ESTO GROUP

Unaudited Financial Results 2023 6M

Highlights

Operational

(in millions of euros)

	2023/6M	2022/6M	Δ in %
Revenue	11.2	7.2	56%
EBITDA	4.1	3.0	38%
Net Profit	1.5	1.4	3%
Balance sheet	59.2	38.4	54%
Net Loan portfolio	52.6	35.4	49%
Gross Loan portfolio	53.8	36.2	49%
Equity	7.4	5.0	48%
Equity*	12.0	8.5	41%
GMV	61.2	42.8	43%
Loans issued	32.2	21.8	48%

Statement of the management

Our business stands on strong feet and continuously benefits from the years of hard work that was put into building the merchant network in all Baltic countries. The first two quarters of the year usually result in smaller GMV in the market due to the cyclical nature of our business. Despite that, we were still able to show a good profitable growth rate, which is a testament that we are able to continuously grow in a profitable manner.

In the first six months of 2023, ESTO experienced substantial growth across multiple key performance indicators. ESTO generated 68% of the total revenue of 2022 and saw an 11% increase in revenue compared to the first quarter of 2023. In addition, the company's net income continues to grow and is now at €1.5M. During the first half of 2023, the company generated 64% of last year's profits. The gross merchandise value increased by 23% and the growth from Q1 to Q2 was 15%. ESTO's assets grew from €53M to €59M in Q1 and Q2 2023, recording a 12% increase compared to 2022.

ESTO has kept its commitment to product development, and this quarter was no exception. We are pleased to announce the successful release of various consumer loan schedules tailored to our operating markets. These new offerings have enabled us to better serve our diverse customer base and strengthen our position in the market. Additionally, our strategic investments in traffic generation and traffic monetization strategies have laid a solid foundation for sustainable growth in the future.

Operationally, ESTO has never been stronger. Our operational teams, both centrally and locally, are staffed with energized and talented individuals who are the driving force behind our success. To support their continued growth and success, we have implemented new incentivization mechanisms and streamlined processes. We firmly believe that a motivated and empowered workforce is the key to achieving our long-term objectives.

During the second quarter, ESTO's central teams witnessed a significant expansion with the addition of new talent across various departments. This infusion of expertise in data, product, engineering, finance, compliance, legal, marketing, risk, and intelligence has further bolstered our capabilities. We are confident that these teams will play a crucial role in driving innovation, data-driven decision-making, and long-term business sustainability.

ESTO's success in capital markets continues to be evident, and during the second quarter, we raised an additional 10 million EUR in capital. This achievement reflects the confidence and support of our investors in our business model and growth prospects. The raised capital will be instrumental in fueling our expansion plans and strategic initiatives, further strengthening our position in the market.

We are pleased to announce that ESTO successfully concluded a comprehensive group-wide audit conducted by Big4 auditor KPMG Baltics without any remarks. This achievement underlines our commitment to maintaining the highest standards of financial transparency, governance, and compliance. We will continue to uphold these principles to foster trust and confidence among our stakeholders.

We are pleased to report a positive trend in one of our operating markets, Estonia. For the first time in recent years, the APR pricing cap increased, which is expected to have a favorable impact on ESTO's financials. This development aligns with our mission to navigate market dynamics and leverage opportunities for sustainable growth.

ESTO's credit portfolio quality remains exceptional and continues to exhibit stability and improvement. This positive trend reflects the diligent efforts of our risk department across all operating markets. We will continue to maintain a prudent risk management approach to safeguard our financial health.

During the quarter, ESTO faced a regulatory issue in our Estonian market, leading to the issuance of a fine. We are actively collaborating with the regulator to address the highlighted concerns and enhance our systems and processes to prevent similar situations in the future. It is crucial to note that this incident has not impacted our financial stability or business operations moving forward.

The second quarter marked a momentous occasion for ESTO as we celebrated our 6th year anniversary. This festive milestone not only symbolizes our journey and growth but also represents the dedication and support of our customers, partners, and employees who have been integral to our success.

In conclusion, the second quarter of 2023 has been characterized by achievements, growth, and resilience for ESTO. We remain focused on product innovation, operational excellence, and prudent risk management to sustain our upward trajectory. As we move forward, we are committed to fulfilling our responsibilities to our stakeholders and delivering long-term value.

As always, I would like to thank our dedicated team members, our supportive investors and our loyal customers for their continued trust and support. Together, we are building a better future for the world of commerce.

