Baltic Bond Issuer review FY 2023

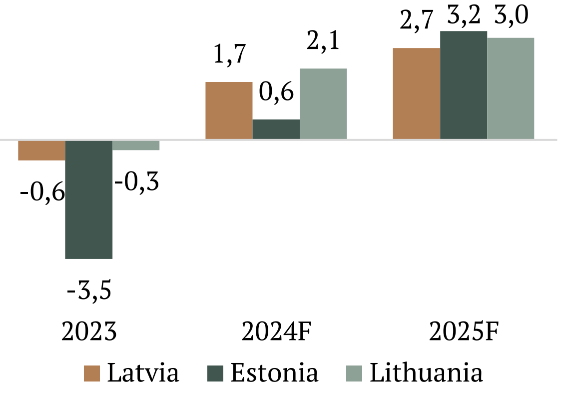
SIGNET BANK

Bond Issuer review FY 2023

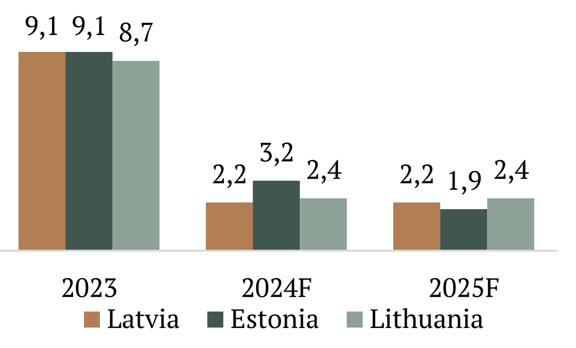
Sector highlights

- The year 2023 began with a slight economic slowdown in the Baltics, caused by a decline in the purchasing power as inflation remained quite high. The ECB continued with its rate-hiking cycle and emphasized its determination to keep raising interest rates until inflation is under control. However, considering the potential risks of GDP contraction and the fact that inflation has cooled down, the market is expecting the first ECB interest rate cut in Summer 2024.
- With the exception of ELKO and Amber Beverage Group, all of the companies included in the review increased their business scale and recorded stable revenue growth during 2023. The gross profitability has been varying, however, most of the companies have recorded a minor decrease in gross margin, except for CleanR and iCotton, both of which showed notable growth compared to the previous year. The overall performance of most companies included in the review could be considered satisfactory.
- Despite several ECB interest rate hikes throughout 2023, the bond yields have stabilized and have seen a more noticeable downwards trend at the end of 2023 and during the first quarter of 2024. For example benchmark bonds in the Baltic bond market, such as Akropolis Group and Maxima Group currently trade with a yield of 6.4% and 6.1% respectively, compared to 8% and 7% at the time of the previous Bond Issuer review (October 2023).
- During Q4 2023, two of the reviewed companies completed their bond issues – iCotton issued EUR 20m 6% floating secured 3.5-year bonds and Arsenal Industrial issued EUR 4.5m 12% secured 2.5-year bonds. In December 2023, L. J. LINEN exercised a call option to fully redeem the bond issue with a price of 102% of nominal value, therefore, the company is no longer included in this review.
- There have been no large bond issues in the Baltic capital market since Latvenergo issued EUR 50m green bonds in February 2023.
- Amber Beverage Group listed their bonds on Nasdaq Riga Regulated market in October 2023, while iCotton listed the bonds on Nasdaq Riga First North market during January 2024.

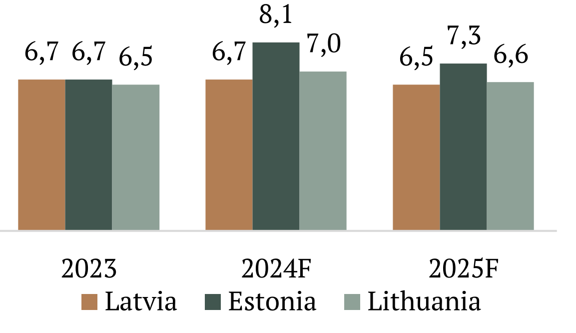
Real GDP Growth, % Y/Y



Inflation, % Y/Y



Unemployment, %



Source: European Commission and Bloomberg

FY 2023 Financial highlights

EUR m	ELKO Group	Amber Beverage Group	CleanR Grupa	iCotton	Coffee Address Holding	Longo Group	Grenardi Group	Banga Ltd	Arsenal
Revenue	1,096.1	329.1	101.3	68.8	44.2	45.8	18.0	13.0	11.2
Gross margin	7%	27%	21%	28%	46%	11%	57%	10%	25%
EBITDA	26.0	30.5	19.7	11.9	7.6	1.4	2.9	1.1	1.6
Net profit	11.1	10.8	10.2	2.1	0.3	-0.5	-0.3	1.1	0.7
Total assets	341.4	469.6	90.5	113.7	51.1	19.7	35.6	9.0	10.0
Cash	23.6	28.1	20.4	18.1	1.2	1.3	1.6	0.2	0.3
Adjusted Equity	128.6	186.0	46.4	41.9	19.3	10.9	12.7	3.4	1.4
Net Debt / EBITDA	2.5x	3.1x	0.1x	2.4x	2.3x	3.6x	1.9x	2.7x	3.9x
Equity ratio	38%	40%	51%	37%	38%	55%	36%	38%	14%

FY 2023
Amber Beverage Group

Key parameters

Founded: 1900	**Bonds outstanding:** EUR 30m
Headquarters: Riga, Latvia	**Industry:** Alcoholic beverage production and distribution
Employees: 1,500+	**Key markets:** Baltics, EMEIA, Americas, Asia-Pacific
Auditor: PwC (IFRS)	

About the Company

- With its origins dating back to 1900, Amber Beverage Group (ABG) is a global spirits company whose products are found in millions of households and venues across the globe. Through organic growth and acquisitions, it has become a global spirits industry player that unites more than 1,500 employees in more than 20 companies in the Baltic States, its historical home, Austria, Australia, Germany, Ireland, Mexico, and the United Kingdom. The Group owns three production companies, eight distribution companies, and three retail chains.
- ABG produces, bottles, markets, distributes, exports, and retails a comprehensive range of beverages, of which it owns more than 100 brands, and is responsible for marketing and distributing 1,400 own and third-party brands in all spirit categories.
- ABG fully-owned brands are Rooster Rojo Tequila, KAH Tequila, The Irishman Whiskey, Writers' Tears Whiskey, Riga Black Balsam, Moskovskaya Vodka, Cross Keys Gin, and Cosmopolitan Diva – present in over 70 markets.
- ABG is under the ownership of SPI Group, ultimately helmed by Israeli businessman Yuri Schefler. SPI Group boasts ownership of the renowned Stoli vodka brands and maintains business interests in agricultural and real estate sectors.

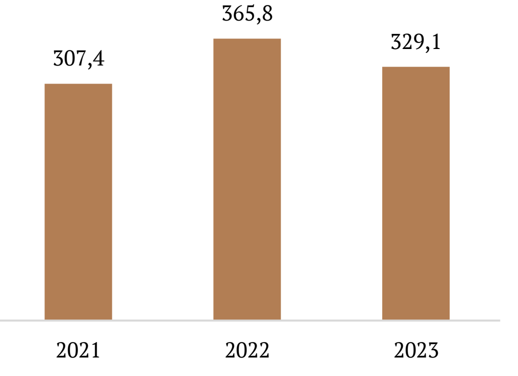
Financial highlights

- The Group's revenue reached EUR 329.1m in 2023 (-10% Y/Y), affected by reduced production volume for private label customers, economic slowdowns in key markets prompting stock reductions, and adverse effects from fluctuations in foreign currency exchange rates.
- Volume sold by ABG in 2023 decreased by 25% compared to 2022, primarily due to exclusion of Belarus-origin beer from the portfolio in Lithuania, phasing of Stoli orders in the first half of 2023 due to changes in strategic market approach, and divestment of Amber Permalko, one of the leading alcohol producers in the Ural region, Russia, as of June 2023.
- The financial performance of 2023 has been impacted by the rapid increase in production costs that were observed starting in the second part of 2022, including higher costs of energy, resources, and salaries, which have a full-year impact in 2023 only. The latter mentioned factors have impacted the Group's EBITDA, decreasing to EUR 30.5m in 2023 (-29% Y/Y).
- The unaudited net profit for 2023 was EUR 10.8m, a reduction of EUR 10.6m compared to 2022. Besides the aforementioned performance drivers, the net profit was further affected by rising interest expenses stemming from variable rate adjustments and additional expenses related to bond servicing obligations.
- In Feb 2024, Credit Suisse granted ABG an extension of the repayment term for the existing EUR 21.4m loan until Dec 2024.
- ABG exceeds all bond financial covenants at the end of 2023 with a sufficient reserve. At the end of 2023, the Group had a solid equity ratio of 40% and a moderate leverage level represented in a Net Debt / EBITDA ratio of 3.1x.

