

AS Sun Finance Group

Unaudited Quarterly
results

Q4 2023



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Q4 HIGHLIGHTS

During the period, the Group surpassed its all-time highest quarterly loan issuance record with a total of €223.4m disbursed to customers

The Group's EBITDA for Q4'23 reached €32.8m, delivering a 40.2% margin and adding up to the total result of €119.4m for FY'23 (up by 10.9% vs FY'22)

The net portfolio amounted to €181.8m at the end of the period, marking a 12.0% increase compared to the end of Q4'22

At the end of Q1'24, the Group decided to conclude the subscription period for its most recent senior unsecured bond (LV0000802692) private placement and reduce its issue size to €27m. Given prevailing market conditions, the Group's solid financial results and robust cash position, the Group deems the financing costs for the issue too high. The bond issue is planned to be listed on Nasdaq First North market in early March

With the maturity of the €20m bond (LV0000802494) also approaching, the Group is working on a refinancing strategy and intends to initiate a new bond offering during Q2'24

Volumes issued

€223.4m

↑ 16.2% PoP

The Group has issued **€223.4m** in loans during Q4'23, a 16.2% increase compared to **€192.3m** in Q4'22. The growth has been driven by the strong demand across our existing operational markets and geographic expansion

Net portfolio

€181.8m

↑ 12.0% PoP

Net portfolio stood at **€181.8m at the end** of Q4'23, recording an increase of **€19.5m (+12.0%) vs** Q4'22. The growth during the period was supported by scaling of the instalment loan product and healthy portfolio dynamics

Cost/income ratio

27.9%

↑ 561 bps PoP

Cost/income ratio reached **27.9% for the period**, an increase of 561 bps compared to Q4'22. The rise in the ratio during the period was primarily influenced by a new operational market launch and projects aimed at enhancing products in existing markets

EBITDA

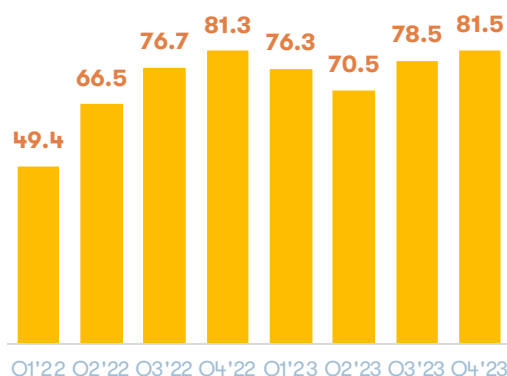
€32.8m

40.2% margin

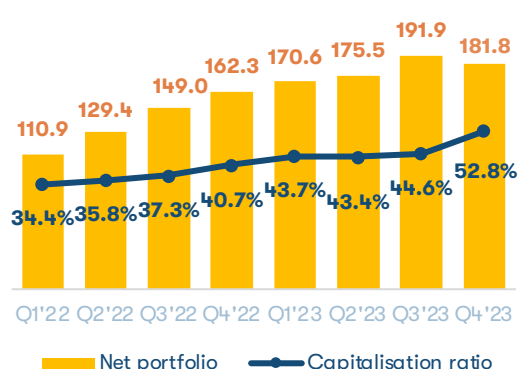
During the period, EBITDA of €32.8m was delivered, representing a margin of 40.2%. This result contributed to achieving the total figure of €119.4m for FY'23, demonstrating a 10.9% increase vs FY'22

KEY DEVELOPMENTS & BUSINESS PERFORMANCE

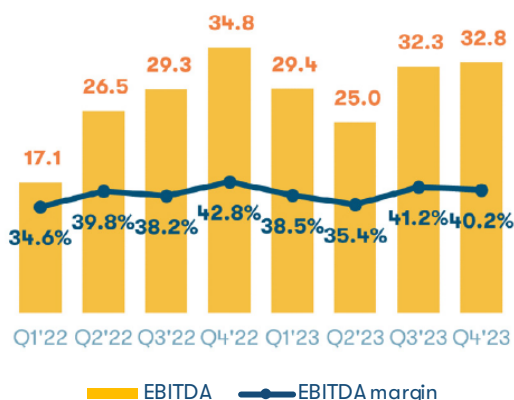
Revenues, €m



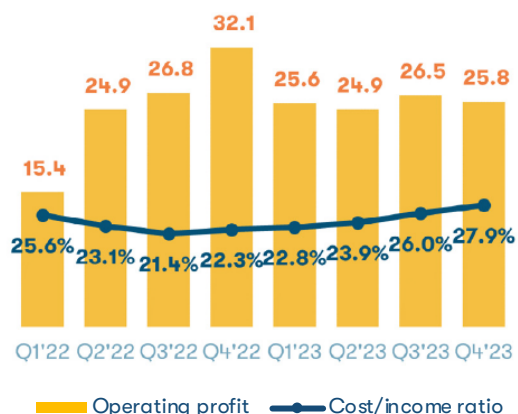
Net portfolio, €m (Capitalisation ratio, %¹)



