Eleving

(PrimeAll, Financial Services, OT8 GR)

WARBURG RESEARCH

Buy	
EUR 2.50	
Price	EUR 1.68
Upside	**48.8 %**

Value Indicators:	EUR
Residual income model:	2.46

Warburg Risk Score:	**1.0**
Balance Sheet Score:	n.a.
Market Liquidity Score:	1.0

Description:

Eleving is a financial service company providing small-ticket leasing and loan services

Market Snapshot:	EUR m
Market cap:	196.7
No. of shares (m):	117.1
Freefloat MC:	36.2
Ø Trad. Vol. (30d):	66.97 th

Shareholders:	
Freefloat	18.40 %
Founders	81.60 %

Key Figures (WRe):	2024e
Price / Book:	2.0 x
Equity Ratio:	22 %

Delivering fintech solutions to underdeveloped markets; Initiation with Buy

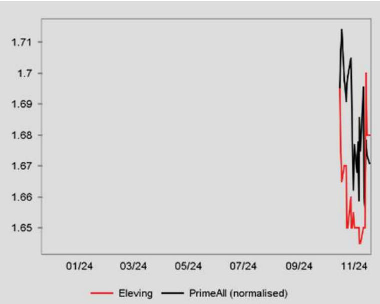
Eleving is a fin-tech company that utilizes a data-driven, AI-enhanced software platform to offer financial products and services in underserved areas in continental Europe (55% of net portfolio), Africa (32%) and the Caucasus (13%). With this approach, the group has found a fast and cost-efficient way to address the information asymmetry in those regions, which is the main reason why consumers and SMEs either lack access to financial services or are limited to products with excessively high interest rates. Since its inception, Eleving has built an impressive database from its >1.3m customers to whom it has provided loans totalling EUR >1.8bn and the over 1.4m applications it receives annually. Eleving differentiates itself with its fast and data-driven in-house scoring and automated underwriting process, which is easy to access, both online and offline, and provides fast responses to applications. The IT backbone also monitors the debt-collection process and has an automated response system, which reduces defaults and increases recovery after termination.

Over the past few years, Eleving has impressively grown its financing portfolio from EUR 141m in 2018 to EUR 320m in 2023. Considering the high demand for financing solutions in the company's countries of operation, this trend should continue, significantly backed by structural market growth. This should be enhanced by further product launches and entry to additional markets. Furthermore, Eleving is pursuing an active M&A strategy and exhibits a good track record of add-on acquisitions. Following these trends, we assume that the company should be able to grow its loan portfolio by a CAGR of 18.3% in 2023-26e. While margins should remain fairly stable, net interest income growth is expected to be just marginally slower at a CAGR of 15.7%.

While cost effectiveness has already been quite high with CIR standing in the mid to high 30s, a slight improvement due to economies of scale can be expected as growth continues. Therefore, a sustainable CIR of roughly 34-35% appears realistic. Even more important than strict operating cost discipline is the management of risks. In relation to revenues, Eleving has reported risk costs between 20-30% over the past few years. As the company recently took a turn for the better, we expect this ratio to sustainably settle at the lower end of this range.

Against the backdrop of ongoing portfolio and revenue growth, high cost discipline and sustainably attractive margins, we think a sustainable RoE of roughly 35% appears conceivable. This should exceed cost of equity significantly and generate convincing excess profits for shareholders. In order to maintain an efficient capital structure, Eleving has a dividend policy in place that provides a staggered distribution of a majority of profits, depending on the equity ratio at the end of the respective year. While the aim is to keep the ratio at 15%, excess profits shall be distributed accordingly.

Proceeds from the IPO have been used to redeem outstanding bonds of the subordinated unsecured bond 2021/2031. While this bond has a coupon of 12% + EURIBOR 6M, this step should increase profitability by around EUR 2m per year. Following the aforementioned expectation of sustainable excess returns, we applied a Residual Income model to derive a fair equity valuation for Eleving. With the application of a rather high beta of 2.5 to reflect the high risk-profile of the company's customers, the cost of equity of 16.5% is derived. Finally, our model assumes a fair value of EUR 2.46 per share which is the basis of our EUR 2.50 PT. Therefore, we initiate coverage with a Buy rating.



Rel. Performance vs PrimeAll:	
1 month:	3.4 %
6 months:	n/a
Year to date:	n/a
Trailing 12 months:	n/a

Company events:

FY End: 31.12. in EUR m	CAGR (23-26e)	2020	2021	2022	2023	2024e	2025e	2026e
Net interest income (NII)	16.4 %	48.8	110.8	131.4	138.8	159.5	184.8	219.1
NII growth		4.2 %	127.1 %	18.5 %	5.6 %	14.9 %	15.8 %	18.6 %
Claims Settlement and Risk Provisioning		22.5	41.0	43.3	39.8	42.9	49.0	57.4
Total operating expenses	12.3 %	35.9	63.4	80.9	83.8	93.5	105.4	118.6
EBT	30.1 %	1.3	17.3	21.5	28.5	37.4	47.0	62.8
Net income before minorities	21.2 %	1.6	7.1	18.6	24.5	26.6	33.0	43.6
EPS	26.0 %	0.02	0.02	0.13	0.17	0.19	0.25	0.34
DPS		0.00	0.00	0.00	0.00	0.06	0.09	0.13
Dividend Yield		n.a.	n.a.	n.a.	n.a.	3.6 %	5.4 %	7.7 %
Book Value / Share		0.19	0.21	0.39	0.46	0.84	1.00	1.20
P / E		n.a.	n.a.	n.a.	n.a.	8.8 x	6.7 x	4.9 x
Price / Book		n.a.	n.a.	n.a.	n.a.	2.0 x	1.7 x	1.4 x
ROE		9.1 %	9.2 %	44.0 %	40.7 %	29.7 %	27.0 %	30.7 %
CIR		39.5 %	38.3 %	37.1 %	36.8 %	36.6 %	34.9 %	33.3 %
Equity Ratio		7.9 %	9.7 %	15.0 %	15.5 %	22.1 %	22.4 %	23.0 %
Guidance:	2024: Revenue of EUR 221m and net profit before FX of EUR 33m							

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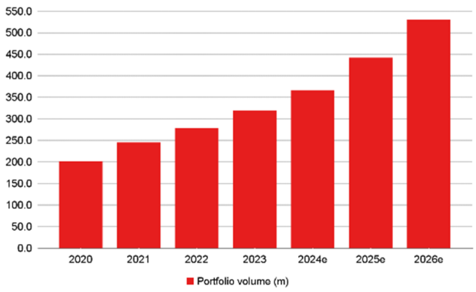
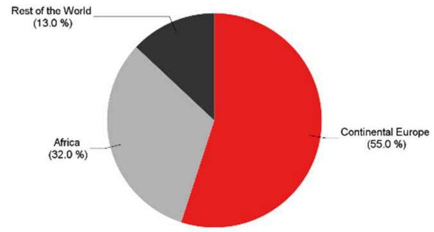
Total Portfolio volume
in EUR m



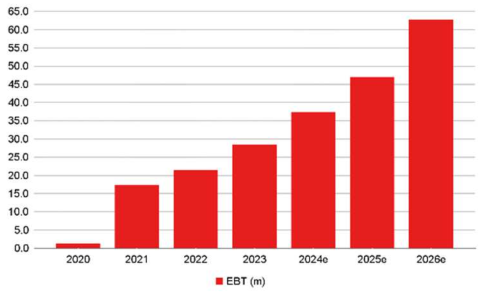
Source: Warburg Research

Portfolio by region
6M 24; in %



Source: Warburg Research

EBT development
in EUR m



Source: Warburg Research

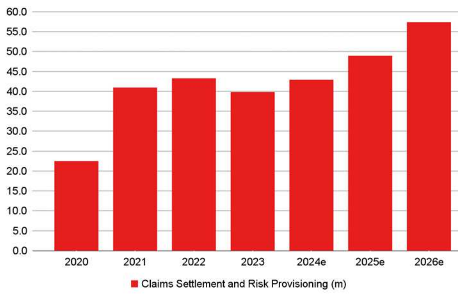
Company Background

- Eleving is a financing company, specialised in small-ticket car financing and private loans.
- The company offers financial products Eastern Europe, Africa, the Caucasus and Central Asia. Outside of the Baltic area, the group targets especially underserved market segments with a data-driven approach.
- Within the Vehicle Financing segment, the company provides leasing and loans for used cars but also for new motorcycle taxis (boda-bodas). In Consumer Finance, Eleving offers traditional consumer loans to its customers.
- The average ticket sizes are rather small (below EUR 10k for vehicle finance and below EUR 1k for consumer loans) while interest is fairly high at about 5% per month.

Competitive Quality

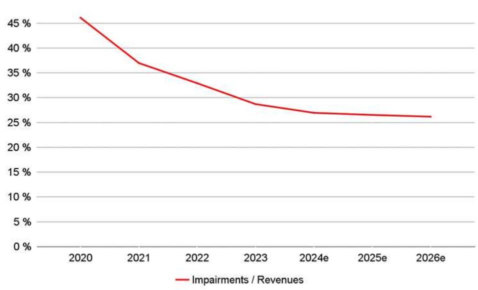
- Scalable, data-driven, AI-based underwriting and debt-collection processes enable fast responses to loan applications and good management of the risk profile of the loan portfolio
- Boots-on-the-ground with 274 branches across 16 regions provide valuable insight to the characteristics of the local market and helps to identify business opportunities
- Access to the international capital market and high ESG rating provide access to wide range of funding sources, including Eurobonds and impact funds
- Proven resilience to challenging market environments, including the pandemic, the war in Ukraine, where the company was active at the time as well as interest hikes and rising inflation rates
- Solid M&A track record with four markets entries of which three were done by acquisition and 10 exits of which 7 were sold

Claims settlement / Risk provisioning
in EUR m



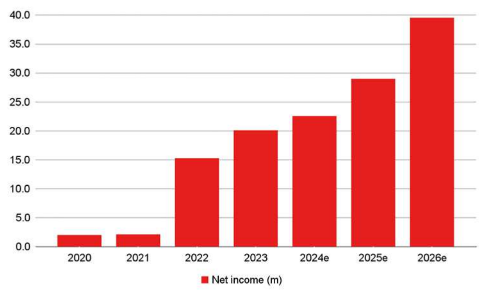
Source: Warburg Research

Claims settlement etc / NII
in %



Source: Warburg Research

Net income development
in EUR m



Source: Warburg Research

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Summary of Investment Case

Investment triggers

- As a provider of small-ticket financing solutions in markets where access to financial services is limited but demand is high, Eleving boasts an attractive margin profile that results in attractive RoE rates north of 30%.
- While the company aims to maintain an equity ratio of at least 15%, excess profits shall be returned to shareholders in form of regular dividends, according to the dividend policy. Combined with the strong profitability, this promises high regular cash-flow returns for potential investors.

Valuation

- Based on a Residual Income model, we derive a fair valuation of EUR 2.46 per share, which is the basis for our PT of EUR 2.50.
- Our model assumption of a relatively high beta of 2.5 results in cost of equity of 16.5%, which should be easily surpassed by the company's returns that are projected to be north of 30%.

Growth

- 32% of the net portfolio is in **developed markets in Eastern Europe** (Estonia, Latvia, Lithuania, Romania and Moldova) where Eleving and its respective brands are well established as providers of vehicle financing and subscription-based products. Eleving should be able to gain market share and grow slightly faster than market rates.
- Starting in Q1 2025, Eleving plans to roll out products targeting **SMEs**, especially in Romania, Moldova, Albania and North Macedonia, which should be a major growth driver for Eleving's business in continental Europe. By 2026, this new business could represent 5-7% of the group's net portfolio.
- In Kenya and Uganda (22% of net portfolio), Eleving's **productive lending** has already shown rapid growth in recent quarters. Under the brand Mogo Boda Loans, it currently issues approx. 280 e-boda loans monthly and is aiming to issue 500 loans per month.
- Following the structural growth trends, we expect the **financing portfolio to grow at a strong 23-26e CAGR of +18.3%.** Revenue growth is expected to be slightly slower at a CAGR of +16%.

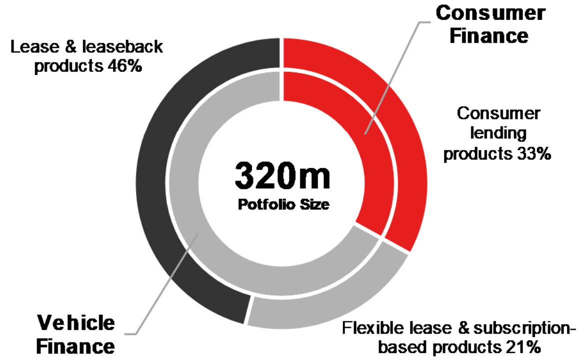
Competitive quality

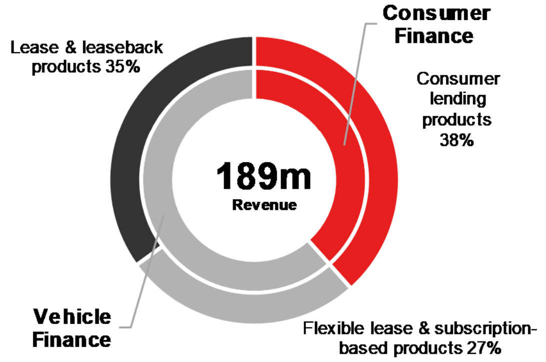
- **Scalable, data-driven, AI-based underwriting process** enables Eleving to asses a loan application quickly and respond fast, both online and offline. Moreover, the IT backbone also monitors the debt-collection processes over the lifecycle of a loan to predict possible default early and provides appropriate automated responses to further minimize NPLs.
- **Boots-on-the-ground** in every region increases the visibility of and trust in the respective regional brands as well as providing valuable insight to the characteristics of the local market and helps to identify business opportunities such as the fast-growing Mogo Boda Loans business in Kenya and Uganda.
- **Access to the international capital market** and high ESG rating provide access to wide range of funding sources, including Eurobonds and impact funds. In addition, the group uses local notes and bank loans as a cost-efficient currency hedging tool.
- **Proven resilience to challenging market environments**, including the pandemic, the war in Ukraine, where the company was active at the time, as well as interest hikes and rising inflation rates.

Company Overview

Eleving GROUP

Revenue Split vs. Portfolio Split FY 2023



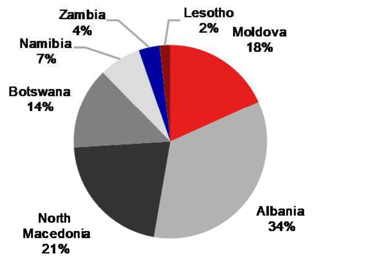


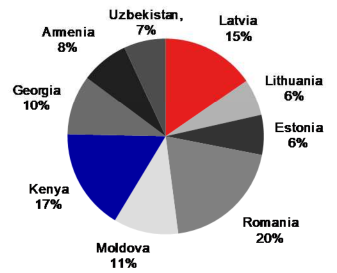
Market Focus

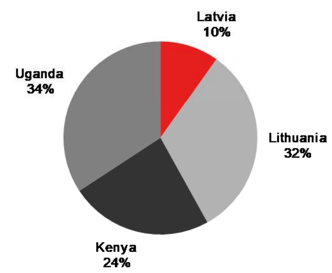
Eleving specializes in **vehicle and consumer financing**, offering products like traditional vehicle finance, flexible lease and subscription models, and consumer loans. The company operates in **Eastern Europe, Baltics, Africa, and Central Asia.**

Segments	Consumer Finance	Traditional Lease & Leasebacks	Flexible Lease & Subscription
Revenue FY 2023	**72.7**	**66.2**	**50.4**
in % of total	*38%*	*35%*	*27%*
EBITDA FY 2023	**34.1**	**26.2**	**20.7**
in % of total	*42%*	*32%*	*26%*
Brands	Sebo.md, Tigo.mk, Kredo.al, ExpressCredit	mogo, mogo BODA LOANS, primero	OX, Renti
Competitors	easy Credit, FLEXCREDIT, iutecredit, NOA	watu, TBIBank, NGAO CREDIT, GENERAL FINANCE	GLOBAL CREDIT, EuroCredit

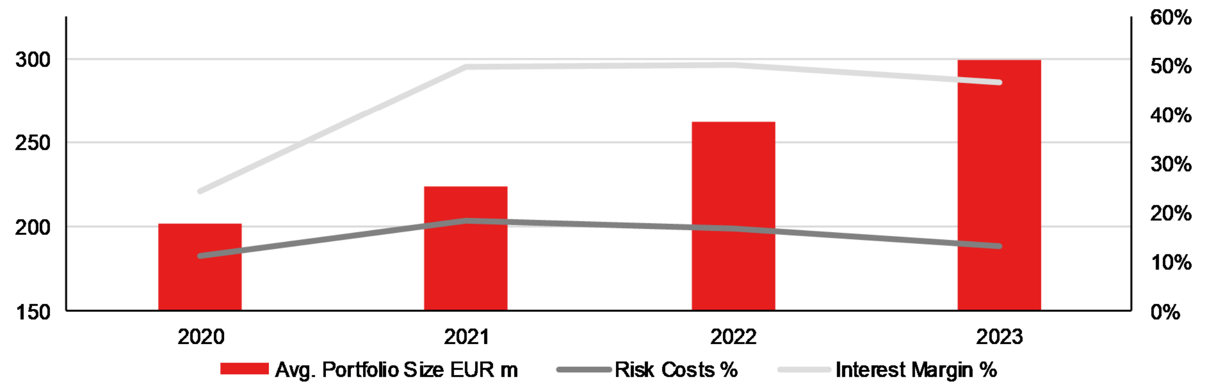
Portfolio Split per Segment FY 2023







Portfolio Development



Source: Warburg Research

Competitive Quality

- Scalable, data-driven, AI-based underwriting and debt-collection processes enable fast responses to loan applications and good management of the risk profile of the loan portfolio
- Boots-on-the-ground in every region provide valuable insight to the characteristics of the local market and helps to identify business opportunities
- Access to the international capital market and high ESG rating provide access to wide range of funding sources, including Eurobonds and impact funds
- Proven resilience to challenging market environments and solid M&A track record

Bringing fintech to emerging markets

Eleving provides vehicle and consumer financing products to underserved market segments and communities, mainly in continental Europe and Africa, by combining a scalable data-driven risk evaluation and underwriting process with a deep understanding of the local characteristics in each market. This allows the company to identify potential clients with an attractive risk profile, but who have very limited access to conventional financial institutions and are otherwise dependent on other non-bank lenders, who often charge excessive interest rates, to meet their financing needs.

