# DGR: Result Review Q2 2025



## Strong start in Lithuania. Credit loss uncertainty

AS DelfinGroup (hereafter referred to as "DGR" or the "Group") reported its Q2/25 results, delivering solid y-o-y loan portfolio growth that exceeded our estimates by 9%. The Group had a particularly strong start in the Lithuanian consumer lending market, just six months into operations. Operating expenses came broadly in line with our expectations, while credit loss expenses continued to significantly exceed our estimates. Previously, we noted this could be driven by larger discounts on bad debt sales, as the Group puts efforts to in-house recovery. However, there are still no clear signs of cost of risk stabilizing over a sustained period, which continues to weigh on net profits. The Group appears to have revived its loan issuance volumes through expansion into a new market, supported by a positive development in NII and improving operational efficiency, as reflected in a declining cost-to-income ratio.

Importantly, INDEXO IPAS, one of the leading pension fund managers and a recent entrant into the banking sector, has announced its intention to make an offer to DGR shareholders and fully integrate DGR into INDEXO group.

Given the recent developments, we have decided to revisit our forecasts and currently place DGR under review until further notice.

#### Q2/25 Earnings review

Another good quarter in terms of loan issuance. Total loans issued increased by 27% y-o-y and 10% q-o-q. Loan portfolio reached EUR 129m growing 27% y-o-y and 7% q-o-q. Lithuania consumer loan portfolio in six months already reached EUR 3.4m, constituting nearly 3% of total loan portfolio. NII increased at similar rate – 24% y-o-y and 8% q-o-q. Although we see some setback in loan yields that might be related to efforts to capture market share and intensified competition, reduction in cost of debt offsets the effect.

Company profile	
Listing market	Nasdaq Riga
Ticker	DGRIR
Industry	Financial services
Website	https://delfingroup.lv/



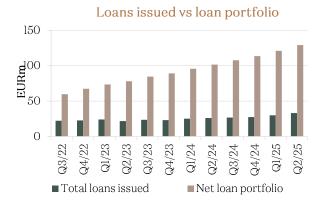
Share Data (August 11, 2025)	
Current price, EUR	1.3
Target price, EUR	Under Review
Potential Upside/Downside, %	n.a.
52 week Low/High, EUR	1.00/1.30
3 month av. daily volume	19932
Market cap, EURm	59.0
Ordinary shares	45.4

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Key Numbers (EURm)	2021	2022	2023	2024	2025E	2026E	2027E	2028E
Revenue	24.7	35.9	50.4	63.0				
EBITDA	10.2	13.1	18.2	22.3				
Operating Profit	5.2	7.3	8.3	9.4				
EPS	0.09	0.13	0.15	0.16				
Total Net Loans	43.0	67.4	89.0	113.5				
Net Debt	30.3	54.5	74.2	95.4	Under Review			
Total Equity	17.5	18.1	21.3	25.1				
Dividends	3.7	5.4	3.5	3.7				
Dividend Yield (%)	5.9	8.1	5.9	7.1				
ROE (%)	29.8	33.5	33.6	31.9				
EV/EBITDA (x)	9.4	9.7	7.3	6.4				
P/E (x)	15.8	11.3	8.9	7.1				
P/Book (x)	3.6	3.7	2.8	2.1				

Source: DelfinGroup, Signet Bank







Total sales of pre-owned goods (including pawn collateral sales) reached EUR 4.8m in Q2/25, continuing a steady growth trend with a 2% increase q-o-q and a stronger l7% rise y-o-y. Online store sales advanced 24% y-o-y but declined 5% q-o-q. Sales performance has been supported by the launch of new branches in Lithuania, the expansion of Banknote XL locations in Latvia, the integration of Latvian and Lithuanian online stores, and improvements in user experience across the e-commerce platform.

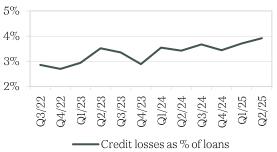
Credit loss expense reached EUR 5.3m in Q2/25 (+14% q-o-q, +50% y-o-y), increasing at a faster pace than the net loan portfolio. As previously noted, this may be driven by larger discounts on bad debt sales, reflecting the Group's shift toward recovering a greater share of debts in-house. The overall trend in credit loss rate has remained negative for an extended period, and visibility on when it might stabilize remains limited. While the Group's efforts to build in-house debt recovery capabilities could help stabilize or even improve the credit loss rate over time, this initiative is likely to come with additional operating expenses.

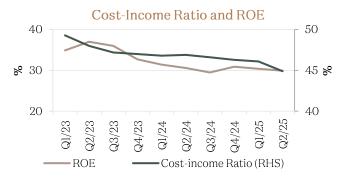
In Q2/25, DGR maintained solid control over operating costs. OpEx amounted to EUR 5.8m, flat q-o-q and up 13% y-o-y. Excluding credit loss expense, revenue growth continued to outpace cost growth, bringing the C/I ratio down by 1.2 pp q-o-q and 2.0 pp y-o-y to 44.9%.

