

# Aprila

Aprila Bank ASA | Q3 2020 | 6 November 2020

# Disclaimer

## Forward-looking statements



*This presentation contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance.*

*Although Aprila Bank believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors.*

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## Making credit available for a large underserved SME market

- Offering credit to customers where they are, when they need it
- Transparent and understandable pricing; no access fees or lock-in periods
- Credit assessment based on live data from online accounting systems

## Leveraging technology to create competitive advantage

- Scalable architecture developed in-house; integrations through APIs
- In-house developed data warehouse; enables data-driven decision making and facilitates powerful predictive analytics
- Real-time credit scoring and pricing based on machine-learning technology

## Embedded in the accounting systems of ~130,000 SMEs

- Commenced operations in Q2 2018, launching spot factoring embedded in Tripletex (online accounting system)
- Credit line up to NOK 500k launched in Tripletex on 16 Dec 2019 and in own channels (kassekreditt.no) 20 Dec 2019
- Home rental product (in cooperation with FINN.no) launched in Q4 20
- Deferred payment and digital factoring set to launch in Q1 21

## Key figures

<b># of SME customers</b> (31 Oct 2020)	<b>2,464</b>
<b>Average gross loans per customer</b> (NOK, 31 Oct 2020)	<b>56,100</b>
<b>Gross income per customer</b> (NOK, annual run-rate Oct 20) <sup>1</sup>	<b>14,700</b>
<b>Yield on net loans</b> (Oct 20, annualised)	<b>27%</b>
<b>Funding cost</b> (p.a.) <sup>2</sup>	<b>1.50%</b>

# Highlights Q3 2020

## Summary



### Q3 20

NOKm	Q2 20	Q3 20
Purchased amount	80	115
Gross loans	76	120
Gross income from lending	3.5	5.9
Total income	2.4	4.0
Pre-tax operating profit	-12.1	-11.6
Yield on avg. net loans	21%	25%

### LTM

NOKm	LTM ending	
	Q3 19	Q3 20
Purchased amount	307	405
Gross loans	32	120
Gross income from lending	9.4	16.6
Total income	7.2	11.4
Pre-tax operating profit	-32.3	-48.0
Yield on avg. net loans <sup>1</sup>	28%	23%

### 68% gross income growth QoQ and 155% YoY

- Aprila's gross income from lending grew by 68% in the third quarter to an all-time high of NOK 5.9 million
- Gross loans surged 59%, from NOK 76 million at the end of Q2 to NOK 121 million at the end of Q3
- Purchased amount reached an all-time high of NOK 115 million, a 43% gain from Q2

### Launched next generation decision engine for spot factoring

- Aprila launched a new decision engine for spot factoring on 5 September 2020
- Following the launch, approval and take-up rates surged, lifting conversion rate with ~50% to a new level of ~15%<sup>2</sup>
- The past weeks, Aprila's share of its spot factoring customers' revenue ('invoice cut'<sup>3</sup>) has increased from a historical 0.28% to a new run-rate level of 0.45% (+61%)

### Secured growth in 2021 and onwards through new agreements

- Late September, Aprila signed a distribution agreement with Visma.net Webfaktura; Visma Business' online invoicing solution. Launch is expected during Q4 2020
- Mid October, Aprila signed a distribution agreement with Fair Group AS for distribution of deferred B2B payment embedded in Fair's invoice distribution platform; a platform that distributes 20 million invoices annually in Norway
- Late October, Aprila signed a partnership agreement with Axactor to offer digital factoring to medium sized businesses with invoice volumes of NOK 20 million to NOK 5 billion; an important step towards servicing larger customers and capturing a significantly larger share of the NOK 260 bn Norwegian factoring market

# Technology company with a banking license

Building a scalable platform for SME business enablement through embedded finance



## Users

Small businesses

Medium sized businesses

Retailers

Sellers

Buyers

## Systems

ERP

Invoice distribution

Collection

Aggregators

POS

e-Commerce

Trading

Market places

Cards

# Aprila

Technology Platform

- Real-time valuation of business claims
- Instant credit decisions
- Automated disbursement

- Innovative, easy-to-use APIs
- Sophisticated AI model, continuously learning and improving
- Cloud based, hyper-scalable

## Lenders



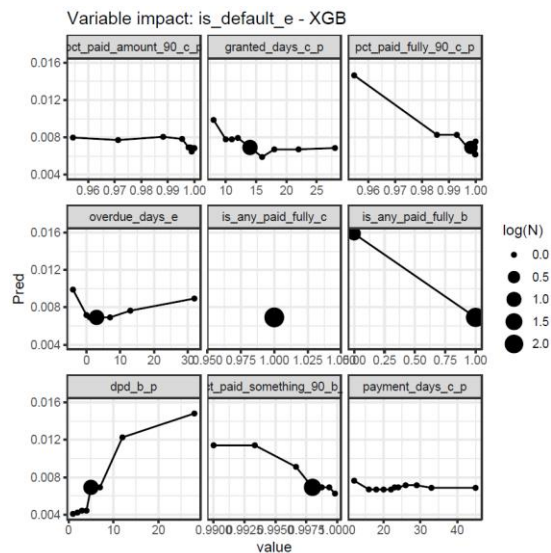
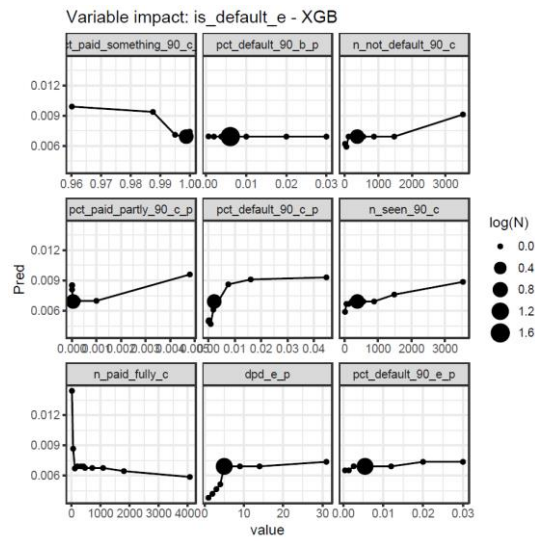
# High performance machine learning models

Continuously learning and improving; have already achieved exceptional level of accuracy

