prospa

FY21 Results

23 August 2021

Our purpose is to keep small business moving

prospa

Changing the way SMEs experience finance through technology and digital innovation.

Greg Moshal
CEO and Co-Founder

Beau Bertoli
CRO and Co-Founder

Ross Aucutt
CFO

Strong performance with record quarter originations

- Record originations achieved in face of uncertainty from COVID-19
- Originations exceeded a milestone of $2.0b since inception

$2.1b+
loans originated since inception[1]

Recognised as the #1 online lender to small business in Australia & New Zealand

Award-winning provider of digital cash flow solutions, underpinned by advanced proprietary technology to streamline credit decisions and drive customer insights

#1
in Australia & New Zealand[2]

Engaged customer base servicing broad range of sectors

Balanced portfolio of over 11,900 active customers with high levels of repeat business

11.9k
active customers

+80
NPS[3]

Long-term growth platform established

Strong balance sheet driving continued investment in technology platform and product roadmap uniquely positions Prospa to capitalise on SME economic recovery

1. 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) and ProspaPay in Australia and New Zealand, unless otherwise indicated. Small retrospective changes in origination figures may occur as result of back dated cancellations or modifications to support customer outcomes.
2. In the Non-bank Financial Services category, Prospa is the #1 ranked online small business lender in Australia and New Zealand on independent review site TrustPilot with a TrustScore of 4.9 and over 6,200 reviews in Australia and a TrustScore of 4.9 and over 800 reviews in New Zealand as at 30 June 2021.
3. Average for period 1 April 2021 to 30 June 2021.
4. All references to dollars in this document are in AUD unless otherwise indicated.

FY21 Highlights

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Originations
$484m

FY20: $448m +8%

Prospa recorded its highest ever quarterly originations of $183m in Q4 FY21

Revenue[1]
$118m

FY20: $142m (17%)

Strong quarterly momentum in revenue growth through FY21 despite COVID-19 with stable margins

Operating cash flow
$35m

FY20: $34m +3%

$39.8m of unrestricted cash available to support long-term growth

Closing gross loans
$427m

FY20: $374m +14%

Within 10% of the all-time high achieved prior to COVID-19

EBITDA[2]
$375k

FY20: ($15.8m) +$16.2m

Significant EBITDA growth over FY20 with resilient GP margin[3] of 80%

Realised portfolio yield[4]
32.7%

FY20: 32.8%

Portfolio yield maintained in conjunction with increased originations

1. All references to Revenue in this document represent Total Revenue before transactions costs.
2. All references to EBITDA in this document represent Earnings Before Corporate Interest, Tax, Depreciation and Amortisation, Share-Based Payments and Fair Value movements.
3. All references to Gross Profit in this document is calculated as Total Revenue *less* Funding Costs *less* Transaction Costs. Refer page 14 for more detail.
4. All references to Realised portfolio yield in this document represents the interest (excluding transaction costs) and fee income earned during the period on the average portfolio balance during the respective period, annualised.

Strong progress in key strategic deliverables

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AU / NZ leadership

- #1 online lender to small business in Australia and New Zealand
- Strong brand awareness amongst Alternative Lender category
- >$2.1b in funding deployed since inception
- Market leading product portfolio with enhanced Line of Credit offering

Customer acquisition

- Strong originations of $484m, underpinned by record 4Q21 and June 21 performance
- Strong traction in NZ, with record FY21 originations of $78.2m
- 11,900+ customers with 54% repeat
- NPS of +80

Data / Technology

- Investment in technology driving product innovation and originations
- Static loss rates within 4-6% tolerance
- Smarter, faster credit decision engine incorporates learnings from FY21 environment
- Collection and analysis of customer and industry data driving deeper insight

Funding platform for growth

- $39.8m in unrestricted cash
- $97.2m in available undrawn facilities
- $458.6m in available third-party facilities

Investing for growth

- Customer feedback driving investment into platform – development of suite of cash flow / payment management products and new core banking platform expanding presence in SME market
- Investment in sales and marketing to capitalise on strong 4Q21 performance
- Increased research and development to enable effective delivery of enhanced product suite to market

Agenda

SECTION 1

Prospa update

1

Record quarterly originations despite COVID-19

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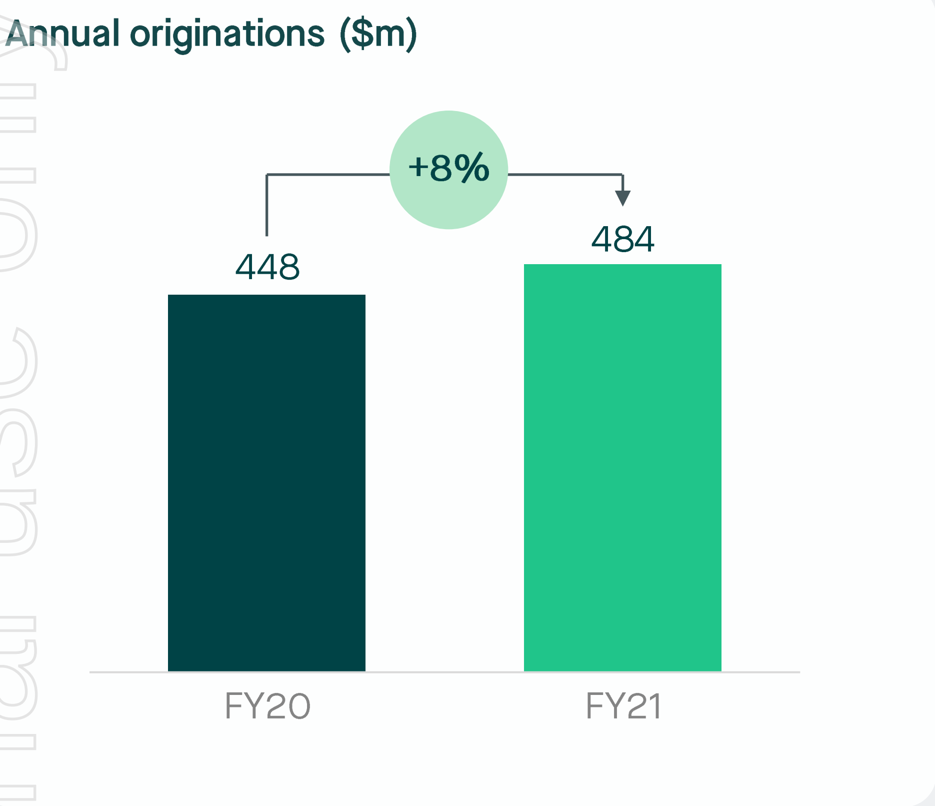
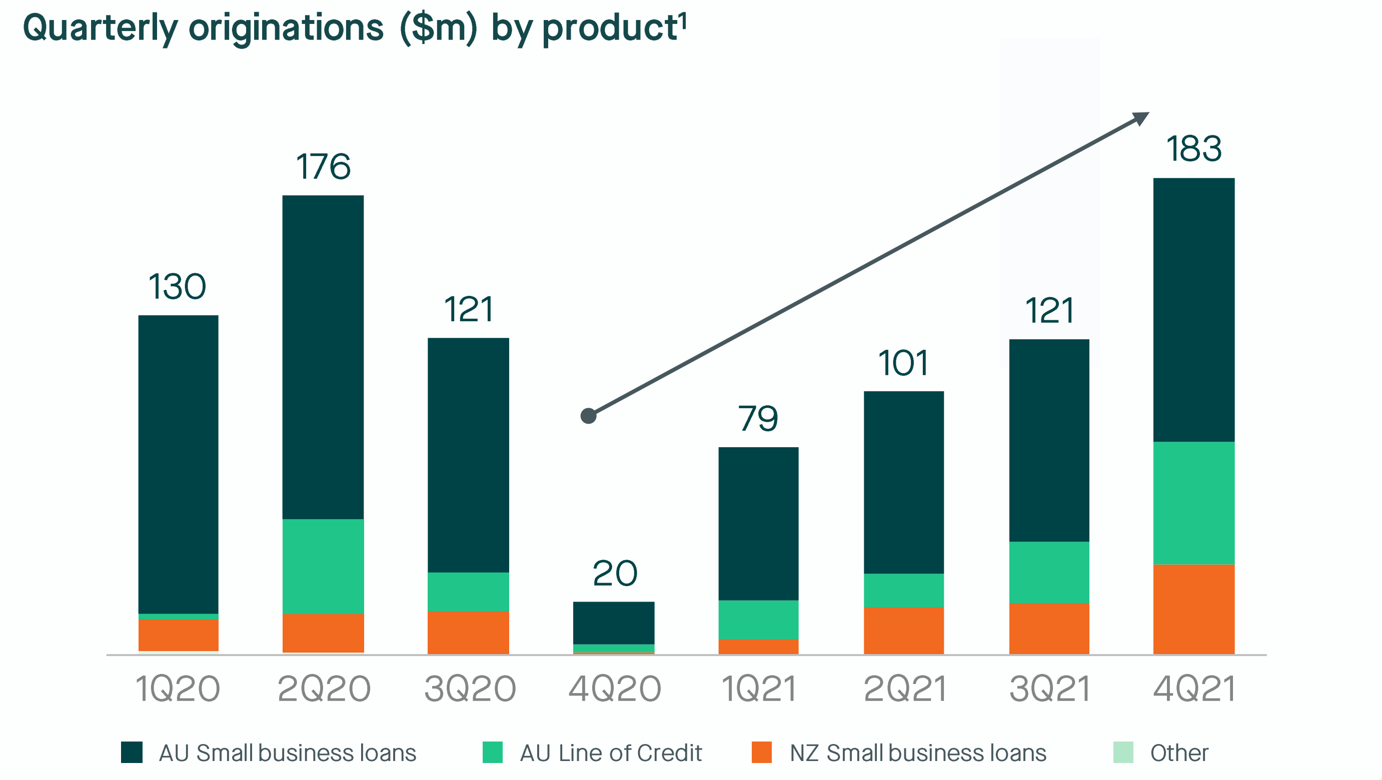
Acceleration in originations is driven by Prospa's improved technology capability, streamlining customer experience and approval process





