

An interesting opportunity

Alisa Bank announced a planned combination with fintech company PURO Finance. The transaction appears appealing through synergies and earnings potential, while providing growth potential amid capital structure challenges.

Seeking to combine with fintech company PURO Finance

PURO Finance is a fintech company specialized in invoice financing, with total income of approx. EUR 3.1m and PTP of EUR 0.6m in 2023. The company's business is based on self-developed technology, with its financing services offered under several brands. The combination will be carried out through a share exchange, after which Alisa Bank's current shareholders will own approx. 60% of the company. The combination is aimed to be completed during May 2024, conditional upon EGM approval and other customary preconditions.

Lucrative earnings improvement potential

The transaction in our view is appealing primarily through synergies and as such earnings improvement, in light of which the share exchange percentages seem fair for both parties. The clearly most tangible and significant part of the synergies arise from an estimated approx. EUR 1.3m saving in interest expenses through replacing PURO's debt capital with Alisa Bank's predominantly deposit based financing. On our standalone estimates, along with PURO's own profitability, 2025e PTP would potentially double up. The profitability improvement would clearly reduce the need for further capital structure strengthening, which has been a challenge for Alisa Bank, through the earnings-based improvement to CET. Focus is also set to shift towards SME funding, in particular the more profitable invoice funding, with consumer lending volumes set to be secondary and dependent upon capital adequacy targets.

HOLD with a target price of EUR 0.20

On our preliminary estimates, the mid-term valuation upside for the combined company appears slightly more favourable. The loan book growth potential, however, remains uncertain given the expected limited immediate impact to CET 1(%).

KEY FIGURES

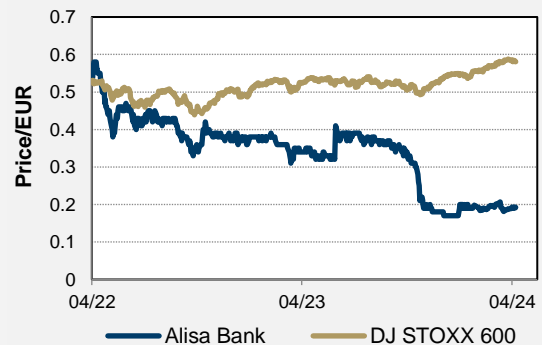
	Revenues EURm	Op. profit EURm	Net profit EURm	EPS EUR	P/E (x)	P/B (x)	Cost/income %	ROE %	Div. yield %	DPS EUR
2022	10	-10	-9	-0.10	-3.6	1.2	113.1	-34.7	0.0	0.00
2023	17	0	0	0.00	83.9	0.6	68.2	0.7	0.0	0.00
2024E	17	0	0	0.00	164.1	0.7	68.3	0.4	0.0	0.00
2025E	20	2	1	0.01	14.0	0.6	62.7	4.6	0.0	0.00
2026E	22	2	2	0.02	10.7	0.6	61.5	5.8	0.0	0.00

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

Market cap, EURm	17	BV per share 2024E, EUR	0.3	CAGR EPS 2023-26, %	109.0
Equity 2024E, EURm	26	Loan losses 2024E, %	2.95	CAGR op. profit 2023-26, %	126.0
Total assets, 2024E, EURm	470	Tax rate 2024E, %	20.0	CAGR revenues 2023-26, %	10.1
Lending 2024E, EURm	192	Tier 1 ratio 2024E, %	11.3	CAGR DPS 2023-26, %	0.0
RWA 2024E, EURm	157	Capital ratio 2024E, %	14.3	PEG, P/E 24/CAGR	1.5

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 0.20

Target price, EUR 0.2

Latest change in recommendation 16-Feb-24

Latest report on company 16-Feb-24

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 17

Free float, % -

Exchange rate 0.000

Reuters code ALISA.HE

Bloomberg code ALISA FH

Average daily volume, EURm -

Next interim report 9-Aug-24

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+ BUY ■ HOLD - SELL

Alisa Bank	2022	H1/'23	H2/'23	2023	H1/'24E	H2/'24E	2024E	2025E	2026E
Total income	10.3	8.4	8.3	16.7	8.3	9.0	17.3	20.0	22.1
<i>growth %</i>		253.2%	5.6%	62.8%	-1.2%	8.0%	3 %	16 %	11 %
Net interest income	9.1	7.4	7.3	14.8	7.2	7.9	15.1	17.5	19.3
Net fee income	1.5	0.8	0.9	1.8	1.0	1.0	2.0	2.4	2.7
Other operating income	-0.3	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Personnel expenses	-5.4	-2.8	-2.7	-5.5	-2.7	-2.8	-5.5	-5.8	-6.4
Other administrative expenses	-4.5	-2.2	-2.3	-4.5	-2.4	-2.4	-4.8	-5.2	-5.6
Depreciation and amortization	-0.7	-0.4	-0.4	-0.8	-0.4	-0.4	-0.8	-0.8	-0.8
Other operating expenses	-1.0	-0.4	-0.2	-0.6	-0.4	-0.3	-0.7	-0.8	-0.8
Total operating expenses	-11.6	-5.7	-5.7	-11.4	-5.9	-5.9	-11.8	-12.5	-13.6
Impairment of receivables	-8.3	-2.2	-2.8	-5.0	-2.6	-2.8	-5.3	-5.9	-6.5
Pre-tax profit	-9.7	0.4	-0.1	0.3	-0.2	0.3	0.1	1.6	2.0
Income taxes	0.7	-0.1	0.1	0.0	0.0	-0.1	0.0	-0.3	-0.4
Net earnings	-9.0	0.3	0.0	0.3	-0.2	0.3	0.1	1.2	1.6
Loan book	164	167	169	169	175	192	192	215	247

