



Third Quarter 2020 Results Announcement

Kaspi.kz Super App MAU up 68%, revenue up 21% and net income up 32% YoY in Q3'20

Almaty, Kazakhstan, 16 November 2020 – JSC Kaspi.kz (“Kaspi.kz”, “we”, or the “Company”) which operates the Kaspi.kz Super App, Kazakhstan’s leading mobile app, today publishes its interim condensed consolidated IFRS financial results for the third quarter and nine months ended September 30, 2020.

Third Quarter 2020 Key Highlights

Kaspi.kz Super App

MAU up 68% reaching 8.5 million, DAU up 172% reaching 4.3 million

Kaspi.kz’s Super App serves as single gateway to our Ecosystem and gives our Payments, Marketplace and Fintech Platforms an unrivalled market position and competitive advantage.

During the third quarter of 2020, Super App user and engagement levels reached all-time highs.

- Kaspi.kz Super App MAU (Monthly Active Users) increased by 68% year-over-year during the quarter ending 30 September 2020 to reach 8.5 million.
- As the Kaspi.kz Super App has become ever more integral to consumers’ daily lives, DAU (Daily Active Users) increased 172% year-over-year, a substantially faster rate than MAU. The ratio of DAU to MAU reached 51%, up from 32% during the quarter ending 30 September 2019.
- Average monthly transactions per active consumer increased by 94% year-over-year to 23.4 from 12.0 for the quarter ending 30 September 2019.
- Kaspi.kz is now almost entirely a mobile app only Ecosystem, with 92% of transactions taking place through our Super App in September 2020, compared to 75% in September 2019.

Kaspi.kz consolidated performance

Revenue up 21%, net income up 32%, net income margin reaching 42.5%

- During the third quarter of 2020, the Company generated total revenue of KZT161,763 million, demonstrating 21% adjusted¹ year-over-year growth. For the first nine months of 2020 revenue reached KZT460,859 million, equivalent to 28% adjusted year-over-year growth.

¹ Adjustment is related to 3Q19 revenue and net income, and excludes the one-off positive gain from the Kazakhstan government’s debt forgiveness program – partial reimbursement of penalties and fines on delinquent loans and partial repayment of loans to certain categories of borrowers. We have decreased 3Q19 revenue by KZT2.9bn and increased provisions by KZT4.0bn (both before tax) to normalise for this one-off positive effect in 3Q19.

- During the third quarter of 2020, adjusted net income increased 32% year-over-year to KZT68,804 million. For the first nine months of 2020 net income reached KZT184,383 million, equivalent to 43% adjusted year-over-year growth.
- Net income margin reached 42.5% from adjusted 39.2% for the quarter ended 30 September 2019. Net income margin reached 40.0% from adjusted 35.8% for the nine months ended 30 September 2019. Our profitability has benefited from material cost savings as we have transitioned payment volumes away from third-party network providers to our own proprietary payment network, improving cost of risk year-over-year and the operating leverage inherent in our business model.
- Our net income continues to diversify quickly and our Payments and Marketplace Platforms accounted for 33% of consolidated net income in the nine months ending 30 September 2020, up from 25% in the same period in 2019.
- For full-year 2020 better than expected trends now lead us to expect Kaspi.kz consolidated net income of around KZT270 billion.

Mikhail Lomtadze, Kaspi.kz CEO and co-founder, commented:

“Having successfully completed our IPO in October, we are very pleased to present an excellent first set of financial results as a public company. During the third quarter of 2020, Kaspi.kz once again demonstrated strong operating and financial momentum and we’re delighted with the results. Super App MAU increased 68% year-over-year to 8.5 million, with engagement levels once again hitting record highs. Adjusted net income growth of 32% year-over-year and net income margin reaching 42.5%, amidst an extremely challenging backdrop, illustrates the strength of our diversified platforms, the scalability of our business and our earnings power.

Our growth since the start of the Covid-19 pandemic reinforces the essential role we have come to play in our consumer’s daily lives. During the fourth quarter our focus will remain on helping consumers and merchants navigate the impact of the pandemic, with our business model well positioned to capture the opportunities arising from increased digital payments, commerce and financial services. User and financial momentum since the start of the current quarter is strong and we are now more optimistic about our full year 2020 net income outlook than at the time of our IPO.

