



31 July 2020

PROSPA ANNOUNCES FY20 UNAUDITED RESULTS

Customer data shows emerging recovery in small business economy

- FY20 unaudited results have been impacted by the COVID-19 pandemic due to additional provisioning for credit losses
- An additional \$20 million provision has been made for credit losses, as an economic overlay to take into account the impact of the COVID-19 pandemic
- FY20 EBITDA loss is expected to be in the range of \$18-22 million
- Revenue grew at an annualised rate of 10% in the nine months to March 2020. This is expected to slow to 4% growth over FY20, having been impacted by lower loan originations in the June quarter at the height of the nationwide lock down
- Loan originations in the month of June saw a promising uplift and reflect renewed customer demand, an adjusted risk appetite, and the full roll out of the SME Guarantee Scheme supported loans
- As announced to the market on 24 July 2020, amendments to the Company's Australian warehouse facilities have been completed and we continue to have the support of our funding partners
- Prospa's balance sheet remains strong with \$55 million in unrestricted cash and \$114 million in unused facility limits (total facilities \$443 million) at 30 June 2020

Prospa Group Limited (ASX: PGL) ("Prospa", "Company" or "Group"), today announces preliminary unaudited results for the full year to 30 June 2020¹. As expected, these results have been materially impacted by the severe economic downturn associated with the COVID-19 pandemic, including early impacts on loan originations and increased provisioning for credit losses.

As noted in the Company's trading update announced to the ASX on 10 June 2020, total loan originations during the months of April and May were materially impacted by COVID-19 related pressures on small businesses, however the company saw a meaningful increase in loan originations in June 2020 compared to the prior two months.

Prospa's priority during this period of uncertainty has been to support our small business customers. As outlined in the 10 June 2020 market update, we have provided impacted customers with COVID-19 related relief packages, with the majority of these customers having now returned to full contractual or partial repayment schedules. Despite this, the environment has been challenging for our small business customers and as a result we have prudently set aside a further provision of approximately \$20 million as an economic overlay to take into account the impact of the COVID-19 pandemic, lifting the allowance for expected credit losses as a percentage of receivables to 11.7% for FY20 (H1FY20 5.9%).

This provisioning, together with an additional \$5.5 million in write-offs following a comprehensive review of loan book receivables, contributes to an expected earnings loss before interest, tax,

¹ Based on unaudited management accounts.



amortisation and depreciation (“EBITDA”) of \$18-22 million. Prior to these adjustments EBITDA was expected to be between \$4-8 million for FY20.

Revenue grew at an annualised rate of 10% in the nine months to March 2020. This is expected to slow to 4% growth over FY20. Loan originations in June 2020 were \$12.8 million² for the month, up from \$6.2 million for May and \$2.9 million for April; reflecting improving customer demand, an adjusted risk appetite and the full roll out of the SME Guarantee Scheme supported products.

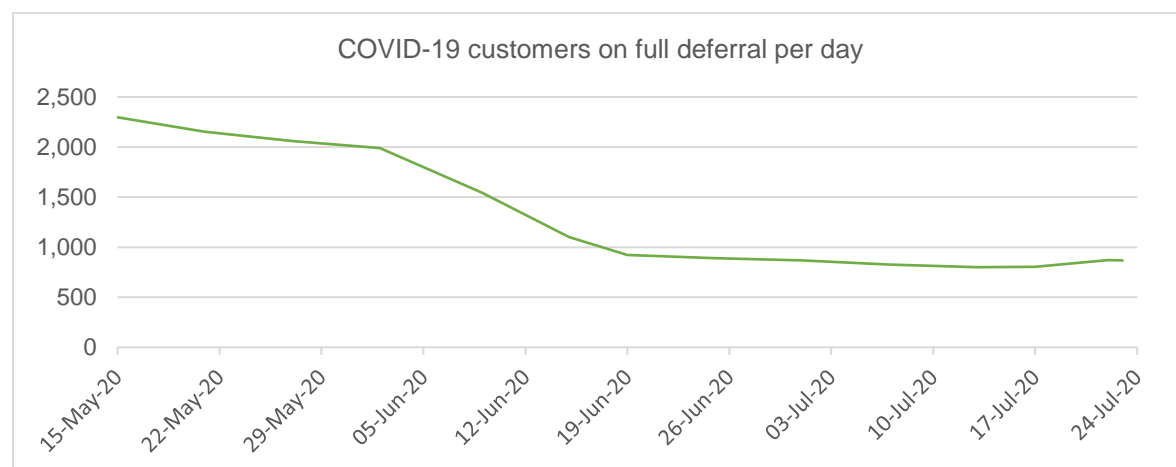
Continued customer recovery and extended SME Guarantee Scheme support

The current period is showing the resilience of small businesses in the face of some of the most difficult trading conditions they have faced. Prosopa continues to support small businesses seeking to rebuild and invest for the future through both COVID-19 related relief packages and with new originations, including as an approved lender for the SME Guarantee Scheme.

