



Sun Finance

Unaudited quarterly results Q2 2021



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Q2 HIGHLIGHTS

ON THE BACK OF SOLID GROWTH, SUN FINANCE REACHES THE MILESTONE OF €1 BN IN TOTAL ISSUED LOANS SINCE INCEPTION

During the period the Group sustained growth in loan issuances, with the total volumes for HY'21 surpassing the levels seen in the first three quarters of 2020 combined

The Group has now issued more than €1bn in loans since its inception – a significant milestone, given the Group was founded slightly more than 4 years ago, in early 2017

The audited report for 2020 was finalised at the beginning of May and the results have now been fully reflected in this results update

The Group's inaugural €10m bonds issued in 2019 were approaching their maturity date (August 2021) and have now successfully been refinanced with a new €20m issuance with a 3 year tenor (June 2024). The €15m ticket issued in the fall of 2020 is expected to start trading on Nasdaq First North by the end of September 2021

The management continues to explore new market opportunities, including new geographies and products, while the recently introduced Instalment Loan product is expected to be further ramped up during Q3



Volumes issued have remained above the €100m mark for the second quarter in a row. In the period, the Group issued **€113m**, an increase from **€50m** in Q2'20 (+126%)

Volumes issued

€113m

↑126% PoP



Our net portfolio has reached **€91.4m**, an increase of **€38.5m** (+73%) vs Q2'20, supported by growing volumes and improving portfolio dynamics during the period

Net portfolio

€91m

↑73% PoP



Cost/income ratio of **19.6%** records a material decrease vs Q2'20 (**30.5%**). The ratio continues improving as the Group operations scale and the cost base is maintained, while Q2'20 faced the headwinds of the COVID-19 outbreak

Cost/income

19.6%

↓1099bps PoP



EBITDA of **€20.8m** delivered for the period (margin of 42%), a significant increase vs Q2'20 result of **€6.1m** (increase of 240%), the period most impacted by COVID-19

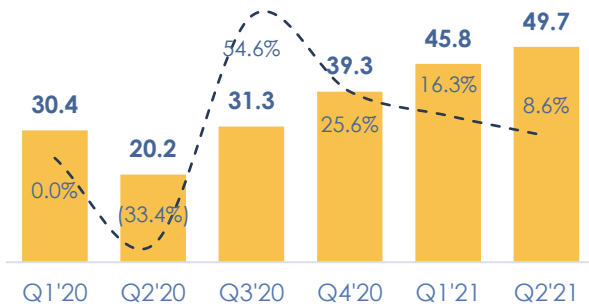
EBITDA

€20.8m

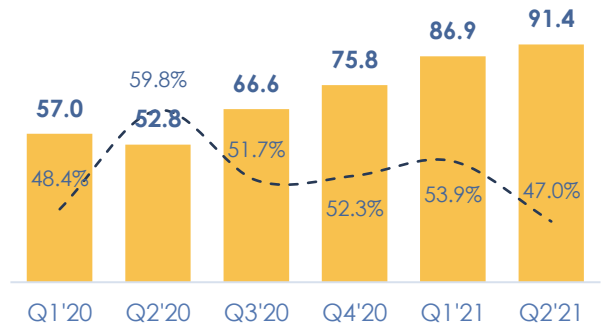
↑42% margin

KEY DEVELOPMENTS & BUSINESS PERFORMANCE

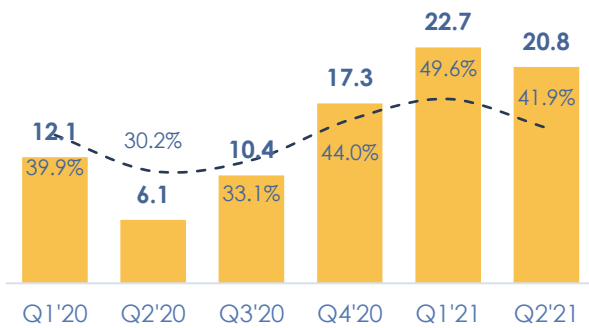
Revenues (QoQ growth %)



