



Bond Market in the Baltics - What to Expect in 2016?



JP FINANCE



Hüpoteeklaen

Ääre Kinnit. Hüga Eestis.



CREDIT STAR

FINORA



CAPITAL

PLUS PLUS

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M&A Market in the Baltics: What to Expect in 2016?
Vilnius, 2016

2015: Baltic High-Yield Corporate Bond Market Scene

■ Favorable environment

- Low interest rates (investors looking for yields)
- Stock markets volatility

■ Many new bond issues

- Main list: LHV Bank (E), Latvenergo (LV), Mogo (LT), Baltic Dairy Board (LV)
- Alternative market: Mainor Ülemiste (E), Baltic Mill (LT), Modus Energija (LV)
- Not listed: Elko, UVIC, Hüpoteeklaen, PlusPlus Capital, Finora Capital, Creditstar International, IuteCredit Europe

■ Investors' appetite growing

- Pension funds' assets growing
- Bond funds more active in non-listed segment
- HNWI's cash rich – deposits growing

Bond issuers

Industrials,
manufacturing



Energy



Medical
services



Financial
sector



Food
processing



Estonia: Savings are Increasing

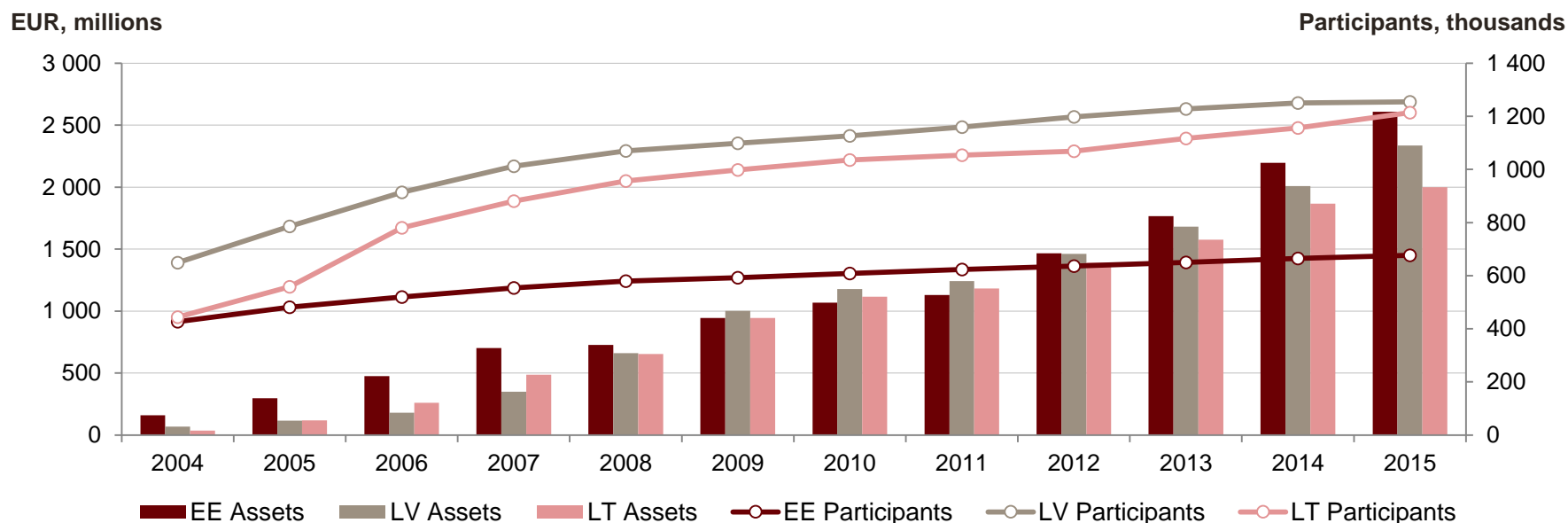


- Bank deposits in Estonia EUR 15,5 billion*
 - up 22,9% compared to 2012
 - up 13,6% compared to 2013
 - up 4,2% compared to 2014
- Bank loans in Estonia EUR 14,0 billion
 - up 7,8% compared to 2012
 - up 6,9% compared to 2013
 - up 3,7% compared to 2014

