

AgroGeneration (+)

H1 Results and company contact

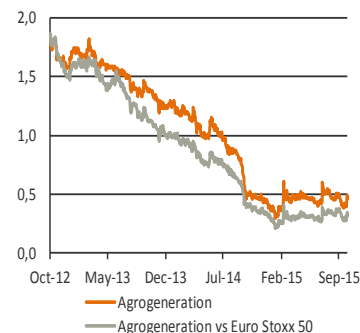
| | |
|--------------|--------|
| Opinion | BUY |
| Target price | € 0,74 |
| Potential | +61% |

| in € / share | 2014 | 2015e | 2016e | 2017e |
|--------------|-------|-------|-------|--------|
| diluted EPS | -0,24 | -0,02 | 0,09 | 0,16 |
| Chg 1 year | n.s. | n.s. | n.s. | +70,2% |
| Revisions | n.s. | n.s. | -8,1% | +20,2% |

| | |
|-----------|------------------------|
| ISIN | FR0010641449 |
| Ticker | ALAGR:FPPA |
| DJ sector | Food Products Industry |

| | |
|--------------------------|-------|
| Price | €0,46 |
| Nb of shares (m) | 98,5 |
| diluted nb of shares (m) | 212,1 |
| Market cap (m€) | 45 |
| Float (m€) | 9 |

| | 1m | 3m | 1 year |
|--------------|--------|--------|--------|
| Absolute chg | -8,0% | -23,3% | -6,1% |
| Relative chg | -19,2% | -17,6% | -18,7% |



| | déc-31 | 2014 | 2015e | 2016e | 2017e |
|-----------------|--------|-------|-------|-------|-------|
| PE | n.s. | n.s. | 4,9x | 2,9x | |
| EV/CA | 1,9x | 2,1x | 1,6x | 1,1x | |
| EV/EBITDA | 6,0x | 6,8x | 4,2x | 2,5x | |
| EV/EBITA | 9,4x | 10,4x | 5,2x | 2,9x | |
| FCF yield | 0,2x | 0,4x | 0,5x | 0,8x | |
| Yield | 0,0x | 0,0x | 0,0x | 0,0x | |
| Net debt/EBITDA | 3,8x | 2,0x | 1,1x | 0,4x | |

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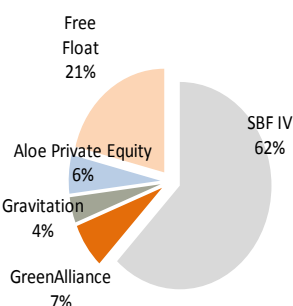
ReGeneration confirmed

Despite particularly unfavourable conditions, AgroGeneration posted very satisfactory H1 2015 results. EBITDA rose 59% to €8.4m, essentially due to the +30% increase in the change in fair value concerning biological assets reflecting strict cost controls, thereby suggesting substantial leverage over coming years when agricultural commodity prices recover. We are maintaining our BUY rating with a target price unchanged at €0.74.

