

# Earnings Call Presentation

## 12M 2019



February 2020

# Disclaimer

The information in this presentation has not been independently verified and is subject to updating, completion, revision and further amendment. The presentation does not purport to contain all information that a prospective lender may require. While the information contained herein has been prepared in good faith, neither the Mogo Finance S.A. (the "Borrower") nor its shareholders, directors, officers, agents, employees, or advisors, give, has given or has authority to give, any representations or warranties (expressed or implied) as to, or in relation to, the accuracy, reliability or completeness of the information in this presentation or any revision thereof, or of any other written or oral information made or to be made available to any interested party or its advisors (all such information being referred to as information) and liability therefore is expressly disclaimed save by each person in respect of their own fraud. Accordingly, the Borrower and its shareholders, directors, officers, agents, employees or advisors do not take any responsibility for, and will not accept any liability whether direct or indirect, expressed or implied, contractual, statutory or otherwise, in respect of the accuracy or completeness of the information or for any of the opinions contained herein or for any errors, omissions or misstatements or for any loss, how so ever arising from the use of this presentation.

Information contained in this presentation is confidential information and the property of the Borrower. It is made available strictly for the purposes referred to above. The presentation and any further confidential information made available to any recipient must be held in complete confidence and documents containing such information may not be reproduced, used or disclosed without the prior written consent of the Borrower. This presentation shall not be copied, published, reproduced or distributed in whole or in part at any time without the prior written consent of the Borrower. By accepting delivery of this presentation, the recipient agrees to return it to the Borrower at the request of the Borrower.

This presentation should not be considered as the giving of investment advice by the Borrower or any of its shareholders, directors, officers, agents, employees or advisors. Each party to whom this presentation is made available must make its own independent assessment of the Borrower after making such investigations and taking such advice as may be deemed necessary. In particular, any estimates or projections or opinions contained herein necessarily involve significant elements of subjective judgment, analysis and assumption and each recipient should satisfy itself in relation to such matters. Neither the issue of this presentation nor any part of its contents is to be taken as any form of commitment on the part of the Borrower to proceed with any transaction nor is the right reserved to terminate any discussions or negotiations with any prospective lenders. In no circumstances will the Borrower be responsible for any costs, losses or expenses incurred in connection with any appraisal or investigation of the Borrower.

This presentation does not constitute, or form part of, any offer or invitation to sell or issue, or any solicitation of any offer to subscribe for or purchase any securities in the Borrower, nor shall it, or the fact of its distribution, form the basis of, or be relied upon in connection with, or act as any inducement to enter into, any contractor commitment what so ever with respect to such securities. The Borrower assumes that the recipient has professional experience and is a high-net worth individual or Borrower this presentation has not been approved as any governmental agency.

By accepting this presentation, the recipient represents and warrants that it is a person to whom this presentation may be delivered or distributed without a violation of the laws of any relevant jurisdiction. This presentation is not to be disclosed to any other person or used for any other purpose and any other person who receives this presentation should not rely or act upon it. Neither the Borrower nor its directors make any recommendation as to the matters set out in the presentation. Prospective lenders interested in investing in the Borrower are recommended to seek their own independent legal, tax and/or financial investment advice from a competent financial advisor. The whole of the presentation should be read. Reliance on this presentation for the purposes of engaging in any investment in the Borrower may expose an individual to a significant risk of losing the entire investment and may not be suitable for all recipients.

# Presenters



**Modestas Sudnius**  
Chief Executive Officer

- Modestas has been at Mogo Finance since 2013
- He started as country manager for Lithuania, where he established successful operations and subsequently in January 2018 was promoted to regional CEO for core markets of Mogo Finance in Latvia, Lithuania, Estonia, Georgia and Armenia
- In November 2018, he joined the Mogo Finance management team as CEO
- Prior to Mogo Finance, Modestas worked at international organizations, such as EY and EPS LT, UAB
- Modestas is a graduate of the Management program from ISM University of Management and Economics and also holds a Master's degree from the Stockholm School of Economics



**Maris Kreics**  
Chief Financial Officer

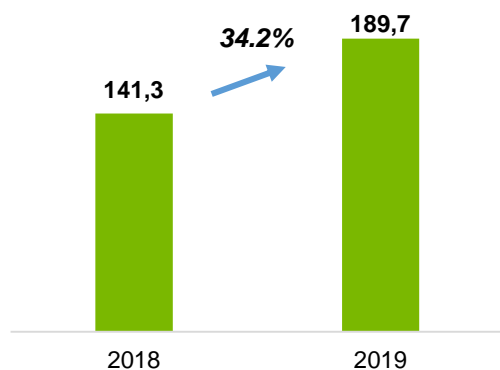
- Maris has been at Mogo Finance since 2015
- Before joining Mogo Finance he spent two years in a corporate finance role working for the largest telecommunications service company in Latvia – Tet (prev. Lattelecom). Before that, he spent seven years at PwC with two of them in New York, working exclusively on one of the largest S&P 500 Tech company's lead audit team, which was responsible for managing other audit teams globally
- Maris holds a Master's degree in Finance from BA School of Business and Finance
- Maris is a CFA Charterholder and a member of ACCA since 2011 (Fellow since 2016)

