

**4finance S.A.**

**Moderator: Kieran Donnelly  
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Kieran Donnelly: Good afternoon, good morning, everyone. Thank you for dialing in for this call. It's Kieran Donnelly, CEO 4Finance. I'm joined by James Etherington, our CFO, and Marek Kujawa, our Chief Risk Officer.

So I hope that you have the presentation in front of you, we'll be starting from slide number three, which is a summary of the three months 2022 results. And if we were having this call in the first week of April, I think we'd have a much different call than some of the things were covered. Because a lot of the things that we've covered in subsequent press releases were April events, but let's go through it.

So the quarter itself, we had our highest quarterly EBITDA since 2018. Fantastic margin record at 41%. And across the board, we were happy with the quarter interest income, risk, cost control, and the contribution came from the bank, from the online business from the different countries across the board. So it was very strong quarter, everything.

Then we came to April and I think April, the subsequent events of April were very important, as we've announced and shared with you all is the sale of the Polish business. But we also had an acquisition of a Philippines business that we did subsequent to that. And we've talked about the Philippines for quite a long time, many quarters now. It's a transaction that's been in the works for a long time, but we were able to close it.

And so we show here, that light blue or grayish color, the last bar chart on slide three, you see the pro forma EBITDA that we would have had for the first quarter if we swapped out Poland and brought in the Philippines.

Now, one thing I would mention here is that Poland is a more mature business, and we're replacing with the Philippines, which is a younger and growing business. So we are hopeful that as time goes on the Philippine business is growing at a very strong pace and that we will be able to recover the gap that we -- that was created by Poland, moving outside of the group.

So that's where we are going forward. Again, the margins are there. The big story, obviously is the Poland sale, and the Philippines which were subsequent events to that -- to that quarter. But the underlying business itself has been quite strong. We ended up with a very strong cash position with the levels of in the high 60 millions and that's even after we bought back 28 million notional amount of bonds during the quarter.

Going on to slide four, looking at the acquisition of the Philippine business itself. It is a completely online business. They issue both single-payment loans and installment loans.

The installment loans go up to six months and you're acquiring customers and then upselling and cross-selling them into a more stable and sustainable product. The outlook for the year is quite positive. So far this year, it's been ahead of the budget that they put forward, so also very encouraging.

It's a large market, 110 million people in the Philippines, a young market, which suits our online business model quite well, and it's a significantly underserved market. It also gives us an opportunity to have a stepping stone into the rest of Southeast Asia.

But as we've said many times before, our idea is to move cautiously, to absorb things carefully to make sure that they fit, that they're controlled properly, and then to move on to something else. So, again, this has been something, as you know, we have looked at this company now, for quite a long time, done

extensive due diligence, and we're quite pleased to have been able to make this acquisition.

The terms of the deal, we purchased the equity of the business for 6.6 million and we also replaced 5 million of funding that the business had. So that now that 5 million is being lent by our -- just like we finance all our subsidiaries. There is an earnout and hopefully, we will be paying that in full, because it means the business is doing exceptionally well as we go forward, that would be on audited IFRS numbers going forward. James, can you please pick up from here on slide five?

James Etherington: Sure. Thanks, Kieran. So turning to slide five, I think this is a familiar picture by now on the loan issuance and the interest income. So for issuance chart, you see the solid levels for the online business for the first quarter, not far off, achieved good levels of Q4. You can see Denmark stopping at the end of January there and as always a bit of seasonality in Q1.

One or two markets like Latvia are still feeling a bit of the effects of COVID in that quarter, but we've seen improvement of that as we've gone into the spring. TBI continues to do well on all its products and you have both the bank and the online issuance up substantially year-on-year, which is good to see.

Then interest income has built nicely from Q4 again. So around that 80 million levels for first quarter. And then if we look on slide six, and I think the left-hand side quite familiar, the breakdown of reported interest income. But perhaps more interesting is on the right-hand side, we thought it'd be useful to show the pro forma figures as an illustration, as part of these results.

Kieran mentioned EBITDA, already, we've put the figures in the back, I think it's on slide 22, for reference. So the interest income, if we take away the 18 million we had from Poland that add back just over 1 million for the corporate loan, and that's just the loan not including shared services fees we'll get, we had 7 million for Philippines that you see that's still a nicely diversified picture.

The Philippines adds a kind of midsize market financially around levels of Czech or Latvia for us now but clearly, it's got a lot of growth potential there. Now, largest markets by income or revenues of Bulgaria, Romania, and Spain, they're only one fifth to one quarter of the total interest income. So we're not overly concentrated on any one market still.

