

Financial Toolbox for the future CFO's

Aare Tammemäe
December 9th, 2017



Redgate Capital

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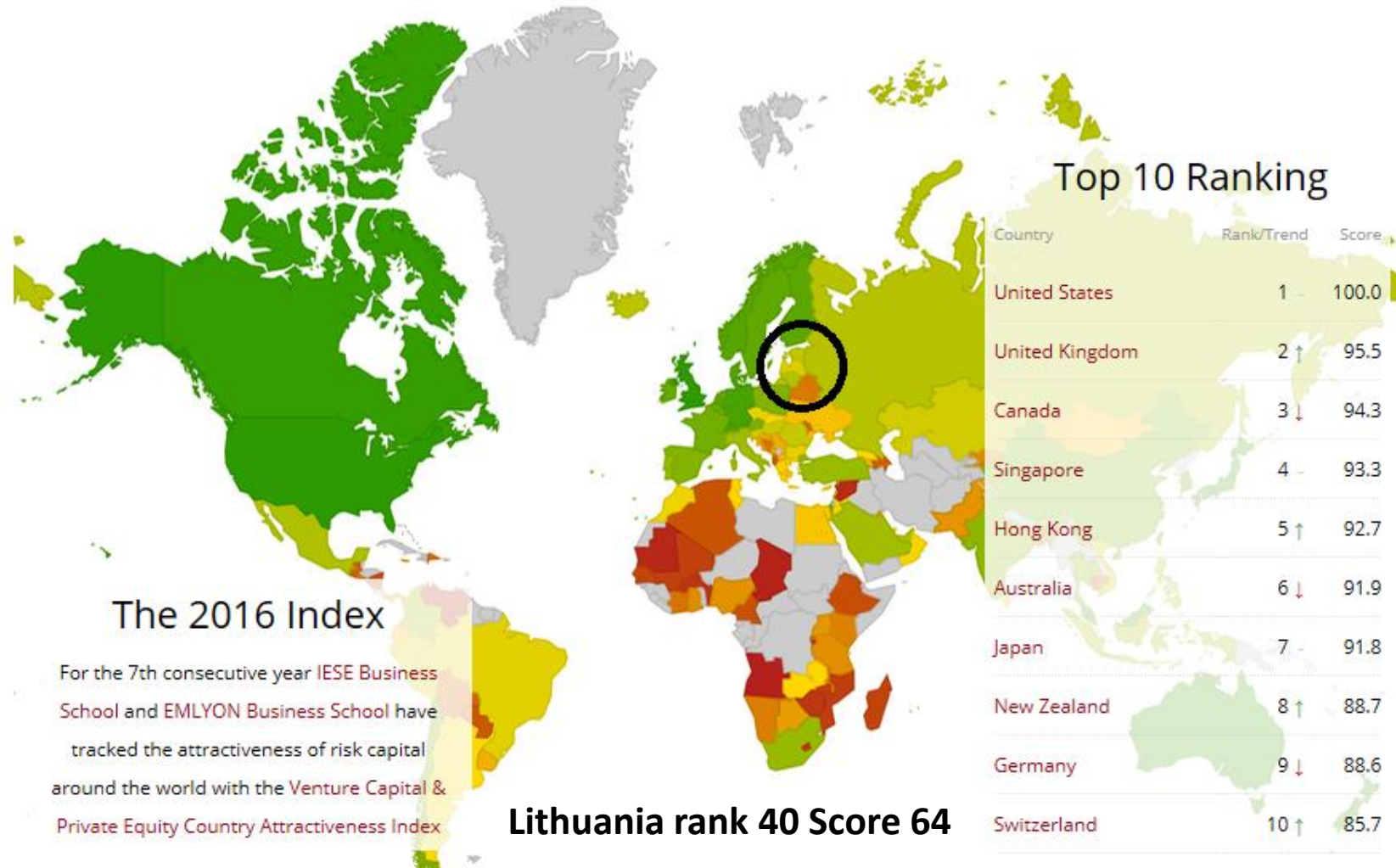
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Capital markets are the engine room of modern economies – they help to mobilize and price capital, and to hedge financial risks

