

INTERIM REPORT Q3 2020



Qred Holding AB (publ)

Company registration number 559031-0685

INTERIM REPORT

JANUARY–SEPTEMBER 2020

Qred's investment in offering new innovative services that make everyday life easier for small businesses has continued with undiminished strength through the pandemic, and in November Qred received permission to provide payment services from Swedish Financial Supervisory Authority (Finansinspektionen). Qred has also continued its geographical expansion through its launch in Belgium in October.

Revenues increased by 41% and operating profit increased by 54%. Brokerage 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.

July – September 2020

- Operating income increased by 41.4% to SEK 67.0 m (47.4)
- Interest income decreased by 32.4% to SEK 41.2 m (61.0)
- Commission income amounted to SEK 34.7 m (0.0)
- Operating profit increased by 54.3% to SEK 9.8 m (6.4)
- Net income for the period amounted to SEK 8.0 m (4.8)

January – September 2020

- The number of active monthly users increased by 24% to 8,104 (6,600)
- Operating income increased by 63.1% to SEK 226.4 m (138.8)
- Commission income amounted to SEK 75.4 m (0,0)
- Interest income decreased by 7.7% to SEK 149.0 m (161.5)
- Operating profit amounted to SEK 30.2 m (23.7)
- Net income for the period amounted to SEK 27.0 m (19.8)
- The loan portfolio decreased by 14% to SEK 537.1 m (626.7)

Significant events during the interim period

- At an Extraordinary General Meeting on September 8, it was decided to increase the share capital with SEK 40 million through a directed issue of new ordinary shares and warrants.
- Qred has repurchased bonds with a nominal value of EUR 6.3 m. The average purchase price corresponded to 100 percent of the nominal value of the bonds.

Significant events after the interim period

- Qred has continued its geographical expansion and opened up to Belgian small businesses in October.
- Qred AB has received permission to operate payment services. The license includes inter alia Payment Initiation Services (PIS) and Account Information Services (AIS).

KPIs

	Q3 2020	Q3 2019	Δ %	Q1-Q3 2020	Q1-Q3 2019	Δ %	FY 2019
Operating income (SEK m)	67.0	47.4	41.4	226.4	138.8	63.1	192.3
Commission income (SEK m)	33.3	-	-	75.4	-	-	0.7
Interest income (SEK m)	33.2	45.5	-27.2	121.8	133.5	-8.8	184.4
Profit margin	11.9%	10.1%	1.8%	11.9%	14.3%	-2.4%	14.6%
FTEs	78	42	85.7%	67	40	67.5%	42

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

Profit margin: Profit for the period divided by operating income

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.

Comments by the CEO

Qred has continued to prepare for the future. In the midst of the corona-pandemic, we have taken the opportunity to hire many new competent employees to develop the financing products of the future for small businesses. We see greater opportunities than ever to be able to help even more small businesses with innovative products. Qred has been granted permission from Swedish Financial Supervisory Authority (Finansinspektionen) to conduct payment service operations.

The introduction of PSD2 means a huge opportunity for fintech companies that want to challenge the old banks with new and innovative payment solutions. We now have access to the banks' interfaces and can also offer our own customers to initiate bank payments from Qred's platform. In the long run, we believe that customer loyalty will move from the traditional banks to new players that deliver greater customer value based on technology and innovation. The license opens up to be able to develop new payment services that make everyday life easier for small businesses.

Qred has begun an intensive expansion phase that will begin with a launch in Belgium.

, which became Qred's 5th market together with Sweden, Finland, Denmark and the Netherlands in addition to our joint venture in Brazil. Belgium is an important part of Qred's strategy to become the leading company in small business loans in Europe.

Our entrepreneurs are now needed more than ever. Shutdowns and restrictions as a result of the pandemic are leading to major strains on small businesses' finances.

Despite this, Swedish companies have performed relatively well and the proportion of companies that go bankrupt has, despite the challenging circumstances, not increased compared with the previous year. This shows that small business owners are true fighters, who know how to adapt their business to current conditions in order to survive and emerge stronger from the crisis.

When times are troubled, many companies cut back on investment, which is a healthy and understandable behavior. The lower activity led to a temporarily lower demand for corporate loans during the spring and summer. During the third quarter, however, we experienced that confidence in the future gradually returned, which resulted in increased demand for corporate loans. We believe that the market will continue to normalize in the coming quarters, although temporary peaks and new measures may create some concern.