# Operational highlights

## Robust growth across key financial indicators

### Significant growth in net loan and used car rent portfolio

in EURm

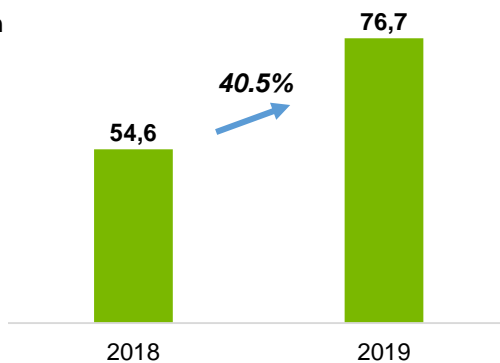


★ Interest and similar income, including income from used car rent grew by 40.5% to EUR 76.7m (2018: EUR 54.6m)

★ By following its profitable growth strategy, the Group has managed to deliver annual profitability in 8 markets (2018: 6 markets) measured by net profit and 10 markets (2018: 6 markets) measured by EBITDA

### Strong growth in interest and similar income including income from used car rent

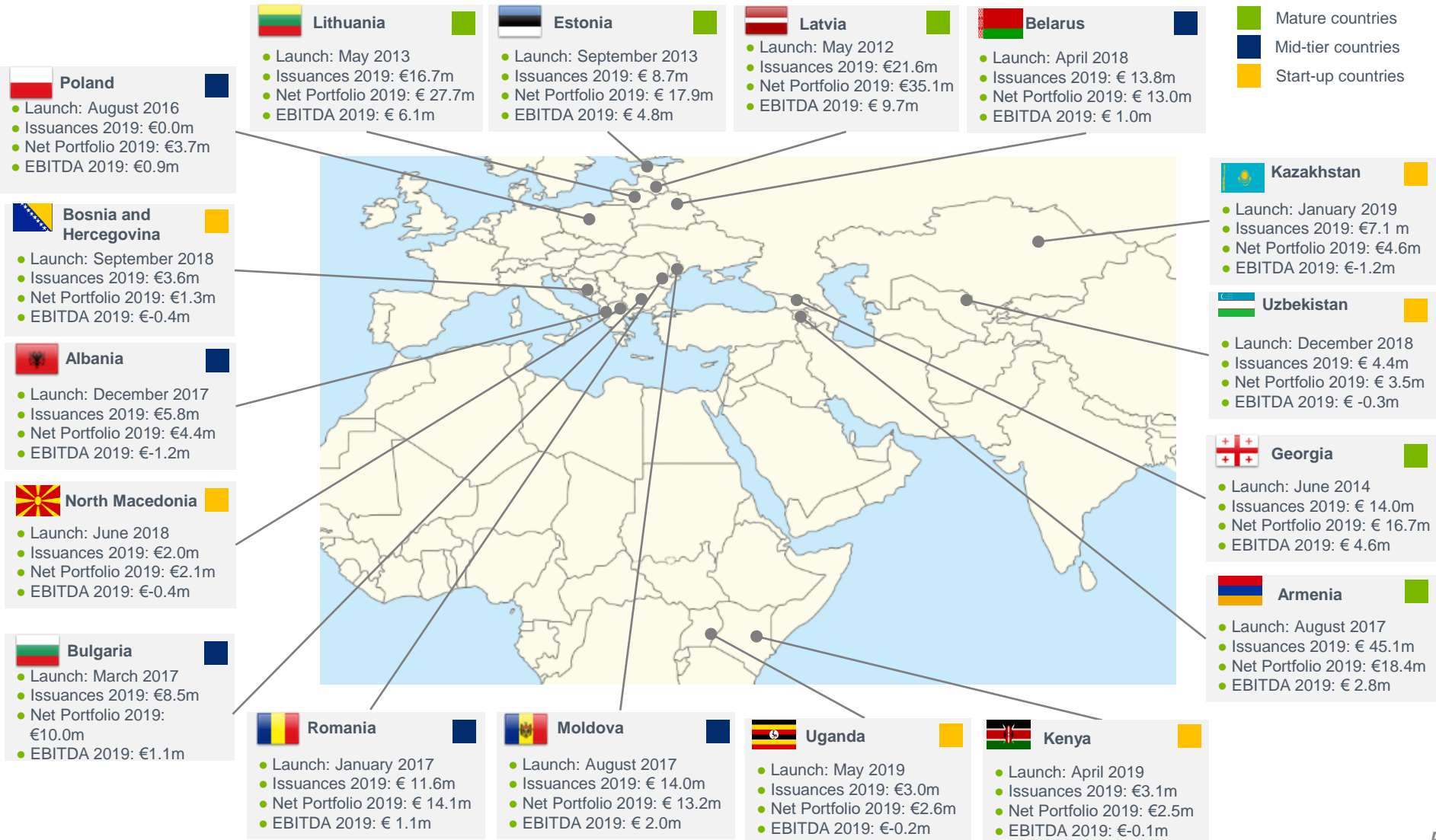
in EURm



★ Mogo Finance has divested its used car retail business by selling Longo brand entities resulting in a gain of EUR 1.0m for the Group. This sale will allow to fully focus Group's operations on the lending business in order to significantly increase the overall profitability. Longo will continue to remain a strategic used car sales partner for Mogo

