

INTERIM REPORT Q2 2020



Qred Holding AB (publ)

Company registration number 559031-0685

INTERIM REPORT

JANUARY–JUNE 2020

Qred's business model has shown its strength and resilience in times of unrest. The large share of recurring revenues meant that income continued to grow, despite the fact that the increase in customer intake slowed somewhat compared to the previous quarter. Qred's investment in advanced credit assessment using machine learning has been successful.

Revenues increased by 61% while credit losses increased by only 3%. The quarter's profit of SEK 41.1 million before tax was the highest to date. Referral of customers to third parties has continued to increase, which has resulted in increased commission income and a reduced balance sheet.

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

April – June 2020

- Operating income increased by 61% to SEK 77.1 m (48)
- Interest income decreased by 46% to SEK 28.9 m (53.6)
- Commission income amounted to SEK 45.8 m (0)
- Operating profit for the period amounted to SEK 32.6 m (9.9)
- Net income for the period amounted to SEK 32.3 m (8.6)

January – June 2020

- The number of active monthly users increased by 34% to 8 104 (6 029)
- Operating income increased by 74% to SEK 159.4 m (91.4)
- Interest income decreased by 12% to SEK 88 m (100.5)
- Commission income amounted to SEK 61 m (0.0)
- Operating profit amounted to SEK 20.4 m (17.4)
- Net income for the period amounted to SEK 19 m (15)
- The loan portfolio decreased by 28% to SEK 370.3 m (517.1)

Significant events during the interim period

- At the Annual General Meeting on June 30, Qred decided on a new common share issue aimed at the company's employees.
- Qred's bond has been listed on Nasdaq Stockholm.
- Qred has repurchased bonds with a nominal value of EUR 7.6 m. The average purchase price corresponded to 87 percent of the nominal value of the bonds. The purchase resulted in an income of SEK 9.4 million.

Significant events after the interim period

The Board has convened an Extraordinary General Meeting on September 8. The Board of Directors proposes to raise SEK 40 million through a directed issue of common shares and warrants.

KPIs

	Q2	Q2		HI	HI		FY
	2020	2019	Δ %	2020	2019	Δ %	2019
Operating income (SEK m)	77.1	48	60.7	159.4	91.4	74.3	192.3
Commission income (SEK m)	45	-	-	58.5	-	-	0.7
Interest income (SEK m)	21.3	46.2	-53.9	70.2	88.0	-20.3	184.4
Profit margin	41.8%	17.9%	23.9%	11.9%	16.5%	-4.5%	14.6%
Cost / income ratio	33%	41%	-8%	34%	43%	-9%	43%
Interest coverage, x	5.3	2.3	126.9%	2.1	2.4	-10.2%	1.8
FTEs	69	40	71.3%	63	38	66.2%	42

Interest income: Interest income for the period decreased by interest expenses

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.

CEO comments

The outlook has varied greatly during the first half of 2020. In connection with the corona outbreak at the end of the first quarter, the outlook was bleak with an escalating pandemic and mass layoffs. As small businesses reduced their operations and postponed planned investments, the demand for corporate loans decreased. Combined with a more restrictive view of risk, this resulted in a lower new customer intake during the second quarter.

However, the situation has improved rapidly during the quarter. The size of the feared credit losses related to the pandemic will likely not be as extensive as estimated at the end of the first quarter. Demand for corporate loans has gradually recovered.

Although the growth compared to other companies was very strong, it was somewhat lower than previously delivered. The profitability increased despite slower growth, and the company delivered the highest result to date during the second quarter. Once the initial effects of the pandemic are addressed, the focus will return to growth.

During the quarter, a larger proportion of customers were referred to third parties. This means that the business can continue to grow in an efficient and scalable way without necessarily increasing the balance sheet.

Thanks to our digital business model, the impact on day-to-day operations has been very limited, where large parts of the work have been managed remotely. Working

remotely has many advantages, but unfortunately also some disadvantages. For example, it is difficult to maintain and build a corporate culture when onboarding many new colleagues to the team. We therefore look forward to a normalization of daily operations.

