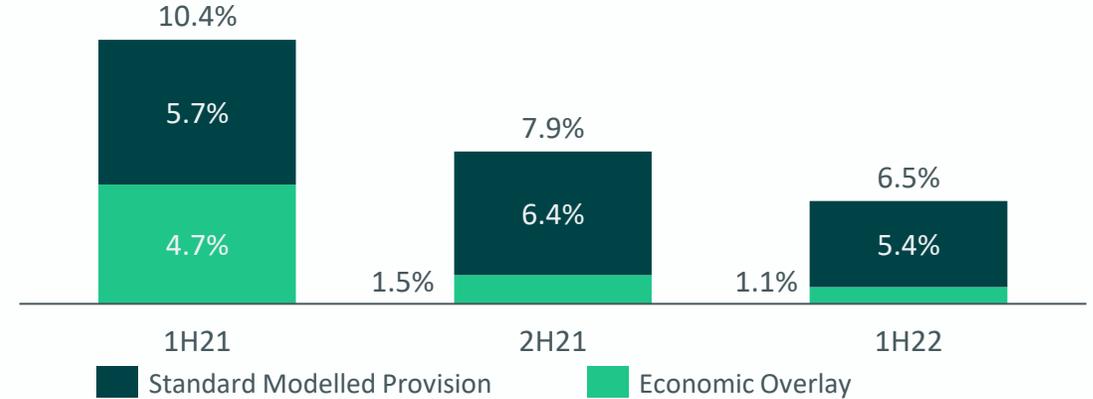
2. P&D refers to costs associated with Product and Development, GTM refers to costs associated with Sales & Marketing and G&A refers to costs associated with General & Admin. FY21 cost normalised for Jobkeeper subsidy benefit.

# Successful risk mitigation with credit provision reducing to 6.5%

Stable static loss rate<sup>1</sup>



Provision for expected credit losses



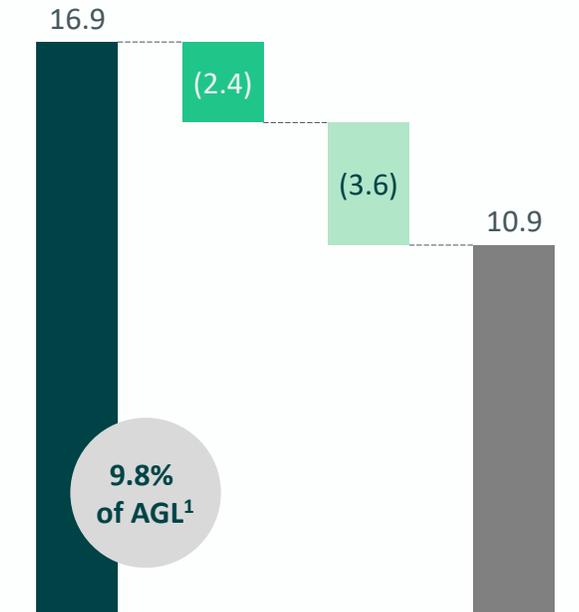
Coincidental delinquency<sup>2</sup> (90+ days past due)



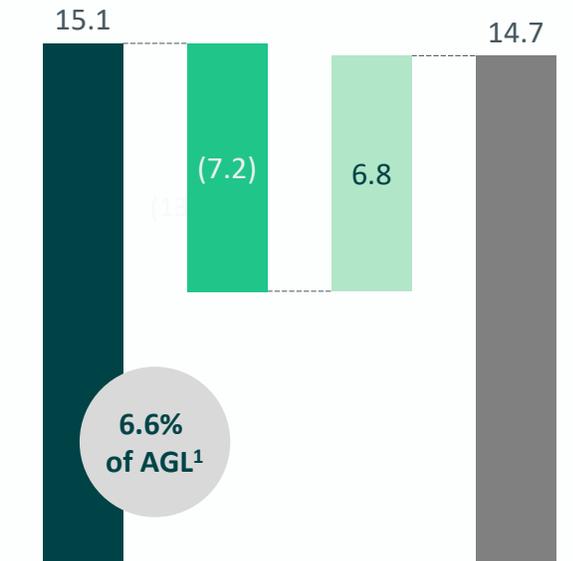
1. Static loss rate net of recoveries as at 31 December 2021 for the Australian small business loan product. Banded columns reflect cohorts which are still seasoning. FY21 and FY22 cohorts too early to demonstrate material loss data including taking into account the impact of COVID-19 deferrals.  
 2. Refers to delinquency data across Prospa's Australian and New Zealand Small Business Loans (i.e. excludes Line of Credit) and references point-in-time information at 6-month intervals. Historical values may change due to refinements in Days Past Due (DPD) calculation methodology.

