

MULTITUDE

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INDERES CORPORATE CUSTOMER

COMPANY REPORT



More confirmation to the profit growth outlook

Multitude’s Q4 results exceeded our expectations due to lower-than-expected impairment losses, where the trend has also been positive in the last few quarters. In addition, the business is growing well organically, which enables the cost structure to scale. With a good momentum in these, the guidance set for 2025 seems attainable. Despite the positive stock reaction valuation remains low and we see the risk/reward ratio to be attractive. We raise our target price to EUR 6.0 (was EUR 5.7) and reiterate our Accumulate recommendation.

Stronger-than-expected profit development

Multitude’s net operating profit grew approximately 8% to 57.7 MEUR as we expected. The development was mostly as expected between the business units, but the smallest business unit Wholesale Banking showcased impressive and higher-than-expected growth (net interest income +119%), which we find promising.

Even though we had raised our estimates slightly before the results, Q4 profit still was somewhat higher than we anticipated. Multitude’s earnings before taxes was at 8.6 MEUR in Q4 (estimate 7.2 MEUR) more than doubling from comparison period. The number one explaining factor behind the higher-than-expected earnings and the improvement was impairment losses, where the trend has been very positive after Q1’24. According to the company, this is a result of improved scoring and underwriting among other things. Also, the cost structure seems to scale quite well with growth at the moment resulting in a lowering cost/income ratio. All in all, Multitude managed to reach its guidance for 2024 set over three years ago of 50% annual EBIT growth (from low levels), which naturally is a positive sign of the managements say/do ratio.

Multitude’s board proposed a EUR 0.44 dividend, which clearly exceeded our expectation of EUR 0.22. The company

highlighted that the extraordinary dividend of EUR 0.20 is truly a one-time dividend and thus the dividend level will most likely be lower going forward.

No changes to 2025-2026 guidance

Multitude’s guidance for 2025 and 2026 remains unchanged. The company expects to reach a net profit level of 23 MEUR in 2025 and 30 MEUR in 2026. Given the actualized 2024 numbers (2024 net profit 20.2 MEUR), the improvement for 2025 doesn’t seem that demanding. The company seemed rather positive about the trend seen in impairment losses and we expect the lowering ratio of impairment losses to support the profit improvements going forward. Continued organic growth naturally also plays an important role in earnings growth as it enables the cost structure to continue to scale. Other positive factors supporting earnings growth going forward are, for example, increased fee income from the new embedded finance partner in Poland (Consumer Banking) and the new payment solutions customers (Wholesale Banking) as well as the Lea Bank investment, which is seen in results from associates.

Risk/reward ratio still attractive

In our view, the acceptable P/B for Multitude is currently in the range of 0.7-1.0x, derived from assumptions about sustainable return on equity and cost of equity. Treating the perpetual bonds on the balance sheet as debt, Multitude’s current P/B is 0.7x, which is at the lower end of the range, suggesting a very modest valuation. Our dividend discount model also suggests upside potential. Compared to its peer group, the valuation is also trading at a clear discount, both in P/E and P/B multiples. Thus, with all measures the valuation seems low. Taken the good momentum of the business into account, that the 2024 showcased, we see the risk/reward to be attractive.

Recommendation

Accumulate

(prev. Accumulate)

Target price:

6,20 EUR

(prev. 5,70 EUR)

Share price:

5,20

Business risk



Valuation risk



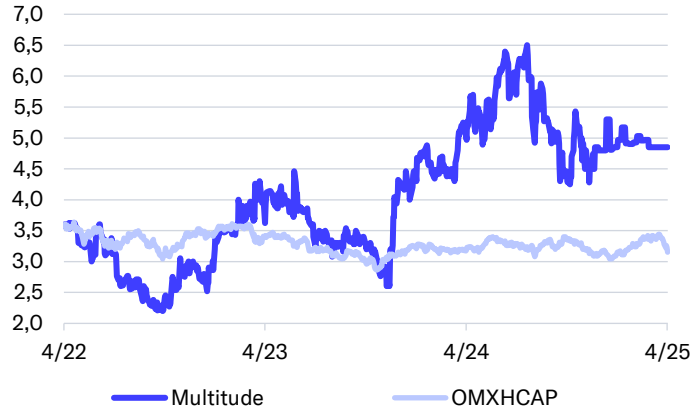
	2024	2025e	2026e	2027e
Total net operating income	219,0	237,7	252,1	265,2
growth-%	7 %	9 %	6 %	5 %
Total operating costs	-96,4	-99,3	-106,4	-111,8
Cost/income ratio	44,0 %	41,8 %	42,2 %	42,2 %
EBT	23,2	28,8	32,8	36,7
Net income	20,2	24,9	27,8	30,6
EPS (adj.)	0,66	0,89	1,07	1,20
P/E (adj.)	7,3	5,8	4,8	4,3
P/B	0,5	0,6	0,5	0,5
P/B (perpetual bonds as debt)	0,7	0,8	0,7	0,6
Dividend yield-%	9,1 %	5,5 %	6,2 %	6,8 %