1. Quarterly totals may not add up precisely due to rounding. AU Small Business Loans includes Back to Business Loans originated under the Australian Government Guarantee Scheme; AU Line of Credit includes Back to Business Lines originated under the Australian Government Guarantee Scheme; and NZ Small Business Loans includes Back to Business Loans originated under the New Zealand Business Finance Guarantee Scheme.

Resilient FY21 financial performance

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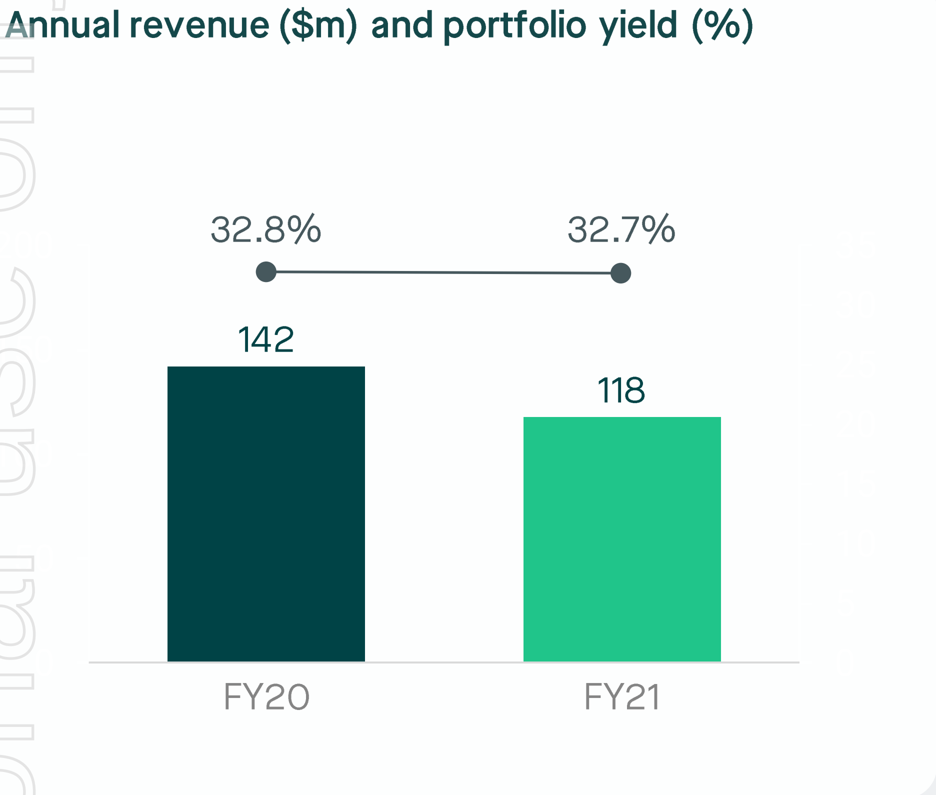
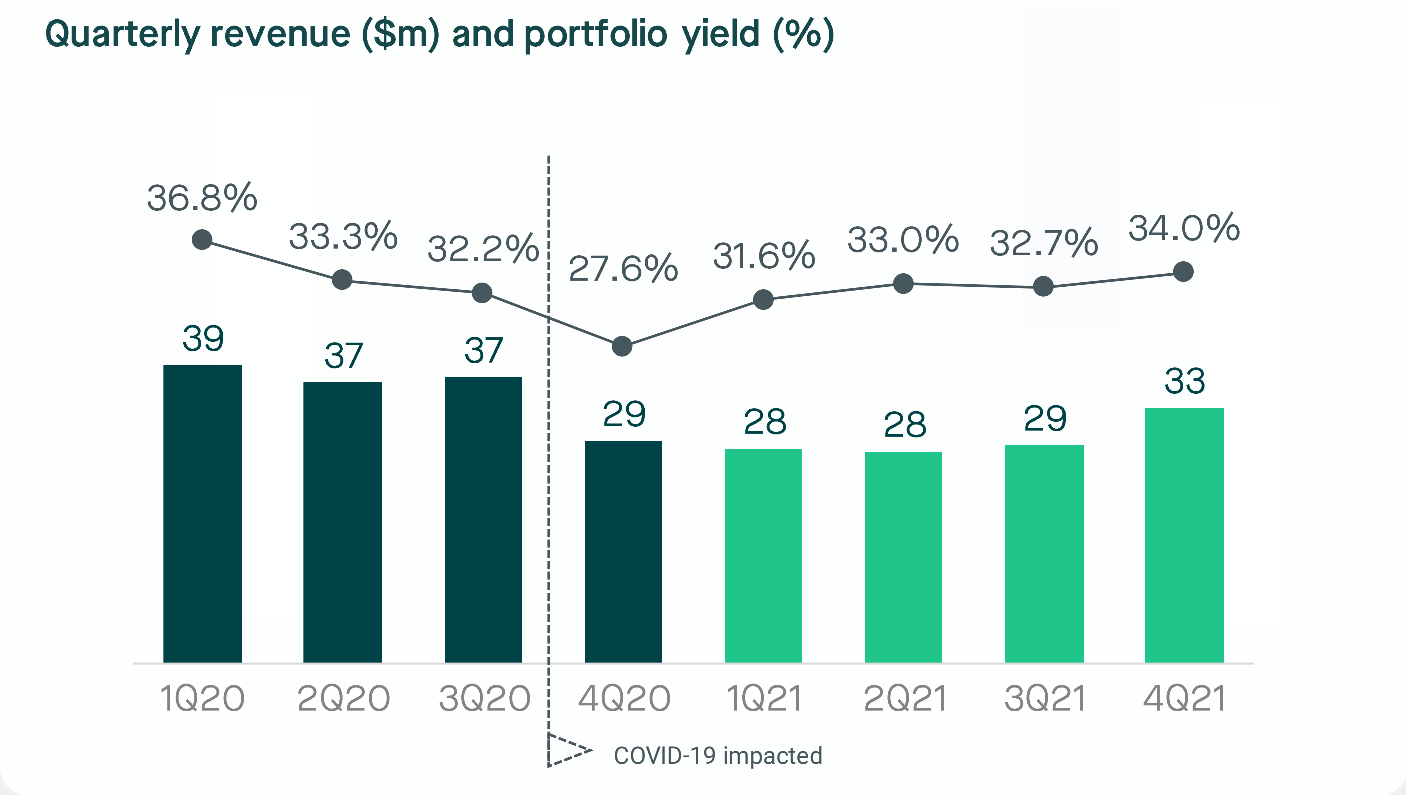
Increasing momentum in revenue despite COVID-19, as Prospa continues to actively manage portfolio yield relative to credit quality and repayment terms

