

BUY

11 December 2013

Trustbuddy – Initiation

High-margin P2P lender attracting institutional capital, has potential 300% upside.

PRICE: 2.00 | SWEDEN | DIVERSIFIED FINANCIALS | TBDY SS

Trustbuddy is the world's largest short-term peer-to-peer lending company and also is the only exchange listed platform. The Lending Club IPO, expected in 2Q14, will enhance interest in the sector—a key catalyst. Trading on just 6.2x 2015e EPS, our DCF valuation implies a fair value per share of SEK8.0, consistent with Lending Club's recent transaction on 12.0x forward revenues. The benefits of the €12.3m of institutional loan capital added to the platform this month, a c70% boost, will be immediately apparent in 1Q14e. **BUY.**

- Key positive catalyst: accelerated loan volumes driven by arrival of institutional capital** - In mid Dec 2013, EUR12.3m of institutional capital will be deployed on the platform- boosting near-term revenues. In 2013 the main constraint on growth has been lending capital on the platform, despite which, we still expect net revenues increased by over 130%. This EUR12.3m of new capital is a 70% increase in the lending capital on the platform. Consequently **we forecast a 175% increase in loan volumes in 2014e up from 120% in 2013e.**
- Revenue growth of over 100% 2013-2015e:** Despite conservatively assuming that net revenue as a percentage of loan volumes dips to 12% in 2014e from 16% in 2013e, revenue is likely to more than double next year, with significant upside risk if additional incremental institutional capital comes onto the platform which seems likely given the attractive c12.0% net yields available and investor feedback.
- Trustbuddy is focused on high-margin payday loans-** the only established P2P platform in this space. Revenues as % of annual volumes are 3x the P2P sector average, with good 2014e profitability.
- Attractive valuation with 260-400% upside:** Trading on a 14.6x 2014e earnings and just 6.2x 2015 EPS, fully diluted, our DCF and multiple based valuation is SEK8.0 target price, implying 300% upside (TP range SEK6.3-9.8). A banking license approval would imply incremental upside – and is expected in 2014.

European Equity Research

Stock Data

Target Price (SEK)	8.00
52-Week Range (SEK)	0.82-2.39
Current price (SEK)	2.00
Shares Outstanding fully diluted (m)	372
Free Float (%)	62%
Market Cap (SEK m), fully diluted	744
Avg daily volume (shares)	0.29m

*E=Liberum Capital estimates, priced intraday on 10th Dec

Stock Performance



Price Performance	1M	3M	12M
Price	1.2	1.3	1.0
Absolute	64%	56%	111%
Rel FTSE	50%	43%	67%
Rel Eurobanks	53%	44%	79%

Source: Bloomberg

Summary Financials & Valuation

Dec y/e (SEK M)	FY12A	FY13E	FY14E	FY15E
Annual loan volumes	260	577	1,589	3,178
Net Revenue	39	90	189	328
Op Costs	-43	-88	-123	-174
PBT	-7	1	65	154
Net Income	-11	0	51	120
Valuation Multiple				
P/Revenue	19.3	8.3	3.9	2.3
Discount to LC* P/Rev	72%	68%	67%	62%
EPS, SEK, diluted	-0.03	0.00	0.14	0.32
P/EPS	nm	nm	14.6	6.2
DPS, SEK	0.0			
Yield %	0.0	0.0	0.0	0.0

*Discount to Lending Club's P/Revenue multiples

Source: Liberum Capital estimates

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Highly profitable operating model:

Overview: Trustbuddy International AB is a Swedish Peer to Peer (P2P) platform that matches payday loans. It is currently the **largest P2P player globally in terms of the number of loans** originated. Trustbuddy International AB operates the platform through a subsidiary Trustbuddy AB. The parent company is listed on the NASDAQ OMX First North exchange.

Through a reverse takeover, Trustbuddy became the only listed P2P platform globally in mid 2011. (Lending Club IPO expected in 2Q14.)

History: Trustbuddy AB was founded in 2009 and is registered as a financial institution in Sweden. Trustbuddy listed on the First North Exchange through a reverse merger with 360 Holdings AB. The deal closed on the 1st of July 2011. 360 Holdings management and board stepped down and were replaced by Trustbuddy's.

Trustbuddy Products: A borrower can apply for a loan from SEK 500-5000, or in European countries between €50-600. If the application is accepted, the borrower receives the funds within hours – **60% of applicants are rejected in Nordic countries and 90% in Poland and Spain**. Currently Trustbuddy have 110,000 monthly users with an average loan size of 3,500 SEK (€393).

Borrower requirements:

Borrowers must

- Be 18 or older
- Be registered citizens in the country where the loan is issued
- Not have registered bad debt on their credit report in the past 3 months
- Have a taxable income of at least 180,000SEK (€20,186) in the Nordic region or otherwise have a verifiably clean credit record. In Spain and Poland checks are currently manual.

All borrowers must have verified annual income of at least €20k

Revenue Model: Trustbuddy's revenue model is based on the administration fees charged to the borrower.

- **Administration Fees:** Fees are incurred by borrowers for the opening of a Trustbuddy account, application handling fee, credit check, express payment transfer and a bank transaction charge; this can amount to 5-10% of the value of the loan.
- **Renewal Fees:** Trustbuddy also earns revenue through loan renewals. All loans have a maturity of 30 days, if the borrower decides to renew the loan for an additional 30 days they must pay a fee to Trustbuddy. The fee depends on the size of the loan. Loans may be renewed up to 5 times. The average duration is 3.2 months.

Loan interest paid to platform lenders: Currently lenders earn interest of 12% on the funds that are lent out. To avoid being considered a banking institution Trustbuddy does not take any of this interest. All interest is transferred directly to the lender from the borrower.

Acquisition Costs: Customer acquisition costs vary by market and by channel, with Google being the most expensive at SEK 500 per borrower. The

average acquisition cost is SEK 160 per borrower. In Poland and Spain, **acquisition costs for borrowers are €4 -7.**

In the UK the acquisition cost per lender is £30-35. However with the influx of institutional capital, improved regulation (by April 2014) and an increase in market awareness of the brand, this is likely to decline.

Rates and Fees:

Figure 1: Trustbuddy rates and fees in SEK (charged to borrowers)

Amount borrowed (amount borrowed)	500	1000	1500	2000	2500	3000	3500	4000	4500	5000
Setup fee	135	255	285	305	310	310	320	335	335	370
Interest 12%	60	120	180	240	300	360	420	480	540	600
Total costs for repayment within 0 to 14 days	0	0	0	0	0	0	0	0	0	0
Total costs for repayment within 14 to 30 days	195	375	465	545	610	670	740	815	875	970
Monthly renewal fee (for 30 days extra)*	95	175	215	245	285	320	365	385	425	470

Source: Company

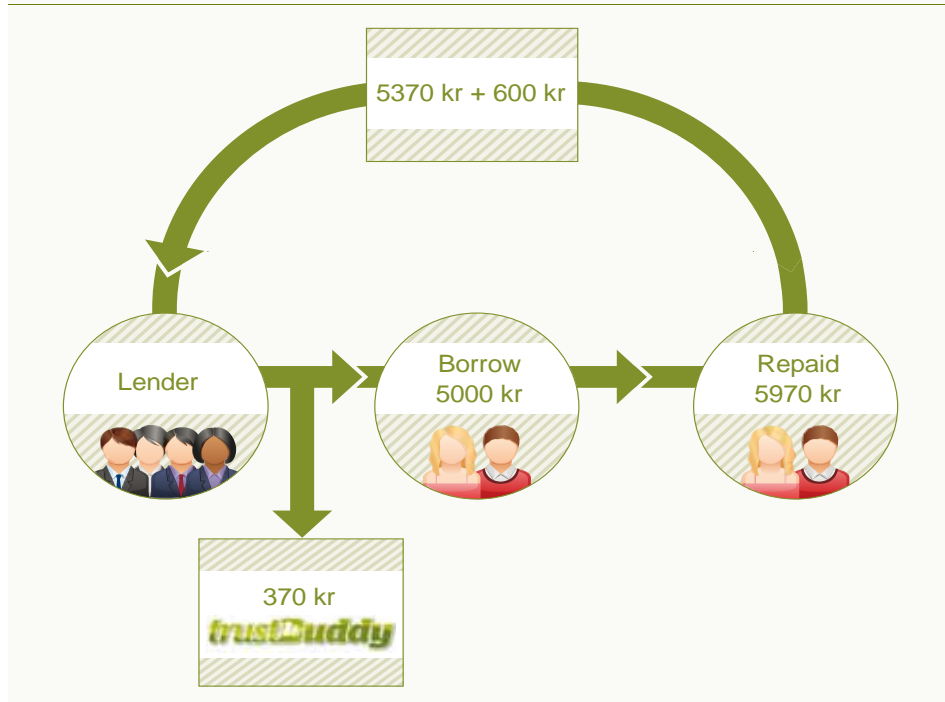
Basic business model:

Trustbuddy’s model for their P2P platform is illustrated in figure 2. The process begins with the borrower applying for the loan from Trustbuddy once the borrower has passed the credit check, the money is transferred to the borrower. However, as Trustbuddy does not lend out their own capital they need to have platform lenders to match borrowers. When Trustbuddy transfers the loan from the pool of lenders to the borrower, it takes a fee % of the loan amount. Thus the amount being transferred from the lenders account is Trustbuddy’s fee plus the principal amount of the loan. Once the loan has come to an end, the borrower must repay the principal, interest and the fee, all of which goes back to the lenders.

