

# Longo Group bond issue

## Opportunity to invest in Secured 3-year EUR 3m bond issue with 6% coupon

### About Longo

- Established in 2018, Longo is the fastest growing and the largest used car retailer in Baltics present in Riga, Tallinn, and Vilnius.
- In the fragmented Baltic used car market, Longo is the only pan-Baltic used-car retail, more than 2x exceeding the size of its closest competitor in terms of units sold.
- The Group is fully vertically integrated from sourcing (purchasing vehicles) to sales. The Group's data-driven approach and significant online presence has allowed it to build efficient operations spanning multiple geographies and jurisdictions.
- The Group is transforming the market, offering the most convenient and safest used car shopping experience end-to-end, both digital and on-site with the largest and widest competitively priced assortment of popular used car models in the Baltics.
- The Group employs 90 employees and is led by experienced management team.

### Business overview

- Longo is locally present in its sourcing countries in Western Europe (the Netherlands, Belgium and Germany) and has built up a network of hundreds of partners- where it reviews, inspects and buys most of its cars. Since its inception Longo has sourced and sold more than 7 000 cars.
- All sourced cars Longo transports to Panevežys, Lithuania, where its inhouse end-to-end preparation center is located and all cars are serviced, repaired, cleaned and photographed. Current inhouse preparation center capacity is 85-100 cars per week with further mid-term increase to 150-180 cars per week achievable.
- Majority of sales leads have been generated from Longo's web sites, sales are done with standardized sales processes focused on delivering a safe and hassle-free user experience to the customer. Longo also provides aftersales warranty and reengages customers for next purchase.

### Financial highlights

- Despite the fact that during Q1 2021 the Group was affected by severe restrictions due to Covid-19 pandemic, strong demand during consecutive quarters helped the Group to boost its 9M 2021 revenue – 9M 2021 revenue was already by 49% higher than the overall revenue for year 2020.
- Rapidly growing sales as well as better margins has significantly improved the Group's results - EBITDA for 9M 2021 was EUR 321.2th contrarily to negative EBITDA for year 2020. EBITDA for Q3 2021 was EUR 526th.
- The Group has also reached net profitability both on monthly and 9M 2021 basis – net profit for 9M 2021 was EUR 62.4th. The Group significantly reduced its cost base while working on process and system improvements during first and second wave of pandemic.
- The Group currently has not external debt and a Equity ratio of 92% (as of end 9M 2021), demonstrating strong shareholder support for the Group's strategy.

Source: Longo presentations and financial reports



### Financial highlights, EUR th

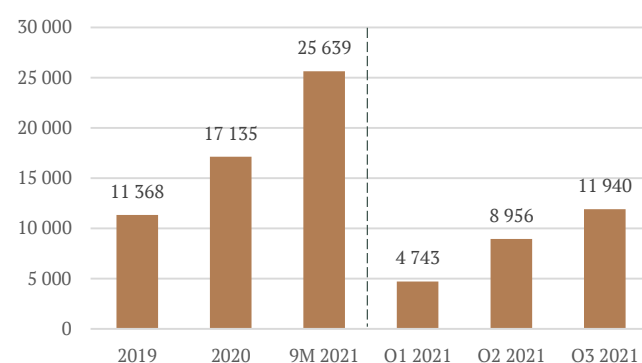
	FY 2020 audited	9M 2021 unaudited
<b>Revenue</b>	14 996	22 334
<b>EBITDA</b>	-1 332	321
<b>EBITDA Margin</b>	n/a	1%
<b>Net profit</b>	-1 729	62
<b>Total assets</b>	9 462	11 036
<b>Inventory</b>	6 599	5 947
<b>Cash</b>	1 482	2 778
<b>Equity</b>	1 920	8 205
<b>Adjusted equity<sup>1</sup></b>	7 962	10 205
<b>Total borrowings<sup>2</sup></b>	500	0
<b>Equity ratio<sup>3</sup></b>	84%	92%

