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Ferratum Oyj: Ferratum Group publishes preliminary unaudited full-year results for 2019. Reducing 2020 revenue and EBIT expectations

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Ferratum Group publishes preliminary unaudited full-year results for 2019. Reducing 2020 revenue and EBIT expectations

Helsinki, 18 March 2020 - Ferratum Oyj (ISIN: FI4000106299, WKN: A1W9NS) ("Ferratum" or the "Group") announces preliminary unaudited results for the 12 months ended 31 December 2019 ("FY 2019").

Financial Highlights

- Record FY 2019 revenue of EUR 293.1 million - up 11.8% year-on-year
- Record FY 2019 operating profit (EBIT) of EUR 45.5 million (margin 15.5%) - up 20.5% year-on-year
- Profit before tax (EBT) of EUR 27.5 million - up 23.3% year-on-year
- Basic and diluted EPS increased to EUR 1.10 per share (FY 2018: 0.89 per share)

Operational Highlights

- Gross book value of loan portfolio increased 18.8% to 555.9 million (31 December 2018: EUR 467.8 million)
- Net book value of loan portfolio up 20.5% to EUR 386.2 million (31 December 2018: EUR 320.5 million)
- Impairment-ratio (impairments divided by Group revenue) increased by 2.3% to 36.1%.
- Customer deposits increased to EUR 242.2 million (31 December 2018: EUR 183.4 million)

2020 outlook

- The Covid-19 pandemic is expected to have a material impact on the Groups performance
- The Board expects both revenue and EBIT to materially decrease compared to 2019

	3 months ended		12 months ended	
	31 December		31 December	
<i>Key Figures, EUR '000</i>	2019	2018	2019	2018
<i>Revenue</i>	75,018	71,953	293,104	262,148
<i>Operating profit (EBIT)</i>	12,022	12,371	45,532	37,799
<i>Profit before tax</i>	7,850	8,628	27,543	22,333
<i>Profit before tax %</i>	10.5%	12.0%	9.4%	8.5%
<i>Earnings per share, basic (EUR)</i>	0.32	0.35	1.10	0.89
<i>Earnings per share, diluted (EUR)</i>	0.32	0.35	1.10	0.89

Continued revenue growth in 2019

Ferratum delivered continued growth in 2019 by expanding its product offering in its existing operational countries. The Group continues to shift its focus away from short-term products to longer-term loans. In 2019, the Group's revenue increased to EUR 293.1 million, an increase of 11.8% compared to the respective period of the previous year (2018: EUR 262.1 million). The growth was mainly driven by the groups' flagship product Credit Limit and its relatively new strategic core product Business Lending (SME).

Operating profit (EBIT) for the period increased significantly year-on-year by 20.5% to EUR 45.5 million (EBIT-margin:

15.5%) compared to EUR 37.8 million in 2018. The profit before tax (EBT) in 2019 increased by 23.3% to 27,5 million (2018: EUR 22,3 million). The increased EBIT and EBT performance resulted from actions taken by the management to enhance cost efficiency, achieve operative leverage, and improve marketing efficiency.

As communicated at the beginning of the financial year 2019, Ferratum's management attention has been on cost discipline to improve efficiency and operative margins. Given the management's focus, the Group is pleased to have been able to deliver continued growth for one of the important key performance indicators: gross and net value of loans to customers. The gross value of loans to customers grew by 18.8% to EUR 555.9 million and the net value with +20.5% to EUR 386.2million.

Deposits from customers continued to grow and reached EUR 242.2 million by the year end 2019, an increase of 32.0% compared 2018. The Group has issued new loans to customers in Finland under the banking licence since November 2019 and incorporated Denmark into the bank in December, enabling the group to further utilise deposit funding.

The net debt to equity ratio stood at 2.59 at the end of 2019, well within Groups' bond covenants of 3.5.

Impairments increased year-on-year by 19.4% to EUR 105.7 million and the impairment-ratio (impairments divided by Group revenue) increased by 2.3% to 36.1%. In Q1/19 the ratio stood at 39.2%, largely related to a strong loan volume growth in Ferratum's SME business and higher impairments on loans which had been distributed to consumer customers in 2018 in some selected markets during a marketing campaign. Over the course of the year, the quarterly ratios normalised and reduced compared to Q1/19 (Q2 2019: 35.4% Q3 2019: 34.0%, Q4 2019: 35,6%). Furthermore, impairments over net loans to customers have been stable at 27.4% demonstrating Ferratum's scoring discipline.