Qred has a strong financial solvency, which has been further strengthened partly through a directed new share issue of SEK 40m during the quarter and partly through new bond repurchases. The balance sheet total has thus decreased, and the financial solvency has increased. I am very proud that, despite all the new investments, we continue to deliver a positive operating result in stormy times.



Emil Sunvisson
CEO

QRED IN BRIEF

This is what we do

Qred helps small businesses with simple and flexible financing services such as business loans, factoring and payments. By digitalizing the process, it has become easier, faster and safer both for our customers and for us at Qred. Therefore, many customers have chosen Qred instead of traditional bank financing. Our customers are located in Sweden, Finland, Denmark, the Netherlands, Brazil and Belgium. Since the start, Qred has financed over SEK 4 billion to growing companies.

This is what we offer

Financing is a service in high demand among small businesses. Our own, automated credit system enables us to quickly provide entrepreneurs with what is needed for them to be able to grow their businesses. With Qred, small businesses get access to simple, fast and transparent financing, regardless of whether it concerns corporate loans, invoice purchases or payments.

These are our loans

Loan amounts up to up to SEK 2 m and the maturities are normally 6-36 months. The loans have straight amortizations, no set-up fees, and a fixed monthly fee. 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. Today we are around 100 employees with headquarters in Stockholm and regional offices in Helsinki, Malmö and Sao Paulo. With strong growth, focus on leading technology and data processing, international expansion and rapid growth, Qred is an attractive employer. As a result, we have had the ability to attract and recruit many talented co-workers.

GROUP INCOME STATEMENT

SEK 000	Note	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	FY 2019
Interest income		41 238	60 983	148 998	161 451	225 964
Interest expense		-8 080	-15 454	-27 206	-27 947	-41 572
Commission income		34 683	-	79 251	-	993
Commission expense		-1 407	-	-3 882	-	-321
Other income		593	1 868	29 230	5 320	7 262
Total operating income	3	67 027	47 379	226 391	138 824	192 327
Operating expense						
Net loan losses	4	-27 018	-20 538	-109 337	-54 378	-74 515
Personnel costs		-10 960	-7 419	-34 823	-21 729	-30 399
Other expenses		-18 446	-12 373	-48 897	-37 040	-52 967
Depreciation		-770	-697	-3 106	-1 948	-2 786
Total operating expense		-57 194	-41 027	-196 163	-115 095	-160 667
Operating profit		9 833	6 370	30 228	23 729	31 660
Other financial income		324	-	6 296	1 569	4 359
Other financial expense		-17	-264	-2 133	-16	-120
Result from financial items		307	-264	4 163	1 553	4 239
Earnings before tax		10 140	6 106	34 391	25 282	35 899
Income taxes		-2 183	-1 339	-7 428	-5 464	-7 870
Net income		7 957	4 767	26 963	19 818	28 029
<i>Net income attributable to</i>						
<i>Parent company shareholders</i>		8 140	4 767	27 268	19 818	28 087
<i>Holdings without dominant influence</i>		-183	-	-305	-	-58

GROUP RESULTS

SEK 000	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	FY 2019
Net income	7 957	4 767	26 963	19 818	28 029
Adjustments after re-calculating foreign operations	823	317	1 041	1 130	195
Tax on Adjustments after re-calculating foreign operations	-176	-80	-223	-173	27
Total net income for the period	8 605	2 850	27 782	20 775	28 251

