

01.08.2022

Rating of KSG Agro S.A. is updated

August 1, 2022 the rating committee of RA “Expert-Rating” made decision to update a long-term credit rating of KSG Agro S.A. at the level **uaA+** according to the national scale (the rating according to the international scale is at the level BBB.) The borrower or the particular debt instrument with rating uaA is characterized by a high creditworthiness compared to other Ukrainian borrowers or debt instruments. The level of creditworthiness is susceptible to the impact of adverse commercial, financial and economic conditions. The Agency updated the credit rating after the analysis of data of the consolidated statements of KSG Agro S.A for the first quarter of 2022.

Table

Indicators of KSG Agro S.A for the first quarter of 2022 year (th. USD, p.p., %)

Indicators	Q1 of 2022 (31.03.2022)	Q1 of 2021 (31.03.2021)	Change	Growth rate, %
Balance sheet indicators and financial results				
Fixed assets	14 178	15 641	-1 463	-9,35%
Long-term biological assets	27 682	28 204	-522	-1,85%
Current biological assets	10 177	7 702	2 475	32,13%
Stocks and agricultural products	9 183	7 215	1 968	27,28%
Cash and cash equivalents	939	154	785	509,74%
Accounts receivable	3 629	1 012	2 617	258,60%
Total assets	68 732	63 933	4 799	7,51%
Long-term bank and other loans	25 973	24 554	1 419	5,78%
Long-term liabilities, total	26 716	32 521	-5 805	-17,85%
Short-term bank and other loans	3 423	2 950	473	16,03%
Accounts payable	6 314	8 098	-1 784	-22,03%
Current liabilities, total	18 592	25 147	-6 555	-26,07%
Total liabilities	45 308	57 668	-12 360	-21,43%
Shareholders' equity	23 424	6 265	17 159	273,89%
Authorized (share) capital	150	150	0	0,00%
Revenue	3 540	3 521	19	0,54%
Net profit	1 842	752	1 090	144,95%
Calculated indicators and coefficients:				
EBITDA	1 524	1 386	138	9,96%
Ratio between shareholders' equity and liabilities, %	51,70%	10,86%	40,84 p.p.	-
Ratio between EBITDA and liabilities, %	3,36%	2,40%	0,96 p.p.	-
Ratio between EBITDA and total loans (excluding cash and cash equivalents), %	5,36%	5,07%	0,29 p.p.	-
ROS	52,03%	21,36%	30,67 p.p.	-
ROA	2,68%	1,18%	1,50 p.p.	-
ROE	7,86%	12,00%	-4,14 p.p.	-

Source: consolidated financial statements of KSG Agro S.A., calculations by RA “Expert-Rating”

1. For the period from 31.03.2021 to 31.03.2022 the shareholders' equity of KSG Agro S.A. grew in 3,74 times and as at the beginning of the second quarter of 2022 amounted to USD 23,42 mln. The key factor of this indicator increase, as in previous periods, was the Company's profitable activity and the reduction of retained loss in the structure of its shareholders' equity. Throughout the

analyzed period the liabilities of KSG Agro S.A. decreased by 21,43% down to USD 45,31 mln. The corresponding movement of indicators resulted in an increase in the ratio between shareholders' equity and liabilities of KSG Agro S.A. by 40,84 p.p. up to 51,70% in the analyzed period. A considerable increase of KSG Agro S.A. provision level with shareholders' equity positively affects the Company's solvency and is highly appreciated by the Agency.

2. In the structure of long-term liabilities of KSG Agro S.A. as of 31.03.2022, the predominant share belonged to long-term loans, their volume in the analyzed period grew by 5,78% up to USD 25,97 mln. Short-term loans, obtained by KSG Agro S.A., for the period from 31.03.2021 to 31.03.2022 showed the increase by 16,03% and amounted to USD 3,42 mln.

3. Sales of the Company's products showed a slight increase in the analyzed period. In particular, sales revenue for the first quarter of 2022 year compared to the first quarter of 2021 year grew by 0,54% and amounted to USD 3,54 mln. At the same time, net profit of KSG Agro S.A. according to the results of the first quarter of 2022 year compared to the same period of 2021 year grew in 2,45 times up to USD 1,84 mln. A considerable increase in the financial results of KSG Agro S.A. positively affected the Company's ROS and ROA, which demonstrated a significant increase in the analyzed period.

4. Analysis of the consolidated financial statements of KSG Agro S.A. showed that EBITDA according to the results of the first quarter of 2022 year compared to the first quarter of 2021 year grew by 9,96% up to USD 1,52 mln., and the ratio between EBITDA for the first quarter of 2022 year and the volume of loans as of 31.03.2022 compared to the previous year indicator grew by 0,29 p.p. up to 5,36% that was appreciated by the Agency.

The Agency notes that, according to the Company's information, since the beginning of the Russian invasion, no hostilities have taken place in the immediate vicinity of Agroholding's assets, KSG Agro S.A. does not have customers from Russia, and the dynamics of prices for products produced by Agroholding is favorable. Therefore, the management of KSG Agro S.A. does not expect a significant negative impact of the Russian invasion on the Company's economic activity.

In addition, despite the military aggression of the Russian Federation against Ukraine, KSG Agro S.A. received \$1.33 million in the first quarter. loan funds for the sowing campaign from TASCombank. Also, the Company, even in wartime conditions, continued to increase the pace of pork production - for example, KSG Agro increased the volume of sales of pigs by 3% in March compared to February 2022.

Therefore, having analyzed the consolidated financial statements of KSG Agro S.A. for the first quarter of 2022 year, the Agency notes: considerable increase in the level of shareholders' equity coverage with liabilities, increase of financial results, high indicators of the Company's efficiency, as well as increase of ratio between EBITDA and loans.

At the same time, the Agency notes that the current rating level determines the probability of default in the case of the company's activity under normal circumstances and does not take into account force majeure circumstances, as well as the effect of other force majeure circumstances.

Analytical service of RA «Expert-Rating»