

ferratum

Preliminary Results 2020 – Earnings Call

11 March 2021



Important notice

This presentation contains, or may be deemed to contain, forward-looking statements. These statements relate to future events or future financial performance of Ferratum.

Such statements are based on the current expectations and certain assumptions of Ferratum's management, of which many are beyond Ferratum's control. The words "aim", "anticipate", "assume", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "potential", "predict", "projected", "risk", "should", "will" and similar expressions or the negatives of these expressions are intended to identify forward-looking statements.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Future results may vary from the results expressed in, or implied by, the forward-looking statements, possibly to a material degree.

All forward-looking statements included herein are based on information presently available to Ferratum and, accordingly, Ferratum assumes no obligation to update any forward-looking statements, unless obligated to do so pursuant to an applicable law or regulation.

Nothing in this presentation constitutes investment advice and this presentation shall not constitute an offer to sell or the solicitation of an offer to buy any securities of Ferratum or otherwise to engage in any investment activity.

FY2020 Overview & Key takeaways



16 Years of operation

20 Countries

 Consumer lending
87% of revenues

Capital Box CapitalBox (SME)
11% of revenues

 Wallet &
Primeloan
2% of revenues

Key takeaways

Ferratum's business model has demonstrated its resilience: Successful navigation through the challenging business year 2020

- Finished the year with a strong liquidity position: Cash and Cash Equivalents increased by 52% to EUR 236.6 million
- Credit losses well under control throughout the year
- Break-even reached at net profit level: Adjusted EBIT (excluding COVID-19 related impairments) at 30.7 million
- Strong increase in Primeloan sales in H2 2020 along Ferratum's strategy – net loan volume increased Y-o-Y by + 116% to EUR 31.0 million

€ 230m
2020 revenue

-22%
Y-o-y revenue

€ 23.0m
2020 EBIT

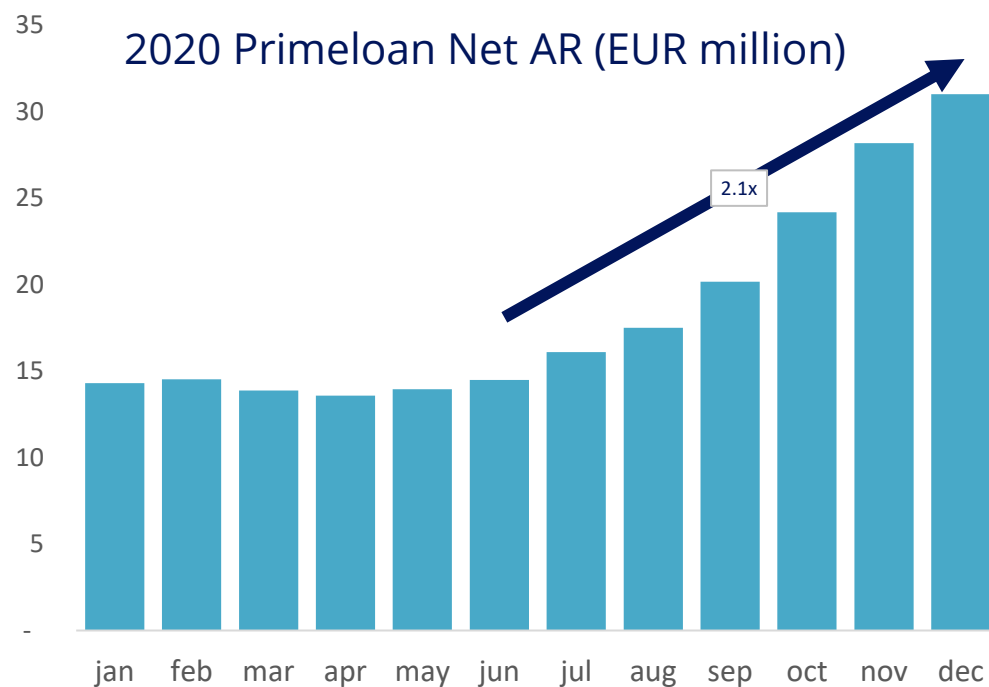
€ 0.5m
2020 Net profit

ferratum

Strengthened focus on core products Primeloan, CapitalBox and Credit Limit while downsizing non-strategic products

Products	Average Loan Value	Average Loan Term	Revenue Share	12M Revenues by Product (€,000)			Active Markets	Comments
Primeloan (incl. MB/Wallet) €3,000 – €20,000 / 1 – 10 Years term	€5,925	5.1 years	1.6%	2019	3 543	+2% y-o-y	4 (4)	• Primelending live in 4 market. Significant increase in Net AR and customer numbers during H2 2020, supporting revenue growth in 2021
				2020	3 631			
CapitalBox (SME) Up to €350,000 / 6 – 24 Month term	€15,842	482 days	11.5%	2019	27 841	-5% y-o-y	6	• Stable revenues due to strong start into 2020 followed by low lending volumes during the pandemic
				2020	26 311			
Credit Limit Up to €4,000 / Digital revolving credit line	€1,521	N/A	59.6%	2019	159 035	-14% y-o-y	8	• Moderate revenue reduction as existing customer base and portfolio has remained healthy. Product suspended in Spain and UK.
				2020	136 772			
PlusLoan €300 – €5,000 / 2 – 36 Month term	€927	416 days	17.9%	2019	65 711	-37% y-o-y	8	• PlusLoan suspended in Poland and Canada, in current market condition only moderate investment in PlusLoan segment
				2020	41 104			
Microloan €25 – €1,000 / 7 – 90 Day term	€279	30 days	9.5%	2019	36 974	-41 % y-o-y	7	• Discontinued lending in New Zealand, Poland and Russia; overall reduced lending during 2020
				2020	21 746			

Primeloan – Strong increase in new loan sales during H2 2020



Prime Product Parameters

			
Maximum Loan Amounts	€ 20.000	€ 20.000	€ 15.000
Average Lifetime (years)	7	4.5	4.5
Maximum Loan Duration (months)	120	96	84

Ferratum Prime Lending key objectives

- Serve customers with a planned need of a larger loan amount who prefer the convenience of a fully digital experience
- Attract new customer segments

Enabling Ferratum to

- Build stickier balances with less revenue volatility
- Build significant longer Customer Lifetime & increase Customer Lifetime Value