Data-driven, automated customer journey

Eleving's software platform offers its customers an accessible and fast application process. The company is able to provide a same-day response to applications. As soon as the applicant has provided all necessary data, Eleving is usually able to approve or reject the loan or lease within three minutes, which is notably faster than its competitors in the respective region.

Data-driven customer journey

Input	Proprietary scoring engine	Output
Customer Checked & verified ID Internal & external credit databases Credit Bureaus Internal Blacklists Criminal records	**KYC, AML & fraud engine** **Scoring engine:** Cloud-based data processing software	**Customer eligibility decision** **Customer credit score**
Vehicle Stolen vehicle database Information from local vehicle marketplaces Accident database VIN number State transport authority database	**Vehicle background check:** Assessment if technical details of the vehicle and comparable vehicle market pricing	**Market value assessment** **Loan offer or rejection**

Source: Eleving Group, Warburg Research

AI-fuelled scoring and underwriting

EUR >1.8bn total loan volume provided to 1.3m customers

Eleving has built an impressive database from its roughly 1.3m customers, to whom it has provided loans totalling EUR >1.8bn since its inception, and the over 1.4m applications it receives annually.

For used-vehicle leasing, Eleving uses data from a vast array of sources such as accident and theft data, local marketplaces as well as state transport authorities. The objective is to adequately determine the current and future market value in a specific market rather than relying on the more hypothetical value provided by car insurance companies.

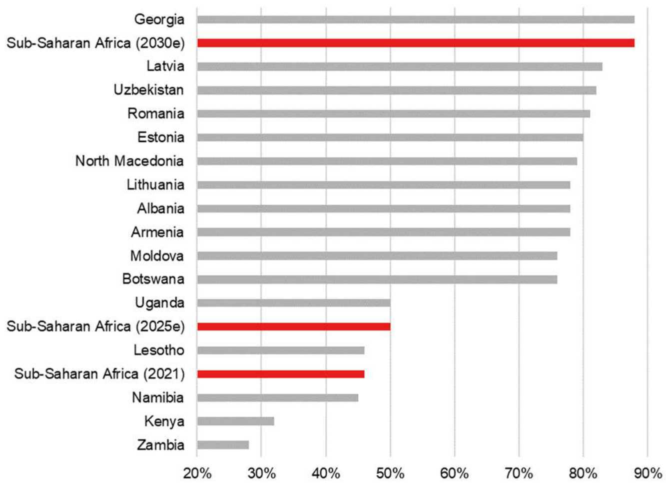
During the underwriting process, this data is combined with external data relevant to the applicant. In addition to traditional data such as ID-checks, proof of income and credit databases, Eleving uses mobile-phone usage data. Smartphone penetration and the use of mobile wallets has increased significantly and is still growing in the regions in which Eleving is active.

Increasing smartphone penetration fuels database

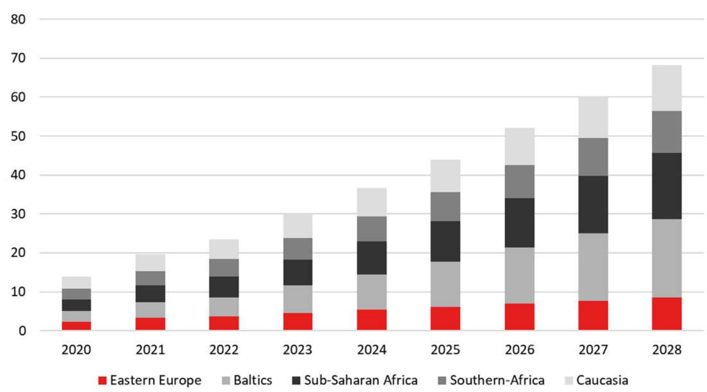
In Sub-Saharan Africa, the smartphone penetration rate is expected to increase from 46% in 2021 to 50% next year and reach 88% by 2030 (source: GSMA). Mobile money transactions already more than doubled from USD 3.0bn in 2020 to USD 6.8bn in 2023 (source: Statista Market Insights) and is expected to increase further.

In Eastern Europe, the smartphone penetration is already between 70% and 80% for most countries. The data traffic per smartphone is expected to more than double between 2022 and 2028. The mobile payment volume is expected to grow from USD 20.3bn in 2022 to USD 53.2bn in 2028 (CAGR 17.5%) (source: Statista Market Insights).

Smartphone penetration by country



Mobile wallet transaction volume (in USD bn)



Source: Statista Market Insights, Warburg Research

This has created comprehensive data on the user's income and spending pattern, which are highly valuable when determining a client's solvency. Eleving has established relationships with the mobile operators providing those payment services and is able to access all relevant data with the consent of its customer. This consent can be granted quickly and easily online.

This dense and comprehensive database, the AI-fuelled analytics, as well as the highly automated underwriting process provides Eleving with notable competitive advantages regarding risk assessment as well as fast and easy accessibility for its customers.

Predictive debt collection

The application of the dense database and AI-driven analytics doesn't end with underwriting but is also used to monitor the creditor's behaviour over the debt collection cycle. Eleving has established a multi-step system to predict default risks early and respond automatically. These responses range from reminder calls and text messages to providing alternative options and revised payment plans that might be more feasible for a client, if their life circumstances have changed.

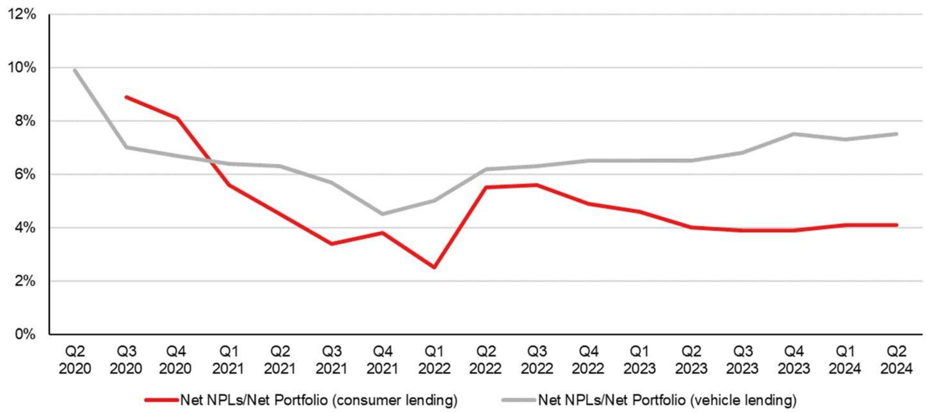
Data-driven collection system

Source: Eleving Group, Warburg Research

69% of customers overdue return to payment schedule

As a result, Eleving has maintained a solid portfolio of both vehicle and consumer loans, with 69% of overdue clients catching up on their payments before the next payment is due. As of June 2024, 7.5% of its net vehicle loan portfolio was in stage 3 (35+ days overdue) and only 4.5% of its net consumer loan portfolio (90+ days overdue).

Net NPL / net portfolio

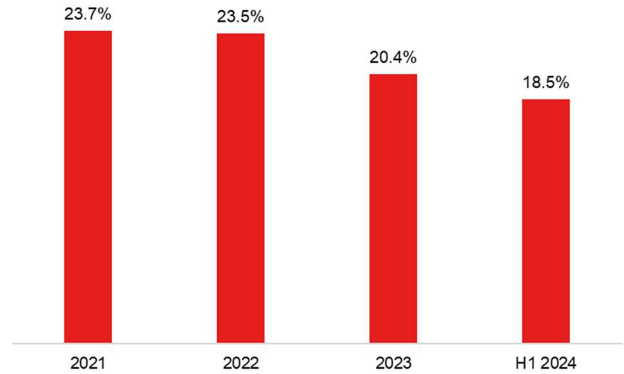


Source: Eleving Group, Warburg Research

Post-termination recovery rate 84%
Repossession rate 86%

If clients default on their loans, the post-termination recovery rate is at a solid 84%. In case of vehicle loans and leases, the repossession rate is 86%. With the company's network of car dealers, it takes only 44 days on average to liquidate the repossessed asset. The measures in place and ongoing efforts to improve the internal processes enabled Eleving to reduce the net impairment/revenue ratio from 23.7% in 2021 to 20.4% in 2023. In H1 24, the number declined further to 18.5%.

Net impairment / revenue



Source: Eleving Group, Warburg Research

Products tailored for local markets

Eleving offers a wide range of financial services under different brands in several countries in Eastern Europe and Sub-Saharan Africa. While the scalable data and software platform serves as a scalable backbone throughout the portfolio, no product is offered in all regional markets.

>274 offline in 16 countries and >2,220 connected car dealerships

Eleving also operates a network of 274 branches across 16 regions and cooperates with more than 2,220 car dealerships. This increases the visibility of its respective regional brand and the accessibility of its services. In addition, this boots-on-the-ground approach provides a deeper understanding of the specific markets, its financing needs, local practices of risk mitigation and local business opportunities.

Regional brand overview

		Continental Europe						Africa		Rest of the World
		Latvia	Lithuania	Estonia	Moldova	Romania	Albania, North-Macedonia	Kenya, Uganda	Botswana, Zambia, Namibia, Lesotho	Georgia, Armenia, Uzbekistan
Financing	Mogo	✓	✓	✓	✓	✓		✓		✓
	Primero	✓								
	Sebo, Kredo, Tigo, Express Credit				✓		✓		✓	
Service	OxDrive	✓								
	Mogo							✓		
	Renti	✓	✓							

Source: Eleving Group, Warburg Research

With the region-specific product approach, Eleving tailors its service to the specific demands in each region and, at the same time, takes local loan practices into consideration and avails of country-specific business opportunities and risk mitigation strategies. For instance, in Southern Africa employees and especially government employees, can ask their employers to make the loan payments for them, which increases payment reliability.

Attractive market opportunities with >1.5m boda-boda drivers in Kenya

Another recent growth driver is productive lending, offered by Eleving in East Africa. This mainly entails vehicle financing for clients who generate income with motorcycle taxis known as boda-bodas. The boda-boda industry is estimated to provide more than 1.5m jobs in Kenya today. However, approx. 60% of the total domestic fleet are rented to the drivers, since the drivers lack the funds to purchase a boda-boda.

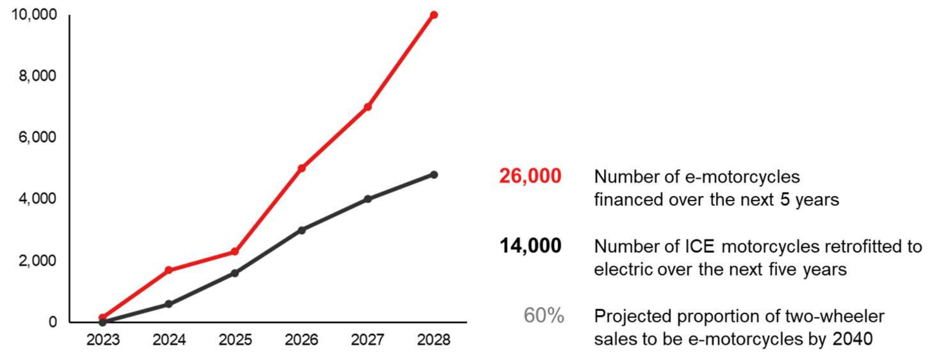
With Eleving's productive lending the company offers drivers a lease option with instalments comparable to the usual rent payment, but with the option of ownership of the motorcycle at the end of the lease-to-buy cycle. The leased asset generates revenue and is a means of income for the client, which reduces the likelihood of a default.

E-bodas could reduce TOC significantly

In 2023, Eleving launched additional financing programmes, especially for electric motorcycles as well as a retrofitting service to electrify fuel-based boda-bodas. The e-boda offers cheaper operating and lower maintenance costs to the self-employed driver. According to a McKinsey study, the TOC per km of an electric vehicle in Kenya is at only 11 cents, compared to 34 cents for a combustion engine. Moreover, the emissions of an e-boda are estimated to be 70-75% lower, which makes it an attractive means to lower urban pollution and could make the drivers eligible for government subsidies or tax cuts.

Mogo boda loans accounted for EUR 39.7m or 12.4% of Eleving's net leasing portfolio in 2023. It is well diversified with an average ticket size of EUR 935 and an average term of 24 months. It is also relatively secure with an LTV of 85%, considering the company's repossession success rate of 86%. Since Mogo mainly competes with rental companies, it achieves an attractive average monthly interest of 3.8%.

Attractive growth prospect for e-bodas



Source: Warburg Research

Number of vehicles is expected to double by 2040

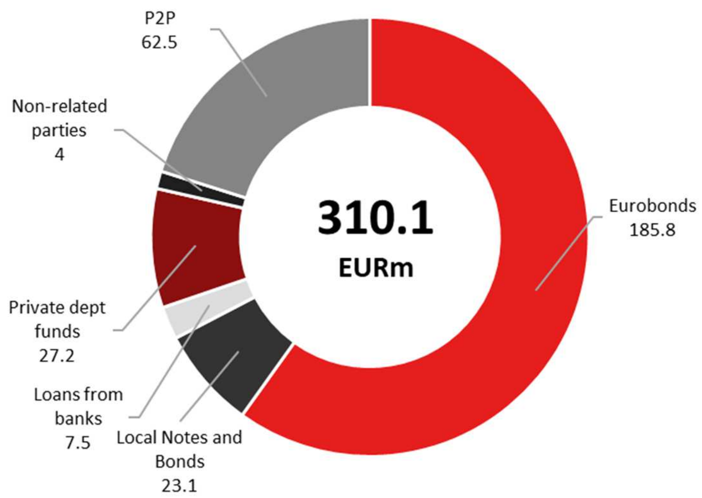
Moreover, e-bodas offer an attractive growth prospect. According to a report by McKinsey, the number of vehicles in Kenya, Uganda, South Africa, Ethiopia, Nigeria and Rwanda are expected to more than double from 25m in 2022 to 58m by 2040. This should prompt government programmes promoting electric vehicles similar to Rwanda, where the state has announced tax exemptions for EV sales. Since motorcycles, unlike cars, are more often purchased new rather than used, the impact of such government incentives should have a more significant impact in this market section.

In H1 2024, Eleving financed almost 700 e-bodas and aims to reach 500 e-boda loans per month in the coming quarters.

Lend locally, fund globally

Eleving uses a diversified funding approach that takes the advantage of its access to the Western capital market to fund its structure, operations, and strategic development as well as local funding sources in the respective regions for risk adequate funding for its clients' loans and as a natural hedge for FX effects. The company also uses additional FX hedging measures if the total costs of foreign currency funding and hedging costs appear advantageous.

Breakdown of interest-bearing liabilities (in EURm)



Source: Eleving Group, Warburg Research

The largest source of funding (as of 30.6.24) were Eurobonds with a total volume of EUR 185.8m, followed by EUR 62.5m P2P (peer-to-peer) funds raised over Mintos, the largest pan-European lending platform. EUR 27.2m were received from private debt funds, including impact funds, to which Eleving has access due to its solid ESG rating and active role in providing financial services to underserved communities and local SMEs. Local notes and loans provide a further EUR 23.1m. The remaining EUR 11.5m came from bank loans and unrelated parties.

Second Eurobond repaid in March

Access to Western capital markets

Eleving successfully placed several Eurobonds. The first bond (ISIN XS1831877755) with a 9.5% coupon was fully repaid in 20 October 2021 and followed by a second corporate bond (LV0000802452) with a volume of EUR 30m and an 11% coupon, which matured on 31 March 2024.

Breakdown of interest-bearing liabilities

Bond	Corporate Bond	Corporate Bond	Eurobond	Eurobond	Subordinate
Volume	EUR 75m	EUR 30m	EUR 150m	EUR 50m	EUR 25m
Coupon	9.5%	11%	9.5%	13.0%	12.0% + 6M Euribor
Maturity	10/07/2022	31/03/2024	18/10/2026	31/10/2028	29/12/2031
ISIN	XS1831877755	LV0000802452	XS2393240887	DE000A3LL7M4	XS2427362491
Listing	Frankfurt	-	Frankfurt	Frankfurt & Riga	Frankfurt & Riga

Source: Eleving Group, Warburg Research

Next bond to mature in 2026

Currently the company has three bonds outstanding. Two Eurobonds (ISIN XS2393240887 and DE000A3LL7M4) with volumes of EUR 150m and EUR 50m, coupons of 9.5% and 13.0%, and maturing in 2026 and 2028, respectively. In addition, the company has issued a subordinate bond (ISIN XS2427362491) with a volume of EUR 25m and a coupon of 12% + 6M EURIBOR, which matures in 2031. However, the company recently announced it would use the proceeds of the IPO to redeem the outstanding subordinate bonds by the end of November.

