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Business update

Prosipa Group Limited (ASX:PGL) ("Prosipa" or the "Company") today provides an unaudited trading update for the quarter ending 30 June 2024. These metrics are draft, unaudited and remain subject to change.

Quarterly originations were \$149 million, a 4% decrease on pcp (Q4 FY23: \$155 million), as the Company continued to adopt conservative risk settings in response to a challenged macroeconomic environment. Overall, FY24 originations were \$616 million, 18% down on pcp (FY23 \$753 million).

Consistent with the FY24 originations trend, closing gross loans ended the quarter and year at \$796 million, 8% down (FY23: \$862 million). Active credit customers dropped to 19,990, a decrease of 2% in the year.

Net bad debts were 13% of the average gross loans of \$821 million for FY24, an increase of 27% in the year. Notwithstanding this, net bad debts as a % of average gross loans have trended downwards in H2 FY24 to 12%.

As of 30 June 2024, Prosipa had access to \$956 million of secured funding, a 4% increase on pcp (Q4 FY23: \$921 million), of which \$208 million was undrawn (Q4 FY23: \$140 million). Total cash ended the year at \$127 million (FY23: \$97 million), of which \$19 million was unrestricted (FY23: \$14 million unrestricted), excluding the \$12 million corporate debt facility with iPartners, referred to in the scheme booklet dated 12 June 2024 ("Scheme Booklet") as the "iPartners Facility".

Scheme update

Prosipa refers to the proposed scheme of arrangement ("Scheme") pursuant to which Salkbridge Pty Ltd ("BidCo"), an entity controlled by a consortium led by the Salter Brothers Tech Fund ("Consortium")¹, would acquire all of the issued shares in Prosipa ("Prosipa Shares") that are not already owned by the Consortium.

Unless otherwise indicated, capitalised terms used in this announcement have the meaning given to them in the Scheme Booklet.

Prosipa advises that a change to the proposed ownership arrangements for Prosipa following implementation of the Scheme has been agreed with BidCo and HoldCo.

The Scheme provides that all Prosipa Shares other than those held by the Excluded Shareholders (defined to be "BidCo or any Prosipa Shareholder who is a member of the Consortium") will be acquired under the Scheme. As disclosed in the Scheme Booklet, Consortium Members currently hold approximately 4.95% of Prosipa Shares, with one of the Consortium Member, Tubbin, holding 0.69%.

No change to the Scheme is proposed, but it had previously been anticipated that all Consortium Members would transfer their Prosipa Shares to BidCo in exchange for HoldCo Shares prior to implementation of the Scheme, such that Prosipa would be wholly owned by BidCo following the Scheme and all Consortium Members would hold their interest in the Merged Group via HoldCo (even though the terms of the Scheme allow Consortium Members to retain a direct interest in Prosipa).

¹ The Consortium comprises: 1 GRIM Enterprises Pty Ltd; 2 Tubbin Investments Pty Ltd as trustee for the Ruddock Family Trust ("Tubbin"); 3 Grangeford Holdings Pty Ltd as trustee for Grangeford Investment Trust; 4 Jaspar Investments Pty Ltd as trustee for Jaspar Discretionary Family Trust; and 5 Salter Brothers Asset Management Pty Ltd as trustee for Salter Brothers Tech Trust No. 1.

Tubbin has now advised that it may elect to retain its 0.69% holding in Prospa post Scheme, rather than exchanging that holding into HoldCo Shares. The SID will be amended to provide that should Tubbin, or any other Consortium Member, choose to retain their shares in Prospa, they would be required to undertake to dispose of their retained Prospa Shares alongside other HoldCo shareholders (and on equivalent terms) in any future transaction involving a disposal of the HoldCo/BidCo/Prospa group, and will only otherwise dispose of those Prospa Shares in substantive compliance with the requirements that would have applied had they been HoldCo Shares, to ensure the arrangements do not provide them with any special benefit. They would also be required to undertake to take any other action required to ensure they are not advantaged by electing to not exchange Prospa Shares for HoldCo Shares.²

The Consortium Members' retained Prospa Shares would confer economic rights substantially the same as would have applied had they exchanged those shares for HoldCo Shares³ (and they will not receive any particular governance rights in respect of those shares). Consortium Members retaining Prospa Shares may, however, have legal rights as Prospa Shareholders that would not be available to HoldCo Shareholders.

These changes mean that the Scheme will not necessarily result in Prospa and its subsidiaries joining the HoldCo tax consolidated group. Should Prospa and its subsidiaries join the HoldCo tax consolidated group, the future tax profile of the group would depend on the extent to which Prospa Shareholders elect to receive HoldCo Shares as consideration under the Scheme, and changes from the existing tax profile may disadvantage shareholders. If Prospa does not join the HoldCo tax consolidated group, the tax attributes of the existing Prospa tax consolidated group, as reflected in the Scheme Booklet, will not be affected by the Scheme regardless of the choice of consideration by existing Prospa Shareholders under the Scheme.

Prospa has advised Kroll, the Independent Expert, of the foregoing matters and Kroll has confirmed that they do not affect its conclusion that the Scheme is in the best interest of Prospa shareholders.

The Independent Board Committee continues to unanimously recommend that Prospa Shareholders who are eligible to vote approve the Scheme by voting in favour of the Resolutions, in the absence of a Superior Proposal and subject to the Independent Expert maintaining its conclusion that the Scheme is in the best interests of Scheme Shareholders.

Prospa Shareholders should read the Scheme Booklet carefully and in its entirety before deciding whether or not to vote in favour of the Resolutions.

This announcement has been authorised by the Board.

ENDS

For further information, contact:

Company Secretary

Stephanie Rowland

Senior Legal Counsel & Company Secretary

stephanie.rowland@prospa.com

Media and Investor Relations

Melanie Singh

Senior Investor Relations Manager, NWR

+61 439 748 819

melanie@nwrcommunications.com.au

² The undertakings would also require the remaining Prospa Shareholder to ensure that similar obligations are undertaken by any person to whom such Prospa Shares are disposed of.

³ Although any retained Prospa Shares will afford the holder a slightly smaller aggregate percentage exposure to the Prospa business, disadvantaging Tubbin and any other non-exchanging Consortium Member (except at very high levels of Elections for the Scrip Consideration).

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 \$4.0 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.