

Prosopa Group Ltd

I need a dollar, a dollar, a dollar is what I need... 🎵

Prosopa Group Limited (ASX:PGL) is an online lender to small to medium enterprises in Australia and New Zealand, headquartered in Sydney. Prosopa has been trading since 2012 and IPOed in June 2019 after raising \$110m at \$3.78/share. Primarily focused on small business lending, PGL relies on a proprietary algorithm to analyse data instantly and quickly make decisions on unsecured loans for its customers. Since inception, Prosopa has generated more than \$2b in loan originations for ~34,000 small business customers. Prosopa currently has 11,900 active customers on its platform. The company has been impacted by COVID-19 and the business shutdowns associated, but has also utilised government programs available, such as the Australian Government's Coronavirus SME Guarantee Scheme and the NZ Government's Business Finance Guarantee scheme to support small business customers. During the lockdowns, short-term assistance was provided to impacted customers in the form of part payments and full deferrals. As at 16 August 2021, 2.1% of Australian customer accounts were on part payment arrangements and 1.3% of accounts were on full deferral, vs 20.1% and 17.9% respectively at the peak of 2020 shutdowns. PGL intends to scale its existing products as well as create new digital solutions utilising its data and insights across three strategic pillars of technology, funding and distribution.

Business model

Prosopa's two main products are small business loans and lines of credit. Loans are largely unsecured with funding up to \$150,000, and secured loans can be up to \$300,000, with funding possible within 24 hours. Loan terms are for 3 to 36 months with daily or weekly repayments. Lines of Credit have a facility limit between \$2,000 and \$150,000 with a renewable 24-month term. Prosopa utilises its proprietary customer and industry data to improve its ability to manage credit risk and leverage insights through data analytics to ensure resources are focussed on specific industry sectors and geographies in response to changing market conditions.

Prosopa full-year results - platform for scale and growth

Prosopa reported an 8% increase in loan originations in FY21 at \$484m over FY20. Total revenue before transaction costs declined 17% to \$118m over the previous corresponding period. 4QFY21 results indicated a strong rebound in revenue and stable margins vs the first 3 qtrs of FY21. During 4QFY21, loans made up 74% of originations and credit lines 26%. During the same period, repeat customers made up 50% (\$91.6m) of the \$182.7m originations, an increase of 38.2% on the previous quarter originations. In NZ, Prosopa's originations increased by 72% qoq. As at end FY21, Prosopa had \$39.8m of unrestricted cash available, and \$458.6m of available third-party facilities. Prosopa continues to invest in technology, products, and sales and marketing to drive growth. On 12 August 2021, Prosopa announced the mandate for a \$200m Term Asset-backed Securitisation issuance in the public market.

Apparent COVID-impact recovery strong in 4QFY21

With loan originations increasing, Prosopa seems to have positioned itself well for the impacts of COVID on trading. The company's share price has recovered stronger than peers. We consider peers to be Humm Group, Eclix and FSA Group.

Historical earnings and ratios

Year end	Originations (A\$m)	Revenue ^A (A\$m)	EBITDA (A\$m)	Op CF (A\$m)	NPAT Rep.	EPS (c)	EV/Sales (x)	Portfolio Yield %
06/19a	501.7	136.4	(0.8)	16.9	(24.7)	(22.00)	na	42.7
06/20a	447.5	142.1	(15.8)	33.8	(24.9)	(15.48)	2.6	32.8
06//21a	483.7	117.7	0.4	34.8	(9.5)	(5.87)	3.9	32.7

Source: Company data ^AEBITDA and NPAT adj for one-time, non-cash items ^Bbefore transaction costs

Financial Services

10th September 2021

Share details

ASX Code	PGL
Share price	\$1.06
Market Capitalisation	\$187.5M
Shares on issue	164.5M
Net debt at 30/06/2021	\$279.5M
Free float	27.4%

Share performance (12 months)



Upside Case

- Lockdowns ease across AU and NZ leading to improved SME lending
- New solutions launched in the market
- Economic recovery

Downside Case

- Longer and larger lockdowns continue for an extended period in AUS and NZ
- New entrants gain market share
- Cost of borrowing increases

Catalysts/upcoming events

AGM	Nov 2021
1QFY22 Result	Oct 2021

Comparable companies (Aust/NZ)

Humm Group (ASX:HUM), Eclix Group (ASX:ECX), Fsa Group (ASX:FSA)

Top 5 shareholders

Curfore Pty Ltd	31.67%
Spinoza Investments Pty Ltd	15.02%
Australian Super Pty Ltd	11.22%
Airtree Ventures GP Pty Ltd	8.88%
Square Peg Global Fund 2015	3.53%

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FINANCIAL SERVICES GUIDE

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AFSL 456663

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