Operating profit reached EUR 2.6m (+14% q-o-q, +12% y-o-y), while net profit stood at EUR 2.0m (+11% q-o-q, +7% y-o-y).

Over the past four quarters, including the annual dividend distributed in July 2025 and the proposed Q2/25 dividend, total dividends would represent 55% of TTM net profit, equating to EUR 0.0936 per share or a 7.2% yield based on the EUR 1.3 share price as of August 7. DGR still retains a comfortable covenant buffer, indicating continued quarterly dividend distributions near 50% of profits, with potential for additional annual dividends depending on capital requirements for loan portfolio expansion in Latvia and Lithuania.







Results Review, EURm	Q2/25A	Q2/24A	Q1/25A	% q-o-q	% у-о-у	Q2/25E	Dev. Abs	Dev. %	12M/24A	12M/23A	% у-о-у
Net loan portfolio	129.0	101.5	121.0	7	27	118	11.1	9	113.5	89.0	27.5
Net sales (Retail)	1.0	0.8	1.0	8	32	0.8	0.3	33	3.6	3.1	15.1
Netinterestincome	12.7	10.2	11.7	8	24	11.9	0.8	6	41.4	32.6	26.9
Credit loss expenses	(5.3)	(3.5)	(4.7)	14	50	(4.2)	(1.1)	26	(15.1)	(10.7)	41.3
Gross profit	8.4	7.5	8.0	4	13	8.5	(0.1)	(1)	29.9	25.1	19.3
Operating expenses, net	(5.8)	(5.l)	(5.8)	О	13	(5.6)	(0.2)	4	(20.7)	(16.8)	23.6
EBITDA	6.1	5.4	5.6	9	13	6.0	0.1	1	21.9	18.2	20.3
Operating profit	2.6	2.3	2.3	14	12	2.9	(0.3)	(11)	9.2	8.3	10.7
Netprofit	2.0	1.8	1.8	11	7	2.3	(0.4)	(15)	7.3	6.6	9.8



#### INDEXO planned offer

INDEXO plans to make a voluntary share buyback offer to the DGR shareholders. So far some details regarding the offer have been provided with the rest to be available upon the release of prospectus.

INDEXO has provided 2 options which DGR shareholders can chose with the 3<sup>rd</sup> obvious option is to not accept the offer and remain DGR shareholder:

- 1. Exchange each DelfinGroup share for 0.136986 INDEXO shares
- 2. Sell DelfinGroup shares at a price of EUR 1.30 per share
- 3. Not participate and keep DelfinGroup shares

The first option value can be interpreted through the share exchange ratio (0.136986) and INDEXO's last public offer price (EUR 10.15), implying a value of EUR 1.39 per DGR share (10.15 × 0.136986). At first glance, this appears favorable—around 7% higher than the current market price of EUR 1.30. However, shareholders should be aware that post-merger, exposure extends beyond DGR to the combined entity's future, meaning the true value lies as well in INDEXO's long-term performance.

It's also worth noting that prior to the offer, DGR traded below the implied offer price, suggesting that the combined market capitalization might not reflect above calculation. In other words there might be short-term downward adjustment in INDEXO's share price after the transaction. Nevertheless, this would be a temporary technical effect, whereas the investment rationale of the merger points toward potential long-term upside. Synergies may include access to a broader customer base for INDEXO and more cost-efficient funding for DGR through the banking arm of the group.

The second option is to sell DGR shares at EUR 1.30, providing immediate and guaranteed liquidity. This route is straightforward, and the decision ultimately depends on each shareholder's entry price—whether locking in a gain or accepting a loss at this level which is deemed acceptable. INDEXO has stated that the share purchase offer will be subject to a cap, meaning that if the number of shares sold exceeds the limit, the purchase will be allocated on a pro rata basis. INDEXO is currently raising EUR 3.5m through an SPO and holds EUR 28.2m in cash. The largest shareholders are expected to exchange their 41% stake, with other shareholders potentially to follow. Given the capital requirements and funding needs for growth, we believe INDEXO is not in a position to acquire 50% of DGR, suggesting that the offer could be restricted to a significantly smaller portion of DGR shares.

The third option involves retaining DGR shares. If you are satisfied with the dividend yield and believe in the Group's growth plan, holding the stock may be reasonable. If INDEXO acquires at least 95% of shares, it can initiate a mandatory squeeze-out at no less than the current offer price without shareholder consent. Given the willingness of DGR's largest shareholders to accept the offer or exchange shares, we anticipate INDEXO will acquire at least 50%. If 75% is obtained, INDEXO can propose delisting, again with the offer to repurchase shares. While the intention to delist was not explicitly considered, low trading liquidity and cost-efficiency could justify such a move. Shareholders choosing to hold should account for potential loss of liquidity. All in all, with a condition that this offer takes place, if delisting or squeeze-out follows, shareholders will be able to sell for at least the previous offer price at EUR 1.3 (this rule shall apply for 12 months after the offer. Afterwards 12 month average price shall be applied).

