

esto

ESTO GROUP (ESTO HOLDINGS OÜ)

Private Placement Bond Offering


Raising capital for supporting the growth of
ESTO pan-Baltic consumer credit loan portfolio

© October 2024

www.esto.eu/global




Presenters



Gustav Juurikas

Phone: [+372 5340 6153](tel:+37253406153)

Email: gustav.juurikas@esto.eu



Mikk Metsa

Phone: [+372 5567 6221](tel:+37255676221)

Email: mikk@esto.eu



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Executive Summary

ESTO at a glance

- 1
 ESTO is a profitable financial technology company offering shopping and consumer credit solutions across the Baltics. Founded in 2017, ESTO has remained profitable since its first 12 months of operations.
- 2
 In 2024, ESTO is projected to generate €190m GMV, with an €75m loan portfolio, €32m revenue, €14m EBITDA, and €7m net profit.
- 3
 The upcoming bond issuance will support the growth of ESTO's well-performing loan book across the region and assist in the partial refinancing of an existing €16 million corporate bond maturing in November 2024.

ESTO in numbers

Key Group figures (€m)	2021	2022	2023	8M 2023	8M2024
Total Income	11.8	16.5	24.1	15.4	20.2
EBITDA	5.5	5.8	8.7	5.6	9.2
Net Profit	2.7	2.2	2.9	2.0	4.4
Net Loan portfolio	30.3	47.4	62.9	55.4	68.4
Equity (incl. sub loan)	7.1	10.4	14.3	12.3	18.8
Net Borrowings	28.3	45.4	57.9	51.2	61.8
ICR LTM	2.1	1.7	1.5	1.6	1.8
Capitalization Ratio	23.3%	21.4%	22.2%	21.8%	26.5%



600,000+

CONTRACTS ISSUED, SINCE INCEPTION



€275m+

ISSUED CREDIT, SINCE INCEPTION



€5.3m

NET PROFIT LTM



€620m+

GMV, SINCE INCEPTION



5400+

UNIQUE POINT OF SALES



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MARKETS – EE, LT, LV

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Term Sheet

Issue Size	EUR 10,000,000 (with option to tap by extra EUR 5,000,000)
Maturity	2 years
Annual coupon & frequency	12% per annum , paid quarterly
Type of bond	Senior secured and guaranteed bonds
Security	Pledge of loan receivables in Estonia, Latvia and Lithuania with 120% coverage of outstanding bonds
Guarantees	Corporate guarantees by all Material Subsidiaries Pledge over any current and future material intragroup loans made by the issuer to Material Subsidiaries
Call Option	@101% – Year 1 @100% – Year 2
Put Option	@101% in case of Change of Control
Nominal	EUR 1,000
Minimum subscription	EUR 100,000
Financial Covenants	Capitalization Ratio of at least 20% ICR of at least 1.25x To ensure that the aggregate of the principal amounts of the pledged loan receivables shall at all times exceed 120% of the outstanding aggregate Notes issue size
Key Undertakings	No alienation of Material Subsidiaries Dividend distribution cap No change of business Not to commence Issuer's liquidation and not to reduce equity capital Not to sell, present, change, rent, invest, or otherwise transfer into utilization the right to use the trademarks of the Issuer and/or its subsidiaries
Placement type	Private placement with EUR 100,000 minimum subscription
Listing	Not planned
Legal Adviser	Eversheds Sutherland Ots (Estonia)
Collateral Agent	TRINITI Estonia
Use of proceeds	Refinancing existing liabilities & expansion of credit portfolio

Indicative timeline

Roadshow	18.10.2024 – 25.10.2024
Subscription period	28.10.2024 – 08.11.2024
Issue date	15.11.2024

Risk Factors

Risks related to the economic and regulatory environment

- Macroeconomics risk
- Geo-political risk
- Global pandemic risk
- Changes in legislation risk
- Changes in tax law and practice risk

Risks related to the Group's business and the industry

- Consumer lending market risk
- Competition risk
- Dependence on external service provider's risk
- Financial leverage risk
- Employee attraction and retention risk
- Dependence on the operational management team risk
- IT system and process risk
- Counterparty credit risk
- Operational risk

Risks related to Notes

- Notes repayment risk
- Liquidity risk
- Price risk
- Early redemption risk
- Tax risk
- Resolutions of Noteholders' risk
- Risk that some Investors might have more preferential terms than others

Risks associated with Collateral

- Risks associated with Collateral Agent Agreement
- Risks associated with the value of the Collateral
- Risks associated with Parallel Debt
- The enforcement of the Collateral will be subject to the procedures and limitations set out in the Collateral Agent Agreement and these Terms of the Notes Issue
- The rights of the Investors depend on the Collateral Agent's actions and financial standing

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Introduction to ESTO Group

Founding and evolution

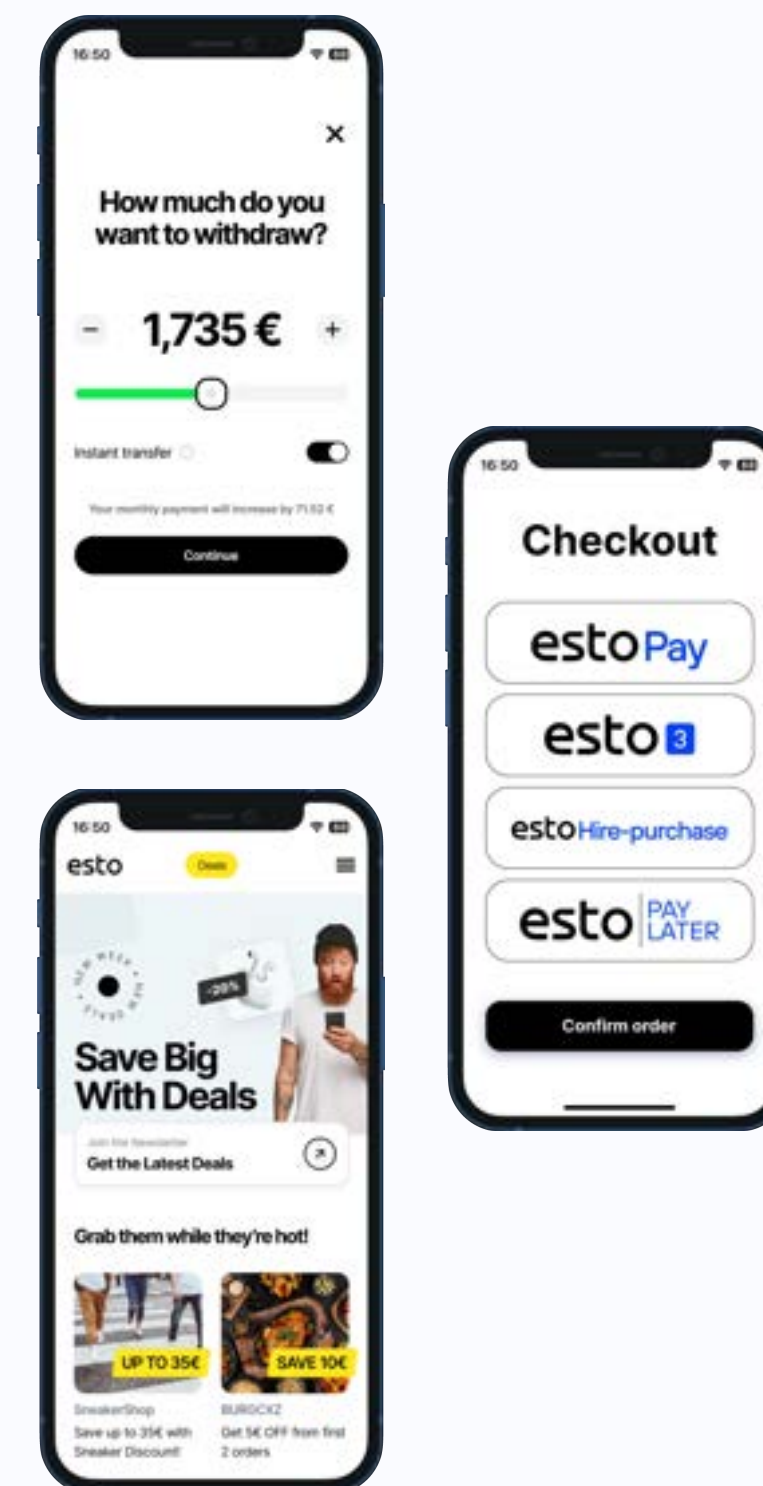
ESTO Group was **founded in 2017** by Mikk Metsa, Martin Ustaal, and Mikk Mihkel Nurges, who remain actively involved in guiding the company today. Starting in Estonia, ESTO quickly expanded its operations across the Baltic region, entering Latvia and Lithuania, which together form a unified market landscape.

