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FY22 Results

25 August 2022

FY22 delivered strong growth with profit

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Originations	Closing Gross Loans	Realised Portfolio Yield[1]
$732.8m	**$701.3m**	**34.1%**
+52%	**+64%**	**+1.4 ppts**
FY21: $483.4m	FY21: $427.1m	FY21: 32.7%

Revenue[2]	Operating Cash Flow[3]	EBITDA[4]
$178.3m	**$58.8m**	**$12.1m**
+51%	**+78%**	**+2274%**
FY21: $117.7m	FY21: $33.1m	FY21: $0.5m

16K+ customers

80+ NPS

1. All references to Realised portfolio yield in this document represent Revenue divided by Average Gross Loans, annualised.
2. All references to Revenue in this document represent Total income before transactions costs. All figures are expressed in AUD terms unless otherwise specified.
3. FY21 Operating Cash Flow was previously reported as $34.8m, with the movement being due to a $1.7m reclassification from Operating Cash Flow to Investing Cash Flow
4. All references to EBITDA in this document represent Earnings before interest on lease liabilities, tax, depreciation and amortisation, share-based payments, and FX Gain/Loss. FY21 EBITDA was previously reported as $0.4m, with the $0.1m increase arising from the exclusion of FX Gain/Loss from EBITDA.

Expanded product suite to drive growth

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Small Business Loan

- $5K – $150K
- Term of 3 – 24 months

Prospa Plus Business Loan

- $150K – $500K
- Term of up to 36 months

Line of Credit

- $2K – $150K facility
- Use and reuse as often as customers require, during a 24 month renewable term
- Customers only pay interest on the funds they use

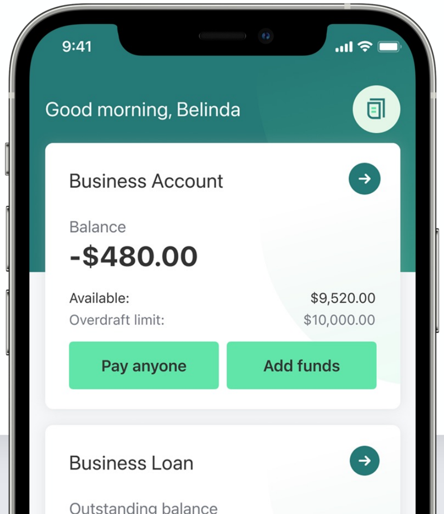
Business Account (live)

- Business transaction account
- Business Visa debit card

	Small Business Loan	Line of Credit
AU	**$40.7K** Average business loan amount[1]	**$53.1K** Average facility limit
	9.3% Growth in average amount vs FY21	**15.3%** Growth in average facility limit vs FY21
NZ	**$44.1K** Average business loan amount[1]	Line of Credit was launched to New Zealand small business in July 2022
	39.6% Growth in average amount vs. FY21	

Upcoming features:

- Overdraft
- BillPay
- Invoicing



1. Average fresh capital originated, excluding re-financed amounts. NZ expressed in NZD terms.

Technology investment underpins our value proposition

Delivered

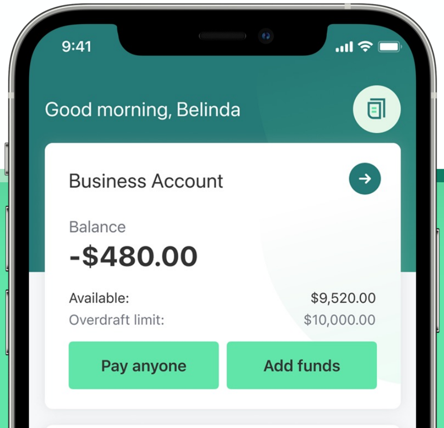
- Prospa Plus Business Loans across ANZ
- Line of Credit in New Zealand
- Core technology upgraded to deliver Line of Credit in NZ
- Business Account trial completed with existing customers
- Business Account, with visa debit card now available
- New mobile app provides single view of all credit products and Prospa's Business Account

Next

- Core technology upgrades for further enhancements across all products and services

Business Account

- Overdraft
- BillPay
- Invoicing
- Marketing & channel engagement activity



Well positioned as the leading online lender in a growing small business market

Despite uncertain market conditions, including rising inflation, tight labour market and supply chain challenges, small business continue to invest in their future

>97%
of AU businesses are small businesses in size and turnover

34%
increase in small business registrations in 2021 vs 2019

Prospa's significant growth in the small business credit space reflects a highly engaged customer base

81%
of AU small businesses are anticipating growth over the next 12 mths[1]

42%
of AU small businesses are forecasting revenue growth in the next 12 mths, at an average of 23%[1]

1 out of 4
business owners intend to borrow for their next phase of growth[1]

1. Prospa's research - Fieldwork was carried out from 19 – 26 April 2022 and 511 small businesses participated.

Proven resilience to adapt to evolving market conditions

- The RBA announced the first target cash rate increases in more than a decade (May, June, July & August 2022), with rates anticipated to rise further throughout FY23
- Despite rising interest rates, small business credit demand remains strong
- No change to the Board mandated static loss rate of between 4-6%
- Continues to be a favourable environment for Prospa to capture a greater share of small businesses with good credit quality in what is a highly fragmented market

