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Business Trading Update

November 2019

Executive summary

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Originations continue to grow strongly, up 40% on prior period for 1 July 2019 to 31 October 2019.

The introduction of our new rate card in early April 2019 has been more successful than we had expected with approximately 43% of our portfolio now represented by premium customers.

The evolution in book composition towards premium grades has led to a short-term impact on revenue.

Premiumisation is expected to deliver benefits in originations growth, loan impairment expenses, funding costs and customer lifetime value in the medium to long term.

Our net losses and early loss indicators continue to improve.

Since formally launching our Line of Credit in October 2019 we have seen strong demand for that product.

Sales & marketing, product development and general & administration expense lines were $4.2 million above prospectus, reflecting accelerated investment ($2.1 million) and higher spend than forecast ($2.1 million).

We are updating our CY19 guidance as follows:

- CY19F originations: $574.5 million
- CY19F revenue: $143.8 million
- CY19F EBITDA: $4.0 million

We are providing FY20 guidance as follows:

- FY20F originations: $626 million to $640 million
- FY20F revenue: at least $150 million

Prospa guidance update

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Premiumisation has produced a revenue shift for CY19

	CY19	CY19	1HFY20	1HFY20
	Today's Guidance	Prospectus Forecast	Today's Guidance	Prospectus Forecast
Originations	574.5	559.4	298.2	297.4
Annualised simple interest rate	19.2%	19.7%	18.6%	18.9%
Total revenue	143.8	156.3	75.0	88.0
Net interest margin after losses	84.1	86.4	46.1	51.0
Sales & marketing, product development and general & administration expenses	(80.1)	(75.9)	(42.1)	(39.7)
EBITDA (pro forma)	4.0	10.6	4.0	11.3

2.8x
Customer Lifetime Value[1]

67%
Repeat rate[2]

24,000
Customers

$1.3b
Originations **(life to date)**

Financial information not audited Numbers may not add due to rounding

1. Quarterly cohort average including both eligible and ineligible customers. In the 2019 Prospectus this figure was 2.6 loans.
2. 67% represents the average repeat rate for eligible customers only (where eligible customers are defined as not having defaulted on their Prospa loan). In the 2019 Prospectus this figure was 68%.

