INVEST SECURITIES

CONSUMER GOODS

AGROGENERATION

BUY

OBJECTIVE : 0,6€ +53%

UPDATE

A TRAJECTORY STILL PERFECTLY MAPPED OUT

After financial years 2015 and 2016 which highlighted the fruits of the work carried out by the Group to improve its cost structure in a context penalized by low agricultural commodity prices, the 2017 financial year was penalized by the impact of the drought at the end of harvesting. This phenomenon does not call into question the Group's strategy and the situation should return to normal from 2018 with an operating leverage effect further increased by ever tighter cost control. From 2019, thanks to the redemption in shares of the OSRANE, the Group will have an increased financial latitude of €4.7m/year to accelerate growth. BUY rating maintained with a target price unchanged at €0.6.

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Drought in 2017 further increases operating leverage

In line with the announcements made in December, AgroGeneration's 2017 results were penalized by the impact of the drought at the end of harvesting (corn and sunflowers) in a context where the price of agricultural commodities remained depressed. Sales fell by -10% to €54.2m, leading to an automatic fall in EBITDA to €9.1m (vs. €19.4m in 2016). This caused AgroGeneration to further reduce its operating costs and its general overheads and so increase the operating leverage linked to the rise in the price of agricultural commodities.

A situation that will improve as early as 2018

The 2018 financial year will continue the improvement in results in line with 2015 and 2016. The situation in Ukraine continues to improve with GDP growth of +3.4% expected in 2018 (vs +2.5% in 2017) and inflation is falling. The prices of agricultural commodities are stabilizing and an upturn was recorded in early 2018 although it is still too early to judge its sustainability. Thanks to the full-year effect of the 2017 cost reduction programme, EBITDA levels should return to a level at least equivalent to that of 2016. We anticipate €19.5m (vs €19.4m in 2016).

Greater financial flexibility from 2019 onwards

The redemption in shares of the OSRANE issued in March 2015 will be finalized in March 2019. AgroGeneration will then achieve financial cost savings of €4.7m/year. This will allow greater financial leeway to increase areas under cultivation. The increase in turnover will then accelerate and the leverage effect linked to strict cost control will facilitate a marked increase in profitability.

A valuation that remains attractive

We are adjusting our 2018/2019 forecast to incorporate the published 2017 results. Our 2018/2019 turnover rose from €69.3m/€80.1m to €69.9m/€82.1m and our 2018/2019 EBITDA from €18.9m/€26.3m to €19.5m/€28.8m. Our rate target remains unchanged with €0.6 for increase of WACC (16.75% vs 16.15%) setting-off the increase in our estimates. Buy rating maintained.

in € / share	2018e	2019e	2020e
Adjusted EPS	0,04	0,09	0,12
chg.	*n.s.*	*+99,3%*	*+39,0%*
estimates chg.	*+5,5%*	*+20,0%*	*+16,1%*

au 31/12	2018e	2019e	2020e
PE	8,9x	4,5x	3,2x
EV/Sales	1,83x	1,40x	0,99x
EV/EBITDA	6,6x	4,0x	2,5x
EV/EBITA	9,6x	5,1x	3,0x
FCF yield*	13,7%	22,1%	36,4%
Div. yield (%)	n.s.	n.s.	n.s.

* After tax op. FCF before WCR

key points	
Share price (€)	0,39
Number of Shares (m)	101,2
Market cap. (€m)	40
Free float (€m)	13
ISIN	FR0010641449
Ticker	ALAGR-FR
DJ Sector	Process Industries

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

Source : Factset, Invest Securities estimates

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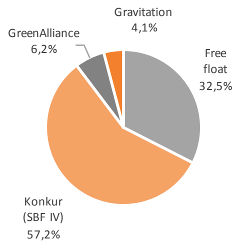
INVESTMENT THESIS

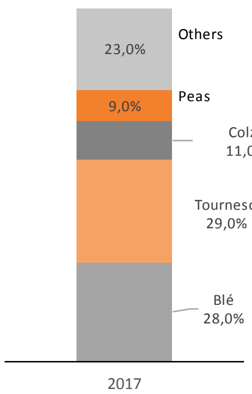
The merger of AgroGeneration and Harmelia in 2013 led to the creation of a large entity (110,000 hectares of farmland in Ukraine). These are in fertile areas with favourable hydrometry. The financial restructuring completed in early 2015 made it possible to resolve the Group's debt problems linked to Ukraine's economic situation and the rapid fall in commodity prices since mid-2013. While all risks are not ruled out, we believe that today's wager on the creation of a leading agricultural enterprise in Ukraine with excellent operational performance is justified since the price of agricultural commodities has hit a low point.

