ESTO GROUP

Unaudited Financial Results 2022Q2

Highlights

Strategical

- ESTO Holdings OÜ (ESTO Group) acquired ESTO AS (ESTO Estonia).
- Growth in all operating markets (Estonia, Latvia, Lithuania).
- 7 million EUR debt capital raised.
- New homepage and identity launched, including investor relations (www.esto.eu/global).
- Record number of merchant partnerships in all operating regions.
- Record number of users in the platform in all operating regions.

Operational

(in millions of euros)

	H1 2021	H1 2022	Δ in %
Revenue	5.4	7.2	33%
EBITDA	2.7	3.0	11%
Net Profit	1.5	1.4	-3%
Balance sheet	28.2	38.4	36%
Net Loan Portfolio	25.1	35.4	41%
Equity	3.1	5.0	61%
GMV	19.6	42.8	118%
Loans issued	16.9	21.8	29%
Gross Loan portfolio	25.4	36.2	42%

Statement of the management

The second quarter of 2022 was again successful for ESTO Group and it concluded a strong first half a year of 2022. Amid its 5th anniversary, ESTO continues to show strong financial and operational performance. In the first six months of 2022, ESTO Group platform gross merchandise volume reached 43 million and we have significantly increased our number of platform users and merchant partnerships. The consolidated balance sheet of the Group reached 68 million including equity of 35 million. Our net loan portfolio increased to 36 million and has continuously been showing healthy payment behavior and has allowed us to generate revenue of 7.2 million, EBITDA of 3 million and net profit of 1.4 million for H1 of 2022.

It is worth pointing out, that in our core market of Estonia, we have witnessed a reduction in the APR cap allowed in the market for the past several half a year cycles. Despite the reduction in the cap, we have balanced the financial effect with being successful and with increasing our business volumes hence our revenue has been continuously increasing on a monthly level. For the next cycle, due to the environment of increasing interest rates, we are projecting the APR cap to start increasing again which will allow us to bring more profitability into our financials with an immediate impact.

With ESTO, we are used to heavy competition that comes from operating in the point-of-sale financing sector. We know, that we need to invest heavily into our technology and product to maintain our capabilities several steps ahead of our competition who are some of the biggest banks in the region. Despite of the constant investments into subsidies, technology, partnerships and users we are able to continuously show good profit levels of the Group, which is a true testament to the work everyone in ESTO has been doing.

While there is a lot of uncertainty in the capital markets, we continue to demonstrate good performance. During first 6 months of the year, we were able to raise 7 million EUR of additional capital to sustain the growth of the Group. We are in the midst of several larger financing rounds and we expect to secure new bigger ticket funding during the second half of the year which will allow us to execute our business plan for the coming 3 years in the Baltics.

During the Q2 of 2022, ESTO Holdings OÜ acquired ESTO AS (ESTO Estonia operating entity) which increased our equity in ESTO Holdings OÜ and on a consolidated Group level. With this transaction, the Group is operating now with an extremely transparent legal structure and is set for future growth.

The payment behavior of our prime quality user base acquired from point of sale locations has continuously remained stable and in strong levels to which we are used to in ESTO Group. Despite the historical good payment behavior, our technology, teams, partners and processes are ready and stress tested in a case of a payment behavior deviation in the coming quarters.

2022 is the 5th year of operations and 2022 Q2 was the 14th consecutive profitable quarter for our Group. Our strategic advantage lies in our business model and technology. We were one of the early movers with our business model and we have never stopped investing back into our business. We have a lot of work to do in the coming years in the Baltics and we are excited to continue in our roadmap.

Mikk Metsa

Founder & CEO

Key consolidated financial figures

Capitalization	2022.06.30	2021.06.30	Δ in %
Gross loan portfolio (in thousands of EUR)	36,179	25,449	42.2%
Net loan portfolio (in thousands of EUR)	35,381	25,058	41.2%
Assets (in thousands of EUR)	38,412	28,177	36.3%
Equity (in thousands of EUR)	5,005	3,130	59.9%
Equity to assets ratio	22%	22%	
Interest coverage ratio	2	2	
Profitability	**2022/6M**	**2021/6M**	**Δ in %**
Revenue (in thousands of EUR)	7,156	5,390	**32.8%**
Interest income (in thousands of EUR)	5,129	3,512	**46.0%**
Net interest margin	11%	11%	
Cost to income ratio	29%	24%	
EBITDA (in thousands of EUR)	2,968	2,685	**10.5%**
Profit margin before tax	20%	28%	
Net profit (in thousands of EUR)	1,441	1,491	**-3.4%**
Return on assets	4%	5%	
Return on equity	29%	42%	
Asset quality	**2022.06.30**	**2021.06.30**	**Δ in %**
Provision cost to loan portfolio	2%	2%	

Financial review

Consolidated Income statement

The table below sets out the consolidated statement of profit or loss for the six months ending 30 June 2022 and 30 June 2021 in thousands of euros.

