AS DelfinGroup

Taking consumer credit to the next level

21st Sep 2021

Disclosure: LHV is the arranger for the announced securities offering and has been engaged for advisory services by AS DelfinGroup as part of its preparations for listing on Nasdaq Baltic Main List.

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Investment Summary

Taking consumer credit to the next level

AS DelfinGroup (together with subsidiaries hereinafter referred to as 'DelfinGroup' or the 'Group', as a parent company referred to as 'AS DelfinGroup' or the 'Company') is a licensed non-bank financial services company founded in 2009 and operates under the brand names Banknote, VIZIA, and Rīgas pilsētas lombards (Riga City Pawnshop). The Group's core services are consumer loans, pawn loans, and the sale of pre-owned goods, while the services are provided through two channels, i.e. online and the Group's extensive branch network across Latvia. The Group operates more than 90 branches in 38 cities of Latvia and employs over 270 professionals. DelfinGroup issues approximately 35,000 loans every month and has a total of over 400,000 registered customers. DelfinGroup has been known on the Nasdaq Riga Stock Exchange as a bond issuer, and, currently, it has two bond issues listed on the Nasdaq Riga First North bond list. Although the majority stake in AS DelfinGroup was sold to a new strategic investor in April 2021, the founder of the Group, Mr Agris Evertovskis, still holds over 31% of the shares through two of his investment entities, with over 65% of the Group being indirectly controlled by the Kesenfelds family and 3.5% is held by the members of the management board. DelfinGroup has made good progress in developing its sustainability features, focusing on corporate governance, fintech innovation, responsible lending, financial inclusion, and facilitating the circular economy.

The Group is by far the largest player in the Latvian pawn loan market, controlling over one-third of this credit segment, while it is currently the second-largest non-bank consumer lender with approximately 10% market share as of 2020. Latvia's non-bank consumer lending sector is a relatively new segment and started to develop only in 2007. Since 2011, the sector has been licenced and supervised by the Consumer Rights Protection Centre (CRPC), while the regulations have been considerably tightened and licencing fees increased over the past five years, lifting the barriers of entry and initiating faster consolidation of the sector, but also building consumer trust towards the market participants. Primarily based on the historical market trends and recent developments, we anticipate Latvia's non-bank consumer lending sector to grow about 8% annually over the next three years, with relatively steady volumes predicted for the pawn loan segment. Backed by the expected additional capital from the IPO, further development of the product portfolio and both online and offline sales channels, we project DelfinGroup to approximately double its net loan portfolio during the period from 2020 untill 2024, expanding its market share in the consumer loan segment to c.a. 16%.

Our financial projections and equity valuation of DelfinGroup are prepared on a post-money basis, assuming the Group manages to attract at least EUR 12.5m of new equity capital in the IPO process which presents the mid-range of the indicated IPO volume of EUR 10-15m. We have approached the valuation of DelfinGroup using a combination of the income and market approaches. For the income approach, we used three different models: 1) Discounted Cash Flow, 2) the Residual Income Model, and 3) the modified Gordon Growth Model (GGM), which essentially identifies the fair P/B ratio based valuation for the company. For the market approach, we used a peer group valuation, which considers several peer group trading multiples for 2021-2023E. We see the income approach as more suited for the valuation of DelfinGroup and assigned a combined weight of 80% to different income approach metrics in the total value. Overall, we decided to set our fair value range (FVR) for the Group's total equity at EUR 80-90m. Using the mid-point of our FVR and our forecasts for 2022, the Group would be valued at the following 2022E multiples: P/E – 12.1x, P/B – 3.3x, and EV/EBITDA – 8.7x, with the respective ratios declining to 9.5x, 2.8x, and 7.5x by 2023E. We believe that the core attraction of DelfinGroup is its leading market position in the Latvian competitive non-bank consumer credit market, enabling to utilise sufficient economies of scale, while the expected additional equity from the IPO strengthens the capital base, helping to bring down the average cost of debt financing and providing funds for investments into IT and new product developments. In sum, we believe that profitable growth along with appealing dividend yields would be the core of the investment case while taking flexible consumer credit solutions to the next level. The key risk factors to our valuation include slower than projected growth in consumer lending volumes and potential deterioration of the credit quality.

Key Numbers (EURm)	2016	2017	2018	2019	2020	2021E	2022E	2023E	2023E	2023E
Revenue	15.4	18.0	18.9	22.2	23.7	26.3	30.2	34.9	38.9	42.2
EBITDA	2.8	5.7	7.2	8.1	9.2	10.3	12.2	14.2	16.2	17.8
Operating Profit	1.2	3.7	4.6	4.3	4.7	5.8	8.0	10.0	11.8	12.9
Net Profit	1.0	3.0	4.5	3.9	3.9	4.8	7.0	9.0	10.4	11.3
Total Assets	16.0	21.3	26.7	38.3	46.0	48.5	59.5	71.2	81.0	89.4
Total Net Loans	11.6	15.8	20.2	31.5	34.7	39.8	50.0	61.1	69.4	77.8
Net Debt	11.1	14.1	16.1	27.4	30.0	21.4	28.8	35.7	39.4	43.2
Total Equity	2.8	3.7	6.0	8.4	9.3	22.7	25.9	30.6	35.6	40.7
CAPEX	0.2	0.1	0.2	0.7	1.5	1.4	1.6	1.9	1.7	1.8
EV/Revenue (x)	-	-	-	-	-	4.0	3.5	3.0	2.7	2.5
EV/EBITDA (x)	-	-	-	-	-	10.3	8.7	7.5	6.6	6.0
P/E (x)	-	-	-	-	-	17.7	12.1	9.5	8.2	7.5
P/Book (x)	-	-	-	-	-	3.8	3.3	2.8	2.4	2.1

Source: DelfinGroup for historicals, LHV for estimates
The ratios are calculated using the mid-range of post-money equity valuation (EUR 80-90m).

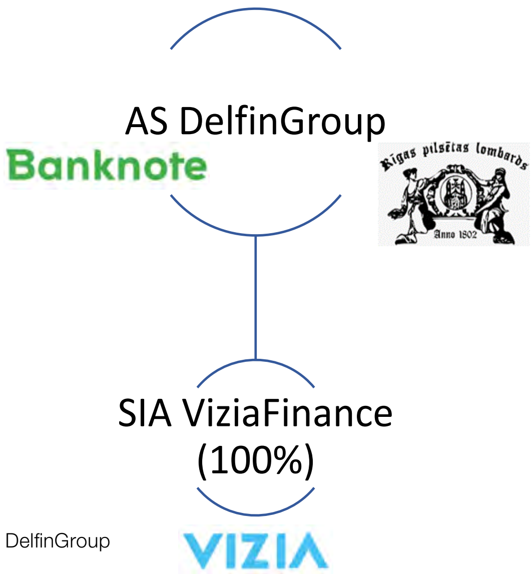
Company Overview

Business Overview

DelfinGroup is the second-largest issuer of non-bank consumer loans in Latvia. Since its inception in 2009, the Group has issued EUR 303m in loans and already has over 400,000 customers. The Group operates under three brands: Banknote, VIZIA, and Rīgas Pilsētas Lombards. Banknote offers consumer loans, loans secured by personal movable property (pawn loans), Point-of-Sale (POS) loans, and retail/redemption of pre-owned goods using a network of 93 branches throughout Latvia and an online platform for loan application and online marketplace for pre-owned goods sales. The Banknote brand business is structured in a manner that it has strong synergy between its operating segments. VIZIA specialises in issuing consumer loans online, having a more appealing brand to the young customer segment.

AS DelfinGroup, formerly known as SIA Lombards24.lv and SIA ExpressCredit, was founded in 2009. The Group rapidly expanded its pawnshop business across the territory of Latvia, and, in 2011, it launched consumer lending services. The Company has successfully raised c.a. EUR 27m from bonds since 2014, and the Company currently has four outstanding bond issues worth EUR 18.5m. Two of the bond issues are currently listed on alternative market Nasdaq Riga First North. The Group is also using the Mintos platform (a peer-to-peer loan platform) to raise funds, with the total amount of borrowed funds at the end of 2020 being EUR 17.3m. This year in March, the Group announced its plans to raise additional funds from an initial public offering (IPO) by listing its shares on Nasdaq Riga Stock Exchange Baltic Main List during the second half of 2021. On 9th September, the Group approved the prospectus for this IPO in its shareholders' meeting. During the IPO, up to 8,395,000 new shares will be issued.

Due to the Group's ongoing reorganisation, SIA REFIN and SIA ExpressInkasso will be liquidated, leaving only one subsidiary SIA ViziaFinance (SIA ExpressInkasso and SIA REFIN are currently under liquidation process). Under AS DelfinGroup, there are two brands – Banknote and Rīgas Pilsētas Lombards; however, the VIZIA brand is managed through subsidiary SIA ViziaFinance, both entities hold a lending license, which reduces operational and legislative risk in case if the license of one entity is seized or annulled. After reorganisation, the debt collection operations are under AS DelfinGroup; nonetheless, doubtful debts that have a small chance of being recovered are sold to external debt collectors.



Source: DelfinGroup

Consumer Loan Operations

Consumer loan operations commenced in 2011, introduced through then existing pawn loan brand Lombards24.lv and later MoneyMetro. In 2015 rebranding took place - Lombards24.lv was rebranded to Banknote. The rebranding was related to the fact that DelfinGroup (ExpressCredit at that time) has grown from a simple pawnshop into a versatile non-bank financial services provider. After two years, in 2017, Banknote launched an online lending platform and was followed by the establishment of a second online consumer lending brand VIZIA in 2018, which was formerly known as MoneyMetro (only offline lending), having distinct consumer lending positioning and more appealing brand to the young customer segment. Both brands list part of their consumer loans on the Mintos platform. Mintos has granted a risk score of 8 to Banknote and VIZIA listed loans on a 10-grade scale (higher value implies better quality).

Pawn Loan Operations

The pawn loan business was the foundation of DelfinGroup´s development. The first pawnshop was opened in 2009 under the brand name Lombards24. By 2010, the Group was already operating 50 branches in major Latvian cities. In 2014, Riga City Pawnshop was acquired; it is the oldest pawnshop in Latvia, having begun operations in 1802. Its product portfolio consists of luxury goods such as jewellery, paintings, watches etc. Currently, the Group operates 92 pawnshops under a brand named Banknote and one branch under the brand Riga City Pawnshop. The Group has the widest pawnshop branch network in Latvia, covering nearly all of the Latvian regions.

Trade of Pre-owned Goods

The pre-owned sales segment works in close coherence with the pawn loan segment as it supports the sale of unredeemed collaterals; approximately 30% of pawn loan collateral is not redeemed. The majority of sales of pre-owned goods consist of offline sales (on-site at Banknote branches); however, online sales are increasing y-o-y from the time of online store launch. In addition to retail, Banknote shops are buying goods from persons who can prove the legitimate ownership of goods, which are then put on resale. Banknote is providing liquidity for the pre-owned goods market by buying goods at a sizable discount which is the margin of sale price. Banknote shops are inherently promoting a circular economy by resale and giving second life to products by repairing them. In three year´s time, there were 10,127 goods repaired and listed to the secondary market.

This season, Latvian Trader Association experts evaluated several hundred points of sale places. The main evaluation criteria of the tender were service culture, equipment and environment, range of products, special offers, and availability of information. In the store category, only six stores in Latvia were ranked in the nomination "Winner", two of which were Banknote branches.

Point-of-Sale Loans (Banknote Pirkumiem)

Point-of-Sale (POS) loan segment is a brand new lending product for DelfinGroup, launched at the end of 2020, which operates under the Banknote brand. In order to use this service, customers have to make a purchase by invoice, and, afterwards, the invoice is submitted to Banknote, which makes the payment for the goods. The repayment schedule is then submitted to the loan receiver with interest or without interest if a loan is repaid within 30 days. POS loan segment is exclusively partnering with Banknote shop; however, customers can apply for credit for purchases from any kind of retailer as long as they buy with post-pay (invoice).

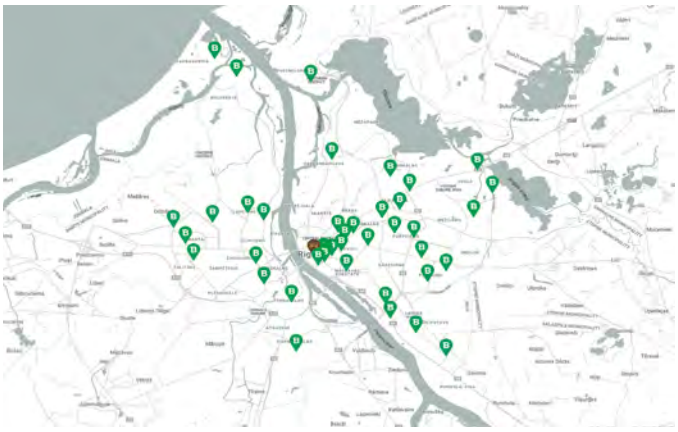
Branches

DelfinGroup operates under 93 branches, of which 43 are located in Riga, 5 in Liepaja, 4 in Daugavpils, 3 in Jelgava, and 2 in Ventspils. The first branch was opened in 2009, solely as a pawnshop, but

Banknote and Riga City Pawnshop Branch Distribution Map

Source: DelfinGroup

Banknote and Riga City Pawnshop branch distribution in Riga



Source: DelfinGroup

by 2010, the number of branches expanded to 50. Branches operated under brand name Lombards24.lv until 2015, when rebranding took place; since then, branches have been operating under brand name Banknote. Banknote branches offer a wide range of services (consumer loan, pre-owned goods retail/redemption, pawn loan, and POS loan), while Riga City Pawnshop offers pawn loans and retail services consisting of luxury goods. Banknote branches are gradually implementing a new concept that promotes society to act sustainably by providing goods for secondary use. The new concept branches are taking a new shape with differentiated, nature-friendly design.

Shareholding Structure

The Company is currently owned by three legal entities SIA EC Finance, SIA L24 Finance, SIA AE Consulting, and the Management Board. In 2015, the Management Board was offered incentives to buy shares of ExpressCredit - 1.5% to CEO Didzis Ādmīdiņš and 1% to Kristaps Bergmanis. Later in 2018, the same option was offered to Ivars Lamberts to acquire 1% of total shares. All above members of the Management Board exercised this option to acquire shares. Formerly all three legal entities were solely owned by Agris Evertovskis – the founder of the Company. At the end of April 2021, changes were made in the ownership structure of SIA L24 Finance. The Kesenfelds family's company, SIA ALI Investments, has become an indirect shareholder of SIA L24 Finance, owning 100% of L24 Finance, thus 65.19% of the Company. The transaction amount and other details are not disclosed. Agris Evertovskis indirectly controls the Company through SIA EC finance and SIA AE Consulting. Furthermore, according to database Firmas.lv, Agris Evertovskis is the final beneficiary of As DelfinGroup. Through SIA AE Consulting and

SIA EC finance, Agris Evertovskis has the right to appoint or remove the majority of members of the Company's management or supervisory body, thus exercising decisive influence over the Company. The above rights arise from the Company's shareholders' agreement of 26th April 2021, concluded between SIA AE Consulting, SIA EC finance, SIA L24 Finance, and Agris Evertovskis; however, the shareholders' agreement will terminate at the time of admission of shares for trading on stock exchange.

