

Half Year Results 1H23

Prospa Group
Limited ("PGL")





Greg Moshal

Co-Founder
& Chief Executive Officer



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Co-Founder
& Chief Revenue Officer



Ross Aucutt

Chief Financial Officer



01

We exist to unleash the potential of every small business

02

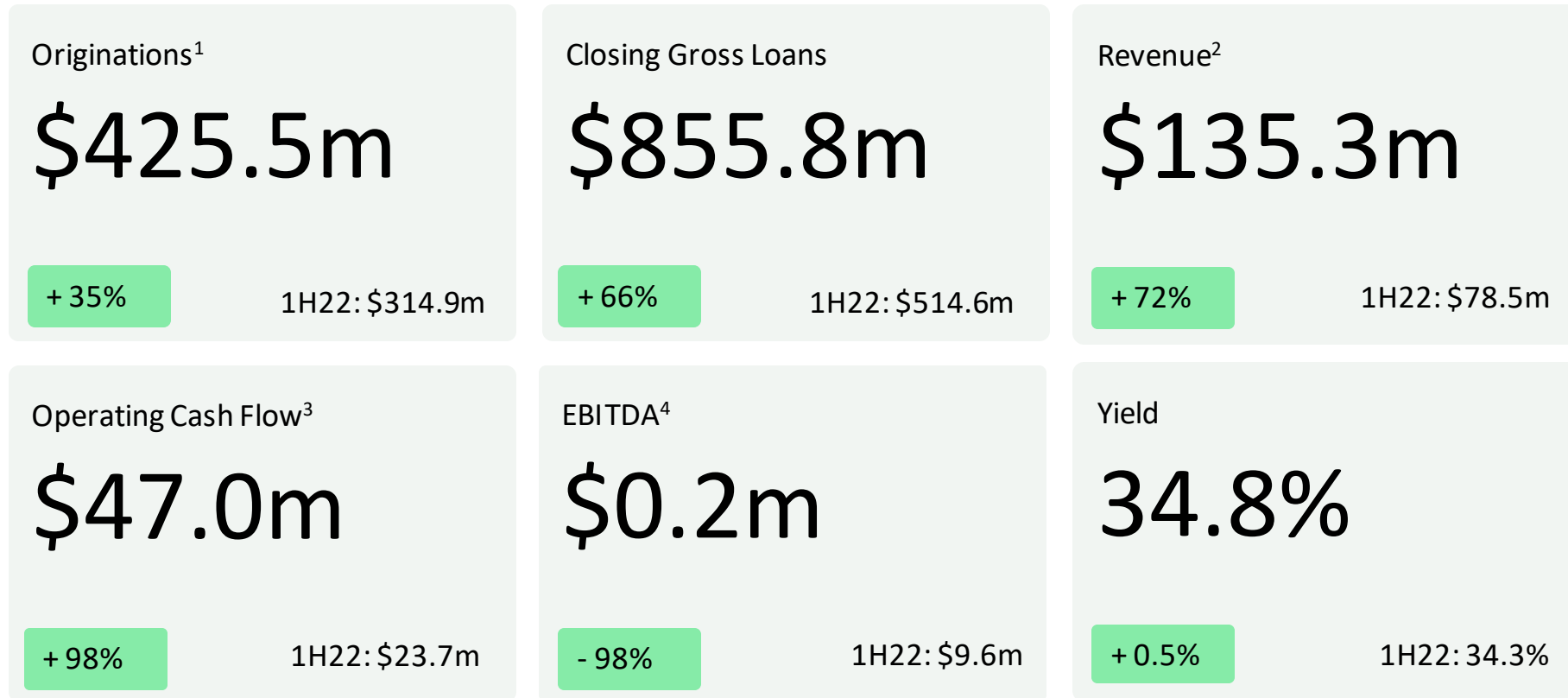
A trusted financial partner of choice for SMEs

03

Make business happen



1H23 Performance



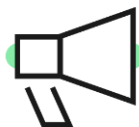
1. All references to Originations in this document are from all sources, including Small Business Loan, Business Line of Credit (including undrawn amounts), Back to Business Loan, Back to Business Line (including undrawn amounts) in Australia and New Zealand. Small retrospective changes in origination 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.
2. All references to Revenue in this document represent Total income before transaction costs.
3. 1H22 operating cash flows have been updated to align with the Group's revised presentation of cash flows from loan origination fees. This has resulted in a \$1.6m decrease in net cash from operating activities.
4. All references to EBITDA in this document refer to Earnings before interest on lease liabilities, tax, depreciation, amortisation, share-based payments, and FX Gain/Loss. EBITDA incorporates the Provision Rate of 9.4% (pcp; 7.2%).

Significant progress in key strategic deliverables



ANZ leadership

- >\$3.2 billion¹ of lending provided to over 47,000 small businesses in AU and NZ since inception.
- Australia and New Zealand's most trusted small business non-bank financial services provider².



Customer acquisition

- Record originations of \$426 million.
- New Zealand originations up 85% on 1H22.
- 19,900 active customers.
- Diversified and flexible portfolio to mitigate risks and target growth sectors coupled with proven Credit Decision Engine (CDE) for real-time dynamic risk profiling.



Data & technology

- Leveraging customer data and industry insights in our proprietary Credit Decision Engine, driving scale, efficiency, and enabling risk management.
- Investment in technology to deliver new products, improving user experience and enhancing customer lifetime value resulting in record originations in the half.



Enhanced funding platform

- Second \$200 million Term Asset Backed Securities issued and priced in December, establishing Prospera as a regular and reliable issuer and following on from its inaugural issue in 1H22.
- \$1 billion in available third-party facilities (\$208 million in available undrawn facilities) and \$125 million of cash (\$40.7 million is unrestricted³).



Product expansion

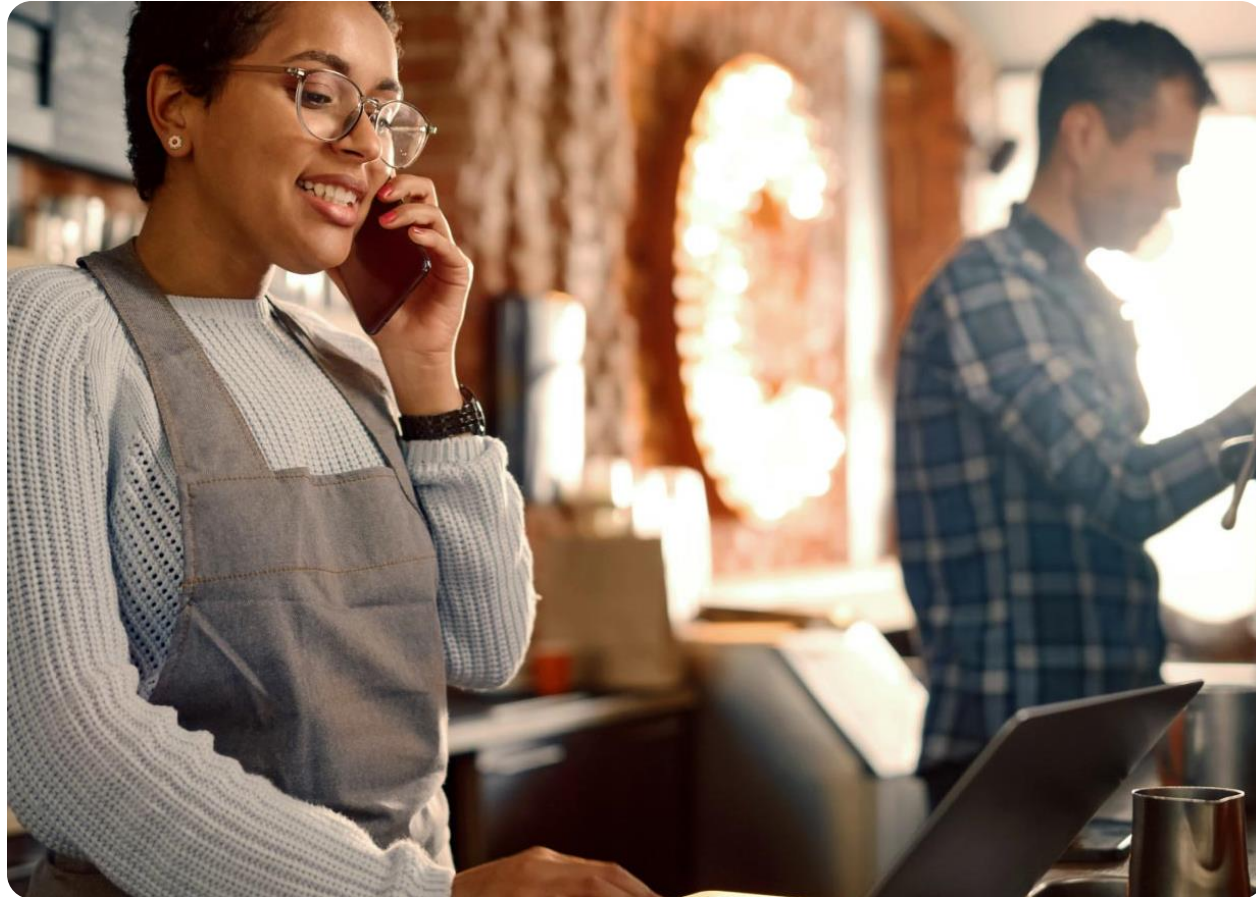
- Increased investment in building and developing new products, including our All-in-One Business Account, VISA Business Debit Card, and Overdraft.
- Capital Products achieving greater scale and reach across all distribution channels.

