

# SHAPING SME FINANCE



creditshelf AG

@ Equity Forum 2019

# Agenda

**1** Our story

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**2** Financial figures 9m 2019

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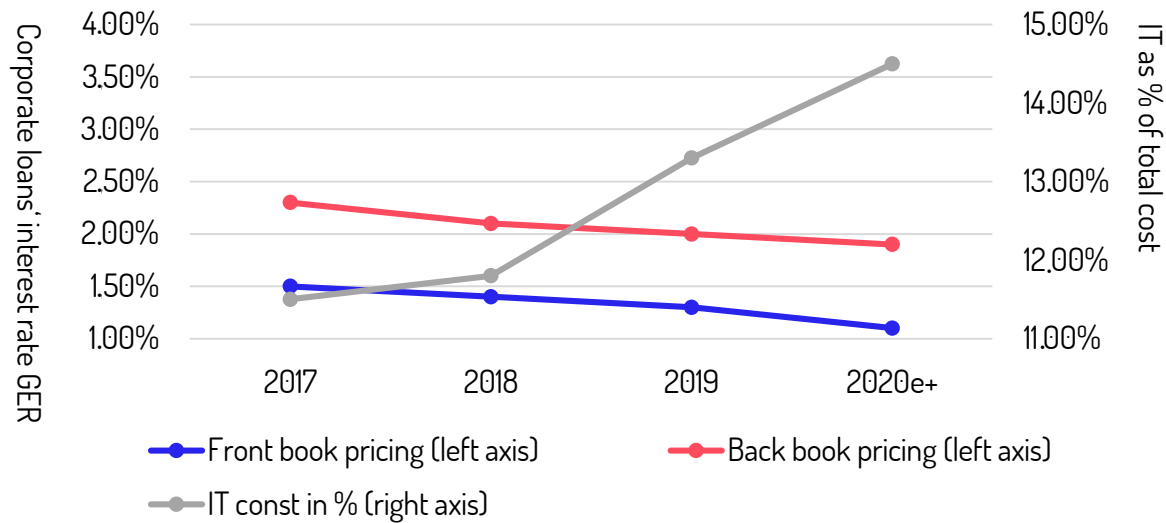
**3** Outlook FY 2019

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# 1 Our story

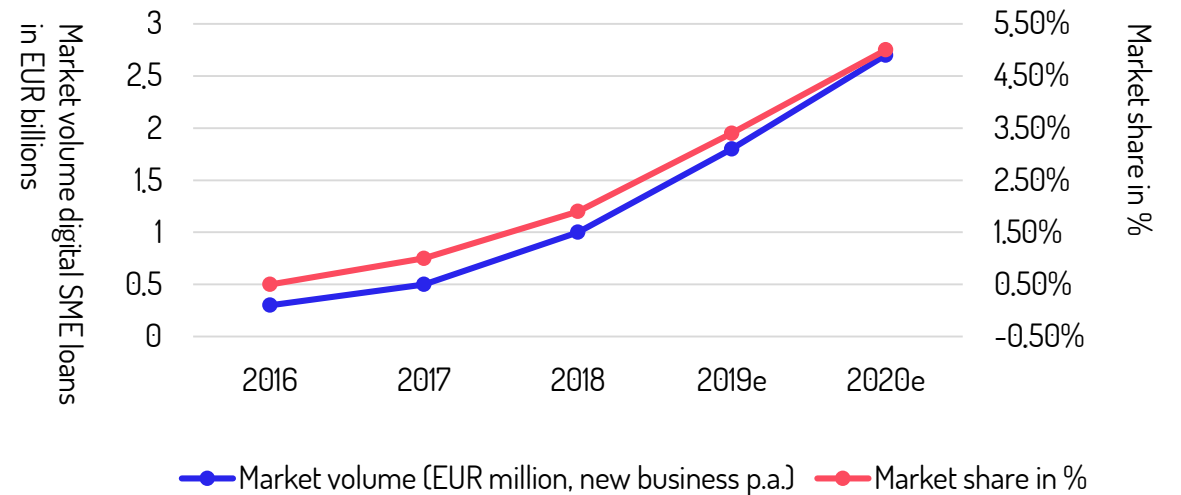
# Platforms are well positioned to overcome structural issues of banking industry

## Banks suffer from structural problems ...



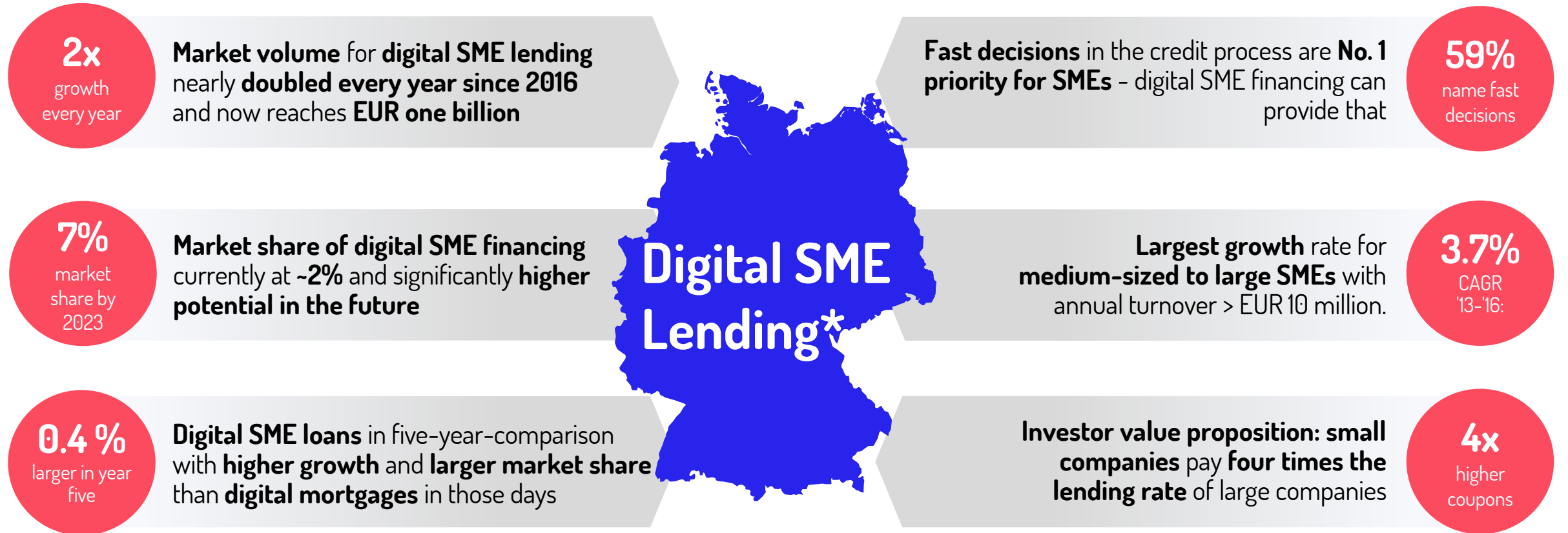
- Additional pressure through negative deposit margins and decreasing contribution from maturity transformation
- Rising cost pressure and steady branch closures leading to less local proximity
- New SME lending with non-sustainable pricing below cost of capital
- IT budgets absorbed by legacy and regulatory issues

## ... that platforms avoid by rethinking SME financing



- Fee based business model with low cost base
- More efficient processes through day-one automation and digitalization
- IT budgets focussed on development and innovation
- No own balance sheet

