

LINKLEASE FINANCE PLC

9% Senior Secured Bond due 2023 (USD)

9% Senior Secured Bond due 2025 (GBP)

9% Senior Secured Bond due 2026 (EUR)



FREQUENTLY ASKED QUESTIONS

How many coupons have each Bond series paid so far?

Here is a quick overview of our Bonds and the remaining terms (as of 30 March 2022). The USD Bond has paid twelve coupons to date; with our newer GBP paying three coupons to date, all on time. We have also issued a EUR Bond which will pay its first coupon in April.

Issuer	Bond	Coupon	Size at Issuance	Issued/ Full Term/ Remaining Term	Listing	ISIN	Sector	Description	Security
Linklease Finance PLC	Senior Secured Bond due 2023 (USD)	9% quarterly	\$50m	19 Dec 2018 5 years 1.7 years	Frankfurt Cayman	GB00BGWL1326	SME Equipment Leasing	Our USD Bond offers investors a fixed income by providing Linklease with capital to originate new lease finance deals. The Bond has paid twelve coupons to date, on-time and in full. Its next coupon is due in Jul 2022.	Both Bonds are fully asset-backed and have security over a designated pool of leases originated and managed by the servicer and lease originator. The security is governed by and enforceable under English Law and assets leased by the borrower in the UAE are pledged to the trustee under a secure trust structure governed by UAE Law.
	Senior Secured Bond due 2025 (GBP)	9% semi-annually	£20m	15 Jul 2020 5 years 3.3 years	Frankfurt Cayman	GB00BKWG9Z31		Our GBP Bond follows on from the USD version and provides Sterling investors the same high returns via the proven Linklease Finance PLC model. It has paid its first three coupons on time and in full. Its next coupon is due in Jul 2022.	
	Senior Secured Bond due 2026 (EUR)	9% semi-annually	€20m	14 Oct 2021 5 years 4.5 years	Frankfurt Cayman	GB00BK9R4J84		Our EUR Bond follows on from the USD & GBP versions and provides Euro investors the same high returns via the proven Linklease Finance PLC model. Its first coupon is due in Apr 2022.	

What kind of assets does Linklease buy?

We buy a multitude of equipment for our Lessees but all have certain characteristics. These include, amongst others, low obsolescence, reliability, track record, long useful lives, strong vendor networks and an active secondary market. Our Equipment must play an intrinsic role in the cash generation of the Lessees business which ensures our payments are an absolute priority for our Lessees.

We only purchase equipment when we have an approved client with an immediate requirement so there is no risk of holding equipment and then needing to find a Lessee. Our aim is not to be over exposed to any one sector and to spread risk across lots of clients. Our pipeline of leases still outstrips our current funding so we have scope to not only maintain our performance but to also grow significantly.

Examples of portfolio Assets:

- Fuel transport vehicles
- Green Energy Transition
- Refinery equipment
- Fuel storage units
- Generator sets
- Medical imagery
- Ultrasound machines
- Transport vehicles
- Lifting equipment/vehicles
- Plant equipment
- Luxury vehicles
- Vacuum Compression equipment
- Aesthetic skin and hair devices
- Dental equipment
- Digital printers

Our Portfolio Directors and their teams regularly assess the performance of different sectors/industries. They look to identify where the most robust opportunities lie, so that Bondholders gain the best value and security; and to ensure that diversification and concentration are considered when building out the portfolio. We are currently positive on sectors such as clean energy, fleet vehicles and beauty and wellness. We are risk-off on manufacturing and construction and are reviewing sectors such as printing and lifting (lifting incorporates ports/cargo and warehouses; and not just construction).

What is the average price of the equipment and depreciation rate with the Linklease Bonds?

The equipment within the Bonds average \$150,000 each. We take a deposit on the equipment, together with total facility cheques, corporate guarantees and other credit enhancements. Furthermore, anyone coming into the Bonds today is at a lower risk than on day one as there is already equity in the portfolio from conservative depreciation compared to Fair Market Value. Expressed as:

$$\frac{\text{Depreciated Net Book Value}}{\text{Fair Market Value}} = \text{Equity in the portfolio}$$

As at today, combining the equity in the portfolio, the coupon accrual and liquidity reserve, there is a well over 25% equity buffer in the portfolio; expressed as an LTV this would be 75%, entirely consistent with good leasing portfolios.

