

# INVESTOR PRESENTATION

## 2020 Q3 RESULTS

November, 2020



custom finance  
solutions

# 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

**3 724 699** loan issue transactions (cumulative)

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

### KEY FINANCIALS:

**34.0 mEUR** net loan portfolio (2020 Q3)

**6.9 mEUR** EBITDA (2020 Q3 cumulative)

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

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

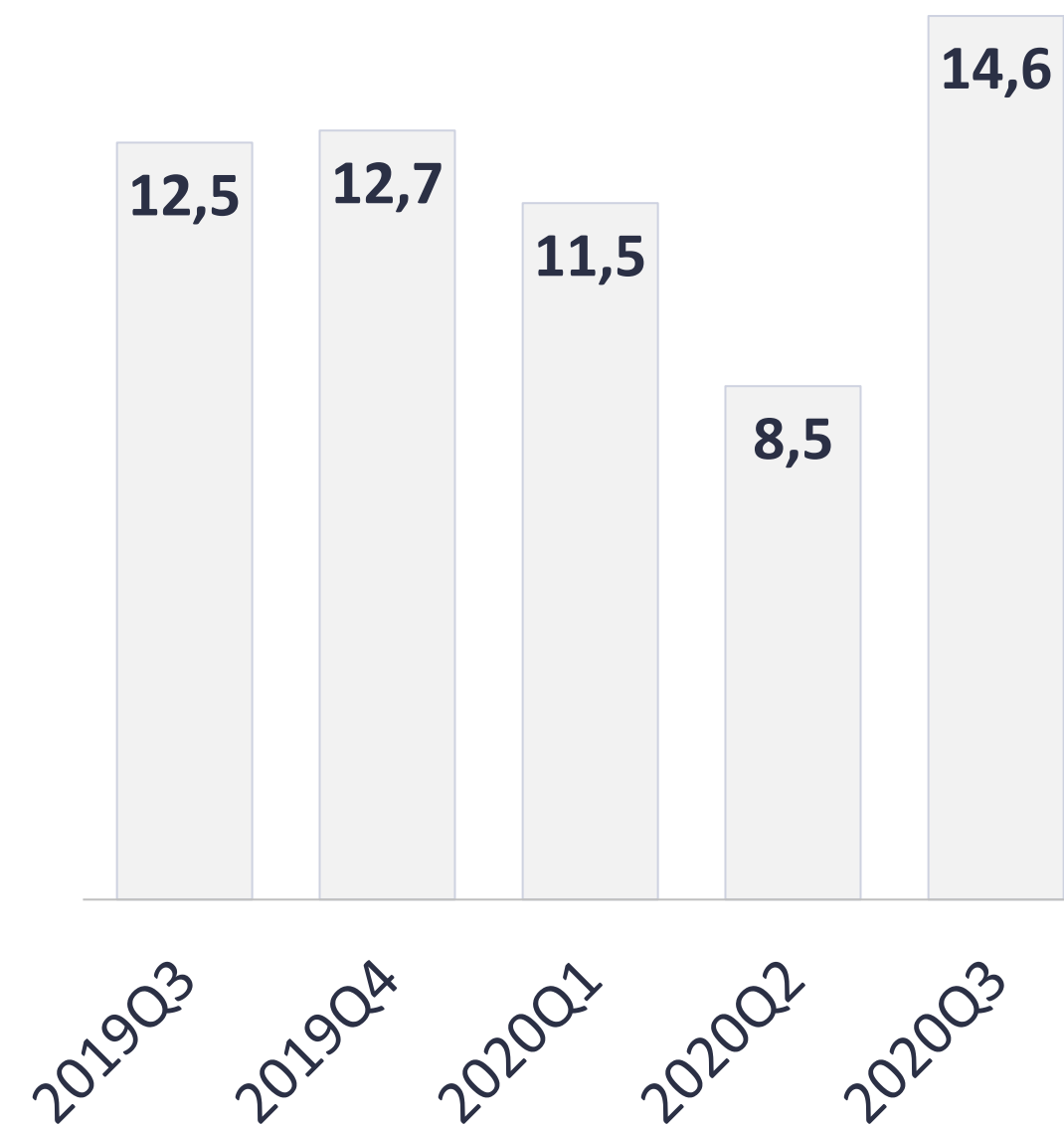


## HIGHLIGHTS

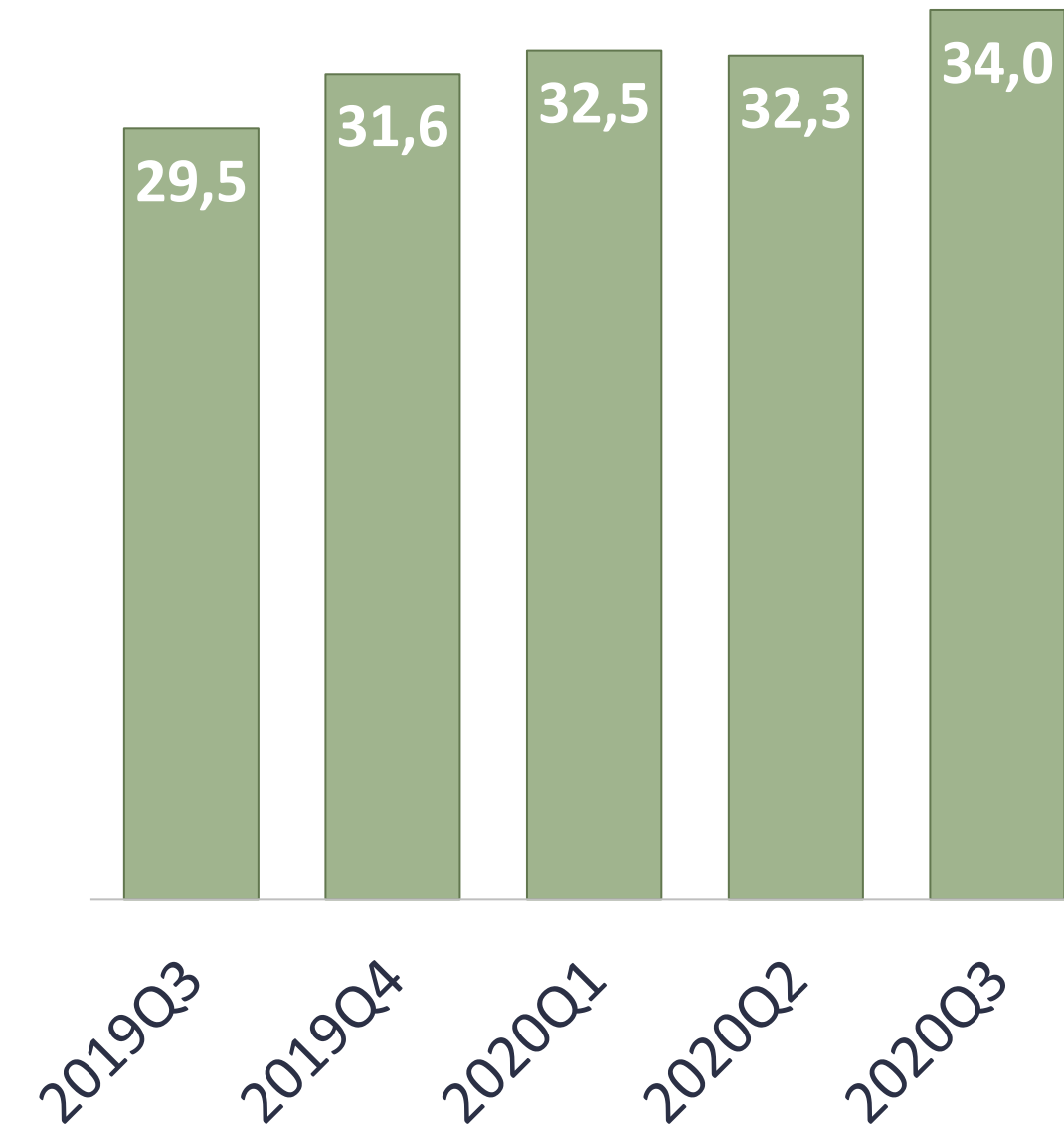
In **2020Q3**, Group has increased issuance level by 71.8% compared to 2020Q2, reaching highest issuance level since the foundation of the company.

**26.0% improvement** in y-o-y Q2 EBITDA has been achieved.

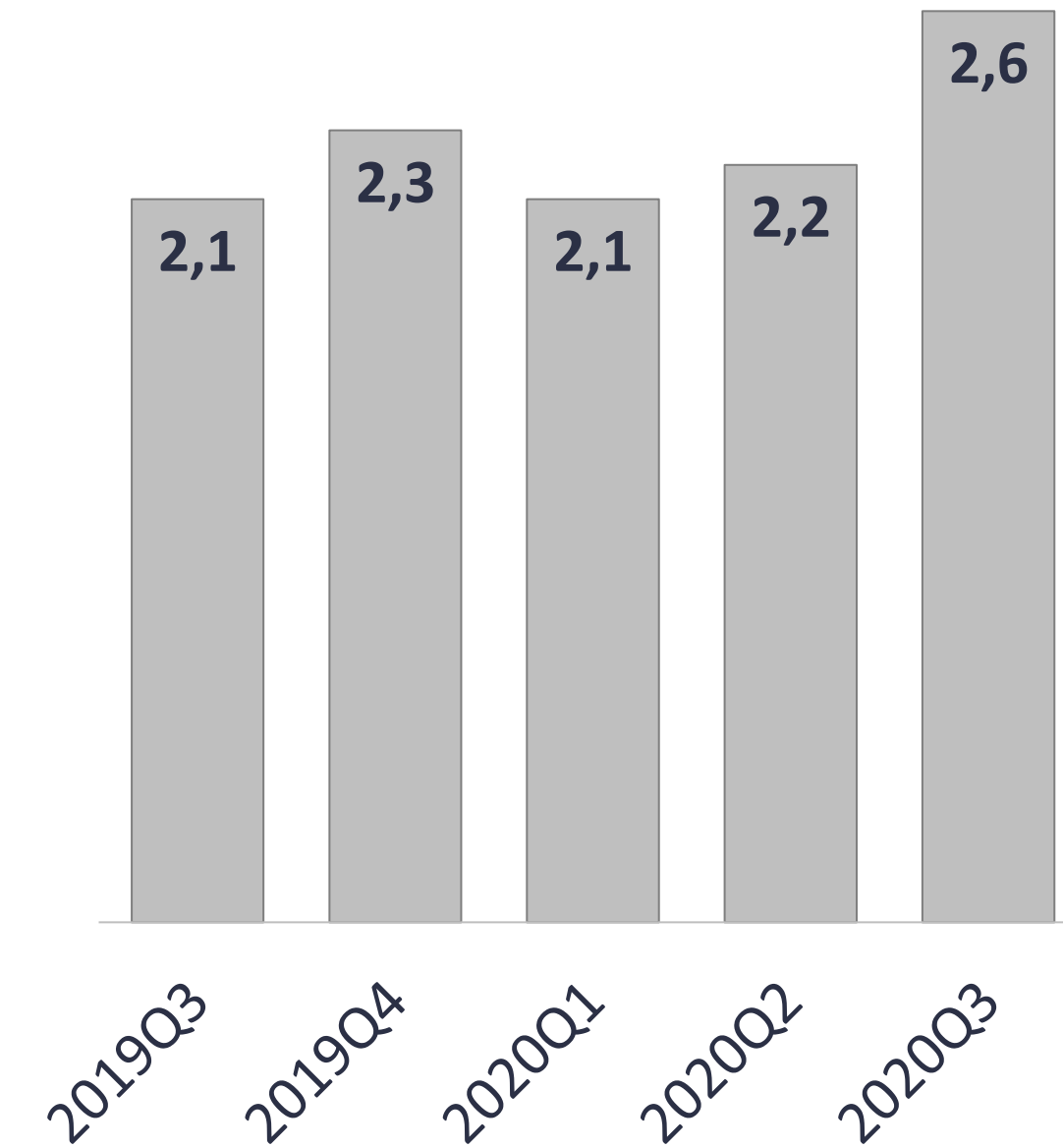
**CONSUMER AND PAWN LOANS ISSUED**  
mEUR



