

# Tangelo

## Business Plan Presentation

July 2023



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# Table of Contents

<i>Section</i>	<i>Page</i>
A. Executive Summary	4
B. Company Overview	16
C. Business Plan Overview	26
D. Appendix	39

# Executive Summary

# Introduction to Tangelo

Tangelo is a technology-enabled financial services company specializing in financing solutions for small and medium-sized enterprises (“SMEs”) in Latin America

*Tangelo was created from the union of Mexarrend and Zinobe in 2022*



25 years of credit risk and operational experience in Mexico's NBFIs sector



Fintech in Colombia with leading technology & analytics capabilities



One of the largest ABL lenders in Mexico

access to  
10mm+ consumers and 500k+ SMEs

USD \$3bn+  
portfolio originated

USD \$500mm+  
network loans under management

USD \$100mm+  
portfolio distributed to financial institutions in 2022

~50% of origination has been off-balance sheet  
over the past 2 years

20+ active partnerships  
with many more in negotiation

## *Key Investment Highlights*

- 1 **Underserved Target Market**
- 2 **Proprietary Digital Platform**
- 3 **Attractive Partnership Model**
- 4 **Balance Sheet Light Strategy**
- 5 **Financial Sustainability**
- 6 **Strong Management Team with Independent Strategic Vision**

# Situation Overview

## Business in Transition

Initiated by New Leadership in Late 2019

**New Leadership:** **Alejandro Monzó** (CEO) and **Abelardo Losco** (CFO) joined Mexarrend in 2019

- Under new leadership, Mexarrend began its strategic transition toward a two-pronged strategy of balance sheet light and partnership business model

**Merger of Mexarrend & Zinobe in 2022:** Combined the **deep institutional relationships and scale** of Mexarrend with the agility and versatility provided by Zinobe's **fintech capabilities** and formally created Tangelo

- The management team was reinforced with **Tarek El Sherif** joining as Co-CEO, who brought significant managerial experience and financial technology industry expertise
- Zinobe and Mexarrend's partnership history extends back to the creation of the joint venture Centeo in 2020
- The merger has accelerated the ongoing transition towards balance sheet light and partnership business model

**Proprietary Digital Platform:** The combined digital platform and technology capabilities provide **strong foundation for continued optimization** of risk management and operational efficiency

- Allows Company to source and scale a wide range of products and then distribute “tailor-made” portfolios to support off-balance sheet strategy

**Partnerships & Balance Sheet Light Business Model:** Mexarrend's originations were quickly moving toward **partnerships, balance sheet light, higher margin, and shorter-duration** products

- Increased strategic focus in partnering with corporations and financial institutions to develop bespoke credit products improved client retention and risk underwriting

# Situation Overview (cont.)

## Growth Impediments

### External Pressures Forced Tangelo to Pivot from Opportunistic Growth to Defensive Mode

**COVID Impact:** Throughout 2020 and 2021, the COVID pandemic adversely affected Tangelo's flagship ABL product

- The pandemic also disproportionately impacted SMEs and underbanked consumers which comprise other target markets
- Originations slowed as market pressure halted the momentum of new leadership and strategic initiatives

**Capital Markets Access / Liquidity Pressure:** Access to capital markets was materially affected by restructurings of multiple NBFIs

- Following **Unifin's** default in August 2022, and the prior defaults of **AlphaCredit** and **Crédito Real**, rating agencies downgraded the entire industry and investors scrutinized the sector
- Capital markets access was already pressured by **deteriorating global economic conditions** beginning in 2022
- Financing sources for new products and partnerships were called off, and **ongoing refinancing discussions ceased**
- Tangelo was forced to use balance sheet liquidity to fund upcoming debt maturities

**Defensive Mode:** Momentum of new leadership and strategic initiatives was halted, and **Tangelo was forced to enter into "defensive mode"** beginning in late 2022

# Situation Overview (cont.)

## Go-Forward Business Plan Overview

### Resumption of New Leadership's Strategies

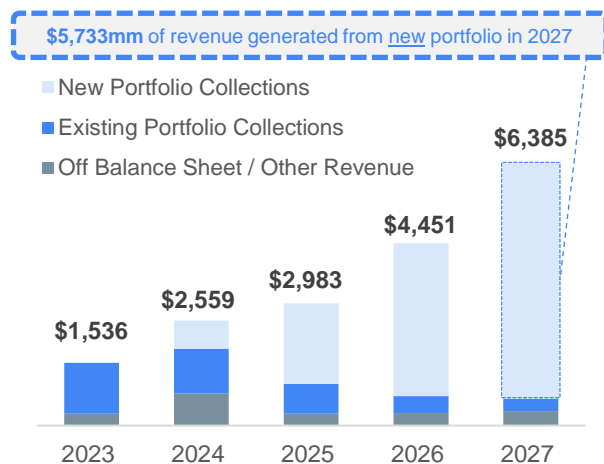
**The Opportunity:** Following the restructuring of other NBFI competitors, the Company is prepared to capitalize on the market void and execute on its continued strategic shift towards **balance sheet light products** and **partnerships**

**Business Plan:** The Company has created a business plan which allows for the business to achieve **sustainable growth**

- The Company will continue to feature **asset-backed lending** as its flagship product, but will prioritize the growth of **vendor financing** and **merchant cash advance** offerings to enable efficient and scalable growth
- The business plan forecast suggests **revenue CAGR of 42%** from 2023-2027 and **originations CAGR of 34%** from 2024-2027, supported by reasonable financing assumptions and strong prevailing demand for the Company's solutions

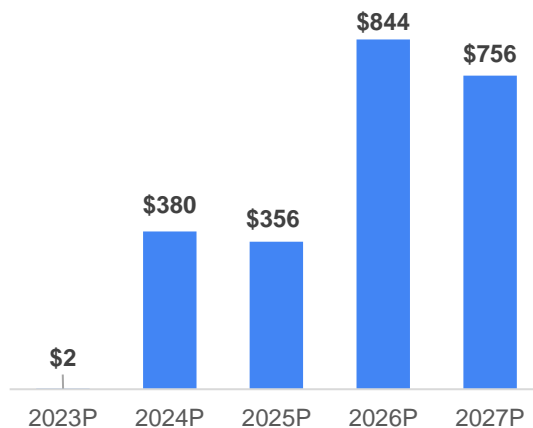
#### Sustainable Revenue Growth Opportunity

\$ MXN mm



#### Attractive Free Cash Flow Profile<sup>(1)</sup>

\$ MXN mm



#### Focus on Balance Sheet Light Strategy<sup>(2)</sup>

\$ MXN mm

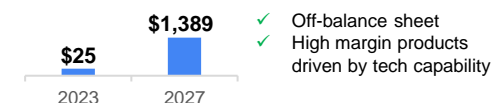
##### Vendor Financing: Originations



##### PoS Financing: AUM



##### Cap. Mkts / LaaS: Originations



(1) Before unsecured debt service  
(2) Only includes new portfolio assets



# Underserved Target Market

Despite accounting for a large portion of Mexico's economy, SMEs have limited access to financing as banks lack the attributes necessary to service this segment of the market

*Small and Medium Enterprises (SMEs) are critical players in Mexico's economy, but are neglected by the traditional financial sector*

SMEs contribute:

**+70% of employment**

and

**+52% of GDP**

but receive only:

**10% of total financing**

**>75%**

*of SMEs do not have access to traditional financing*

**~3% of assets**





*Despite considerable growth already, NBFIs only account for 3% of assets in Mexico's financial system, representing a sizeable market opportunity*

## Why are SMEs under-banked?

- Historical targeting of large corporates by banks and financial institutions
- Manual processes and general operational inefficiencies make smaller tickets unprofitable
- Slow and bureaucratic offerings do not appeal to many smaller and less experienced clients
- Traditional underwriting lacks the precision to deal with thin-file borrowers

# Underserved Target Market (cont.)

The restructurings of UNIFIN, Crédito Real, and AlphaCredit have shaken the NBFi landscape and increased the SME funding gap, creating an opportunity for Tangelo to absorb meaningful market share

				
<b>Focus</b>	<ul style="list-style-type: none"> <li>Leasing, factoring, auto credit, structured finance and working capital</li> </ul>	<ul style="list-style-type: none"> <li>Consumer payroll lending, SME lending, auto loans, personal loans</li> </ul>	<ul style="list-style-type: none"> <li>Leasing, rental agreements</li> </ul>	<ul style="list-style-type: none"> <li>Consumer payroll lending, SME working capital financing</li> </ul>
<b>Disruption</b>	<ul style="list-style-type: none"> <li><b>Announced restructuring and halted originations in August 2022</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Commenced liquidation process in Mexico and ceased origination of new loans in July 2022</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Guided 0% loan growth in 2023 following 23% growth in 2022</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Defaulted in April 2021</b></li> <li><b>Declared bankruptcy in April 2022</b></li> <li><b>Concurso completed</b></li> <li><b>Assets transferred to collection trusts for orderly liquidation</b></li> </ul>
<b>Portfolio Size</b>	<ul style="list-style-type: none"> <li>MXN \$76bn (as of 2Q22)</li> <li>Mexico's largest ABL lender</li> </ul>	<ul style="list-style-type: none"> <li>MXN \$1bn (as of 4Q21)<sup>(1)</sup></li> </ul>	<ul style="list-style-type: none"> <li>MXN \$16bn (as of 3Q22)</li> </ul>	<ul style="list-style-type: none"> <li>MXN \$400mm (as of April 2021)<sup>(2)</sup></li> </ul>
<b>Originations</b>	<ul style="list-style-type: none"> <li>MXN \$22bn in 2020</li> </ul>	<ul style="list-style-type: none"> <li>MXN \$660mm in 2018<sup>(1)</sup></li> </ul>	<ul style="list-style-type: none"> <li>MXN \$5.6bn (as of LTM 2Q22)</li> </ul>	<ul style="list-style-type: none"> <li>MXN ~\$90mm (June 2021 YTD annualized)<sup>(2)</sup></li> </ul>
<b>No. of Loans / Customers</b>	<ul style="list-style-type: none"> <li>11.8k customers</li> </ul>	<ul style="list-style-type: none"> <li>890+ SME customers</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>