Option	Value per share	Summary
Share exchange	EUR 1.39	Highest value; exposes you to INDEXO's future performance
Money offer	EUR 1.3	Guaranteed, immediate liquidity
Hold	EUR 1.3	Potential upside or downside limited to DelfinGroup operations, shares potentially delisted

Additionally, it should be taken into account that DGR bonds and possibly also debt listed on Mintos and debt from other credit institutions hold a Change of Control put option clause that might be triggered if Change of Control materializes. In the case of bonds, the clause essentially means that if any other person or entity (except the existing major shareholders) acquires control (>50%) in DGR, bond investors have the right to demand DGR to repurchase the notes. It is, however, still early to say whether this situation could potentially materialize, and we would expect to see some communication from the Issuer on this matter.



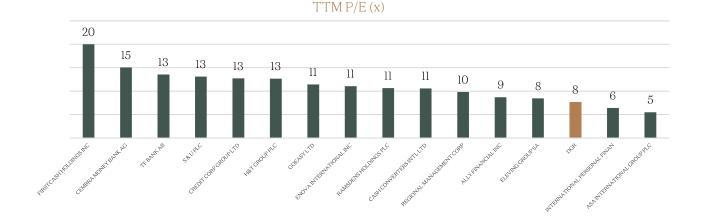
As we mentioned, we are revisiting our estimates, accordingly we will view the offer based on the market pricing. In our peer analysis, we have compiled a list of companies involved in consumer lending and pawnshop operations. Some peers operate online platforms offering lending products globally. To ensure a broader comparison, we have included a few companies from the US. For the premium/discount comparison we have used peer group median excluding outliers.

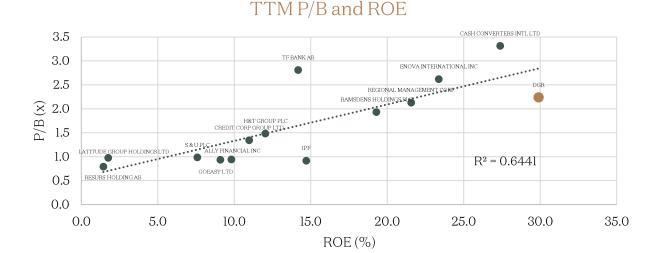
P/E: Our peer group analysis shows that at EUR 1.3 per share, DGR trades with a 32% discount to its peer group P/E median.

P/B and ROE regression analysis: Companies with higher capital efficiency (reflected in ROE) are commanding higher value per book value unit. By this measure DGR is trading with 20% discount.

**Dividend yield:** Its dividend yield is among the highest in the peer group, roughly twice the peer median, which also reflects the discount implied by P/E and ROE&P/B metrics.

- For investors primarily focused on regular high-yield dividends, holding DGR remains attractive. By contrast, INDEXO, with less than 1% market share in the Latvian bank loan portfolio, will likely require significant capital to expand, leaving little or no room for dividends for several years.
- The share-exchange option reflects current market pricing (with marginal premium) but exposes investors to INDEXO's performance. We see that synergy is possible here, tough this move could also change part of the clients perspective about the bank. All in all, share exchange option is fair, but the decision here lies on whether INDEXO will be able to successfully fund and capture notable market share in the Latvian market. If so, the combined value can be beneficial to investors.
- Given the current peer valuation discount, the cash offer, although at a 16.4% premium to the 12-month average weighted price, appears less compelling when compared with the broader peer group. Despite being broadly in line with one of the closest peers, IPF, which after strong H1/25 results have reduced its P/E, but still is expected to record P/E around 8x at the end of the year, we would better look at broader group.

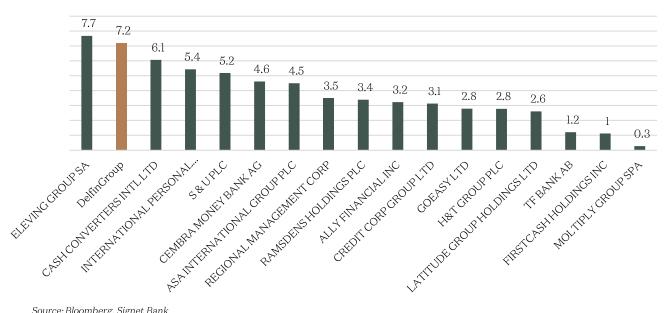




Source: Bloomberg, Signet Bank 4



### Div Yield (%) TTM



Source: Bloomberg, Signet Bank

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Sign-off time: August 11, 2025, 18:00

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