Prosopa welcomes the recent announcement by the Federal Treasurer to extend and enhance the SME Loan Guarantee Scheme to 30 June 2021 to support small business recovery. Prosopa is pleased to be an approved lender to the current Scheme ending 30 September 2020, and expects the increased flexibility of the new Scheme, including more flexible loan amounts and terms and the inclusion of a wider range of products, to appeal to a wider range of small business customers.

Prosopa continues to provide its Australian customers with COVID-19 related relief packages, typically full deferrals of 6 weeks’ duration or partial deferrals of 50% of the typical repayment, with interest on the outstanding principal during the full or partial deferral periods being capitalised.

The volume of customer support requests has returned to pre-COVID-19 levels. Since the market update³ representing the position at 4 June 2020, Prosopa has provided an additional 55 customers with relief packages so that the total customers who have benefitted from Prosopa’s support as at 24 July 2020 is now 5,556. Of these, 868 remain on a full deferral which is significantly less than the 1,749 reported as at 4 June 2020. Those on partial repayment arrangements amount to 1,194 customers, down from 2,731 as at 4 June 2020. Additionally, 3,063 have reverted to full contractual repayments, up from 836 customers on 4 June 2020, and 431 have paid out their balance in full.



² Based on unaudited management accounts.

³ ASX announcement “Prosopa Trading Update & Continued COVID-19 Response” dated 10 June 2020.



Provision for credit losses due to the impact of COVID-19 and loan book review

Given the tougher economic conditions, Prospa has reviewed its credit lending parameters and continues to recalibrate its proprietary Credit Decision Engine to align with the current economic environment and the resilience of its customers.

Prospa is able to analyse current business transaction information for a majority of its small business customers, providing real time insight into the impact the crisis is having on their businesses. The Company has and will continue to undertake economic modelling driven by analysing our customers' capacity to make repayments under various scenarios. This analysis has resulted in the Company prudently setting aside a further \$20 million provision for potential future credit losses.

In the last quarter of FY20 a comprehensive review was undertaken of the recoverability of all loans recorded in the loan management system and management has taken a conservative view resulting in an increased write-off of \$5.5 million to be recorded in the FY20 results. This is expected to be a one-off adjustment.

Outlook

Chief Executive Officer, Greg Moshal, said:

"Small businesses have been doing it tougher than ever before, navigating the impact of bushfires and COVID-19 within the same year. Prospa adapted quickly to the challenge of supporting new and existing customers as they navigate this prolonged period of economic uncertainty. We rapidly recalibrated our Credit Decision Engine to reflect the changing health of the macro economic environment as well as sensitivities in industry-specific small business trading models.

"Australian small businesses are resilient! Despite an ongoing challenging environment and continued uncertainty, we are now seeing small businesses across all sectors planning for their recovery, and we will continue to support these businesses with timely access to the right-sized capital they need to make this happen.

"The Company maintains its strong balance sheet position, with supportive funding partners and customer sentiment is continuing to improve.

"With the significant amounts of data and insights we have at our disposal, we continue to make smart decisions in real time about how we can support more small businesses, even during a pandemic. The steps we've taken to ensure we are maintaining price and risk discipline during this time ensure we are in the strongest possible position to support the small business economy as it recovers."

Prospa expects to announce full year results on 27 August 2020, and will provide further details including access information for the webcast closer to the time.

This announcement has been authorised for release by the Board.



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About Prospa

- Prospa provides cash flow products and services that allow small businesses to prosper
- Prospa has originated over \$1.5 billion in loans to date across Australia and New Zealand
- Prospa has to date served more than 28,500 small business customers
- Prospa is a founding signatory of the AFIA Online Small Business Lender Code of Lending Practice
- Prospa has a Net Promoter Score in excess of +77 and is ranked #1 in the Non-bank Financial Services category in Australia and New Zealand on independent review site TrustPilot
- Prospa is recognised as a 2019 Great Place to Work and was awarded AON Hewitt Employer of Choice in 2017 and 2018