

# **Q1 2017 Presentation**

## **Avida Holding AB**

**Johan Anstensrud, CEO**  
**Oslo, 31<sup>th</sup> May 2017**

**AVIDA**  
F I N A N S

# Disclaimer

This Presentation has been produced by Avida Holding AB (the “Company”, “Avida” or “Avida Holding”), solely for use at the presentation to investors and is strictly confidential and may not be reproduced or redistributed, in whole or in part, to any other person. To the best of the knowledge of the Company and its board of directors, the information contained in this Presentation is in all material respect in accordance with the facts as of the date hereof, and contains no material omissions likely to affect its import. This Presentation contains information obtained from third parties. Such information has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information to be inaccurate or misleading.

This Presentation contains certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words “believes”, “expects”, “predicts”, “intends”, “projects”, “plans”, “estimates”, “aims”, “foresees”, “anticipates”, “targets”, and similar expressions. The forward-looking statements contained in this Presentation, including assumptions, opinions and views of the Company or cited from third party sources are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. None of the Company or any of their parent or subsidiary undertakings or any such person’s officers or employees provides any assurance that the assumptions underlying such forward-looking statements are free from errors nor does any of them accept any responsibility for the future accuracy of the opinions expressed in this Presentation or the actual occurrence of the forecasted developments. The Company assumes no obligation, except as required by law, to update any forward-looking statements or to conform these forward-looking statements to our actual results.

An investment in the company involves risk, and several factors could cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements that may be expressed or implied by statements and information in this presentation, including, among others, risks or uncertainties associated with the company’s business, segments, development, growth management, financing, market acceptance and relations with customers, and, more generally, general economic and business conditions, changes in domestic and foreign laws and regulations, taxes, changes in competition and pricing environments, fluctuations in currency exchange rates and interest rates and other factors. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this presentation. The company does not intend, and does not assume any obligation, to update or correct the information included in this presentation.

No representation or warranty (express or implied) is made as to, and no reliance should be placed on, any information, including projections, estimates, targets and opinions, contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein, and, accordingly, none of the Company or any of their parent or subsidiary undertakings or any such person’s officers or employees accepts any liability whatsoever arising directly or indirectly from the use of this document.

By attending or receiving this Presentation you acknowledge that you will be solely responsible for your own assessment of the market and the market position of the Company and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the Company’s business.

This Presentation speaks as of 31<sup>st</sup> May 2017. Neither the delivery of this Presentation nor any further discussions of the Company with any of the recipients shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since such date.

All figures presented in this Presentation is unaudited at the time of edit.

# Q1 2017 highlights

## Group results

- Continued growth in loan book, up 233% YoY to SEK1,833m
- Revenues increased to SEK65.3m in Q1 vs SEK35.0m in Q1 2016
- Net profit of SEK4.9m vs loss of SEK3.5m last year
- Successfully closed a new round of equity funding of SEK72m. Shares in Avida Holding AB were subsequently made tradeable on NOTC with first day of trading 10th April 2017

## Consumer Finance

- Continued strong growth in consumer loans across all markets, with total net loans growing more than 400% since Q1 last year. The growth reflects a shift in strategy with growth primarily occurring in lower risk segments, reducing both the net interest margin from 18.4% to 13.7% and the loan loss provisions ratio from 4.4% to 3.3%
- In April a portfolio of NOK36m of nonperforming consumer loans was sold in Norway with an expected positive effect of NOK7m in Q2 2017

## Business Finance

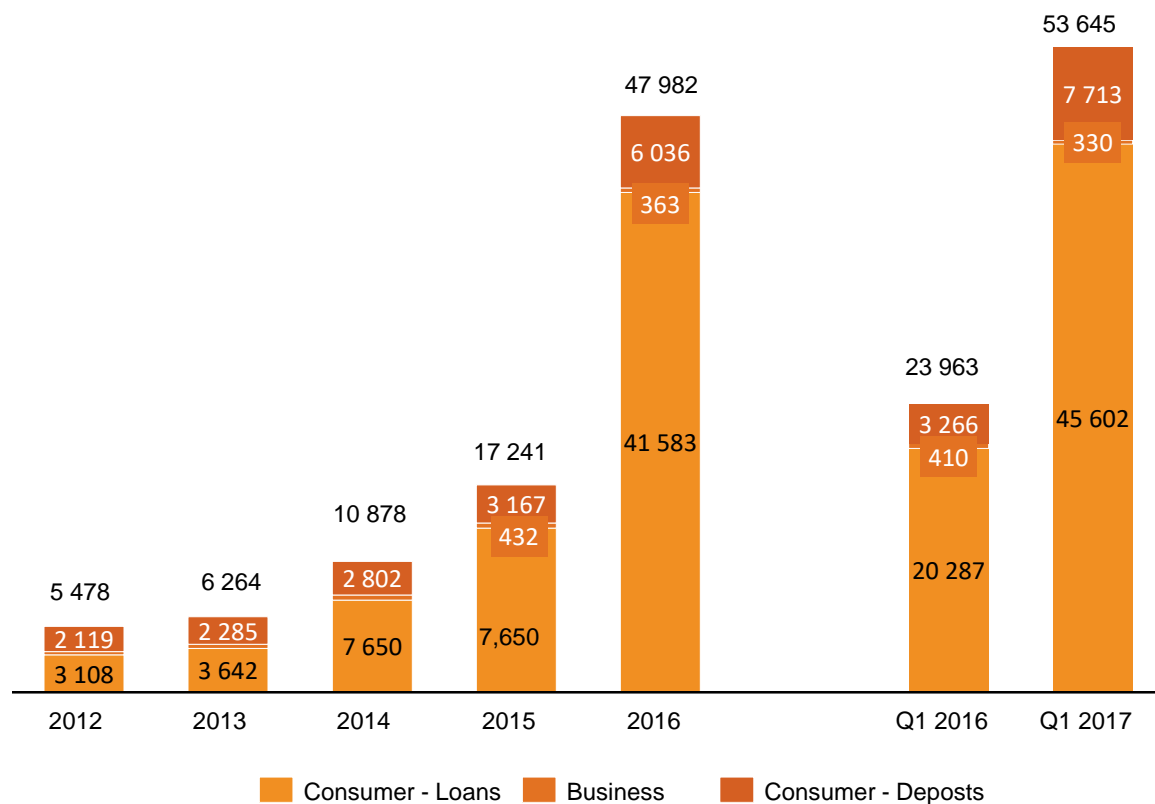
- Factoring income marginally up y-o-y, with business mix changing towards larger and more profitable customers
- Jessica Sparrfeldt, previous Head of Corporate segment in Collector, joined Avida in Q1 as responsible for further developing Business Finance segment
- Product offering in the Business segment has been expanded and there are currently several ongoing discussions with major customers on business loans. The positive effects on the P&L is expected from second half 2017

