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Ferratum Oyj: Ferratum Group publishes preliminary unaudited full-year results for 2018, and 2019 EBIT guidance

DGAP-News: Ferratum Oyj / Key word(s): Preliminary Results/Forecast

14.03.2019 / 08:24

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Ferratum Group publishes preliminary unaudited full-year results for 2018, and 2019 EBIT guidance

Helsinki, 14 March 2019 - Ferratum Oyj (ISIN: FI4000106299, WKN: A1W9NS) ("Ferratum" or the "Group") announces preliminary unaudited results for the 12 months ended 31 December 2018 ("FY 2018").

Financial Highlights

- Record FY 2018 revenue of EUR 262.2 million - up 18.3% year-on-year
- Record Q4 2018 revenue of EUR 72.0 million - up 18.7% year-on-year
- Record FY 2018 operating profit (EBIT) of EUR 37.8 million (margin 14.4%) - up 18.7% year-on-year
- Profit before tax (EBT) of EUR 22.3 million - down 3.9% year-on-year due to higher financing costs and FX losses of EUR 2.8 million
- Diluted EPS unchanged year-on-year at EUR 0.89 per share
- Group remains well-funded with liquidity of EUR 115.6 million in cash as at 31 December 2018

Operational Highlights

- Gross book value of loan portfolio increased 39.1% to 467.8 million (31 December 2017: EUR 336.2 million)
- Net book value of loan portfolio up 35.5% to EUR 320.5 million (1 January 2018: EUR 236.5 million)
- Loan coverage ratio increased to 31.5% (1 January 2018: 29.3%)
- Customer deposits stable with FY 2018 EUR 183.4 million (31 December 2017: EUR 174.3 million)

2019 Outlook

- For the fiscal year 2019 the Board estimates that operating profit (EBIT) will exceed EUR 45 million

	3 months ended		12 months ended	
	31 December		31 December	
<i>Key Figures, EUR '000</i>	2018	2017	2018	2017
<i>Revenue</i>	71,953	60,632	262,148	221,638
<i>Operating profit (EBIT)</i>	12,371	8,027	37,799	31,838
<i>Profit before tax</i>	8,628	5,669	22,333	23,244
<i>Profit before tax %</i>	12.0%	9.3%	8.5%	10.5%
<i>Earnings per share, basic (EUR)</i>	0.35	0.24	0.89	0.93
<i>Earnings per share, diluted (EUR)</i>	0.35	0.24	0.89	0.92

2018 financial performance in-line with the guidance provided in Q2 2018

Ferratum Group delivered further growth in 2018, building on the record performance of 2017 while implementing a number of important operational improvements and structural changes to ensure that the Group is well positioned to deliver continued revenue growth and improved Group performance in 2019 and beyond.

Operating profit (EBIT) for 2018 increased by 18.7% year-on-year to EUR 37.8 million. The EBIT margin stood at 14.4% (2017:14.4%) and was within the 2018 guidance range of 13%-16%.

Profit before income tax reduced from EUR 23.2 million in 2017 to EUR 22.3 million in 2018 due to higher financing costs and primarily impacted by foreign exchange losses of EUR 2.8 million. Foreign exchange risk, mainly arising from

fluctuations of the Polish Zloty, Swedish Krona and Czech Koruna against the euro, has been partially managed by using derivative instruments.

Group revenues increased by 18.3% to EUR 262.2 million (2018 guidance range EUR 260m - EUR 265m), with Ferratum's premium, higher value products such as Credit Limit and PlusLoan together representing 76% of this result. Microloan revenues of EUR 41.7 million continued to represent a diminishing proportion of Group turnover, being 5 percentage points lower than Microloan revenue for 2017. The ongoing decline is reflective of the Group's successful strategy of positioning Microloan as an initial 'beachhead' to understand customer behaviour, then prioritising longer term lending products for growth as Ferratum's brand becomes more established in each country.

Business lending to small and medium-sized enterprises (SMEs) is becoming an increasingly material customer segment for the Group, generating EUR 21.0 million of revenue in 2018, a 60% increase on SME revenues for 2017.

Q4 2018 revenue growth rates demonstrate that the adjusted credit scoring processes in the second half of 2018 have improved approval rates and, as a result, Group revenue growth has recovered over the course of the year. In most markets, loan approval rates have now recovered, with revenue growth for Q4 vs Q3 2018 in Credit Limit and PlusLoan of 9.6% and 14.8% respectively. In Q4 2018, combined revenues for Credit Limit and PlusLoan were up by 24% year-on-year to EUR 55.7 million, representing 77.4% of Group revenues.