# Geographical footprint

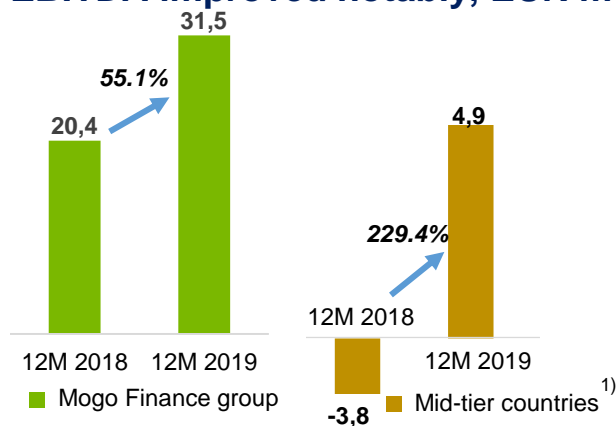
## Diversification of operations eliminating single market risk



# Financial highlights

## Mid-tier markets as a key driver of growth

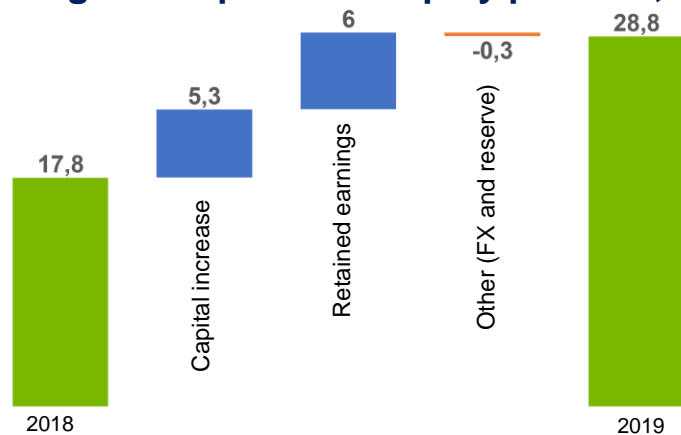
### EBITDA improved notably, EUR m



- Significant increase in Group's EBITDA by 55.1% to EUR 31.5m (2018: EUR 20.4m) is a direct result of prior investments made into HUBs structure that are now yielding tangible benefits

- As per business plan mid-tier markets' EBITDA becoming significantly positive by reaching EUR 4.9m (2018: EUR (3.8m))

### Strong development of Equity position, EUR m



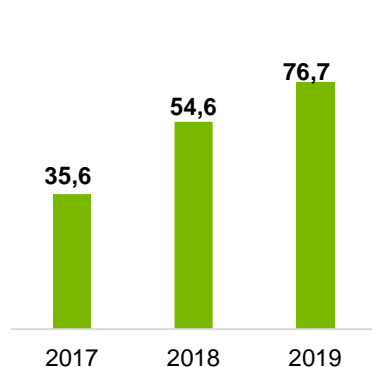
- Substantial increase in Equity by 61.8% or EUR 11m, reaching EUR 28.8m (2018: EUR 17.8m)

