



Sun Finance

INVESTOR PRESENTATION

Q3 2020 Financial results

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EXECUTIVE SUMMARY

One of the fastest growing online consumer lending companies in Europe with a stable, well balanced and growing portfolio continuously expanding offering within existing markets and new geographies



Established in 2017 with HQ in Riga, Latvia Sun Finance Group is **one of the largest and profitable loan originator group listed on Mintos platform**

€88m
Q3'20 LOANS ISSUED



Group showcases continuous **profitability since Q4 2018**, Q3'20 EBITDA reaching **€13.2m**

€36m
Q3'20 REVENUES



Diversified risk profile with presence in 7 countries:

- Current core markets consist of Latvia, Denmark, Poland, Kazakhstan and Mexico
- In 2019, Sun Finance entered the Vietnamese and Swedish markets which became part of the Group within Q1'20

€13m
Q3'20 EBITDA

43.3%
CAPITALIZATION
RATIO (Q2'20)



Data driven approach and use of latest technologies have helped Sun Finance build a sizeable well-performing **portfolio of ~€70m**

€70m
NET PORTFOLIO



Continuous strong performance has allowed the Group to record a sustainable and strong capitalization ratio of **43.3%**, showcasing the stable operations

700+
EMPLOYEES WITHIN
THE GROUP

Q3'2020: BUSINESS AND FINANCIAL HIGHLIGHTS

As initially expected, business performance during Q3 showed very strong recovery after a slower Q2, **delivering €35.6m in revenues – an increase of 51% vs Q2'20**

As a result, our net portfolio has reached the highest level yet, amounting to **€70.1m**. Albeit slightly reduced given the increasing portfolio, our capitalization ratio remains at a very strong level of **43.3%**

The strong revenue growth, in combination with maintained cost discipline, delivered a record **EBITDA margin of 37.0%** for the period as well as record **EBITDA of €13.2m**

Similarly, our **cost/income ratio** reached record lows at **22.1%**, following our in-depth cost review across the business

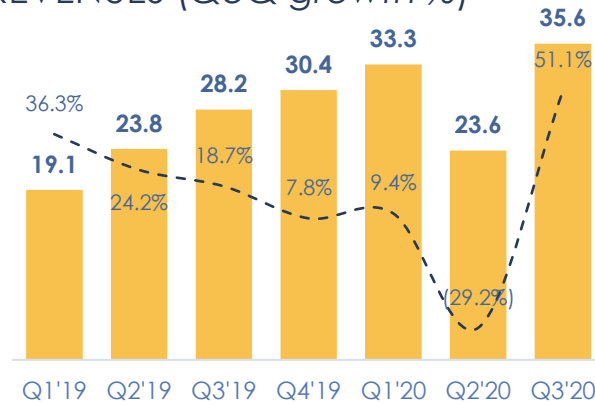
As expected, some costs returned to pre-COVID level, however, it is clear that we have come out of this challenging period **leaner** and more **cost-efficient**, allowing us to deliver continuously record breaking results quarter on quarter

We feel that the **most difficult period is behind us** as there is much more business and economic clarity, thus we are **looking forward to deliver another strong quarter** to our bondholders and other stakeholders to **end 2020 on a high note**

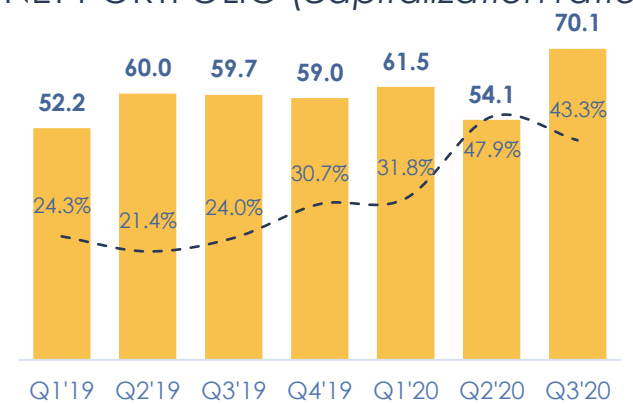
Note:

