



custom finance  
solutions

**Banknote  
VIZIA**

**Company presentation**

IPO subscription period

28 September – 11 October 2021

# ADVERTISEMENT

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An approved prospectus is published and available at [\[https://www.delfingroup.lv/invest\]](https://www.delfingroup.lv/invest). The approval of the prospectus should not be regarded as an endorsement of the Offer Shares. Please read the prospectus carefully before making an investment decision in order to fully understand the potential risks and rewards associated with the decision to invest in the Offer Shares.



custom finance  
solutions

Largest  
financial  
services  
branch  
network in  
Latvia

## DELFINGROUP AT A GLANCE



**2009**

Company  
established



**TOP 2**

Second largest non-bank  
consumer lender in Latvia\*

## BUSINESS SEGMENTS

- Consumer loans
- Pawn loans
- POS loans
- Retail of pre-owned goods

**90+**

branches



**38**

cities



**250+**

employees



**400,000+**

registered customers

last **10 years**

profitable operations

## KEY FINANCIALS (2020)

**23.7 m€**

(+9% Y-o-Y)

Revenue

**4.7 m€**

(+9% Y-o-Y)

Profit before tax

**34.6 m€**

(+10% Y-o-Y)

Net loan portfolio

**9.3 m€**

(+13% Y-o-Y)

EBITDA

**BRANDS:**

**Banknote** **VIZIA**

\* Based on DB TOP 500 | Largest enterprises in  
Latvia (2020 issue) 2019 data

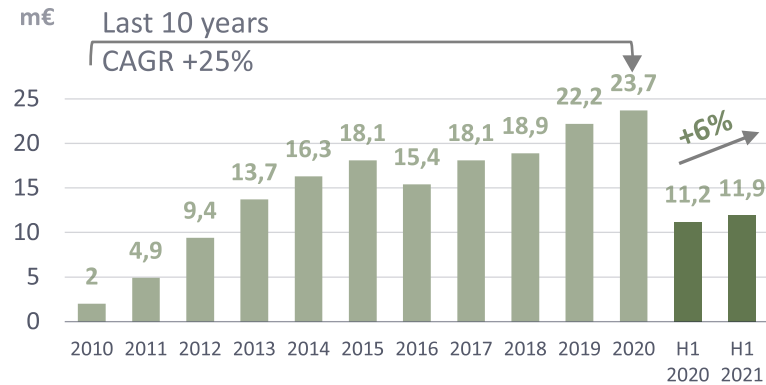
**Our vision** for the future is based on building a sustainable society by empowering people and promoting financial inclusion.



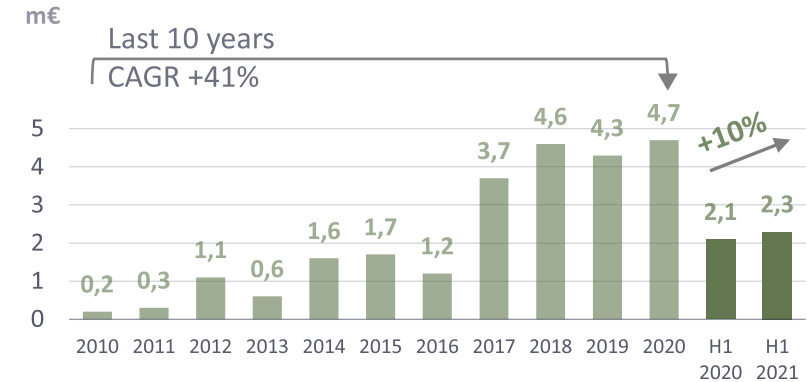
Profitable and  
resilient growth for  
the last 10 years

