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ESTO GROUP

Unaudited Financial Results 2022 9M

Highlights

Strategical

- Growth in all operating markets (Estonia, Latvia, Lithuania).
- Record number of merchant partnerships in all operating regions.
- Record number of users in the platform in all operating regions.
- Strategical entry to mobility sector – Bolt and ESTO launched Bolt Pay Later consumer credit service.
- Successfully executed multiple funding rounds with reputable Baltic Family Offices.

Operational

(in millions of euros)

	2022/9M	**2022/9M**	**Δ in %**
Revenue	11.4	8.6	33%
EBITDA	4.3	4.1	5%
Net Profit	1.8	2.0	-10%
Balance sheet	43.5	30.9	41%
Net Loan Portfolio	40.0	26.1	53%
Equity	5.4	2.9	88%
GMV	71.5	36.1	98%
Loans issued	36.2	27.4	32%
Gross Loan portfolio	40.9	26.6	54%

Statement of the management

In the first nine months of 2022, ESTO Group platform gross merchandise volume reached 72 million and we have significantly increased our number of platform users and merchant partnerships. The consolidated balance sheet of the Group reached 44 million including equity of ca. 9 million together with subordinated shareholder loans. Our gross loan portfolio increased to 41 million and has continuously been showing healthy payment behavior and has allowed us to generate revenue of 11.4 million, EBITDA of 4.3 million and net profit of 1.8 million for 9M of 2022.

While there is a lot of uncertainty in the capital markets, we continue to demonstrate good performance. During first 9 months of the year, we were able to raise ca. 15 million EUR of additional capital from reputable Family Offices to sustain the growth of the Group.

The payment behavior of our prime quality user base acquired from point of sale locations has continuously remained stable and in strong levels to which we are used to in ESTO Group. In ESTO we have not seen any fluctuations with the payment behavior from our users in all regions.

Finally, I want to thank our employees and investors. Together we continue to build something wonderful and develop our commerce platform for our partner retailers and their users across all our regions.

Mikk Metsa

Founder & CEO

Key consolidated financial figures

Capitalization	**2022.09.30**	**2021.09.30**	**Δ in %**
Gross loan portfolio *(in thousands of EUR)*	40,876	26,578	53.8%
Net loan portfolio *(in thousands of EUR)*	39,998	26,091	53.3%
Assets *(in thousands of EUR)*	43,496	30,939	40.6%
Equity *(in thousands of EUR)*	5,392	2,862	88.4%
Equity to assets ratio	21%	22%	
Interest coverage ratio	1.8	2.2	
Profitability	**2022/9M**	**2021/9M**	**Δ in %**
Revenue *(in thousands of EUR)*	11,420	8,585	33.0%
Interest income *(in thousands of EUR)*	8,085	5,717	41.4%
Net interest margin	16%	17%	
Cost to income ratio	30%	26%	
EBITDA *(in thousands of EUR)*	4,287	4,090	4.8%
Profit margin before tax	15%	26%	
Net profit *(in thousands of EUR)*	1,828	2,040	-10.4%
Return on assets	4%	7%	
Return on equity	34%	71%	
Asset quality	**2022.09.30**	**2021.09.30**	**Δ in %**
Provision cost to loan portfolio	2%	2%	
Pledged loan receivables %	**2022.09.30**	**2021.09.30**	
9% 2024 bonds (ISIN EE3300002294)	120%	n/a	

Financial review

Consolidated Income statement

The table below sets out the consolidated statement of profit or loss for the nine months ending 30 September 2022 and 30 September 2021 in thousands of euros.

(in thousands of euros)

	2022/9M	2021/9M	Δ in %
Interest income	8,085	5,717	41%
Interest expense	(2,391)	(1,823)	31%
Net interest income	**5,694**	**3,894**	**46%**
Fee and commission income	1,284	1,721	-25%
Fee and commission expense	(148)	(216)	-32%
Net fee and commission income	**1,136**	**1,505**	**-24%**
Finance income	19	0	21106%
Net loss arising from derecognition of financial assets measured at amortised cost	(1,111)	(721)	54%
Impairment losses and on financial instruments	(268)	(83)	224%
Other operating expenses	(2,223)	(1,645)	35%
Personnel expenses	(1,252)	(609)	106%
Depreciation and amortisation	(130)	(30)	339%
Other expenses	(99)	(73)	36%
Profit (loss) before income tax	**1,766**	**2,238**	**-21%**
Income tax	63	(198)	-132%
Profit (loss) for the period	**1,828**	**2,040**	**-10%**

Net interest income

The table below shows detailed information of net interest income for nine months ending 30 September 2022 and 30 September 2021 in thousands of euros.

(in thousands of euros)

	2022/9M	2021/9M	Δ in %
Interest income			
Loans and advances to customers	8,085	5,717	41%
Total interest income	**8,085**	**5,717**	**41%**
Interest expense			
Other interest expense	(2,391)	(1,823)	31%
Total interest expense	**(2,391)**	**(1,823)**	**31%**
Net interest income	**5,694**	**3,894**	**46%**

Interest income

Interest income for the reporting period was € 8,09 million, a 41 % increase compared with € 5,72 million for the nine months ending 30 September 2021.

Interest expense

Interest expense for the reporting period was € 2,4 million, an increase of 31% compared with € 1,8 million for the nine months ending 30 September 2021.

Net fee and commission income

The table below shows detailed information of net fee and commission income for nine months ending 30 September 2022 and 30 September 2021 in thousands of euros.