# Digital SME Lending in Germany - growth ahead

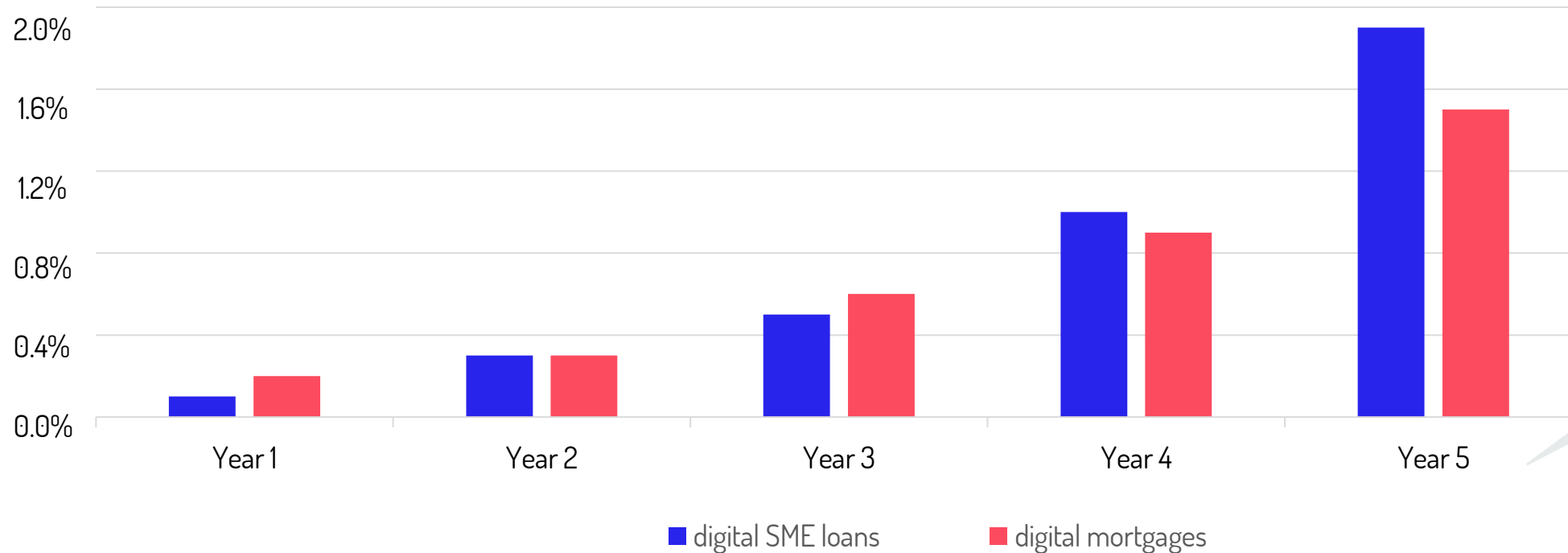


Source: solarisBank (2019): "Der digitale SME-Kredit in Deutschland - Eine Studie von Barkow Consulting in Zusammenarbeit mit solarisBank".

\*data as of 2018

# Digital SME loans outperform digital mortgages...

New business p.a. in % of the total credit market\*




**Year 5 means:**

- 2018 for digital SME loans
- 2004 for digital mortgages

At year five since inception, **digital SME loans** with **higher growth** and **larger market share** than **digital mortgages**

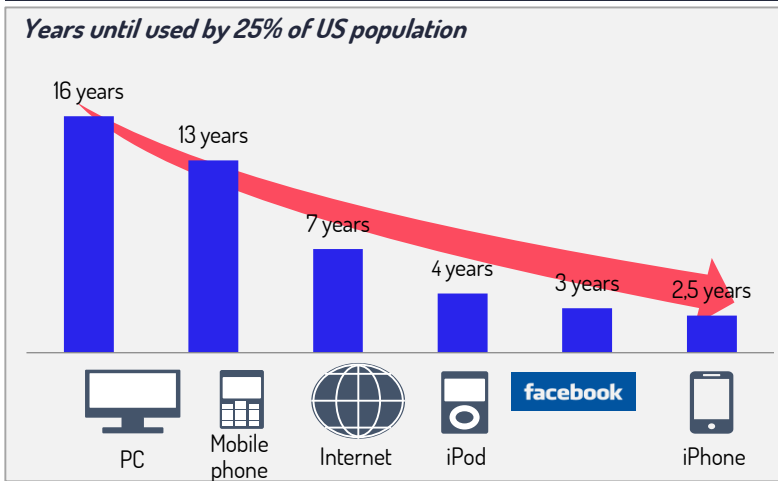
\*Source: solarisBank (2019): "Der digitale SME-Kredit in Deutschland – Eine Studie von Barkow Consulting in Zusammenarbeit mit solarisBank".

# ... and have a larger market, but still lower penetration than consumer loans in Germany

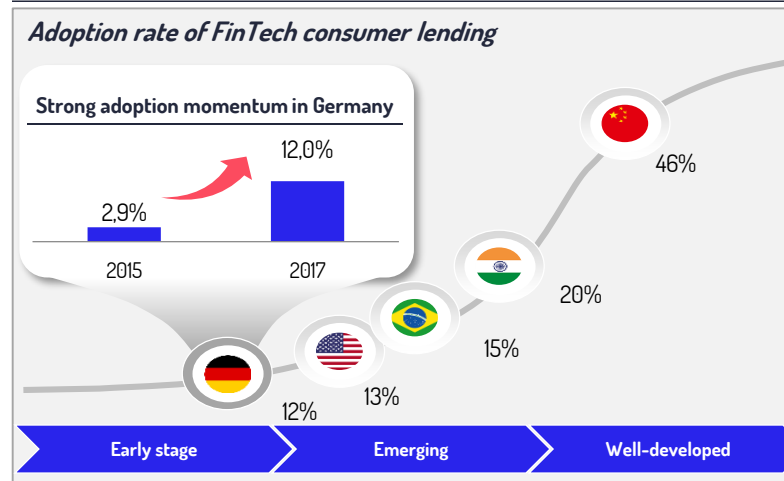
	Consumer loan market 2018	SME loan market 2018
Total outstanding	>EUR 170 billion	>EUR 200 billion
New business	>EUR 80 billion	>EUR 50 billion
of which digital business	~EUR 12 billion	~EUR 1 billion
Digital penetration rate	15%	2%

# Increase of online lending adoption rates - Drawing conclusions from B2C

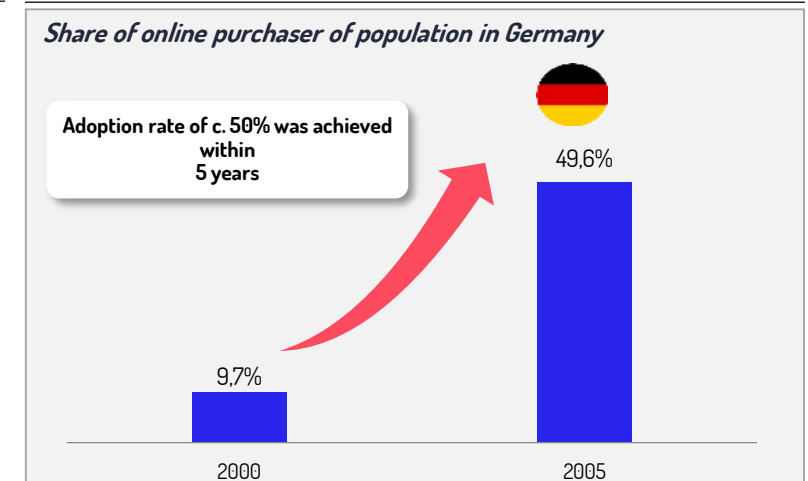
Trend towards mass adoption accelerates ...



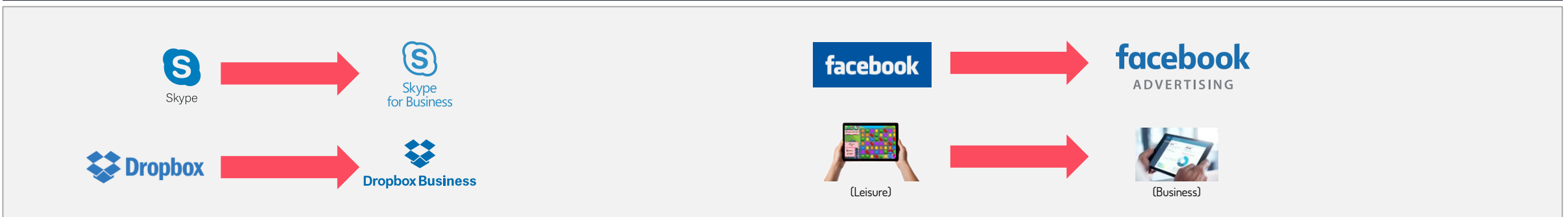
... also FinTech consumer lending is exhibiting strong growth ...



