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Ferratum Oyj: Nine Months Report January - September 2017: Ferratum Group reports strong revenue and profit growth; on track to achieve the upper end of full year 2017 revenue guidance

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Nine Months Report January - September 2017

Ferratum Group reports strong revenue and profit growth; on track to achieve the upper end of full year 2017 revenue guidance

Helsinki, 16 November 2017 - Ferratum Oyj (ISIN: FI4000106299, WKN: A1W9NS) ("Ferratum" or the "Group") announces preliminary unaudited results for the 9 months ended 30 September 2017 ("9M 2017").

Highlights

- Revenue of EUR 161.0 million - up 48.2% year-on-year
- Operating profit (EBIT) of EUR 23.8 million - up 67.3% year-on-year
- Improved EBIT margin of 14.8%
- Profit before tax (EBT) of EUR 17.6 million - up 85.9% year-on-year
- EPS (basic and diluted) increased 76.9% year-on-year to EUR 0.69 per share
- Net book value of loan portfolio up 32% over 9M 2017 to EUR 242.9 million (31 December 2016: EUR 184.3 million)
- Loan coverage ratio remained stable at 25.3% (31 December 2016: 25.4%)
- Customer deposits increased by 50% over 9M 2017 to EUR 155.3 million (31 December 2016: EUR 101.4 million)
- Full year 2017 Group revenue now expected to be in the upper end of previously published guidance
- Fiscal year 2017 guidance has today been narrowed to estimate that Group revenue will range between EUR 215 and EUR 225 million. Operating profitability margin (EBIT margin) for fiscal year 2017 is now expected to range between 14% and 16%

Key Figures

| EUR '000 | 9 months ended 30 September | | |
|-------------------------|-----------------------------|---------|----------|
| | 2017 | 2016 | % change |
| Revenue | 161,006 | 108,645 | +48.2% |
| Operating profit (EBIT) | 23,810 | 14,231 | +67.3% |
| Profit before tax | 17,575 | 9,456 | +85.9% |
| Profit before tax % | 10.9% | 8.7% | +25.4% |

| EUR '000 | 9 months ended 30 September | | |
|----------|-----------------------------|------|----------|
| | 2017 | 2016 | % change |
| | | | |

| | | | |
|---|---------|---------|--------|
| <i>Net cash flows from operating activities before movements in portfolio and deposits received</i> | 75,579 | 40,242 | |
| <i>Net cash flows from operating activities</i> | 14,691 | 43,806 | |
| <i>Net cash flows from investing activities</i> | (6,862) | (6,038) | |
| <i>Net cash flows from financing activities</i> | 34,617 | 17,958 | |
| <i>Net increase/decrease in cash and cash equivalents</i> | 42,446 | 55,726 | |
| <i>Earnings per share, basic (EUR)</i> | 0.69 | 0.39 | +76.9% |
| <i>Earnings per share, diluted (EUR)</i> | 0.69 | 0.39 | +76.9% |

| EUR '000 | 30 Sept 2017 | 31 Dec 2016 | % change |
|---|---------------------|--------------------|-----------------|
| <i>Accounts receivable - consumer loans (net)</i> | 242,866 | 184,346 | +31.7% |
| <i>Deposits from customers</i> | 155,345 | 101,436 | +53.1% |
| <i>Cash and cash equivalents</i> | 116,198 | 73,059 | +59.0% |
| <i>Total assets</i> | 403,814 | 295,683 | +36.6% |
| <i>Non-current liabilities</i> | 108,728 | 72,246 | +50.5% |
| <i>Current liabilities</i> | 194,564 | 135,563 | +43.5% |
| <i>Equity</i> | 100,522 | 87,875 | +14.4% |
| <i>Equity ratio %</i> | 24.9 | 29.7 | |
| <i>Net debt to equity ratio</i> | 1.86 | 1.53 | |

