



iutecredit

Earnings Call Presentation 3M 2020

May 2020

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Presenting

Experienced in Banking and Finance with strong self-made entrepreneurial track record



Tarmo Sild
Chief Executive Officer

- Co-founder of luteCredit
- Tarmo holds a Master's degree with distinction in Law from Vrije Universiteit Brussels
- Prior to his recent entrepreneurial engagements he was attorney at law and partner at the law firm LEXTAL in particular responsible for the implementation of EU Law, banking, project financing and securities
- Tarmo started his professional career as the only Estonian advocate in Brussels at HETA Law Offices, having good social connections with the Commission and knowledge about EU internal procedures




Kristel Kurvits
Chief Financial Officer

- Kristel has been with luteCredit since 2017
- Kristel holds a Master's degree in Financial Management from Estonian Business School
- Since 2000 and onwards she served as Chief Financial Officer for MTÜ Estonian Banking Association
- Prior to her recent engagements, Kristel was responsible amongst others for accounting of Ektornet Land Estonia OÜ (part of Swedbank Group) and financial reporting of the group companies
- Kristel started her professional career at Hansa Leasing Inkasso OÜ (part of Hansapanga Group)

IuteCredit Group Highlights

Pleasing result with improvement of key indicators

Number of customers

 **630,000+**
620,000+ (FY 2019)


Gross loan portfolio

 **€ 95.6m**
+ 4% (FY 2019)

Total revenue

 **€ 15.7m**
+ 124% (3M 2019)

EBITDA

 **5.4m**
+ 32% (3M 2019)

Customer Performance
Index (CPI)

 **84.7%**

NPL's in net portfolio

 **6.5%**

- Number of instalment loans issued in period under review up 10% to 32.152 (3M 2019: 29.223)
- Increase of personnel to 360 employees (FY 2019: 347) in line with the expansion of business activities
- Repayment behaviour of performing customers as well as of the customers who fall into delay or even default remained disciplined and has led to good cash flow results
- Immediate and prudent actions taken to mitigate the effects of COVID-19 pandemic
- Despite foreign exchange losses IuteCredit remained profitable

Operational Footprint

Geographical diversification

Bosnia and Herzegovina

- Launch: May 2019
- Loans issued 3M 2020: EUR 1.2m
- Net loan portfolio 3M 2020: EUR 1.8m
- Revenue 3M 2020: EUR 0.3m
- EBITDA 3M 2020: EUR -0.3m
- Impairments 3M 2020: EUR 0.2m



Moldova

- Launch: August 2008
- Loans issued 3M 2020: EUR 13.9m
- Net loan portfolio 3M 2020: EUR 41.7 m
- Revenue 3M 2020: EUR 6.7m
- EBITDA 3M 2020: EUR 4.2m
- Impairments 3M 2020: EUR 1.9m



Albania

- Launch: April 2015
- Loans issued 3M 2020: EUR 11.5m
- Net loan portfolio 3M 2020: EUR 27.5 m
- Revenue 3M 2020 : EUR 4.7m
- EBITDA 3M 2020: EUR 0.7m
- Impairments 3M 2020: EUR 1.8m



North Macedonia

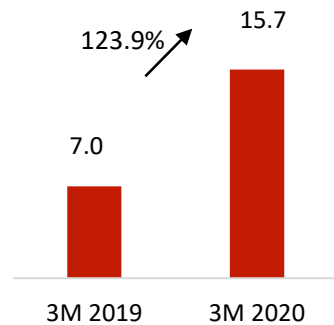
- Launch: September 2017
- Loans issued 3M 2020: EUR 5.1m
- Net loan portfolio 3M 2020: EUR 9.1 m
- Revenue 3M 2020: EUR 1.3m
- EBITDA 3M 2020: EUR 0.6m
- Impairments 3M 2020: EUR 0.2m



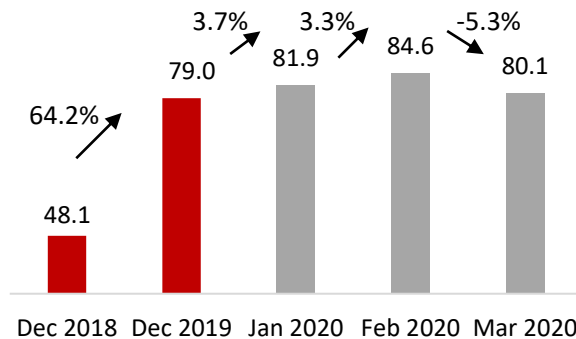
Operating Highlights

Strong growth in revenue with stable operating expenses

Significant growth of total revenue
EURm



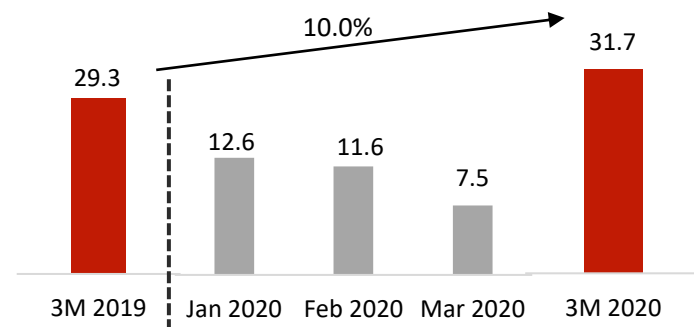
Net loan portfolio growth impacted in March