Figure 2: How the Trustbuddy loan matching model works

Lenders pay an initial fee to Trustbuddy

At the end of the loan the borrower pays back to the lender the fee plus the principal and interest



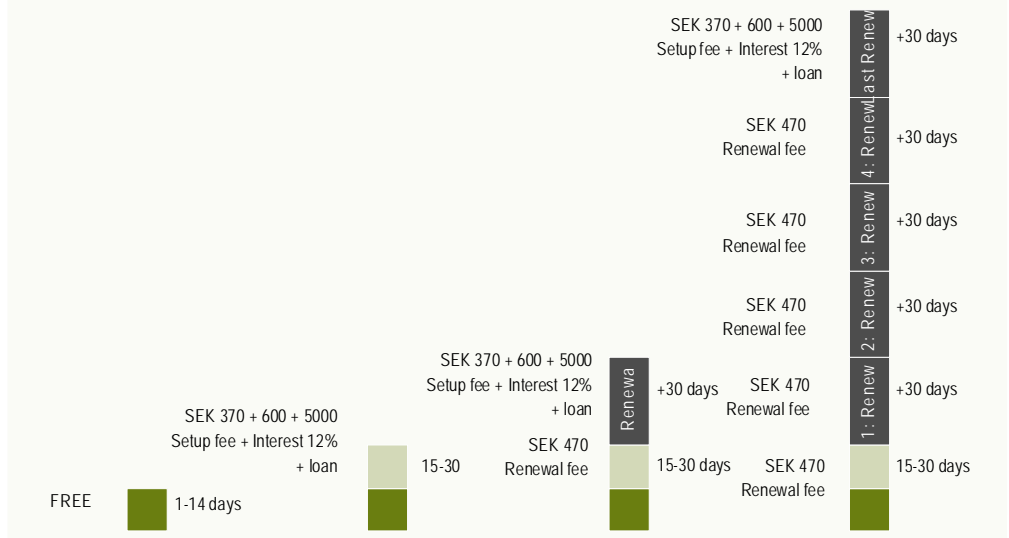
Source: Company

Day 0-14 is free of any interest or fee to Trustbuddy

Day 15 – 30 borrower must pay 12% interest plus set up fee, the interest is for the lifetime of the loan.

The loan can be extended up to 5 times, each time the borrower must pay a fee to Trustbuddy. The interest in monetary terms remains the same for the lifetime of the loan. So if the loan is renewed no additional interest expense is payable to the lenders.

Figure 3: Trustbuddy fee structure, with up to 5 renewals



Source: Company

Trustbuddy loans have a 30 day maturity. **However if the borrower repays the loan within 14 days they won't incur any interest or fees** – 30% of loans are repaid within this time frame. **This is a powerful marketing feature of the model**, which facilitates organic growth as awareness is spread through word of mouth. The 14 day free loan also increases brand loyalty according to management.

After the 30 days the customer has two choices: i) pay the loan in full or ii) renew the loan for another 30 days and pay a renewal fee. If borrowers renew the loan they will have to pay the admin fee while the initial balance and interest will remain outstanding. The borrower can renew the loan up to 5 times (i.e max loan duration 6 months).

After day 14, borrowers incur interest and fees – typical APR 931%, on a loan of SEK 3,500. The borrower can renew their loan up to 5 times. For each renewal Trustbuddy charges SEK 365 to the borrower. If the borrower renews the loan for the maximum 5th time implying a total 6 month loan maturity, their APR is 205%. For Trustbuddy the annualized revenue as % of the loan balance is 160% (see Figure 4). Currently Trustbuddy does not lend out any of its own capital.

Good liquidity for lenders: Funds may be invested and withdrawn at any time. Typically 90% of lenders' invested funds can be recalled immediately, while the remaining 10% can be recouped when the outstanding loans are repaid (thereby covering any potential bad debts). Lenders funds are allocated in 100 SEK / €10 increments ensuring diversification of risk.

Figure 4: Loan APRs by term of loan including renewals - based on avg loan size of 3,500SEK

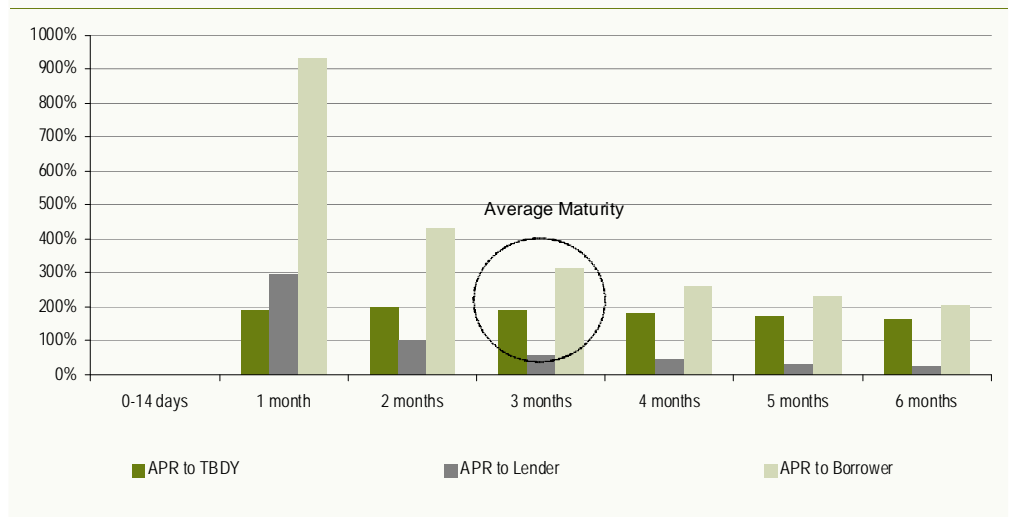
Time Frame	0-14 days	1 month	2 months	3 months	4 months	5 months	6 months
Interest charged by lender		420	420	420	420	420	420
Fee paid to TBDY		320	685	1,050	1,415	1,780	2,145
Principal	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Total Return	3,500	4,240	4,605	4,970	5,335	5,700	6,065
Days	14	30	60	90	120	150	180
Effective APR to Borrower	0%	931%	431%	315%	260%	228%	205%
TBDY Revenue	-	320	685	1,050	1,415	1,780	2,145
Interest charged by lender	0	420	420	420	420	420	420
Credit	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Revenue as % of Loan	0	9%	20%	30%	40%	51%	61%
Effective APR to TBDY	0	186%	192%	186%	177%	168%	160%
Interest as % of loan	0%	12%	12%	12%	12%	12%	12%
Effective APR to Lender	0	290%	97%	57%	40%	31%	25%

Max APR for Trustbuddy is 192%, for 2 month loans

Source: Company, Liberum Capital calculations

- The average loan maturity is c 3 months with an effective Annual Percentage Rate (APR) to the borrower of 315%, 57% to the lender and 186% to Trustbuddy.
- Excluding interest free maturities of 14 days or less, the borrowers APR ranges from 931% for a 1month maturity to 205% for the 6 month maturity. For lenders, the range is from 290% to 25%.
- For Trustbuddy, the effective APR is relatively stable: 186% for 1 month loans and 160% for 6 month loans.

Figure 5: APR to Borrower, Lender and Trustbuddy

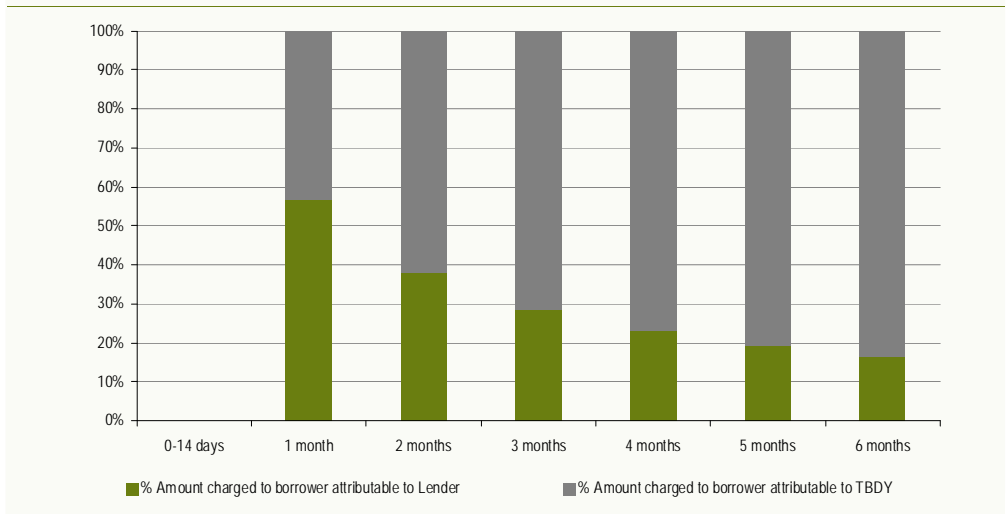


Source: Company, Liberum Capital calculations

Revenue distribution between lender and Trustbuddy: As Fig 6 illustrates, for a 1 month loan without renewal, the lender receives a larger fee than Trustbuddy from the borrower. However as loans are renewed for additional months, the amount that the lender receives in monetary terms remains fixed while Trustbuddy receives additional revenue from renewal fees and consequently the structure of the payment changes in favour of Trustbuddy. Trustbuddy achieves the highest APR from loans where the duration is approx 2 -3 months.

As loans are renewed 1 or more times, Trustbuddy's income on the loan increases compared to the lenders,...

Figure 6: Split of amount charged to the borrower by lender and Trustbuddy for 3,500 SEK Loan



Source: Company, Liberum Capital calculations

Reconciling borrowers' and lenders' yields

The net yield to the lender on an annualized basis is 11.7%. Trustbuddy offers a 1-time 12% interest rate to the lender provided the loan is performing¹. If the loan is renewed, no additional interest is paid to the lender. The average duration is 3.2 months. As 30% of loans are paid off within the 2 weeks free period and 20% of loans default, only c 50% of the lenders' money is invested in interest earning loans. On average 1% of loans are written off, equivalent to 3.7% annualised.