EBITDA, €m (EBITDA margin, %)



Operating profit², €m (Cost/income, %)



¹ Capitalization ratio equals Total Shareholders' Equity at the end of period divided by Net loan portfolio at the end of the same period

² Reclassification between Other operating and Other non-operating income was made in Q1'23 to ensure consistency of presented results

- **Revenue of €81.5m was recorded for the period**, marking a 3.9% growth vs the previous quarter. This result enabled the Group to achieve a total revenue of **€306.8m for FY'23**, representing a 12.0% increase compared to the previous financial year
- The Group's net portfolio at the end of period was €181.8m – a 12.0% increase compared to the end of Q4'22. The key growth drivers during the year were the strong loan sales and continuous instalment product scaling. At the end of the period, the capitalisation ratio exceeded the covenant threshold more than 2x
- In Q4'23, the Group recorded an EBITDA of €32.8m, allowing to reach an annual figure of **€119.4m and delivering a margin of 38.9% for FY'23**
- Cost/income ratio increased to **27.9%** for Q4'23, predominantly due to the new market launch

Sun Finance Group Q4'23 sales: €223.4m ↑ 16.2% PoP

EUROPE HUB

The European HUB sustained its growth trajectory across all business metrics and delivered strong profitability during the period

In Q4'23, the Group started loan issuance in Spain, furthermore contributing to the loan portfolio growth

We continue to observe strong customer demand, with the region consistently exhibiting high-quality portfolio performance

SCANDINAVIA HUB

The Scandinavian HUB continued to deliver strong performance in terms of loan sales, revenue and profitability

The efforts to expand the product line during earlier this year have resulted in considerable loan portfolio growth

The portfolio quality remains high as typically observed in Scandinavian countries

CENTRAL ASIA HUB

In Q4'23, the Central Asian HUB continued to deliver robust profitability. During the period, the Group focused on product and business process improvements in the region, which resulted in a slight portfolio decrease

The portfolio quality has not been compromised and remains at a high level

In the upcoming period, the Group will further continue the initiated projects to strengthen its position in the region

PERFORMANCE OVERVIEW BY GEOGRAPHY (CONT.)

Sun Finance Group Q4'23 sales: €223.4m ↑ 16.2% PoP

SOUTH EAST ASIA HUB

During the first half of 2023, the Group stopped active operations in Vietnam, resulting in a decrease in the Southeast Asian HUB loan portfolio

Nevertheless, we are persistently scaling operations in the Philippines, driven by positive trends in the market's financial performance

LATIN AMERICA HUB

In Q4'23, the Latin American HUB has delivered a solid increase in revenues and profitability

The improvements in financial performance have been partly attributed to improvements in customer dynamics and portfolio structure

Nonetheless, we maintain our focus on monitoring the quality of portfolio to preserve optimal levels in the forthcoming periods

AFRICA HUB

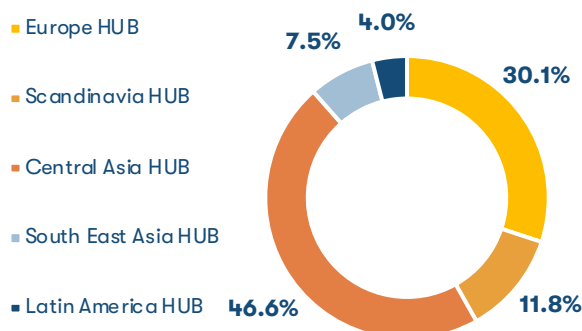
Following the acquisition of AS Zenka Group, an online lending company operating in Kenya, the Group entered the rapidly developing African lending market in the beginning of Q3'23

The company has since then been fully incorporated into the Group's operational structure

