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Prospa's continuing momentum in Q1 FY23 delivers record first-quarter revenue and originations amid changing market conditions

Prospa Group Limited (ASX:PGL) ("Prospa" or the "Company" or the "Group") is pleased to provide a trading update for the quarter ending 30 September 2022. The Company is pleased to have demonstrated strong top-line growth in a historically slower quarter despite general uncertainty in the broader economy.

Group highlights:

- Record first quarter originations of \$205.5 million, up 60% on pcp (Q1 FY22: \$128.4 million¹), in a historically slower period for Prospa
- Closing gross loans for the quarter increased to \$768.3 million, up 74% on pcp (Q1 FY22: \$442.2 million)
- Revenue for the quarter reached \$63.7 million, a 69% increase on pcp (Q1 FY22: \$37.8 million), representing a record first quarter for revenue
- Active customers grew by approximately 11% to 17,900, an increase of ~1,900 from the previous quarter
- Continued focus on the credit quality of the loan book and maintaining the 4-6% board-mandated static loss level, as we carefully manage through a rising rate environment
- Yield maintained at 34.4% (Q4 FY22: 34.1%), while Net Interest Margin (NIM) for the quarter was marginally lower at 29.2% versus the previous quarter of 30.3%

Prospa Co-Founder and Chief Executive Officer Greg Moshal said:

"We have capitalised on sustained demand across Australia and New Zealand, highlighted by record first quarter results in originations, revenue and active customers in a period that is historically slower.

Our business continues to witness underlying momentum. Focus remains on managing the overall credit performance of the loan book, as economic conditions continue to evolve.

Progress on our product roadmap continues with positive insights coming from our customers and partners as new offerings are released leveraging elements our new technology stack. Further Business Account features will be rolled out over the quarter ahead which we're really excited about."

¹ Small retrospective changes in origination figures may occur due to backdated cancellations or modifications to support customer outcomes.

First quarter FY23 highlights

Prosopa delivered a record-breaking first quarter of originations reaching \$205.5 million, up 60% on pcp (Q1 FY22: \$128.4 million). The Group achieved \$3 billion of lifetime originations during the quarter, further demonstrating the ability to capture greater market share of the small business lending market. Prosopa's previous record first quarter for originations was \$130.0 million, achieved in Q1 FY20.

Its New Zealand business continues to grow, with originations contributing \$48.3 million for the quarter. The Line of Credit funding product continues to gain traction following its full national launch in July 2022.

The Company achieved 11% growth in active customers to 17,900 compared to the previous quarter while maintaining a net promoter score (NPS) of more than 80. As a result of strong demand for funds, closing gross loans reached \$768.3 million for the quarter, an increase of 74% on pcp (Q1 FY22: \$442.2 million).

Total revenue increased by 69% over pcp to \$63.7 million (Q1 FY22: \$37.8 million), supported by a stable portfolio yield of 34.4% (Q1 FY22: 34.3%).

Portfolio Management & Funding

During these uncertain times, Prosopa is taking measures to manage credit performance in certain segments of its portfolio including initiating adjustments to risk and commercial settings as part of its dynamic portfolio management program.

Notwithstanding increases in Prosopa's cost of funds, its NIM is only marginally lower for the quarter at 29.2% compared to 30.3% in the previous quarter.

In July, Prosopa upsized one of its Australian warehouse facilities from \$67.5 million to \$135.0 million. It also upsized one of its New Zealand facilities from NZ\$90.0 million to NZ\$126.0 million in September.

Outlook

Profitable growth and customer focus are at the core of Prosopa's business, and the Company remains focused on maintaining its position as the premier online lender to small business. The Company will continue its prudent approach in managing the credit quality of the loan book using its dynamic credit decision capabilities, remaining committed to delivering stable yield for FY23 and further operational efficiencies.

At the same time, Prosopa is continuing to deliver innovative digital cash flow management tools, leveraging its new re-platform capability. In August 2022, it launched a new mobile application to further improve the customer's experience. The new application provides customers with a single view of their balance for all Prosopa credit products, including the recently launched Business Account with VISA debit card to help customers better understand business cash flow, and to grow, run and pay.

Prosopa is committed to enhancing shareholder returns and continues to undertake a buy-back of up to 10% of issued capital as part of the Company's capital management program.

This announcement has been authorised for release by the Board.

For further information, contact:

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About Prospa

Prospa Group Limited (ASX: PGL) is a financial technology company and a leading provider of cash flow credit products and services that help small businesses to grow, run and pay. Headquartered in Sydney, the Company operates across Australia and New Zealand and employs more than 290 people.

Prospa's unique, purpose-built credit decision engine quickly assesses small business credit applications using proprietary technology and analytics to deliver fast and informed credit decisions and approvals, with high levels of risk controls in place.

The Company has been recertified as one of Australia's Great Places to Work and endorsed by Work180 in 2022.