1) Mid-tier countries: Romania, Moldova, Belarus, Bulgaria, Albania, Poland

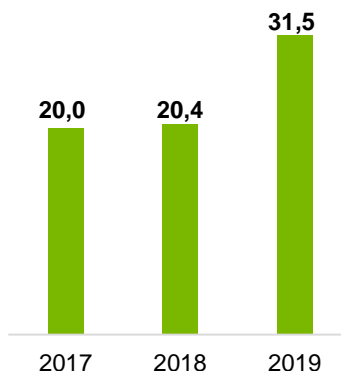
# Financial highlights

Mogo continues the sustainable growth path

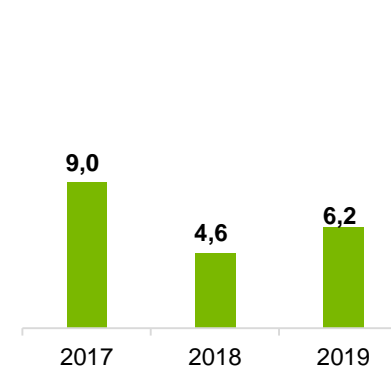
Revenue, EUR m



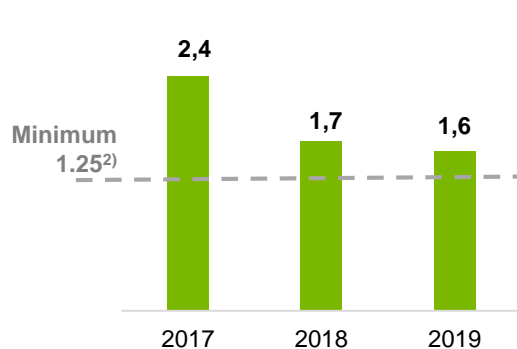
EBITDA, EUR m



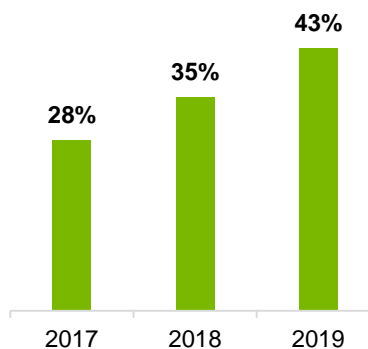
Net profit, EUR m



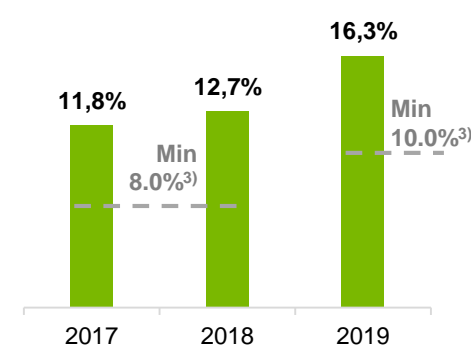
Interest coverage ratio



Cost to income ratio<sup>1)</sup>



Capitalization ratio



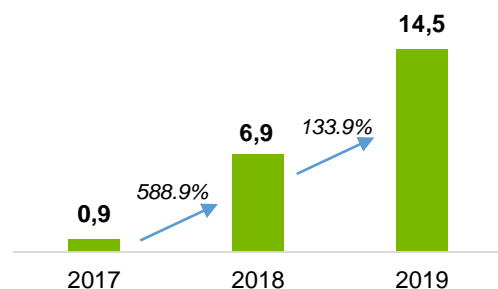
1) Cost to income ratio increased due to introduction of HUB structure  
 2) Financial covenant - Interest coverage ratio of at least 1.25

3) Financial covenant - Capitalisation ratio of at least 8.0% until the end of the financial year ending on 31 December 2018; and 10.0% until the end of the financial year ending on 31 December 2019

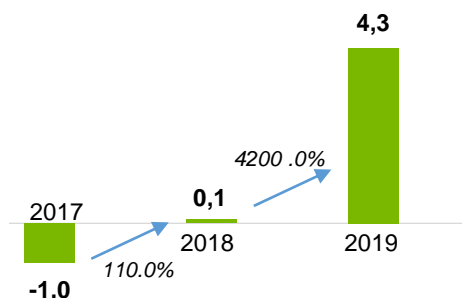
# Mid-tier markets<sup>1)</sup> getting closer to maturity

Developing in line with mature market trajectory

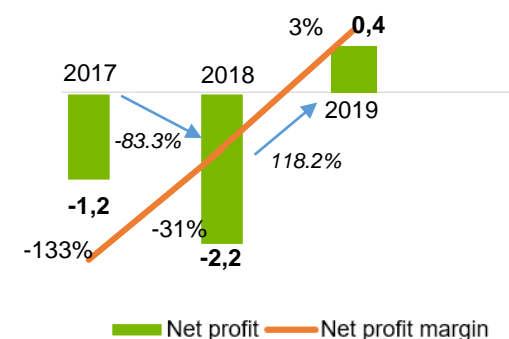
Revenue, EUR m



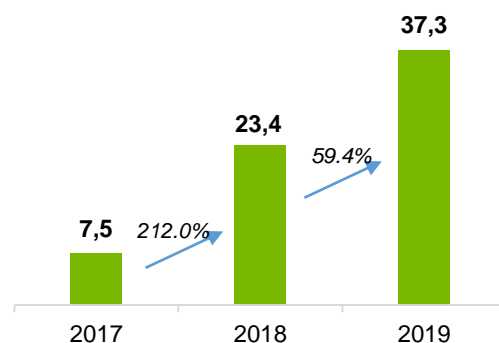
EBITDA, EUR m



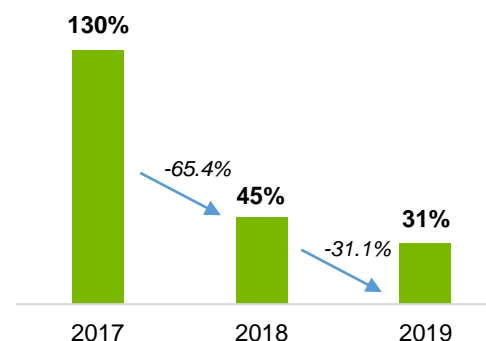
Net profit, EUR m and margin



Net loan portfolio



Cost to income ratio



1) Mid-tier countries (operating since 2017): Bulgaria, Moldova and Romania. Poland is excluded as Mogo has stopped issuing loans in Poland.

