Eleving Group S.A.

Initiation of Coverage Report

November 20, 2024

Table of Contents

Investment Summary

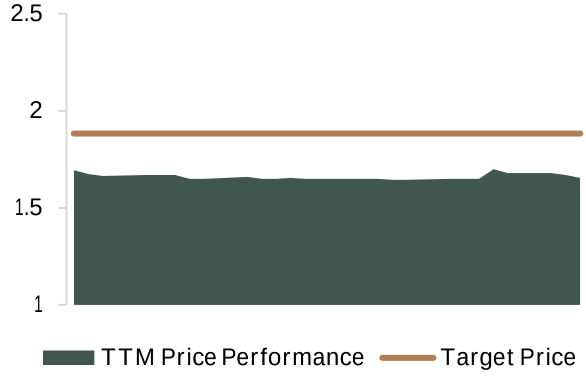
Scaling High-Yield Lending in Emerging Economies

Eleving Group S.A. ("Eleving" or the "Group") offers an opportunity for investors to tap-in to exotic markets in Africa and other developing regions, where there is potential for higher economic growth and better demographic trends compared to developed countries. The Group particularly focuses on underbanked individuals and have proven its effective risk management leading to high-return performance.

Eleving's advanced IT solutions enable the Group to effectively scale its operations in new markets while maintaining high-quality services across all regions. A key attraction for the Group is its strong track record of loan portfolio growth and consistent profitability, even during its expansion. This solid performance supports its capacity to offer attractive dividend yields alongside its growth strategy.

For the 2024-2026E period, we anticipate a gradual increase in dividend yield from 5.8% to 9.2%, with a continued upward trajectory. **We have valued the stock at EUR 1.88, implying a 13.8% upside from the current market price.** The Group's P/E ratio is expected to range between 8.4x and 5.4x for 2024-2026E, while the P/B ratio is forecasted to be in the range of 2.1x to 1.5x, respectively. While some European peers may appear relatively cheaper, the Group's valuation remains at a discount compared to the global peer average.

Company profile	
Listing market	Nasdaq Riga/FRA
Ticker	ELEVR/OT8
Industry	Financial services
Website	https://www.eleving.com/



Share Data (October 10, 2024)	
Current price, EUR	1.655
Target price, EUR	1.88
Potential Upside/Downside, %	13.8
52 week Low/High, EUR	1.605/1.71
3 month av. daily volume	40006
Market cap, EURm	193.8
Ordinary shares	117.1

Analyst

Valters Smiltans

Valters.Smiltans@Signetbank.com

+371 66956529

Key Numbers (EURm)	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Revenue	153.7	175.9	191.3	214.4	238.4	271.0	316.0	351.5
EBITDA	57.5	65.6	77.5	83.9	90.9	105.3	129.2	150.2
Pre-tax profit	17.3	21.5	28.5	38.1	51.0	61.8	78.2	94.5
Net loan portfolio	245.6	293.0	320.3	357.6	403.3	482.3	580.2	636.2
Net Debt	257.9	277.5	311.1	294.6	322.5	381.2	452.6	477.4
Total Equity	24.3	45.2	53.6	94.1	109.0	127.0	149.7	177.2
Dividends	0.4	0.6	10.0	11.5	14.8	18.0	22.8	27.5
Dividend Yield (%)	-	-	-	6.0	7.7	9.3	11.7	14.2
ROE (%)	9.2	44.0	40.7	31.2	29.2	30.5	32.9	33.6
EV/EBITDA (x)	-	-	-	5.7	5.3	4.6	3.7	3.2
P/E (x)	-	-	-	8.4	6.5	5.4	4.3	3.5
P/Book (x)	-	-	-	2.1	1.8	1.5	1.3	1.1

*Source: Eleving for historicals, Signet Bank for estimates. *2024E-2028E multiples are based on share price at November 20th of EUR 1.655.*

Company overview

- Since its inception in 2012 as a non-bank financial institution providing vehicle financing in Latvia, Eleving has evolved into a global player in the vehicle and consumer finance sector, serving 16 markets in 3 continents.
- The Group's product offering consists of 3 main segments – vehicle-backed loans, consumer loans and flexible lease & subscription based products. The customer base can be broadly described as "subprime", that are underserved by conventional financial institutions given their perceived credit risk.
- The Group has been active in the domestic and international debt capital markets since 2015. Eleving successfully conducted IPO in October 2024, raising EUR 29m of additional funds for strengthening its capital base, further expanding to new markets and widening its product spectrum. The Group has listed its shares on Nasdaq Riga's regulated market (Baltic Main List) and Frankfurt Stock Exchange's regulated market (Prime Standard) with free-float reaching 18.4%.

Sector overview

- The non-bank lenders are regulated by either local Central Banks or Consumer Protection Agencies with specific rules and frameworks governing the practices that are distinct from traditional banking regulation. In 13 out of 16 countries the Group operates in, a license or specific registration is required. One of the core aspects of regulations include APR ceiling and the amount of required license fee.
- The estimates show favorable macro environment for the lending sector, with higher growth expected in developing countries.
- In Romania, the total assets of monetary financial institutions as a share of GDP stands at 55%, while the statistic for EU average is 277%, underpinning the plans for the Group to enter SME financing segment in the Balkans
- Rapid population growth and increasing focus on sustainable mobility solutions in Sub-Saharan Africa is driving the expansion of the traditional vehicle finance and flexible lease segments.
- GDP of Eurozone countries is expected to grow at a rate between 1-2% for the next 3 years, while in the Balkans the growth is expected to be twice as large.

Financial overview

- In mid-term the Group targets to achieve ca. 17.6% annual organic growth on average for the net portfolio, depending on the market. The main drivers include growing in the existing markets and launching in new markets, though new markets could involve M&A deals. Furthermore, Eleving is focusing on launching SME financing products in 2025. While we approach these targets with some caution, given the Group's development and performance over the past five years, we believe that the management's guidance is broadly realistic scenario for the future.
- Over the past five years, the Group has achieved a robust expansion of its net portfolio, delivering a 17.8% CAGR, driven by both organic growth and acquisitions. Historically, the Group's experience indicates that new markets and products experience modest growth in their first year, with significant momentum building in subsequent years. Thus, we expect the loan portfolio to gain larger momentum in 2026 and 2027. Partly aligned with the Group's growth targets, we project the net loan portfolio to achieve a 5-year CAGR of 15%, nearly doubling its value by the end of our forecast period, reaching EUR 636m.
- The loan portfolio's high-yield nature reflects Eleving's high-risk appetite business model, with the average loan interest rate standing at 61.6% in 2023. We anticipate that the loan portfolio growth in new and existing markets will require Eleving to maintain competitive interest rates to attract borrowers, thus we estimate slight downward trend in the loan interest rates with revenues recording 5Y CAGR of 12.9% and reach EUR 351.5m by the end of our forecast period.
- With new market and business line growth projected to gain momentum by 2026, we forecast the cost-to-income ratio to remain around 39% until 2025, subsequently declining to 32.3% by the end of our forecast period. This anticipated improvement reflects our expectation that the Group will scale revenues more efficiently than costs. In terms of ROE, a short-term downside is expected due to an additional equity injection, but we anticipate that the Group will sustain an ROE above the 25% target, with a normalized long-term ROE of approximately 30%.

- We project a 5Y CAGR for EBITDA and net profit attributable to the equity holders of Eleving of 14.2% and 22.3%, respectively, reaching EUR 150.2m and EUR 55.0m by the end of the forecast period. One should note that Eleving's operations in non-Eurozone markets involve issuing loans in local currencies, which exposes the Group to FX risk, thus net profits can be quite volatile.

Valuation

- We have approached our valuation of Eleving with a combination of an income and market approaches. Considering the Group's promising growth prospects and the scarcity of comparable listed peers, we believe that the income approach better suits Elevings's valuation. Hence, we allocated 70% to the income-based valuation using the Residual Income Model (RIM) and the modified Gordon Growth Model (GGM), which essentially derives the fair P/B ratio-based valuation for the Group. The remaining 30% is attributed to peer valuation.
- Based on our current projections and underlying assumptions, we've set our target price for the Group at EUR 1.88 per share. We view profitable growth and appealing dividend yields as the cornerstone of the investment case for Eleving.
- In light of the additional equity injection and projected growth rate, we believe Eleving can maintain an equity ratio above 20% while adhering to a payout ratio at least 50%. Based on our estimated equity value, we project the dividend yield to reach 6.0% in 2024, gradually increasing to 14.2% by the end of our forecast period.
- The key risk factors to our valuation include: a) the relative instability of developing countries where the Group has exposure; b) economic recession resulting in slower than projected growth in consumer lending volumes, deterioration of the credit quality and downtrend in non-euro currencies; c) stronger downward pressure on loan rates due to rising competition than expected; d) regulatory tightening such as maximum loan rate caps, licensing etc.

Company Overview

Since its inception in 2012 as a non-banking financial institution (NBFI) providing vehicle financing in Latvia, Eleving Group S.A. (hereafter referred to as "Eleving" or the "Group"), has evolved into a global player in the vehicle and consumer finance sector, serving 16 markets in 3 continents. Eleving is a public limited company domiciled in Luxemburg with its headquarters in Riga, Latvia. Within 12 years of operations, the Group has issued more than EUR 1.8 billion of loans, amassed north of 298 000 active customers and employs 2 854 individuals from 20+ different countries.

The Group's product offering consists of 3 main segments – vehicle-backed loans, consumer loans and flexible lease & subscription based products. The customer base can be broadly described as "subprime", that are underserved by conventional financial institutions given their perceived credit risk. The Group leverages its operational know-how and centralized governance to expand to markets where the share of such individuals is relatively substantial, thus perpetuating its stable growth trajectory.

The Group has been active in the domestic and international debt capital markets since 2015. In 2021, the Group issued EUR 150m worth of Eurobonds listed in Frankfurt and Baltics, offering an annual coupon of 9.5%, while in 2023, the Group issued EUR 50m Eurobond with an annual coupon of 13%.

In October 2024, Eleving successfully concluded its IPO, raising EUR 29m of additional equity. Investors showed a lively interest, oversubscribing the base offer by 1.2 times. Upon completion of the offering, the expected free float of company shares will amount to 18.4%. The raised funds will enable the Group to manage its funding structure more flexibly, and will serve as a base for further expansion to new markets and for widening its product base. Given the operational "know-how", as evidenced by successful penetration of 16 markets, the Group has positioned itself well successful expansion. With regards to new products, IPO proceeds will partly be directed to developing a new small and medium enterprise (SME) financing business, with the goal of bridging the financing gap for SMEs prevalent in emerging market economies .

Shareholder structure

Eleving was founded in 2012 by 4 university peers, all of whom retain majority share post-IPO: Aigars Kesenfelds (AS ALPPES Capital) – 37.3%; Alberts Pole (AS Novo Holdings) – 12.4%; Kristaps Ozols (SIA EMK Ventures) – 12.4%; Māris Keišs (AS Obelo Capital) – 12.4%. The largest shareholders are subject to two year lock-up period, while the management board members to one year lock-up period. The total of new shares amounted to 14.6%, while the expected free float of Eleving shares amounts to 18.4%.

Board of directors

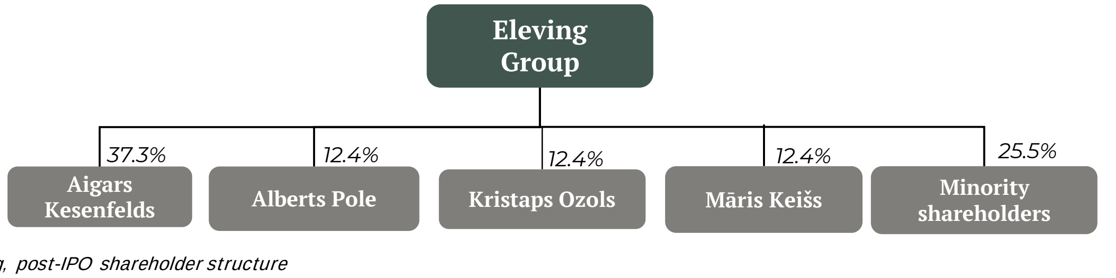
The Group is currently managed by a board of directors (the "Board") comprising of two types of Directors – two type A Directors and two type B directors, being appointed by the shareholders' general meeting of the Group. Type A Directors are responsible for day-to-day management, as well as updating the Supervisory Council, which consists of the Chairman of the Board and two independent board members.

Modestas Sudnius – Chief Executive Officer (Type A)

- With Eleving Group since 2013, part of the Group's management team as CEO since November 2018
- Started as a country manager for Lithuania, where he established successful operations. In January 2018, promoted to regional CEO for the Group's core markets in Latvia, Lithuania, Estonia, Georgia, and Armenia.
- Prior to Eleving Group, worked for international companies, such as EY, EPS LT.
- A graduate of the ISM University of Management and Economics in Vilnius and a Master's Degree holder from the Stockholm School of Economics

Māris Kreics – Chief Financial Officer (Type A)

- With Eleving Group since 2015
- Before joining Eleving Group, spent two years in a corporate finance role with Tet (formerly, Lattelecom), the largest telecommunication services company in Latvia. Previously, spent seven years at PwC, including two years in its New York office, working exclusively on one of the largest S&P 500 Tech company's lead audit teams responsible for managing other audit teams globally
- Holds a Master's Degree in Finance from the BA School of Business and Finance in Riga
- A CFA charterholder and a member of ACCA since 2011 (fellow since 2016)



Source: Eleving, post-IPO shareholder structure

The Group's structure

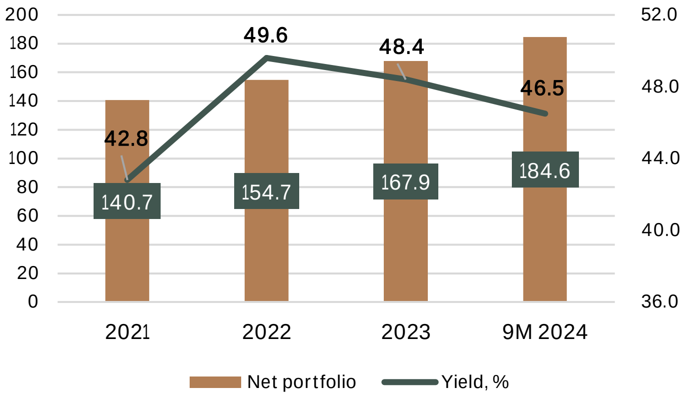
In 2021, the Group consolidated under the parent company Eleving Group S.A. In order to secure operational efficiency and enable future expansion, the Group's structure is divided in three layers – Group, Hubs and Countries. Main management functions are aggregated at group level, handling IT, finance, business development, HR, legal and marketing. However, the operational execution is dependent on regional hubs and country branches.