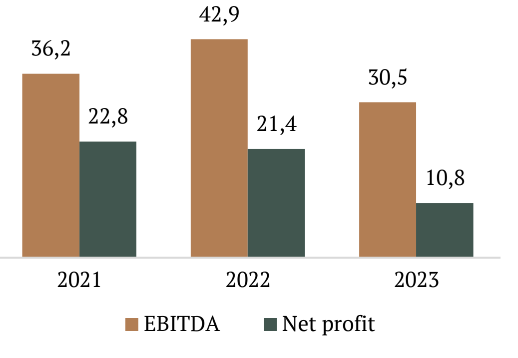
Key financials, EUR m

	FY 2021 (audited)	FY 2022 (audited)	FY 2023 (unaudited)	
Revenue	307.4	365.8	329.1	*-10%*
Gross margin	27%	30%	27%	*-3pp*
EBITDA	36.2	42.9	30.5	*-29%*
Net profit	22.8	21.4	10.8	*-50%*
Total assets	420.9	453.2	469.6	*+4%*
Inventory	79.3	87.8	85.6	*-2%*
Cash	7.4	7.5	28.1	*+275%*
Total Equity	178.0	187.7	186.0	*-1%*
Total borrowings	109.1	107.9	124.2	*+15%*
Equity ratio (min 35%)	42%	41%	40%	*-1pp*
EBITDA / Interest expense	10.8x	8.5x	4.1x	*n/a*
Net Debt / EBITDA (max 4x)	2.8x	2.3x	3.1x	*n/a*

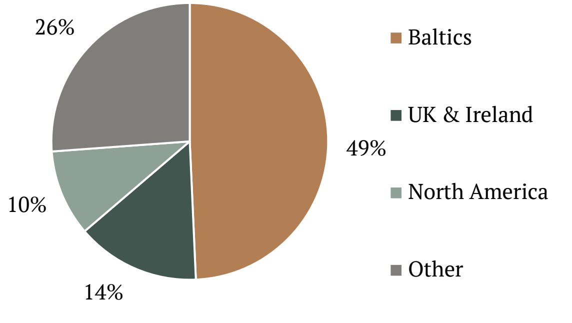
Revenue, EUR m



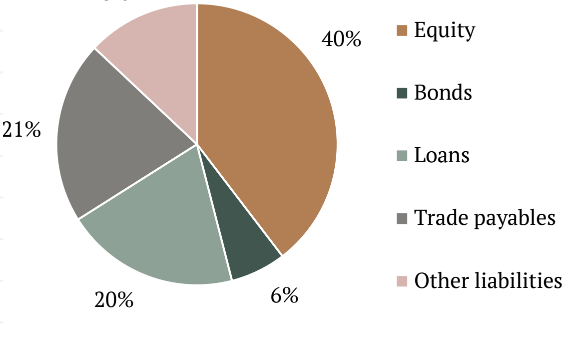
EBITDA and Net profit, EUR m



Revenue split by markets (2023)



Funding structure (2023)



FY 2023 ELKO Group

ELKO
GROW SMARTER

Key parameters

Founded: 1993	**Bonds outstanding:** EUR 20m
Headquarters: Riga, Latvia	**Industry:** IT, consumer electronics
Employees: 950+	**Key markets:** CIS, CEE, Baltics, Nordics
Auditor: EY (IFRS)	

About the Company

- Founded in 1993, ELKO Group is one of the region's largest distributors and wholesalers of IT and consumer electronics products and solutions with 30 years of experience. The Group employs more than 950 employees across 11 countries and was founded by 4 Latvian citizens who maintain the controlling stake (52%) of the Group.
- ELKO represents 350 IT manufacturers and provides a wide range of over 40,000 products and distribution services to more than 10,000 retailers, local computer manufacturers, system integrators and enterprises within various sectors in 13 countries in Europe and Central Asia, with main manufacturers including Apple, Roborock, Asus, Lenovo, DJI, Samsung, HP and Dell.
- The Group has a proven track record with international private equity investors. East Capital and Amber Trust jointly acquired 25.5% stake in ELKO Group in 2005 and both firms successfully exited their investments by selling to current shareholders in 2013 and 2020.
- Since the beginning of the war in Ukraine, ELKO Group has stopped supplying goods to the Russian market and divested Russian division at the end of April 2022. The Company did not breach financial covenants imposed by financial institutions while exiting Russian operations.

Financial highlights

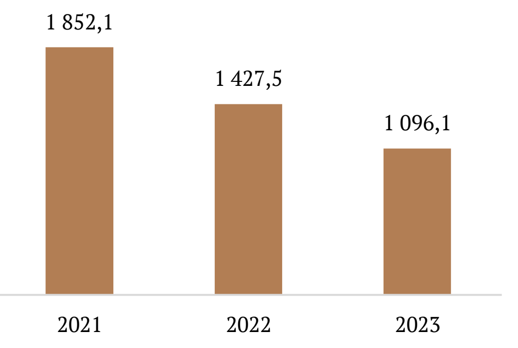
- In 2023, the IT industry saw a slowdown in personal computing, while PC components stayed flat or declined slightly. However, networking and software showed strong growth. Despite these fluctuations, overall market conditions didn't favor a significant uptick. The Group's regions largely met business targets by emphasizing niche segments and exploring new customer channels in the challenging environment.
- ELKO Group's consolidated revenue in 2023 reached EUR 1,096m, marking a 23% decrease compared to the corresponding period in 2022, attributed to the divestment of Russian operations in April 2022. Excluding revenue from divested entities in both 2022 and 2023, ELKO showed a slight increase in revenue for 2023.
- The Group's EBITDA in 2023 decreased to EUR 26.0m compared to EUR 59.9m in 2022, primarily due to the discontinuation of all Russian-related activities. Despite a 23% decline in revenue, operational expenses decreased by 60% in 2023.
- These factors negatively impacted the Group's net profit, which fell to EUR 11.1m in 2023, down from EUR 38.0m in 2022, representing a 71% year-on-year decrease.
- At the end of 2023, the Group's assets amounted to EUR 341.4m, a 21% decrease Y/Y attributed to weaker business activity throughout the period and divesting of the Russian operations.
- ELKO maintained a strong equity ratio of 38% as of the end of 2023, more than double the financial covenant requirement. This stability was achieved through a reduction in assets from divestments and an increase in loans from shareholders.
- The Group remained compliant with all bond financial covenants as of the end of 2023.

Key financials, EUR m

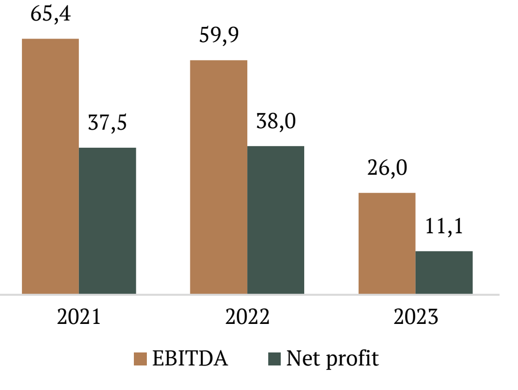
	FY 2021 (audited)	FY 2022 (audited)	FY 2023 (unaudited)	
Revenue	1,852.1	1,427.5	1,096.1	*-23%*
Gross margin	7%	9%	7%	*-2pp*
EBITDA	65.4	59.9	26.0	*-57%*
Net profit	37.5	38.0	11.1	*-71%*
Total assets	678.1	430.8	341.4	*-21%*
Inventory	282.1	133.2	129.9	*-2%*
Cash	35.4	23.3	23.6	*+1%*
Adjusted Equity[1]	143.0	171.3	128.6	*-25%*
Total borrowings	236.5	109.0	89.1	*-18%*
Equity ratio[2] (min 16%)	21%	40%	38%	*-2pp*
EBIT / Int. expense (min 1.5x)	4.9x	4.9x	2.5x	*n/a*
Net Debt / EBITDA	3.1x	1.4x	2.5x	*n/a*

[1] Shareholder's Equity + Subordinated debt
[2] (Shareholder's Equity + Subordinated debt) / Assets

