

**ferratum**

# **9M results 2020 – Earnings Call**

**16 November 2020**



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# 9M 2020 Overview & Key takeaways

FAST, EASY  
& DIGITAL  
FINANCIAL  
SOLUTIONS.  
ANYWHERE,  
ANYTIME AND  
ANYONE

15 Years of operation

20 Countries



Consumer lending  
87% of revenues



CapitalBox (SME)  
12% of revenues



Mobile Bank & Primeloan  
1% of revenues

## Key takeaways

- **Re-activated lending growth in Q3 2020**
- **Financial metrics remain strong**
  - Revenue at EUR 177 million (down by -19% vs. 9M 2019 and -10.2% vs. adj. 9M 2019, excluding suspended markets)
  - EBIT at EUR 9.3 million in Q3
  - continued solid re-payment behaviour, Liquidity at EUR 267 million
- **Investment in future growth:** CapitalBox acquired SME lending business from Spotcap NL

€ 177m

9m 2020 revenue

-19%

Y-o-y revenue

€ 9.3m

Q3 2020 EBIT

€ 19.3m

9m 2020 EBIT

# Strengthened focus on core products

Products	Average Loan Value	Average Loan Term	Revenue Share	9M Revenues by Product (€,000)			Active Markets	Comments
<b>Primeloan (incl. Mobile Bank)</b> €3,000 – €20,000 / 1 – 10 Years term	€6,893	5.1 years	1.4%	2019 2 586 2020 2 519		-3% y-o-y	4 (4)	• Primelending live in 4 markets, speed of role out will be function of economic conditions
<b>CapitalBox (SME)</b> Up to €350,000 / 6 – 24 Month term	€15,699	483 days	11.8%	2019 20 160 2020 20 826		+3% y-o-y	6	• Moderate growth due to strong start into 2020 followed by low lending volumes during the pandemic
<b>Credit Limit</b> Up to €4,000 / Digital revolving credit line	€1,468	N/A	59.8%	2019 118 603 2020 105 586		-11% y-o-y	8	• Revenue reduction kept low in this segment since the business benefits during pandemic from sustainable business relation to existing clients
<b>PlusLoan</b> €300 – €5,000 / 2 – 36 Month term	€906	417 days	18.1%	2019 48 593 2020 32 020		-34% y-o-y	8	• PlusLoan suspended in Poland early in 2020, in current market condition moderate investment in PlusLoan segment
<b>Microloan</b> €25 – €1,000 / 7 – 90 Day term	€264	30 days	8.9%	2019 28 143 2020 15 726		-44 % y-o-y	7	• Discontinued lending in New Zealand, Poland and Russia; overall reduced lending during 2020



# Update on Ferratum's COVID-19 action plan

## 1. Liquidity management

Liquidity position remains strong driven by

- a. continued successful management of term deposits
- b. cash collected from clients

- Strong liquidity at EUR 267 million
- No bond repayments due before 2022
- ND/E of 2.34

## 2. Control Risk

While risk appetite in H1 2020 was reduced at an early stage of the pandemic, the group increased lending during Q3 2020 in selected markets

- Continued strong and stable payment behaviour throughout the pandemic
- Focus on higher loan quality

## 3. Reduced Cost Base

Continued strict cost management and a substantial leaner organization established

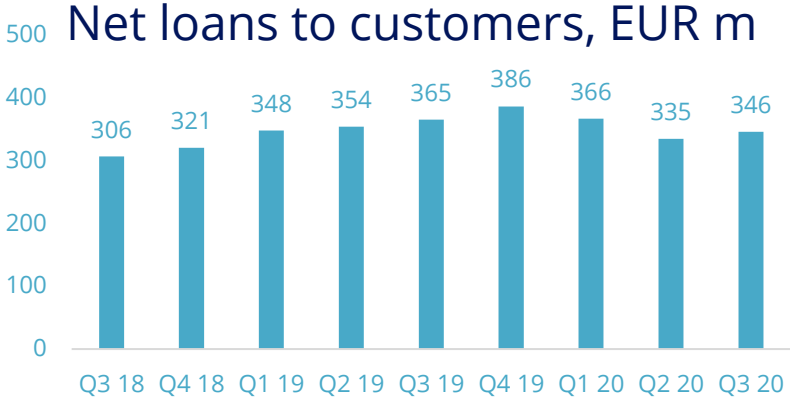
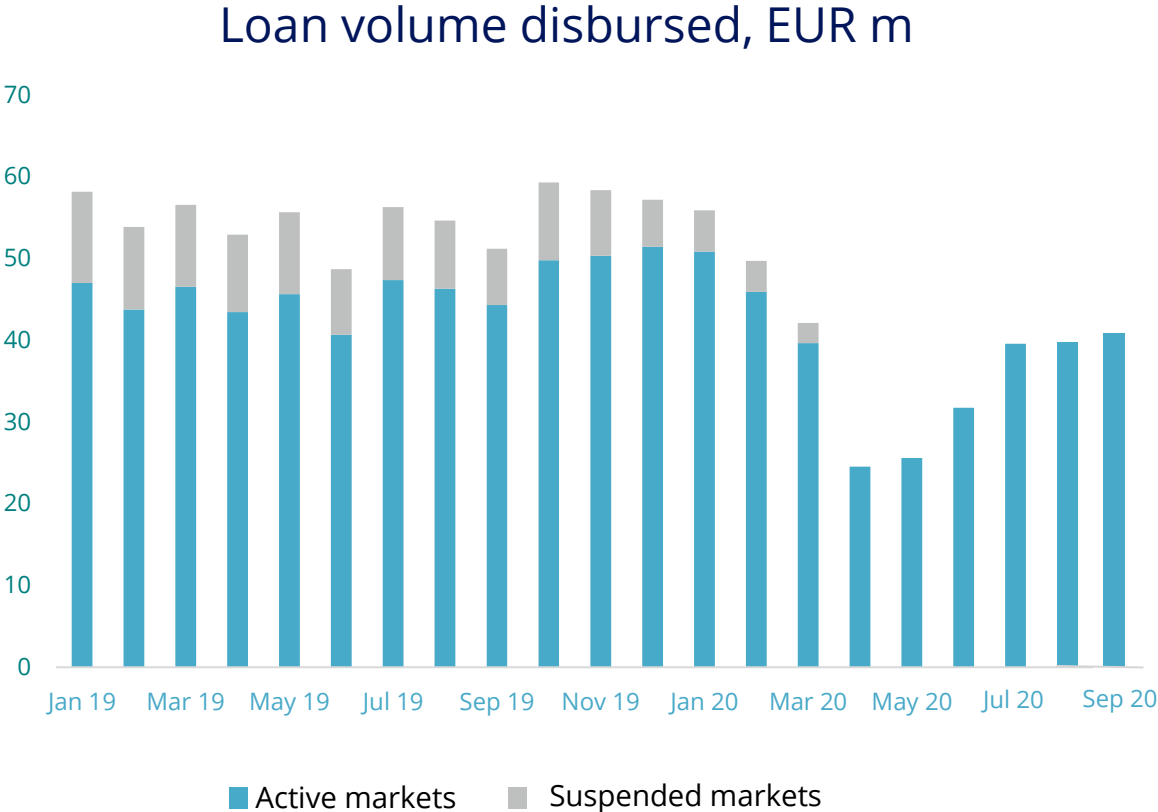
- Headcount reduced during the first nine months 2020 by ca 200 to 654 and personnel expenses by -22.4% to EUR 7.4 million in Q3 2020
- Other operational expense categories stable or declining
- Exception: Marketing expenses grew by EUR 3.7m compared to Q2 2020 - following re-activation of lending volume growth

