



# URBAN HUB KAUNAS BOND ISSUE

Kaunas, Lithuania

INVESTMENT MEMORANDUM

September 2023



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THE INFORMATION WITH RESPECT TO ANY PROJECTIONS PRESENTED HEREIN IS BASED ON A NUMBER OF ASSUMPTIONS ABOUT FUTURE EVENTS AND IS SUBJECT TO SIGNIFICANT ECONOMIC AND COMPETITIVE UNCERTAINTY AND OTHER CONTINGENCIES, NONE OF WHICH CAN BE PREDICTED WITH ANY CERTAINTY AND SOME OF WHICH ARE BEYOND THE CONTROL OF THE COMPANY. THERE CAN BE NO ASSURANCES THAT THE PROJECTIONS WILL BE REALISED, AND ACTUAL RESULTS MAY BE HIGHER OR LOWER THAN THOSE INDICATED. NONE OF THE COMPANY NOR ITS SHAREHOLDERS, DIRECTORS, OFFICERS, EMPLOYEES, LEAD MANAGER, ADVISORS OR AFFILIATES, OR ANY REPRESENTATIVES OR AFFILIATES OF THE FOREGOING, ASSUMES RESPONSIBILITY FOR THE ACCURACY OF THE PROJECTIONS PRESENTED HEREIN.



**EXECUTIVE SUMMARY**

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**OVERVIEW OF URBAN HUB KAUNAS**

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**OVERVIEW OF THE DEVELOPER**

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**TERMS AND CONDITIONS**

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**OVERVIEW OF RISKS**

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# EXECUTIVE SUMMARY

**UAB Urban hub investments (the “Company”) controlled by UAB SBA Urban (“SBA Urban”) is looking to raise up to EUR 8m through a bond issue (the “Bonds”) to finance the development of phase I of the largest stock office+ complex in the Baltic States – URBAN HUB Kaunas.**

The landmark smart stock office campus, which is being built in three phases, will offer a total of 74,000 m<sup>2</sup> of sustainable, modern, easily modifiable and interconnected premises for rent. Total investment to the project is estimated at EUR 126m and is planned to be delivered in 2027. Phase I comprises 22,000 m<sup>2</sup> and is planned to be completed in Q2 2024. Project’s general contractor is YIT Lietuva. Project targets BREEAM In-use Excellent certification and A++ energy efficiency class.

Project is developed by **SBA Urban** – leading Lithuanian real estate developer, focused on sustainable office, industrial, logistics, and residential projects. The company has successfully developed more than 220,000 m<sup>2</sup> since 2007, including landmark A Class office complexes – Green Hall in Vilnius (21,000 m<sup>2</sup>) and BLC in Kaunas (20,000 m<sup>2</sup>). SBA Urban’s consolidated asset value for year 2022 is ca EUR 188m with equity value of ca EUR 90m. SBA Urban is part of SBA Group which operates in furniture, apparel, and real estate sectors. SBA Group’s turnover for 2022 is EUR 400m+, it employs 4,000+ personnel and exports to 50+ countries.

## Summary of the terms

Issuer	UAB Urban hub investments
Issue size	Up to EUR 8m (multiple tranches)
1 <sup>st</sup> tranche	EUR 5m (with the possibility to increase the amount up to EUR 8m)
Maturity	5 October 2025
Interest rate	10.75% p.a., 30E/360 (quarterly payments)
Type of placement	Public offering in Lithuania, private placement in Latvia, Estonia and other EU countries
Lead Managers	AS Redgate Capital and Šiaulių bankas AB
Trustee	Audifina
Legal adviser	Ellex Valiūnas
Settlement and escrow agent	Šiaulių bankas AB



# KEY INVESTMENT HIGHLIGHTS



## STABLE GROWTH OF BUSINESS AND FINANCIAL PERFORMANCE

SBA Urban has demonstrated remarkable stability in its business operations and consistent growth over the years. SBA Urban's consolidated asset value for year 2022 is EUR 188m, with shareholder's (SBA Group) capital value at EUR 90m. Company owns fully-occupied A Class business centres Green Hall in Vilnius and BLC in Kaunas, as well as strong pipeline of development projects. Stable growth, diversified business segments, strong financial health, strategic partnerships, and capable management team contribute to its overall stability and potential for long-term success.



## WELL-KNOWN DEVELOPER IN LITHUANIA

Renowned for their development of unique buildings that embody intelligent architecture, green building philosophy, and sustainability, SBA Urban is a well-known developer in Lithuania. The 40-person team behind SBA Urban consists of innovative city developers who continuously seek improved solutions by collaborating with world-renowned architects to create exceptional buildings that transform urban environments. The management's profound understanding of the industry, coupled with their agility in adapting to market dynamics, has played a pivotal role in driving the company.



## LONG-TERM EXPERIENCE IN THE REAL ESTATE INDUSTRY

SBA Urban boasts over 15 years of experience in the real estate sector, with successful developments in commercial, residential, and industrial segments. Company's focus on unique architecture, green building philosophy, sustainability, and community engagement not only reflects its future vision but also characterises its existing projects. SBA Urban built the first A+ class business centre in Lithuania, was the first to ensure 100% of the business centre's heating energy needs by using only renewable geothermal energy, was the first to use river water for cooling.



## STRONG PORTFOLIO OF SUCCESSFUL PROJECTS

SBA Urban has an impressive track record of developing over 220,000 m<sup>2</sup> successful real estate projects. These include landmark office complexes Green Hall in Vilnius, BLC in Kaunas, Inno Line industrial park near Klaipėda, and other properties. Notably, the company's Class A office complex BLC became the first business centre in the Baltics to receive a prestigious 3-star "Fitwel" certification. Green Hall office complex is also certified under BREEAM In-use Excellent. In addition to URBAN HUB Kaunas, ongoing developments include 22,000 m<sup>2</sup> URBAN HUB Vilnius, mixed-use 80,000 m<sup>2</sup> district development Urban RIVER in central Kaunas, 17,000 m<sup>2</sup> seaside resort project Urban WIND in Svencelė, and 2,700 m<sup>2</sup> prime apartment project Kopų slėnis in Palanga.





### Development as of August 2023

In May 2023, the construction of the largest stock office campus in the Baltics started.

General contractor is YIT Lithuania, a subsidiary of YIT Oyj, leading construction group in the Nordics and Baltics.

The first building's wreath will be raised on the roof in September and the installation of the unique façade will be completed shortly thereafter.

Construction completion is expected in April 2024, tenant move-in and start of operations is planned thereafter.

Source: Company's information

# LATEST DEVELOPMENTS

## Leasing

A total of ca 3,100 m<sup>2</sup> lease agreements have been signed for phases I and II of the project as of 20.09.2023. Lease agreements include contract with leading Lithuanian grocery chain IKI, subsidiary of German retail chain Rewe, for 1,730 m<sup>2</sup> sized store.

Ongoing advanced negotiation processes with large potential tenant pipeline.

## Financing

- In April 2023, EUR 11m equity investment has been attracted to URBAN HUB projects from TABA Invest – family office of well-known Lithuanian businessman and investor Tautvydas Barštys.
- Credit committee approvals from senior lender to finance phase I of the project has been obtained in September.
- Advanced negotiations stage seeking to attract an international institutional investor to the project's equity participation structure, which will apply the highest standards of corporate governance, control, financial management and sustainability.



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# SMART STOCK OFFICE CAMPUS

The largest stock office+ complex in the Baltic States, fostering synergy for successful businesses. 74,000 m<sup>2</sup> of sustainable, modern, easily modifiable and interconnected premises for rent.

