

# Earnings Call Presentation

## 3M 2019



May 2019

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# Presenter



**Modestas Sudnius**

Chief Executive Officer

- Modestas Sudnius has been working in Mogo Finance for more than five years
- He started as Lithuania country manager, where he established successful operations and subsequently on 1 January 2018 was promoted to regional CEO for core markets of Mogo Finance in Latvia, Lithuania, Estonia, Georgia as well as Armenia
- On 1 November 2018, he joined the Mogo Finance management team as Co-CEO
- Prior to Mogo Finance, Modestas Sudnius has been working in international organizations for almost ten years
- Modestas is a graduate of Management program in ISM – University of management and economics as well as holds a Masters' degree of Stockholm School of Economics



**Maris Kreics**

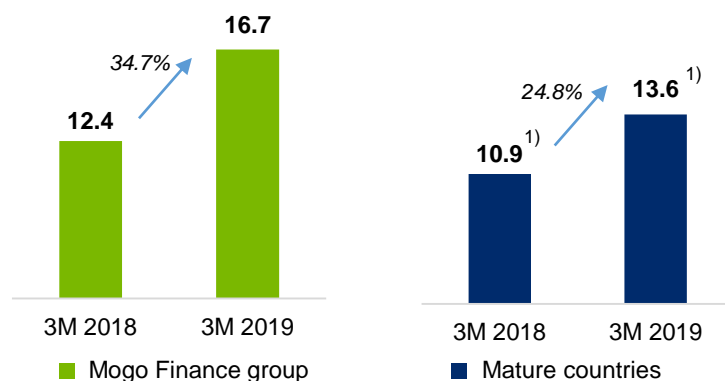
Chief Financial Officer

- Maris has been at Mogo Finance since 2015
- Maris holds a Master's degree in Finance from BA School of Business and Finance
- Before joining Mogo Finance he spent 2 years in a corporate finance role working for the biggest telecommunications service company in Latvia – Lattelecom. Before that he spent 7 years in PwC. Two of them in New York, working exclusively on one of the largest (top 5 by market capitalization) S&P 500 Tech company's lead audit team, which was responsible for managing other audit teams globally
- Maris is a CFA Charterholder and a member of ACCA since 2011 (fellow since 2016)

# Operational highlights

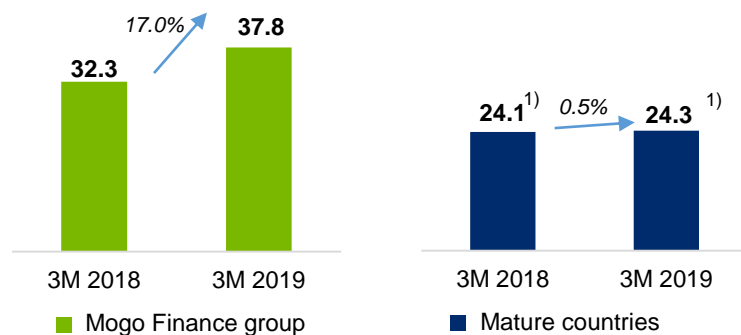
## Stable growth in interest and similar income