Crises not only offer challenges, but also many opportunities. At the same time as large parts of society have slowed down, our development of the next generation of financing services for small companies is booming. Among other things, we have launched both a new [community for small businesses](#) and our [own podcast](#).

In the long run, we believe that the pandemic will further accelerate the digitalisation of financial services. In comparison with many economies in Europe, the Nordic countries have come a relatively long way. Many other markets are still waiting for the digital revolution in corporate loans, which opens up the possibility of broadening our offering in new geographies.

Through continued automation and investment in improved and new products, we are building a 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	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Interest income		28 905	53 644	87 935	100 468	225 964
Interest expense		-7 570	-7 398	-17 784	-12 492	-41 572
Commission income		45 842	-	60 998	-	993
Commission expense		-883	-	-2 475	-	-321
Other income		10 805	1 733	30 690	3 451	7 262
Total operating income	3	77 099	47 979	159 364	91 427	192 327
Operating expense						
Net loan losses	4	-18 013	-17 551	-82 319	-33 841	-74 515
Personnel costs		-12 537	-7 771	-23 863	-14 310	-30 399
Other expenses		-13 128	-12 104	-30 451	-24 666	-52 967
Depreciation		-773	-626	-2 336	-1251	-2 786
Total operating expense		-44 451	-38 052	-138 969	-74 068	-160 667
Operating profit		32 648	9 927	20 395	17 359	31 660
Other financial income		8 478	1 050	6 272	-1 834	4 359
Other financial expense		-37	-16	-2 416	-16	-120
Result from financial items		8 441	-1 034	3 856	1 818	4 239
Earnings before tax		41 089	10 961	24 251	19 177	35 899
Income taxes		-8 853	-2 353	-5 245	-4 119	-7 870
Net income		32 236	9 608	19 006	15 058	28 029
<i>Net income attributable to</i>						
<i>Parent company shareholders</i>		32 254	9 608	19 128	15 058	28 087
<i>Holdings without dominant influence</i>		-18	-	-122	-	-58

GROUP RESULTS

SEK 000	Q2 2020	Q2 2019	H1 2020	Q1 2019	Helår 2019
Net income	32 236	8 608	19 006	15 058	28 029
Adjustments after re-calculating foreign operations	-2 715	483	218	814	195
Tax on Adjustments after re-calculating foreign operations	581	-60	-47	-92	27
Total net income for the period	30 102	9 031	19 177	15 780	28 251

GROUP BALANCE SHEET

SEK 000	Note	2020-06-30	2019-12-31
ASSETS			
Fixed assets			
Assets with right of use		4 623	6 142
Deferred tax		16 241	14 836
Left deposits		-	31
Long term loan receivables	5	22 091	61 172
Shares in associates		6 423	200
Intangible assets		-	792
Tangible assets		201	-
Total fixed assets		49 579	83 173
Current assets			
Loan receivables	5	252 254	527 351
Other receivables		2 169	5 684
Cash & receivables on credit institutions		273 175	67 714
Total current assets		527 598	600 749
TOTAL ASSETS		577 177	683 922
EQUITY			
Equity attributable to the parent company			
Share capital		14 785	14 788
Other directly contributed capital		137 806	164 683
Reserves		1 882	1 675
Retained earnings including profit for the year		71 017	55 372
<i>Equity attributable to</i>			
Parent company shareholders		225 490	236 518
Holding without dominant influence		121	242
Total equity		225 611	236 760
Provisions			
Other Provisions		35 123	2 447
Total Provisions		35 123	2 447
LIABILITIES			
Long-term liabilities			
Shareholders and related companies		5 150	-
Debt to credit institutions		20 030	
Bond		259 831	410 135
Other long-term liabilities		1 482	3 092
Total liabilities		286 493	413 227
Short-term liabilities			
Accounts payable		3 342	4 237
Other debts		19 712	21 970
Accrued expenses and prepaid income		6 896	5 280
Total short-term liabilities		29 950	31 487
TOTAL EQUITY AND LIABILITIES		577 177	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 contributed 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				19 128	-122	19 006
Exchange rate differences			218			218
Tax on exchange rate differences			-47			-47
Total net income for the period	0	0	171	19 128	-122	19 177
Redemption preferred stock	-4	-28 806				-28 810
Paid, but not yet registered preferred stock	0	0				0
Issue new shares, preferred stock	0	1 930				1 930
Dividend on preferred shares				-3 483		-3 483
Share capital					1	1
Share-based remuneration - value of employee service			36			36
Equity 2020-06-30	14 785	137 806	1 882	71 017	121	225 611

