L. J. Linen bond issue

Opportunity to invest in bonds of a leading family owned European animal byproduct trader

LINEN

SIGNET BANK

About L. J. Linen

- With its origins dating back to 1994, SIA L. J. Linen (Group) is a family owned B2B agro-products trading company with presence in 4 continents and 50+ countries, and with approximately 161 suppliers and 354 clients worldwide.
- The Group trades animal origin products and grains that have wide application in animal feeds, organic fertilizers, pet food, aquafeed, biodiesel, and cosmetics.
- L.J. Linen provides door-to-door delivery service by offering sourcing, quality management, logistics, warehousing, customs clearance, supply chain financing to customers around the world.
- The Group has become one of the leading European players in the segment and has established a wide network of suppliers and customers.
- With established presence in Europe, Asia and Africa, the Group is uniquely positioned to offer a “secure bridge”, connecting European suppliers and African and Asian customers, which makes solid ground for further development.
- The Group is wholly owned by the founder and Chairman of the Management Board Jānis Kuļikovskis. The Management team is formed by a combination of family members and market professionals, all with significant experience in the industry.

Business overview

- The Group sources goods from nearly all producers of animal proteins and fats in the EU, with key suppliers Saria and Darling Ingredients – two of the largest global producers.
- The Issuer's offering spans three main product categories: processed animal protein, animal fats, and soybeans and corn. Processed animal proteins accounted for 98% of traded raw materials in 2024.
- By linking animal by-product recyclers with animal food and other goods producers, the Group boosts the use of processed animal proteins and fats. This feed ingredient trading supports the circular economy and reduces fossil fuel dependency, enabling an environmentally sustainable business model.
- Given its broad geographical scope, most of the Issuer's sales are in USD. To mitigate FX risk, the Group uses currency forwards, local currency financing, and adds a currency premium to contracts upon signing.
- Since 2022, the Group has shifted from solely trading (CIF) to also clearing customs and storing goods (DDP), offering greater convenience to end-users. This transition makes the operations of the Group more capital intensive as the working capital cycle is extended, while also enabling the Group to strengthen their competitive positioning and achieve higher profit margins.
- L. J. Linen holds a GMP+ certificate – the highest EU standard for product traceability and quality management.

Financial highlights

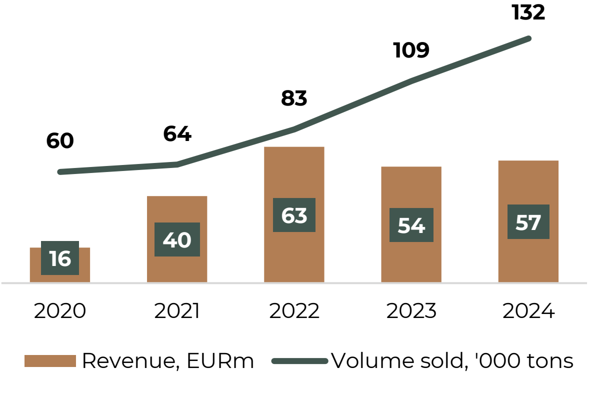
- The Group has grown at a CAGR of 36.6% since 2020, increasing its top-line from EUR 16.3m to EUR 56.6m in 2024.
- The decrease in revenue in 2023, despite continued growth in the volumes sold, can be explained by the downward-trending prices in the commodities traded by the Group.
- In 2022 – 2023 the Group also focused on streamlining the Group structure and its finances, which included in write-downs of historic investments in businesses unrelated to the core business of the Group. The profitability of the Group regained its footing in 2024, with EBITDA increasing more than 4x to reach EUR 2.8m.
- As a result of the shift to a more asset-heavy business model, the Issuer's trade receivables have decreased, while inventory level has increased.
- The Group retains its leverage at a low level, with Net Debt / EBITDA at 1.2x and Interest Coverage Ratio at 7.3x as of 2024, with at stable equity ratio over the last 3 years in 33-37% range. Thus, all financial covenants are comfortably above the financial covenants of the bonds.

