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Moderator: Kieran Donnelly
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Kieran Donnelly: Good afternoon, good morning to everyone on the call. Thank you very much for joining. As always I'm joined with James, CFO; Marek, Chief Risk Officer and we'll be going through the results of the second quarter of the year. And also how, of course, how that sums up for a six month result.

We're pleased to say that we had an adjusted EBITDA and I'm on – hopefully you have the presentation in front of you, I was going to jump right in on slide three. I trust you've read the disclaimer. So 26 million in our EBITDA for the quarter which is now our fourth successive quarter of growing EBITDA, about that.

And we'll see later in the presentation what's very positive about that is the specific growth in the online segment of our business in EBITDA. So that now is becoming a rather consistent level. We're pleased that the interest income level was also stable for the last five quarters. While it's a stable number there's been growth in the continuing business. So if we take out the parts of the business that has been discontinued we have growth in that segment which is also a positive thing.

Our cash position is quite strong and that's even after that we bought back and now as you all I think are aware cancelled 125 million of U.S. dollar bonds. So after that – those buybacks, after paying the interest et cetera, we're still left with quite a strong cash level which is a good thing of course. And we continue to enhance our cash with the sales of loans from our Lithuanian business to the TBI balance sheet. And again in that segment we are very much aligning the growth of our near prime assets to our ability to move those to the lower cost funding of TBI Bank.

We've had improved risk performance across the board for us. In fact it's some of the lowest cost of risk we've seen in many years. And while we're very happy about this we do think it's probably going to return to some mean, still within – well within our target. But we're not betting on the continuation of this trend. It's not what we're forecasting in our planning but we still expect a quite healthy number, just this is a very healthy number that we had at this point.

So the results have been strong, sales are strong, sales are strong on the TBI level as well. So it's been a very good quarter. But it's not just about the numbers, we've been focused on getting a lot of work done. Focused on execution, improving our procedures, and how we deal with our customers. Looking for efficiencies as well. And we've made improvements particularly in Spain and Sweden. And we've had the benefit in Poland of the interest rate cap reset in July that has also helped support the business.

One very interesting point there is we have not raised our interest rates in Poland up to the new cap. So we've been able to take advantage of the fact from a competitive market position that because we were able to find profitability even with the cap in place, well when the cap was put back we didn't have to take full advantage of that which has meant we have had stronger sales, better risk experience and a very positive situation going in Poland.

I mentioned TBI, actually it was a record quarter in loan issuance in TBI. Again a lot of that has got to do with our EPOS sales going on in growth in that market. Which is kind of coming out of the pandemic as more and more people were shopping online and doing things and we were there in the right place with our solution for customers online.

We have spoken before about the Philippines. We're progressing there. We actually have begun due diligence with external advisors on valuation, on legal due diligence and we're actually looking and aiming to make a full acquisition of that business in the Philippines. It's an online short term lending business. So that seems to be very much on-track.

And I think we did discuss before, this is a different expansion strategy than we've done in the past where we did greenfield. Here we're looking at a proven business with proven profitability, full accounts, IFRS, et cetera. So it's a different approach, I think a more cautious approach and a higher probability of success on that side.

So that's moving forward. And, of course, we refinanced the euro bond, thank you for all of you who supported us in that effort. It was actually a very smooth process with very overwhelming support from the investor community. So, again, we're grateful for that.

James, do you want to talk a little more specifically about loans and the financial results, please.

James Etherington: Thanks, Kieran. And welcome everyone to the call.

On slide five we show the loan issuance by month and then what that means for interest income. Within the quarter for Q2, I think you see a clear trend of increasing issuance. And if you remember back to April, most of Europe was still actually in strict lockdowns then. And it was only really from the end of May onwards that those started to ease gradually. So we saw increased customer demand following that in Spain, Poland and Latvia in particular.

And that's continued into the summer and we've highlighted here the issuance for June, July and August. But this is actually back to the overall levels we had pre-Covid. It's not just like-for-like products, it's the overall business levels which is really nice to see. And that feeds into two things now and in the future. Firstly, the top line interest income. So although Q2 was stable overall, that interest income did grow month-on-month during the quarter.

And portfolio growth, as Marek will show, already in June receivables are growing in the online business. And that's the first time we've had that for quite a while which is also very encouraging.

We've added TBI loan issuance to this graph and you see good growth and also the relative scale of the business with TBI now issuing over €100 million a quarter in the bank, steadily building that portfolio at attractive net interest margins.