1. Capitalisation ratio calculated as Adjusted Equity (Equity plus Subordinated Debt) to Net Loan portfolio

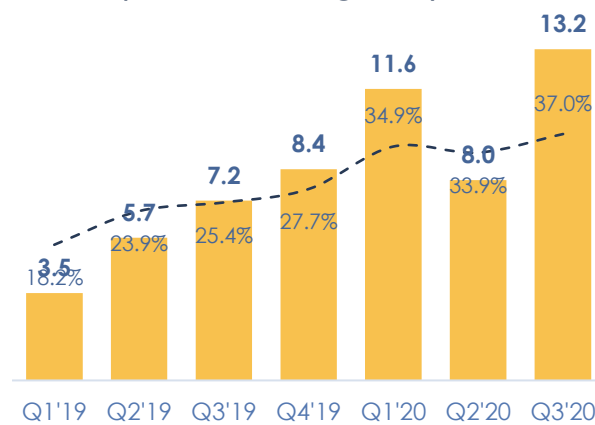
REVENUES (QoQ growth %)



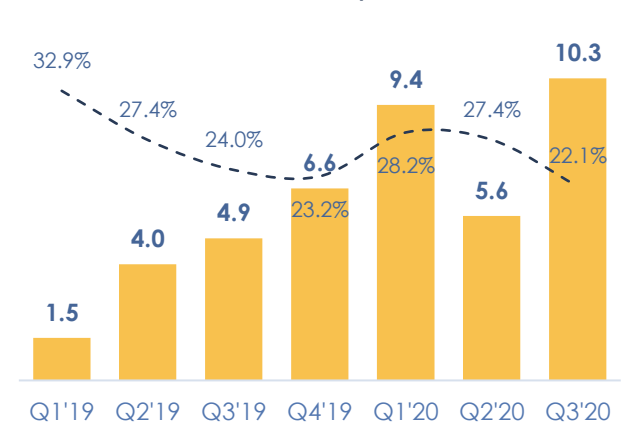
NET PORTFOLIO (capitalization ratio%¹)



EBITDA (EBITDA margin %)



OPERATING PROFIT (cost/income %)



BUSINESS OVERVIEW BY GEOGRAPHY

Continued efforts to diversify our business have resulted in a stable, well balanced and growing portfolio as at Q3'20 – with the latest additions being markets in Sweden and Vietnam



CUSTOMER PROFILE: A DIVERSE CUSTOMER BASE FOCUSED ON TECH-DRIVEN MILLENNIALS

Sun Finance has built a diverse tech-centric customer base with high retention rates, highlighting product fit and client satisfaction as well as provides significant opportunities for new product upselling and distribution within the existing base

CUSTOMER CHARACTERISTICS



19-35 years old customers (gen z and millennials) with active bank account



Has a valid phone number and ID



Employed and self-employed with regular income



Speed, convenience and price are most valued by customers



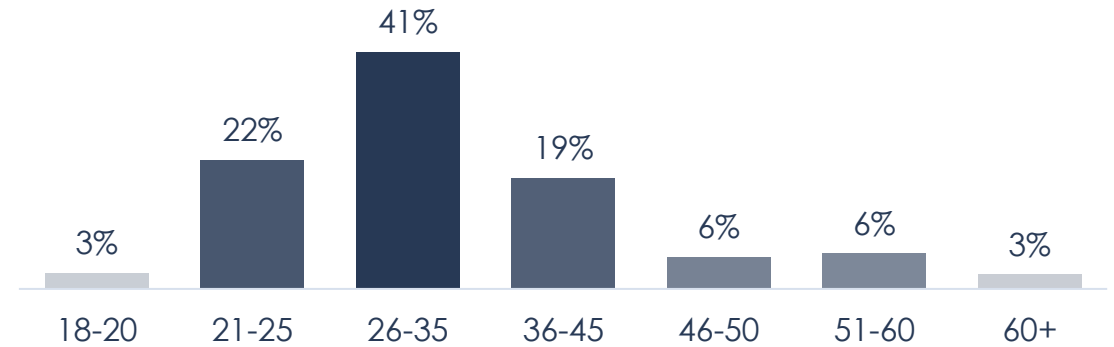
Has limited credit history



70% of the customers choose to use services repeatedly

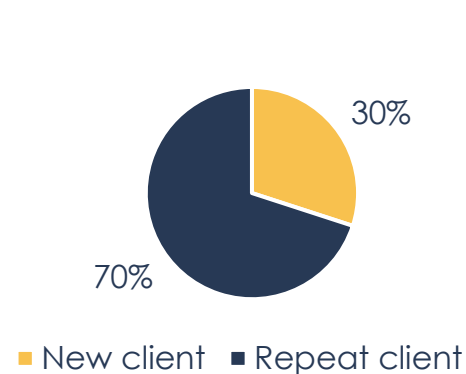
REGISTERED CUSTOMER AGE DYNAMICS

(since inception)