Impact of premiumisation

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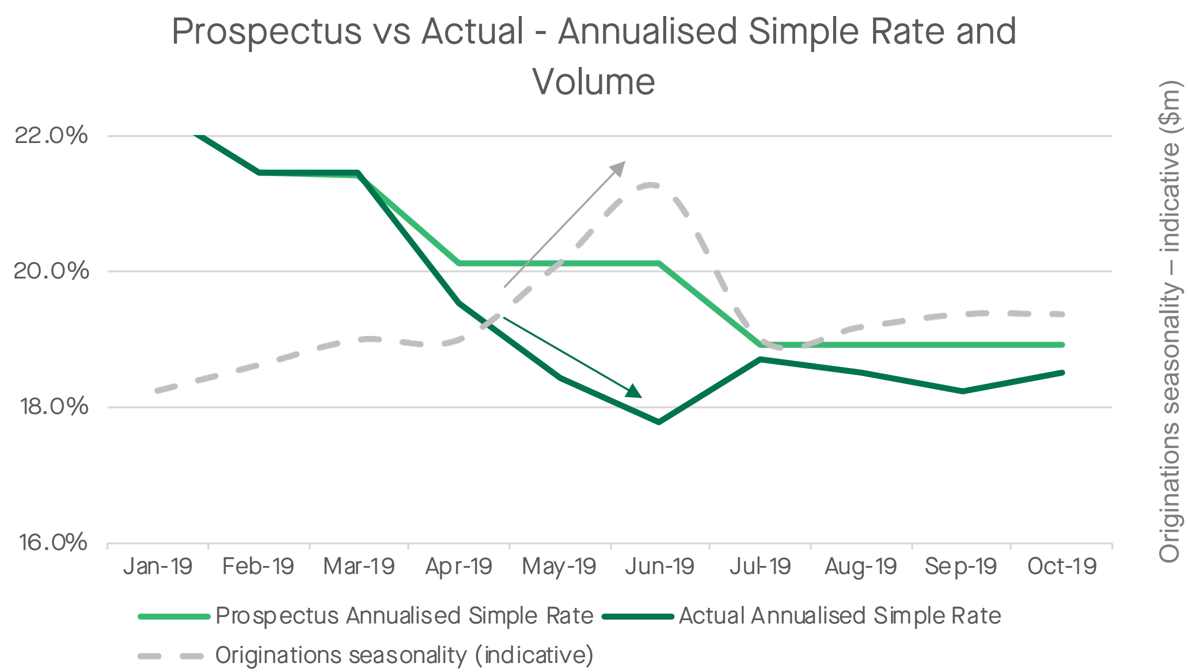
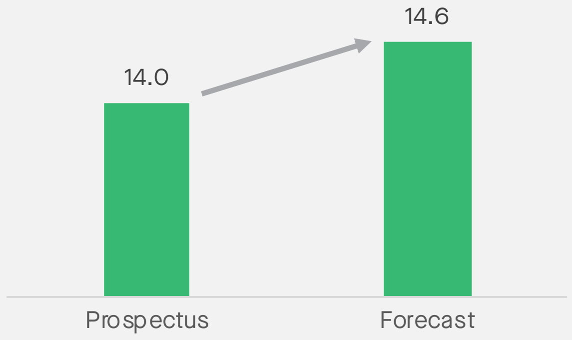
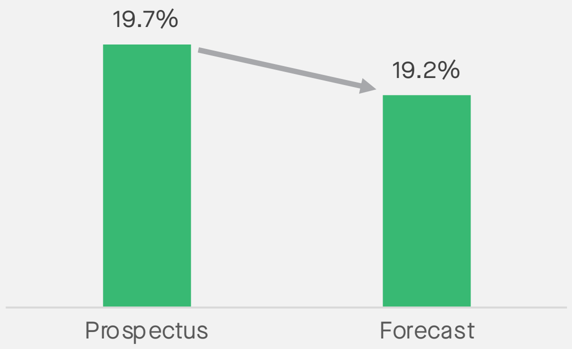
Prospectus vs Actual - Annualised Simple Rate and Volume



CY19 Term (months)



CY19 Annualised Simple Rate %



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Benefits of Premiumisation

Increasing momentum in the flywheel

Lower loss rates

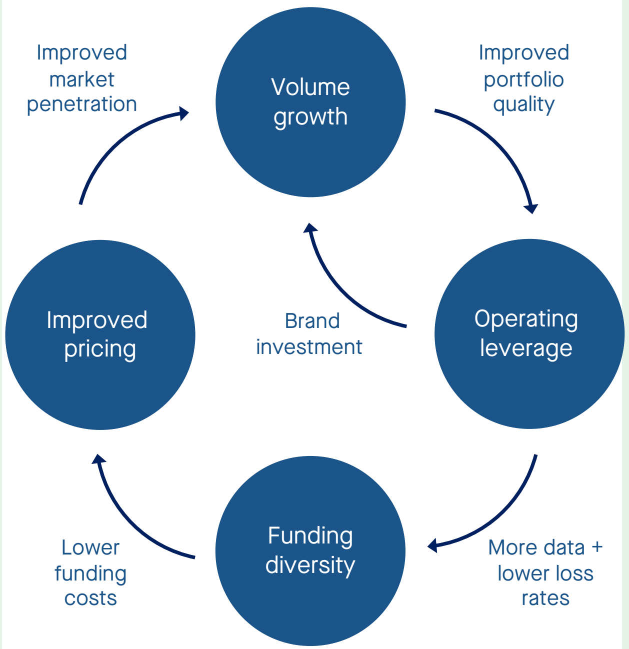
- Lower net charge offs
- Lower provision rate and expenses
- Less delinquency requiring lower collections activity
- Enables funding diversity

Improved market penetration

- Increased consideration by better credit quality customers who have more choice
- Better rates increases propensity to switch
- Drives volume growth

