

Aforti S.A.

Fair Value: PLN 14.20

Update

Rating: n.a

In H1/21, Aforti S.A. (Aforti or AFH) showed impressive growth especially in its largest segment relating to B2B currency exchange, Aforti Exchange (AE). Its transaction volume grew by 218.8% y-o-y, while in case of Aforti Collections (AC, debt collection) and Aforti Factor (AF, factoring solutions) it increased by 29.9% and declined by 58.2% respectively. Aforti PLC, which is the 100% owner of AE and plans a listing on the LSE next year, raised in total GBP 5.9m of equity capital from retail investors in the UK. The reason is the ongoing development of the online financing platform Aforti.BIZ, which is supposed to provide services such as FX exchange, factoring and money transfers to Eastern European SMEs from 2022E in the SaaS model. We have adjusted our estimates to account for strong H1/21 and good prospects for the coming months, which results in a new 12-months FV (50% DCF, 50% Residual income model, discounted by 30% due to uncertainty) of PLN 14.20 (prev. PLN 12). While the listing of the 100% subsidiary Aforti PLC could potentially show a much higher valuation of AFH, investors should be aware of the following risks: 1. use of Polish Accounting Standards, which makes a comparison to peers that use IFRS not possible, and 2. high level of debt (30/06/2021: net debt equalled PLN 173.8m or 3.7x AFH's current market cap.).

In Jan-Jun 2021, Aforti generated total fee income of PLN 945.2m (+234.6% y-o-y), EBIT of PLN -11.5m (H1/20: PLN -16.7m) and net income of PLN 1.2m (PLN 1.2m). In H1/21, Aforti was able to improve its cost structure significantly. Very positive was also the strong improvement of operating cash flow (PLN 65k vs. PLN -14.9m in H1/20). In total, the cash position equalled PLN 1m at the end of June 2021, while net debt improved to PLN 173.8m (Q1/21: PLN 195.9m).

While the FX exchange and debt collection segments perform well this year, we see the biggest long-term potential in the new online platform Aforti.BIZ. As it is supposed to be offered in the SaaS model, it will significantly increase visibility and stability of Aforti's cash flows. Through the platform, on which AFH has already spent PLN >5m, SMEs will have access to FX exchange, factoring and money transfer services that AFH will offer based on an Electronic Money Institution (EMI) license that it acquired in Cyprus.

Company profile

Aforti Holding provides financial services for SMEs in Poland and Romania. In the coming years, it plans to expand to other countries of the CEE/SEE region.

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Website	www.aforti.pl
Sector	Financial Services
Country	Poland
ISIN	PLMNTHL00016
Reuters	AFH.WA
Bloomberg	AFH.PW

Share information

Last price	5.50
Number of shares (m)	9.04
Market cap. (PLNm)	49.73
Market cap. (EURm)	10.89
52-weeks range	PLN 14.20 / PLN 5.24
Average volume	2,785

Performance

4-weeks	-17.66%
13-weeks	-21.43%
26-weeks	-30.38%
52-weeks	-60.14%
YTD	-38.89%

Shareholder structure

Klaudiusz Sytek (CEO)	61.65%
Kamila Sytek-Konieczna	5.57%
Aforti Exchange S.A.*	4.68%
Aforti Collections S.A.*	2.43%
Aforti Factor S.A.*	1.12%
Free float	24.55%

* fully consolidated subsidiaries of Aforti S.A.

Financial calendar

9M/21 report	November 15, 2021
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Analyst

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in PLNm	2019	2020	2021E	2022E	2023E	2024E
Total fee income	1,036.53	1,010.42	1,714.45	1,971.29	2,266.64	2,606.26
EBITDA	-28.91	-29.52	-21.26	2.96	14.73	29.97
EBIT	-30.66	-31.01	-22.63	0.99	12.47	27.37
Net income	0.24	3.72	1.93	12.46	18.83	28.27
EPS	0.03	0.41	0.21	1.38	2.08	3.13
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
RoE	0.68%	12.85%	8.39%	41.26%	41.07%	40.74%
Net gearing	317.45%	840.01%	703.10%	408.26%	219.58%	106.05%
P/Tangible BV	2.27x	neg	neg	12.75x	2.19x	0.98x
P/FCF	neg	neg	neg	3.76x	2.30x	1.79x
P/E	205.51x	13.39x	25.76x	3.99x	2.64x	1.76x

H1/21 results

Revenues and Profitability

In H1/21, Aforti generated total fee income of PLN 945.2m, which corresponded to a y-o-y growth of 234.6%. The currency exchange platform Aforti Exchange accounted for 83.3% of the total turnover, Aforti Collections (Debt collection) for 16.5% and Aforti Factor (Factoring) for 0.3%. Between January and June 2021, the main growth drivers were Aforti Exchange and Aforti Collections, which both reported increasing business volumes, while in case of Aforti Factor they declined. In our view, Aforti Factor faces intense competition in Poland.

