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## Ferratum Group: Solid EBIT performance in 9M 2019

DGAP-News: Ferratum Oyj / Key word(s): 9 Month figures/Quarter Results

14.11.2019 / 07:30

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### Ferratum Group: Solid EBIT performance in 9M 2019

Helsinki, 14 November 2019 - Ferratum Oyj (ISIN: FI4000106299, WKN: A1W9NS) ("Ferratum" or the "Group") announces unaudited results for the first 9 months ended 30 September 2019 ("9M 2019").

### Financial Highlights 9M 2019

- Revenue y-o-y up by 14.7% to EUR 218.1 million, largely driven by Credit Limit and SME loans
- EBIT up by 31.8% y-o-y to EUR 33.5 million, EBT up by +43.7% y-o-y to EUR 19.7 million
- Impairments over revenues improved from 39.2% in Q1 2019 to 34.0% in Q3 2019 and stood at 36.2% in 9M 2019
- Record EBIT of EUR 13.0 million in Q3 2019
- Net debt to equity ratio stable at 2.61

### Operational Highlights

- Net book value of loan portfolio up by 24.1% y-o-y to EUR 365 million

- Strategic key products SME and Credit Limit continue to grow: SME revenue up by +29.7% y-o-y and Credit Limit revenue grew with +25.5% y-o-y

## 2019 Outlook

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

<i>Key Figures, EUR million</i>	<b>9 months ended 30 September</b>	
	<b>9M 2019</b>	<b>9M 2018 (restated)</b>
<i>Revenue</i>	218.1	190.2
<i>Operating profit (EBIT)</i>	33.5	25.4
<i>Profit before tax</i>	19.7	13.7
<i>Profit before tax %</i>	9.0%	7.2%
<i>Earnings per share, basic (EUR)</i>	0.78	0.54
<i>Earnings per share, diluted (EUR)</i>	0.78	0.54

## Financial performance

In the first nine months 2019, Ferratum Group's revenue increased to EUR 218.1 million, an increase of 14.7% compared to the respective period of the previous year (9M 2018\*: EUR 190.2 million), and well in line with Ferratum's expectations for the period. The growth was mainly driven by the Credit Limit product with revenues of EUR 118.6 million (+25.5% year-on-year) and Business Lending with revenues of EUR 20.2 million (+29.7% year-on-year) in 9M 2019.

Operating profit (EBIT) for the period increased significantly year-on-year by 31.8% to EUR 33.5 million (EBIT-margin: 15.4%) compared to EUR 25.4 million in 9M 2018. The profit before tax (EBT) in 9M 2019 went up by 43.7% to 19.7 million (9M 2018: EUR 13.7 million). The increased EBIT and EBT performance resulted from actions taken by the management to increase cost discipline, achieve operative leverage, and improve marketing efficiency.

In Q1 2019, the impairments over revenues were higher than average for the Group (39.2%). This was mainly driven by a record level of sales in SME loans in Q1, which has a front loaded effect on impairments, and delayed effects from consumer lending activities in Q4 2018. In the following quarters, the Group has since managed to decrease the impairments over revenues, resulting in 36.2% for the reporting period.

In the first nine months of 2019 the Group equity increased by 12.8% to EUR 121.1 million from EUR 107.4 million as of 31 December 2018.

Deposits from customers grew by 12.0% to EUR 205.4 million compared to EUR 183.4 million at the end of 2018. The Group has issued new loans to customers in Finland under the banking licence since November 2019 and aims to bring Denmark under the bank within the next months to be able to further utilize deposit funding.

The net debt to equity ratio stood at 2.61 at the end of 9M 2019, well within Groups bond covenants of 3.0 and 3.5. Net receivables from customers grew by 13.9 % to EUR 365.2 million in 9M 2019 from EUR 320.5 million in FY 2018, mainly driven by Ferratum's Credit Limit and SME product.

## Key business developments

Ferratum Business, the SME lending business unit of the Group has grown within Ferratum in a start-up manner and can after only four years of operation show a profitable business with EUR 20.2 million in revenues during the first nine months

of 2019 (9M 2018: 15.5 million) SME loans are currently being offered by Ferratum in seven countries (Czech Republic, Denmark, Finland, Lithuania, Netherlands, Sweden and the UK) with a maturity of 6-24 months and loan amounts of up to EUR 250,000. Ferratum Business expanded its operations to Poland in January 2019 with a pilot in invoiced based lending. After the conclusion of the pilot, it was decided not to launch the product in Poland. The product is however being considered for future launch in other markets. Lending to SME customers in Australia was also discontinued as the Group saw better opportunities in investing its resources into the other seven existing markets in Europe, that SME lending is offered in.