FINANCIAL DATA

Shareholders



Crops breakdown



Next events
Shareholders' meeting : 26 June 2018

Share information	2013	2014	2015	2016	2017	2018e	2019e	2020e
Published EPS (€)	-0,09	-0,03	-0,08	-0,01	-0,12	0,08	0,18	0,27
Adjusted EPS (€)	**-0,09**	**-0,03**	**-0,03**	**0,00**	**-0,05**	**0,04**	**0,09**	**0,12**
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	2013	2014	2015	2016	2017	2018e	2019e	2020e
P/E	n.s.	n.s.	n.s.	69,3x	n.s.	8,9x	4,5x	3,2x
EV/Sales	3,18x	2,50x	2,21x	1,84x	2,50x	1,83x	1,40x	0,99x
VE/EBITDA	n.s.	7,9x	6,5x	5,7x	14,9x	6,6x	4,0x	2,5x
VE/EBITA	n.s.	12,3x	11,4x	9,4x	165,3x	9,6x	5,1x	3,0x
Op. FCF bef. WCR yield	n.s.	11,2%	14,1%	15,6%	1,5%	13,7%	22,1%	36,4%
Op. FCF yield	n.s.	11,7%	10,9%	9,4%	0,2%	9,4%	16,7%	31,6%
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	2017	2018e	2019e	2020e
Share price in €	*1,52*	*0,92*	*0,44*	*0,33*	*0,41*	*0,39*	*0,39*	*0,39*
Market cap.	98,3	84,2	94,3	70,6	90,0	86,3	86,3	86,3
Net Debt	71,6	77,2	35,5	39,8	45,4	42,0	28,6	3,3
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	0,0	0,0	0,0	0,0
+/- 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**	**110,9**	**135,5**	**128,2**	**114,9**	**89,6**

Income statement (€m)	2013	2014	2015	2016	2017	2018e	2019e	2020e
Sales	53,7	64,6	58,9	60,3	54,2	69,9	82,1	90,5
chg.	*+63,7%*	*+20,3%*	*-8,9%*	*+2,4%*	*-10,1%*	*+29,0%*	*+17,4%*	*+10,2%*
EBITDA	-9,8	20,4	20,0	19,4	9,1	19,5	28,8	36,0
EBITA	**-16,8**	**13,1**	**11,4**	**11,8**	**0,8**	**13,4**	**22,7**	**29,9**
chg.	***n.s.***	***n.s.***	***-13,1%***	***+3,3%***	***-93,0%***	***+1535,1%***	***+69,4%***	***+31,8%***
EBIT	-16,8	13,1	11,4	11,8	0,8	13,4	22,7	29,9
Financial result	-3,5	-36,2	-19,6	-12,5	-14,1	-5,6	-4,4	-3,1
Corp. tax	-0,2	0,0	0,2	-0,2	0,1	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	-13,2	7,8	18,3	26,8
Adjusted net att. profit	**-22,6**	**-21,7**	**-7,9**	**-0,9**	**-11,8**	**7,8**	**18,3**	**26,8**
chg.	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***n.s.***	***+135,7%***	***+46,2%***

Cash flow statement (€m	2013	2014	2015	2016	2017	2018e	2019e	2020e
EBITDA	-9,8	20,4	20,0	19,4	9,1	19,5	28,8	36,0
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	-7,1	-2,0	-3,4	-3,4
Operating FCF bef. WCR	**-13,9**	**18,0**	**18,4**	**17,3**	**2,0**	**17,5**	**25,4**	**32,6**
Change in WCR	13,5	0,9	-4,2	-6,8	-1,7	-5,5	-6,2	-4,3
Operating FCF	**-0,4**	**18,9**	**14,2**	**10,4**	**0,3**	**12,0**	**19,2**	**28,3**
Acquisitions/disposals	-0,2	-0,6	-1,0	-1,0	0,6	0,0	0,0	0,0
Capital increase/decrease	12,9	41,7	33,8	21,0	13,4	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	-17,9	-8,5	-5,8	-3,1
Published FreeCash Flow	**-1,5**	**-5,6**	**26,6**	**8,9**	**-3,7**	**3,5**	**13,4**	**25,2**