1. Originations from all sources, including Prospera Small Business Loan, Prospera Business Line of Credit (including undrawn amounts) across all geographies include Australia and New Zealand.

2. In the Non-Bank Financial Services category, Prospera is the most trusted small business lending specialist on independent review site TrustPilot, with over 7,200 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 14 February 2023.

3. Within unrestricted cash at 31 December 2022 there is \$1.8 million included which is payable by Prospera Advance Pty Ltd to the Securitisation Trusts.

Well positioned as a trusted financial partner



69%

of Australian business owners rate the overall health of their business as good in the current environment¹.

84%

of Australian business owners anticipate challenges for their business over the next 12 months¹.

28%

of Australian business owners expect to access external funds over the next 12 months to help support the needs of their business¹.

\$24_{bn}

market opportunity. Value of credit required by Australian SMEs in next 12 months².

1. The study was conducted by YouGov, commissioned by Prospa, with a sample of 520 small businesses with less than 50 employees from 4 – 13 January 2023.
2. RFI Consulting – Understanding the Addressable Market – Australia October 2021.

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01 Prospa update

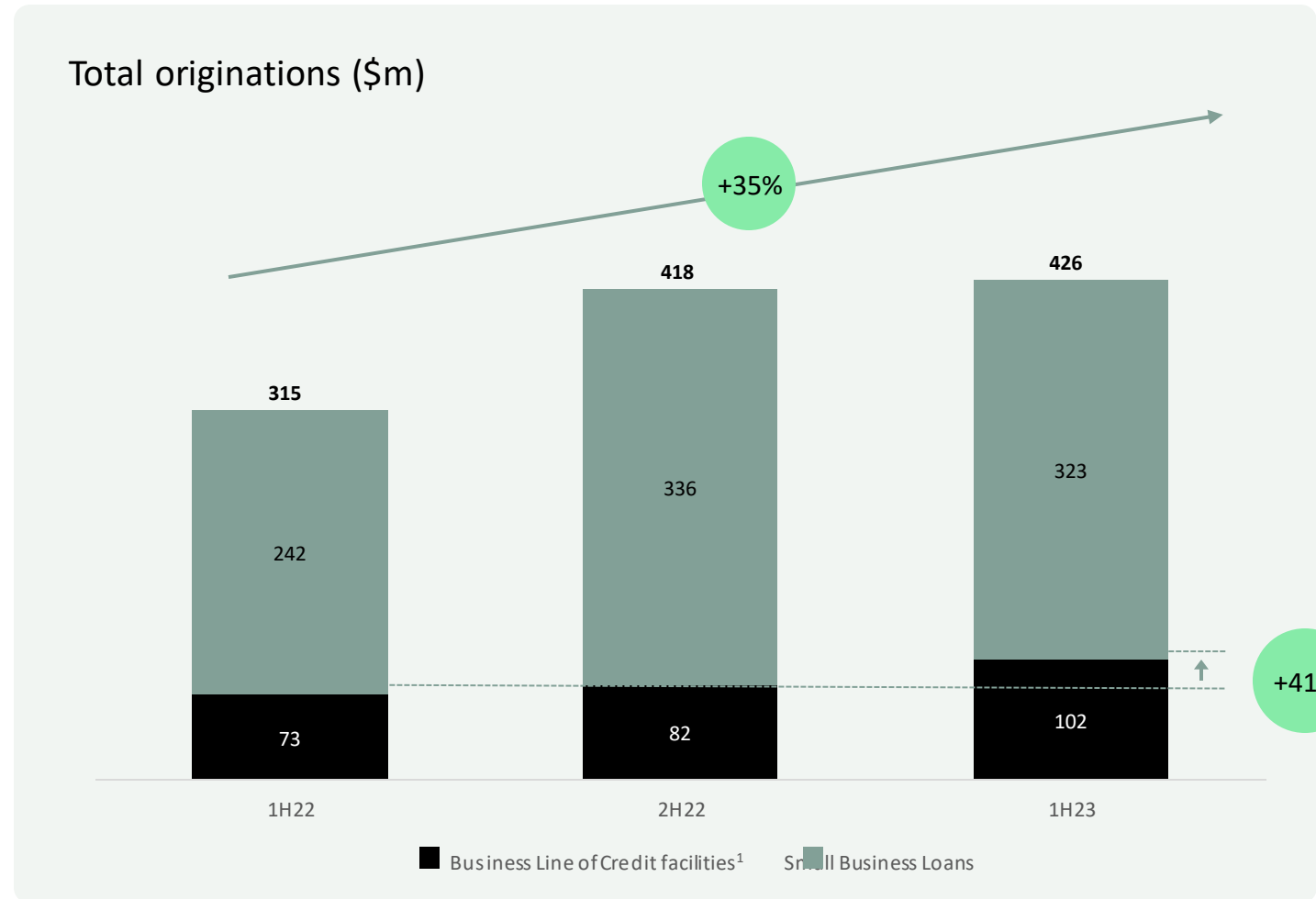
Urban Jungle Studios, AU

Record originations despite rapidly changing economic conditions



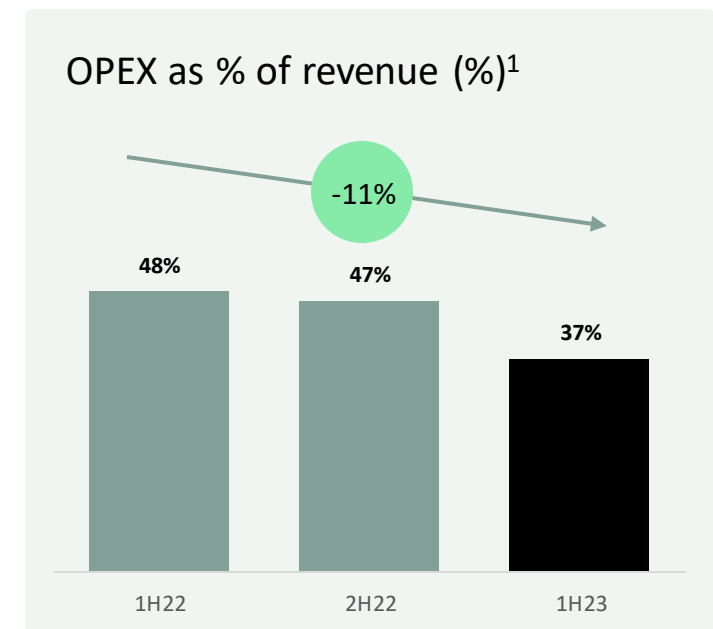
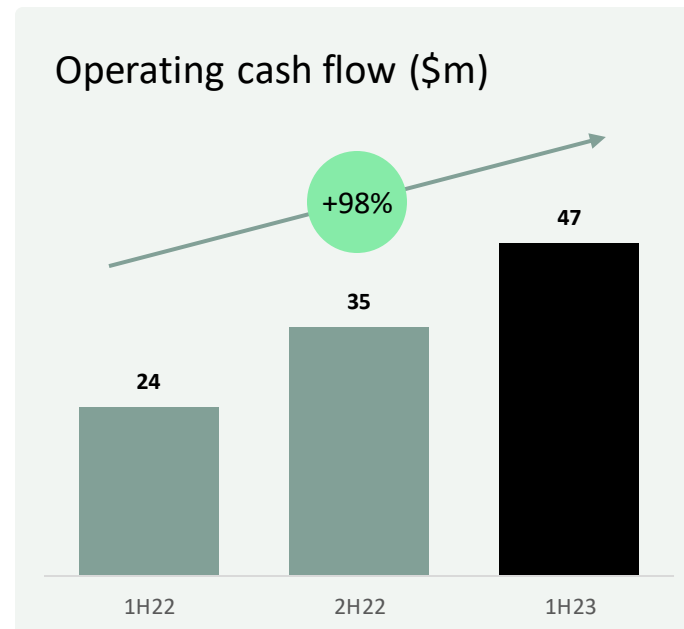
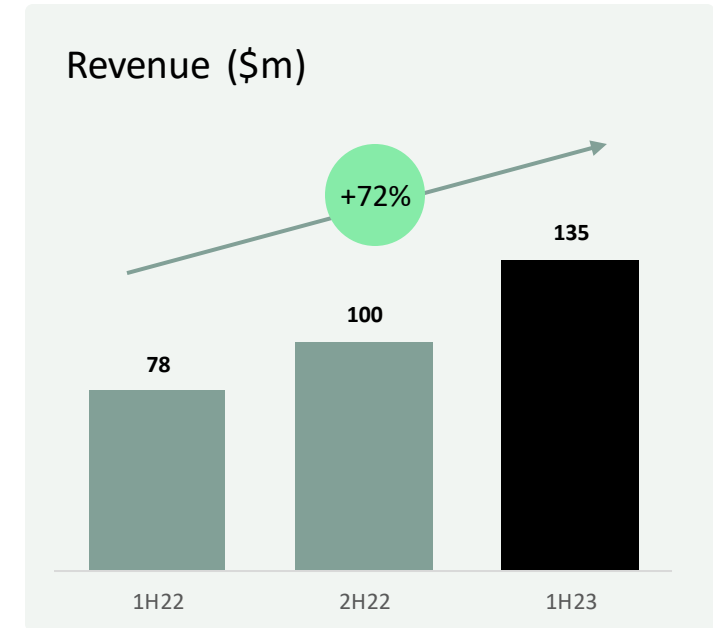
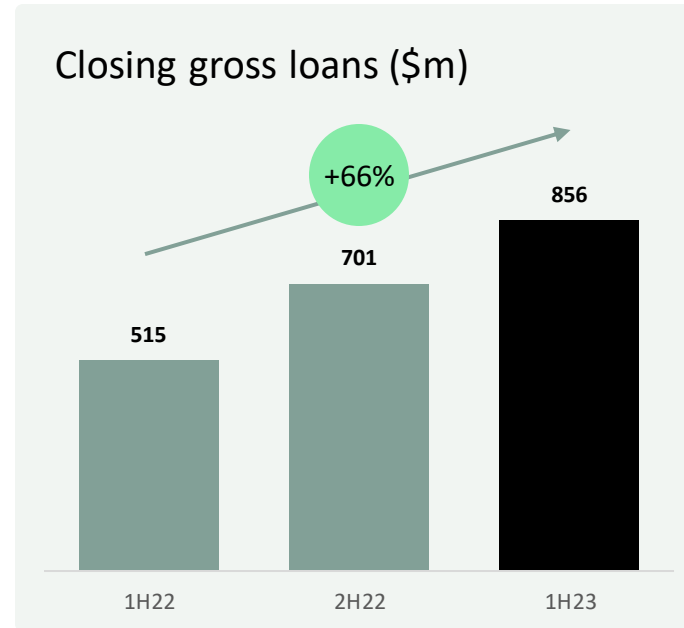
\$426 million of originations achieved, underpinned by strong demand across Australia and New Zealand.

- Originations of \$426 million, up 35% on pcp (1H22: \$315 million).
- Another half of strong support for Prospera's facilities, with originations up 41% on pcp (1H22: \$73 million).
- New Zealand originations increased 85% on pcp to \$93 million (1H22: \$50 million).
- New Zealand Business Line of Credit has seen strong uptake since its launch in July 2022.



1. Facilities currently includes the Prospera Business Line of Credit product in Australia and New Zealand.

Strong top-line performance supporting technology and product investment



1. Employee and operating expenses as a % of revenue.

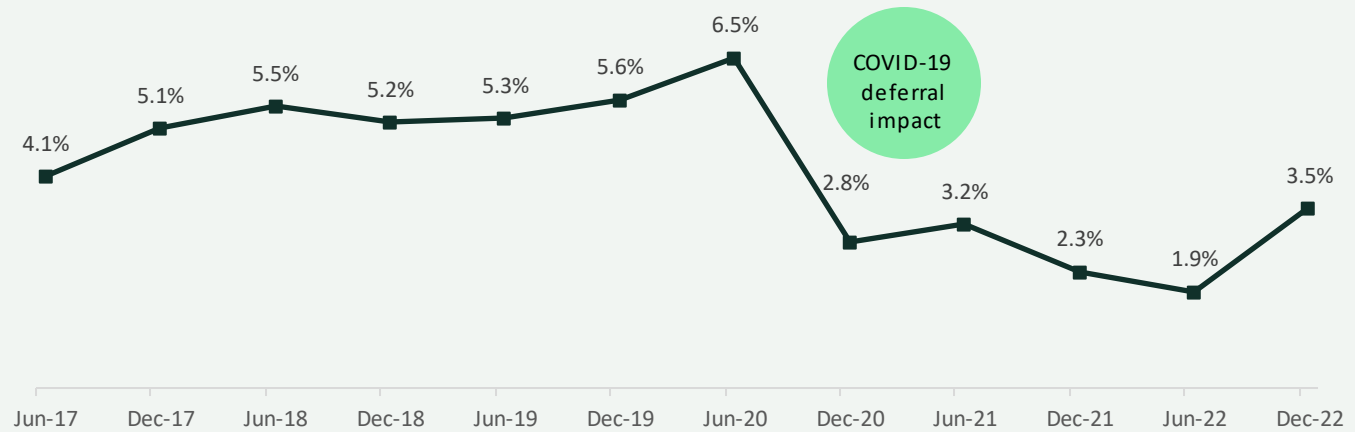
Credit risk performance

Prospera continues to dynamically manage approvals within risk appetite.

