

CrossChem bond issue

Up to EUR 5 million, 8% coupon, 3-year bond



About CrossChem

- CrossChem is a Latvia-based company that produces, develops and supplies chemical goods and additional products related to their use, storage, transportation. The Company also provides a range of services related to the use and quality control of these chemical goods.
- Founded in 2007, the Company has become a global player, operating in more than 20 countries and exporting to over 50 countries across the.
- The Company's core focus is sustainability and innovation, with products designed to help industries meet stringent environmental standards.
- The headquarters and production plant are located in Latvia, in the Olaine area, just outside of Riga.
- CrossChem employs over 50 people, led by a highly-experienced management team.
- The Company is a part of CrossChem International, equally owned by Ričards Andersons and Jana Muzičenko (50% each).
- The Company as a manufacturing and R&D unit serves as the cornerstone of CrossChem International.

Business overview

- The Company's business model is built on three core principles: sustainable products and services, a proprietary AdBlue® production system, and exceptional client servicing solutions.
- The Company's product portfolio is tailored to serve various industries, particularly transportation, agriculture, and manufacturing. Its flagship products and services include AdBlue®, AdBlue® filling stations (21 across Latvia and Estonia), chemical logistics and handling, as well as the production of a range of other chemical products used in water treatment, antifreeze solutions, and industrial cleaning.
- As a licensed manufacturer of AdBlue®, CrossChem produces and distributes this crucial solution used in diesel engines to reduce harmful nitrogen oxide emissions. AdBlue® is an essential component in meeting strict emission regulations, particularly in the transportation industry.
- The production area spans 20,200 m², including 5,300 m² of warehouse facilities. The site also features an integrated railway terminal with a locomotive, connecting the facilities with the three largest ports in Latvia.

Financial highlights

- During 6M 2024, the Company's revenue reached EUR 12.6 million, reflecting a 33% increase compared to the same period in 2023.
- Around 87% of the revenue in the first half of 2024 was generated within the European Union: 38% from Latvia and 49% from the rest of Europe.
- EBITDA nearly doubled year-on-year to EUR 0.8 million in 6M 2024, with the Company's LTM EBITDA reaching EUR 1.6 million.
- Company generated EUR 0.7 million in net profit during the last twelve months ending June 2024.
- As of June 2024, CrossChem boasts robust financial metrics, including an equity ratio of 36.3% and an interest coverage ratio of 5.4x.

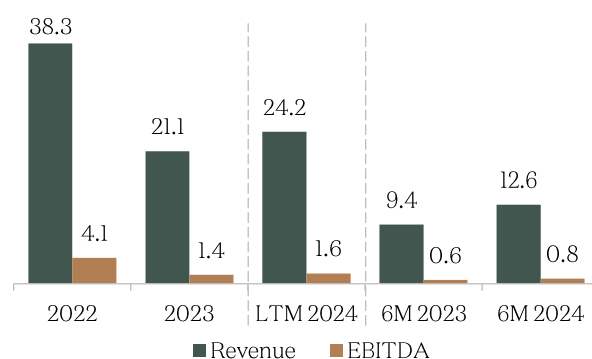
Financial highlights

€ million	2022 (audited)	2023 (audited)	LTM 2024 ¹	6M 2023 (unaudited)	6M 2024 (unaudited)
Revenue	38.3	21.1	24.2	9.4	12.6
EBITDA	4.1	1.4	1.6	0.6	0.8
EBITDA margin	10.6%	6.5%	6.7%	6.0%	6.6%
Net profit	3.3	0.4	0.7	0.2	0.4
Total Assets	14.0	14.9	16.3	14.6	16.3
Cash	0.4	0.6	1.7	1.4	1.7
Total Equity	6.1	5.5	5.9	6.0	5.9
Net Debt	2.2	4.4	2.8	2.3	2.8
Net Debt / EBITDA	0.5x	3.3x	1.7x	0.9x	1.7x
Interest coverage ratio	20.8x	4.9x	5.0x	5.6x	5.4x
Equity ratio ²	43.9%	36.8%	36.3%	40.9%	36.3%

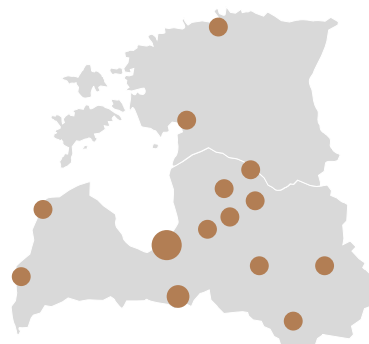
¹ Last twelve months ending June 2024

² Equity / Total Assets

Development of key financials (€m)