# Reduction in bad debt and impairment provision offset by book growth

1H21 Total Impairment Expense (\$m)



1H22 Total Impairment Expense (\$m)



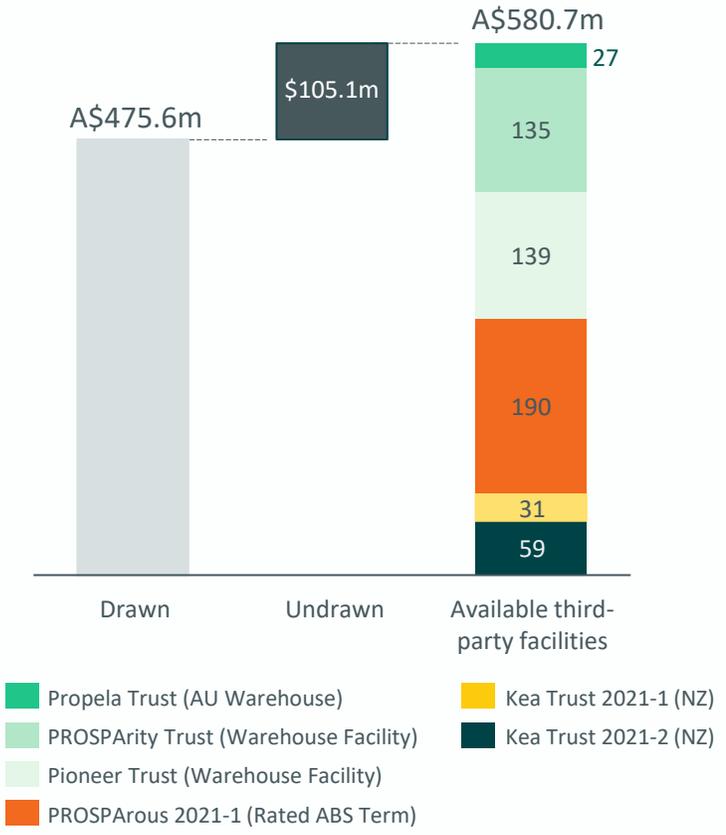
Net bad debt expense<sup>2</sup>
 ECL provision (book growth)
   
 ECL provision (% change)
  Total impairment expense

- ✓ **46% (\$6.8m)** of overall impairment expense in the half is driven by growth in gross loans
- ✓ As at 31 December 2021, the net bad debt expense represents **6.6%** of average gross loans compared to **9.8%** in 1H21
- ✓ The reduction in bad debt expense relative to gross loans and the release of provision demonstrates the ongoing effectiveness of the credit decision engine and Prospa's risk management capability

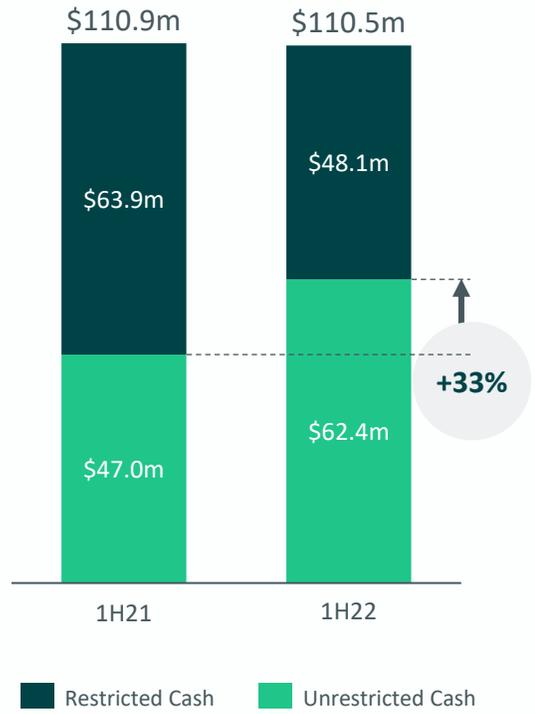
1. AGL is Average Gross Loans. Percentage represents the Net Bad Debt Expense as % of AGL, annualised.  
 2. Bad Debt Expense offset by Loss Recoveries received in the period and movements due to exchange rate variances

# Strong balance sheet and enhanced funding platform positions for growth

## 1H22 Drawn and undrawn third-party facilities<sup>1</sup>



## Cash and Cash Equivalents



- ✓ In September, Prospa issued its inaugural **\$200m** Term Asset-Backed Securitisation, the first of its kind in Australia, with a funding cost rate of **2.34% p.a.** and a 12 month revolving period
- ✓ Closed two funding facilities that were legacy and less efficient and replaced them with a new facility in NZ
- ✓ **\$580.7m** in total third party facilities as at 31 December 2021 (1H21: **\$420.3m**)
- ✓ As at 31 December 2021, Prospa holds **\$110.5m** in cash (unrestricted cash: **\$62.4m**; restricted cash: **\$48.1m**) a **33% increase** in unrestricted cash
- ✓ Prospa has no corporate debt

1. Available third-party facilities at end of corresponding period. New Zealand trust facility converted to AUD at end of corresponding period.



