

# FZ Capital bond issue

Opportunity to invest in secured bonds of one of Latvia's most seasoned real estate-secured lenders



## About FZ Capital

- Established in 2005, FZ Capital is a licensed non-bank lender specializing in real estate-secured financial solutions.
- The Company offers business loans, consumer loans and lines of credit in Latvia as its main products.
- FZ Capital has an experienced management team with a strong commitment to the Company's development – Marks Peisahovičs (Founder and CEO) and Maksims Melņikovs (Head of Credit), who are equipped with extensive experience in both the real estate market and credit management.
- The Company's shareholders are SIA Next Mile Group (85%) (UBO: Aigars Kesenfelds, owner of some of the largest non-bank lenders in Europe) and Marks Peisahovičs (15%), who has founded and successfully led the Company for 20 years.
- The presence of an experienced strategic investor within the industry showcases the support for further growth of the business.

## Loan portfolio and collateral

- FZ Capital has built a secure, diversified and high-quality loan portfolio. More than 84% of the total number of loans are below EUR 20 thousand, which limits exposure to any single debtor.
- FZ Capital maintains a conservative portfolio loan-to-value (LTV) ratio of 39% and the collateral is well-diversified, including different types of properties from various regions in Latvia.
- The quality of the loan portfolio remains strong, with a non-performing loan ratio (loans more than 90 days past due) of 4.3% at the end of FY 2024. Over 20 years of operations, FZ Capital has had less than 1% of issued loans written off.
- Historically, the Company's clients have been primarily reached through collaboration with credit brokers in addition to referrals and recurring customers. While maintaining the strategy in the future, FZ Capital plans to enhance lead generation through the launch of a website and targeted online marketing in pursuit of attracting clients.
- Active communication with clients is at the core of the debt collection process, ensuring resolution of missed payments early.

## Financial highlights

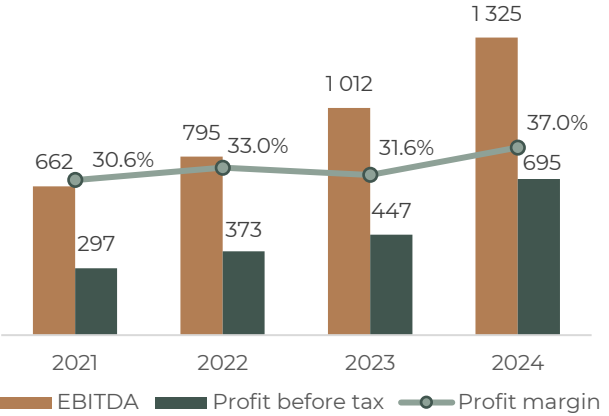
- The Company has grown its revenue considerably in the past 2 years, recording top-line growth of 33% in 2024 and 25% in 2023.
- Interest expenses have grown at a significantly lower rate, resulting in a substantial increase in profitability, reflected by a profit (PBT) margin of 37.0% (+5.4 pp y/y). Notably, the Company has been achieving consistent profitability for the past 15 years.
- In 2024, the Company grew its portfolio by 18.5%, reaching EUR 10.4m, while the increase in portfolio quality was reflected in the LTV ratio decreasing to 38.6% (-2.4 pp y/y).
- The loan portfolio accounts for 96.1% of the Company's balance sheet and has a significant real estate collateral buffer, providing solid collateral coverage for the Notes investors.
- The Company has consistently met its debt obligations, building trust with existing debtholders and Signet Bank as the senior creditor.
- By launching a secured bond issue, FZ Capital aims to scale its lending operations while maintaining strong risk management practices. Growth will be driven by increasing market penetration in Latvia and exploring opportunities in other Baltic markets.