- Interest and similar income up 61% to EUR 12.9m (3M 2019: EUR 8.0m); total revenue grew to EUR 15.7m
- Net loan portfolio increased by 1.4% to EUR 80.1m as of 3M 2020 (FY 2019: EUR 79.0m)
- loans issued increased of 8.2% to EUR 31.7m (3M 2019: EUR 29.3m) despite controlled contraction of balance sheet as of March in reaction to COVID-19
- Growth operations in Bulgaria on hold due to COVID-19 pandemic, while the operations in Bosnia continue





Stable growth of issued loans

EURm



COVID-19 impact on luteCredit markets

Restrictions imposed by authorities

North Macedonia	Moldova	Albania	Bosnia and Herzegovina
			
<p>Lockdown restrictions</p> <ul style="list-style-type: none"> ▪ Curfew limiting movements ▪ Additional age-related restrictions 	<p>Lockdown restrictions</p> <ul style="list-style-type: none"> ▪ 60-day state of emergency closing except for essential needs 	<p>Lockdown restrictions</p> <ul style="list-style-type: none"> ▪ Curfew limiting movements ▪ Permit required for fulfillment of essential needs 	<p>Lockdown restrictions</p> <ul style="list-style-type: none"> ▪ Curfew limiting movements ▪ Additional age-related restrictions
<p>Moratorium Imposed</p> <ul style="list-style-type: none"> ▪ Partial repayments ▪ Regulation changed: DPD+90 to DPD+150 ▪ No penalties/additional interest/costs for delayed payments ▪ Loan restructuring recommended ▪ 3 months grace period ▪ Lower APRs for new loans 	<p>Moratorium Imposed</p> <ul style="list-style-type: none"> ▪ No penalties for delayed payments recommended ▪ Loan restructuring recommended. ▪ No dividend payments recommended 	<p>Moratorium Imposed</p> <ul style="list-style-type: none"> ▪ 3 months deferral of payments (proof of financial difficulty) ▪ No penalties for delayed payments. ▪ For financial institutions, no provision expenses for delayed payments 	<p>Moratorium Imposed</p> <ul style="list-style-type: none"> ▪ 3 months grace period ▪ No penalties for delayed payments. ▪ For financial institutions, no provision expenses for delayed payments

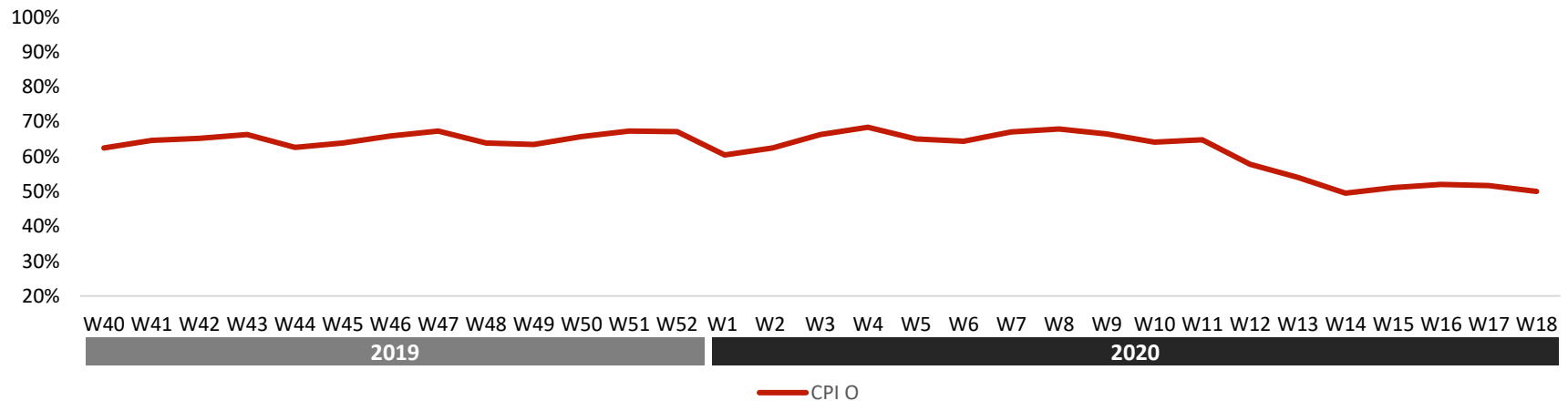
COVID-19 impact on luteCredit markets

Customers repayment discipline decreasing. Quality demand decreasing.

