

esto

ESTO GROUP

**Unaudited Financial Results
2022 12M**

Highlights

Strategical

- Successfully executed a strategic financing partnership with Multitude Bank p.l.c.
- 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 (reaching half a million users).
- Launched many new features for ESTO business and ESTO personal.
- Group Balance sheet reached a new milestone – over 50 million EUR.
- Annual GMV reached a new milestone – over 100 million EUR.

Operational

(in millions of euros)

	2022/12M	2021/12M	Δ in %
Revenue	16.5	11.9	39%
EBITDA	5.9	5.8	3%
Net Profit	2.3	2.7	-15%
Balance sheet	53.0	33.4	59%
Net Loan Portfolio	47.3	30.2	57%
Equity	5.9	3.6	66%
Equity*	10.4	7.1	48%
GMV	102.9	54.5	89%
Loans issued	52.3	39.4	33%
Gross Loan portfolio	48.3	30.8	57%

Statement of the management

In ESTO we are proud to have been recognized as a strong and resilient company in a year of change in the global political and economic environment.

For the twelve months of 2022, ESTO Group platform gross merchandise volume reached 103 million and we have significantly increased our number of platform users and merchant partnerships. The consolidated balance sheet of the Group reached 53 million including equity of ca. 10.4 million together with subordinated shareholder loans. Our gross loan portfolio increased to 48.3 million and has continuously been showing healthy payment behavior and has allowed us to generate revenue of 16.5 million, EBITDA of 5.9 million and net profit of 2.3 million for 12M of 2022.

We continue to demonstrate good performance in the capital markets. ESTO Group concluded a strategic partnership with Multitude Bank p.l.c. and Multitude Bank committed 14 million EUR to support ESTO's growth in our operating markets. ESTO's capitalisation has always been diverse, something that we will keep strategically in place also for the future.

ESTO's success is fundamentally aligned with our users' success. Our proprietary risk model has consistently outperformed traditional credit models, enabling us to better help eligible users finance their purchases and show remarkable payment behavior. Our portfolio quality numbers speak for themselves.

ESTO is continuing to accelerate commerce and outpace e-commerce growth in a challenging macroeconomic environment. Our investments into our new markets of Latvia and Lithuania are already starting to pay off and as a result our Group is becoming more profitable by each month.

Our great achievements could not have been achieved without our amazing team and stakeholders. I want to thank you all and I want to assure you that we are in the beginning of something truly wonderful with ESTO.

Mikk Metsa

Founder & CEO

Key consolidated financial figures

Capitalization	2022.12.31	2021.12.31	Δ in %
Gross loan portfolio <i>(in thousands of EUR)</i>	48,290	30,818	56.7%
Net loan portfolio <i>(in thousands of EUR)</i>	47,346	30,215	56.7%
Assets <i>(in thousands of EUR)</i>	53,040	33,373	58.9%
Equity <i>(in thousands of EUR)</i>	5,930	3,564	66.4%
Equity* <i>(in thousands of EUR)</i>	10,428	7,067	47.6%
Equity to assets ratio	20%	21%	
Interest coverage ratio	1.7	2.2	
Profitability	2022/12M	2021/12M	Δ in %
Revenue <i>(in thousands of EUR)</i>	16,477	11,860	38.9%
Interest income <i>(in thousands of EUR)</i>	11,577	7,968	45.3%
Net interest margin	21%	29%	
Cost to income ratio	29%	27%	
EBITDA <i>(in thousands of EUR)</i>	5,930	5,768	2.8%
Profit margin before tax	14%	24%	
Net profit <i>(in thousands of EUR)</i>	2,327	2,743	-15.1%
Return on assets	4%	8%	
Return on equity	39%	77%	
Asset quality	2022.12.31	2021.12.31	Δ in %
Provision cost to loan portfolio	2%	2%	
Pledged loan receivables %	2022.12.31	2021.12.31	
ESTO Bond	120%	120%	

Financial review

Consolidated Income statement

The table below sets out the consolidated statement of profit or loss for the twelve months ending 31 December 2022 and 31 December 2021 in thousands of euros.

(in thousands of euros)

	2022/12M	2021/12M	Δ in %
Interest income	11,577	7,968	45%
Interest expense	(3,513)	(2,830)	24%
Net interest income	8,064	5,138	57%
Fee and commission income	1,782	2,321	-23%
Fee and commission expense	(192)	(696)	-72%
Net fee and commission income	1,591	1,625	-2%
Finance income	42	-	-
Net loss arising from derecognition of financial assets measured at amortised cost	(1,950)	(968)	102%
Impairment losses and on financial instruments	(334)	(199)	68%
Other operating expenses	(3,097)	(1,631)	90%
Personnel expenses	(1,758)	(878)	100%
Depreciation and amortisation	(180)	(48)	277%
Other expenses	(141)	(150)	-6%
Profit (loss) before income tax	2,236	2,890	-23%
Income tax	91	(147)	-162%
Profit (loss) for the period	2,327	2,743	-15%

Net interest income

The table below shows detailed information of net interest income for twelve months ending 31 December 2022 and 31 December 2021 in thousands of euros.

(in thousands of euros)

	2022/12M	2021/12M	Δ in %
Interest income			
Loans and advances to customers	11,577	7,968	45%
Total interest income	11,577	7,968	45%
Interest expense			
Other interest expense	(3,513)	(2,830)	24%
Total interest expense	(3,513)	(2,830)	24%
Net interest income	8,064	5,138	57%

Interest income

Interest income for the reporting period was € 11,58 million, a 45 % increase compared with € 7,9 million for the twelve months ending 31 December 2021.

