

Year-end summary

January – December, 2020



Year-end summary

January – December, 2020

October – December 2020 (Q4 2019)

- Net revenue was SEK 564 (406) million, +43.5% Y/Y in constant currency
- Adjusted EBITDA was SEK 240 (176) million
- Adjusted EBITDA margin was 42.5 (43.4)%

January – December 2020 (FY 2019)

- Net revenue was SEK 1,974 (1,411) million, +41.9% Y/Y in constant currency
- Adjusted EBITDA was SEK 907 (695) million
- Adjusted EBITDA margin was 46.0 (49.2)%

Events in the fourth quarter of 2020

- Transaction volume amounted to SEK 55.9 billion, up 46% Y/Y
- Revenue from North America increased by 278% Y/Y, accounting for 18% of group revenue
- Cecilia Qvist and Liliana Solomon were elected as new Board members

Trustly Group Key Figures SEK m	2020	2019	2020	2019
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net revenue	564.4	406.5	1,974.4	1,411.3
Adj. EBITDA	240.0	176.3	907.4	694.6
Adj. EBITDA margin	42.5%	43.4%	46.0%	49.2%
EBITDA	192.4	130.7	821.6	577.1
EBITDA margin	34.1%	32.2%	41.6%	40.9%
Investments / capex	-22.7	-24.7	-77.3	-65.7
Average number of FTEs	478	361	425	318

Trustly Group key ratios by quarter

SEK m	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net revenue	564.4	495.5	482.1	432.3
Adjusted EBITDA	240.0	233.1	223.9	210.4
Adjusted EBITDA margin	42.5%	47.0%	46.4%	48.7%
EBITDA	192.4	220.6	210.9	197.7
EBITDA margin	34.1%	44.5%	43.7%	45.7%
Revenue growth Y/Y	38.9%	34.4%	43.5%	43.9%
Revenue growth Y/Y constant currency	43.5%	38.9%	44.0%	41.3%
Adjusted EBITDA growth Y/Y	36.1%	18.0%	31.1%	40.4%

Comments from the CEO

I am pleased to report that we ended 2020 with another record quarter. Net revenue amounted to SEK 564 million for the fourth quarter, corresponding to 44 percent growth year over year on a constant-currency basis. Adjusted EBITDA amounted to SEK 240 million, corresponding to a margin of 43 percent. Our business continued to generate strong cash flows, providing us with the financial strength to continue our global expansion.

Trustly is the leading global payments platform for digital account-to-account transactions. Our proprietary end-to-end technology redefines the speed, simplicity and security of payments, linking some of the world's most prominent merchants with consumers directly from their online banking accounts. Trustly can handle the entire payment value chain, which sets us apart from the competition and means that we can offer an attractive alternative to the traditional card schemes, both in terms of speed, security, convenience and pricing. In simple terms, our core products can be described as pay-ins, pay-outs, and recurring payments with value added services on top, such as identity information services, bank information services, and other merchant services. We serve 8,100 merchants connecting them with 525 million consumers and 6,300 banks in over 30 countries. In 2020, we processed over SEK 190 billion in transaction volume in our global network, up 43 percent from the previous year.

Revenue growth was solid across our geographical markets with a particularly strong development in North America. Revenue from North America increased by 278 percent year over year and accounted for 18 percent of total group revenue in the quarter. Overall, we have noted a strong increase in interest for Trustly's payment platform among global eCommerce merchants in the past year.

Our future growth will come from existing and new merchants, and we continuously expand our network.

In the past year alone, we connected around 2,500 merchants and 1,400 new banks, while broadening our reach by more than 55 million consumers. Right now, we are also establishing our own payment capabilities in new markets such as Canada and Australia.

We continue to build the Trustly team further to make sure that we can capitalize on the long-term growth opportunities in digital A2A payments. During 2020, we welcomed 115 new colleagues to the Trustly team, which consisted of 485 FTEs at the end of the year. Our strong culture, great teamwork and ability to attract top talent will remain key drivers for continued future success.

The pandemic has posed unprecedented challenges for businesses, people and societies around the world, but I am hopeful that vaccinations will help the world to move back to a more normal situation sometime during 2021. One of the lasting effects of the pandemic is likely to be the accelerated digitalization of commerce around the world and I believe that Trustly is well positioned to benefit from this important structural growth driver. We remain committed to innovation and to leading the development of digital A2A on a global basis, helping to serve our existing and growing merchant base and we are proud to be the most sustainable payment option available.