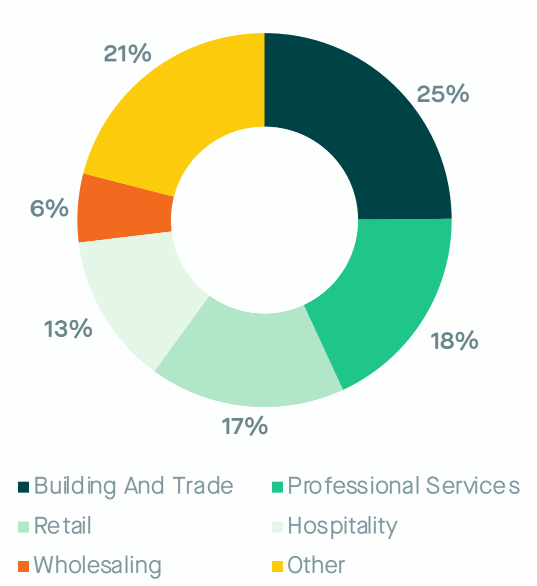
Focus areas

- Margin protection
- Target loss rate
- Funding efficiencies
- Cost management

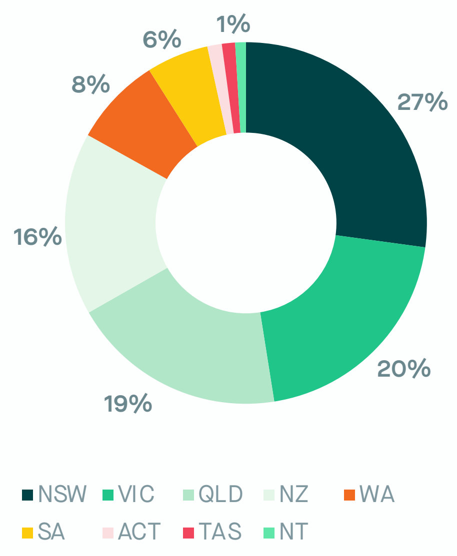
Diversified and flexible portfolio to mitigate risks and target growth sectors

- Prospa's proprietary Credit Decision Engine enables real-time dynamic risk profiling
- Specifically target sectors and geographies based on changing market conditions and customer needs
- >50% of originations are repeat and return customers

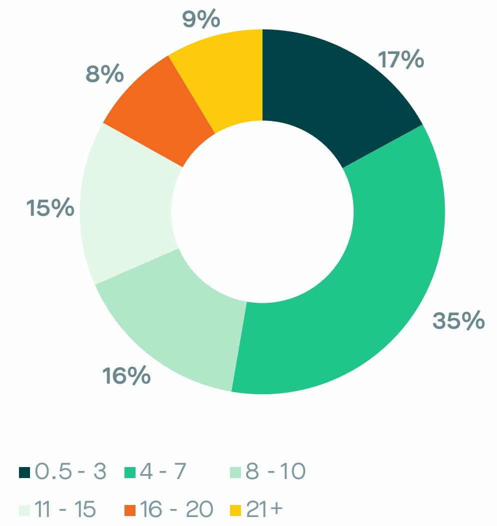
Portfolio by industry[1]



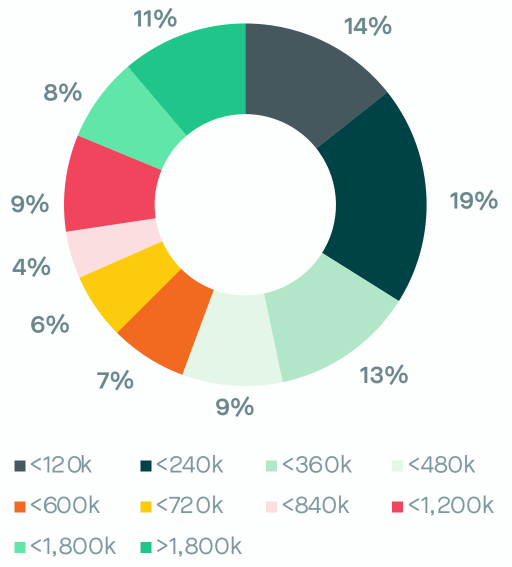
Portfolio by geography[1]



Number of years trading[1]



Customer by annual turnover[1]



1. Based on the principal receivables balance as at 30/6/2022.

SECTION 2

Financial update

2

Summary financials[1]

	$m	FY22	FY21	Var. on pcp	Var. % on pcp
1	Closing gross loans	701.3	427.1	274.2	64.2%
2	**Total revenue**	**178.3**	**117.7**	**60.6**	**51.4%**
3	Transaction costs	(11.4)	(7.3)	(4.2)	57.2%
4	Funding costs	(23.3)	(17.9)	(5.4)	30.4%
	Gross profit[2]	**143.6**	**92.6**	**51.0**	**55.0%**
5	Loan impairment	(47.3)	(27.3)	(20.0)	73.4%
6	Employee expenses	(48.2)	(35.2)	(12.9)	36.7%
7	Operating expenses	(36.0)	(29.6)	(6.4)	21.7%
	Total expenses	**(131.4)**	**(92.1)**	**(39.4)**	**42.7%**
	EBITDA	**12.1**	**0.5**	**11.6**	**2274.0%**
8	**Unrestricted cash**	49.9	39.8	10.1	25.5%
	Operating cash flow	58.8	33.1	25.7	77.7%

1. Totals may not add up precisely due to rounding.
2. All references to Gross Profit in this document are calculated as Total income less Funding Costs less Transaction Costs.

