



NEO Finance, AB

Sales report 2019Q2

Vilnius

2019-07-09

Management comments

2019 Q2 sales results were in line with the expectations with **4.55 million EUR** of loans issued. Precisely planned TV and online campaign together with affiliate campaign assisted in reaching quarterly loans issued goal.

“NEO Finance” has registered capital increase of **180 thousand EUR** in April. In June “NEO Finance” has successfully carried out its IPO. In total, the company has sold **192 907 shares** for the amount of **605 728 EUR**. The Company has already begun the procedure to list its shares in Nasdaq Vilnius First North market, dedicated to fast growth potential small and medium companies. NEO Finance is going to be the first Baltic fintech start-up to enter the stock exchange.

An increasing number of lenders from all over Europe discovers consumer loans on “NEO Finance” P2P lending platform. Number of foreign lenders are continuously growing faster than Lithuanian. In 2019 Q2 the largest numbers of foreign lenders registered from Spain, Germany and Estonia. Management believes that the number of lenders from EU will gain momentum and their contribution in Lithuanian consumer loans will firmly increase.

2019 Q2 was extremely successful providing Payment Initiation Service for Lithuanian e-shops and service providers. Number of transactions exceeded **2.3 million** in total.

To meet the needs of our borrowers and lenders “NEO Finance” increased maximum loan amount for A rating borrowers to **15 thousand EUR**.

Events



Social events

April

Seminar for advanced lenders in Kaunas and Klaipėda;

Two pitches in Baltic Sandbox;

May

IPO Roadshow in Šiauliai, Kaunas and Klaipėda;

Participation in Vilnius Fintech Week and Next Web Conference in Amsterdam;

Pitch in German-Baltic Chamber of Commerce event „Fintech of the Year 2019“;

June

Seminars for investors in Vilnius;
Participation in Riga P2P Conference;

- Capital increase of **180K EUR** in April;
- First IPO in Lithuania in 2019 implemented, raising **605K EUR** from 291 investors;
- Started to collect reviews via **Trust Pilot** platform;
- New cadency of Supervisory Board approved by the General Shareholders Meeting;
- A rating borrowers introduced with loans of up to **15 000 EUR**;

Management accounts



The vast majority of revenues related to P2P lending activities are distributed throughout the loan period. Management accounts represent future intermediary fee income as the result of loans issued in specific quarter.

	2019 Q2	2019 Q1	Δ, %	2018 Q2	Δ, %
Loans issued, K EUR	4,549	4,492	1%	3,171	43%
Intermediary fee income, K EUR*	370	364	2%	217	70%
<i>Intermediary fee / Loans issued ratio</i>	8.1%	8.1%	-	6.9%	-
PIS income, K EUR	30	24	23%	1	2543%
Other income, K EUR	318	272	17%	163	95%
Total income, K EUR	719	661	9%	369	88%

At the end of 2019 Q2 receivable intermediary fee amounted to **3.65 million EUR**

* Intermediary fee income in the table is represented as a result of the loans issued at the same quarter, which will be received throughout the loan period. E.g. 370 thousand EUR is a result of 4,549 thousand EUR issued, and will be received throughout entire loan period.

Payment Initiation Service (PIS)