**TOTAL LOANS OUTSTANDING**  
mEUR



**EBITDA**  
mEUR



## MARKET OVERVIEW

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

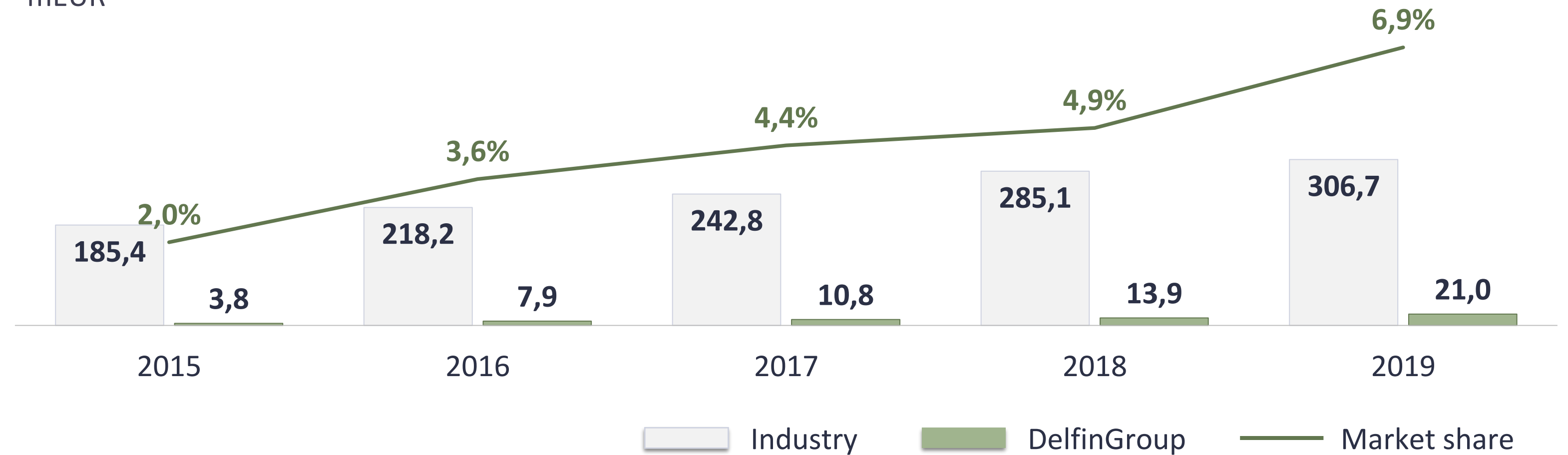
\* Loan portfolio data based on DelfinGroup net consumer loan portfolio excl. accrued interest.

\*\* 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 2020Q3, portfolio have increased

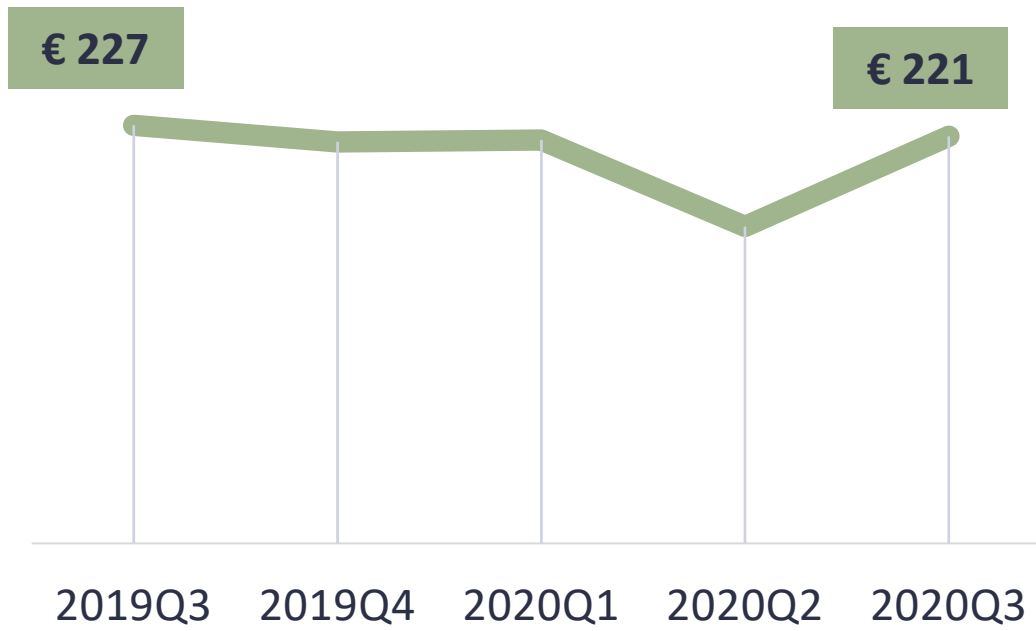


\* Loan portfolio data based on DelfinGroup net consumer loan portfolio incl. accrued interest.