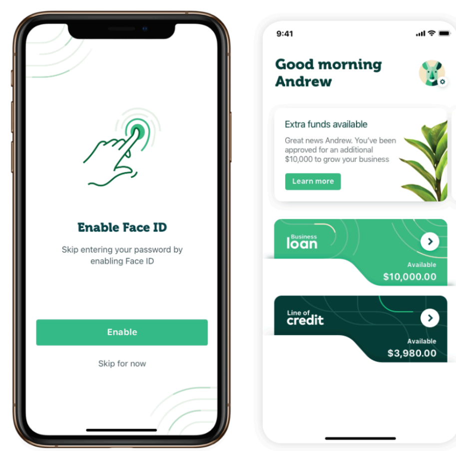
Lower funding costs

- Increased funding appetite for lower risk assets and longer terms
- Brings forward improved rating outcomes
- Enables improved pricing



Improved portfolio quality

- Better credit quality customers with greater success rates and higher lifetime value
- Better quality businesses are more resilient to any macro-economic factors
- Larger businesses with greater capital needs and higher propensity to need complementary products
- Enables operating leverage



Revenue outlook for CY19F

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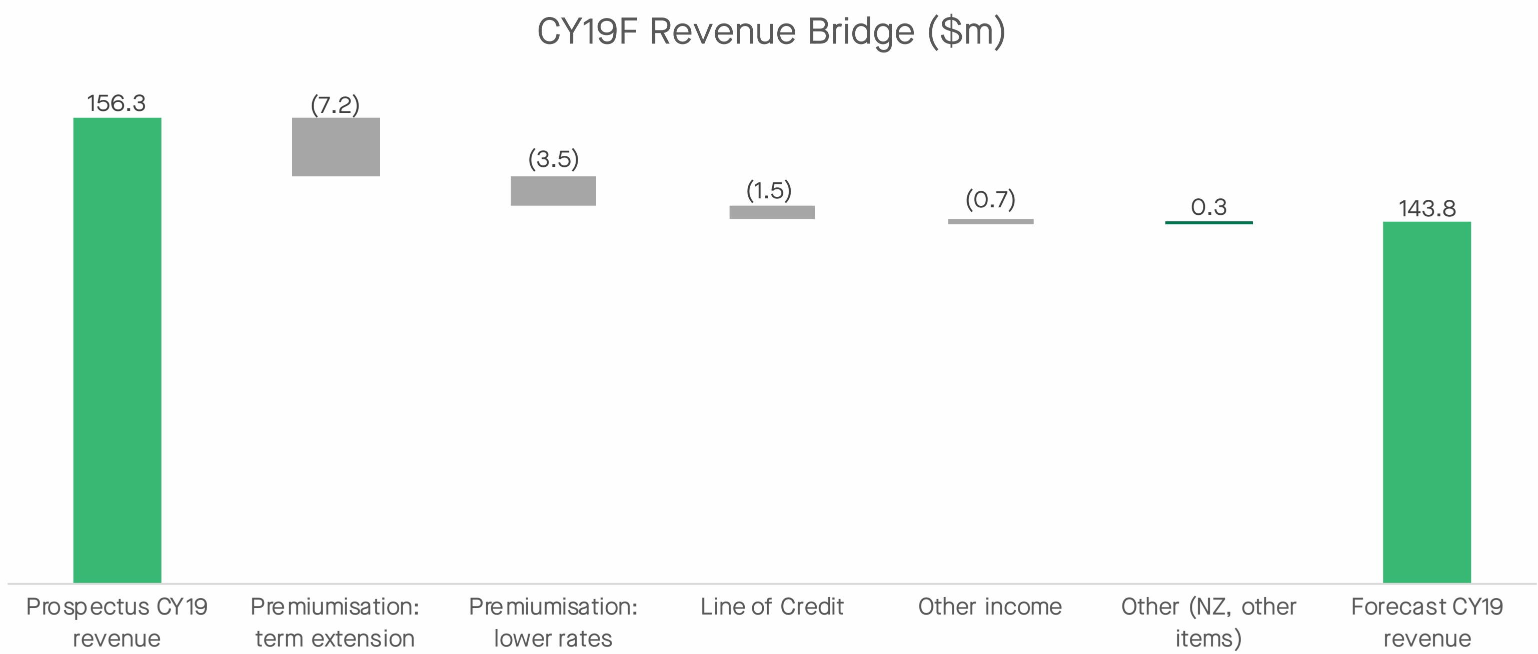
Loan book composition towards premium grades has led to a short-term impact on revenue



