

# **Q1 2018 Presentation**

## **Avida Holding AB**

**AVIDA**

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## Avida Group

- The strong volume growth continues with an increase in net loans of SEK1,562m (85%) YoY and SEK549m (19%) from previous quarter, ending at SEK3,407m. Adjusted for effects of implementing IFRS 9 in the quarter, net loans increased by SEK1,621m YoY and SEK608m in the quarter.
- Net revenues increases in line with volume growth ending at SEK96m, an increase of SEK29m (42%) YoY and SEK7m (8%) in the quarter.
- Earnings before tax at SEK16.7m.
- IFRS 9 implemented with increased provisions for impairment of loans amounting to SEK-59m with an initial effect on equity as a reduction of about SEK-46m. As expected, also increased P/L effect during the quarter and going forward.
- The CET1 ratio is 15.8% at the end of first quarter 2018, compared to Avida's target of 13%.

## Consumer Finance

- Strong growth with YoY increase in net loans of SEK1,032m (66%). Positive, but not satisfying, development also during the first quarter with an increase of SEK307m (13%), ending at SEK 2,588m.
- The net interest margin was 11.0% (10.9% in Q4) driven by higher interest yields increasing from 12.0% in Q4 2017 to 12.1% in Q1 2018 due to improved scoring and segment analyzation.
- Loan loss ratio (rolling 4 quarters) of 2,1% (2.4% in Q4) including gains from sale of NPLs.

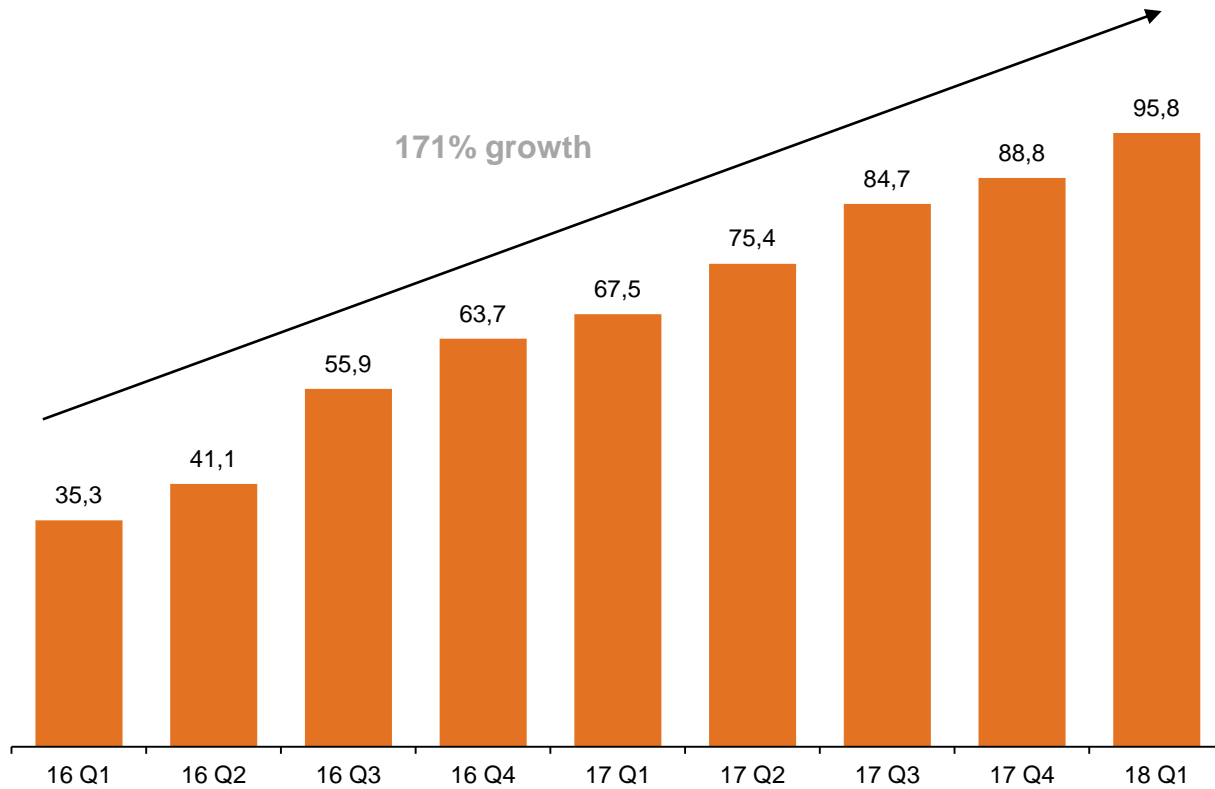
## Business Finance

- Significant growth during the quarter with increased net lending of SEK235m (42%) and SEK500m YoY, ending at a total loan book of SEK789m.
- Business Finance operation continues to grow rapidly and winning significant clients. Norsk Gjenvinning AS signed during the quarter. Three other larger deals also signed and onboarded during the first quarter.
- Net interest margin of 23.0% (30.3% in Q4). The decrease in net interest margin is due to a change in strategy and focus shift towards more credit worthy clients and to enable faster and more stable growth. The shift has been ongoing since Q2 2017 which can clearly be seen in the NIM.
- Loan loss ratio (rolling 4 quarters) of 5.0% (6.6% in Q4), this is almost entirely related to the old B2C clients of Avida. In B2B, where the growth is occurring, there are close to no losses.