(in thousands of euros)

	2022/6M	2021/6M	Δ in %
Interest income	5,129	3,512	46%
Interest expense	(1,480)	(1,143)	29%
Net interest income	**3,649**	**2,368**	**54%**
Fee and commission income	894	1,101	-19%
Fee and commission expense	(105)	(113)	-7%
Net fee and commission income	**789**	**988**	**-20%**
Finance income	10	0.07	14286%
Other income	1,123	777	44%
Impairment losses and write off on financial instruments	(1,944)	(1,267)	53%
Other operating expenses	(1,293)	(946)	37%
Personnel expenses	(776)	(367)	111%
Depreciation and amortisation	(83)	(50)	65%
Other expenses	(69)	(12)	490%
Profit (loss) before income tax	**1,405**	**1,491**	**-6%**
Income tax	36	-	
Profit (loss) for the period	**1,441**	**1,491**	**-3%**

Net interest income

The table below shows detailed information of net interest income for six months ending 30 June 2022 and 30 June 2021 in thousands of euros.

(in thousands of euros)

	2022/6M	2021/6M	Δ in %
Interest income			
Loans and advances to customers	5,129	3,512	46%
Total interest income	**5,129**	**3,512**	**46%**
Interest expense			
Other interest expense	(1,480)	(1,143)	29%
Total interest expense	**(1,480)**	**(1,143)**	**29%**
Net interest income	**3,649**	**2,368**	**54%**

Interest income

Interest income for the reporting period was € 5,13 million, a 46 % increase compared with € 3,51 million for the six months ending 30 June 2021.

Interest expense

Interest expense for the reporting period was € 1,5 million, an increase of 29% compared with € 1,1 million for the six months ending 30 June 2021.

Net fee and commission income

The table below shows detailed information of net fee and commission income for six months ending 30 June 2022 and 30 June 2021 in thousands of euros.

(in thousands of euros)

	2022/6M	2021/6M	Δ in %
Service lines			
Income from contract fees on loans	55	192	-71%
Income from management fees on loans	200	241	-17%
Other income on loans	639	668	-4%
Total fee and commission income from contracts with customers	**894**	**1,101**	**-19%**
Fee and commission expense	(105)	(113)	-7%
Net fee and commission income	**789**	**988**	**-20%**

Fee and commission income

Fee and commission income for the reporting period was € 0,89 million, a 19% decrease compared to € 1,1 million for the six months ending 30 June 2021.

Other income

Other income for the reporting period was € 1,12 million, a 44 % increase compared with € 0,77 million for the six months ending 30 June 2021. Other income in the company is comprised from the funds received from executing the sale of delinquent debt in the portfolio.

Impairment losses and write off on financial instruments

Impairment losses and write off on financial instruments was at € 1,94 million an increase of 53% when compared with € 1,3 million for the six months ending June 2021, impairment increased due to macroeconomic pressure observed in the region.

Consolidated Balance sheet

The table below sets out the consolidated statement of financial position for the six months ending 30 June 2022 and 31 December 2021 in thousands of euros.

(in thousands of euros)

	30.06.2022	31.12.2021	Δ in %
ASSETS			
Current assets			
Cash and cash equivalents	190	787	-76%
Loans and advances to customers	32,434	27,119	20%
Prepayments	636	756	-16%
Other assets	555	530	5%
Total current assets	**33,815**	**29,193**	**16%**
Non-current assets			
Loans and advances to customers	3,227	3,097	4%
Property and equipment	100	81	24%
Intangible assets	1,161	929	25%
Other assets	110	74	49%
Total non-current assets	**4,597**	**4,180**	**10%**
TOTAL ASSETS	**38,412**	**33,373**	**15%**
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Loans and borrowings	6,523	7,768	-16%
Trade payables and other payables	1,170	740	58%
Tax liabilities	67	75	-10%
Total current liabilities	**7,760**	**8,583**	**-10%**
Non- current liabilities			
Loans and borrowings	25,646	21,226	21%
Total non-current liabilities	**25,646**	**21,226**	**21%**
TOTAL LIABILITIES	**33,407**	**29,809**	**12%**

	30.06.2022	31.12.2021	Δ in %
Equity			
Share capital	484	484	-
Share premium	155	155	-
Statutory reserve capital	11	11	-
Retained earnings	2,914	171	1602%
Total profit (loss) for the financial year	1,441	2,743	-47%
Total equity	**5,005**	**3,564**	**40%**
TOTAL EQUITY AND LIABILITIES	38,412	33,373	15%

Assets

The Group had total assets of € 38,41 million as of 30 June 2022, compared with € 33,37 million as of 31 December 2021. The main change during the period is due to an increase of the loan portfolio by 18% linked to the strong operations of the group companies.

Loan portfolio

Loans and advances to customer net of impairment loss allowance as of 30 June 2022 was € 35,66 million and increased by 18% compared to 31 December 2021 where Loans and advance to customer net impairment loss allowance was € 30,21 million.

