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ESTO GROUP

Unaudited Financial Results 2023 9M

ESTO GROUP Reports Unaudited Consolidated Financial Results for 2023/9M

€118M
GMV

389M
VOLUME OF TRANSACTIONS

133K
NEW USERS

588K
CREDIT APPLICATIONS APPROVED

€17.5M
REVENUE

€6.4M
EBITDA

€2.3M
NET PROFIT

1.2%
NET NPL TO NET PORTFOLIO

20th
CONSECUTIVE PROFITABLE QUARTER

Strong performance indicated by GMV 118 million,
2.3 million net profit and 6.4 million EBITDA,
while building the future of commerce.

31 October 2023, ESTO GROUP (ESTO Holdings OÜ) presents unaudited consolidated financial results for nine months ending 30 September 2023.

Key Highlights

- Revenue increased by 54% from the third quarter of 2022 to a record EUR 17.5mln, demonstrating the ability to expand the customer base, engage new partners, and enhance existing monetization strategies;
- The record volume of over EUR 118mln in transactional turnover (GMV) was processed by ESTO during the first nine months of 2023, a remarkable +66% increase compared to the same period of 2022;
- Over 300 new point-of-sales were added to the merchant network with an estimated annual GMV amount of about EUR 100mln. The launch of the ESTO Platform is set to increase the company's revenue and boost the attractiveness of ESTO services for its clients;
- Net Profit showed strong growth, increasing by 27% YoY to EUR 2.3mln. in the first nine months of 2023 compared to EUR 1.8mln. in the same period of 2022;
- The Net Loan Portfolio demonstrated solid growth, expanding by 41% YoY in Q3'23 compared to Q3'22.

Mikk Metsa, Founder and CEO of ESTO, commented,

> "ESTO's focus on profitable and sustainable growth is evident in our business development strategy, which was proven by the recent enhancement of our product line by the launch of the ESTO Platform earlier this year. Our market positioning remains strong, especially in Estonia, where ESTO is proudly considered a household brand. We've achieved impressive financial results with significant revenue growth, EBITDA, and Net Profits exceeding our expectations, our momentum is strong, and we are poised for a promising trajectory in the coming quarters. We see a tremendous opportunity in expanding ESTO operations in Latvia, Lithuania, and beyond, and we initiated an equity raise project in October to accelerate our growth."

Following the company's positive trajectory and solidification of its business model, ESTO is pleased to announce that the strategic equity raise process is set for Q4'23, followed by the unanimous decision of the company's shareholders. This strategic move aims to fuel ESTO's growth aspirations in the Baltics, capture additional market share, and support the development of innovative financial solutions.

Business performance

(in millions of euros)

	2023/9M	2022/9M	Δ in %
Operational highlights			
GMV	118.4	71.5	66%
Total volume of transactions	388.8	284.2	37%
Loans issued	51.8	36.2	43%
Credit applications approved (count)	587,624	453,131	30%
	2023.09.30	**2022.09.30**	
Net Loan portfolio	56.4	40.0	41%
Gross Loan portfolio	57.5	40.9	41%
Total unique point of sales (count)	4,305	2,794	54%
Total number of users (count)	488,110	288,701	69%

	2023/9M	2022/9M	Δ in %
Financial highlights			
Revenue	17.5	11.4	54%
EBITDA	6.4	4.2	51%
Net Profit	2.3	1.8	27%
	2023.09.30	**2022.09.30**	
Total Assets	64.1	43.4	47%
Equity (incl. Tier-I capital)	12.7	8.8	43%

Strategic and Operational Highlights

- The company has secured close to EUR 9mln in new funding during 3Q'23 and a total of over EUR 18.5mln since the beginning of the year;
- Launch of the ESTO Platform as a new core product vertical within the ESTO Group, including the inaugural activities of business working capital loans affiliation with two financial institution partnerships in Estonia and consumer loan lead generation in Latvia and Lithuania with three financial institution partnerships. More offerings are planned for the near future;
- During Q3'23 around 300 new point-of-sales were added to the network in the Baltics, with an aggregate approximate commerce revenue estimated to be over 100,000,000 EUR per annum. Notable key merchant partnerships include Ivo Nikkolo (EE), Viena Sąskaita (EE), Technorama (LT), Kavos Draugas (LT), VDE (LV), and Donna (LV);
- The company has achieved significant improvements in lending conversion rates across all markets by establishing new data provider connections;
- Enhanced brand marketing efforts have been evident through the successful launch of co-branded marketing campaigns with key merchants in our target regions, bolstering our market presence and revenue generation. In Estonia, our co-branded marketing campaign with Mobipunkt (Apple products retailer) generated over 300,000 unique visits to the shopping environments of the merchant. Furthermore, blogs have been introduced across all regions to further establish our brand identity and engage with our audience;
- Significant product improvements include the launch of an enhanced central purchase flow platform as well as updates to user areas and affiliate areas in all regions Additionally, new features have been introduced to enhance ESTO personal account. Platform and product updates are expected to enhance the growth rate of acquiring new users and partners, and to support the GMV growth with 10% increase compared to previous periods.

