



Interim Report Q4 2019



Qred 2019 highlights

+66%

interest income

17%

operating margin

25

MSEK net profit

10 jobs

created per day

Qred

Factoring

launched

Qred

Brazil

new joint venture

EUR

40m

Q2 bond issue

SEK

+3.0 bn

loans issue to date

Qred's solution for small business lending



Online application
Automated data collection



Automated scoring
Instant result



Same day Payment
Customer satisfaction

Traditional lending



Offline application
Manual data submission



Manual review
Weeks or months



Low conversion
Most applications rejected

Risk and compliance

- Qred **strengthened its compliance and legal team** with a a seasoned Senior Legal Council
- Qred has submitted **license application** to Swedish FSA to become Account Information Service Provider (**AISP**)
- Implementation of **new AML screening system**
- Extended KYC (Know Your Customer) processes to **prevent money laundry and terrorism financing**
- **Real time access** to companies' bank transactions with advanced risk transaction detection



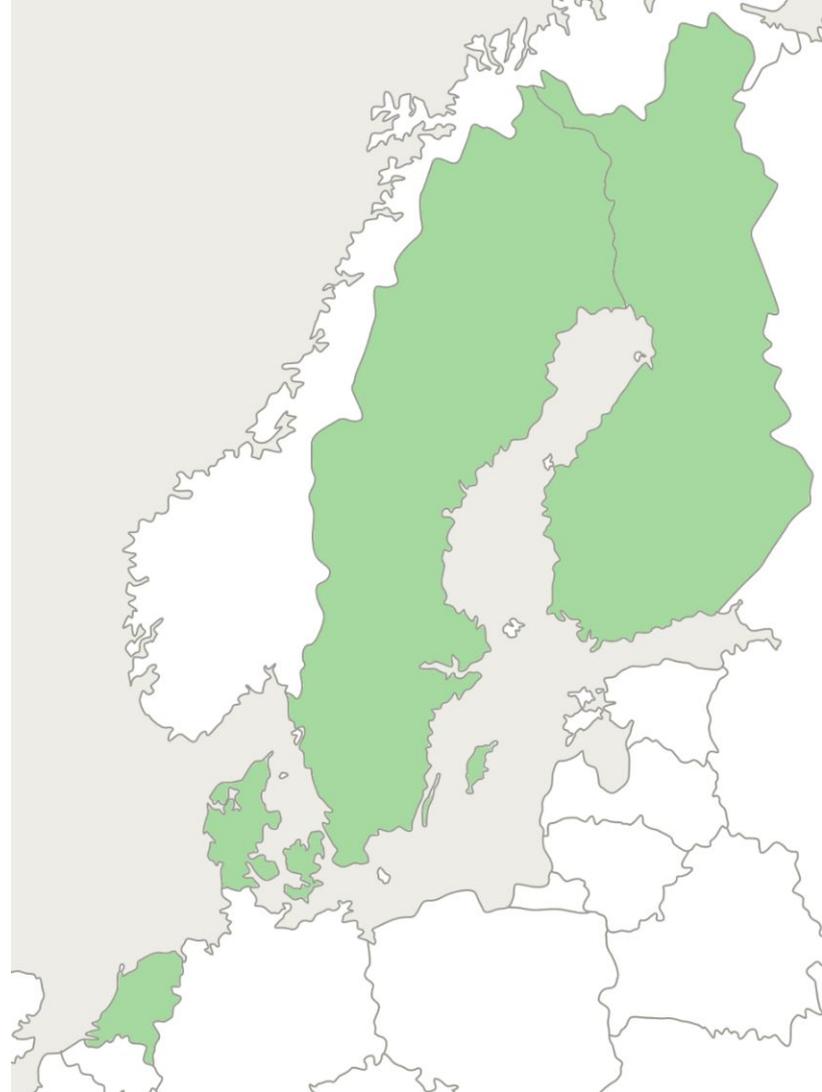
Risk diversification

Loan book diversified over many **industries**

Low exposure to any individual borrower ($< 0.2\%$)