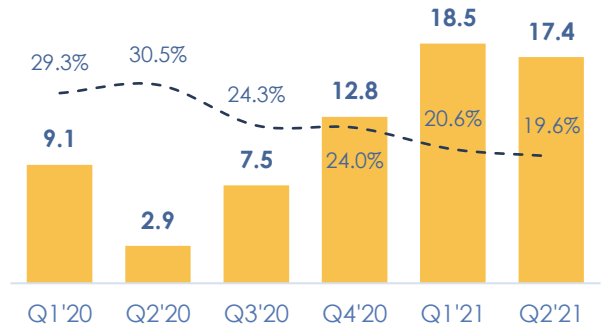
Net portfolio (capitalisation ratio%)



EBITDA (EBITDA margin %)



Operating profit (cost/income %)



- Revenues continue to increase period on period since the stabilisation following the COVID-19 outbreak, reaching nearly **€50m** in Q2'21, increasing **9%** vs prior quarter and **145%** vs Q2'20
- Our net portfolio maintains its upwards trajectory, resulting in **€91.4m** at the end of the period, an increase of 73% vs Q2'20. Net portfolio has increased across all our hubs apart from Scandinavia, where we maintain a cautious approach in Denmark, while reviewing potential future strategy. Capitalisation ratio remains at healthy levels **more than 2x** the **covenant threshold**
- The Group recorded EBITDA above **€20m** for the second quarter in a row, albeit seeing a slight decrease vs Q1'21, driven by increased provisions for the quarter. EBITDA margin remains above the **40%** level since Q4'20
- Cost/income ratio continues improving period on period, falling below the **20%** mark for the first time, reaching **19.6%** for Q2'21, highlighting the lean operational structure and continued positive effect of business scaling

PERFORMANCE OVERVIEW BY GEOGRAPHY

SUN FINANCE GROUP Q2'21 SALES: **€113M** (+126% POP)

EUROPE HUB

Our European hub maintains its steady growth path, combined with an upwards trajectory across key financial metrics, including **sales, net portfolio** and **profitability** in Q2'21

Loan issuances in Poland have reached new heights, following stable activity during periods of lockdown. We are seeing **continuously increasing demand from customers** in the country and **positive regulatory dynamics**, returning to the status quo before the pandemic

Our business in Latvia continues to perform as a mature market, albeit **increasing our market share period on period**, given the competitive product offering

SCANDINAVIA HUB

Total issuance levels in the HUB for the period have decreased, driven by our decision to **maintain a cautious approach** in the **Danish market**, while this was partially **offset by significant growth** in the **Swedish market**

Our business in **Sweden** has seen **positive tailwinds** over the recent periods, which have materialised in the **best quarter** in terms of **sales** and **revenues**, while maintaining profitability

As previously, given the changes in the regulatory environment, we **continue to review our product setup** and **strategy going forward** in the **Danish market**

Our **portfolio remains to be very solid**, inhibiting qualities of portfolios typically seen in Scandinavian countries

CENTRAL ASIA HUB

Our Central Asian hub has maintained its **solid performance** over the past several quarters, becoming one of two largest regions, alongside our European business

The region continues to **deliver strong financial results** for the quarter, further **increasing its net portfolio**

Along with the growth dynamics, **portfolio quality has not been compromised**, driven by an improved scoring methodology

We expect the region to **continue on its growth path**, albeit we do not expect to see the same velocity as we scale, given the lower starting base in previous periods

PERFORMANCE OVERVIEW BY GEOGRAPHY (CONT.)

SUN FINANCE GROUP Q2'21 SALES: **€113M** (+126% POP)

SOUTH EAST ASIA HUB

Our presence in the market has further expanded during the period, supported by the recently **launched app** in Vietnam, which drove significant demand and **positive conversion dynamics** along with a broadened customer base

There has been a **resurgence of COVID-19 cases** in Vietnam resulting in **country-wide lockdowns**, however, we are fully prepared to return to remote operations and have **not seen any decrease** in our **portfolio quality**, while **demand** for our products **remains as strong as before**

We are continuously **reviewing new geographies** in **the region** and expect to launch new countries once we are fully comfortable with the stabilisation of the situation