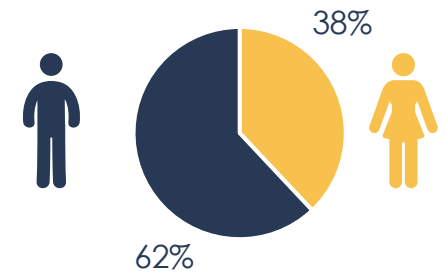
CLIENT TYPE

(Q3'2020)



GENDER SPLIT

(since inception)



PORTFOLIO ANALYSIS

A well performing portfolio across seven markets with increasingly diverse portfolio dynamics. Group's applied impairment policy and non performing loan (NPL) management results in a NPL coverage ratio of 154%

- ❖ Conservative NPL definition of 91+ days overdue
- ❖ Performing loan portfolio accounts for **78.9%** of gross loan portfolio
- ❖ Strong NPL management resulting in **7.3%** of NPL's to issued loans over preceeding 12 month period (NPLs defined as 91+ days overdue)
- ❖ Prudent impairment policy, with effective impairment rate of **32.4%** of gross loan portfolio
- ❖ NPL coverage (total provisions/gross NPL) ratio of **154%**

NON-PERFORMING LOANS OF TOTAL LOANS ISSUED LTM (Q3'20)(€M)

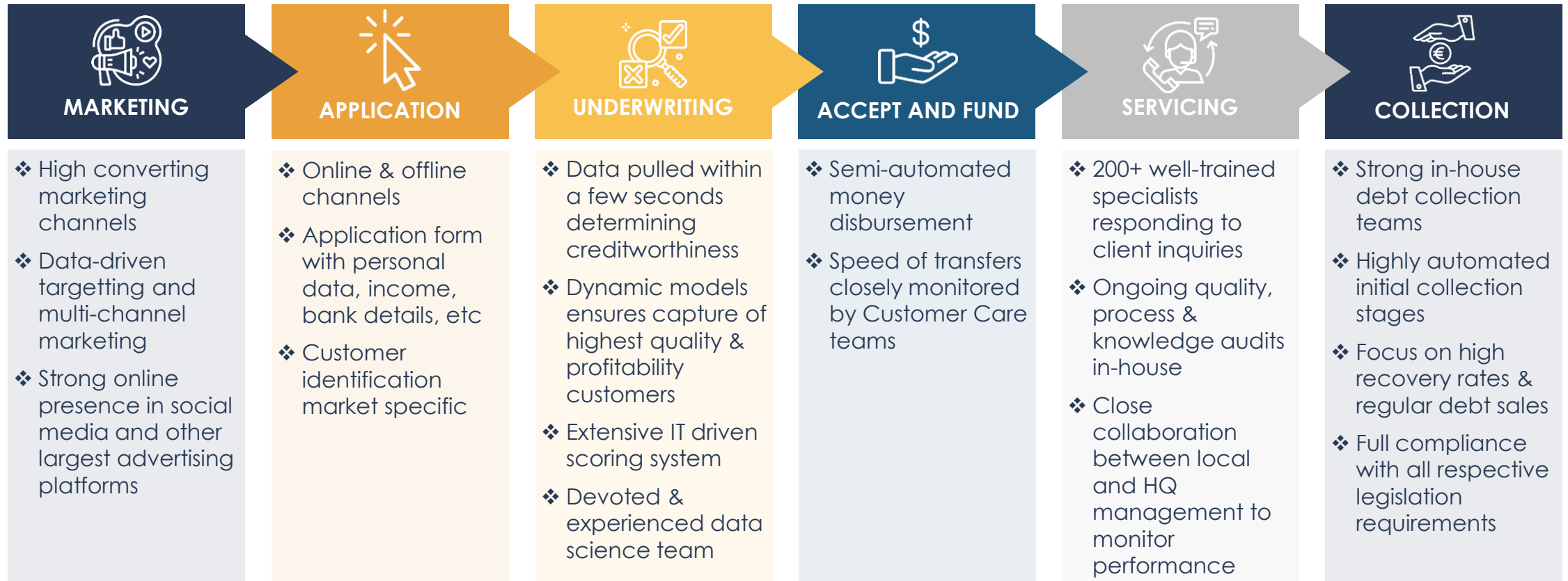


TOTAL PROVISIONS VS NPLs (Q3'20)