Since March 2019, Ferratum's risk-based pricing model has been introduced in the Czech Republic for the Credit Limit product, and for Primeloans in Latvia and Finland. The riskbased pricing allows the Group to offer customers an individually risk adjusted offering in terms of loan amount and pricing. The model helps optimize the overall yield and risk exposure, the implementation plays an important role as the Groups product evolution shifts towards longer terms and higher loan amounts (i.e Primeloans).

Ferratum's Mobile Wallet, the next generation of Ferratum's Mobile Bank is being piloted in Latvia and is expected to be launched to the public in Latvia after the completion of the ongoing pilot.

The Primeloan product was introduced into two further markets during the first nine months of 2019, Sweden and Latvia, bringing the overall amount of Primeloan countries to four.

The new IT platform, the Ferratum Operating System (FerraOS), has been introduced in Sweden, Latvia and Bangladesh during 2019. The new platform roll-out is part of the ongoing Smart IT program and builds the next generation IT foundation, on which the Group can further expand its business on, including its own and partner's offering. Currently, the focus is on combining new microservice modules with older stack, such as payment, identity, authentication, and document services, as well as real time data services.

In June, the Group announced a partnership with with Srijony Foundation in Bangladesh to contribute to the country's digitalization, technological transformation and financial inclusion in the lending sector.

As at the end of September 2019, Ferratum operates in 23 countries, with lending having been suspended in Russia, France and Slovakia, and Bangladesh being added to the countries of operation.

## **Rating update**

The Group was assigned a BB- rating by Fitch Ratings in March 2019. The Rating is assigned at holding company level based on Ferratum's consolidated financial statements, which include Ferratum Bank p.l.c.. The 2019/2023 bond (ISIN: SE0012453835) of Ferratum Capital Germany GmbH was also assigned a BB- rating by Fitch Ratings in April. Creditreform AG, assigned the Group a rating of BBB-/stable in April.

## **Personnel**

At the end of the third quarter 2019, the Group had 888 employees (9M 2018: 958 employees). Personnel expenses stood at EUR 33.2 million and came down from 17.3% of Revenues in 9M 2018 to 15.2% in 9M 2019.

As of August, Bernd Egger joined Ferratum as Chief Financial Officer, succeeding Dr Clemens Krause. Clemens will now have a key role in managing the Groups credit risk as Chief Risk Officer. Bernd has an extensive background in international banking, finance and corporate development and holds a masters degree in Business Administration as well as a Master of Science in Finance.

Klaus Schmidt joined the Group in April as interim Chief Marketing Officer, and has as planned, as of October handed over his responsibilities to long time Leadership Team member and Chief Commercial Officer, Saku Timonen.

## **Confirmation of the outlook for 2019**

For the fiscal year 2019 the Board reiterates its expectation that operating profit (EBIT) will exceed EUR 45 million.

## **Subsequent events after period end**

In October the Group successfully completed the written procedure in relation to Ferratum Capital Germany GmbHs outstanding up to EUR 150,000,000 senior unsecured bond loan 2018/2022 with ISIN SE0011167972. The vast majority of bondholders agreed on the benefits of the alignment of the Net Debt to Equity covenant with the issuers other bond (ISIN SE0012453835) with a net-debt to equity ratio of 3.5x. This allows the Group to continue its strategically important

transition towards providing its customers with larger, longerterm loans (e.g. Primeloans, Credit Limit and loans to Small and Medium size Enterprises). The transition towards lower risk products opens a vast segment of customers with better payment behavior and a lower credit risk, while also increasing the Group's readiness to deal with further changes in the interest rate environment. The amendments were effective as per 15 October 2019.

The Group has issued new loans to customers in Finland under the banking licence since November 2019.

## 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 23 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 763,000 active customers that have an open Mobile Bank account or an active loan balance in the last 12 months (as at 30 September 2019).

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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14.11.2019 Dissemination of a Corporate News, transmitted by DGAP - a service of EQS Group AG.

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ISIN:	FI4000106299
WKN:	A1W9NS

Listed:	Regulated Market in Frankfurt (Prime Standard); Regulated Unofficial Market in Berlin, Dusseldorf, Hamburg, Hanover, Munich, Stuttgart, Tradegate Exchange
EQS News ID:	912489

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