- Repayment difficulties caused by public lockdown:
 - Customers unable access repayment counters
 - Parents with children case
 - Elderly customer case
 - Working hours case
- Customer demand for new loans declined by 80% after the outbreak of COVID-19

- CPI 0 measures customers actual loan repayment compared to expected repayment, without a single day past due
- CPI 0 stable between 63% and 67% prior to COVID-19
- From mid-March 2020 (Week 11) and the outbreak of the COVID-19 pandemic, CPI 0 decreased to approximately 50 % in the week 18

CPI 0 development



COVID-19 actions taken

Shift from growth to strengthening and controlled contraction of balance sheet

Cost optimization: Expenses strictly controlled in line with cash inflow

- Operating expenses (salaries, marketing and sales, R&D and leases) cut by more than 25% with an almost unchanged staff size
- Operations of start-up subsidiary luteCredit Bulgaria frozen to a minimum

Cash Flow optimization and strengthening of the balance sheet

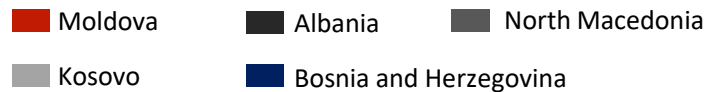
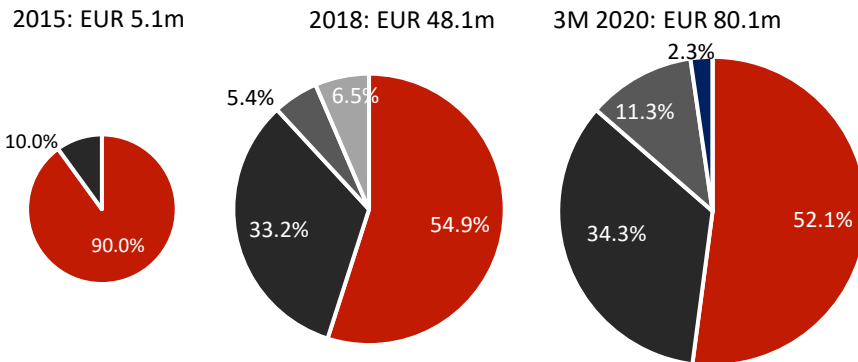
- Stricter approval process; volume of business aligned to strength of balance sheet
- Growth of cash position: Up 31.0% to EUR 9.0m in 3M 2020; accumulation targeted of at least 12% of the balance sheet by end of 6M 2020
- Loan provisions increased to EUR 15.4m (FY 2019: EUR 13.1m), representing 14.6% of total assets (FY 2019: 12.3%)

Customer and loan issuance related actions

- New loan issuance significantly restricted: Credit risk requirements increased while maximum exposure per customer reduced
- Three-month grace period for repayment of loans in all markets, even beyond legal requirements
- Offers to restructure the loan maturities
- Early repayment rewarded with discount on fees
- Cashflow as decisive function to steering of the volume and price of new loans issued
- Discounted buyback of short-term loans offered on Mintos platform. Low demand speaks for investor confidence in luteCredit

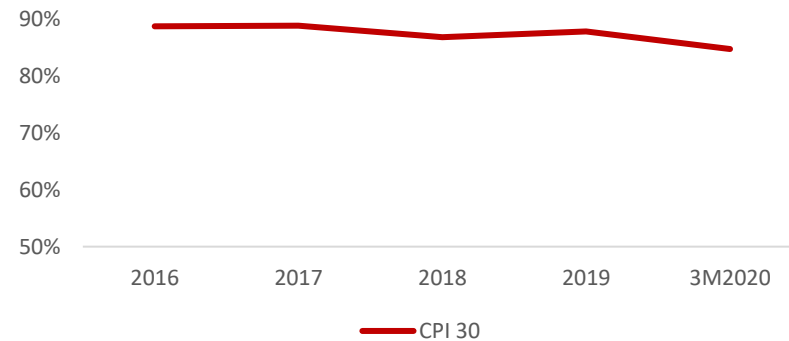
Net Loan Portfolio & Loan Repayment Behaviour

Net loan portfolio diversification



- Diversifying risk with sustainable growth through geographical expansion
- Share in portfolio of North Macedonia, launched in 2017 continues to increase as operations mature
- Net loan portfolio grew by 1.5% to EUR 80.1m (FY 2019: EUR 79.0m) due to the restricted issuance of new loans and cashing in of the loan portfolio in March 2020

Evolution of Customer Performance Index (CPI 30)