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1. Closing gross loans of $701.3m in FY22, an all time high for Prospa and representing a 64.2% increase on FY21, demonstrating strong demand for credit by small businesses
2. Revenue increase of 51.4%, to $178.3m, supported by existing product growth
3. Transaction costs increased in line with loan book and revenue growth
4. Cost of funds has increased at a lower rate than revenue and the loan book due to lower funding costs from more efficient funding facilities and the term ABS issued in Sept (5.0% vs 5.9%), despite central bank interest rate increases
5. Please refer to page 12 for a breakdown of the impairment expense
6. Employee expenses grew 36.7%, mainly from investment in technology and product to execute the new product strategy, noting that FY21 included $2.7m of Jobkeeper benefit. Excluding the benefit, the increase was 27.2%
7. Increase of 21.7% in operating expenses due to growth in sales and marketing expenses to support origination growth, and scaling of technology
8. Unrestricted cash increased by 25.5%, driven by a 77.7% increase in operating cash flow, showing strong cash generation, an inherent feature of Prospa's business model

High quality loan book growth supported by strong funding facilities

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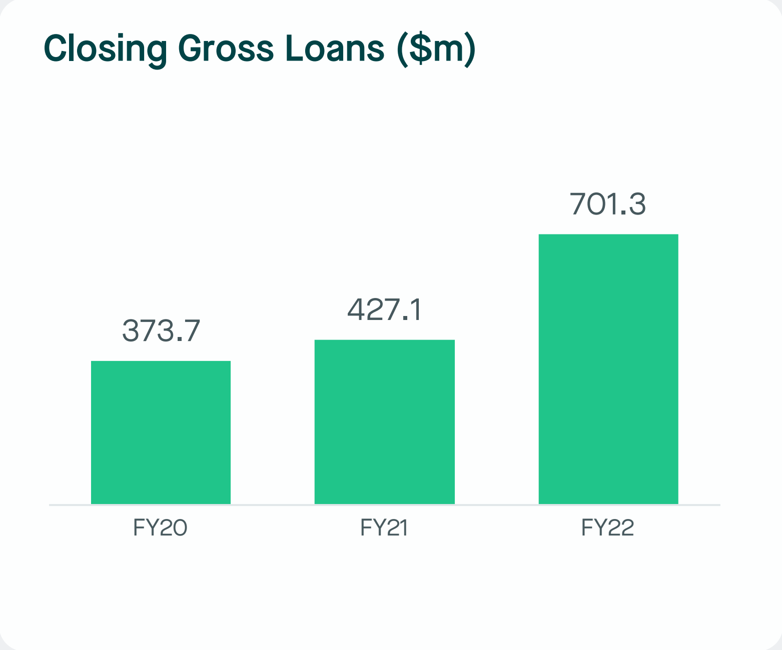
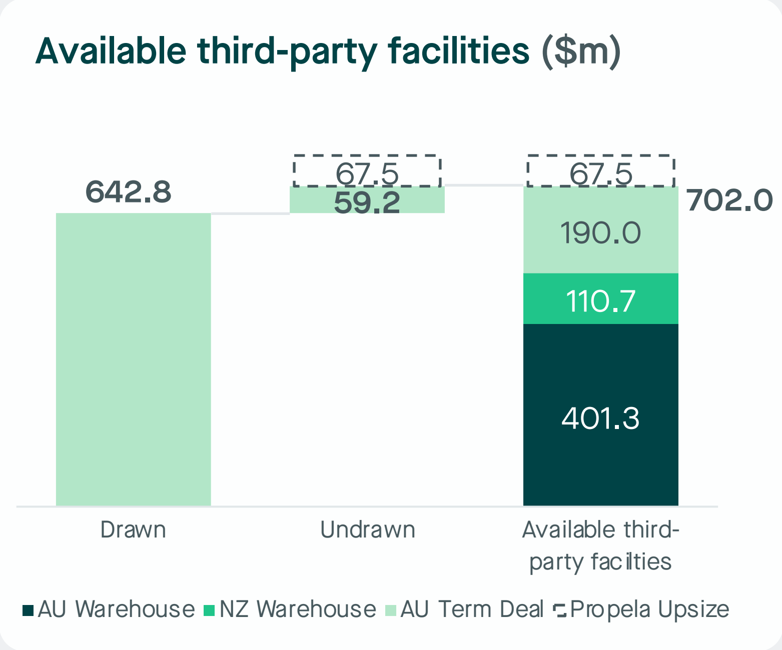
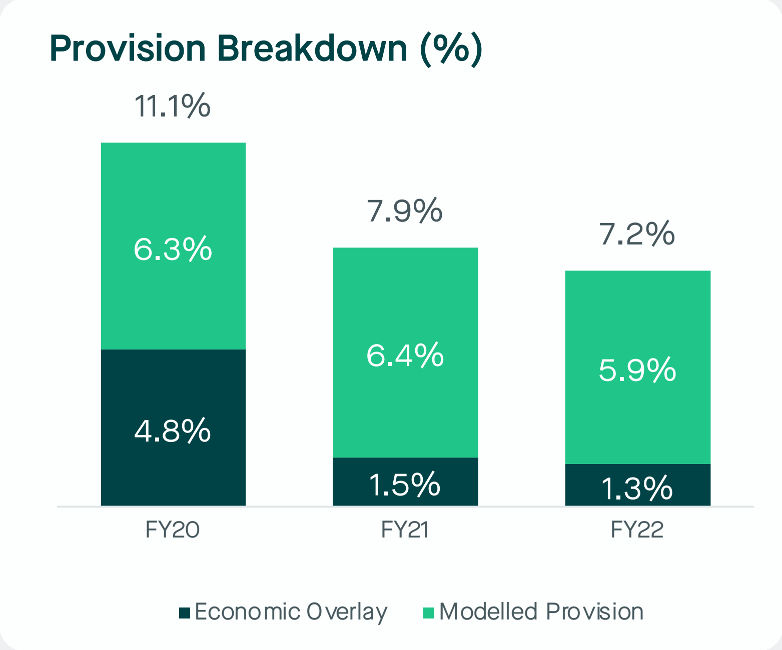