# Q1 2018 Financial Highlights

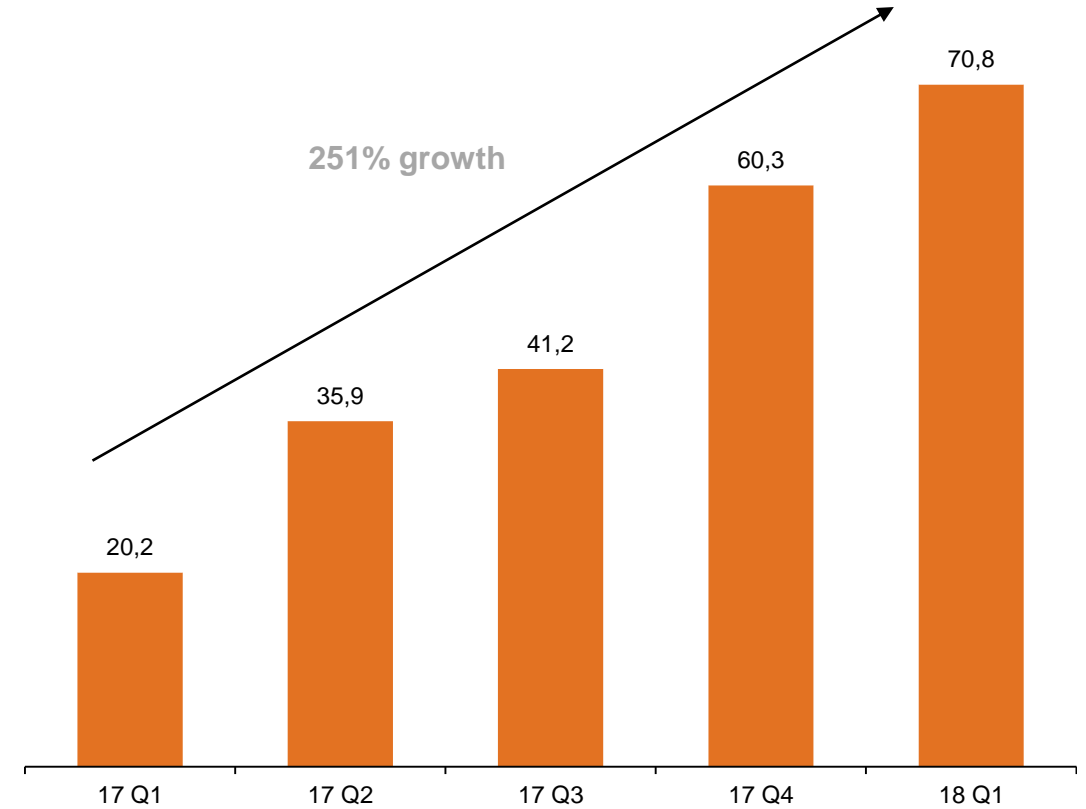
I	Portfolio growth	YoY growth in net loans of <b>85%</b> - Total outstanding loans of SEK3,407m
II	Net interest margin	Net interest margin of <b>14.2%</b>
III	Cost / net interest income ratio	Cost / Income ratio of <b>62.2%</b>
IV	Loan losses	Annualized loan losses of <b>2.3%</b>
V	Profits	Pre-tax profits of <b>SEK16.7m</b>
VI	Return on equity	ROE of <b>10.7%</b> - Return on required CET1 capital of 16.2%
VII	CET1 ratio	CET1 ratio of <b>15.8%</b> - Well above regulatory minimum requirements of 9.6%

Net interest income (SEKm)



**Continued strong growth in Net interest income in Q1 2018**

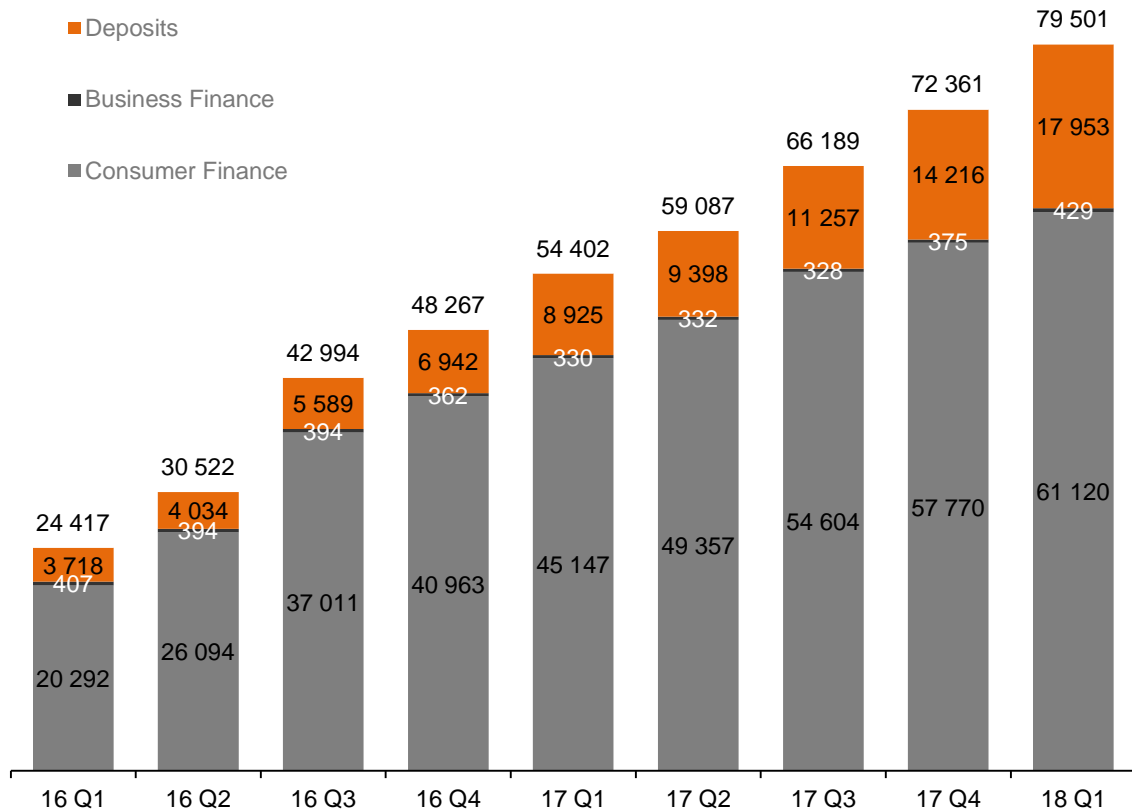
Rolling 12 month Operating profit / EBT\* (SEKm)



