

AgroGeneration (+)

H1 results and company contact

Opinion	BUY
Target price	0,71€
Potential	+129%

in € / share	2015	2016e	2017e	2018e
diluted EPS	-0,01	0,03	0,09	0,12
Chg 1 year	n.s.	n.s.	+217,4%	+42,2%
Revisions	n.s.	-31,3%	+0,0%	+0,0%

ISIN	FR0010641449
Ticker	ALAGR:FPPA
DJ sector	Food Products Industry

Price	€0,31
Nb of shares (m)	98,5
diluted nb of shares (m)	212,1
Market cap (m€)	31
Float (m€)	28

	1m	3m	1 year
Absolute chg	-6,1%	-3,1%	-20,5%
Relative chg	-9,9%	-6,4%	-13,8%



	déc-31	2015	2016e	2017e	2018e
PE	n.s.	11,7x	3,7x	2,6x	
EV/CA	2,2x	1,6x	1,2x	0,8x	
EV/EBITDA	6,3x	6,3x	3,6x	2,1x	
EV/EBITA	11,1x	11,0x	4,8x	2,6x	
FCF yield	0,1x	0,1x	0,3x	0,4x	
Yield	0,0x	0,0x	0,0x	0,0x	
Net debt/EBITDA	1,8x	2,1x	0,8x	0,0x	

Profitable crops

AgroGeneration's H1 results were the first to show a profit since the merger of AgroGeneration and Harmelia in 2013. By favoring the stabilization of the local currency (the hryvnia), the gradual improvement in the situation in Ukraine led to a sharp drop in financial charges, thereby explaining this performance. In a context marked by still very low agricultural commodity prices, the company recorded a -€2.9m change in the fair value of its biological assets. This should lead to a fall in EBITDA in 2016 despite very good cost control. We have revised our 2016 forecasts: revenues of €65.3m (vs. €62.4m), EBITDA of €16.3m (vs. €17.8m) and EPS of €0.03 (vs. €0.04). BUY rating maintained with a target price unchanged at €0.71.

- The geopolitical situation in Ukraine currently appears frozen in a status quo situation. The economy continues to improve. After shrinking 9.9% in 2015, the IMF estimates that GDP should grow by 1.1% in 2016 and 2.4% in 2017. Interest rates set by the Ukrainian central bank continue to fall (hitting 15% compared to the 18% still seen in June) and the hryvnia exchange rate, even if still volatile, has stabilized. Finally, the IMF approved a \$1bn disbursement to Ukraine on 14 September, thereby expressing its confidence that the country will gradually implement the necessary reforms. The previous disbursement dated back to July 2015.
- This stabilization in the economic situation and the local currency contributed to a significant reduction in AgroGeneration's financial charges, which fell from -€11.8m (including -€8.3m in exchange rate losses on loans denominated in dollars) in H1 2015 to -€3.8m (including only -€0.1m in net exchange rate losses) in H1 2016. This swing explained the group's return to a profit of €233k (vs. -€5.4m in H1 2015).
- While the situation in Ukraine is improving, agricultural commodity prices fell 10% compared to 2015. This affected the estimated fair value of biological assets as concerns the winter crops (planted in autumn 2015 but harvested in summer 2016). This fair value had to be revised downward on the financial statements as of 30 June 2016. Consequently, EBITDA fell from €8.3m in H1 15 to €5.8m in H1 16. We are assuming a similar impact over the full year, even if good late season harvests could offset a portion of this decline.
- A beginning of a recovery in agricultural commodity prices could be seen in 2017, with demand rising at the same time supply is becoming less abundant. AgroGeneration is continuing to optimize its cost structure by reducing corporate overhead. This should create a powerful leverage effect when agricultural commodity prices turn up again. Additionally, the crop loan financing risk has been eliminated, with Alfa-Bank having provided a \$35m revolving credit facility running through 2019.
- We have adjusted our 2016 forecasts. We now anticipate revenues of €65.3m (vs. €62.4m) in 2016 due to higher yields than expected, an EBITDA of €16.3m (vs. €17.8m) to take in account the impact on biological fair value and an EPS of 0.03€. Our forecasts for the following years are unchanged. Our DCF-based valuation is stable at €0.71, with the downward revision in 2016 EBITDA offset by higher leverage in the following years and a fall in the WACC (20.08% vs. 20.42%) reflecting lower interest rates in Ukraine. Another way to play AgroGeneration is through the OSRANE convertible bond (€76) issued at the beginning of 2015. This bond pays 8%/year in two payments per year (1 April and 1 October) and will be reimbursed through the issue of 192 new shares on 1 April 2019.

