

## Velgraf Asset Management Plc

August 2025

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CORPORATE CREDIT RATING		Initial
Date of Rating Committee:		22.08.2025
Date of Publication:		25.08.2025
<b>Long-term issuer rating:</b>		<b>BB</b>
<b>Outlook:</b>		<b>Stable</b>
<b>Short-term rating:</b>		<b>B</b>
Long-term national scale rating:		BBB (BG)
Outlook:		Stable
Short-term national scale rating:		A-3 (BG)
<b>Bonds</b> <b>ISIN BG2100006209</b>	Long-term bond rating:	<b>BBB</b>
	Outlook:	Stable
	Short-term rating:	A-3
<b>Bonds</b> <b>ISIN BG2100038244</b>	Long-term bond rating:	<b>BBB</b>
	Outlook:	Stable
	Short-term rating:	A-3

- 1) The credit rating and the rating outlook were disclosed to the rated entity or related third party. Following that disclosure, amendments in the credit rating and rating outlook have not been executed.
- 2) During the last 2 years, BCRA Credit Rating Agency AD has not provided ancillary services to the rated entity or a related third party.

BCRA – CREDIT RATING AGENCY (BCRA) is the third fully recognized rating agency in the EU, registered under Regulation No. 1060/2009 of the European Parliament and of the Council. Credit ratings issued by BCRA are valid throughout the EU and are fully equivalent to those of other agencies recognised by the European Securities and Markets Authority, without territorial or other restrictions

On **August 22, 2025**, a meeting of the Rating Committee of BCRA was held, at which the report regarding the assignment of an initial credit rating of Velgraf Asset Management Plc as an issuer, as well as the ratings of its bond issues, was reviewed. The meeting was chaired by the Chairman of the RC – Dr. Kiril Grigorov. An in-depth discussion was conducted concerning the business activity and the financial condition of the company, during which dynamics of the key rating factors were analyzed. As a result of the discussion, the members of the Committee took the decision to **assign the following credit ratings:**

- Long-term issuer rating: **BB**  
Outlook: **Stable**  
Short-term issuer rating: **B**

- Long-term national scale rating: **BBB (BG)**  
Outlook: **Stable**  
Short-term national scale rating: **A-3 (BG)**
- Long-term bond rating ISIN BG2100006209: **BBB**  
Outlook: **Stable**  
Short-term rating: **A-3**
- Long-term bond rating ISIN BG2100028244: **BBB**  
Outlook: **Stable**  
Short-term rating: **A-3**

The official Methodology of BCRA for assigning a Corporate Credit Rating (effective as of February 2023) has been applied:  
[https://bcra.eu/files/corporate\\_methodology\\_2023\\_en.pdf](https://bcra.eu/files/corporate_methodology_2023_en.pdf)

The users of the rating can find information on the meaning of each rating category, including the definition of default in the published Global rating scale on BCRA's website:  
[https://bcra.eu/files/global\\_scale\\_en.pdf](https://bcra.eu/files/global_scale_en.pdf)

The rating assignment process used information from the rated company, BCRA database and other sources of public information.

### Ownership, Governance and Subsidiaries

**Table 1:** General information about the rated entity

NAME	VELGRAF ASSET MANAGEMENT PLC
Address	Sofia, 1 Brussels Blvd.
UIC	201079376
Business activity	Leasing of own or rented properties for a long-term period
Share capital	BGN 68,979,758 (fully paid), distributed in 68,979,758 ordinary shares with a nominal value of BGN 1 each.
LEI	8945007S2O5Q8ERIPD19
Bond issues	ISIN: BG2100006209 ISIN: BG2100038244

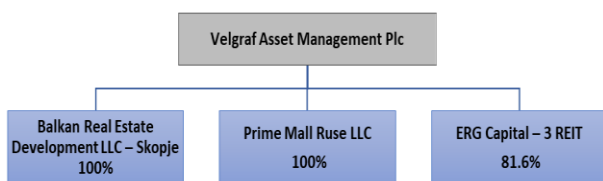
“Velgraf Asset Management” Plc is a public joint-stock company, registered in 2010 through the merger of four companies: Business Center Airport Sofia EOOD, Slanchevi Lachi Aktiv EOOD, Imoti Naemi Obsluzhvane EOOD, and Velgraf Asset Management EAD.

The company’s core business activity is focused on the acquisition, construction, renovation, furnishing, leasing, management, and sale of real estate properties.

The asset portfolio of the company encompasses office buildings, warehouse and logistics spaces, public parking facilities, and other properties located across the country, including Sofia, Varna, Ruse, Burgas, Veliko Tarnovo, Plovdiv, Shumen, and other regional centers.

As of 30.06.2025, Velgraf Asset Management Plc owns three subsidiaries specializing in property management and securitization.

