

Consumer lending market review

Q3 2021

December 20, 2021


SIGNET

PRIVATE
BANK

Consumer lending market review

Sector highlights

- The last quarter has been marked by continuous growth of new loan issuance. All companies included in the review showed a positive growth dynamics in new loan issuance during the quarter and in some cases, for instance DelfinGroup and IuteCredit, reached all time highs.
- The third quarter and the start of fourth quarter has been saturated with new bond issues and refinancing of existing bonds. In total, during the period, the companies included in the review have issued new bonds for the total amount of EUR 444m, largest part of which is accounted for 4finance issue of EUR 175m and Eleving Group issue of EUR 150m – the aim of both these issues were refinancing. Smaller size bond issues include IuteCredit and IPF with EUR 75m and EUR 44m respectively (IPF bonds were issued in SEK) – IuteCredit took advantage of market conditions and made a public offering to raise new money, while IPF refinanced existing bond liabilities.
- Most of the above mentioned bonds were issued with longer maturities and at a coupon rate lower than the coupon rates of previously issued bonds, thus reducing financing costs for companies. Despite that, the dynamics of bond prices after their issuance showed positive trend, pointing to high investor demand even at lower yields.
- An important event for both the industry and the Latvian capital market is initial public offering (IPO) of DelfinGroup, as a result of which the company raised more than EUR 8m and more than 5 900 investors participated in the IPO. The example of DelfinGroup will certainly encourage other companies in the industry to consider this type of capital raising.

Eleving^{GROUP}

Sun Finance

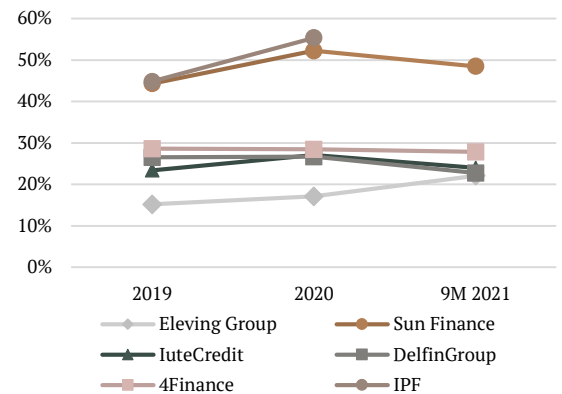
Iutecredit

delfin group
custom finance solutions

4 FINANCE

International Personal Finance

Capitalization ratio



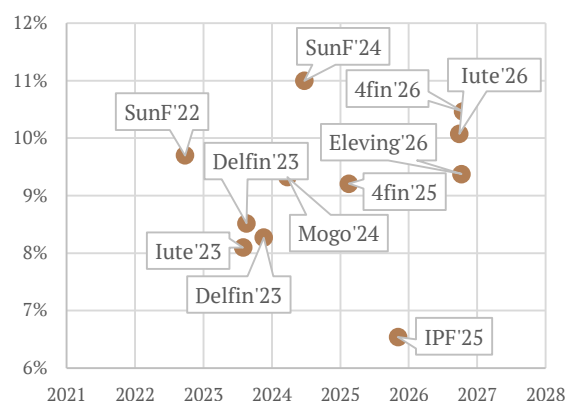
9M 2021 Financial highlights

EUR m	Mogo Finance	Sun Finance	Delfin Group	Iute Credit	4finance	IPF ²
Revenue	110.1	150.1	18.4	43.6	235.9	n/a
EBITDA	40.8	63.6	7.0	15.8	85.3	n/a
Net profit	9.2	40.9	2.7	4.4	27.9	n/a
Net loan portfolio	229.0	94.2	38.2	98.8	627.5	n/a
Total Equity¹	50.6	45.7	8.7	23.7	174.9	n/a

¹Including subordinated loans

²Publishes results twice a year

Yield to Maturity (YTM)



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Key parameters

Founded: 2012	Products: Car financing; consumer loans
Headquarters: Latvia	Key markets
Net portfolio: EUR 229.0m	<ul style="list-style-type: none"> • Latvia • Belarus • Kenya • Georgia • Lithuania • Romania • Armenia • Moldova
Bonds outstanding: EUR 150m	
Auditor: KPMG (IFRS)	
Rating: B- by Fitch	

Financial highlights

- During Q3 2021 the Group continued its growth resulting in record high new loan issuance in 9M 2021. The Group's net loan portfolio in Q3 2021 reached all time high of EUR 229.0m (+19% y/y). The highest growth in net car loan portfolio during Q3 2021 was observed in Kenya and Uganda, but consumer loan portfolio during Q3 2021 showed growth of 15% and reached EUR 50.9m mark.
- The share of the car loans and consumer loans portfolio in the total net portfolio is 78% and 22% respectively (79% and 21% in the previous quarter).
- Due to increasing new loan issuance also the Group's revenue showed positive growth – Q3 2021 revenue was EUR 40.1m (+67% y/y) and 9M 2021 revenue reached EUR 110.1m mark (+62% y/y).
- The Group's EBITDA for 9M 2021 was EUR 40.8m (+65% y/y). The Group has also slightly improved EBITDA margin which stands at 37% for 9M 2021 compared to 36% for 9M 2020.
- Although the Group's Q3 2021 net profit decreased compared to previous quarter, it has managed to increase its profitability quite notably for 9M 2021 – net profit of EUR 9.2m for 9M 2021 in contrary to loss of EUR 6.8m for 9M 2020. The group's capitalization ratio remained relatively stable at 22% over the last quarter.

