

# INVESTOR PRESENTATION

## 2020 Q2 RESULTS

August, 2020



# DISCLAIMER

- This presentation is of selective nature and is made to provide an overview of the Company's (SIA DelfinGroup and its subsidiaries) business.
- Unless stated otherwise, this presentation shows information from consolidated perspective.
- Facts and information used in this presentation might be subject to revision in the future. Any forward-looking information may be subject to change as well.
- This presentation is not a legally binding document and the Company has no liability for any direct or indirect loss from the use of this presentation.
- This presentation does not intend to contain all the information that investors may require in evaluating the Company. Investors should read publicly available information regarding the Company as well as the full prospectus describing a particular bonds issue.





custom finance solutions

TOP 3 industry player in Latvia



2009

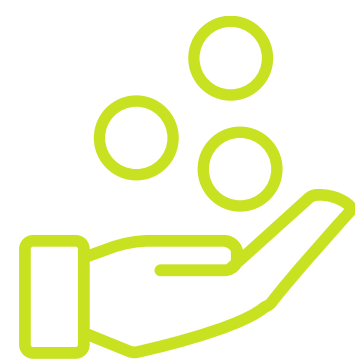
established as a pawn broking chain



2018

3rd largest non-bank consumer lender in Latvia\*

### BUSINESS PROFILE:



Pawn loans  
Consumer loans

### BRANDS:

# Banknote

# VIZIA

### VALUES:



SIMPLICITY



ACCESSIBILITY



RESPECT



PROGRESS



MASTERY



FOCUS ON CLIENT



AMBITION

### GROUP:

**87** branches

**265** employees

**3 607 793** loan issue transactions (cumulative)

**275 mEUR** value of loans (cumulative)

### KEY FINANCIALS:

**32.3 mEUR** net loan portfolio (2020 Q2)

**4.3 mEUR** EBITDA (2020 Q2 cumulative)

**8.5 mEUR** value of issued loans (2020 Q2)

\*Based on reported annual revenue of licensed non-bank consumer lenders in 2019

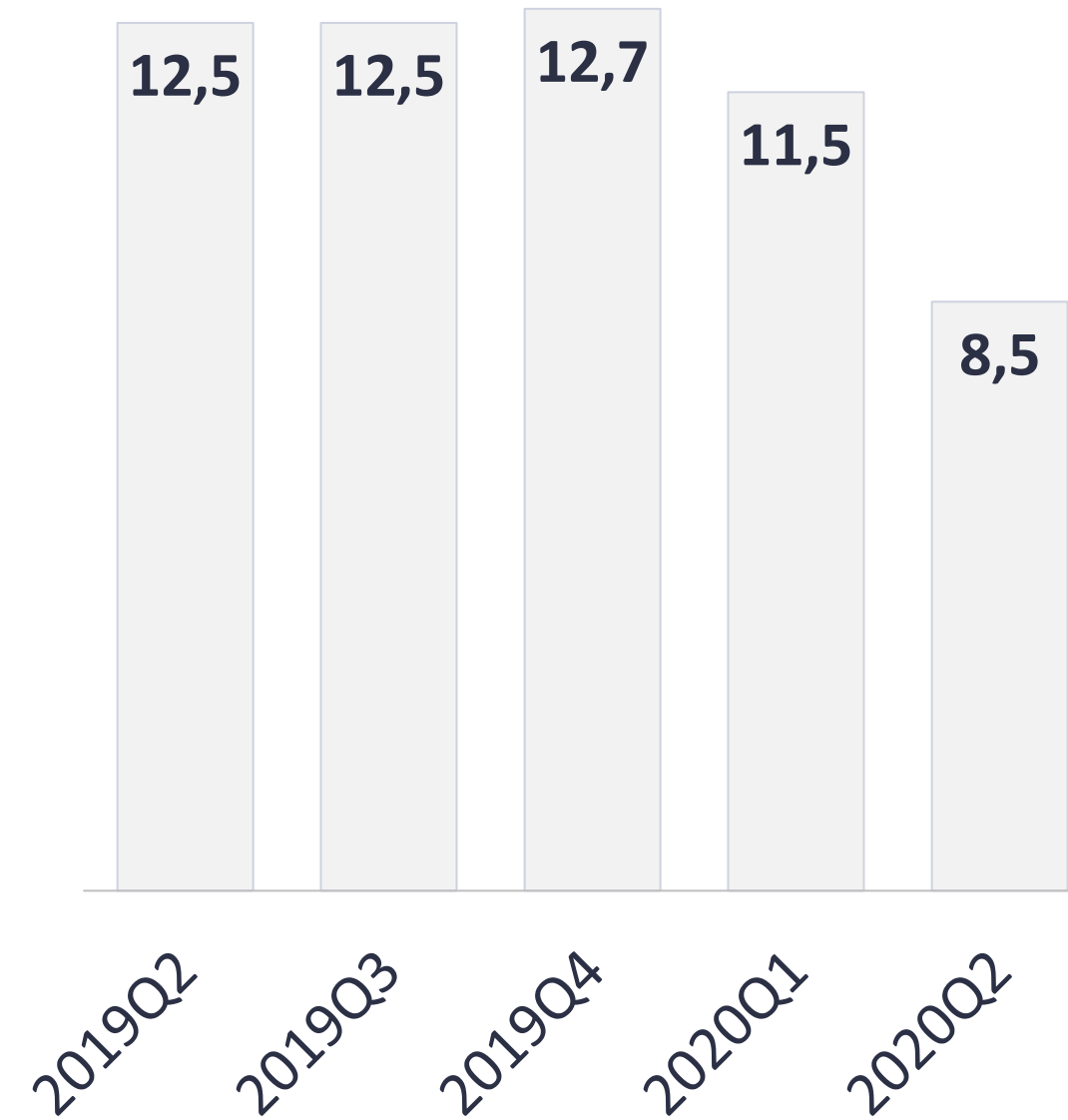


## HIGHLIGHTS

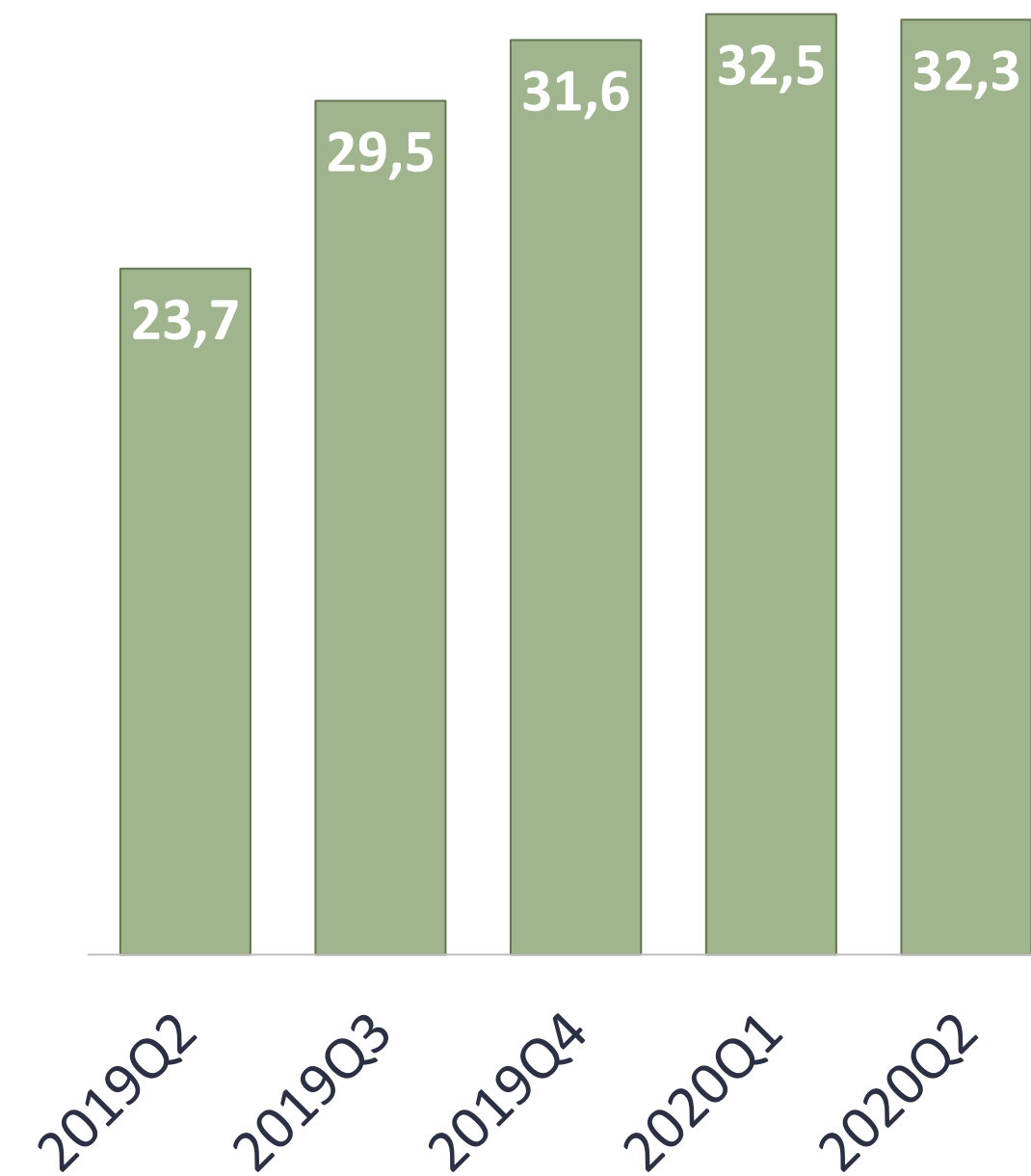
In **2020Q2**, Group has decreased issuance level by 26.3% compared to 2020Q1, due to the impact of COVID-19.