## SELECTED FINANCIALS

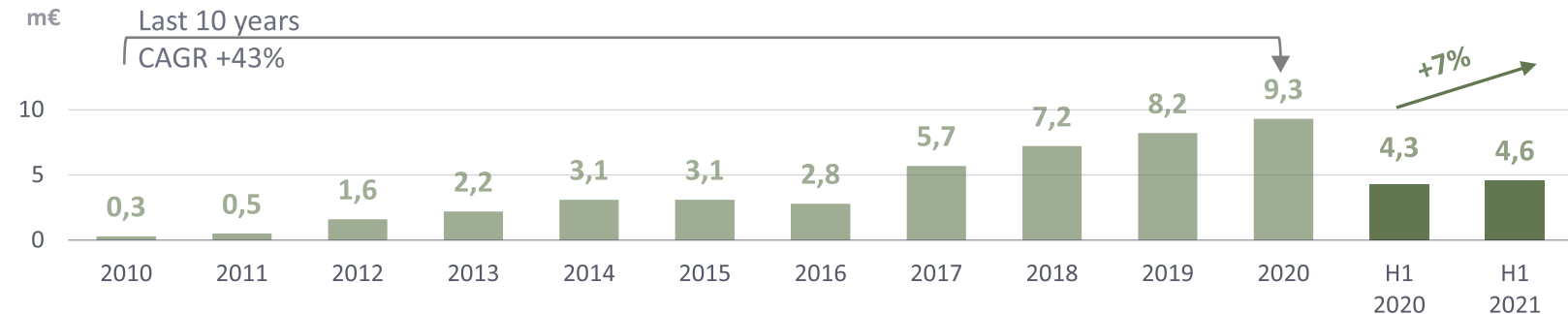
### Total revenue



### Profit Before tax



### EBITDA



## WHY IPO?

DelfinGroup will raise new equity to facilitate further growth of its loan portfolio and market share in the consumer lending segment in Latvia



The increase in equity will allow DelfinGroup to decrease its cost of financing



Expected outcomes:

↑ **PROFITS**

↑ **DIVIDENDS**

↑ **SHAREHOLDER VALUE**

# COMPANY'S MID-TERM AND LONG-TERM FINANCIAL TARGETS

Indicator	2020 audited results	2022 targets	2024 targets
Net loan portfolio	34.6 m EUR	51 m EUR	70 m EUR
Cost-to-income ratio	57%	<52%	<45%
Cost of interest-bearing liabilities	12.7%	8%	<8%
Return on Equity (ROE)	44%	>30%	>30%
Equity ratio	20.10%	>27%	>27%
EBITDA	9.3 m EUR	12.0 m EUR	17.6 m EUR
Profit before tax	4.65 m EUR	8.7 m EUR	12.9 m EUR
Dividend payout ratio*	77%	>50%	>50%

## Main assumptions:

- The company's financial targets for 2024 are based upon and valid for the assumption of EUR 10 – 15 million raised in the IPO.
- Assuming EUR 10 – 15 million EUR IPO proceeds, repayment of the most expensive debt first (on a waterfall basis) and, after refinancing the remaining debt at 8% per annum, expected instant interest expense savings almost 2 m EUR per annum (run rate) which will instantly increase profits.
- The IPO proceeds will provide sufficient additional equity to the company and will allow the company to pay out as dividends 50% or more from annual profits each year.
- All factors listed above will constitute EBITDA growth of 18% and Profit before tax growth of 29% on average annually over the 2020-2024 period.

\*Calculated as: dividends paid out in last 12 months divided by Company's profit over the last 12 month period.

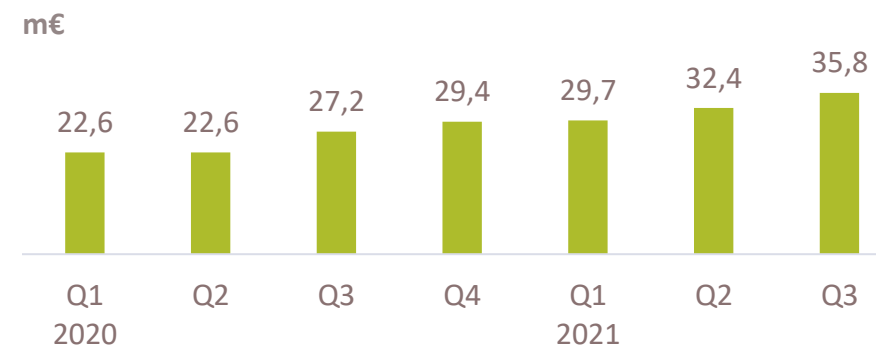
# PROFIT FORECAST (4,7M to 8,7M)