Gross yields for lenders on the platform are 15.4% with net yields of c11.7%

Figure 7: Preliminary annual net yield calculation

	Variables	SEK Amounts for avg SEK3,500 loan amount
SEK lent through Trustbuddy		3,500
% of interest/fee free loans	30%	1,050
% of bad loans	20%	-700
% of recovered bad loans	85%	595
% of interest earning loans	50%	1,750
Interest rate per month	12%	210
Duration (months)	3.2	
Recoveries	33%	
Loss on principal (%)		-1.0%
Closing balance at end of loan*		3,605
Net yield for lenders earned in 3.2 months**		3.0%
Annualised net yield for lenders		11.7%
Annualised default		-3.7%
Gross return for lenders		15.4%

*Closing balance being the initial balance less bad loans plus recoveries plus interest earned

**Being (3,605-3500)/3500

Source: Company, Liberum Capital estimates

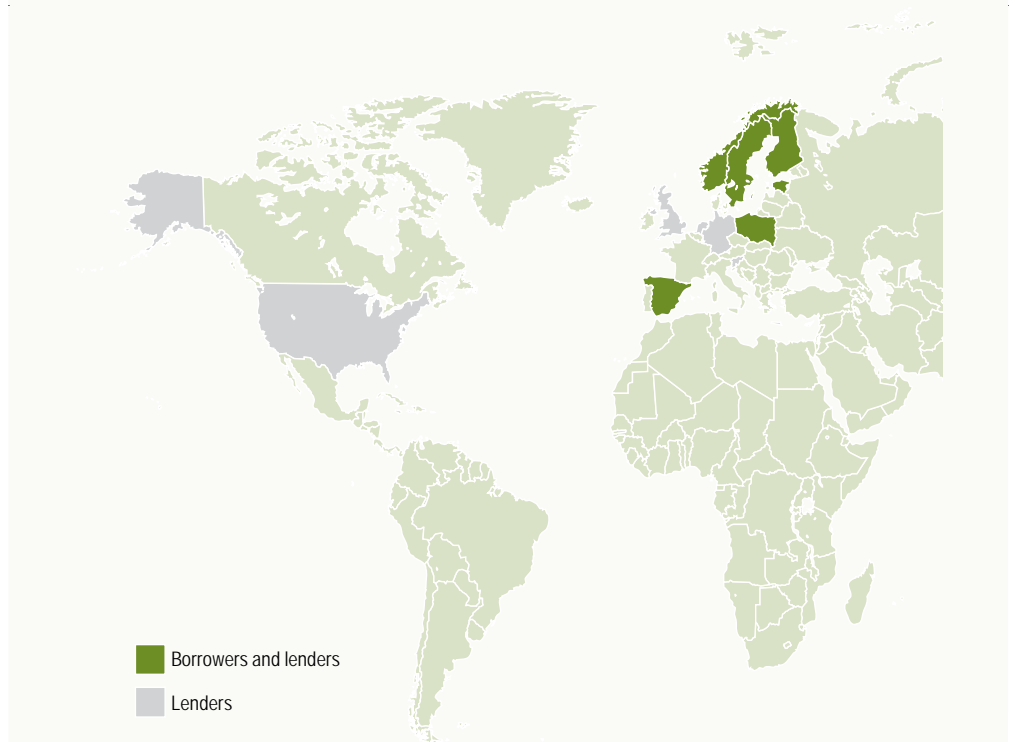
¹ If the loan goes into default there are some compensating fees (SEK150) paid to the lenders.

Trustbuddy Operations by Geography:

Initially Trustbuddy operated in only the Nordic countries. Since launching, Trustbuddy has subsequently expanded into other European countries. Currently Trustbuddy only facilitates borrowing in 7 countries², while one can lend through the platform in 12 countries including the UK.

In general, Trustbuddy targets 10-20% of any given country’s population. This equates to an addressable market of approx 22m people across the current Trustbuddy geographical footprint.

Figure 8: Trustbuddy geographic footprint



Sweden generates 31% of revenue where Trustbuddy currently have 6% of payday loan market.

Finland generates 16% of revenue, they have a monopoly in Finland

Norway generates 20% of revenue

Denmark generates 28% of revenue

2% is generated in Estonia

2% comes for mobiles

Source: Company

Figure 9: Markets where Trustbuddy are active

Date entered Market:	Lender:	Borrower:
2010	Norway	Norway
2010	Sweden	Sweden
2012	Finland	Finland
2012	Denmark	Denmark
2013	Poland	Poland
2013	Spain	Spain
2013	Estonia	Estonia*
2013	UK	
2013	USA	
2013	Slovenia	
2013	Germany	
2013	Netherlands	

*Estonia just about to launch for borrowers

²Including Estonia which is just about to launch.

Source: Company

High growth potential for Trustbuddy in Finland: In Finland, due to current regulation Trustbuddy have a particularly strong market position. The Government have introduced an APR cap of 50% above the reference point, on loans under €2,000. However this regulatory cap does not apply to Trustbuddy since it doesn't receive the interest itself but merely acts as an intermediary between individuals (model has been approved by the Finnish regulator).

Trustbuddy's target market of borrowers is c10% of the population of which c60% get rejected, leaving c216k potential borrowers in Finland alone, in comparison with Trustbuddy's overall total customer base of 180k.

Trustbuddy's potential annual volume in Finland alone is SEK756m c14.1x more than estimated volume of SEK 50m in Finland in 2013e.

'Low hanging fruit' in Finland:
Scope to increase loan volumes in Finland by 1412%

Figure 10: Finland Target Market

Population in Finland (m)	5.4
Estimated % of population interested in borrowing from TBDY	10%
Potential customers m	0.5
% potential borrowers rejected by TBDY	60%
Viable Target market customers (m)	0.22
Average loan size (SEK)	3,450
Potential loan Volume (Viable Target Market x Avg Loan Size) SEKm	756
Current No of Loans in Finland in 2013 (m)	0.015
Estimated current Loan Volume in Finland (No loans x Avg Loan Size) SEKm	50
Potential loan volume increase in Finland	1412%

Source: Company, Liberum Capital estimates

Technology:

Trustbuddy's technology was developed in-house in 2010. Trustbuddy also launched a web-based app in 2012. The verification of the borrower through bank details and the credit evaluation is built into the platform. Trustbuddy also have control procedures for managing cash and preventing money laundering. To date Trustbuddy have not experienced any incidents of fraud.

Recent Technology Developments:

- **Improving loan cycle time and credit quality:** At the 3Q13 results Trustbuddy announced a new partnership with a major European payment processing platform. The partnership will **enable the borrowing product to become more secure by fully pre-authorizing payment of the loan from the borrower's bank account**. Trustbuddy have introduced credit card payments through Visa, Mastercard, Maestro and Solo enabling them to go to continuous payment automation. Thereby **reducing the duration of the loan, enabling the capital to be turned over more frequently**.

Currently Trustbuddy with 28 cash management personnel, is resourced for SEK1.2bn of annual loan volume (more than double actual 2013e volume). By 2Q14, with enhanced automation and increased cash management headcount to 35, annual loan capacity will increase to SEK4.4bn or c 3x forecasted 2014e loan volume.

- **Efficiency gains - enhanced automation to be introduced early in 2014:** In Q1 2014 Trustbuddy is expected to implement new Straight Through Processing

(STP) thereby significantly improving the number of accounts each employee can process.

Trustbuddy is resourced to handle significant growth

Figure 11: Trustbuddy cash management capacity vs. forecasted volumes in 2013/14e

SEK (Bn)		Volume				
Forecast volume						
2013e		0.6				
2014e		1.6				
Forecasted annual volume capacity						
	Cash Management Employees	Accounts Per Employee	Volume per Staff (M)	Total Volume	Total Accounts	Total Annual Capacity (Bn)
Current	28	1000	3.5	98	28,000	1.2
Q2 2014	35	3000	10.5	367.5	105,000	4.4

Source: Company, Liberum Capital

Bad Debt on Trustbuddy platform: Historically 30% of loans are paid back in 14 days, 50% is paid back in the 30 days, while the remaining 20% goes to debt collection. Of the 20% that goes to debt collection on day 42, 86% is paid back straight away.

Overall, there is a less than a 1% default rate on each loan (not annualised) although this is probably unsustainably low according to management.

Debt collection outsourced: Trustbuddy use an external debt collection service, for which Trustbuddy is the largest client. Importantly, this debt collection company has the capacity and resources to expand into new markets with Trustbuddy.

Improved debt collection partner: Trustbuddy recently changed to this new debt collector, where the incentive system means the loans are being collected sooner. The previous debt collector was processing NPLs more slowly due to a suboptimal incentive structure. Therefore lenders' money will recycle faster, increasing the volume of lending and the effective annualised APR for lenders and Trustbuddy.

Until now, writing off loans was at the discretion of the country manager. However Trustbuddy is currently in the process of changing this and smoothing out the effect of losses, enabling the lender to track their net yield more accurately.