**Over MXN \$90 billion of unattended or dormant portfolios**  
**Over 10 thousand potential new customers**

Sources: Company filings, Equity Research, Debtwire

(1) Includes only the Auto segment

(2) Excludes payroll lending segment

# Proprietary Digital Platform

Tangelo's two-pronged approach (*balance sheet light & partnerships*) is enabled by its proprietary technology



Tailor-Made Products

Operational Efficiency

Enhanced Risk Management

## VERA (Virtual Engine Risk Analytics)

Tangelo's **versatile decision-making risk engine**

Integrates information from **multiple data sources**

Real-time credit decisioning on credit request in **<10 seconds**

Processes **+30K applications daily**

Provides **customized underwriting** by product

## Flexible platform supports ability to create custom solutions

Tangelo interfaces with **sophisticated investors** (such as banks and private equity firms) and partners with a **wide variety of vendors** across many business sectors

## High-volume consumer business feeds platform optimization

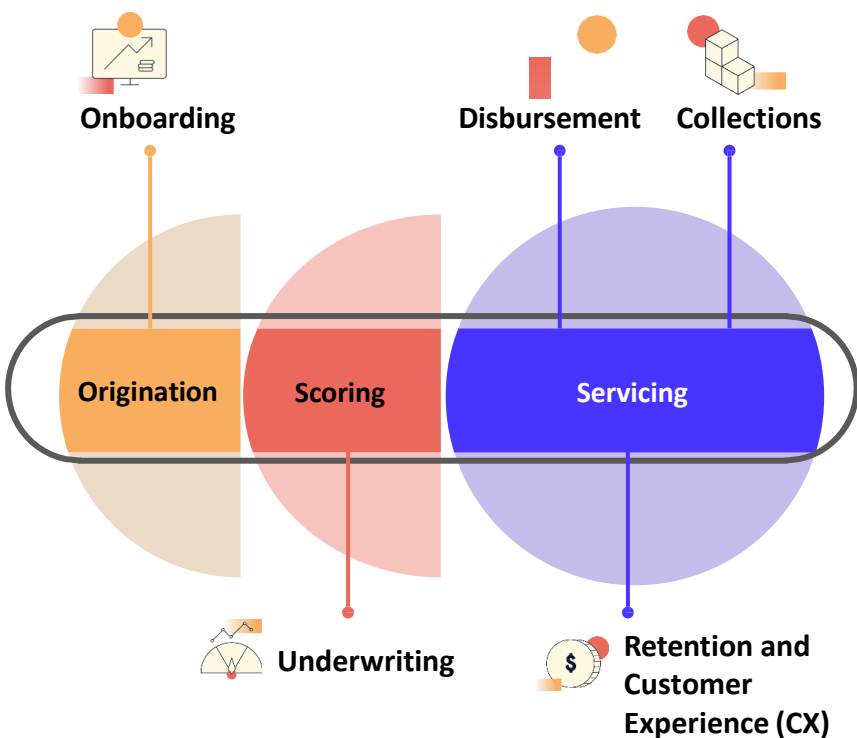
With over 3 million credits processed historically, the consumer business provides immense data, which Tangelo uses to refine its products and underwriting capabilities

## Scalable products are replicable in new geographies

Technological prowess will allow Tangelo to diversify its business by expanding into new regions throughout Latin America with untapped market demand

# Full-Service Credit Process

Tangelo's services extend across the entire credit cycle



## Onboarding

*Minimize fraud and maximize conversion*

Incorporate validation tools without affecting user experience



## Underwriting

*Make intelligent decisions in thin-file environments*

Develop custom scoring to increase precision



## Disbursement

*Meet client expectations on service delivery*

Decision and operational automation



## Retention and CX

*Deliver on value proposition and reduce churn*

Target LTV and utilize loyalty programs/gamification



## Collections

*Enable easy and convenient payments*

Maximize channels and optimize communications



# Attractive Partnership Model

By forming partnerships with top-tier operators and vendors, Tangelo generates recurring revenue with a stable cost structure and improved risk profile

## Transactional or Modular Services

*Onboarding, customized scoring, loan servicing, collections*

## Core Credit Services

*Revenue Based Lending, Transaction Finance, Asset-Backed Lending*

## Value-Added Services

*Payments, cross-selling, marketing initiatives, loyalty programs*

- ✓ **High client retention**
- ✓ **Limited competition**
- ✓ **Operational efficiencies**
- ✓ **Improved credit quality**
- ✓ **Low customer acquisition costs**
- ✓ **Cross-selling opportunities**
- ✓ **Easily replicable structures**
- ✓ **Proprietary data**

## 20+ Active Partnerships

*with many more in negotiation*

Segment	Expected Mkt. Capture (# of end users)	Est. Annual Revenue Opportunity (\$ USD)
Institutional	+100	+\$450mm
Modular Solutions	+500k	+\$10mm
Consumer	+3mm	+\$40mm
SME and Enterprise	+1mm	+\$230mm
<b>Total</b>	<b>+4mm</b>	<b>+\$730mm</b>

See appendix for detailed case studies

# Balance Sheet Light Strategy

Tangelo expects to drive significant growth in fees and services revenue from innovative, technology-based products and solutions which consume minimal capital. The Merchant Cash Advance and Vendor Financing lines will continue to be featured as balance sheet light products and will serve as key engines of future growth

## Off Balance Sheet Capabilities

**Revenue Model:** *Fees and Services*

Digital Lending Solutions

Capital Markets / Lending-as-a-Service

Consumer Credit

## Balance Sheet Light Capabilities

**Revenue Model:** *Balance Sheet Lending*

Merchant Cash Advance

Vendor Financing

## Lending-as-a-Service (LaaS)

*Tangelo earns commission for servicing the portfolio but bears no credit or capital risk on the loans*

## White-Label Products

*Client maintains branding while Tangelo manages product  
Minimal competition from other providers in the space*

## Vendor Financing

*Partnership model reduces origination and customer acquisition costs and improves portfolio quality*

# Financial Sustainability

Tangelo's business strategy is rooted in social and environmental responsibility

## Named one of Mexico's "Most Ethical Companies"

by AMITAI Latin America in 2022



3<sup>rd</sup> party **sustainability certifications** include:



United Nations  
Global Compact

### ESG-Friendly Initiatives



**Government-backed low-priced credit line for up to USD \$1,250 payable in 12 months with 3-month grace period**

*Provided financing to independent service providers and workers hardest-hit during the COVID-19 pandemic*



**Low-priced ABL facilities for environmentally friendly assets; partial investment of proceeds in carbon bonds**

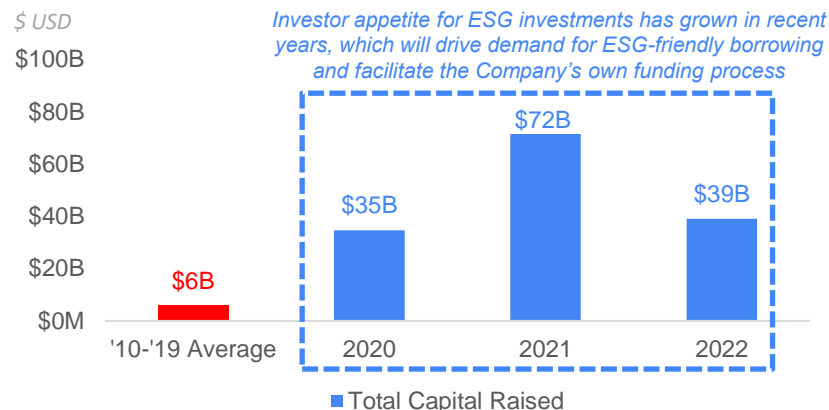
*Supports Clean Energy, Mobility, Natural Resources and Construction for ESG-aware SMEs and corporate clients*

## "SARAS" methodology<sup>(1)</sup>

**Used to evaluate sustainability impact** of financing projects so that Tangelo can prioritize loans which back ESG-friendly initiatives

Promotes best practices of **"Equator Principals"** and **International Finance Corporation's (IFC) Performance Standards**

### Global Fundraising for ESG Investing



### International Financial Institution Facility

(raised Oct-21)

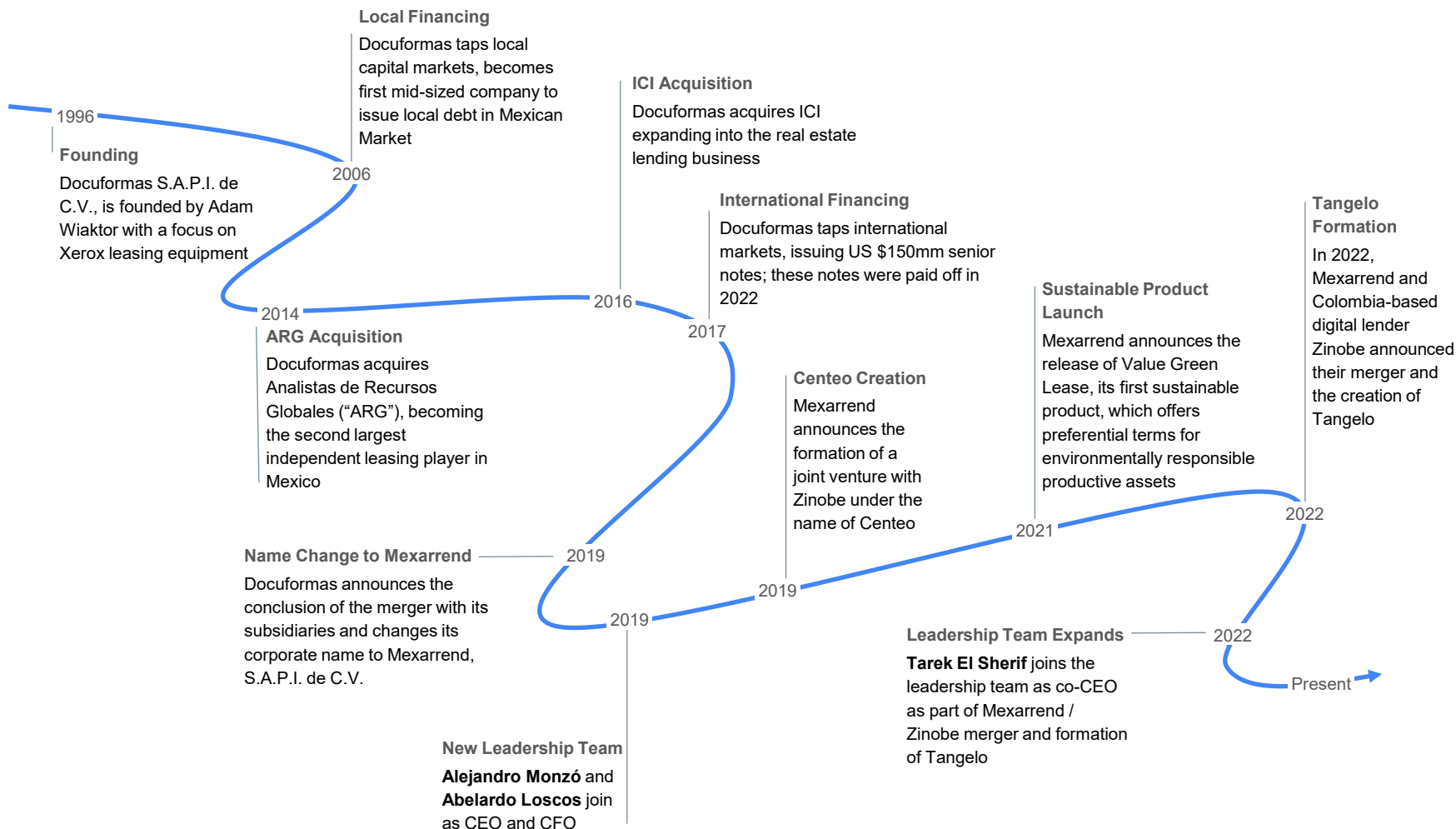
**Provides clear example of sustainability driving investor interest and increasing Tangelo's potential access to new financing from development agencies and ESG-focused financing sources**

