

Multitude

Initiation of coverage

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✓ Inderes corporate customer

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res.

Profitable growth by serving overlooked customers

We initiate our coverage of Multitude with an Accumulate recommendation and a target price of EUR 5.7 per share. Multitude has returned to profitable growth after a few difficult years, and we expect the company to continue on this path in the coming years. In view of this, we consider the valuation to be low and the risk/reward of the stock to be attractive.

Digital bank serving overlooked consumers, SMEs and other fintechs

Multitude (originally Ferratum), a Frankfurt-listed digital bank established in Finland, offers lending and online banking services to consumers, SMEs and other fintechs that are overlooked by traditional banks. Multitude operates in 17 countries and through three business units: Consumer Banking (Ferratum), SME Banking (CapitalBox) and Wholesale Banking (Multitude Bank). Consumer Banking is clearly the largest segment in terms of net interest income and loan portfolio. Due to its more mature phase, its growth prospects are also more modest than those of the other segments, but it is responsible for virtually all of the Group's profits. SME Banking remains loss-making, and improving its profitability through increased scale is a key focus. Wholesale Banking, the newest business area, has demonstrated promising growth and is already profitable.

Loan portfolio is riskier compared to other digital and traditional banks

Multitude is profiled as a high-risk, profitably growing digital bank. Its loan portfolio carries significantly more risk than other Nordic digital banks due to its focus on unsecured loans and its target customers. This is reflected in high net interest income and high impairment loss percentages, although both have been trending down as the company has gradually shifted to lower-risk, lower-yield customers.

Guidance expects strong earnings growth to continue in the coming years

Multitude had a good track record of earnings growth prior to 2019 (also with high ROE-%), but the COVID-19 pandemic proved challenging for the company (decreased demand for credit and tighter credit policies by Multitude). While earnings have recovered significantly, they haven't yet reached previous peaks. Multitude's guidance targets a net profit of 23 MEUR in 2025 and 30 MEUR in 2026, implying very strong growth from the current estimated level of 17.5 MEUR for 2024. Our estimates currently assume that the company will meet the 2025 guidance, but miss the 2026 guidance. The key drivers of earnings growth in the coming years are improved economies of scale (lower cost/income ratio), slightly lower impairment loss-% and easing headwinds from higher funding costs.

Risk/reward ratio tilted to the positive side

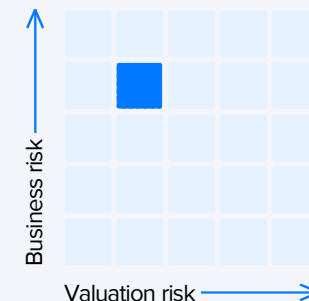
As Multitude's business is similar to that of a bank, the valuation must also be viewed from this perspective. In our view, the acceptable P/B for Multitude is currently in the range of 0.7-1.0x, derived from assumptions about sustainable return on equity and cost of equity. Treating the perpetual bonds 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 modest valuation. Our dividend discount model also suggests upside potential. Compared to its peer group, the valuation is relatively neutral, but the peer group itself trades at relatively low multiples. In return for the rather high risk profile, the expected return is good at the current valuation and we see the risk/reward ratio tilted to the positive side.

Recommendation

Accumulate
(prev.)

5,70 EUR
(prev. EUR)

Share price:
4,81



Key indicators

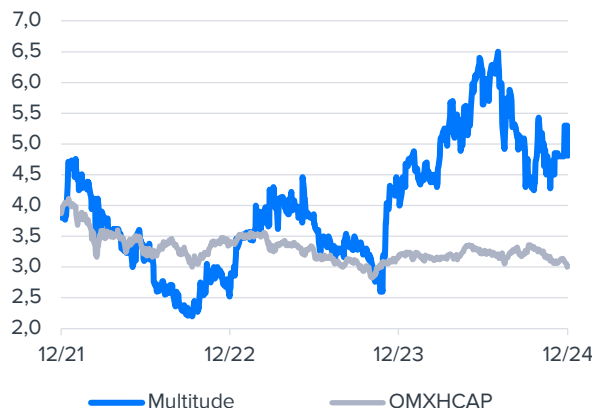
	2023	2024e	2025e	2026e
Total net operating income	204,0	215,3	229,0	241,7
growth-%	5 %	6 %	6 %	6 %
Total operating costs	-96,4	-97,7	-101,4	-106,0
Cost/income ratio	47,3 %	45,4 %	44,3 %	43,8 %
EBT	19,0	20,1	26,6	30,9
Net income	16,4	17,5	23,0	26,3
EPS (adj.)	0,51	0,53	0,83	1,00
P/E (adj.)	8,7	9,0	5,8	4,8
P/B	0,5	0,5	0,5	0,5
P/B (perpetual bonds as debt)	0,7	0,7	0,7	0,6
Dividend yield-%	4,3 %	4,2 %	5,5 %	6,3 %

Guidance

(Unchanged)

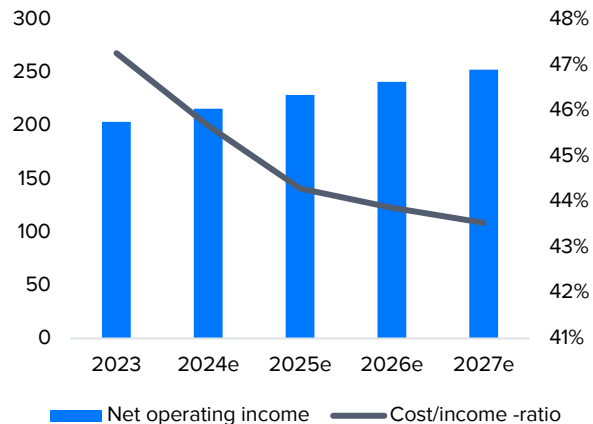
Multitude expects to reach EBIT level of 67,5 MEUR in 2024. Multitude expect to reach net profit level of 23 MEUR in 2025 and 30 MEUR in 2026.

Share price



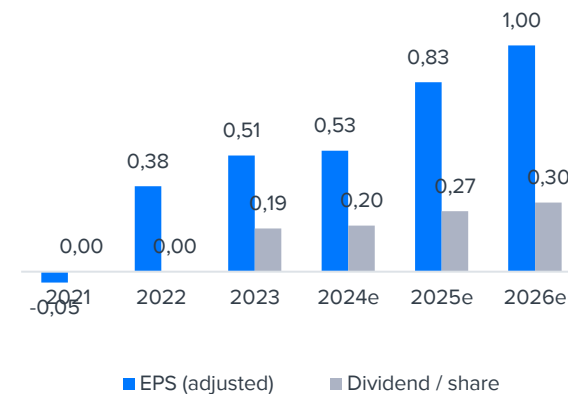
Source: Millistream Market Data AB

Net operating income and cost/income -ratio



Source: Inderes

EPS and DPS



Source: Inderes



Value drivers

- Organic growth potential is good due to 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 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 digital banking/lending industry
- The loan portfolio consists mostly of high risk (unsecured) loans

Valuation	2024e	2025e	2026e
Share price	4,81	4,81	4,81
Number of shares, millions	21,6	21,6	21,6
Market cap	104	104	104
P/E (adj.)	9,0	5,8	4,8
P/E	9,0	5,8	4,8
P/B	0,5	0,5	0,5
P/B (perpetual bond as debt)	0,7	0,7	0,6
ROE-%	9,3 %	11,7 %	12,4 %
Payout ratio (%)	25,0 %	25,0 %	25,0 %

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Multitude in brief

Multitude is a digital bank that offers lending and online banking services to consumers, small and medium-sized businesses, and other fintechs overlooked by traditional banks.

2005

Year of establishment

2015

IPO

208 MEUR (+4.7% vs. 2022)

Net interest income 2023

+14% 2014-2023

Average net interest income growth (estimate)

16.4 MEUR (7.9% of net interest income)

Net income 2023

760

Average personnel (YTD Q3'24)

86% / 11% / 3%

Share of Consumer/SME/Wholesale banking of net interest income (YTD 2024)

-2015

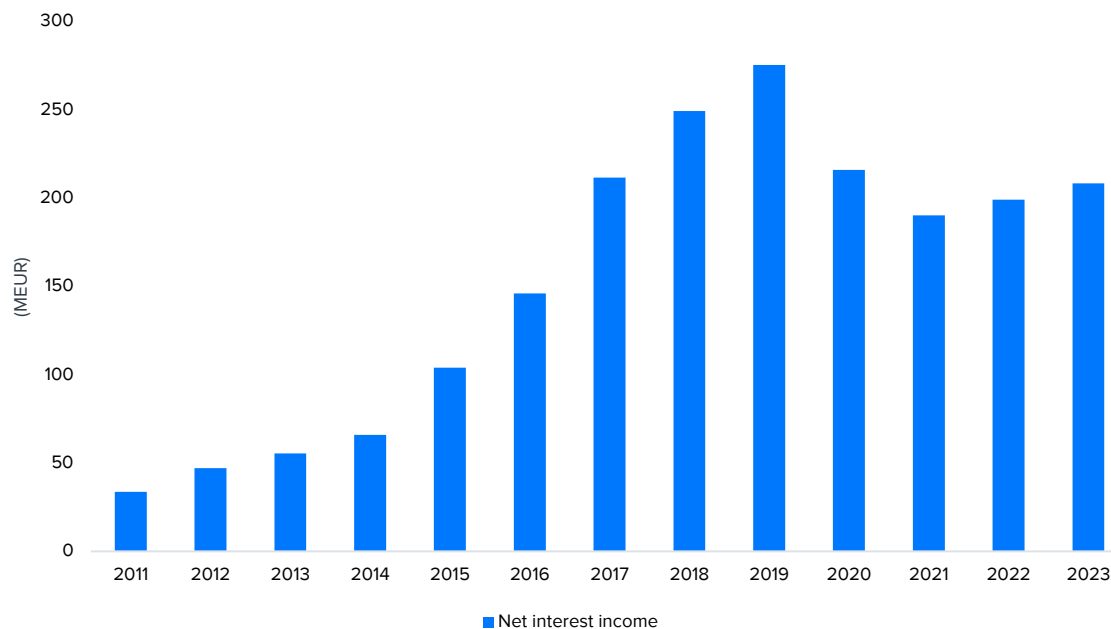
- Founded in 2005 under the name Ferratum
- Initially, offering was purely focused on consumer lending
- EU banking license in 2012 enabled growth through deposit funding
- By the end of 2015 Multitude operated in 23 countries

2015-2023

- Listed on Frankfurt stock exchange in 2015
- SME lending business established in 2015
- Exit from certain markets
- Mobile banking solution in 2016 (SweepBank)
- Name change to Multitude in 2021
- Net interest income and profitability dropped significantly during COVID-19 pandemic in 2020-2021, but the numbers have recovered

2023-

- Rise of interest rates starts to affect funding costs more
- Three business units since the beginning of 2024: Consumer Banking, SME Banking and Wholesale Banking
- New and ambitious financial targets for 2024-2026



Note: Net interest income before 2022 not fully comparable due to different reporting structure.

Company description and business model (1/5)

Multitude in brief

Multitude is a digital fintech bank that provides lending and online banking services to consumers, small and medium-sized businesses, and other fintechs. Since its inception, Multitude's goal has been to offer lending services to customers that are overlooked by traditional banks. Multitude's platform has currently over 400,000 active customers.

Multitude's main products are different types of instalment loans and credit lines. The loan applications are fully digital and the company aims to make the processes as fast as possible so that the customer can get the money quickly. The loans are usually unsecured and the terms are short.

Multitude (originally Ferratum) was founded in 2005 in Helsinki, Finland by Jorma Jokela, who is still the largest shareholder of the company (~55% ownership). Jokela is currently stepping down from the CEO position but will continue actively working with e.g. strategy and M&A related work. Initially, the main business was consumer lending under the Ferratum brand. During the company's first five years the company expanded geographically and diversified its product portfolio quickly. In 2012, the company received its EU banking license, which allowed the company to fund growth through deposit funding. In 2015, the company completed its IPO on the Frankfurt Stock Exchange, where it is still listed. During the same year, the company expanded its offering to SME lending (nowadays under the brand name CapitalBox). In 2016, the company launched fully digital and mobile banking solution to consumers. The company changed its name from Ferratum to Multitude in 2021. The COVID-19 pandemic (especially years 2020-2021) were

challenging as the company experienced a significant decrease in its net interest income (then reported as revenue) and profit levels. After that, the company has managed to recover its profit levels but hasn't yet reached historical levels on net income basis (EBIT has exceeded historical levels).

In 2023 Multitude's net interest income was 208 MEUR and the company made a net profit of 16.4 MEUR (10.1 MEUR after perpetual interest). At the end of Q3'24, loans to customers and debt investments stood at 726 MEUR and customer deposits 773 MEUR.

Multitude employs over 700 people in 25 countries and provides services in 17 countries. The company identifies itself strongly as a Finnish/Nordic company, but the official legal seat is currently in Malta and the company is in the process of changing it to Switzerland (this way the company is investable for Finnish investors as it's listed in Frankfurt). In terms of net interest income, the largest geographical areas for the company are Northern Europe and Eastern Europe (mainly Baltics).

Since the beginning of 2024, Multitude operates via three different business units: Consumer Banking (Ferratum), SME Banking (CapitalBox) and Wholesale Banking (Multitude Bank)

Business model

Multitude is a digital fintech bank, whose customer acquisition and underwriting processes are fully digital. The business model itself is comparable to a traditional bank, as the clear majority of its revenue streams come from net interest income (interest income minus interest expense). In 2023, Multitude began reporting its income statement as a bank.



Operates with three brands: Ferratum, CapitalBox & Multitude Bank



EU wide banking license



Operates in 17 countries mainly in Europe

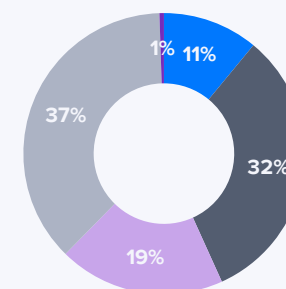


Net interest income 208 MEUR and net income 16.4 MEUR in 2023



Loan portfolio and debt investments 726 MEUR and deposits 773 MEUR at the end of Q3'24

Interest income (gross) by geographical split in 2023



■ Finland ■ Northern Europe ■ Western Europe ■ Eastern Europe ■ Other

Company description and business model (2/5)

In 2023, Multitude's interest income is 230 MEUR and interest expense is 22 MEUR, resulting in net interest income of 208 MEUR. Fee and commission income is almost irrelevant for the company as it amounts to less than 0.1 MEUR in 2023.

