

Earnings Call Presentation

9M 2018



October 2018

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Presenter



Edgars Egle
Chief Executive Officer

- Edgars has been at Mogo Finance since 2015. Prior taking Mogo group's CEO position, Edgars held the Chief Operating Officer's position at Mogo Finance for 2 years
- He has 12 years of international managerial experience
- Edgars has 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
- Edgars holds a Master's degree in Management of Information Technology from Riga Technical University.

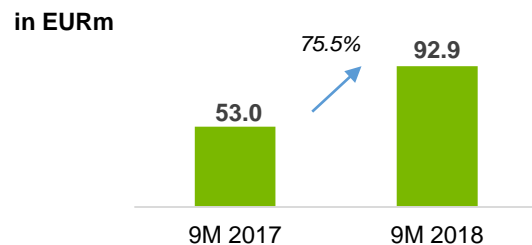


Maris Kreics
Chief Financial Officer

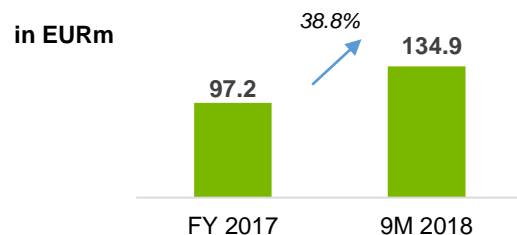
- Has been at Mogo Finance since 2015
- Maris holds a Master's degree in Finance from BA School of Business and Finance
- Before joining Mogo Finance he spent 2 years in a corporate finance role working for the biggest telecommunications service company in Latvia – Lattelecom. Before that he spent 7 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