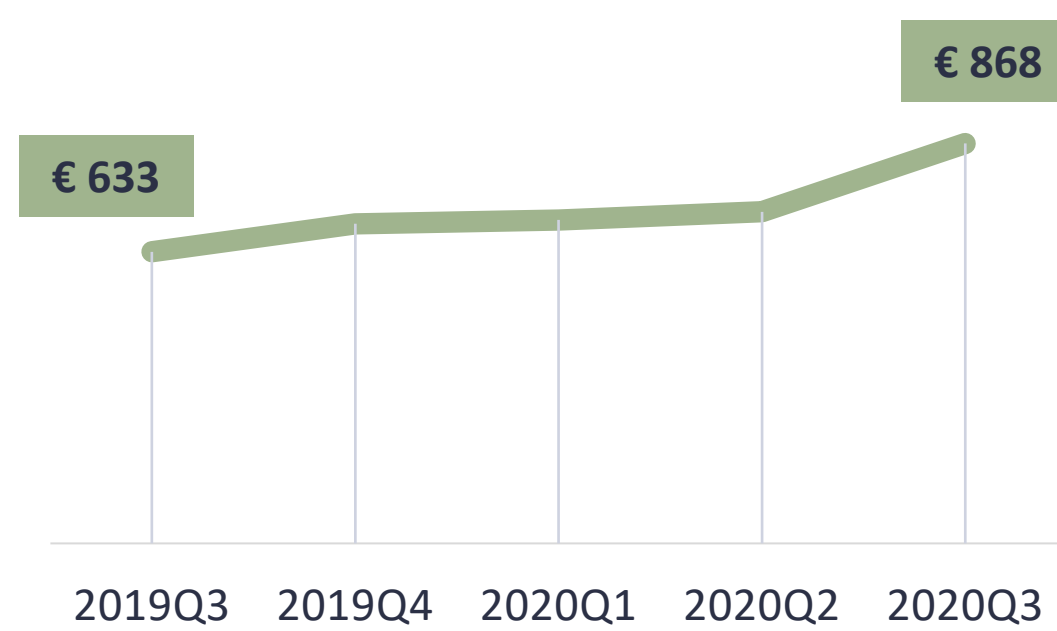


# CONSUMER LOANS

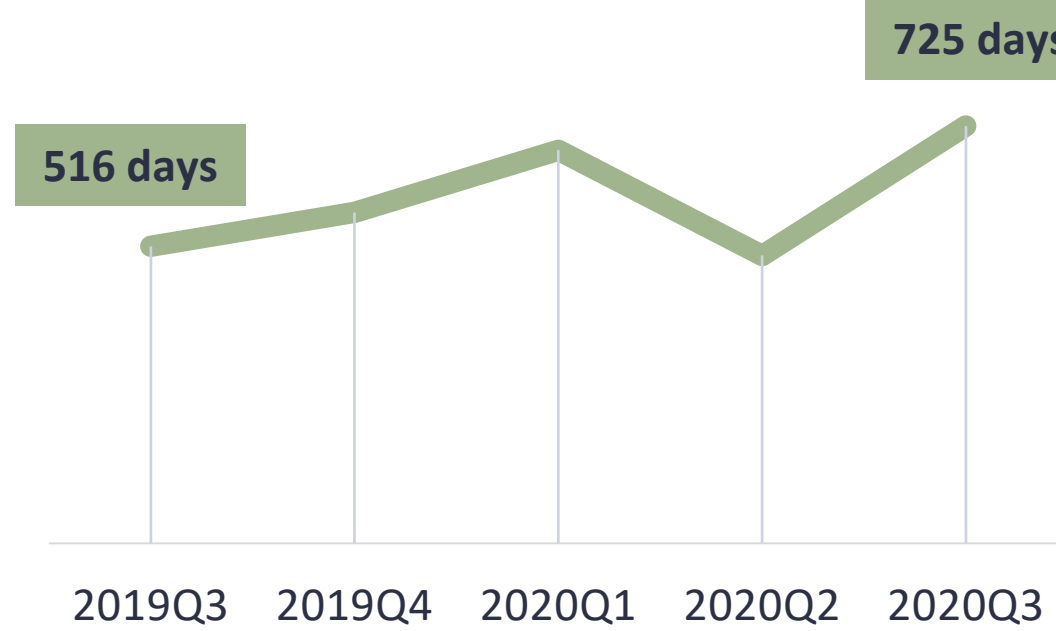
**Average loan tranche size per issue**



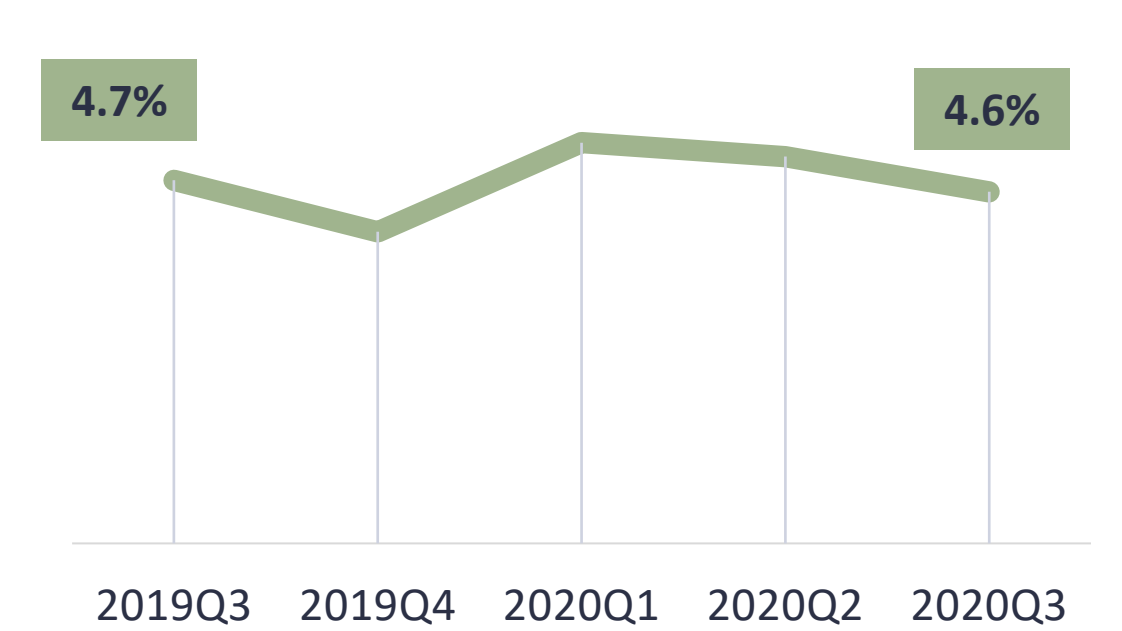
**Average loan size per customer**



**Weighted average term of loans issued**



**Non-performing loans ratio**



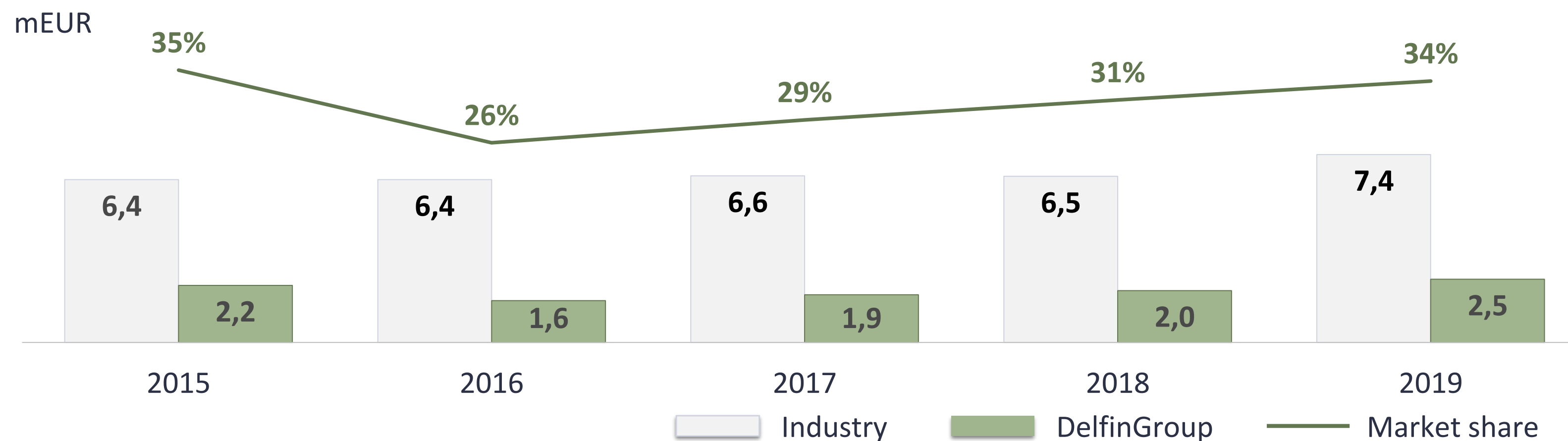
## MARKET OVERVIEW

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

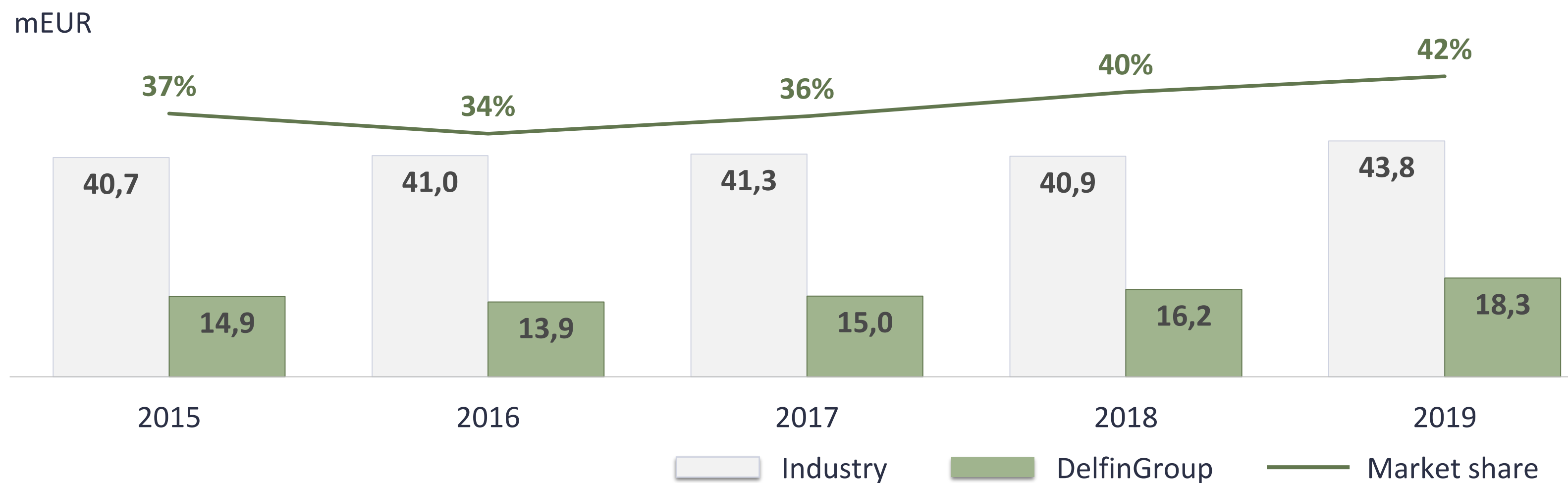
The **market share** of issued loans is **growing** every year.

## PAWN LOANS

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



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



\*Source: Consumer Rights Protection Centre.

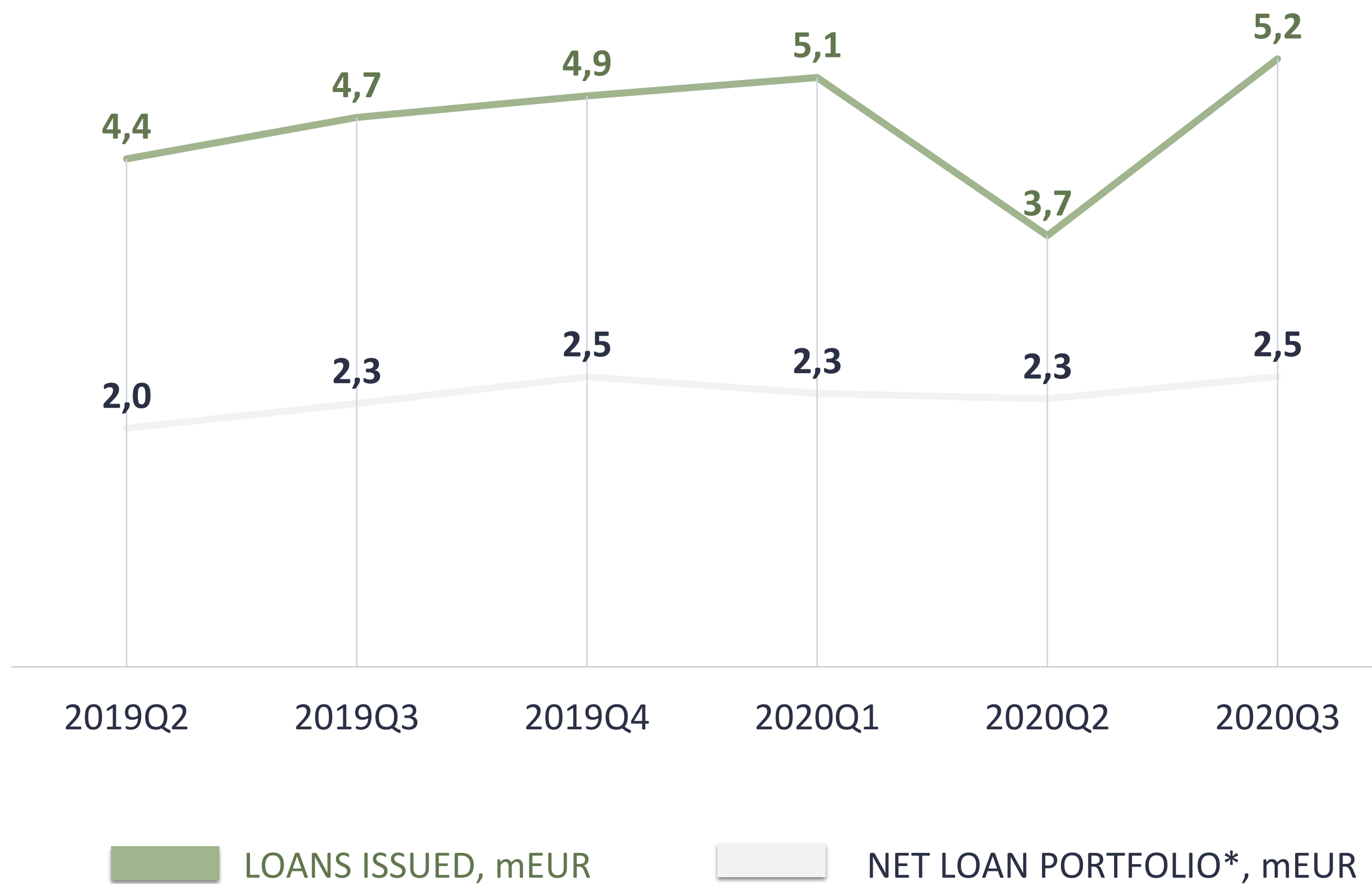




## PAWN LOANS

Group has increased issuance level by 40.5% compared to 2020Q2 for secured lending, showing positive recovery after the state of emergency was lifted on 10 June 2020.