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Net interest margin after losses for CY19F

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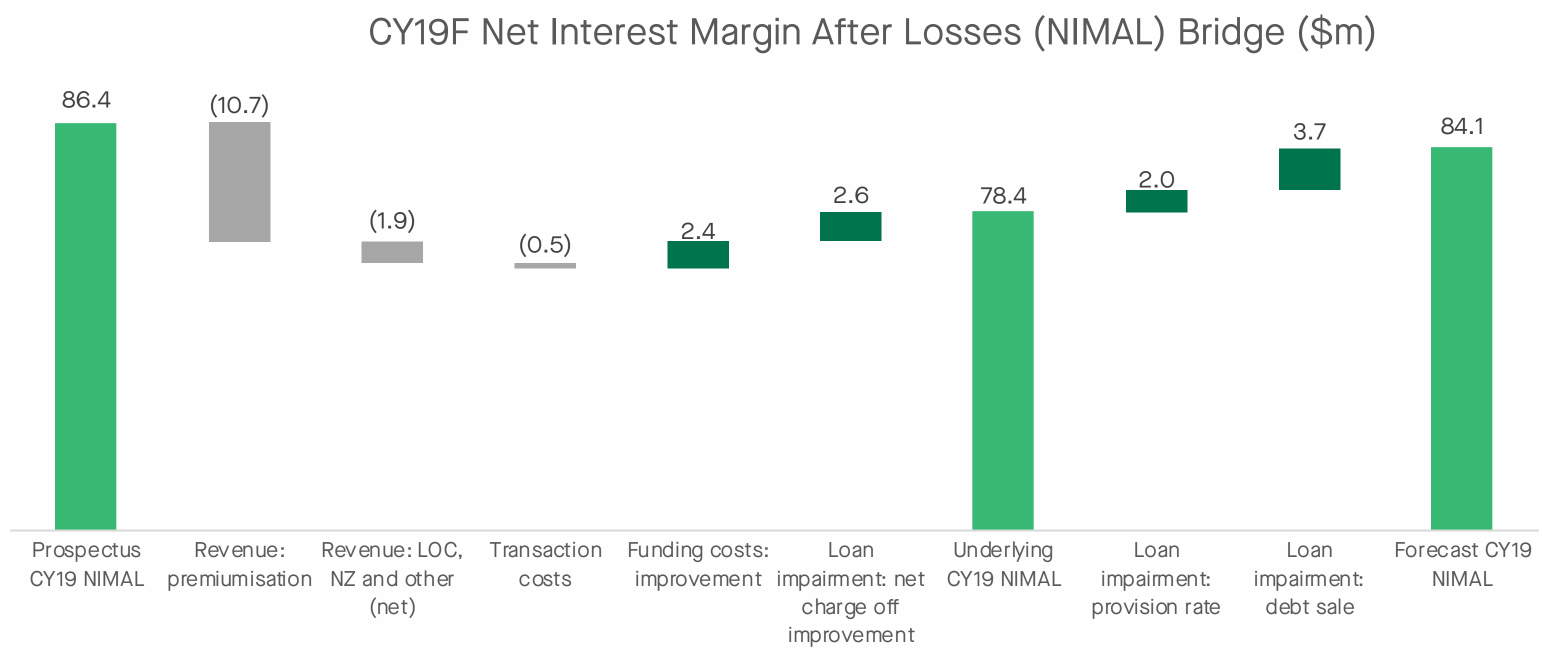
Revenue reduction offset by improved funding costs and loss performance



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Operating expenses for CY19F