**22.2% improvement** in y-o-y Q2 EBITDA has been achieved.

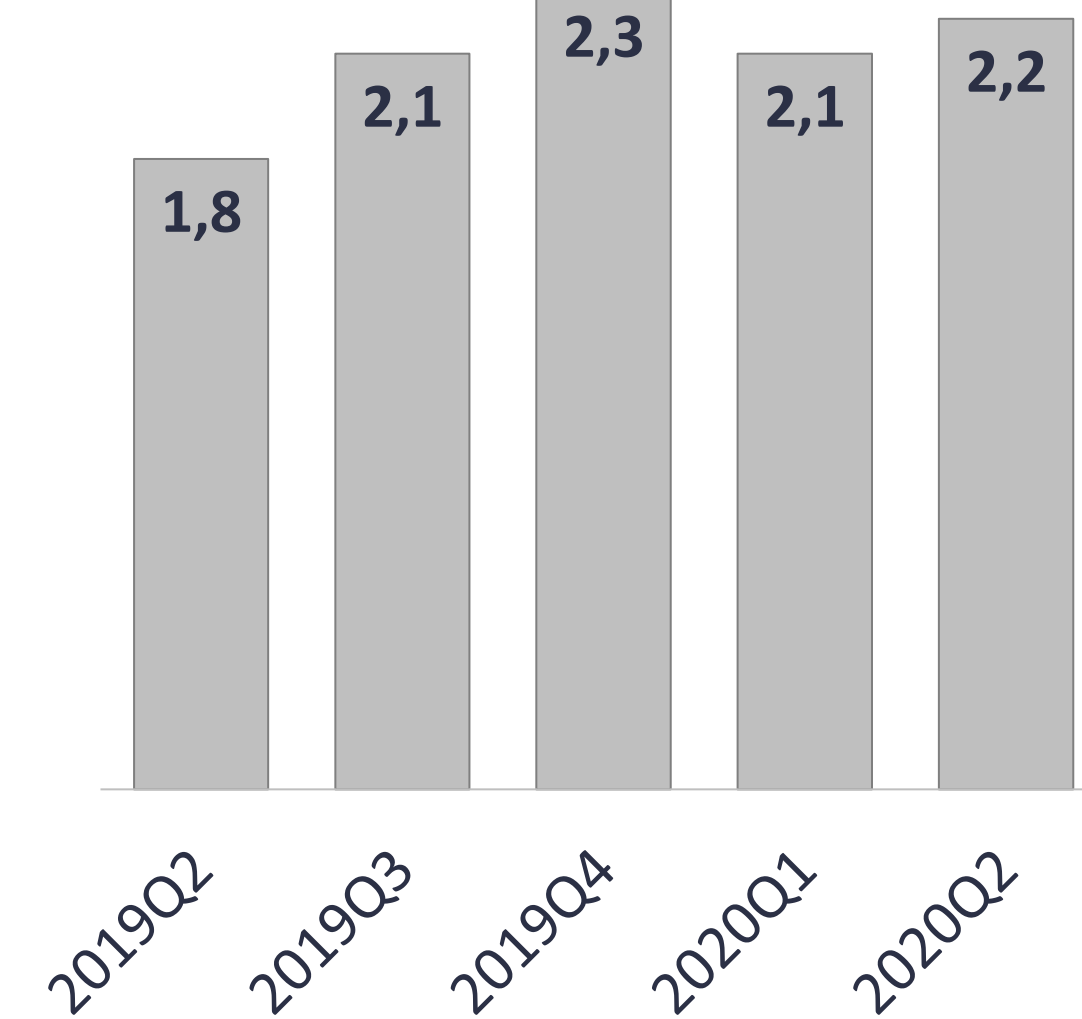
**CONSUMER AND PAWN LOANS ISSUED**  
mEUR



**TOTAL LOANS OUTSTANDING**  
mEUR



**EBITDA**  
mEUR



## MARKET OVERVIEW

**DelfinGroup\*** grows faster than the industry, having **~7%\*\* market share.**

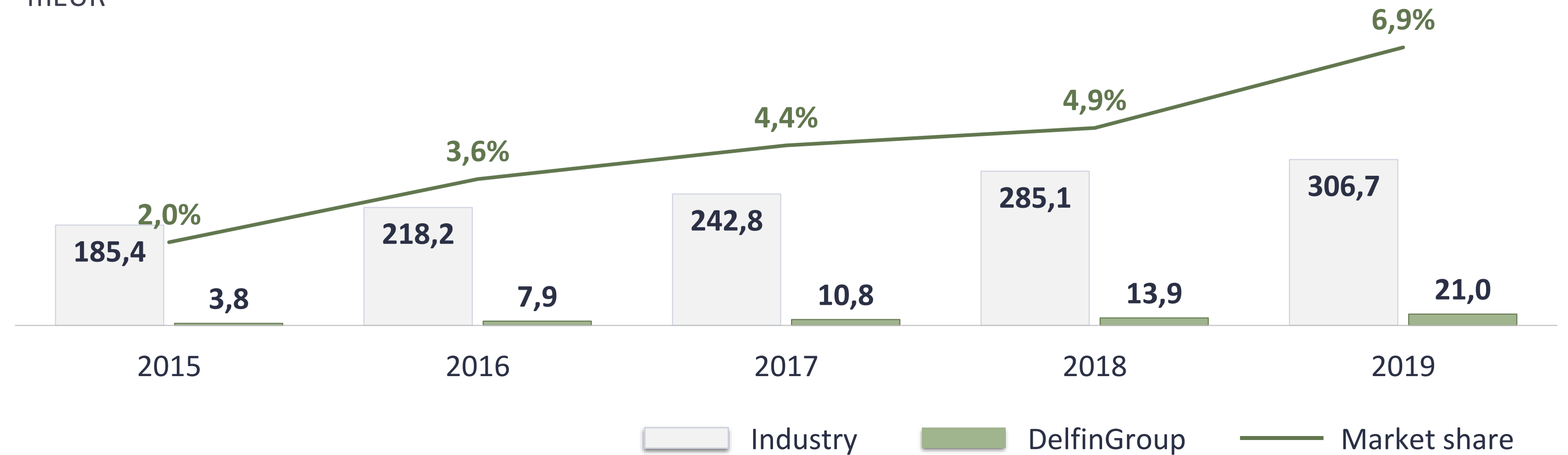
\* Loan portfolio data based on DelfinGroup net consumer loan portfolio excl. accrued interest.

