

SIA Banga LTD bond issue



Secured 3 year bond issue with 6-7% coupon

About Banga LTD

- SIA Banga LTD is canned seafood production company located in north-western part of Latvia, in Roja with roots as far as to 1947.
- The Company exports its products to more than 30 countries across four continents with key markets being Ukraine, Latvia, USA, Japan and Germany.
- The Company offers wide assortment of high quality canned seafood both under its own brand (62% of sales) and private label (38% of sales).
- The Company is equally owned by brothers Ingus Veckāgans and Raivis Veckāgans. Ingus is CEO of the Company and Raivis is responsible for development and financing.
- The Company is significant regional employer with more than 130 employees with long-standing experience in the industry.

Business overview

- Throughout the full production cycle the Company does fresh and frozen fish pre-treatment, insertion, packing and delivery.
- More than one third of raw materials such as herring is sourced locally with the rest secured from global leading suppliers, securing high quality of the Company's products.
- The Company produces more than 50 products, with products from sprats and sardines accounting for 37%, salmon 36%, cod liver 22%, mussels 3%, mackerel and herring 3% of 2021 revenue.
- The Company has acquired Food quality and safety certification (IFS) which enables to meet the requirements of European distributors in terms of food quality and safety. Additionally, the Company cooperates with raw material suppliers that have ASC and MSC certifications (environmentally and socially responsible seafood certificates).
- The Company's business by its nature is non-cyclical. Furthermore, during Covid-19 and after the Russia started the war with Ukraine demand for the Company's products notably increased as consumers prefer food products with longer shelf times.
- The Company owns solar panel park which partly serves for the needs of the factory somewhat offsetting the recent rise in energy prices.

Financial highlights

- Since 2016 the Company has steadily increased its revenue and year 2021 has not been exception. During 2021 due to continued growth in demand the Company's revenue continued to increase and reached EUR 8.9m (+11% y/y).
- Ukraine in 2021 was the Company's largest market with 24% of total sales. The Company in Ukraine cooperates with large supermarket chains who continue to observe good payment discipline and since the start of the war the Company has been selling to Ukraine only on pre-payment basis. Furthermore, sales in Ukraine as well as in every other market are done in EUR currency which eliminates FX risk.
- The Company's revenue growth has slowed down due to capacity constrains as its output capacity is utilized close to maximum. After investment project, the Company's capacity is planned to increase twofold.
- The Company's EBITDA margin for year 2021 was 10%. Recent decrease in margin can be explained with increase in raw material price. Although the Company can and is passing through the cost increase to its customers, usually there is a timing mismatch as agreements with customers have locked in the price for given period of time.
- The Company's financial leverage can be considered as low with Net Debt / EBITDA ratio of 0.9 as of end 2021. After bond issue financial leverage will initially increase as just part of the proceeds will be used to refinance existing liabilities.
- The Company has a strong equity base, with Capitalization ratio of 41% as of 31 December 2021, demonstrating strong shareholder support for the Company's growth.

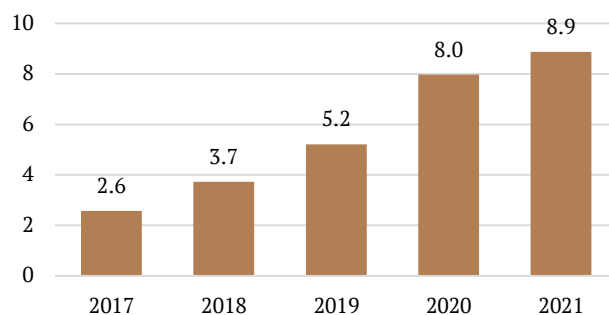
Financial highlights, EUR th

	FY 2019	FY 2020	FY 2021
Revenue*	5 210	7 975	8 870
EBITDA	636	926	878
EBITDA Margin	12%	12%	10%
Net profit	354	600	502
Total assets	2 442	3 801	4 424
Inventory	819	1 407	1 441
Cash	52	25	27
Equity	695	1 295	1 797
Total borrowings	775	923	842
Capitalization ratio	28%	34%	41%
EBITDA / Interest expense	8.0x	10.1x	12.0x
Net Debt / EBITDA	1.1x	1.0x	0.9x