in PLNm	H1/21	H1/20	change (%)
Total fee income	945.18	282.49	234.6%
EBITDA	-10.90	-15.87	-31.4%
<i>EBITDA margin</i>	<i>-1.2%</i>	<i>-5.6%</i>	
EBIT	-11.53	-16.65	-30.7%
<i>EBIT margin</i>	<i>-1.2%</i>	<i>-5.9%</i>	
Net income	1.17	1.19	-1.4%
<i>Net margin</i>	<i>0.1%</i>	<i>0.4%</i>	

Source: Company information, East Value Research GmbH

As the table below shows, the transaction volume of AFH's subsidiaries Aforti Exchange and Aforti Collections in January-June 2021 exhibited a strong increase y-o-y.

in PLNm	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	2020
Aforti Exchange	111.99	111.39	94.65	97.33	81.57	145.96	223.59	173.14	216.92	290.18	255.05	415.21	2216.97
<i>change y-o-y</i>	<i>-47.8%</i>	<i>-43.2%</i>	<i>-52.2%</i>	<i>-58.5%</i>	<i>-64.7%</i>	<i>-37.8%</i>	<i>11.5%</i>	<i>-36.5%</i>	<i>-14.1%</i>	<i>11.7%</i>	<i>28.4%</i>	<i>191.0%</i>	
Aforti Collections	18.18	31.84	71.14	68.17	50.32	70.20	81.15	43.01	82.45	46.11	81.84	32.15	676.55
<i>change y-o-y</i>	<i>-43.6%</i>	<i>-27.6%</i>	<i>145.6%</i>	<i>88.1%</i>	<i>4.8%</i>	<i>38.2%</i>	<i>154.3%</i>	<i>55.2%</i>	<i>295.0%</i>	<i>243.2%</i>	<i>-1.0%</i>	<i>-6.1%</i>	
Aforti Factor	1.67	2.01	4.01	3.44	2.90	2.60	2.17	2.00	2.87	1.27	1.19	1.15	27.29
<i>change y-o-y</i>	<i>-55.2%</i>	<i>-31.8%</i>	<i>59.2%</i>	<i>101.3%</i>	<i>-10.2%</i>	<i>-42.4%</i>	<i>-46.1%</i>	<i>-43.5%</i>	<i>-56.5%</i>	<i>-54.1%</i>	<i>-47.7%</i>	<i>-42.8%</i>	
Total volume	132.39	146.24	170.44	168.95	134.90	219.00	306.91	218.14	302.25	337.57	338.08	448.51	###

in PLNm	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21
Aforti Exchange	241.71	259.23	439.32	357.64	374.38	377.32	404.16
<i>change y-o-y</i>	<i>115.8%</i>	<i>132.7%</i>	<i>364.1%</i>	<i>279.1%</i>	<i>359.0%</i>	<i>207.4%</i>	<i>89.5%</i>
Aforti Collections	46.82	75.78	102.33	46.17	77.81	53.51	35.99
<i>change y-o-y</i>	<i>157.6%</i>	<i>138.0%</i>	<i>43.9%</i>	<i>-32.3%</i>	<i>54.6%</i>	<i>-23.8%</i>	<i>-55.2%</i>
Aforti Factor	0.76	0.94	1.48	2.21	0.98	0.59	0.56
<i>change y-o-y</i>	<i>-54.5%</i>	<i>-59.5%</i>	<i>-63.4%</i>	<i>-35.8%</i>	<i>-66.2%</i>	<i>-77.5%</i>	<i>-74.4%</i>
Total volume	289.29	335.95	543.13	406.02	453.17	431.42	440.71

Source: Company information, East Value Research GmbH

As Aforti strongly improved its cost structure, the EBIT margin went up from -5.9% in Q1/20 to -1.2%. Cost of Sales (PLN 951m vs. PLN 287m in Q1/20) mainly reflected costs associated with purchasing currencies.

While it was flat y-o-y, net profit (PLN 1.2m vs. PLN 1.2m) was impacted by a weaker net financial result (PLN 13.3m vs. PLN 18.5m in H1/20), higher goodwill write-off (PLN 2.9m vs. PLN 1.3m) relating to treasury shares and higher tax expense (PLN -1.8m vs. PLN 19k).

