

Longo Group bond issue

Opportunity to invest in Secured 3-year bond issue with 6% + 3M EURIBOR 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. Its 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 more than 100 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 a network of hundreds of partners- where it reviews, inspects and buys most of its cars. Since its inception Longo has sourced and sold over 9 500 cars.
- Longo transports all sourced cars to Panevėžys, 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 120 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

- The Group has shown a significant growth in revenue, which doubled in 2021, compared to the previous year, and reached EUR 30.3m, while during Q1 2022 the revenue has already reached EUR 8.9m (+119% yoy).
- The sales activity in 2022 has been picking up pace month by month and March and April have shown significant improvements over January and February, which are usually the slower months of the year due to industry seasonality as well as an adverse effect came from the remaining Covid-19 restrictions at the beginning of the year. In April Longo recorded its best sales results ever of EUR 4.4m in a single month.
- The gross profit for 2021 amounted to EUR 3 687 th (+170% yoy) and EUR 1 072 th (+143% yoy) during Q1 2022, showing solid growth in the Group's operations.
- Growth in sales as well as increased margins has substantially improved the results for Longo – EBITDA during 2021 reached EUR 822 th and during Q1 2022 reached EUR 216 th, contrary to the negative result for 2020 due to negative effect from Covid-19 and continued scaling up of the business operations.
- Car inventory of Longo Group has steadily grown and stood at EUR 10.5m as of Q1 2022. 94% of the inventory is located in the Baltic countries and it is well diversified among different car makes, with an increasing share of more premium cars.
- The Group has a strong own capital base with an equity ratio of 63% at the end of Q1 2022.

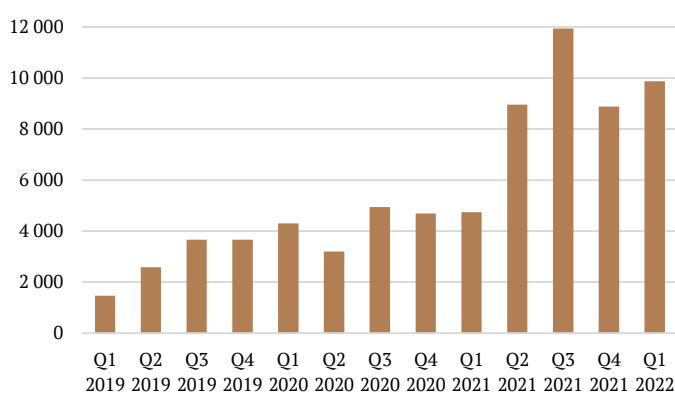
Financial highlights, EUR th

	FY 2020	FY 2021	Q1 2022
Revenue	15 013	30 289	8 928
Gross profit	1 366	3 687	1 072
EBITDA	-848	822	216
Net profit	-1 796	133	-56
Total assets	11 067	15 329	16 914
Inventory	6 599	8 229	10 532
Cash	1 482	2 891	743
Equity	1 855	8 247	8 190
Adjusted equity¹	8 030	10 254	10 690
Total borrowings	503	2 453	2 911
Equity ratio²	73%	67%	63%

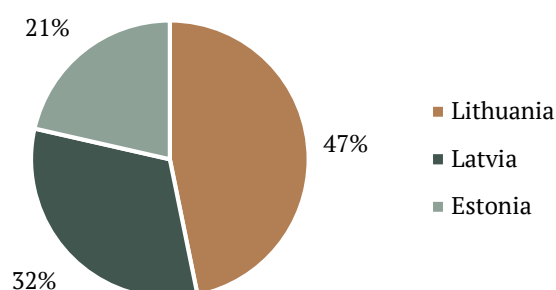
¹Equity + Shareholder loans

²(Equity + Shareholder loans) / Assets

Sales incl. VAT, EUR th



Revenue split by countries (FY 2021)



Longo Group bond issue



Term Sheet

Issuer	AS Longo Group
Security type	Senior secured bonds
Offer type	Private placement
Use of proceeds	Working capital investments
Collateral	<ul style="list-style-type: none"> Commercial pledge on assets of AS Longo Latvia, UAB Longo LT, Longo Estonia OÜ
Guarantee	<ul style="list-style-type: none"> Corporate guarantee from AS Longo Latvia, UAB Longo LT, Longo Estonia OÜ, Longo Netherlands B.V.
Issue size	Up to EUR 5 000 000
Coupon rate	6.0% + 3M EURIBOR
Coupon frequency	Monthly
Maturity	3 years
Principal repayment	Maturity date, bullet
Call Option	@101% after 1 st year, @100% last 3 months before maturity
Nominal value	EUR 1 000
Minimum subscription	EUR 100 000
Listing	Nasdaq Baltic First North within 12 months after the Issue Date
Covenants¹	<ul style="list-style-type: none"> Interest coverage ratio² of min 2x Equity ratio³ of min 30% Inventory coverage ratio⁴ of min 1.5x
Arranger	Signet Bank AS
Collateral agent	ZAB Vilgerts SIA

¹ Full list of covenants can be found in the Terms of the Issue.

