



# COMPANY PRESENTATION 2019

April, 2020

Until 03/02/2020:



## DISCLAIMER

- This presentation is of selective nature and is made to provide an overview of the Company's (SIA DelfinGroup and its subsidiaries) business.
- Unless stated otherwise, this presentation shows information from consolidated perspective.
- Facts and information used in this presentation might be subject to revision in the future. Any forward-looking information may be subject to change as well.
- This presentation is not a legally binding document and the Company has no liability for any direct or indirect loss from the use of this presentation.
- This presentation does not intend to contain all the information that investors may require in evaluating the Company. Investors should read publicly available information regarding the Company as well as the full prospectus describing a particular bonds issue.

## DEFINITIONS FOR ALTERNATIVE PERFORMANCE MEASURES\*

### EBITDA

Earnings before interest, taxes, depreciation and amortization calculated as Net Income + Interest + Taxes + Depreciation + Amortization. Used as a measure of corporate performance as it shows earnings before the influence of accounting and financial deductions.

### EBITDA Margin

Operating profitability as a percentage of its total revenue, calculated as EBITDA / (Interest income + Gross profit from sale of foreclosed items). Used as a profitability measure that is factoring out the effects of decisions related to financing and accounting.

### NET Profit Margin

How much net profit is generated as a percentage of revenue, calculated as Net Profit / Revenue. Used as an indicator of a company's financial health.

### Net Debt

How well a company can pay all of its debts if they were due immediately calculated as Short-term Debt + Long-term Debt - Cash and Cash Equivalents. Used as a liquidity measure to assess if a company will need additional funding.

### Interest-Bearing Debt

Liabilities that require the payment of interest, contains bonds, other loans, leasing liabilities etc. Interest-Bearing Debt has a priority over other debts.

The goal of alternative performance measures is to provide investors with performance measures that are widely used when making investment decisions and comparing the performance of different companies.

\* As stipulated by FCMC Regulations on Alternative Performance Measures



## KEY TO SUCESS



WISE ASSESSMENT OF  
MARKET SITUATION



SMART  
POSITIONING



PROACTIVITY

## WHO WE ARE

Our **vision** is to always strive for the **highest recognition**.

## WE SERVE PEOPLE

Our mission is to create and provide innovative and custom finance solutions to our clients.

## WE PROVIDE

Consumer loans

Pawnbroking services

Money transfer

## REPRESENTED BANDS

Banknote

VIZIA

WESTERN UNION WU

## WE VALUE

 **SIMPLICITY**

Our services are always simple and easy to understand.

 **ACCESSIBILITY**

We are accessible to everyone and everywhere.

 **RESPECT**

We treat everyone with respect, and we are honest and open.

 **PROGRESS**

We seek and find ways how to improve our performance.

 **MASTERY**

We are professional and hold ourselves to a higher standard.

 **FOCUS ON CLIENT**

We listen to our clients carefully and offer custom solutions.

 **AMBITION**

We are driven to grow constantly and become the best lender in the region in long-term.



# JOURNEY TO EXCELLENCE

Values and ambitions have driven us to a decade of success.



2009

First pawn shop opened



2010

**50 branches** opened in less than a year

Alternative Financial Services Association of Latvia was established



2011

Consumer lending launched



2013

Secured bonds issued and listed on **Nasdaq Riga** stock exchange



2015

Started money transfer with **Western Union**

Rebranding of **Banknote**

Acquisition of Riga City Pawnshop



2016

Joined global loan marketplace **Mintos**



2017

ISO certification  
**Online Lending** launched through new Banknote website

Received Customer Service Award for excellence in providing of financial services



2018

Launch of a new online lending brand **VIZIA**



2019

Rebranding of corporate identity



**96.5%** of shares are controlled by the co-founder **Agris Evertovskis**.

## SHAREHOLDER STRUCTURE

SHAREHOLDERS	SHARES	%
SIA Lombards24.lv	EUR 977 700	65.18
SIA AE Consulting	EUR 150 000	10.00
SIA EC Finance	EUR 319 800	21.32
Management	EUR 52 500	3.50
<b>TOTAL PAID IN CAPITAL</b>	<b>EUR 1 500 000</b>	<b>100.00</b>

Agris Evertovskis exercises control over SIA DelfinGroup as the beneficiary of parent companies SIA Lombards24.lv, SIA EC finance, and SIA AE Consulting.



**Experienced, professional  
and ambitious** management  
board represents a set of  
diverse and mutually  
complementing  
competencies.

## MANAGEMENT BOARD



**AGRIS EVERTOVSKIS**  
**Chairman of the Board**

(co-founded company in 2009)

Agris Evertovskis, Chairman of the Board, Co-Founder;

BSc in Economics and Business Administration from the Stockholm School of Economics in Riga;

Previous experience in leading several commercial real estate development projects and companies (2006-2009).



**KRISTAPS BERGMANIS**  
**CFO**

(joined company in 2012)

Kristaps Bergmanis, Member of the Board, Chief Financial Officer;

Bachelor's degree in Economics and Business Administration from the Stockholm School of Economics in Riga; ACCA candidate (passed 12 of 14 examinations);

Previous experience as Member of the Board and Chief Financial Officer at Vision Express Baltija (2005-2012); Business Controller at Rimi Latvija (2003-2005).



**DIDZIS ADMIDINS**  
**CEO**

(joined company in 2010)

Didzis Ādmīdiņš, Member of the Board, Chief Executive Officer;

Master's degree in Economics and Business Administration from the Riga Technical University;

Previous experience as Chief Operating Officer at several real estate companies (2008-2010); Retail credit specialist at Swedbank (2007-2008).



**IVARS LAMBERTS**  
**COO**

(joined company in 2014)

Ivars Lamberts, Member of the Board, Chief Operational Officer, Head of Pawn Lending;

Master's degree in Economics and bachelor's degree in Finance Management from BA School of Business and Finance;

Previous experience in leading global loyalty program Lyoness Latvia (2012-2015); Member of board at Lafiko.lv payday lender (2010-2012), Deputy director at Riga State Technical College (2009-2010).



# TRUSTWORTHY AND STATE REGULATED BUSINESS

REQUIREMENTS AND RESTRICTIONS	VALUE	APPLIES TO CONSUMER LOANS	APPLIES TO PAWN LOANS
Minimum capital requirement	EUR 300 000	✓	✓
Initial licensing fee	EUR 250 000	✓	✓
Annual licensing fee	EUR 55 000		
Restriction for advertising on state financed radio and television channels		✓	✓
Legal income check		✓	
AML and sanction list check		✓	✓
Cap on loan costs	0.07%/day (~42% effective annual rate)	✓	



# ACTIVE AND SOCIALLY RESPONSIBLE PARTNER

## Alternative Financial Services Association of Latvia



Founding member since 2013

Didzis Admidins is a member of the Supervisory Board

## Latvian Chamber of Commerce and Industry



Latvijas Tirdzniecības un rūpniecības kamera

Member since 2015

## State Revenue Service



ZELTS

Padziļinātās sadarbības programma

DelfinGroup is the only non-bank lender included in the Gold level of the State Revenue Service for In-Depth Cooperation Programme (qualified on March 2019).

