

08.06.2021

Rating is assigned to KSG Agro S.A.

June 8, 2021 at the meeting the rating committee of the Agency "Expert-Rating" made decision to assign a credit rating to KSG Agro S.A. at the level **uaA+**. A borrower or a separate debt instrument with rating uaA is characterized by a high solvency compared to other Ukrainian borrowers or debt instruments. The level of solvency is sensitive to the impact of adverse commercial, financial and economic conditions.

According to the results of the rating research, the following main conclusions can be drawn:

1. KSG Agro S.A. is a vertically integrated agricultural holding, which includes 27 companies operating mainly in Ukraine. The holding produces agricultural products for both domestic consumption and export. KSG Agro S.A. According to the results of 2020 year the Holding received 48.35% of its revenues from pig farming, 39.29% – from crop production, 12.36% – from other activities. In 2011, KSG Agro S.A. became one of the first issuers with business in Ukraine, which successfully performed public offering of its shares on the Warsaw Stock Exchange. As of the beginning of April 2021, 35.17% of the shares of KSG Agro S.A. were in free circulation and quoted on the WSE.

2. KSG Agro S.A. used short-term and long-term loans in its activities. In particular, as of March 31, 2021, the share of loans in the liabilities of KSG Agro S.A. amounted to 47.70%, namely: short-term loans – 5.12%, long-term ones – 42.58%. As of the beginning of 2021, the shareholders' equity of KSG Agro S.A. covered 44.16% of bank loans and 19.64% of the total volume of loans from banks and the parent company. In 2020-2021 the management of the Holding took measures aimed to improve its credit history by fully repaying and restructuring the overdue debts on bank loans, as well as reduced the impact of currency risk on the creditworthiness of KSG Agro S.A., by changing the lending currency from the US dollar to the functional currency, i.e. the currency of operations of subsidiaries.

3. The analysis of key balance sheet indicators and financial results of KSG Agro S.A. for 2019-2020 and for the first quarter of 2021 shows the profitable activity of the Company, the increase in the level of the ratio between shareholders' equity and liabilities, and a significant increase in the ratio between EBITDA and liabilities of the Company. In particular, according to the results of the 2020 year compared to the 2019 year, the ratio between EBITDA and total liabilities of the Company grew by 8.04 p.p. up to 11.35%, the ratio between EBITDA and the total amount of loans received by KSG Agro S.A. (including a loan from the parent company) grew by 16.70 p.p. up to 23.94%, and the ratio between EBITDA and bank loans increased by 34.81 p.p. up to 54.28%. Current EBITDA level of KSG Agro S.A. covers a significant share of the Company's interest-bearing liabilities, and according to the results of 2020 year it more than in 4 times exceeds the cost of interest on loans, and more than in three times exceeds the total financial costs of the Holding (which also include the cost of renting land). This means that the Company is able to generate a significant amount of revenue that can be aimed at financing of continuous activity and debt service..

4. The fact of the availability of listing of KSG Agro S.A. shares in the main market of the Warsaw Stock Exchange, under certain conditions, creates opportunities for the Company to access a conditionally free source of financing. In particular, the increase in investors' interest in KSG Agro S.A. shares, which results in an increase in the liquidity and share price of the Company, improves its ability to increase the shareholders' equity by placing shares of the new issue. In particular, for the period from January 1, 2020 to May 17, 2021, the share price of KSG Agro S.A. grew in 2.83 times: from PLN 1.2 to PLN 3.40. At the same time, the higher the share price on the stock exchange, the better the Company's chances of raising additional capital through SPO and even replacing part of the borrowed resources with its own funds. As well, the availability of listing of KSG Agro S.A. shares on the WSE contributes to the improvement of corporate governance practices in the Holding.

5. As of the beginning of 2021 year, the agroholding KSG Agro S.A. did not issue other debt securities, except for short-term promissory notes (as of December 31, 2020, the amount of debt on issued promissory notes was estimated at USD 2.349 million). The Agency notes that if the Company issues other debt securities, including bonds, its rating may be revised depending on the terms of issue.

6. The parent company of KSG Agro S.A. is OLBIS Investments LTD S.A. (Panama), which owns 64.62% of shares of the Holding, and the ultimate controlling party is Sergiy Kasyanov (Chairman of the Board of Directors). Based on the above, the level of external support of KSG Agro S.A. the Agency considers it uncertain that is traditional for companies whose beneficial owners are individuals.

RA Expert Service "Expert-Rating"

The full substantiation of the rating assessment of RA "Expert-Rating" is contained in the Rating Report