(1) Environmental and Social Risk Analysis System

# Company Overview

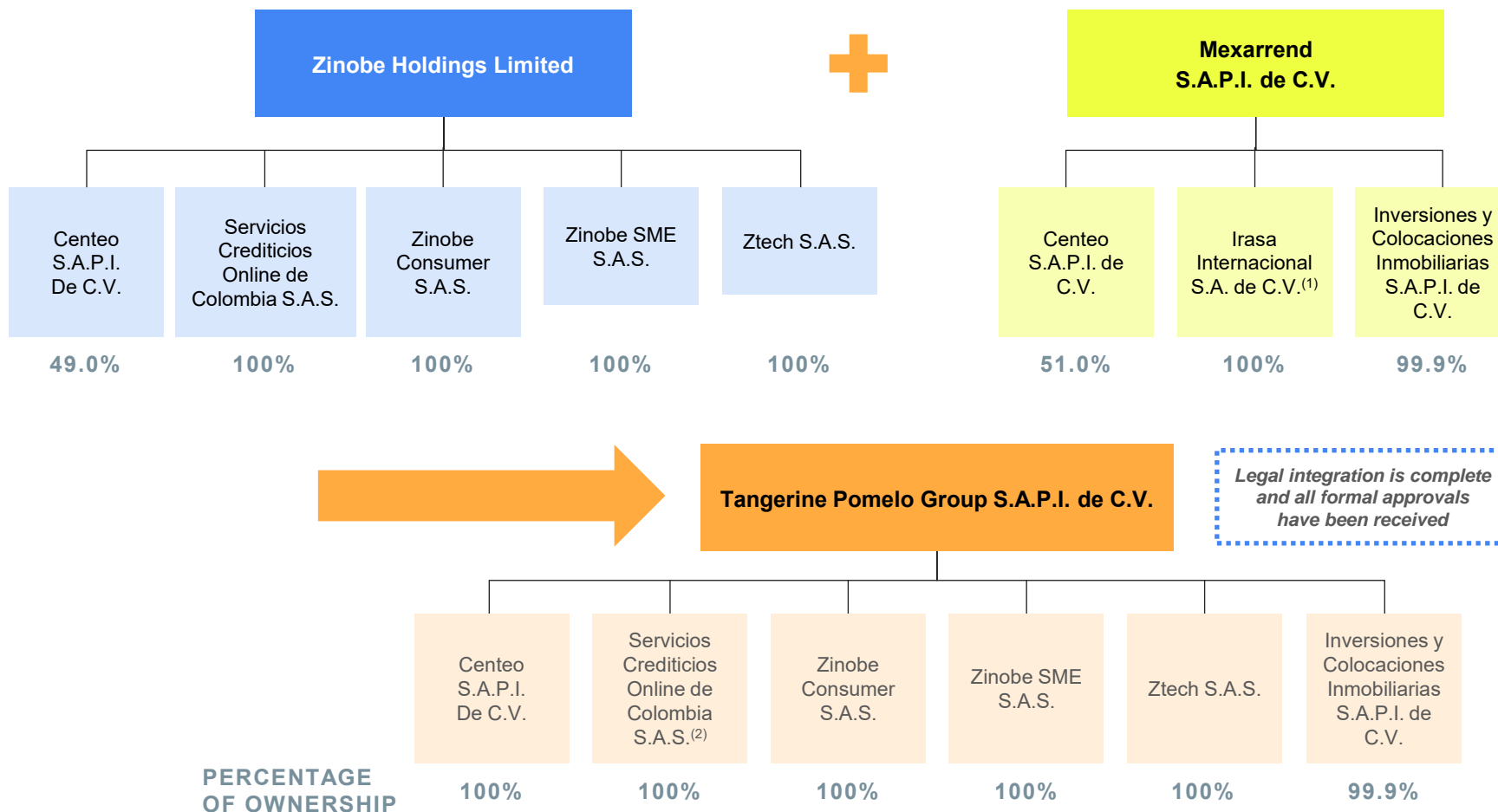


# Evolution of Tangelo Platform



# Corporate Organization Chart

In 2022, Zinobe Holdings and Mexarrend S.A.P.I. de C.V. announced the formation of Tangelo through a non-cash business combination, in which Zinobe Holding subsidiaries were acquired by Mexarrend S.A.P.I. de C.V. and the combined entity was renamed Tangerine Pomelo Group S.A.P.I. de C.V.



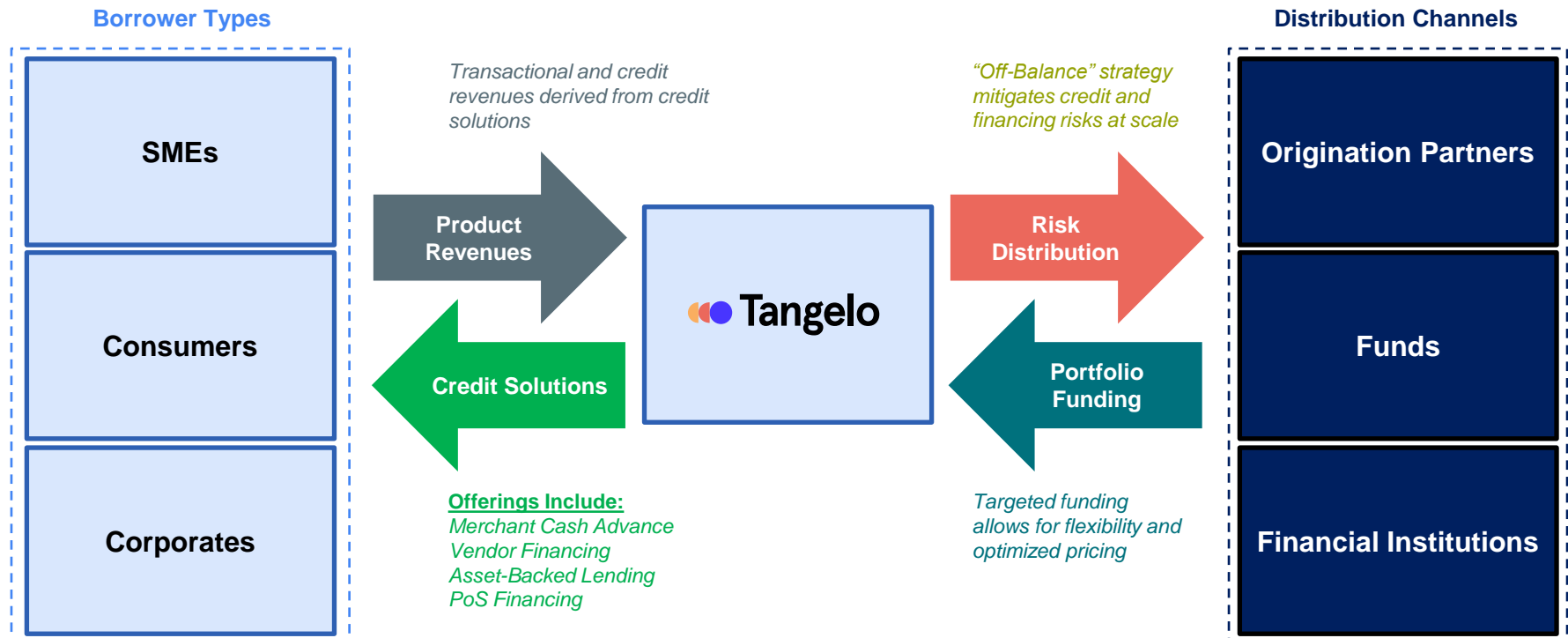
(1) Irasa Internacional S.A. de C.V. was integrated with Mexarrend in 2021

(2) Discontinued entity; doesn't hold any new operations and is in process of being phased out

# Business Model Overview

Tangelo's experience and technology allow them to source and scale a wide range of products to serve SMEs, consumers and corporates, while distributing "tailor-made" portfolios to partners

