



# NEO Finance, AB

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## Sales report 2019Q3

**Vilnius**

2019-10-10

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# Management comments

2019 Q3 sales amounted to **5.12 million EUR** of loans issued. Precisely planned TV and online campaign together with affiliate campaign assisted in reaching such amount issued.

“**NEO Finance**” [shares](#) were listed on Nasdaq Vilnius First North market, dedicated to fast growth potential small and medium companies. NEO Finance is 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 Q3 the largest numbers of foreign lenders registered from Germany, Spain and the Netherlands. Investors from the Netherlands surpassed investors from Estonia, who were the third largest investor group in 2019 Q2.

2019 Q3 was successful providing Payment Initiation Service for Lithuanian e-shops and service providers. Number of transactions exceeded **3 million** in total. Moreover, starting with September 14<sup>th</sup>, “**NEO Finance**” was the first and only company in Lithuania to provide Payment Initiation Service with the most popular banks via the API (Application Programming Interface).

To meet the needs of our borrowers and lenders “**NEO Finance**” introduced an upgraded [Invite Your Friend referral programme](#).

# Events



## Social events

### July

First **“NEO Finance”** community meet up in Amsterdam;

### September

Presentation in “Corporate Finance 2019” conference. This conference is organized for the 7th time for the top corporate finance executives;  
Lenders from The Netherlands visit to Lithuania and NEO Finance;  
Seminar for lenders in Vilnius;

- **“NEO Finance”** shares were admitted to Nasdaq First North in August;
- Registration of new Articles of Association allowing the Board of Directors to issue bonds;
- On September 14<sup>th</sup>, **“NEO Finance”** started providing Payment Initiation Service via API;
- New feature, which allows **“NEO Finance”** to sell its investments on the secondary market;
- New referral programme introduced for lenders;
- New in-depth upgrades in **“Portfolio Overview”** for lenders;

# 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 Q3	2019 Q2	Δ, %	2018 Q3	Δ, %
Loans issued, K EUR	5,115	4,549	12%	3,928	30%
Intermediary fee income, K EUR*	414	362	14%	282	47%
<i>Intermediary fee / Loans issued ratio</i>	8.1%	8.0%	-	7.2%	-
PIS income, K EUR	36	30	22%	5	562%
Other income, K EUR	367	318	15%	187	96%
Total income, K EUR	817	710	15%	474	72%

At the end of 2019 Q3 receivable intermediary fee amounted to **4.22 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. 414 thousand EUR is a result of 5,115 thousand EUR issued and will be received throughout entire loan period.

# Payment Initiation Service (PIS)

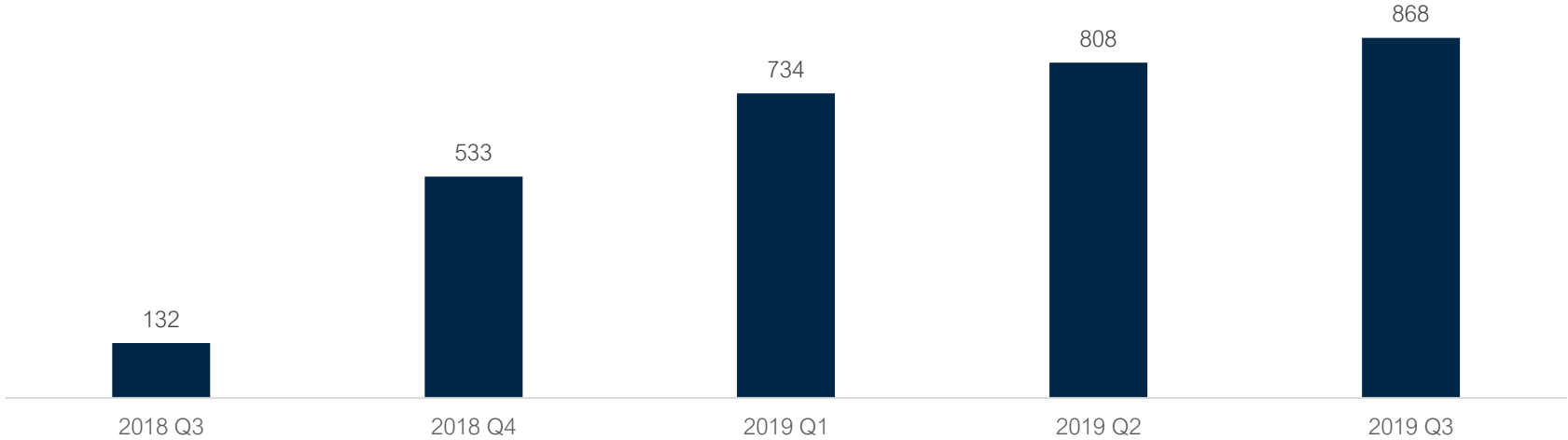


Payment initiation service (PIS) means a payment service, where at the request of the payment service user, a payment order is initiated from a payment account opened at the institution of another payment service provider. Payment initiation service is an alternative to a bank transfer ("banklink" service) 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.

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

During 2019 Q3 “NEO Finance” clients made 867 654 transactions. Moreover, starting with September 14th, “NEO Finance” was the first company in Lithuania to provide Payment Initiation Service with the most popular banks via the API (Application Programming Interface). The transition to a new technological solution has gone smoothly and without major disruption. Providing service through API interfaces is a very important milestone in the development of PIS.