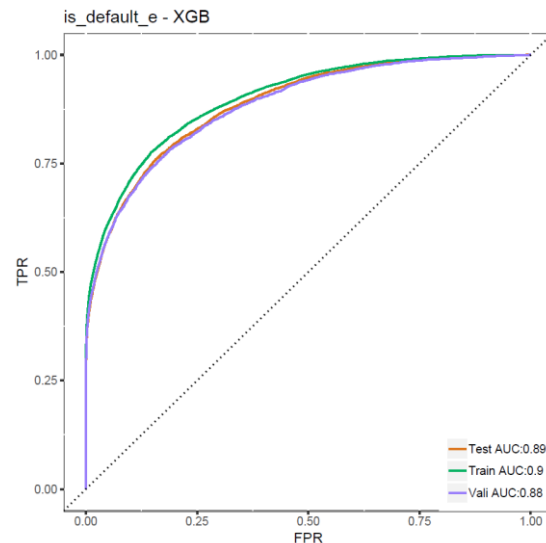


Example: Probability of end customer default on a given claim

18 real time variables being used in the prediction model



Current performance: 88% AUC

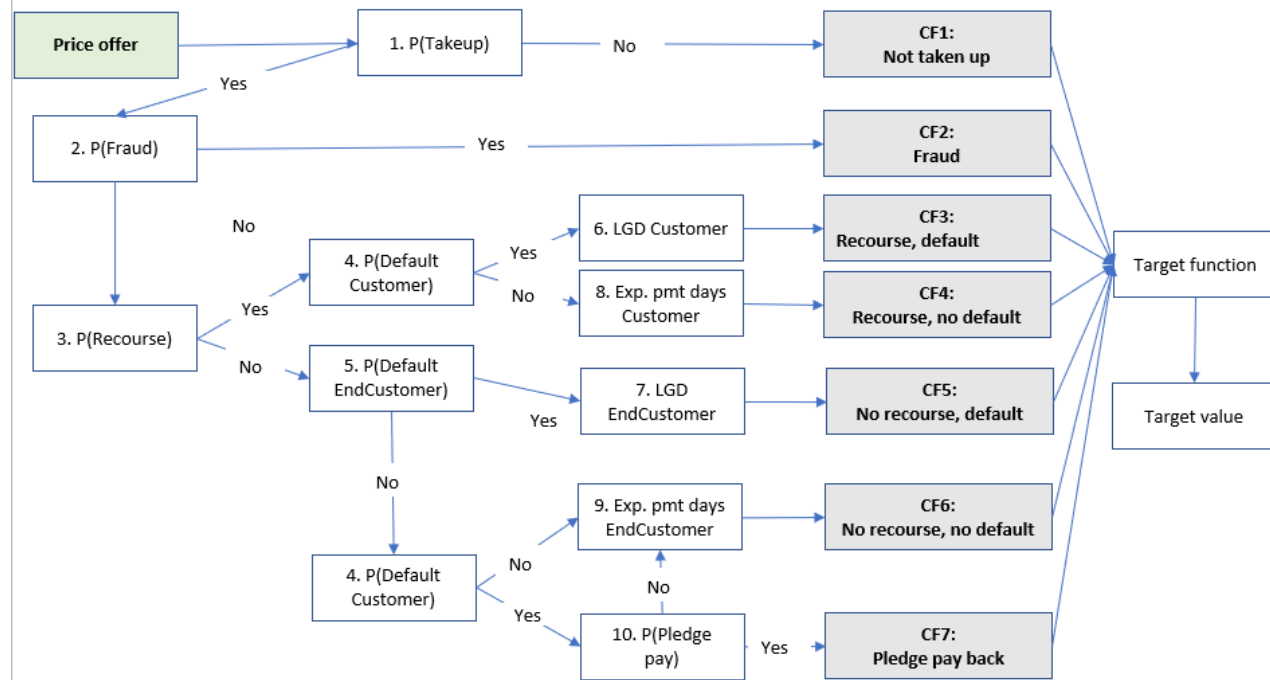


# Aprila technology platform | Decision engine

10 predictive models generates probability of and value for 7 exhaustive scenarios



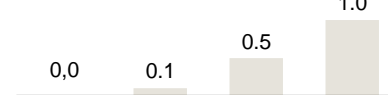
## Illustration of Aprila's pricing and decision model for spot factoring



## Key figures

### # claims in training set

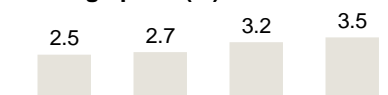
Millions



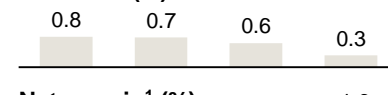
### Conversion rate (%)



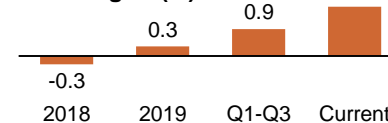
### Average price (%)



### Loss rate (%)



### Net margin<sup>1</sup> (%)



Note 1: Net margin = profit margin per invoice after commissions, losses, funding cost, and all other variable costs. A profit margin of 1.6% corresponds to an effective interest rate of 20%, and a marginal return on equity of ~100%



# Growth plan

Continuously improve and leverage technology platform to create scalable growth and enduring advantage



Scale by making platform available to other lenders,  
based on proven track record

Develop and optimize the Aprila Technology Platform, using own balance sheet to provide credit

## Drivers of Aprila market capture

### 1. Technology advantage

- Proprietary AI/machine learning models
- High calibre, in-house team
- Large and growing training volume and experience