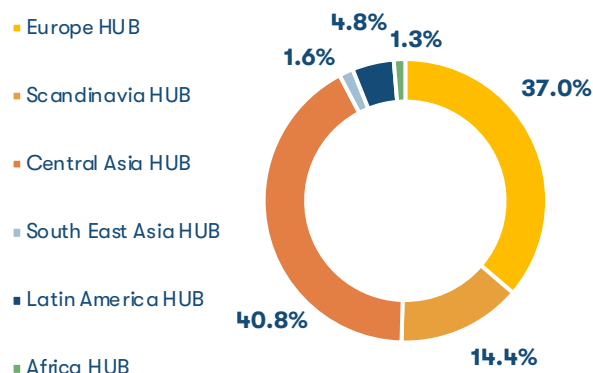
At the end of Q4'23, the African HUB net loan portfolio amounted to €2.4m

PORTFOLIO ANALYSIS – GROUP & REGIONS

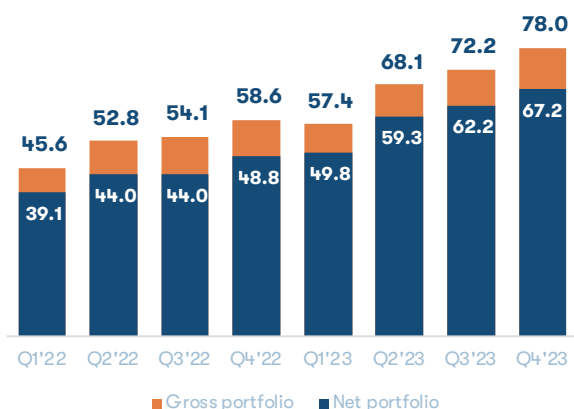
Portfolio dynamics (Q4'22)



Portfolio dynamics (Q4'23)

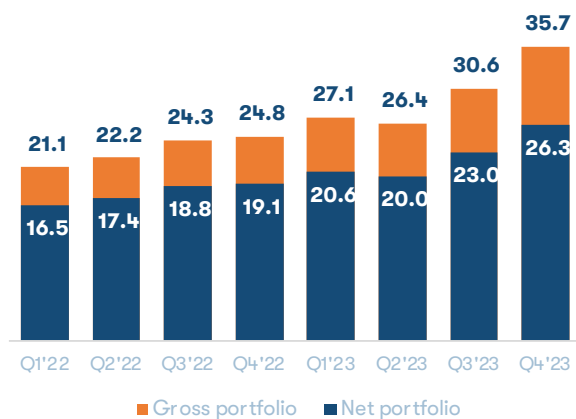


Portfolio – Europe HUB (Q1'22 – Q4'23)



- Despite being the Group's **most mature and stable market** in terms of operations and industry development stage, the European HUB has **demonstrated continuous growth**
- The portfolio quality has been consistently preserved at a high level

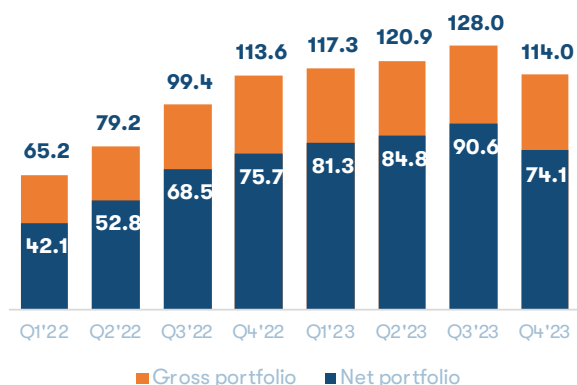
Portfolio – Scandinavia HUB (Q1'22 – Q4'23)



- The **customer demand remains strong** in the region, facilitating the upward trend in the growth of the loan portfolio

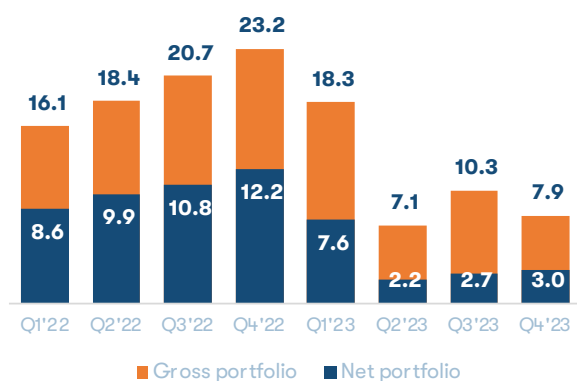
PORTFOLIO ANALYSIS – GROUP & REGIONS (CONT.)