... with GER also being a fast adaptor to technologic innovations



B2B follows B2C - Majority of consumer tech trends have become market standard in B2B





# Our business model is shaped to address this opportunity

## SME borrowers

- Significant short / medium-term financing needs
- No access to capital market funding
- No access to unsecured bank lending
- Less attractive economics of alternatives
- Lengthy credit process

Fee  
1-5 %



Acquisition



Analysis



Selection



Pricing



Servicing

## Institutional & professional investors

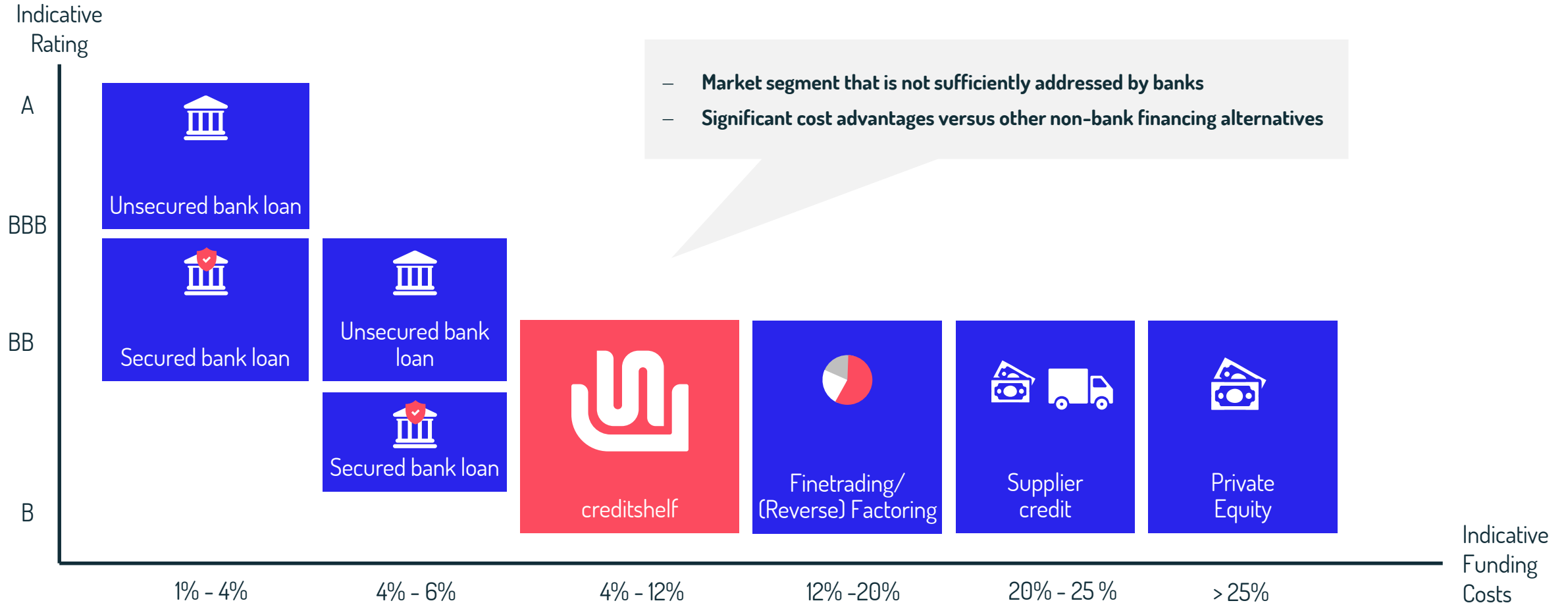
- No efficient access to SMEs
- Ticket size issue of existing debt funds
- Limited access to unsecured loans
- Unattractive yield of traditional debt products

Fee  
1% p.a.

Lack of loan supply (credit gap)

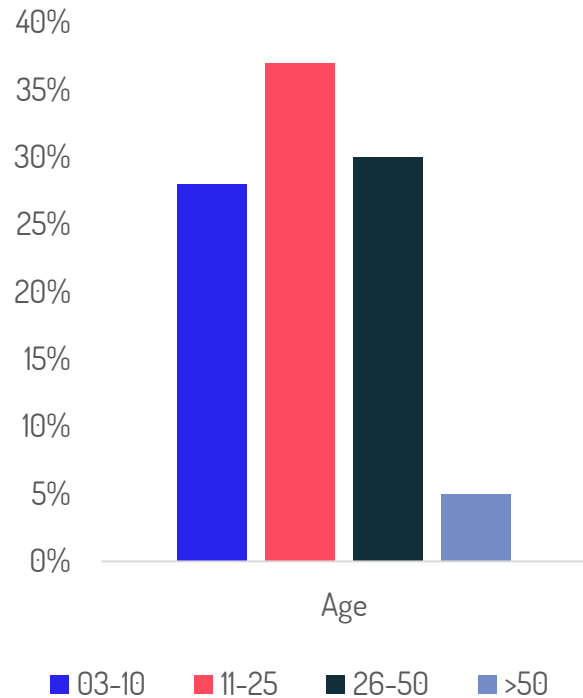
Lack of investment opportunities

# We extend the SME financing mix through a transparent and easy to access offering ...



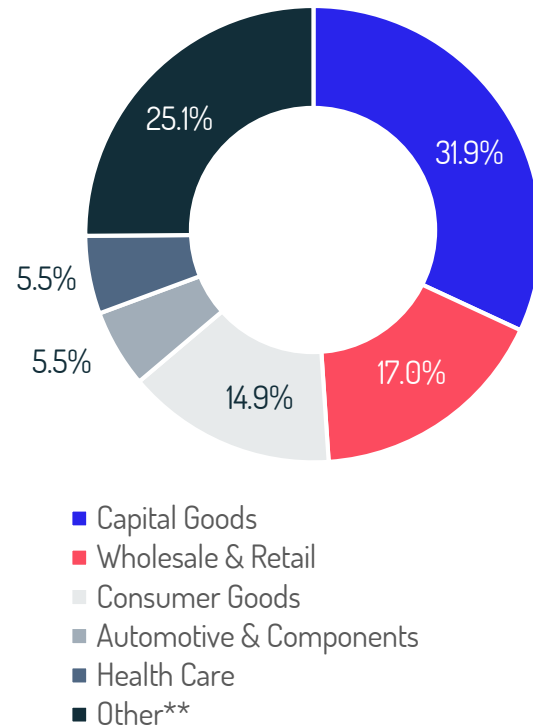
# ...to our SMEs: The heart of the German economy