**Continued significant growth in rolling EBT**

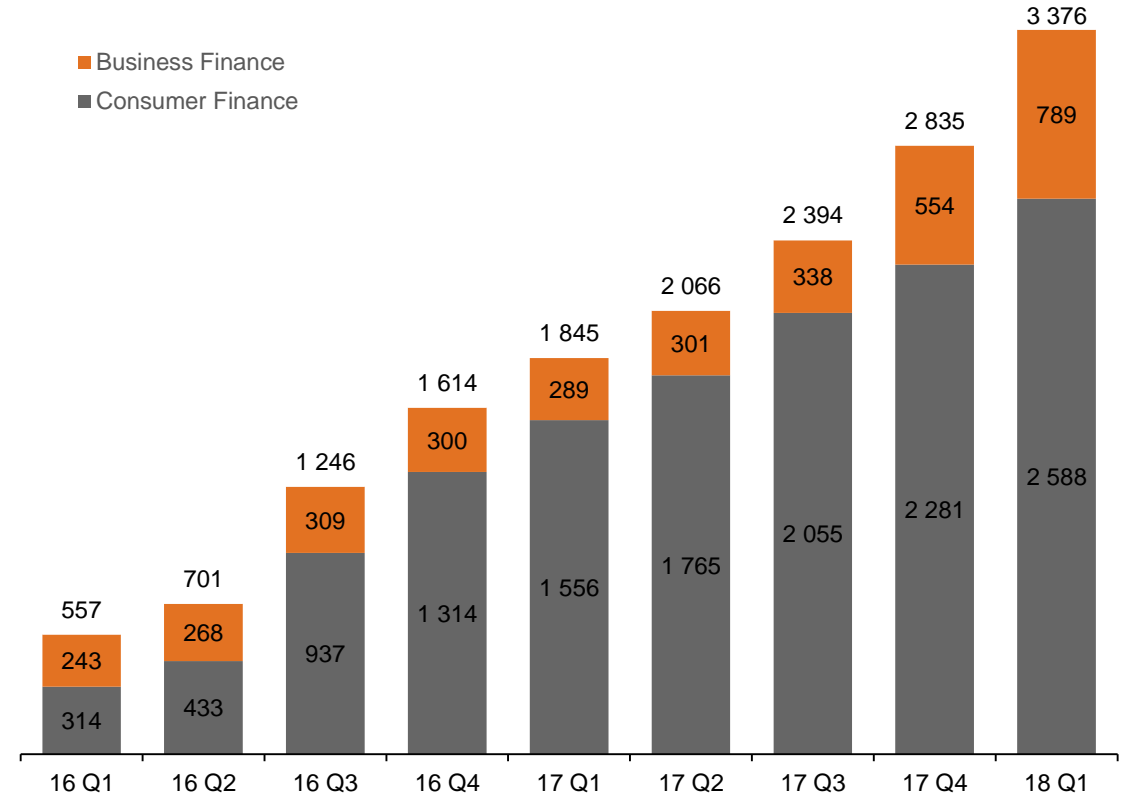
\* Adjusted EBT in Q4 for one offs of total SEK12m

