

# Arsenal Industrial bond issue

Public offering of EUR 3 million, 12%, 3-year Secured Bonds



## About Arsenal Industrial

- Arsenal Industrial, founded in 2014, is a Latvian construction equipment rental and sales company, headquartered in Riga, employing more than 64 skilled professionals and maintaining a strong digital focus.
- The Group offers a diverse range of sub-10-ton construction equipment, including lifts, road construction equipment, tools, compaction equipment and concrete machinery. Arsenal's transportation fleet enables delivery of equipment ranging from compact machines to larger excavators.
- Arsenal was co-founded and continues to be led by CEO and Management Board member Gints Vanags, who retains a 51% ownership stake. The remaining 49% is held by FlyCap, with Ģirts Milgrāvis, Partner at FlyCap, serving as a Supervisory Council member of Arsenal Industrial.

## Business overview

- Arsenal specializes in the rental and sale of construction equipment and tools across Latvia and Lithuania. In 2025, 63% of revenue was generated in Latvia, with the rest coming from Lithuania. Revenue was mainly driven by rentals and sales, contributing 48% and 41%, respectively.
- The Group operates an extensive fleet consisting of more than 2,700 fixed assets and 25,000 stock items, with a total purchase value of EUR 14m. The leasing portfolio consists primarily of equipment with an average age not exceeding five years.
- The Company invested a record EUR 2.9m in fleet expansion throughout 2025, driving revenue growth, and plans to invest at least EUR 1m per year over the next three years to further expand its revenue base.
- Arsenal Industrial places strong emphasis on digital sales and customer service channels, supported by MCS IT solutions for customer acquisition, communication, servicing and retention. More than 50% of deals are concluded remotely.
- Arsenal was the #1 seller of mini-excavators in Latvia in 2024 and 2025, with earthmoving and tractor equipment accounting for 44% of revenue in 2025.
- Arsenal Industrial executes more than 20,000 rental contracts annually and served nearly 3,000 active customers in 2025, the majority of which are B2B construction companies.

## Financial highlights

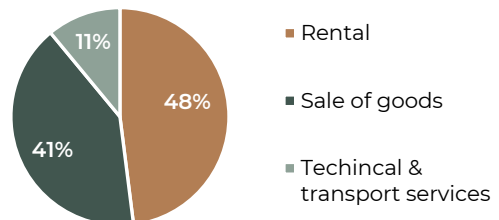
- The Company generated EUR 11.2m in revenue in 2025, representing a 3.8% year-over-year increase.
- Alongside revenue growth, the Company improved EBITDA to EUR 1.6m (+23.4% y/y), corresponding to a 14.3% EBITDA margin, supported by improved operational efficiency and a 4.5% reduction in administrative expenses compared to the previous year.
- Thanks to record investments in its fleet in 2025, the Company increased the fixed assets by 30.0% to EUR 9.1m. The Company's fleet is revalued annually by an independent valuator (SIA JUREAL) and forms a sizeable collateral base for the bonds. As of 31.12.2025, the rental equipment was valued at EUR 8.9m.
- While Q1 is seasonally the weakest quarter, the Company's Q1 results exceeded expectations. In Q1 2026, the Company generated EUR 2.6m in revenue, representing a 13.1% increase compared to the corresponding period of the previous year, while trailing twelve-month revenue reached EUR 11.5m.
- In Q1 2026, the Company also achieved a 3.8x increase in EBITDA, reaching EUR 0.3m EBITDA, while trailing twelve-month EBITDA reached EUR 1.8m.

## Financial highlights

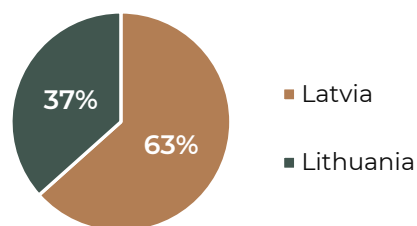
EUR million	2024 (audited)	2025 (audited)
Total revenue	10.8	11.2
Gross profit	3.1	3.5
EBITDA	1.3	1.6
EBITDA margin	12.0%	14.3%
Fixed assets	7.0	9.1
Total assets	11.3	12.7
Total equity	1.0	1.4
Subordinated debt <sup>1</sup>	0.7	0.7
Adj. Equity ratio <sup>2</sup>	14.3%	16.7%
Net Debt / EBITDA	4.67x	4.25x
Interest coverage ratio <sup>3</sup>	1.83x	1.72x