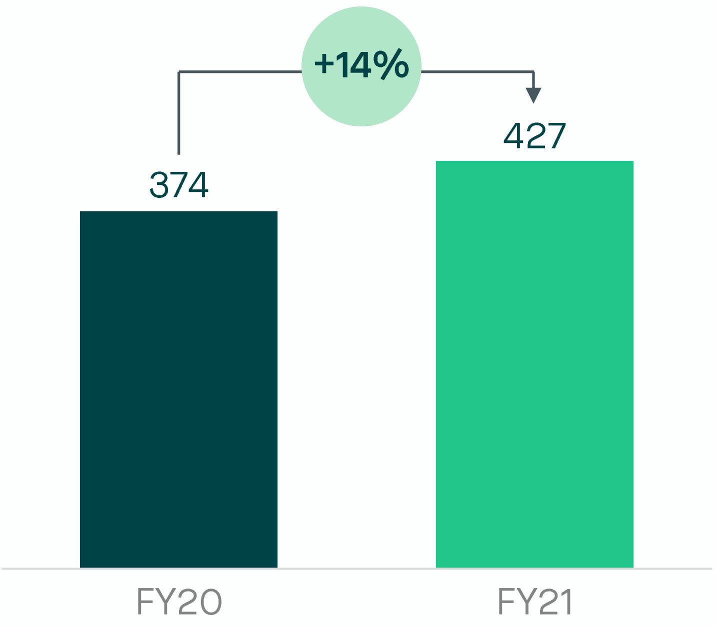




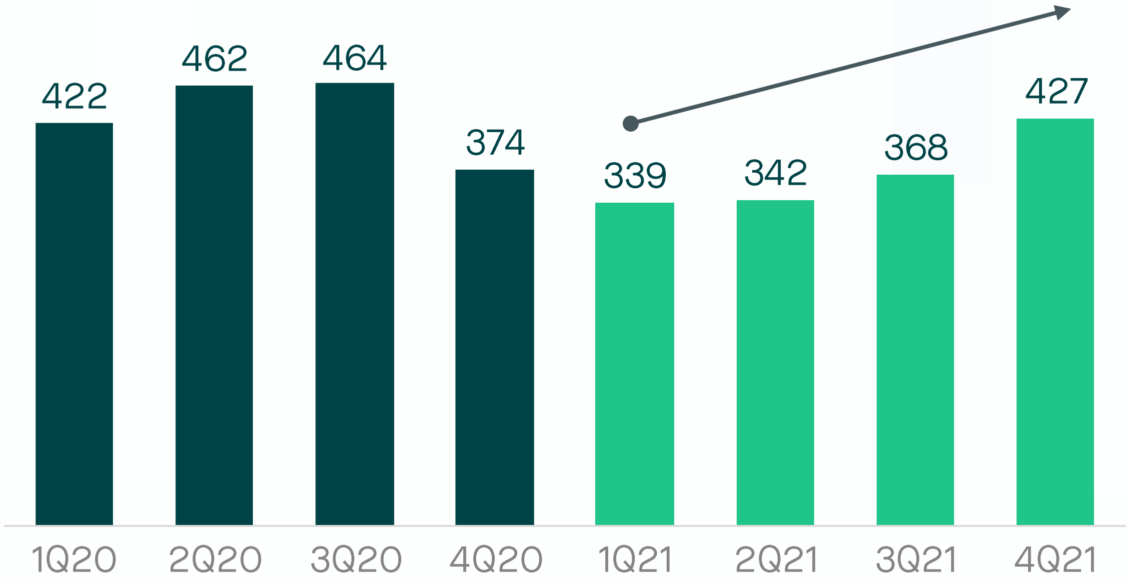
Strong growth in closing gross loans with quarterly momentum

Closing Gross Loans of $427m surged to within 10% of the all-time high reached just before the onset of COVID-19 demonstrating momentum through recovery period

Annual closing gross loans ($m)



Quarterly closing gross loans ($m)



Strong growth in product metrics underpinned by engaged customer base

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AU

Business Loan

A$37k
Avg. Business Loan amount[1]

42% Growth in average amount
Average term 15.9 months[2]

Line of Credit

A$46k
Average facility limit

18% Growth in average facility limit
Average utilisation rate of 51%[3]

NZ

Business Loan

NZ$31k
Avg. Business Loan amount[1]

29% Growth in average amount
Average term 15.1 months[2]

54%
Portion of repeat customers

#1
Online lender to small business

11,900+
Active customers

+80
NPS

1. Average fresh capital originated in FY21, excluding re-financed amounts.
2. Average loan term for the period FY21.
3. Utilisation rate is the % of active utilised lines as at 30/06/2021.

Well diversified portfolio with ability to dynamically target sectors and geographies based on changing market conditions

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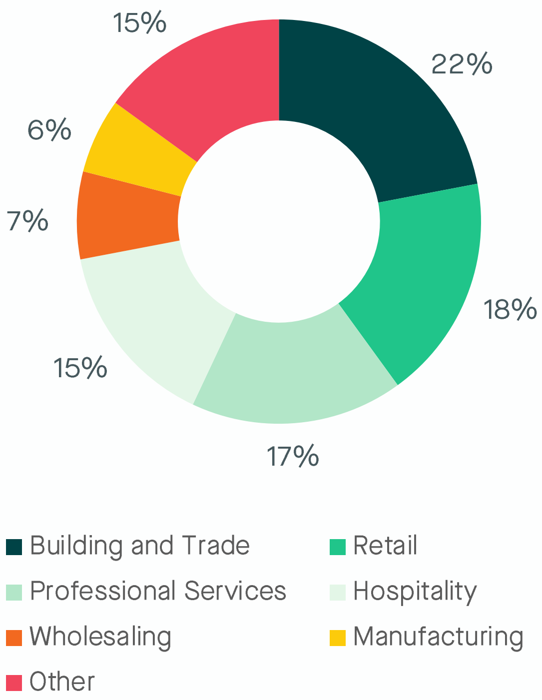
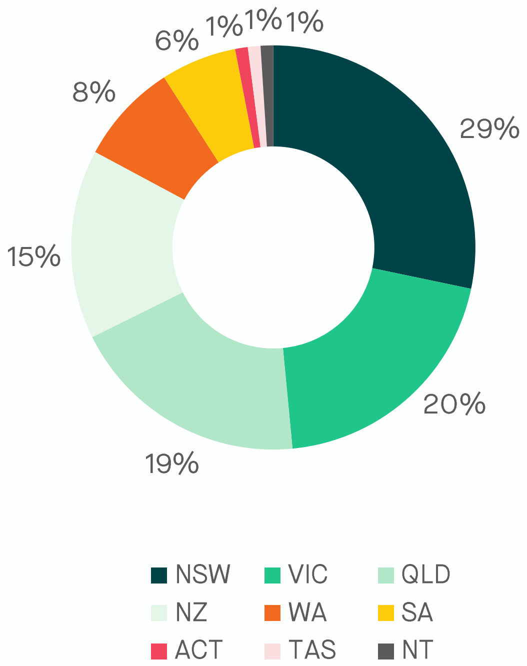
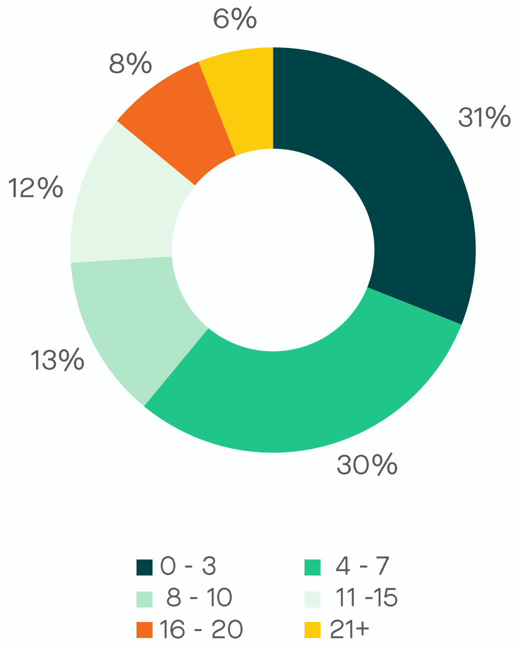
Portfolio by industry[1]



Portfolio by geography[1]



Number of years trading[2]



1. As per Financial Statements, note 21.
2. Based on the weighted average principal receivables balance as at 30/06/2021.