## Origination and Distribution Model





# Product Overview

Tangelo's business consists of five key product offerings

1

## Asset-Backed Lending

*Lease, sale-leaseback and secured lending products*

2

## Vendor Financing

*Transaction finance solutions for businesses*

3

## Merchant Cash Advance

*Revenue-based lending for SMEs*

4

## PoS Financing

*Point-of-Sale solutions for consumers with retail focus*

5

## Capital Markets / LaaS

*Embedded products and lending services for institutional partners*

# Key Product Highlights

## 1 Asset-Backed Lending

Description	Strategy	Key Features
<p><b>Highlights</b></p> <ul style="list-style-type: none"><li>• <b>Largest business unit</b> by assets and revenues</li><li>• <b>+20-year experience</b> in multiple industries across Mexico</li></ul> <p><b>Client profile</b></p> <ul style="list-style-type: none"><li>• SMEs that own or are purchasing productive assets</li></ul> <p><b>Product structure</b></p> <ul style="list-style-type: none"><li>• Lease, sale-leaseback and secured lending</li><li>• Company typically owns the asset, allowing for favorable tax treatment</li></ul>	<ul style="list-style-type: none"><li>• <b>Balance sheet light</b>, with risk distributed to other partners</li><li>• <b>Embedded approach</b> through partnerships with large vendors, creating operational and risk efficiencies</li><li>• <b>Targeting key sectors</b> to optimize performance and profitability</li><li>• <b>Growth potential in wake of Unifin restructuring</b><ul style="list-style-type: none"><li>• Targeting best clients</li><li>• Servicing select Unifin Portfolios</li></ul></li></ul>	<p><b>30%</b> <i>Average Rate</i></p> <p><b>MXN \$8mm</b> <i>Average Ticket Size</i></p> <p><b>~3.5 years</b> <i>Average Term</i></p>

# Key Product Highlights

## 2 Vendor Financing

Description	Strategy	Key Features
<p><b>Highlights</b></p> <ul style="list-style-type: none"><li>Represents <b>25% of balance sheet portfolio</b> as of 3Q22</li><li>Extensive experience in both <b>Mexico and Colombia</b></li></ul> <p><b>Vendor profile</b></p> <ul style="list-style-type: none"><li>Large corporates looking to increase sales and client retention using credit</li></ul> <p><b>Client profile</b></p> <ul style="list-style-type: none"><li>SMEs with limited access to credit</li></ul> <p><b>Product structure</b></p> <ul style="list-style-type: none"><li>Operational integration with vendor for origination and servicing</li><li>Revenue through transactional, service and performance-based fees</li></ul>	<ul style="list-style-type: none"><li><b>Financing</b> through <b>vendor or funding partners</b> to reduce or eliminate balance sheet exposure</li><li>Target vendors in <b>specific sectors</b> to allow <b>for fast</b> and <b>efficient replication</b></li><li>Offer <b>white label solutions</b> giving greater brand control</li><li><b>Cross-sell related products</b> such as insurance and payment solutions</li></ul>	<p><b>33%</b> <i>Average Rate</i></p> <p><b>MXN \$1mm</b> <i>Average Ticket Size</i></p> <p><b>~9 months</b> <i>Average Term</i></p>

# Key Product Highlights

## 3 Merchant Cash Advance

### Description

#### Highlights

- Developed product with the **largest payment company in Mexico**

#### Partner profile

- Payment aggregator of financial institution

#### Client profile

- Retailers and other small businesses

#### Product structure

- Short-term credit facilities for working capital needs
- Limit and approval are based on flows through a payment terminal
- Daily credit repayment taken from terminal flow reimbursements

### Strategy

- Target **technologically constrained** financial institutions or aggregators with **limited credit capabilities**
- Extensive **integration** with partner platforms to promote **stickiness** of relationship
- Automate **limit increases** and **renewals** to grow efficiently
- Utilize **Tangelo's credit platform** to provide **complete digital experience** for borrowers

### Key Features

**70%**  
*Average Rate*

**MXN \$36.5k**  
*Average Ticket Size*

**6 months**  
*Average Term*

# Key Product Highlights

## 4 Point-of-Sale Financing

### Description

#### Highlights

- Leverages extensive consumer credit experience with **+3 million credits processed**

#### Partner profile

- Large retailers and healthcare providers

#### Client profile

- Underbanked consumers

#### Product structure

- White label product solutions
- Revolving credits or one-off financings
- Revenue through transactional and performance-based fees

### Strategy

- Initially target **motorcycle sellers** to leverage product experience from **Waldo's** then move to other large retailers
- **Expand across Latam**, benefitting from scalability of technological product
- Develop suite of **complementary products and services for cross-selling**
- Utilize **gamification** and **loyalty program** experience to increase usage and retention
- **Partner** with financial institutions or funds to provide **financing options**

### Key Features

**MXN \$29mm<sup>(1)</sup>**  
*Average Ticket Size*

**~1-2 Years<sup>(1)</sup>**  
*Average Term*

**Off-balance sheet and high margin revenue**

Ongoing Partnerships

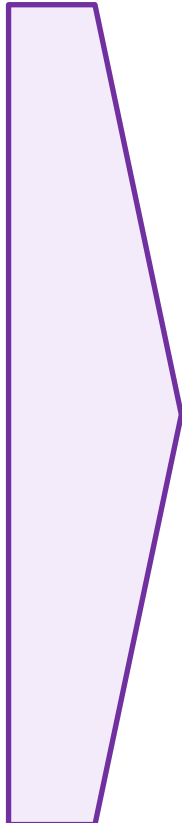


(1) From Waldo's partnership



# Key Product Highlights

## 5 Capital Markets / Lending-as-a-Service

Description	Strategy	Key Features
<p><b>Highlights</b></p> <ul style="list-style-type: none"><li>• <b>Distributed +USD100MM</b> in portfolio over the <b>last 24 months</b></li><li>• <b>Fastest growing business unit</b> over last 3 years</li></ul> <p><b>Partner profile</b></p> <ul style="list-style-type: none"><li>• Local funds and institutions targeting specific risk or product exposure</li><li>• International investors looking for Mexican credit exposure</li></ul> <p><b>Client profile</b></p> <ul style="list-style-type: none"><li>• Pre-approved corporate</li></ul> <p><b>Product structure</b></p> <ul style="list-style-type: none"><li>• One-off or platform model</li></ul>	<ul style="list-style-type: none"><li>• Utilize <b>existing local relationships</b> and <b>strong track record</b></li><li>• <b>Integrate extensively</b> to solidify partnerships</li><li>• <b>Expand credit product offering</b> in platform relationships</li><li>• <b>Control originations</b> through active selling to pre-approved clients</li><li>• Utilize <b>real-time reporting</b> and <b>business intelligence tools</b> to provide highest level of investor support</li></ul>	 <div data-bbox="1572 435 1872 696"><p><b>4.50%</b> <i>Fee as % of Originations</i></p></div> <div data-bbox="1572 696 1872 958"><p><b>No Balance Sheet Exposure</b></p></div> <div data-bbox="1572 958 1872 1250"><p><b>High Growth</b></p></div>

# Business Plan Overview



# Business Plan Forecast Introduction

The following pages provide an overview of Tangelo's projected financial performance over the next 5 years

- Forecast has been developed by Tangelo's management team, with assistance from its advisors
- Forecast reflects management's key strategic objectives and outline a path towards creating long-term value for stakeholders
- This includes the points of emphasis that have been highlighted thus far in the presentation, including the strategic shift towards balance sheet light products and partnerships, driven by Tangelo's proprietary technology
- Forecast reflects various balance sheet assumptions regarding existing secured debt, origination financing and post-restructuring debt allocated to unsecured creditors holders
- Forecast reflects Tangelo's belief that with adequate and sustainable financing, it can leverage its operational experience and tech-enabled capabilities to capitalize on current industry dynamics and prevail as the leader in Mexico's SME lending industry

# Portfolio Overview – Snapshot

## Portfolio Snapshot (as of Dec-22)<sup>(1)</sup>

Figures in MXN\$mm, unless otherwise noted

	Future Value <sup>(2)</sup>	Principal
No. of Loans	2,260	2,260
SME Portfolio	\$7,270	\$4,978
Real Estate Portfolio	\$832	\$2
<b>Total Portfolio</b>	<b>\$8,102</b>	<b>\$4,980</b>
Memo:		
Avg. Outstanding Balance <sup>(3)</sup>	\$4	\$2
Avg. Tenor (months) <sup>(4)</sup>	34	28
<b>Performance Profile:</b>		
Current Portfolio	5,055	3,306
As % of Total Portfolio	62.4%	66.4%
<b>Receivables w/payments +90 DPD</b>	<b>\$3,048</b>	<b>\$1,674</b>
<b>As % of Total Portfolio</b>	<b>37.6%</b>	<b>33.6%</b>

(1) Outstanding balances (both future and principal) include VAT

(2) Future value reflects the aggregate value of the portfolio, including future and past due rents

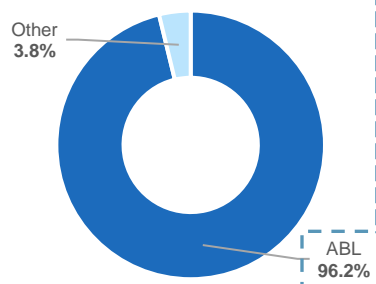
(3) Calculated as Total Portfolio / Number of Loans

(4) Weighted average on a future value and principal basis, respectively

# Portfolio Overview – Stratifications Analysis

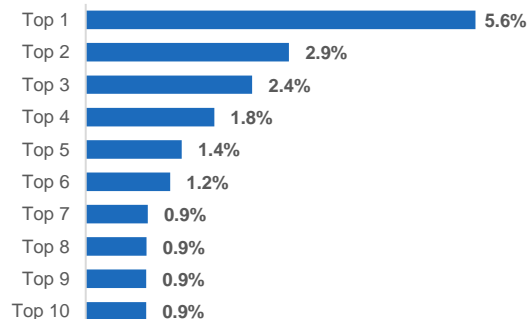
## Product Type

+96% of the Portfolio is comprised by asset-backed loans<sup>(1)</sup>



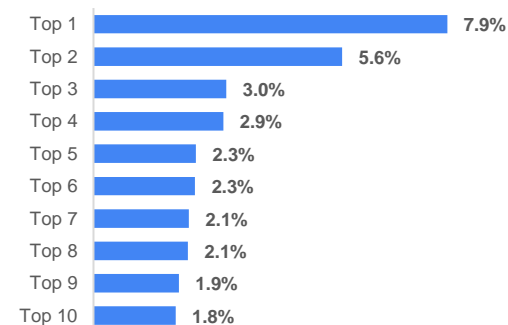
## Concentration Risk per Loan

Top 10 loans have an approximate share of 19%, showcasing low concentration risks