Historical and current bond prices

Fitch rating upgrade From B- to B

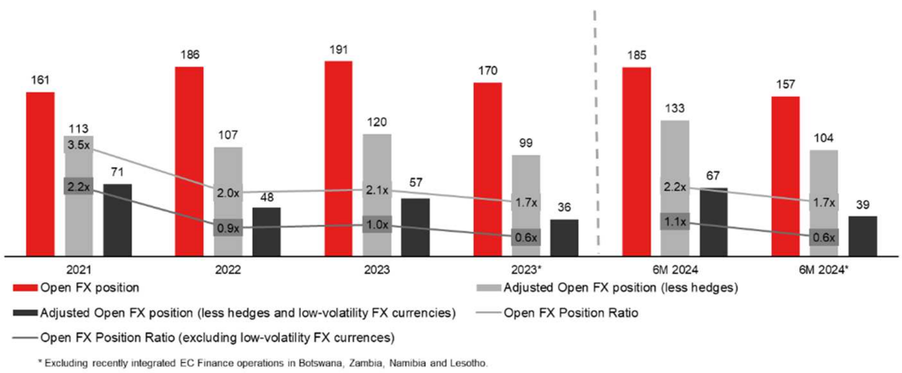
Source: FactSet Prices

Based on the pricing of the latest Eurobonds, the market currently assumes a coupon rate of 11.5% to be fair. The recent decline in interest should be partly explained by the company's success in the recently challenging environment with increased interest and inflation rates and the Fitch rating-upgrade from B- to B, with a stable outlook.

Local funding as a natural hedge

In addition, to funding denominated in euros, Eleving utilizes funding in local currency. This provides a natural hedge and is, in most cases, less expensive than euro funding considering the hedging costs required to adequately mitigate FX risks. Employing this strategy, the group has been able to notably reduce the open FX position ratio since 2021.

Open foreign currency exposure



Source: Eleving Group, Warburg Research

Local currency funding includes a variety of financial sources, depending on the country, such as bank loans, local notes and the loan marketplace Mintos. Eleving has already enrolled local notes in Kenya and Botswana and was able to raise over EUR 16m in Kenya alone. In total, local notes accounted for EUR 23.1m as of 30 June 2024. Currently, the group is expanding this approach to other regions.

Local currency notes strategically used as natural hedge

High ESG rating grants access to impact funds and subsidies

Eleving's solid ESG rating gives the company a competitive advantage, by making the group or its subsidiaries eligible for government funding or tax benefits or by granting access to impact funds, which often come with lower funding costs.

The impact funds and government initiatives often target the economic development of SMEs or self-employed workers and support institutions that provide those groups with financial services or support the achievement of environmental goals like reducing carbon emissions or urban pollution. Both objectives align naturally with Eleving's product portfolio. In addition, the initiatives often require high ESG standards and transparency to qualify for funding, which the group provides with its public quarterly financial and comprehensive ESG reports.

ESG highlights

Environment	Social	Governance
3 Sustainability-linked Products	40,000+ global consumers educated on financial literacy	Continuous ESG-reporting framework
9.7m km communted on 100% electricity	20%+ of the Group's portfolio serves the self-employed and SMEs	Best investor relations in the Nasdaq Baltic First North list in 2023
450t CO^2 offset by participation in green projects	54% female, 45% male employees	
1,500+ e-motorcycles financed		

Source: Eleving Group, Warburg Research

EUR 7m already raised with impact funds

In 2023, Eleving was granted USD 7m by the Verdant Capital Hybrid Fund for its operations in Kenya. The impact fund invests in specialist banks, microfinance institutions, leasing companies, factoring companies, fintech and other non-bank financial institutions and financial service providers that support local and underserved SMEs and self-employed workers to create a more inclusive economic environment in Africa and comply with high environmental and social standards. Verdant itself is aiming to raise USD 100m by final close before the end of 2024, some of which will come from larger institutions such as the European Investment Bank to invest in businesses like Eleving.

Eleving already complies with the high standards of Verdant and similar funding initiatives and provides a high level of transparency, which other local players are often not providing. We expect the volume of capital from comparable sources to increase in the coming years.

Solid track record in a challenging environment

The AI-fuelled database and software platform serves as the backbone of Eleving's product portfolio and is highly scalable. This scalability is the core of the group's M&A strategy. After the integration of a target, the new subsidiary not only benefits from the accelerated and automated underwriting process but also generates data that helps to increase the quality of the portfolio and reduce default.

However, the group also uses the M&A market to sharpen its strategic internal alignment or adjust geopolitical risk exposure. In recent years, Eleving has divested its activities in Ukraine and sold its Belarusian business as well as its leasing operations in the Balkan region. Its Latvian premium subscription service was acquired by Sixt.

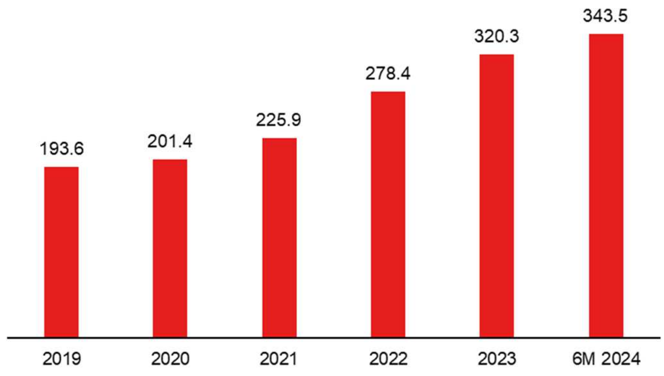
EBIT margin doubled between 2019 and 2023 in challenging environment

Over the last couple of years, the business has shown robustness in a challenging environment, including a global pandemic, a war in Eastern Europe, interest hikes and rising inflation rates. Even in such an environment, the company was able to grow both its revenue (CAGR 19-23 31%) and its net loan book (CAGR 19-23 13.4%) and double its EBIT margin (in relation to net interest income) from 10.1% in 2019 to 20.5% in 2023, while keeping net NPLs/net portfolio roughly stable.

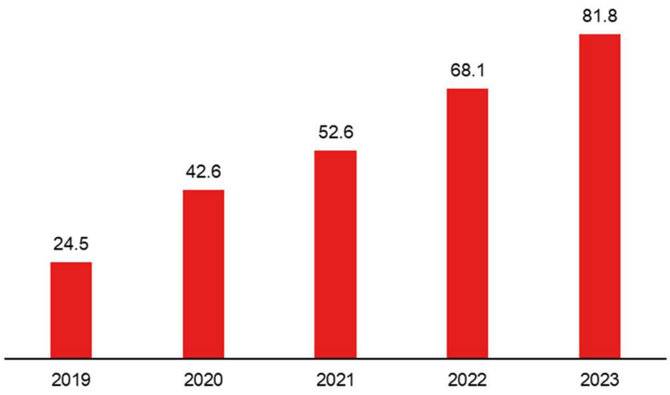
Proven resilience to financial and political crises

Since 2019, Eleving has seen its fair share of financial and political turmoil and demonstrated solid responses as well as a robustness in challenging environments.

Net portfolio



EBITDA



Source: Eleving Group, Warburg Research

Quick recovery after first Covid wave

In 2020, the Covid-19 pandemic had an especially severe impact on the less developed regions in which Eleving operates. Eleving was especially affected by multiple payment moratoriums imposed by the regulators in several regions and the rise in hedging costs due to currency fluctuations. In response, the group utilized and expanded its online channels and reduced its FX exposure by increasing local funding and improving its hedging strategy. By the time the second wave of Covid hit in H2, the company was well prepared. While net income took a notable hit, it recovered quickly in 2021 and revenue still grew despite the challenges.

Solid group development despite Ukraine exposure

In 2022, Eleving was still active in Ukraine (consumer finance) and Belarus (vehicle finance) when war broke out. However, the group had already curtailed its Ukraine exposure pre-war to 4% of its net portfolio and 6% of EBITDA in 2021 and stopped new issuance in February. As the risk of sanctions increased, Eleving did the same in Belarus, which accounted for 8% of both net portfolio and EBITDA. By the end of 2022, after a portfolio run-down, the Ukraine exposure was reduced to less than 1%. The business in Belarus focused on debt collection, which was largely unaffected. In 2024, Eleving successfully sold its Belarus business. On group level, Eleving increased its revenue by 18.6% in 2022 and set a new net-income record.

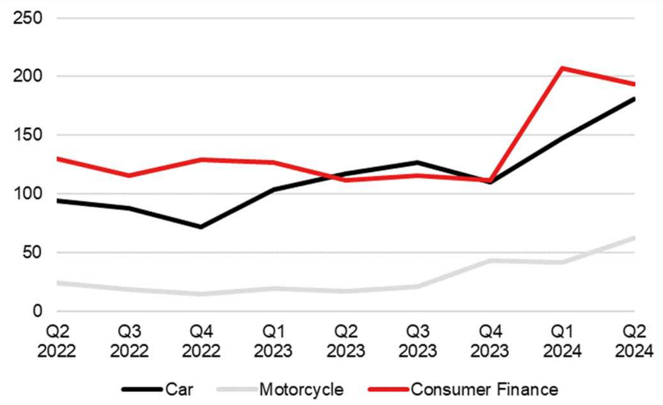
Starting with increased energy costs resulting from the Ukraine war, inflation increased notably in several areas. As a result, the Federal Reserve Bank increased its Federal Funds Rate between March 2022 and July 2023 from 0.25-0.5% to 5.25-5.5%. This already affected the rates at which Eleving is able to refinance. The coupon rate for the latest Eurobond (volume EUR 50m) issued in October 2023 was notably higher (13.5%) than the bond issued in 2021 (volume EUR 150m, coupon 9.5%).

The average term in consumer finance is usually short with approx. 40% of the portfolio maturing within the next 12 months, which should allow Eleving to adjust the interest on its contracts to the changed market conditions in a timely manner. The contract period in vehicle finance is usually longer, with an average term of between two years (Mogo Boda Loans) and six years (Primero) depending on the product.

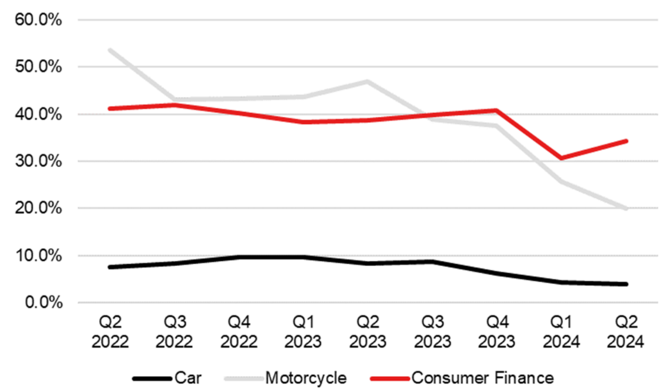
Improving risk profile and profitability during interest hikes and inflation

However, with increasing interest and inflation rates, the demand for financial services has increased, while competitors have become more conservative when issuing loans. As a result, there was notable growth in the number of applications received by Eleving. In response, the group actively lowered its conversion rate to improve the risk profile of its portfolio. At the same time the portfolio, revenue and profitability increased further.

Applications received (in thousands)



Conversion rate

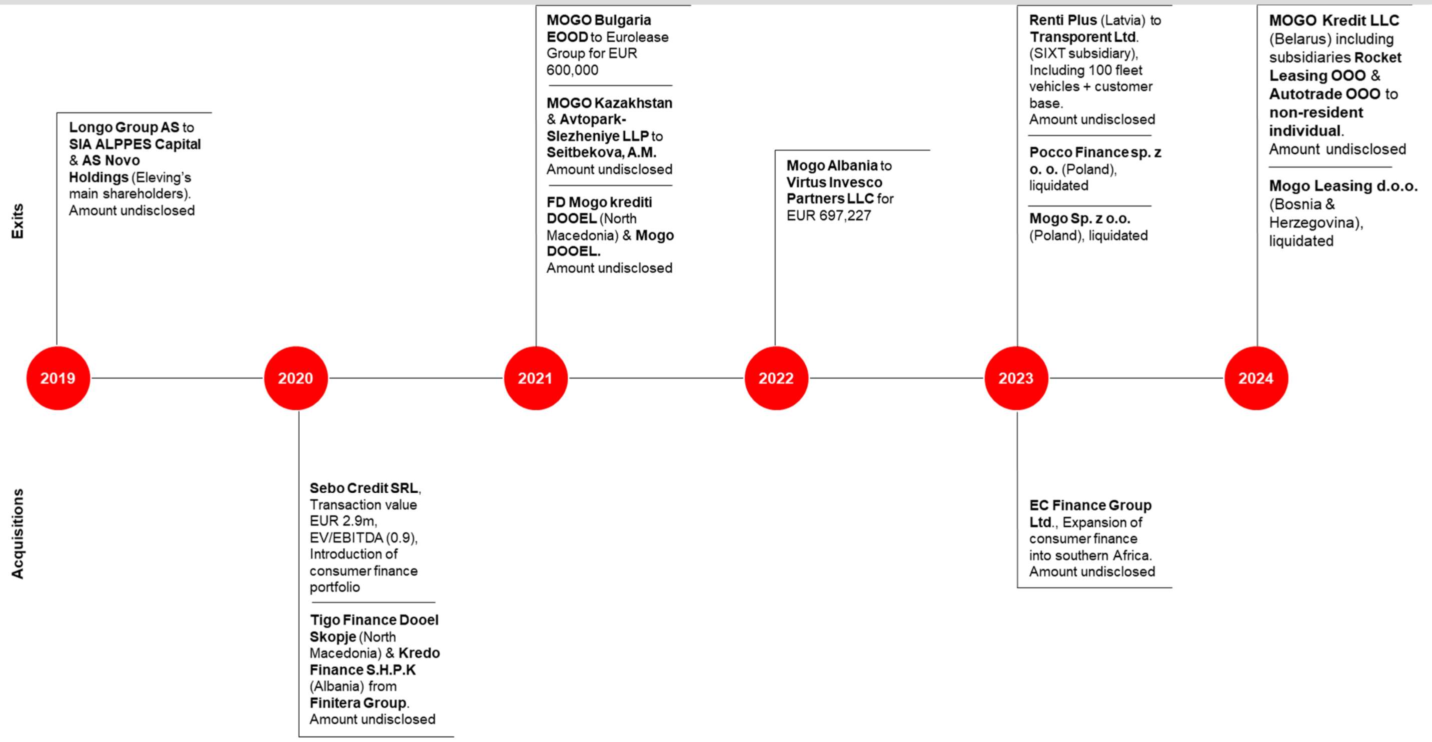


Source: Eleving Group, Warburg Research

Successful M&A strategy

Historically, Eleving has utilized M&A as a means of entering and exiting markets. Since 2019, the group has acquired three targets and successfully integrated four subsidiaries, exited seven businesses and liquidated three subsidiaries. Post-acquisition, Eleving connected the acquired companies to its software backbone and generated synergies by integration.

M&A track record



Source: Eleving Group, Warburg Research

The acquisition of Sebo Credit SRL in 2020 marked Eleving's entry to the Moldovan consumer finance sector, resulting in a diversified product offering. Eleving paid EUR 2.9m at an EV/EBITDA multiple of 0.9x, which was EUR 0.4m below the book value of net assets. As part of the transaction, Eleving incorporated Sebo's net loan portfolio of EUR 15.9m and 200,000+ customer base. With the additional acquisitions of Tigo and Kredo Finance in 2020 to enter Albania and Northern Macedonia, Eleving increased its revenues by EUR 18.8m compared to 2019.

Further gains were made in the African markets following the acquisition and integration of EC Finance Group Ltd. in 2023, leading to expansion into the consumer finance markets of Botswana, Zambia, Lesotho and Namibia. This led to additional revenue of EUR 11.3m in 2023 in the consumer finance sector.

Car rental business sold to SIXT

This transaction is in line with Eleving's strategy to put greater focus on developing its financial services offering in the SME and retail segments. In 2023, in line with this strategy, Eleving decided to sell its Latvian car-sharing service Renti Plus to SIXT, a well-established player in the mobility services segment. As part of the deal, SIXT has taken over 100 cars from the Renti Plus fleet.

By the end of 2021, Eleving decided to exit the Balkan vehicle financing market by selling the respective brands, including Mogo Albania, Mogo Bulgaria, FD Mogo krediti DOOEL and Mogo DOOEL. Meanwhile, it remained active in the region with its newly established consumer finance portfolio.

Competition is limited to smaller local providers

Eleving's competitors are primarily smaller banks, leasing providers, and non-bank financial institutions that often operate within specific regions, with competition typically concentrated in only one of Eleving's product categories.