Vision and Mission

ESTO's vision is **to create the largest shopping network in the Baltics**, where businesses and consumers can interact within a shared ecosystem. By connecting Baltic businesses with consumers, ESTO enables seamless transactions, offering significant value for both parties. The mission of the company is to drive regional commerce through innovation in payment solutions and a growing network of business partners and consumers.

Core Business Segments

ESTO Group's product offerings are categorized into **three main segments**, each contributing to its comprehensive ecosystem:



Personal: This segment covers a range of consumer solutions, including shopping offers, loyalty programs, and credit options such as shopping credit, credit lines, and consumer loans.

Business: ESTO's Checkout solution provides payment links, including bank and card payments, BNPL services, and instalment loans, creating a smooth payment experience for both businesses and consumers.

Deals: Through its discounted offers marketplace, ESTO facilitates promotions and marketing campaigns for businesses, helping them reach a broader audience and increase sales while offering consumers discounts and deals on products and services.

Historic Timeline

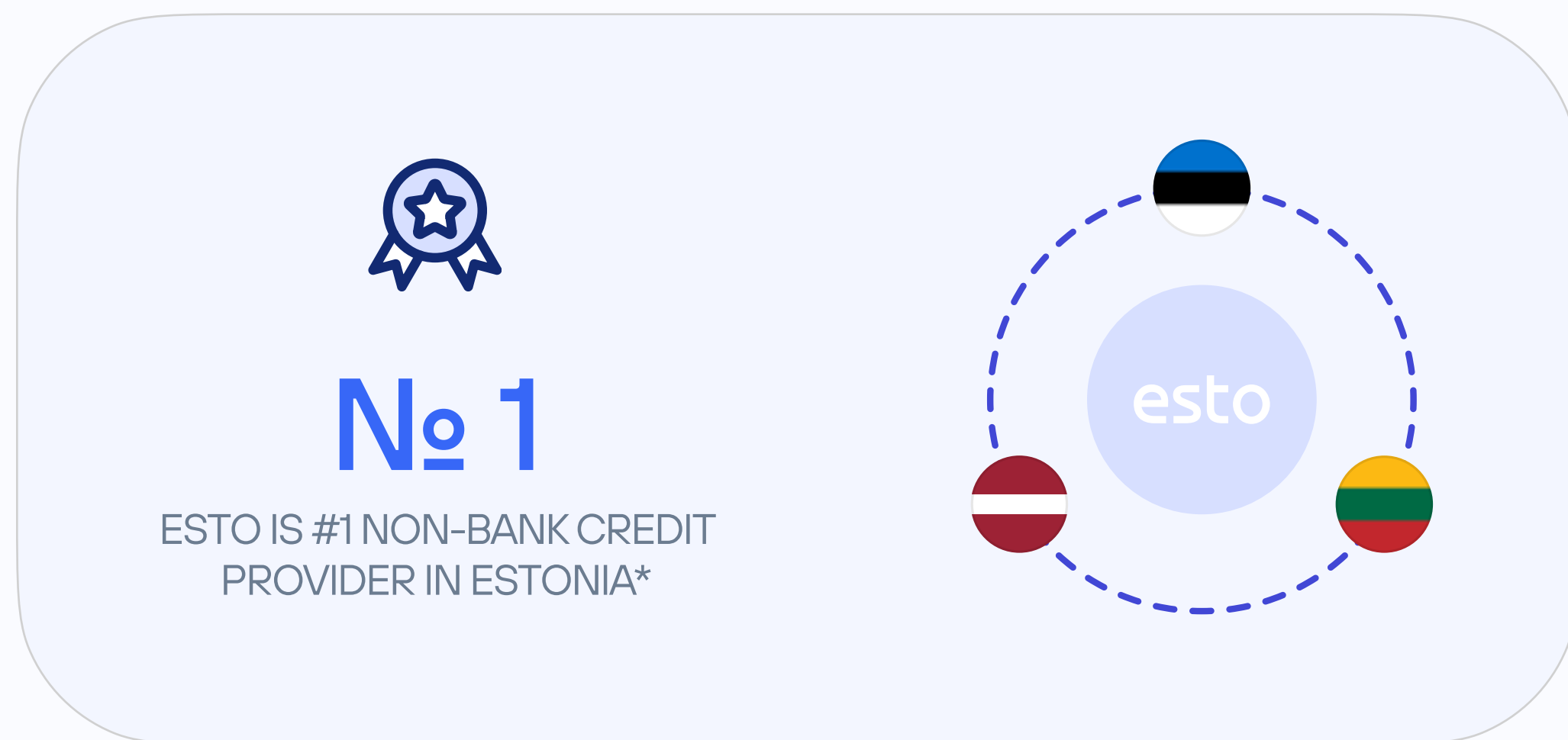


ESTO Market Position

Market Presence

Operating in Estonia, Latvia, and Lithuania, ESTO targets a unified Baltic market. This pan-Baltic approach allows the company to benefit from the cross-border operations of larger retailers and provides scalability across all three nations.

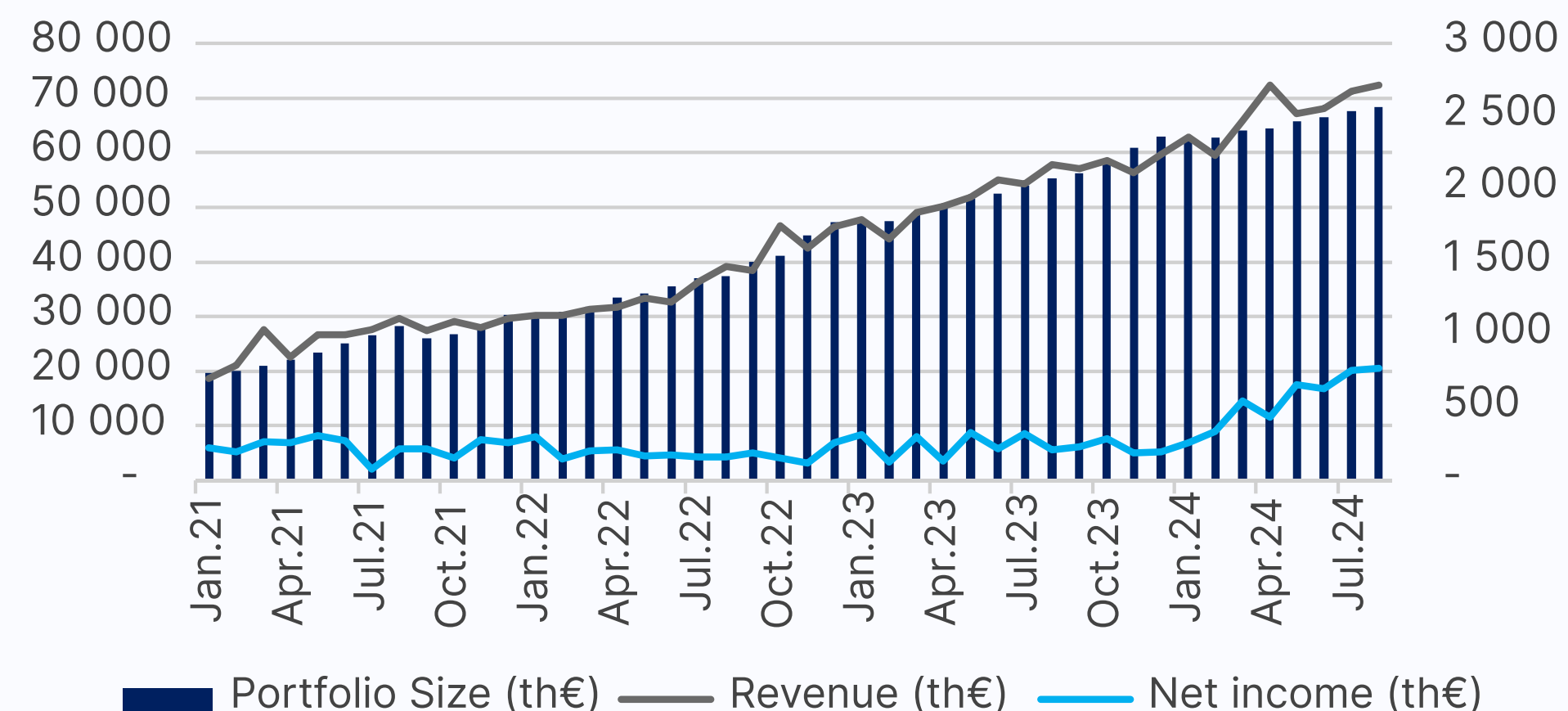
ESTO is **uniquely positioned** to offer its comprehensive financial technology solutions to both businesses and consumers, driving growth and efficiency.



