

Interim report Q1 2021

Qred Holding AB (publ)



Interim report

January–March 2021

Qred continued to grow during the quarter and consolidated its position as market leader in the Nordic region and the Netherlands / Belgium. Qred's automated, smart and easy to use products that simplify financing for small businesses are much appreciated in the customer segment, and has resulted in Qred having Sweden's most satisfied customers with an average rating of 4.8 on Trustpilot.

Commission income increased by 171% as a result of an increasing amount of loans being brokered. The number of active customers increased by more than 3,000 and amounted to 10,408 (7,387). Adjusted for extraordinary revenues in Q1 2020, revenues increased by 40% to SEK 80.1 m (57.4).

Large resources are invested in developing new services. Qred will launch a unique credit card tailored for small businesses. The card comes with a number of features such as automated accounting, credits approved in real-time and improved ability to control the company's expenses.

Values for the same period last year are stated in brackets (the same period last year includes extraordinary income of SEK 18.0 m and costs of SEK 32.6 m).

January – March 2021

- Operating income increased by 6.1% to SEK 80.1 m (75.4)
- Commission income increased by 171.5% to SEK 44.6 m (16.4)
- Interest income decreased by 25.9% to SEK 43.8 m (59)
- Operating profit amounted to SEK -1.1 m (-19.1)
- Net income for the period amounted to SEK -1.4 m (-13.2)

Significant events during the interim period

- Qred signs partnership agreements with, among others, Foodora and the e-trade community Ehandel.
- Qred initiates a written procedure regarding the delisting of its senior secured bond in order to comply with Finansinspektionen's new guidance.
- Qred sells bonds with a nominal value of EUR 3.0m.

Significant events after the interim period

- Qreds completes delisting of bond loans from NASDAQ.
- Qred announces its intention to launch a new credit card with innovative features aimed at small businesses.

KPIs

	Q1 2021	Q1 2020	Δ %	FY 2020
Operating income (SEK m)	80.1	75.4	6.1	297.7
Commission income (SEK m)	42.1	14.9	183.6	105.8
Interest income (SEK m)	37.2	48.8	-23.7	165.4
Profit margin	-1.8%	-17.5%	15.8	9.9%
Nr of active users	10 408	8 290	25.6	7 387
FTEs	97	58	67.2	71

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 2020, 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

2021 has begun in a very positive way. After a year plagued by the pandemic, hopes of a return to a more normalized state are sprouting again.

The effects of the pandemic have hit small businesses unevenly, with many seeing their turnover fall as a result of changing behaviors, while other companies have seen a more favourable environment for their businesses. I think most of us look forward to putting the pandemic behind us.

We now see how many companies are restarting their operations, which means that the demand for financing is increasing. We just crossed a dream limit with over 10,000 simultaneously active companies on Qred's platform.

Qred's growth has attracted international attention when, for the second year in a row, we ended up high on the Financial Times' list of the 1,000 fastest growing companies in Europe.

Small businesses play an increasingly important role in the welfare society and the financing of small businesses is a major

concern for both politicians and entrepreneurs. Unfortunately, the problem still is that it is difficult to channel funds to the smallest companies. It requires a great focus on cost awareness, digital processes and automation. This is where Qred can make a difference. With the help of our financing platform, we currently create 10 new jobs a day, 7 days a week. In addition, we have Sweden's most satisfied customers according to Trustpilot.

We continue to invest heavily in simplifying and improving everyday life for small businesses. Next, we will launch a credit card packed with smart features such as automated receipt management, virtual cards, payment via mobile and total cost control. All available in real time and completely free for you as an entrepreneur.

Together we make it easier and more fun to run a business.

Emil Sunvisson
CEO

Qred in brief

This is what we do

Qred helps small companies with simple and flexible financing services; corporate loans, factoring 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. Today we help customers in Sweden, Finland, Denmark, the Netherlands, Belgium and Brazil. In 2020 alone, we at Qred have ensured that more than ten thousand small companies have had access to the financing needed to be able to invest and create growth in their companies and communities.

This is what we offer

Financing is a highly sought-after service among small businesses. Our proprietary, automated credit system enables us to quickly provide entrepreneurs with capital to create growth in their businesses. With Qred, small businesses get access to simple, fast and transparent financing, be it business loans, factoring or payments.

These are our products

Qred offers flexible and expeditious business loans. Loan amounts are relatively small (up to approximately SEK 2 million) and maturities are normally 6–36 months, with straight-line repayment. The loans have no set-up fee, no hidden costs, and no lock-in period. Qred's loans have a fixed monthly fee and as a customer you only pay for the months you use the loan.