Competitive landscape

		Continental Europe						Africa		Rest of the World
		Latvia	Lithuania	Estonia	Moldova	Romania	Albania, North-Macedonia	Kenya, Uganda	Botswana, Zambia, Namibia, Lesotho	Georgia, Armenia, Uzbekistan
Consumer Finance	luteCredit				✓		✓			
	Easy Credit				✓					
	FlexCredit						✓			
	Mia Finance						✓			
	NOA						✓			
Vehicle Finance	Money Express Credit	✓								
	Bigbank AS	✓	✓							
	WATU	✓						✓		
	Inbank AS		✓	✓						
	TF Bank			✓						
	Liberty Bank									✓
	Global Credit									✓
	TBI Bank					✓				
	Tugende							✓		
	NGAO Credit							✓		

Source: Eleving Group, Warburg Research

In Eastern Europe, regional players such as Money Express Credit, BigBank AS in Latvia, InBank or TF Bank in Estonia provide services similar to Eleving's vehicle finance products, often targeting the same customer segments.

In the Consumer Finance segment, Eleving competes with non-bank lenders like IuteCredit and FlexCredit, which boast a strong online presence and are particularly active in North Macedonia, Albania, and Moldova, offering quick and accessible consumer loans.

In Africa, the competitive landscape differs notably. Eleving's key competitors are WATU and Tugende, particularly in Uganda and Kenya, where these companies are established players in the motorcycle financing market. WATU, in particular, is a leading microfinance institution that is still dominant in the boda-boda financing sector in Africa and has expanded its operations to Europe with WATU Auto, providing car-rental services and establishing a presence in both continents. The company offers a range of products including personal loans and microloans, often over digital platforms, which competes directly with Eleving’s consumer loan products.

Overall, Eleving is well diversified across several markets. It faces competition, especially from regionally dominant players like WATU in Africa and specialized financial institutions in Eastern Europe. However, most competitors are smaller, should be less able to leverage a scalable data-driven backbone and should have less access to the international capital market.

Growth

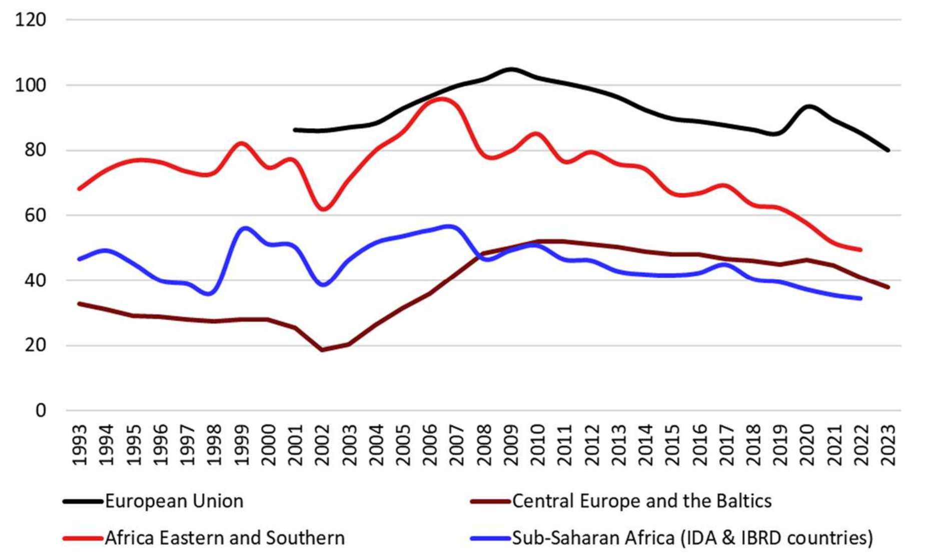
- Eleving is well positioned to seize growth opportunities in several regions
- In continental Europe, we expect the group to gain market share in vehicle finance as smaller players with limited access to funds leave the market
- Products for unserved SMEs in the Balkan region should yield additional growth potential
- In Africa, productive lending is already a significant driver behind Eleving's dynamic revenue and portfolio development, but it has only gained a small share of a large and growing market

Growth opportunities in underserved markets

57% of the net portfolio in continental Europe

Eleving targets underserved communities with its financial products and services portfolio. The geographical scope includes developed and developing countries in continental Europe (55% of net portfolio) as well as developing and emerging countries in Africa (32% of net portfolio) and Caucasus/Central Asia (13%).

Domestic credit to private sector (in % of GDP)



Source: World Bank, Warburg Research

Underserved SME segment should present an opportunity for growth

Less reliable regulatory and enforcement regimes in these regions limit access to bank loans from traditional financial institutions. There is less availability of data on potential creditors and, relative to the credit volume which is often low, the cost of evaluating creditworthiness is too high. This is not only the case for consumers but frequently for small and medium-sized enterprises (SMEs) and the self-employed too. Eleving's automated data-driven approach provides a fast and scalable solution to respond to applications for smaller loans, which creates attractive business opportunities in traditionally underserved regions.

The product strategy is heterogeneous and tailored to the specific conditions and demand in each region. We consider the following product strategies to be the most relevant for the sales development in the coming year:

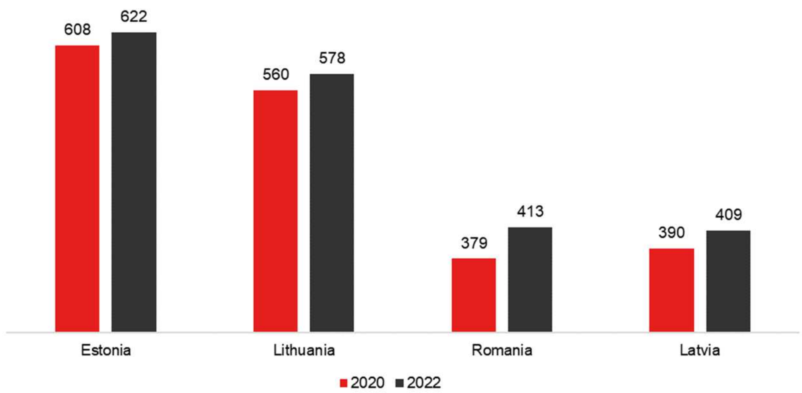
- 32% of the net portfolio is in **developed markets in Eastern Europe** (Estonia, Latvia, Lithuania, Romania and Moldova) where Eleving and its respective brands are well established as providers of vehicle financing and subscription-based products. Eleving should be able to gain market share and grow slightly faster than market rates.
- In **other continental European countries**, especially in Albania and North Macedonia, Eleving has expanded its consumer financing since 2021 (23% of net portfolio) and is now targeting SMEs, which should be a major growth driver for Eleving's business in continental Europe in the coming years.
- In **Kenya and Uganda** (22% of net portfolio), Eleving productive lending has already shown rapid growth in recent quarters. Under the brand Mogo Boda Loans, it currently issues approx. 280 e-boda loans monthly and is aiming to issue 500 loans per month.

Strong market position in developed countries

39% of net portfolio in developed countries

The largest part of the portfolio, 39% (as of June 2024), is in developed countries in continental Europe, more specifically in the Baltic (Estonia, Latvia and Lithuania) and the Balkan region (Romania, Moldova). These countries are still underserved compared to Western European economies and have lower disposable income. In the Balkan region, access to public transport is limited, especially in more rural areas, which yields demand for individual mobility. In the regions in which Eleving is active, motorization has been increasing in recent years.

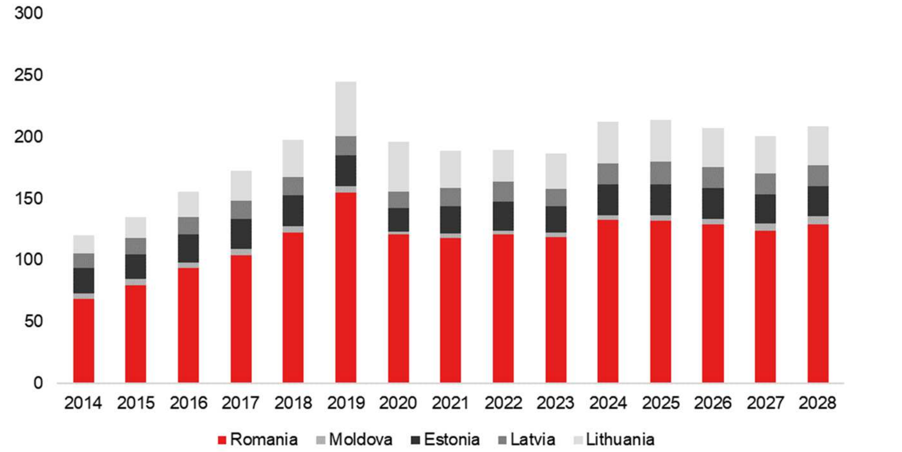
Passenger cars per 1,000 inhabitants in the CEE region



Source: Eurostat, Warburg Research

After a record year 2019, car sales declined during the pandemic and the chip-shortage, which curbed car production and increased prices for used cars. In the current year, a market recovery is expected with unit sales growth of 14.0% and this level is expected to be maintained in 2025 (+0.6%). In the following years, the market is expected to stabilize, with an expected CAGR 25-28 of -0.8% (source: Statista Insights).

Car sales (in units)



Source: Statista Insights, Warburg Research

We expect Eleving to slightly gain market share in the region. The growing market should be driven in part by a market consolidation driven by the challenges posed by increased interest rates for smaller players with limited access to the capital market and in part by Eleving's successful software and marketing strategy.

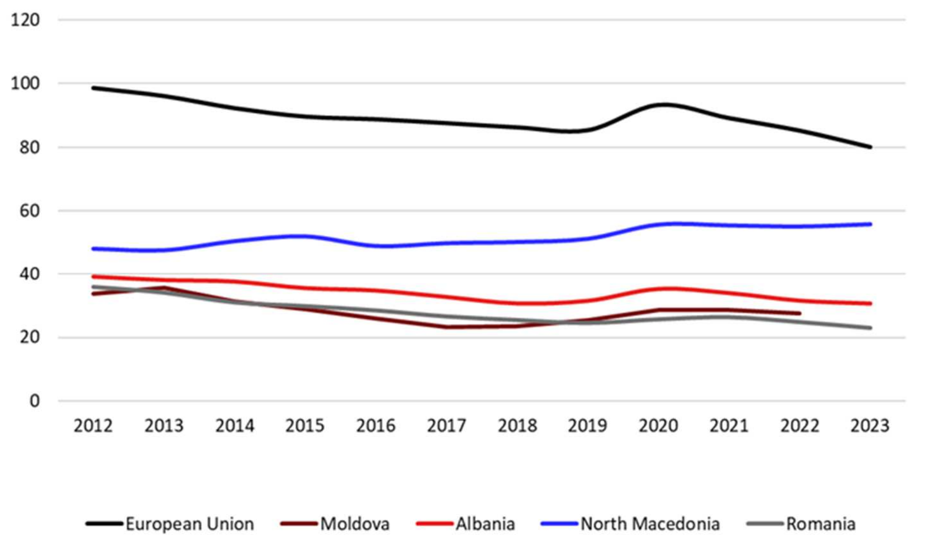
SME financing in Eastern Europe

SMEs often face greater obstacles than bigger firms in gaining access to external financing, a phenomenon that is known as the SME financing gap. This is a result of information asymmetries arising from a lower level of transparency than larger companies in combination with the usually lower ticket size.

35% of SMEs report being fully or partially credit-constrained

This gap is even more pronounced in regions that are generally underserved by financial institutions like the Eastern European countries. In a survey conducted by the World Bank, more than 35% of SMEs in Southern and Eastern European countries and Central Asia reported being fully or partially credit-constrained compared to less than 15% in OECD high-income countries.

Domestic credit to private sector (in % of GDP)



Source: World Bank, Warburg Research

Eleving is already active as a provider of consumer financing in countries in this region, including Albania (11.0% of net portfolio as of June 2024), North Macedonia (6.9%) and Moldova (5.2%). In Romania, the company offers vehicle financing (10.9%). In Q1 2025, the group plans to launch new products for SMEs in one or two pilot markets. Expanding the offering to SMEs should yield substantial additional market potential. Its AI-based data-driven scoring process should enable the company to identify attractive financing opportunities at limited cost.

AI-based scoring provides insights into funding opportunities at lower cost

Moreover, according to a World Bank survey, in the Balkan region around 90% of loans required collateral (vs. 78% for all 156 countries surveyed) and the value of collateral required exceeded 200% compared to the OECD average of 160% (source World Bank).

Since high collateral is required anyway, SMEs often utilize alternative funding sources, especially leasing and factoring. Here, Eleving should benefit from its experience in leasing and should be able to offer a range of financing products with an attractive risk profile and which should appeal to customers.

We estimate ticket sizes between EUR 25k and 100k and a portfolio share of up to 7% by 2026. The interest rate should be notably lower than vehicle financing products for consumers, but with a continuing business relationship, the risk profile should still be highly attractive.

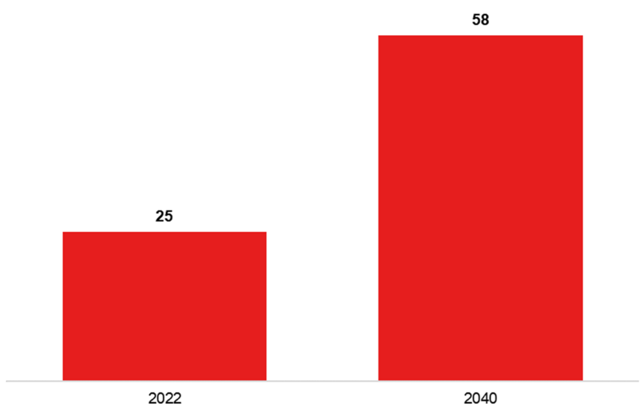
Increasing motorization in Sub-Saharan Africa

In Kenya and Uganda, Eleving is focused on productive lending and mainly on vehicle financing for motorcycle taxis, so called boda-bodas, for self-employed drivers under the brand Mogo Boda Loans. Eleving entered the market in 2019 and, as of June 2024, Kenya and Uganda already represent 22% of the group's net portfolio.

Addressable market expected to more than double until 2040

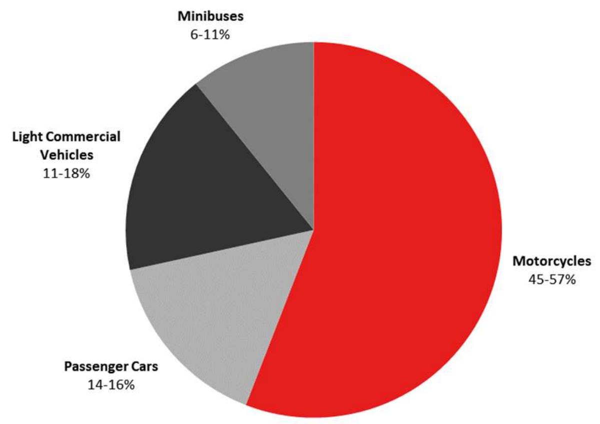
The untapped market potential is still high and should yield significant growth in the coming years. In Sub-Saharan Africa, the number of vehicles on the road is expected to grow from 25m in 2022 to 58m by 2040 (source McKinsey & Co). While more than 80% of the passenger cars sold are used vehicles, the average price of USD 6,000 to 10,000 is notably more expensive than a new motorcycle which can be bought for an average price of USD 1,300. Based on the limited disposable income, 45-57% or 26-33m of the vehicles on the road in 2040 are expected to be motorcycles (source McKinsey & Co).

Vehicles on road in Sub-Saharan counties* (in millions)



* Kenya, Uganda, Ethiopia, Rwanda, South Africa and Nigeria

Expected share of vehicle types by 2024



Source: McKinsey & Co, Warburg Research

Moreover, 90% of all motorcycles in the region are used commercially, mostly as boda-bodas. Today, approx. 60% of boda-boda fleets are rented to the drivers, since the drivers lack the funds to buy a boda-boda. This is a notable and growing addressable market for Eleving's productive lending, which offers those drivers a lease option with instalments comparable to the usual rent payment, but with the option to own the motorcycle at the end of the lease-to-buy cycle.

E-bodas should reduce carbon footprint and TOC

In 2023, Eleving expanded its offering in Kenya with a financing product for electric motorcycles, e-bodas, and a financing product for the retrofit of ICE-motorcycles to EVs. While e-bodas are more expensive with an average price of USD 1,800, the TOC per km is significantly lower at only 11 USD-cents, compared to 34 USD-cents for a combustion engine. Moreover, the emissions of an e-boda is estimated to be 70-75% lower. Since motorcycles are usually bought new, unlike 80% of passenger cars in the region, e-bodas could be a promising target for government initiatives aiming to reduce carbon emissions and urban pollution.

In H1 2024, Eleving financed almost 700 e-bodas and aims to issue 500 e-boda loans per month in the coming quarters.

