

Prospa Group Limited 2023 Annual General Meeting – Presentation Materials



Release date: 16 November 2023

In accordance with the Listing Rules, attached are the presentation materials which are to be displayed at this morning's Annual General Meeting to be held virtually.

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

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

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.



2023 Annual General Meeting

Thursday 16 November 2023, 9am AEDT

Location: Virtual, hosted from Prospa's office by
Directors, CFO, Deloitte, and Company Secretary.

Prospa Group
Limited ("PGL")



Board of Directors



Beau Bertoli
Chief Revenue Officer
& Executive Director

Greg Moshal
CEO & Executive
Director

Gail Pemberton AO
Chairman & Non-Executive
Director

Avi Eyal
Non-Executive
Director

Fiona Trafford-Walker
Non-Executive Director

Mary Ploughman
Independent
Non-Executive Director

FY23 Full Year Performance



Revenue¹

\$285.6m

+ 60.2%

FY22: \$178.3m

Operating Cash Flow²

\$96.8m

+ 64.5%

FY22: \$58.8m

Closing Gross Loans

\$862.2m

+ 22.9%

FY22: \$701.3m

Total Opex / Revenue³

41.3%

- 14.5%

FY22: 55.8%

Originations⁴

\$753.7m

+ 2.9%

FY22: \$732.5m

Yield

34.8%

+ 0.7%

FY22: 34.1%

EBITDA⁵

-\$28.5m

Large

FY22: \$12.1m

Adjusted EBITDA⁶

\$30.0m

+ 2.1%

FY22: \$29.4m

1. All references to Revenue in this document represent Total income before transaction costs.

2. Operating Cashflow before changes in operating assets.

3. Total employee and operating costs which represent all operating (profit and loss) and capital (intangible asset) expense in the period.

4. All references to Originations in this document are from all sources, including Small Business Loan, Line of Credit (including undrawn amounts), Back to Business Loan, Back to Business Line (including undrawn amounts) in Australia and New Zealand. Small retrospective changes in origination figures may occur as result of back dated cancellations or modifications to support customer outcomes. All figures are expressed in AUD terms unless otherwise specified.

5. EBITDA in this document represent Earnings before interest on lease liabilities, tax, depreciation amortisation, share-based payments, FX Gain/Loss, impairment of intangibles, and restructuring costs.

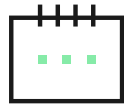
6. Adjusted EBITDA excluding movement in ECL provision expense.

We are well-placed to support small businesses despite current economic environment

Awareness of alt lenders is growing, and Prospa's industry-leading Trustpilot score puts us in a prime seat to help the right small businesses.



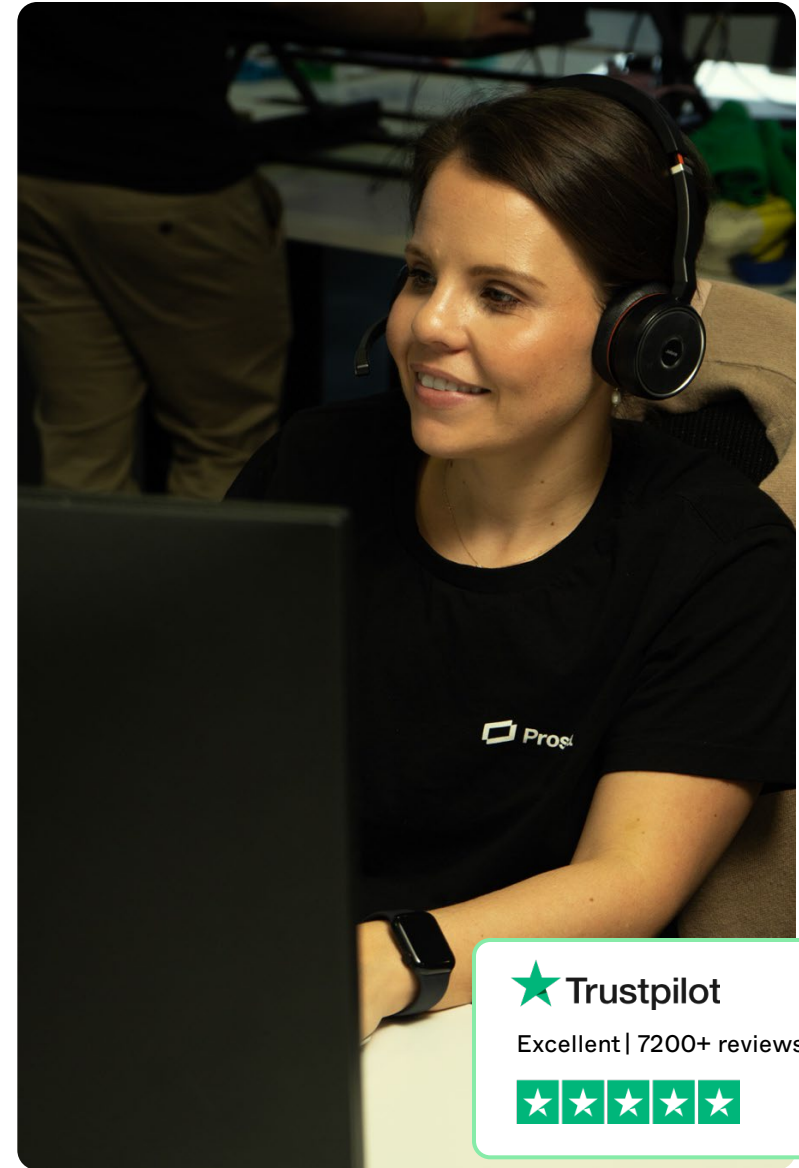
Over half of SMEs are aware of alt lending



Two in three businesses looking for funding in next 6 months



Prospa recognised as a trusted lender, with rating of 4.9 on Trustpilot



★ Trustpilot

Excellent | 7200+ reviews




1. RFI Group research, The economic impact of Prospa lending to small business, commissioned by Prospa, June 2023


2. In the Non-Bank Financial Services category, Prospa is the most trusted small business lending specialist on independent review site TrustPilot, with over 7,300 reviews and a TrustScore of 4.9 in Australia, and over 1,000 reviews and a TrustScore of 4.9 in New Zealand as at 8 August 2023.