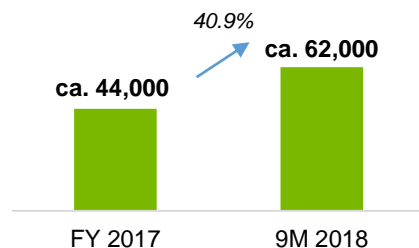
Significant growth in loans issued



Significant growth in net loan portfolio



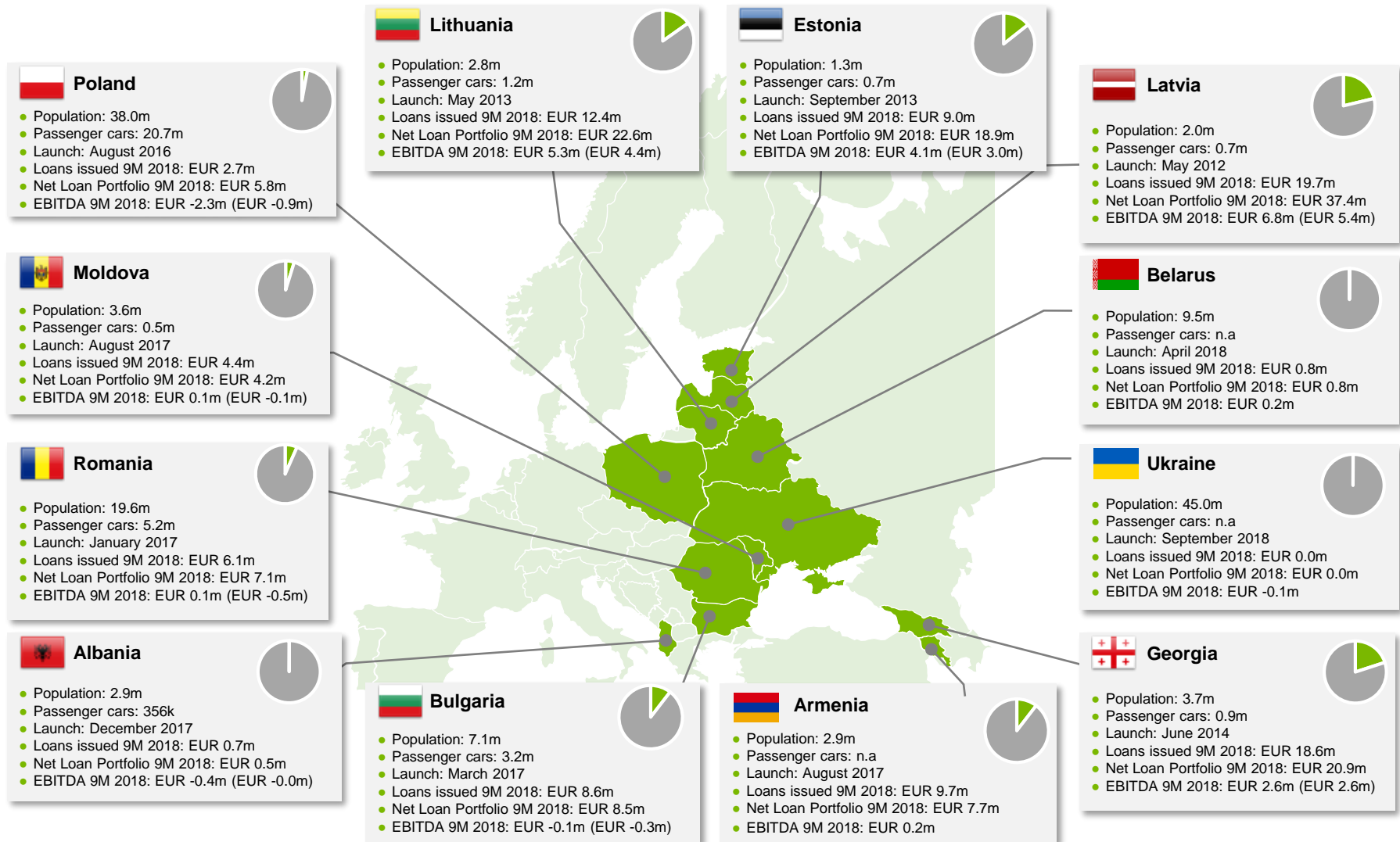
Significant growth in active customers



- Significant growth in core business with Group loans issued increasing by approx. 75.5% equaling around EUR 93m (9M 2017: approx. EUR 53m), of which EUR 63m issued in mature markets¹⁾ (9M 2017: EUR 43m)
- Consolidated number of active customers up significantly by approx. 40.9% to over 62,000 (31 December 2017: approx. 44,000)
- Launch of operations in Albania, Belarus and Ukraine, steady growth in countries launched in 2017 – Bulgaria, Romania, and Moldova – with loan demand for the most part exceeding expectations
- Operations in Armenia acquired with consolidation as of August 2018 already profitable on a monthly basis.
- Successful internal regional restructuring completed to deliver future focus, business and cost efficiencies
- Improved management efficiencies by separating car sales management from financing activities
- Optimization of financing costs to 11.2% in Q3 2018 (6M 2018: 12.3%)

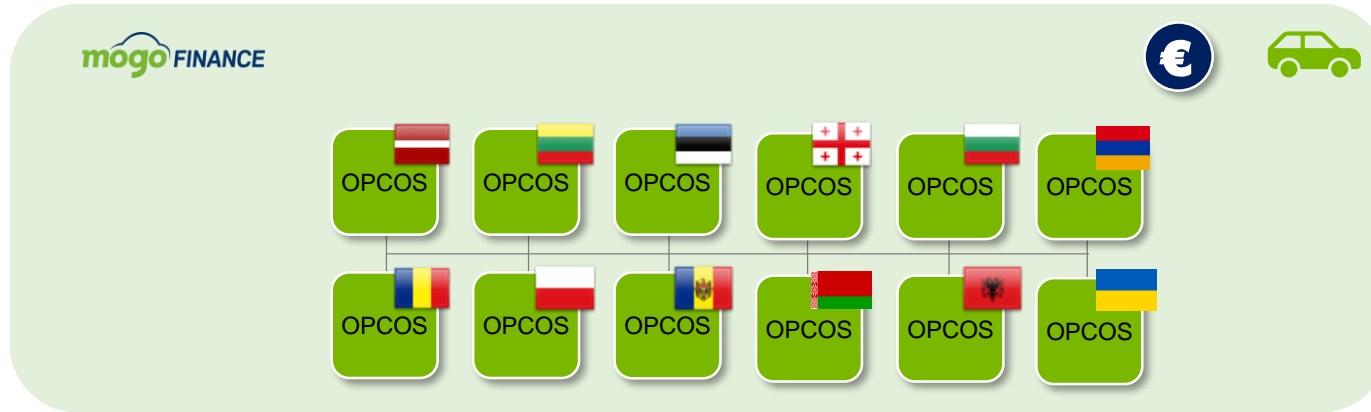
1) Mature markets are Latvia, Lithuania, Estonia and Georgia