## Consumer Rights Protection Centre



Patērētāju tiesību aizsardzības centrs

Non-bank lending business is monitored by Consumer Rights Protection Centre

Alternative financial services providers have **significant development opportunities** in Latvia.

## NEED-DRIVEN BUSINESS

Latvia's strategic goal for 2017-2019 was to activate lending. The goal was not fully achieved and is expected to stay in force until new development plan is published for a period starting from 2021.

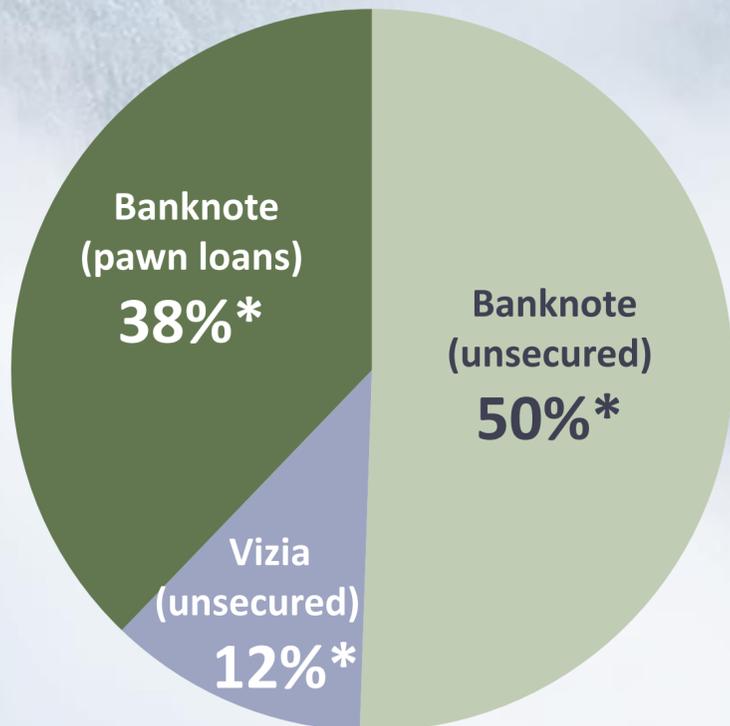
Alternative financial services providers ensure the accessibility of funding for specific people groups and fill-in the gap in regions where traditional market players leave.

### HOUSEHOLDS VALUE ALTERNATIVE FINANCIAL SERVICES AS THEY ARE:

- convenient;
- discreet;
- fast;
- reasonable.

## BRAND HIGHLIGHTS

2 strong brands cover secured and unsecured lending.



\* Calculated against total issuance in 2019.

	Banknote	VIZIA
<b>BRAND CREATED</b>	2017	2018
<b>ACCESS CHANNELS</b>	ONLINE OFFLINE	ONLINE
<b>BRAND FOCUSS</b>	Conservative, reliable.	Dynamic and flexible.
<b>ADVERTISING CHANNELS</b>	<ul style="list-style-type: none"> <li>• Online;</li> <li>• Search marketing;</li> <li>• Commercial TV and radio;</li> <li>• Offline via branch network.</li> </ul>	<ul style="list-style-type: none"> <li>• Online;</li> <li>• Search marketing;</li> <li>• Affiliate networks;</li> <li>• E-mail marketing.</li> </ul>

# Banknote

## ESSENTIAL SERVICES

- Consumer loans;
- Pawn loans;
- Pawnshop services;
- Online shop;
- International money transfer Western Union.

## TARGET AUDIENCE

- Customers with low/stable income;
- People who need to cover unplanned expenses;
- Seniors (an underserved market segment).

## BRAND VISION

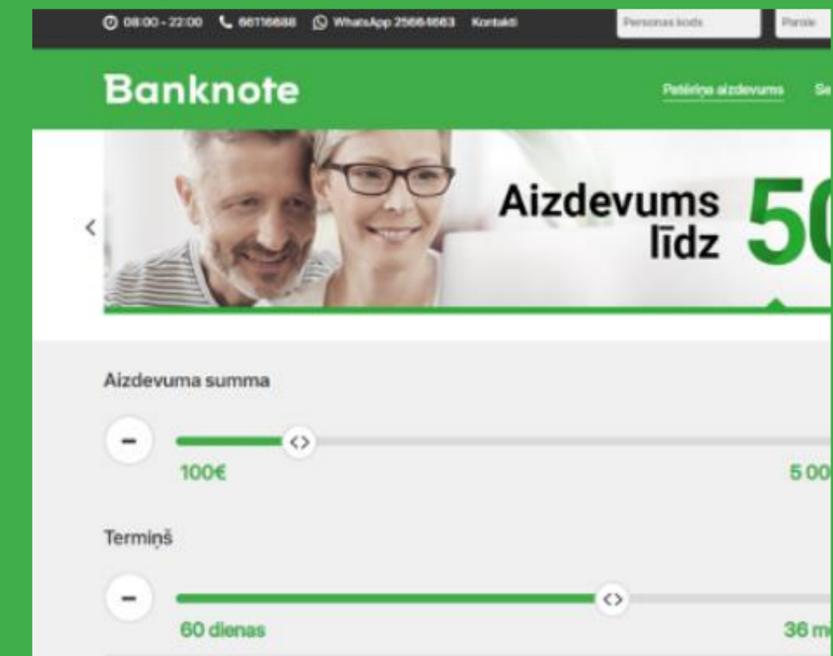
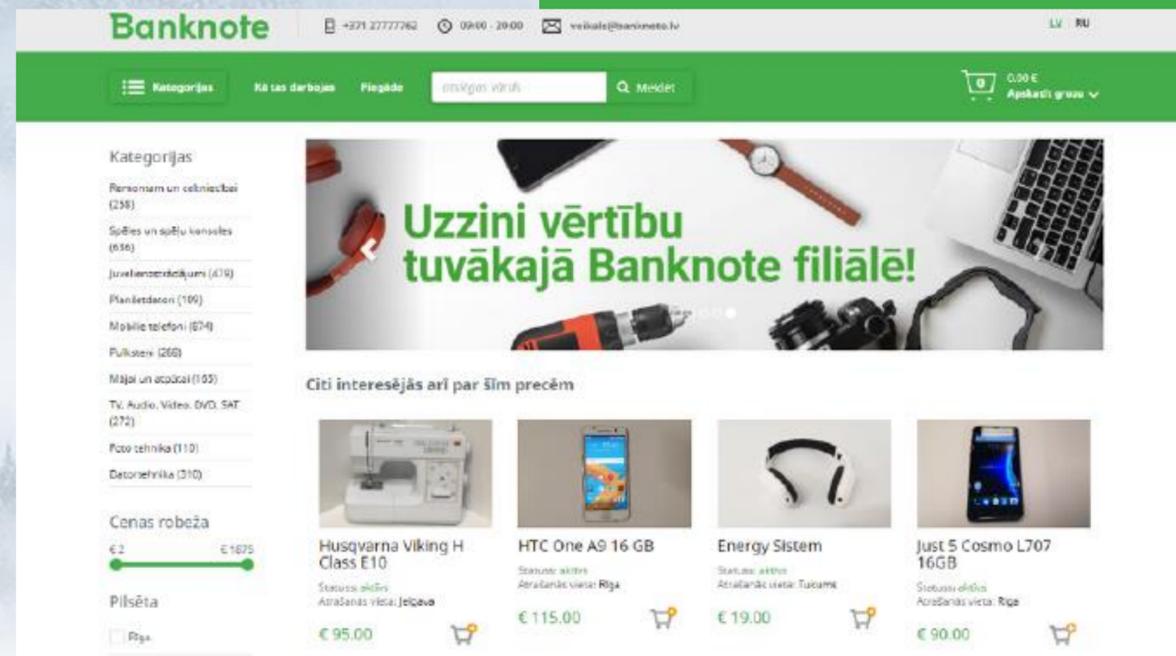
- High brand awareness all across the country;
- Common branch concept;
- The largest branch network among financial service providers.