With the underlying drivers of the Kaspi.kz Ecosystem enhanced and the digital economy in Kazakhstan continuing to offer multi-year structural growth, we are as opportunistic as we have ever been. Looking into 2021 we will continually add new and innovative digital products and services to our Kaspi.kz Super App. Kaspi Travel will be launched imminently and we’re rapidly rolling out Kaspi Pay and Kaspi QR, our QR contactless payments solution. Although Kaspi Pay and Kaspi QR are still in their early days, we are extremely encouraged by the initial take-up and usage trends. We expect these initiatives combined with a healthy product pipeline to allow us to continue growing our overall user base and further increase existing user engagement. As we discussed with investors during our IPO the result should be accelerating top-line growth, increasing profitability and rapid progress towards our midterm strategic goal of delivering the majority of our profits from our Payments and Marketplace Platforms.”

Business Highlights for the Quarter Ended September 30, 2020

The Kaspi.kz Ecosystem is comprised of market leading Payments, Marketplace and Fintech platforms, centered around our consumers' everyday needs.

Payments Platform

TPV up 189%, revenue up 85%, net income up 114%

Our Payments Platform has always offered consumers a highly convenient way to shop, pay bills and make P2P payments via the Kaspi.kz Super App. As has been the case globally, COVID-19 has accelerated consumer adoption of contactless mobile payments. We continue to add merchants at a rapid rate and Kaspi.kz's Payments Platform continues to cement its position as the Kazakhstan consumers' digital payments method of choice.

- Throughout the year payments volume growth has remained rapid and resilient to changes in the economic backdrop. During the third quarter Total Payment Value (TPV) increased by 189% year-over-year reaching KZT7.0 trillion. Revenue Generating TPV (RTPV) increased by 86% over the same period to reach KZT1.7 trillion.
- Our Payments Platform is amongst our most important drivers to attract new consumers into the Kaspi.kz Ecosystem and increase engagement. Despite being the largest of our platforms by number of active consumers, Payments Platform consumer growth remained strong, up by 67% year-over-year reaching 7.3 million active consumers. Number of transactions reached 718 million, up by 212% year-over-year.
- Payments Platform revenue increased by 85% year-over-year reaching KZT34,012 million during the quarter ending 30 September 2020.
- Net income increased by 114% year-on-year reaching KZT17,778 million with 3Q20 net income margin increasing significantly to 52.3% from 45.1% in 3Q19. Payments Platform profitability benefited from cost savings as we continue to transition payment volumes away from third-party network providers to our own proprietary payment network combined with the platforms inherent operating leverage.
- Since the launch of our proprietary payments network in 2019, we have continually taken share from other payment networks, including Mastercard and Visa. In September 2020, Kaspi.kz processed transactions accounted for 68% of total processed payment volumes in Kazakhstan². By creating our own closed-loop proprietary payments network, eliminating the need for 3rd party processors and payment networks, our Payments Platform not only enables us to offer a complete end-to-end customer experience but has resulted in material cost savings. We are now rapidly rolling out our Kaspi Pay and Kaspi QR payments solution. We expect to be able to provide more details on the contribution of Kaspi Pay to Payments Platform volumes over the course of next year but initial take-up and usage trends are adding to our optimism around the outlook for our Payments Platform in 2021 and beyond.

² According to the NBK, in September 2020, Kaspi.kz's proprietary payment network transactions accounted for 68% of total payment network transactions in Kazakhstan, while Visa, Mastercard and other international providers had an aggregate share of 26% of total payment network transactions in the country.

Marketplace Platform

GMV up 48%, revenue up 71%, net income up 71%

Our Marketplace Platform connects merchants with consumers, enabling merchants to increase their sales and consumers to buy a broad selection of products and services from a wide range of merchants. COVID-19-related restrictions on the operation of physical retail have led to significant changes in the shopping behaviour of consumers, and our Marketplace Platform with its leading market share in e-commerce and Kaspi Delivery solution is meeting the rapidly evolving needs of shoppers and merchants in Kazakhstan.

