

May 2019

Bedford Row Capital Advisers Limited

ReOil

A high yield green bond
in the tyre recycling
sector

Issuer	Balise Springs plc for ReOil Sp. Z o.o.
Sector	Tyre recycling
Currency	EUR or GBP
Size	16m
Yield	8%
Maturity	Apr-24
ISIN	GB00BJVK2P02
Transferable	Yes
UCITS/EAD-eligible	Yes
Rank	Senior Secured
Legal jurisdiction	England & Wales, Poland
Listing	Frankfurt/Dublin
Settlement	Crest, Clearstream
Securities lead	Bedford Row Capital



BEDFORD ROW CAPITAL



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For more information, please contact:

tim@bedfordrowcapital.com

+372 5918 5293

Bedford Row Capital Advisers
1 Bedford Row, London
WC1R 4BZ

Overview

ReOil owns and operates the only commercial scale continuously operating tire 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 Tires (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. ETR 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.

ReOil's existing, profitable plant is already able to cover its obligations to bondholders, and significant expansion is planned.

Key Company Benefits

Include:

- **PROVEN EQUIPMENT:** ReOil's kilns have over 20,500 hours of running time.
- **A FIRST-RATE TEAM:** ReOil employs 38 people skilled in the buildout, operation, service and maintenance of a continuously running pyrolysis plant.
- **ADVANCED TECHNOLOGY:** cutting-edge, European machinery, controls and operating systems make for a state-of-the-art recycling facility.
- **FULL OWNERSHIP** of all its IP and operating systems by ReOil.
- **MARKET EXPERTISE:** a clear understanding of the value of all revenue streams and how they can be further developed to significantly enhance a plant's earning ability.
- **STRONG FINANCIALS:** the business is EBITDA-positive and asset-rich, with a significant growth pipeline.
- **GREEN, SUSTAINABLE PROFITS:** ReOil's output commodities have recognised environmental credentials, and as a recycling operation, the plant contributes to the circular environmental economy. Meets the criteria for the Bloomberg New Energy Finance (BNEF) Green Bonds initiative.
- **SECURE REVENUES:** on-take and off-take agreements, with investment-grade counterparties purchasing the plant's output.
- **REGULATORY APPROVAL:** full compliance with Polish, British and European Union environmental standards, independently verified by global engineering specialists Mabbett Inc.
- **A CONFIDENT FUTURE:** the EPC wrapper for current upgrades and future plant build is supplied by one of the top sustainable engineering companies in the world, producing a guaranteed wrap for the buildout of future plants.

Financial snapshot

Metric	Comment			Assessment
Existing profitability	Yes			Positive
Growth potential	Substantial			Positive
Current business valuation	EUR 40,000,000			Positive
Asset value	EUR 22,000,000			Positive
EBITDA	2018	2019	2020	Positive
	EUR 1,520,000	EUR 3,700,000	EUR 5,960,000	
Asset Coverage Ratio	>2			Positive
Debt Coverage Ratio	2018	2019	2020	Positive
	1.2	2.9	4.7	
Debt seniority	Senior secured			Positive
Bondholders' security	First charge over company assets and equity			Positive
Legal jurisdiction	Secured under English and Polish law, large case-law			Positive

Revenue streams

Multiple revenue streams create a diversified business with less vulnerability to commodity price fluctuations.

Product	Notes	Income p/a
Pyrolysis oil	Refineable into EN590 diesel and EN228 petrol, this certified biofuel is supported by a long-term British Government support mechanism in line with their commitments under the Renewable Energy Directive.	> EUR 3,800,000
Recycled Carbon Black (rCB)	This industrial pigment is pelletised on-site (thereby adding value) and sold on to investment grade companies for use in various sustainable rubber components.	> EUR 3,700,000
Gate fee	ReOil charges for the disposal of end-of-life tyres.	EUR 700,000 - 4,000,000
Scrap steel	Steel elements of the tyres are sold as scrap.	> EUR 260,000
Carbon emissions	ReOil contributes to greenhouse gas/carbon emission reductions.	EUR 2,700,000

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