

INTERIM REPORT Q4 2020



Qred Holding AB (publ)

Company registration number 559031-0685

INTERIM REPORT

JANUARY–DECEMBER 2020

Qred continues to grow by offering automated, smart and simple products that simplify financing for small businesses. The change in the business model during the year means that instead of issuing loans directly, Qred mediated the majority of all new financing to various banks during the fourth quarter. This has resulted in an increase in commission income, while a large part of the interest-bearing liabilities has been repaid.

In November 2020, Qred was awarded a license from the Swedish Financial Supervisory Authority to provide payment services, which opens up the possibility to offer new types of services to our customers. Qred has also continued its geographical expansion through the launch of Qred in Belgium in October.

Due to the current pandemic, customer intake fell sharply during the second quarter, and then normalised during the second half of the year. To take account of the uncertain outlook, credit loss reservation levels were raised during the year, which resulted in increased credit losses. Building on the outcomes in the latter part of the year, our expectation is that credit performance will gradually normalise in the coming quarter.

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

October – December 2020

- Operating income increased by 39.6% to SEK 74.7 m (53.5)
- Commission income amounted to SEK 35.8 m (1.0)
- Interest income decreased by 28.1% to SEK 46.4 m (64.5)
- Operating profit decreased by 35.2% to SEK 5.1 m (7.9)
- Net income for the period amounted to SEK 2.5 m (8.2)

January – December 2020

- The number of active monthly users increased by 29% to 9,498 (7,387)
- Operating income increased by 56.5% to SEK 301.0 m (192.3)
- Commission income amounted to SEK 111.3 m (1.0)
- Interest income decreased by 11.9% to SEK 199.1 m (226.0)
- Operating profit amounted to SEK 35.6 m (31.7)
- Net income for the period amounted to SEK 29.4 m (28.0)
- The loan portfolio decreased by 15% to SEK 553.7 m (654.5)

Significant events during the interim period

- Qred has continued its geographical expansion and opened up to Belgian SMEs in October.
- Qred AB has been awarded a license to provide payment services. The license includes Payment Initiation Services (PIS) and Account Information Services (AIS).

Significant events after the interim period

- No significant events have occurred after the interim period.

KPIs

	Q4 2020	Q4 2019	Δ %	FY 2020	FY 2019	Δ %
Operating income (SEK m)	74.7	53.5	39.6	301.1	192.3	56.5
Commission income (SEK m)	34.2	0.7	-	105.8	0.7	-
Interest income (SEK m)	39.8	50.9	-21.7	165.4	184.4	-10.3
Profit margin	3.3%	15.3%	-12.0	9.8%	14.6%	-4.8
Nr of active users	9,498	7,387	28.6	9,498	7,387	28.6
FTEs	85	52	63.5	71	42	69.0

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

Profit margin: Profit for the period divided by operating income

Active users: Number of companies that at the end of the period actively used Qred for financing through corporate loans or factoring.

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

I am extremely proud that Qred has during the pandemic year 2020 been able to help more small businesses than ever before. In 2020 alone, we have helped over 10,000 companies. The majority of the companies are small, with up to 10 employees, spread across industries. We've been helping your electrician, the people that run the pizza restaurant around your corner, the cleaning company that keeps your kids' school clean and your hairdresser. In short, the companies that drive society forward.

These entrepreneurs have previously found it very difficult to access traditional bank funding, since the relatively small size of the loans does not justify the high costs of processing and servicing the loans.

Qred has developed a digital platform that with a high degree of automation makes it possible to process a very large number of applications with relatively few resources. With the help of our platform, we channel money from our partner banks to the companies where they have the highest impact. Through our financing, our customers create an average of 10 new jobs a day, 7 days a week.

During 2020, the share of business loans on the balance sheet dropped significantly, while the share of loans mediated to partner banks rose sharply. We've thus been able to more efficiently optimise our capital allocation, which enables scalable growth on both existing and new markets.

2020 has also been challenging in many ways. When our customers do good, we do good. During 2020, many small businesses were hit hard by measures taken to limit the

spread of the coronavirus. This led to an increase in both expected and realized credit losses during the year. We have an optimistic belief in the future and believe that we have a responsibility to help even more small businesses thrive.

