

INTERIM REPORT Q1 2020



Qred Holding AB (publ)

Company registration number 559031-0685

INTERIM REPORT

JANUARY–MARCH 2020

January – March 2020

The business has continued to grow during the first quarter of 2020. Since mid-March, the situation has changed as a result of the pandemic caused by the coronavirus. Qred has been able to positively meet the imposed mobility restrictions, thanks to a completely digital and cloud-based business model. The pandemic has however created uncertainty in the general economy. The company's customers ability to timely repay issued loans will likely deteriorate. Thus, an additional non-recurring reservation of SEK 32.6 million has been made for expected, but not yet realised, credit losses. During the period, Qred repurchased part of the bond, which generated additional non-recurring revenue of SEK 18.0 m.

Results for the same period for the previous year are stated in brackets.

- The number of active monthly users increased by 47% to 7 811 (5 318)
- Operating income increased by 90% to SEK 82.3 m (43.4)
- Interest income increased by 26% to SEK 59 m (46.8)
- Commission income amounted to SEK 15.2 m (0.0)
- Operating profit amounted to SEK -12.3 m (7.4)
- Net income for the period amounted to SEK -13.2 m (6.4)
- The loan portfolio increased by 41% to SEK 603.8 m (421.8)

Significant events during the interim period

- The outbreak of the Corona pandemic at the end of the quarter has significantly impacted the business. Restrictions in underwriting policies have resulted in a reduction of issued amounts following the outbreak.
- Additional credit loss reserves of SEK 32.6 m for expected, but not yet confirmed credit losses burdened the period.
- Qred has increased the mediation of customers to third parties, which means that the loans are financed outside Qred's balance sheet. As a result, commission income has increased substantially during the period. The arrangement means that Qred can continue to grow in a scalable manner without increasing the balance sheet.
- Qred has repurchased bonds with a nominal value of EUR 7.3 m. The average purchase price corresponded to 75.75 percent of the nominal value of the bonds. The purchase resulted in an extraordinary income of SEK 18.0 m.

Significant events after the interim period

- Qred has after the end of the interim period repurchased bonds with a nominal value of EUR 4.3 m. The average purchase price corresponded to 79,53 percent of the nominal value of the bonds. The purchase resulted in an extraordinary income of SEK 8.7 m.
- Qred Holding AB (publ) published a bond prospectus and applied for listing of its bonds on Nasdaq Stockholm.
- The Annual General Meeting, which was previously set to be held on May 28, has been moved to June 30, 2020 at 9 am.

KPIs

	Q1 2020	Q1 2019	Δ %	FY 2019
Interest income (SEK m)	48.8	41.7	17.0	184.4
Commission income (SEK m)	13.6	-	-	0.7
Operating income (SEK m)	82.3	43.4	89.3	19.3
Profit margin	-16.1%	17.1%	-32.0%	14.6%
Cost / income ratio	35%	44%	-9%	43%
Interest coverage, x	-0.2	2.5	-108.1%	1.8
FTEs	58	36	61.1%	42

Operating margin: Operating profit for the period divided by operating income

Profit margin: Profit for the period divided by operating income

Cost / income ratio: Operating expenses divided by operating income (credit losses excluded)

Interest coverage: Operating profit plus interest expenses over interest expenses

Other Information

Risks and uncertainties

For a description of risks and uncertainties, please refer to the annual report for 2019, which is available on the company's website qred.com.

Other

This report has not been subject to review by the company's auditors. The Board of Directors and the CEO ensure that the interim report provides a true and fair view of the parent company's and the Group's operations, position and earnings, and describes the significant risks that the parent company and the group face.

CEO comments

At the time of writing, Sweden and Europe are still in the midst of the pandemic and it is still difficult to fully understand what effects this will have on society at large and on Qred's operations. We have taken a cautious and responsible approach to best manage the consequences for our customers, our employees and our investors.

Although the authorities are making great efforts to keep the economy afloat with stimulating measures aimed at small businesses, the pandemic will inevitably pose difficulties for many of our customers. It is difficult to say with certainty about long-term effects, but we expect that a larger proportion than normal of our customers will have difficulties paying the loans in a timely manner and we have therefore allocated SEK 32.6 million in addition to the normal provisions to meet upcoming, but not yet credit losses.