### 2. Product expansion

- B2C
- PayWithAprila
- Digital factoring for medium sized businesses

### 3. Distribution acceleration

- Aggregators
- New partners
- Marketing and digital sales

## SME credit Market Size<sup>1</sup>

NOK billions

### Norway

8.4

### Nordics

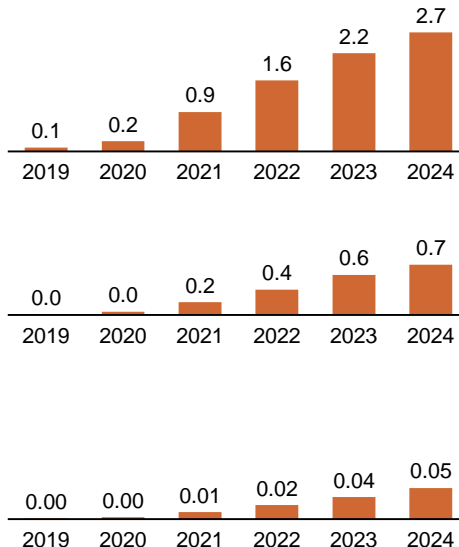
44

### Europe

690

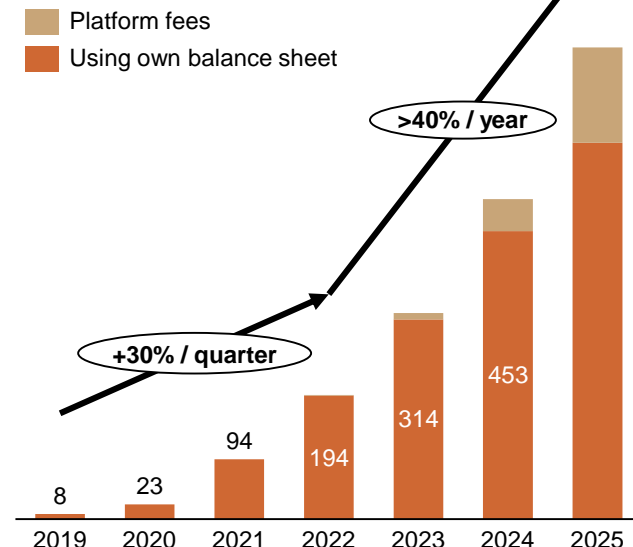
## Aprila market share<sup>2</sup>

Percent



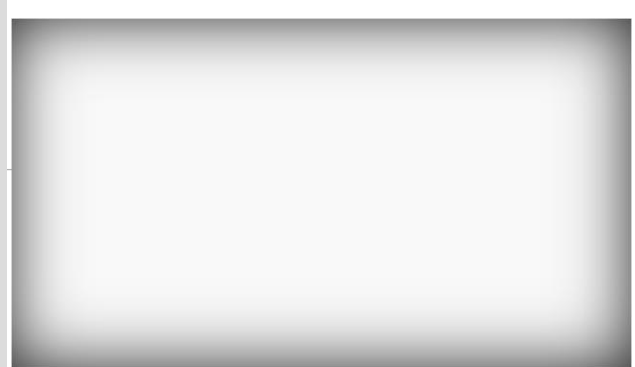
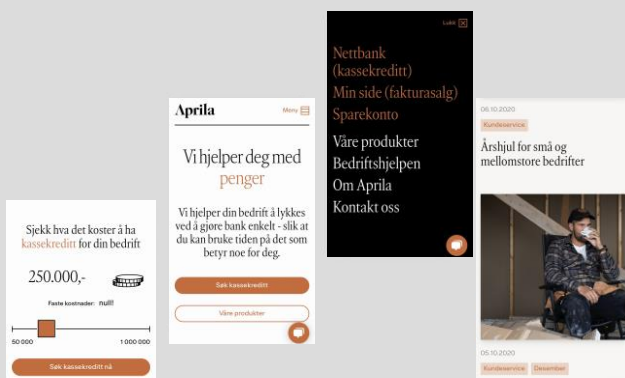
## Aprila revenues<sup>3</sup>

NOK millions



Note 1: Estimated interest and fee income from short term SME lending in 2019.

Note 2: Aprila's total income from own balance sheet in % of the interest and fee income in the respective market. Assumed annual market growth: Norway 4%, Nordics: 3%, Europe 2% . || Note 3: Total income.



# Aprila



Sjekk hvordan  
din bedrift  
får **nok nok,-**

[LES HER](#)

**Aprila**  
nok nok

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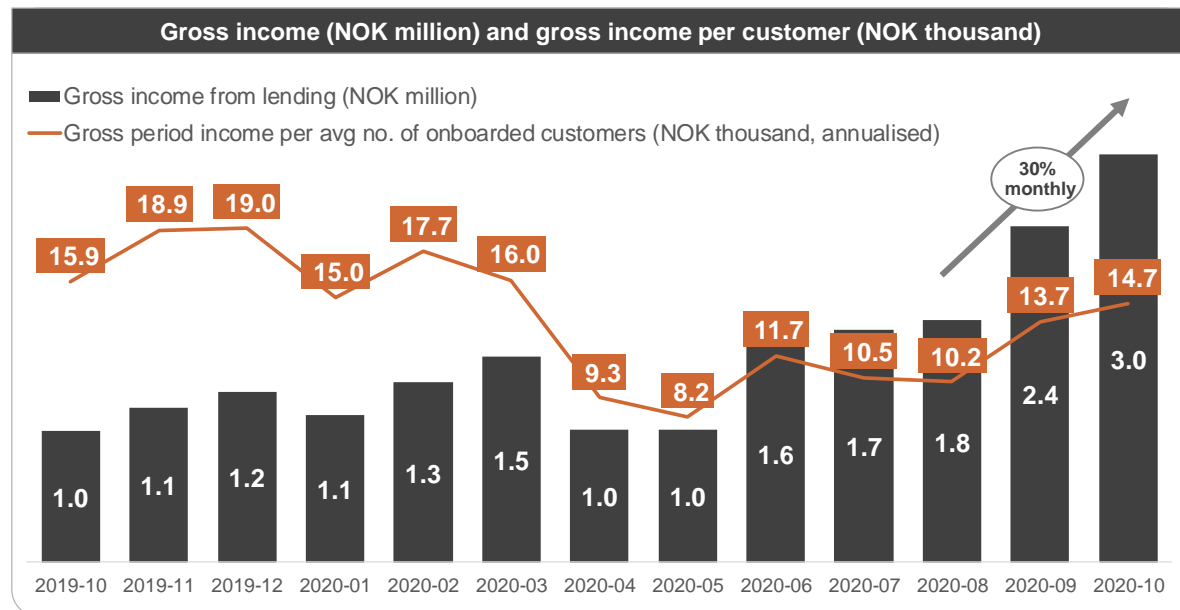
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# Gross income run-rate

New guidance: YE 2020 gross income run-rate of NOK 50 million



## # of unique customers

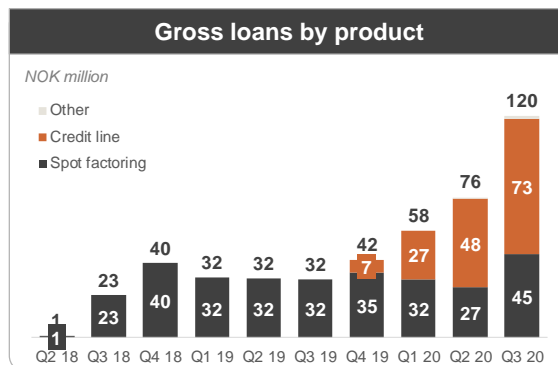
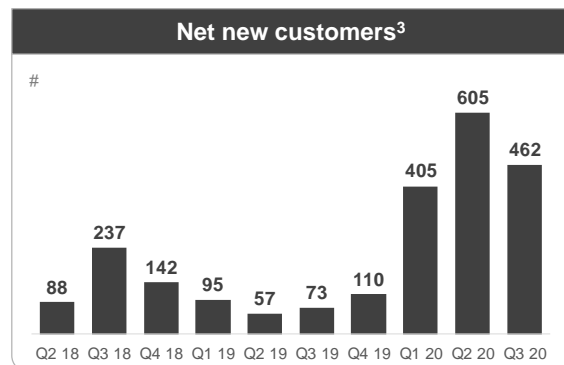
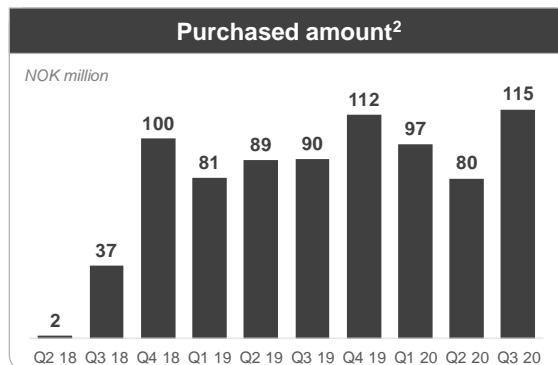
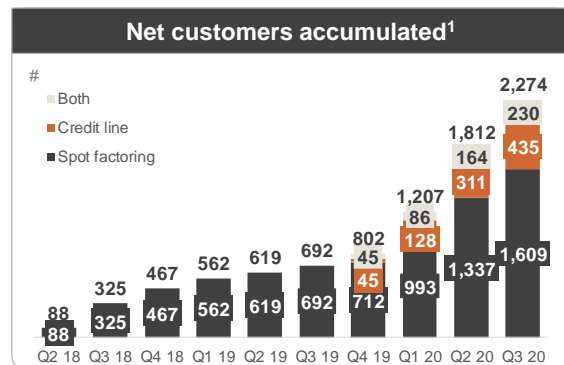
718	732	802	871	990	1,207	1,311	1,454	1,812	1,977	2,065	2,274	2,464
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## Key comments

