

Heavy lifting done, time to scale

Fellow Bank's outlook for 2023 remains quite good and we expect continued growth and positive profitability to be achieved. We retain our TP of EUR 0.40 and HOLD-rating.

H2 all in all slightly below our expectations

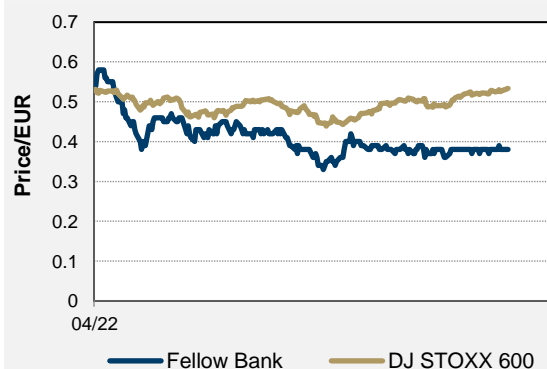
Fellow Bank's H2 results came in slightly below our expectations. Total income amounted to EUR 7.9m (Evli EUR 7.1m). Net income of EUR 6.6m was quite in line with expectations (Evli EUR 6.8m), while net fee and commission income of EUR 1.5m beat our expectations (Evli EUR 0.3m), affected by changes to recognition of commission fees under IFRS 15. The pre-tax profit during H2 amounted to EUR -2.3m (Evli EUR -0.7m), with the difference compared with our estimates arising mainly from larger than estimated expected and realized credit losses, with total OPEX also above our estimates. OPEX was still affected by exceptional items relating to the startup of operations of some EUR 0.7m. The total capital ratio amounted to 16.8% (target adjusted: 18% -> 16%) and H2 cost / income ratio to 76%.

Growth and positive profitability expected in 2023

Fellow Bank expects revenues to grow in 2023 and to achieve a positive profit level on a monthly basis during H1/2023. The market environment poses some threats to lending volume growth, with Fellow Bank having adopted somewhat stricter lending policies. We currently nonetheless expect solid y/y growth in 2023 mainly driven by the ramp-up focused comparison period but also good loan portfolio growth. We have further raised our 2023e PTP estimate to EUR 2.9m (1.8m) following a readjustment of the cost base assumptions. We expect 2023 to be quite busy for Fellow Bank with the launch and ramp up of new services. The company's small business in Poland is also most likely to be divested and the further strengthening of the company's capital is to be expected.

HOLD with a target price of EUR 0.40

Valuation upside continues to remain limited in the near-term, affected further by some market uncertainties and on 2024 estimates, compared with peer multiples, current valuation levels appear fair. We retain our TP of EUR 0.40 and HOLD-rating.

 Rating 🟡 HOLD


Share price, EUR (Last trading day's closing price)	0.38
Target price, EUR	0.4
Latest change in recommendation	07-Jun-22
Latest report on company	31-Jan-23
Research paid by issuer:	YES
No. of shares outstanding, '000's	88,332
No. of shares fully diluted, '000's	88,332
Market cap, EURm	34
Free float, %	-
Exchange rate	0.000
Reuters code	FELLOW.HE
Bloomberg code	FELLOW FH
Average daily volume, EURm	-
Next interim report	18-Aug-23
Web site	fellowbank.com
Analyst	Jerker Salokivi
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🟢 BUY 🟡 HOLD 🔴 SELL

KEY FIGURES

	Revenues EURm	Op. profit EURm	Net profit EURm	EPS EUR	P/E (x)	P/B (x)	Cost/income %	ROE %	Div. yield %	DPS EUR
2021	0	0	0	0.00	0.0	0.0	0.0	0.0	0.0	0.00
2022	10	-10	-9	-0.10	-3.6	1.1	113.1	-31.9	0.0	0.00
2023E	21	3	2	0.03	14.8	1.1	54.4	7.7	0.0	0.00
2024E	27	8	6	0.07	5.5	0.9	46.8	18.1	0.0	0.00
2025E	32	10	8	0.09	4.2	5.1	44.0	37.3	0.0	0.00