Across the portfolio of leased assets, Linklease commit to over collateralisation of 115% as a minimum. This increases as we depreciate the equipment faster than its value decreases. There’s an illustrative example below that explains depreciation and our approach.

Table 1	Purchase	Year 1	Year 2	Year 3	Year 4	Year 5
Asset Value	1,000,000	900,000	800,000	700,000	600,000	500,000
Depreciated Value	870,000	746,000	622,000	498,000	374,000	250,000
Equity	13%	17%	22%	29%	38%	50%
Equivalent Over Collateralisation	115%	121%	129%	141%	160%	200%

Table 2	Purchase	Year 1	Year 2	Year 3	Year 4	Year 5
Asset Value	1,000,000	900,000	800,000	700,000	600,000	500,000
Enhanced Dep. Value	837,000	716,300	595,600	474,900	354,200	233,500
Equity	16%	20%	26%	32%	41%	53%
Equivalent Over Collateralisation	119%	126%	134%	147%	169%	214%

At Commencement of the Lease, the Asset (CT Scanner eg) is purchased for \$1m. The Lessee (end user) in this example is asked to put down a deposit, giving us (the Lessor) 13% equity in the Asset, otherwise known as 115% coverage. (Calc. Asset Value/Depreciated Value)

As the value of the equipment decreases over time, we depreciate the equipment on our books more rapidly, giving us increased equity in the Asset. In this example by Year 2 (Table 1) we have 22% equity (129% coverage) in the Asset. This means if we have to recover the asset and sell it, we can sell it by 22% less than its value (at year 2) and still get our money back.

At a Portfolio level, a number of additional protective measures are applied, being: Liquidity Reserves, Coupon Coverage reserves and provisioning measures to create additional coverage. When these are applied pro-rata to individual assets it increases the equity (and over-collateralisation) as demonstrated in table 2. So in year 2 we could (if required) sell the Asset by upto 26% below its market value in order to liquidate fully, which is a strong position to be in.



Please also note that in an event of a sale-and-leaseback, our position is enhanced further, as we will only offer a reduced LTV (circa 70%) on the value of the equipment asset (which is valued by an independent third party (RICS)). This provides a c. 50% head start when compared to the retail market value of the equipment asset that is subject to the sale-and-leaseback.

What happens at the end of the contract? Who owns the asset?

The equipment is leased on multiple terms, from 12 months to 60 months. The average is around 24-36 months. We ensure the that this period dovetails with the current time until maturity of the Bonds (2 years in the case of the USD).

When a lease concludes at the agreed term there are three steps:

- 1) the client can buy the equipment asset,
- 2) hand it back to us for sale or
- 3) the lessee could strike a new lease

It should be noted that the first and third option occurs most often as the equipment we lease are key components to the operation and generation of income for the Lessee. The long useful life of the equipment we deal with also allows for re-leasing multiple times.

We have a global network of valuers, appraisers and market resellers and we are a member of ELFA (Equipment Leasing & Finance Association) and have relationships with local valuers such as Cavendish Maxwell, Cluttons etc. who undertake bespoke valuations on specific pieces of equipment. Other companies such as <https://www.rbauction.com> are available locally as a means for disposal of assets within the UAE and MENA but also are active globally. They also have virtual auctions that run concurrently, where reserve prices can be set. Finally, on this point, we have relationships with industry specific specialists, in areas such as print media, medical and heavy plant equipment.

How does Linklease understand and manage the risk/loss if a client stops paying?

Linklease applies a stringent credit protocol to clients and selection of the equipment. Careful selection of prospective Lessee's through diligent underwriting is crucial to reducing the probability of payment default. In addition, close monitoring of and active engagement with Lessee's during the life of a lease allows for prospective problems to be identified and addressed at an early stage.

Please note even in a default scenario, the Bondholders will never be stuck with the equipment. The Security Agent (Abu Dhabi Commercial Bank) will liquidate them on their behalf; returning the cash to the scheme. This is very unlikely as you'd need a large portion of the Lessees to cease their payments all at once. We also would recover the equipment promptly when payment delinquencies occurred. Allowing us to either re-lease the equipment asset or sell it.