Our growth since our founding has been exceptional - when the Financial Times 2020 named Europe's 1000 fastest growing companies Qred ended up as number 8. During the year, the investment continued with undiminished strength. In 2020, we recruited over 60 new people to our team.

With our new AIS / PIS license, Qred has become a regulated company, which allows us to develop new services. The goal is to offer simple products that make it easier for small businesses to manage their everyday financing. We have e.g. recently launched a new interface (API) that enables our partners to seamlessly integrate Qred's services into their own platforms.

When I summarize 2020, I am happy to conclude that sales increased by 56% while our interest-bearing liabilities decreased by 54%, and that operating profit increased relative to 2019.

In 2021, the ambition is to help even more entrepreneurs in Sweden, Finland, Denmark, the Netherlands, Belgium, and to open up new markets.

Emil Sunvisson
CEO

QRED IN BRIEF

This is what we do

Qred helps small companies with simple and flexible financing services; corporate loans, invoice purchases and payments. Through digitization, the process 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. In 2020 alone, we at Qred have ensured that more than 10,000 small businesses have had access to the financing needed to be able to grow.

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 products

Qred provides business loans and factoring. The loan amounts are up to SEK 2m 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	Q4 2020	Q4 2019	FY 2020	FY 2019
Interest income		46 358	64 512	199 095	225 964
Interest expense		-6 527	-13 626	-33 734	-41 572
Commission income		35 825	993	111 336	993
Commission expense		-1 609	-321	-5 490	-321
Other income		622	1 943	29 852	7 262
Total operating income	3	74 669	53 502	301 059	192 327
Operating expense					
Net loan losses	4	-34 550	-20 137	-143 887	-74 515
Personnel costs		-12 037	-8 669	-46 859	-30 399
Other expenses		-21 992	-15 934	-70 889	-52 967
Depreciation		-957	-837	-4 064	-2 786
Total operating expense		-69 536	-45 577	-265 699	-160 667
Operating profit		5 133	7 924	35 360	31 660
Other financial income		51	2 796	6 348	4 359
Other financial cost		-1 678	-103	-3 811	-120
Income/cost financial transactions		-1 627	2 693	2 537	4 239
Earnings before tax		3 506	10 617	37 897	35 899
Income taxes		-1 025	-2 406	-8 453	-7 870
Net income		2 481	8 211	29 444	28 029
<i>Net income attributable to</i>					
<i>Parent company shareholders</i>		2 534	8 268	29 802	28 087
<i>Holdings without dominant influence</i>		-53	-58	-358	-58

GROUP RESULTS

SEK 000	Q4 2020	Q4 2019	FY 2020	FY 2019
Net income	2 481	8 211	29 444	28 029
Adjustments after re-calculating foreign operations	-4 328	-936	-3 286	195
Tax on Adjustments after re-calculating foreign operations	927	-200	703	27
Total net income for the period	-920	7 075	26 861	28 251