OPERATIONAL EXCELLENCE THROUGH DATA DRIVEN LENDING PROCESS

Operational excellence at all steps of customer journey, from marketing to collection, enables Sun Finance to deliver market leading cost/income ratio and profitability



STREAMLINED, EFFICIENT AND LEAN OPERATIONS LEADING TO GROUP LEVEL COST/INCOME RATIO OF <30%

THE BEST RISK TOOLS IN INDUSTRY COUPLED WITH BEST IN CLASS TEAM

At Sun Finance we strive to ensure that our risk and data science functions operate with **the most advanced technologies** within the industry, including development of **proprietary modelling approaches** and synergistic **collaboration with key vendors**

At Sun Finance we actually implement technologies and best practices to make the data work for us and deliver outstanding risk management solutions

We achieve this through a three pillar process:

BEST IN CLASS TEAM	PROPRIETARY IN-HOUSE SOLUTIONS	SYNERGISTIC COLLABORATION WITH VENDORS
<ul style="list-style-type: none"> • Our team consists of the best minds in industry with significant experience • Collaborative environment supports sharing of best practices • Internal data academy furthers knowledge sharing 	<ul style="list-style-type: none"> • Risk solutions developed in-house based on internal expertise creating a competitive edge over other players • Flexible IT platform allowing fast implementation of new models and scoring approaches • Proprietary AI image processing, materially reducing fraudulent activities and need for manual verifications 	<ul style="list-style-type: none"> • Proactive implementation and use of the latest external platforms where we see more added value than internally developed services • Close collaboration with services by sharing our best practices in innovative modelling and suggestions in system improvements • Team expertise highly valued by partners, regularly engaging in detailed discussions of how to improve their offering



CUSTOMER CARE

Delivering high customer satisfaction is at the heart of Sun Finance operations, where we see that individual and performance focused approach is core to ensuring high retention rate and opens us to possibilities of upselling new products in future

COMPETITIVE ADVANTAGE THROUGH CUSTOMER CARE

All of the markets have their internal call centre to assure best service level according to the Group's standards

The Group uses customer preferred communication channels and is thus easily reachable

