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## Ferratum Oyj: Ferratum publishes H1 2020 results

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### Ferratum publishes H1 2020 results

Helsinki, 20 August 2020 - Ferratum Oyj (ISIN: FI4000106299, WKN: A1W9NS) ("Ferratum", the "Company" or the "Group") announces unaudited results for the first six months ended 30 June 2020 ("H1 2020").

### Financial Highlights H1 2020

- Revenue y-o-y down by -16.8% to EUR 121.1 million as a result of reduced lending activities in some markets since beginning of 2020 and due to COVID-19
- EBIT turnaround achieved despite decreasing revenues as no further COVID-19 related impairments were required in Q2 and as tight cost management progressed. H1 2020 EBIT EUR 10.0 million.

### Operational Highlights

- Continued focus on future growth: Future growth initiatives progressing, Mobile Wallet live in first target market

<i>Key Figures, EUR million</i>	6 months ended	
	30 June	
	H1 2020	H1 2019
<i>Revenue</i>	121.1	145.6
<i>Operating profit (EBIT)</i>	10.0	20.5
<i>Profit before tax</i>	-1.5	12.4
<i>Earnings per share, basic (EUR)</i>	-0.11	0.49
<i>Earnings per share, diluted (EUR)</i>	-0.11	0.49

### Successful management of expenses and risk in Q2 2020

In Q2 2020 Ferratum's group revenue stood at EUR 55.5 million, a decrease of 23.3% compared to the respective period of the previous year (Q2 2019: EUR 72.4 million). As reported earlier in 2020, the Group has started to reduce its lending activities in selected markets already in Q1 2020 and has maintained its low risk appetite and conservative credit provisioning policy throughout H1 2020. The reduced lending is mainly a reaction to the COVID-19 pandemic which resulted in a more rigorous scoring. As a result, loan disbursement in Q2 2020 has been considerably lower compared to the respective period of the previous year.

As the underlying payment behavior has not deteriorated in H1 2020, additional COVID-19 related impairments were not required in Q2 2020. Furthermore, impairments required for new loans which have been paid out to customers in Q2 2020, were below the level in Q2 2019. In Q2 2020 the loan amount which has been distributed to customers was substantially lower than in Q2 2019, driven by the Group's conservative lending policy as a reaction on uncertainties resulting from the COVID-19 pandemic. As a result, in Q2 2020 impairments decreased substantially by 46.2% or by EUR 16.4 million to EUR 19.1 million compared Q1 2020 (35.6 million).

Starting in Q1 2020, management has intensified the control of expenses and implemented a cost cutting plan to improve efficiency. The overall cost base (excluding impairments) came down from EUR 35.9 million in Q2 2019 by -32.8% or EUR 11.8 million to EUR 24.1 million in Q2 2020. Personnel expenses decreased by EUR 3.0 million to EUR 8.4 million and marketing expenses by EUR 7.3 million to EUR 2.6 million.

As a result of low impairments and strict cost management, Operating Profit (EBIT) increased by 13.1% to EUR 12.3 million in Q2 2020 compared to Q2 2019 (EUR 10.8 million). The EBIT-margin went up from 15.0% in Q2 2019 to 22.1% in Q2 2020.

EBT stood at EUR 6.8 million (Q2 2019: EUR 6.2 million) and net profit came in at EUR 6.1 million (Q2 2019: EUR 5.3 million).

### Financial performance in H1 2020

In H1 2020 Group revenues decreased by 16.8% to EUR 121.1 million compared to the H1 2019 along the management's action which includes reduced lending activities as a reaction to COVID-19 pandemic and suspension of lending in selected markets such as Spain, Poland and Canada.

In Q1 2020 impairments stood at an extraordinary high level of EUR 35.6 million including an additional impairment charge of EUR 7.8 million which was due to the forecasted deterioration in macroeconomic factors resulting from the COVID-19 pandemic. As described in the section above, Ferratum successfully managed its risk exposure which decreased impairments substantially in Q2 2020.

The Operating profit (EBIT) came in at EUR 10.0 million for the first half of 2020 and decreased by EUR 10.6 million

compared to EUR 20.5 million in H1 2019. The reduction in EBIT is a result of reduced revenues and COVID-19-related impairment charges, especially during Q1 2020.