Key Developments and Progress

Ferratum continues to make excellent progress and has delivered another quarter of record revenues. Group revenue of EUR 57.3 million in the third quarter was 6.7% ahead of Q2 2017 and means that in just nine months, the Group has generated revenues of EUR 161.0 million, an increase of 48.2% year-on-year and 4.5% ahead of total Group revenue for the full year 2016. Ferratum's premium, higher margin products such as PlusLoan and Credit Limit now represent almost three quarters of total Group revenue for 9M 2017, while Ferratum's business lending to SMEs over the same period accounts for a further EUR 9 million, or 5.6% of Group revenue. As expected, Microloan continues to decline as a proportion of total Group revenue, although the EUR 32.7 million generated in 9M 2017 (20.3% of Group revenue) is only marginally lower than the 21.2% of total Group revenue attributable to Microloan for the first six months of 2017. While Microloan remains a valuable

lower risk tactical asset to help Ferratum understand customer behaviour and needs in new markets, the core growth products of Ferratum's digital lending activities - PlusLoan, Credit Limit and SME business lending - are now firmly established as the core drivers of Group revenue.

Operating expenses of EUR 81.1 million for 9M 2017 grew by 36.8% year-on-year, less than Group revenue growth, and illustrative of the positive impact of the Group's enhanced efficiency initiatives of the past 12 months. Changes to the acquisition and upsell strategy for customers continued to have impact on credit losses and marketing cost. While credit losses as a proportion of revenue increased slightly over the period (9M 2017: 35.0% of Group revenue vs. 9M 2016: 32.4%, ie. up by 2.6%), savings from changes to the acquisition and upsell strategy for customers continued to have a positive impact in reducing marketing costs as a proportion of revenues (9M 2017: 15.5% of Group revenue vs. 9M 2016: 19.3%, ie. down by 3.8%). As a result, the Group delivered strong operating profit (EBIT) of EUR 23.8 million for 9M 2017, a 67.3% increase year-on-year.

The total finance result continues to benefit from deposit taking, i.e. a higher share of refinancing with low or non interest bearing deposit products. This resulted in profit before tax (EBT) for 9M 2017 of EUR 17.6 million, an 85.9% year-on-year increase and thus growing faster than the operating profit (EBIT).

Product and Country Launches

2017 has been another busy year for new products and country launches, and the Group also achieved another milestone in its geographic expansion shortly after the 9M period end with the launch of Microloan in the African continent. The launch, through a strategic partnership with Interswitch in Nigeria, is described in more detail in the section entitled Subsequent Events.

As disclosed in the Group's results for the first six months of 2017, Ferratum has continued to diversify the size and duration of its loan products to cater for customers with longer term financial objectives. The launch of 'Primeloan' in Finland not only offers significantly larger sums of up to EUR 20,000 for longer terms of up to 10 years, but the product tests a new risk model which links pricing to the risk profile of the customer, tailoring the loan terms more closely to the customer's circumstances and purpose of the loan.

Also in May, Ferratum entered the consumer lending market in Brazil, establishing a subsidiary in São Paulo, which will initially focus on Credit Limit, offering flexible credit facilities in sums up to BRL 3,000 (EUR 850).

Ferratum Business was introduced in the UK in June. Ferratum Business provides fast, easy working capital loans of up to £50,000 to small and medium sized enterprises ("SMEs") in the UK for periods of between 6 and 12 months.

Also in June, the Mobile Bank was launched in France and Spain, two of Europe's largest retail banking markets. The introduction of Ferratum's Mobile Bank in these two important markets brings the total number of countries where the Mobile Bank is currently available to five, following its launch in Germany, Sweden and Norway in 2016. As at 30 September 2017, customer deposits were EUR 155.3 million. On 1 September, Ferratum announced the appointment of Jussi Mekkonen as the new Chief Executive Officer of Ferratum Bank p.l.c. Mr Mekkonen assumed his responsibilities on 1 November 2017 and will play a key role in accelerating the roll-out of the Mobile Bank across further markets in Europe.

Operational Developments

Twelve months ago, Ferratum commenced an important series of initiatives to ensure that the Group's management structure, IT infrastructure, customer systems and processes would remain resilient and scalable as Ferratum continues to grow.