Source: Alisa Bank, Evli Research estimates

Preliminary estimates Alisa Bank + PURO Finance (assuming combination from 1.7.2024 onwards)

Alisa Bank + PURO Finance	2022	H1/'23	H2/'23	2023	H1/'24E	H2/'24E	2024E	2025E	2026E
Total income	10.3	8.4	8.3	16.7	8.3	11.2	19.5	23.9	24.6
<i>growth %</i>		253.2%	5.6%	62.8%	-1.2%	34.5%	17 %	23 %	3 %
Total operating expenses	-11.6	-5.7	-5.7	-11.4	-5.9	-7.2	-13.1	-15.0	-15.1
Impairment of receivables	-8.3	-2.2	-2.8	-5.0	-2.6	-2.9	-5.5	-6.0	-6.0
Pre-tax profit	-9.7	0.4	-0.1	0.3	-0.2	1.2	1.0	2.9	3.5
Income taxes	0.7	-0.1	0.1	0.0	0.0	-0.2	-0.2	-0.6	-0.7
Net earnings	-9.0	0.3	0.0	0.3	-0.2	0.9	0.8	2.4	2.8
Loan book	164	167	169	169	175	210	210	233	268

Source: Alisa Bank, Evli Research estimates

NB: different accounting standards affect comparability (Alisa Bank IFRS, PURO Finance FAS)

INTERIM FIGURES

EVLI ESTIMATES, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1E	2024Q2E	2024Q3E	2024Q4E	2024E	2025E	2026E
Net interest income	0	7	0	7	15	0	7	0	8	15	18	19
Net commission income	0	1	0	1	2	0	1	0	1	2	2	3
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	8	0	8	17	0	8	0	9	17	20	22
Total costs	0	-6	0	-6	-11	0	-6	0	-6	-12	-13	-14
Profit before loan losses	0	3	0	3	5	0	2	0	3	5	7	9
Loan losses	0	-2	0	-3	-5	0	-3	0	-3	-5	-6	-6
Operating profit	0	0	0	0	0	0	0	0	0	0	2	2
Taxes	0	0	0	0	0	0	0	0	0	0	0	0
Minorities	0	0	0	0	0	0	0	0	0	0	0	0
Net profit	0	0	0	0	0	0	0	0	0	0	1	2
EPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.02
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	2019	2020	2021	2022	2023	2024E	2025E	2026E
Net interest income	0	0	0	9	15	15	18	19
Net commission income	0	0	0	2	2	2	2	3
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	10	17	17	20	22
<i>Income growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>62.0</i>	<i>4.2</i>	<i>15.8</i>	<i>10.6</i>
Total costs	0	0	0	-12	-11	-12	-13	-14
<i>Costs growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-1.7</i>	<i>3.5</i>	<i>6.2</i>	<i>8.5</i>
Profit before loan losses	0	0	0	-1	5	5	7	9
Loan losses	0	0	0	-8	-5	-5	-6	-6
Operating profit	0	0	0	-10	0	0	2	2
<i>Operating profit growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-101.8</i>	<i>-24.7</i>	<i>1,069.5</i>	<i>31.1</i>
Taxes	0	0	0	1	0	0	0	0
Minorities	0	0	0	0	0	0	0	0
Net profit	0	0	0	-9	0	0	1	2
BALANCE SHEET, EURm								
Assets								
Lending to credit institutions	0	0	0	126	134	267	256	240
Lending to the public	0	0	0	155	169	192	215	247
<i>Growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>9.3</i>	<i>13.6</i>	<i>12.0</i>	<i>15.0</i>
Interest-bearing securities	0	0	0	0	0	0	0	0
Other assets	0	0	0	2	2	2	2	2
Total Assets	0	0	0	292	314	470	481	498
<i>Growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>7.6</i>	<i>49.8</i>	<i>2.4</i>	<i>3.5</i>
Liabilities								
Deposits by credit institutions	0	0	0	0	0	0	0	0
Deposits from the public	0	0	0	247	269	425	435	450
<i>Growth (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>9.0</i>	<i>58.1</i>	<i>2.4</i>	<i>3.4</i>
Debt securities in issue	0	0	0	0	0	0	0	0
Subordinated loans	0	0	0	6	6	6	6	6
Other liabilities	0	0	0	13	13	13	13	13
Shareholders' equity	0	0	0	26	26	26	28	29
Total liabilities and equity	0	0	0	292	314	470	481	498