- Closing gross loans of $701.3m, a significant increase of 64.2% on pcp
- Book growth supported by a longer average term of ~20 months
- NZ closing gross loans are AUD $114.6m vs $65.7m in FY21

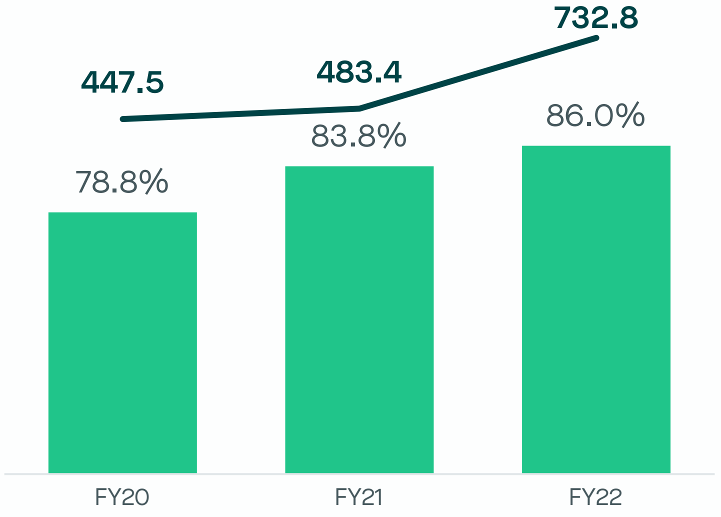
- $702.0m of available third-party facilities as at 30 June 2022 (FY21: $458.6m)
- On 1 July 2022, the Propela Trust's facility limit was expanded from $67.5m to $135m to support future book growth in Australia, increasing the undrawn capacity to $126.6m
- Three main Australian warehouses have a revolving period, which ends in May 2024, Sep 2024, and Mar 2025. Two NZ warehouses have a revolving period ending Aug 2024 and Sep 2024
- Prospa has no corporate debt

- Overall Credit provisioning of 7.2% for FY22, down from 7.9% in FY21
- Focus remains on maintaining the credit quality of the loan book
- Static loss rates remain within the Board mandated 4-6% range

1. Percentage of Closing Gross Loans with 90+ Day Arrears

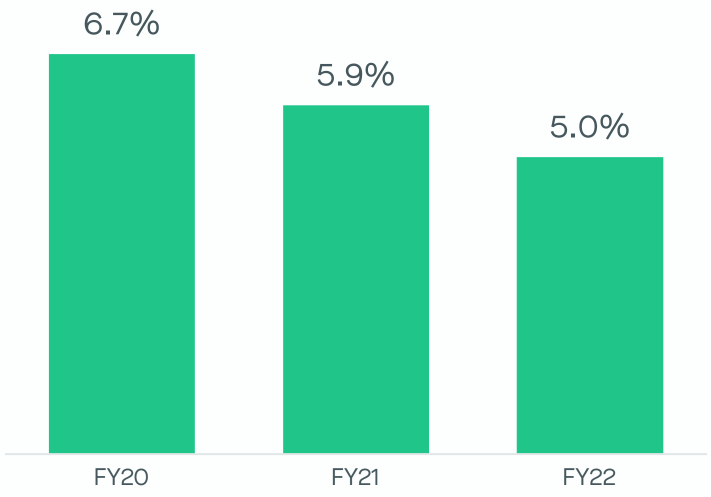
Continued strong margins with higher yield and lower cost of funds well placed for future interest rate rises

Gross Profit Margin (%)[1] and Originations ($m)