## LEADING PLAYER



**No. 1 player** in pawn loan segment in Latvia.



# VIZIA

VIZIA provides **online** financial services only.

## ESSENTIAL SERVICES

Consumer loans.

## TARGET AUDIENCE

Customers 25-50 years old with stable income;

People who need to finance medium sized purchases;

Tech savvy millennials.

## BRAND VISION

A modern financial services provider specializing in simple and fast consumer loans for both small purchases and large planned expenses;

Transparent and agile financial services built for advanced online users.

The screenshot displays the VIZIA website interface. At the top, there is a dark navigation bar with contact information: '08:00 - 22:00', '67 60 07 77', and 'WhatsApp 26110028'. On the right, there are language selection buttons for 'LV' and 'RU'. Below the navigation bar is the VIZIA logo and a login section with input fields for 'Personas kods' and 'Parole', and a 'Ienākt kontā' button. The main content area features a large banner with the text 'PIRMAIS AIZDEVUMS LĪDZ 3000 €' and an image of a person holding a tablet. Below the banner is a slider for 'Aizdevuma summa' (Loan amount) set to 1200€, with a range from 50 to 3000. Underneath is a table for 'Mēneša maksājums' (Monthly payment) with options for 4, 6, 12, 18, 24, 36, and 60 months. The 24-month option is selected, showing a payment of 75.47 €. At the bottom, there is an 'Aizdevuma informācija' (Loan information) section with fields for 'Pirmā maksājuma datums' (11/01/2020), 'Aizdevuma kopējā summa' (1200.00 €), and 'Aizdevuma ikmēneša maksājums' (75.47 €). A 'Uzzināt vairāk' (Learn more) section is also present on the right.

08:00 - 22:00 67 60 07 77 WhatsApp 26110028 LV RU

**VIZIA** Personas kods Parole Ienākt kontā

PIRMAIS AIZDEVUMS LĪDZ 3000 €

Aizdevuma summa **1200€** 50 1000 2000 3000

Mēneša maksājums

4 mēneši	6 mēneši	12 mēneši	18 mēneši	<b>24 mēneši</b>	36 mēneši	60 mēneši
325.48 €	225.48 €	125.48 €	92.15 €	<b>75.47 €</b>	58.81 €	45.48 €

Aizdevuma informācija

Pirmā maksājuma datums 11/01/2020

Aizdevuma kopējā summa 1200.00 €

Aizdevuma ikmēneša maksājums 75.47 €

Uzzināt vairāk

- Standartinformācija >
- Līguma noteikumi >
- Līguma atmaksas grafiks >



## CLIENT SERVICE

In 2019, online brand **Vizia** has Google Review **rating of 4.9/5** from clients for **exceptional service**.

## INVEST IN PEOPLE TO ENHANCE EXCELLENCE

Employee competence development program over decade has been continuously improved.

Each employee in client service area has full-profile skills to deliver service excellence and financial expertise.

DelfinGroup objectives and values are shared across all organization and management levels.

## BROAD AND DEVELOPED BRANCH NETWORK

Branches are located in main cities and most populated areas of Latvia providing access to broad customer base.

## QUALITY CONTROL ADVANCES SERVICE

There are continuous skill based follow-ups for branch employees.

Distant and face-to-face customer service monitoring smoothens even the tiniest inconsistencies of service standards.

Management processes are certified according to ISO 9001:2015 and ISO 50001:2015 standards.

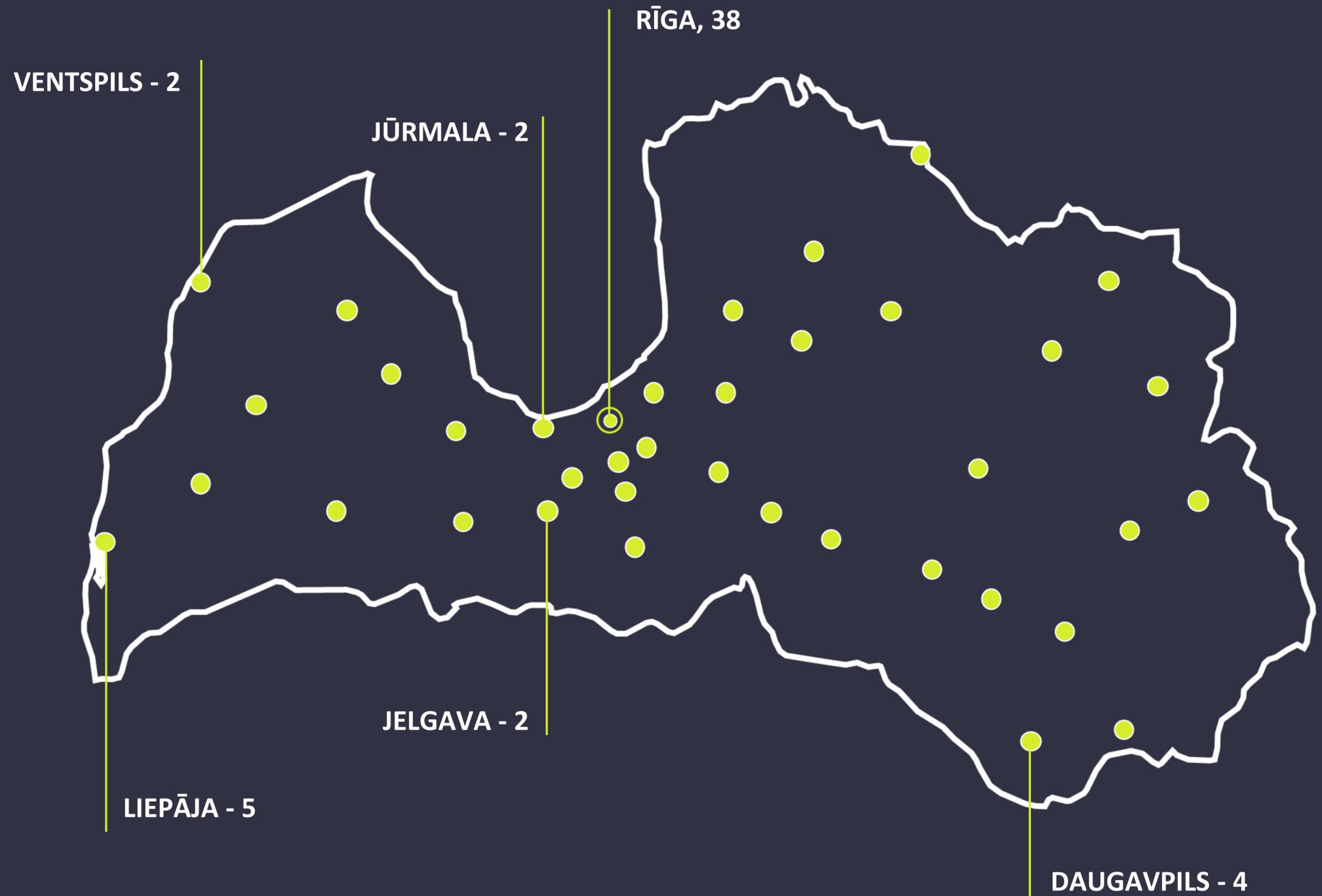


## SERVICE NETWORK

**87** branches

**38** towns

Presence in **every** single populated area of Latvia having at least **4 000** inhabitants.



