



# COMPANY DESCRIPTION SECURITIES NOTE

February 2018



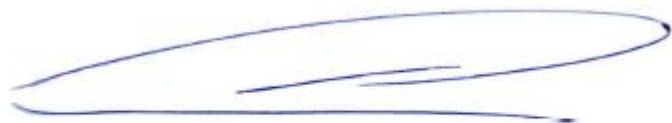
# Important legal information

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- Investing into debt securities involves risks. While every care has been taken to ensure that this Company Description presents a fair and complete overview of the risks related to the Issuer, the operations of the Issuer and its subsidiaries, and to the Notes, the value of any investment in the Notes may be adversely affected by circumstances that are either not evident at the date hereof or not reflected in the Company Description.



# Responsible persons

Hereby I, the member of the board of AS «mogo», Aleksandrs Čerņagins, certify that, by paying sufficient attention to this purpose, the information the information included in the Company Description and Securities Note is true, in accordance with the facts, and no information which may affect its meaning is concealed therein.

A handwritten signature in blue ink, consisting of a large, stylized loop followed by a horizontal line and a small flourish.

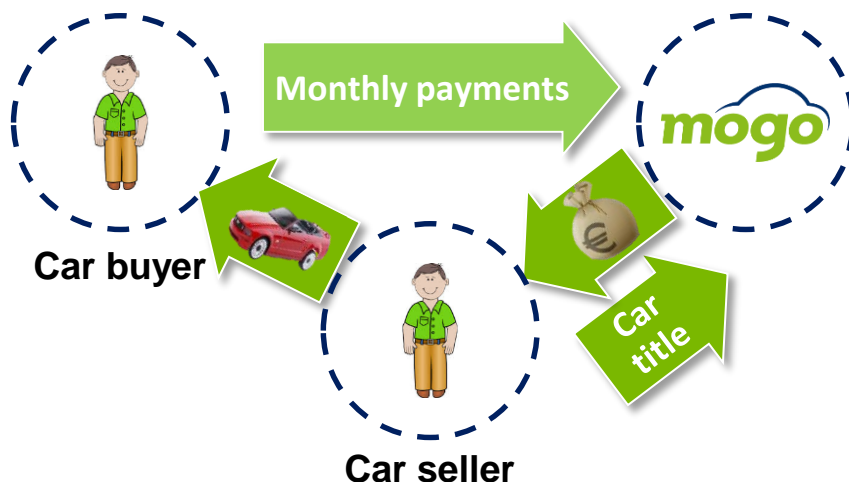
Aleksandrs Čerņagins



# Exclusive focus on used cars finance

## 1 Finance lease

» Financing of acquisition of a vehicle with the vehicle used as collateral



## 2 Vehicle leaseback

» Vehicle sale-leaseback, whereby loan is issued with vehicle as collateral



- ✓ 4,529 loans for EUR 16.2m issued in 2017 9M
- ✓ 78% finance lease, 22% vehicle leaseback

For other relevant business information please refer to the audited 2016Y financial report



# Mogo Latvia at a glance



**EUR 80m+**

Loans issued  
since inception



**73**

Employees,  
30.09.2017



**28,000+**

Registered  
customers  
since inception



**32%**

Cost to income,  
9M 2017



**29%**

Revenue  
growth y-o-y,  
9M 2017



**27%**

Capital to  
assets,  
30.09.2017

Mogo Latvia financials, EURm	2015	2016	9M 2016	9M 2017
Interest and similar income	9,4	10,6	7,5	9,7
EBITDA	3,5	5,9	4,6	5,2
Net profit	1,0	3,0	2,4	2,9
Loans issued	17,5	16,5	11,7	16,2
Net loan portfolio	24,2	25,9	25,9	30,7
Equity	5,9	8,3	8,3	10,6
Net margin	11%	28%	32%	30%
Return on assets	3%	10%	8%	7%

Note: 9M 2016 and 9M 2017 financials are based on management accounts.  
EBITDA before forex fluctuation expense is shown



# Customer care

## Excellent customer service



### Single point of contact

Concept of never redirecting the customer to other colleagues



### Speed

Value underlying Mogo's customer service philosophy



### Strategic locations

Branches in strategically important and easily accessible locations



### Ease of access

Accessible by phone, e-mail, chats, social networks or in branches



### Call centre

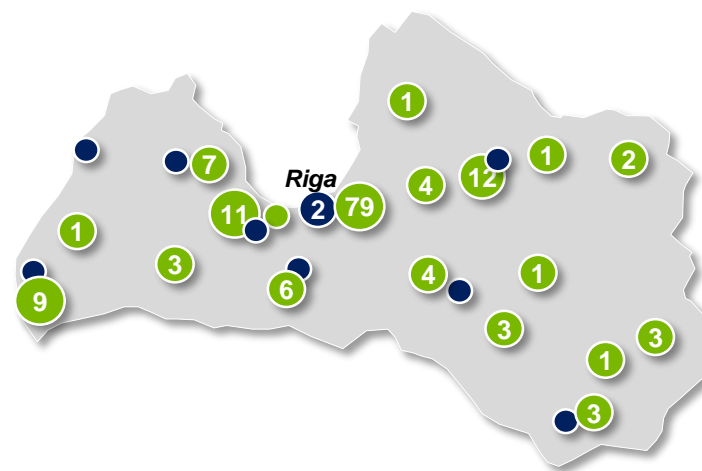
95% calls answered in 10 seconds or less, less than 2% calls missed