Technology investment underpins our value proposition

Delivered in FY23

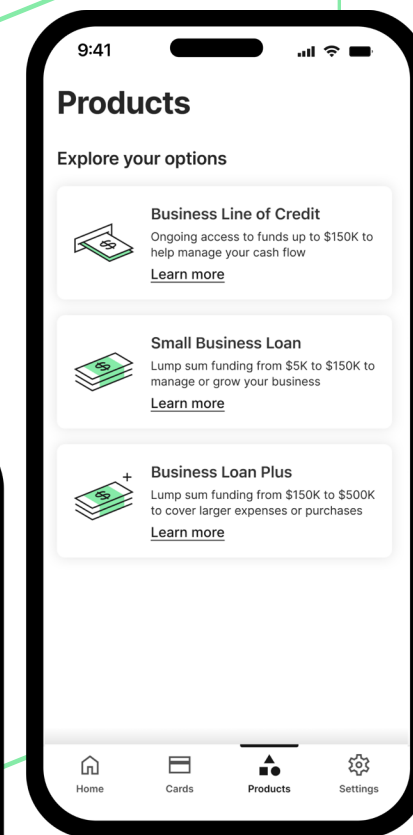
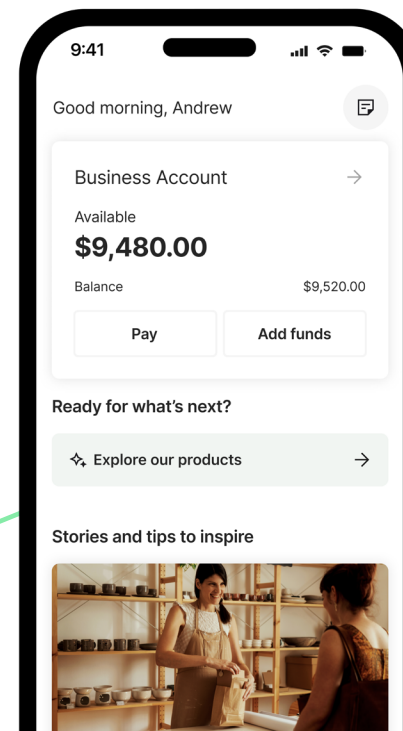
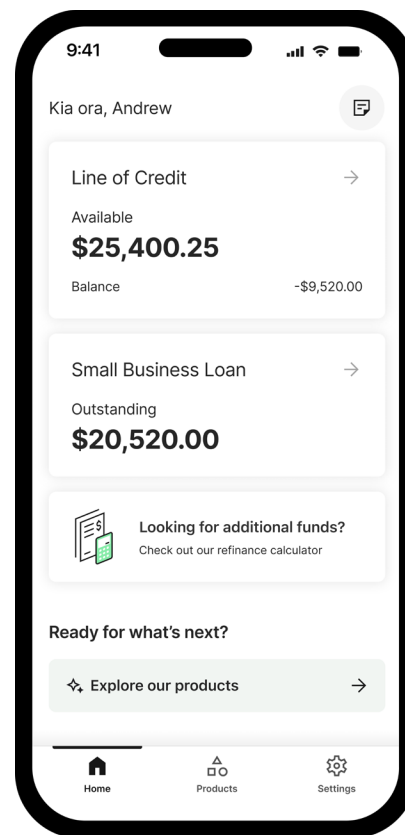
 Core technology upgraded to deliver all lending products across Australia and New Zealand

 Mobile app launched in New Zealand

 Launched additional payment channels for collections

 Enhanced Customer Relationship Management platform

Creation of digital refinance, application and in-app product cross-sell flows

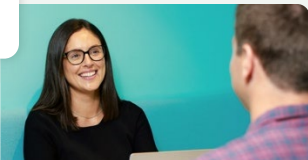




ESG & Our People

During FY23 Prospro was certified as a Great Place to Work, recognising the importance of investing in both our people and the impact we have on the community we operate in.

Our ESG strategy is aligned with our purpose, values and long-term goals.



Environment

- Achieved Carbon Neutral status in FY23 in partnership with Trace Pty Ltd
- Switching to Green Energy for Prospro Head Office in FY24, and are actively scoping and exploring reduction strategies

Social

- We strive for greater gender parity and inclusion, and continued to make strong progress in FY23
- We continue to invest and maintain our ongoing partnership with Kiva, since 2013
- Endorsed by Work180 as Employer of Choice
- All leaders participated in 'Inclusion in action' training and a 'leading at Prospro' induction program

Governance

- Corporate governance policies and practices are reviewed against the ASX Corporate Governance Council's Principles
- Further information in relation to corporate governance practices is set out in the Corporate Governance Statement, which is [publicly available](#)
- Code of Conduct and Values refreshed to ensure a culture of governance and shared responsibility



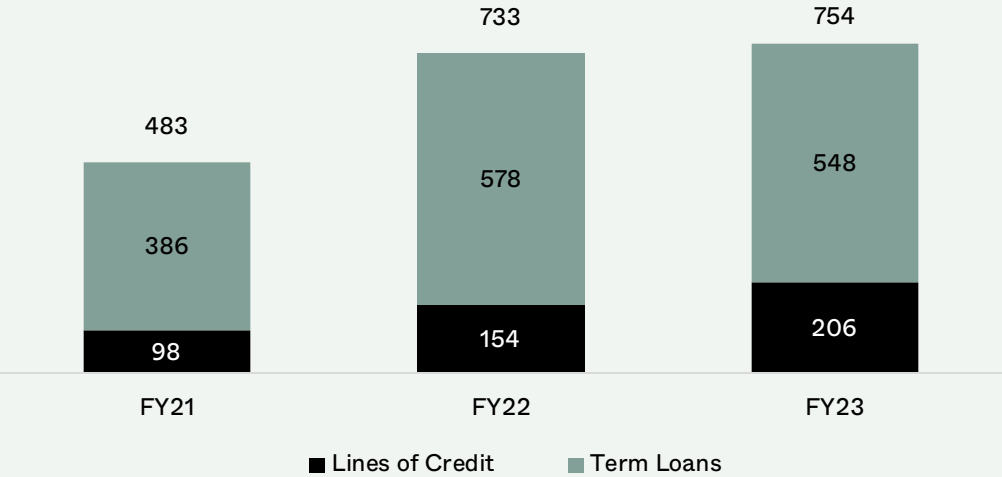
Chief Executive Update

Greg Moshal

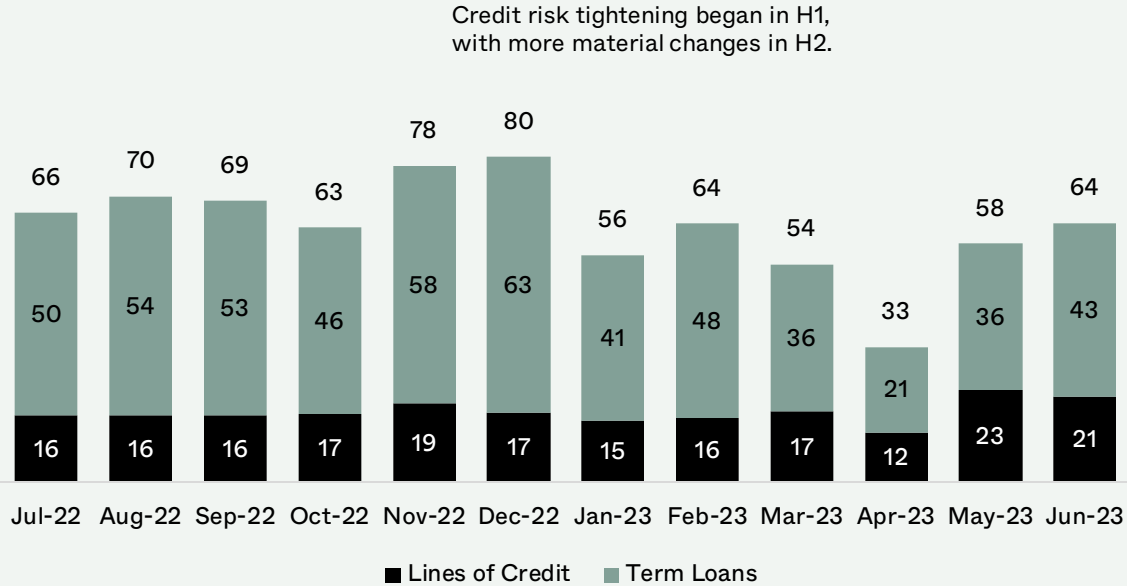
Originations reflect our risk appetite due to evolving changing economic conditions