# Q1 2017 financial highlights

I	Portfolio growth	<b>Y-on-y growth in net loans of 233%</b> - Total outstanding loans of SEKm 1 832
II	Net interest margin	<b>Net interest margin of 17.6%</b>
III	Cost / net interest income ratio	<b>Cost / Income ratio of 60.7%</b> - Reflecting ongoing platform investments
IV	Loan losses	<b>Annualized loan losses of 4.5%</b> - Losses on consumer loans at 3% and losses on SME factoring at 10%, mainly driven by legacy high margin and higher risk B2C factoring contracts
V	Return on equity	<b>ROE of 8.4%</b> - Reflecting increased capitalization and material investments - current run-rate above 20%
VI	CET1 ratio	<b>CET1 ratio of 15.9%</b> - Well above regulatory minimum requirements

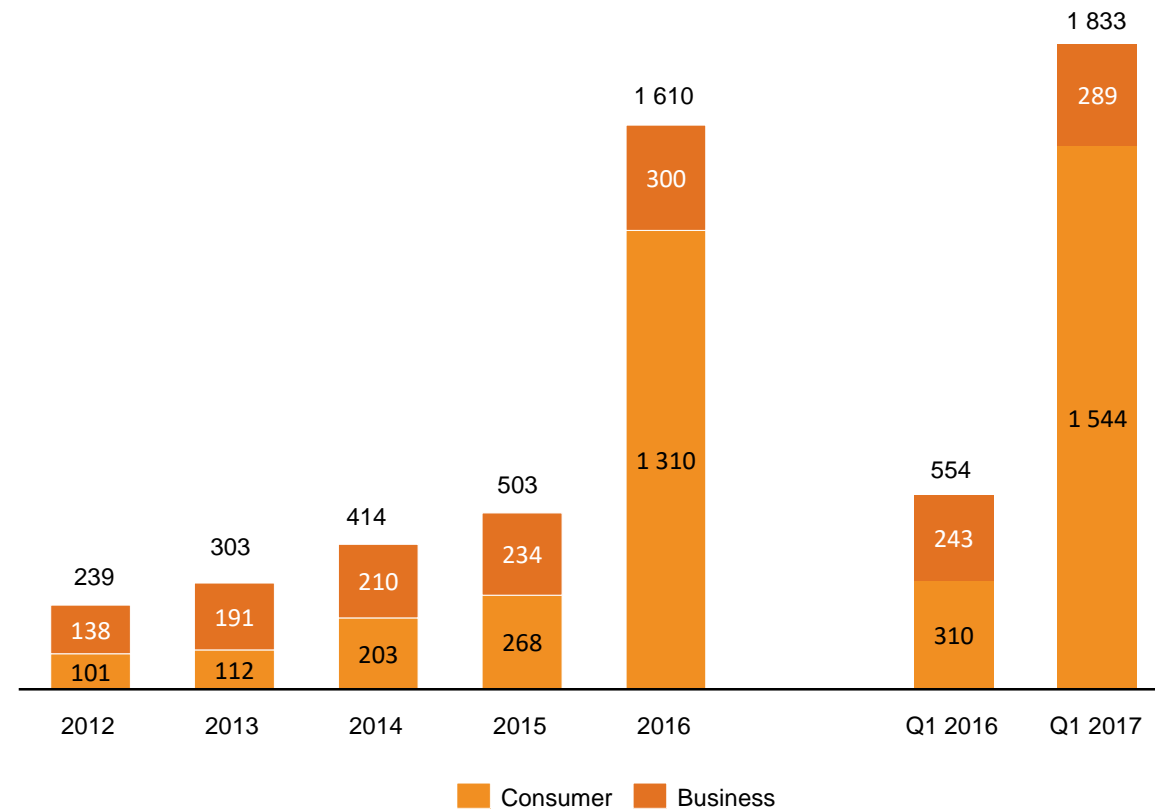
# Strong growth in customers and net loans