PIS transactions, quantity, thousands



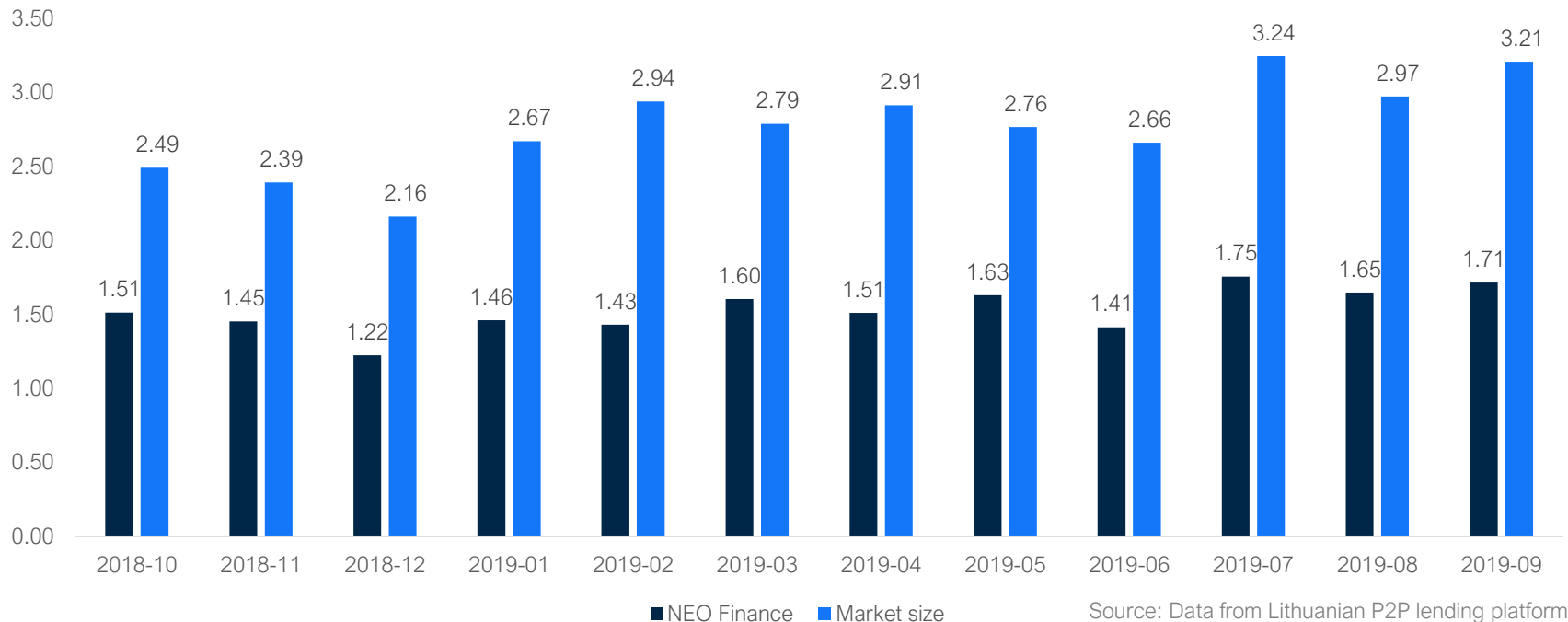
# P2P consumer loan market in Lithuania



In 2019 Q3 P2P consumer loan market size reached **9.42 million EUR**. Compared to 2018 Q3 year on year the issued loans volume grew by **36%** from **6.90 million EUR**. **“NEO Finance”** growth was **30%** in the same period. **“NEO Finance”** market share during 2019 Q3 was **54%** with **5.12 million EUR** of loans issued.

Monthly amount of issued consumer loans through all Lithuanian platforms reached the peak of **3.24 million EUR** in July. **“NEO Finance”** reached a record of **1.75 million EUR** financed in July. Compared to the same month in 2018, **“NEO Finance”** issued loans volume grew by **46%**.

