

ELKO Group

6% 2026 Bonds



ISIN	Maturity	Coupon	Issue size	Ask price	YTM	Call option	Collateral	Listing
LV0000870079	12.02.2026	6.00%	EUR 20 000 000	104.0	4.91%	@104% 1Y; @103% 2Y; @102% 3Y; @101% 4Y	Unsecured	Nasdaq Baltic First North

Key parameters

Founded: 1993	Products: IT, consumer electronics
Headquarters: Latvia	Key countries
Total assets: EUR 644.5m	• Russia • Sweden
Auditor: EY (IFRS)	• Ukraine • Norway
Rating: Not rated	• Poland • Finland
	• Slovakia • Baltics

Financial highlights

- During 9M 2021, ELKO Group's revenue reached EUR 1 243m, a 7% decrease compared to 9M 2020.
- EBIT in 9M 2021 came in at EUR 34.1m (+3% yoy), while net profit was EUR 21.3m (+10% yoy). Supply chain and production disruptions has made IT and consumer electronic goods more expensive and deficient, while it has helped ELKO to provide services with higher added-value and increase profits, despite the lower revenue.
- Increase in goods delivery time and disruptions in logistic cycle has led to an increased inventory level of EUR 269.5m during 9M 2021, showing a 48% increase yoy, while inventory days have also increased.
- Borrowings have significantly increased as of 9M 2021 and stood at EUR 242.4m (+65% yoy), which is attributable to EUR 20m bond issue and increase in bank borrowings. ELKO has diverse financing structure with multiple local working capital loans and factoring from Deutsche Bank and IGF.
- During Q2 2021, ELKO increased shareholder loans to EUR 26.2m (+56% qoq), while during Q3 2021 part of the shareholder loans were paid back and at the end of 9M 2021 the balance was EUR 21.1m.
- Leverage levels have increased, with Net Debt / EBIT⁵ – 4.1x and Net Debt/Equity – 1.8x at the end of 9M 2021.
- During 9M 2021 dividends in the amount of EUR 1.2m were paid out to the shareholders.
- Stable Equity ratio of 20% and EBIT/Interest expense of 4.3x as of 9M 2021, comfortably exceeding the financial covenants set by the bond program. The financial covenants require to maintain Equity ratio of at least 16% and Interest Coverage Ratio of at least 1.5x.

Key developments

- In February 2021, ELKO Group issued EUR 20m 5-year bonds with a coupon rate of 6% and the bonds were listed on Nasdaq during Q2 2021. ELKO Group has previously issued and successfully redeemed 2 listed bonds.
- In April 2021 SPA agreement has been signed on acquisition of 100% share of IT Smart Distribution SRL (Romania). It is consolidated into company's financials starting from July 2021.
- In response to the Covid-19 pandemic, ELKO Group implemented remote work policies, as all systems are remotely available. Contactless shipping and receiving of goods was introduced at all warehouses.

Financial highlights, EUR¹ m

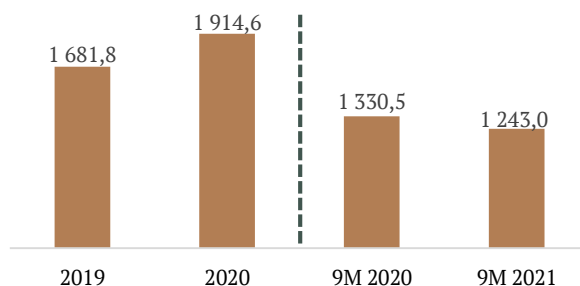
	FY 2019	FY 2020	9M 2020	9M 2021
Revenue	1 681.8	1 914.6	1 330.5	1 243.0
EBIT	35.6	55.6	33.2	34.1
EBIT margin	2.1%	2.9%	2.5%	2.7%
Net profit	17.7	30.2	19.4	21.3
Total assets	447.9	487.5	492.6	644.5
Inventory	150.3	153.1	182.2	269.5
Cash	24.3	33.5	30.9	12.9
Total Equity²	106.3	119.3	113.0	129.7
Total borrowings	131.6	141.4	147.3	242.4
Net Debt / EBIT⁵	3.0x	1.9x	2.3x	4.1x
Net Debt/Equity	1.0x	0.9x	1.0x	1.8x
Equity ratio	24%	24%	23%	20%
EBIT / Interest expense⁵	3.2x	4.0x	3.8x	4.3x