GROUP BALANCE SHEET

SEK 000	Note	2020-12-31	2019-12-31
ASSETS			
Fixed assets			
Assets with right of use		4 861	6 142
Deferred tax		8 114	14 836
Left deposits		-	31
Long term loan receivables	5	37 108	61 172
Shares in associates		6 392	200
Intangible assets		4 430	792
Tangible assets		177	-
Total fixed assets		61 082	83 173
Current assets			
Loan receivables	5	375 152	527 351
Other receivables		18 768	5 684
Cash & receivables on credit institutions		80 105	67 714
Total current assets		474 025	600 749
TOTAL ASSETS		535 107	683 922
EQUITY			
Equity attributable to the parent company			
Share capital		15 421	14 788
Other directly contributed capital		167 392	164 683
Reserves		-830	1 675
Retained earnings including profit for the year		79 032	55 372
<i>Equity attributable to</i>			
Parent company shareholders		261 015	236 518
Holding without dominant influence		-112	242
Total equity		260 903	236 760
Provisions			
Other Provisions		34 950	2 447
Deferred Tax		1 276	-
Total Provisions		36 226	2 447
LIABILITIES			
Long-term liabilities			
Debt to credit institutions		25 481	-
Bond		186 687	410 135
Other long-term liabilities		1 325	3 092
Total liabilities		213 493	413 227
Short-term liabilities			
Accounts payable		4 477	4 237
Other debts		14 135	21 970
Accrued expenses and prepaid income		5 873	5 280
Total short-term liabilities		24 485	31 487
TOTAL EQUITY AND LIABILITIES		535 107	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
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				29 802	-325	29 444
Exchange rate differences			-3 286			-3 286
Tax on exchange rate differences			703			703
Total net income for the period	0	0	-2 583	29 802	-358	26 861
Transaction costs new share issue		-33				-33
Tax effect transaction costs new share issue			7			7
Redemption preferred stock	-5	-40 584				-40 589
Paid, but not yet registered preferred stock	0	0				0
Issue new shares, preferred stock	0	1 930				1 930
Dividend on preferred shares				-6 142		-6 142
Paid, not yet registered common stock	638	41 396				42 034
Share capital					4	4
Share-based remuneration - value of employee service			71			71
Equity 2020-12-31	15 421	167 392	-830	79 032	-112	260 903

GROUP CASH FLOW ANALYSIS

SEK 000	Note	FY 2020	FY 2019
Cash flow from operating activities			
Operating profit incl. operating expenses		35 360	31 660
<i>Adjustments for items not included in cash flow</i>			
-Replacement of depreciation		4 064	2 786
-Capitalised interest		-911	1 336
-Change in credit losses		113 388	44 888
-Other		-494	106
Other interest paid		-209	-120
Paid tax		-18 266	-14 636
Cash flow from operating activities before changes in working capital		132 933	66 020
Change in working capital			
Change in loan receivables		89 017	-294 794
Change in other operating receivables		-28 291	-19 049
Change in accounts payable		314	2 496
Change other operating liabilities		1 925	-442
Change in working capital		62 965	311 789
Cash flow from operating activities		195 898	-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		-4 541	-891
Change in other tangible fixed assets		-219	-
Cash flow from investment activities		-4 729	-1 124
Cash flow from financing activities			
Transactions for holding without dominant influence		160	300
New issues common shares		42 020	1 000
New issue preferred shares	6	-38 677	37 161
Preferred shares dividend	6	-6 142	-6 106
New loans		31 885	415 754
Amortisation of loans		-232 519	-205 194
Cash flow from financing activities		-203 273	242 915
Cash flow for the period		-12 104	- 3 977
Cash and cash equivalents at the beginning of the period		39 633	43 600
Exchange rate differences in cash and cash equivalents		-4 052	11
Cash and cash equivalents at the end of the period		23 477	39 633
Summary of cash and cash equivalents			
Cash		23 477	39 633
Receivables on credit institutions		56 628	28 081
Total cash and cash equivalents		80 105	67 714

INCOME STATEMENT, PARENT COMPANY

SEK 000	Q4 2020	Q4 2019	FY 2020	FY 2019
Interest income and similar items	11 059	10 750	45 189	22 280
Interest expenses and similar items	-9 877	-11 346	-40 433	-25 301
Other income	-	-	30 478	-1
Total operating income	1 182	-596	35 234	-3 021
Other external expenses	-529	-529	-1 360	-1 249
Total operating expense	-529	-529	-1 360	-1 249
Operating profit	653	-1 125	33 874	-4 270
Other financial income	11 102	4 331	11 686	16 302
Other financial costs	-5	-	-12	-
Income/cost financial transactions	11 097	4 331	11 674	16 302
Appropriations				
Received group contributions	-	1 148	-	1 148
Provided group contributions	-45 350	-	-45 350	-
Result before tax	-33 600	4 354	198	13 179
Tax on profit	7 115	-932	-11	-41
Net income	-26 485	3 422	187	13 139
Parent company report on other result				
Profit of the year	-26 485	3 422	187	13 139
Total profit of the year	-26 485	3 422	187	13 139