Dynamic credit decision engine enables real-time sector targeting

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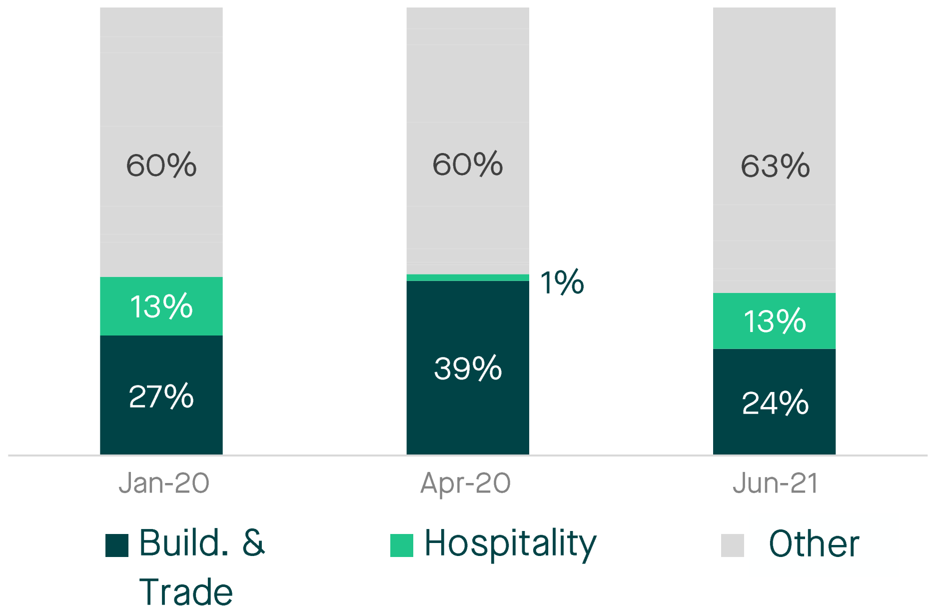
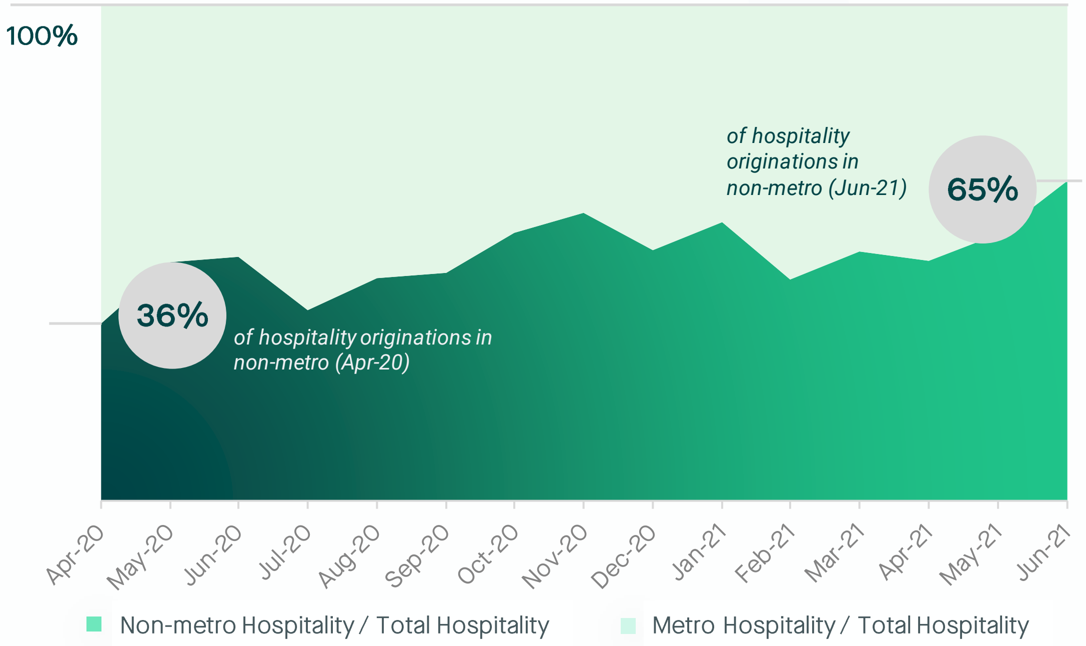
Originations breakdown by sector (%)



Credit decision engine enabling real-time ability to focus on resilient sectors (refer Building & Trade compared with Hospitality originations) throughout COVID-19

Pivot of hospitality originations to non-metro areas (%)



Ability to dynamically target non-metro vs. metro areas within specific sectors to account for changing trading conditions

SECTION 2

FY21 Financials

2

Summary FY21 financials[1]

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	$m	FY21	FY20	Var.	Var. %
1	Originations	483.7	447.5	36.2	8%
2	Total revenue	117.7	142.1	(24.4)	(17%)
3	Transaction costs	7.3	8.9	(1.6)	(18%)
4	Funding Costs	16.7	20.4	(3.7)	(18%)
	Gross Profit	93.7	112.8	(19.1)	(17%)
5	Loan Impairment	27.3	52.9	(25.6)	(48%)
6	Employee Expenses	35.2	41.1	(5.8)	(14%)
7	Operating Expenses	30.8	34.7	(3.9)	(11%)
	Total Expenses	93.4	128.7	(35.3)	(27%)
	EBITDA	0.4	(15.8)	16.2	102%
8	Unrestricted cash	39.8	55.3	(15.5)	(28%)
9	Operating cash flow	34.8	33.8	1.0	3%

1. 8% increase in annual originations with the origination volume growing to record levels in 4Q21 ($182.7m) which was a significant 51% increase on the prior quarter and eight times the prior year
2. Revenue lower year on year due to the reduced receivables balance at the start of the year. The business is on track to return to pre-COVID-19 revenue levels as growth in originations continues
3. Lower transaction costs in line with lower average receivables
4. Lower funding costs were driven by lower average funding debt over the period and a lower weighted average funding rate of 5.5% compared to 5.7% in FY20
5. Please refer to page 17 for a breakdown of the impairment expense
6. Employee expenses 14% lower due to streamlining the business in response to lower originations at the start of the year and also include $2.8m benefit from the Jobkeeper subsidy
7. 11% reduction in annual operating expenses largely driven by lower marketing spend in H1. OPEX declined as a portion of originations from 16.9% in FY20 to 13.7% in FY21 demonstrating improved efficiency in expense management
8. Unrestricted cash reduced 28% from FY20. This reduction resulted mainly from additional equity support for COVID-19 affected receivables and funding required for the growth in originations in H2
9. Focus on cash management has seen operating cash flow stay in line with FY21. The available unrestricted cash remains significant ($39.8m at 30 June 2021). Operating Cash Flow includes $3.9m cash received within the period for the JobKeeper Payment subsidy

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

Stable margin performance

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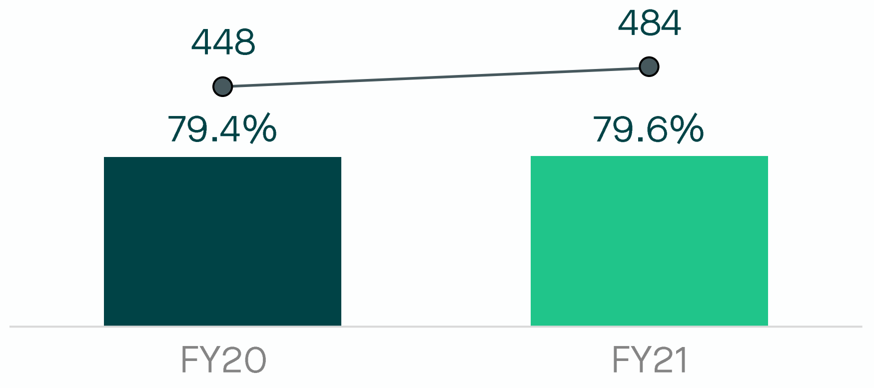
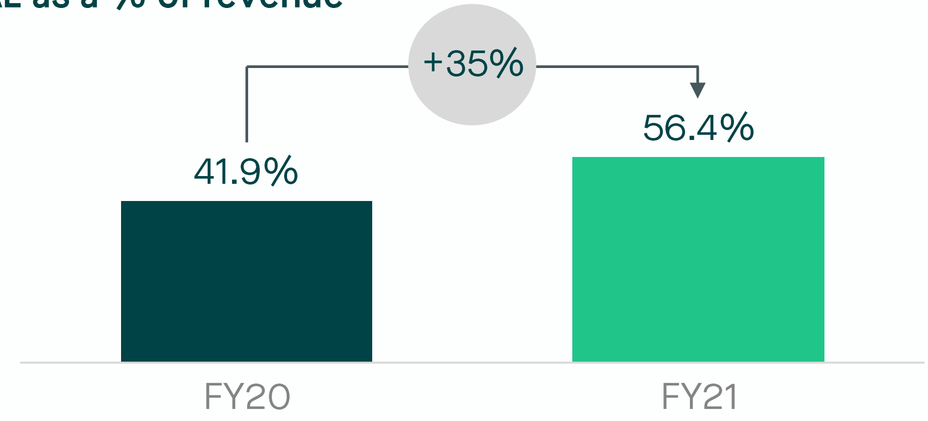
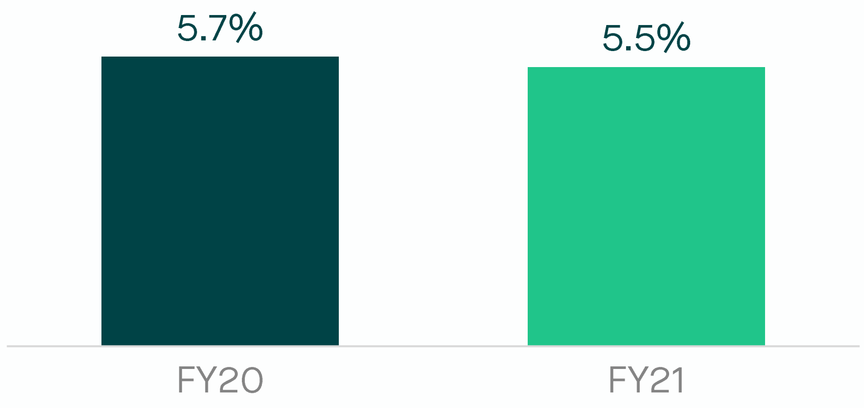
Gross profit margin (%) and Originations ($m)[1]