## Financial highlights

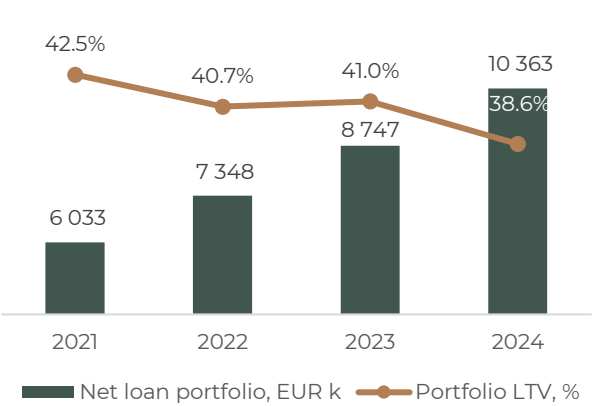
EUR, thousands	FY 2022 (audited)	FY 2023 (audited)	FY 2024 (unaudited)
Revenue	1 131	1 416	1 879
EBITDA	795	1 012	1 325
Profit before tax	373	447	695
Profit margin <sup>1</sup>	33.0%	31.6%	37.0%
Net loan portfolio	7 348	8 747	10 363
Cash	35	30	146
Equity	1 634	1 831	1 651
Total borrowings	6 146	7 365	8 851
Interest coverage ratio <sup>2</sup>	1.87	1.81	2.10
Portfolio LTV <sup>3</sup>	40.7%	41.0%	38.6%

<sup>1</sup> Profit before tax / Revenue  
<sup>2</sup> EBITDA / Net Finance Charges  
<sup>3</sup> LTV ratio of all loans within the Net Loan Portfolio, weighted by the outstanding principal balance of each loan

## Profitability breakdown, EUR k



## Net portfolio development



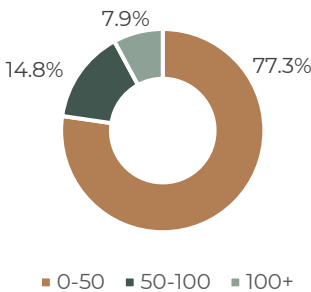
Term Sheet

Issuer	SIA FZ CAPITAL
Security type	Secured bonds
Offer type	Private placement
Collateral	2 <sup>nd</sup> ranking commercial pledge on assets of the Company
Tranche Issue size	Up to EUR 10 000 000
Bond program	Up to EUR 30 000 000
Coupon rate	8%
Coupon frequency	Monthly
Maturity	3 Years
Principal repayment	Maturity date, bullet
Call Option	Year 1 - no call Year 2 - @101% 6 months before maturity - @100%
Put Option	Change of Control - @101%
Nominal value	EUR 1 000
Minimum subscription	EUR 100 000
Listing	Listing on Nasdaq Riga First North within 18 months after the Issue Date
Use of proceeds	<ul style="list-style-type: none"><li>Refinancing of existing liabilities</li><li>Financing growth of loan portfolio</li><li>General corporate purposes</li></ul>
Covenants <sup>1</sup>	<ul style="list-style-type: none"><li>Capitalization Ratio<sup>2</sup> &gt; 20%</li><li>Portfolio Coverage Ratio<sup>3</sup> &gt; 1.20x</li><li>Interest Coverage Ratio<sup>4</sup> &gt; 1.25x</li></ul>
Arranger	Signet Bank AS
Collateral Agent	ZAB Eversheds Sutherland Bitāns SIA

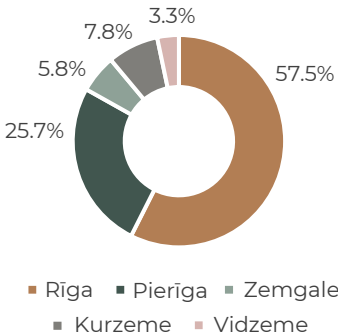
1 Full list of covenants and terms can be found in the Terms of the Issue  
2 Capitalization ratio = (Total shareholder's equity + Subordinated Debt) / Net loan portfolio  
3 Portfolio Coverage Ratio = (Net Loan Portfolio + Cash – unpaid principal amount of the credit line) / Secured bonds  
4 Interest Coverage Ratio = EBITDA / Net Finance Charges