**Figure 1:** Holding structure as of 30.06.2025



“Balkan Real Estate Development” LLC – Skopje, established in 2010, operates on the real estate market in the Republic of North Macedonia with a core activity of leasing and property management. In Bulgaria, “Prime Mall Ruse” LLC, incorporated in 2021, is engaged in the acquisition, operation, and management of public and commercial buildings, with its capital contributed as an in-kind contribution– ownership rights over a land plot in Ruse. In addition, the company holds a majority stake (81.6%) in “ERG Capital – 3” REIT, investing in real estate. In 2024, Velgraf Asset Management

disposed of its 100% participation in “Manastirski Rid Park” LLC.

The subsidiaries have a limited scale of operations and do not exert a material impact on the consolidated results. The main part of the assets, liabilities, and revenues is concentrated in the parent company, which represents the primary bearer of the Group’s business activity and financial flows.

**Table 2:** Shareholding structure as of 30.06.2025

Shareholder	No. of shares	Share
<b>Kibul Ltd.</b>	<b>17 771 191</b>	<b>25.8%</b>
UPF Saglasie	4 434 456	6.4%
UPF Budeshte	3 707 800	5.4%
Other legal and natural persons	43 066 311	62.4%
<b>Total</b>	<b>68 979 758</b>	<b>100%</b>

As of 30.06.2025, Velgraf Asset Management PLC has a registered share capital of BGN 68,979,758, distributed into the same number of ordinary, dematerialized, registered voting shares with a nominal value of BGN 1 each. The shares have been listed for trading on the Bulgarian Stock Exchange (since 2010) under ticker code VAM.

The amount of the share capital has remained unchanged since 2017. The main shareholder, Kibul Ltd., retains a leading position with a 25.76% stake as of mid-2025, compared to higher levels of nearly 30% in 2022 and 2023. Its share has declined in favor of other legal and natural persons, whose aggregate stake reached 62.43%. Institutional investors UPF Saglasie and UPF Budeshte maintain stable participations of 6.43% and 5.38%, respectively.

The rated company has a one-tier management system with a three-member Board of Directors. The Executive Director, Mr. Rumen Tsonkov, plays a key role in the management of the subsidiaries.

The main strategic objective of the Group is the expansion of its activity through the attraction of new tenants and an increase in the volume of leased properties. The chosen strategy foresees the acquisition of suitable assets, as well as the renovation and reconstruction of both existing and newly acquired properties, so that they fully comply with the requirements and trends of market demand.

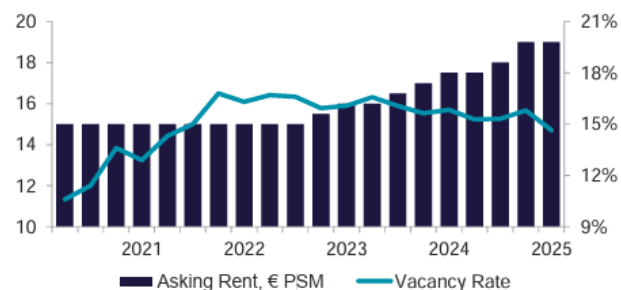
**Operating Environment**

The Real Estate sector in Bulgaria over the past decade has demonstrated a stable trend of growth both in the number of enterprises and in the total value of assets. At the same time, however, the sector remains highly dependent on the macroeconomic environment – the dynamics of GDP, inflation, and access to financing – which determines its pronounced cyclical nature and sensitivity to global and local crises.

During the period 2021–2022, the sector achieved significant growth in revenues and profit, driven by the strong recovery following the COVID crisis and the heightened investment activity. In 2023, however, a reversal of the trend was observed: operating profit declined, while growth rates slowed down. The reasons lie in the higher financing costs, inflationary pressure on maintenance and services, as well as the stabilization of rental levels, which limit revenue growth.

As a result, the market is entering a phase of relative maturity, in which the potential for rapid income expansion is constrained, thus, strategies for maintaining occupancy and asset efficiency are becoming increasingly important.

**Figure 2:** Sofia Office market data



Source: Cushman & Wakefield<sup>1</sup>

Within the sector, the office real estate market holds particular importance for Velgraf Asset Management AD, given the concentration of a significant portion of the Group’s portfolio in this segment. Over the period 2020–2025, the office market has been undergoing a phase of stabilization. In Sofia – the country’s dominant office hub – vacancy levels have slightly decreased, stabilizing around 14–15%, while rental rates in premium locations (Class A) have remained resilient, even showing moderate growth to €18–19 per sq.m. In contrast, older and lower-quality assets face intensifying competition, where retaining tenants increasingly requires rent concessions, more flexible contractual terms, or additional capital investments in modernization. This

<sup>1</sup> <https://cwforton.com/insights/bulgaria-office-marketbeat-q1-2025/>

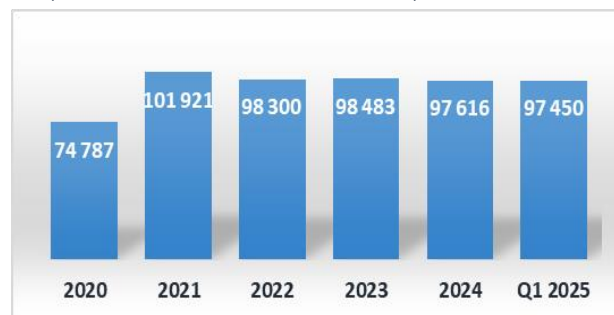
has reinforced a clear segmentation between premium, ESG-certified and energy-efficient assets, which continue to secure strong demand and higher occupancy, and secondary assets, where the risk of tenant turnover remains elevated.