Finally, I want to thank our entire Trustly team, as well as our customers and shareholders for all the support during 2020, which was in many ways a very challenging year. I look forward to the rest of a very active 2021 as we continue to enable the shift to cardless societies – making account-to-account payments the new global payments standard.

“In 2020, we processed over SEK 190 billion of payments, up 42 percent from the previous year.”



Oscar Berglund, CEO

Group financial development October – December, 2020

Revenues

For the period October – December 2020, net revenue for the Group amounted to SEK 564.4 (406.5) million, corresponding to an increase of 38.9 percent compared to the same period in 2019.

The Company's revenues are to a large extent derived in other currencies than Swedish Krona. The most important foreign currencies from this perspective are the US dollar and the euro. The Swedish krona strengthened considerably against both these currencies during the period, which had a negative effect on reported revenues. The average transaction rates for the period were USD/SEK 8.61 (9.51) and EUR/SEK 10.26 (10.60). On a constant-currency basis, the increase in net revenue was 43.5 percent for the period.

The total processed transaction volume amounted to SEK 55.9 billion, representing an increase of 46.1 percent year over year. Revenues are generated from fees paid by customers (merchants) as consumers perform transactions on Trustly's payment platform. The positive revenue development in the period mainly derived from increased transaction volumes by existing customers and, to some extent, from new customers. The demand for Trustly's payment solutions continues to be strong, supported by the broad shift from offline to online commerce, regulatory changes and consumer preferences moving in favor of account-to-account payments.

Net revenue from EMEA amounted to SEK 460.7 (379.0) million and net revenue from North America amounted to SEK 103.7 (27.5) million.

Expenses

Operating expenses amounted to SEK 473.2 (355.4) million. The increase was driven by higher personnel expenses and higher other operating expenses as a result of the continued global expansion for the Company. Depreciation/amortization was also higher compared to the corresponding quarter of the previous year, mainly due to commencing depreciation of previously capitalized platform work. The expense item depreciation/amortization is mainly attributable to amortization of intangible assets in relation to previous acquisitions and amortization of capitalized development work related to product and platform.

Adjustments for items affecting comparability amounted to SEK 48.8 (45.8) million.

Profitability

Adjusted EBITDA amounted to SEK 240.0 (176.3) million. The increase in Adjusted EBITDA was driven by the increase in revenues compared to the same period in the previous year. The Adjusted EBITDA margin was 42.5 (43.4) percent. The margin was negatively affected by continued investments for expansion in North America. EBITDA amounted to SEK 192.4 (130.7) million for the Group.

Investments

Investments in intangible assets amounted to SEK 19.8 (16.3) million during the period and were mainly attributable to development of new functionality and technical improvements of the platform. Investments in tangible assets amounted to SEK 2.9 (8.4) million and consisted primarily of IT hardware and office equipment.

Group financial development January – December, 2020

Revenues

For the period January – December 2020, net revenue amounted to SEK 1,974.4 (1,411.3) million, corresponding to an increase of 39.9 percent compared to the same period in 2019.

The Company's revenues are to a large extent derived in other currencies than Swedish Krona. The most important foreign currencies from this perspective are the US dollar and the euro. The Swedish krona strengthened against both these currencies during the period, which had a negative effect on reported revenues. The average transaction rates for the period were USD/SEK 9.17 (9.47) and EUR/SEK 10.49 (10.59). On a constant-currency basis, the increase in net revenue was 41.9 percent. The positive revenue development mainly derived from increased transaction volumes from both new and existing customers, especially in North America.

The total processed transaction volume amounted to SEK 190.1 billion, representing an increase of 42.8 percent year over year.

Net revenue from EMEA amounted to SEK 1,754.0 (1,366.6) million and net revenue from North America amounted to SEK 220.4 (44.7) million.

Expenses

Operating expenses amounted to SEK 1,477.5 (1,109.9) million. The increase was driven by higher personnel expenses and higher other operating expenses as a result of the continued global expansion for the Company. Depreciation/amortization was also higher compared to the corresponding quarter of the previous year, mainly due to commencing depreciation of previously capitalized platform work.