## 4. Go for Opportunities

Ferratum has pursued its investments in future growth

- CapitalBox: Acquisition of Spotcap NL's SME lending activities in the Netherlands
- Acceleration of loan sales in Q3 2020

# Reactivating growth in 2020: Management aims at continued increase in lending volume



- Increased lending volumes since May 2020
- Focus on (a) markets with strong payment behaviour and (b) higher credit quality segments
- In Q3 2020 net loans to customers up by +EUR 11m to EUR 346 million

# 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](http://www.capitalbox.com)



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## 9M 2020 Financial overview



## Key financial metrics: Strict cost discipline and conservative underwriting drives EBIT in Q3 2020 and in the first 9M 2020

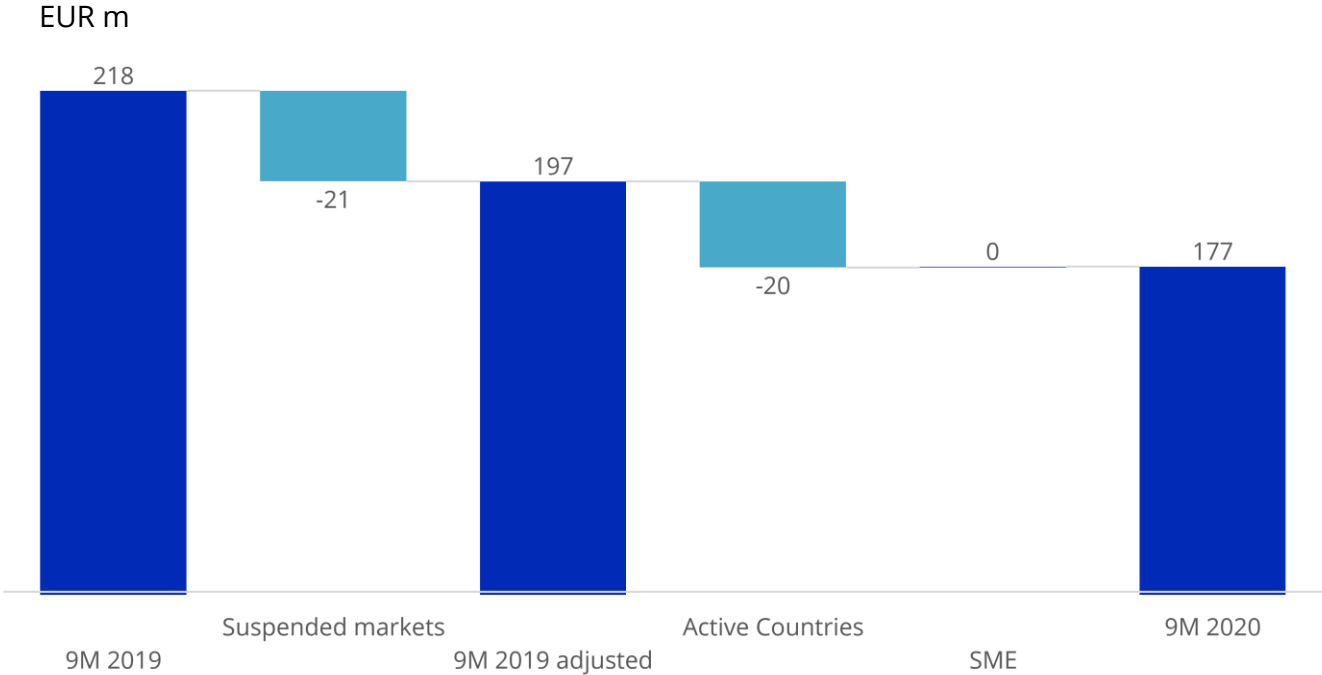
EUR million	Q1 2020	Q2 2020	Q3 2020	9M 2020	9M 2019	% change
Revenue	65.604	55.535	55.538	176.678	218.086	-19.0%
EBIT	-2.292	12.258	9.323	19.288	33.511	-42.4%
% of revenue	-3.5%	22.1%	16.8%	10.9%	15.4%	
Adjusted EBIT (excluding COVID-19 related impairments)	5.481	12.258	9.323	27.062	33.511	-19.2%
% of revenue	8.5%	22.1%	16.8%	15.3%	15.4%	
EBT	-8.283	6.776	3.557	2.050	19.693	-89.6%
% of revenue	-12.8%	12.2%	6.4%	1.2%	9.0%	
Profit after tax	-8.375	6.084	2.865	0.575	16.740	-96.6%
% of revenue	-12.8%	11.0%	5.2%	0.3%	7.7%	
EPS	-0.39	0.28	0.13	0.03	0.78	-96.2%
Equity ratio	-7.1%	15.8%	18.4%	18.4%	21.2%	
ND/E	2.79	2.27	2.35	2.34	2.61	-10.3%