\*\* Based on consumer loan portfolio as at the end of 2019.

## CONSUMER LOANS

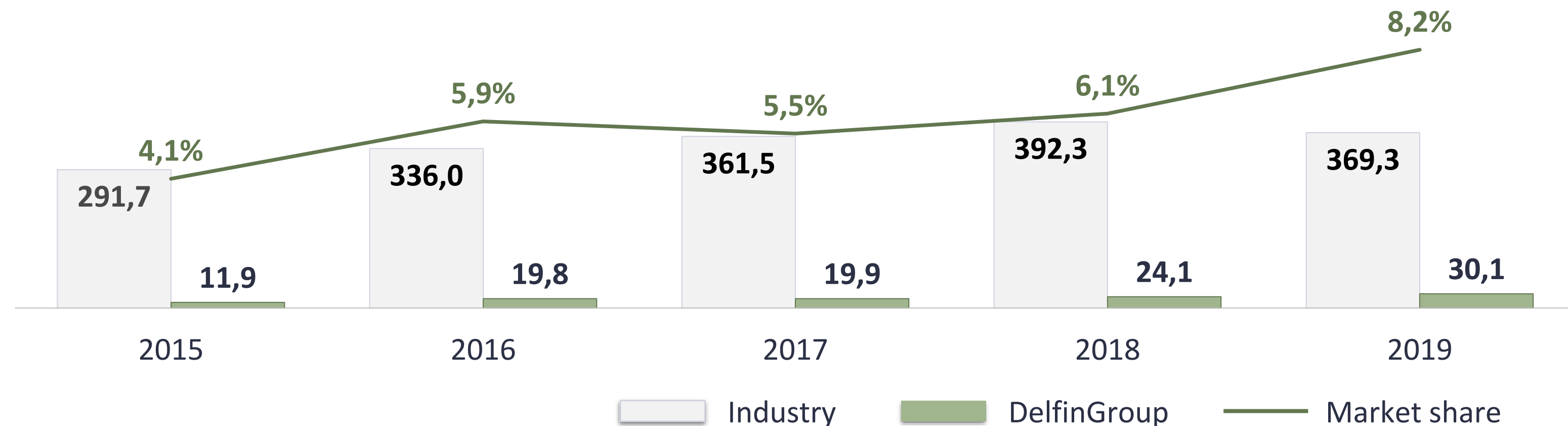
### CONSUMER LOAN PORTFOLIO, DELFINGROUP VS. INDUSTRY\*

mEUR



### AMOUNT OF CONSUMER LOANS ISSUED

mEUR



\*Source: Consumer Rights Protection Centre.



## CONSUMER LOANS

In 2020Q2, portfolio was slightly decreased due to cautious issuance level in **March to May** as a response to COVID-19.

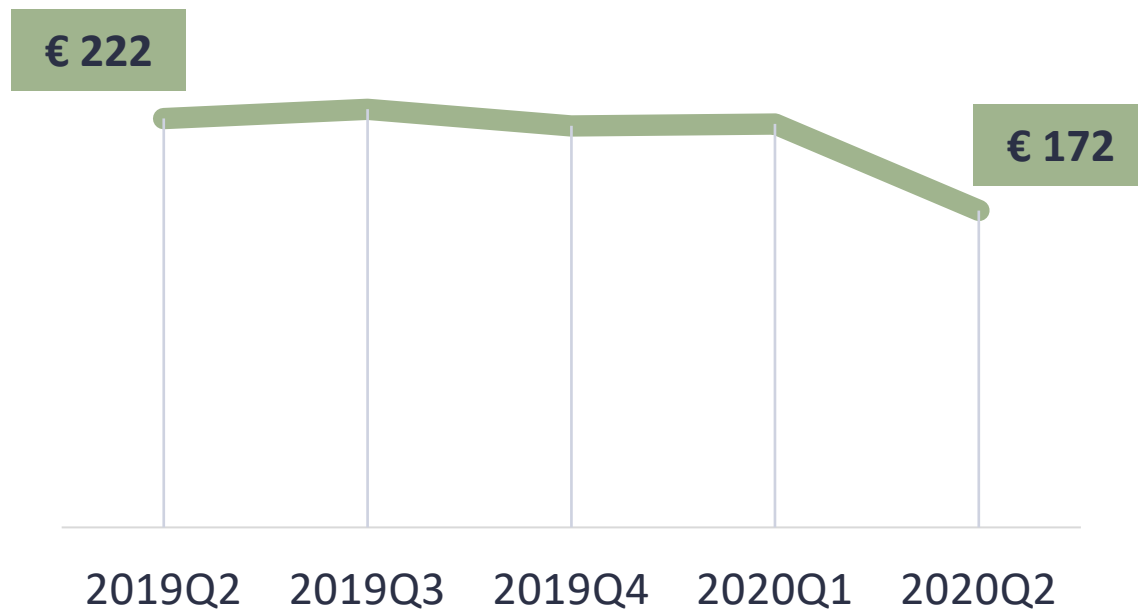


\* Loan portfolio data based on DelfinGroup net consumer loan portfolio incl. accrued interest.