Traditional Vehicle Finance

The business origins for the Group are characterized by the establishment of Mogo, the initial name of the Group and first brand under its management. Mogo launched the first vehicle financing product for the Latvian market in 2012, and within a year of operations, managed to expand to Estonia and Lithuania, amassing a net portfolio of EUR 8m. Mogo mainly offers finance lease and leaseback secured products that are backed by the used vehicles offered to clients as collateral. The Group continued its aggressive expansion strategy throughout the decade, having successfully entered 10 markets by 2019 and growing its net portfolio to EUR 194m. Key reason for such growth is the existing funding gap for the Group's customers. The Group utilized the potential, taking a notable share of the total lending volumes. Additionally, the Group has developed and integrated both online and offline sales channels, as well as cooperates with dealers in order to provide convenient and efficient service to its customers. For traditional vehicle finance, more than half of loan applications stem from online channels, which underpins the rapid digitalization of the Group's serviced markets, providing ample future growth prospects.

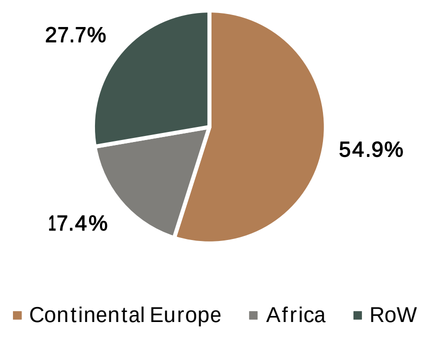
Traditional vehicle finance segment remains as the largest share of the total net portfolio for the Group; as of 2024 Q3, this segment takes up a 46% share of net portfolio . In 2024, north of 55% of traditional vehicle finance net portfolio stems from continental Europe, 28% of loans are deployed in Africa, while the rest stems from the rest of the world (Georgia, Armenia, Uzbekistan). The net portfolio of traditional vehicle finance has shown healthy growth, reporting CAGR of 9% from 2021 to 2023.

Traditional Vehicle Finance portfolio development



Source: Eleving, as of the end of 9M 2024

Geographical breakdown (Net portfolio)



Source: Eleving, as of the end of 9M 2024

Source: Eleving

In 2019, the Group complemented the existing traditional vehicle finance segment with Primero – car leasing for people looking for higher quality vehicles, in which the Group holds a 49% share. The brand operates exclusively in Latvia, servicing near prime customers with more stable income. As of the end of 9M 2024, the net portfolio of this brand is EUR 26.9m.

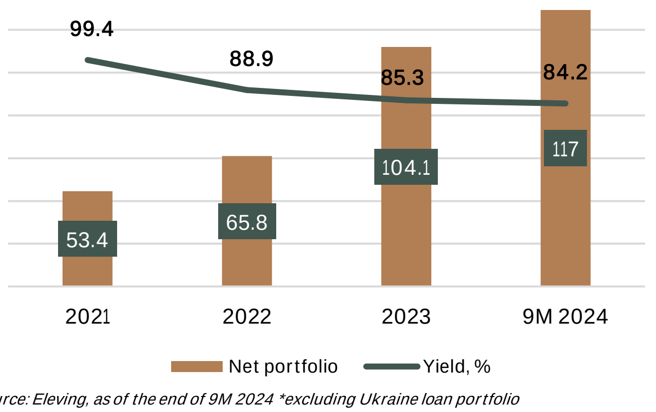
At the end of 9M 2024, the key markets for traditional vehicle finance include Romania with 26% share of traditional vehicle finance portfolio and Kenya with 12%. The Group's medium term strategy involves solidifying and expanding their operations in Sub-Saharan Africa, with its population projected to double by 2050. Given the Group's position as market leaders and fastest time to loan disbursement relative to its competitors, automated risk-assessment and automated processes, Eleving is expected to continue its growth trajectory, aiming at 10-20% growth within this segment in the medium term.

Consumer Finance

2020 marked the year of diversifying the business by integrating consumer finance segment. Several acquisitions took place in Moldova, North Macedonia and Albania, which resulted in the Group adding three new brands to its management – Sebo, Kredo and Tigo. Consumer finance segment offers a broad spectrum of flexible financial products, from credit lines to installment loans. The key product is a long-term unsecured loan with regular fixed monthly payments, primarily serving underserved consumers by traditional financial institutions. In 2023, the Group acquired ExpressCredit, adding another brand to its consumer finance segment and expanding to Botswana, Namibia, Zambia and Lesotho. Interestingly, the consumers of ExpressCredit mostly are government and public administration employees, with the revenues from such consumers being directly debited from their salaries, providing an additional layer of cash flow safety and loan quality for the Group.

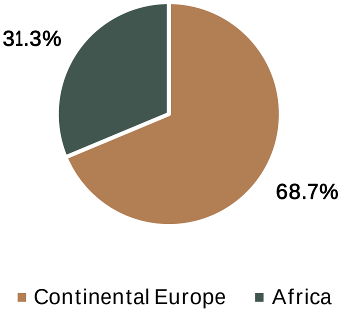
Albania is the biggest market for consumer financing, accounting for more than third of the total consumer finance loan portfolio. Contrary to the traditional vehicle finance segment, the vast majority (72%) of applications are recorded from offline channels – 274 local branches are operated across 16 countries for all of the Group's business segments. Interestingly, Sub-Saharan countries exhibit a larger use of online application than European countries.

Consumer Finance portfolio development



*Source: Eleving, as of the end of 9M 2024 *excluding Ukraine loan portfolio*

Geographical breakdown (Net portfolio)



Source: Eleving, as of the end of 9M 2024

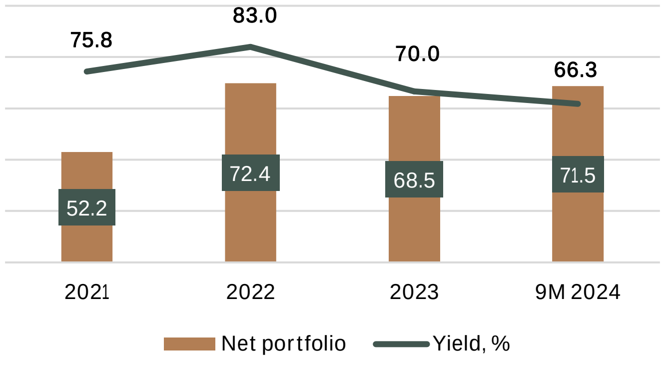
Flexible lease and subscription

With the establishment of Mogo Boda loans and Renti, the Group launched its third business segment – flexible lease and subscriptions. Mogo Boda Loans provides a solution for self-employed riders, offering motorcycle and three-wheeler financing for taxi and delivery services in Kenya and Uganda. In addition, the Group has introduced electric motorcycle retrofitting and EV financing products in Kenya in pursuit of reducing carbon emissions and sustainable mobility.

Renti, having operations only in Latvia and Lithuania, offer a rent-to-buy product enabling flexibility to its customers not to lock in a long-term contract for a vehicle. Notably, the Group finalized the sale of its Renti Plus brand in 2023, thereby discontinuing long-term car subscription part of the Renti business. In addition to Renti, Latvian flexible lease and subscription segment is complemented by the car-sharing service. Formerly OX Drive, with its fleet consisting predominantly of Tesla brand vehicles, in August, merged with one of the leading car-sharing brands Car Guru. The Group is likely to dilute its share bellow 50% in the merger process, thus will not be consolidated in financial statements.

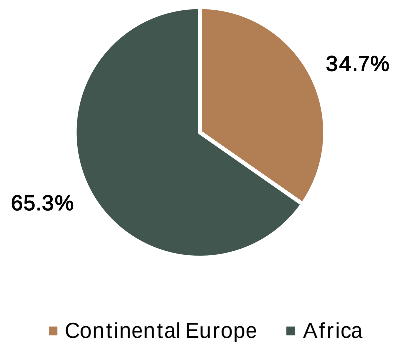
Flexible lease and subscription segment makes up 21% of total net loan portfolio of the Group. Broadly 65% of the segment's net portfolio is deployed in Uganda and Kenya, while the rest is in Continental Europe. However, the number of active customers is almost entirely made up of Mogo Boda loans clients, given the smaller ticket sizes for the three-wheeler motored vehicle financing. The portfolio growth of this segment falls in line with the rest of the business segments, though EBITDA growth from 2021 to 2023 for this segment was reported at a CAGR of 58%.

Flexible Lease and Subscription product portfolio development



Source: Eleving, as of the end of 9M 2024

Geographical breakdown



Source: Eleving, as of the end of 9M 2024

This growth mostly stems from Mogo Boda loan portfolio experiencing growing from EUR 7m in 2021 to EUR 47m in 9M 2024. In addition, the Group expects this brand to contribute relatively more to the flexible lease and subscription net loan portfolio, with the expectation of the entire segment growing at around 10-15% per year in the medium term.

Key drivers underpinning the growth of this segment include the already mentioned financing gap prevalent in the markets in which the Group operates in, online and offline presence and multiple government support programs aimed at bolstering sustainable mobility financing.

OX Drive, which now has merged with Car Guru, was a car-sharing start-up, aiming to tap into the burgeoning urbanization and evolving consumer preferences by offering sustainable mobility solutions tailored for cities, given the increased focus on reducing traffic congestion and mitigating pollution in urban environments. As of 2024, OX Drive had more than 200 Tesla EVs for car-sharing, in addition to a few other Audi EV models.

In summary, the Group has expanded its total net loan portfolio at a CAGR of 26% from 2016 to 2023. In near future, the Group expects the portfolio split to remain roughly the same, with 2/3 of capital being deployed in traditional vehicle finance, while 1/3 in consumer finance.

Use of financing

As per Eleving, the raised equity will optimize the Groups capital structure and facilitate entry in new markets, widening the product range and continuing organic growth in existing markets. Eleving has announced that it is calling its subordinated bonds on November 2024 and initiating the EUR 5m repurchase program of issued loans on Mintos platform, holding the highest rates.

The expansion of the loan portfolio will be achieved based on the growth trajectory of the markets the Group currently operates in, especially the Sub-Saharan region. Given the pace of digitization in these countries and the projections for the population growth, Eleving expects north of 20% growth rate for this market, underpinning the upside potential to be realized in markets where the Group already has the largest market share.

The Group expects to roll out SME financing product in the European markets in 2025. Countries such as Romania severely lacks the financing capacity for enterprises, given the lack of assets available for deployment relative to the EU average, even though the number of SMEs operating in Romania exceeds 500 000. This provides ample opportunity for a player like Eleving to bridge the financing gap and expand its business operations.

In addition to expanding its market share in existing markets and launching new products, the Group is actively analyzing new markets for potential entry. Eleving plans to launch new vehicle financing markets in Q1 2025, with potential M&A opportunities to facilitate the entry. Given the Group's track record of successfully acquiring and integrating already operational brands, the probability of the growth being fruitful through this channel is high.

Lending process and IT systems

One of the key mechanisms enabling swift entrance in entering new markets and taking substantial market shares is their automated, data-driven funnel of customer onboarding and loan underwriting. From an efficient application and AI-fueled and fully automated underwriting process to an integrated CRM system, Eleving ensures the fastest and most transparent loan processing time in the market. For instance, potential customer can expect a binding loan offer in the timeframe of two minutes after applying to 24 hours.

The IT infrastructure is centrally managed by the Group's IT core team with 60+ specialists, enabling the Group to scale its operations with swift efficiency. In addition to that, IT systems are designed to be easily customizable without breaking business processes. Combining these aspects with the utilization of frontier technology solutions like Azure Machine learning platform, the Group establishes its position as the most dominant market player, which serves as a barrier to entry for potential competitors.

Debt collection

Another advantage for the Group in the NBFI industry is their established in-house debt collection system. This enables the Group to reduce costs in the long run and decrease reliance on external parties for such services, hence providing an edge over its competition that might not have the necessary capacity. Apart from legal collections and cession sales, which occur only for 91+ days overdue loans, each step of the overdue loan recovery is managed by the Group. Before loans are overdue, customers receive automated reminders and predictive dialers. Once loans become overdue, mechanisms such as skip tracing, GPS analytics, robo caller, and finally home visits and police reporting enable the Group to maximize the amount of recovered loans via vehicle repossession.

ESG

The Group has identified eight key areas in line with the UN Sustainable Development Goals (SDG), where the Group has the most significant impact potential (SDG's 3, 4, 5, 8, 9, 12, 13 and 15).

In accordance with the SDG Quality Education, the Group plans to educate over 100 000 consumers on financial literacy through the Group's financial literacy platform in 2024, as well as offline initiatives. On top of that, the Group embraces SDG Gender Equality, with 54% of employees being women as of H1 2024. Additionally, Eleving is set to scale-up its green mobility products in Kenya and Uganda by continuing its electric motorcycle retrofitting and expanding the fleet of motorcycle EV's, thereby contributing to SDG Climate Action by reducing the carbon footprint.

Sector overview

While non-banking lenders have been operating since the second part of the 20th century in the US and other large western countries, this segment is relatively recent in Latvia. Co-founders of the Group before starting Mogo Finance, the predecessor to Eleving, had successfully launched and operated 4Finance – the first consumer finance lender in Latvia, effectively becoming the pioneers of this market. The regulation for such enterprises was more lax relative to conventional lenders, which fueled its expansion. In addition to lack of regulation, one of the main drivers fueling the growth of this market was the large proportion of society unserved by the banks, especially after the 2008 financial crisis.

Due to tighter regulations, the market has been continuously consolidating in recent years. This is notably the case in 2019 when license prices in Latvia were raised, necessitating significant economies of scale to offset the expenses. Among licensed creditors who are currently in operation, the disparity is evident. We foresee similar actions to be taken by regulators in the rest of the developing markets the Group serves, which will simultaneously shield Eleving from competition and negatively affect margins.

Legislative environment

The Group is regulated by either local Central Banks or Consumer Protection Agencies with specific rules and frameworks governing the practices that are distinct from traditional banking regulation. In 14 out of 16 countries the Group operates in, a license or specific registration is required, giving way for barriers to entry that ensures only qualifying participants in the market. Countries, where a specific license for lending is not mandated, includes: Georgia (secured vehicle loans, Mogo), Latvia (Rent-to-buy services, Renti), Lithuania (Rent-to-buy, Renti) and Uzbekistan (secured vehicle loans, Mogo). Generally, the regulatory framework can be described as stable across the countries in which the Group operates in with no significant changes being recorded in recent years; however, the risk of the restrictions on NBFI's to become more stringent, following a similar path to that of Latvia, is quite realistic scenario in the future.

One of the main aspects of the regulatory framework in any given country is the annual percentage rate (APR) cap. It serves the purpose of promoting responsible lending practices among financing providers. While this mechanism of borrower protection is not imposed in all of the markets where the Group operates, all countries' regulators have established laws that oversee the lending practices and ensures that no predatory lending takes place. Additionally, clear frameworks for income and liability checks are present in markets served by the Group, adding another layer of protection for borrowers.

The group actively protects its interests via industry associations, having membership in trade associations, unions and other organizations in 11 countries. This mechanism allows the Group, to a certain extent, to influence local legislation and policy.