Number of customers (#)



Strong growth in number of customers in Q1 2017

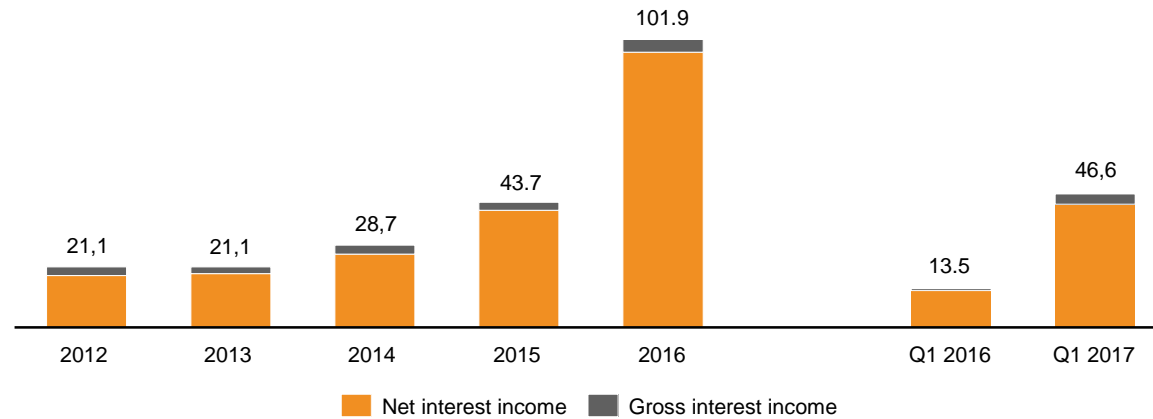
Net loans to customers (SEKm)



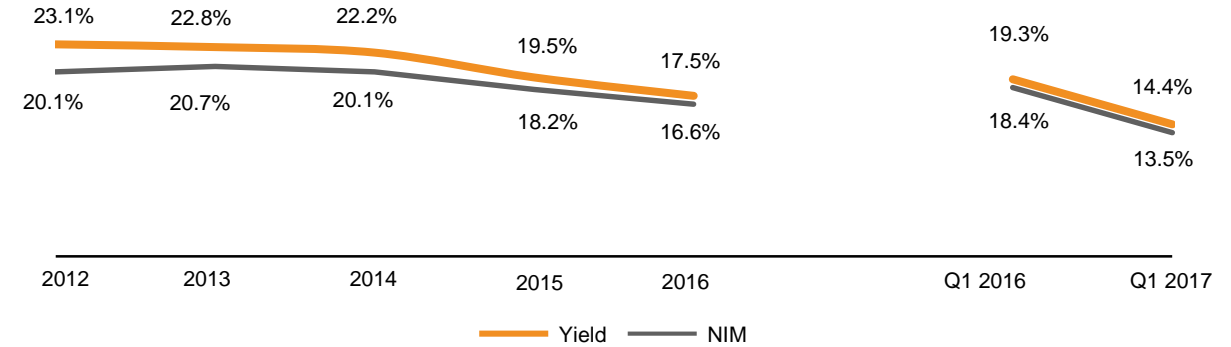
Significant volume growth during Q1 2017

# Growth in consumer credit driven by lower risk customer segments

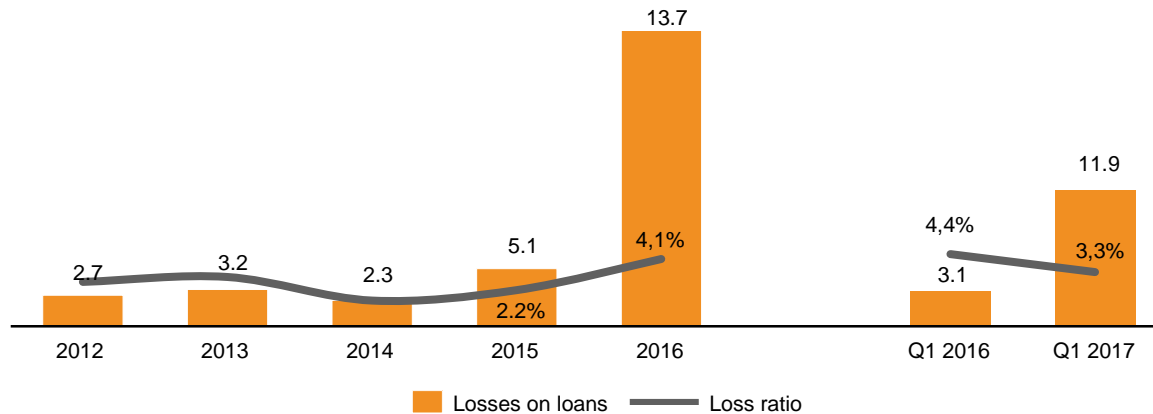
Income (SEKm)