Starting from Q2 2024, the landmark URBAN HUB Kaunas project, which is being built in three phases next to Kaunas Free Economic Zone, will provide much more than a flexible stock office space. The package of additional benefits includes the impressive architecture by PLH Architektė, BREEAM In-Use Excellent sustainability certificate, A++ energy efficiency rating, green areas, catering and shopping establishments. This project will also provide more than 940 parking spaces as well as fast-charging e-stations. Project is located at the intersection of two major A1 and A6 highways which ensures good site visibility and accessibility. Scale of the project will generate significant synergies between the tenants.

**URBAN HUB stands out as a distinct project tailored to meet the diverse needs of businesses engaged in retail, wholesale, and service provision. 3-in-1 premises containing showroom, storage, and office spaces can be easily modified and aligned with specific business needs.**



FLEXIBILITY



ACCESS



LARGE PARKING LOT



INDEPENDENCE



STRONG BUSINESS SYNERGY



GROCERY STORE



VISIBILITY



SUSTAINABILITY



E-STATION



# OVERVIEW OF THE DEVELOPMENT

**URBAN HUB Kaunas** is the largest stock office type business centre in Lithuania, developed according to the highest standards of sustainability and quality. Available premises for rent include stock offices with entresols, business cottages, lofts, commercial spaces, offices, and catering areas. Target tenant profile – specialised retailers and vendors, specialised service providers, groceries.

The project is developed in **three phases** with an estimated investment of around EUR 126 million. It will consist of 12 separate energy-efficient A++ class buildings, offering over 100 flexible and connectable individual premises, along with more than 940 parking spaces. The project is expected to be certified with the BREEAM In-Use Excellent sustainability certificate, which is the first and so far the only one in this segment.

## Phase I

During **phase I**, four buildings will be constructed, providing approx. 22,000 m<sup>2</sup> of leasable space. This also includes development of infrastructure such as A6 highway drive-off, parking spaces, internal roads, pedestrian and bicycle paths, as well as green areas and other small architecture. Additionally, environmental infrastructure networks such as water supply and sewage networks, heating routes, and electrical communications will be developed, which will be used by other project phases as well. YIT Lietuva has been selected as the general contractor for the construction of phase I. Completion of phase I is planned for Q2 2024 and start of tenants' operations is expected thereafter.

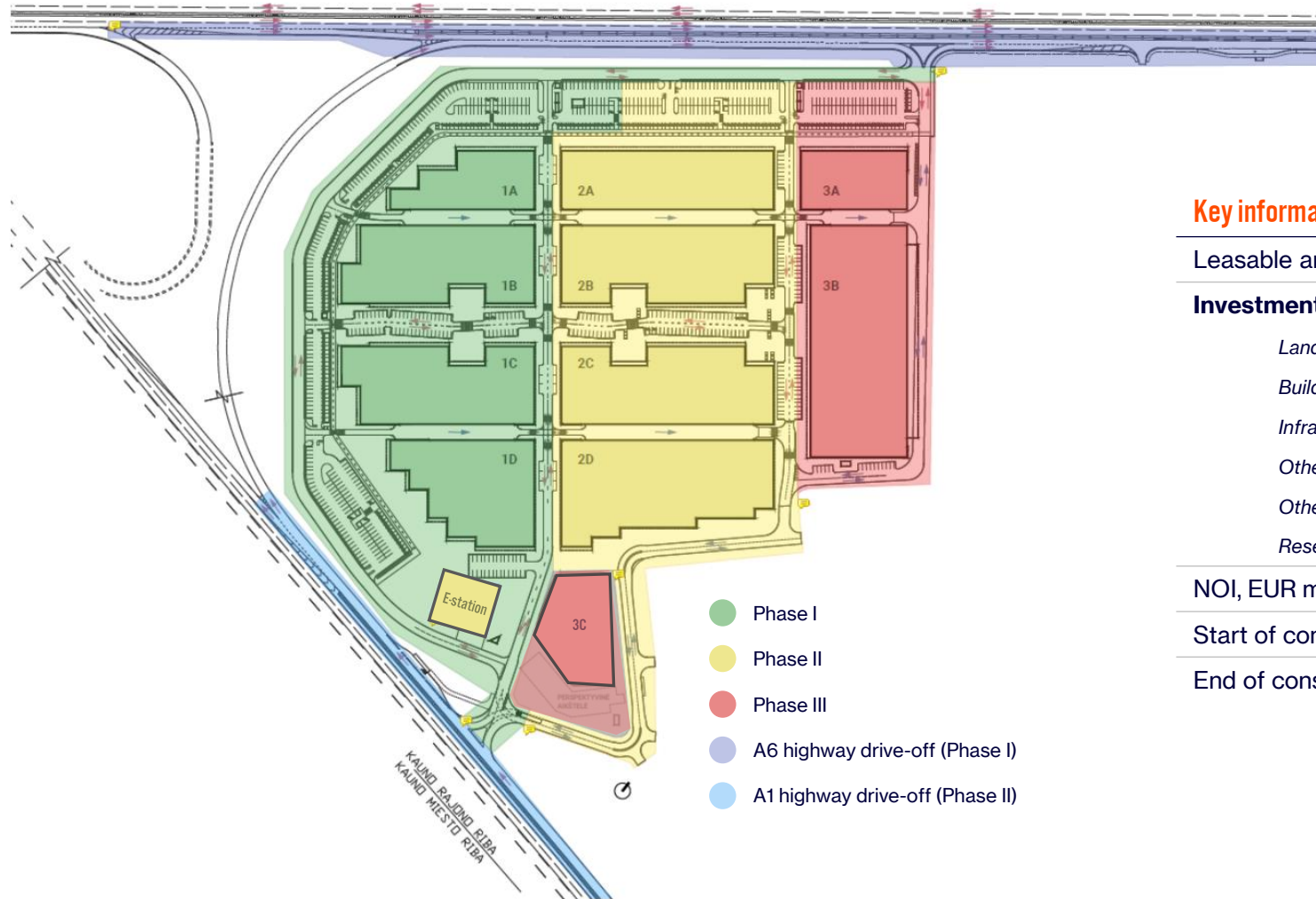
## Key information

Property type	Stock-office+ complex
Address	Veterinarų g. 4, Biruliškės, Kauno raj.
Land size	12,95 ha
Leasable area (total / phase I)	74,000 m <sup>2</sup> / 22,000 m <sup>2</sup>
Total investment (total / phase I)	EUR 126m / EUR 44m
NOI (total / phase I)	EUR 9.1m / EUR 2.4m
Parking spaces (total / phase I)	940 / 506
Start of construction (phase I)	Q2 2023
Commissioning (total / phase I)	2027 / Q2 2024
Sustainability target	BREEAM In-use Excellent, A++ energy class
Developer	SBA Urban
Project design	PLH Arkitekter (DK)
General contractor (phase I)	YIT Lietuva



Source: Company's information

# PHASING



- Phase I
- Phase II
- Phase III
- A6 highway drive-off (Phase I)
- A1 highway drive-off (Phase II)

## Key information

	<b>Phase I</b>
Leasable area, m <sup>2</sup>	22,000
<b>Investments during phase I, EUR m</b>	<b>44.0</b>
<i>Land plot cost</i>	4.7
<i>Building construction</i>	24.7
<i>Infrastructure</i>	8.5
<i>Other construction costs</i>	1.0
<i>Other costs</i>	3.0
<i>Reserve</i>	2.1
NOI, EUR m	2.4
Start of construction	May 2023
End of construction	April 2024



# URBAN HUB EXTERIOR

Smart premises that adapt to business needs:  
commerce, office, catering, and services

URBAN **HUB**





# URBAN HUB INTERIOR

Flexible use and fit-out of premises suited for a wide array of tenants

URBAN HUB



# STOCK OFFICE



## 1 Warehouse: goods distribution room

- Storage capacity
- Optimised load bearing
- Accessibility
- Integration
- Adaptability

## 2 Showroom: commercial premises

- Product presentation
- Visual appeal
- Seamless connection
- Flexibility
- Promotional activities

## 3 Office: entresol

- Administration
- Communication
- Staff collaboration
- Managerial functions
- Business operations

Source: Company's information

The image illustrates just one type of premises, available premises for rent include stock offices with entresols, business cottages, lofts, commercial spaces, offices, catering areas etc.