We look at slide seven on costs, we continue to work on that cost income ratio, which is improved again in Q1. So you can see that steady improvement, Q3, Q4, Q1, it's now at 50%, basically, and we've been seeing the benefits this quarter some of those marketing investments we made back end of last year. TBI continues to invest, as we know, and you can see that in the chart, that things like Greece will start to contribute also to the top line as we go through the quarters.

And in online, I think it's a tough balancing act given the inflationary pressures in all of our markets. So we continued that focus on operational efficiency across every area of the business. Actually, on a pro forma basis, the cost income ratio, we're looking at Q1 was very similar, around 50%. So again, as we scale up in the Philippines, we hope that's another opportunity to improve that ratio.

And turning to slide eight. So the financial track record, the strong profitability and margins we've delivered for Q1 I think that further cements the recovery. And we've seen the business post COVID. In particular, there's good improvement year-on-year, both in absolute terms and in margins. And the profitability compares very well to what we had even before in 2019 and historically, as well.

Again, on pro forma basis with the new footprint, that EBITDA margin is around 37%. That's still very solid. And you can see the interest coverage ratio that by its nature is pro forma.

That's how we have to do that calculation, looking back through kind of four quarters, that is still at two and a half times. That represents basically just shy of 100 million of EBITDA and the lower interest expense of the bond buybacks.

On the right-hand side, finally, we still have very good equity ratios, even though the receivables have grown strongly this quarter, and that's because book equity has grown again, that's up to 187 million now. So I'll hand over to Marek to talk about portfolio and asset quality.

Marek Kujawa: Thank you, James. Good afternoon all. Let's talk about risk numbers now. Starting from slide nine, we continue to see growth of net receivables and by the end of first quarter reached 692 million euro which represents 5% increase quarter to quarter. 86% of those are consumer loans. We also saw improvement of the NPL ratio to 10.2% from 11.3% at the end of 21. Looking at structure of loans issued, we continue the trend we observed over 2021.

Now, let's move to slide 10. In Q1, we observed a decrease on the impairment charges, despite growing issuance and portfolio. Actually, Q1 that impairment charge equals 15.3 million Euro. We continue after forward flow and spot debt sales transactions on the market.

Moving to slide 11, we are maintaining the good quality loan portfolio. Slightly higher risk levels for cohort granted during Q3 and Q4 and it's mainly from gradual changes of issuance share between short-term loans and installment loans. That is all from my side. Thank you, and I'll hand over to James.

James Etherington: Thanks, Marek. So on slide 12, you see the very strong Q1 reported result again, there, it could be a good contribution from Poland in that online figure. But pro forma for the new business footprint, again, you can see that shaded bar on the right there, we're still looking at over 25 million of quarterly EBITDA.

So it's actually not far off the numbers of last year, but on lower debt levels, because we bought back more bonds, as we said on the last call as well. So that's around 2.7 times net debt to EBITDA on a pro forma basis.

And then with the annual bond coupons now around 31 million Euros, we believe that the online business can still cover that by two times with its own EBITDA just from the online business.

So even on a pro forma basis with this new footprint, with or without the bank, when you look at together with the bank, or just at online, we think that those are very solid credit metrics still. So with that I'll pass back to Kieran.

Kieran Donnelly: Thanks, James. Thanks, Marek. So just to wrap up, before we get to Q&A, we had a very strong first quarter. And I think that has to do with changes in the macro environment with COVID coming off. It has to do with hard work we've done on some of our marketing, of reducing costs, being more efficient, tweaking our products, making our online experience better for our customers. So yes, we had some wind at our back, but we also worked pretty hard at it.

The bank is performing very well and we're excited about the expansion into the Greek market. We've been able to maintain high cash levels. And while we do leverage, subsequent to the March 31, so in April, we took some big steps to adapt to the circumstances, both optimizing our core business, acquiring growth, dealing with challenges due to the war that we faced.

And I'd like to thank all the management team at 4finance and TBI Bank for everything, all the extra work that had to be done during this time to pull us through. But I think we stand in good stead with these numbers, which James touched on, on a pro forma basis. We have a over 100 million EBITDA run rate. And we hope, and we believe that that's going to be improving as we go forward as the Philippines is a nice growing market for us.

We do see strong performance in our -- in our other markets continuing. As we've indicated, a number of times that we've been running above budget in in all our markets, year-to-date. So we continue to press forward and to look for new opportunities.

The macro outlook, we received a lot of questions from people about the impact of inflation on our business. I would state that inflation -- the inflationary impact is two things for us, yes, it's a challenge, particularly on the cost side of things, which we work hard to be more efficient on.

