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2021 Full Year Results

Prosopa full-year results supported by record fourth-quarter originations and accelerating revenue; strong position to sustain rapid scale and growth

- FY21 loan originations were up 8.1% to \$483.7 million (FY20: \$447.5 million), with a strong rebound from COVID-19 in the second quarter, leading to a record quarter of originations in 4Q21 of \$183 million, an all-time record in the Company's nine-year history.
- Closing gross loans increased by 14% to \$427.1 million (FY20: \$373.7 million).
- Revenue at \$117.7 million, 17.1% lower than the previous year (FY20: \$142.1 million), due to lower originations in the first two quarters and extended repayment terms for COVID-19 affected customers; however, by 4Q21, revenue was up by 14.9% on the prior corresponding period.
- Loan impairment reduced significantly on the prior period, and static loss rates were within the Board mandated 4% to 6% tolerance level.
- EBITDA¹ of \$0.4 million was a significant improvement on the \$15.8 million loss in FY20 attributed to strong yield management and prudent cost management.
- FY21 net loss after tax improved to \$9.5 million from FY20's loss of \$24.9 million.
- Repeat customers generated 54% of originations valued at \$262.4 million, achieving a materially lower acquisition cost than the cost of attracting new customers.
- Prosopa's net promoter score rose to 80+² over 4Q21 (FY20: 77+) and it ranked as the #1 online lender to small business in both Australia and New Zealand through Trustpilot.

Prosopa Group Limited (ASX: PGL) ("Prosopa" or "Company"), Australia and New Zealand's number one online lender to small business³, is pleased to provide its full-year results for the 12 months ended 30 June 2021. Over the period, Prosopa demonstrated its resilience by weathering COVID-19 challenges, returning to or exceeding pre-COVID-19 growth levels across key financial metrics. Prosopa's unique technology also demonstrated its capability to be scalable, adaptable and robust.

Greg Moshal, Co-Founder and Chief Executive Officer, said:

"We are proud of the Company's outstanding achievements over the period. The team supported small business customers across Australia and New Zealand during an extremely challenging period, enabling them to operate and build resilience despite government restrictions impacting this sector of the economy."

"The Prosopa team witnessed small businesses struggle, but the entrepreneurial mind of small business owners enabled many to focus on recovery and growth. Indeed, the team has been inspired by the agility of small business owners who have evolved their business models, created new products, and adapted their cost structures. We were and remain well positioned to support the small business community with their demand for funding to recover and grow."

¹ All references to EBITDA in this document represent Earnings Before Corporate Interest, Tax, Depreciation and Amortisation, Share-Based Payments and Fair Value movements.

² Average for the period 1 April 2021 to 30 June 2021.

³ In the Non-bank Financial Services category, Prosopa is the #1 ranked online small business lender in Australia 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.

“We also continued our disciplined approach to managing our business, relied on our extensive database and invested in our future growth in the face of ongoing economic disruption. As a result, we further strengthened our market position, attracted new customers and met the needs of our many returning loyal customers.

“Our business model and technology have been tested, and we have now emerged stronger than ever. We are confident that the right foundations have been laid to enable us to support customers impacted by ongoing restrictions, while focusing on the next growth phase to support the needs of small businesses.”

Full year financial highlights

The 2021 financial year has proven the resilience of Prospa's business model. The Company's improved operating performance during a period of ongoing economic disruption clearly demonstrates it is well placed to manage the current challenges small businesses face with continuing lockdown uncertainty. Further, Prospa's performance throughout the year demonstrates its dynamic capability to adjust origination focus to target specific sectors and/or regions, forming part of its broader risk management strategy.

Prospa's originations increased to \$483.7 million for the year, up 8.1% on the prior year (FY20: \$447.5 million). Originations steadily improved over 2Q21 and 3Q21, and returned to pre-COVID-19 levels in 4Q21 with \$183 million, a surge of 51% on the previous quarter and eight times higher than the prior corresponding period (PCP). A new record in Prospa's nine-year history for quarterly originations was achieved, clearly demonstrating the resilience and commitment of Australian and New Zealand small business owners to invest in their future growth.

Total revenue was \$117.7 million for the year, 17.1% lower than FY20. The year's revenue result was impacted by lower originations in the first two quarters, extended repayment terms for COVID-19 affected customers and other support provided to customers. Subsequent quarter-on-quarter revenue returned to growth, with total revenue in the fourth quarter increasing 14.9% on PCP, driven by higher originations, stable margins and a growing customer base.

A strong gross profit margin of 80% was achieved for FY21, the result of a stable portfolio yield of 32.7% in conjunction with increased originations. By the fourth quarter, the portfolio yield rose to 34.0%, underscoring the increasing momentum in revenue as Prospa continues to actively manage its portfolio yield relative to the credit quality of its customers and tailored repayment terms it has offered.

