

# Earnings Call Presentation

## 6M 2019



August 2019

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# Presenter



**Modestas Sudnius**

Chief Executive Officer

- Modestas Sudnius has been working in Mogo Finance for more than six 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 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**

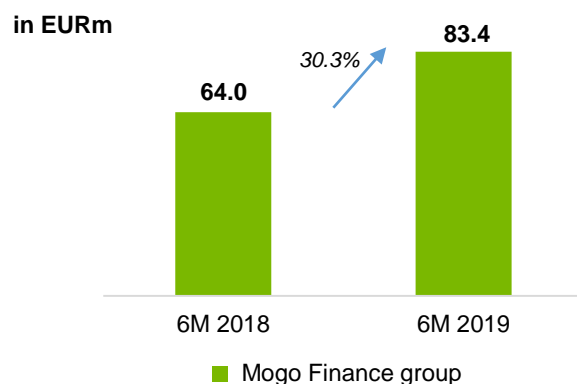
Chief Financial Officer

- Maris has been at Mogo Finance since 2015
- 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 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)

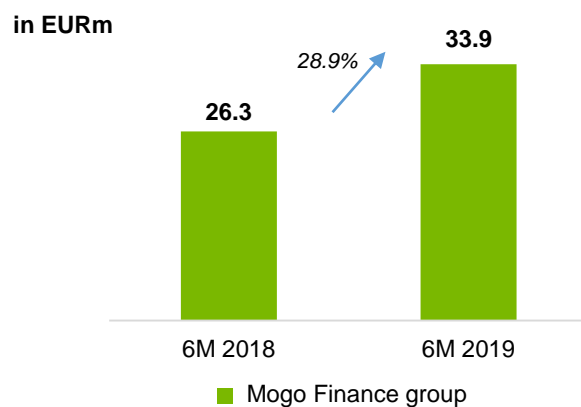
# Operational highlights

## Mogo delivers on promise made to investors

### Significant growth in loans issued



### Stable growth in interest and similar income

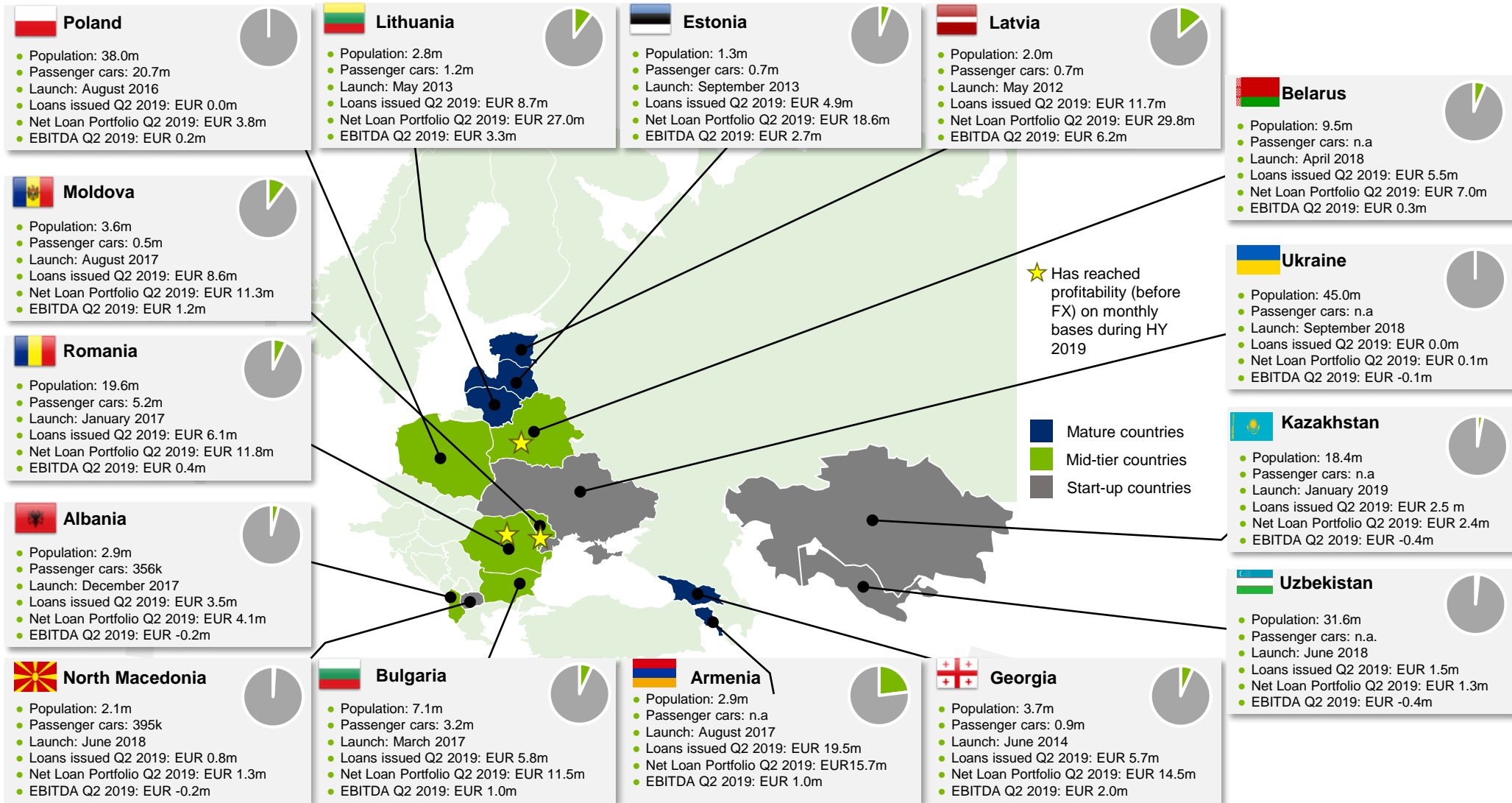


★ Investments in growth have paid off as profitability in all financial indicators has increased with double-digit and core operational milestones have been achieved