SECTION 3

# Strategy and outlook

# 3

# Drivers for growth



Scale existing products



Expand through new solutions



Reach new segments

# Scaling our existing products to service a broader range of small businesses

## Small Business Loans



Small Business Loans



NEW

Prospa Plus Business Loans

## Line of Credit

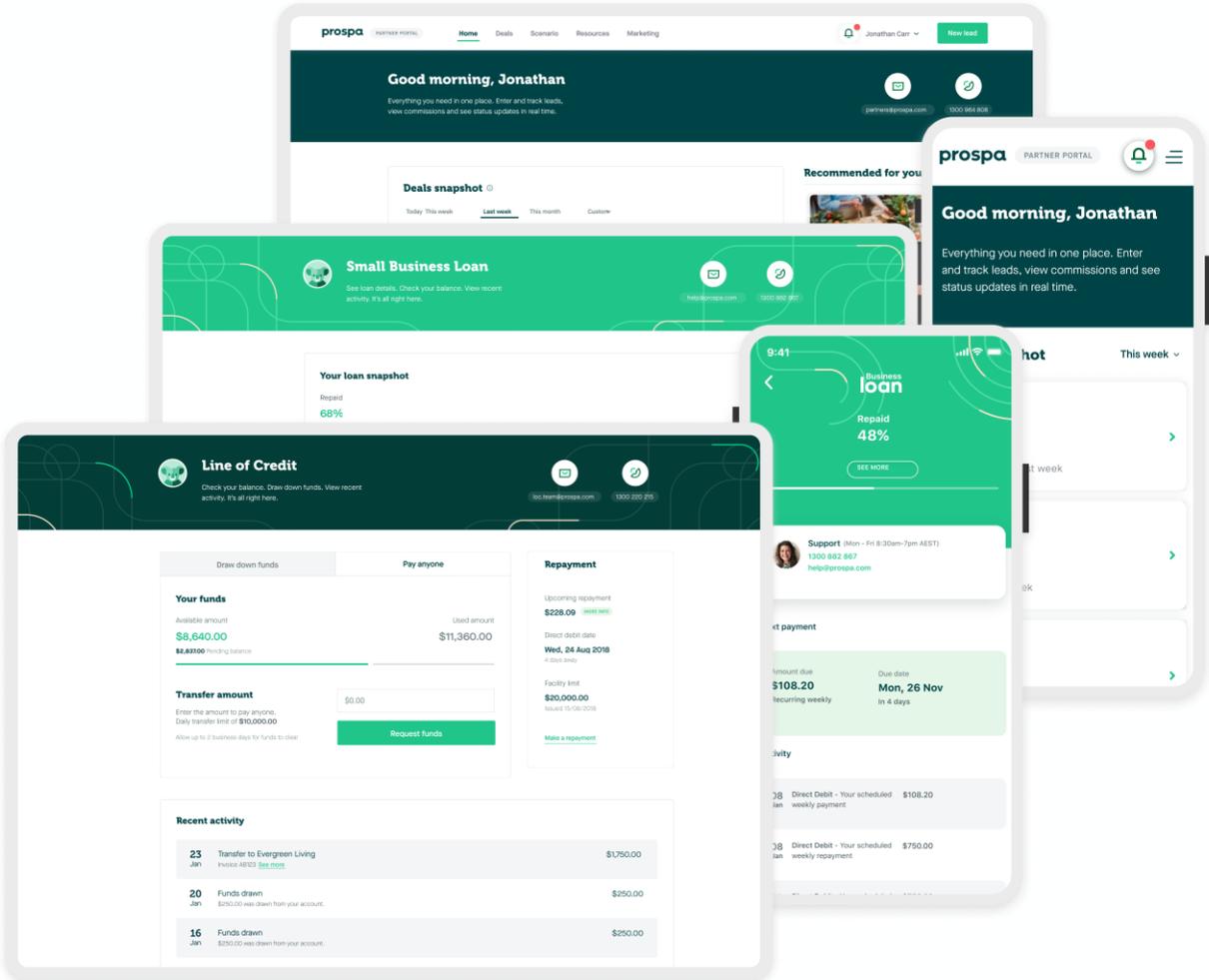


Australia



2H22

New Zealand



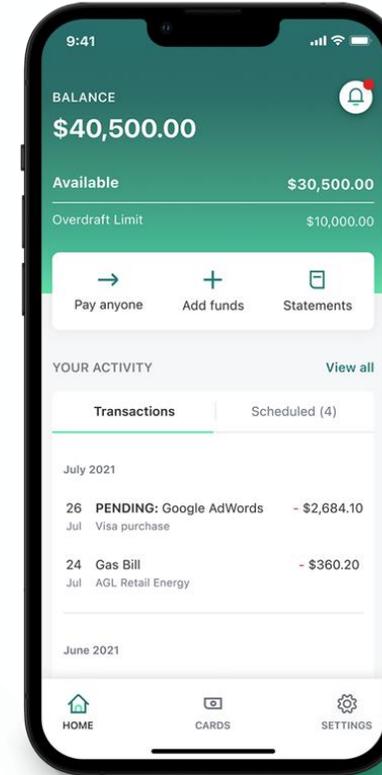
# Introduce new products: Prospa's All-in-One Business Account