Country	Products	Regulator	License required
Albania	Consumer loans	Central Bank of Albania	Yes
Botswana	Consumer loans	Non-Bank Financial Institutions Regulatory Authority	Yes
Armenia	Secured vehicle loans	Central Bank of the Republic of Armenia	Yes
Estonia	Secured vehicle loans	Estonian Financial Supervision and Resolution Authority	Yes
Georgia	Secured vehicle loans	N/A	No
Latvia	• Secured vehicle loans • Premium vehicle loans	Consumer Rights Protection Centre	Yes
	Rent-to-buy services	N/A	No
Lesotho	Consumer loans	Central Bank of Lesotho	Yes
Lithuania	Secured vehicle loans	Central Bank of Lithuania	Yes
	Rent	N/A	No

Moldova	• Secured vehicle loans • Consumer loans	National Bank of Moldova	Yes
Namibia	Consumer loans	Namibia Financial Institutions Supervisory Authority	Yes
North Macedonia	Consumer loans	Ministry of Finance	Yes
Kenya	• Secured vehicle loans • Motorcycle-taxi loans	Central Bank of Kenya	Yes
Uganda	• Secured vehicle loans • Motorcycle-taxi loans	Uganda Microfinance Regulatory Authority	Yes
Romania	Secured vehicle loans	National Bank of Romania	Yes
Uzbekistan	Secured vehicle loans	N/A	No
Zambia	Consumer loans	Central Bank of Zambia	Yes

Source: Eleving, as of the end of 2023

Traditional Vehicle Finance market

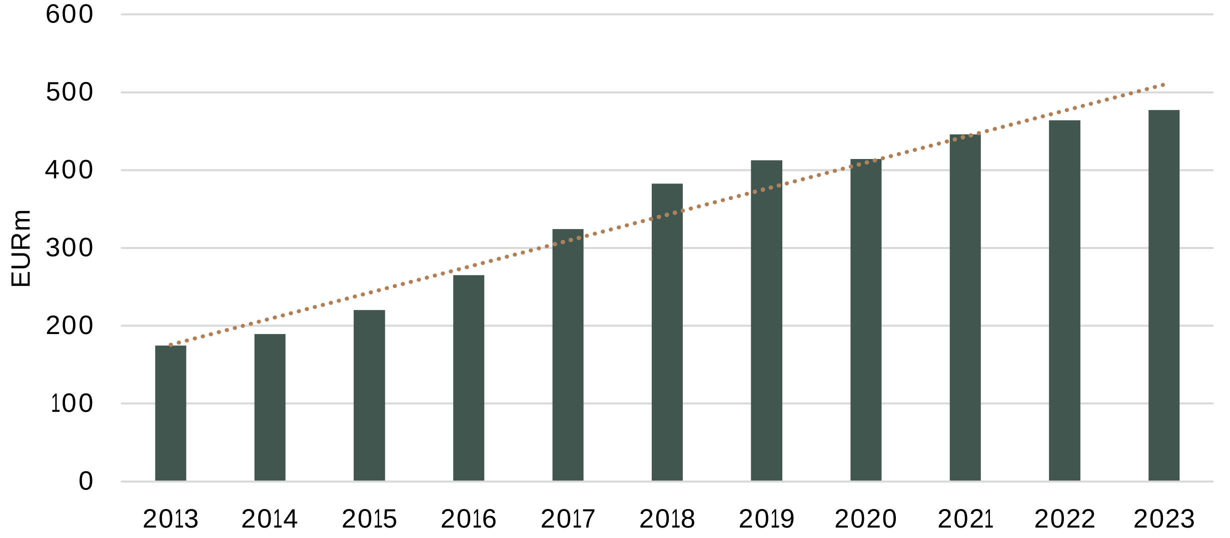
Most of unsecured lending firms in the Continental Europe do not primarily target the niche of vehicle financing, thus the market is characterized as fairly consolidated and with high barriers to entry. Given the broad scope of operations of the Group within this segment, and the fact that almost 60% of the entire net loan portfolio of traditional finance is accounted by countries in the Continental Europe, the focus of the market overview will be on this part of geography. We note that, however, a large and growing part of portfolio consists of vehicle financing in Kenya.

Two of the largest markets for the Group in this segment is Romania (25.9% of portfolio), and Latvia (19.2% of portfolio) as of the end of 9M 2024.

More than half of the newly registered cars in Latvia were bought with the help of a loan, which underpins the market demand for the Group's product offering. While in 2013 the market size for vehicle leasing stood at EUR 175m, ten years later it has reached EUR 477m, implying a CAGR of 10.5%. Given the traditional vehicle finance portfolio size attributable to Latvia of roughly EUR 26m, it posits a market share of north of 5% for the Group at the end of 2023. Combining the relatively small market share and a market growth trajectory that does not show any signs of slowing down, the Group is well positioned to capitalize on this segment.

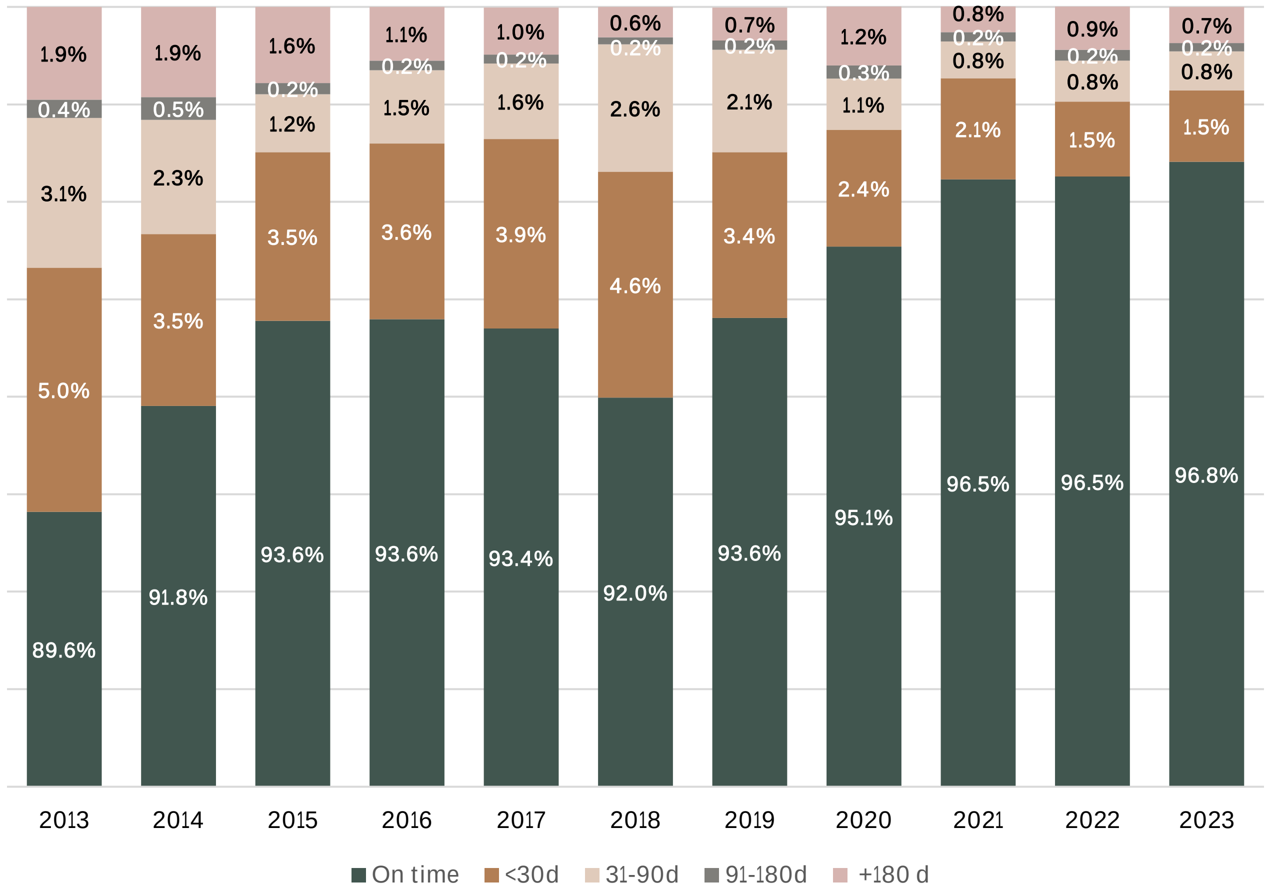
Portfolio quality of players in the traditional vehicle finance segment has also improved, as seen in the stacked column chart below. As of end of 2023, more than 96% of all corresponding loans were paid back on time, an increase of 7pp during the last 10 years. Notably, the loans overdue different timeframes have seen reduction over the last 10 years at a similar pace, indicating that the proportion of consumers being late on their payments have roughly remained the same, though decreased in absolute terms.

Vehicle leasing market growth in Latvia



Source: Central Bank of Latvia

Portfolio quality, Traditional Vehicle Finance, Latvia



Source: Central Bank of Latvia

According to IBIS world, a pronounced market research provider, the market of car rentals and vehicle finance in Romania stands at about EUR 840m as of March 2024. The broader automotive industry in Romania is also expected to achieve one of the fastest growth in the regions, underpinned by government support, labor availability and R&D efforts. This aspect will certainly contribute to domestic demand for traditional vehicle financing as well, positively affecting both the Group and the broader market of traditional vehicle financing in Romania.

It is important to note the disparity of available domestic credit in the Group's markets versus the EU according to the World Bank data – in 16 markets, the simple average is 36% of GDP, while for EU it is 86%. This aspect underpins the Group's conviction of potential for expanding the portfolio of loans, both for vehicles and consumers. In addition, the International Organization of Motor Vehicle Manufacturers reports that the current African vehicle ownership is 49 per 1000 people, whereas in EU the number stands at 641. Even though full convergence is not probable, there is substantial growth prospects in African markets.

Consumer Finance market

70% of the Group's consumer finance portfolio consists of loans given in Continental Europe, that is, North Macedonia, Albania and Moldova. For the purposes of conciseness, this section will include the market development of Western Balkans exclusively, given that 2 of the most saturated countries in terms of the Group's lent out funds, North Macedonia and Albania, are considered Balkan countries.

Starting from the late 1990s, the ownership of financial institutions in the Balkan regions started to rapidly change – from wholly being owned by the state to the privatization of the sector and entry of international banks. While it has brought notable benefits to the region, such as digitalization of financial services and a larger extent of financial inclusion, the banking sector in the region became concentrated as a result. In addition, more than 90% of the financial sector assets are held by banks. Combining this market power of banks with the fact that they are reluctant to serve a large part of the population deemed not creditworthy, this leaves a large gap in financing, which the Group has successfully utilized for expansion into the region.

In Albania, the biggest consumer finance market for the Group, the issue of regulation plays a central role for describing the NBFIs market. The Bank of Albania (BoA) used to be the book-keeper for the central plan but is now in charge of monetary policy and banking supervision. These functions have spread the resources of BoA thin, with the IMF recommendation of merging all non-banking financial sector regulators not being implemented. Given the limited capacity of BoA and fragmented non-banking financial regulators, there is ample opportunity for the Group and similar players to operate.

Flexible lease and subscription products

Mobility solutions are imperative in Sub-African countries for citizens to generate income. Given the population growth estimates for Africa reaching 1.8 billion people by 2035, the market of flexible leases for vehicles has substantial growth prospects. In addition, local governments and large multinational corporations have implemented sustainable mobility programs aimed at fostering the transition to electric vehicles. As per projections provided by the Group, this market is expected to expand at a growth rate of about 15% a year, indicating that more players are expected to enter this growing market.

SME Financing

The Group's ambitions for entering the SME financing segment coincide with a valid lack of financing for such enterprises in less developed countries. For instance, the European Investment Bank investment survey reports that in Romania, the total assets of monetary financial institutions as a share of GDP stands at 55%, while the statistic for EU average is 277%. This clearly indicates a lack of capital, which contributes to the underdeveloped nature of the countries relative to their more prosperous and economically advanced peers. In addition, SMEs in these countries are therefore forced to borrow at higher cost, constraining their ability to generate profits even further. According to 2023 Country Report of the European Commission, Romania has relatively 4 times more external financing constrained companies than the average EU country, solidifying the point for lack of financing. If we believe that at least some of this disparity is expected to diminish, the market for NBFI products in the SME sphere would grow, by definition.

Macroeconomic outlook

The Group's main customer segment is characterized as having insufficient opportunities for financing by conventional financial institutions. They are price sensitive and to a very large extent exposed to adverse changes in macroeconomic conditions, such as recessions. Therefore, understanding the macroeconomic outlook for main markets where the Group operates is imperative for estimating the demand for its products. An argument can be made that, during times of economic hardship, the demand for the Group's financing solutions can actually increase, given both the underlying need of consumers to access financing and the reluctance and increased caution to lend by banks. Irrespective of the outcome, the macroeconomic conditions underpin the Group's ability to increase its net loan portfolio, thus we follow up with brief analysis.

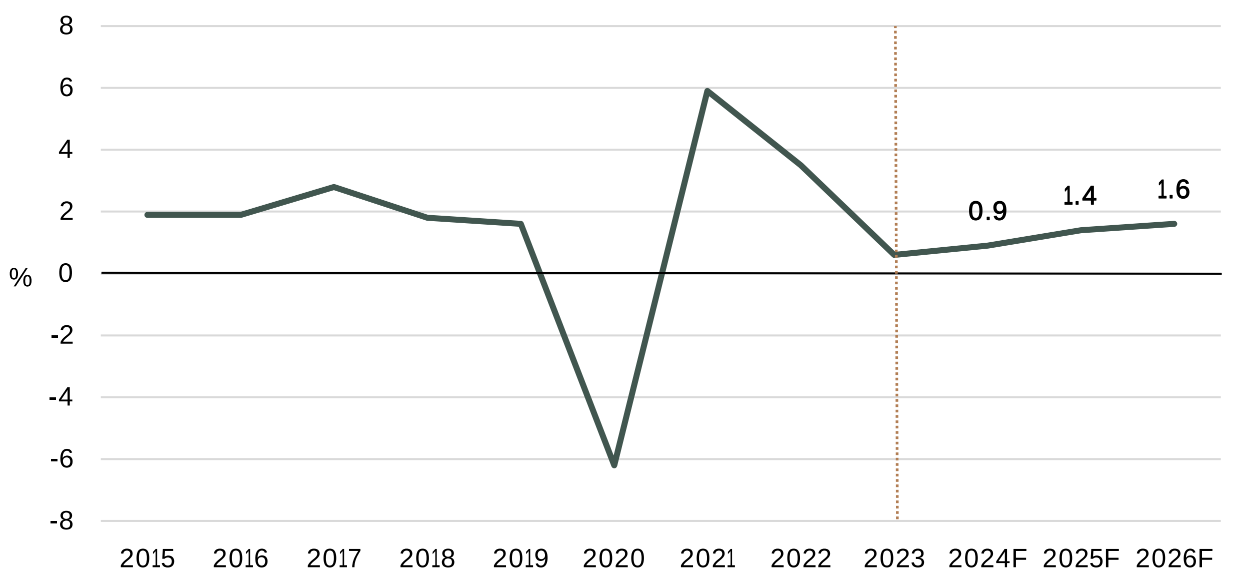
Eurozone and the Balkans

While political rhetoric recently often involves arguments about the demise of Europe as a world economic superpower, the data still suggests a healthy growth trajectory

Since 2015, the Eurozone real production output has been hovering around the ECB target of 2-2.5%, excluding the COVID-19 pandemic, which saw a rapid decline and a subsequent expansion of the economy. According to the latest ECB analyst consensus, as of June 2024, the Eurozone economy is expected to grow 0.9% this year relative to 2023, with the growth rate increasing to 1.4% and 1.6% in 2025 and 2026, respectively. While these numbers cannot be taken at face value, it provides a useful reference point for gauging future economic growth. As the projection seems to indicate a moderate macroeconomic outlook, we do not foresee this to have any abnormal impact to the Group's operations in the Continental Europe.