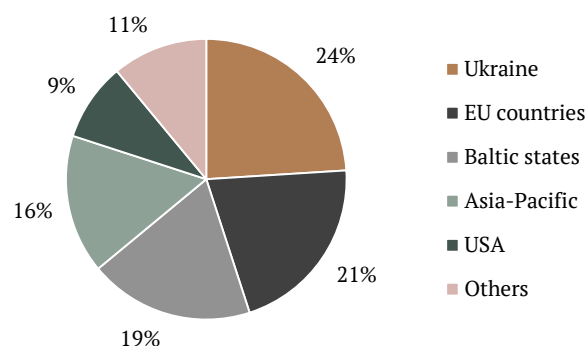
*Including ERST Finance factoring

Source: Banga LTD presentation and financial reports

Revenue, EUR m



Total sales to more than 30 countries



Customers



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Term Sheet

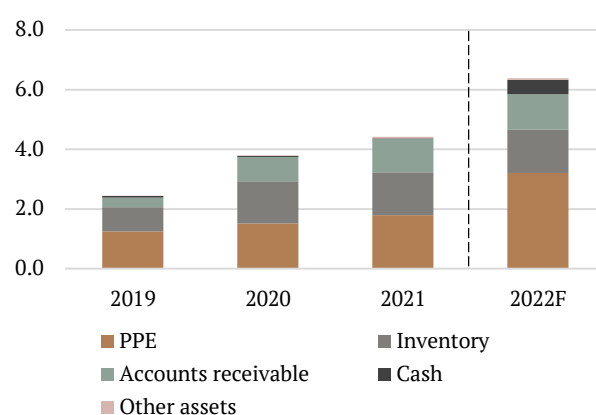
Issuer	SIA Banga LTD
Security type	Senior secured bonds
Offer type	Private placement
Use of proceeds	Refinancing of existing liabilities and financing of investment project
Collateral	<ul style="list-style-type: none"> Commercial pledge on assets of SIA Banga Ltd Mortgage on the real estate of SIA Banga Ltd
Issue size	EUR 2 500 000
Coupon rate	6-7%
Coupon frequency	Quarterly
Maturity	3 years
Principal repayment	Maturity date, bullet
Call Option	@102% after 1 st year, @100% last 3 months before maturity
Nominal value	EUR 1 000
Minimum subscription	EUR 100 000
Listing	Nasdaq Baltic First North within 12 months after the Issue Date
Covenants¹	<ul style="list-style-type: none"> Interest coverage ratio of min 3 Equity ratio of min 30% Net Debt / EBITDA of max 4x from the Issue Date, max 3x starting from 2024
Arranger	Signet Bank AS
Collateral agent	ZAB Vilgerts SIA

¹ Full list of covenants can be found in the Terms of the Issue.

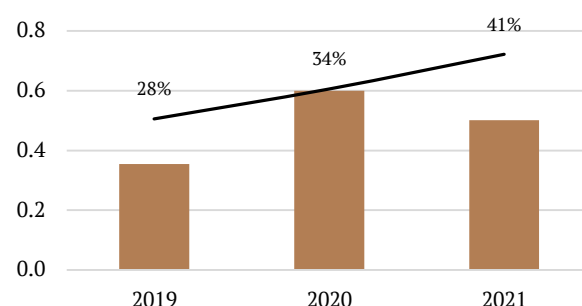
Secured bonds

- The proceeds from the debut bond issue will be used to repay the Company's existing bank loans and finance its investment project in order to increase output capacity.
- After the bond issue, the bonds will be the only secured financing of the Company.
- The bonds are secured by a commercial pledge on assets of SIA Banga LTD as well as mortgage on the real estate of the Company.
- The Company's real estate consist of 5.5 hectares large land plot and 3 000 m² large productions facilities located in Roja, Latvia.

Company's assets, EUR m



Company's Net profit and Capitalization ratio, EUR m



SIA Banga LTD production and assortment



- This presentation was drafted by Signet Bank AS based on the data provided by SIA Banga LTD. The information contained herein was not subject to independent verification, and may be updated, improved, revised or modified. The information, opinions and calculations presented herein are derived from sources that are considered reliable, and are presented in good faith; however, no representations or guarantees, whether direct or indirect, are provided concerning the accuracy, comprehensiveness and veracity of this information.
- Signet Bank AS may receive a fee from SIA Banga LTD.
- Any financial forecasts or assumptions included in the presentation represent the forecasts concerning the future situation of the market and entail known as well as unknown risks and uncertainties, which may manifest in actual results, performance or events that substantially differ from those expressed in such statements or referred to indirectly.
- This material is of informative nature. The presentation is not considered legal, financial or tax advice of any kind, or an invitation to conclude any transaction. Signet Bank AS urges investors to independently perform research into the possible risks associated with investing in this product, referring to advice from qualified specialists as necessary.
- MiFID II product governance – the distributor has adopted the product manufacturer’s target market assessment in respect of the Notes, and the following has been concluded: (i) the target market for the Notes is eligible counterparties, professional clients, and retail clients, each as defined in Directive 2014/65/EU; and (ii) all channels for distribution of the Notes to eligible counterparties, professional clients and respective retail clients are appropriate.

Risk factors:

- When making an investment in the Notes, the Noteholder will incur certain risks. The main risk factors that influence SIA Banga LTD are: macroeconomic risk, geopolitical risk, the ongoing global pandemic risk, regulatory risk, taxation risk, supply of raw material risk, inventory management risk, financial leverage risk, retention of key personnel, employee risk, operational risks, competitive risks, production levels risk, the risk of rising costs of logistics and transportation, new technology utilization risk, the risk of product liability claims, new product introduction, existing product repositioning and changes of consumer preference risk, counterparty credit risk, risk of natural disasters and other business disruption.
- When investing funds in Notes, investors undertake the following risks related to debt securities: Notes repayment risk, delisting risk, liquidity risk, price risk, repurchase or redemption risk, tax risk, resolution of Noteholders risk, risk that some Noteholders might have more preferential terms than others, collateral risk.
- The risks indicated in this section may reduce SIA Banga LTD ability to fulfil its obligations and cause its insolvency in the worst-case scenario. This section may not feature all the potential risks, which may affect SIA Banga LTD.