Interest expense

Interest expense for the reporting period was € 3,5 million, an increase of 24% compared with € 2,8 million for the twelve months ending 31 December 2021.

Net fee and commission income

The table below shows detailed information of net fee and commission income for twelve months ending 31 December 2022 and 31 December 2021 in thousands of euros.

(in thousands of euros)

	2022/12M	2021/12M	Δ in %
Service lines			
Income from contract fees on loans	77	315	-76%
Income from management fees on loans	379	483	-22%
Other income on loans	1,327	1,523	-13%
Total fee and commission income from contracts with customers	1,782	2,321	-23%
Fee and commission expense	(192)	(696)	-72%
Net fee and commission income	1,591	1,625	-2%

Fee and commission income

Fee and commission income for the reporting period was € 1,78 million, a 23% decrease compared to € 2,3 million for the twelve months ending 31 December 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 1,9 million, a 102% increase when compared to 0,97 million for the twelve months ending 31 December 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 € 0,33 million and at € 0,19 million for the twelve months ending December 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 twelve months ending 31 December 2022 and 31 December 2021 in thousands of euros.

(in thousands of euros)

	31.12.2022	31.12.2021	Δ in %
ASSETS			
Current assets			
Cash and cash equivalents	902	787	15%
Loans and advances to customers	44,036	27,119	62%
Prepayments	696	756	-8%
Other assets	594	530	12%
Total current assets	46,228	29,193	58%
Non-current assets			
Loans and advances to customers	4,866	3,097	57%
Property and equipment	93	81	15%
Intangible assets	1,470	929	58%
Other assets	383	74	420%
Total non-current assets	6,812	4,180	63%
TOTAL ASSETS	53,040	33,373	59%
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Loans and borrowings	10,556	7,768	36%
Trade payables and other payables	752	740	2%
Tax liabilities	83	75	10%
Total current liabilities	11,391	8,583	33%
Non-current liabilities			
Loans and borrowings	35,719	21,226	68%
Total non-current liabilities	35,719	21,226	68%
TOTAL LIABILITIES	47,110	29,809	58%

	31.12.2022	31.12.2021	Δ in %
Equity			
Share capital	484	484	-
Share premium	155	155	-
Statutory reserve capital	11	11	-
Unrealized gain from financial instruments	39	-	-
Retained earnings	2,914	171	1602%
Total profit (loss) for the financial year	2,327	2,743	-15%
Total equity	5,930	3,564	66%
TOTAL EQUITY AND LIABILITIES	53,040	33,373	59%

Assets

The Group had total assets of € 53,04 million as of 31 December 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 62% linked to the strong operations of the group companies.

Loan portfolio

Loans and advances to customer net of impairment loss allowance as of 31 December 2022 was € 48,90 million and increased by 62% 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 € 47,11 million as of 31 December 2022, compared with € 29,8 million as of 31 December 2021, representing an increase of € 17,3 million. Liabilities increased in line with group portfolio growth and used to fund new issuance.

Loans and borrowings

As of 31 December 2022, the Group had loans and borrowings of € 46,28 million, compared with € 28,99 million as of 31 December 2021. The Group's loans and borrowings accounted for 98% of total liabilities as of 31 December 2022 and 97% of total liabilities as of 31 December 2021.

Equity

As of 31 December 2022, the Group's total equity amounted to € 5,93 million, compared with € 3,56 million as of 31 December 2021, representing an increase of € 2,37 million.

Consolidated Statement of cash flows

The table below sets out the condensed consolidated statement of cash flows for the twelve months ending 31 December 2022 and 31 December 2021 in thousands of euros.

(in thousands of euros)

	2022/12M	2021/12M
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss)	2,327	2,743
Adjustments or changes for:	1,781	(1,496)
Interest income	(651)	(400)
Interest expense	(173)	(80)
Net impairment loss on loans and advances	334	199
Net loss arising from derecognition of financial assets measured at amortised cost	1,950	(968)
Depreciation and amortisation	(180)	(20)
Other adjustments	501	(228)
Total adjustments or changes	4,109	1,247
Changes in:		
Trade and other receivables	(1,747)	(1,213)
Trade and other payables	20	276
Loans and advances to customers	(18,552)	(9,428)
Total changes	(20,279)	(10,364)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	(16,170)	(9,118)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(57)	(68)
Acquisition of intangible assets	(677)	(361)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	(734)	(428)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	28,560	37,597
Repayments of borrowings	(11,541)	(28,632)
Paid in share capital	-	(433)

	2022/12M	2021/12M
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	17,019	8,532
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	115	(1,014)
Cash and cash equivalents at beginning of period	787	1,801
Cash and cash equivalents at end of period	902	787

Net cash flows used in operating activities in the reporting period were € 16,17 million. Net cash flows used in investing activities were € 734 thousand in the reporting period. The Group's cash flows from financing activities were € 17,02 million.

Consolidated statement of changes in equity

The table below sets out the condensed consolidated statement of changes in equity for the twelve months ending 31 December 2021 and 31 December 2022 in thousands of euros.

(in thousands of euros)

	Share capital	Share premium	Statutory re-serve 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	-	-	-	-	5,241	5,241
Profit for the period	-	-	-	-	2,327	2,327
Transactions with owners of the Company Contributions and distributions	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-
Unrealized gain from financial instruments	-	-	-	-	39	39
Balance at 31.12.2022	484	155	11	-	5,280	5,930

Group profit € 2,33 million for the reporting period increased the total equity to € 5,93 million as at 31.12.2022.

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.

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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