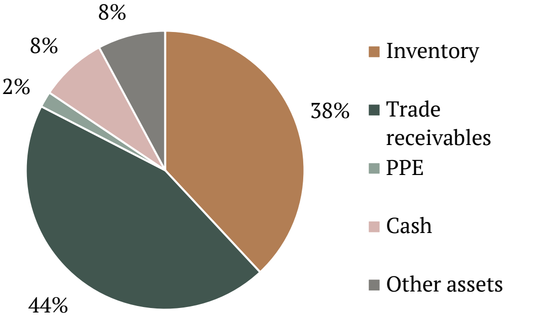
Revenue, EUR m



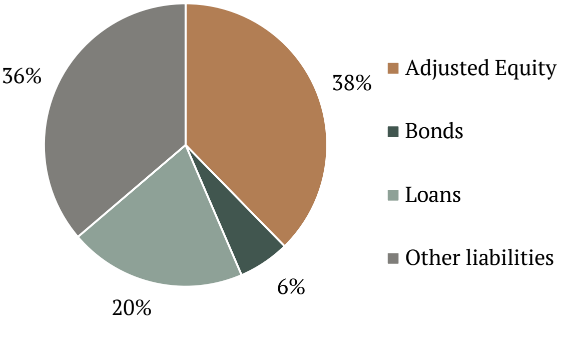
EBITDA and Net profit, EUR m



Asset breakdown (2023)



Funding structure (2023)



FY 2023
CleanR Grupa

Key parameters

Founded: 1944	**Bonds outstanding:** EUR 15m
Headquarters: Riga, Latvia	**Industry:** Environmental services
Employees: 1,500+	**Key markets:** Latvia
Auditor: Potapoviča un Andersone (IFRS)	

About the Company

- Established in 1944, CleanR Grupa stands as a premier consortium in Latvia's environmental services sector. Serving over 50,000 customers nationwide, the Group specializes in waste management, premises cleaning, road and urban maintenance, and property management. CleanR's extensive reach encompasses more than half a million residents across Latvia.
- Since 2014, CleanR Grupa has acquired and integrated over ten entities within its key business segments, bolstering its market position and broadening its service portfolio.
- The Group stands as the foremost operator, providing a comprehensive range of waste management services in Latvia, commanding an estimated 28% market share. With waste management as its primary focus, CleanR Grupa also operates the largest household waste sorting center in the region. In 2020, the Group secured a seven-year contract to deliver waste management services in two areas of Riga, encompassing 53% of the municipality, thereby establishing Riga as its primary market.
- CleanR Grupa is under the ownership of Guntars Kokorevičs, Chairman of the Council and former CEO of Riga Stock Exchange and Dalkia Latvia (a subsidiary of the Veolia Group). Kokorevičs acquired the business from the Finnish waste management conglomerate L&T in 2014.

Financial highlights

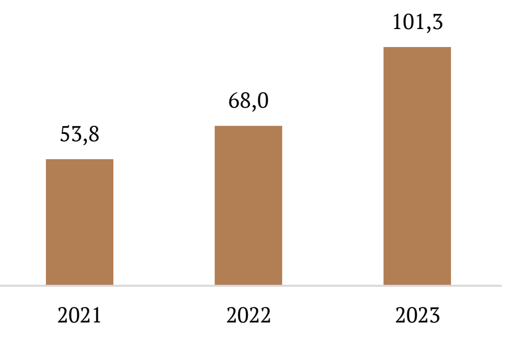
- Clean R demonstrated very strong financial performance in 2023. The Group continued with implementation of its M&A program, securing three acquisitions: KOM AUTO, a street cleaning company, RSC Noma, a container rental company, as well as majority stake in Zaļā Josta, organizer of the management of used packaging, disposable dishes and tableware, environmentally harmful products and electrical appliances.
- The Group achieved a record revenue of EUR 101.3m (+49% Y/Y), boosted by the prior mentioned acquisitions, increasing waste disposal tariff, waste management service geographical expansion to new towns, as well as opening the most modern plastic recycling plant in the Baltics, which will allow for the recycling of plastics that could not previously be recycled in Latvia.
- As the Group's revenue increased, it also managed to boost its gross margin. This improvement was largely driven by previous investments in modern waste sorting technologies. In 2023, the Group's gross margin reached 21%, marking a notable six percentage point increase compared to 2022.
- The aforementioned improvements also reflected in the Group's EBITDA, which surged to EUR 19.7m in 2023, nearly doubling the results from 2022.
- Even though CleanR distributed dividends in the amount of EUR 2.0m (c. 20% of 2023 annual profit), the Group closed the year with a very strong equity ratio of 51%.
- The Group not only meets but significantly exceeds all bond financial covenants by the end of 2023.

Key financials, EUR m

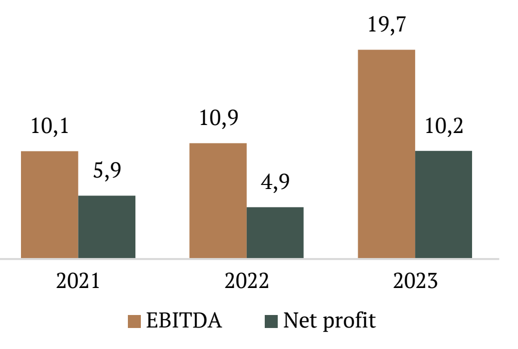
	FY 2021 (audited)	FY 2022 (audited)	FY 2023 (unaudited)	
Revenue	53.8	68.0	101.3	*+49%*
Gross margin	18%	15%	21%	*+6pp*
EBITDA	10.1	10.9	19.7	*+81%*
Net profit	5.9	4.9	10.2	*+109%*
Total assets	57.0	78.0	90.5	*+16%*
Inventory	21.8	27.7	33.9	*+22%*
Cash	7.5	18.2	20.4	*+12%*
Adjusted Equity[1]	37.3	39.1	46.4	*+19%*
Total borrowings	6.1	18.8	21.8	*+16%*
Equity ratio[2] **(min 30%)**	66%	50%	51%	*+1pp*
EBITDA / Interest expense	60x	47x	10x	*n/a*
Net Debt / EBITDA (max 3.5x)	-0.1x	0.1x	0.1x	*n/a*

[1] Shareholder's Equity + Subordinated debt
[2] (Shareholder's Equity + Subordinated debt) / Assets

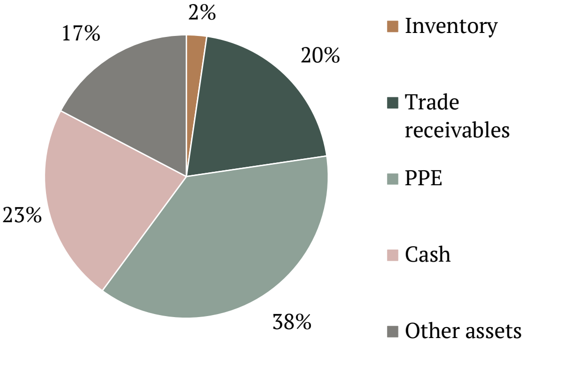
Revenue, EUR m



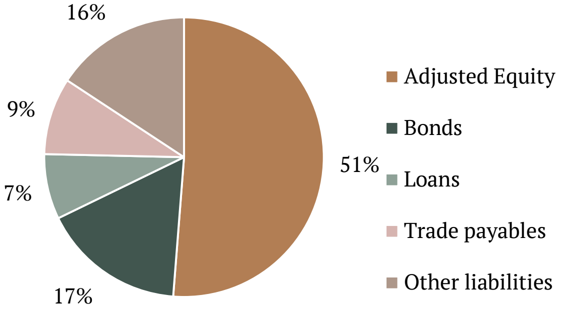
EBITDA and Net profit, EUR m



Asset breakdown (2023)



Funding structure (2023)



FY 2023
iCotton

Key parameters

Founded: 2011	**Bonds outstanding:** EUR 20m
Headquarters: Liepāja, Latvia	**Industry:** Personal care products
Employees: 650+	**Key markets:** Baltics, Poland, EU and other
Auditor: Nexia Audit Advice (LV GAAP)	

About the Company

- Founded in 2011 in Liepāja, Latvia, iCotton is an international manufacturer of high-quality cotton and personal care products.
- The Group manufactures a wide range of products, including cotton pads, cotton buds, underpads, wet wipes and sanitary pads. The Group's main brands are Cleanic, Kindii (baby products), and Presto (household cleaning products), which are very well recognized in Polish market.
- Since 2012, the Group has expanded its operations both organically and through acquisitions. In 2017, iCotton acquired a majority stake in the Polish manufacturer Harper Hygienics SA, listed on Warsaw stock exchange, thus, becoming the leading producer of hygiene products in the Baltics and Poland.
- As a result of acquisition of Harper Hygienics, the Group has production facilities in both Liepāja, Latvia, with total production area of 9 000 m2 and 11 production lines, and near Warsaw, Poland with total production area of 13 200 m2 and 44 production lines.
- In 2017, iCotton acquired a majority stake in the Polish manufacturer Harper Hygienics SA, listed on Warsaw stock exchange, becoming the leading producer of hygiene products in the Baltics and Poland.
- The Group exports a significant part of its production - home markets (Poland and the Baltics) represent up to 45% of 2022 revenue, while exports to the EU and other 40 countries represent up to 55%.
- The Group's sole shareholder is its Chairman of the Supervisory Board, Maralbek Gabdsattarov (Kazakhstan) who founded the business in 2011.