P2P consumer market, loans issued, million EUR

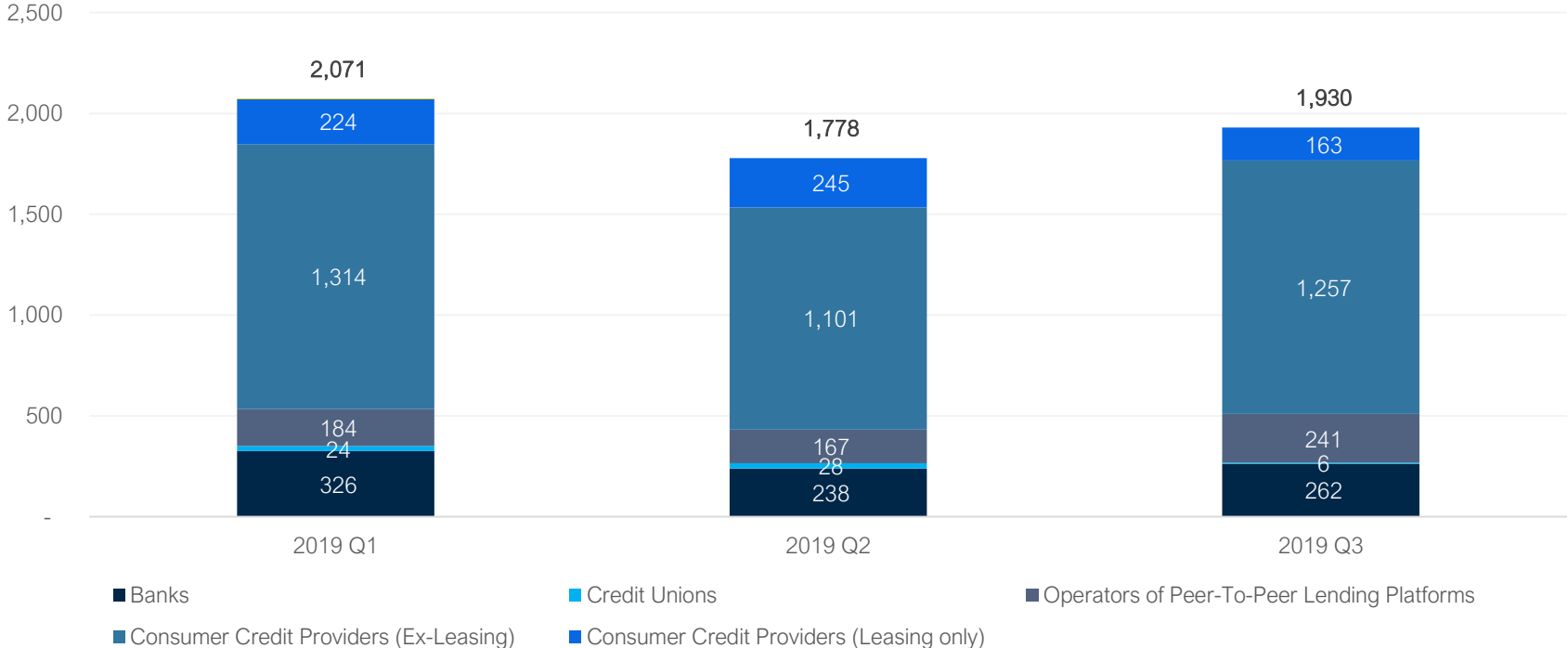


# Refinancing



Out of **5.12 million EUR** financed in 2019 Q3 – **1.93 million EUR** was refinancing loans, meaning that **“NEO Finance”** lenders helped these borrowers to reduce their instalment amount. At **“NEO Finance”** borrowers can get a loan where a part of funds are for refinancing purpose and additional amount is for consuming purpose. Refinancing is calculated without additional loan amount.

Refinancing distribution, K EUR



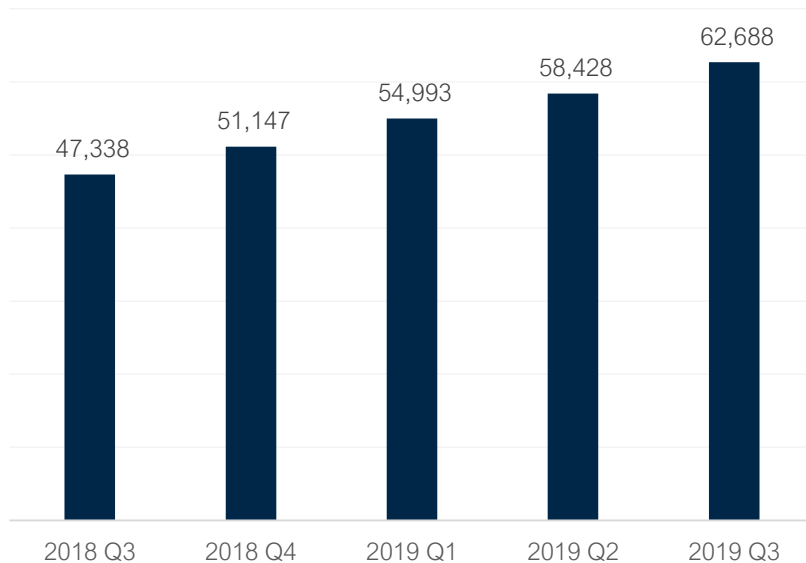
# Borrowers



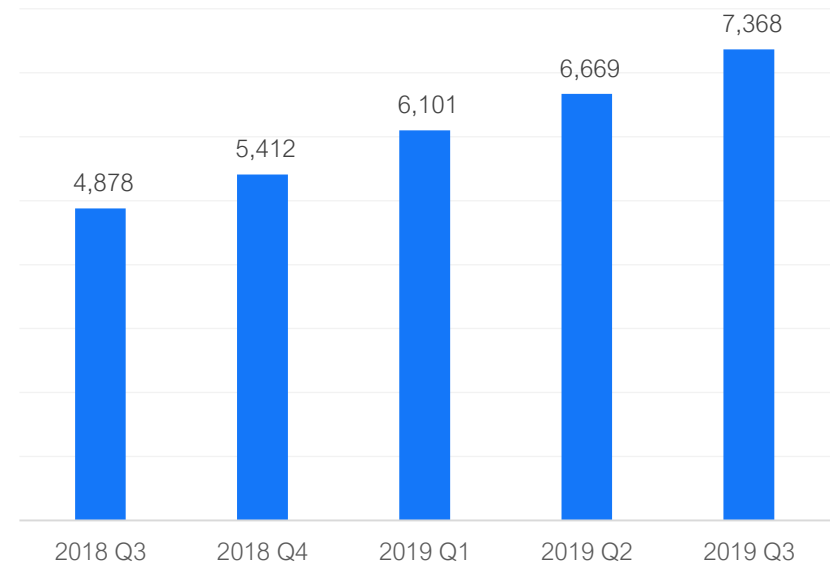
In 2019 Q3 established brand and proven acquisition strategy attracted **4 260 new registered borrowers**. At the end of 2019 Q3 the number of registered borrowers grew to a total of **62 688**. Compared to 2018 Q3, the number of registered borrowers grew by **32%**.