Balance Sheet (€m)	2013	2014	2015	2016	2017	2018e	2019e	2020e
Assets	94,3	63,6	81,4	77,0	71,5	67,3	64,6	61,9
Intangible assets/GW	48,6	40,9	37,9	39,9	37,8	37,8	37,8	37,8
WCR	28,4	20,2	38,8	30,9	30,2	35,8	42,0	46,3
Group equity capital	51,1	6,6	69,5	65,4	56,1	61,0	77,9	104,7
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	0,2	0,2	0,2	0,2
Net financial debt	**71,6**	**77,2**	**50,6**	**41,8**	**45,4**	**42,0**	**28,6**	**3,3**

hors dépots de garantie

Financial ratios	2013	2014	2015	2016	2017	2018e	2019e	2020e
EBITDA margin	n.s.	31,6%	34,0%	32,2%	16,7%	27,9%	35,1%	39,8%
EBITA margin	n.s.	20,3%	19,4%	19,6%	1,5%	19,2%	27,7%	33,1%
Adjusted Net Profit/Sales	n.s.	n.s.	n.s.	n.s.	n.s.	11,1%	22,4%	29,6%
ROCE	n.s.	15,7%	9,5%	10,9%	0,8%	13,0%	21,3%	27,7%
ROE adjusted	n.s.	n.s.	n.s.	n.s.	n.s.	12,8%	23,6%	25,6%
Gearing	140,2%	1175,0%	72,9%	63,8%	81,0%	68,8%	36,7%	3,2%
ND/EBITDA (in x)	n.s.	3,8x	2,5x	2,2x	5,0x	2,1x	1,0x	0,1x

Source : company, Invest Securities Estimates

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1 - THE 2017 DROUGHT PROMOTES INCREASED OPERATING LEVERAGE...

1.1 2017 - a financial year penalized by an end-of-year drought p.5

1.2 A further reduction in costs sets-off the reduction in turnover p.6

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1 - The 2017 drought promotes increased operating leverage...

Following the 2015 and 2016 financial years during which AgroGeneration's operational performance improved significantly, in 2017 the Group suffered the impact of drought at the end of harvesting (corn and sunflowers). The yields of these two crops fell sharply, leading to a 10% drop in turnover. Cost reduction measures to offset this effect were adopted only at the end of the 2017 financial year but will have an impact on a full-year basis from 2018. The leverage effect on the results will be significant as the turnover increases.

1.1 2017 - a financial year penalized by an end-of-year drought

Climatic conditions in Ukraine were marked by severe drought, particularly in the east and centre of the country. This had a negative impact on the end of harvesting, particularly sunflower and corn harvests, as shown by the provisional figures published on 28 December 2017.

This aspect was coupled with a price of agricultural commodities which again deteriorated slightly although the decline was less than in previous years.

2017 harvest estimates at end of December 2017

	2016 (real)			2017 (estimated)			
Harvest	Hectares	Production (tons)	Yield(t/ha)	Hectares	Production (tons)	Yied (t/ha)	Production change
Wheat	36 479	159 091	4,4	29 640	152 663	5,2	-4,0%
Barley	11 228	46 472	4,1	8 589	33 948	4,0	-26,9%
Rapeseed	4 876	9 874	2,0	4 086	10 472	2,6	+6,1%
Soybeen	8 354	13 132	1,9	6 586	12 517	1,9	-4,7%
Sunflower	29 988	77 843	2,6	30 275	55 880	1,8	-28,2%
Corn	5 794	33 948	6,7	9 280	51 910	5,6	+52,9%
Peas	10 520	32 891	3,1	13 361	32 819	2,5	-0,2%
Others	1 747	5 952		3 617	6 468		
Total	**108 986**	**379 203**		**105 433**	**356 677**		**-5,9%**

* : 15/12/2017 estimates

Source: Company

This performance should not overlook the fact that the gross yields generated by AgroGeneration remain above the Ukrainian average.