- ★ Group loans issued increased strongly by 30.3% equalling EUR 83.4m (6M 2018: EUR 64.0m) and interest and similar income grew by 28.9%
- ★ Consolidated number of active customers up significantly by approx. 53.8% to over 100,000 (31.12.2018: approx. 65,000)
- ★ Mid-tier countries Moldova and Romania, as well as Start-up country Belarus, have reached profitability (before FX) on a monthly basis
- ★ Historic milestone reached in financial return: 8 out of 15 countries (31.12.2018: 5 out of 13) became profitable (before FX)
- ★ Mogo received B- (stable outlook) issuer as well as senior secured bond rating by Fitch

★ All of these milestones lead to nearly tripled FX adjusted profit of EUR 4.6m (6M 2018: EUR 1.2m) and significant increase in EBITDA by 66.7% to EUR 15.0m (6M 2018: EUR 9.0m)

# Geographic diversification

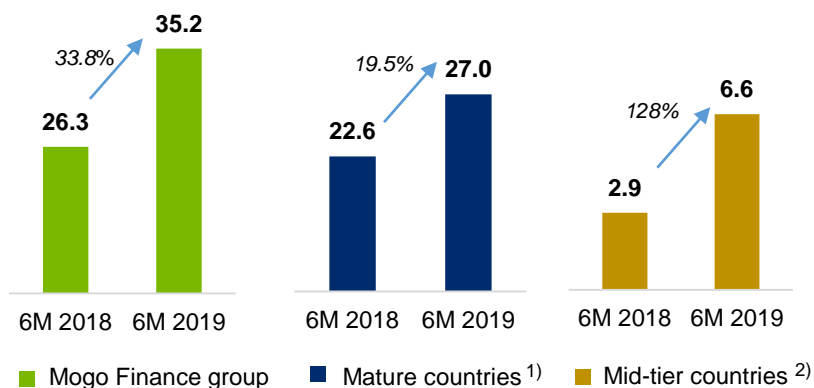


Source: Eurostat, International Organization of Motor Vehicle Manufacturers  
 Note: Population data for 2016, passenger car data for 2016