IN-HOUSE AND LOCAL



ACCESSIBLE

FOCUSED ON PERFORMANCE

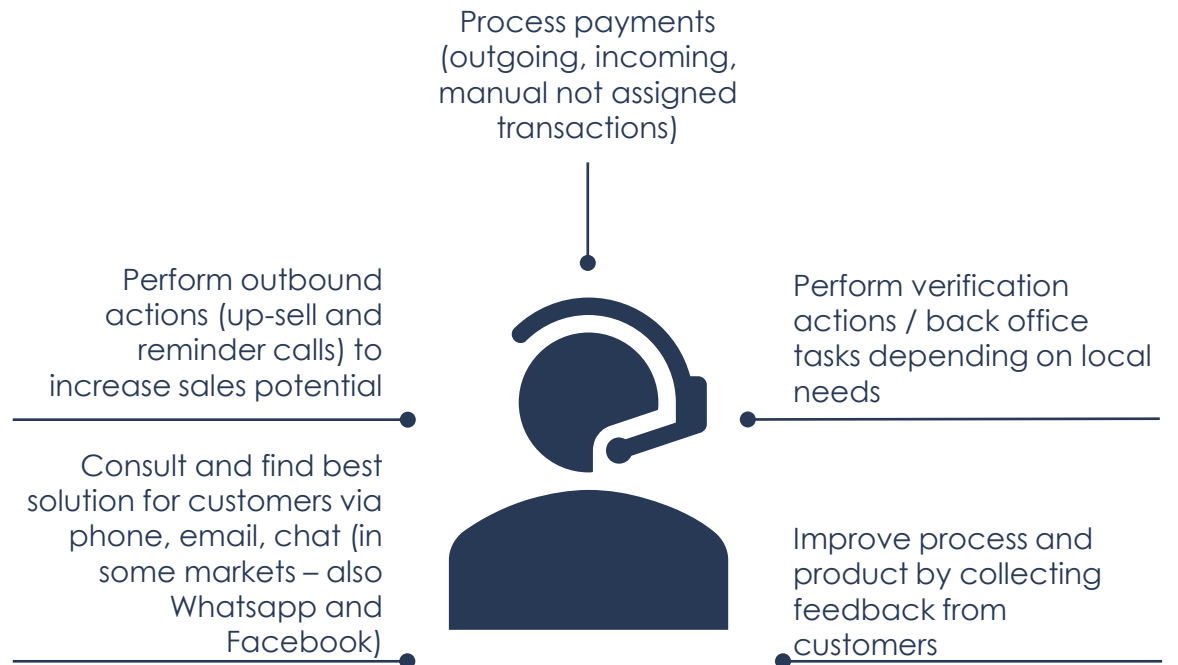


SALES-ORIENTED

Main metrics, quality scores, knowledge of specialists are controlled daily by experienced management team

Customer care specialists are executing up-selling function in inbound and outbound communication

KEY FUNCTIONS OF CUSTOMER CARE



DEBT COLLECTION

A comprehensive process of debt collection, depending on loan life-cycle status, ensuring leading rates of recovery across our markets while emphasizing automation where such solution is feasible, thus lowering cost base

Highly automated reminder system to reduce the number of potential delays, including robocalls

Repayment reminders are communicated using automatically generated communication tools

Focus on regular debt sale (Forward Flow) to ensure regular and predictable cash flow

Where needed also execute individual one-off debt sale deals



Strong in-house collection teams for early, middle and late collections

Detailed procedures, fully based on efficiency analysis and data driven decisions

Various payment options & continuous communication through all main channels

Both in-house and outsourced debt collection

The Group uses a wide range of well-known debt collection agencies and highly values these relationships

¹ Exact number of days overdue up to which inhouse debt collection is executed varies market to market

² Debt collection practices depend on jurisdiction, taking into account local legislation and cost efficiency considerations

KEY INVESTMENT HIGHLIGHTS

NOTABLE PLAYER IN ONLINE / MOBILE CONSUMER LENDING INDUSTRY



- Fast scaling consumer lending company in Europe, continuously expanding its product offering and solutions to customers
- Data driven approach and use of latest technologies have helped Sun Finance build a sizeable well-performing portfolio within a short period of time

DIVERSIFIED PORTFOLIO



- Operating in 7 countries with 11 brands, covering a total population of ~300m people
- Average loan ticket of ~€200 for Single Payment loans and ~€430 for Line of Credit
- ~€750m (registered customer count of ~3.6m) issued loans since inception in 2017

SOLID FINANCIAL PERFORMANCE



- Growing loan portfolio during a period of uncertainty, reaching €70m at the end of Q3'20
- Tight cost monitoring, maintaining a low operating cost base, resulting in record 22.1% cost/income ratio during Q3'20
- Continuous significant improvements in profitability: Q3'20 EBITDA margin of 37.0%, and net profit of €4.4m

EXPERIENCED MANAGEMENT TEAM WITH PROVEN TRACK RECORD AND STRONG STRATEGIC INVESTOR SUPPORT



- Management team with 10+ years of experience in management roles in FinTech, Finance and IT
- Support from strategic investors (PUZZLE FINANCE), leveraging their industry knowledge and experience (portfolio includes Europe's largest used car lender, leading online lending marketplace)