Beyond the capital, the office markets in major regional cities such as Plovdiv, Varna, and Burgas also demonstrate relative stability, with balanced vacancy rates and steady interest from both international and domestic corporate tenants. Although the scale and growth dynamics outside Sofia remain more moderate, these regional centers are strengthening their role as important secondary hubs, particularly attractive to companies in the IT, outsourcing, and professional services sectors. This selective but consistent demand supports the long-term sustainability of rental income in the segment, while underscoring the need for active asset management and continuous adaptation to evolving tenant requirements.

**Market Positioning**

Investment properties, with a carrying value of 97.45 million BGN as of March 2025, account for around 40% of the consolidated assets of Velgraf Asset Management. This confirms the clearly pronounced focus of the business model on the real estate sector, which implies high sensitivity to market conditions, but at the same time ensures a stable flow of revenues given maintained occupancy and stable rental levels.

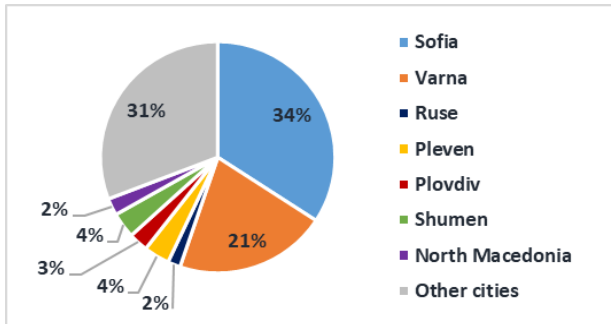
**Figure 3:** Investment properties of Velgraf Asset Management Plc (consolidated basis, in thousand BGN): 2020 – Q1 2025



The group’s portfolio of investment properties is characterized by a broad geographical diversification within the country, covering key urban centers and smaller settlements, as well as two cities in the Republic of North Macedonia – Skopje and Kavadarci. Among the main locations in Bulgaria stand out Sofia, Varna, Plovdiv, Burgas, Veliko Tarnovo, Ruse, Shumen, Haskovo, Plevan, Vidin, and Montana, which form the core of the portfolio, providing the company with positioning in established economic and administrative centers. At the same time, the presence in smaller towns,

including General Toshevo, Tervel, Provadia, Shabla, Dobrich, Silistra, Balchik, Razlog, Targovishte, Nova Zagora, and Lovech, allows for an expansion of the scope and a reduction of concentration risk, but at the same time brings higher challenges regarding occupancy and liquidity of the properties.

**Figure 4:** Geographical structure of rental income and established usufruct right: 2024



Among the most significant income-generating assets in the portfolio are the administrative buildings and business properties in Sofia, located on “Brussels” Blvd. and “Frédéric Joliot-Curie” Str., which combine a strategic location and high occupancy level, ensuring stable rental income. The assets in Varna also play a central role (forming 21% of revenues for 2024), as they include administrative buildings, bank offices, an industrial building, a warehouse base, and a driving school.

The revenue base is built upon a diversified set of lease agreements and usufruct rights. Some of them are short-term or annually renewed, which brings a certain dependence on tenant rotation, but at the same time provides flexibility in managing the portfolio and adapting to market conditions. At the same time, the presence of medium-term and long-term contracts ensures stability and predictability of cash flows.

A key contribution to the resilience of revenues comes from the bank offices, occupied by a leading Bulgarian banking group with high creditworthiness and an established market presence. These lease contracts are traditionally renewed upon expiry, and due to the specifics of the banking business, the probability of early termination or relocation is minimal. Thus, they perform a stabilizing function and reduce the risk of fluctuations in rental income. The presence of a pension insurance company as a leading tenant (13.5% of rental revenues in 2024) further strengthens the portfolio profile.

