

esto

ESTO GROUP

Unaudited Financial Results
2022 Q1

Statement of the management

The year started well for ESTO. In 2022 Q1 we earned 0.7 million in net profit on revenue of 3.4 million reflecting strong financial performance across the board. More importantly, we were able to show the healthy performance of our main business metrics in all our operating countries of Estonia, Latvia, and Lithuania. We generated a gross merchandise volume of 18.2 million and acquired ca. 30 thousand new users. Our loan portfolio increased to 31.2 million with a healthy pick up of our Group's new operating countries of Latvia and Lithuania. ESTO received new funding and by the end of the quarter new financing-during-quarter amounted to 4 million EUR.

In the first quarter, ESTO was focused on building the infrastructure required to succeed in our first foreign markets of Latvia and Lithuania. I am truly happy to report about all the advances that we made in setting the place for the local teams, marketing, localization of our central platform and making sure that our compliance is bulletproof. We are already seeing the results of our efforts in the other remaining two Baltic nations via seeing record growth levels in the acquisition of users and partners, increase in GMV and increase in the portfolio. At the end of Q1, I can proudly report that Latvia and Lithuania are on a clear path to reaching profitability in 2022.

ESTO's platform core is our lending activities. Despite the recent turmoil in Europe, we are proud to report that the payment behaviour of our users has remained sound. In case of the effect of the turmoil in Europe shall be extended to Baltics and have a degree of influence on the payment behaviour in the coming quarters, we are ready. Operational management has been one of the many strengths of ESTO organizations. We are seasoned operators, and our business is protected via strong and established operational processes and teams of internal debt collection, external debt collection and multi-year forward flow agreements in all our operating regions.

In recent years we have expanded the ESTO platform to vastly increase user and partner touchpoints across products and services to fuel the growth of our thousands of retail partners and users. The great thing with the ESTO platform is the fact that we can add many different product verticals without deteriorating from the essential strategical mission. During Q1 of 2022, we were continuously focused on developing our new product verticals focusing on both sides of the network – businesses and people. We are expecting to roll out new features in the coming quarters. In the next quarter, our beloved ESTO will also bear a new and improved design and corporate homepage perfectly fitting our global ambitions.

ESTO was established in early 2017 and we have not been a regular start-up by any means. Even though we have grown like a start-up over the years, then 2022 Q1 was our 13th consecutive profitable quarter. Growing profitably is a conscious decision and in our corporate DNA. Recent market events and the pull-back from the investor community are not a risk for ESTO, because we have been operating with a healthy cash flow and profitable operations for many years. We believe that this is the foundation of separating ESTO from the competition in all markets and making ESTO a "safe haven" for the investor community in the quarters to come.

Mikk Metsa
Founder & CEO

Key consolidated financial figures

Capitalization	2022.03.31	2021.03.31	Δ in %
Gross loan portfolio (in thousands of EUR)	32,434	21,313	52.2%
Net loan portfolio (in thousands of EUR)	31,760	20,964	51.5%
Assets (in thousands of EUR)	34,932	25,431	37.4%
Equity (in thousands of EUR)	4,236	2,357	79.7%
Equity to assets ratio	22%	23%	
Interest coverage ratio	2	2	0
Profitability	2022/3M	2021/3M	Δ in %
Revenue (in thousands of EUR)	3,440	2,533	35.8%
Interest income (in thousands of EUR)	2,432	1,636	48.6%
Net interest margin	6%	5%	
Cost to income ratio	59%	46%	
EBITDA (in thousands of EUR)	700	697	0.4%
Profit margin before tax	19%	27%	
Net profit (in thousands of EUR)	672	673	-0.1%
Return on assets	2%	3%	
Return on equity	16%	29%	
Asset quality	2022.03.31	2021.03.31	Δ in %
Provision cost to loan portfolio	2%	2%	

Financial review

Consolidated Income statement

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

(in thousands of euros)

	2022/3M	2021/3M	Δ in %
Interest income	2,432	1,636	49%
Interest expense	(707)	(563)	26%
Net interest income	1,725	1,074	61%
Fee and commission income	503	495	2%
Fee and commission expense	(53)	(41)	31%
Net fee and commission income	450	454	-1%
Finance income	0.91	0.04	2254%
Other income	505	402	25%
Impairment losses and write off on financial instruments	(874)	(634)	38%
Other operating expenses	(694)	(393)	77%
Personnel expenses	(366)	(202)	81%
Depreciation and amortisation	(40)	(24)	63%
Other expenses	(45)	(3)	1249%
Profit (loss) before income tax	660	673	-2%
Income tax	12	-	
Profit (loss) for the period	672	673	0%

Net interest income

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

(in thousands of euros)

	2022/3M	2021/3M	Δ in %
Interest income			
Loans and advances to customers	2,432	1,636	49%
Total interest income	2,432	1,636	49%
Interest expense			
Other interest expense	(707)	(563)	26%
Total interest expense	(707)	(563)	26%
Net interest income	1,725	1,074	61%

Interest income

Interest income for the reporting period was € 2,43 million, a 49 % increase compared with € 1,63 million for the three months ending 31 March 2021.

