



23 April 2020

Mr Neel Bhowmick  
Adviser, Listings Compliance

By email: [ListingsComplianceSydney@asx.com.au](mailto:ListingsComplianceSydney@asx.com.au)

Dear Mr Bhowmick

**Response to ASX Query letter**

We refer to your letter dated 20 April 2020 and respond to your queries as follows:

**ASX Question 1**

**ASX notes that:**

- The 17 February Announcement disclosed that PGL's 'available third party facilities' amounted to \$485 million following the commitment of \$32.5 million from a new funding partner which was detailed in that announcement. This indicates that the relevant figure immediately prior to 17 February 2020 was approximately \$452.5 million.
- PGL's Half Year Report disclosed total facilities under securitisation trusts at 31 December 2019 of \$452.7 million.

**In light of this, please explain why PGL stated in both the 27 February Announcement and the 16 March Announcement that the relevant figure was \$485 million at 31 December 2019.**

**PGL Response to Question 1**

The total third party facilities as at 31 December 2019 were \$452.7 million, as per PGL's Half Year Report. Included in the Report was a Post Balance Date Event (page 9) describing the new funding of \$32.5 million, effective 17 February 2020. Hence the relevant figure with effect from 17 February 2020 was \$485 million.

**27 February Announcement:**

In the 27 February 2020 Announcement, PGL released results for the Half Year ended 31 December 2019. Included therein was the following statement:

"At the end of the period, Prospa had \$485 million in available third party facilities."

Whilst the available warehouse facilities were \$485 million on the day of the Announcement, PGL acknowledges that the use of 'period' has been reasonably interpreted as being 31 December 2019, consistent with the use of that term throughout the Announcement. This was an oversight and we confirm that the available third party facilities at 31 December 2019 were \$452.7 million, consistent with the Post Balance Date Event explanation in the Report.



That same day, PGL released its Half Year Results Presentation correctly reflecting the \$485 million as at 26 February 2020 (page 9).

**16 (sic) March Announcement:**

We assume the ASX is referring to our Announcement on 19 March 2020 as we issued no Announcement on 16 March 2020.

The 19 March 2020 Announcement that stated that there were \$485 million in available third party facilities as “of 31 December 2019” is an error, as the additional \$32.5 million commitment from a new funding partner was announced on 17 February 2020 (consistent with the Post Balance Date Event explanation in the Report), which then increased the warehouse facilities to \$485 million, as described above.

**ASX Question 2**

**Please explain the basis for PGL’s statements in the 19 March Announcement that:**

**a) it had \$485 million in available third party facilities given the Half Year Report disclosed only \$52.4 million of unused facilities at 31 December 2019; and**

**b) it is ‘well capitalised’ as it had \$102.5 million in cash and cash equivalents at 31 December 2019 when \$58.7 million of that amount was held in securitisation trusts and was not available to settle creditors.**

**PGL Response to Question 2**

As per the response to question 1 above, the 19 March 2020 Announcement incorrectly stated the relevant balance was \$485 million as of 31 December 2019 whereas the correct balance was \$452.7 million. After taking into account the Post Balance Date Event disclosed in the Half Year Report, there were \$485 million in available third party facilities as at 17 February 2020.

With regards to the \$52.4 million in unused facilities at 31 December 2019, PGL warehouses are committed third party facilities that permit the drawdown and repayment under the committed limits at any time during the Availability Period (ranging up to 3 years) as documented in the warehouse facilities. Given our underlying receivables are short dated (up to 18 months on average) these warehouse facilities are often paid down when principal is collected and then drawn back up. As such the focus is on the total committed limits and the Availability Period as principal collected can be recycled.

It is also important to note that unlike funding for other longer dated asset classes such as residential mortgages, PGL’s warehouse facilities do not require a “term out” to recycle the warehouse facility. A “term out” is a process where the warehouse facility is repaid periodically by transferring the assets in the warehouse to a new trust that issues Rated Securities to capital market investors.

As such the reference to “available third party facilities” is the appropriate term on the basis that:

- there is an ability to pay down the warehouse facilities and redraw at any time during the Availability Period;
- it references the overall capacity across our warehouse facilities and is commonly accepted to mean that with reference to securitisation warehouses; and



- the \$52.4 million referenced above is the 'headroom' in the warehouse facilities at that point in time. Historically we have held an amount of headroom in our funding to manage the cost of undrawn warehouse facilities whilst providing for growth in the portfolio.