*Non-bank creditors market share in Estonia, of which ESTO is the market leader. https://www.fi.ee/sites/default/files/FI_EFT_2024_0.pdf

Focus on Growth and Profitability

ESTO is focused on growing its business partner network, user base, and Gross Merchandise Volume (GMV)—the total transactions conducted within its ecosystem. The company’s revenue model is diversified, with primary earnings from providing and monetizing credit solutions, while a significant portion comes from network fees generated by transactions, further reducing credit risk exposure. This focus on profitable growth allows ESTO to maintain a strong market position while continuing to scale its operations across the Baltics.



Market Terms

The Baltic States with their stable regulatory environment and active technology landscapes are among the most favourable places worldwide for doing business and establishing fintech companies. ESTO is regulated and holds licenses in all 3 Baltic states. Baltic and eastern-Europe financial institutions are one of the most profitable globally.

	 Estonia	 Latvia	 Lithuania
Supervisory authority	Estonian Financial Supervision Authority	Consumer Rights Protection Agency	Bank of Lithuania
Interest rate-cap	50%	52%	75%
Additional loan expense cap	0%	0%	0.04%
Information to disclose	Procedures, loan book.	Procedures, loan book.	Procedures, loan book.
Responsible lending standard	Affordability checks required	Affordability checks required	Affordability checks required
Ease of doing business*	18th	19th	11th
Best place to start a fintech company*	10th	33th	11th

*world ranking, 2022

Geographical Distribution



Estonia

Driving profitability and customer offering

- Continuously exploring to expand the product offering to increase non-credit revenues.
- Early 2024, ESTO executed a strategical shift in portfolio issuance with focus on better quality customers and higher IRR, limiting 0 IRR issuance.
- Estonia is the most mature market for ESTO, however we're still growing and focusing on profit maximization.



Latvia

Focus on growth and portfolio quality

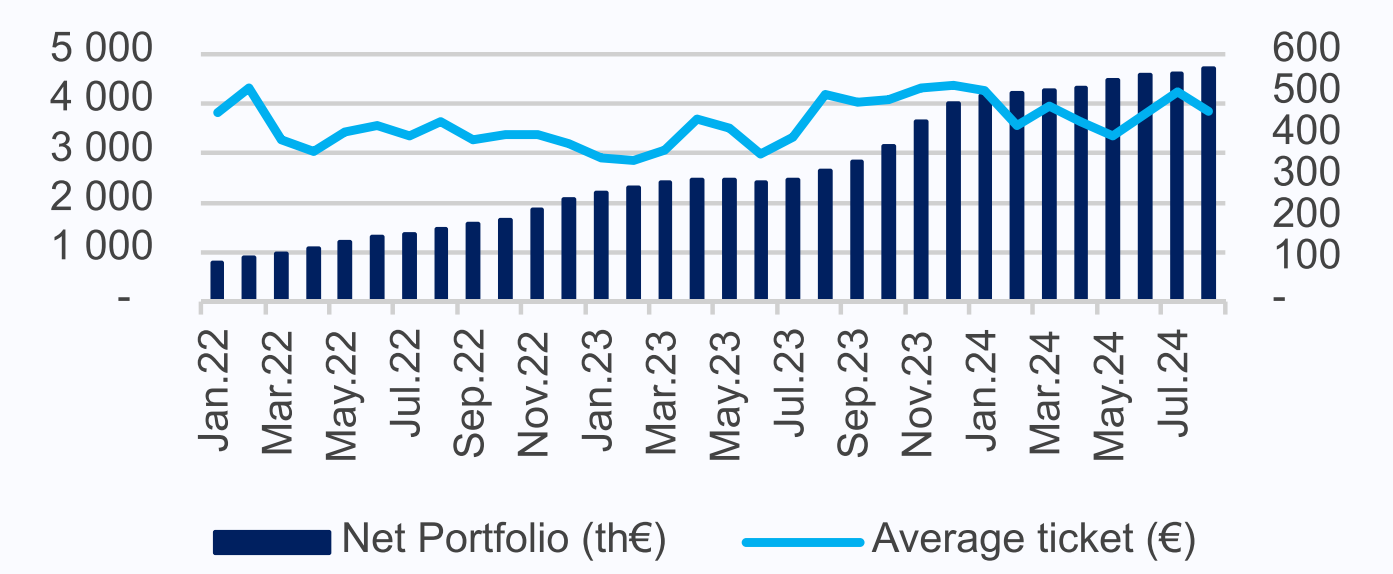
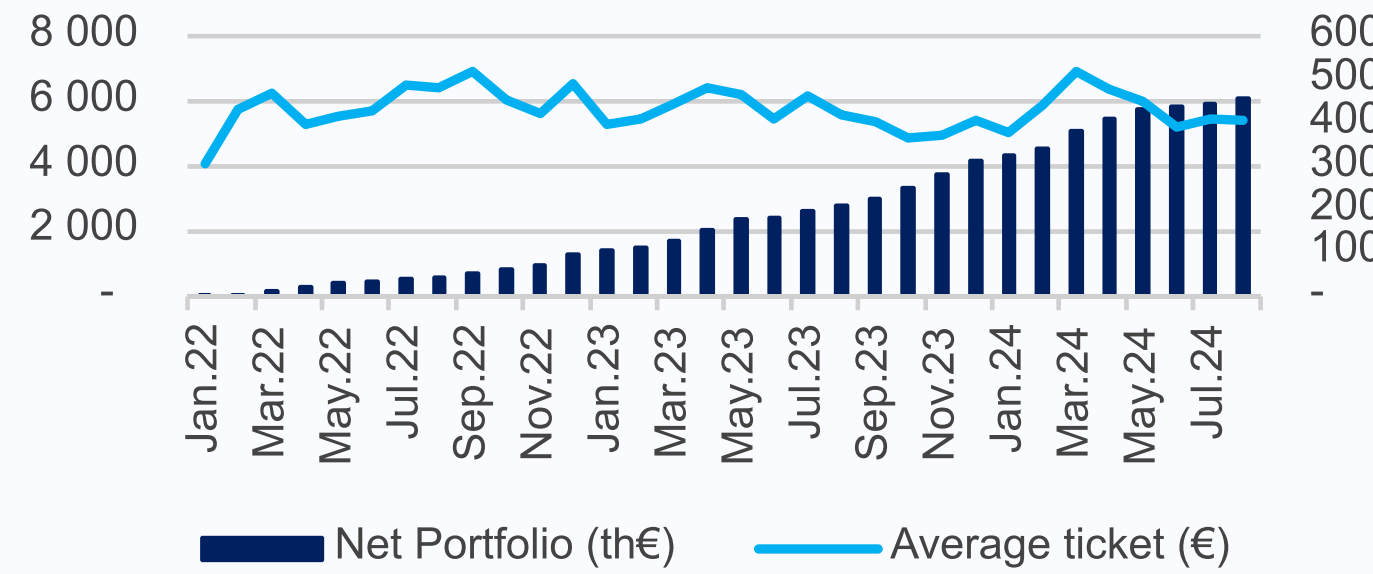
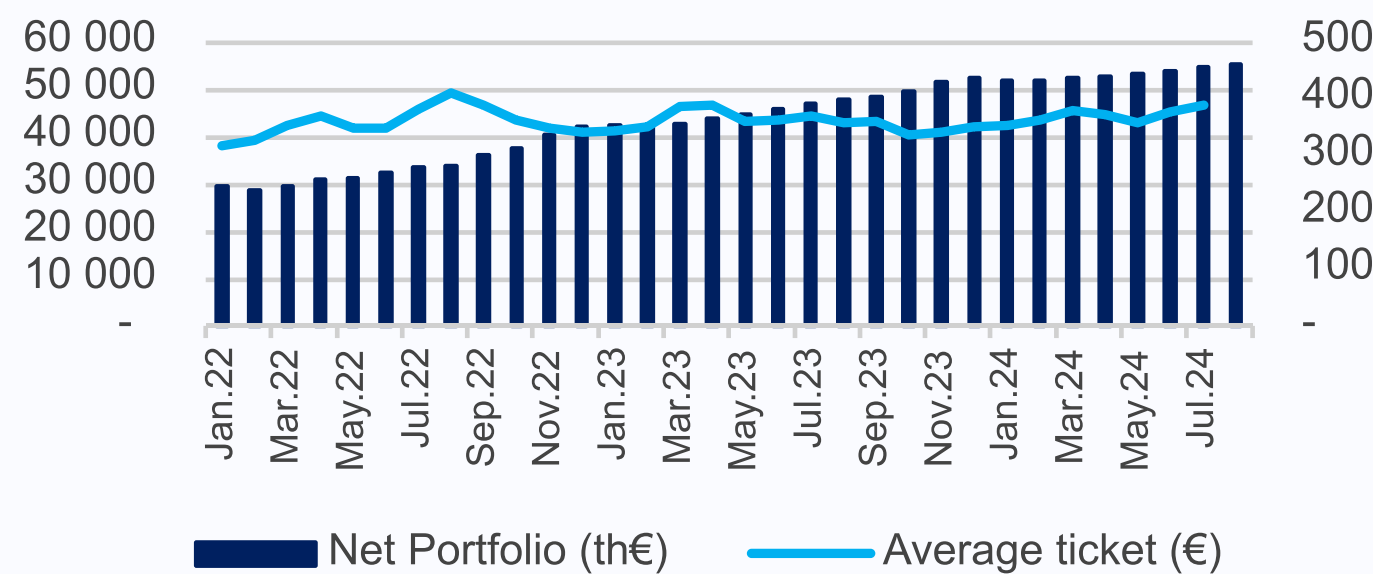
- Generating additional stable streams of revenue from proprietary merchant network and customer related services/fees
- Focus on measured growth following the performance of unit economics
- Partnerships with affiliates such as brokers and other payment networks