1. Profit before tax for 2021 (for example 4,7M EUR as in 2020);
2. Assuming 12.8M EUR IPO proceeds:
  - Increase equity ratio;
  - Strengthen Company balance sheet;
  - Reduce interest costs – saving of 1.8M EUR per annum (run rate) which will instantly increase profits;
3. 2.2m EUR profit increase in 2022 will be achieved by growing loan portfolio and revenue as well as economies of scale

Total loans issued



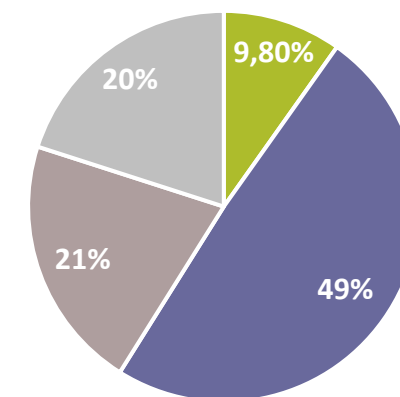
Total net loan portfolio



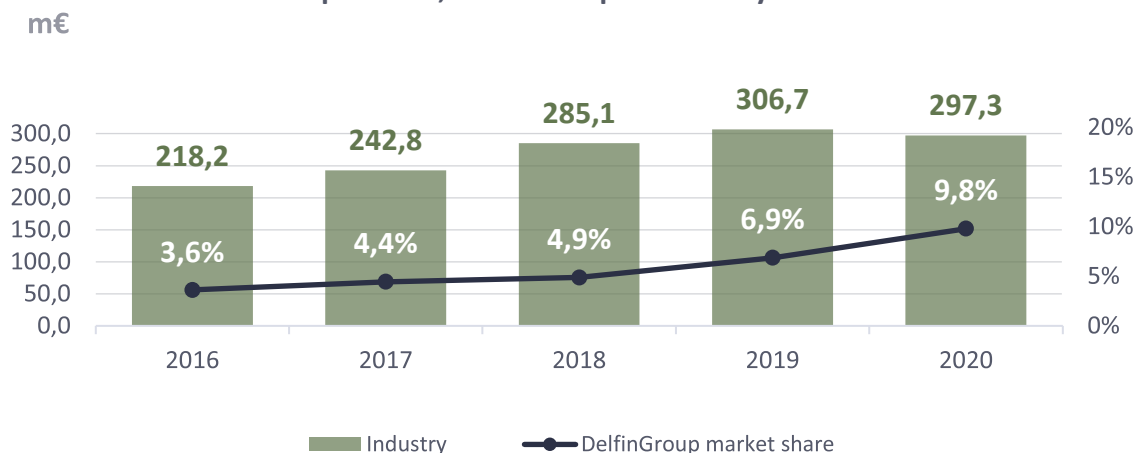
# BUSINESS GROWTH POTENTIAL

- Growth at existing pace
- New products and product/service updates
- Potential acquisitions
- Ongoing improvements in Customer Experience and process automation

Consumer loan market share, 2020



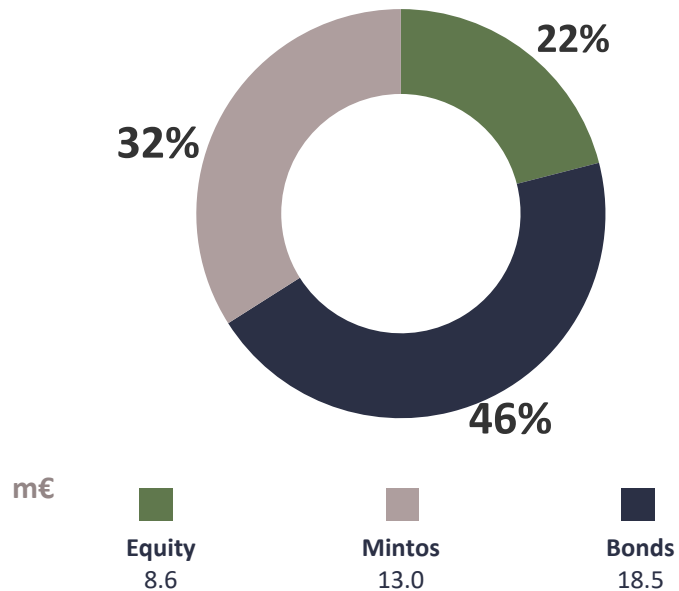
Consumer loan portfolio, DelfinGroup vs Industry