in EURm



## Significant growth in loans issued

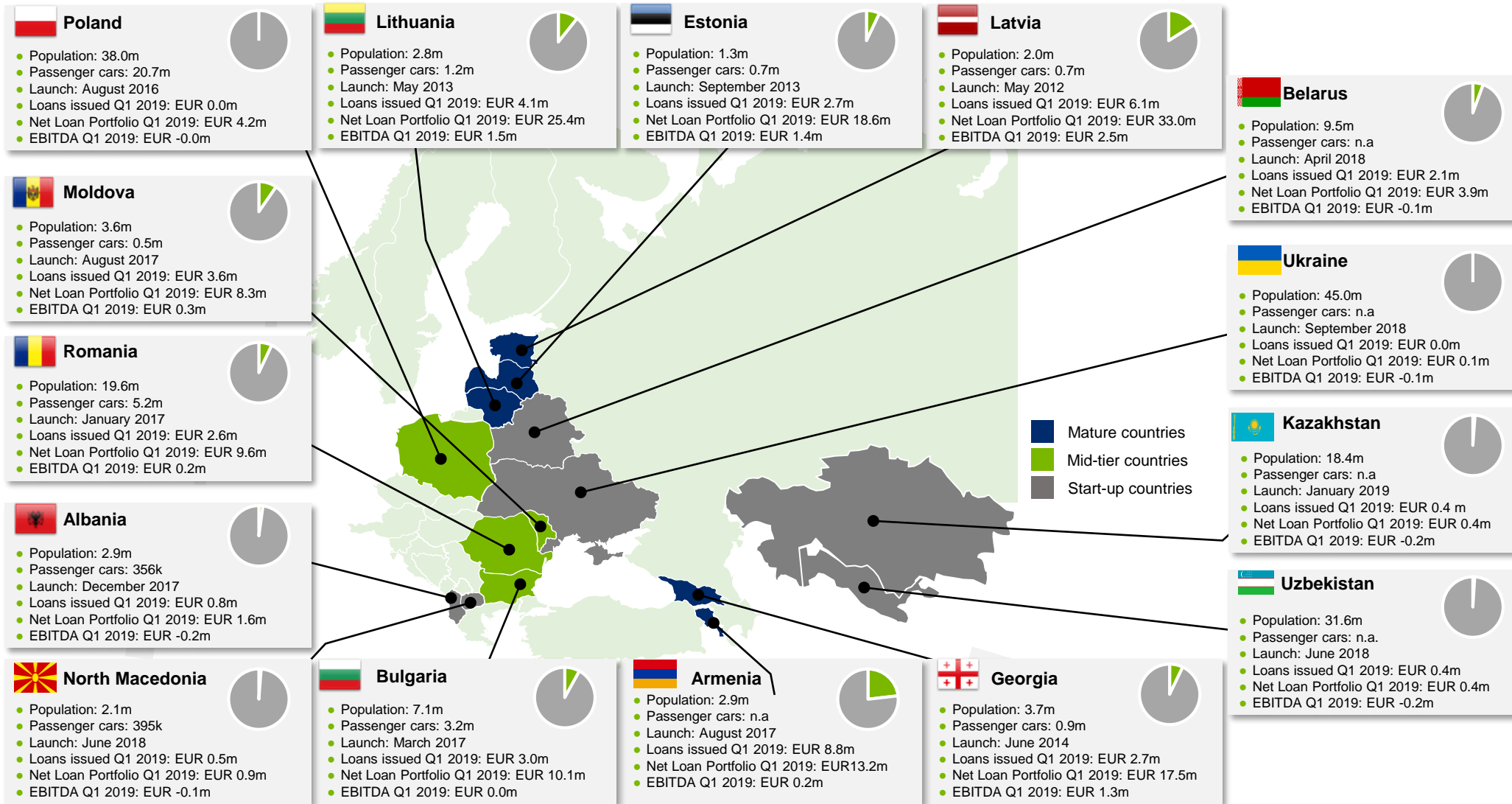
in EURm



- Group loans issued increased by 17.0% equalling EUR 37.8m (3M 2018: EUR 32.2m), of which EUR 24.3m in mature markets (3M 2018: EUR 24.1m)
- To further strengthen the grip on cost of risk, several initiatives were launched, namely GPS project and security officer functions rolled out both as a Group and country priorities
- Near-prime car loan product has been successfully tested in Latvia and will be implemented in other mature and mid-tier markets where it has the biggest potential to succeed
- Loans issued in mature markets excluding Georgia have increased by 47.3% mainly driven by Armenian result. Georgia issuances have decreased due to implementation of technical inspection and regulatory changes
- Successful launch of long term used car rent product in Latvia resulted in EUR 5m portfolio as of 31 March 2019

