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ESTO GROUP

Unaudited Financial Results 2021Q4

Financial Highlights

Total revenue increased to € 11,86 million, a 57% increase compared with € 7,55 million as of 31 December 2020.

EBITDA for the period was at € 5,77 million, a 71% increase compared with € 3,36 million as of 31 December 2020.

Net profit increased to € 2,74 million 91% increase compared with € 1,43 million as of 31 December 2020

Net Profit margin increased to 24% in 2021 from 19% for the twelve months ending 31 December 2020.

Company funding sources diversified by the issuance of the first group level bond and cooperation signed with a strong Baltic bank.

Company has shown strong performance and increase on all indicators during the financial year and continues on the same trend further.

Fundamental profitability indicators shows strong Group performance: interest expense to income ratio being 23.9%; net impairment to income ratio 9.8% as of 31 December 2021. Both ratios decreased in 2021 comparing to interest expense to income ratio being 24.3% and net impairment to income ratio being 15.3% as of 31 December 2020

Company has strong asset quality indicator determined by provision cost to loan portfolio ratio of 1% as of December 2021.

Key consolidated financial figures

Capitalization	2021.12.31	2020.12.31	Δ in %
Gross loan portfolio (in thousands of EUR)	30,818	19,476	58.2%
Net loan portfolio (in thousands of EUR)	30,215	19,071	58.4%
Assets (in thousands of EUR)	33,373	22,309	49.6%
Equity (in thousands of EUR)	3,564	1,681	112.0%
Equity to assets ratio	21%	23%	
Interest coverage ratio	2	2	
Profitability	2021	2020	Δ in %
Revenue (in thousands of EUR)	11,860	7,550	57.1%
Interest income (in thousands of EUR)	7,968	4,883	63.2%
Net interest margin	29%	27%	
Cost to income ratio	52%	49%	
EBITDA (in thousands of EUR)	5,768	3,365	71.4%
Profit margin before tax	24%	19%	
Net profit (in thousands of EUR)	2,743	1,433	91.4%
Return on assets	8%	6%	
Return on equity	77%	85%	
Asset quality	2021.12.31	2020.12.31	Δ in %
Provision cost to loan portfolio	1%	1%	

Financial review

Consolidated Income statement

The table below sets out the condensed consolidated statement of profit or loss for the twelve months ending 31 December 2021 and 31 December 2020 in thousands of euros.

(in thousands of euros)

	2021	2020	Δ in %
Interest income	7,968	4,883	63%
Interest expense	(2,830)	(1,832)	54%
Net interest income	5,138	3,050	68%
Fee and commission income	2,321	1,438	61%
Fee and commission expense	(696)	(462)	51%
Net fee and commission income	1,625	976	66%
Finance costs	-	(30)	-100%
Net loss arising from derecognition of financial assets measured at amortised cost	(968)	(945)	2%
Impairment losses on financial instruments	(199)	(213)	-7%
Other operating expenses	(1,631)	(824)	98%
Personnel expenses	(878)	(453)	94%
Depreciation and amortisation	(48)	(68)	-29%
Other expenses	(150)	(28)	436%
Profit (loss) before income tax	2,890	1,465	97%
Income tax	(147)	(33)	345%
Profit (loss) for the period	2,743	1,433	91%

Net interest income

The table below shows detailed information of net interest income for twelve months ending 31 December 2021 and 31 December 2020 in thousands of euros.

(in thousands of euros)

	2021	2020	Δ in %
Interest income			
Loans and advances to customers	7,968	4,883	63%
Total interest income	7,968	4,883	63%
Interest expense			
Other interest expense	(2,830)	(1,832)	54%
Total interest expense	(2,830)	(1,832)	54%
Net interest income	5,138	3,050	68%

Interest income

Interest income for the Period was € 7,97 million, a 63 % increase compared with € 4,88 million for the twelve months ending 31 December 2020.

Interest expense

Interest expense for the Period was € 2,83 million, an increase of 54% compared with € 1,83 million for the twelve months ending 31 December 2020.

Net fee and commission income

The table below shows detailed information of net fee and commission income for twelve months ending 31 December 2021 and 31 December 2020 in thousands of euros.

(in thousands of euros)

	2021	2020	Δ in %
Service lines			
Income from contract fees on loans	315	317	-1%
Income from management fees on loans	483	361	34%
Other income on loans	1,523	760	100%
Total fee and commission income from contracts with customers	2,321	1,438	61%
Fee and commission expense	(696)	(462)	51%
Net fee and commission income	1,625	976	66%

Fee and commission income

Fee and commission income for the Period was € 2,32 million, an 61 % increase compared with € 1,44 million for the twelve months ending 31 December 2020.

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 the funds received from executing the sale of delinquent debt in the portfolio and sold portfolio write off. Funds received for the reporting period was € 1,57 million, a 28 % increase compared with € 1,23 million for the twelve months ending 31 December 2020.

Impairment losses on financial instruments

Impairment losses and write off on financial instruments was at € 199 thousand, a decrease of 7% when compared with € 213 thousand for the twelve month ending December 2020, representing strong company risk management performance when compared with the increase of 57% in Revenue during the year.

Consolidated Balance sheet

The table below sets out the condensed consolidated statement of financial position for the twelve months ending 31 December 2021 and 31 December 2020 in thousands of euros.