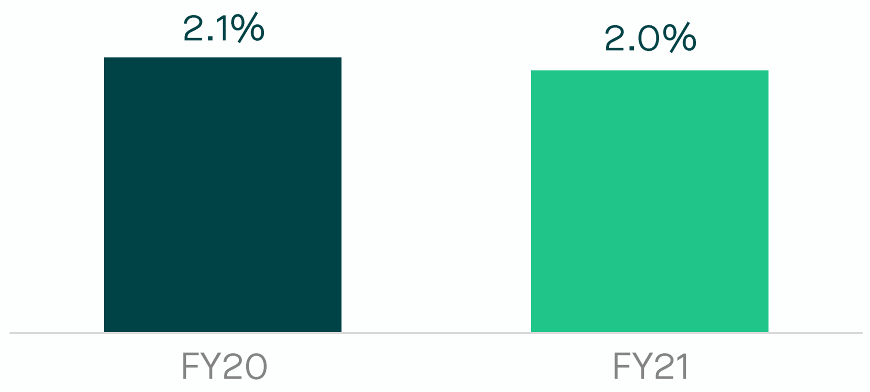
NIMAL as a % of revenue[1]



Funding cost rate, annualised[2] (%)



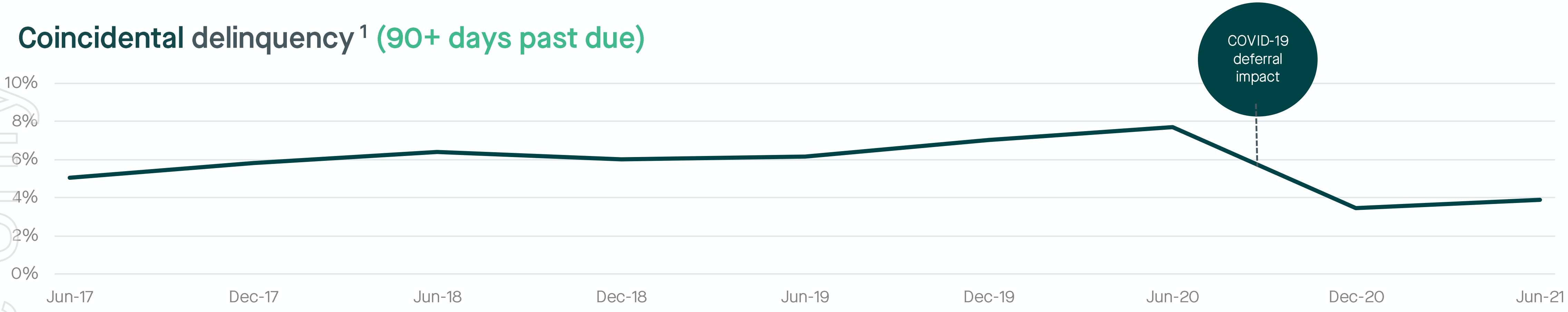
Transaction cost rate, annualised[3] (%)



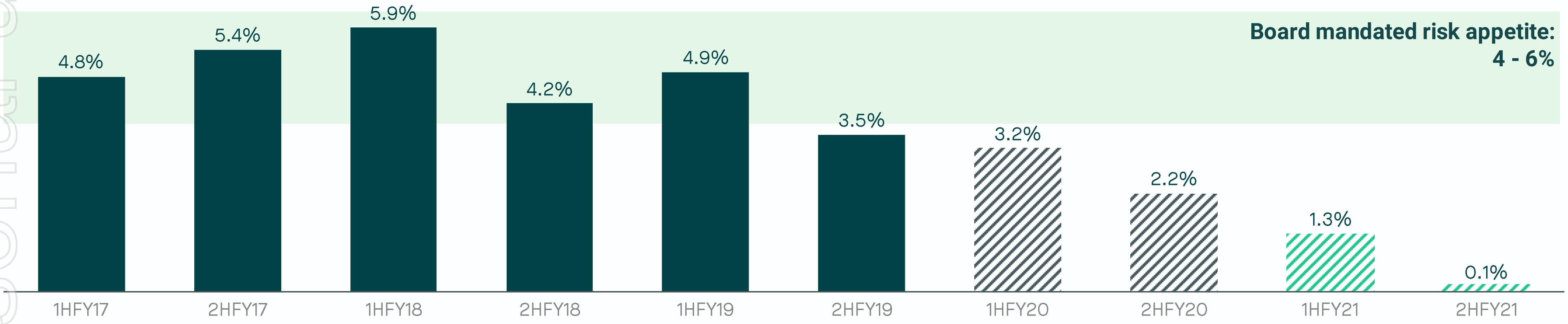
1. NIMAL as a % of revenue is equal to net interest margin after losses (total revenue minus transaction costs minus funding costs minus loan impairment) divided by total revenue.
2. Funding cost rate is equal to funding cost divided by average funding debt, annualised.
3. Transaction cost rate is equal to transaction cost divided by average gross loans, annualised. Transaction costs primarily relate to broker commissions and other costs directly attributable to the origination of loans.

Credit decision engine successfully mitigating risk with dynamic ability to target sectors

Coincidental delinquency[1] (90+ days past due)



Stable static loss rate remaining within board mandated 4-6%[2]



1. Refers to delinquency data across Prospa's Australian Small Business Loans (i.e. excludes Line of Credit) and references point-in-time information at 6-month intervals.
2. Static loss rate net of recoveries as at 30 June 2021 for the Australian small business loan product and Government Guarantee Scheme loan products. Banded columns reflect cohorts which are still seasoning. FY20 and FY21 cohorts too early to demonstrate material loss data including taking into account the impact of COVID-19 deferrals.

Significant improvement in credit impairments

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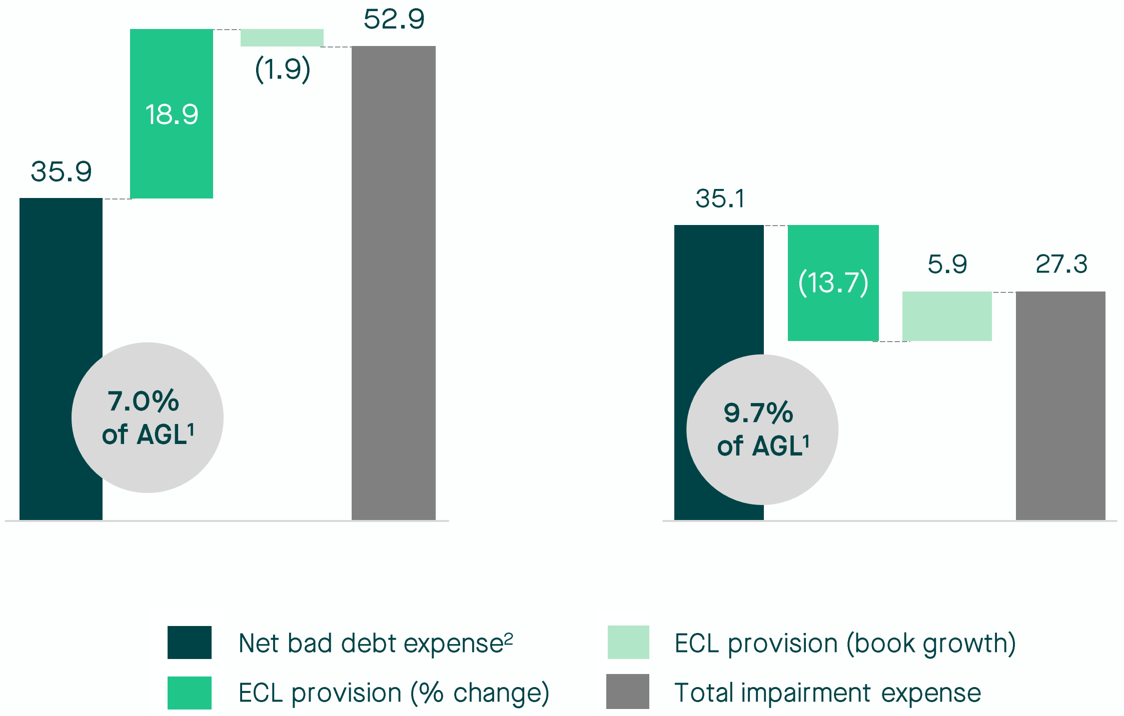
FY20 Total Impairment Expense