In 2019 Q3 the number of active borrowers grew by **699 users**. At the end of 2019 Q3 the number of active borrowers reached a total of **7 368**. Compared to 2018 Q3, the number of active borrowers grew by **51%**.

## Registered borrowers



## Active borrowers





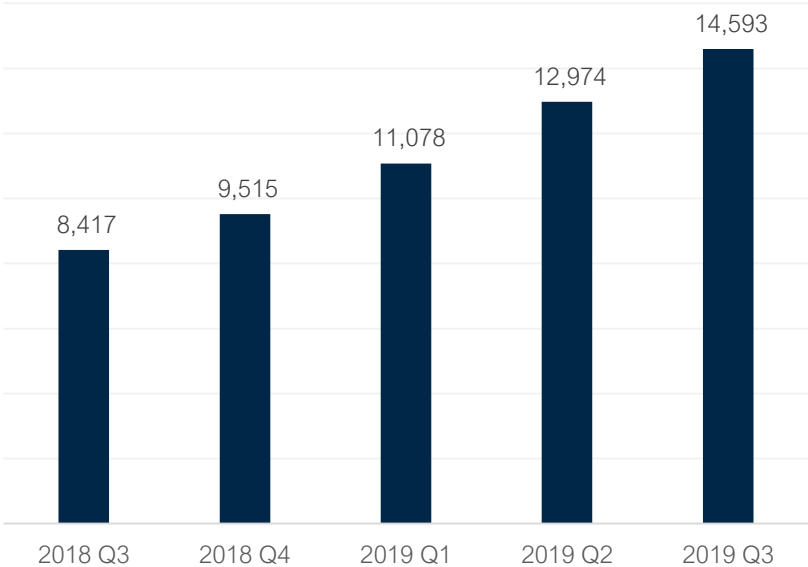
# Lenders



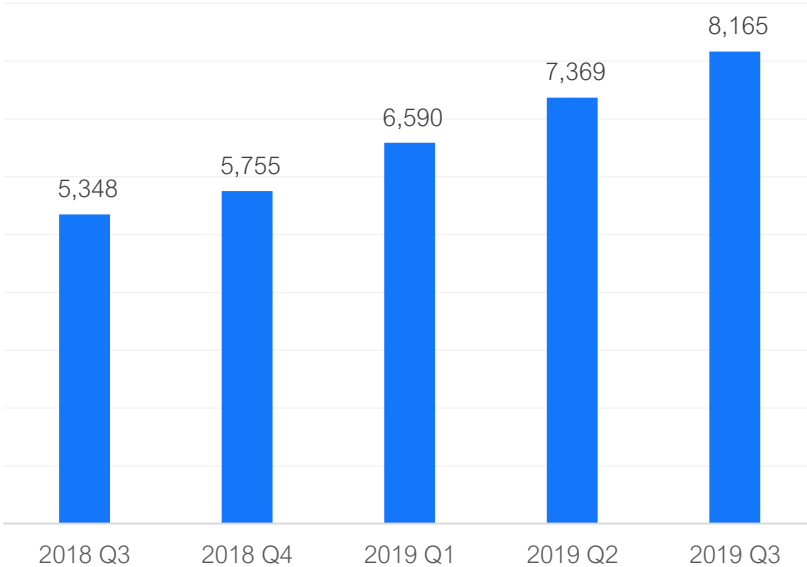
In 2019 Q3 increasing number of international partners and referral programme attracted **1 619 new registered lenders** to a total of **14 593**. Compared to 2018 Q3, the number of registered lenders grew by **73%**. Cooperation with publishers attracts an increasing amount of foreign lenders.

In 2019 Q3 the number of active lenders grew by **796**. At the end of 2019 Q3 the number of active lenders reached a total of **8 165**. Compared to 2018 Q3, the number of active lenders grew by **53%**. TOP 3 foreign countries regarding new active lenders in the descending order are Germany, Spain and The Netherlands.

### Registered lenders



### Active lenders



Lenders have already earned 5.21 million EUR in returns.

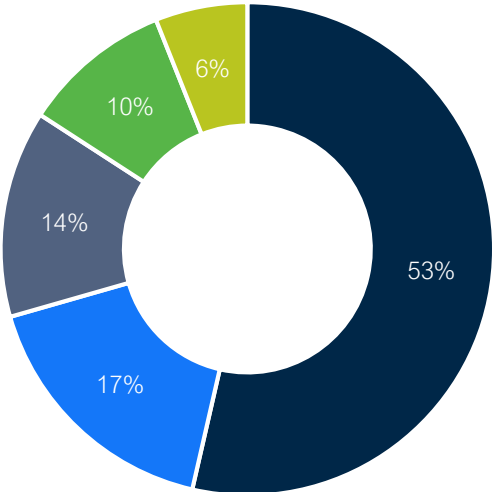
# Lenders (Ex-Lithuania)



Registered lenders from outside Lithuania during 2019 Q3 **grew by 36%** compared to the same quarter last year. Registered lenders during 2019 Q3 distribution by TOP 5 countries is provided below:

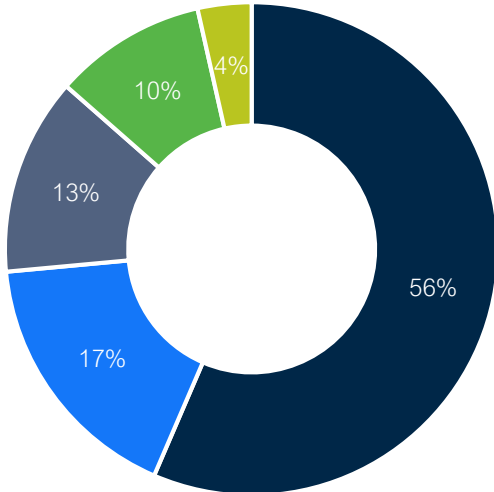
Active lenders, who registered during 2019 Q3 distribution by TOP 5 countries is provided below:

Registered lenders distribution by country



■ Germany ■ Spain ■ Netherlands ■ Portugal ■ Italy

Active lenders distribution by country



■ Germany ■ Spain ■ Netherlands ■ Portugal ■ Austria

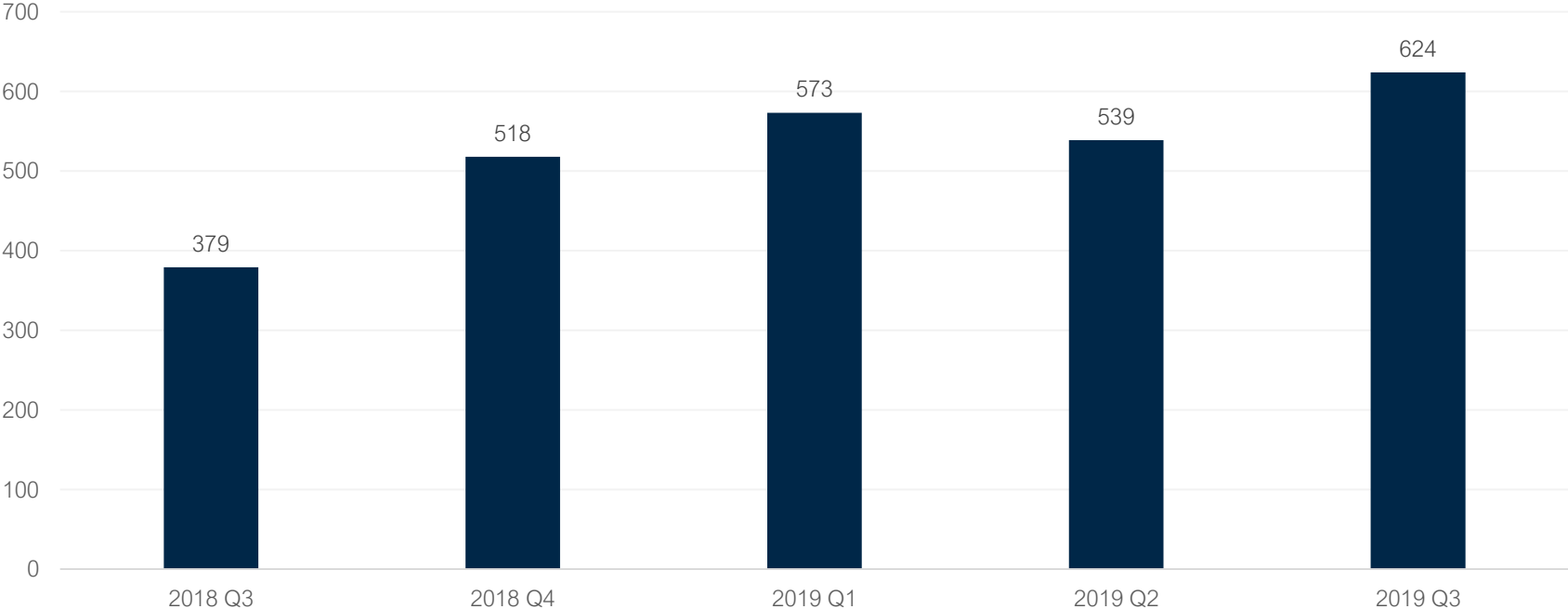
# NEO Finance investments



“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 Q3 “NEO Finance” invested **624 thousand EUR**. Invested amount saw an increase, as more borrowers approached “NEO Finance” platform than ever, and amount issued reached a record of **5.12 million EUR**.

Since the launch in December, 2015 “NEO Finance” investments into loans reached **3.90 million EUR**.

