

Release date: 9 November 2022

## Prosipa Group Limited 2022 AGM

### Chairman's Address

Gail Pemberton, Prosipa Chair

The Board is delighted with Prosipa's achievements in FY22, delivering a very strong year of performance and profitability.

Originations were \$733 million, our highest ever full year performance on record.

Our loan book grew 64% versus FY21 to a record \$701 million, across all distribution channels, products, and geographies.

Our portfolio yield increased to 34%, and we maintained an attractive net interest margin even in the within a rising interest rate environment.

Prosipa's ability to capture the growing demand for funds by small businesses saw revenue for the year reaching \$178.3 million, an increase of 51% compared to FY21.

These results delivered a 78% increase in our operating cash flow to \$58.8 million.

EBITDA increased to \$12.1 million, up from \$0.5 million the previous year, demonstrating a material increase in operating leverage, while at the same time we continued to invest in our next generation technology platform which is driving our strategic product roadmap.

Our dedication and passion for our small business customers was evident in the our world class net promoter score we achieved of over 80. We remain committed to delivering a consistently high level of service to our active customers, who numbered over 16,000 as at the end of FY22.

### WELL POSITIONED AS THE LEADING LENDER TO SMALL BUSINESS

A resilient and adaptable business model combined with a highly engaged customer base and the disciplined and driven Prosipa team, were the key drivers for the growth Prosipa achieved in FY22.

This was especially pleasing, given the challenging economic backdrop of rising interest rates, a tight labour market and inflationary pressures. Despite persistent uncertainty, small businesses have continued to show a significant demand for funds to invest in their future.

In August 2022 we conducted research that demonstrated that 85% of Australian business owners were still anticipating growth over the next 12 months.

This reflects the strong bounce back from the impacts of COVID, with 7 in 10 Australian business owners rating the overall health of their business as good or very good in the current environment. Despite current economic challenges, business owners are less concerned about unstable revenue now, than they were in the second half of FY22, when Prosipa conducted the same independent research.

Along with strong growth, 80% of Australian businesses forecast increased revenue over the next 12 months with one in four expecting to require funding to help achieve their goals.

In August 2022, the Australian Bureau of Statistics The ABS also reported in August 2022, an increase in the number of registered businesses across Australia, underlying our confidence are that the demand for funds will continue and the total addressable market for our products and services is expanding.

## TECHNOLOGY INVESTMENT

Our technology platform is at the core of how we effectively service small businesses and over the past year we have continued to develop and expand our product suite to drive additional growth.

We remain focused on building innovative products and great customer experiences.

This year we introduced Prospa Plus Business Loans of up to \$500,000 across Australia and New Zealand. And following the significant success of our Line of Credit product in Australia, we introduced it in New Zealand giving businesses there access to revolving funds of up to \$150,000 – the first product of its kind within the Kiwi market. This product has been very well received with over \$14 million in facilities provided at the end of Q1 FY23.

We are continuing to develop products that will assist small business owners on their growth journeys, and this was at the heart of the design of the Prospa Business Account which we soft launched to a select group of customers on 19th August 2022.

The business account is a platform that will integrate our credit products and other transaction products that we plan to deliver in the future, delivering a leading proposition and diversified revenue model for the business.

Customers onboarded during the soft launch have provided positive feedback and continue to actively engage with the new product. At the end of Q1 FY23 Prospa had launched over 100 business accounts.

## OUR PEOPLE AND VALUE-BASED CULTURE

The success of our business would not be possible without the dedication of our staff.

In FY22 Prospa employed over 270 staff in a highly constrained labour market where staff engagement and retention has been and continues to be a constant challenge. We have remained committed to executing initiatives that support our employees, including leadership development programs and employee assistance programs that provide a range of support services for employees.

We recognise the importance of community and have implemented initiatives that provide paid volunteer leave to employees. Prospa's strong values driven culture was recognised externally by being recertified as a Great Place to Work in Australia and New Zealand and endorsed by Work180 whose mission is to raise organizational standards so that all women can choose workplaces where they can thrive positively, impacting women of all backgrounds and experiences.