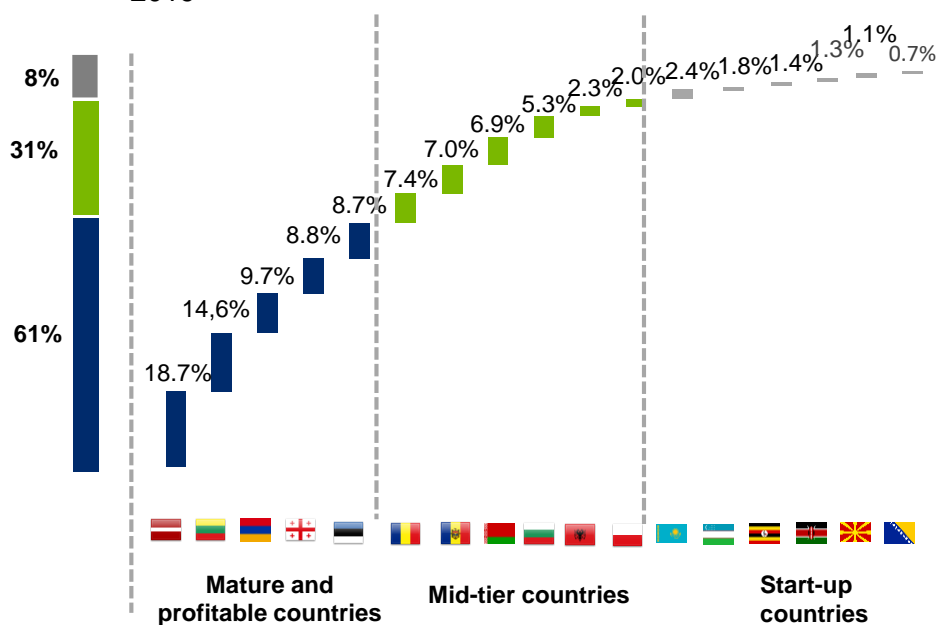


# Diversified loan portfolio

## Further diversification of the loan and used car rent portfolio

### Net loan and used car rent portfolio by country

2019



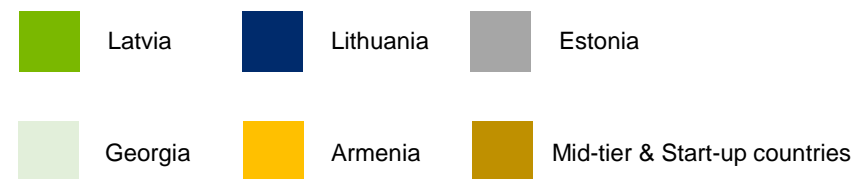
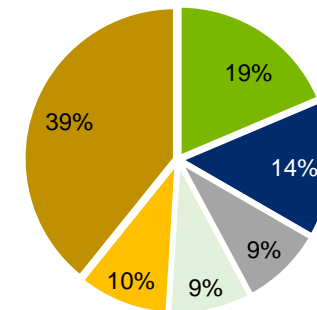
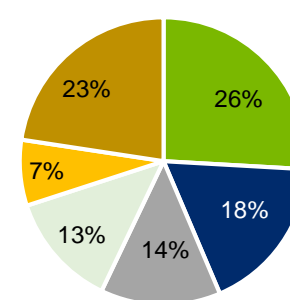
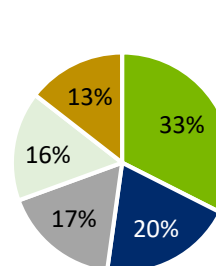
- The loan portfolio of mid-tier and start-up countries was EUR 58.4m and EUR 16.6m respectively, an increase of EUR 26.9m and EUR 16.5m as compared to 2018

### Net loan and used car rent portfolio diversification

2017: EUR 97.2m

2018: EUR 141.3m

2019: EUR 189.7m



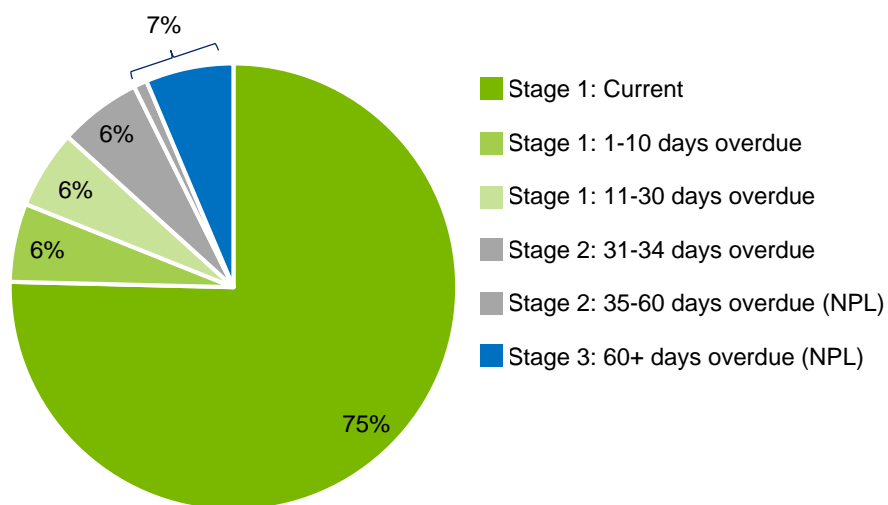
- Diversifying the risk with sustainable growth through geographical expansion: The share of mid-tier and start-up countries as at 31 December 2019 increased to 39% (2018: 23%, 2017: 13%)