LATIN AMERICA HUB

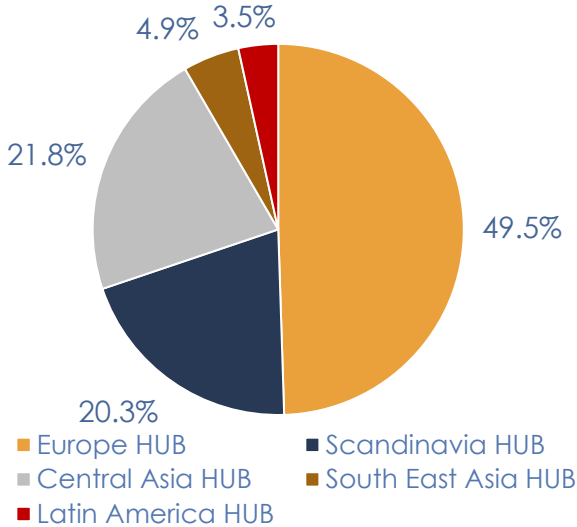
Our business in Latin America, namely Mexico, and employees are **finally returning to offices** – after a **1.5 year long stint of remote working**

We expect the market to **continue on the growth path** as the economy is returning to the new normal

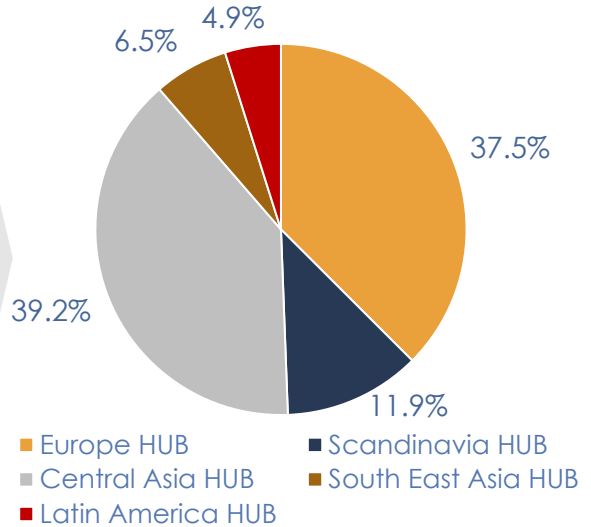
Customer dynamics have remained positive, with healthy portfolio performance, thus delivering **improving profitability metrics** period on period

PORTFOLIO ANALYSIS – GROUP & REGIONS

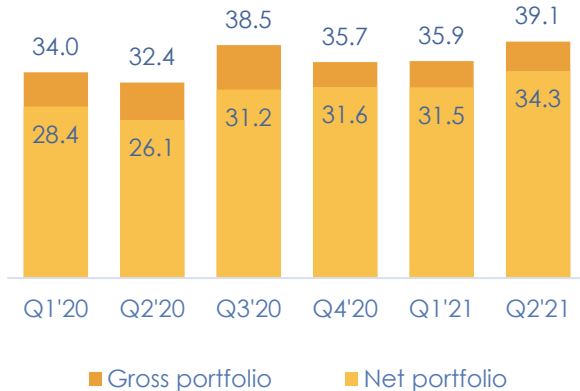
Portfolio dynamics (Q2'20)



Portfolio dynamics (Q2'21)

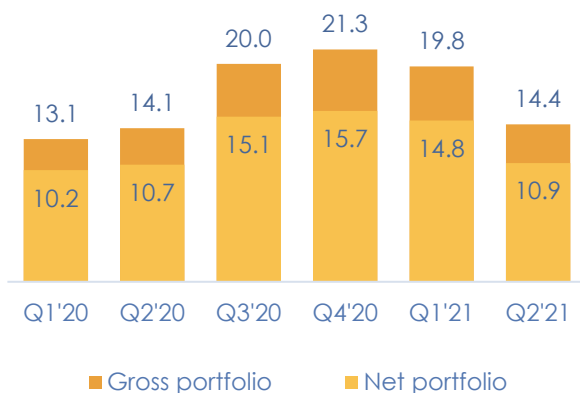


Portfolio – Europe HUB (Q1'20 – Q2'21)



- Our **most mature** and **stable region** in terms of operation age and industry development stage
- As expected, **continued strengthening** of customer demand is delivering portfolio growth, reaching its highest level thus far

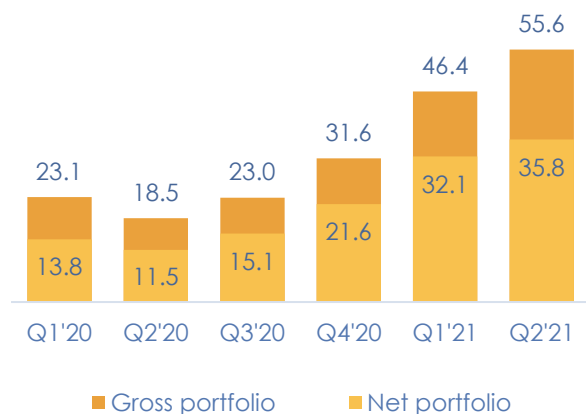
Portfolio – Scandinavia HUB (Q1'20 – Q2'21)



