Results Review: 12M 2024

Eleving Hits IPO Targets: Paving way for growth and dividends

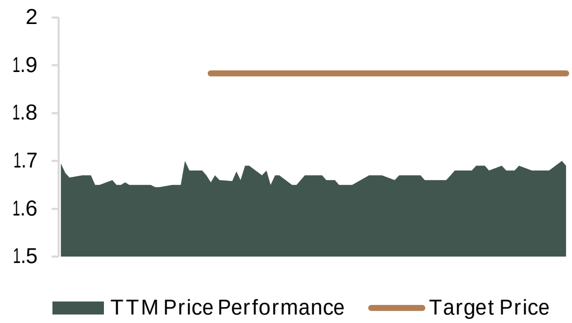
Eleving Group S.A. ("Eleving" or the "Group") reported its 12M 2024 results broadly in line with our expectations and meeting its IPO targets for the year. The Group continued expanding its net loan portfolio, with notable growth driven by Romania, Uganda, Albania, and its recently acquired Sub-Saharan markets. Despite rapid growth in Q4 portfolio quality remained robust.

The Group effectively utilized its IPO proceeds to retire its most expensive debt, reducing financing costs while reinvesting in product development across key segments. While the cost-to-income (C/I) ratio increased y-o-y, cost discipline remained within expectations. Eleving profits from continuous operations increased by 31.4% y-o-y due to improved debt funding structure, stable impairment costs and less deductions from FX fluctuations. This solid financial position provides a strong foundation for the Group's decision to distribute 50% of total profits as dividends.

Net loan portfolio increased by 16.0% y-o-y to EUR 371.6m with strongest growth stemming from consumer lending segment (21.5% y-o-y) while vehicle finance increased by 13.3% y-o-y. Revenues came at EUR 217.5m (+13.7% y-o-y), increasing slightly slower than net loan portfolio. Average income yield on net loan portfolio declined by 0.5 pp to 62.7%, which largely reflects conservative new loan issuances at the beginning of this year in the motorcycle-taxi segment in Kenya where the yields are relatively high. The recovery in loan issuance in Kenya should have positive effect on the average yield and revenues going forward. Importantly, Eleving added ca. 50% of loan portfolio growth volumes in Q4, as per management, substantial part of it in December, hence the full impact on revenues is yet to been seen in the following quarters.

Total borrowings amounted to EUR 327.7m, down by 3.2% y-o-y. The redemption of the Group' s most expensive debt and lower Euribor rates has had a positive impact on profitability. Interest expense reached EUR 41.5m (+10.7% y-o-y), less than revenue growth. One should note that interest expenses still increased y-o-y due to the redemption of the remaining outstanding EUR 10.4m subordinated bond on 29 November 2024. Additionally, last year's interest expenses reflected only the second half of the year from the Express Credit acquisition. Excluding this effect, interest expenses remained broadly stable.

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



Share Data (February 11, 2025)	
Current price, EUR	1.69
Target price, EUR	1.88
Potential Upside/Downside, %	11.43
52 week Low/High, EUR	1.605/1.71
3 month av. daily volume	20084
Market cap, EURm	197.9
Ordinary shares	117.1

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Key Numbers (EURm)	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Revenue	153.7	175.9	191.3	217.5	238.4	271.0	316.0	351.5
EBITDA	57.5	65.6	77.5	92.8	90.9	105.3	129.2	150.2
Net profit attr. to equity holders of parent company	2.1	15.3	20.1	23.7	29.7	36.0	45.5	55.0
Net loan portfolio	245.6	293.0	320.3	371.6	403.3	482.3	580.2	636.2
Net Debt	257.9	277.5	311.1	293.8	322.5	381.2	452.6	477.4
Total Equity (att. to equity holders)	24.3	45.2	53.6	92.9	109.0	127.0	149.7	177.2
Dividends	0.4	0.6	10.0	13-16*	14.8	18.0	22.8	27.5
Dividend Yield (%)	-	-	-	6.6-8.1*	7.5	9.1	11.5	13.9
ROE (%)	9.2	44.0	40.7	32.4	29.2	30.5	32.9	33.6
EV/EBITDA (x)	-	-	-	5.5	5.3	4.6	3.8	3.2
P/E (x)	-	-	-	8.3	6.7	5.5	4.3	3.6
P/Book (x)	-	-	-	2.1	1.8	1.6	1.3	1.1