(in thousands of euros)

	2022/9M	2021/9M	Δ in %
Service lines			
Income from contract fees on loans	66	258	-74%
Income from management fees on loans	290	367	-21%
Other income on loans	928	1,096	-15%
Total fee and commission income from contracts with customers	**1,284**	**1,721**	**-25%**
Fee and commission expense	(148)	(216)	-32%
Net fee and commission income	**1,136**	**1,505**	**-24%**

Fee and commission income

Fee and commission income for the reporting period was € 1,14 million, a 24% decrease compared to € 1,5 million for the nine months ending 30 September 2021.

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 1,11 million, a 54% increase when compared to 0,72 million for the nine months ending 30 September 2021. 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 € 0,27 million and at € 0,08 million for the nine months ending September 2021. An increase is seen due to overall growth of the consumer debt portfolio.

Consolidated Balance sheet

The table below sets out the consolidated statement of financial position for the nine months ending 30 September 2022 and 31 December 2021 in thousands of euros.

(in thousands of euros)

	30.09.2022	31.12.2021	Δ in %
ASSETS			
Current assets			
Cash and cash equivalents	250	787	-68%
Loans and advances to customers	36,781	27,119	36%
Prepayments	602	756	-20%
Other assets	773	530	46%
Total current assets	**38,405**	**29,193**	**32%**
Non-current assets			
Loans and advances to customers	3,217	3,097	4%
Property and equipment	93	81	15%
Intangible assets	1,365	929	47%
Other assets	416	74	465%
Total non-current assets	**5,091**	**4,180**	**22%**
TOTAL ASSETS	**43,496**	**33,373**	**30%**
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Loans and borrowings	8,631	7,768	11%
Trade payables and other payables	965	740	30%
Tax liabilities	82	75	9%
Total current liabilities	**9,678**	**8,583**	**13%**
Non-current liabilities			
Loans and borrowings	28,426	21,226	34%
Total non-current liabilities	**28,426**	**21,226**	**34%**
TOTAL LIABILITIES	**38,104**	**29,809**	**28%**

	30.09.2022	31.12.2021	Δ in %
Equity			
Share capital	484	484	-
Share premium	155	155	-
Statutory reserve capital	11	11	-
Retained earnings	2,914	171	1602%
Total profit (loss) for the financial year	1,828	2,743	-33%
Total equity	**5,392**	**3,564**	**51%**
TOTAL EQUITY AND LIABILITIES	**43,496**	**33,373**	**30%**

Assets

The Group had total assets of € 43,50 million as of 30 September 2022, compared with € 33,37 million as of 31 December 2021. The main change during the period is due to an increase of the loan portfolio by 32% 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 2022 was € 39,99 million and increased by 32% compared to 31 December 2021 where Loans and advance to customer net impairment loss allowance was € 30,21 million.

Liabilities

The Group had total liabilities € 38,10 million as of 30 September 2022, compared with € 29,8 million as of 31 December 2021, representing an increase of € 8,3 million. Liabilities increased in line with group portfolio growth and used to fund new issuance.

Loans and borrowings

As of 30 September 2022, the Group had loans and borrowings of € 37,06 million, compared with € 28,99 million as of 31 December 2021. The Group's loans and borrowings accounted for 97% of total liabilities as of 30 September 2022 and 97% of total liabilities as of 31 December 2021.

Equity

As of 30 September 2022, the Group's total equity amounted to € 5,4 million, compared with € 3,56 million as of 31 December 2021, representing an increase of € 1,82 million.

Consolidated Statement of cash flows

The table below sets out the condensed consolidated statement of cash flows for the nine months ending 30 September 2022 and 30 September 2021 in thousands of euros.

(in thousands of euros)

	2022/9M	2021/9M
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss)	**1,828**	**2,040**
Adjustments or changes for:	**(732)**	**(995)**
Interest income	(401)	23
Interest expense	41	37
Net impairment loss on loans and advances	275	83
Net loss arising from derecognition of financial assets measured at amortised cost	(1,111)	(721)
Depreciation and amortisation	(130)	(30)
Other adjustments	594	(387)
Total adjustments or changes	**1,096**	**1,045**
Changes in:		
Trade and other receivables	(819)	1,586
Trade and other payables	232	865
Loans and advances to customers	(8,426)	(8,952)
Total changes	**(9,013)**	**(6,501)**
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	**(7,917)**	**(5,457)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(46)	(31)
Acquisition of intangible assets	(402)	(299)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	**(448)**	**(330)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	15,064	13,260
Repayments of borrowings	(7,237)	(7,091)
Paid in share capital	-	-

	2022/9M	2021/9M
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	**7,827**	**6,618**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(538)**	**382**
Cash and cash equivalents at beginning of period	**787**	**1,801**
Cash and cash equivalents at end of period	**250**	**2,183**

Net cash flows used in operating activities in the reporting period were € 7,92 million. Net cash flows used in investing activities were € 448 thousand in the reporting period. The Group's cash flows from financing activities were € 7,83 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 31 December 2021 and 30 September 2022 in thousands of euros.

(in thousands of euros)

	Share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings	Total equity
Balance at 31.12.2021	**484**	**155**	**11**	**-**	**2,914**	**3,564**
Total profit and other comprehensive income for the period	-	-	-	-	4,742	4,742
Profit for the period	**-**	**-**	**-**	**-**	**1,828**	**1,828**
Transactions with owners of the Company Contributions and distributions	**-**	**-**	**-**	**-**	**-**	**-**
Issue of share capital	-	-	-	-	-	-
Balance at 30.09.2022	**484**	**155**	**11**	**-**	**4,742**	**5,392**

Group profit € 1,83 million for the reporting period increased the total equity to € 5,4 million as at 30.09.2022.

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)

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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