

ULF key shareholder ready to sell his stake

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Analyst: "We believe that any divestment deal should be preceded by some debt restructuring with a possible creditor bail-in or face-value haircut. We continue to treat UKRLAN and AVINPU Eurobonds as a very risky investment."

KYIV, Oct 26, 2016 (UBO) - Oleg Bakhmatyuk, the owner of a 95% stake in Ukraine's leading agricultural holding Ukrlandfarming (ULF, UKRLAN), is seeking an opportunity to sell his stake, Concorde Capital informed its clients based on a Bakhmatyuk interview with the Interfax-Ukraine news agency. "I understand that attracting an investor is the single way out. It was hard for me to make a decision to exit the majority stake," he told Interfax-Ukraine. "Looking at the problem with the National Bank of Ukraine, I understand that Bakhmatyuk is now a problem for Ukrlandfarming and the company cannot develop". In particular, Bakhmatyuk claimed that National Bank Head Valeria Gontareva is "doing everything to destroy his business." He said he is holding negotiations with Chinese and Middle East investors to sell his controlling stake. "We need to reduce the debt burden and preserve the company's development," he said. "Those are the key accents I am making in my talks with investors." The total debt of Ukrlandfarming, including egg producer Avangardco (AVINPU), is close to USD 1.7 bln. Besides the debt to ULF creditors, Bakhmatyuk has unresolved debt with the National Bank. It has claimed Bakhmatyuk's banks, which have been recognized as insolvent, owe the regulator UAH 10.9 bln (USD 425 mln, at the current exchange rate) in refinancing loans, which were secured by a personal guarantee from Bakhmatyuk. The NBU is trying to recover these funds from Bakhmatyuk personally, by reclaiming of all his assets, with no success so far. Concorde analyst Alexander Paraschiy added: "The NBU is trying to gain compensation for Bakhmatyuk's unpaid debt, conducting a rather dirty campaign in the mass media targeting Bakhmatyuk at the same time. However, we don't see this as the single factor that is prompting Bakhmatyuk to sell his stake in ULF. The key factor, in our understanding, could be Bakhmatyuk wanting to halt his reputational losses, with minor contributions from the NBU, which have prevented the company from getting the necessary financial support. "We do not believe that potential buyers would be ready to enter a company whose assets are under the risk of arrest, based on the NBU's claim. The assets' value is less than the amount of ULF's debt outstanding, which we estimated in our August report of having a total market value of about USD 0.8 bln. "Therefore, we believe that any divestment deal should be preceded by some debt restructuring with a possible creditor bail-in or face-value haircut. We continue to treat UKRLAN and AVINPU Eurobonds as a very risky investment.

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