### Procedures

Procedures supervised by the Group's operations team

## Strong onsite presence



### Underwriting platform

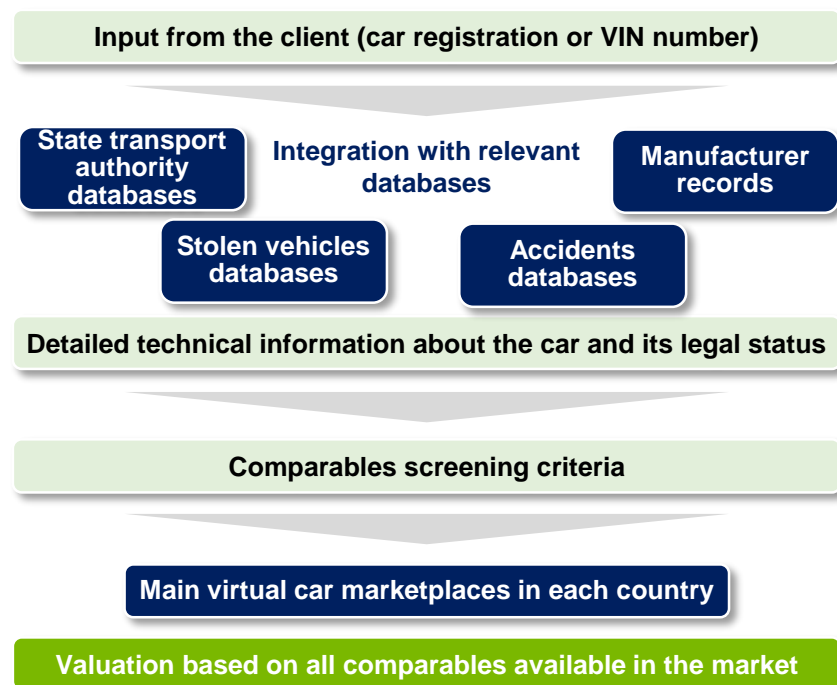
- 11 branches
- 250 car dealerships
- Partnership with Banknote (90+ locations)




# Data driven underwriting

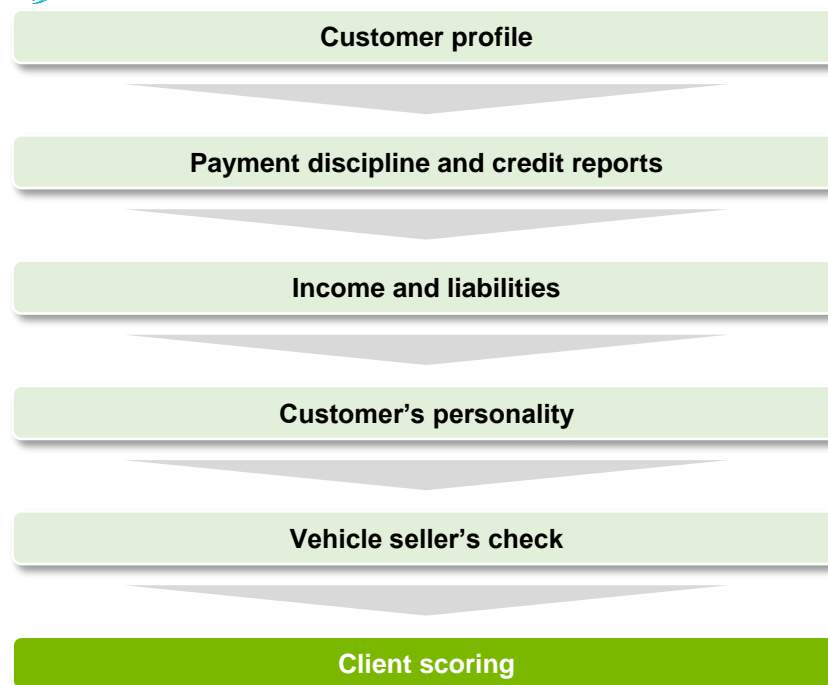
## Automated instant car valuation tool

Internally developed state-of-the-art solution



## Automated client scoring

 Third-party and in-house models



Instant preliminary offer, based on car value and client scoring, using scalable and efficient proprietary IT platform



# Management of the Issuer



**Edgars Egle**

Chairman of the Board of AS «mogo»  
Group Chief Executive Officer

- Edgars holds a Master's degree in Management of Information Technology from Riga Technical University.
- He has more than 10 years of international managerial experience. Edgars have held various senior operations roles in Evolution Gaming and Linedata (both providing industry award winning services) - Head of Latvia operations, Head of EMEA customer service, Asia-pacific pre-sales.
- Before taking Mogo group's CEO position, Edgars held the Chief Operating Officers position for 2 years.