Geographic diversification



Mogo Hubs & Longo

Organizational restructuring to improve efficiency



Former structure

- Credit risk management
- Collaterals management



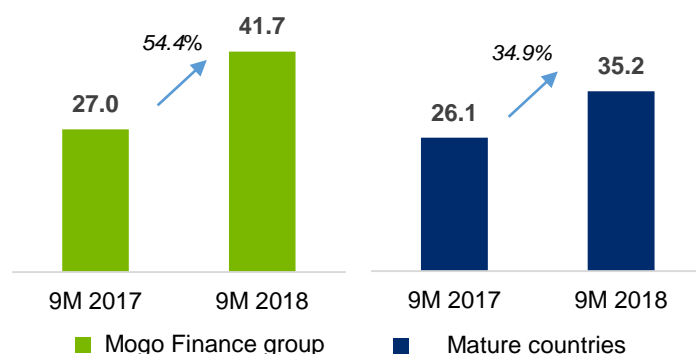
Improved management efficiency

- Focus on core competencies
 - Diversification through platform
 - Liquidity improvement
 - Reduction of main risk driver
 - Cost savings by omitting commissions
- Concentration on used car sales
- Quality management
- Client retention
- Current operations in Latvia, Estonia and Lithuania. Operations in Georgia and Armenia are picking up

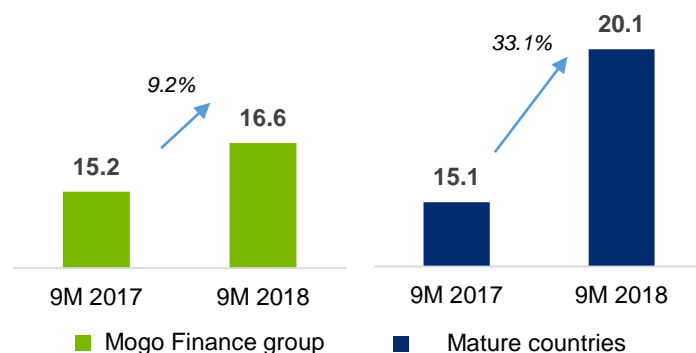
Financial highlights

Growth as targeted

Interest and similar income significantly increased



Harmonized EBITDA improved significantly ²⁾



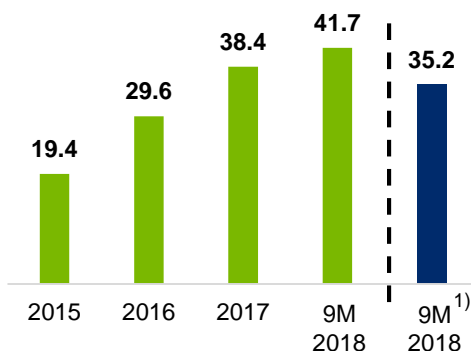
- Significant growth in interest income that correlates with Net loan portfolio increase
- Improving EBITDA by 9.2% to EUR 16.6m (9M 2017: EUR 15.2m) on the back of strong revenue growth and solid grip on costs while still growing portfolio and number of operational countries
- Optimization of financing costs to 11.2% in Q3 2018 (6M 2018: 12.3%)
- Stable loan portfolio quality: NPL 14.5% (35+DPD) of gross portfolio with provision coverage ratio of 88.4%
- Cost to income ratio:
 - Slight increase to 32.4% (9M 2017: 28.1%) impacted by new country launches and completed internal restructuring
 - Improved by economies of scale in mature countries with cost to income ratio decreasing to 22.4% (9M 2017: 28.4%)
- Strong capitalization ratio: Improved to 12.2% (2017: 11.8%).