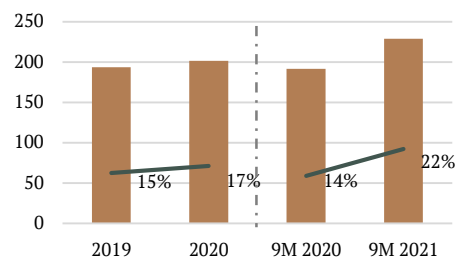
Key developments

- In October the Group successfully issued 9.5% Eurobonds in amount of EUR 150m in order to refinance previous Eurobond obligations and attract additional financing for the further growth of the Group. New Eurobonds mature in 18 October 2026 and their listing is planned on Frankfurt Stock Exchange as well as on Nasdaq Riga.

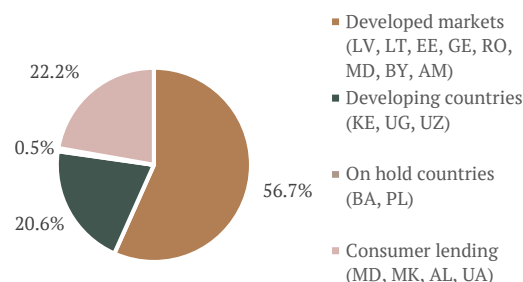
Financial highlights, EUR m

	9M 2020	9M 2021		FY 2019	FY 2020	
Revenue	67.8	110.1	+62%	75.8	94.9	+25%
EBITDA	24.7	40.8	+65%	29.9	45.4	+52%
EBITDA margin	36%	37%	+2pp	39%	48%	+8pp
Net profit	-6.8	9.2	n/a	4.4	1.1	-74%
Net loan portfolio	191.8	229.0	+19%	193.6	201.4	+4%
Cash	11.7	14.1	+21%	8.7	9.3	+8%
Total Equity	27.1	50.6	+87%	29.1	34.4	+18%
Total borrowings	225.3	236.1	+5%	215.5	231.1	+7%
EBITDA / Interest expense	1.3x	1.8x	+40%	1.4x	1.7x	+33%
Capitalization ratio	14%	22%	+8pp	15%	17%	+2pp

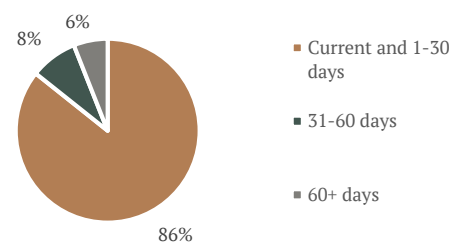
Net loan portfolio and Capitalization ratio, EUR m



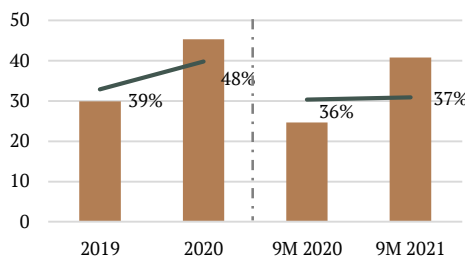
Net loan portfolio split by markets



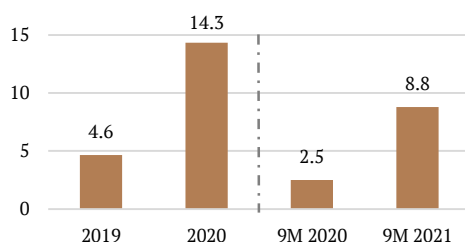
Net car loan portfolio by delay buckets



EBITDA and EBITDA margin, EUR m



Net profit before FX, EUR m



Key parameters

Founded: 2017	Products: Short term loans; line of credit, Installment loans
Headquarters: Latvia	
Net portfolio: EUR 94.2m	Key markets
Bonds outstanding: EUR 35m	<ul style="list-style-type: none"> • Latvia • Poland • Sweden • Vietnam • Denmark • Kazakhstan • Mexico
Auditor: Baker Tilly (IFRS)	