INCOME STATEMENT

Income statement (EURm)	2019				2020			2019	2020	2019 Q3 vs 2020 Q3	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q3'YTD	Q3'YTD	Δ PoP	Δ PoP (%)
Turnover	19.1	23.8	28.2	30.4	33.3	23.6	35.6	71.1	92.4	21.4	30.1%
Interest expense	(2.0)	(2.1)	(2.4)	(2.2)	(2.2)	(2.2)	(2.4)	(6.5)	(6.8)	(0.4)	5.5%
Net provisions	(9.4)	(11.2)	(14.2)	(14.6)	(12.3)	(9.3)	(15.0)	(34.8)	(36.6)	(1.8)	5.2%
GROSS PROFIT	7.8	10.5	11.6	13.6	18.8	12.1	18.2	29.8	49.0	19.2	64.4%
Salaries and related taxes	(2.1)	(2.7)	(2.8)	(2.6)	(3.4)	(3.0)	(3.3)	(7.6)	(9.7)	(2.1)	28.3%
Direct operating expense	(1.0)	(1.0)	(1.4)	(1.5)	(2.1)	(1.6)	(1.8)	(3.5)	(5.4)	(1.9)	54.4%
Indirect operating expense	(0.8)	(1.1)	(1.2)	(1.6)	(1.8)	(1.2)	(1.4)	(3.1)	(4.4)	(1.3)	43.4%
Marketing expense	(2.4)	(1.7)	(1.3)	(1.3)	(2.1)	(0.7)	(1.4)	(5.4)	(4.1)	1.2	(23.1%)
OPERATING PROFIT/(LOSS)	1.5	4.0	4.9	6.6	9.4	5.6	10.3	10.3	25.3	15.0	146.5%
Other non-operating income	1.0	1.0	1.0	1.0	0.1	0.2	0.4	2.9	0.8	(2.1)	(73.6%)
Other expense	(1.1)	(1.6)	(1.3)	(1.5)	(0.3)	(0.1)	(0.1)	(4.1)	(0.5)	3.6	(88.4%)
NET PROFIT/(LOSS) BEFORE TAXES	1.3	3.3	4.5	6.1	9.2	5.8	10.6	9.1	25.6	16.5	180.9%
Profit tax	(0.9)	(2.2)	(2.8)	(2.9)	(2.0)	(2.0)	(3.6)	(6.0)	(7.6)	(1.6)	27.6%
NET PROFIT/(LOSS) before FX effect	0.3	1.1	1.7	3.2	7.2	3.7	7.1	3.2	18.0	14.8	470.1%
FX income/(expense)	0.2	0.1	(0.2)	0.6	(6.1)	2.8	(2.7)	0.1	(5.9)	(6.1)	(4135.5%)
NET PROFIT/(LOSS) after FX	0.6	1.2	1.5	3.8	1.2	6.5	4.4	3.3	12.1	8.8	265.5%

Adj.:

Tax	0.9	2.2	2.8	2.9	2.0	2.0	3.6	6.0	7.6	1.6	27.6%
Interest	2.0	2.1	2.4	2.2	2.2	2.2	2.4	6.5	6.8	0.4	5.5%
EBIT	3.5	5.5	6.7	8.9	5.4	10.8	10.3	15.7	26.5	10.8	68.4%
Depreciation and amortization	0.2	0.3	0.2	0.1	0.1	-	0.2	0.7	0.3	(0.4)	(54.1%)
FX income/(expense)	(0.2)	(0.1)	0.2	(0.6)	6.1	(2.8)	2.7	(0.1)	5.9	6.1	(4135.5%)
EBITDA	3.5	5.7	7.2	8.4	11.6	8.0	13.2	16.3	32.8	16.5	100.9%
EBITDA %	18.2%	23.9%	25.4%	27.7%	34.9%	33.9%	37.0%	23.0%	35.5%	12.5%	54.5%

