

Somewhat weaker than expected

Fellow Finance's H1/2020 results were somewhat weaker than expected, with revenue of EUR 5.8m (Evli EUR 6.3m) and an adj. EBIT of EUR -0.1m (Evli EUR 0.3m). The adj. EPS was below our estimates at EUR -0.10 (Evli EUR -0.05). Coronavirus uncertainty and temporary regulations affected facilitated loan volumes, down 36.8% in H1/20 compared with H1/19.

- Revenue in H1 amounted to EUR 5.8m (EUR 7.2m in H1/19), below our estimates (Evli EUR 6.3m). Revenue declined 19.8% in H1. Compared with H1/19 commission fees declined by 38% and interest yields increased by 31%.
- Fellow Finance facilitated loans during H1 for a total of EUR 69m (EUR 109.3m in H1/19), a decrease of 36.8%. Loan volumes were affected by uncertainty caused by the coronavirus pandemic, which interrupted new investments, along with temporary regulations in Finland and Poland, which limited loan intermediation possibilities.
- The adj. EBIT in H1 amounted to EUR -0.1m (EUR 1.4m in H1/19), below our estimates (Evli EUR 0.3m) driven by the lower than expected revenue.
- The adj. EPS in H1 amounted to EUR -0.10 per share (EUR 0.07 in H1/19), below our estimate of EUR -0.05.
- **Guidance:** Fellow Finance withdrew its guidance in March and did not reinstate a guidance in conjunction with the H1 report.
- Repayment levels of business and consumer loans did not face any significant deterioration despite the challenging environment.
- Business financing volumes grew 15% compared to H1/19 despite the environment and tightened credit approval criteria.

Rating				🟡 HOLD
H1/20	Actual	Evli	H1/19	
Revenue	5.8	6.3	7.2	
Adj. EBIT	-0.1	0.3	1.4	
Adj. EPS	-0.10	-0.05	0.07	
Deviation				
Revenue		-7%	-20%	
Adj. EBIT		-	-	
Adj. EPS		-87%	-	
Share price, EUR (Last trading day's closing price)				2.58
Target price, EUR				2.5
Latest change in recommendation				19-Aug-19
Latest report on company				06-Apr-20
Research paid by issuer:				YES
No. of shares outstanding, '000's				7,129
No. of shares fully diluted, '000's				7,129
Market cap, EURm				18
Free float, %				-
Exchange rate				0.000
Reuters code				FELLOW.HE
Bloomberg code				FELLOW HE
Average daily volume, EURm				0.07
Next interim report				28-Aug-20
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🟢 BUY 🟡 HOLD 🔴 SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	12.0	3.4	28.3%	0.6	0.12	55.1	4.6	16.1	1.2	0.04
2019	14.2	1.6	11.6%	-0.8	-0.01	-349.3	3.2	28.0	-2.9	0.00
2020E	13.1	0.7	5.6%	-1.4	-0.10	-26.5	2.8	49.5	-7.6	0.00
2021E	16.0	1.8	11.0%	-1.4	0.01	272.8	2.4	21.4	-7.8	0.00
2022E	19.6	3.7	19.0%	-0.2	0.22	11.9	1.9	10.2	-1.2	0.07
Market cap, EURm	18		BV per share 2020E, EUR		129.6		CAGR EPS 2019-22, %		0.0	
Net debt 2020E, EURm	18		Price/book 2020E		1.3		CAGR sales 2019-22, %		11.4	
Enterprise value, EURm	36		Dividend yield 2020E, %		0.0		ROE 2020E, %		-4.9	
Total assets 2020E, EURm	35		Tax rate 2020E, %		20.0		ROCE 2020E, %		2.1	
Goodwill 2020E, EURm	0		Equity ratio 2020E, %		39.1		PEG, P/E 20/CAGR		0.0	

All the important disclosures can be found on the last pages of this report.

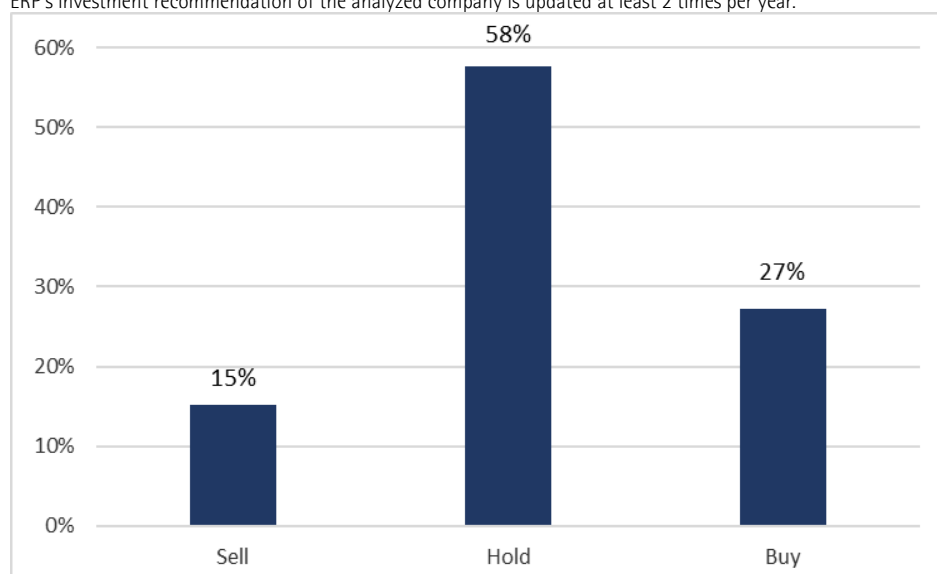
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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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Name(s) of the analyst(s): Salokivi

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