A stock office is a multifunctional building designed to serve as a combined showroom, warehouse and office space. This type of building integrates these three functions into a single location, providing a convenient and efficient setup for businesses that require storage, display, and administrative operations all in one place.

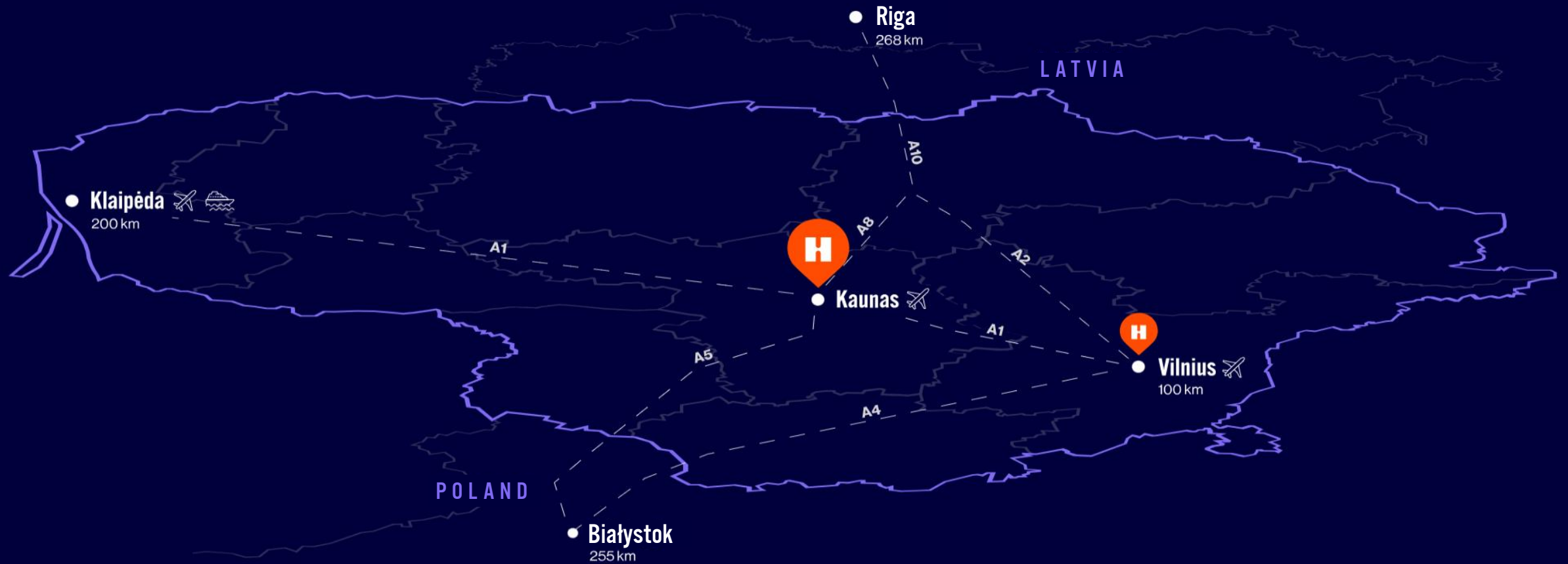
**3in1: warehouse + showroom + office**

- **Integrated functionality**
  - Streamlined operations
  - Enhanced customer experience
  - Efficient inventory management
  - Cost and time saving
  - Centralised logistics

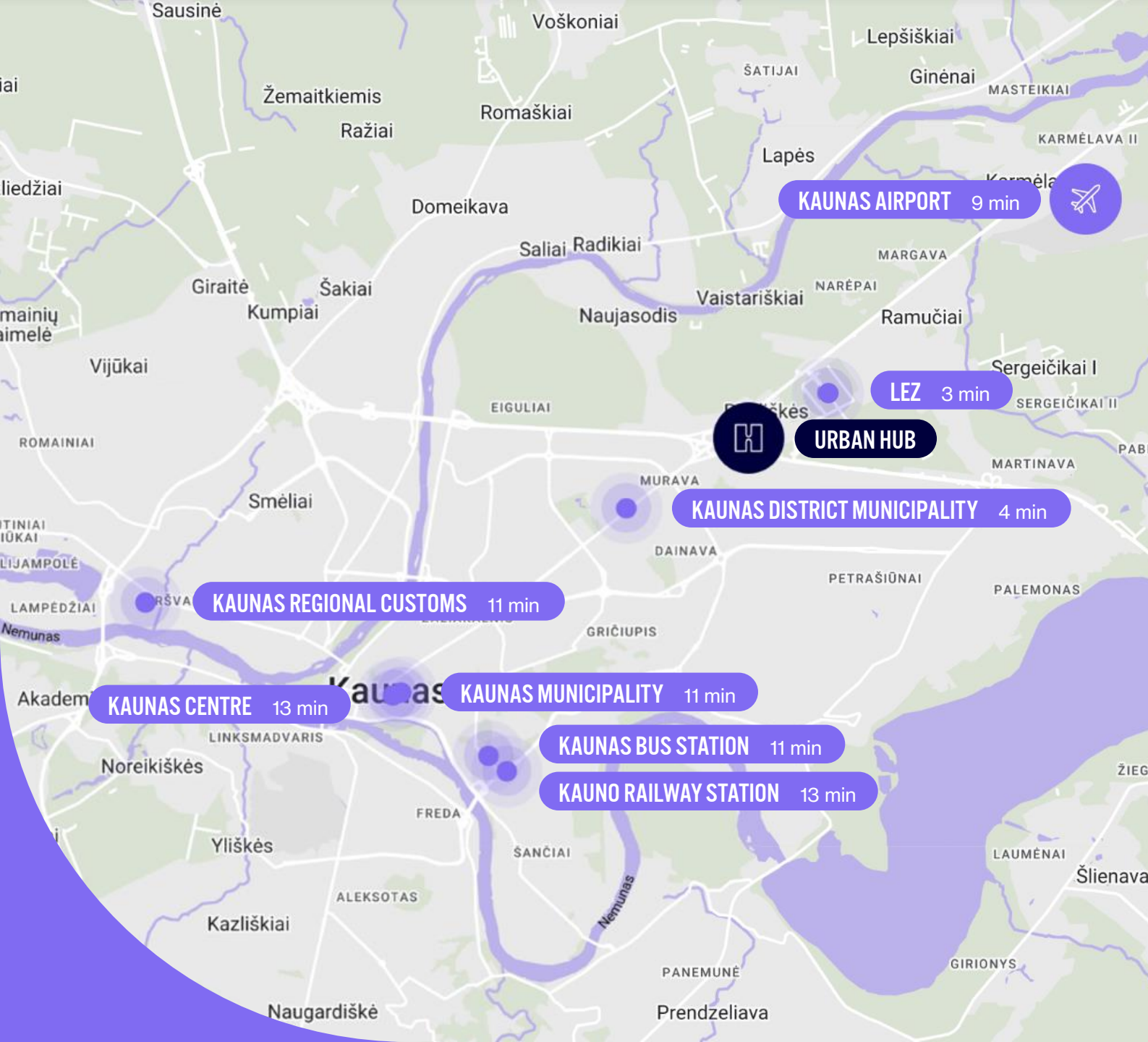


# POSITION

The synergy of URBAN HUB in Kaunas and Vilnius is strengthened by ensuring excellent accessibility via the A1 and A2 highways. The stock office campus is easily accessible by car and heavy transport with approx. a 1-hour drive to Vilnius, a 2-hour drive to Klaipėda, a 3-hour and 10-minute drive to Białystok, and a 3.5-hour drive to Riga.