Aigars Kesenfelds has been successfully operating in Fintech and consumer lending industry for a considerable time – he is the cofounder of 4Finance, Mogo, Mintos and holds stakes in various consumer lending companies operating in Latvia (Sun Finance) and outside Latvia. For DelfinGroup, the experience and execution skills of Mr Kesenfelds brings added value by having the Kesenfelds family as a major shareholder. Mr Kesenfelds has expressed acknowledgement to DelfinGroup´s financial stability, strategy, and corporate governance, listing these factors as investment decision factors.

At the shareholder´s meeting of 9th September 2021, the Company decided to issue up to 450,000 shares as a part of a long-term motivation programme for its employees. In the long run, employees will be able to become owners of more than 1% of the Company's current outstanding shares.

Management

Supervisory Board

According to AS DelfinGroup´s Articles of Association, the Supervisory Board must consist of five members, to be elected for no more than five years. It is recommended that half of the Supervisory Board is independent; however, if the number of council members is an odd number, then independent members may be one person less; nevertheless, currently, there are three fully independent members out of five. Striving for the highest governance principles, DelfinGroup organised an international contest to search Supervisory Board members. This is a unique event in Latvia, as DelfinGroup is the first to show such an example for Latvia´s private sector. Currently, the Supervisory Board consists of Agris Evertovskis, Gatis Kokins, Edgars Voļskis, Jānis Pizičs, and Mārtiņš Bičevskis.

<u>Agris Evertovskis (Chairman of the Supervisory Board)</u>

- Founded the Company in 2009.
- Chairman of the Supervisory Board since 2021. Term of authority – until March 2026.
- Previously, Chairman of the board of Company since 2009.
- BSc in Economics and Business from the Stockholm School of Economics in Riga.

<u>Gatis Kokins (Deputy Chairman of the Supervisory Board)</u>

- Joined the Company in 2021.
- Deputy Chairman of the Supervisory Board since 2021. He is an independent member of the Supervisory Board. Term of authority – until March 2026.
- Previous experience in the boards of several companies in multiple sectors, including life insurance, banking, and telecommunications. Extensive international professional experience. Deep understanding of the financial sector - in the development of card and payment systems.
- MBA from the Stockholm School of Economics in Riga; MSc in Physics from the University of Latvia.

<u>Edgars Voļskis (Member of the Supervisory Board)</u>

- Joined the Company in 2021.
- An independent member of the Supervisory Board since 2021. Term of authority – until March 2026.
- Extensive international professional experience in finance, accounting, financial analysis, risk analysis, and financial investigation allows him to successfully work in the Company's audit committee, as well as to provide support to the Company in preparation for the IPO process and compliance with international accounting standards.
- Doctorate in Social Sciences, MBA, and BSc from the University of Latvia.

<u>Jānis Pizičs (Member of the Supervisory Board)</u>

- Joined the Company in 2021.
- Member of the Supervisory Board since 2021. Term of authority – until March 2026.
- Previous experience is mainly related to consumer lending, financial technologies, finance, budgeting issues, data science and analytics, which allows him to provide additional value in the Company's business development committee.
- MBA from Riga Business School; BSc in Economics and Business from the Stockholm School of Economics in Riga.

<u>Mārtiņš Bičevskis (Member of the Supervisory Board)</u>

- Joined the Company in 2021.
- An independent member of the Supervisory Board since 2021. Term of authority – until March 2026.
- Diverse experience, with an emphasis on communication with people, team building, and leadership development. These competencies allow him to work effectively in the Company's remuneration committee.
- BSc in Law from the University of Latvia.

Management Board

The Company's Management Board is comprised of the Chief Executive Officer, the Chief Operating Officer and one Management Board member. A member of the Management Board is elected in office for a term of five years. The Company must be represented by at least two Management Board members jointly.

<u>Didzis Ādmīdiņš (Chief Executive Officer)</u>

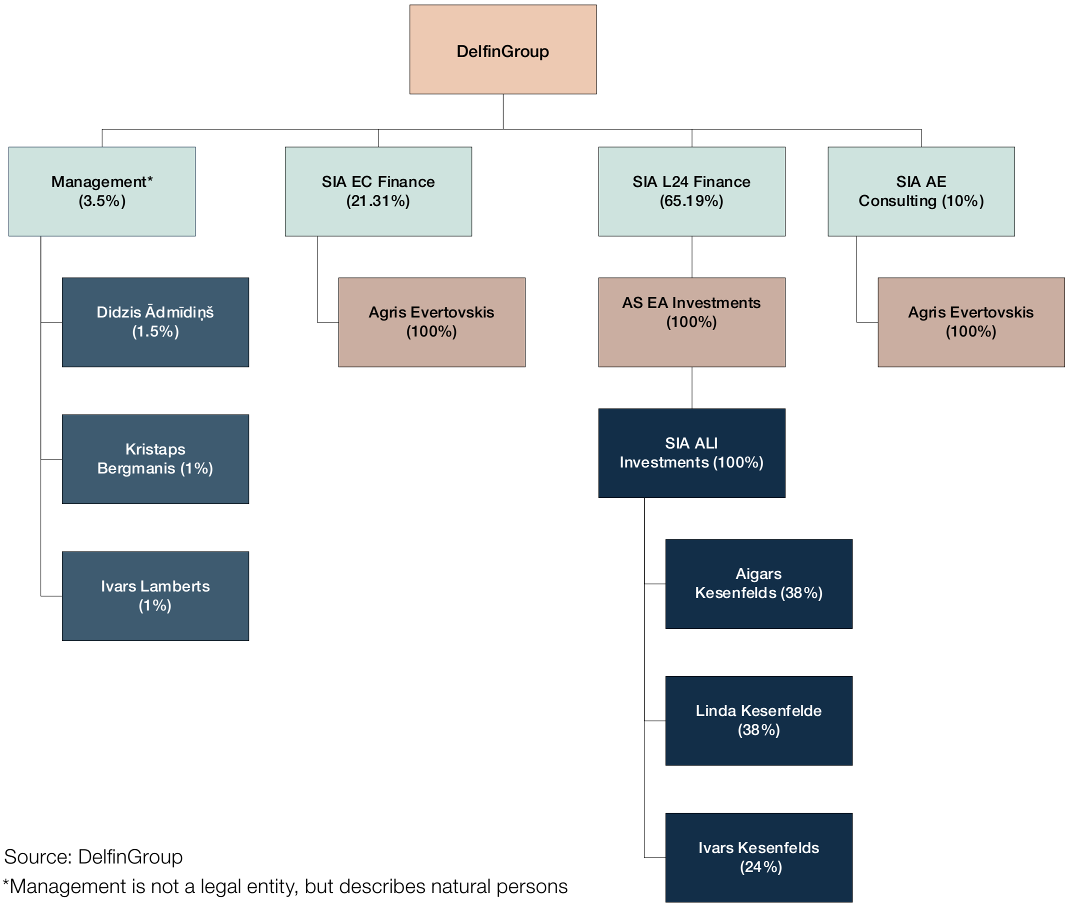
- Working for the Company since 2010.
- CEO of the Company since 2018 and a member of the Management Board since 2014.
- He has held various management positions in the Company since 2010.
- Previous experience as Chief Operating Officer at several real estate companies (2008-2010); Retail credit specialist at Swedbank (2007-2008).
- Responsible at the Company for developing the strategy for the business in conjunction with the Supervisory Board, ensuring it is implemented, and the operational management of the business.
- Master's degree in Economics and Business Administration from Riga Technical University.

Ivars Lamberts (Chief Operations Officer)

- Working for the Company since 2015.
- COO of the Company since 2015 and a member of the Management Board since 2018.
- Previous experience as Managing Director for leading the global loyalty programme, Lyoness (2012-2015); member of the board at Lafiko.lv payday lender (2010-2012).
- Responsible for overseeing the day-to-day administrative and operational functions of the Company.
- Master's degree in Economics from BA School of Business and Finance; BSc degree in Finance Management from BA School of Business and Finance; BSc degree in Law from Turība University.

Kristaps Bergmanis (Member of the Management Board)

- Working for the Company since 2012.
- CFO of the Company from 2012 till 2021 and a member of the Management Board since 2014.
- Previous experience as a member of the management board and CFO at Vision Express Baltija (2005-2012).
- Responsible for supporting the CEO in developing and implementing the strategy and for reporting the financial and operational performance of the Company.
- BSc in Economics and Business Administration from the Stockholm School of Economics in Riga; ACCA candidate (passed 12 of 14 examinations).



Source: DelfinGroup

*Management is not a legal entity, but describes natural persons

Sector Overview

Non-bank or alternative consumer lending is a relatively new type of lending in Latvia. The origin of non-bank consumer lending is deemed to be 2007. A large part of society was underserved by banks; however, the market had huge potential due to which non-bank lending companies utilised the unserved customer segment for consumer lending. At that time, the first distance loan issuers appeared initially through means of SMS and later online. In conjunction with the development of the internet and changing consumer habits, the sector showed fast growth. According to Consumer Rights Protection Centre (CRPC), at the end of 2013, 53 non-bank lending licensed service providers already existed, while, in 2019, the count was 61 (+ 15.1%); however, in 2020, there were 56 (- 8.2%) licensed service providers. At the beginning of 2021, 50 (-12.3%) licensed providers continued to work in the country for consumer lending services, of which only 45 were entitled to fully provide consumer lending services, namely being able to issue new loans instead of only managing the existing loans. The market is somewhat consolidating due to substantially increased licensing fees introduced in October 2019, which is making business unviable or less lucrative for small market players. Also, there are higher entry barriers in this industry. Small consumer lending companies are forming unions (single legal entity) and are operating various brands under one license. Although that allows to meet share capital criteria and bear the yearly license fee, such concept possess higher risk with various brands with different policies operating under one single license. The increasing and sophisticated compliance regulations are burdening the sector as well.

Regulatory Framework

After the introduction of non-bank consumer lending, the industry was rather unregulated, meaning that no industry targeted legislation was in place. In 2011, the licensing of non-bank consumer lending was introduced, and the Consumer Rights Protection Center was designated as a supervisory institution. The amendments to the Consumer Rights Protection Law prescribed that only companies having received a special permit (license) may provide lending services to consumers. Earlier, the license issuance state fee was EUR 71,140, and the annual state fee was EUR 14,225, which, from October 2019, were raised to EUR 250,000 (251% increase) and EUR 55,000 (287% increase), respectively. In 2016, Consumer Rights Protection Law imposed that the license can only be obtained by companies that have paid-up share capital of EUR 425,000.

Furthermore, the maximum interest rate has been regulated since 2016 and has been lowered over time. In 2016, the total cost of credit to a consumer was considered as not corresponding to the requirements if it:

- exceeds 0.55% of the credit amount per day from day 1st to 7th,
- exceeds 0.25% of the credit amount per day from day 8th to 14th, and for loans exceeding 30-day term, and
- exceeds 0.2% of the credit amount per day from day 15th to 30th.

From June 2019, the maximum total cost of credit to the consumer is 0.07% per day. However, lenders may apply certain extra commission payments for extra services that eventually reflects in higher interest rate. Exclusion from this rule is applied to pawn loans.

According to the formula provided in the legislation, the APR can be slightly over 50%. DelfinGroup states that the effective interest rate, usually, is around 40%.

Consumer lending businesses were notorious for extraordinarily high-interest rates at the time when it was not regulated; for instance, annual interest rates could reach up to 800% and more. On the one hand, the interest rate limitations are decreasing the profitability of the consumer lending sector, but on the other, regulations are building consumer trust in the sector.

From 2019, Consumer Rights Protection Law puts the responsibility on consumer loan service providers to thoroughly evaluate the ability of a borrower to repay the loan following the guidelines. Creditors have access to databases such as State Revenue Service, Credit Information Bureau, bank account statements, and their own historical data.

Regulators are increasingly limiting consumer lending service provider means of reaching the customers and customers to reach service providers. It is due to ill-made decisions by customers not fully being self-aware of the consequences.

Consumer creditors generally cannot encourage consumers for a loan application through advertising channels like TV, radio, banners and printing in public places; however, the essential exemption is given to consumer creditor brand name/logo advertisements. Service providers can advertise their services through channels like emails and calls, if given explicit permission or on their own premises. Furthermore, consumer creditors can operate within the time limit from 7:00 AM to 23:00 PM, limiting irresponsible borrowing at night hours.

Non-bank lenders are also subject to European Anti-Money Laundering, Combating Financing of Terrorism, and Certified Financial Planner Regulations. As financial systems are becoming more advanced and complex, so are the regulations. For small market players, such compliance requirements might get very costly.

Policymakers have changed the non-bank lending industry significantly from a non-regulated industry to a strictly regulated one. As a result, the market is consolidating, entry barriers are higher, profits on loans have been limited, and reaching customers has got a lot more difficult. Overall, the imposed rules can be lead to limiting industry growth; however, reputational risks have been reduced compared to times when it was not regulated.

Macroeconomic Environment

The COVID-19 pandemic has changed the economic environment substantially. For some industries, it had a devastating effect, while for a few, it brought demand surplus. Also, some industries showed resilience with some negative effects. The consumer lending sector was one that showed resilience to the pandemic with a limited reduction in demand. Further developments in the economy will certainly determine the stagnation or prosperity of the consumer lending sector.

The macroeconomic outlook indicates that in this year and the next year, the sector will see a rather rapid recovery to the 2019 level. This is linked to several factors, one being linked to GDP growth, more particularly to a rapid increase in private consumption.

Nominal wage growth will also allow people to make purchases with credit contributions. Although the European Commission (EC) forecast is modest regarding nominal wage growth, according to Latvia Central Bank data, real wage (net) in 2021 Q2 has increased by 7.9% y-o-y and expects nominal wage growth of 6.9% in 2021 and 5.7% in 2022.

The unemployment level has not increased dramatically and is set to decrease close to the pre-pandemic level in 2022. A positive current forecast comes from Latvia Central Bank; namely, the unemployment rate in July 2021 has decreased to 7.1% compared to 8.6% in 2020, thus considering the current trend, the unemployment rate will likely be lower than EC forecasted rate.

Considering CEIC data, household resilience to financial turbulence is much stronger than in 2008 and should not restrain from loan consideration. The indebtedness of households (% of GDP) in the last decade has decreased substantially and continuously. In 2010, household debt was 51.58% of GDP (in 2008 - 45%), a record-low level was reached right before the pandemic (March 2020) at 21.94%, which increased to 22.54% of GDP in December 2020.

Non-Banks vs Bank Lending

According to the Latvian Credit Information Bureau (CIB), in terms of value, banks have issued 9.3% less consumer loans than non-bank institutions during the last 2.25 years. In 2019, banks issued consumer credit was 5.7% less than non-banks, in 2020, it was 14.7% less, and in Q1 2021, it was 4.8% less. The CIB data archive stores data of all Latvian commercial banks and data of 80-90% of alternative financial service providers. Since April 2019, the amounts issued by banks have been steadily declining, while the amounts of consumer loans, with rare exceptions, issued by non-banks continue to exceed the amounts lent by banks. At present, banks manage about 15% of new loans issued (number of loans), while non-banks issue 85% of all consumer loans; thus, banks tend to issue substantially higher amount of money per loan.