AgroGeneration 2017 sales down -10.1%

Comparison of gross yields
(national statistics as of 1/12/2017)

Récoltes	AgroGeneration vs Ukraine
Wheat	+30%
Barley	+31%
Corn	+38%

Source: Company

These factors explain the reduction of -10.1% in 2017 sales to €54.2m (vs €60.3m in 2016). The loss of turnover due to the impact of the drought on sunflower crops alone was €9.3m.

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1 - The 2017 drought promotes increased operating leverage…

AgroGeneration has further reduced its costs by €4.2m

1.2 A further reduction in costs sets-off the reduction in turnover

Since the merger of Harmelia and the former AgroGeneration at the end of 2013, the new Group has endeavoured to reduce its costs in order to achieve an EBITDA margin above 30% despite a price of agricultural commodities that remained depressed.

This cost management involves optimization:

- ✓ of use of leased land by grouping the holdings into clusters and by not taking over farms of a size below 5 000 hectares. This strategy explains the sale in 2017 of two companies in the Kharkiv region (ZACH and VYB). As competition increases in this region, AgroGeneration believes that it is in a position to replace the land sold by large farms of comparable quality. This transaction impacted the 2017 results by €1.4m due to exchange rates and goodwill adjustments.

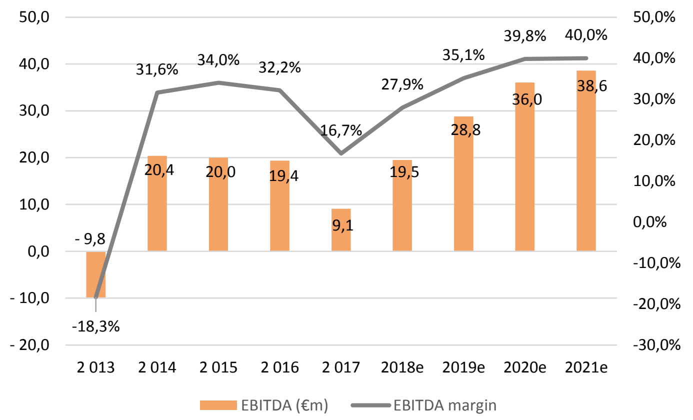
- ✓ the use of inputs, the goal of AgroGeneration is not to have the highest possible yields but to optimize the gross margin and EBITDA per hectare. These costs depend on the crops selected. In 2017, AgroGeneration planted more corn that requires more inputs, resulting in additional costs of €2.5m.

- ✓ staff costs, which are however penalized by high inflation in Ukraine. However, Ukrainian wages remain moderate and the fall in the hryvnia has automatically produced a favourable impact on their Euro value.

AgroGeneration immediately reacted to the drought at the end of 2017 and launched a new plan to optimise its production costs (rents, leases and maintenance) and to reduce overheads by streamlining its organizational structure in clusters. The objective is to obtain a €4.2m/year reduction in expenditure. The impact of this plan will be felt over a full year from 2018 and will encourage the rebound in EBITDA to a level close to that of 2016. It is, however, partly set-off by the impact of inflation (in around €1m) on certain costs incurred in Ukraine (salaries, leases).

The leverage effect on EBITDA of this very strict cost control will be significant as soon as the price of agricultural commodities rises and the area under cultivation increases, with the impact being felt in part in 2018, and more significantly in 2019; the redemption of OSRANE will create increased financial latitude to lease new land.

Evolution of AgroGeneration's turnover and EBITDA margin



Source: Company, Invest Securities

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2 - ... AND THE OUTLOOK BRIGHTENS

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2 - … and the outlook brightens

Two exogenous factors have an impact on AgroGeneration although reducing year after year: the Ukrainian economic situation and the price of agricultural commodities. The recovery of the economic situation is confirmed even if it remains fragile. GDP is rising and inflation is falling, although the IMF requires expedited structural reform to resume financing. Commodity prices have been recovering since the beginning of 2018 thanks to less abundant harvests expected in 2018 due to reduced planting in the USA, an unfavourable climate in South America and rising global demand.