1) Mature countries (Q1 2019): Latvia, Lithuania, Estonia, Georgia, Armenia

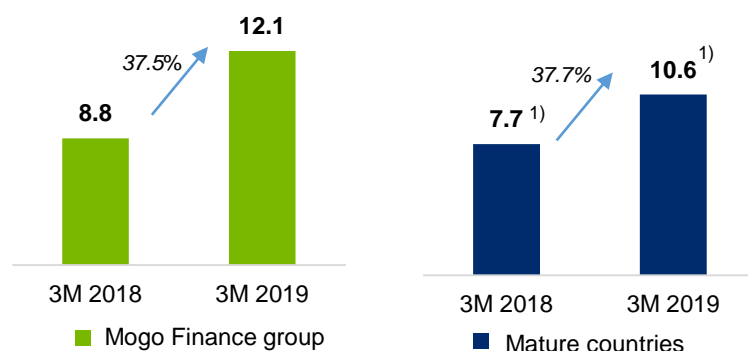
# Geographic diversification



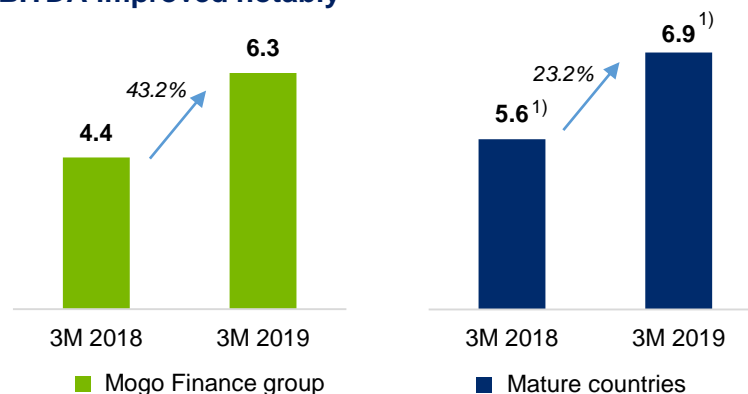
Source: Eurostat, International Organization of Motor Vehicle Manufacturers  
 Note: Population data for 2016, passenger car data for 2016

# Financial highlights

## Net interest income significantly increased



## EBITDA improved notably

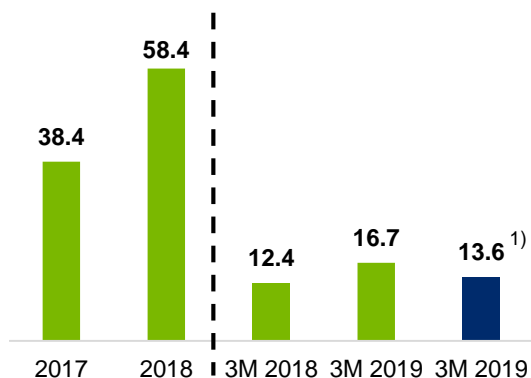


- Interest and similar income up significantly by 34.7% to EUR 16.7m (3M 2018: EUR 12.4m)
- Rapid growth in net interest income of 37.5% to EUR 12.1m (3M 2018: EUR 8.8m)
- Quarterly increase in EBITDA by 43.2% to EUR 6.3m (3M 2018: EUR 4.4m)
- Net profit for the period adjusted for FX effects improved notably by 57.1% to EUR 1.1m (3M 2018: EUR 0.7m)
- Quarterly cost income ratio increased to 43.1% (3M 2018: 29.8%). Increase was mainly driven by Group's expansion and total number of employees reaching 716 (3M 2018: 333)

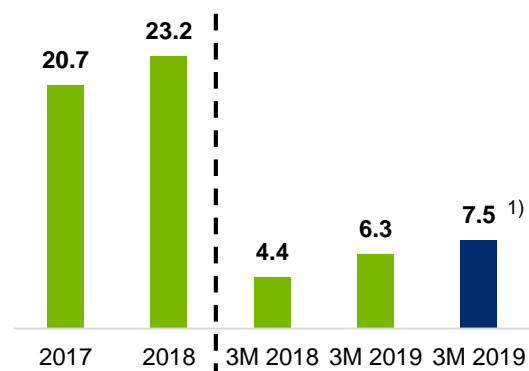
1) Mature countries (Q1 2019): Latvia, Lithuania, Estonia, Georgia, Armenia