- Subordinated loan from FlyCap, no interest is paid
- Adjusted Equity ratio = (Total equity + Subordinated debt) / Total Assets
- ICR = EBITDA / Interest expenses

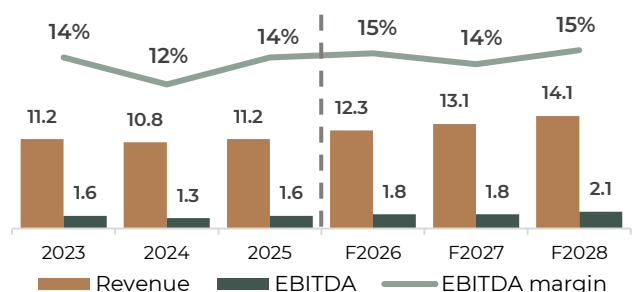
## Revenue split by segment, 2025



## Geographical revenue split, EURm



## Revenues and EBTIDA, EURm



# Arsenal Industrial bond issue



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### Term Sheet

Issuer	SIA Arsenal Industrial (Latvia)
Security type	Secured bonds
ISIN	LV0000111623
Offering size	EUR 3,000,000
Offer type	<ul style="list-style-type: none"> <li>Public offering to new investors</li> <li>Exchange offering to existing LV0000860153 bondholders (1:1)</li> </ul>
Exchange premium	1.0% rollover premium for exchanging existing bonds for new bonds
Nominal value & min. subscription	EUR 1,000
Coupon rate, frequency	12.0%, fixed, paid monthly
Maturity	3 years
Principal repayment	Maturity date, <i>bullet</i>
Call Option	<ul style="list-style-type: none"> <li>After the 1st year – @102%,</li> <li>After the 2nd year – @101%,</li> <li>6 months before maturity – @100%</li> </ul>
Put Option	@101% in Case of Change of Control and / or FlyCap exit
Collateral	<p><b>2nd ranking commercial pledge on:</b></p> <ul style="list-style-type: none"> <li>The Issuer's assets;</li> <li>The Issuer's shares (AS Kluciši);</li> <li>The assets of subsidiary Arsenal UAB;</li> </ul>
Use of proceeds	Refinancing of existing bonds
Financial covenants	<ul style="list-style-type: none"> <li>Adjusted Equity ratio: min 15% from Q4 2026</li> <li>Net Debt / EBITDA: max 5x from Issue Date; max 4x starting from 01.01.2029</li> <li>ICR: min 1.5x</li> </ul>
Collateral Agent	Vilgerts ZAB (Latvia)
Issuing & Placement Agent	Signet Bank (Latvia)
Listing	Nasdaq Riga First North Market within 3 months after the Issue Date

See full list of undertakings in the Information Document

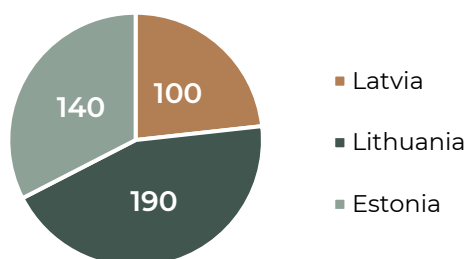
### Key investment highlights

- Established Baltic equipment rental and sales platform** operating since 2014, serving nearly 3,000 active customers
- Digitalized operating model** enabling efficient customer acquisition, retention, and scalable operations
- Growing revenue and improving operational efficiency**, with 2025 revenue up by 4% to a record EUR 11.2m and EBITDA reaching 1.6m (+23%)
- Strong market positioning in selected niches: #1 in mini excavator sales** in Latvia in 2024 and 2025
- Supportive Baltic rental market environment**, driven by growth in construction activity, infrastructure and energy investments, EU-funded projects and residential development
- Extensive equipment fleet valued at EUR 8.9m**, with further planned investments expected to strengthen the collateral base securing the Bonds