EBIT guidance of > EUR 45 million reached

Operating profit (EBIT) for 2019 increased by 20.5% year-on-year to EUR 45.5 million. The EBIT margin stood at 15.5% which reflects an increase of 1.1PP compared to 2018. EBIT growth is related to a mix of the Group's revenue growth and cost discipline throughout 2019. Profit before income tax increased by +23.3% to EUR 27.5 million, taxes were EUR 3.9 million (tax-rate: 14.1%) and profit for the year grew by +22.7% to EUR 23.6 million, reflecting a profit margin of 8.1% (2018: 7.4%).

Operational development

Ferratum Business, the SME lending business unit of the Group, continued its rapid growth within Ferratum and is showing solid profitability. In 2019, gross loans to customers grew year-on-year by 61.9% to EUR 96.1 million and net loans to customers with year-on-year 55.5% to EUR 75.7 million representing already 19.6% of Ferratum Group's total outstanding net loans to customers. In 2019, the business unit's revenue stood at EUR 27.8 million and increased by +32.6% compared to 2018 (EUR 21.0 million).

In line with the Group's strategy of decreasing the revenue share and geographical presence of Microloans, the product was discontinued in Australia and the Czech Republic in 2019. Primeloans were introduced into two additional markets in 2019, Sweden and Latvia, bringing the overall amount of Primeloan countries to four.

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 risk-based pricing allows the Group to offer customers an individually risk-adjusted offering in terms of loan amount and pricing. The model helps optimise the overall yield and risk exposure, and the implementation plays an important role as the Groups' product evolution shifts towards longer terms and higher loan amounts (i.e Primeloans).

In June, the Group announced a partnership with with Srijony Foundation (Srijony) in Bangladesh. This partnership is the second of Ferratum's 'Lending Through Partnerships' strategy for growth outside of Europe. By providing the latest technology, an appropriate product and loan funding, we help Srijony to satisfy significant untapped consumer demand for micro loans in urban and rural areas. Srijony is an association with 900,000 active members across 400 branches with approximately 2,500 employees, covering 90% of the country.

As of the end of December 2019, Ferratum operated in 23 countries, with lending having been suspended in Russia, France and Slovakia, Bangladesh was added to the countries of operation in 2019.

Personnel

At year end 2019, Ferratum employed 834 people (800 Full Time Equivalents) compared to 880 people in 2018. The

average number of employees in 2019 is equal to 860 (2018: 903).

Pieter van Groos, the former Chairman of the Board of the Group, was appointed as Ferratum Bank CEO (subject to MFSA approval) in April 2019. Pieter has stepped down from this position and the related approval process. The daily oversight and lead of operations of Ferratum Bank continue to be with Antti Kumpulainen, Ferratum Bank Deputy CEO, who is supported by the Chairman of the Bank Board, Charles Borg, until a new CEO will be appointed.

Marius Solescu, the former Head of Human Resources took over new responsibilities within the Group in December 2019 and now serves as Director of Partnerships - Financial Institutions. Marius stepped down from the Leadership Team in connection with the change in position.

Emmi Kyykkä, Head of Group Communications and Investor Relations left on maternity leave, and stepped at the same time down from the Leadership Team, in February 2020.

2020 outlook

In 2020, the Board of Ferratum Oyj expects the Covid-19 pandemic to have a material impact on the Groups performance. Revenue and EBIT are expected to materially decrease compared to 2019.

Taking into consideration the current macro-economic uncertainty, impairment levels are expected to increase during 2020. An expectation of deteriorating economic indicators would increase impairments driven by the implemented statistical risk reserving model. In addition, the Board expects continued high volatility in FX rates as a consequence of the Covid-19 outbreak and the oil market turmoil which might have a negative impact on net profitability in 2020.

Subsequent events after period end

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 is Stable.

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 due March 15 2020 (ISIN: FI4000232830).

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 740,000 active customers that have an open Mobile Bank account or an active loan balance in the last 12 months (as at 31 December 2019).

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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