



Current Report no 6/2019

Date: April 25th, 2019 r.

Subject: Adoption of Company's development strategy 2019-2021

Legal Basis: Art. 17 par. 1 MAR Regulation – confidential information

Content:

Board of YOLO S.A. with its registered seat in Warsaw ("The Company") informs that Company's development strategy 2019-2021, which is attached to this Report, was adopted today. This document, prepared by the Board describes the further development of consumer loan business.

Summary of actions carried by the Company in relation to finalization of development strategy 2016-2018 was included by the Board in directors' report of 2018, which is included in the YOLO Annual Report 2018.





Warsaw, 25th April, 2019

Dear Stakeholders,

I would like to share with you the underlying assumptions of 2019-2021 Strategy ("Strategy 2019-2021") of YOLO S.A. ("the Company", "YOLO"). The document presents a vision, how the Company is going to achieve sustainable profitability and develop dynamically during the following years.

In the summary of the execution of YOLO's strategy for the period 2016-2018, we have presented both our successes – restructuring of discontinued business, building up a modern consumer finance company, and market success of our products – and the areas, which still need development – in particular default rates of our loans granted to new customers, and YOLO's overall profitability. The Strategy 2019-2021 is the result of our experience gained during the previous years – we have drawn appropriate conclusions and improved our business processes.

This Strategy is presented at the moment, when numerous external factors appear at the same time, which may, separately and jointly, affect YOLO's business. There are *inter alia* unprecedented wave of changes in the Polish Law, including amendment to tax rules, implemented during the period 2015-2018, and poor sentiment on the Polish financial market after "Getback" scandal. However, we hope that our advantages – motivated and innovative team, high quality of IT systems and significant level of operating process automation, as well as strong support from the major YOLO's shareholders – will allow us to successfully execute the Strategy 2019-2021.

I hope that the Strategy 2019-2021 will be found interesting and will be well received by you.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Piwoński', is written over a large, faint YOLO logo that serves as a background for the signature block.

Krzysztof Piwoński
President of the Management Board



OUR MISSION

Our mission is providing fast financing to individuals of different credit rating, on terms, which are favourable to our customers, including convenient and flexible repayment period.

OUR VISION

We would like to be perceived as a financial institution of high reputation and market recognition, which is customer friendly, and service the portfolio of loans granted to thousands of happy customers.

UNDERLYING STRATEGIC GOAL

Building value for the shareholders.





2019-2021 STRATEGY

I. ACHIEVING PROFITABILITY

Our primary goal is to achieve sustainable profitability of YOLO's business both at EBIT and net profit level. If we manage to meet our operating targets, which is an underlying assumption for our path to profitability, YOLO's YTD net result for 2019 should turn into profit between 3rd and 4th quarter of 2019. In the following years, 2020-2021, the Company shall remain viable, and generated profits shall grow in line with growth dynamics of YOLO's business.

II. FINANCING OF THE BUSINESS

We assume that sources of external financing available for YOLO during 2019-2021 will be, most probably, limited to private bond issues, as it was during the period 2017-2018. We do not assume that the Company would get any bank financing, because vast majority of banks in Poland is not interested in providing financing to consumer finance companies. We do not assume that YOLO would offer its bonds in a form of public issues, especially directed to private individuals, either – this assumption is the result of the negative perception of this kind of bond issues by the Polish Financial Supervision Authority. We also take into consideration the difficult situation on the Polish corporate debt market resulting from the damaging consequences of "GetBack" scandal and assets outflow from corporate debt mutual funds.

Outstanding bond series ('F', 'G1'-G4' and 'H')

Bonds issued by YOLO during the period 2017-2018 and at the beginning of 2019 are reaching maturity in 2020 ('G1'-G4' series of PLN 8.0 million) and in 2021 ('F' and 'H' series of PLN 9.5 million). Subsequently to timely redemption of the-above mentioned bonds, the Company is going to acquire new financing in the similar value (PLN 17.5 million during the period 2020-2021).

New bond issues

Due to steady growth of YOLO's business, we are also planning to acquire new financing from private bond issues:

- in 2019 – issue of maximum 2 bond series of total nominal value not higher than PLN 4.0 million, which most likely will be directed to the same investors, who participated in YOLO's bond issues during the period 2017-2018 – one of the assumed bond issues took place in February 2019 ('H' series of PLN 1.5 million);
- in 2020 – issue of maximum 2 bond series of total nominal value approximately PLN 10.0 million – directed to institutional investors, including corporate debt mutual funds.



Successful execution of the above goals, especially bond issues planned for 2020 directed to institutional investors, is dependent on two factors – going viable by the Company in 2019 and improvement in sentiment on the Polish corporate debt market.

Terms of debt financing

Regarding terms of the new bond financing, we assume that at least until 2020 YOLO would need to offer terms similar to the parameters of bonds issued during the period 2017-2018 – this is a consequence of both the situation on the corporate debt market and the current stage of Company's development. In our opinion any potential optimisation of debt financing costs would be possible subsequent to reaching profitability by YOLO and sustaining it for at least two following years.

Alternative sources of financing

YOLO does not rule out that during the period 2019-2021 it would commence cooperation with external partners, which could allow for access to alternative sources of financing. In particular such alternative sources of financing could be securitisation of performing loan portfolios or cooperation with Internet platforms, which provide tools for investments in performing loans granted by consumer finance companies. We would like to emphasize that commencement of above-mentioned cooperation is not a necessary condition for successful execution of the Strategy 2019-2021, but it could significantly facilitate achievement of YOLO's sales volume targets in case of difficulties in access to traditional sources of debt financing.