1) Mature markets are Latvia, Lithuania, Estonia and Georgia

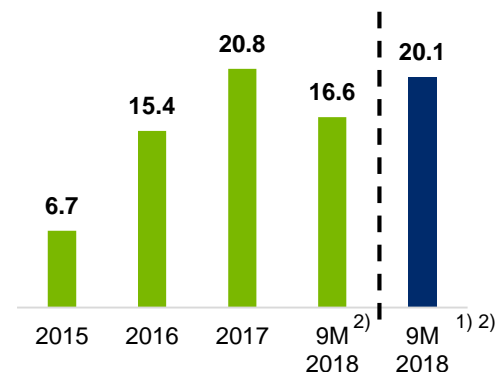
2) Harmonized for setup/restructuring costs for HUB employees and potential saving on interest expenses as if accounted for the period ended 30 September 2018 as a whole

Financial highlights

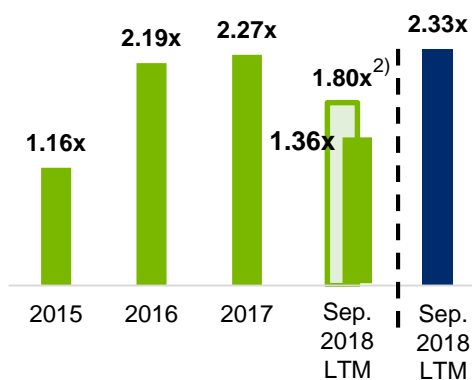
Revenue EURm



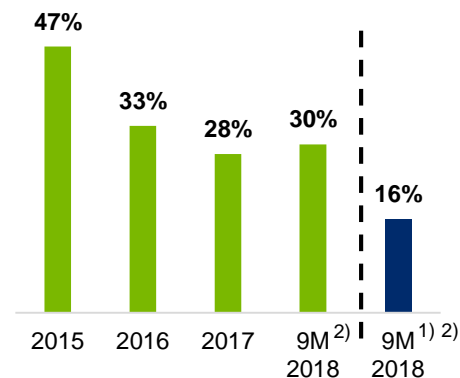
EBITDA EURm



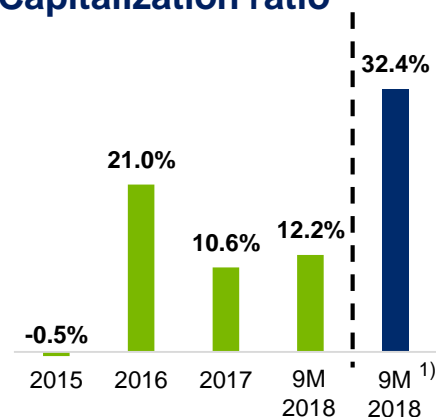
Interest coverage ratio



Cost to income ratio



Capitalization ratio



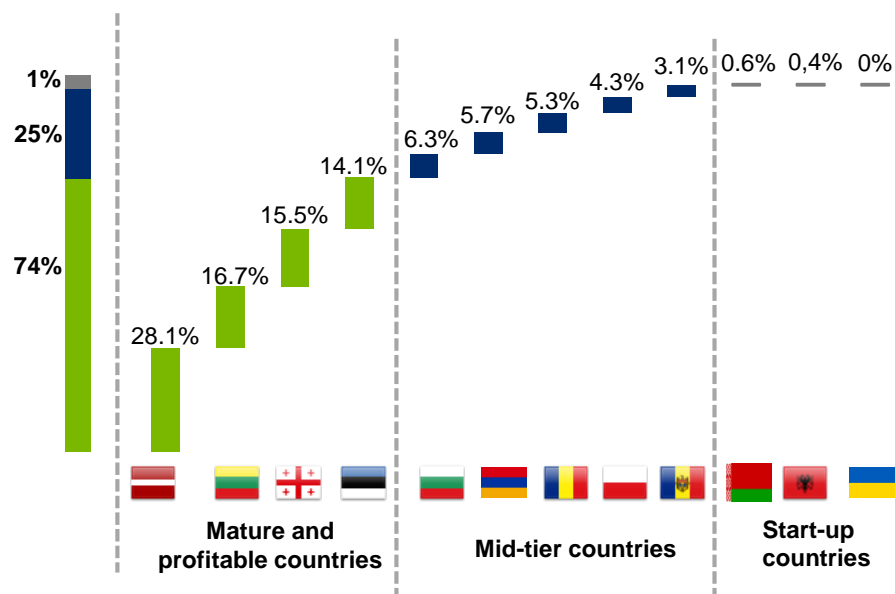
1) Including mature countries (Latvia, Lithuania, Georgia and Estonia) only