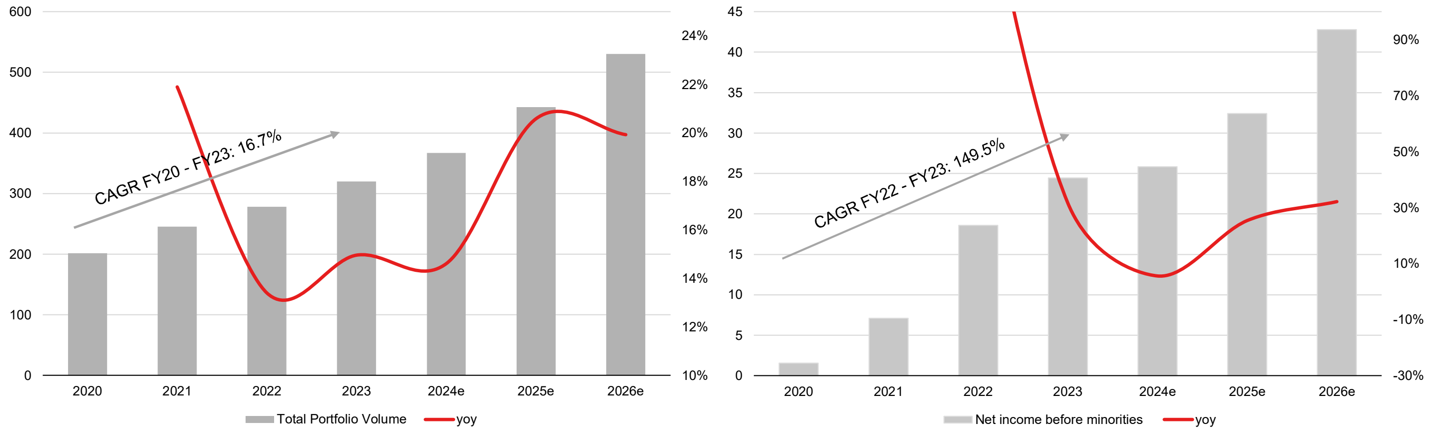
Financials

- Sustainable portfolio growth of more than 15% appears well within reach, considering the strong structural growth of Eleving's markets.
- Risk costs are fairly stable in relation to revenues as the company is following strict acceptance rules and using proprietary risk management tools.
- Slight improvements in CIR following further economies of scale should result in attractive net income growth, ultimately leading to strong RoE rates close to 40%.

Growth

Eleving is pursuing a growth strategy, which has been very successful in the past as demonstrated by the average annual growth rates for the total portfolio of 16.7% and for net income of 149.5% in the time period 2020-2023, albeit from a low basis. The loan and leasing portfolio increased from EUR 201.4m in 2020 to EUR 320.1m in 2023 while net income in the same time period increased from EUR 1.6m to EUR 24.5m.

Portfolio (left) and net income (right) growth over the period 2020–2026e



Source: Eleving Group; Warburg Research

The pillars of growth are:

- Market growth: As described earlier, Eleving is active in dynamic markets which are financially underserved and show strong demand for further financing solutions. Thus, structural mid to high single-digit growth rates should be expected in Eleving's existing markets.
- Market-share gains: Market-share gains are achieved by expanding the existing sales network and investing in marketing. Furthermore, Eleving is benefiting from the limited competition as the banking sector in its existing markets is not even close to the competitiveness in developed countries.
- International expansion and M&A: The entry to new markets has been an important driver of growth for Eleving in the past and will remain so in the future. Access to new markets is gained either by way of an organic expansion or selective acquisitions as shown in the past. Acquired leasing or financing companies can be integrated quickly by leveraging the existing proprietary risk assessment tools and using the established overhead processes of Eleving.

Based on the growth dimensions above, the portfolio should show a strong continuation of double-digit growth rates over the next few years.

Top-line growth

The nature of Eleving's business model means that the company generates the majority (around 90%) of its sales with interest income. Depending on the product, region and risk profile of its customers, the average monthly interest rate varies between 1.7% and 7.2%. Traditional vehicle finance is usually at the lower end of that range, also because the vehicle serves as collateral in case of payment disruption. Consumer finance loans are usually unsecured and interest rates are at the upper end of the mentioned range. On an annual basis, the average interest rate on the total portfolio has been at a level of around 60%.

With the different segments showing significant difference in yield, further top-line development depends on volume growth and margin development of the respective segments. The following trends should therefore affect top-line growth:

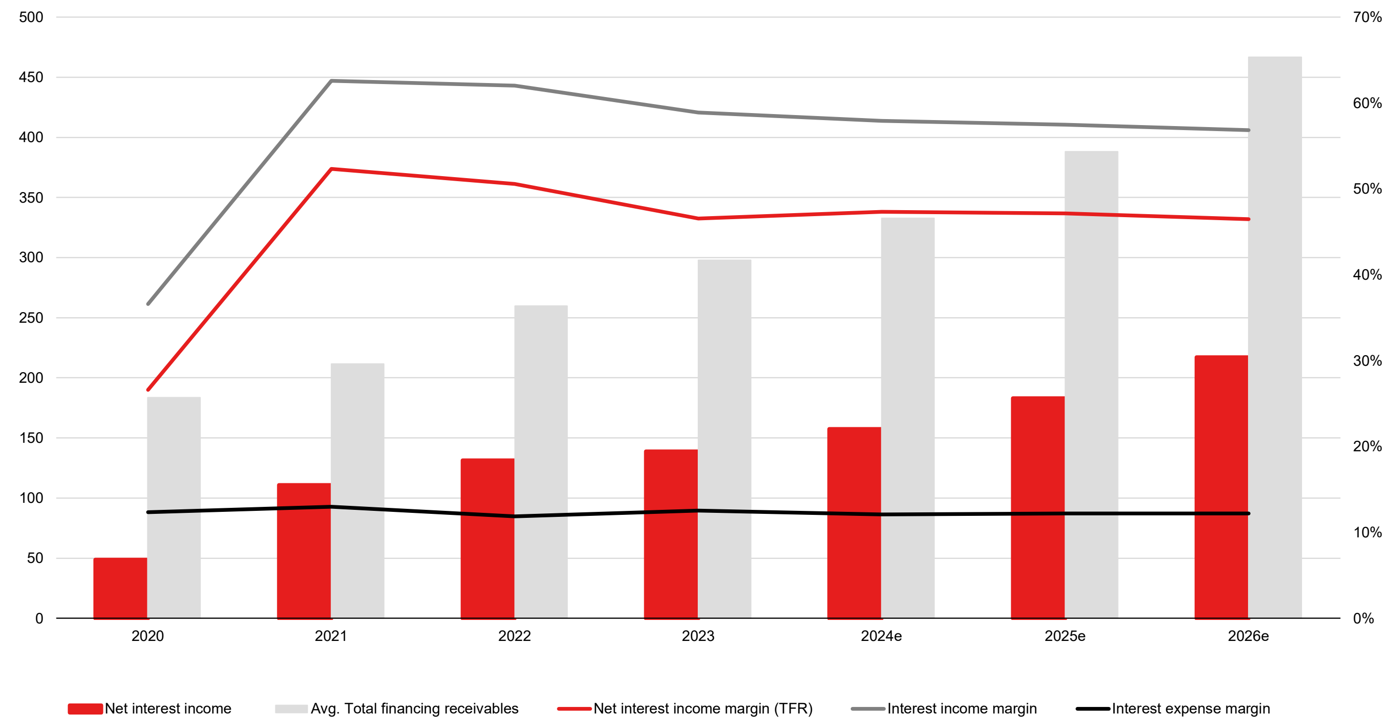
- Eleving recently took a step towards higher portfolio quality which has become visible in lower acceptance rates. While this should reduce margins, it should also help improve risk costs.
- The general split between the segments is aimed to remain fairly stable, providing stability to the general margin trend.
- The company aims to enter the market for SME loans in Eastern Europe and the Balkans. While these should boast a better risk profile than consumer loans, they are expected to have a dilutive effect on the margin.

As well as interest income, Eleving generates further income from fees and commission. These predominantly include penalties and commission received in connection with leasing contracts. Furthermore, the company generates revenue from operating lease contracts and from the sale of vehicles, which is generally nearly completely offset by expenses connected with vehicle sales.

Interest expenses

As a financing company, Eleving leverages its balance sheet in order to issue loans to its customers. Thus, the greatest cost position consists of interest expenses. In 2023, financial labilities of EUR 322m resulted in total interest expenses of EUR 37.5m.

Interest income and expense



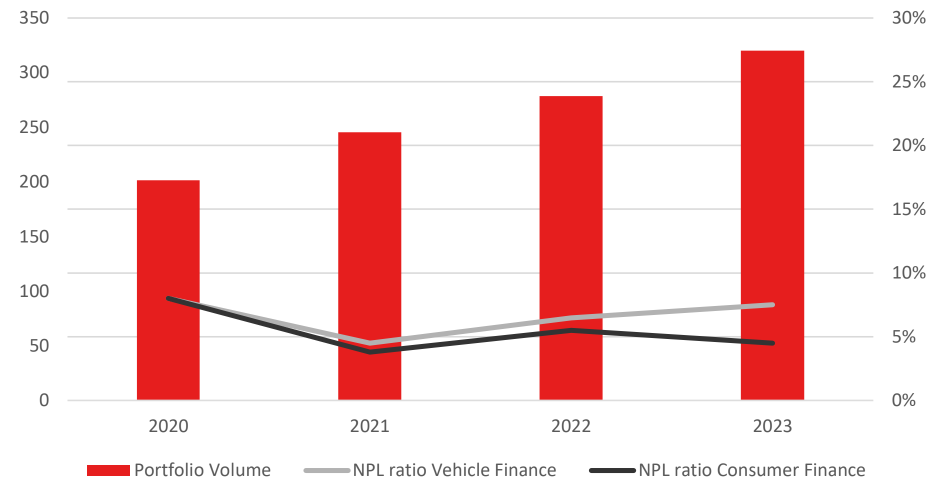
Source: Eleving Group, Warburg Research

- In relation to the average portfolio volume, interest expenses have shown relatively stable development over the past three years, despite the general hike in interest rates.
- Considering the interest expense ratio of around 12-13%, Eleving is paying a significant premium to market rates, reflecting the high risk of the portfolio.
- While the company intends to maintain an equity ratio of at least 15%, leverage in relation to portfolio volume should remain fairly stable, implying interest expenses will scale with expanding volumes.
- In light of a stable 'B' rating by Fitch, risk premia are expected to remain rather high.
- However, thanks to the strong interest income, Eleving earns a whopping net interest income margin of about 40%. Considering this comfortable buffer and the low duration of the loans in the portfolio, we deem the company to be highly robust with regards to interest-rate changes. Even if Eleving has to refinance at slightly higher rates, it should not be any problem to forward these conditions to its customers, posing no substantial risk to the net interest margin.

Risk costs

A crucial part of successful financing businesses is excellent risk management to mitigate the negative outcome of credit losses. Even though Eleving operates in countries with rather high NPL ratios, the company was able to keep its own NPL ratio fairly stable.

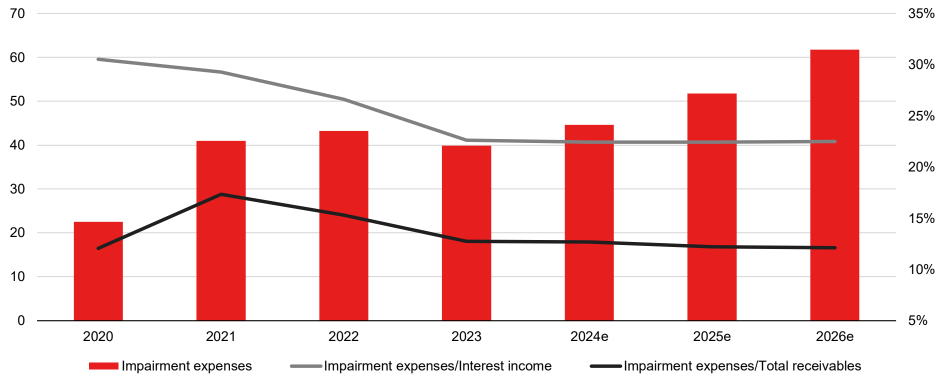
NPL ratios under control



Source: Eleving Group, Warburg Research

As previously described under the heading of "Competitive Quality", Eleving has proprietary risk management, which keeps credit losses well under control. Depending on the segment, NPL ratios have been mid to high single-digit and have shown a manageable amount of variance.

Risk costs to grow alongside the portfolio

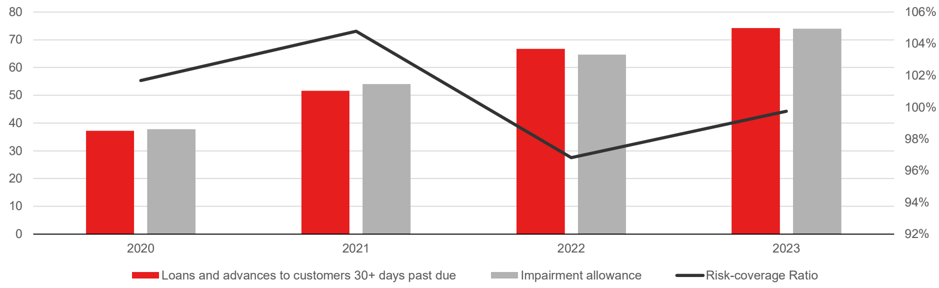


Source: Eleving Group, Warburg Research

Nonetheless, risk costs have always been and will probably remain a major cost item for the company. Drivers of impairment expenses have primarily been:

- Debts written off, once the receivable is considered an uncollectable account for roughly 50% of risk costs
- Net portfolio growth results in higher risk provisioning under IFRS 9 reporting
- Especially over the past two years, impairments of sold receivables resulted in higher risk costs

Risks well covered



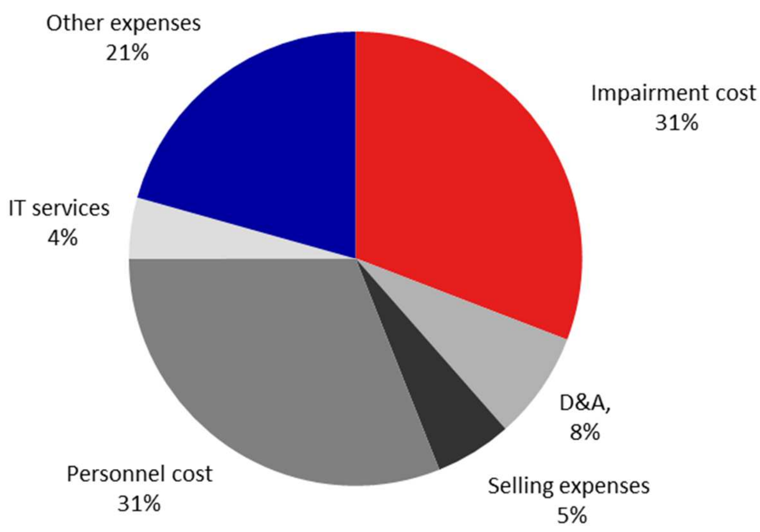
Source: Eleving Group, Warburg Research

- With regards to the coverage of risks, Eleving has followed a prudent approach over the past years
- The risk coverage ratio, which puts total impairments to loans and advances to customers which are more than 30 days past due, has usually developed around 100%, which is a comfortable value for financing businesses

Operational efficiency already quite high

Next to risk costs, operating costs are comprised of the normal cost positions (personnel costs, sales and administrative costs). The following chart presents the distribution of the cost items for 6M 2024:

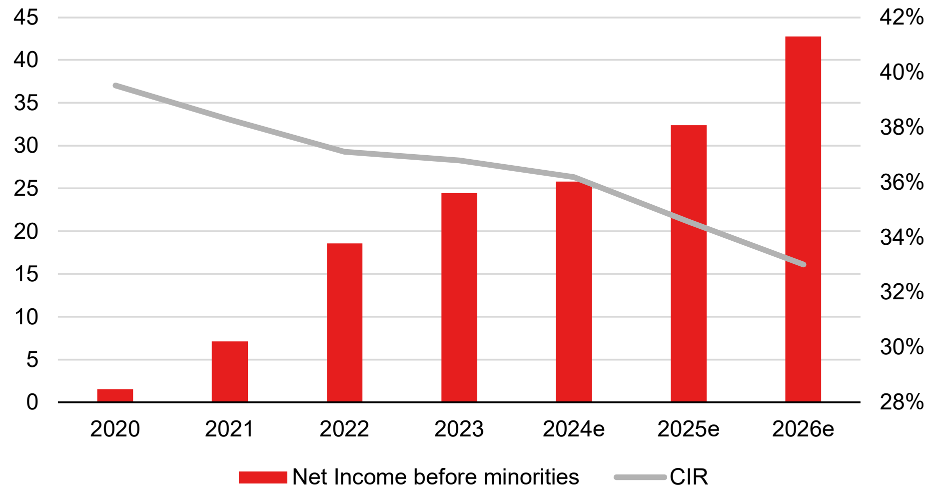
Cost split in 6M 2024 in %, base: EUR 63.9m



Source: Eleving Group, Warburg Research

The cost-income ratio as calculated by the company (selling and administrative expenses/interest income + fee and commission income + revenue from leases), has moved between 33% and 43% over the past years. However, considering the high personnel intensity in Eleving's countries of operation, we see only a little potential for further improvement. The company is targeting a long-term CIR of 35% which is deemed to be realistic.

Net income and CIR development



Source: Eleving Group, Warburg Research

Profitability to remain on a high level

The development of profitability in banking businesses is a function of top-line growth, risk costs within assumptions, and operational efficiency. As described above, net interest income growth is expected to be driven by further portfolio expansion which is assumed to be at mid to high double-digit rates. Whilst the risk profile is expected to remain fairly unchanged, we assume that the development of risk costs should be approximately in line with the portfolio over the next years. Therefore, profitability is expected to improve slightly from an already high level, driven by increasing operational efficiency, resulting in a convincing return on equity. Excluding FX effects, Eleving has managed to show RoE rates of up to 40% since 2021.

Dividend policy

The dividend policy of Eleving is to pay out more than 50% of the net result as a dividend, depending on the recent equity ratio post dividends. While the company aims for a minimum equity ratio of 15% on the balance sheet, it plans to pay a higher dividend as the equity ratio increases. Our forecasts anticipate an average pay-out ratio of 43% in the next three years.