It doesn't bring us too much more in terms of risk because our product is short term. People are taking the loans at the time now not two years ago when they suddenly had a monthly payment and faced with a new cost of living experience.

So they're taking their loans within the period of time that that price change has happened. So that reduces the risk. Our installment loan business is a smaller portion. And even our installment loans aren't very long term on that side.

On the opportunity side, yes, some customers, but we're finding now new customers, before the current situation that didn't have need for our product. And so this is an opportunity for us to pick up new customers who are facing short-term challenges that they did not face previously. So as always, there are pluses and minuses, challenges and opportunities, and hopefully we've positioned our business to be able to take the best advantage of those.

With that, I'd like to get to the most important part of the presentation, which is your questions. So if we could please open up the call so we can receive questions, and we'll do our best to answer them.

Frank Oliver Lehmann: Yes, good afternoon. It's Frank Oliver Lehman here from Berlin. First of all, congratulations to the report. Kieran, James, I got three questions. The first one is more strategic one looking at the numbers.

It seems like the bank has caught up in terms of net income or -- sorry, operating income with the numbers of the online business. Is that going to stay like that or is that going to go different in the future? Where do you see that relationship between those two?

And my second question is, in regards to the continuation of buybacks. Will we keep on seeing buybacks happening? The prices are below par. So that seems to be quite attractive. For my third question is, in terms of debt sales. I recognize that you had a not insignificant number of 6.9 million of overprovisioning coming out of the debt sales.

Have you realized any weaknesses here? Or is there anything you could report on that you would say since the war started in Ukraine, that have become a little bit more conservative? Or is that just so much demand on the side of those who want to collect on those loans? Thank you.

Kieran Donnelly: Okay, Frank, nice to hear you. Three questions there. We have three people on our side, so we'll each take one. James, you can talk about buybacks? And then Marek, you can talk about the debt side. I'll be on the dynamics between TBI and online.

And if we -- if we look at the footprint the size of the business, we would hope that TBI continues its growth trend and its pace of development. And because -- we're trying to grow both and they're quite independent of each other as they go. But given the size of the bank, and how well the bank's been doing, yes, that number, and what's really coming on, that number should continue to grow.

On our side with the online side, we're doing the best we can to grow it but I think the trend is clear. And we can all see the TBI is on a very strong growth rate and also supported with things like the expansion in Greece. So we'll see how it goes. I think we've spoken about the fact that it's a very valuable asset for us, TBI Bank, that it's not just -- not just its current value, but with its high return on equity, yes, it's a very attractive proposition. James, maybe you could speak about the buybacks.

James Etherington: Yes, sure. Hey, Frank. The buybacks, it's certainly something that we will continue to look at. And as you know, we've done that consistently over the last number of years now. I think we do have a preference to invest in the business growth right if we see the right opportunities there. So I think the Philippines is a good example of that. So that's nearly 12 million or so of cash deployed there.

So that means obviously, we have slightly lower in terms of excess cash now to look at, we have to be mindful of that, as well. But I think the bonds, it's always an option and it's a useful benchmark for us to have internally, when we look at other options. But we keep it under review.



Frank Oliver Lehmann: Is there a minimum cash -- James, is there a minimum cash you'd like to have on the online business? I think I asked that question a few years ago, it might have changed.

James Etherington: Yes, you're right. It has -- that has come down as the -- as the number of markets has kind of come down a bit. And I think some of the complexity, if you like, is going down. It's, in some ways, it's a slightly simpler business. We probably look at, I would say, between kind of 25 million to 30 million within the online as kind of natural kind of range for us. So we still have some headroom above that, even after Philippines and coupons next week, for example.

Frank Oliver Lehmann: All right.

Marek Kujawa: Okay. And about personal debt sales, no, we haven't observed any deterioration on the debt sale market. It is the natural demand of the market. In some markets like Spain, we even noticed more interest in buying debt from us.

And like Kieran mentioned before nor on the risk perspective, neither on a -- on the collection, there is no extraordinary behavior. So still is the natural demand. That's why the debt sales went like it went. We can also get back in 2021 similarly, first quarter, fourth quarter was quite good in case of debt sales.

Frank Oliver Lehmann: Thanks. You mentioned -- you mentioned the natural demand, what do you mean with natural demand here?

Marek Kujawa: Natural demand means, okay, there are collection companies, they haven't limited their activity on the market. So it's still being continued. So we haven't experienced any changes from their side. That's what I mean, natural demand.

Frank Oliver Lehmann: Still well financed, and they all look forward to deploy their own capital, they might also be bond issuers, et cetera. But do you do forward sale agreements or do you enter into ...