Portfolio have increased by 8.7% compared to 2020Q2.



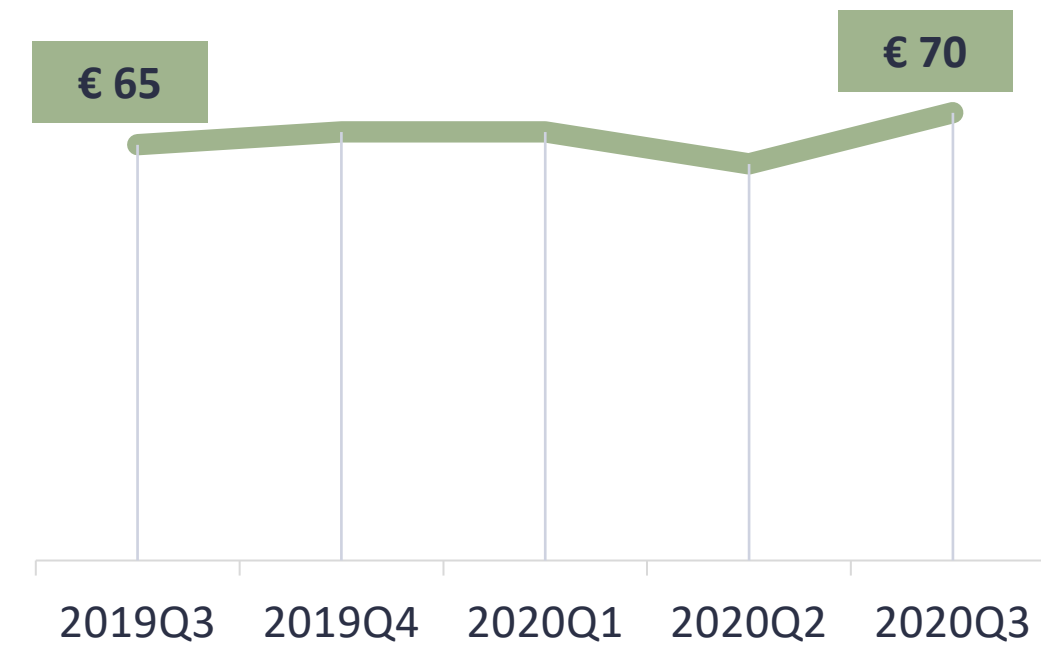
\* Includes car title loan and mortgage loan legacy portfolios.



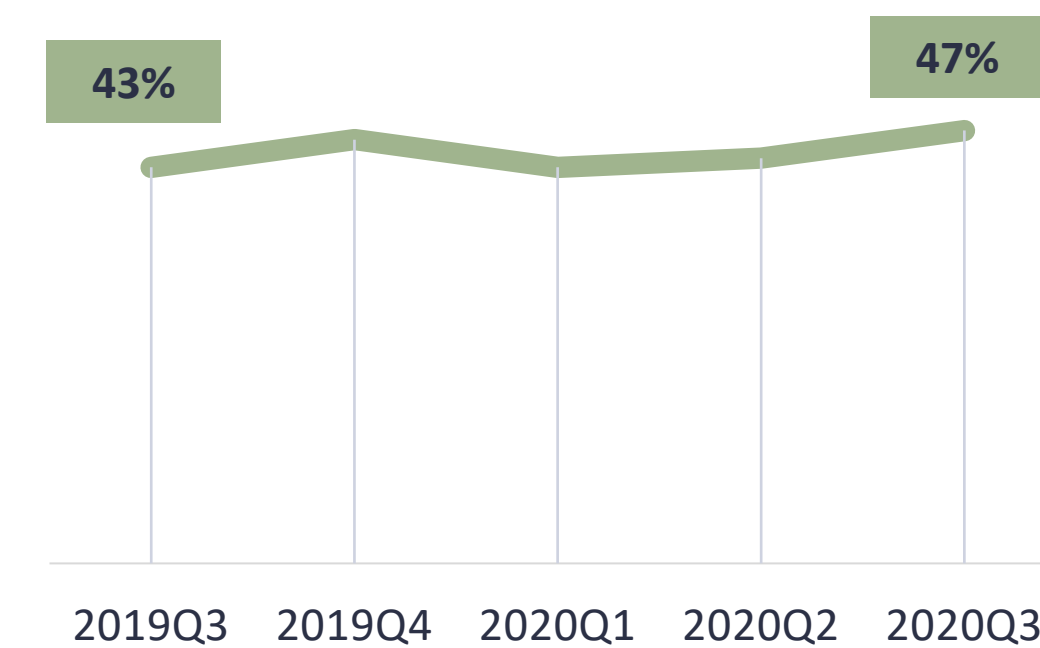
# PAWN LOANS

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

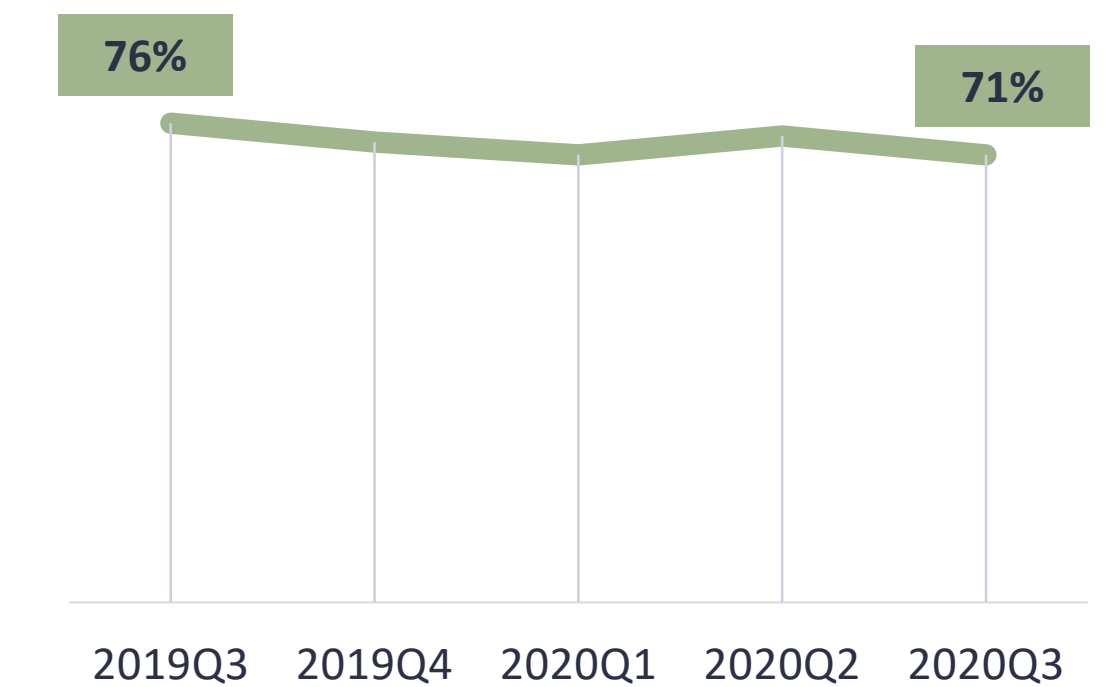
**Average loan size per issue:**



**Pawn mark-up:**



**Redemption rate\***



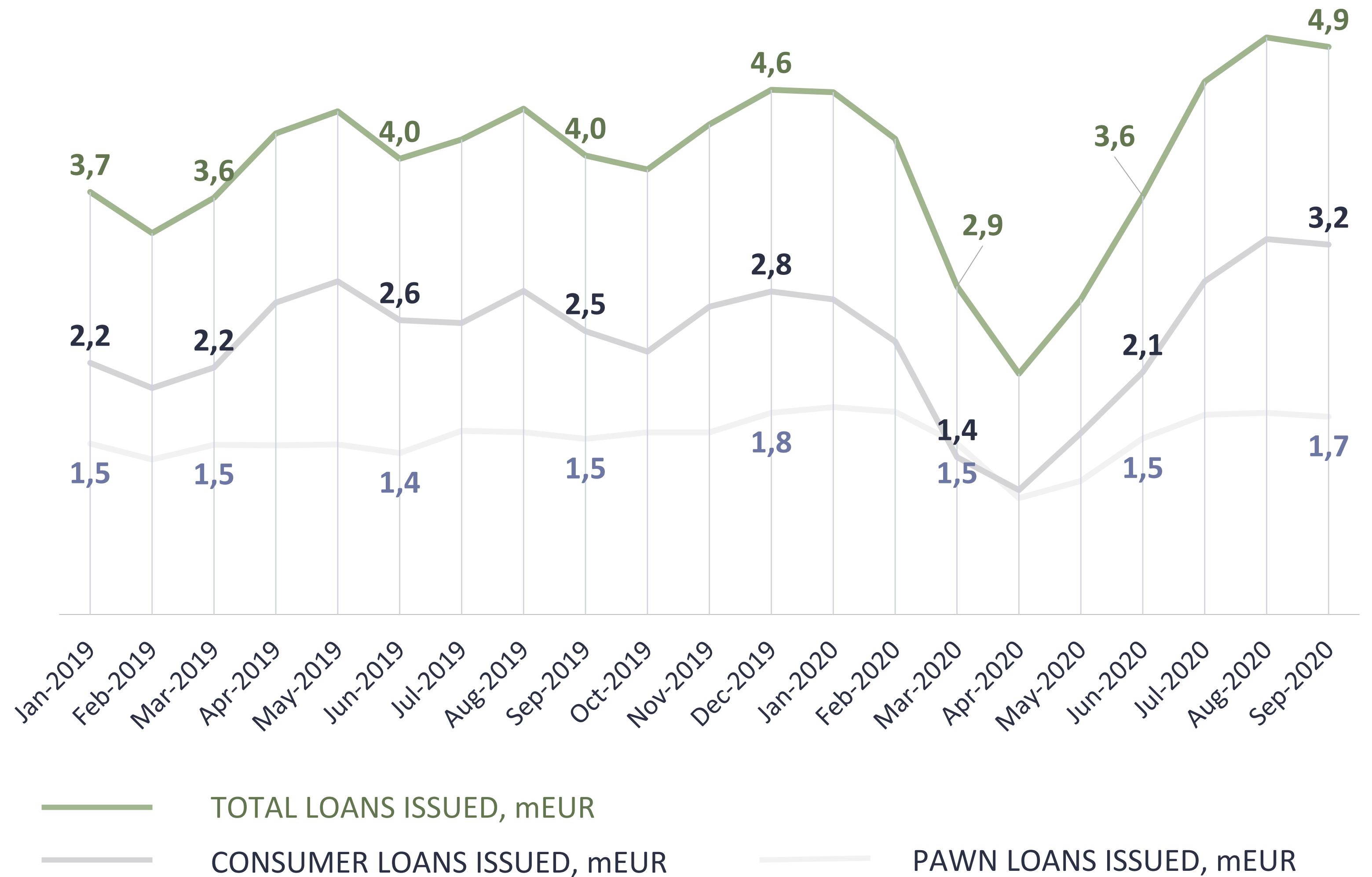
\* Items begin redeemed or extended within 3 months since issuance, by value of loans issued excl. item purchasing.