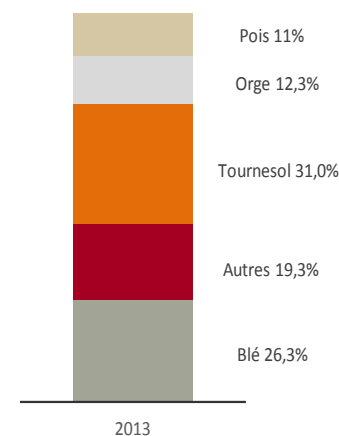
- AgroGeneration was hit by three unfavourable external factors in H1: continued depressed economic conditions, a further decline in commodity prices and unfavourable weather conditions (drought with a negative impact on corn and rapeseed yields). Ukraine's economic and political situation has improved in H2. The country obtained a \$1.7bn loan from the IMF and its S&P rating was raised from CCC+ to B-. Additionally agricultural commodity prices have probably bottomed out, with the negative impact of El Nino on palm oil production having already boosted oilseed (rapeseed and sunflower) prices.
- Despite this unfavourable context, the H1 results were good. Given the highly seasonal nature of agricultural cycles, the change in fair value of biological assets (fair value of harvests in the ground minus their associated costs) is substantial as of end June before the harvests. It rose 30% to €11.8m in H1, thereby demonstrating the concrete impact of the good cost controls announced by the group. Rather than an objective for yields, the priority has been placed on the yield / cost trade-off and on the optimisation of the use of inputs. This led to a 59% increase in EBITDA to €8.4m. There should be a significant leverage effect on earnings when prices will recover.
- Net earnings continued to be penalised by high financial charges totalling -€11.8m, including -€8.3m linked to the forex impact due to the local currency (hryvnia) fall. A significant part of these exchange rate losses did not impact the company's cash position. We believe that the hryvnia should stabilise as a result of the start of an economic recovery. Exchange rate effects should be more limited in H2.
- AgroGeneration's financial position improved significantly following the OSRANE (subordinated debt reimbursable in shares) issue at the beginning of the year. Additionally and as expected, asset valuations were revised upward by €25m. Equity funds totalled €59.8m as of end June vs. €6.9m at the end of December 2014. Gearing fell from 1,147% at yearend 2014 to 77% as of end June. The company obtained a \$35m crop loan for the 2015/2016 season from Alfa Bank. Cash generation improved thanks to good control over the change in the WCR, which went from -€7.6m in H1 2014 to €0.9m in H1 2015.
- Despite the downward revision in 2015 revenues to €59.8m vs. the previous €64.4m, we anticipate a more limited drop in EBITDA to €18.5m vs. €20.9m. The EBITDA margin is expected to fall from 32.9% to 31%. We anticipate a virtually equivalent loss of -€8.9m versus -€9.1m due to lower exchange rate losses of -€12.5m vs. -€17.5m. We are maintaining our DCF-based target price of €0.74/share. The improvement in the medium-term outlook thanks to higher operating leverage (positive impact of better cost controls when agricultural prices will recover) has been offset by an increase in the WACC from 19.75% to 22.85% (higher risk-free rate). BUY rating maintained.

Financial Data

| Shareholders | |
|---------------------|-----|
| SBF IV | 62% |
| GreenAlliance | 7% |
| Gravitation | 4% |
| Aloe Private Equity | 6% |
| Free Float | 21% |



| Répartition des récoltes 2014 | |
|-------------------------------|-------|
| Wheat | 0,0% |
| Sunflower | 8,1% |
| Barley | 6,3% |
| Peas | 31% |
| Others | 54,6% |



28/10/15

| Data per share | 2011 | 2012 | 2013 | 2014 | 2015e | 2016e | 2017e | 2018e | 2019e |
|----------------------|------|------|-------|-------|-------|-------|-------|-------|-------|
| published EPS | n.a. | n.a. | -0,05 | -0,24 | -0,09 | 0,15 | 0,29 | 0,42 | 0,46 |
| diluted EPS | n.a. | n.a. | -0,05 | -0,24 | -0,02 | 0,09 | 0,16 | 0,22 | 0,24 |
| <i>Var/consensus</i> | n.a. | n.a. | n.s. | n.s. | n.s. | n.s. | n.s. | n.s. | n.s. |
| Net asset | n.a. | n.a. | 0,79 | 0,07 | 0,68 | 0,83 | 1,11 | 1,53 | 1,99 |
| Dividend | n.a. | n.a. | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |

| Valuation ratios | 2011 | 2012 | 2013 | 2014 | 2015e | 2016e | 2017e | 2018e | 2019e |
|--------------------------|------|------|------|------|-------|-------|-------|-------|-------|
| P/E | n.a. | n.a. | n.s. | n.s. | n.s. | 4,9x | 2,9x | 2,1x | 1,9x |
| VE/Revenue | n.a. | n.a. | 3,6x | 1,9x | 2,1x | 1,6x | 1,1x | 0,7x | 0,3x |
| VE/EBITDA | n.a. | n.a. | n.s. | 6,0x | 6,8x | 4,2x | 2,5x | 1,5x | 0,7x |
| VE/EBITA ajusted | n.a. | n.a. | n.s. | 9,4x | 10,4x | 5,2x | 2,9x | 1,7x | 0,8x |
| op. before BFR FCF yield | n.a. | n.a. | n.s. | 0,2x | 0,4x | 0,5x | 0,8x | 1,2x | 1,3x |
| operational FCF yield | n.a. | n.a. | 0,0x | 0,3x | 0,5x | 0,4x | 0,7x | 1,0x | 1,2x |
| Yield | n.a. | n.a. | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |

| EV (€m) | 2011 | 2012 | 2013 | 2014 | 2015e | 2016e | 2017e | 2018e | 2019e |
|-------------------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| Share price in € | n.a. | n.a. | 1,5 | 0,9 | 0,5 | 0,5 | 0,5 | 0,5 | 0,5 |
| Capitalization | n.a. | n.a. | 123,3 | 46,0 | 42,4 | 42,4 | 42,4 | 42,4 | 42,4 |
| Net debt (OSRANE incl.) | n.a. | n.a. | 71,6 | 77,2 | 83,1 | 74,7 | 60,4 | 39,5 | 0,7 |
| Minorities | n.a. | n.a. | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Provisions | n.a. | n.a. | 0,7 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Others | n.a. | n.a. | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| EV | n.a. | n.a. | 195,5 | 123,2 | 125,5 | 117,0 | 102,7 | 81,8 | 43,0 |

| P&L (€m) | 2011 | 2012 | 2013 | 2014 | 2015e | 2016e | 2017e | 2018e | 2019e |
|-----------------------------|-------------|-------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Revenue | n.a. | 32,8 | 53,7 | 64,6 | 59,8 | 73,6 | 93,7 | 114,5 | 126,3 |
| <i>chg.</i> | n.a. | n.s. | 63,7% | 20,3% | -7,5% | 23,1% | 27,3% | 22,2% | 10,3% |
| EBITDA | n.a. | 8,6 | -9,8 | 20,4 | 18,5 | 27,6 | 41,9 | 56,1 | 61,2 |
| EBITA ajusted | n.a. | -1,4 | -16,8 | 13,1 | 12,1 | 22,4 | 35,8 | 48,3 | 52,8 |
| <i>chg.</i> | <i>n.a.</i> | <i>n.s.</i> | <i>n.s.</i> | <i>n.s.</i> | <i>-8%</i> | <i>+85%</i> | <i>+60%</i> | <i>+35%</i> | <i>+9%</i> |
| EBIT | n.a. | -1,4 | -16,8 | 13,1 | 12,1 | 22,4 | 35,8 | 48,3 | 52,8 |
| Financial result | n.a. | -0,4 | -3,5 | -36,2 | -20,8 | -7,7 | -7,5 | -7,3 | -7,3 |
| Taxes | n.a. | -0,3 | -0,2 | 0,0 | -0,3 | 0,0 | 0,0 | 0,0 | 0,0 |
| Minorities | n.a. | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Net profit | n.a. | -2,2 | -20,5 | -23,1 | -8,9 | 14,7 | 28,4 | 41,1 | 45,6 |
| Net profit corrected | n.a. | -2,2 | -20,5 | -23,1 | -8,9 | 14,7 | 28,4 | 41,1 | 45,6 |
| <i>chg.</i> | <i>n.a.</i> | <i>n.s.</i> | <i>n.s.</i> | <i>n.s.</i> | <i>n.s.</i> | <i>n.s.</i> | <i>+93%</i> | <i>+45%</i> | <i>+11%</i> |

