



## BALISE SPRINGS PLC 8.00% Bonds due April 2024

This investment structure and proceeds are made under the principles of the Bloomberg Green Bond.

### Tyre Recycling – Pyrolysis

REOil owns and operates the only commercial scale continuously operating tyre recycling pyrolysis plant in Europe and is the market leader in its sector. The commercial scale plant has over 20,500 operating hours, is profitable and has a 3 to 4-year advantage on the competition in terms of technology and operational hours. The plant will process 20,000 tons of End Of Life Tyres (ELTs) per annum and has 5 valuable revenue streams that positively impact the P&L including a highly valuable biofuel with long term UK Government support mechanisms available until 2033. Under the Renewable Transport Fuel Obligations Order (RTFO), the UK government has obligated transport fuel suppliers to increase their biofuel component and has specified that tyres are suitable feedstock. ReOil has confirmed with the Department of Transport that the fuels fall under the RTFO and the fuels can be imported and sold into the UK market as a “development fuel”.

### Revenue Streams

- A **pyrolysis oil** which is refined to produce valuable biofuels that can be sold into the UK supported by long-term UK Government support mechanism until 2033. The penalty for UK refineries and fuel traders for noncompliance is extremely high (£1.60 per litre) and the majority of this value will be passed onto ReOil;
- A **gate fee** for the disposal of ELTs: through an on-take agreement;
- An income stream from the scrap **steel** removed from the tyres;
- **Recycled Carbon Black (rCB)**. ReOil pelletises its rCB and sells it for €590 per ton. The rCB customers are world class investment grade companies and use the product in various sustainable rubber components.
- A significant saving in Green House Gas Emissions in the order of €2.7 million per annum is a bi-product of its operations.

### Key Attributes

- Over 20,500 hours of running time across the kilns;
- A team of 38 people skilled in the buildout of the plant, operation, service and maintenance of a continuously running pyrolysis plant;
- Full ownership of all its IP and operating systems;
- A clear understanding of the value of all of the revenue streams and how they can be further developed to significantly enhance a plant's earning ability;
- Products being sold into the market which are recognised for their sustainability by investment grade counterparties purchasing the commodities produced, adding to the circular environmental economy;
- The EPC wrap for current upgrades and future plant build is supplied by one of the top sustainable companies in the world to produce a guaranteed wrap for the build out of future plants.

The plant is considered to be the most advanced technology for tyre recycling in the world built from high quality European components, European controls and operating systems. The company and its founders have spent a considerable amount of time and investment in developing this full-size state of the art production facility. Unlike other players in the market that make claims, the ETR plant is not a test plant, nor a development plant, but a full-scale commercially operating entity that has been built and developed over the past 4 years, achieving an EBITDA of €1.52m last year and a projection for 2019 to reach an EBITDA of over €3.7m.

The company has not only built one of the most advanced tyre recycling plants in the world from high quality European components and European PLC systems – it has the necessary environmental certificates and complies with European environmental standards with full Polish (i.e. European) environmental certificates. This has been independently verified by Mabbetts a UK based specialist environmental and engineering consultancy. ETR also has the ability to build further plants with an Engineering Procurement Contract (EPC) wrap and operational guarantees.

### Structure

The Bonds offer a fixed annual income to investors by providing financing to the individual plants' SPVs in return for paying investors 8.00% per annum coupon, paid semi-annually, for a 5-year term. Repayment of principal and interest are made without deduction of tax. The bonds are issued under an established institutional wholesale bond programme and are acceptable assets under the Eligible Assets Directive, as well as transferable securities under UCITS rules. The bonds will be listed on a major recognised stock exchange with Truva Services Ltd as security trustee, to whom assets are pledged.

### Bond Key Facts

Issuer:	Balise Springs PLC
ISIN number:	EUR: GB00BJVK2P02 GBP: GB00BJVK2Q19
SEDOL:	EUR: BJVK2P0 GBP: JVK2Q1
Issuance Size:	Up to €16,000,000
Currency:	EUR and GBP
Status:	Senior Secured Debt under English Law and Polish law
Coupon:	8.00% pa paid semi-annually
Term:	5 year
Listing:	Frankfurt/ GEM Ireland
Liquidity:	Freely transferable
Issue date	11 April 2019
Clearing and settlement	CREST, CLEARSTREAM
Arranger:	Bedford Row Capital Advisers Ltd
Security Trustee:	Truva Services Ltd
Settlement Agent:	Avenir Registrars Ltd
Legal Counsel:	Greenwoods GRM LLP





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### Market Opportunity

- A robust process recycles tyres into fuels, steel and recycled carbon black which are being sold via long term off-take agreements, thus producing a highly profitable business opportunity
- The plant is already EBITDA positive (€1.52m in 2018)
- Converts waste ELTs into valuable recycled commodities – with high quality income streams
- Produces valuable end products without consuming new materials – providing sustainability and traceability
- Over 3 million tonnes of used tyres need to be recycled in Europe each year, therefore the plant offers an afterlife for what would have been a waste product

### Team

- The management and engineering team have been working together over a 7-year period and has as members some of the most experienced individuals in this sector who sit on EU committees for renewable fuels and recovered carbon black.
- This team is composed of a highly experienced group of renewable energy and finance industry specialists, covering investment banking, chemical engineering and project management.

### Key Financials – Existing Plant

- The existing plant has assets in its balance sheet in excess of €22m and the business is worth in excess of €40m giving investors asset coverage of 2 times, and debt service ratios when at full capacity of 5 times.
- Of the money raised €5 million will be spent on plant upgrades to enhance the plants income streams and therefore its asset and debt servicing ratios
- Through the bond raise, the balance sheet will be increased by the capital expenditure spent on the plant and circa €10 million will be refinancing existing asset finance and bank debt
- Income in 2020/21 up to €8,000,000 per annum when upgrades completed
- Oil circa €3,800,000: 8,200 tonnes of fuel oil per annum at 41 cents per liter (excluding RTFO credits or drop in fuel credits of qualifying biofuel at 40% of production)
- rCB circa €3,800,000: 6,400 tonnes of rCB, recycled carbon black, pellets per annum at €590 per tonne
- Steel circa €260,000: 2,600 tonnes of clean steel per annum at €100 per tonne worth €260,000
- Tyre gate fee up to €700,000 at 20,000 tonne capacity (€35 per tonne)
- Running Costs €1,900,000 operations, €700,000 employees = €2,600,000
- EBITDA circa €5,960,000
- Proven technology and running hours on the existing operating 20,000 tonne per annum plant in Poland
- The plant is running and producing four valuable income streams as noted above
- The plant has existing offtake agreements in place for the sale of all the commodities produced
- The existing plant is able to cover all the obligations to bondholders and bondholders will have full security over the equipment and site.
- The technology, the plant, and its operations have been reviewed externally by Mabbett, a UK specialist engineering and process system consultancy who have verified its technology and operations
- The Renewable Energy Directive and the increase in the percentage of Renewable fuels required in existing fuels will provide the plants with financial benefits in the form of long-term subsidies to further strengthen the plants financial position
- Under the Renewable Transport Fuel Obligations Order, the UK government has obligated transport fuel suppliers to increase their biofuel component and has specified that tyres are suitable feedstock
- Bondholders have the security of a business with existing cash flows in a proven technology
- The bond proceeds will provide for further capital expenditure on the existing plant to enhance the income from recycled carbon black and Pyrolysis Oil

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