The centralization programme covers both mobile banking and digital lending customer services and collections. The centralization initiatives have resulted in increased staff cost in 2017 but are intended to deliver a range of group-wide cost and efficiency benefits from 2018 on, such as the streamlining of resources, harmonization and standardization of processes, adoption of common key performance indicators across regions and cost reductions that avoid the duplication of country practices.

Having centralized the customer services, marketing, back office and collection functions of 14 countries into the Group's Malta operations in the first half of 2017, two more countries followed in the third quarter. The centralization programme is expected to be completed by mid-2018.

Treasury Update

Net receivables from customers have grown by 31.7% over the first nine months of 2017 to EUR 242.9 million, from EUR 184.3 million at the end of 2016. The impaired loan coverage ratio has remained stable at 25.3%, reflecting a decreasing

share of non-performing loans and an improving portfolio quality.

Ferratum ended the nine months reporting period with a significantly stronger cash position of EUR 116.2 million (31 December 2016: EUR 73.1 million). The increased figure includes some extra liquidity from the positive deposit growth in Ferratum Bank p.l.c. . The excess liquidity will be used in 2018 for the increasing lending volumes in Ferratum Bank p.l.c. resulting from both organic growth and the migration of additional countries to operate under the bank.

During the first half of 2017, the EUR 20 million bond for Ferratum Bank p.l.c. was repaid with proceeds from the EUR 25 million senior unsecured bonds due March 2020 [WKN: A189MG] issued in December 2016. In June 2017 Ferratum Bank p.l.c. successfully concluded a tap issue of EUR 15 million of the same bonds [WKN: A189MG] within the facility of an existing EUR 60 million bond issuance programme.

In July 2017, Ferratum Capital Germany GmbH, a subsidiary of Ferratum Oyj, issued a EUR 20 million senior unsecured bond due October 2018 [WKN: A2GS10], following a successful private placement with institutional investors in Germany and Poland. The bond has a coupon of 4 per cent per annum and is listed on the Frankfurt Stock Exchange (Open Market).

By offering deposit products in Sweden, Norway, France, Germany and Spain, Ferratum is diversifying its funding base. Over the first nine months of 2017 customer deposits volume have increased by 50% to EUR 155.3 million (31 December 2016: EUR 101.4 million). Besides the strong cash position, the Group had unused credit lines amounting to EUR 15 million as at 30 September 2017.

Ferratum's group rating of BBB+ was confirmed by Creditreform Rating AG during March 2017 in its regular annual review. Bonds issued in 2013 by Ferratum Capital Germany GmbH are rated BBB+.

The BBB+ rating of the bearer bond [WKN: A1X3VZ] issued by Ferratum capital Germany GmbH was also confirmed by Creditreform Rating AG in September 2017.

Subsequent Events

On 6 October 2017, Ferratum announced the launch of Microloan in Nigeria in partnership with Interswitch Limited. Interswitch, based in Lagos, builds and manages transaction infrastructure and provides secure electronic payment solutions. All Nigerian banks are connected to Interswitch, making the company the most accessible e-payment network in Nigeria.

Interswitch has launched a new lending services platform in partnership with five leading banks and three innovative credit providers, including Ferratum. Ferratum will initially offer Microloan amounts of between NGN 1,000 and NGN 10,000 (approximately EUR 2.70 to EUR 27.00) to customers of Interswitch who are resident in Lagos.

Outlook and fiscal year 2017 guidance

In view of the Group's record financial performance and strong operational progress over the past three quarters, the Board of Directors of Ferratum is confident that the Group will now achieve the upper end of previously published revenue guidance for fiscal year 2017. Accordingly, the Board now expects Group revenue for fiscal year 2017 to range between EUR 215 million and EUR 225 million, and the Group operating profitability margin (EBIT margin) to range between 14% and 16%.

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 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 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 1.8 million active and former customers who have been granted one or more loans in the past (as at 30 September 2017).

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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