| Cash flow statement (€m) | 2011 | 2012 | 2013 | 2014 | 2015e | 2016e | 2017e | 2018e | 2019e |
|-------------------------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net profit | n.a. | 4,9 | -22,6 | -23,1 | -8,9 | 14,7 | 28,4 | 41,1 | 45,6 |
| Depreciations & amortizations | n.a. | -3,7 | -9,2 | -7,3 | -6,4 | -5,2 | -6,1 | -7,8 | -8,4 |
| Other non cash items | n.a. | -5,7 | 2,6 | 27,0 | 17,5 | 0,0 | 0,0 | 0,0 | 0,0 |
| op. before BFR FCF | n.a. | 2,9 | -10,8 | 11,2 | 15,0 | 19,9 | 34,5 | 48,9 | 54,0 |
| Change in WCR | n.a. | -4,5 | 13,5 | 0,9 | 4,6 | -3,2 | -4,6 | -4,8 | -2,7 |
| operational FCF | n.a. | -1,6 | 2,7 | 12,1 | 19,6 | 16,7 | 29,8 | 44,0 | 51,3 |
| Acquisitions/cessions | n.a. | -0,4 | -4,3 | -3,0 | -3,9 | -9,5 | -11,0 | -13,0 | -5,5 |
| Capital increase | n.a. | 5,0 | 0,1 | 0,1 | 42,3 | 0,0 | 0,0 | 0,0 | 0,0 |
| Dividends | n.a. | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Others | n.a. | -0,5 | -0,8 | -11,0 | -50,1 | -0,6 | -0,6 | -0,6 | -0,6 |
| published FCF | n.a. | 2,6 | -2,3 | -1,8 | 7,8 | 6,7 | 18,3 | 30,5 | 45,2 |

| Balance sheet (€m) | 2011 | 2012 | 2013 | 2014 | 2015e | 2016e | 2017e | 2018e | 2019e |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Current assets | n.a. | 27,5 | 94,3 | 63,6 | 87,8 | 92,1 | 97,0 | 102,2 | 99,3 |
| WCR | n.a. | 21,7 | 45,0 | 22,2 | 46,0 | 49,8 | 54,7 | 59,9 | 57,0 |
| Equity group share | n.a. | 26,8 | 28,4 | 20,2 | 15,6 | 18,8 | 23,5 | 28,3 | 31,0 |
| Minorities | n.a. | 55,1 | 51,1 | 6,6 | 66,7 | 81,4 | 109,8 | 150,9 | 196,5 |
| Provisions | n.a. | 0,2 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Net debt | n.a. | -1,0 | 71,6 | 77,2 | 37,8 | 29,4 | 15,1 | -5,8 | -44,6 |

| Financial ratios (%) | 2011 | 2012 | 2013 | 2014 | 2015e | 2016e | 2017e | 2018e | 2019e |
|-------------------------|------|-------|--------|---------|-------|-------|-------|-------|--------|
| EBITDA/Revenue | n.a. | 26,3% | n.s. | 31,6% | 31,0% | 37,5% | 44,7% | 49,0% | 48,5% |
| EBITA/Revenue | n.a. | n.s. | n.s. | 20,3% | 20,2% | 30,4% | 38,2% | 42,2% | 41,8% |
| NR corrected/Revenue | n.a. | n.s. | n.s. | n.s. | n.s. | 20,0% | 30,3% | 35,9% | 36,1% |
| WCR/Revenue | n.a. | 81,8% | 53,0% | 31,3% | 26,1% | 25,6% | 25,1% | 24,7% | 24,6% |
| ROCE excl. Incorpor/ GW | n.a. | -4,3% | -21,6% | 21,3% | 21,1% | 36,6% | 54,5% | 68,5% | 72,1% |
| ROE corrected | n.a. | n.s. | n.s. | n.s. | n.s. | 18,1% | 25,8% | 27,2% | 23,2% |
| Net debt/Total equity | n.a. | -1,8% | 140,2% | 1175,0% | 56,7% | 36,1% | 13,7% | -3,9% | -22,7% |
| Net debt/EBITDA (en x) | n.a. | -0,1x | n.s. | 3,8x | 2,0x | 1,1x | 0,4x | -0,1x | -0,7x |

Price change on 5 years (absolute and relative)



CONFLICT SCREEN

| | Corporate Finance | Treasury stocks holding | Prior communication | Analyst's personal interest | Liquidity contract | Listing Sponsor | Research contract |
|-----------------------|-------------------|-------------------------|---------------------|-----------------------------|--------------------|-----------------|-------------------|
| AgroGeneration | Yes | No | Yes | No | No | No | Yes |

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