Financial highlights

- The Group continued to grow the amount of newly issued loans which reached EUR 118m during Q3 2021 (+59% y/y) – new loan issuance during 9M 2021 reached EUR 334m exceeding full year 2020 issuance. The Group's net loan portfolio during Q3 2021 reached EUR 94.2m (+42% y/y). Major contributor to loan portfolio growth due to increasing demand was Europe HUB and Central Asia HUB, but loan portfolio in SE Asia HUB and Latin America HUB slightly decreased, which was negatively impacted by soaring COVID-19 cases in the regions.
- Also the Group's revenue continued to show a positive growth – Q3 2021 revenue was EUR 54.6m (+74% y/y) and exceeded EUR 50m mark for the first time. 9M 2021 revenue reached EUR 150.1m (+83% y/y).
- The Group's Q3 2021 EBITDA decreased by 3% compared to last quarter, which was impacted by slightly higher provision expense in response to soaring COVID-19 cases in some Group's markets. The Group's EBITDA for 9M 2021 was EUR 63.6m (+122% y/y).
- The Group's net profit for 9M 2021 increased significantly and reached EUR 40.9m (+331% y/y). The Group's profitability continues to grow due to increasing revenue and low operating costs. The Group's capitalization ratio during Q3 2021 slightly increased and reached 49%, compared to 47% as of Q2 2021.

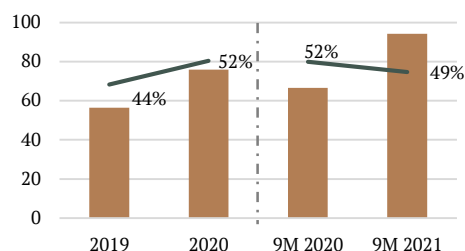
Key developments

- In October 2021, the Group made its debut on the Exchange, including 11% EUR 15m bond issue (LV0000802445) on the Nasdaq Riga First North alternative market, thus providing additional liquidity to bond investors.
- In order to expand the Group's product list, it intends to introduce BNPL (buy now, pay later) product which will be tested on selected Group's markets.
- During Q3 2021, the Group paid out dividends in the amount of EUR 12m in addition to EUR 15m which was paid out a quarter earlier. Dividends were paid out respecting bond covenants and maintaining a high capitalization ratio.

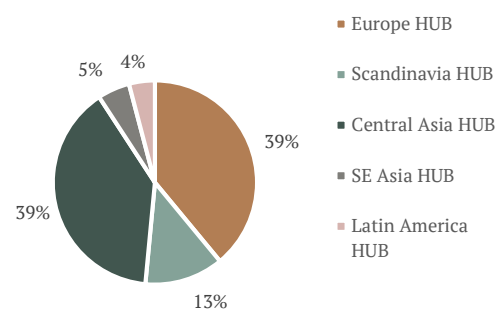
Financial highlights, EUR m

	9M 2020	9M 2021		FY 2019	FY 2020	
Revenue	81.9	150.1	+83%	59.6	121.3	+104%
EBITDA	28.6	63.6	+122%	15.6	45.8	+193%
EBITDA margin	35%	42%	+7pp	26%	38%	+11pp
Net profit	9.5	40.9	+331%	4.8	22.0	+363%
Net loan portfolio	66.5	94.2	+42%	56.5	75.8	+34%
Cash	3.9	8.3	+113%	3.2	8.7	+175%
Total Equity	34.5	45.7	+32%	25.1	39.6	+58%
Total borrowings	49.8	71.4	+43%	52.4	67.4	+29%
EBITDA / Interest expense	4.3x	7.0x	+61%	3.0x	5.6x	+264%
Capitalization ratio	52%	49%	-3pp	44%	52%	+8pp

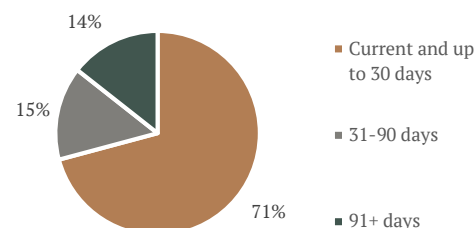
Net loan portfolio and Capitalization ratio, EUR m



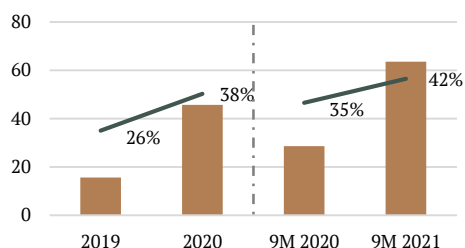
Net loan portfolio split by markets



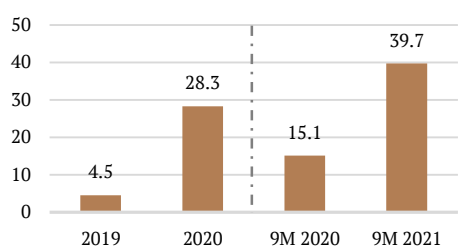
Gross portfolio by delay buckets



EBITDA and EBITDA margin, EUR m



Net profit before FX, EUR m



Q3 2021 DelfinGroup

Key parameters

Founded: 2009	Products: Pawn broking loans; consumer loans; sale of pre-owned goods
Headquarters: Latvia	Key markets
Net portfolio: EUR 38.2m	• Latvia
Bonds outstanding: EUR 8.5m	
Auditor: BDO Assurance (IFRS)	