BALANCE SHEET, PARENT COMPANY

SEK 000	2020-12-31	2019-12-31
ASSETS		
Fixed assets		
Shares in Group companies	56 196	66 581
Shares in Associates	200	200
Receivables from Group companies	532 775	541 855
Total financial fixed assets	589 171	608 636
TOTAL FIXED ASSETS	589 171	608 636
Other receivables	615	100
Prepayments and accrued income	108	41
Cash and cash equivalents	992	5 516
Total current assets	1 715	5 657
TOTAL ASSETS	590 886	614 293
EQUITY		
Restricted equity		
Share capital	15 421	14 788
Statutory reserve	6	-
Total restricted equity	15 427	14 788
Non-restricted equity		
Other contributed capital	-	2 270
Share premium	168 174	163 188
Retained earnings	3 085	-3 906
profit of the year	187	13 138
Total non-restricted equity	171 446	174 690
TOTAL EQUITY	186 873	189 478
Long-term liabilities		
Long-term liabilities to group companies	185 569	-
Borrowings	183 724	410 135
Total long-term liabilities	369 293	410 135
Short-term liabilities		
Accounts Payable	488	32
Short-term liabilities to group companies	33 867	11 038
Current tax liabilities	-	597
Other debts	-	2 570
Accrued expenses and prepaid income	365	442
Total short-term liabilities	34 720	14 679
Total Liabilities	404 013	424 814
TOTAL LIABILITIES & EQUITY	590 886	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	Q4 2020	Q4 2019	FY 2020	FY 2019
Income from loan receivables	39 831	50 887	165 361	184 392
Commission income	34 216	672	105 846	672
Other income	622	1 943	29 852	7 262
<i>Whereof income from repurchase of bond</i>	-	-	27 377	-
Operating income	74 669	53 502	301 059	192 327

Note 4 – Net credit losses

The pandemic caused by the coronavirus has continued to create uncertainty in the economy. During Q4, there was a second outbreak, which led to more restrictions and the ability to pay for the company's customers has deteriorated somewhat. The company has developed various scenarios that have been weighted according to estimated probability. Due to the continued pandemic but with upcoming vaccinations to counter the pandemic, the risk of default is estimated to remain 22% higher compared to the levels prevailing before the pandemic. The corresponding assessment at the end of the third quarter was 22%.

Group	Q4 2020	Q4 2019	FY 2020	FY 2019
Realised credit losses	11 749	8 515	30 493	29 626
Change in reserves, net	17 922	9 171	80 151	42 438
Provisions for guarantee commitments	4 879	2 451	33 243	2 451
Total	34 550	20 137	143 887	74 515

Note 5 – Loan receivables

Group	2020-12-31	2019-12-31
Loan receivables, gross	553 738	654 518
<i>Whereof long-term</i>	51 246	66 153
<i>Whereof short-term</i>	502 492	588 364
Reservation for uncertain loan receivables	-141 478	-65 995
<i>Whereof long-term</i>	-14 139	-4 981
<i>Whereof short-term</i>	-127 339	-61 014
Net Loan receivables	412 260	588 523
Overdue loan receivables	107 562	61 215
Loan receivables maturing in 0 to 3 months	161 443	217 123
Loan receivables maturing in 3 to 12 months	233 487	310 027
Loan receivables maturing in more than 12 months	51 246	66 153
Total	553 738	654 518
Reported amounts, per currency, for the Group's loan receivables	2020-12-31	2019-12-31
SEK '000	185 879	292 384
EUR '000	24 782	27 741
DKK '000	88 386	51 733

The provision for loan losses amounted to SEK 141 478 k (65 995). 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 quarter. 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 10 555 561 common shares and 6 702 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 6 142 k to preferred shareholders. During the same period, 193 preference shares were emitted and 4 059 preference shares were redeemed.

Note 7 - Transactions with related parties

Group	Q4 2020	Q4 2019	FY 2020	FY 2019
<i>Costs</i>				
Interest	50	-	350	3 064
Total	50	-	350	3 064

Group	2020-12-31	2019-12-31
<i>Borrowing</i>		
Shareholders and related companies	-	-
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

- No significant events have occurred after the interim period.

FINANCIAL CALENDAR

- 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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