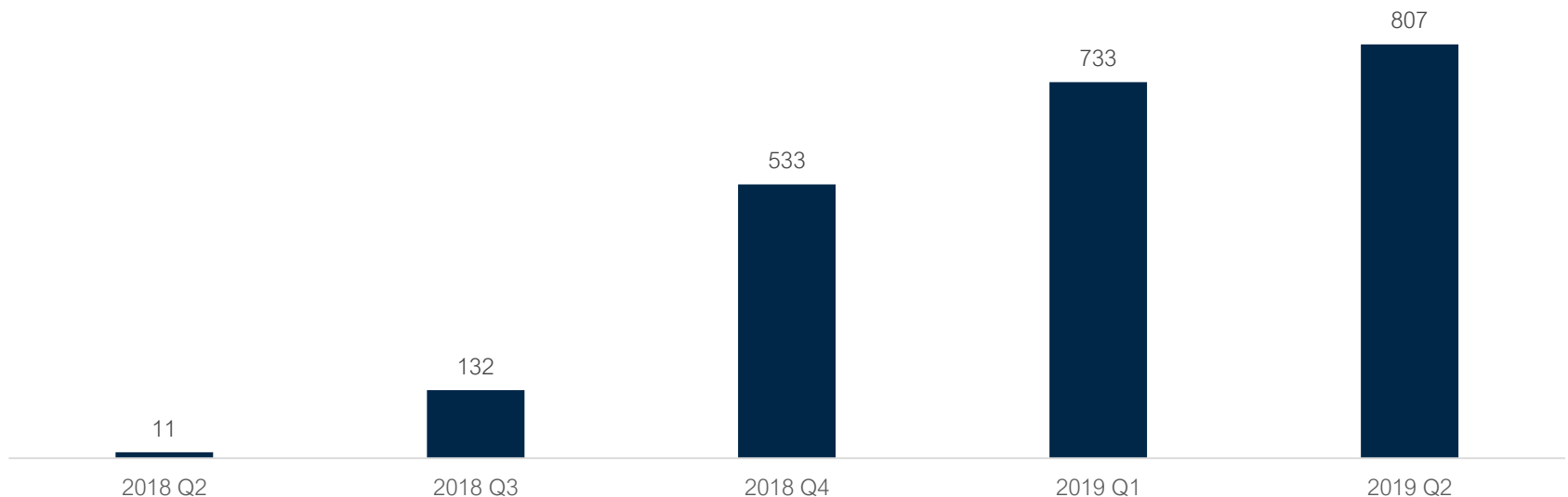


Payment initiation service means a payment service, where at the request of the payment service user, a payment order is initiated from a payment account opened at the institution of another payment service provider. Payment initiation service is an alternative to a bank transfer ("banklink" service) that is used for billing for goods or services at e-shops when the payment initiation service is provided by a licensed broker. Using PIS e-shop makes payment faster, more convenient and cheaper. The provision of payment initiation service in Lithuania is regulated by the Payment Law, which implements the provisions of Directive 2015/2366 of the European Parliament and of the Council on payment services

“NEO Finance” is a [licensed payment initiation service provider](#) which provides this service using the NEO Pay brand trademark.

During 2019 Q2 **“NEO Finance”** clients made **806 897** transactions.

PIS transactions, quantity, thousands



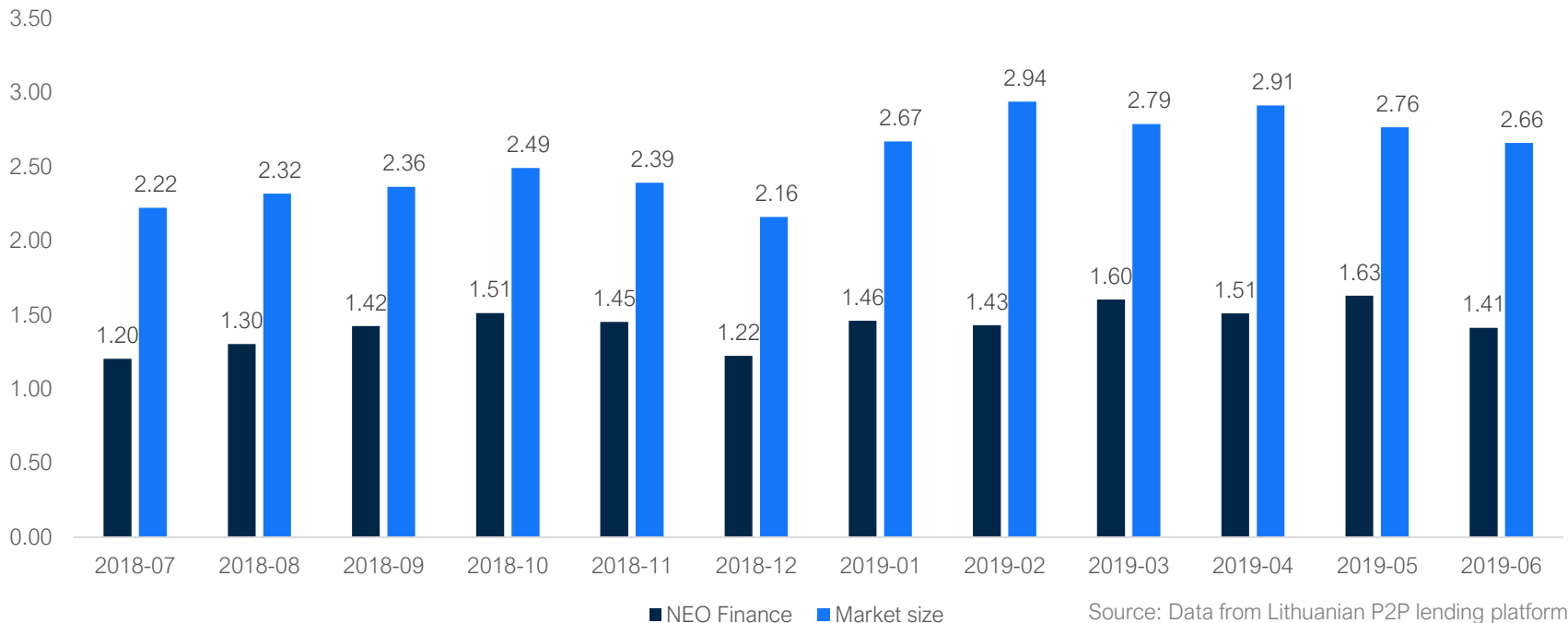
P2P consumer loan market in Lithuania



In 2019 Q2 P2P consumer loan market size reached **8.34 million EUR**. Compared to 2018 Q2 year on year the issued loans volume grew by **28%** from **6.50 million EUR**. **“NEO Finance”** outran the market with **43% growth** in the same period. **“NEO Finance”** market share during 2019 Q2 was **55%** with **4.55 million EUR** of loans issued.