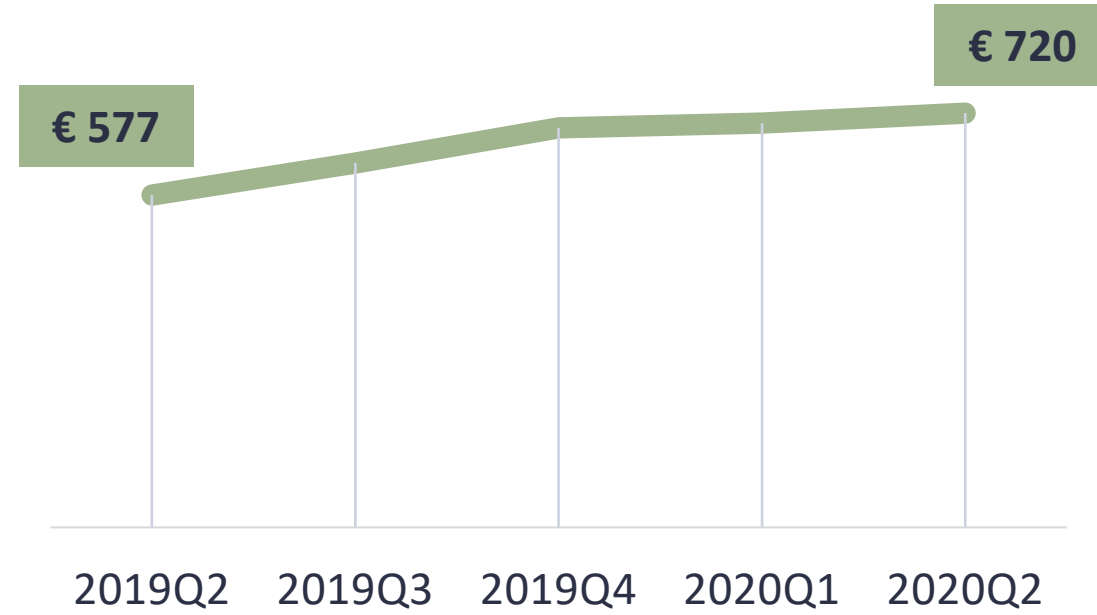


# CONSUMER LOANS

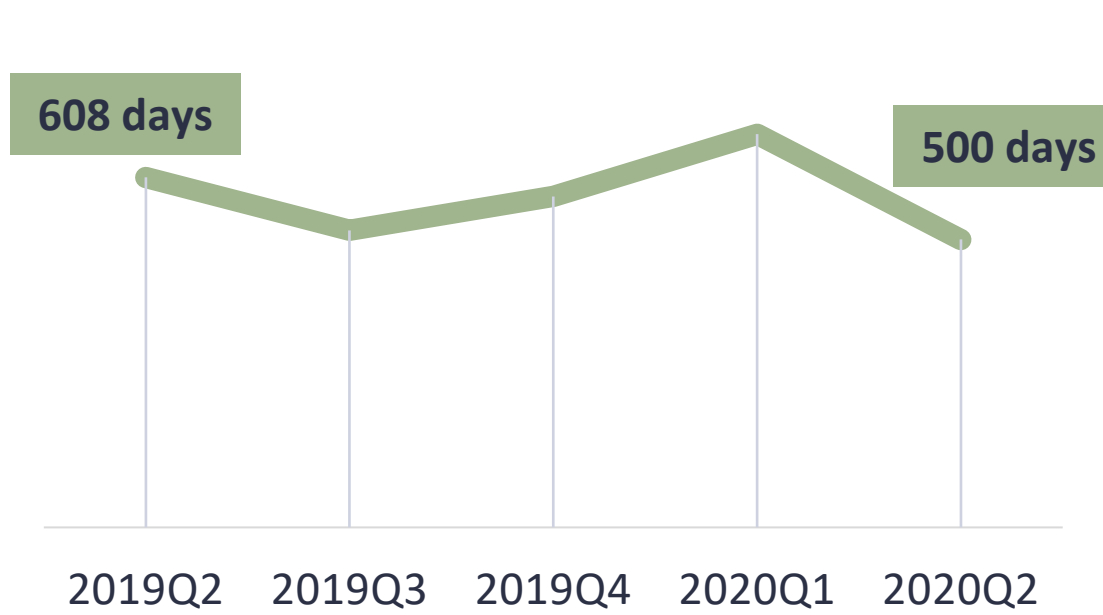
**Average loan tranche size per issue**



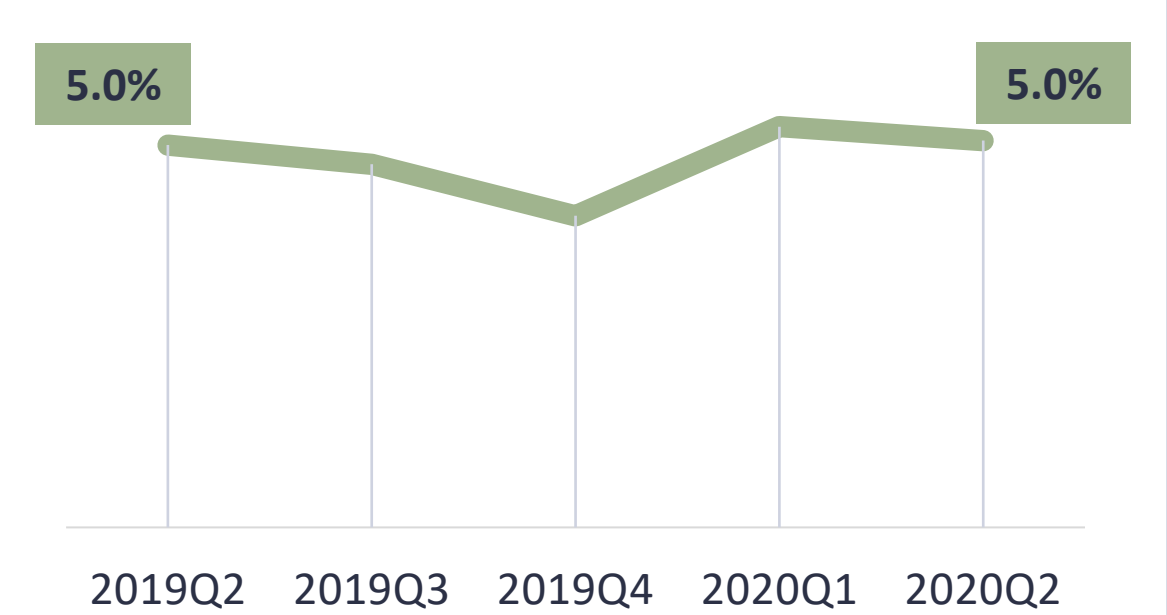
**Average loan size per customer**



**Weighted average term of loans issued**



**Non-performing loans ratio**



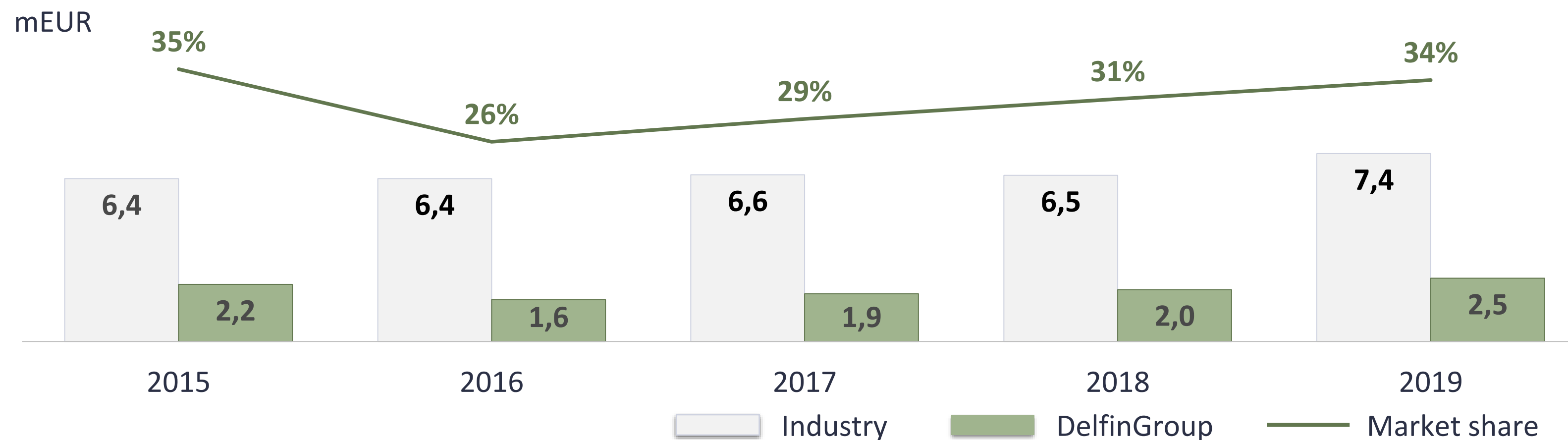
## MARKET OVERVIEW

In 2019, **42%** of all pawn loans issued in Latvia were issued by **DelfinGroup**.

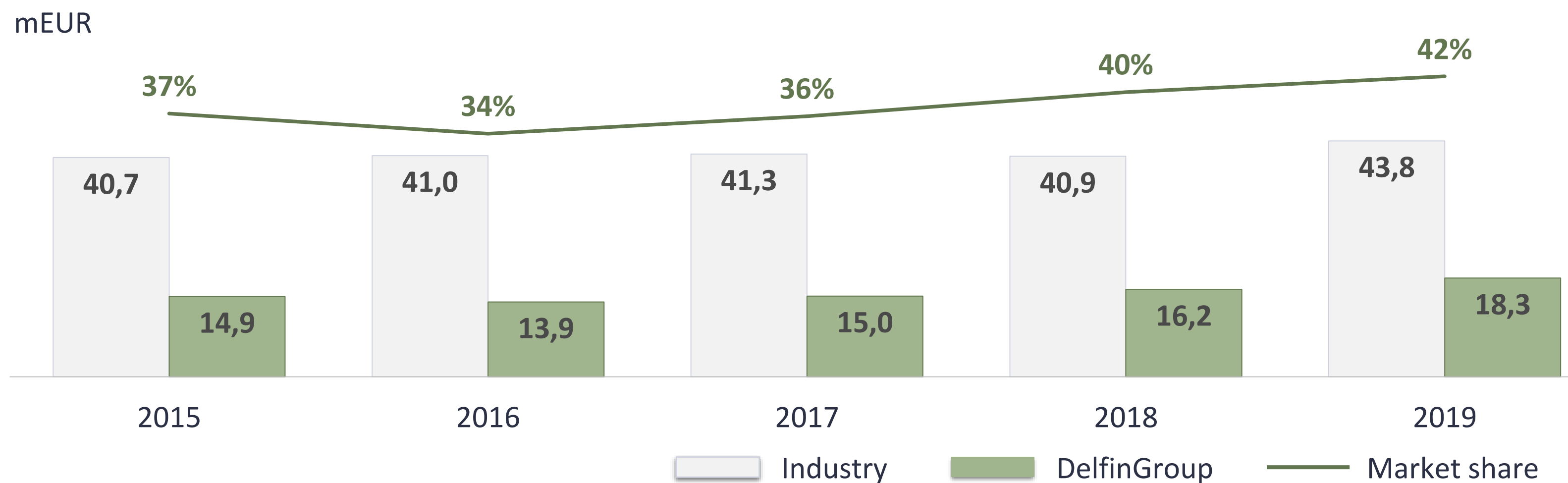
The **market share** of issued loans is **growing** every year.

