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ESTO GROUP

Unaudited Financial Results 2024 3M

ESTO GROUP Reports Unaudited Consolidated Financial Results for 2024/3M

45% GROWTH OF LOANS ISSUED	**250M** VOLUME OF TRANSACTIONS	**551K** USERS
205K CREDIT APPLICATIONS APPROVED	**€7.1M** REVENUE	**€2.9M** EBITDA
€1.1M NET PROFIT	**0.9%** NET NPL TO NET PORTFOLIO	**22th** CONSECUTIVE PROFITABLE QUARTER

Strong performance indicated by GMV 40 million, 1.1 million net profit and 2.9 million EBITDA, while building the future of commerce

31 May 2024, ESTO GROUP (ESTO Holdings OÜ) presents unaudited consolidated financial results for the three months ending 31 March 2024.

Key Highlights

- Net Profit boosted to a record-high EUR 1.14mln, increasing by 53% YoY in the first quarter of 2024 compared to EUR 0.74mln in the same period of 2023.
- The Cost-to-Income ratio improved by over 20% compared to the fourth quarter of 2023, reflecting the efficiency of the chosen focus on enhancing ESTO's profitability.
- Impressive increase in quarterly revenue with a new record of EUR 7.1mln in the first quarter of 2024, a 33% improvement compared to the same period of the previous year.
- More than 250 new merchants have been onboarded during the first quarter of 2024, including prominent brands such as Bauhof, Ballzy, Coral Travel, Gitana, and Lonas, further strengthening our market presence and partnership network.
- Strong financial position with constantly improving equity ratio reached 22% and over EUR 19mln in new capital attracted in 2024 first quarter (excluding recent financing deal with Multitude Bank, announced in the second quarter of 2024 and other funding activities performed post 31.03.2024).

Mikk Metsa, Founder and CEO of ESTO, commented,

> "I am very happy that the strategy we chose at the end of last year to increase effectiveness and profitability within the group is working exceptionally well and has already yielded impressive results. We broke all our previous revenue and profitability records, and we foresee this positive trend continuing into the next quarters. In the last month of the quarter, we were also able to generate a new monthly net profit record of EUR 0.55 million. Additionally, we were successful in the capital markets, raising new capital to fuel our growth. It is also very encouraging to see that despite our focus on increasing profitability and effectiveness, we continued to grow at a fast pace, adding hundreds of new merchant partners and tens of thousands of new users during the quarter. Our investors and shareholders shall be impressed by outstanding achievement in the company's profitability with annualized Return-on-Equity (ROE) on the remarkably high level of 52% well above benchmarks in the industry."

During the first quarter of 2024, the company has made several advancements toward solidifying market positioning and its financial strength. Gross Merchandise Volume (GMV) in Latvia and Lithuania, prominent markets for ESTO, boosted by 46% to EUR 9.9mln, compared with EUR 6.8mln in 1Q'23. The quality of credit portfolio and originations has improved, resulting in the highest-ever portfolio yield (portfolio revenue divided on average loan portfolio) at a level of 3.26% per month, compared with 3.10% at the end of 2023.

Business performance

(in millions of euros)

	2024/3M	2023/3M	Δ in %
Operational highlights			
GMV	40.3	33.5	20%
Total volume of transactions	250.4	107.3	133%
Loans issued	20.2	13.9	45%
Credit applications approved (count)	204,703	180,637	13%
	2024.03.31	**2023.03.31**	
Net Loan portfolio	64.0	48.5	32%
Gross Loan portfolio	65.6	49.7	32%
Total unique point of sales (count)	5,106	3,453	48%
Total number of users (count)	550,762	407,431	35%

	2024/3M	2023/3M	Δ in %
Financial highlights			
Revenue	7.1	5.3	33%
EBITDA	2.9	2.0	42%
Net Profit	1.1	0.7	53%
	2024.03.31	**2023.03.31**	
Total Assets	71.1	56.2	26%
Equity (incl. Tier-I capital)	15.2	11.3	35%