Financial highlights

- The Group experienced a sharp increase in new loan issuance during Q3 2021. During Q3 2021 new loan issuance in one quarter reached all time high level – EUR 15.3m which is an increase of 29% compared to last quarter. Due to increase in new loan issuance, the Group's net loan portfolio in Q3 2021 reached EUR 38.2m (+12% y/y).
- The Group's 9M 2021 revenue reached EUR 18.4m (+8% y/y). Higher provision expense as well as higher administrative and selling expense were the reason behind why the Group's EBITDA growth during 9M 2021 compared to 9M 2020 showed only 1% - the Group's EBITDA for 9M 2021 was EUR 7.0m compared to EUR 6.9m for 9M 2020.
- The Group's net profit for 9M 2021 was EUR 2.7m (-16% y/y) which was negatively impacted by both increasing operating expense and higher income tax expense due to dividend payout. The Group's 9M 2021 profit before tax (EUR 3.5m) compared to 9M 2020 has decreased by 5%.
- The Group's capitalization ratio during Q3 2021 compared to Q2 2021 has slightly decreased – 23% as of Q3 2021 compared to 24% as of Q2 2021. Decrease in capitalization ratio was observed due to increase in loan portfolio and lower total equity (due to dividend payout). The capitalization ratio is expected to improve significantly and exceed 40% mark due to the funds raised by the IPO.

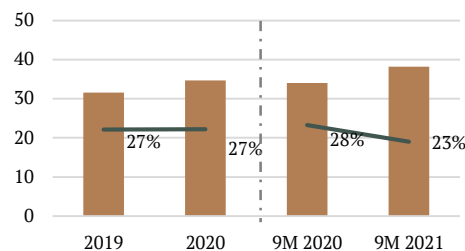
Key developments

- In October the Group successfully completed its IPO in which participated 5 927 investors. At the time it was the largest IPO in Latvia taking into account the total number of investors and as a result, the Group raised funds in amount of EUR 8.09m which was used to repay borrowings and increase loan portfolio.
- Shortly after IPO, the Group redeemed bonds that were issued in 2016 in total amount of EUR 5.0m and announced early redemption of bonds issued in 2019 in total amount of EUR 5.0m. By repaying bonds, the Group expects to have a positive effect on its profitability in the amount of EUR 1.8m a year.
- During Q3 2021 the Group paid out dividends in the amount of EUR 0.4m. During 9M 2021 in total the Group has reached EUR 3.2m in paid out dividends.

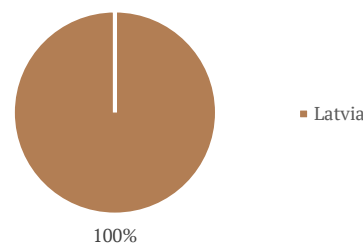
Financial highlights, EUR m

	9M 2020	9M 2021		FY 2019	FY 2020	
Revenue	17.0	18.4	+8%	22.2	23.7	+7%
EBITDA	6.9	7.0	+1%	8.1	9.2	+13%
EBITDA margin	41%	38%	-3pp	37%	39%	+2pp
Net profit	3.2	2.7	-16%	3.9	3.9	-0%
Net loan portfolio	34.0	38.2	+12%	31.5	34.7	+10%
Cash	2.4	2.5	+4%	1.1	4.6	+304%
Total Equity	9.5	8.7	-9%	8.4	9.3	+11%
Total borrowings	27.6	33.3	+21%	26.4	31.2	+18%
EBITDA / Interest expense	2.8x	2.6x	-7%	2.8x	2.6x	-7%
Capitalization ratio	28%	23%	-5pp	27%	27%	+0pp

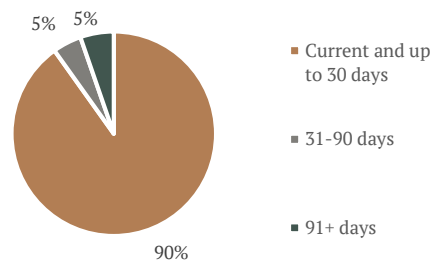
Net loan portfolio and Capitalization ratio, EUR m