- **Contraction of portfolio** driven by the strategy to **limit issuances** in Denmark, while reviewing the product setup
- The decrease has been **partially offset** by **significant growth** in issuances in **Sweden**

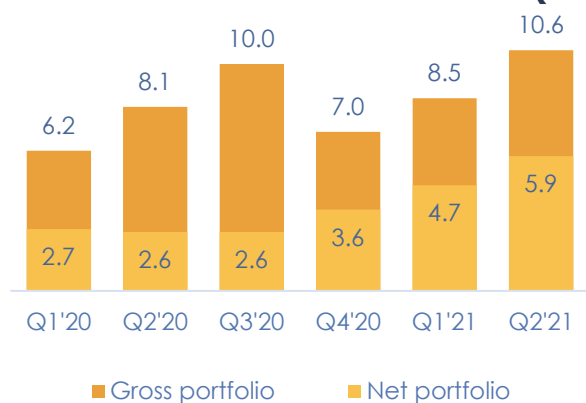
PORTFOLIO ANALYSIS – GROUP & REGIONS CONT.

Portfolio – Central Asia HUB (Q1'20 – Q2'21)



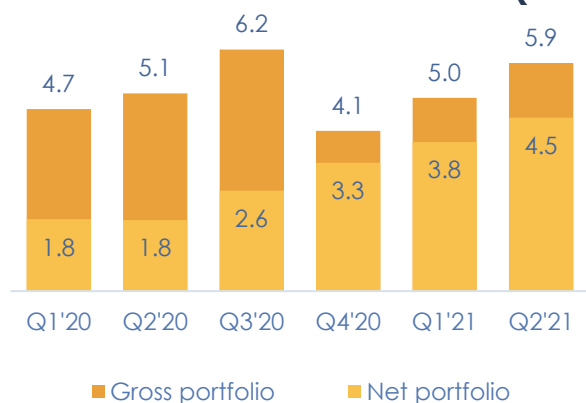
- **Growth path** in the region has been **maintained since Q3'20**, while the velocity of expansion has been slowly decreasing, as expected
- Along with increasing portfolio, the **client quality and performance remains high**, continuing to deliver **solid profitability**

Portfolio – South East Asia HUB (Q1'20 – Q2'21)



- While we maintain our **conservative approach** of high net **provisions coverage**, we have seen **expansion** in **both gross and net portfolio** in the region – **signalling the improving dynamics** of **customer quality** as we further establish presence in the market

Portfolio – Latin America HUB (Q1'20 – Q2'21)



- Following the **portfolio clean-up** in Q3'20, we have been able to **maintain a portfolio of high quality** while simultaneously expanding it period on period