Loan book diversified over several **geographies**

- Sweden 2015
- Finland 2016
- Denmark 2017
- The Netherlands 2018
- *Brazil 2020*



New joint venture for Brazil

- The addressable market is estimated to **10 million small businesses**
- Qred has entered into a **joint venture** with Webrock and Atlant Fonder
- The ambition is to launch Qred business loans in **Brazil starting in 2020**
- **Qred owns 40%** of the outstanding shares in the Swedish holding company Qred Brazil AB
- Qred will mainly contribute with its unique **system for scoring** and small business loan management as well as industry **know-how**

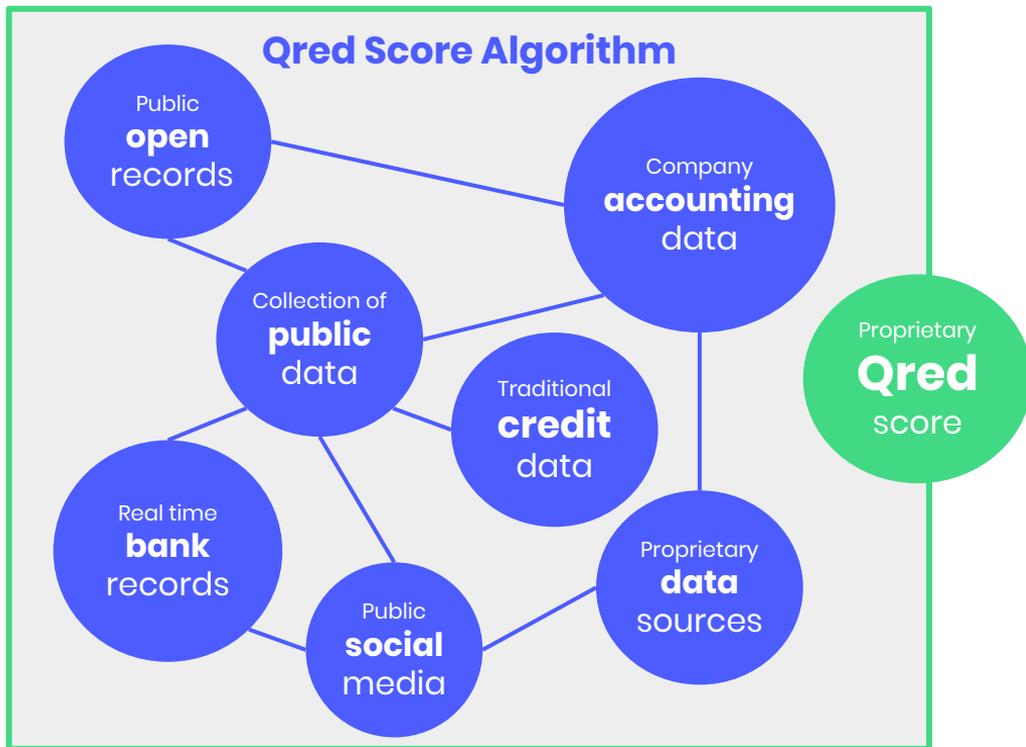


Qred factoring

- **Factoring** services for small businesses –
New business area launched in Q4 2019
- Qred will **purchase invoices** with and without recourse
- **Complementing product** to Qred's business loans with high customer demand
- **New subsidiary** “Qred Factoring AB” operating from Malmö
- Business supported by **digital platform** and digital processes