30% of loans are repaid within the 14 day free period

50% of loans are repaid within the 30 day time period

20% of loans go to debt collection on day 42

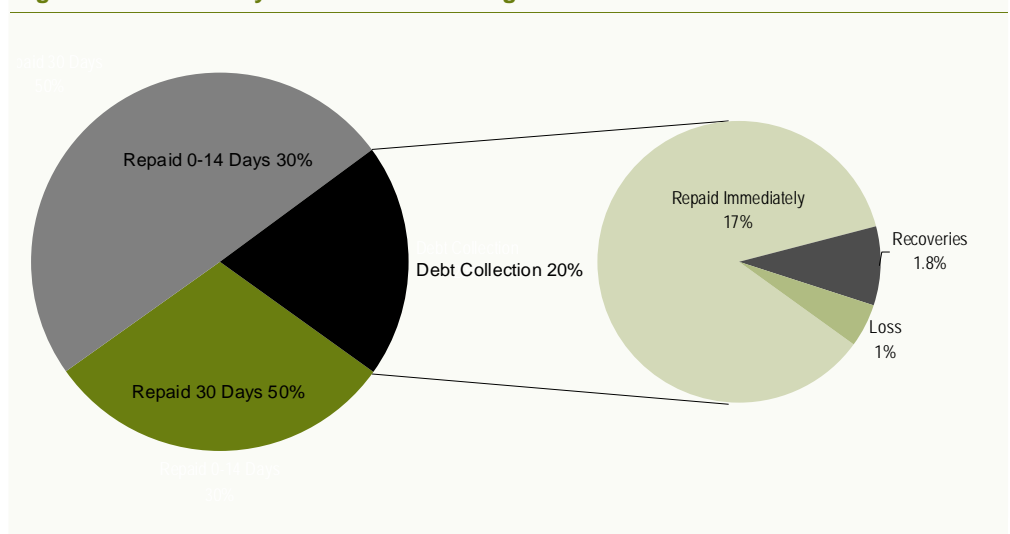
20% go to debt collection:

17% are repaid within a few days of notification

1.8% is recovered

1% is written off after 250 days

Figure 12: Trustbuddy Bad Debt flow through statistics



Source: Company; Liberum Capital estimates

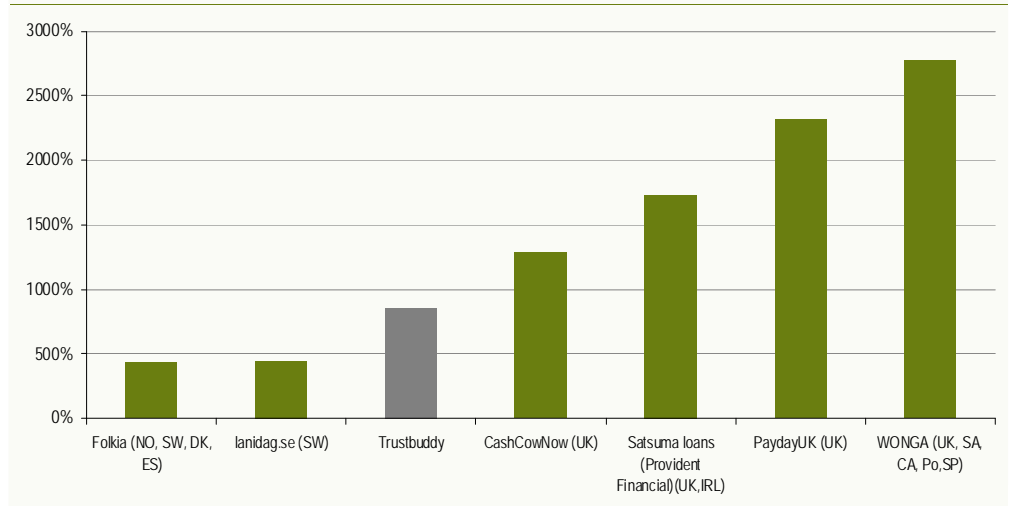
Trustbuddy rates are lower than most payday lender competitors

Figure 13 illustrates that Trustbuddy are cheaper than their UK peers for a 30 day loan. This suggests Trustbuddy will be able to undercut their competitors when they enter the UK in early 2014. The payday industry is estimated to be worth c£2.2bn annually in the UK in 2012 according to the OFT, growing at a 25% CAGR since 2008.

Folkia and laidag.se are both payday lenders operating in the Nordic Region

Cashcownow, Satsuma, Payday UK and Wonga all operate in the UK, and will be competing with Trustbuddy when they enter the UK market in early 2014

Figure 13: APR Comparison of 30 day loan for £400 (SEK4,000)



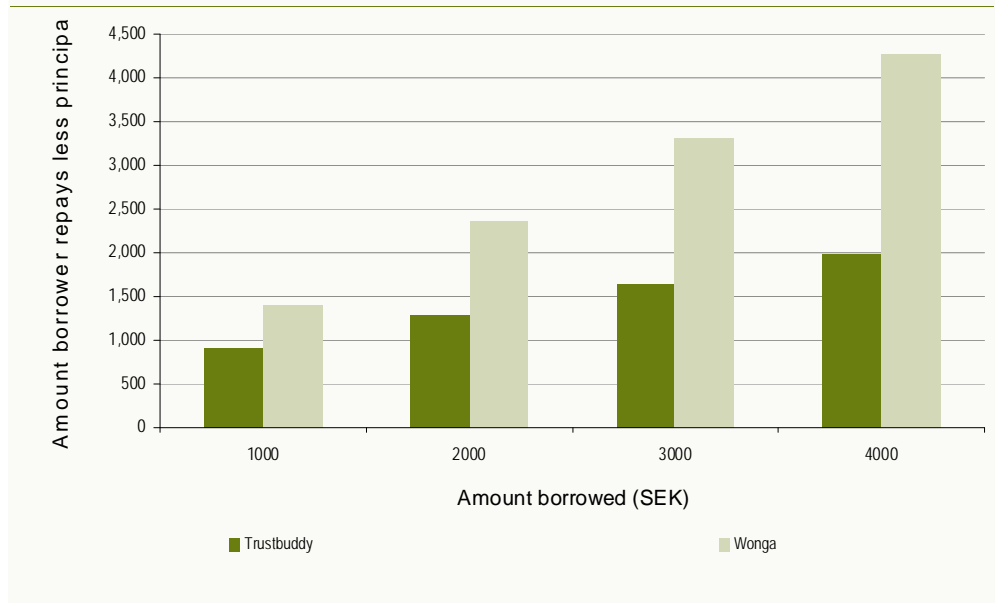
Source: Company, Wonga, CashCowNow, Payday UK, Lan Idag

Key operational comparable: Wonga- summary overview

Wonga is a key player in the payday lending space in the UK, South Africa, Spain and Poland having launched their website in 2007. Wonga allows you to borrow up to £400 for up to 30 days. Wonga is the first company in the world to fully automate the lending process. In 2012 Wonga reported a profit of £62.5m up 35% YOY. Wonga have a much higher default rate at c7.4% (vs. 1% for Trustbuddy) with an APR of 2774% (based on a 30 day loan of £400)

Trustbuddys APR is on average 50% lower than Wonga

Figure 14: Trustbuddy V Wonga comparison of interest and fees charged by loan size in SEK for 3.2 month loans



Source: Company, Wonga

The detailed APR comparison is shown below:

Figure 15: Trustbuddy rates to Lenders vs. Wonga

SEK	Wonga				Trustbuddy			
	1000	2000	3000	4000	1000	2000	3000	4000
Amount borrowed (amount you borrow)	1000	2000	3000	4000	1000	2000	3000	4000
After 30 days	373	675	974	1276	375	545	670	815
Renewal Fee	104	104	104	104	175	245	320	385
After 60 days	316	618	917	1219				
Renewal Fee	104	104	104	104	175	245	320	385
After 90 days	316	618	917	1219				
Renewal Fee	104	104	104	104	175	245	320	385
After 96 days	63	124	183	244				
Repay	2379	4356	6302	8268	1900	3280	4630	5970
Less principal	1383	2353	3303	4263	900	1280	1630	1970
TBDY Discount to Wonga					35%	46%	51%	54%

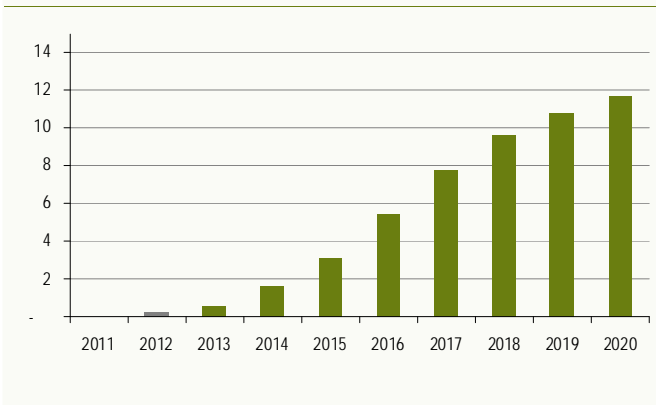
Note: Based on borrowing for 3.2 months (the average duration for Trustbuddy loans)

Source: Wonga, Trustbuddy

Trustbuddy Loan Volume: 122% CAGR in 2013e rising to c175% in 2014

Trustbuddy has experienced rapid growth with an estimated c122% 2013e CAGR of gross lending. As a P2P player in the payday space, Trustbuddy will be seen as a more ethical operator in this space potentially giving them an advantage vs. standard payday lenders. Trustbuddy has a first mover advantage since its the first P2P platform facilitating payday loans. **Our forecasted rates of growth for loan volumes and revenues have upside risk given the recent availability of institutional capital.**

Figure 16: Trustbuddy annual loan volume 2011-2020e



Source: Company, Liberum Estimates

Figure 17: Trustbuddy growth V Lending Club indexed to 100*



TBDY from 2011 and Lending Club from 2008
Source: Company

Institutional lending capital likely to drive faster growth

As the P2P space grows, it will attract institutional capital. Since Trustbuddy’s inception they have grown purely from retail capital. Anecdotally we know of at least two funds that are highly likely to aggressively deploy capital on Trustbuddy’s platform over the next 12 months implying much faster loan growth going forward.