GROUP BALANCE SHEET

SEK 000	Note	2020-09-30	2019-12-31
ASSETS			
Fixed assets			
Assets with right of use		3 866	6 142
Deferred tax		13 956	14 836
Left deposits		-	31
Long term loan receivables	5	31 889	61 172
Shares in associates		6 400	200
Intangible assets		2 229	792
Tangible assets		190	-
Total fixed assets		58 529	83 173
Current assets			
Loan receivables	5	376 578	527 351
Other receivables		2 138	5 684
Cash & receivables on credit institutions		183 307	67 714
Total current assets		620 553	600 749
TOTAL ASSETS		620 552	683 922
EQUITY			
Equity attributable to the parent company			
Share capital		14 784	14 788
Other directly contributed capital		179 808	164 683
Reserves		2 554	1 675
Retained earnings including profit for the year		77 778	55 372
<i>Equity attributable to</i>			
Parent company shareholders		274 924	236 518
Holding without dominant influence		-60	242
Total equity		274 864	236 760
Provisions			
Other Provisions		30 618	2 447
Total Provisions		30 618	2 447
LIABILITIES			
Long-term liabilities			
Debt to credit institutions		38 363	-
Bond		241 472	410 135
Other long-term liabilities		699	3 092
Total liabilities		280 534	413 227
Short-term liabilities			
Shareholders and related companies		5 300	
Accounts payable		5 598	4 237
Other debts		16 553	21 970
Accrued expenses and prepaid income		7 085	5 280
Total short-term liabilities		34 536	31 487
TOTAL EQUITY AND LIABILITIES		620 552	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				27 268	-305	26 963
Exchange rate differences			1 042			1 042
Tax on exchange rate differences			-223			-223
Total net income for the period	0	0	819	27 268	-305	27 782
Transaction costs new share issue		-33				-33
Tax effect transaction costs new share issue			7			7
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				-4 862		-4 862
Paid, not yet registered common stock		42 034				42 034
Share capital					3	3
Share-based remuneration - value of employee service			53			53
Equity 2020-09-30	14 784	179 808	2 554	77 778	-60	274 864

GROUP CASH FLOW ANALYSIS

SEK 000	Note	Q1-Q3 2020	Q1-Q3 2019	FY 2019
Cash flow from operating activities				
Operating profit incl. operating expenses		30 227	23 729	31 660
<i>Adjustments for items not included in cash flow</i>				
-Replacement of depreciation		3 107	1 948	2 786
-Capitalised interest		-542	1 145	1 336
-Change in credit losses		90 593	33 268	44 888
-Other		850	816	106
Other interest paid		-54	-17	-120
Paid tax		-11 870	-5 400	-14 636
Cash flow from operating activities before changes in working capital		112 311	55 489	66 020
Change in working capital				
Change in loan receivables		122 961	-259 266	-294 794
Change in other operating receivables		-5 161	8 860	-19 049
Change in accounts payable		-1 285	103	2 496
Change other operating liabilities		3 749	-1 745	-442
Change in working capital		133 156	-252 048	311 7898
Cash flow from operating activities		245 467	-196 559	-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		-2 229	-	-891
Change in other tangible fixed assets		-219	-891	
Cash flow from investment activities		-2 417	-891	-1 124
Cash flow from financing activities				
Transactions for holding without dominant influence		100	-	300
New issues common shares		42 002	1 000	1 000
New issue preferred shares	6	-26 880	32 473	37 161
Preferred shares dividend	6	-4 862	-4 307	-6 106
New loans		45 734	329 813	415 754
Amortisation of loans		-181 942	-25 024	-205 194
Cash flow from financing activities		-125 848	333 955	242 915
Cash flow for the period		117 202	-136 505	- 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		-1 088	3 514	11
Cash and cash equivalents at the end of the period		155 747	183 619	39 633
Summary of cash and cash equivalents				
Cash		155 747	183 619	39 633
Receivables on credit institutions		27 560	-	28 081
Total cash and cash equivalents		183 307	183 619	67 714

INCOME STATEMENT, PARENT COMPANY

SEK 000	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	FY 2019
Interest income and similar items	11 168	6 708	34 129	11 530	22 280
Interest expenses and similar items	-10 101	-10 877	-30 556	-13 956	-25 301
Other income	7	-	30 478	-	-1
Total operating income	1 074	-4 169	34 051	-2 426	-3 021
Other external expenses	-334	-265	-830	-719	-1 249
Total operating expense	-334	-265	-830	-719	-1 249
EBIT	740	-4 434	33 221	-3 145	-4 270
Other financial income	49	-	578	-	16 302
Other financial costs	-1 413	-766	-	-1 020	-
Dividend received from group companies		12 990		12 990	
EBT	-1 364	7 790	578	8 825	16 302
Appropriations					
Group contributions	-	-	-	-	1 148
Result before tax	-624	7 790	33 799	8 825	13 179
Tax on profit	134	1 120	-7 126	891	-41
Net income	-490	8 910	26 673	9 716	13 139
Parent company report on other result					
Profit of the year	-490	8 910	26 673	9 716	13 139
Total profit of the year	-490	8 910	26 673	9 716	13 139

