

10.06.2024

Rating of KSG Agro S.A. is updated

June 10, 2024 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 2023 year.

Table

Indicators of KSG Agro S.A (th. USD, p.p., %)

Indicators	2023 year (31.12.2023)	2022 year (31.12.2022)	Change	Growth rate, %
Balance sheet indicators and financial results				
Fixed assets	10 422	10 636	-214	-2,01%
Long-term biological assets	4 414	5 779	-1 365	-23,62%
Current biological assets	3 819	4 961	-1 142	-23,02%
Stocks and agricultural products	7 668	8 508	-840	-9,87%
Cash and cash equivalents	206	271	-65	-23,99%
Accounts receivable	1 289	2 837	-1 548	-54,56%
Total assets	31 766	35 028	-3 262	-9,31%
Long-term bank and other loans	5 037	18 167	-13 130	-72,27%
Long-term liabilities, total	2 885	19 048	-16 163	-84,85%
Short-term bank and other loans	10 801	9 568	1 233	12,89%
Other financial liabilities	8 492	7 817	675	8,64%
Accounts payable	4 792	9 123	-4 331	-47,47%
Current liabilities, total	26 715	28 438	-1 723	-6,06%
Total liabilities	32 600	47 486	-14 886	-31,35%
Shareholders' equity	-834	-12 458	11 624	-
Authorized (share) capital	150	150	0	0,00%
Revenue	18 786	16 202	2 584	15,95%
Net profit	-1 161	-1 681	520	-
Calculated indicators and coefficients:				
EBITDA	-398	1 793	-2 191	-122,20%
Ratio between shareholders' equity and liabilities, %	-2,56%	-26,24%	23,68 p.p.	-
Ratio between EBITDA and liabilities, %	-1,22%	3,78%	-5,00 p.p.	-
Ratio between EBITDA and total loans (excluding cash and cash equivalents), %	-2,55%	6,53%	-9,08 p.p.	-
ROS	-6,18%	-10,38%	4,20 p.p.	-
ROA	-3,65%	-4,80%	1,15 p.p.	-

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

1. In the structure of liabilities of KSG Agro S.A. as of 31.12.2023, short-term and long-term loans accounted for the majority. The main lender of KSG Agro S.A. is JSC “TASCOMBANK”. During the 2023 year, the Group significantly reduced the interest rate on its bank loans and refinanced part of the loans by issuing several series of corporate bonds with lower interest rates and longer maturities. In particular, in August 2023, 2 issues of bonds of subsidiaries of KSG Agro S.A. were

registered with the NSSMC. Two series of bonds, denominated in US dollars, have a nominal value of \$1.5 million each, nominal yield at the level of 7% per annum and issued for a term of 1.5 years. The bonds were placed among private investors. Also, in December 2022, the Group agreed with JSC “TASCOMBANK” on new lending conditions, which came into effect in the first quarter of 2023. Under the new conditions, the established total credit limit for loans of JSC “TASCOMBANK” remains at the level of UAH 450 million, the rates for tranches in hryvnias are 20.5% per annum, and partial compensation of the rate is allowed at the expense of state programs, and the rates for tranches in the USA are fixed at 9% per annum. The credit line expires in December 2025. Since the format of the credit line provides that KSG Agro S.A. will repay and re-draw tranches within the limit of the credit line each year, so the bank officially classifies all debt under this credit line as short-term. In 2023, the Group repaid all balances on JSC “TASCOMBANK” loans as of December 31, 2022, and received new tranches in similar amounts. The same is expected in 2024 year.

According to KSG Agro S.A. management's five-year forecasts, the Group is expected to generate sufficient cash flow from operations to repay total borrowings both in the long term and in the next twelve months, while unused loan capacity will be used to cover temporary cash gaps.

2. Income from sales of KSG Agro S.A. products for 2023 year compared to 2022 year increased by 15.95% and amounted to \$18.79 million. The increase in sales revenue in the analyzed period was largely due to the recovery of grain exports in in 2023, which were limited in 2022 with the beginning of russia’s invasion of Ukraine.

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. Pig complex and fields of KSG Agro S.A. are in the center of Ukraine, where there are no hostilities. Also, they were not affected by the flood due to russia’s detonation of the Kakhovska HPP dam in June 2023, as they are located upstream and have alternative sources of water supply. During 2023, the Group successfully completed the sowing and harvesting campaigns and does not expect significant disruptions in the production cycle in the near future. As of May 2024, the 2024 spring planting campaign has also begun.

Currently, the management of KSG Agro S.A. forms a new development strategy for the expansion of the Group’s activities in the EU with the clear goal of placing the majority of the Group’s assets and revenues in the EU in the next 3-5 years. This will be achieved through a series of mergers and acquisitions and will be financed through a combination of equity and debt, including an additional issue of KSG Agro S.A. shares. At the same time, there are no plans to dispose of the Group’s existing assets in Ukraine, but to expand investments abroad.

Therefore, having analyzed the consolidated financial statements of KSG Agro S.A. for the 2023 year, the Agency notes the increase in sales volume and the change in the Group’s liabilities structure. The Agency considers the availability of current losses to be negative factors, which, at the same time, have a decreasing trend.

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»