

## **Facing Klarna: How ESTO's Innovative Approach is Redefining the Baltic BNPL Market**

ESTO, a leading Estonian payment processor and consumer credit provider, has emerged as a potent challenger in the Buy Now, Pay Later (BNPL) landscape, positioning itself alongside global giants like Klarna, ScalaPay, and AfterPay. With remarkable results from the third quarter of 2023, ESTO is redefining the Baltic BNPL market, appealing to potential investors worldwide.

### **Record-Breaking Results**

ESTO's Q3 2023 results have exceeded all expectations, consolidating its position as a market leader in the Baltic region. The company reported a staggering 54% revenue growth compared to Q3 2022, reaching a record-high revenue of EUR 17.5 million. This surge demonstrates ESTO's capability to expand its customer base, secure new partnerships, and optimize existing monetization strategies.

Mikk Metsa, Founder and CEO of ESTO, commented on the exceptional results, "Our market position remains robust, especially in Estonia, where ESTO has become a household name. We have achieved impressive financial results, surpassing our revenue growth, EBITDA, and Net Profit expectations. Our momentum is strong, and we are poised for a promising trajectory in the coming quarters."

The company achieved a record-breaking transactional turnover (GMV) of over EUR 118 million during the first nine months of 2023, signifying a remarkable 66% increase compared to the same period in 2022. With over 300 new points of sale added to its merchant network in Q3 2023, contributing an estimated annual GMV of approximately EUR 100 million, the launch of the ESTO Platform has diversified the company's revenue streams and enhanced its appeal to clients.

### **Comparing ESTO with Global Competitors**

When we compare ESTO to international competitors like Klarna, ScalaPay, and AfterPay, its main difference is using BNPL as a feature not as a main product. "ESTO uses BNPL as a customer acquisition tool to ESTO ecosystem and provides other shopping and financial products to consumers which allows ESTO compared to global competitors to conduct its business in a profitable manner when others are making a loss," explains Mikk Metsa.

Kevin Koik, ESTO's CFO, adds, "We have succeeded in building an extensive merchant network. Our partners recognize the advantages of joining our network, such as access to a large customer base and the ability to offer their products. This network also benefits consumers, who can choose from various merchants and offerings. ESTO maintains an entire customer lifecycle within its ecosystem, enabling us to provide the best solutions."

In a landscape where industry giants like Klarna dominate, ESTO emerges as a standout by offering a comprehensive suite of services to its clients. Like Klarna, ESTO provides a range of services, including Buy Now, Pay Later (BNPL) options, Installment Loans, Account to Account payments, marketing support, a shopping account, and a loyalty program.

However, what truly sets ESTO apart from Klarna is the unique array of services not available through other competitors such as Klarna and Affirm. It also caters to financial institutions through lead brokering services, providing a well-rounded set of financial tools that empower ESTO's customers with increased shopping convenience and enhanced financial flexibility.

ESTO stands out in several key ways when compared to global competitors:

- **Profitable Operations:** ESTO has consistently maintained profitable operations, ensuring sustainable growth even in challenging market conditions.
- **BNPL as a Feature:** Unlike some competitors who treat BNPL as a standalone product, ESTO integrates Buy Now, Pay Later seamlessly into its broader range of services.
- **Diverse Product Offering:** ESTO provides a broader set of products for both merchants and consumers, enhancing the overall shopping experience.
- **High Loyalty and Retention:** ESTO boasts exceptionally high customer loyalty and retention rates within its ecosystem, creating lasting relationships with both merchants and consumers.
- **Low Churn:** The churn rate for merchants and customers within the ESTO ecosystem is remarkably low, signifying strong satisfaction and continued usage.
- **Deep Ecosystem Connectivity:** ESTO maintains a highly connected ecosystem between merchants and consumers while further extending its reach into the ESTO market, fostering a thriving and collaborative environment.

These differentiating factors emphasize ESTO's unique approach to the market and the added value it brings to its clients and partners.

### **Stellar Q3 Achievements**

Reflecting on ESTO's achievements in Q3 2023, Kevin Koik stated, "We are pleased with our achievements. Our revenue increased by 54% year-on-year, and our profits grew by 23% year-on-year. This marks our 20th consecutive quarter of profit. We have effectively managed our cost of funds in a rising interest rate environment, keeping it under 11%. In the third quarter alone, we secured EUR 9 million, totaling EUR 18.5 million in new funding for the year."

## **A Bright Outlook**

ESTO's future looks promising in the Baltic markets where they are already present and growing fast. The company anticipates further growth in Estonia and sees the potential to replicate its success in Latvia and Lithuania. The company sees a huge potential in those markets to even more accelerate that. "The strong commitment and responsible financial behavior of customers in the Baltic region, coupled with euribor rates reaching their peak, suggest a future with more financial flexibility for individuals," Kevin Koik adds.

## **Attracting Potential Investors**

For potential investors, ESTO offers an appealing opportunity. Kevin Koik summarized it as, "Leading non-bank financial institution in the Baltics with the potential to scale all over Europe." The company's ability to expand its portfolio and increase revenues while maintaining high-quality lending practices makes it a compelling investment prospect.

In conclusion, ESTO's exceptional performance in the first nine months of 2023 reflects its strategic focus on growth, innovation, and resilience in the face of market challenges. As it continues to excel in a dynamic economic landscape, ESTO is poised to deliver significant value to its shareholders.

## **About ESTO**

*ESTO is a financial services company with Estonian roots, which started in 2017. The brand was born from the need for a new generation of payment solutions that would suit both the end consumer and the seller.*

*ESTO is a forward-thinking company with a dynamic approach to revolutionizing the shopping experience by simplifying the complex shopping ecosystem. With a strong emphasis on technology and customer loyalty, ESTO is positioned to reshape the e-commerce landscape in the Baltics and beyond.*

*As a leading Estonian payment processor and consumer credit provider, ESTO is on a mission to offer a seamless, tailored, and omnichannel shopping experience for consumers and retailers.*