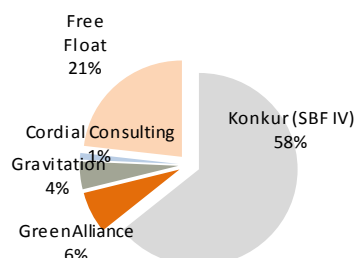
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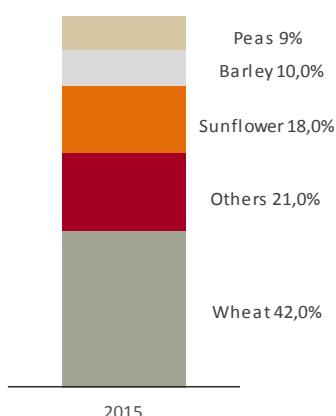
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Données financières

Shareholders	
Konkur (SBF IV)	58%
GreenAlliance	6%
Gravitation	4%
Cordial Consulting	1%
Free Float	21%



Répartition des récoltes 2015 (ha)	
Wheat	42,0%
Sunflower	18,0%
Barley	10,0%
Peas	9,0%
Others	21,0%



Data per share	2013	2014	2015	2016e	2017e	2018e	2019e	2020e
published EPS	-0,05	-0,09	0,01	0,14	0,22	0,33	0,47	0,47
diluted EPS	-0,05	-0,09	-0,01	0,03	0,09	0,12	0,17	0,24
Var/consensus	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
Net asset	0,79	0,07	0,71	0,71	0,85	1,07	1,40	1,86
Dividend	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00

Valuation ratios	2013	2014	2015	2016e	2017e	2018e	2019e	2020e
P/E	n.s.	n.s.	n.s.	11,7x	3,7x	2,6x	1,9x	1,4x
EV/Revenue	3,6x	1,9x	2,2x	1,6x	1,2x	0,8x	0,4x	0,0x
EV/EBITDA	n.s.	6,0x	6,3x	6,3x	3,6x	2,1x	0,9x	-0,1x
EV/EBITA ajusted	n.s.	9,4x	11,1x	11,0x	4,8x	2,6x	1,0x	-0,1x
op. before BFR FCF yield	n.s.	0,2x	0,1x	0,1x	0,3x	0,4x	0,6x	0,8x
operational FCF yield	0,0x	0,3x	0,0x	0,1x	0,2x	0,3x	0,5x	0,7x
Yield	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

EV (€m)	2013	2014	2015	2016e	2017e	2018e	2019e	2020e
Share price in €	1,52	0,92	0,44	0,32	0,32	0,32	0,32	0,32
Capitalization	123,3	46,0	91,2	67,9	70,1	70,1	70,1	70,1
Net debt (OSRANE incl.)	71,6	77,2	35,5	33,7	20,4	-0,8	-31,7	-76,9
Minorities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1,0
Provisions	0,7	0,0	0,2	0,2	0,2	0,2	0,2	0,2
Others	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1,0
EV	195,5	123,2	126,9	101,8	90,6	69,4	38,5	-4,6

