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## Ferratum Group publishes preliminary unaudited full-year results for 2020

Helsinki, 11 March 2021 - Ferratum Oyj (ISIN: FI4000106299, WKN: A1W9NS) ("Ferratum" or the "Group") announces preliminary unaudited results for the 12 months ended 31 December 2020.

[Financial Highlights](#)

- Stricter scoring and reduced lending resulted in a year on year revenue decrease of 21.7%

- Cost base decreased year on year by 23.1%

- Positive full year EBIT and EBT maintained

### Operational Highlights

- Investments in core products such as SME lending and Primelending

Key Figures, EUR million	3 months ended		12 months ended	
	31 December		31 December	
	2020	2019	2020	2019
Revenue	52.9	75.0	229.6	293.1
Operating profit (EBIT)	3.7	12.0	23.0	45.5
Profit before tax	-0.3	7.8	1.8	27.5
Profit before tax %	-0.5%	10.5%	0.8%	9.4%
Earnings per share, basic (EUR)	-0.00	0.32	0.02	1.10
Earnings per share, diluted (EUR)	-0.00	0.32	0.02	1.10

### A resilient and flexible business model resulted in a solid performance in a year hit by the COVID-19 pandemic

The year 2020 was highly characterised by the impact of the COVID-19 pandemic which also affected Ferratum's business activities. In a year unlike any other during the past century, Ferratum's business model showed its resilience and flexibility: Ferratum managed to protect its business model as well as to successfully reduce its cost base and navigate through the year with a substantial reduction in both operating expenses and risk appetite. These reductions helped contribute to a solid business performance in the business year 2020.

The Group's revenues totalled EUR 229.6 million, a decrease of 21.7% compared to 2019 (EUR 293.1 million). The decrease in revenues was a result of stricter scoring measures and reduced lending volumes, a strategic decision made by management due to the challenges caused by the pandemic. In addition, revenues were further reduced by the reduction in the number of countries in which the Group operates. Prior to the COVID-19 pandemic, Ferratum had initiated actions to streamline the number of countries in which it operates. This resulted in the suspension of lending in Canada, New Zealand, Poland, Russia and Spain in 2020.

### Focus on cost cutting measures resulted in substantial cost reductions

In 2019, Ferratum's management initially introduced measures to reduce the Group's overall cost base. In 2020, cost reductions became one of the Group's key priorities as a reaction to the negative impact of the COVID-19 pandemic. Overall, the Group succeeded in cutting its cost base (excluding impairments) year on year by 23.1% to EUR 100.8 million (2019: EUR 131.2 million). The Group's management implemented strict cost cutting measures and managed to decrease personnel expenses by -22.7% to EUR 33.9 million (2019: EUR 43.9 million). In addition, marketing expenses were reduced by -40.6% to EUR 23.1 million (2019: EUR 38.8 million). It should be emphasised that marketing expenses may increase again at the time when Ferratum increases its risk appetite and lending volume.

Along with significant cost reductions, impairments on loan declined by 12.3% to EUR 92.9 million (2019: EUR 105.7 million), driven by the Group's cautious loan provisioning and conservative risk appetite.

Thus, in 2020, the Group was able to maintain a positive EBIT of EUR 23.0 million (2019: EUR 45.5 million). The decline in EBIT, in comparison to 2019, was a result of three main factors:

1. The management decision, which had been made prior to the outbreak of the COVID-19 pandemic, to suspend lending in selected markets.
2. A pandemic-related decrease in revenues as a result of stricter scoring and subsequently reduced loan disbursement volumes.
3. Impairment charges, especially during Q1 2020, when a pandemic-related impairment charge of EUR 7.8 million was made due to the deteriorating macroeconomic forecast.

In 2020, EBT stood at EUR 1.8 million (2019: EUR 27.5 million).

### **Continued strong balance sheet**

At the end of 2020, Total Assets stood at EUR 674.2 million and were 8.9% or EUR 55.4 million higher compared to the corresponding figure the year before (2019: EUR 618.8 million). Non-current Assets remained almost stable at EUR 59.1 million (2019: EUR 60.5 million) and reflected 9.0% of Total Assets.

### **Substantial increase of Cash and Cash Equivalents in 2020**

As of December 31, 2020, Current Assets increased by 10.2% or EUR 56.8 million to EUR 615.1 million (2019: EUR 558.3 million) and represented 91.0% of Total Assets. The major drivers were Cash and Cash Equivalents and Loans and Advances to Customers.

Given the uncertainties initiated by the COVID-19 pandemic, liquidity management had a high priority for the Group throughout 2020. Ferratum managed to increase Cash and Cash Equivalents by 52.0% to EUR 236.6 million (2019: EUR 155.5 million) which reflected 35.1% of Total Assets.

Loans and Advances to Customers decreased by -6.5% or EUR 25.2 million to 361.0 million by the end of 2020 (2019: EUR 386.2 million). The decrease reflects Ferratum's conservative loan provisioning strategy and reduced risk appetite, triggered by the uncertainties related to COVID-19.

### **Equity-ratio remained strong at 18.5%**

Total Equity remained strong at EUR 124.7 million as of December 31, 2020 (2019: EUR 129.1 million) and the figure corresponds to an equity-ratio of 18.5% (2019: 20.9%).