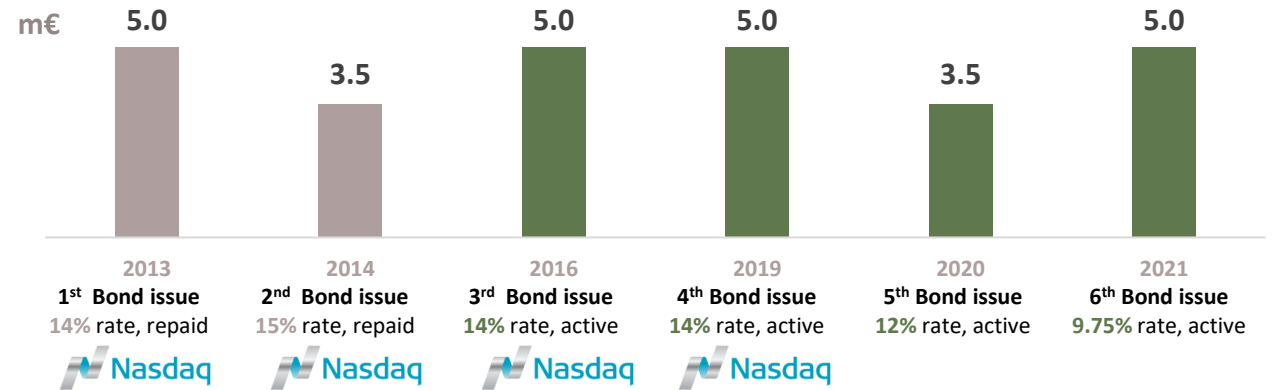


# CAPITAL STRUCTURE, Q2 2021

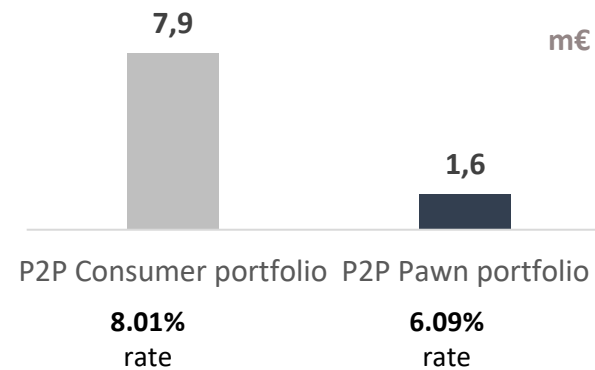
## Capital structure



## Bond financing track record



## Mintos financing



## Use of IPO proceeds

Decrease the cost of funds and materially strengthen the balance sheet which will serve as the backbone for further profitable growth

# STRATEGIC OBJECTIVES OF THE IPO

1. After the IPO, the company plans to reduce debt and materially increase the equity ratio
2. Expected interest savings of almost 2 m EUR per annum (run rate basis) shortly after the IPO from a change in capital structure
3. Refinance part of remaining interest-bearing liabilities at single digit interest rates (target 8% and lower)
4. Further bond issuance in the bond market, supported by a strong equity ratio and profitability to ensure the company's long-term competitiveness

## IPO use of proceeds: immediate improvement on the company bottom line

12.8 m EUR gross proceeds assumed							
Outstanding amount, EUR as of 31 July 2021	Amount, EUR	Interest	Cumulative debt amount, EUR	Weighted average interest rate for cumulative debt amount	Instant annual savings on interest expense, EUR	Remaining interest bearing liabilities, EUR	Interest savings from refinancing remaining liabilities at 8%
Bond (25.10.2021)	5,000,000	14%	5,000,000	14%	700,000	-	-
Bond (25.11.2022)	5,000,000	14%	10,000,000	14%	700,000	-	-
Bond (25.11.2022)	3,500,000	12%	13,500,000	13.48%	-	3,500,000	140,000
Bond (25.08.2023)	5,000,000	9.75%	18,500,000	12.47%	-	5,000,000	87,500
P2P Consumer portfolio	7,882,411	8.01%	26,382,411	11.14%	168,210	5,782,411	578
P2P Pawn portfolio	1,619,949	6.09%	28,002,360	10.85%	-	1,619,949	-
Total savings by source, EUR					1,568,210		228,078
Planned Interest expense savings per year (run rate) shortly after IPO, EUR					1,796,288		