Guidance

(Unchanged)

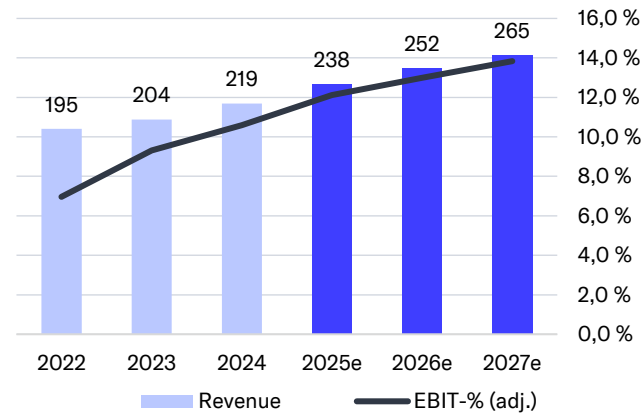
Multitude expect to reach net profit level of 23 MEUR in 2025 and 30 MEUR in 2026.

Share price



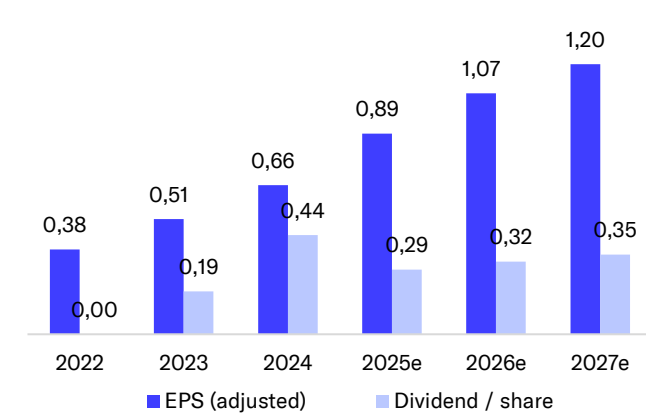
Source: Millstream Market Data AB

Revenue and EBIT-% (adj.)



Source: Inderes

EPS and DPS



Source: Inderes

Value drivers

- Organic growth potential is good due to the large market and low market share
- Cost structure scales with growth
- Partnerships can be a good way to target new customer segments
- Potential acquisitions to strengthen the product portfolio and market position

Risk factors

- Regulatory changes to, for example, interest rate caps can change the working environment
- Economic cycles have a direct impact on banks' lending and funding activities
- Increased competition in the digital banking/lending industry
- The loan portfolio consists mostly of high-risk (unsecured) loans

Valuation	2025e	2026e	2027e
Share price	5,20	5,20	5,20
Number of shares, millions	21,6	21,6	21,6
Market cap	112	112	112
P/E (adj.)	5,9	4,9	4,3
P/E	5,9	4,9	4,3
P/B	0,6	0,5	0,5
P/B (perpetual bond as debt)	0,7	0,6	0,6
ROE-%	12,5 %	13,1 %	13,3 %
Payout ratio (%)	25,0 %	25,0 %	25,0 %
Dividend yield-%	5,5 %	6,2 %	6,8 %

Source: Inderes

Strong finish for the year and a dividend surprise

Growth on expected level

Multitude’s Q4 total net operating profit came in at 57.7 MEUR according to our calculations (numbers given only for the full year 2024), which was almost exactly our estimate.

The growth between the business units was also very much in line with our expectations although the smallest business unit, Wholesale Banking, grew faster than we had anticipated (net interest income growth of 119% in Q4 and 89% in 2024). The development in the new business unit is promising as the total loan portfolio grew (loans to customers + debt investments) to 132.8 MEUR from 62.4 MEUR one year ago. Thus, we expect the growth of the business unit to continue on a strong level going forward. Overall, the customer pipeline here is good and the company managed to onboard two customers to its payment platform.

Consumer Banking’s (largest business unit) net interest income (NII) decreased by 1% in Q4 but grew by 1 % in total in 2024. Here some of Multitude’s highlights in 2024 were entering the Polish market via a strategic partnership

formed in October and launching the Ferratum app to customers in Finland and Latvia. SME Banking’s NII grew by 32% both in Q4 and in 2024.

Strong profit improvement

Multitude’s Q4 earnings before taxes (EBT) was 8.6 MEUR, which exceeded our expectations (7.2 MEUR). The beat was mainly due to lower-than-expected impairment losses, where the company witnessed a positive trend, especially from Q2’24 onwards. The improvement occurred both in Consumer Banking and SME Banking (Wholesale Banking’s impairment losses on a very low level). The key drivers according to the company are enhanced scoring and underwriting systems and increasing relevance of secured lending and investments.