- Revenue reduction y-o-y -19% for the first nine months of 2020
  - a. COVID-19 impact as of early March 2020
  - b. Lending put on hold in selected markets
- Quarterly revenue stabilized in Q3 20 at EUR 55.5 million (Q2 20: EUR 55.5 million)
- Solid EBIT in Q3 20 at EUR 9.3 million
  - a. Continued strict cost discipline despite increasing marketing activities
  - b. Conservative and qualitative underwriting: sequentially decreasing impairments (Q3 20: EUR 18.6 million vs Q2: EUR 19.1 million)
- Positive EBT of EUR 3.6 million achieved in Q3 20
- 9M EBT also positive at EUR 2.1 million
- Operational profitability (EBT adjusted for macro-economic impairment & FX volatility) positive at EUR 14 million
- Leverage structure almost unchanged in Q3 20 compared to Q2 20: ND/E at 2.34 (Q2 20: 2.27)

# Revenue Bridge: 9M 2019 vs 9M 2020

## Key drivers:

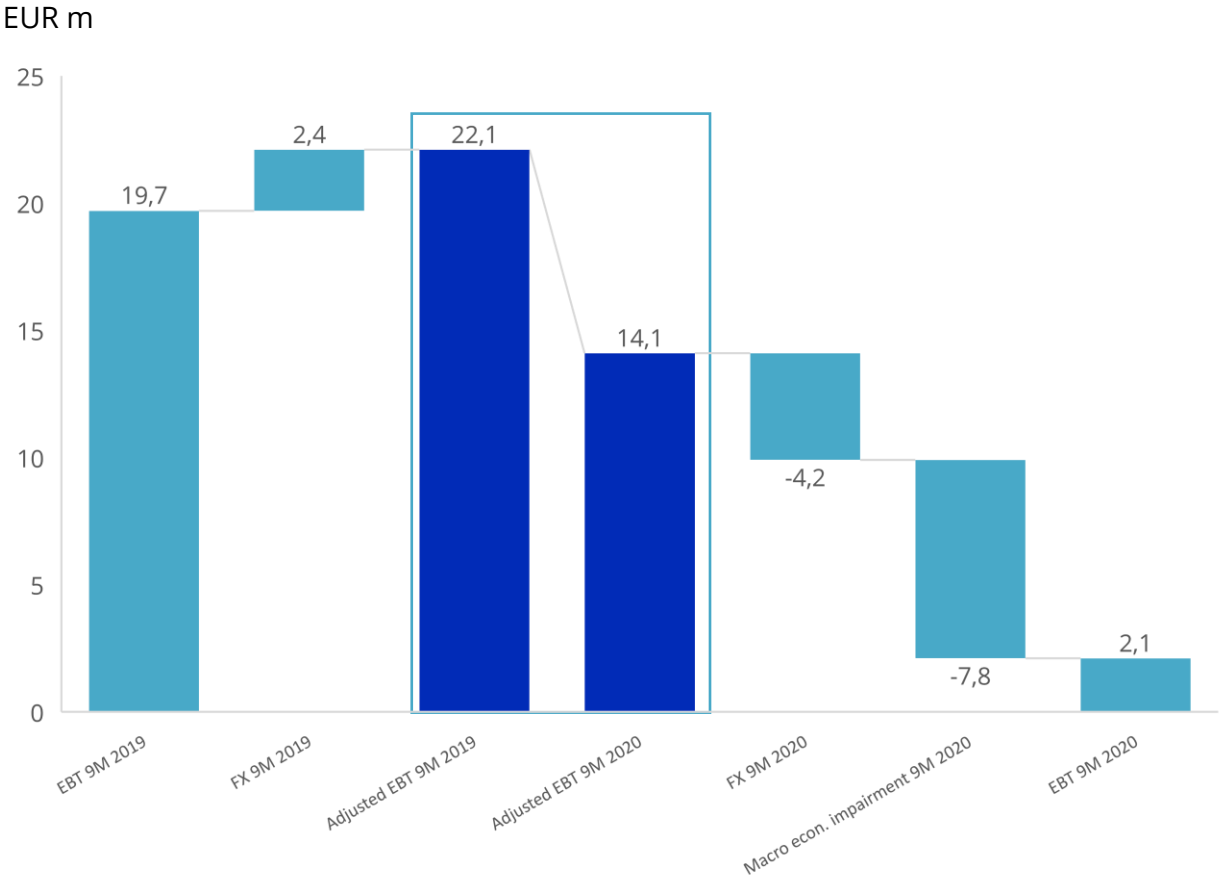
- Suspension of lending in selected markets (not related to COVID-19) during early 2020 accounts for more than half of revenue delta
- Active markets contribute less than half to revenue reduction (predominantly due to tighter risk management and lower yields)
- Stable SME revenue performance based on record months in early 2020