Total originations (\$m)¹



FY23 monthly originations (\$m)¹



1. Totals may not add precisely due to rounding.

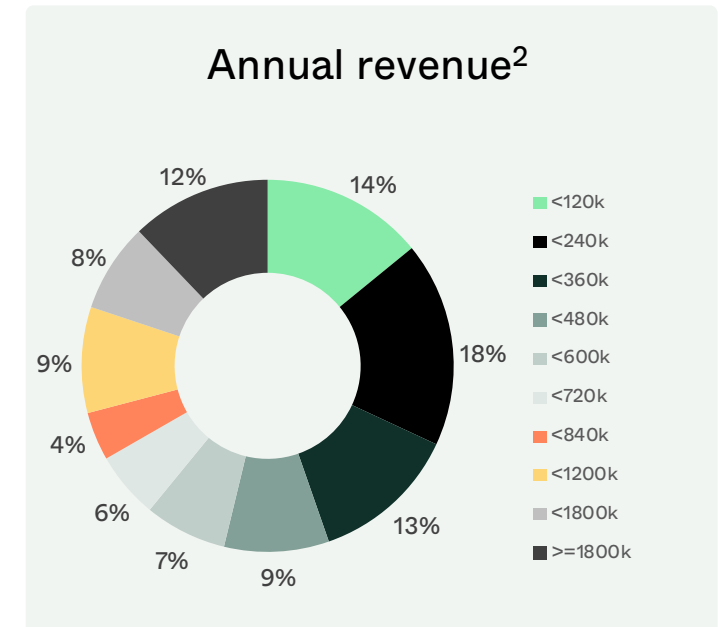
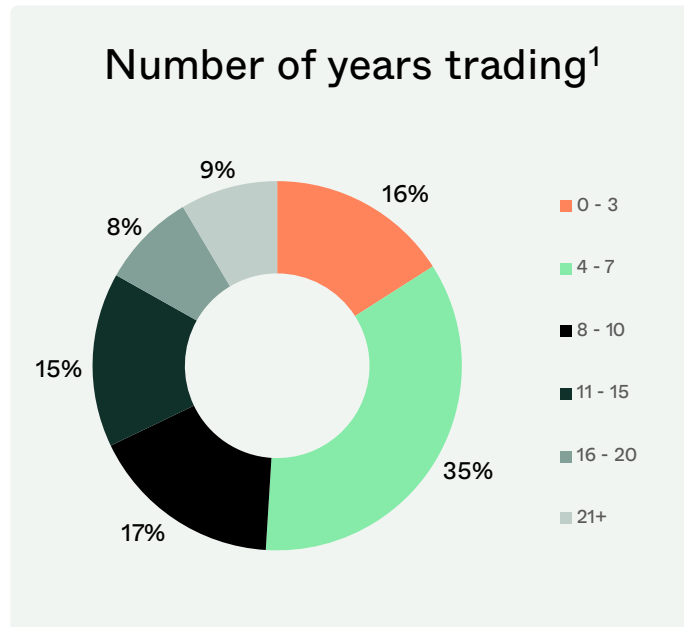
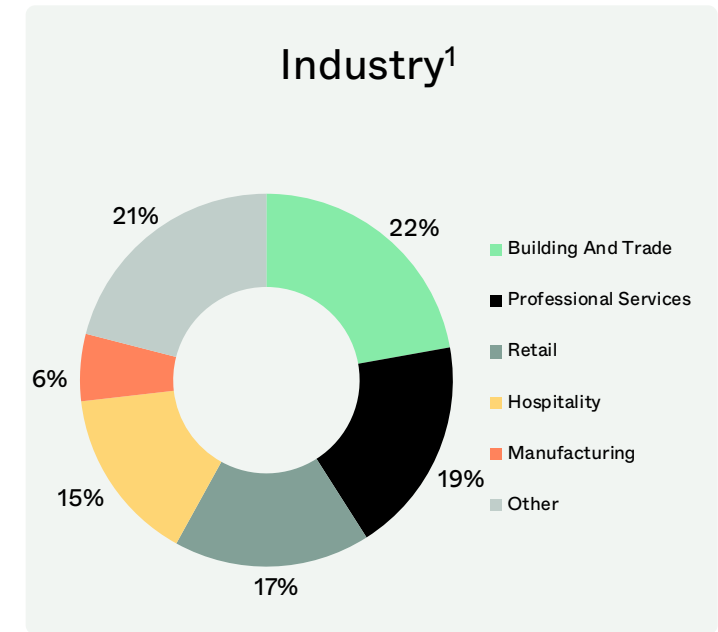
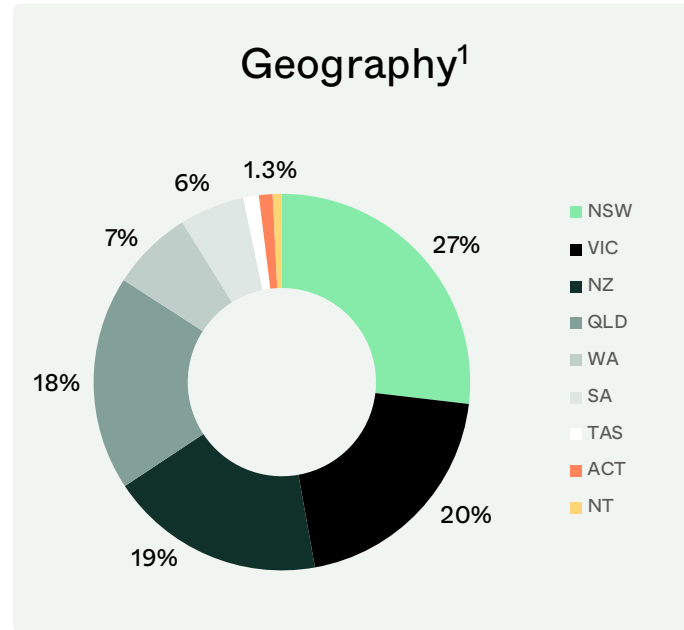
Diversified and flexible portfolio to mitigate risks and target growth sectors

Prosipa's proprietary Credit Decision Engine enables real-time dynamic risk profiling

Specifically target sectors and geographies based on changing market conditions and customer needs

>45% of originations are repeat and return customers

1. Based on outstanding principal balance as at 30/06/2023.
2. Based on revenue at the time of application for active customers as at 30/06/2023.