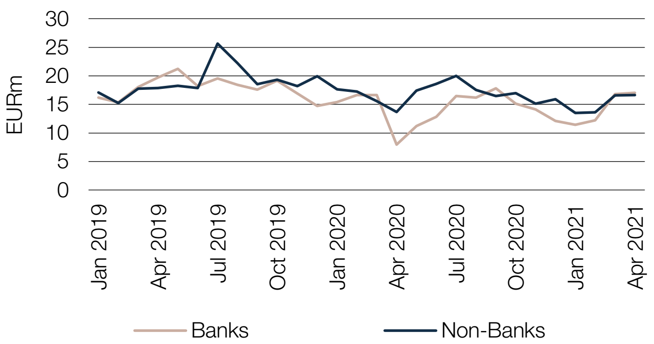
Intars Mikelsons, the chairman of the CIB management board, states: “Looking at CIB’s credit rating or customer portfolio risk profile - banks vs non-banks, we see that 80% of bank customers are in category A-C, but the credit rating of non-bank customers is mostly in category B-D. This means that licensed consumer creditors are increasingly taking over the consumer credit market by operating at a higher risk.” The risk score scale goes from A to F, with “A” meaning great financial stability of creditor with very minimal risks, while “F” is an indication that a creditor will most likely default.

The difference in customer portfolio risk profile also reflects in the average APR. As of December 2020, the non-bank average APR for consumer loans with repayment schedule was 34.99% for offline credits and 43.63% for distance credits; however, the overall bank average APR stood at 16.01%.

Consumer Loan Market Within Non-Bank Sector

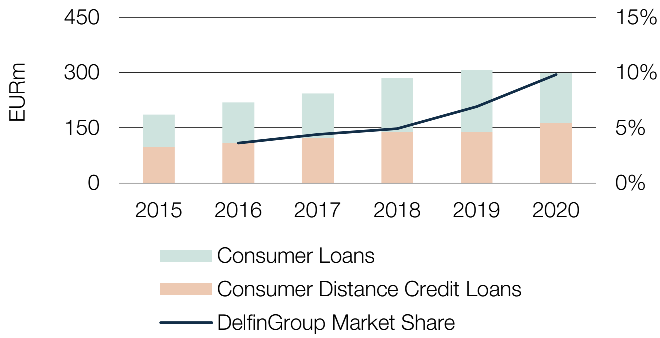
Consumer loan portfolio for non-bank institutions in the last five years has grown at a CAGR of 10%. While consumer loans issued in person constituted a slightly larger proportion than distance loans, the COVID-19 crisis has reversed the composition. In 2019, the consumer loans formed on place constituted 55% of the total credit portfolio; however, in 2020, distance consumer loans constituted 55% of the total consumer loan portfolio. CRPC distinguishes distance consumer loans and consumer loans by their type of issuance, namely, both are consumer loans, but distance loans are issued through online channels or distance communication (online platforms, SMS, calls etc.). However, the category “consumer loans” are loans that are issued in branches on-place. Although CRPC obliges the credit issuers to distinguish when submitting data to the supervisor, in DelfinGroup reporting, they are accounted for together. Creditors are increasing their risk criteria for clients due to the obscurity of economic developments during the pandemic, which results in a decreased credit portfolio. Often due to restrictions, consumers are left with no other choices as to interact with service providers through online

Consumer Loans Issued (Banks vs Non-Banks)



Source: Credit Information Bureau

Consumer Loan Credit Portfolio



Source: DelfinGroup ESG Report 2020 and CRPC

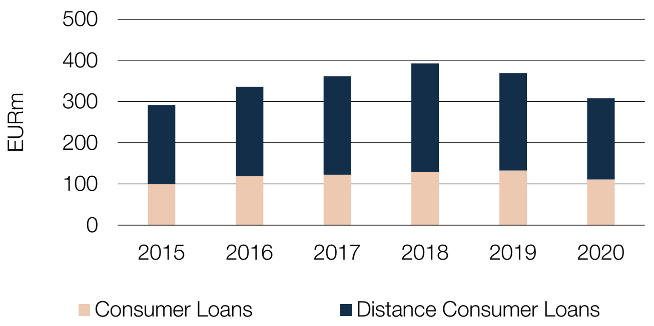
Latvia	2017	2018	2019	2020	2021E	2022E
Real GDP % (y-o-y)#	3.3	4.0	2.0	(3.6)	3.8	6.0
GDP, EURb (current prices)*	27.0	29.1	30.5	29.0	30.9	32.4
% Change in						
Private consumption	3.0	2.6	2.2	(10.0)	6.5	8.9
Public consumption	3.4	1.6	2.6	2.6	4.8	(3.6)
Gross Fixed Capital Formation	11.4	11.8	2.1	0.2	4.3	7.1
Exports	6.4	4.3	2.1	(2.7)	6.5	6.1
Imports	8.6	6.4	3.0	(3.3)	10.2	6.0
Consumer price index (CPI) % (y-o-y)#	2.9	2.6	2.7	0.1	2.0	2.1
Nominal wage growth % (y-o-y)	4.2	5.4	6.6	6.7	0.5	0.2
Unemployment rate % (y-o-y)	8.7	7.4	6.3	8.1	8.2	6.9

Source: European Commission 2021 Spring forecast
European Commission 2021 Summer forecast
* European Commission 2020 Autumn forecast

channels, and service providers are increasingly required to provide such options in order to stay competitive.

The consumer loan market has shown strong growth in the past; for instance, newly issued consumer loans reported a CAGR of 10% during 2015-2018. However, the CAGR for 2015-2019 and 2015-2020 periods stands at 6% and 1%, respectively. Although the COVID-19 pandemic negatively affected almost every sector, a downward trend can be observed starting from 2019. While recovery is expected for consumer loans, the data shows that fast growth is not likely to take place when loan issuance reaches the 2019 level. The decreased loan issuance from 2019 could be a consequence of government-issued limitations to the sector regarding stricter borrower evaluation and advertising restrictions. The past growth was mostly driven by distance consumer loans as they have shown more growth and grossly constitute two-third of consumer loan issued value.

Newly Issued Consumer Loans (Value)



Source: CRPC

According to Central Statistics Bureau, approximately 30% of Latvians did not have any savings before the crisis, 30% could last no longer than three months from savings, and only 40% could last longer. Nevertheless, during the pandemic, Latvians had accumulated so-called "forced savings". That is, people were not able to spend money on various entertainment services, could not travel, or the home regime saved money from less transportation use etc. In Latvia´s Central Banks economist research article (https://www.makroekonomika.lv/vai-covid-19-laika-uzkrajumi-kusis-driz), it has been observed that Latvians are very active savers in times of crisis and private consumption in Latvia in the 2nd quarter of 2020 was 18.3% lower than in the 1st quarter and 20.9% lower than a year ago. In the short term, this is likely to impact the demand for consumer loans as consumers will initially spend from their savings. On the other hand, when the savings are exhausted, consumers will likely keep up increased spending on things that they were not able to spend during the lockdowns.

In order for consumer loan service providers to gain rapid growth in the market share, lenders will have to take over competitor´s clients due to recently slowed market growth. Interest rates, service quality, and online service accessibility will play an important role in customer acquisition. DelfinGroup has online platforms as well as the most extensive branch network over regions, serving clients that do not prefer online credit applications. Furthermore, there was only one complaint about DelfinGroup to CRPC in 2017 and 2 in 2018 and 2019, compared to industry total complaints of 65, 59, and 75, respectively, during the same periods.

Year	2016	2017	2018	2019	2020
% Change (Distance Consumer Loans)	13.0	9.6	10.5	(10.3)	(16.6)
% Change (Consumer Loans)	19.5	3.8	4.6	3.3	(16.5)

Source: CRPC

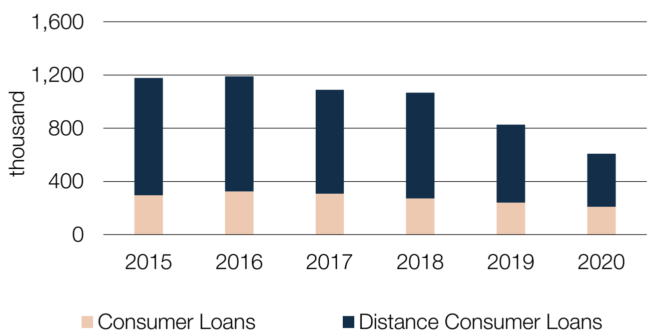
In the past years, it can be observed that issued credit count has decreased more rapidly than issued credit value, thus resulting in a higher average value of credit issued. In 2020, the average industry value of one issued credit was EUR 527.27 for on-place issued loans and EUR 495.18 for distance issued loans. This can be explained by changes in legislation; namely, small loans are no longer issued by creditors because they suffer losses due to limited interest rates. "The reduction in the number is logical - if previously an individual took six small loans a year, then currently licensed lenders practice the credit line principle when one loan is issued for a larger amount," says a member of the CIB board.

DelfinGroup average consumer loan value issued per loan in 2020 was around EUR 770. In Q2 2021, the average loan size of DelfinGroup's Banknote brand was EUR 1,030, and Vizia's average was EUR 889, thus almost exceeding the industry average by two times; however, due to economic circumstances in 2020, such data should be considered with care.

Year	2016	2017	2018	2019	2020
% Change (Consumer Loans Count)	9.7	(4.8)	(12.0)	(11.3)	(12.8)
% Change (Distance Consumer Loans Count)	(1.9)	(9.9)	2.1	(26.5)	(31.9)

Source: CRPC

Newly Issued Consumer Loans (Count)

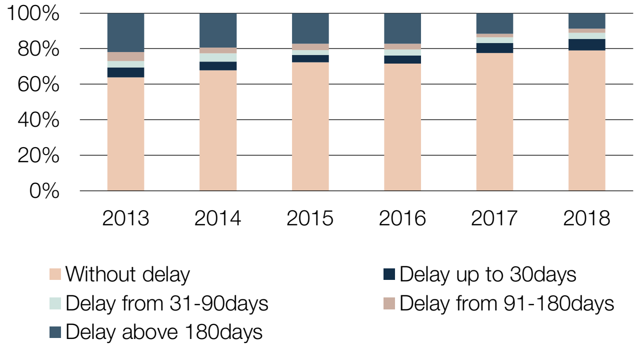


Source: CRPC

Average Value of Credit Issued (EUR)	2018	2019	2018/2019 % Change	2020	2020/2018 % Change	2020/2019 % Change
Consumer Loans	472.5	550.5	16.5	527.3	11.6	(4.2)
Distance Consumer Loans	331.3	404.0	21.9	495.2	49.5	(22.6)

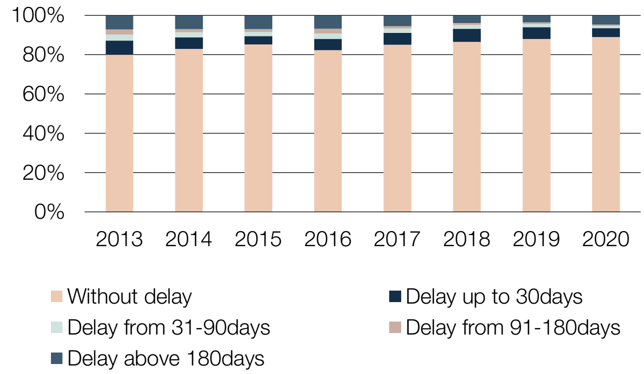
Source: CRPC

Portfolio Quality of Distance Consumer Loans



Source: CRPC

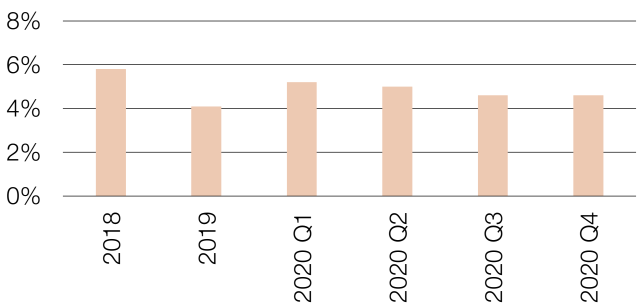
Portfolio Quality of Consumer Loans



Source: CRPC

Consumer loan portfolio quality, with some minor fluctuations, has increased gradually from 2013 to 2020. The continuous portfolio quality increase in 2020 reassures that credit issuers have been imposing stricter risk management measures on consumers due to economic uncertainty during the pandemic. Distance consumer loans are performing slightly worse than consumer loans issued at branches. DelfinGroup states that it is a common situation and is linked to higher young consumer proportions applying for credit through network channels, and observation is that the young consumer segment is performing worse in credit payback. Comparing DelfinGroup non-performing loan rate (delay of more than 90 days) with industry, it shows that DelfinGroup has implemented effective and data-driven risk management systems, as the Group's non-performing loan ratio is lower compared to annual rate of 8.8% for distance consumer loans and 5.44% for offline consumer loans, in the industry.

DelfinGroup's Consumer Loans Non-Performing Ratio



Source: DelfinGroup ESG Report 2020

DelfinGroup has continuously and rather rapidly grown its consumer loan market share by providing customers with a wide range of modern solutions such as online credit applications and a wide network of branches for on-place applications serving people in regions and customer segments that do not prefer online services. Main competitors are InCredit Group, IPF Digital Latvia, Aizdevums.lv, Bino, 4Finance, and Inbank Latvia.

Although many small players exist, CRPC has observed that small lenders leave the market every year due to increasing licensing costs, stricter compliance regulations, and industry specifics such as capital intensiveness. Economies of scale play an important role as the cost advantage benefits allow market players to introduce more sophisticated solutions in IT, user experience, and data science, which reflects in enhanced credit portfolio risk management, customer loyalty and a more effective operational environment within a company. Considering the industry environment, market consolidation is expected, and current leaders are likely to increase the market share.

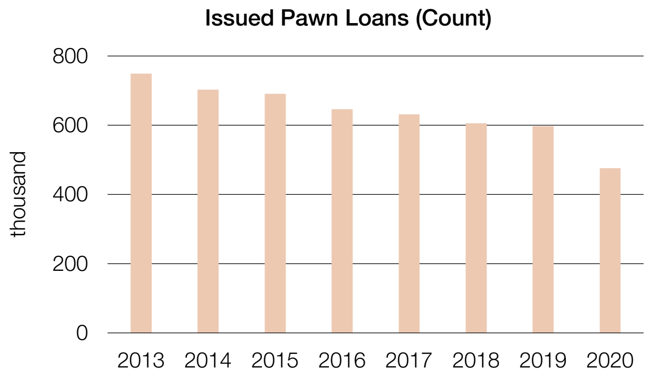
Pawn Loan Market

Pawn loans are provided exclusively by non-bank institutions. Pawn loan portfolio showed 10% y-o-y growth in 2019; however, it declined significantly in 2020. Lockdowns were specifically impacting pawn loan issuance as they cannot be availed online completely. In a greater sense, this reflects in new loans issued value which in 2020 decreased by 14.3% y-o-y. So far, in 2021, the Company states that due to on-site service restrictions in the first six months of this year, pawn loan lending decreased by 18.7% y-o-y. However, this has not affected the overall stable growth; the pawn loan segment is also gradually recovering and showing better results. Comparing pawn loan lending rates in the first and second quarters of 2021, an increase of 11.9% has taken place. As the Company is the industry leader in the pawn loan segment, such a trend should be similar for the whole industry.