Financial highlights

EUR[1], millions	FY 2022 Audited	FY 2023 Audited	FY 2024 Unaudited
Revenue	63.1	53.9	56.6
Gross profit	10.2	4.6	7.5
EBITDA	4.0	0.6	2.8
EBITDA Margin	6.4%	1.1%	5.0%
Adjusted net profit[2]	2.9	-0.9	3.1
Accounts receivable	13.1	5.0	6.6
Inventory	6.0	2.6	6.5
Cash	1.2	0.8	1.3
Total assets	22.4	10.8	16.7
Equity	7.3	4.0	5.8
Total borrowings	3.2	4.1	4.7
Net Debt	2.1	3.3	3.3
Interest Coverage Ratio[3]	65.7x	1.2x	7.3x
Net Debt Leverage Ratio[4]	0.5x	5.3x	1.2x
Equity ratio[5]	32.6%	36.6%	35.0%

1 The Issuer's base currency is USD; both income statement and balance sheet data are converted to EUR using the period-end EUR/USD rate
2 Adjusted by one-off expense arising from the write-off of two historic investments into businesses unrelated to the core business of the Group
3 EBITDA / Net Finance Charges
4 Net Debt / EBITDA
5 Equity / Total assets

Development of revenue and volume sold



Key suppliers and logistics partners

SARIA · DARLING INGREDIENTS · sonac · THE LAURIDSEN GROUP, INC · msc · CMA CGM · Mitchell Cotts · MAERSK · COSCO SHIPPING

L. J. Linen bond issue

Term Sheet

Issuer	**SIA L.J. Linen**
Security type	Unsecured Guaranteed Notes
Offer type	Private placement
Guarantee	Corporate guarantee from SIA Jaze Capital Holdings, SIA Afrifeed, LIONPRO B.V.
First tranche	**Up to EUR 8,000,000**
Program size	**Up to EUR 10,000,000**
Coupon rate	**11.00%**
Coupon frequency	Monthly
Maturity	3 years
Principal repayment	Maturity date, bullet
Call Option	▪ @102% + all remaining coupons for the year during the 1st year ▪ @102% after the 1st year ▪ @101% after the 2nd year ▪ @100% 6 months before maturity
Put Option	Change of Control – @101%
Nominal value	EUR 1,000
Minimum subscription	EUR 100,000
Listing	Listing on Nasdaq Riga First North within 12 months after the Issue Date
Use of proceeds	Financing general corporate purposes
Covenants[1]	▪ Interest Coverage Ratio min 3.0x ▪ Equity Ratio min 25% ▪ Net Debt / EBITDA max 4x during the first year from the Issue date; max 3x onwards
Arranger	Signet Bank AS

[1] *Full list of covenants can be found in the Terms of the Notes Issue*

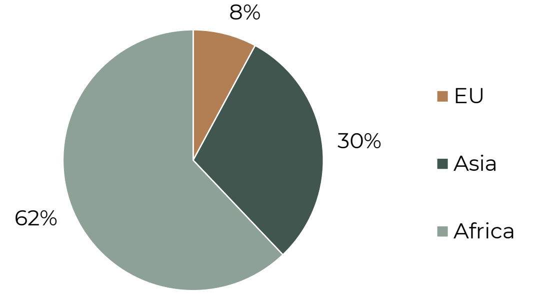
Key investment highlights

1. **Market leading** animal byproduct trader in Europe offering the widest range of services
2. **Global exporter** to 50+ countries with a highly diversified client base
3. **Long track-record** of operations, dating back to 1994
4. **Sustainable business model** that promotes alternative protein sources and circular economy
5. **Capital market experience** having successfully repaid the previous bond in 2023

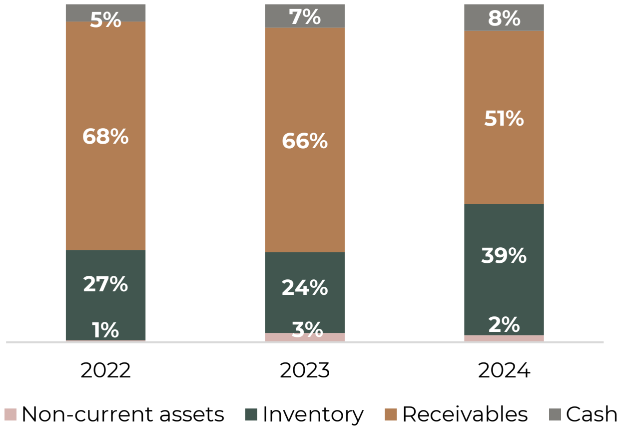
New bond issue and the funding profile

- Proceeds from the new bond issue will be invested into working capital to support the Issuer's further growth and the shift towards a more capital intensive business model.
- At the moment, the Group finances its operations through owners' funds, secured credit line, and unsecured loans, and plans to introduce bond financing to extend and further diversify the funding pool.
- The new bonds will be guaranteed with corporate guarantees from the holding companies SIA Jaze Capital Holdings, LIONPRO B.V, and SIA Afrifeed (subsidiary trading in Africa).
- Signet Bank is the senior lender to the Group, providing a secured credit line with a limit of EUR 5.0m as of Feb 2025.

