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Ferratum Oyj: Ferratum Group reports record Q4 2017 performance and full year 2017 revenue at the upper end of guidance

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Ferratum Group reports record Q4 2017 performance and full year 2017 revenue at the upper end of guidance

Helsinki, 15 March 2018 - Ferratum Oyj (ISIN: FI4000106299, WKN: A1W9NS) ("Ferratum" or the "Group") announces preliminary unaudited results for the 12 months ended 31 December 2017 ("FY 2017").

Financial Highlights

- Record FY 2017 revenue of EUR 221.6 million - up 43.8% year-on-year
- Record Q4 2017 revenue of EUR 60.6 million - up 33.2% year-on-year
- FY 2017 operating profit (EBIT) of EUR 31.8 million - up 50.6% year-on-year
- Improved EBIT margin for FY 2017 of 14.4% compared to 13.7% in 2016
- Profit before tax (EBT) of EUR 23.2 million - up 57.8% year-on-year
- Basic EPS increased 55% year-on-year to EUR 0.93 per share
- Diluted EPS increased 53% year-on-year to EUR 0.92 per share
- Group well-funded with ample available liquidity of EUR 131.8 million in cash as at 31 December 2017

Operational Highlights

- Gross book value of loan portfolio increased 36.1% to 336.2 million (31 December 2016: EUR 247.0 million)
- Net book value of loan portfolio up 39.5% to EUR 257.4 million (31 December 2016: EUR 184.3 million)
- Improved portfolio quality; loan coverage ratio reduced to 23.4% (31 December 2016: 25.4%)
- Customer deposits increased by 71.8% over FY 2017 to EUR 174.3 million (31 December 2016: EUR 101.4 million)

	3 months ended		12 months ended	
	31 December		31 December	
<i>Key Figures, EUR '000</i>	2017	2016	2017	2016
<i>Revenue</i>	60,632	45,483	221,638	154,128
<i>Operating profit (EBIT)</i>	8,027	6,911	31,838	21,142
<i>Profit before tax</i>	5,669	5,272	23,244	14,728
<i>Profit before tax %</i>	9.3%	11.6%	10.5%	9.6%
<i>Earnings per share, basic (EUR)</i>	0.24	0.21	0.93	0.60
<i>Earnings per share, diluted (EUR)</i>	0.24	0.21	0.92	0.60

Key Developments and Progress

Ferratum continues to make excellent progress, both strategically and operationally. Not only has 2017 delivered new records in terms of financial performance, the Group has continued to expand significantly and execute on its corporate growth strategy. The business launched its first partnership with a global travel brand, providing a mobile banking platform for holidaymakers in Sweden; the Group entered two strategically important new countries with new ventures in Nigeria and Brazil; and Ferratum has continued to invest and innovate to improve the user experience and the performance of its mobile bank platform. Ferratum has also continued to streamline the Group's structure and operations to ensure it has remained efficient with growth, which helped to deliver full-year results at the upper end of the Board's 2017 fiscal guidance.

Ferratum's digital lending business has gone from strength to strength as the Group progressively diversifies the range and duration of loans available across its 25 countries of operation. The strategic shift towards offering longer-term consumer loans and lending to small to medium enterprises ("SME") continues to yield very promising results: PlusLoan, Credit Limit and SME lending together made up 80% of the Group's total revenue for FY 2017 and are now firmly established as the core drivers of growth in the lending business. The growth of the credit portfolio from a net book value of EUR 184.4 million to EUR 257.4 million has been moderate with 40% and the quality was stable.

Ferratum continued to centralise its operations (20 countries completed) and infrastructure, to make more effective use of data and avoid the duplication of costs and resources across the Group. This has allowed the Group to manage its portfolio more efficiently overall, ensuring that Ferratum can run a leaner, more efficient business.

With an operating profit (EBIT) of EUR 31.8 million, which was up 51% from last year's figure, Ferratum achieved an EBIT margin for FY 2017 of 14.4%, in line with the expectations and guidance that the Board set for 2017. Despite the ongoing investment in rolling out Ferratum's mobile bank, FY 2017 EBIT margin was 80 basis points higher than the 13.7% achieved for FY 2016.

Profit before tax (EBT) increased by 67.8% to EUR 23.2 million, even more than EBIT, as the finance result continues to benefit from the increasing volume of deposits paying low or no interest.

New Products and Launches

Ferratum Bank has a revolutionary mobile banking platform that assembles customers' full financial lives within a single app, offering a range of services, including real time digital payments and transfers. In 2017, Ferratum Bank extended the number of countries in which its mobile bank is available from three to five, with the launch of its mobile bank app in France and Spain, two of Europe's largest retail banking markets. Ferratum Bank's mobile banking platform facilitates cross-selling across Ferratum's product portfolio and therefore bolsters revenue growth from its lending operations.

The launch of Ferratum's first Banking-as-a-Service ("BaaS") venture in December 2017, in partnership with Thomas Cook Money, the financial services division of Thomas Cook, enables Ferratum to access new customer groups, leveraging the partners brand, reach and go-to-market channels. This marked a significant milestone in the Group's future growth strategy, and Ferratum expects these types of partnerships to become a future profit driver over the next few years, as new revenue streams are generated from progressively broader audiences beyond Ferratum's direct customer base.