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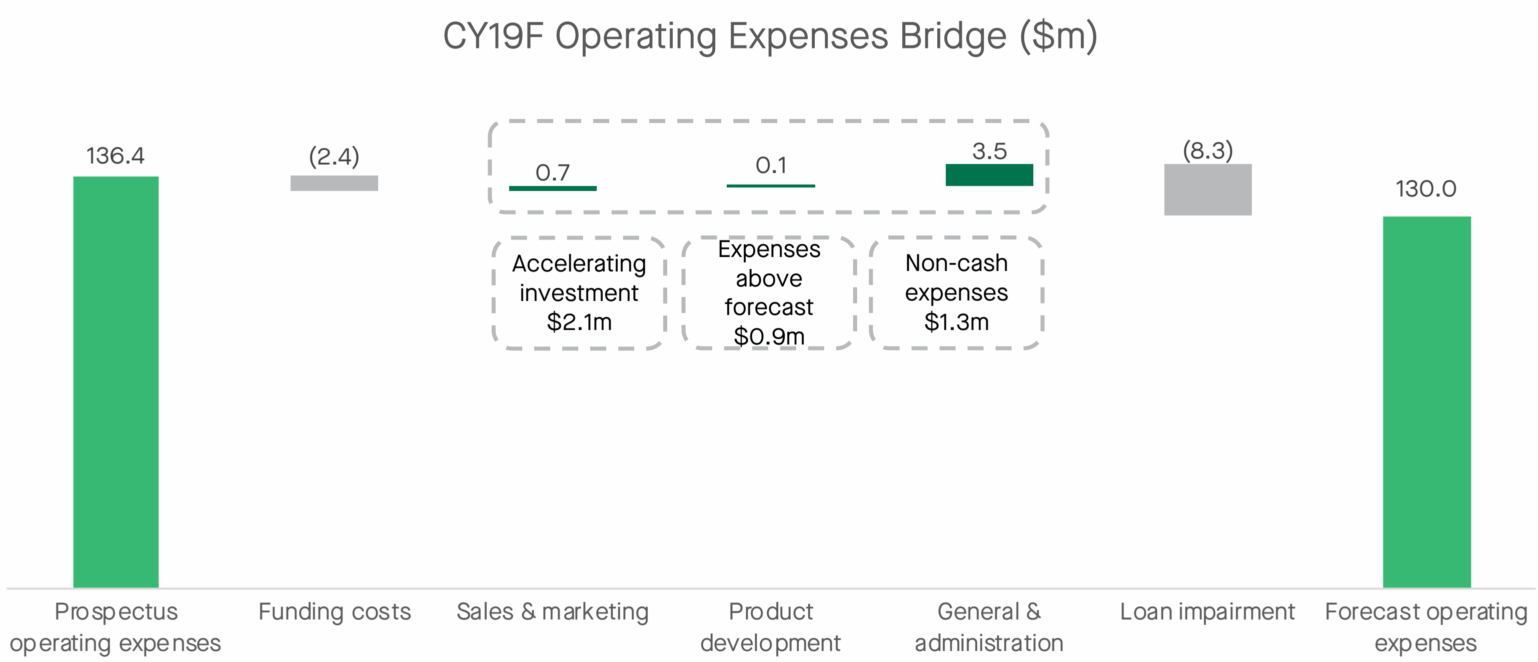
Operating expenses expected to be ~$6.4 million lower than prospectus forecast



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Early loss indicators continue to trend down