# Non-performing loans and provisioning

## Stable non-performing loans ratio

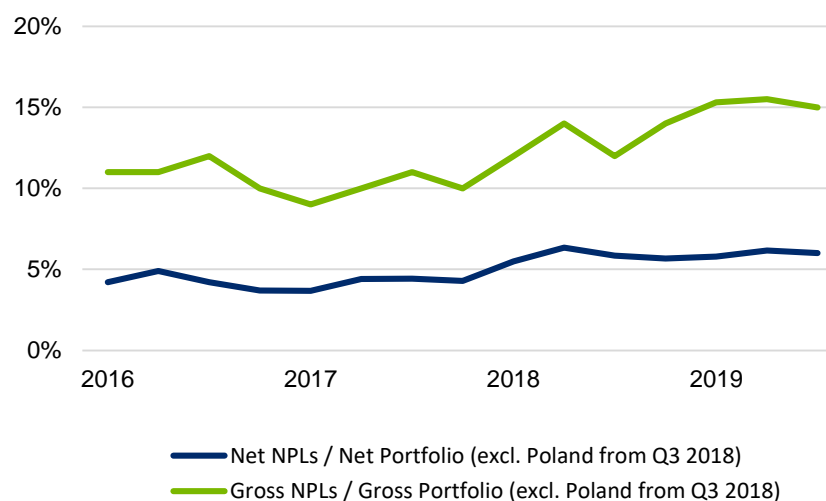
### Net loan portfolio quality analysis

As at 2019



- Conservative NPL definition of 35+ days overdue
- Performing loan portfolio (“current” and “1-34 days overdue”) accounts for 93%
- Prudent impairment policy, with effective impairment rate of 14% of gross loan portfolio
- Provision coverage (total provisions/gross NPL) ratio of 85%

### Gross and net NPL (35+ DPD) portfolio <sup>1)</sup>



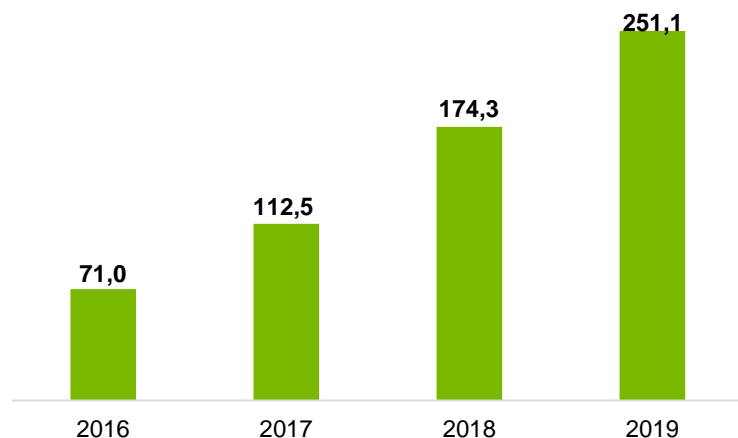
- Due to Mogo’s position as a secured lender, overdue loans remain on the balance sheet as long as there is a reasonable expectation of recovery
- Controlled profit maximizing strategy in some mature countries and entrance into new markets has led to a rise in Gross NPLs
- Full adoption of IFRS 9 together with stringent provisioning has resulted in NPLs on a Net portfolio basis being a true indicator of the portfolio quality and remaining stable

1) Net loan portfolio (including accrued interest) = Gross loan portfolio - provisions

# Assets & Liabilities

## Improving capitalisation ratio

Assets, EUR m



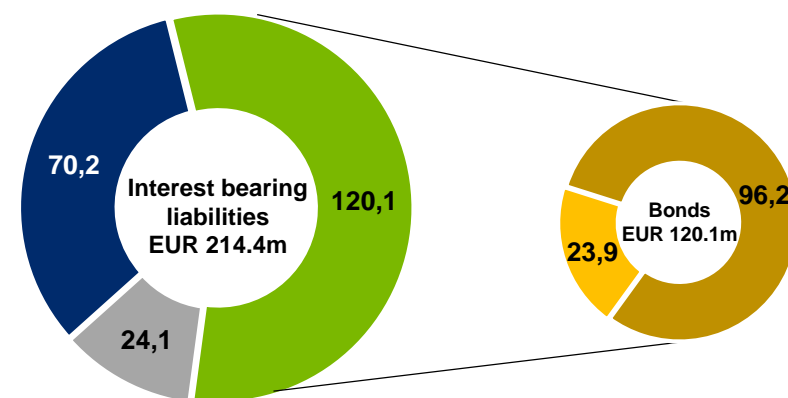
	2017	2018	2019
--	------	------	------

**Capitalisation ratio\***

Capitalisation ratio*	11.8%	12.7%	16.3%
-----------------------	-------	-------	-------

- Majority of assets balance consist of the net loan portfolio, used car rent portfolio and cash
- Increase of assets driven by increase of loan portfolio
- Constantly improving capitalisation ratio

Liabilities, EUR m



■ Bonds ■ Non-related parties\*\* ■ P2P ■ Latvian bond ■ Euro bond

- Total liabilities increased by EUR 65.8m to 222.3m EUR (2018\*\*\*: EUR 156.5m)
- P2P loan portfolio increased by EUR 21.5m to EUR 70.2m (2018: EUR 48.7m)

Note: \*Capitalisation ratio: (Shareholders' equity + shareholders' loans) / Net loan portfolio.

