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## Ferratum Oyj: Ferratum publishes Q1 2020 results

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### Ferratum publishes Q1 2020 results

Helsinki, 20 May 2020 - Ferratum Oyj (ISIN: FI4000106299, WKN: A1W9NS) ("Ferratum", the "Company" or the "Group") announces unaudited results for the first 3 months ended 31 March 2020 ("Q1 2020").

### Financial Highlights Q1 2020

- Revenue y-o-y down by -10.4% to EUR 65.6 million mainly due to reduced lending activities in some markets and to COVID-19
- EBIT at EUR -2.3 million as a result of the revenue decrease and higher impairments related to increased risk reserving due to deteriorated macroeconomic forecasts

### Operational Highlights

- Early management measures on COVID-19: Liquidity strengthened, risk appetite reduced, cost reduction plan introduced,

<i>Key Figures, EUR million</i>	<b>3 months ended</b>	
	<b>31 March</b>	
	<b>Q1 2020</b>	<b>Q1 2019</b>
<i>Revenue</i>	65.6	73.2
<i>Operating profit (EBIT)</i>	-2.3	9.7
<i>Profit before tax</i>	-8.3	6.2
<i>Earnings per share, basic (EUR)</i>	-0.39	0.24
<i>Earnings per share, diluted (EUR)</i>	-0.39	0.25

### Financial Performance in Q1 2020

In Q1 2020 Ferratum's group revenue stood at EUR 65.6 million, which is a decrease of 10.4% compared to the respective period of the previous year (Q1 2019: EUR 73.2 million). The Group has reduced its lending activities in some markets during Q1, and, mainly as an early reaction to COVID-19, reduced disbursement rate for new loans, tightened its scoring, reduced its overall risk appetite and temporarily suspended lending in Poland and Spain markets. Early management actions on COVID-19 have been taken to strengthen Ferratum's liquidity position and to navigate through the pandemic with a substantial lower risk exposure.

Operating profit (EBIT) for the quarter came in at EUR -2.3 million and decreased by EUR 12 million compared to EUR 9.7 million in Q1 2019. The EBIT decline is a result of the lower revenue and of higher impairments. Impairments on loans increased y-o-y by 24.1% to EUR 35.6 million (Q1 2019: EUR 28.7 million). It is important to note that the increase in impairments is mainly a result of macroeconomic factors which are forecasted to deteriorate throughout Europe. Ferratum reflected the anticipated macroeconomic change by increasing its credit loss impairments, even while actual payment behavior has remained solid in most of its markets. The change in the macroeconomic conditions has increased impairments by 7.8 million in Q1 2020. The profit after tax stood at EUR -7.1 million (Q1 2019: EUR 5.2 million).

Consequently, the Group's equity increased by 5.7% to EUR 118.3 million at the end of Q1 2020 compared to the end of Q1 2019 (EUR 111.9 million). The equity ratio remains at a strong level of 17.9% (Q1 2019: 21.3%). Ferratum's management decided to reduce the Group's risk appetite as an early reaction on the outbreak of COVID-19 in Europe. Therefore, net loans to customers were at the end of Q1 2020 down by -5.1% compared to December 31, 2019 (386.2 million) to EUR 366.4 million. Furthermore, the decrease has in addition been driven by the increased impairments on loans. As of March 31, Net debt to equity stood at 2.79, slightly above the ratio as of December 31, 2019 (2.59). In Q1 2020, management has, inter alia, focused on improving the Group's liquidity position. Cash and cash equivalents increased strongly by EUR 57.6 million or 37.1% to EUR 213.2 million compared to Q4 2019.

### Early introduction of a COVID-19 action plan

Ferratum remains committed to meet the expectations set by its customers and all our stakeholders throughout the extraordinary circumstances caused by the COVID-19 pandemic. As an immediate reaction on the outbreak the Group focused on the safety and wellbeing of its employees on continuation of all services. Over 95% of Ferratum's employees have been working remotely from home while the highest level of operational functionality and stability has been secured. The company has continued, without any interruption, to cater for its customers' needs with the digital real-time offering and services Ferratum is known for. The pandemic has not had any effects on the product offering and service quality of the Group.