Portfolio – Central Asia HUB (Q1'22 – Q4'23)



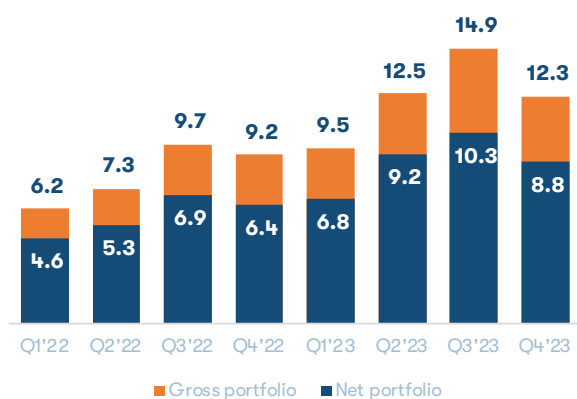
- During the period, the Group focused on product and business process improvements, resulting in a slight portfolio decrease
- The **portfolio quality** has not been compromised and **remains at a high level**

Portfolio – South East Asia HUB (Q1'22 – Q4'23)



- During the first half of 2023, the Group stopped lending operations in Vietnam
- The **Philippines demonstrates steady growth** in loan issuance volumes and overall business activity
- There has been a decline in the gross portfolio at the period-end due to a non-performing portfolio write-off completed

Portfolio – Latin America HUB (Q1'22 – Q4'23)



- Improvements in customer dynamics have been observed in the Latin American Hub; currency market fluctuations have impacted the loan portfolio balance
- We continue to closely monitor customer dynamics to uphold a healthy portfolio quality

FINANCIAL PERFORMANCE: INCOME STATEMENT

Income statement (€m)	2022				2023				2022	2023	2022 vs 2023	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	FY	FY	Δ YoY	Δ YoY (%)
Revenues ¹	49.4	66.5	76.7	81.3	76.3	70.5	78.5	81.5	273.9	306.8	32.9	12.0%
Interest expense	(2.8)	(3.0)	(3.3)	(3.8)	(4.0)	(4.4)	(5.0)	(4.9)	(12.9)	(18.3)	(5.5)	42.7%
Net provisions ²	(21.9)	(26.7)	(32.7)	(30.7)	(32.7)	(30.1)	(33.0)	(33.4)	(112.0)	(129.2)	(17.2)	15.4%
GROSS PROFIT	24.8	36.7	40.7	46.9	39.6	36.1	40.5	43.1	149.1	159.3	10.2	6.9%
Salaries and related taxes ³	(3.8)	(4.3)	(4.4)	(4.8)	(5.2)	(5.0)	(5.1)	(5.0)	(17.3)	(20.3)	(3.0)	17.4%
Direct operating expense	(3.5)	(4.4)	(5.3)	(5.7)	(5.3)	(5.4)	(7.2)	(8.0)	(18.9)	(25.9)	(7.0)	37.0%
Indirect operating expense	(3.4)	(3.8)	(3.7)	(3.7)	(4.4)	(4.6)	(5.2)	(7.3)	(14.6)	(21.5)	(6.8)	46.5%
Marketing expense	(3.1)	(3.8)	(3.7)	(4.9)	(3.6)	(3.6)	(5.1)	(4.6)	(15.5)	(17.0)	(1.5)	9.5%
Other operating income ¹	4.4	4.5	3.2	4.3	4.5	7.4	8.7	7.5	16.4	28.1	11.7	71.6%
OPERATING PROFIT/(LOSS) ⁴	15.4	24.9	26.8	32.1	25.6	24.9	26.5	25.8	99.1	102.8	3.7	3.7%
Other non-operating income ¹	1.2	1.3	1.3	1.9	1.4	1.9	1.5	1.1	5.7	5.9	0.2	3.0%
Other expense	(2.5)	(3.0)	(2.5)	(3.8)	(2.1)	(6.7)	(1.1)	(0.3)	(11.8)	(10.1)	1.7	(14.5%)
NET PROFIT/(LOSS) BEFORE TAXES	14.1	23.1	25.6	30.2	24.9	20.1	26.9	26.7	93.0	98.6	5.5	6.0%
Profit tax	(4.1)	(8.0)	(7.8)	(5.3)	(6.5)	(5.1)	(6.2)	(7.9)	(25.2)	(25.7)	(0.5)	1.9%
NET PROFIT/(LOSS) before FX effect ⁵	10.0	15.1	17.8	24.9	18.4	14.9	20.8	18.8	67.8	72.9	5.1	7.5%
FX income/(expense)	(1.5)	0.8	2.3	(4.0)	1.1	(1.0)	(2.4)	1.0	(2.3)	(1.3)	1.0	(42.3%)
NET PROFIT/(LOSS) after FX	8.5	15.9	20.2	21.0	19.5	13.9	18.3	19.8	65.5	71.5	6.0	9.2%
Adj.:												
Tax	4.1	8.0	7.8	5.3	6.5	5.1	6.2	7.9	25.2	25.7	0.5	1.9%
Interest	2.8	3.0	3.3	3.8	4.0	4.4	5.0	4.9	12.9	18.3	5.5	42.7%
EBIT	15.3	26.9	31.3	30.0	30.1	23.4	29.5	32.6	103.6	115.6	12.0	11.6%
Depreciation and amortization	0.3	0.3	0.4	0.9	0.4	0.5	0.4	1.2	1.8	2.5	0.7	36.2%
FX income/(expense)	1.5	(0.8)	(2.3)	4.0	(1.1)	1.0	2.4	(1.0)	2.3	1.3	(1.0)	(42.3%)
EBITDA ⁶	17.1	26.5	29.3	34.8	29.4	25.0	32.3	32.8	107.7	119.4	11.7	10.9%
EBITDA %	34.6%	39.8%	38.2%	42.8%	38.5%	35.4%	41.2%	40.2%	39.3%	38.9%	(0.4%)	(40.3)