Ferratum also launched its Prime Loan product in Finland in 2017, adding to its growing suite of consumer lending products, enabling customers to borrow larger amounts over a longer fixed term and constituting Ferratum's largest loan product offering to date to private customers. Building on the success of this launch, Ferratum expects to roll out Prime Loan into Sweden and Denmark in 2018.

Based on the positive contribution from all products, Ferratum generated full year revenue of EUR 221.6 million and achieved an operating profit of EUR 32.2 million. Having achieved the upper end of 2017 fiscal guidance Ferratum is well positioned for further growth in 2018.

Treasury Update

Ferratum ended 2017 with a strong cash position of EUR 131.8 million (31 December 2016: EUR 73.1 million) due to ongoing high growth in customer deposit volumes.

During 2017, Ferratum continued to diversify its funding base through the increase of an existing bond issue and the issuance of a new bond. In June 2017, Ferratum Bank p.l.c., the Maltese banking subsidiary of Ferratum Oyj, successfully concluded a tap issue of EUR 15 million of senior unsecured callable floating rate bonds due March 2020 from the existing EUR 60 million bond issuance programme of Ferratum Bank p.l.c. The tap issue was priced at 102.50 per cent of the nominal amount and increased the volume of the existing senior unsecured bond, issued by Ferratum Bank p.l.c. in

December 2016 with ISIN FI400023283, from EUR 25 million to EUR 40 million. The net proceeds from the tap issue are to be used for the general corporate purposes of Ferratum Bank p.l.c..

In July 2017, Ferratum Capital Germany GmbH issued a EUR 20 million 4% senior unsecured bond due October 2018 following a successful private placement with institutional investors in Germany and Poland. The proceeds will principally be used to finance Ferratum's lending activities globally and for general corporate purposes. The bond is listed on the Frankfurt Stock Exchange (Open Market) with ISIN: DE000A2GS104.

Ferratum now offers deposit products in five European countries: France, Germany, Norway, Spain and Sweden. As at 31 December 2017, total customer deposits had increased by 72% to EUR 174.3 million (31 December 2016: EUR 101.4 million). In addition to the strong cash position, the Group had unused credit lines amounting to EUR 10.5 million as at 31 December 2017.

Creditreform AG reiterated its rating of BBB+ for Ferratum in March 2017 with a stable outlook.

Foreign exchange risk, mainly arising from fluctuations of the Australian Dollar, British Pound, Polish Zloty, Swedish Krona and Czech Krouna against the euro, has been managed by using derivative instruments.

Significant events after the reporting date

As of 1 January 2018, Ferratum Group will adopt IFRS 9 as a reporting standard to account for receivables on its balance sheet, replacing its current reporting based on IAS39. The core change is that IFRS 9 requires to build credit loss provisions based on expected losses whereas risk provisions under IAS39 were based on incurred losses.

Although Ferratum used already an expected-losses model- and thus exceeded the requirements of IAS 39 with its incurred loss model - the conversion has effects on the timing of risk provisions and the classification of overdue loans.

One important change for Ferratum is that the expected loss is now based on its present value, therefore discounting any expected recoveries in future.

The overall impact to the risk provisions as at the 1st of January 2018 will be an increase of EUR 9.3 million. This is a one-off accounting charge which will not affect the 2018 profit and loss statement and will be debited directly to the equity of the Group. The impact of the IFRS 9 conversion on Equity is lower than the increased risk provision, as there will be an additional impact of deferred tax reflecting the timing difference of these reserve changes on profitability. This impact is approximately EUR 3 million. The one-off increase in risk provisions may trigger temporarily lower credit losses in the profit and loss, as the risk provision level for expected losses in the future is now higher.

2018 Outlook

Based on a highly profitable core business and large cash reserves, Ferratum is in an excellent position to pursue its ambition to become a leading international mobile bank offering more than money to its clients and partners.

The Board of Directors of Ferratum Oyj reconfirms that revenues for the fiscal year 2018 are expected to be within the range of EUR 280 million and EUR 310 million. The guidance midpoint of EUR 295 million revenues reflects a growth expectation of 33% based on FY 2017 revenue of EUR 221.6 million. The growth ratio in Q1 2018 is expected to be between 20% and 30% - based on very strong Q1 2017. The operating profit margin (EBIT margin) in 2018 is expected to be within the range of 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
- Moderate expectations on the 2018 contribution of new revenue streams from partnerships, mobile bank innovations
- Ferratum Business (SME) continues to grow as market share in the 6 existing markets is small and expected to

increase. Ferratum also plans to introduce Ferratum Business in additional markets

- Ferratum Mobile Bank is to be introduced in additional countries and will generate new customers, increased customer loyalty, cross-selling opportunities, increased deposit volume and diversified deposit currencies
- No material negative changes in the consumer and business credit markets
- Stable capital market conditions
- No unexpected significant new regulatory challenges or changes
- The application of IFRS 9, which is effective from 1 January 2018 will have no material impact on credit losses in the Group's Consolidated Income Statement.

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. Led by its founder, Jorma Jokela, Ferratum has approximately 1.9 million active and former customers who have an account or have been granted one or more loans in the past (as at 31 December 2017), of which over 780,000 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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