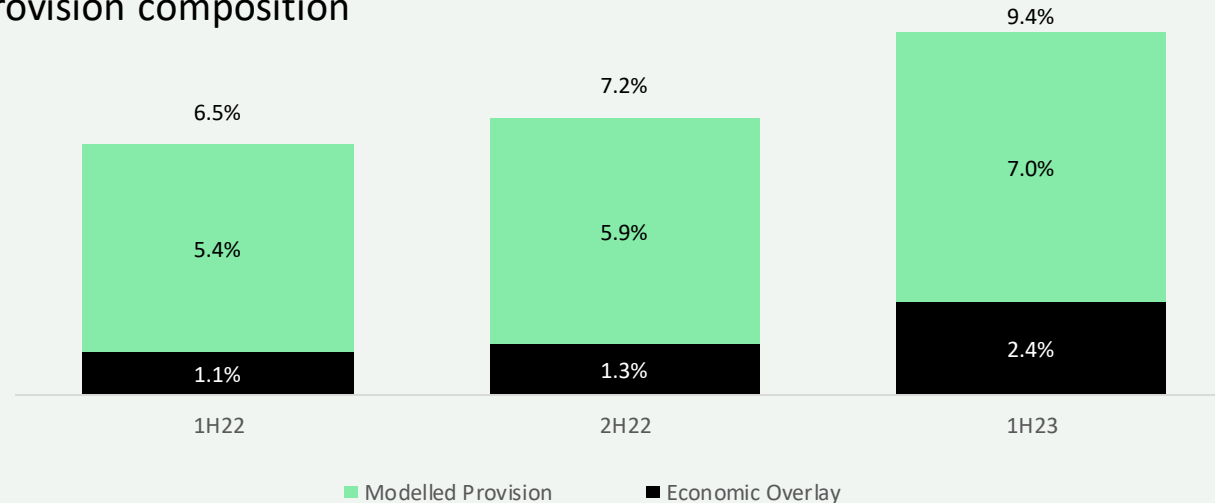
While arrears have increased, we have proactively tightened commercial settings in the half and have the tools and ability to continually serve demand whilst managing arrears.



Coincidental delinquency¹ (90+ days past due)

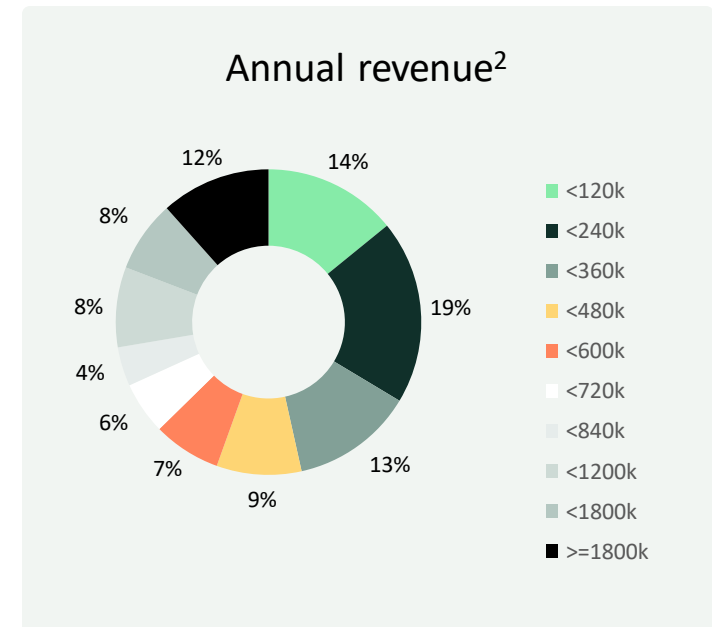
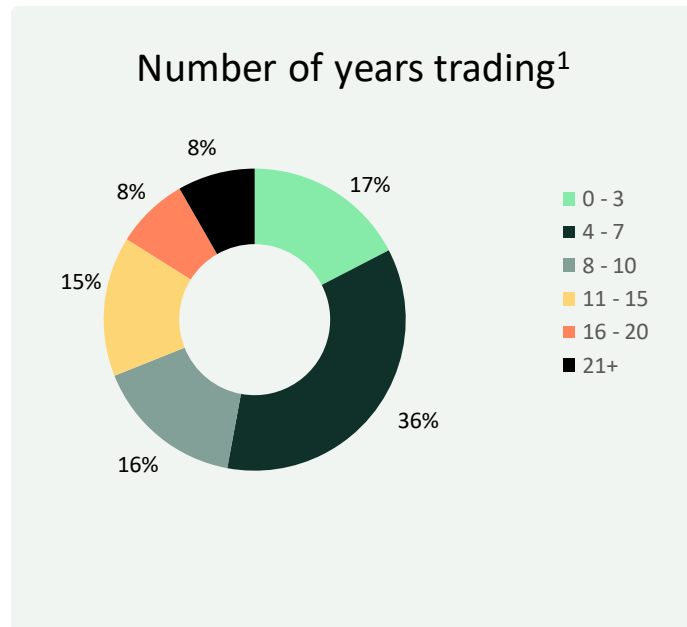
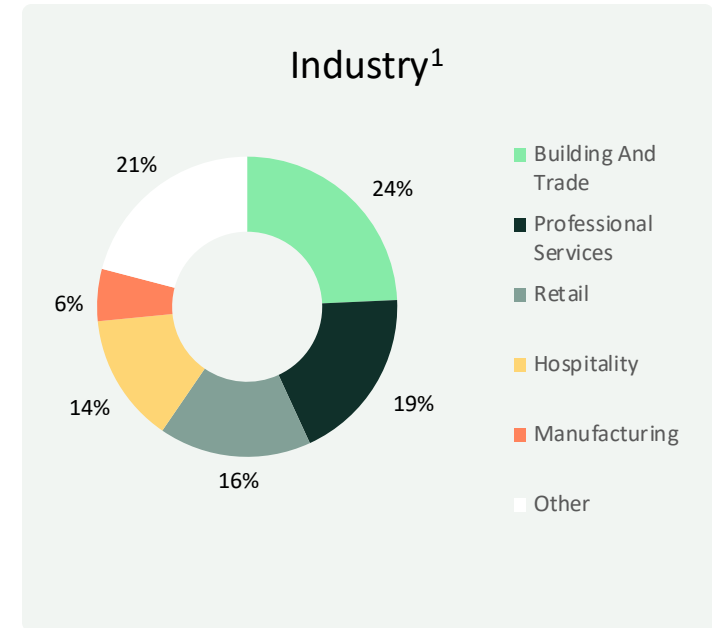
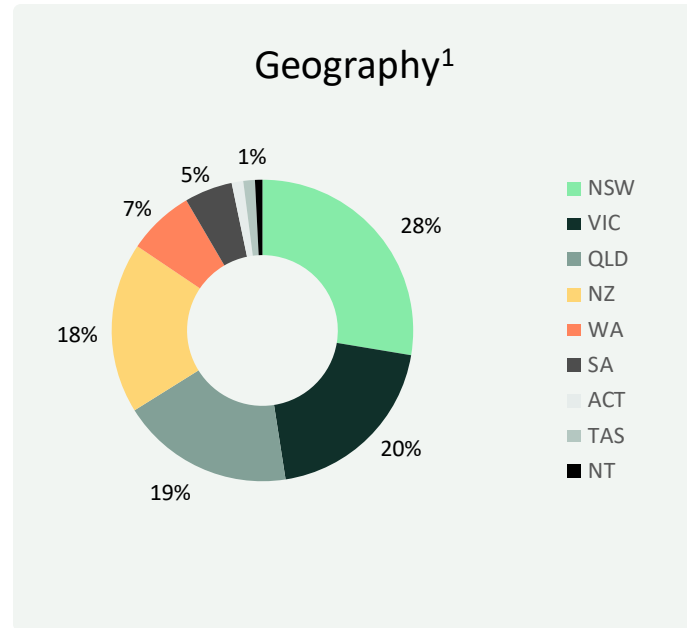


Provision composition



1. Refers to delinquency data across all products as a % of closing gross loans and references point-in-time information at 6-month intervals. Historical values may change due to refinements in Days Past Due calculation methodology.