Balance sheet and Cash flow

At the end of June 2021, Aforti had consolidated equity excl. own shares worth PLN 17.4m, which corresponds to an equity ratio of just 6.1%. Interest-bearing debt equalled PLN 174.8m incl. PLN 119.4m bonds/bills of sale with an interest rate of 5-10% per year. Positive was the high share of long-term debt of 69.9%. Fixed assets (cars, computer hardware etc.) equalled PLN 1.3m (H1/20: PLN 2m), while intangible assets (predominantly software) and goodwill amounted to PLN 1.9m (H1/20: PLN 1.7m) and PLN 29.6m (170.6% of equity excl. own shares; PLN 12.6m in H1/20) respectively. Long-term and short-term prepaid expenses of PLN 13.8m (H1/20: PLN 14.8m) and PLN 11.2m (PLN 7.4m) respectively relate to costs of bonds/bills of sale that are repaid over time, advertising and sponsoring costs and insurance that are paid upfront. Deferred revenues (PLN 38.2m vs. PLN 17m in H1/20) stem from acquired debt portfolios.

Between January and June 2021, Aforti generated an operating cash flow of PLN 65k vs. PLN -14.9m in H1/20. It was positively impacted by a much smaller increase of receivables (PLN 1.3m vs. PLN 7.2m in H1/20) and short-term liabilities (PLN 11.3m vs. PLN 6.6m). Cash flow from investing equalled PLN -3.9m (H1/20: PLN 397k), while cash flow from financing amounted to PLN 2.9m (PLN 17.1m). Between January and June 2021, Aforti's cash position declined by PLN 936k to PLN 1m.

Changes to our forecasts

Revenues and Profitability

Based on the H1/21 report and turnover of Aforti Exchange, Aforti Collections and Aforti Factor so far this year, we have adjusted our estimates for 2021E. We now believe that the Aforti Exchange segment, which has been by far the strongest since January 2021, will grow its fee income this year by 70% to PLN 1.7bn (previously: PLN 1.5bn). For Aforti Collections, we now estimate the fee income at PLN 4.8m (+40% y-o-y; PLN 5.1m before), while in case of Aforti Factor, which deals with intense competition, we expect a decline by 60% y-o-y to PLN 692k (previously: PLN 690k). In our view, AFH's EBIT will improve in 2021E to PLN -22.6m (2020: PLN -31m; previously: PLN -21.2m), but we expect a lower net income of PLN 1.9m (2020: PLN 3.7m; PLN 8.4m) respectively.

In the long run, we believe that Aforti Exchange and Aforti Collections will be the two growth drivers, while the share of Aforti Factor in total sales should continue to decline, despite the acquisition of Croatia-based Adriatic Zagreb Factoring d.o.o. by Aforti PLC in June 2021. Additional growth should stem from the expansion to Romania, Bulgaria and other CEE/SEE countries as well as, from 2022E, the new Aforti.BIZ SaaS-based online financing platform for SMEs, which however we have not taken into account in our estimates yet due to low visibility. We expect that the platform will stabilise Aforti's results and cash flows, significantly improve profitability and thus reduce the company's business risk.

in PLNm	2021E	2022E	2023E	2024E
Aforti Exchange	1,708.99	1,965.34	2,260.14	2,599.16
<i>(% of sales)</i>	<i>99.7%</i>	<i>99.7%</i>	<i>99.7%</i>	<i>99.7%</i>
Total transaction volume (PLNk)	3,768,861	4,334,191	4,984,319	5,731,967
Average commission	45.3%	45.3%	45.3%	45.3%
Aforti Collections	4.77	5.24	5.77	6.35
<i>(% of sales)</i>	<i>0.3%</i>	<i>0.3%</i>	<i>0.3%</i>	<i>0.2%</i>
Total transaction volume (PLNk)	947,163	1,041,879	1,146,067	1,260,674
Average commission	0.5%	0.5%	0.5%	0.5%
Aforti Factor	0.69	0.71	0.73	0.76
<i>(% of sales)</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Total transaction volume (PLNk)	10,915	11,243	11,580	11,927
Average commission	6.3%	6.3%	6.3%	6.3%
Total fee income	1,714.45	1,971.29	2,266.64	2,606.26
<i>(change y-o-y)</i>	<i>69.7%</i>	<i>15.0%</i>	<i>15.0%</i>	<i>15.0%</i>

Source: East Value Research GmbH

in PLNm	2021E		2022E		2023E		2024E	
	new	old	new	old	new	old	new	old
Total fee income	1714.45	1513.73	1971.29	1740.47	2266.64	2001.18	2606.26	2300.97
EBITDA	-21.26	-18.95	2.96	3.44	14.73	13.97	29.97	27.56
<i>EBITDA margin</i>	<i>-1.2%</i>	<i>-1.3%</i>	<i>0.2%</i>	<i>0.2%</i>	<i>0.7%</i>	<i>0.7%</i>	<i>1.2%</i>	<i>1.2%</i>
EBIT	-22.63	-21.19	0.99	0.87	12.47	11.01	27.37	24.16
<i>EBIT margin</i>	<i>-1.3%</i>	<i>-1.4%</i>	<i>0.1%</i>	<i>0.0%</i>	<i>0.6%</i>	<i>0.6%</i>	<i>1.1%</i>	<i>1.0%</i>
Net income	1.93	8.36	12.46	17.63	18.83	22.91	28.27	30.94
<i>Net margin</i>	<i>0.1%</i>	<i>0.6%</i>	<i>0.6%</i>	<i>1.0%</i>	<i>0.8%</i>	<i>1.1%</i>	<i>1.1%</i>	<i>1.3%</i>