The COVID-19 pandemic has reinforced Managements earlier decision of continued streamlining and increased automation and process improvement to reduce costs. The Group managed during Q1 2020 to make further progress in raising operational efficiency and decreasing its operational cost base. Ferratum has continued to focus on reducing marketing

costs and has been able to reduce marketing/net sales from 14.7% in Q1 2019 to 10.8% in Q1 2020 in line with reduced lending activities and by continued improvements in its processes and further centralization of marketing functions.

At the end of the first quarter 2020, the Group had 771 employees, a decrease from Q1 2019 (881 employees). Personnel expenses were y-o-y down by 6.4% at EUR 10.0 million (2019 Q1: EUR 10.6 million).

Ferratum has, in addition, introduced a four-stage action program to navigate through the COVID-19 pandemic and to strengthen its position post pandemic: Strengthening liquidity and financial metrics, reducing risk appetite, implementing a cost cutting program, preparing for re-activating growth post crises.

As highlighted above, Ferratum ends the first quarter with strong financial metrics, especially in terms of the Group's cash position, low level of leverage and a strong equity-ratio. Measures to decrease credit risk have been implemented by decreasing the loan disbursement, tighter scoring and temporarily suspension of lending in Spain and Poland.

The current pandemic will likely accelerate the pace of driving financial services towards digitalization. Providing real-time and mobile financial services is Ferratum's origin and corporate DNA. Ferratum's management is convinced of the Groups its ability to navigate through the COVID-19 outburst and to re-activate growth post pandemic.

## **Risk management**

Ferratum decided during the early stages of the COVID-19 pandemic to mitigate for a future economic downturn. Actions taken include suspension of lending to new customers in highly affected countries such as Spain and Poland. The group has, in addition, limited its lending activities in areas and customer groups with an increased risk profile in both the consumer lending and SME lending segments. This includes lending to companies and consumers that operate in, or are employed by, sectors that have been faced with extraordinary difficulties due to the pandemic, such as the travel and hospitality industries.

Ferratum has during the pandemic revised its scoring algorithms and policy rules in order to identify customer patterns that are more robust in an economic downturn. Parameters, such as age, length of employment contract, profession, education, employer type, self-employed status have gained an increased relevance.

During times of high volatility and uncertainty, Ferratum has further increased its daily monitoring of KPIs in order to identify any early signs of deteriorating payment behaviour and credit quality. These rigorous scoring measures have resulted in an increased rejection rate and as a result, decreased loan disbursement volume.

As the actions described above were implemented at a very early stage of the pandemic, the group has not seen a significant impact on materialized credit losses, to date.

Ferratum manages its risk provisioning in accordance with IFRS 9, that relies on a forward oriented methodology. Based on future macroeconomic indicators and previously recorded correlations, the reserving model is adjusted in accordance with the macroeconomic outlook. Ferratum has based on this rigorous reserving model increased its credit loss provisioning by EUR 7.8 million although realized losses have remained stable.

## **Redemption of Ferratum Bank p.l.c. bond**

Ferratum Bank p.l.c. (a wholly owned subsidiary of the Group and a credit institution licensed by the Malta Financial Services Authority (MFSA) repaid an EUR 40 million 6.25% p.a. above 3 month EURIBOR (incl. floor at 0%) Senior unsecured bond (ISIN: FI4000232830) in March 2020.

## **Rating updates**

Fitch Ratings affirmed in March the Long-Term Issuer Default Rating (IDR) of both Ferratum Oyj and the senior unsecured callable floating rate bond, issued by Ferratum Capital Germany GmbH (ISIN: SE0012453835), at 'BB-'. The Outlook on the Long-Term IDR was Stable. The rating was in April downgraded to B+ due to coronavirus-related risks. Fitch assessed that the Outlook on Ferratum's Long-Term IDR is Negative.

Creditreform Rating downgraded the rating of Ferratum Oyj from BBB- to BB with a negative outlook. Creditreform Rating states in their rating letter that the current rating assessment is particularly characterized by the serious global disruption as a consequence of the upcoming global financial and economic crisis.

## **Changes in shareholding**

Ferratum received on 23 March a notification from Universal-Investment-Gesellschaft mbH that the shareholding of SPSW Capital GmbH had reached the 10% threshold on 19 March 2020.

The Group received on 9 April a notification from Universal-Investment-Gesellschaft mbH, stating that the company's ownership in Ferratum Oyj has, on 6 April 2020, decreased below the threshold of 10%.

#### 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 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 680,000 active customers that have an open Mobile Bank account or an active loan balance in the last 12 months (as at 31 March 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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