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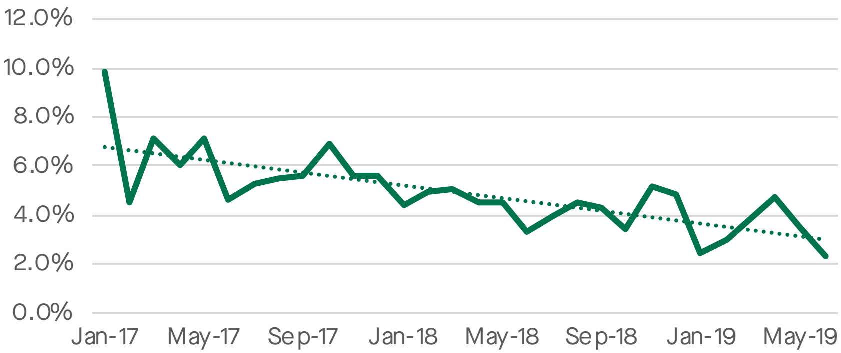
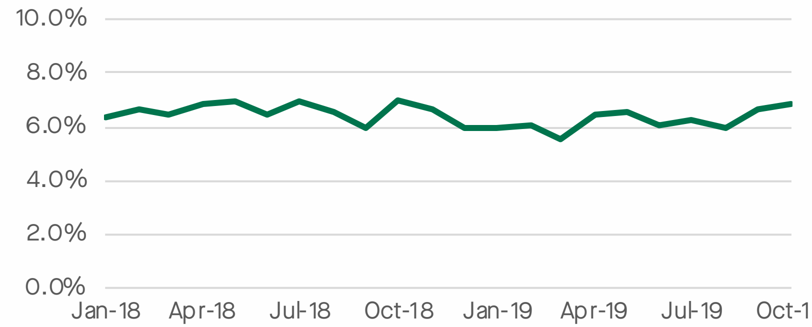
Loss rates and ELIs improving due to premiumisation

Early loss indicator (30+ days past due at 4 months)

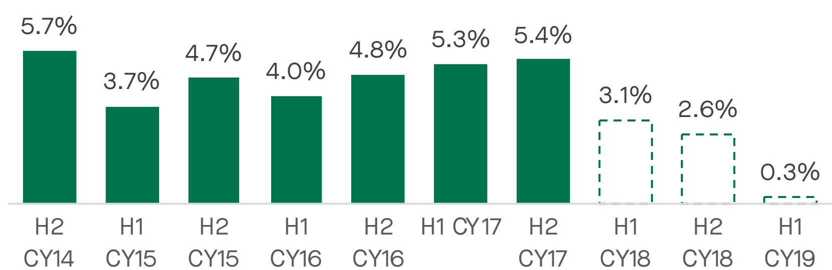


Coincidental delinquency[3] (90+ days past due)



Stable loss rate[1]

Board mandated risk appetite: 4% to 6%



Premium risk grade share of portfolio[2]

26% June 2018 → **43%** October 2019

1. Static loss rate net of recoveries as at 30 June 2019. Static loss rates disclosed in the Prospectus: H2CY14: 5.8%; H1CY15: 3.8%; H2CY15: 5.0%; H1CY16: 4.4%; H2CY16: 5.4%; H1CY17: 5.7%; H2CY17: 5.4%; H1CY18: 2.4%; H2CY18: 0.4%. Dotted columns reflect cohorts which are still seasoning.
2. Premium risk grades are the top 3 risk grades (in terms of quality), which were introduced into the business in May 2017.
3. Includes Australia and New Zealand small business loan portfolios.