Financial highlights

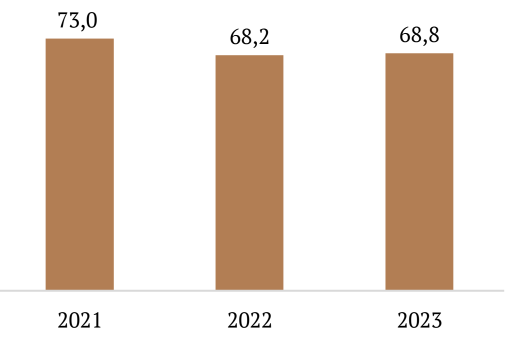
- Since Q4'22 the Group has been back on its initial growth path, which was negatively affected by several unexpected global challenges in the last few years and disrupted the production and supply chain, delayed new product development, increased raw material and energy prices and made the Group to reshuffle its export markets. The Group generated revenue of EUR 68.8m (+1% Y/Y) during 2023, which remained steady and consistent over the last two years.
- The shift towards new markets and strengthening of its presence in existing markets, combined with the stabilization of raw material prices allowed the Group to significantly improve its financial results. The Group adjusted its strategy, putting higher emphasis on profitability and managed to demonstrate notable Y/Y improvements specifically in 2H'23. The gross profitability of iCotton notably increased, with gross margin of 28% (+11pp Y/Y) and gross profit of EUR 19.4m (+67% Y/Y) in 2023.
- The Group's EBITDA amounted to EUR 11.9m (+95% Y/Y) in 2023, which is almost two times higher than in the previous year and can be attributed to lower COGS due to raw material price stabilization and production efficiency increase.
- The above-mentioned developments translated also into the Group's net profit, which during 2023 reached EUR 2.1m, compared to a net loss of EUR 5.3m in 2022.
- In December 2023, the Group completed its debut bond issue, issuing secured bond in the amount of EUR 20m with a 3.5-year maturity and 6% floating coupon rate, of which the proceeds were used to refinance the Group's bank loans and for investments in working capital. Since the bonds were issued at the end of the year, and the bank loans were not yet refinanced, the Group had a significant amount of cash on the balance sheet. During January 2024, the bonds were listed on Nasdaq Riga First North market.
- Equity Ratio of 37% (covenant > 25%) at the end of 2023 reflects a healthy balance between equity and debt financing, showcasing a stable financial structure. The Group exceeds all of the bond financial covenants with a comfortable reserve at the end of 2023.

Key financials, EUR m

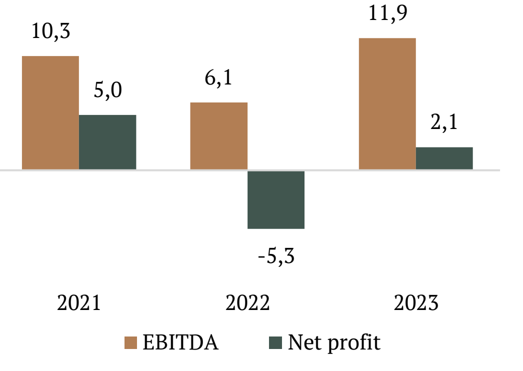
	FY 2021 (audited)	FY 2022 (audited)	FY 2023 (unaudited)	
Revenue	73.0	68.2	68.8	*+1%*
Gross margin	23%	17%	28%	*+11pp*
Adjusted EBITDA[1]	10.3	6.1	11.9	*+95%*
Net profit	5.0	-5.3	2.1	*n/a*
Total assets	99.0	97.1	113.7	*+17%*
PPE	54.3	53.4	54.0	*+1%*
Cash	0.4	0.9	18.1	*+1922%*
Total Equity	44.7	37.1	41.9	*+13%*
Total borrowings	27.0	28.5	47.3	*+66%*
Equity ratio (min 25%)	45%	38%	37%	*-1pp*
EBITDA / Interest expense	5.4	1.4	2.7	*n/a*
Net Debt / EBITDA (max 3.5x)	2.6	4.5	2.4	*n/a*

[1] EBITDA + extraordinary non-operative expenses

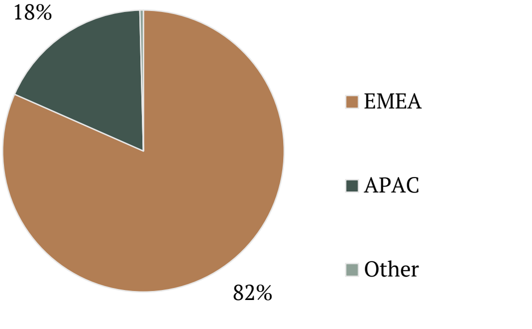
Revenue, EUR m



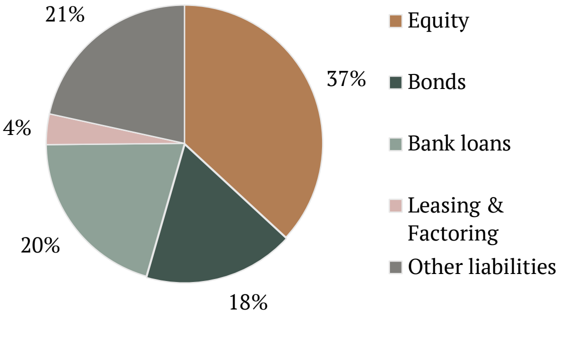
EBITDA and Net profit, EUR m



Revenue split by markets (2023)



Funding structure (2023)

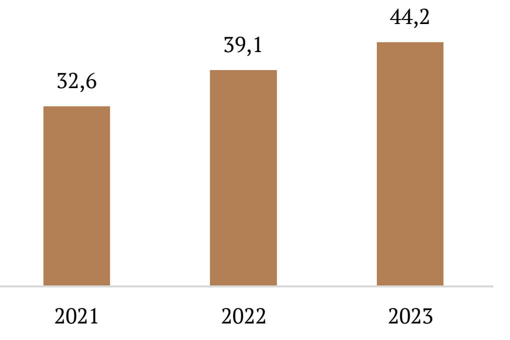


FY 2023 Coffee Address Holding

Key parameters

Founded: 1993	**Bonds outstanding:** EUR 5m
Headquarters: Riga, Latvia	**Industry:** Coffee and convenience food
Employees: 300+	**Key markets:** Latvia, Estonia, Lithuania
Auditor: Deloitte (IFRS)	

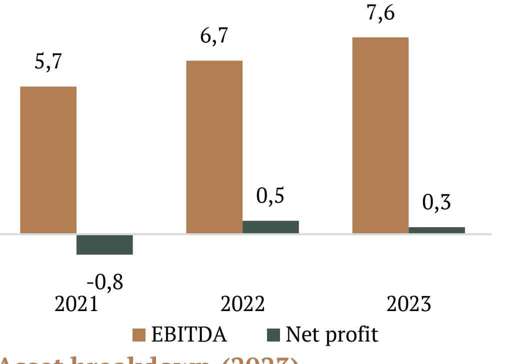
Revenue, EUR m



About the Company

- With its history dating back to 1993, Coffee Address stands as the predominant market leader in the Baltics, offering premier self-service coffee and convenience food solutions. Currently boasting c. 5,000 clients, Coffee Address operates across three primary sectors: vending (under the brand names Coffee Address and Lavazza), retail and convenience, and office solutions.
- Coffee Address holds the #1 position in its relevant segments across all 3 Baltic countries. The Group's presence extends to over 13,000 coffee machines in the market, serving in excess of 250,000 cups of coffee daily.
- Since 2017, Coffee Address has been wholly owned by BaltCap, a leading private equity manager in the Baltics. Under BaltCap's management, Coffee Address transformed from three separate Selecta subsidiaries into a unified pan-Baltic entity. This period saw significant organic growth and strategic acquisitions.
- Since 2017, Coffee Address has successfully acquired and integrated 7 entities, thereby solidifying its market consolidation efforts and establishing a robust network of locations across the Baltics.
- The Group has strategic alliances with global leaders in coffee, vending machines, and snack production. Top 3 coffee suppliers are Pelican Rouge, Schirmer Kaffee, and Lavazza.