Despite the high creditworthiness of the institutional tenants, the concentration of a significant part of revenues in a limited number of key parties creates risk. A possible renegotiation of conditions,

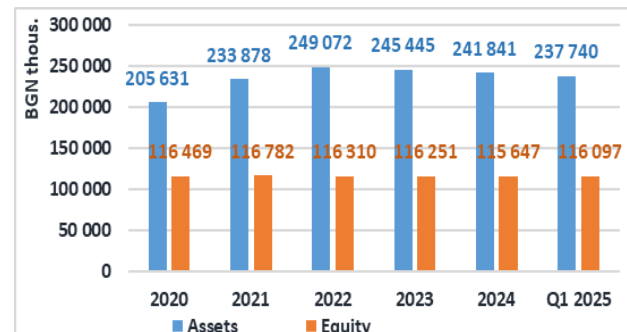
reduction of leased space, or refusal to extend contracts would have a material impact on the company’s revenues and liquidity. This dependence requires careful management of the client base and an active diversification strategy by attracting new tenants from different sectors, in order to reduce the exposure to individual corporate decisions.

Another negative characteristic of the analyzed portfolio of investment properties is that a large part of it includes administrative and commercial buildings of average age, which, in the face of strong competition from newly built logistics and office complexes in the capital and large cities, may lose attractiveness for future tenants. This necessitates active management, including regular reconstructions and modernizations, which will exert pressure on capital expenditures in the future.

In conclusion, Velgraf Asset Management Plc is positioned stably in the sector thanks to a geographically diversified portfolio and a long-standing history of contractual relations with highly reliable tenants. At the same time, the company faces challenges related to the renewal of assets and the management of concentration risk.

**Financial Analysis<sup>2</sup>**

**Figure 5:** Assets and Equity: 2020 – Q1 2025

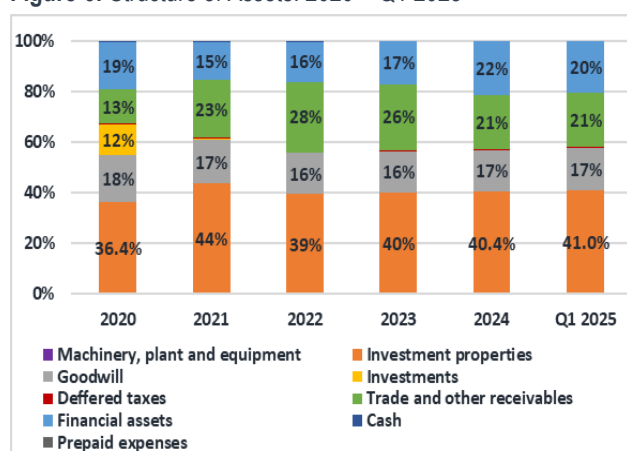


The equity of Velgraf Asset Management Plc is characterized by high stability throughout the entire analyzed period, remaining within relatively narrow ranges between BGN 115.6 million and BGN 116.8 million. While the share capital has remained unchanged at the level of BGN 68 980 thousand, the dynamics of equity have been determined mainly by annual results. According to preliminary data, at the end of the first quarter of 2025, equity amounts to BGN 116 097 thousand, practically remaining at the levels observed at the beginning of the analyzed period.

<sup>2</sup> The financial analysis in this section is based on the **consolidated**, audited statements of Velgraf Asset Management AD for the period 2020 - Q1 2025.

Reflecting active investment activity and the expansion of the real estate portfolio, the consolidated assets of the group recorded steady growth until 2022, when they reached a peak value of BGN 249 072 thousand. At the same time, the annual growth rate initially slowed down, and in 2023 and 2024, the balance sheet sum registered a moderate decline of -1.5% and -1.4%, respectively, which continued into Q1 2025 (-1.2% on an annual basis). The negative dynamics in recent years have been mainly driven by the contraction of receivables, while a positive effect has been generated from short-term financial assets.

**Figure 6: Structure of Assets: 2020 – Q1 2025**



Given the scope of activity, investment properties represent the most significant component in the asset structure of the rated company, forming on average about 40% of the balance sheet sum. In absolute terms, the value of investment properties shows a distinct increase from BGN 74.8 million in 2020 to over BGN 100 million in 2021, when the historical maximum for the period was reached. After 2021, their value remains at high levels – around BGN 98–99 million during 2022–2024. The preservation of the high relative share and significant value of this position reflects the strategic orientation towards maintaining and developing a diversified portfolio of income-generating real estate, providing a stable contribution to future revenues in the form of rents, sales, or capital gains.

Trade and other receivables consistently occupy the second most important place in the structure of assets, with their share increasing from 13% in 2020 to a peak of 28% in 2022, after which it stabilizes at around 21% as of end-2024 and Q1 2025. Their absolute value records a substantial increase during 2020–2022 because of advances provided under preliminary contracts for the purchase of real estate, shares, and equity interests, reaching slightly above BGN 45 million in

2022, and subsequently gradually decreasing to around BGN 30 million. Receivables from clients and suppliers as of March 2025 arise from cession contracts with maturity up to 31.12.2025, while receivables from related parties amount to BGN 1.7 million.