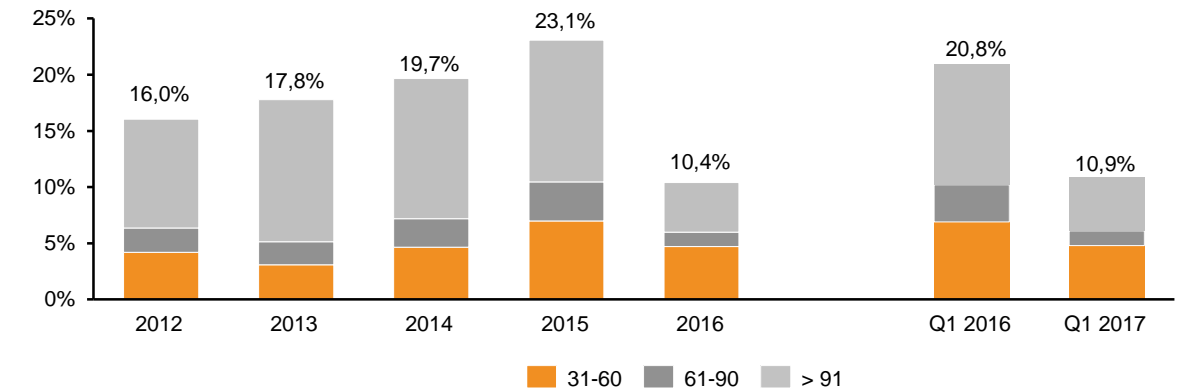
Yield (%) and NIM (%) \*



Losses on loans (SEKm) & loss ratio (%)



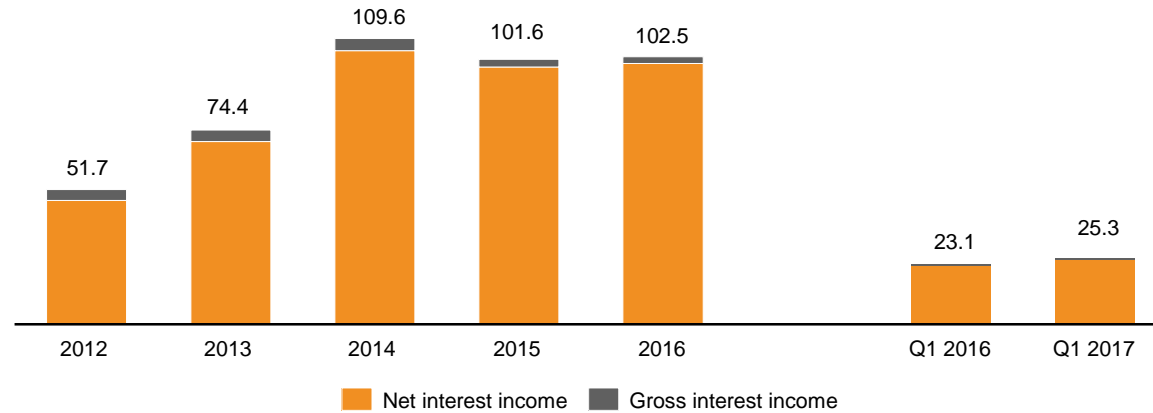
# of days past due on consumer loans (%)



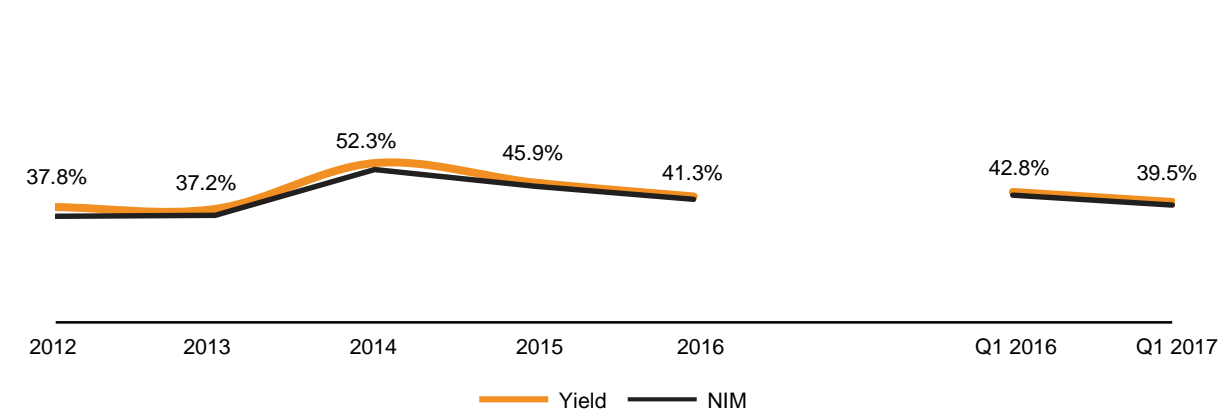
\* Yield and NIM is excluding netting of external commission