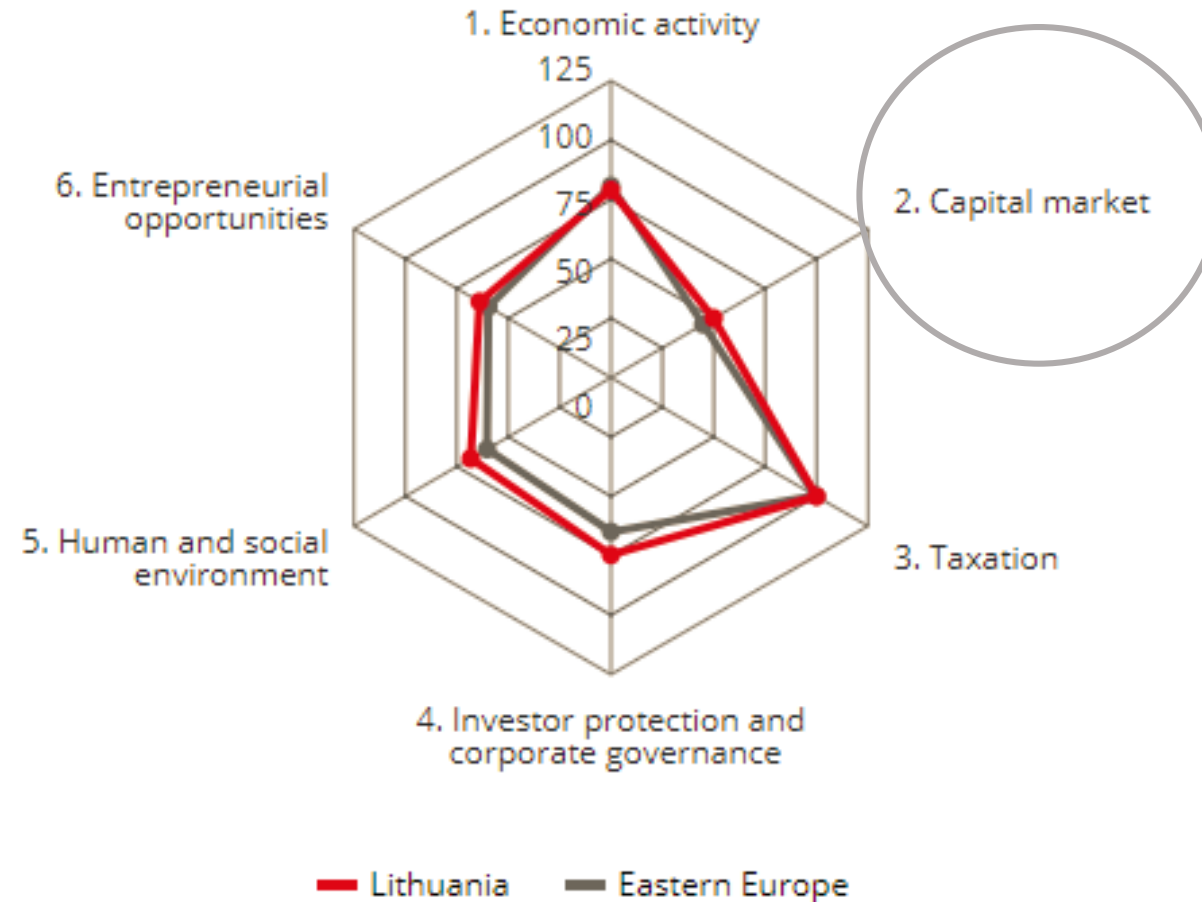


Proxy for capital markets VC & PE attractiveness index



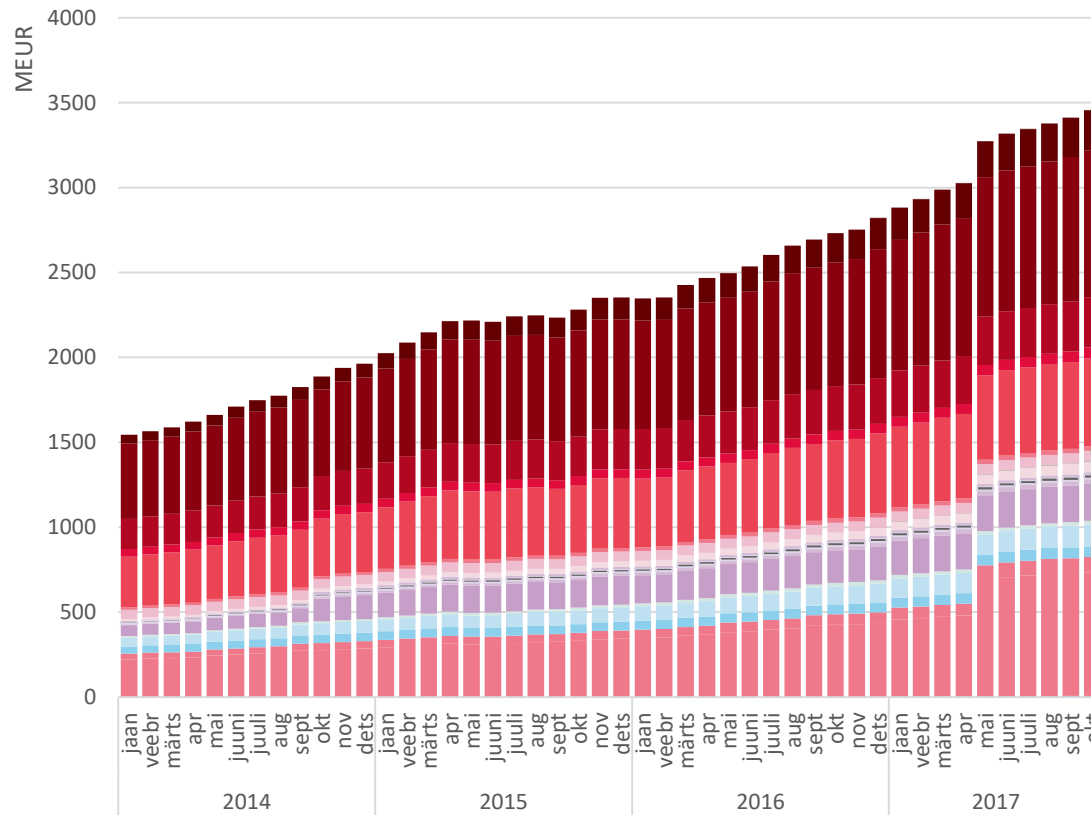
Lithuanian financial markets - what is missing?