### Number of customers (#)



**Continued strong growth in number of customers in Q4 2017**

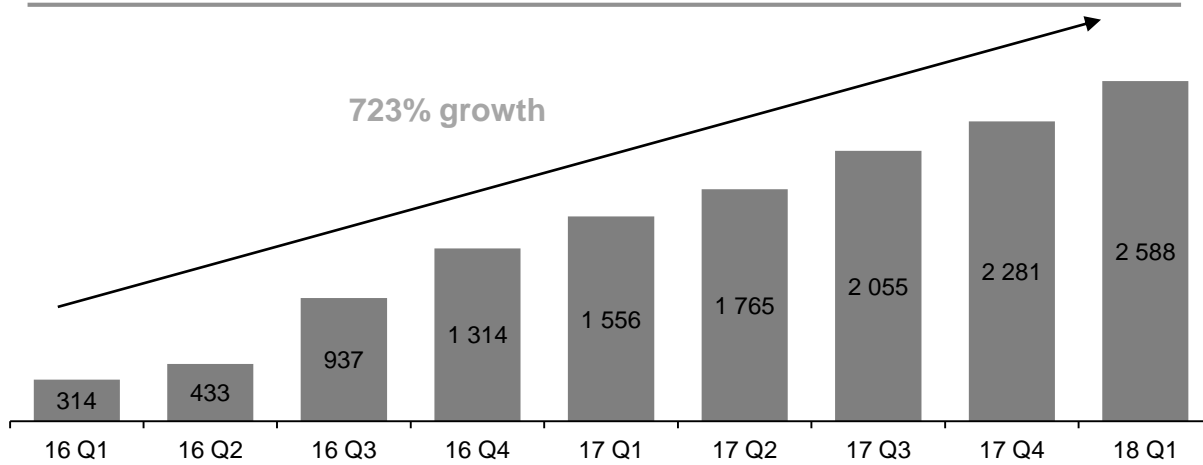
### Net loans to customers (SEKm)\*



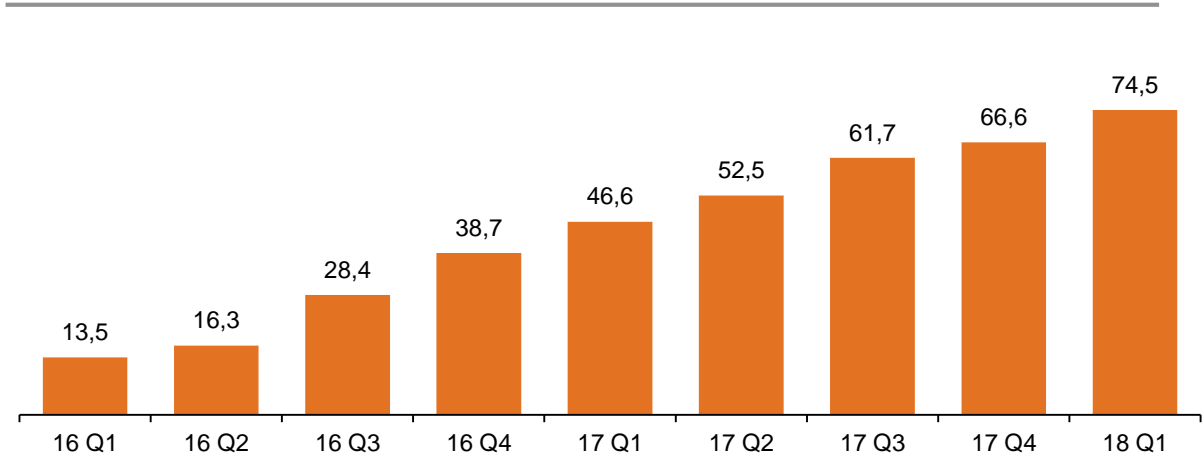
**Significant volume growth during Q4 2017**