FY21 Total Impairment Expense



- 48.4% ($25.6m) improvement in overall impairment expense vs pcp demonstrates the ongoing effectiveness of the credit decision engine (CDE) despite the impact of COVID-19
- As at 30 June 2021, the provision for expected credit losses represents 7.9% of gross loans compared to 11.1% on 30 June 2020
- Included in the provision is 1.1% which relates to COVID-19 loans previously deferred. There is an additional 1.5% within the provision held as a forward looking economic overlay

1. AGL is Average Gross Loans. Percentage represents the Bad Debt Expense as % of AGL, annualised.
2. Bad Debt Expense offset by Loss Recoveries received in the period.

Strong Balance Sheet and enhanced funding platform

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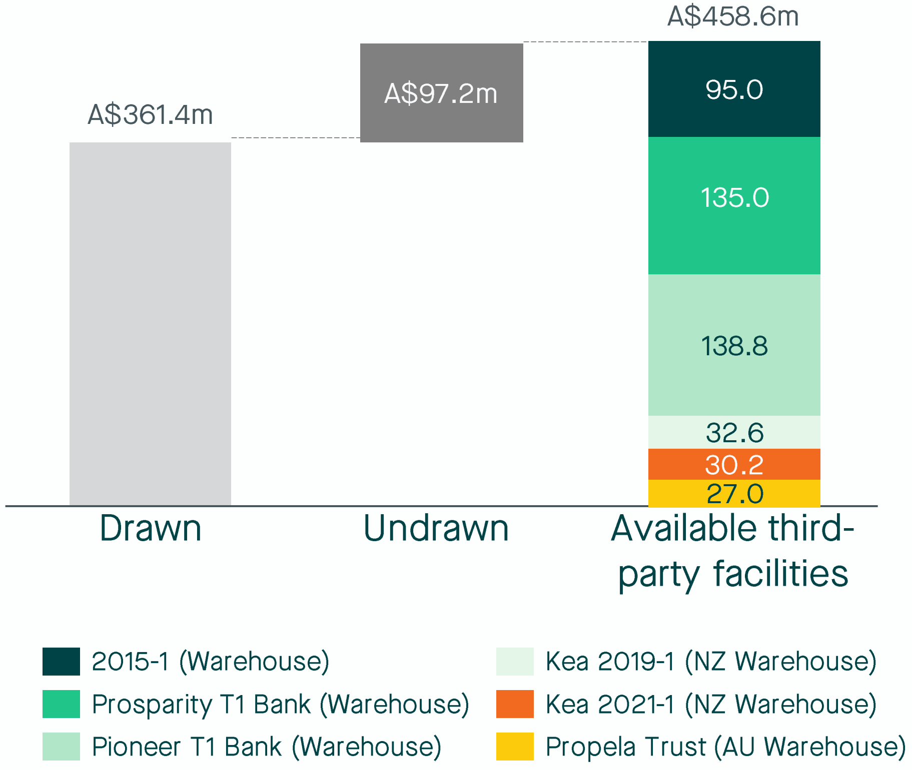
Drawn and undrawn third-party facilities[1]



- $458.6m of available third-party facilities as at 30 June 2021 (FY20: $442.9m)
- These are standalone facilities with funding from diverse domestic and international senior and mezzanine funders
- Prospa has no corporate debt
- Our 3 main Australian warehouses have a revolving period ending Dec 2021, Feb 2023 and May 2024 respectively[2]
- The 2 NZ warehouses have a revolving period ending Aug 2023 and Sept 2024
- On 15 June 2021 Prospa cancelled $63m of the $90m allocated AOFM funding limits, offset with increased limits in the two largest warehouse facilities
- Amendments to warehouses to assist customers during the impact of COVID-19 and support business growth
- Reduced annualised cost of funds of 5.5%[3] (FY20: 5.7%)
- As at 30 June 2021, Prospa holds $80.4m cash (unrestricted cash: $39.8m; restricted cash: $40.6m)
- On 12 August 2021, Prospa announced the mandate for the PROSPArous 2021-1, a $200m Term Asset-Backed Securitisation (Term ABS) issuance in the public market, the first ABS issuance of unsecured SME loans in Australia.

1. Available third-party facilities at end of corresponding period. New Zealand trust facilities converted to AUD at end of corresponding period.
2. In Jan-21 we extended Pioneer warehouse with revolving period ending Feb 2022 for a further 12 months to Feb 2023. In Jun-21 we extended PROSPArity warehouse with revolving period ending May-22 for a further 24 months to May-24.
3. Funding cost rate is equal to funding cost divided by average funding debt, annualised.

Strong momentum in originations driving potential upside in shareholder value

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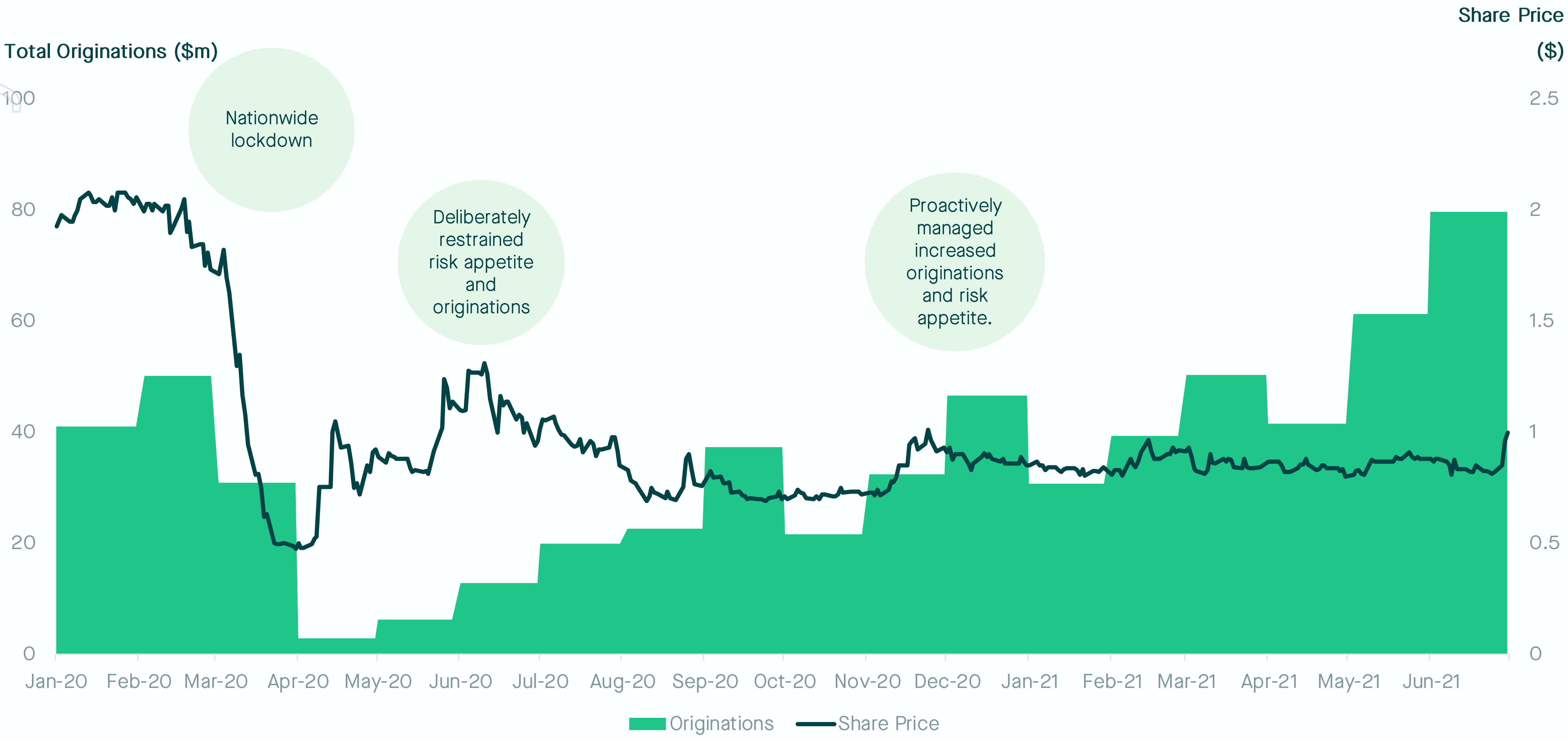