Marek Kujawa: Yes. We do both. We do forward sale agreements and spot debt sales as well.

Frank Oliver Lehmann: Yes. And are there any markets where you can't sell the debt because there's no market for that, or there might be legal impediments that don't allow you to?

Marek Kujawa: No.

Frank Oliver Lehmann: No. And you can also sell in Philippine possibly ...

Marek Kujawa: Well, Philippines is just acquired -- yes, Philippines is just acquired but it is also an aim to make this type of transactions. And from what I know in the past, debt sales were also made there, yes.

Frank Oliver Lehmann: Okay.. Thank you very much. All the best, speak soon again. Bye-bye.

Kieran Donnelly: Thank you, Frank.

Ezequiel Freylejer: Hello. Hi, this is Ezequiel from Altio Capital. Hello, can you hear me well?

Kieran Donnelly: Yes, please. Go ahead.

Ezequiel Freylejer: Great. Congrats for the results. I have two questions, and maybe one you already discussed, but I missed a call regarding Poland. I have a question to better understand the pro forma balance sheet. I want to understand from the funding perspective, so the receivables that was sitting in Poland, are sitting, which more or less was 47 million euros, that is funded by a loan or will be funded by a loan from 4finance SA to the Poland business. Is that correct or no?

I mean, a portion of that most of that, except for the equity portion. Is that correct or I'm following wrong the pro forma balance sheet?

James Etherington: Hey Ezequiel, it's James here. So yes, we had a loan to the Polish businesses, we have to all our businesses and that is -- at the point where we sold the business that was a 30 million euro principal. And so that's the

amount of which remains outstanding. There haven't been any more. But that 30 million is outstanding.

Ezequiel Freylejer: Perfect. So what are the conditions for that facility in terms of rate and tenor?

James Etherington: So the tenor is, we actually brought that in slightly to make it at the end of 2024, so it's a nearly three-year facility. And rate as we have on most of our other ones at 13%. That's -- we look at transfer pricing review on an arm's length basis anyway, so that aspect, we didn't have to adjust. So 13% rate. So a good amount above of our cost of funds, and end of 2024 for maturity.

Ezequiel Freylejer: Perfect. So it will mature before your unsecured liabilities and is a slightly higher than the interest rate that you pay for those. Correct? That would be a good conclusion?

James Etherington: That's correct. Exactly. Yes.

Ezequiel Freylejer: Okay. And in case there's a non performing, you have covenants in that facility, do you have any guarantees or is secured by something?

James Etherington: We did put some extra. Yes, indeed, governance on that kind of facilities. So yes, we looked at if there's change in kind of regulatory approach and restricting other debt, so that's basically a normal set of restrictions similar to in essence, to what we have in our bonds. Change of control, that sort of thing.

We put some extra kind of protection in there. And there is -- there's obviously good loan portfolio backing that business, and we have the equity purchase price as well due from them.

Ezequiel Freylejer: Okay. And is secured on the receivables or is unsecured?

James Etherington: It's not directly secured no, but that obviously is good backing that the business has.

Ezequiel Freylejer: Okay, and do you have any guarantee or no, there's no guarantee on shares or nothing?

James Etherington: We effectively do on the shares because we're also owed that purchase price. And if we don't -- if they don't -- that doesn't perform, we get those back as well. So there's effectively the equity side there too.

Ezequiel Freylejer: Okay. And then when you use the coverage ratio, you take into account this -- we assumed the EBITDA that you use to do you to calculate your coverage ratio. That's what I want to understand because your EBIDTA is a little bit difficult for me to follow. But in essence, you're counting on this interest rate from your loan in order to estimate the coverage ratio for your liabilities, correct?

James Etherington: So when we look at our -- the proper calculation of our interest coverage ratio, yes, behind the two and a half times that we show there, then yes, that takes out the business contribution from Poland, but it includes that interest income, because it's like external interest income that we get on that loan was a small but still useful part of our EBITDA.

Ezequiel Freylejer: Perfect. And the debt you have is net of this loan, no? So if you owe, I don't remember, 260, less than EUR30 million for this loan, that's correct, that's the math behind the coverage ratio?

James Etherington: No we don't do that. Because if we look at bonds that we have outstanding for the market, obviously, we pay interest on the net amount we have outstanding. The interest on the loan doesn't affect that part of the calculation.

Ezequiel Freylejer: Okay, perfect. So you will do essentially, you count interest income, but of course, the interest expense is the one that you pay of unsecured. Perfect. Okay, that's clear. So thank you for the clarification on Poland.