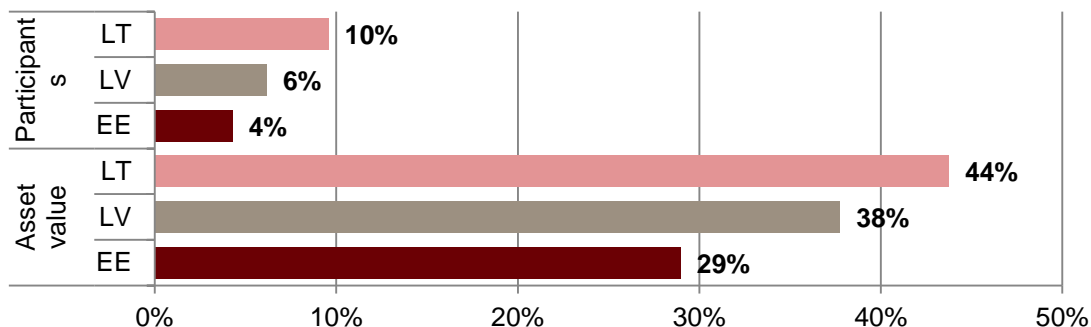


II Pillar Pension System in EE, LV and LT

Asset value and number of participants by country, 2004 – 2015



Compound annual growth rate of assets and participants by country, CAGR for period 2004 – 2015



EUR 7 000 million



2015: Assets under management by Baltic II pillar pension asset managers

2015: Nasdaq Baltic Bond List

| Issuer | Industry | Nr of issues | Total issue value (EUR) | Maturity | Coupon |
|---------------------------|--------------------|--------------|-------------------------|-----------|-----------|
| ABLV Bank | Banking | 22 | 672 165 777 | 2016-2025 | 0.8-4.5% |
| Latvenergo | Energy | 3 | 181 416 577 | 2017-2022 | 1.9-2.8% |
| LHV Group | Banking | 2 | 31 663 333 | 2024-2025 | 6.5-7.25% |
| Rietumu Banka | Banking | 3 | 20 200 777 | 2019 | 7% |
| Mogo | Financial services | 1 | 20 094 444 | 2021 | 10% |
| Baltic International Bank | Financial services | 5 | 10 004 256 | 2016-2017 | 1.6-2.1% |
| Trasta | Banking | 1 | 9 968 472 | 2021 | 6,50% |
| ExpressCredit | Financial services | 2 | 6 500 000 | 2018-2020 | 14-15% |
| VIA SMS group | Financial services | 1 | 6 347 775 | 2016 | 13% |
| Parex banka | Banking | 1 | 5 350 000 | 2018 | 12% |
| SEB struct bonds | Banking | 3 | 3 836 423 | 2016-2017 | - |
| Moda Kapitals | Financial services | 1 | 3 310 000 | 2020 | 12% |
| Acme Corporation | Real estate | 1 | 2 047 009 | 2022 | 3% |
| Capitalia | Financial services | 1 | 1 750 000 | 2018 | 12% |
| Baltic Dairy Board | Wholesale & Retail | 1 | 950 000 | 2024 | 18% |
| TOTAL | | 48 | 975 604 844 | | |

2015: Nasdaq Baltic Bond List Comments

- Baltic Bond list is dominated by Latvian banks and corporates
- Largest issuer is ABLV Bank with 672 MEUR worth of bonds and notes outstanding; 22 different issues
- Smallest issuer is Baltic Dairy Board with 0,95 MEUR bond
- Lowest risk corporate issuer is Latvenergo with three bond issues worth of 181 MEUR
- Government bond issuers:
 - Lithuanian Government with 2,865 bEUR worth of bond issues
 - Latvian Government with 1,032 bEUR worth of bond issues
- Only one Estonian bond issuer on the list - LHV Group
- No Lithuanian corporate issuers