## Now

-  Transaction account
-  Visa business debit card
-  Live trial
-  Digital customer onboarding

## Next

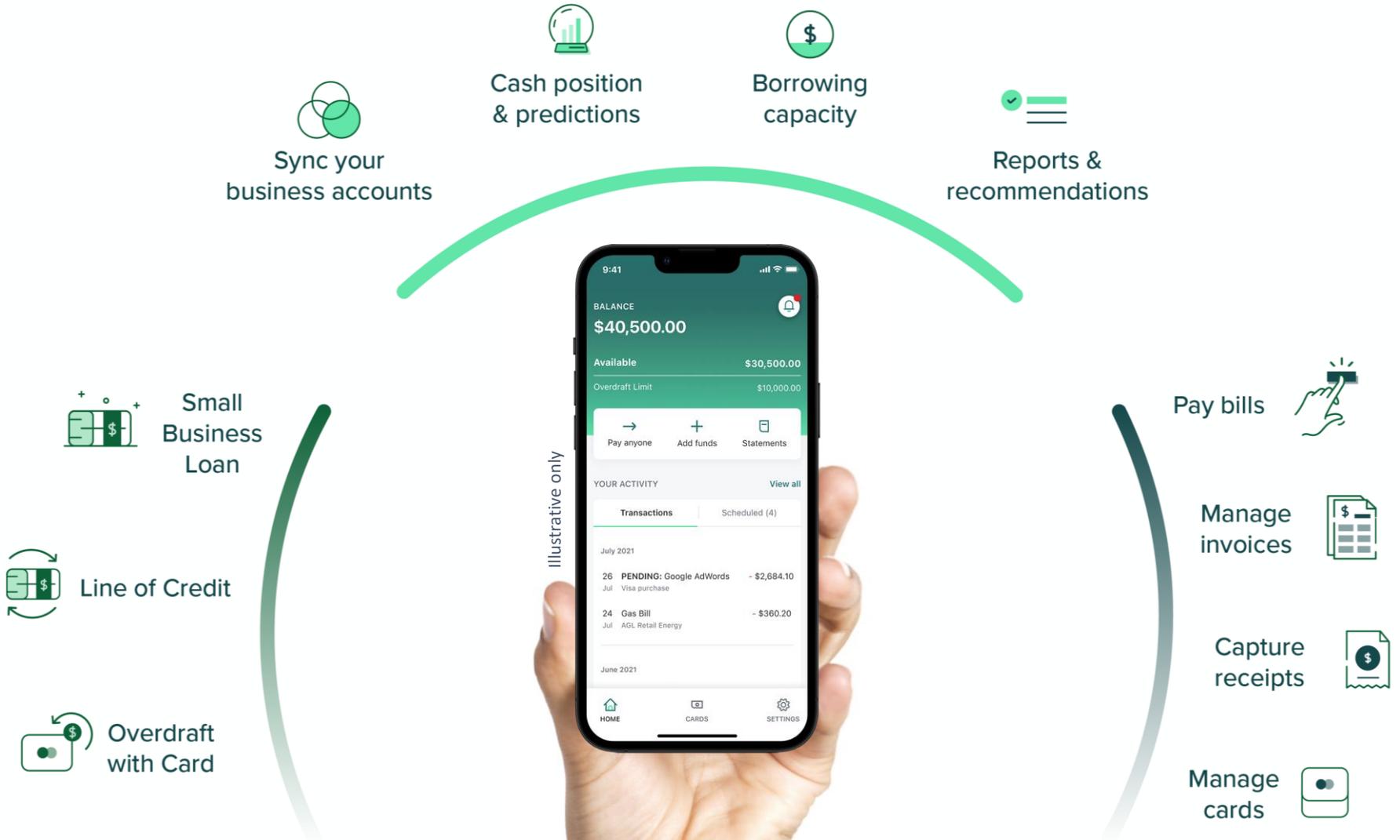
-  Credit products
-  Invoicing
-  Bill pay
-  Expense Management
-  Marketing and channel engagement activity