Covenants are calculated based on consolidated data

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

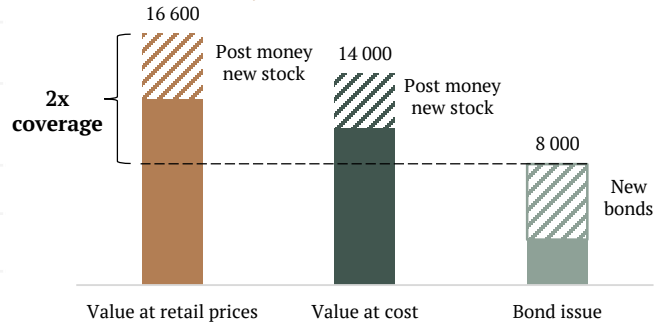
³ (Shareholder's Equity + Subordinated debt) / Assets

⁴ (Pledged Inventory + Cash) / External Financial Indebtedness

Secured bonds

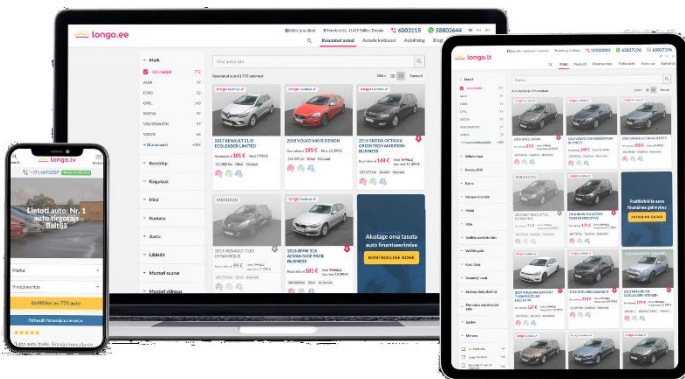
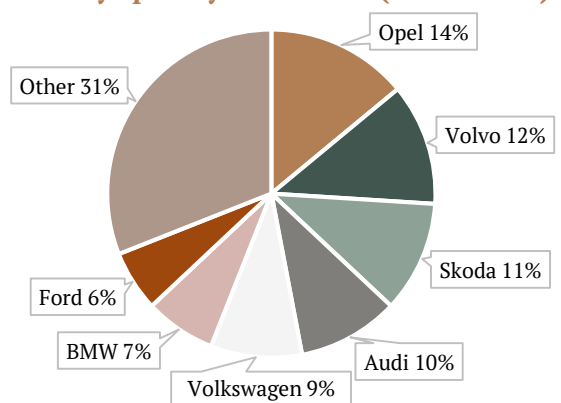
- Proceeds from the bond issue will be used to increase the working capital of the Group (increase the total number of cars for sale) to achieve further economies of scale gains. The purchased inventory will be pledged to investors.
- Longo Group LV0000860062 bonds in the amount of EUR 3m have been admitted to trading on the Nasdaq Baltic First North Market by Nasdaq Riga as of March 31, 2022. The existing secured bonds rank *pari-passu* with the new bonds.
- The new bonds are secured by a commercial pledge on assets of AS Longo Latvia, UAB Longo LT and Longo Estonia OÜ. As of 31 March 2022, the pledged inventory and consolidated cash (inventory coverage ratio) cover the issued bonds by more than 2x.
- The inventory is valued at cost, which is approximately 15% below its sales value, thus, leaving considerable liquidity cushion for investors.
- Longo has subordinated bonds in the amount of EUR 2.0m (through which Longo can raise up to EUR 3.0m) and shareholder loans of EUR 0.5m, both of which are subordinated to the secured bonds.

Group inventory⁵, EUR th (31.03.2022)



⁵ Inventory of AS Longo Latvia, UAB Longo LT and Longo Estonia OÜ are pledged to secure issued bonds with value at cost of EUR 10.1m as of 31.03.2022

Inventory split by car makes (31.03.2022)



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Risk factors

When making an investment in bonds, investors undertake certain financial risks. The main risk factors that influence AS Longo Group are macroeconomic risk, the ongoing global pandemic risk, regulatory risk, taxation risk, relations with key vendors and supply chain risk, inventory management risk, inhouse preparation center risk, warranties risk, financial leverage risk, key employee dependency risk, employee risk, operational risks, competition risk, corporate governance and policy-related risk, IT system and process risk, e-commerce risk, risk of natural disasters and other business disruption.

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.