Source: Eleving, Signet Bank for estimates. Valuation multiples 2025-2028E are calculated based on the share price EUR 1.69 at Feb 11, 2025.
**Dividends not approved yet, the dividend payout and yield is based on Eleving's current estimates communicated in 12M 2024 results webinar.*

Group' s impairment expense had a marginal increase of 4.1% y-o-y. This also reflects the improvements in loan portfolio NPL ratios—declining from 7.5% to 6.1% in the vehicle finance segment and from 4.5% to 4.3% in consumer finance.

As anticipated, operating expenses (OpEx) outpaced revenue growth, reaching EUR 92.5m (+18.7% y-o-y), leading to an increase in the C/I ratio to 39.8% (+3 pp y-o-y). Salary expenses, which account for 45.1% of total OpEx, were the primary driver of cost expansion, rising 19.8% y-o-y due to general wage inflation and workforce expansion. Notably, the integration of Express Credit's African consumer lending operations impacted only the final two quarters of the 2023 reporting period, whereas these expenses were fully accounted for in 2024. Following the acquisition of the African consumer loan portfolio, Eleving has continued its organic expansion, which should drive positive economies of scale moving forward. Marketing expenses, constituting 7.8% of total OpEx, grew by 12.5% y-o-y, reflecting the promotional efforts required to support loan portfolio growth. We anticipate the latter to remain elevated as long as Eleving pursues its growth ambitions. Importantly, the Group reported a sharp increase in tax expenses (+93% y-o-y), primarily due to a one-off Romanian VAT liability for prior years (EUR 2.6m). The respective product subject to VAT is no longer offered in Romania, thus no impact is expected in the upcoming periods.

Roughly 80% of Group's operations are in non-Eurozone markets which creates exposure to FX fluctuations. The Group continues to actively manage FX risks by lending in hard currencies outside the Baltics, hedging exposure to the US dollar, and securing local currency funding in markets. The Group remained active in its local notes program, particularly in Kenya and Botswana, where it secured funding mainly in local currencies. In Q4 alone, outstanding local notes increased by over EUR 6m in Kenya, and EUR 2m funding was secured in Botswana. Local notes currently constitute ca. 12% of total debt. In 2024 the Group reported FX loss of EUR 3.7m, 42.1% less y-o-y. Although hedging efforts should bring more stability, Eleving's profits still can maintain volatility to FX changes.

Despite OpEx exceeding revenue growth, the effective use of IPO funds to redeem the most expensive debt, robust portfolio quality leading to stable impairment costs, and lower FX losses all contributed to growing bottom-line profitability. Group's EBITDA reached EUR 92.8m, increasing 13.4% y-o-y, in the meanwhile net profit from continuing operations reached EUR 28.6m (+31.4% y-o-y, adjusted for one-off Romanian VAT: +43.3% y-o-y). Total net profits increased at lower extent due to higher positive impact of profit from discontinued operations last year.