## DETAILED COVID-19 IMPACT DYNAMICS

As a response to COVID-19 during March to May Group applied cautious issuance approach. In 2020Q3 the amount of issued loans was gradually increased and in total reached **€14.6 million**, by 16% more than in 2019Q3 .

## CONSUMER AND PAWN LOANS ISSUED

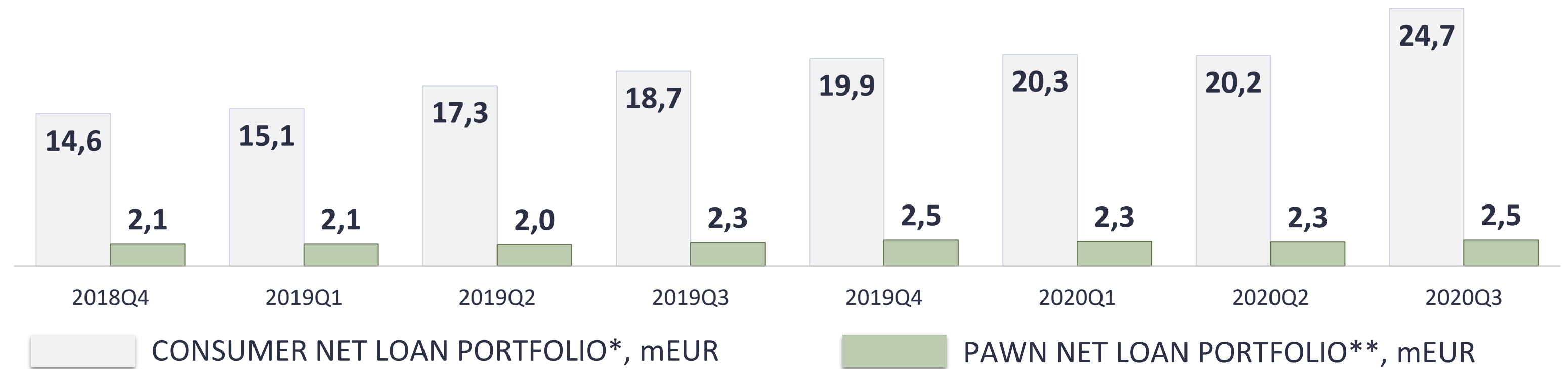


## DETAILED COVID-19 IMPACT DYNAMICS

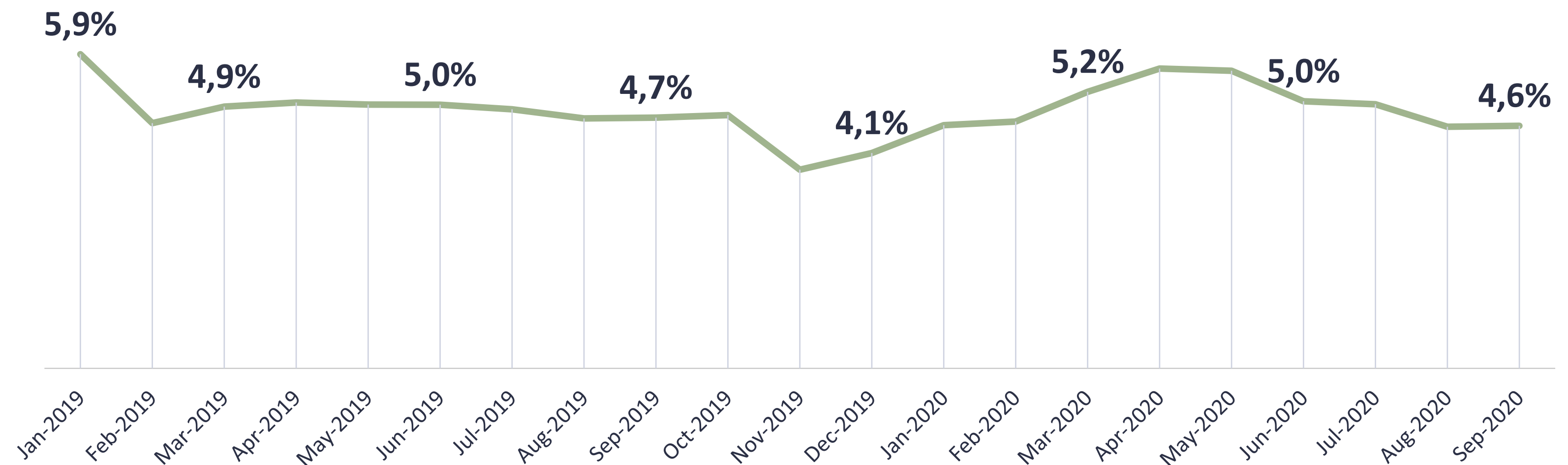
In 2020Q3, portfolio have increased by 20.9% compared to 2020Q2.

Due to Group's conservative credit policy and stable and reliable customer base non-performing loan ratio have remained relatively low, ensuring stable portfolio quality.

## LOANS OUTSTANDING



## NON-PERFORMING LOANS RATIO - CONSUMER LOANS



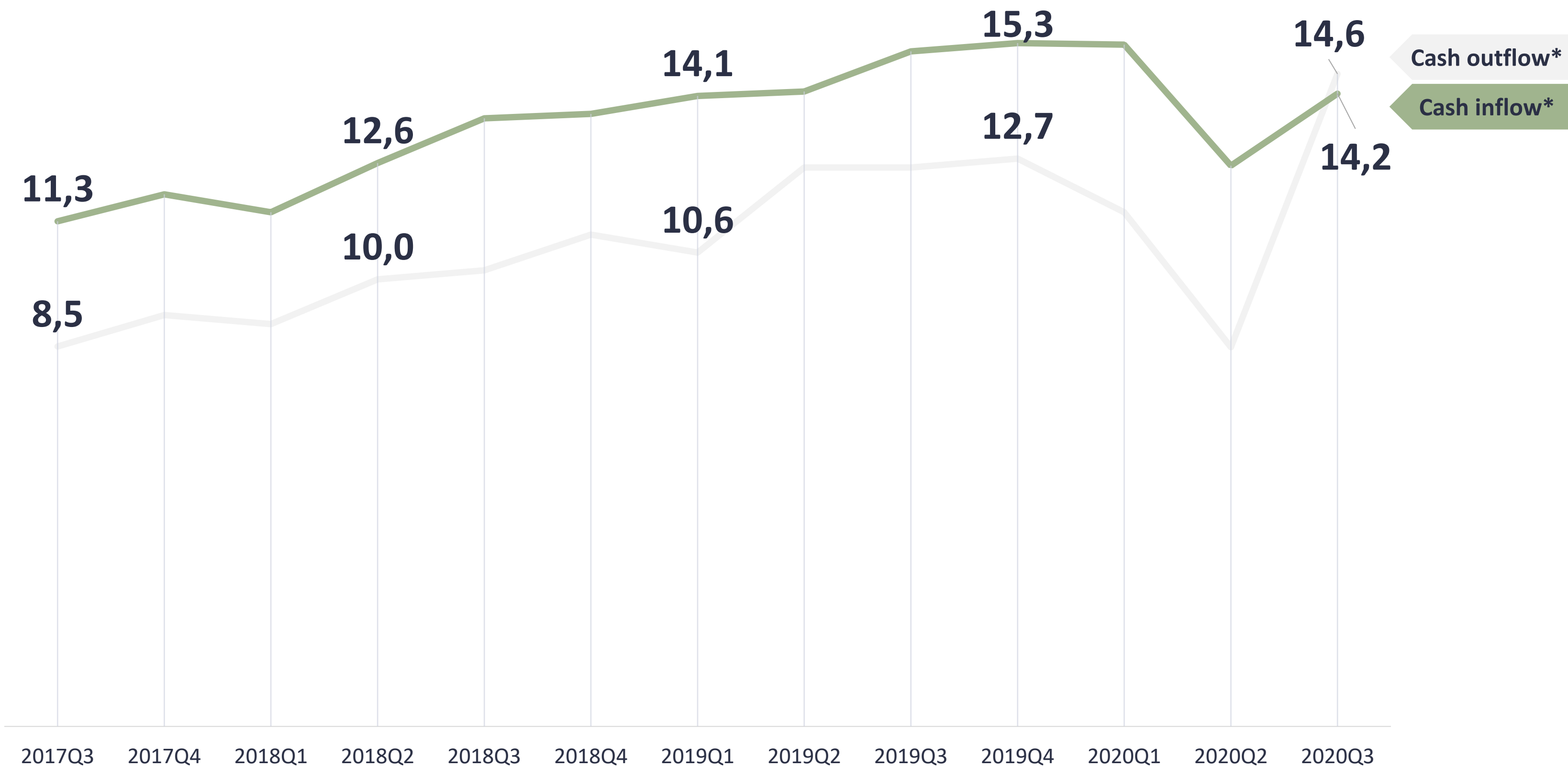
\* Loan portfolio data based on DelfinGroup net consumer loan portfolio incl. accrued interest.

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



## KEY FINANCIALS

In 2020Q3 cash outflow from consumer lending and pawn shop activities exceeds cash inflow from consumer lending and pawn shop activities due to increased issuance level in **2020Q3**.