ABLV

 Latvenergo

 CAPITALIA

LHV

mogo



2015: Estonian New Bond Issues – Depository Info

| Issuer | Industry | Nr of issues | Total issue value (EUR) | Maturity | Coupon |
|---------------------------------|--------------------|--------------|-------------------------|----------|--------------------|
| LHV Group | Banking | 1 | 15 000 000 | 2025 | 6.5-7.25% |
| Creditstar | Financial services | 1 | 12 500 000 | 2016 | 12,50% |
| Tartu City | Municipality | 1 | 10 885 000 | 2025 | 6m euribor + 0,52% |
| JPFinance | Financial services | 2 | 6 300 000 | 2018 | 13% |
| Mainor Ülemiste | Real estate | 1 | 5 000 000 | 2018 | 7% |
| Hüpoteklaen | Financial services | 1 | 3 935 000 | 2020 | 8% |
| BFG RES | Real estate | 1 | 3 222 000 | 2025 | 4,75% |
| Versobank | Banking | 1 | 3 000 000 | - | 9,80% |
| Finora Capital | Financial services | 1 | 2 800 000 | 2018 | 9,75% |
| Kiikri 2 Investment | Real estate | 1 | 2 750 000 | 2018 | |
| TOP CREDIT OÜ | Financial services | 1 | 2 500 000 | 2020 | 6% |
| Nordic Hypo Capital | Financial services | 2 | 2 000 000 | 2020 | 7% |
| Uvic | Food | 1 | 1 300 000 | 2018 | 10% |
| IuteCredit Europe | Financial services | 3 | 1 276 000 | 2017 | 16% |
| Joyful Partners | Trading | 1 | 1 000 000 | 2016 | 3% |
| China Chemical Ind and Research | Other | 1 | 920 000 | 2020 | 3% |
| Prosperus Capital | Financial services | 1 | 598 000 | 2020 | |
| Kreedex Financial Services | Financial services | 1 | 130 000 | 2018 | 7% |
| BONDKICK | Crowd | 1 | 35 000 | 2017 | |
| Karu Capital | Other | 1 | 0 | - | |
| TOTAL | | 24 | 75 151 000 | | |

2015: Latvian New Bond Issues – Depository Info

| Issuer | Industry | Nr of issues | Total issue value (EUR) | Maturity | Coupon |
|------------------------------|---------------------|--------------|-------------------------|-----------|-----------|
| ABVL Bank | Banking | 9 | 287 000 000 | 2017-2025 | 0.7-3.75% |
| Latvenergo AS | Energy | 1 | 75 000 000 | 2022 | 1,90% |
| Rietumu banka AS | Banking | 3 | 36 220 000 | 2017 | 2-2.25% |
| AFI Investīcijas AS | | 1 | 27 600 000 | 2020 | 9% |
| NORVIK BANKA AS | Banking | 2 | 23 340 000 | 2020 | 6-6.2% |
| Leonor Invest LP | | 1 | 12 500 000 | 2022 | 2% |
| Baltic International Bank AS | Banking | 5 | 9 966 000 | 2016&2017 | 1.6-2.1% |
| PV Investīcijas AS | Financial services | 1 | 9 200 000 | 2020 | 9% |
| ELKO GRUPA AS | Electronics trading | 1 | 8 000 000 | 2018 | 8% |
| NORDUS SIA | | 2 | 7 630 000 | 2025 | 2,50% |
| AS "Baltikums Bank" | Banking | 2 | 5 587 640 | 2021&2022 | 6% |
| Moda Kapitāls AS | Financial services | 1 | 3 310 000 | 2020 | 12% |
| Finabay SIA | Financial services | 1 | 2 590 000 | 2018 | 15% |
| Alfakredyt Sp. z.o.o. | Financial services | 2 | 1 400 000 | 2018 | 3-10% |
| Rerum Finance s.r.o. | Financial services | 3 | 600 000 | 2017&2018 | 10% |
| Finanšu Investīcijas SIA | Financial services | 1 | 0 | 2021 | 6% |
| FINV 9 SIA | | 1 | 0 | 2021 | 6% |
| Rigensis invest SIA | | 1 | 0 | 2025 | 4% |
| TOTAL | | 38 | 509 943 640 | | |