With factoring, entrepreneurs are able to free up capital through our digital platform. The system is integrated with all standard accounting systems, so that you as a business owner can easily choose whether you want to sell invoices and which invoices you want to sell. We make sure that they are paid and that you thus have an overview of your finances.

This is our team

Qred's employees are the single most important success factor. Today, we are around 100 people with headquarters in Stockholm and regional offices in Helsinki, Malmö and São Paulo. With a focus on leading technology and data processing, international expansion and strong growth, Qred has established itself as an attractive employer. This means that we have had the opportunity to recruit many entrepreneurial and motivated talents, offer developmental opportunities, and deepen our team's strengths with experience and cutting-edge skills.

Group income statement

SEK 000	Note	Q1 2021	Q1 2020	FY 2020
Interest income		43 756	59 031	199 095
Interest expense		-6 533	-10 214	-33 734
Commission income		44 653	16 447	111 336
Commission expense		-2 516	-1 592	-5 490
Net result from financial transactions		93	11 150	24 010
Other income		600	615	2 475
Total operating income	3	80 053	75 437	301 059
Operating expense				
Net loan losses	4	-41 447	-64 306	-143 887
Personnel costs		-15 873	-11 326	-46 859
Other expenses		-22 814	-17 331	-71 124
Depreciation		-1 058	-1 563	-4 064
Total operating expense		-81 192	-94 526	-265 634
Operating profit		-1 139	-19 089	31 758
Other financial income		-	49	156
Other financial cost		-18	-	-209
Income from shares in associates		-625	2 202	6 193
Income/cost financial transactions		-643	2 251	6 139
Earnings before tax		-1 782	-16 838	37 897
Income taxes		352	3 608	-8 453
Net income		-1 430	-13 230	29 444
<i>Net income attributable to</i>				
<i>Parent company shareholders</i>		-1 280	-13 126	29 802
<i>Holdings without dominant influence</i>		-150	-104	-358

Group results

SEK 000	Q1 2021	Q1 2020	FY 2020
Net income	-1 430	-13 230	29 444
Adjustments after re-calculating foreign operations	1 607	2 933	-3 286
Tax on Adjustments after re-calculating foreign operations	-331	-200	703
Total net income for the period	-154	-10 497	26 861

Group balance sheet

SEK 000	Note	2021-03-31	2020-12-31
ASSETS			
Fixed assets			
Assets with right of use		5 060	4 861
Deferred tax		8 155	8 114
Long term loan receivables	5	41 641	37 108
Shares in associates		5 767	6 392
Intangible assets		6 661	4 430
Tangible assets		167	177
Total fixed assets		67 451	61 082
Current assets			
Loan receivables	5	367 505	375 152
Other receivables		44 193	18 768
Cash		95 283	80 105
Total current assets		506 981	474 025
TOTAL ASSETS		574 432	535 107
EQUITY			
Equity attributable to the parent company			
Share capital		15 421	15 421
Other directly contributed capital		163 972	167 392
Reserves		459	-830
Retained earnings including profit for the year		76 597	79 032
Equity attributable to Parent company shareholders		256 450	261 015
Holding without dominant influence		-262	-112
Total equity		256 188	260 903
Provisions			
Other Provisions		44 561	34 950
Deferred Tax		1 147	1 276
Total Provisions		45 708	36 226
LIABILITIES			
Long-term liabilities			
Debt to credit institutions		29 238	25 481
Bond		221 809	186 687
Other long-term liabilities		1 112	1 325
Total liabilities		252 159	213 493
Short-term liabilities			
Accounts payable		6 633	4 477
Other debts		7 868	14 135
Accrued expenses and prepaid income		5 877	5 873
Total short-term liabilities		20 378	24 485
TOTAL EQUITY AND LIABILITIES		574 432	535 107

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 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

SEK 000	Share capital	Other directly contributed capital	Reserves	Retained earnings including profit for the year	Holdings without dominant influence	Total equity
Equity 2021-01-01	15 421	167 392	-830	79 032	-112	260 903
Result for the period				-1 280	-150	-1 430
Exchange rate differences			1 607			1 607
Tax on exchange rate differences			-331			-331
Total net income for the period	0	0	1 276	-1 145	-150	-154
Redemption preferred stock	0	-3 420				-3 420
Dividend on preferred shares				-1 155		-1 155
Share-based remuneration - value of employee service			13			13
Equity 2021-03-31	15 421	163 972	459	76 597	-262	256 188