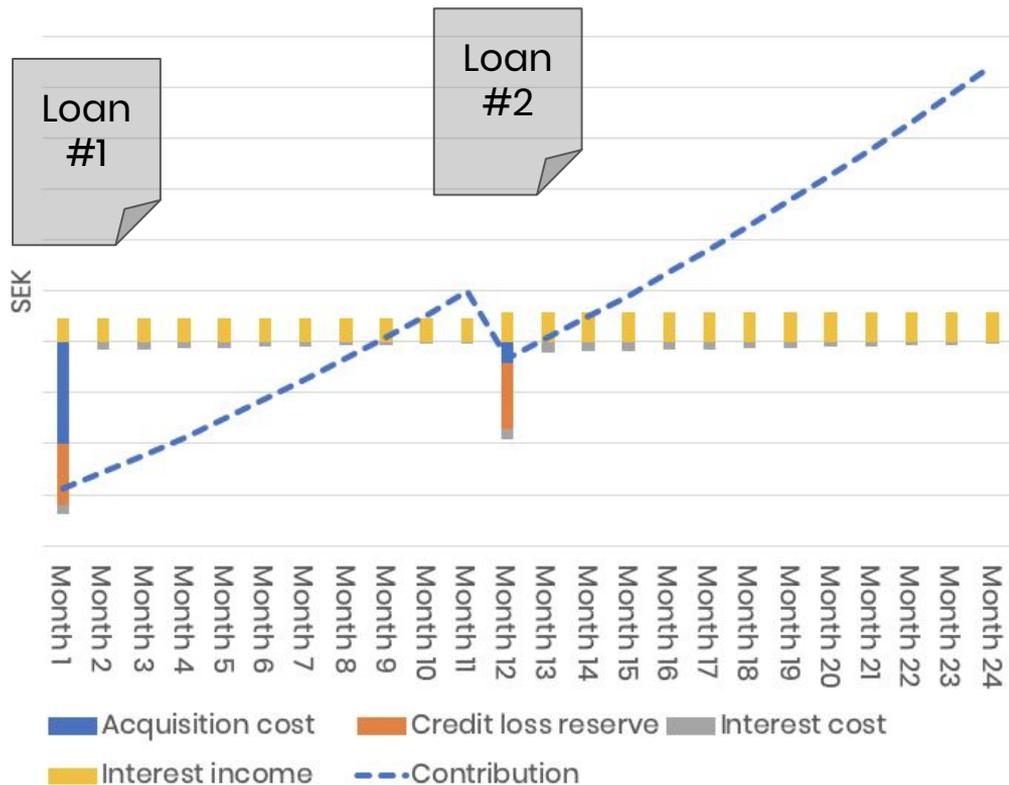


Automated credit scoring system



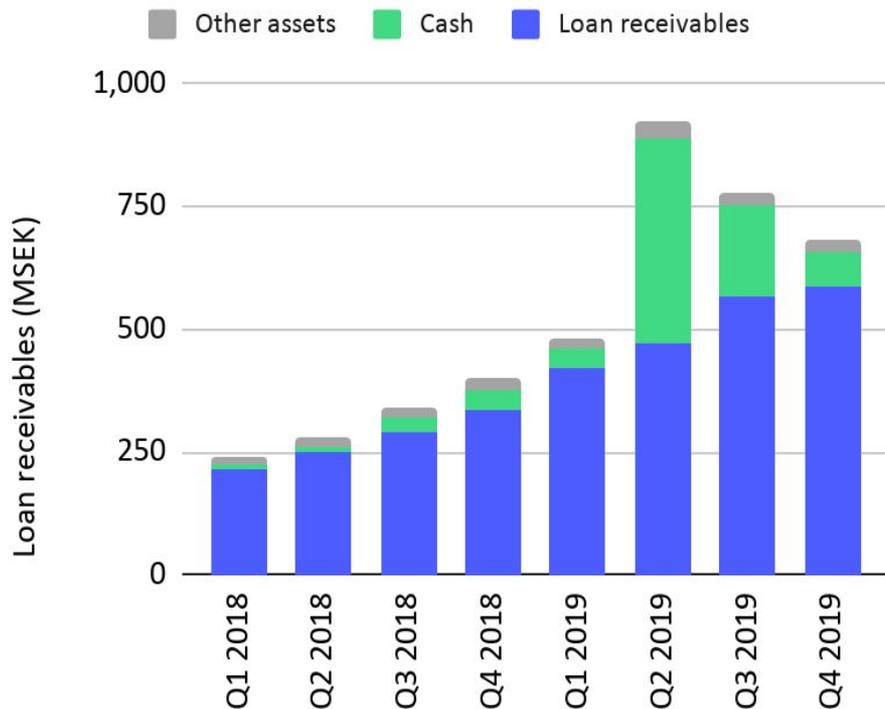
- **Automated scoring**
Based on machine learning
- **Large dataset**
Leading SME lender in the Nordics
- **+ 3,000 MSEK**
Issued loans
- **+150,000 sets of data**
Data is king in machine learning