Illustrative only

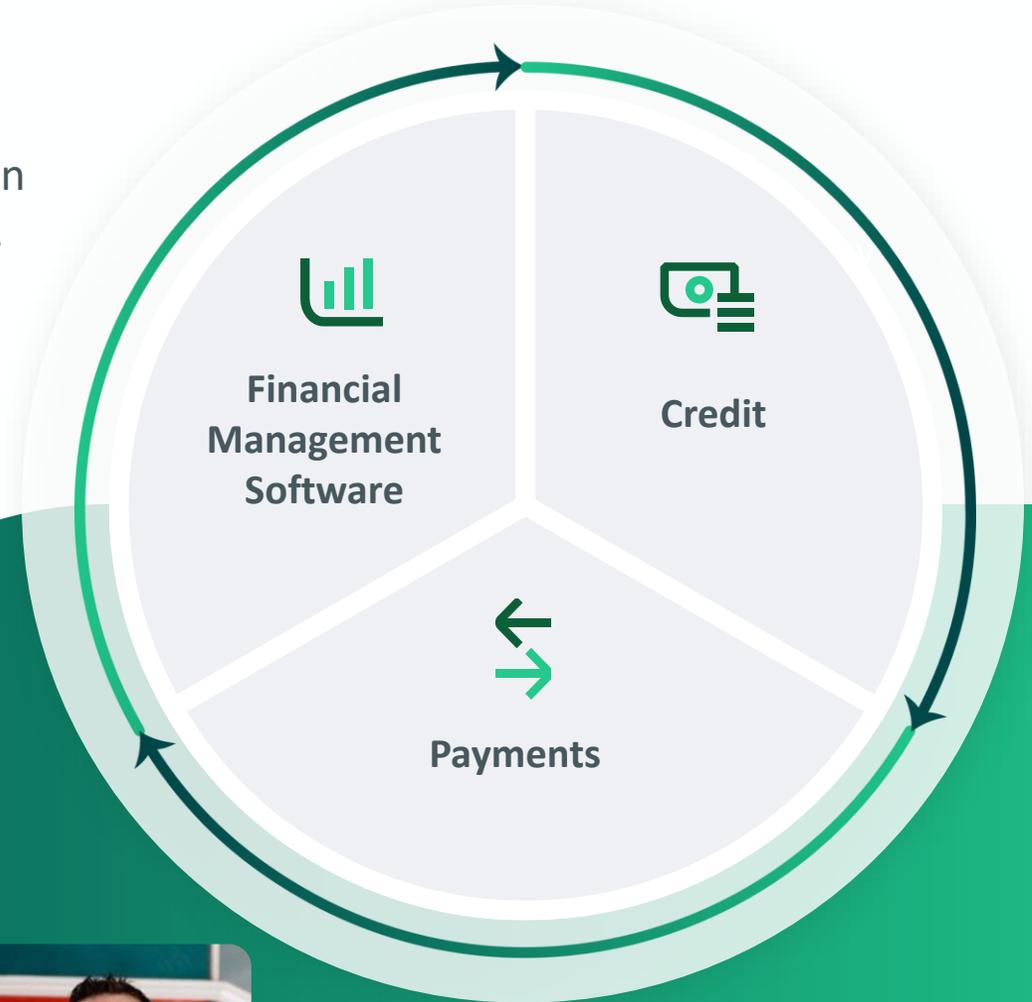


# Personalised products to deliver growth and expansion within the SME market



# Cohesive product strategy driving greater reach and revenue

More opportunities target new segments, cross-sell, drive down costs to service, diversify revenue and invest in further growth.