- Total Marketplace GMV reached KZT206 billion, representing an increase of 48% year-over-year for the quarter ending 30 September 2020. The growth of our GMV was driven by our E-commerce. During the third quarter of 2020, E-commerce Gross Merchandise Value (GMV) growth accelerated significantly to 220% year-over-year.
- Growth in active Marketplace Platform consumers has remained robust throughout the year. During the quarter ending 30 September 2020 Marketplace active consumers reached 2.9 million, equivalent to an increase of 21% year-over-year. Product listings which are one of the most important drivers of consumer engagement and purchases, increased 183% year-over-year and the number of active stores reached 28 312, increasing 68% year-over-year.
- Higher year-over-year take-rate in the quarter ending September 30 2020 resulted in Marketplace revenue growing faster than GMV and increasing 71% year-over-year to KZT16,020 million. For the first nine months of 2020 Marketplace revenue increased 40% year-over-year to KZT35,171 million.
- For the quarter ending September 30 2020 net income reached KZT9,471 million, representing a 71% increase year-over-year with 3Q20 net income profitability stable at 59.1% compared with 59.4% in the quarter ending 30 September 2019. For the first nine months of 2020 Marketplace net income increased 29% year-over-year to KZT19,684 million.
- For the rolling 12 months ending 30 September of 2020, E-commerce accounted for 44% of our overall Marketplace GMV and during the third quarter of 2020 more than 50% of Marketplace GMV. Going forward, we expect to see our E-commerce GMV grow at a significantly faster rate than our total GMV. However, as COVID-19 related restrictions on the operation of physical retail are eased, Mobile Commerce should continue to see accelerating growth and remain an important component of total Marketplace GMV. Taken together current trends in E-commerce and Mobile Commerce underpin our expectation of strong Marketplace growth in 2021.

Fintech Platform

TFV down 14%, revenue up 6%, net income up 8%

Through the Fintech Platform we offer our consumers instant and seamless access to digital finance including our buy-now-pay-later, consumer finance and deposit products. We have been rapidly transitioning to making our Fintech products mobile only and as with our Payments and Marketplace Platforms, COVID-19 has only served to accelerate this trend.

- During the third quarter of 2020 Total Finance Value (TFV) declined 14% year-on-year reaching KZT446 billion. This was however a more modest decline than the 62% year-on-year reduction in the second quarter of 2020. The short-term nature of all our financing and more specifically buy-now-pay-later products allows us to quickly ramp-up or scale back origination as we observe changes in the consumer environment. With this in mind monthly origination since September has been above pre-COVID-19 levels and TFV in October 2020 was the highest month year-to-date.

- Our average net loan portfolio increased by 5% year-over-year, reaching KZT1.2 trillion for the quarter ending 30 September 2020. Overall loan portfolio growth despite lower year-over-year origination reflects the impact of our loan payment deferral program, which allowed enrolled consumers to defer their payments for 3 months. By the end of September 2020 95% of consumers that participated in the deferral program had made their first payment and the program had no material impact on our cost of risk.
- Yield declined to 32.9% from 33.9% during the quarter ending 30 September 2019 but increased to 33.1% from 32.2% during the first nine months of 2019. Lower yield in the third quarter of 2020 reflected changes in the product mix, with general purpose consumer loans accounting for a lower share of TFV.
- Fintech Platform active consumers reached 3.4 million during the quarter ending 30 September 2020, equivalent to an increase of 8% year-on-year. Growth in new active consumers is at a slower rate than in our Payments and Marketplace Platforms which in part reflects our more cautious approach to new lending since March.
- During the quarter ending 30 September 2020 our cost of risk improved to 1.0% from 3.1% adjusted cost of risk in the same period in 2019. Improving cost of risk reflects the strength of our data driven real time risk management capabilities, which have enabled us to quickly adjust origination to reflect the new economic reality, as well as our continuous efforts to improve the success of our collection processes. Improving cost of risk also reflects the partial reversal of macro factor adjustments made in the first half of 2020, due to better than forecast economic trends and our excellent results collecting loans, delinquent more than 90 days. Although we have increased TFV origination in recent months, we continue to only lend to those consumers whose income and spending has remained resilient throughout the COVID-19 related downturn and this will likely continue to have positive implications for our cost of risk in the final quarter of 2020 and into 2021.
- Fintech Platform revenue increased by adjusted 6% year-over-year reaching KZT111,731 million during the quarter ending 30 September 2020. For the first nine months of 2020 adjusted revenue increased 18% year-over-year to KZT343,082 million. Slower top-line growth during the third quarter reflects lower levels of origination since April 2020 but will accelerate in 2021 as higher TFV origination since September contributes to revenue next year.
- In the third quarter of 2020, our Fintech Platform's net income increased by adjusted 8% year-over-year reaching net income of KZT41,555 million, with net income margin reaching 37.2% from adjusted 36.3% in the quarter ending 30 September 2019. For the first nine months of 2020 net income increased adjusted 28% year-over-year to KZT123,036 million with net income margin reaching 35.9% from adjusted 33.1% in the first nine months of 2019. Improving profitability reflects improving yield and cost of risk trends, combined with our increasing scalability as TFV origination has become almost entirely Super App only in 2020. Our ROE (return of equity) reached 68.9% for the nine months ending 30 September 2020, up from 65.6% for the same period in 2019.

