ESTO GROUP

Unaudited Financial Results 2024 9M

ESTO GROUP Reports Unaudited Consolidated Financial Results for 2024/9M

18% GROWTH OF LOANS ISSUED	**720M*** VOLUME OF TRANSACTIONS	**617K** USERS
598K CREDIT APPLICATIONS APPROVED	**€23M** REVENUE	**€10.5M** EBITDA
€5.1M NET PROFIT	**0.6%** NET NPL TO NET PORTFOLIO	**24th** CONSECUTIVE PROFITABLE QUARTER

**The total value of financial activities conducted within the reporting period, primarily related to issued loans, credit transactions, and deposits.*

Strong performance indicated by GMV 123 million, 5.1 million net profit and 10.5 million EBITDA, while building the future of commerce

October 2024, ESTO GROUP (ESTO Holdings OÜ) presents unaudited consolidated financial results for the nine months ending 30 September 2024.

Key Highlights

- **Revenue:** Nine months 2024 revenue reached EUR 23.0 million, representing an increase of 31% YoY. The revenue growth is supported by increase in the Loan Portfolio and proportional increase in higher yielding products in the portfolio split.
- **Net Profit:** ESTO Group has achieved cumulative net profit of EUR 5.1 million, which is achieved by implemented operational efficiencies, robust cost base management and convergence of Latvian and Lithuanian loan book performance to the level of Estonia. This is a result of direct strategic actions implemented by ESTO management and has allowed us to reach a net profit margin of 22.2%; the highest level since we embarked on the expansion to Latvia and Lithuania in 2021.
- **Loan Portfolio:** Net loan portfolio reached EUR 68.4 million (up 22% YoY), supported by a record level group equity of EUR 19.5 million. Net NPL to NET portfolio ratio is 0.6%, which is achieved through robust NPL sales procedures, keeping the loan portfolio relatively clean.
- **Financial Position:** ESTO is well positioned in the market with the equity ratio reaching 25.66% and 9M ICR 2.0. Liquidity position is well maintained and we are well positioned for the upcoming refinancing activities as feedback from the capital markets has been positive.

Mikk Metsa, Founder and CEO of ESTO, commented,

"2024 Q3 has been a milestone quarter for ESTO, achieving record-high performance across all our core business and financial metrics. We have generated the highest quarterly revenue, EBITDA, and net profit to date, and expanded our loan book to its largest size ever. Combined, our 9-month results represent the best 9-month cumulative performance in the company's history, setting us up for a strong finish as we head into the year-end peak season.

Our sustained momentum and solid financial results are further strengthened by our continued success in capital markets, where we have maintained liquidity and successfully refinanced key maturities—a notable accomplishment considering the current challenges in the Baltic debt markets.

With profitable growth across Estonia, Latvia, and Lithuania, we are confident that our strategy and disciplined execution will keep us on the path to delivering record-breaking results for the full year."

Business performance

(in millions of euros)

	2024/9M	2023/9M	Δ in %
Operational highlights			
GMV	123.2	118.8	4%
Total volume of transactions	719.5	397.3	81%
Loans issued	62.2	52.6	18%
Credit applications approved (count)	597,635	590,972	1%
	2024.09.30	**2023.09.30**	
Net Loan portfolio	68.4	56.3	22%
Gross Loan portfolio	69.2	57.6	20%
Total unique point of sales (count)	5,559	4,305	29%
Total number of users (count)	617,088	487,713	27%

	2024/9M	2023/9M	Δ in %
Financial highlights			
Revenue	23.0	17.5	31%
EBITDA	10.5	6.3	65%
Net Profit	5.1	2.2	133%
	2024.09.30	**2023.09.30**	
Total Assets	79.3	64.0	24%
Equity (incl. Tier-II capital)	19.5	12.5	55%

Strategic and Operational Highlights

Personal

- **Users' Growth:** Increased the active user base by 27% year-on-year, reaching a total of 617,088 active users.
- **GMV:** Achieved the highest-ever GMV, reaching 123 million EUR in the nine months of 2024.
- **Boosting B2C Sales Team Performance:** Optimized sales team operations, increasing call volumes and efficiency, leading to greater customer engagement and revenue growth across the Baltics.
- **Credit Broker Integration:** Began issuing consumer credit through Lenders' credit broker platform in Latvia and Lithuania, creating new customer acquisition channels.