Key driver performance, 2016

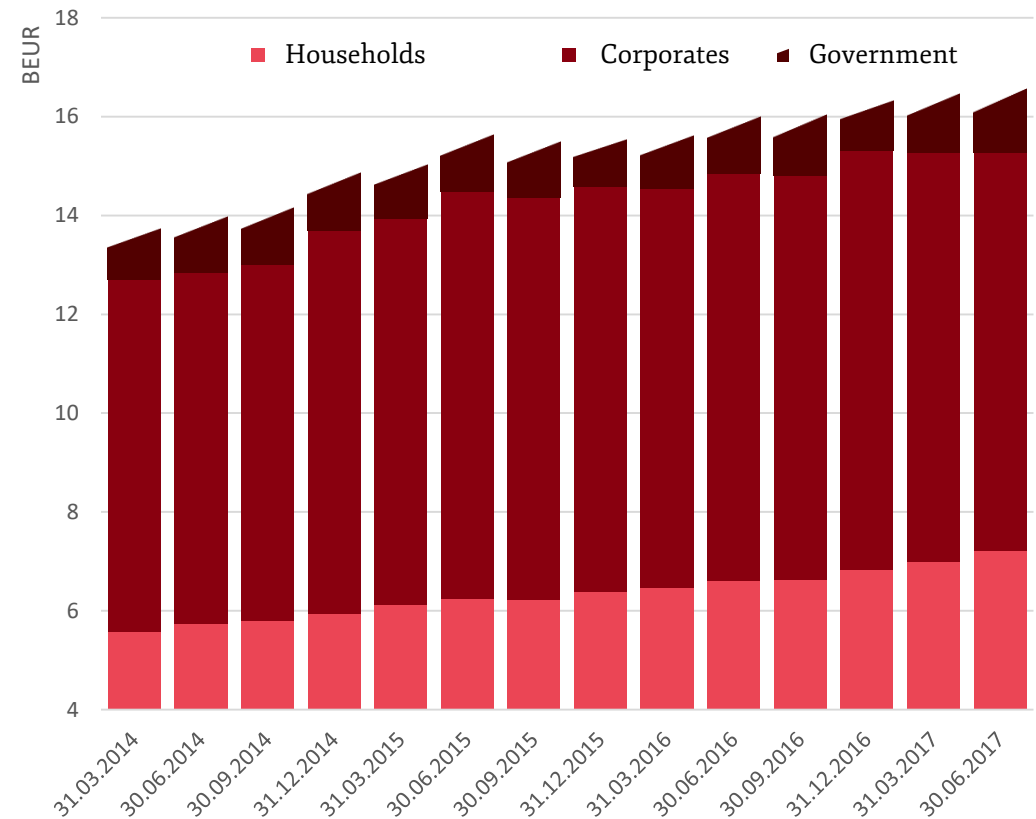


Estonian capital markets

2014-2017 AUM OF ESTONIAN PENSION FUNDS



2014-2017 TERM DEPOSIT VOLUMES IN ESTONIA

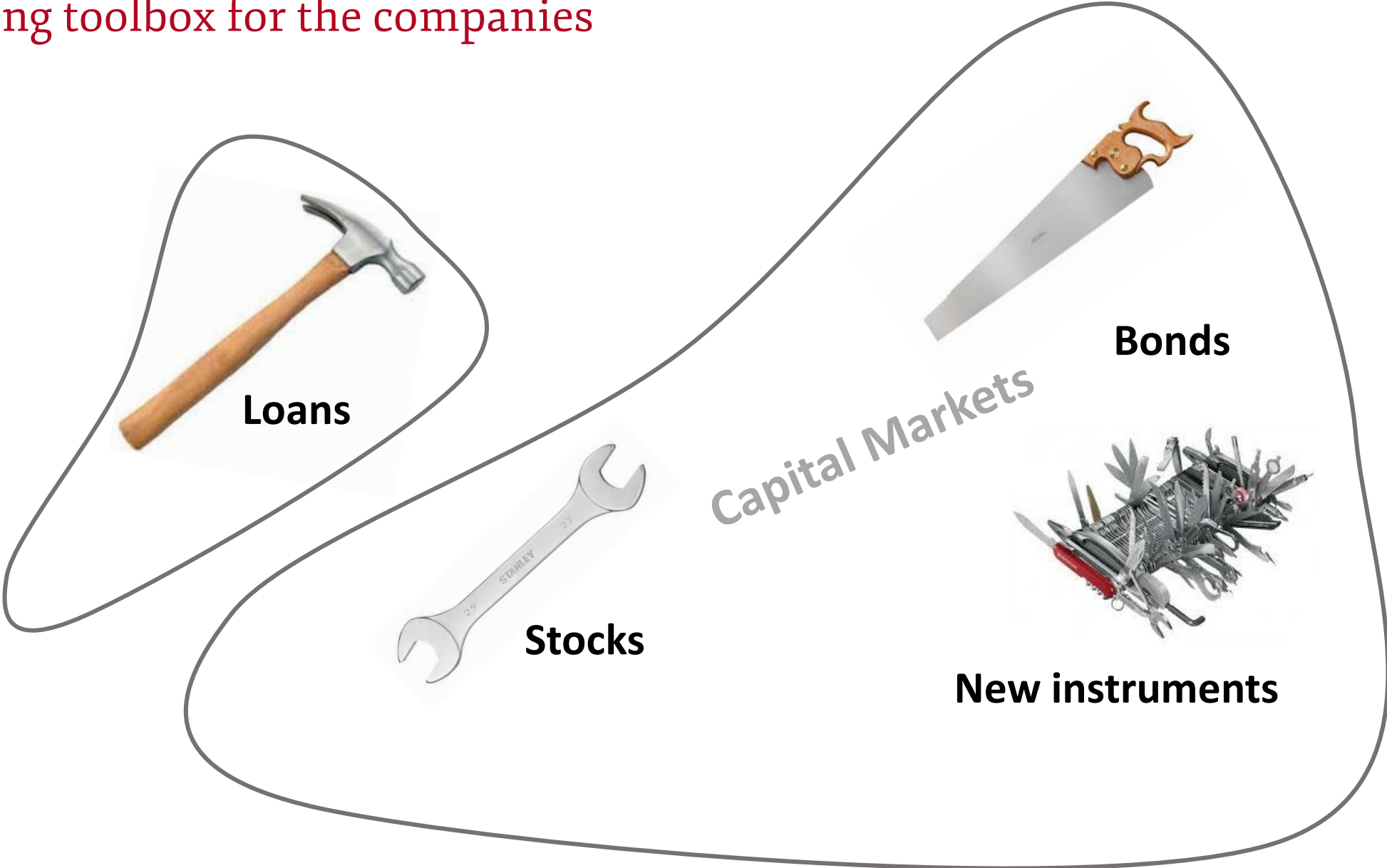


„Demand side of the market remains strong“

Financing toolbox for the companies



Financing toolbox for the companies





Loans

Estonian corporate loan book 7,3 billion euros

Interest rate for long-term bank loans 2,28%

Interest rate for short-term bank loans 3,2%

Most critical pre-conditions for banks to provide loans?