"This quarter, ESTO's focus on robust credit risk management has significantly strengthened the quality of our originations and credit portfolio, reflected in exceptionally low NPL to Net Portfolio rate below 1.2%", stated Kevin Koik, ESTO's Chief Financial Officer. "Furthermore, Cost-to-Income ratio has improved remarkably, standing at the impressive level of 27%. Since the beginning of the year, ESTO has secured an additional EUR 18.5mln of new funding and kept the effective cost-of-funds rate below 11%, even with the recent upward dynamics of the ECB rate. Those improvements are the best indicator of our strategic priority in sustainable growth and building resilience in the face of market volatility."

In conclusion, ESTO's financial performance in the nine months ending 30 September 2023 demonstrates robust growth and operational efficiency while maintaining profitability. Its focus on innovative product offerings, market expansion, and credit quality continues to drive positive financial outcomes. These results reflect the company's strength and its solid positioning for future opportunities and challenges, ensuring that ESTO continues to thrive in a dynamic economic landscape and delivers substantial value to its shareholders.

Key consolidated financial figures

(in thousands of euros)

Capitalization	**2023.09.30**	**2022.09.30**	**Δ in %**	**2022.12.31**	**2021.12.31**	**Δ in %**
Gross loan portfolio	57,518	40,860	40.8%	48,293	30,820	56.7%
Net loan portfolio	56,388	39,982	41.0%	47,383	30,216	56.8%
Assets	64,077	43,444	47.5%	53,200	33,373	59.4%
Equity (incl. Tier-I capital)	12,690	8,844	43.5%	10,522	7,067	48.9%
Equity to assets ratio	21%	20%		20%	22%	
Interest coverage ratio	1.6	1.8		1.7	2.0	
Profitability	**2023/9M**	**2022/9M**	**Δ in %**	**2022/12M**	**2021/12M**	**Δ in %**
Revenue	17,495	11,387	53.6%	16,498	11,860	39.1%
Net interest margin	16%	16%		21%	21%	
Cost to income ratio	27%	31%		29%	27%	
EBITDA	6,398	4,241	50.9%	5,826	5,767	1.0%
EBITDA margin	37%	37%		35%	49%	
Net profit	2,268	1,782	27.3%	2,319	2,743	-15.4%
Return on assets	4%	4%		4%	8%	
Return on equity	28%	33%		39%	77%	
Asset quality	**2023.09.30**	**2022.09.30**	**Δ in %**	**2022.12.31**	**2021.12.31**	**Δ in %**
Provision cost to loan portfolio	2%	2%		2%	2%	
Pledged loan receivables %	**2023.09.30**	**2022.09.30**		**2022.12.31**	**2021.12.31**	
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 2023 and 31 December 2022 in thousands of euros.

(in thousands of euros)

	30.09.2023	31.12.2022	Δ in %
ASSETS			
Current assets			
Cash and cash equivalents	2,616	900	191%
Loans and advances to customers	52,791	44,386	19%
Prepayments	624	784	-20%
Other assets	816	422	94%
Total current assets	**56,847**	**46,492**	**22%**
Non-current assets			
Loans and advances to customers	5,037	4,574	10%
Property and equipment	80	92	-13%
Intangible assets	1,842	1,553	19%
Other assets	272	489	-44%
Total non-current assets	**7,231**	**6,708**	**8%**
TOTAL ASSETS	**64,077**	**53,200**	**20%**
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Loans and borrowings	14,072	10,328	36%
Trade payables and other payables	1,129	1,101	2%
Tax liabilities	120	98	22%

	30.09.2023	31.12.2022	Δ in %
Total current liabilities	**15,321**	**11,528**	**33%**
Non-current liabilities			
Loans and borrowings	40,564	35,748	13%
Total non-current liabilities	**40,564**	**35,748**	**13%**
TOTAL LIABILITIES	**55,885**	**47,275**	**18%**
Equity			
Share capital	29,268	5	-
Share premium	435	29,698	-
Merger reserve	(29,479)	(29,479)	-
Retained earnings	5,660	3,341	69%
Total comprehensive income	2,309	2,360	-2%
Total equity	**8,129**	**5,924**	**38%**
TOTAL EQUITY AND LIABILITIES	**64,077**	**53,200**	**20%**

Assets

The Group had total assets of € 64,1 million as of 30 September 2023, compared with € 53,2 million as of 31 December 2022. The main change during the period is due to an increase of the loan portfolio by 18%, 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 2023 was € 57,9 million and increased by 18% compared to 31 December 2022 where Loans and advance to customer net impairment loss allowance was € 48,9 million.

Liabilities

The Group had total liabilities € 55,9 million as of 30 September 2023, compared with € 47,3 million as of 31 December 2022, representing an increase of € 8,6 million. Liabilities increased in line with group portfolio growth and used to fund new loan issuance.

Loans and borrowings

As of 30 September 2023, the Group had loans and borrowings of € 54,6 million, compared with € 46,1 million as of 31 December 2022.

Equity

As of 30 September 2023, the Group's total equity amounted to € 8,2 million, compared with € 5,9 million as of 31 December 2022, representing an increase of € 2,3 million.