Below we show our forecasts for loan capital on the Trustbuddy platform split between institutions and retail. Conservatively we assume that there will be c€22m (SEK189m) deployed by institutions in 2014, we know that there has been €12.3m committed already. Since loans are on average 3.2 months long we estimate that each €1 of new loan capital will drive c €4 of annual lending.

By 2016e we forecast 75% of the lending capital on the platform will be institutional up from c 0% in 2013e.

Figure 18: Mix of lending capital on Trustbuddy platform

	SEK M						% Change				
	2011	2012	2013e	2014e	2015e	2016e	2012	2013e	2014e	2015e	2016e
Capital	14	69	154	424	847	1,466	396%	122%	175%	100%	73%
Retail Capital	14	69	154	235	305	372	396%	122%	53%	30%	22%
Institutional	-	-	-	189	542	1,094	NM	NM	NM	187%	102%
% Institutional	0%	0%	0%	45%	64%	75%					

Source: Company, Liberum Capital

€6.2m new money equity raise – Approved

Trustbuddy recently announced an equity raise of €6.2m which was approved at an EGM held on the 9th of December. In the same transaction there was a sell down of €9.3m by the top 10 largest shareholders, in order to source additional lending capital on the platform while preventing significant dilution. **The proceeds of the sell down along plus an additional €3m will be used as lending capital on the platform.** The top 10 largest shareholders have received warrants (EUR5.5m 40m shares) as part of this transaction. The warrants have a strike price of SEK1.20 with a 2 year expiration date, if exercised the warrants will result in a dilution of 12%. These warrants are intended to mitigate some of the dilution experienced by the shareholders selling down. In addition there are 8.1m share warrants outstanding. If these warrants are exercised the fully diluted outstanding shares increases to 372m, a dilution of 14%).

So on a fully diluted basis if all warrants are exercised, the outstanding shares would increase to 372m from 275m currently. Our valuation conservatively assumes all warrants are exercised.

Figure 19: Equity Raise- number of shares for each shareholder category

Day before Transaction Day (T-1)		
Main shareholders	62%	170.5
Minority shareholders	38%	104.5
Current total shares outstanding	100%	275.0
Transaction Day (T)		
Undisclosed Investors	12%	39.2
New Investors	3%	11.4
Sum of New Investors	15%	50.6
JAC Invest	16%	52.8
Rest of Equity Sellers	42%	138.3
Sum Equity Sellers	59%	191.1
Sum Non Equity sellers	26%	84.7
Sum Old shareholders	85%	275.8
Sum Shareholders	100%	326.4
Existing shares sell down (T)		
Undisclosed Investors	30%	97.9
New Investors	9%	28.6
Sum New Investors	39%	126.5
JAC Invest	10%	31.9
Rest of Equity Sellers	26%	83.4
Sum Equity Sellers	35%	115.2
Sum Non Equity sellers	26%	84.7
Sum Old shareholders	61%	199.9
Sum Shareholders	100%	326.4
Private Placement: holders of subscription rights/Warrants (T+24 months)		
Undisclosed Investors	27%	97.9
New Investors	8%	28.6
Sum New Investors	35%	126.5
Sum Equity Sellers	42%	153.2
Sum Non Equity sellers	23%	84.7
Sum Old shareholders	65%	237.9
Sum Shareholders (Shares outstanding if all warrants issued)	100%	364.4

Source: Company

Historic Returns to lenders highly attractive: c12%

The table shows the annualised net yield to lenders on the Trustbuddy platform. Trustbuddys standard product delivered returns to investors in TB standard accounts of 14% over the last 12months. The TB safe product is Trustbuddy's annuity product given to only borrowers with a strong track record which delivered returns of 7% per annum.

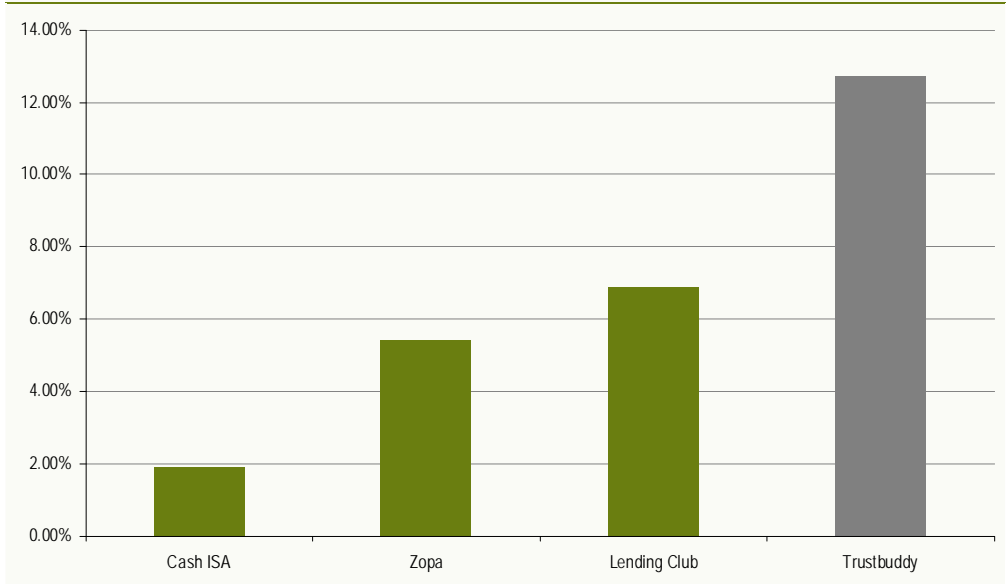
As Figure 20, shows net yields have declined somewhat in more recent months due to a slowdown in the debt collection process. Trustbuddy has recently replaced its debt collection provider with 2 new operators who are now properly incentivised to minimise the collection time. **Management are confident that this will improve the velocity of loan capital on the platform and drive net yields back towards historical levels of above 12%.**

Figure 20: Returns to Lenders annualized

	Last 3 months	Last 6 months	Last 12 months	Last 3 years
TB Standard	12%	13%	14%	16%
TB Safe	7%	7%	8%	8%
PONCX (PIMCO Income fund)	1%	2%	-1%	4%
XWD.TO (MSCI World Index Fund)	32%	32%	29%	9%

Source: Company

Figure 21: Trustbuddy Return to Lenders V Cash ISA, Zopa and Lending Club



Source: Company, Zopa, Lending Club

Trustbuddy offers highly attractive net yields vs. other P2P platforms and alternative saving options.

If P2P lending becomes ISAable in the UK, these 12% net yields are likely to drive significant lending interest from UK savers.

Trustbuddy Valuation

Overview:

- Using a variety of valuation approaches including DCF and multiples we estimate a market cap valuation range of SEK2.4-3.7bn equivalent to a TP of SEK 6.3 – 9.8 implying 260-400% share price upside.
- **We derive an estimated target price of SEK8.00.**

Figure 22: Valuation Overview

Share Price	2.00
No of shares fully diluted for warrants	372
Post new money market cap	744
P/Revenue Implied Market Cap	2,353
P/E Implied Market Cap	2,945
Base Case DCF Implied Market Cap	3,635
Average implied Market Cap fair value	2,984
Number shares full diluted	372
Implied Target price	8.02
Current share price	2.00
Implied share price upside	300%

Source: Liberum Capital

Valuation Issues:

- Trustbuddy is the only listed P2P platform, making valuation somewhat more challenging.
- Other P2P platforms such as Lending Club are focused on more mainstream consumer credit rather than payday lending.

Valuation based on Lending Club valuation multiples

The P2P market leader is Lending Club, a US based platform that launched in 2007, which lends between \$1,000 - \$15,975 for 3 or 5 years. Although they are yet to be listed, their most recent round of private equity, a \$57m investment, implies an equity valuation of \$2.3bn, which would imply that they trade on 26x current year and 12x 2014e year revenues. Anecdotal report suggest a Lending Club IPO valuation in 2Q14 of \$3-4bn (which does not seem unreasonable based on our own DCF-based analysis).

Figure 23: Lending Club

USD	2009	2010	2011	2012	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e
Lending Club Revenue	(0.2)	5.0	12.8	33.8	88	191	391	741	1,317	2,082	2,768	3,422
Annual loan volume (\$bn)	0.0	0.1	0.3	0.7	2.1	4.5	9.3	17.3	29.4	45.8	62.6	85.4
Revenue as % of annual loan volume	0%	4%	5%	5%	4%	4%	4%	4%	4%	5%	4%	4%

Source: Lending Club, Liberum Capital

Figure 24: Trustbuddy implied fair value based on Lending Club Multiples

	2013e	2014e
Lending Club (LC) recent DST transaction (Nov 13)		
Lending Club recent transaction valuation \$bn	2.3	2.3
Revenue \$bn	0.01	0.2
Implied LC P/Rev	26x	12x
Lending Club recent transaction valuation \$bn		
Lending Club recent transaction valuation \$bn	2.3	2.3
Income \$bn	0.003	0.03
Implied LC P/E	NM	71x
TrustBuddy		
Lending Club Price/Revenue Multiple	26x	12x
Trustbuddy Revenue SEKbn	0.09	0.19
P/Rev implied mkt cap fair value for TBDY SEKbn	2.4	2.3
Lending Club PE Multiple		71.0x
Trustbuddy Income		0.05
P/E implied mkt cap fair value for TBDY SEKbn		3.7
Average implied mkt cap fair value for TBDY SEKbn	2.4	3.0
TBDY fully diluted shares	372	372
Implied TBDY fair value per share SEK	6.32	7.92
TBDY Current share price	2.00	2.00
Implied TBDY Upside to fair value	216%	296%

Source: Liberum Capital

Based on Lending Club 2014 multiples of 12x revenues and 71x EPS. We derive an average fair value per share for TBDY of SEK7.92

DCF implied Trustbuddy valuation

Figure 25: DCF Valuation Summary

<u>Overall assumptions</u>									
Cost of Equity Ke		15%							
Perpetuity growth		0%							
Tax Rate		22%							
Net Capex as % of costs		10%							
Required Capital		1 yr operating cost							
DCF	Loan Growth CAGR (11-20)	Revenue % of Gross Loans	Cost growth % of Revenue growth	Fair Value SEK bn	Fully diluted # shares	FV/SH	Share Price	% Upside	
Bear	78%	11.0%	53%	2.0	372	5.28	2.00	164%	
Base	82%	12.0%	45%	3.7	372	9.82	2.00	391%	
Bull	84%	14.0%	41%	5.2	372	13.94	2.00	597%	

Source: Liberum Capital

DCF- Base Case equity value of SEK3.7bn**Estimated cost of equity Ke: 15%**

- DCF conservatively assumes 0% growth in perpetuity and a cost of equity of 15%.

