

2017 GUIDANCE - COMPANY CONTACT

THE DROUGHT IS WEIGHING ON EBITDA

The 2017 results will be penalized by the impact of the drought at the end of the harvest season (sunflowers and corn). Despite significant cost reductions, the impact on the 2017 EBITDA is substantial. Regarding 2018, the winter harvests are going well but the cultivated surfaces are smaller than those assumed in our estimates. Starting in 2019, when the OSRANE convertible bonds will mature, the group will have around an additional €5m/yr in financial maneuvering room to increase the amount of hectares under its control. We have revised our forecasts to factor in these elements. We have lowered our target price from €0.69 to €0.6. BUY rating maintained.

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The drought has had an impact on sunflowers and corn

AgroGeneration has indicated that the drought had a negative impact on the end of the harvest season, notably concerning sunflowers and corn. The sunflower yield has fallen from 2.6 tons/hectare for the 2016 harvest to 1.8 tons/hectare for the 2017 harvest. This will have a significant impact on revenues given the high price of sunflowers (around €280/metric ton vs. €130/metric ton for wheat according to our estimates). Sunflowers represented over a quarter of 2016 revenues but should represent only around 20% of 2017 revenues. The value of production should consequently fall by €9.4m. This announcement was not a complete surprise, as the half-year results announcement had suggested a possible deterioration in weather conditions at the end of the harvest season, an inherent uncertainty in the group's business that is impossible to predict.

EBITDA should remain largely positive

This exceptional weather phenomenon will be partially offset on the EBITDA level by a €4.2m reduction in costs (optimization of production costs, notably in terms of inputs), whose positive impact will be felt fully in 2018. In any case, EBITDA should remain largely positive in 2017 (€10m estimated vs. €19.4m in 2016). Winter crops are going well and suggest a return to normal starting in 2018. Financing for the new crop year has been secured at this point. AgroGeneration's ability to adjust its costs is contributing to creating a very powerful leverage effect that will be felt when prices of agricultural commodities turn back up.

Forecasts revised downward

We have lowered our forecasts for 2017 (to take into account these different elements) and for 2018 (a year in which we had expected a more substantial increase in planted acreage). Controlled acreage should rise starting in 2019, the year in which the OSRANE matures, thereby freeing up around €5m/yr in additional cash. Our 17/18 revenue forecasts have been lowered from €69.2m/€73.9m to €59.3m/€69.3m while our EBITDA forecasts have been lowered from €19.7m/€19.4m to €10m/€18.9m. We have lowered our target price from €0.69 to €0.6. The catalyst for a rally in the share price remains a turn upward in agricultural commodity prices. Regarding 2018, inventories should remain substantial at the same time world demand rises. BUY rating unchanged

in € / share	2017e	2018e	2019e
Adjusted EPS	-0,02	0,03	0,07
<i>chg.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>+119,3%</i>
<i>estimates chg.</i>	<i>-151,5%</i>	<i>-6,7%</i>	<i>-5,0%</i>
au 31/12	2017e	2018e	2019e
PE	n.s.	13,1x	6,0x
EV/Sales	2,23x	1,83x	1,40x
EV/EBITDA	13,3x	6,7x	4,2x
EV/EBITA	76,3x	12,1x	6,2x
FCF yield*	14,9%	23,5%	36,9%
Div. yield (%)	n.s.	n.s.	n.s.

\* After tax op. FCF before WCR

key points	
Share price (€)	0,40
Number of Shares (m)	101,2
Market cap. (€m)	40
Free float (€m)	13
ISIN	FRO010641449
Ticker	ALAGR-FR
DJ Sector	Process Industries

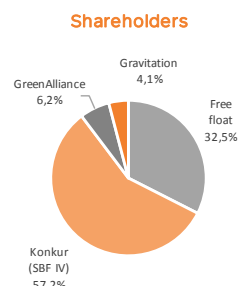
	1m	3m	Ytd
Absolute perf.	-3,4%	-5,7%	+4,2%
Relative perf.	-6,4%	-7,3%	-0,4%

Source : Factset, Invest Securities estimates

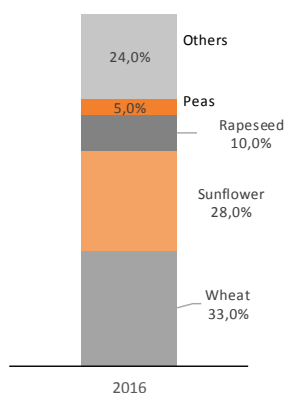
## INVESTMENT CASE

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 DATAS



**Crops breakdown**



Share information	2013	2014	2015	2016	2017e	2018e	2019e	2020e
Published EPS (€)	-0,09	-0,03	-0,08	-0,01	-0,05	0,05	0,13	0,20
<b>Adjusted EPS (€)</b>	<b>-0,09</b>	<b>-0,03</b>	<b>-0,03</b>	<b>0,00</b>	<b>-0,02</b>	<b>0,03</b>	<b>0,07</b>	<b>0,09</b>
<i>Diff. I.S. vs Consensus</i>	<i>n.s</i>	<i>n.s</i>	<i>n.s</i>	<i>n.s</i>	<i>n.s</i>	<i>n.s</i>	<i>n.s</i>	<i>n.s</i>
Dividend	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00