The profit after tax stood at EUR -2.3 million (H1 2019: EUR 10.5 million).

### **Comfortable equity ratio and excess liquidity**

The Group's equity increased by 10.0% to EUR 125.4 million at the end of H1 2020 compared to the end of H1 2019 (EUR 114.0 million). The equity ratio remains at a comfortable level of 15.8% (H1 2019: 21.0%). The decrease is driven by a temporarily extension of the balance sheet. In H1 2020, Ferratum had a high inflow of deposits of EUR 200.7 million which increased the deposit level to EUR 442.9 million equaling 55.9% of the Groups equity and liabilities. The Group intends to reduce its deposit volume as of Q3 2020.

Net loans to customers stood at the end of H1 2020 at EUR 334.7 million, down 13.3% compared to December 31, 2019 (386.2 million), resulting from the decision to decrease the Group's loan disbursement rate and risk appetite as well as from the COVID-19 related impairments.

As of June 30, Net debt to equity stood at 2.27, below the ratio as of December 31, 2019 (2.59). In H1 2020 the Group's liquidity position strengthened further with an increase in cash and cash equivalents to EUR 381.8 million, an increase of 145% compared to December 31, 2019 (EUR 155.5 million).

### **Operational developments**

As a reaction on the COVID-19 pandemic, Ferratum introduced and executed a four-stage action plan which includes managing liquidity, controlling risk, reducing cost base and going for business opportunities.

The Group successfully strengthened its liquidity position and has excess cash at hand driven by high inflows of deposits in H1 2020. Ferratum decreased its risk appetite significantly in early March 2020 due to which the net credit volume decreased in H1 2020. The pandemic accelerated management's earlier decisions to continue to streamline and increase automatization in the Group. This has resulted in a continued effort to reduce cost and further increase the centralization of functions. As a result, the operational cost base has decreased in H1 2020. The reduction in cost has been supported by the decrease in marketing spending as loan disbursement rates have been kept at lower levels. Ferratum has however during Q2 2020 started to moderately increase loan disbursement rates as the Group has not seen a deterioration in the underlying payment behavior of the lending portfolio. This increase will also affect marketing expenditure in H2 2020 as an increase in lending to customers is to be expected, provided reasonably stable economic conditions.

Ferratum continued during H1 to work on initiatives supporting its strategy in increased efforts within the SME, Prime lending and Mobile Wallet segments. The rebranding of the SME business was completed during Q2 2020 and has been renamed "CapitalBox". The Primeloan product was introduced to the Swedish market and the Mobile Wallet was launched to the public in Latvia.

### **Risk management**

Ferratum decided during the early stages of the COVID-19 pandemic to mitigate for a future economic downturn. The group has 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 recent times of high volatility and uncertainty due to the COVID-19 pandemic, Ferratum has further increased its daily monitoring of KPIs in order to identify any early signs of deteriorating payment behavior and its credit quality. These rigorous scoring measures have resulted in a decreased approval rate for new customers, and as a result, decreased the loan disbursement volume.

The conservative scoring in combination with reduced marketing efforts, especially in markets with lower consumer confidence, resulted in a stable payment behavior but also reduced lending volumes on group level. The conditions in the Group's geographies have varied in H1. Both South and East Europe have experienced increased challenges in their Macroeconomic environment which have affected the payment behavior of customers in these geographies. West Europe and the Nordics have remained stable with an improved payment behavior meaning that customers are repaying their debt in increased volumes and overdue payments have decreased.

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 in Q1 2020 although realized losses have remained stable. Further credit loss provisioning due to the COVID-19 pandemic was not made in Q2 2020.

#### **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 600,000 active customers that have an open Mobile Bank account or an active loan balance in the last 12 months (as at 30 June 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).

#### **Contacts:**

[IR@ferratum.com](mailto:IR@ferratum.com)

<https://www.ferratumgroup.com/investors/ir-contact>

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Language:	English
Company:	Ferratum Oyj
	Ratamestarinkatu 11 A
	00520 Helsinki
	Finland
Phone:	+49 (0) 30 9210058-44
Fax:	+49 (0)30 9210058-49
E-mail:	<a href="mailto:ir@ferratum.com">ir@ferratum.com</a>
Internet:	<a href="https://www.ferratumgroup.com">https://www.ferratumgroup.com</a>
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