In these times, Qred plays a more important role than ever for the social economy. We do our best to keep the wheels rolling and will be present when small businesses can resume operations and the general business climate is slowly normalizing.

Thanks to our fully digital business model, we have been able to continue to drive our business forward with full strength, even

though the office is gaping with empty spaces.

In connection with the outbreak, many of our preference shareholders have wished to have their shares redeemed. We have redeemed as many shares as we can, but due to the situation we have decided to pause both redemption and new issue of preference shares until November 2020.

By repurchasing bonds at a discount to the nominal value, the balance sheet has been significantly strengthened, while at the same time reducing the interest costs. An increasing proportion of our income comes from commissions from brokered business loans. This means both cost-effective financing and an opportunity to scale the business without having to grow the balance sheet.

The crisis offers not only challenges, but also many opportunities. At the same time as large parts of society are running low on savings, our development of the next generation of financing services for small businesses is intensified. Through increased automation and investment in improved and new products, we are building the next generation fintech company with technology and small businesses in focus.



Emil Sunvisson
CEO

QRED IN BRIEF

This is what we do

Qred helps small businesses with temporary liquidity needs. Digitizing the whole process has achieved great benefits both for our customers and for us as lenders. The process becomes easier, faster and safer. This is why many customers have chosen Qred instead of traditional bank financing.

This is what we offer

Financing is a much sought after service among small businesses. Traditional bank loans are complicated to apply for, difficult to obtain, and take a long time to process. With Qred, small businesses get access to simple, fast and transparent financing.

These are our loans

Loan size varies from about SEK 10,000 up to SEK 1,000,000 and the maturities are normally 6-36 months. The loan has straight amortization. The loans have no set-up fee, instead using only a fixed monthly fee, have no hidden costs and no fixed term. As a customer, you only pay for the months you use the loan.

This is our team

Qred's employees are our single most important success factor. With strong growth, focus on Fintech, international growth and based in Stockholm, Qred is an attractive employer. As a result, Qred had the opportunity to attract and recruit many talented co-workers.

GROUP INCOME STATEMENT

SEK 000	Note	Q1 2020	Q1 2019	FY 2019
Interest income	3	59 031	46 825	225 964
Interest expense		-10 214	-5 094	-41 572
Commission income		15 156	-	993
Commission expense		-1 592	-	-321
Other income		19 885	1 718	7 262
Total operating income		82 266	43 449	192 327
Operating expense				
Net loan losses	4	-64 306	-16 290	-74 515
Personnel costs		-11 326	-6 539	-30 399
Other expenses		-17 324	-12 562	-52 967
Depreciation		-1 563	-625	-2 786
Total operating expense		-94 519	-36 016	-160 667
Operating profit		-12 253	7 433	31 660
Other financial income		2 251	-783	4 359
Other financial expense		-6 836	-	-120
Result from financial items		-4 585	783	4 239
Earnings before tax		-16 838	8 216	35 899
Income taxes		3 608	-1 765	-7 870
Net income		-13 230	6 451	28 029
<i>Net income attributable to</i>				
<i>Parent company shareholders</i>		-13 126	6 451	28 087
<i>Holdings without dominant influence</i>		-104	-	-58

GROUP RESULTS

SEK 000	Q1 2020	Q1 2019	FY 2019
Net income	-13 230	6 451	28 029
Adjustments after re-calculating foreign operations	2 933	330	195
Tax on Adjustments after re-calculating foreign operations	-628	-33	27
Total net income for the period	-10 925	6 748	28 251