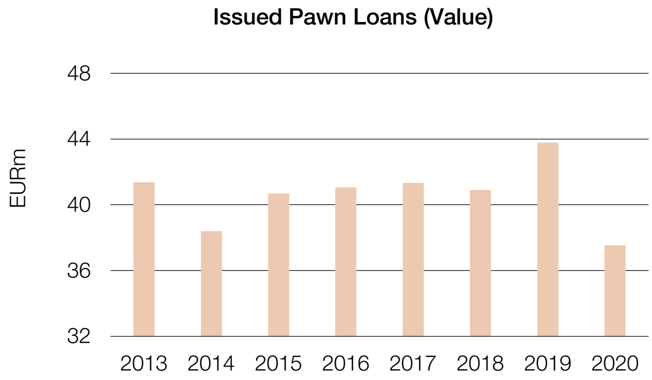
CRPC observes that a decrease in the number of pawn loans issued correlates with the number of specific service providers reduction, as in both 2020 and early 2021, a large proportion of players who left the market specialised in providing this particular type of credit.

Company	Offline	Pay day loans	POS loans	Mobile app
DelfinGroup	Yes	No	Yes	Yes
Aizdevums.lv	Yes	No	Yes	No
4Finance	For SMS Credit	No	No	Yes
IPF Digital	No	No	No	No
Bino	No	No	No	No
InBank	Yes (Limited)	No	Yes	Yes

Source: Respective companies

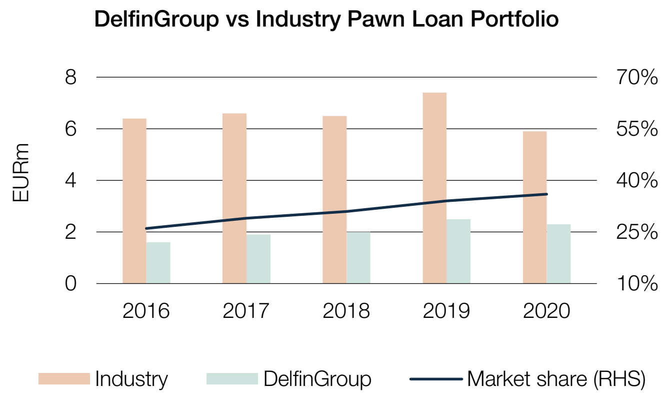


Source: DelfinGroup ESG Report 2020 and CRPC



Source: CRPC

Non-bank average value of one pawn loan issued has grown continuously for the past three years. In 2020 average value was EUR 78.89, which is a 16.87% increase compared to 2018 and a 7.71% increase compared to 2019. DelfinGroup average value of pawn loan issued was around EUR 67 in 2020 and EUR 63 in Q2 2021.



Source: DelfinGroup ESG Report 2020 and CRPC

The main market players in the pawn loan business are AS DelfinGroup, Vita Credit, and E-lats. Previously, Moda Kapitāls' (one of the main market players) pawn loan credit portfolio was acquired by DelfinGroup in H1 2021, leading to market consolidation. It is expected that DelfinGroup will reach its set target of 40% pawn loan portfolio market share by 2022. The acquired credit portfolio will contribute to the existing 35% market share in H1 2020. Furthermore, Moda Kapitāls is closing all of their pawn loan branches which will reduce competition in regions by leaving fewer choices or leaving Banknote as the only available choice in certain regions.

Considering dominating market share of DelfinGroup, there might be increased supervision from Competition Council gradually.

As at the end of 2020, comparing the features of pawn loan market players, DelfinGroup´s Banknote brand has a more extensive branch network and can offer more options for credit applicants in terms of types of collateral for a pawn loan.

S.No	Company	Branches
1	DelfinGroup	93 branches
2	E-Lats	36 branches
3	Vita Credit	26 branches
4	Ātrais kredīts	6 branches
5	Finance 360	17 branches
6	Fresh Cash Latvija	12 branches
7	Ozcredit.lv	14 branches

Source: DelfinGroup ESG Report 2020

Point-of-Sale (POS) Loan Market

As POS loans are just starting to gain momentum in Latvia, the segment has little data. The same regulation is applied to POS loans, as for consumer loans; namely, the maximum interest rate can reach 0.07% per day. However, credit issuers are often offering a 0% rate by sharing the cost with retailers from product margins. We observed promoted POS loan offers from some of the most popular and largest physical and online retailers in Latvia with a wide range of product assortment.

Concluding from observations, Lateko, Inbank, and Aizdevums.lv are dominating the POS loan market in Latvia. Considering that in Latvia, there are relatively few large retailers, competition for such retailer partnerships is intense. A good example is Banknote Pirkumi-

Average Value of Credit Issued (EUR)	2018	2019	2019/2018 % Change	2020	2020/2018 % Change	2020/2019 % Change
Pawn loans	67.5	73.4	8.7	78.9	16.9	7.5

Source: CRPC

Company	Wide branch network in regions	Pledge - gold	Pledge - electronic devices	Developed consumer loan
Delfingroup	Yes	Yes	Yes	Yes
E-Lats	Limited	Yes	Limited	Limited
Vita Credit	Limited	Yes	Yes	No

Source: DelfinGroup ESG Report 2020

Name	Type	POS loan partnerships
1a.lv	Online retailer, product assortment – mixed, mostly electronics	• Inbank • Lateko
220.lv	Online retailer, product assortment – mixed	• Lateko • Aizdevums.lv
TopShop	Online and physical retailer, product assortment – household goods	• Inbank • Aizdevums.lv
RD Electronics	Online and physical retailer, product assortment –electronics	• Lateko
Euronics	Online and physical retailer, product assortment – electronics	• Inbank • Incredit
Kurši	Physical and online retailer, product assortment – construction	• Inbank
IKEA	Physical and online retailer, product assortment – mixed	• Aizdevums.lv

Source: Respective companies

em (POS loan) and Banknote shop synergy between two businesses giving Banknote Pirkumiem exclusive rights. It is more likely that the success of DelfinGroup's POS loan segment will be dependent on the Banknote shop's degree of success due to strong and established market players and few unused partnerships.

Pre-owned Goods Market

Increasing society awareness of sustainability is turning many consumers to the secondary market as it inherently promotes a circular economy. For many, the choice of the secondary market is due to the affordability of goods to satisfy themselves with things that are rather luxurious. According to a survey conducted in 2016 by mobile operator "Amigo" in Latvia, 90% of the respondents often choose to acquire pre-owned goods. Most demanded pre-owned goods are apparel and furniture, which are bought by 71% and 61% of respondents, respectively. A smaller percentage of consumers are keen to buy electronic devices due to fear of latent defects. Generally, 50% of respondents are often discouraged from buying pre-owned goods due to latent defects. 41% are purchasing used goods for practical reasons (quality/price performance); however, one-third of respondents admit that they are forced to buy used goods for financial reasons. Characteristically females take more discretion buying electronic devices, while 30% of females would be willing to buy a used electronic device, with males constituting 50%. Only 24% assert that they are able to trust the seller when buying a telephone "from hand", the main requirement for a buyer is to be able to make certain the visual and technical condition of the telephone before buying.

Vendors and buyers in the pre-owned goods market mostly interact through platforms like ss.lv, Facebook Market, Andele Mandele, Alibaba, Ebay, and Amazon. Considering the possibilities that are provided by the internet and modern logistics, competition in the pre-owned goods market is rather global with some limitations; for instance, goods bought outside European Union are subject to customs duty, VAT, customs declaration, or some delivery destinations are not provided. Although some of these platforms like Ebay, Alibaba, and Amazon offer support with returns and refunds, it is a relatively lengthy and complex process. Consequently, to have the option to inspect the goods and reduce delivery time, people are choosing platforms that have local vendors; for example, in Latvia, those are ss.lv, Andele Mandele, and Facebook Marketplace. These platforms do not protect the consumer from considered dangers in the survey; furthermore, if the transaction takes place remotely, there is a mutual distrust regarding "money or delivery first". Generally, consumers have the right to bring up a claim if received merchandise is incompliant with expectations, but usually, there is no written contract in place, there is a small chance to prove your case, and sometimes it is not worth the time and money. So, while 90% choose to purchase pre-owned goods, the market is still limited in many ways due to lack of protection and trust.

Banknote shop employs practices that solve above-mentioned limitations for the secondary market. The goods are bought from a legal entity, which is regulated much stricter than if goods are bought from a natural person. Goods bought will always have invoices or receipts that prove the transaction. Banknote shop conducts special training for employees in order that they are competent in checking the status of goods before they are put on the market. Furthermore, goods must pass the "anti-theft" process; consequently, consumers can be sure that goods acquired have a legitimate origin. A physical and online presence allows consumers to inspect the goods on place or order them if no branch is nearby. Consumers are entitled to return the goods within 14 days without any specific reason if they are bought in Banknote online shop. Last but not least, Banknote shop grants a 24-month guarantee for every purchase.

Besides the safety net that Banknote provides for consumers, it has a wide scope of product categories offered, except for apparel which is one of the most traded categories in the secondary market. Considering the above, Banknote shop has promising potential to become the first choice as a pre-owned goods retailer in Latvia.

Financials

In this section of the report, we are discussing the Group's financial drivers in greater detail, providing an overview of the key elements in its volumes, revenues, and expenses dynamics, as well as those affecting the Group's asset quality, efficiency ratios, and dividend policy. In order to assess the Group's potential performance, we have prepared projections for its balance sheet, income statement, and cash-flow statements for the 2021-2026 period, based on our assumptions for the key operational and financial indicators. We would like to notify that we have used the management's strategic goals and financial guidance figures as an indicative basis for our base case projections for the Group up until 2024. Given the Group's development and growth over the past ten years, and also assuming the successful execution of the planned upcoming IPO, we consider the management's financial guidance as a reasonably realistic scenario going forward. This scenario also assumes Latvia's macro background to remain supportive for overall economic development in the country as well as for the consumer finance sector.

Core Assumptions and the Management's Guidance

The Group has recorded a solid performance and growth track record since the establishment of the parent company back in 2009. By 2010, the respective company already operated a network of 50 pawnshops all over Latvia. Since that time, the Group has gone through several stages of restructuring and reorganisation of its operations. In addition, since 2013, the Group has successfully facilitated the regional bond market to finance its operations, arranging a total of six different bond issues until now, attracting funds from retail, corporate, and institutional investors from all the Baltic states as well as from other countries. Several bond issues of the Group have been traded on the Nasdaq Riga Stock Exchange since 2014. Given its continued growth and development plans, the Group entered the next stage of reorganisation, which has included the change of the name of its parent company to DelfinGroup AS last year, changing its legal status to a joint-stock company at the beginning of 2021, and the reorganisation of three of its subsidiaries, bringing all their functions under the parent company. Most importantly, the Group decided to go public by arranging an IPO and listing the shares on the Nasdaq Riga Main List in the second half of 2021. With the anticipated additional equity financing from the IPO, DelfinGroup aims to strengthen its position as a market leader and develop new and innovative consumer lending products for various social groups. With its new financial technology solutions, the Group plans to further develop its consumer lending business to compete even more successfully in the segment, including competition with traditional banks. The launch of the planned IPO process was first announced in March 2021.

In connection with the planned IPO, DelfinGroup has also published its financial targets in order to give guidance regarding the Group's ambitions concerning its financial performance. In July this year, the Group announced its longer-term financial targets for 2024, making certain assumptions on the additional funding to be raised in the planned IPO process. According to the management, the announced performance targets are based on the assumption that the Group manages to collect EUR 10-15m of additional capital in the IPO process. In August 2021, the initial set of 2024 financial targets was complemented by the additional guidance for 2022, representing interim performance targets that are in line with the management's vision for future growth and the previously set goals for 2024. The management's financial targets for 2022 and 2024 are summarised in the table.

Taking into account the financial targets of the Group and the upcoming IPO, we have prepared the projected financial statements and the valuation for the Group based on the following principal assumptions:

a. Our projections assume that, in the IPO process, the Group manages to attract new equity in the gross amount of at least EUR 12.5m, which represents the mid-value of the announced range of the expected IPO amount of EUR 10-15m.

b. Assuming the IPO process and the listing of shares on Nasdaq Riga will be successfully concluded, the Group has sufficient additional capital to implement its development strategy, and we consider the post-money financial guidance until 2024 presented by the management as reasonable and achievable.

c. Our financial projections and equity valuation of the Group are prepared on a post-money basis, including the above-mentioned expected proceeds from the IPO, which enables the Group to manage its funding structure more flexibly and reduce the average cost of debt financing.

Consumer Lending Operations

Over the past years, the Group has managed to rapidly expand its consumer lending volumes, although the growth is partly coming from the low base effect. The Group introduced more advanced consumer loan products and online operations quite recently. During the five-year period since the end of 2015, the Group's total gross loans and receivables (including pawn loans) have expanded at a CAGR of 37.8% to reach EUR 38.3m by the end of 2020. At the same time, the total net portfolio grew at a CAGR of 37.7% to EUR 34.7m. However, it should be noted that the growth was attributable primarily to consumer lending, while the pawn loan volumes remained relatively steady. The gross consumer loan amount rose at a CAGR of 47.6% during the five-year period to EUR 35.1m, with the total gross pawn loans increasing just 3.3% and stood at EUR 3.2m at the end of 2020. According to the Group's accounting principles, the mentioned gross amounts of loans and receivables include the accrued interest receivable, while the net volumes represent the gross amount minus the expected credit loss (ECL) allowances.