**Aleksandrs Cernagins**

Member of the Board of «mogo»  
Country Manager in Latvia

- Aleksandrs holds a Bachelor's degree in Business Administration from BA School of Business and Finance.
- He has an extensive experience in sales and marketing with 11 years of insurance and banking background.
- Aleksandrs has held various positions in GE Money and Citadele Bank (previously – Parex Bank), and managing the Sales Development department in one of the biggest insurance companies in Latvia – BALTA, where he successfully led sales strategy, planning, management and development.



**Maris Kreics**

Group Chief Financial Officer

- Maris holds a Master's degree in Finance from BA School of Business and Finance.
- Before joining Mogo 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).



# Supervisory Board

## **Ramona Miglāne**

Chairman of the Supervisory Board

- Ramona is Attorney at Law and associated partner in law office «FORT».
- Ramona's experience stems from her employment with Swedbank AS, one of leading banks in the Baltics. While working in Swedbank AS, Ramona specialised in diverse corporate finance matters and stock and trade financing. Besides, she assisted in formation of the vessel financing section and specialised in vessel financing. This knowledge is in high demand when Ramona gives legal advice to the clients and drafts opinions for various banks in Latvia.

## **Uldis Judinskis**

Member of the Supervisory Board

- Uldis is Attorney at Law and associated partner in law office «FORT».
- Uldis gained experience in commercial law while he worked in the Legal Department, Register of Enterprises of Latvia, as that was the time of enactment of the Commercial Law and related laws and regulations. While practicing in Law Firm Krodere & Judinska, Uldis acquired extensive experience ranging from drafting routine documents to complicated restructuring process registrations.

## **Ieva Judinska-Bandeniece**

Member of the Supervisory Board

- Ieva is Attorney at Law and partner in law office «FORT».
- Ieva gained her first experience in the Patent Office of the Republic of Latvia and later successfully combined knowledge and understanding of intellectual property right protection acquired in the Patent Office and experience in commercial law and civil law gained while working in one of the largest law firms in Latvia.

## **Mārtiņš Bandenieks**

Member of the Supervisory Board

- Mārtiņš holds Master of Science degree in mathematics and has gained experience working in banking business from 1994 to 2010 in Latvia and abroad, mainly acting as Director in Hansabank (now Swedbank) responsible for real estate financing, including development of necessary procedures for financing, controlling of loan portfolio, sales of banking products for major bank's customers.
- Since 2008, Mārtiņš is acting as investment manager in micro-lending businesses.



# Shareholders of the Issuer

Shareholder's name	Number of shares	%
« <b>Mogo Finance S.A.</b> » (registration No. B 174.457) Legal address: 6, rue Guillaume Schneider, L-2522, Luxembourg	4,900,000	98%
Members of the Board (indirectly)	100,000	2%
<b>TOTAL:</b>		<b>5,000,000</b>
		<b>100%</b>

The main shareholder of the Issuer is a holding company registered in Luxembourg “Mogo Finance S.A.” (*registration No. B 174.457, legal address: 6, rue Guillaume Schneider, L-2522, Luxembourg*) which owns 98% shares of the company.

Members of the supervisory board and Certified Adviser both directly and indirectly do not hold any shares of the Issuer.

The Issuer has no information at its disposal regarding any agreements, the fulfilment of which might cause changes in the Issuer's control.



# Latvia Financials

## Income Statement, TEUR

	2015	2016	9M 2015	9M 2016	9M 2017
<b>Interest income and similar income</b>	<b>9 427</b>	<b>10 634</b>	<b>6 614</b>	<b>7 477</b>	<b>9 710</b>
Interest expense and similar expenses	-2 569	-2 408	-1 496	-1 609	-1 750
<b>Net interest income and similar income</b>	<b>6 858</b>	<b>8 226</b>	<b>5 118</b>	<b>5 869</b>	<b>7 961</b>
Net impairment losses on loans and receivables	-2 319	-887	-1 829	-241	-1 724
General administrative and selling expenses	-3 725	-3 934	-2 810	-2 889	-3 149
Other (expense)/income	354	40	42	32	203
Profit before tax	1 168	3 445	521	2 771	3 291
Tax	-163	-482	-152	-376	-407
<b>Net profit</b>	<b>1 005</b>	<b>2 963</b>	<b>370</b>	<b>2 395</b>	<b>2 884</b>
Net Margin, %	11%	28%	6%	32%	30%
EBITDA	3 488	5 946	2 132	4 636	5 196
EBITDA Margin, %	37%	56%	32%	62%	54%

## Balance Sheet, TEUR

	31.12.2015	31.12.2016	30.09.2016	30.09.2017
Loans and advances	24 228	25 889	25 895	35 004
Cash and cash equivalents	400	147	205	777
Other assets	7 028	2 664	2 453	2 917
<b>Total assets</b>	<b>31 656</b>	<b>28 700</b>	<b>28 553</b>	<b>38 698</b>
Loans and borrowings	24 387	18 713	18 953	25 654
Other liabilities	1 386	1 666	1 352	2 441
<b>Total liabilities</b>	<b>25 773</b>	<b>20 378</b>	<b>20 305</b>	<b>28 094</b>
<b>Total equity</b>	<b>5 883</b>	<b>8 321</b>	<b>8 278</b>	<b>10 615</b>
<b>Total equity and liabilities</b>	<b>31 656</b>	<b>28 700</b>	<b>28 582</b>	<b>38 709</b>

## Key ratios

Interest coverage ratio	1.5	2.4	2.7	2.9
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# Transactions with related parties

Related parties are defined as subsidiaries and associates of the Issuer as well as shareholders that have the ability to control the Issuer or exercise significant influence over the Issuer in making financial and operating decisions, members of the key management personnel of the Issuer or its parent company, and close members of the families of any individual referred to previously and entities over which these persons exercise significant influence or control.