BALANCE SHEET, PARENT COMPANY

SEK 000	2020-09-30	2019-12-31
ASSETS		
Fixed assets		
Shares in Group companies	56 198	66 581
Shares in Associates	200	200
Receivables from Group companies	554 295	541 855
Total financial fixed assets	610 693	608 636
TOTAL FIXED ASSETS	610 693	608 636
Receivables from Group companies	30	-
Other receivables	25	100
Prepayments and accrued income	183	41
Cash and cash equivalents	16 453	5 516
Total current assets	16 691	5 657
TOTAL ASSETS	627 384	614 293
EQUITY		
Restricted equity		
Share capital	14 785	14 788
Other contributed capital	42 034	-
Statutory reserve	4	-
Total restricted equity	56 823	14 788
Non-restricted equity		
Other contributed capital	-	2 270
Share premium	138 556	163 188
Retained earnings	4 366	-3 906
profit of the year	26 673	13 138
Total non-restricted equity	169 595	174 690
TOTAL EQUITY	226 418	189 478
Long-term liabilities		
Long-term liabilities to group companies	149 795	-
Borrowings	244 006	410 135
Total long-term liabilities	393 801	410 135
Short-term liabilities		
Accounts Payable	19	32
Short-term liabilities to group companies	-	11 038
Current tax liabilities	6 664	597
Other debts	0	2 570
Accrued expenses and prepaid income	482	442
Total short-term liabilities	7 165	14 679
Total Liabilities	400 966	424 814
TOTAL LIABILITIES & EQUITY	627 384	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	77

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

Group revenue	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	FY 2019
Income from loan receivables	33 158	45 529	121 792	133 504	184 392
Commission income	33 276	-	75 369	-	672
Other income	593	1 868	29 230	5 320	7 262
<i>Whereof income from repurchase of bond</i>	-	-	27 377	-	-
Operating income	67 027	47 397	226 391	138 824	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 third quarter, the increased risk of default was estimated to 22% higher compared to the levels prevailing before the outbreak of the pandemic. The corresponding increase was 32% at the end of the first quarter.

Group	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	FY 2019
Realised credit losses	-335	7 114	18 744	21 110	29 626
Change in reserves, net	21 769	13 424	62 228	33 268	42 438
Provisions for guarantee commitments	5 584	-	28 365	-	2 451
Total	27 018	20 538	109 337	54 378	74 515

Note 5 – Loan receivables

Group	2020-09-30	2019-12-31
Loan receivables, gross	537 067	654 518
<i>Whereof long-term</i>	43 533	66 153
<i>Whereof short-term</i>	493 534	588 364
Reservation for uncertain loan receivables	-128 600	-65 995
<i>Whereof long-term</i>	-11 644	-4 981
<i>Whereof short-term</i>	-116 956	-61 014
Net Loan receivables	408 467	588 523
Overdue loan receivables	95 642	61 215
Loan receivables maturing in 0 to 3 months	180 780	217 123
Loan receivables maturing in 3 to 12 months	217 112	310 027
Loan receivables maturing in more than 12 months	43 533	66 153
Total	437 067	654 518
Reported amounts, per currency, for the Group's loan receivables	2020-09-30	2019-12-31
SEK '000	204 999	292 384
EUR '000	20 958	27 741
DKK '000	77 840	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 k through a new issue of 36 990 ordinary shares, which were registered on July 6. Qred's Extraordinary General Meeting on September 8 decided on a new issue of 400,000 ordinary shares through a directed new issue. The issue entails an increase in the company's share capital by SEK 584 k. The ordinary shares were allotted on 8 September. 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 4 862 k to preferred shareholders. During the same period, 2 688 preference shares were redeemed.

Note 7 - Transactions with related parties

Group	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	FY 2019
<i>Costs</i>					
Interest	150	426	300	2 110	3 064
Total	150	426	300	2 110	3 064

Group	2020-09-30	2019-12-31
<i>Borrowing</i>		
Shareholders and related companies	5 300	-
Total	5 300	-

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 continued its geographical expansion and opened up to Belgian small businesses in October.
- Qred AB has received permission to operate payment services. The license includes inter alia Payment Initiation Services (PIS) and Account Information Services (AIS).

FINANCIAL CALENDAR

- 26 February 2021 Year-end report Jan-Dec 2020
- 29 April 2021 Annual report 2020 publication
- 14 May 2021 Interim report Jan-Mar 2021
- 4 June 2021 AGM 2021
- 13 August 2021 Interim report Jan-Jun 2021
- 12 November 2021 Interim report Jan-Sep 2021

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