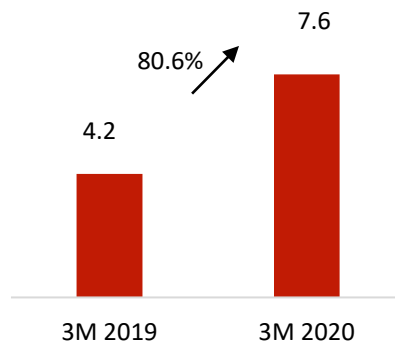
- CPI 30 as indicator of customers' actual duly repayments against the expected payments, moderately effected in 3M 2020 due to the public lockdown
- CPI 30 has slightly declined in 3M 2019 to 84.7% (3M 2019: 86.8%)
- Repayment behaviour of the customers remaining very high

Financial Highlights

Continued strong performance

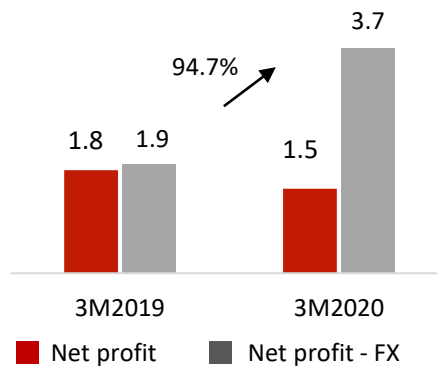
Significant improvement of adjusted EBITDA

EURm



Strong growth of net profit excl. FX

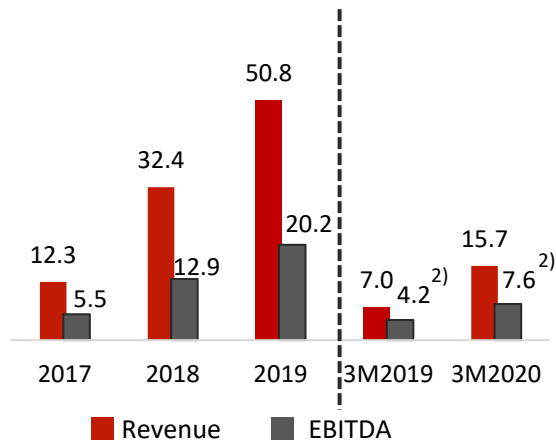
EURm



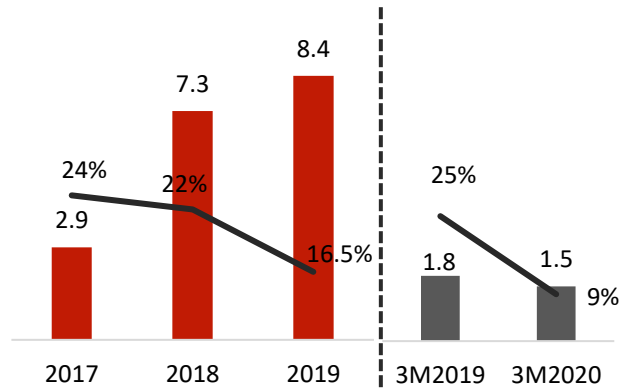
- Significant growth of adjusted EBITDA by 80.6% to EUR 7.6m (3M 2019: EUR 4.2m)
- Interest expenses increased by 72.1% to EUR 2.8m (3M 2019: EUR 1.6m) due to the expansion of business activities
- Net profit of EUR 1.5m (3M 2019: EUR 1.8m) achieved despite the FX loss of EUR 2.2m (depreciation of Moldavian Leu and Albanian Lek)
- Contraction of balance sheet in March offsets the growth achieved during January and February. As at the end of February, the balance sheet had reached its peak of EUR 112.0m