Adjustments for items affecting comparability amounted to SEK 89.2 (118.3) million.

Profitability

Adjusted EBITDA amounted to SEK 907.4 (694.6) million. The adjusted EBITDA margin was 46.0 (49.2) percent. The margin was negatively affected by the continued investment for expansion in North America. EBITDA amounted to SEK 821.6 (577.1) million.

Investments

Investments in intangible assets amounted to SEK 65.3 (52.1) million for the period and were mainly attributable to development of new functionality and technical improvements of the platform. Investments in tangible assets amounted to SEK 12.0 (13.6) million and consisted primarily of IT hardware and office equipment and interior.

Other

Employees

At the end of the reporting period, Trustly had 485 (369) employees, defined as full-time equivalents. The average number of full-time equivalents for the quarter was 478 (361).

Dividend

The board of directors proposes to the Annual General Meeting that no dividend be paid for the financial year 2020.

Significant events after the reporting period

- Carl Wilson resigned from the Board.
- Mats Backman was hired as new Group CFO.

Comment on covid-19

At Trustly, our focus remains on ensuring the safety of our employees and striving to protect the health and well-being of the communities in which we operate. We offer the necessary tools for our employees to help them do their best while working remotely, and we provide technology to our merchants to help them sustain and develop their businesses during covid-19 and in the future. Trustly's financial performance has not been negatively affected by covid-19.

Product offering

We are a leading digital account-to-account (A2A) payments platform in Europe and the United States, offering a fast, convenient, secure and cost-efficient alternative to traditional card payments. We provide an end-to-end payments solution by offering a consumer-facing payment method, enabling merchant acceptance and operating a proprietary payment network. We bypass the traditional card-based payments value chain, which involves intermediaries such as issuer and acquirer processors, and offer merchants a more direct solution resulting in lower fees and reduced transaction costs while also providing consumers with enhanced transparency and a more convenient user experience without any hidden fees.

We provide an interface for consumers that facilitates a convenient and simple payment initiation and a full suite of payment solution that encompasses the entire payments value chain and merchant-facing functionality, including pay-ins, payment notification, settlement, refunds/pay-outs, foreign exchange transaction capabilities, data products, reconciliation and reporting and merchant support. We offer three core payment products: pay-ins, pay-outs and, in Sweden and the United States, recurring payments. Our payment products are complemented by related value-added services, including account verification, identity information services and, in Europe, other merchant integrated solutions such as Pay N Play® and Pay Your Invoice. Our offering is suited for digitally enabled businesses across a broad variety of industries, including iGaming, e-commerce, financial services and travel.

Our proprietary platform connects consumer and merchant bank accounts through two key elements: bank connectivity with retail banks servicing consumer bank accounts from which consumers make payments and, in Europe, a proprietary settlement network allowing for intra-bank routing and settlement of payments. Our bank connectivity comprises approximately 6,300 bank connections with consumer banks, allowing consumers holding bank accounts in these banks to use our payment solution to initiate account-to-account payments. In Europe, our proprietary settlement network allows us to route the payments intra-bank to maximize settlement speed and minimize non-settlement risk as well as cost.

Market

The payments industry is undergoing a shift away from cash and towards alternative payment methods. According to our research, Trustly's core market – defined as digital online payments, digital disbursements and refunds, instant remote payments and marketplace pay-outs – is estimated to be worth approximately \$3 trillion as of 2020 and expected to see growth of approximately 20% annual growth (CAGR) through 2020-2024, as non-card based payment methods continue to capture share from card-based payments in the global payment mix.

Account-to-account payments present an opportunity to capitalize on this trend as consumers and merchants seek alternatives to card payments, which typically have higher transaction costs, fraud and chargeback risk, falsely declined transactions, slow pay-outs and refunds, delayed settlements, limited payer identification and issues related to card loss and/or expiration. By contrast, our payment solution enables cost-efficient and often instantaneous payments with minimized fraud and chargeback risks and convenient authentication and user identification.

The following recent market developments are viewed to be in favor of Trustly's product offering.