Of the business units, Consumer Banking was mainly responsible for the profit as expected. SME Banking still generated losses, as the company has seen some possibilities for interesting growth investments with good unit economics this year. Thus, the company has accepted lower profitability for the business unit in the short term. Wholesale Banking is already profitable even though the

volumes are still on the lower side, which we find promising.

The EPS came in at EUR 0.28 per share, which also beat our estimate of EUR 0.23. The EPS for the whole year was EUR 0.66.

Dividend proposal clearly higher than expected

The board of Multitude proposed a dividend of EUR 0.44 per share, consisting of a EUR 0.24 base dividend and a EUR 0.20 extraordinary dividend. The dividend was clearly above our expectation (EUR 0.22) and came as a surprise to us as we had anticipated that the company would want to focus its capital allocation more on growth. On the other hand, the higher-than-expected dividend signals that the company considers its financial position and growth outlook strong. We believe this signal has value in the case of Multitude, as the visibility of the Group’s solvency level is not perfect (solvency reported on Multitude Bank level). The company highlighted that the extraordinary dividend was truly non-recurring and one should expect the company to return to paying only the base dividend.

Estimates MEUR / EUR	Q4'23 Comparison	Q4'24 Actualized	Q4'24e Inderes	Q4'24e Consensus	Consensus Low High	Difference (%) Act. vs. inderes	2024 Actualized
Net operating income	53,4	57,7	57,6			0 %	219
Impairment losses	-25,8	-22,8	-25,8				-96,4
Operating expenses	-25,3	-26,1	-24,6				-99,3
EBT	3,4	8,6	7,2			20 %	23,2
EPS (adj.)	0,12	0,28	0,23			22 %	0,66
DPS	0,19	0,44	0,22			99 %	0,44

Multitude Q4'24: "Sijoittajat palkitaan lisäosingoilla" (Finnish)



Profit growth in sight

Guidance for 2025 and 2026 remained unchanged

The 2025 and 2026 guidance remained unchanged, as we anticipated. Multitude expects to reach a net profit of 23 MEUR for 2025 and 30 MEUR for 2026. Given the stronger-than-expected 2024 (net profit 20.2 MEUR), the required improvement for 2025 isn't that demanding anymore.

The company has currently a “profit first”-mindset, in which the company focuses solely on profitable markets and business initiatives (the company targets all initiatives to be net profit accretive in 24 months). Other main key drivers are focusing on a scalable organizational structure for cost efficiency, improving underwriting processes, and the ability to reduce the weighted average cost of debt funding. Multitude will give more detailed business unit targets with Q1'25 results, which will be published already in 6 weeks.

Overall, the trend for Multitude seems positive as demand appears robust and the company seems to have improved its risk management (lower impairment losses). The company seemed positive that improvements in credit losses will remain as one key driver for profit improvements going forward.

Risks related to the outlook were rather typical and related to, for example, turbulence caused by macroeconomic shifts. That is of course something that the company cannot control, but naturally in the current geopolitical situation something that needs to be disclosed.

Small positive estimate revisions

We have made only small, but positive, estimate revisions after the 2024 report. We now expect Multitude's total net operating income (NOI) to grow 8.5% to 238 MEUR in 2025. We expect the same trend to continue between the segments. Consumer Banking grows the slowest (NII

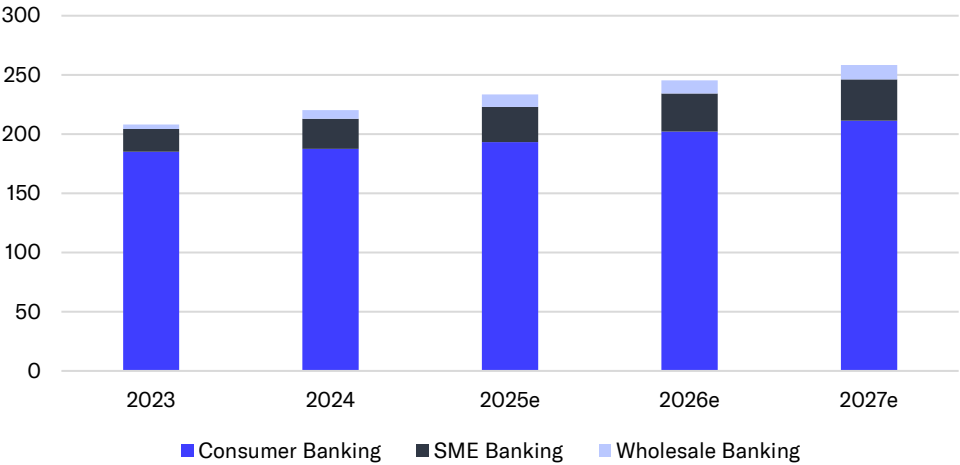
2025e +3%), SME continues clear double-digit growth (NII 2025e +17%) and Wholesale Banking continues very high growth (NII 2025e 49%) although the comparison periods are still on the lower side. We expect the net profit to reach 24.9 MEUR exceeding the 23 MEUR guidance slightly.