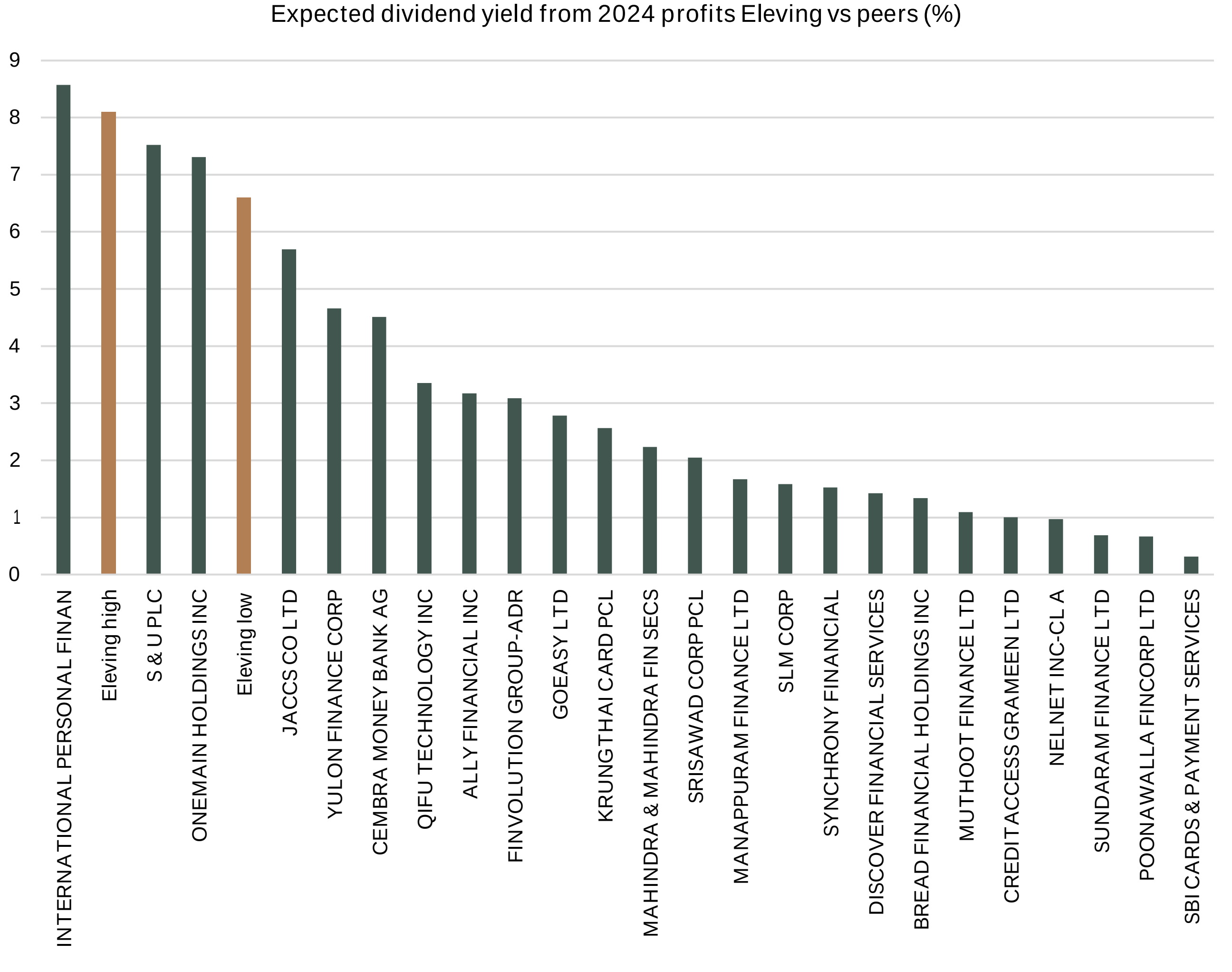
Overall, we view Eleving's 2024 results positively and reaffirm our further financial estimates and valuation. The Group's strengthened capital base and solid loan portfolio quality should enable it to secure debt funding at more favorable rates going forward while keeping impairment expenses relatively stable - assuming macroeconomic conditions in the respective markets remain stable. Additionally, Eleving's ability to effectively scale its operations should drive a reduction in the C/I ratio, further enhancing profitability.

The Group has communicated an expected payout ratio of 50% from total net profits, with dividends to be paid in May 2025. The indicated dividend range stands at EUR 13m to 16m (EUR 0.11–0.14 per share), with the final decision depending on audited results and the balance sheet capacity in April. Additionally, Eleving will adjust net profits by excluding the EUR 2.6m one-off VAT cost in Romania, effectively increasing the payout base.

Eleving's equity ratio stood at 24.3% at the end of 2024. Under the current dividend policy (50% payout allowed if the post-dividend equity ratio remains above 20%), the highest dividend payout scenario is feasible at this point, with the equity ratio after distribution standing at 20.7%. Based on the stock price of EUR 1.69 (as of 11th Feb), the indicative dividend yield falls within 6.6–8.1%, placing Eleving at the upper end of dividend yields among its peers. The dividend payout is likely to exceed our estimates due to net profit adjustments for one-off costs and the Group's plan to set the payout ratio based on total profits rather than net profits attributable to shareholders, as we had initially anticipated.