The reference above to cash and cash equivalents is as stated in our Balance Sheet as at 31 December 2019 and includes cash held in various trusts. Our financial reports are based on the consolidation of all our funding trusts across the group, in accordance with the Australian Accounting Standards Board standard on Consolidated Financial Statements.

Whilst the cash held in the trusts is not available to settle liabilities of the group, it is available to:

- purchase further receivables originated by PGL at any time (i.e. recycle cash); and
- pay down warehouse facility in the relevant trust i.e. the major creditors on PGL's consolidated balance sheet; or
- distribute each month any excess income to PGL entities after paying interest expenses, trust operating costs and additional subordination required due to non-conforming receivables.

PGL has limited liabilities other than warehouse facilities funding as can be observed from our Statement of Financial Position. As at 31 December 2019, these were limited to:

- trade and other payable of \$5.9 million; and
- employee benefits of \$3.8 million.

We believe that these are well covered (~4.5x) by the remaining \$43.8 million unrestricted cash held outside the trusts.

Note that the lease liabilities are offset with the right-of-use assets in the Statement of Financial Position as per *AASB 16 Leases*. Please refer to the PGL HY2020 half-year report for more detail in this regard.

### **ASX Question 3**

**Please explain why PGL used the terminology 'available third party facilities' with reference to the figure of \$485 million in the 27 February Announcement, the 27 February Presentation and the 19 March Announcement, rather than the 'funding limits' terminology adopted in the 17 February Announcement?**

### **PGL Response to Question 3**

PGL has used the terms "available third party facilities" and "funding limits" interchangeably, as to PGL they have an identical meaning, which is "the total amount of third party funding available in PGL's warehouse facilities to support the loan book".

It is common within the industry to use a number of different terms to describe the same concept. However, PGL acknowledges that the use of consistent terminology may assist some readers and, going forward, we will endeavour to use consistent language and be more expansive in our definitions.



#### **ASX Question 4**

**Please confirm that PGL is complying with the Listing Rules and, in particular, Listing Rule 3.1.**

#### **PGL Response to Question 4**

PGL confirms that it is complying with the Listing Rules and in particular Listing Rule 3.1. PGL notes that the Half Year Report (and in particular the Post Balance Date Event explanation contained within) explains the position.

#### **ASX Question 5**

**Please confirm that PGL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of PGL with delegated authority from the board to respond to ASX on disclosure matters.**

#### **PGL Response to Question 5**

PGL confirms the responses to the questions above have been authorised and approved by the Board of PGL or an officer of PGL with delegated authority from the Board to respond to ASX on disclosure matters.

Yours sincerely

A handwritten signature in black ink, appearing to read "Nicole".

Nicole Johnschwager  
Company Secretary

Prospa Group Limited  
ACN 625 648 722  
Level 1, 4-16 Yurong Street  
Darlinghurst NSW 2010  
[www.prospa.com](http://www.prospa.com)

20 April 2020

Reference: 16724

Ms Nicole Johnschwager  
General Counsel and Company Secretary  
Prospa Group Limited  
Level 1, 4-16 Yurong Street  
Sydney NSW 2000

By email

Dear Ms Johnschwager

**Prospa Group Limited ('PGL'): Query letter**

ASX Limited ('ASX') refers to the following:

- A. PGL's prospectus dated 16 May 2019 lodged with the Australian Securities and Investments Commission on that date, which contained the following statements (emphasis added):
- i. *'As at 31 December 2018, we had \$83.5 million in available undrawn capacity under the Warehouse Facilities' (on page 13).*
  - ii. *'As at 31 December 2018 (on a pro forma basis), we had \$83.5 million available of undrawn capacity in our Warehouse Facilities and \$89.6 million of unrestricted cash and cash equivalents, including net Offer proceeds' (on page 116).*
- B. PGL's announcement titled 'FY2019 Results Announcement' released on the ASX market announcements platform ('MAP') on 29 August 2019 ('29 August Announcement'), which included the following statement (emphasis added):
- 'Headroom at 30 June 2019 was 20% and with the addition of the New Zealand facility, this has grown to over 25% and Prospa has \$431.8 million in available debt funding facilities.'*
- C. PGL's announcement titled 'PGL Class B Investor announcement' released on MAP on 17 February 2020 ('17 February Announcement'), which included the following disclosures (emphasis added):
- i. *'Total third party funding limits for Prospa's Australian operations is now at \$485m'*
  - ii. *PGL has introduced 'a new Funding Partner into one of its Australian Warehouse Facilities that funds small business loans and line of credit facilities. The Partner has committed to A\$32.5 million Class B Notes, with the right to increase its commitment up to A\$65 million.'*
- D. PGL's half year report for the six months ended 31 December 2019 released on MAP on 27 February 2020 ('Half Year Report'), which disclosed that, as at 31 December 2019:
- i. Its current assets included cash and cash equivalents of \$102.5 million, of which \$58.7 million was restricted cash held in securitisation trusts and not available to settle its creditors (Note 8 on page 22).
  - ii. Its financing arrangements comprised facilities under securitisation trusts totalling \$452.729 million, of which \$400.366 million was used and \$52.363 was unused (Note 16 on page 27).
  - iii. Within the \$400.366 million of facilities which were used, \$63.853 million were current liabilities and \$336.514 million were non-current liabilities (Notes 14 and 16 on page 26).