All transactions between related parties are performed according to cost based principle. Receivables and payables incurred are not secured with any kind of pledge.

As from 1 July 2014 the Issuer is controlled by Mogo Finance S.A. (registered in Luxembourg) which owns 98% equity and is the direct controlling and ultimate controlling party.

The income and expense items with related parties for the last audited annual report of 2016 were as follows:

Related party	Parent company, EUR	Related parties, EUR
Interest income	-	22,566
Dividend expense	514,500	-
Bonds coupon expenses	228,383	-
Other operating income	378	72,937
Other operating expenses	-	8,082
	<b>31.12.2016, EUR</b>	<b>31.12.2015, EUR</b>
Amounts owed by related parties	3,686,718	3,369,172
Amounts owed to related parties	-	369,744



# Other statements

## Legal proceedings

Currently the Issuer is not involved in any government interventions, lawsuits or arbitration processes, which may significantly affect or have significantly affected the financial situation or profitability of the Issuer.

## Important agreements

The Issuer has no knowledge of any important agreements that could have been concluded between the Issuer and any related company and that could affect the Issuer's capability to fulfil its liabilities due to investors regarding the Notes.

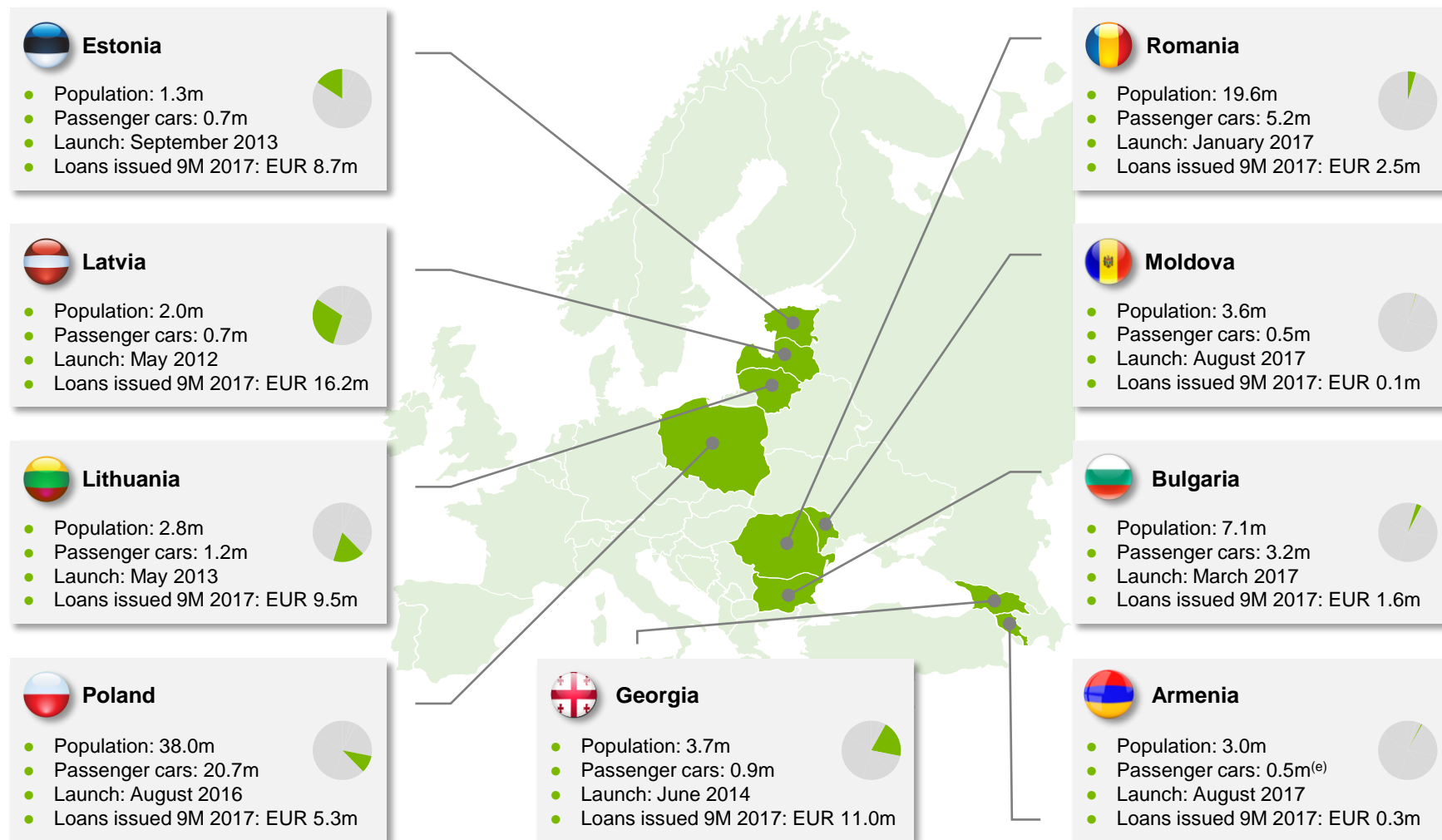


# Mogo Group





# Geographic diversification

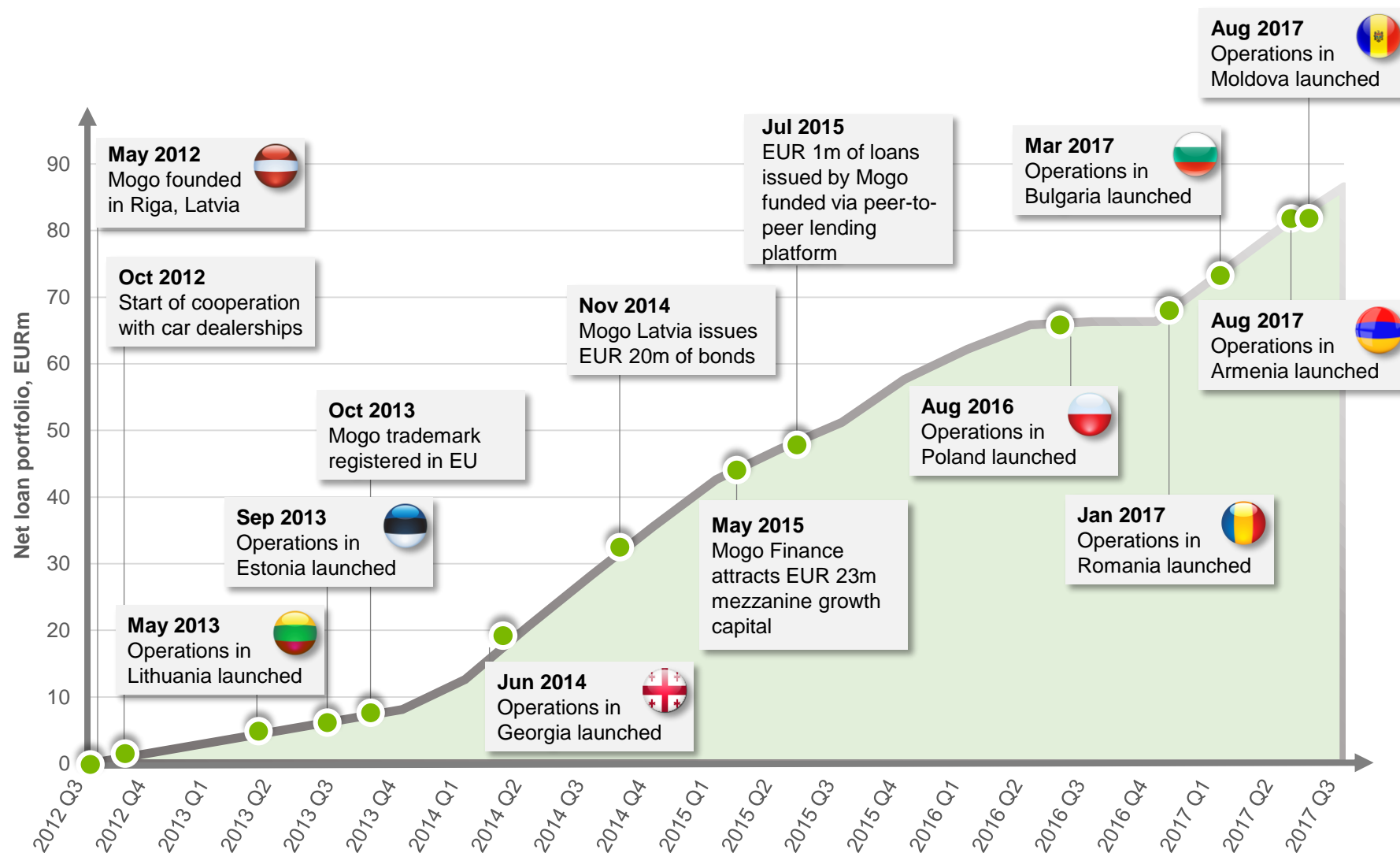


Source: Eurostat, International Organization of Motor Vehicle Manufacturers  
 Note: Population data for 2016, passenger car data for 2015, Mogo's loans issued for 9M 2017