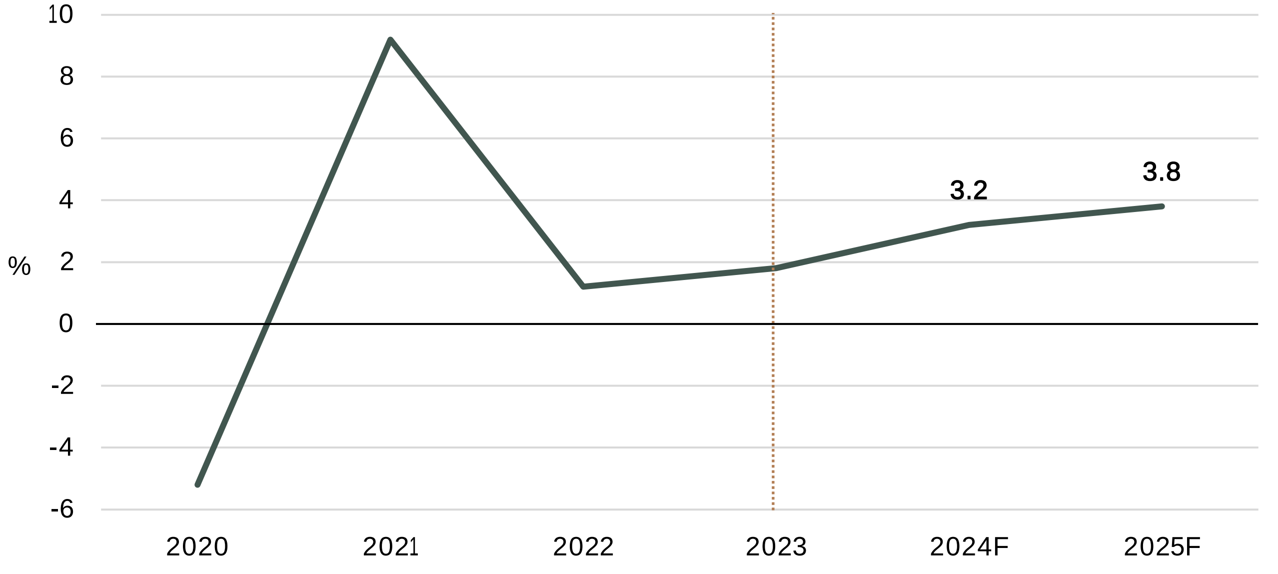
In addition to economic growth, interest rates play a crucial role for non-bank lenders, as it directly impacts both the cost of borrowing for the companies and the rate at which they can feasibly lend. The EURIBOR yield curve currently is tilted downwards in a 5-year time horizon, indicating the expectation of decreasing interest rates in the future. Since the Group is an active borrower in debt capital markets, these expected interest rate cuts should support Eleving's profitability.

Eurozone real GDP growth forecast



Source: ECB

Moldova, Albania, North Macedonia weighted average real GDP growth forecast



Source: World Bank

The three countries displayed above comprise 70% of total consumer finance net loan portfolio of the Group. By taking the GDP-weighted average of the real GDP growth of each country, we estimate a more rapid rate of growth for this geography relative to their peers in Eurozone, which is typical for developing countries. In addition, the EU is keen on contributing to the development of the region, having accepted a EUR 6bn Growth Plan to enhance economic integration within the Western Balkans

Financials

In this section of the report, we delve deeper into the financial drivers of the Group, conducting a comprehensive analysis of the primary factors influencing Group's volume, revenue, and expense dynamics. We also examine elements impacting the Group's asset quality, efficiency ratios, and dividend policy. Related to the IPO in October 2024, the Group has provided a guidance, outlining a general strategic goals and the anticipated dynamics of the Group's portfolio, revenues and profits. Although we have approached the Group's targets with more discretion due to limited guidance on the Group's expansion plan, given the Group's development and growth over the past five years, and current financial performance, we consider the management's guidance as broadly realistic scenario going forward.

The Group planned to raise EUR 30m additional equity in its IPO, plus offered upsize option of EUR 10 for existing shareholder shares. With decent investor activity, Eleving managed to fully cover its base offer of EUR 27m and although the total subscription reached EUR 33m, the Group decided to partly satisfy the overallotment demand of EUR 3m and instead opted for overallotment of EUR 2m. All in all, the Group raised EUR 29m of additional funds. Thus we believe that the raised IPO funds will be sufficient for Eleving to pursue its growth strategy as planned and enable the Group to strengthen its financial position and manage the funding structure more flexibly. Importantly, we assume that macroeconomic background in the markets where Eleving has its presence remains generally stable and supportive for overall economic development in the countries. Similarly, we do not count for any significant fluctuations for the currencies in which Eleving issues loans other than EUR, thus excluding FX loss or gain.

Net loan portfolio

Over the past five years, the Group has achieved a robust expansion of its net portfolio, delivering a 17.8% CAGR. This growth has been driven by both organic expansion and strategic acquisitions, the latter often serving as a gateway to new markets. We expect the Group's future development strategy to maintain this dual approach.

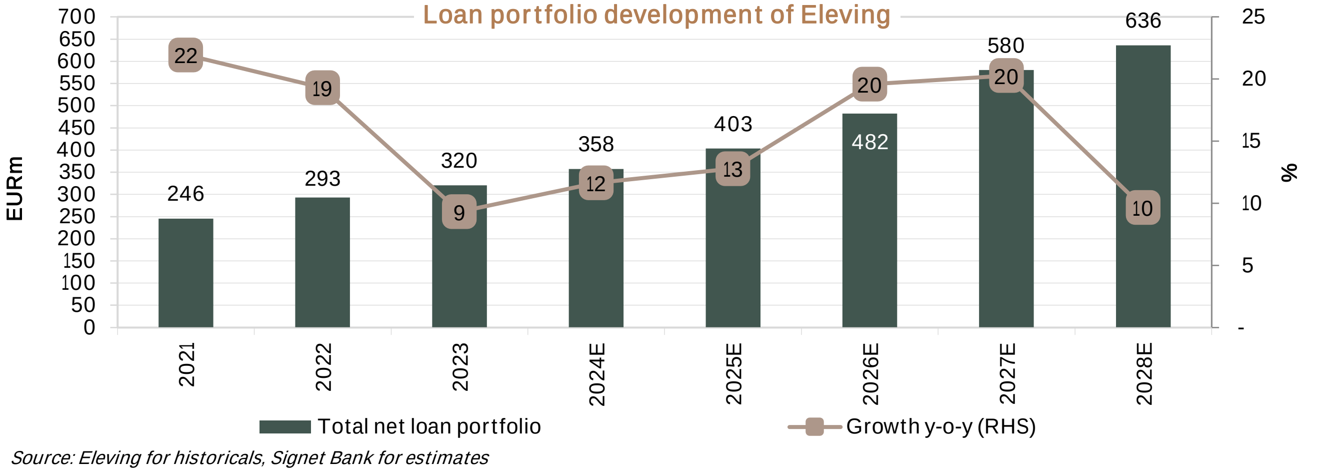
The composition of the net portfolio is projected to remain stable, with a similar split between consumer and vehicle finance. However, it's noteworthy that the SME financing segment is expected to gradually increase its contribution to the loan portfolio beginning in 2025. Historically, the Group's experience indicates that new markets and products experience modest growth in their first year, with significant momentum building in subsequent years.

Partly aligned with the Group's growth targets, we project the net loan portfolio to achieve a 5-year CAGR of 15%, nearly doubling its value by the end of our forecast period, reaching EUR 636.2m. Although the growth decelerated in 2023 due to stricter underwriting standards in Kenya and the sale of Renti Plus, 6M 2024 exhibited positive trends with a 3% q-o-q growth, while in Q3 the net loan portfolio remained stable q-o-q. In 9M the Group has fulfilled 61% of its net portfolio growth plan, thus we have remained conservative and expect it to come slightly shy from the 2024 target.

We anticipate that the Group will continue to expand its loan portfolio within existing markets, leveraging overall market growth and potentially increasing its market share. Furthermore, we expect more notable contribution from new markets and business lines in 2026 and 2027, enhancing the Group's growth prospects.

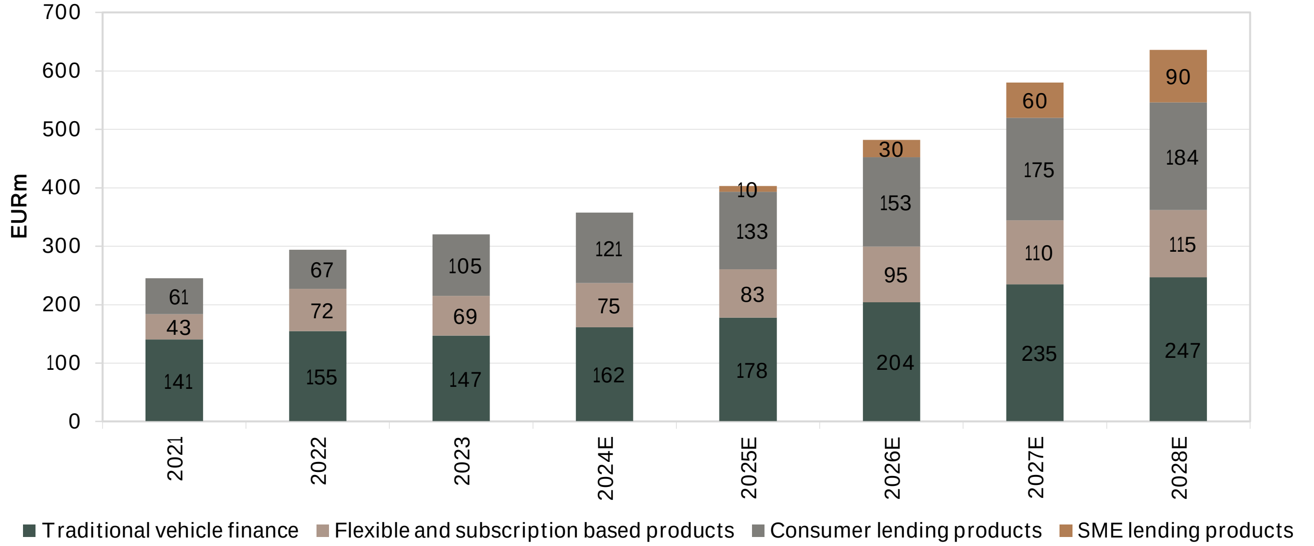
Management's guidance	2023	2024 target	2025 target	2026 target
Net loan portfolio (EURm)	320	363	432	520
Revenue (EURm)	189	221	263	315
Net profit befor FX (EURm)	30	33	44	54
Dividend payout ratio	>30%	50%+	50%+	50%+

Source: Eleving



Source: Eleving for historicals, Signet Bank for estimates

Net loan portfolio development of Eleving

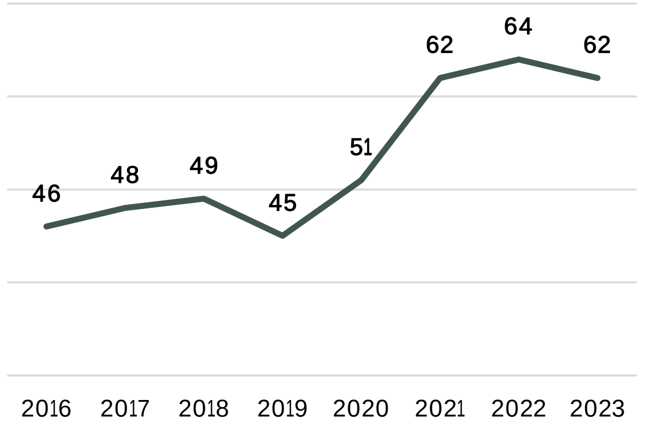


Source: Eleving for historicals, Signet Bank for estimates

Loan interest rates

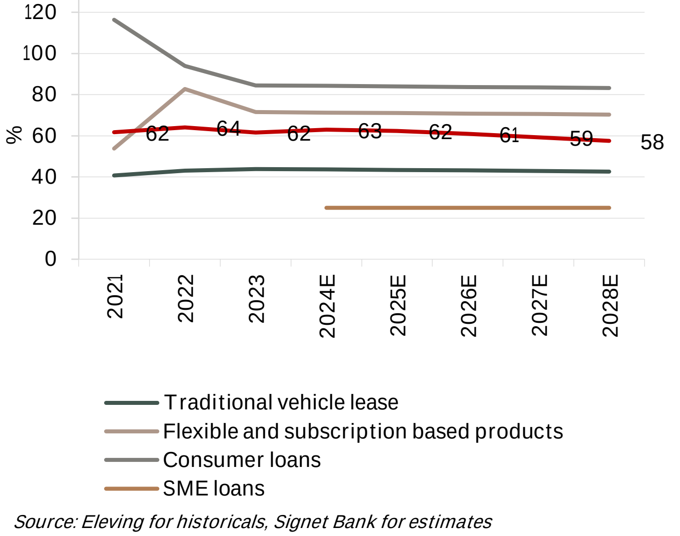
The loan portfolio's high-yield nature reflects Eleving's high-risk appetite business model, with the average loan interest rate standing at 61.6% in 2023. Vehicle leases, backed by car pledges, typically carry lower interest rates compared to the consumer loan segment. However, it is important to note that interest rates can vary significantly between markets based on their risk profiles and regulatory requirements. Overall, interest rates show relative stability. Although, we would highlight a notable uptick in the average effective interest rate by 10 pp y-o-y in 2021, reaching 61.7%. This increase reflects the expansion into segments and markets with higher interest rates. In 2020, the Group closed a significant acquisition of consumer loan businesses in Moldova, Macedonia, and Albania, and continued to scale its vehicle finance business in Africa. We anticipate that the loan portfolio growth in new and existing markets will require Eleving to maintain competitive interest rates to attract borrowers. Additionally, as SME lending products typically hold relatively lower rates (estimate: 25%) compared to consumer and vehicle finance segments, the average effective total rate could potentially decline, depending on the growth rate of other high-yield segments. Overall, we expect the total effective average interest rate to gradually decline from 61.6% in 2023 to 60.9% by 2026 and 57.5% by the end of our forecast period. Accordingly, the revenues are expected to reach EUR 271.0m by 2026 and EUR 351.5m by the end of our forecast period, recording 5Y CAGR of 12.9%.