- 30% monthly gross income growth from August to October, mainly driven by the launch of the new spot factoring decision engine
- We expect the growth to soften to ~20% over the next two months, resulting in a gross income of NOK ~4.25m in December, equivalent to NOK ~50m annually
- New guiding for YE 2020 run-rate<sup>1</sup>:
  - 3,000 customers (vs. previous 3,500)
  - 17,000 annual gross income per customer (vs. 20,000)
  - NOK ~50m in annual gross income run-rate in December 2020 (vs. previous target of NOK 70m)

# Key figures

2,274 customers and NOK 120m in gross loans at EOP



## Key comments

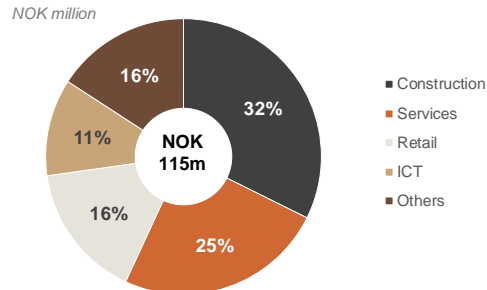
- 2,274 customers at EOP
  - 184% growth first three quarters in 2020, equivalent to a quarterly growth rate of 45%
- Net 462 new customers in Q3 (+25%)
  - Fiken accounted for ~37% of the customers added in the quarter, followed by Visma eAccounting with ~32%, own channels with ~16%, Tripletex with 8% and other channels with ~6%.
- NOK 115m purchased
  - 43% higher than Q2 and a result of an increase in available invoicing volumes (invoiced amount), and a new decision engine for spot factoring launched on 5 September 2020
  - NOK 54 million (47%) of the purchased amount was purchased in September
- NOK 120m in gross loans at EOP of which credit line accounted for 61%

# Spot factoring | Active customers

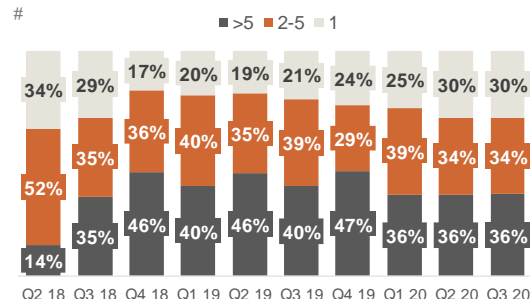
58% of the spot factoring customers have sold invoices



## Purchased amount by customer industry



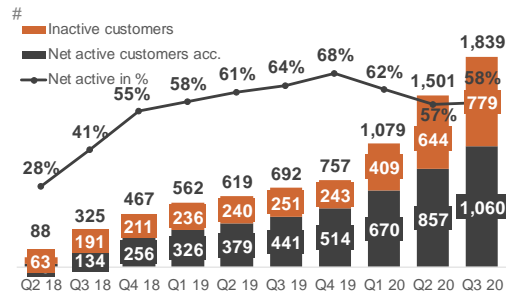
## Active customers<sup>1</sup> by # of sold invoices



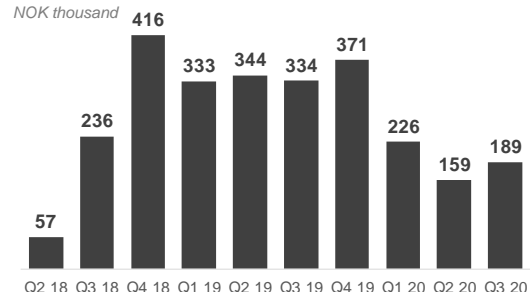
## Key comments

- Construction, services and retail accounted for 73% of purchased amount in Q3 (75% in Q2 20)
- 70% of the active customers sold two invoices or more (70% in Q2 20)
- 1,060 of 1,839 open customer accounts (58%) had sold invoices at EOP
- 607 customers sold invoices in Q2 (507 in Q2 20)
- NOK 189k purchased per customer active in the period (NOK 159k in Q2)

## Active customers<sup>2</sup> vs. total net customers



## Purchased per active customer account<sup>3</sup>



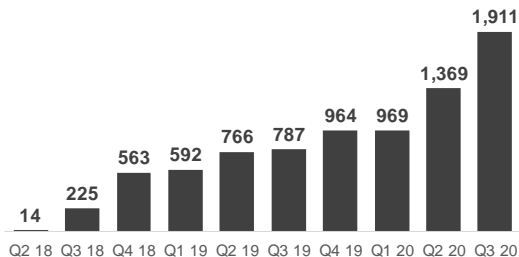
# Spot factoring | Key invoice figures

Improving product profitability



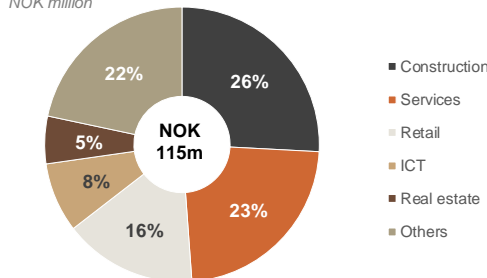
## Invoiced amount<sup>1</sup>

NOK million



## Purchased amt by end customer industry

NOK million

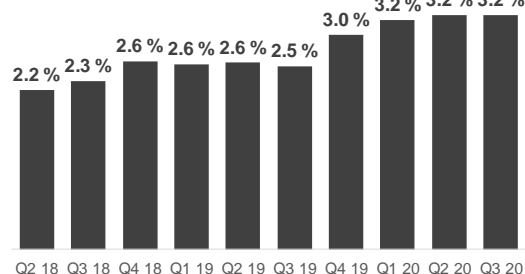


## Key comments

- Estimated available invoiced amount<sup>1</sup> in Q3 amounted to NOK 1.9 bn, +40% compared to Q2
  - We have experienced a data quality bug at one of our partners which has inflated invoiced amount with duplicate invoices
  - The bug was fixed 21 Oct 2020
  - This has no operational effect; it just deflates the calculated conversion rate (purchased in % of invoiced)
- With a purchased amount of NOK 115 million, the conversion rate<sup>4</sup> (in NOK) was 6% (6% in Q2)
  - Conversion rate in October was 9.4%
  - Run-rate past weeks (after the bug fix) is 13 - 14% (vs. historical average of ~10%)
- VWA margin: 3.23% (3.23% in Q2)
- VWA granted days: 20.2 (20.6 in Q3)