Base Case

Assumptions:

- Loan growth CAGR (2011-2020): 82%
- Average revenue as % of Gross Loans:12.0%
- Average Cost growth as % of revenue growth: 45%
- Required capital: We conservatively assume that one years operating costs are required to be retained in the business.

On a DCF basis we estimate a fair value of TB is SEK 3.7bn. 391% upside post new money

- The Terminal value in 2022 of SEK 5.9bn is based on a Gordon growth model with growth of 0% and a cost of equity of 15%.

Figure 26: Base Case Trustbuddy DCF

SEK M	Explicit forecasts							Terminal period (First cashflow)
	2013	2014	2015	2016	2017	2018	2019	2020
Years forward		1.0	2.0	3.0	4.0	5.0	6.0	7.0
Net Revenue	90	189	328	568	850	1,109	1,310	1,501
Cost ex amortisation	-86	-119	-168	-212	-251	-280	-299	-316
less Interest expense	0	0	-1	-1	-2	-2	-3	-3
EBITDA	4	69	160	355	597	827	1008	1182
Taxation (EBITDA*tax rate)	-1	-15	-35	-78	-131	-182	-222	-260
NoPAT	3	54	125	277	466	645	786	922
Less increase in required capital	-45	-35	-51	-47	-41	-31	-20	0
Less Net Capex	-9	-12	-17	-21	-25	-28	-30	-32
Free Cashflow for the Firm		7	58	209	399	586	736	890
Terminal Value								5,935
Discount factor		87%	76%	66%	57%	50%	43%	
Discounted value		6	44	137	228	292	318	2566
Derived EV	3590							
Required capital % revenue		-47%	-38%	-31%	-26%	-24%	-22%	-21%
Required capital	-43	-88	-123	-174	-221	-262	-293	-313
Outputs								
Derived EV	3,590							
Cash	63							
Implied Market Cap fair value	3,653							
No of Share	372							
Implied Share Price	9.82							
Upside	391%							
Required Capital % Revenue	-88	-123	-174	-221	-262	-293	-313	-331
Required Capital	-45	-35	-51	-47	-41	-31	-20	
Discount rate (WACC)	15%							
Perpetuity growth	0%							
Net Capex as% costs	10%							

Source: Company, Liberum

Bear Case

Assumptions:

- Loan growth CAGR (2011 -2020) :78%
- Average revenue as % of Gross loans: 11.0%
- Average Cost growth as % of revenue growth:53%
- Required capital: We conservatively assume that one years operating costs are required to be retained in the business.

On a bear case DCF basis we estimate a fair value of TB is SEK 2.0bn. 164% upside post new money

- The Terminal value in 2022 in the bear case is SEK3.0bn based on a Gordon growth model with terminal growth of 0% and a cost of equity of 15%.

Figure 27: Bear Case Trustbuddy DCF

SEK M	Explicit forecasts							Terminal period (First cashflow)
	2013	2014	2015	2016	2017	2018	2019	2020
Years forward		1.0	2.0	3.0	4.0	5.0	6.0	7.0
Net Revenue	89	173	321	528	711	815	884	917
Cost ex amortisation	-89	-127	-183	-237	-273	-291	-302	-307
less Interest expense	0	0	-1	-1	-2	-2	-2	-2
EBITDA	0	45	137	290	437	522	579	608
Taxation (EBITDA*tax rate)	0	-10	-30	-64	-96	-115	-127	-134
NoPAT	0	35	107	226	341	407	452	474
Less increase in required capital	-48	-39	-57	-54	-36	-18	-11	0
Less Net Capex	-9	-13	-18	-24	-27	-29	-30	-31
Free Cashflow for the Firm		-16	32	148	277	360	411	443
Terminal Value								2,956
Discount factor		87%	76%	66%	57%	50%	43%	
Discounted value		-14	24	98	159	179	177	1,278
Derived EV	1,900							
Required capital % revenue		-1	0	0	0	0	0	0
Required capital	-43	-92	-131	-187	-241	-277	-295	-307
Outputs								
Derived EV	1,900							
Cash	63							
Implied Market Cap fair value	1,963							
No of shares	372.0							
Implied share price	5.28							
Upside	164%							
Required capital % revenue	-92	-131	-187	-241	-277	-295	-307	-312
Required capital	-48	-39	-57	-54	-36	-18	-11	
Discount rate (WACC)	15%							
Perpetuity growth	0%							
Net Capex as% costs	10%							

Source: Company, Liberum

Bull Case

Assumptions:

- Loan growth CAGR (2011 -2020) : 84%
- Average revenue as % of Gross loans: 14.0%
- Average cost growth as % of revenue growth: 41%
- Required capital: We conservatively assume that one years operating costs are required to be retained in the business.

On a bull case DCF basis we estimate a fair value of TB is SEK 5.2 bn 597% upside post new money

- The Terminal value in 2022 in the bull case is SEK8.5bn based on a Gordon growth model with terminal growth of 0% and a cost of equity of 15%.

Figure 28: Bull Case Trustbuddy DCF

SEK M	Explicit forecasts							Terminal period (First cashflow)
	2013	2014	2015	2016	2017	2018	2019	2020
Years forward		1.0	2.0	3.0	4.0	5.0	6.0	7.0
Net Revenue	90	209	411	715	1,075	1,437	1,755	2,024
Cost ex amortisation	(86)	(125)	(193)	(239)	(275)	(305)	(328)	(344)
less Interest expense	(0)	(0)	(1)	(2)	(2)	(3)	(3)	(3)
EBITDA	4	83	218	475	798	1,129	1,424	1,676
Taxation (EBITDA*tax rate)	(1)	(18)	(48)	(104)	(176)	(248)	(313)	(369)
NoPAT	3	65	170	370	622	881	1,111	1,307
Less increase in required capital	(45)	(40)	(68)	(47)	(36)	(31)	(22)	-
Less Net Capex	(9)	(13)	(19)	(24)	(28)	(31)	(33)	(34)
Free Cashflow for the Firm		12	83	300	559	820	1,056	1,273
Terminal Value								8,487
Discount factor		87%	76%	66%	57%	50%	43%	
Discounted value		10	62	197	319	408	456	3,669
Derived EV	5,122							
Required capital % revenue		-42%	-31%	-27%	-23%	-19%	-18%	-16%
Required capital	-43	-88	-129	-197	-244	-280	-311	-333
Outputs								
Derived EV	5,122							
Cash	63							
Implied Market Cap fair value	5,185							
No of shares	372.00							
Implied Share Price	13.94							
Implied Upside	597%							
Required capital % revenue	-88	-129	-197	-244	-280	-311	-333	-350
Required capital	-45	-40	-68	-47	-36	-31	-22	
Discount rate (WACC)	15%							
Perpetuity growth	0%							
Net Capex as% costs	10%							

Source: Company, Liberum

Future Opportunities

Aggressive geography expansion plans

Geographical Expansion: Trustbuddy have targeted 4-5 countries to enter into in the next year, including the UK on the borrowing side. According to management the cost to set up in a new market is low at SEK 2m.

Banking Licence

Trustbuddy has applied for a European banking licences from the Swedish authorities, which if approved can be passported to other European countries. The banking license will enable them to take risk on their own book thereby creating an additional product.

Trustbuddy intends to take on risk by purchasing the loans which have defaulted, at a discount of c 60-80% and managing this defaulted portfolio on which, statistically, it's likely an attractive RoI can be achieved.

There will also be an additional government-guaranteed option available to lenders: a high yield interest account through which Lenders can **earn 6.0% interest** if they deposit their money for 1 year or 6.6% if they deposit their money for 3 years. As Trustbuddy will have a **banking license** for this activity, all these deposits will be covered by a **governmental guarantee**.

- **Banking licence provides further upside:** At this point we have not quantified the upside if Trustbuddy secures a banking license. This upside is therefore conservatively excluded from our valuation. **The award of a banking license would be an obvious positive catalyst.**

Some background on Trustbuddy's P2P comparables

The broader P2P space as an industry is still in its infancy and remains somewhat fragmented (with the exception of outsized Lending Club). There also remain key differences between the players including business model, target group and geography.

Lending Club: Lending Club launched in the US in 2007, they are currently the largest P2P platform in the world. They are regulated by the SEC.

- Revenue: Lending Club charges borrowers an origination fee ranging from 1.1% - 5.0% at the issuance of the loan. They also charge investors 1.0% of borrower payments.
- Product: Notes maturities are 3 or 5 years. Borrowers can borrow amounts ranging from \$1,000 to \$35,000.
- Volume: To date they have lent \$ 3.1Bn

Zopa : Zopa was the first P2P platform in the world, having launched in the UK in 2005. Zopa is only available to residents of the UK.