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

Market cap, EURm	34	BV per share 2023E, EUR	0.3	CAGR EPS 2022-25, %	0.0
Equity 2023E, EURm	31	Loan losses 2023E, %	3.60	CAGR op. profit 2022-25, %	0.0
Total assets, 2023E, EURm	314	Tax rate 2023E, %	20.3	CAGR revenues 2022-25, %	46.3
Lending 2023E, EURm	202	Tier 1 ratio 2023E, %	12.3	CAGR DPS 2022-25, %	0.0
RWA 2023E, EURm	165	Capital ratio 2023E, %	16.1	PEG, P/E 23/CAGR	0.0

Fellow Bank	H1/'22	H2/'22	2022	H1/'23E	H2/'23E	2023E	2024E	2025E
Total income	2.4	7.9	10.3	9.8	11.0	20.8	26.9	32.1
<i>growth %</i>				311.7%	39.7%	103 %	30 %	19 %
Net interest income	2.5	6.6	9.1	8.0	9.1	17.1	22.4	26.8
Net fee income	0.0	1.5	1.5	1.7	1.9	3.6	4.4	5.2
Other operating income	-0.1	-0.2	-0.3	0.0	0.0	0.0	0.0	0.0
Personnel expenses	-2.6	-2.8	-5.4	-2.8	-3.0	-5.8	-6.8	-7.8
Other administrative expenses	-1.8	-2.7	-4.5	-2.1	-2.2	-4.3	-4.5	-5.0
Depreciation and amortization	-0.3	-0.4	-0.7	-0.4	-0.4	-0.8	-0.8	-0.8
Other operating expenses	-0.9	-0.1	-1.0	-0.2	-0.2	-0.4	-0.5	-0.6
Total operating expenses	-5.6	-6.0	-11.6	-5.5	-5.8	-11.3	-12.6	-14.1
Impairment of receivables	-4.2	-4.1	-8.3	-3.4	-3.2	-6.6	-6.7	-7.8
Pre-tax profit	-7.4	-2.3	-9.7	0.8	2.1	2.9	7.6	10.1
Income taxes	0.8	-0.1	0.7	-0.2	-0.4	-0.6	-1.5	-2.0
Net earnings	-6.6	-2.4	-9.0	0.7	1.7	2.3	6.1	8.1
Loan book	115	164	164	180	202	202	242	280

Source: Fellow Bank, Evli Research estimates

FELLOW BANK PEER GROUP	MCAP MEUR	P/B			P/E			Div. yield		
		22	23	24	22	23	24	22	23	24
Collector Bank	740	1.2x	1.1x	0.9x	7.5x	7.3x	7.3x	0.0 %	0.0 %	2.2 %
Resurs Holding	462	0.7x	0.7x	0.6x	6.4x	6.5x	6.0x	7.9 %	7.7 %	8.4 %
TF Bank	296	2.1x	1.7x	1.3x	10.1x	8.1x	6.3x	0.0 %	0.5 %	1.1 %
Komplett	119	0.8x	0.9x	0.8x	57.1x	26.9x	9.9x	0.0 %	0.6 %	2.4 %
Instabank	53				8.7x	8.7x	5.8x	0.0 %	0.0 %	0.0 %
Lea Bank	79	0.6x	0.6x	0.6x	7.6x	7.0x	6.1x	6.6 %	7.7 %	8.8 %
Peer Group Average	292	1.1x	1.0x	0.9x	16.2x	10.8x	6.9x	2.4 %	2.7 %	3.8 %
Peer Group Median	208	0.8x	0.9x	0.8x	8.2x	7.7x	6.2x	0.0 %	0.5 %	2.3 %
Fellow Bank (Evli est.)	39	1.1x	1.1x	0.9x	neg	14.9x	5.6x	0.0 %	0.0 %	0.0 %