KEY FIGURES	2020	2021	2022	2023	2024E	2025E	2026E
M-cap	0	0	32	15	17	17	17
Total assets	0	0	292	314	470	481	498
Total income	0	0	10	17	17	20	22
Total costs	0	0	-12	-11	-12	-13	-14
Operating profit	0	0	-10	0	0	2	2
Net profit	0	0	-9	0	0	1	2
Equity	0	0	26	26	26	28	29
Tier 1 capital	0	0	18	18	18	19	21
Risk-weighted assets	0	0	140	147	157	174	198
Loans	0	0	155	169	192	215	247
Valuation multiples							
P/E	0.0	0.0	-3.5	83.9	164.1	14.0	10.7
P/E, adj.	0.0	0.0	-3.6	83.9	164.1	14.0	10.7
P/B	0.0	0.0	1.2	0.6	0.7	0.6	0.6
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	87,745	88,332	88,332	88,332	88,332
Number of shares (diluted)	0	0	87,745	88,332	88,332	88,332	88,332
EPS	0.00	0.00	-0.10	0.00	0.00	0.01	0.02
EPS, adj.	0.00	0.00	-0.10	0.00	0.00	0.01	0.02
Book value per share	0.00	0.00	0.29	0.30	0.30	0.31	0.33
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	-34.7	0.7	0.4	4.6	5.8
Adjusted ROE, %	0.0	0.0	-33.5	0.7	0.4	4.6	5.8
ROA, %	0.0	0.0	-6.2	0.1	0.0	0.3	0.3
Net interest margin, %	0.0	0.0	2.3	3.4	2.5	2.7	2.8
Cost/income, %	0.0	0.0	113.1	68.2	68.3	62.7	61.5
Loan losses/lending, %	0.00	0.00	9.04	3.00	2.95	3.03	2.95
Tier 1 ratio, %	0.0	0.0	12.6	12.0	11.3	10.9	10.4
Capital ratio, %	0.0	0.0	15.9	15.2	14.3	13.6	12.7
Equity/assets, %	0.0	0.0	8.9	8.3	5.6	5.7	5.9
Loans/assets, %	0.0	0.0	53.0	53.9	40.8	44.7	49.7
Tax rate, %	0.0	0.0	7.0	-1.1	20.0	20.0	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	2.905	17.3 %
Taaleri Oyj	15.288	2.905	17.3 %
TN Ventures Oy	5.497	1.44	6.2 %
Oy Prandium Ab	4.754	0.903	5.4 %
Oy Scripo Ab	4.754	0.903	5.4 %
Oy T&T Nordcap Ab	3.939	0.748	4.5 %
OP Finland Small Cap	2.346	0.446	2.7 %
Rausanne Oy	1.242	0.236	1.4 %
Core Capital Oy	1.000	0.190	1.1 %
Bure Capital Oy	0.970	0.184	1.1 %
Ten largest	56.079	10.465	62.3 %
Residual	33.253	6.318	27.7 %
Total	88.331	16.783	100%

EARNINGS CALENDAR

August 9, 2024

H1 Report

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Juha Saari, interim

CFO: Kukka Lehtimäki

Tel:

IR:

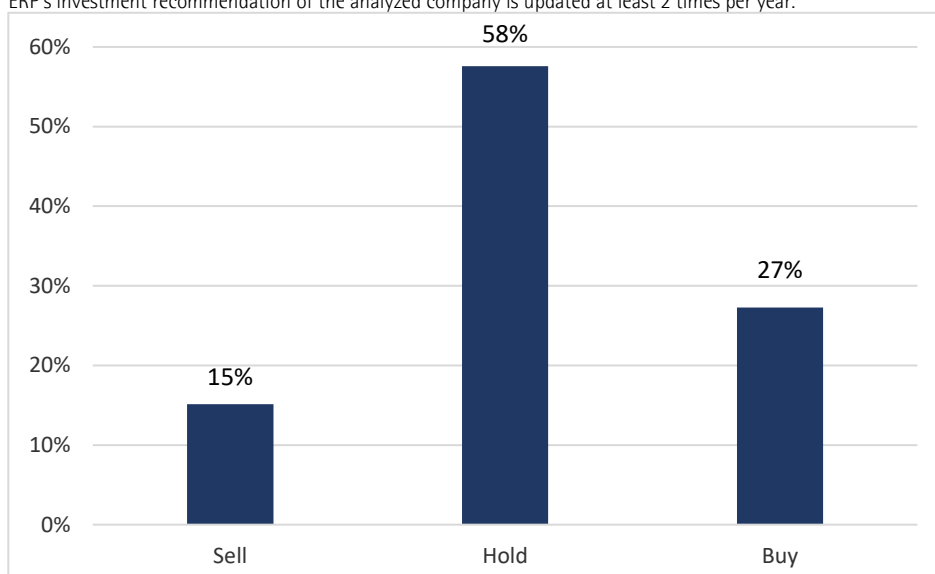
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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