We expect the company to keep on growing organically in 2026. We expect the NOI to grow 6% to 252 MEUR with a similar trend between the business units. We expect the net profit to reach 27.8 MEUR and thus missing the guidance slightly. The visibility to the year 2026 is naturally still quite limited for us.

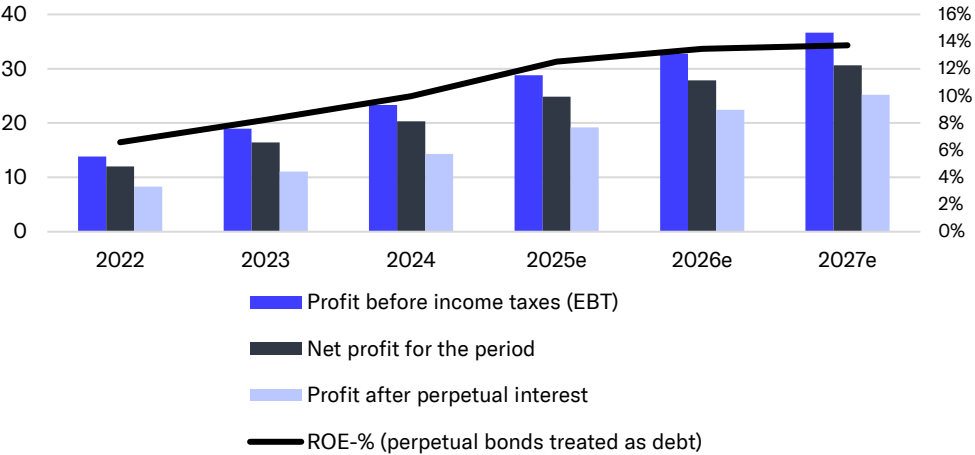
Estimate revisions MEUR / EUR	2024 Inderes	2024e Actualized	Change %	2025e Old	2025e New	Change %	2026e Old	2026e New	Change %
Net operating income	219	219	0 %	234	238	2 %	247	252	2 %
Impairment losses	-99	-96	-3 %	-104	-102	-2 %	-109	-108	-1 %
Operating expenses	-98	-99	2 %	-102	-106	4 %	-106	-112	5 %
EBT	21,8	23,2	6 %	27,1	28,8	6 %	31,9	32,8	3 %
EPS (excl. NRIs)	0,61	0,66	9 %	0,86	0,89	4 %	1,03	1,07	3 %
DPS	0,22	0,44	99 %	0,27	0,29	6 %	0,31	0,32	3 %

Estimates

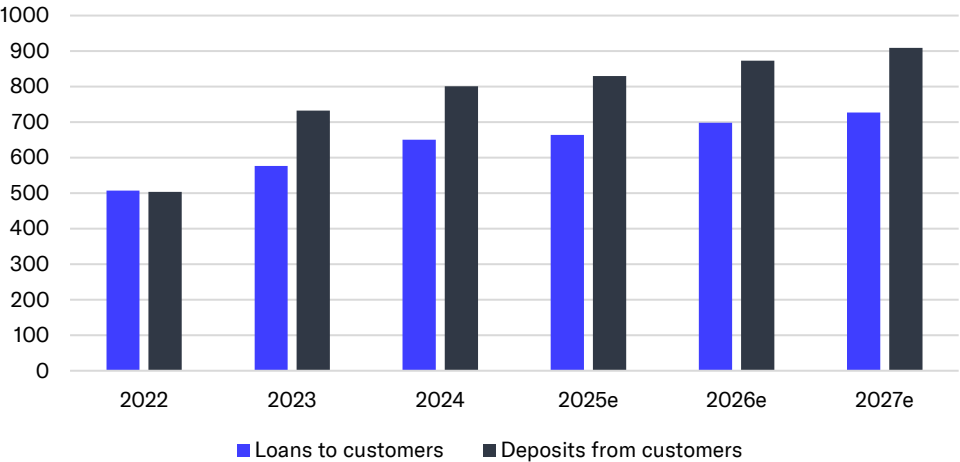
Net interest income estimates by business units (MEUR)