\* Excluding external commission

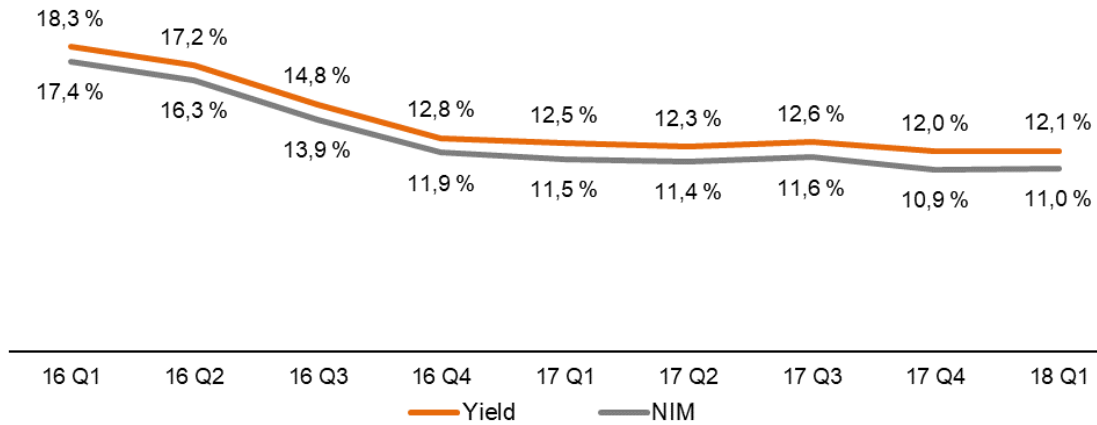
Net loans (SEKm)\*



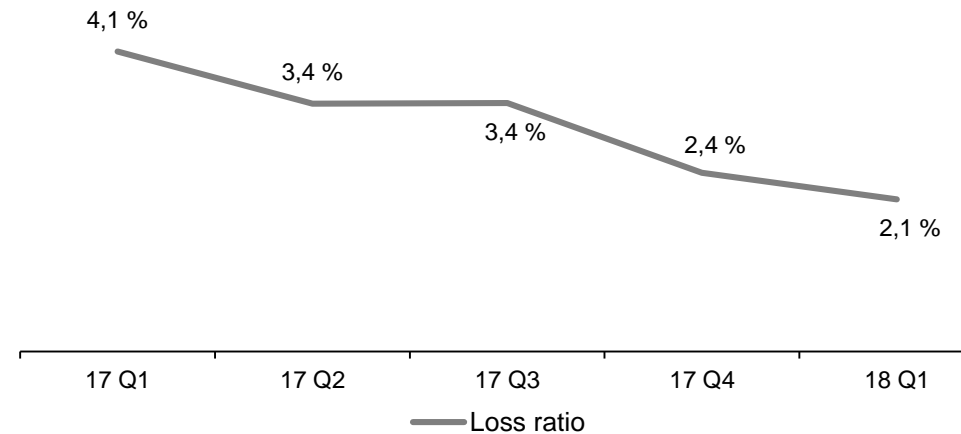
Income (SEKm)\*



Yield (%) and NIM (%)\*



Loss ratio (%)\*\*

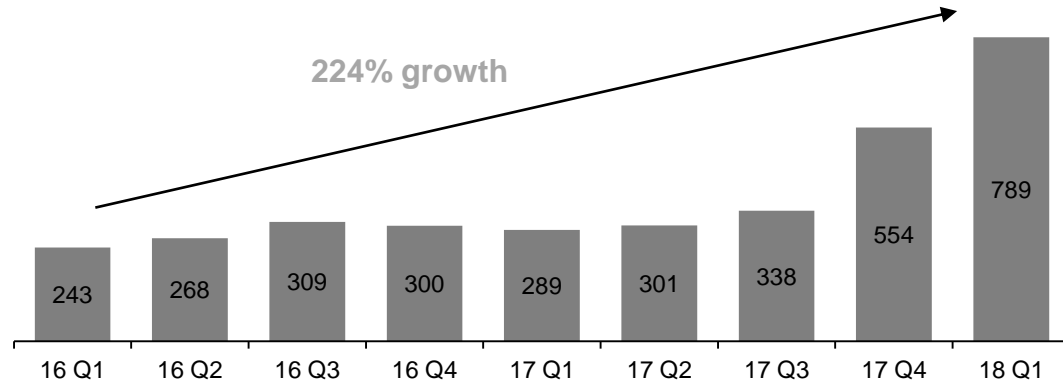


\* Net loans, Income, Yield and NIM is excluding external commission

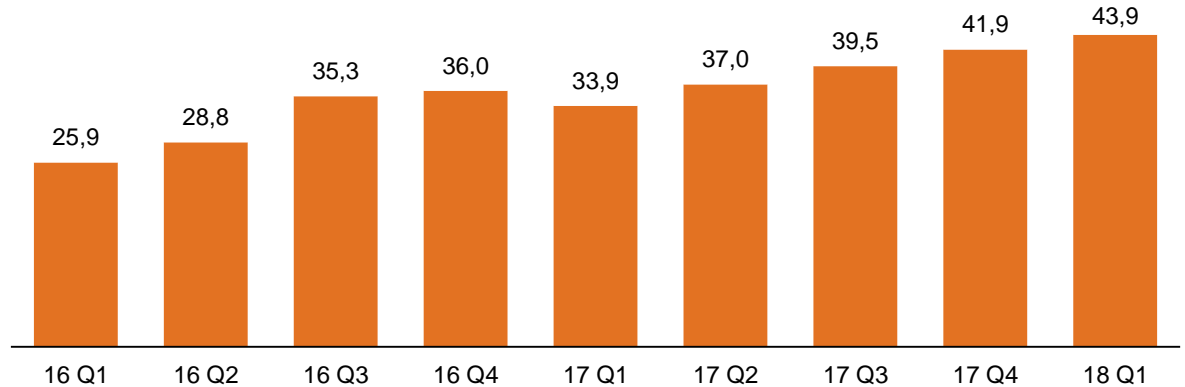
\*\* Loss ratio is calculated as rolling 4 quarter credit losses divided by average rolling 4 quarter net loans

Note; The change in strategy towards a product mix of more larger credit worthy clients affects positively on volumes and loss ratio as well as reducing NIM according to plan.