Since November 2020, non-bank consumer lending operations in Latvia have been somewhat disrupted by the second wave of the COVID-19 pandemic and related movement restrictions, limiting access to physical shops and other selling points. However, based on the information disclosed by the Group and other indications, the sale of new consumer and pawn loans have strongly recovered since the easing of movement restrictions this summer. Accordingly, following the relatively sluggish consumer loan dynamics recorded in H2 2020 and H1 2021, the recent improvements allow us to expect much stronger performance going forward. In its latest financial guidance of the Group until 2024, the management expects Latvia's total non-bank consumer lending market to grow c.a. 8% annually during their forecast period, and we consider this assumption as a

Management's guidance Indicator	2020 actual	2022 target	2024 target
Net loan portfolio (EURm)	34.6	51.0	70.0
EBITDA (EURm)	9.3	12.0	17.6
Pre-tax profit (EURm)	4.7	8.7	12.9
Cost-income Ratio (%)	57.2	<52	<45
ROE (%)	44.2	>30	>30
Cost of debt (%)	12.7	8	<8
Equity Ratio (x)	20.1	>27	>27
Dividend payout ratio (%)	164*	>50	>50

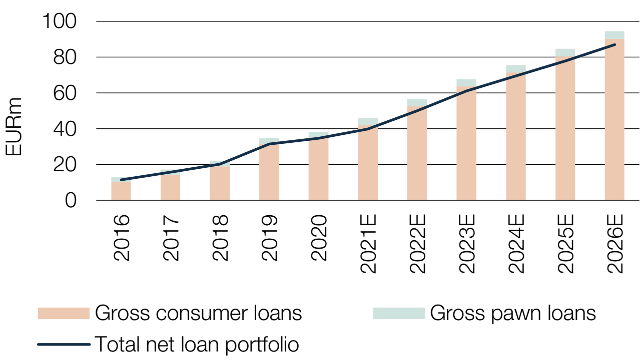
Source: DelfinGroup

** TTM dividends paid as of Q2 2021. The current ratio is temporarily high due to the postponement of dividend payments from H1 2020, related to uncertainty caused by the pandemic.*

reasonable level for the potential growth. As at the end of 2020, the Group's market share in the non-bank consumer lending segment reached nearly 10%, up from just 3.6% in 2016. Assuming the successful IPO, strengthened capital base, and further development of both offline and online sales channels, the Group expects to expand ahead of the overall market, increasing its market share to 17% by 2024. We acknowledge that such target presumes additional CapEx into IT developments, upgrading the branch network, as well as marketing expenses directed for the development of the Banknote and Vizia brands. We believe that, assuming the additional capital injection from the IPO, the Group has good preconditions to continue to expand its presence in the Latvian non-bank consumer lending market, and we have projected it to reach a market share of 16% by 2024. With such a scenario, the gross consumer loans of the Group could increase at a CAGR of c.a. 19% during the period from 2020 until 2024 to amount EUR 71m.

Regarding the Group's pawn loan volumes, the main near-term growth driver is the expected acquisition of AS Moda Kapitals' (hereafter referred to as 'Moda') pawn loan portfolio that was announced in August this year. According to the announcement from 26th August, the Group will acquire Moda's pawn portfolio at an approximate transaction price of EUR 0.95m; the exact contractual amount will be determined once the deal is completed at the end of 2021. Considering the indicative transaction price, at this stage, we expect the deal to add nearly EUR 1m to the Group's pawn loan portfolio, bringing it to nearly EUR 4m by the end of this year. Following the sale of its pawn portfolio to DelfinGroup, Moda will specialise in the mortgage and consumer loan segments. We anticipate the total pawn loan market in Latvia to continue relatively modest growth in the coming years, rising approximately in line with the CPI level of c.a. 2-3% annually during our forecast period. Currently, DelfinGroup is the market leader in Latvia in terms of the pawn lending segment, accounting for 36% of the total volume at the end of 2020, up from 26% back in 2016. Assuming the planned acquisition of Moda's pawn portfolio, we expect the market share of the Group to reach about 43% by the end of 2021, followed by slow improvement to c.a. 45% by 2024. Although the management expected the Group to control around 42% of the pawn loan segment by 2024, we assume the expected acquisition of Moda was not counted in the forecast. Overall, we projected the total pawn loan market to expand at a CAGR of 2.5% until 2024. Driven mostly by the predicted addition of Moda's pawn portfolio, the respective balance of the Group could grow at a CAGR of over 6%, with the gross amount of its pawn loans reaching EUR 4m by the end of 2024.

Loan portfolio development of DelfinGroup



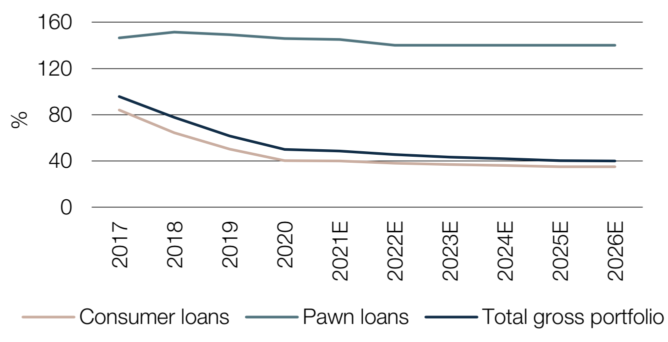
Source: DelfinGroup, LHV

Lending Rates

Over the past years, the average effective interest rates and the interest earning capacity of the Group's lending business have been impacted by different aspects, including the changes in market regulations, interest limitations, shifts in the product portfolio as well as the competitive environment. In general, the historical data for the last five years shows that the average effective interest on pawn loans have remained broadly stable, ranging between 146% and 152% annually, but the Group saw a considerable drop in terms of the average effective rate on consumer loans, coming down from over 92% in 2016 to around 40% by 2020. As discussed in the regulatory framework section of this report, the regulations for the maximum interest rate applicable to consumer credits have been significantly tightened since 2016, setting strict limitations to the daily total cost of credit to the consumer. According to the current regulations, effective since June 2019, in case maximally utilising all permitted regulatory limitations, the upper limit for the annualised effective interest rate for a single credit is c.a. 42%. However, please note that such limitations are not applied to pawn loans, for which similar monthly rates are normally offered for all customers, mostly determined by the competitive situation on the pawn loan market and could be adjusted based on the quality of the pledge offered or the client's credit history. Currently, the regular monthly interest charge for pawn loans is set at 15%.

Looking forward, we have projected the Group's average interest earned on consumer lending products to slightly decline further during our forecast period. The main factors potentially dragging down the average rates include: a) the rising presence and sales of DelfinGroup's consumer credit products through online channels, where competition is more intense compared to the branch network, both from domestic and international credit platforms; b) keeping in mind the Group's market share targets and growth ambitions, its online channels may need to attract more younger customers with higher net income level, who generally accept lower effective interest rates; c) we anticipate the weighted average term of consumer loans to increase in the coming years, while the longer loan period should additionally reduce the average rate levels. Nonetheless, we do not predict any sharp decline in rates, estimating the average effective rate on consumer credits to decline from c.a. 40% in 2020 to 35% by 2025, remaining steady thereafter. In terms of pawn loans, we projected the average effective annual rates to stabilise at about 140% from 2022.

Average effective interest rates on loans



Source: DelfinGroup, LHV

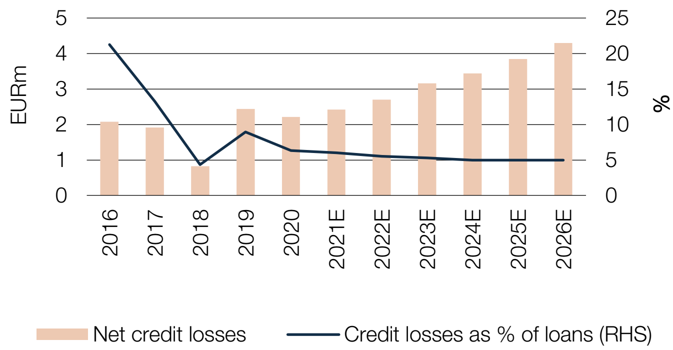
NPLs and Credit Losses

Similar to what is quite normal for the overall non-bank consumer credit market, DelfinGroup's credit products and services are targeted primarily to disadvantaged community groups in the financial and economic life. For example, such groups include retired people or people close to the retirement age, rural and small-town residents far away from the larger cities, underbanked and underserved customers with generally lower-than-average net income levels. Obviously, providing flexible financing for those customer groups is connected to much higher risks compared to the regular banking services, and the risks need to be accordingly compensated with higher interest rates. Although the share of customers of DelfinGroup with age below 30 years has nearly doubled over the last two years, rising to 10% as of 2020, a vast majority of the Group's customer base is still formed by people over 30 years of age, while nearly one-third of the total customers are over 64 years old, i.e. in their retirement age. However, according to the management, retired and older people are in practice generally more reliable and conscientious credit customers in comparison with the younger customer group. Nevertheless, the average cost of risk of the Group has been steadily high in the past, and we do not expect it to come down significantly going forward.

According to its accounting principles, DelfinGroup uses the expected credit loss (ECL) model for calculating and recognising the loan impairment losses. Essentially, the ECL model envisages a 'three stage' approach, which is based on the change in the credit quality of financial assets since initial recognition. The ECL is calculated as a function of the probability of default (PD), the exposure at default (EAD), and the loss given default (LGD), while the result is additionally adjusted for ceded loans. In practice, for Stage 1, the Group has to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets. Stage 2 requires adjusting the ECL for claims overdue >30 days but <90 days. Stage 3 classification is used when there is evidence that the claim is impaired and overdue for more than 90 days, capturing the ECL based on the full probability of default. DelfinGroup defines the non-performing loans (NPL) primarily based on the payment delay period, and the contract is deemed to be non-performing if payments are past due for more than 90 days, although some other factors are also considered in the process. Following the overdue period definition of NPLs, according to our calculations, DelfinGroup's rate of NPL to gross loans stood at 5.9% at the end of 2020, up from 5.1% a year earlier, but indicating some improvements compared to the 7.0-7.4% recorded in 2017-2018.

From 2020, the Group made changes in the presentation of credit loss expenses. Until 2019, credit losses were presented within selling expenses, whereas the losses on cessions were presented within interest and similar expenses, with effect from the reversal of allowance on ECLs for cessioned loans were presented under selling expenses. Starting from 2020, DelfinGroup presents credit loss expenses as a separate item in the income statement, reclassifying

Net credit losses and credit loss rate



Source: DelfinGroup, LHV

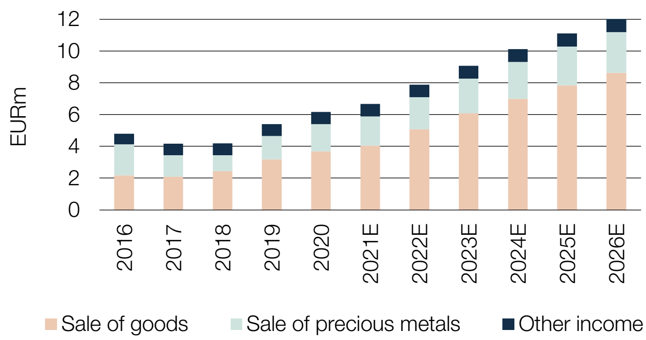
losses on cessions to other operating expenses, including the effect from the reversal of ECL allowances. As losses on cessions can be considered as credit losses, for a better presentation of financial information, we decided to present losses on cessions as part of credit loss expenses. DelfinGroup has signed a contract with a third party for the regular cession of overdue loans, normally collecting around two-thirds of the outstanding loan balance of such debtors. Although the average cost of risk for the Group, calculated as a percentage of net credit losses (including losses on cessions) to average gross loans, has fluctuated significantly over the recent years, the overall trend shows improvements in the average credit quality. In 2020, the annual net credit losses amounted to 6.3% of the average gross loan portfolio of the Group, and we project it to decline gradually to 5% by 2024, stabilising thereafter.

Sale of Pre-owned Goods

Following a setback recorded in 2016-2017, the sale of pre-owned goods of the Group has demonstrated an upward trend over the past three years, and we expect positive dynamics to continue going forward. DelfinGroup has good preconditions in place to further improve its position as an important reseller of pre-owned goods in Latvia. The retail business of pre-owned goods and jewellery operates under the brand Banknote. Over the past eleven years, Banknote has developed a network of 93 branches in 38 cities of Latvia so that the reseller points are available for a large audience across the country. Effectively, Banknote is the most geographically available financial services brand in the country, as it is present in every single populated area of Latvia with at least 4,000 inhabitants. In order to support the expansion of its sale of pre-owned goods, it launched an online shop in 2018, and this sales channel has been growing rapidly over the last two years. Further, the retail trade is additionally supported by the consumer credit product launched in 2020, Banknote Pirkumiem (in English: Banknote for Purchases), which essentially offers Point-of-Sale (POS) loans. The product gives an opportunity to receive a loan to purchase a product selected in a physical or online store of Banknote. The Banknote branches and online store generally receive the goods for sale from three primary sources: a) unredeemed pledges from pawn shops, b) purchases of goods and jewellery from walk-in customers; c) occasional wholesale purchases of certain goods from other second-hand retailers. In addition to a broad physical and online access to the pre-owned goods offered by the Group, compared to the person-to-person retail trade channels, Banknote's pre-owned goods trade should benefit from the fact that all transactions are subject to the same consumer protection regulations as the regular retail shops.

Starting from 2019, DelfinGroup breaks down its net sales by product groups, separating the sale of goods, the sale of precious metals, and other sales income, including mostly sales commissions,

Net sales development of DelfinGroup

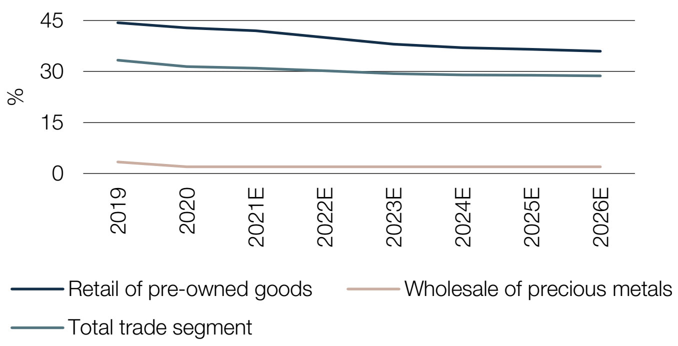


Source: DelfinGroup, LHV

storage fees, and other related revenues. Over the last three years till 2020, the total net sales growth has been primarily driven by the-sale of goods, rising at a CAGR of 20.8%, followed by the sale of precious metals and other revenues with the CAGR of 8.2% and 1.9%, respectively. Looking forward, we projected relatively fast growth to continue in terms of the sale of goods, posting a 5-year CAGR of c.a. 16%, backed by the development of both offline and online shops as well as growing usage of POS loans to finance the purchases. We predict a more modest expansion of precious metals' trade and other income, up c.a. 7% and 2% annually over the next five years. Overall, we estimate total net sales to exceed EUR 11m by 2025, corresponding to a 5-year CAGR of 12.5%.

The Group's pawn operations have a redemption rate, measured as a percentage of pledged items redeemed or extended within three months from issuance, broadly in line with the sector average at slightly over 70%. Please note that the average pawn loan is relatively small, amounting to only c.a. EUR 70. In 2020, DelfinGroup sold a total of over 157,000 items of pre-owned goods on the secondary market, while the total volume has increased by around 4% annually over the last two years. The gross margin on the sale of pre-owned goods has remained relatively steady in recent years, fluctuating at around 43-44%. In our projections, however, we estimate the respective gross margin to gradually decline in the coming years, which is mostly caused by the growing portion of pre-owned goods from walk-in customers, who might be less willing to give huge discounts to the prevailing market prices. Higher LTVs of unredeemed pledges from pawnshops and changes in the sales mix by product categories towards more widely traded goods with transparent market values are also playing a role. Overall, we anticipate the gross margin on retail trade of pre-owned goods to decline to 40% by 2022 and further to 37% by 2024. A significant portion of DelfinGroup's net sales is formed by wholesale of precious metals, mostly collected as unredeemed pledges of pawn loans and sold as scrap metal bars. Understandably, the gross margin of this trade segment is quite minimal, forming just about 2% in 2020, and we expect it to remain around a similar level in the coming years. Wholesale of precious metals comprises primarily gold, as silver forms just a marginal part of sales, according to the management.