Average effective interest on total portfolio (%)



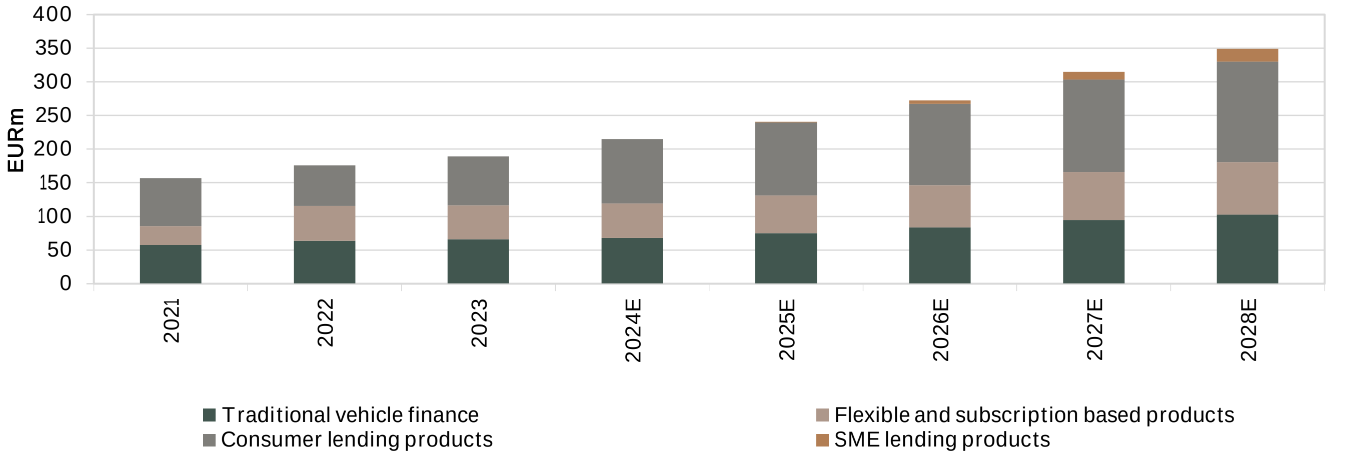
Source: Eleving

Average effective interest rates on loans



Source: Eleving for historicals, Signet Bank for estimates

Revenues development of Eleving



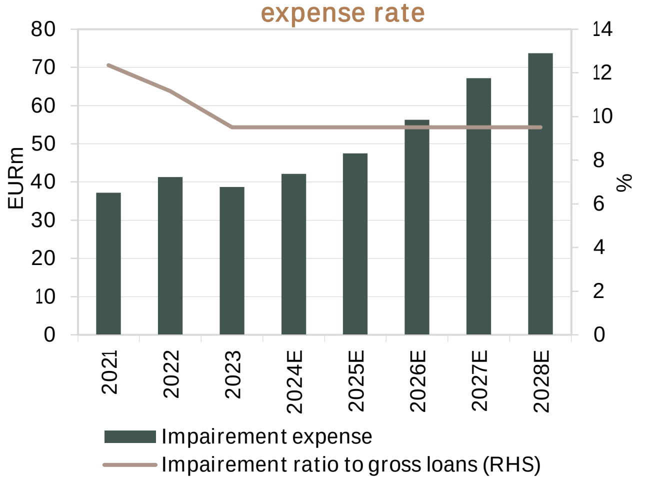
Source: Eleving for historicals, Signet Bank for estimates

Loan impairments

The Group largely services financially disadvantaged or underbanked individuals. These groups include, individuals with lower income levels, rural area inhabitants, and individuals with lower educational levels. Understandably, financing for such customers comes with a risk premium or higher interest rates to cover relatively high impairment costs, which recorded EUR 39.8m in 2023 or 9.5% of the total gross loan portfolio, 21% of total revenues. The impairment cost ratio improved by 1.7 pp y-o-y, potentially reflecting both improved macro conditions and stricter underwriting of loans in African markets.

Looking ahead, SME lending products should naturally hold lower impairment costs, potentially lowering the overall impairment cost ratio, depending on the development of other high-risk segments. We broadly expect the Group's risk appetite to remain similar, also reflected in the anticipated portfolio yield. Thus, we anticipate the impairment ratio to remain broadly stable throughout our forecast period.

Imairment expense and Impairment expense rate

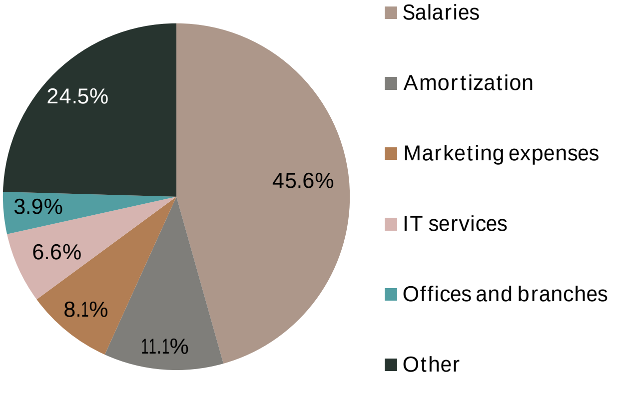


Source: Eleving for historicals, Signet Bank for estimates

Operating expenses

Administrative and selling costs predominantly consist of staff related expenses (salaries), constituting 46% of total OpEx at the end of 9M 2024. In the last three years administrative and selling expenses have recorded a 27.5% CAGR (2020-2023), primarily driven by the expansion of the team, entering new markets and general salary inflation. Before the large acquisition of consumer loan businesses in 2020, Eleving employed somewhere between 800 to 900 employees which now have tripled. At the end of Q3 2024 the Group employed 2854 people throughout the Group' s three level organizational structure. Going forward we anticipate total OpEx to record 5Y CAGR of 11.0%, largely driven by the entry into new markets that requires additional staff and general salary inflation. 9M 2024 also shows administrative and selling expense growth of 20.3% y-o-y, mostly stemming from salary expense. In our view it reflects general salary inflation and acquisition of a ExpressCredit, a consumer finance provider operating in the Southern Africa region. The growth in existing markets should have rather minimal effect on the OpEx, considering Group' s centralized automated lending process.

Eleving operating cost structure 9M 2024



Source: Eleving

Capital structure

Eleving's bonds underpin the Group's funding profile, constituting approximately 60% of total borrowings. Currently, Eleving has three listed bonds, two of them holding fixed rates and one variable rate. To limit FX exposure, Eleving has privately placed EUR 23.1m African and Albanian notes in local currencies, with average annual interest rates ranging from 14-16%.

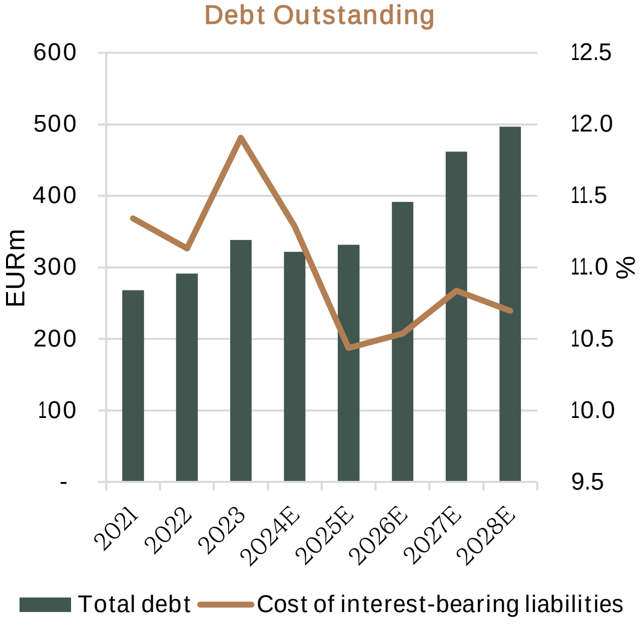
One of the notable mid-term financing risks for the Group is the maturity of its EUR 150m bond in 2026. Given the improving leverage and anticipated equity capital injection, we believe the refinancing of this bond should be manageable. According to Bloomberg, the EUR 150m bond trades at ca. EUR 97, with YTM of 11.4%. We estimate the new rate for refinancing to be approximately 11%, reflecting a 1.5 pp increase from the current bond.

Since 2015, Eleving has leveraged the global lending platform Mintos to finance its loan portfolio. By the end of 9M 2024, Eleving had expanded its financing on Mintos to EUR 63.6m, representing 20% of total debt. Interest rates on the platform are influenced by market demand and supply forces, with Mintos setting an interest rate floor in periods of low investor activity. For the year 2023, Eleving's average annual interest rate was 14.3%, but recently, interest rates for new loans on the Mintos platform have improved, with Eleving' s weighted average rate standing at 9.7% at the end of Q3 2024, suggesting a decline in the effective average interest rate going forward. This trend could lead to an increased share of Mintos borrowings in Eleving's funding mix.

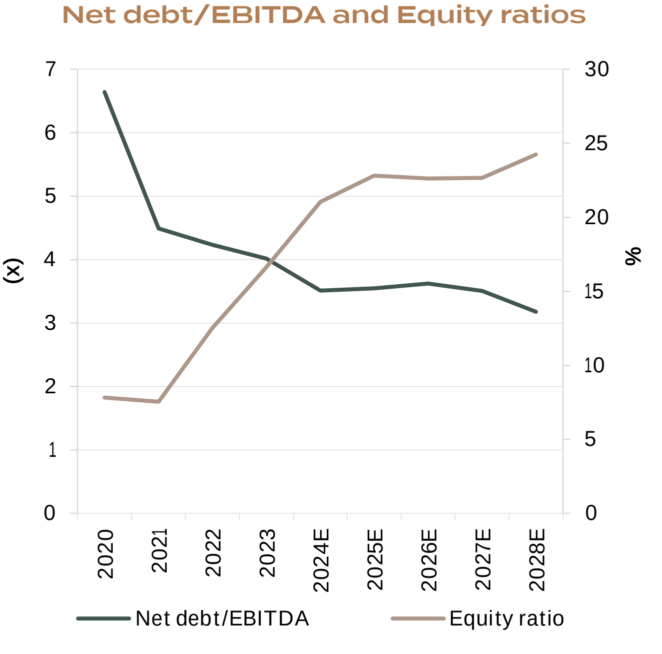
Overall, we anticipate the Group to continue heavily rely on bond financing for its loan portfolio needs in the future. Total debt is expected to reach EUR 391.8m by 2026 and EUR 496.8m by the end of our forecast period. The average cost of interest-bearing liabilities is expected to decrease from 11.9% at the end of 2023 to 10.4% by 2025, firstly, due to the vehicle collateral enabling Eleving to borrow from local banks at relatively low loan rates. Secondly, lower cost of debt should be partly driven by lower Mintos rates but one should note that rates on Mintos platform can be quite volatile. Due to overcapitalization in short-term, on November 29th this year, part of the proceeds will be used to exercise a call option on the subordinated bond, holding the highest interest rate. The latter should contribute to the decrease of the average effective rate with estimated ca. EUR 2m of annual cost savings. The Group is also repurchasing its most costly outstanding loans on the Mintos marketplace, with plans for short-term repurchases totaling over EUR 5 m, which is projected generate additional EUR 2m cost savings annually. The cost of debt is expected to slightly increase from 2026, given our assumption that the refinancing of EUR 150m bond will hold a higher interest rate.

Listed bonds of the Group	Initial amount EUR m	Issued	Maturity	Coupon %	Type	Listing
XS2393240887	150	2021	2026	9.5	Senior secured	All bonds listed on FRA and Riga Nasdaq
DE000A3LL7M4	50	2023	2028	13.0	Senior secured	
XS2427362491	25	2021	2031	12.0 + 6M Euribor	Subordinated	

Source: Eleving



Source: Eleving for historicals, Signet Bank for estimates



Source: Eleving for historicals, Signet Bank for estimates

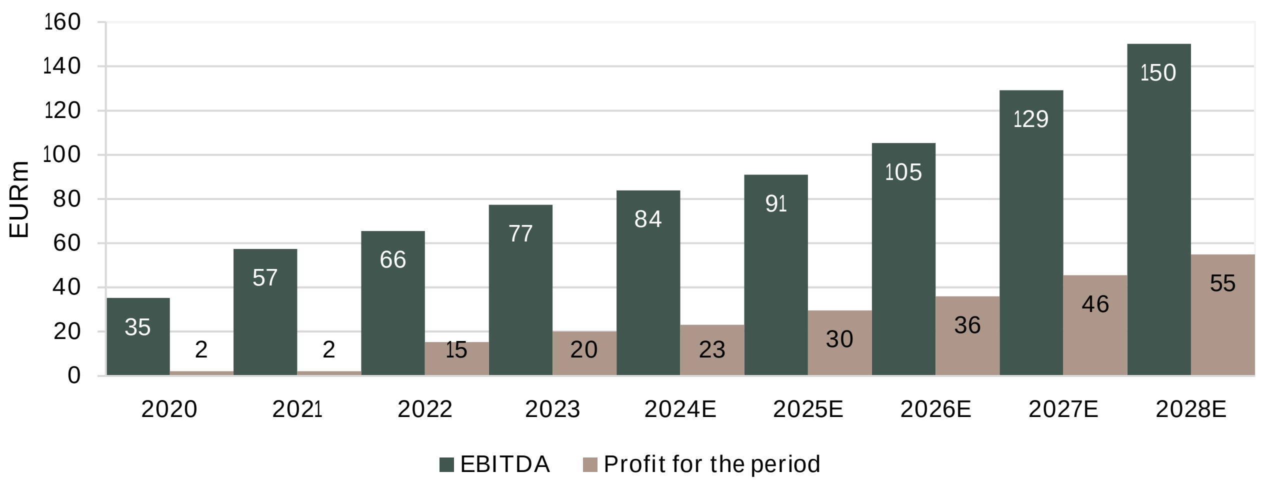
Profitability

Since 2020, Eleving Group has reduced its cost-to-income ratio from 39.6% to 36.8% at the end of 2023, driven by scaling its strategic acquisitions and existing business lines. Although due inflationary pressures and staff expansion it has reversed to 39.1% in 9M 2024. With new market and business line growth projected to gain momentum by 2026, we forecast the cost-to-income ratio to remain around 39% until 2025, subsequently declining gradually to 32.3% by the end of our forecast period. This anticipated improvement reflects our expectation that the Group will scale revenues more efficiently than costs, resulting in a projected 5Y CAGR for EBITDA and net profit attributable to the equity holders of Eleving of 14.2% and 22.3%, respectively, reaching EUR 150.2m and EUR 55.0m by the end of the forecast period.