Successfully finetuned the Prime product during 2020

- Optimized underwriting processes
- Added new countries and sales channels

Ferratum's COVID-19 action plan: proved adaptability and resilience



1. **Liquidity management:** Strong total liquidity position of EUR 237 million at year end

- Successful management of deposit term structure and cash collection
- Increased utilization of deposit funding
- No repayments due in 2021



2. **Control Risk:** Strict management of the Group's risk appetite along the pandemic waves and lockdown measures

- Continued strong and stable payment behaviour throughout the business year 2020
- Suspension of lending in selected markets
- Focus on quality loan segments



3. **Reduced Cost Base:** Focus on cost management and a substantially leaner organization

- Headcount reduced by ca 200 to 640
- Overall cost base down by EUR 28 million or -20% (partially driven by marketing expenses)



4. **Go for Opportunities:** Ferratum has invested in future growth

- CapitalBox rebranding and acquisition of Dutch SME lending business of Spotcap
- Acceleration of Primeloan sales in H2 2020
- Migration to a pure Agile organizational structure

ferratum



2020 Preliminary Financial Result

Net profit break-even

a year of exceptional and challenging business environment

EUR million	2020	2019	% change
Revenue	229.565	293.104	-21.7%
EBIT	22.977	45.532	-49.5%
% of revenue	10.0%	15.5%	
Adjusted EBIT (excluding COVID-19 related impairments)	30.750	45.532	-32.5%
% of revenue	13.4%	15.5%	
EBT	1.777	27.543	-93.5%
% of revenue	0.8%	9.4%	
Profit after tax	0.485	23.648	-98.0%
% of revenue	0.0%	8.1%	
EPS	0.02	0.28	-92.0%
Equity ratio	18.5%	20.9%	
ND/E	2.51	2.59	-3.0%

- **Y-o-y Revenue performance in 2020 impacted by**
 - a. COVID-19
 - b. Lending put on hold in selected markets
- **2020 EBIT at EUR 23 million (2019: EUR 45.5 million)**
 - a. Operating expenses down by EUR 27.8 million or -20%
 - b. Impairments decreased by EUR 12.8 million; driven by risk sensitive underwriting along the COVID-19 waves and lockdown measures, but also by enhanced underwriting methodologies
- **Q4 2020 EBIT at EUR 3.7 million**
 - a. Revenue slightly down from Q3 (function of Q4 lockdown)
 - b. However, less restrictive defense actions than in first lockdown; continued lending with a focus on quality exposures
- **COVID 19 impairment (EUR 7.8 million) kept constant at FYE 2020**
 - **COVID-adjusted EBIT EUR 30.7 million**
- **Full year profit after tax positive at EUR 0.5 million**

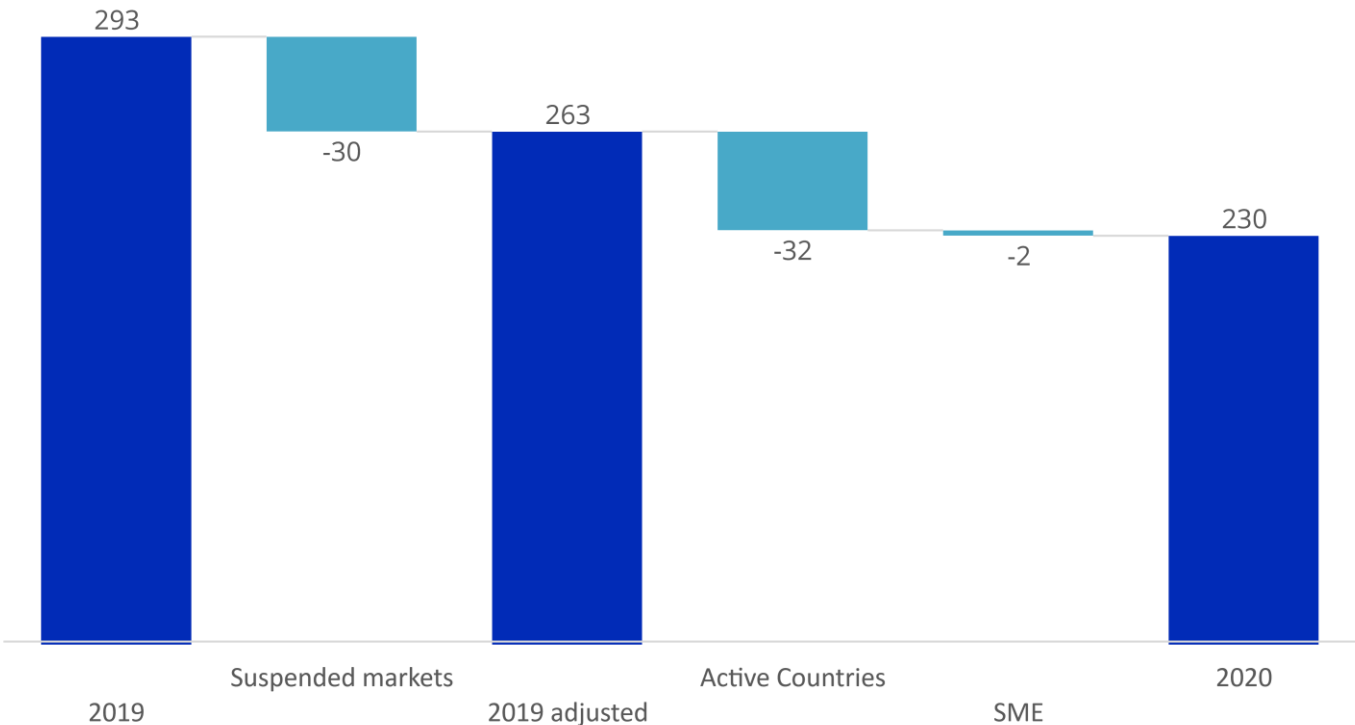
Revenue Bridge: 2019 vs 2020

Key drivers:

Two main effects:

- COVID-19
- Strategic management decisions: Suspension of lending in selected markets and portfolio adjustments (not related to COVID-19)