Interest expense

Interest expense for the reporting period was € 0,7 million, an increase of 26% compared with € 0,6 million for the three months ending 31 March 2021.

Net fee and commission income

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

(in thousands of euros)

	2022/3M	2021/3M	Δ in %
Service lines			
Income from contract fees on loans	311	107	192%
Income from management fees on loans	105	116	-10%
Other income on loans	87	272	-68%
Total fee and commission income from contracts with customers	503	495	2%
Fee and commission expense	(53)	(41)	31%
Net fee and commission income	450	454	-1%

Fee and commission income

Fee and commission income for the reporting period was € 0,45 million, same as compared to € 0,45 million for the three months ending 31 March 2021.

Other income

Other income for the reporting period was € 0,50 million, a 25 % increase compared with € 0,40 million for the three months ending 31 March 2021. Other income in the company is comprised from the funds received from executing the sale of delinquent debt in the portfolio.

Impairment losses and write off on financial instruments

Impairment losses and write off on financial instruments was at € 0,87 million an increase of 38% when compared with € 0,63 million for the three months ending March 2021, representing strong company risk management performance when compared with the increase of 74% in revenue for the reporting periods.

Consolidated Balance sheet

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

(in thousands of euros)

	31.03.2022	31.12.2021	Δ in %
ASSETS			
Current assets			
Cash and cash equivalents	586	787	-26%
Loans and advances to customers	28,846	27,119	6%
Prepayments	672	756	-11%
Other assets	411	530	-23%
Total current assets	30,515	29,193	5%
Non-current assets			
Loans and advances to customers	3,213	3,097	4%
Property and equipment	96	81	19%
Intangible assets	1,022	929	10%
Other assets	85	74	16%
Total non-current assets	4,417	4,180	6%
TOTAL ASSETS	34,932	33,373	5%
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Loans and borrowings	6,319	7,768	-19%
Trade payables and other payables	928	740	25%
Tax liabilities	48	75	-36%
Total current liabilities	7,296	8,583	-15%
Non-current liabilities			
Loans and borrowings	23,400	21,226	10%
Total non-current liabilities	23,400	21,226	10%
Total liabilities	30,696	29,809	3%

	31.03.2022	31.12.2021	Δ in %
Equity			
Share capital	484	484	
Share premium	155	155	
Statutory reserve capital	11	11	
Other reserves			
Retained earnings	2,914	171	
Total profit (loss) for the financial year	672	2,743	
Total equity	4,236	3,564	19%
TOTAL LIABILITIES AND EQUITY	34,932	33,373	

Assets

The Group had total assets of € 34,9 million as of 31 March 2022, compared with € 33,3 million as of 31 December 2021. The main change during the period was the increase of the loan portfolio linked to the strong operations of the group companies.

Loan portfolio

Loans and advances to customer net of impairment loss allowance as of 31 March 2022 was € 31,76 million and increased by 6% 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 € 24,9 million as of 31 March 2022, compared with € 33,3 million as of 31 December 2021, representing an increase of € 0,88 million. Liabilities increased in line with group portfolio growth and used to fund new issuance.

Loans and borrowings

As of 31 March 2022, the Group had loans and borrowings of 29,72 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 31 March 2022 and 97% of total liabilities as of 31 December 2021.

Equity

As of 31 March 2022, the Group's total equity amounted to € 4,24 million, compared with € 3,56 million as of 31 December 2021, representing an increase of € 0,67 million or 19%.

Consolidated Statement of cash flows

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

(in thousands of euros)	2022/3M	2021/3M
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss)	672	673
Adjustments for:	(240)	(486)
- Interest income	(118)	(33)
- Interest expense	41	(16)
- Net impairment loss on loans and advances	72	(55)
- Net loss arising from derecognition of financial assets measured at amortised cost	(298)	(287)
- Depreciation and amortisation	(8)	(44)
- Other adjustments	72	(52)
Total adjustments	433	187
Changes in:		
- Trade and other receivables	4	(724)
- Trade and other payables	161	654
- Loans and advances to customers	(1,383)	(1,373)
Total changes	(1,218)	(1,444)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	(786)	(1,257)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(12)	(1)
Acquisition of intangible assets	(88)	(95)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	(100)	(95)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	4,122	6,091
Repayment of borrowings	(3,437)	(4,301)

	2022/3M	2021/3M
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	685	1,789
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(201)	437
Cash and cash equivalents at beginning of period	787	1,801
Cash and cash equivalents at end of period	586	2,238

Net cash flows used in operating activities in the reporting period were € 790 thousand. Net cash flows used in investing activities were € 100 thousand in the reporting period. The Group's cash flows from financing activities were € 685 thousand.

Consolidated Statement of changes in equity

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

(in thousands of euros)	Share capital	Share premium	Statutory reserve capital	Other reserves	Retained earnings	Total equity
Balance at 31.12.2020	484	155	11	-	2,914	3,564
Total profit and other comprehensive income for the period					3,586	3,586
Profit for the period					672	672
Transactions with owners of the Company Contributions and distributions	-	-	-	-	-	-
Balance at 31.12.2021	484	155	11	-	3,586	4,236

Group profit for the reporting period was € 672 thousand and increased the total equity to € 4,24 million as at 31.03.2022.

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 / gross profit.

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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