GROUP BALANCE SHEET

SEK 000	Note	2020-03-31	2019-12-31
ASSETS			
Fixed assets			
Assets with right of use		5 426	6 142
Deferred tax		19 761	14 836
Left deposits		-	31
Long term loan receivables	5	46 515	61 172
Shares in associates		2 402	200
Intangible assets		-	792
Tangible assets		149	-
Total fixed assets		74 253	83 173
Current assets			
Loan receivables	5	456 395	527 351
Other receivables		5 179	5 684
Cash & receivables on credit institutions		105 190	67 714
Total current assets		566 764	600 749
TOTAL ASSETS		641 017	683 922
EQUITY			
Equity attributable to the parent company			
Share capital		14 788	14 788
Other directly contributed capital		166 383	164 683
Reserves		3 998	1 675
Retained earnings including profit for the year		40 393	55 372
<i>Equity attributable to</i>			
Parent company shareholders		225 562	236 518
Holding without dominant influence		139	242
Total equity		225 702	236 760
Provisions			
Other Provisions		24 468	2 447
Total Provisions		24 468	2 447
LIABILITIES			
Long-term liabilities			
Shareholders and related companies		5 000	-
Bond		356 300	410 135
Other long-term liabilities		2 309	3 092
Total liabilities		363 609	413 227
Short-term liabilities			
Accounts payable		3 436	4 237
Other debts		17 892	21 970
Accrued expenses and prepaid income		5 910	5 280
Total short-term liabilities		27 238	31 487
TOTAL EQUITY AND LIABILITIES		641 017	683 922

CHANGES IN GROUP EQUITY

SEK 000	Share capital	Other directly contributed capital	Reserves	Retained earnings including profit for the year	Holdings without dominant influence	Total equity
Equity 2019-01-01	14 753	126 557	1 322	33 391	-	176 023
This year's result				28 087	-58	28 029
Exchange rate differences			195			195
Tax on exchange rate differences			27			27
Total net income for the period	0	0	222	28 087	-58	28 251
Paid previously allocated common shares						0
Transaction costs for new share issue preferred shares		-119				-119
Tax effect transaction costs in connection with new issue preferred shares			25			25
New issue preferred shares	5	40 544				40 549
Registration of previously paid, not reg. preferred stock	1					1
Paid, but not yet registered preferred stock		-3 270				-3 270
Dividend on preferred shares				-6 106		-6 106
New Issue common shares	29	971				1 000
Share capital					7	7
Share premium					293	293
Share-based remuneration - value of employee service			106			106
Equity 2019-12-31	14 788	164 683	1 675	55 372	242	236 760
SEK 000	Share capital	Other directly contribute d capital	Reserves	Retained earnings including profit for the year	Holdings without dominant influence	Total equity
Equity 2020-01-01	14 788	164 683	1 675	55 372	242	236 760
Result for the period				-13 126	-104	-13 230
Exchange rate differences			2 933			2 933
Tax on exchange rate differences			-628			-628
Total net income for the period	0	0	2 305	-13 126	-104	-10 925
Paid, but not yet registered preferred stock		1 700				1 700
Dividend on preferred shares				-1 852		-1 852
Share capital					1	1
Share-based remuneration - value of employee service			18			18
Equity 2020-03-31	14 788	166 383	3 998	40 393	139	225 702

GROUP CASH FLOW ANALYSIS

SEK 000	Note	Q1 2020	Q1 2019	FY 2019
Cash flow from operating activities				
Operating profit incl. operating expenses		-12 253	7 433	31 660
<i>Adjustments for items not included in cash flow</i>				
-Replacement of depreciation		1 563	626	2 786
-Capitalised interest		-430	496	1 336
-Change in credit losses		53 187	9 897	44 888
-Other		1 033	810	106
Other interest paid		-	-	-120
Paid tax		-6 436	-1 235	-14 636
Cash flow from operating activities before changes in working capital		36 664	18 027	66 020
Change in working capital				
Change in loan receivables		71 508	-94 618	-294 794
Change in other operating receivables		-17 842	10 782	-19 049
Change in accounts payable		-883	-130	2 496
Change other operating liabilities		1 772	-757	-442
Change in working capital		54 555	-84 723	311 7898
Cash flow from operating activities		91 219	-66 696	-245 769
Cash flow from investment activities				
Investments in Associates		-	-	-200
Reduction of other financial fixed assets		31	-	-33
Change in other intangible fixed assets		-	-	-891
Change in other tangible fixed assets		-157	-	-
Cash flow from investment activities		-126	-	-1124
Cash flow from financing activities				
Transactions for holding without dominant influence		50	-	300
New issues common shares		-	-	1 000
New issue preferred shares	6	1 700	9 838	37 161
Preferred shares dividend	6	-1 852	-1 242	-6 106
New loans		5 000	59 486	415 754
Amortisation of loans		-80 106	-4 544	-205 194
Cash flow from financing activities		-75 208	63 538	242 915
Cash flow for the period		15 885	-3 158	- 3 977
Cash and cash equivalents at the beginning of the period		39 633	43 600	43 600
Exchange rate differences in cash and cash equivalents		2 034	82	11
Cash and cash equivalents at the end of the period		57 552	40 524	39 633
Summary of cash and cash equivalents				
Cash		57 552	40 524	39 633
Receivables on credit institutions		47 638	-	28 081
Total cash and cash equivalents		105 190	40 524	67 714