# LOCATION

URBAN HUB Kaunas, located at the intersection of the A1 highway and the A6 transit road, near Kaunas Free Economic Zone can be accessed quickly and easily by car and heavy transport.

**VETERINARU G. 4, BIRULIŠKES, LITHUANIA**

Easily accessible by all transport means:



# PROJECT ASSUMPTIONS AND CASH FLOWS

Expected commercial parameters	Phase I	Expected financing structure	Phase I	Costs	Phase I
Net leasable area, m <sup>2</sup>	22,000	LTC	56%	Land plot cost, EUR m	4.7
Average rent rate, EUR/m <sup>2</sup> (excl. VAT)	9.15	Bond issue, EUR m	8.0	Development costs, EUR m	39.3
Standard lease terms	NNN, non-breakable, min. 5 years term, HICP indexation	Senior bank debt, EUR m	16.5	<b>Total, EUR m</b>	<b>44.0</b>
NOI, EUR m	2.4	Equity / equity w/o land plot, EUR m	19.5 / 14.8		
Target valuation yield	6.5%	<b>Total, EUR m</b>	<b>44.0</b>		

Phase I cash flows, EUR k	2021- 2022	2023				2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Investments	-5,949	-653	-3,196	-5,569	-14,797	-4,862	-6,431	-2,542					
EBITDA							103	255	393	544	598	598	598
Exit													36,791 <sup>1</sup>
<b>Project cash flow</b>	<b>-5,949</b>	<b>-653</b>	<b>-3,196</b>	<b>-5,569</b>	<b>-14,797</b>	<b>-4,862</b>	<b>-6,328</b>	<b>-2,287</b>	<b>393</b>	<b>544</b>	<b>598</b>	<b>598</b>	<b>37,389</b>
Bonds flow					8,000								-8,000
Bank debt flow					2,664	4,862	6,431	2,542					-16,500
Debt costs					-394	-319	-409	-491	-508	-487	-487	-484	-481
<b>Equity cash flow</b>	<b>-5,949</b>	<b>-653</b>	<b>-3,196</b>	<b>-5,569</b>	<b>-4,527</b>	<b>-319</b>	<b>-306</b>	<b>-236</b>	<b>-115</b>	<b>56</b>	<b>111</b>	<b>113</b>	<b>12,408</b>

Source: Company's information

<sup>1</sup>Planned exit valuation of fully occupied phase I buildings, together with proportional land plot and infrastructure

# LITHUANIAN ECONOMY

## Trusted environment for doing business

Lithuania, as a member of the European Union, is part of the largest single market in the world. Since 1<sup>st</sup> January 2015, Lithuania has also been a member of the Eurozone; and since 2018, a member of the OECD.

According to the latest World Bank annual rankings, Lithuania is ranked 11<sup>th</sup> among 190 economies in the “ease of doing business”. In the 2023 Index of Economic Freedom, Lithuania was ranked 20<sup>th</sup>, belonging to the group of mostly free economies. According to the latest Forbes Best Countries for Business, Lithuania is ranked 27<sup>th</sup>.

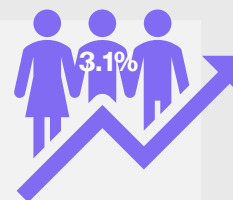
## Lithuania’s economic development and outlook

In H1 2023, GDP fell by 0.9% annually, primarily due to a decline in manufacturing. Although household consumption exhibited fragility, the worst phase is believed to have passed. Inflation is falling below disposable income growth. June’s inflation rate was 7.2%, marking less than half of the peak recorded in September 2022, and unemployment rose to 7.5%.

A moderate recovery is anticipated after a correction in the first half of the year. Further economic development is predicted due to the increasing purchasing power of households, rising investments and the improving situation of external trade partners. The purchasing power of households is projected to rise due to subsiding inflation, continuing rapid wage growth, and the 2023 national budget decisions.

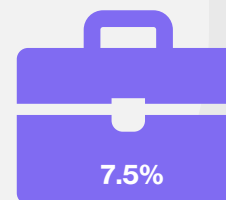
Key indicators, yoy %	2021	2022	2023F	2024F	2025F
GDP growth	6.0	1.9	-0.2	1.8	3.0
Exports	17.0	11.9	-3.4	2.3	4.6
Unemployment	7.1	5.9	7.0	7.1	6.7
Wages and salaries	10.5	13.4	11.5	8.2	7.0
Inflation	4.6	18.9	9.0	2.8	2.6

## GDP growth (2018-2022 avg.)



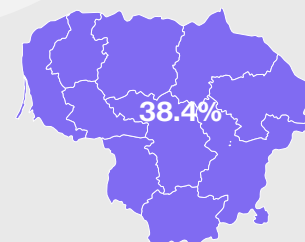
Between 2018 and 2022, the annual average real GDP growth rate in Lithuania was 3.1%. Meanwhile, the EU's average growth was 2.4%. This means that based on the average, during the last five years, Lithuania’s economy grew faster than the economy of the EU.

## Unemployment rate June 2023



The unemployment rate in Lithuania increased slightly, to 7.5% in June 2023 (it was 6.1% in December 2022). This indicator is a bit higher than the European Union’s average of 5.9%.

## Government debt (% of GDP, 2022)



Lithuania stands out in the EU for having a low level of gross government debt. In 2022, the government debt, measured as a % of GDP, was more than two times lower than the EU's average of 84.0%. Low levels of debt increases the capacity for government spending that help to soften the effects of unexpected economic shocks.



# STOCK OFFICE MARKET IN KAUNAS (1/2)

## Stock office segment in Lithuania

Stock office premises in Lithuania encompass premises that are no older than 5-6 years, tailored for small and medium-sized businesses. They provide multifunctional office, retail, and warehousing units with a separate entry from outside. The most common setups are multi-tenant projects situated adjacent to high-traffic roads, ensuring good site visibility and accessibility. However, two-tenant or single-tenant concepts are also developed. There is a wide variance in the sizes of units available for lease, ranging from several hundred m<sup>2</sup> to several thousand m<sup>2</sup> and more.

## Lease prices

6-11  
EUR/m<sup>2</sup>/month

Stock offices completed in the period of 2020-2022 offer lease prices of 6 – 8.50 EUR/m<sup>2</sup>/month. Projects currently under development offer lease price up to 11 EUR/m<sup>2</sup>/month.