Financial assets occupy a relative share in the range of 15–21%. In absolute terms, their value shows a firm upward trend – from BGN 38 753 thousand in 2020 to BGN 52 023 thousand in 2024, while according to preliminary data for Q1 2025, they are reported at BGN 48 333 thousand. The latter balance sheet amount includes receivables under cession contracts of BGN 29 882 thousand, loans granted of BGN 13 157 thousand, BGN 4 264 thousand in listed equity instruments, and BGN 1 030 thousand in unlisted equity instruments.

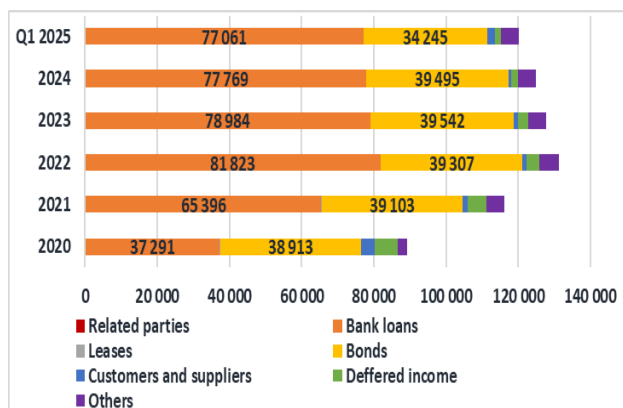
The stable share of financial assets in the structure of the balance sheet, combined with the growth in their absolute value, suggests that they play an important role in the liquidity and investment strategy of the group, providing a balance between current income and potential for capital gains.

Goodwill forms a stable and substantial share of the group's assets – between 16% and 18% during the period 2020 – Q1 2025, establishing it as a leading intangible asset in the balance sheet. At the end of March 2025, goodwill amounts to BGN 39 978 thousand. Its significance implies the need for careful monitoring of the market environment and operational results, given the inherent risk of future impairments under unfavorable changes.

Characteristic for the entire analyzed period is that cash and cash equivalents hold a relative share below 1% of total consolidated assets. This trend indicates that the company maintains limited free cash resources, directing available funds towards investment activity, but this also implies a strong dependence on inflows from receivables or other financing sources to cover current liabilities and operational needs.

In line with the reported dynamics of assets, the company's total liabilities also recorded significant growth at the beginning of the analyzed period – from BGN 89,162 thousand in 2020 to BGN 131,199 thousand in 2022, driven mainly by an increase in financial obligations. After reaching this peak, a gradual downward correction is observed, with liabilities decreasing to BGN 124 943 thousand at the end of 2024 (-2.1% compared to 2023), and to BGN 120 111 thousand as of Q1 2025, which indicates a trend towards stabilizing debt levels.

**Figure 7: Liabilities (in thousand BGN): 2020 – Q1 2025**



The structure of liabilities is highly concentrated in interest-bearing financial obligations, forming over 90% of total liabilities during the analysed period. Within this dominant position, bank loans occupy a leading place, with their individual relative share varying in the range of 44–65%.

The value of accumulated obligations to banking institutions increased dynamically during 2020–2022, driven by the heightened need for capital to finance investment projects and strategic acquisitions. In the following years, a gradual reduction in their balance sheet value is observed, reflecting both partial repayments and the limitation of new drawdowns.

As of March 2025, liabilities (current and non-current) on bank loans amount to BGN 77 061 thousand. The group maintains a diversified portfolio of long-term bank loans and overdraft lines, contracted with different credit institutions, with maturities in the range of 2026–2036. The main agreements include both investment loans for the financing of acquisitions and working capital instruments providing liquidity. The interest terms are predominantly with a variable rate, linked to reference interest indices and contractual margins in the range of 0.7–2.2 percentage points. Among the more significant financings stands out an overdraft credit line with a limit of BGN 50 million, as well as investment loans with individual amounts of up to BGN 17 million.

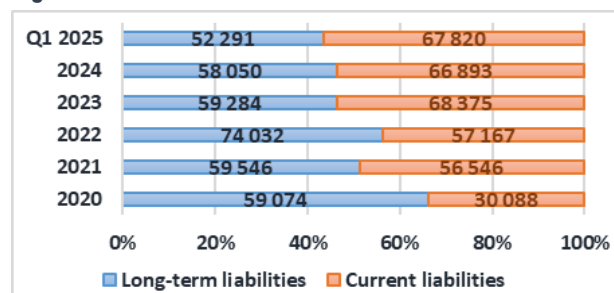
The collateral provided on bank loans includes land and buildings classified as investment properties, with a balance sheet value of BGN 67 632 thousand as of Q1 2025. Additionally, under some of the bank loan agreements, special pledges have been established over shares of companies from the group’s portfolio.

Liabilities on issued bonds rank second in the structure of consolidated liabilities, with their share averaging around 30% during the analyzed period.

They arise from two issues of the parent company – the first from 2020 with maturity until 2027 and a fixed interest rate, and the second from 2024 with maturity until 2032 and a floating interest rate within defined limits.