Dynamic and flexible portfolio robust in changing market conditions



1. Based on outstanding principal balance as at 31 December 2022.
 2. Based on revenue at the time of application for active customers as at 31 December 2022.



02 1H23 Financials

Manly Bikes, AU

Summary 1H23 Financials¹



Record portfolio levels and prudent cost management propels cash-generating capability of the business.

	\$m	1H23	1H22	1H21	Var. \$ on pcp	Var. % on pcp
1	Originations	425.5	314.9	180.1	110.6	35.1%
2	Total revenue	135.3	78.5	55.8	56.8	72.4%
3	Transaction costs	(7.5)	(5.2)	(3.6)	(2.3)	43.8%
4	Funding costs	(21.4)	(11.2)	(8.7)	(10.3)	91.8%
	Gross profit ²	106.3	62.1	43.5	44.3	71.4%
5	Loan impairment	(56.6)	(14.7)	(10.9)	(41.9)	284.1%
6	Employee expenses ³	(27.4)	(21.1)	(16.5)	(6.3)	30.0%
7	Operating expenses	(22.1)	(16.6)	(12.0)	(5.5)	33.2%
	Total expenses	(106.1)	(52.4)	(39.3)	(53.7)	102.4%
	EBITDA	0.2	9.6	4.1	(9.4)	(97.9%)
8	Operating cash flow	47.0	23.7	13.0	23.3	98.0%
	Unrestricted cash ⁴	40.7	62.4	47.0	(21.7)	(34.8%)

- 35.1% increase in half yearly originations on pcp, with origination volume growing to half yearly records. Strong momentum with 2Q23 originations of \$220.1m up 18.0% on pcp.
- Revenue before transaction costs up 72.4% on pcp and the highest half year revenue result in PGL's operating history.
- Increase in transaction costs trending in line with growth in originations and revenue.
- Prospera's term ABS program has enabled the funding cost rate to rise slower than the cash rate. Our second deal in as many years was successfully settled in December with strong interest in a challenging capital market.
- Please refer to slide 16 for further detail on impairment costs.
- Employee expenses increase of \$6.3m driven predominantly by product and technology investment, as well as growth in sales and marketing.
- Increase in operating expenses mainly attributable to higher IT investment, followed by higher marketing costs. Operating leverage is evident with total operating expenses increasing by 33.2% vs revenue growth of 72.4%.
- Significant growth in operating cashflow, reflecting the high cash profitability of the business.

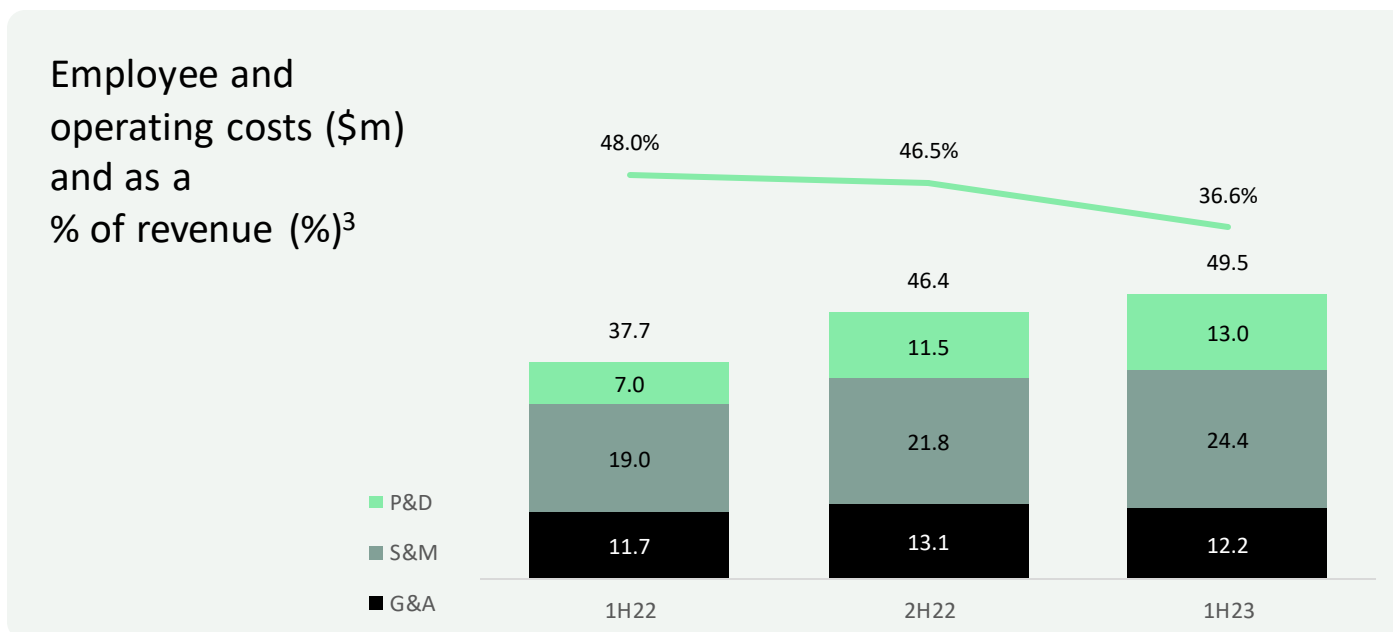
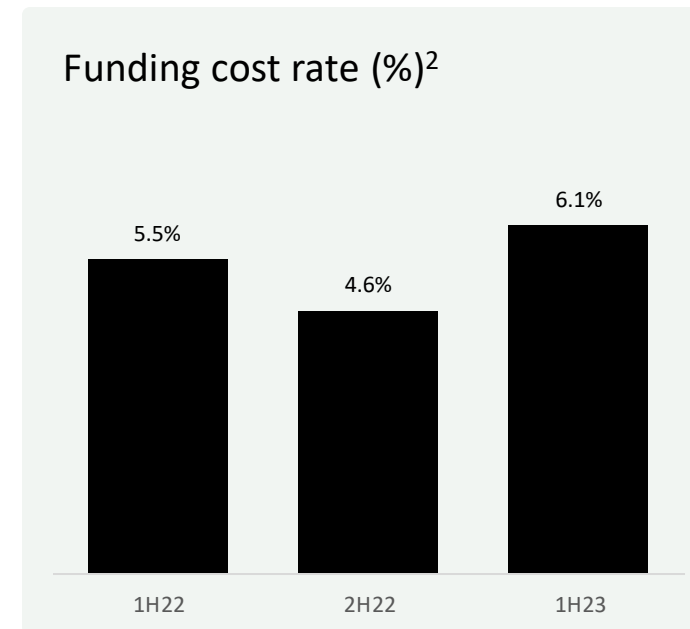
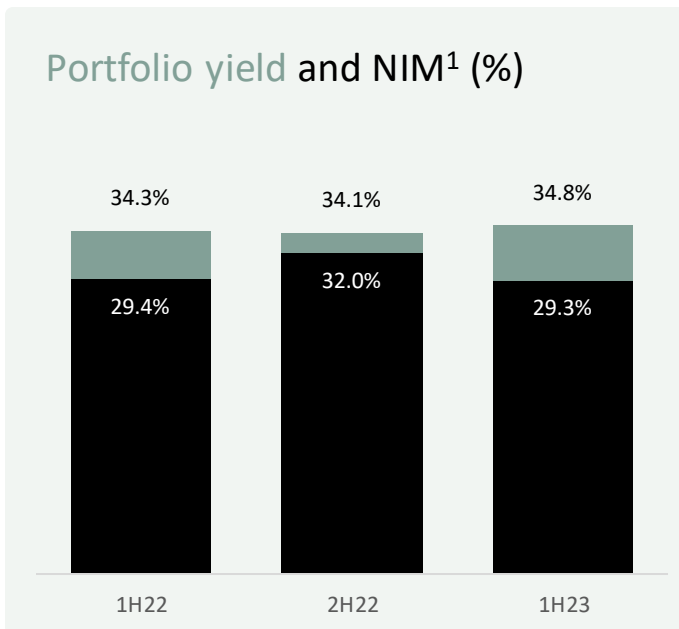
1. Totals may not add up precisely due to rounding.