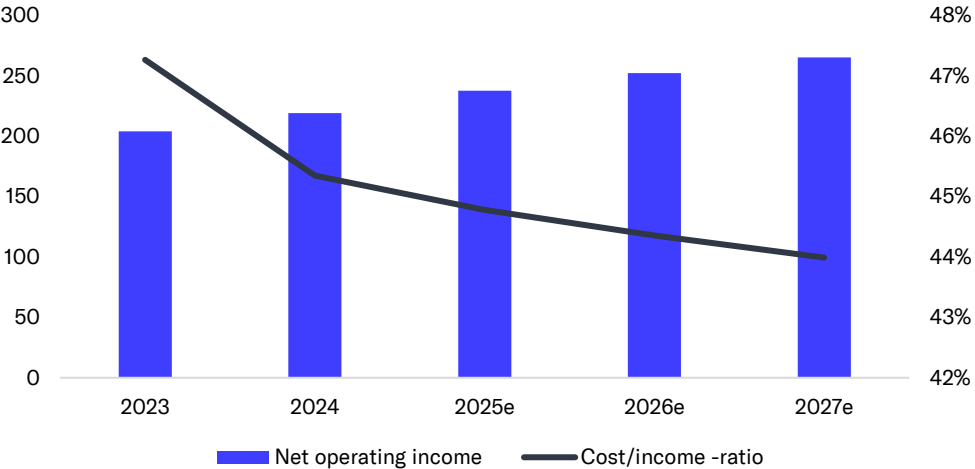
Earnings (MEUR) and ROE-% estimates



Loan portfolio and deposit estimates (MEUR)



Net operating income and cost/income -ratio



Valuation

Although Multitude is a digital bank, its business model is similar to that of a traditional bank and therefore needs to be considered as such when valuing the company. Banks are typically highly leveraged, and the debt on a bank's balance sheet can be viewed as the "raw material" of the business. As such, the business model is very balance sheet driven and the amount of return the bank can generate on its equity is a key driver of an acceptable valuation. In addition, the way a bank can manage its balance sheet is highly regulated and capital ratio requirements impose constraints on, for example, distributable capital.

Balance sheet valuation

The acceptable P/B ratio is dependent on 1) normalized return on equity, 2) growth rate of earnings, and 3) cost of equity.

We estimate the ROE to be around 13% at the end of our forecast period, but we believe a more modest estimate (10-12%) is warranted over the long term. Our cost of equity is set at 12-13%, which we believe is justified given the riskiness of Multitude's business model (mostly high-risk unsecured loans). In our view, the acceptable P/B for Multitude is currently in the range of 0.7-1.0x. Treating the perpetual bonds on the balance sheet as debt, Multitude's current P/B is 0.7x, which is at the lower end of the range, suggesting a modest valuation.

Peer valuation

We also compare Multitude's valuation to its peer group. We believe that listed consumer and SME lenders operating in the Nordics are the best peer group for Multitude. The peer group of Multitude is currently priced at

0.8x P/B ratio for 2025. Thus, Multitude is priced at a discount to its peers when looking at the perpetual bond-adjusted P/B ratio. It's also good to note that the peer group is overall valued quite moderately. In our view, this reflects the high risk profile of the peer group (high cost of equity) as well as declined returns on equity due to intensified competition. The low multiples also reflect the capital intensity of growth for the banks. Also, in terms of P/E multiples, Multitude is priced (2025e 6x) with a clear discount to the peer group with 2025 multiples.

Dividend discount model and dividend yield

One way to look at a bank's valuation is through the dividend discount model (DDM). Multitude's payout ratio is dependent on how fast the company plans to grow. Therefore, the predictability of Multitude's dividend is rather weak. Our DDM model arrives at EUR 6.0 per share (model and assumptions found in attachments).

This year, the board proposed a EUR 0.44 dividend, which implies a very high 9 % dividend yield. We do not anticipate any extraordinary dividends next year. Then, our forecast indicates a dividend yield of approximately 6%, with continued growth thereafter.

Risk/reward ratio seems attractive

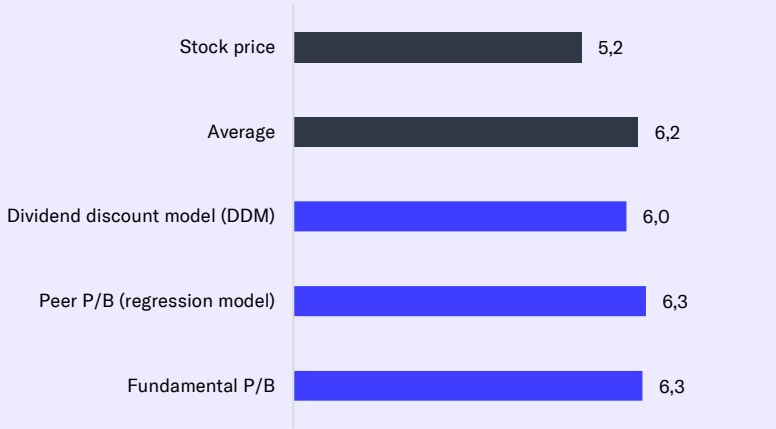
We expect Multitude's earnings growth to continue in the coming years. Key drivers will be continued NII growth, improved cost/income ratio through scaling cost structure, reduced impairment losses through lower-risk customers, and improved underwriting, as well as moderating interest expenses. Overall, at the current valuation, we believe that the return opportunities outweigh the risks.