2015: Lithuanian New Bond Issues – Depository Info

| Issuer | Industry | Nr of issues | Total issue value (EUR) | Maturity | Coupon |
|-----------------------------------|--------------------|--------------|-------------------------|-----------|-----------|
| Swedbank structured bond products | Banking | 14 | 19 339 928 | 2016 | 0.3-1.85% |
| SEB structured bond products | Banking | 52 | 16 376 193 | 2016-2018 | ~3% |
| Baltic Mill | Food | 1 | 4 999 900 | 2017 | 4,5% |
| Modus Enejija | Energy | 2 | 1 999 000 | 2018 | 6% |
| Bobutes Paskola | Financial services | 1 | 1 000 000 | 2016 | 7,50% |
| Ukmerges Gelzbetonis UAB | Construction | 1 | 376 506 | 2018 | 5% |
| AB UKIO BANKAS | Banking | 1 | 175 944 | - | 5% |
| TOTAL | | 72 | 44 267 471 | | |

2015: Baltic Non-Listed Corporate Bonds Comments

■ Corporate bonds for selected issuers only

- Total Baltic high-yield non-listed corporate bond market EUR 629 million
- Banking and financial services companies are the most active issuers
 - Banks EUR 416 million
 - Financial services EUR 50 million

■ Mostly private placements

- Public offering by LHV in 2015, first in over many-many-many years..

■ Interest rate levels for every taste

- Interest levels for 4.5% - 7.0% for better risk
- Over 10% coupon rates are normal

■ Emerging private investor base

- HNWI's (family offices, private banks) play more active role (Lithuania)

■ Few advisors

- Redgate Capital (E), Baltikums (LV), Orion Securities (LT)



CASE STUDY: Mainor Ülemiste AS



REDGATE
CAPITAL

COMPANY OVERVIEW

- Ülemiste City is the largest commercial real estate development project in the Baltics with the business campus over 220 000 m² of office and industrial premises in Tallinn nearby the Airport
- 300+ tenants with 6 000 employees generate EUR 13 million of revenues
- Mainor Ülemiste develops Ülemiste City area jointly with Technopolis Ülemiste City (affiliated company)

TERMS OF THE BOND

| | |
|---------------|---------------------------------------------|
| Securities | : unsecured bonds |
| Issue size | : EUR 5 M (issued on November 17, 2015) |
| Maturity | : November 26, 2018 |
| Interest rate | : 7% p.a. (30E/360) with quarterly payments |
| Collateral | : No |

FINANCIAL OVERVIEW

| th EUR | 2011 | 2012 | 2013 | 2014 | H1-15 |
|------------------|---------------|---------------|---------------|---------------|----------------|
| Sales | 1,553 | 2,183 | 2,731 | 3,317 | 1,806 |
| Operating profit | 4,486 | 1,173 | 1,532 | 2,218 | 947 |
| Net profit | 5,470 | 2,463 | 3,938 | 7,200 | 1,982 |
| Current assets | 21,785 | 24,895 | 29,748 | 36,022 | 38,288 |
| Total assets | 63,680 | 68,682 | 80,958 | 94,667 | 100,334 |
| Owners' equity | 61,540 | 64,003 | 67,329 | 73,890 | 75,133 |



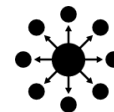
INVESTMENT CASE

- 15 000 m² Õpik project
- Total EUR 19,5 million
- EUR 13,5 million from Nordea bank
- EUR 5 million by bonds



INVESTORS

- 68 total nr investors
- 1 Insurance company and 2 bond funds
- 70% Estonia, 30% Latvia and Lithuania



KEY CHALLENGES

- Asset heavy, but Income light
- Financial income from affiliated company
- Limited loan capacity

OVERVIEW OF THE PROJECT

DYNAMIC DEVELOPMENT OF ÜLEMISTE

Ülemiste area has become the most rapidly developing area in Tallinn infra-structure and real estate development projects

Source: Ülemiste Shopping Centre, Parite Mäe, Kalamos Group, Merilo Ehitus, Pro Kap

OVERVIEW OF THE PROJECT

ÜLEMISTE CITY 2025 IN PHOTOS

Master architectural concept of Ülemiste City has been developed in Finland. The design is based on the values of community, an modern urban environment