Dr. Clemens Krause commented: "I consider our 2018 risk management challenges to be resolved and we expect to achieve new standards of quality in our risk management in the future."

Revisions to IFRS 9 reserve calculations

During the 2018 annual closing, the Group carried out a full review of the implemented credit loss provisioning model and came to the conclusion that the model has to be enhanced to be more accurate in the following aspects:

1. The parameters of default definition has been tightened from 91 to 61 days past due date for Prime Loans, SME Loans and PlusLoans, therefore aligning with the parameters set for Credit Limit.
2. Data extraction, discounting and mathematical modelling for Credit Limit, Primeloan, SME loans and Plus Loans has been corrected for accuracy.

The restated credit loss provisions increase the one-off accounting adjustment of the credit loss provisions from EUR 9.3 million by EUR 11.6 million to EUR 20.9 million. The overall impact of the IFRS 9 adoption on equity is lower than the increased risk provision, as it is offset by the deferred taxes reflecting the timing difference of these reserve changes on profitability. After deducting deferred tax effects of EUR 5.8 million an adjustment of EUR 15.1 million is to be debited directly to the equity of the Group as per 1 January 2018 instead of the previously reported EUR 7.6 million.

Following these adjustments to the risk provisioning model, each of the interim reports published for 2018 are restated for the application of IFRS 9 and published in a separate release which can be found on the Group website:

<https://www.ferratumgroup.com/investors/results-reports-and-publications/2018> .

2019 Outlook

In 2019, Ferratum Oyj will continue to focus on operational leverage and expanding its portfolio into higher value products in its core lending business to maintain profitable growth.

Accordingly, for the fiscal year 2019 the Board estimates that operating profit (EBIT) will exceed EUR 45 million.

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
- Stable capital market conditions
- No unexpected significant new regulatory challenges or changes

Subsequent events after period end

In January 2019, Outi Ellilä, Head of Marketing and Customer Experience and a member of the Leadership Team of Ferratum Group, decided to leave Ferratum to pursue other opportunities. Outi's responsibilities have been taken over by Saku Timonen, Chief Commercial Officer, on an interim basis. Aksels Neilands, Lead Generation Team Leader, is now acting as

Deputy Head of Marketing and Customer Experience, at an operational level and working closely together with Saku Timonen.

In February 2019, Jussi Mekkonen stepped down as CEO of Ferratum Bank p.l.c. and left the Group. Antti Kumpulainen, an existing member of the Leadership Team of Ferratum Group, has been appointed Deputy CEO of Ferratum Bank p.l.c. with effect from 1 March 2019 and will work in close cooperation with Charles Borg, Chairman of Ferratum Bank p.l.c. Antti joined Ferratum in 2016 and is both the Group's Business Unit Director, Instalment Loans and Chief Commercial Officer for Ferratum Bank p.l.c. He will also continue with these responsibilities. The search for a new Ferratum Bank CEO is already under way.

On 13 March, Ferratum Oyj announced that Fitch Ratings ("Fitch") has assigned the Group a Long-Term Issuer Default Rating of 'BB-/Outlook Stable (the "Rating"). The Rating is assigned at holding company level on the basis of Ferratum's consolidated financial statements, which include Ferratum Bank p.l.c. In view of this and with Ferratum being majority owned by Jorma Jokela, Group founder and CEO, no institutional support was factored into the Rating. Consequently, the Rating is based on Fitch's standalone assessment of the Group.

About Ferratum Group:

Ferratum Group is an international provider of mobile banking and digital consumer and small business loans, distributed and managed by mobile devices. Founded in 2005 and headquartered in Helsinki, Finland, Ferratum has expanded rapidly to operate in 25 countries across Europe, Africa, South and North America and the Asia-Pacific region.

As a pioneer in digital and mobile financial services technology, Ferratum is at the forefront of the digital banking revolution. Ferratum's mobile bank, launched in 2016, is an innovative mobile banking platform offering a range of banking services, including real time digital payments and transfers, within a single app. It is currently available in five European markets. Ferratum has approximately 2.0 million active and former customers who have an account or have been granted one or more loans in the past (as at 31 December 2018), of which over 792,000 customers have an open Mobile Bank account or an active loan balance in the last 12 months.

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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Listed:	Regulated Market in Frankfurt (Prime Standard); Regulated Unofficial Market in Berlin, Dusseldorf, Hamburg, Hanover, Munich, Stuttgart, Tradegate Exchange

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