Source: East Value Research GmbH

in PLNm	Q1/19	Q2/19	Q3/19	Q4/19	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21
Total fee income	203.80	232.08	236.31	364.34	1036.53	142.25	140.25	283.99	443.94	1010.42	945.18	510.07
<i>y-o-y change</i>	<i>104.0%</i>	<i>61.4%</i>	<i>93.7%</i>	<i>76.6%</i>	<i>81.2%</i>	<i>-30.2%</i>	<i>-39.6%</i>	<i>20.2%</i>	<i>21.8%</i>	<i>-2.5%</i>	<i>564.5%</i>	<i>263.7%</i>
EBITDA	-4.50	-4.59	-6.12	-13.70	-28.91	-8.50	-6.11	-5.81	-9.11	-29.52	-10.90	-5.73
<i>EBITDA margin</i>	<i>-2.2%</i>	<i>-2.0%</i>	<i>-2.6%</i>	<i>-3.8%</i>	<i>-2.8%</i>	<i>-6.0%</i>	<i>-4.4%</i>	<i>-2.0%</i>	<i>-2.1%</i>	<i>-2.9%</i>	<i>-1.2%</i>	<i>-1.1%</i>
EBIT	-5.25	-5.33	-6.84	-13.25	-30.66	-9.32	-7.33	-6.54	-7.82	-31.01	-11.53	-6.05
<i>EBIT margin</i>	<i>-2.6%</i>	<i>-2.3%</i>	<i>-2.9%</i>	<i>-3.6%</i>	<i>-3.0%</i>	<i>-6.6%</i>	<i>-5.2%</i>	<i>-2.3%</i>	<i>-1.8%</i>	<i>-3.1%</i>	<i>-1.2%</i>	<i>-1.2%</i>
Net income	0.30	0.30	0.27	-0.62	0.24	0.46	0.73	1.06	1.47	3.72	1.17	0.57
<i>Net margin</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>-0.2%</i>	<i>0.0%</i>	<i>0.3%</i>	<i>0.5%</i>	<i>0.4%</i>	<i>0.3%</i>	<i>0.4%</i>	<i>0.1%</i>	<i>0.1%</i>

Source: Company information, East Value Research GmbH

CAPEX and Working capital

Due to the work on Aforti.BIZ, which is being developed in-house by AFH's software developers, we now assume that gross CAPEX will reach PLN 4.9m in 2021E and PLN 9.7m in 2022E-2024E. Afterwards, it should only be slightly higher than yearly depreciation & amortization. We expect that in the long run the share of working capital as percentage of sales will decline to 0.3% compared to 1.5% in 2020 and the cash conversion cycle will grow from -1.2 days to >1 day.

Valuation

We have valued Aforti by using a weighted average of a DCF model (50% weight) and Residual Income Model (50%). A peer group valuation does not seem to be appropriate as Aforti's stock is illiquid and no peer is 100% comparable to it in terms of business model and accounting methodology. With updated estimates and a 30% discount due to uncertainty, our approach derives a 12-months Fair Value of PLN 14.20 (previously: PLN 12), which implies an upside of 158.3% at present. In our valuation, we have accounted for 757.4k of own shares.

Below are the key assumptions of our WACC calculation:

- (1) *Risk-free rate*: Current yield of Polish long-term government bonds with maturity in 2047E is 2.46% (Source: www.boerse-stuttgart.de)
- (2) *Beta*: Levered beta of 2.55x
- (3) *Equity risk premium (Poland)*: 5.54% (Source: www.damodaran.com)
- (4) *Equity cost*: 16.3%
- (5) *Target equity ratio*: 60%
- (6) *After-tax cost of debt*: 11%
- (7) *WACC*: 15%
- (8) *Sales growth in the terminal period*: 2%
- (9) Free cash flows and residual values are discounted to August 24, 2021