Total non-current Liabilities increased from EUR 174.2 million at the end of 2019 to EUR 243.0 million at the end of 2020, reflecting 36.0% of Total Equity and Liabilities. The increase is mainly related to amounts owed to customers which were up by EUR 63.7 million in 2020. The position reflects customer deposits with a term longer than 12 months.

At the end of the business year 2020, Borrowings stood at EUR 177.0 million (2019: EUR 169.2 million). Long-term Borrowings include two bonds with a total net volume of EUR 180 million that expire in 2022 and 2023.

### **Repayment of Short-term Borrowings**

Total Current Liabilities decreased slightly by -2.8% to EUR 306.6 million (2019: EUR 315.5 million). Short-term borrowings declined by EUR 47.5 million. In 2020, Ferratum repaid its short-term Borrowings completely and did not raise new Borrowings. Therefore, short-term Borrowings were at EUR 0 at the end of 2020.

Deposits from customers increased by 40.2% from EUR 242.2 million in 2019 to EUR 339.5 million by the end of 2020. In addition, the maturity structure of customer deposits improved substantially.

### **Strong Net Debt to Equity Ratio**

Net Debt to Equity decreased slightly from 2.59 by the end of 2019 to 2.51 by the end of 2020.

### **Operational development**

In 2019, Ferratum's management introduced a plan to streamline and automatise the Groups functions. Due to the outbreak of the COVID-19 pandemic, this earlier decision was reinforced and accelerated in early 2020, as management introduced further steps in order to mitigate the negative effects the pandemic would have on the Group's business performance. The action plan, introduced in early 2020, included four areas of particular focus:

1. **Liquidity management:** Ferratum increased its liquidity position and managed its term deposit base successfully.

2. **Risk control:** The Group decreased its risk appetite in early 2020 to mitigate for COVID-19 risk-related uncertainties. Furthermore, the Group focused on loan provisioning to higher quality customers. Consequently, the underlying payment behaviour of Ferratum's customers remained solid throughout the year. The rigorous scoring resulted in a decrease in Ferratum's net credit volume which on December 31, 2020 was below 2019 year-end figures.

3. **Reduced cost base:** Ferratum managed to reduce its operating expenses by 19.6%, equal to EUR 27.8 million, compared to 2019 (2019: EUR 142.0 million). The reduction was driven by the decrease of 22.7% in personnel expenses (2020: EUR 33.9 million vs 2019: EUR 43.9 million), 40.6% in selling and marketing expenses (2020: EUR 23.1 million vs 2019: EUR 38.8 million) and 23.1% in lending costs (2020: EUR 13.7 million vs 2019: EUR 17.8 million).

4. **Go for opportunities:** The Group expanded its SME lending branch, CapitalBox, by an acquisition in the Netherlands and increased its focus on the Primeloan product which contributed to an acceleration in Primeloan sales in H2 2020.

The Group successfully acted on all four areas in its action plan. The rapid action taken by management secured the stability of Ferratum during a turbulent year.

Throughout 2020, Ferratum continued to work on product initiatives supporting its strategy to increase focus on SME, Primelending and Mobile Wallet. The SME segment was in Q2 2020 rebranded CapitalBox and in Q3 2020 Ferratum acquired the lending business of SpotCap Netherlands B.V. The company SpotCap NL had been active in the Dutch market since 2015 and originated close to EUR 150 million in credit lines. SpotCap NL has, in addition, a broad partner network across the country which includes many specialised SME advisory firms. The SpotCap NL distribution channels will allow for CapitalBox to increase its average loan size further. While the Group's total revenue decreased during the year Ferratum's Primeloan product was able to grow further in 2020, reaching EUR 3.6 million in revenues (2019: EUR 3.5 million) and was additionally introduced to the Swedish market.

Throughout the year, Ferratum streamlined the number of countries in which it operates and increased its focus in the markets in which its business model has proven most effective.

### Changes in shareholding

Universal-Investment-Gesellschaft mbH sent Ferratum a notification on 26 November 2020, stating that the shareholding on 23 November 2020, had moved below the 10% threshold to 9.987%.

### Personnel

At year end 2020, Ferratum employed 640 people, compared to 834 people in 2019. The average number of employees in 2020 is equal to 695 (2019: 860). Payroll expenses amounted to EUR 33.9 million (2019: EUR 43.9 million).

### Subsequent events after period end

Fitch Ratings affirmed, in March 2021, the Long-Term Issuer Default Rating (IDR) at 'B+' with a Negative Outlook and the long-term rating of the senior unsecured notes issued by Ferratum Capital Germany GmbH at 'B+' /RR4.

### 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 to operate in 20 countries across Europe, Africa, South and North America, Australia and Asia.

As a pioneer in digital and mobile financial services technology, Ferratum is at the forefront of the digital banking revolution. Ferratum has approximately 530,000 active customers that have an open Mobile Bank or Wallet account or an active loan balance in the last 12 months (as at 31 December 2020).

Ferratum Group is listed on the Prime Standard of Frankfurt Stock Exchange under symbol 'FRU.' For more information, visit [www.ferratumgroup.com](http://www.ferratumgroup.com).

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