Strategic and Operational Highlights

- Significant Improvement in Cost-To-Income Ratio: Our Cost-To-Income ratio improved by over 20% quarter on quarter, reflecting our enhanced operational efficiency and effective cost management strategies. Operational expenditure decreased over a single quarter over 400 thousand EUR.
- Record Portfolio Outstanding: We ended the quarter with a record loan book of 65.6 million EUR, marking significant growth from 49.7 million EUR as of the end of Q1 2023.
- Record Portfolio Yield: We achieved a record portfolio yield, with primary revenue as a percentage of the average book reaching 3.26%, an increase from 3.10% at the end of the previous year. This growth underscores our effective revenue generation strategies and the capital allocation switch from a less-yielding portfolio to a higher-yielding portfolio.
- Credit Quality Improvement: Our risk management team implemented measures to enhance the quality of our credit portfolio across all markets. These efforts included targeted portfolio cuts, positioning us for significant improvements in credit quality in the upcoming quarters.
- Expansion of Merchant Network: In this quarter, we onboarded over 250 new merchants, including prominent brands such as Bauhof, Ballzy, Coral Travel, Gitana, and Lonas, further strengthening our market presence and partnership network.
- User Base Growth: We welcomed ca. 30,000 new users across various markets, reflecting our expanding reach and the increasing trust in our services.
- Launch of ESTO Deals: This quarter, we introduced ESTO Deals, a new product designed to boost business for our community of shoppers and shops. By featuring brands on the ESTO homepage, newsletters, and social media, ESTO Deals aims to increase sales volumes, revenue, average basket size, and conversion rates, transform marketing strategies, drive significant growth for our partners, and increasing monetization for ESTO.
- Successful Audit by KPMG: ESTO Group successfully completed a comprehensive group-wide audit conducted by the renowned Big4 auditor KPMG, underscoring our commitment to transparency, rigorous financial standards, and compliance with IFRS9.
- Continuous Investor Trust in Capital Markets: ESTO continued its success in capital markets by raising 18.8 million EUR of new capital during the quarter. This infusion of capital will support our ongoing growth initiatives and strategic objectives.

"This quarter, ESTO Risk Management function focused primarily on strengthening the quality of our originations and credit portfolio – our goal was to ensure stable, profitable growth while maintaining the same high quality of customers. Our main key performance indicators do not correlate with some negative macroeconomic indicators in the market, demonstrating the stability of our clientele and ESTO's ability to maintain the desired risk appetite," said Dmitrij Mochov, Head of Risk at ESTO.

Key consolidated financial figures

(in thousands of euros)

Capitalization	**2024.03.31**	**2023.03.31**	**Δ in %**	**2023.12.31**	**2022.12.31**	**Δ in %**
Gross loan portfolio	65,556	49,667	32.0%	64,286	48,293	33.1%
Net loan portfolio	64,025	48,538	31.9%	62,931	47,383	32.8%
Assets	71,121	56,232	26.5%	70,515	53,200	32.5%
Equity (incl. Tier-I capital)	15,245	11,264	35.3%	14,303	10,522	35.9%
Equity to assets ratio	22%	21%		21%	20%	
Interest coverage ratio (TMT)	1.5	1.6		1.5	1.7	
Profitability	**2024/3M**	**2023/3M**	**Δ in %**	**2023/12M**	**2022/12M**	**Δ in %**
Revenue	7,060	5,292	33.4%	24,078	16,498	45.9%
Annualized net interest margin	22%	22%		21%	21%	
Cost to income ratio	23%	26%		25%	29%	
EBITDA	2,854	2,010	42.0%	8,680	5,826	49%
EBITDA margin	40%	38%		36%	35%	
Net profit	1,138	742	53.4%	2,854	2,319	23%
Annualized return on assets	6%	5%		5%	5%	
Annualized return on equity	52%	47%		39%	49%	
Asset quality	**2024.03.31**	**2023.03.31**		**2023.12.31**	**2022.12.31**	
Provision cost to loan portfolio	2%	2%		2%	2%	
Pledged loan receivables %	**2024.03.31**	**2023.03.31**		**2023.12.31**	**2022.12.31**	
ESTO Bond	120%	120%		120%	120%	

Financial review

Consolidated Statement of Financial Position

The table below sets out the consolidated statement of financial position for the three months ending 31 March 2024 and 31 December 2023 in thousands of euros.