% of Mogo's loans issued for 9M 2017



# Historical growth





# Mogo Group Snapshot



**EUR  
300m+**

Loans issued  
since inception



**233**

Employees,  
30.09.2017



**80,000+**

Registered  
customers  
since inception



**9**

Markets  
launched



**28%**

Revenue  
growth y-o-y,  
9M 2017



**27%**

Cost to income,  
9M 2017



**15%**

Return on  
assets,  
9M 2017



**22%**

Capital to  
assets,  
30.09.2017

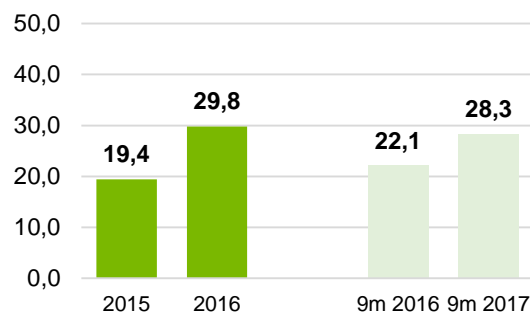
Group financials, EURm	2015	2016	9M 2016	9M 2017
Interest and similar income	19.4	29.8	22.1	28.3
EBITDA	6.7	15.8	11.3	14.7
Net profit	(0.7)	6.1	4.8	7.1
Loans issued	53.3	55.3	41.9	54.6
Net loan portfolio	56.1	63.6	66.4	86.7
Net margin	-3%	20%	22%	25%

Note: 9M 2016 and 9M 2017 financials are based on management accounts.  
EBITDA before forex fluctuation expense is shown

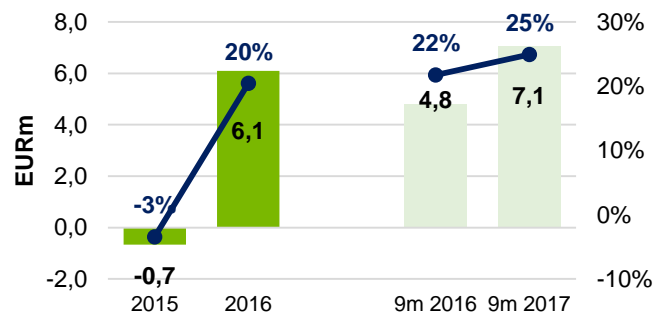


# Financial highlights

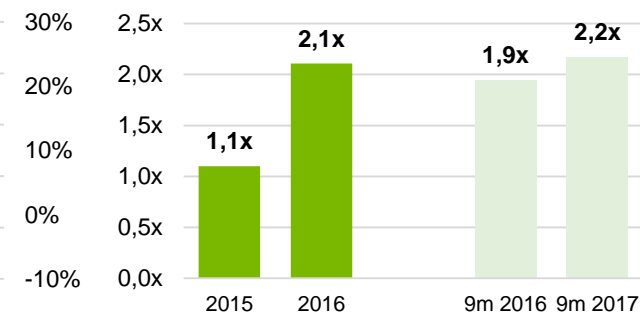
## Revenue



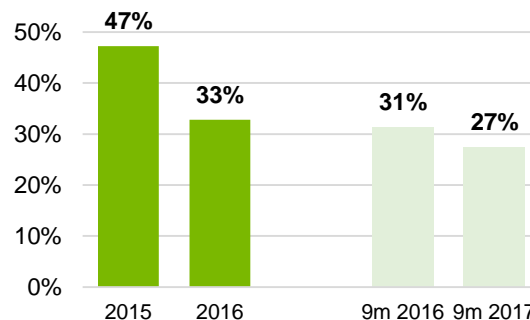
## Net profit and margin



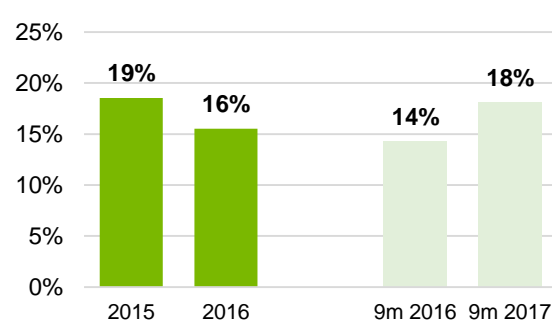
## Interest coverage ratio



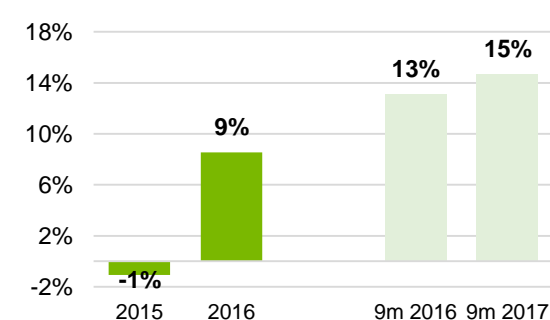
## Cost to income ratio



## Net impairment to revenue ratio



## Return on assets





# Mogo Notes





# Issue Terms of the Notes\*

Issuer:	AS «mogo»
Security type	Unsecured Notes
ISIN:	LV0000880029
Issue size:	EUR 10,000,000
Total number of Notes:	10,000
Nominal value:	EUR 1,000
Initial issue price of the Note:	EUR 1,000 (minimum investment EUR 100,000)
Currency:	EUR
Annual coupon rate:	10%
Coupon frequency:	Every calendar month – on the last day of the month
Day count convention:	European 30/360
First settlement date:	1 December 2017
Maturity date:	31 March 2021
Repayment schedule:	The Issuer will make Nominal amount payments of EUR 125.00 (one hundred twenty five euro zero cents) per Note once a quarter — on 31 March, 30 June, 30 September, and 31 December, starting from 30 June 2019
Call Option (early redemption):	The Issuer can carry out early redemption (call option), either full or partial, starting from 31 December 2017 on the last day of each month. In case of Call Option, Issuer will repay principal amount with 1% premium.
Put Option (early redemption):	None
Admission to trading:	First North Nasdaq Riga
Reason for admission to trading:	To provide liquidity for current bondholders
Use of proceeds:	Funds raised through the Notes issue are used in the ordinary course of business of the Issuer
Arranger:	BlueOrange Bank AS
Certified Adviser:	BlueOrange Bank AS