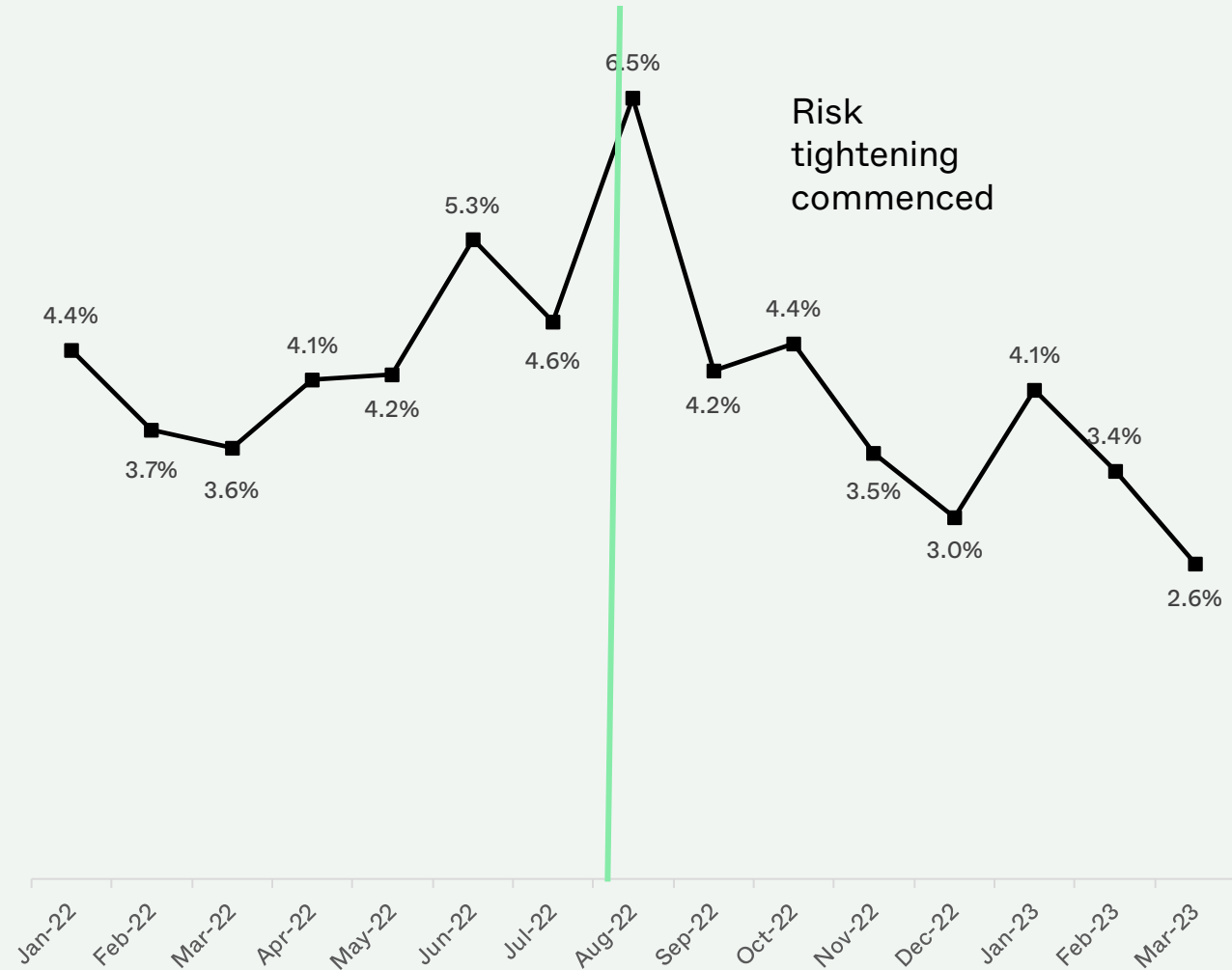
Early loss indicators improving in line with tighter credit settings

Origination cohorts in mid-CY22 began showing elevated arrears as small businesses across Australia and New Zealand felt the impact of macroeconomic headwinds.

Prospera proactively tightened credit settings during H1 FY23 to isolate the impact of this on the portfolio, with further tightening throughout H2 FY23.

Lower realised arrears rates followed, with 30+ DPD % at 4 months on book, a key early loss indicator, reducing from the peak of 6.5% for Aug-22 originations to 2.6% for Mar-23 originations.