# Business income stable with loss levels driven by high share of non-recourse factoring

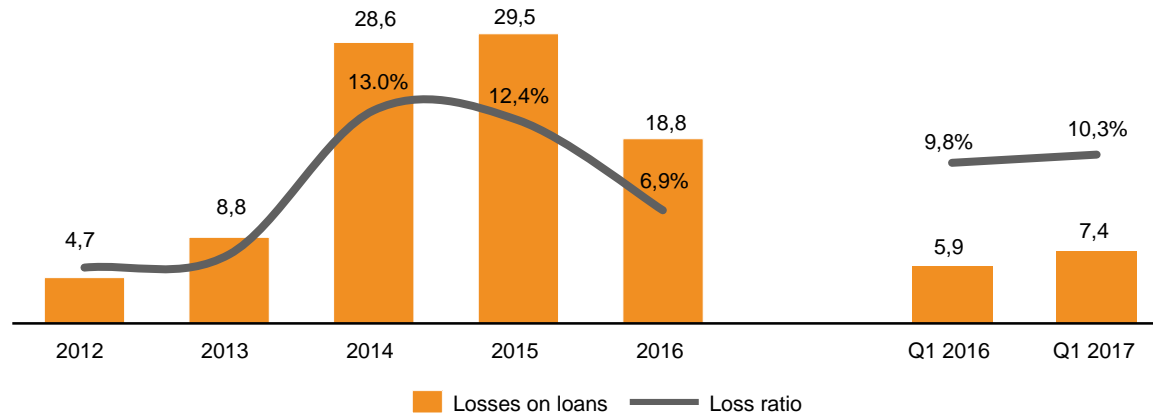
Income (SEKm)



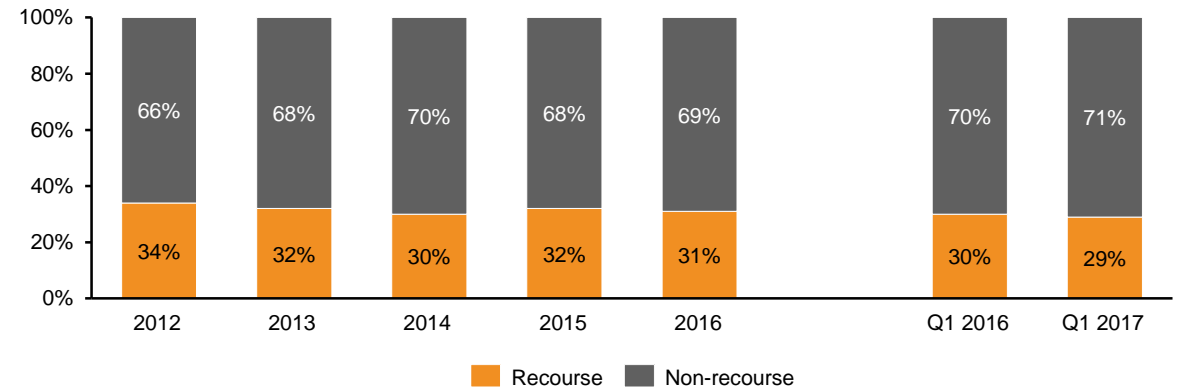
Yield (%) and NIM (%) \*



Losses on loans (SEKm) & loss ratio (%)



Business mix (% base on Income)



\* Yield and NIM is excluding netting of external commission

# Profit & loss Q1 2017

## Profit & loss

SEKm	2014	2015	2016	Q1 2016	Q1 2017	Change
Interest income	138.5	145.3	204.4	36.6	71.8	35.2
Interest cost	-7.9	-5.8	-8.4	-1.2	-4.3	-3.0
<b>Net interest income</b>	<b>130.6</b>	<b>139.5</b>	<b>196.0</b>	<b>35.3</b>	<b>67.5</b>	<b>32.2</b>
Net result from financial transactions	-4.7	-2.1	-6.6	-2.2	-3.5	-1.2
Other income	0.5	3.1	6.0	1.9	1.2	-0.7
<b>Total income</b>	<b>126.4</b>	<b>140.5</b>	<b>195.4</b>	<b>35.0</b>	<b>65.3</b>	<b>30.3</b>
Administrative cost	-82.2	-91.3	-133.5	-29.3	-37.9	-8.7
Depreciation and amortization	-3.7	-3.9	-5.6	-1.2	-1.7	-0.5
<b>Sum operational cost</b>	<b>-85.9</b>	<b>-95.2</b>	<b>-139.1</b>	<b>-30.5</b>	<b>-39.6</b>	<b>-9.1</b>
<b>Result before credit loss</b>	<b>40.4</b>	<b>45.3</b>	<b>56.3</b>	<b>4.5</b>	<b>26.7</b>	<b>21.2</b>
Net credit loss	-30.9	-32.3	-45.2	-9.0	-19.4	-10.5
<b>Operating profit / EBT</b>	<b>9.5</b>	<b>13.1</b>	<b>11.3</b>	<b>-4.5</b>	<b>6.2</b>	<b>10.7</b>
Tax	-3.1	-4.2	1.6	1.0	-1.4	-2.4
<b>Profit after tax</b>	<b>6.4</b>	<b>18.2</b>	<b>12.8</b>	<b>-3.5</b>	<b>4.9</b>	<b>8.4</b>