Liabilities

The Group had total liabilities € 33,4 million as of 30 June 2022, compared with € 29,8 million as of 31 December 2021, representing an increase of € 3,59 million. Liabilities increased in line with group portfolio growth and used to fund new issuance.

Loans and borrowings

As of 30 June 2022, the Group had loans and borrowings of € 32,16 million, compared with € 28,99 million as of 31 December 2021. The Group's loans and borrowings accounted for 96% of total liabilities as of 30 June 2022 and 97% of total liabilities as of 31 December 2021.

Equity

As of 30 June 2022, the Group's total equity amounted to € 5,0 million, compared with € 3,56 million as of 31 December 2021, representing an increase of € 1,44 million.

Consolidated Statement of cash flows

The table below sets out the condensed consolidated statement of cash flows for the six months ending 30 June 2022 and 30 June 2021 in thousands of euros.

(in thousands of euros)

	2022/6M	2021/6M
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss)	**1,441**	**1,491**
Adjustments or changes for:	**(492)**	**(796)**
Interest income	(261)	(126)
Interest expense	39	328
Net impairment loss on loans and advances	195	(12)
Net loss arising from derecognition of financial assets measured at amortised cost	(626)	(502)
Depreciation and amortisation	(83)	(50)
Other adjustments	243	(434)
Total adjustments or changes	**949**	**695**
Changes in:		
Trade and other receivables	(314)	(1,112)
Trade and other payables	422	598
Loans and advances to customers	(4,624)	(4,971)
Total changes	**(4,515)**	**(5,485)**
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	**(3,566)**	**(4,790)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(2)	-
Acquisition of intangible assets	(166)	(170)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	**(168)**	**(170)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	6,596	6,029
Repayments of borrowings	(3,460)	(2,556)
Paid in share capital	-	379

	2022/6M	2021/6M
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	3,136	3,853
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(597)	(1,107)
Cash and cash equivalents at beginning of period	787	1,801
Cash and cash equivalents at end of period	190	695

Net cash flows used in operating activities in the reporting period were € 3,56 million. Net cash flows used in investing activities were € 168 thousand in the reporting period. The Group's cash flows from financing activities were € 3,136 million.

Consolidated statement of changes in equity

The table below sets out the condensed consolidated statement of changes in equity for the six months ending 31 December 2021 and 30 June 2022 in thousands of euros.

(in thousands of euros)

	Share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings	Total equity
Balance at 31.12.2021	**484**	**155**	**11**	**-**	**2,914**	**3,564**
Total profit and other comprehensive income for the period	-	-	-	-	4,355	4,355
Profit for the period	**-**	**-**	**-**	**-**	**1,441**	**1,441**
Transactions with owners of the Company Contributions and distributions	**-**	**-**	**-**	**-**	**-**	**-**
Issue of share capital	-	-	-	-	-	-
Balance at 30.06.2022	**484**	**155**	**11**	**-**	**4,355**	**5,005**

Group profit € 1,44 million for the reporting period increased the total equity to € 5,0 million as at 30.06.2022.

Definitions

EBITDA – EBITDA means for the reporting period prior the calculation date, the consolidated net earnings of the Borrower prepared in accordance with the IFRS before any provision on account of taxation, depreciation and amortization, any interest, commissions, discounts and other fees incurred in respect of any financial debt, or any interest earned on debts.

Cost to income ratio – Operating costs / income.

Equity to assets ratio – Total equity / total assets deducting cash.

Gross loan portfolio – Total amount receivable from customers, including principal and accrued interest, after deduction of deferred income

Intangible assets – Intangible IT assets (software and developments costs).

Interest and similar income – Income received from customer loan portfolio.

Interest coverage ratio - The ratio of EBITDA to Net Finance Charges.

Net loan portfolio – Gross loan portfolio (including accrued interest) less impairment provisions.

Net interest margin – Annualized net interest income / average gross loan principal (total gross loan principal as of the start and end of each period divided by two)

Profit before tax margin – Profit before tax / interest income.

Provision cost to loan portfolio – provision costs / total loan portfolio.

Return on average assets – Annualized profit from continuing operations / average assets (total assets as of the start and end of each period divided by two).

Return on average equity – Annualized profit from continuing operations / average equity (total equity as of the start and end of each period divided by two).

Disclaimer

Please be noted that certain information and illustrations set forth herein are forward-looking. These statements, including internal expectations, estimates, projections, assumptions and beliefs, and which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as "anticipate", "believe", "plan", "estimate", "expect", "predict", "intend", "will", "may", "could", "would", "should" and similar expressions intended to identify forward-looking statements. These statements should not be considered as guarantees of future performance. The forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause the Group's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the Group's lack of revenues and unpredictability of future revenues; results of operations; solvency ratios, financial conditions; the Group's future capital requirements; capital or liquidity positions or prospects; the Company's reliance on third parties; the risks associated with rapidly changing legal requirements and technology, risks associated with international operations and changes in general economic, market and business conditions. These changing factors are not exhaustive. The Group operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Esto Group undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

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