GROUP CASH FLOW ANALYSIS

SEK 000	Note	H1 2020	H1 2019	FY 2019
Cash flow from operating activities				
Operating profit incl. operating expenses		20 395	17 359	31 660
<i>Adjustments for items not included in cash flow</i>				
-Replacement of depreciation		2 336	1 251	2 786
-Capitalised interest		-588	1 073	1 336
-Change in credit losses		63 240	19 844	44 888
-Other		911	2 746	106
Other interest paid		-37	-	-120
Paid tax		-9 206	-2 418	-14 636
Cash flow from operating activities before changes in working capital		77 051	39 838	66 020
Change in working capital				
Change in loan receivables		290 094	-153 455	-294 794
Change in other operating receivables		-70 883	-85	-19 049
Change in accounts payable		-937	2 262	2 496
Change other operating liabilities		4 163	1 928	-442
Change in working capital		222 437	-149 350	311 7898
Cash flow from operating activities		299 488	-109 512	-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		-219	-	-
Cash flow from investment activities		-188	-	-1 124
Cash flow from financing activities				
Transactions for holding without dominant influence		50	-	300
New issues common shares		-	1 000	1 000
New issue preferred shares	6	-26 880	19 758	37 161
Preferred shares dividend	6	-3 483	-2 655	-6 106
New loans		25 030	486 834	415 754
Amortisation of loans		-161 130	-21 566	-205 194
Cash flow from financing activities		-166 413	483 371	242 915
Cash flow for the period		132 887	373 860	- 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		-1 862	217	11
Cash and cash equivalents at the end of the period		170 658	417 677	39 633
Summary of cash and cash equivalents				
Cash		170 658	417 677	39 633
Receivables on credit institutions		102 517	-	28 081
Total cash and cash equivalents		273 175	417 677	67 714

INCOME STATEMENT, PARENT COMPANY

SEK 000	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Interest income and similar items	11 339	2 578	22 961	2 244	22 280
Interest expenses and similar items	-10 200	-2 328	-20 455	-751	-25 301
Other income	10 928	-	30 471	-	-1
Total operating income	12 067	250	32 977	1 493	-3 021
Other external expenses	-226	-272	-496	-181	-1 249
Total operating expense	-226	-272	-496	-181	-1 249
EBIT	11 841	20 640	32 481	1 312	-4 270
Other financial income	11 893	-	1 942	-	16 302
Other financial costs		-130	-	-124	-
EBT	11 893	-130	1 942	-124	16 302
Appropriations					
Group contributions	-	-	-	-	1 148
Result before tax	23 734	-152	34 423	1 188	13 179
Tax on profit	-4 982	-32	-7 260	-254	-41
Net income	18 752	-120	27 163	934	13 139
Parent company report on other result					
Profit of the year	18 752	-120	27 163	934	13 139
Total profit of the year	18 752	-120	27 163	934	13 139