- In the interest of increasing consumer protection and to reduce the number of credit purchases, the Swedish Parliament voted in favor of new legislation that came into effect on July 1, 2020. For e-commerce merchants and checkout providers, this has meant moving a debit payment option, where available, to the top of the checkout menu. In many cases, this has benefited Trustly by moving its payment solution higher up in merchants' checkouts, which is positive for consumer conversion and volumes.
- Germany will introduce a licensing system for online gaming operators, starting on July 1, 2021. A regulated licensing system is likely to speed up the migration from offline to online in the gaming sector in Germany, supporting growth, and will allow Trustly to offer its payment services to gaming operators within a newly regulated framework.
- Sports betting in the United States continues to become legalized state by state. Online sports betting is now legal in 14 US states plus Washington DC and more states are preparing to introduce new legislation. With gaming operators FanDuel, DraftKings and Rush Street Interactive already among Trustly's established merchants, the growth potential in the US looks attractive for Trustly in the coming years.

Risks and uncertainties

The Swedish Financial Services Authority (SFSA) has communicated that among its prioritized areas for supervision during 2021 will be measures against money laundering by smaller banks and payment institutions. Trustly's subsidiary Trustly Group AB is a payment institution supervised by the SFSA and as such from time to time subject to supervisory reviews by the SFSA.

In October 2020, Trustly received notice from the SFSA that the SFSA was initiating a supervisory review regarding the subsidiary Trustly Group AB's compliance with money laundering and terrorist financing prevention rules. The review is ongoing and the SFSA has not yet communicated any assessment or conclusion.

About Trustly

Founded in 2008, Trustly is a global leader in online banking payments. Our digital account-to-account platform redefines the speed, simplicity and security of payments, linking some of the world's most prominent merchants with consumers directly from their online banking accounts. Trustly can handle the entire payment journey, setting us apart from the competition and enabling us to offer an attractive alternative to the traditional card networks at a lower cost. Today we serve 8,100 merchants, connecting them with 525 million consumers and 6,300 banks in over 30 countries; and in 2020 we processed over \$21 billion in transaction volume in our global network. Trustly has 500 employees across Europe, the US and Latin America. We are a licensed Payment Institution under the second payment services directive in the EU (PSD2) and operate under the supervision of the Swedish Financial Supervisory Authority in Europe. In the US, we are state regulated as required to serve our target markets. For more information, you can visit our website at www.trustly.com.

Definitions

Adjusted EBITDA

EBITDA (defined below) adjusted for items affecting comparability.

Adjusted EBITDA-margin

Adjusted EBITDA in relation to net revenue.

Constant-currency growth in net revenue

Net revenue recalculated using currency rates from the corresponding period in the previous year.

EBITDA

Operating profit (EBIT) before depreciation and amortization. Also expressed as earnings before interest, taxes, depreciation and amortization (EBITDA).

EBITDA-margin

EBITDA in relation to net revenue.

Items affecting comparability

Items affecting comparability refer to events and transactions with significant effects on profitability, which are relevant for understanding the financial performance when comparing income for the current period with previous periods. Such items are viewed as non-recurring and include restructuring costs and costs related to acquisitions or divestments.

Revenue growth Y/Y

Percentage change of net revenues in SEK, compared to the corresponding period of the previous year.

Merchants

All of Trustly's customers are referred to as merchants, regardless of the nature of their businesses.

Transaction volume

The value of transactions processed by Trustly. This is an indicator of the volume component of revenue, as revenues are generated from fees paid by merchants based on processed transactions by Trustly.

Contact us today

To hear more about how Trustly can help your business.

Get in touch



About Trustly

Founded in 2008, Trustly is a global leader in online banking payments. Our digital account-to-account platform redefines the speed, simplicity and security of payments, linking some of the world's most prominent merchants with consumers directly from their online banking accounts. Trustly can handle the entire payment journey, setting us apart from the competition and enabling us to offer an attractive alternative to the traditional card networks at a lower cost. Today we serve 8,000 merchants, connecting them with 525 million consumers and 6,300 banks in over 30 countries; and in 2020 we processed over \$21 billion in transaction volume in our global network.

Trustly has 500 employees across Europe, North America and Latin America. We are a licensed Payment Institution under the second payment services directive (PSD2) and operate under the supervision of the Swedish Financial Supervisory Authority in Europe. In the US, we are state regulated as required to serve our target markets. Read more at www.trustly.com.

Rådmansgatan 40 113 57 Stockholm Sweden +46 8 39 17 75 trustly.com