# Adjusted EBT: impact of macroeconomic impairment and higher FX volatility

## Key drivers:

- COVID 19 impairment related to macro-economic outlook impacts profitability in Q1
- Hedging levels have been increased significantly, but impact on profitability is stronger than in 2019
- Adjustments for these factors result in fairly strong operational pre-tax profitability also in 2020
- Key drivers are
  - Focus on strategic products & services
  - strong cost control and
  - continued strong payment behaviour





## Balance sheet ratios continue to remain strong - solid equity ratio of 18.4%

EUR '000	30 September 2020	31 Dec 2019	% Change
<b>Assets</b>			
Non-current assets	60,395	60,512	-0.2%
Accounts receivable – customer loans (net)	345,844	386,167	-10.4%
Other receivables	16,208	14,463	10.8%
Income tax assets	3,412	2,167	57.5%
Cash and cash equivalents	266,940	155,518	71.6%
<b>Total Assets</b>	<b>692,800</b>	<b>618,827</b>	<b>12.0%</b>

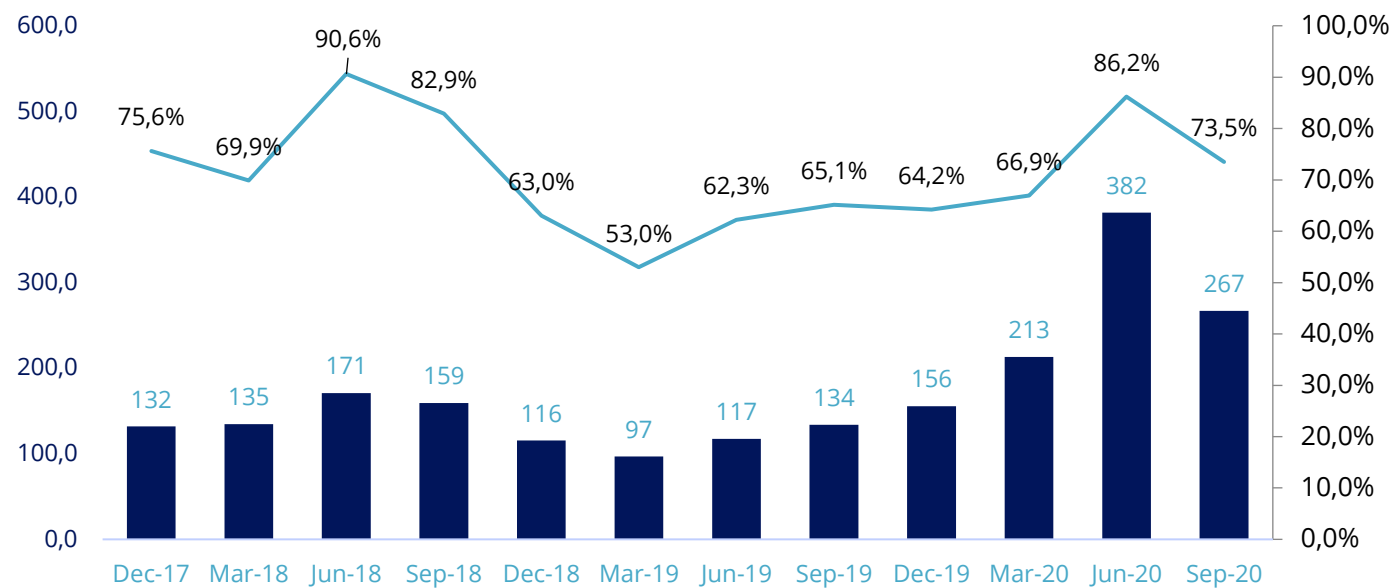
EUR '000	30 September 2020	31 Dec 2019	% Change
<b>Equity and liabilities</b>			
Equity	127,666	129,138	-1.1%
Non-current liabilities	238,596	174,236	36.9%
Current liabilities	326,538	315,453	3.5%
Of which deposits	362,711	242,161	49.8%
<b>Total Equity &amp; Liabilities</b>	<b>692,800</b>	<b>618,827</b>	<b>12.0%</b>
<b>Net debt to equity ratio</b>	<b>2.34</b>	<b>2.59</b>	<b>-9.7%</b>

- Compared to Dec 2019, Total Assets up by 12.0% to EUR 693 million, driven by increased cash from deposits and debt repayments
- Total Assets peaked in Q2 2020 at EUR 792 million – decreasing Total Assets Q3 20 vs Q2 20 in-line with the Group's strategy to downsize excess deposits
- Loans to customers (net) down by -10.4% to EUR 346 million in comparison to FYE 2019, but up by EUR 11 million compared to Q2 20
- Improved equity ratio at 18.4% (Q2 20: 15.8%)

## Cash position remains strong

- Total cash is 100% above the level of Q3 2019
- Ferratum has been able to grow the cash balance steadily since Q1 2019
- Reduction in deposit base and cash during Q3 2020 reflects implementation of target deposit structure
- Cash positions are strong on bank level, non-bank sphere, and on overall group level
- Short term assets exceed liabilities by EUR 33m in banking sphere and by EUR 39m in non-bank sphere
- Utilization of deposit funding has increased during 2020