Key KPIs and estimates

Resulting from the mentioned portfolio growth and margin assumptions, we assume crucial KPIs and key P&L assumptions will develop as displayed below:

Key KPIs and estimates

in EURm or %	2021	yoy	2022	yoy	2023	yoy	2024e	yoy	2025e	yoy	2026e	yoy
Loan Portfolio	245.5	50.5%	278.4	13.4%	320.1	15.0%	366.8	14.6%	442.3	20.6%	530.4	19.9%
Revenue	153.7	74.1%	175.7	14.3%	189.3	7.7%	216.3	14.3%	252.7	16.8%	300.5	18.9%
Impairment expenses	41.0	82.0%	43.3	5.6%	39.8	-7.9%	42.9	7.7%	49.0	14.0%	57.4	17.2%
Other operating expenses	63.4	76.7%	80.9	27.7%	83.8	3.6%	93.5	11.6%	105.4	12.7%	118.6	12.5%
Cost-income ratio	38.3%		37.1%		36.8%		36.6%		34.9%		33.3%	
Net income from continuing operations	11.2	599.6%	14.6	30.4%	21.9	50.0%	26.6	21.2%	33.0	24.2%	43.6	32.0%

Source: Eleving Group, Warburg Research

Company guidance and KPI deviation

With the H1 2024 report, Eleving also provided guidance for the fiscal year and published mid-term targets. The company is guiding for net portfolio, revenue, net profit before FX and dividend payout ratio.

Eleving guidance vs. Warburg Research estimates

	2024e		2025e		2026e	
	Guidance	WRe	Guidance	WRe	Guidance	WRe
Net portfolio	363.0	366.8	432.0	442.3	520.0	530.4
Revenue	221.0	216.3	263.0	252.7	315.0	300.5
Net profit before FX	33.0	31.6	44.0	40.5	54.0	51.6
Dividend payout rati	50%+	35.0%	50%+	45.0%	50%+	50.0%

Source: Eleving Group, Warburg Research

While we assume a slightly stronger net portfolio development, we are more cautious regarding revenues. This is due to the expectation of a more pronounced dilution of the net interest margin, as we believe that the recent shift towards higher portfolio quality and the planned addition of SME loans to the portfolio should have a corresponding impact on interest income.

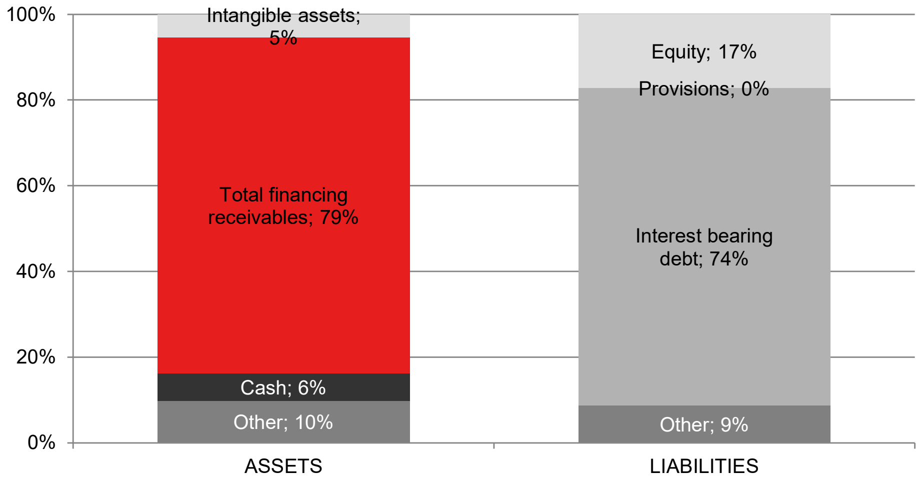
When comparing the KPIs and historical data reported by Eleving with our estimates, there are deviations that can be explained as follows:

- RoE: When calculating RoE, Eleving usually refers to net income before FX, whereas FX is included in the figures of this report (except in the table above). Also, we use net income attributable to shareholders to calculate returns. Furthermore, the company includes subordinated debt in equity. In our calculations it is included as debt, following the audited classification in Eleving's annual report. Minorities are also excluded from equity according to the internal definition, resulting in further deviation.
- Generally, Eleving excludes discontinued operations from the historical data when it comes to portfolio or revenue development and reflects this in the result from discontinued operations. However, the data shown in this report is based on audited annual reports, which is why we only include restatements for one year, leading to some minor variations.

Balance sheet with solid capital base

Some notes about the balance sheet (as of 6M 2024):

Balance sheet (as of 6M/2024)



Source: Eleving Group, Warburg Research

- The equity has a book value of EUR 75.3m, which corresponds to an equity ratio of 17.2% (including subordinated debt, the equity ratio would stand at 20%). Eleving strives for a minimum equity ratio of 15%, which is required as a buffer to maintain the current Fitch rating and keep debt rates at a reasonable level.
- With a value of EUR 343.5m, the total financing receivables are the largest item on the asset side of the balance sheet of Eleving (78.5% of the balance sheet total).
- Debt from the refinancing of the business activities is the largest item on the liabilities side (ca. 70.8% of the balance sheet total, 73.7% including subordinated debt). Eleving utilizes different sources of refinancing vehicles, thereby ensuring high flexibility and availability of further financing needs (for further detail, please see page 11 and 12 of this report)

Refinancing toolbox (as of 6M/2024)

Refinancing Toolbox			
Bonds	**P2P**	**Notes**	**Other debt**
Eurobond 9.5% ▪ Volume: 150m	**P2P Loans** ▪ Volume: EUR 62.5m	**African & Albanian Notes** ▪ Volume: EUR 23.1m	**Loans from banks** ▪ Volume: EUR 7.5m
Eurobond 13% ▪ Volume: EUR 50m			**Private debt funds** ▪ Volume: EUR 27.1m
Subordinated Bond 12% + EURIBOR 6M ▪ Volume: EUR 25m			**Private debt funds** ▪ Volume: EUR 4m

Source: Eleving Group, Warburg Research

After the successful IPO, Eleving used the majority of the proceeds to repay the subordinated bond of EUR 25m, which is expected to have a significant and immediate impact on refinancing costs.

Valuation

- Our residual income model points to a fair value of EUR 2.46 per share, which is the basis for our PT.
- Attractive RoE rates close to 40% should sustainably exceed assumed cost of equity at 16.5%
- In order to maintain an efficient capitalization structure, Eleving is set to distribute high cash-returns in form of dividends to potential shareholders.

Our residual income model points to a fair value of EUR 2.46 per share

Residual Income model

As usual for banks and similar financial-service business models, we rely on an equity-focused valuation method instead of valuing cash-flows. Therefore, we apply a Residual Income model to estimate earnings, equity, and excess returns. Our model is further complemented by a Peer Group comparison.

Net interest income growth 2023-2026e at a CAGR of 16.1% is a result of:

- Net financing portfolio growth of 14-22% for the next years
- Continuation of strong demand for bodas, e-bodas and general financing in Eleving's markets
- Stable net interest margin of above 40% as portfolio composition is expected to remain broadly stable as growth continues

Net income continues to show favourable development

We estimate a slight improvement in the cost-income-ratio to below 35% and therefore continuously satisfactory RoE rates driven by the following factors:

- Operational efficiency should increase slightly as overheads will presumably not grow in step with the portfolio.
- RoE (calculated as net income divided by average equity less minorities) is set to improve to above 30% in the medium term.
- Between 2027e and 2033e, net income is expected to increase at double-digit rates. This is based on multiple growth opportunities across Eleving's products and countries of operation.
- The long-term growth rate is 2% (net income), based on expectations that the growth potential of Eleving is far from exhausted

Further model assumptions for the Residual Income model include:

- Costs of equity are set at 16.5% which arises from the combination of a risk-free interest rate of 2.75%, a market return of 8.25% and a beta of 2.5. The beta is set relatively high as there are high risks in Eleving's credit portfolio, even though the company is reflecting this in high interest margins. Nonetheless, considering the average rate of about 11% for its debt vehicles, we deem a cost of equity of more than 16% as justified.

The pay-out ratio is expected to increase to 60% in the medium term, in line with the company's dividend policy.

Residual income model

Figures in EUR m	Detailed forecast period 2024e	2025e	2026e	Transitional period 2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	TV
Equity beginning of period	54	98	117	141	167	198	235	276	323	376	433	494	533	
Equity end of period	98	117	141	167	198	235	276	323	376	433	494	533	559	
Net income	23	29	40	50	61	73	86	98	111	124	136	147	158	
yoy		*28%*	*36%*	*26%*	*23%*	*20%*	*17%*	*15%*	*13%*	*11%*	*10%*	*9%*	*7%*	*2.0%*
Dividends paid	7	11	15	24	30	37	44	51	59	67	74	109	133	*158*
Payout ratio	35%	45%	50%	60%	60%	60%	60%	60%	60%	60%	60%	80%	90%	*100.0%*
Return on equity	29.7%	27.0%	30.7%	32.4%	33.5%	33.8%	33.5%	32.8%	31.8%	30.6%	29.3%	28.7%	29.0%	
Cost of Equity	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	
Excess return	7	10	17	22	28	34	40	45	50	53	55	60	67	
Discount factor	0.96	0.83	0.71	0.61	0.52	0.45	0.39	0.33	0.28	0.24	0.21	0.18	0.15	
Present value	7	9	12	14	15	15	15	15	14	13	12	11	10	73
Share of PVs	12%			57%										31%

Model parameter

Derivation of Cost of equity:		Derivation of Beta:	
		Financial Strength	2.00
		Liquidity	2.40
		Cyclicality	2.50
Market return	8.25%	Transparency	2.60
Risk free rate	2.75%	Others	3.00
Cost of Equity	**16.50%**	**Beta**	**2.50**

Valuation (m)

PV terminal value	73		
Sum PVs until 2036e	161		
Current book value	54	No. Of shares (m)	117.11
Equity value	**288**	Value per share	**2.46**

Sensitivity Value (EUR)

Beta	CoE	LTG 0.5%	1.0%	1.5%	**2.0%**	2.5%	3.0%	3.5%
2.77	18.0%	323.93	326.37	328.96	331.70	334.63	337.75	341.08
2.68	17.5%	329.67	332.24	334.96	337.86	340.95	344.26	347.80
2.59	17.0%	335.68	338.38	341.25	344.32	347.60	351.11	354.88
2.50	16.5%	341.96	344.81	347.85	**351.10**	354.59	358.33	362.36
2.41	16.0%	348.55	351.56	354.79	358.24	361.95	365.94	370.25
2.32	15.5%	355.46	358.65	362.07	365.75	369.71	373.98	378.62
2.23	15.0%	362.71	366.10	369.75	373.67	377.91	382.50	387.49

Source: Warburg Research

Source: Warburg Research

The Residual Income model is further supported by a selective peer group of financing companies. These include:

- ProCredit Holding: A banking group based in Germany providing loans to companies in the Eastern and South-Eastern European area. Customers are predominantly SME corporates and ProCredit has a very strong ESG background.
- Grenke AG: A leasing provider operating on a global scale. Customers are SME clients that use Grenke to finance any small-ticket (EUR <50k) manufacturer- independent.
- Multitude: A financial service provider offering loans and other services to private and corporate customers. Ticket sizes are also small and the company operates in 18 countries.
- Credit Acceptance Corporation: A US-based vehicle finance company that is providing automobile loans and related financial services.

Peer group valuation

Company	LC	Price in LC	MC in LC m	EV in LC m	P / E 24e	P / E 25e	P / E 26e	EV / Sales 24e	EV / Sales 25e	EV / Sales 26e
System peers										
ProCredit Holding AG	EUR	7.86	462.94	-300.73	4.3 x	3.7 x	3.3 x	1.1 x	1.0 x	0.9 x
GRENKE AG	EUR	15.94	704.20	6,174.81	10.4 x	7.9 x	5.5 x	1.2 x	1.1 x	1.0 x
Multitude SE	EUR	4.82	104.20	21.93	5.7 x	4.4 x	4.0 x	0.4 x	0.4 x	0.4 x
Credit Acceptance Corporation	USD	445.32	5,393.76	11,052.61	12.1 x	11.9 x	9.7 x	2.5 x	2.3 x	2.1 x
Average					8.1 x	7.0 x	5.6 x	1.3 x	1.2 x	1.1 x
Median					8.1 x	6.1 x	4.7 x	1.1 x	1.0 x	1.0 x
Eleving Group	**EUR**	**1.67**	**195.22**	**485.80**	**8.6 x**	**6.5 x**	**4.8 x**	**1.0 x**	**0.9 x**	**0.7 x**
Valuation difference to Median					-6%	-6%	-2%	16%	23%	33%
Fair value per share based on Median					1.57	1.56	1.64	2.32	2.61	3.05

Source: Factset, Eleving Group, Warburg Research

As the table shows, the peer group valuation based on P/E and sales multiples suggest a fair value between EUR 1.57 and 3.05 per share, which also covers the fair value derived from our Residual Income model.

Company & Products

Eleving is a financial service provider focused on promoting financial inclusion and offering tailored financial products in underserved markets. In 2023, Eleving was active in 16 countries and generated EUR 189.3m in revenue. Its portfolio totalled EUR 320.4m. The company continues to expand its reach across Europe, Africa, and Central Asia, driving growth with innovative financial solutions that empower individuals and businesses alike.

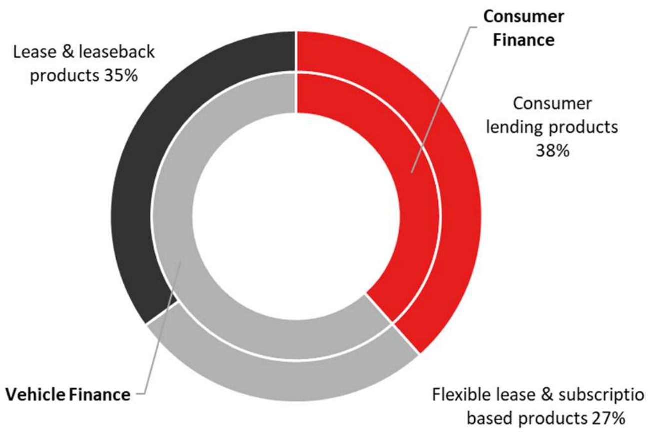
Company History

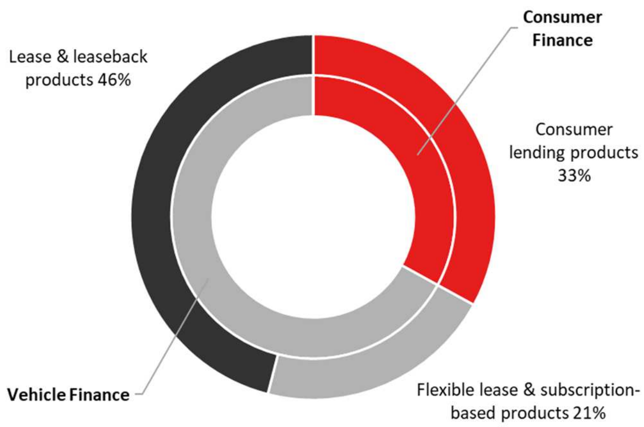
2012	Founded under the name Mogo Finance in Latvia
2013	Operations launched in Estonia and Lithuania Milestone of EUR 1m loans issued per month
2014	Operations launched in Georgia Mogo Latvia issues EUR 20m in bonds
2015	Cooperation with P2P lending platform Mintos EUR 1m of loans issued by Mogo via Mintos EUR 23m in mezzanine growth capital secured Net loan portfolio amounts to more than EUR 50m
2016	Operations launched in Poland and Romania
2017	Operations launched in Bulgaria, Albania, Armenia and Moldova Mogo Latvia issues EUR 10m in bonds EUR 50m of loans issued by Mogo via Mintos
2018	Operations launched in Belarus, North Macedonia and Uzbekistan Bonds of EUR 50m issued by Mogo Finance S.A. Eurobond of EUR 25m issued on Frankfurt Stock Exchange Establishment of regional HUB concept Net loan portfolio amounts to more than EUR 100m
2019	Operations launched in Kazakhstan, Kenya and Uganda Launch of “Primero” brand for premium vehicle loans and rent-to-buy service “RENTI” in Latvia Eurobond of EUR 100m issued on Frankfurt Stock Exchange Fitch Rating of B- Modestas Sudnius appointed as new CEO
2020	Acquisition of Sebo Credit SRL followed by a newly introduced consumer finance portfolio in Moldova Acquisition of Kredo and Tigo to expand consumer finance to Albania (Kredo) and North Macedonia (Tigo)
2021	Rebranding as Eleving Group with “Mogo” remaining as one of several product brands Mogo Latvia issues bonds of EUR 30m on Nasdaq Baltic EUR 150m of Eleving corporate bonds issued on Frankfurt Stock Exchange EUR 25m of Eleving subordinated bonds issued on Nasdaq Baltic
2022	Decision to exit Belarus and Ukraine Launch of “OX Drive” in Latvia, an electric car-sharing service
2023	Acquisition and integration of EC Finance Group Ltd. (ExpressCredit) Africa exposure increased to Botswana, Namibia, Zambia and Lesotho
2024	Fitch Rating upgraded from B- to B

Segments

Eleving offers a variety of financial services, which can be summarized under the categories of Vehicle Finance and Consumer Finance. Vehicle Finance is the larger segment representing 62% of the revenue in 2023 and 67% of the portfolio. The remaining 38% of revenue or 33% of the total portfolio stems from Eleving's Consumer Finance business.