\*\*This consists of EUR 16.3m of loans from local banks, EUR 7.7m of liabilities for the rights to use assets and EUR 0.1m of other interest bearing liabilities

\*\*\*Liabilities in audited FY 2018 report is 159.0m due to subordinated shareholders' loan treated as debt

# Key focus areas for upcoming periods

## Strengthening sales:



- Accelerated issuances in mature and mid-tier markets
- Roll-out of improved client retention functionalities across all markets
- Improved car classifieds portals in all Mogo markets
- Launching pilot with ride-hailing platforms
- Testing agent network model as additional sales channel in selected markets

## Improving operational and financial efficiency



- Fully utilizing already established Mogo platform: increasing sales while maintaining current cost base
- Optimisation of Mintos lending rates while utilising dominant and unique position on the platform
- Optimising IT spending while merging IT teams and functionalities in between the 3 HUBs
- Continue strengthening Mogo capital structure



## Appendix

# Operational structure



# Income statement

Group financials, EUR m	2016	2017	2018	2019
Interest revenue calculated using the effective interest method	27.5	35.6	54.4	72.7
Interest expense calculated using the effective interest method	(6.9)	(8.5)	(12.6)	(21.0)
<b>Net interest income</b>	<b>20.6</b>	<b>27.0</b>	<b>41.8</b>	<b>51.7</b>
Fee and commission income	2.0	2.9	3.6	3.3
Revenue from rent	-	-	0.2	4.0
<b>Total net revenue</b>	<b>22.6</b>	<b>29.9</b>	<b>45.6</b>	<b>59.0</b>
Impairment expense	(4.6)	(7.1)	(18.3)	(18.7)
Expenses related to peer-to-peer platform services	(0.3)	(0.9)	(0.7)	(0.7)
Profit from car sales	-	-	0.1	-
Selling expense	(1.3)	(1.4)	(2.4)	(3.4)
Administrative expense	(8.6)	(9.3)	(17.9)	(30.8)
Other operating (expense) / income	(0.3)	(0.4)	(0.4)	1.3
Net foreign exchange result	(0.7)	(0.9)	(0.3)	(0.1)
<b>Profit or loss before taxes</b>	<b>6.8</b>	<b>10.0</b>	<b>5.7</b>	<b>6.6</b>
Corporate income tax	(1.0)	(1.0)	(1.4)	(1.3)
Deferred corporate income tax	(0.3)	(0.0)	0.3	0.9
<b>Net profit for the period</b>	<b>5.6</b>	<b>9.0</b>	<b>4.6</b>	<b>6.2</b>
Translation of financial information of foreign operations to presentation currency	(0.0)	(0.5)	0.1	(0.4)
<b>Total comprehensive income for the year</b>	<b>5.6</b>	<b>8.5</b>	<b>4.7</b>	<b>5.8</b>
<b>EBITDA</b>	<b>15.1</b>	<b>20.0</b>	<b>20.4</b>	<b>31.5</b>

# Balance sheet

Assets, EUR m	2016	2017	2018	2019	Equity & Liabilities, EUR m	2016	2017	2018	2019
<b>ASSETS</b>					<b>EQUITY</b>				
Goodwill	1.5	1.5	1.7	4.0	Share capital	0.0	0.0	0.0	1.0
Internally generated intangible assets	1.0	1.2	1.9	3.6	Share premium	10.0	-	-	-
Loans and lease receivables and rental fleet	63.8	97.1	141.3	189.7	Retained earnings	3.0	11.5	15.1	21.1
Right-of-use assets	-	-	2.4	7.6	Foreign currency translation reserve	0.0	(0.5)	(0.4)	(0.8)
Property, plant and equipment	0.5	0.4	1.0	1.9	Reserve	0.0	0.1	0.1	0.2
Leasehold improvements	0.0	0.0	0.3	0.3	<b>Equity attributable to equity holders of the Company</b>	<b>13.0</b>	<b>11.1</b>	<b>14.8</b>	<b>21.5</b>
Advance payments for assets	0.0	-	0.2	-	Non-controlling interests	0.2	0.4	0.5	0.5
Receivables as a result of sale of subsidiaries	-	-	-	16.1	Subordinated debt	-	-	2.5	6.8
Loans to related parties	0.0	0.6	10.1	6.9	<b>TOTAL EQUITY</b>	<b>13.2</b>	<b>11.5</b>	<b>17.8</b>	<b>28.8</b>
Other financial assets	-	-	1.0	1.6	<b>LIABILITIES</b>				
Deferred tax asset	0.2	0.2	0.6	1.7	Borrowings	55.3	96.6	150.4	214.4
Inventories	0.0	0.8	1.7	1.0	Provisions	0.2	0.7	1.5	1.1
Prepaid expense	0.1	0.7	0.8	1.2	Prepayments and other payments received from customers	0.6	0.8	0.1	0.3
Trade receivables	-	-	0.8	0.3	Trade payable	0.3	0.7	1.1	1.3
CIT paid in advance	-	-	-	0.1	Corporate income tax payable	0.5	0.7	0.6	-
Other receivables	0.5	2.5	1.4	2.6	Taxes payable	0.2	0.2	0.6	0.9
Assets held for sale	1.1	2.2	2.6	3.9	Other liabilities	0.2	0.1	0.2	1.5
Cash and cash equivalents	2.2	5.2	6.5	8.6	Accrued liabilities	0.6	1.0	1.8	2.7
<b>TOTAL ASSETS</b>	<b>71.0</b>	<b>112.5</b>	<b>174.3</b>	<b>251.1</b>	Other non-current financial liabilities	-	0.2	0.2	0.1
					<b>TOTAL EQUITY + LIABILITIES</b>	<b>71.0</b>	<b>112.5</b>	<b>174.3</b>	<b>251.1</b>