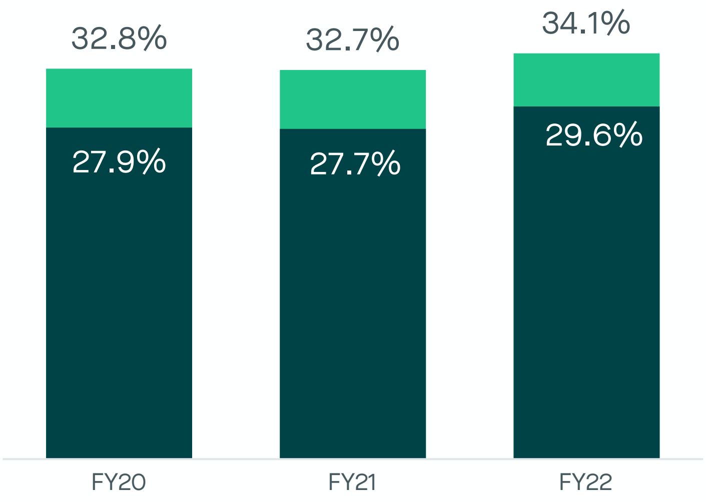
- Originations of $732.8m, a strong increase of 52% on pcp
- Further margin improvement also achieved in FY22
- Demand from small business continues with June 2022 recording the highest ever month of originations at $104.6m. July was also a strong month at $66m in a traditionally slow period (July 21: $41.8m)

Funding Cost Rate (%)[2]



- Optimised funding cost improvements with a 0.9 percentage point reduction, reflecting improved margins in existing facilities and the impact of the inaugural $200m term ABS issued in Sep 2021
- The improved margins will partially offset some base rate increases

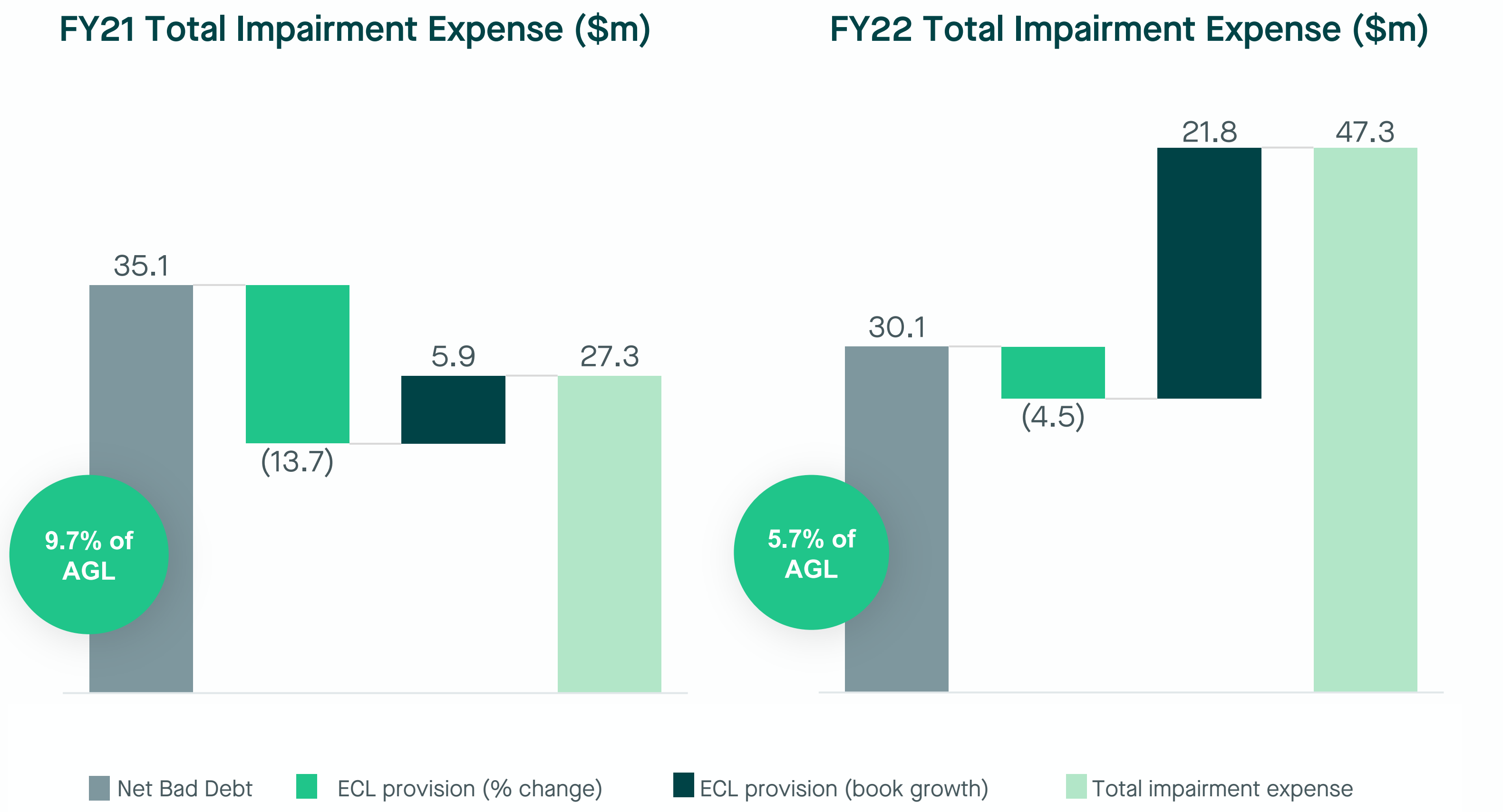
Portfolio Yield (%) and NIM (%)[3]



- Strong yield management has been a focus for the business with 34.1% portfolio yield achieved in FY22, up 1.4 percentage points from FY21
- Maintained an attractive Net Interest Margin (NIM) of 29.6% in a rising rate environment, with both yield increasing and cost of funds reducing

1. Gross Profit Margin is equal to Gross Profit / Total Revenue
2. Funding cost rate is equal to Funding Costs / Average Funding Debt.
3. NIM is equal to (Total Revenue – Funding Costs) / Average Gross Loans.