DCF model

in PLNm	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Net sales	1,714.45	1,971.29	2,266.64	2,606.26	2,866.51	3,152.78	3,467.65	3,675.61	3,896.04
(y-o-y change)	69.7%	15.0%	15.0%	15.0%	10.0%	10.0%	10.0%	6.0%	6.0%
Operating profit	-22.63	0.99	12.47	27.37	44.43	64.63	90.16	91.89	93.15
(operating margin)	-1.3%	0.1%	0.6%	1.1%	1.6%	2.1%	2.6%	2.5%	2.4%
NOPLAT	-18.33	0.80	10.10	22.17	35.99	52.35	73.03	74.43	75.46
+ Depreciation & amortisation	1.37	1.97	2.27	2.61	2.87	3.15	3.47	3.68	3.90
= Net operating cash flow	-16.96	2.77	12.36	24.77	38.86	55.50	76.50	78.11	79.35
- Total investments (Capex and WC)	-2.65	-1.20	0.50	-3.02	-3.31	-4.36	-6.02	-5.77	-6.56
Capital expenditures	-4.86	-2.79	-3.21	-3.69	-3.70	-4.07	-4.48	-4.34	-4.60
Working capital	2.21	1.60	3.71	0.67	0.39	-0.29	-1.54	-1.42	-1.96
= Free cash flow (FCF)	-19.61	1.57	12.86	21.75	35.55	51.14	70.48	72.34	72.79
PV of FCFs	-18.68	1.30	9.26	13.62	19.35	24.21	29.01	25.89	22.65
PV of FCFs in explicit period	126.62								
PV of FCFs in terminal period	183.75								
Enterprise value (EV)	310.37								
+ Net cash / - net debt (30 June 2021)	-173.81								
+ Investments / - minorities	-7.89								
Shareholder value	128.67								
Number of shares excl. own stock (m)	8.29								
					Terminal EBIT margin				
WACC	11.0%	-0.6%	0.4%	1.4%	2.4%	3.4%	4.4%	5.4%	
Cost of equity	16.3%	-15.73	5.01	25.75	46.49	67.22	87.96	108.70	
Pre-tax cost of debt	13.0%	-14.91	2.41	19.73	37.05	54.37	71.69	89.01	
Normal tax rate	19.0%	13.0%	-14.45	0.17	14.79	29.41	44.03	58.66	73.28
After-tax cost of debt	10.5%	14.0%	-14.24	-1.78	10.67	23.12	35.57	48.03	60.48
Share of equity	60.0%	15.0%	-14.20	-3.51	7.17	17.86	28.55	39.24	49.92
Share of debt	40.0%	16.0%	-14.29	-5.06	4.17	13.41	22.64	31.87	41.11
Fair value per share in PLN	15.53	17.0%	-14.47	-6.45	1.57	9.60	17.62	25.64	33.66
Fair value per share in PLN (in 12 months)	17.86	18.0%	-14.71	-7.70	-0.70	6.31	13.31	20.32	27.32

Source: East Value Research GmbH

Residual Income Model

in PLNm	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Net profit	1.93	12.46	18.83	28.27	39.46	54.41	73.67	73.66	73.27
Equity	23.97	36.43	55.26	83.53	122.99	177.39	251.06	324.72	397.99
Return-on-Equity	8.39%	41.26%	41.07%	40.74%	38.22%	36.23%	34.39%	25.59%	20.28%
Cost-of-equity	16.35%	16.35%	16.35%	16.35%	16.35%	16.35%	16.35%	16.35%	16.35%
ROE - CoE	-7.96%	24.91%	24.72%	24.39%	21.87%	19.88%	18.04%	9.24%	3.93%
Residual profit	-1.91	9.07	13.66	20.37	26.89	35.26	45.29	29.99	15.63
<i>Discount factor</i>	<i>1.0541</i>	<i>1.2264</i>	<i>1.4269</i>	<i>1.6602</i>	<i>1.9317</i>	<i>2.2475</i>	<i>2.6149</i>	<i>3.0424</i>	<i>3.5398</i>
Disc. residual profit	-1.81	7.40	9.57	12.27	13.92	15.69	17.32	9.86	4.41
Sum disc. residual profit	88.64								
Terminal value	31.38								
Sum	120.02								
Equity (30/06/2021)	17.37								
Fair equity value	137.38								
No of shares excl. own stock	8.29								
Fair equity value per share (today)	16.58								
Fair equity value per share (in 12 months)	19.29								

Source: East Value Research GmbH

Price target calculation

Valuation method	Fair value	Weight
DCF model	15.53	50%
Residual income model	16.58	50%
Weighted average (present value)	16.06	
Discounted by 30%	12.35	
In 12-months (PV * (1+WACC))	14.20	

Source: East Value Research GmbH

Peer Group Analysis

In its business segments, Aforti competes with different companies, which are both listed and privately held. In the area of currency exchange, its competitors also include online FX exchanges of banks.