2. All references to Gross Profit in this document is calculated as total revenue less transaction costs less funding costs.

3. 1H21 included \$2.7m of Jobkeeper benefit.

4. Within unrestricted cash at 31 December 2022 there is \$1.8 million included which is payable by Prospera Advance Pty Ltd to the Securitisation Trusts.

Margins are reflecting the scalability of our business model

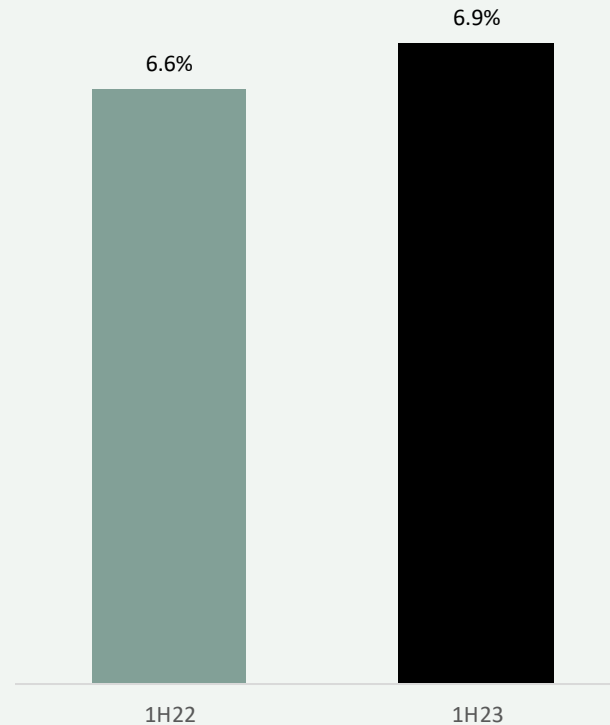


1. NIM is equal to (revenue less funding cost) divided by average gross loans, annualised. NIM includes bank interest and referral income received.
 2. Funding cost rate is equal to funding cost divided by average funding debt, annualised.
 3. P&D refers to costs associated with Product and Development, S&M refers to costs associated with Sales & Marketing and G&A refers to costs associated with General & Admin.

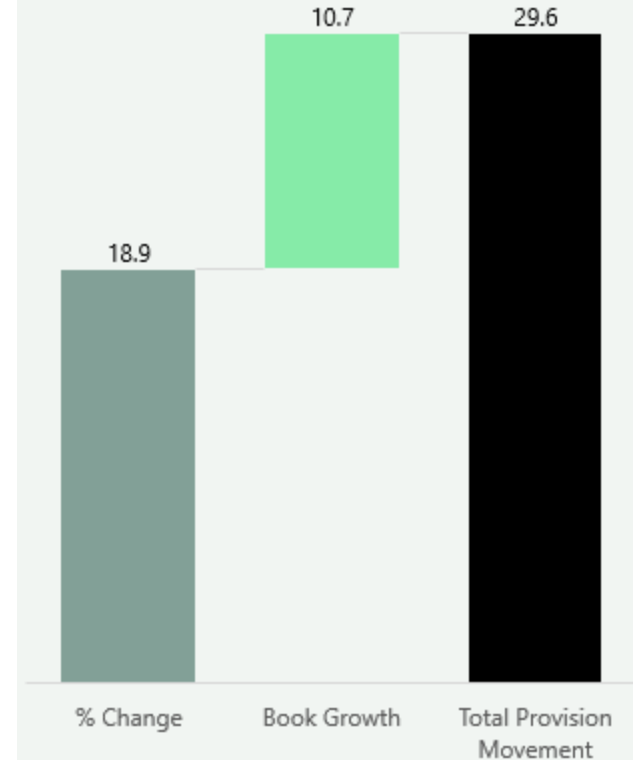
Book growth offset by bad debt and impairment provision

- In 1H23, net bad debt expense represented 6.9% of average gross loans compared to 6.6% in 1H22.
- \$18.9 million of the provision increase relates to a 2.2% increase in the provision rate since 2H22 in response to wider economic uncertainty.
- \$10.7 million of the provision increase relates to the growth in receivables.
- Prospa began proactively tightening lending criteria in the half to ensure a healthy and sustainable portfolio.

Net bad debt as a % of AGL



1H23 Provision expense breakdown (\$m)

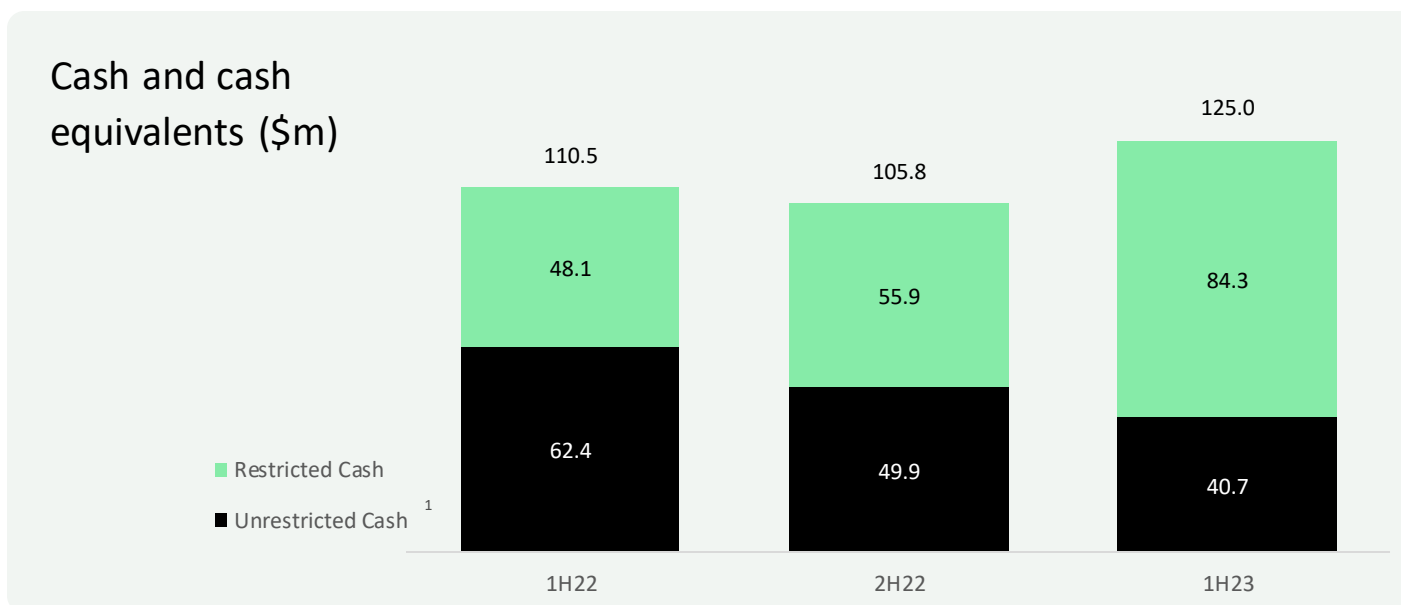
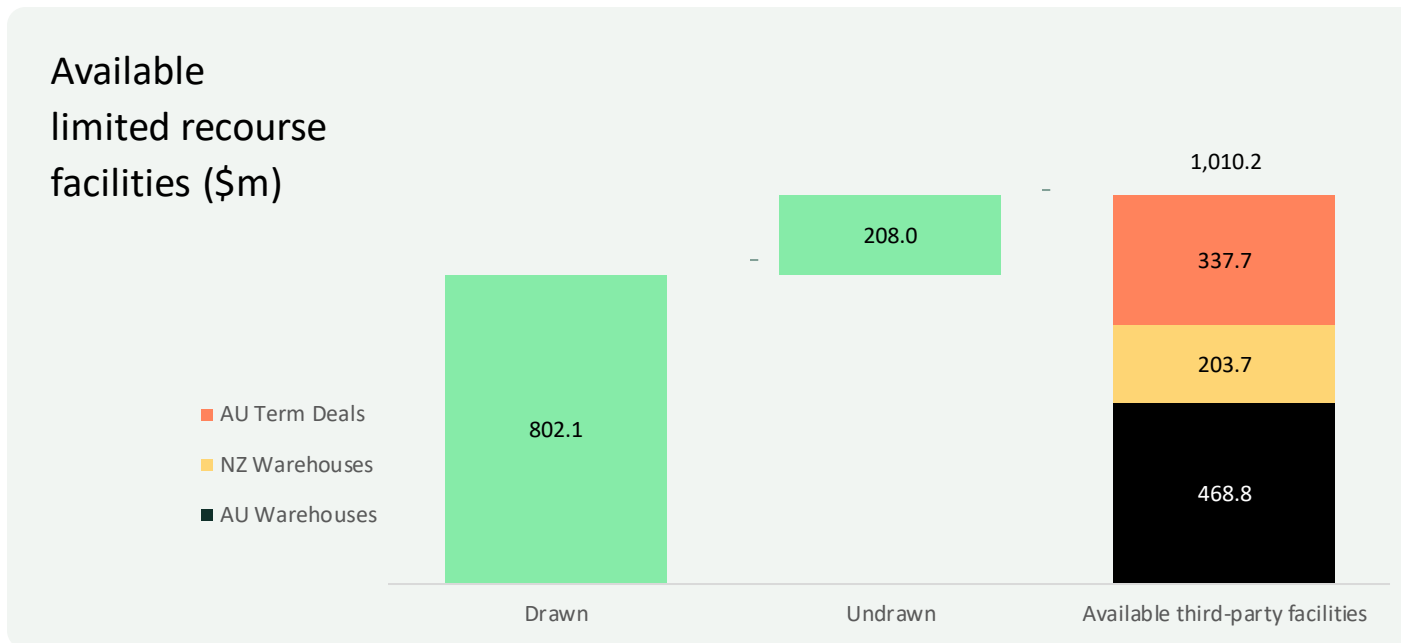