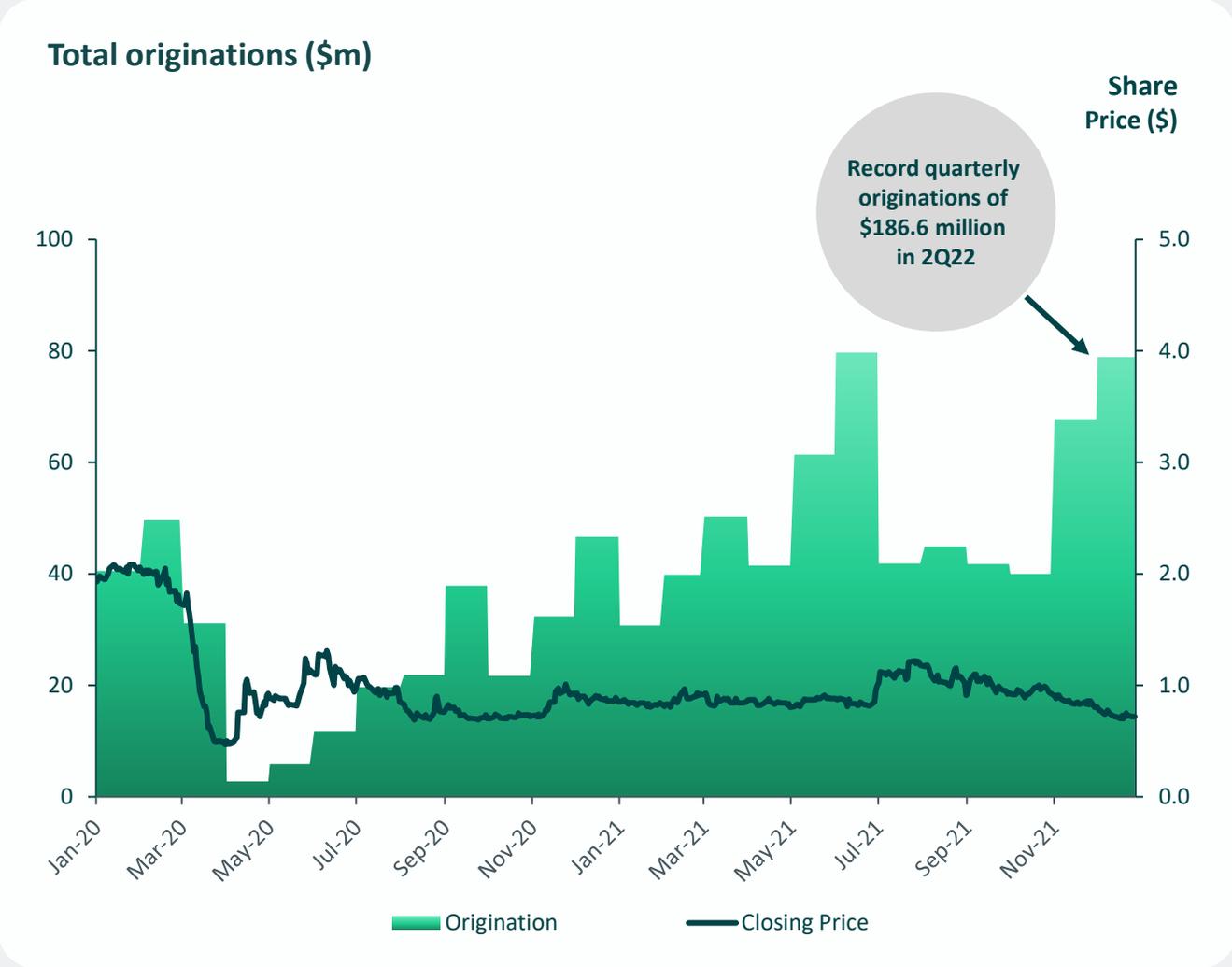
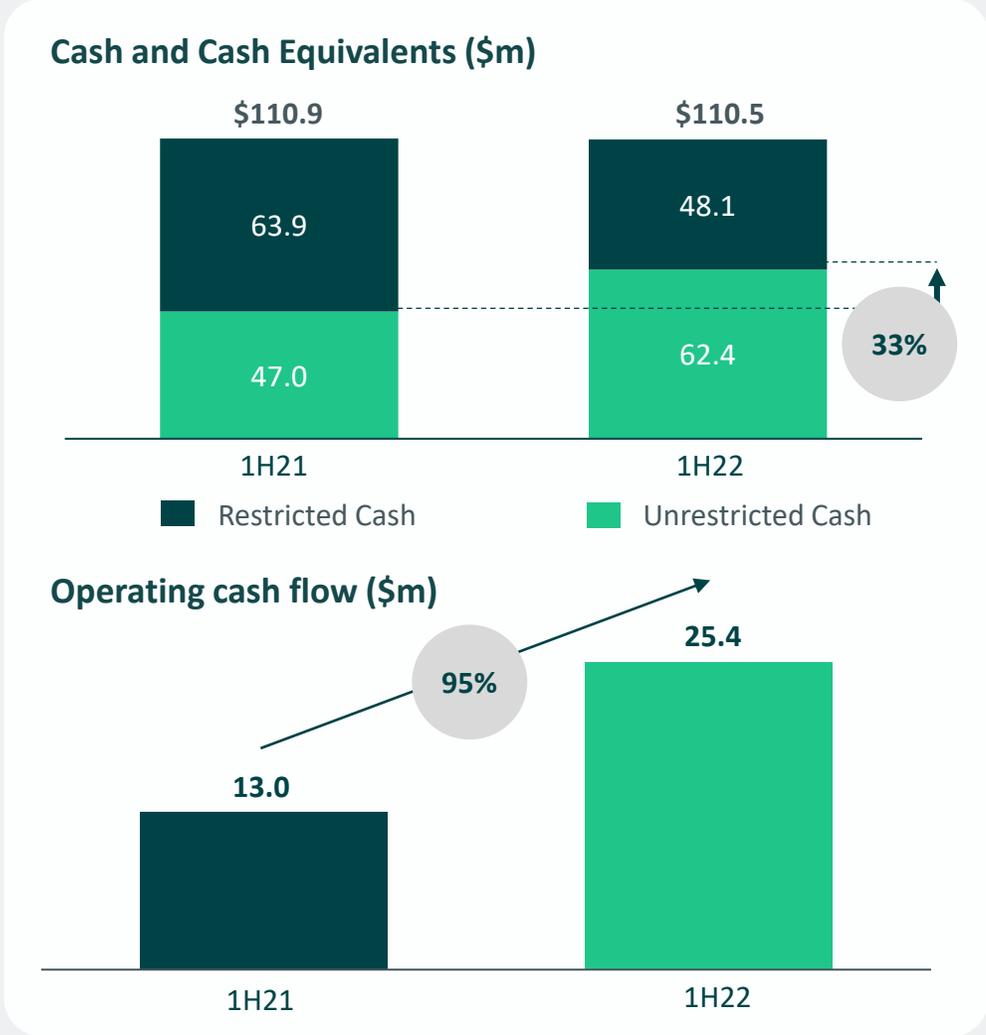