2) Harmonized for setup/restructuring costs for HUB employees and potential saving on interest expenses as if accounted for the period ended 30 September 2018 as a whole

Diversified loan portfolio

Net loan portfolio by country

30.09.2018



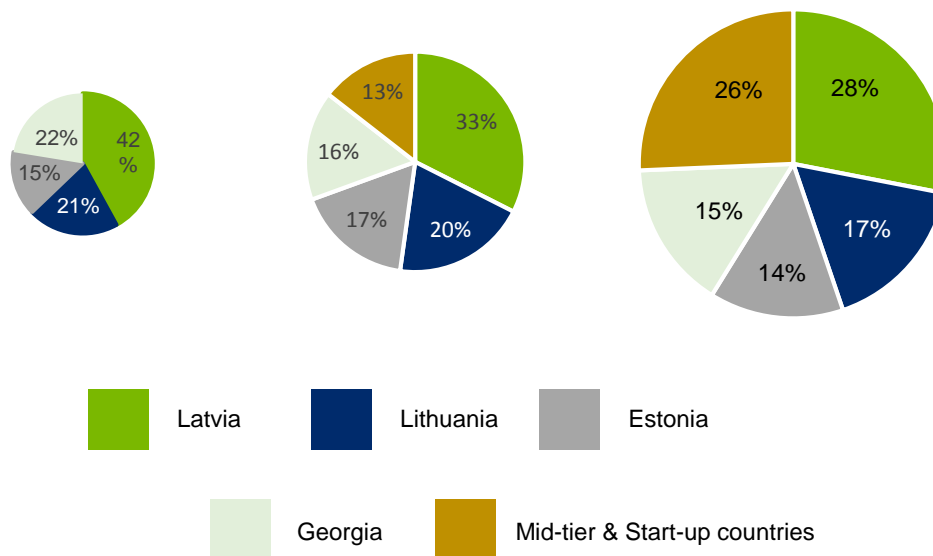
Share of recently launched countries (Romania, Bulgaria, Moldova, Poland, Albania, Belarus, Armenia and Ukraine) in portfolio increasing, as operations mature