**Summary:** assuming 12.8 m EUR of IPO proceeds (around 12.1 m EUR net proceeds), repayment of the most expensive debt first (on a waterfall basis) and, after refinancing the remaining debt at 8% per annum, expected instant interest expense savings almost 2 mEUR per annum (run rate) which will instantly contribute to the bottom line.

## Dividend policy

Balance between the company's growth and value to shareholders

The company's goal is to ensure portfolio growth that will increase profits for shareholders.

At least 50% of the profits will be paid out in dividends

The full DelfinGroup dividend policy is available on the website [here](#)

# WE ARE A DIVIDEND STORY (BUT NOT ONLY)

## QUARTERLY DIVIDENDS

Up to 50% from the company's consolidated quarterly profit

&

## ANNUAL DIVIDENDS

An amount ensuring an optimal capital structure

=

## TOTAL DIVIDENDS

At least 50% from the company's consolidated profit

## Dividends paid out



Example, EUR	2020	2021	2022	2023	2024
Assets	45m	xxx	xxx	xxx	80m?
Portfolio	35m	xx	xx	xx	70m
Equity	9m	IPO 12m proceeds + profit			>22m @>27%
PBIT	4,6m	x	8,7m	x	12,9m
Payment of 50%			>4,35m @50%		<21,6m+x
Example yield at IPO price would be at least 4,7% in 2022			>3,48m		

## VALUATION COMPARING TO BANKS

Ratios	DelfinGroup 2021 expected*	DelfinGroup 2022 expected**	Coop Pank, 2020	Šiauliu bankas, 2020	Swedbank, 2020	LHV Pank, 2020
P/E	15.29	9.66	14.6	7.11	12.52	15.12
ROE	30.1%	>30%	7.8%	12.7%	8.9%	17.3%
P/BV	3.8	3.3*	1.08	0.84	1.04	2.29

\*Results LHV Pank estimate in their valuation report. (available [www.delfingroup.lv](http://www.delfingroup.lv))

\*\*Result estimated based on company's 2022 targets assuming that 50% of profits are distributed as dividends



**Disclaimer:**

We draw your attention to the fact that whilst the lead manager of the offering is LHV Bank (disclosed in all official documents relating to the transaction), the report on DelfinGroup (investment summary below) was written by the independent analysts of LHV Bank and is based solely on the announcements published by the company and publicly available information. We encourage you to familiarise yourself with the disclosures at the start and end of the actual report, which is available [here](#)

## COMPANY VALUATION AND SHARE PRICE

- The IPO share price is 1.52 euros, which means that the company currently values itself pre-money at 60.8 million euros
- If the new capital raised is added arithmetically, the value stands at 73,56M EUR
- According to LHV Bank research report the company's post money valuation is estimated between 80-90 million euros (the report is available at [www.delfingroup.lv](http://www.delfingroup.lv))

### IPO share offering:

UP TO **8,395,000** NEW SHARES

**1.52 EUR** PER SHARE

UP TO **12.76 MILLION EUR** GROSS PROCEEDS AS A RESULT OF THE IPO

# NO LIMITS FOR SUBSCRIPTION AMOUNT

## Subscription period

28 September – 11 October 2021

## Share price

EUR 1.52 for 1 share

## Subscription options

The minimum investment amount is EUR 1.52, for which an investor can subscribe to one share;

There is no limit as to for the maximum amount of shares subscription.

# LIQUIDITY OF LATVIA'S STOCK EXCHANGE

## AS DelfinGroup lists its shares on the Nasdaq Baltic Regulated Market

1. Nasdaq Riga stock exchange is a part of Nasdaq Baltic market;
2. DelfinGroup aims to reach a wide range of shareholders, including focus on private investors from Baltic states;
3. DelfinGroup has signed an agreement with LHV Pank to provide liquidity for the traded shares;
4. Increasing activity in the securities market.