BALANCE SHEET, PARENT COMPANY

SEK 000	2020-06-30	2019-12-31
ASSETS		
Fixed assets		
Shares in Group companies	56 199	66 581
Shares in Associates	200	200
Receivables from Group companies	528 233	541 855
Total financial fixed assets	584 632	608 636
TOTAL FIXED ASSETS	584 632	608 636
Receivables from Group companies	30	-
Other receivables	125	100
Prepayments and accrued income	117	41
Cash and cash equivalents	641	5 516
Total current assets	913	5 657
TOTAL ASSETS	585 545	614 293
EQUITY		
Restricted equity		
Share capital	14 785	14 788
Statutory reserve	4	-
Total restricted equity	14 789	14 788
Non-restricted equity		
Other contributed capital	-	2 270
Share premium	138 581	163 188
Retained earnings	5 746	-3 906
profit of the year	27 163	13 138
Total non-restricted equity	171 490	174 690
TOTAL EQUITY	186 279	189 478
Long-term liabilities		
Long-term liabilities to group companies	127 693	-
Borrowings	262 186	410 135
Total long-term liabilities	389 879	410 135
Short-term liabilities		
Accounts Payable	-	32
Short-term liabilities to group companies	-	11 038
Current tax liabilities	6 966	597
Other debts	2 012	2 570
Accrued expenses and prepaid income	406	442
Total short-term liabilities	9 387	14 679
Total Liabilities	399 266	424 814
TOTAL LIABILITIES & EQUITY	585 545	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, as well as factoring services for companies in Sweden.

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

Branches 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.

The Group's and the Parent Company's accounting principles, calculation bases and presentation are essentially unchanged compared with the 2019 annual report.

Note 3 – Income

	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Group revenue					
Income from loan receivables	21 335	46 246	70 151	87 976	184 392
Commission income	44 959	-	58 523	-	672
Other income	10 805	1 733	30 690	3 451	7 262
<i>Whereof income from repurchase of bond</i>	9 398	-	27 377	-	-
Operating income	77 099	47 979	159 364	91 427	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. At the end of the second quarter, the increased risk of default was estimated to 32% higher compared to the levels prevailing before the outbreak of the pandemic. The corresponding increase was 47% at the end of the first quarter.

Group	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Realised credit losses	6 976	7 604	18 095	13 997	29 626
Change in reserves, net	-1 448	9 947	30 036	19 844	42 438
Provisions for guarantee commitments	11 501	-	33 204	-	2 451
Total	17 029	17 551	81 335	33 841	74 515

Note 5 – Loan receivables

Group	2020-06-30	2019-12-31
Loan receivables, gross	370 165	654 518
<i>Whereof long-term</i>	29 623	66 153
<i>Whereof short-term</i>	340 542	588 364
Reservation for uncertain loan receivables	-95 820	-65 995
<i>Whereof long-term</i>	-7 532	-4 981
<i>Whereof short-term</i>	-88 288	-61 014
Net Loan receivables	274 345	588 523
Overdue loan receivables	69 301	61 215
Loan receivables maturing in 0 to 3 months	115 697	217 123
Loan receivables maturing in 3 to 12 months	155 544	310 027
Loan receivables maturing in more than 12 months	29 623	66 153
Total	370 165	654 518
Reported amounts, per currency, for the Group's loan receivables	2020-06-30	2019-12-31
SEK '000	123 801	292 384
EUR '000	14 775	27 741
DKK '000	64 840	51 733

The provision for loan losses amounted to SEK 95 820 k (44 210). 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, common 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 7 880 preference shares. The nominal value per share is SEK 1.46. The Company's Annual General Meeting on June 30 resolved to issue ordinary shares to employees of the Company's subsidiaries. The issue entails an increase in the company's share capital by SEK 54 000 through a new issue of 36 990 ordinary shares, which were allotted on July 6. 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 3 483 k to preferred shareholders. During the same period, 2 688 preference shares were redeemed.

Note 7 – Transactions with related parties

Group	Q2 2020	Q2 2019	HI 2020	HI 2019	FY 2019
<i>Costs</i>					
Interest	150	865	150	1 685	3 064
Total	150	865	150	1 685	3 064

Group	2020-06-30	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

The Board has convened an Extraordinary General Meeting on September 8. The Board of Directors proposes to contribute SEK 40 million through a directed new issue of ordinary shares and warrants.

The Board and CEO's declaration

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.

Stockholm August 30, 2020

Mattias Carlsson

Chairman of the board

Jason Francis

Board member

Andrea Gisle Joosen

Board member

Thomas Jansson

Board member

Emil Sunvisson

CEO and Board member

FINANCIAL CALENDAR

- 30 Nov 2020 Interim report Jan – Sep 2020

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