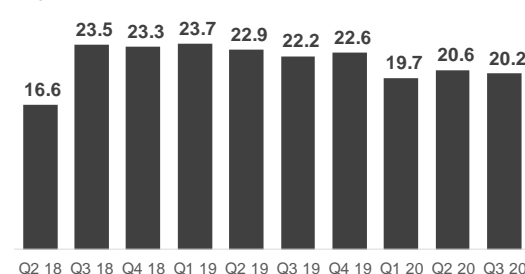
## Margin<sup>2</sup> (volume weighted average)

%



## Granted days<sup>3</sup> (volume weighted average)

# days

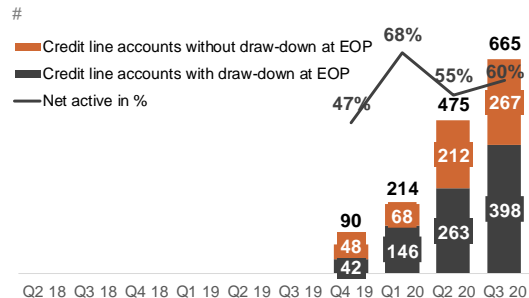


# Credit line | Key figures

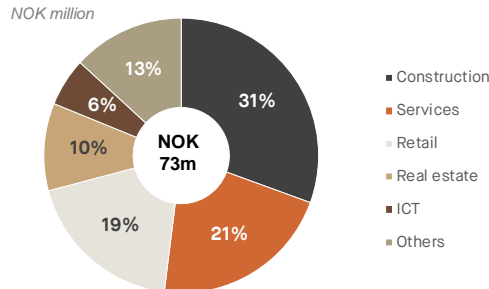
665 customer accounts opened since medio December 2019



## Customer accounts



## Outstanding amount by industry

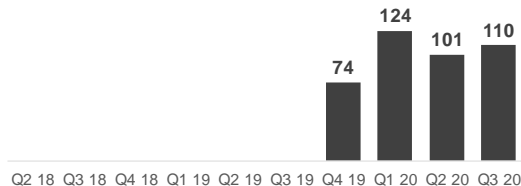


## Key comments

- 665 credit line accounts at EOP, of which
  - 37% sourced from Tripletex (47%)
  - 31% from own channels (27%)
  - 23% from Visma eAccounting (21%)
  - 9% from other channels (5%)
- NOK 110k outstanding per account at EOP
- On average NOK 184k drawn by customers with draw-down

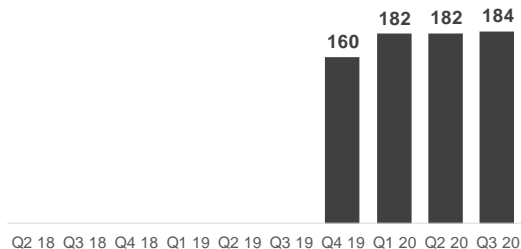
## Average outstanding amount per account

NOK thousand



## Average drawdown (per account with draw-down)

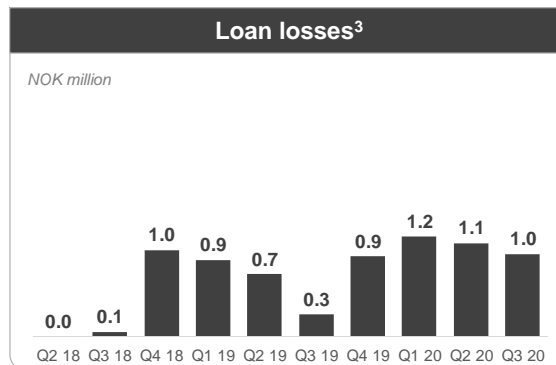
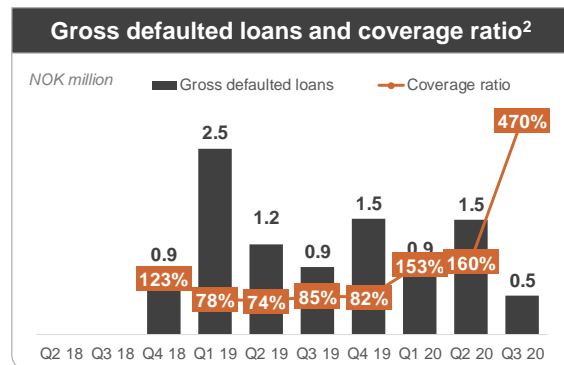
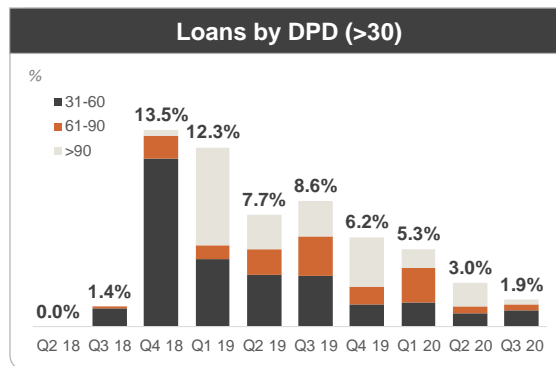
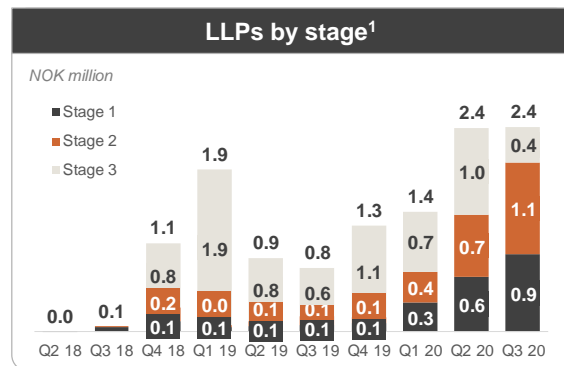
NOK thousand