# Financial highlights

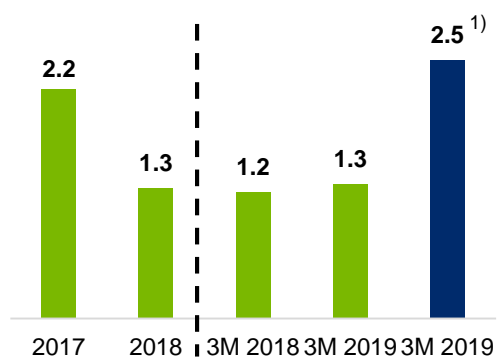
### Revenue EURm



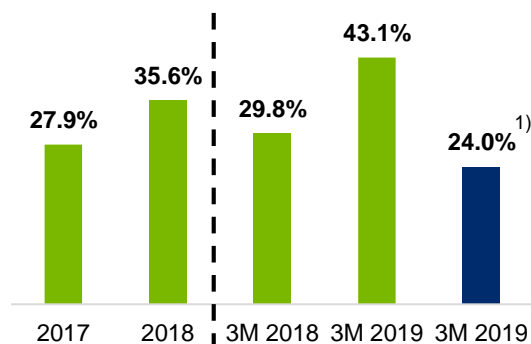
### EBITDA EURm



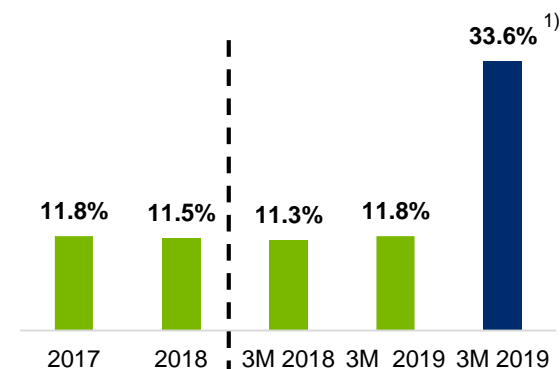
### Interest coverage ratio



### Cost to income ratio



### Capitalization ratio

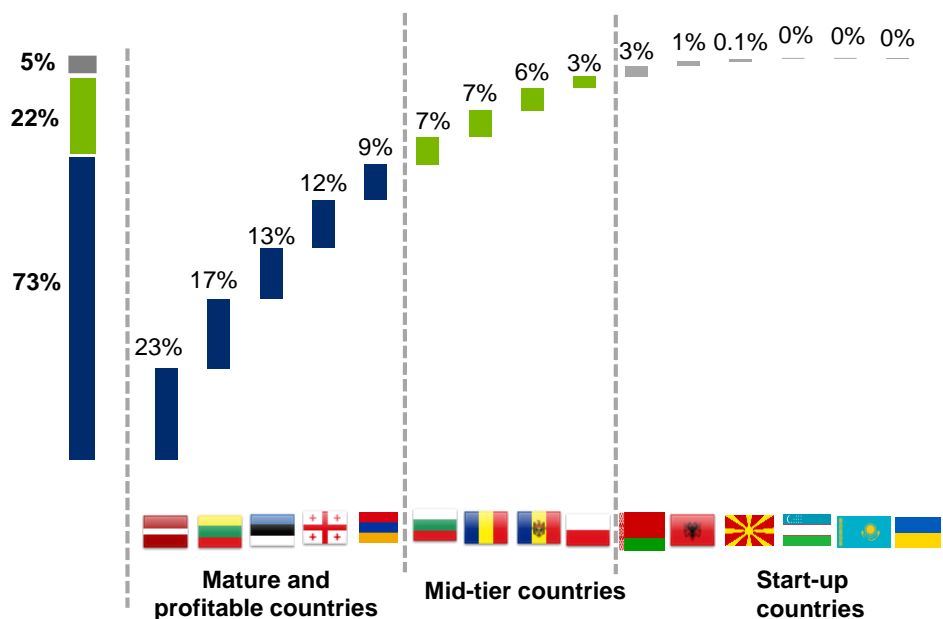


1) Including mature countries (Latvia, Lithuania, Georgia, Estonia and Armenia) only

# Diversified loan portfolio

## Net loan and rent portfolio by country

31.03.2019



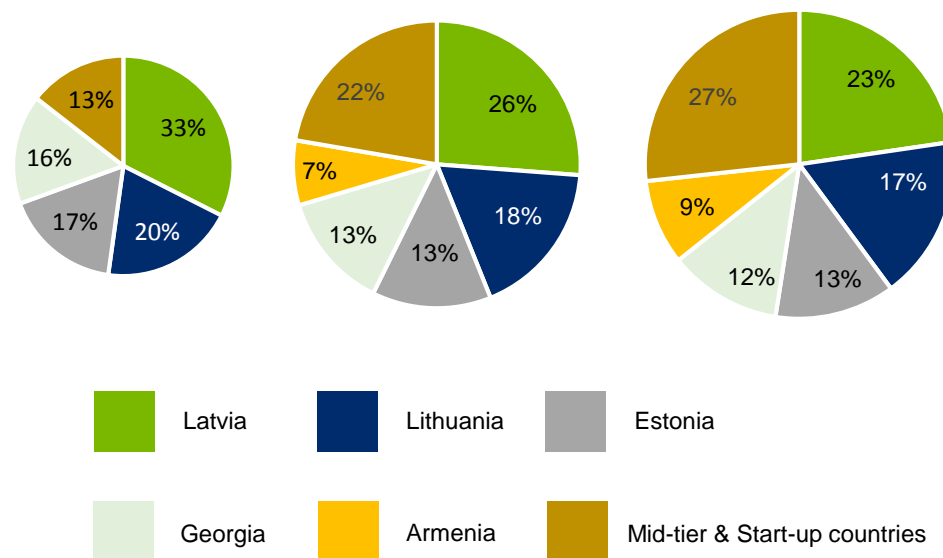
- The loan portfolio of mid-tier and start-up countries was 32.2m and 7.3m respectively, an increase by 4.1m and 4.3m, compared to 31 December 2018