Financial Ratios

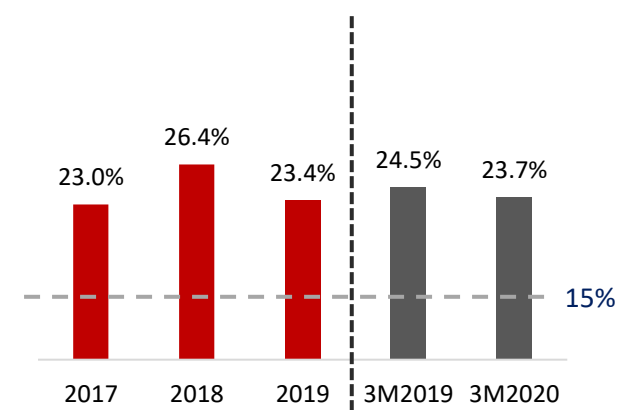
Revenue & EBITDA in EURm



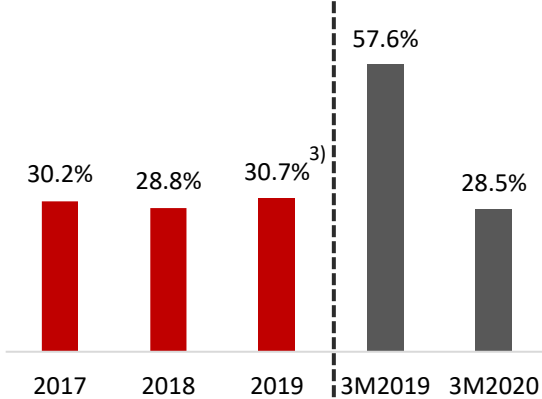
Net profit in EURm & Net profit margin



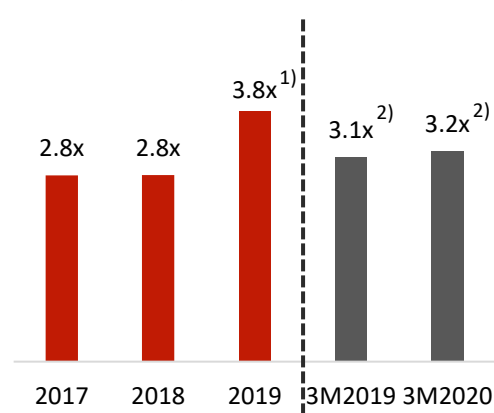
Capitalization ratio



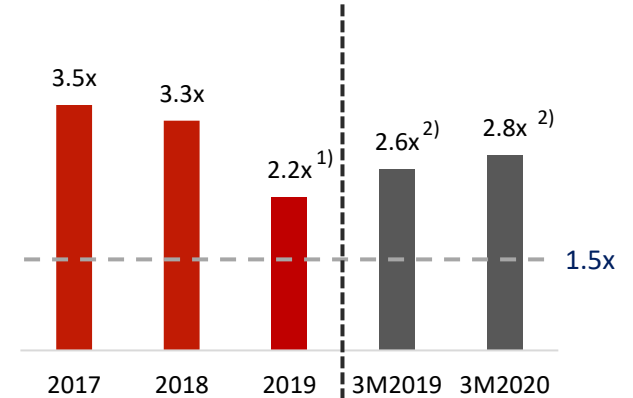
Cost to income ratio



Leverage ratio



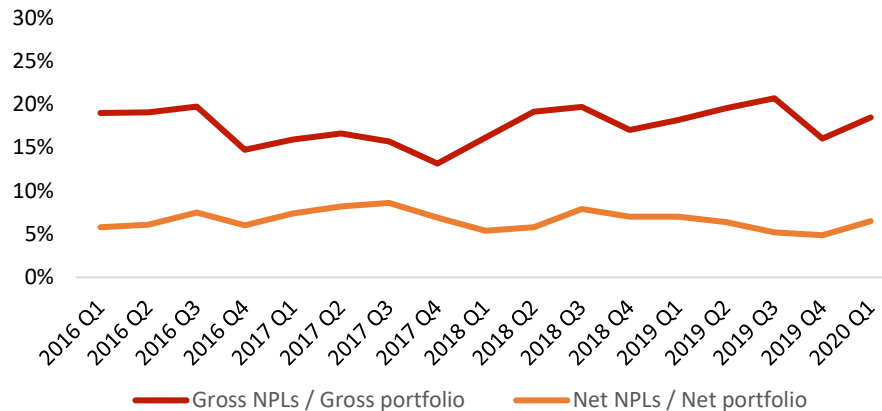
Interest coverage ratio



1) Adjusted for FX gains/losses and discontinued operations
 2) Adjusted for FX gains/losses
 3) Adjusted for one-time Kosovo expenses

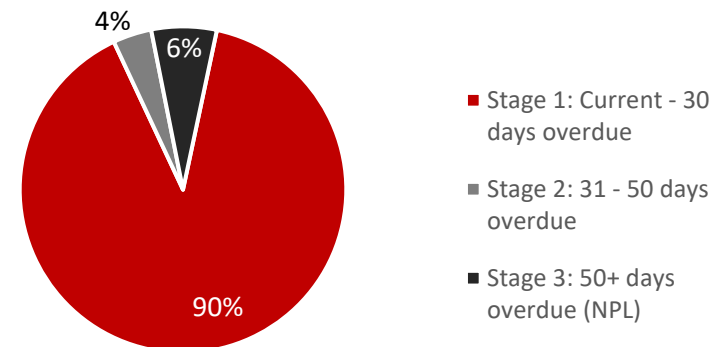
Non-Performing Loans

Gross and net NPL (50+ DPD) portfolio



- NPL ratios in line with targeted ratios
- Prudent impairment policy, with effective impairment rate of 18.5% from gross loan portfolio (as of 31.03.2020)
- Minor initial impact of COVID-19 on the customer payment discipline and portion of overdue loans in the total portfolio thus lead to a slight rise in both Gross as well as Net NPLs
- Provision coverage (Total provisions/Gross NPL) ratio 87.1%