Gross margins of trade segment by product type



Source: DelfinGroup, LHV

Debt Funding and Cost of Financing

DelfinGroup has a solid track record in successfully using bond markets as one of its core funding sources to finance lending operations and growth. Until today, the Group has placed a total of six different bond issues for a total amount of EUR 27m. The first issue was convened in November 2013 in the amount of EUR 5m with the term of 5 years, and the issue was listed on Nasdaq Baltic Bond List in March 2014. The second issue took place in March 2014, with the Group placing EUR 3.5m worth of bonds with the maturity in December 2020. The respective bond issues carried coupon rates of 14% and 15%, respectively, and have been fully repaid. Currently, there are four outstanding bond issues, with the latest issue of EUR 5m being placed in July this year, bearing an annual coupon rate of 9.75%. As at the end of H1 2021, the total nominal amount of three bond issues outstanding was EUR 13.5m, with EUR 10m bearing a coupon rate of 14% and the latest EUR 3.5m issue with the term of 2 years placed in September 2020 carrying a coupon rate of 12%. We are glad to see that the Group has managed to increase confidence among its debt investors during the period of bond issuance, and the coupon rates of the bonds have come down considerably since the first issue, reducing the cost of financing and contributing to the improving profitability of the Group. We expect DelfinGroup to continue to attract investors from the bond markets going forward, with a further decline in bond yields. Considering the anticipated pace of the loan portfolio expansion, we projected the total volume of outstanding bonds to reach EUR 20m by 2024 and EUR 26m by 2026, with the average effective interest rate coming down to 8% by 2024 and remaining steady thereafter.

DelfinGroup joined the global lending platform Mintos in February 2016. Since then, the Group has rapidly expanded the total financing attracted from the platform, effectively using a P2P lending setup. According to the Latvian legislation, a private person is not allowed to directly finance the personalised consumer loans applied for by Latvian private persons. Therefore, technically the lenders' counterparty on the Mintos platform is DelfinGroup, with the particular loan terms matching the specific loan agreement concluded by DelfinGroup with its customer. According to the Group, as at the end of 2020, the weighted average annual interest rate of the funds collected from the Mintos platform stood at 13.88%. Similar to the bond rates, the average effective interest rates of Mintos funding are expected to gradually decline in the coming years, estimated to drop to 9% by 2022 and 8% by 2024, broadly stabilising thereafter. Although we projected the total amount of Mintos financing to temporarily decline in 2021, partly due to the usage of additional equity collected from the planned IPO, the respective volumes might start to rise again from 2022 in relation to the estimated expansion of the Group's credit portfolio.

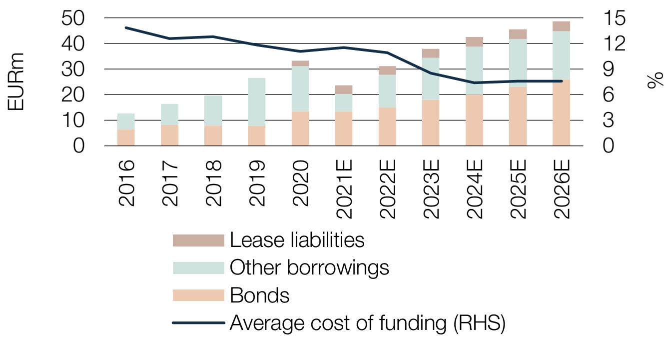
In addition to the bonds and Mintos borrowings outstanding, DelfinGroup books a certain amount of finance lease liabilities, primarily connected to the IFRS 16 implementation from 2019 and reflecting the funding of the respective right-of-use assets. The average effective interest rate of such liabilities is approximately 6.5-7.0%. We predicted the lease liabilities to remain broadly steady going forward,

List of bond issues of the Company	Initial amount EURm	Issued	Maturity	Coupon %	Secured	Listing
Bond issue 1	5.0	Nov 2013	Nov 2018	14.0	Comm. pledge	Nasdaq Main List
Bond issue 2	3.5	Mar 2014	Dec 2020	15.0	Comm. pledge	Nasdaq Main List
Bond issue 3	5.0	Oct 2016	Oct 2021	14.0	Comm. pledge	Nasdaq First North
Bond issue 4	5.0	Nov 2019	Nov 2022	14.0	Comm. pledge	Nasdaq First North
Bond issue 5	3.5	Sep 2020	Nov 2022	12.0	Not secured	No
Bond issue 6	5.0	July 2021	Aug 2023	9.75	Not secured	No

Source: DelfinGroup

with the average interest charge also maintaining at a similar level. As a result of more favourable bond yields and Mintos funding rates going forward, we project the weighted average cost of interest-bearing liabilities to decrease gradually to below 8% by 2024, though remaining broadly steady in the following periods.

Interest bearing liabilities and cost of financing

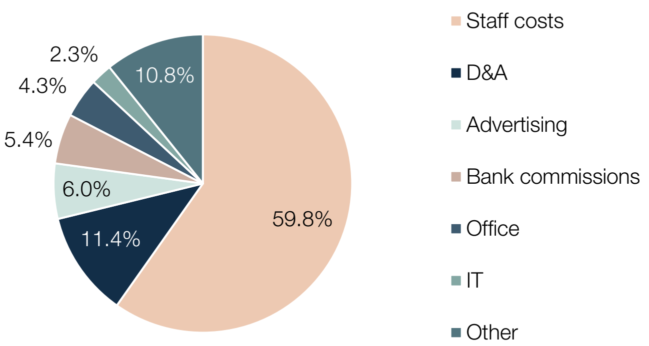


Source: DelfinGroup, LHV

Cost Base

Apart from cost of goods sold, interest and similar expenses as well as other operating expenses, the largest cost group of DelfinGroup is selling expenses, followed by administrative costs. Both selling and administrative costs are dominated by staff expenses, including salaries and social taxes. In 2020, staff-related costs accounted for nearly 60% of the total combined operating expenses of the Group, forming EUR 5.5m. As of 2020, the Group employed 279 people, slightly up from 272 a year earlier, while a large portion of the headcount is engaged in the wide branch network. The second-largest cost item represents the depreciation and amortisation of assets, including depreciation of the right-of-use assets booked according to IFRS 16 since 2019, formerly accounted for mostly under rental expenses. Other notable operating cost items include advertising expenses, bank commissions, general office expenses, and IT and communication expenses. Following c.a. 7-8% annual growth in total operating expenses during 2017-2019, the Group managed to keep operating costs steady in 2020, inching up just 0.5% y-o-y to EUR 9.2m.

DelfinGroup operating cost structure 2020

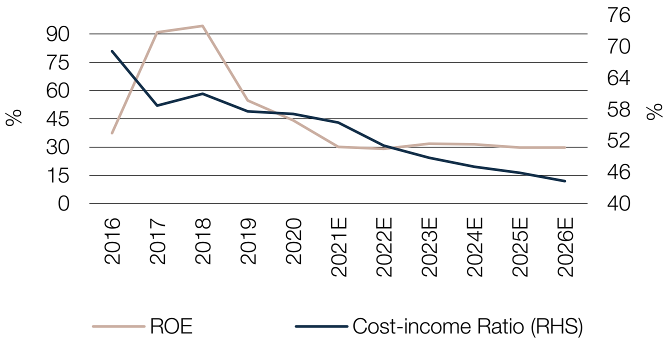


Source: DelfinGroup

Profitability

As DelfinGroup managed to increase its revenue streams ahead of operating expenses in recent years, it has gradually improved its operating efficiency and profitability indicators. DelfinGroup calculates the Cost-Income Ratio as follows: Cost-Income Ratio (CIR) = (Selling expenses + Administrative expenses + Other operating expenses)/(Net sales – Cost of sales + Interest and similar income – Interest and similar expenses + Other operating expenses). Assuming the completion of the planned upcoming IPO, we project DelfinGroup's CIR to decline from 57% in 2020 to below 52% by 2022, partly driven by stronger economies of scale and a decline in average cost of financing, in line with the management's guidance, though it may not quite reach the level of <45% by 2024 yet, as anticipated by the Group, with our projection currently standing at 47%. In case the Group raises up to EUR 15m of new equity in the process of the upcoming IPO, DelfinGroup may find itself temporarily overcapitalised, which may lead to lower than hoped ROE figures in the next couple of years, depending on the dividend policy and use of proceeds from the IPO. In general, however, assuming the expansion of lending volumes goes broadly according to the plan, and the Group continues with its relatively generous dividend payments, we believe it should be able to maintain ROE hovering around or above the projected 30% level in the coming years.

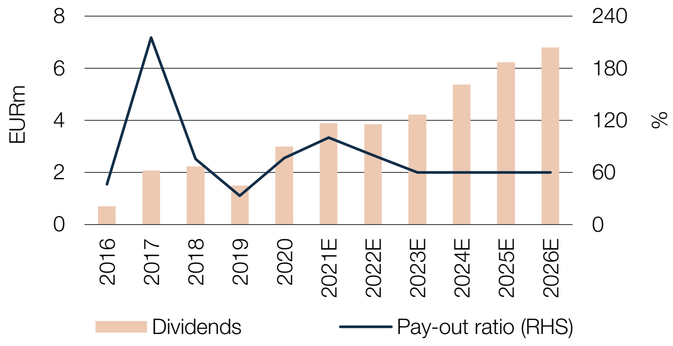
Cost-Income Ratio and ROE



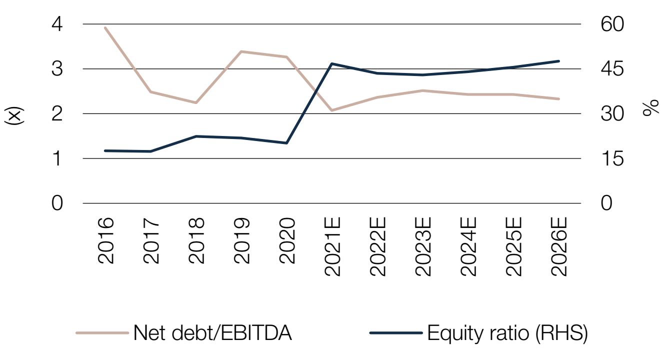
Source: DelfinGroup, LHV

Dividend Policy and Leverage

In September 2020, DelfinGroup announced its new dividend policy, envisaging quarterly dividend payments, subject to certain conditions and limitations. According to the new dividend policy, DelfinGroup plans to pay up to 50% of its quarterly consolidated net profits as dividends, normally paid out by the end of the following quarter. In addition to the quarterly dividends, the Group plans to pay additional annual dividends each year, aiming at least a 50% payout ratio from the consolidated profits together with preceding quarterly payments, taking into account the financial conditions of the Group and ensuring the optimal capital structure to maintain sustainable operations. The current official dividend policy describes that the optimal capital structure is ensured if the consolidated equity ratio to the total assets of the Group is at least 20%. However, the recent announcements concerning the management guidance for 2022 and 2024 presume the equity ratio to be kept above 27%. According to our projections, we believe the Group is able to conservatively keep the equity ratio above 40% throughout our forecast period, despite the estimated payout ratios exceeding 50%. Such capital structure should ensure reasonable risk assessments from the debt investors point of view and enables the Group to reduce the average cost of financing down to the levels set in the management's financial guidance. In case DelfinGroup manages to achieve a reputable position in the regional debt markets and ensure attractive financing yields, it may decide to increase the dividend payments, further enhancing the core attraction of the Group's investment case. In connection with the Group's outstanding bond issues, there are certain leverage covenants in place which might limit the dividend payments. However, at this stage, DelfinGroup comfortably meets all the requirements, and the financing position is predicted to get even more relaxed following the planned IPO.



Source: DelfinGroup, LHV
* Estimated annual figures are based on rolling 4 quarters announced dividends



Source: DelfinGroup, LHV

Valuation

In this section, we discuss our assumptions and approach in deriving the fair equity value range of the Group. We have approached the valuation of DelfinGroup using a combination of the income and market approaches. For the income approach, we used three different models: 1) Discounted Cash Flow to Equity, 2) the Residual Income Model, and 3) the modified Gordon Growth Model (GGM), which essentially derives the fair P/B ratio based valuation for the company. For the market approach, we used a peer group valuation, which considers several peer group trading multiples for 2021-2023E and applies the peer group average valuation multiples to the respective financials for the Group. In terms of the peer group, in addition to P/E and Dividend Yield comparison, we pay attention to a correlation between ROE and P/B values for the selected peers, which is quite a common approach for the financial sector companies. Our valuation for the Group is calculated on a post-money basis as at the end of 2021, assuming the successful completion of the planned IPO and including the expected proceeds in the Group's balance sheet.

Discounted Cash Flow

The free cash flow to equity (FCFE) is calculated as the net profit, adjusted for CapEx, working capital investments, and depreciation and amortisation. Considering DelfinGroup as a company with relatively strong growth profile throughout our forecast period, we decided to use a three-step DCF model, which includes a five-year forecast period, followed by a three-year transition period, when all elements of the Group's cash flows gradually approach those applied for the terminal period. Main assumptions for the cost of capital calculations used in our DCF models, such as the normalised long term risk-free rate, sector betas, and equity risk premium, are sourced from the "2017 Valuation Handbook – International Industry Cost of Capital" published by Duff & Phelps. The country risk premium is based on a ratings-based default spread sourced from Damodaran database. Also, the additional company-specific risk premium is applied to capture operational risks. Below are the main assumptions used for the DCF:

- **DCF model** – a three-step DCF model, which includes a five-year forecast period, followed by a three-year transition period and terminal value calculations.
- **Risk-Free Rate** - we used a risk-free rate of 2.5% based on a normalised long-term forecast.
- **Market Risk Premium** - we considered a long-term normalised equity risk premium of 5.1% in our calculations.
- **Levered Beta** - we used a peer group median unlevered Vasicek Adjusted five-year beta of 0.74 to calculate levered beta of 1.63 for DelfinGroup, based on an average debt-to-equity ratio of 1.20x and a tax rate of 0%.
- **Country Risk Premium** – we decided to base our country risk premium on where the revenues are generated. As all of the Group's activities are performed in Latvia, we used that country's default spread of 1.16% as the Group's country risk premium.
- **Company-Specific Risk Premium** - considering the relatively small size of the company, non-existent liquidity of its shares prior to the IPO, and the characteristics of its business model involving mostly high-rate consumer credit operations, we applied a company-specific risk premium of 3.5%.
- **Tax rate** - starting from 2018, Latvian corporate taxation has been changed and, instead of earned profits, only distributions (such as dividends) are taxed. Therefore, interest expenses do not provide any tax shield, and we applied an effective tax rate of 0% for the cost of capital calculations. For the free cash flows, we calculated expected tax costs based on forecasted dividends during the forecast period.
- **CAPEX** – taking into account the nature of the business of DelfinGroup, we decided not to count for the issuance of loans as well as the issuance and repayment of debt facilities when calculating the free cash flow to equity, as we assume them to broadly offset each other during the normal business development process.