Monthly amount of issued consumer loans through all Lithuanian platforms reached the peak of **2.91 million EUR** in April. **“NEO Finance”** reached a record of **1.63 million EUR** financed in May. Compared to the same month in 2018, **“NEO Finance”** issued loans volume grew by **44%**.

P2P consumer market, loans issued, million EUR



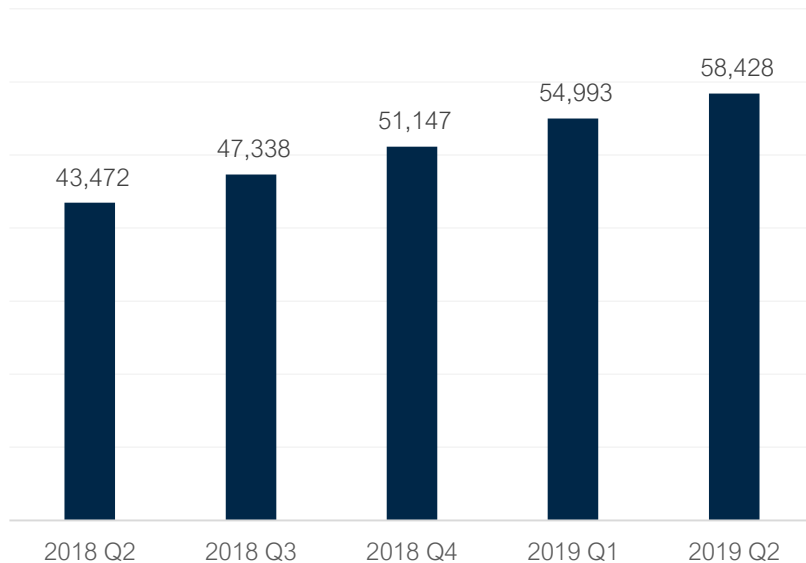
Borrowers



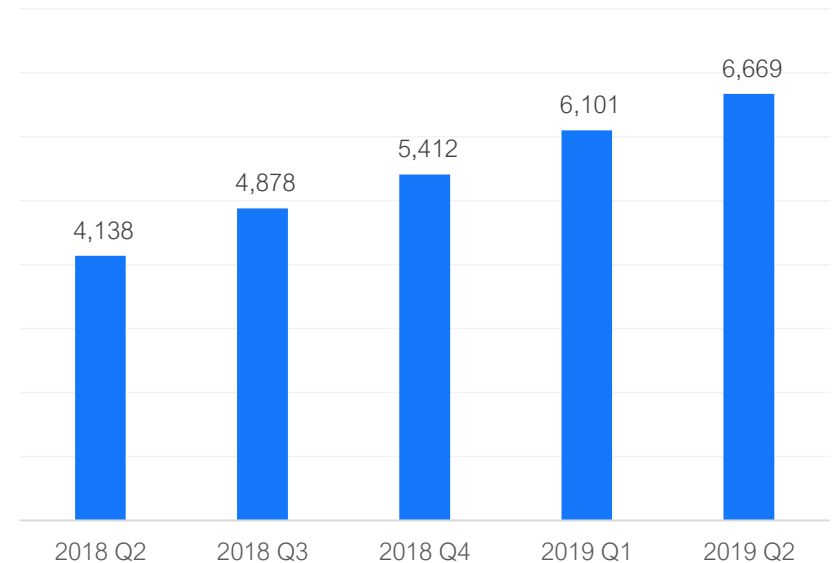
In 2019 Q2 established brand and proven acquisition strategy attracted **3 435 new registered borrowers**. At the end of 2019 Q2 the number of registered borrowers grew to a total of **58 428**. Compared to 2018 Q2, the number of registered borrowers grew by **34%**.

In 2019 Q2 the number of active borrowers grew by **568 users**. At the end of 2019 Q2 the number of active borrowers reached a total of **6 669**. Compared to 2018 Q2, the number of active borrowers grew by **61%**.