Guidance for full-year 2020

We expect to deliver strong year-over-year growth across all our Platforms in the final quarter of 2020 with full-year 2020 Kaspi.kz consolidated net income of around KZT270 billion. Since the time of our IPO, trends in our Marketplace and Fintech Platforms have been better than we anticipated and our Payments Platform continues to deliver strong results in-line with the guidance we provided.

Payments

We continue to expect year-on-year growth of our Payments Platform RTPV at a level of 80-85% in 2020. We also continue to expect average balances on current accounts to demonstrate high 60% year-on-year growth in 2020.

Payments Take Rate is expected to remain broadly flat in 2020 compared to 2019.

We target a low 50% Net Income Margin for the Payments Platform in 2020.

Marketplace

We now expect our Marketplace Platform to deliver year-on-year GMV growth of around 30%, which is at the top-end of our previous guidance of between 25% to 30% growth.

Marketplace Take Rate should demonstrate slight year-on-year expansion in 2020.

We continue to anticipate the Marketplace Platform's Net Income Margin to stand at the level of low 60% in 2020.

Fintech

We continue to expect our TFV to demonstrate a year-on-year decline of around 10% in 2020 as we lend only to consumers whose income and spending has remained resilient thought the COVID-19 related slowdown.

We continue to target a TFV to Average Net Loan Portfolio Conversion Rate of around 1.4 in 2020.

We expect our 2020 Fintech Average Yield levels to remain largely flat compared to our 2019 Fintech Average Yield of 32.2% but now expect our Fintech Net Income Margin to be in the high-30% range which is above our previous guidance of mid-30% due to the combination of lower than expected cost of risk and the Fintech Platform's operating leverage.

Conference Call Information

Kaspi.kz will host a conference call and webcast at 1.00pm (London) (8.00am U.S. Eastern Time, 7.00pm Nur-Sultan time) to review and discuss the company's results for the third quarter.

<https://www.lsegissuerservices.com/spark/KaspiKZJSC/events/ab716e86-5ebb-4a5d-8310-261dfa755374>

We recommend using the dial-in option if you plan to ask questions. Please use the conference ID number **9928626** when prompted.

- UK Participant Local Dial-In Number: **(0) 20 3107 0289**
- US Participant Local Dial-In Number: **(833) 922-1411**
- Russia Participant Dial-In Number: **81080025581012**

For a list of global dial-in numbers, please click [here](#).

Following the call, a webcast replay will be available at the Kaspi.kz Investor Relations website.