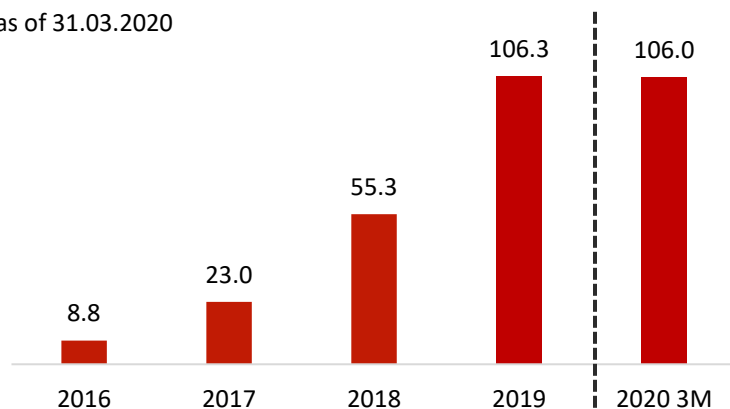
Net loan portfolio quality analysis, 3M 2020



- Conservative internal NPL definition
- Loans 50+ DPD recognized as non-performing loans (NPLs); in 2016 and 2017 NPLs have been defined as 70+ DPD, in 2015 and earlier as 90+ DPD
- luteCredit has always followed the ECL method prescribed by IFRS 9
- luteCredit creates and accounts provisions “online” when loans issued

Assets & Liabilities

Assets in EURm
as of 31.03.2020

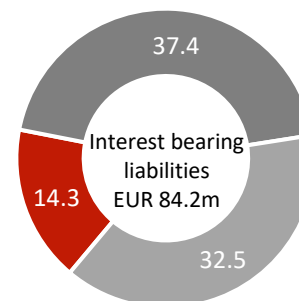


	2016	2017	2018	2019	3M 2020
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Capitalization ratio	27.0%	23.0%	26.4%	23.4%	23.7%
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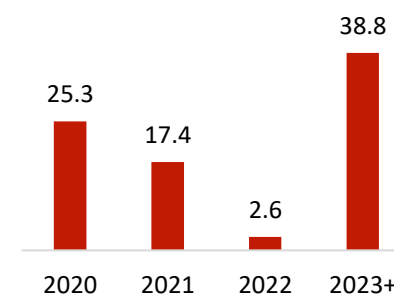
- 84% of assets consist of net loan portfolio and cash
- High cash position of EUR 8.8m (FY 2019: EUR 6.7m)
- Simple and clearly-structured balance sheet
- Stable and healthy capitalization

Liabilities in EURm
as of 31.03.2020



■ Loans and leasing ■ Bonds ■ P2P

Liability maturities in EURm
as of 31.03.2020



- Total liabilities decreased by EUR 0.8m to EUR 87.0m (FY 2019: EUR 87.7m)
- As of 31.03.2020, loans and borrowings amounted to EUR 84.2m (FY 2019: EUR 84.1m), accounting for 96.8% of all liabilities (FY 2019: 93.8%)
- Due to the high cash position of EUR 8.8m, net interest-bearing debt amounts to EUR 75.4m as of 31.03.2020

Summary & Outlook

COVID-19-driven impact on future operations

Summary

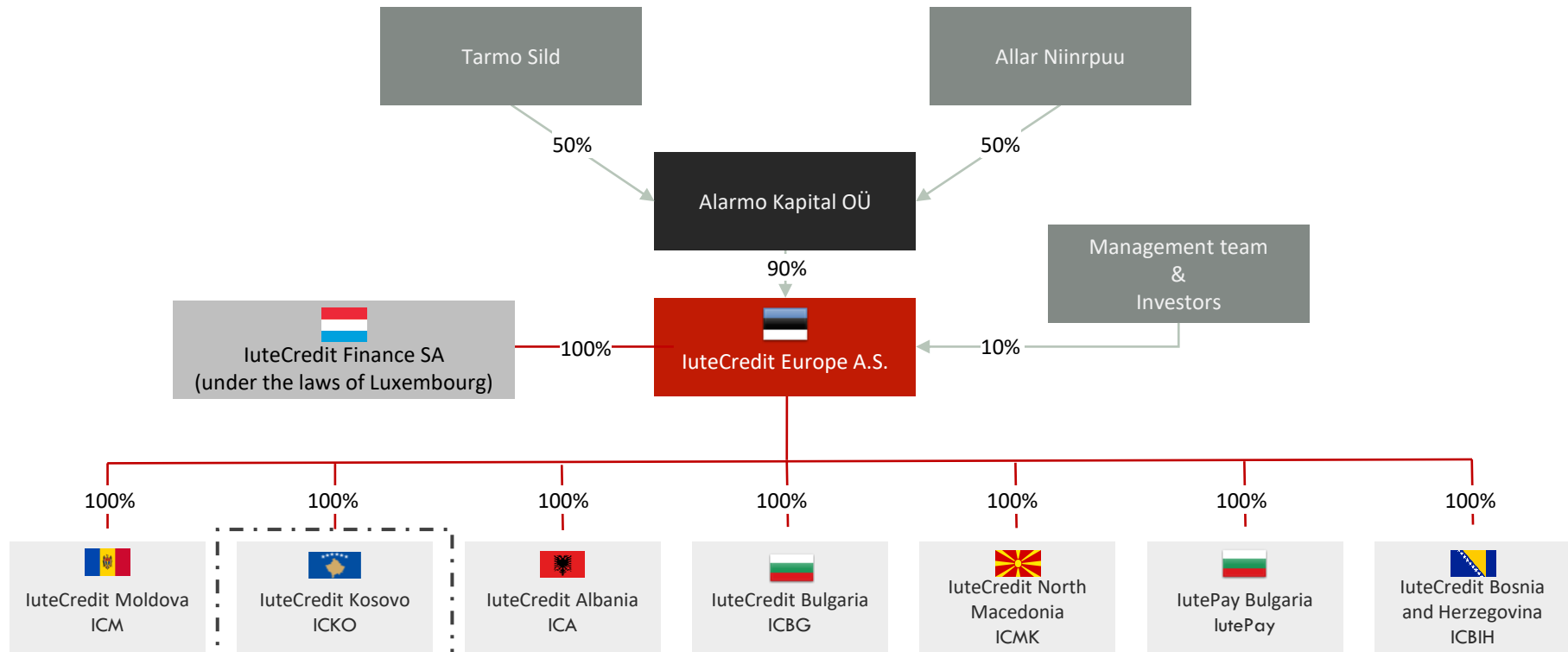
- Minor impact of COVID-19-driven restrictions in 3M 2020
- Extensive measures taken to optimize cash flow and expand cash position
- Shift from the growth to strengthening and controlled contraction of balance sheet
- New loan issuance significantly restricted: Cashflow as decisive function for volume and price of new loans
- Loan provisions increased in 3M 2020 in anticipation of future impairments