Significant reduction in net bad debt expense

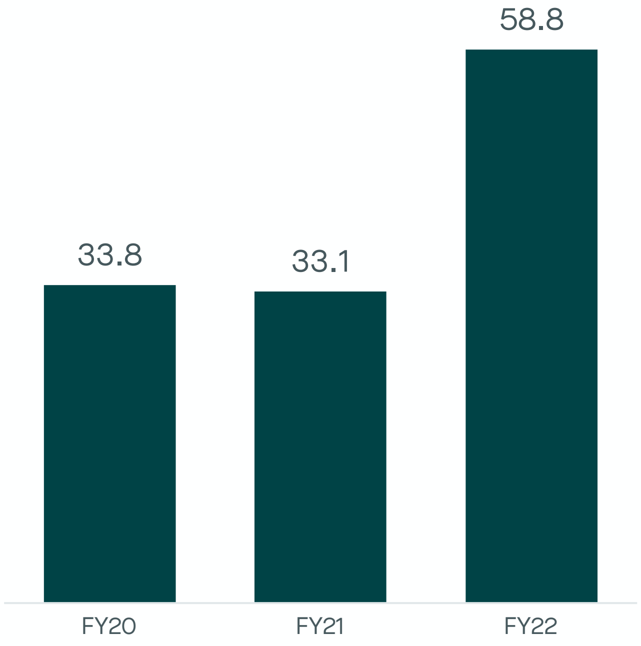


- ✓ $21.8m of the impairment expense increase in FY22 was as result of loan book growth, not increased risk
- ✓ Despite the significant loan book growth, the net bad debt expense was lower (FY22 $30.1m vs FY21 $35.1m), demonstrating the effectiveness of Prospa’s risk management capability

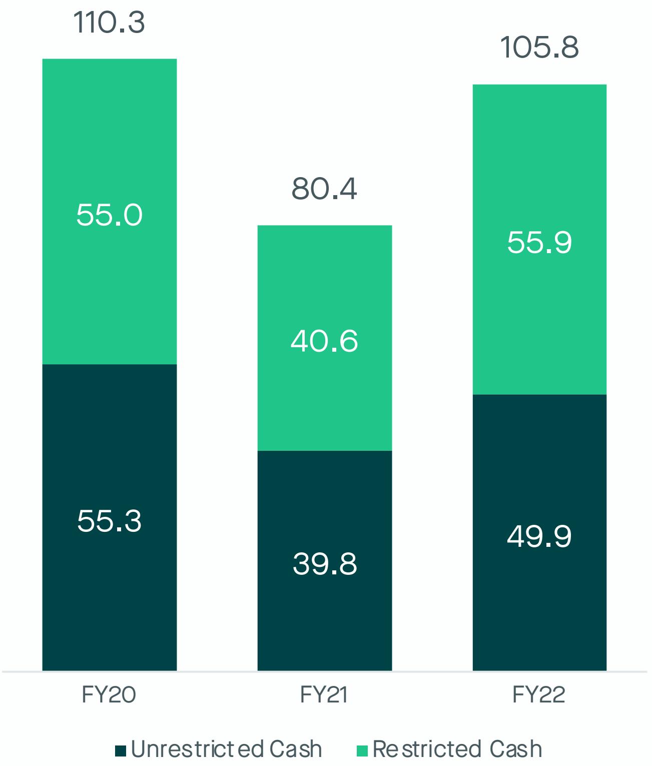
AGL – Average Gross Loans

Revenue to operating cash conversion enabling self-funded future growth

Operating Cash Flow ($m)



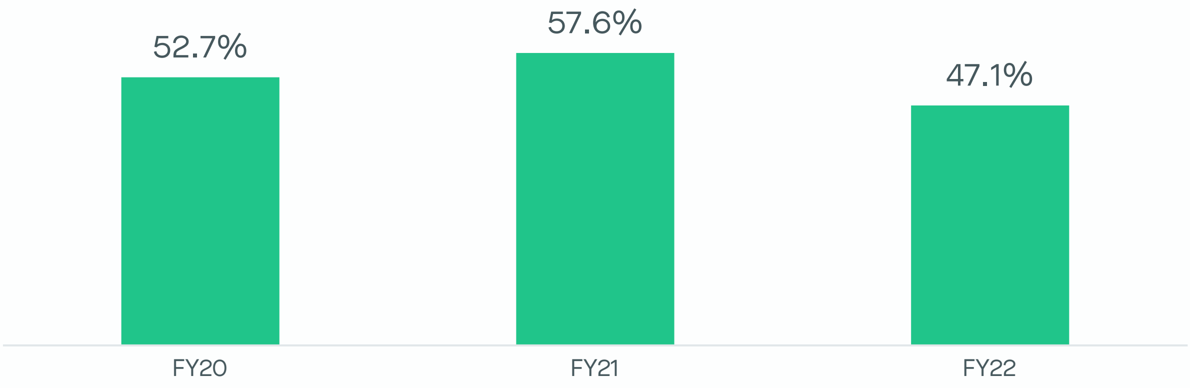
Cash and Cash Equivalents ($m)