## Company age

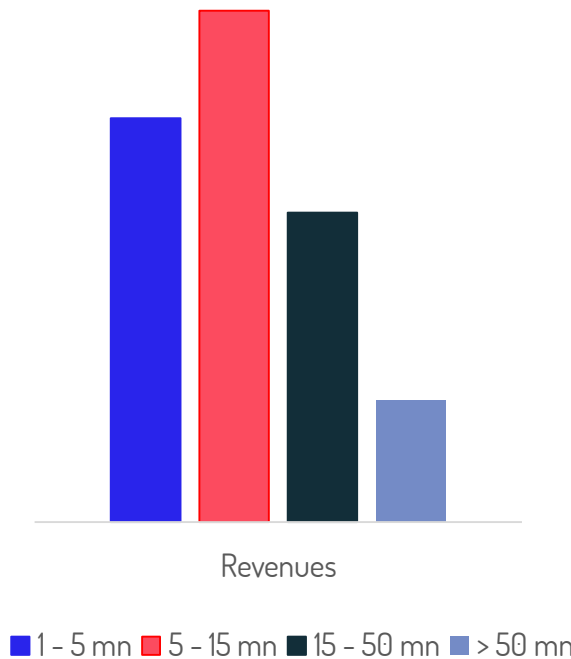


Ø 22 years

## Sectors

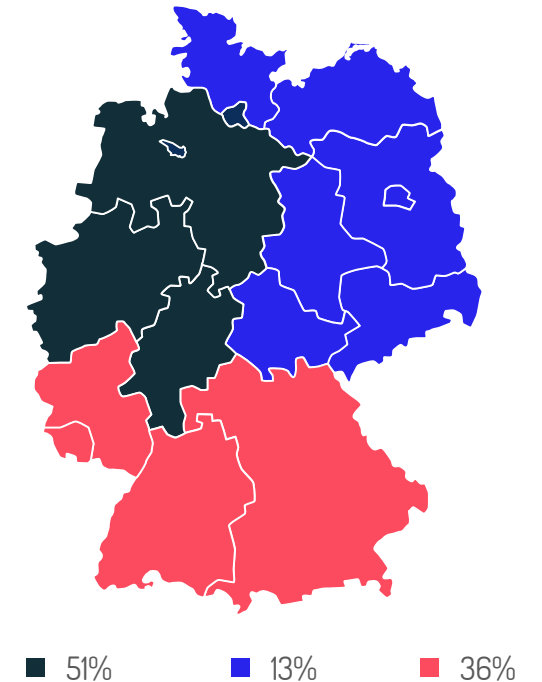


## Revenues



Ø EUR 16 million

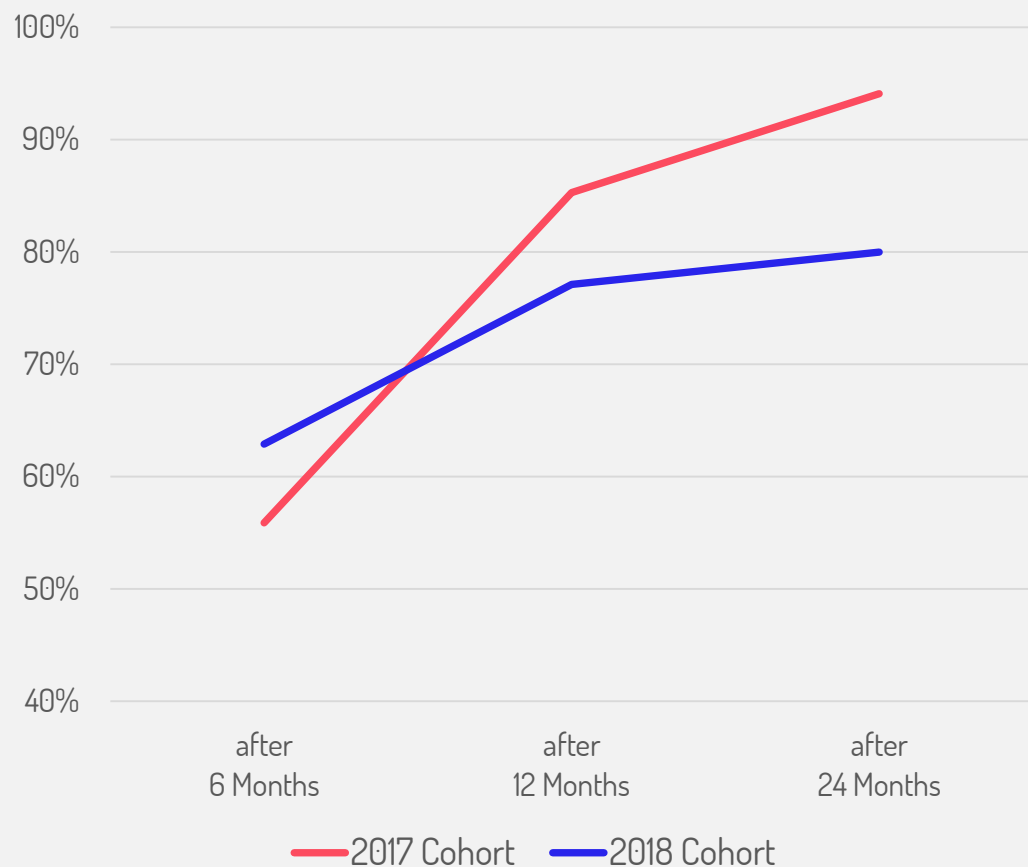
## Origin



As of 30 June 2019; \*\* Other include transportation, non-basis consumer goods, hardware, construction with no industry >3.5%

# We have high borrower retention rates

Borrower retention rates (cohorts)



- ✓ ... express high customer satisfaction
- ✓ ... lead to favorable unit cost economics
- ✓ ... accelerate process lead times

# First German market lending fund with European Investment Fund as seed investor announced



Additional investment format important milestone to boost the platform's institutional funding base

## Investment Objective

- Pure-play credit exposure to thoroughly selected German small & medium enterprises (SME)
- Investing in a broadly diversified und largely uncorrelated pool of senior unsecured SME loans
- Expected yield: 5% (after fees and defaults)

## Vehicle

- Closed-end investment fund
- Luxemburg-domiciled S.C.S., SIVAV-RAIF
- Term: 6 years (1 year extension option)
- Targeted fund volume: EUR 150 million (EUR 75 million in first closing)

## Alpha Sources

- Access to an otherwise non-accessible asset class
- Underserved niche segment justifies above-market rates
- Quick credit decision due to automated scoring process
- Marketplace lender with cost-effective loan origination

## Fund Administration

- AIFM/fund manager: LIS Luxemb. & 1741 Fund Solutions
- Investment advisor: creditshelf AG
- Depository: Sanne Group
- Auditor: KPMG

# We have achieved visible progress on our growth strategy



## Software development

Further development of the software, proprietary, data-driven credit decision support and credit scoring algorithms.



## Cooperations

Strategic cooperations regarding the referral of potential borrowers between networks



## Expansion of the product portfolio

Enhancement of product portfolio by complementary products



Increase in Software intangibles



Valendo acquisition provides additional monitoring tools



Commerzbank cooperation with active deal flow



Successful entry into savings banks sector



Access to finleap Eco System



Secured loans through Valendo expands product offering



Clear leadership role with recent Head of Product hire

# 2

# Financial figures

# 9m 2019

# Highlights 9m 2019

We are constantly working on our platform and business to continue the growth story from the successful IPO

## Platform

**+26%** growth in the aggregated volume of **loans requested** in 9m 2019 to EUR 944.5 million (9m 2018: EUR 750.6 million)

**+72%** growth in total **credit volume arranged** in 9M 2019 to EUR 51.7 million (9m 2018: EUR 30.0 million)

**51.7** million 9m **credit volume arranged** already above FY 2018 (EUR 50.7 million)

**28.1** months of **average tenor** (9m 2018: 19.1 months)

**EUR 728 thousand** average **ticket size** in 9m 2019 (9m 2018: EUR 652 thousand)

## Financials

**+59%** **revenue growth** in 9m 2019 to EUR 2,460 thousand (9m 2018: EUR 1,547 thousand)

**EUR 1,529 thousand** from **borrower fees**

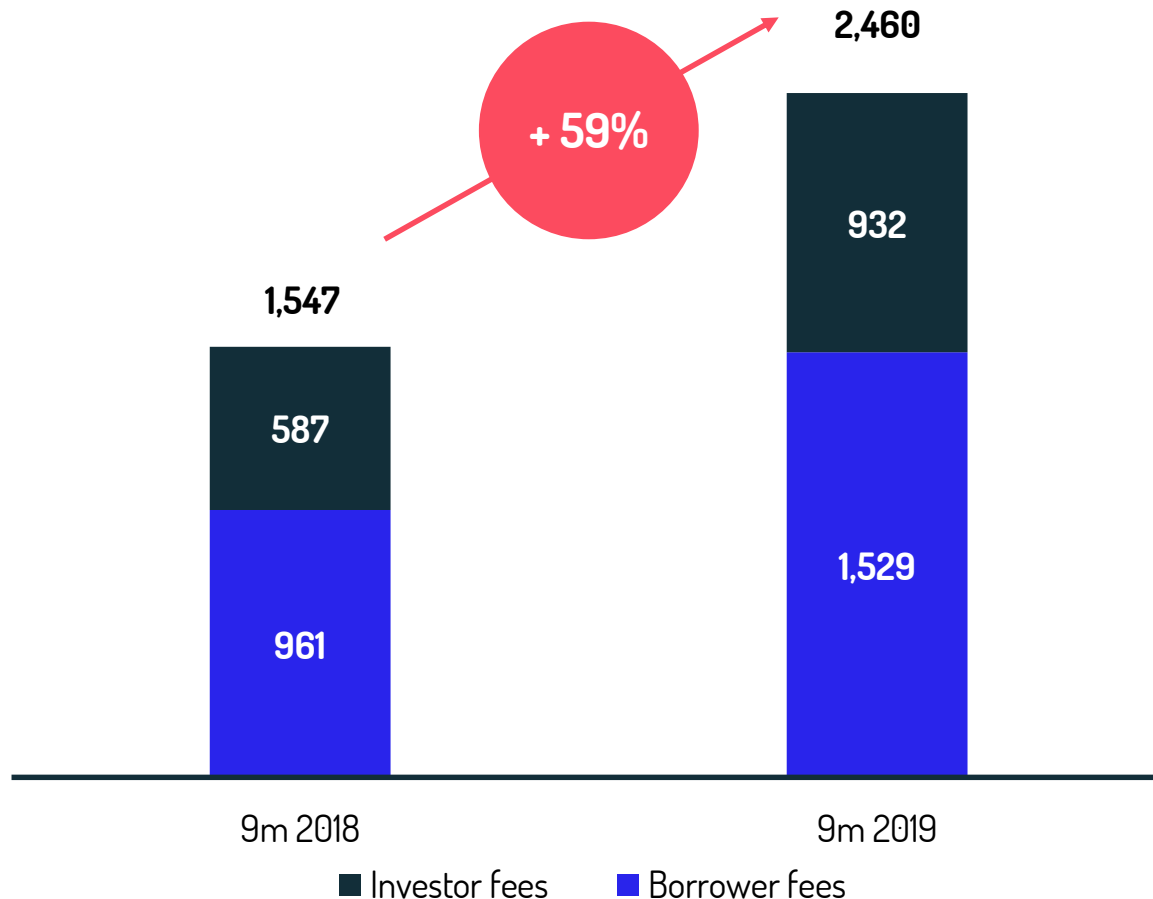
**EUR 932 thousand** from **investor fees**