Adjusted revenue development 2020: - 12.5%

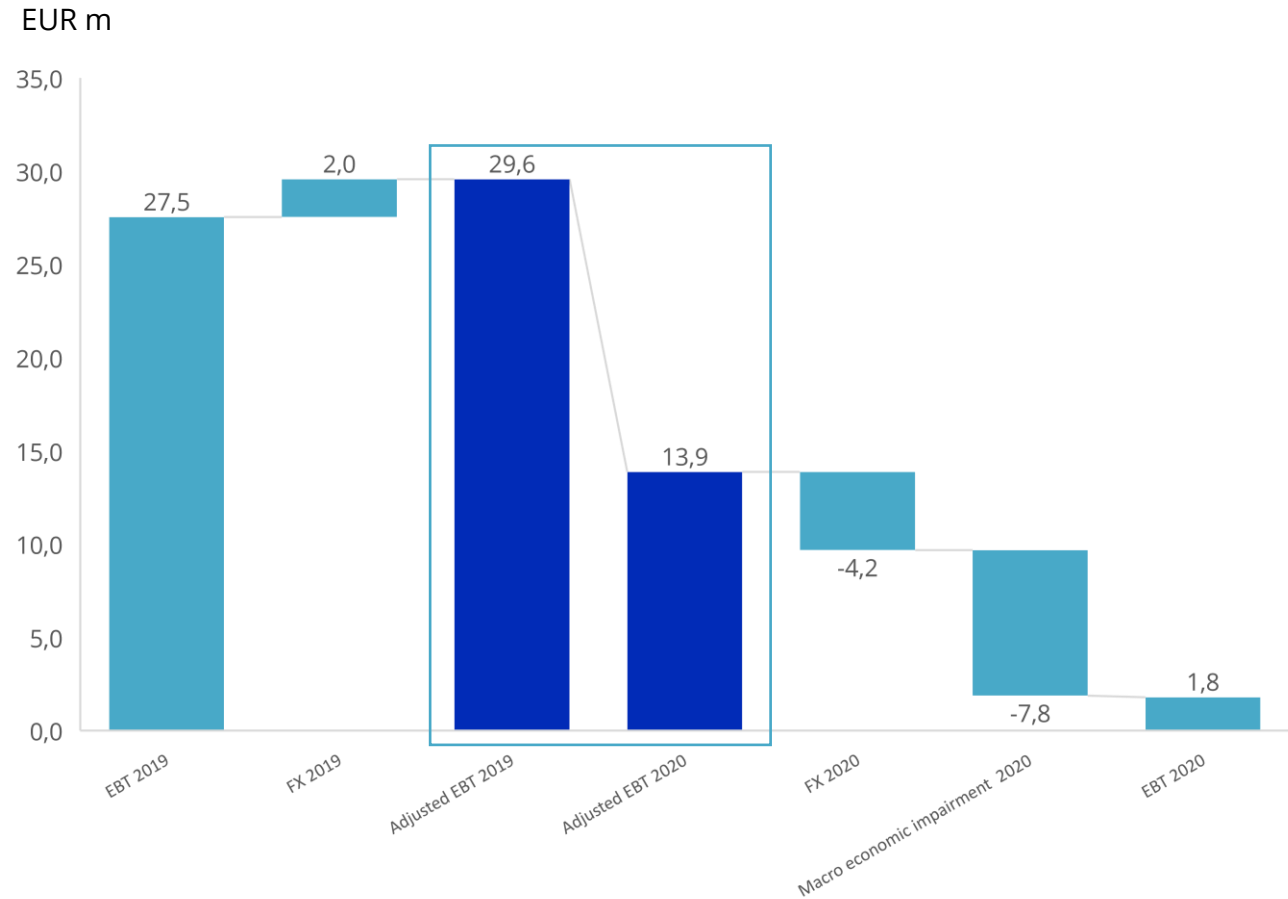


Adjusted EBT: Excluding F/X and macroeconomic impairment solid operational pre-tax profit achieved

Two key drivers for adjusted EBT

- COVID-19 impairment related to macro-economic outlook impactd profitability in Q1 of EUR 7.8 million
- F/X effect of EUR 4.2 million (full year)

Adjustment for these two factors result in EUR 13.9 million in operational pre-tax profitability in 2020



Continued emphasize on longer-term lending products

EUR '000	Microloan		PlusLoan		Credit Limit		CapitalBox		Mobile Bank, Wallet and Primeloan		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue	21,746	36,974	41,104	65,711	136,772	159,035	26,311	27,841	3,631	3,543	229,565	293,104
Impairments	(8,100)	(13,916)	(31,676)	(28,371)	(43,012)	(51,106)	(7,148)	(8,725)	(2,959)	(3,567)	(92,894)	(105,684)
As % of Revenue	37.2%	37.6%	77.1%	43.2%	31.4%	32.1%	27.2%	31.3%	81.5%	100.7%	40.5%	36.1%
Marketing	(3,162)	(2,536)	(4,103)	(7,834)	(11,419)	(21,871)	(3,467)	(5,617)	(927)	(970)	(23,078)	(38,828)
As % of Revenue	14.5%	6.9%	10.0%	11.9%	8.3%	13.8%	13.2%	20.2%	25.5%	27.4%	10.1%	13.2%
Attributable Product Margin	10,533	20,539	5,417	29,535	82,645	86,130	15,755	13,512	(255)	(995)	114,095	148,722
As % of Revenue	48.4%	55.6%	13.2%	44.9%	60.4%	54.2%	59.9%	48.5%	-	-	49.7%	50.7%
Total Non-directly Attributable costs	(8,251)	(12,481)	(15,596)	(22,182)	(51,895)	(53,686)	(9,983)	(9,398)	(5,392)	(5,442)	(91,118)	(103,189)
Operating Profit	2,282	8,058	(10,179)	7,353	30,750	32,444	5,771	4,114	(5,647)	(6,437)	22,977	45,532
Gross Profit Margin, %	10.5%	21.8%	-	11.2%	22.5%	20.4%	21.9%	14.8%	-	-	10.0%	15.5%
Finance costs, net	(647)	(1,035)	(1,710)	(3,323)	(10,203)	(7,603)	(2,990)	(3,086)	(1,595)	(700)	(21,201)	(17,989)
Profit before tax	1,635	7,022	(11,900)	4,030	20,547	24,842	2,782	1,028	(7,241)	(7,136)	1,777	27,543
As % of Revenue	7.5%	19.0%	-	6.1%	15.0%	15.6%	10.6%	3.7%	-	-	0.8%	9.4%

