



## COMPANY PROFILE



# Company data

## SIA AgroCredit Latvia

Founded in 2011

Share capital – 1 500 000 EUR

Reg. no 40103479757

Shareholder: SIA AgroCredit Finance 100 %

(owned 50/50 by Ģirts Vinters and Jānis Kārklīšs).

Ģirts Vinters – Chairman of the Board

Jānis Kārklīšs – Member of the Board.





# Company profile



Non-bank lender specializing in financing farmer sector. Offering only business loans.



Conservative risk taking policy, granting credit losses below 0.5% from the portfolio.



Core business is granting seasonal financing to grain growers against fixed future grain (mainly wheat) contracts.



Offering demanded niche product with specific collateral. Interest rate applied 12%.



Customer segment: professional business oriented grain growers (average 500 ha) – exporters who conclude fixed future grain stock-exchange contracts.



Integrated cooperation with leading grain trading company. Innovative web based IT solutions for data management and exchange.



# Management



## Ģirts Vinters

Chairman of the Board

Co-founder of the company and the author of the business case. Manages everyday activities of the company. Has Master's degree in economics and finance. Has been working in banking sector since 1999 in Swedbank, Nordea and OP group companies.

Ģirts has been actively involved in financing the agriculture sector companies since 2008.

The experience of the sector and lot of useful contacts have been obtained since then.



## Jānis Kārklīšs

Member of the Board

Co-founder of the company. Takes part in strategic planning of the company, making everyday credit-decisions and supervising legal aspects of the company. Has Dr.iur degree and owns respectable law firm for more than 15 years. Jānis is also active in academic sector, is associated professor at the University of Latvia faculty of Law. He is recognisable solicitor specializing in commercial rights and consultant of state institutions.



# Seasonal financing



Grain delivery **future contract** signed by farmer and grain trader.



**3-angle financing contract** signed by AgroCredit, the farmer and the grain trader.

**Financing granting to the farmer.**



Farmer **delivers the grain to the grain trader** according to the grain contract.



The grain **trader withholds the amount of the purchase price** equal to the farmer's liabilities according to the financing agreement **and transfers it to AgroCredit.**



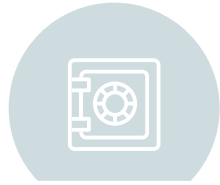
Grain trader pays **the rest of the grain purchase price to the farmer.**



# Grain trader – Elagro Trade

(main partner)

- SIA Elagro Trade is the **leading grain trader** and Top 10 seller in food industry in Latvia with 146 MEUR annual sales and 60 MEUR total assets.
- The experience and **customer base since 90ties** (operated as Kesko Agro company till 2010).
- **Good regional coverage** with 10 branches and grain delivery points. Elagro Trade agronomists do the consulting and field monitoring visits of the customers on regular bases
- Very close and **integrated cooperation** between AgroCredit and Elagro Trade (AgroCredit operates as sole non-bank financier offered to the customers of Elagro Trade).



# Low credit risk

- The majority of the borrowers are **known customers**, working with Elagro Trade and/or AgroCredit for many years.
- Majority of the customers are working since 90ties. They have **full-liability** legal form (ZS), meaning that the owner as a private individual has civil liability towards the creditors of the farm.
- **Strict future grain delivery contracts** ensure that customers fulfil the contracts and respectively also AgroCredit loan agreement. The financing amount is not exceeding 50 % from the expected grain yield of the borrower.
- The cooperation model with grain trader guaranties that the amount of AgroCredit loan is withheld at the grain delivery and not paid to the farmer. That means that **AgroCredit gets paid 1<sup>st</sup>** of all farmer's creditors.
- Grain is a **first-need and stock exchange product**, which lets to avoid of significant demand fluctuations influenced by the common economic cycle.
- According to the bank and other statistics, grain growers has proven themselves as **responsible debtors** with good payment track.



# 4 reasons why the product is demanded

- **Good option to finance** extra-long production cycle characteristic to grain growing industry and intense need for working capital.
- **No usage of traditional collaterals** and good supplementation to traditional bank financing.
- Flexible, fast and **easy-to-use financial product**.
- **Competitive pricing and speed** in comparison to analogue bank products.
- **Reliable financier** with good expertise and reputation in the industry.