**EUR -4,189 thousand** **EBIT** improved vs. 9m 2018 (EUR 4,545 million)

**41** FTE's of **highly qualified staff** at the end of 9m 2019 including key hires (CFO, CTO, Head of Product)

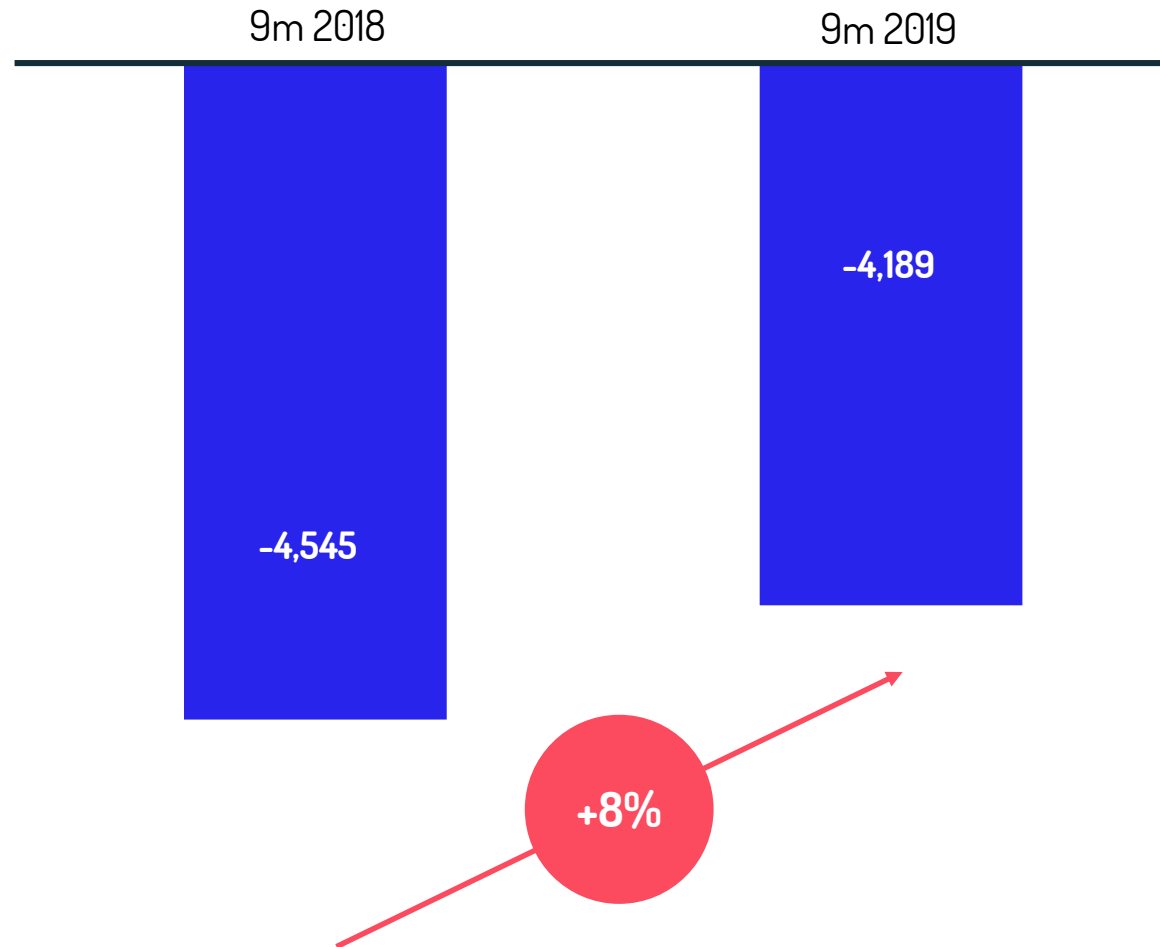


# Revenues (in EUR thousand)



- **Y-o-Y revenues growth** to EUR 2,460 thousand from higher receipts of borrower and investor fees
- Main growth driver: **increase in arranged loan volumes**
- **Increased average tenor** of 28.1 months (vs. 19.1 months in 9m 2018) supports margin

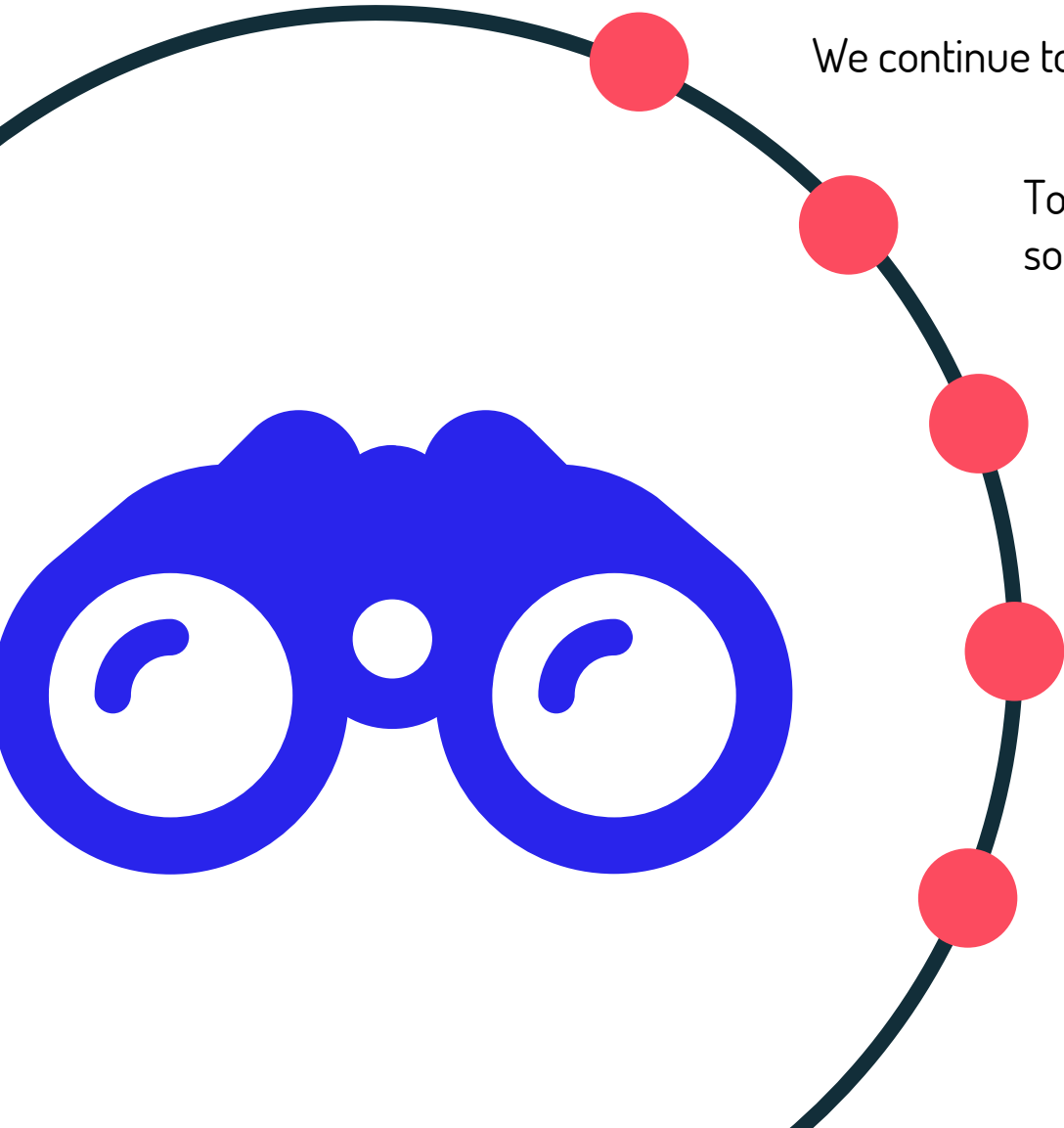
# EBIT (in EUR thousand)



- **Negative EBIT of EUR 4,189 thousand** for 9m 2019 reflects **expenditures in line with plan to enhance growth**:
  - Personnel expenses of EUR 3,136 thousand
  - Marketing expenses of EUR 1,654 thousand
  - Legal & consulting of EUR 744 thousand
  - No defaults in Q3 resulting in no additional waivers of receivables vs. H1
- 9m 2018 EBIT included IPO related one-off expenses for retention boni of EUR 1.4 million

# 3 Outlook FY 2019

# Outlook



We continue to work on the improvement of our risk analysis tools and platform expansion

To broaden our product portfolio, we develop new attractive solutions for SME financing

With growth continuing we expect group full year 2019 revenues of at around EUR 4.0 million

