

Longo Group bond issue

Secured 3-year bond issue with 10% coupon



About Longo Group

- Established in 2018, Longo has grown its presence as one of the leading used car retailers in the Baltics and has been expanding its activities also in Poland.
- In the fragmented Baltic used car market, Longo is the only pan-Baltic used-car specialized retailer.
- 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 140 employees and is led by experienced management team.

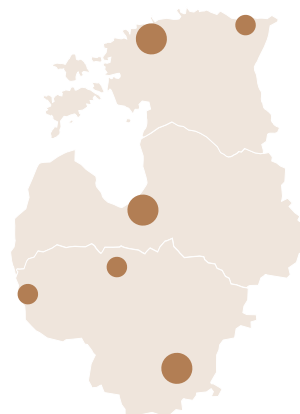
Business overview

- The Group sells cars in four markets geographically – Latvia, Estonia, Lithuania and Poland with seven dedicated sales locations.
- Longo is locally present in its B2B 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.
- Longo transports all sourced cars for diagnostics, servicing, repairing, cleaning and photographing to Panevėžys, Lithuania, where in July 2024 the Group purchased an industrial building complex. The building has 3000m² of industrial work area, 500m² of office space, a 6300m² parking lot and servicing capacity of 600 cars per month. This in-house preparation center gives the Group full control of the process and is set to significantly increase car sourcing and sales volumes. The deal was financed by a loan from Citadele.
- 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 offers its customers financing and extended warranty products of its partners, as well as provides aftersales warranty and reengages customers for next purchase.
- Longo has launched a new concept in the market – opening of showrooms in shopping malls and similar locations where customers have the opportunity to interact with sales representatives and order cars to be delivered for test drives.

Financial highlights

- Longo's 6M'24 revenue was €22.6m, slightly decreasing from 6M'23, mainly due to a decrease in average car sale price, while number of cars sold remained steady at 2,009 versus 2,063 in 6M'23. In the first half of the year, management prioritized core profitability, achieving a 13% increase in gross profit to €3.4m compared to 6M'23.
- The Group's EBITDA reached €0.6m in 6M'24, showing an improvement from 6M'23, primarily due to higher gross profitability and increased commission income from sales of lease and insurance product sales of partners.
- Longo has well-established core business operations and is prepared for its next growth phase. European peers such as Aures Holdings (Czech Republic) and Kamux (Finland) have captured around 8% market share in their respective markets, while Longo targets a market share of 3-4%, implying revenue of €160m within five years. With the annual revenue growth exceeding 50% from 2019 to 2022, the Group has won a Financial Times award for the fastest growing company in Latvia and 10th in automotive sector in Europe.
- The Group has shown a consistent and strong own capital base with Capitalization ratio of 53% at the end of 6M'24.

Longo Group's geographical presence



7 showrooms in the Baltics & Poland

Tallinn, Narva, Riga, Klaipeda, Panevėžys, Vilnius, Białystok

1 Head office in Riga

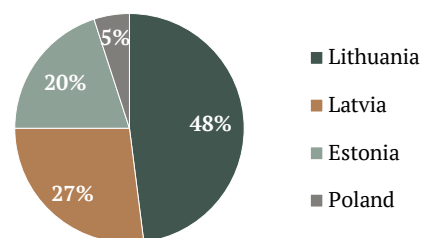
1 prep center in Panevėžys

2 Sourcing offices
Ridderkerk, Netherlands;
Leuven, Belgium

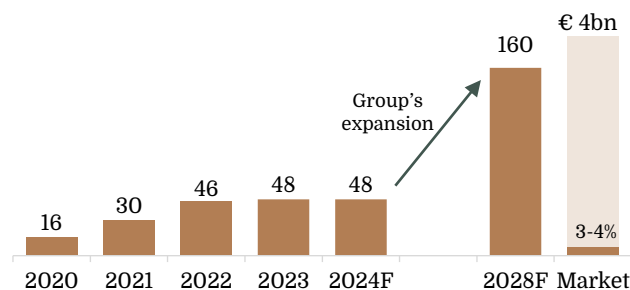
Financial highlights

EUR, thousands	2022 (audited)	2023 (audited)	6M 2023 (operative)	6M 2024 (operative)
Revenue	46 239	47 790	24 604	22 645
Gross margin	14%	15%	12%	15%
EBITDA	1 490	1 694	566	620
Net profit	167	-526	-246	-386
Total assets	20 251	19 706	21 361	19 731
Inventory	13 064	12 574	13 873	12 765
Cash	1 425	1 253	504	1 268
Adjusted Equity	11 216	10 871	11 127	10 479
Net debt	4 425	5 162	6 496	5 147
Capitalization ratio	56%	55%	52%	53%
Debt Service Coverage Ratio	3.0x	2.1x	2.0x	2.1x
Collateral coverage ratio ¹	2.7x	2.3x	2.2x	2.2x

Revenue split by countries (6M'24)



Revenue & market share forecast, € m



Notes: ¹ (Collateral Value + Adjusted Cash) / Secured Financial Indebtedness

Source: Financial reports (audited by KPMG) and information provided by the management