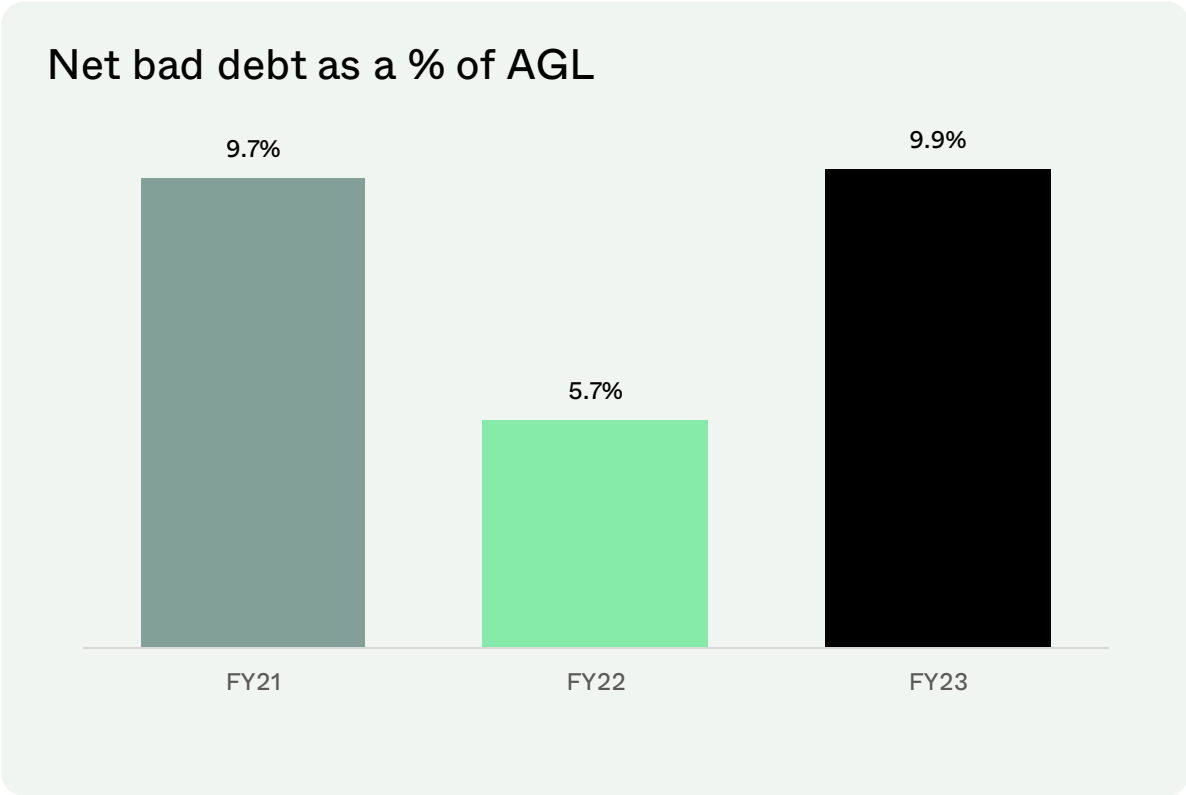
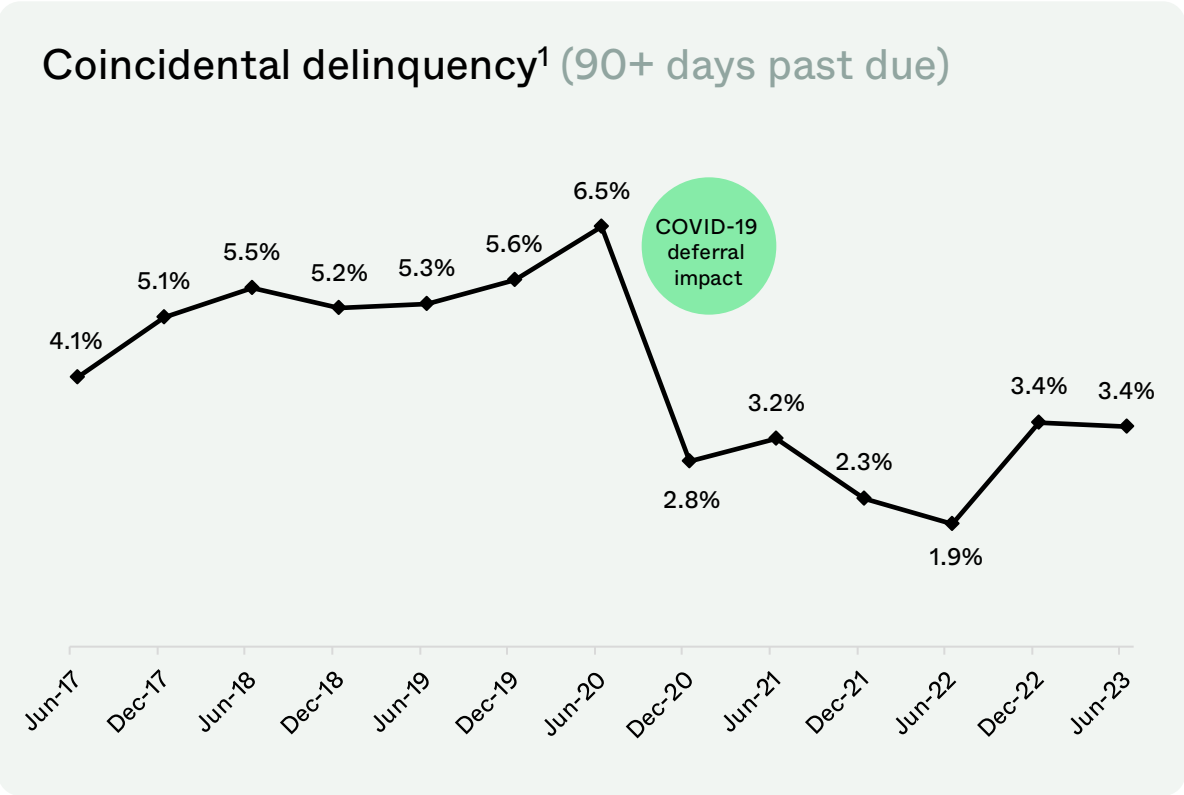
30+ DPD at 4 months on book (% of initially originated amount)



Net Bad debts increased in line with elevated arrears



Prospera is focused on dynamically managing approval rates to originate business within the board mandated risk appetite.

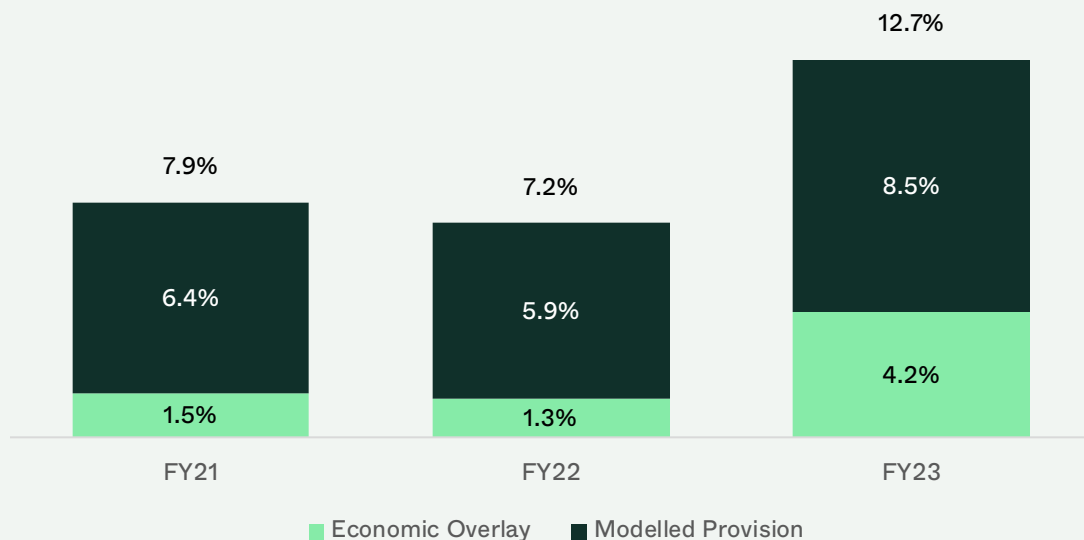


1. AGL is average gross loans. Percentage represents the net bad debt expense as % of AGL, annualised.
2. Bad debt expense offset by loss recoveries received in the period.