Checkout

- **Expanded Merchant Partnerships:** Expanded partnerships with merchants by 29% year-on-year, reaching a total of 5,559 merchant partners.
- **BNPL Collaboration with Samsung and Pigu:** ESTO successfully partnered with Samsung and Pigu, launching Buy Now, Pay Later solutions to improve customer convenience and increase sales across key regions.
- **Switched ESTO Pay Providers:** Integrated Klix by Citadele Bank as the new PSD2 bank link provider, ensuring better user experience and system reliability.

Deals

- **New Partnerships:** Grew the Deals platform by adding 43 new partnerships.

Other Operational Highlights

- **New Recruiting Vertical:** Created a recruiting vertical within the group, improving recruitment processes and systems.
- **Key Recruits:** Expanded both group and local teams with key hires across critical functions.
- **Implementation of 24/7 Incident Response:** Introduced an automated IT triage system, ensuring immediate response to incidents at any time.
- **AI Integration:** Leveraged AI tools across the product lifecycle to enhance engineering efficiency and code quality, helping to develop T-Shape engineers.
- **Enhanced Fraud Prevention:** Improved fraud prevention procedures, significantly reducing financial losses and ensuring greater customer security.
- **Self-Service Reporting with Preset:** Deployed Preset for self-service reporting, empowering teams with faster, more accessible data and ensuring consistent business definitions.
- **Broad Match Meta Ads Implementation:** Launched Broad Match Meta ads, resulting in improved ad performance and increased user acquisition from paid social media channels.
- **Partnership with Investment Bank:** Partnered with Signet Bank as Lead Manager for the €16.0m bond refinancing, with plans for a private placement of up to €15.0m.

Key consolidated financial figures

(in thousands of euros)

Capitalization	**2024.09.30**	**2023.09.30**	**Δ in %**	**2023.12.31**	**2022.12.31**	**Δ in %**
Gross loan portfolio	69,221	57,553	20%	64,286	48,293	33%
Net loan portfolio	68,430	56,310	22%	62,931	47,383	33%
Assets	79,303	64,040	24%	70,515	53,200	33%
Equity (incl. Tier-II capital)	19,458	12,532	55%	14,303	10,522	36%
Equity to assets ratio	26%	20%		21%	20%	
Interest coverage ratio (TMT)	1.9	1.6		1.5	1.7	
Profitability	**2024/9M**	**2023/9M**	**Δ in %**	**2023/12M**	**2022/12M**	**Δ in %**
Revenue	22,953	17,530	31%	24,078	16,498	46%
Annualized net interest margin	23%	22%		21%	21%	
Cost to income ratio	22%	27%		25%	29%	
EBITDA	10,477	6,336	65%	8,680	5,826	49%
EBITDA margin	46%	36%		36%	35%	
Net profit	5,084	2,183	133%	2,854	2,319	23%
Annualized return on assets	9%	5%		5%	5%	
Annualized return on equity	63%	42%		39%	49%	
Asset quality	**2024.09.30**	**2023.09.30**		**2023.12.31**	**2022.12.31**	
Provision cost to loan portfolio	1%	2%		2%	2%	
Pledged loan receivables %	**2024.09.30**	**2023.09.30**		**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 nine months ending 30 September 2024 and 31 December 2023, in thousands of euros.