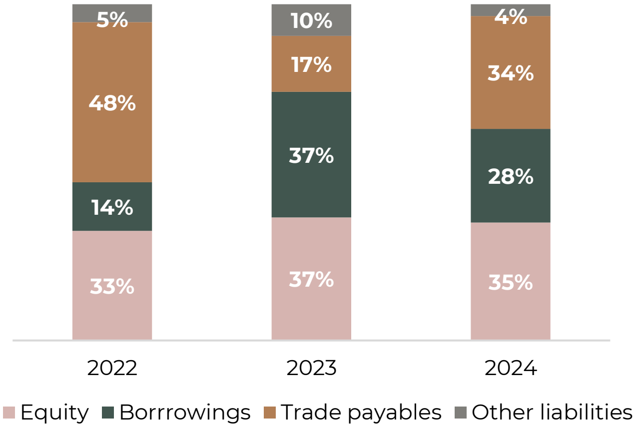
Revenue geographic breakdown (2024)



Asset overview



Development of the funding structure



Source: Financial reports and information provided by the management

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Risk factors

When making an investment in bonds, investors undertake certain financial risks. The main risk factors that influence the Issuer are: Exposure to macroeconomic volatility and geopolitical developments across key export markets may adversely affect the Issuer's operations and financial performance, Changes in laws, regulations and enforcement activities may adversely affect the Issuer's products and the markets in which it operates, Heightened geopolitical tensions and sanctions regimes, particularly relating to the Russia-Ukraine conflict, may adversely impact the Issuer's operations and financial performance, Public health crisis such as pandemics may disrupt the Issuer's operations and global support chains, The Issuer is exposed to risks related to changing policy decisions by supranational organizations governing business operations of the Issuer, Changes in customs regulations may adversely affect the Issuer's ability to efficiently conduct its operations, Volatility in agricultural commodity prices and raw material availability may adversely affect the Issuer's margins and cash flow, Revenue concentration in specific region may pose a risk, despite a diversified end-client base and structural mitigants, Exposure to foreign exchange risk, particularly in emerging markets, may adversely affect the Issuer's profitability despite hedging measures, The Issuer's strong supplier relationships are critical to its operations, and any disruption may adversely affect its market position and financial performances, The Issuer is exposed to risks related to the management of inventory, including dependency on third-party providers of storage facilities, The Issuer is exposed to risks related to the dependency on the third-party providers of transportation services, Increased financial leverage following the Bond issue may limit the Issuer's financial flexibility and increase its vulnerability to adverse conditions, Inadequate internal processes or controls may exposed the Issuer to operational risks and compliance failures, Lack of a comprehensive intellectual property protection strategy may expose the Issuer to infringement risks and loss of competitive advantage, Dependence on key personnel and lack of post-employment restrictions may expose the Issuer to talent retention and competitive risks, Disruptions or failures in IT systems and cyber threats may significantly impair the Issuer's operations and reputation, Natural disasters and other unforeseen business disruptions may adversely affect the Issuer's operations and financial condition despite existing contingency measures, Changes in tax laws or exposure to additional tax liabilities could have a material impact on the Issuer's financial condition and results of operations.

When investing funds in bonds, investors undertake the following risks related to debt securities: The Issuer may face refinancing or repayment risks at Maturity Date, which could impact its ability to fulfil obligations under the Notes, As unsecured instruments, the notes are subordinated to secured obligations and expose Noteholders to higher recovery risk in the event of insolvency, The Issuer and Guarantors may incur additional debt or grant Security, which could weaken the Noteholders’ position and recovery prospects in insolvency, There is no established trading market for the Notes, The price of the Notes may be volatile and the market price of the Notes may drop below the initial price the Noteholders paid for the Notes, The Issuer may choose to repurchase or redeem the Notes when prevailing interest rates are relatively low, including in open market purchases, Changes in tax rates may impact net payments related to the Note, Decisions of the Majority Noteholders may affect individual rights of the Noteholder, Some Noteholders might have more preferential terms than others, Investors may be exposed to foreign exchange risk if they measure returns in a currency other than EUR, Admission to trading on First North may be rejected or discontinued, which could affect the liquidity and marketability of the Notes, The effectiveness of the Guarantees depends on the Guarantors’ financial condition and may be subject to legal procedural limitations.

The risks indicated in this section may reduce the Issuer’s 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 the Issuer.