# Loan losses and provisions

Loan impairments and losses of NOK 1.0m in Q3



## Key comments

- LLPs of NOK 2.4m / 2.0% of gross loans at EOP (3.2% in Q2 20)
  - DPD >30: 1.9% of gross loans
    - The improvement is primarily a result of the change in the product mix, from 100% spot factoring in Q3 19 to 39% in Q3 20
    - DPD > 30 for spot factoring has however also improved in Q3 (from 8.4% 30 Jun to 4.0% 30 Sep); a natural consequence of the growth in gross lending
  - Gross defaulted loans were NOK 0.5m
    - Coverage ratio<sup>2</sup> of 470%
    - The elevation in this ratio is caused by the new product mix; credit line accounts for a relatively large portion of the LLPs, but only NOK 125k was default at EOP Q3 20
  - Total loan losses of NOK 1.0m in Q2 of which NOK 0.02m in LLPs and NOK 0.93m in net realised losses
- As of 30 Sep 2020, Aprila had purchased **31,152 invoices LTD** with a total nominal value of NOK 803m
  - Total recognised spot factoring losses LTD amounted to NOK 5.0m (0.62% of purchased amount) and relates to **88 claims** (0.28% of all purchased invoices)

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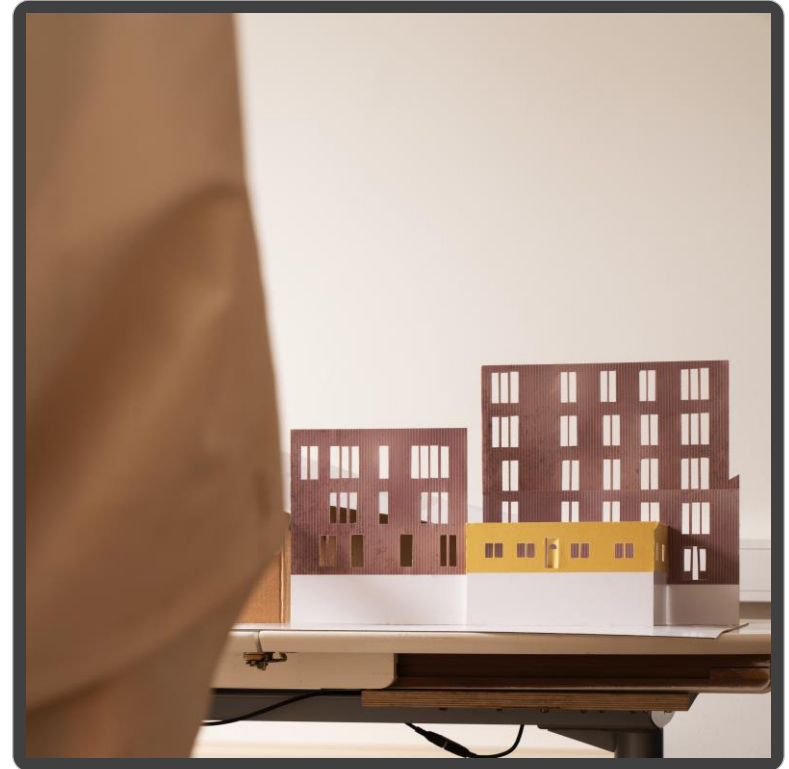
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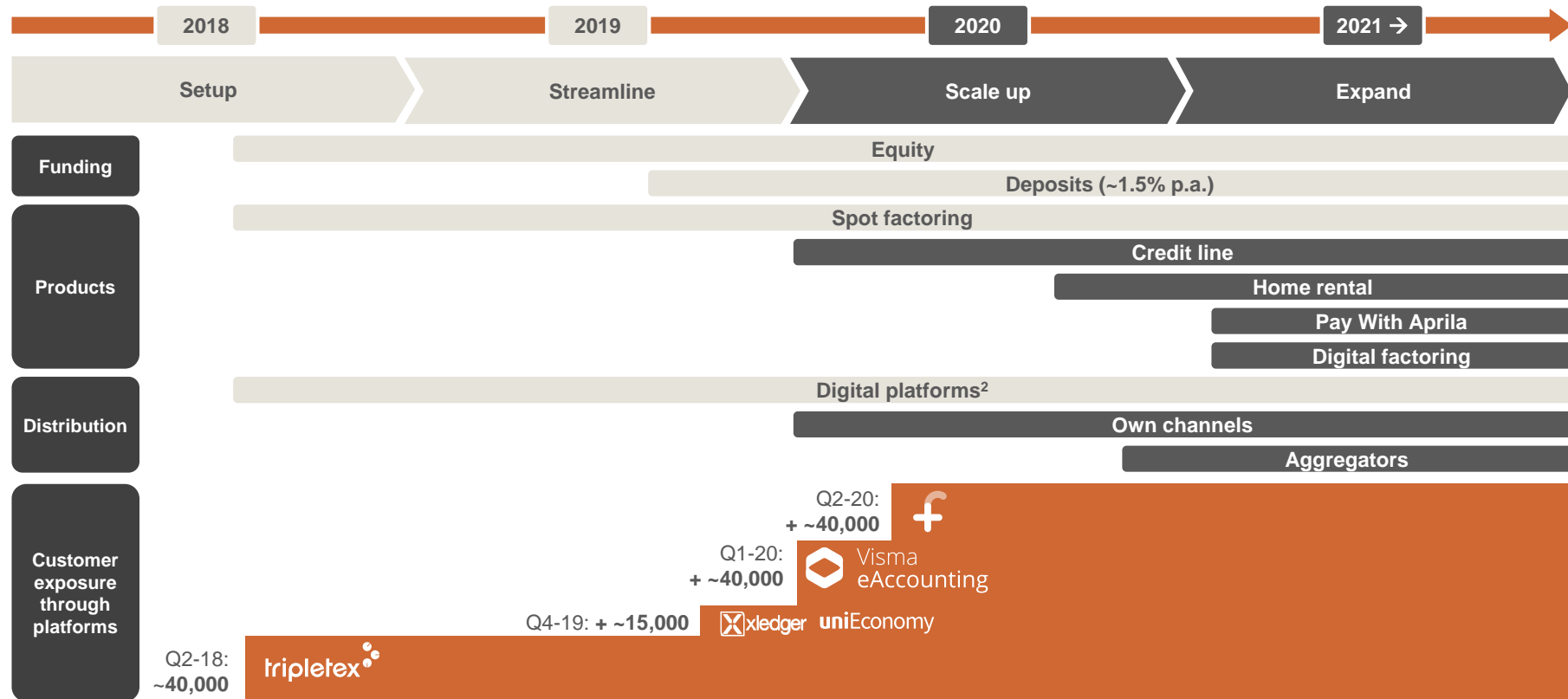
04

Appendix



# Timeline

Five products and nine channels from primo 2021<sup>1</sup>



Note 1: Five ERP systems, FINN.no, Axactor, business loan aggregators and own channels. || Note 2: ERP / online accounting systems, online classifieds (FINN.no) etc..