## Net loan and rent portfolio diversification

2017: EUR 97.2m

2018: EUR 140.3m

31.03.2019: EUR 152.2m



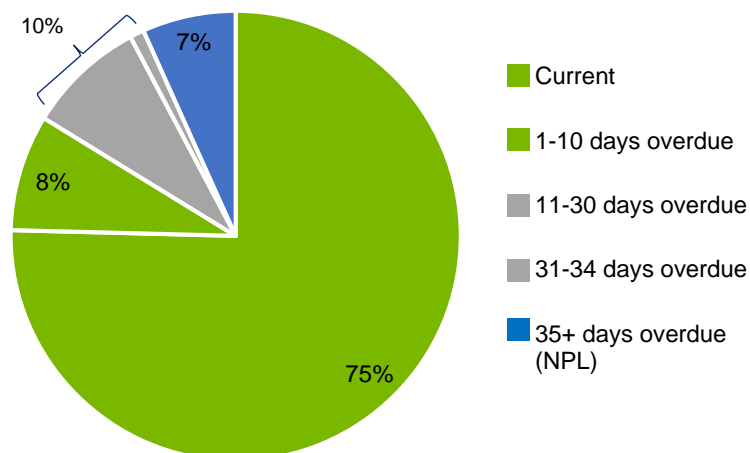
- Diversifying the risk with sustainable growth through geographical expansion: Share of the mid-tier and start-up countries of 3M 2019 increased to 27% (2018: 22.2% 2017: 13%)



# Non-performing loans and provisioning

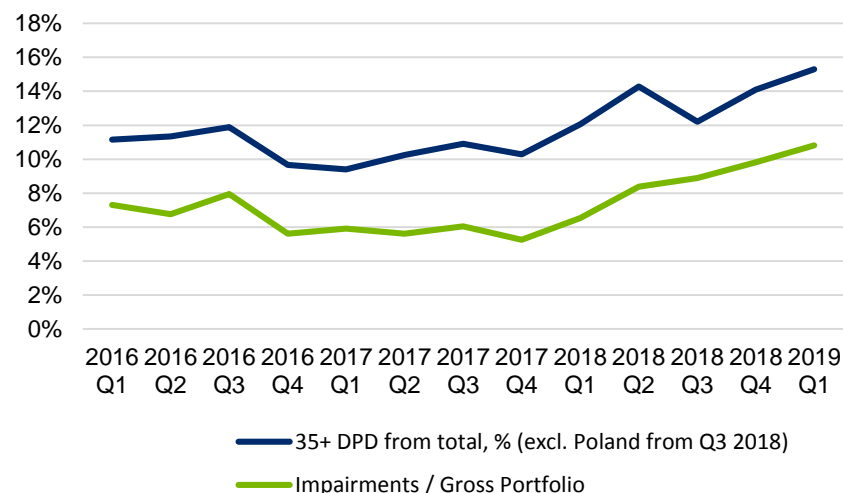
## Net loan portfolio quality analysis

31.03.2019



- Conservative internal NPL definition
- Performing loan portfolio “current” and “1-10 days overdue” is equal to 83%
- Prudent impairment policy, with effective impairment rate of 10.8% from gross loan portfolio
- Provision coverage (total provisions/gross NPL) ratio 82%
- IFRS 9 full adoption and full provisions taken into account

## NPL (35+ DPD) & impairments from gross loan portfolio <sup>1)</sup>

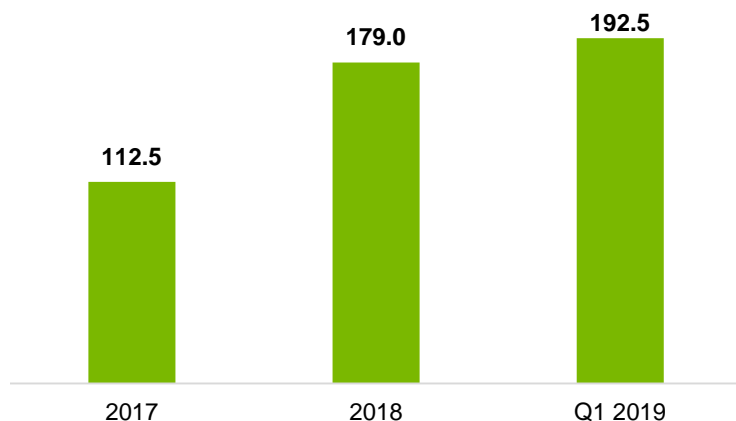


- NPL ratios have been stable and in line with targeted ratios
- Profit maximizing strategy for mature countries with improved scorecards
- Start-up countries and mid-tear countries in process of further improving the scoring models and profit maximization