Results Review, EURm	FY/24A	FY/23A	% y-o-y	FY/24E	Dev. Abs	Dev. %
Net loan portfolio	**372**	**320**	**16.0**	**358**	**14.0**	**3.9**
Revenues	218	191	13.7	214	3.1	1.4
Net revenues	176	152	15.6	177	(1.7)	(0.9)
Impairment costs	(42)	(40)	4.1	(42)	0.0	(0.1)
Operating expenses, net	(93)	(78)	18.7	(92)	(0.2)	0.2
EBITDA	**93**	**82**	**13.4**	**88**	**4.9**	**5.6**
Net profit before FX	33	28	14.8	30	2.2	7.4
Net profit from conti. operations	29	22	31.4	28	0.7	2.6
Net profit attr. to equity holders	**24**	**20**	**17.9**	**23**	**0.6**	**2.7**

Source: Eleving, Signet Bank



Source: Bloomberg, Eleving.

Investment Case

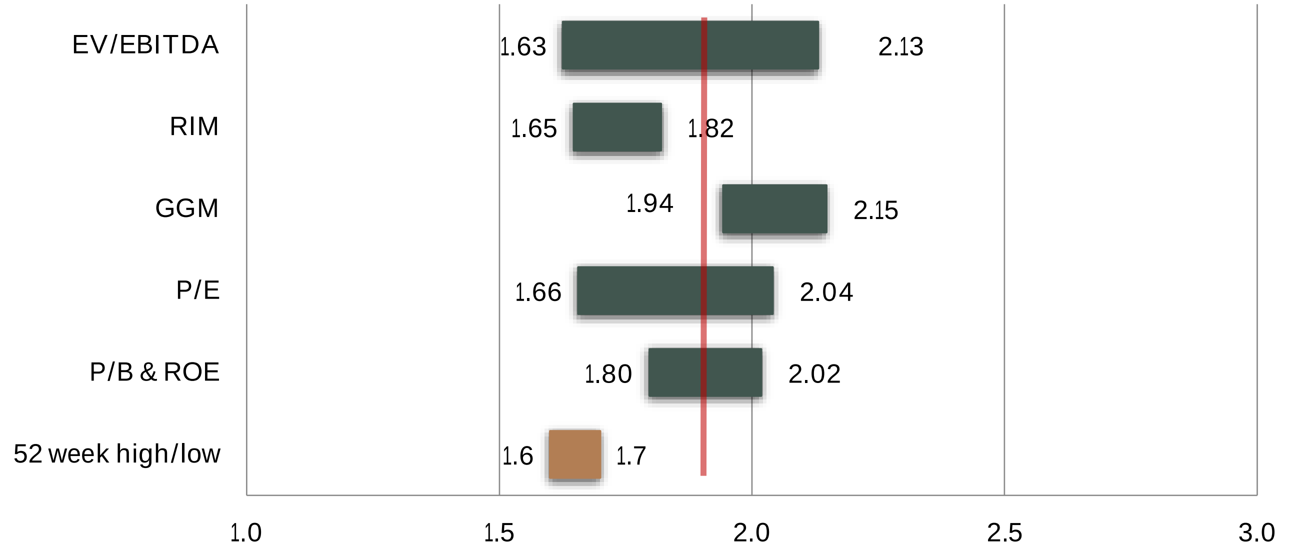
We view profitable growth and appealing dividend yields as the cornerstone of the investment case for Eleving. We look positively on the Group's effectively automated underwriting processes accompanied by agile corporate governance model and know-how, exhibiting ability of entering new markets and scaling the loan portfolio.

Key Risks:

- The relative instability of developing countries where the Group has exposure
- Economic recession resulting in slower than projected loan portfolio growth
    - deterioration of the credit quality and downtrend in non-euro currencies
- Regulatory tightening towards loan rate caps and licensing

Key Drivers:

- Strong presence in developing markets where economic growth potential is higher
- Diversified sales channels
- Advanced IT solutions enable Group to effectively scale operations globally
- Strong track record of profitable growth and dividend payments



Source: Signet Bank

Weighted Value Per Share, EUR	Period weights			Period weighted value	Weights	Contribution to value
	2024E	2025E	2026E			
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 per share						**1.88**

Source: Signet Bank

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Sign-off time: 11.02.2025 18:00

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- 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)

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