## SERVICE AREA

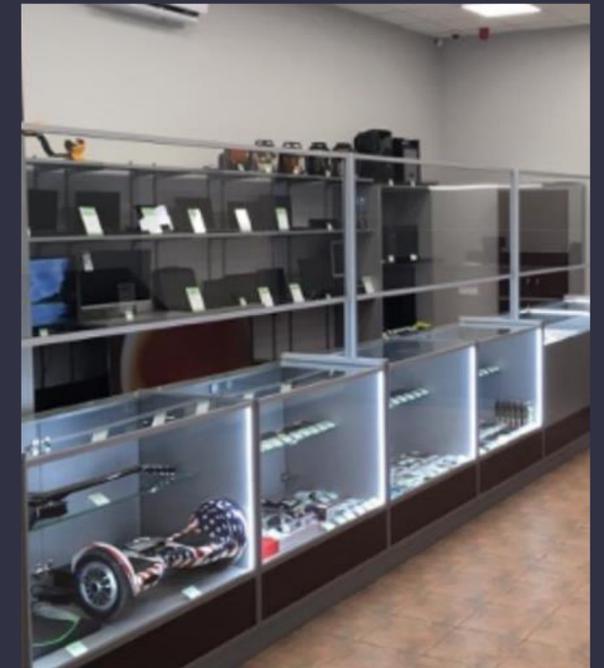
Shopping experience and item placement are **similar** to those of **consumer electronics stores**. This **attracts customers**

- interested in pawn loans;
- looking for inexpensive pre-owned (used) goods.

Banknote pawn shop interior and storefront design **differs significantly from competitors**.

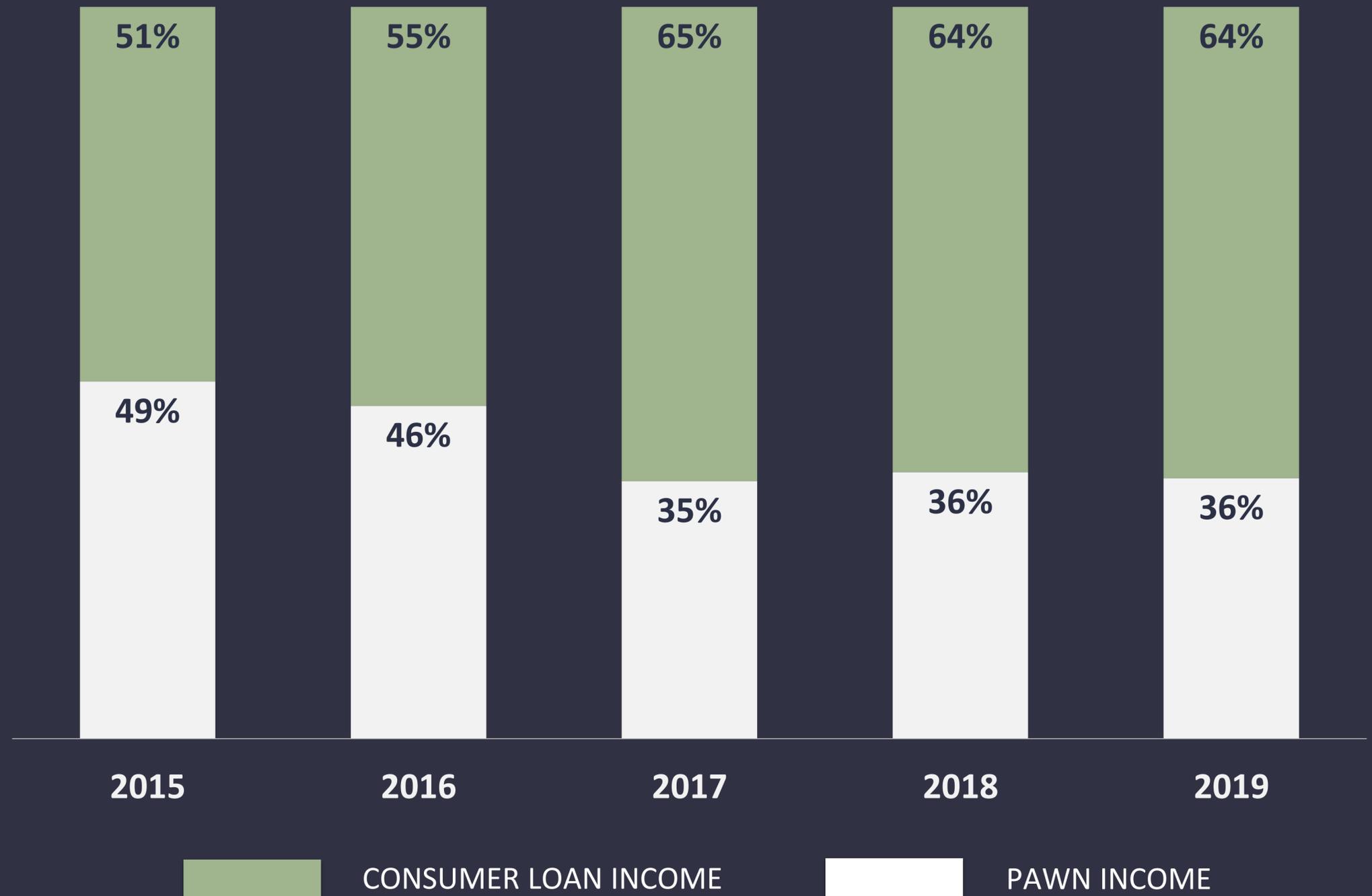
All locations are **welcoming** with focus on

- **transparency,**
- **friendliness,** and
- **superb client service.**



## PAWN vs CONSUMER LOANS

Comparatively small **pawn** loan portfolio generates **36%** of **total** group's **income**.



## MARKET OVERVIEW

In 2019 H1, **41%** of all pawn loans issued in **Latvia** were issued **by DelfinGroup**.