The risk profile of Multitude's loan portfolio is high due to the company's target customer group (consumers and SMEs overlooked by traditional banks) and the largely unsecured loan portfolio. This results in a high net interest income ratio but is also reflected in a high level of impairment losses. The loan portfolio is therefore clearly riskier than that of a traditional bank.

Income streams come almost purely from net interest income

The loans granted by Multitude have mostly fixed interest rates. The loans are mostly unsecured and the margins on the loans are typically high. This is highlighted in the net interest income / loans to customers ratio, which stood at 37% of the loan portfolio in 2023 (considering only interest income from loans to customers). The net interest margin is not fully comparable to peers as Multitude doesn't include interest on perpetual loans in interest expense. It's good to note that the ratio can also fluctuate for example if the company decides to sell parts of its loan portfolio to collection agencies.

The reference rate for the loans is usually the 3-month Euribor rate. Thus, the margins/risk premiums make up most of the interest income and the interest income is not very sensitive to changes in interest rates. In addition to loan margins, the customer typically pays account opening fees and ongoing account fees, which are included in the total effective interest rate. For example, the effective interest rate on an installment loan with an interest rate of 20%

(reference rate + margin) can be close to 30% (naturally variation between operating countries and business unit). The item for fee and commission income is very small in the income statement. This is another reason why the NII is not fully comparable with peers.

In addition to interest income from its loan portfolio, Multitude earns interest income from its debt investments (Wholesale Banking debt portfolio) and bank deposits. In 2024, these have constituted to about 6% of the interest income (YTD).

The maturity profile of Multitude's loan portfolio is short, with even the longest loans being only a few years.

Mostly deposit-based funding

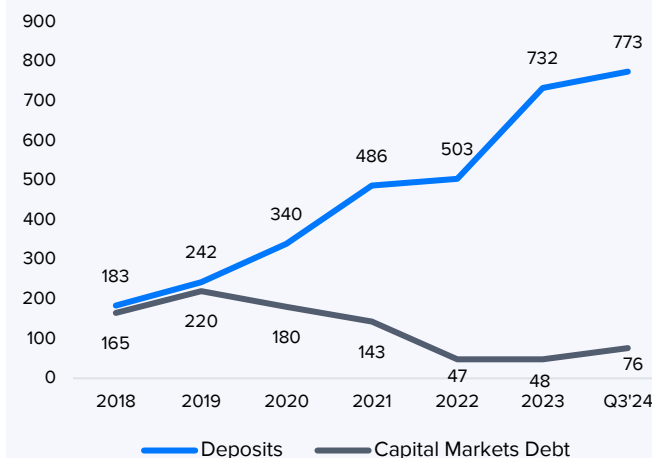
Multitude funds its lending activities mostly with deposits as this is the most cost-effective source of funding. The deposits come from three sources: 1) online deposits from platforms such as C24 in Germany 2) direct sourcing 3) SweepBank.

In addition to deposit funding, the company also uses capital market debt to a lesser extent. The cost of capital market debt can be much higher (unsecured bond issue in Q2'24: 3-month Euribor + 6.75%), but capital market debt allows Multitude to lengthen its funding maturity profile. In general, the more a bank is funded by deposits, the more sensitive it is to deposit outflows. Therefore, it doesn't want to rely solely on deposit funding. The appropriate mix of funding is a function of the riskiness and duration of the bank's loan portfolio, its risk management policies, and the supply and demand conditions for borrowed funds. However, because the maturities of Multitude's loans are short, the company can rely primarily on deposit funding.

Loan to customers and deposit development (MEUR)



Funding mix development (MEUR)



Company description and business model (3/5)

Over the long term, the company has been successful in increasing the proportion of its funding from deposits, which has resulted in declining funding costs over time. In recent years, funding costs have naturally started to rise again due to higher interest rates on deposits.

Multitude also sees the diversification of funding as an important aspect. In the 2023 CMD, the company mentioned that 99% of its deposits are below 100 TEUR (below the EU deposit guarantee limit). Thus, in our view, the deposits are well diversified. To our understanding, the access to capital market debt is also good.

Business is sensitive to regulatory changes

As a fintech bank whose loan portfolio consists mainly of high-yield unsecured loans, Multitude's business environment is sensitive to regulatory changes, such as credit policies. The company has been able to adapt to regulatory changes in a reasonable manner, but according to the company, when there's significant uncertainty and low visibility of potential regulatory changes, the market can be difficult to operate in. We discuss regulation in more detail in the Industry section.

Balance sheet

The different sides of the bank's balance sheet are intimately related and form the most important component of a bank's income - net interest income. The banking business is thus very balance sheet driven, so it is natural to treat the structure of the balance sheet as part of the business model.

Asset side consist mostly of loan portfolio and cash

Multitude's assets totaled 1068 MEUR at the end of

Q3'24. The largest item on the asset side is clearly loans to customers, which stood at 625 MEUR. It's good to note that this is the net loan portfolio as the loss allowances have already been deducted from gross loans. The gross loans to customers stood at Q3'24 755 MEUR. The major discrepancy between the gross and net loan portfolio showcases the riskiness of Multitude's loan portfolio. Naturally, the flip side to this is the high net interest income-% earned from the loan portfolio.

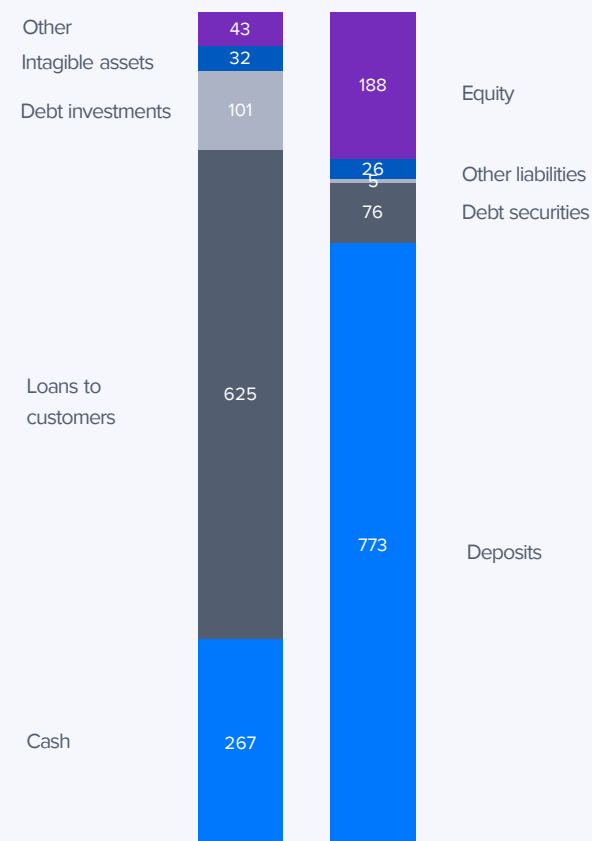
The second largest asset item is cash and cash equivalents, which stood at 267 MEUR at the end of Q3'24. Thus, the company has a lot liquidity, but it shouldn't be viewed as freely distributable capital as the bank has to maintain required solvency ratios. Multitude is also forced to keep certain level of liquid assets due to Basel III regulation. At the end of H1'24, the bank's liquidity coverage ratio (LCR) was 2353% (must be above 100%), which means that from this angle the company has more than enough liquid assets. Generally, the company also wants to keep dry powder for possible M&A transactions and high-demand situations where there's good possibilities to grow the loan portfolio.

On top of the loan portfolio, Multitude has other debt investments worth of 101 MEUR, intangible assets worth of 33 MEUR (consisting mostly of capitalized internal and external software) and other smaller asset items worth 43 MEUR in total.

Liabilities consist mostly of deposits

Multitude's deposits were 773 MEUR at the end of Q3'24. On top of deposit growth (2023: 732 MEUR) the company has increased its capital market debt funding during the year.

Balance sheet as of Q3'24



Company description and business model (4/5)

Other debt securities amounted to 76 MEUR (2023: 48 MEUR). Multitude's total equity stood at 188 MEUR at the of Q3'24 (143 MEUR without perpetual bonds).

The bank's solvency ratios do not tell the whole story, but overall the visibility of the Group's solvency is not perfect

Multitude has a full EU banking license since 2012. Banking regulation requires the bank to have sufficient capital to protect against possible losses. The required solvency ratios depend in particular on the size of the bank and the riskiness of the loan portfolio. Multitude reports the solvency ratios for the Bank (not for the Group) twice a year. At the end of H1'24, Multitude's total capital ratio was 17.3% and its CET1 ratio was 16.8%. The regulatory requirements for the total capital ratio are 16.95% and for the CET1 ratio 13.83%. Thus, the bank's total capital ratio is close to the minimum requirement and the buffer is only around 0.35%.

The bank's capital ratios do not tell the whole story of the Group's solvency levels as the company keeps the bank's capital ratios fairly close to the required level on purpose and more buffers are kept on the Group level. One way to look at the financial situation of the Group is to compare the net equity ratio (Q3'24: 23,4 %) to the required level of bond covenants (18,0 %), where there are still clear buffers.

This type of structure differs from peers as typically their bank level solvency ratios are equal to Group level ratios and they report them frequently. All in all, the visibility towards the Multitude's Group level financial situation is somewhat limited, but we don't see the solvency situation as an issue currently.

Historical performance & cost structure

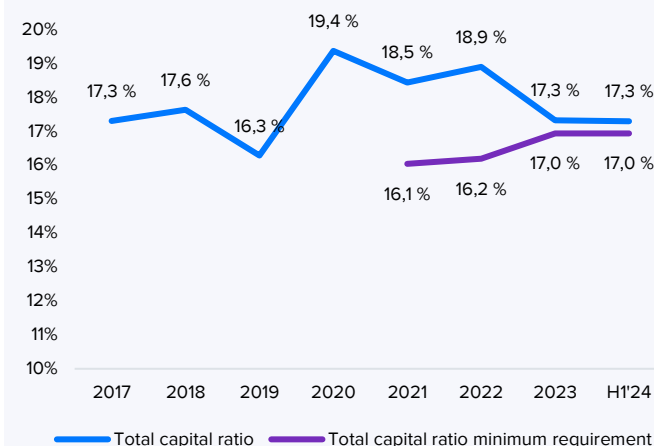
Growth has been historically fast, but not without hick-ups

Multitude's net interest income has grown by about 14% annually over the past decade (2014-2023). Growth was particularly strong prior to the COVID-19 pandemic, when annual net interest income growth was approximately 31% per year (2014-2019). In 2020, net interest income declined sharply due to reduced consumer spending during the pandemic, more risk-sensitive underwriting, and exits from certain markets. Net interest income returned to growth from 2021 onwards (2021-2023: 190-208 MEUR) but hasn't yet reached the peak levels of 2019.

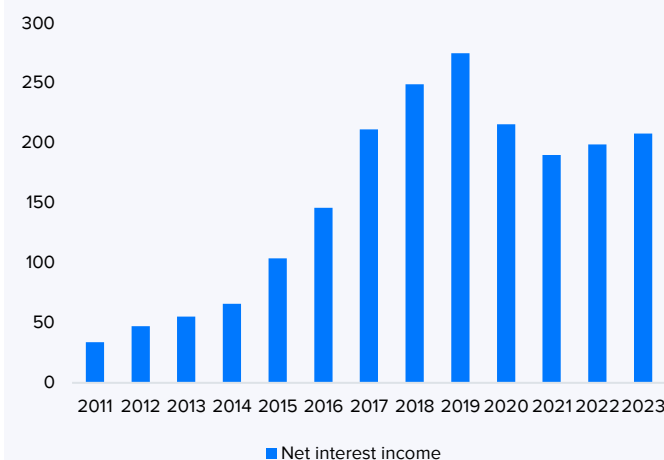
It's worth noting that the historical levels of net interest income are our own estimates, based on our calculations of how the company reported revenue prior to its transition to a bank reporting structure in 2023. For example, customer acquisition costs, which are typically included in net interest income, are difficult to assess from the outside.

Earnings growth has gone hand in hand with the development of revenue/net interest income. The earnings growth story was very strong until 2019, but earnings plummeted in 2020 and net profit turned into a small loss. As there is a significant amount of fixed costs in the company's cost base, the changes in net interest income drastically affected the profit level. Eventually, the company was able to adjust its cost base, for example by reducing staff, and returned to profitability from 2021.

Multitude Bank's total capital ratio and regulatory requirement



Historical net interest income* development (MEUR)



* Net interest income before 2022 estimated since until then the company reported revenues (close proxy to gross interest income)

Company description and business model (5/5)

After that, the company has continued to grow profitably but hasn't yet reached the profit levels of 2019. In 2024 the profit has been rather flat so far mainly due to increased funding costs and impairment charges (in H1'24).

When looking at Multitude's profit levels, it's important to note that net profit does not include the interest on the perpetual bonds. At current profit levels, the effect is quite large as the interest on the bonds is quite high (3-month Euribor + 8.9%). In 2023, the net profit was 16.4 MEUR, and after the interest cost on the perpetual bond, it was 11.1 MEUR.

The company issued the 50 MEUR perpetual bonds in 2021 to support its solvency after the weakened profitability. Since then, the company has repaid 5 MEUR of the perpetual bonds and currently has 45 MEUR of perpetual bonds on its balance sheet.

Cost structure has scaled with growth

Personnel expenses amounted to 35% of Multitude's operating costs in 2023. General and administrative expenses were 33%, depreciations 18% and sales and marketing costs 13% of operating costs.

The cost/income ratio has fluctuated between 47-60% in the last ten years trending slowly downwards, demonstrating the scalability of the cost structure. In 2023, the cost/income ratio bottomed out at 47% and the ratio has been declining in 2024 also. Comparing to e.g. our peer group the cost/income ratio is somewhat higher. Also, when comparing to traditional and larger banks the cost structure of Multitude is heavier, which is of course natural due to

its earlier development phase and growth orientation. Nevertheless, the company has still room to improve in cost efficiency and it is currently an important focus area for the company.

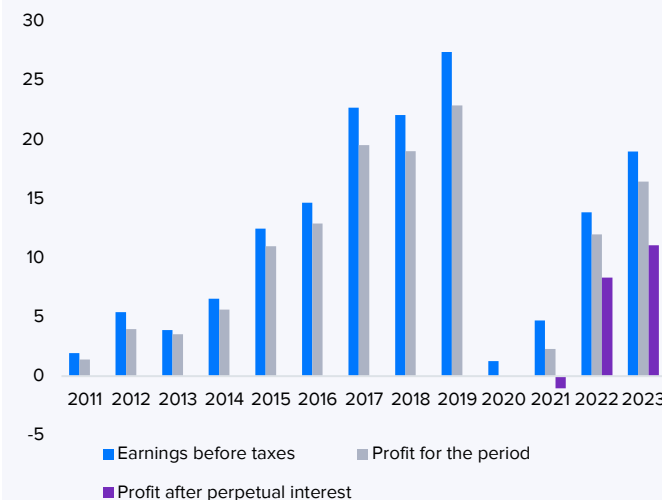
Impairment losses reflect a risky loan portfolio

The impairment loss provisions consist of expected credit losses (so-called ECL provisions) and final credit losses (or gains if the provisions are not realized).