Registered borrowers



Active borrowers



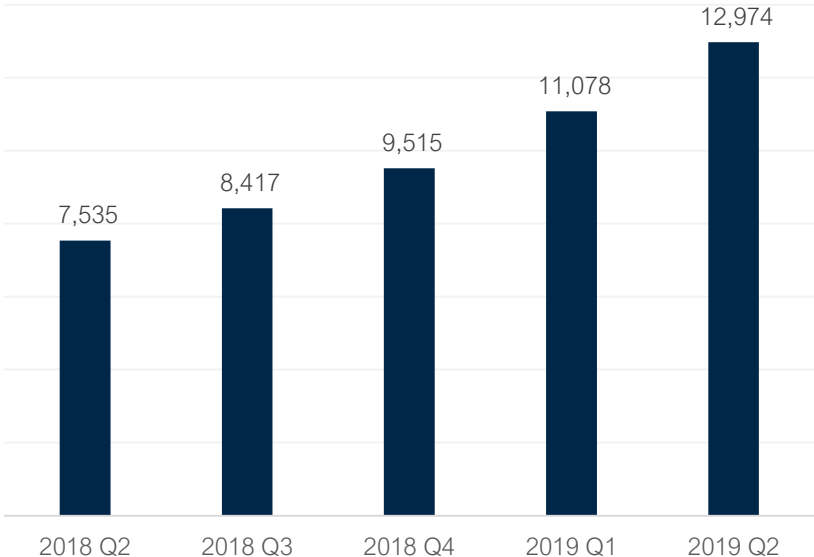
Lenders



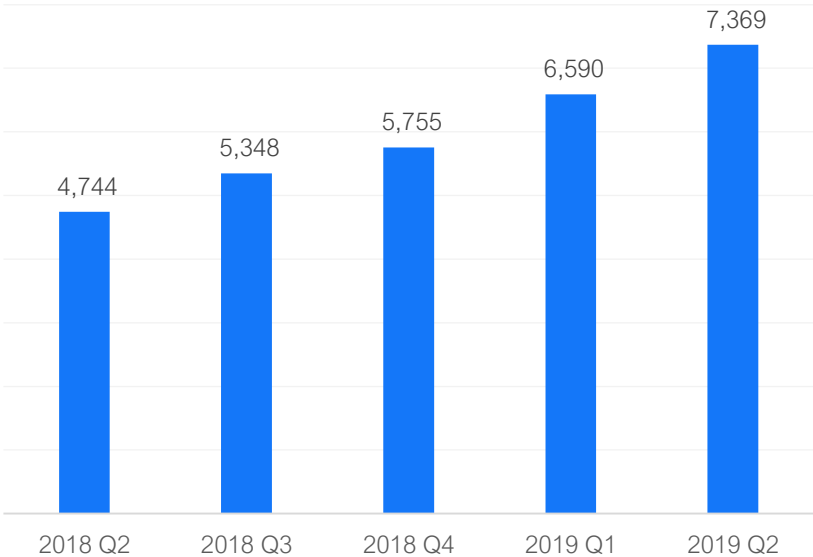
In 2019 Q2 Increasing number of international partners and active IPO campaign attracted a record of **1 896 new registered lenders** to a total of **12 974**. Compared to 2018 Q2, the number of registered lenders grew by **72%**. Cooperation with publishers attracts an increasing amount of foreign lenders.

In 2019 Q2 the number of active lenders grew by **779**. At the end of 2019 Q2 the number of active lenders reached a total of **7 369**. Compared to 2018 Q2, the number of active lenders grew by **55%**. TOP 3 foreign countries regarding new active lenders in the descending order are Spain, Germany and Estonia.

Registered lenders



Active lenders



Lenders have already earned 4.35 million EUR in returns.