¹ The base reporting currency for ELKO is USD

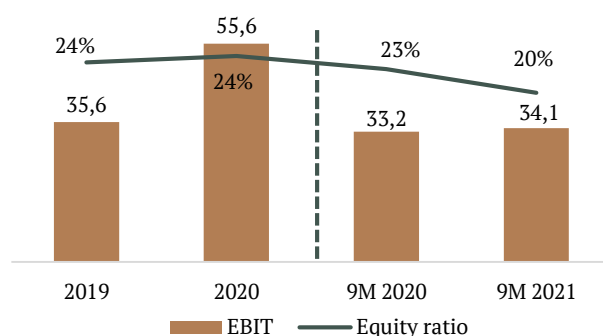
² Including shareholders' loans

³ Ratio for the last twelve months

Revenue, EUR m



EBIT and Equity ratio, EUR m



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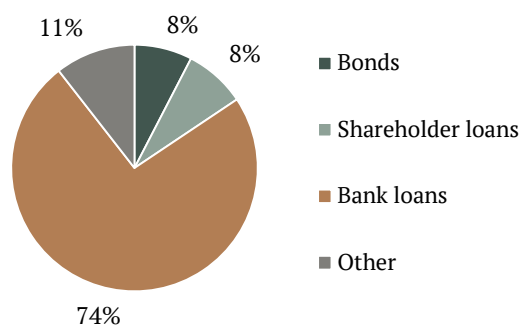
Term Sheet

Issuer	AS «ELKO Grupa» (Latvia)
Security type	Unsecured bonds
Issue size	EUR 20 000 000
Coupon rate	6%
Coupon frequency	Semi-annual
Term	5 years
Principal repayment date	Maturity date, bullet
Call Option	@104% after 1Y; @103 after 2Y; @102% after 3Y; @101% after 4Y
Nominal value	EUR 1 000
Listing	Nasdaq Baltic First North
Covenants¹	Consolidated Group basis: <ul style="list-style-type: none"> Adjusted Equity ratio² of at least 16% Interest Coverage Ratio of at least 1.5x
Arranger	Signet Bank AS

¹ For full list of covenants please refer to the Terms of the Issue

² Ratio of Equity (incl. subordinated shareholders' loans) to Total Assets (excl. IFRS 16 influence)

Financing structure (9M 2021)



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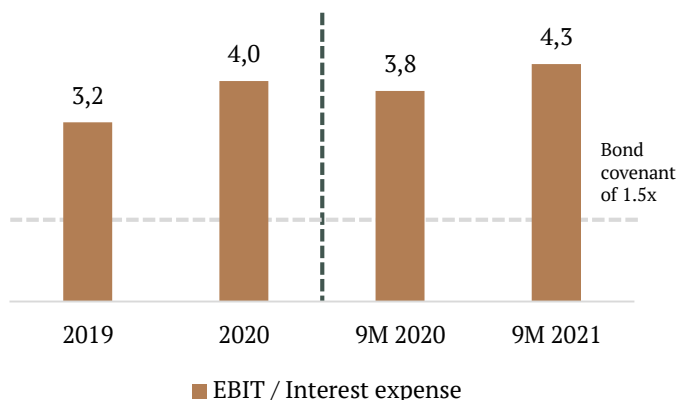
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Interest coverage ratio



ELKO Group's inventory management

- ELKO has implemented an inventory management system in order to optimize the inventory levels. The Group makes centralized plans for the purchase and sale of products as well as has upgraded the procedure for placing orders. ELKO also has price-protection arrangements with major vendors, which gives the Group rights to claim compensation in cases of declines in market prices.
- Nevertheless, as a result of the supply chain disruptions, inventory days, as well as trade receivables and payables days have increased for ELKO, resulting in a Cash Conversion Cycle of 69.9 days (+78% yoy) for the last twelve months ending 30.09.2021.

Industry trends

- Supply shortages have impacted the computer component distribution industry across the Europe. The lack of availability from the supply side has negatively affected the revenue growth of distributors due to not being able to fulfill the rapidly increasing amount of orders. Nevertheless, the revenue growth in this segment has been very strong during 2021.
- Sales for many of the large branded vendors, such as Apple, Lenovo, Acer and others have increased in Europe during 2021, which is beneficial for the growth of ELKO, as they make up a significant portion of the sales for ELKO. However, the market share of Huawei in Europe (which was the 2nd largest branded vendor for ELKO in 2020) has dropped by 94% yoy in Q3 2021, which has left a negative effect on ELKO sales.
- Overall, the current situation in the market for IT products and consumer electronics, namely the high demand for computer components and increase of selling prices puts distributors at a comfortable position for the future.