The remaining part of liabilities includes trade payables (incl. repo transactions), deferred non-current liability for property acquisitions, and tax liabilities. The reported revenues for future periods arise from contracts for granting usufruct rights.

**Figure 8: Term structure of Liabilities: 2020 – Q1 2025**



The term structure of liabilities shows a relatively balanced distribution between non-current and current obligations, with changes observed in favour of the short-term component. Since 2023, current liabilities have exceeded non-current ones, reaching BGN 68,375 thousand as of the first quarter of 2025, which implies a certain concentration of the maturity profile in shorter terms and potentially higher requirements for the company’s liquid resources.

The outpacing growth of short-term liabilities compared to the increase of current assets has resulted in a decrease of the current liquidity ratio – from 2.23 in 2020 to 1.46 at the end of March 2025. Although the ratio remains above the threshold of 1.0, the downward trend in recent years emphasizes the need for careful management of working capital and maturity schedules.

Net sales revenues of Velgraf Asset Management demonstrate a high degree of stability in the period 2020–2024, moving within a narrow range between BGN 7.3 and 7.6 million. This underscores the existence of a sustainable and recurring revenue base. At the same time, the absence of a clear growth trend, especially under the conditions of heightened inflation in recent years, has led to an erosion of revenues in real terms.

In the last year 2024, net sales revenues amounted to BGN 7 287 thousand, which represents a slight decrease of 2.9% on an annual basis. The main part of the operating revenues of the rated company is formed by activities related to the management and operation of real estate. The largest share is

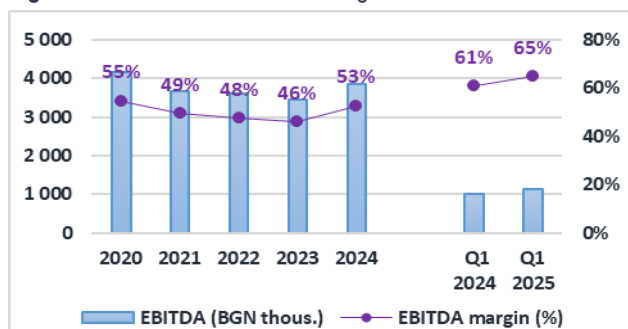
occupied by rental income, which in 2024 amounted to BGN 5 897 thousand and remained practically at the same level as in 2023. An additional source is the revenues from granted usufruct rights over properties, amounting to BGN 934 thousand, which also remained unchanged on an annual basis.

Operating expenses in the period 2020–2024 show some dynamics but remain within relatively predictable limits between BGN 4.3 and 5.1 million. The most significant share in their structure is occupied by expenses for external services and depreciation, which together represent nearly half of the total amount.

External services mark a clear downward trend – from BGN 1,737 thousand in 2020, their amount has gradually been reduced to BGN 823 thousand in 2024, which suggests internal optimization of operating activity. Depreciation is also a significant factor, ranging around BGN 0.8–1.1 million annually or an average of 20% of operating expenses, reflecting the large base of fixed assets, typical for a company with a portfolio of real estate.

Despite the absence of clear revenue growth, disciplined cost management allows Velgraf Asset Management Plc to maintain a stable and consistently positive operating result of about BGN 3 million on average over the past five years.

**Figure 9: EBITDA and EBITDA margin: 2020 – Q1 2025**



At the EBITDA level, the Company realized BGN 3,482 thousand in 2024 (+11.4% compared to 2023), which corresponds to a 53% margin relative to net sales revenues. Historically, EBITDA has moved between BGN 3.4 and 4.2 million, with an average margin of about 50%, which reveals sustainably high profitability of the core activity and stable operating capacity for generating cash flows.

Next, the financial activity has a substantial impact on overall profitability. The rated company generated financial revenues ranging between BGN 1.3 and 2.4 million annually, mainly from interest on loans granted, as well as from positive differences from operations with financial assets. However,

these inflows proved insufficient to offset the significant financial expenses.

Interest payments more than doubled – from BGN 2 078 thousand at the beginning of the analysed period to BGN 4 387 thousand in 2024. To these are added additional expenses from operations with financial assets, totalling about BGN 1 million annually, which further burden the result. As a consequence, the financial activity systematically generated a negative net balance, which in practice neutralized the positive effect of the stable operating result.

The net financial result has been consistently negative since 2021, with the loss reaching BGN 607 thousand in 2024, compared to BGN 64 thousand in 2023. Thus, the dynamics of revenues and expenses clearly reveal a pronounced dependence on debt financing, which exerts a heavy weight on the net financial result and limits the possibilities for improving overall profitability.

The leverage ratio (Liabilities/Assets) increased from 43.4% in 2020 to a peak level of 52.7% in 2022, while by the first quarter of 2025, it shows moderate improvement to 50.5%. The reliance on borrowed financing is also confirmed by the debt ratio (Financial debt/Total liabilities), which in recent years has moved around unity, reflecting the dominant share of financial debt in the structure of liabilities. Such concentration on debt financing increases the company's sensitivity to the interest rate environment and refinancing conditions.