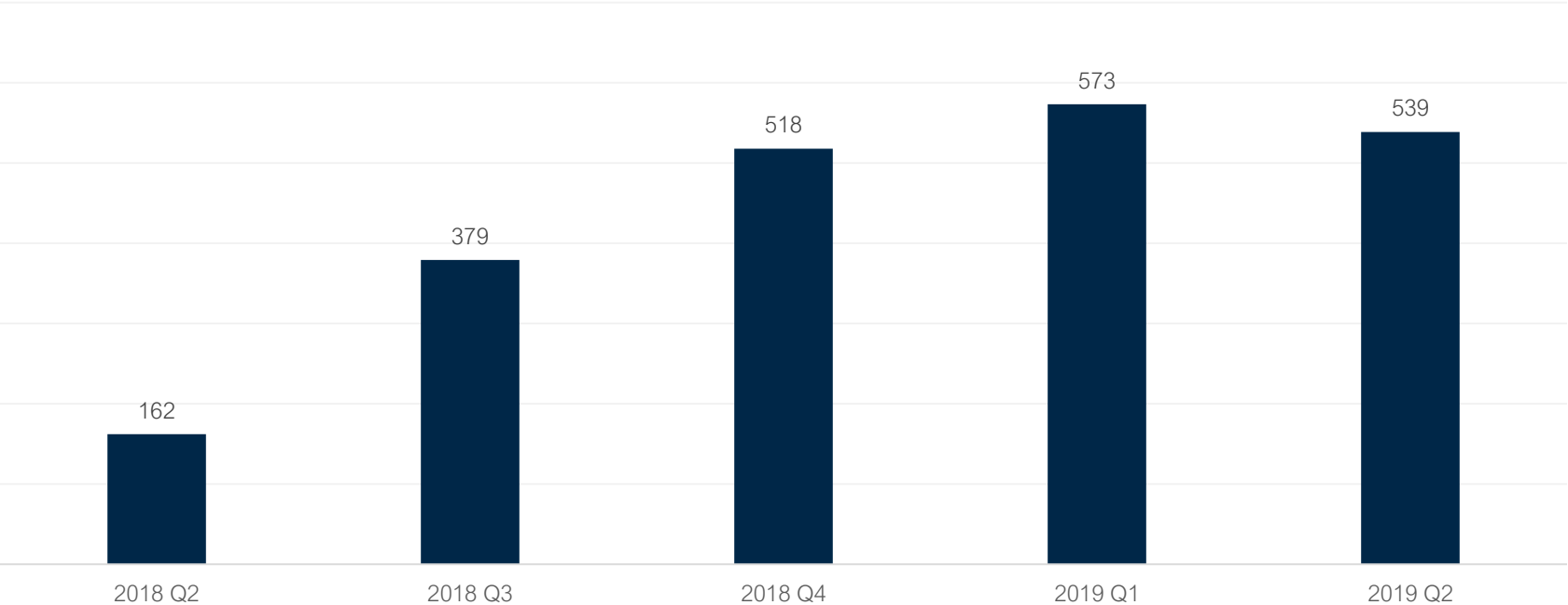
NEO Finance investments



“NEO Finance”, as a consumer credit provider, co-invests into loans together with lenders. A policy of avoiding conflicts of interest is provided to every lender. In 2019 Q2 “NEO Finance” invested **539 thousand EUR**. Invested amount remains stable between 500 and 600 thousand EUR, as more lenders discover “NEO Finance” platform.

Since the launch in December, 2015 “NEO Finance” investments into loans reached **3.23 million EUR**.

NEO Finance investments, K EUR



Overdue loans

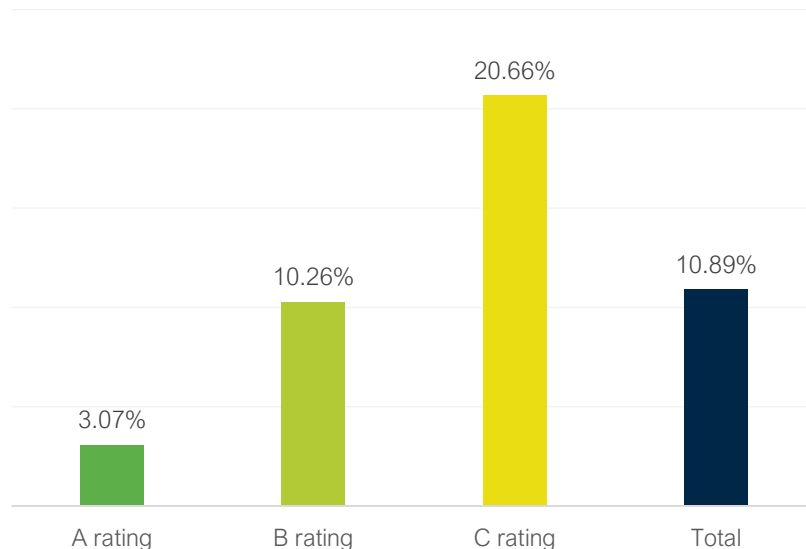


At the end of 2019 Q2 out of **12 987 issued loans** - **1 203 loans**, or **9.26%**, were overdue for more than 90 consecutive days. Respectively, out of **34.8 million EUR** financed – **3.79 million EUR** or **10.89%** were overdue more than 90 days.

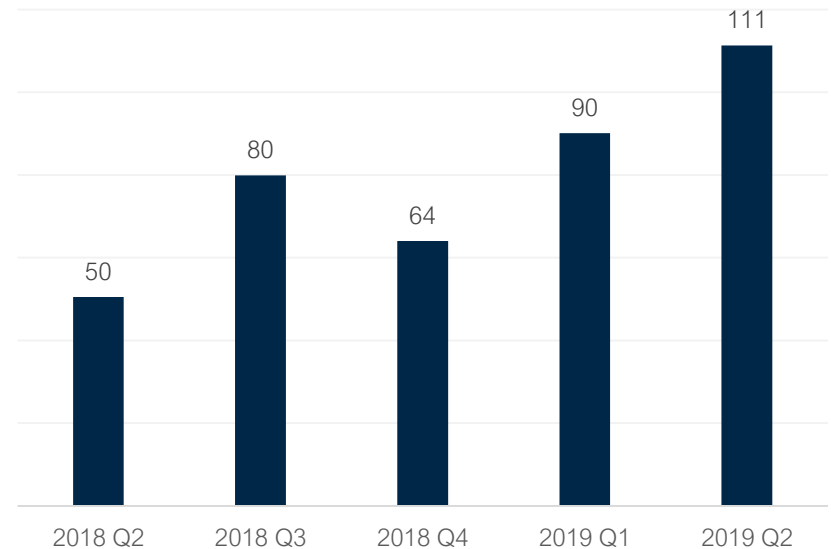
“NEO Finance” is highly concerned about loan repayments, therefore great effort was put in a recovery of payments from terminated loans. During 2019 Q2 a record amount of **111 thousand EUR** were recovered and distributed to lenders.