\* for full overview please refer to the Terms of the Issue



# Investor rights

## Investor rights

Any Noteholder has the right to receive Coupon and Nominal payments in accordance with the Section 4.2.7. “Coupon payments” and 4.2.8. “Procedure of Notes repayment”, as well as exercise other rights fixed in the Terms of the Issue and legislation of the Republic of Latvia.

**Subordination of the Notes:** The Notes rank pari passu with other unsecured obligations of the Issuer. In case of the insolvency of the Issuer, the Noteholders will be entitled to recover their investment on the same terms as other creditors in the respective claims’ group according to the relevant Legal acts. There are no contracts or other transaction documents that would subordinate the claims of the Noteholders to other unsecured liabilities of the Issuer.

The Issuer has issued unsecured notes (ISIN LV0000801363) in amount of EUR 20,000,000, with 10% annual coupon rate and maturity date 31 March 2021.

Shares of the Issuer are pledged to the creditor of the Mogo group. The Issuer is not prohibited from pledging assets in favor of other creditors.

**Restrictions on free circulation of the Notes:** The Notes are freely transferable securities and can be pledged. However, the Notes cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under the laws of the Republic of Latvia and the United States of America.

**Representation of the Noteholders:** Within the framework of the issue, it is not planned, yet not prohibited to create an organization of authorized persons which would represent Noteholders. In case of the insolvency of the Issuer, every Noteholder has the right to represent his own interests in creditors’ meetings. The Noteholders will have equal rights for satisfaction of their claims with other creditors in the same claims’ group.

## Significant investor rights if Issuer breaches its obligations

The Issuer is in default if at least one of the following occurs and as long as it has not been rectified:

- The issuer has violated the conditions of the Section 5.4. “Covenants” and has failed to eliminate the occurred violation within 30 (thirty) Business Days after the receipt of a written notification from Noteholders which own 10% (ten per cent) or more Notes;
- The Issuer has failed to make a Coupon payment in full for more than 20 (twenty) Business Days following the planned payment date;
- The Issuer has failed to make a Nominal Value payment in full for more than 20 (twenty) Business Days following the planned payment date;
- Insolvency proceedings have been initiated against the Issuer;
- The Issuer has submitted an application for liquidation in the relevant state authorities in Latvia.

The Noteholder can submit a written notification to the Issuer regarding that the immediate repayment deadline has set in for the Notes owned by the relevant Noteholder, at any time after the event of default has occurred (and as long as the event of default exists). The Issuer has to pay the Nominal Value of Notes along with the accrued Coupon and contractual penalty, in accordance with Section 5.3. “Contractual penalty”, within 5 (five) Business Days after the receipt of the notification.



# Risk factors related to the Issuer

The risks indicated in this section may reduce Issuer's ability to fulfil its obligations and cause its insolvency in the worst-case scenario. Noteholders have to take into account that Notes are not secured with collateral and third parties have not guaranteed Notes and Coupon payments related thereto. This section may not feature all the potential risks, which may affect the Issuer.