1. AGL is average gross loans. Percentage represents the net bad debt expense as % of AGL, annualised.
2. Bad debt expense offset by loss recoveries received in the period.



Enhanced funding platform for continued growth

- \$1 billion of available limited recourse facilities as at 31 December 2022 (1H22: \$580.7 million).
- In July 2022, Prospa introduced a European bank as a senior noteholder in an AU warehouse.
- In December 2022, Prospa settled our second \$200 million term ABS. This is the second public ABS issuance of its kind in Australia, the first being our 2021 issuance.
- In December 2022, Prospa also introduced a major bank as our first senior noteholder in NZ, which will reduce our NZ funding cost rate over time.
- Three AU warehouses have revolving periods maturing in May 2024, September 2024, and March 2025, and two NZ warehouses with revolving period maturing in August 2024 and March 2026.
- Prospa has no corporate debt.



1. Within unrestricted cash at 31 December 2022 there is \$1.8 million included which is payable by Prospa Advance Pty Ltd to the Securitisation Trusts.



03 Strategy and outlook

PUPSTYLE, AU

Growth drivers

Further investment to scale the business and drive greater efficiencies



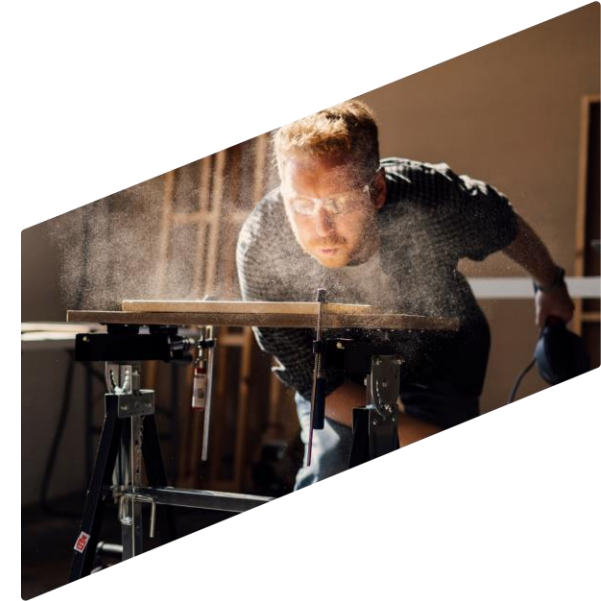
Scale existing product

- Scaling our existing products.
- Service a broader range of small businesses.
- Capture a greater % of the market to drive top line growth.



Expand through new solutions

- Expand within the SME market with personalized product.
- Increasing share of wallet to drive lifetime value and reduce CAC.



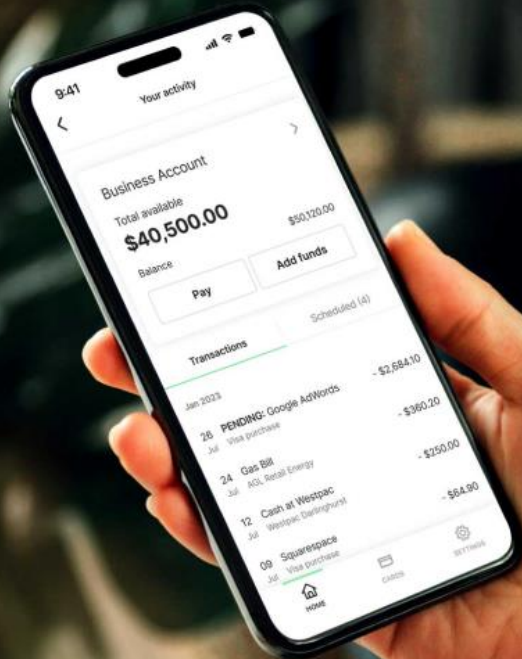
Reach new segments

- Expansion into payments and financial software.
- Deliver stronger customer retention.











A cohesive platform that makes Prospera indispensable to small businesses








Now



Continued improvements to the All-in-One Business Account drives lifetime value.