# RESPONSIBLE CONSUMER LENDING

## Solvency check

- Customer solvency check is based on official income only (data sources: State Revenue Service data base and/or bank statements);
- Customer credit history check with other credit institutions;
- Credit checks from other third party sources:  
Credit bureaus - external liabilities;  
Debtors' registers - overdue loans.

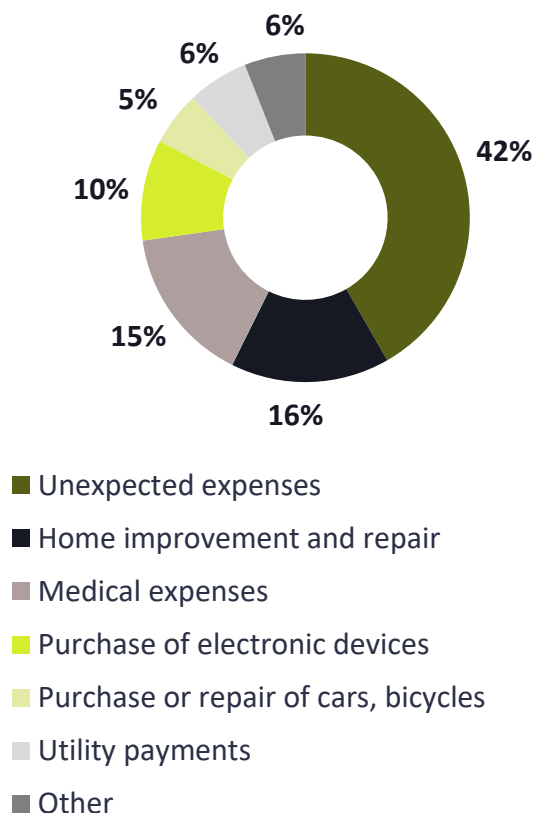
## Risk scoring

- Analysis of internal data base and transaction history;
- Use of in-house scoring system to determine:  
maximum credit risk for each customer;  
maximum loan limit for each application.

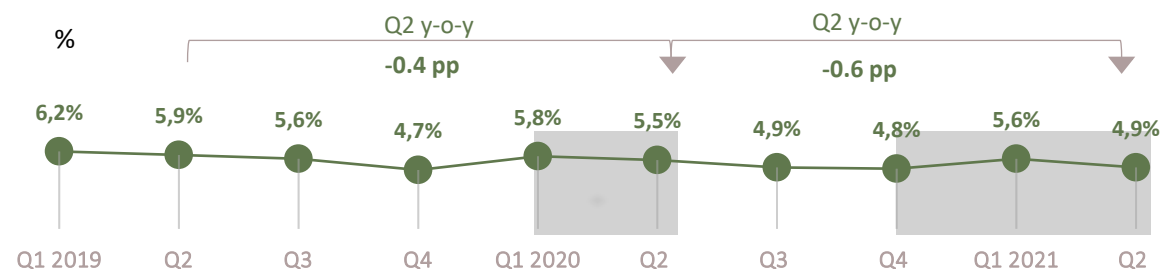
## Safe and balanced loans

- Not more than 40% of monthly income may be used to settle the customer's total loan obligations
- DelfinGroup does not offer short term pay day loans. Average loan maturity is 24 months.

**Top reasons for borrowing DelfinGroup consumer loans, 2020**



## Non-performing loan ratio\*



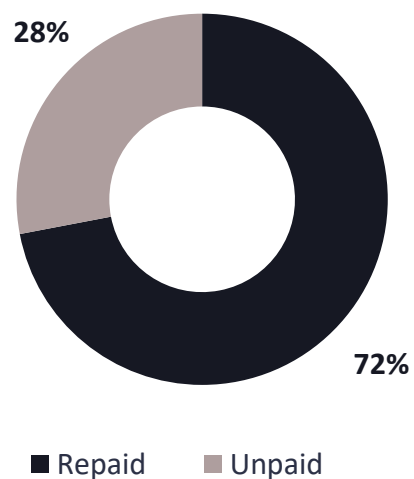
1<sup>st</sup> and 2<sup>nd</sup> wave of COVID-19 restrictions in Latvia

\*90+ days overdue portfolio share in total total loan portfolio



# RESPONSIBLE PAWN LENDING

## The repayment of pawn loans, 2020



### Low-risk and simple service

- The customer's liability is limited only to the pawn collateral. Credit score of the customer are not affected if the loan is not repaid. Pawnshop service is the simplest and most understandable financial service for a large group of people.