So turning to slide six for the breakdown of interest income by the countries. This is a similar picture to Q1, because all of the larger markets continue to perform well. So it's representative of the current footprint. And online we had Poland, Spain, Czech and Latvia as the largest markets. Lithuania with a good near-prime book but at a lower yield. And Denmark and Sweden are smaller but Sweden, as we've said, is already showing some nice signs, off that low base.

In the bank, Romania is slightly bigger contributor than Bulgaria. But overall nicely diversified both by type with bank and non-bank and also by market. Almost all of which now have a clear regulatory framework in-place. We also believe we've got good growth opportunities within and beyond this footprint. So in online we're seeing that issuance growth in the summer and we've got new shorter term instalment loans in Poland and Spain for the second half of the year.

Actually today and tomorrow we have our country managers together and we get lots of good ideas and prospect being discussed. Kieran already mentioned the Philippines opportunity and in TBI we've got good growth now, particularly in those digital products, and in the next few years with the marketplace development and potential for Greece the bank's quite well positioned.

So moving to slide seven. Further down the P&L to cost. We've already taken a lot of the cost out of the online business compared to one or two years ago. And we kept those costs steady for Q2. Where we are now it's a better balance between kind of headquarters and our countries: it's a lighter HQ function and we're clearer about services are provided. And the countries have more flexibility but also more responsibility for their own business.

And going forward we still want to find more efficiencies - that mindset won't change. Though we believe we've got the right structure in place that can support future growth for the cost income ratio can improve from both directions.

And on the TBI side, as we said, there's lots of growth initiatives and that does take investment. But Petr and the team are always very focused on the bottom line and ensuring we do things at the right pace to keep that profitable growth.

So moving to slide eight with the financial track record. In some ways looking at maybe interest income or markets the business is smaller overall in scale than it was a few years ago. But that's OK actually, it’s not a bad thing.

And what we've shown this year as we've rebounded from Covid is improvement in margins in EBITDA generation, in profitability and also in reducing debt levels and Kieran will talk more about that.

And you can see we're back above the two times interest coverage level now for the last four quarters. Capitalization ratios and equity levels remain strong. As mentioned on prior calls, the balance sheet quality has improved and the tangible equity ratios have also picked up nicely in recent years.

So the indicators are in the right direction and we think that demonstrates a resilient financial track record, so with that I'll hand on to Marek.

Marek Kujawa: Thank you, James. Good afternoon all. I'd like to talk a while about risk numbers. Starting from slide nine we noticed substantial growth in most of product groups, what is visible in both net receivables and the loans issued.

The net receivables now are close to €567 million and 86 percent of those are consumer loans. At the same time NPL ratio improved to 14.5 percent end of June '21 from 17 percent from the end of 2020.

Looking at the structure of loans issued, continuing the picture we had in the past quarters, following our strategy. It is worth repeating or to add that growth is being kept also in the first two months of third quarter that you can see on slide five.

Now let's move to slide 10. After several consecutive quarters when we found improvements on the impairments, in Q2 results it was stabilised as staying on a level of €12.2 million. We continue the optimisation of portfolio quality and following our strategy of selling non-performing loans on the market by selling spot as well as long term forward flow contracts.

Finally, moving to slide 11, we continue to observe improvement of cost of risk ratio, quarter to quarter, driven by significant improvement of its online component. As you can see, second quarter, which is 10.1 percent versus 13.2 percent in quarter one this year.

Overall, since 2019 we were able to have cost of risk ratio more than halved. It's important to mention that the achieved results are better than planned and next quarter we can expect normalisation that will be the effect of increasing sales levels and for the profitability optimisation which is a key driver also for risk management.

That's all from my side, thank you. And I'm passing it over to Kieran.

Kieran Donnelly: Thanks, Marek. So moving on to slide 12. We've talked earlier about the improvement in EBITDA but the thing we wanted to emphasis here is if you look at the blue bar, the blue portion of the bar chart where the EBITDA from the online part of the business and the growth that we've had since our nadir of the period during the Covid restrictions and how that's now picked up, it's more than three times.

And we've stabilised at this point for now, we think there's opportunity to improve that but I think the stabilization at these levels is an important factor. TBI has also rebounded at a lower level, but it did not go down as far given the business where they have a larger loan book that was outstanding during the time of the pandemic. So that is something.