Net loan portfolio diversification

2015: EUR 56.1m

2017: EUR 97.2m

30.09.2018: EUR 134.9m

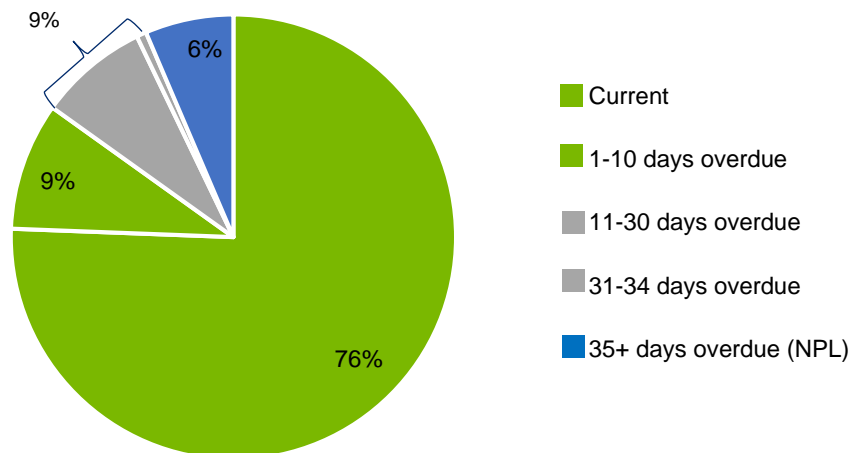


Diversifying the risk with sustainable growth through geographical expansion

Non-performing loans and provisioning

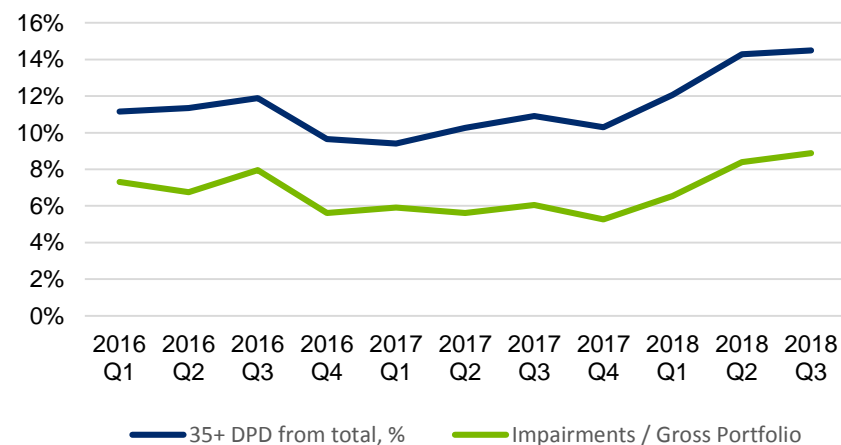
Net loan portfolio quality analysis

30.09.2018



- Conservative internal NPL definition
- Performing loan portfolio “current” and “1-10 days overdue” is equal to 85%
- Prudent impairment policy, with effective impairment rate of 9% from gross loan portfolio
- Provision coverage (total provisions/gross NPL) ratio 88%
- IFRS 9 full adoption and full provisions taken into account

NPL (35+ DPD) & impairments from gross loan portfolio ¹⁾

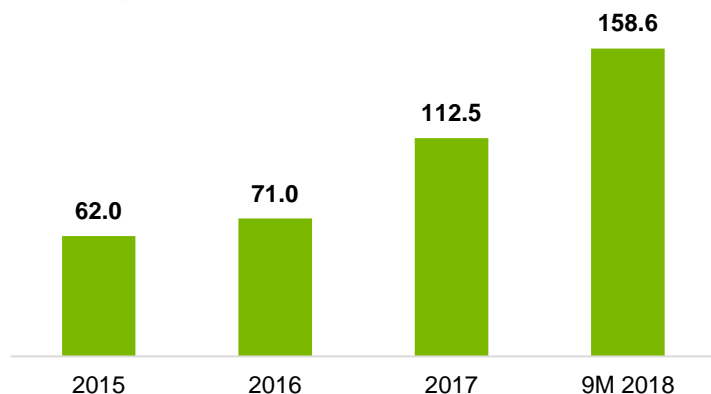


- NPL ratios in line with targeted ratios
- Profit maximizing strategy for mature countries with improved scorecards
- Start-up countries and mid-tear countries in process of scoring model improvements for profit maximization