Consolidated Income Statement

The table below sets out the consolidated income statement for the nine months ending 30 September 2023 and 30 September 2022 in thousands of euros.

(in thousands of euros)

	2023/9M	2022/9M	Δ in %
Interest revenue	12,387	8,103	53%
Interest expense	(4,057)	(2,391)	70%
Net interest income	**8,329**	**5,713**	**46%**
Fee and commission income	1,962	1,284	53%
Fee and commission expense	(252)	(148)	70%
Net fee and commission income	**1,710**	**1,136**	**50%**
Net loss arising from derecognition of financial assets measured at amortised cost	(2,638)	(1,151)	129%
Impairment losses and on financial instruments	(220)	(268)	-18%
Other operating expenses	(2,941)	(2,226)	32%
Personnel expenses	(1,765)	(1,254)	41%
Depreciation and amortisation	(160)	(130)	23%
Other expenses	(135)	(99)	36%
Profit before income tax	**2,181**	**1,720**	**27%**
Income tax	87	63	40%
Profit for the period	**2,268**	**1,782**	**27%**

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

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 41% 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 around 1%.

Overall net loss arising from derecognition of financial assets represented 18% of operating revenue for the reporting period, a 6% increase from 12% in previous year.

Impairment losses and write off on financial instruments

Impairment losses on financial instruments for the reporting period was at € 0,2 million and at € 0,3 million for the nine months ending September 2022, a decrease of 18% 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 nine months ending 30 September 2023 and 30 September 2022 in thousands of euros.

(in thousands of euros)

	2023/9M	2022/9M
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit	**2,268**	**1,782**
Adjustments or changes for:	**(2,259)**	**(778)**
Interest income	(343)	(401)
Interest expense	170	41
Net impairment loss on loans and advances	220	268
Net loss arising from derecognition of financial assets measured at amortised cost	(2,638)	(1,151)
Depreciation and amortisation	29	(130)
Other adjustments	303	594
Total adjustments or changes	**9**	**1,004**
Changes in:		
Trade and other receivables	(17)	(653)
Trade and other payables	49	232
Loans and advances to customers	(5,887)	(8,500)
Total changes	**(5,856)**	**(8,921)**
NET CASH USED IN OPERATING ACTIVITIES	**(5,847)**	**(7,917)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(24)	(46)
Acquisition of intangible assets	(364)	(402)
NET CASH USED IN INVESTING ACTIVITIES	**(388)**	**(448)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	18,524	15,064
Repayments of borrowings	(10,574)	(7,237)

	2023/9M	2022/9M
NET CASH FROM FINANCING ACTIVITIES	**7,950**	**3,136**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,716**	**(597)**
Cash and cash equivalents at beginning of period	**900**	**787**
Cash and cash equivalents at end of period	**2,616**	**190**

Net cash flows used in operating activities in the reporting period were € 5,8 million. Operational cash flows were used in loans and advances to customers. Net cash flows used in investing activities were € 388 thousand in the reporting period. The Group's cash flows from financing activities were € 8,0 million.

Consolidated Statement of Changes in Equity

The table below sets out the condensed consolidated statement of changes in equity for the nine months ending 30 September 2023 and 31 December 2022 in thousands of euros.

(in thousands of euros)

	Share capital	Share premium	Merger reserve	Accumulated other comprehensive income	Retained earnings	Total equity
Balance at 31.12.2022	**5**	**29,698**	**(29,479)**	**41**	**5,660**	**5,924**
Total profit and other comprehensive income for the period	-	-	-	-	2,268	2,268
Profit for the period	**-**	**-**	**-**	**-**	**2,268**	**2,268**
Transactions with owners of the Company Contributions and Distributions	**29,263**	**(29,263)**	**-**	**-**	**-**	**-**
Share capital increase	29,263	(29,263)	-	-	-	-
Balance at 30.09.2023	**29,268**	**435**	**(29,479)**	**41**	**7,928**	**8,192**

In 31.07.2023 Group share capital was increased by €29,3 million from share premium which was acquired on 20.05.2022 after the completion of the transaction of the acquisition of control of ESTO AS. The acquisition transaction additionally created a merger reserve of - €29,5 million.

The Group profit of € 2,3 million for the reporting period increased the total equity to € 8,2 million as at 30.09.2023.

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.

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.

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).

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

Please note that certain information and illustrations set forth herein are forward-looking. These statements, including internal expectations, estimates, projections, assumptions and beliefs, and which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as “anticipate”, “believe”, “plan”, “estimate”, “expect”, “predict”, “intend”, “will”, “may”, “could”, “would”, “should” and similar expressions intended to identify forward-looking statements. These statements should not be considered as guarantees of future performance. The forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause the Group’s actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the Group’s lack of revenues and unpredictability of future revenues; results of operations; solvency ratios, financial conditions; the Group’s future capital requirements; capital or liquidity positions or prospects; the Company’s reliance on third parties; the risks associated with rapidly changing legal requirements and technology, risks associated with international operations and changes in general economic, market and business conditions. These changing factors are not exhaustive. The Group operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Esto Group undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

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