% of Mogo's loans issued for 6M 2019

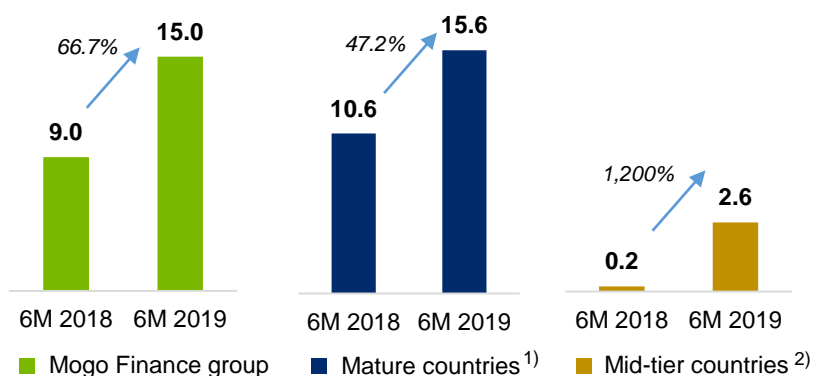
# Financial highlights

## Interest and similar income including income from rent



- Interest and similar income including income from rent up strongly by 33.8% to EUR 35.2m (6M 2018: EUR 26.3m)
- Rapid growth in net interest income of 31.4% to EUR 24.7m (6M 2018: EUR 18.8m)
- Significant increase in EBITDA by 66.7% to EUR 15.0m (6M 2018: EUR 9.0m)
- Net profit for the period improved notably by 76.2% to EUR 3.7m (6M 2018: EUR 2.1m)

## EBITDA improved notably

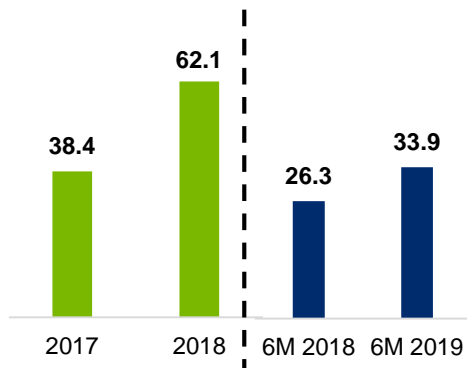


1) Mature countries: Latvia, Lithuania, Estonia, Georgia, Armenia

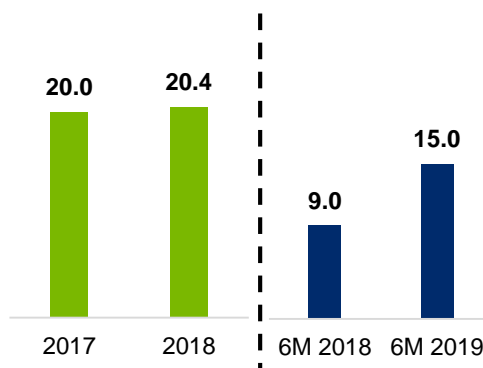
2) Mid-tier countries: Bulgaria, Moldova, Romania. Excluding Poland due to the stopped issuances