### Detailed pledge examination procedure

- Each customer is identified and registered (passport or ID card is required).
- Employees are trained to determine the origin of the collateral. Ownership of the collateral is checked by (for example):  
the state vehicle registry (for bicycles);  
by IMEI codes for mobile phones and tablets.

### Transparency

- Almost all items for sale are available in the online store.



**DelfinGroup is subject to licensing requirements, stricter regulation in the Baltic States and close supervision by the Latvian Consumer Rights Protection Centre (the “CRPC”).**

# LAWS, REGULATIONS & COMPLIANCE

**Principal laws and regulations relevant to the consumer lending segment and the Group are:**

1. Commercial Law of the Republic of Latvia;
2. Consumer Rights Protection Law;
3. Personal Data Processing Law and Regulation (EU) 2016/679 of the European Parliament and of the Council and repealing Directive 95/46/EC;
4. Unfair Commercial Practices Prohibition Law;
5. Law on Out-Of-Court Consumer Dispute Resolution Bodies;
6. Law on Safety of Goods and Services;
7. Law on Information Society Services;
8. Law on Release of Private Indebtedness for Natural Persons.

**The principal regulations relevant to the provision of pawn loan services and consumer loan services are:**

1. Cabinet Regulation No. 245 of 29 March 2011 “Regulations Regarding Special Permit (Licence) for Consumer Credit Services”;
2. Cabinet Regulation No. 691 of 25 October 2016 “Regulations on Consumer Credit”;
3. Cabinet Regulation No. 648 of 21 October 2014 “Regulations Regarding Distance Contract for the Provision of Financial Services”;
4. Law on Extrajudicial Recovery of Debt;
5. Cabinet Regulation No. 61 of 29 January 2013 “Regulations Regarding the Permissible Amount of Expenses for Recovery of Debt and Non-Reimbursable Expenses”;
6. Cabinet Regulation No. 64 of 29 January 2013 “Procedures for the Licensing of Providers of Debt Recovery Services”.

**The principal laws and regulations relevant to AML/CFT compliance and compliance with international sanctions are:**

1. Law on International Sanctions and National Sanctions of the Republic of Latvia;
2. Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing;
3. Cabinet Regulation No. 705 of 13 November 2018 “Regulations Regarding Requirements on the Prevention of Money Laundering and Terrorism Financing for the Providers of Consumer Crediting and Debt Recovery Services”;
4. Cabinet Regulation No. 407 of 27 August 2019 “Regulations on the Procedure and Content of Submission of Threshold Declaration”;
5. Cabinet Regulation No. 408 of 27 August 2019 “Regulations on Reporting of Suspicious Transactions”.

# THE PAWN SHOP AS PART OF THE CIRCULAR ECONOMY

Our online store has a very wide range of assortments:

**Banknote** +371 27777762 09:00 - 20:00 veikals@banknote.lv LV RU

Kategorijas: Zelta juvelierizstrādājumi (8930), Mobilie telefoni (4396), **Mājas (2884)**, Sadzīves tehnika (720), Skaistumam un veselībai (577), Mājsaimniecības preces (509), Rotallietas (425), Interjeram (286), Trauki (198), Santehnika un apkure (118), Preces bērniem (51), Spēles un spēļu konsoles (2792), Remontam un celtniecībai (2063)

**Tagad ikviens var kļūt par DelfinGroup akcionāru!** >Uzzini vairāk<

13-24 no 2884 Rādīt 12 Jaunākās vispirms 1 lapa < 1 2 3 4 5 6 7 8 ... 240 241 > 241 lapa Skats: [Grid Icon]

Delimano KDR-4E-3 Philips GC351 Wrist Auto Blood Xiaomi Mi Robot



**DelfinGroup goods sold,**  
thousands pieces



**DelfinGroup goods repaired and returned to  
the secondary market,**  
thousands pieces



DelfinGroup has published its first Environmental, Social and Corporate Governance (ESG) report for 2020

available [here](#).