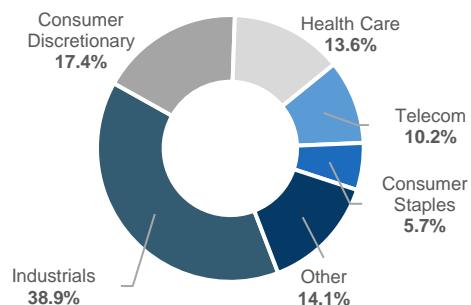
## Concentration Risk per Client

Top 10 clients account for ~32.0% of the portfolio, with highest client exposure being 7.9%



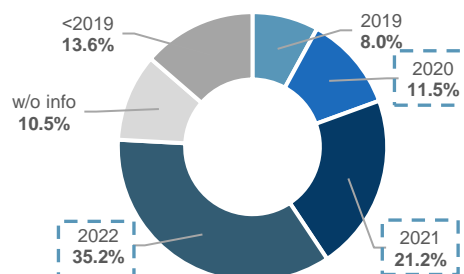
## Distribution per Sector

~80.0% of the portfolio is comprised by loans in the Industrials, Consumer Discretionary, Consumer Staples, Health Care and Telecommunication Services sectors



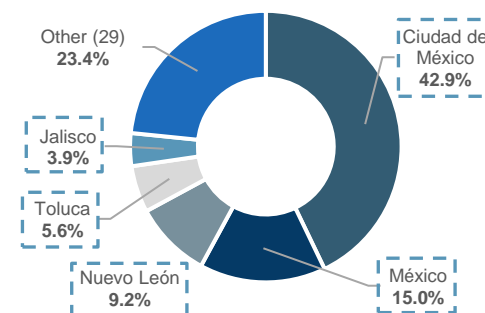
## Distribution per Yearly Vintages

~68% of the outstanding Portfolio was originated as from 2020 and thereafter



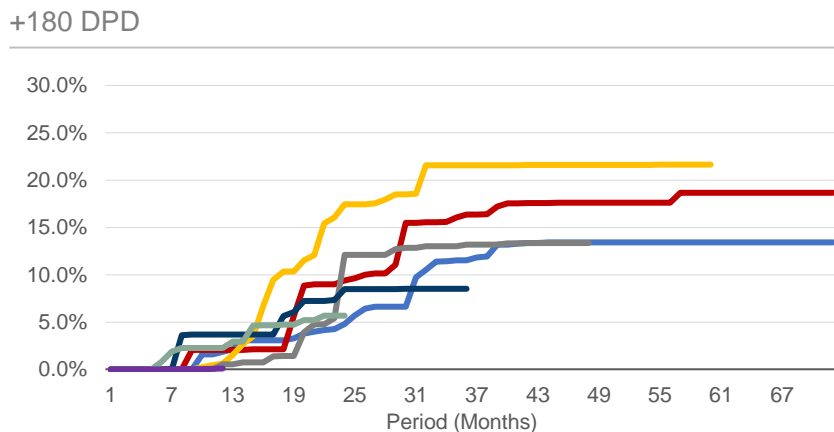
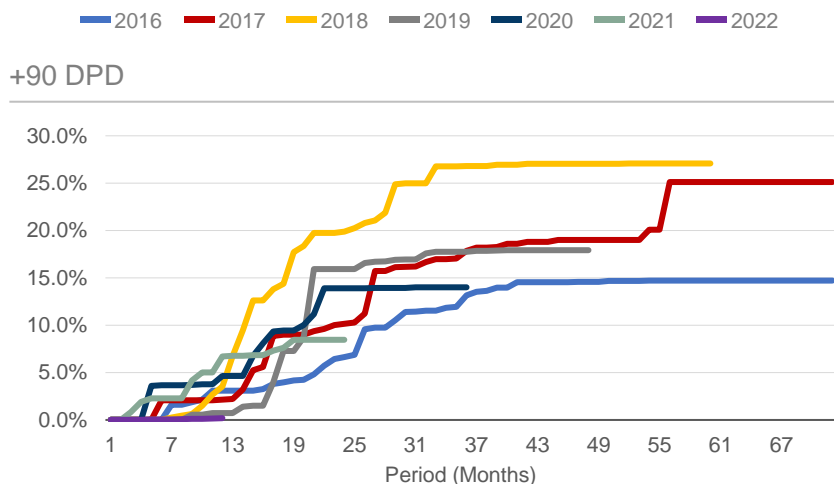
## Geographic Footprint

~77% of the Portfolio is concentrated in Mexico's most important states



# Portfolio Overview – Historical Loss Curves

## Gross Loss Curves per Yearly Vintage



## Commentary

- +90 DPD loss rate of **0.19%** on the **2022 vintage**, representing a significant improvement over older vintages
- Overall, newer vintages benefit from better payment trends compared to older vintages
  - 2022 has **minimal +90 DPD losses observed** in a 12-month period; while +90 DPD losses for vintages between 2016 – 2021 ranged between **0.73% to 6.69%** for the same period
  - 2021 has improved **+90 DPD loss behavior (8.46%)** compared to nearly every prior vintage in a 24-month period

## Average Loss Rate (+90 DPD)

	Period			
	0-12	13-24	25-36	37-48
2016	3.09%	6.62%	13.17%	14.59%
2017	2.14%	10.15%	17.85%	19.01%
2018	3.51%	19.87%	26.82%	27.05%
2019	0.73%	15.94%	17.73%	17.91%
2020	4.63%	13.89%	14.01%	0.00%
2021	6.69%	8.46%	0.00%	0.00%
2022	0.19%	0.00%	0.00%	0.00%
Average	3.00%	12.49%	17.92%	19.64%

# Business Plan – Key Premises

## Originations

- Originations are assumed to resume in Nov-23 across the SME ABL, Vendor Financing and Merchant Cash Advance product lines
- Consumer Credit and Capital Markets / LaaS earn fees as a % of originations
- Total gross originations for Asset-Backed Lending, Vendor Financing and Merchant Cash advance will grow to MXN +\$4,750mm by 2027, representing a 34% CAGR from 2024P-2027P (excluding 16% VAT)
- Segments will grow at varying rates reflecting management expectations

(\$ MXN mm)	2023P	2024P	2025P	2026P	2027P
<b>Asset-Backed Lending</b>					
Origination Amount	\$86	\$1,296	\$1,555	\$1,788	\$2,056
YoY Growth	<i>nmf</i>	<i>nmf</i>	20.0%	15.0%	15.0%
<b>Vendor Financing</b>					
Origination Amount	\$41	\$616	\$1,231	\$1,847	\$2,308
YoY Growth	<i>nmf</i>	<i>nmf</i>	100.0%	50.0%	25.0%
<b>Merchant Cash Advance</b>					
Origination Amount	\$1	\$73	\$127	\$223	\$390
YoY Growth	<i>nmf</i>	<i>nmf</i>	75.0%	75.0%	75.0%
<b>PoS Financing</b>					
AUM	\$88	\$352	\$704	\$1,232	\$1,848
YoY Growth	<i>nmf</i>	<i>nmf</i>	100.0%	75.0%	50.0%
<b>Capital Markets / LaaS</b>					
Origination Amount	\$25	\$278	\$556	\$1,111	\$1,389
YoY Growth	<i>nmf</i>	<i>nmf</i>	100.0%	100.0%	25.0%

Note: Origination amounts shown for Asset-Backed Lending, Vendor Financing, and Merchant Cash Advance products do not include VAT

# Business Plan – Key Premises (cont.)

## Origination Financing

- Management believes that financing is the main driving factor on origination capabilities
  - Each month, assumes up to 90% of surplus cash will fund originations
  - The remainder is assumed to be financed with new origination financing
- New origination financing to consist of 5-year loans made each month

## Collections on New Portfolio

- The Company's new portfolio is assumed to follow product-specific default curves and NPL recovery expectations based on recent vintages

## Collections on Legacy Portfolio

- For the existing portfolio, collections curves are based on the loan tape as of Dec-22, and historical precedent is used to forecast a 85% collection efficiency
- 30% NPL recovery is assumed for the projection period
- Assumes 50% collections efficiency for rental income portfolio



# Business Plan – Key Premises (cont.)

## Operating Expenses & Disbursements

- Taxes:
  - Assumed to be 20% of total collections
  - VAT tax may be mitigated as the Company recontinues origination
  - Lease products have greater benefit on cash flow than loan products
- SG&A costs are comprised of a fixed component (MXN \$3mm-5mm monthly) and a variable component (1% of total collections)
- Salaries and Payroll costs are comprised of a fixed component (MXN \$7mm-10mm monthly) and a variable component (1% of total originations)
- Rent is projected as a fixed cost of MXN ~\$1mm monthly
- Legal expenses are projected as a fixed cost of MXN ~\$3mm monthly
- It is expected that the shift toward vendor finance model will improve the Company's cost structure

## Asset Sales

- To manage liquidity in the near term, assumes the Company will monetize some of its real estate and other assets
- From 2023-2027, the Company expects to sell real estate assets for MXN ~\$1.5bn