¹ Reclassification between Other operating and Other non-operating income was made in Q1'23 to ensure consistency of presented results

- 1** The Group recorded €81.5m revenue for the period, marking a 3.9% growth vs Q3'23 and contributing to a total revenue of €306.8m for FY'23, marking a 12.0% increase compared to the previous financial year
- 2** Provisions have remained stable compared to Q3'23
- 3** An increase in direct operating costs has been attributed to the overall business operational volume growth and the launch of a new market
- 4** Operating profit has demonstrated relative stability throughout FY'23, with a slight upward trend
- 5** Net profit before FX effect of €18.8m was recorded, (down by 24.7% vs Q4'22), primarily due to higher interest expense, operating costs and profit tax charge for the period
- 6** A solid EBITDA of €32.8m was recorded for the period, delivering a margin of 40.2%

FINANCIAL PERFORMANCE: BALANCE SHEET

Balance Sheet (€m)	2022				2023				2022	2023	2022 vs 2023	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	FY	FY	Δ YoY	Δ YoY (%)
Non-current assets ¹	20.8	18.8	16.8	14.4	14.8	14.5	21.9	20.9	14.4	20.9	4.0	27.6%
Goodwill & intangible assets	15.6	13.7	11.7	9.9	10.1	10.5	16.8	17.2	9.9	17.2	7.3	74.5%
Fixed assets	4.5	4.9	5.2	4.9	5.1	5.2	5.5	5.2	4.9	5.2	0.3	5.7%
Accrued D&A	(1.5)	(1.8)	(2.1)	(2.4)	(2.8)	(3.1)	(4.5)	(4.7)	(2.4)	(4.7)	(2.2)	90.7%
Other non-current assets	2.2	2.0	2.0	2.0	2.4	1.9	4.1	3.1	2.0	3.1	1.1	56.7%
Current assets	143.0	162.4	185.4	196.8	205.8	215.6	239.3	234.0	196.8	234.0	37.2	18.9%
Loans receivable	154.7	180.1	208.3	229.3	237.9	239.5	267.5	253.4	229.3	253.4	24.1	10.5%
Provisions for doubtful debts	(43.7)	(50.7)	(59.3)	(67.0)	(67.3)	(64.0)	(75.6)	(71.6)	(67.0)	(71.6)	(4.6)	6.9%
Cash in bank	9.8	6.8	10.5	8.7	13.5	17.0	22.7	22.6	8.7	22.6	13.9	160.0%
Other receivables	22.2	26.2	25.9	25.8	21.7	23.1	24.7	29.5	25.8	29.5	3.8	14.6%
ASSETS ³	163.8	181.2	202.2	211.2	220.7	230.1	261.1	254.9	211.2	254.9	44.6	20.7%
Equity ⁴	38.2	46.3	55.5	66.0	74.5	76.1	85.6	96.0	66.0	96.0	29.9	45.4%
Share capital	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.0%
Retained earnings	37.3	43.5	51.7	63.5	73.5	74.4	85.9	95.1	63.5	95.1	31.6	49.8%
Other reserves	1.4	1.3	1.3	1.5	1.5	1.5	1.5	1.5	1.5	1.5	(0.0)	(0.7%)
FX reserve	(0.8)	1.1	2.1	0.7	(0.9)	(0.2)	(2.2)	(1.0)	0.7	(1.0)	(1.7)	(245.9%)
Liabilities	125.6	134.9	146.7	145.1	146.2	154.0	175.5	158.9	145.1	158.9	13.8	9.5%
Loans payable	95.4	105.0	114.1	122.4	121.4	128.3	140.1	126.4	122.4	126.4	4.0	3.3%
Deferred income	3.8	4.4	5.5	3.3	3.3	3.1	3.0	2.8	3.3	2.8	(0.5)	(15.0%)
Accounts payable	6.9	12.3	11.9	6.7	7.4	6.6	11.8	8.1	6.7	8.1	1.5	22.0%
Taxes payable	12.2	7.3	9.1	7.6	8.1	7.4	12.4	14.3	7.6	14.3	6.7	88.9%
Accrued expenses	3.1	2.7	2.9	2.7	2.3	4.5	3.2	3.7	2.7	3.7	1.0	35.9%
Other payables	4.2	3.3	3.3	2.4	3.6	4.1	5.1	3.5	2.4	3.5	1.1	45.7%
EQUITY AND LIABILITIES ⁶	163.8	181.2	202.2	211.2	220.7	230.1	261.1	254.9	211.2	254.9	43.7	20.7%