# DELFINGROUP ESG

## DelfinGroup ESG

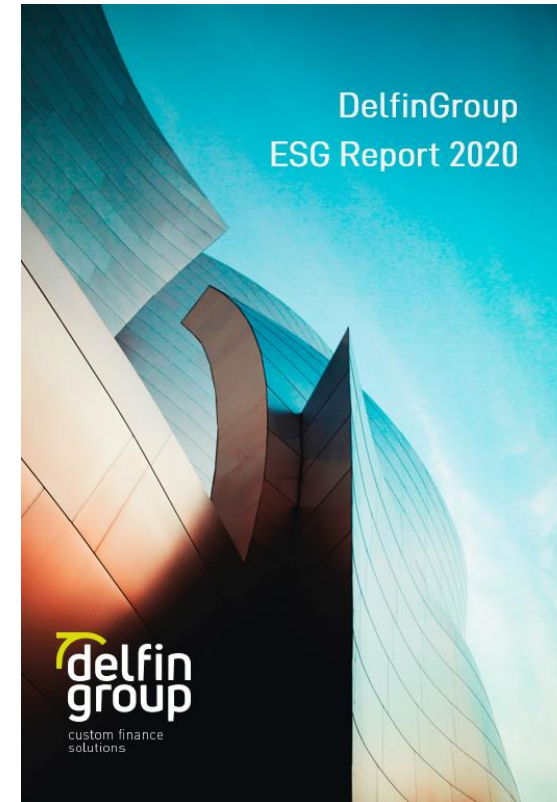
- Environmentally friendly business model
- Providing a circular economy example
- Ensuring an environmentally responsible workplace

## Social inclusion

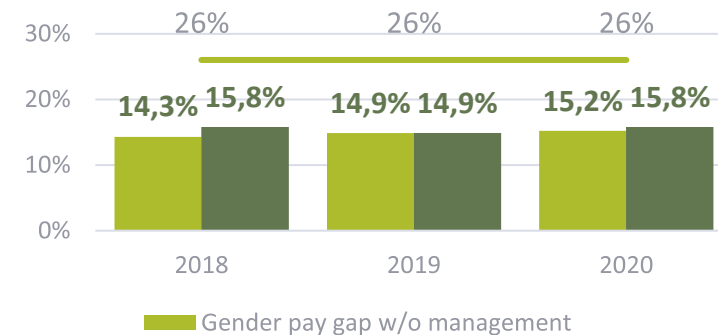
- Serving the underserved customer segments
- Being an inclusive workplace – gender diversity 48%/52%

## Social strengthening of corporate governance

- With three independent members of the Supervisory Board



## DelfinGroup gender pay gap





# REASONS WHY TO INVEST IN DELFINGROUP

1. Diversified revenue streams
2. The company has been profitable every year since 2010
3. No forex risk
4. Larger equity ratio than peers
5. The company can borrow funds on similar or better terms than it's regional competitors
6. The company will increase its profits by 1,8M EUR on annualized basis right after IPO
7. Dividend policy
8. DelfinGroup shares are fairly priced providing relatively large potential upside for investors in the long term
9. None of existing shareholders is planning to exit during IPO
10. Majority of Supervisory board consists of independent board members
11. DelfinGroup is one of few companies in the Baltics that publishes full ESG report
12. Clear market leader in pawn loan business and growing market share in consumer lending. Relatively high barriers to entry for competitors
13. The company conducts only fair and understandable lending
14. Financial inclusion
15. Ambition to grow and that is in our DNA

Become a DelfinGroup shareholder!

**[www.delfingroup.lv](http://www.delfingroup.lv)**

Subscription period

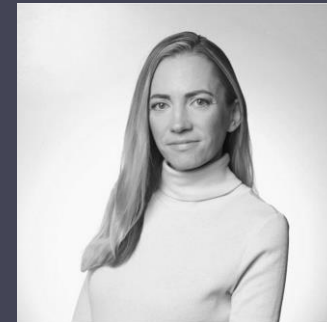
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