

Prospa Group Limited 2023 Annual General Meeting – Chair’s Address

Release date: 16 November 2023

In accordance with the Listing Rules, attached is the address to be delivered by the Chair of Prospa Group Limited (ASX:PGL), Gail Pemberton, at this morning’s Annual General Meeting to be held virtually.

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

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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.

Prospa Group Limited 2023 Annual General Meeting – Chair’s Address

Hello and welcome to Prospa’s 2023 AGM.

On behalf of the Board, it is my pleasure to welcome you to the virtual Annual General Meeting for Prospa Group Limited.

My name is Gail Pemberton, and I am the company’s Chair.

I’d like to begin by acknowledging the Gadigal people, the Traditional Owners of the land on which we meet today. I would also like to pay my respects to Elders past and present.

Before I open formal proceedings, I will introduce my fellow directors and members of the management team of Prospa who are in attendance at this virtual meeting.

Fellow Directors joining us from the Prospa office are:

- Greg Moshal, Executive Director and Chief Executive Officer;
- Beau Bertoli, Executive Director and Chief Revenue Officer;
- Fiona Trafford-Walker, Independent Non-Executive Director, and Chair of the Audit and Risk Committee and a member of the Remuneration, People and Nomination Committee; and
- Mary Ploughman, Independent Non-Executive Director, Chair of Remuneration, People and Nomination Committee, and member of the Audit and Risk Committee.

Avi Eyal, Non-Executive Director and member of the Remuneration, People and Nomination Committee joins us virtually.

Stephanie Rowland, Prospa’s Senior Legal Counsel and Company Secretary, along with the Company’s auditor, Deloitte, represented by Heather Baister, our audit partner, and Ross Aucutt, Prospa’s Chief Financial Officer are also in attendance today from the Prospa offices.

I am advised by the Company Secretary that the necessary quorum is present and I now declare the meeting open.

CHAIRMAN’S ADDRESS & FY23 HIGHLIGHTS

First, I will give a brief address highlighting Prospa’s performance during FY23 and provide an overview of how the Company is tracking.

I will then hand over to Greg who will touch in greater detail on the performance and strategic growth plans for the company.

The solid top line growth delivered in financial year 23, was achieved despite global and local economic headwinds and was due to our sharpened focus on risk management and the investments we have continued to make across our business, platform, and people. These investments are designed to ensure we have a scalable and flexible business to support growth while improving operating leverage, managing credit risk, and diversifying our range of products so we are better able to support our small business customers to enable them to grow, run and operate their businesses with ease.

The Board is pleased with Prospa's achievements in FY23.

The company has again delivered significant growth in assets and revenue in FY23 supported by disciplined yield expansion, improved operating leverage and scalability. However due to a more challenging macroeconomic environment and adverse developments in book performance in CY22, the company adopted more conservative risk settings, including a material lift in provisions, and tightened credit underwriting settings.

Some of the key financial highlights of FY23 included:

Delivery of full year revenue of \$285.6 million, up 60.2% on FY22.

Originations were \$753.7 million up 2.9% on pcp, representing our highest ever full year performance but also reflecting a deliberate tightening of credit in the second half, given a decline in the external economic environment.

Closing gross loans of \$862.2 million were up 22.9% on pcp

Our portfolio yield increased to 34.8%, despite a 200 bps increase in the average cost of funds.

These results delivered a 64.5% increase in our operating cash flow to \$96.8 million.

EBITDA recorded a loss of \$28.5m, driven by the non-cash ECL provision increasing by \$58.5m in FY23, and reflecting the impact of inflation, macro-economic indicators and subdued consumer demand experienced by the small business sector.

However, EBITDA pre the ECL provision was \$30.0 million, reflecting increased operating leverage of 41.3% an improvement of 14.5% compared to pcp.

Our dedication and passion for our small business customers was evident in our world class net promoter score of over 70. We remain committed to delivering a consistently high level of service to our active customers, who numbered over 21,000 as at the end of FY23 an increase of 4,900 new customers.

PROSPA REMAINS THE LEADING LENDER TO SMALL BUSINESS

A resilient and adaptable business model combined with a highly engaged customer base and the disciplined and driven Prospa team, continues to drive Prospa's business. Prospa maintained its respected and trusted reputation in the market whilst raising overall awareness of alternate non-bank lenders to small business.

While originations growth was muted in FY23, this was a deliberate strategy. As we witnessed softening in consumer demand due to the impact of inflation and mortgage stress, and its impact on our small business customer base, we deliberately tightened credit settings resulting in lower originations and higher provisions.

Despite this persistent uncertainty, we are still seeing quality small business demand for funds to invest in their future.

Looking to FY24 and beyond, our expanding customer and partner proposition will enable us to win a greater share of the established small business market with higher quality customers to underpin Prospa's profitability and sustainability in an uncertain macroeconomic environment.

We are already making tangible progress in this area, with premium grade customers now representing 49.5% of our portfolio, up 4.1% on pcp.

TECHNOLOGY INVESTMENT

Our technology platform remains at the core of how we effectively service small businesses and over the past year we have made substantial progress implementing our new core lending platform, Mambu. As at today, we are now originating all new business loans and facilities in Australia and New Zealand on Mambu.

We recently launched the Prospa App in New Zealand, and we continue to digitise quicker and more efficient customer experiences. The web and mobile app now includes low friction pathways for existing customers to discover and apply for new products, leveraging Prospa's customer data. These developments have seen strong uptake since launch.

FY23 also saw enhancements to our Customer Relationship Management (CRM) platform to leverage AI tools and automation in the way we serve customers and create the foundations of a personalised 1:1 customer engagement platform, which will significantly improve our ability to engage with customers through our digital channels.

ESG & OUR PEOPLE

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

In FY23, Prospa employed over 300 staff in a labour market that continues to remain constrained and where employee engagement and retention remains challenging. 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 we were delighted to be named as one of the Australia's Best Places to Work for 2023, in the Medium sized workplace category. Prospa continues to be 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 strong results delivering growth despite economic uncertainty, highlighting our values and the importance of past and ongoing investments the company has made in its people, processes, and technology to provide scale and resilience.

As we look to FY24 and beyond we remain confident that our business model will deliver sustained growth, improved credit quality and greater operating leverage and profitability.

In closing I would like to thank the 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.

I'll now hand over to Greg Moshal, co-founder, and Chief Executive Officer.