-  Transaction account
-  Visa business debit card
-  Apple Pay and Google Pay
-  Successful pilot complete, product launched
-  Overdraft beta
-  Single view of Prospera Business
-  Account and Capital Products
-  Digital customer onboarding

Next

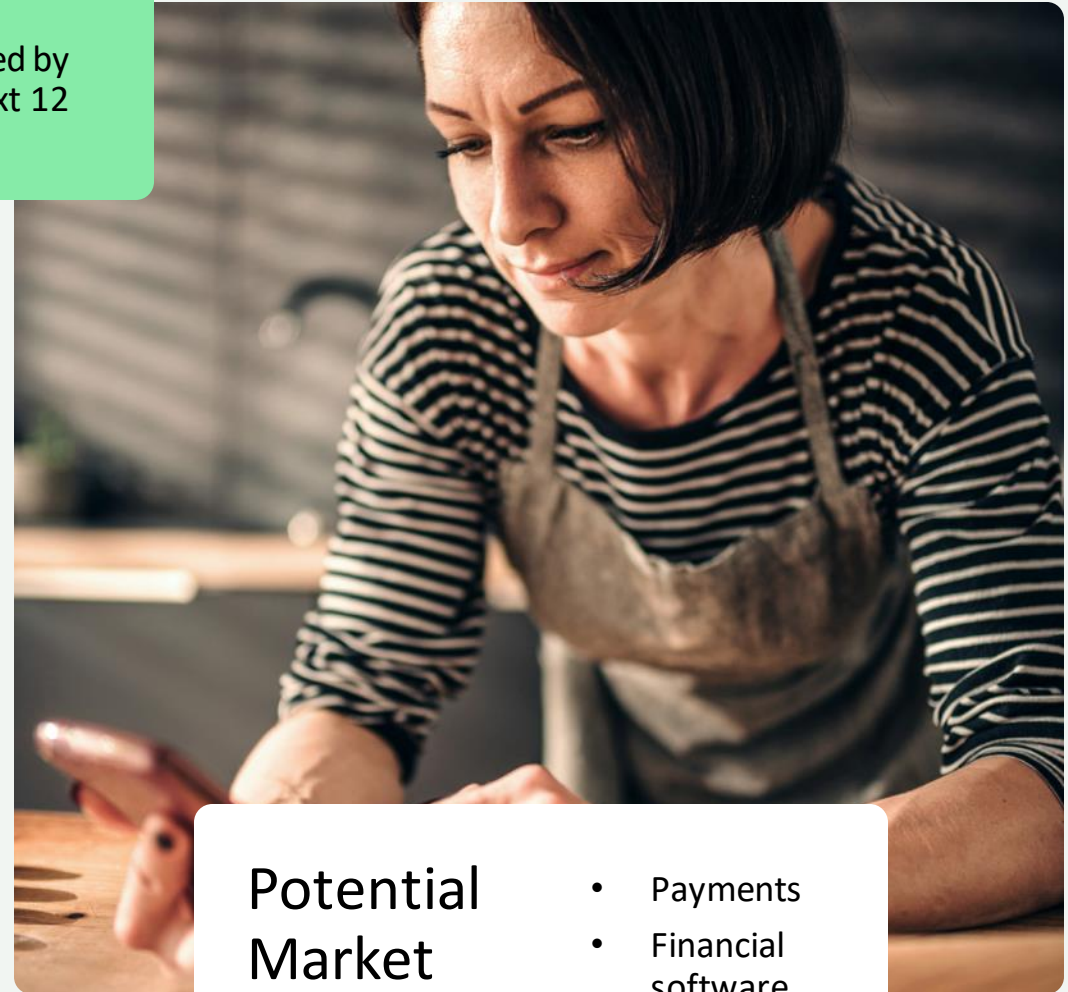
-  Overdraft launch
-  Foreign Exchange
-  Accounting integration
-  Invoicing
-  Bill pay
-  Expense management
-  Marketing & channel engagement activity



Market opportunity

\$24bn

Value of credit required by Australian SMEs in next 12 months¹.



Potential Market Expansion

- Payments
- Financial software
- FX



Payment

- Enable customers to pay for goods and services.
- Manage daily expenses, bills and accounts payable.



Insights

- Identify challenges and opportunities.
- Smarter, data-driven offers and decisions.

Future state

A cohesive platform that makes Prospa digitally indispensable – helping SMEs grow, run and pay.



Credit

- Fund growth opportunities.
- Re-stock, re-hire, upgrade equipment.



Cash flow

- Improve cash flow management.
- Manage shortfalls & surplus.
- Understand cash position and projections.



Questions





04

Additional information

Twisted Willow, NZ

Half Year Profit and Loss



12 months to 31 December 2022 (\$m) ¹	1H23	1H22
Interest income	121.3	72.0
Other income	14.0	6.5
Total income	135.3	78.5
Transaction costs	7.5	5.2
Funding costs	21.4	11.2
Gross profit	106.3	62.1
Loan impairment expense	56.6	14.7
Employee expenses	27.4	21.1
Operating expenses	22.1	16.6
Total expenses	106.1	52.4
EBITDA	0.2	9.6
Depreciation	1.2	1.3
Amortisation	3.7	2.0
Interest on lease liabilities	0.1	0.2
Share based payments	2.1	1.2
Forex (gain)/loss	(0.7)	(0.0)
PBT	(6.3)	4.9
Tax expense	(1.1)	(0.5)
NPAT	(5.2)	5.4

1. Totals may not add up precisely due to rounding.

Statutory Balance Sheet



Statutory Balance Sheet (\$m) ¹	Dec-22	Jun-22	Dec-21
Cash and cash equivalents	125.0	105.8	110.5
Bank deposits	0.0	-	1.1
Loan receivables	774.9	650.5	481.2
Other financial assets	1.8	0.6	-
Derivative financial assets	1.7	2.8	2.0
Prepayments and other assets	3.0	3.2	3.0
Property, plant and equipment	0.2	0.3	0.4
Right-of-use assets	7.0	7.9	9.0
Intangible assets	24.9	17.9	12.3
Deferred tax assets	27.5	19.7	14.2
Total assets	965.9	808.9	633.6
Trade and other payables	9.6	12.8	8.9
Current tax liabilities	7.6	1.5	0.1
Employee benefits	7.8	8.0	6.3
Lease liabilities	8.5	9.5	10.6
Funding debt	800.4	640.8	473.6
Total liabilities	833.9	672.7	499.6
Net assets	132.0	136.2	134.0
Issued Capital	611.1	611.8	612.2
Reserves	(416.7)	(418.4)	(419.7)
Retained earnings	(62.4)	(57.2)	(58.5)
Total equity	132.0	136.2	134.0

1. Totals may not add up precisely due to rounding.

Statutory Cash Flows



6 months to 31 December 2022 (\$m) ¹	1H23	1H22
Finance income received	118.4	71.6
Other income received	10.2	6.1
Interest and other finance costs paid	(21.3)	(12.0)
Payments to suppliers and employees	(60.3)	(42.0)
Income taxes paid	-	-
Operating cash flow	47.0	23.7
Net increase in loans to customers	(175.4)	(101.0)
Payments for intangibles	(10.7)	(7.1)
Other investing cash flows	(0.0)	-
Investing cash flow	(186.1)	(108.1)
Proceeds from borrowings	208.1	250.0
Repayment of borrowings	(48.8)	(135.7)
Repayment of finance leases	(1.2)	(1.1)
Payments for share repurchase	(0.1)	-
Proceeds from exercise of options	-	1.3
Financing cash flow	157.4	114.5
Net increase / (decrease in cash and cash equivalents)	18.3	30.1
Total cash at the beginning of the financial period	105.8	80.4
Foreign exchange effect	0.9	-
Total cash at the end of the financial period	125.0	110.5

1. Totals may not add up precisely due to rounding.

1H23

Key Metrics



6 months to 31 December 2022 (\$m)	1H23	1H22
Loan book		
Originations	425.5	314.9
Gross originations ¹	555.0	423.0
Gross loans (period end)	855.8	514.6
Average gross loans	771.9	454.5
Realised portfolio yield, annualised (%)	34.8%	34.3%
Premium risk grades (%)	45.4%	45.0%
NIM as a % of average gross loans (%)	29.3%	29.4%
Funding		
Funding cost rate, annualised (%)	6.1%	5.5%
Average funding debt	699.3	404.0
Productivity metrics		
CAPEX as a % of revenue	7.9%	9.1%
Employee and operating expenses as a % of revenue	36.6%	48.0%
Customer metrics		
Active customers	19,900	13,200
Net promoter score	70+	80+
Composition of loan impairment		
Impairment expense: net bad debt expense	27.0	15.1
Impairment expense: provision movement	29.6	(0.4)
Provision rate (%)	9.4%	6.5%
Net bad debt expense as a % of average gross loans	6.9%	6.6%



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Thank you