DEVELOPMENT PLAN

ÕPIK PROJECT

- Proceeds of the issue will be partly used to finance the development of Õpik project: a complex of two 13-storey office buildings at Valdega street and a fitness centre and a parking house at adjoining Saapaa street as well as several other buildings
- Once completed, it will be the largest office building in Estonia
- The construction of the first stage, Building 1, is already underway and will be completed in 2015
- Proceeds of finding the tenants for the building has been successful as approximately 20% of the premises of Building 1 are already covered with rental agreements

BUILDING 1 HANDED OVER TO CONTRACTOR

General contractor: Merilo Ehitus Eesti AS
Gross area: 22 200 m²
Date of completion: 1Q2-2015
Purpose: office, different apartments, parking for 35 cars
Other: Energy consumption: 120 kWh/m² (energy class)

BUILDING 2

Gross area: 22 200 m² (the building area) + 1-storey parking of 1 600 m²
Date of completion: 2017

Same technical parameters as Building 2

SEITSE 8

8-storey parking house
Date of completion: 2017

ÕPIK FITNESS FITNESS CLUB

Gross area: 1 800 m²
Date of completion: 2017

2016: Baltic High-Yield Corporate Bond Market

- Good high-yield bond sentiment continues
- Non-bank credit companies grow bigger, larger needs for financing
 - Consolidation (in Estonia due to legislation changes)
 - More coverage in different markets
- More listings on main bond list and alternative market

- Challenges
 - FSA – credit providers
 - Crowd and peer-to-peer platforms
 - CrowdEstate – EUR 3,6 million, 5 568 investors, 13 projects
 - EstateGuru – 2 860 investors, av. interest rate 11,2% pa
 - Main bond list – not for everyone
 - Liquidity – if issue sizes grow, then..

REDGATE CAPITAL – A TRUSTED PARTNER IN THE BALTICS FOR SUSTAINABLE GROWTH

OVERVIEW

Redgate Capital is an independent investment banking group. We provide investment banking advisory and investment management (private equity) services. Our business network stretches across the Baltic region with headquarters in Tallinn, local representation in Latvia and Lithuania and partnerships in Scandinavia.

BUSINESS AREAS



Investment banking
M&A and capital raising
Property advisory



Investment management
Private equity



Real estate investments

AWARDS



Redgate was named as Best in Investment Banking sector for the AI Aquisition International 2015 Sector Performance Awards.



Redgate came second place in Äripäev, a respected business magazine in Estonia, business advisor TOP in 2013.

TOP TEAM WITH STRONG INVESTOR REACH

Redgate's management has an extensive banking, real estate and finance background from various top-ranked Nordic companies since 1992.



Veikko Maripuu

Founding Senior Partner
Investment management



Mart Altvee

Founding Senior Partner
Investment management

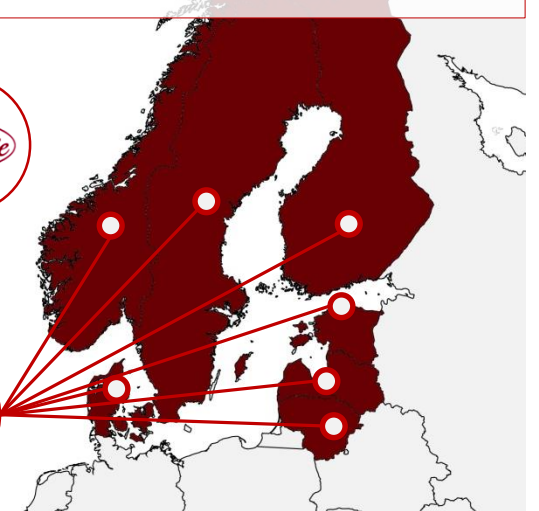
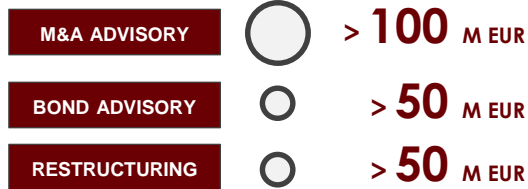


Aare Tammemäe

Senior Partner
Corporate Finance

A solid partnership on project basis with Carnegie, the leading investment bank in Nordic region. The partnership extends our client growth opportunities and business perspectives.