Lithuania

Focus on growth and portfolio quality

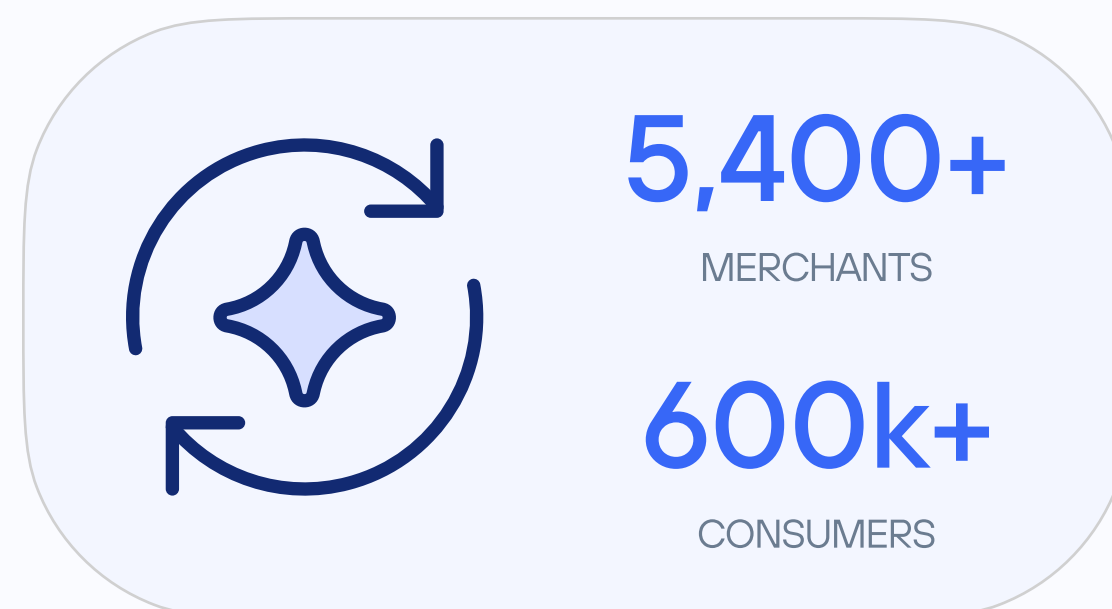
- Investments into improving product and increasing customer retention
- Generating additional stable streams of revenue from proprietary merchant network and customer related services/fees
- Partnerships with affiliates such as brokers and other payment networks



Business Model

Multi-Sided Platform

ESTO's integrated platform enables a smooth interaction between merchants and consumers, creating an ecosystem where all transactions are supported by flexible credit payment options.



Revenue Streams

While the primary revenue driver is credit monetization, ESTO also generates diversified revenue from network fees, which reduces exposure to credit risk. By facilitating transactions within its ecosystem, ESTO captures fees from both consumers and merchants, strengthening its revenue base.

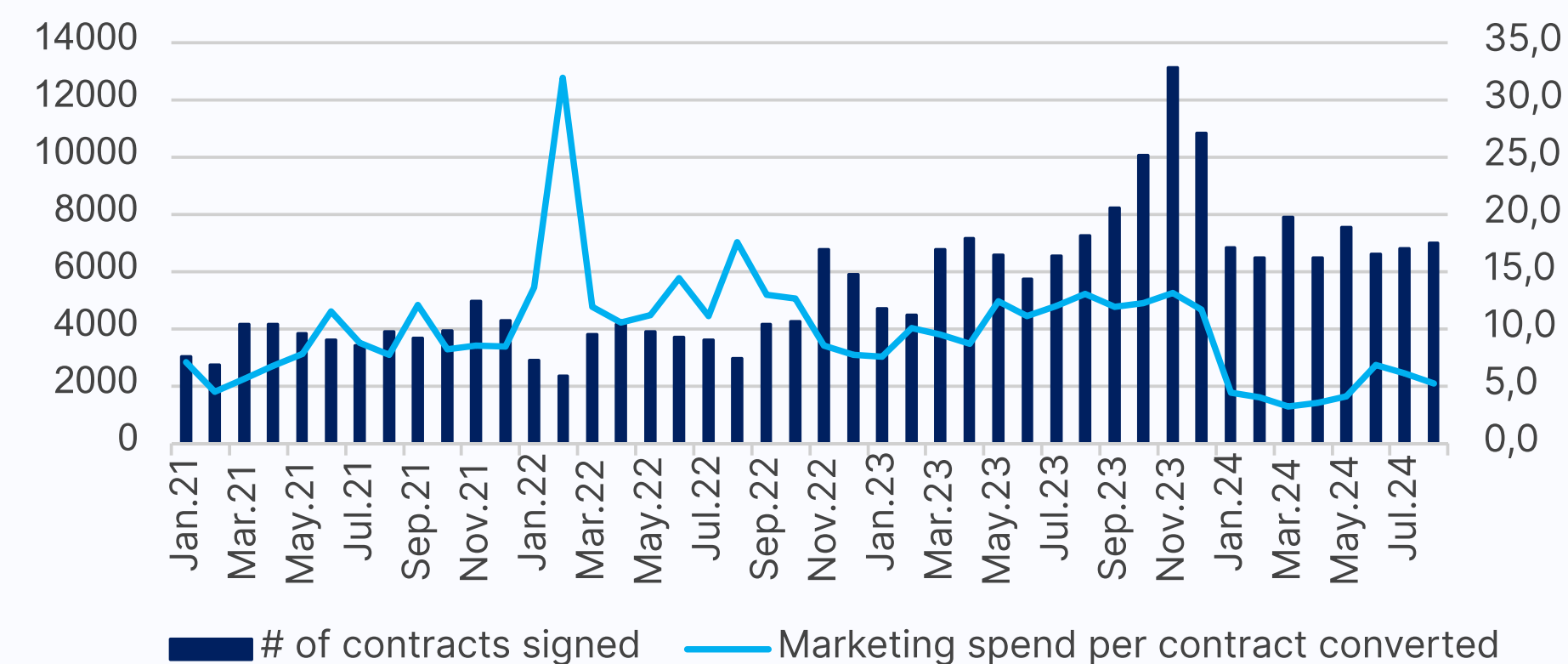
Revenue distribution (in €m)



Low Acquisition Cost Strategy

ESTO's business model allows for low acquisition costs through:

- its strong network-driven approach
- integrating merchants and businesses into its Checkout and Deals platforms
- acquiring consumers indirectly via its partner network
- combination of online acquisition of partners and local sales teams that actively bring new partners into the ESTO network.
- fees paid by such partners, contributing to both direct monetization and indirect consumer acquisition.



Product Overview

Technology Stack

ESTO's proprietary technology stack has been pivotal to its success, integrating modern solutions such as open banking, modular banking technologies, and AI-powered functionalities. The company's strong technical foundation, led by its technical founders, ensures a forward-thinking approach that drives continuous innovation. This robust infrastructure enables the seamless functionality of ESTO's platform, allowing for smooth integration with external payment providers and delivering a superior user experience for both businesses and consumers.