Cost and revenue recognition example



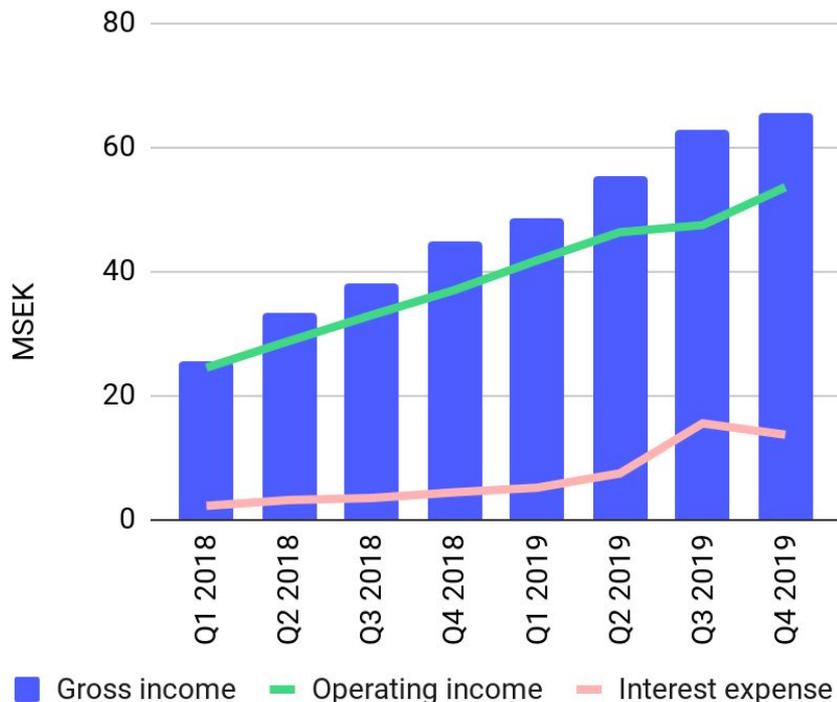
- **IFRS penalises growth**
Cost are taken upfront and revenues are recognized during the loan term
- **Acquisition cost**
Cost taken pre loan issue
- **Credit loss reserve**
Reserves at loan issue
- **Interest cost**
Cost related to outstanding amount
- **Interest income**
Recognized over loan term