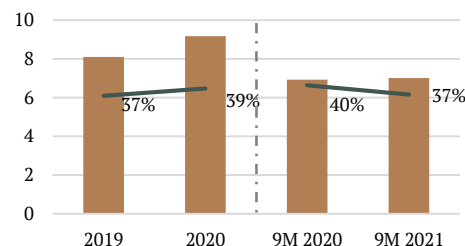
Net loan portfolio split by markets



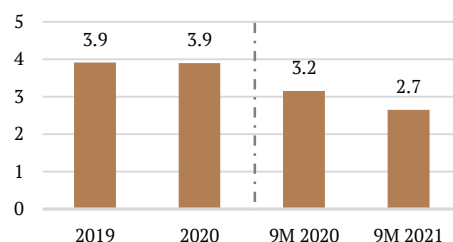
Gross portfolio by delay buckets



EBITDA and EBITDA margin, EUR m



Net profit, EUR m



Key parameters

Founded: 2008	Products: Dealer loans; cash loans; car loans
Headquarters: Estonia	Key markets
Net portfolio: EUR 98.8m	<ul style="list-style-type: none"> Moldova Albania North Macedonia Bosnia and Herzegovina
Bonds outstanding: EUR 125m	
Auditor: KPMG (IFRS)	

Financial highlights

- New loan issuance in the Group's markets during Q3 2021 was still at high level, resulting in net loan portfolio growth – net loan portfolio in Q3 2021 compared to last quarter grew by 12% and reached EUR 98.8m (+39% y/y).
- Although the Group reached new all time high new loan issuance in Q3 2021, its revenue compared to last quarter decreased by 5.6% which was explained by longer loan repayment terms and lower annual percentage rate. The Group's revenue for 9M 2021 reached EUR 43.6m which is slight increase of 3.2% compared to 9M 2020.
- Also the Group's net profit was lower than in previous quarter – EUR 1.4m for Q3 2021 compared to EUR 2.0m for Q2 2021. Net profit was impacted by the above mentioned lower revenue as well as higher operating expenses. The Group's net profit for 9M 2021 was EUR 4.4m which is an increase of 14% compared to 9M 2020.
- The Group's capitalization ratio in Q3 2021 decreased due to paid out dividends and increase in loan portfolio – the Group's capitalization as of 3Q 2021 was 24% compared to 26% in Q2 2021, but it is still comfortably above 15% mark which is the minimum level specified in the Eurobond covenants.

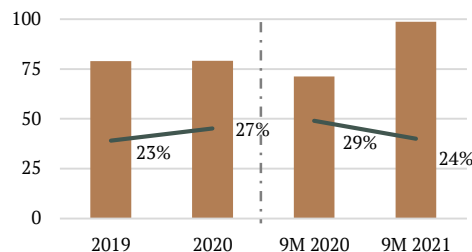
Key developments

- The Group continues to digitalize its operations – Mylute App has been downloaded more than 118 000 time since its launch in Q1 2021. In total 120 000 loan applications have been submitted from the app during Q3 2021.
- During Q3 2021 the Group paid out dividends in the amount of EUR 1.2m. Total amount of paid out dividends during 9M 2021 has reached EUR 2.7m.
- In October, the Group issued 11% Eurobonds in the amount of EUR 75m and 5 year term. Demand for these bonds exceeded supply and the bonds are currently trading on the Nasdaq Baltic Exchange with a premium of 3% - 4%.

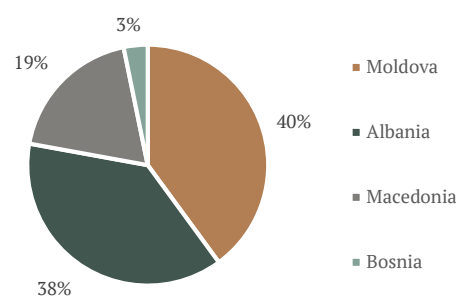
Financial highlights, EUR m

	9M 2020	9M 2021		FY 2019	FY 2020	
Revenue	42.3	43.6	+3%	50.8	56.1	+10%
EBITDA	15.7	15.8	+1%	20.3	20.9	+3%
EBITDA margin	37%	36%	-2pp	40%	37%	-3pp
Net profit	3.8	4.4	+14%	8.4	5.2	-37%
Net loan portfolio	71.2	98.8	+39%	79.0	79.2	+0%
Cash	6.7	12.4	+86%	6.7	19.5	+189%
Total Equity	20.9	23.7	+13%	18.5	21.5	+16%
Total borrowings	73.8	101.3	+37%	84.1	91.4	+9%
EBITDA / Interest expense	1.9x	1.6x	-18%	2.3x	1.9x	-16%
Capitalization ratio	29%	24%	-5pp	23%	27%	+4pp

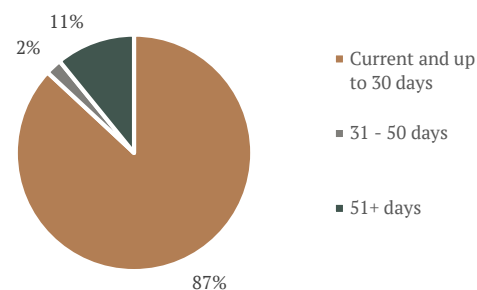
Net loan portfolio and Capitalization ratio, EUR m