# Financial highlights

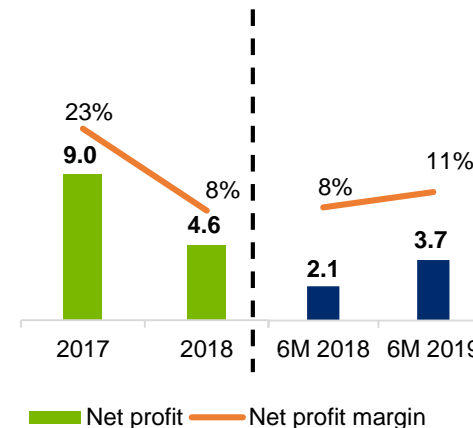
## Revenue EURm



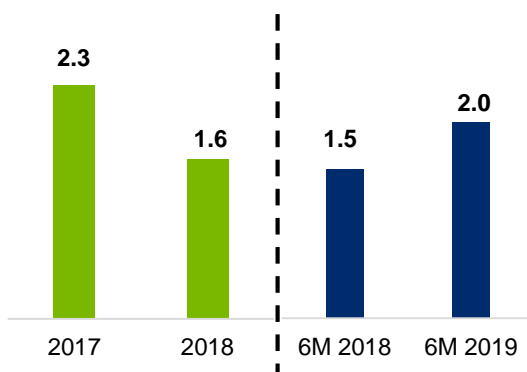
## EBITDA EURm



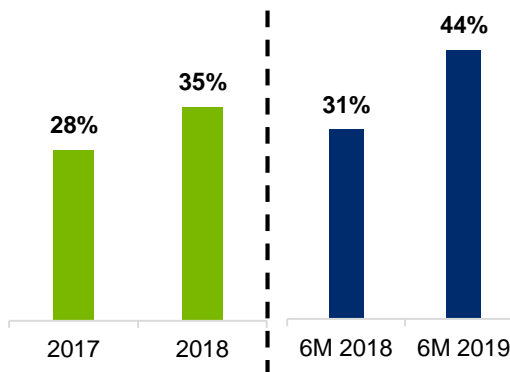
## Net profit EURm and -margin



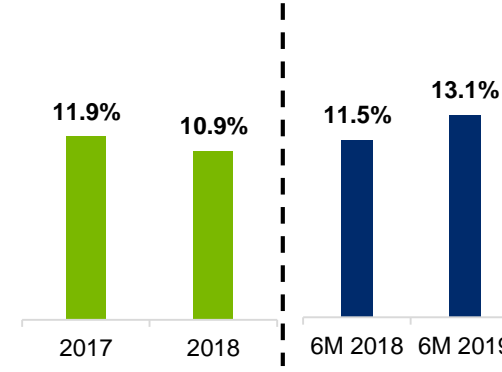
## Interest coverage ratio



## Cost to income ratio



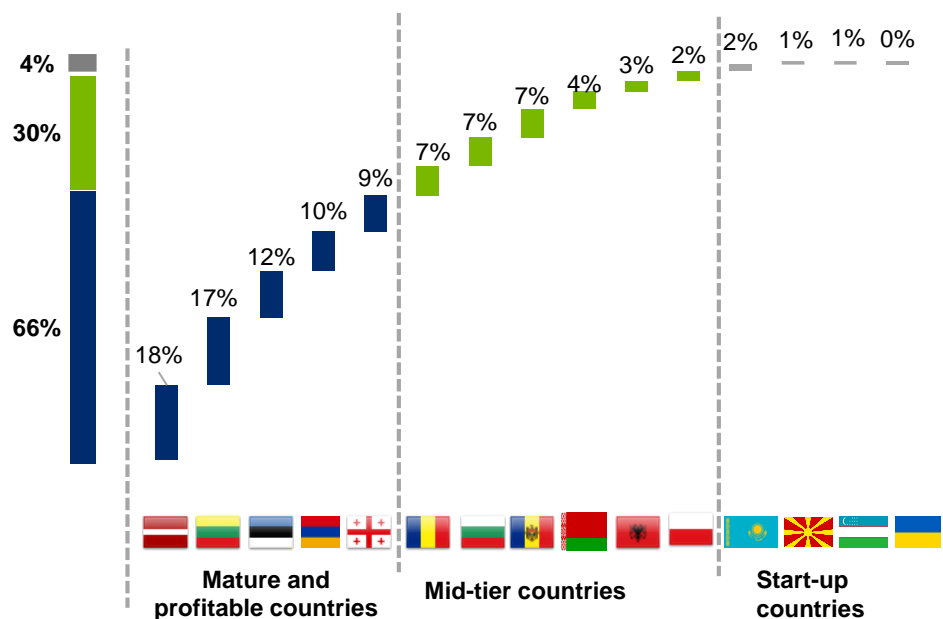
## Capitalization ratio



# Diversified loan portfolio

## Net loan and rent portfolio by country

30.06.2019



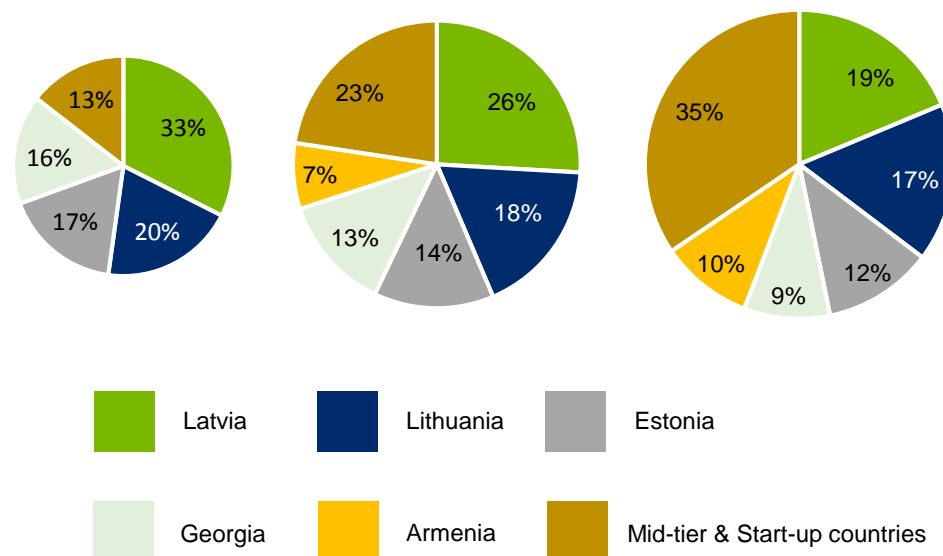
- The loan portfolio of mid-tier and start-up countries was EUR 49.7m and EUR 5.9m respectively (total net loan portfolio as of 30.06.2019 EUR 161m) an increase by EUR 21.0m and EUR 3.0m, compared to 31.12.2018

## Net loan and rent portfolio diversification

2017: EUR 97.2m