Group cash flow analysis

SEK 000	Note	Q1 2021	Q1 2020	FY 2020
Cash flow from operating activities				
Operating profit incl. operating expenses		-1 139	-19 089	31 758
Whereof received interest		45 233	55 634	202 769
Whereof paid interest		-7 356	-10 998	-36 377
<i>Adjustments for items not included in cash flow</i>				
-Replacement of depreciation		1 058	1 563	4 064
-Capitalised interest		113	-430	-911
-Change in credit losses		41 293	53 187	113 388
-Other financial transactions		-85	7 869	3 108
Other interest paid		-18	-	-209
Paid tax		-9 142	-6 436	-18 265
Cash flow from operating activities before changes in working capital		32 081	36 664	132 933
Change in working capital				
Change in loan receivables		-23 428	71 508	89 017
Change in other operating receivables		31 591	-17 842	-28 291
Change in accounts payable		2 084	-883	314
Change other operating liabilities		2 101	1 772	1 925
Change in working capital		12 348	54 555	62 965
Cash flow from operating activities		44 429	91 219	195 898
Cash flow from investment activities				
Reduction of other financial fixed assets		-	31	31
Change in other intangible fixed assets		-2 458	-	-4 541
Change in other tangible fixed assets		-	-157	-219
Cash flow from investment activities		-2 458	-129	-4 729
Cash flow from financing activities				
Transactions for holding without dominant influence		-	50	160
New issues common shares		-	-	42 020
New issue/redemption preferred shares	6	-3 420	-1 700	-38 677
Preferred shares dividend	6	-1 155	-1 852	-6 142
New loans		35 469	5 000	31 885
Amortisation of loans		-1 332	-80 106	-232 519
Cash flow from financing activities		29 562	-75 208	-203 273
Cash flow for the period		71 533	15 885	-12 104
Cash at the beginning of the period		23 477	39 633	39 633
Exchange rate differences in cash		274	2 035	-4 052
Cash at the end of the period		95 283	57 552	23 477

Income statement, parent company

SEK 000	Q1 2021	Q1 2020	FY 2020
Interest income and similar items	9 581	11 622	45 189
Interest expenses and similar items	-9 581	-10 255	-40 433
Net result from financial transactions	-6 040	-10 003	11 070
Other income	-	19 543	30 478
Total operating income	-6 040	10 907	46 304
Other external expenses	-323	-268	-1 360
Total operating expense	-323	-268	-1 360
Operating profit	-6 363	10 639	44 946
Other financial income	-	49	614
Other financial costs	-	-	12
Income/cost financial transactions	-	49	602
Appropriations			
Provided group contributions	-	-	-45 350
Result before tax	-6 363	10 688	-198
Tax on profit	1 310	-2 277	-11
Net income	-5 053	8 411	187
Parent company report on other result			
Profit of the year	-5 053	8 411	187
Total profit of the year	-5 053	8 411	187

Balance sheet, parent company

SEK 000	2021-03-31	2020-12-31
ASSETS		
Fixed assets		
Shares in Group companies	57 196	56 196
Shares in Associates	200	200
Receivables from Group companies	537 265	532 775
Total financial fixed assets	594 661	589 171
TOTAL FIXED ASSETS	594 661	589 171
Other receivables	2 057	615
Prepayments and accrued income	61	108
Cash and cash equivalents	3 156	992
Total current assets	5 274	1 715
TOTAL ASSETS	599 936	590 886
EQUITY		
Restricted equity		
Share capital	15 421	15 421
Statutory reserve	6	6
Total restricted equity	15 427	15 427
Non-restricted equity		
Share premium	164 754	168 174
Retained earnings	2 117	3 085
profit of the year	-5 053	187
Total non-restricted equity	161 819	171 446
TOTAL EQUITY	177 246	186 873
Long-term liabilities		
Long-term liabilities to group companies	162 548	185 569
Borrowings	219 355	183 724
Total long-term liabilities	381 903	369 293
Short-term liabilities		
Accounts Payable	106	488
Short-term liabilities to group companies	40 186	33 867
Accrued expenses and prepaid income	495	365
Total short-term liabilities	40 787	34 720
Total Liabilities	422 690	404 013
TOTAL LIABILITIES & EQUITY	599 936	590 886

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 financial statements 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.

Exchange rate effects are reported in the respective line in the income statement, but have previously been reported under financial items. A new line has been added to the income statement, 'Net income from financial transactions'.

Receivables from credit institutions have previously been reported under the item 'Receivables from credit institutions and cash and cash equivalents'. Receivables from credit institutions have been transferred and are reported under 'Other receivables'.

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 2020 annual report.