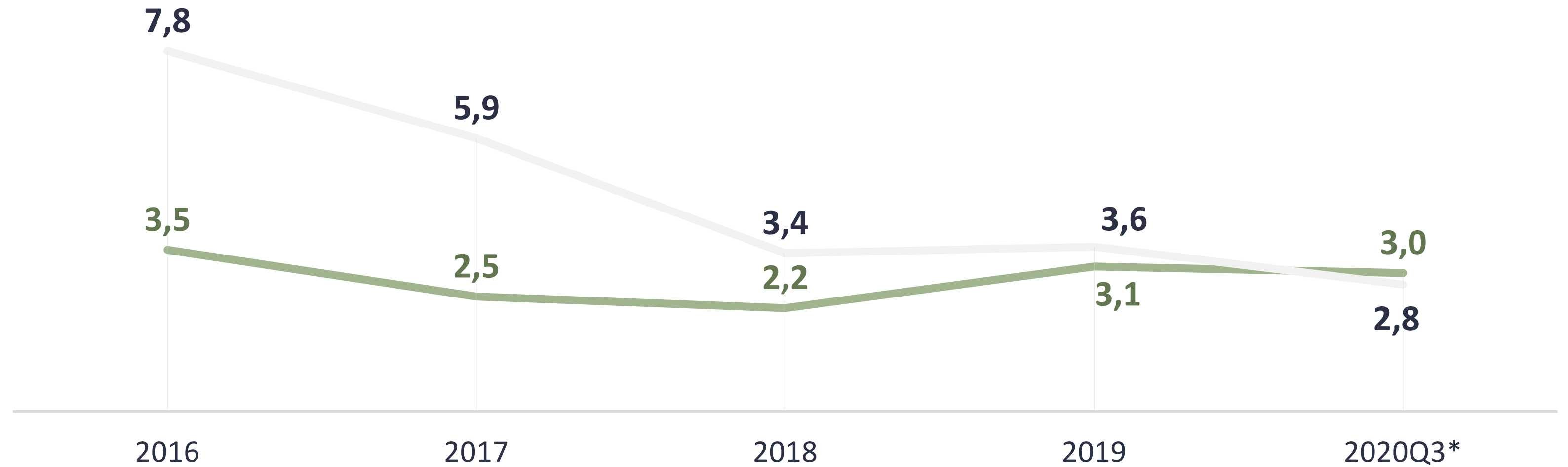


\* From consumer lending and pawn shop activities.



# FINANCIAL RATIOS

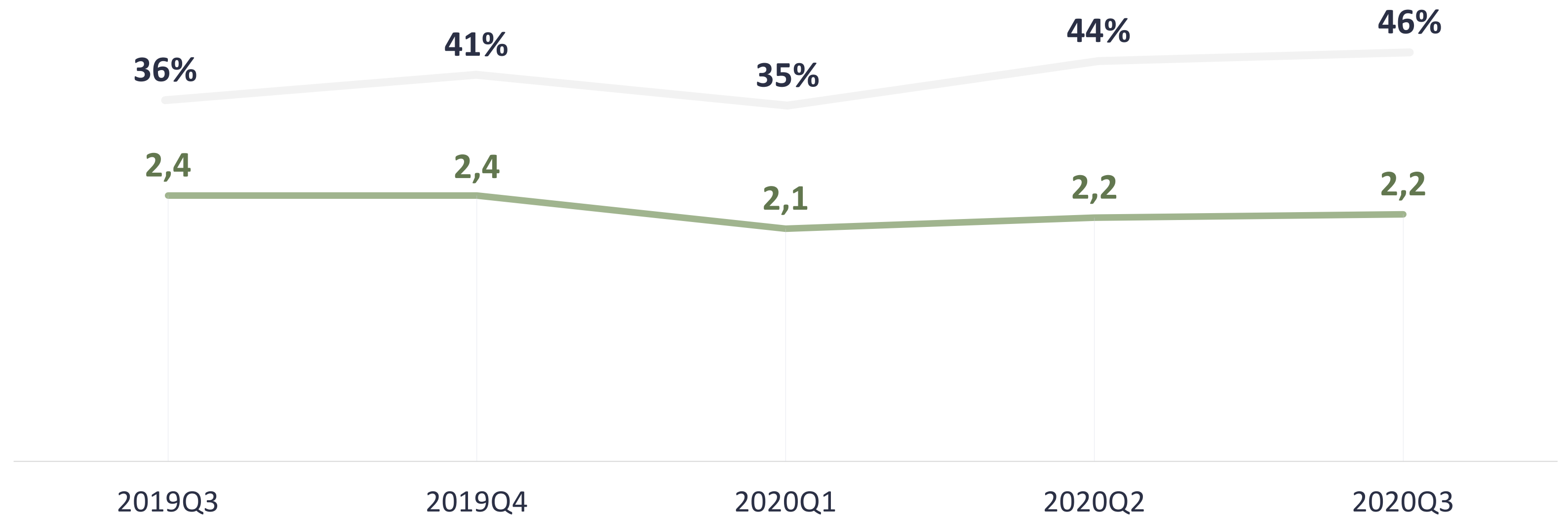
**Sustainable** financial performance.



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

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 Q3	2020 Q3	%, Y-O-Y
Interest and similar income	12 082	12 030	0%
Gross profit from sale of goods	1 324	1 516	15%
Cession result	(1 039)	(561)	(46%)
<b>GROSS PROFIT</b>	<b>12 367</b>	<b>12 985</b>	<b>5%</b>
Selling expense	(4 076)	(3 477)	(15%)
Administrative expense	(2 446)	(2 495)	2%
Net other income / (expense)	(34)	(103)	(203%)
<b>EBITDA</b>	<b>5 811</b>	<b>6 910</b>	<b>19%</b>
Depreciation	(164)	(740)	351%
Interest and similar expense	(1 939)	(2 515)	30%
Taxes	(343)	(495)	44%
<b>NET PROFIT</b>	<b>3 365</b>	<b>3 153</b>	<b>(6%)</b>

## 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.

During 2020Q3 dividends in amount of **€2 million** was paid out. In addition, shareholders have reduced its liabilities by **73%** compared to 2020Q2.

BALANCE SHEET, EUR'000	2020 Q2	2020 Q3	%, Q-O-Q
Fixed and intangible assets	3 915	3 855	(2%)
Loans to related parties	1 382	376	(73%)
Net loan portfolio	32 256	34 041	6%
Inventory and scrap	1 186	1 545	30%
Other assets	536	365	(32%)
Cash	1 958	2 434	24%
<b>TOTAL ASSETS</b>	<b>41 233</b>	<b>42 616</b>	<b>3%</b>
Share capital and reserves	1 500	4 000	167%
Retained earnings	6 868	2 354	(66%)
Profit/loss for the current year	2 034	3 159	55%
<b>EQUITY</b>	<b>10 402</b>	<b>9 513</b>	<b>(9%)</b>
Interest-bearing debt	25 587	27 575	8%
Trade payables and other liabilities	5 244	5 527	5%
<b>LIABILITIES</b>	<b>30 831</b>	<b>33 102</b>	<b>7%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>41 233</b>	<b>42 616</b>	<b>3%</b>



# FINANCING STRUCTURE

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

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

In September 2020 subscription for **new unsecured bond issue** ISIN LV0000802429 totaling **EUR 3 500 000** was successfully completed.

Bond issue proceeds partly used to increase issuance level.

INTEREST-BEARING DEBT	2020 Q2, EUR'000	2020 Q3, EUR'000	INTEREST RATE, %	MATURITY
Secured bonds II*	875	438	15%	12/2020
Secured bonds III*	5 000	5 000	14%	10/2021
Secured bonds IV*	4 500	4 566	14%	11/2022
Unsecured bonds	-	3 500	12%	11/2022
Peer-to-peer lending platform Mintos*	14 687	13 544	12.1% (effective rate)**	According to issued loans
Leases	83	73	EURIBOR+ 3.5%	Up to 3 years
Private loans	480	480	14.0%	Up to 3 years
Accrued interest and bonds commissions	(41)	(26)		
<b>TOTAL</b>	<b>25 584</b>	<b>27 574</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 30.09.2020. Weighted average interest rate have increased due to decrease of available investments on Mintos platform.



# ENVIRONMENTAL SUSTAINABILITY

DelfinGroup have received quality and energy management certification under ISO 9001:2015 and ISO 50001:2015 standards

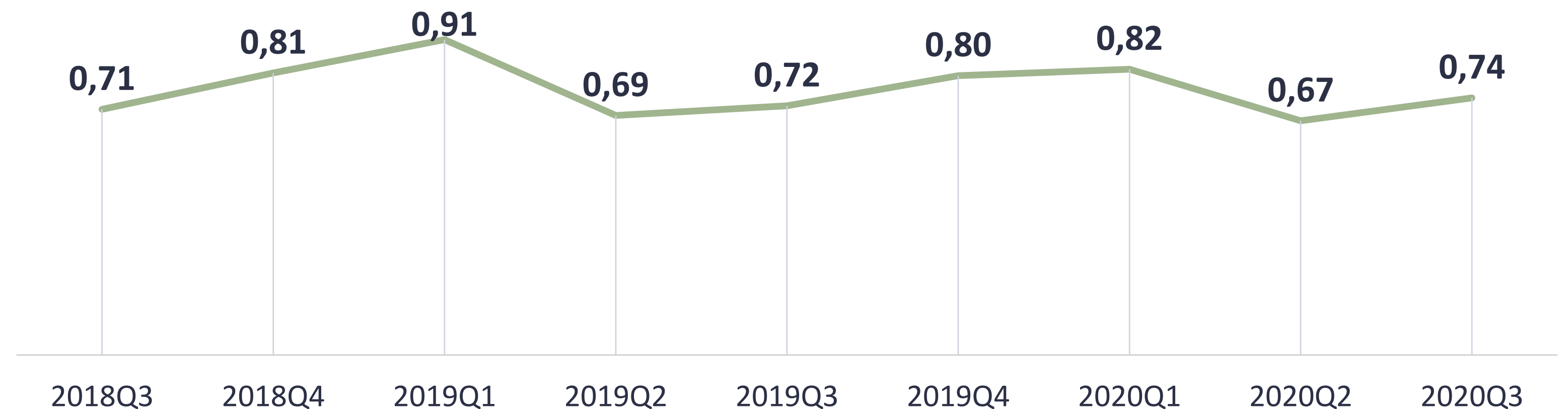


## ENVIRONMENTALLY RESPONSIBLE WORKPLACE

### ELECTRICITY AND PETROL USAGE



### ENERGY INTENSITY\*



\* Energy intensity is calculated based on quarterly electricity and petrol usage to employee count