(in thousands of euros)

	30.09.2024	31.12.2023	Δ in %
ASSETS			
Current assets			
Cash and cash equivalents	3,480	2,398	45%
Loans and advances to customers	61,359	58,470	5%
Prepayments	545	828	-34%
Other assets	1,390	613	127%
Total current assets	**66,775**	**62,309**	**7%**
Non-current assets			
Loans and advances to customers	9,684	5,888	64%
Property and equipment	84	73	15%
Intangible assets	2,426	1,971	23%
Other assets	333	274	22%
Total non-current assets	**12,528**	**8,206**	**53%**
TOTAL ASSETS	**79,303**	**70,515**	**12%**
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Loans and borrowings	38,460	39,482	-3%
Trade payables and other payables	2,119	1,756	21%
Tax liabilities	151	120	26%

	30.09.2024	31.12.2023	Δ in %
Total current liabilities	**40,730**	**41,359**	**-2%**
Non-current liabilities			
Loans and borrowings	25,767	20,450	26%
Total non-current liabilities	**25,767**	**20,450**	**26%**
TOTAL LIABILITIES	**66,496**	**61,809**	**8%**
Equity			
Share capital	5	5	-
Share premium	435	435	-
Merger reserve	(23,952)	(23,952)	-
Voluntary capital	28,263	29,263	-3%
Retained earnings	2,916	100	2805%
Total comprehensive income	5,140	2,854	80%
Total equity	**12,807**	**8,705**	**47%**
TOTAL EQUITY AND LIABILITIES	**79,303**	**70,515**	**12%**

Assets

The Group had total assets of € 79,3 million as of 30 September 2024, compared with € 70,5 million as of 31 December 2023. The main change during the period is due to an increase in the loan portfolio, linked to the strong operations of the group companies.

Loan portfolio

Loans and advances to customer net of impairment loss allowance, as of 30 September 2024, amounted to € 71,0 million, representing an increase of 10% compared to € 64,4 million as of 31 December 2023.

Liabilities

The Group had total liabilities € 66,5 million as of 30 September 2024, compared with € 61,8 million as of 31 December 2023, representing an increase of € 4,7 million. Liabilities increased in line with the group's portfolio growth and were used to fund new loan issuance.

Loans and borrowings

As of 30 September 2024, the Group had loans and borrowings of € 64,2 million, compared with € 59,9 million as of 31 December 2023.

Equity

As of 30 September 2024, the Group's total equity amounted to € 12,8 million, compared with € 8,7 million as of 31 December 2023.

Consolidated Statement of Profit and Loss and Other Comprehensive income

The table below sets out the consolidated statement of profit and loss and other comprehensive income for the nine months ending 30 September 2024 and 30 September 2023, in thousands of euros.

(in thousands of euros)

	2024/9M	**2023/9M**	**Δ in %**
Interest revenue	16,462	12,428	32%
Interest expense	(5,256)	(4,056)	30%
Net interest income	**11,206**	**8,372**	**34%**
Fee and commission income	2,809	1,954	**44%**
Fee and commission expense	(465)	(252)	**85%**
Net fee and commission income	**2,344**	**1,702**	**38%**
Other income	92	-	-
Net loss arising from derecognition of financial assets measured at amortised cost	(3,656)	(2,638)	39%
Impairment losses and on financial instruments	565	(333)	-270%
Other operating expenses	(3,241)	(3,082)	5%
Personnel expenses	(1,899)	(1,604)	18%
Depreciation and amortisation	(180)	(160)	12%
Other expenses	(187)	(137)	36%
Profit before income tax	**5,042**	**2,120**	**138%**
Income tax	43	64	-33%
Profit for the period	**5,084**	**2,183**	**133%**
Other comprehensive income			
Other comprehensive income to be classified to profit or loss in subsequent periods:			
Unrealized gain from financial instruments	56	-	-
Total other comprehensive income	**56**	**-**	**-**
Total comprehensive income for the period	**5,140**	**2,183**	**135%**

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 consists of funds received and write-off from the sale of delinquent debt in the loan portfolio. For the reporting period, these amounts totalled € 3,7 million, reflecting a 39% increase compared to € 2,6 million for the nine months ending 30 September 2023.