INCOME STATEMENT, PARENT COMPANY

SEK 000	Q1 2020	Q1 2019	FY 2019
Interest income and similar items	11 622	2 244	22 280
Interest expenses and similar items	-10 255	-751	-25 301
Other income	19 543	-	-1
Total operating income	20 910	1 493	-3 021
Other external expenses	-270	-181	-1 249
Total operating expense	-270	1 181	-1 249
EBIT	20 640	1 312	-4 270
Other financial income	-	-	16 302
Other financial costs	-9 952	-124	-
EBT	-9 952	-124	16 302
Appropriations			
Group contributions	-	-	1 148
Result before tax	10 688	1 188	13 179
Tax on profit	-2 277	-254	-41
Net income	8 411	934	13 139
Parent company report on other result			
Profit of the year	8 411	934	13 139
Total profit of the year	8 411	934	13 139

BALANCE SHEET, PARENT COMPANY

SEK 000	2020-03-31	2019-12-31
ASSETS		
Fixed assets		
Shares in Group companies	66 556	66 581
Shares in Associates	200	200
Receivables from Group companies	528 233	541 855
Total financial fixed assets	594 989	608 636
TOTAL FIXED ASSETS	594 989	608 636
Receivables from Group companies	26 868	-
Other receivables	108	100
Prepayments and accrued income	44	41
Cash and cash equivalents	11 929	5 516
Total current assets	38 949	5 657
TOTAL ASSETS	633 938	614 293
EGET KAPITAL		
Restricted equity		
Share capital	14 788	14 788
Statutory reserve	0	-
Total restricted equity	14 788	14 788
Non-restricted equity		
Other contributed capital	3 970	2 270
Share premium	163 188	163 188
Retained earnings	7 381	-3 906
profit of the year	8 411	13 138
Total non-restricted equity	181 950	174 690
TOTAL EQUITY	197 738	189 478
Long-term liabilities		
Long-term liabilities to group companies	61 316	-
Borrowings	359 752	410 135
Total long-term liabilities	421 068	410 135
Short-term liabilities		
Accounts Payable	6	32
Short-term liabilities to group companies	10 942	11 038
Current tax liabilities	2 146	597
Other debts	1 430	2 570
Accrued expenses and prepaid income	608	442
Total short-term liabilities	15 132	14 679
Total Liabilities	436 200	424 814
TOTAL LIABILITIES & EQUITY	633 938	614 293

COMMENTS AND NOTES

Amounts in thousands of SEK

Note 1 – General information

Qred Holding AB (publ), with corporate identity number 559031-0685, conducts business through its subsidiaries. The head office is in Stockholm. The address of the head office is Tulegatan 15, 113 53 Stockholm. The business consists of financing services in the form of corporate loans, aimed at companies in Sweden, Finland, Denmark and the Netherlands.

Subsidiaries	Org.nr	%
Qred AB	559008-9800	100
Qred Fintech AB	556567-7613	100
Qred Factoring AB	559221-0180	82.5

Subsidiaries Qred AB	Org.nr
Finland	2868615-5
Danmark	38972294
Holland	72603372
Lettland	40203125230

Note 2 – Summary of important accounting principles

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act. For further information on accounting principles, please refer to the Company's Annual Report.

The Parent Company's accounts have been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities.