Revenue split | **Portfolio split**





Source: Eleving Group, Warburg Research

Vehicle Finance

Eleving's vehicle financing business comprises vehicle-related products and services. The activities in this segment can be divided into traditional vehicle finance, which represents 46% of the group's total net portfolio, and flexible leasing and subscription, which makes up 21%.

Traditional Vehicle Finance includes finance leases, short and long-term car rentals and leasebacks for used vehicles. This segment serves more than 45k active customers, offering affordable and accessible mobility solutions across various regions.

The **Flexible Lease and Subscription** segment offers rent-to-buy options, boda-boda leases, and car-sharing services. The business primarily targets SMEs and the self-employed, with a customer base of over 70k active users. In 2023, the net portfolio in the Flexible Lease and Subscription segment amounted to EUR 68.8m, reflecting its growing importance within Eleving's overall vehicle finance strategy.

Consumer Finance

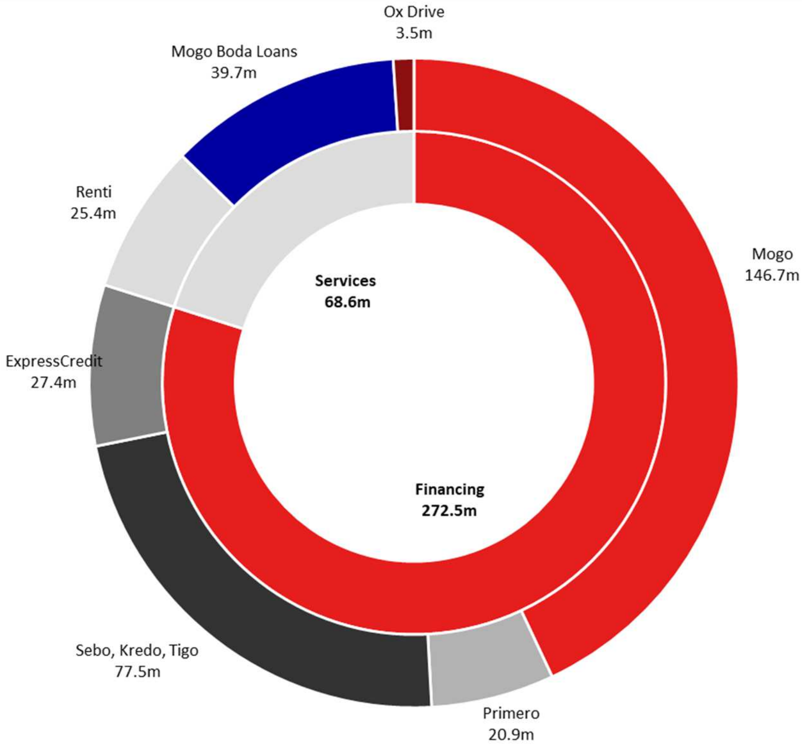
Eleving's Consumer Finance segment offers flexible financial products, from credit lines to instalment loans. This segment focuses on financially underserved markets, such as the Southern African region and the Eastern European countries Albania, Moldova and North-Macedonia. Its net portfolio achieved significant growth with a CAGR of 40% from 2021 to 2023, generating EUR 72.4m revenue in 2023.

The key products are long-term unsecured loans with fixed monthly payments, typically used to purchase consumer electronic goods and cover household needs. Eleving's automated scoring model allows the company to respond quickly to applications.

Brands

Eleving offers its products and services under a variety of brands. The main brand is Mogo, which is currently established in 10 of the 16 countries in which the group is active. Eleving also offers its products under the brands Primero, Sebo, Kredo, Tigo and Express Credit as well as flexible lease and subscription services under OxDrive and Renti.

Brand overview (portfolio value)



Source: Warburg Research

Vehicle financing brands

Mogo offers leasing for used vehicles to customers seeking cost-effective mobility solutions without the burden of full ownership. With a net portfolio valued at EUR 147m and over 40k active leases, Mogo primarily targets the working middle class - those with a regular income but limited savings. These customers are often looking for reliable vehicles from brands like Toyota, BMW, Chevrolet, and Nissan, while also prioritizing low monthly payments.

Mogo's average loan ticket is EUR 3,952, typically spread over 50 months at a monthly interest rate of 3.8%. For those seeking higher-value vehicles, Mogo offers a maximum loan ticket of EUR 15,000, which can be extended over 84 months.

In Kenya and Uganda, Eleving offers specialized products for taxi and cargo motorcycles under the brand **Mogo Boda Loans**, targeting self-employed boda-boda drivers who rely on mobility as a source of income. With a net portfolio of EUR 40m and over 65k active leases, Mogo Boda Loans provides essential financing for these drivers, allowing them to acquire vehicles from a network of car and motorcycle dealerships, as well as the "Association of Taxi Drivers".

The average ticket size is EUR 935, typically spread over 24 months with a monthly interest rate of 6.6%. For customers who require more substantial financing, the maximum loan ticket available is EUR 3,500, payable over 36 months. In alignment with Eleving's sustainability goals, financing the transformation to electric boda-bodas became part of the company's operation. The programme aims to convert 25% of the motorcycle fleet to electric by 2025.

Primero offers premium leasing options for high-quality pre-owned vehicles. Targeting the high-income segment and in partnership with local car dealerships, this product allows customers to lease luxury vehicles such as Audi, BMW, and Mercedes. With a net portfolio of EUR 21m and over 5.1k active leases, Primero provides an exclusive service tailored to those seeking top-tier pre-owned cars.

The average ticket is EUR 7,688, typically spread over 73 months with a low interest rate of 1.7% per month. For customers looking for higher-value vehicles, Primero offers a maximum loan ticket of EUR 25,000, payable over 84 months. Eleving purchases the vehicles selected by the customers (lessees), who can use the vehicles during the lease period while making a series of instalments. Upon full repayment of principal, the vehicles, which range from 3 to 20 years old, become the lessee's property.

RENTI offers flexible car subscriptions and rentals for used cars, providing customers with the freedom to choose their own vehicles rather than being restricted to a set selection from the rental company. The average ticket for these services is approximately EUR 7,091, typically spread over 56 months with an interest rate of 4%. For those seeking higher-value vehicles, RENTI offers a maximum loan ticket of EUR 15,000, payable over a maximum term of 60 months.

With over 5.6k active leases and a fleet valued at EUR 25m, RENTI has established itself as a significant player in the Lithuanian market. The average age of the vehicles in RENTI's fleet is 13.4 years, and the company ensures accessibility and convenience for its customers by maintaining a strong online and offline presence.

OX Drive offers a **Tesla-based car-sharing** model, operating only in Latvia. With a fleet of around 150 electric vehicles, of which 139 are Tesla cars, the brand provides a high-end and eco-friendly mobility experience for people who need a car for short periods. OX Drive clients commuted around 2m kilometres on clean energy. Therefore, OX Drive has reduced potential CO_2 emissions by approximately 260 to 278 t, compared to an internal combustion engine. The company is still in the start-up phase and there is potential to expand to more cities and countries.

Consumer financing brands

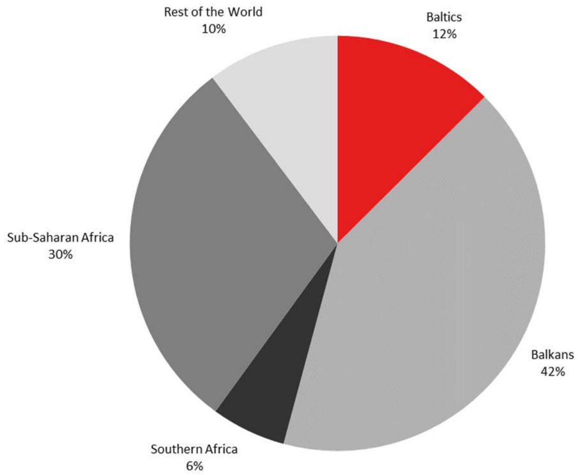
Sebo, Kredo, and Tigo Consumer Loans cater to urgent, short-term financial needs, especially for household items. With a net portfolio of EUR 77m and over 110k active leases, these loans offer quick, accessible solutions. The average loan ticket is EUR 433 over 13 months with a monthly interest rate of 6.8%, while the maximum loan is EUR 3,250 over 48 months. Eleving provides flexibility for early repayment and offers lower interest rates for longer terms. Designed for ease of application, these loans help customers address their immediate needs while building their credit history.

Express Credit Consumer Loans provide long-term unsecured loans primarily to government employees, with repayments made by automated monthly deduction from their salaries by their employer, ensuring high repayment reliability. With a net portfolio of EUR 27m and over 70k active leases, the average loan ticket is EUR 258 over 31 months at a 7.2% monthly interest rate, while the maximum loan ticket is EUR 18,000 over 120 months. The majority of the portfolio, 52.6%, is concentrated in Botswana. Express Credit operates over 86 branches across four markets, focusing on offline customer engagement in regions with growing populations and significant financing gaps.

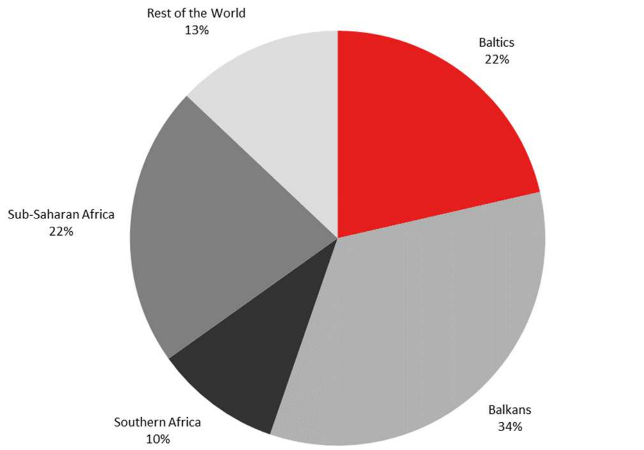
Regions

Eleving is focused on regions generally underserved by international financial institutions, where access to traditional banking services is often limited. The company's operations span 16 markets in three continents, including Europe, Africa, and Central Asia.

Revenue split

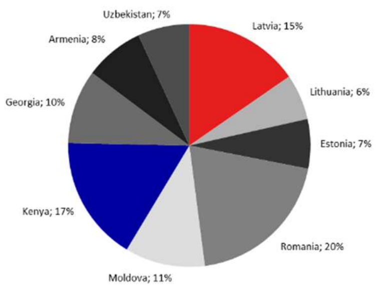


Portfolio split

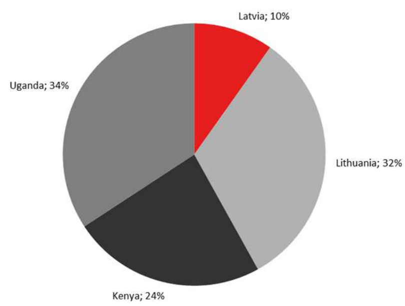


Source: Eleving Group, Warburg Research

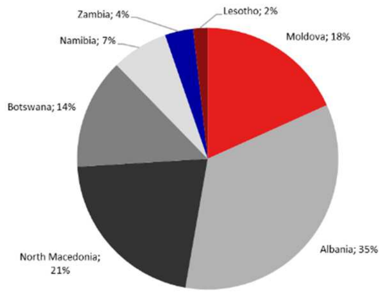
Traditional Vehicle Finance



Flexible Lease & Subscription



Consumer Finance



Source: Eleving Group, Warburg Research

Europe

In Europe, Eleving is active in the Baltic region (Latvia, Lithuania, and Estonia), as well as in the Balkans, including Romania, Moldova, Albania, and North-Macedonia.

Eleving operates primarily under the Mogo brand in Europe, offering vehicle financing solutions, such as leasing and leaseback options, and catering to the working middle class and those seeking reliable and cost-effective mobility solutions.

In Latvia, Eleving also offers the Primero brand, providing premium leasing options for high-quality pre-owned vehicles. This brand targets higher-income customers interested in leasing luxury vehicles under flexible terms.

In Latvia and Lithuania, Eleving extends its services with the RENTI brand, offering flexible car subscriptions and rentals. In Latvia, the OX Drive brand provides a Tesla-based car-sharing service focused on eco-friendly and short-term vehicle use. While currently operating only in Latvia, OX Drive has significant potential and plans to expand to other regions in the future.

Africa

In **Sub-Saharan Africa**, Uganda and Kenya, Eleving operates under the Mogo brands and focuses on boda-boda leasing for motorcycle taxi drivers. Eleving has also expanded its business in these markets and introduced additional such as converting ICE motorcycles to fully electric e-bodas, aligning with sustainability goals.

In the region of **Southern Africa**, including Botswana, Lesotho, Zambia, and Namibia, Eleving focuses on consumer loans under the **Express Credit** brand. The company acquired **EC Finance Group Ltd.**, which allowed for a significant expansion of its footprint in these countries. With this acquisition, Eleving grew its portfolio and reinforced its market position, particularly targeting government and public-sector employees with long-term unsecured loans, ensuring steady growth and a robust repayment structure in these emerging markets.

Rest of the World

In Armenia, Georgia and Uzbekistan Eleving provides vehicle financing solutions under the Mogo brand. This part of the world makes up 13% of the total net portfolio.

Data-driven customer journey

		Continental Europe						Africa		Rest of the World
		Latvia	Lithuania	Estonia	Moldova	Romania	Albania, North-Macedonia	Kenya, Uganda	Botswana, Zambia, Namibia, Lesotho	Georgia, Armenia, Uzbekistan
Financing	Mogo	✓	✓	✓	✓	✓		✓		✓
	Primero	✓								
	Sebo, Kredo, Tigo, Express Credit				✓		✓		✓	
Service	OxDrive	✓								
	Mogo							✓		
	Renti	✓	✓							

Source: Eleving Group, Warburg Research

ESG

Eleving provides comprehensive ESG data. To a large extent, Eleving business align naturally with social and ecological goals by providing underserved communities with funding and promoting the electrification of vehicles. In addition, Eleving has started several initiatives to improve its ESG profile further. This is not only of interest to investors, but has the potential to make Eleving more attractive to impact funds and eligible for government programmes and tax benefits.

ESG highlights

Environment	Social	Governance
3 Sustainability-linked Products	40,000+ global consumers educated on financial literacy	Continuous ESG-reporting framework
9.7m km communted on 100% electricity	20%+ of the Group's portfolio serves the self-employed and SMEs	Best investor relations in the Nasdaq Baltic First North list in 2023
450t CO^2 offset by participation in green projects	54% female, 45% male employees	
1,500+ e-motorcycles financed		

Source: Eleving Group, Warburg Research

In **2023**, Eleving was able to make further progress on environmental goals, with the reduction in the average CO_2 intensity of the vehicle portfolio by 4% from 174.4 g/km (2022) to 167.5 g/km excluding motorcycles. Additionally, Eleving fully compensated for the carbon footprint of its HQ in Riga and Vilnius while investing in the reforestation of the Great Rift Valley in Kenya. As for the social aspect of Eleving's operations, more than 20% of the portfolio served the self-employed and SMEs and more than 30,000 people used Eleving's financial literacy platform which promotes basic financial literacy.

For **2024**, the company aims to further align with its ESG goals. These include the addition of 1,000 e-vehicles to the car-sharing fleet by 2025. The group is continuously rolling out e-boda financing services for SMEs and the self-employed in Kenya, and has launched a motorcycle retrofitting service to replace the ICEs of existing motorcycles with electric engines, aiming to finance over 40k e-motorcycles by 2028. Moreover, financial literacy should be promoted to at least 500k people by 2025 and the internal gender pay gap to be reduced to 2% at most by 2025.

Capital Structure

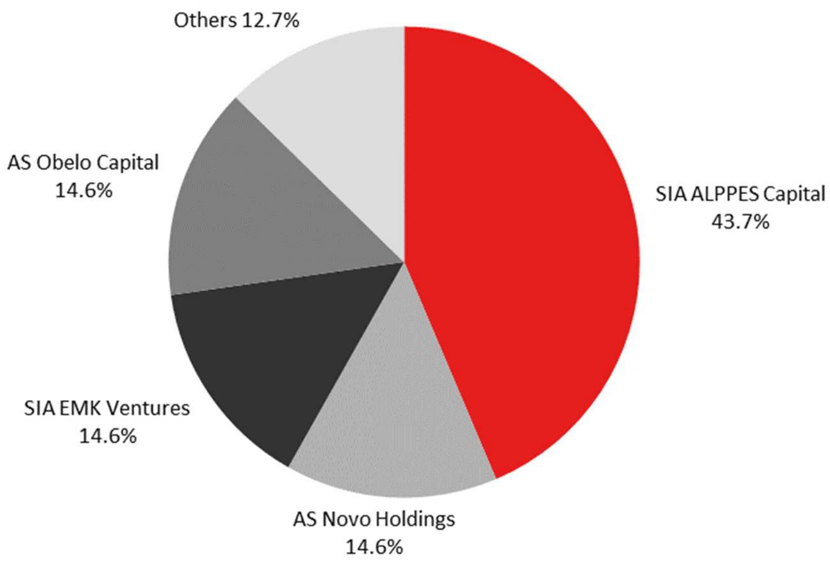
The equity/debt ratio has seen a consistent improvement over the years, rising from 9% in 2018 to 20% in the first half of 2024. This indicates a stronger equity base and reduced reliance on debt.