Outlook

- Temporary decline of CPI 30 index expected: luteCredit offering customers grace periods and restructurings of loan maturities
 - Gradual easing of curfews in 2Q expected: Consumption and repayments to improve again
 - luteCredit sees Post-COVID-period as an opportunity:
 - luteCredit to be more cost-efficient
 - Lower competition from non-banking financial institutions expected due to market shakeout
 - Stricter underwriting practice of banks
-

Appendix

Legal Structure



Note: Kosovo is currently not part of the consolidation

Income Statement

in EURm	2018	2019	3M 2019	3M 2020
Interest and commission fee income	22.6 (69.8%)	47.0 (92.5%)	8.0 (113.9%)	12.9 (82,4%)
Loan administration fees and penalties	9.4 (29.1%)	3.0 (6.0%)	(1.0) (14.4%)	2.2 (13,8%)
Other income	0.3 (1.1%)	0.7 (1.5%)	0.0 (0.5%)	0.6 (3.8%)
Total Revenue	33.4 (100.0%)	50.8 (100.0%)	7.0 (100.0%)	15.7 (100%)
Interest expense	(3.9) (11.9%)	(9.0) (17.7%)	(1.6) (22.9%)	(2.8) (17.6%)
Allowances for loan impairment	(10.4) (32.0%)	(11.0) (21.5%)	1.0 (14.7%)	(4.0) (25.4%)
Total operating income	18.2 (56.1%)	30.9 (60.8%)	6.4 (91.8%)	8.9 (57.0%)
Salaries and other personnel expenses	(3.9) (12.0%)	(6.3) (12.4%)	(1.4) (19.2%)	(2.2) (13.9%)
Other operating expenses	(5.2) (16.1%)	(14.2) (28.0%)	(2.5) (35,1%)	(1.9) (12.0%)
Depreciation/amortization charge	(0.2) (0.7%)	(1.2) (2.4%)	(0.2) (3.3%)	(0.4) (2.6%)
Financial assets measured at fair value	-	1,0 (1.9%)	-	-
Foreign exchange gains/losses	0.7 (2.0%)	0.4 (0.7%)	(0.0) (1.4%)	(2.2) (14%)
Profit or loss before taxes	9.5 (29.3%)	10.5 (20.6%)	2.3 (32.7%)	2.3 (14.4%)
Income tax	(2.2) (6.9%)	(2.1) (4.1%)	(0.5) (7.6%)	(0.8) (5.0%)
Net profit for the year	7.3 (22.4%)	8.4 (16.5%)	1.8 (25.1%)	1.5 (9.4%)
Other comprehensive income	0.5 (1.6%)	(0.3) (0.6%)	1.6 (23.4%)	1.0 (6.4%)
Total comprehensive income for the year	7.8 (24.0%)	8.1 (15.9%)	3.4 (48.6%)	2.5 (15.8%)