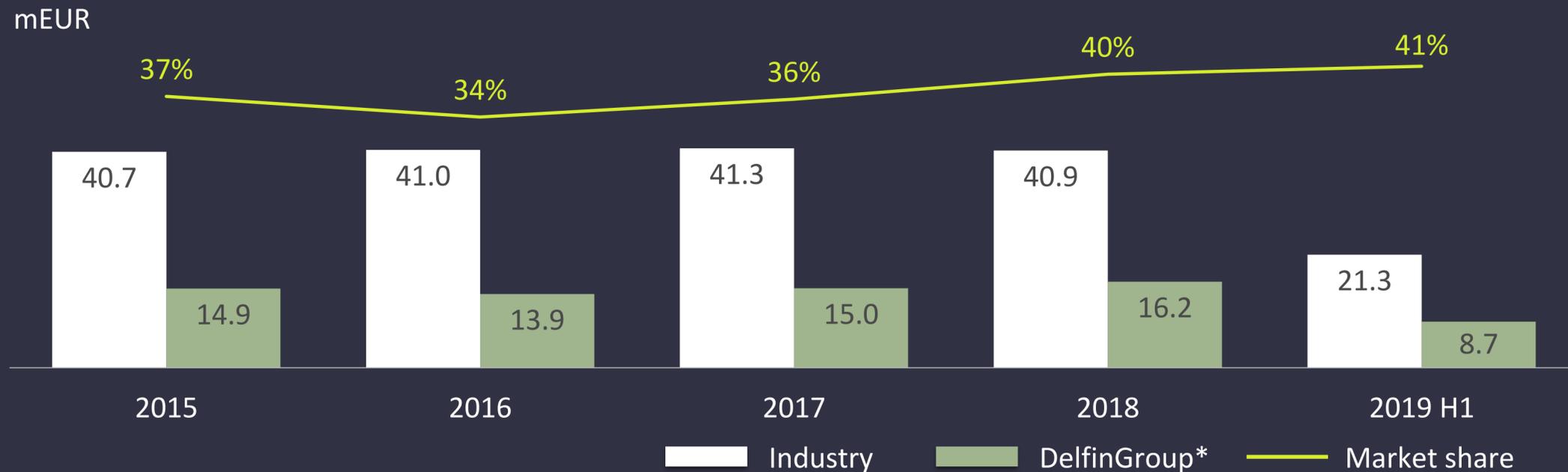
The **market share** of issued loans is **growing** every year.

## PAWN LOANS

### PAWN LOAN PORTFOLIO, DELFINGROUP VS INDUSTRY\*



### AMOUNT OF PAWN LOANS ISSUED, DELFINGROUP VS INDUSTRY\*

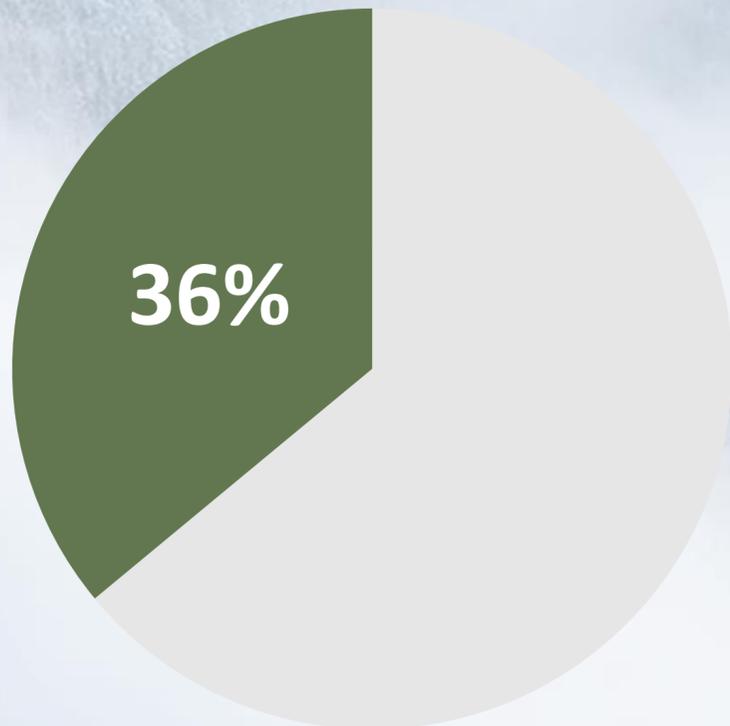


\*Source: Consumer Rights Protection Centre.



## PAWN LOANS

### PAWN LOANS ISSUED IN 2019



## STABLE GROWTH PATTERN FOR PORTFOLIO AND INTEREST INCOME

### NET LOAN PORTFOLIO

mEUR



### INTEREST INCOME

mEUR



### PAWN LOANS IN SPOTLIGHT

#### LOAN TO VALUE

65%, average issued loan 64 EUR in 2019

#### TERMS

- up to 31 days (single payment loans);
- 2 – 24 months (installment loans).

#### INTEREST RATE PER MONTH

5% - 28%

#### APPLICATION AND ISSUANCE PROCESS

Only in Banknote branches

#### MOST COMMON PAWN ITEMS

Jewellery, mobile, audio, video and photo devices, office equipment and hardware, antique items, etc.

#### SELLING OF INVENTORY

- within 3 months;
- 43% mark-up on goods.



## MARKET OVERVIEW

**DelfinGroup\*** grows faster than the industry, having **~6%\*\* market share.**

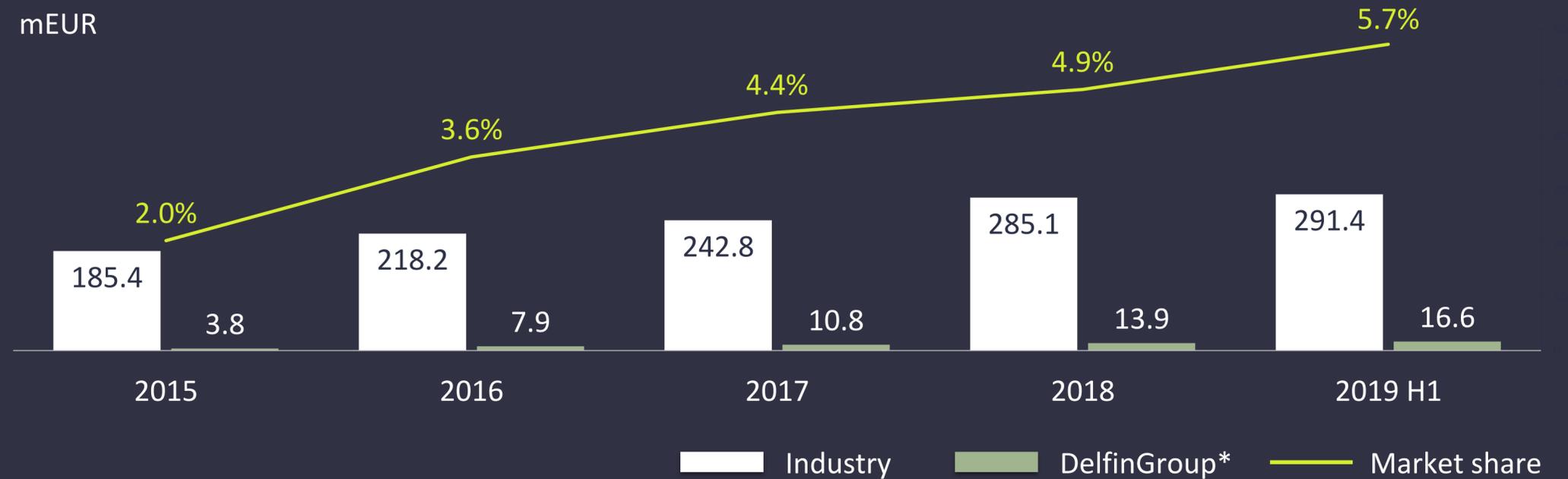
\* Loan portfolio data based on DelfinGroup net consumer loan portfolio excl. accrued interest.