2.1 Economic indicators ever better oriented

The political and economic situations in Ukraine are closely linked. The sharp economic deterioration in 2013, when the level of corruption was high, led to the fall of the pro-Russian President Yanukovych. This led to the annexation of Crimea by Russia and the conflict in the Donbass which accelerated the deterioration in the economic situation in 2015. In 2016 and 2017, the status quo in relations between Russia and Ukraine continued and is now unlikely to be called into question. While the local currency (hryvnia) continued to depreciate in 2017, its decline is more moderate and inflation is gradually being reduced and is expected to fall below 10% in 2018. Local banks that had completely stopped lending to businesses are gradually starting to offer facilities once more.

2.1.1 GDP growth and the fall in inflation continue

Political changes and, in particular, the deterioration of relations with Russia have weighed very heavily on the Ukrainian economy. GDP fell alarmingly by -6.6% in 2014 and by -9.9% in 2015.

But by the end of 2015, Ukraine had put in place austerity measures to improve the situation. Tax reforms have been implemented to increase incomes, pensions have been frozen and the number of civil servants has been reduced. Bureaucracy has been reduced, in particular by reducing the administrative procedures needed to set up a business.

These aspects have had a positive impact on the Ukrainian economy by causing a resurgence in GDP and a decline in inflation even if slower than expected.

GDP increased by +2.2% in 2017 as in 2016. It should increase by +3.4% in 2018 and +2.9% in 2019 according to the BNU.

Ukraine's GDP grew by +2.2% in 2017

At the same time, inflation, which had reached +43% in 2015, fell significantly to +12% in 2016. However, it remained above +13% in 2017. Inflation is expected to fall in 2018, the National Bank of Ukraine forecasting an increase of +9% while the IMF anticipates +11% and +9% in 2019.

The IMF has resumed its financing even though today only $8.2 billion of the $17.5 billion initially allocated has been disbursed. A tranche of $1 billion was implemented in April 2017. Since then, the IMF has asked Ukraine to expedite its reforms, particularly in terms of anti-corruption measures, gas price liberalisation and budget normalisation.

2018 may, however, be a transitional year pending the presidential elections to be held on 31 March 2019. No decisions that may be unpopular will be made.

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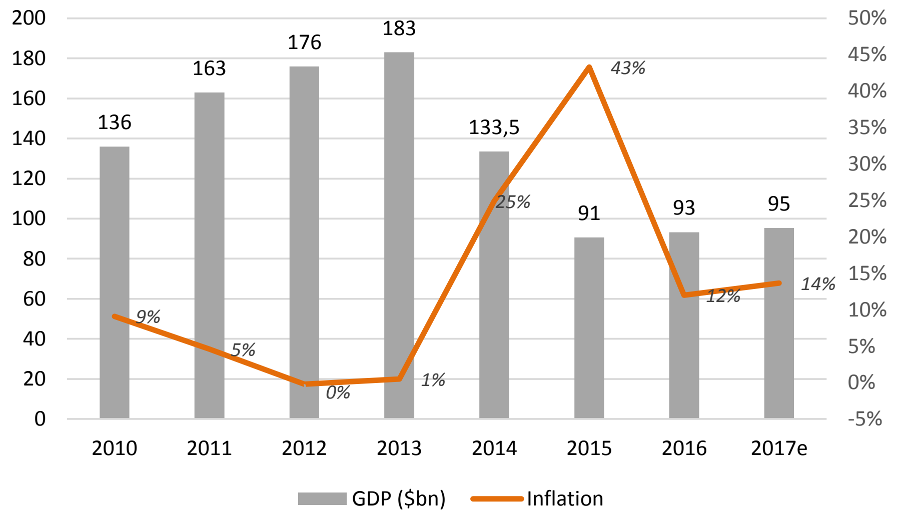
2 - … and the outlook brightens