### Cash and cash equivalents in Group



# Continued shift towards longer-term lending products – dynamic in Prime Lending picking up in Q3

EUR '000	Microloan		PlusLoan		Credit Limit		CapitalBox		Mobile Bank and Primeloan		Total	
	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019
Revenue	15,726	28,143	32,020	48,593	105,586	118,603	20,826	20,160	2,519	2,586	176,678	218,086
Impairments	(6,299)	(10,585)	(23,431)	(20,534)	(34,322)	(38,902)	(6,821)	(6,112)	(2,455)	(2,812)	(73,328)	(78,945)
As % of Revenue	40.1%	37.6%	73.2%	42.3%	32.5%	32.8%	32.8%	30.3%	97.5%	108.7%	41.5%	36.2%
Marketing	(2,277)	(1,933)	(2,857)	(5,781)	(8,125)	(16,927)	(2,288)	(4,141)	(466)	(905)	(16,014)	(29,686)
As % of Revenue	14.5%	6.9%	8.9%	11.9%	7.7%	14.3%	11.0%	20.5%	18.5%	35.0%	9.1%	13.6%
Attributable Product Margin	7,156	15,628	5,745	22,282	63,181	62,786	11,725	9,909	(402)	(1,131)	87,406	109,474
As % of Revenue	45.5%	55.5%	17.9%	45.9%	59.8%	52.9%	56.3%	49.2%	-	-	49.5%	50.2%
Total Non-directly Attributable costs	(5,690)	(9,504)	(11,585)	(16,409)	(38,203)	(40,050)	(7,535)	(6,808)	(5,105)	(3,192)	(68,118)	(75,963)
Operating Profit	1,466	6,124	(5,840)	5,873	24,979	22,735	4,190	3,101	(5,507)	(4,323)	19,288	33,511
Gross Profit Margin, %	9.3%	21.8%	(18.2%)	12.1%	23.7%	19.2%	20.1%	15.4%	-	-	10.9%	15.4%
Finance costs, net	(412)	(867)	(2,028)	(2,415)	(7,488)	(5,333)	(2,325)	(2,175)	(870)	(539)	(17,237)	(13,818)
Profit before tax	1,055	5,257	(7,868)	3,458	17,490	17,402	1,865	926	(6,377)	(4,862)	2,050	19,693
As % of Revenue	6.7%	18.7%	(24.6%)	7.1%	16.6%	14.7%	9.0%	4.6%	-	-	1.2%	9.0%

- Revenue share of Credit Limit product stable at 60%
- SME revenue share at 12%
- Marketing expenses lower due to decreased lending volumes – sales related expenses going up in Q3
- 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 strategic key segments: **Prime Portfolio increased 36% during Q3**