At the same time, the highly limited perspective for reducing debt is outlined by the Net debt-to-EBITDA ratio, which reached levels above 30x in the period 2022–2024. These values show that operating profit is multiple times insufficient for a rapid reduction of the debt burden.

A weak connection between operating results and debt servicing costs is revealed by the EBITDA-to-interest expense ratio, which has remained below 1 (0.86–0.99) since 2021. This clearly means that the company does not generate sufficient operating profit to cover its current interest obligations. In other words, debt servicing is secured through other sources – primarily financial revenues or revaluations, which makes the model dependent on external factors and one-off effects.

In summary, the financial ratios outline a stable but capital-intensive structure, characteristic of a company with a focus on real estate. Velgraf Asset Management PLC demonstrates consistency in maintaining positive EBITDA and a stable revenue base, but the high degree of debt leverage and the

low coverage of interest payments remain important factors that limit the company's financial flexibility.

### Bond Issues

Velgraf Asset Management Plc has two bond issues outstanding, registered for trading on the BSE – Sofia.

**ISIN BG2100006209:** Issued on 21.07.2020 with a volume of EUR 20 million, fixed coupon of 4.5%, and maturity in July 2027. The principal is to be repaid in eight equal instalments of EUR 2.5 million each between 2024 and 2027.

**ISIN BG2100038244:** Issued on 19.09.2024 with a volume of EUR 5 million, floating coupon (6M EURIBOR + 1 p.p., with a corridor of 2.25% – 5%), and maturity in September 2032. The amortization structure includes a three-year grace period followed by repayment of the principal through 10 equal instalments of EUR 0.5 million each.

**Table 3:** Main parameters of the bond issues of Velgraf Asset Management Plc

ISIN	BG2100006209	BG2100038244
Issue date	21.07.2020	19.09.2024
Volume	€20 mln	€5 mln
Number	20 000	5 000
Nominal	€ 1 000	€ 1 000
Term	7 years	8 years
Maturity	July 2027	September 2032
Coupon	Fixed 4,5%	Floating: 6M EURIBOR + 1 p.p., but not <2.25% and not >5.0%
Payment frequency	Twice a year	Twice a year
Principal repayment	8 equal instalments of €2.5 million (2024–2027)	Grace period of 3 years; 10 equal instalments of €0.5 mln (2028–2032)
Collateral	Insurance	Insurance

The interest rate risk is mitigated through the different structures of the two bond issues. The fixed coupon on the first ensures predictability of expenses and eliminates the effect of market rate fluctuations, while the floating rate on the second combines protection against excessive market swings with some sensitivity to the current interest environment.

The amortization profiles distribute maturity risk over time but concentrate significant payments in the medium-term horizon.

According to the prospectus of the second issue, the rated company undertakes to maintain a Liabilities/Assets ratio not higher than 98%, interest coverage not lower than 1.05, and current liquidity above 0.25. If 2 out of these 3 ratios are breached,

the issuer is obliged to undertake measures and present a recovery program before the bondholders.

The issuer comfortably complies with the requirements regarding indebtedness and liquidity, while systematically breaching the interest coverage ratio; however, the breach of only one indicator does not activate the contractual clauses for corrective actions.

Both bond issues are **secured through insurance policies** of the financial risk, concluded with **Armeec Insurance JSC**, in favour of the bondholders' trustee.

For the first issue, the insurance contract was signed on 24.07.2020, with validity until 02.09.2027, and total aggregate coverage of EUR 24.73 million. The insurance covers the principal, all accrued interest, and expenses, including in case of extension of the maturity of the issue or in the event of enforcement proceedings.

For the second issue, an analogous policy has been signed, with validity until 18.11.2032 and a total aggregate coverage of EUR 6.44 million.

In this way, both issues are fully secured against the risk of non-performance by the issuer, which practically transfers the ultimate risk exposure from the issuer to the insurer and **links the creditworthiness of the bonds to the insurer's rating**. In this context, it should be emphasized that the rating of the issues **correlates with the insurance coverage** – in case of a replacement of the insurance policies with a mortgage or pledge over the company's assets, the rating assessment would be revised to reflect the new collateral structure and the related risks.

*Armeec Insurance JSC is rated by BCRA, with a current long-term credit rating of "BBB" with a Stable Outlook. The assessment is supported by the strong market position of the company in the segment of general insurance in Bulgaria, where Armeec is among the leading companies, as well as by its high capital adequacy and solid liquidity base. The financial profile of the company shows resilience, with positive financial results and stable premium income, ensuring its capacity to meet its insurance commitments. The full rating history of Armeec Insurance JSC can be found at the following link:*

<https://bcra.eu/bg/companies/zad-armeec>

## Financial Forecast

The prepared financial forecast for the period 2025–2027 outlines stable but moderate rental revenues – increasing from BGN 7.4 million in 2025 to BGN 7.7 million in 2027, which reflects the predictability of the business model and the long-term contracts with reliable tenants. Operating expenses show a gradual increase, while EBITDA remains in the range of BGN 3.6–3.9 million, marking a solid profitability of around 50%.

