

Release date: 30 October 2023

Prospa Group Limited (ASX: PGL) ("Prospa" or the "Company" or the "Group") today provides a trading update for the quarter ending 30 September 2023¹.

Group highlights:

- Closing gross loans of \$828.9 million, a 7.9% increase compared to the prior corresponding period ("pcp") (Q1 FY23: \$768.3 million).
- Revenue for the quarter of \$74.0 million, a 16.2% increase on pcp (Q1 FY23: \$63.7 million).
- Yield increased to 34.9% (Q1 FY23: 34.4%), while Net Interest Margin ("NIM") for the quarter was lower at 25.8% compared to 29.2% for pcp.
- First quarter originations of \$141.4 million, down 31.0% on pcp (Q1 FY23: \$205.1 million), resulting from tighter risk settings implemented over the past 12 months.
- Further improvements in operating costs, with employee expenses² down by 15.7% on pcp to \$15.2 million (Q1 FY23: \$18.1 million).
- Early arrears showing signs of improvement, as the tighter risk settings that have been adopted are improving book performance.
- Active customers grew by approximately 13.3% to 20,300, an increase of 2,400 on pcp (Q1 FY23: 17,900). The tighter credit settings have also resulted in lower lending sizes.
- Deposits in Prospa Business Accounts reached over \$2.1 million, and functionality to enable cross-selling of capital products via the Prospa Business Account is now live.
- Customer sentiment remains high, with Prospa's Net Promoter Score at 70+.

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

"Originations have tempered in line with our revised risk appetite, while revenue and closing gross loans remain steady despite ongoing challenges in the macroeconomic environment. Our focus remains on improving the overall credit performance of the loan book, and pleasingly, we are starting to see signs of improvement in early arrears, indicating that the tightening of credit risk settings is producing the desired effect."

"We are progressing on our strategic roadmap with the rollout of new product pricing and features, including functionality to cross-sell capital products via our Business Account. As we continue to scale the Business Account, we look forward to adding new features that provide value for customers and shareholders."

¹ All numbers are unaudited, and small retrospective changes in origination figures may occur due to backdated cancellations or modifications to support customer outcomes.

² This includes employee expenses capitalised.

Q1 FY24 highlights

Total revenue increased by 16.2% on pcp to \$74.0 million (Q1 FY23: \$63.7 million), and portfolio yield was stable at 34.9% (Q1 FY23: 34.4%). This was bolstered by further improvements in the operating cost base, with employee expenses² down by 15.7% on pcp to \$15.2 million (Q1 FY23: \$18.1 million).

First quarter originations were \$141.4 million, down 31.0% on pcp (Q1 FY23: \$205.1 million), reflecting the deliberate tightening of credit settings during FY23.

Closing gross loans ended at \$828.9 million, an increase of 7.9% on pcp (Q1 FY23: \$768.3 million). New Zealand closing gross loans grew to \$152.1 million, an increase of 16.1% on pcp (Q1 FY23: \$131.0 million), primarily driven by continuing strong demand for the Line of Credit product exclusively available to higher quality customers.

The Company's active customers rose to 20,300, 13.3% up compared to pcp (Q1 FY23: 17,900), while maintaining a net promoter score (NPS) above 70.

There is steady growth in deposits in Prospa Business Accounts, which reached over \$2.1 million. In addition, functionality to enable cross-selling of capital products via the Prospa Business Account is live, with pleasing early uptake levels.

Our strategy to provide an integrated digital experience across lending and transaction products is continuing, with the launch of the Prospa App in New Zealand, enabling our customers to access their accounts anywhere, anytime. This enables us to better build our differentiation and affinity with our customers, and offers cross-sell opportunities tailored to each customer's needs as they grow with Prospa.

Portfolio Management & Funding

Prospa continues to manage credit performance carefully, given ongoing macroeconomic uncertainty. Early loss indicators show signs of improvement, indicating that tightening credit settings are driving improvements in credit performance, with elevated losses being isolated to the loans originated prior to H2 FY23.

Due to increased cash rates in Australia and New Zealand, NIM was lower for the quarter at 25.8% compared to 29.2% in Q1 FY23.

As at 30 September 2023, Prospa had access to \$896.4 million of secured funding facilities, a \$98.1 million increase to pcp (Q1 FY23: \$798.3 million), of which \$138.1 million was undrawn (Q1 FY23: \$116.7 million). The company also has a \$12 million corporate debt facility established in July 2023.

Outlook

The Company remains focused on improving the credit performance of the loan book while generating profitable growth and delivering outstanding products and services as the premier online lender to small business.

The Company anticipates that economic uncertainty impacting the small business sectors in Australia and New Zealand will continue for some time, and continues to leverage its dynamic credit decision-making capability to make quick and decisive setting changes to optimise commercial and customer outcomes. The Company will monitor and, if necessary, adjust credit risk settings to support continued improvement in the credit quality of the loan book.

In parallel, the Company will continue to deliver on its strategic roadmap through the re-platforming program, migrating customers off legacy systems, and expanding its capital product reach while continuing to enhance the Business Account offering to benefit partners and customers, and increase overall shareholder value.

This announcement has been authorised for release by the Board.

ENDS

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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 \$3.7 billion of funding to support the growth and operations of thousands of small businesses. We also work with more than 16,000 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.