## Comments

- Avida has over the last year seen a material growth in its balance sheet, primarily in the consumer finance segment. This, combined with a shift in strategy towards larger and lower risk clients has led to a close to 90% increase in revenues while costs only increased by approximately 30%, highlighting the economies of scale in the business.
- Loan loss provisions increased by less than the growth in loans YoY as the new clients continuously show a better credit risk - this is further reflected in the Non Performing Loan sale conducted in April and the subsequent positive results effect.
- In Q2 we expect to see underlying results more than double of the Q1 results as the investments made over the last years are starting to be reflected in the results

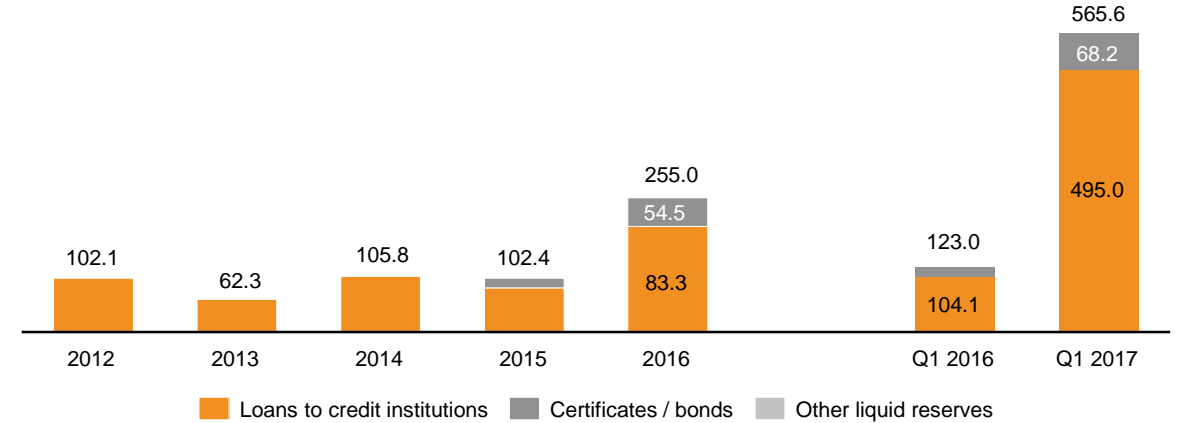


# Key balance sheet figures

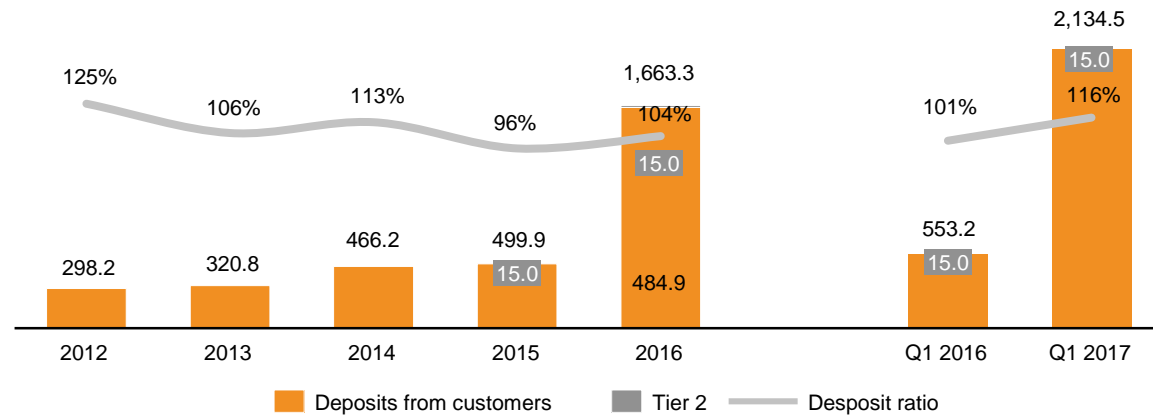
## Key ratios



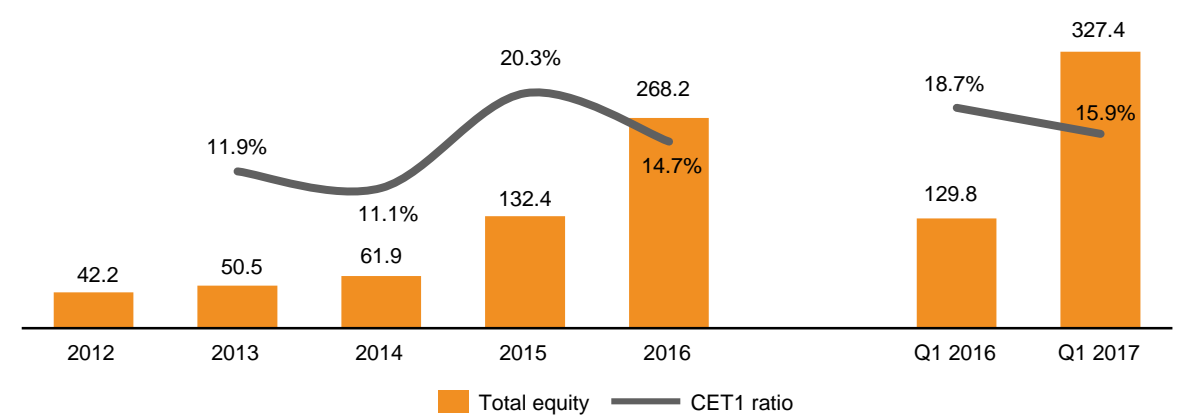
## Liquidity (SEKm)