2018: EUR 139.9m

30.06.2019: EUR 161.2m



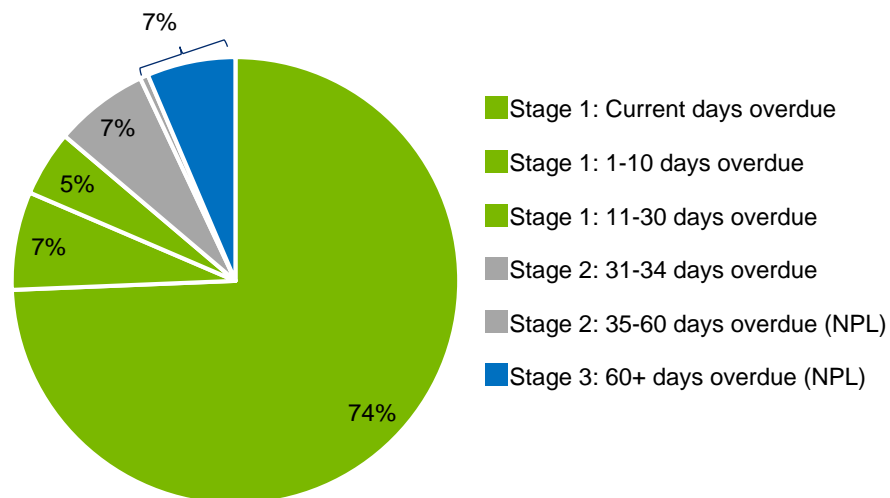
- Diversifying the risk with sustainable growth through geographical expansion: Share of the mid-tier and start-up countries of 6M 2019 increased to 34.5% (2018: 22.2%, 2017: 13.1%)



# Non-performing loans and provisioning

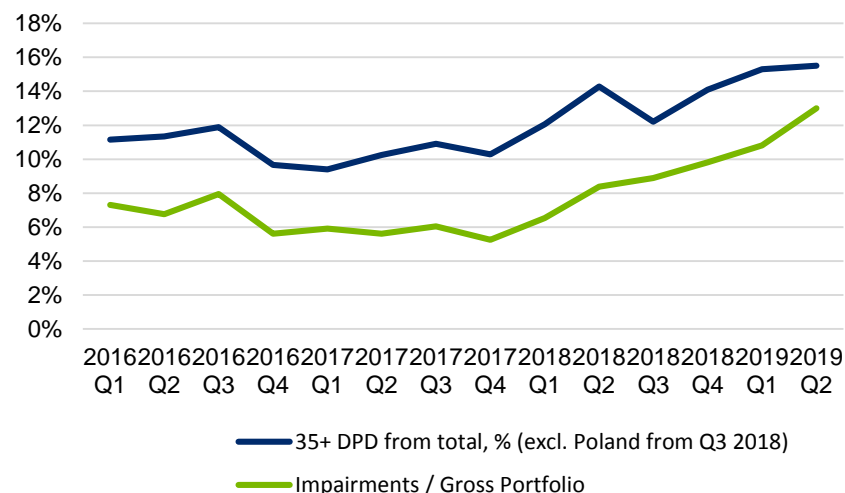
## Net loan portfolio quality analysis

30.06.2019



- Conservative internal NPL definition
- Performing loan portfolio “current” and “1-10 days overdue” is equal to 81%
- Prudent impairment policy, with effective impairment rate of 13.0% from gross loan portfolio
- Provision coverage (total provisions/gross NPL) ratio 83%
- IFRS 9 full adoption and full provisions taken into account