Risks related to the Issuer	
<b>Changes in regulatory enactments</b>	The Issuer carries out its activity in Latvia and most of the risks, which affect it, are related to the general economic situation in the country and regulatory enactments adopted by the Saeima of the Republic of Latvia or Cabinet of Ministers of the Republic of Latvia. Significant changes in existing regulatory enactments or implementation of new regulations in the Republic of Latvia might negatively affect the business and solvency of the Issuer.
<b>Macroeconomics risk</b>	The economic situation in Latvia, where the Issuer carries out its entrepreneurial activity, is assessed as stable, which is supported by both macroeconomic data, such as GDP and employment indicators, and credit ratings assigned by international rating agencies — Moody's Investors Service, Standard & Poor's Financial Services, and Fitch Ratings — which have been increased over the recent years.
<b>Licensing risk</b>	Consumer Rights Protection Centre (CRPC) carries out supervisory functions for consumer finance and debt collection companies in the Republic of Latvia. CRPC issues licenses for companies in these sectors. The Issuer is licensed consumer finance company and has obtained non terminated license. CRPC is entitled to withdraw licenses in case there are breach of regulations set forth by Legal acts of the Republic of Latvia. The risk is managed at higher management level by following regulations and recommendations.
<b>Competition risk</b>	There are 64 licensed consumer finance companies which operate in the territory of Latvia, offering different credit services; 20 of them offer financing lease and/or leaseback products. Five companies out of 20 competitors of the Issuer are bank leasing companies. Despite Issuer's brand awareness and market share, it is possible that a competitor, which will be able to reduce Issuer's market share by means of an aggressive and extensive marketing campaign and more favorable conditions, as a result of which Issuer's profitability will decrease, will appear among existing non-bank credit companies which offer vehicle leasing services to a similar target audience.
<b>Financial risk</b>	Issuer's growth and size of loan portfolio significantly depends on the ability to attract capital from different sources of financing. As of 30 September 2017, 76% of Issuer's borrowings were financing through issued bonds and 23% were loans from peer-to-peer (P2P) investors. Previously, Issuer has obtained credit line from the commercial bank in Latvia. Despite the Issuer's track record on the capital markets and various forms of financing available, there is a possibility that these sources of financing may not be available in the amount required for the Issuer, or their conditions may be too unfavorable, which may significantly affect Issuer's ability to ensure sufficient financing for the company's growth.
<b>Dependence on service providers risk</b>	There is a risk that the access to services the Issuer uses to assess client's solvency (credit record data bases offered by SIA "Lindorff Oy Latvijas filiāle", SIA "Paus Konsults", etc.), to assess vehicles, and to determine the conformity of vehicles (Road Traffic Safety Directorate (CSDD) database, announcement platforms), and to provide marketing services (advertisement on Google homepage and in Google partner networks), may be restricted or prohibited, or the costs services may be significantly increased, which may affect Issuer's activity for an indefinite period of time.
<b>Dependence on managing employees risk</b>	In future, Issuer's duties will be affected by its ability to attract, preserve, and motivate highly qualified and experienced personnel. There is competition for personnel with the relevant skills and experience in Latvia, and it is comparatively high; however, the Issuer has successful experience in the field of personnel management, offering education, professional growth, and development possibilities, as well as different motivation programs to the employees.
<b>Operational risk</b>	Operational risk is a possibility of experiencing losses due to insufficient or unsuccessful inner processes, personnel management, systems, or external circumstances. Thorough personnel selection is carried out, accurate descriptions of job duties are compiled, division of duties is coordinated, constant investments are made within the IT system, which allows the Issuer to reduce operational risks.
<b>Credit risk of clients</b>	Noteholders must take into account that the main activity of the Issuer is related to the issue of leases and the main asset of the Issuer is its leasing portfolio, as well as vehicles registered as collateral in favour of the Issuer. Leases are issued below the market value of a vehicle, but its sales value may not reach the amount of the issued lease in case potential risks set in. To reduce the credit risk of the Issuer's client, the Issuer regularly makes impairment allowances.



# Risk factors related to Notes

The risks indicated in this section may reduce Issuer's ability to fulfil its obligations and cause its insolvency in the worst-case scenario. Noteholders have to take into account that Notes are not secured with collateral and third parties have not guaranteed Notes and Coupon payments related thereto. This section may not feature all the potential risks, which may affect the Issuer.

Risks related to Notes		
<b>Notes repayment risk</b>		Notes are equivalent to other unsecured loans of the Issuer. In case of Issuer's insolvency, Noteholders have the same right to receive their investment as other creditors of the relevant group in accordance with applicable regulatory enactments. There are no contracts or other transaction documents, which would subordinate the claims of Noteholders to other unsecured obligations of the Issuer. Shares of the Issuer are pledged to the creditor of the Mogo group. The Issuer is not prohibited from pledging assets in favor of other creditors.
<b>Delisting risk</b>		After Notes registration the Issuer plans to request admission to trading of the Notes on First North, which is alternative market operated by Nasdaq Riga. There is a risk, that Nasdaq Riga would not accept Notes to be admitted for trading on First North or order to delist Notes from the First North before the maturity after the admission to trading took place, due to FCMC opinion or changes in Legal acts, including Nasdaq Riga regulations.
<b>Liquidity risk</b>		Neither the Issuer, nor any other person guarantees the minimum liquidity of Notes. Noteholders should take into account that there may be difficulties in selling Notes in the secondary market.
<b>Price risk</b>		Notes will be repaid for their Nominal Value, yet the price in the secondary market may change significantly. Neither the Issuer, nor any other person undertakes to maintain a certain price level of Notes.
<b>Tax risk</b>		Tax rates and tax payment procedure applicable at the moment of purchase of Notes to the tax residents, non-residents of Latvia, and residents of other countries may change. The Issuer will not compensate for the increase in taxes to Noteholders, therefore Noteholders may receive smaller payments related to Notes.



# Certified Adviser

«BlueOrange Bank» acts as the First North Certified Adviser for «mogo»

- Official name: AS BlueOrange Bank
- Registration number: 40003551060
- Main field of activity: Banking services
- Address: Smilšu iela 6, Riga, LV-1050, Latvia
- Web page: <https://blueorangebank.com/en>



## Representative:

- Edmunds Antufjevs
- E-mail: [edmunds.antufjevs@blueorangebank.com](mailto:edmunds.antufjevs@blueorangebank.com)
- Phone: +371 67034267

«BlueOrange Bank» is advising «mogo» with the preparation of admission documents. The agreement is valid from the day of submitting the application for admission to trading on First North to Nasdaq Riga until the actual first trading day of the Notes on First North platform.



Māris Kreics, Group CFO

Phone: +371 6690 0904

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