# Statement of Cash Flow

EUR m	2016	2017	2018	2019
<b>Cash flows to/from operating activities</b>				
Profit before tax	6.8	10.0	5.7	6.6
Adjustments for:				
Amortization and depreciation	0.6	0.6	1.8	4.7
Interest expense	6.9	8.5	12.6	21.6
Interest income	(0.0)	(35.5)	(54.3)	(72.7)
Loss/(gain) on disposal of property, plant and equipment	0.4	(0.0)	0.2	2.9
Impairment expense	0.4	7.1	18.3	18.7
(Gain)/loss from fluctuations of currency exchange rates	(0.8)	(0.9)	0.3	0.5
<b>Operating profit before working capital changes</b>	<b>14.3</b>	<b>(10.6)</b>	<b>(15.4)</b>	<b>(17.7)</b>
(Increase)/decrease in inventories	(0.0)	(0.8)	(0.9)	0.7
Increase in receivables	(6.9)	(43.8)	(53.5)	(53.8)
Increase in trade payable, taxes payable and other liabilities	0.3	1.3	1.4	1.8
<b>Cash generated to/from operating activities</b>	<b>7.8</b>	<b>(53.5)</b>	<b>(68.4)</b>	<b>(69.0)</b>
Interest received	0.0	35.5	54.3	72.8
Interest paid	(7.2)	(7.8)	(12.4)	(19.4)
Corporate income tax paid	(0.4)	(0.8)	(1.2)	(2.0)
<b>Net cash flows to/from operating activities</b>	<b>0.2</b>	<b>(26.6)</b>	<b>(27.7)</b>	<b>(17.6)</b>

EUR m	2016	2017	2018	2019
<b>Cash flows to/from investing activities</b>				
Purchase of property, plant and equipment and intangible assets	(1.2)	(0.7)	(1.9)	(4.9)
Purchase of rental fleet	-	-	(1.4)	(16.5)
Loan repayments received	0.0	0.1	1.5	4.7
Advance payments for acquisition of a subsidiaries	-	-	(1.0)	-
Acquisition of a subsidiary, net of cash acquired	-	-	(0.9)	(0.8)
Loans issued	(0.0)	(0.6)	(10.7)	(6.9)
<b>Net cash flows to/from investing activities</b>	<b>(1.2)</b>	<b>(1.3)</b>	<b>(14.4)</b>	<b>(24.4)</b>
<b>Cash flows to/from financing activities</b>				
Proceeds from issue/(repayment) of share premium	0.0	(10.0)	-	1.0
Proceeds from borrowings	2.8	150.1	304.7	278.6
Repayments for borrowings	-	(109.3)	(259.5)	(231.0)
Repayment of liabilities for right-of-use assets	-	-	(1.8)	(4.5)
Dividends paid to non-controlling shareholders	(0.0)	(0.0)	(0.1)	-
<b>Net cash flows to/from financing activities</b>	<b>2.8</b>	<b>30.8</b>	<b>43.3</b>	<b>44.1</b>
Effect of exchange rates on cash and cash equivalents	(0.3)	0.1	(0.2)	-
<b>Change in cash</b>	<b>1.5</b>	<b>3.0</b>	<b>1.3</b>	<b>2.1</b>
Cash at the beginning of the year	0.8	2.2	5.2	6.5
<b>Cash at the end of the year</b>	<b>2.2</b>	<b>5.2</b>	<b>6.5</b>	<b>8.6</b>

# Thank you for your attention!

## **Mogo Finance Group**

Skanstes street 52

LV-1013 Riga, Latvia

Home page: [www.mogofinance.com](http://www.mogofinance.com)

## **Contact person**

Māris Kreics, Group CFO

E-mail: [maris.kreics@mogofinance.com](mailto:maris.kreics@mogofinance.com)