NEO Finance investments, K EUR



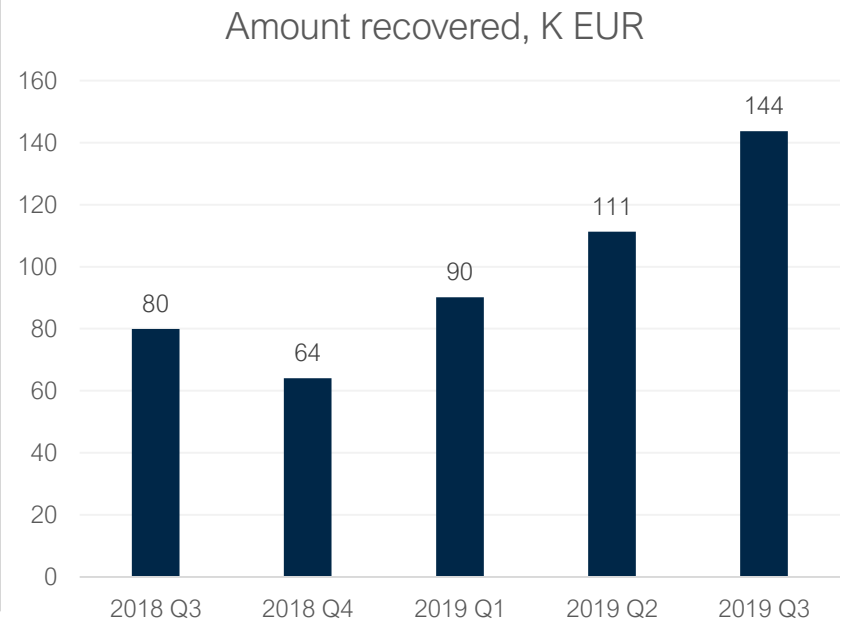
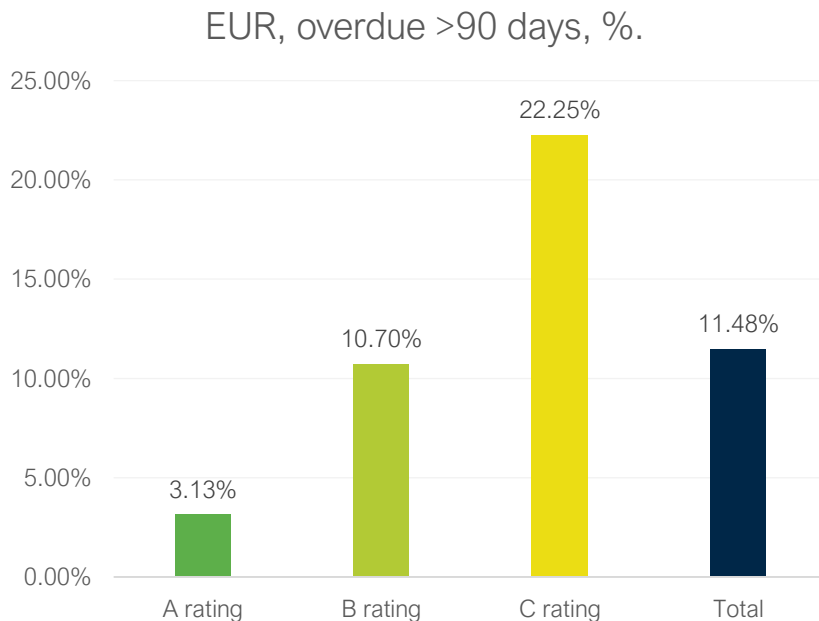
# Overdue loans



At the end of 2019 Q3 out of **14 703 issued loans** - **1 432 loans**, or **9.74%**, were overdue for more than 90 consecutive days. Respectively, out of **39.95 million EUR** financed – **4.59 million EUR** or **11.48%** 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 Q3 a record amount of **144 thousand EUR** were recovered and distributed to lenders.

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



# Recovery

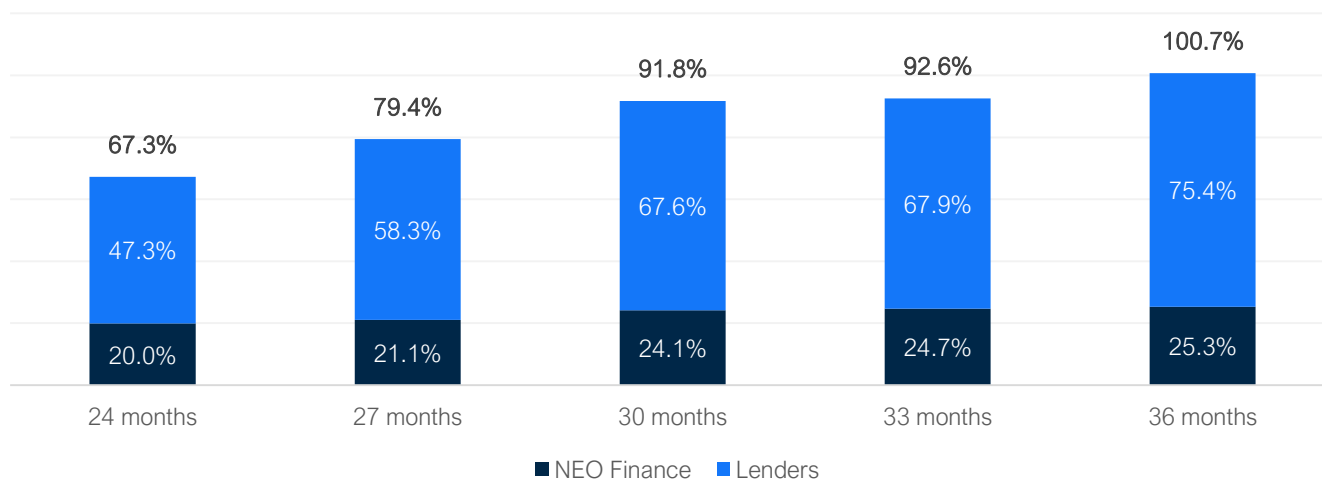


Recovery is presented starting at 24 months after termination. The table represents initial amounts at termination, while chart shows distribution between **“NEO Finance”** and lenders.