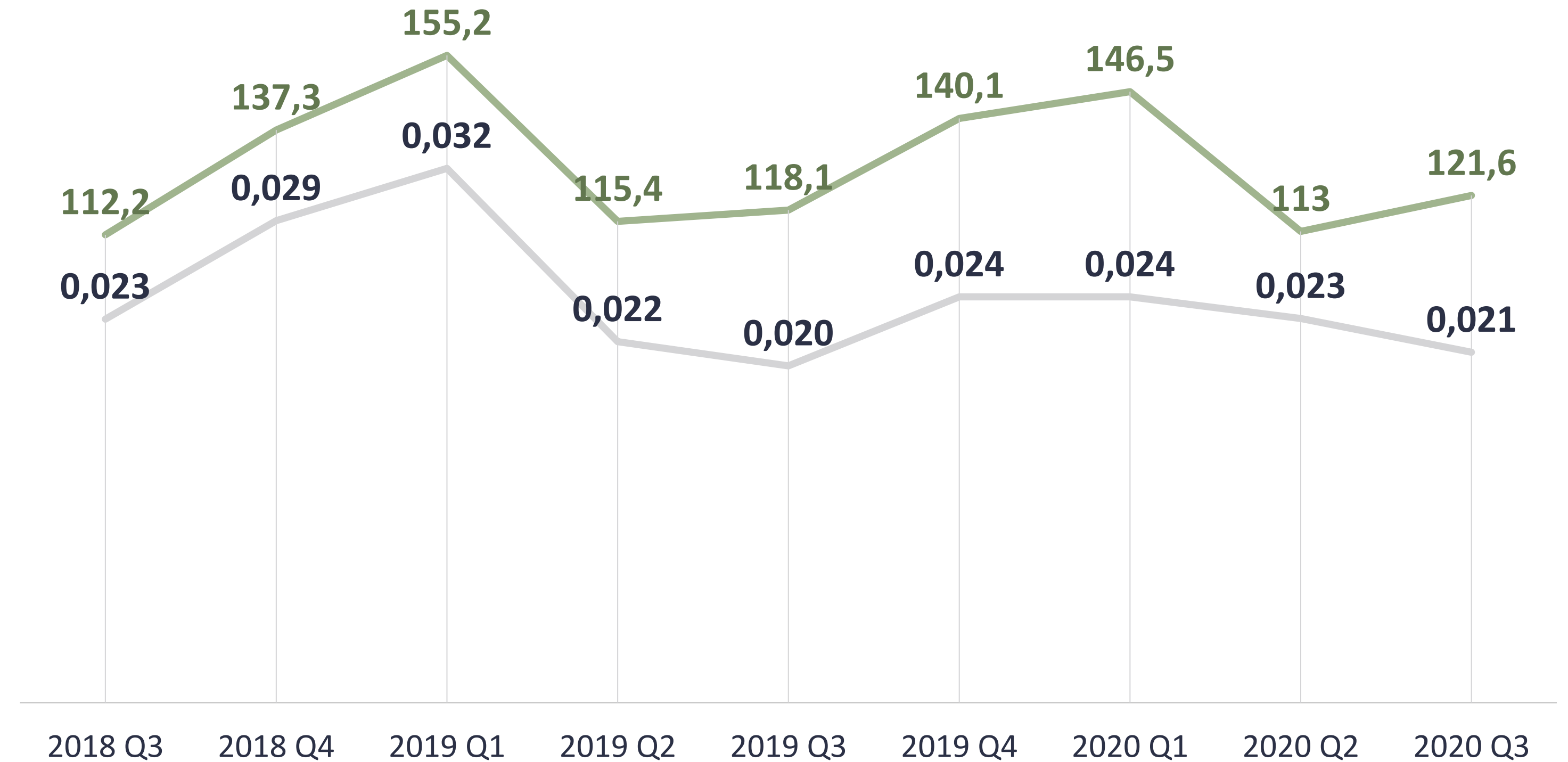


## ENVIRONMENTAL SUSTAINABILITY

In **2020Q3** Greenhouse gas emission intensity per 1 EUR of turnover have **decreased by 8.7%** compared to 2020Q2.

## ENVIRONMENTALLY RESPONSIBLE WORKPLACE

### GREENHOUSE GAS EMISSION AND GREENHOUSE GAS EMISSION INTENSITY



GREENHOUSE GAS EMISSION\*, t CO2



GREENHOUSE GAS EMISSION INTENSITY\*, kg of CO2 per 1 EUR of turnover

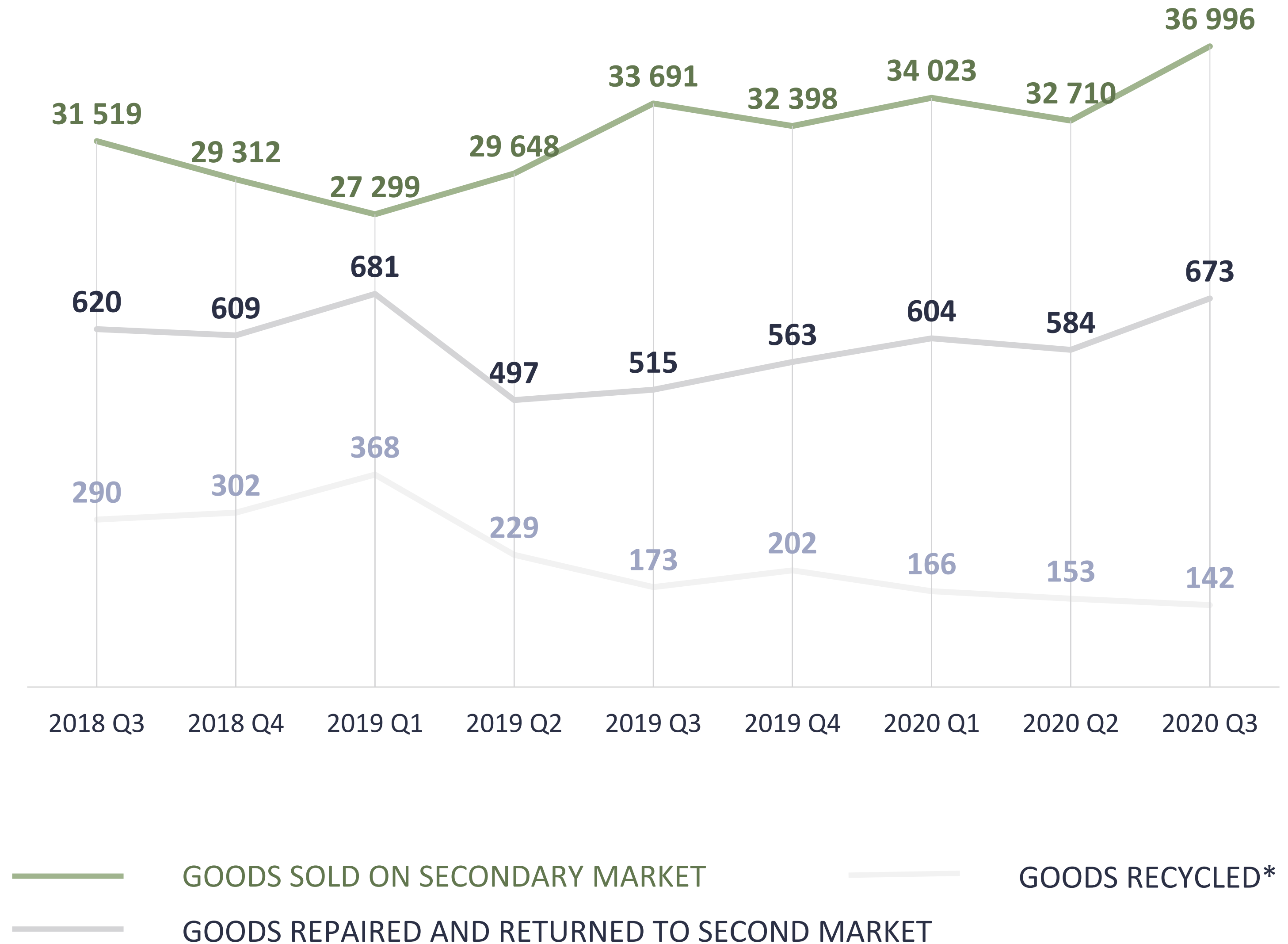
\* Greenhouse gas emission as a result of consumed electricity and petrol



## ENVIRONMENTAL SUSTAINABILITY

DelfinGroup promotes efficient use of resources by returning workable goods to secondary market.

## PAWN SHOP AS PART OF CIRCULAR ECONOMY



\* Goods properly recycled or used as spare parts for repair



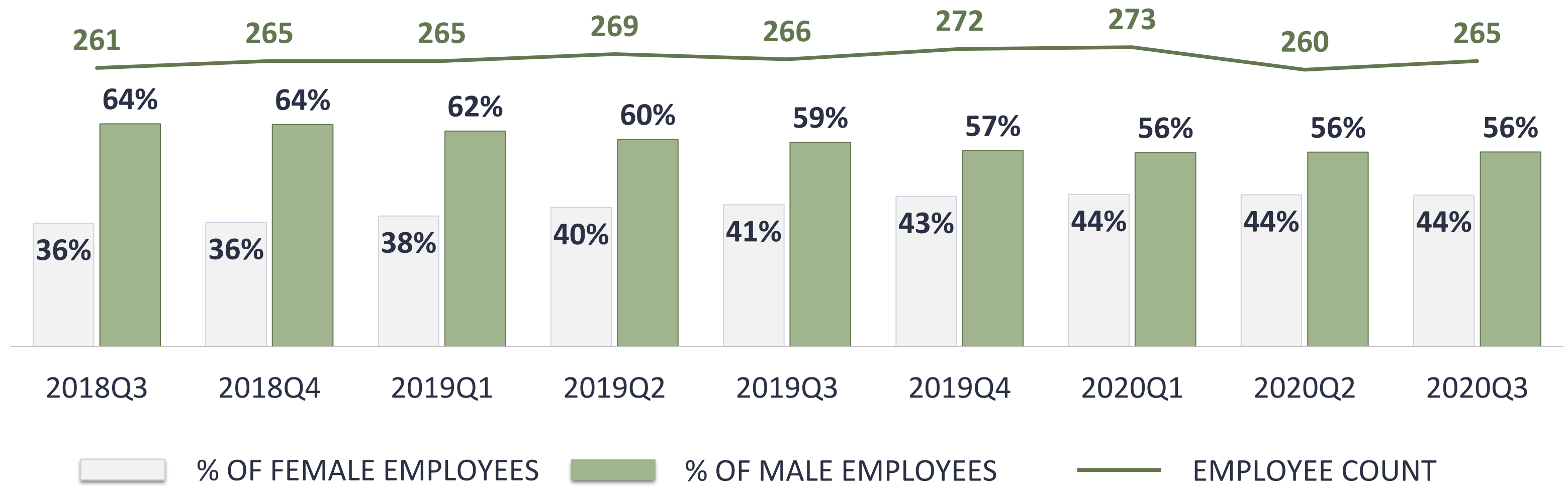
## SOCIAL RESPONSIBILITY

At the end of **2020Q3**, the percentage of female employees is 44% leading to improved work-place gender equality.