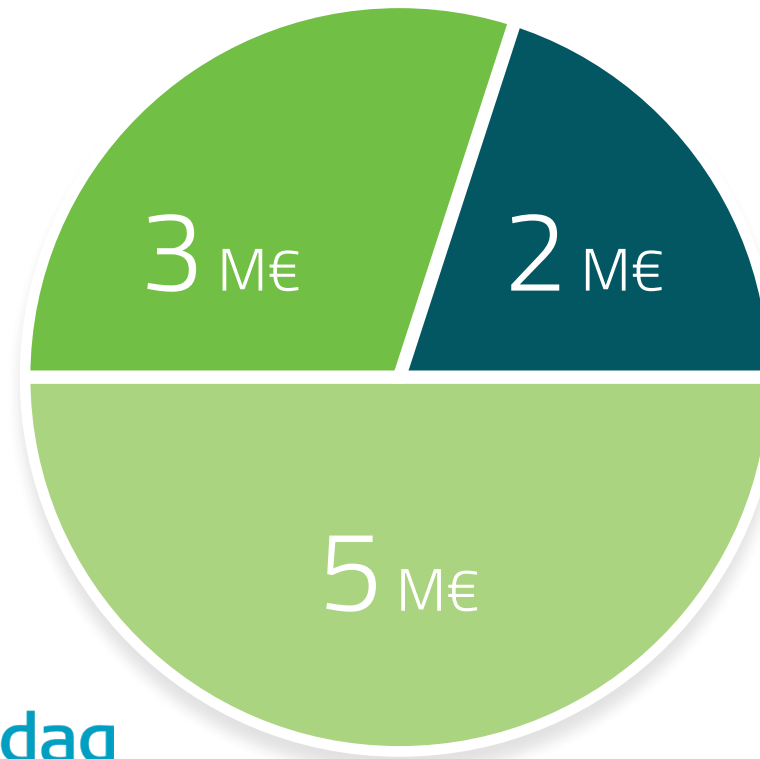




# Capital structure

## Own capital

(incl. share capital, retained earnings and shareholders loan)