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



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



# Balance sheet Q1 2017

## Capital ratios

SEKm	2014	2015	2016	Q1 2016	Q1 2017
Cash and balance to central bank	0.1	0.4	1.8	0.4	2.4
Certificates and bonds	0.0	18.7	54.5	18.5	68.2
Loans to credit institutions	105.8	83.3	198.7	104.1	495.0
Net loans to customers	413.7	502.6	1,601.4	549.7	1,832.7
Shares and shares in ass. Companies	6.6	4.0	4.2	4.0	4.2
Intangible assets	5.7	6.8	15.3	7.7	18.3
Machines and inventories	4.2	5.3	5.4	5.2	5.7
Other assets	6.0	6.7	29.8	0.7	10.2
Prepaid expenses and accrued income	6.9	11.4	56.7	13.3	63.5
<b>Total assets</b>	<b>549.0</b>	<b>639.3</b>	<b>1,967.7</b>	<b>703.6</b>	<b>2,500.4</b>
Deposits from customers	466.2	484.9	1,663.3	553.2	2,134.5
Other liabilities	13.6	13.8	23.5	9.3	24.7
Accrued expenses and prepaid income	7.2	7.9	12.8	11.2	13.8
Deferred tax liabilities	0.1	0.2	0.2	0.0	0.0
<b>Total liabilities</b>	<b>487.1</b>	<b>506.8</b>	<b>1,699.6</b>	<b>573.8</b>	<b>2,173.0</b>
Share capital	3.0	3.5	4.4	3.5	4.7
Retained earnings	52.5	110.7	250.9	129.8	317.9
Earnings in year	6.4	18.2	12.8	-3.5	4.9
<b>Total equity</b>	<b>61.9</b>	<b>132.4</b>	<b>248.2</b>	<b>129.8</b>	<b>327.4</b>
<b>Total equity and liabilities</b>	<b>549.0</b>	<b>639.3</b>	<b>1,967.7</b>	<b>703.6</b>	<b>2,500.4</b>

## Comments

- The net loans increased by SEK1,283m YoY and SEK221m QoQ leading to a total net loans of SEK1,833m.
- The funding is mainly comprised of deposits and equity with deposits increasing by SEK1,581m YoY and SEK471m QoQ leading to a liquidity portfolio of close to SEK500m.
- In Q2 Avida will diversify its funding sources further by introducing NOK deposits and will going forward continue to develop and offer new deposit products.
- The equity base increased by SEK198m YoY and SEK79m QoQ leading to an equity base of SEK327m, implying a capital ratio of 15.9% - well above the capital targets and requirements

# Strategy

I

**Continued strong growth within consumer finance and business SME markets across Norway, Sweden and Finland**

- Targeting SEK5bn in 2018 and SEK10bn by 2020 through growth in consumer and business segments
- Broaden business/SME product offering around existing factoring and receivables offering more comprehensive loans and cross boarder products

II

**Big data / analytic driven sales, scoring and follow up**

- Aim for building best in class big data analysis and analytics department
- Focus on building access to more analytics and data on both customers and potential customers
- All customer decisions are planned to be data driven

III

**Digitalized processes and products**

- Fully automated systems in consumer finance – pioneering similar offering in the much larger Nordic Business/SME market
- All analytics to be supported by digital data collection and automated decision systems

IV

**Actively leverage capital markets in order to adjust capital position according to growth ambitions**

- Growth will be adjusted to the Company's ability to find and develop profitable niches with attractive return on equity

**Avida is looking to build a lasting competitive advantage in distribution and credit scoring by combining technology and automation with superior analytics**

# Financial targets

I	<b>Growth</b>	<ul style="list-style-type: none"><li>▪ Significant growth opportunity; realistic target of SEK 10 Bn loan book by 2020 by pursuing opportunities in both consumer and business</li><li>▪ Dynamic allocation of capital to products/segments with best risk/reward</li></ul>
II	<b>Return on equity</b>	<ul style="list-style-type: none"><li>▪ Target return on equity of more than 25% in line with industry average</li><li>▪ Lower ROE in the short term due to investment in organization and infrastructure</li></ul>
III	<b>Capital ratios</b>	<ul style="list-style-type: none"><li>▪ Current CET1 ratio target of ~13%</li><li>▪ Current total capital ratio target of 14.5-15.0%</li><li>▪ SEK 235 million raised from Oct 2015</li><li>▪ Will leverage capital markets for both debt and additional equity to grow intelligently</li></ul>
IV	<b>Dividend policy</b>	<ul style="list-style-type: none"><li>▪ Target dividend payout ratio of 35%</li><li>▪ No dividend payments in short / medium term due to growth focus</li></ul>