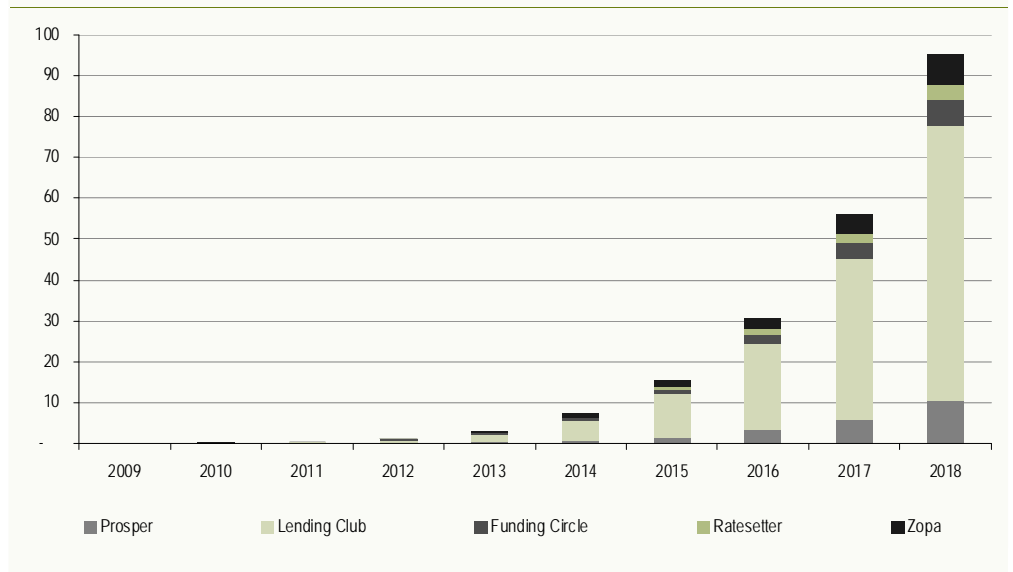
- Revenue: Zopa charges lenders a 1% annual fee on the loan amount and charges borrowers an upfront fee once the application is approved which is then added to the total loan amount.
- Product: Borrowers can borrow £1,000 to £15,000 over a 1- 5 year time frame.

- Volume: To date they have lent £430m

RateSetter: Rate Setter is an online P2P platform, launched in the UK in 2009, enabling lenders to fund unsecured consumer loans.

- Revenue: RateSetter charges lenders an annual fee equal to 10% of the interest earned and charges borrowers an administration fee and credit rate fee.
- Product: Rate Setter enables borrowers to borrow between £1,000 and £25,000 for between 6 months and 5 years, with all loans amortizing.
- Volume: To date they have lent £144m.

Figure 29: P2P Platforms cumulative Volume (GBP Bn)



Source: Lending Club, Prosper, Zopa, RateSetter, Funding Circle, Liberum

Attractions

- **Trustbuddy matches micro loans. At this scale P2P is highly competitive vs. banks and other less automated lenders.** Trustbuddy's APR to borrowers is 855% vs. e.g. 2774% for Wonga and c1733% for Provident Financial (Based on 30 day loan for 4000SEK).
- **Trustbuddy has recently sourced institutional capital** which is likely to result in significant revenue growth since capital turns over 3 - 4 times.
- **P2P provides asset class diversification:** P2P is a new asset class for institutional investors adding diversification to their existing portfolios. Trustbuddy is the only listed P2P platform.
- **Low cost model:** Trustbuddy does not have any physical branches. Much of the business depends on technology and it is an entirely scalable model.
- **Geographical expansion will drive revenue growth:** Trustbuddy currently only operates the borrower side of the platform in 7 countries. There is demand to expand into other countries at a low cost (SEK2m per country), thereby adding to revenue.
- **Banking licence likely to be granted in 1H 2014 – Potentially a significant boost to revenue** – If Trustbuddy are approved for a banking license this will enable them to introduce new products and take risk on their own book.

Risks

- **IT system failure:** As a highly automated company, the company is reliant on systems functioning correctly. All actual asset records are backed up securely.
- **Increased competition for Trustbuddy:** As the P2P industry becomes more established, other player may enter the market.
- **Reputational risk** – As a payday lender which charges c931% APR there is an element of reputational risk attached to Trustbuddy's activities. However since Trustbuddy is merely an intermediary between borrowers and lenders, it's likely to be viewed as a more ethical operator than traditional payday lenders.

Regulation: The P2P and the payday lending space are yet to be fully regulated.

Sweden: Trustbuddy have applied for a banking license from the Swedish authorities. Due to the application process, the Swedish authorities have an in depth understanding of the Trustbuddy business model. The Company is cautiously optimistic the banking license will be granted in 1H14 which would add incremental upside to the investment case (our forecasts do not include the benefits of the banking license being approved).

Finland: In Finland, payday lenders' APRs are capped at 50% over the reference rate. However this regulatory cap does not apply to Trustbuddy since it doesn't receive the interest itself but merely acts as an intermediary between individuals (model has been approved by the Finnish regulator). This regulation provides Trustbuddy with a particularly significant competitive advantage in Finland.

UK: P2P platforms in the UK are not currently regulated by the FCA, though the government is in consultations for the FCA to start regulating P2P platforms from the April 2014.

USA: P2P lending in the US is subject to SEC regulation and other state and federal regulation

Model

Figure 30: Income statement and Model Drivers

Model Drivers	SEKm						% Change				
	2011	2012	2013e	2014e	2015e	2016e	2012	2013	2014	2015	2016
Annual Loan Volume	53	260	577	1,589	3,178	5,498	396%	122%	175%	100%	73%
Revenue as % of loan volume	12.1%	14.8%	15.5%	11.9%	10.3%	10.3%	23%	5%	-23%	-13%	0%
Costs as % of revenue	191%	112%	99%	65%	53%	39%	-42%	-12%	-34%	-19%	-27%
Total Lending Capital	14	69	154	424	847	1,466	396%	122%	175%	100%	73%
Retail Capital	14	69	153.9	235	305	372	396%	122%	53%	30%	22%
Institutional	-	-	-	189	542	1,094				187%	102%
% Institutional	0%	0%	0%	45%	64%	75%					
Annual rate of Turnover	3.75	3.75	3.75	3.75	3.75	3.75					
Income Statement											
SEK M	2011	2012	2013e	2014e	2015e	2016e	2012	2013e	2014e	2015e	2016e
Net Revenue	6	38	89	189	328	568	512%	133%	111%	74%	73%
Other Operating Rev	0	0	0	0	0	1	279%	78%	140%	80%	58%
Total Net Revenue	6	39	90	189	328	568	510%	132%	111%	74%	73%
Direct Costs			-24	-27	-36	-42			13%	33%	18%
Other external costs		-12	-40	-53	-71	-86		243%	33%	33%	22%
Staff cost	-6	-18	-22	-38	-60	-81	186%	3%	78%	55%	37%
Depreciation and impairment	0	-3	-3	-4	-6	-9	888%	40%	55%	52%	37%
Other operating costs	-5	-10	-1	-1	-2	-2	86%	136%	78%	55%	51%
Costs	-12	-43	-88	-123	-174	-221	256%	104%	40%	41%	27%
Operating Profit (Loss)	-6	-5	1	65	154	347					
EBITDA		-1	4	70	161	356					
Financial Investments	0	-2	0	0	0	0	3884%	-98%	111%	74%	73%
PBT	-6	-7	1	65	154	347	21%	-115%	NM	136%	125%
Tax		-4	-1	-14	-34	-76					
Net Income	-6	-11	0	51	120	271	83%	-104%	NM	136%	125%

Source: Company, Liberum Capital

Figure 31: Balance Sheet

	SEKm						% Change				
	2011	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
Currents Assets											
Cash and cash equivalents	2	5	63	113	241	507	142%	1234%	78%	114%	110%
Receivables	3	4	1	6	12	25					
Prepayment and accrued income	4	4	6	2	5	10	6%	51%	-60%	105%	115%
Total current assets	8	13	70	121	258	542	61%	439%	72%	114%	110%
Fixed Assets											
Intangible Assets											
Balanced expenses research and dev	3	8	9	6	12	25	147%	9%	-35%	105%	115%
Goodwill	85	76	1	5	9	20	-11%	-99%	478%	105%	115%
PPE			0	2	5	10					
Financial Assets	3	0	0	1	1	3					
Deferred Tax receivables											
Other long term recieveable		0	0	1	1	3		143%	462%	105%	115%
Total Fixed Assets	91	84	10	13	27	58	-8%	-88%	35%	105%	115%
Total assets	99	97	80	134	285	600	-2%	-18%	68%	113%	111%
Short term Liabilities											
Overdraft		0									
Accrual and deferred income	1	6	1	15	41	75	408%	-86%	1666%	180%	84%
Current Liabilities	8	16	9	19	50	95	102%	-43%	108%	162%	90%
Long term Liabilities											
Def Tax Provision		0	0								
Total Liability	8	16	9	19	50	95	104%	-43%	106%	162%	90%
Equity											
Restricted equity											
Share Capital	10	11	66	66	66	66	3%	525%	0%	0%	0%
Restricted Reserves		0	0					-79%	-100%		
Non-restricted equity											
None-restricted equity	87	80	4				-7%	-95%	-100%		
Net Profit for period	(6)	(11)	0	51	172	442	83%	-104%	NM	234%	158%
Dividend				(3)	(3)	(3)					
Total Equity	91	81	71	115	235	505	-11%	-12%	63%	105%	115%
Liability + Equity	99	97	80	134	285	600	-2%	-18%	68%	113%	111%