## PAWN LOANS

### PAWN LOAN PORTFOLIO, DELFINGROUP VS INDUSTRY\*



### AMOUNT OF PAWN LOANS ISSUED, DELFINGROUP VS INDUSTRY\*



\*Source: Consumer Rights Protection Centre.





## PAWN LOANS

Group has decreased issuance level by 26.7% compared to 2020Q1 for secured lending, due to the impact of COVID-19.

Thus portfolio have recovered at the end of 2020Q2 and compared to 2020Q1 have not changed.



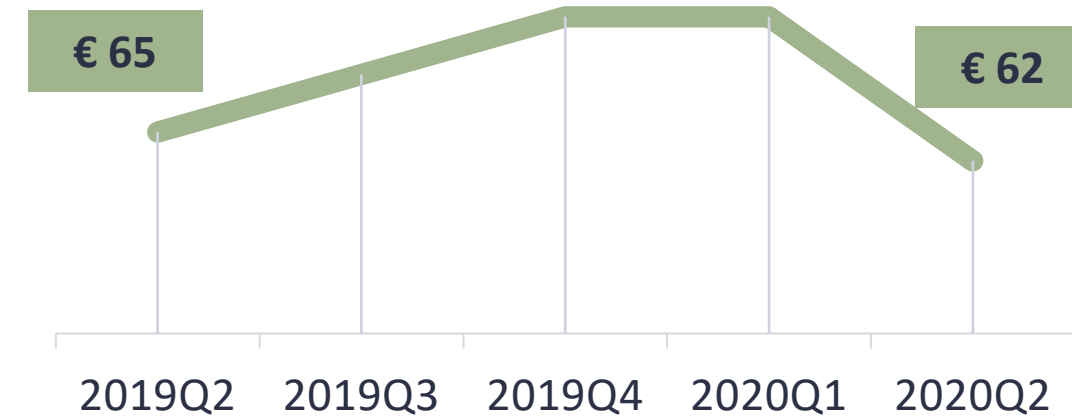
\* Includes car title loan and mortgage loan legacy portfolios.