(in thousands of euros)

	31.12.2021	31.12.2020	Δ in %
ASSETS			
Current assets			
Cash and cash equivalents	787	1,801	-56%
Loans and advances to customers	27,119	16,523	64%
Prepayments	756	420	80%
Other assets	530	433	22%
Total current assets	29,193	19,177	52%
Non-current assets			
Loans and advances to customers	3,097	2,548	22%
Property and equipment	81	36	125%
Intangible assets	929	525	77%
Other assets	74	23	222%
Total non-current assets	4,180	3,133	33%
TOTAL ASSETS	33,373	22,309	50%
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Loans and borrowings	7,768	5,807	34%
Trade payables and other payables	740	460	61%
Tax liabilities	75	59	27%
Total current liabilities	8,583	6,327	36%
Non-current liabilities			
Loans and borrowings	21,226	14,301	48%
Total non-current liabilities	21,226	14,301	48%
TOTAL LIABILITIES	29,809	20,628	45%
Equity			

	31.12.2021	31.12.2020	Δ in %
Share capital	484	105	
Share premium	155	155	
Statutory reserve capital	11	11	
Retained earnings	171		
Total profit (loss) for the financial year	2,743	(22)	
Total equity	3,564	1,681	112%
TOTAL EQUITY AND LIABILITIES	33,373	22,309	50%

Assets

The group had total assets of € 33,37 million as of 31 December 2021, compared with € 22,30 million as of 31 December 2020. The main change during the period was the increase of the loan portfolio linked to the strong operations of the company.

Loan portfolio

Loans and advances to customer net of impairment loss allowance as of 31 December 2021 was € 30,82 million and increased by 58 % compared to 31 December 2020 where Loans and advance to customer net impairment loss allowance was € 19,48 million.

Liabilities

The Group had total liabilities € 29,81 million as of 31 December 2021, compared with € 20,63 million as of 31 December 2020, representing an increase of € 9,18 million. Liabilities increase in line with group portfolio growth and used to fund new issuance.

Loans and borrowings

As of 31 December 2021, the Group had loans and borrowings of € 28,99 million, compared with € 20,11 million as of 31 December 2020. The Group's loans and borrowings accounted for 97% of total liabilities as of 31 December 2021 and 97% of total liabilities as of 31 December 2020.

Equity

As of 31 December 2021, the Group's total equity amounted to € 3,57 million, compared with € 1,68 million as of 31 December 2020, representing an increase of € 1,88 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 2021 and 31 December 2020 in thousands of euros.

(in thousands of euros)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss)	2,743	1,433
Adjustments for:	(1,496)	223
– Interest income	(400)	(473)
– Interest expense	(80)	169
– Net impairment loss on loans and advances	199	404
– Net loss arising from derecognition of financial assets measured at amortised cost	(968)	(945)
– Depreciation and amortisation	(20)	68
– Other adjustments	(228)	1,000
Total adjustments	1,247	1,656
Changes in:		
– Trade and other receivables	(1,213)	(3,642)
– Trade and other payables	276	539
– Loans and advances to customers	(9,428)	(15,508)
Total changes	(10,364)	(18,611)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	(9,118)	(16,955)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(68)	(49)
Acquisition of intangible assets	(361)	(580)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	(428)	(629)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	37,597	37,942
Repayment of borrowings	(28,632)	(18,003)
Paid in share capital	(433)	(553)

	2021	2020
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	8,532	19,386
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,014)	1,801
Cash and cash equivalents at beginning of period	1,801	-
Cash and cash equivalents at end of period	787	1,801

Net cash flows used operating activities in the period were € 9,118 million. Net cash flows used in investing activities were € 0,43 million in the reporting period. The Group's cash flows used in financing activities were € 8,532 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 2020 in thousands of euros.

(in thousands of euros)

	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total equity
Balance at 31.12.2020	105	155	11	1,031	1,302
Balance at 1 January 2021	105	155	11	1,031	1,302
Total comprehensive income for the period	-	-	-	2,695	2,695
Profit for the period	-	-	-	2,743	2,743
Transactions with owners of the Company Contributions and distributions					
Acquired share capital	379				379
Dividends				(812)	(812)
Total contributions and distributions	379	-	-	(812)	(433)
Balance at 31.12.2021	484	155	11	2,914	3,564

Share capital increase attributed to outstanding annual performance and increase in retained earnings of € 2,74 million. During the year dividend in the amount of € 0,81 million has been distributed to company shareholders and share capital for the amount of € 0,38 were acquired.

Additional key performance indicators

Profitability	2021	2020	Δ in %
Return on average assets	9.9%	8.1%	1.8%
Return on average equity	104.6%	134.0%	-29.5%
Income/Average gross loan portfolio	47.2%	47.4%	-0.2%
Income/Average net loan portfolio	48.1%	48.3%	-0.2%
Interest expense/Income	23.9%	24.3%	-0.4%
Net impairment/income	9.8%	15.3%	-5.5%
Net fee and commission income/Total operating income	52.6%	62.5%	-9.9%
Earnings before taxes/Average total assets	10.4%	8.3%	2.1%
Efficiency			
Total operating income/ Average total assets	11.1%	8.8%	2.3%
Net income (Loss)/Total operating income	88.8%	91.8%	-3.0%
Profit before tax (Loss)/Interest income	36.3%	30.0%	6.3%
Liquidity			
Net loan receivables/Total assets	90.5%	85.5%	5.1%
Average net loan receivables/Average total assets	88.5%	88.1%	0.4%
Net loan receivables/Total liabilities	101%	92%	8.9%
Net Loan Receivables/Equity (times)	8.48	11.35	

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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