# Business Plan – Key Premises (cont.)

## Existing Debt

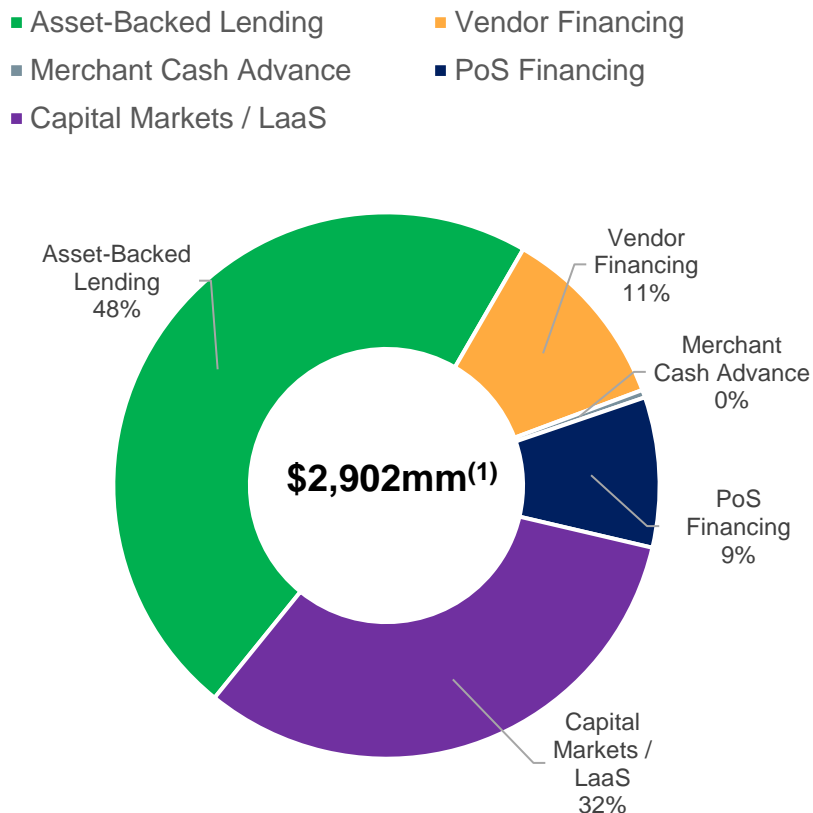
- Assumed to follow existing amortization and interest schedules

## Unsecured Takeback Debt

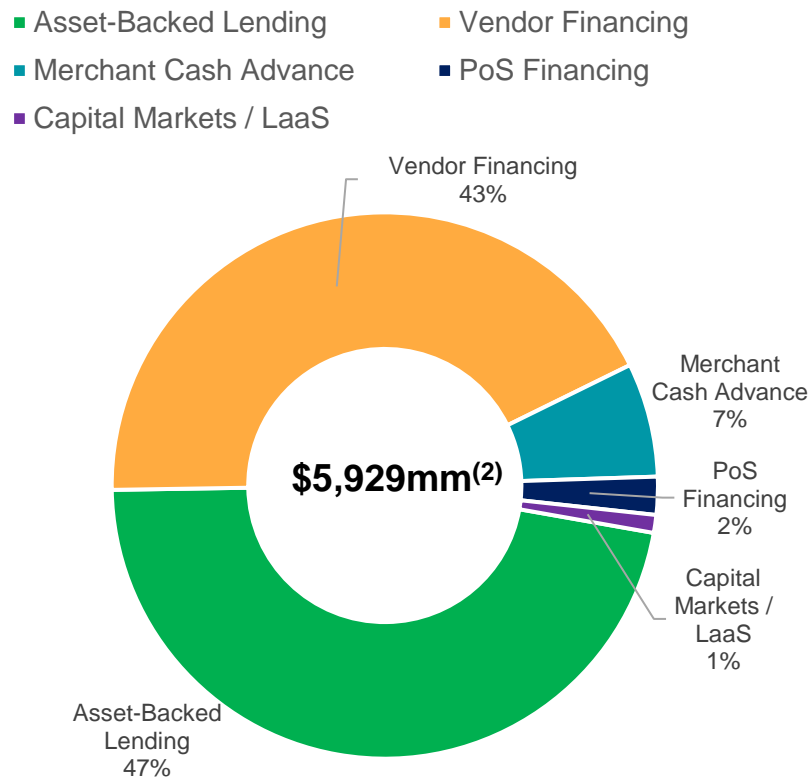
- Unsecured creditors receive in total US ~\$100mm of debt with a term of 6 years and an interest rate of 12.00%; amortization begins in 2026 and principal is paid down in fixed semi-annual increments until maturity in 2029

# Historical and Projected Portfolio

## 10ME Oct-22 Revenue Composition



## FY2027 Projected Revenue Composition<sup>(2)</sup>



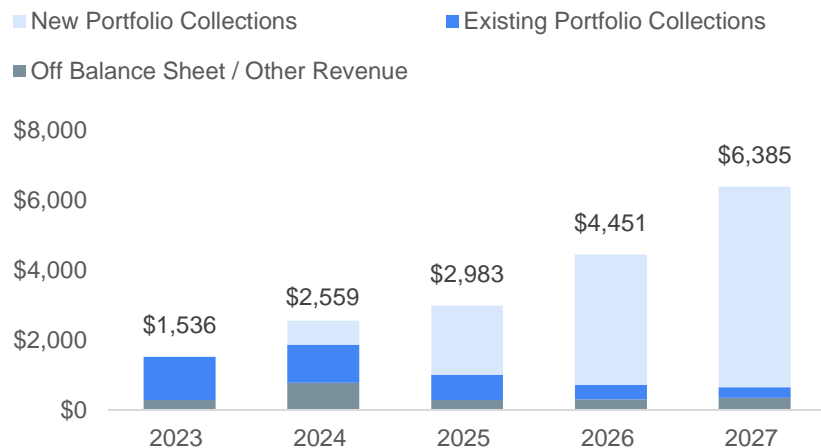
Note: Capital Markets / LaaS revenues from 10ME Oct-22 revenue composition were calculated on a gross basis for some of the transactions, while the FY27 projected revenue is presented net of origination costs

(1) Revenue shown as annualized for 12-month period

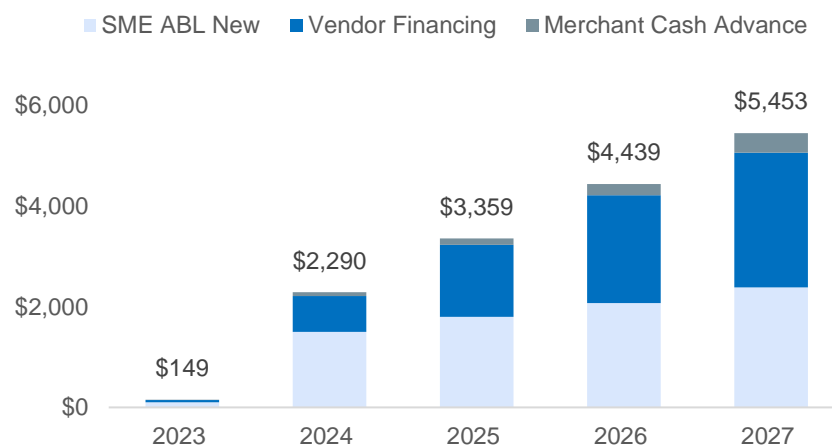
(2) Includes new portfolio assets and off-balance revenue from PoS financing and Capital Markets / LaaS