BALANCE SHEET & KEY FINANCIAL METRICS

BALANCE SHEET

Balance Sheet (EURm)	2019				2020			2019	2020	2019 Q3 vs 2020 Q3	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q3	Q3	Δ PoP	Δ PoP (%)
Non-current assets	2.8	2.9	3.1	8.3	8.8	9.6	9.6	3.1	9.6	6.5	210.1%
Goodwill	-	-	-	-	5.5	6.3	6.3	-	6.3	6.3	NA
Intangible assets	0.8	1.5	1.7	1.3	1.4	1.6	1.7	1.7	1.7	0.0	0.8%
Fixed assets	0.9	1.1	1.3	1.4	1.7	1.8	1.7	1.3	1.7	0.3	24.3%
Accrued D&A	(0.2)	(0.6)	(0.8)	(0.3)	(0.4)	(0.6)	(0.8)	(0.8)	(0.8)	0.0	(1.5%)
Investment in subsidiaries	-	0.5	0.5	3.6	-	-	0.0	0.5	0.0	(0.4)	(93.0%)
Deferred tax	0.5	0.4	0.4	0.4	0.5	0.5	0.5	0.4	0.5	0.1	14.8%
Other non-current assets	0.8	-	-	1.8	-	-	0.1	-	0.1	0.1	NA
Current assets	60.3	75.5	81.3	85.1	79.0	80.0	87.0	81.3	87.0	5.7	7.0%
Loans receivable	68.2	81.5	85.0	80.1	88.0	80.9	104.2	85.0	104.2	19.2	22.6%
Provisions for doubtful debts	(16.0)	(21.6)	(25.3)	(21.1)	(26.5)	(26.8)	(34.1)	(25.3)	(34.1)	(8.9)	35.1%
Accounts receivable	-	0.0	0.0	-	0.1	0.2	0.0	0.0	0.0	0.0	9679.3%
Cash in bank	3.1	3.0	7.8	3.2	7.7	11.3	8.3	7.8	8.3	0.6	7.4%
Other receivables	5.0	12.5	13.8	22.9	9.8	14.4	8.5	13.8	8.5	(5.3)	(38.2%)
ASSETS	63.1	78.4	84.4	93.3	87.8	89.6	96.6	84.4	96.6	12.2	14.4%
Equity	12.7	12.8	14.3	18.1	19.5	25.9	30.3	14.3	30.3	16.0	111.3%
Share capital and subordinated debt	21.5	20.4	20.4	20.4	20.7	20.5	20.6	20.4	20.6	0.1	0.6%
Retained earnings/(loss) for prior years	(9.4)	(9.4)	(9.4)	(9.4)	(2.3)	(2.3)	(2.3)	(9.4)	(2.3)	7.1	(75.2%)
Retained earnings/(loss) for this year	0.6	1.8	3.3	7.1	1.2	7.7	12.1	3.3	12.1	8.8	265.5%
Liabilities	50.4	65.6	70.1	75.2	68.2	63.7	66.3	70.1	66.3	(3.8)	(5.4%)
Loans payable	39.4	50.7	55.2	52.4	52.8	54.7	52.1	55.2	52.1	(3.1)	(5.6%)
Deferred income	-	2.3	3.3	2.5	2.2	1.8	-	3.3	-	(3.3)	(100.0%)
Accounts payable	4.9	3.4	3.0	12.3	5.2	2.3	4.0	3.0	4.0	1.0	33.4%
Taxes payable	2.8	5.8	6.0	7.0	5.7	3.7	4.9	6.0	4.9	(1.1)	(17.9%)
Accrued expenses	0.9	1.6	0.3	0.7	1.6	0.8	1.2	0.3	1.2	0.9	284.7%
Other payables	2.4	1.7	2.2	0.3	0.7	0.4	4.0	2.2	4.0	1.8	83.4%
EQUITY AND LIABILITIES	63.1	78.4	84.4	93.3	87.8	89.6	96.6	84.4	96.6	12.2	14.4%

KEY FINANCIAL METRICS

Key financial metrics & ratios	2019				2020			2019	2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q3	Q3
Turnover	19.1	23.8	28.2	30.4	33.3	23.6	35.6	28.2	35.6
EBITDA	3.5	5.7	7.2	8.4	11.6	8.0	13.2	7.2	13.2
EBITDA margin (%)	18.2%	23.9%	25.4%	27.7%	34.9%	33.9%	37.0%	25.4%	37.0%
Net loan portfolio	52.2	60.0	59.7	59.0	61.5	54.1	70.1	59.7	70.1
Capitalization ratio (%)	24.3%	21.4%	24.0%	30.7%	31.8%	47.9%	43.3%	24.0%	43.3%
Interest coverage ratio	1.8x	2.7x	3.0x	3.8x	5.2x	3.6x	5.5x	3.0x	5.5x
ROA, % ¹	0.5%	2.7%	4.5%	7.6%	8.8%	14.5%	16.4%	4.5%	16.4%
ROE, % ²	2.7%	16.5%	26.7%	39.0%	39.3%	50.2%	52.3%	26.7%	52.3%
Cost/Income Ratio, % ³	32.9%	27.4%	24.0%	23.2%	28.2%	27.4%	22.1%	24.0%	22.1%

Notes

- (1) Return on Average Total Assets (ROAA) equals Net Income of the period on an LTM basis divided by Total Assets at the end of the same period
- (2) Return on Average Total Equity (ROAE) equals Net Income of the period on an LTM basis divided by Total Equity at the end of the same period
- (3) Cost / Income ratio is calculated by dividing Operating costs with operating income (revenue)

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