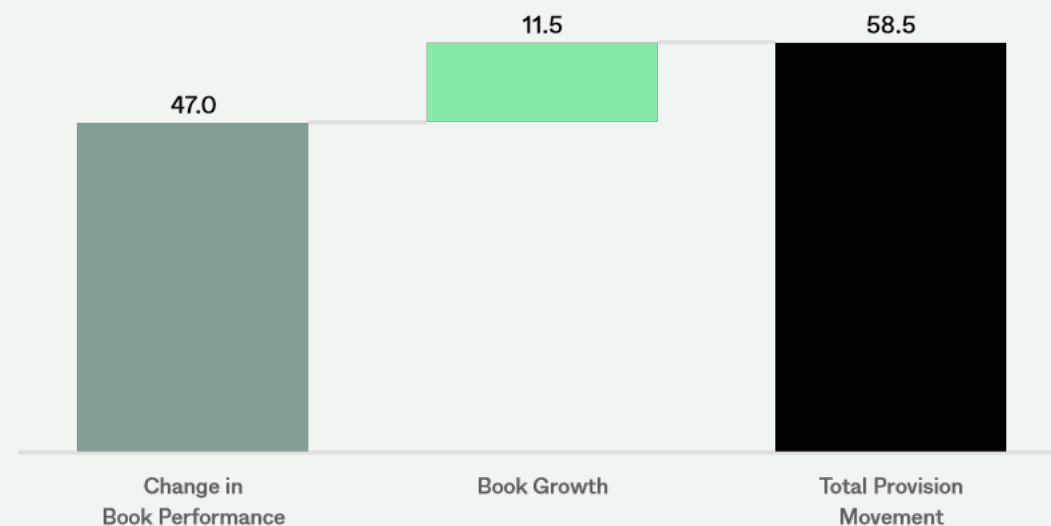
Loan loss provisioning increased with higher-than-expected arrears and deterioration in forward-looking economic outlook



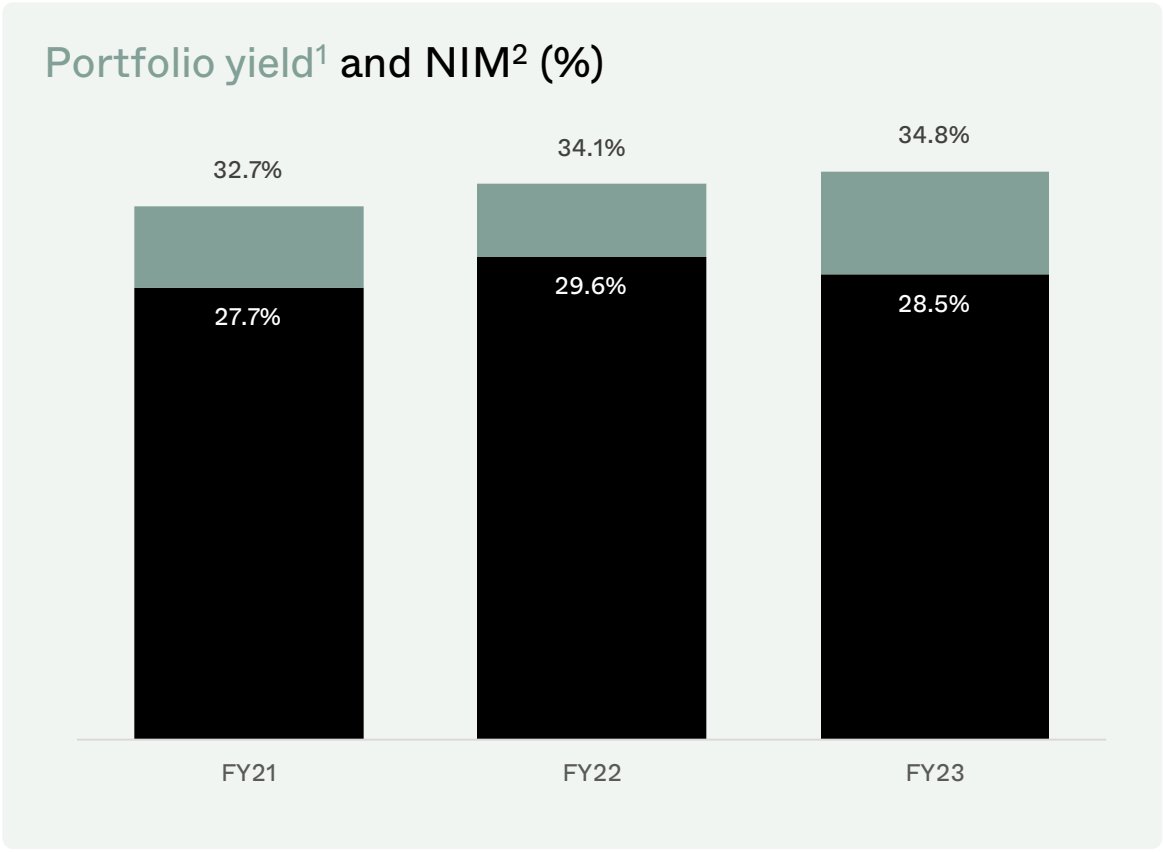
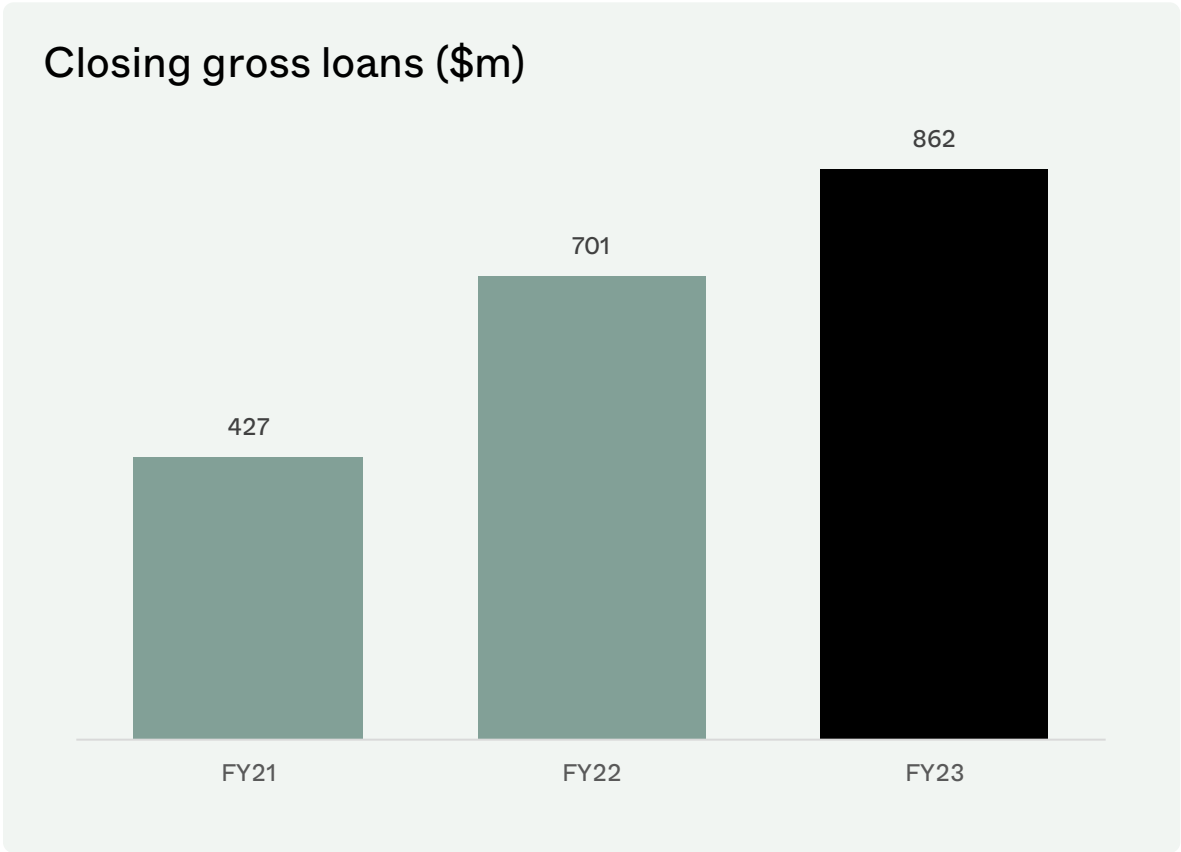
Provision composition