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	36 months
Principal at termination	€ 436,744	€ 272,552	€ 151,459	€ 53,017	€ 21,670
Loans, units	195	134	80	34	14

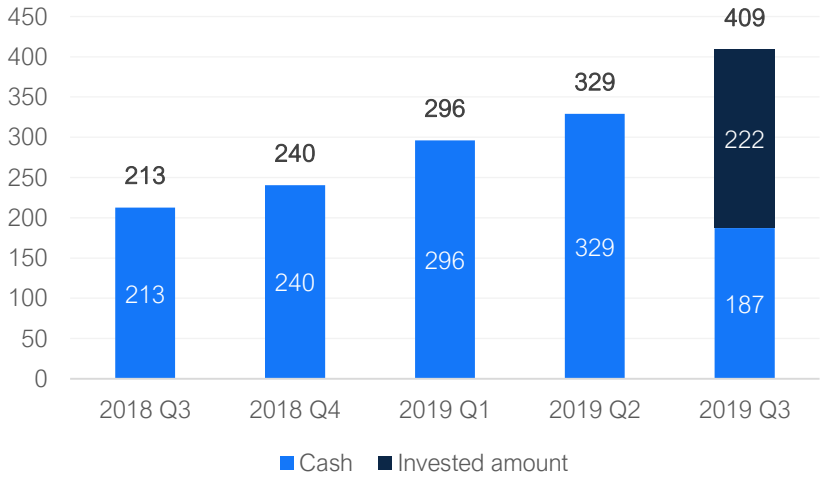
# Provision fund

“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 Q3 the service covered **150 411 EUR**.

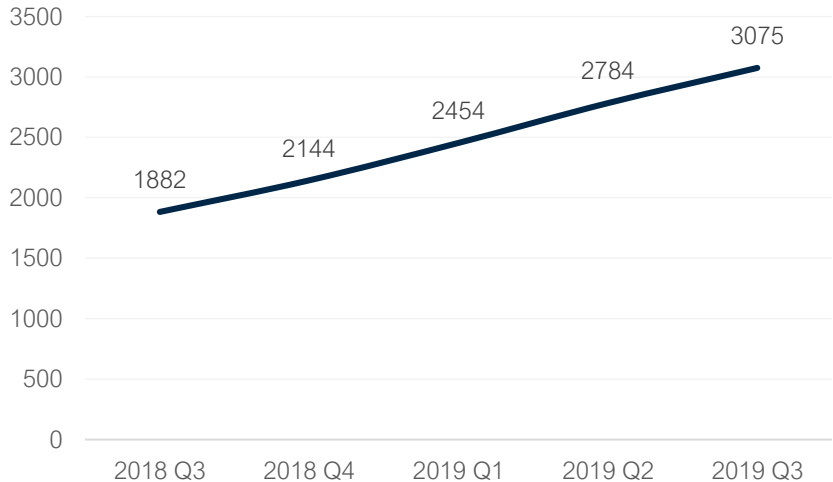
For liquidity risk management, “NEO Finance” calculates the sufficiency of funds to cover liabilities under “Provision fund”. Starting with 2019 Q3 a part of the funds is invested into loans, whereas another part is held in a separate bank account. The purpose of this account is to ensure the company's 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 **79 842 EUR**. At the end of 2019 Q3 there were **408 742 EUR** of accumulated funds, and the total guaranteed amount was **3 075 237 EUR**, resulting in **13%** coverage ratio.