SECTION 4

# Capital management

# 4

# Origination and revenue growth converting to positive operating cash flows



Source: IRESS as of close 31 December 2021

# Capital management: share buy-back to commence in 2H22



## Buy-back rationale

- ✓ The Board has approved a share buy-back programme of up to 10% of the Group’s issued share capital to commence in 2H22. The buy-back is expected to remain in place for a period of up to 12 months.
- ✓ The buyback aims to enhance shareholder returns and capital efficiency, whilst retaining balance sheet flexibility to pursue future growth and investment opportunities.
- ✓ It has been sized to reflect the strong and growing business performance and high balance of unrestricted cash.

Group financial position (\$m)	1H22	FY21	Var %
Cash and cash equivalents	110.5	80.4	37%
Other asset	521.9	424.1	23%
<b>Total assets</b>	<b>632.4</b>	<b>504.5</b>	<b>25%</b>
Current liabilities	15.2	13.4	13%
Non-current liabilities	483.2	366.6	32%
<b>Total liabilities</b>	<b>498.4</b>	<b>380.0</b>	<b>31%</b>
<b>Net Assets</b>	<b>134.0</b>	<b>124.5</b>	<b>8%</b>



Q&A



SECTION 5

# Additional Information

# 5

# Passionate founders with highly valuable expertise



## Greg Moshal

Chief Executive Officer  
& Executive Director

- Co-Founder of Prospa, Executive Director of the Company since April 2018, and Executive Director of Prospa Advance Pty Ltd since 2011
- Awarded Fintech Leader of the Year in 2017 and NSW Pearcey Tech Entrepreneur of the Year
- Prior to co-founding Prospa, Greg was involved in the establishment and scaling of a consumer service chain and international consumer product franchise



## Beau Bertoli

Chief Revenue Officer  
& Executive Director

- Co-Founder of Prospa, Executive Director of the Company since April 2018, and Executive Director of Prospa Advance Pty Ltd since 2013
- Founded technology start-up and managed a consumer product franchise
- Prior to co-founding Prospa, Beau held senior positions, including National Sales Manager at listed financial services company Humm Group

# Supported by experienced leadership team



## Shai Haim

Chief Technology Officer

- Shai has over 20 years' experience developing digital solutions to improve customer experience, while leading and scaling engineering teams across five different continents.
- Prior to Prospa, Shai was CTO at Campaign Monitor.



## Ross Aucutt

Chief Financial Officer

- Ross has over 20 years' experience in senior finance roles, and was previously CFO at Humm Group Limited (ASX:HUM).
- Ross has a strong background in non-bank disruptive finance models and the financial markets.



## Ben Lamb

Chief Commercial Officer

- Ben has over 15 years' experience in financial services, spanning multiple roles across ASX listed organisations.
- Ben is responsible for the customer journey, balancing exceptional customer experiences with the right commercial outcomes. In addition, Ben is responsible for our Digital acquisition & our New Zealand business.



## Elise Ward

Chief People Officer

- Elise has more than 15 years' experience in delivering progressive people and culture strategies across start-ups, multinational and ASX listed organisations.
- Elise is responsible for the design and delivery of our people strategy.



## Andrew Malak

Chief Product Officer

- Andrew has more than 20 years' of Product and Digital experience, and has delivered large scale customer-centric and design-led transformations within the Australian Banking & Financial Services sector.

# Board with technology and financial services expertise



**Gail Pemberton**

Independent  
Non-Executive Chairman

- Gail has more than 35 years’ experience in banking and wealth management and is a specialist in technology and operations
- Gail has held former roles as COO at BNP Paribas, Group CIO and Financial service COO at Macquarie bank



**Fiona Trafford-Walker**

Independent  
Non-Executive Director

- Fiona has more than 25 years’ experience advising institutional asset owners and investors on investment and governance-related issues
- Fiona was the former investment director at Frontier Advisors



**Avi Eyal**

Non-Executive  
Director

- Avi has approximately 25 years’ experience in founding, scaling and running global technology and finance companies
- Co-founder and Managing Partner of Entrée Capital, which has AUM of over US\$1.4bn. Avi has co-founded eight startups over the past twenty years
- Avi is on the Board of Monday.com (Nasdaq)



**Mary Ploughman**

Independent  
Non-Executive Director

- Mary has 30 years of financial services, capital markets, securitisation, mergers and acquisitions, governance and risk management experience
- Mary is the current Chairman of Plenti Group Limited