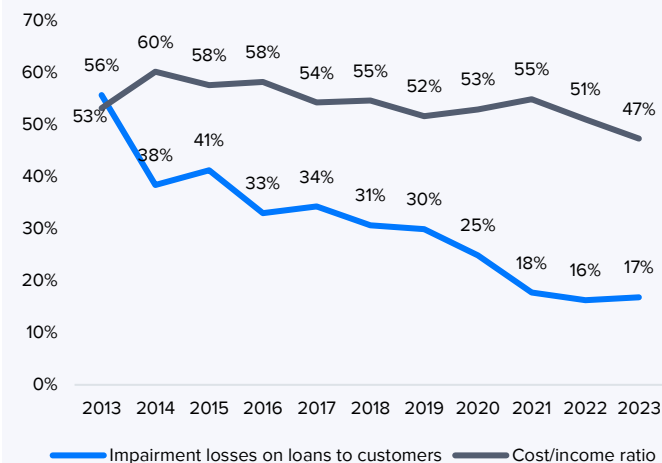
Credit losses are at a very high level compared to traditional banks or even other digital banks operating in the unsecured lending space. In 2023, impairment losses were around 17% calculated from the gross loan portfolio.

Although the level of impairments is high, Multitude has managed to reduce the relative level of impairments significantly from historical levels. Prior to 2020, the impairment ratio was around 30% and above. The lower ratio is a result of a strategic shift over time to lower yield and lower risk customers (partly also forced by regulation). According to Multitude, the company has also been able to improve its underwriting processes, resulting in lower credit losses. This change has been facilitated by increased deposit funding, as lower funding costs allow the bank to offer lower yield and lower risk loans. In general, we think the move to lower-risk customers is a good one, but the competitive landscape for lower-risk loans is also much higher. Generally, it's good to note that in the short term the impairment loss levels can fluctuate significantly if the company sells parts of its loan portfolio forward.

Historical profit development (MEUR)



Impairment loss and cost/income ratio development



Business units (1/2)

Multitude changed its reporting structure at the beginning of 2024. Today, the company reports metrics from three different business units: Consumer Banking, SME Banking and Wholesale Banking. Previously, the company reported figures from the Ferratum, CapitalBox and SweepBank segments. The main difference in the new reporting is that SweepBank has been consolidated into Ferratum and CapitalBox. Wholesale Banking is a completely new but still small segment.

Consumer Banking

Consumer Banking operates by the Ferratum brand and forms the historical basis of Multitude Group. Clearly the bulk of net interest income and basically all of the Group's profits come from this segment.

The new segment reporting started in 2024 and there is no comparable numbers of the new segment from the whole year 2023 yet. During the first 9 months of 2024, the segment constituted 86% of the Group's net interest income. The segments loans to customers stood at 478 MEUR at the end of Q3'24. The historical Ferratum-segment isn't fully comparable with the new Consumer Banking since SweepBank was consolidated to Ferratum and CapitalBox (SME Banking).

Ferratum's main lending products are Micro Loan, Plus Loan, Prime Loan, & Credit Limit. Micro, Plus and Prime loans range from only EUR 25 to around EUR 15,000. The maturity of the loans range from 7 days to around 7 years. Credit Limit offers a credit line up to EUR 5,000 and is the most popular product under the Ferratum brand. Credit Limit is also the most important profit driver for the segment and thus for

the whole Group as well. Ferratum's Credit Card allows purchases up to EUR 8,000 and the money can also be withdrawn straight to customers bank account, term deposits and engagement programs. With the integration of SweepBank into the business unit, Ferratum now also offers payment cards, bank accounts and other services.

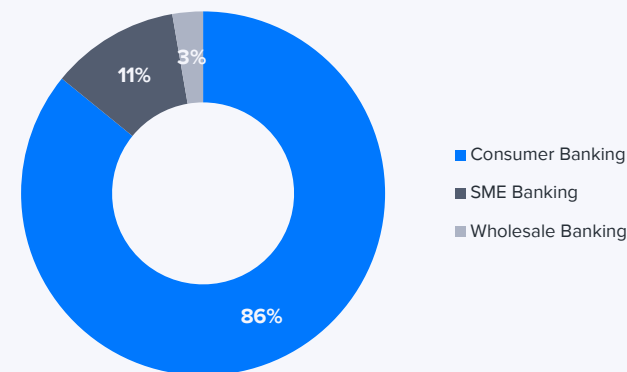
The products are specifically designed to help consumers manage expenses caused by unexpected life events and are therefore mostly used for ordinary expenses. The loans are mostly unsecured, and the application process is quick and easy. The applicant is assessed using an AI-powered scoring algorithm, and the offer is personalized to each customer based on their risk level and affordability. The length of the application process (from start to the customer having the money in their bank account) can take as little as 15 minutes.

The interest rates on the loans are typically high, but Ferratum has gradually shifted to lower-yield, lower-risk loans. According to Multitude, Ferratum's average customer is evenly split between men and women, is over 30 years old, and has a salary level slightly above the country's average. Ferratum currently operates in 14 countries: Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, Germany, Latvia, Netherlands, Norway, Poland, Romania, Slovenia and Sweden.

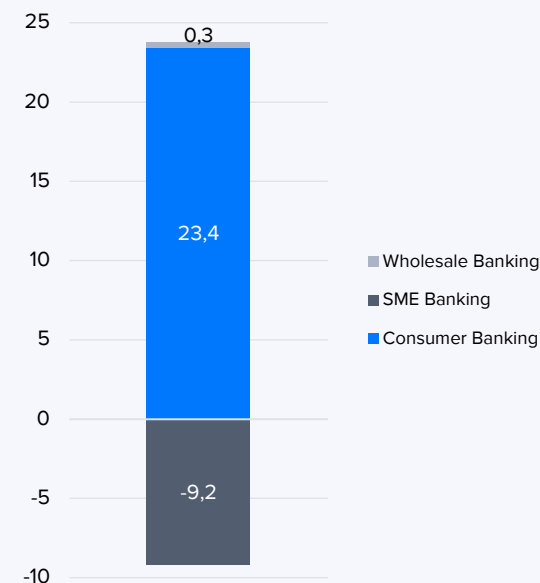
SME Banking

SME Banking operates under the CapitalBox brand and the business was established in 2015. The segment accounted for 11% of the Group's net interest income in the first nine months of 2024.

Net interest income by business unit (Q1-Q3'24)



Earnings before taxes by segment (Q1-Q3'24)



Business units (2/2)

The segment is still clearly loss-making (Q1-Q3'24 earnings before taxes 9.2 MEUR) and is therefore a drag on the Group's profitability. Turning SME banking into a profitable business is currently a key priority for the company. A key issue for CapitalBox, as we understand it, is that loan losses are too high relative to the income generated by the loans. Thus, the unit's underwriting process still needs to be improved. The segment's loans to customers amounted to 135 MEUR at the end of Q3'24.

CapitalBox offer five main products: Instalment Loans, Invoice Purchasing, Credit Line, Secured Loans and Purchase Finance.

Instalment loans are up to 350 TEUR and have terms of 6-48 months. According to Multitude, the average instalment loan is 21.3k with a loan term of 22 months.

The Invoice Financing product was acquired by CapitalBox through an asset purchase from Omniveta. Currently, CapitalBox only offers invoice financing in Denmark, but the company aims to expand the product line to other countries.

Credit Line is a traditional credit line for SMEs ranging from 2-150 TEUR. Secured Loan is a more traditional secured loan designed to support larger investments. Loans can be up to 3 MEUR. Purchase Finance (Buy Now, Pay Later) is the latest product addition for CapitalBox. The product provides businesses with unsecured funding of up to 20 TEUR and is designed to help SMEs manage their cash flow effectively.

According to Multitude, the typical CapitalBox customer is a micro/small company that has been in business for at least one year, employs three people, and has annual revenues of approximately 500

TEUR. We believe that the small size of the client companies partly explains the high credit losses. Also, exposure to certain industries (e.g. construction) has boosted credit losses recently. CapitalBox is currently active in five markets: Finland, Sweden, Denmark, Lithuania and the Netherlands. It has more than 7,000 active customers.

Wholesale Banking

Wholesale Banking operates under the Multitude Bank brand. It is an entirely new segment and was introduced as a separate unit at the beginning of 2024. The segment focuses on two key offerings: Secured Debt and Payment Solutions.

Secured Debt provides financing for, for example, loan portfolios of other fintechs or alternative lenders where their loan portfolio is pledged as collateral. Currently, the majority of the business unit's income comes from Secured Debt products. Loan losses have been small so far and the growth prospects for the Secured Debt product area appear to be positive.

Payment Solutions products provide banks, payment institutions and electronic money institutions with components for end-to-end payment operations. The offering supports core processes that ensure the efficient management of payments. The Payment Solutions offering is still very small in terms of fee/commission income, but Multitude sees clear opportunities. The Payment Solutions offering was originally developed to support the company's own internal businesses, as the company developed relationships with local central banks in various countries. Eventually, the company felt it was ready to scale Payment Solutions for external clients as well.

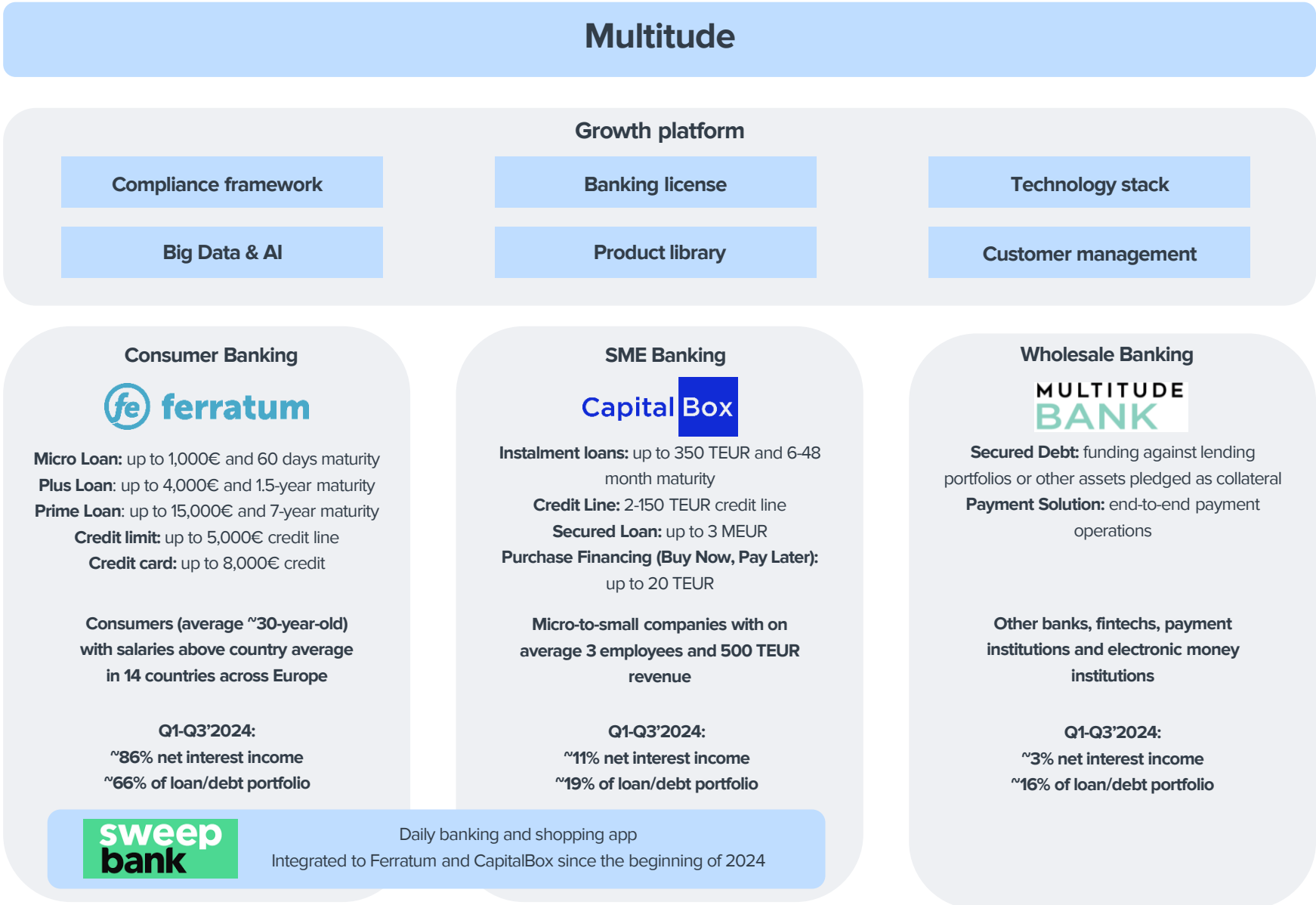
Wholesale Banking remains a very small segment. Net interest income in the first nine months of 2024 was 4.4 MEUR, which is 3% of the Group's level. Due to its small size, the profitability of the segment is still low. Nevertheless, the segment is already profitable (Q1-Q3'24 profit before taxes 0.3 MEUR). Loans to customers were only 11.7 MEUR, but secured debt is calculated as "debt investment" and amounted to 101.2 MEUR. It's also worth noting that Payment Solutions does not affect the size of the loan portfolio and is not included in net interest income (shown as fee income).

SweepBank is nowadays integrated to Consumer Banking and SME Banking

SweepBank was a separate business until the end of 2023, when it was integrated into Consumer and SME Banking. It continues to operate under the old SweepBank brand. SweepBank is a mobile banking solution that provides customers with everyday banking, financing and shopping services.

The idea behind the integration of SweepBank into Consumer Banking and SME Banking was to make all daily banking solutions more accessible to the customers of Ferratum and CapitalBox segments. After the integration, the company has planned to add credit cards, mobile banking app and loyalty program to its offering. As far as we know, the integration is still ongoing and currently the SweepBank offering has been integrated into Ferratum only in Latvia. With the integration, SweepBank's legacy customers will be able to use Ferratum's and CapitalBox's services, creating cross-selling opportunities. We also believe that the use of SweepBank's deposit base as a funding source will be more efficient after the integration.