1 Non-current asset base has remained stable since the previous period

2 Slight decrease in net portfolio during Q4'23 related to focus on product development projects in Central Asia market

3 Total assets have increased to 254.9m, in line with the overall business growth dynamics

4 Healthy equity base, driven by the solid profitability of the business

5 At the end of the period, loans payable include unsecured bonds of €81.8m, loans placed on the Mintos P2P platform in amount of €21.9m, and other loans payable of €22.7m

6 The total balance sheet has increased by 20.7% vs Q4'22, driven by the solid growth and profitability of the Group's business

FINANCIAL PERFORMANCE: FINANCIAL METRICS & RATIOS

Key financial metrics & ratios	2022				2023				2022	2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	FY	FY
Revenue	49.4	66.5	76.7	81.3	76.3	70.5	78.5	81.5	273.9	306.8
EBITDA	17.1	26.5	29.3	34.8	29.4	25.0	32.3	32.8	107.7	119.4
EBITDA margin (%)	34.6%	39.8%	38.2%	42.8%	38.5%	35.4%	41.2%	40.2%	39.3%	38.9%
Net loan portfolio	111.0	129.4	149.0	162.3	170.6	175.5	191.9	181.8	162.3	181.8
Capitalization ratio (%) ¹	34.4%	35.8%	37.3%	40.7%	43.7%	43.4%	44.6%	52.8%	40.7%	52.8%
Interest coverage ratio ²	6.8x	7.3x	7.8x	8.4x	8.5x	7.6x	7.1x	6.5x	8.4x	6.5x
Unencumbered receivables ratio ³	2.6x	3.0x	2.8x	2.1x	2.1x	1.9x	1.9x	2.0x	2.1x	2.0x
Cost/Income Ratio (%) ⁴	25.6%	23.1%	21.4%	22.3%	22.8%	23.9%	26.0%	27.9%	22.9%	25.3%

Notes

- Capitalization ratio equals Total Shareholders' Equity at the end of period divided by Net loan portfolio at the end of the same period
- Interest coverage ratio equals trailing 12-month EBITDA divided by trailing 12-month Interest expense
- Unencumbered receivables ratio equals Net unencumbered loan portfolio divided by Total unsecured financial indebtedness
- Cost / Income ratio is calculated by dividing Operating costs with operating income; some items have been reclassified between Other operating and Other non-operating income for previous periods in 2023 to ensure consistency of presented results

A photograph of a modern, multi-story office building with a glass and concrete facade, illuminated from within. The building is set against a dramatic sunset sky with orange and red clouds. In the foreground, a road with light trails from passing vehicles is visible. The Sun Finance logo is visible on the building's upper right corner.

Modern finance. For a modern **society.**

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