# Business Plan – Operating Performance

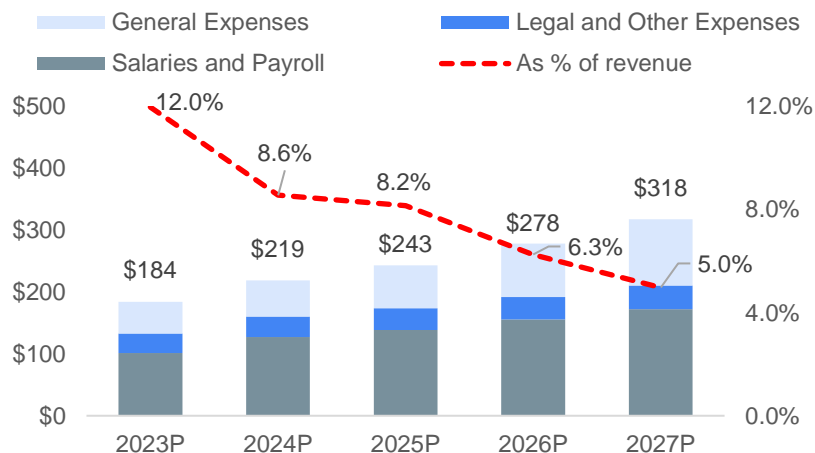
## Projected Revenues



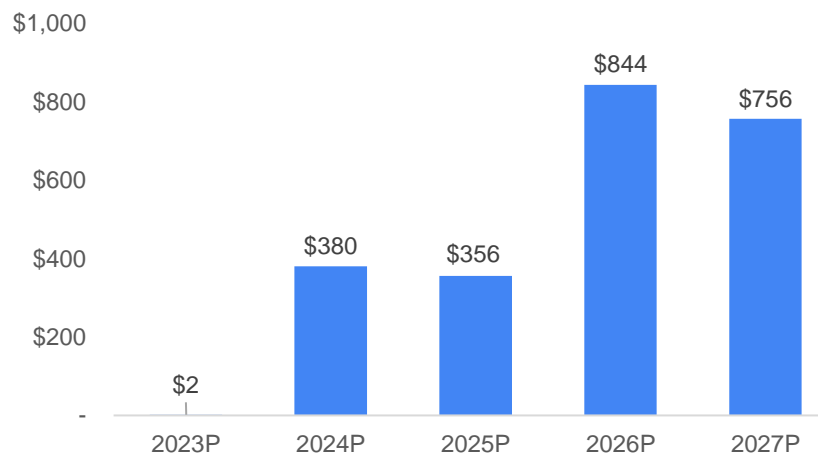
## Projected New Originations



## Operational Expenses

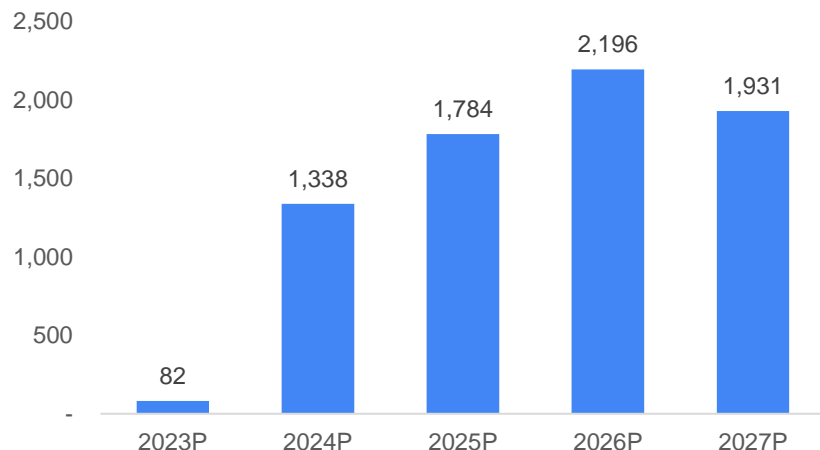


## Projected Free Cash Flow Before Unsecured Debt Service



# Business Plan – Financing and Capitalization

## Projected Origination Financing

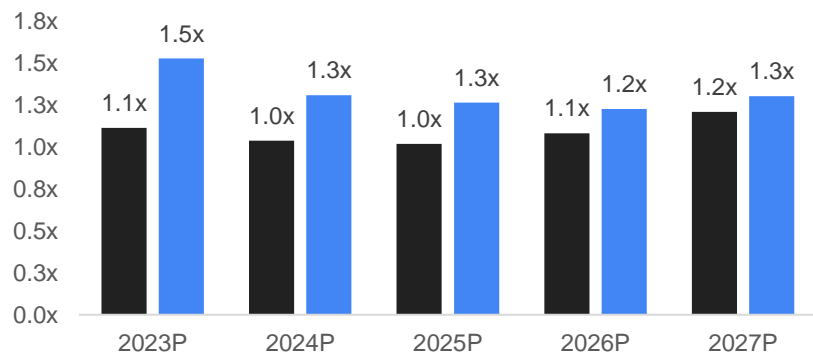


### Memo: Origination Financing & Liquidity Management

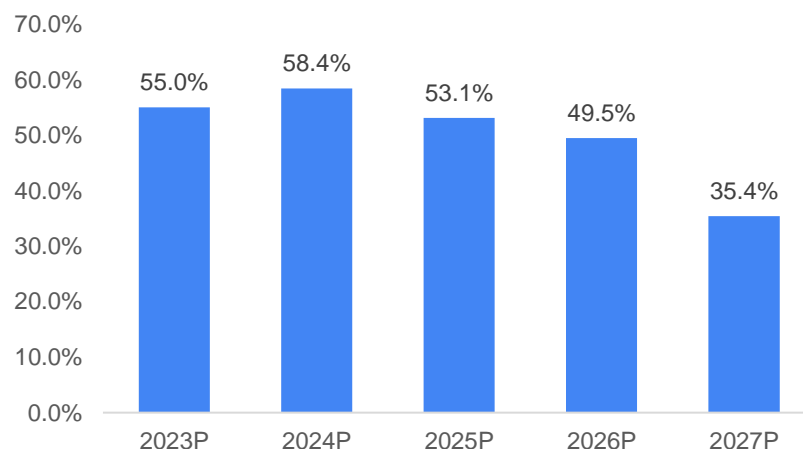
- Up to 90% of surplus cash will fund originations, with the remainder being covered by new origination financing
- The Company is expected to accumulate liquidity and generate cash flow from collections on the new portfolio from 2023-2027
- The portion of originations financed with new debt decreases over time, allowing the Company to deleverage

## Asset Value to Debt<sup>(1)</sup> and New Portfolio to New Origination Financing<sup>(2)</sup>

■ Total Asset Value to Total Debt ■ New Portfolio to New Origination Financing



## Projected Origination Indebtedness<sup>(3)</sup>



(1) Calculated as total asset value / total borrowings

(2) Calculated as total new portfolio / origination financing

(3) Calculated as origination financing issued / origination amount in a given year



# Business Plan Financial Detail

## Financial & Liquidity Forecast

(\$ MXN mm)	2023P	2024P	2025P	2026P	2027P	Cumulative
New Portfolio Collections	\$11	\$687	\$1,973	\$3,735	\$5,733	\$12,139
Existing Portfolio Collections / Other Revenue	1,525	1,873	1,009	716	651	5,775
<b>Total Revenue</b>	<b>\$1,536</b>	<b>\$2,559</b>	<b>\$2,983</b>	<b>\$4,451</b>	<b>\$6,385</b>	<b>\$17,914</b>
SG&A	(51)	(58)	(70)	(86)	(107)	(373)
Salaries and Payroll	(101)	(128)	(139)	(156)	(172)	(695)
Other <sup>(1)</sup>	(357)	(55)	(43)	(45)	(47)	(548)
Originations	(149)	(2,290)	(3,359)	(4,439)	(5,453)	(15,689)
<b>Total Operating Disbursements</b>	<b>(\$658)</b>	<b>(\$2,531)</b>	<b>(\$3,610)</b>	<b>(\$4,726)</b>	<b>(\$5,780)</b>	<b>(\$17,305)</b>
<b>Operating Cash Flow</b>	<b>\$878</b>	<b>\$28</b>	<b>(\$628)</b>	<b>(\$275)</b>	<b>\$605</b>	<b>\$609</b>
Total Secured Debt / Warehouse Facility Payments	(956)	(846)	(299)	(83)	(78)	(2,263)
Total Unsecured Debt	(8)	-	-	-	-	(8)
Total Restructring Notes	-	(225)	(225)	(681)	(625)	(1,757)
<b>Total Debt Service (w/o Additional Funding)</b>	<b>(\$965)</b>	<b>(\$1,072)</b>	<b>(\$525)</b>	<b>(\$765)</b>	<b>(\$702)</b>	<b>(\$4,028)</b>
<b>Levered FCF (w/o Additional Funding)</b>	<b>(\$87)</b>	<b>(\$1,044)</b>	<b>(\$1,152)</b>	<b>(\$1,039)</b>	<b>(\$97)</b>	<b>(\$3,419)</b>
<u>Origination Financing</u>						
Issuance	82	1,338	1,784	2,196	1,931	7,331
Repayment	-	-	(54)	(398)	(901)	(1,353)
Interest	(1)	(139)	(447)	(597)	(802)	(1,986)
<b>Net Origination Financing</b>	<b>\$80</b>	<b>\$1,198</b>	<b>\$1,282</b>	<b>\$1,202</b>	<b>\$229</b>	<b>\$3,992</b>
<b>Levered FCF (w/Additional Funding)</b>	<b>(\$6)</b>	<b>\$155</b>	<b>\$130</b>	<b>\$162</b>	<b>\$131</b>	<b>\$573</b>
Cash Balance BoP	142	136	291	421	583	142
Levered FCF	(6)	155	130	162	131	573
<b>Cash Balance EoP</b>	<b>\$136</b>	<b>\$291</b>	<b>\$421</b>	<b>\$583</b>	<b>\$715</b>	<b>\$715</b>
<b>Cash Balance EoP (\$US)</b>	<b>\$7</b>	<b>\$15</b>	<b>\$22</b>	<b>\$31</b>	<b>\$38</b>	<b>\$38</b>

### Memo: Portfolio Snapshot

New Portfolio Balance	125	1,860	3,986	6,073	7,797
Legacy Portfolio Balance	2,211	1,416	800	436	193
<b>Aggregate Portfolio Balance</b>	<b>2,336</b>	<b>3,276</b>	<b>4,786</b>	<b>6,508</b>	<b>7,990</b>

Note: Includes only Mexico operations; assumes exchange rate of 19.0

(1) Includes rent, taxes, restructuring expenses and legal expenses

(2) Amounts reflect year-end projections for the book value of the outstanding portfolio, excluding NPLs which were known as of Dec-22

# Appendix

*Selected Case Studies*

# Consumer Case Study: **Waldos**

## PoS Financing and Asset-Backed Lending



### Partner's context:

- ▶▶ Mexican bottom of the pyramid oriented, low-cost retailer, with:
  - **+2MM** customers
  - **+700** stores
  - **+USD 1BN** in revenue from low ticket size recurrent transactions

### Partner's business challenges:

- ▶▶ **Low customer recurrency / retention** many times due to lack of funds
- ▶▶ **High transaction costs from banks** and low credit penetration due to underwriting constraints
- ▶▶ **Low level revenue growth**

### Solution approach:

- ▶▶ **Rollout of 2 initial products:**
  - PoS Financing
  - Asset-Backed Lending (motorcycles)
- ▶▶ **Follow-up products:**
  - Loyalty program
  - Marketplace for complementary products (remittances, service payments, etc.)
- ▶▶ **Funding:**
  - 90% Partner / 10% Tangelo
- ▶▶ **Monetization:**
  - Transaction and servicing fees
  - Cross selling
  - Interest charges



# SME/Enterprise Case Study: Holcim

## Vendor Financing



### Partner's context:

- » Swiss multinational company that manufactures building materials (mainly cement and concrete):
  - +25k stores / distributors
  - +USD 2.7BN in revenue in LATAM

### Partner's business challenges:

- » **Lack of experience** or desire to manage credit operations for diverse client base needs
- » Credit lines provided by banks have **low approval rates** limiting customer spend and recurrency

### Solution approach:

- » **Rollout of 1 initial product:**
  - Vendor Financing for Working Capital
- » **Follow-up products:**
  - PoS Financing
  - Product Insurance
- » **Funding:**
  - 100% Tangelo initially then financial institution/investor
- » **Monetization:**
  - Transaction fees
  - Interest charges



# SME/Enterprise Case Study: Clip

## Merchant Cash Advance



### Partner's context:

- ▶▶ Payments company offering payment processing terminals as well as payment services:
  - +300k SMEs serviced through their payment terminals in Mexico

### Partner's business challenges:

- ▶▶ Seeking to **increase client retention** by offering value-added services
- ▶▶ **Lack of experience in credit**, therefore the need for a partner to create and scale operations
- ▶▶ **Need to increase revenue, margin and share of wallet** from client base through the offering of value-added services

### Solution approach:

- ▶▶ **Rollout of 1 initial product:**
  - Merchant Cash Advance
- ▶▶ **Follow-up products:**
  - PoS Financing
- ▶▶ **Funding:**
  - 100% Tangelo initially then financial institution/investor
- ▶▶ **Monetization:**
  - Interest charges

# Modular Solutions Case Study: Telefónica

## Digital Lending for Vendor Finance



### Partner's context

- Spanish Telco with presence across LATAM
- Services more than 200k SMEs in Colombia
- Currently has a JV program with BBVA to lend money to consumers to finance products