FINANCIAL PERFORMANCE: INCOME STATEMENT

	2020				2021		2020	2021	2020 vs 2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q2	Q2	Δ QoQ	Δ QoQ (%)
Income statement (EURm)										
1 Turnover	30.4	20.2	31.3	39.3	45.8	49.7	20.2	49.7	29.4	145.4%
Interest expense	(2.1)	(2.3)	(2.2)	(2.3)	(3.2)	(3.0)	(2.3)	(3.0)	(0.7)	32.7%
2 Net provisions	(10.3)	(8.9)	(14.0)	(14.8)	(14.7)	(19.6)	(8.9)	(19.6)	(10.6)	119.4%
GROSS PROFIT	18.0	9.1	15.1	22.2	27.9	27.1	9.1	27.1	18.1	199.3%
3 Salaries and related taxes	(3.4)	(2.7)	(2.9)	(3.3)	(3.4)	(3.4)	(2.7)	(3.4)	(0.7)	25.2%
Direct operating expense	(1.7)	(1.5)	(1.6)	(2.0)	(2.0)	(2.1)	(1.5)	(2.1)	(0.6)	41.3%
Indirect operating expense	(2.8)	(1.4)	(1.9)	(2.4)	(2.5)	(2.3)	(1.4)	(2.3)	(0.9)	61.8%
Marketing expense	(1.0)	(0.6)	(1.2)	(1.8)	(1.6)	(1.9)	(0.6)	(1.9)	(1.4)	241.2%
4 OPERATING PROFIT/(LOSS)	9.1	2.9	7.5	12.8	18.5	17.4	2.9	17.4	14.5	504.6%
Other non-operating income	1.0	1.0	0.7	2.8	1.2	0.8	1.0	0.8	(0.2)	(17.5%)
Other expense	(0.2)	(0.2)	(0.2)	(0.8)	(0.3)	(0.6)	(0.2)	(0.6)	(0.4)	233.5%
NET PROFIT/(LOSS) BEFORE TAXES	9.9	3.7	8.0	14.8	19.3	17.6	3.7	17.6	13.9	379.1%
Profit tax	(1.7)	(1.7)	(3.0)	(2.1)	(4.5)	(5.4)	(1.7)	(5.4)	(3.6)	210.3%
5 NET PROFIT/(LOSS) before FX effect	8.2	1.9	5.1	12.7	14.9	12.2	1.9	12.2	10.3	529.8%
6 FX income/(expense)	(5.5)	2.5	(2.6)	(0.9)	0.8	(0.2)	2.5	(0.2)	(2.7)	(107.9%)
NET PROFIT/(LOSS) after FX	2.7	4.5	2.5	11.8	15.6	12.0	4.5	12.0	7.5	168.4%

Adj.:

Tax	1.7	1.7	3.0	2.1	4.5	5.4	1.7	5.4	3.6	210.3%
Interest	2.1	2.3	2.2	2.3	3.2	3.0	2.3	3.0	0.7	32.7%
EBIT	6.5	8.5	7.6	16.2	23.3	20.4	8.5	20.4	11.9	140.7%
Depreciation and amortization	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.0	14.8%
FX income/(expense)	5.5	(2.5)	2.6	0.9	(0.8)	0.2	(2.5)	0.2	2.7	(107.9%)
7 EBITDA	12.1	6.1	10.4	17.3	22.7	20.8	6.1	20.8	14.7	240.4%
EBITDA %	39.9%	30.2%	33.1%	44.0%	49.6%	41.9%	30.2%	41.9%	11.7%	38.7%

1 Maintained growth since the beginning of H2'20 has resulted in revenues of nearly €50m for Q2'21 – an increase of 145.4% vs Q2'20

2 Increase in net provisions during the period driven by growth in less mature markets. We expect this trend to stabilise in the longer-term

3 Salaries and related taxes have remained flat over the past three quarters, improving profitability as the business continues to scale

4 Tight cost discipline and growing business has resulted in cost/income ratio falling below 20% for the first time in history, which is the long-term target for the Group

5 Net profit before FX effect for the period delivers solid results totalling to €12.2m and €27.1m for the period – broadly in line with FY'20 (€27.9m)

6 Following positive FX movements in Q1'21, we have seen slight correction in some currencies, resulting in an FX loss of €0.2m for the period

7 Driven by a combination of cost discipline and revenue growth, our EBITDA remains above the €20m mark for the second quarter in a row, while delivering a margin of 41.9%