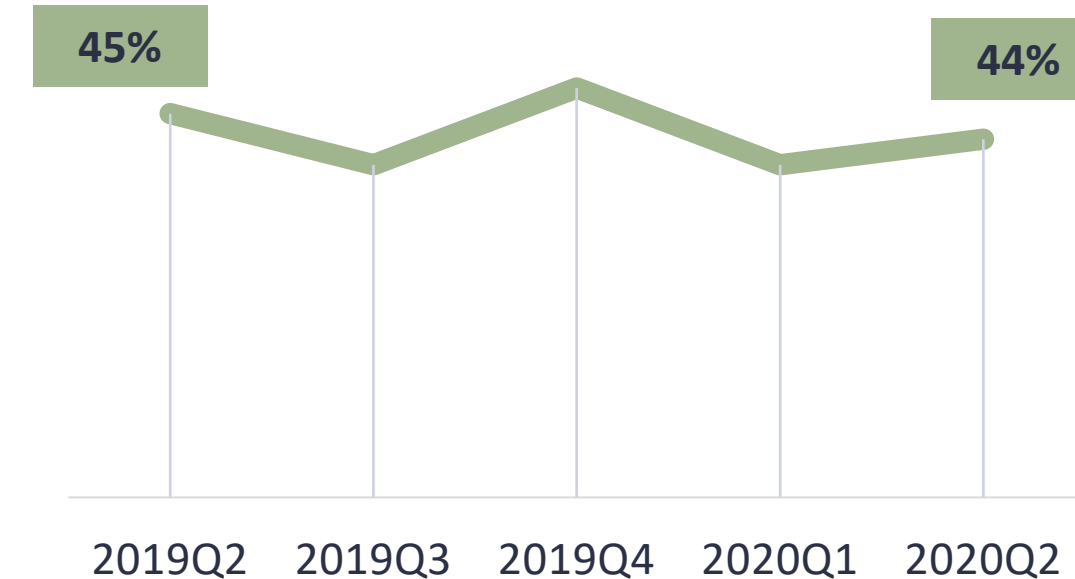
# PAWN LOANS

**Stable** customer base and stable **performance** of pawnshop operations.

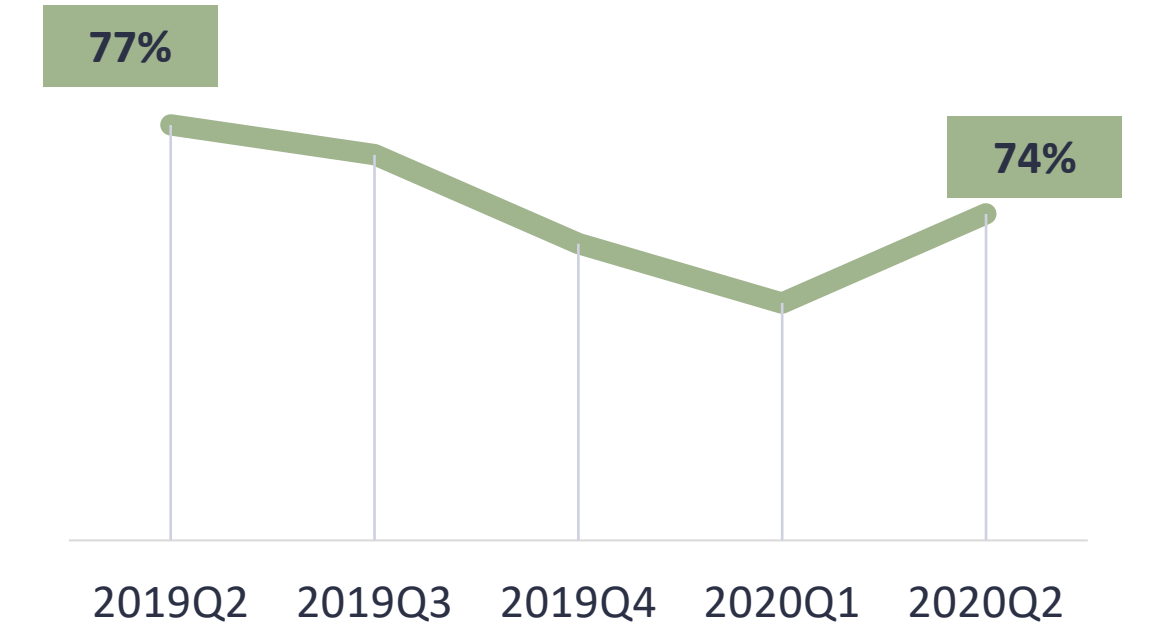
**Average loan size per issue:**



**Pawn mark-up:**



**Redemption rate\***



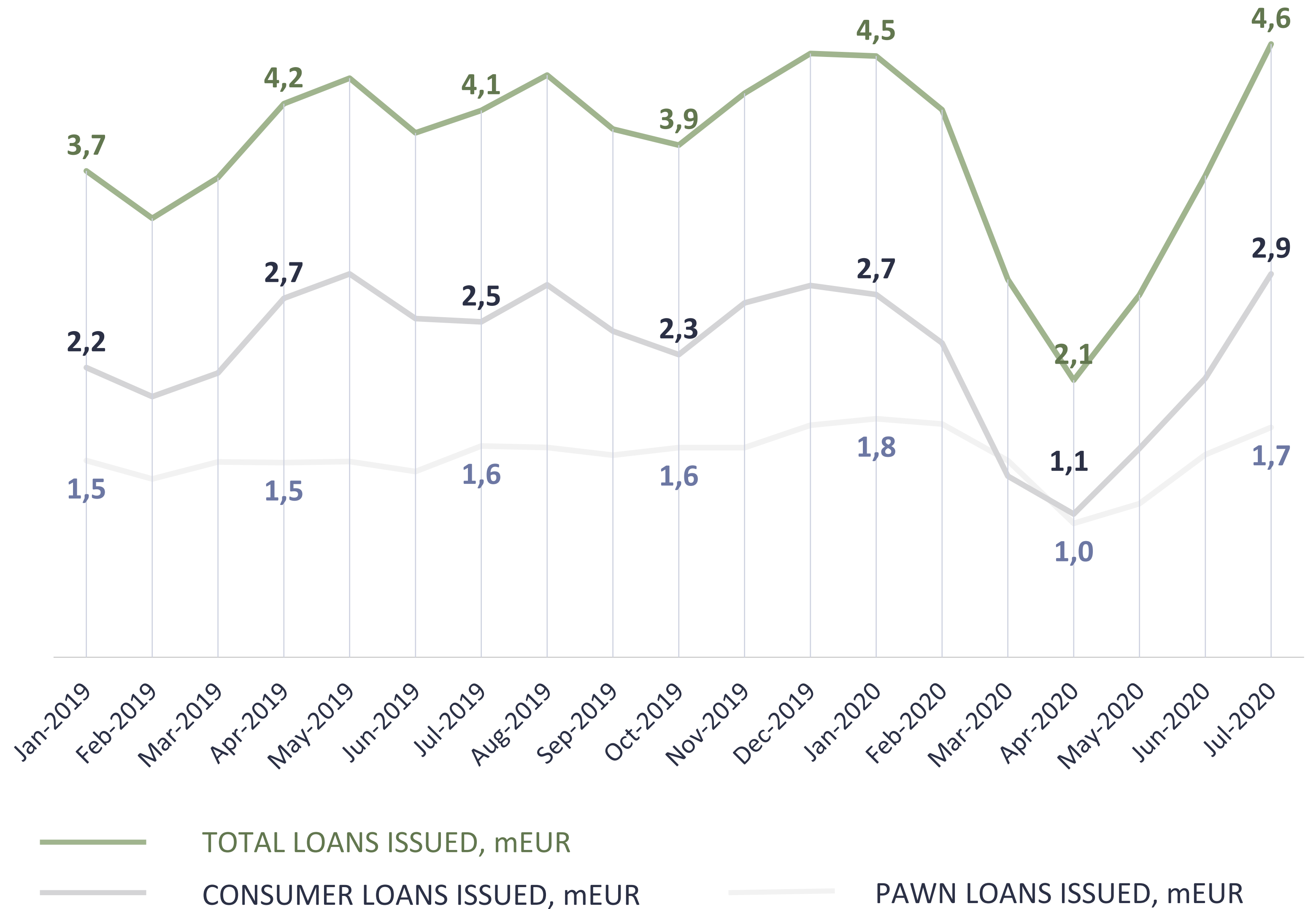
\* Items begin redeemed or extended within 3 months since issuance, by value of loans issued excl. item purchasing.



## DETAILED COVID-19 IMPACT DINAMICS

As a response to COVID-19 during March to May Group applied cautious issuance approach. In June issuance have increased and in July reached its highest level **€4.6 million**. Comparing to July 2019 issuance level have increase by **12.1%** in **July 2020**.

## CONSUMER AND PAWN LOANS ISSUED

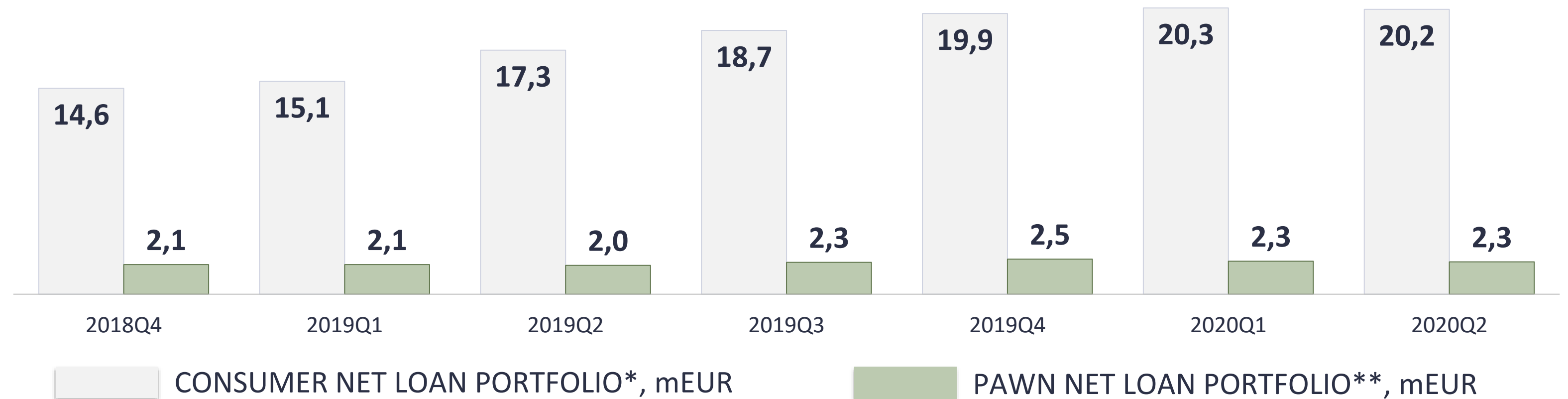


## DETAILED COVID-19 IMPACT DINAMICS

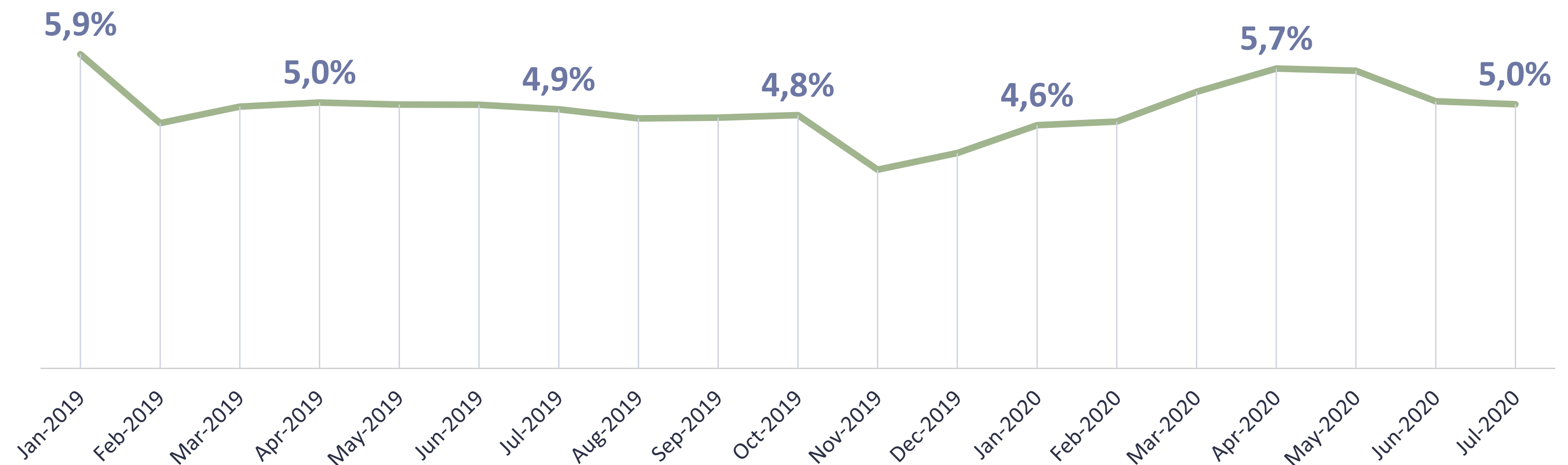
In 2020Q2, portfolio was slightly decreased due to cautious issuance level in **March to May** as a response to COVID-19.