Fellow Bank prem./disc. to peer median

43 %

27 %

16 %

93 %

-11 %

-100 %

-100 %

Source FactSet, Evli Research

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1E	2023Q2E	2023Q3E	2023Q4E	2023E	2024E	2025E
Net interest income	0	2	0	7	9	0	8	0	9	17	22	27
Net commission income	0	0	0	2	2	0	2	0	2	4	4	5
Trading/items at fair value	0	0	0	0	0	0	0	0	0	0	0	0
Other income	0	0	0	0	0	0	0	0	0	0	0	0
Total income	0	2	0	8	10	0	10	0	11	21	27	32
Total costs	0	-6	0	-6	-12	0	-5	0	-6	-11	-13	-14
Profit before loan losses	0	-3	0	2	-1	0	4	0	5	9	14	18
Loan losses	0	-4	0	-4	-8	0	-3	0	-3	-7	-7	-8
Operating profit	0	-7	0	-2	-10	0	1	0	2	3	8	10
Taxes	0	1	0	0	1	0	0	0	0	-1	-2	-2
Minorities	0	0	0	0	0	0	0	0	0	0	0	0
Net profit	0	-7	0	-2	-9	0	1	0	2	2	6	8
EPS	0.00	-0.08	0.00	-0.03	-0.10	0.00	0.01	0.00	0.02	0.03	0.07	0.09
EPS adjusted (diluted no of shares)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Net interest income	0	0	0	0	9	17	22	27
Net commission income	0	0	0	0	2	4	4	5
Trading/items at fair value	0	0	0	0	0	0	0	0
Other income	0	0	0	0	0	0	0	0
Total income	0	0	0	0	10	21	27	32
<i>Income growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>102.7</i>	<i>29.6</i>	<i>19.3</i>
Total costs	0	0	0	0	-12	-11	-13	-14
<i>Costs growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-2.6</i>	<i>11.5</i>	<i>12.1</i>
Profit before loan losses	0	0	0	0	-1	9	14	18
Loan losses	0	0	0	0	-8	-7	-7	-8
Operating profit	0	0	0	0	-10	3	8	10
<i>Operating profit growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-129.3</i>	<i>167.6</i>	<i>32.8</i>
Taxes	0	0	0	0	1	-1	-2	-2
Minorities	0	0	0	0	0	0	0	0
Net profit	0	0	0	0	-9	2	6	8

BALANCE SHEET, EURm

Assets								
Lending to credit institutions	0	0	0	0	126	100	80	33
Lending to the public	0	0	0	0	155	202	242	280
<i>Growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>30.6</i>	<i>20.0</i>	<i>15.5</i>
Interest-bearing securities	0	0	0	0	0	0	0	0
Other assets	0	0	0	0	4	4	4	4
Total Assets	0	0	0	0	294	314	336	325
<i>Growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>7.0</i>	<i>6.7</i>	<i>-3.0</i>
Liabilities								
Deposits by credit institutions	0	0	0	0	0	0	0	0
Deposits from the public	0	0	0	0	247	265	280	300
<i>Growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>7.4</i>	<i>5.7</i>	<i>7.1</i>
Debt securities in issue	0	0	0	0	0	0	0	0
Subordinated loans	0	0	0	0	6	6	6	6
Other liabilities	0	0	0	0	13	13	13	13
Shareholders' equity	0	0	0	0	28	31	37	7
Total liabilities and equity	0	0	0	0	294	314	336	325

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	0	0	0	32	34	34	34
Total assets	0	0	0	294	314	336	325
Total income	0	0	0	10	21	27	32
Total costs	0	0	0	-12	-11	-13	-14
Operating profit	0	0	0	-10	3	8	10
Net profit	0	0	0	-9	2	6	8
Equity	0	0	0	28	31	37	7
Tier 1 capital	0	0	0	18	20	27	35
Risk-weighted assets	0	0	0	140	165	195	223
Loans	0	0	0	155	202	242	280
Valuation multiples							
P/E	0.0	0.0	0.0	-3.5	14.8	5.5	4.2
P/E, adj.	0.0	0.0	0.0	-3.6	14.8	5.5	4.2
P/B	0.0	0.0	0.0	1.1	1.1	0.9	5.1
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Target P/E	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Target P/B	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Per share measures							
Number of shares	0	0	0	87,745	88,332	88,332	88,332
Number of shares (diluted)	0	0	0	87,745	88,332	88,332	88,332
EPS	0.00	0.00	0.00	-0.10	0.03	0.07	0.09
EPS, adj.	0.00	0.00	0.00	-0.10	0.03	0.07	0.09
Book value per share	0.00	0.00	0.00	0.32	0.35	0.42	0.07
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial ratios							
ROE, %	0.0	0.0	0.0	-31.9	7.7	18.1	37.3
Adjusted ROE, %	0.0	0.0	0.0	-30.7	7.7	18.1	37.3
ROA, %	0.0	0.0	0.0	-6.1	0.7	1.9	2.4
Net interest margin, %	0.0	0.0	0.0	2.3	3.7	4.3	4.6
Cost/income, %	0.0	0.0	0.0	113.1	54.4	46.8	44.0
Loan losses/lending, %	0.00	0.00	0.00	9.04	3.60	3.00	3.12
Tier 1 ratio, %	0.0	0.0	0.0	12.6	12.3	14.0	15.8
Capital ratio, %	0.0	0.0	0.0	17.0	16.1	17.1	18.6
Equity/assets, %	0.0	0.0	0.0	9.6	9.7	10.9	2.0
Loans/assets, %	0.0	0.0	0.0	52.6	64.2	72.2	86.0
Tax rate, %	0.0	0.0	0.0	7.0	20.3	20.1	20.0
Number of employees, average	0	0	0	0	0	0	0
Income per employee, EUR	0	0	0	0	0	0	0
Op. profit per employee, EUR	0	0	0	0	0	0	0