Product Innovation

ESTO prides itself on its structured approach to product innovation, driven by its technology and product teams. These teams collaborate closely to continuously push the boundaries of what's possible in the consumer credit and payments space. Whether it's enhancing the credit offerings, integrating new payment solutions, or launching features within its Deals marketplace, ESTO's innovation pipeline ensures that the company stays ahead of industry trends and meets evolving market demands.

*Annualized based on 8M 2024 average monthly results

Operational Efficiency

Since its inception, ESTO has maintained a strong culture of frugality and operational efficiency, achieving profitability within the first 12 months of operations. The company has scaled its operations without raising external equity capital, an impressive feat for a fintech firm. Currently operating with just 77 employees, ESTO's lean structure is achieved through a high level of automation and a minimal need for middle management. Key processes such as credit scoring, payments, and user onboarding are streamlined, allowing the company to remain agile and keep costs low while growing its user base and business network.



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EMPLOYEES ACROSS
ESTO GROUP



€394,000

ANNUALIZED REVENUE*
/PER EMPLOYEE



€85,000

ANNUALIZED NET INCOME*
/PER EMPLOYEE

Group Structure



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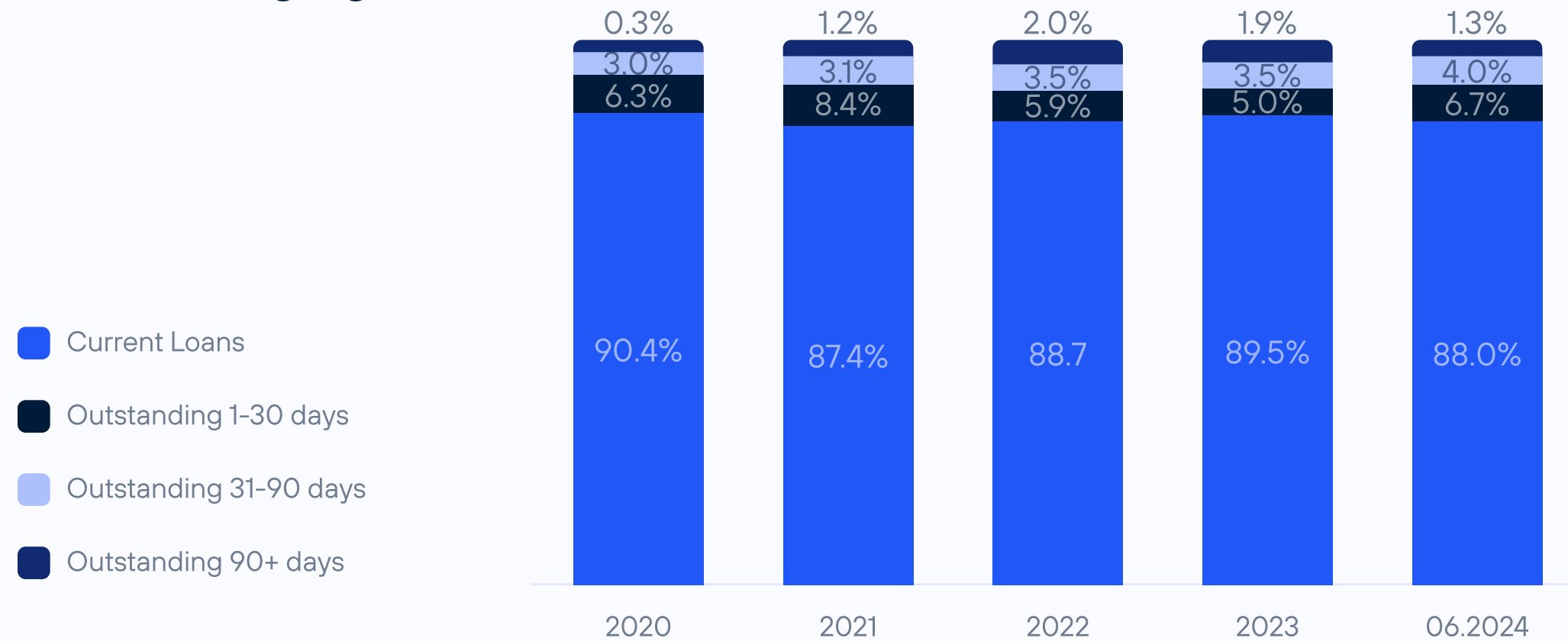
Portfolio Overview

Portfolio Aging stats and NPLs

ESTO portfolio quality on par with industry peers

- Strong in-house customer success team and continuous customer communication channels allow ESTO to not only be perceived as a credit provider but a brand with strong value proposition

Portfolio Aging



Net NPL/ Net portfolio stable through the years

- Continuous improvements in NPL sales processes allow us to keep the ratio low.
- Sale of NPL-s takes place after 90 DPD to credit collection agencies.
- The management and dynamics of NPLs is described in detail in the upcoming slides.

Net portfolio growth and NPL % share



Management and Overview of NPLs

Write-offs to portfolio outstanding

ESTO has displayed stable portfolio write-off metrics through the years

- As ESTO has rapidly grown its portfolio, the write-offs have remained stable relative to the portfolio size.
- Spikes in write-offs are related to legacy customers whose contracts have not been subject to credit collection agencies criteria.

Write-offs and gain from sale of NPL

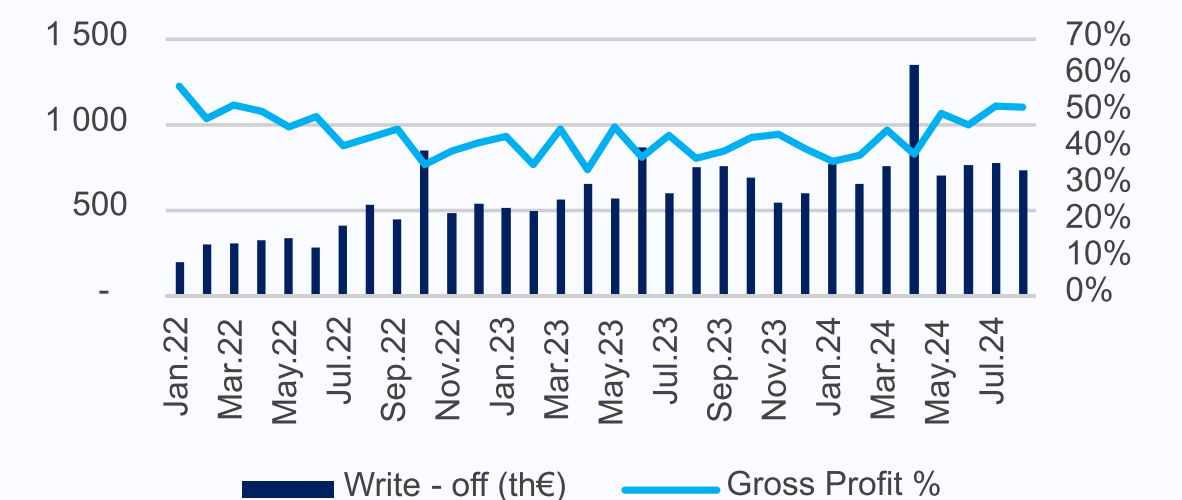
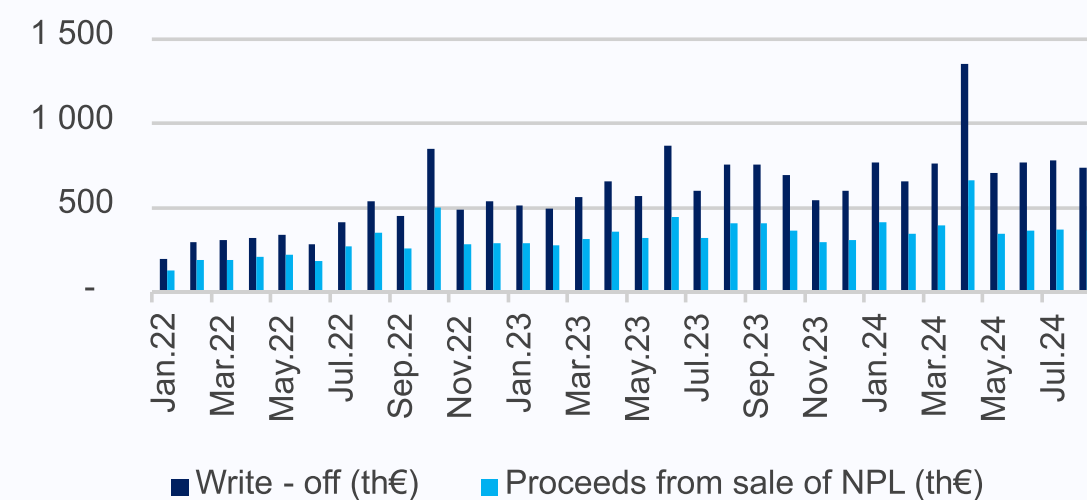
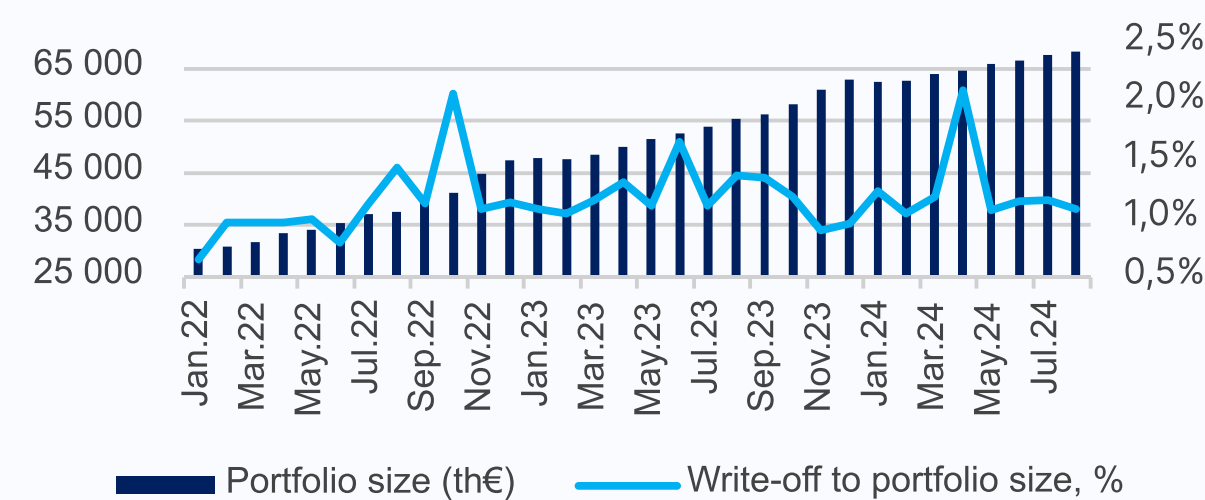
Non-performing loans are sold off once they reach 90DPD