\*\* Based on consumer loan portfolio as at the end of 2019 H1.

## CONSUMER LOANS

### CONSUMER LOAN PORTFOLIO, DELFINGROUP VS. INDUSTRY\*

mEUR



### AMOUNT OF CONSUMER LOANS ISSUED, DELFINGROUP VS. INDUSTRY\*

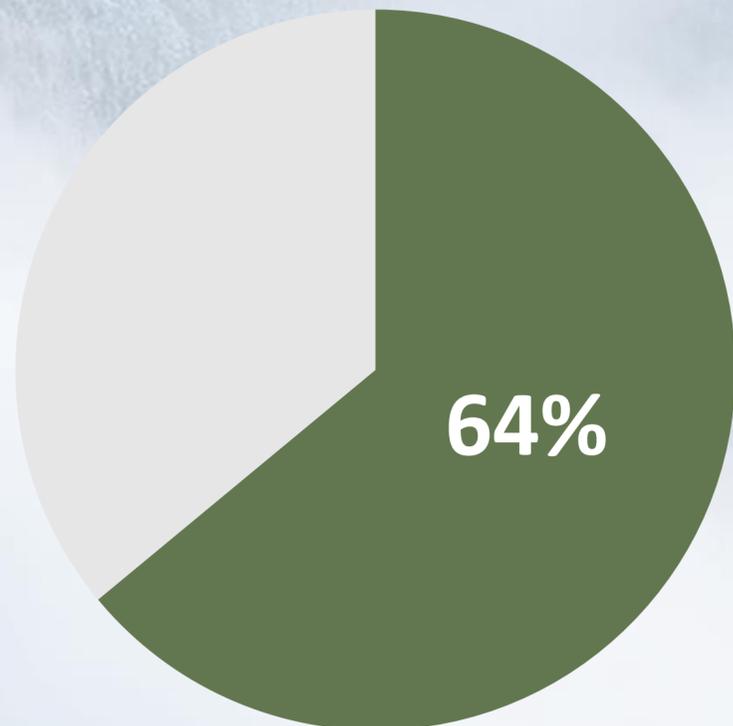
mEUR



\*Source: Consumer Rights Protection Centre.

# CONSUMER LOANS

## CONSUMER LOANS ISSUED IN 2019



## CONSISTENT TENDENCY OF CONSUMER LOANS PORTFOLIO AND INTEREST INCOME

### NET LOAN PORTFOLIO

incl. accr. %, mEUR



### INTEREST INCOME

mEUR



## CONSUMER LOANS IN SPOTLIGHT

### LOAN SIZE

- EUR 50 – 5000;
- weighted average loan size – 672 EUR in 2019;
- Banknote and VIZIA offers differ.

### TERMS

instalment loans 2 – 60 months

### LENDING RATE PER ANNUM

33.4% - 43.7% (excluding other service fees)

### APPLICATION AND ISSUANCE PROCESS

In branches and online

### ACTIVE CLIENTS

18 000 (on average in 2019)

### PAYMENT DISCIPLINE

Only 5.6% of loans in active portfolio having more than 90 days overdue payments.



# PROFITABILITY BASED ON THOROUGH PROCESSES

2019 was challenging,  
yet fruitful.

## NEW TECHNOLOGIES AND PROCESSES

Online services increases customer base which values high-quality financial services.

Customer-oriented loan evaluation, issuance and monitoring processes contributes to profitability.

Operations are data driven with extensive IT development.

Process ownership, key performance indicators and reporting system helps to track every aspect of business.

Core processes undergo constant efficiency scrutiny.

## SPOT-ON MARKETING STRATEGY

Customers are approached with resonating messages through targeted segmentation and diverse pricing policy.

Brand recognition is boosted by extensive branch network which is used as instrumental outdoor advertising.

Broad range of sales channels contributes to efficient marketing.

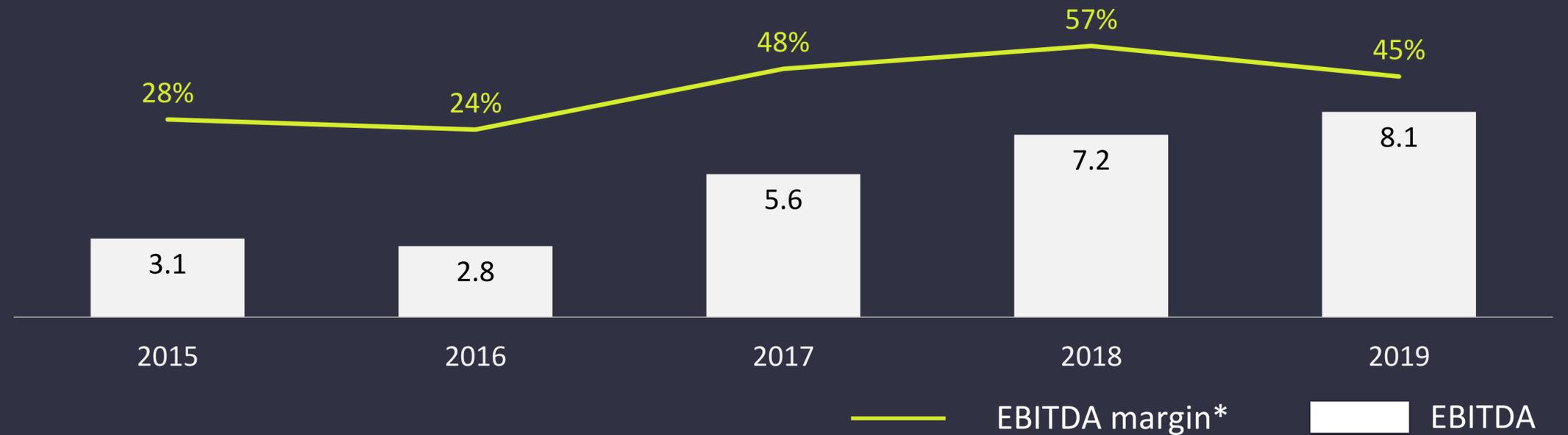
Marketing focus is devoted to building long term customer loyalty.