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Covenants, covenants...

.....

How to increase „bankability“ of companies?

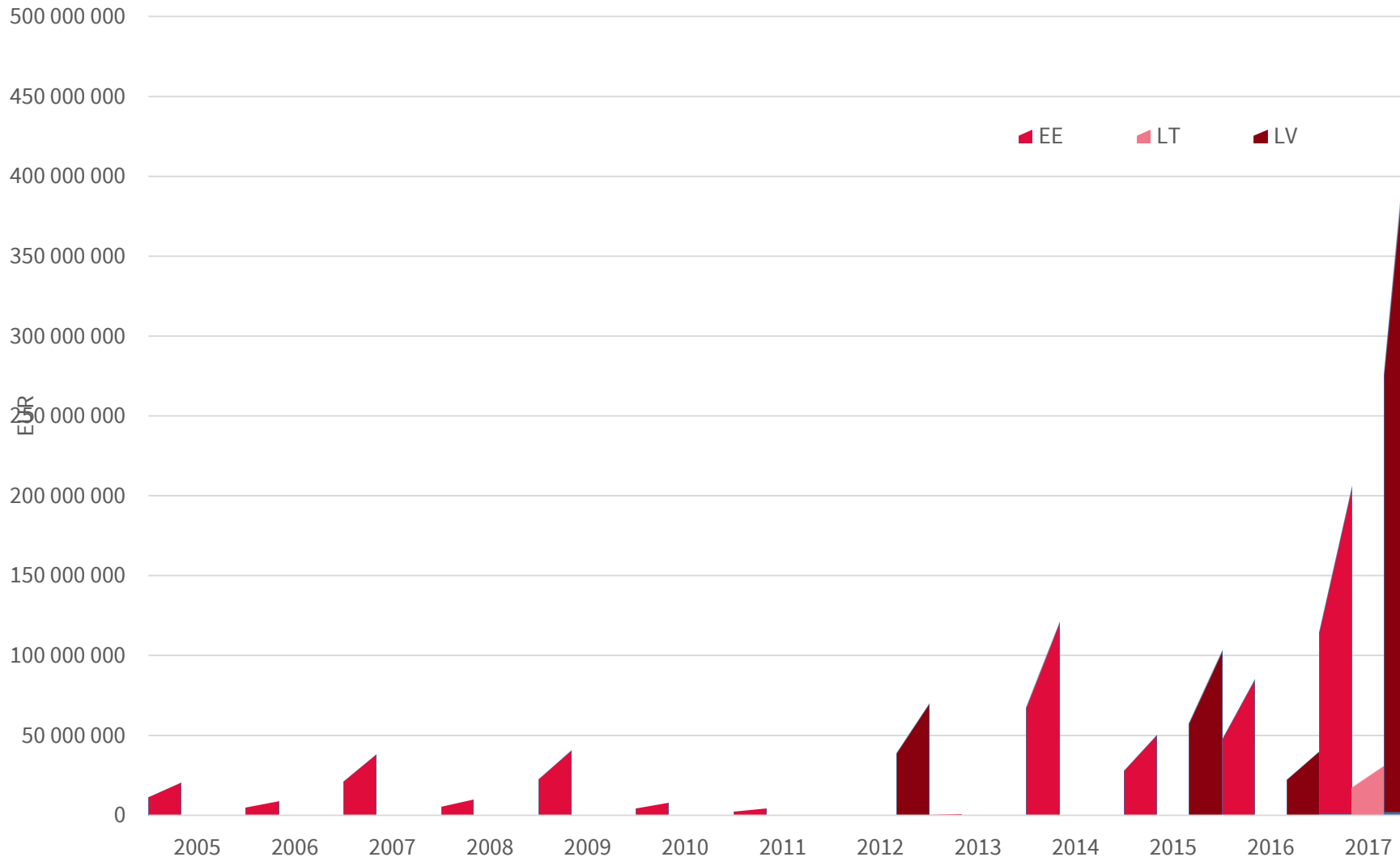
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Bonds