- Credit Limit continues to be main source of revenue: share at 60%
- SME revenue share at 11.5%
- Decrease in marketing expenses as lending volumes were kept low in first half of 2020
- Credit loss reserves driven up by COVID-19 related impairments in Q1 (forward looking impact assessment on macroeconomic factors)
- Overall actual payment behaviour remains strong
- Significant progress in new strategic key segments: **Prime Portfolio doubled y-o-y**

Balance sheet ratios continue to remain strong - solid equity ratio of 18.5%

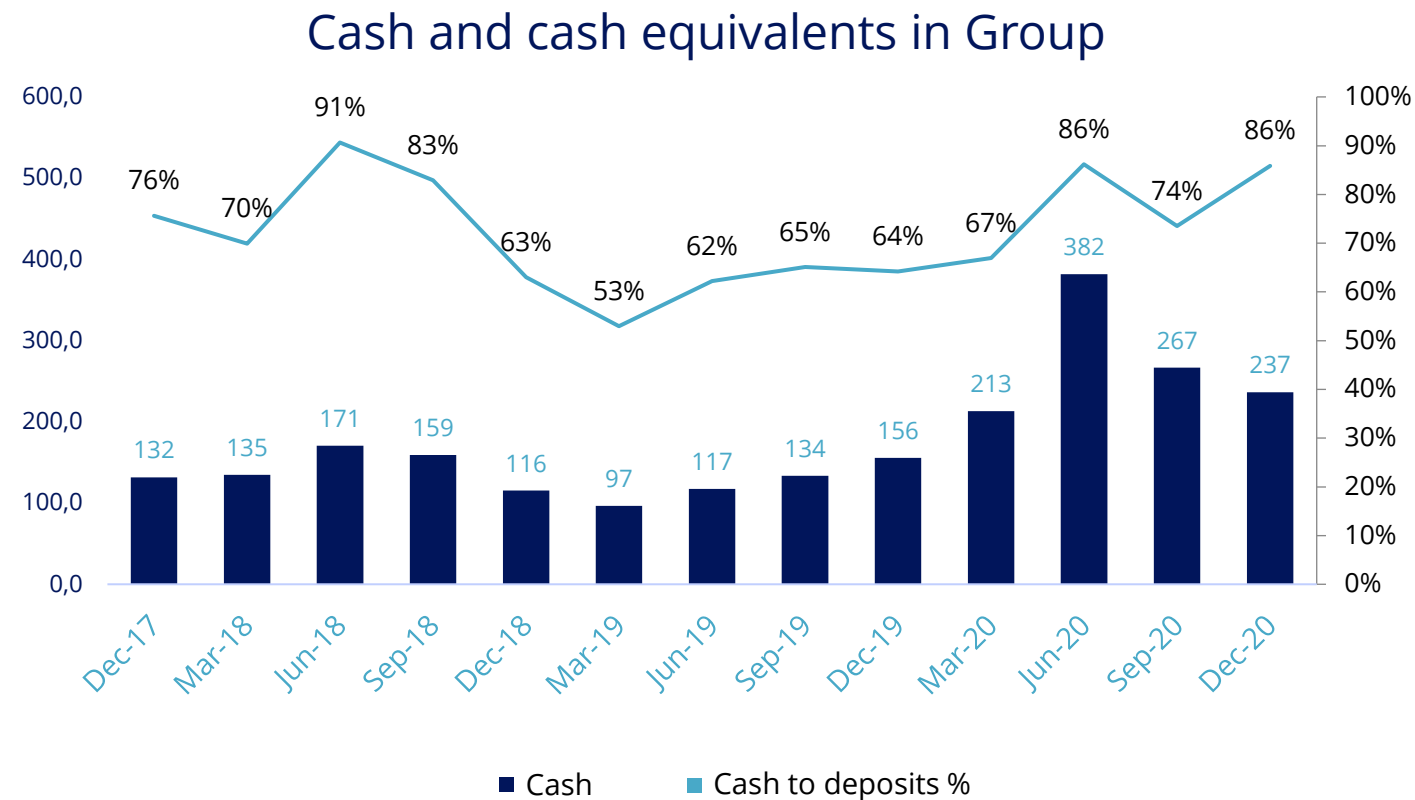
EUR '000	31 Dec 2020	31 Dec 2019	% Change
Assets			
Non-current assets	59,052	60,512	-2.4%
Accounts receivable – customer loans (net)	360,955	386,167	-6.5%
Other receivables	16,053	14,463	11.0%
Current tax assets	1,567	2,167	-27.7%
Cash and cash equivalents	236,564	155,518	52.1%
Total Assets	674.191	618,827	8.9%

EUR '000	31 Dec 2020	31 Dec 2019	% Change
Equity and liabilities			
Equity	124,677	129,138	-3.5%
Non-current liabilities	242,959	174,236	39.4%
Of which deposits (non-current)	63,689	-	-
Current liabilities	306,554	315,453	-2.8%
Of which deposits (current)	275,833	242,161	13.9 %
Total Equity & Liabilities	674.191	618,827	8.9%
Net debt to equity ratio	2.51	2.59	-3.1%

- Compared to Dec 2019, Total Assets up by 8.9% to EUR 674 million, driven by increased cash from deposits and customer loan repayments
- Loans to customers (net) down by -6.5% to EUR 361 million in comparison to FYE 2019, but up by EUR 15 million compared to Q3 2020
 - Key driver Primelending
- Non-current liabilities driven up by improved term deposit structure established during 2020
- Equity ratio at 18.5%

