

Prosipa's Q3 FY23 Business Trading Update – slower book growth reflecting market pressures



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Prosipa Group Limited (ASX:PGL) (“Prosipa” or the “Company” or the “Group”) is pleased to provide a trading update for the quarter ending 31 March 2023¹. The Company continues to deliver steady but deliberately slower growth as uncertainty in the broader economy remains.

Group highlights:

- This quarter originations of \$172.8 million, up 0.5% on pcp (Q3 FY22: \$172.0 million).
- Closing gross loans for the quarter increased to \$890.4 million, up 52.6% on pcp (Q3 FY22: \$583.6 million).
- Revenue for the quarter reached \$74.8 million, a 63.0% increase on pcp (Q3 FY22: \$45.9 million).
- Active customers grew by 5.1% to 20,900, an increase of ~1,000 from the previous quarter.
- Yield maintained at 34.6% (Q3 FY22: 34.1%), while Net Interest Margin (NIM) for the quarter was lower at 27.7% versus the previous quarter of 29.4% (Q3 FY22: 29.6%).
- New Zealand originations contributed \$35.1 million for the quarter. The Business Line of Credit product continues to gain momentum representing 14% of the New Zealand portfolio mix.
- As of 31 March 2023, Prosipa had access to \$964.2 million of secured funding facilities, a 41.8% increase on pcp (Q3 FY22: \$680.0 million), of which \$161.6 million was undrawn.
- Customer sentiment remains high with Net Promoter Score at 75+.

¹ Unaudited management accounts

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

“The March quarter delivered stable top-line growth, aided in part by the maintenance of our portfolio yield. While it’s pleasing to see the Company continue to grow, we have proactively revised our credit-risk assessment policies as sustained economic pressure on small businesses has led to some stresses beginning to materialise across the loan book.

We remain focused on sustainably growing our business and have reviewed our operations and priorities to take proactive measures to reduce costs and capital investment. We will sharpen our focus on delivering those aspects of our product roadmap that deliver the most value for our customers and partners, ensuring our business retains its leading position.”

Third quarter FY23 highlights

The Company delivered originations of \$172.8 million, up 0.5% on pcp (Q3 FY22: \$172.0 million) with solid demand across Australia and New Zealand.

New Zealand originations contributed \$35.1 million for the quarter. The Business Line of Credit product continues to gain momentum representing 14% of the New Zealand portfolio mix.

Revenue for the quarter increased to \$74.8 million, up 63.0% on pcp (Q3 FY22: \$45.9 million), supported by a 34.6% portfolio yield.

Demand for funds resulted in closing gross loans for the quarter increasing to \$890.4 million, up 52.6% on pcp (Q3 FY22: \$583.6 million), aided by a 5.1% increase in active customers compared to Q2 FY23 to total 20,900.

During the quarter, the Company continued to execute its core system re-platforming roadmap which is on track for completion in CY24. The business has evaluated its capital investment plans and has paused the development of the Prospa Business Overdraft product. In addition, the company has reduced its operating expenses across all functions streamlining the cost base appropriately for the current economic environment.

Portfolio Management & Funding

In the current economic environment, our focus remains on the overall credit quality of the loan book; we are focusing on tightening portfolio management settings and provisioning remains elevated.

As inflation pressures continue and interest rates continue to increase, certain industry verticals in the small business sector in Australia and New Zealand are showing higher levels of arrears. As a result, the Company has implemented targeted measures to manage credit performance across its portfolio. These adjustments have resulted in a reduction in customer approvals in certain sectors. Capital management remains a core focus for the business together with prudent, elevated credit provisioning.

The Company's cost of funds increased as cash rates continued to rise during the March quarter resulting in a lower NIM of 27.7% verse pcp of 29.4%.

There were no significant changes to funding facilities during the quarter; as of 31 March 2023, Prospa had access to \$964.2 million of secured funding facilities, a 41.8% increase on pcp (Q3 FY22: \$680.0 million), of which \$161.6 million was undrawn (Q3 FY22: \$158.6 million).

Outlook

The Company anticipates a period of continued economic uncertainty impacting the small business sectors in Australia and New Zealand. Prospa's continued focus remains on providing support to small business through targeted lending whilst adopting a cautious approach to maintaining the credit quality of the loan book, in order to continue to write profitable business. The Company actively leverages its dynamic credit decisioning capability enabling it to make quick and decisive setting changes to optimise commercial and customer outcomes.

In parallel, the Company remains focused on driving ongoing operational efficiencies as its re-platforming program continues to be rolled out, benefiting partners, customers, and increasing overall shareholder value.

This announcement has been authorised for release by the Board.

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About Prospa

Prospa Group Limited (ASX: PGL) is a leading fintech with a commitment to unleash the potential of small business in Australia and New Zealand. We do this through an innovative approach to developing simple, stress free and seamless financial management products and services.

Since 2012, we have provided more than \$3.4 billion of funding to support the growth and operations of thousands of small businesses. We also work with more than 14,000 trusted brokers, accountants, and aggregator partners, to deliver flexible funding solutions to their clients.

At Prospa, we're serious about our impact on our people, communities, and the planet. Our core company value of One Team is backed by our recognition as a Great Place To Work in Australia and a WORK180 Endorsed Employer for Women.

For more information about Prospa, visit prospa.com or investor.prospa.com.