Over the last financial year Prospa has achieved extraordinary results delivering on its growth strategy and demonstrating the importance of its continuing investments in its people, processes, and technology to deliver scale and product innovation.

As we look to FY23 and beyond it is evident that Prospa has built a resilient, adaptable, and increasingly diversified business model that generates sustainable and profitable growth even against a backdrop of continuing uncertainty.

In closing I would like to thank the wonderful staff and management team once again for their dedication and passion which allows Prospa to maintain its position as the number one online lender to small businesses.

Thank you to my fellow board members for their continued efforts and finally to our shareholders and funding partners for their ongoing support.

# Prospa Group Limited 2022 AGM

## Chief Executive Officer Presentation

### Greg Moshal, Prospa CEO

Our strong performance in FY22 reflects the years of investment and preparation we have committed over the 10 years Prospa has been established.

The Company highlighted its prominent position in helping small businesses grow and we are constantly considering ways in which we can further evolve our relationship with our customer base.

Pleasingly, the first quarter of FY23 delivered lifetime originations of \$3 billion and revenue for the first quarter of FY23 reached \$63.7 million, a 69% increase from \$37.8 million on pc, representing a record first quarter of revenue for Prospa.

## EXPANSION OF PRODUCT SUITE TO DRIVE GROWTH

We continue to dedicate our efforts to investing and growing our platform to better serve our small business customers.

Our iterative release of new products and features is progressing well, strengthening overall customer value proposition with every release.

Core technology upgrades enable faster and more flexible enhancements across all products and services we offer.

Our aim is to continually evolve our offering building a suite of products that will ensure we are indispensable to small businesses, driving growth and increased customer retention and elegant experiences.

We continue to strengthen our offering to customers and have done so by introducing Prospa Plus Business Loans of up to \$500,000 across Australia and New Zealand.

Since introducing our Line of Credit product in New Zealand, we have witnessed significant growth with over \$14 million facilities already provided at the end of Q1 FY23.

Prospa's business account is now live and has been well received following the soft launch.

Our latest capital product, the Prospa Overdraft, also commenced its soft launch on 2 November with customers responding immediately, taking up the initial offer which is encouraging. The Overdraft is a key feature of our Prospa Business Account value proposition.

We are confident our product suite will play an integral role to uplift our relevance to small business customers.

Our short-term product roadmap will see the business account evolve and provide a range of financial management tools.

## DIVERSIFIED AND FLEXIBLE PORTFOLIO

Prospa is a data driven business. Since inception over 10 years ago, we have built a deep source of credit data which the team are endlessly upgrading and refining to drive our proprietary Credit Decision Engine ("CDE") to heightened levels of predictability, and reliability.

The core to our risk management strategy is our diversified credit exposure, and the flexibility to specifically target sectors and geographies based on changing market conditions and customer needs. This is aided by our CDE, which allows real-time dynamic risk profiling.

As a result, our portfolio remains balanced and well diversified. We have the capability to direct our products to an assortment of industries and businesses with over 50% of our customers repeat or return customers.

## CONTINUED STRONG MARGINS – GROWING BOOK

Throughout FY22, Prosopa achieved 64% growth in our loan book, without changing our risk appetite of holding static losses between 4-6%.

Our dynamic CDE continues to learn and improve over time, highlighting our ability to drive loan book growth with acceptable commercial outcomes.

We observed improved margins in FY22.

Yield, Gross profit margins and NIM all improved over the year despite interest rate rises in Australia and New Zealand and the gross profit margin increased to 86%, up from almost 84% in the prior year.

In the first quarter of FY23 yield has maintained at 34.4%, while NIM for the quarter was only marginally lower at 29.2% verse the previous quarter being Q4 FY22 of 30.3%.

Our efficient funding facilities witnessed cash balances increase in FY22, and further supports Prosopa's strong position for growth and investment.

## HIGH QUALITY GROWTH AND PROVISION

With demonstrated gross loan growth so strong, funding remains a competitive advantage in our space.