Source: Company, Liberum Capital

Figure 32: Trustbuddy Cashflow Statement

	SEKm						% Change				
	2011	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
Operating activities											
Operating profit before financial items	(6)	(5)	1	65	154	347	-21%	-125%	5586%	136%	125%
Paid interest		(0)	(0)	(0)	(1)	(1)		2275%	111%	74%	73%
Received interest	0	0	0	0	0	1	369%	-70%	140%	80%	58%
Tax		(0)	(1)	(14)	(34)	(76)		8713%	1937%	136%	125%
Adjustment for items not included in the result	9	7	8	9	10	11	-14%	10%	10%	10%	10%
Cash flow from operating activities before changes in working capital	3	3	9	60	130	281	7%	173%	599%	117%	116%
Increase/decrease in account receivables		(3)	3	(3)	(4)	(8)		-197%	-201%	8%	125%
Increase/decrease in current receivables	(5)	1	0	(1)	(2)	(5)	-125%	-99%	-9050%	90%	125%
Increase/decrease in current liabilities	(8)	8	(2)	(4)	5	11	-199%	-123%	114%	-227%	125%
Cash flow from operating activities	(10)	9	10	52	129	278	-188%	17%	410%	150%	116%
Investing activities											
Changes in long-term receivables	8		(0)	(0)	(1)	(1)	-100%		686%	27%	125%
Investment in equipment and tools			(0)	(2)	(2)	(5)			16192%	5%	125%
Capitalized expenditure	(1)	(6)	(5)	(1)	3	(6)	502%	-21%	-84%	-517%	-291%
Cash flow from investing activities	7	(6)	(5)	(4)	0	(13)	-194%	-20%	-29%	-104%	-8703%
Financial activities											
New share issue		0	55						NM		
Dividend			(2)	(3)	(3)	(3)			10%	10%	15%
Cash flow from financial activities	4	0	53	(3)	(3)	(3)	-95%	NM	-105%	10%	15%
Cash flow for the period	1	3	58	45	126	262	153%	1991%	-22%	178%	108%
Exchange difference in cash equivalents	0	2	2	2	3	3	341%	10%	10%	10%	10%
Cash and cash equivalents, beginning of period	0		5	65	113	241	-100%		1272%	73%	114%
Cash and cash equivalents, beginning end of period	2	5	65	113	241	507	142%	1272%	73%	114%	110%

Source: Company, Liberum

Appendix:

APR

Figure 33: APR for a <2 week loan to 5 renewals for 2,000SEK Loan

Time Frame	0-14 days	1 month	2 months	3 months	4 months	5 months	6 months
Total Return	2,000	2,545	2,790	3,035	3,280	3,525	3,770
Credit	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Days	14	30	60	90	120	150	180
APR to Borrower	0%	1776%	658%	443%	350%	297%	262%
Revenue	-	305	550	795	1,040	1,285	1,530
Credit	2000	2000	2000	2000	2000	2000	2000
Revenue as % of Loan	0	15%	28%	40%	52%	64%	77%
Effective APR to TBDY	0	449%	330%	281%	251%	229%	212%

Source: Company, Liberum Capital

Figure 34: Split of amount charged to the borrower for 2,000 SEK Loan



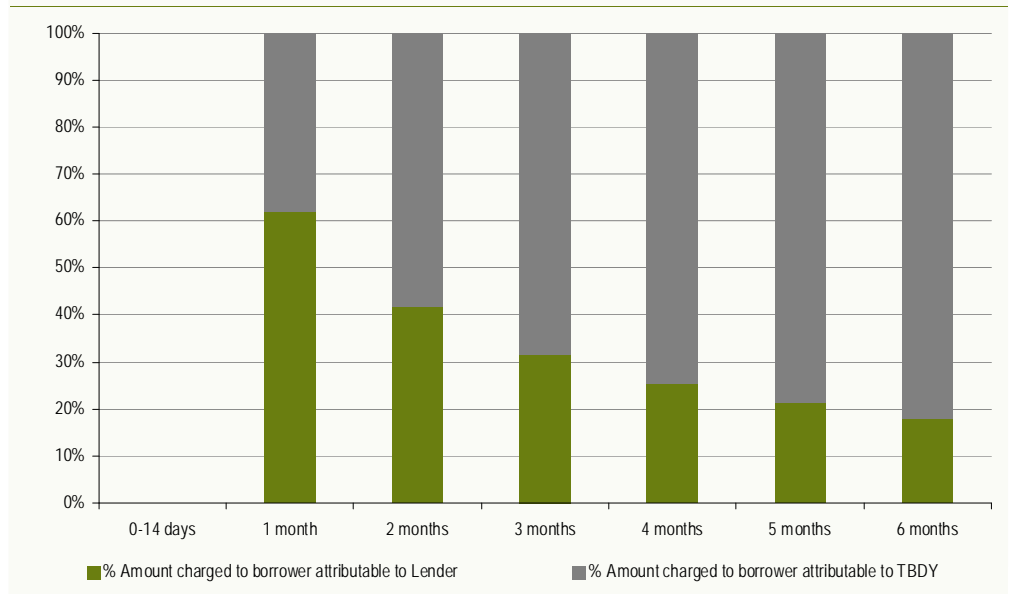
Source: Company, Liberum Capital

Figure 35: Trustbuddy APRs for different loan maturities including renewals- based on 5,000SEK Loan

Time Frame	0-14 days	1 month	2 months	3 months	4 months	5 months	6 months
Interest to Lender	0	600	600	600	600	600	600
TBDY Fee	0	370	840	1310	1780	2250	2720
Principal	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Return	5,000	5,970	6,440	6,910	7,380	7,850	8,320
days	14	30	60	90	120	150	180
Days per year	365	365	365	365	365	365	365
APR to Borrower	0%	765%	366%	271%	227%	200%	181%
Revenue	-	370	840	1,310	1,780	2,250	2,720
Credit	5000	5000	5000	5000	5000	5000	5000
Revenue as % of Loan	0	7%	17%	26%	36%	45%	54%
Effective APR to TBDY	0	136%	154%	154%	149%	144%	138%

Source: Company, Liberum Capital

Figure 36: Split of amount charged to the borrower for 5,000 SEK Loan



Source: Company, Liberum

Payday Lender Competitors

Provident Financial is the industry leader in payday loans in the UK and Ireland. They also operate a credit card business through Vanquis Bank. They offer 3 payday loan products. Satsuma loans enable borrowers to borrow £100-300 for 13 or 26 weeks, with the borrower making weekly payments. Greenwood Personal credit and Provident Personal Credit offers loans from £100-500 for up to a year which are amortizing. In 2012 the CCD business reported a PBT of £125m, on revenues of £697m with 1.8m customers. It trades on a PE of x15. APR of 400% (based on £200, payable in £10 over 32 weekly instalments). APR c1733% (if Satsuma loans were available for £400 for 3 months).

Folkia is the largest payday lender in Sweden and operates throughout Scandinavia and Estonia. Borrowers can borrow between SEK 1,000 – 20,000 for periods up to 12 months. The group reported revenues of 113MNOK in 2012, with PBT of 10.5MNOK. APR 448%.

Board & Management

Management:

Chairman Mr. Eivind Jørundland

Mr Jørundland has experience in management roles in the financial industry and in government agencies, he is currently the CEO of Moementum AS. Mr Jørundland started his career at the Norwegian Competition Authority, while he also spent time as a national expert in the EFTA Surveillance Authority. Mr Jørundland was a key player in the development of Fund management company Optimum ASA for seven years, leading the company through the Norwegian Finance Authority licensing process (MIFID).

CEO Mr. Jens Glasø

Mr. Glasø is founder and CEO of Trustbuddy. Mr Glasø has experience in both the financial and technology sectors, having worked as a stock broker, trader and advisor for SMEs, and wealthy individuals. In 2005 he was hired as Executive Vice President for Optimum ASA (NOK 2bn under management). Mr Glasø has also founded several technology companies.

CFO Mr. Linus L. Lönnroth: Mr. Lönnroth has 14 years experience in financial industry, including being an executive vice president at the Oslo Stock Exchange. After 8 years at the Stock Exchange he joined Optimum as an Executive Vice President with responsibility for the Swedish market, where he was until 2009. Mr Lönnroth is currently a manager with Loft Investments.

CIO Mr. Sebastian Hagman

Mr Hagman has 8 years experience in the financial services industry. Mr Hagman began his career in Goldman Sachs, before moving to ABS trading in Credit Agricole. Prior to becoming CIO at Trustbuddy Mr Hagman spent 5 years at Credit Suisse where he was vice president.

CLO Mr. Bård Bjerkås

Mr. Bjerkås has experience in the legal and financial sector. Mr Bjerkås is a qualified lawyer. He has also experience in the finance sector, having worked as a financial advisor in Norwegian giant Storebrand, and with real estate investments for many years. Mr. Bjerkås also has experience in the area of mobile applications, having worked extensively on mobile applications and co-founded several of the companies in the sector.

Board Member:

Rune Glasø: Mr. Glasø was educated at the Norwegian School of Hotel Management and has been managing Norwegian hotels. He is currently a project manager and has been working with internal organizational processes. Mr Glasø has worked as a project manager for the Varner Group, Terra Real Estate, AktivReal Estate, Alliance Boots, the Rimi groceries retail chain and the bank Sparebanken Vest.

Trond R. Ramsleie: Mr. Ramsleie has 18 years experience from the printing- and advertising business. Mr Ramsleie entered the advertising industry in 2003 with a role in Domene Fem AS as production manager. In 2006 Mr Ramsleie joined Adsign

Advertising AS as part of the management team and has since progressed to role as CEO. Mr. Ramsle is currently also on the board of Adsign Advertising AS and Cryptonymous AS.

Alf Erik Skuland : Mr Skuland has more than 10 years experience from the finance sector, both as a consultant and manager. He has 13 years experience within the IT business as a project leader with responsibility of implementing MRO systems for customers, consultant tasks and the last five years as sales manager.

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