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Ferratum Oyj: Ferratum Group reports strong H1 revenues, profit growth and progress on all fronts

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Interim Report January - June 2017

Ferratum Group reports strong H1 revenues, profit growth and progress on all fronts

Helsinki, 17 August 2017 - Ferratum Oyj (ISIN: FI4000106299, WKN: A1W9NS) ("Ferratum" or the "Group") announces preliminary unaudited results for the 6 months ended 30 June 2017 ("H1 2017").

Financial Highlights

- Revenue of EUR 103.7 million - up 47.3% year-on-year

- Operating profit (EBIT) of EUR 14.9 million - up 48.3% year-on-year
- EBIT margin of 14.4%
- Profit before tax (EBT) of EUR 11.8 million - up 67.7% year-on-year
- EPS (basic and diluted) increased 62.8% to EUR 0.46 per share
- Maturing EUR 20 million Ferratum Bank p.l.c. bond repaid in Q1 with proceeds from EUR 25 million senior unsecured bond issued in December 2016
- Successful tap issue of EUR 15 million by Ferratum Bank p.l.c. in June 2017
- Net financing costs are stable at EUR 3.2 million (H1 2016: EUR 3.1 million), benefiting from FX gains in H1 2017 vs FX losses in H1 2016
- Net book value of loan portfolio grew by 64% year-on-year to EUR 225 million (H1 2016: EUR 137 million)
- Deposits from customers increased to EUR 121.2 million (H1 2016: EUR 32.9 million)
- Active/former customer base increased by 337,000 to 1.73 million - up 24% year-on-year

Product developments in H1 2017

- Launch of Primeloan in Finland
- Ferratum entered the strategically important consumer lending market in Brazil with Credit Limit
- Ferratum Business introduced SME Loans in the United Kingdom
- Ferratum Mobile Bank rolled out to France and Spain, two of Europe's largest retail banking markets

Key Figures

<i>EUR '000</i>	6 months ended 30 June		
	2017	2016	% change
<i>Revenue</i>	103,730	70,428	+47.3%
<i>Operating profit (EBIT)</i>	14,942	10,075	+48.3%
<i>Profit before tax</i>	11,763	7,014	+67.7%
<i>Profit before tax %</i>	11.3%	10.0%	+13.9%
<i>Net cash flows from operating activities before movements in portfolio and deposits received</i>	51,605	32,009	
<i>Net cash flows from operating activities</i>	(5,165)	8,826*	
<i>Net cash flows from investing activities</i>	(4,164)	(4,229)	
<i>Net cash flows from financing activities</i>	14,653	18,439*	

<i>Net increase/decrease in cash and cash equivalents</i>	5,323	23,036	
<i>Earnings per share, basic (EUR)</i>	0.46	0.29	+62.8%
<i>Earnings per share, diluted (EUR)</i>	0.46	0.29	+62.8%

** restated: the amount of increase / decrease in interests accrued was taken out and included in the net cash flows from operating activities (after movements in loan portfolio)*

EUR '000	30 June 2017	31 Dec 2016	% change
<i>Accounts receivable - consumer loans (net)</i>	224,939	184,346	+22.0%
<i>Deposits from customers</i>	121,157	101,436	+19.4%
<i>Cash and cash equivalents</i>	79,397	73,059	+8.7%
<i>Total assets</i>	344,816	295,683	+16.6%
<i>Non-current liabilities</i>	88,917	72,246	+23.1%
<i>Current liabilities</i>	160,224	135,563	+18.2%
<i>Equity</i>	95,675	87,875	+8.9%
<i>Equity ratio %</i>	27.7	29.7	
<i>Net debt to equity ratio</i>	1.77	1.53	

Key Developments and Progress

The first six months of 2017 have seen Ferratum build on the momentum and performance that the Group delivered in 2016. Group revenues was up 47.3% year-on-year to EUR 103.7 million. Ferratum's premium, higher margin products such as PlusLoan and Credit Limit represent an increasing proportion of Group revenues, together accounting for 73.4% of Group revenue for H1 2017 (H1 2016: 67.2%) a validation of the Group's strategy of using Microloans as a 'beachhead' to understand customer behaviour and needs before launching higher margin products as Ferratum's brand and reputation becomes established in each market.

Lending to SMEs continues to show rapid growth, with Ferratum Business volumes increasing by 320% year-on-year to EUR 5.5 million for H1 2017. The number of active and former customers increased by 24.2% year-on-year to 1.73 million as of 30 June 2017.

Operating profit (EBIT) grew in line with revenues increasing by 48.3% year-on-year to EUR 14.9 million. The foreign exchange gain of EUR 842,000 in Q1 2017 was partly offset by a currency loss of EUR 473,000 in Q2 2017 resulting in a H1 2017 net gain of EUR 369,000. This meant that profit before tax (EBT) for H1 2017 continued to grow by more than EBIT for the period.

Although credit losses as a proportion of revenue increased slightly over the period (H1 2017: 34.6% of revenue vs. H1 2016: 31.8%, ie. up by 2.8%), changes in the acquisition and upsell strategy for customers has had a positive impact in reducing marketing costs as a proportion of revenues (H1 2017: 15.3% of revenue vs. H1 2016: 19.1%, ie. down by 3.8%).

Product and country launches

Ferratum launched a new loan product, 'Primeloan' and expanded in some strategically important new markets with existing products during H1 2017.