Valuation ratios	2013	2014	2015	2016	2017e	2018e	2019e	2020e
P/E	n.s.	n.s.	n.s.	70,0x	n.s.	13,1x	6,0x	4,2x
EV/Sales	3,18x	2,50x	2,21x	1,84x	2,23x	1,83x	1,40x	1,00x
VE/EBITDA	n.s.	7,9x	6,5x	5,7x	13,3x	6,7x	4,2x	2,7x
VE/EBITA	n.s.	12,3x	11,4x	9,4x	76,3x	12,1x	6,2x	3,7x
Op. FCF bef. WCR yield	n.s.	11,2%	14,1%	15,6%	3,2%	14,9%	23,5%	36,9%
Op. FCF yield	n.s.	11,7%	10,9%	9,4%	3,6%	11,1%	18,9%	33,5%
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)	2013	2014	2015	2016	2017e	2018e	2019e	2020e
Share price in €	1,52	0,92	0,44	0,33	0,40	0,40	0,40	0,40
Market cap.	98,3	84,2	94,3	70,6	85,8	85,8	85,8	85,8
Net Debt	71,6	77,2	35,5	39,8	46,1	40,7	25,6	-0,2
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
<b>Entreprise Value (EV)</b>	<b>170,6</b>	<b>161,3</b>	<b>129,8</b>	<b>110,9</b>	<b>132,4</b>	<b>127,0</b>	<b>111,9</b>	<b>86,1</b>

Income statement (€m)	2013	2014	2015	2016	2017e	2018e	2019e	2020e
Sales	53,7	64,6	58,9	60,3	59,3	69,3	80,1	86,2
<i>chg.</i>	<i>+63,7%</i>	<i>+20,3%</i>	<i>-8,9%</i>	<i>+2,4%</i>	<i>-1,7%</i>	<i>+16,9%</i>	<i>+15,7%</i>	<i>+7,6%</i>
EBITDA	-9,8	20,4	20,0	19,4	10,0	18,9	26,3	31,8
<b>EBITA</b>	<b>-16,8</b>	<b>13,1</b>	<b>11,4</b>	<b>11,8</b>	<b>1,7</b>	<b>10,5</b>	<b>17,9</b>	<b>23,4</b>
<i>chg.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>-13,1%</i>	<i>+3,2%</i>	<i>-85,3%</i>	<i>+506,8%</i>	<i>+70,3%</i>	<i>+30,6%</i>
EBIT	-16,8	13,1	11,4	11,8	1,7	10,5	17,9	23,4
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	-5,2	4,7	13,4	20,3
<b>Adjusted net att. profit</b>	<b>-22,6</b>	<b>-21,7</b>	<b>-7,9</b>	<b>-0,9</b>	<b>-5,2</b>	<b>4,7</b>	<b>13,4</b>	<b>20,3</b>
<i>chg.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>+188,4%</i>	<i>+51,1%</i>

Cash flow statement (€m)	2013	2014	2015	2016	2017e	2018e	2019e	2020e
EBITDA	-9,8	20,4	20,0	19,4	10,0	18,9	26,3	31,8
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	0,0	0,0	0,0
<b>Operating FCF bef. WCR</b>	<b>-13,9</b>	<b>18,0</b>	<b>18,4</b>	<b>17,3</b>	<b>4,3</b>	<b>18,9</b>	<b>26,3</b>	<b>31,8</b>
Change in WCR	13,5	0,9	-4,2	-6,8	0,5	-4,8	-5,2	-2,9
<b>Operating FCF</b>	<b>-0,4</b>	<b>18,9</b>	<b>14,2</b>	<b>10,4</b>	<b>4,8</b>	<b>14,1</b>	<b>21,1</b>	<b>28,9</b>
Acquisitions/disposals	-0,2	-0,6	-1,0	-1,0	1,5	0,0	0,0	0,0
Capital increase/decrease	12,9	41,7	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
<b>Published FreeCash Flow</b>	<b>-1,5</b>	<b>-5,6</b>	<b>26,6</b>	<b>8,9</b>	<b>-4,3</b>	<b>5,3</b>	<b>15,2</b>	<b>25,7</b>

Balance Sheet (€m)	2013	2014	2015	2016	2017e	2018e	2019e	2020e
Assets	94,3	63,6	81,4	77,0	72,9	64,5	56,1	47,7
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	30,4	35,3	40,5	43,4
Group equity capital	51,1	6,6	69,5	65,4	56,6	58,4	70,4	90,6
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
<b>Net financial debt</b>	<b>71,6</b>	<b>77,2</b>	<b>50,6</b>	<b>41,8</b>	<b>46,1</b>	<b>40,7</b>	<b>25,6</b>	<b>-0,2</b>

