


BUY

TARGET PRICE : 0,69€  +50%

H1 RESULTS – COMPANY CONTACT

WAITING FOR PRICES TO RISE

AgroGeneration's H1 results lend credence to the group's strategy of optimizing EBITDA while agricultural commodity prices remain low. This favorable trend should continue over the full year if the end of the harvest season is satisfactory. We have revised our 2017 forecasts to take into account the impact of the sale of 3,800 hectares that have not yet been fully replaced. The financial situation is easing thanks to an improvement in FCF generation and better conditions in Ukraine that are favoring a revival in the banking sector. Our target price remains unchanged at €0.69 due to a further decline in the WACC. BUY rating maintained.

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Good management of EBITDA

The H1 2017 results once again demonstrated the group's ability to generate positive EBITDA (+2.6% to €5.95m) by optimizing the breakdown of its different crops in a context of continued low agricultural commodity prices. The rise in production costs in H1 was essentially linked to this goal of optimization through an increase in the share of corn, which requires more inputs. The strict cost control over the last several fiscal years is continuing and should favor a strong leverage effect on earnings when agricultural commodity prices, which have now stabilized at low levels, turn up. The net loss equaled -€0.3m. However, the group would have reported a net profit of €0.4m excluding an exceptional charge of -€0.7m.

FCF generation and an improving financial situation

FCF generation is by nature negative in H1. However, it improved significantly in H1 2017 (-€1.9m vs -€4.7m) thanks principally to a decline in the WCR. AgroGeneration started to buy new machines again, with investments slated to equal €5.7m in 2017 (€3.4m in H1). The group's financial situation also benefited from improved conditions in Ukraine. Interest rates on crop loans fell from 15% to 12% at the same time AgroGeneration has access to loans from new banks. Alfa Bank Ukraine, which provided 95% of these loans two years ago, now accounts for only 75%.

2017 forecasts adjusted to take into account the sale of 3,800 ha

AgroGeneration sold 3,800 hectares of farmland at the beginning of 2017. This land is slated to be replaced by new acquisitions (1,000 ha have already been purchased). The EBITDA impact in H1 equaled -€0.9m. We have revised downward our 2017 forecasts to take this factor into account (we had assumed that these hectares would be rapidly replaced). Our revenue forecast has gone from €71.8m to €69.2m and our EBITDA forecast has been lowered from €21.5m to €19.7m. These figures do not take into account the impact of possible weather vagaries at the end of the harvests, notably as concerns sunflowers (26% of revenues). Forecast net profit has been affected by higher depreciation due to new acquisitions and has been lowered from €7.3m to €4.5m. Our target price remains unchanged at €0.69, with the downward revisions in our forecasts offset by a lower WACC (15.71% vs. 16.15%). BUY rating unchanged.

in € / share	2017e	2018e	2019e
Adjusted EPS	0,03	0,06	0,10
chg.	+0,0%	+107,3%	+68,5%
estimates chg.	-29,8%	-3,7%	-2,6%

au 31/12	2017e	2018e	2019e
PE	15,7x	7,6x	4,5x
EV/Sales	2,06x	1,63x	1,21x
EV/EBITDA	7,2x	5,3x	3,4x
EV/EBITA	12,4x	7,8x	4,5x
FCF yield*	16,6%	26,8%	41,0%
Div. yield (%)	n.s.	n.s.	n.s.

* After tax op. FCF before WCR

key points	
Share price (€)	0,46
Number of Shares (m)	100,8
Market cap. (€ m)	46
Free float (€ m)	15
ISIN	FR0010641449
Ticker	ALAGR-FR
DJ Sector	Process Industries

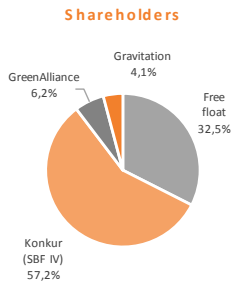
	1m	3m	Ytd
Absolute perf.	+9,5%	-9,8%	+35,3%
Relative perf.	+3,7%	-13,2%	+23,2%

Source : Factset, Invest Securities estimates

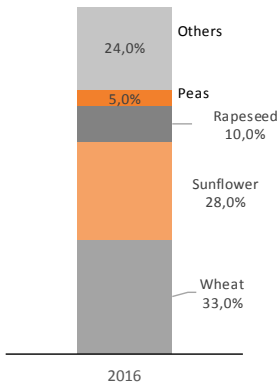
INVESTMENT CASE

The merger of AgroGeneration and Harmelia in 2013 led to the creation of an entity with critical mass at 120,000 hectares of farmland cultivated in Ukraine. This land is located in fertile zones benefiting from favorable hydrometric conditions. The financial restructuring completed at the beginning of 2015 resolved the group's debt problems linked to the economic situation in Ukraine and the rapid fall in commodity prices since mid-2013. While not all risks have been eliminated, we estimate that with agricultural commodity prices having bottomed out, the wager on the creation of a leading agricultural producer in Ukraine with good operating performances is worth making at present.

FINANCIAL DATA



Crops breakdown



Next events

n.a.