Portfolio collateral breakdown (31.12.2024)

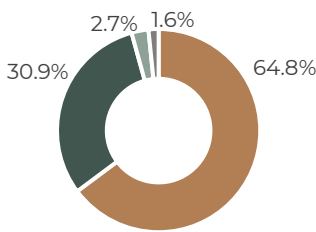
By property values, EUR k



By property regions



By property types



Source: Financial reports and information provided by the management

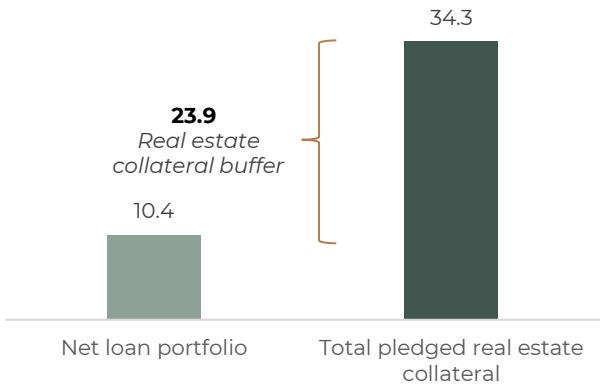
Key investment highlights

- Well diversified high-quality portfolio** with a conservative LTV ratio of 39% and a 4% NPL ratio
- Long track record** of 20 years with profitable operations, averaging a 31% PBT margin during the last 10 years
- Experienced management team** with the CEO in charge since inception and the head of credit for 12 years
- Presence of a strong strategic investor** brings conviction and guidance in executing the Company's growth strategy, given the investor's experience in building some of the largest non-bank lenders in Europe

New bond issue and funding profile

- The Company is launching a secured bond program of up to EUR 30 million to scale its lending operations, which is expected to be executed via several tranches (up to EUR 10 million in this tranche) over the next three years with gradual placement.
- Proceeds from the bond issue will be used to refinance the existing loans, to finance the Company's growth & business expansion in line with the Company's strategy, and for other general corporate purposes.
- The Company has historically funded its operations through shareholder funds and loans from Signet Bank and plans to add bonds to the financing structure to facilitate its expansion strategy.
- Signet Bank acts as the senior lender and the Company will maintain a credit line of EUR 1 million after the bond issue.

Loan Portfolio and pledged real estate collateral (EUR m, 31.12.2024)



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## **Risk factors**

When making an investment in bonds, investors undertake certain financial risks. The main risk factors that influence SIA FZ Capital are macroeconomic risk, the global pandemic risk, geopolitical risk, licensing and regulatory risk, risks related to credit assessment, consumer and counterparty risk, risks related to deterioration in debt recovery, working capital risk, financial leverage risk, risks related to incurring additional indebtedness, liquidity risk, operational risk, privacy and data protection breach risk, IT system and process risk, cybersecurity risk, funding risk, employee risk, operational management risk, competition risk, decreased demand risk, risk relating to industry trends, e-commerce risk, risks relating to potential acquisitions, new products risk, expansion risks, AML/CFT and Sanctions breach risk, brand reputation risk, fraud risk, risks relating to third-party service dependency, litigation risk, risks relating to the potential decline in real estate collateral value, risks relating to retaining company premises, risks relating to changes in underwriting standards, interest rate spread risk.

When investing funds in bonds, investors undertake the following risks related to debt securities: Cashflow and debt servicing risk, Notes repayment risk, subordination risk, delisting risk, liquidity risk, price risk, foreign exchange risk, early redemption risk, tax risk, resolutions of Noteholders risk, risk that some Investors might have more preferential terms than others.

Risks related to the collaterals: Risks associated with certain limitations relating to the validity and enforceability 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 Applicable laws, risks related to action of the Collateral Agent, risks associated with the intercreditor agreements.

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