AdBlue® filling station network

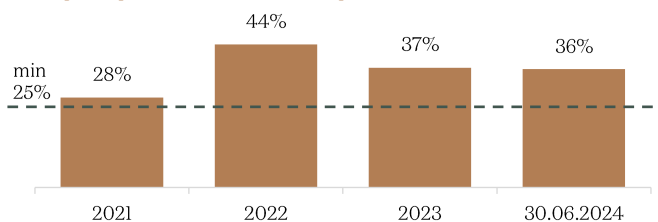


21 stations
19 in Latvia
2 in Estonia

Term Sheet

Issuer	SIA CrossChem
Security type	Unsecured (guaranteed) bonds
Guarantee	Issued by SIA CrossChem International (the Shareholder)
Placement type	Private placement
Issue size	Up to EUR 5 000 000
Coupon rate	8.0%
Coupon frequency	Quarterly
Term / Maturity	31 October 2027 / 3 years
Principal repayment	Maturity date, bullet
Call Option	@103% - Year 2 @102% - Year 3 @100% - 3 months before maturity
Put Option	@101% - Change of Control
Offering type	Private placement
Nominal value	EUR 1,000
Minimum subscription	EUR 100,000
Listing	Nasdaq Riga First North in 1 month after the Issue Date
Use of proceeds	Refinancing of the existing bonds and expansion financing
Covenants ¹	<ul style="list-style-type: none"> Minimum Interest Coverage Ratio of 1.5x Minimum Equity Ratio of 25%
Arranger	Signet Bank AS
Legal Advisor	ZAB Eversheds Sutherland Bitans
Offer for LV0000860047 bondholders (maturing 4 November 2024) who have a minimum investment of EUR 100,000: exchanging their existing bonds for new bonds (1:1)	

Equity ratio development



Selected photos of services and products



Notes: ¹ Full list of covenants can be found in the Offering Memorandum
Source: CrossChem financial reports and presentations

Key investment highlights

- Strong Financial Growth:** Achieved EUR 12.6 million in revenue (33% increase) and nearly doubled EBITDA to EUR 0.8 million in 6M 2024
- Global Market Presence:** Operates in over 20 countries and exports to 50+ countries, with 87% of revenue from the European Union
- Sustainability Leader:** Focuses on sustainable products like AdBlue®, a key solution for reducing nitrogen oxide emissions
- Robust Financial Health:** Maintains a strong equity ratio of 36.3% and an impressive interest coverage ratio of 5.4x, reflecting financial stability.
- Strategic Location:** Features a 20,200 m² production facility with an integrated railway terminal, enhancing logistics and operational efficiency.
- Experienced Management:** Led by a skilled team, ensuring strong leadership and strategic direction

Funding profile and the bond issue

- In 2021, CrossChem issued a 3-year EUR 3.0 million unsecured bond with a 6.75% coupon, listed on Nasdaq Riga First North. As of the end of 2023, c. EUR 1.1 million of the bonds were held by the Company itself (as treasury bonds).
- As of June 2024, in addition to its existing bonds, the Company has an outstanding loan of EUR 2.3 million from Altum, which adds to its financing structure. The Company also has leasing arrangements with SEB, amounting to EUR 0.3 million.
- CrossChem has now launched a new bond issue amounting to up to EUR 5 million. The proceeds will be used to refinance EUR 3 million of existing bonds maturing in November 2024 and to support the expansion into new product lines, including packaging, household, and industrial chemicals.
- The new bond issue will be guaranteed by a corporate guarantee of SIA CrossChem International, the Shareholder of the Issuer.
- Existing bondholders with bonds maturing on 4 November 2024 can exchange them for new bonds if they have a minimum investment of EUR 100,000. For example, each investor holding an existing bond valued at EUR 1,000 will receive a new bond with a nominal value of EUR 1,000.

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Risk factors

When making an investment in bonds, investors undertake certain financial risks. The main risk factors that influence SIA “CrossChem” are Geopolitical risk related to Russian invasion of Ukraine, Global pandemic risk, Changes in laws, regulations and enforcement activities, The local tax regime may change, Unexpected changes can occur in the production process of the Company, Risks associated with outdated technology and equipment, Supply interruptions or quality issues of raw materials, The loss of key personnel could adversely affect the Company’s business, Labour qualification mismatch could adversely affect the Company’s operations, The Company is exposed to operational risks, The Company is exposed to IT system and process risk, Increasing competition and new market entrants could adversely affect the Company’s operations, Risk of product demand decline due to legislative changes, Exposure to weak solvency of cooperation partners and customers, Risk of insufficient working capital could impact operational efficiency, Environmental pollution risks associated with chemical handling, Manufacturing disruptions due to external hazards.

When investing funds in bonds, investors undertake the following risks related to debt securities: The Company may be unable to repay or repurchase the Notes at maturity, No security, The Issuer may incur significant additional debt or grant additional security, There is no established trading market for the Notes. If an actual trading market does not develop for the Notes, the Investor may not be able to resell them quickly, for the price that the Investor paid or at all, There is a risk that Nasdaq Riga will not accept the Notes to be admitted to trading on First North or order that the Notes are delisted from First North before maturity, The price of the Notes may be volatile and the market price of the Notes may drop below the initial price a Potential Investor paid for the Notes, Changes in tax rates may impact net payments related to the Notes, Decisions of the Majority Noteholders may affect individual rights of the Noteholders, Risk that some Noteholders might have more preferential terms than others, Risks associated with the Guarantee.

The risks indicated in this section may reduce SIA “CrossChem” 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 “CrossChem”.