Throughout the history of Redgate, we have helped many mid-size and large companies to boost their growth.



REDGATE INVESTMENT BANKING

M&A AND OTHER ADVISORY

Redgate Capital has been a financial advisor in multiple corporate transactions in the Baltic region. Redgate's team has experience with several deal types – mergers, acquisitions, divestures, real estate transactions etc.

PART OF OUR CLIENTS



SELECTED TRANSACTIONS IN M&A ADVISORY AND REAL ESTATE

| | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------|------|
| Advisor to Selteret OÜ in acquisition of Schetelig operations in the Baltics (LV, EE, LT) and capital raising for this acquisition. |  | < EUR 10 M | 2015 |
| Advisor to ML Halduse OÜ in sale of Auriga Shopping Center, largest shopping center in Saaremaa with leasable area 13 500 sqm (tenants K-rauta, Rimi). |  | > EUR 10 M | 2015 |
| Advisor to Askembla Asset Management in divestment of Bauhof, largest DIY chain in Estonia. |  | undisclosed | 2013 |
| Advisor to Askembla Asset Management in divestment of MyFitness, leading fitness chain. |  | undisclosed | 2013 |

CAPITAL RAISING ADVISORY

Redgate Capital is one of the leading small-cap corporate bond advisors in the Baltic States. In addition, we have successfully attracted equity, mezzanine, loans and other type of financing for different Baltic companies

TYPICAL BOND ISSUE CONDITIONS IN THE BALTICS

1 – 10 M EUR

issue size

6 – 16 %

interest rate

1 – 5 years

maturity

usually secured

secured vs unsecured

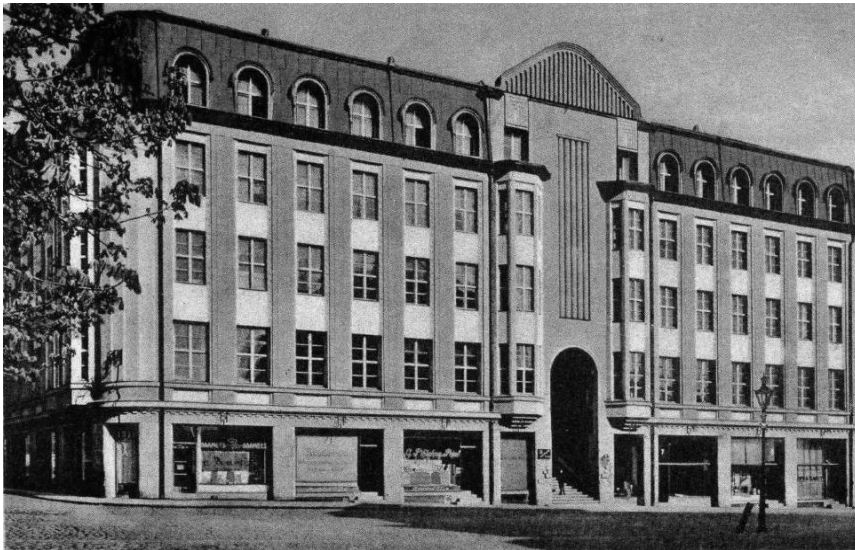
SELECTED TRANSACTIONS IN CAPITAL RASING

| | | | |
|-------------------------------------------------|---------------------------------------------------------------------------------------|------------|------|
| Bond issue: adviser to Creditstar Group AS |  | EUR 12.5 M | 2015 |
| Bond issue: adviser to Hüpoteeklaen OÜ |  | EUR 8 M | 2015 |
| Bond issue: adviser to Mainor Ülemiste AS |  | EUR 5 M | 2015 |
| Bond issue: adviser to Cofi AS (now Inbank AS) |  | EUR 5 M | 2014 |
| Bond issue: adviser to Dental Invest Estonia OÜ |  | EUR 2 M | 2013 |

THANK YOU



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