*hors dépôts de garantie*

Financial ratios	2013	2014	2015	2016	2017e	2018e	2019e	2020e
EBITDA margin	n.s.	31,6%	34,0%	32,2%	16,8%	27,3%	32,9%	36,9%
EBITA margin	n.s.	20,3%	19,4%	19,5%	2,9%	15,2%	22,4%	27,1%
Adjusted Net Profit/Sales	n.s.	n.s.	n.s.	n.s.	n.s.	6,7%	16,8%	23,5%
ROCE	n.s.	15,7%	9,5%	10,9%	1,7%	10,5%	18,5%	25,7%
ROE adjusted	n.s.	n.s.	n.s.	n.s.	n.s.	8,0%	19,1%	22,4%
Gearing	140,2%	1175,0%	72,9%	63,8%	81,4%	69,8%	36,4%	n.s.
ND/EBITDA (in x)	n.s.	3,8x	2,5x	2,2x	4,6x	2,2x	1,0x	0,0x

Source : company, Invest Securities Estimates

**Next events**

Résultat 2017 : 23 avril 2018

## SWOT ANALYSIS

### STRENGTHS

- ❑ Adequate size reached with 120,000 hectares
- ❑ Healthy financial situation thanks to the issue of OSRANE convertible bonds that should be fully converted in 2019
- ❑ Substantial cost savings leading the sizeable operating leverage

### OPPORTUNITIES

- ❑ Substantial operating leverage as soon as agricultural commodity prices turn up again
- ❑ Growth in the world population and reduction in cropland worldwide
- ❑ Sector consolidation

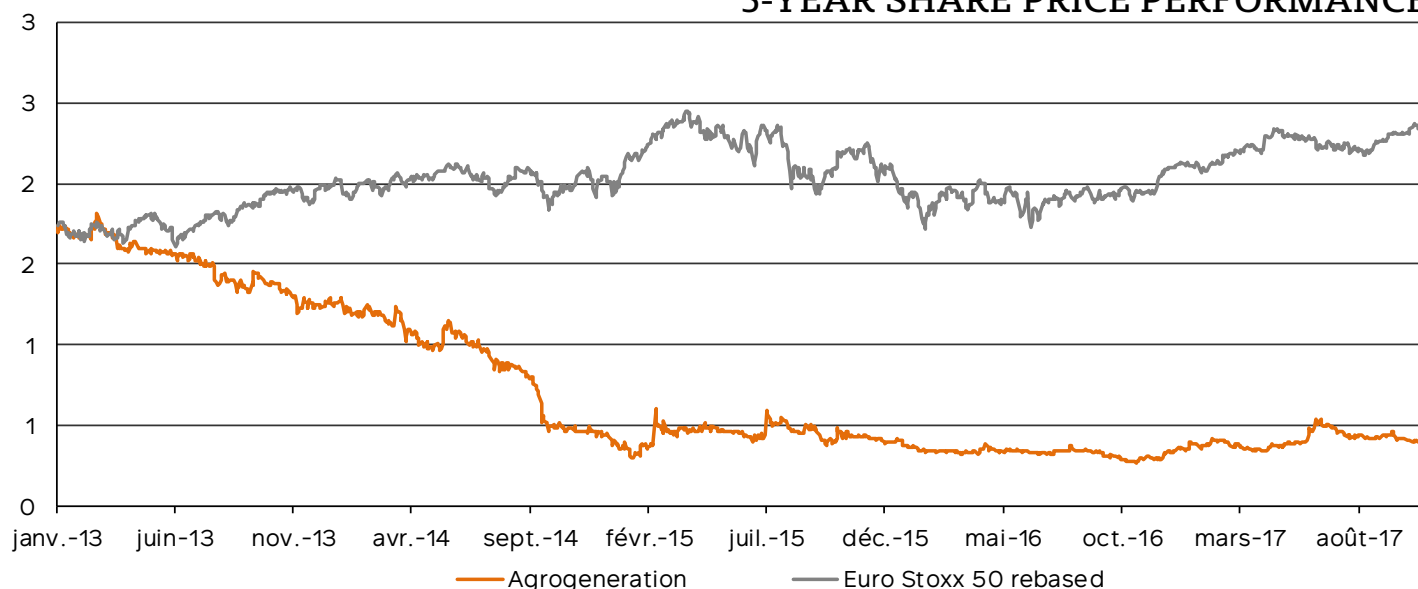
### WEAKNESSES

- ❑ High financial charges and highly dependent on one bank
- ❑ Substantial WCR
- ❑ Impact of fluctuations in agricultural commodity prices

### 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
<b>Agrogeneration</b>	Oui	Non	Oui	Non	Non	Non	Oui

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