Peer to peer  
and other  
private investors



Funds raised from bonds



# Achievements

50 M€

totally financed

>1000

agreements

<0.5%

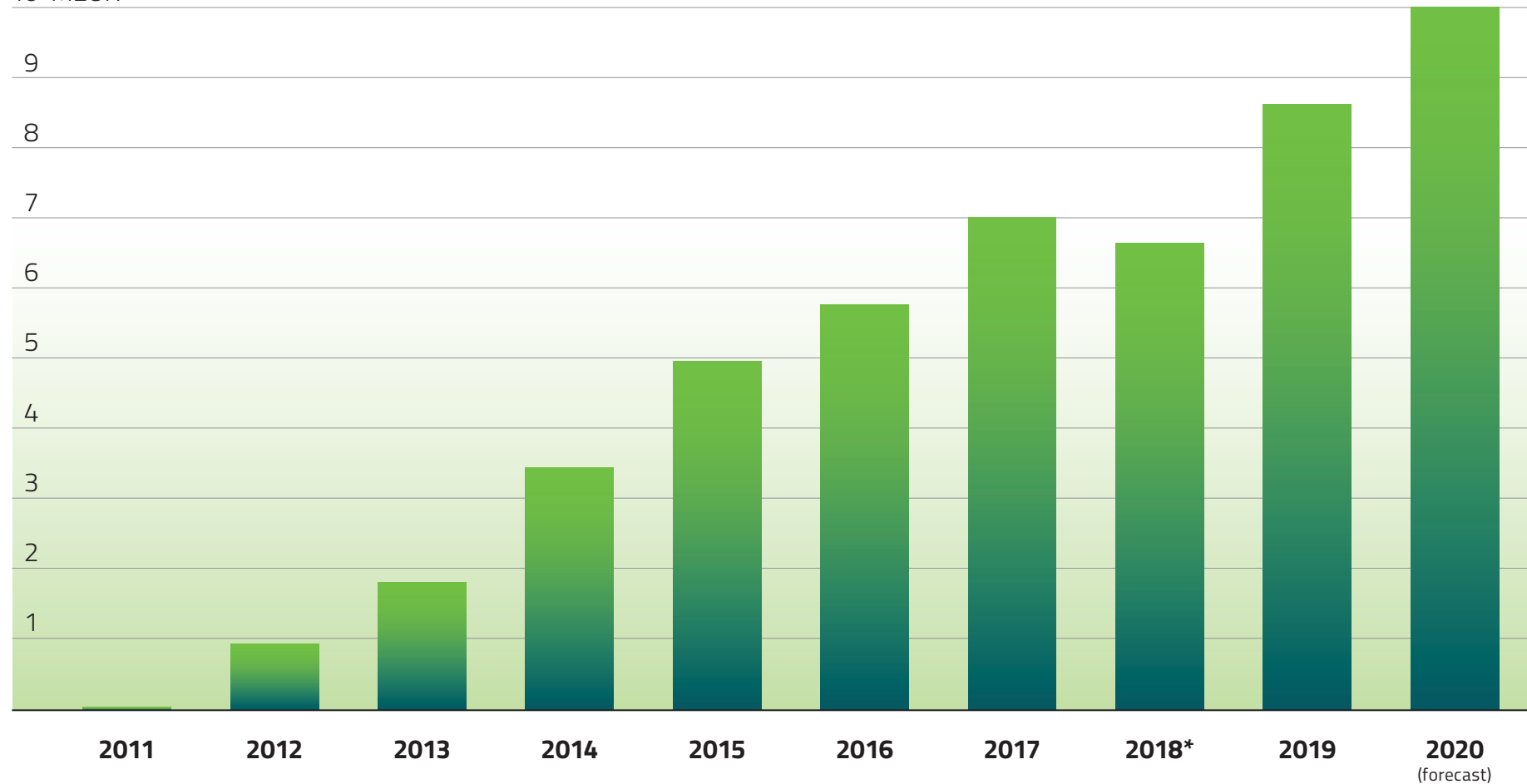
impairments

- Totally financed 50 MEUR, more than 1000 agreements.
- **Profitable company** since the 1<sup>st</sup> year of operations.
- Impairments below 0.5%.
- AgroCredit Latvia bonds listed in **Nasdaq Baltic** (total emission 10 MEUR).
- **Member of Latvian Chamber of Commerce and Industry.**
- **Support of social projects** – Ziedot.lv, Latvian boy scout and Young farmers organizations.



# Portfolio (EUR, season peak)

10 MEUR



\*Year 2018 was an exception – due to very unfavorable weather conditions for the summer crops, the investments into the fields were reduced and also AgroCredit limited the financing amounts for the customers to avoid credit risks.



# Key indicators





# ACL risk minimizing factors

- **Experienced management**, good knowledge of the industry, competences in banking and legal sector.
- Financing products offered has proven to be **low-risk profile** during 10 years of observation.
- **Conservative capital structure**, good liquidity.
- **The portfolio is well diversified** – the average financing amount is 40 tEUR.
- Deeply **integrated cooperation** with a leading grain trader and its agronomists gives an opportunity to monitor closely the operations of the farmers and ensures cost-efficient operation model for AgroCredit.



# Future outlook

MARKET

0.6 million ha

Total area cultivated by grain growers in Latvia

>300 M€

Annual need for working capital

2 million t

Grain produced annually

## Short term goals



Continue the growth of seasonal financing portfolio and achieve 10 MEUR portfolio this season.

## Long term goals



Attract a lower cost funding and offer collateral based financing products to the customers – land purchase and machinery financing.



Offer wider range of financing products based on future grain contracts to the customers.



Increase the portfolio to the level to become interesting for the international fund-raising markets.



# Benefits for the investor



- Well **balanced** (income/risk) investment.
- Good way to diversify the investments, investing in a considerably **low-risk profile** non-bank lender.
- Investment into a company and its shareholders with **good reputation**.
- Investment into one of Latvia's **leading export industries**.
- Investment into **specialized niche financing company**.