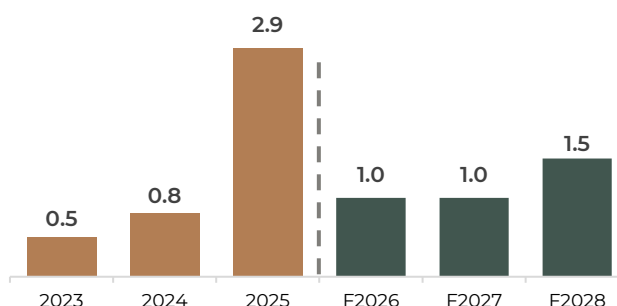
### Information on the bond issue

- Arsenal Industrial is issuing EUR 3.0m of bonds, to refinance its existing EUR 4.5m bond issue maturing on 31 May 2026. The remaining amount required for refinancing of the existing bonds will be financed through a bank loan.
- The Company has secured a EUR 4.4 million bank loan agreement from Signet Bank to refinance all existing lease liabilities (up to EUR 2.9m) and partially finance the redemption of the existing bonds.
- As a result of the transaction, the bank will obtain the first-ranking pledges over the Company's assets, including all assets currently under lease agreements, while the bondholders will hold second ranking pledges over the same assets of the Issuer and its subsidiary Arsenal UAB (Lithuania).
- Investors holding the existing bonds (ISIN: LV0000860153) are also offered the opportunity to exchange all or part of their existing bonds for the new bonds. Investors participating in the exchange offer will receive a 1% exchange premium.

### Baltic rental machinery market size, EURm



### Investments in fleet, EURm



Source: Arsenal Industrial's financial reports and management reports and estimates

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The Issuer or its affiliates may, subject to applicable laws, purchase the Bonds. It should be noted that under specific circumstances their interests may conflict with those of other bondholders.

## Risk factors

When making an investment in bonds, investors undertake certain financial risks. The main risk factors that influence Arsenal Industrial (the Issuer) are: the Group operates in the cyclical construction equipment rental and sales market, which is closely linked to construction activity, public and private sector investment, financing conditions and broader macroeconomic developments; demand for the Group's services may decline due to lower construction activity, inflation, higher interest rates or reduced customer investment; the Group is exposed to geopolitical risks, including regional security risks, sanctions, supply chain disruptions and increased energy, transportation and equipment costs; the Group operates primarily in the Baltic region, resulting in geographic concentration; the Group's business is capital-intensive and depends on access to financing for the acquisition, renewal and maintenance of its rental fleet; the Group may face difficulties adjusting its fleet quickly to changes in demand; the Group faces competition which may result in pricing pressure, lower utilization or reduced profitability; the Group is exposed to seasonality risk due to lower construction activity during winter or adverse weather conditions; the Group depends on international suppliers and may be affected by equipment delivery delays, customs changes or increased purchase costs; ineffective fleet management or demand forecasting may result in equipment oversupply or undersupply; the Group is exposed to refinancing, leverage and interest rate risks, including higher debt servicing costs; the Group is exposed to counterparty credit risk if customers fail to meet payment obligations; the Group relies on qualified personnel, operational processes, IT systems and digital channels, and disruptions may adversely affect operations; the Group is subject to legal, regulatory, taxation, data protection, AML/CFT, sanctions and compliance risks; the Group may be exposed to litigation, insurance coverage limitations, natural disasters, equipment damage, defects or theft.

When investing funds in bonds, investors undertake the following risks related to debt securities: the Bonds are secured obligations, however the Collateral is subject to first-ranking security in favour of the Bank under the Bank Loan and Bondholders' claims in respect of such Collateral are therefore subordinated to the claims of the Bank; recovery available to Bondholders may be insufficient in the event of enforcement, insolvency or restructuring; certain assets may be subject to leasing arrangements or may not form part of the Collateral at all times; the value and composition of the Collateral may change over time and may be affected by damage, defects, theft, depreciation or changes in the Group's asset structure; enforcement of the Collateral may be delayed or unsuccessful; the Collateral Agent acts on behalf of Bondholders and any failure by it to properly perform its duties may adversely affect Bondholders' recovery; the Issuer may fail to make interest or principal payments under the Bonds; a liquid secondary market for the Bonds may not develop; the Bonds may not be admitted to trading or may be delisted; the market price of the Bonds may fluctuate due to changes in interest rates, economic conditions or investor demand; the Bonds may be redeemed early, exposing investors to reinvestment risk; majority Bondholder decisions may be binding on all Bondholders; allocation of the Bonds may be made at the Issuer's discretion in case of oversubscription; Existing Bondholders participating in the exchange offering may not receive the expected allocation; and changes in tax laws may adversely affect the return on the Bonds.

The risks indicated in this section may reduce Arsenal Industrial's 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 Arsenal Industrial.