Currency exchange:

- (1) *Revolut Ltd.*: Revolut, which is based in London and was founded in 2013, is a financial services company that specializes in mobile banking, card payments, money remittance, and foreign exchange. Its offering includes e.g. a pre-paid debit card, currency exchange, and peer-to-peer payments. The company, which is already valued at USD >1bn, has among others Index Ventures, Ribbit Ventures, Baring and Balderton Capital among its investors.
- (2) *Walutomat Sp. z.o.o.*: Walutomat was founded in 2009 and is based in Poznan. It is a Polish online currency exchange platform, where users can directly exchange foreign currencies between themselves, by setting the rates at which they sell and buy. Thus, they are able to omit the costly mediation of banks and traditional currency exchange offices. Since 2009, over 165,000 users of Walutomat's platform have exchanged PLN 20bn.
- (3) *Conotoxia/Cinkciarz Sp. z.o.o.*: Conotoxia Holding group provides a professional financial platform on Conotoxia.com and Cinkciarz.pl, which offers a broad spectrum of services, including online currency exchange (28 currencies), money transfers (e.g. US citizens can transfer money to 30 European countries), multi-currency cards, online payment services and access to Forex trading. The Group provides its services to customers in Europe and the US. Cinkciarz is sponsor of the NBA team Chicago Bulls.

Debt collection:

- (4) *Kruk S.A.*: Kruk, which is based in Wroclaw and was founded in 1998, manages debt for institutional clients in Poland, Romania, Italy, the Czech Republic, Slovakia, Germany, and Spain. It purchases and manages debt portfolios, including consumer, mortgage-backed, and SME/corporate debts; and offers consumer unsecured loans, mortgage loans, SME/corporate loans, and credit management services. The company manages the receivables of banks, loan brokers, insurers, leasing companies, landline and mobile telecommunication operators, cable TV operators, digital TV operators, and FMCG companies. It also provides Novum loan services; detective services; financial intermediation agency services, and support for small and medium-sized enterprises; credit information exchange systems; investment fund management services; receivable management services; and portfolio underwriting services. Moreover, it invests in receivables and offers certificates of securitization funds. Based on data from marketscreener.com, the stock is currently trading at a P/E 2021E of 9.6x.

- (5) *Hoist Finance AB*: Hoist Finance, which was founded in 1994 and is headquartered in Stockholm, provides solutions for the acquisition and management of non-performing loans (NPLs) in Europe. It purchases NPLs originated by international banks and other financial institutions. The company also provides current account and fixed-term deposits. Currently, it is trading at a negative P/E 2021E.
- (6) *BEST S.A.*: BEST, which is based in Gdynia, operates in the Polish debt collection industry and provides debt collection services for banks, borrowing companies, telecommunication operators, power companies, among others. In addition, it manages securitized assets of securitization funds, as well as invests in non-performing debt portfolios through the issue of investment certificates and bonds.
- (7) *Intrum AB*: The Swedish company Intrum offers credit optimization services, including credit monitoring, credit decision, factoring, and credit information services; and debt collection, surveillance, and purchase services. It also provides payment guarantee and VAT services, credit management, payment solutions and factoring. The stock is currently trading at a P/E 2021E of 9.9x.
- (8) *Kredyt Inkasso S.A.*: Kredyt Inkasso, which is based in Warsaw and controlled by the Dutch fund Waterland Private Equity, provides debt management services in Poland, Russia, Romania, Bulgaria, and Croatia. The company offers payment monitoring services and debt collection services relating to court and enforcement procedures. It serves banks, insurances and telecommunication companies.

Factoring:

- (9) *Banca Farmafactoring S.p.A.*: BFF, which is based in Milan/Italy, engages in the management and non-recourse sale of trade receivables due from public administrations and national healthcare systems. It operates in Italy, Croatia, the Czech Republic, France, Greece, Poland, Portugal, the Slovak Republic, and Spain. Currently, the stock is trading at a P/E 2021E of 5.4x.
- (10) *Banca IFIS S.p.A.*: Banca IFIS, which is based in Mestre/Italy, engages in the purchase/management of non-performing loan portfolios. It is currently trading at a P/E 2021E of 9.4x.
- (11) *PragmaGO S.A.*: PragmaGO, which is headquartered in Katowice/Poland, has been on the market since 1996. It offers factoring, leasing, debt collection, legal services, financing and loans, acquisition of receivables, business intelligence, securitization fund, debt exchange, and debt collection stamp services.

Since recently, the company has been owned by the Polish Enterprise Fund of the well-known private equity company Enterprise Investors.

Company	Market cap	Sales 2020	EBITDA margin 2020	EBITDA margin 2019	Net gearing Latest	P/Tangible BVPS Latest	ROE 2020	ROE 2019
Kruk S.A. (PLN)	5,486.59	1156.66	32.8%	42.5%	88.3%	2.5x	4.0%	14.1%
Hoist Finance AB (SEK)	3,020.20	2368.00	15.2%	29.0%	150.7%	0.6x	0.8%	12.4%
BEST S.A. (PLN)	639.81	295.14	32.3%	41.8%	19.8%	1.2x	6.8%	4.1%
Intrum AB (SEK)	32,687.70	16848.00	68.9%	71.6%	253.3%	-2.6x	9.8%	-1.6%
Kredyt Inkasso S.A. (PLN)	159.93	129.40	3.6%	46.1%	-96.7%	0.8x	-17.2%	3.1%
Banca Farmafactoring S.p.A. (EUR)	1,479.90	211.00	43.2%	45.2%	-133.8%	2.3x	19.7%	24.7%
Banca IFIS S.p.A (EUR)	785.00	468.00	40.2%	47.1%	323.8%	0.5x	4.5%	8.0%
Aforti Holding S.A. (PLN)	49.73	1,010.42	-2.9%	-2.8%	1000.9%	-4.1x	12.8%	1.4%