Prospa reported FY21 EBITDA of \$0.4 million⁴ against a \$15.8 million loss in FY20, primarily due to strong yield management and prudent cost management. Notably, the net loss after tax was \$9.5 million compared to a \$24.9 million loss in FY20.

Closing gross loans increased by 14% to \$427.1 million (FY20: \$373.7 million) and were within 10% of the record high reached just prior to the onset of COVID-19 in February 2020 (\$475.4 million).

Loan impairment expenses reduced to \$27.3 million, a decrease of 48.4% on the PCP due to the ability to adapt Prospa's credit decision engine to proactively manage risk.

The total coverage for expected credit losses as a percentage of receivables decreased to 7.9% at 30 June 2021 (30 June 2020: 11.1%). Included in the provision is 1.1% relating to COVID-19 loans previously deferred, and an additional 1.5% held as a forward-looking economic overlay.

⁴ EBITDA is profit before interest, tax, depreciation, amortisation and share based payments expense.

Prospa's purpose-built technology adapted for small businesses

The ability to meet small business needs helped Prospa achieve strong results, including a key milestone of more than \$2 billion in loan originations for nearly 34,000 small business customers since Prospa's inception. The first billion in capital funding took six years, and the second billion took just two years.

Prospa's unique technology platform underpinned this robust performance. During 4Q21, the Company increased its investment in its platform, which boosted operational efficiencies and enabled faster credit decisions.

Prospa has also benefited from a vastly enhanced proprietary set of customer and industry data, which has provided deep insights, improving Prospa's ability to manage credit risk and highlighting extensive growth opportunities. The technology demonstrated its ability to leverage insights through data analytics, allowing the business to quickly pivot risk decisions to ensure marketing efforts and resources can focus on specific industry sectors and geographies, therefore capitalising on opportunities to respond to changing market conditions.

During the 2020 COVID-19 challenges, Prospa offered its small business customers support in the form of deferrals or part-payments, and this focus on customer experience strengthened Prospa's loyal customer base. It also offered support to customers within the parameters of the Australian Government's Coronavirus SME Guarantee Scheme and the New Zealand Government's Business Finance Guarantee scheme.

In response to the recent lockdowns in some of our cities, 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.

Prospa's customer-centric and tech-driven approach has resulted in continued recognition as the number one ranked online lender to small business in Australia and New Zealand⁵. With more than 11,900 active and satisfied customers using its purpose-built technology platform, Prospa continues to receive positive feedback reflected in the increase of its net promoter score to 80+ over the 4Q21, from 77+ in FY20. 77+ in FY20.

Outlook and strategic priorities

Prospa recognises the strengths of the business and seeks to continue investing in the unique scalable platform that supports three distinct strategic pillars: technology, funding and distribution.

The Company has developed a robust, long-term strategic plan to accelerate growth and enhance market differentiation. Utilising its extensive data and insights, over the next three years Prospa plans to scale its existing products as well as create new innovative digital solutions. The aim is to introduce products that help simplify the management of cash flow, enhance the ability to transact, reduce administration, and assist with funding for growth.

Prospa expects to provide a more comprehensive update on its growth strategy later in the year.

Greg Moshal added:

"We are pleased to present results that reflect our dedication to deliver, with strong performance and growth despite the challenges of COVID-19 over the period. Our achievements highlight that the business is in the best shape to provide ongoing support to small business customers impacted by seasonal downturns or seeking to build resilience, while we invest in our long-term growth ambitions."

⁵ In the Non-bank Financial Services category, Prospa is the #1 ranked online small business lender in Australia 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.

“For almost 10 years, our lending products and services have played a significant role in keeping small businesses moving. Leveraging extensive insights gained from the tens of thousands of small businesses supported, we have continually invested to refine our business model to emerge stronger.

“The Company is now prepared to take strides towards scale and growth, preparing to add to our capabilities to support small businesses through innovative upgrades to our technology. We look forward to providing a more detailed update with regards to our planned investments for small businesses across Australia and New Zealand.”

Webcast

Prosipa Group CEO Greg Moshal, CFO Ross Aucutt and CRO Beau Bertoli will present the Company’s full-year results at 10.00am today, Monday, 23 August 2021. To join the webcast, please click [here](#).

This announcement has been authorised for release by the Board.

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About Prosipa

Prosipa Group Limited (ASX: PGL) is a financial technology company and a leading provider of cash flow products and services that help small businesses to grow and prosper. Headquartered in Sydney, the Company operates across Australia and New Zealand and employs more than 230 people. The Company has been recognised as the MFAA National Fintech Lender of the Year four years in a row. Prosipa was also recertified as one of Australia’s Great Places to Work in 2021.