## Stock office segment in Kaunas

In Kaunas region, stock office projects typically are located in the highest-density urban centres, industrial districts, and near main highways. Development of new projects was fuelled by e-commerce boom following the COVID pandemic, though the tenant profile shows significance variance between projects – from production companies, to wholesale and retail small-to-medium enterprises.

## Vacancy

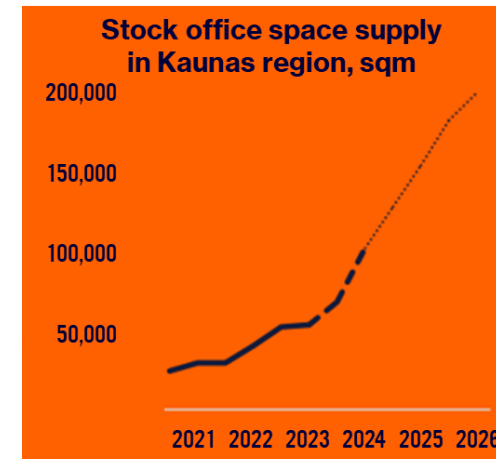
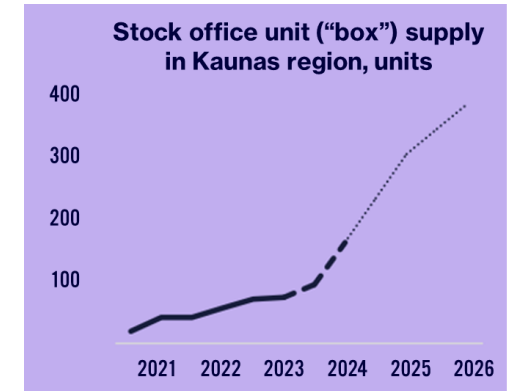
6-7%

Total vacancy in completed stock office projects in Kaunas region. Majority of projects completed have occupancy levels of 95%+.

## Stock office supply by 2024

Projects currently under development will double the amount of stock office space for lease by the end of 2024.

2x

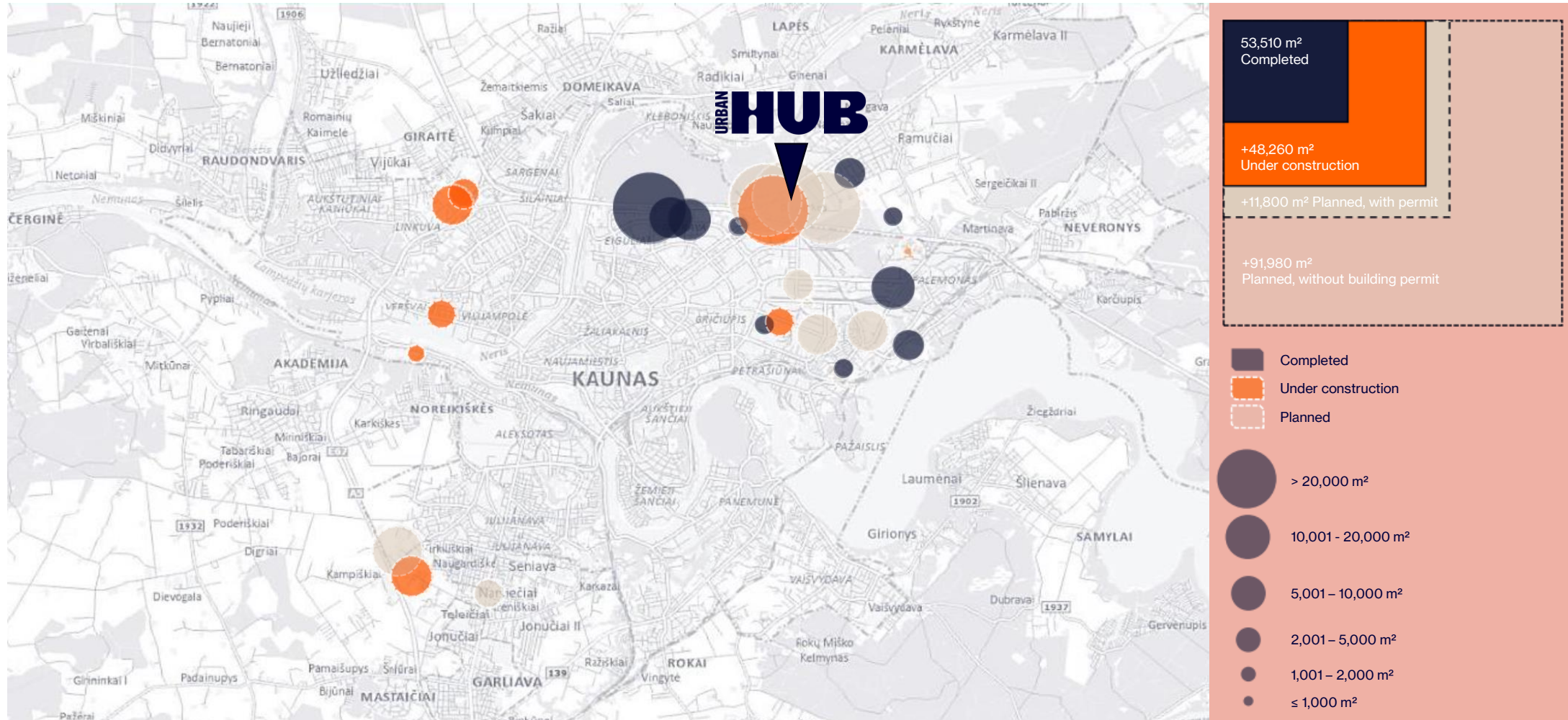


4x

## Stock office supply by 2026

Stock office space is expected to increase by a factor of 4x by 2026 if all the projects currently in the construction as well as design/planning stages are completed.

# STOCK OFFICE MARKET IN KAUNAS (2/2)





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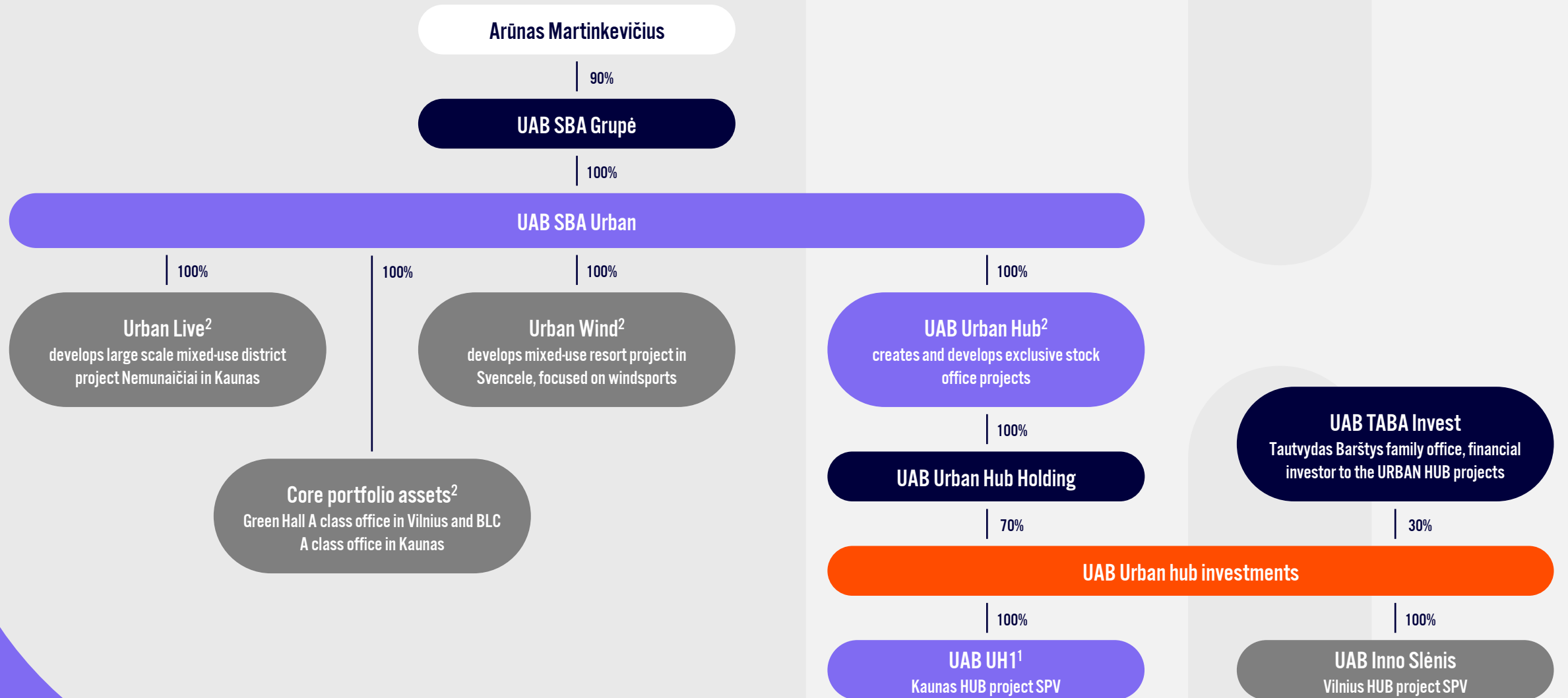
**OVERVIEW OF RISKS**