And our total indebtedness has decreased. If you look at the lower right hand part of the slide you see the box there that our net debt back in early 2020 was €360 million. That's down to more or less €300 million.

But our adjusted EBITDA kind of on a run rate is up. So we've gone from before the pandemic being at about four times debt to EBITDA and now we're at three times. So we've deleveraged.

And I think that's something that few companies really can point to during the pandemic time. Moving on to slide 13. I think we have a very strong and resilient credit case. Our business is back to profitability, we have a rebound in our EBITDA. We've managed our cost and been able to maintain our discipline on that side. We have good asset quality that's going through.

We've really focused on the portions of the business that are driving that cash flow. We have a strong balance sheet. The intangible components of it have been decreased. The cash component of it has increased. TBI is doing extremely well. Its book value is now reaching €150 million. Just for recollection, we purchased TBI for about €85 million roughly five years ago. So that said, it's growing – continues to grow strongly and with, as James mentioned, the TiBuy marketplace, which we've discussed before in previous calls and also now looking at the possibilities of expanding business into Greece.

The business, they issued a tier two bond about a month ago now, €10 million at an interest rate of 5.25% for a tier two bond. So that was well done to a team there and also very supportive of the local perception that was a Bulgarian issue, local perception of TBI bank's standing there.

Our liquidity management debt reduction as we've discussed many times, we have been quite focused on cash generation. We have this reserved money for the dividend from TBI, which we're just waiting for approval.

But from our point of view, from the bank's point of view that has been reserved, it's been taken out of that capital calculation already. So that is ready to go. I talked about the bond buybacks and the reduction. So we only have 200 million of the dollar bond outstanding.

And we've talked about our plans of taking steps to address our indebtedness, that refinancing the Euro bond was an important step and we look forward to taking the next step of addressing the U.S. dollar one in the nearest future.

So I think we have a strong case, credit is improving. We've been very resilient throughout the years whether it was regulatory change, pandemic, other challenges we've been able to come through all of those things.

So I think we've proven our ability to be stress tested. And we're actually quite proud of that and we actually right now feel poised for prudent and controlled growth. Now I'd like to open up to questions, which for us is the most interesting part about this process and we really appreciate your questions.

So please, Roberto, if you can open up the call to questions and we will do our best to answer them.

Operator: Ladies and gentlemen, we now begin the question and answer session. If you wish to ask a question, please press "star," "1" on your telephone. We have one question from the line already. Ray Zucaro from RVX Asset Management. Please go ahead.

Ray Zucaro: Thank you for taking my call. And guys, I just wanted to say having been following the story for a long time, you've managed really well. I'm really glad to see how things have progressed and overall very happy with the progress.

One of the things that you've mentioned is your expansion of the Philippines and frankly how well an asset – return on asset, your TBI investment has been. So my questions are kind of two-fold. One, at what point does TBI become fair valued and you see more potential return on investment or return on capital by using the proceeds from that to expand elsewhere?

And the expansion in the Philippines and Greece, again just from an emerging market perspective, have you guys looked at central Asia specifically Uzbekistan? I just worry about well banked markets like a Greece or a Philippines or better bank where you have a more greenfield type of potential in other parts that not a lot of foreign competition or even the domestic players have really developed. Sorry, bit of a long-winded question there for you.

Kieran Donnelly: No, that's fine. Well, thank you – first of all thank, you for your opening comments. Appreciate it. Regarding the Philippines, the asset we're looking at as a target is a profitable company cash flow positive, so funding positive actually, it's self-funding at this point, and it is serving the subprime sector.

So as far as your concern as far as overbanked kind of thing, the population that we're addressing is underbanked. So this is our target, is for those underbanked populations. And that is quite a large number in the Philippines, so we're actually quite excited about the opportunity there, and we look forward to being able to discuss it in much more detail once we get closer to it.

At this point we are, as I said, being very careful with our due diligence process, but we're just sharing with you all because it's important, it is kind of our first step of expansion, so we want to be open and transparent with you all as much as we can. And as soon as we have the acquisition we'll be very happy to share details.

As far as Uzbekistan, it's been looked at from time to time, and I think right now we're not in the mood, I'd say, for greenfield expansion at this point. So if there was some interesting target or something to look at Uzbekistan, we would happily look. We're familiar with the country, and with that geography.