Cash position developing along the Group's expectation and liquidity strategy

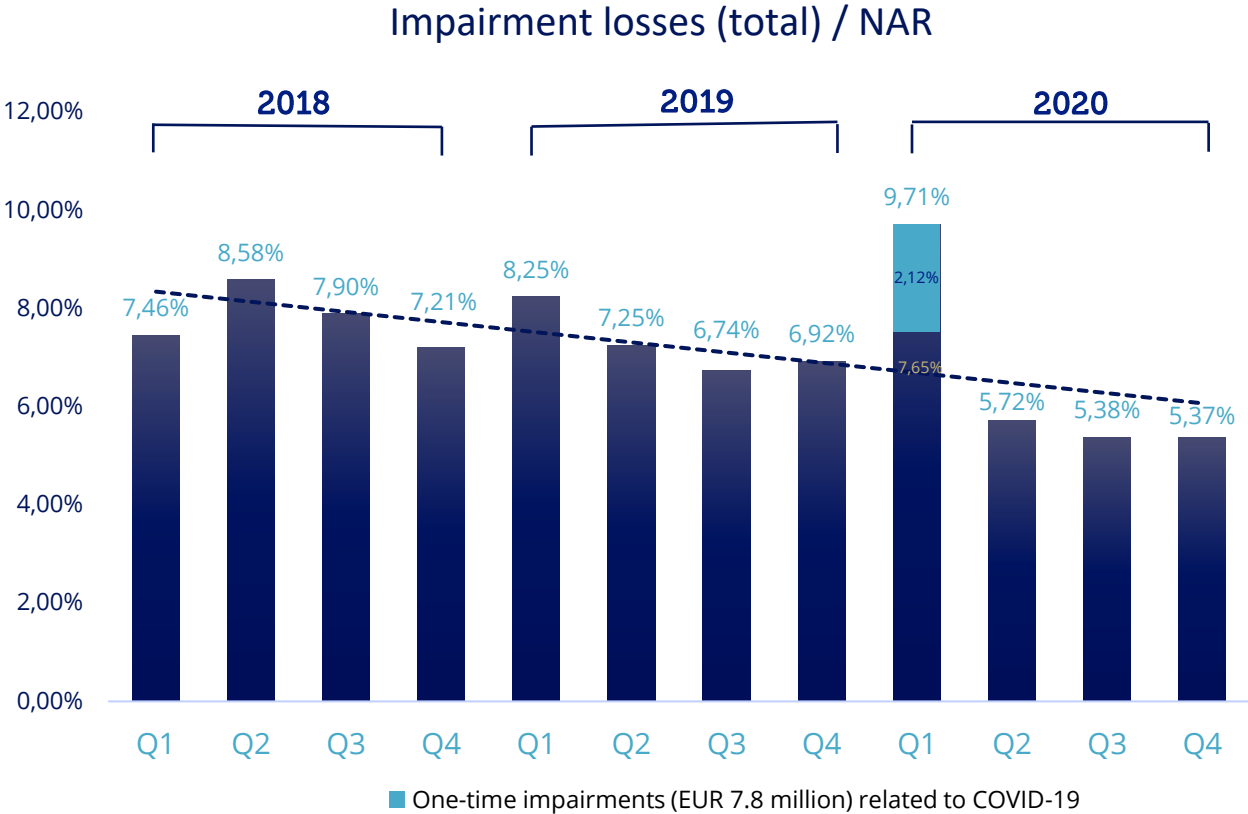
- **Cash positions are strong** on bank level, non-bank sphere, and on overall group level
- **Deposit term structure improved** throughout the business year 2020
- **Improved utilization of deposit funding** achieved during 2020; to be continued in 2021
- Ambition is to further strengthen deposits as source of funding
- No debt repayments due in 2021



Continued positive asset quality trend in 2020

Impairment losses going down relative to loan portfolios

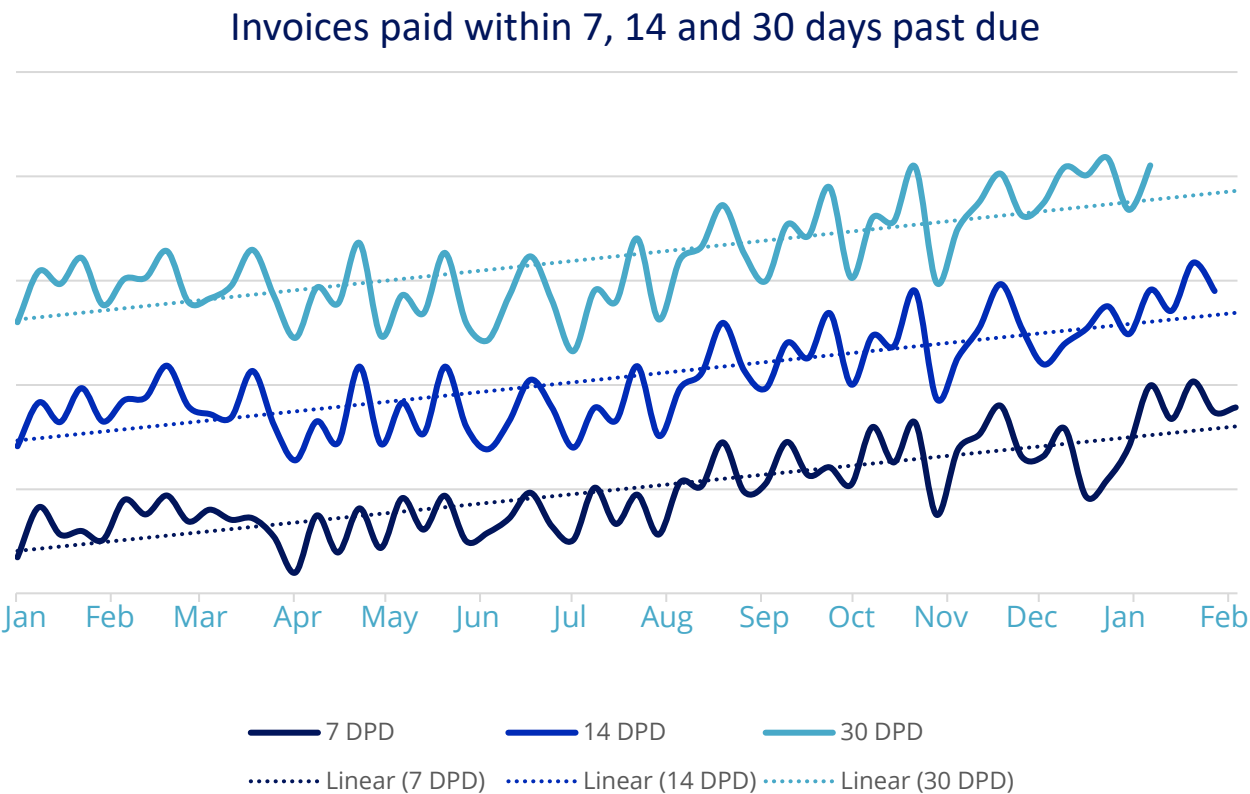
- Mid-term improving trend in impairment losses over net accounts receivable (NAR) continues
- Continued improvement of Core Parameter Probability of default (PD)
- Forward looking Macroeconomic Impact reflected in total impairments
- Potential negative Macroeconomic Impact on payment behaviour has so far been mitigated