Mikk Metsa

Founder & CEO

Key consolidated financial figures

Capitalization	**2023.06.30**	**2022.06.30**	**Δ in %**
Gross loan portfolio *(in thousands of EUR)*	53,758	36,179	48.6%
Net loan portfolio *(in thousands of EUR)*	52,617	35,381	48.7%
Assets *(in thousands of EUR)*	59,227	38,412	54.2%
Equity *(in thousands of EUR)*	7,403	5,005	47.9%
Equity* *(in thousands of EUR)*	12,000	8,508	41.0%
Equity to assets ratio	21%	22%	
Interest coverage ratio	1.6	2.0	
Profitability	**2023/6M**	**2022/6M**	**Δ in %**
Revenue *(in thousands of EUR)*	11,164	7,156	56.0%
Interest income *(in thousands of EUR)*	7,922	5,129	54.5%
Net interest margin	11%	11%	
Cost to income ratio	27%	29%	
EBITDA *(in thousands of EUR)*	4,088	2,968	37.7%
Profit margin before tax	13%	20%	
Net profit *(in thousands of EUR)*	1,479	1,441	2.6%
Return on assets	2%	4%	
Return on equity	20%	29%	
Asset quality	**2023.06.30**	**2022.06.30**	**Δ in %**
Provision cost to loan portfolio	2%	2%	
Pledged loan receivables %	**2023.06.30**	**2022.06.30**	
ESTO Bond	120%	120%	

Financial review

Consolidated Income statement

The table below sets out the consolidated statement of profit or loss for the six months ending 30 June 2023 and 30 June 2022 in thousands of euros.

(in thousands of euros)

	2023/6M	**2022/6M**	**Δ in %**
Interest income	7,922	5,139	54%
Interest expense	(2,554)	(1,480)	73%
Net interest income	**5,368**	**3,659**	**47%**
Fee and commission income	1,228	894	37%
Fee and commission expense	(110)	(105)	5%
Net fee and commission income	**1,118**	**789**	**42%**
Net loss arising from derecognition of financial assets measured at amortised cost	(1,658)	(626)	165%
Impairment losses and on financial instruments	(231)	(196)	18%
Other operating expenses	(1,872)	(1,293)	45%
Personnel expenses	(1,118)	(776)	44%
Depreciation and amortisation	(107)	(83)	29%
Other expenses	(73)	(69)	5%
Profit (loss) before income tax	**1,428**	**1,405**	**2%**
Income tax	50	36	40%
Profit (loss) for the period	**1,479**	**1,441**	**3%**

Net interest income

The table below shows detailed information of net interest income for six months ending 30 June 2023 and 30 June 2022 in thousands of euros.

(in thousands of euros)

	2023/6M	2022/6M	Δ in %
Interest income			
Loans and advances to customers	7,922	5,139	54%
Total interest income	**7,922**	**5,139**	**54%**
Interest expense			
Other interest expense	(2,554)	(1,480)	73%
Total interest expense	**(2,554)**	**(1,480)**	**73%**
Net interest income	**5,368**	**3,659**	**47%**

Interest income

Interest income for the reporting period was € 7,9 million, a 54 % increase compared with € 5,1 million for the six months ending 30 June 2022.

Interest expense

Interest expense for the reporting period was € 2,5 million, an increase of 73% compared with € 1,5 million for the six months ending 30 June 2022.

Net fee and commission income

The table below shows detailed information of net fee and commission income for six months ending 30 June 2023 and 30 June 2022 in thousands of euros.

(in thousands of euros)

	2023/6M	2022/6M	Δ in %
Service lines			
Income from contract fees on loans	26	55	-53%
Income from management fees on loans	185	200	-7%
Other income on loans	1,017	639	59%
Total fee and commission income from contracts with customers	**1,228**	**894**	**37%**
Fee and commission expense	(110)	(105)	5%
Net fee and commission income	**1,118**	**789**	**42%**

Fee and commission income

Fee and commission income for the reporting period was € 1,2 million, a 37% increase compared to € 0,9 million for the six months ending 30 June 2022.

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 fund received and write-off from the sale of delinquent debt in the portfolio. For the reporting period the amounts consisted of 1,7 million, a 165% increase when compared to 0,6 million for the six months ending 30 June 2022. An increase is seen due to overall growth of the consumer debt portfolio.

Impairment losses and write off on financial instruments

Impairment losses on financial instruments for the reporting period was at € 0,2 million and at € 0,2 million for the six months ending June 2022. Slight increase is seen due to overall growth of the consumer debt portfolio.

Consolidated Statement of financial position

The table below sets out the consolidated statement of financial position for the six months ending 30 June 2023 and 31 December 2022 in thousands of euros.