Baltic Corporate Bond Market Volumes

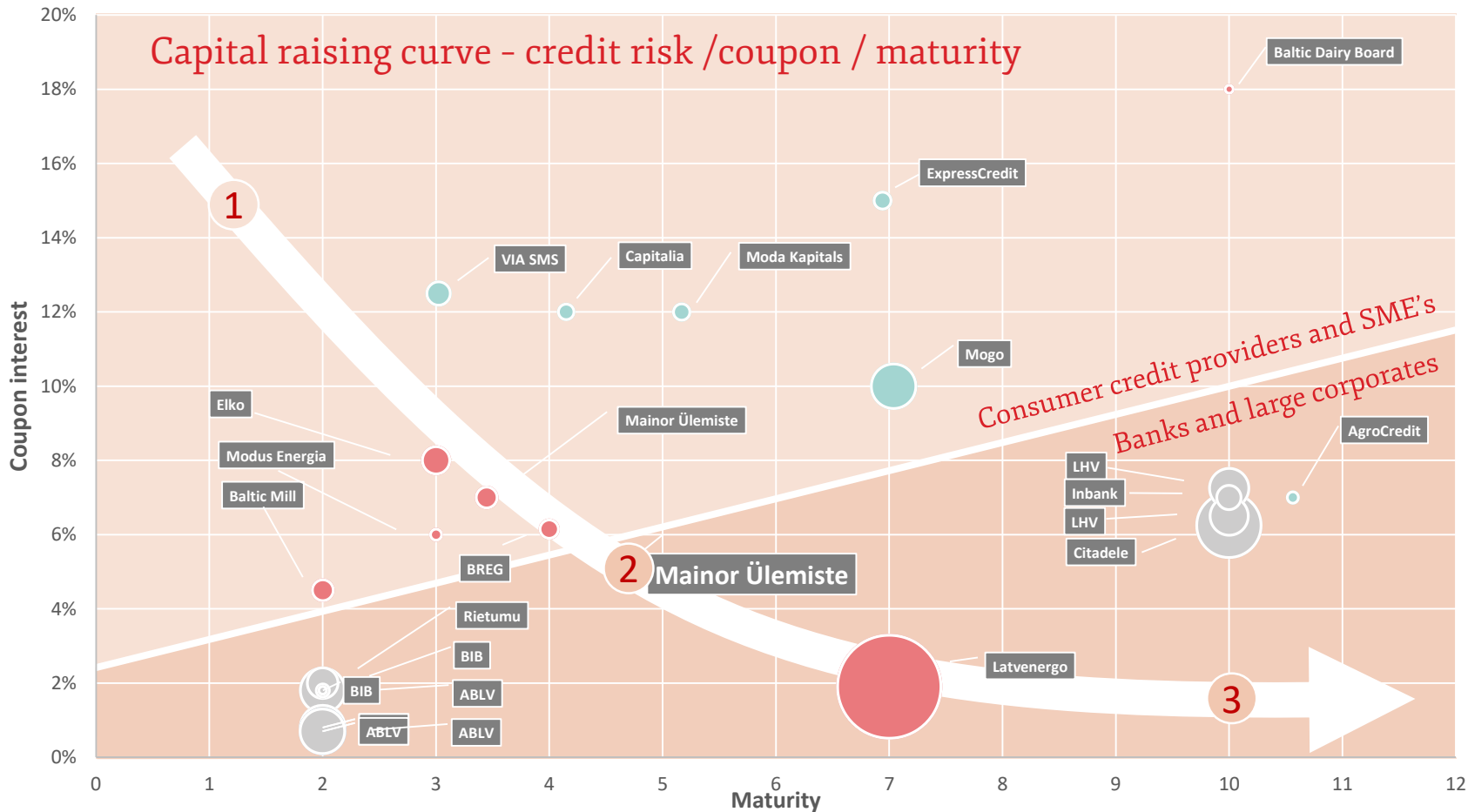
BONDS DENOMINATED IN EUR ISSUED IN BALTICS 2005-2017 (CORPORATE BONDS)



SUMMARY

- Both amount on new bond issues and total nominal value has been increasing
- In 2017, market sentiment has been mostly been driven by LV banking sector:
 - ABLV
 - BlueOrange
 - Norvik
 - Rietumu
- Corporate bond market in Estonia