# Cost reduction measures: Leaner organization successfully established

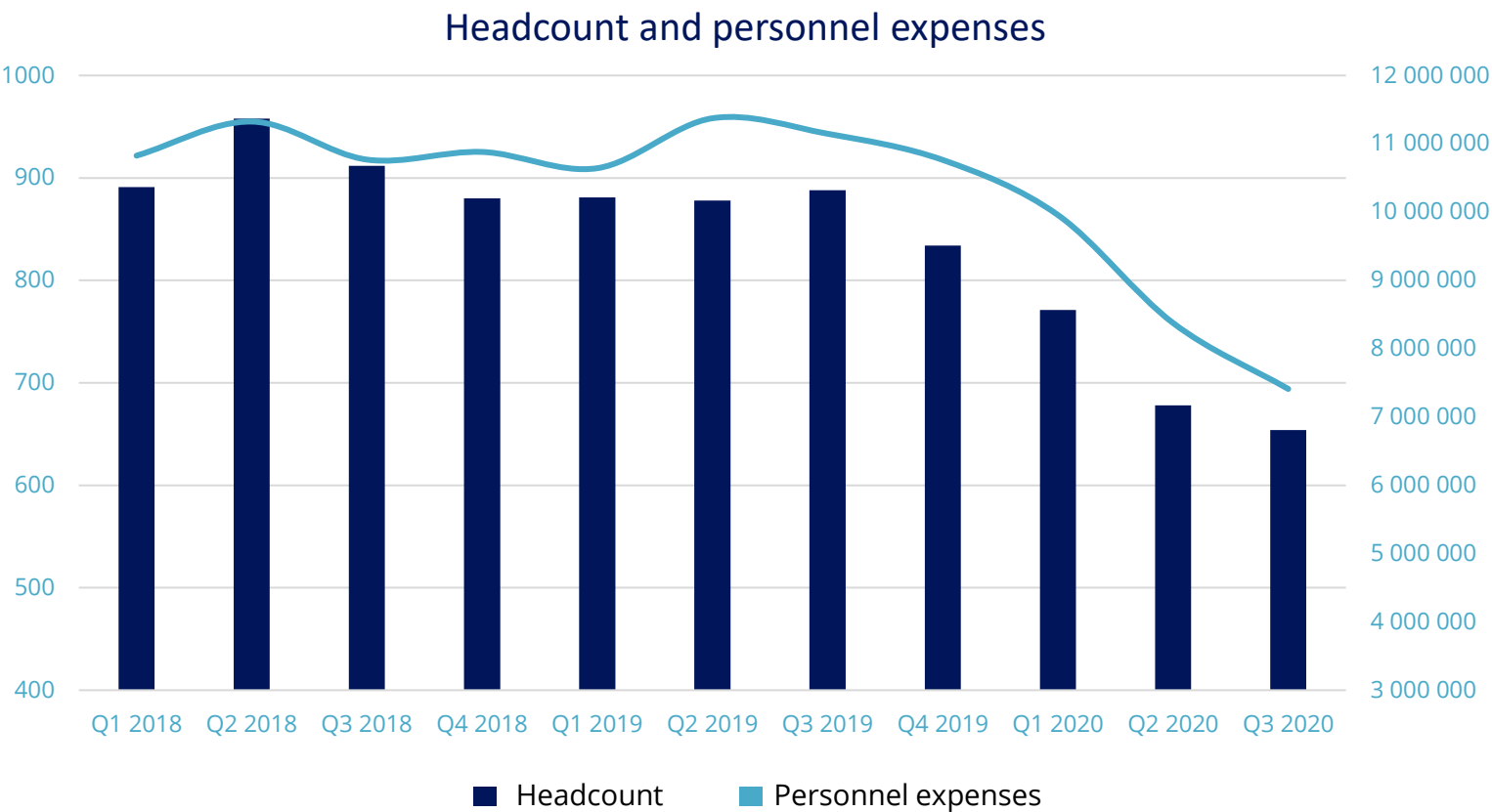
## Personnel expenses

- Decrease in headcount > 200 y-o-y
- Quarterly personnel expenses y-o-y down by 33.5% to EUR 7.4 million (Q3 19: EUR 11.1 million)
- Organizational structure has become leaner and more agile

## Total operating expenses\*

- In Q3 20 total operating expenses stood at EUR 27.7 million; down by -20% compared to Q3 19 (EUR 34.9 million)
- Increased efforts to boost automation
- Market and product related initiatives continued during the pandemic

\*Total operating expenses = Total expenses – impairments

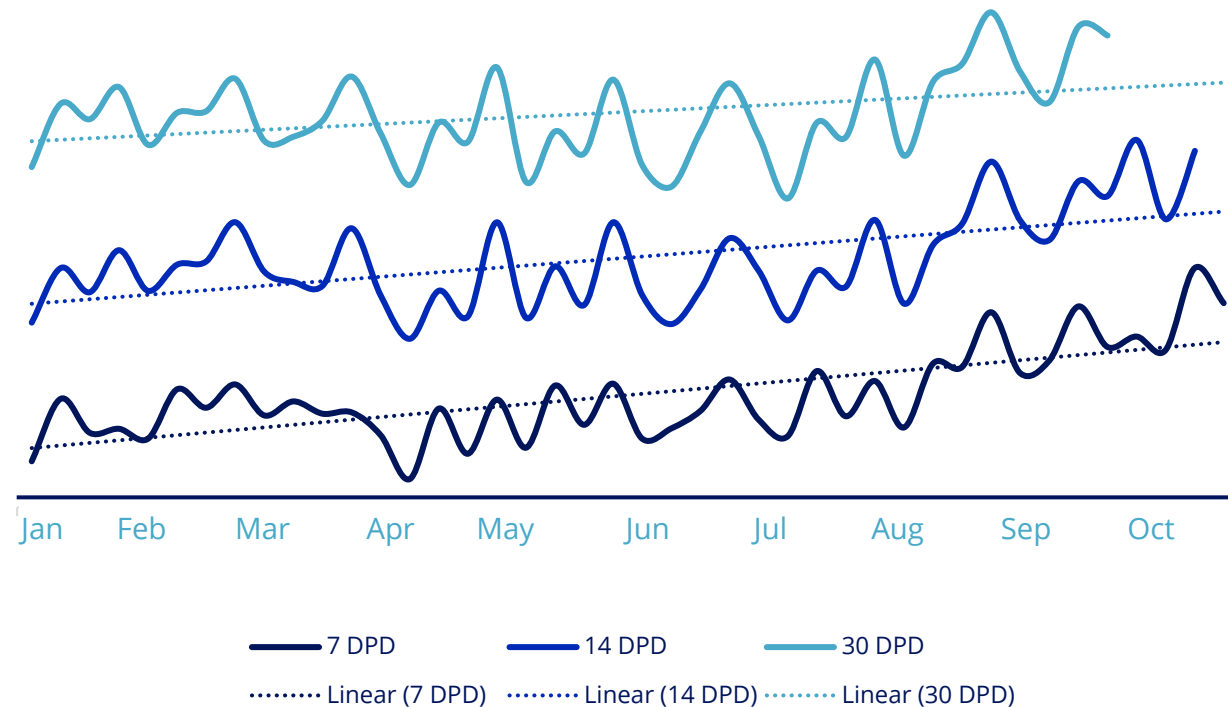


# Overall payment behaviour improves in 9M 2020 despite COVID-19

## Payment behaviour and impairments

- Payment behaviour remained strong throughout Q3 and is also stable as per mid November 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 nearly back to pre COVID-19 levels by end of H1 and increasing in Q3 2020