(in thousands of euros)

	30.06.2023	31.12.2022	Δ in %
ASSETS			
Current assets			
Cash and cash equivalents	1,661	900	85%
Loans and advances to customers	49,411	44,386	11%
Prepayments	622	784	-21%
Other assets	817	422	94%
Total current assets	**52,511**	**46,492**	**13%**
Non-current assets			
Loans and advances to customers	4,698	4,574	3%
Property and equipment	85	92	-8%
Intangible assets	1,699	1,553	9%
Other assets	235	489	-52%
Total non-current assets	**6,717**	**6,708**	**0%**
TOTAL ASSETS	**59,227**	**53,200**	**11%**
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Loans and borrowings	10,477	10,328	1%
Trade payables and other payables	1,003	1,101	-9%
Tax liabilities	103	98	5%
Total current liabilities	**11,583**	**11,528**	**0%**
Non-current liabilities			
Loans and borrowings	40,242	35,748	13%
Total non-current liabilities	**40,242**	**35,748**	**13%**
TOTAL LIABILITIES	**51,825**	**47,275**	**10%**

	30.06.2023	31.12.2022	Δ in %
Equity			
Share capital	484	484	-
Share premium	155	155	-
Statutory reserve capital	11	11	-
Retained earnings	5,233	2,914	80%
Total comprehensive income	1,520	2,360	-36%
Total equity	**7,403**	**5,924**	**25%**
TOTAL EQUITY AND LIABILITIES	**59,227**	**53,200**	**11%**

Assets

The Group had total assets of € 59,2 million as of 30 June 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 11%, linked to the strong operations of the group companies.

Loan portfolio

Loans and advances to customer net of impairment loss allowance as of 30 June 2023 was € 54,1 million and increased by 11% 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 € 51,8 million as of 30 June 2023, compared with € 47,3 million as of 31 December 2022, representing an increase of € 4,5 million. Liabilities increased in line with group portfolio growth and used to fund new issuance.

Loans and borrowings

As of 30 June 2023, the Group had loans and borrowings of € 50,7 million, compared with € 46,1 million as of 31 December 2022.

Equity

As of 30 June 2023, the Group's total equity amounted to € 7,4 million, compared with € 5,9 million as of 31 December 2022, representing an increase of € 1,5 million.

Consolidated Statement of cash flows

The table below sets out the condensed consolidated statement of cash flows for the six months ending 30 June 2023 and 30 June 2022 in thousands of euros.

(in thousands of euros)

	2023/6M	2022/6M
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss)	**1,479**	**1,441**
Adjustments or changes for:	**(1,257)**	**(492)**
Interest income	(245)	(261)
Interest expense	74	39
Net impairment loss on loans and advances	231	195
Net loss arising from derecognition of financial assets measured at amortised cost	(1,658)	(626)
Depreciation and amortisation	(74)	(83)
Other adjustments	414	243
Total adjustments or changes	**221**	**949**
Changes in:		
Trade and other receivables	21	(314)
Trade and other payables	(102)	422
Loans and advances to customers	(3,247)	(4,624)
Total changes	**(3,328)**	**(4,515)**
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	**(3,107)**	**(3,566)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(16)	(2)
Acquisition of intangible assets	(302)	(166)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	**(319)**	**(168)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	9,735	6,596
Repayments of borrowings	(5,549)	(3,460)

	2023/6M	2022/6M
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	**4,186**	**3,136**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**761**	**(597)**
Cash and cash equivalents at beginning of period	**900**	**787**
Cash and cash equivalents at end of period	**1,661**	**190**

Net cash flows used in operating activities in the reporting period were € 3,1 million. Net cash flows used in investing activities were € 319 thousand in the reporting period. The Group's cash flows from financing activities were € 4,2 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 30 June 2023 and 31 December 2022 in thousands of euros.

(in thousands of euros)

	Share capital	Share premium	Statutory reserve capital	Accumulated other comprehensive income	Retained earnings	Total equity
Balance at 31.12.2022	**484**	**155**	**11**	**41**	**5,233**	**5,924**
Total profit and other comprehensive income for the period	-	-	-	-	1,479	1,479
Profit for the period	**-**	**-**	**-**	**-**	**1,479**	**1,479**
Balance at 30.06.2023	**484**	**155**	**11**	**41**	**6,712**	**7,403**

Group profit € 1,5 million for the reporting period increased the total equity to € 7,4 million as at 30.06.2023.

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.

Equity* – Equity and subordinated loans.

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).

Profit before tax margin – Profit before tax / interest income.

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 be noted 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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