As mentioned earlier, we only purchase an equipment asset when it has an approved client with an immediate requirement for that specific asset. There is no sitting-inventory. If there is no requirement/demand then we won't purchase the asset. We will also only purchase assets that we know have strong secondary markets and low obsolescence.

As of today there is currently a near-term pipeline of circa \$50m. With strong demand beyond this amount. Our Management team's performance has been excellent over a long period of time. The Linklease team, who were also at Gulf Finance from 2008 to 2013, have delivered deals to the tune of USD\$1bn across more than 3,500 transactions with a default rate of 1.5%. This is below the regional average which is 5-8%.

The Bond also conforms to some strict covenants including a first loss provision. This is where Linklease Finance PLC, the Issuer, ensures a first loss provision of at least 5% of the drawn capital. This is provided through a combination of reserves that puts Bondholders ahead of any management fees and overcollateralization. Bondholders can also rely on a coupon reserve of 1.5 times coupon coverage to be maintained at all times. There are also concentration limits (activated when the Bonds are 60% subscribed) for the Bond's portfolio to support diversification and reduce risk:

- Maximum amount by asset 2.5%
- Maximum amount by asset class 10%
- Maximum amount by Corporate / group 10%
- Maximum amount by industry 25%

For the GBP Bond the concentration limits are as follows:

- Maximum amount by asset 7.5%
- Maximum amount by asset class 25%
- Maximum amount by Corporate / group 25%
- Maximum amount by industry 25%

The GBP concentration limits were enhanced to allow the Borrower to take on some larger leasing deals from bigger companies that have presented themselves over the last 12 months; as the Linklease reputation and profile continues to build.

If Linklease repossess an asset, what happens? How much does it cost to send someone to get back the asset and has the asset any commercial value to get back some money?

Firstly, it is important to note that all equipment that is leased has full insurance as well as usage covenants. This covers any damage that may occur as well as risk of theft etc. We also have a dedicated asset manager who goes and physically assesses the equipment on a quarterly basis. This is to monitor the condition of the equipment and their usage. This process helps us maintain a strong relationship with the lessees and also allows us to assess the equipment's true fair market value. Alongside the insurance, there is best-in-class technology to support equipment asset risk controls, including GPS-tracking, geo-fencing and remote usage monitoring and 'kill switches'.

If the recovery happens early in the term of the Lease, the equipment asset still retains a high value (as it hasn't had a long time to depreciate). This means more value can be derived from its re-lease or sale. If the recovery happens later in the Lease term the equipment asset has been depreciated but the Borrower has received most of the agreed lease payments; and the equipment asset still has a value.

Are all Linklease's clients from the UAE?

Yes, with the USD and GBP Bonds all the Lessees are from the UAE. As a group we have lessees in Saudi and Mauritius. Any equipment purchased outside the UAE in the future will be pledged in the same way as the assets in the UAE. Linklease is open to leasing opportunities outside the UAE that meet its credit requirements. The concentration limits of both Bonds allow for international leases.

At maturity, how are the investors paid back?