# Priorities in Q4 2020



Q4 2020

## Expand value proposition

- B2C: Support roll-out in eAccounting and Fiken
- Digital factoring: Enter into negotiations with first large customer together with Axactor
- Home rental factoring: Tuning and optimization in silent launch to prepare for full launch

## Strengthen distribution

- Marketing: Optimize and expand
- Sales: Establish immediate follow-up of started applications
- Aggregators: Launch with first aggregator of business loans in Norway

## Build competitive advantage

- Automate > 50% of customer onboardings
- Streamline the process for customer onboarding that requires human touch
- Implement PSD2 into real-time evaluation of credit line applications

# Financial outlook

Annual run-rate of NOK 50m in gross income at year-end and break-even in Q2 21



	YE 2019	31 Oct 20	YE 2020E	Drivers
<b># of customers</b> End of period	<b>802</b> 2% of customer exposure <sup>1</sup>	<b>2,464</b> 1.9% of customer exposure <sup>2</sup>	<b>3,000</b> ~2% of customer exposure <sup>3</sup>	<ul style="list-style-type: none"><li>• New partners</li><li>• New products</li><li>• In-house sales</li></ul>
<b>Gross income per customer</b> Annual run-rate <sup>4</sup> (NOK)	<b>17,748</b>	<b>14,700</b>	<b>~17,000</b>	<ul style="list-style-type: none"><li>• Increased approval rate</li><li>• Increased credit line limits</li><li>• Purchasing B2C invoices</li></ul>
<b>Annual gross income</b> Run-rate (NOKm)	<b>14.2</b>	<b>36.2</b>	<b>~50</b>	<b>Break-even expected in Q2 21</b>

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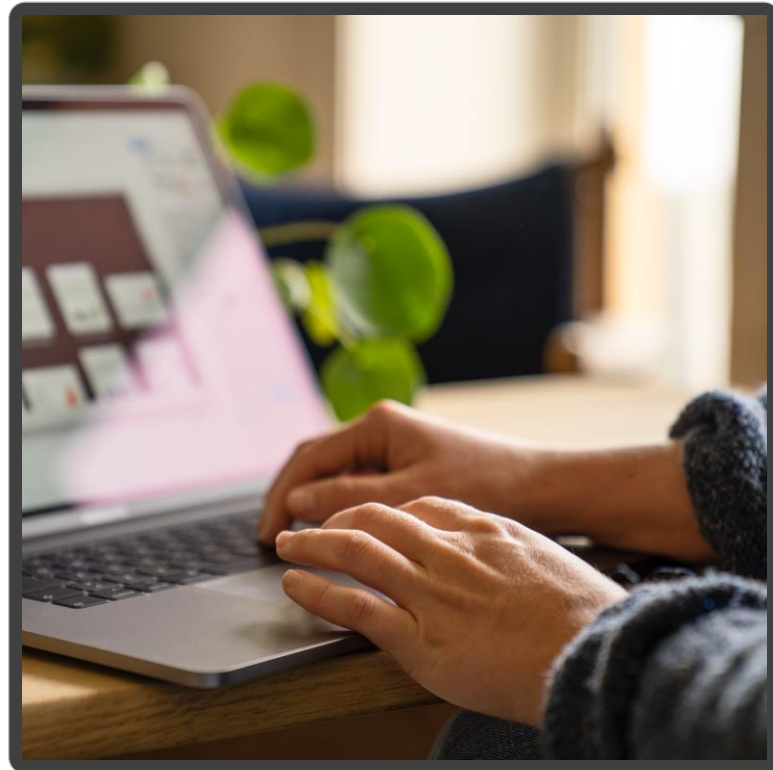
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# Income statement & general administrative expenses

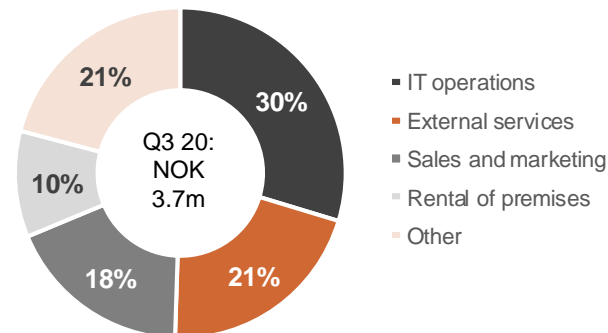


## Income Statement

Amounts in NOK thousand	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
Interest income	5,691	2,494	12,915	6,969	10,465
Interest expense	637	33	1,553	71	562
<b>Net interest income</b>	<b>5,055</b>	<b>2,461</b>	<b>11,362</b>	<b>6,898</b>	<b>9,902</b>
Income commissions and fees	199	97	483	267	378
Expenses commissions and fees	1,368	751	3,309	2,108	3,019
<b>Net commissions and fees</b>	<b>-1,169</b>	<b>-654</b>	<b>-2,827</b>	<b>-1,841</b>	<b>-2,642</b>
Net gains / losses (-) on certificates, bonds and currency	158	77	504	200	323
Other income	0	0	0	0	0
<b>Total income</b>	<b>4,044</b>	<b>1,884</b>	<b>9,039</b>	<b>5,257</b>	<b>7,583</b>
Salary and other personnel expenses	9,539	7,451	23,169	17,726	24,322
General administrative expenses	3,695	2,193	15,287	9,236	14,828
<b>Total salary and administrative expenses</b>	<b>13,234</b>	<b>9,645</b>	<b>38,456</b>	<b>26,962</b>	<b>39,150</b>
Ordinary depreciation	1,477	580	3,934	1,534	2,227
<b>Total operating expenses excl. losses on loans</b>	<b>14,711</b>	<b>10,225</b>	<b>42,390</b>	<b>28,497</b>	<b>41,377</b>
Losses on loans	952	256	3,178	1,853	2,777
<b>Pre-tax operating profit</b>	<b>-11,618</b>	<b>-8,597</b>	<b>-36,529</b>	<b>-25,093</b>	<b>-36,570</b>
Tax	0	0	0	0	0
<b>Profit after tax</b>	<b>-11,618</b>	<b>-8,597</b>	<b>-36,529</b>	<b>-25,093</b>	<b>-36,570</b>
Earnings per share (NOK)	-0.26	-0.24	-0.99	-0.69	-1.01
Diluted earnings per share (NOK)	-0.23	-0.20	-0.83	-0.58	-0.85

## General administrative expenses

Amounts in NOK thousand	Q3 2020	Q3 2019	YTD 2020	YTD 2019	2019
External services	769	301	5,536	3,573	6,488
IT operations	1,097	971	2,544	2,796	3,959
Rental of premises	383	245	1,406	799	1,277
Sales and marketing	673	160	3,418	324	702
Credit information	88	137	334	304	411
External audit and related services	44	0	263	188	188
Credit insurance	143	68	263	199	288
Other operating expenses	496	312	1,524	1,054	1,515
<b>Total general administrative expenses</b>	<b>3,695</b>	<b>2,193</b>	<b>15,287</b>	<b>9,236</b>	<b>14,828</b>