Balance Sheet

in EURm	2018	2019	3M 2020
<i>Assets</i>			
Cash and bank accounts	2.6	6.7	8.8
Loans to customers	48.1	79.0	80.1
Prepayments	0.3	0.9	0.6
Other assets	1.7	2.5	2.3
Other financial investments	1.5	9.9	6.8
Property, plant and equipment	0.5	1.0	1.1
Right-of-use assets	-	2.9	2.8
Intangible assets	0.7	3.3	3.4
Total assets	55.3	106.3	106.0
<i>Liabilities and equity</i>			
Liabilities			
Loans and borrowings	39.2	84.1	84.2
All other liabilities	3.4	3.7	2.8
Total liabilities	42.6	87.7	87.0
Equity			
Share capital	10.0	10.0	10.0
Legal reserve	0.0	0.4	0.5
Unrealized foreign exchange differences	0.4	0.1	-0.4
Share premium reserve	0.0	0.0	0.0
Retained earnings	2.3	8.0	8.9
Profit of reporting period	-	-	-
Total equity	12.7	18.5	19.0
Total equity and liabilities	55.3	106.3	106.0

Statement of Cash Flow (1/2)

	in EURm	2018	2019
Operating activities			
Paid prepayments		(6.3)	(11.3)
Received pre- and overpayments		9.3	12.8
Paid trade payables		(5.9)	(10.7)
Received debts from buyers and received other claims		0.0	0.7
Received from collection companies		7.4	13.0
Paid net salaries		(2.3)	(4.5)
Paid tax liabilities, exc. CIT		(1.5)	(2.9)
Corporate income tax paid (CIT)		(1.4)	(3.3)
Paid out to customers		(39.3)	(76.2)
Principal repayments from customers		20.4	40.3
Interest, commission and other fees		8.8	17.4
Net cash flows from operating activities		(10.7)	(24.8)
Investing activities			
Purchase of fixed assets		(0.8)	(0.8)
Net cash flow from aquisition of subsidiaries		(1.1)	(2.6)
Received from the sale of subsidiaries		0	0.2
Payments for other financial investments		(1.5)	0.0
Receipts from other financial investments		0.0	0.0
Net cash flows from investing activities		(3.3)	(3.3)

	in EURm	2018	2019
Financing activities			
Loans received from investors		26.1	85.0
Repaid loans to investors		(10.8)	(47.8)
Change in overdraft		2.0	4.2
Change in MasterCard settlement account		0.0	(1.4)
Paid out loans to customers related to MasterCard		0.0	(0.1)
Loan principal repayments from customers related to MasterCard		0.0	0.5
Principal payments of financial lease contracts		0.0	(0.9)
Interests paid		(3.7)	(5.2)
Capital increase		3.2	0.0
Dividens paid		(2.0)	(2.2)
Grants received		0.0	0.0
Net cash flows from financing activities		14.9	32.1
Change in cash and cash equivalents		0.9	4.0
Cash and cash equivalents at the beginning of the period		1.8	2.6
Change in cash and cash equivalents		0.9	4.0
Net foreign exchange difference		(0.0)	0.0
Cash and cash equivalents at the end of the period		2.6	6.7

Statement of Cash Flow (2/2)

	(in EURm)	3M 2019	3M 2020
Operating activities			
Paid prepayments		(1.1)	(2.2)
Received pre- and overpayments		0.1	0.1
Paid deposits		(1.9)	(0.8)
Received deposits		0.1	11.6
Paid trade payables outside the Group		(2.7)	(2.8)
Received debts from buyers and received other claims		0.0	0.1
Received from collection companies		2.9	5.3
Paid net salaries		(1.1)	(1.9)
Paid tax liabilities, exc. CIT		(0.8)	(0.7)
Corporate income tax paid		(1.8)	(0.3)
Change in MasterCard settlement account		0.0	(0.8)
Paid out loans to customers related to MasterCard		0.0	(0.0)
Loan principal repayments from customers related to MasterCard		0.0	0.7
Paid out to customers outside the Group		(18.7)	(14.6)
Principal repayments from customers		12.6	8.2
Interest, commission and other fees received		5.6	3.6
NET CASH FLOWS FROM OPERATING ACTIVITIES		(6.7)	5.6

	(in EURm)	3M 2019	3M 2020
Investing activities			
Purchase of fixed assets, inc. prepayments		(0.2)	(0.1)
Payments for other financial investments		0.0	(0.0)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(0.2)	(0.1)
Financing activities			
Loans received from investors outside the Group		14.9	17.9
Repaid loans to investors outside the Group		(5.1)	(11.9)
Change in overdraft (+/-)		0.7	(5.2)
Principal payments of financial lease contracts		(0.1)	(0.4)
Interests paid outside the Group		(1.1)	(3.2)
Dividens paid outside the Group		(0.6)	(0.5)
Payments for other financing activities		0.0	(0.0)
Receipts from other financing activities		0.0	0.0
NET CASH FLOWS FROM FINANCING ACTIVITIES		8.7	(3.3)
Change in cash and cash equivalents		1.7	2.2
Cash and cash equivalents at the beginning of the period		2.6	6.7
Change in cash and cash equivalents		1.7	2.2
Net foreign exchange difference		(0.0)	(0.1)
Cash and cash equivalents at the end of the period		4.3	8.8

Thank you for your attention!

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