## SOLID FINANCIAL PERFORMANCE

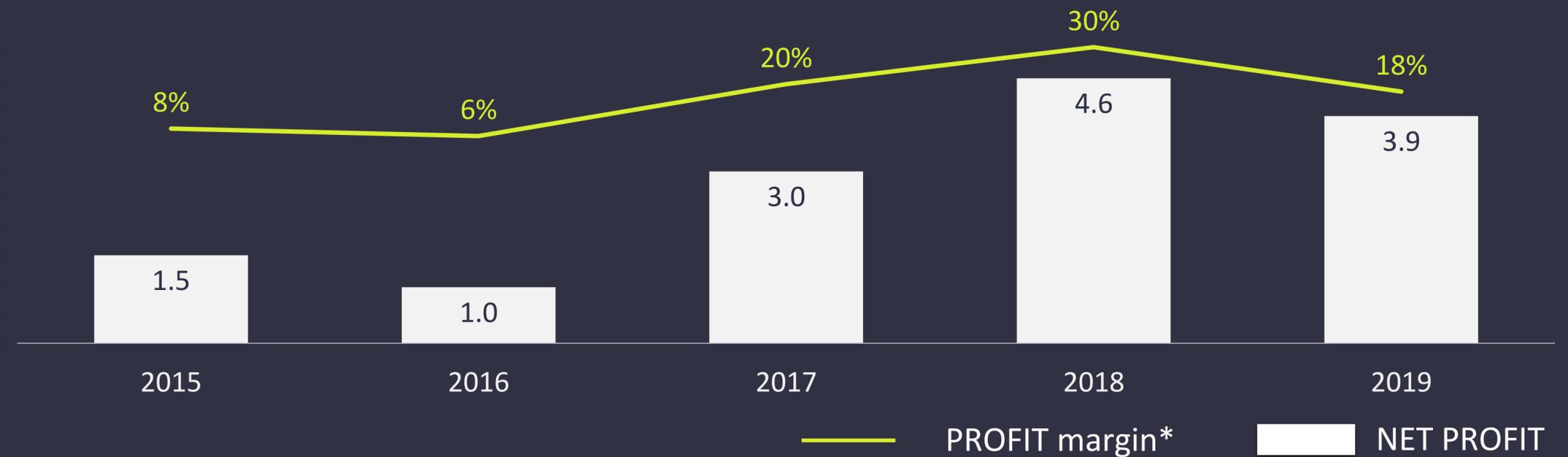
**2019** has been **successful** in terms of maintaining **high profitability** after the new interest rate cap.

### EBITDA, mEUR



\* Calculated as EBITDA / (Interest income + Gross profit from sale of foreclosed items)

### NET PROFIT, mEUR

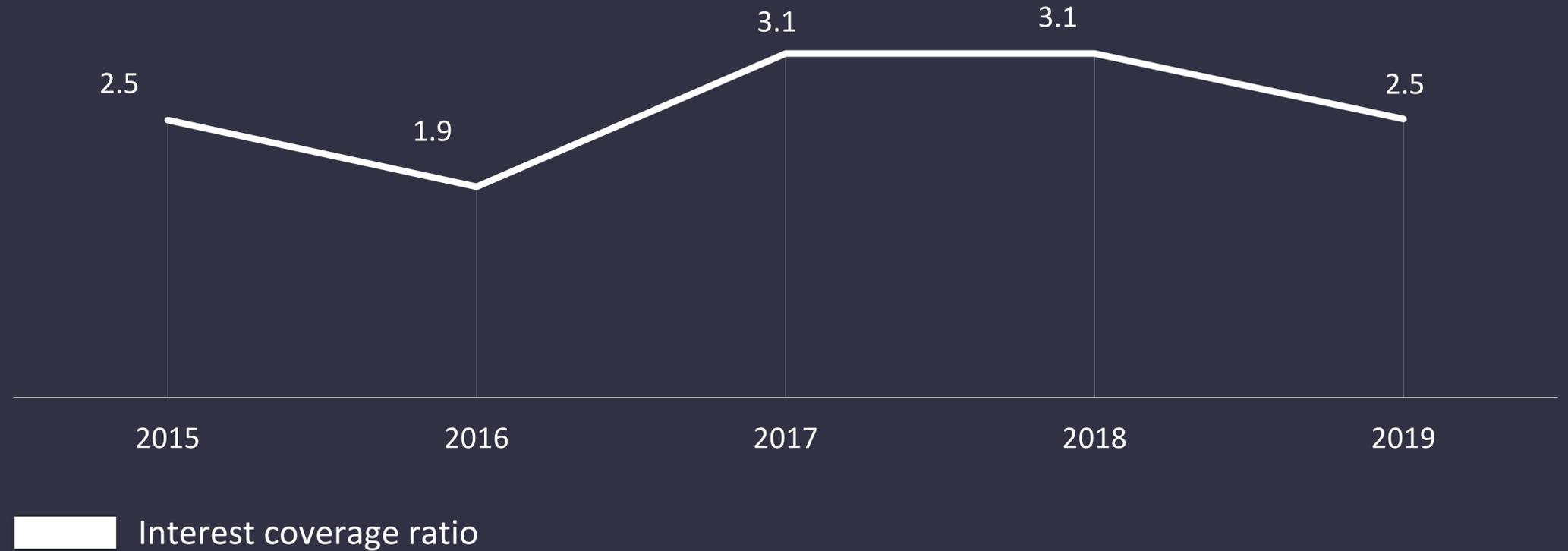
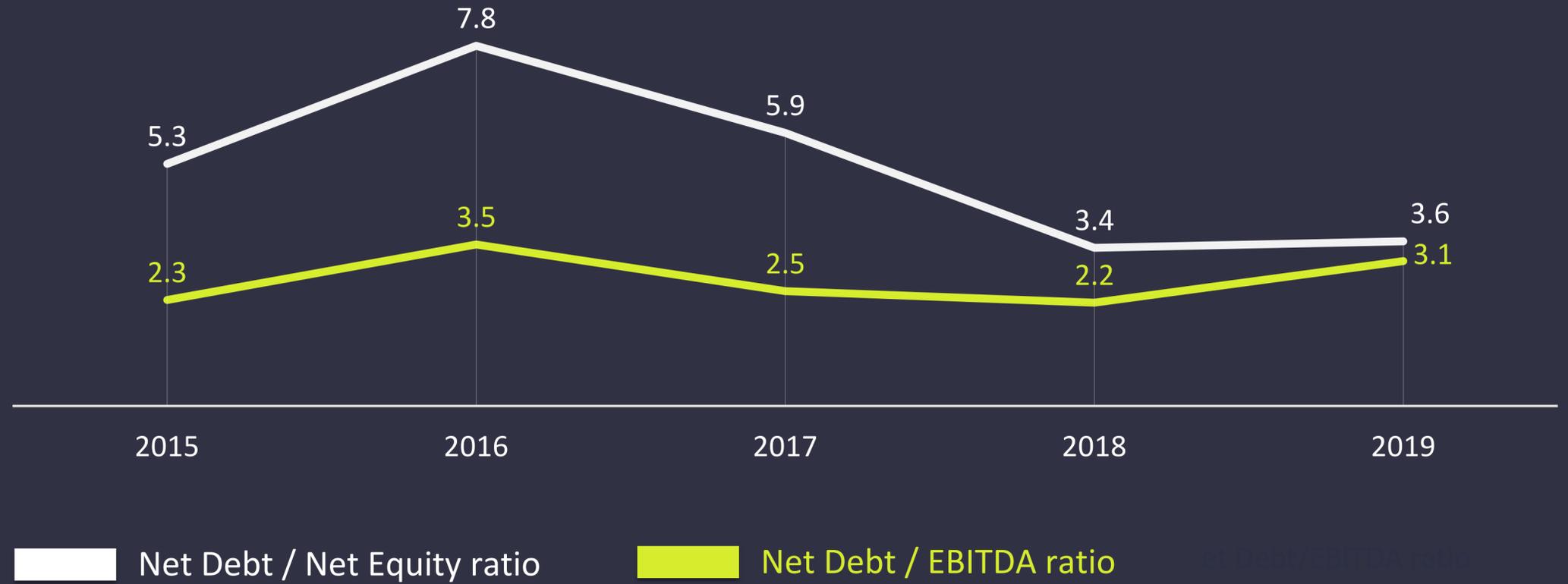


\* Calculated as NET PROFIT / (Interest income + Revenue from sale of foreclosed items).