Listed Corporate Bond market in the Baltics



Different type of capital is required for different stages of development

1. No bank financing available
2. Bank financing together with capital market instruments
3. Capital markets provide same or even better terms than bank financing

- Non-bank Consumer credit providers
- Banks
- Other corporates

Baltic Corporate Bond Market Volumes

2017 TOP 15

ESTONIA	
Issuer	Nominal value
Riigi Kinnisvara Aktsiaselts	45,000,000
FMLA OÜ	30,500,000
Exwise Oy	30,000,000
OÜ Transpordi Varahaldus	23,750,000
auto24 AS	16,155,050
Creditstar International OÜ	10,500,000
AS luteCredit Europe	7,500,000
Aktsiaselts PlusPlus Capital	7,000,000
Vega Residents OÜ	6,500,000
UPP Olaines OÜ	6,215,000
UPP & CO KAUNO 53 OÜ	4,700,000
Loanstream SV1 OÜ	3,000,000
AS Baltika	2,778,125
Mainor Ülemiste AS	2,650,000

LATVIA	
Issuer	Nominal value
ABLV Bank AS	205,000,000
BlueOrange Bank AS	53,200,000
BBG AS	33,128,000
Leonor Invest LP	24,500,000
NORVIK BANKA AS	24,300,000
AS Attīstības finanšu institūcija Altum	20,000,000
Mogo AS	20,000,000
TWINO SIA	17,710,000
European Lingerie Group AS	11,000,000
AgroCredit Latvia SIA	10,000,000
New Hanza Capital AS	10,000,000
Rietumu Banka AS	10,000,000
Storent Investments AS	10,000,000
ELKO GRUPA AS	8,000,000

LITHUANIA	
Issuer	Nominal value
UAB "EBV FINANCE"	8,664,400
UAB'SME FINANCE'	3,960,000
AB "BALTIC MILL"	3,000,000
UAB'BROLIS SEMICONDUCTORS' UTIISIB "PROSPERUS STARTEGIC RE FUND"	2,721,804
UAB'SUTELKTINIO FINANSVIMO FONDAS'	2,140,000
BNP FINANCE, AB	1,900,000
UAB DEBITUM FORI	1,336,400
UAB "PILAITĖS TERSOS II"	1,030,000
UAB'INVESTICIJŲ VALDYMAS"PROSPERUS"	1,000,000
UAB'ĮMOKA LEGVAI"	988,800
UAB "Polenera"	967,600
AB SEB BANKAS	538,215
AB'UKMERGĖS GELŽBETONIS'	376,506

„LHV pension funds“

„Banks“

„Consumer Credit“

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„Consumer Credit“

5,23 billion eurot (Baltics)

Ca 300 million new bond issues per year
(listed and non-listed, without banks)

Coupon interest 6-15% for bonds, why so high?

.....

Covenants, covenants...

.....

Which companies will benefit from issuing high-yield bonds?

.....



Stocks

7,3 billion euros (Nasdaq Baltic market cap)

2,5 billion euros Nasdaq Tallinn market capitalization

Last IPO in 2016 – LHV share issue of 14 mln eur
(46 mln eur total subscription; 5 456 investors)

Expected return over 15%, why?

.....

Shareholding structures...

.....

Which companies would benefit from issuing stocks?

.....



New Instruments

Alternative fund raising platforms



37 MEUR, 9147 investors, avg return 12,5%

24 MEUR, 16795 investors, avg return 27%

Takeaway

- Bankloans still important tool in the toolbox
 - Traditional businesses (asset heavy, solid cash flows)
 - Investment loans, working capital loans
 - Acquisition financing, incl leveraged buy-outs
 - *Key challenges: how to combine with bonds? And crowdfunding?*
- Capital Markets Instruments
 - Private Equity funds
 - Mezzanine funds
 - Corporate bonds (high-yield, blue chip). Prospectus directive changes helps SME's
 - IPO's (privatization, private companies)
 - *Key challenges: low exit potential for investors, liquidity, trust*
- New growth capital instruments
 - Crowdfunding, Peer-to-peer
 - ICO?
 - *Key challenges: listing, trust*

„Public Offerings“

„Prospectus Directive“

2018

„Strong institutional demand“

„Privatizations“



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