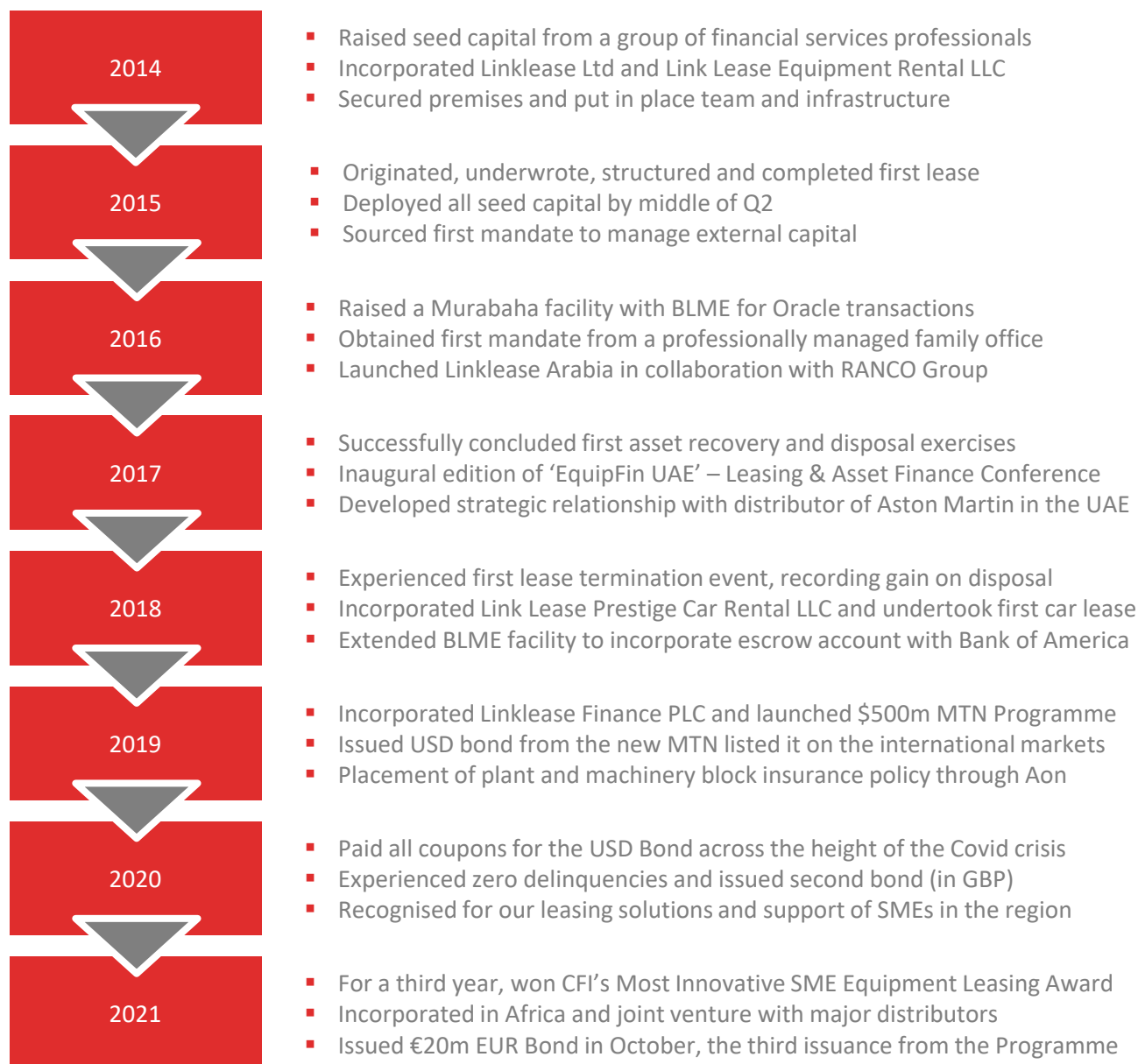
The proceeds from the money raised from the Bonds is used to purchase equipment that is put on Lease. Those Leases mature prior to the Bonds' maturity and generate cashflow during the term from the lessees' instalments. This also gets reinvested into new leases which in turn compounds the return. The reinvestment grows the equipment portfolio's size and also increases the security coverage – a material strengthening for the Issuer and Bondholders. In the final year of the scheme we do not write any new leases and approx. 45% of the principal will be accrued in the form of cash from instalments and the release of accruals. The remaining cash comes from disposal of the equipment that has been depreciated; creating assets with a low Net Book Value and a higher Fair Market Value further enhancing equity in the portfolio. Our Portfolio Directors also blend 12- and 24-month leases alongside three-year ones later in the Bonds' life.

What was the COVID-19 impact on the Linklease Bonds?

The UAE was one of the first nations to respond to COVID-19 by instituting a tight lockdown followed by a rapid vaccination programme. It became highly regarded for its handling of the pandemic and as such the economy was only affected for three months. Linklease's robust credit and underwriting policies have proved invaluable during the peak of the COVID-19 disruption; and will continue to be vital as we maintain and build a highly diverse asset pool. The vast majority of our clients had reserves that were sufficient to cover their lease payments during this challenging period and we even continued to write new leases. We expected some to face a higher level of pressure and created a 'COVID Relief Reserve' which ultimately wasn't required.

What is Linklease's history?

Historically, Linklease was funded by direct investments into ringfenced SPVs (these were generally family offices and HNWs). Below is a quick summary of Linklease's history.



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