Source: CapitalIQ, marketscreener.com, bankier.pl, East Value Research GmbH

Profit and loss statement

in PLNm	2019	2020	2021E	2022E	2023E	2024E
Total fee income	1,036.53	1,010.42	1,714.45	1,971.29	2,266.64	2,606.26
Cost of goods sold	-1,046.99	-1,020.94	-1,711.02	-1,941.72	-2,221.31	-2,543.71
Gross margin	-10.46	-10.52	3.43	29.57	45.33	62.55
Other operating income	0.50	0.93	0.95	0.97	0.99	1.01
Personnel costs	-8.51	-7.10	-12.05	-13.86	-15.94	-18.32
Other operating expenses	-10.45	-12.83	-13.58	-13.72	-15.65	-15.26
EBITDA	-28.91	-29.52	-21.26	2.96	14.73	29.97
Depreciation	-1.75	-1.49	-1.37	-1.97	-2.27	-2.61
Operating income	-30.66	-31.01	-22.63	0.99	12.47	27.37
Net financial result	19.36	31.96	23.96	13.96	10.96	7.96
Gain/loss from sale of shares	0.00	4.22	0.00	0.00	0.00	0.00
Write-down of goodwill	-1.59	-2.69	0.00	0.00	0.00	0.00
EBT	-12.89	2.48	1.33	14.95	23.43	35.33
Income taxes	2.73	-0.03	-0.25	-2.84	-4.45	-6.71
Minorities	10.40	1.26	0.85	0.35	-0.15	-0.35
Net income / loss	0.24	3.72	1.93	12.46	18.83	28.27
EPS	0.03	0.41	0.21	1.38	2.08	3.13
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Share in total sales						
Total fee income	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-101.01 %	-101.04 %	-99.80 %	-98.50 %	-98.00 %	-97.60 %
Gross margin	-1.01 %	-1.04 %	0.20 %	1.50 %	2.00 %	2.40 %
Other operating income	0.05 %	0.09 %	0.06 %	0.05 %	0.04 %	0.04 %
Personnel costs	-0.82 %	-0.70 %	-0.70 %	-0.70 %	-0.70 %	-0.70 %
Other operating expenses	-1.01 %	-1.27 %	-0.79 %	-0.70 %	-0.69 %	-0.59 %
EBITDA	-2.79 %	-2.92 %	-1.24 %	0.15 %	0.65 %	1.15 %
Depreciation	-0.17 %	-0.15 %	-0.08 %	-0.10 %	-0.10 %	-0.10 %
Operating income	-2.96 %	-3.07 %	-1.32 %	0.05 %	0.55 %	1.05 %
Net financial result	1.87 %	3.16 %	1.40 %	0.71 %	0.48 %	0.31 %
Gain/loss from sale of shares	0.00 %	0.42 %	0.00 %	0.00 %	0.00 %	0.00 %
Write-down of goodwill	-0.15 %	-0.27 %	0.00 %	0.00 %	0.00 %	0.00 %
EBT	-1.24 %	0.25 %	0.08 %	0.76 %	1.03 %	1.36 %
Income taxes	0.26 %	0.00 %	-0.01 %	-0.14 %	-0.20 %	-0.26 %
Minorities	1.00 %	0.12 %	0.05 %	0.02 %	-0.01 %	-0.01 %
Net income / loss	0.02 %	0.37 %	0.11 %	0.63 %	0.83 %	1.08 %