Strong loan book growth



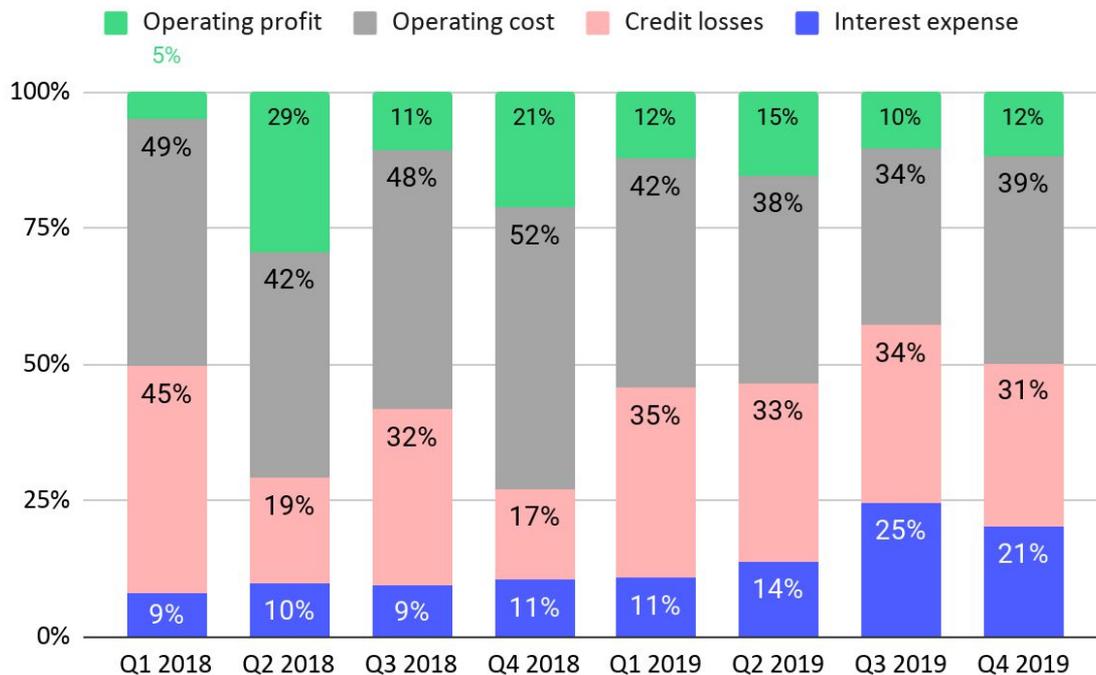
- Loan receivables** increased with 76% to 589 MSEK (333)
- Cash** increased with 55% to MSEK 68 (44), but trend is decreasing as a result of the bond issue, increased lending activities and repayment of loans
- Strong growth across all markets
- Capacity for continued growth

Continued growth in interest income



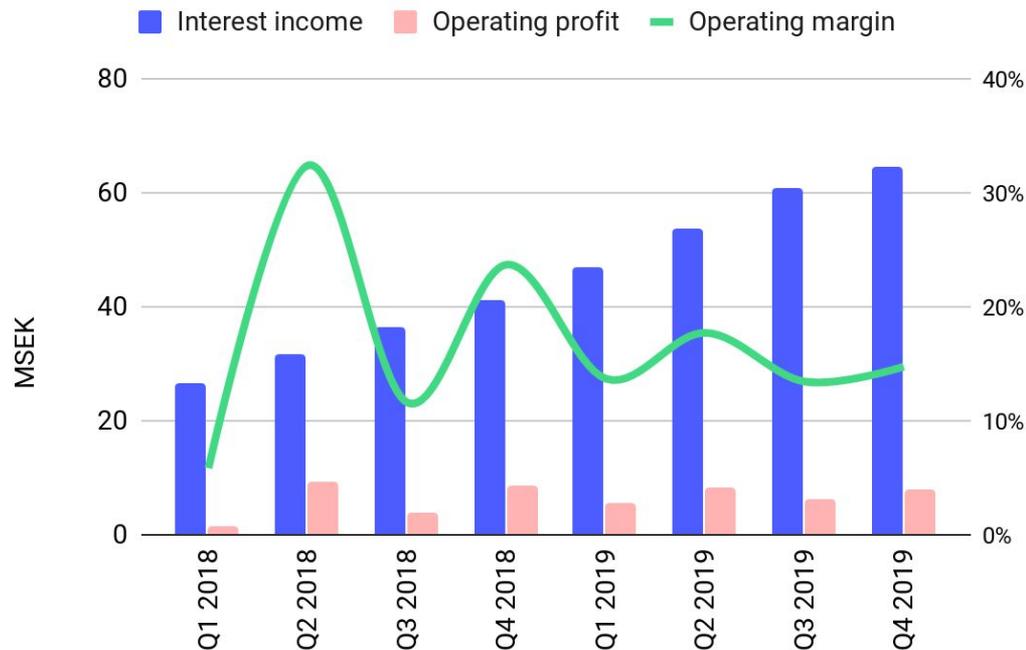
- **Interest income** for the quarter increased with 56% to 64.5 MSEK (41.3)
- **Operating income** increased with 45% to 53.5 MSEK (36.9)
- **Interest expense** increased with 213% to 13.6 MSEK (4.3)
- Interest expense to interest income ratio expected to improve as a result of deploying excess cash