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

# Assets & Liabilities

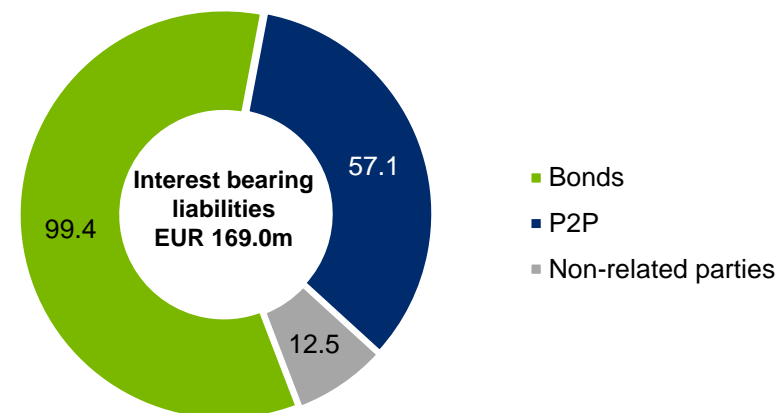
## Assets, EURm



	2017	2018	Q1 2019
Cap ratio	11.8%	11.5%	11.8%

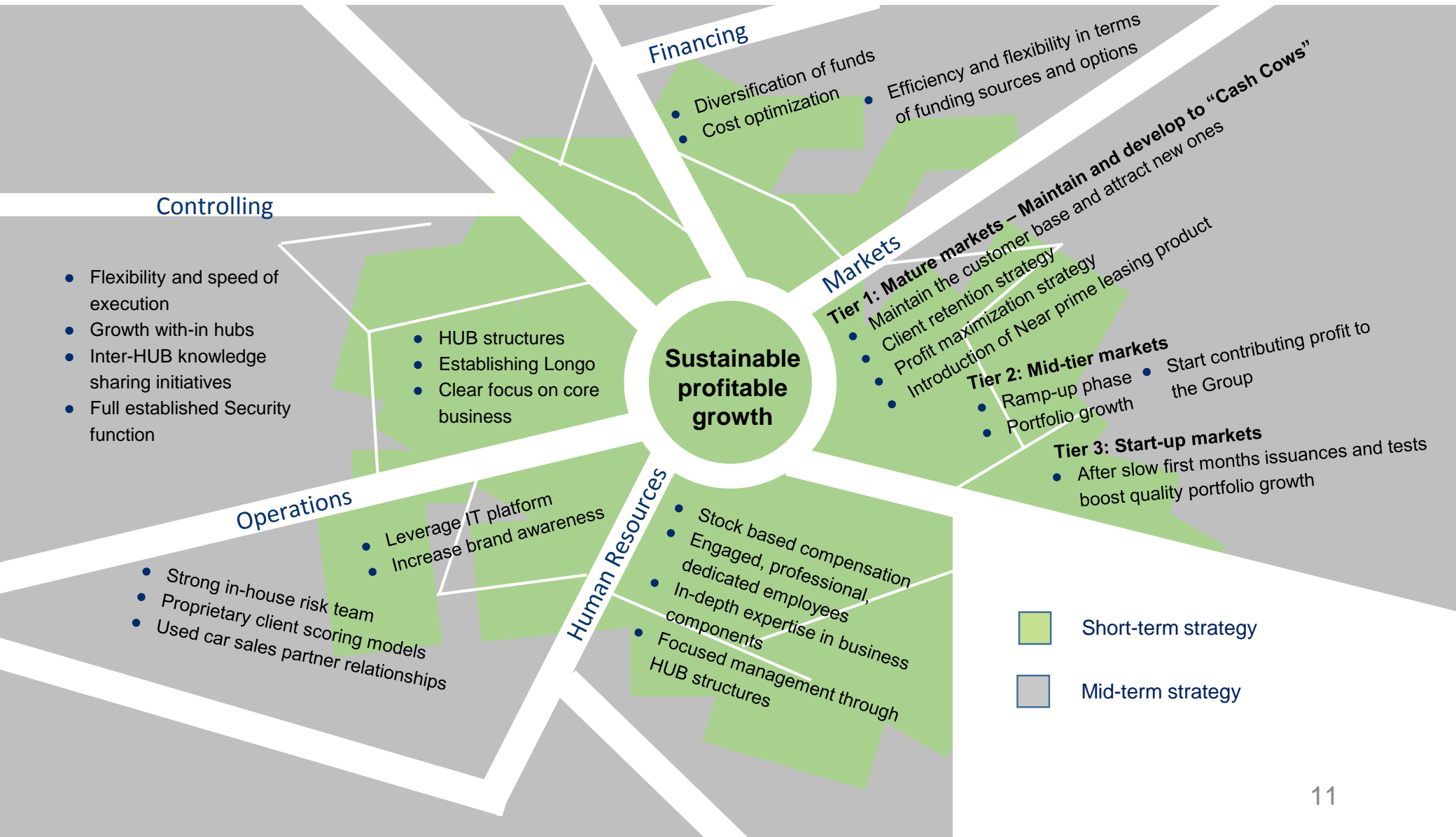
- 89% of assets consists of net loan portfolio, rent portfolio and cash
- Simple and clear structured balance sheet
- Stable capitalisation ratio
- Increase in assets reflects mainly the net loan portfolio growth