# Half Year Profit and Loss

6 months to 31 December 2021 (\$m)	1H22	1H21
Interest income	72.0	52.7
Other income	6.5	3.0
<b>Total income</b>	<b>78.5</b>	<b>55.7</b>
Transaction costs	5.2	3.6
Funding costs	11.2	8.1
<b>Gross profit</b>	<b>62.1</b>	<b>44.0</b>
Loan impairment expense	14.7	10.9
Employee expenses	21.1	16.5
Operating expenses	16.6	12.5
<b>Total expenses</b>	<b>52.4</b>	<b>39.9</b>
<b>EBITDA</b>	<b>9.6</b>	<b>4.1</b>
Depreciation	1.3	1.4
Amortisation	2.0	1.5
Interest on lease liabilities	0.2	0.2
Share based payments	1.2	3.2
<b>PBT</b>	<b>4.9</b>	<b>2.2</b>
Tax expense	(0.5)	(1.0)
<b>NPAT</b>	<b>5.4</b>	<b>(3.2)</b>

1. Totals may not add up precisely due to rounding.

# Statutory Balance Sheet

Statutory Balance Sheet (\$m)	Dec-21	Jun-21
Cash and cash equivalents	110.5	80.4
Loan receivables	481.2	393.4
Bank deposits	1.1	1.1
Other financial assets	1.9	0.0
Prepayments and other assets	3.1	2.5
Property, plant and equipment	0.4	0.7
Right-of-use asset	9.0	5.0
Intangible assets	12.3	7.2
Deferred tax assets	14.2	14.3
<b>Total assets</b>	<b>633.6</b>	<b>504.5</b>
Trade and other payables	8.9	7.8
Lease liabilities	10.6	6.7
Borrowings	473.6	359.9
Income Tax	0.1	0.0
Employee benefits	6.3	5.6
<b>Total liabilities</b>	<b>499.6</b>	<b>380.0</b>
<b>Net assets</b>	<b>134.0</b>	<b>124.5</b>
Issued Capital	612.2	610.9
Reserves	(419.7)	(422.5)
Accumulated losses	(58.5)	(63.9)
<b>Total equity</b>	<b>134.0</b>	<b>124.5</b>

# Statutory Cash Flows

6 months to 31 Dec 2021 (\$m)	1H22	1H21
Financial income received	73.2	48.4
Other income received	6.1	3.3
Interest and other finance costs paid	(12.0)	(8.7)
Payments to suppliers and employees	(42.0)	(33.3)
Income taxes paid	-	0.4
JobKeeper payments received	-	2.9
<b>Operating cash flow</b>	<b>25.4</b>	<b>13.0</b>
Net increase in loans to customers	(102.6)	19.4
Capital expenditure (PP&E)	-	-
Capital expenditure (intangibles)	(7.1)	(1.9)
Other investing	-	-
<b>Investing cash flow</b>	<b>(109.7)</b>	<b>17.5</b>
Proceeds from borrowings	250.0	69.4
Repayment of borrowings	(135.7)	(98.5)
Repayment of finance leases	(1.1)	(1.0)
Payments for share repurchase	-	0.0
Proceeds from exercise of options	1.3	0.0
Proceeds from sale of loan shares	-	-
<b>Financing cash flow</b>	<b>114.6</b>	<b>(30.0)</b>
<b>Net cash flow</b>	<b>30.1</b>	<b>0.5</b>

1. Totals may not add up precisely due to rounding.

# 1H22 Key Metrics

6 months to 31 Dec 2021 (\$m)	1H22	1H21
<b>Loan book</b>		
Originations	315.1	180.1
Gross Originations <sup>1</sup>	423.3	230.1
Gross loans (period end)	514.6	341.7
Average gross loans	454.5	342.8
Realised Portfolio Yield	34.3%	32.5%
Premium Risk Grades	45.0%	44.9%
NIMAL as a % of Revenue (%)	61.3%	59.4%
<b>Funding</b>		
Funding cost rate	5.5%	5.4%
Average funding debt	404.0	299.4
<b>Productivity metrics</b>		
CAPEX as a % of revenue	9.1%	3.4%
Employee and operating expenses as a % of revenue <sup>2</sup>	48.0%	56.8%
<b>Customer metrics</b>		
Active Customers <sup>3</sup>	13,200	11,300
Net Promoter Score <sup>4</sup>	80+	77+
<b>Composition of loan impairment</b>		
Impairment Expense: Net bad debt expense	15.1	16.9
Impairment Expense: Provision movement	(0.3)	(5.9)
Provision rate	6.5%	10.4%
Net Bad Debt Expense as a % of Average Gross Loans	6.6%	9.8%

1. Originations including carryover from refinances.

2. OPEX excludes JobKeeper payments.

3. Active customers for 1H21 as at 31 December 2020; and for 1H22 as at 31 December 2021.

4. Net Promoter Score for 1H21 is the average for the period 1 July 2021 to 31 December 2021; and for 1H22 is the average for the period 1 July 2021 to December 2021.

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