Kaspi.kz Consolidated Income Statement

	9M 2019, KZT MM	9M 2019 ADJUSTED, KZT MM	9M 2020, KZT MM	3Q 2019, KZT MM	3Q 2019 ADJUSTED, KZT MM	3Q 2020, KZT MM
Revenue	363,158	360,258	460,859	136,296	133,396	161,763
<i>growth, %</i>	-	-	27.9%	-	-	21.3%
Interest Revenue	189,192	186,292	239,077	70,629	67,729	82,393
Fees, Commissions & Other	120,996	120,996	126,553	43,010	43,010	39,663
Transaction & Membership Revenue	25,073	25,073	33,355	9,312	9,312	15,218
Seller Fees	34,946	34,946	64,182	14,776	14,776	26,417
Other gains and losses	(7,049)	(7,049)	(2,308)	(1,431)	(1,431)	(1,928)
Cost of revenue	(128,932)	(128,932)	(145,469)	(43,608)	(43,608)	(51,967)
<i>growth, %</i>	-	-	12.8%	-	-	19.2%
<i>% of revenue</i>	35.5%	35.8%	31.6%	32.0%	32.7%	32.1%
Interest Expenses	(87,975)	(87,975)	(100,883)	(29,134)	(29,134)	(36,503)
Transaction Expenses	(10,344)	(10,344)	(11,061)	(4,131)	(4,131)	(4,074)
Operating Expenses	(30,613)	(30,613)	(33,525)	(10,343)	(10,343)	(11,390)
Total net revenue	234,226	231,326	315,390	92,688	89,788	109,796
<i>growth, %</i>	-	-	36.3%	-	-	22.3%
<i>margin, %</i>	64.5%	64.2%	68.4%	68.0%	67.3%	67.9%
Technology & product development	(14,491)	(14,491)	(18,653)	(5,038)	(5,038)	(6,558)
Sales and marketing	(18,071)	(18,071)	(31,108)	(6,577)	(6,577)	(13,295)
General and administrative expenses	(8,981)	(8,981)	(10,174)	(3,278)	(3,278)	(3,452)
Provision expense	(29,734)	(33,734)	(34,550)	(6,522)	(10,522)	(4,455)
Operating income	162,949	156,049	220,905	71,273	64,373	82,036
<i>growth, %</i>	-	-	41.6%	-	-	27.4%
<i>margin, %</i>	44.9%	43.3%	47.9%	52.3%	48.3%	50.7%
Income tax	(28,102)	(26,912)	(36,522)	(13,427)	(12,127)	(13,232)
Net income	134,847	129,137	184,383	57,846	52,246	68,804
<i>growth, %</i>	-	-	42.8%	-	-	31.7%
<i>margin, %</i>	37.1%	35.8%	40.0%	42.4%	39.2%	42.5%

Source: Interim condensed consolidated IFRS financial results for the third quarter and nine months ended September 30, 2020. FY19 & 3Q19 revenue and net income adjusted as per Kaspi.kz management accounts.

Kaspi.kz Consolidated Balance Sheet

	31-Dec-2019, KZT MM	30-Sep-2020, KZT MM
Cash and cash equivalents	239,140	269,626
Mandatory cash balances with NBK	25,243	25,996
Due from banks	43,484	41,705
Investment securities and derivatives	474,581	821,008
Loans to customers	1,292,104	1,253,699
Property, equipment and intangible assets	60,985	70,536
Other assets	52,044	63,091
Total assets	2,187,581	2,545,661
Due to banks	3,000	-
Customer accounts	1,626,973	1,975,735
Debt securities issued	138,574	135,648
Insurance reserves	3,608	2,996
Other liabilities	42,018	52,031

Subordinated debt	77,786	76,254
Total liabilities	1,891,959	2,242,664
Share capital	95,825	95,825
Additional paid-in-capital	506	506
Revaluation reserve of financial assets	472	4,654
Retained earnings	195,232	198,630
Total equity attributable to Shareholders of the Company	292,035	299,615
Non-controlling interests	3,587	3,382
Total equity	295,622	302,997
Total liabilities and equity	2,187,581	2,545,661

Source: Interim condensed consolidated IFRS financial results for the third quarter and nine months ended September 30, 2020

About Kaspi.kz

Kaspi.kz is the largest Payments, Marketplace and Fintech Ecosystem in Kazakhstan with a leading market share in each of its key services and products. At the core of the Kaspi.kz Ecosystem is the Kaspi.kz Super App, the leading mobile app in the country.

The Kaspi.kz Super App serves as a single gateway to all services and is an integral part of people's daily lives in Kazakhstan. As people's lives become increasingly digitalised, Super App usage is expected to grow supported by accelerating consumer adoption of cashless payments, e-Commerce and digital financial services.

Kaspi.kz's Ecosystem business model, where the growth and development of one service contributes to the growth and development of other services, creates a powerful virtuous cycle. A growing number of services being used by consumers results in synergies across all Platforms, structurally high profitability and creates a powerful self-reinforcing network effect, giving Kaspi.kz strong competitive advantages.

Kaspi.kz has been listed on the London Stock Exchange since 2020.

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Forward-looking statements

Some of the information in this announcement may contain projections or other forward-looking statements regarding future events or the future financial performance of Kaspi.kz. You can identify forward looking statements by terms such as "expect", "believe", "anticipate", "estimate", "intend", "will", "could", "may" or "might", the negative of such terms or other similar expressions. Kaspi.kz wish to caution you that these statements are only predictions and that actual events or results may differ materially. Kaspi.kz does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of Kaspi.kz, including, among others, general economic conditions, the competitive environment, risks associated with operating in Kazakhstan, rapid technological and market change in the industries the Company operates in, as well as many other risks specifically related to Kaspi.kz and its respective operations.