Multitude's organizational structure and business units



Investment profile

Multitude is a profitable, growth-oriented, high-risk digital bank

For a long time, Multitude was profiled as a profitable and growing technology company, and not so much as a bank. This was reflected in the company's valuation, which reached very high levels prior to the COVID-19 pandemic. The profitable growth story was challenged during the COVID-19 pandemic, when reduced consumer spending and more conservative underwriting policies (by Multitude) took a significant toll on Multitude's earnings. Thereafter, the company was profiled as a turnaround company in our view. The company also stopped paying dividends after 2019 partly due to solidarity (restructuring of personnel in 2020) and covenant restrictions. The restructuring resulted in a reduced headcount in 2020.

Since then, the company has returned to a profitable growth path. The company also paid its first post-pandemic dividend in 2023 (from 2022 earnings). Although profitability has started to recover significantly, the balance sheet still has an expensive perpetual loan (issued in 2021) that the company used to increase its IFRS equity. In 2024 the earnings development has been rather flat, mainly due to higher funding costs caused by higher interest rates. According to Multitude's guidance earnings growth will pick up again next year. Overall, the risk profile of Multitude is clearly higher compared to traditional banks e.g. due to smaller size, somewhat limited visibility to Group level solvency, volatility in historical development and riskier loan portfolio. On the other hand, the risk profile has decreased after the successful turnaround and as the quality of loan portfolio has improved. Otherwise, Multitude is now profiled as a profitably growing digital bank.

Strengths and opportunities

Known brands. Especially Ferratum is a known brand in the Nordics, which is the company's largest geographical area. In our view, strong brand helps especially with customer acquisition.

Moving to lower risk clients lowers impairment losses, reduces regulatory challenges and generally lowers the company's risk profile. Although, the competition in lower risk unsecured loans is also in our view high.

Scalable cost structure. Multitude's cost structure is largely fixed, allowing profitability to scale as the loan portfolio grows. This is reflected in the historically improved cost/income ratio.

Large addressable market with still a relatively low market share. Multitude estimates its total addressable market (combining all its segments) to be over 50 BNEUR, of which Multitude has a low single digit market share. Therefore, the organic growth potential for Multitude is high if the company is able to be competitive and target the right markets and customers.

Inorganic growth and partnerships. Acquisitions can be a good way to broaden product portfolio or gain economies of scale. Partnerships can be a good way to achieve scalable growth.

Geographical diversification. Multitude operates in 17 countries in total, so major regulatory changes in a single country, for example, don't have a dramatic impact on the company.

Strong deposit base. Multitude is able to fund its loan portfolio primarily with deposits due to the short maturities of the loans, which is generally a lower cost option compared to capital market debt.

Weaknesses and threats

The business is somewhat dependent on credit cycles but there are also counter-cyclical elements. The demand for consumer loans directly affects the demand environment of the company (negatively e.g. during the COVID-19 pandemic). On the other hand, sometimes the demand for fast unsecured loans may increase in economic downturns and thus, the demand has countercyclical elements as well.

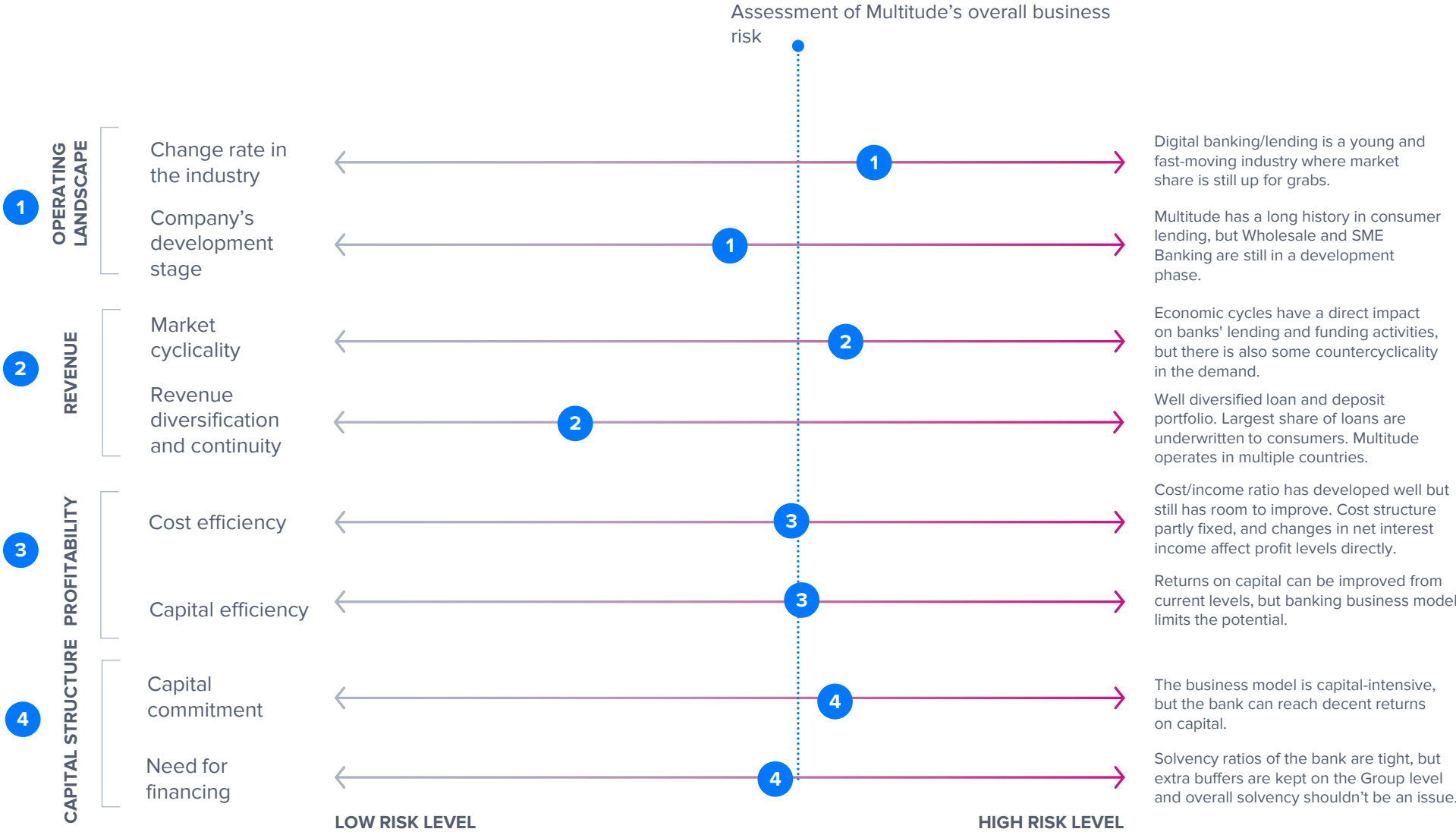
Regulation. Because Multitude is involved in high yield unsecured lending, the company is very dependent on, for example, credit policy regulation. We believe that regulation has been one of the reasons that the company has entered and exited many countries of operation at a rapid pace throughout its history. We see tighter regulation (especially on consumer lending) in the EU as a clear risk factor for Multitude going forward.

Increased competition. Multitude faces a lot of competition in the neobank/digital banking space and many of the competitors have managed to increase their customer base significantly in recent years. Therefore, Multitude must be vigilant in order to stay with or ahead of the competition.

Any cyber-attacks, misuse of data or other reputational damage could be fatal for the company, as data integrity and security are crucial for the bank's reputation.

Solvency. The visibility towards the Group level solvency is somewhat limited as the ratios are reported only on the bank level. Multitude Bank's solvency ratios are close to regulatory minimums, but there's more buffers on the Group level.

Risk profile of the business model



Source: Inderes

Investment profile

1.

Large market and low market share make organic growth potential good

2.

Track record of organic growth has been strong but not without hiccups

3.

Growth is capital intensive

4.

Fixed costs scale with volume growth

5.

Regulation can cause significant changes to operating environment

Source: Inderes

Potential



- Organic growth potential is good due to large market and still low market share
- With the help of scalable cost structure return on equity can reach good levels with volume growth
- Partnerships could form an easy way to target new customer segments
- Potential acquisitions to strengthen product range and market position

Risks



- Regulatory changes to, for example, interest rate caps can change the working environment
- Increased competition in digital banking/lending industry
- The business is dependent on macroeconomic conditions, but there's also countercyclical elements in the demand
- The loan portfolio consists mainly of high-risk (unsecured) loans, which results in high impairment losses

Industry and competitive landscape (1/3)

Overview of the industry

Multitude operates in the European consumer and SME lending industry. In its 2023 Capital Markets Day, Multitude estimated its total addressable market to be around 55 BNEUR, calculated as the potential size of the loan portfolio. According to the company, this only includes customers that are overlooked by traditional banks.

Of the total market, Ferratum's addressable market (consumer credit) is around 25 BNEUR. In terms of loan portfolio, Ferratum's loan portfolio represents approximately 2% of the total market. CapitalBox's total addressable market (SME lending) is around 15 BNEUR, of which it has a market share of around 1%. The total addressable market of Multitude Bank (wholesale banking) is estimated at around 16 BNEUR. Given the early stage of Wholesale Banking, Multitude's market share in this segment is close to zero percent. Therefore, the size of the market doesn't really constrain Multitude's growth and Multitude's growth is more dependent on its market share growth than on market growth.

Industry growth drivers

Overall fintechs, digital banks and lenders have experienced significant growth in the last decades, as the industry was basically born in the 21st century and started to gain small market share from traditional banks. The neobanking industry is an example that started to develop especially during the mobile phone era, as mobile banking solutions are often an important part of their offering.

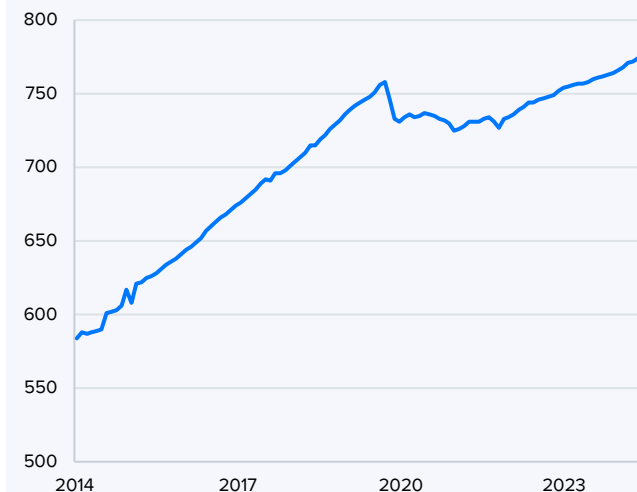
Clear growth drivers for the fintech industry include

supportive regulation (e.g., PSD2 enabled third-party providers to access account data from traditional banks) and the growing acceptance of new banking technologies among consumers and SMEs. This has resulted in digital banks taking market share from traditional banks. Overall, neobanks/digital banks are still a rather small niche compared to the overall banking industry. One can compare Multitude's 55 BNEUR TAM to the euro area's loans to non-financial corporations, which currently exceed EUR 5 trillion, and loans to households, which exceed EUR 6 trillion. The numbers are not fully comparable, of course, but it gives an idea of the scale.

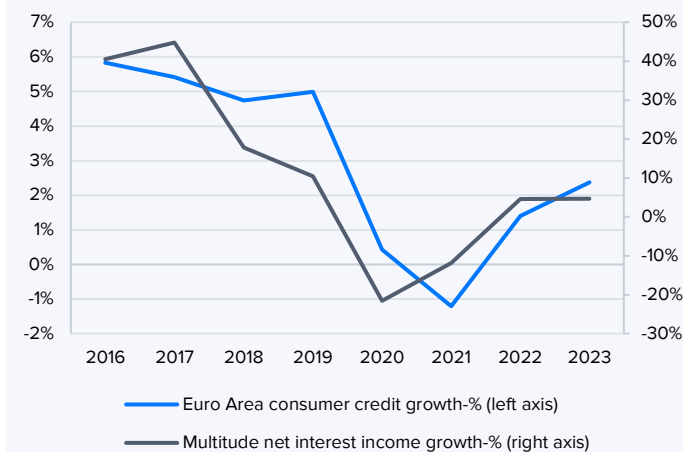
In a broader sense, when looking at Multitude's Consumer Banking business unit, the amount of total consumer credit drives the digital consumer lending industry. As can be seen from the chart, the amount of consumer credit in the euro area grew rapidly and quite steadily before the COVID-19 pandemic. The annual growth rate of consumer credit during 2015-2019 was around 4-6%. At the start of the COVID-19 pandemic, there was a small but sharp decline in the amount of consumer credit. The decline was partly due to the decrease in spending during the first phase of the pandemic, which naturally affected the demand for consumer credit. Another important factor in the decline was the tightening of credit policies throughout the euro area.

The total amount of consumer credit returned to growth in 2022, and growth has been fairly steady since then, but the growth rate has been lower than in the pre COVID-19 era. Considering the higher inflation, the real growth rate has been significantly slower than in the past.

Euro Area Consumer Credit development (BNEUR)



Euro Area consumer credit growth-% and Multitude's net interest income growth-%



Industry and competitive landscape (2/3)

A relevant growth driver for players in SME lending is the SME financing gap (the number of SMEs requiring external financing vs. the availability of external financing). According to the ECB's SAFE report ("Survey on the access to finance of enterprises in the euro area"), this gap has widened significantly, especially from 2022 onwards, when interest rates started to rise and the economic outlook in Europe weakened. The reduced availability of SME finance is a trend that supports the demand for alternative lenders such as CapitalBox. In the most recent surveys conducted by the ECB in 2024, the gap between funding availability and demand has started to narrow.

Of course, for SME lending, the amount of euro area loans to non-financial corporations is the relevant market indicator to follow, although it also includes larger corporations.

Regulation has the potential to cause significant changes in the operating environment

Consumer credit markets are sensitive to regulatory changes, and the regulatory space can also move quite quickly. For example, in Finland (one of Multitude's largest markets on consumer loans), the scope of the interest rate cap was expanded in 2019. Then the cap itself was temporarily tightened to 10% in October 2020, but the cap returned to 20% in September 2021 (after which the cap was permanently lowered to 15% in 2023).

Tighter credit policies naturally limit the interest rate that Multitude (or mostly Ferratum when it comes to consumer credit policies) can charge on its loans. This can force Multitude to move into lower yielding

and less risky customer segments, which it has done.

Tighter credit policies aren't always bad for Multitude, as tighter regulation can drive other competitors out of the market, allowing Multitude to increase its market share. In our view, the best situation for Multitude would be a stable and predictable policy.

In general, we believe that credit policies in Europe have moved towards tightening, but it is difficult to generalize as there are also countries where credit policies are loosening.