FINANCIAL PERFORMANCE: BALANCE SHEET

Balance Sheet (EURm)	2020				2021		2020	2021	2020 vs 2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2	Δ QoQ	Δ QoQ (%)
1 Non-current assets	21.0	21.0	21.0	22.9	23.4	23.3	21.0	23.3	2.3	10.9%
Goodwill & intangible assets	19.1	19.2	19.3	19.4	19.5	19.5	19.2	19.5	0.3	1.7%
Fixed assets	1.5	1.6	1.7	3.3	3.4	3.5	1.6	3.5	1.9	113.3%
Accrued D&A	(0.3)	(0.5)	(0.7)	(0.9)	(0.9)	(1.1)	(0.5)	(1.1)	(0.6)	120.0%
Other non-current assets	0.7	0.7	0.7	1.0	1.4	1.4	0.7	1.4	0.7	103.6%
Current assets	72.9	77.0	80.0	99.0	111.1	120.2	77.0	120.2	43.2	56.1%
2 Loans receivable	81.2	78.3	97.8	100.1	115.6	125.8	78.3	125.8	47.5	60.7%
Provisions for doubtful debts	(24.2)	(25.4)	(31.3)	(24.3)	(28.7)	(34.4)	(25.4)	(34.4)	(9.0)	35.3%
Accounts receivable	0.4	0.1	0.1	0.4	2.6	0.1	0.1	0.1	0.0	28.1%
Cash in bank	5.6	9.2	3.9	8.7	9.0	14.8	9.2	14.8	5.7	61.7%
Other receivables	9.9	14.9	9.4	14.1	12.6	13.9	14.9	13.9	(1.0)	(6.7%)
3 ASSETS	93.9	98.0	101.0	121.9	134.4	143.5	98.0	143.5	45.5	46.4%
4 Equity	27.6	31.6	34.5	39.6	46.9	42.9	31.6	42.9	11.3	35.9%
Share capital and subordinated debt	20.7	20.5	20.6	20.6	20.8	21.2	20.5	21.2	0.6	3.2%
Retained earnings	6.2	10.6	13.1	18.2	24.0	21.0	10.6	21.0	10.3	97.2%
FX reserve	(0.1)	0.2	(0.3)	(0.4)	1.2	1.2	0.2	1.2	1.0	445.6%
Other reserves	0.9	0.2	1.1	1.2	0.9	(0.4)	0.2	(0.4)	(0.6)	(267.6%)
Liabilities	66.3	66.4	66.6	82.3	87.6	100.6	66.4	100.6	34.2	51.5%
5 Loans payable	49.5	54.0	49.8	67.4	70.4	78.1	54.0	78.1	24.2	44.8%
Deferred income	2.2	1.9	2.2	2.9	3.0	3.4	1.9	3.4	1.5	78.6%
Accounts payable	5.5	4.5	7.1	2.3	2.9	4.2	4.5	4.2	(0.4)	(8.0%)
Taxes payable	6.1	4.6	6.0	7.5	7.9	10.7	4.6	10.7	6.0	130.2%
Accrued expenses	0.9	0.8	0.7	1.4	1.6	1.7	0.8	1.7	0.9	116.8%
Other payables	2.1	0.5	0.7	0.9	1.8	2.4	0.5	2.4	1.9	355.3%
6 EQUITY AND LIABILITIES	93.9	98.0	101.0	121.9	134.4	143.5	98.0	143.5	45.5	46.4%

1 No material movements for non-current assets during the period

2 Increase in gross and net portfolio related to issuance growth during the period

3 Total assets have grown to €144m, mainly driven by increase in portfolio

4 Healthy equity base, driven by the solid and profitable financial performance

5 Loans payable include the issued Bonds, loans placed on the Mintos P2P platform, shareholder loans and other loans payable

6 Our total balance sheet has increased by ~46% vs Q2'20, mainly driven by growth and profitability of our business (key increases in equity and loans payable)

FINANCIAL PERFORMANCE: FINANCIAL METRICS & RATIOS

Key financial metrics & ratios	2020				2021		2020	2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q2	Q2
Turnover	30.4	20.2	31.3	39.3	45.8	49.7	20.2	49.7
EBITDA	12.1	6.1	10.4	17.3	22.7	20.8	6.1	20.8
EBITDA margin (%)	39.9%	30.2%	33.1%	44.0%	49.6%	41.9%	30.2%	41.9%
Gross loan portfolio	81.2	78.3	97.8	100.1	115.6	125.8	78.3	125.8
Net loan portfolio	57.0	52.8	66.6	75.8	86.9	91.4	52.8	91.4
Capitalization ratio (%)	48.4%	59.8%	51.7%	52.3%	53.9%	47.0%	59.8%	47.0%
Interest coverage ratio	5.7x	2.7x	4.8x	7.6x	7.2x	6.9x	2.7x	6.9x
ROA, % ¹	9.9%	12.8%	13.3%	17.7%	25.6%	29.2%	12.8%	29.2%
ROE, % ²	33.5%	39.6%	39.1%	54.3%	73.4%	97.7%	39.6%	97.7%
Cost/Income Ratio, % ³	29.3%	30.5%	24.3%	24.0%	20.6%	19.6%	30.5%	19.6%

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)

CONTACTS

Elīna Zerne

Chief Financial Officer

Elina.Zerne@sunfinance.group

+371 26 429 095

Kaspars Sils

Head of Funding | Investor Relations

Kaspars.Sils@sunfinance.group

+371 25 855 773

investors@sunfinance.group

Floor 5th

Skanstes 52

Riga