Source: IRESS as of close 30 June 2021

SECTION 3

Market Update

3

Continuing demand and customer resilience despite recent market challenges

Customer demand continues to drive strong originations
$41.8 million originated in the typically seasonal low month of July 2021
(July 2020: $19.6 million)

Closing gross loans grew to $436.3 million in July 2021, within 8% of the all-time high recorded in February 2020

Management remains confident in economic recovery, with potential future losses adequately covered within the provision for expected credit losses

In response to the recent lockdowns in some of our states and territories, we are offering short-term assistance to impacted customers. As at 16 August 2021, 2.1% of Australian customer accounts are on part payment arrangements and 1.3% of accounts are on full deferral. For comparison, at its peak in 2020, these figures were 20.1% and 17.9%, respectively. Prospa will continue to monitor the situation and respond to customer requests accordingly.

SECTION 4

Strategy and outlook

4

Leveraging strong foundations to continue to execute on growth strategy

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Platform

Strengthen our capital products and create on-going capacity to invest in our technology and capabilities we need for the future

Accelerate

Continue to innovate in product solutions and technology. Enhanced customer engagement driving growth into Australia, New Zealand and beyond to new geographies

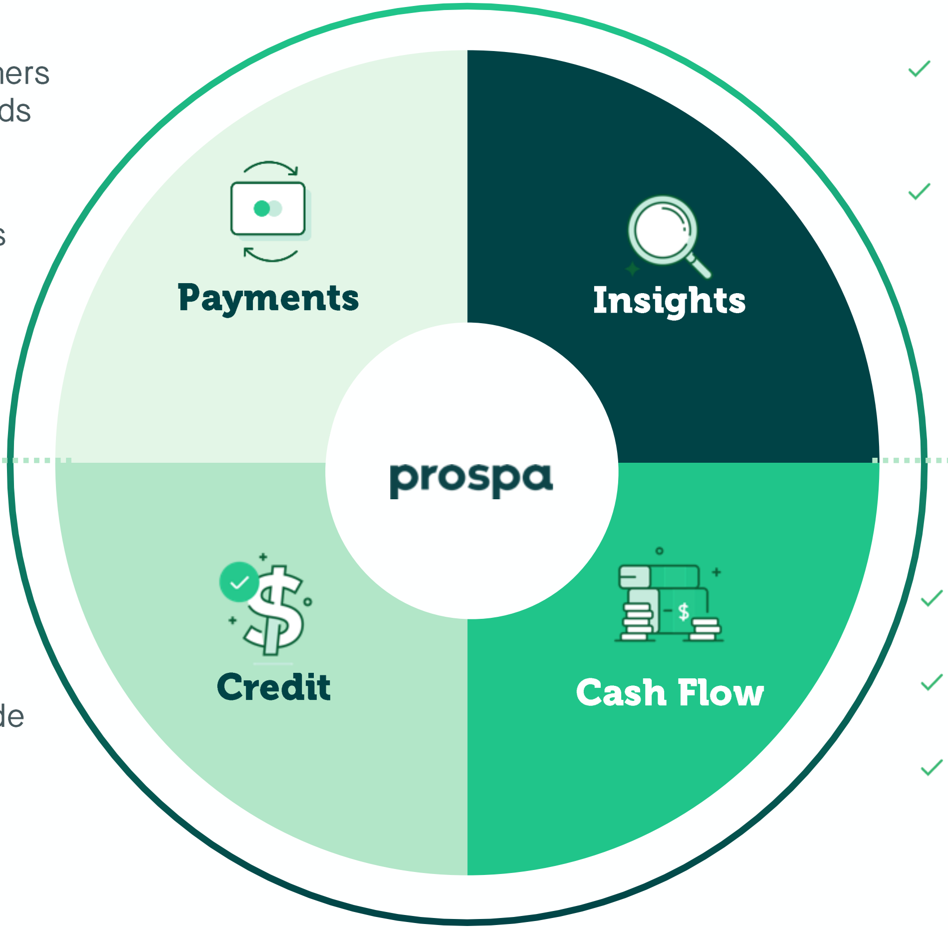
Expand

Leverage data and strong engagement to meet more of our customers' needs, extend our ability to scale new products, and expand our market

Future state: A cohesive platform that makes Prospa digitally indispensable to SMEs – helping them grow, run and pay

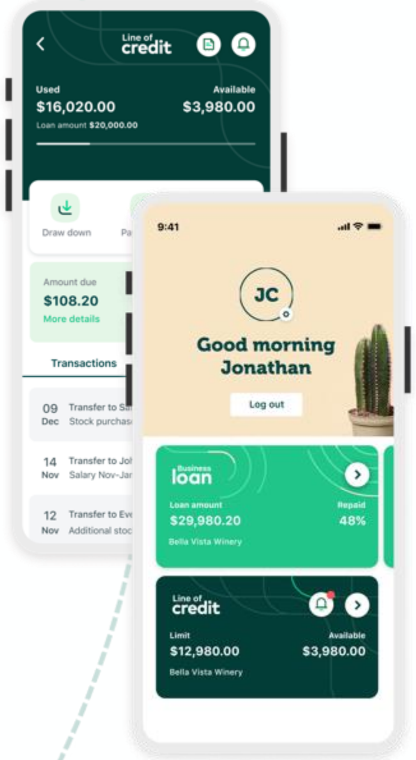
- ✓ Enable customers to pay for goods and services
- ✓ Manage daily expenses, bills and accounts payable

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



- ✓ Identify challenges and opportunities
- ✓ Smarter, data-driven decisions

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



Long-term growth driven by continued investment in technology platform and product innovation

Prospa is well-positioned to capitalise on long-term growth, leveraging strong momentum built in FY21, and its continuous focus on customer-centric approach to technology and product innovation

Strong growth in originations with momentum in record quarterly performance and resilient yield across portfolio

Robust FY21 financial performance, including significant revenue, strong EBITDA growth on prior year and maintained margins

Significant, loyal and satisfied customer base with high levels of repeat business and increasing average loan and facility amounts across all product categories

Technology platform development to build and trial new and innovative product solutions to accelerate customer engagement


Thank you
and questions

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SECTION 5

Additional Information

Passionate founders with highly valuable expertise

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Greg Moshal
Chief Executive Officer
& Executive Director

- Co-Founder of Prospa, Executive Director of the Company since April 2018, and Executive Director of Prospa Advance Pty Ltd since 2011
- Awarded Fintech Leader of the Year in 2017 and NSW Pearcey Tech Entrepreneur of the Year
- Prior to co-founding Prospa, Greg was involved in the establishment and scaling of a consumer service chain and international consumer product franchise
- 8 years' experience in scaling start-ups prior to founding Prospa
- 15.1% shareholder in Prospa

Beau Bertoli
Chief Revenue Officer
& Executive Director

- Co-Founder of Prospa, Executive Director of the Company since April 2018, and Executive Director of Prospa Advance Pty Ltd since 2013
- Founded technology start-up and managed a consumer product franchise
- Prior to co-founding Prospa, Beau held senior positions, including National Sales Manager at listed financial services company Humm Group
- 16 years' experience in financial services
- 5.9% shareholder in Prospa

Supported by experienced leadership team

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Shai Haim
Chief Technology Officer

- Shai has over 20 years' experience in the technology sector and is responsible for leading technology development at Prospa
- Shai has previously worked at Campaign Monitor, Twitter and Brigade

Ross Aucutt
Chief Financial Officer

- Ross has over 20 years' experience in senior finance roles, and was previously CFO at Humm Group Limited (ASX:HUM)
- Ross has a strong background in non-bank disruptive finance models and the financial markets

Ben Lamb
Chief Commercial Officer

- Ben has 13 years' experience in financial services
- His experience spans product development, customer experience, operations, procurement and establishing offshore operations

Elise Ward
Chief People Officer

- Elise has more than 11 years' experience in delivering progressive people and culture strategies across start-ups and multinational organisations

Board with technology and financial services expertise

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Gail Pemberton
Independent Non-Executive Chairman