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# LEGAL STRUCTURE



Source: Company's information

<sup>1</sup>UAB UH1 will have "sister" companies UH2, UH3, UH4 – each for a further phase of Kaunas HUB project development

<sup>2</sup>For clarity, the indicated names refer to the main investment fields of SBA Urban, not the legal names of the actual companies. Only for UAB Urban Hub and its direct and indirect subsidiaries legal group structure and legal names are shown

# SBA URBAN

Invent Everyday, for the Better

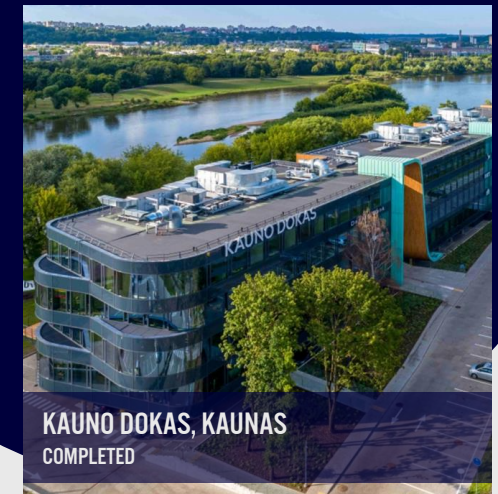
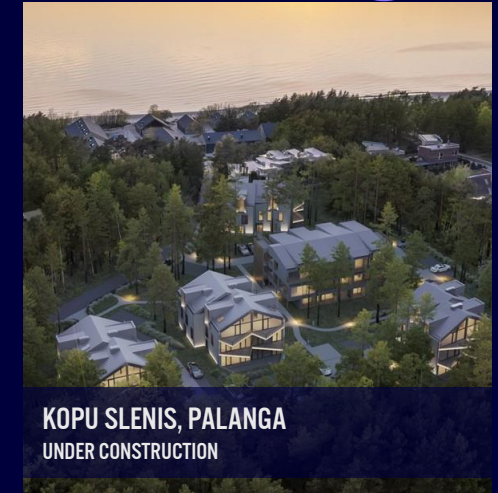
## Invent Everyday, for the Better

**SBA Urban** is a leading real estate developer in Lithuania, focused on the development of sustainable office, industrial, logistics, and residential projects. For more than 15 years, the company has collaborated with global architectural leaders and has successfully developed more than 220,000 m<sup>2</sup>.

SBA Urban invests in four strategic directions – stock offices through Urban HUB, mixed-use and residential development through Urban LIVE and seaside wind-sports resort development through Urban WIND. SBA Urban core portfolio assets include landmark Green Hall office complex in Vilnius and BLC Kaunas. SBA Urban has also developed assets for SBA Group companies, such as Kauno Dokas (Kaunas) and Verde (Riga) offices, as well as Inno Line industrial centre.

SBA Urban consolidated asset value for year 2022 is ca EUR 188m with equity value of ca EUR 90m. SBA Urban is part of SBA Group which operates in furniture, apparel, and real estate sectors. SBA Group turnover for 2022 is EUR 400m+, it employs 4,000+ personnel and exports to 50+ countries.

**SBA Urban's vision for the future of cities encompasses intelligent architecture, green building philosophy, and community collaboration.**



# KEY PERSONNEL



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## NERIJUS AUKŠČIUNAS

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## KASPARAS JUŠKA

SBA Urban Investment Director

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15+ years of experience in executive management, strategic business development, finance, and M&A. Focus markets – Baltics and Poland. Previously part of Vilnius Prekyba Group in which he held Chairman and CEO position of Vilniaus Prekyba, CEO and CFO of Barbora, and other roles in the group. Early career experience in Transaction advisory at EY.

MSc Economics and Finance in Rotterdam School of Management

15+ years of experience in real estate financing, corporate relationship management, and business development. Previously Director of Commerce of SBA Urban, and 10-year tenure as Corporate Client Executive in SEB Lithuania, focused on large real estate project financing in Lithuania.

MSc in ISM University of Management and Economics

20+ years of experience in debt financing and structuring, corporate relationship management, and executive management in Baltic and Nordic banking sector. Previously Head of Branch Lithuania and Latvia at Nordea Sweden, and Member of the Credit Committee at Nordea Lithuania. Early career experience in DNB bank.

MBA in Vilnius University International Business School

5+ years of experience in real estate development, investment management, capital raising, and M&A. Previously part of Zabolis Partners, a leading Lithuanian private equity company, and CFO in KS Holding, pan-Baltic real estate developer, part of Kesko group.

BSc in Stockholm School of Economics





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# TERMS AND CONDITIONS



## General information

Issuer	UAB Urban hub investments
Incorporation country, co. reg. no.	Lithuania, 306285783
Webpage	<a href="https://sbaurban.lt/en/">https://sbaurban.lt/en/</a> , <a href="https://urbanhub.lt/en/">https://urbanhub.lt/en/</a>
Type of security	Unsecured bonds
Type of placement	Public offering in Lithuania, private placement in Latvia, Estonia and other EU countries
Nominal	EUR 1,000
Minimum investment	EUR 10,000 (10 bonds)
Issue size	Up to EUR 8,000,000 (multiple tranches)
Interest rate	10.75% p.a., 30E/360
Interest payments	Quarterly
Maturity date	5 October 2025
Early redemption	Full call: <ul style="list-style-type: none"><li>• From 05.10.2024 until 05.04.2025: 1% premium</li><li>• On or after 05.04.2025: no premium</li></ul>
Covenants <sup>1</sup>	<ul style="list-style-type: none"><li>• Corporate status</li><li>• Change of control</li><li>• No dividend payments</li><li>• Negative pledge/negative mortgage</li><li>• Escrow account</li><li>• Reporting obligations</li><li>• No disposal of the building complex</li><li>• LTC ratio &lt; 65%</li></ul>
Use of proceeds	To finance, or refinance investments already made, the development of the stock office property at Veterinaru g. 4, Biruliškes, Lithuania