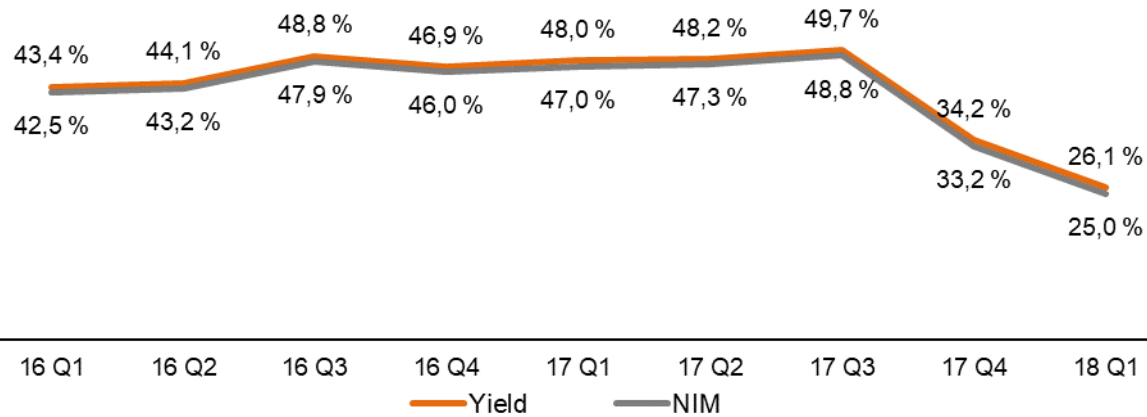
## Net loans (SEKm)\*



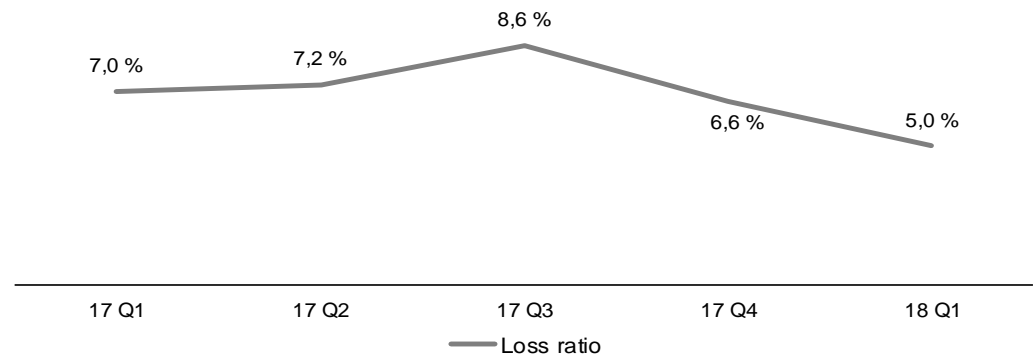
## Income (SEKm)\*



## Yield (%) and NIM (%)\*



## Loss ratio (%)\*\*



\* Net loans, Income, Yield and NIM is excluding external commission

\*\* Loss ratio is calculated as rolling 4 quarter credit losses divided by average rolling 4 quarter net loans. Note; Excluding the B2C loans with an accounting policy that results in big fluctuations regarding credit losses in the P&L, the losses regarding Business Finance is close to zero.



## Profit & loss

SEKm	Q1 2018	Q1 2017	2017	2016	2015
Interest income	104,4	71,8	337,6	204,4	145,3
Interest cost	-8,6	-4,3	-21,0	-8,4	-5,8
<b>Net interest income</b>	<b>95,8</b>	<b>67,5</b>	<b>316,5</b>	<b>196,0</b>	<b>139,5</b>
Net result from financial transactions	-2,2	-3,5	-9,5	-6,6	-2,1
Other income	0,9	1,2	6,6	6,0	3,1
<b>Total income</b>	<b>94,5</b>	<b>65,3</b>	<b>313,6</b>	<b>195,4</b>	<b>140,6</b>
Administrative cost	-56,4	-37,9	-195,2	-133,5	-91,3
Depreciation and amortization	-2,3	-1,7	-14,6	-5,6	-3,9
<b>Sum operational cost</b>	<b>-58,8</b>	<b>-39,6</b>	<b>-209,8</b>	<b>-139,1</b>	<b>-95,2</b>
<b>Result before credit loss</b>	<b>35,8</b>	<b>25,7</b>	<b>103,8</b>	<b>56,3</b>	<b>45,4</b>
Net credit loss	-19,0	-19,4	-55,4	-45,0	-32,3
<b>Operating profit / EBT</b>	<b>16,7</b>	<b>6,3</b>	<b>48,3</b>	<b>11,3</b>	<b>13,1</b>
Tax	-3,7	-1,4	-12,1	1,6	-4,3
<b>Profit after tax</b>	<b>13,0</b>	<b>4,9</b>	<b>36,2</b>	<b>12,8</b>	<b>8,8</b>

## Comments

### Key development in Consumer Finance operations

- Consumer Finance operations continue to show growth during the quarter and YoY with an increase of SEK307m (13%) and SEK1,032m (66%) respectively, ending at SEK2,588m. The growth is negatively impacted by sale of Non Performing Loan portfolios as forward flow agreements now are in place in Norway and Sweden. The Non Performing Loan agreements signed, are expected to have a positive impact on loan loss provisions going forward.
- All markets are showing strong growth, where Finland clearly stands out with the most positive development. Norway is also showing a positive development whereas Sweden currently has the most challenging market situation with tough competition.
- The Consumer Finance business is highly scalable, and Avida has implemented several initiatives that will greatly improve the long term cost efficiency and risk management. As part of this journey a decision has been made to invest in a new consumer ledger in all countries during 2018, greatly improving Avida's speed and flexibility particularly when adding new products and features to existing products.

### Key development in Business Finance operations

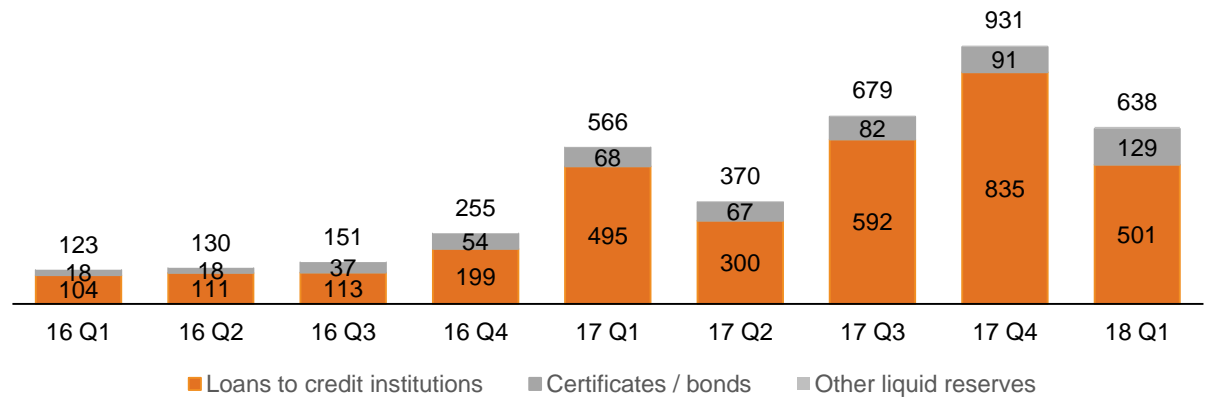
- Business Finance increased its volumes by SEK235m (42%) during the quarter and by SEK500m YoY, ending at SEK789m. The significant increase is to a large extent attributable to signing of factoring agreement with Norsk Gjenvinning AS in Norway, which is the Avida's largest agreement to date. The client successfully went live during Q1. The positive development in Norway comes on top of the significant growth in factoring volumes in Finland in the previous quarter. Three other larger deals also signed and onboarded during the first quarter. Volumes are expected to increase significantly in Q2 given the very healthy pipeline of new business as well as seasonality in the current portfolio.
- The significant investments made in the Business Finance segment are starting to pay off, resulting in very positive development for the quarter.
- Apart from the positive development within Factoring volumes in Finland and Norway, there is also a positive development in Corporate Loans in Norway and Sweden. The business mix is changing towards larger and lower risk customers.
- The business is scaled for significantly higher volumes and the marginal profitability of new business will be highly accretive.

