



PRESS RELEASE

Global education fintech Prodigy Finance sets a world first with international asset-backed securitisation attracting AA ratings

Prodigy's issuance – the first to be made under the company's Social Bond Framework – sees huge demand as it introduces major public market investors and asset managers to the firm for the first time

LONDON, 19 July 2021: Prodigy Finance – the fintech pioneer of cross-border lending for postgraduate international students – is doubling down on its commitment to social impact and borderless education with the announcement of three significant company milestones and industry firsts.

Primarily, Prodigy Finance has issued a first-of-its-kind, investment-grade¹ Student Loan Asset-Backed Securitisation (SL ABS). The ABS is backed by a portfolio of \$304m of loans Prodigy Finance has awarded postgraduate students attending the world's top-ranked universities and business schools since 2017.

The heavily oversubscribed senior tranche of \$227m notes – of the \$288m total issuance – have been given Class A ratings of Aa3 by Moody's Investor Services, and A+ by Kroll Bond Rating Agency, and were priced at LIBOR +125bp from the day of launch. A further three rated debt tranches were all pre-placed with a major global asset manager.

This \$288m issuance and inaugural social bond is the first to be made under Prodigy's pioneering Social Bond Framework, marking a double debut in the fixed income market for the lender. This Framework, which underpins Prodigy Finance's unique focus on access to education and socioeconomic advancement and empowerment, has been confirmed as aligning with ICMA Social Bond Principles 2021, as well as the UN Sustainable Development Goals. Namely goal 4, that of Quality Education, and goal 10, that of Reduced Inequalities. An alignment, and achievement, that was confirmed via Second Party Opinion from independent third-party ISS and which is becoming an increasingly important and pertinent strategy for investors globally.

The transaction also introduces major public market investors and asset managers to Prodigy Finance for the first time, as the startup looks to accelerate its expansion coming out of the pandemic. In particular, the deal recognises Prodigy's global enforcement framework for unsecured consumer lending and the company's international payments and servicing platform.

These milestone announcements follow a 50% year-on-year increase in loan applications made to Prodigy Finance from prospective students pursuing graduate studies including MBA and Engineering masters. The

¹ To meet IG rating agency criteria, this static pool structure has 25% subordination for the Class A and provides 1.7% of cash reserves; OC targets build credit enhancement and allows for modified pro rata payment. The pool is expected to have a base case CPR of 29% and the pool amortises over 4-5 years giving a fast-paying cash flow to investors. The notes and residual have been placed to a broad range of US-based asset managers, institutions and credit funds.

company has also seen portfolio performance improve significantly as its highly-qualified postgraduate borrowers benefit from a resurgence in hiring in business, tech and professional sectors.

Prodigy Finance's ability to issue these social bonds demonstrates how the higher education market is slowly returning to normal and the company's confidence in the future of international education.

Dr Judith Rodin, Chair of Prodigy Finance, said: "In line with our social impact commitment, we are excited that these social bonds give investors – who are increasingly embracing a strategy that goes beyond purely financial returns – the opportunity to contribute to achieving the UN SDGs."

Cameron Stevens, CEO of Prodigy Finance, said: "Our borrowers are typically underserved by traditional lenders who require collateral, a co-signer or a credit history in the country of study. Prodigy Finance's ability to originate loans based on a borrower's future earnings potential allows for these students to have access to financing and ultimately access education at the highest ranked schools in the world."

Neha Sethi, Head of Capital Markets, added: "This is a big milestone for Prodigy and we are very proud of what we have achieved. A successful debut rating, access to the capital markets and compliance with the ICMA Social Bond Principles are vital for the next stage of growth and for making postgraduate education accessible for our international borrowers."

Lending on the basis of potential

Prodigy Finance's business model is predicated on the belief that access to financing for international graduate education should be borderless, and based on future potential rather than current circumstance. It shouldn't matter where a student has been born or lives, or how wealthy their family is. Prodigy Finance lends on the basis that the student has secured a place on a course at a leading higher education institution. Whilst lending to students from all over the world under UK consumer credit regulation, Prodigy's payment solutions enable it to engage with and collect from borrowers wherever they are resident post-study.

Prodigy Finance has already funded over \$1billion in graduate education loans to date to more than 20,000 high-potential students from 135 countries since its founding. Prodigy underwrites its loans based on the Future Earning Potential of its customers helping those without traditional sources of finance or guarantors to study at the world's best universities. According to its [Impact Report](#), 89% of those borrowers say they had limited or no other options to fund their degree, 99.77% of them successfully graduated their courses and, 72% say their postgraduate degree has allowed them to pursue their dream career.

Pandemic impact

During the global pandemic, higher education and the market for student loans has been disrupted with significant barriers for international study including travel restrictions and access to visas. This has impeded the ability of universities and business schools and student loan providers to attract the best talent from across the globe.

Last year, Prodigy Finance also secured a \$250m facility with America's development bank, the U.S. International Development Finance Corporation (DFC), which partners with the private sector to finance solutions to critical challenges facing the developing world today. The final \$44 million of the Class B financing was secured in April of this year with global investment managers Schrodgers and SCIO, alongside our alumni and community investors.

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About Prodigy Finance: Prodigy Finance is revolutionising the way students and investors see student loans. Fuelled by a community of private wealth and institutional funders, our student borrower base is given the chance to attend the world's top universities. Over the last decade, our investors have received both a financial and social return, while thousands of students have gained access to higher education they would otherwise be unable to afford. We ranked 33rd in The Sunday Times Hiscox Tech Track 100, the league table which ranks Britain's fastest-growing private technology companies.