## Main terms of the 1<sup>st</sup> tranche

Size of the 1 <sup>st</sup> tranche	EUR 5,000,000 (with the possibility to increase the amount up to EUR 8,000,000)
Subscription period	20 September 2023 – 2 October 2023, 12:00 Vilnius time
Issue yield	10.75% p.a., 30E/360
Issue price of 1 Bond	EUR 1,000
Issue date	5 October 2023

## Legal & administrative

Lead Managers	AS Redgate Capital and Šiaulių bankas AB
Legal adviser	Ellex Valiūnas
Trustee	Audifina
Settlement and escrow agent	Šiaulių bankas AB
Registrar	Nasdaq CSD SE Lithuanian branch
Governing law	Lithuanian

## Target market description

Manufacturer target market (MIFID II product governance), for whom the product is intended for is eligible counterparties, professional clients and retail clients (execution with appropriateness). All distribution channels can be used. Investors should: have at least average understanding of relevant financial instruments (have several investment holdings, frequent investment/trading activity); be able to bear high losses on the capital invested; have a moderate risk tolerance; have a time horizon and an investment objective that meets the terms of the bonds.

No negative target market has been assigned for this product.

No PRIIPs key information document (KID) has been prepared.



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# OVERVIEW OF THE RISKS (1/2)

## LIQUIDITY RISK

Liquidity risk is the risk that the Issuer is unable to maintain a sufficient reserve of cash and other liquid financial assets that can be used to meet its payment obligations as they fall due and to redeem the bonds. The availability of liquidity for business activities and the ability to access long-term financing are necessary to enable the Issuer to meet its payment obligations in cash, whether scheduled or unscheduled. Although the Issuer monitors its liquidity position and follows procedures to manage liquidity risk, a reduction in the Issuer's liquidity position could have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects, as well as ability to redeem the Bonds at their maturity.

## INTEREST RATE RISK

The operations of the group are inherently exposed to interest rate risk. Considerable increases in interest rates (including EURIBOR) at which funding is available to the group may negatively impact the profitability of the group. Interest rates are affected by numerous factors beyond the control of the group companies, which may not be estimated adequately. Such factors include the changes in the overall economic environment, level of inflation, monetary policies of the central banks, etc. Further, the ongoing war in Ukraine may also further increase the inflationary pressure and market volatility and therefore also contribute to rising interest rate levels. Therefore, interest rate risk may have a material adverse effect on the group's business, financial condition, and results of operations.

## INFLATION

Lithuania and other European economies have faced an excessive inflation in year 2022. Though expected to subside in the upcoming years, in 2023 inflation still could be significantly higher than historic average levels. Relevant expenses of the group, e.g., investment to

equipment and workforce, are closely related to the general price level. Though historically the group has successfully managed inflation related risks, growing inflation in the future may prevent the group from changing the prices of its services respectively to preserve the existing profit margin or may lead to higher losses. Thus, the group's expenditures would increase considerably due to inflation and the Issuer would have to cover its increased costs from internal resources, unless the Issuer manages to increase its prices. Thus, strong inflation may have a considerable adverse influence on the Issuer's financial situation and business results.

## CONSTRUCTION COST RISK

Due to the current pressure on the global building materials supply chain and rising local labour costs, project construction costs cannot be accurately planned. An unexpected increase in construction costs may reduce the overall profitability of the building complex and adversely affect the Issuer's ability to redeem the Bonds.

## REAL ESTATE MARKET RISK

In the course of company's business activities, the company, upon development of the building complex, shall lease the premises of the developed project. Potential negative development of Lithuanian real estate market could have a negative impact on both real estate market and rental prices and transaction volume. Such decreases in prices and volumes could have an adverse effect on company's financial position and could degrade the value and liquidity of building complex.

## COMPETITION RISKS

Real estate is a competitive industry. To maintain the attractiveness of its properties the Issuer has to react quickly to changes in the competitive environment. Possible responses to competitors' actions

include upgrading properties with new features (for instance, smart technologies and environmental solutions), their refurbishment, rent discounts and greater promotion and marketing activities. These could result in unforeseen substantial expenses adversely affecting the Issuer's financial position and cash flows.

The Issuer's improper reaction to the actions of competitors or changes in the environment could decrease demand for the Issuer's services and may impact profitability of the Issuer and result in worse financial performance of the Issuer.

## SUCCESS OF INVESTMENT PROJECTS

The company has implemented and may implement in the future investment projects of a large scope. Although the employees invoke all available information and analytical resources when planning investments, there is no guarantee, that all information on which the investments planned were based was true and exhaustive. Furthermore, there is no guarantee that the investment plans and the investments made will generate anticipated or planned return on investment; there is no guarantee that investment will not cost more than it was anticipated.

Failure of anticipated investment projects, where return on investment from these projects is lower than it was expected or prices of such investments are higher than it was planned, may have a significant adverse effect on the company's and group's activities, financial situation and business results.

# OVERVIEW OF THE RISKS (2/2)

## COUNTERPARTY RISK

Counterparty risk is inherent to all business activities the group is engaged in. Counterparty risk may result in financial losses (including, but not limited to, revenues not being received from customers, funds deposited at banks, money not being received under the group's commercial agreements, partners in long term projects failing to perform their obligations etc.) to the group. Default of a group counterparty may affect the completion of the group's commenced investment projects, the quality of services provided by the group or harm the group's reputation. Although, the group monitors and manages its counterparty risk, the occurrence of any of the mentioned counterparty risks may have an adverse impact on the group's business and financial position.

## MANAGEMENT AND HUMAN RESOURCES RISK

The Issuer's results largely depend on the Issuer's employees, including the key executives, and their decisions, and on the competence and experience of the team members.

The Issuer success and its ability to manage growth initiatives depend on qualified key executives and other employees having special expertise in the Issuer's and group's operations, development, financing, operation and maintenance of investment and/or other projects. Given their expertise in the industry, their knowledge of the Issuer's and group's business processes and their relationships with the business partners, the loss of one or more of these individuals could have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects.

Additionally, from time to time, the key executives and/or other employees with technical or industry expertise may leave the Issuer. The Issuer's failure to promptly appoint qualified and effective successors for such individuals or inability to effectively manage temporary gaps in expertise or other disruption created by such departures, could have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects.

## INFLATION RISK

Inflation reduces the purchasing power of a Bond's future coupons and principal. Inflation may lead to higher interest rates which could negatively affect the Bond price in the secondary market. In addition to that, at the time high inflation is viewed globally as one of the main macroeconomic factors posing significant risk to global economic growth and consequentially to the value of both equity and debt securities.

## CREDIT AND DEFAULT RISK

Bondholders are subject to the risk of a partial or total failure of the Issuer to make interest and/or redemption payments that the Issuer is obliged to make under the Bonds.

The worse the creditworthiness of the Issuer, the higher the risk of loss. A materialization of the credit risk may result in partial or total failure of the Issuer to make interest and/or redemption payments.

The Issuer is not guaranteeing that no default will occur until the final maturity date, therefore the investors shall independently assess the Issuer's creditworthiness before investing into the Bonds.