In 2018Q4 our debt recovery partners **“Legal Balance”** signed a contract with **“EOS Holding GmbH”**, therefore enabling cross-border debt recovery.

EUR, overdue >90 days, %.



Amount recovered, K EUR



Recovery

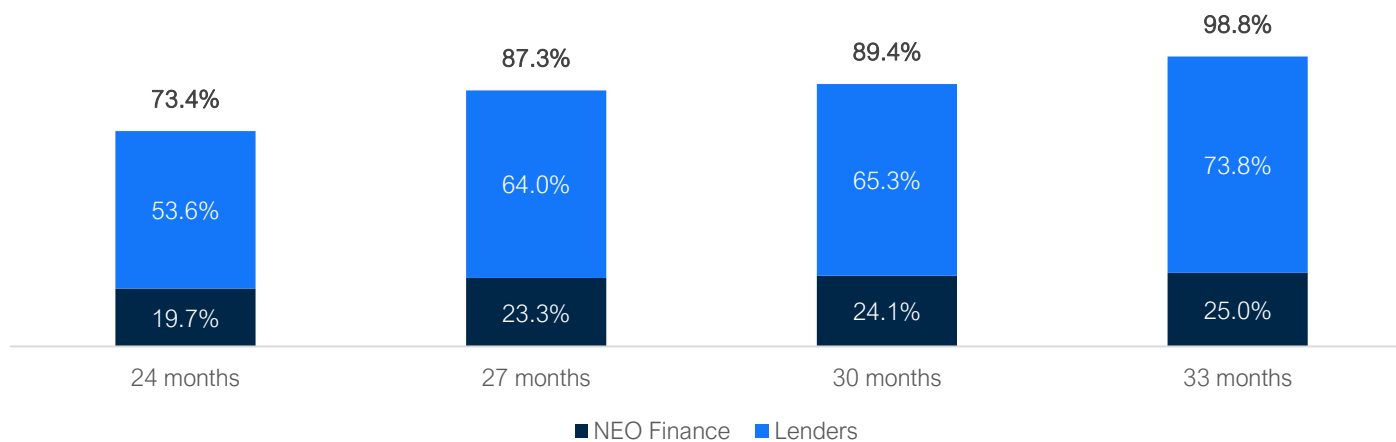


Recovery is presented starting at 24 months after termination. The table represents initial amounts at termination, while chart shows distribution between “NEO Finance” and lenders.

It should be noted, that all third party legal costs incurred by “NEO Finance” related to recovery process are covered first, while NEO Finance intermediary fees are covered on par with lenders.

Recoveries are calculated as follows: The oldest batch of terminated loans consists of 14 loans with 21 670 EUR principal at termination. Next batch consists of 20 loans with 31 347 EUR principal at termination. The longest period of recovery will represent only 14 loans with 21 670 EUR. Next period will represent 34 loans (14 from the first batch and 20 from the second) and will reflect recoveries from a total of 53 017 EUR and etc.

Recovery as % of principal outstanding at termination



Months after termination	24 months	27 months	30 months	33 months
Principal at termination	€ 272,552	€ 151,459	€ 53,017	€ 21,670
Loans, units	134	80	34	14

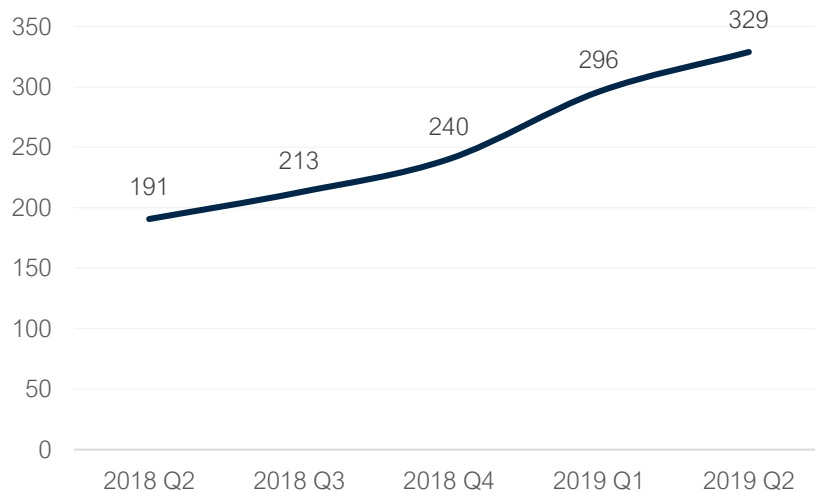
Provision fund

“NEO Finance” offers a „Provision Fund” service, which allows lenders to reduce their investment risk. If a loan defaults – “NEO Finance” guarantees to repay the lender with all of its assets. During 2019 Q2 the service covered **136 921 EUR**.