Valuation	2025e	2026e	2027e
Share price	5,20	5,20	5,20
Number of shares, millions	21,6	21,6	21,6
Market cap	112	112	112
P/E (adj.)	5,9	4,9	4,3
P/E	5,9	4,9	4,3
P/B	0,6	0,5	0,5
P/B (perpetual bond as debt)	0,7	0,6	0,6
ROE-%	12,5 %	13,1 %	13,3 %
Payout ratio (%)	25,0 %	25,0 %	25,0 %
Dividend yield-%	5,5 %	6,2 %	6,8 %

Source: Inderes

CoE	Sustainable return on equity (ROE-%)					
	8 %	9 %	10 %	11 %	12 %	13 %
10 %	0,75x	0,88x	1,00x	1,13x	1,25x	1,38x
10,5 %	0,71x	0,82x	0,94x	1,06x	1,18x	1,29x
11,0 %	0,67x	0,78x	0,89x	1,00x	1,11x	1,22x
11,5 %	0,63x	0,74x	0,84x	0,95x	1,05x	1,16x
12,0 %	0,60x	0,70x	0,80x	0,90x	1,00x	1,10x
12,5 %	0,57x	0,67x	0,76x	0,86x	0,95x	1,05x
13,0 %	0,55x	0,64x	0,73x	0,82x	0,91x	1,00x

Summary of valuation methods

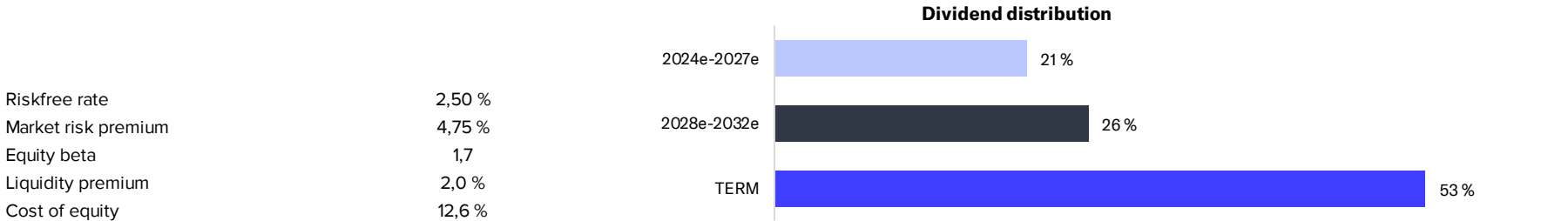


Valuation table & DDM

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	5,06	3,83	2,86	4,46	4,85	5,20	5,20	5,20	5,20
Number of shares, millions	21,6	21,6	21,6	21,6	21,6	21,6	21,6	21,6	21,6
Market cap	109	83	62	96	105	112	112	112	112
P/E (adj.)	>100	neg.	7,6	8,7	7,3	5,9	4,9	4,3	4,2
P/E	>100	neg.	7,6	8,7	7,3	5,9	4,9	4,3	4,2
P/B	0,9	0,5	0,3	0,5	0,5	0,6	0,5	0,5	0,5
P/B (perpetual bond as debt)	0,9	0,7	0,5	0,7	0,8	0,7	0,6	0,6	0,5
ROE-%	0,4 %	1,5 %	6,7 %	9,0 %	10,7 %	12,5 %	13,1 %	13,3 %	12,8 %
Payout ratio (%)	0,0 %	0,0 %	0,0 %	25,0 %	47,1 %	25,0 %	25,0 %	25,0 %	25,0 %
Dividend yield-%	0,0 %	0,0 %	0,0 %	4,3 %	9,1 %	5,5 %	6,2 %	6,8 %	7,0 %

Source: Inderes

	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Net profit (MEUR)	20,3	24,9	27,8	30,6	30,4	30,5	31,0	31,4	31,9	
Perpetual interest	-6,0	-5,6	-5,4	-5,4	-4,9	-4,9	-4,9	-4,9	-4,9	
Profit after perpetual interest (MEUR)	14,3	19,2	22,4	25,2	25,5	25,6	26,1	26,5	27,0	
Dividend (per share)	0,44	0,29	0,32	0,35	0,42	0,49	0,57	0,80	0,89	8,1
Payout ratio (% of net profit)	47 %	25 %	25 %	25 %	30 %	35 %	40 %	55 %	60 %	
Discounted dividends	0,46	0,26	0,26	0,26	0,27	0,28	0,29	0,36	0,35	3,20
Discouned cumulative dividends	5,99	5,53	5,26	5,00	4,75	4,48	4,19	3,91	3,55	3,20
Equity value per share	6,0									



Peer group valuation

Peer group valuation Company	Market cap MEUR	P/E		Dividend yield-%		P/B	ROE-%
		2025e	2026e	2025e	2026e	2025e	2025e
Alisa Pankki	14	13,9	8,4			0,7	5,5 %
Resurs Holding	9	8,7	7,5	8,0	9,0	0,6	7,4 %
Norion Bank	6	5,6	4,7	11,2	12,4	0,7	13,4 %
Morrow Bank	8	8,4	7,0	6,0	7,3	1,0	12,0 %
TF Bank	11	11,1	8,7	1,9	3,1	2,4	23,5 %
Instabank	8	7,6	6,7	6,6	8,7	0,9	11,4 %
Multitude (Inderes)	112	5,9	4,9	5,5	6,2	0,6	12,5 %
Average		9,2	7,2	6,7	8,1	1,0	
Median		8,6	7,2	6,6	8,7	0,79	
Diff-% to median		-32 %	-33 %	-16 %	-29 %	-30 %	

Source: Refinitiv / Inderes

Note: Multitude's P/B ratio here is calculated so that it includes perpetual bonds as shareholder's equity.