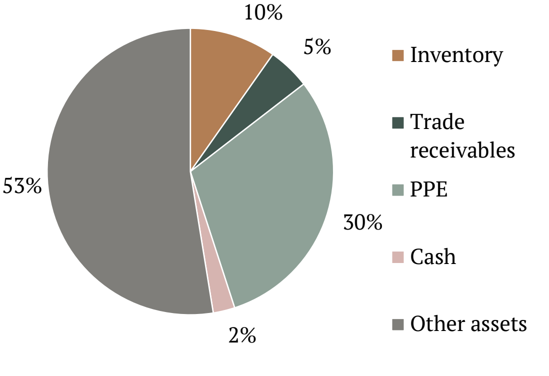
EBITDA and Net profit, EUR m



Financial highlights

- During 2023, Coffee Address achieved revenue of EUR 44.2m (+13% Y/Y), continuing its consistent growth trend. Participation in the Song and Dance festival as the main service product provider of coffee for participants, was among the contributing factors to the revenue growth in the project for 2023.
- However, despite revenue growth, the gross margin experienced a slight decline, dropping to 46% during 2023 due to rising costs of goods sold in an inflationary environment, representing a two-percentage-point decrease compared to 2022.
- The Group's EBITDA showed improvements during 2023 and increased by 13% Y/Y, reaching EUR 7.6m.
- During 2023, the Group's net profit decreased to EUR 0.3m from EUR 0.5m in 2022. The reduced profit in 2023 was influenced by increasing personnel costs, depreciation and financial expenses.
- Coffee Address has simplified the liability structure and reduced financial costs by refinancing previous debt from Luminor and VIVA with SEB.
- As of the end of 2023, the Equity ratio, inclusive of subordinated loans from BaltCap, stood at 38%, marking a two-percentage-point rise from 2022.
- Nevertheless, by the end of 2023, the Group has comfortably upheld its bond financial covenant ratios, even with the Net Debt / EBITDA covenant level now at 3x, as specified in the Terms of Issue, which was previously set at 4x.

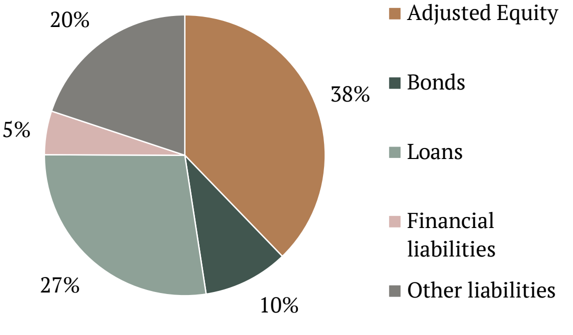
Asset breakdown (2023)



Key financials, EUR m

	FY 2021 (audited)	FY 2022 (audited)	FY 2023 (unaudited)	
Revenue	32.6	39.1	44.2	*+13%*
Gross margin	47%	48%	46%	*-2pp*
EBITDA	5.7	6.7	7.6	*+13%*
Net profit[1]	-0.8	0.5	0.3	*n/a*
Total assets	49.7	52.5	51.1	*-3%*
PPE	14.1	16.4	15.5	*-5%*
Cash	1.9	1.7	1.2	*-28%*
Adjusted Equity[2]	17.9	18.8	19.3	*+3%*
Net debt	22.1	18.0	17.8	*-1%*
Equity ratio[3] (min 30%)	36%	36%	38%	*+2pp*
EBITDA / Interest expense	5.7x	4.7x	3.8x	*n/a*
Net Debt / EBITDA (max 3x)	3.9x	2.7x	2.3x	*n/a*

Funding structure (2023)



[1] Adjusted costs related to M&A acquisitions and other one-offs *[2] Shareholder's Equity + Subordinated debt* *[3] (Shareholder's Equity + Subordinated debt) / Assets*

FY 2023
Grenardi Group

GRENARDI GROUP

Key parameters

Founded: 2018	**Bonds outstanding:** EUR 7m
Headquarters: Riga, Latvia	**Industry:** Jewellery
Employees: 150+	**Key markets:** Latvia, Estonia, Lithuania
Auditor: Grant Thornton (IFRS)	

About the Company

- Grenardi Group stands as the largest regional chain of both affordable and luxury jewellery stores with over 20 years of industry experience, 290+ employees and 120+ thousand registered customers. The Group operates 82 stores across 34 cities and 3 countries: 50 stores in Latvia, 16 stores in Estonia, and 16 stores in Lithuania.
- The Group operates two distinct jewellery retail brands, GIVEN and GRENARDI, each catering to differentiated market segments by offering both affordable and luxury jewellery options.
- Grenardi Group offers a wide assortment of high-quality jewellery in specialized stores, with the key approach to develop a distinct and diverse product range to meet customer requirements within different price points.
- Grenardi Group is 50% owned by Spriņģis family. Ainārs Spriņģis, is a successful Latvian entrepreneur with over 20 years of experience in the jewellery and retail industry.
- Grenardi Group has a well-developed online e-commerce platform, which allows the Group to capitalize on the continuous growth of online shopping.

Financial highlights

- On 1 December 2023, AS GIVEN Jewellery acquired the GRENARDI retail chain and was renamed AS Grenardi Group after the transaction.
- The revenue of the Group during 2023 reached EUR 18.0m, showing a solid growth compared to last year (+40% Y/Y), which was achieved through higher number of shops and growing same store sales. During 2023 the Group increased its market presence by opening 12 additional shops, predominantly in Lithuania and Estonia.
- While the Group's revenue has notably grown, its gross margin during 2023 has remained on a similar level to last year, amounting to 57% (-1pp Y/Y). Revenue increase and a stable gross margin led to the Group's EBITDA growth, which reached EUR 2.9m in 2023 (+32% Y/Y). The operating EBITDA for 2023 includes GRENARDI's results for just one month (post-acquisition on Dec 1, 2023).
- The Group's adjusted pro-forma EBITDA for 2023 reached EUR 3.7m, offering a comprehensive view by incorporating the acquisition of GRENARDI from the beginning of the year and improving clarity regarding the new Group's financial standing.
- Continuous expansion and the opening of new shops have raised the Group's expenses, dampening profitability, particularly in the EE and LT markets where newly opened stores haven't reached full sales potential. Consequently, the Group incurred a net loss of EUR 0.3 million in 2023, although the pro-forma net profit stood at EUR 0.1 million.
- The Group held inventory in the amount of EUR 15.5m (+72% Y/Y) at the end of 2023, which has been increasing together with a growing number of shops in all three Baltic states. The Group maintains a sufficient level of inventory to ensure an optimal product flow and the ability to meet customer demands for specific products.
- During March 2024, Grenardi Group has launched a new public bond offer in the amount of EUR 12m, with a 3-year maturity and 10% coupon rate. The proceeds will be used to refinance existing EUR 3m bonds maturing April 2024 and to fund expansion initiatives, inventory purchases for expansion of assortment of existing stores and opening of new stores, as well as M&A activities.

Key financials, EUR m

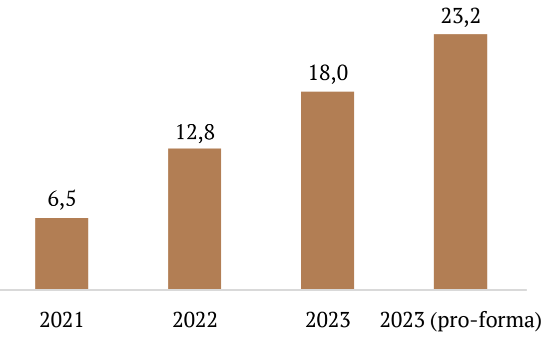
	FY 2021 (audited)	FY 2022 (audited)	FY 2023 (unaudited)	FY 2023 (pro-forma)	
Revenue	6.5	12.8	18.0	23.2	*+40%*
Gross margin	54%	58%	57%	55%	*-1pp*
EBITDA	1.7[1]	2.2	2.9	3.7	*+32%*
Net profit	0.5[1]	0.01	-0.3	0.1	*n/a*
Total assets	12.3	17.9	35.6	35.6	*+98%*
Inventory	6.1	9.0	15.5	15.5	*+72%*
Cash	0.7	1.5	1.6	1.6	*+22%*
Adjusted Equity[2]	4.4	5.6	12.7	12.7	*+128%*
Total borrowings	3.1	5.2	7.1	7.1	*+39%*
Equity ratio[3] (min 30%)	36%	31%	36%	36%	*+5pp*
EBITDA / Interest expense (min 2x)	5.0x	3.3x	2.6x	3.0x	*n/a*
Net Debt / EBITDA	1.4x	1.7x	1.9x	1.5x	*n/a*

[1] Including Covid-19 related government grants for working capital in the amount of EUR 0.6m during FY 2021

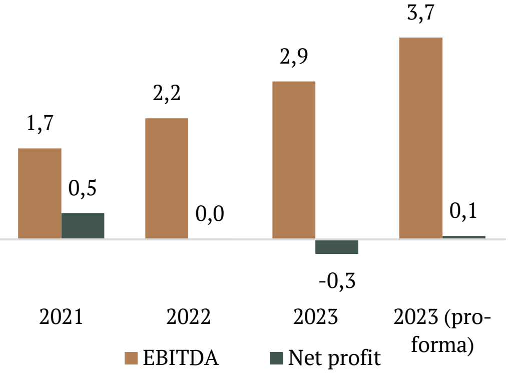
[2] Shareholder's Equity + Subordinated debt