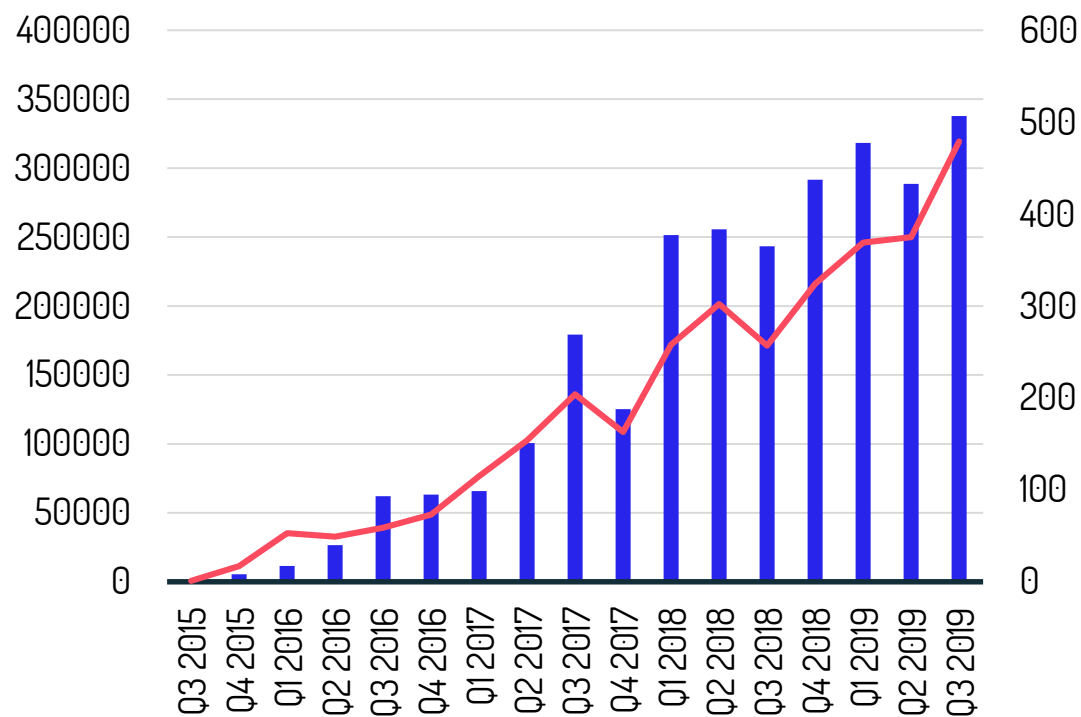
We expect a group full year 2019 EBIT of at around -5.0 million reflecting ongoing investments in our platform

Mid-term ambition: EUR 500 million loans arranged p.a. and a conversion rate of around 10%

# Appendix

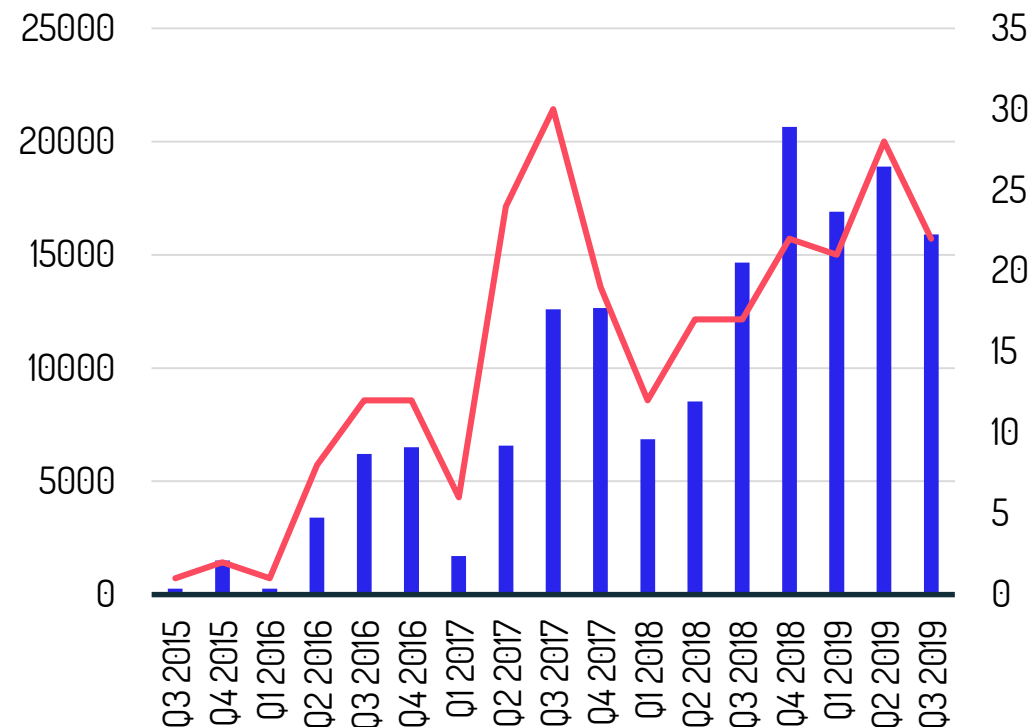
# Q3 with strong pipeline, but slower volumes arranged

## Loan Requests\*



■ Volume of Requests (EUR thousand)    — Number of Requests (right axis)

## Executed Transactions\*\*



■ Volume of Transactions (EUR thousands)    — Number of Transactions (right axis)

\* creditshelf defines "Loan Requests" as credit project applications the company has received in the respective period. creditshelf defines "Number of Requests" as the total number of credit project applications it has received. creditshelf defines "Volume of Requests" as the total loan volume requested by potential borrowers in their initial credit project applications.

\*\* creditshelf defines "Executed Transactions" as transactions in which a loan arranged through the creditshelf Platform was disbursed. creditshelf defines "Number of transactions" as the number of Executed Transactions.