- The policies in place for the sale of NPL has allowed ESTO to immediately book any losses that might arise from such nonperforming contracts, leaving little uncertainty as to the actual portfolio performance.
- ESTO has built stable and long-term partnerships with credit collection agencies allowing us to leverage such partnerships to receive best possible terms for the nonperforming contracts.
- The proceeds from NPL have remained relative stable throughout the years.

Write-offs and profitability

Gross profitability increase more profound than increase in write-offs

- ESTO has demonstrated strong profitability, both on gross and net level.
- As of 31.08.2024 we recorded Gross Profit level of 52% and Net profit at 28%, which compares comfortably with the industry standards.



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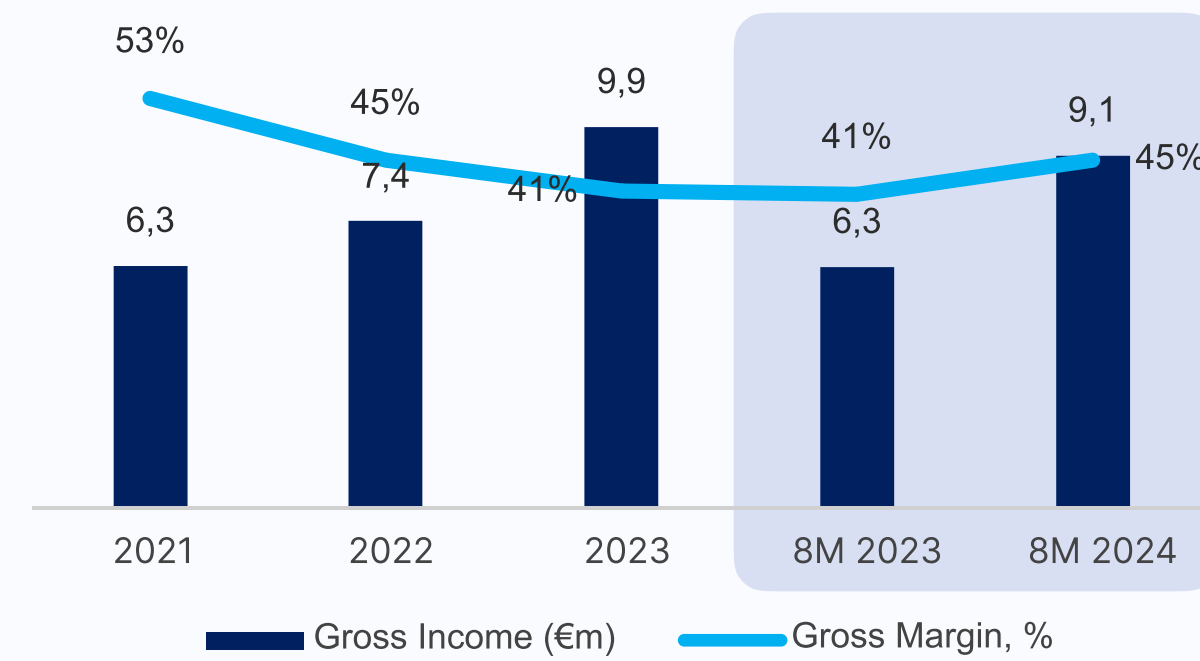
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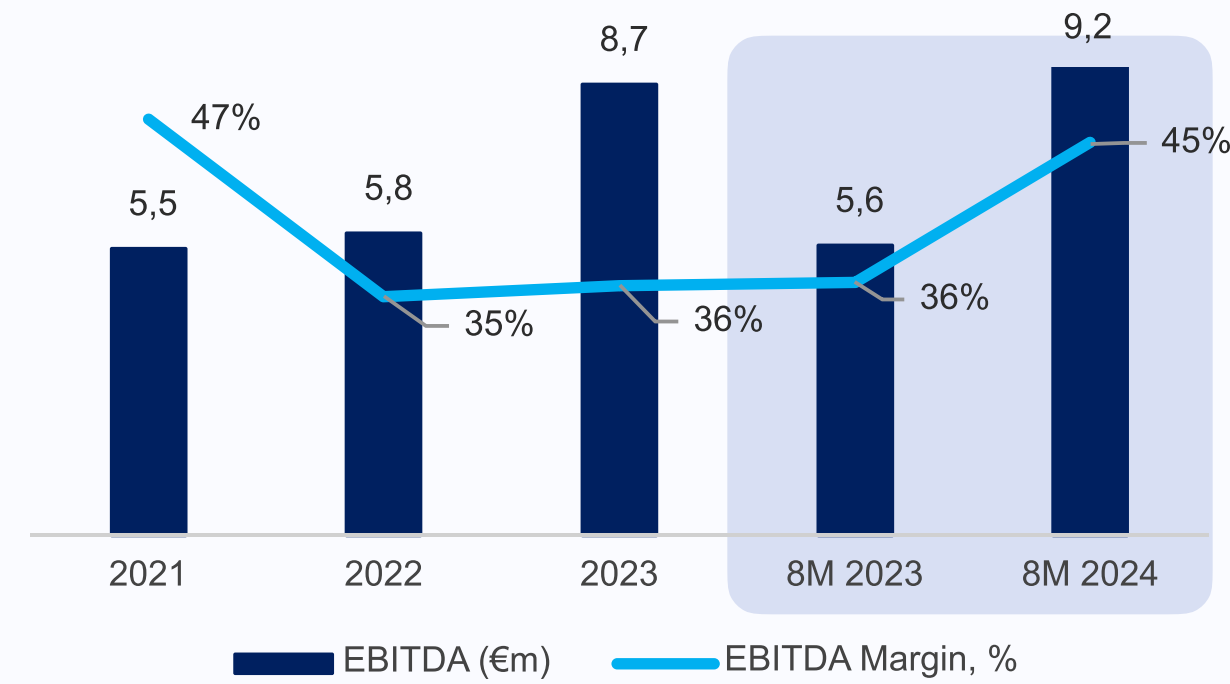