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

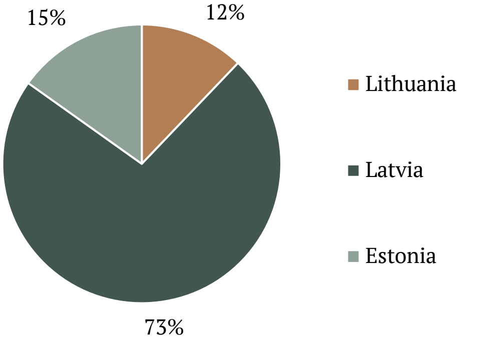
Revenue, EUR m



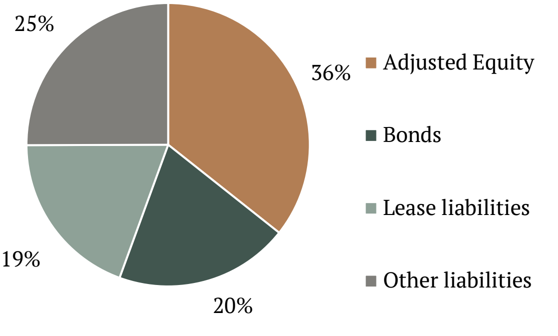
EBITDA and Net profit, EUR m



Revenue split by countries (2023)



Funding structure (2023)



FY 2023 Longo Group

Key parameters

Founded: 2018	**Bonds outstanding:** EUR 6.2m
Headquarters: Riga, Latvia	**Industry:** Used cars
Employees: 130+	**Key markets:** Latvia, Estonia, Lithuania
Auditor: KPMG (IFRS)	

About the Company

- Established in 2018, Longo is the fastest growing and the largest used car retailer in Baltics present in Lithuania, Latvia and Estonia.
- The Group is fully vertically integrated from sourcing (Longo sources cars from the Netherlands, Belgium and Germany) 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 and offers convenient and safe 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.
- Longo transports all sourced cars 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 120 cars per week with further mid-term increase to 150-180 cars per week achievable.

Financial highlights

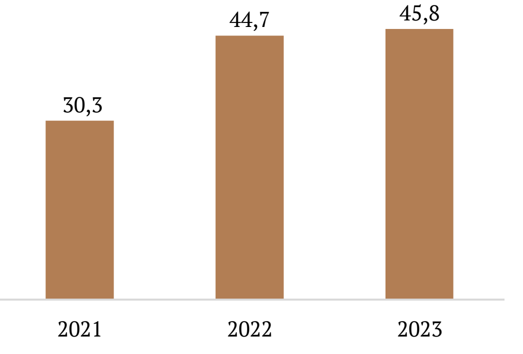
- The Group has shown modest growth in car sales revenue during 2023, reaching EUR 45.8m (+3% Y/Y), while the gross profit amounted to EUR 5.0m (+1% Y/Y) during the period. After a steep drop in 2022, the European used car market has remained relatively flat and the prices have stabilized during 2023.
- Gross margin has improved during each quarter of 2023, except for Q4'23 when the Group experienced a drop both in gross margin and gross profit due to industry seasonality. Overall, the 2023 results in terms of gross profitability have been in line with the previous year.
- Longo generated net loss of EUR 0.5m during 2023. The bottom-line results were significantly affected by a weak Q1, when the Group sold its inventory, that was previously bought at a higher cost. Additionally, in Q4 the Group incurred higher expenses due to write-off of startup costs of EUR 0.4m for launching a subsidiary in Poland. Lastly, the interest expenses have significantly increased during 2023 due to attracting additional bond financing and higher interest expenses on floating bonds.
- Following the market demand and seasonality trends, the Group expanded the inventory towards the middle of the year, while slowing the purchases towards the end of the year.
- The Group's first bond terms included a put option after 2 years, which was exercised by several investors in November 2023, as a result of which the Group's liabilities decreased by EUR 1.5m.
- The Group's Equity ratio at the end of 2023 was 55% (-1pp Y/Y). The Group comfortably meets the bond covenant of Equity ratio, however the EBITDA / Interest expense covenant is only slightly above the minimal level at the end of 2023.

Key financials, EUR m

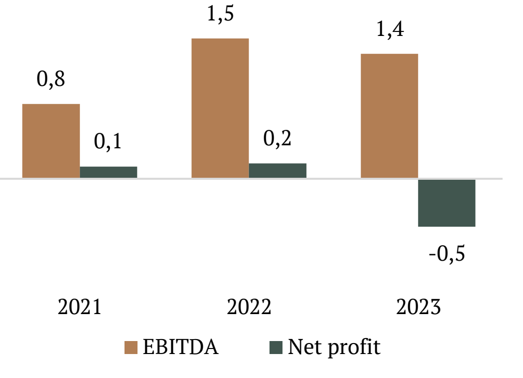
	FY 2021 (audited)	FY 2022 (audited)	FY 2023 (unaudited)	
Revenue	30.3	44.7	45.8	*+3%*
Gross margin	12%	11%	11%	*+0pp*
EBITDA	0.8	1.5	1.4	*-11%*
Net profit	0.1	0.2	-0.5	*n/a*
Total assets	15.3	20.2	19.7	*-3%*
Inventory	8.2	13.2	12.7	*-4%*
Cash	2.9	1.4	1.3	*-12%*
Adjusted Equity[1]	10.3	11.4	10.9	*-5%*
Total borrowings	2.5	5.6	6.2	*+11%*
Equity ratio[2] **(min 30%)**	67%	56%	55%	*-1pp*
EBITDA / Int. expense (min 2x)	4.0x	2.8x	2.1x	*n/a*
Net Debt / EBITDA	-0.5x	2.7x	3.6x	*n/a*

[1] Shareholder's Equity + Subordinated debt
[2] (Shareholder's Equity + Subordinated debt) / Assets

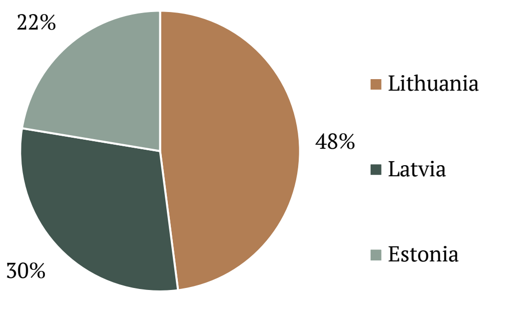
Revenue, EUR m



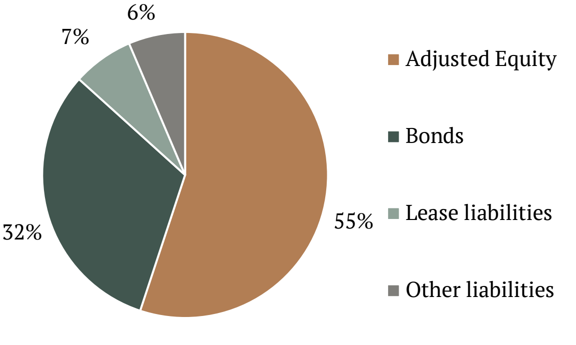
EBITDA and Net profit, EUR m



Inventory split by countries (2023)



Funding structure (2023)



FY 2023
Banga Ltd

Key parameters

Founded: 1947	**Bonds outstanding:** EUR 2.5m
Headquarters: Roja, Latvia	**Industry:** Canned seafood
Employees: 150+	**Key markets:** Baltics, EU, USA, Asia-Pacific, Others
Auditor: Grant Thornton (from 2022)	

About the Company

- SIA Banga Ltd is a canned seafood production company situated in the northwestern region of Latvia, specifically in Roja, with roots dating back to 1947.
- The Company exports its products to 37 across four continents with key markets being Ukraine, Latvia, USA, and Germany. As a part of the sales strategy, cooperation with new customers was launched, with export shipments to new countries, including South America and Asia.
- The Company offers wide assortment of high quality canned seafood both under its own brand and private label.
- The Company is jointly owned by brothers Ingus Veckāgans (50%) and Raivis Veckāgans (50%), with Ingus serving as the CEO and Raivis overseeing development and financing.
- Throughout the entire production cycle, the company engages in fresh and frozen fish pre-treatment, insertion, packing, and delivery. More than one-third of its raw materials, such as herring, are locally sourced, with the remainder obtained from global leading suppliers, ensuring the high quality of the Company's products.
- The Company produces over 50 different products, with revenue distribution from salmon accounting for 39%, sprats and sardines 31%, cod liver 21%, mussels 4%, and mackerel and herring 3% of its 2023 revenue.