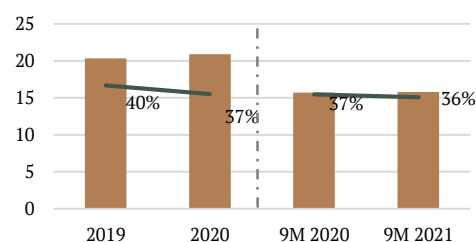
Net loan portfolio split by markets



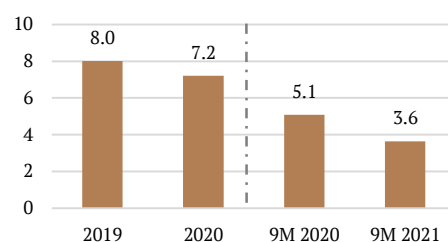
Net portfolio by delay buckets



EBITDA and EBITDA margin, EUR m



Net profit before FX, EUR m



Key parameters

Founded: 2008	Products: Short-term loans, Credit lines, Consumer loans, Bank
Headquarters: Latvia	
Net portfolio: EUR 627.5m	Key markets
Bonds outstanding: EUR 325m	<ul style="list-style-type: none"> • Spain • Poland • Latvia • Lithuania • Romania • Bulgaria • Czech Republic
Auditor: PKF Audit & Conseil (IFRS)	
Rating: B by S&P, B2 by Moody's	

Financial highlights

- The Group's net loan portfolio during Q3 2021 compared to Q2 2021 increased by 11% and reached EUR 627.5m. The growth in loan portfolio was driven by still high demand for the Group's products both in Online and TBI Bank segments. New loan issuance during Q3 2021 in Online segment compared to Q2 2021 increased by 13%, but TBI Bank by 22%.
- Group's revenue during Q3 2021 compared to last quarter showed a growth of 13% and reached EUR 85.6m. The Group's revenue for 9M 2021 still was behind 9M 2020 revenue (-6% y/y).
- The Group's EBITDA for 9M 2021 (EUR 85.3m) compared to 9M 2020 increased by 59%, positively impacted by lower operating expense and provision expense.
- The Group's net profit during Q3 2021 continued to show a positive trend – net profit for Q3 2021 compared to Q2 2021 increased by 56%. Also the Group's 9M 2021 net profit showed a positive growth – net profit for 9M 2021 was EUR 27.9m compared to loss of EUR 15.5m for 9M 2020.

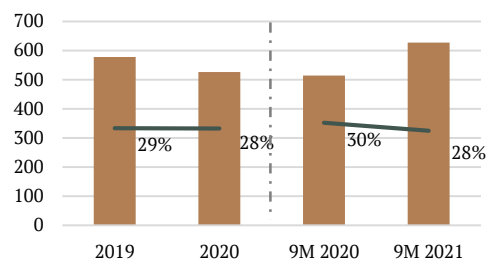
Key developments

- In October, the Group successfully concluded its refinancing by issuing 10.75% bonds in amount of EUR 175m and 5 year term. Proceeds from this issue were used to repay USD 200m bonds. After refinancing all Group's bonds are denominated in EUR currency.

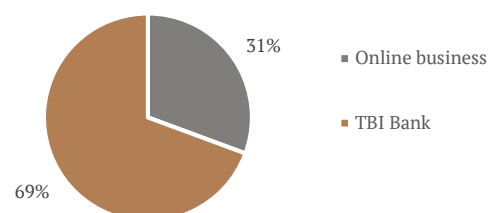
Financial highlights, EUR m

	9M 2020	9M 2021		FY 2019	FY 2020	
Revenue	251.7	235.9	-6%	452.5	336.1	-26%
EBITDA	53.8	85.3	+59%	119.8	70.2	-41%
EBITDA margin	21%	36%	+15pp	26%	21%	-6pp
Net profit	-15.5	27.9	n/a	28.4	-25.0	-188%
Net loan portfolio	515.1	627.5	+22%	578.9	526.4	-9%
Cash	163.9	168.5	+3%	125.7	154.2	+23%
Total Equity	155.6	174.9	+12%	165.8	150.0	-10%
Total borrowings	345.2	329.2	-5%	397.6	341.9	-14%
EBITDA / Interest expense	1.4x	2.4x	+67%	2.1x	1.4x	-33%
Capitalization ratio	30%	28%	-2pp	29%	28%	-0%

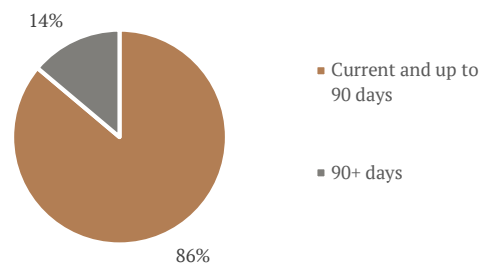
Net loan portfolio and Capitalization ratio, EUR m