# Selected case studies of our borrowers

## Panzer Drehtechnik GmbH



**Sector:** Capital goods

**Demand:** Raw material pre-financing

**creditshef solution:** Assistance in the strong order situation through short-term financing

## Tegos GmbH & Co. KG



**Sector:** Automotive & Components

**Demand:** Growth financing

**creditshef solution:** Supporting the strong growth of the company

## VELOfactor GmbH



**Sector:** Consumer goods

**Demand:** Order pre-financing

**creditshef solution:** Assistance with the increasing number of major projects through needs-based financing

## Baum Zerspanungstechnik e. K.



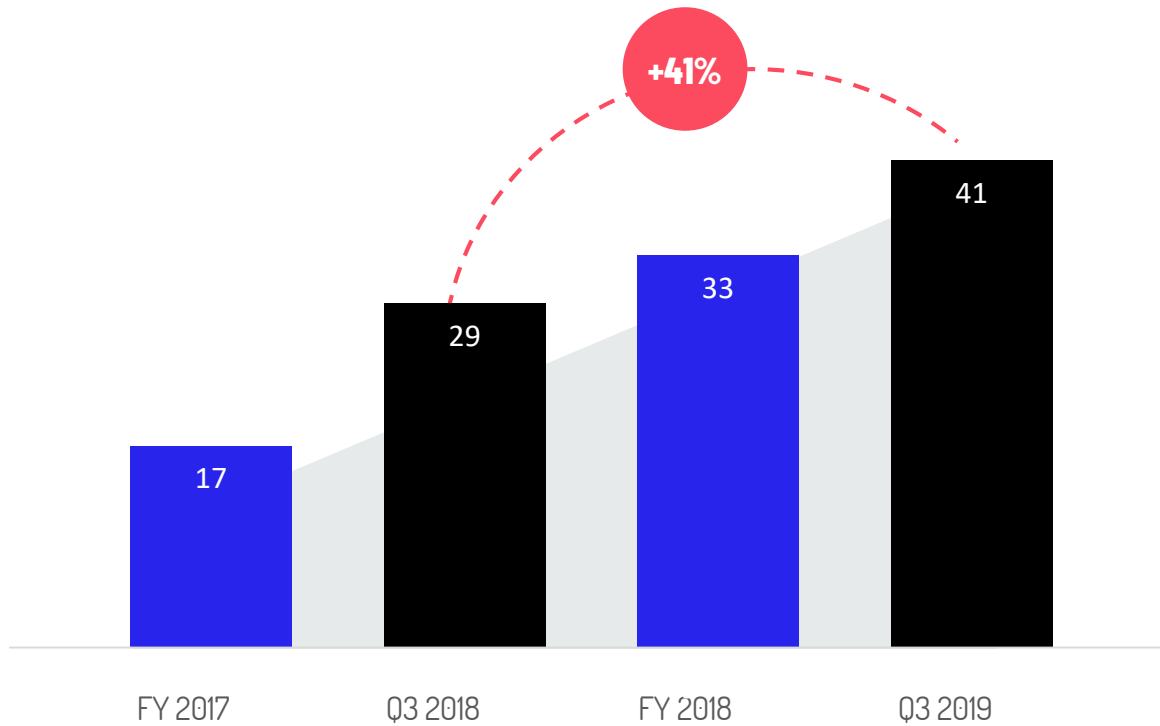
**Sector:** Consumer goods

**Demand:** Financing of stock building

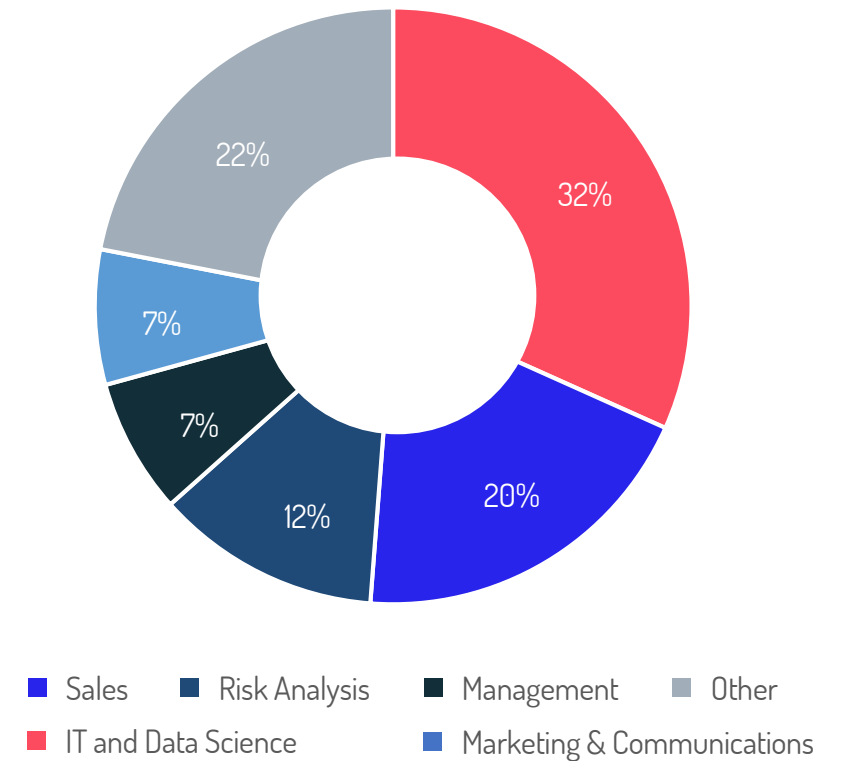
**creditshef solution:** Implementation of creditshef as a complementary part in the financing mix

# creditshef actively invests in its staff

## Staff development over time (FTEs)



## Staff end of Q3 2019 by department





# creditshef uses a multi-channel marketing approach...



# ... with significant increase in brand awareness



10 million+  
**impressions**

per press release – two to four  
press releases per month



770,000+  
**mailings**

letter dispatch per year –  
increasing since start of the company



70,000+  
**website visitors**

per month, a tenfold  
since 2017



21,000+  
**direct, organic visitors**  
to website every month – fivefold  
increase Q3'19 to Q3'18



700,000+  
**magazine**

circulation quarterly since issue  
No. 1 in June 2018



5,000+

**media mentions**

in major German media such as  
Handelsblatt, FAZ, Finance and  
WirtschaftsWoche



50+

**events**

per year, meeting 20.000+  
potential customers and multipliers

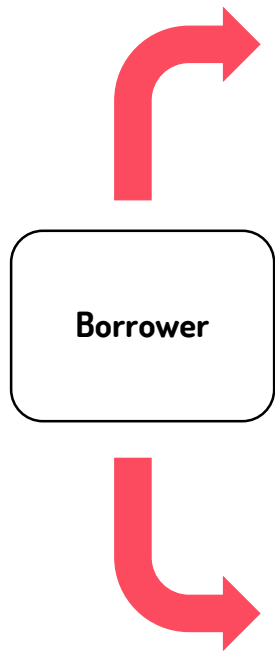


3

**awards**

for outstanding marketing  
performances (Deutscher  
Exzellenz Preis, German Design  
Award, AltFi Award)

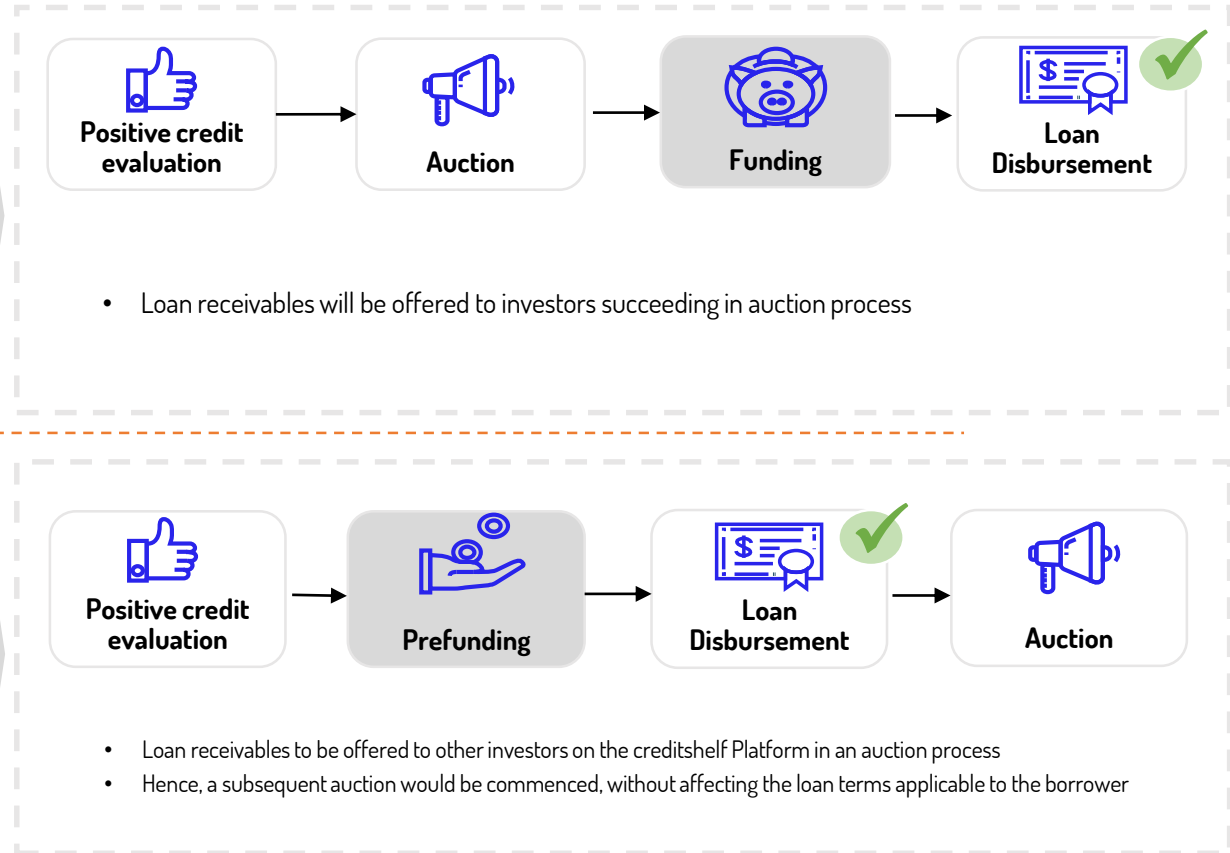
# Lean auction process – Two options for a credit project to be funded



- 1 Auction option: optimal pricing**
  - Investors can submit bids with funding commitments, stating specific amount and interest rate
  - Minimum amount to be offered by an investor is €10,000 per project
  - creditshelf will allocate loan tranches to the investors for the respective credit project based on size of bids and offered interest rates
  - 20 tranches maximum resulting from an auction