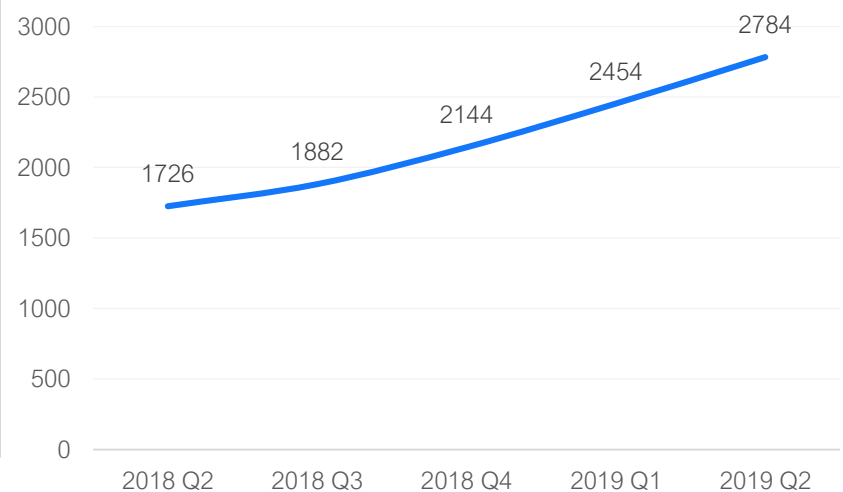
For liquidity risk management, “NEO Finance” calculates the sufficiency of funds to cover liabilities under “Provision fund” and holds these funds in a separate bank account. The purpose of this account is to ensure the company's internal cash flow management. In order to fulfill its obligations to lenders, the company may, if necessary, use other assets of the company.

The fund's growth amounted to **32 785 EUR**. At the end of 2019 Q2 there were **328 900 EUR** of accumulated funds, and the total guaranteed amount was **2 783 537 EUR**, resulting in **12%** coverage ratio.