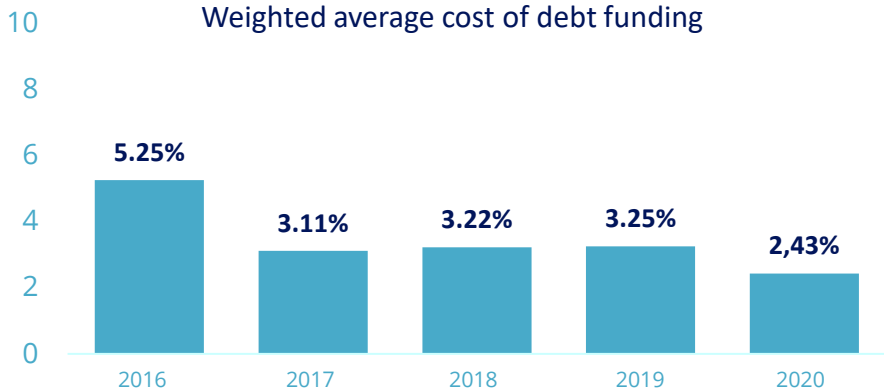
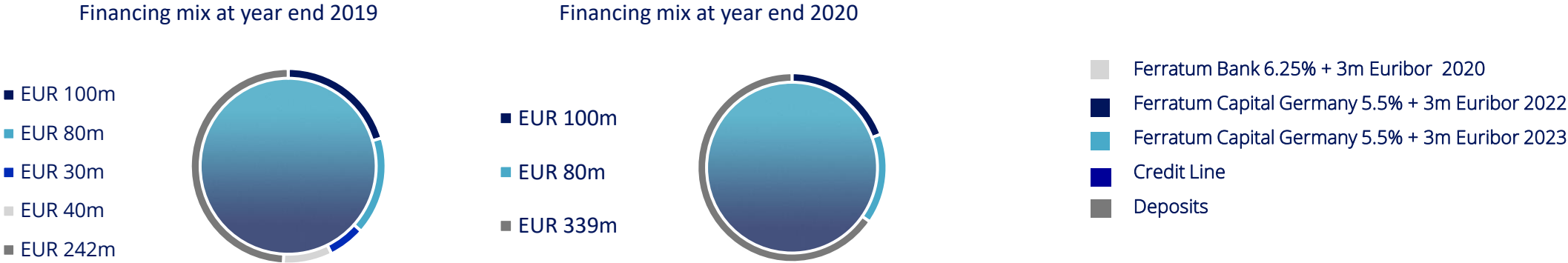
Overall payment behaviour improves in 2020 despite COVID-19

Payment behaviour and impairments

- Payment behaviour remained strong throughout 2020
- Ferratum has adjusted its scoring and underwriting criteria for a deteriorating macroeconomic environment
- Selective and country specific new lending guidelines in all active markets
- Approval rate for new customers was down by 45% at the peak of the pandemic but has recovered significantly



Funding structure and cost of debt capital



Summary and key takeaways from 2020

- **Finished the year with a strong liquidity position**

Cash and Cash Equivalents increased by 52% to EUR 236.6 million

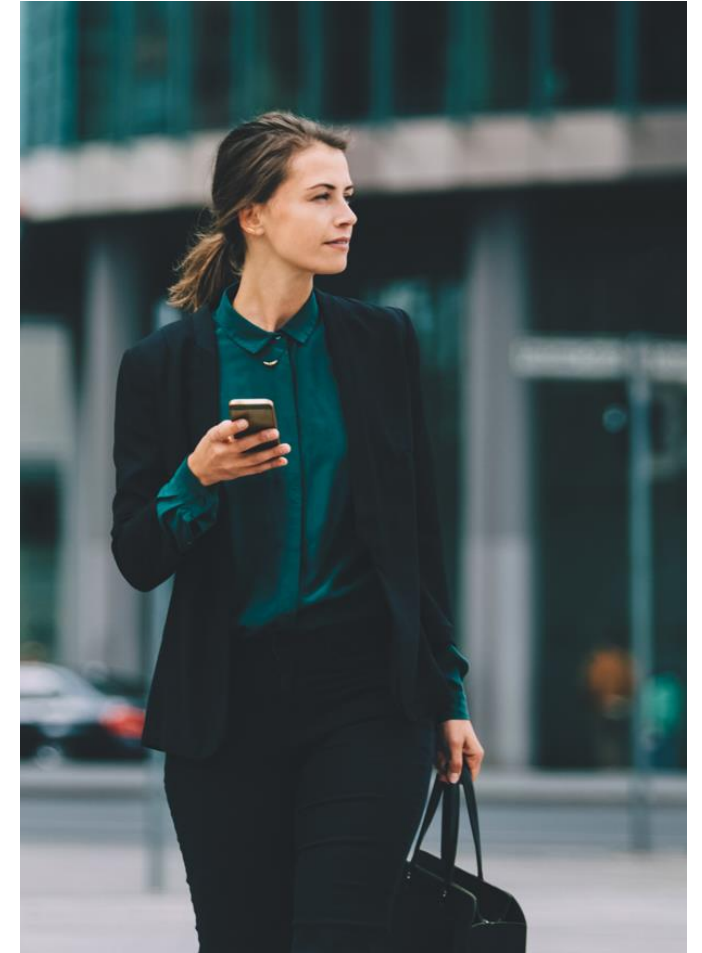
- **Credit losses well under control throughout the year**

- **Break-even reached at net profit level**

Adjusted EBIT (excluding COVID-19 related impairments) at 30.7 million

- **Strong increase in Primeloan sales in H2 2020 along Ferratum's strategy**

Net loan volume increased Y-o-Y by + 116% to EUR 31.0 million



ferratum

2021 – positive view on the year ahead, with a continued focus on COVID-19



- **Strong position** based on high portfolio quality, strong liquidity and successful organizational transformation
- **Long-term strategy** and financial targets to be announced during Q2
- Launch of **new brand strategy**, supported by agile transformation
- **Credit quality** to remain high in all segments
- **Wallet** to be launched in Finland and Germany with new service, growing customer base
- **Prime lending** to remain as one of the key growth drivers for the Group
- **Near prime lending** -> stable sales with solid profitability
- **SME lending** to accelerate growth through scaling of the Spotcap NL business model to the Nordics
- Launch of **matching share program** for Group employees