P&L (€m)	2013	2014	2015	2016e	2017e	2018e	2019e	2020e
Revenue	53,7	64,6	58,9	65,3	75,6	88,9	102,9	114,9
chg.	63,7%	20,3%	-8,9%	11,0%	15,7%	17,6%	15,7%	11,7%
EBITDA	-9,8	20,4	20,0	16,3	25,5	33,5	43,8	52,6
EBITA ajusted	-16,8	13,1	11,4	9,3	18,7	26,7	37,0	45,8
chg.	n.s.	n.s.	-13%	-19%	+102%	+43%	+39%	+24%
EBIT	-16,8	13,1	11,4	9,3	18,7	26,7	37,0	45,8
Financial result	-3,5	-36,2	-19,6	-8,0	-4,6	-4,3	-4,3	-0,1
Taxes	-0,2	0,0	0,2	0,0	0,2	0,0	0,0	0,0
Minorities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1,0
Net profit	-20,5	-23,1	-7,9	1,2	14,3	22,4	32,7	46,7
Net profit corrected	-20,5	-23,1	-7,9	1,2	14,3	22,4	32,7	46,7
chg.	n.s.	n.s.	n.s.	n.s.	n.s.	+56%	+46%	+40%

Cash flow statement (€m)	2013	2014	2015	2016e	2017e	2018e	2019e	2020e
Net profit	-22,6	-23,1	-7,9	1,2	14,3	22,4	32,7	46,7
Depreciations & amortizati	-9,2	-7,3	-7,0	-7,0	-7,0	-7,0	-7,0	-7,0
Other non cash items	2,6	27,0	6,5	0,0	0,0	0,0	0,0	0,0
op. before BFR FCF	-10,8	11,2	5,6	8,2	21,3	29,4	39,7	53,7
Change in WCR	13,5	0,9	-4,2	-2,5	-3,9	-5,1	-5,4	-4,6
operational FCF	2,7	12,1	1,4	5,7	17,4	24,2	34,3	49,1
Acquisitions/disposals	-4,3	-3,0	-2,6	-4,0	-4,0	-3,0	-3,5	-3,9
Capital increase	0,1	0,1	1,9	0,0	0,0	0,0	0,0	0,0
Dividends	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Others	-0,8	-11,0	-2,2	-1,2	-1,2	-1,2	-1,2	-1,2
published FCF	-2,3	-1,8	-1,5	0,5	12,2	20,1	29,7	44,0

Balance sheet (€m)	2013	2014	2015	2016e	2017e	2018e	2019e	2020e
Current assets	94,3	63,6	81,4	78,4	75,4	71,4	67,9	64,8
WCR	45,0	22,2	43,1	38,6	34,1	30,1	26,5	23,4
Equity group share	28,4	20,2	38,8	41,3	45,3	50,4	55,8	60,4
Minorities	51,1	6,6	69,5	70,7	85,0	107,3	140,1	186,8
Provisions	0,0	0,0	0,2	0,2	0,2	0,2	0,2	0,2
Net debt	71,6	77,2	35,5	33,7	20,4	-0,8	-31,7	-76,9

Financial ratios (%)	2013	2014	2015	2016e	2017e	2018e	2019e	2020e
EBITDA/Revenue	n.s.	31,6%	34,0%	24,9%	33,7%	37,6%	42,6%	45,8%
EBITA/Revenue	n.s.	20,3%	19,4%	14,2%	24,7%	30,0%	36,0%	39,9%
NR corrected/Revenue	n.s.	n.s.	n.s.	1,9%	18,9%	25,1%	31,8%	40,6%
WCR/Revenue	53,0%	31,3%	66,0%	63,2%	59,9%	56,7%	54,2%	52,6%
ROCE excl. Incorpor/ GW	-21,6%	21,3%	14,8%	11,4%	21,6%	29,0%	38,1%	45,0%
ROE corrected	n.s.	n.s.	n.s.	1,7%	16,8%	20,8%	23,4%	25,0%
Net debt/Total equity	140,2%	1175,0%	51,1%	47,7%	24,0%	-0,8%	-22,6%	-41,2%
Net debt/EBITDA (en x)	n.s.	3,8x	1,8x	2,1x	0,8x	0,0x	-0,7x	-1,5x

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	Corporate Finance	Détention capitalistique de l'émetteur	Communication préalable à l'émetteur	Intérêt personnel de l'analyste	Contrat de liquidité	Listing Sponsor	Contrat d'analyse
AgroGeneration	Oui	Non	Oui	Non	Oui	Non	Oui

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