Income statement

Income statement	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Total net operating income	204	55,5	53,5	52,3	57,7	219	58,0	59,0	59,8	60,9	237,7	252,1	265,2	273,8
Consumer Banking (Net interest income)	185	48,2	46,9	45,5	47,0	188	47,6	48,2	48,4	49,0	193,2	202,2	211,5	215,3
SME Banking (Net interest income)	19,3	6,1	6,3	6,3	6,8	25,5	7,1	7,3	7,5	7,8	29,7	32,2	34,8	37,5
Wholesale Banking (Net interest income)	3,8	1,3	1,4	1,7	2,8	7,2	2,4	2,5	2,8	3,1	10,7	11,1	12,0	13,9
Other income	-4,2	0,0	-1,0	-1,3	1,1	-1,3	1,0	1,0	1,0	1,0	4,0	6,7	6,9	7,1
Total operating costs	-96,4	-24,3	-24,3	-24,6	-26,1	-99,3	-26,5	-26,8	-26,0	-27,2	-106,4	-111,8	-116,6	-120,5
Impairment losses	-89,3	-28,3	-23,8	-21,5	-22,8	-96,4	-25,1	-25,5	-25,8	-26,1	-102,4	-107,5	-111,9	-115,1
EBT (exl. NRI)	19,0	3,0	5,4	6,2	8,6	23,2	6,4	6,7	8,1	7,6	28,8	32,8	36,7	38,2
EBT	19,0	3,0	5,4	6,2	8,6	23,2	6,4	6,7	8,1	7,6	28,8	32,8	36,7	38,2
Taxes	-2,6	-0,4	-0,7	-0,7	-1,1	-3,0	-0,9	-0,9	-1,1	-1,0	-3,9	-4,9	-6,1	-6,9
Net earnings	16,4	2,6	4,7	5,5	7,5	20,2	5,5	5,8	6,9	6,6	24,9	27,8	30,6	31,3
Interest on perpetual loans	-5,4	-1,0	-1,9	-1,6	-1,4	-5,9	-1,5	-1,5	-1,4	-1,4	-5,6	-5,4	-5,4	-5,4
EPS (adj.)	0,51	0,07	0,13	0,18	0,28	0,66	0,19	0,20	0,26	0,24	0,89	1,07	1,20	1,24

Key numbers	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Net operating income growth-%	4,6 %	14,3 %	6,1 %	1,4 %	8,0 %	7,4 %	4,4 %	10,2 %	14,4 %	5,6 %	8,5 %	6,1 %	5,2 %	3,3 %
EBT growth-%	39,7 %	-6,5 %	-18,4 %	6,7 %	156,0 %	22,2 %	114,0 %	24,0 %	30,0 %	-11,3 %	24,1 %	13,7 %	12,0 %	4,0 %
Cost-to-income-%	47,3 %	43,7 %	45,4 %	47,1 %	45,3 %	45,3 %	45,7 %	45,4 %	43,5 %	44,6 %	44,8 %	44,4 %	44,0 %	44,0 %
ROE-% (from net profit)	9,0 %	5,6 %	10,1 %	11,7 %	15,9 %	10,8 %	11,3 %	11,9 %	14,2 %	13,1 %	12,5 %	13,2 %	13,4 %	12,7 %
ROE-% (from profit after perpetual interest)	8,2 %	4,4 %	8,0 %	11,0 %	16,7 %	10,0 %	10,8 %	11,5 %	14,9 %	13,5 %	12,5 %	13,5 %	13,7 %	12,8 %
Total capital ratio*	17,3 %		18,5 %			16,7 %		17,3 %			20,0 %	20,7 %	21,6 %	22,4 %

Source: Inderes

Balance sheet

Assets	2023	2024	2025e	2026e	2027e
Cash and cash equivalents	283,7	249,5	245,7	243,9	249,0
Loans to customers	575,9	649,9	663,4	697,7	727,1
Debt investments	62,1	112,6	164,7	189,4	208,3
Intangible assets	29,5	32,9	32,9	32,9	32,9
Other investments and assets	39,6	53,8	63,2	66,4	69,2
Total assets	990,9	1098,7	1169,9	1230,4	1286,6