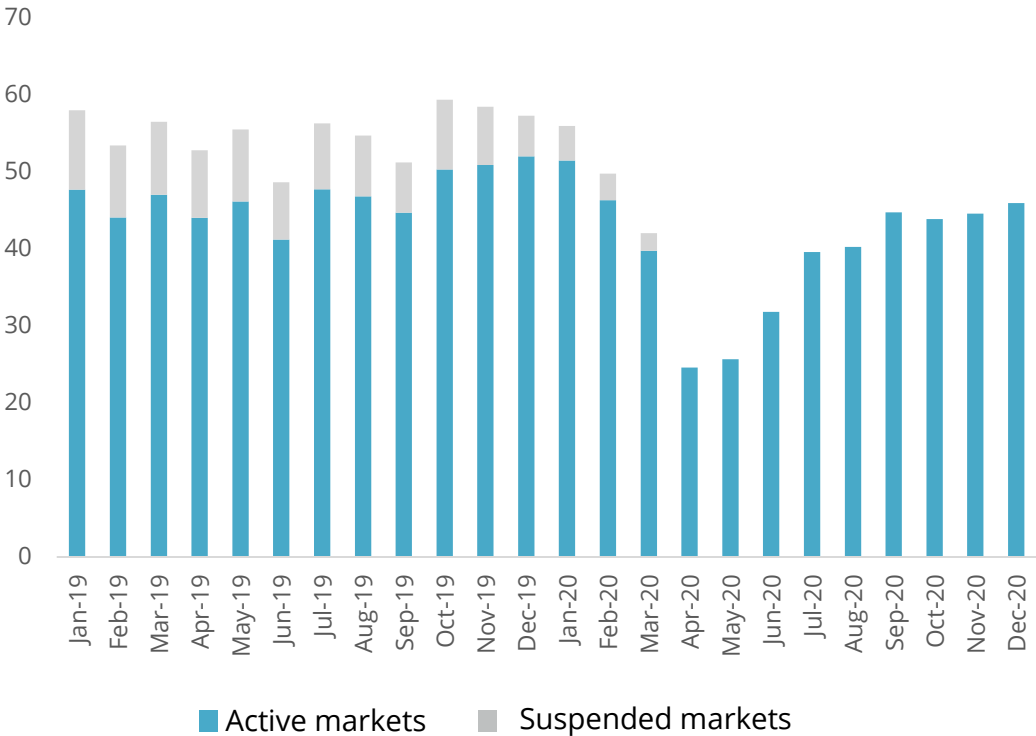
ferratum



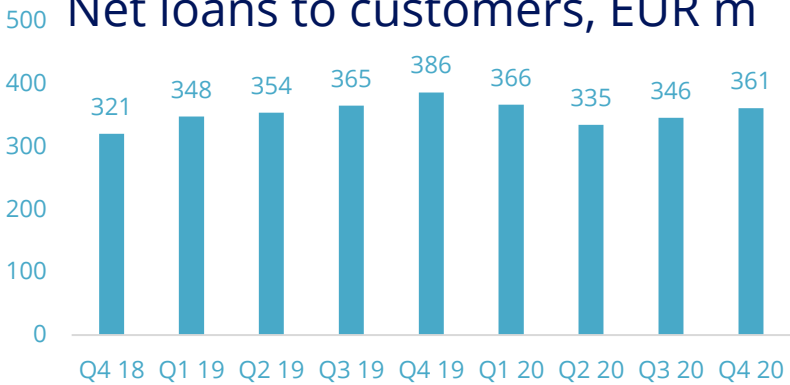
Backup slides

Focus on continued increase in lending volume

Loan volume disbursed, EUR m

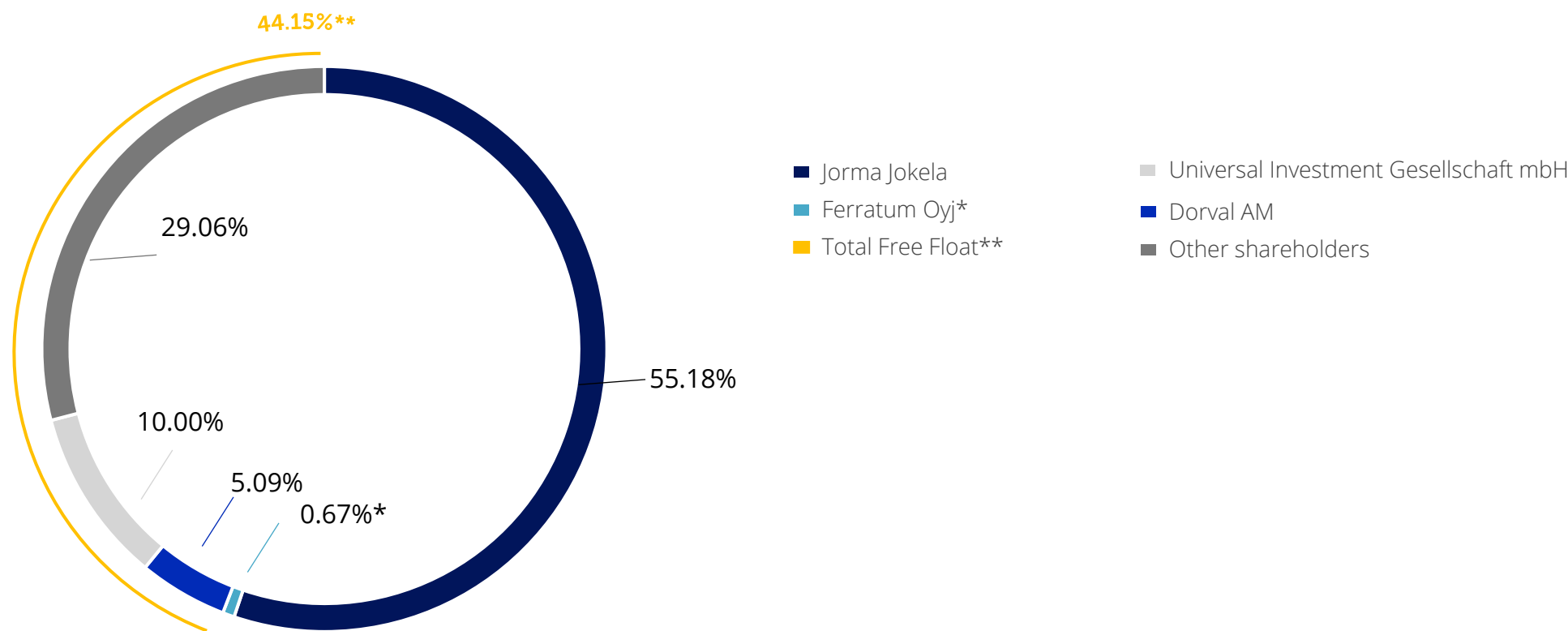


Net loans to customers, EUR m



- Increased lending volumes since May 2020
- Focus on markets with strong payment behaviour and higher credit quality segments

Shareholder information



All information of shareholders holding based on the latest shareholder notifications received
* Treasury shares held by Ferratum Oyj (no voting right and no dividends paid on treasury shares)
** Total free float includes shares held by institutional investors, but not treasury shares held by Ferratum Oyj

Investments in future growth: CapitalBox acquired Spotcap NL's SME lending activities

- **About CapitalBox**
 - Leading digital SME lender
 - Active in six European markets
 - Over the last 5 years, CapitalBox has developed a strong track record of growth