## FINANCIAL RATIOS

**Sustainable** financial performance.



## KEY FINANCIALS:

# INCOME STATEMENT

Business operations has generated **substantial** EBITDA.

INCOME STATEMENT, EUR'000	2017A	2018A	2019A
Interest and similar income	13 863	14 664	16 382
Gross profit from sale of goods	1 414	1 528	1 800
Cession result	(1 683)	(494)	(1 499)
<b>GROSS PROFIT</b>	<b>13 594</b>	<b>15 697</b>	<b>16 683</b>
Selling expense	(5 458)	(5 681)	(4 989)
Administrative expense	(2 290)	(2 771)	(3 487)
Net other income / (expense)	(162)	(71)	(105)
<b>EBITDA</b>	<b>5 684</b>	<b>7 174</b>	<b>8 102</b>
Depreciation	(209)	(250)	(986)
Interest and similar expense	(1 823)	(2 298)	(2 853)
Taxes	(700)	(79)	(350)
<b>NET PROFIT before dividends</b>	<b>2 952</b>	<b>4 546</b>	<b>3 913</b>
Dividends paid	(996)	(490)	-
<b>NET PROFIT</b>	<b>1 956</b>	<b>4 056</b>	<b>3 913</b>

## KEY FINANCIALS:

# BALANCE SHEET

Continuous increase in the loan portfolio and total assets.

BALANCE SHEET, EUR'000	2017A	2018A	2019A
Fixed and intangible assets	601	603	2 740
Loans to related parties	1 303	1 277	1 308
Net loan portfolio	15 844	20 151	31 547
Inventory and scrap	683	848	1 155
Other assets	668	298	384
Cash	2 220	3 489	1 136
<b>TOTAL ASSETS</b>	<b>21 317</b>	<b>26 666</b>	<b>38 270</b>
Share capital and reserves	1 500	1 500	1 500
Retained earnings	233	398	2 954
Profit/loss for the current year	1 957	4 056	3 913
<b>EQUITY</b>	<b>3 689</b>	<b>5 954</b>	<b>8 367</b>
Interest-bearing debt	16 346	19 555	26 541
Trade payables and other liabilities	1 282	1 156	3 362
<b>LIABILITIES</b>	<b>17 628</b>	<b>20 711</b>	<b>29 903</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>21 317</b>	<b>26 666</b>	<b>38 270</b>

## KEY FINANCIALS:

# CASH FLOW

**Growth** financed from operations and attracted financing.

CASH FLOW STATEMENT, EUR'000	2017A	2018A	2019A
EBITDA	5 685	7 174	8 102
Taxes	(252)	(368)	(79)
Interest payments	(1 823)	(2 277)	(2 853)
Cessation result	1 683	494	1 499
Change in Consumer loans issued	(6 391)	(4 689)	(13 095)
Acquisition of right-of-use assets	-	-	(2 738)
Other adjustments	155	266	2 585
<b>Cash flow from operations</b>	<b>(943)</b>	<b>601</b>	<b>(6 579)</b>
Acquisition of fixed assets and intangibles	(168)	(223)	(430)
Loans issued/repaid to other	133	26	(31)
Other adjustments	32	19	64
<b>Cash flow from investing</b>	<b>(3)</b>	<b>(177)</b>	<b>(397)</b>
Loans received and bonds issued (net)	14 063	8 560	14 280
Redemption/purchase of bonds	(2 851)	(1 106)	(1 750)
Loans repaid	(7 184)	(4 316)	(7 131)
Dividends (incl. extraordinary dividends)	(2 070)	(2 230)	(1 500)
Lease liabilities for right-of-use assets	-	-	828
Other adjustments	(72)	(62)	(104)
<b>Cash flow from financing</b>	<b>1 886</b>	<b>846</b>	<b>4 623</b>
<b>TOTAL CASH FLOW</b>	<b>940</b>	<b>1 269</b>	<b>(2 353)</b>



# FINANCING STRUCTURE

**Diversified** financing structure with established investor demand.

**Transparent** and **open** investor relations according to the best standards of corporate governance including quarterly reporting.

## WEBSITES FOR INVESTORS:

[WWW.DELFINGROUP.LV](http://WWW.DELFINGROUP.LV);

[WWW.NASDAQBALTIC.COM](http://WWW.NASDAQBALTIC.COM) – stock exchange;

[WWW.MINTOS.COM](http://WWW.MINTOS.COM) – peer-to-peer platform.

INTEREST-BEARING DEBT	2018, EUR'000*	2019, EUR'000*	INTEREST RATE, %	MATURITY
Secured bonds**	-	7 850	14% - 15%	2020/12 -2022/11
Unsecured bonds**	7 907	-	14% - 15%	2020/12 -2021/10
Peer-to-peer lending platform Mintos**	11 492	18 044	10.62% - 11.97% (effective rate)	According to issued loans
Leases	148	102	EURIBOR+ 3.5%	Up to 3 years
Private loans	-	569	14.0%	Up to 3 years
Accrued interest and bonds commissions	8	-25		
<b>TOTAL</b>	<b>19 555</b>	<b>26 541</b>		

\* As at the end of the period.

\*\* Part of unified securitization structure with ZAB Eversheds Sutherland Bitāns acting as the collateral agent. Collateral with total value 40.5m EUR registered on December 2019.



# CAPITAL MARKET HISTORY

**Experienced** and **recognized** bond Issuer.

<b>LV0000801280</b> <b>14%</b> <b>Maturity: 25/11/2018</b>	<b>LV0000801322</b> <b>15%</b> <b>Sinking fund until 25/12/2020</b>	<b>LV0000802213</b> <b>14%</b> <b>Maturity: 25/10/2021</b>	<b>LV0000802379</b> <b>14%</b> <b>Maturity: 25/11/2022</b>
EUR 5 000 000	EUR 3 500 000	EUR 5 000 000	EUR 5 000 000
secured	secured	secured	secured
Listed on Nasdaq Baltic Regulated Bond market	Listed on Nasdaq Baltic Regulated Bond market	Listed on Nasdaq Baltic First North Alternative market	Will be listed on Nasdaq Baltic First North Alternative market
Repaid	Remaining sinking fund EUR 1 312 500: 25/06/2020 – EUR 437 500 25/09/2020 – EUR 437 500 25/12/2020 – EUR 437 500	Bullet @ 25/10/2021	Bullet @ 25/11/2022

# FINANCIAL FORECAST

## COVID - 19 impact on forecast

In March 2020, the Republic of Latvia and many other countries have announced coronavirus related restrictions that substantially decrease the economic development of the country and of the world.

To ensure the Company's operational stability in unclear economic environment, the Company's management has taken necessary actions including:

- decrease of operational costs;
- decrease of lending activity and focus on long-term clients with good credit history;
- measures for maintaining high liquidity.

It is unpredictable how the situation would develop in the future, and therefore uncertainty regarding economic development remains. Forecast will be reviewed as more certainty regarding economic outlook will be available.

## EBITDA, mEUR (as published on 08/2019 via Nasdaq)



## NET LOAN PORTFOLIO, mEUR (as published on 08/2019 via Nasdaq)





custom finance  
solutions



SIA DelfinGroup  
Skanstes iela 50A  
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