- Revenue growth of 51% has converted to a 78% increase in operating cash flow, generating $58.8m in FY22
- Strong operating cash supported increased technology investment, loan book growth and increased cash at bank
- Cash generation expected to continue, even with increased investments in product and development
- Well positioned to capitalise on future growth opportunities

Cost management demonstrating scale and operating leverage potential

Employee and Operating Expenses (% of Revenue)[1]

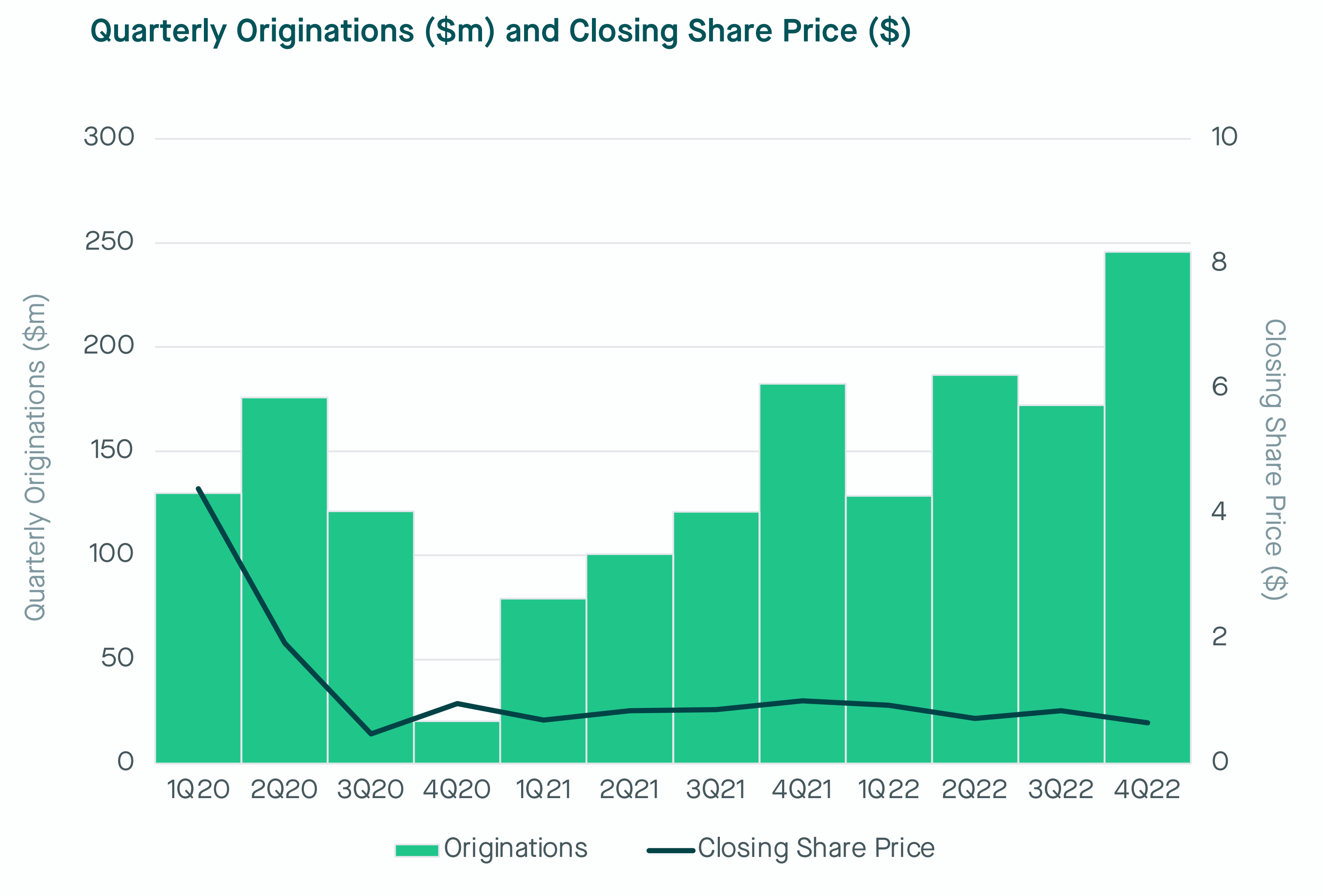


Employee and Operating Expenses ($m)[1]

- General and Administration (G&A) cost has showed a modest increase with only a 3.1% increase from FY21, demonstrating the scale potential of the business as we grow further
- Sales and Marketing (S&M) cost increased 31.6%, while originations grew by 52%, representing operating leverage of 1.6x in sales and marketing
- Product and Product Development (P&D) cost increased 45.0% in the year, largely to support future growth through the scaling of existing products, as well as developing new products such as the Line of Credit launch in NZ and recently launched Business Account

1. Employee and Operating Expenses excluding benefit from JobKeeper payments. Totals may not add up precisely due to rounding.

Untapped potential in shareholder value



Record breaking FY22 results, with the Company experiencing sustained growth. The share price is yet to reflect business performance.