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

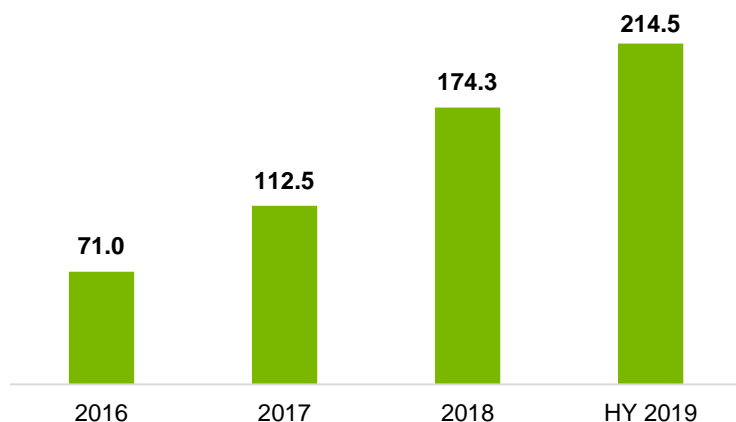


- NPL ratios have been stable and in line with targeted ratios
- Profit maximizing strategy for mature countries with improved scorecards
- Start-up countries and mid-tear countries in process of further improving the scoring models and profit maximization

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

# Assets & Liabilities

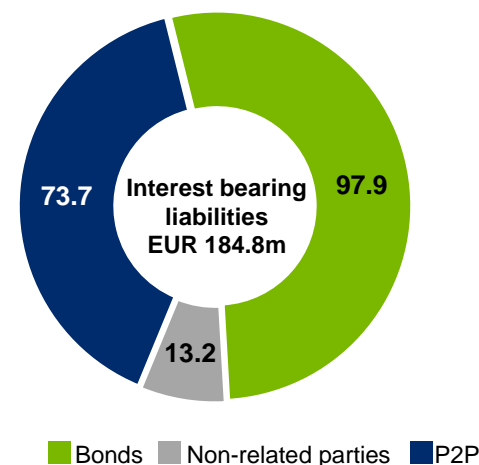
## Assets, EURm



	2017	2018	HY 2019
<b>Cap ratio</b>	11.8%	11.5%	13.1%

- 88% of assets consists of net loan portfolio, rent portfolio and cash
- Simple and clear structured balance sheet
- Improving capitalisation ratio
- Increase of assets is reflected mainly by the growth of net loan portfolio

## Liabilities, EURm



- Overall liabilities increased by EUR 34.4m to 184.8m EUR (31.12.2018: EUR 150.4m)
- P2P loan portfolio increased by EUR 25.0m to EUR 73.7m (31.12.2018: EUR 48.7m)

# Summary and strategy going forward

## Mogo business growth concept proven by results

- Double digit growth in key financial and profitability indicators
- More than half of the countries are profitable on a monthly basis
- Continuing steady portfolio growth
- Rating received: B- Stable outlook (Fitch)

## Consistent strategy going forward

- Continue quality and steady growth in profitable mid-tear markets and bring loss-making countries to profitability this year
- Accelerate time to profitability in tested and most promising start-up markets to reach it in record time
- Leverage on fully established regional teams and ensure operation excellence through best practices and knowledge exchange
- Continue facilitating and financing transactions with used cars and increase client's car purchase experience:
  - Help clients to find the car they want while connecting them with market leading car dealer network
  - Launch classified car portals in majority of Mogo markets