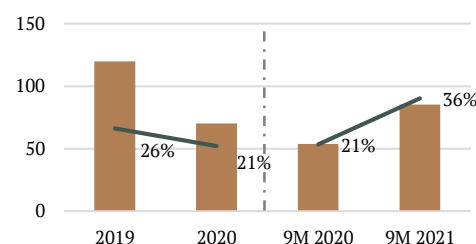
Net loan portfolio split by markets



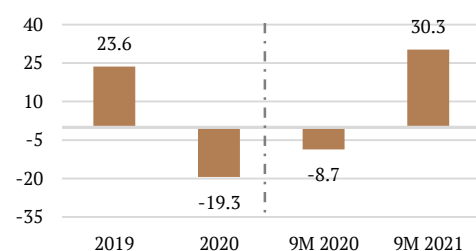
Gross portfolio by delay buckets



EBITDA and EBITDA margin, EUR m



Net profit before FX, EUR m

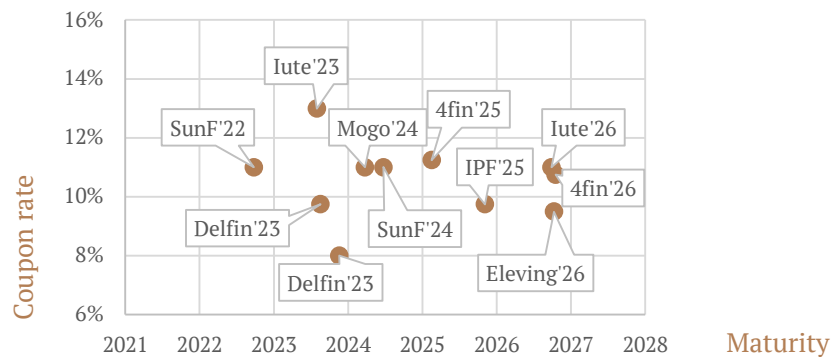
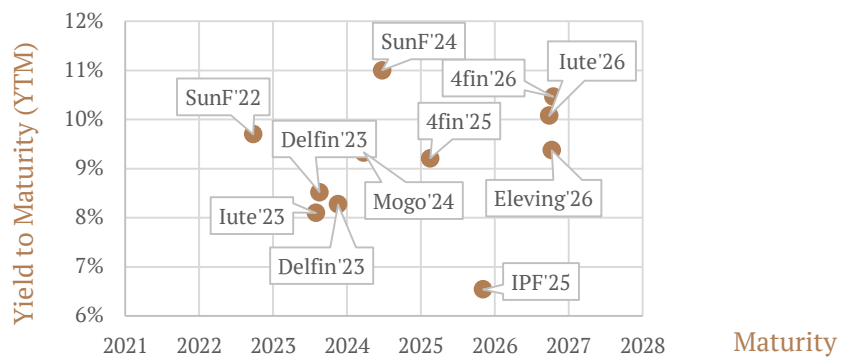