SECTION 3

Strategy and outlook

3

Driving growth with profit

Our growth strategy is to leverage our products to expand reach and drive efficiencies

In FY23[1]:

- ✓ Prospa expects strong demand for credit from small business owners across all key industries in Australia and New Zealand → **Increase customer acquisition**
- ✓ Existing products will scale within the Australian and New Zealand addressable market → **Additional revenue growth from a larger base of customers**
- ✓ Yield to remain relatively stable and credit risk outcomes to remain within the Board target[2] → **Further operating leverage from increased scale**
- ✓ Commitment to continue our investment in technology to introduce new products and enhance Prospa's value proposition → **Increase life-time value with more engaging products**

1. The uncertain economic environment may change some of these expectations including a deterioration in demand or credit performance.
2. The Board mandated static loss rate target is 4-6% over the life of cohorts.

Q&A

SECTION 4

Additional Information

4

Profit and Loss

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Profit and Loss ($m)[1]	FY22	FY21
Interest income before transaction costs	163.2	108.5
Other income	15.1	9.3
Total income	**178.3**	**117.7**
Transaction costs	(11.4)	(7.3)
Funding costs	(23.3)	(17.9)
Gross profit	**143.6**	**92.6**
Loan impairment expense	(47.3)	(27.3)
Employee expenses	(48.2)	(35.2)
Operating expenses	(35.9)	(29.7)
Total expenses	**(131.4)**	**(92.1)**
EBITDA	**12.1**	**0.5**
Depreciation	(2.6)	(2.7)
Amortisation	(4.7)	(5.4)
Interest on lease liabilities	(0.3)	(0.5)
Share based payments	(3.0)	(4.8)
PBT	**1.7**	**(13.0)**
Tax expense	5.1	3.5
NPAT	**6.7**	**(9.5)**

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

Statutory Balance Sheet

Statutory Balance Sheet ($m)[1]	Jun-22	Jun-21
Cash and cash equivalents	105.8	80.4
Bank deposits	-	1.1
Loan receivables	650.5	393.4
Other financial assets	0.6	-
Derivative financial assets	7.5	0.0
Prepayments and other assets	3.2	2.5
Property, plant and equipment	0.3	0.7
Right-of-use assets	7.9	5.0
Intangible assets	17.9	7.2
Deferred tax assets	18.3	14.3
Total assets	812.1	504.5
Trade and other payables	12.8	7.8
Current tax liabilities	1.5	-
Employee benefits	8.0	5.6
Lease liabilities	9.5	6.7
Borrowings	640.8	359.9
Total liabilities	672.7	380.0
Net assets	139.4	124.5
Issued Capital	611.8	610.9
Reserves	(415.2)	(422.5)
Accumulated losses	(57.2)	(63.9)
Total equity	139.4	124.5

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

Statistical Cash Flow

Statutory Cash Flow ($m)[1]	FY22	FY21
Cash flows from operating activities		
Finance income received	161.3	107.5
Other income received	11.7	10.0
Interest and other finance costs paid	(24.2)	(17.9)
Payments to suppliers and employees	(90.0)	(71.1)
Income tax refunded	-	0.7
JobKeeper payments received	-	3.9
Net cash from operating activities	58.8	33.1
Cash flows from investing activities		
Net increase in loans advanced to customers	(297.9)	(89.0)
Payments for other financial assets	(0.6)	-
Payments for intangibles	(15.4)	(4.8)
Decrease in bank deposits	1.1	-
Net cash used in investing activities	(312.9)	(93.8)
Cash flows from financing activities		
Proceeds from borrowings	389.1	136.9
Repayment of borrowings	(107.6)	(104.4)
Repayment of finance leases	(2.3)	(2.0)
Payments for share repurchase	(0.4)	(0.0)
Proceeds from exercise of options	0.0	0.2
Proceeds from sale of loan shares	1.3	0.0
Cash settled employee rights	(0.0)	-
Net cash from financing activities	280.1	30.8
Net increase / (decrease) in cash and cash equivalents	26.1	(30.0)
Total Cash at the beginning of the financial period	80.4	110.3
Foreign Exchange Effect	(0.7)	-
Total Cash at the end of the financial period	105.8	80.4

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

Key Metrics

	FY22	FY21
Loan book		
Originations ($m)	732.8	483.4
Gross Originations ($m)[1]	973.9	608.4
Closing Gross Loans ($m)	701.3	427.1
Average Gross Loans ($m)	523.4	360.0
Realised Portfolio Yield (%)	34.1%	32.7%
Premium Risk Grades (%)	45.4%	42.0%
NIM as a % of Average Gross Loans	29.6%	27.7%
Funding		
Funding Cost Rate (%)	5.0%	5.9%
Average Funding Debt ($m)	467.4	305.3
Productivity metrics		
CAPEX as a % of Revenue	8.6%	4.1%
Employee and Operating Expenses as a % of Revenue[2]	47.1%	55.2%
Composition of loan impairment		
Impairment Expense: Net Bad Debt Expense ($m)	30.1	35.1
Impairment Expense: Provision Movement ($m)	17.1	(7.7)
Provision Rate (%)	7.2%	7.9%
Net Bad Debt Expense as a % of Average Gross Loans	5.7%	9.7%

1. Originations including carryover from refinances.
2. Excludes JobKeeper payments.

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