Financial Ratios

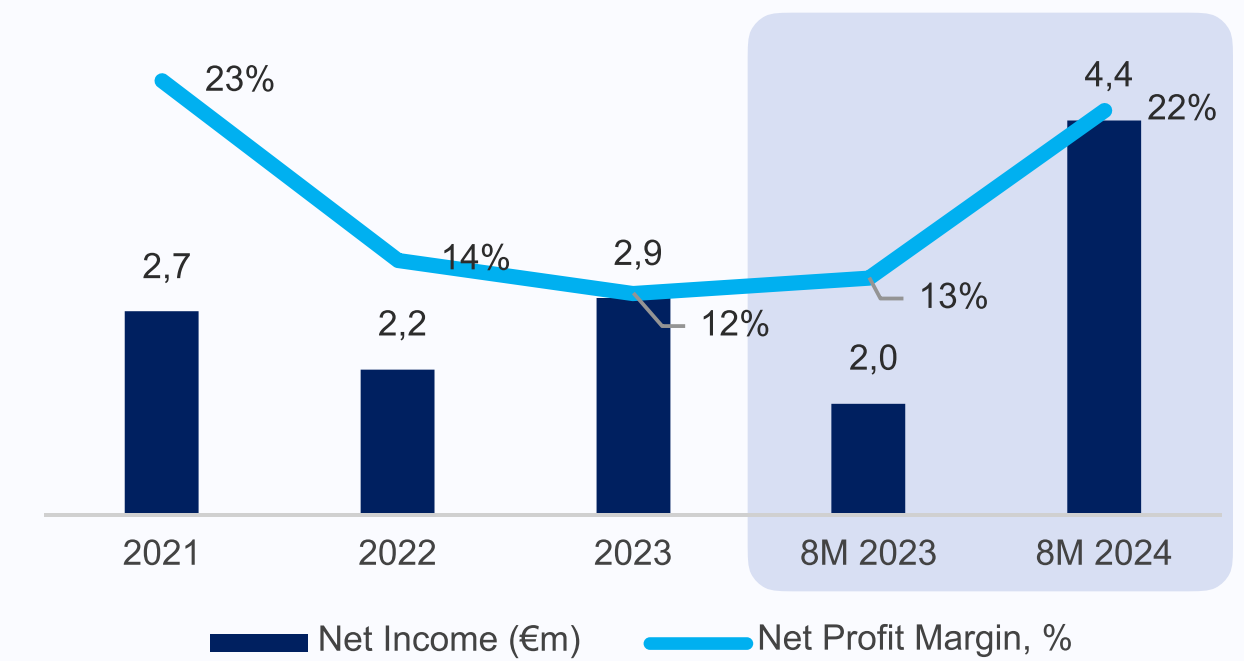
Gross Income & Margin



EBITDA & Margin



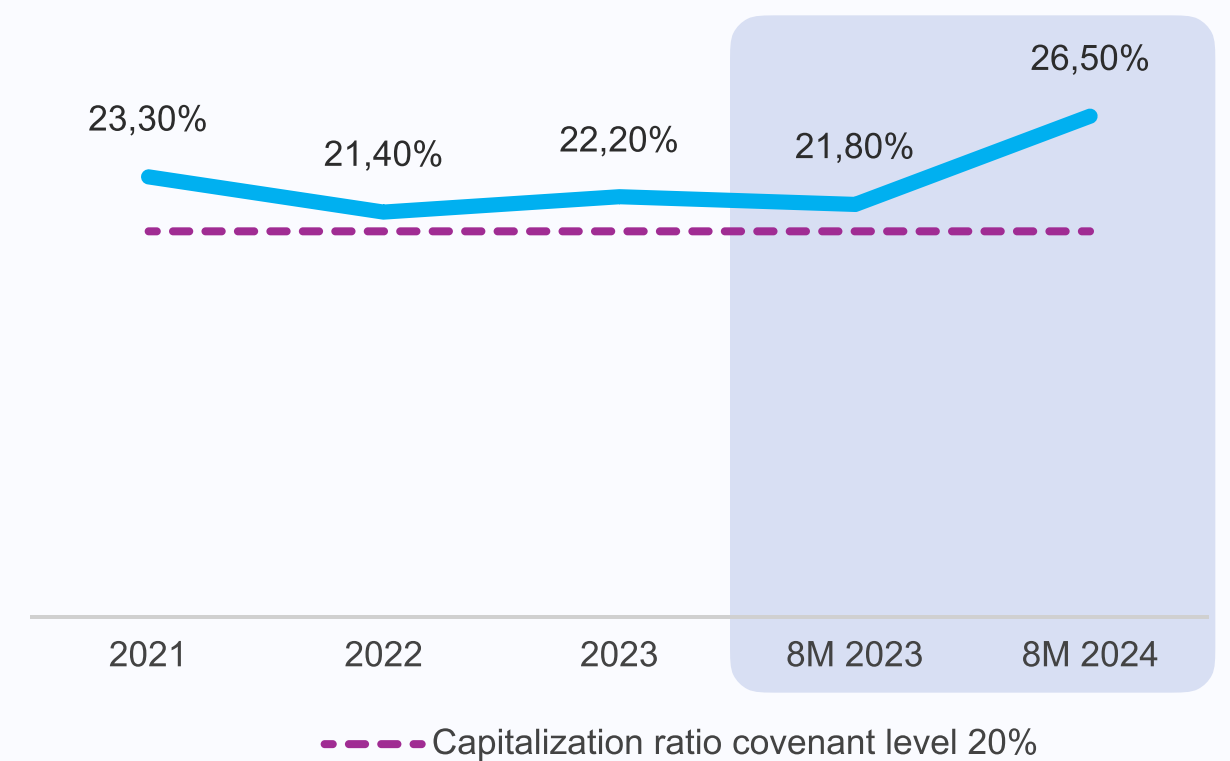
Net Income & Margin



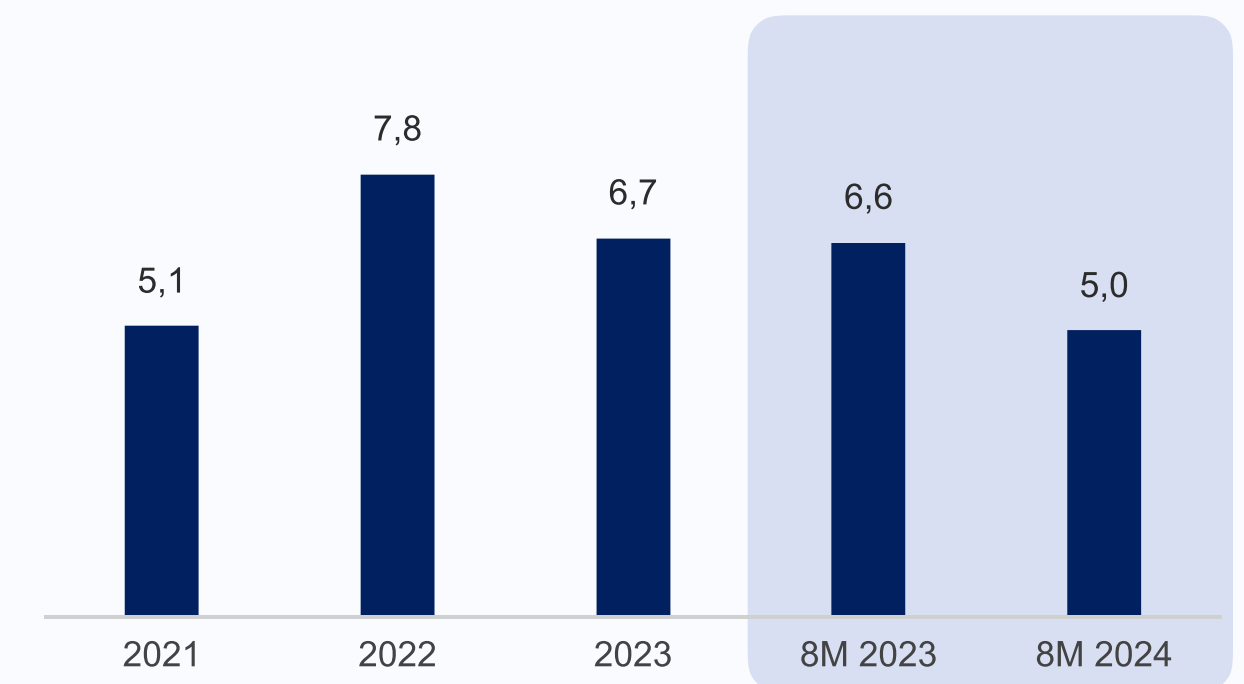
ICR (LTM)