Share information	20 13	20 14	20 15	20 16	20 17e	20 18e	20 19e	20 20e
Published EPS (€)	-0,09	-0,03	-0,08	-0,01	0,05	0,11	0,21	0,27
Adjusted EPS (€)	-0,09	-0,03	-0,03	0,00	0,03	0,06	0,10	0,13
Diff. I.S. vs Consensus	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
Dividend	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00

Valuation ratios	20 13	20 14	20 15	20 16	20 17e	20 18e	20 19e	20 20e
P/E	n.s.	n.s.	n.s.	71,7x	15,7x	7,6x	4,5x	3,7x
EV/Sales	3,18x	2,50x	2,21x	1,87x	2,06x	1,63x	1,21x	0,84x
VE/EBITDA	n.s.	7,9x	6,5x	5,8x	7,2x	5,3x	3,4x	2,2x
VE/EBITA	n.s.	12,3x	11,4x	9,6x	12,4x	7,8x	4,5x	2,9x
Op. FCF bef. WCR yield	n.s.	11,2%	14,1%	15,3%	9,8%	16,6%	26,8%	41,0%
Op. FCF yield	n.s.	11,7%	10,9%	9,3%	6,8%	11,6%	21,6%	36,9%
Div. yield (%)	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.

NB : valuation based on annual average price for past exercise

Entreprise Value (€ m)	20 13	20 14	20 15	20 16	20 17e	20 18e	20 19e	20 20e
Share price in €	1,52	0,92	0,44	0,33	0,46	0,46	0,46	0,46
Market cap.	98,3	84,2	94,3	72,3	100,7	100,7	100,7	100,7
Net Debt	71,6	77,2	35,5	39,8	41,1	34,2	15,0	-14,0
Minorities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Provisions/near-debt	0,7	0,0	0,0	0,5	0,5	0,5	0,5	0,5
+/- Adjustments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Entreprise Value (EV)	170,6	161,3	129,8	112,6	142,4	135,4	116,3	87,2

Income statement (€ m)	20 13	20 14	20 15	20 16	20 17e	20 18e	20 19e	20 20e
Sales	53,7	64,6	58,9	60,3	69,2	83,3	96,0	103,5
chg.	+63,7%	+20,3%	-8,9%	+2,4%	+14,9%	+20,3%	+15,2%	+7,9%
EBITDA	-9,8	20,4	20,0	19,4	19,7	25,7	34,4	39,0
EBITA	-16,8	13,1	11,4	11,8	11,5	17,3	26,0	30,6
chg.	n.s.	n.s.	-13,1%	+3,2%	-2,5%	+50,7%	+50,3%	+17,7%
EBIT	-16,8	13,1	11,4	11,8	11,5	17,3	26,0	30,6
Financial result	-3,5	-36,2	-19,6	-12,5	-6,9	-5,9	-4,5	-3,1
Corp. tax	-0,2	0,0	0,2	-0,2	0,0	0,0	0,0	0,0
Minorities+affiliates	-2,0	1,4	0,0	0,0	0,0	0,0	0,0	0,0
Net attributable profit	-22,6	-21,7	-7,9	-0,9	4,5	11,4	21,5	27,5
Adjusted net att. profit	-22,6	-21,7	-7,9	-0,9	4,5	11,4	21,5	27,5
chg.	n.s.	n.s.	n.s.	n.s.	n.s.	+152,3%	+88,2%	+27,8%

Cash flow statement (€ m)	20 13	20 14	20 15	20 16	20 17e	20 18e	20 19e	20 20e
EBITDA	-9,8	20,4	20,0	19,4	19,7	25,7	34,4	39,0
Theoretical Tax /EBITA	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Capex	-4,1	-2,4	-1,6	-2,1	-5,7	-3,2	-3,2	-3,2
Operating FCF bef. WCR	-13,9	18,0	18,4	17,3	14,0	22,5	31,2	35,8
Change in WCR	13,5	0,9	-4,2	-6,8	-4,3	-6,8	-6,1	-3,6
Operating FCF	-0,4	18,9	14,2	10,4	9,7	15,7	25,1	32,2
Acquisitions/disposals	-0,2	-0,6	-1,0	-1,0	1,5	0,0	0,0	0,0
Capital increase/decrease	12,9	4,7	33,8	21,0	0,0	0,0	0,0	0,0
Dividends paid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other adjustments	-13,8	-65,7	-20,5	-21,6	-10,5	-8,8	-5,9	-3,1
Published FreeCash Flow	-1,5	-5,6	26,6	8,9	0,6	7,0	19,2	29,1