- **Spotcap's SME lending business: in the Netherlands**
 - The business was established in 2015 and has since originated close to EUR 150 million credit lines
 - Strong partner network in the Netherlands
 - Strong underwriting capabilities; COVID-19 had no material effect on the loan book and payment behaviour
- **Strategic fit to CapitalBox**
 - Gain market share and access to new distribution channel
- **Visit CapitalBox** at www.capitalbox.com

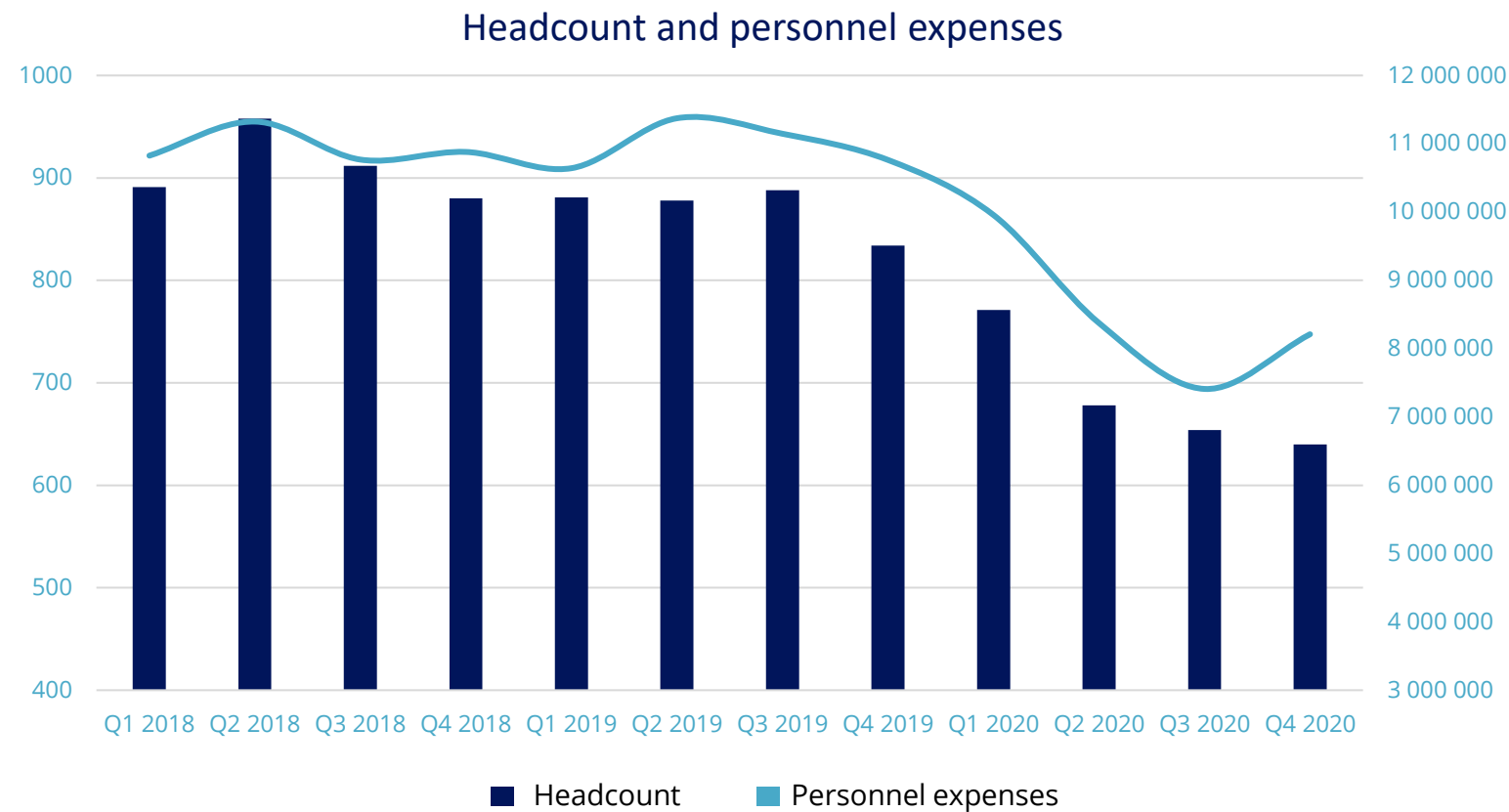
Cost reduction measures: Leaner organization successfully established

Personnel expenses

- Decrease in headcount > 200 y-o-y
- Organizational structure has become leaner and more agile

Total operating expenses*

- In 2020 total operating expenses stood at EUR 114.1 million; down by -20% compared to 2019 (EUR 142.0 million)
- Increased efforts to boost automation
- Market and product related initiatives continued during the pandemic



*Total operating expenses = Total expenses – impairments