Note 3 – Income

Group revenue	Q1 2020	Q1 2019	FY 2019
Income from loan receivables	48 817	41 731	184 392
Commission income	13 563	-	672
Other income	19 885	1718	7 262
<i>Whereof income from repurchase of bond</i>	<i>17 978</i>	<i>-</i>	<i>-</i>
Operating income	82 265	43 449	192 327

Note 4 – Net credit losses

The pandemic caused by the corona virus has created uncertainty in the economy. The ability to pay for the company's customers is likely to deteriorate. The company has developed various scenarios that have been weighted according to estimated probability. In summary, the risk of bankruptcy during the period April 2020–March 2021 is estimated to increase by around 47% compared to the levels that prevailed before the outbreak of the pandemic. Thus, an additional non-recurring provision of SEK 32.6 million has been made for expected, but not yet realised, loan losses.

Group	Q1 2020	Q1 2019	FY 2019
Realised credit losses	11 119	6 393	29 626
Change in reserves, net	31 484	9 897	42 438
Provisions for guarantee commitments	21 703	-	2 451
Total	64 306	6 873	74 515

Note 5 – Loan receivables

Group	2020-03-31	2019-12-31
Loan receivables, gross	604 056	654 518
<i>Whereof long-term</i>	<i>54 793</i>	<i>66 153</i>
<i>Whereof short-term</i>	<i>549 263</i>	<i>588 364</i>
Reservation for uncertain loan receivables	-101 146	-65 995
<i>Whereof long-term</i>	<i>-8 278</i>	<i>-4 981</i>
<i>Whereof short-term</i>	<i>-92 868</i>	<i>-61 014</i>
Net Loan receivables	502 910	588 523
Overdue loan receivables	72 562	61 215
Loan receivables maturing in 0 to 3 months	193 782	217 123
Loan receivables maturing in 3 to 12 months	282 919	310 027
Loan receivables maturing in more than 12 months	54 793	66 153
Total	604 056	654 518
Reported amounts, per currency, for the Group's loan receivables	2020-03-31	2019-12-31
SEK '000	219 808	292 384
EUR '000	25 632	27 741
DKK '000	67 998	51 733

The provision for loan losses amounted to SEK 101 146 k (33 977). Qred makes ongoing assessments of the loan receivables. The provisions are calculated on the expected cash flow with regard to an age analysis. No further impairment requirement is considered to exist at the end of the interim period. The provision for the doubtful loan receivables and the reversal is expensed under 'Credit losses, net' in the consolidated income statement.

Note 6 – Dividend and new share issue Information about the Company's shares

The company's shares are issued in two series, ordinary shares and preference shares. Both common and preference shares entail one vote per share. The number of registered shares at the end of the period was 10 118 571 common shares and 10 738 preference shares. The nominal value per share is SEK 1.46. See the annual report for further information regarding the Company's shares.

Dividend and new share issue

During 2020, no dividends have been paid to common shares and SEK 1 852 k to preferred shareholders. During the period a new issue of 170 preferred shares took place. Of these 170 preferred shares, 0 were newly issued and registered, while 170 have been issued, but not yet registered.

Note 7 – Transactions with related parties

Group	Q1 2020	Q1 2019	FY 2019
<i>Costs</i>			
Interest	-	865	3 064
Total	-	865	3 064

Group	2020-03-31	2019-12-31
<i>Borrowing</i>		
Shareholders and related companies	5 000	-
Total	-	-

The Group has borrowed from shareholders and companies affiliated to the Company's shareholders. The proceeds have been used to finance the Company's lending activities. Loan agreements are made on market terms.

Note 8 – Significant events after the end of the interim period

- Qred has, after the interim period, repurchased bonds with a nominal value of EUR 3.0m. The average purchase price corresponded to 75 percent of the nominal value of the bonds. The acquisition resulted in an income of SEK 7.5 million.
- Qred Holding AB (publ) published a bond prospectus and applied for a listing of the bond on Nasdaq Stockholm.
- The Annual General Meeting, which was previously set to be held on May 28, has been moved to June 30, 2020 at 9 am.

FINANCIAL CALENDAR

- 30 Jun 2020 Annual general shareholder meeting
- 31 Aug 2020 Interim report Jan – Jun 2020
- 30 Nov 2020 Interim report Jan – Sep 2020

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