So it is something that we could look at, but again, we are taking a very – I would say one step at a time, much more cautious; if you look at historic growth pattern where we were quite expansionary. I think we've kind of learned from that and want to go kind of one step at a time and make sure what we're doing is stable and well-footed. And to Greece that is a TBI process, so TBI is looking at that possibility, it's not the online segment of the business, just to be clear about that.

And if that were to happen, it would be leading with the merchant solution portion of the business, so the online – the POS lending online. So onboarding merchants is a way to enter the market.

So we're looking at – in all the studies and everything we've seen Greece has become an underbanked market due to the crisis that was there, and it actually looks quite interesting opportunity. But we'll see from there. I hope I answered your question.

Ray Zucaro: How about just the one about TBI eventually coming to fair value?

Kieran Donnelly: Oh, I'm sorry. Yes, I'm sorry. So look, I think the bank is growing – there's some very exciting initiatives. And I think from a bondholders' view – well, we do have the funding initiative for the Lithuanian assets, moving those over to TBI.

So they very much are separable businesses, so we'll see what the future brings. I think it's reasonable to be expecting solid growth numbers, probably not far off what we've seen over the last five years going forward. So there's a strong growth, and as we say that, that's just a book value at €150 million.

If I remember correctly, we purchased it at 1.25 times book value, and given that growth, given the return of equity, given it's position to market, what's its fair value? I think it's a fair value personally – this is my personal opinion, it would be north of 1.25 times book. But I think the growth prospects are still quite attractive for us.

Ray Zucaro: OK. Thank you, and again, great job guys.

Kieran Donnelly: Thank you very much.

Operator: Thank you for your question. The next question from line of Ashraf Samir, please go ahead.

Ashraf Samir: Yes, first of all, thanks for receiving my call and great job for all the 4finance team to pass this pandemic and all this challenges, really we are proud of your management and how did you do.

My only question, I am maybe confused when I read the report about the U.S. bond maturity in May 2022, and I know that you have already purchased some of the capital and the lending is 200 million. Is it callable on 100? So is this callable option is now active? I can return it, or maybe I am confused, or what's the plans? Is this that you'll be giving individual investor release opportunity or this option to return it back at par or just please explain the status of U.S. bonds in more details, please?

Kieran Donnelly: James, why don't you take that one?

James Etherington: Sure. Hey Ashraf, thanks for dialing in, and your comments there – that was very kind. I think on the USD bonds, that call option is from our side and that's at par, so I think that we have said that we want to address that maturity by year-end, and we have the flexibility of that call. So in essence we just need to raise that amount of money.

As we've said that could be through a new issue transaction, and then we have the ability to repay the bond using that call option. We're still looking at our alternatives and what to do, but we believe we're in a good position following both the buybacks that we've done – the dollar cancellation and the extension on the Euro side. We believe we're well positioned to do this kind of final piece of the capital structure between now and year-end.

Ashraf Samir: So this will be addressed when, James? When it will be addressed, this decision is still not yet confirmed, yes?

James Etherington: We'll have to see how markets develop and what we think is the best alternative, but I think that you could expect to see something from us in coming months on that front.

Ashraf Samir: But still, now the option is not active yet, yes? The call option is not active ...

James Etherington: It's an option from our side, so we pay to you the investors the money, it's not the other way around. But either way with that maturity in the near future, investors should get their money back.

Ashraf Samir: Through the market, or we have to – I didn't get you – I didn't hear you.

James Etherington: OK, I'm happy to take it offline, Ashraf, I know you've got my number, but perhaps we can do that ...

Ashraf Samir: All right, OK. All right, thank you.

James Etherington: ... the company, just to try to rephrase, yes it's the company's option rather than an option that investors have.

Ashraf Samir: All right. Thank you.

Kieran Donnelly: Great, thank you for your question.

Operator: Thank you for your question. There are no further questions at the moment. If you wish to ask a question, please press "star" "1" on your telephone.

There are no questions.

Kieran Donnelly: OK, once again we'd like to thank everybody for dialing in, and also reiterate the appreciation for the support we had in the refinancing of the Euro denominated debt. We also appreciate the kind comments that were made. We – rest assured that we are not resting, we are continuously looking for opportunities to improve our efficiency and to optimise our business.

We fully understand that our business requires a great degree of focus on detail, and efficiency, and every day we're looking for opportunities to improve. So we continue to work hard towards that. We look forward to speaking to the investor community in the coming months, and thank you again, have a great day – afternoon, evening –wherever you are.

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