

Revenue growth not there yet

Fellow Finance's H1/21 results fell short from our estimates on the growth side, with revenue of EUR 5.5m (Evli EUR 6.2m), driven by the loan mix due to growth in lower margin business financing. EBIT amounted to EUR 0.5m (Evli EUR 0.5m). The guidance for 2021 remains intact, expecting growth in 2021 but for the result to remain slightly unprofitable due to growth investments.

- Revenue in H1 amounted to EUR 5.5m (EUR 5.8m in H1/20), below our estimates (Evli EUR 6.2m). Revenue declined 5.3% y/y in H1. The 31% growth in loan volumes as expected did not translate into similar revenue growth due to the loan mix but the impact was larger than we had expected. Compared with H1/20 commission fees declined by 8% and interest yields declined by 2%.
- Fellow Finance facilitated loans during H1 for a total of EUR 91m (EUR 69.1m in H1/20), growing 31%. Loan volumes rebounded well from the weak comparison period levels. Growth was strong in business financing, but growth was also seen in Finnish consumer financing. International operations are still seeing challenges, with focus on relaunching the Polish and German operations and running down operations in Sweden and the Czech Republic, in line with Fellow Finance's strategy.
- The EBIT in H1 amounted to EUR 0.5m (EUR -0.1m in H1/20), in line with our estimates (Evli EUR 0.5m).
- The EPS in H1 amounted to EUR -0.01 per share (EUR -0.1 in H1/20), in line with our estimate of EUR -0.01.
- Guidance for 2021 (reiterated):** Fellow Finance expects revenue growth compared to 2020 but for the result to remain slightly unprofitable due to investments in new products and growth.

Rating 🇺🇸 BUY

H1/21	Actual	Evli	H1/20
Revenue	5.5	6.2	5.8
EBIT	0.5	0.5	-0.1
EPS	-0.01	-0.01	-0.10
Deviation	Actual	Evli	H1/20
Revenue		-11 %	-5 %
Adj. EBIT		-3 %	-
Adj. EPS		-43 %	90 %
Share price, EUR (Last trading day's closing price)	3.25		
Target price, EUR	4.0		
Latest change in recommendation	04-May-21		
Latest report on company	26-Jul-21		
Research paid by issuer:	YES		
No. of shares outstanding, '000's	7,174		
No. of shares fully diluted, '000's	7,174		
Market cap, EURm	23		
Free float, %	0.0		
Exchange rate	0.000		
Reuters code	FELLOW.HE		
Bloomberg code	FELLOW HE		
Average daily volume, EURm	0.07		
Next interim report	27-Aug-21		
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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
2019	14.2	1.6	11.6%	-0.8	-0.01	-349.3	3.2	28.0	-2.9	0.00
2020	11.1	0.6	5.5%	6.7	-0.12	-23.6	2.8	50.8	32.0	0.00
2021E	13.1	1.4	10.9%	-1.0	0.02	142.4	2.6	23.9	-4.4	0.00
2022E	15.1	2.4	15.7%	-0.4	0.14	22.7	2.3	14.6	-1.8	0.00
2023E	17.5	3.0	17.3%	-1.7	0.20	15.9	2.1	12.0	-7.3	0.06
Market cap, EURm	23		BV per share 2021E, EUR		79.1		CAGR EPS 2020-23, %		0.0	
Net debt 2021E, EURm	11		Price/book 2021E		1.7		CAGR sales 2020-23, %		16.5	
Enterprise value, EURm	34		Dividend yield 2021E, %		0.0		ROE 2021E, %		1.2	
Total assets 2021E, EURm	29		Tax rate 2021E, %		20.0		ROCE 2021E, %		5.2	
Goodwill 2021E, EURm	0		Equity ratio 2021E, %		48.1		PEG, P/E 21/CAGR		1.0	

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

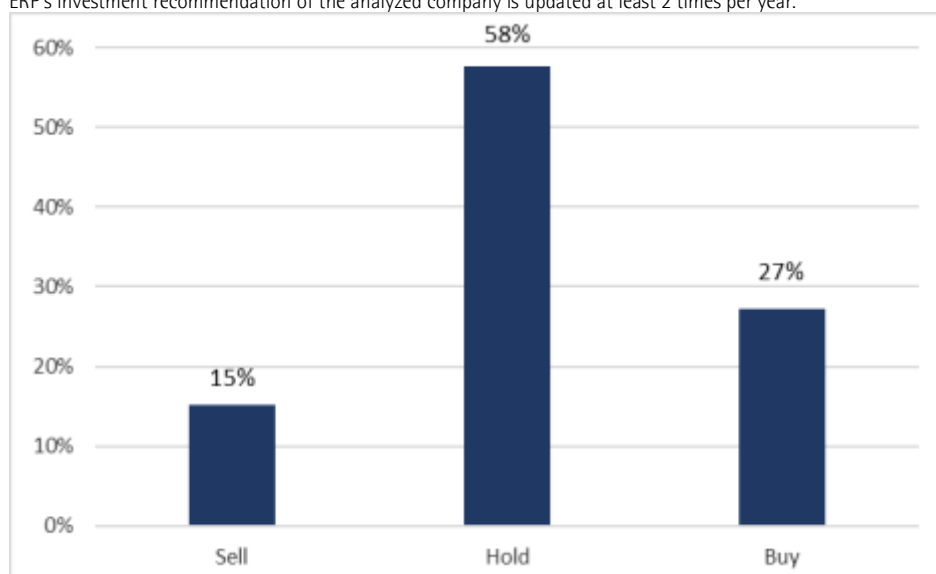
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Investment recommendations are defined as follows:

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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