Based on these assumptions, we calculated a DCF-based value of the Group's total equity of EUR 87m.

DCF Assumptions:	
Risk free rate	2.50%
Market risk premium	5.10%
Levered Beta	1.63
Country Risk Premium	1.16%
Add.comp.risk premium	3.50%
Cost of equity	**15.47%**
Terminal sales growth	2.5%
Terminal EBT margin	30.0%

Source: LHV

Residual Income Model

The Residual Income Model (RIM) calculates the company's "extra" return on equity, i.e. the return the company is generating in excess of the required rate of return, in this case, the Cost of Equity (CoE). We are using a two-step model, including a five-year forecast period and terminal value calculations. The discounted values of residual income are then added to the beginning equity value of the Group

DCF valuation, EURm	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Term
EBT	8.0	10.0	11.8	12.9	14.8	15.7	16.5	16.9	17.1
Taxes	(1.0)	(1.1)	(1.3)	(1.6)	(1.7)	(1.8)	(1.9)	(2.0)	(2.1)
Non-cash charges	1.2	1.2	1.4	1.4	1.5	1.7	1.8	1.8	1.9
Capex	(1.6)	(1.9)	(1.7)	(1.8)	(2.0)	(2.2)	(2.3)	(2.4)	(2.4)
Change in NWC	(0.1)	0.1	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)
FCFE	**6.6**	**8.4**	**10.0**	**10.9**	**12.6**	**13.4**	**13.9**	**14.3**	**14.4**
Discounted FCFE	6.1	6.8	7.0	6.6	6.6	6.1	5.5	4.9	37.8
Equity value									**87.2**

Source: LHV

dated as at the end of 2021. For DelfinGroup, we used the CoE of 15.5%, same as for the DCF model, based on the capital asset pricing model ('CAPM'). Main assumptions for the CoE calculations used in our RIM and GGM models are the same as in our DCF valuation for the Group.

Based on our RIM calculations, we derived the total equity value of the Group at EUR 66m.

Gordon Growth Model

The GGM based fair P/B model calculates a company's appropriate P/B ratio using the following formula: P/B= (ROE-g)/(COE-g). Although this method is commonly used to value banking stocks, considering the nature of the Group's core operations, we believe this approach could be reasonable as one indication for the potential value of this entity. For this approach, we are also using a two-step model, which includes a five-year forecast period and terminal value calculations at the end of the fifth year. In order to calculate the fair P/B valuation, we use the estimated long-term normalised ROE level. Following the planned IPO, the Group might be temporarily over-capitalised, putting downward pressure on ROE, though the capital level should normalise again by 2023 at the latest, partly depending on the dividend policy approach used in the near to medium term.

We used the following base assumptions for the GGM approach:

- **Return on Equity** – We assumed the long-term normalised ROE of 30%.
- **Cost of Equity** – CoE is used the same as for the DCF and RIM approach at 15.5%.
- **Terminal growth** – The long-term growth rate (g) is considered to be 2.5%, the same as for the DCF and RIM approaches.
- **Dividends** – From 2021, DelfinGroup started to pay quarterly dividends, and it is expected to retain relatively high dividend payments throughout our forecast period, supported by the solid capital base after the planned IPO, respectable ROE levels, and improving profit margins driven by the economies of scale and declining cost of debt financing.

In sum, this modified GGM indicates the total equity value of the Group at c.a. EUR 70m.

Peer Valuation

For the peer valuation, we compiled a list of different companies, mostly specialising in consumer loans and pawnshop operations with different sizes. Due to the small number of comparable listed companies available from Europe, we added few names also from the US for broader comparison, as there seem to be no major deviations in average trading multiples between the companies in the same consumer credit segment, while some companies are even active globally over electronic channels, therefore widening the competitive landscape. We decided to use the peer group median values as a basis for the comparative analysis of DelfinGroup, but we are applying an additional company size, and liquidity discount of 10% to all peer group derived market multiples. As we are not certain about EBITDA calculation principles being fully comparable for all companies in our peer group, we are not using EBITDA based market multiples for peer analysis of DelfinGroup at this stage to avoid any accounting errors in the comparable data. As mentioned earlier, a quite common approach in valuing financial stocks is to follow

Residual Income Model (EURm)	2022E	2023E	2024E	2025E	2026E	Term
ROE (%)	29.0	31.8	31.4	29.7	29.8	30.0
Cost of Equity (%)	15.5	15.5	15.5	15.5	15.5	15.5
Residual Income Yield (%)	13.5	16.3	16.0	14.2	14.4	14.5
Total Equity (eop)	25.9	30.6	35.6	40.7	47.0	
Residual Income (RI=Equity*RI %)	3.3	4.6	5.3	5.4	6.3	49.8
Discounted Residual Income	**3.1**	**3.7**	**3.7**	**3.3**	**3.3**	**26.0**
Sum of PV of RI						43.1
Opening Equity						22.7
Equity Value						**65.7**

Source: LHV

Fair P/B Model (Gordon Growth Approach, EURm)		2022E	2023E	2024E	2025E	2026E
Long-term normalised ROE (%)	30.0					
Cost of Equity (%)	15.5					
Long-term growth rate (%)	2.5					
Fair P/B=(ROE-g)/COE-g)	**2.12**					
Total Equity (end of period)		25.9	30.6	35.6	40.7	47.0
Fair terminal P/BV						2.12
Terminal Value (based on fair P/BV)						99.6
Dividends Distributed		3.8	4.2	5.4	6.2	6.8
PV of dividends + TV		**3.6**	**3.4**	**3.8**	**3.8**	**55.7**
Equity Value	**70.2**					

Source: LHV

the correlation between ROE and P/B values to find a reasonable market-driven fair P/B ratio for a company under consideration. The data for our peer group indicates a reasonably strong correlation between the estimated ROE and P/B values for each year, with R^2 correlation coefficients ranging from 0.5 to 0.6 for the 2022-2023 period. We calculated the respective correlation implied fair P/B ratios for DelfinGroup, considering the Group's estimated ROEs in the coming years, but discounting them similarly to other peer group implied multiples. In addition to ROE and P/B correlations, we also considered the peer median P/E multiples and Dividend Yield data for 2021-2023E. Taking into account the anticipated relatively strong forecasted expansion rates of the Group's operating volumes and profits in coming years, we decided to apply different time weightings to the implied equity values derived from the peer group data, giving only 20% weight to 2021 and 40% to both 2022 and 2023 estimated values. Looking at 2021-2023E data, the implied equity value of DelfinGroup ranges widely between EUR 64-241m.

Company	Bloomberg ticker	Market Cap	P/E (x)			Dividend Yield (%)			P/B (x)		
		EURm	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
GOEASY LTD	GSY CN Equity	2,218	19.1	16.2	13.7	1.3	1.6	1.8	4.0	3.4	2.9
GRUPPO MUTUIONLINE SPA	MOL IM Equity	2,112	35.3	31.2	28.3	0.8	0.8	0.9	7.7	6.7	5.8
PROVIDENT FINANCIAL PLC	PFG LN Equity	1,058	32.0	11.2	9.5	0.4	3.6	5.1	1.5	1.4	1.2
RESURS HOLDING AB	RESURS SS Equity	874	9.2	8.4	7.5	9.9	7.6	8.3	1.2	1.1	1.0
OPORTUN FINANCIAL CORP	OPRT US Equity	604	13.5	10.3	9.6				1.5	1.4	1.2
REGIONAL MANAGEMENT CORP	RM US Equity	505	8.2	11.1	10.2	1.7	1.7	1.7	2.0	1.8	1.6
INTERNATIONAL PERSONAL FINAN	IPF LN Equity	377	8.9	7.3	5.1	3.8	4.9	7.4			
H&T GROUP PLC	HAT LN Equity	135	14.9	8.8	7.9	3.2	4.2	4.9	0.8	0.8	0.7
ELEVATE CREDIT INC	ELVT US Equity	99	350.0	6.0					0.9	0.7	
RAMSDENS HOLDINGS PLC	RFX LN Equity	65	65.4	12.0		0.7	3.3				
Median (Excluding outliers)			14.9	10.7	9.5	1.5	3.4	4.9	1.5	1.4	1.2
Average (Excluding outliers)			22.9	12.3	11.5	2.7	3.5	4.3	2.4	2.1	2.1
Quartile 1			10.3	8.5	7.8	0.7	1.7	1.8	1.1	1.0	1.1
Quartile 3			34.5	11.8	11.1	3.4	4.4	6.3	2.5	2.2	2.2
Company size discount applied	10%										
Respective financial result of Delfin (EURm)			4.8	7.0	9.0	3.9	3.8	4.2	22.7	25.9	30.6
Estimated ROE for Delfin (%)											
P/B and ROE correlation Implied P/B (x)											
Implied equity value based on Median (EURm)			**64.6**	**67.9**	**76.7**	**241.4**	**101.6**	**78.1**			

Source: Bloomberg, LHV

Company...continued	Bloomberg ticker	Market Cap		ROE (%)	
		EURm	2021E	2022E	2023E
GOEASY LTD	GSY CN Equity	2,218	27.3	23.3	23.1
GRUPPO MUTUIONLINE SPA	MOL IM Equity	2,112	20.7	21.0	20.1
PROVIDENT FINANCIAL PLC	PFG LN Equity	1,058	4.3	12.9	14.6
RESURS HOLDING AB	RESURS SS Equity	874	12.5	13.4	14.3
OPORTUN FINANCIAL CORP	OPRT US Equity	604	9.1	12.2	12.5
REGIONAL MANAGEMENT CORP	RM US Equity	505	26.1	16.3	16.1
INTERNATIONAL PERSONAL FINAN	IPF LN Equity	377	11.6	13.7	18.1
H&T GROUP PLC	HAT LN Equity	135	6.9	8.9	10.3
ELEVATE CREDIT INC	ELVT US Equity	99	(1.0)	12.0	
RAMSDENS HOLDINGS PLC	RFX LN Equity	65			
Median (Excluding outliers)			11.6	13.4	15.4
Average (Excluding outliers)			13.0	14.8	16.1
Quartile 1			6.9	12.2	13.8
Quartile 3			20.7	16.3	18.6
Company size discount applied	10%				
Respective financial result of Delfin (EURm)					
Estimated ROE for Delfin (%)			30.1	29.0	31.8
P/B and ROE correlation Implied P/B (x)			4.6	6.2	6.2
Implied equity value based on Median (EURm)			**103.2**	**161.3**	**188.3**

Source: Bloomberg, LHV

Valuation Summary

Finally, in valuing the equity of DelfinGroup, we have used the weighted average of values derived from the DCF, RIM, GGM, and the peer group data (P/E, Dividend Yield, and ROE&P/B correlation), applying different weights to each method. Given the attractive growth and profitability characteristics of the Group as well as a limited number of fully comparable listed peers, we see the income approach as more suited for the valuation of DelfinGroup and assigned a total of 80% weight combined to different income approach metrics in the total value, leaving the peer valuation weight at 20%, including a 10% weight for P/E comparison and 5% each of the peer Dividend Yield and P/B&ROE correlation methods. In terms of income approach methods, we decided to focus more on the DCF and assigned a 50% weight to the respective value derived from our DCF model, leaving the RIM and GGM with 15% weight each in the total value. Overall, based on our current projections for DelfinGroup and other assumptions, we decided to set our fair value range (FVR) for the Group's total equity at EUR 80-90m. Using the mid-point of our FVR and our forecasts for 2022, the Group would be valued at the following 2022E multiples: P/E – 12.1x, P/B – 3.3x, and EV/EBITDA – 8.7x, with the respective ratios declining to 9.5x, 2.8x, and 7.5x by 2023E. DelfinGroup plans to retain hefty dividend payments in the coming years, and even based on relatively modest dividend expectations without fully utilising its dividend capacity following the IPO, the Group is anticipated to offer decent annual dividend yields of 4-5% over the next two years, with potentially higher levels thereafter.

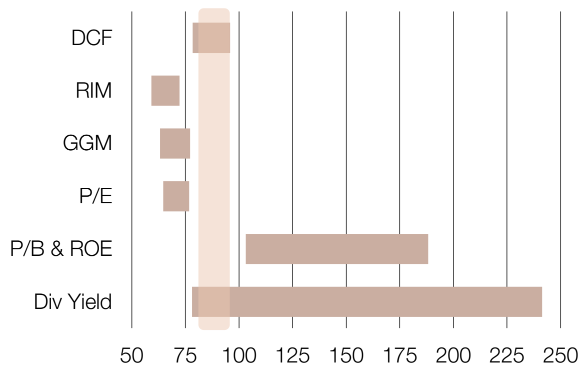
We believe that the core attraction of the investment case of DelfinGroup is its leading market position in the Latvian competitive non-bank consumer credit market, enabling it to utilise sufficient economies of scale, while the expected additional equity from the IPO strengthens the capital base, helping to bring down the average cost of debt financing and providing funds for investments into IT and new product developments. The Group has the largest branch network in the country in the financial sector, giving convenient access to Latvia's underserved and disadvantaged lower-income customer segments, who often need quick and flexible financing solutions. At the same time, with its expanding trade of pre-owned goods, the Group supports a sustainable way of life and creates an infrastructure for environmentally friendly reuse of several groups of consumer goods. The Group has a good track record in maintaining attractive profitability and dividend capacity despite directing sufficient funds into a continuous expansion of its overall credit portfolio while also keeping adequate credit quality. In sum, we believe that profitable growth along with appealing dividend yields would be the core of the respective investment case while taking flexible consumer credit solutions to the next level. The key risk factors to our valuation include slower than projected growth in consumer lending volumes and potential deterioration of the credit quality.