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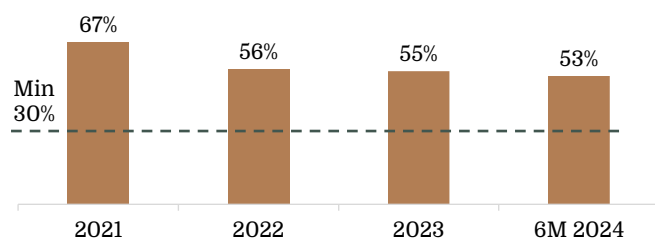


Term Sheet

Issuer	AS Longo Group (Latvia)
Security type	Senior secured bonds
Offer type	Public offering
Use of proceeds	<ul style="list-style-type: none"> Refinancing of the Group's Existing Secured Notes and Citadele Bank Loan Investment in working capital
Collateral	<ul style="list-style-type: none"> Commercial Pledge on assets of SIA Longo Latvia and Longo LT UAB Mortgage over the Real Estate owned by Longo Shared Services UAB
First tranche	EUR 10 million
Coupon rate	10%
Coupon frequency	Monthly
Maturity	3 years
Principal repayment	Maturity date, <i>bullet</i>
Call Option	@101% after 1st year; @100% 6 months before maturity
Nominal value	EUR 100
Minimum subscription	EUR 100
Listing	Nasdaq Riga Baltic Bond List within 3 months after the Issue Date
Covenants ¹	<ul style="list-style-type: none"> Capitalization Ratio > 30% Debt Service Coverage Ratio > 1.2x Collateral Coverage Ratio > 1.3x
Arranger	Signet Bank AS
Legal Advisor	ZAB Eversheds Sutherland Bitāns SIA
Collateral Agent	Sorainen ZAB SIA

Offer for LV0000860062 (maturing 30 November 2024) and LV0000860096 (maturing 30 June 2025) bondholders: Exchanging existing bonds for new bonds (1:10 exchange ratio)

Capitalization ratio development



Longo Group car assortment



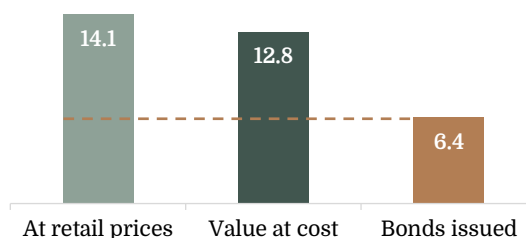
Key investment highlights

- Market leader** – The fastest-growing used car retailer in the Baltics, redefining the industry with a transparent, reliable, and high-quality purchase experience both online and in-person
- Secured bonds** – Collateral of car inventory with a fast turnover and mortgage on Real estate (preparation center), which provide a comfortable coverage over the bond issue
- Strong equity base** – Strategic investors provide financing to support the Group's expansion, maintaining a 53% capitalization ratio
- Brand awareness** – Increasing recognition in the local market, with growing brand awareness reflected in the Group's online ratings and survey results
- Experienced issuer** – Experienced issuer with 2 bonds listed on Nasdaq First North since 2022

Funding profile and the bond issue

- Longo launches the first tranche of its bond program to refinance €1.5m existing secured bonds maturing in 2024 (ISIN: LV0000860062) & €4.9m existing secured bonds maturing in 2025 (ISIN: LV0000860096), and Citadele Bank Loan of €0.8m.
- Moreover, the proceeds will be used for working capital investments necessary for purchase and preparation of new car stock and expansion of Longo sales network.
- The bonds will be secured by car inventory with a fast turnover and mortgage on real estate (preparation center in Panevėžys). As a large part of the proceeds from the bond issue will be directed to purchases of new inventory, the Group anticipates maintaining a comfortable collateral coverage ratio post-issuance.
- Longo Group is an experienced issuer with two bonds listed on Nasdaq First North (to be refinanced). Financial statements of the Group are audited by KPMG Baltic.
- Additionally, the Group has subordinated debt from shareholders in the form of subordinated notes with maturity date on December 2029, in the amount of €3m (maximum issue size of €12m).
- Existing bondholders, can exchange them for new bonds. For instance, each investor holding one existing bond worth €1,000 will receive ten new bonds with nominal value of €100 each.
- Loyalty program available for investors investing more than €500.

Inventory value, € m (6M'24)



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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, global pandemic risk, geopolitical risk, Competition risk, Risks relating to trends in the automotive industry, Operational risk, Relations with key vendors and supply chain risk, The risk of rising costs of purchased cars and the inability to transfer the increased costs to the end buyer, The risks related to the operation of the preparation center, Inventory management risk, Warranties risk, Key employee dependency risk, Employee risk, E-commerce risk, IT system and process risk, Brand reputation risk, Fraud risk, Regulatory risk, Taxation risk, Privacy and data protection breach risk, Financial leverage risk, Credit and/or counterparty risk.

When investing funds in bonds, investors undertake the following risks related to debt securities: liquidity risk, notes repayment risk, Tax risk, offering cancellation and delisting risk, price risk, early redemption risk, tax risk, resolutions of Noteholders risk, Risks associated with certain limitations relating to the validity and enforceability of the Collateral, Risks associated with certain limitations relating to the object of the Collateral, Risks associated with Parallel Debt, Risks associated with the market value of the Collateral, Risks associated with the Collateral Agent Agreement, Risks associated with the limitations and procedures concerning enforcement of the Collateral, Risks related to amendments to laws and regulations, Risks related to the actions of the Collateral Agent.

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