Capitalization Ratio

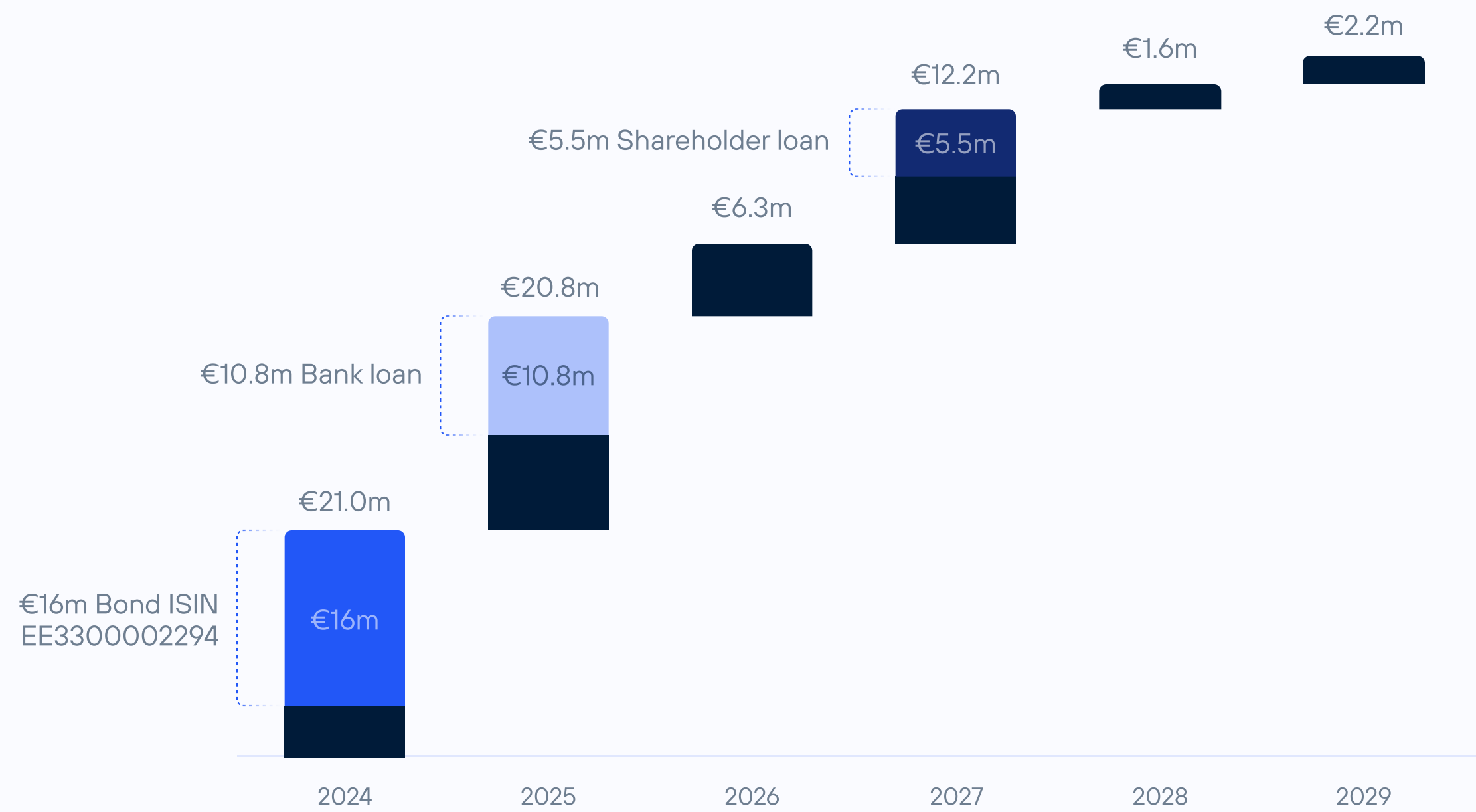


Net Debt / EBITDA (LTM)



Maturity Schedule

Maturity Schedule, as at 31.08.2024



Comments

Shareholder loans

- ESTO has strong support from shareholders who have built numerous successful companies within the region and globally, including consumer credit companies.
- Shareholder loans are prolonged with new maturity exceeding new bond's repayment date.

Bank loans

- ESTO has received financing from a Nordic focused credit provider, with parts of the loan maturing in 2025.
- We're expecting to prolong the maturity during 2025.
- Additional €2.5m undrawn balances

Mintos

- ESTO is financing its credit portfolio through Mintos, where the repayment schedule is tied to customers payment profile, eliminating the refinancing risk.
- As at 31.08 ESTO has €19.9m outstanding with Mintos.

Financials

ESTO Group Consolidated Income Statement

ESTO Group, consolidated (in thousands of EUR)	2020	2021	2022	2023	8M 2023	8M 2024
Total revenue	7551	11 860	16 477	24 079	15 389	20 235
Loan direct costs	(4 220)	(5 567)	(9 045)	(14 191)	(9 134)	(11 101)
Provisions & write-off	(2 388)	(2 737)	(5 360)	(8 075)	(5 370)	(6 032)
Capital costs - interest	(1 718)	(2 515)	(3 493)	(5 715)	(3 540)	(4 649)
Capital costs - fees	(114)	(315)	(192)	(402)	(224)	(421)
Gross Profit	3 331	6 293	7 432	9 887	6 255	9 134
Operating costs	(1 679)	(3 212)	(4 968)	(6 715)	(4 100)	(4 559)
Other	(1 592)	(2 873)	(4 364)	(5 671)	(3 575)	(4 456)
Marketing	(87)	(339)	(603)	(1 045)	(525)	(258)
Operating Profit	1 651	3 081	2 465	3 172	2 155	4 575
Total non operating costs or income	(29)	(143)	(133)	(207)	(113)	(74)
Post-Provision Operating Profit	1 533	2 938	2 332	2 965	2 042	4 501
Total Depreciation	(68)	(48)	(180)	(216)	(142)	(159)
EBT	1 465	2 890	2 151	2 748	1 899	4 343
Tax	(33)	(147)	94	106	54	39
Net Profit	1 433	2 743	2 246	2 854	1 954	4 382

Financials

ESTO Group Consolidated Balance Sheet

ESTO Group, consolidated (in thousands of EUR)	2020	2021	2022	2023	8M 2023	8M 2024
Total Assets	22 309	33 373	53 129	70 515	63 646	78 047
Current Assets	2 651	1 987	2 131	3 829	4 696	4 483
<i>Cash and cash equivalents</i>	1 801	787	900	2 398	3 149	2 558
<i>Receivables, prepayments, and other</i>	850	1 200	1 231	1 431	1 547	1 925
Fixed Assets	587	1 086	3 615	3 755	3 547	5 202
Loan portfolio	19 071	30 299	47 383	62 931	55 403	68 363
Total Liabilities & EQUITY	22 309	33 373	53 129	70 515	63 646	78 047
Short-term liabilities	6 327	8 584	11 486	41 351	15 254	39 374
Long-term liabilities	11 301	17 723	31 194	14 861	36 090	19 917
Quasi-equity (subordinated liabilities)	3 000	3 503	4 598	5 598	4 498	6 652
Equity	1 681	3 563	5 851	8 705	7 805	12 104

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Management Team



Mikk Metsa
CEO & FOUNDER

Mikk Metsa is the founder and CEO of ESTO. Mikk has a vast experience in the financial industry. Before establishing ESTO and with a degree in corporate finance and legal Mikk worked in notable positions in Private Equity (BaltCap), Asset Management (Trigon Capital) and Investment Banking (Redgate Capital).



Mikk Mihkel Nurges
CPO & FOUNDER

Mikk Mihkel Nurges is the technical founder of ESTO. With a degree in physics, he has been involved with programming and engineering from an early age. Before ESTO, he developed software systems for notable startups in Estonia.



Gustav Juurikas
CFO

Gustav Juurikas is the CFO of ESTO. Gustav holds a BSc degree in Business and Economics from Stockholm School of Economics in Riga. Combining more than 6 years of capital markets experience with analytical and strategy oriented mindset, he is well equipped to take on finances in ESTO.



Dmitrij Mochov
CRO

Dmitrij Mochov is the CRO of ESTO. He completed his PhD thesis in Mathematics at Vilnius University in 2018. Before joining ESTO Dmitrij was working for startups and corporates in Lending, Insurance, Investments and Banking sectors. With a sharp analytical mindset and knowledge, he keeps ESTO risk under control.



Konstantin Raimla
CDO

Konstantin Raimla is a head of data with a decade of experience in the IT industry, specializing in finance. Konstantin has achieved numerous milestones throughout his career, including establishing Bolt's, Europe and Africa's leading mobility business, finance data architecture, and long-range technical planning model.

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Contact



Gustav Juurikas

Phone: [+372 5340 6153](tel:+37253406153)

Email: gustav.juurikas@esto.eu

ESTO AS

Laeva tn 2, Tallinn
10111, Estonia

esto.eu/global 



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