Provision fund, K EUR

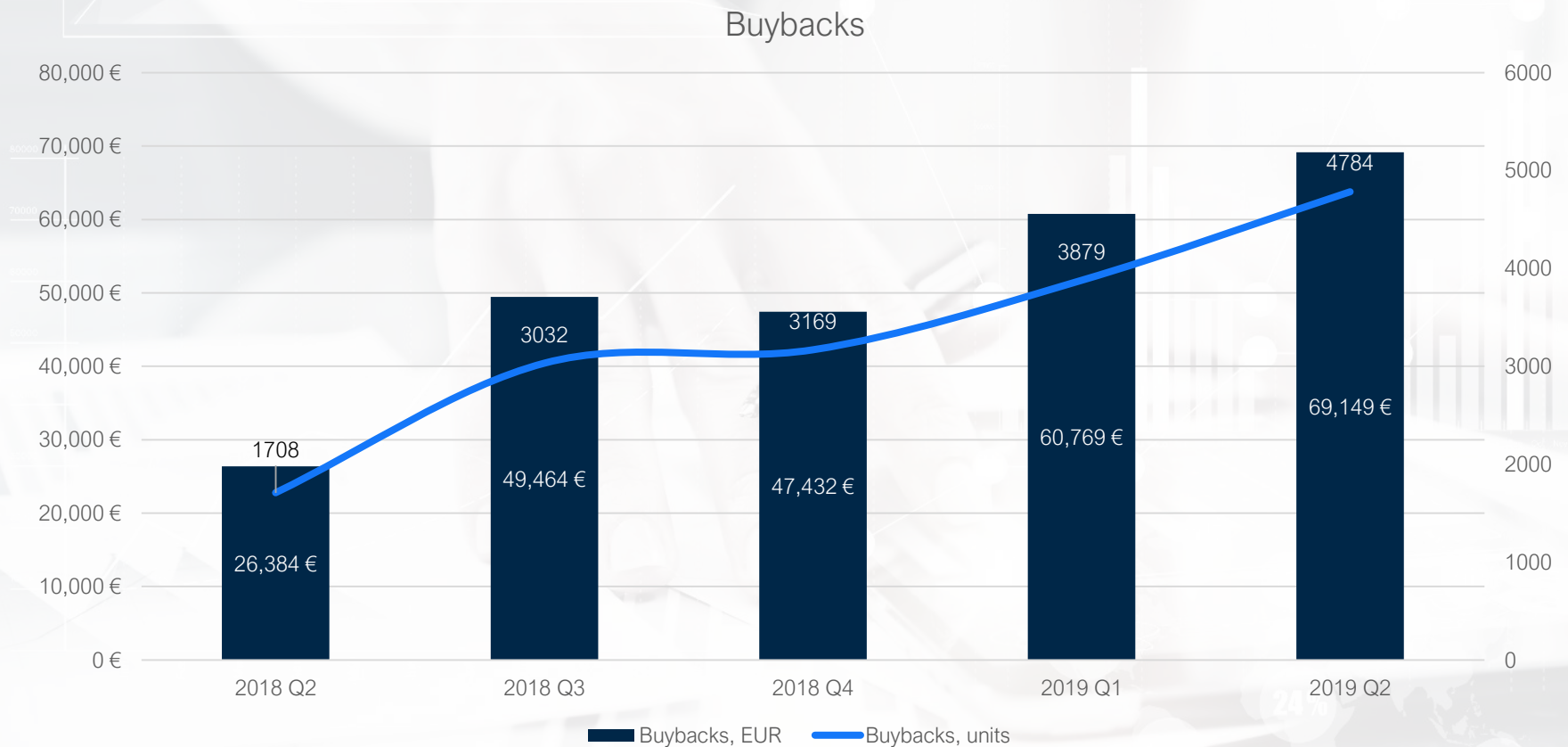


Guaranteed amount, K EUR



Buybacks

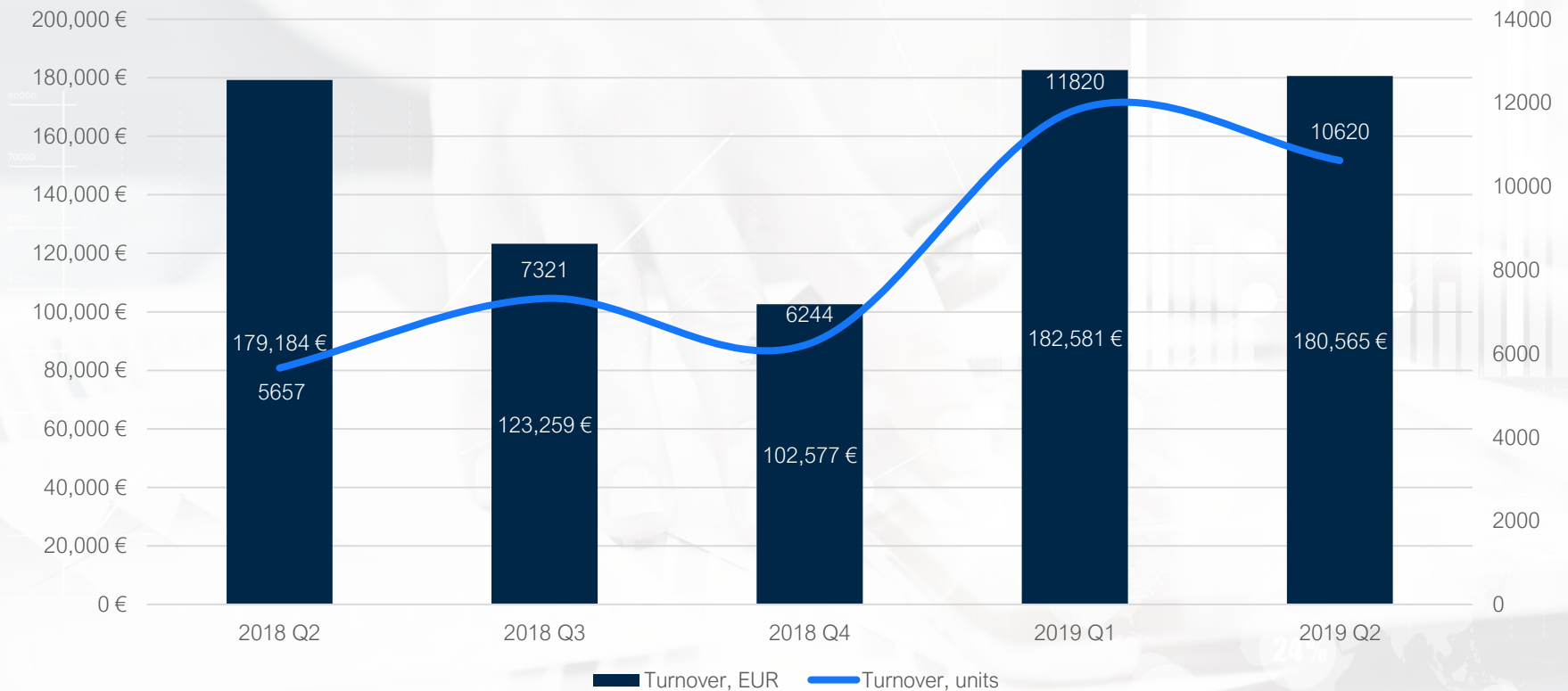
“**NEO Finance**” offers a buyback service. When an agreement with a borrower is terminated, lenders have an option to sell their investment for **50-80%** of it's face value to “**NEO Finance**”. In 2019 Q2 lenders sold **4 784 investments** for **69 149 EUR**.



Secondary market

Secondary market is a feature where lenders can sell or buy investments. It allows lenders to adjust their risk exposure in pursuit of aggressive returns, or sell a nonperforming investment. It also provides liquidity when an lender feels the need to cash out. During 2019 Q2 secondary market turnover was **180 565 EUR**. Average transaction was **17 EUR**.

Secondary market



Main statistics

Since launch till the end of 2019
Q2

7,369

Active lenders

3,090 €

Average portfolio

4,349,600 €

Interest received

34,828,797 €

Issued loans

1,193,059 €

Investments sold in
secondary market

22,759,036 €

Outstanding principal