Over the past two years, Eleving has maintained a respectable return on equity (ROE), averaging above 40%, driven by robust loan portfolio growth and profitability. While a short-term downside is expected due to an additional equity injection, we anticipate that the Group will sustain an ROE above the 25% target, with a normalized long-term ROE of approximately 30%.

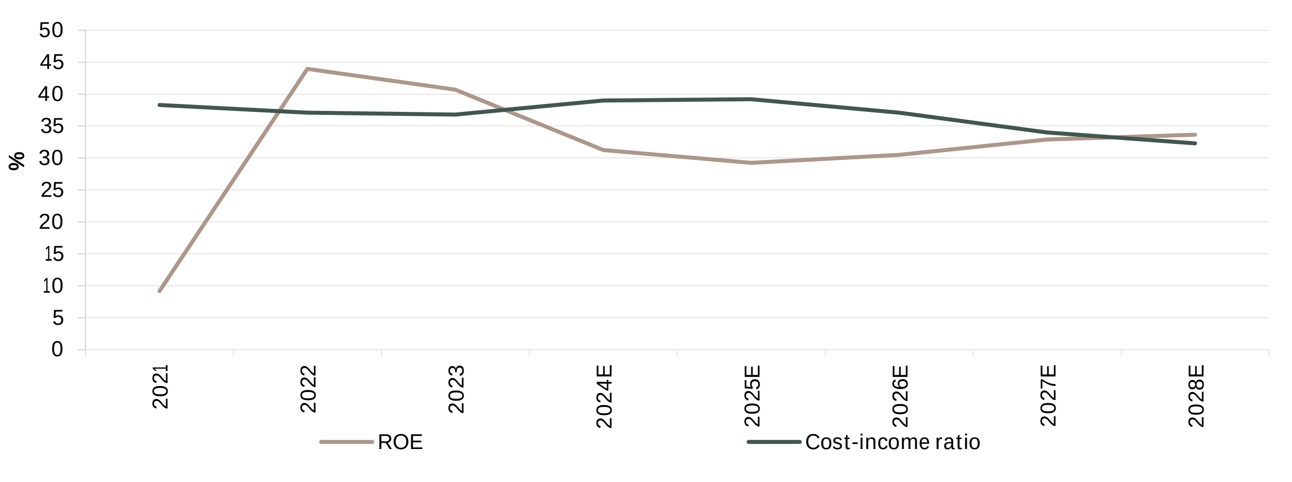
We note that Eleving's operations in non-Eurozone markets involve issuing loans in local currencies, which exposes the Group to FX risk. Consequently, net profits have shown volatility due to currency fluctuations. As of the end of 2023, Eleving's open FX position stood at 2.1x tangible equity plus subordinated debt. The Group has taken steps to mitigate this risk by lending in hard currencies outside the Baltics, hedging exposure to the US dollar, and securing local currency funding in markets such as Armenia, Albania, Botswana, Namibia and Kenya. Notably, part of the FX exposure relates to currencies with relatively low exchange-rate volatility, such as the Albanian lek and the Romanian leu.

Adjusted EBITDA and net profit (adjusted for minority interest) development



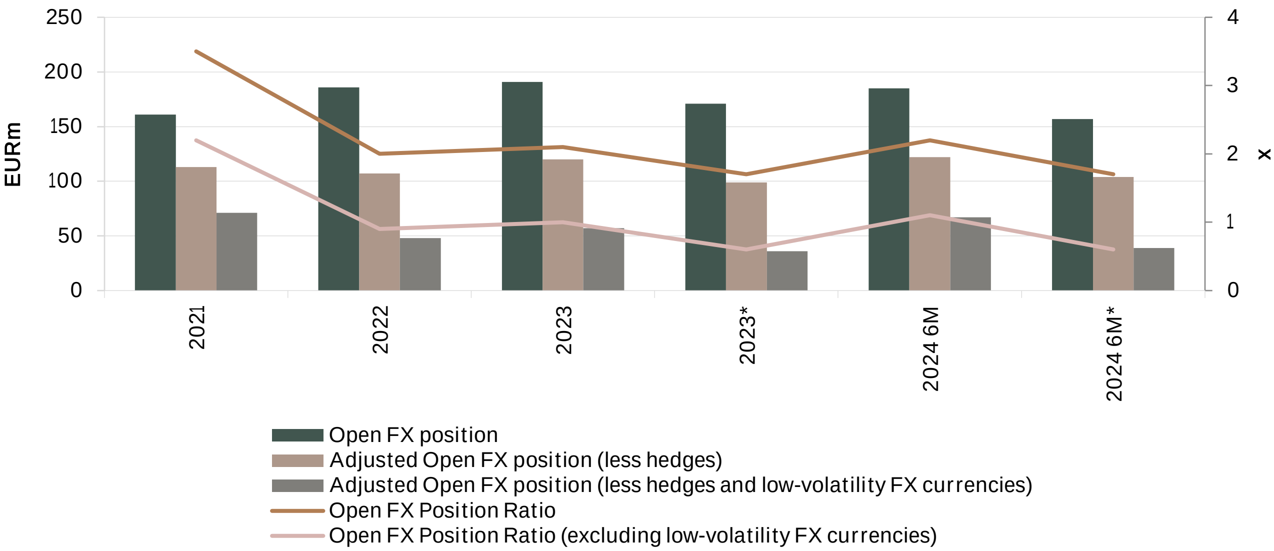
Source: Eleving for historicals, Signet Bank for estimates

Cost-Income Ratio and ROE



Source: Eleving for historicals, Signet Bank for estimates

FX exposure



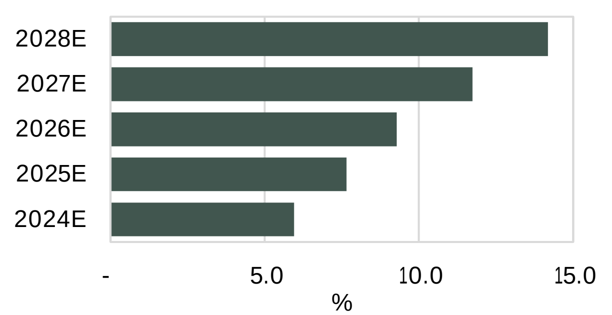
*Source: Eleving. * Excluding recently integrated EC Finance operations in Botswana, Zambia, Namibia and Lesotho*

Dividend policy

Eleving Group's dividend policy is structured with consideration to equity ratio, understandibly also considering bond covenants. The Group aims to distribute at least 50% of net profits semi-annually, with potential for additional dividends contingent on leverage and capital requirements for growth. In light of the anticipated equity raise and projected growth rate, we believe Eleving can maintain an equity ratio above 20% while adhering to a payout ratio of 50%. Based on our estimated equity value, we project the dividend yield to reach 6.0% from 2024 profit dividend payments, gradually increasing to 14.2% by the end of our forecast period.

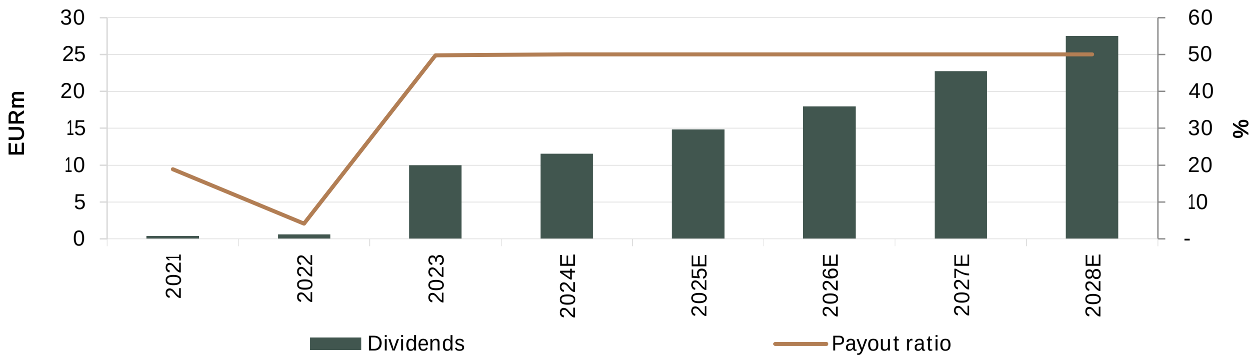
Equity ratio (post dividends)	Target dividend payout ratio
Up to 15%	30%
15% - 20%	40%
20% - 25%	50%
Above 25%	50% + discretionary

Dividend yield



Source: Signet Bank

Dividends and Pay-out ratio



Source: Eleving for historicals, Signet Bank for estimates

Valuation

Valuation summary

We have approached our valuation of Eleving with a combination of an income and market approaches. Considering the Group's promising growth prospects and the scarcity of comparable listed peers, we believe that the income approach better suits Eleving's valuation. Hence, we allocated 70% to the income-based valuation using the Residual Income Model (RIM) and the modified Gordon Growth Model (GGM), which essentially derives the fair P/B ratio-based valuation for the Group. The remaining 30% is attributed to peer valuation. In terms of the peer group, in addition to P/E and EV/EBITDA, we pay attention to a correlation between ROE and P/B values for the selected peers, which is quite a common approach for the financial sector companies. Overall, based on our current estimates for the Group and other assumptions, we estimate equity value for the Group at EUR 1.88 per share.

In summary, we view profitable growth and appealing dividend yields as the cornerstone of the investment case for Eleving. We look positively on the Group's effectively automated underwriting processes accompanied by agile corporate governance model and know-how, exhibiting ability of entering new markets and scaling the loan portfolio. The key risk factors to our valuation include: a) the relative instability of developing countries where the Group has exposure; b) economic recession resulting in slower than projected growth in consumer lending volumes, deterioration of the credit quality and downtrend in non-euro currencies; c) stronger downward pressure on loan rates due to rising competition than expected; d) regulatory tightening such as maximum loan rate caps, licensing etc.

Weighted Value, EUR	Period weights					
	2024E	2025E	2026E	Period weighted value	Weights	Contribution to value
Method	33%	33%	33%			
RIM				1.73	35%	0.6
GGM				2.05	35%	0.7
EV/EBITDA	2.1	1.8	1.6	1.84	10%	0.2
P/B & ROE	1.8	1.9	2.0	1.89	10%	0.2
P/E	1.7	1.9	2.0	1.87	10%	0.2
Total weighted value					**100%**	**1.88**

Source: Signet Bank

Sensitivity table: impact of long-term growth and ROE on equity value

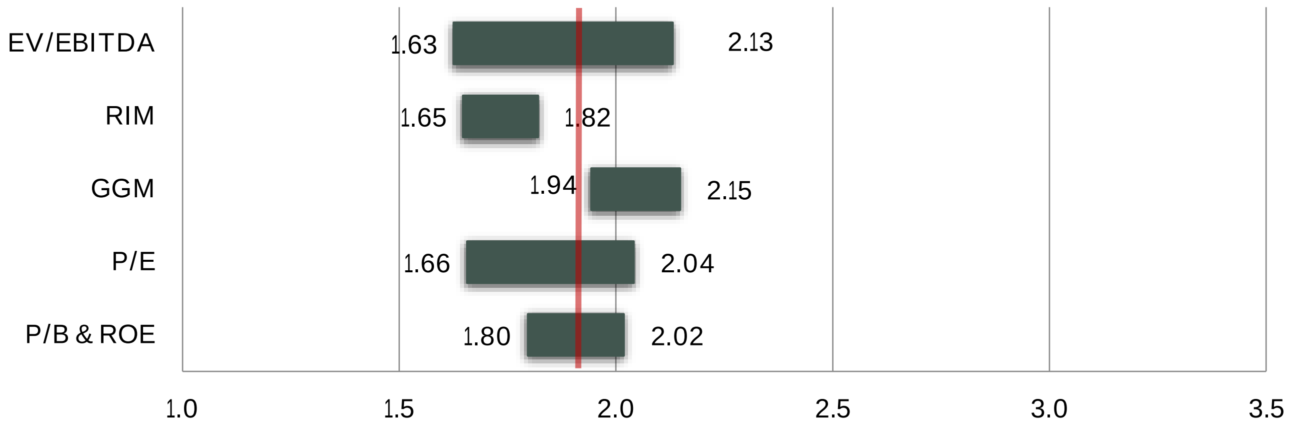
Terminal growth rate	ROE						
	24.0%	26.0%	28.0%	30.0%	32.0%	34.0%	36.0%
1.1%	1.63	1.71	1.78	1.85	1.92	1.99	2.06
1.4%	1.64	1.71	1.79	1.86	1.93	2.01	2.08
1.7%	1.65	1.72	1.80	1.87	1.95	2.02	2.10
2.0%	1.65	1.73	1.81	1.88	1.96	2.04	2.11
2.3%	1.66	1.74	1.82	1.90	1.97	2.05	2.13
2.6%	1.67	1.75	1.83	1.91	1.99	2.07	2.15
2.9%	1.68	1.76	1.84	1.92	2.00	2.09	2.17

Source: Signet Bank

Sensitivity table: impact of long-term growth and CoE on equity value

Terminal growth rate	CoE						
	13.2%	14.2%	15.2%	16.2%	17.2%	18.2%	19.2%
1.1%	2.07	1.99	1.92	1.85	1.79	1.73	1.68
1.4%	2.08	2.00	1.93	1.86	1.80	1.74	1.68
1.7%	2.10	2.02	1.94	1.87	1.81	1.75	1.69
2.0%	2.12	2.03	1.95	1.88	1.82	1.76	1.70
2.3%	2.14	2.05	1.97	1.90	1.83	1.76	1.71
2.6%	2.16	2.07	1.98	1.91	1.84	1.77	1.71
2.9%	2.18	2.08	2.00	1.92	1.85	1.78	1.72

Source: Signet Bank



Source: Eleving for historicals, Signet Bank for estimates

Residual income model

We have approached this valuation method by looking at the extra return on equity generated by the Group. We are calculating the residual income by subtracting the Cost of Equity from our estimated ROE to conclude residual income yield. The discounted values are added to the residual income to the opening book value at end of 2023. We chose two-step model, including five-year forecast followed by terminal value calculations.

Our RIM model assumes 16.2% cost of equity. We would highlight that the operating regions of Eleving such as Africa and eastern Europe are high-risk operating regions, thus we have applied weighted average country risk premium of 6.36% sourced from Damodaran database. Considering the relatively small size of the Group, and relatively high-risk operating model, we applied company-specific risk premium of 2.0% besides other cost of capital assumptions.

Based on our calculations we have derived our equity value at EUR 1.73 per share.