(in thousands of euros)

	31.03.2024	31.12.2023	Δ in %
ASSETS			
Current assets			
Cash and cash equivalents	1,528	2,398	-36%
Loans and advances to customers	57,949	58,470	-1%
Prepayments	668	828	-19%
Other assets	885	613	44%
Total current assets	**61,029**	**62,309**	**-2%**
Non-current assets			
Loans and advances to customers	7,498	5,888	27%
Property and equipment	95	73	29%
Intangible assets	2,170	1,971	10%
Other assets	329	274	20%
Total non-current assets	**10,092**	**8,206**	**23%**
TOTAL ASSETS	**71,121**	**70,515**	**1%**
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Loans and borrowings	39,040	39,482	-1%
Trade payables and other payables	2,007	1,756	14%
Tax liabilities	74	120	-38%

	31.03.2024	31.12.2023	Δ in %
Total current liabilities	**41,121**	**41,359**	**-1%**
Non-current liabilities			
Loans and borrowings	21,157	20,450	3%
Total non-current liabilities	**21,157**	**20,450**	**3%**
TOTAL LIABILITIES	**62,278**	**61,809**	**1%**
Equity			
Share capital	5	5	-
Share premium	435	435	-
Merger reserve	(23,952)	(23,952)	-
Voluntary capital	28,263	29,263	-3%
Retained earnings	2,955	100	2844%
Profit for the period	1,138	2,854	-60%
Total equity	**8,843**	**8,705**	**2%**
TOTAL EQUITY AND LIABILITIES	**71,121**	**70,515**	**1%**

Assets

The Group had total assets of € 71,1 million as of 31 March 2024, compared with € 70,5 million as of 31 December 2023. The main change during the period is due to an increase of the loan portfolio by 2%, linked to the strong operations of the group companies.

Loan portfolio

Loans and advances to customer net of impairment loss allowance as of 31 March 2024 was € 65,4 million and increased by 2% compared to 31 December 2023 where Loans and advance to customer net impairment loss allowance was € 64,4 million.

Liabilities

The Group had total liabilities € 62,3 million as of 31 March 2024, compared with € 61,8 million as of 31 December 2023, representing an increase of € 0,5 million. Liabilities increased in line with group portfolio growth and were used to fund new loan issuance.

Loans and borrowings

As of 31 March 2024, the Group had loans and borrowings of € 60,2 million, compared with € 59,9 million as of 31 December 2023.

Equity

As of 31 March 2024, the Group's total equity amounted to € 8,8 million, compared with € 8,7 million as of 31 December 2023.

Consolidated Income Statement

The table below sets out the consolidated income statement for the three months ending 31 March 2024 and 31 March 2023 in thousands of euros.

(in thousands of euros)

	2024/3M	2023/3M	Δ in %
Interest revenue	5,090	3,886	31%
Interest expense	(1,698)	(1,227)	38%
Net interest income	**3,392**	**2,659**	**28%**
Fee and commission income	810	520	56%
Fee and commission expense	(153)	(57)	170%
Net fee and commission income	**656**	**463**	**42%**
Net loss arising from derecognition of financial assets measured at amortised cost	(1,029)	(688)	50%
Impairment losses and on financial instruments	(175)	(219)	-20%
Other operating expenses	(917)	(861)	7%
Personnel expenses	(724)	(530)	36%
Depreciation and amortisation	(56)	(54)	4%
Other expenses	(47)	(42)	13%
Profit before income tax	**1,100**	**729**	**51%**
Income tax	38	13	185%
Profit for the period	**1,138**	**742**	**53%**

Net loss arising from derecognition of financial assets measured at amortised cost

Net loss arising from derecognition of financial assets measured at amortised cost in the company is comprised from funds received and write-off from the sale of delinquent debt in the loan portfolio. For the reporting period the amounts consisted of 1,1 million, a 50% increase when compared to 0,7 million for the three months ending 31 March 2023.