Due to stable and reliable customer base non-performing loan ratio have stayed nearly constant.

## LOANS OUTSTANDING



## NON-PERFORMING LOANS RATIO - CONSUMER LOANS



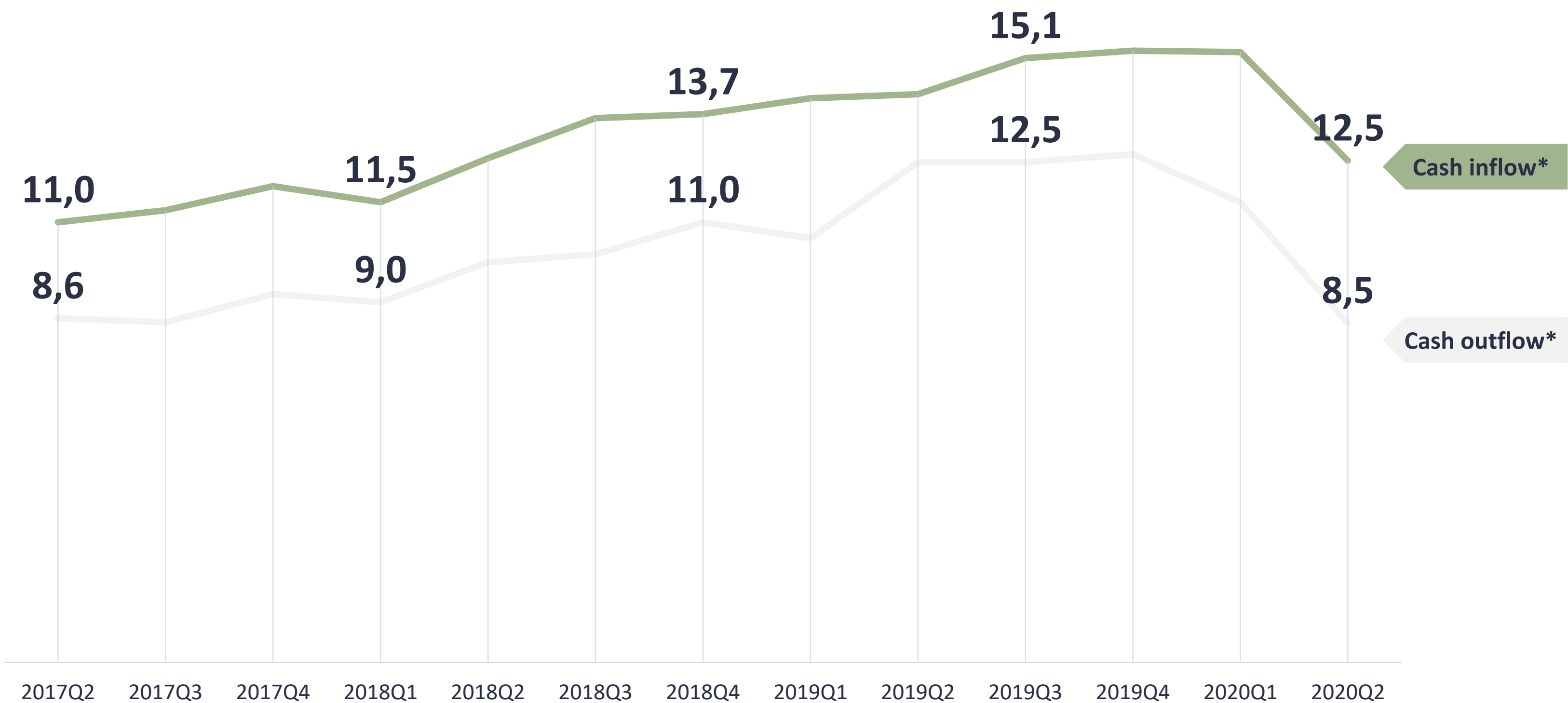
\* Loan portfolio data based on DelfinGroup net consumer loan portfolio incl. accrued interest.

\*\* Includes car title loan and mortgage loan legacy portfolios.



## KEY FINANCIALS

In line with historical pattern, also **2020Q2** delivered **positive net cash flow**.

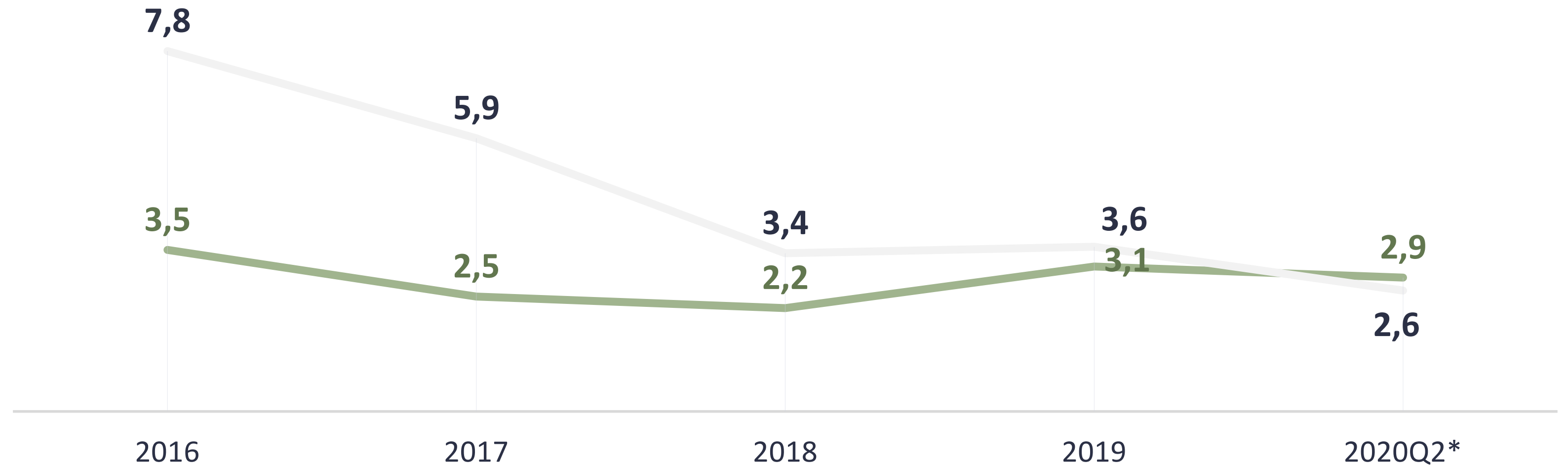


\* From consumer lending and pawn shop activities.