The EU adopted the so-called "Second Consumer Credit Directive" (CCD2) in September 2023, which added regulations on consumer credit to protect consumers and facilitate a common market for consumer credit in the EU. The new directive adds some elements to the old CCD1 directive. The new directive does not include EU-wide hard caps on interest rates or total cost of credit but leaves the responsibility for these to the member states. EU member states have until November 2025 to transpose the CCD2 provisions into their national legal systems and until November 2026 to apply them.

As far as Multitude is concerned, CCD2 shouldn't cause any problems as the company is already compliant. The biggest impact of the new directive will be on "Buy Now, Pay Later" providers.

In terms of regulation, we believe that SME lending is much more relaxed and there are no interest rate caps like there are in consumer lending. This makes the business environment a little more predictable.

Eurozone loans to non-financial corporations (trillion €)



Industry and competitive landscape (3/3)

Competitive landscape

Multitude faces a diverse competitive landscape rather than a one clearly defined group of competitors. In our view, Multitude's competitive landscape consists mainly of digital banks specialized in SME and consumer lending and to some extent neobanks operating in the Nordics and Europe. Neobanks try to challenge traditional banks in all their product categories and everyday banking services such as accounts, cards and payments are an important part of their core offering. The core offering of consumer and SME lenders is mainly credit products, and daily banking services are not as important. As a result, net interest income is clearly the largest income stream for this group, and for the neobanks fee and commission income plays a larger role. In our view, banks specializing in SME and consumer lending are a more relevant competitor group for Multitude, as most of their income comes from lending activities. With the SweepBank offering, daily mobile banking services are also a relevant area for Multitude.

Because competitors are not tied to a physical banking network, they are often able to operate in multiple countries. Many players in the space are active in both consumer and commercial banking, but some players are more focused on one or the other.

The competitive field is quite broad and the European neobank/digital banking industry is still rather unconsolidated. In our view, it's difficult to develop sustainable competitive advantages in this sector, as the offerings of the companies are quite similar.

Neobanks have grown very rapidly in recent years

and have managed to attract large numbers of customers. The neobanks are mostly unlisted and, overall, are still in an early stage of development. This is underlined by the fact that many of them were unprofitable before the interest rate rise. Multitude's relevant competitors in the neobank group include bunq, Lunar, N26, Revolut, Starling Bank, Qonto, October and OakNorth. These companies operate on a fairly large scale in Europe. For some neobanks, lending products play a minor role in their revenues, so not all of these companies are very relevant competitors.

The group of digital banks specializing in SME and consumer lending is, in our view, the most relevant group of competitors for Multitude, although they tend to focus on slightly larger loans with longer maturities. This group is also generally more growth-oriented than larger, more traditional banks. Compared to the neobanks, they are clearly in a more mature phase, with most of the companies being profitable and some being listed. Relevant competitors in this group include Norion Bank, Bank Norwegian, Nordax Bank, Resurs Bank, Svea Bank, TF Bank, Bigbank, Lea Bank and Instabank. These companies operate mainly in the Nordic and Baltic countries and also in some Central European countries.

In addition to the aforementioned groups, there are other types of competitors that focus on a specific niche. Examples of this group are Klarna (Buy Now, Pay Later banking) and Holvi (daily banking for SMEs).

Multitude doesn't view traditional banks as competitors because Multitude specifically targets customers overlooked by traditional banks.



Multitude's competitive field

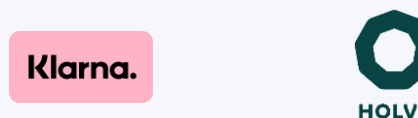
European neobanks:



Nordic/Baltic digital banks specialized in SME and consumer lending:

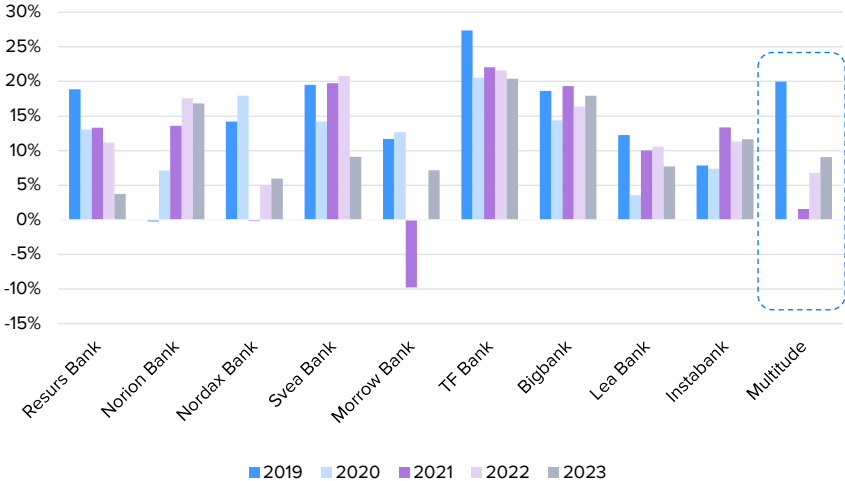


Example of other competitors:

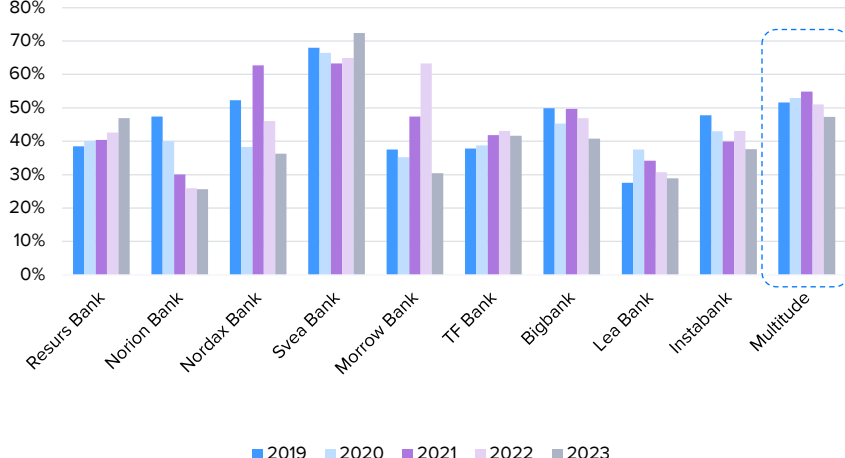


Key numbers of competitors

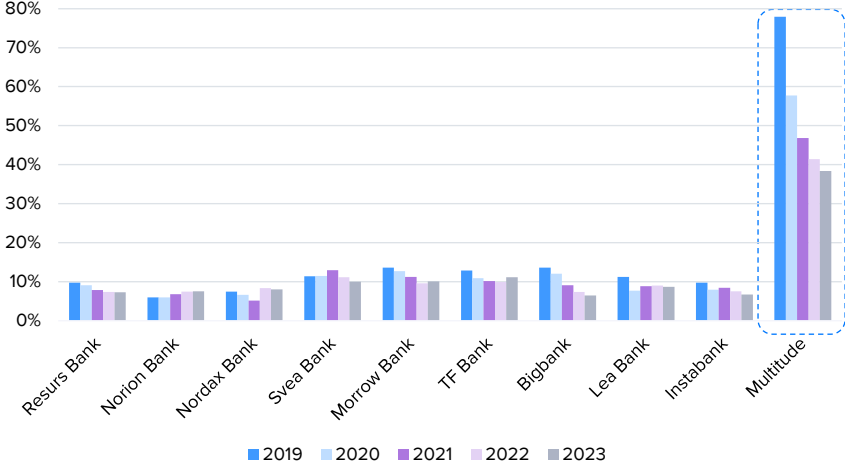
Peer groups return on equity (ROE)



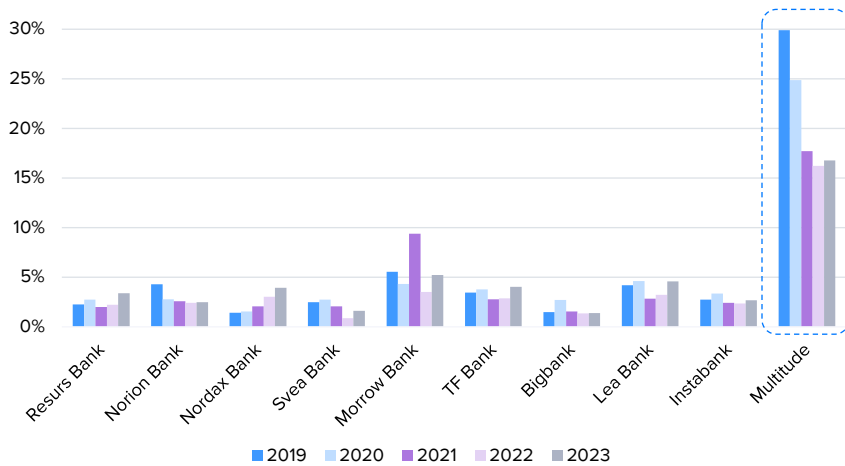
Peer groups cost/income ratio



Peer groups net interest income- %



Peer groups impaired loan coverage ratio- %



Note: Multitude differs from its competitors with clearly higher net interest income (not fully comparable) and share of impaired loans indicating much higher risk profile of the loan portfolio.

Neobanks not included here due to less comparable numbers (very high volatility in recent years), worse availability of data & less comparable business model.

Strategy and financial targets (1/3)

Profitable growth by serving overlooked customers

Multitude updated its strategy in late 2023 for the 2024-2026 strategy period. The big picture of the strategy remained largely unchanged. Multitude's strategy focuses on profitable growth by serving consumers, SMEs, and other fintechs that are overlooked by traditional banks. Multitude aims to democratize financial services through digitization, making them fast, easy and green. Multitude's vision is to build the most valuable financial platform for this customer segment.

Growth platform as a growth enabler

Multitude's strategy is clearly growth-oriented, although the company has no specific growth targets in terms of net interest income or loan portfolio. The company aims to expand its market positions in all its different business units, with CapitalBox (SME banking) and Multitude Bank (Wholesale Banking) being clearly more growth-oriented. Multitude sees clear megatrends supporting its growth, with some of the key drivers being big data, artificial intelligence and machine learning. Multitude aims to grow both organically and inorganically, as well as through partnerships.

According to Multitude, the backbone of its growth strategy is its internal growth platform. The internal platform includes the compliance framework, banking license, technology stack, big data & AI, product library and customer management. The growth platform enables scalable growth, for example when expanding to new countries or new business lines. From the outside, it's hard to assess what kind of competitive advantage the growth

platform brings.

Organizational structure rearranged

As part of its new strategy, Multitude has reorganized its organization and business units so that the old SweepBank unit is integrated into Consumer Banking (Ferratum) and SME Banking (CapitalBox). In this way, former SweepBank customers will have better access to the credit services of the larger segments. On the other hand, Ferratum and CapitalBox customers will have better access to SweepBank's everyday banking services, such as credit cards. To our knowledge, the company hasn't yet realized significant cross-selling synergies. The company just recently launched SweepBank Debit Card and Current Account for its existing Ferratum customers.

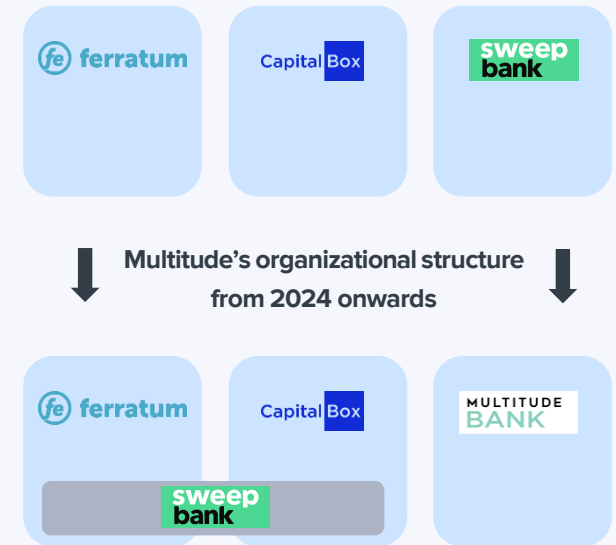
By integrating SweepBank's technologies into the other segments, Multitude aims to improve customer retention and maximize customer lifecycle value. According to the company, this strategy differs from that of other digital banks, whose strategy is often simply to maximize customer volume.

In addition, as part of the updated strategy, Wholesale Banking was spun off as a fully independent new business unit. Previously, Wholesale Banking services were provided under the SweepBank business unit.

Main focus is on organic growth

The main drivers of organic growth are product and country portfolio expansion. Multitude has a history of expanding into many new geographies but also exiting them quickly.

Multitude's old organizational structure



Key rationale behind the organizational change:

- Daily banking offering (payments, bank accounts & bank cards) to Ferratum and CapitalBox customers
- SweepBanks customer get better access to the lending products of the larger segments
- Aim to improve customer retention and maximize customer lifecycle value
- As an independent unit, Wholesale Banking is more focused to pursue growth from external customers

Strategy and financial targets (2/3)

A typical reason for exiting a particular market in the past has been unfavorable risk/reward patterns, not finding the right customer segment or unclear regulation, which has made the operating environment harder to navigate in. Thus, it has been easier to just exit the market. At this stage, we do not believe the company has any plans to exit any of its current markets. We think it is more likely that the company will try to expand and test new markets in the future. The main focus remains Europe, but the company may also want to test some developing countries (e.g. the company has small business in India).

The product portfolio has also been consistently developed throughout history, although this source of growth has been mixed with the M&A strategy, as new product areas have also been acquired through M&A (Omniveta / invoice purchasing). The company was founded with the consumer credit business (Ferratum) and related products still form the backbone of the company. Throughout its history, the company has expanded into new areas such as daily banking through SweepBank & SME lending through CapitalBox. SME lending was established in 2015, but it's still somewhat in the early stages of development as it's still loss-making. Wholesale Banking is a recent example of an organic business line expansion.

Partnerships form new possibilities

Partnerships are another key growth driver for Multitude. Partnerships can include channel allies, white label partners and service provider partners.

Historically, Multitude hasn't used partners to a great extent, but this is an area where the company will look to grow more in the future. An example of potential partners are online stores where Multitude can offer its lending products (integrated with the partner's system). In our view, good partnerships can be a significant growth driver for the company, allowing it to expand into entirely new customer groups relatively easily. In Q3'24 the company mentioned it had signed its first embedded finance partner in Poland.

M&A strategy can be divided into three pillars

Inorganic growth through acquisitions is also part of Multitude's strategic toolbox. Multitude has three distinct strategies when looking at potential M&A targets. In the first pillar, the strategy is to look for targets that purely help Multitude to grow its loan portfolio, with the aim of achieving synergies through increased economies of scale. In particular, the acquisition of Dutch SME lender Spotcap in 2020 falls into this category. Multitude didn't disclose the acquisition price, but we believe it was on the low side as the acquisition was not material to the company's numbers.