Balance Sheet (€ m)	20 13	20 14	20 15	20 16	20 17e	20 18e	20 19e	20 20e
Assets	94,3	63,6	81,4	77,0	72,9	67,7	62,5	57,3
Intangible assets/GW	48,6	40,9	37,9	39,9	38,5	38,5	38,5	38,5
WCR	28,4	20,2	38,8	30,9	35,3	42,0	48,1	51,8
Group equity capital	51,1	6,6	69,5	65,4	66,4	74,9	94,9	122,4
Minority shareholders	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Provisions	0,7	0,0	0,2	0,7	0,7	0,7	0,7	0,7
Net financial debt	71,6	77,2	50,6	41,8	41,1	34,2	15,0	-14,0

hors dépôts de garantie

Financial ratios	20 13	20 14	20 15	20 16	20 17e	20 18e	20 19e	20 20e
EBITDA margin	n.s.	31,6%	34,0%	32,2%	28,5%	30,8%	35,8%	37,7%
EBITA margin	n.s.	20,3%	19,4%	19,5%	16,6%	20,8%	27,1%	29,6%
Adjusted Net Profit/Sales	n.s.	n.s.	n.s.	n.s.	6,5%	13,7%	22,4%	26,5%
ROCE	n.s.	15,7%	9,5%	10,9%	10,6%	15,8%	23,5%	28,0%
ROE adjusted	n.s.	n.s.	n.s.	n.s.	6,8%	15,3%	22,6%	22,4%
Gearing	140,2%	1175,0%	72,9%	63,8%	62,0%	45,7%	15,8%	n.s.
ND/EBITDA (in x)	n.s.	3,8x	2,5x	2,2x	2,1x	1,3x	0,4x	-0,4x

Source : company, Invest Securities Estimates

ANALYSE SWOT

FORCES

- ❑ Critical mass reached with 120,000 hectares
- ❑ Healthy financial situation thanks to the OSRANE convertible bond issue
- ❑ High cost savings creating substantial operating leverage

WEAKNESSES

- ❑ High financial charges and still highly dependent on one bank
- ❑ Substantial WCR
- ❑ Subject to fluctuations in agricultural commodity prices

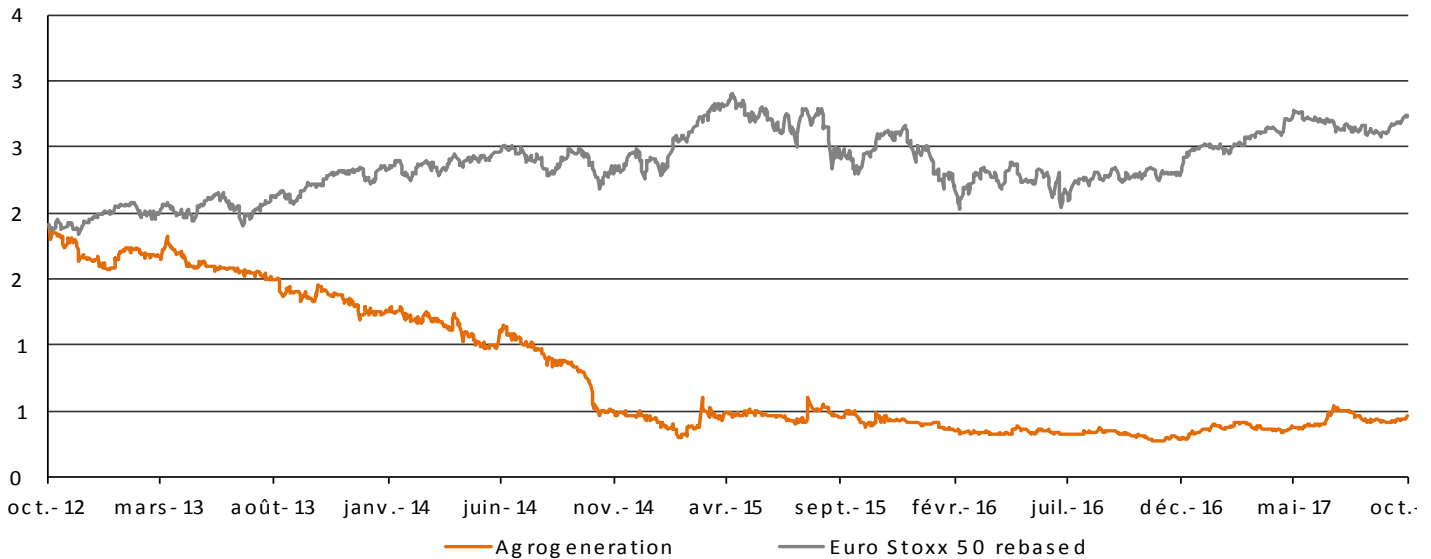
OPPORTUNITES

- ❑ Substantial operating leverage as soon as agricultural commodity prices turn up again
- ❑ Growth in the world population and reduction in land devoted to agriculture
- ❑ Sector consolidation

THREATS

- ❑ Renewed fighting in the Donbass region
- ❑ Unfavorable weather conditions that would reduce harvests
- ❑ Continued good harvests in the other regions of the world

5-YEAR SHARE PRICE PERFORMANCE



CONFLICT OF INTEREST DETECTION

	Corporate Finance	Treasury stocks holding	Prior communication to company	Analyst's personal interest	Liquidity contract	Listing Sponsor	Research Contract
Agrogeneration	Oui	Non	Oui	Non	Non	Non	Oui

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