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- E. PGL's announcement titled 'PGL Announces 2020 Half-Year Results' released on MAP on 27 February 2020 ('27 February Announcement'), which included the following statement (emphasis added):
- 'At the end of the period, Prosopa had \$485 million in available third party facilities.'*
- F. PGL's announcement titled 'PGL Half Year Results Presentation' released on MAP on 27 February 2020 ('27 February Presentation'), which included the following disclosures (emphasis added):
- It had \$485m in facilities which were 'available third party facilities as at 26 February 2020. New Zealand trust facility converted at exchange rate of 0.961' (on page 9).
  - 'Cash and cash equivalents grown to \$102.5m (47% growth on 30 June 2019 levels), with unrestricted cash at \$43.8m' at 31 December 2019 (on page 13).
  - Proceeds from borrowings of \$86.9 million during the six months ended 31 December 2018 with the note that 'warehouse facilities drawn reflects the addition of two new funding facilities in the period' (on page 14).
- G. PGL's announcement titled 'PGL COVID-19 Update' released on MAP on 19 March 2020 ('19 March Announcement'), which included the following disclosures that, as at December 31 2019 (emphasis added):
- It 'had \$485 million in available third party facilities'.
  - It 'remains well capitalised with \$102.5 million in cash and cash equivalents'.
- H. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

### Queries and Request for Information

Having regard to the above, ASX asks PGL to respond separately to each of the following questions and requests for information:

- ASX notes that:
  - The 17 February Announcement disclosed that PGL's 'available third party facilities' amounted to \$485 million following the commitment of \$32.5 million from a new funding partner which was detailed in that announcement. This indicates that the relevant figure immediately prior to 17 February 2020 was approximately \$452.5 million.
  - PGL's Half Year Report disclosed total facilities under securitisation trusts at 31 December 2019 of \$452.7 million

In light of this, please explain why PGL stated in both the 27 February Announcement and the 16 March Announcement that the relevant figure was \$485 million at 31 December 2019.
- Please explain the basis for PGL's statements in the 19 March Announcement that:
  - it had \$485 million in available third party facilities given the Half Year Report disclosed only \$52.4 million of unused facilities at 31 December 2019; and
  - it is 'well capitalised' as it had \$102.5 million in cash and cash equivalents at 31 December 2019 when \$58.7 million of that amount was held in securitisation trusts and was not available to settle creditors.
- Please explain why PGL used the terminology 'available third party facilities' with reference to the figure of \$485 million in the 27 February Announcement, the 27 February Presentation and the 19 March Announcement, rather than the 'funding limits' terminology adopted in the 17 February Announcement.

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4. Please confirm that PGL is complying with the Listing Rules and, in particular, Listing Rule 3.1.
  5. Please confirm that PGL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of PGL with delegated authority from the board to respond to ASX on disclosure matters.

#### **When and where to send your response**

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30am AEST on Thursday, 23 April 2020**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, PGL's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require PGL to request a trading halt immediately.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

ASX reserves the right to release a copy of this letter and your response on MAP under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on MAP.

#### **Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to PGL's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that PGL's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

#### **Suspension**

If you are unable to respond to this letter by the time specified above ASX will likely suspend trading in PGL's securities under Listing Rule 17.3.

#### **Enquiries**

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

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**Neel Bhowmick**

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Adviser, Listings Compliance (Sydney)