## Appendix

# Legal (operational) structure



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

# Income statement

Group financials, EURm	2016	2017	2018	6M 2018	6M 2019
Interest and similar income	29.6	38.4	62.1	26.3	33.9
Interest expense and similar expenses	(7.2)	(8.5)	(12.6)	(7.5)	(9.2)
<b>Net interest income</b>	<b>22.4</b>	<b>29.9</b>	<b>49.5</b>	<b>18.8</b>	<b>24.7</b>
Income from rent	-	-	-	-	1.3
Impairment expense	(4.2)	(6.9)	(17.6)	(7.6)	(4.9)
Loss arising from cession of financial lease receivables	(0.4)	(0.2)	0.0	(1.6)	(2.4)
Selling expense	(1.3)	(1.4)	(2.3)	(1.2)	(1.8)
Administrative expense	(8.6)	(9.3)	(17.9)	(7.5)	(15.0)
Other operating income	0.1	0.2	(0.8)	1.9	10.3
Other operative expenses	(0.4)	(2.3)	(6.8)	(1.7)	(8.0)
Other interest receivable and similar income	0.0	-	-	0.9	0.0
Other interest receivable and similar expenses	(0.8)	-	-	-	(0.9)
<b>Profit or loss before taxes</b>	<b>6.6</b>	<b>10.0</b>	<b>5.7</b>	<b>2.0</b>	<b>3.3</b>
Corporate income tax	(1.0)	(1.0)	(1.4)	(0.4)	(0.2)
Deferred corporate income tax	(0.3)	(0.0)	0.4	0.5	0.6
<b>Net profit for the year</b>	<b>5.6</b>	<b>9.0</b>	<b>4.6</b>	<b>2.1</b>	<b>3.7</b>
Other comprehensive income	(0.0)	(0.5)	0.1	0.7	(0.6)
<b>Total comprehensive income for the year</b>	<b>5.6</b>	<b>8.5</b>	<b>4.7</b>	<b>2.8</b>	<b>3.1</b>
<b>EBITDA</b>	<b>15.4</b>	<b>20.0</b>	<b>20.4</b>	<b>9.0</b>	<b>15.0</b>

# Balance sheet

Assets, EURm	2016	2017	2018	6M 2019	Equity & Liabilities, EURm	2016	2017	2018	6M 2019
<b>ASSETS</b>					<b>EQUITY</b>				
Intangible assets	1.1	2.7	3.6	5.2	Share capital <sup>1)</sup>	0.0	0.0	0.0	0.0
Property plant and equipment and rental fleet	0.5	0.4	5.3	15.7	Share premium	10.0	0.0	0.0	0.0
Finance lease receivables	42.3	63.8	88.2	104.2	Reserves	0.0	0.1	0.1	0.1
Loans and advances to customers	0.0	0.6	2.2	2.6	Foreign currency translation reserve	(0.5)	(0.5)	(0.4)	(1.0)
Deferred tax	0.2	0.2	0.6	1.2	Retained earnings	3.0	11.5	15.1	18.7
Other non-current assets	1.9	2.0	6.2	8.7	Non-controlling interest	0.2	0.4	0.5	0.6
<b>Total non-current assets</b>	<b>45.7</b>	<b>68.5</b>	<b>106.2</b>	<b>137.6</b>	Subordinated debt	-	-	-	2.7
Cars for resale	0.0	0.8	1.7	5.0	<b>TOTAL EQUITY</b>	<b>13.2</b>	<b>11.5</b>	<b>15.3</b>	<b>21.1</b>
Finance lease receivables	21.5	32.1	46.4	48.1	<b>LIABILITIES</b>				
Loans and advances to customers	0.0	0.5	3.1	6.3	Non-current borrowings	51.9	70.8	122.6	146.9
Assets held for sale	1.1	2.2	2.6	1.9	<b>Total non-current liabilities</b>	<b>51.9</b>	<b>70.9</b>	<b>123.8</b>	<b>146.9</b>
Other receivables	0.5	3.1	7.8	10.3	Current borrowings	3.4	25.8	30.3	37.9
Cash and cash equivalents	2.2	5.2	6.5	5.3	Other liabilities	2.6	4.2	4.9	8.6
<b>Total current assets</b>	<b>25.4</b>	<b>44.0</b>	<b>68.1</b>	<b>76.9</b>	<b>Total current liabilities</b>	<b>6.0</b>	<b>30.0</b>	<b>35.2</b>	<b>46.5</b>
<b>TOTAL ASSETS</b>	<b>71.0</b>	<b>112.5</b>	<b>174.3</b>	<b>214.5</b>	<b>TOTAL LIABILITIES</b>	<b>57.9</b>	<b>100.9</b>	<b>159.0</b>	<b>193.4</b>
					<b>TOTAL EQUITY + LIABILITIES</b>	<b>71.0</b>	<b>112.5</b>	<b>174.3</b>	<b>214.5</b>