1) Gross loan portfolio = Net loan portfolio + Provisions

Assets & Liabilities

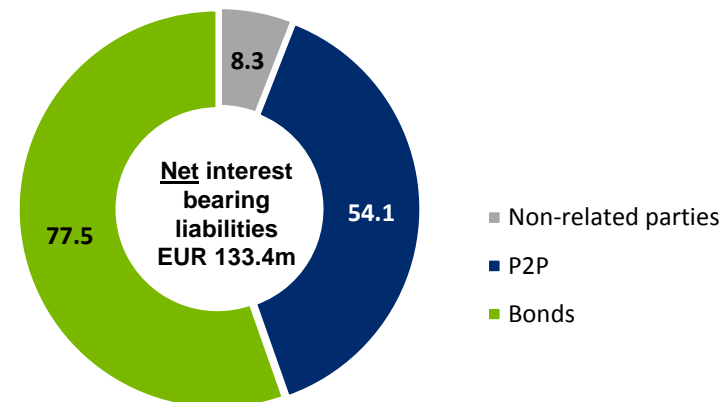
Assets, EURm



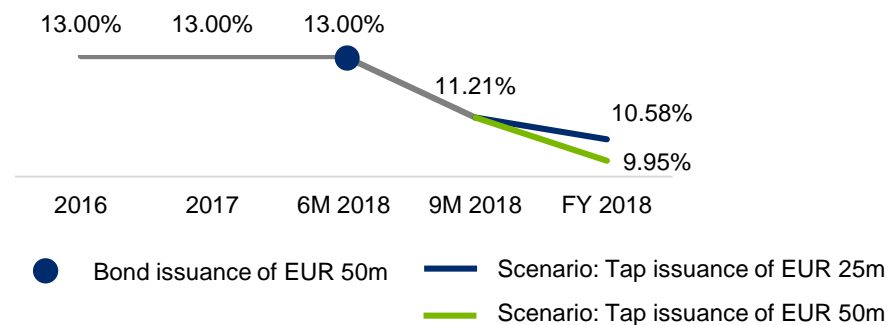
	2015	2016	2017	9M 2018
Cap ratio	-1%	20%	12%	12%

- 90% of assets consists of net loan portfolio and cash
- Simple and clear structured balance sheet
- Reducing funding costs
- Improving capitalisation

Liabilities, EURm



Average cost of borrowing



Strategy



Summary

- Strong growth of assets with good asset quality
- Solid financial performance - especially in mature countries
- Bonds to replace more expensive P2P funding
- Everything is set-up for profitable and controlled growth
- Sustainable business model



Appendix

Legal (operational) structure



1) Not yet a part of the consolidated group

Balance sheet

Assets, EURm	2015	2016	2017	9M 2018	Equity & Liabilities, EURm	2015	2016	2017	9M 2018
ASSETS					EQUITY				
Intangible assets	0.7	1.1	1.2	3.2	Share capital ¹⁾	0.0	0.0	0.0	0.1
Property plant and equipment	0.6	0.5	0.4	0.9	Share premium	2.0	10.0	0.0	0.0
Finance lease receivables	35.0	42.3	63.9	88.5	Reserves	0.0	0.0	0.1	0.0
Instalment loan portfolio (long term)	0.0	0.0	0.7	1.3	Foreign currency translation reserve	0.0	(0.5)	(0.5)	(0.4)
Deferred tax	0.5	0.2	0.2	0.8	Retained earnings	(2.4)	3.0	11.5	13.8
Other non-current assets	1.5	1.9	2.0	4.7	Non-controlling interest	0.0	0.2	0.4	0.4
Total non-current assets	38.3	45.7	68.5	99.4	Subordinated borrowings	0.0	0.0	0.0	2.5
Cars for resale	0.0	0.0	0.8	1.9	TOTAL EQUITY	(0.4)	13.2	11.5	16.4
Finance lease receivables	21.2	21.5	32.1	43.8	LIABILITIES				
Instalment loan portfolio (short term)	0.0	0.0	0.5	1.3	Non current borrowings	59.0	51.9	70.8	121.3
Repossessed vehicles	0.0	1.1	2.2	1.5	Total non-current liabilities	59.0	51.9	70.9	121.3
Other receivables	1.7	0.5	3.1	4.2	Current borrowings	1.7	3.4	25.8	16.3
Cash and cash equivalents	0.7	2.2	5.2	6.5	Other liabilities	1.6	2.6	4.2	4.6
Total current assets	23.7	25.4	44.0	59.2	Total current liabilities	3.4	6.0	30.0	20.9
TOTAL ASSETS	62.0	71.0	112.5	158.6	TOTAL LIABILITIES	62.4	57.9	100.9	142.2
					TOTAL EQUITY + LIABILITIES	62.0	71.0	112.5	158.6