In the second pillar of M&A, Multitude looks for targets where it can expand into new countries or product areas. The acquisition of Omniveta in 2024 can be included in this category, as the company entered invoice purchasing with this acquisition. Multitude plans to extend the invoice purchasing product that Omniveta has in Denmark to its other operating countries.

Three pillars of Multitude's M&A strategy:

- Purely growth-oriented acquisitions -> Idea is to grow volumes and loan portfolio, synergies come from increased scale benefits
- Expansion into new countries or product areas
- Potential new businesses areas brought to the platform

Multitude's M&A history:

Year	Target	Share bought	Location	Rationale
2024	Lea Bank	9.9% (+8.7%)	Norway	Strategic partnership / financial investment
2024	Omniveta	100 %	Denmark	Invoice purchasing
2023	Sortter Oy	19.97%	Finland	Financial comparison platform
2020	Spotcap	100 %	Netherlands	SME lender (growth of loan portfolio)

Strategy and financial targets (3/3)

In the third pillar, Multitude looks for targets where it can enter completely new business areas that it can add to its platform. Minority investments in financial comparison platform Sorter Oy (19.97% stake) and Lea Bank (9.9% + possibly additional 8.7% stake) are included in this category. The investment in Lea Bank this year was a significant step for Multitude, as the total purchase price will be 15 MEUR if the Norwegian and Swedish financial authorities approve the whole deal (approx. 8 MEUR if the stake would remain at 9.9%). We believe that there are no significant obstacles to the transaction, and we expect that Multitude will be able to acquire the remaining stake. With the minority stake, Multitude gains more exposure to higher quality loan assets (Prime Loans), where Lea Bank is relatively stronger than Multitude. With the deal, Multitude aims to create opportunities for strategic cooperation and synergies in the future, but concrete plans regarding these are not yet clear to our understanding. In addition to the complementary products and potential strategic cooperation, Multitude sees Lea Bank as a financial investment as such with "attractive returns in terms of dividend yield and income from the associated company".

Targeting strong earnings growth

Multitude's financial target in terms of profit is to reach 23 MEUR of net profit in 2025 and 30 MEUR net profit by 2026. In our view, this is an ambitious target as it would imply a near doubling of net profit from the 2023 level (16.4 MEUR). Moreover, profit development has been pretty much flat in 2024, so reaching the target would require very significant profit growth in 2025 and 2026.

Multitude has noted that the 30 MEUR target is valid despite the increase in financing costs due to the changed interest rate environment. Overall, Multitude's sensitivity to interest rates differs from that of traditional banks, as Multitude's interest income comes mainly from risk premiums and the level of reference rates has only a minor impact on interest income. On the other hand, changes in reference rates have a relatively greater impact on funding costs. Multitude also has longer (up to 36 month) deposits, and the currently lowering interest rates affects the funding costs with a lag. Overall, the interest rate risk is rather low as both interest income and expenses move rather hand in hand.

Key drivers for the profit target include continued growth, as the cost structure scales quite well with increased topline. Another key component is to make CapitalBox profitable, as the business unit is still loss-making. Multitude has mentioned in its strategy that it aims for all new business initiatives to be profitable within 24 months. From this perspective, CapitalBox is still lagging significantly, but of course this is a new target for new ventures. Multitude continues to focus on cost efficiency and the company still sees room for improvement in its cost/income ratio. Cost efficiency is also something that the new CEO highlighted as a focus area.

No targets related to capital ratios

Multitude doesn't have targets for capital ratios. In general, the company doesn't want to hold a significant buffer in the solvency ratios and the balance sheet away from overcapitalization. Currently, the total capital ratio is quite close to the regulatory requirement, so there really aren't any significant buffers for potential losses but additional

buffers are kept on the HoldCo level. We have discussed Multitude's solvency situation in more detail in the Business Model section.

Dividend policy

Multitude aims to pay out 25-50% of its net income as dividends. It's good to note that Multitude's bond documentation includes a covenant that prohibits the distribution of more than 50% of net income if the net equity ratio is below 25% (Q3'24: 23,4%). Due to the nature of the business model, paying dividends has to be balanced with the company's growth ambitions.

It's worth noting that the interest on the perpetual loan is not included in the income statement and net income. On the other hand, perpetual interest is deducted from EPS and also directly from equity on the balance sheet. Thus, the distributable cash flow to shareholders is lower than the net income indicates.

While being listed, Multitude paid annual dividends in 2014-2018, but after that the dividends paused. The company resumed dividends in 2022 (paid in 2023), when the company paid 0.12€ dividend per share (22 % of net profit). From 2023 earnings (paid in 2024) the company paid 0.19€ dividends per share (25 % of net profit).

Market cap goal seems ambitious

The company has stated in 2023 that the "management dream" is to reach a market capitalization of 1 BNEUR in five years (2028), which would imply approximately a tenfold increase in market capitalization from current levels. In our opinion, this target is very ambitious, and it's most likely that this target will not be achieved.

Financial targets

Financial targets (period of 2024-2026)

Continued growth and expansion of market positions in all business units

- **Organic growth:** 1) Product and country expansion 2) Cross-selling synergies through SweepBank integration
- **Partners:** 1) Sales allies 2) White-label collaborators 3) Service provider partners
- **Inorganic growth:** 1) Enhance current offering 2) Enter new countries or new products areas 3) New business units into the growth platform

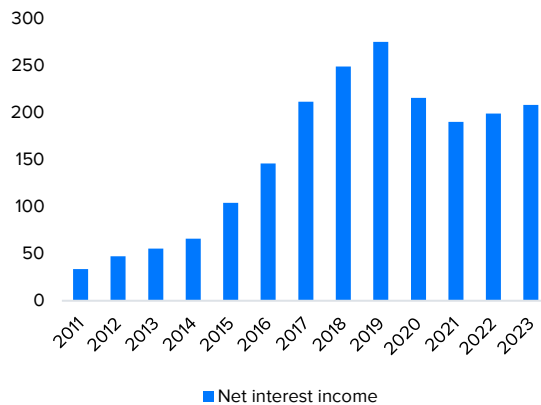
Net profit to 23 MEUR in 2025 and 30 MEUR in 2026

- **Key drivers:** Scalable cost structure through continued growth, continued general cost efficiency, turning CapitalBox profitable & cost synergies from SweepBank integration
- Considering the flat profit 2024 the guidance would need a significant profit improvement in 2025 and 2026
- Target seems ambitious but with good performance possible to achieve

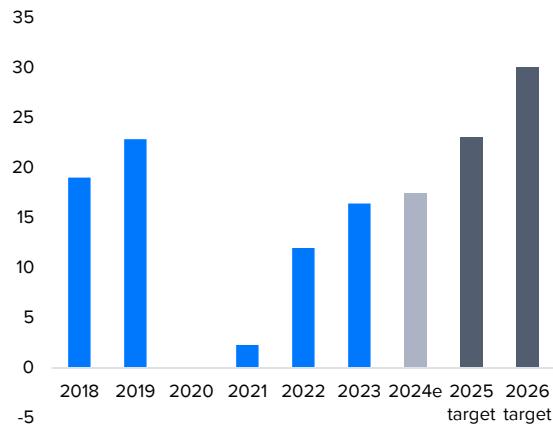
Dividend payout ratio 25-50% of net profit

- History of yearly dividends paused in 2019 and return to paying dividends in 2022 (0,12€ per share, 22% of net profits)
- When dividends have been paid the payout ratio has been always under 50%
- Bond covenant prohibits payout ratio of more than 50% if net equity ratio is below 25% (Q3'24: 23,4%)

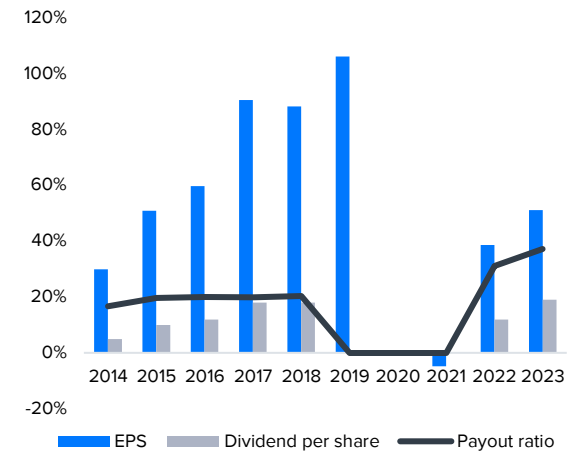
Total revenue / Net interest income development (MEUR)



Profit guidance (net profit)



EPS, DPS & payout ratio development



Estimates (1/3)

Basis of our estimates

Net interest income (NII) clearly represents the majority of Multitude's income streams and we forecast its development by estimating the growth of the loan portfolio, estimating the development of the ratio of gross interest income to the loan portfolio and the cost of funding. We estimate net interest income for all of Multitude's different segments. In addition to net interest income, there are other forms of income such as fee and commission income and income from associates. Fee income is typically very small for Multitude as most fee-like income streams are already included in net interest income. Income from associates will increase slightly from Q4'24 due to the minority interest in Lea Bank. Net interest income and other income streams make up total net operating income.

In general, Multitude's net interest income is fairly predictable, as the loan portfolio doesn't make large movements in either direction in the short term. However, compared to a traditional bank, the forecast risks are higher, for example due to the shorter maturity of the loan portfolio. We expect the loan portfolio to continue to grow in the coming years. Consumer Banking will remain by far the largest loan portfolio, but we expect the growth rate to be higher in the more "early-stage" SME Banking and Wholesale Banking businesses.

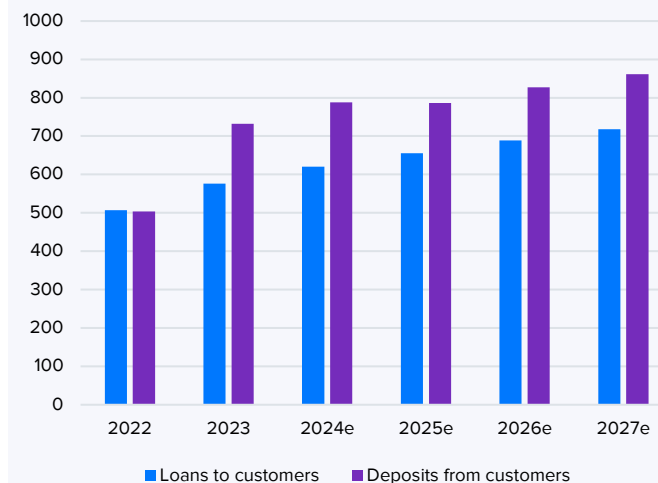
We expect the gross interest income margin of the loan portfolio to continue a slightly declining trend across all businesses in the coming years. This is due to declining interest rates and, in particular, the company's conscious decision (and to some extent forced decision, e.g. through tighter credit policies) to

focus on lower-risk, lower-yielding customers. At the same time, we expect the relative cost of funding to decline slightly in the coming years, mainly due to falling interest rates, which will eventually be reflected in deposit rates. Multitude also has longer-term deposits (up to 24-36 months), so it will take some time for the decline in interest rates to be fully reflected in funding costs, just as it has taken some time for rising interest rates to be reflected in higher costs. These effects balance each other out, and we expect net interest income margin to remain rather flat over the next few years.

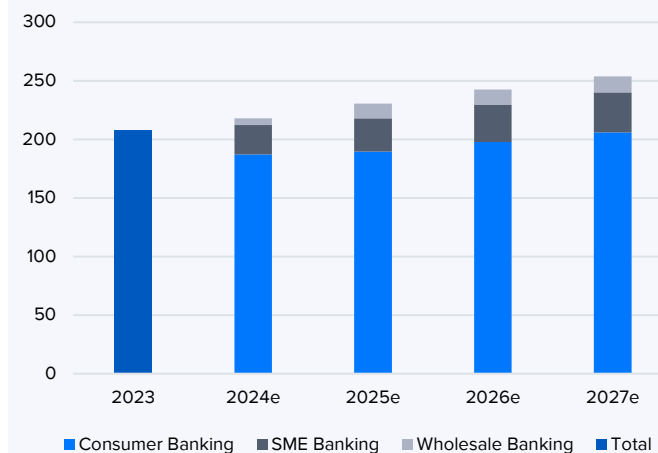
When it comes to profit, we only forecast profit for the whole group, even though the company reports profit for the different segments. The segments are new and there's uncertainty about how interest expenses and fixed costs will be allocated between the segments. Of course, there's also uncertainty in the net interest income at the segment level, and the main focus of our estimates here should be on the group level numbers.

In practice, Multitude's profitability is determined by the level of impairment charges and fixed costs. We expect impairment losses relative to the loan portfolio to decline slightly in the coming years from the current year's level as the company gradually shifts to lower-risk customers (2024e-2027e: 16.2-15.4% of **net** loan portfolio). In our view, the level of impairments is the main source of uncertainty in our earnings estimates. Due to the riskiness of Multitude's loan portfolio, we believe impairment losses are more sensitive to changes in the operating environment. For example, in 2024 the impairment losses have been quite volatile (high in Q1 and significantly lower in Q2 and Q3).

Loan portfolio and deposit estimates (MEUR)



Net interest income estimates by business units (MEUR)



Estimates (2/3)

On the cost side, we believe the company has room to be somewhat more efficient and we expect costs to grow more slowly relative to total operating income in the coming years. This results in a gradually declining cost/income ratio in the coming years, according to our estimates (2024e-2027e: 45.4-43.5%).

Asset quality must be monitored to ensure profitable growth

We believe that demand for Multitude's loans isn't a bottleneck to growth and that Multitude could grow even faster than we estimate if it were to lower its asset quality standards. In our view, this would be unwise as it would lead to higher impairments, potentially making growth unprofitable (return on equity below cost of equity). Overall, we believe that the company has the potential to grow in line with or slightly above the average growth of consumer and SME loans in the company's chosen markets with sufficient asset quality. Long-term visibility is naturally low. As a digital bank, Multitude is more sensitive to external macroeconomic shocks or regulatory changes, which are always difficult to predict.