III. PRODUCTS, CUSTOMER ACQUISITION AND VOLUME OF NEW LOANS

Products

'Karta Trzynastka' renewable loan and 'YOLO' instalment loan

During the period 2019-2021 YOLO is planning to offer customers two financial products, which have already been launched on the market:

- *'Karta Trzynastka'* – a renewable loan granted in the amount of PLN 1,000 – PLN 2,000 for the period of 4-6 months;
- *'YOLO'* – a typical instalment loan granted in the amount of PLN 1,000 – PLN 7,000 for the period of 6 -36 months.

The margins embedded in the basic versions the above financial products will be set at the maximum levels allowed by the Polish Act on Consumer Loans and the Polish Civil Code. However, we are going to maintain the more affordable offer for individuals with a very high credit score,



which has already been available for YOLO's customers since 2018. This 'premium' offer is comparable to the one of bank loans.

We assume constant development of our products based on customer satisfaction polls and customer expectations. As a first step, since February 2019 YOLO has introduced two additional channels of money transfer to customers, who entered into 'YOLO' instalment loan agreements with the Company – a wire transfer to the bank account of a customer and the GIRO check, which complement disbursement of money to customers via pre-paid debit cards historically used by YOLO. Thanks to these new solutions, money from granted loans is delivered to customers within several minutes.

In our opinion, the two above-mentioned products offered by YOLO at the time of the Strategy 2019-2021 publication, provide a solid foundation for dynamic growth of YOLO's sale volume and achieving the assumed sales volume targets of the Company.

YOLO Pay!

During the period 2020-2021 YOLO is going to offer a new innovative financial product for customers, which have never been interested in products offered by consumer finance companies. The product is going to be based on "buy now – pay later" solution. The product under brand name "YOLO Pay" is currently at an early development stage.

Customer acquisition

The Internet is going to remain the primary source of customer acquisition for YOLO during the period 2019-2021. However, we do not rule out using also the offline channel during the intensive sales campaigns – in such a case sales of YOLO's loans will be also executed via external financial intermediaries.

Volume of new loans

We assume that during the period 2019-2021 the Company will grant consumer loans to new customers in the amount of nearly PLN 100 million, out of which:

- PLN 17-18 million – granted in 2019;
- PLN 38-40 million – granted in 2020;
- PLN 40-43 million – granted in 2021.

Achievement of the above sales targets, especially in terms of the period 2020-2021, will be dependent on Company's access to external financing.



Apart from acquisition of new customers YOLO focuses also on sustaining the existing revenue base – all YOLO's customers, who have been paying their liabilities to the Company regularly and on time, will be provided with a proposal of a new loan agreement at the time of maturity of the existing one.

IV. OPERATING ACTIVITIES AND KPIs

Customer verification and default rate

Assumptions regarding customer verification embedded in the Strategy 2019-2021 are based on YOLO's credit scoring model developed during the period 2017-2018. The model has been subject to numerous changes and improvements, taking into account the actual default rates of consumer loans historically granted by YOLO. We believe that application of our current credit scoring and using specialised databases of our business partners, will allow YOLO to achieve the target of default rate at the average market level, i.e. it shall not exceed 20%.

We are going to track the actual loan quality ratios - loan repayment delays and default – for loans granted under the current credit rating, and constantly implement improvements in our process of customer verification and their credit rating assessment. In the Strategy 2019-2021 we pay extra attention to achieving the expected default ratio, even at the cost of lower approval ratio of loan applications.

Debt collection and sales of NPLs

During the period 2019-2021 we are going to use the model of after-sale servicing of our loan portfolio, which was implemented in 2018. The model covers all phases of portfolio life-cycle: payment monitoring of active loans, soft debt collection, and sales of NPLs, which are not likely to be repaid in soft debt collection process.

Operating expenses

Based on our financial data from the period 2017-2018, we assess that YOLO's annual fixed costs (excluding direct customer acquisition expenses and direct customer verifications costs) will amount to PLN 5.7 – 6.1 million, assuming their moderate growth y/y, resulting from growth of Company's business. Due to high degree of sales and operating processes automation, YOLO is able to significantly increase its revenue base (portfolio of granted loans), without a significant increase in operating expenses during 2019-2021.



SUMMARY

We expect that successful execution of the Strategy 2019-2021 would lead us to achieving sustainable profitability at both EBIT and net result level (2019) and to significant increase in the scale of our business operations (2020-2021) based on newly acquired external financing. In 2021 we would like to see YOLO as a profitable and dynamically growing consumer finance company, which may boast of good quality of the loan portfolio and stable base of happy customers.

Legal disclaimer:

This document covers statements, which refer to the future. The statements are based on the current expectations of the Management Board and are dependent on numerous factors, which are beyond Company's control and subject to uncertainty, which may lead to significant discrepancies between the actual figures and the figures presented in the statements referring to the future. In particular, the Strategy 2019-2021 is neither an investment or tax advice, nor an investment recommendation on acquisition of Company's financial instruments. Individuals or entities, which make their business decisions based on information presented in the Strategy 2019-2021, need to rely only on their own assessments and risk attitude.

This document is neither the forecast nor the estimate of Company's financial results. Therefore, the Strategy 2019-2021 or business assumptions of YOLO S.A. may be modified in the response to changes in Company's business or regulatory environment. If any events significantly affecting the Strategy 2019-2021 take place, the Company is going to inform about that in the way required by the Law.