COMPANY DESCRIPTION:

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Evli Oyj	15.288	5.853	17.3 %
Taaleri Oyj	15.288	5.853	17.3 %
TN Ventures Oy	5.497	2.104	6.2 %
Oy Prandium Ab	4.754	1.82	5.4 %
Oy Scripo Ab	4.754	1.82	5.4 %
Oy T&T Nordcap Ab	3.939	1.505	4.5 %
OP Finland Small Cap	3.840	1.299	3.8 %
Skandinaviska Enskilda Banken Abp	1.909	0.731	2.2 %
Rausanne Oy	1.248	0.477	1.4 %
Ingman Group Oy AB	0.982	0.376	1.1 %
Ten largest	57.499	21.838	64.6
Residual	30.833	11.993	35.4
Total	88.332	33.831	100%

EARNINGS CALENDAR

August 18, 2023

H1 2023 results

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Teemu Nyholm

CFO: Kukka Lehtimäki

Tel:

IR:

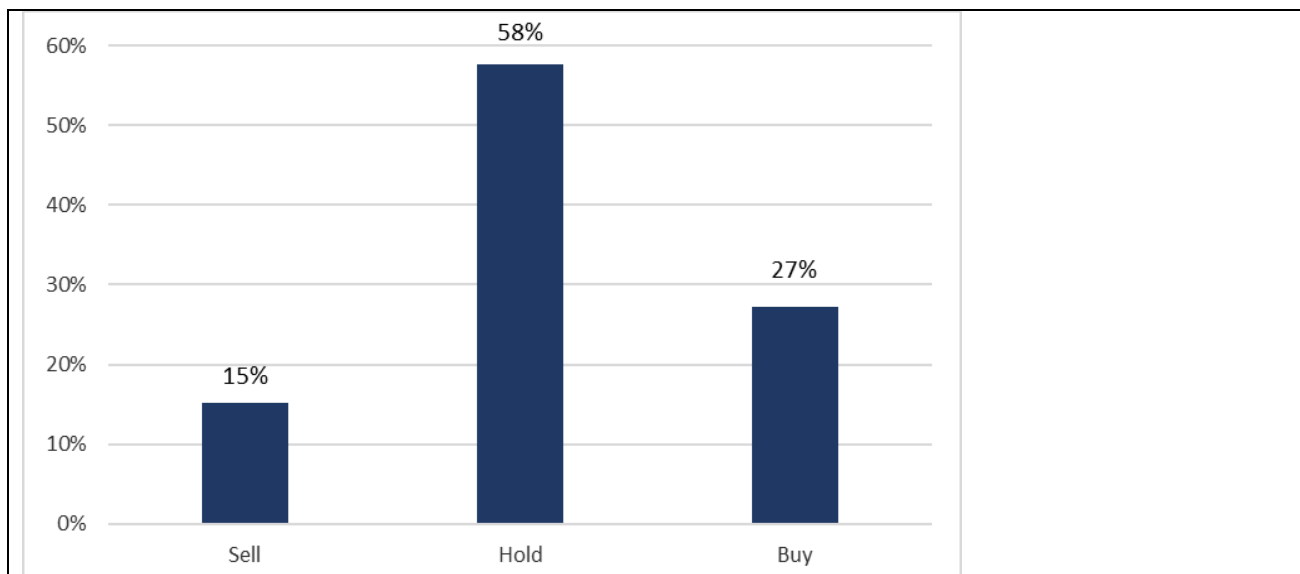
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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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Name(s) of the analyst(s): Salokivi

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