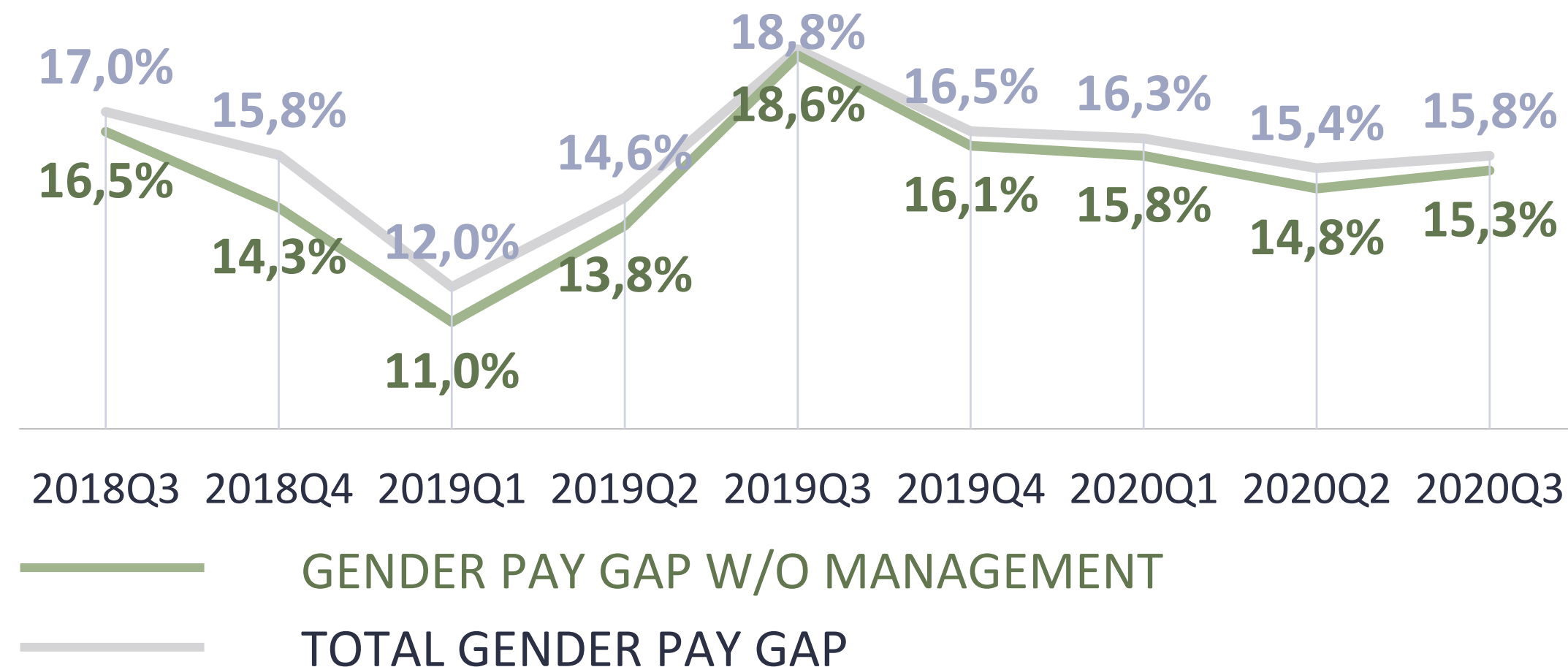
**DelfinGroup** is committed to be inclusive and supportive workplace. Group's gender pay gap in 2020Q3 is at 16%, the same as EU average\*

## EMPLOYEES

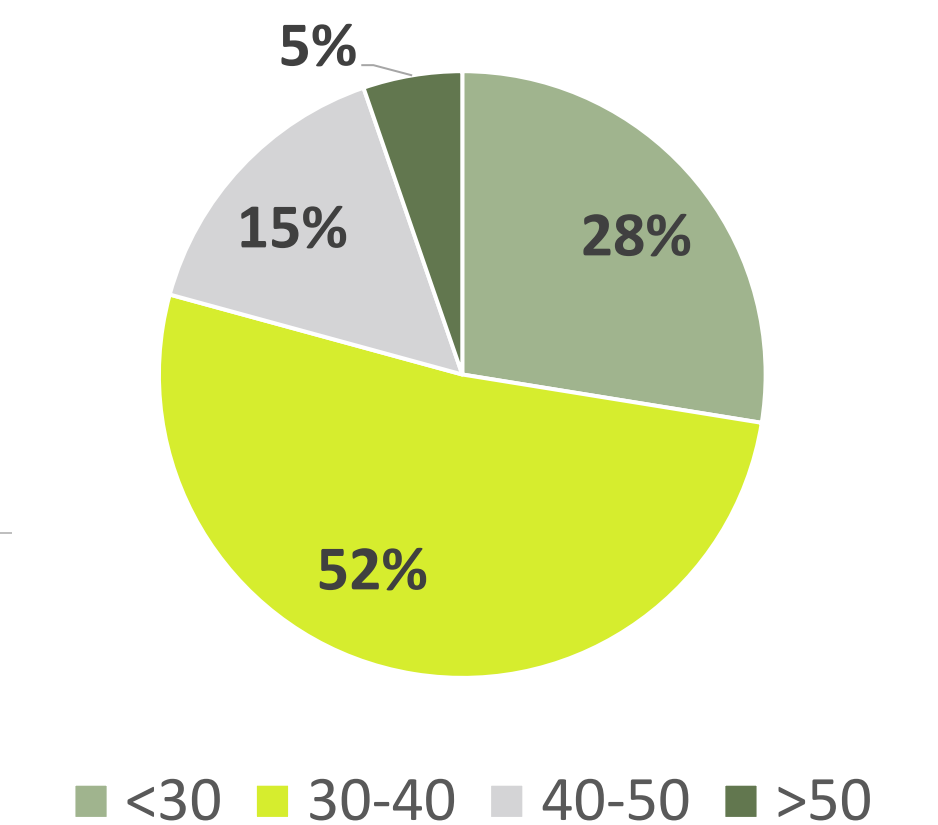
### DYNAMICS OF THE NUMBER OF EMPLOYEES AND GENDER DIVERSITY



### GENDER PAY GAP



### AGE DIVERSITY 2020Q3



\* [https://ec.europa.eu/info/sites/info/files/aid\\_development\\_cooperation\\_fundamental\\_rights/annual\\_report\\_ge\\_2019\\_en.pdf](https://ec.europa.eu/info/sites/info/files/aid_development_cooperation_fundamental_rights/annual_report_ge_2019_en.pdf)

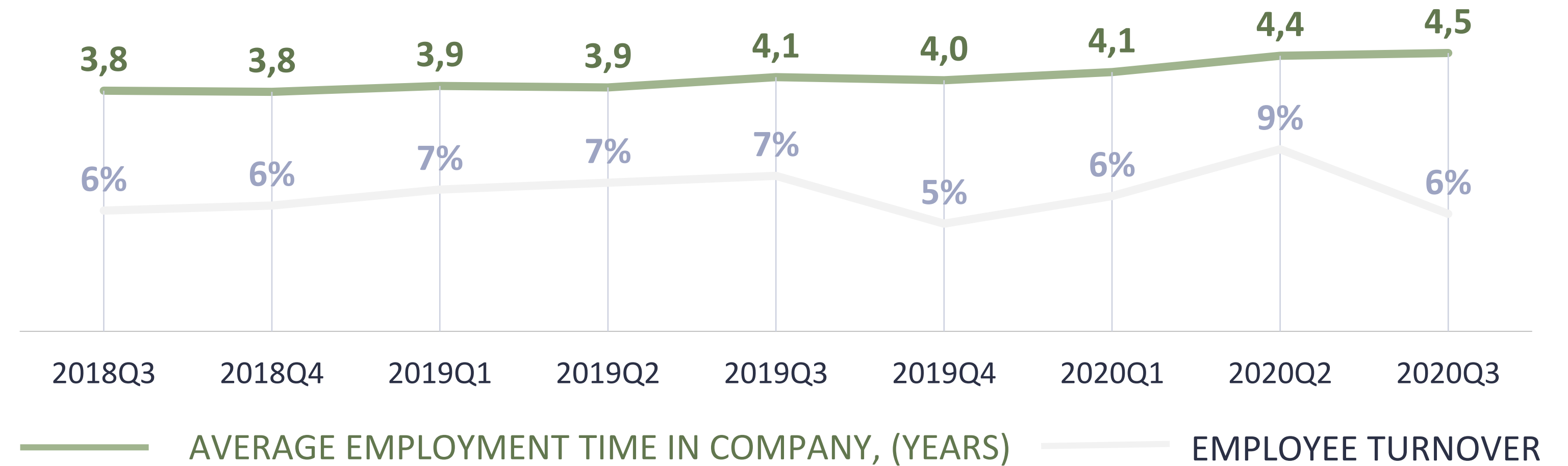


## SOCIAL RESPONSIBILITY

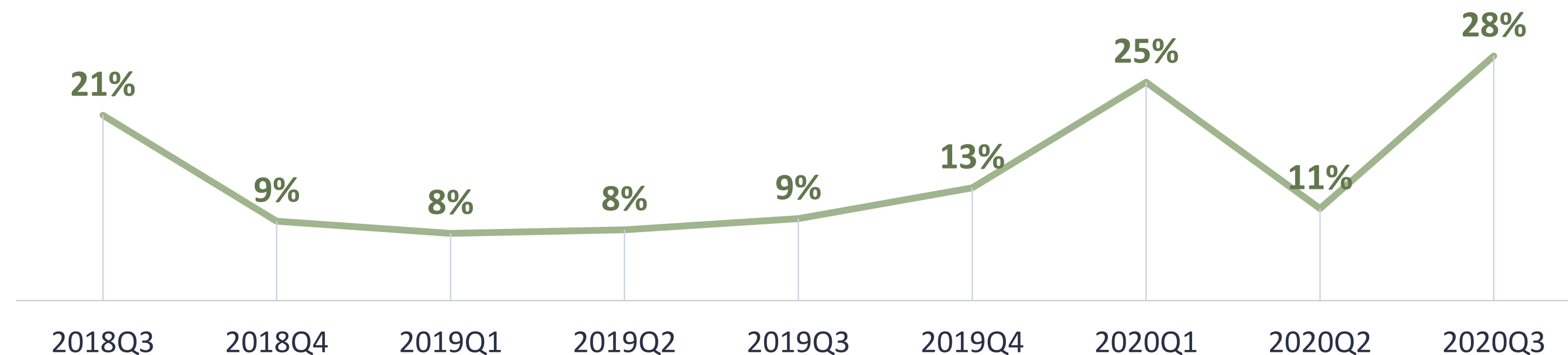
Increasing average employment time in Group indicates satisfaction among employees.

## EMPLOYEES

### EMPLOYEES TURNOVER AND AVERAGE EMPLOYMENT TIME IN COMPANY



### PERCENTAGE OF EMPLOYEES RELEASED DURING PROBATION PERIOD



# 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.





custom finance  
solutions



**SIA DelfinGroup**  
**Skanstes iela 50A**  
**Riga, Latvia**  
**LV-1013**



**kristaps.bergmanis@delfingroup.lv**



**+371 66 15 50 06**



**www.delfingroup.lv**