Credit loss and interest expense trending down



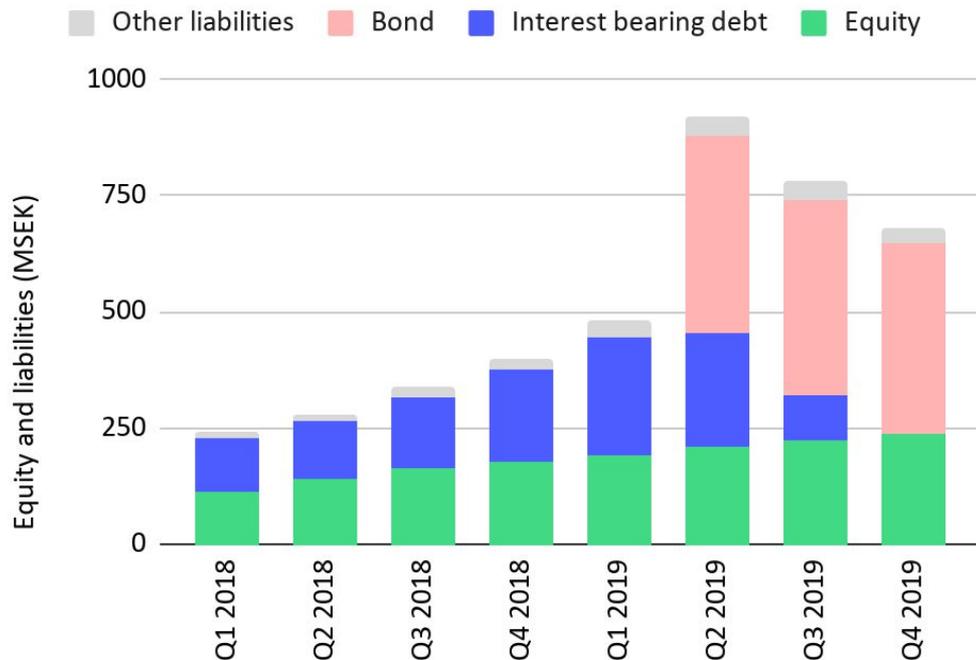
- **Operating cost** decreased to 39% (52%) of interest income due to investments in product development
- **Credit losses** amounted to 31% (17%) of interest income
- **Interest expense** increased to 21% (11%) of interest income

Operating margin stabilizing at 15%



- **Operating profit** decreased to 7.9 MSEK (8.8)
- **Operating margin** decreased to 15% (24%)
- Operating profit impacted by sub-optimal financial structure during the period

Interest bearing debt paid back using bond proceeds



- Total **balance sheet** increased with 98% to 684 mSEK (398)
- **Equity** increased with 35% to 237 MSEK (176)
- **A bond** of 40 MEUR was issued in June 2019
- **Interest bearing debt** declined to 0 MSEK (94)

Technical and management capabilities underpin the business

- Proven ability to attract/retain **senior competence** to quickly develop and launch new ventures & markets
- 100% **measurable and trackable marketing** capabilities using sophisticated algorithmic bidding
- Digital and integrated **channel management** backed by highly efficient and aligned customer success
- Machine learning **credit algorithm** based on millions of data points, scores of causal factors, across all markets
- Proprietary, scalable, API-integrated **technical platform** supported by own global development resources
- Efficient setup of **accountabilities and operational policies**, financial control, and legal compliance



Board of directors



Emil Sunvisson

Thomas Jansson

Andrea Gisle Joosen

Jason Francis

Mattias Carlsson
Chairman of the board

Contact

Qred AB (publ)
Tulegatan 15
113 53 Stockholm

finance@qred.com
<https://qred.com>
08-474 46 62