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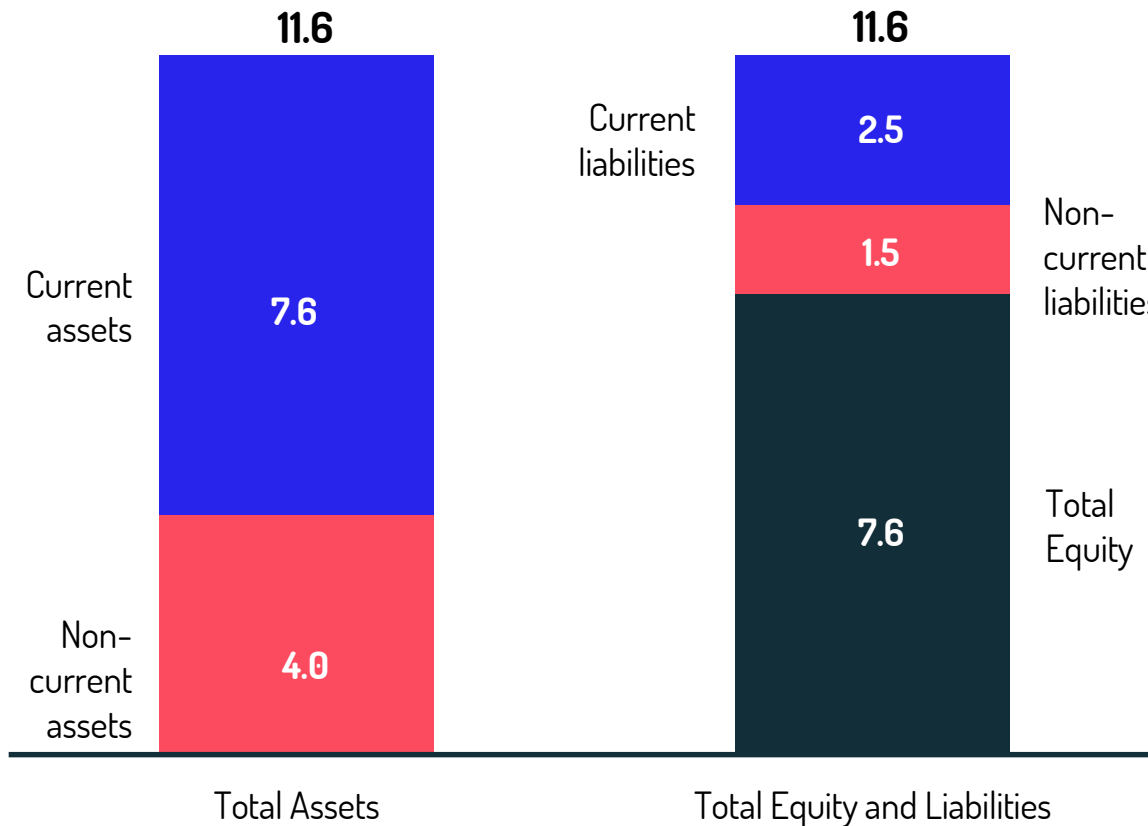
- 2 Prefunding option: quick disbursement**
  - For investors willing to pre-fund entire credit projects
  - Certain criteria have to be fulfilled
  - Only larger investors are considered
  - Interest rate to borrower will be pre-determined and marginally higher than through auction process



• Borrowers have the option to either opt for a straight auction (Auction option) or the Prefunding option (followed by a subsequent auction)

• Investors have always the opportunity to bid for all platform loans as prefunding investors commit to offer prefunded loans subsequently on the platform

# Balance Sheet (as of September 30, 2019; in EUR million)



- **Total current assets** of EUR 7.6 million (YE 2018: 13.2). Decrease by lower cash and cash equivalents
- **Non-current assets** increased to EUR 4.0 million (YE 2018: 3.2) driven by higher software related intangible assets
- **Total equity of** EUR 7.6 million (YE 2018: 11.4) resulting in an equity ratio of 66%
- **Capital reserves** end of June of EUR 18.7 million (YE 2018: 18.3), slight increase vs. year-end due to employee share program
- **Balance sheet does not include Valendo GmbH first time consolidation (Q4)**

# Overview of Valendo offering



Several years or collateralised lending expertise with focus on growth companies

Expanding product offering with dynamic secured working capital line (EUR 750k- EUR 4 million)

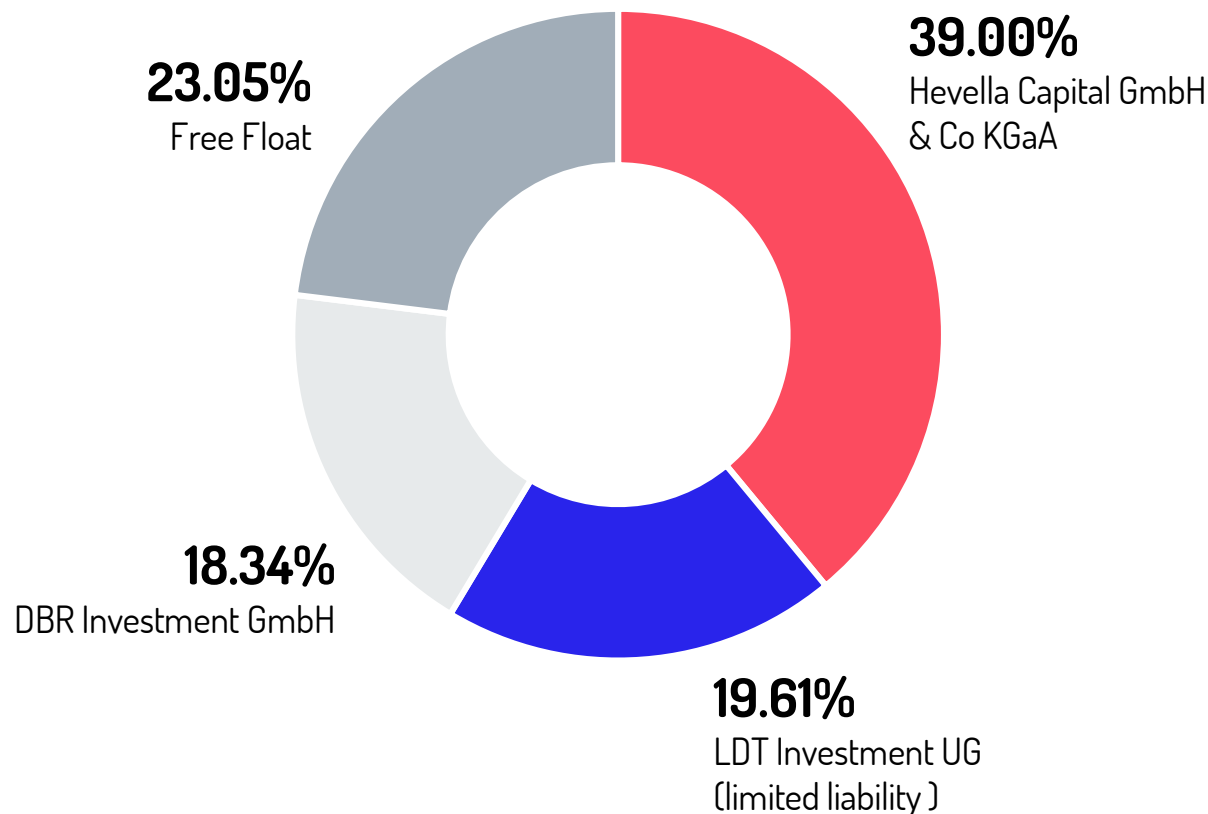
Presence in Berlin to benefit from access to broader talent pool (especially engineers) and sales coverage

Comprehensive monitoring tools for 3<sup>rd</sup> party financing partners

Bridgehead to finleap ecosystem for further cooperations & joint projects

# The creditshef share

## Shareholder structure

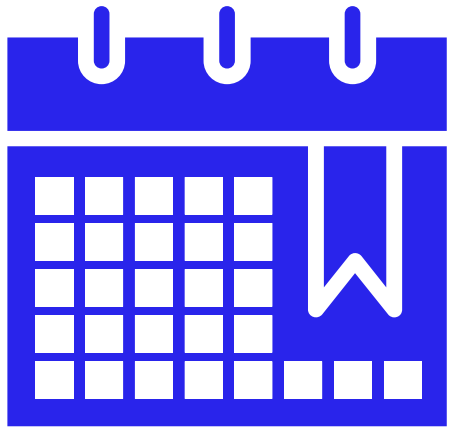


Disclosures based on voting rights notifications >5% received pursuant to the German Securities Trading Act (WpHG).

## Share Information

ISIN / WKN	DE000A2LQUA5 / A2LQUA
Stock exchange symbol / Reuters symbol	CSQ
Type of Shares	Ordinary bearer shares with no-par value (auf den Inhaber lautende Stückaktien)
First day of trading	July 25, 2018
Number of Shares	1,331,250
Stock Exchanges	Regulated Market (Prime Standard) of the Frankfurt Stock Exchange
Designated Sponsors	Commerzbank, ODDO Seydler

# Overview of Financial Calendar 2019 and 2020



<b>November 21, 2019</b>	<b>Publication Q3 statement</b>
November 25, 2019	German Equity Forum, Frankfurt / Main
<b>March 26, 2020</b>	<b>Publication Annual Report 2019</b>
<b>April 29, 2020</b>	<b>Annual General Meeting, Frankfurt / Main</b>
<b>May 14, 2020</b>	<b>Publication Q1 statement</b>
May 18-20, 2020	Equity Forum Spring Conference, Frankfurt / Main
September 02, 2020	Equity Forum Autumn Conference, Frankfurt / Main
<b>September 10, 2020</b>	<b>Publication Q2 statement</b>
<b>November 12, 2020</b>	<b>Publication Q3 statement</b>

# Investor contact



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