Residual Income Model (EURm)	2024E	2025E	2026E	2027E	2028E	Term
ROE (%)	31.2	29.2	30.5	32.9	33.6	30.0
Cost of Equity (%)	16.2	16.2	16.2	16.2	16.2	16.2
Residual Income Yield (%)	15.0	13.0	14.3	16.7	17.4	13.8
Total Equity (eop)	94.1	109.0	127.0	149.7	177.2	
Residual Income (RI=Equity*RI %)	11.1	13.2	16.8	23.1	28.5	175.1
Discounted Residual Income	**10.3**	**10.5**	**11.6**	**13.6**	**14.5**	**89.0**
Sum of PV of RI						149.4
Opening Equity						53.6
Equity Value						**203.0**
Value per share						**1.73**

Gordon Growth Model

The GGM based P/B model is commonly utilized to value stocks in the banking sector. Given the operational similarities between Eleving and banking entities, we deemed this method suitable for evaluating the Group's value. The appropriate P/B ratio is derived using the formula: P/B = (ROE - g) / (COE - g).

We opted for a two-step model with a five-year forecast period, followed by a terminal value calculation. The assumed long-term normalized Return on Equity (ROE) stands at 30%, with other inputs such as the Cost of Equity (COE) and long-term growth rate sourced from RIM assumptions.

RIM Assumptions:	
Risk free rate	2.5%
Market risk premium	5.1%
Levered Beta	1.0
Country Risk Premium	6.4%
Specific Risk premium	2.0%
Cost of equity	**16.2%**
Terminal growth rate	2.0%

Source: Signet Bank

We anticipate the Group to maintain a solid dividend payout of at least 50% from net profits. Based on modified GGM model, we have derived our equity value at EUR 2.05 per share.

Fair P/B Model (Gordon Growth Approach, EURm)		2024E	2025E	2026E	2027E	2028E	Term
Long-term normalised ROE (%)	30.0						
Cost of Equity (%)	16.2						
Long-term growth rate (%)	2.0						
Fair P/B=(ROE-g)/COE-g)	**1.97**						
Total Equity (end of period)		94.1	109.0	127.0	149.7	177.2	177.2
Fair terminal P/BV							2.0
Terminal Value (based on fair P/BV)							348.9
Dividends Distributed		11.5	14.8	18.0	22.8	27.5	
PV of dividends + TV		**10.7**	**11.8**	**12.3**	**13.4**	**14.0**	**177.3**
Equity Value	**239.5**						
Value per share	**2.05**						

Source: Signet Bank

Peer Valuation

In our peer analysis, we have compiled a list of companies involved in vehicle finance and consumer lending operations. Some peers operate online platforms offering lending products globally. Median values have been applied to our comparative analysis, adjusted with a 20% size discount, while the weights for the period 2024E-2026E values are distributed equally at 33.3%.

We have assessed peer valuation by examining P/E and EV/EBITDA ratios, as well as the correlation between Return on Equity (ROE) and Price-to-Book (P/B) ratios. The latter measure helps determine a reasonable market-driven fair P/B ratio for the company under consideration.

Company	Country	Market Cap	P/E (x)			EV/EBITDA			P/B (x)			ROE (%)		
		EURm	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
SOFI TECHNOLOGIES INC	UNITED STATES	6 315	62.3	25.7	13.4	12.5	9.0	6.4	1.2	1.1	1.0	1.9	6.3	11.3
UPSTART HOLDINGS INC	UNITED STATES	2 797		162.0	49.0		76.7	35.7	5.3	5.4	5.1	-14.3	-1.9	4.8
LENDINGCLUB CORP	UNITED STATES	1 046	22.9	13.4	13.2				0.9	0.9	0.8	3.5	7.5	7.8
SYNCHRONY FINANCIAL	UNITED STATES	16 495	7.3	7.8	6.3	10.6	10.1	4.6	1.3	1.2	1.0	17.9	14.3	16.0
CREDIT ACCEPTANCE CORP	UNITED STATES	4 917	11.7	10.8	7.3	15.3	10.0		3.0	2.3	1.8	30.0	30.5	
ONEMAIN HOLDINGS INC	UNITED STATES	4 864	8.5	6.0	4.8	12.6	10.6		1.7	1.5	1.3	18.5	25.4	27.8
BREAD FINANCIAL HOLDINGS INC	UNITED STATES	2 268	6.8	7.5	5.5	5.4	5.7	4.6	0.8	0.7	0.6	12.1	9.7	12.6
ENOVA INTERNATIONAL INC	UNITED STATES	1 846	9.0	7.7		8.1	7.3		1.7	1.3		20.0	19.7	
GOEASY LTD	CANADA	2 072	10.9	9.0	8.2	7.2	6.0	5.5	2.5	2.0	1.7	24.3	24.9	23.4
SLM CORP	UNITED STATES	4 044	7.2	6.9	9.7	5.5	5.7	5.7	2.3	2.0	2.0	33.3	30.3	27.2
WORLD ACCEPTANCE CORP	UNITED STATES	569	9.2	8.0	6.6				1.4	1.1	0.8	15.3	13.5	12.6
DISCOVER FINANCIAL SERVICES	UNITED STATES	28 396	9.5	9.7	8.3	6.2	6.3	7.9	1.9	1.6	1.5	21.1	18.0	18.1
NERDWALLET INC-CL A	UNITED STATES	817	1 031.8	35.8	21.7	7.9	6.0	5.0	2.2	1.9	1.6	-0.1	7.1	8.5
NELNET INC-CL A	UNITED STATES	3 521	18.0	16.9					1.2	1.1				
QIFU TECHNOLOGY INC	CHINA	3 054	4.9	4.7	4.1	3.4	3.2	2.8	0.9	0.8	0.7	20.3	19.5	19.4
EZCORP INC-CL A	UNITED STATES	575	10.2	9.2	8.3	5.1	4.9	4.4						
FINVOLUTION GROUP-ADR	CHINA	1 316	4.2	3.6	3.2	1.5	1.3	1.1	0.7	0.6	0.5	17.5	17.1	17.0
INTERNATIONAL MONEY EXPRESS	UNITED STATES	494	7.7	6.8	5.8	3.9	3.7	3.3	3.5	2.8	2.4	46.1	44.2	42.4
SRISAWAD CORP PCL	THAILAND	1 119	7.9	7.0	6.0	12.3	11.1	10.1	1.3	1.1	1.0	17.5	17.3	17.6
KRUNGTHAI CARD PCL	THAILAND	2 631	13.4	12.3	11.5				2.5	2.3	2.0	19.9	19.1	18.6
POONAWALLA FINCORP LTD	INDIA	3 060	16.1	22.3	15.8				3.3	5.7	4.7	12.3	14.2	17.4
MUTHOOT FINANCE LTD	INDIA	8 310	17.2	14.6	13.2				3.0	2.8	2.4	18.4	18.9	18.5
MAHINDRA & MAHINDRA FIN SECS	INDIA	4 008	19.1	14.3	11.6		78.3	38.3	1.8	1.7	1.5	10.4	12.9	14.5
JACCS CO LTD	JAPAN	820	5.7	6.9	6.7					0.5	0.5		8.4	8.7
SBI CARDS & PAYMENT SERVICES	INDIA	7 312	27.9	24.9	19.7	32.3	27.8	22.5	5.6	4.6	3.9	22.7	21.5	21.1
MANAPPURAM FINANCE LTD	INDIA	1 933	8.0	7.5	6.5	12.2		9.1	1.5	1.3	1.1	20.8	19.0	18.6
SUNDARAM FINANCE LTD	INDIA	4 687	33.3	27.1	23.4							16.0		
CREDITACCESS GRAMEEN LTD	INDIA	2 112	13.7	11.5	9.5		13.7	11.6	3.0	2.4	1.9	24.8	22.8	22.1
AAVAS FINANCIERS LTD	INDIA	1 491	29.0	23.0	18.5				3.7	3.1	2.7	13.4	14.6	15.5
YULON FINANCE CORP	TAIWAN	2 349	13.6	11.9										
FIVE-STAR BUSINESS FINANCE L	INDIA	2 226		20.1	16.5					3.3	2.7		17.7	18.1
LENDINGTREE INC	UNITED STATES	528	17.4	12.4	9.5	10.9	8.7	7.3	3.7	3.1	2.5	22.3	29.7	37.8
ALLY FINANCIAL INC	UNITED STATES	11 228	11.7	7.2	5.9	41.4	23.3	9.9	1.0	0.9	0.8	8.4	12.5	13.1
CEMBRA MONEY BANK AG	SWITZERLAND	2 400	13.2	11.7	10.7				1.7	1.7	1.6	13.1	14.4	15.0
S & U PLC	BRITAIN	262	8.4	10.1	7.6	9.2	9.2	7.8	1.0			11.0	9.2	11.7
VANQUIS BANKING GROUP PLC	BRITAIN	166	16.3	7.2	2.2				0.3	0.2	0.2	1.9	4.5	12.9
MULTITUDE SE	FINLAND	121	7.5	5.1	4.4				0.6	0.6	0.5	8.2	11.3	12.1
Median (Excluding outliers)			10.5	9.4	8.3	8.0	6.8	5.7	1.7	1.4	1.5	17.5	17.1	16.0
Average (Excluding outliers)			12.3	11.3	9.9	8.3	7.4	6.3	2.1	1.6	1.5	15.9	16.5	15.9
Quartile 1			7.9	7.2	6.1	5.5	5.8	4.6	1.1	1.1	0.8	10.8	11.3	12.6
Quartile 3			17.3	14.6	13.2	12.4	11.0	10.0	3.0	2.4	2.2	20.9	19.7	19.0
Company size discount applied		20%												
Respective financial result of Eleving (EURm)			23.1	29.7	36.0	87.9	95.2	110.3	94.1	109.0	127.0			
Estimated ROE for Eleving (%)												31.2	29.2	30.5
P/B and ROE correlation Implied P/B (x)												2.2	2.0	1.9
Implied equity value based on Median (EURm)			**194**	**224**	**239**	**250**	**206**	**190**				**210**	**219**	**236**
Value per share			**1.66**	**1.92**	**2.04**	**2.13**	**1.76**	**1.63**				**1.80**	**1.87**	**2.02**

Source: Bloomberg, Signet Bank

Report Tables

Income Statement (EURm)	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Revenue	153.7	175.9	191.3	214.4	238.4	271.0	316.0	351.5
Interest and similar expenses	(29.0)	(31.1)	(37.5)	(37.3)	(34.1)	(38.1)	(46.2)	(51.3)
Net revenues	**124.7**	**144.7**	**153.8**	**177.2**	**204.3**	**232.9**	**269.7**	**300.3**
Impairment expense	(37.2)	(41.3)	(38.7)	(41.5)	(46.8)	(56.0)	(67.4)	(73.9)
Expenses related to peer-to-peer platform services	(1.1)	(0.9)	(1.0)	(1.1)	(1.2)	(1.3)	(1.5)	(1.6)
Selling expense	(8.4)	(7.8)	(6.4)	(6.8)	(8.2)	(8.5)	(8.7)	(9.0)
Administrative expense	(50.5)	(57.3)	(63.2)	(76.8)	(85.2)	(92.1)	(98.7)	(104.5)
Other operating income/(expense)	(11.3)	(8.5)	(9.6)	(10.6)	(11.7)	(13.2)	(15.2)	(16.7)
Net foreign exchange result	1.1	(7.4)	(6.4)	(2.2)	-	-	-	-
Operating profit	**17.3**	**21.5**	**28.5**	**38.1**	**51.0**	**61.8**	**78.2**	**94.5**
Corporate income tax (incl. deferred)	(6.1)	(6.9)	(6.6)	(10.0)	(14.9)	(18.1)	(22.9)	(27.6)
Profit from discontinued operation, net of tax	(4.1)	4.0	2.5	0.8	-	-	-	-
Other comprehensive income	2.5	4.9	(4.6)	-	-	-	-	-
Total profit and loss for the year	**7.1**	**18.6**	**24.5**	**28.1**	**36.1**	**43.8**	**55.4**	**66.9**
Net profit attributable to Non-controlling interests	5.0	3.3	4.4	5.0	6.4	7.8	9.9	11.9
Net profit attributable to Equity holders of the Parent Company	**2.1**	**15.3**	**20.1**	**23.1**	**29.7**	**36.0**	**45.5**	**55.0**
D&A	7.4	8.1	9.4	10.3	10.1	10.3	10.8	11.5
EBITDA	**52.6**	**68.1**	**81.8**	**87.9**	**95.2**	**110.3**	**135.2**	**157.3**
EBITDA attributable to Equity holders of the Parent Company	**57.5**	**65.6**	**77.5**	**83.9**	**90.9**	**105.3**	**129.2**	**150.2**

Source: Eleving for historicals, Signet Bank for estimates

Balance Sheet (EURm)	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Intangible assets	14.5	15.7	22.5	22.7	23.4	24.5	24.8	25.6
Property, plant and equipment	12.2	12.7	13.4	12.3	12.2	12.6	13.5	15.1
Other non-current financial assets	7.2	9.1	9.6	9.7	9.7	9.7	9.7	9.7
Inventories	3.8	2.5	4.8	4.0	4.4	4.9	5.3	5.9
Loans & receivables	245.6	293.0	320.3	357.6	403.3	482.3	580.2	636.2
Other loans and receivables	4.9	0.7	0.2	0.2	0.2	0.2	0.2	0.2
Prepaid expense	1.7	2.1	3.1	1.1	1.2	1.4	1.6	1.7
Trade receivables	3.6	2.7	1.6	2.2	2.5	2.7	3.1	3.4
Other receivables	3.3	7.3	8.3	9.9	11.1	11.9	12.7	13.5
Cash and cash equivalents	10.1	13.8	27.5	27.1	9.2	10.6	9.2	19.4
Assets of subsidiary held for sale or under liquidation	12.9	0.4	9.6	-	-	-	-	-
Assets held for sale	2.4	1.1	0.5	0.5	0.5	0.5	0.5	0.5
Total Assets	**322.1**	**361.1**	**421.3**	**447.3**	**477.6**	**561.2**	**660.8**	**731.0**
Share capital and reserves	2.0	7.0	5.8	34.8	34.8	34.8	34.8	34.8
Retained earnings	22.3	38.2	47.8	59.3	74.1	92.1	114.9	142.4
Total equity attributable to equity holders of the Parent Company	**24.3**	**45.2**	**53.6**	**94.1**	**109.0**	**127.0**	**149.7**	**177.2**
Non-controlling interests	**7.1**	**8.9**	**11.8**	**14.3**	**17.6**	**21.5**	**26.4**	**32.3**
Total equity	**31.4**	**54.1**	**65.4**	**108.5**	**126.5**	**148.4**	**176.1**	**209.5**
Total debt	268.0	291.3	338.6	321.8	331.8	391.8	461.8	496.8
Prepayments and other payments received from customers	0.9	0.5	1.1	1.1	1.2	1.4	1.6	1.7
Trade and other payables	2.7	1.6	2.2	2.1	2.3	2.6	2.8	3.1
Current corporate income tax payable	3.7	3.9	0.7	1.0	1.3	1.6	2.0	2.4
Taxes payable	1.8	2.4	3.4	3.5	4.0	4.3	4.5	4.8
Other liabilities	9.4	2.3	4.1	2.4	2.7	2.9	3.1	3.3
Accrued liabilities	4.2	5.0	5.8	6.9	7.8	8.3	8.9	9.4
Total liabilities	**290.7**	**307.0**	**355.9**	**338.9**	**351.0**	**412.8**	**484.7**	**521.5**
Total Equity and Liabilities	**322.1**	**361.1**	**421.3**	**447.3**	**477.6**	**561.2**	**660.8**	**731.0**