## EARLY REDEMPTION RISK

According to the terms of the offering, the Bonds may be redeemed prematurely on the initiative of the Issuer. If the early redemption right is exercised by the Issuer, the rate of return from an investment into the Bonds may be lower than initially anticipated by the investor. Moreover, there is no guarantee by the Issuer that extraordinary early redemption event will not occur, therefore in case of the occurrence of the extraordinary early redemption event the Bonds will have to be redeemed by the Issuer in accordance with the procedure established and the rate of return from an investment into the Bonds may be lower than initially anticipated by the investor.

## REFINANCING RISK

The Issuer may be required to refinance certain or all of its outstanding debt, including the Bonds. The Issuer's ability to successfully refinance its debt is dependent on the conditions of the debt capital markets and its financial condition at such time. Even if the debt capital markets improve, the Issuer's access to financing sources at a particular time may not be available on favourable terms, or at all. The Issuer's inability to refinance its debt obligations on favourable terms, or at all, could have a negative impact on the Issuer's operations, financial condition, earnings and on the bondholders' recovery under the Bonds.

## LIQUIDITY, LISTING AND INACTIVE SECONDARY MARKET RISK

The Bonds constitute a new issue of securities by the Issuer. There is no public market for the Bonds and other securities of the Issuer. The bondholders might bear a loss due to not being able to sell the Bond or having to sell them at an unfavourable price.

## NOT SUITABILITY OF THE BONDS TO SOME INVESTORS

The Bonds may be not suitable investment to some investors. Each prospective investor into the Bonds should assess suitability of the investment taking into account all relevant personal circumstances. Potential investor should not invest into the Bonds unless the investor has sufficient personal experience or with the advice of professional financial advisors, can evaluate the impact on the value of the Bonds upon changes in market and economic conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.



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# CONTACT INFORMATION



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## Redgate Capital

Redgate Capital AS, started its operations in 2008, is the leading investment banking company in the Baltics having advised more than 2 billion euros worth of debt, real estate, M&A, and equity raising transactions.

Redgate Capital holds investment company licenses No. 4.1-1/32 and 4.1-1/7 issued by the Estonian Financial Supervision Authority, which allows Redgate Capital to arrange public and non-public securities' issues in Estonia, Latvia, and Lithuania as well as to accept and forward clients' orders.

## ŠIAULIŲ BANKAS

Established on 4 February 1992, Šiaulių Bankas AB is the largest bank with Lithuanian capital, a stable and consistently growing financial partner with a special focus on business financing and consumer financing solutions.

Šiaulių Bankas holds banking licence No 7 issued by the Bank of Lithuania, which gives the right to provide all licensed financial services. The Bank of Lithuania serves as the supervisory authority for Šiaulių Bankas.

# URBAN HUB



LOGO

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LOGO

# APPENDIX 1. UAB SBA Urban financials

Balance sheet, EUR k	2021	2022
Short-term assets	13,594	28,721
<i>Cash</i>	1,248	6,957
<i>Receivables</i>	2,098	2,439
<i>Other short-term assets</i>	10,248	19,325
Long-term assets	145,264	159,834
<b>TOTAL ASSETS</b>	<b>158,858</b>	<b>188,118</b>
Short term liabilities	53,048	21,891
<i>Shareholder loans</i>	25,374	8,048
<i>Other short-term liabilities</i>	27,674	13,843
Long-term liabilities	53,821	106,622
<i>Shareholder loans</i>	7,689	26,104
<i>Loans from third parties</i>	33,219	66,672
<i>Other long-term liabilities</i>	12,913	13,846
<b>Total liabilities</b>	<b>101,292</b>	<b>128,513</b>
Share capital	18,474	18,474
Reserves	2,337	3,060
Retained earnings	31,178	38,071
<b>Total equity</b>	<b>51,989</b>	<b>59,605</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>158,858</b>	<b>188,118</b>
<b>Total shareholder's equity and loans</b>	<b>85,052</b>	<b>90,182<sup>1</sup></b>

Income statement, EUR k	2021	2022
Revenue	9,960	14,549
Cost of sales	-2,483	-3,719
<b>Gross profit (loss)</b>	<b>7,477</b>	<b>10,830</b>
Operating expenses	-3,801	-4,588
Investment property fair value change	11,566	4,649
Interest expense	-1,481	-2,137
<b>Profit (loss) before tax</b>	<b>13,761</b>	<b>8,732</b>
Income tax	-1,712	-1,116
<b>Net profit (loss)</b>	<b>12,049</b>	<b>7,616</b>

Source: Company's information

<sup>1</sup>Decreased by ca EUR 3,5m loan granted by SBA Urban to SBA Grupe, which was not netted-off by SBA Grupe loans to SBA Urban in 2022



# APPENDIX 2. UAB Urban hub investments financials



## Balance sheet, EUR k<sup>1</sup>

31 July 2023

Short-term assets	5,900
Cash	2,126
Receivables	3,774
Other short-term assets	-
Long-term assets	11,010
<b>TOTAL ASSETS</b>	<b>16,910</b>
Short term liabilities	-
Shareholder loans	-
Other short-term liabilities	-
Long-term liabilities	16,931
Shareholder loans	16,931
Loans from third parties	-
Other long-term liabilities	-
<b>Total liabilities</b>	<b>16,931</b>
Share capital	4
Reserves	-
Retained earnings	-25
<b>Total equity</b>	<b>-21</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>16,910</b>
<b>Total shareholder's equity and loans</b>	<b>16,910</b>

## Income statement, EUR k<sup>1</sup>

7m 2023

Revenue	-
Cost of sales	-
<b>Gross profit (loss)</b>	<b>-</b>
Operating expenses	-
Investment property fair value change	-
Interest expense	-25
<b>Profit (loss) before tax</b>	<b>-25</b>
Income tax	-
<b>Net profit (loss)</b>	<b>-25</b>

Source: Company's information

<sup>1</sup>The Company was established in April 2023, thus 2021 and 2022 statements are unavailable, 2023 statements are pro-forma

# APPENDIX 3. UAB UH1 financials

Balance sheet, EUR k <sup>1</sup>	2021	2022	31 July 2023
Short-term assets	75	48	438
Cash	5	3	14
Receivables	69	45	424
Other short-term assets	-	-	-
Long-term assets	4,819	7,452	14,063
<b>TOTAL ASSETS</b>	<b>4,893</b>	<b>7,500</b>	<b>14,501</b>
Short term liabilities	113	729	4,809
Shareholder loans	-	-	-
Other short-term liabilities	113	729	4,809
Long-term liabilities	4,806	5,753	8,930
Shareholder loans	4,806	5,541	8,719
Loans from third parties	-	-	-
Other long-term liabilities	-	212	212
<b>Total liabilities</b>	<b>4,919</b>	<b>6,482</b>	<b>13,739</b>
Share capital	3	3	3
Reserves	-	-	-
Retained earnings	-28	1,015	759
<b>Total equity</b>	<b>-25</b>	<b>1,018</b>	<b>762</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4,893</b>	<b>7,500</b>	<b>14,501</b>
<b>Total shareholder's equity and loans</b>	<b>4,781</b>	<b>5,542</b>	<b>9,481</b>

Income statement, EUR k <sup>1</sup>	2021	2022	7m 2023 <sup>1</sup>
Revenue	-	-	-
Cost of sales	-	-	-
<b>Gross profit (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Operating expenses	-6	-45	-76
Investment property fair value change	-	1,412	-
Interest expense	-21	-112	-191
<b>Profit (loss) before tax</b>	<b>-27</b>	<b>1,255</b>	<b>-267</b>
Income tax	-	-212	12
<b>Net profit (loss)</b>	<b>-27</b>	<b>1,043</b>	<b>-255</b>