And then on Philippines can you comment, and congratulations acquisition is a very attractive market indeed. But since it's an online business, and I'm seeing that it has 6 something million of receivables. It's a small but grows very fast. So can you comment a little bit on the dynamic of that market? Because you manage very well across Europe and of course Latin America in the past some difficulties.

So Philippines in terms of I mean, the portfolio, the quality of your portfolio, I mean, the behavior of the customers and paying. I mean, how you feel comfortable that and also to take the ones and if the business become profitable. I mean, it's easier to collect the cash from there, to transfer. So if you can comment, this experience vis-à-vis the experience you have outside Europe, and how you think that this will be different.

Kieran Donnelly: So this business is already profitable. And we've been working on following this company doing our own due diligence plus external due diligence, which we hired KPMG to do external due diligence and legal counsel as well. So we've been looking at this transaction now for close to a year and tracking it, following it carefully going through those.

So what's different as you as to earlier forays outside of Europe is that here we're acquiring a business that is already profitable and is not a greenfield. So our earlier things we either purchased a shell and then built it up as we did in Argentina, or we started a business from absolute scratch and tried to build it up.

And I think in those instances -- in the case of Argentina, we actually got the business to peso profitability, but unfortunately had experiences -- that experience with the foreign exchange.

The Philippine Foreign Exchange Market is quite different and as far as remitting currency and stuff, it's quite open, open market. And there's -- we don't see any, any challenges, although we watch our foreign exchange very carefully.

We hedge where we can. And in fact, in most of our markets, in fact, if we look at some of our P&L change at the time of the -- we go forward, even unwinding hedges, in the case of Poland, was all part of that transaction.

So I think we're in a much different position, we have a stable, growing profitable business, we've done extensive due diligence, we're not starting from scratch, currency market is clearly understood, and the business is now growing month-on-month, in a very attractive rate.

Ezequiel Freylejer: Great. So thank you so much. Congratulations again, and looking forward for the next call.

Kieran Donnelly: Thank you.

Ignacio Ocampo: Good morning, guys. This is Ignacio from Altio Capital as well. I had a question. Well, first of all, congrats for the results, pretty well managed exit of the Polish business and hopefully we can get to a good port with the Philippines going forward as well.

I have a question with regards to retained earnings at TBI. In the past calls you guys mentioned that you were trying to move up from TBI all the way to HoldCo. How is that going? How much have you been able to move up? And what is the expectation till the end of the year with regards to dividends? Thank you.

Kieran Donnelly: Well, the -- as far as retained earnings, so those dividends are reserved. So when we reviewed the capital calculations for TBI on all official bases and everything we filed with the Bulgarian National Bank that we have reserved an amount for dividends. And we have asked for it and are awaiting approval to be able to pay dividend up. So there's no financial impact to TBI bank to pay the dividend.

As I said, it's not being included in their capital calculations. And we're waiting for BNB approval to close it up. So when that will come, we don't know. The Bulgarian National Bank, which there are a lot of political considerations in Bulgaria earlier this year, which hopefully you're just getting sorted out, new governor at the BNB et cetera, and come through.

The good thing is we're not -- with the nice cash balances that we have right now we're not desperate in any way to get that money up as much as we would like to. But that's out of our hands at the moment waiting for the BNB. James, I don't know if there's anything to add.

Ignacio Ocampo: And how much of -- have you reserved so far?

Kieran Donnelly: I believe the number is 15 million has been reserved in TBI's balance sheet.

James Etherington: Yes that's right 15 million reserved. Yes, that's what we've reserved. Historically, I think we've learned from experience, I guess to be -- to be patient on this front.

Ignacio Ocampo: And with regards to the way the Bulgarian National Bank assesses these processes, is there like a quarterly meeting, or monthly meeting or it's a random meeting that in which they decide if they're going to allow banks like yours to pay dividend, what's the process, exactly?

Kieran Donnelly: I would put it more in the random category given -- unfortunately, that's the honest answer.

Ignacio Ocampo: Okay, thank you. So the money is there to be moved up, but you --

Kieran Donnelly: The money's there.

Ignacio Ocampo: ... and you reserve 15 million euros and you will move it when you are allowed to.

Kieran Donnelly: Correct.

Ignacio Ocampo: Okay, thank you.

Kieran Donnelly: Again, everyone, thank you very much for your time. Thank you for your support. We appreciate it. And as always, we're happy to answer any questions. Please just send an email, reach out and we'll do our best to keep everyone as up to date and informed as we can about our progress in our business.

We are excited about the rest of the year, we are excited about the Philippines, and also what's happening in all our other existing markets. So hopefully, we can build on the strength we've had and continue to push forward. Thanks again. Have a great day.

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