Primeloan, launched in May 2017 in Finland, is an unsecured personal loan with amounts of EUR 3,000 to EUR 20,000 and lending terms of 1 to 10 years. The product uses a new risk model which links pricing to the risk profile of the customer.

In Brazil, Ferratum entered the consumer lending market in May 2017. Ferratum has established a subsidiary in São Paulo, which initially focuses on Credit Limit, the flexible revolving credit product that Ferratum already offers in 10 markets internationally. Credit Limit in Brazil is available in credit limits up to BRL 3,000 (EUR 850) for consumers.

Ferratum Business was introduced in the UK in June 2017. Ferratum Business provides fast, easy working capital loans of up to £50,000 to small and medium sized enterprises ("SMEs") in the UK for periods of between 6 and 12 months.

In June 2017, the Mobile Bank was launched in France and Spain, two of Europe's largest retail banking markets. The introduction of Ferratum's Mobile Bank in these two important markets brings the total number of countries where the Mobile Bank is currently available to five, following its launch in Germany, Sweden and Norway in 2016. As of 30 June 2017, customer deposits have reached EUR 121.2 million.

Operational developments

In order to maintain profitable growth as Ferratum continues to innovate its product range and enter new markets, the Group has undertaken a number of restructuring initiatives to ensure that the Group's management structure, IT infrastructure, customer systems and processes remain resilient and scalable for international growth.

Accordingly, Ferratum has taken steps to standardize and centralize its customer service, collection and back office functions. The functions for 14 countries have already been centralized in our Malta operations, where Ferratum Bank p.l.c. holds its banking license, and most of the 10 remaining countries of operation will follow by the end of 2017. The centralization programme covers both mobile banking and traditional lending customer services and yields a range of group-wide cost and efficiency benefits, such as the streamlining of resources, harmonization and standardization of processes, adoption of common key performance indicators across regions and cost reductions that avoid the duplication of country practices.

The centralization programme is a key strategic initiative intended to protect and improve customer satisfaction throughout our network by delivering the same high standards of service and response, wherever and whenever our customers are using Ferratum's products.

Treasury update

Net receivables from customers grew by 22.0 % to EUR 224.9 from EUR 184.3 million at the year end 2016. The loan coverage ratio decreased from 25.4% as of 31 December 2016 to 24.8% as of 30 June 2017 reflecting a decreasing share of non performing loans and a better portfolio quality.

Ferratum ended the reporting period with a strong cash position of EUR 79.4 million (30 June 2016: EUR 73.1 million).

During the first half of 2017, the EUR 20 million bond for Ferratum Bank p.l.c. was repaid with the proceeds of EUR 25 million from the issue of senior unsecured bonds due March 2020 [WKN: A189MG] in December 2016. In June 2017 Ferratum Bank p.l.c. successfully concluded a tap issue of EUR 15 million of the same bonds [WKN: A189MG] within the facility of an existing EUR 60 million bond issuance programme.

The net proceeds from the tap issue are intended to be used for the general corporate purposes of Ferratum Bank p.l.c.

By offering deposit products in Germany, France, Spain, Sweden and Norway, Ferratum is diversifying its funding base. In the first half of 2017, the deposit volume increased to EUR 121.2 million (31 December 2016: EUR 101.4 million). Besides the strong cash position, the Group had unused credit lines amounting to EUR 15 million as at 30 June 2017.

Ferratum's group rating of BBB+ was confirmed by Creditreform AG during March 2017 in its regular annual review. Bonds issued in 2013 by Ferratum Capital Germany GmbH are rated BBB+.

2017 Outlook

The Board of Directors of Ferratum Oyj reaffirms that revenues for the fiscal year 2017 are expected to range between EUR 200 million and EUR 225 million. The operating profitability margin (EBIT margin) is expected to range between 13% and 16%.

Ferratum Oyj bases this guidance on certain assumptions, including:

- Consumer credit volumes continue to grow, exceeding the market average, based on new customers, continued diversification of consumer lending products and growth in new markets.
- Ferratum Business (SME) lending continues to gain market share in its existing markets of operation. Ferratum plans to introduce the product in additional markets during 2017, and met this objective in H1 2017 by introducing SME lending in the UK.
- The Ferratum Mobile Bank is rolled out in additional countries and generates new customers, retains customer loyalty, stimulates cross selling, increases deposit volume and diversifies deposit currencies. Ferratum met this objective during H1 2017 by launching the Mobile Bank in France and Spain.
- There are no material negative changes in the consumer and business credit markets of relevance to Ferratum.
- Stable capital market conditions.
- There are no unexpected significant new regulatory challenges or changes.

About Ferratum Group:

Ferratum is an international provider of consumer and small business loans, distributed and managed by mobile devices. Founded in 2005 and headquartered in Helsinki, Finland, Ferratum is a pioneer in the fields of financial technology and mobile lending and has expanded rapidly to operate in 24 countries (as at 17 August 2017). Ferratum's customers utilize digital media to apply for consumer credit in amounts varying between EUR 25 and EUR 20,000 and small businesses instalment loans up to EUR 100,000 with a term of six to twelve months. Led by its founder, Jorma Jokela, Ferratum has more than 1.7 million active and former customers who have been granted one or more loans in the past (as at 30 June 2017).

Ferratum Group is listed on the Prime Standard of Frankfurt Stock Exchange under symbol 'FRU.' For more information, visit www.ferratumgroup.com.

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