Equity

The shareholder base prior to the IPO has consisted mainly of Eleving's founders. The largest shareholder is SIA ALPPES Capital, which holds 43.7% of the company and is associated with co-founder Aigars Kesenfelds. The next-largest stakes, at 14.6% each are held by AS Novo Holdings, SIA EMK Ventures, and AS Obelo Capital - all linked to the co-founders Alberts Pole, Kristaps Ozols, and Maris Keiss, respectively. The remaining 12.7% of the company is categorized as "Other," and includes the holdings of other current and former employees.

After the IPO, the freefloat stands at 18.4%, while the remaining investors have been diluted accordingly.

Ownership structure

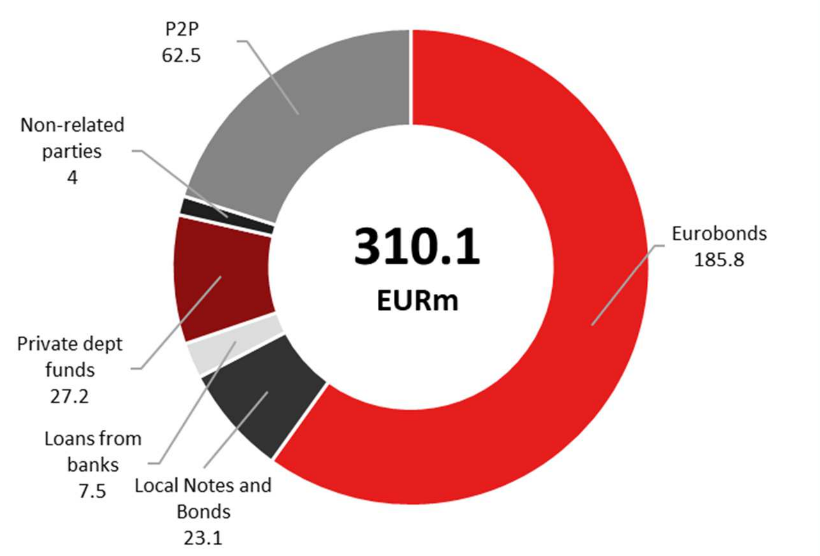


Source: Eleving Group, Warburg Research

Liabilities

The funding structure of Eleving Group is diversified across multiple sources, with the largest portion, EUR 185.8m, coming from Eurobonds. This significant share underscores the company's strong presence in the Western capital markets. The next largest source of funding is P2P (peer to peer) funds, which amount to EUR 62.5m, raised on the Mintos platform. Loans from banks contribute EUR 7.5m and Africa notes EUR 23.1m, reflecting the company's strategic approach to securing local funding. Additionally, private debt funds, which Eleving can access due to its ESG rating, provide EUR 27.2m.

Debt structure



Source: Eleving Group, Warburg Research

Management

Management Board

The company's management board consists of two Type A directors, Modestas Sudnius (CEO) and Maris Kreics (CFO), accompanied by two Type B directors, Sébastien François and Delphine Marie-Paul Glessinger.

Modestas Sudnius (CEO)

Appointed CEO of Eleving Group in January 2019 and became Chairman of the Board of Directors in March 2019. He is a graduate of the Stockholm School of Economics and previously served as the Country Manager for Lithuania. He then advanced to become the Regional Manager of Eleving Group, overseeing operations in the Baltic states, Georgia, and Armenia, and later served as Co-CEO of the Group. Sudnius has extensive experience in financial assurance and project management, having worked for companies like Ernst & Young and EPS LT.

Maris Kreics (CFO)

Appointed as a Director in 2018 and has served as the CFO of the Group since 2015. Kreics has more than 16 years of experience in the finance industry, specifically in consulting in both Latvia and the USA. Prior to joining Eleving Group, he spent two years in a corporate finance role at Tet (formerly Lattelecom), the largest telecommunications company in Latvia. Before that, he worked at PwC for seven years. Māris Kreics holds a bachelor's and master's degree in finance from the BA School of Business and Finance in Latvia. He is a Chartered Financial Analyst (CFA) charter holder and has been a member of the Association of Chartered Certified Accountants (ACCA) since 2011, achieving fellow status in 2016.

Supervisory Board

In June 2024, Eleving Group announced changes to its Supervisory Board, appointing a new team to guide the company's future strategy.

Marcis Grinis (Chairman)

Co-founded Eleving Group and, under his leadership, the company expanded from a start-up to an international enterprise. He holds a master's degree from Copenhagen Business School and was appointed Chairman of the Supervisory Board in June 2024. In addition to his work with Eleving Group, Mr. Grinis is the co-founder and COO of Roibox, a digital marketing technology company. His expertise in data intelligence and business strategy has helped Roibox become a key player in the MarTech sector. He is also an investor and strategic leader at Tapbox, a full-cycle self-service solution provider catering to various industries, including healthcare, entertainment, and hospitality.

Derek Urben

Appointed as a supervisory board member in June 2024, Mr. Urben has an extensive background in the technology field. He spent five years at Left Lane Capital, a growth equity fund with a volume of USD 2bn. Before joining Left Lane Capital, Mr. Urben served as the CFO of a trading technology software company, where he gained significant experience in financial management and operations within the tech industry. He is the founder of a new private investment firm that focuses on activism in emerging markets. He also holds board positions at Moove, a global mobility fintech, and Salad, a company specializing in distributed AI computing.

Lev Dolgatsjov

Appointed a member of the supervisory board in June 2024, he is active in Estonia's investment community and start-up scene, as he holds many investments and acts as angel investor and mentor. His roles likely involve supporting start-ups, contributing to the growth of early-stage companies, and promoting innovation in technology and finance. Dolgatsjov studied computer science at Tallinn University of Technology and fashion photography at the University of the Arts in London.

Valuation

	2020	2021	2022	2023	2024e	2025e	2026e
Operating profit per share	1.30	17.32	21.46	28.48	37.41	47.01	62.77
Book Value / Share	0.19	0.21	0.39	0.46	0.84	1.00	1.20
Dividend	0.00	0.00	0.00	0.00	0.06	0.09	0.13
Dividend Payout Ratio	0.0 %	0.0 %	0.0 %	0.0 %	31.1 %	36.3 %	38.5 %
P / E	n.a.	n.a.	n.a.	n.a.	8.8 x	6.7 x	4.9 x
Price / Book	n.a.	n.a.	n.a.	n.a.	2.0 x	1.7 x	1.4 x

*Adjustments made for:

Company Specific Items

	2020	2021	2022	2023	2024e	2025e	2026e
Total financing receivables	186.9	236.6	283.0	313.2	352.1	424.6	509.2
Impairments / Revenues	46.1 %	37.0 %	32.9 %	28.7 %	26.9 %	26.5 %	26.2 %
Portfolio volume	201.4	245.5	278.4	320.1	366.8	442.3	530.4

Consolidated profit and loss

In EUR m	2020	2021	2022	2023	2024e	2025e	2026e
Interest income	73.7	139.9	162.5	176.3	199.0	232.5	276.5
Interest expenses	24.9	29.0	31.1	37.5	39.5	47.7	57.4
Net interest income (NII)	**48.8**	**110.8**	**131.4**	**138.8**	**159.5**	**184.8**	**219.1**
Claims Settlement and Risk Provisioning	22.5	41.0	43.3	39.8	42.9	49.0	57.4
NII after Claims Settlement and Risk Provisioning	**26.3**	**69.9**	**88.1**	**99.0**	**116.6**	**135.8**	**161.7**
Other operating income	10.9	16.5	14.3	13.4	14.4	16.6	19.7
Total operating expenses	35.9	63.4	80.9	83.8	93.5	105.4	118.6
thereof personnel expenses	*20.5*	*30.5*	*36.0*	*37.4*	*37.9*	*42.1*	*46.6*
Unfrequent items	0.0	-5.7	0.0	0.0	0.0	0.0	0.0
EBT	**1.3**	**17.3**	**21.5**	**28.5**	**37.4**	**47.0**	**62.8**
Total taxes	-0.3	6.1	6.9	6.6	10.8	14.0	19.2
Net income from continuing operations	**1.6**	**11.2**	**14.6**	**21.9**	**26.6**	**33.0**	**43.6**
Income from discontinued operations (net of tax)	0.0	-4.1	4.0	2.5	0.0	0.0	0.0
Net income before minorities	**1.6**	**7.1**	**18.6**	**24.5**	**26.6**	**33.0**	**43.6**
Minority interest	-0.4	5.0	3.3	4.4	4.0	4.0	4.0
Net income	**2.0**	**2.1**	**15.3**	**20.1**	**22.6**	**29.0**	**39.6**
Number of shares, average	117.1	117.1	117.1	117.1	117.1	117.1	117.1
EPS	**0.02**	**0.02**	**0.13**	**0.17**	**0.19**	**0.25**	**0.34**
EPS adj.	0.02	0.02	0.13	0.17	0.19	0.25	0.34

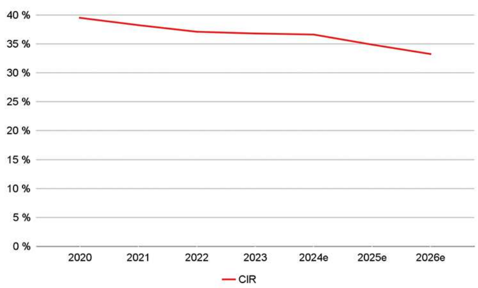
*Adjustments made for:

Guidance: 2024: Revenue of EUR 221m and net profit before FX of EUR 33m

Financial Ratios

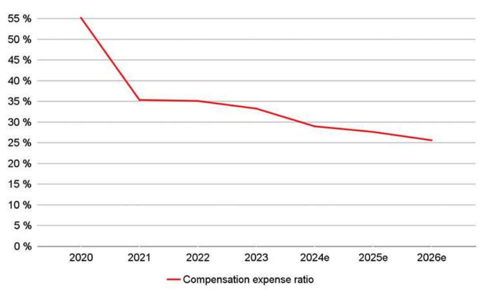
	2020	2021	2022	2023	2024e	2025e	2026e
Portfolio volume	201.4	245.5	278.4	320.1	366.8	442.3	530.4
Operating Efficiency							
Total op. Revenues per Employee	26.3	32.1	39.0	40.7	46.8	53.5	62.6
Administrative expenses per Employee	14.5	11.4	13.7	13.5	13.6	14.8	16.1
Operating profit per Employee	0.9	6.4	8.2	10.3	13.4	16.5	21.6
Profitability							
CIR	39.5 %	38.3 %	37.1 %	36.8 %	36.6 %	34.9 %	33.3 %
Oper. profit / Oper. Revenues	3.5 %	20.1 %	21.0 %	25.4 %	28.6 %	30.8 %	34.6 %
Compensation expense ratio	55.2 %	35.3 %	35.1 %	33.3 %	29.0 %	27.6 %	25.7 %
Oper. profit / Total assets	0.5 %	5.4 %	5.9 %	6.8 %	7.5 %	8.2 %	9.5 %
Net income / Oper. Revenues	5.4 %	2.4 %	14.9 %	17.9 %	17.2 %	19.0 %	21.8 %
Pre-tax profit / Total assets	0.5 %	5.4 %	5.9 %	6.8 %	7.5 %	8.2 %	9.5 %
Momentum							
Revenue growth	-1.8 %	132.3 %	18.6 %	9.7 %	16.6 %	16.4 %	19.0 %
Operating profit growth	-72.6 %	1233.9 %	23.9 %	32.7 %	31.4 %	25.7 %	33.5 %
Net profit growth	-54.6 %	5.8 %	621.6 %	31.7 %	12.3 %	28.5 %	36.4 %

CIR
in %



Source: Warburg Research

Compensation expense ratio
in %



Source: Warburg Research

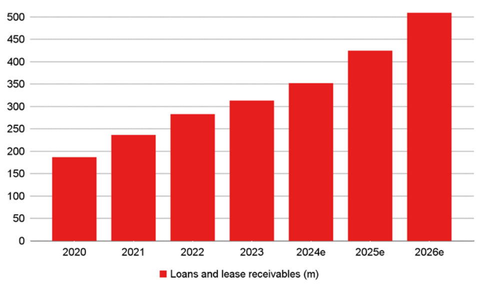
Consolidated balance sheet

In EUR m	2020	2021	2022	2023	2024e	2025e	2026e
Assets							
Liquid assets	2.9	2.8	5.3	8.9	8.9	8.9	8.9
Loans and lease receivables	186.9	236.6	283.0	313.2	352.1	424.6	509.2
Accounts receivable	3.3	3.6	2.7	1.6	1.8	2.1	2.5
Goodwill and other intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	24.6	22.9	22.7	20.5	20.5	20.5	20.5
Other assets	62.1	56.2	47.5	77.1	115.0	117.4	122.2
Total Assets	**279.8**	**322.1**	**361.1**	**421.3**	**498.3**	**573.5**	**663.3**
Liabilities and shareholders' equity							
Subscribed capital	1.0	1.0	1.0	1.0	1.2	1.2	1.2
Capital reserve	0.3	0.8	1.1	4.3	33.3	33.3	33.3
Retained earnings	21.9	24.3	45.2	53.6	98.2	116.6	140.9
Other equity components	0.3	7.1	8.9	11.8	11.8	11.8	11.8
Shareholders' equity	**21.9**	**24.3**	**45.2**	**53.6**	**98.2**	**116.6**	**140.9**
Minority interest	0.3	7.1	8.9	11.8	11.8	11.8	11.8
Total equity	**22.2**	**31.4**	**54.1**	**65.4**	**110.0**	**128.4**	**152.7**
Refinancing liabilities	243.3	250.7	272.8	322.1	350.2	402.5	463.5
Deposit liabilities	9.6	8.9	4.6	5.9	5.9	5.9	5.9
Provisions	0.4	0.1	0.2	0.2	0.2	0.2	0.2
Accounts payable	1.3	2.7	1.6	2.2	2.6	3.0	3.5
Other liabilities	3.0	28.3	27.8	25.5	29.5	33.5	37.5
Total liabilities	**257.6**	**290.7**	**307.0**	**355.9**	**388.4**	**445.0**	**510.6**
Total liabilities and shareholders' equity	**279.8**	**322.1**	**361.1**	**421.3**	**498.4**	**573.4**	**663.3**

Financial Ratios

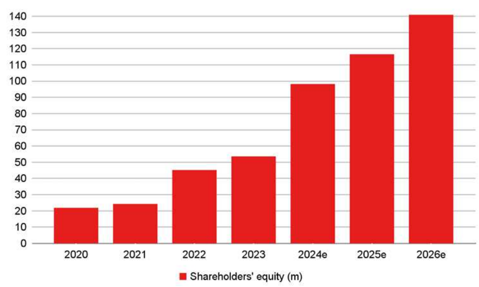
	2020	2021	2022	2023	2024e	2025e	2026e
Loans and lease receivables	186.9	236.6	283.0	313.2	352.1	424.6	509.2
Equity Ratio	7.9 %	9.7 %	15.0 %	15.5 %	22.1 %	22.4 %	23.0 %
RoE before tax	5.9 %	75.0 %	61.8 %	57.7 %	49.3 %	43.8 %	48.8 %
RoE (net)	9.1 %	9.2 %	44.0 %	40.7 %	29.7 %	27.0 %	30.7 %

Loans and leasing receivables
in EUR m



Source: Warburg Research

Equity
in EUR m



Source: Warburg Research

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SOURCES

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
Eleving	2, 3	https://www.mmwarburg.com/disclaimer/disclaimer_en/LU2818110020.htm

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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-B-	**Buy:**	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	**Hold:**	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	**Sell:**	The price of the analysed financial instrument is expected to fall over the next 12 months.
"-"	**Rating suspended:**	The available information currently does not permit an evaluation of the company.

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

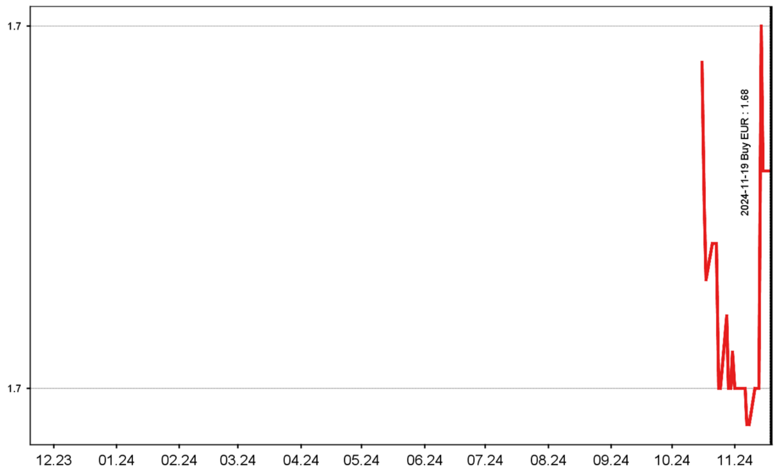
Rating	Number of stocks	% of Universe
Buy	139	69
Hold	45	22
Sell	10	5
Rating suspended	7	3
Total	**201**	**100**

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING …

… taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	40	73
Hold	10	18
Sell	2	4
Rating suspended	3	5
Total	**55**	**100**

PRICE AND RATING HISTORY ELEVING AS OF 19.11.2024



Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

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