# Balance sheet & regulatory capital



## Balance Sheet

<i>Amounts in NOK thousand</i>	30.09.2020	31.12.2019	30.09.2019
Loans and deposits with credit institutions	48,643	60,593	69,992
Net loans to customers	117,657	40,885	31,173
Certificates and bonds	56,033	45,470	30,313
Other intangible assets	19,576	12,700	6,823
Deferred tax assets	0	0	0
Fixed assets	4,590	5,868	2,504
Other receivables	9,456	4,522	2,482
<b>Total assets</b>	<b>255,956</b>	<b>170,038</b>	<b>143,287</b>
Deposits from and debt to customers	113,297	62,194	32,234
Other debt	14,818	15,642	7,900
<b>Total liabilities</b>	<b>128,115</b>	<b>77,836</b>	<b>40,134</b>
Share capital	44,590	36,220	36,220
Share premium	190,309	127,036	127,036
Unregistered Share capital	0	37	0
Other paid-in equity	2,241	1,680	1,191
Retained earnings	-109,300	-72,771	-61,293
<b>Total equity</b>	<b>127,840</b>	<b>92,202</b>	<b>103,153</b>
<b>Total equity and liabilities</b>	<b>255,956</b>	<b>170,038</b>	<b>143,287</b>

## Regulatory capital

<i>Amounts in NOK thousand</i>	30.09.2020	31.12.2019	30.09.2019
Share capital	44,590	36,220	36,220
Share premium	190,309	127,036	127,036
Other equity	-107,059	-71,054	-60,103
<b>Total equity</b>	<b>127,840</b>	<b>92,202</b>	<b>103,153</b>
Other intangible assets	-19,576	-12,700	-6,823
AVA adjustment	-56	-45	-30
Deferred tax assets	0	0	0
<b>Common equity tier 1 (CET 1)</b>	<b>108,208</b>	<b>79,456</b>	<b>96,300</b>
<b>Tier 1 capital</b>	<b>108,208</b>	<b>79,456</b>	<b>96,300</b>
<b>Total capital</b>	<b>108,208</b>	<b>79,456</b>	<b>96,300</b>

### Risk-weighted assets

Loans and deposits with credit institutions	9,729	12,119	13,998
Loans to customers	82,255	32,219	28,453
Certificates and bonds	2,527	1,502	0
Other assets	14,046	10,390	4,986
<b>Credit risk</b>	<b>108,557</b>	<b>56,230</b>	<b>47,438</b>
Operational risk	9,669	9,669	5,119
<b>Risk-weighted assets</b>	<b>118,226</b>	<b>65,899</b>	<b>52,557</b>















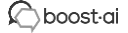
Common equity tier 1 ratio (%)	91.5%	120.6%	183.2%
Tier 1 ratio (%)	91.5%	120.6%	183.2%
Total capital ratio (%)	91.5%	120.6%	183.2%
Leverage ratio (%)	44.2%	50.0%	70.6%
LCR	1039%	2162%	347%

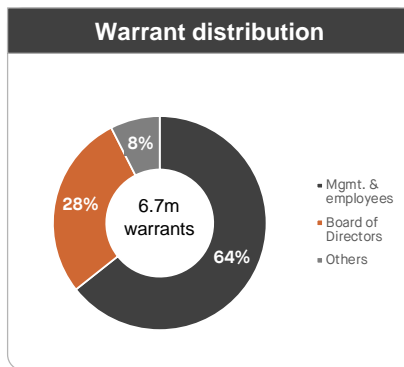
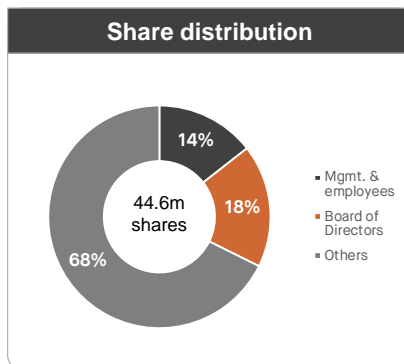


# Ownership & warrant structure<sup>1</sup>

Aligned interests among key stakeholders



Selected shareholders	
Investor	Selected current / previous holdings
FJ LABS	 
	 
	 
	 
	
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ALLIANCE VENTURE	 
	 
	 



Top 30 shareholders				Ownership		Warrants
#	Investor	Name	Role	# shares	%	
1	AMESTO GROUP AS	Spandow Family	Chairman	4,284,848	9.6 %	1,875,000
2	ALLIANCE VENTURE SPRING AS	Bente Loe	Board member	3,174,406	7.1 %	
3	MP PENSJON PK			1,930,329	4.3 %	
4	STRØMSTANGEN AS			1,817,622	4.1 %	
5	PRIMERA AS	Per Christian Goller	Chief Growth Officer	1,630,000	3.7 %	1,750,000
6	SES AS			1,595,166	3.6 %	
7	REDIVIVUS AS			1,154,008	2.6 %	
8	FJ LABS			1,099,400	2.5 %	
9	NORUS AS			1,016,690	2.3 %	
10	COSIMO AS			954,000	2.1 %	
11	AREPO AS			907,747	2.0 %	
12	UNIVERSAL PRESENTKORT AS			897,699	2.0 %	
13	A HOLDINGS AS			874,545	2.0 %	
14	NORDA ASA			850,000	1.9 %	
15	SIRKELBUE AS	Karl Erik Asbjørnsen	Technologist	800,000	1.8 %	500,000
16	ØSD FINANS AS	Øystein Dannevig	Chief Decision Scientist	800,000	1.8 %	
17	SIX SIS AG			777,470	1.7 %	
18	DISRUPTOR AS	Israr Khan	Chief Product & Tech Officer	730,000	1.6 %	600,000
19	SKIPS AS TUDOR			722,226	1.6 %	
20	ENIMAE AS			667,300	1.5 %	
21	SPORTSMAGASINET AS			652,497	1.5 %	
22	SANDSOLO HOLDING AS			634,900	1.4 %	
23	INCHOATE AS	Heiki Strengelsrud	Growth Manager	610,000	1.4 %	500,000
24	ELIGERE AS	Lene Gridseth	Chief Operating Officer	573,200	1.3 %	375,000
25	ALPINE CAPITAL AS			561,717	1.3 %	
26	STRIGEN AS			558,798	1.3 %	
27	KLØVNINGEN AS			535,350	1.2 %	
28	OSMANI VENTURE CAPITAL AS			533,776	1.2 %	
29	BLUE MOUNTAIN CAPITAL AS	Kjetil S. Barli	Chief Financial Officer	530,000	1.2 %	375,000
30	ASTEROIDEBAKKEN AS			522,105	1.2 %	
Others				12,194,674	27.3 %	687,500
Total				44,590,473	100.0 %	6,662,500

Note 1: As registered in VPS 2 November 2020.

Aprila