FY23 Provision expense breakdown (\$m)



Maintenance of yield despite slowing originations



1. Portfolio Yield is Gross Yield before commissions
2. Totals may not add precisely due to rounding.

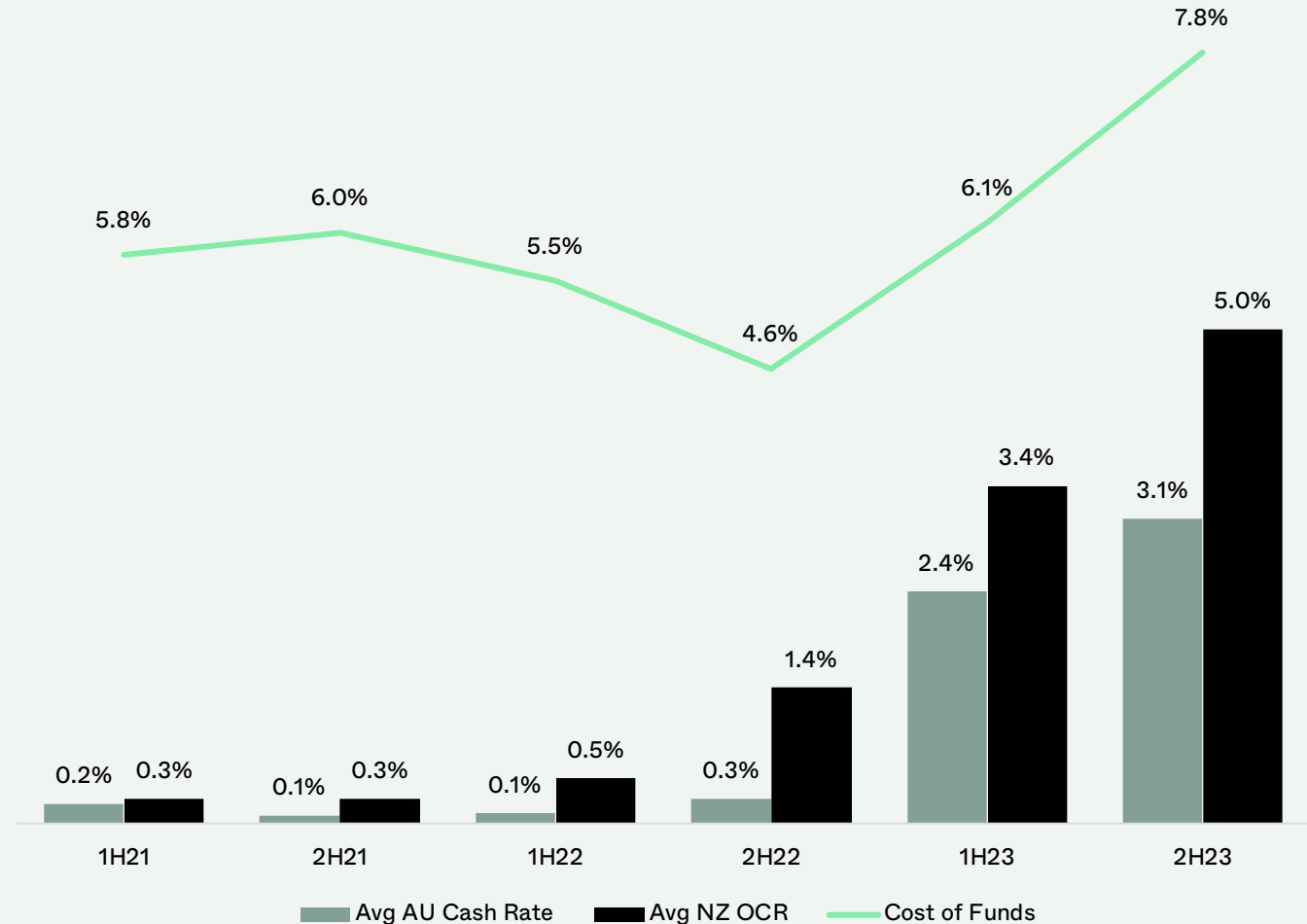
Sensitivity of funding cost to cash rates

FY23 saw funding costs increasing 123% over FY22 despite closing gross loans only increasing 23%.

Prosopa's funding structures are linked to the cash rates¹ across AU and NZ, which rose 3.25% and 3.5%, respectively, over the year.

The term ABS program has enabled the cost of funds to rise at a slower pace than the base rate rises.

Average cash rates² (%) and cost of funds (% annualised)



1. Warehouses and term deals pay a variable funding cost based on 1-month BBSW and BBSY in Australia, and 1-month BKBM in New Zealand, which in turn are linked to the Cash Rate and OCR in their respective country.
2. Average of monthly cash rates in the respective periods.

Expansion of product suite to drive growth on track

Small Business Loan

- ✓ \$5K – \$150K
- ✓ Term of 3 – 24 months

Prospera Plus Business Loan

- ✓ \$150K – \$500K
- ✓ Term of up to 36 months

Line of Credit

- ✓ \$2K – \$150K facility
- ✓ 24 month term with option to renew
- ✓ Customers only pay interest on the funds they use

Business Account (live)

- ✓ Business transaction account
- ✓ Business Visa debit card
- ✓ Apple Pay and Google Pay

Upcoming features:

- Xero integration
- Overdraft
- BillPay

AU

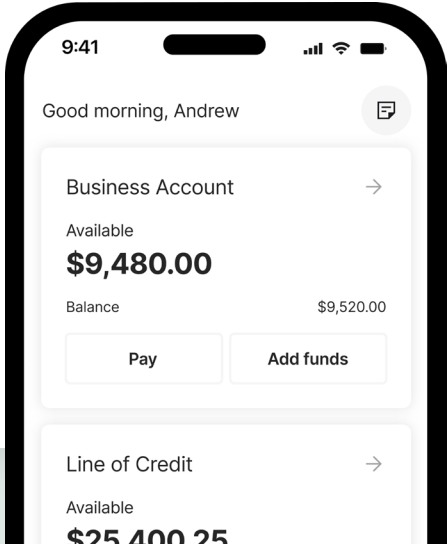
\$40.0K Average business loan amount¹
+2.5% Increase in proportion of originations in premium risk grades vs FY22