Financial highlights

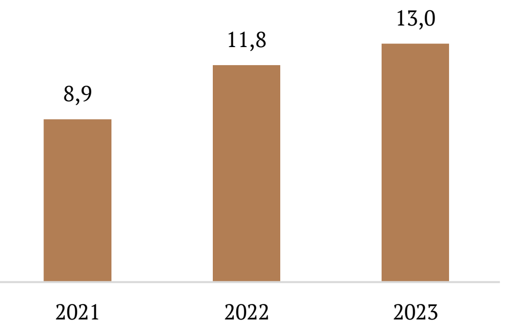
- In 2023, Banga achieved a record-high revenue of EUR 13.0m (+10% Y/Y), the highest in its history. Demand remained steady in the second half of 2023, enabling the Company to sustain its sales growth momentum, driven by an expanding customer base among distributors and retail chains.
- Additionally, the Company successfully completed the expansion of the fish canning plant. This development not only boosted production capacity, but also facilitated increased revenue generation for the Company.
- Banga maintained a stable gross margin at around 10%, improving slightly by 0.4 percentage points compared to the previous year.
- Mentioned positive developments also positively impacted Banga's EBITDA, which reached EUR 1.1m in 2023 (+22% Y/Y). Company's net profit was also EUR 1.1m, benefiting from Rural Support Service support related to the expansion of the fish canning plant of EUR 0.5m.
- Banga decided to streamline its sales operations in Ukraine to mirror its approach in other markets. Thus, the Company decided to divest its Ukrainian subsidiary, Banga Ukraine LLC, and transition to direct sales through retail chains or distributors.
- Ending 2023 with a healthy Equity ratio of 38%, Banga experienced a five-percentage-point increase compared to the end of 2022, driven by solid net profit developments. Additionally, Banga surpassed all bond financial covenants in 2023, maintaining an adequate reserve.

Key financials, EUR m

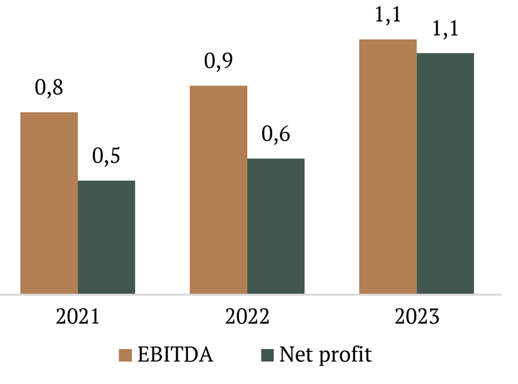
	FY 2021 (audited)	FY 2022 (audited)	FY 2023 (unaudited)	
Revenue	8.9	11.8	13.0	*+10%*
Gross margin	10%	10%	10%	*+0.4pp*
EBITDA	0.8	0.9	1.1	*+22%*
Net profit	0.5	0.6	1.1	*+78%*
Total assets	4.4	7.1	9.0	*+27%*
Inventory	1.4	2.5	3.4	*+35%*
Cash	0.0	0.4	0.2	*-46%*
Adjusted Equity[1]	1.8	2.3	3.4	*+45%*
Total borrowings	0.8	2.8	3.1	*+11%*
Equity ratio[2] (min 30%)	40%	33%	38%	*+5pp*
EBITDA / Interest expense	17.7x	7.5x	5.6x	*n/a*
Net Debt / EBITDA (max 3x)	1.0x	2.6x	2.7x	*n/a*

[1] Shareholder's Equity + Subordinated debt *[2] (Shareholder's Equity + Subordinated debt) / Assets*

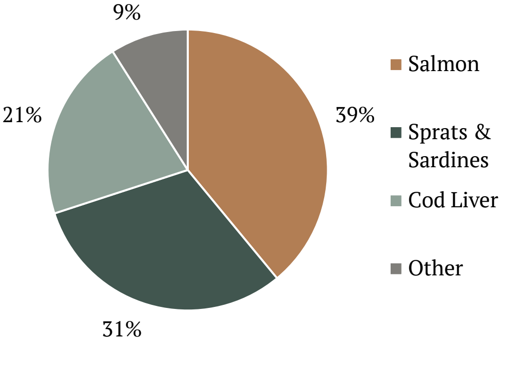
Revenue, EUR m



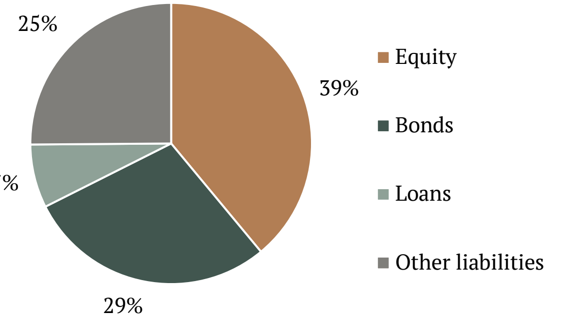
EBITDA and Net profit, EUR m



Revenue split by region (2023)



Funding structure (2023)



FY 2023 Arsenal

Key parameters

Founded: 2014	**Bonds outstanding:** EUR 4.5m
Headquarters: Riga, Latvia	**Industry:** Construction equipment rental
Employees: 70+	**Key markets:** Latvia, Estonia, Lithuania
Auditor: Potapoviča un Andersone (LV GAAP)	

About the Company

- Arsenal is a top 6 Baltic construction equipment rental and sales company. Founded in 2014, the Group currently has c. 70 employees.
- The Group offers a diverse range of construction equipment for renting and purchasing, including lifts, road construction equipment, tools, compaction and concrete machinery, all falling under the 10-ton category. Arsenal's transportation fleet is capable of delivering equipment of all sizes, from compact machines to sizable excavators.
- Arsenal's key equipment brands include Sunward, JCB, Komatsu, Gehl, Manitou, Bosch, Husqvarna, Geda, Swepac, Baumax, Karcher and more.
- The Group maintains a diverse client base, with more than 3,500 active customers in the previous year, mainly consisting of B2B construction firms. The largest client contributes only 2% of total revenue, and Arsenal handles 23,000 rental contracts annually (average of 75 contracts per day).
- Arsenal emphasizes e-channels and leading IT solutions for customer acquisition, communication, service delivery, and retention. The Group offers the convenience of remote rental contract signing.

Financial highlights

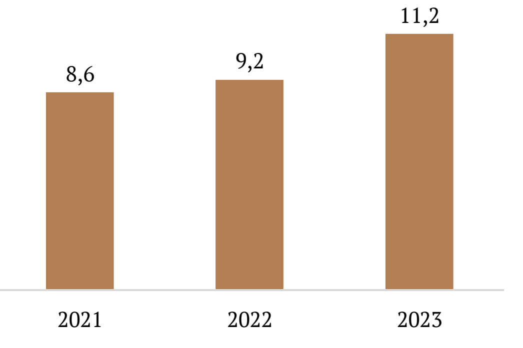
- The total revenue of Arsenal reached EUR 11.2m (+22% Y/Y) during 2023. The largest impact was from increase in the sale of goods, which was facilitated by favorable market conditions, solid demand for the Group's products and good cooperation conditions with suppliers. The Group's rental turnover during 2023 was at a similar level to the previous year.
- The gross margin of the Group has slightly decreased during 2023 and at the end of the year stood at 25% (-3pp Y/Y) due to changes in the revenue mix – the Group had higher sale of goods revenue proportion, which is less profitable than rental activities.
- Arsenal generated EBITDA of EUR 1.6m in 2023, a reduction of 16% compared to the previous year due to operating costs gradually increasing in 2023 and negatively affecting the results of operations.
- The Group's net profit during 2023 reached EUR 0.7m (+130% Y/Y). The increase in net profit was mainly achieved by a rapid increase in sale of goods and a gain from partial liability write-off included under the refinancing agreement, which was recorded under other interest income.
- On 30 November, 2023, the Group refinanced its obligations from Polish mezzanine fund (CVI) by issuing new secured bonds in the amount of EUR 4.5m, with a 2.5-year maturity, 12% coupon rate and 31 investors participating in the transaction. The Group plans to request admission to trading of the bonds on Nasdaq Riga First North market within 6 months from the Issue Date.
- At the end of 2023 Arsenal meets EBITDA / Interest expense and Net Debt / EBITDA financial covenants, however, Equity ratio stood at 14%, which is below the 15% covenant level. The refinancing process of the CVI bonds took longer than expected and as a result the Company had to pay 1 month of interest on both bonds as well as the asset base was higher than expected at the end of 2023. In accordance with the Terms of Issue, the shareholders of the Group decided to increase share capital within 90 calendar days from publishing the 4Q'23 financial report (until 29.05.2024) to cure the financial covenant and to ensure that it is in the required level.