1) Share capital of EUR 31,036

# Statement of Cash Flow

EURm	2016	2017	2018	6M 2018	6M 2019	EURm	2016	2017	2018	6M 2018	6M 2019
<b>Cash flows to/from operating activities</b>						<b>Cash flows to/from investing activities</b>					
Profit before tax	6.8	10.0	5.7	2.0	3.3	Purchase of property, plant and equipment and intangible assets	(1.2)	(0.7)	(1.9)	(1.9)	(3.4)
Adjustments for:						Acquisition of subsidiary	-	-	(0.9)	-	(0.1)
Amortisation and depreciation	0.6	0.6	1.8	0.4	1.6	Advance payment for acquisition of subsidiary	-	-	(1.0)	-	-
Interest expense	6.9	8.5	12.6	6.6	9.5	Loan repayments received	0.0	0.1	1.5	0.1	1.1
Interest income	(0.0)	0.0	(0.1)	(0.1)	(0.3)	Loans issued	(0.0)	(0.6)	(10.7)	(3.9)	(4.7)
Loss/(gain) on disposal of property, plant and equipment	0.4	(0.0)	0.2	-	0.4	Interest received	0.0	-	-	0.1	0.2
Impairment expense	0.4	6.9	17.6	9.2	7.3	<b>Net cash flows to/from investing activities</b>	<b>(1.2)</b>	<b>(1.3)</b>	<b>(13.0)</b>	<b>(5.6)</b>	<b>(6.9)</b>
(Gain)/loss from fluctuations of currency exchange rates	(0.8)	(0.9)	0.3	0.9	0.3	<b>Cash flows to/from financing activities</b>					
Decrease/(Increase) in accrued liabilities	0.5	0.9	1.2	0.2	(0.5)	Proceeds from issue/(repayment) of share premium	0.0	(10.0)	0.0	-	-
<b>Operating profit before working capital changes</b>	<b>14.9</b>	<b>26.0</b>	<b>39.3</b>	<b>19.2</b>	<b>21.6</b>	Proceeds from borrowings	3.1	150.1	304.7	28.0	33.9
Increase in inventories	(0.0)	(0.8)	(0.9)	(0.3)	(3.3)	Payments for borrowings acquisition costs	(0.2)	(109.3)	(259.4)	(0.4)	(0.6)
Increase in receivables	(6.9)	(43.6)	(52.4)	(34.3)	(29.3)	Interest paid	(7.2)	(7.8)	(12.4)	(6.9)	(8.9)
Increase/(decrease) in payables	(0.2)	0.4	0.1	(1.0)	3.1	Dividends paid to non-controlling shareholders	(0.0)	(0.0)	(0.1)	-	-
Rental fleet increase	-	-	(1.4)	-	(10.2)	Repayment of liabilities for right-of-use assets	-	-	(1.8)	-	(1.5)
<b>Cash generated to/from operations</b>	<b>7.8</b>	<b>(18.0)</b>	<b>(15.3)</b>	<b>(17.8)</b>	<b>(18.1)</b>	<b>Net cash flows to/from financing activities</b>	<b>(4.4)</b>	<b>21.7</b>	<b>18.0</b>	<b>20.7</b>	<b>24.4</b>
Corporate income tax paid	(0.4)	(0.8)	(1.2)	(1.0)	(0.6)	Effect of exchange rates on cash and cash equivalents	(0.3)	0.1	(0.2)	-	-
<b>Net cash flows to/from operating activities</b>	<b>7.3</b>	<b>(18.8)</b>	<b>(16.5)</b>	<b>(17.4)</b>	<b>(18.7)</b>	<b>Change in cash</b>	<b>1.4</b>	<b>3.0</b>	<b>1.3</b>	<b>(2.3)</b>	<b>(1.2)</b>
						Cash at the beginning of the year	0.8	2.2	5.2	5.2	6.5
						<b>Cash at the end of the year</b>	<b>2.2</b>	<b>5.3</b>	<b>6.3</b>	<b>2.9</b>	<b>5.3</b>



# Thank you for your attention!

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