* Aforti Holding uses Polish Accounting Standards

Balance Sheet

in PLNm	2019	2020	2021E	2022E	2023E	2024E
Cash and equivalents	0.60	1.98	1.48	3.28	12.66	27.42
Shares/other assets in associated companies	22.01	63.17	64.43	65.72	67.04	68.38
Loans/other assets in external companies	78.14	65.09	55.33	47.03	39.97	33.98
Inventories	0.00	0.03	0.05	0.06	0.07	0.08
Trade accounts and notes receivables	3.36	1.17	3.26	5.20	7.66	10.74
Other current assets	46.42	66.17	59.55	53.60	48.24	43.41
Current assets, total	150.52	197.62	184.10	174.89	175.64	184.01
Property, plant and equipment	2.52	1.76	1.76	1.76	1.76	1.76
Other intangible assets	1.70	2.00	5.49	6.31	7.25	8.34
Goodwill	13.92	32.53	32.53	32.53	32.53	32.53
Long-term investments (shares, loans, other a	4.52	0.28	0.29	0.29	0.30	0.30
Other long-term assets	7.62	4.40	4.49	4.58	4.67	4.76
Deferred tax assets	8.69	8.48	0.00	0.00	0.00	0.00
Non-current assets, total	38.97	49.45	44.55	45.47	46.51	47.70
Total assets	189.49	247.07	228.66	220.36	222.16	231.71
Trade payables	11.05	4.43	4.54	4.43	7.42	8.42
Other short-term liabilities	21.78	48.23	45.82	43.53	41.35	39.29
Short-term financial debt	38.37	60.91	70.00	62.00	54.00	46.00
Pension provision	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00	0.00	0.00
Current liabilities, total	71.20	113.57	120.36	109.96	102.77	93.70
Long-term financial debt	75.87	126.19	100.00	90.00	80.00	70.00
Pension provision	0.00	0.00	0.00	0.00	0.00	0.00
Other long-term liabilities	17.61	0.00	0.00	0.00	0.00	0.00
Deferred tax liabilities	0.17	0.09	0.00	0.00	0.00	0.00
Long-term liabilities, total	93.65	126.28	100.00	90.00	80.00	70.00
Total liabilities	164.85	239.85	220.36	199.96	182.77	163.70
Shareholders equity, total	35.80	22.04	23.97	36.43	55.26	83.53
Minority interests	-11.16	-14.82	-15.67	-16.02	-15.87	-15.52
Total equity and debt	189.49	247.07	228.66	220.36	222.16	231.71

* Aforti Holding uses Polish Accounting Standards

Cash Flow Statement

in PLNm	2019	2020	2021E	2022E	2023E	2024E
Net income / loss	0.24	3.72	1.93	12.46	18.83	28.27
Depreciation	1.75	1.49	1.37	1.97	2.27	2.61
Change of working capital	12.85	26.49	2.21	1.60	3.71	0.67
Others	-39.93	-65.98	-8.39	0.00	0.00	0.00
Net operating cash flow	-25.09	-34.29	-2.88	16.03	24.81	31.54
Cash flow from investing	-8.45	0.93	-4.86	-2.79	-3.21	-3.69
Free cash flow	-33.55	-33.36	-7.74	13.24	21.59	27.85
Cash flow from financing	32.30	34.74	7.24	-11.43	-12.21	-13.09
Change of cash	-1.25	1.38	-0.50	1.80	9.39	14.76
Cash at the beginning of the period	1.84	0.60	1.98	1.48	3.28	12.66
Cash at the end of the period	0.60	1.98	1.48	3.28	12.66	27.42

Financial ratios

	2019	2020	2021E	2022E	2023E	2024E
Profitability and balance sheet quality						
Gross margin	-1.01%	-1.04%	0.20%	1.50%	2.00%	2.40%
EBITDA margin	-2.79%	-2.92%	-1.24%	0.15%	0.65%	1.15%
EBIT margin	-2.96%	-3.07%	-1.32%	0.05%	0.55%	1.05%
Net margin	0.02%	0.37%	0.11%	0.63%	0.83%	1.08%
Return on equity (ROE)	0.68%	12.85%	8.39%	41.26%	41.07%	40.74%
Return on assets (ROA)	-10.09%	-11.43%	-9.64%	-0.68%	3.54%	8.76%
Return on capital employed (ROCE)	-20.43%	-23.00%	-16.93%	0.72%	8.46%	16.06%
Economic Value Added (in PLNm)	-41.92	-50.74	-34.59	-15.77	-7.82	1.45
Net debt (in PLNm)	113.65	185.12	168.52	148.72	121.34	88.58
Net gearing	317.45%	840.01%	703.10%	408.26%	219.58%	106.05%
Equity ratio	18.89%	8.92%	10.48%	16.53%	24.87%	36.05%
Current ratio	2.11	1.74	1.53	1.59	1.71	1.96
Quick ratio	0.36	0.58	0.57	0.67	0.85	1.14
Net interest cover	-1.58	-0.97	-0.94	0.07	1.14	3.44
Net debt/EBITDA	-3.93	-6.27	-7.93	50.30	8.24	2.96
Tangible BVPS	2.42	-1.16	-0.95	0.43	2.51	5.64
Capex/Sales	1.92%	1.94%	0.28%	0.14%	0.14%	0.14%
Working capital/Sales	-0.06%	1.46%	0.73%	0.55%	0.32%	0.25%
Cash Conversion Cycle (in days)	-3	-1	-1	-1	0	0
Trading multiples						
P/Tangible BVPS	2.27	-4.74	-5.81	12.75	2.19	0.98
P/E	205.51	13.39	25.76	3.99	2.64	1.76
P/FCF	-1.48	-1.49	-6.43	3.76	2.30	1.79

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The respective supervisory authority is:

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