Key financials, EUR m

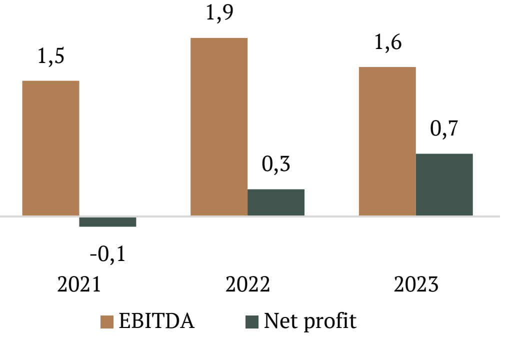
	FY 2021 (audited)	FY 2022 (audited)	FY 2023 (unaudited)	
Revenue	8.6	9.2	11.2	*+22%*
Gross margin	29%	28%	25%	*-3pp*
EBITDA	1.5	1.9	1.6	*-16%*
Net profit	-0.1	0.3	0.7	*+130%*
Total assets	8.1	9.8	10.0	*+3%*
PPE	5.8	7.5	6.9	*-8%*
Cash	0.4	0.3	0.3	*+6%*
Adjusted Equity[1]	0.4	0.8	1.4	*+66%*
Total borrowings	6.7	7.7	6.7	*-14%*
Equity ratio[2] (min 15%)	5%	8%	14%	*+7pp*
EBITDA / Int. expense (min 1.75x)	2.0	2.4	1.8	*n/a*
Net Debt / EBITDA (max 4x)	4.3	3.9	3.9	*n/a*

[1] Shareholder's Equity + Subordinated debt *[2] (Shareholder's Equity + Subordinated debt) / Assets*

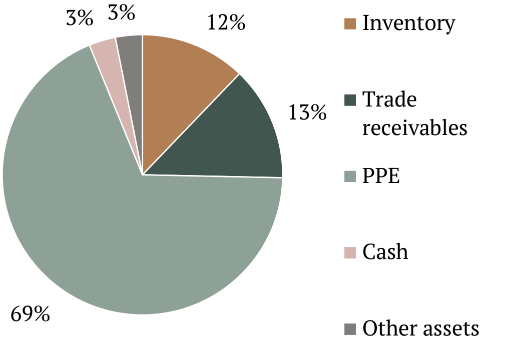
Revenue, EUR m



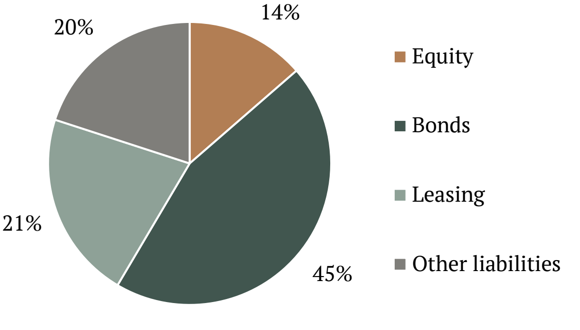
EBITDA and Net profit, EUR m



Asset breakdown (2023)



Funding structure (2023)



Bond issues included in the review

	Issuer	ISIN	Maturity	Coupon	Issue size	YTM	Call option	Collateral	Listing
	Amber Beverage Group Holding (Luxembourg)	LV0000870137	31.03.2027	7.5% +3M EURIBOR	EUR 30 000 000	10.3%	Yes	Secured	Frankfurt Open Market
	AS ELKO GRUPA (Latvia)	LV0000870079	12.02.2026	6.00%	EUR 20 000 000	7.8%	Yes	Unsecured	Nasdaq Baltic First North
	AS CleanR Grupa (Latvia)	LV0000802676	09.12.2025	6.5% +3M EURIBOR	EUR 15 000 000	8.9%	Yes	Secured	Nasdaq Baltic First North
	SIA iCotton (Latvia)	LV0000802783	30.06.2027	6.0% +3M EURIBOR	EUR 20 000 000	9.9%	Yes	Secured	Nasdaq Baltic First North
	SIA Coffee Address Holding (Latvia)	LV0000802585	30.06.2025	9.00%	EUR 5 000 000	9.0%	Yes	Unsecured	Nasdaq Baltic First North
	AS Longo Group (Latvia)	LV0000860062	30.11.2024	6.00%	EUR 3 000 000	7.6%	Yes	Secured	Nasdaq Baltic First North
		LV0000860096	30.06.2025	6% + 3M EURIBOR	EUR 5 000 000	9.9%	Yes	Secured	Nasdaq Baltic First North
	AS Grenardi Group (Latvia)	LV0000860054	30.04.2024	6.00%	EUR 3 000 000	-*	Yes	Secured	Nasdaq Baltic First North
		LV0000860104	31.07.2025	6% + 3M EURIBOR	EUR 4 000 000	9.9%	Yes	Secured	Nasdaq Baltic First North
	SIA Banga Ltd (Latvia)	LV0000860088	09.05.2025	6.00%	EUR 2 500 000	10.5%	Yes	Secured	Nasdaq Baltic First North
	SIA Arsenal Industrial (Latvia)	LV0000860153	31.05.2026	12.00%	EUR 4 500 000	12.0%	Yes	Secured	-

Baltic government bonds

	Issuer	ISIN	Maturity	Coupon	Issue size	YTM	Call option	Collateral	Listing
	Republic of Latvia	XS2576364371	17.01.2028	3.50%	EUR 945 000 000	3.2%	No	Unsecured	-
	Republic of Latvia	XS1501554874	07.10.2026	0.375%	EUR 2 020 000 000	3.2%	No	Unsecured	-
	Republic of Lithuania	XS2487342649	01.06.2032	2.125%	EUR 1 085 000 000	3.5%	No	Unsecured	-
	Republic of Estonia	XS2181347183	10.06.2030	0.125%	EUR 1 500 000 000	3.2%	No	Unsecured	-

Baltic benchmark bonds

	Issuer	ISIN	Maturity	Coupon	Issue size	YTM	Call option	Collateral	Listing
	Attīstības finanšu institūcija Altum AS	LV0000880037	07.03.2025	1.30%	EUR 45 000 000	3.8%	No	Unsecured	Nasdaq Baltic Regulated Market
	Latvenergo AS	LV0000870129	05.05.2027	2.42%	EUR 100 000 000	4.7%	Yes	Unsecured	Nasdaq Baltic Regulated Market
	Augstsprieguma tīkls AS	LV0000802528	20.01.2027	0.50%	EUR 100 000 000	4.2%	Yes	Unsecured	Nasdaq Baltic Regulated Market
	Air Baltic Corporation AS	XS1843432821	30.07.2024	6.75%	EUR 200 000 000	-*	Yes	Unsecured	Euronext Dublin stock exchange
	Ignitis Grupe AB	XS2177349912	21.05.2030	2.00%	EUR 300 000 000	4.5%	Yes	Unsecured	Nasdaq Baltic Regulated Market
	Maxima Grupe UAB	XS2485155464	12.07.2027	6.25%	EUR 240 000 000	6.1%	Yes	Unsecured	Nasdaq Baltic Regulated Market
	Akropolis Group UAB	XS2346869097	02.06.2026	2.875%	EUR 300 000 000	6.4%	Yes	Unsecured	Nasdaq Baltic Regulated Market

Yield not included due to bond being close to maturity

Important notice

This Review has been prepared by Signet Bank AS, which is supervised by the Bank of Latvia. The Review is generally marketing communication and does not represent investment research (pursuant to Art. 36 of Delegated Regulation (EU) 2017/565). The Review has been prepared for information purposes only and is not construed as a personal investment advice or recommendation. In this Review the Bank does not make an independent assessment of any financial instruments, nor does it make any predictions about the future value of financial instruments.

The marketing communication has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to the prohibition on dealing ahead of the dissemination of investment research. The information derives from sources the Bank considers reliable and complete. However, all information and market data is not warranted as to completeness or accuracy and is subject to change without notice.

Since not all products or transactions are suitable or appropriate for all investors, you shall not enter into any transaction unless you have consulted your independent advisors. The Bank and its employees shall not be liable for any losses or damages which may result from or be in connection with reliance upon the information provided.

MIFID2 notice: Signet Bank AS believes this Review is considered to be a minor non-monetary benefit as the product is free to all investors who wish to receive it and is therefore not an inducement according to Ch. 7 in ESMA's ''Question and Answers on MIFID II and MiFIR investor protection topics.
The information contained in the Review is current at the time of the publication of the Review and is subject to change. For more information please contact your Private Banker or contact us via info@signetbank.com.

Signet Bank AS
Antonijas street 3
Riga, LV 1010, Latvia

Phone: +371 67080 000
Email: info@signetbank.com

www.signetbank.com