## Liabilities, EURm



- Overall liabilities increased by EUR 13.3m to 169m EUR (31 December 2018: EUR 155.7m)
- P2P loan portfolio increased by EUR 8.5m to EUR 57.1m (31 December 2018: EUR 48.6m)

# Strategy



# Summary

- Continue quality growth in mid-tear markets and through optimized processes bring them to profitability this year
- Accelerate the time to profitability in tested and most promising start-up markets to reach it in record time
- Strengthen control over portfolio and decrease cost of risk within the group through new initiatives: GPS project and dedicated security function
- Leverage product and operational know-how and utilise strong regional teams
- Consistently follow chosen business model of sustainable geographically diverse growth



## Appendix

# Legal (operational) structure



1) Are not yet part of the consolidated group  
 2) Share purchase agreement has been signed

# Balance sheet

Assets, EURm	2017	2018	3M 2019
<b>ASSETS</b>			
Intangible assets	1.2	2.0	4.5
Property plant and equipment	0.4	3.1	10.1
Finance lease receivables	63.9	102.3	99.8
Instalment loan portfolio (long term)	0.7	2.3	2.6
Deferred tax	0.2	0.6	0.7
Other non-current assets	2.0	8.5	8.0
<b>Total non-current assets</b>	<b>68.5</b>	<b>118.8</b>	<b>125.7</b>
Cars for resale	0.8	3.1	3.1
Finance lease receivables	32.1	32.7	40.3
Instalment loan portfolio (short term)	0.5	3.0	4.5
Repossessed vehicles	2.2	1.3	1.8
Other receivables	3.1	9.0	7.7
Cash and cash equivalents	5.2	11.1	9.4
<b>Total current assets</b>	<b>44.0</b>	<b>60.2</b>	<b>66.8</b>
<b>TOTAL ASSETS</b>	<b>112.5</b>	<b>179.0</b>	<b>192.5</b>

Equity & Liabilities, EURm	2017	2018	3M 2019
<b>EQUITY</b>			
Share capital <sup>1)</sup>	0.0	0.0	0.0
Share premium	0.0	0.0	0.0
Reserves	0.1	0.1	0.0
Foreign currency translation reserve	(0.5)	(0.5)	(0.4)
Retained earnings	11.5	13.5	14.7
Non-controlling interest	0.4	0.5	0.6
Subordinated borrowings	0.0	2.5	2.5
<b>TOTAL EQUITY</b>	<b>11.5</b>	<b>16.1</b>	<b>17.4</b>
<b>LIABILITIES</b>			
Non current borrowings	70.8	132.3	142.0
<b>Total non-current liabilities</b>	<b>70.9</b>	<b>132.3</b>	<b>142.1</b>
Current borrowings	25.8	23.4	27.0
Other liabilities	4.2	7.2	6.0
<b>Total current liabilities</b>	<b>30.0</b>	<b>30.6</b>	<b>33.0</b>
<b>TOTAL LIABILITIES</b>	<b>100.9</b>	<b>162.9</b>	<b>175.1</b>
<b>TOTAL EQUITY + LIABILITIES</b>	<b>112.5</b>	<b>179.0</b>	<b>192.5</b>