### Partner's business challenges:

- Inability to do proper due diligence for SMEs despite having a joint venture with a bank to finance lending operations
- Desire for JV to **create unique evaluation and underwriting capabilities** through non-traditional data sets to assess SMEs and increase credit facilities

### Solutions approach

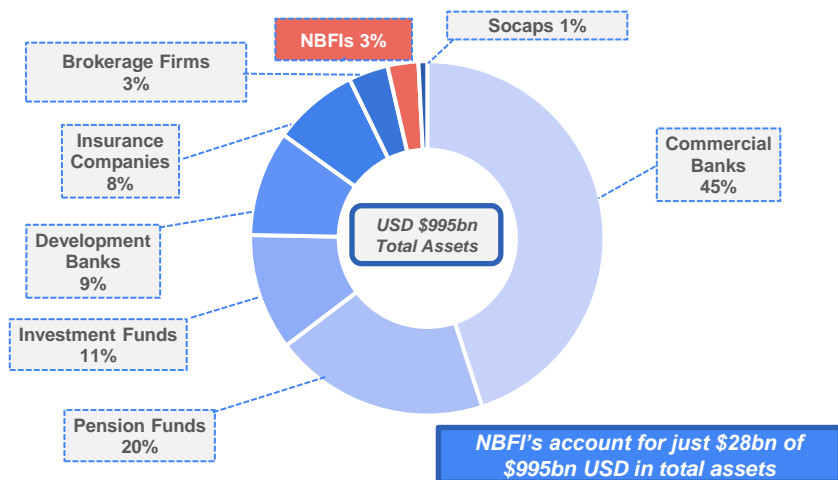
- Rollout of 1 initial product:**
  - Digital Lending: Vendor Finance and Collections as a Service (only Colombia)
- Follow-up product:**
  - Regional Vendor Finance (Peru, Chile)
- Funding:**
  - No funding required
- Monetization:**
  - Set up fee
  - Transaction fees
  - Servicing fees

# Appendix

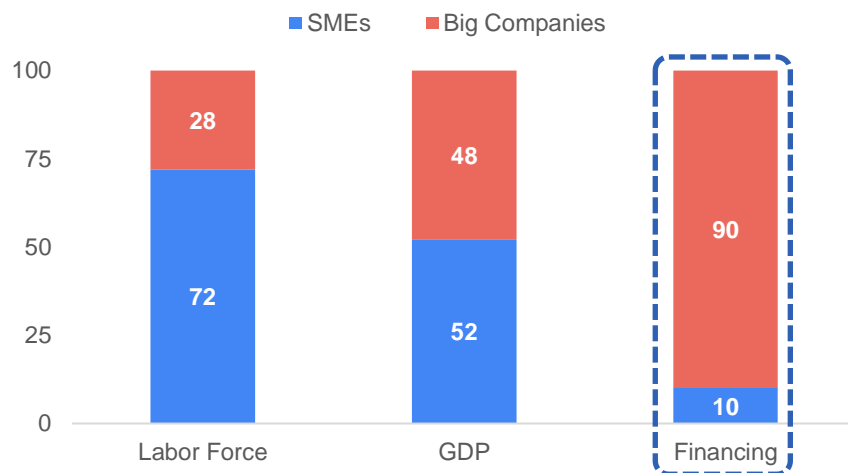
## *Additional NBFJ Market Information*

# NBFI Opportunities in Mexico

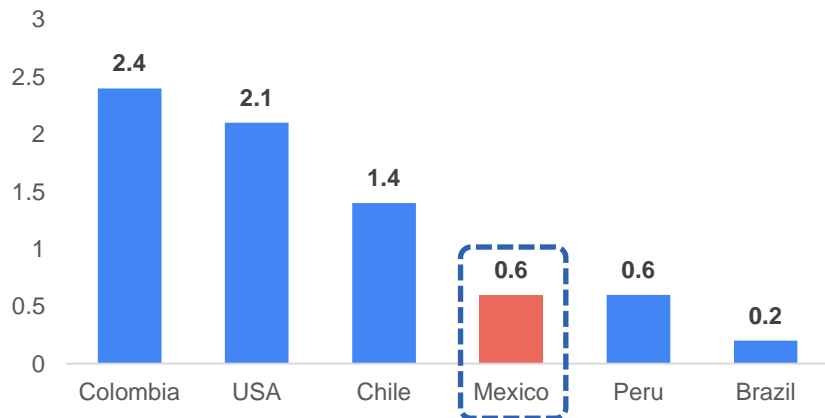
**Mexico's Financial System** (% of assets, as of 1Q22)



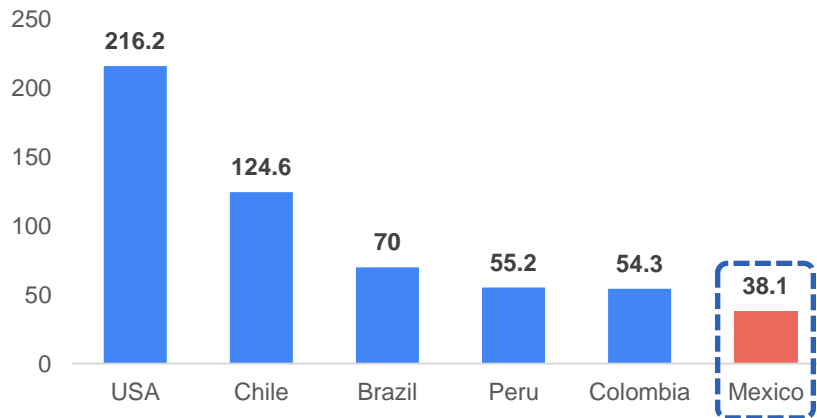
**Portion of Mexican Economy** (% as of 2021)



**Lease Volume** (% of GDP, 2020)



**Domestic Credits to the Private Sector** (% of GDP, 2020)



# NBFI Opportunities in Mexico (cont.)

## Leasing Financing Demand

- Micro, Small and Medium Enterprises (MSMEs) are critical players in Mexico's economy
- However, many MSMEs cannot access traditional financing
- Inherent limitations include size, diversification, financial track records and collateral availability

- MSMEs contribute **+70% of employment** and **+45% of goods and services** in Mexico
- **76.8%** of SMEs do not have access to traditional financing

## NBFI Advantages

- Key lenders in Mexican leasing industry include:
  - **Banks:** Typically work with large corporates only
  - **Specialized Leasing Subsidiaries:** Limited flexibility
  - **NBFIs:** Able to service the unmet demands of SMEs
- NBFIs are **more flexible**, allowing creative solutions
- NBFIs are **less bureaucratic**, enabling efficient origination

- From 2017 to 2020, net interest margins for independent leasing companies remained above 5%
- Regulated leasing portfolios grew 10.1% QoQ in 1Q22

## Growth Outlook

- Despite macroeconomic headwinds and COVID-19 impact, total **portfolio assets of NBFIs have grown** in recent years
- Portfolio recovery and higher interest rates have **stabilized net interest margin and interest income**
- Leasing remains high-growth opportunity, spurred by increased **product acceptance** and **steady MSME demand for digital credit solutions**
- Traditional banking intermediaries continue to neglect the financing needs of MSMEs
- Increased lender offerings will allow for expansion into new sectors and customer types
- Bankruptcies of recent NBFI players have left an origination void which remaining players can use to their advantage

- Underpenetrated market
- NBFIs account for just 3% of assets in Mexico's financial system
- NBFI market share lost includes Unifin, with a portfolio totaling MXN\$76,158bn and 11,800+ customers (as of 2Q22) and Credito Real, with a total portfolio of more than MXN \$12,031bn and 890+ customers (as of 4Q21)



# Tangelo

## Transaction Proposal

July 2023

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# Capital Structure

	Outstanding Balance (as of 6/30/23)	
	(MXN\$)	(USD\$)
<i>(\$ amounts in mm)</i>		
Warehouse Facilities	825	49
Secured Bank Debt	815	49
<b>Total Secured Debt</b>	<b>\$1,640</b>	<b>\$98</b>
<b>Total Unsecured Debt</b>	<b>\$5,632</b>	<b>\$336</b>
<b>Total Debt</b>	<b>\$7,272</b>	<b>\$434</b>
Less: Cash and Equivalents <sup>(1)</sup>	85	5
<b>Net Debt</b>	<b>\$7,187</b>	<b>\$429</b>

Note: Assumes a USD:MXN exchange ratio of 16.75:1 as of 7/20/2023

(1) As of the week ended 7/14/2023

# Preliminary Restructuring Transaction Term Sheet

	Debt Claim (As of 6/30/23)	Treatment
Warehouse Facilities	MXN \$825mm USD \$49mm	<ul style="list-style-type: none"> <li>▪ Bilateral negotiations to reach viable go-forward terms</li> </ul>
Secured Bank Debt	MXN \$815mm USD \$49mm	<ul style="list-style-type: none"> <li>▪ Bilateral negotiations to reach viable go-forward terms</li> </ul>
Unsecured Creditors	MXN \$5,632mm USD \$336mm	<ul style="list-style-type: none"> <li>▪ <u>Receives package of consideration including:</u> <ul style="list-style-type: none"> <li>▪ ~\$100mm new 6-year take-back unsecured debt with 12% cash interest and amortization beginning in 3<sup>rd</sup> year</li> <li>▪ TBD% of reorganized equity, subject to TBD% MIP dilution and new money penny warrants</li> </ul> </li> </ul>
Existing Equity	N/A	<ul style="list-style-type: none"> <li>▪ TBD% reorganized equity, subject to TBD% MIP dilution and new money penny warrants</li> </ul>
New Money Exit Facility	N/A	<ul style="list-style-type: none"> <li>▪ New money funded in the form of a MXN \$1.0bn senior secured facility, with attached penny warrants granting TBD% of reorganized equity, subject to TBD% MIP dilution</li> <li>▪ Proceeds to be used to bolster liquidity position, fund originations, and jumpstart operations</li> </ul>
Management Incentive Plan ("MIP")	N/A	<ul style="list-style-type: none"> <li>▪ TBD% of fully diluted reorganized equity</li> </ul>