# Key balance sheet figures

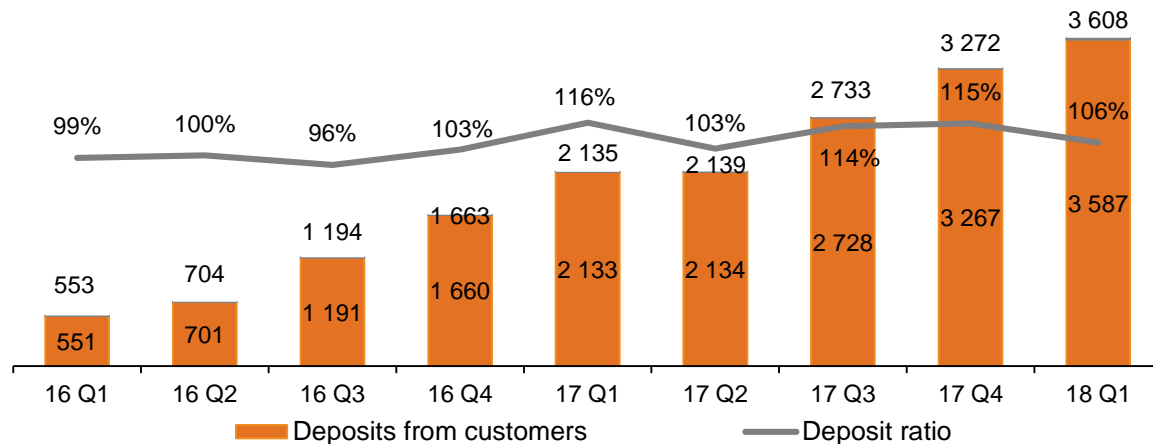
## Key ratios

<b>Average outstanding loan size</b>	<b>~SEK 43,515</b>
<b>LCR</b>	<b>131%</b>
<b>Deposit ratio</b>	<b>106%</b>

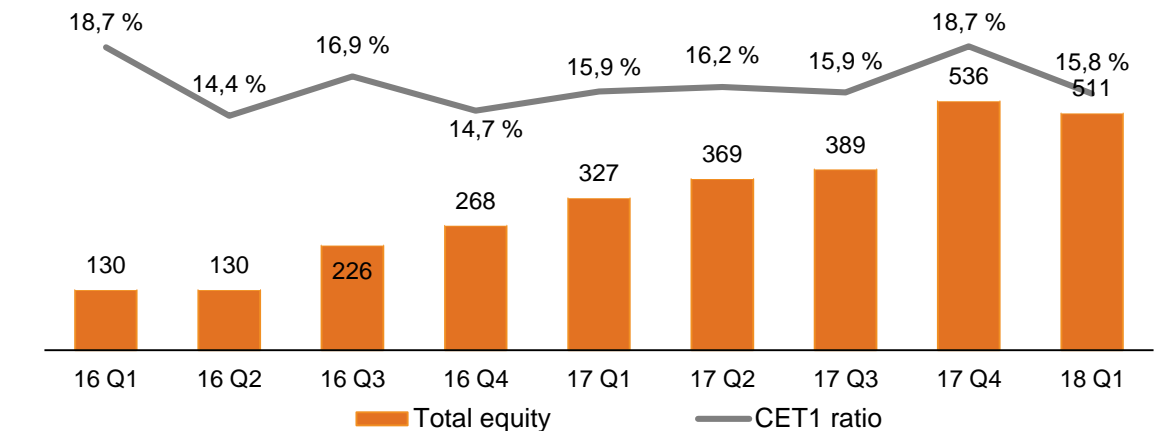
## Liquidity (SEKm)