Line of Credit originations are exceeding expectations

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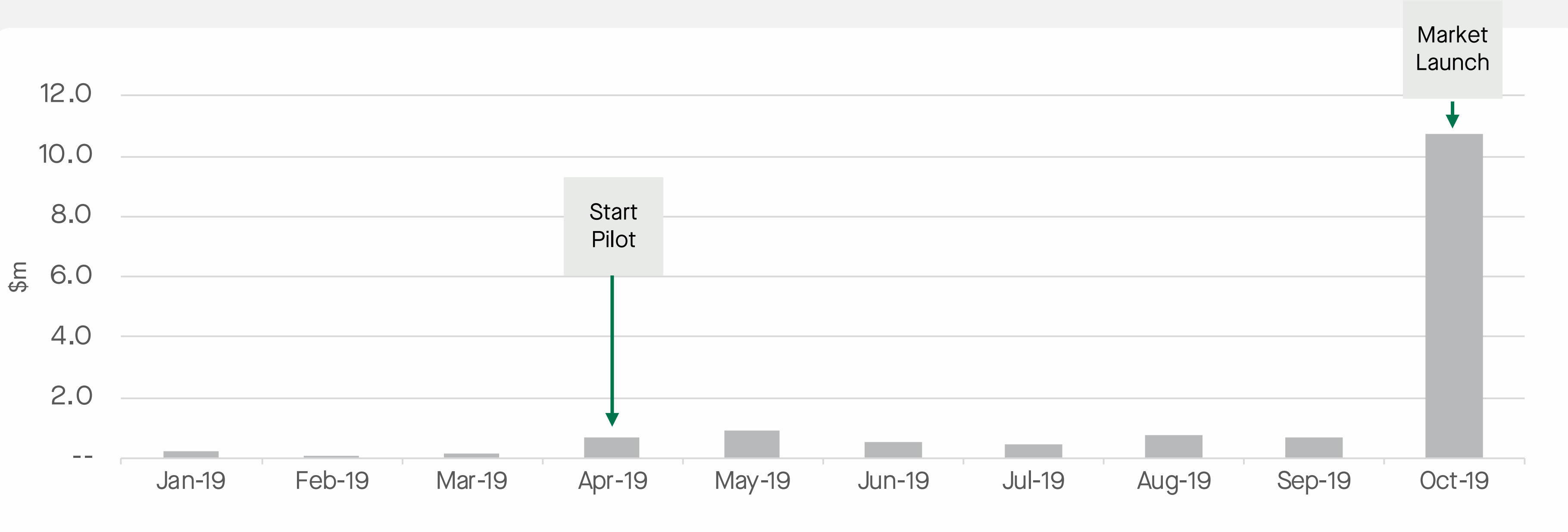
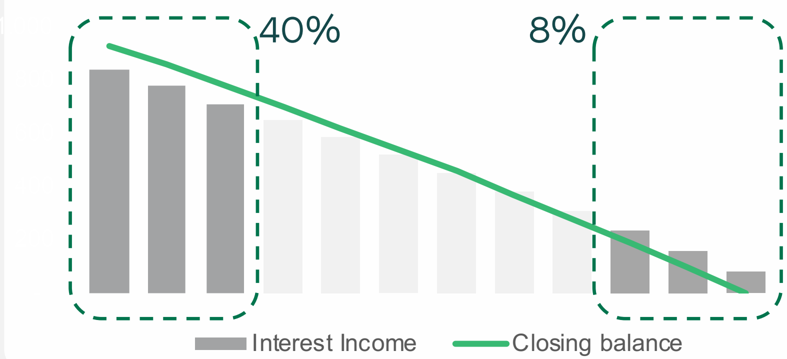
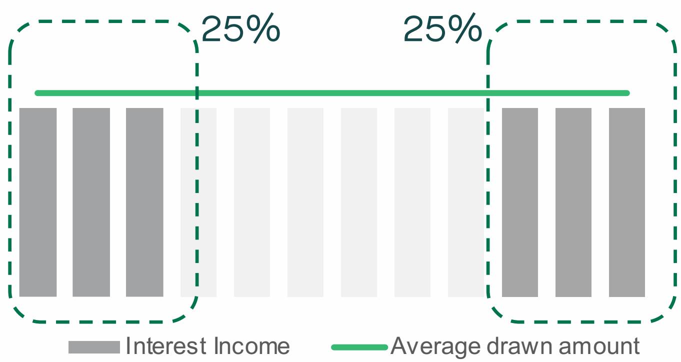
Full market launch with new product settings on 1 October 2019



Revenue recognition: Business loan



Revenue recognition: Line of credit



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Outlook

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1

Financial

- CY19F outlook
  - Originations: $574 million
  - Revenue: $144 million
  - EBITDA: $4 million
- FY20F outlook
  - Originations: $626 million to $640 million (25-28% growth on FY19)
  - Revenue: at least $150 million

2

Scale

- Maintain our market leadership in the small business loan product in Australia (GROW)
- Continue to refine best-in-class credit decision engine and data insights capability
- Continue to invest in brand, customer acquisition and distribution partner marketing
- Continue to leverage the strength of our funding platform
- Maintain focus on premiumisation of our portfolio

3

Growth

- Continue acceleration in the New Zealand market to secure market leadership
- Investment in new solutions expected to underpin growth:
  - Line of Credit (RUN)
  - ProspaPay (PAY)
  - Mobile App
- Explore product adjacencies

Thank you & Questions

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