Source: Inderes

Liabilities & equity	2023	2024	2025e	2026e	2027e
Share capital	40,1	40,2	40,2	40,2	40,2
Retained earnings	87,3	98,2	107,9	124,1	142,4
Unrestricted equity reserve	14,7	14,7	14,7	14,7	14,7
Perpetual bonds	45,0	45,0	45,0	45,0	45,0
Other equity	-3,5	-4,4	-4,4	-4,4	-4,4
Total equity	183,6	193,7	203,4	219,6	237,9
Deposits from customers	732,4	800,8	829,3	872,2	908,9
Debt securities	47,8	76,9	110,0	110,0	110,0
Lease liabilities	5,0	5,1	4,5	4,7	4,9
Other liabilities	22,1	22,2	22,7	23,8	24,8
Total liabilities	807,2	905,0	966,5	1010,7	1048,7
Total equity and liabilities	991	1099	1170	1230	1287

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Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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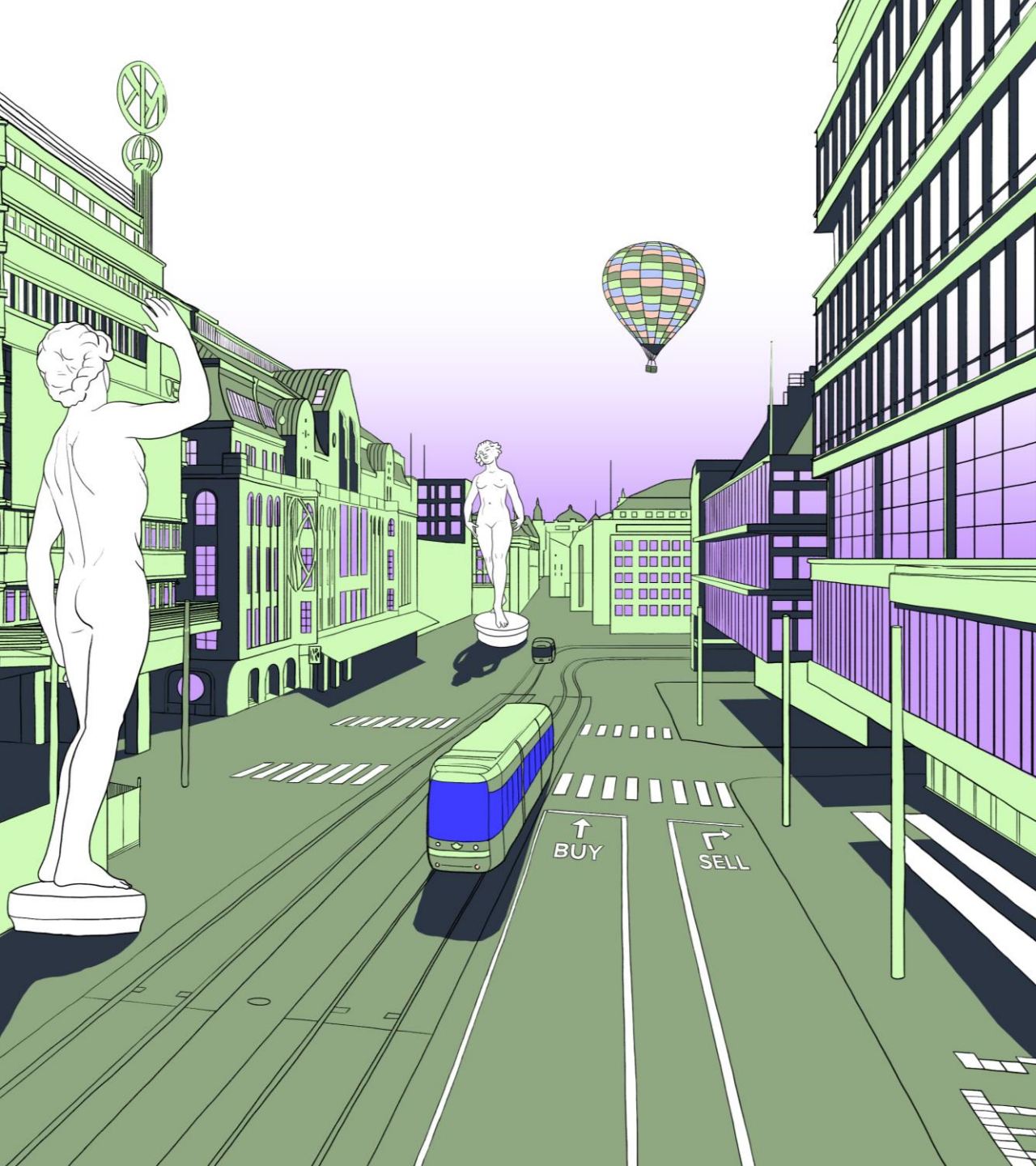
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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
20.12.2024	Accumulate	5,70 €	4,81 €
27.3.2025	Accumulate	5,70 €	4,76 €
4.4.2025	Accumulate	6,00 €	5,20 €



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