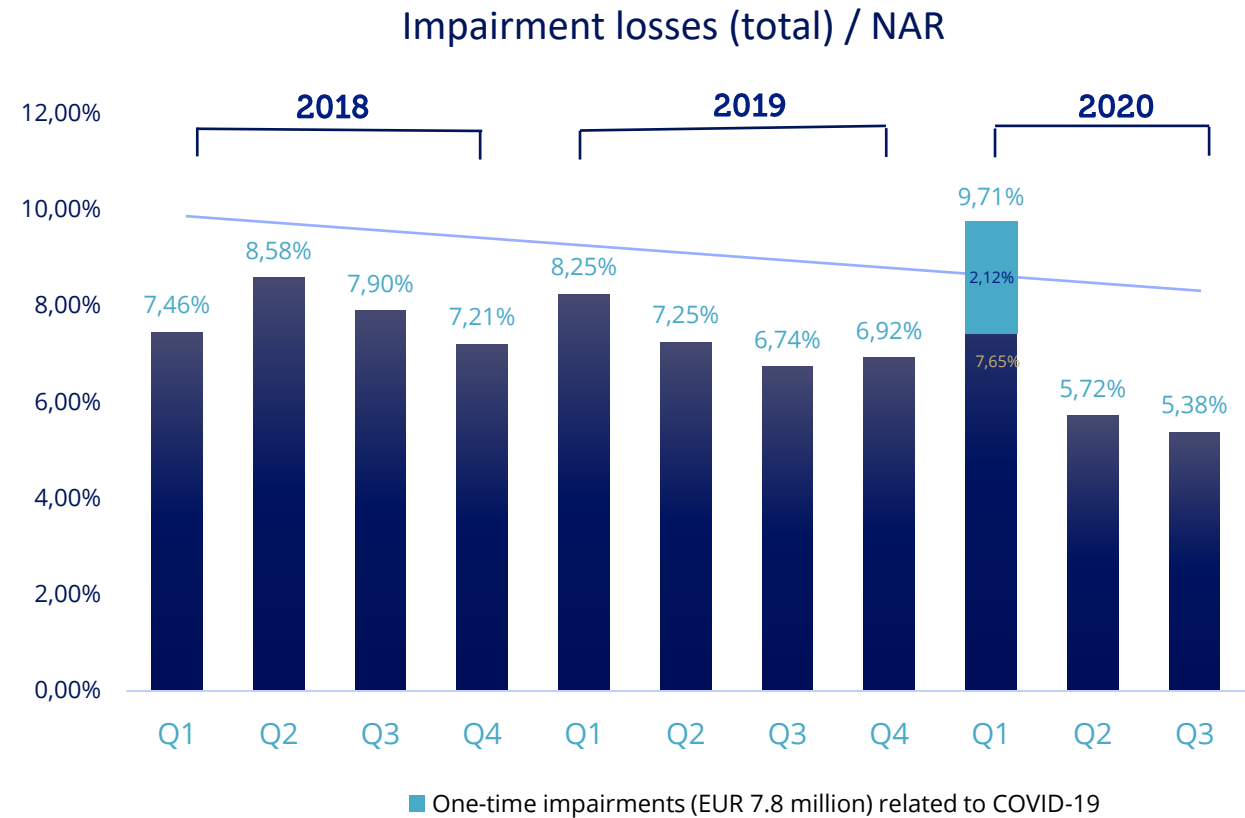
Invoices paid within 7, 14 and 30 DPD



# Mid-term trend of improving asset quality continues

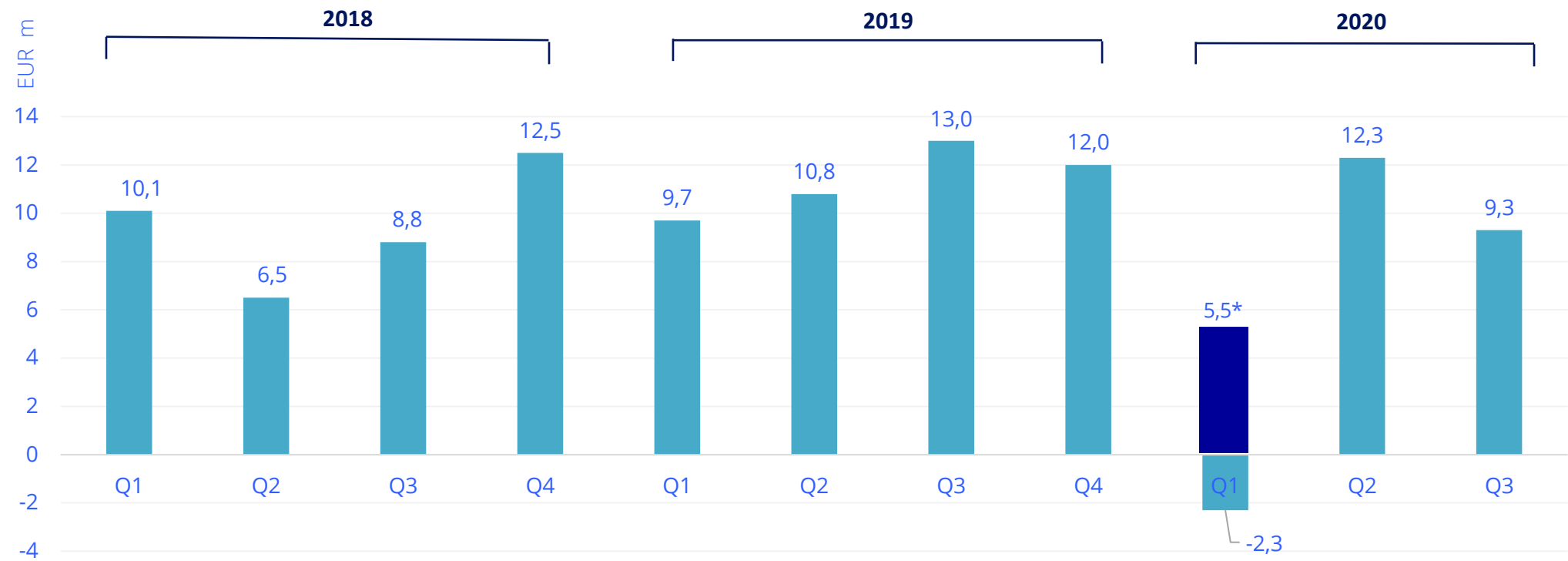
## Impairment losses as per IFRS 9 going down relative to loan portfolios