Sensitivity of mid-point of FVR to main assumptions (EURm)

Terminal growth rate	Cost of Equity						
	14.0%	14.5%	15.0%	15.5%	16.0%	16.5%	17.0%
1.6%	91.3	88.2	85.5	82.9	80.5	78.3	76.2
1.9%	92.2	89.1	86.2	83.6	81.1	78.8	76.7
2.2%	93.2	90.0	87.0	84.3	81.8	79.4	77.2
2.5%	94.3	91.0	87.9	85.1	82.5	80.1	77.8
2.8%	95.4	92.0	88.8	85.9	83.2	80.7	78.4
3.1%	96.6	93.0	89.7	86.7	83.9	81.4	79.0
3.4%	97.8	94.1	90.7	87.6	84.7	82.1	79.6

Source: LHV

LHV Fair Value Range: EUR 80-90m*



* As of 21st Sep 2021

Weighted Value, EURm	Period weights			Period weighted value	Weights	Contribution to value
	2021E	2022E	2023E			
Method	**20%**	**40%**	**40%**			
Dividend Yield	241.4	101.6	78.1	120.2	5%	6.0
P/B & ROE	103.2	161.3	188.3	160.5	5%	8.0
P/E	64.6	67.9	76.7	70.8	10%	7.1
RIM				65.7	15%	9.9
GGM				70.2	15%	10.5
DCF				87.2	50%	43.6
Total weighted value					**100%**	**85.1**

Source: LHV

Financial Tables

Income Statement (EURm)	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Net turnover	4.80	4.16	4.19	5.40	6.16	6.66	7.87	9.06	10.12	11.12
Cost of sales	(3.45)	(2.75)	(2.66)	(3.60)	(4.22)	(4.60)	(5.49)	(6.40)	(7.19)	(7.90)
Interest and similar income	10.63	13.86	14.66	16.77	17.50	19.63	22.37	25.88	28.75	31.04
Interest and similar expenses	(1.40)	(1.82)	(2.30)	(2.85)	(3.49)	(3.36)	(3.00)	(2.94)	(3.15)	(3.45)
Credit loss expenses	(2.08)	(1.92)	(0.82)	(2.44)	(2.21)	(2.42)	(2.70)	(3.16)	(3.44)	(3.84)
Gross profit	**8.50**	**11.54**	**13.07**	**13.28**	**13.74**	**15.92**	**19.05**	**22.44**	**25.10**	**26.96**
Selling expense	(5.22)	(5.43)	(5.60)	(5.43)	(5.43)	(6.05)	(6.65)	(7.51)	(8.16)	(8.64)
Administrative expense	(2.01)	(2.29)	(2.77)	(3.49)	(3.54)	(3.94)	(4.23)	(4.72)	(4.98)	(5.19)
Other operating income	0.04	0.04	0.08	0.09	0.07	0.09	0.11	0.12	0.14	0.15
Other operating expense	(0.11)	(0.21)	(0.15)	(0.20)	(0.19)	(0.24)	(0.27)	(0.31)	(0.35)	(0.38)
Operating profit	**1.20**	**3.65**	**4.63**	**4.26**	**4.65**	**5.79**	**8.00**	**10.02**	**11.75**	**12.90**
Profit before tax	**1.20**	**3.65**	**4.63**	**4.26**	**4.65**	**5.79**	**8.00**	**10.02**	**11.75**	**12.90**
Corporate income tax (incl. deferred)	(0.24)	(0.70)	(0.08)	(0.35)	(0.75)	(0.97)	(0.96)	(1.06)	(1.34)	(1.56)
Net profit for the period	**0.96**	**2.95**	**4.55**	**3.91**	**3.90**	**4.81**	**7.04**	**8.96**	**10.41**	**11.34**
D&A	(0.23)	(0.21)	(0.25)	(0.99)	(1.04)	(1.18)	(1.21)	(1.23)	(1.35)	(1.44)
EBITDA	**2.83**	**5.68**	**7.17**	**8.10**	**9.19**	**10.32**	**12.21**	**14.19**	**16.25**	**17.79**

Source: DelfinGroup for historicals, LHV for estimates

Balance Sheet (EURm)	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Intangible assets	0.17	0.36	0.37	0.35	0.31	0.30	0.30	0.32	0.34	0.37
Property, plant and equipment	0.41	0.25	0.23	2.39	3.72	3.94	4.33	4.93	5.23	5.58
Non-current financial assets	2.33	3.21	4.56	10.00	18.19	21.91	30.00	36.66	41.64	46.69
Investments in associates	-	0.55	-	0.12	-	-	-	-	-	-
Loans & receivables	0.96	1.91	3.49	8.86	17.71	21.91	30.00	36.66	41.64	46.69
Loans to shareholders and management	1.22	0.75	1.07	1.02	0.47	-	-	-	-	-
Other non-current receivables	0.15	-	-	-	-	-	-	-	-	-
Total non-current assets	**2.91**	**3.81**	**5.17**	**12.74**	**22.22**	**26.15**	**34.63**	**41.91**	**47.21**	**52.64**
Inventories	0.70	0.68	0.85	1.16	1.53	1.45	1.65	1.75	1.97	2.17
Loans & receivables	10.59	13.93	16.66	22.69	16.96	17.92	20.00	24.44	27.76	31.13
Receivables from related parties	0.17	0.00	0.20	0.17	-	-	-	-	-	-
Loans to related companies	-	-	-	0.00	-	-	-	-	-	-
Deferred expenses	0.09	0.07	0.07	0.11	0.28	0.30	0.33	0.37	0.39	0.41
Other receivables	0.25	0.60	0.23	0.28	0.37	0.40	0.47	0.54	0.61	0.67
Cash and cash equivalents	1.28	2.22	3.49	1.14	4.59	2.30	2.40	2.21	3.11	2.36
Total current assets	**13.08**	**17.51**	**21.50**	**25.53**	**23.74**	**22.37**	**24.86**	**29.31**	**33.83**	**36.73**
Total Assets	**15.99**	**21.32**	**26.67**	**38.27**	**45.96**	**48.52**	**59.49**	**71.23**	**81.04**	**89.37**
Share capital and reserves	1.50	1.50	1.50	1.50	4.00	16.50	16.74	17.09	17.09	17.09
Retained earnings	0.35	0.23	0.40	2.95	1.35	1.35	2.08	4.54	8.12	12.29
Profit for the reporting year	0.96	1.96	4.06	3.91	3.90	4.81	7.04	8.96	10.41	11.34
Total equity	**2.81**	**3.69**	**5.95**	**8.37**	**9.25**	**22.67**	**25.85**	**30.59**	**35.62**	**40.71**
Bonds issued	5.21	7.05	6.19	6.06	8.44	4.98	9.95	14.93	17.91	20.90
Other borrowings	1.29	1.44	1.00	5.58	6.82	3.82	5.82	6.32	7.32	7.32
Finance lease liabilities	-	-	-	1.54	2.73	2.76	2.81	2.86	2.91	2.96
Total non-current liabilities	**6.51**	**8.50**	**7.19**	**13.17**	**17.99**	**11.55**	**18.58**	**24.10**	**28.14**	**31.17**

Balance Sheet (EURm)...continued	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Bonds issued	1.02	1.01	1.72	1.76	5.02	8.52	5.03	3.02	2.01	2.01
Other borrowings	4.85	6.83	10.64	13.04	10.87	2.87	6.87	10.00	11.50	11.50
Finance lease liabilities	-	-	-	0.59	0.70	0.71	0.75	0.79	0.83	0.87
Trade payables	0.27	0.33	0.40	0.50	0.70	0.60	0.67	0.77	0.84	0.89
Payables to related companies	0.00	0.05	0.00	0.00	-	-	-	-	-	-
Taxes and social insurance	0.08	0.40	0.20	0.24	0.82	0.90	0.98	1.10	1.18	1.24
Accrued liabilities	0.46	0.50	0.56	0.59	0.60	0.70	0.76	0.86	0.92	0.97
Total current liabilities	**6.68**	**9.13**	**13.52**	**16.73**	**18.72**	**14.30**	**15.06**	**16.53**	**17.28**	**17.49**
Total liabilities	**13.19**	**17.63**	**20.71**	**29.90**	**36.71**	**25.86**	**33.64**	**40.63**	**45.42**	**48.66**
Total Equity and Liabilities	**15.99**	**21.32**	**26.67**	**38.27**	**45.96**	**48.52**	**59.49**	**71.23**	**81.04**	**89.37**

Source: DelfinGroup for historicals, LHV for estimates

Cash Flow Statement (EURm)	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Profit before tax	1.20	3.65	4.63	4.26	4.65	5.79	8.00	10.02	11.75	12.90
Adjustments for:										
- Amortisation and depreciation	0.23	0.21	0.25	0.99	1.04	1.18	1.21	1.23	1.35	1.44
- Change in loans and receivables	(7.07)	(6.39)	(4.69)	(11.58)	(2.86)	(5.15)	(10.18)	(11.10)	(8.29)	(8.43)
- Change in inventories	0.52	0.01	(0.24)	(0.31)	(0.38)	0.09	(0.21)	(0.10)	(0.21)	(0.20)
- Change in payables and accrued liabilties	0.07	0.10	0.24	(1.21)	0.26	0.08	0.22	0.31	0.21	0.17
- Other adjustments	1.88	1.72	0.78	1.73	(0.47)	(0.05)	(0.10)	(0.11)	(0.09)	(0.08)
Cash generated from operations, gross	**(3.17)**	**(0.69)**	**0.97**	**(6.12)**	**2.26**	**1.93**	**(1.05)**	**0.25**	**4.72**	**5.80**
Corporate income tax paid	(0.22)	(0.25)	(0.37)	(0.08)	(0.35)	(0.97)	(0.96)	(1.06)	(1.34)	(1.56)
Net cash flows from operating activities	**(3.39)**	**(0.94)**	**0.60**	**(6.20)**	**1.91**	**0.96**	**(2.02)**	**(0.81)**	**3.38**	**4.23**
Purchase of intangible assets and PPE, net	(0.17)	(0.14)	(0.20)	(0.75)	(1.53)	(1.39)	(1.60)	(1.85)	(1.67)	(1.81)
Other Investments, net	0.11	0.14	0.03	(0.03)	0.83	0.47	-	-	-	-
Net cash flows from investing activities	**(0.06)**	**(0.00)**	**(0.18)**	**(0.78)**	**(0.70)**	**(0.92)**	**(1.60)**	**(1.85)**	**(1.67)**	**(1.81)**
Dividends paid	(0.70)	(2.07)	(2.23)	(1.50)	(3.00)	(3.90)	(3.85)	(4.22)	(5.38)	(6.24)
Changes in Equity	0.20	-	-	-	-	12.50	-	-	-	-
Loans repaid & received, net	6.05	6.88	4.24	5.35	(1.13)	(11.00)	6.00	3.63	2.50	-
Bonds repaid & received, net	(1.25)	(2.85)	(1.11)	(0.06)	5.63	0.03	1.48	2.97	1.98	2.99
Finance lease liabilities, net	(0.06)	(0.07)	(0.06)	0.83	0.75	0.04	0.09	0.09	0.09	0.09
Net cash flows from financing activities	**4.24**	**1.89**	**0.85**	**4.62**	**2.25**	**(2.33)**	**3.72**	**2.46**	**(0.81)**	**(3.17)**
Change in cash and cash equivalents for the year	**0.79**	**0.94**	**1.27**	**(2.35)**	**3.46**	**(2.29)**	**0.10**	**(0.20)**	**0.90**	**(0.75)**
Cash and cash equivalents at the beginning of the year	0.49	1.28	2.22	3.49	1.14	4.59	2.30	2.40	2.21	3.11
Cash and cash equivalents at the end of the year	**1.28**	**2.22**	**3.49**	**1.14**	**4.59**	**2.30**	**2.40**	**2.21**	**3.11**	**2.36**

Source: DelfinGroup for historicals, LHV for estimates

Main Ratios	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Growth										
Revenues (%)	(14.8)	16.9	4.6	17.7	6.7	11.1	15.0	15.6	11.2	8.4
Gross Profit (%)	(14.3)	35.7	13.3	1.6	3.4	15.9	19.7	17.8	11.9	7.4
EBITDA (%)	(9.0)	100.6	26.2	12.9	13.4	12.4	18.3	16.2	14.5	9.5
Pre-tax Profit (%)	(29.5)	203.5	26.6	(7.8)	9.1	24.4	38.3	25.2	17.3	9.8
Net Profit (%)	(36.5)	207.4	53.9	(13.9)	(0.4)	23.5	46.3	27.3	16.1	8.9
Profitability										
Gross Profit margin (%)	55.1	64.0	69.3	59.9	58.1	60.6	63.0	64.2	64.6	63.9
EBITDA margin (%)	18.4	31.5	38.1	36.5	38.8	39.3	40.4	40.6	41.8	42.2
EBIT margin (%)	7.8	20.3	24.5	19.2	19.7	22.0	26.5	28.7	30.2	30.6
PBT margin	7.8	20.3	24.5	19.2	19.7	22.0	26.5	28.7	30.2	30.6
Net Profit margin (%)	6.2	16.4	24.1	17.6	16.5	18.3	23.3	25.6	26.8	26.9
Return										
Capital Employed (EURm)	15.2	20.0	25.5	36.9	43.8	46.3	57.1	68.5	78.1	86.3
ROCE (%)	9.6	20.7	20.3	13.7	11.5	12.8	15.5	16.0	16.0	15.7
ROE (%)	37.4	90.9	94.3	54.6	44.2	30.1	29.0	31.8	31.4	29.7
ROA (%)	7.2	15.8	18.9	12.1	9.3	10.2	13.0	13.7	13.7	13.3
Leverage										
Net Debt	11.09	14.13	16.07	27.43	30.00	21.35	28.82	35.70	39.37	43.20
Net gearing (x)	4.0	3.8	2.7	3.3	3.2	0.9	1.1	1.2	1.1	1.1
Debt/Equity ratio (x)	4.4	4.4	3.3	3.4	3.7	1.0	1.2	1.2	1.2	1.1
Net Debt/EBITDA (x)	3.9	2.5	2.2	3.4	3.3	2.1	2.4	2.5	2.4	2.4
Other										
Average yield on earning assets (%)	108.9	95.8	77.7	61.6	50.0	48.7	45.6	43.4	41.8	40.4
Cost of interest-bearing liabilities (%)	13.8	12.6	12.8	11.8	11.0	11.5	10.9	8.5	7.4	7.6
Net credit losses to gross loans (%)	21.3	13.3	4.4	9.0	6.3	6.0	5.5	5.3	5.0	5.0
Cost-income ratio (%)	69.1	58.7	61.0	57.6	57.2	55.5	51.1	48.8	47.0	45.9
Dividend payout ratio (%)	46.3	215.5	75.5	33.0	76.7	100.0	80.0	60.0	60.0	60.0
Valuation										
Mkt.Cap. (EURm)	-	-	-	-	-	85.1	85.1	85.1	85.1	85.1
Enterprise Value (EURm)	-	-	-	-	-	106.4	106.4	106.4	106.4	106.4
Dividend yield (%)	-	-	-	-	-	4.6	4.5	5.0	6.3	7.3
EV/Revenue (x)	-	-	-	-	-	4.0	3.5	3.0	2.7	2.5
EV/EBITDA (x)	-	-	-	-	-	10.3	8.7	7.5	6.6	6.0
P/E (x)	-	-	-	-	-	17.7	12.1	9.5	8.2	7.5
P/BV (x)	-	-	-	-	-	3.8	3.3	2.8	2.4	2.1

Source: DelfinGroup for historicals, LHV for estimates
The ratios are calculated using the mid-range of post-money equity valuation (EUR 80-90m).

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The fair value range has been issued for a 12-18 month period and has been derived from a weighted approach combining both DCF valuation and relative multiple comparisons. The relative multiple comparisons further incorporate additional weighting considerations relating to the underlying metrics and time forecast periods. Company specific inputs have been forecast and a list of peer companies has been compiled by the LHV analyst(s) writing this research commentary, whereas the consensus peer data has been obtained from Bloomberg. For more detailed information about the valuation methods please contact the analyst(s) using the contact details provided above.
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- Buy- Expected return of more than 10% within 12-18 months (including dividends)
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