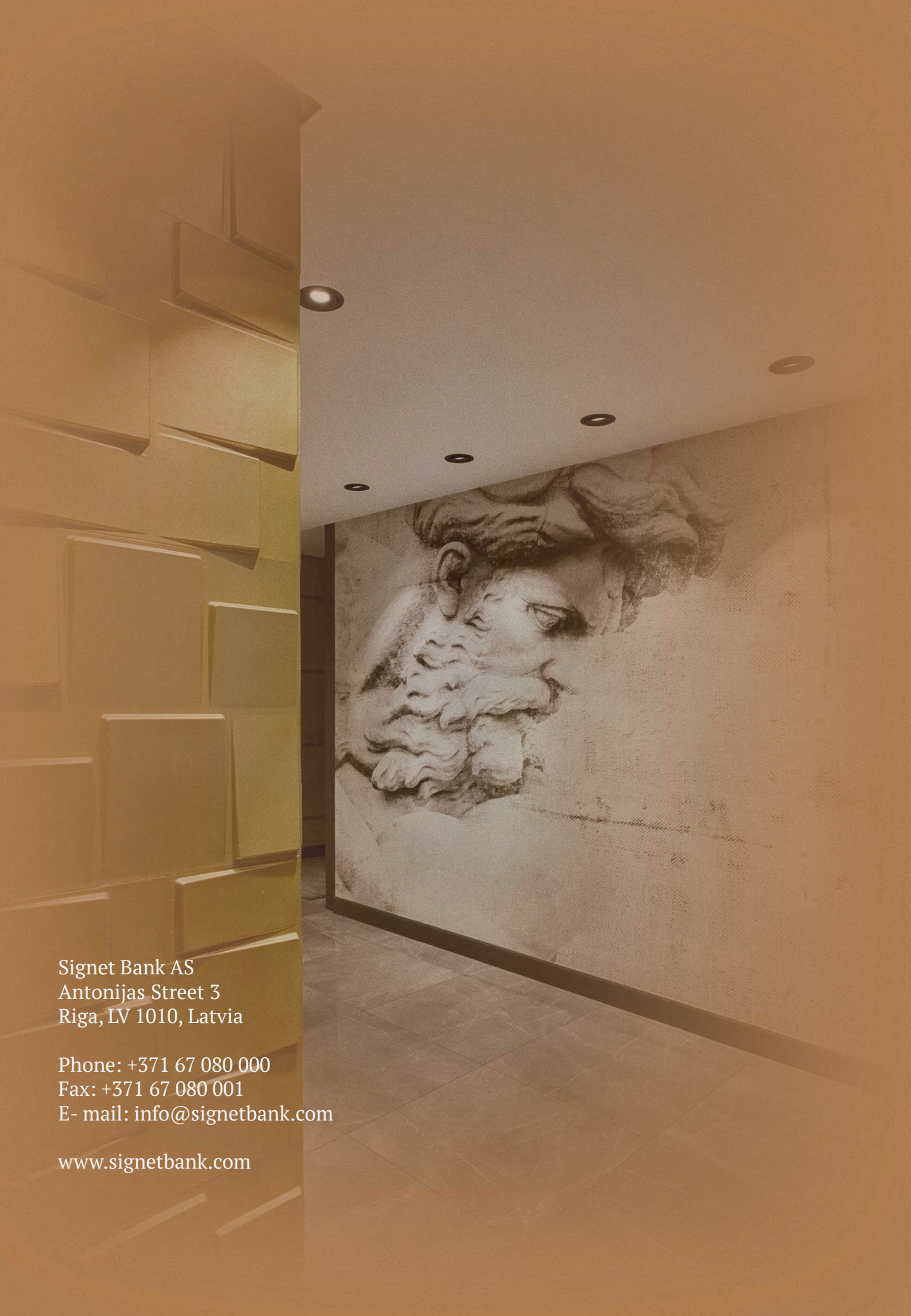
Current bond issues



Company	Issuer	ISIN	Maturity	Coupon	Issue size	YTM ¹	BID Price	Call option	Collateral	Listing
	AS «mogo» (Latvia)	LV0000802452	31.03.2024	11.00%	EUR 30 000 000	9.33%	103.50	Call @101%	Unsecured	Nasdaq Baltic First North
	Eleving Group S.A. (Luxembourg)	XS2393240887	18.10.2026	9.50%	EUR 150 000 000	9.37%	100.38	Call @104.75% (18.10.2024); @102.375% (18.10.2025); @100% after	Secured	Frankfurt Stock Exchange and Nasdaq Riga
	Sun Finance Treasury Ltd. (Malta)	LV0000802445	30.09.2022	11.00%	EUR 15 000 000	9.70%	101.00	Call @101%	Senior Unsecured	Nasdaq First North
		LV0000802494	30.06.2024	11.00%	EUR 20 000 000	11.00%	100.00	Call @102% (30.06.2022) @101% after	Senior Unsecured	-
	IuteCredit Finance S.à r.l. (Luxembourg)	XS2033386603	07.08.2023	13.00%	EUR 50 000 000	8.10%	106.01	Call @106.5% (07.08.2021); @103.5% after	Secured	Frankfurt Stock Exchange
		XS2378483494	06.10.2026	11.00%	EUR 75 000 000	10.08%	103.40	Call @105.5% (06.10.2025); @102.75% after	Secured	Frankfurt Stock Exchange and Nasdaq Tallinn
	AS DelfinGroup (Latvia)	LV0000850048	25.08.2023	9.75%	EUR 5 000 000	8.52%	102.00	Call @101%; Put @101% (25.07.2021)	Senior Unsecured	-
		LV0000802536	25.11.2023	8.00%	EUR 10 000 000	8.27%	99.50	Call @101% (25.05.2023)	Senior Unsecured	-
	4finance S.A. (Luxembourg)	XS1417876163	23.02.2025	11.25%	EUR 150 000 000	9.21%	103.44	Call @104% (08.07.2021)	Senior Unsecured	Frankfurt Stock Exchange
		NO0011128316	26.10.2026	10.75%	EUR 175 000 000	10.46%	101.86	Call @105.375 (26.04.2025); @102.688 (26.10.2025); @101.344 (26.04.2026); @100 after	Senior Unsecured	Nasdaq Stockholm
	International Personal Finance plc (United Kingdom)	XS2256977013	12.11.2025	9.75%	EUR 341 228 000	6.54%	107.25	Call @104.875 (12.11.2022); @102.4375 (12.11.2023); @100 after	Senior Unsecured	London Stock Exchange

¹Source: Bloomberg, Nasdaq Riga. Data as of 20 December 2021



A photograph of a modern interior space. On the left, a wall is covered in a grid of recessed, rectangular panels. To the right, a large wall features a detailed mural of a classical sculpture, possibly a head and shoulders of a figure. The ceiling is white with several recessed circular lights. The floor is made of large, light-colored tiles.

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