Cash flows from operating activities are expected to remain stable (BGN 3.5–3.7 million annually), while investment activity is projected to generate significant positive inflows (BGN 12–13 million) from loans granted and financial assets.

The main challenge lies in the financial activity, dominated by high principal repayments on bond and bank loans (over BGN 13 million annually), which, together with interest maturities, form a large negative cash flow (around BGN 16 million annually). This structure makes the company vulnerable to liquidity pressures.

In conclusion, the forecast confirms the stable operating efficiency and strong cash-generating capacity of the real estate portfolio but highlights the high dependence on the successful refinancing of bond liabilities in order to preserve long-term financial stability.

## CONCLUSION

The assigned issuer rating of Velgraf Asset Management PLC **reflects** a resilient business model, based on a diversified portfolio of investment properties and a long-standing history of contractual relations with institutional tenants of high creditworthiness. The company maintains significant own capital and consistently positive EBITDA, which confirms its operating efficiency.

Despite these strengths, the issuer's credit profile remains **under pressure** from high financial indebtedness, persistently low interest coverage, and the concentration of bond maturities, which creates vulnerability in case of potential refinancing difficulties. In addition, the concentration of revenues in a limited number of large tenants increases the exposure to their strategic decisions.

The **Stable Outlook** indicates that no significant events or changes are expected in the next 12–18 months that could lead to a material deviation in the issuer's credit profile.

The following factors could lead to a **positive change** in the Outlook and/or an **upgrade** of the issuer's credit rating:

- Reduction of financial indebtedness, including through refinancing under more favourable conditions or early repayment;
- Increase in the interest coverage ratio above a level ensuring sustainable debt servicing.
- Expansion and modernization of the portfolio with high-quality properties that comply with ESG and market requirements.
- Improvement of revenue diversification across tenants, sectors, and geographical regions.

The following factors could lead to a **negative change** in the Outlook and/or a **downgrade** of the issuer's credit rating:

- A significant decline in property occupancy, loss of key tenants, or renegotiation of contracts under less favorable conditions, leading to deterioration in operating profitability.
- Intensification of cost pressures, particularly through an increase in interest expenses, which would deepen the mismatch between operating inflows and debt servicing.
- Expansion of negative net financial results, which would constrain the company's capacity for capital accumulation.

The **ratings of the bond issues** exceed that of the issuer due to the existence of full insurance coverage. In this way, the creditworthiness of the issues is directly linked to the rating of the insurer (Armeec Insurance JSC). A change in the rating assigned by BCRA to the insurer that has secured the bondholders' receivables will have a direct and proportional impact on the ratings of the two bond issues. In addition, any potential change in the structure of the collateral – for example, a replacement of the insurance coverage with a mortgage or another type of special pledge – would also lead to a review and corresponding adjustment of the issue ratings.

**APPENDIX:**

**Table 4:** Key financial indicators of Velgraf Asset Management Plc, calculated on the basis of consolidated statements:  
2020 – 31.03.2025

хил. лв.	Q1 2025	2024	2023	2022	2021	2020
Equity	116 097	115 647	116 251	116 310	116 782	116 469
Total Assets	237 740	242 122	245 445	249 072	233 878	205 631
incl. Investment properties	97 450	97 616	98 483	98 300	101 921	74 787
Total Liabilities	121 643	126475	129194	132762	117096	89162
incl. Financial debt	111 349	117 326	118 640	121 237	104 614	76 366
Total Revenues	2 209	9 118	9 905	9 580	8 811	9 417
incl. Net sales revenues	1 741	7 287	7 473	7 592	7 441	7 598
EBITDA	1 129	3 842	3 448	3 607	3 674	4 159
Net financial result	450	-607	-64	-275	-133	163
Capitalization of investment properties	1.0%	3.0%	2.7%	2.5%	2.8%	4.5%
EBITDA margin	64.8%	52.7%	46.1%	47.5%	49.4%	54.7%
EBITDA/interest payments	0.86	0.86	0.99	0.93	0.96	1.08
Leverage (Liabilities/Assets)	50.5%	51.6%	52.0%	52.7%	49.6%	43.4%
Credit indebtedness*	0.96	1.01	1.02	1.04	0.90	0.66
Net financial debt/EBITDA	-	30.5	34.3	33.4	28.3	18.2
Current Liquidity	1.46	1.54	1.54	1.91	1.58	2.23

\* ratio of indebtedness to external creditors (incl. loans from banks and other financial institutions, bond loans and lease obligations) to equity.