Provision fund, K EUR

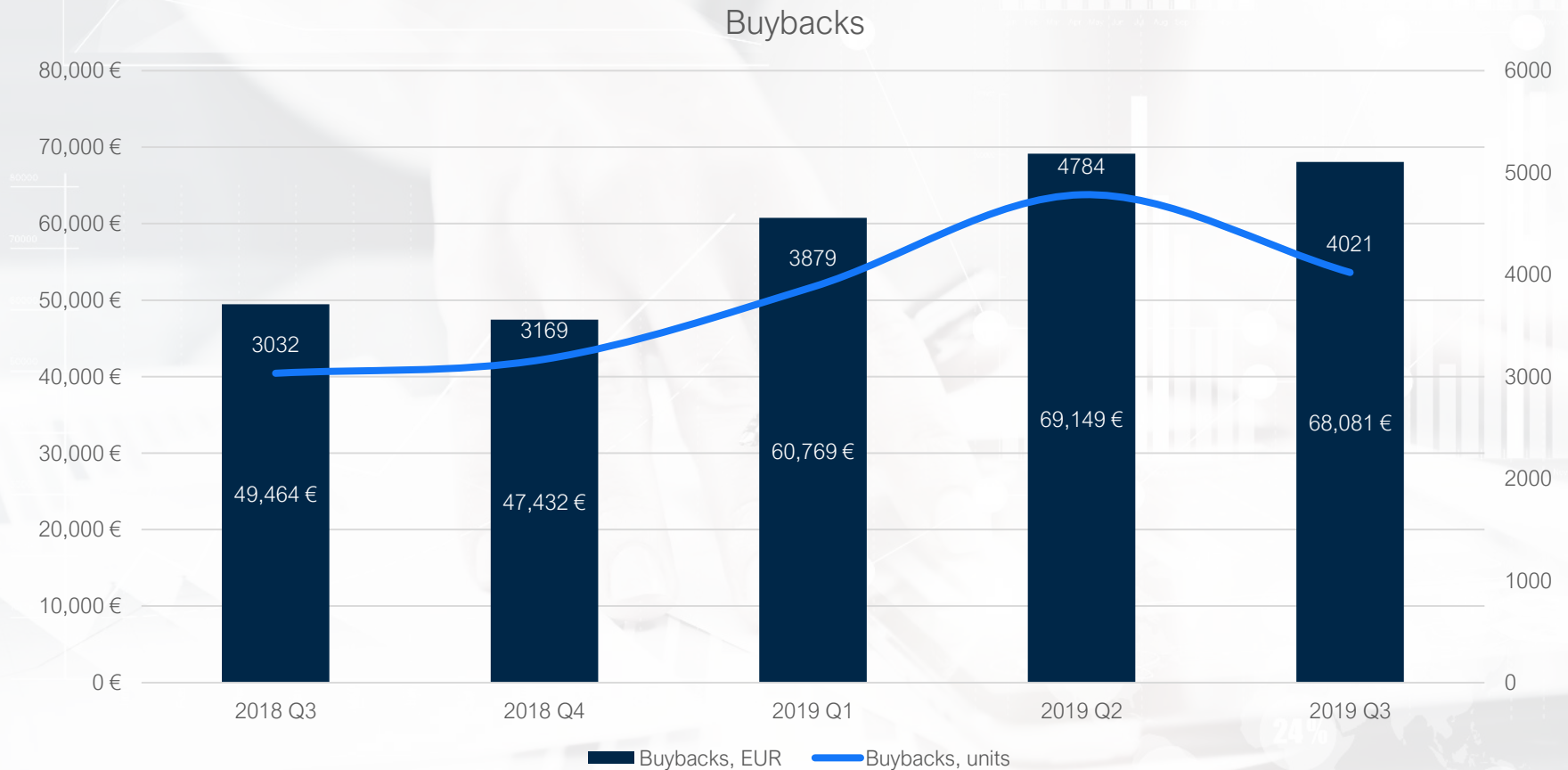


Guaranteed amount, K EUR



# Buybacks

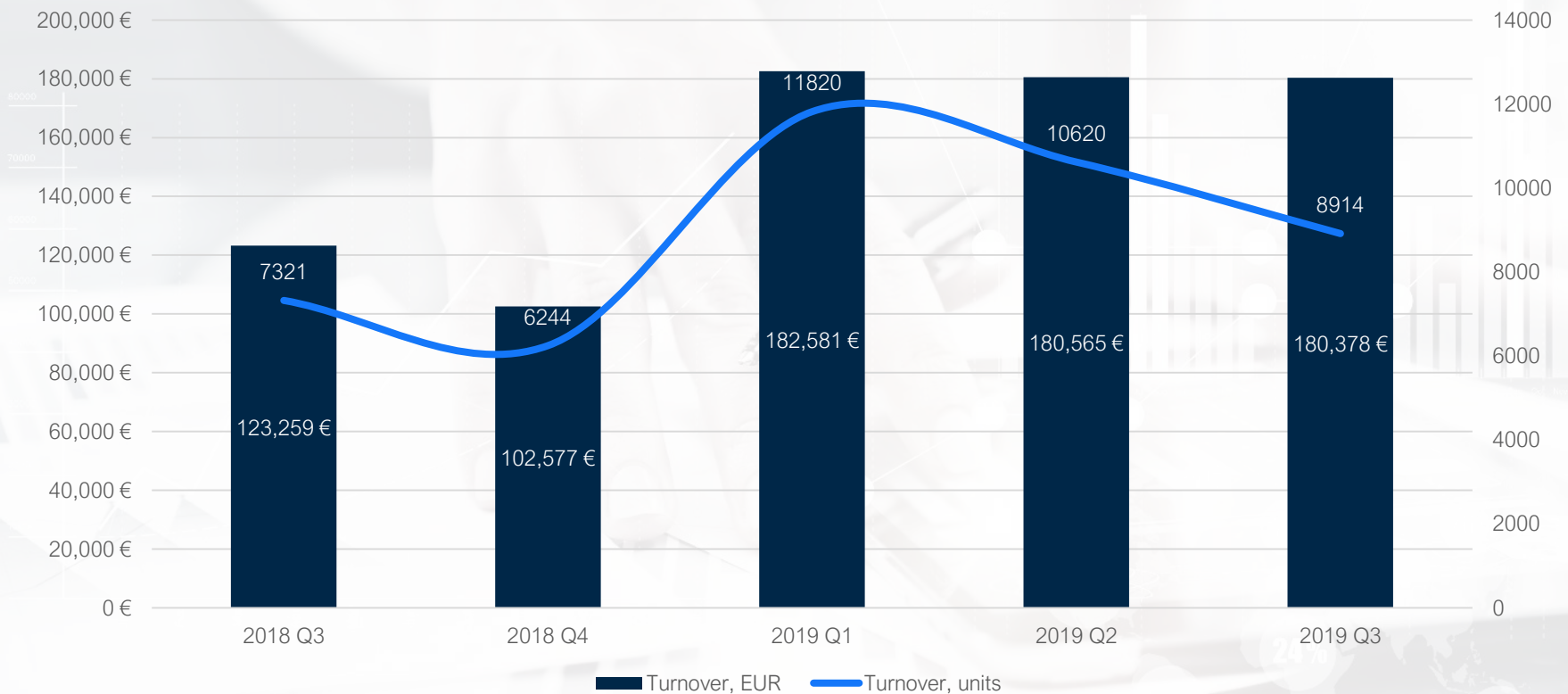
“**NEO Finance**” offers a buyback service. When an agreement with a borrower is terminated, lenders have an option to sell their investment for **50-80%** of it's face value to “**NEO Finance**”. In 2019 Q3 lenders sold **4 021 investments** for **68 081 EUR**.



# 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 Q3 secondary market turnover was **180 378 EUR**. Average transaction was **20 EUR**.

Secondary market





# Main statistics

Since launch till the end of 2019  
Q3

**8,165**

Active lenders

**3,129 €**

Average portfolio

**5,209,444 €**

Interest received

**39,950,071 €**

Issued loans

**1,373,437 €**

Investments sold in  
secondary market

**25,622,192 €**

Outstanding principal