Net loss arising from derecognition of financial assets measured at amortised cost increased proportionately due to considerably higher loan portfolio (gross loan portfolio increased by 32% year-on-year). Delinquent loan portfolio sale and write-off helps company to control provisioning expenses that would arise if non-performing loans would not be sold, together helping to keep Net NPL to Net Portfolio ratio less than 1%.

Overall net loss arising from derecognition of financial assets represented 15% of operating revenue for the reporting period, a 2% increase from 13% in the previous year.

Impairment losses and write off on financial instruments

Impairment losses on financial instruments for the reporting period were at € 0,2 million and € 0,2 million for the three months ending March 2023, a decrease of 20% is seen due to better portfolio performance in the reporting period and delinquent loan portfolio sales.

Consolidated Statement of Cash Flows

The table below sets out the condensed consolidated statement of cash flows for the three months ending 31 March 2024 and 31 March 2023 in thousands of euros.

(in thousands of euros)

	2024/3M	2023/3M
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit	**1,138**	**742**
Adjustments or changes for:	**1,064**	**565**
Interest income	(87)	(152)
Interest expense	-	18
Net impairment loss on loans and advances	175	219
Net loss arising from derecognition of financial assets measured at amortised cost	1,029	688
Depreciation and amortisation	56	53
Other adjustments	(110)	(261)
Total adjustments or changes	**2,202**	**1,307**
Changes in:		
Trade and other receivables	(165)	152
Trade and other payables	204	(150)
Loans and advances to customers	(2,032)	(1,647)
Total changes	**(1,993)**	**(1,645)**
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**209**	**(338)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(33)	(6)
Acquisition of intangible assets	(252)	(144)
NET CASH USED IN INVESTING ACTIVITIES	**(285)**	**(150)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	5,992	5,092
Repayments of borrowings	(5,786)	(2,554)
Voluntary capital reduction	(1,000)	-

	2024/3M	2023/3M
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**(793)**	**2,538**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(869)**	**2,050**
Cash and cash equivalents at beginning of period	**2,398**	**900**
Cash and cash equivalents at end of period	**1,528**	**2,950**

Net cash flows from operating activities in the reporting period were € 0,2 million. Net cash flows used in investing activities were € 0,3 million in the reporting period. The Group's cash flows used in financing activities were € 0,8 million.

Consolidated Statement of Changes in Equity

The table below sets out the condensed consolidated statement of changes in equity for the three months ending 31 March 2024 and 31 December 2023 in thousands of euros.

(in thousands of euros)

	Share capital	Share premium	Merger reserve	Voluntary capital	Accumulated other com-prehensive income	Retained earnings	Total equity
Balance at 31.12.2023	**5**	**435**	**(23,952)**	**29,263**	**41**	**2,914**	**8,705**
Total profit and other comprehensive income for the period	-	-	-	-	-	1,138	1,138
Profit for the period	**-**	**-**	**-**	**-**	**-**	**1,138**	**1,138**
Transactions with owners of the Company Contributions and Distributions	**-**	**-**	**-**	**(1,000)**	**-**		**(1,000)**
Voluntary capital decrease	-	-	-	(1,000)	-	-	(1,000)
Balance at 31.03.2024	**5**	**435**	**(23,952)**	**28,263**	**41**	**4,052**	**8,843**

As of 31.03.2024 the total Equity of the Group consisted of € 8,8 million. Total equity including Tier-I capital for the reporting period consisted of €15,2 million.

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.

Annualized 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).

EBITDA margin – EBITDA divided by revenue.

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

Annualized 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).

Annualized 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

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