We have a combination of warehouse funding in Australia and New Zealand and access to the term asset-backed market, allowing us to tap into a much wider range of investors domestically and internationally.

In July, Prosopa upsized an Australian warehouse facility from \$67.5 million to \$135 million in addition to a New Zealand facility which was upsized from NZ\$90 million to NZ\$126 million in September.

None of our warehouses has a revolving period ending before May 2024.

Overall credit quality has improved year on year, reflecting the tight adherence to our risk appetite in the post-COVID economic environment.

Despite this, we remain vigilant and are constantly reviewing our risk settings.

Our year-end provision for expected credit losses dropped from 7.9% in FY21 to 7.2% in FY22.

We have seen a slight tick-up of arrears in parts of the lower credit quality end of our loan book in the first quarter of FY23. We continue to manage our portfolio to optimise and have as such made some minor adjustments to our risk settings.

## CASH & COST MANAGEMENT

Cashflow management has been an important focus for Prosopa. The growth in operating cash flow to \$58.8m in FY22 shows how cash generative Prosopa is. This supported the balance sheet growth of 64% as well as the \$10.6m increase in technology investment during FY22.

As highlighted previously we are focused on stringent management of costs. In FY22 we remained focused on our cost base with, G&A remaining relatively flat.

In contrast, our sales and marketing costs grew slower than the originations growth, demonstrating sound operating leverage. Product and development costs increased by 45%, reflecting the planned strategic investment in our products and technology.

For FY22 it was pleasing that operating expenses as a percentage of revenue has reduced to 47.1% against 57.6% in FY21. The operating leverage continues to improve, highlighting as Prospa gets bigger, we will observe greater profitability.

As we scale and expand our offering, we remain committed to do so in a manner that will result in a relatively stable yield for FY23 and with credit risk outcomes that remain in our target static loss range of 4-6%, ensuring we deliver further operational efficiencies.

This is especially important to management as we continue to operate in an environment with persistent economic challenges for our small business customers.

## PROVEN RESILIENCE

Despite an increasingly challenging economic backdrop, we continue to see demand for funds from small business owners.

In Australia there are approximately 2.4m small businesses which account for 41% of jobs, while small businesses account for 28% of jobs in New Zealand.

There is a large and growing addressable market of small businesses that are investing in the future and driving this credit demand.

In this current environment, our plans are to focus on four key areas to drive sustainable growth:

- First - margin protection, ensuring our commercial settings protect the net interest margin of the business.
- Second - to continue growth while remaining prudent regarding the credit quality and performance of our loan book.
- Third - further diversifying our funding structures and seeking more efficiencies.
- And finally - apply a stringent approach towards cost management.

## DRIVING GROWTH WITH PROFIT

We remain steadfast in our focus to continue delivering performance for both our shareholders and customers alike.

As the digitisation of financial services accelerates, we understand the importance of investing in Prospa to build on our strong foundations to maintain our competitive edge in the fintech space.

Over the coming year, we will look to leverage our products and technology to further expand our reach and drive efficiencies.

To achieve this goal, we will dedicate efforts to further establishing our products to acquire more customers within an environment of high demand for credit across the Australian and New Zealand market. However, given the uncertain economic backdrop we will be prudent about our growth, adjusting our commercial settings to target higher credit quality customers.

We will continue investing to enhance and expand our suite of products including further enhancements to Prospa's Business Account.

The evolution of the Business Account will play an integral role in uplifting our brand, enhancing our value proposition, and driving organic growth via increased cross-selling opportunities, and over time lowering our customer acquisition costs.

We are confident new revenue opportunities will arise with our expanding product suite, diversifying Prospa's revenue and increasing our active customer lifetime value.

## CONCLUSION

As we conclude this section of the AGM, I would like to take the opportunity to thank the entire Prospa team for their dedication and enthusiasm.

They continue to be committed to providing our small business customers and partners with considerable support.

Thank you to the board for their continued efforts, time, and support.

A final thanks to our shareholders who maintain their support for Prospa and our growth strategy.

This announcement has been authorised for release by the Company Secretary.

### 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.