- Gail has more than 35 years' experience in banking and wealth management and is a specialist in technology and operations
- Gail has held former roles as COO at BNP Paribas, Group CIO and Financial service COO at Macquarie bank

Greg Ruddock
Independent Non-Executive Director

- Greg has more than 30 years' experience in private equity and operations management and specialises in investment strategy, business development and mergers & acquisitions
- Greg was the former CEO of Ironbridge

Fiona Trafford-Walker
Independent Non-Executive Director

- Fiona has more than 25 years' experience advising institutional asset owners and investors on investment and governance-related issues
- Fiona was the former investment director at Frontier Advisors

Avi Eyal
Non-Executive Director

- Avi has approximately 25 years' experience in founding, scaling and running global technology and finance companies
- Co-founder and Managing Partner of Entrée Capital. Avi has co-founded 8 startups over the past twenty years

Mary Ploughman
Independent Non-Executive Director

- Mary has 30 years of financial services, capital markets, securitisation, mergers and acquisitions, governance and risk management experience
- Mary is the current Chairman of Plenti Group Limited

FY21 Profit & Loss[1]

12 months to 30 June 2021 ($m)	FY21	FY20
Interest income	108.5	131.4
Other income	9.3	10.6
Total income	**117.7**	**142.1**
Transaction costs	7.3	8.9
Funding costs	16.7	20.4
Gross profit	**93.7**	**112.8**
Loan impairment expense	27.3	52.9
Employee expenses	35.2	41.1
Operating expenses	30.8	34.7
Total expenses	**93.4**	**128.7**
EBITDA	**0.4**	**(15.8)**
Depreciation	2.7	3.1
Amortisation	5.4	3.1
Interest on lease liabilities	0.5	0.5
Share based payments	4.8	3.7
Fair Value	0.0	0.1
PBT	**(13.0)**	**(26.4)**
Tax expense	(3.5)	(1.5)
NPAT	**(9.5)**	**(24.9)**

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

FY21 Balance Sheet

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12 months to 30 June 2021 ($m)	FY21	FY20
Cash and cash equivalents	80.4	110.3
Loan receivables	393.4	332.2
Deferred tax asset	14.3	10.9
Property, plant and equipment	0.7	1.5
Intangible assets	7.2	7.8
Right of Use Asset	5.0	6.8
Other assets	3.5	3.7
Total assets	**504.5**	**473.2**
Trade and other payables	7.8	6.1
Employee benefits	5.6	2.6
Funding debt	359.9	326.8
Lease liabilities	6.7	8.7
Total liabilities	**380.0**	**344.2**
Net assets	**124.5**	**129.0**
Issued Capital	610.9	610.7
Reserves	(422.5)	(427.2)
Retained earnings	(63.9)	(54.4)
Total equity	**124.5**	**129.0**

FY21 Cash Flow[1]

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12 months to 30 June 2021 ($m)	FY21	FY20
Finance income received	109.2	131.2
Other income received	10.0	9.1
Interest and other finance costs paid	(17.9)	(21.9)
Payments to suppliers and employees	(71.1)	(86.0)
Income taxes paid	0.7	0.3
JobKeeper payments received	3.9	1.1
Operating cash flow	**34.8**	**33.8**
Net increase in loans to customers	(90.7)	(3.3)
Capital expenditure (PP&E)	0	(0.3)
Capital expenditure (intangibles)	(4.8)	(4.3)
Other investing	0	0
Investing cash flow	**(95.5)**	**(7.9)**
Proceeds from borrowings	136.9	105.8
Repayment of borrowings	(104.4)	(90.4)
Repayment of finance leases	(2.0)	(1.4)
Payments for share repurchase	0	0
Proceeds from exercise of options	0.2	0.7
Proceeds from sale of loan shares	0.1	0
Financing cash flow	**30.8**	**14.6**
Net cash flow	(29.9)	40.5

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

FY21 Key Metrics

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12 months to 30 June 2021 ($m)	FY21	FY20
Loan book		
Originations	483.7	447.5
Gross Originations[1]	608.7	632.3
Gross loans (period end)	427.1	373.7
Average gross loans	360.0	433.3
Realised Portfolio Yield	32.7%	32.8%
Premium Risk Grades	42.0%	46.1%
NIMAL as a % of Revenue (%)	56.4%	41.9%
Funding		
Funding cost rate	5.5%	5.7%
Average funding debt	305.3	357.6
Productivity metrics		
CAPEX as a % of revenue	4.1%	3.3%
OPEX as a % of revenue	56.1%	53.3%
Composition of loan impairment		
Impairment Expense: Net bad debt expense (excl. one off adj.)	35.1	30.3
Impairment Expense: Provision movement (excl. one off adjustment)	(7.7)	(1.0)
Provision rate	7.9%	11.1%
Net Bad Debt Expense as a % of Average Gross Loans	9.7%	7.0%

1. Originations including carryover from refinances.

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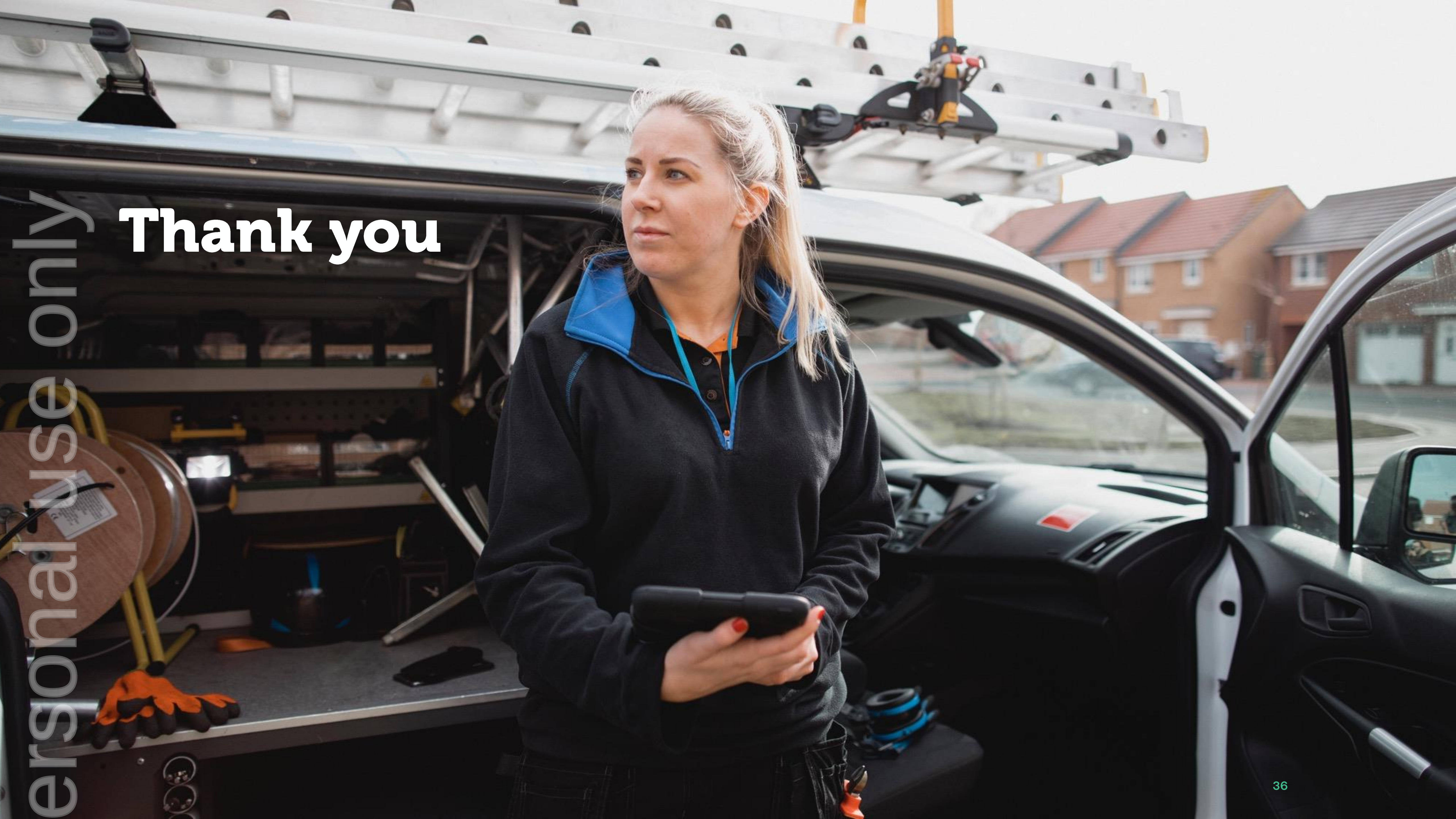
Thank you