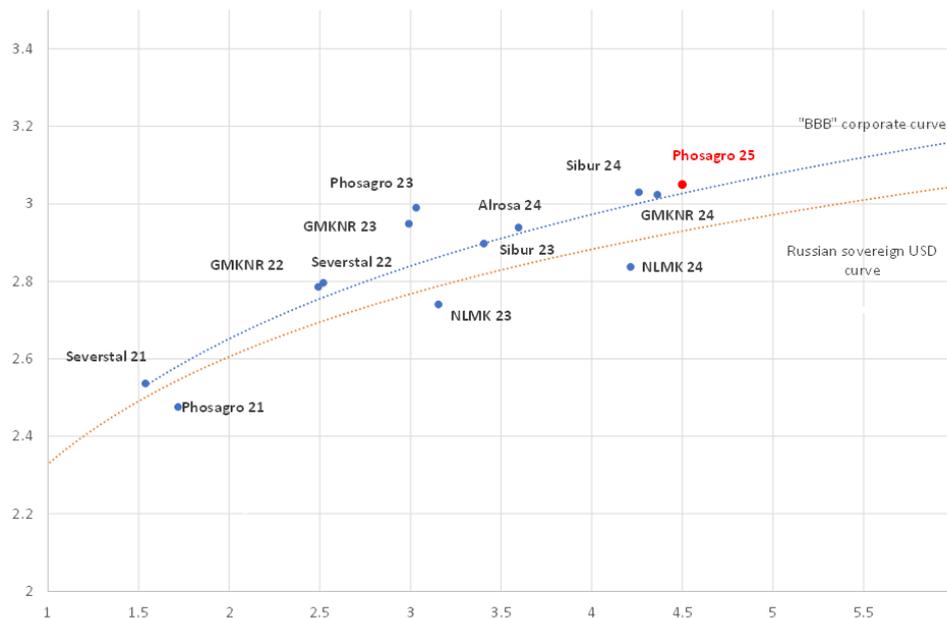


Since January 13, **Phosagro (Baa3/BBB-/BBB-)** has been holding meetings with investors, as it is seeking to place an indicative volume of 5Y USD Eurobonds. The book was closed on Wednesday, 15.01.2020. The guidance recently announced by the placement organizers is 3.375% per annum, which looks attractive, according to our estimates, and implies a 1.5% price upside in the secondary market. The new issue will be primarily intended to refinance short-term commercial loans (up to \$350 mln) and to partially buy out Phosagro 21 (up to \$150 mln out of outstanding \$500 mln).

Phosagro is the largest phosphate-based fertilizer producer in Europe. Its main beneficiaries are the Guriev family (48.48%) and Vladimir Litvinenko (20.98%). According to IFRS 9M19, the net debt/EBITDA ratio was 1.5x (compared to 1.8x at the beginning of 2019).

Therefore, the fair yield of the new five-year issue approximately stands at 3-3.1% per annum. This yield corresponds to a 130 bps z-spread, an average for corporate issuers in the comparable rating group. Therefore, we recommend participating in the placement at the announced yield indicator level of YTM 3.375%. The placement of new bonds will have a positive impact on Phosagro's credit profile, as it will contribute to reducing cost of borrowing and optimizing payment schedule.



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