# FINANCIAL RATIOS

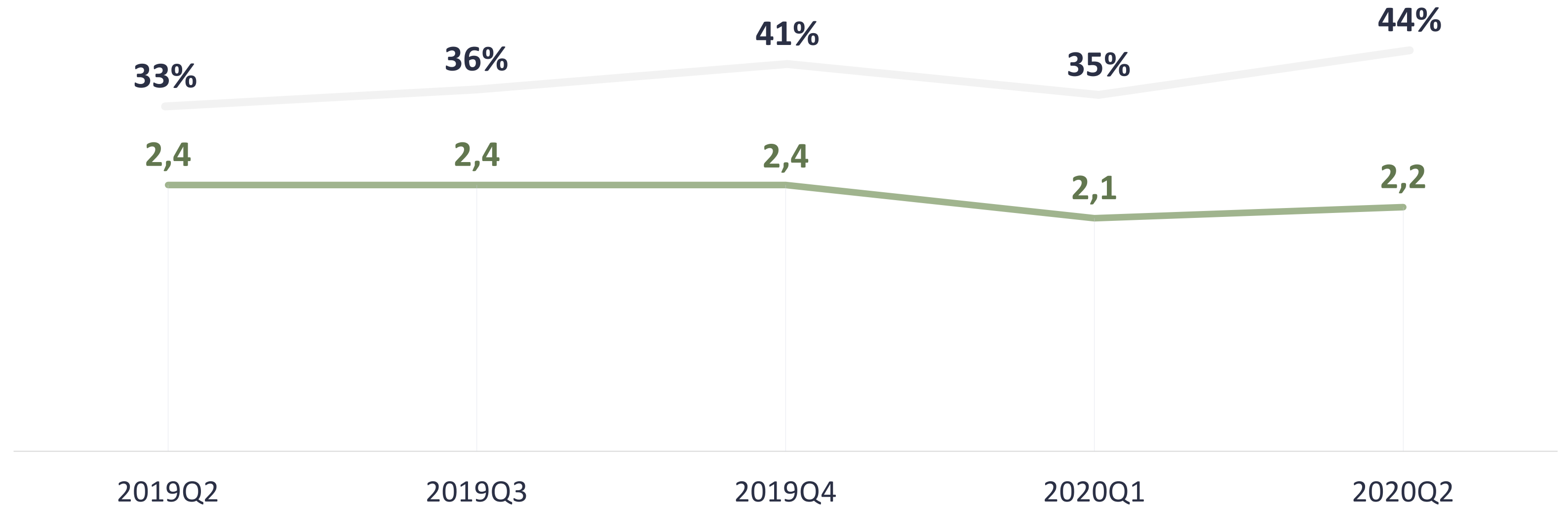
**Sustainable** financial performance.



Net Debt / Net Equity ratio

Net Debt / EBITDA ratio

\* Calculated based on 12 month cumulative EBITDA



EBITDA margin

Interest coverage ratio (IFRS 16 adjusted for 2019)



## KEY FINANCIALS: PROFITABILITY

Decreased cession result corresponds to **improved evaluation** and **quality** of issued loans.

Depreciation increased after incorporation of **IFRS 16** on Right-of-use assets since 2019Q4.

Double-digit growth of comparable EBITDA.

INCOME STATEMENT, EUR'000	2019 H1	2020 H1	%, Y-O-Y
Interest and similar income	7 755	7 818	1%
Gross profit from sale of goods	811	933	15%
Cession result	(620)	(516)	(17%)
<b>GROSS PROFIT</b>	<b>7 946</b>	<b>8 235</b>	<b>4%</b>
Selling expense	(2 681)	(2 271)	(15%)
Administrative expense	(1 571)	(1 631)	4%
Net other income / (expense)	5	(70)	(1 500%)
<b>EBITDA</b>	<b>3 699</b>	<b>4 263</b>	<b>15%</b>
Depreciation	(114)	(489)	329%
Interest and similar expense	(1 200)	(1 707)	42%
Taxes	(340)*	(33)	(90%)
<b>NET PROFIT</b>	<b>2 045</b>	<b>2 034</b>	<b>(1%)</b>

\* Higher taxes in 2019Q2 related to dividend payout during 2019Q1.



## KEY FINANCIALS:

### BALANCE

#### Strong cash buffer.

Shareholders have increased DelfinGroup share capital to **€4 million** on July 28, 2020 by diverting retained earnings to strengthen the company's balance sheet.

BALANCE SHEET, EUR'000	2020 Q1	2020 Q2	%, Q-O-Q
Fixed and intangible assets	2 698	3 915*	45%
Loans to related parties	1 377	1 382	0%
Net loan portfolio	32 493	32 256	(1%)
Inventory and scrap	1 224	1 186	(3%)
Other assets	503	536	7%
Cash	2 037	1 958	(4%)
<b>TOTAL ASSETS</b>	<b>40 332</b>	<b>41 233</b>	<b>2%</b>
Share capital and reserves	1 500	1 500	-
Retained earnings	6 868	6 868	-
Profit/loss for the current year	1 038	2 034	96%
<b>EQUITY</b>	<b>9 406</b>	<b>10 402</b>	<b>11%</b>
Interest-bearing debt	27 317	25 587	(6%)
Trade payables and other liabilities	3 609	5 244*	45%
<b>LIABILITIES</b>	<b>30 926</b>	<b>30 831</b>	<b>0%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>40 332</b>	<b>41 233</b>	<b>2%</b>

\* Increase of fixed assets and other liabilities mostly related to move to the new office building in Skanstes 50A, therefore, increased value of right-of-use assets and lease liabilities for right-of-use assefs.





# FINANCING STRUCTURE

**Diversified** financing structure with established investor demand.

In June 2020, DelfinGroup decreased the nominal value of the bonds issue ISIN LV0000801322 for EUR 437 500 thus continuing quarterly repayments of the principal.

Subscription for **new bond issue** ISIN LV0000802379 continued. Paid amount by the end of Q2: **EUR 4 500 000**.

Bond issue proceeds partly used to repay outstanding balance to Mintos.

INTEREST-BEARING DEBT	2020 Q1, EUR'000	2020 Q2, EUR'000	INTEREST RATE, %	MATURITY
Secured bonds II*	1 313	875	15%	12/2020
Secured bonds III*	4 952	5 000	14%	10/2021
Secured bonds IV*	3 569	4 500	14%	11/2022
Peer-to-peer lending platform Mintos*	16 959	14 687	12.3% (effective rate)**	According to issued loans
Leases	91	83	EURIBOR+ 3.5%	Up to 3 years
Private loans	484	480	14.0%	Up to 3 years
Accrued interest and bonds commissions	-51	-41		
<b>TOTAL</b>	<b>27 317</b>	<b>25 584</b>		

\* Part of unified securitization structure with ZAB Eversheds Sutherland Bitāns acting as the collateral agent. Collateral with total value 40.5m EUR registered on December 2019.

\*\* Weighted average interest rate for investments made on Mintos platform in DelfinGroup loans as at 30.06.2020. Weighted average interest rate have increased due to decrease of available investments on Mintos platform.



# DEFINITIONS FOR ALTERNATIVE PERFORMANCE MEASURES\*

- **EBITDA**  
Earnings before interest, taxes, depreciation and amortization calculated as Net Income + Interest + Taxes + Depreciation + Amortization. Used as a measure of corporate performance as it shows earnings before the influence of accounting and financial deductions.
- **EBITDA Margin**  
Operating profitability as a percentage of its total revenue, calculated as EBITDA / (Interest income + Gross profit from sale of foreclosed items). Used as a profitability measure that is factoring out the effects of decisions related to financing and accounting.
- **Interest Coverage Ratio**  
Profitability and debt ratio, calculated as Earnings before interest and tax / (Interest expense). Used to determine how easily a company can pay interest on its outstanding debt.
- **NET Profit Margin**  
How much net profit is generated as a percentage of revenue, calculated as Net Profit / Revenue. Used as an indicator of a company's financial health.
- **Net Debt**  
How well a company can pay all of its debts if they were due immediately calculated as Short-term Debt + Long-term Debt - Cash and Cash Equivalents. Used as a liquidity measure to assess if a company will need additional funding.
- **Interest-Bearing Debt**  
Liabilities that require the payment of interest, contains bonds, other loans, leasing liabilities etc. Interest-Bearing Debt has a priority over other debts.
- **Net Equity**  
How much undistributed equity a company has, calculated as Equity minus Loans to shareholders and related parties. Represents the amount of money that would be returned to a company's shareholders if all of the assets were liquidated and all of the company's debt was paid off.





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