## Funding (SEKm) and deposit ratio (%)



## Total equity (SEKm) & CET1 ratio (%)



## Balance sheet

SEKm	2018-03-31	2017-12-31	2017-09-30	2017-06-30	2017-03-31	2016-12-31
Cash and balance to central bank	8,5	5,5	4,4	3,2	2,4	1,8
Certificates and bonds	128,8	91,0	81,9	67,4	68,2	54,5
Loans to credit institutions	501,3	834,7	592,2	299,5	495,0	198,7
<b>Net loans to customers</b>	<b>3 406,7</b>	<b>2 858,0</b>	<b>2 393,7</b>	<b>2 065,7</b>	<b>1 845,2</b>	<b>1 614,0</b>
Shares and shares in ass.						
Companies	0,0	0,0	4,0	4,2	4,2	4,2
Intangible assets	22,1	19,9	22,4	21,2	18,3	15,3
Machines and inventories	5,1	5,3	5,4	5,4	5,7	5,4
Other assets	54,7	4,2	16,7	28,8	15,0	38,8
Prepaid expenses and accrued income	75,1	53,7	84,2	70,6	63,5	56,7
<b>Total assets</b>	<b>4 202,3</b>	<b>3 872,2</b>	<b>3 204,9</b>	<b>2 566,1</b>	<b>2 517,6</b>	<b>1 989,4</b>
Deposits from customers	3 608,1	3 271,6	2 733,3	2 138,6	2 134,5	1 663,3
Other liabilities	59,3	41,1	62,2	40,3	37,2	40,4
Accrued expenses and prepaid income	24,3	23,6	15,5	13,6	13,8	12,8
Deferred tax liabilities	0,0	0,0	4,5	4,7	4,7	4,7
<b>Total liabilities</b>	<b>3 691,7</b>	<b>3 336,2</b>	<b>2 815,5</b>	<b>2 197,2</b>	<b>2 190,2</b>	<b>1 721,3</b>
Share capital	5,4	5,4	4,9	4,8	4,7	4,4
Retained earnings	492,1	494,5	351,1	346,8	317,9	250,9
Earnings in year	13,0	36,2	33,5	17,2	4,9	12,8
<b>Total equity</b>	<b>510,6</b>	<b>536,0</b>	<b>389,4</b>	<b>368,9</b>	<b>327,4</b>	<b>268,2</b>
<b>Total equity and liabilities</b>	<b>4 202,3</b>	<b>3 872,2</b>	<b>3 204,9</b>	<b>2 566,1</b>	<b>2 517,6</b>	<b>1 989,4</b>

## Comments

- Net loans increased by SEK1,562m YoY and SEK549m during Q1 2018 leading to a total net loans of SEK3,407m.
- The funding is mainly comprised of deposits and equity with deposits increasing by SEK1,474m YoY and SEK336m QoQ leading to a liquidity portfolio of SEK638m.
- The equity base increased by SEK183m YoY and decreased by SEK-26m Q1 2018 mainly due to IFRS effect of total SEK47.7m leading to an equity base of SEK510,6m, implying a capital ratio of 15.8% - well above the capital targets and requirements.



## Growth

- Significant growth opportunity; realistic target of SEK10Bn loan book by 2020 by pursuing opportunities in both consumer and business
- Dynamic allocation of capital to products/segments with best risk/reward



## Return on equity

- Target return on equity of more than 25% in line with industry average
- Lower ROE in the short term due to investment in organization and infrastructure



## Capital ratios

- Current CET1 ratio target of ~13%
- Current total capital ratio target of 14.5-15.0%
- Will leverage capital markets for both debt and additional equity to grow intelligently



## Dividend policy

- Target dividend payout ratio of 35%
- No dividend payments in short / medium term due to growth focus

# Diversified, scalable and set for high growth



- 1** **Diversified business - well positioned to capture large opportunity in the SME market in the Nordics** ✓
- 2** **Reshaped, automated platform - well set up for growth across the Nordics** ✓
- 3** **Scalable model – targeting SEKbn 10 loan book by 2020** ✓
- 4** **Renewed, strong management team that “has done this before” – set to do it even better this time** ✓
- 5** **Shareholder friendly set up with long-term and active key shareholders** ✓



# Significant events after the end of the quarter

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## **New CEO has joined**

- Mr Tord Topsholm joined Avida 1 April 2018. He has a broad background from both the consumer and corporate business. He is a respected leader who has experience from fast-growing companies and from the increasing complexity within banking.
- Mr Tord Topsholm comes from the CEO role at Catella Bank and previously he has been Head of Sales & Service at Swedbank and before that COO at EnterCard which offers consumer loans and credit cards.

## **New CFO appointed**

- Avida has appointed Mr Pehr Olofsson as its new CFO. Mr Pehr Olofsson will join Avida in August 2018.
- Mr Pehr Olofsson has previously been acting CFO at Klarna and CFO at Swedbank Baltics and EnterCard. Lastly, he comes from the role as CFO at Bankgirot.
- Mr. Olofsson has worked extensively with Mr Topsholm in both EnterCard and Swedbank.
- The Board is very pleased to have such a great team, that know each other so well, in place.

- Avida expects continued strong growth in lending volumes going forward and maintains our expectation for growth in net loans to customers through 2018, ending at SEK5,000m. We will continue our focus on improving the cost efficiency.
  - The Board is satisfied with the growth within Business Finance and the development is ahead of plan. The pipeline for our Business Finance operation continues to grow rapidly and winning significant clients like Norsk Gjenvinning AS proves Avida's attractive customer offering and is a significant step forward for the company. The clients with seasonal industries, that many of Avida's clients operate within, are expected to grow and are expected to have a positive impact on the revenues in the coming quarters.
  - Consumer Finance is off to a good start on the year with strong growth in Finland and Norway. The development in Sweden however is weaker than expected. The focus has been and will be to find the optimal strategy for taking a larger share in the market by using analytics and thereby optimizing used models.
  - The Board is not satisfied with the cost development during the quarter. Actions have been implemented to improve the cost efficiency. The Board remains confident in reaching the targets set out for 2018 with SEK5,000m in credit volume and continued improvements in the C/I ratio.
  - Avida sees good growth prospects in all the three geographic markets, and our strategy of focusing on both Consumer and Business Finance gives us ample room to allocate capital to the most profitable opportunities.
  - We continue to see record volume growth in both Consumer Finance and Business Finance which will impact positively on income and profit for coming quarters.
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