Note 3 – Income

Group revenue 2021 Q1	Sweden	Other Countries	Central functions	Group
Interest income	12 428	31 328	-	43 756
Interest expenses	-2 554	-3 979	-	-6 533
<i>Whereof internal financing expenses</i>	-1 454	-3 158	4 612	-
Net interest income	9 874	27 349	-	37 223
Commission income	21 572	23 081	-	44 653
Commission expenses	-818	-1 698	-	-2 516
Net commission income	20 754	21 383	-	42 137
Net result from financial transactions			93	93
<i>Whereof income repurchase bond</i>			612	612
Other income	600	-	-	600
Total operating income	31 228	48 732	93	80 053

Group revenue 2020 Q1	Sweden	Other Countries	Central functions	Group
Interest income	22 460	36 571	-	59 031
Interest expenses	-4 044	-6 171	-	-10 214
<i>Whereof internal financing expenses</i>	-3 940	-6 152	10 092	-
Net interest income	18 416	30 400	-	48 816
Commission income	9 164	7 284	-	16 447
Commission expenses	-996	-596	-	-1 592
Net commission income	8 167	6 688	-	14 855
Net result from financial transactions			11 150	11 150
<i>Whereof income repurchase bond</i>			17 978	17 978
Other income	615	-	-	615
Total operating income	27 198	37 088	11 150	75 437

Group revenue 2020	Sweden	Other Countries	Central functions	Group
Interest income	69 679	129 416	-	199 095
Interest expenses	-14 216	-19 518	-	-33 734
<i>Whereof internal financing expenses</i>	-10 888	-17 848	28 737	-
Net interest income	55 464	109 897	-	165 361
Commission income	58 578	52 757	-	111 336
Commission expenses	-3 399	-2 092	-	-5 490
Net commission income	55 180	50 666	-	105 846
Net result from financial transactions			24 010	24 010
<i>Whereof income repurchase bond</i>			27 377	27 377
Other income	2 475	-	-	2 475
Total operating income	113 119	160 563	24 010	297 692

Note 4 – Net credit losses

The pandemic caused by the coronavirus continues to cause economic uncertainty, although some positive signs of gradual recovery are visible. The remaining restrictions have a negative effect on many of the company's customers' ability to pay. The company has developed different scenarios that have been weighted according to the estimated probability. No adjustments to the macroeconomic outlook were made during the quarter. The risk of default is still estimated to be 22% higher compared to the levels prevailing before the pandemic.

Group	Q1 2021	Q1 2020	FY 2020
Realised credit losses	175	11 119	30 493
Change in reserves, net	31 954	31 484	80 151
Provisions for guarantee commitments	9 318	21 73	33 243
Total	41 447	64 306	143 887

Note 5 – Loan receivables

Group	2021-03-31	2020-12-31
Loan receivables, gross	584 899	553 738
<i>Whereof long-term</i>	50 220	51 246
<i>Whereof short-term</i>	534 680	502 492
Reservation for uncertain loan receivables	-175 753	-141 478
<i>Whereof long-term</i>	-8 578	-14 139
<i>Whereof short-term</i>	-167 175	-127 339
Net Loan receivables	409 146	412 260
Overdue loan receivables	128 575	107 562
Loan receivables maturing in 0 to 3 months	166 683	161 443
Loan receivables maturing in 3 to 12 months	239 421	233 487
Loan receivables maturing in more than 12 months	50 220	51 246
Total	584 899	553 738
Loan receivables per currency	2021-03-31	2020-12-31
SEK '000	180 408	185 879
EUR '000	24 858	24 782
DKK '000	108 954	88 386

The provision for credit losses amounted to SEK 175,753 k (141,478). Qred makes ongoing assessments of loan receivables. The provisions are calculated based on the expected cash flow with regard to an age analysis. No further impairment loss is considered to exist at the end of the quarter. The provision for doubtful loan receivables and reversals are expensed under Loan 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 shares and preference shares carry one vote per share. The number of registered shares as of March 31, 2021 amounted to 10,555,561 common shares and 6,360 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

Until the end of March 2021, a dividend of SEK 0 k was paid for common shares and SEK 1,155 k for preference shares. During the same period, 499 preference shares were redeemed.

Note 7 – Transactions with related parties

Group	Q1 2021	Q1 2021	FY 2020
Costs			
Interest	-	-	350
Total	-	-	350

The Group has borrowed from shareholders and companies affiliated to the Company's shareholders. Loan agreements are made on market terms.

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

- Qreds completes delisting of bond loans from NASDAQ.
- Qred announces its intention to launch a new credit card with innovative features aimed at small businesses.

No other significant events have occurred after the end of the interim period.

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