- 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



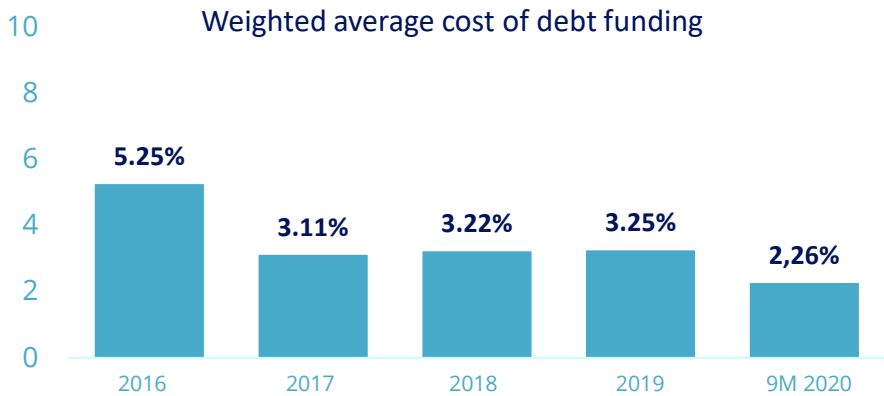
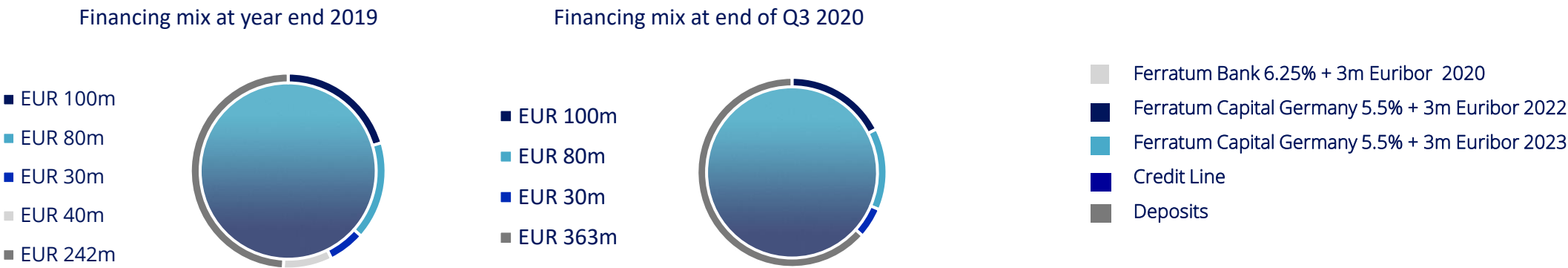


# EBIT Development



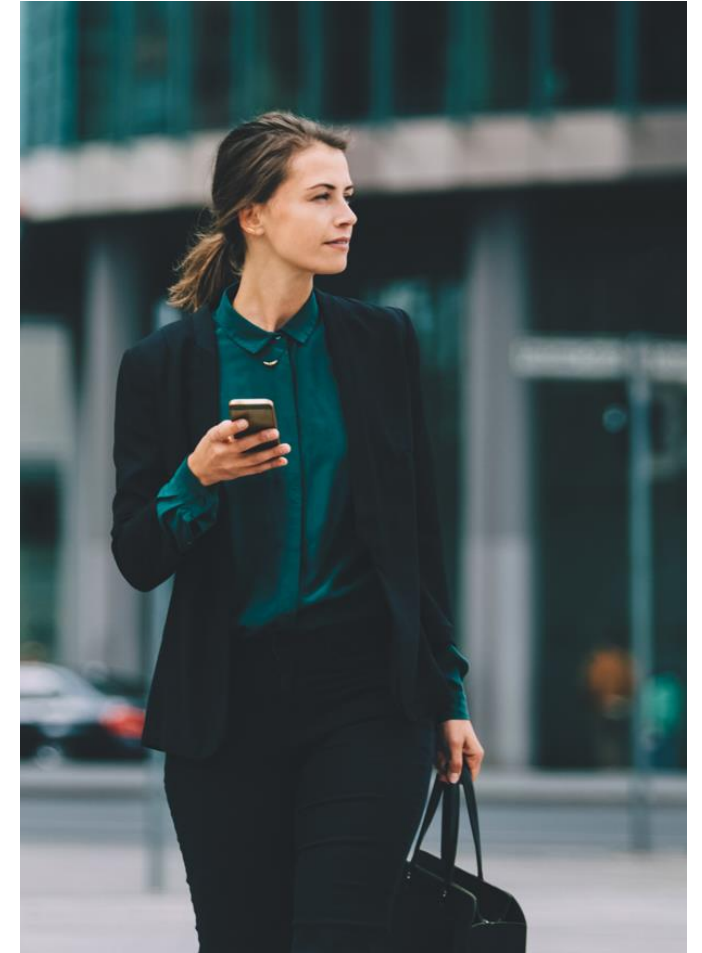
\* Adjusted EBIT excluding COVID-19 related impairments

# Funding structure and cost of debt capital



# Summary and key takeaways

- **Successful execution of the 4-stage COVID-19 pandemic reaction measures:**
  - Risk exposure well under control
  - substantial leaner organization established (in terms of headcount, digitization and total operating cost base)
  - financial metrics continued to strengthen
- **Lending activities increase:** As indicated in Q2 2020, Ferratum increased its lending activities in Q3 and re-activated its loan volume growth – growth in Prime Lending kicked in during Q3
- **Continued investments in future growth:** Acquisition of Spotcap's SME lending activities, Further investments in the Mobile Wallet & Prime Lending
- **Financial metrics remain strong:**
  - Low ND/E ratio of 2.34
  - Equity-ratio of 18.4%
  - Q3 EBIT strong at EUR 9.3 million





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**Thank you**