Capital requirements force the company to balance between growth and dividends

Multitude Bank's total capital ratio was 17.3% at the end of H1'24, while the minimum ratio is 16.95%. The ratio is thus close to the regulatory minimum and has practically no room to fall. This puts some constraints on the company's growth potential and distributions although additional buffers are kept on the Group level. Anyway, the company has to strike a balance between its growth ambitions and dividend payments. We expect the company to be able to grow in line with our estimates while paying out 25-50% of net income as dividends. In the short term,

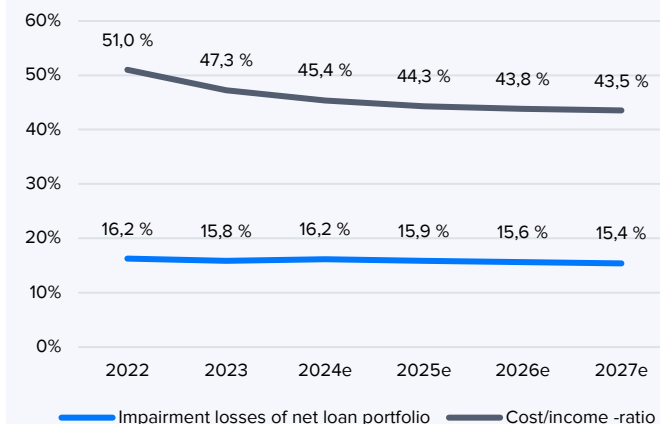
we believe the payout ratio will have to be at the lower end of this range. If profitability were to weaken significantly, we believe the company would have to reduce its payout as well.

2024 estimates

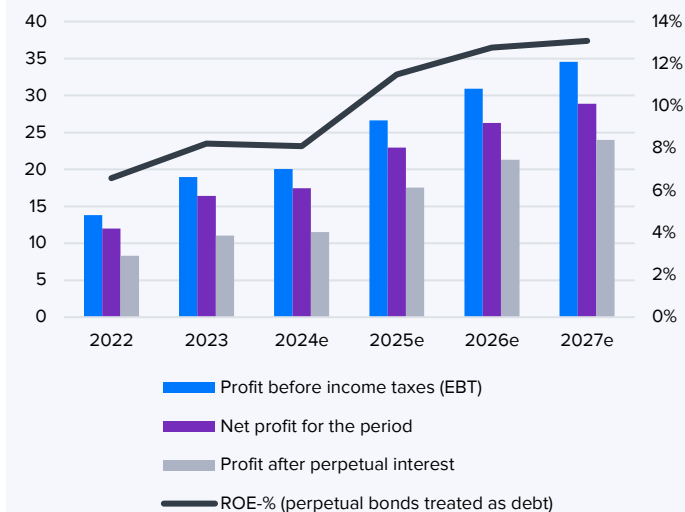
2024 is almost done as there's only one quarter missing. Multitude gave a guidance of 50% annual EBIT growth for 2021-2024. This would mean reaching an EBIT of 67.5 MEUR in 2024 but in Q3'24 the company indicated an expected range of 66.5-68.5 MEUR. This guidance was given using the company's old reporting style, and of course a bank's EBIT isn't very meaningful as it ignores interest expense, which is basically comparable to a bank's "raw material". Nevertheless, reaching a 67.5 MEUR would indicate a very strong Q4 (minimum 20.3 MEUR EBIT). In our estimates the company will not quite reach the guidance (estimate 65.4 MEUR), but missing the guidance given many years ago by a few millions wouldn't be a dramatic dent to the investment case in our view. Regarding the guidance a lot depends on the level of impairment losses in Q4.

We expect Multitude's net operating income (net interest income + other sources of income e.g. fee income and profit from associates) to grow 6% to 215 MEUR in 2024. We expect growth from all the segments, but we expect the growth rate to be more modest in the largest Consumer Banking business unit. We expect SME Banking to grow in double digit numbers and Wholesale Banking to basically multiply its net interest income from year 2023. Full comparable NII figures of the new segments haven't been released for 2023 and thus exact growth rates cannot be disclosed.

Impairment loss and cost/income ratio forecasts



Earnings (MEUR) and ROE-% estimates



Estimates (3/3)

Multitude's profit was on a declining trend in H1'24 mainly due to increased impairment losses (2024e 16.2% of **net** loan portfolio vs. 2023: 15.8%). Earnings turned back to growth in Q3 when the trend in impairment losses improved again.

Net interest income-% has also declined, mainly due to significantly higher funding costs this year, as the rise in interest rates has started to impact funding costs with a lag. At the same time, we expect the company's cost/income ratio to develop positively this year.

We expect Multitude's net profit for 2024 to be 17.5 MEUR improving from last year's levels (2023: 16.4 MEUR). Our estimate for the profit after the perpetual interest is at 11.5 MEUR.

2025 estimates

We expect Multitude to continue to grow in 2025. Although current forecasts suggest that eurozone GDP growth will pick up in 2025, the estimated growth is still quite modest, which could also limit Multitude's growth potential to some extent as the company is dependent on the overall economic landscape.

We forecast Multitude's net operating income to grow 6% to 229 MEUR in 2025. We expect all business units to continue growing but similar to 2024 we expect the growth rate to be more modest Consumer Banking (NII estimate +2%) and clearly faster in SME Banking (NII estimate +12%) and Wholesale Banking (NII estimate +120%). Next year, the profit from the minority stake in Lea Bank will be fully included in net income from associates, but the impact in the Group numbers is still quite limited.

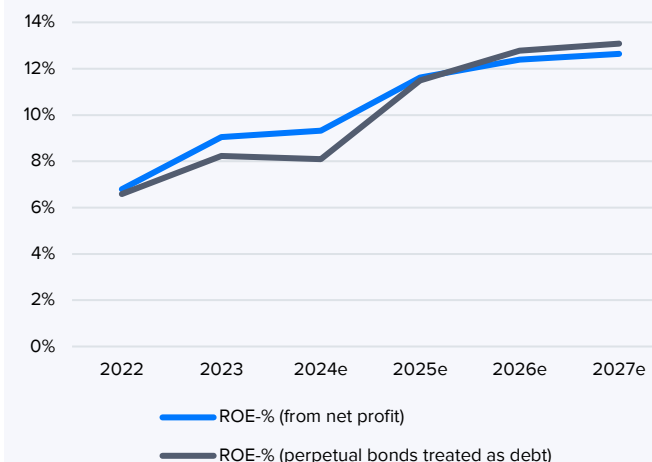
We estimate Multitude's profit growth to accelerate in 2025. The expected profit growth is driven by net interest income growth, while we forecast the cost base to grow slightly slower resulting in an improved cost/income ratio (estimate 44.3%). We also expect the impairment loss ratio to decrease slightly as the company is gradually moving to lower-risk customers (2025e 15.9% of net loan portfolio). This is naturally also reflected in the decreasing gross interest income-%. We also expect the lower interest rates and better economic environment to help lowering impairment losses. Our net profit estimate for 2025 is just at the level of the company's guidance (23.0 MEUR). We estimate the profit after perpetual interest to be 17.6 MEUR.

2026-2027 estimates

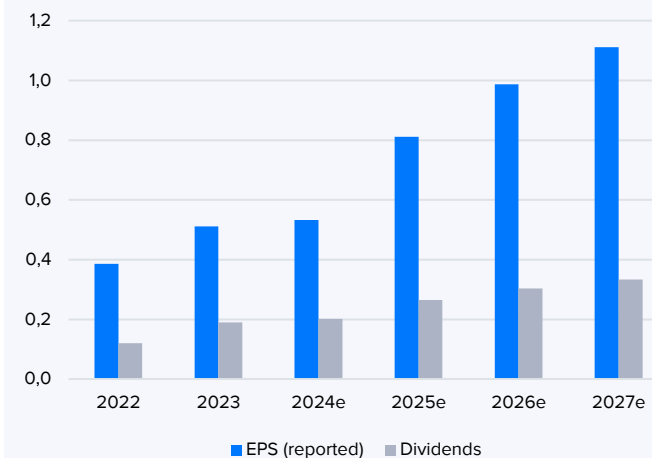
In 2026, we expect the net interest income to continue growing with a similar trend between the segments. In total, we expect total net operating income to grow 5.5% to 242 MEUR. We expect the net profit of Multitude to reach 26.1 MEUR in 2026 driven by continued growth in total net operating income and further improving cost/income ratio (estimate 43.9%). We expect the impairment loss ratio to come down slightly (estimate 15.6% of net loan portfolio). In our estimates the company does not reach its target of 30 MEUR net profit by 2026, although with good performance reaching the target is possible.

In 2027, we expect the total net operating income growth to continue (estimate +5%, 252 MEUR). We expect the net profit of Multitude to reach 28.9 MEUR in 2027.

ROE-% estimates



EPS and dividend forecast



Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Total net operating income	195	48,6	50,5	51,6	53,4	204	55,5	53,5	52,3	54,0	215,3	229,0	241,7	253,0
Consumer Banking (Net interest income)		45,0	45,5	47,0		0,0	48,2	46,9	45,5	46,5	187,1	190,0	197,9	206,0
SME Banking (Net interest income)		4,7	4,6	4,9		0,0	6,1	6,3	6,3	6,4	25,1	28,2	31,8	34,2
Wholesale Banking (Net interest income)		0,7	0,8	1,1		0,0	1,3	1,4	1,7	1,2	5,6	12,3	13,1	13,5
Other income		-1,7	-0,5	-1,4		204	0,0	-1,0	-1,3	-0,2	-2,6	-1,5	-1,0	-0,7
Total operating costs	-101,5	-24,5	-22,5	-24,1	-25,3	-96,4	-24,3	-24,3	-24,6	-24,5	-97,7	-101,4	-106,0	-110,1
Impairment losses	-78,7	-20,9	-21,3	-21,3	-25,8	-89,3	-28,3	-23,8	-21,5	-24,0	-97,6	-101,0	-104,9	-108,4
EBT (exl. NRI)	13,6	3,2	6,6	5,8	3,4	19,0	3,0	5,4	6,2	5,5	20,1	26,6	30,9	34,6
EBT	13,6	3,2	6,6	5,8	3,4	19,0	3,0	5,4	6,2	5,5	20,1	26,6	30,9	34,6
Taxes	-1,8	-0,4	-1,3	-1,1	0,2	-2,6	-0,4	-0,7	-0,7	-0,7	-2,6	-3,6	-4,6	-5,7
Net earnings	11,8	2,8	5,3	4,7	3,6	16,4	2,6	4,7	5,5	4,8	17,5	23,0	26,3	28,9
Interest on perpetual loans	-3,7	-1,2	-1,3	-1,8	-1,1	-5,4	-1,0	-1,9	-1,6	-1,5	-5,9	-5,4	-5,0	-4,9
EPS (adj.)	0,38	0,07	0,19	0,14	0,12	0,51	0,07	0,13	0,18	0,15	0,53	0,83	1,00	1,12

Key numbers	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Net operating income growth-%	2,6 %					4,6 %	14,3 %	6,1 %	1,4 %	1,1 %	5,5 %	6,4 %	5,5 %	4,7 %
EBT growth-%	189,9 %					39,7 %	-6,5 %	-18,4 %	6,7 %	62,8 %	5,7 %	32,6 %	16,2 %	11,8 %
Cost-to-income-%	51,0 %	50,4 %	44,6 %	46,4 %	47,7 %	47,3 %	43,7 %	45,4 %	47,1 %	45,4 %	45,4 %	44,3 %	43,8 %	43,5 %
ROE-% (from net profit)	6,8 %	6,1 %	11,7 %	10,8 %	7,4 %	9,0 %	5,6 %	10,1 %	11,7 %	10,1 %	9,3 %	11,6 %	12,4 %	12,6 %
ROE-% (from profit after perpetual interest)	6,6 %	4,7 %	12,1 %	9,3 %	6,7 %	8,2 %	4,4 %	8,0 %	11,0 %	9,1 %	8,1 %	11,5 %	12,8 %	13,1 %
Total capital ratio*	18,9 %		18,5 %			17,3 %		17,3 %			17,2 %	17,7 %	18,4 %	19,4 %

Source: Inderes

* The solvency forecasts should be viewed as indicative. Multitude reports solvency ratios biannually for the Multitude Bank (not Group). Thus, the parameters aren't updated frequently and the visibility overall isn't perfect.

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Cash and cash equivalents	153	284	278	229	229
Loans to customers	507	576	621	655	689
Debt investments	21,1	62,1	120	144	166
Intangible assets	31,4	29,5	33,0	33,0	33,0
Other investments and assets	40,3	39,6	57,3	60,4	63,6
Total assets	753	991	1109	1122	1180

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Share capital	40,1	40,1	40,2	40,2	40,2
Retained earnings	75,7	87,3	95,3	108	124
Unrestricted equity reserve	14,7	14,7	14,7	14,7	14,7
Perpetual bonds	50,0	45,0	45,0	45,0	45,0
Other equity	-0,6	-3,5	-4,2	-4,2	-4,2
Total equity	180	184	191	204	220
Deposits from customers	503	732	788	786	827
Debt securities	47,4	47,8	100,0	100,0	100,0
Lease liabilities	4,6	5,0	4,5	4,5	4,7
Other liabilities	17,9	22,1	25,6	27,0	28,4
Total liabilities	573	807	918	918	960
Total equity and liabilities	753	991	1109	1122	1180

Valuation (1/3)

The stock hasn't been a success story

Multitude's journey as a public company hasn't been easy for its owners, as the share price has been very volatile and is still significantly lower than when it went public in 2015. The stock peaked in late 2017, when the company was still delivering very strong earnings growth. In our view, the market profiled the company at that time as a profitably growing technology company rather than a bank. At that time, the company was able to generate a high return on equity (close to 20%) in line with its peers, which naturally led to a higher acceptable valuation level. Multitude's and the peer group's returns on equity have steadily declined from those levels.

In terms of the stock performance, the high valuation of the stock in the past has been one of the main reasons for the poor performance to date. At the same time, the fundamentals of the company took a significant hit during the COVID-19 pandemic as earnings plummeted. The company has recovered but hasn't yet returned to pre-pandemic earnings levels (on a net profit basis).

Valuation methods

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. In addition, a bank's appetite for growth has a direct impact on the distribution of earnings, as growth ties up a significant amount of capital. For these reasons, enterprise value (EV) multiples are not useful because the nature of the debt is different from that of a normal company and the additional cash reserves are not fully distributable due to capital requirements. Therefore, the valuation of a bank must be examined in terms of cash flows to owners (net profit is the best proxy for a bank), capital requirements and cost of capital.

Due to the balance sheet intensity of the business, we particularly look at the P/B multiple, which we reflect in our view of the company's sustainable return on equity. As the company is profitable, we also look at the P/E multiple. In addition, we look at the valuation using a dividend discount model (DDM) and compare the valuation to the company's peer group.

Balance sheet valuation

The acceptable P/B ratio is dependent on 1) normalized return on equity 2) growth rate of earnings 3) cost of equity. With the P/B ratio it's good to note that the ratio is different depending on whether the perpetual bonds are treated as debt (as we do), since perpetual bonds are not equity attributable to the shareholders.