1) Share capital in 2016 & 2017 of EUR 31,036

Income statement

Group financials, EURm	2015	2016	2017	9M 2018	9M 2017
Interest and similar income	19.4	29.6	38.4	41.7	27.0
Interest expense and similar expenses	(5.8)	(7.2)	(9.4)	(12.5)	(6.5)
Net interest income	13.6	22.4	29.0	29.2	20.5
Impairment expense	(3.6)	(4.2)	(6.9)	(13.3)	(5.1)
Loss arising from cession of financial lease receivables	(0.0)	(0.4)	(0.2)	0.0	0.0
Selling expense	(1.8)	(1.3)	(1.4)	(1.5)	(0.8)
Administrative expense	(7.4)	(8.6)	(9.3)	(12.1)	(6.8)
Other operating income	0.1	0.1	0.2	3.8	0.3
Other operative expenses	(0.4)	(0.4)	(0.6)	(3.7)	(0.3)
Other interest receivable and similar income	0.0	0.0	0.1	0.0	0.0
Other interest receivable and similar expenses	(1.0)	(0.8)	(0.9)	0.0	0.0
Profit before taxes	(0.4)	6.6	10.0	2.4	7.8
Corporate income tax	(0.4)	(1.0)	(1.0)	0.6	(0.4)
Deferred corporate income tax	0.2	(0.3)	(0.0)	(0.6)	0.0
Net profit for the year	(0.6)	5.6	9.0	2.4	7.4
Other comprehensive income	0.1	(0.0)	(0.5)	0.1	0.0
Total comprehensive income for the year	(0.5)	5.6	8.5	2.5	7.4
<i>(Adjusted) net profit</i>	<u>(0.5)</u>	<u>5.6</u>	<u>8.5</u>	<u>6.2</u>¹⁾	<u>7.4</u>

1) Harmonized for setup/restructuring costs for HUB employees and potential saving on interest expenses as if accounted for the period ended 30 September 2018 as a whole

Statement of Cash Flow

EURm	2015	2016	2017	9M 2018	9M 2017	EURm	2015	2016	2017	9M 2018	9M 2017
Cash flows to/from operating activities						Cash flows to/from investing activities					
Profit before tax	(0.4)	6.8	10.0	2.4	7.8	Purchase of property, plant and equipment and intangible assets	(1.1)	(1.2)	(0.7)	(1.5)	(0.4)
Adjustments for:						Loan repayments received	0.0	0.0	0.1	0.3	0.2
Amortisation and depreciation	0.3	0.6	0.6	0.6	0.5	Loans issued	0.0	(0.0)	(0.6)	(4.4)	(0.4)
Interest expense	5.7	6.9	8.5	13.8	5.4	Interest received	0.0	0.0	0.0	0.2	0.0
Interest income	(0.0)	(0.0)	0.0	(0.2)	0	Net cash flows to/from investing activities	(1.1)	(1.2)	(1.3)	(5.4)	(0.6)
Loss/(gain) on disposal of property, plant and equipment	(0.1)	0.4	0.0	0.0	(0.1)	Cash flows to/from financing activities					
Impairment expense	3.6	0.4	6.9	13.3	5.1	Proceeds from issue/(repayment) of share premium	2.0	0.0	(10.0)	0.0	(5.9)
(Gain)/loss from fluctuations of currency exchange rates	0.8	(0.8)	(0.9)	(0.0)	(0.2)	Proceeds from borrowings	26.4	3.1	41.2	45.5	21.1
Increase in accrued liabilities	0.1	0.5	0.9	0.0	0.0	Payments for borrowings acquisition costs	(4.9)	(0.2)	(0.4)	(6.0)	(0.1)
Operating profit before working capital changes	10.1	14.9	25.9	29.9	18.5	Interest paid	(5.7)	(7.2)	(7.8)	(9.8)	(5.1)
Increase in inventories	0.1	(0.0)	(0.8)	(1.1)	(0.2)	Securities repurchased	(2.8)	0.0	0.0	0.0	0.0
Increase in receivables	(25.8)	(6.9)	(43.6)	(51.3)	(25.7)	Net cash flows to/from financing activities	14.7	(4.4)	23.0	29.7	10.0
Increase/(decrease) in payables	0.9	(0.2)	0.4	0.6	(0.3)	Effect of exchange rates on cash and cash equivalents	0.1	(0.3)	0.1	0.0	0.0
Cash generated to/from operations	(14.8)	7.8	(18.1)	(21.9)	(7.7)	Change in cash	(1.7)	1.5	3.0	1.3	1.1
Corporate income tax paid	(0.8)	(0.4)	(0.8)	(1.1)	(0.6)	Cash at the beginning of the year	2.4	0.8	2.2	5.2	2.2
Net cash flows to/from operating activities	(15.6)	7.3	(18.8)	(23.0)	(8.3)	Cash at the end of the year	0.8	2.2	5.2	6.5	3.3

Thank you for your attention!

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