1) Share capital in 2017, 2018 and 3M 2019 of EUR 31,036

# Income statement

Group financials, EURm	2017	2018	3M 2018	3M 2019
Interest and similar income	38.4	58.4	12.4	16.7
Interest expense and similar expenses	(9.4)	(17.0)	(3.6)	(4.6)
<b>Net interest income</b>	<b>29.0</b>	<b>41.4</b>	<b>8.8</b>	<b>12.1</b>
Impairment expense	(6.9)	(11.6)	(3.6)	(3.1)
Loss arising from cession of financial lease receivables	(0.2)	(6.3)	1.0	(1.3)
Selling expense	(1.4)	(2.2)	(0.5)	(0.7)
Administrative expense	(9.3)	(18.6)	(3.2)	(6.5)
Other operating income	0.2	1.0	0.7	4.1
Other operative expenses	(0.6)	(0.7)	(0.7)	(3.9)
Other interest receivable and similar income	0.1	0.4	0.6	0.7
Other interest receivable and similar expenses	(0.9)	(0.1)	0.0	0.0
<b>Profit before taxes</b>	<b>10.0</b>	<b>3.3</b>	<b>1.1</b>	<b>1.4</b>
Corporate income tax	(1.0)	(1.1)	(0.2)	(0.2)
Deferred corporate income tax	(0.0)	0.4	0.3	0.1
<b>Net profit for the year</b>	<b>9.0</b>	<b>2.6</b>	<b>1.2</b>	<b>1.3</b>
Other comprehensive income	(0.5)	(0.0)	0.2	0.1
<b>Total comprehensive income for the year</b>	<b>8.5</b>	<b>2.6</b>	<b>1.4</b>	<b>1.4</b>
<b>EBITDA</b>	<b>20.7</b>	<b>21.3</b>	<b>4.4</b>	<b>6.3</b>



# Statement of Cash Flow

EURm	2017	2018	3M 2018	3M 2019
<b>Cash flows to/from operating activities</b>				
Profit before tax	10.0	3.3	1.1	1.4
Adjustments for:				
Amortization and depreciation	0.6	1.1	0.2	0.5
Interest expense	8.5	17.0	3.6	4.6
Interest income	0.0	(0.3)	-	(0.1)
Loss/(gain) on disposal of property, plant and equipment	0.0	0.0	0.0	0.0
Impairment expense	6.9	17.9	3.6	4.4
(Gain)/loss from fluctuations of currency exchange rates	(0.9)	0.2	0.3	0.2
Increase in accrued liabilities	0.9	0.0	0.0	0.0
<b>Operating profit before working capital changes</b>	<b>25.9</b>	<b>39.2</b>	<b>8.8</b>	<b>11.0</b>
Increase in inventories	(0.8)	(2.3)	(0.1)	-
Increase in receivables	(43.6)	(65.9)	(17.7)	(15.0)
Increase/(decrease) in payables	0.4	2.8	(1.2)	(1.6)
<b>Cash generated to/from operations</b>	<b>(18.1)</b>	<b>(26.2)</b>	<b>(10.2)</b>	<b>(5.6)</b>
Corporate income tax paid	(0.8)	(1.3)	(0.2)	(0.3)
<b>Net cash flows to/from operating activities</b>	<b>(18.8)</b>	<b>(27.5)</b>	<b>(10.4)</b>	<b>(5.9)</b>

EURm	2017	2018	3M 2018	3M 2019
<b>Cash flows to/from investing activities</b>				
Purchase of property, plant and equipment and intangible assets	(0.7)	(6.3)	(0.4)	(3.3)
Loan repayments received	0.1	1.5		1.2
Loans issued	(0.6)	(6.2)	(0.5)	(2.5)
Interest received	0.0	0.3		0.1
<b>Net cash flows to/from investing activities</b>	<b>(1.3)</b>	<b>(10.7)</b>	<b>(0.9)</b>	<b>(4.5)</b>
<b>Cash flows to/from financing activities</b>				
Proceeds from issue/(repayment) of share premium	(10.0)	0.0	0.0	0.0
Net increase in borrowings	41.2	61.4	12.4	14.5
Payments for borrowings acquisition costs	(0.4)	(5.1)	-	(0.1)
Interest paid	(7.8)	(12.2)	(3.9)	(5.7)
Securities repurchased	0.0	0.0	0.0	0.0
<b>Net cash flows to/from financing activities</b>	<b>23.0</b>	<b>44.1</b>	<b>8.5</b>	<b>8.7</b>
Effect of exchange rates on cash and cash equivalents	0.1	0.0	0.0	0.0
<b>Change in cash</b>	<b>3.0</b>	<b>5.9</b>	<b>(2.8)</b>	<b>(1.7)</b>
Cash at the beginning of the year	2.2	5.2	5.2	11.1
<b>Cash at the end of the year</b>	<b>5.2</b>	<b>11.1</b>	<b>2.4</b>	<b>9.4</b>

# Thank you for your attention!

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