\$50.0K Average facility limit
69.0% Facility utilisation

NZ

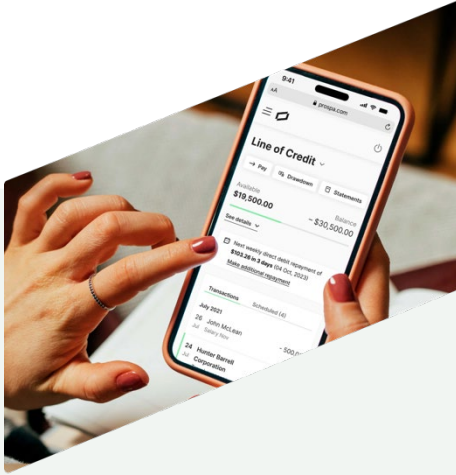
\$39.4K Average business loan amount¹
+4.1% Increase in proportion of originations in premium risk grades vs FY22

\$44.7K Average facility limit
63.2% Facility utilisation



1. Average fresh capital originated, excluding re-financed amounts. NZ expressed in NZD terms.

FY24 Focus



Complete roll out of new platform

- **H1:** Onboarding new customers on new Prospa technology platform
- **H2:** Migration off legacy systems for existing customers
- The new platform will drive efficiencies from FY25 and enable new growth opportunities



Attract and engage high quality customers

- Improved product proposition to win share of high quality customers
- Enhance overall value proposition to trusted partners to drive greater lead generation
- Continued risk management to build profitability and sustainability



Build customer affinity and lifetime value

- Roll out of new products and tools within the All-In-One Business Account to expand utility and connection with Prospa
- Cross-sell credit products within the Business Account
- Integrated digital experience across lending and transaction products to drive lifetime value



Conclusion



Resolutions

A.

Consideration
of Financial statements
and reports

“To receive and to consider the Annual Financial Report of the Company for the financial year ended 30 June 2023 together with the declaration of the Directors, the Directors’ Report, the Remuneration Report and the Auditor’s Report for that financial year.”

Note: This item of ordinary business is for discussion only and is not a resolution for voting by shareholders.



Resolution 1

Adoption of Remuneration Report

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company.

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company’s Annual Financial Report for the financial year ended 30 June 2023.”



Resolution 1

Adoption of Remuneration Report

Vote results

	Votes	Holders	Percentage
<div><div></div> For</div>	180,740	14	2.75%
Open	5,849,450	7	89.13%
<div><div></div> Against</div>	532,336	17	8.11%
Total Available Votes	6,562,526		



Resolution 2

Re-election of Beau Bertoli as Director



To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“That Beau Bertoli, a Director who retires by rotation in accordance with Clause 8.1 of the Company’s Constitution and ASX Listing Rule 14.4 and being eligible, offers himself for re-election as a Director of the Company.”



Resolution 2

Re-election of Beau Bertoli as Director



Vote results

	Votes	Holders	Percentage
<div><div></div> For</div>	3,127,828	27	34.62%
Open	5,851,450	8	64.77%
<div><div></div> Against</div>	55,587	9	0.62%
Total Available Votes	9,034,865		



Resolution 3

Re-election of Mary Ploughman as Director



To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“That Mary Ploughman, a Director who retires by rotation in accordance with Clause 8.1 of the Company’s Constitution and ASX Listing Rule 14.4 and being eligible, offers herself for re-election as a Director of the Company.”



Resolution 3

Re-election of Mary Ploughman as Director



Vote results

	Votes	Holders	Percentage
<div><div></div> For</div>	3,124,823	28	34.65%
Open	5,849,450	7	64.87%
<div><div></div> Against</div>	43,592	9	0.48%
Total Available Votes	9,017,865		



Resolution 4

ASX Listing Rule 7.1A Approval of Additional Share Capacity

To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:

“That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, the Shareholders of the Company approve the issue of equity securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”



Resolution 4

ASX Listing Rule 7.1A Approval of Additional Share Capacity

Vote results

	Votes	Holders	Percentage
<div><div></div> For</div>	3,152,394	27	34.91%
Open	5,849,450	7	64.78%
<div><div></div> Against</div>	27,561	8	0.31%
Total Available Votes	9,029,405		



Resolution 5

Ratification of Prior Issue of Performance Rights under the Employee Incentive Plan – 23 November 2022

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 463,508 Performance Rights issued on 23 November 2022 and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”



Resolution 5

Ratification of Prior Issue of Performance Rights under the Employee Incentive Plan – 23 November 2022

Vote results

	Votes	Holders	Percentage
<div><div></div> For</div>	2,716,181	21	31.33%
Open	5,849,450	7	67.46%
<div><div></div> Against</div>	105,282	16	1.21%
Total Available Votes	8,670,913		



Resolution 6

Ratification of Prior Issue of Fully Paid Securities

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 270,000 fully paid ordinary securities issued on 24 March 2023 and held in trust for satisfaction of employee exercise of Performance Rights and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”



Resolution 6

Ratification of Prior Issue of Fully Paid Securities

Vote results

	Votes	Holders	Percentage
<div><div></div> For</div>	615,829	18	9.39%
Open	5,866,450	8	89.43%
<div><div></div> Against</div>	77,773	14	1.19%
Total Available Votes	6,560,052		



Resolution 7

Approval to Issue Securities under the Prospa Group Equity Incentive Plan

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“That, for the purposes of ASX Listing Rule 7.2, exception 13 and for all other purposes, the Shareholders of the Company approve the issue and allotment of securities under the Prospa Group Equity Incentive Plan, and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”



Resolution 7

Approval to Issue Securities under the Prospa Group Equity Incentive Plan

Vote results

	Votes	Holders	Percentage
<div><div></div> For</div>	232,953	16	3.55%
Open	6,213,429	8	94.58%
<div><div></div> Against</div>	122,885	17	1.87%
Total Available Votes	6,569,267		



Resolution 8

Approval of the Issue
of Deferred Incentive
Securities to
Greg Moshal,
Chief Executive Officer
and Executive Director
of the Company



To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 191,100 Performance Rights under the Prospa Group Equity Incentive Plan to Greg Moshal, Chief Executive Officer and Executive Director of the Company, and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”



Resolution 8

Approval of the Issue
of Deferred Incentive
Securities to
Greg Moshal,
Chief Executive Officer
and Executive Director
of the Company



Vote results

	Votes	Holders	Percentage
<div><div></div> For</div>	2,654,678	17	29.35%
Open	5,849,450	7	64.68%
<div><div></div> Against</div>	539,952	22	5.97%
Total Available Votes	9,044,080		



Resolution 9

Approval of the Issue
of Deferred Incentive
Securities to
Beau Bertoli,
Chief Revenue Officer
and Executive Director
of the Company



To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 191,100 Performance Rights under the Prospa Group Equity Incentive Plan to Beau Bertoli, Chief Revenue Officer and Executive Director of the Company, and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”



Resolution 9

Approval of the Issue
of Deferred Incentive
Securities to
Beau Bertoli,
Chief Revenue Officer
and Executive Director
of the Company



Vote results

	Votes	Holders	Percentage
<div><div></div> For</div>	2,636,538	15	29.15%
Open	5,885,005	11	65.07%
<div><div></div> Against</div>	522,537	20	5.78%
Total Available Votes	9,044,080		