# 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**



# Detailed financial statements

## P&L

SEKm	2012	2013	2014	2015	2016	Q1 2016	Q1 2017
Interest income	73.4	95.7	138.5	145.3	204.4	36.6	71.8
Leasing income	0.7	0.1	0.0	0.0	0.0	0.0	0.0
Interest cost	-7.2	-6.6	-7.9	-5.8	-8.4	-1.2	-4.3
<b>Net interest income</b>	<b>66.9</b>	<b>89.2</b>	<b>130.6</b>	<b>139.5</b>	<b>196.0</b>	<b>35.3</b>	<b>67.5</b>
Net result from financial transactions	-0.2	2.2	-4.7	-2.1	-6.6	-2.2	-3.5
Other income	0.1	0.5	0.5	3.1	6.0	1.9	1.2
<b>Total income</b>	<b>66.8</b>	<b>91.9</b>	<b>126.4</b>	<b>140.6</b>	<b>195.4</b>	<b>35.0</b>	<b>65.3</b>
Administrative cost	-48.2	-63.1	-82.2	-91.3	-133.5	-29.3	-37.9
Depreciation and amortization	-3.2	-3.0	-3.7	-3.9	-5.6	-1.2	-1.7
<b>Sum operational cost</b>	<b>-51.4</b>	<b>-66.1</b>	<b>-85.9</b>	<b>-95.2</b>	<b>-139.1</b>	<b>-30.5</b>	<b>-39.6</b>
<b>Result before credit loss</b>	<b>15.4</b>	<b>25.9</b>	<b>40.4</b>	<b>45.4</b>	<b>56.3</b>	<b>4.5</b>	<b>25.7</b>
Net credit loss	-7.2	-11.9	-30.9	-32.3	-45.0	-9.0	-19.4
<b>Operating profit / EBT</b>	<b>8.2</b>	<b>13.9</b>	<b>9.5</b>	<b>13.1</b>	<b>11.3</b>	<b>-4.5</b>	<b>6.2</b>
Tax	-2.1	-2.6	-3.1	-4.2	1.6	1.0	-1.4
<b>Profit after tax</b>	<b>6.1</b>	<b>11.3</b>	<b>6.4</b>	<b>8.9</b>	<b>12.8</b>	<b>-3.5</b>	<b>4.9</b>

## Balance Sheet

SEKm	2012	2013	2014	2015	2016	Q1 2016	Q1 2017
Cash and balance to central bank	0.0	0.0	0.1	0.4	1.8	0.4	2.4
Certificates and bonds	0.0	0.0	0.0	18.7	54.5	18.5	68.2
Loans to credit institutions	102.0	62.3	105.8	83.3	198.7	104.1	495.0
Net loans to consumers	239.4	302.6	413.7	502.6	1 601.4	549.7	1 832.9
Shares and shares in ass. companies	0.0	6.1	6.6	4.0	4.2	4.0	4.2
Intangible assets	4.5	5.1	5.7	6.8	15.3	7.7	18.4
Machines and inventories	3.1	3.8	4.2	5.3	5.4	5.2	5.7
Other assets	2.2	1.3	6.0	6.7	39.8	0.7	10.2
Prepaid expenses and accrued income	2.1	3.7	6.9	11.4	56.7	13.3	63.5
<b>Total assets</b>	<b>353.4</b>	<b>385.0</b>	<b>549.0</b>	<b>639.3</b>	<b>1 967.8</b>	<b>703.6</b>	<b>2 500.4</b>
Deposits from customers	298.2	320.8	466.2	484.9	1 663.3	553.2	2 134.5
Other liabilities	6.9	7.7	13.6	13.8	23.5	9.3	24.7
Accrued expenses and prepaid income	5.6	6.0	7.2	7.9	12.8	11.2	13.8
Deferred tax liabilities	0.5	0.0	0.1	0.2	0.0	0.0	0.0
<b>Total liabilities</b>	<b>311.1</b>	<b>334.5</b>	<b>487.1</b>	<b>506.8</b>	<b>1 699.6</b>	<b>573.8</b>	<b>2 173.0</b>
Share capital	3.0	3.0	3.0	3.5	4.4	3.5	4.7
Retained earnings	33.2	36.2	52.5	110.7	250.9	129.8	317.9
Earnings in year	6.1	11.3	6.4	18.2	12.8	-3.5	4.9
<b>Total equity</b>	<b>42.2</b>	<b>50.5</b>	<b>61.9</b>	<b>132.4</b>	<b>268.2</b>	<b>129.8</b>	<b>327.4</b>
<b>Total equity and liabilities</b>	<b>353.4</b>	<b>385.0</b>	<b>549.0</b>	<b>639.3</b>	<b>1 967.8</b>	<b>703.6</b>	<b>2 500.4</b>

---

## STOCKHOLM

Visiting address:  
Södermalmsallén 36

Postal address:  
Postbox 38101  
100 64 Stockholm

Contact information:  
Phone: +46 08-56420100  
Email: info@avida.se

## HELSINKI

Visiting address:  
Itsehallintokuja 6

Postal address:  
Vänrikinkuja 3  
02600 Espoo

Contact information:  
Phone: +358 7575 50070  
Email: luotto@avidafinans.fi

## OSLO

Visiting address:  
Grenseveien 92

Postal address:  
Postbox 6134 Etterstad  
0602 Oslo

Contact information:  
Phone: +47 23335000  
Email: info@avida.no