There is considerable uncertainty in assessing the normalized return on equity in particular. We estimate the ROE to be slightly above 12% at the end of our forecast period, but we believe a more modest estimate (9-11%) is warranted over the long term. Our cost of equity is set at 11-12%, which we believe is justified given the riskiness of Multitude's business model (mostly high-risk unsecured loans).

Multitude's historical P/B ratio* (NTM)



Fundamental P/B ratio

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

* Source: Bloomberg, data retrieved 27.11.2024

Valuation (2/3)

Higher growth has a negative impact on the acceptable P/E ratio if the return on equity is lower than the cost of equity. We believe the company will still pursue growth (and try to generate higher ROE). We have set our growth expectation at 2%.

With a sustainable ROE-% of 9-11% and 11.0-12.0% cost of equity, we find that the acceptable fundamental P/B ratio is 0.7x-1.0x, which we believe is a justified valuation range for Multitude. Multitude's current P/B is at 0.7x when treating the perpetual bonds as debt, which means that Multitude is valued within but clearly at the lower end of the range.

Earnings-based multiples

Multitude's P/E multiple is 9x for 2024. In our view the current year multiple is rather neutral. In our estimates, we forecast strong EPS growth in the coming years as the EPS grows with a leverage when net profit increases due to high interest costs on the perpetual bonds. At the same time, dividends will remain at rather low levels as earnings growth ties up capital. In 2025, if the projected earnings growth is realized (in line with the 2025 guidance) the P/E multiple is already very low (6x).

Long-term historical multiples are not realistic in our view

One way to look at valuation is to compare current multiples to historical multiples. This needs to take into account changes in fundamentals, such as interest rate levels (which affect the cost of capital). The P/B ratio is a good multiple to look at historical valuation, as the P/E multiple is very volatile due to fluctuations in earnings levels.

The median P/B ratio for Multitude over the 2015-2024 period according to Bloomberg data is 1.2x. The peak P/B was around 6.6x. Compared to this, the stock is trading at a significant discount. However, we do not think the historical multiples are realistic for Multitude. Earnings growth was very strong at the time and return on equity was significantly higher than it is today (making growth more profitable). Nevertheless, we believe the stock was overvalued at its peak.

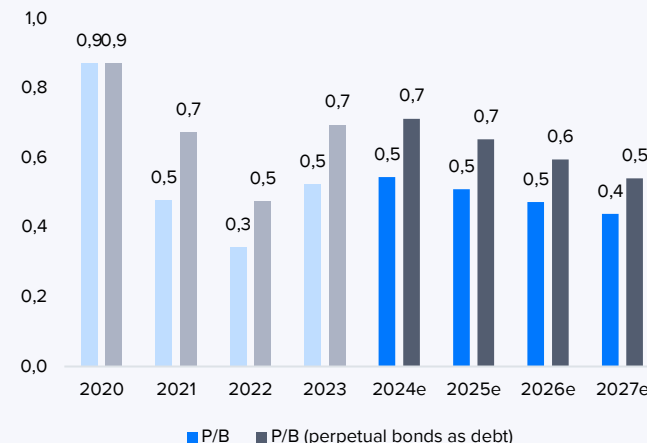
Peer valuation

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. Neobanks are somewhat different from Multitude in terms of their stage of development and business model. They are also mostly private and therefore don't form a natural peer group.

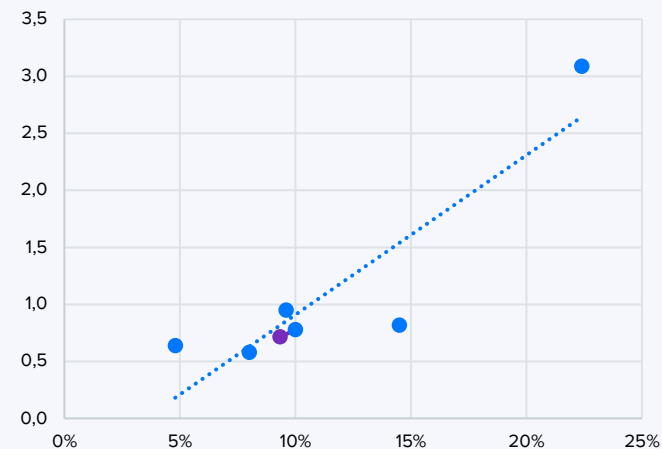
The peer group of Multitude is currently priced at 0.8x P/B ratio for the year 2024. Thus, Multitude is priced at a slight discount with its peers when looking at the perpetual bond adjusted P/B ratio. Multitude's ROE-% is also marginally lower than the peer group. Overall, peer group valuation is quite neutral in our view. On the other hand, it's good to note that the peer group is overall valued quite moderately.

We have also run a simple regression model to illustrate the relationship between P/B and ROE-%. This analysis shows that Multitude is priced in line with its peers when looking at the relationship between the two figures. We believe that Multitude's ROE will increase in the coming years, and when this happens, the company could be priced at a higher P/B ratio than it currently is.

Multitude's P/B ratio with and without perpetual bonds



Peer groups 2024e P/B and ROE-% regression model



Source: Refinitiv, Inderes

Valuation (3/3)

In terms of P/E multiples, Multitude is priced in line with the peer group at the 2024 multiple, but at a discount at the 2025 multiple. Thus, our estimates imply higher earnings growth for Multitude compared to the peer group. On the flipside, this is also reflected in Multitude's lower dividend yield as growth ties up capital.

Generally, it's also noteworthy that the median company in the peer group is valued at rather low multiples (2025e P/E 6.8x). 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. Historically, the peer group has been able to generate significantly higher returns on equity (pre-COVID-19) and back then the group was also priced at clearly higher multiples. As a group the total returns of the peer group have been quite weak.

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 highly dependent on how fast the company plans to grow. Therefore, the predictability of Multitude's dividend is rather weak. In our DDM model, we estimate that the payout ratio (of net profit, not EPS) will increase towards 65% (2024e-2027e: 25%). At the same time, we expect EBT to grow at a rate of 1.5% into perpetuity. With these assumptions and a cost of equity of 11.9%, we arrive at a value of equity per share of 6.0.

Multitude's dividend yield is 4% for 2024e and 5.5% for 2025e. Thus, the dividend yield clearly supports the expected return, but as mentioned above, the

yield remains significantly lower compared to peers and other traditional banks. According to our current estimates, the company will pay out 25% of its net profit in the coming years as dividends (note: not from EPS, which is affected by perpetual interest), as the company will mainly focus on allocating capital to growth.

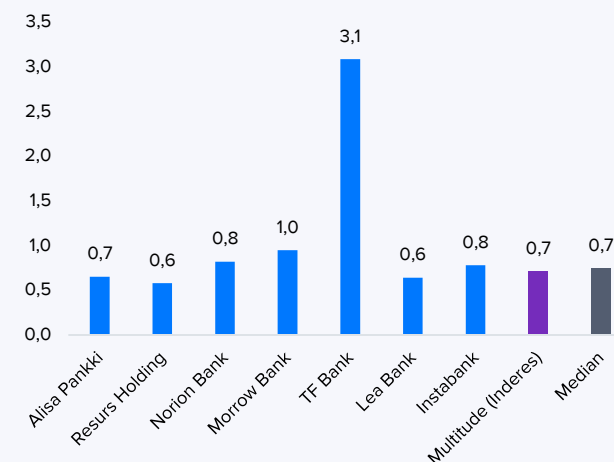
Summary of valuation

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. At the same time, we see that turning SME Banking (CapitalBox) profitable and continued growth in Wholesale Banking (Multitude Bank) could lower the overall risk profile as the profit generation within the Group would be diversified. A move towards lower risk profile customers could also lower the overall risk profile (reflected in the CoE), but this wouldn't come without a cost as we believe the competitive landscape here is much higher than the company currently faces.

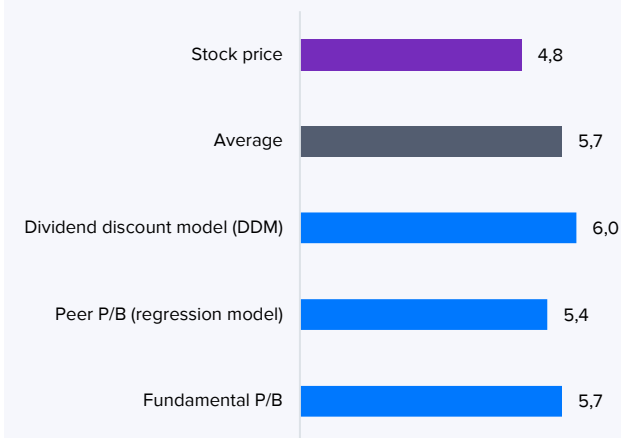
In the short term, there is a risk of a profit warning as the EBIT guidance of 67.5 MEUR requires a strong Q4 in our view. With good execution, the guidance is achievable and it wouldn't be a significant hit to the investment story if the company marginally missed the guidance set three years ago.

Overall, at the current valuation, we believe that the return opportunities outweigh the risks. We initiate our coverage with an Accumulate recommendation and a target price of EUR 5.70 per share.

Peer groups P/B ratio



Summary of valuation methods (€ per share)

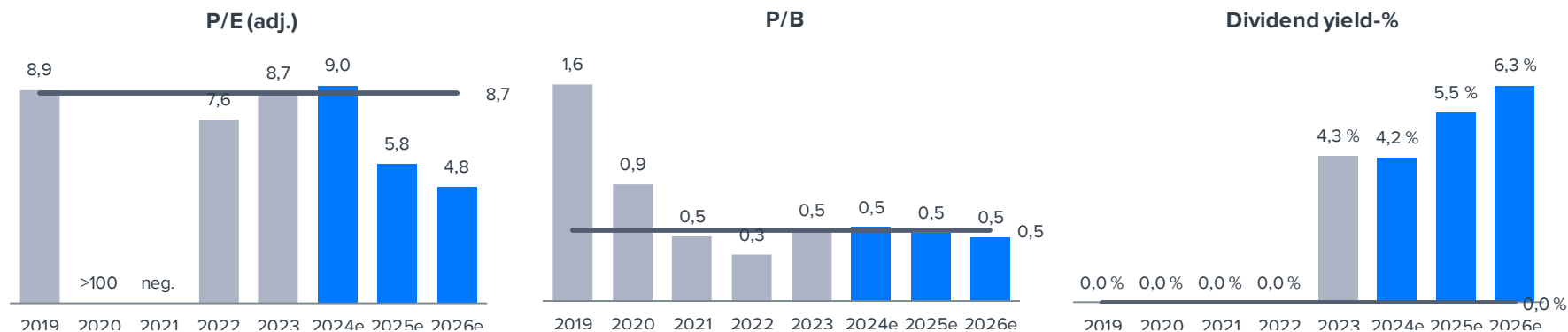


Source: Refinitiv, Inderes

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	9,40	5,06	3,83	2,86	4,46	4,81	4,81	4,81	4,81
Number of shares, millions	21,6	21,6	21,6	21,6	21,6	21,6	21,6	21,6	21,6
Market cap	203	109	83	62	96	104	104	104	104
P/E (adj.)	8,9	>100	neg.	7,6	8,7	9,0	5,8	4,8	4,3
P/E	8,9	>100	neg.	7,6	8,7	9,0	5,8	4,8	4,3
P/B	1,6	0,9	0,5	0,3	0,5	0,5	0,5	0,5	0,4
P/B (perpetual bond as debt)	1,6	0,9	0,7	0,5	0,7	0,7	0,7	0,6	0,5
ROE-%	36,6 %	0,4 %	1,5 %	6,7 %	9,0 %	9,3 %	11,7 %	12,4 %	12,6 %
Payout ratio (%)	0,0 %	0,0 %	0,0 %	0,0 %	25,0 %	25,0 %	25,0 %	25,0 %	25,0 %
Dividend yield-%	0,0 %	0,0 %	0,0 %	0,0 %	4,3 %	4,2 %	5,5 %	6,3 %	6,9 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	P/E		Dividend yield-%		P/B
		2024e	2025e	2024e	2025e	2024e
Alisa Pankki			12,2			0,7
Resurs Holding	8	8,5	6,4	6,2	8,1	0,6
Norion Bank	6	6,0	6,6	8,3	17,5	0,8
Morrow Bank	10	10,3	6,8		3,2	1,0
TF Bank	16	15,7	11,3	0,2	2,3	3,1
Lea Bank	14	13,6	8,3	5,8	6,3	0,6
Instabank	8	7,9	5,8		5,0	0,8
Multitude (Inderes)	104	9,0	5,8	4,2	5,5	0,5
Average		10,3	8,2	5,1	7,1	1,1
Median		9,4	6,8	6,0	5,7	0,8
Diff-% to median		-4 %	-15 %	-30 %	-3 %	-30 %

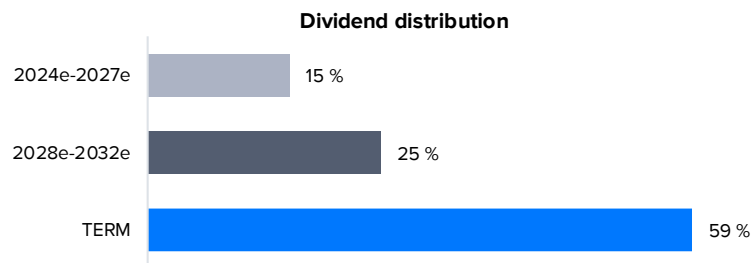
Source: Refinitiv / Inderes

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

Dividend discount model (DDM)

	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Net profit (MEUR)	17,5	23,0	26,3	28,9	28,7	28,8	29,2	29,7	30,1	
Perpetual interest	-5,9	-5,4	-5,0	-4,9	-4,9	-4,9	-4,9	-4,9	-4,9	
Profit after perpetual interest (MEUR)	11,5	17,5	21,3	24,0	23,8	23,9	24,3	24,8	25,2	
Dividend (per share)	0,20	0,27	0,30	0,33	0,40	0,47	0,54	0,82	0,90	8,9
Payout ratio (% of net profit)	25 %	25 %	25 %	25 %	30 %	35 %	40 %	60 %	65 %	
Discounted dividends	0,20	0,24	0,24	0,24	0,25	0,26	0,27	0,37	0,36	3,56
Discounted cumulative dividends	6,00	5,80	5,56	5,32	5,08	4,82	4,56	4,29	3,92	3,56
Equity value per share	6,0									

Riskfree rate	2,50 %
Market risk premium	4,75 %
Equity beta	1,55
Liquidity premium	2,0 %
Cost of equity	11,86 %



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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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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
21.12.2024	Accumulate	5,70 €	4,81 €



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