The net loss from derecognition of financial assets measured at amortised cost increased proportionately due to significantly higher loan portfolio (the gross loan portfolio increased by 20% year-on-year). The sale and write-off of delinquent loans help the company to control provisioning expenses that would arise if non-performing loans were not sold, together helping to maintain a Net NPL to Net Portfolio ratio of less than 1%.

Overall, the net loss arising from derecognition of financial assets represented 16% of operating revenue for the reporting period, a 1% increase from 15% in the previous year.

Impairment losses and write off on financial instruments

Impairment losses on financial instruments for the reporting period were positive, totalling € 0,6 million, compared to a negative € 0,3 million for the nine months ending September 2023. This represents a decrease of 270%, attributed to better portfolio performance during the reporting period and the sale of delinquent loans.

Consolidated Statement of Cash Flows

The table below sets out the condensed consolidated statement of cash flows for the nine months ending 30 September 2024 and 30 September 2023, in thousands of euros.

(in thousands of euros)

	2024/9M	2023/9M
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit	**5,084**	**2,183**
Adjustments or changes for:	**4,217**	**3,063**
Interest income	38	(343)
Net impairment loss on loans and advances	(565)	333
Net loss arising from derecognition of financial assets measured at amortised cost	3,656	2,638
Depreciation and amortisation	180	160
Other adjustments	908	274
Total adjustments or changes	**9,302**	**5,246**
Changes in:		
Trade and other receivables	(553)	(58)
Trade and other payables	393	170
Loans and advances to customers	(10,380)	(11,085)
Total changes	**(10,540)**	**(10,973)**
NET CASH USED IN OPERATING ACTIVITIES	**(1,238)**	**(5,727)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(45)	(24)
Acquisition of intangible assets	(791)	(484)
NET CASH USED IN INVESTING ACTIVITIES	**(836)**	**(508)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	21,836	18,524
Repayments of borrowings	(17,679)	(10,574)
Voluntary capital reduction	(1,000)	-
NET CASH FROM FINANCING ACTIVITIES	**3,157**	**7,950**

	2024/9M	2023/9M
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,083**	**1,716**
Cash and cash equivalents at beginning of period	**2,398**	**900**
Cash and cash equivalents at end of period	**3,480**	**2,616**

Net cash flows used in operating activities during the nine months of 2024 were € 1,2 million. For the same period, net cash flows used in investing activities were € 0,8 million. The Group's cash flows from financing activities amounted to € 3,2 million.

Consolidated Statement of Changes in Equity

The table below presents the condensed consolidated statement of changes in equity for the nine months ending 30 September 2024 and 31 December 2023, in thousands of euros.

(in thousands of euros)

	Share capital	Share premium	Merger reserve	Voluntary capital	Unrealized (realized) gain from financial instruments	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	**-**	**-**	**-**	**-**	**56**	**5,084**	**5,140**
Profit for the period	-	-	-	-	-	5,084	5,084
Other comprehensive income	-	-	-	-	56	-	56
Reclassification from OCI to profit and loss	**-**	**-**	**-**	**-**	**(39)**	**-**	**(39)**
Realized gain from financial instruments	-	-	-	-	(39)	-	(39)
Transactions with owners of the Company Contributions and Distributions	**-**	**-**	**-**	**(1,000)**	**-**	**-**	**(1,000)**
Voluntary capital decrease	-	-	-	(1,000)	-	-	(1,000)
Balance at 30.09.2024	**5**	**435**	**(23,952)**	**28,263**	**58**	**7,998**	**12,807**

As of 30 September 2024, the total equity of the Group was € 12,8 million. Total equity including Tier-II capital for the reporting period amounted to €19,5 million.

Definitions

Total volume of transactions – The aggregate value of financial activities conducted within the reporting period, including credit line limit issued, credit line withdrawals, client deposits, direct payments, limit increase trials, loan applications.

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 incl. Tier II capital / 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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