Source: Eleving for historicals, Signet Bank for estimates

Report Tables

Cash Flow Statement (EURm)	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Profit before tax	13.2	21.5	28.5	38.1	51.0	61.8	78.2	94.5
Adjustments for:								
- Amortisation and depreciation	7.4	8.1	9.4	10.3	10.1	10.3	10.8	11.5
- Change in loans and receivables	(87.2)	(72.8)	(69.2)	(37.3)	(45.8)	(79.0)	(97.8)	(56.0)
- Change in inventories	(2.2)	1.3	(2.3)	0.8	(0.4)	(0.4)	(0.5)	(0.5)
- Change in payables and accrued liabilties	6.6	(1.9)	0.7	0.3	1.1	1.0	1.2	1.1
- Other adjustments	51.9	57.6	67.5	9.1	6.5	5.9	5.2	5.0
Cash generated from operations, gross	(17.7)	9.6	27.7	11.0	12.4	(10.7)	(13.7)	44.1
Corporate income tax paid	(4.5)	(10.2)	(10.5)	(10.0)	(14.9)	(18.1)	(22.9)	(27.6)
Net cash flows from operating activities	**(22.2)**	**(0.6)**	**17.1**	**1.0**	**(2.5)**	**(28.8)**	**(36.6)**	**16.5**
Purchase of intangible assets and PPE, net	(6.0)	(5.1)	(8.0)	(9.5)	(10.6)	(11.9)	(12.1)	(13.8)
Other Investments, net	16.5	0.2	7.7	7.5	-	-	-	-
Net cash flows from investing activities	**10.5**	**(4.9)**	**(0.2)**	**(1.9)**	**(10.6)**	**(11.9)**	**(12.1)**	**(13.8)**
Dividends paid	(0.4)	(0.6)	(10.0)	(11.5)	(14.8)	(18.0)	(22.8)	(27.5)
Changes in Equity	-	0.0	-	29.0	-	-	-	-
Loans repaid & received, net	14.3	13.0	12.7	(16.8)	10.0	60.0	70.0	35.0
Other	(1.4)	(3.3)	(5.9)	-	-	-	-	-
Net cash flows from financing activities	**12.5**	**9.1**	**(3.2)**	**0.6**	**(4.8)**	**42.0**	**47.2**	**7.5**
Change in cash and cash equivalents for the year	**0.8**	**3.7**	**13.6**	**(0.3)**	**(17.9)**	**1.4**	**(1.4)**	**10.2**
Cash and cash equivalents at the beginning of the year	9.3	10.1	13.8	27.5	27.1	9.2	10.6	9.2
Cash and cash equivalents at the end of the year	**10.1**	**13.8**	**27.5**	**27.1**	**9.2**	**10.6**	**9.2**	**19.4**

Key Numbers (EURm)	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Revenue	153.7	175.9	191.3	214.4	238.4	271.0	316.0	351.5
EBITDA	57.5	65.6	77.5	83.9	90.9	105.3	129.2	150.2
Pre-tax profit	17.3	21.5	28.5	38.1	51.0	61.8	78.2	94.5
Net loan portfolio	245.6	293.0	320.3	357.6	403.3	482.3	580.2	636.2
Net Debt	257.9	277.5	311.1	294.6	322.5	381.2	452.6	477.4
Total Equity	24.3	45.2	53.6	94.1	109.0	127.0	149.7	177.2
Dividends	0.4	0.6	10.0	11.5	14.8	18.0	22.8	27.5
Dividend Yield (%)	-	-	-	6.0	7.7	9.3	11.7	14.2
ROE (%)	9.2	44.0	40.7	31.2	29.2	30.5	32.9	33.6
EV/EBITDA (x)	-	-	-	5.7	5.3	4.6	3.7	3.2
P/E (x)	-	-	-	8.4	6.5	5.4	4.3	3.5
P/Book (x)	-	-	-	2.1	1.8	1.5	1.3	1.1

*Source: Eleving for historicals, Signet Bank for estimates. *2024E-2028E multiples are based on share price at November 20th of EUR 1.655.*

Report Tables

Main Ratios	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Growth								
Revenue (%)	81.0	14.4	8.8	12.1	11.2	13.7	16.6	11.3
EBITDA (%)	22.3	29.4	20.2	7.4	8.3	15.8	22.7	16.3
Pre-tax Profit (%)	1230.8	24.1	32.7	33.8	33.9	21.1	26.5	20.9
Net Profit (%)	343.7	161.6	31.7	14.8	28.7	21.1	26.5	20.9
Profitability								
EBITDA margin (%)	34.2	38.7	42.8	41.0	39.9	40.7	42.8	44.7
PBT margin	11.3	12.2	14.9	17.8	21.4	22.8	24.8	26.9
Net Profit margin (%)	4.6	10.6	12.8	13.1	15.1	16.1	17.5	19.0
Return								
Capital Employed (EURm)	292.3	336.5	392.2	415.9	440.7	518.7	611.5	673.9
ROCE (%)	0.8	4.9	5.5	5.7	6.9	7.5	8.1	8.6
ROE (%)	9.2	44.0	40.7	31.2	29.2	30.5	32.9	33.6
ROA (%)	0.7	4.5	5.1	5.3	6.4	6.9	7.4	7.9
Leverage								
Net Debt	257.9	277.5	311.1	294.6	322.5	381.2	452.6	477.4
Net gearing (x)	10.6	6.1	5.8	3.1	3.0	3.0	3.0	2.7
Debt/Equity ratio (x)	11.0	6.4	6.3	3.4	3.0	3.1	3.1	2.8
Equity ratio (%)	7.5	12.5	16.6	21.0	22.8	22.6	22.7	24.2
Net Debt/EBITDA (x)	4.9	4.1	3.8	3.4	3.4	3.5	3.3	3.0
Other								
Average yield on earning assets (%)	68.8	65.3	62.4	63.3	62.7	61.2	59.5	57.8
Cost-income ratio (x)	38.3	37.1	36.8	39.0	39.2	37.1	34.0	32.3
Cost of interest-bearing liabilities (%)	11.3	11.1	11.9	11.3	10.4	10.5	10.8	10.7
Net credit losses to gross loans (%)	12.3	11.2	9.5	9.5	9.5	9.5	9.5	9.5
Dividend payout ratio (%)	18.9	4.1	49.8	50.0	50.0	50.0	50.0	50.0
Bond Covenants								
Captalization ratio (>15.0%)	20.7	25.6	26.1	30.9	31.9	31.2	30.7	33.4
ICR (>1.25x)	2.3	2.4	2.3	2.5	2.8	2.9	2.9	3.1
Net leverage (<6.0x)	4.0	3.8	3.7	3.4	3.4	3.5	3.4	3.1
Valuation								
Dividend yield (%)	-	-	-	6.0	7.7	9.3	11.7	14.2
EV/Revenue (x)	-	-	-	2.4	2.1	1.9	1.6	1.4
EV/EBITDA (x)	-	-	-	5.7	5.3	4.6	3.7	3.2
P/E (x)	-	-	-	8.4	6.5	5.4	4.3	3.5
P/BV (x)	-	-	-	2.1	1.8	1.5	1.3	1.1

*Source: Eleving for historicals, Signet Bank for estimates. *2024E-2028E multiples are based on share price at November 20th of EUR 1.655.*

Disclaimer

Sign-off time: 20.11.2024 18:00

The report has been prepared by Signet Bank AS, hereinafter referred to as 'Signet Bank'. The copyright in this report belongs to Signet Bank. The responsible analyst for this report is Valters Smiltans. This research report has been provided to you by Signet Bank on a confidential basis for informational purposes only. It is intended solely for the addressee and relates to an upcoming IPO. The content of this document should not be considered an offer to buy or sell any securities and does not constitute investment advice as defined under MiFID II. You are advised to consult your own financial advisor before making any investment decisions. By accepting this report, you acknowledge that investments in IPOs carry significant risks. This document must not be reproduced or shared with any third parties without the prior written consent of Signet Bank. Signet Bank and Eleving Group SA accept no liability for any loss arising from the use of this report.

This document has been prepared by its authors independently of Eleving Group S.A (the "**Company**" or "**Eleving**") and the current shareholders of the Company (the "**Shareholders**"). Signet Bank has no authority whatsoever to give any information or make any representation or warranty on behalf of the Company, any Shareholder, Bookrunners, or any other person in connection therewith. In particular, the opinions, estimates and projections expressed in this document are entirely those of the authors hereof and are not given as an agent of the Company, any Shareholder, Bookrunners and their respective advisers or any other person, or in its capacity as a financial advisor, manager or underwriter of any offering.

Neither Signet Bank nor its board members nor its representatives nor its employees will accept liability for any injuries, losses or damages, direct or consequential, caused to the reader that may result from the reader's acting upon or using the content contained in the publication.

Signet Bank and/or one or more of its affiliates is or may be acting as a financial advisor in an offering of securities of the Company. This document does not constitute or form part of, and should not be construed as, any offer, solicitation or invitation to subscribe for or purchase any securities nor shall it or any part of it form the basis of or be relied upon in connection with any contract or commitment whatsoever. Any decision to purchase or subscribe for securities in any offering must be made solely on the basis of the information contained in the prospectus (and any supplements thereto) or other offering circular issued by the Company in connection with such offering.

Readers of this report should be aware that Signet Bank might have other business relationships with Eleving. Signet Bank's policy for prevention of Conflicts of Interest is available on the bank's website: https://www.signetbank.com/mifid/.

Signet Bank has a joint venture with Eleving AS Primero Holding where Signet Bank holds a 51% stake and Eleving holds 49%. Additionally, Signet Bank is constantly seeking to offer investment banking services to entities mentioned in research reports and may have other financial interests in those entities. Historically, Signet Bank has been involved in various capacities in arranging of several bond issues by Eleving and has acted as the Joint Bookrunner for Eleving's IPO. The Group was provided with a copy of this report, excluding the valuation section, prior to publication in order to verify its factual accuracy and the report was subsequently changed, based on the Group's feedback.

All reports are produced by Signet Bank's Customer Relationship and Service department. In order to proactively prevent conflicts of interest, Signet Bank has established several procedural and physical measures. Such measures include, among other things, confidentiality measures through separation, or so-called "Chinese walls", virtual and physical barriers to limit the exchange of information between different departments, groups or individuals within Signet Bank. These measures are monitored by the Compliance department of Signet Bank. Signet Bank does everything possible to avoid the conflict of interests but it cannot guarantee that conflict of interests situations do not arise at all.

This document is based upon information that we consider reliable, but Signet Bank has not independently verified the contents hereof. The information may be incomplete or condensed and the document may not contain all material information concerning the Company. Information in this document must not be relied upon as having been authorized or approved by the Company. There can be no assurance that future results or events will be consistent with any such opinions, estimates and projections contained herein. The opinions, estimates, and projections expressed in this document are as of the date hereof and are subject to change without notice and its accuracy is not guaranteed. It may be incomplete or condensed and it may not contain all material information concerning the Company. No representation or warranty, express or implied, is made as to and no reliance should be placed on the fairness, accuracy, completeness or reasonableness of the information, opinions and projections contained in this document, and none of Signet Bank, the Company, any Shareholder, Bookrunners and their respective advisors nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith. Any decision to purchase securities in any proposed offering should be made solely on the basis of the information to be contained in the final prospectus to be published by the Company in due course in relation to the proposed offering.

The responsible analyst(s) for the content of the report certifies that, notwithstanding any potential conflicts of interest mentioned here, the opinions expressed in this report accurately reflect the personal views of the respective analyst(s) concerning the companies and securities covered in the reports. The analyst(s) also certify that they have not received, are not receiving, and will not receive any direct or indirect compensation for expressing their views or making specific recommendations in this report.

The analysis contained in this research report is based on numerous assumptions; different assumptions could result in materially different results. Any valuations, projections and forecasts contained in this report are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. The inclusion of any such valuations, projections and forecasts in this report should not be regarded as a representation or warranty by or on behalf of Signet Bank or any person within Signet Bank that such valuations, projections and forecasts or their underlying assumptions and estimates will be met or realized.

Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate due to currency exchange rate moves and taxation considerations specific to that investor.

The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision.

Signet Bank reviews its estimates at least once during financial reporting year and upon most major financial events.

The target price has been issued for a 12-18 month period and has been derived from a weighted approach combining both DCF valuation and relative multiple comparisons. The relative multiple comparisons further incorporate additional weighting considerations relating to the underlying metrics and time forecast periods. Company specific inputs have been forecast and a list of peer companies has been compiled by the Signet Bank analyst(s) writing this research commentary, whereas the consensus peer data has been obtained from Bloomberg. For more detailed information about the valuation methods please contact the analyst(s) using the contact details provided above. Although we do not issue explicit recommendations, for regulation compliance purposes we adhere to the following synthetic structure:

- Buy- Expected return of more than 10% within 12-18 months (including dividends)
- Neutral- Expected return from -10% to 10% within 12-18 months (including dividends)
- Sell- Expected loss more than 10% within 12-18 months (including dividends

In the 12-month period preceding 21.11.2024 Signet Bank has issued 4 recommendation, of which 75% have been 'Buy recommendations', 25% as 'Neutral', 0% as 'Sell' and 0% as 'under review'. Of all the 'Buy recommendations' issued, 66% have been for companies for which Signet Bank has provided investment banking services in the preceding 12-month period. Of all the 'Neutral recommendations' issued, 0% have been issued to companies for which Signet Bank has provided investment banking services in the preceding 12-month period. The classification is based on the above structure

For a list of recommendations that were disseminated during the preceding 12-month period, including the date of dissemination, the identity of the person(s) who produced the recommendation, the price target and the relevant market price at the time of dissemination, the direction of the recommendation and the validity time period of the price target, please contact the analyst(s) using the contact details provided above.

Signet Bank believes this report is considered to be a minor non-monetary benefit as the product is free to everyone who wishes to receive it and is therefore not an inducement according to Ch.7 in ESMA's ''Questions and Answers on MIFIDII and MiFIR investor protection topics.

Signet Bank AS
Antonijas street 3
Riga, LV 1010, Latvia

Phone: +371 67080 000
Email: info@signetbank.com

www.signetbank.com