<sup>1</sup>Equity + Shareholder loans

<sup>2</sup>Excluding shareholder loans

<sup>3</sup>(Equity + Shareholder loans) / Assets

### Sales incl. VAT, EUR th



# Longo Group bond issue



## Term Sheet

<b>Issuer</b>	<b>AS Longo Group</b>
<b>Security type</b>	<b>Senior secured bonds</b>
<b>Offer type</b>	Private placement
<b>Use of proceeds</b>	Working capital investments
<b>Collateral</b>	<ul style="list-style-type: none"> <li>Commercial pledge on assets of AS Longo Latvia, UAB Longo LT</li> </ul>
<b>Guarantee</b>	<ul style="list-style-type: none"> <li>Corporate guarantee from AS Longo Latvia, UAB Longo LT, Longo Estonia OÜ, Longo Netherlands B.V.</li> </ul>
<b>Issue size</b>	<b>EUR 3 000 000</b>
<b>Coupon rate</b>	<b>6.0%</b>
<b>Coupon frequency</b>	Monthly
<b>Maturity</b>	<b>3 years</b>
<b>Principal repayment</b>	Maturity date, bullet
<b>Call Option</b>	@101% after 1 <sup>st</sup> year, @100% last 3 months before maturity
<b>Put Option</b>	@100% after 2 <sup>nd</sup> year
<b>Nominal value</b>	EUR 1 000
<b>Minimum subscription</b>	<b>EUR 100 000</b>
<b>Listing</b>	Nasdaq Baltic First North within 12 months after the Issue Date
<b>Covenants<sup>1</sup></b>	<ul style="list-style-type: none"> <li>Interest coverage ratio<sup>2</sup> of min 2x</li> <li>Equity ratio<sup>3</sup> of min 30%</li> <li>Inventory coverage ratio<sup>4</sup> of min 1.5x</li> </ul>
<b>Arranger</b>	Signet Bank AS
<b>Collateral agent</b>	ZAB Vilgerts SIA

<sup>1</sup> Full list of covenants can be found in the Terms of the Issue.

Covenants are calculated based on consolidated data

<sup>2</sup> EBITDA / Net Finance Charges, ratio for trailing twelve months

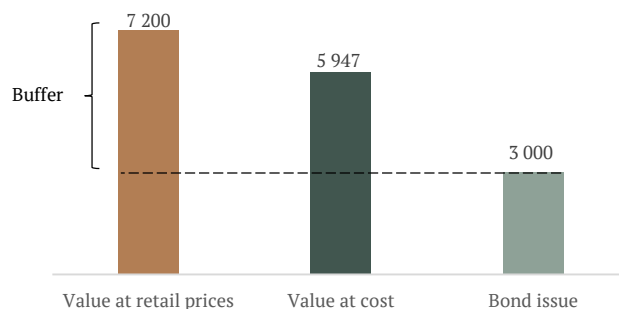
<sup>3</sup> (Shareholder's Equity + Subordinated debt) / Assets

<sup>4</sup> (Pledged Inventory + Cash) / Secured Financial Indebtedness

## Secured bonds

- Proceeds from the bond issue will be used to increase the working capital of the Group (increase the total number of cars for sale) to achieve further economies of scale gains
- Existing shareholder loans in the amount of EUR 2mn will be subordinated to the bond issue.
- The bonds are secured by a commercial pledge on assets of AS Longo Latvia and UAB Longo LT. As of 30 Sep 2021, the pledged inventory and consolidated cash (inventory coverage ratio) cover the bond issue 2.0x.
- Longo Group has Reasonable assurance report from KPMG on verification of its inventory as of 30 Sep 2021.
- The inventory is valued at cost, which is nearly 20% below its sales value, thus, leaving considerable liquidity cushion for investors.

## Group inventory<sup>5</sup>, EUR th (30.09.2021)



<sup>5</sup> Inventory of AS Longo Latvia and UAB Longo LT as of 30 Sep 2021 was EUR 3.3mn

## Market opportunity

- Baltic used car market is large (estimated size of EUR 2.6bn) and underdeveloped. The market is fragmented with over 700 registered retailers just in Latvia and substantial peer-to-peer sales channel giving a room for market consolidation.
- Used car retail industry is undergoing transformation with tax authorities more actively preventing VAT fraud schemes and other tax evasion activities.
- Customers are becoming more educated concerning odometer manipulations and hidden history thus preferring well known seller with high quality car assortment.



Source: Longo presentations and financial reports

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When investing funds in bonds, investors undertake the following risks related to debt securities: notes repayment risk, liquidity risk, delisting risk, price risk, early redemption risk, tax risk, resolutions of Investors risk, risks associated with the Collateral Agent Agreement, risks associated with the value of the Collateral, risk that the Collateral and the Guarantees will be subject to certain limitation on enforcement and may be limited by the applicable law or subject to certain defences that may limit its validity and enforceability, risk that the enforcement of the Guarantee and the Collateral will be subject to the procedures and limitations set out in the Collateral Agent Agreement and Terms of the Notes Issue, risk that the rights of the Noteholders depend on the Collateral Agent's actions and financial standing.

The risks indicated in this section may reduce AS Longo Group ability to fulfil its obligations and cause its insolvency in the worst-case scenario. This section may not feature all the potential risks, which may affect AS Longo Group.