GDP and inflation trends in Ukraine



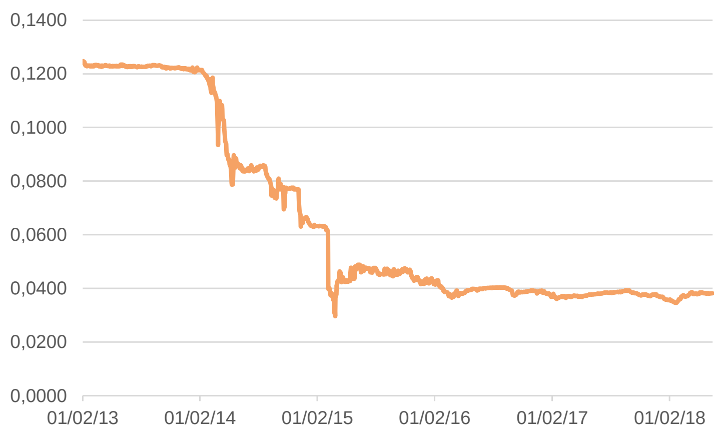
Source: index.minfin.com.ua, BNU

2.1.2 Stabilization of the local currency

The hryvnia fell sharply in 2014 and 2015

The local currency, the hryvnia, has been strongly impacted by the country's political and economic situation. It fell by -49% against the dollar in 2014, -34% in 2015 and -11% in 2016. In 2017, the decline was limited to -3% and the currency should stabilize in 2018.

Trend of the hryvnia against the dollar since 2013



Source: Factset

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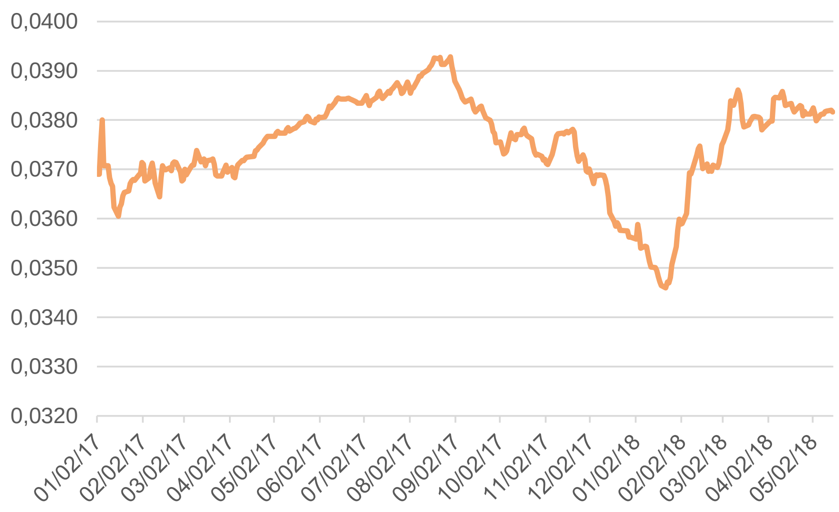
2 - ... and the outlook brightens

The Hryvnia has almost stabilized since early 2017

Trend of the hryvnia against the dollar since 2017



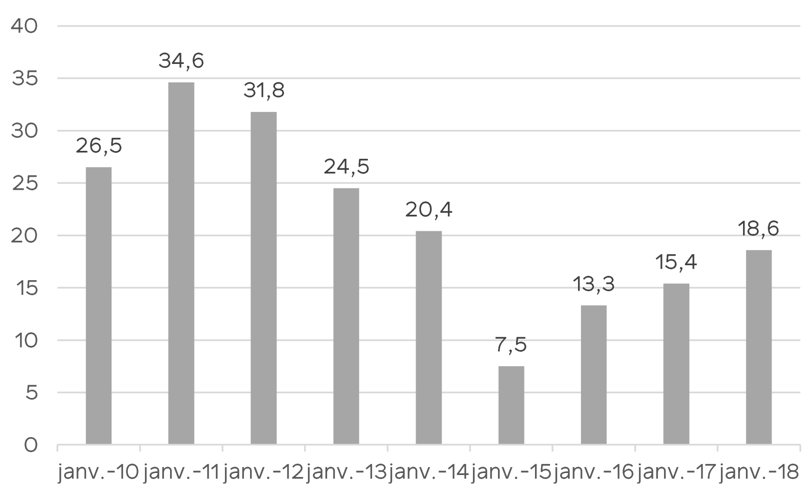
Source: Factset

2.1.3 An improvement in the financial sector

The National Bank of Ukraine introduced, in 2014, restrictions on the purchase of foreign currency on the interbank market and imposed the mandatory conversion of foreign currency earnings into hryvnia. International rating agencies have reduced Ukraine's sovereign debt rating. The combination of these events resulted in a deterioration in liquidity and tighter credit conditions, where available.

Ukraine's international reserves declined rapidly as a result of the crisis and began to recover in early 2016, thanks in particular to $8.2 billion in IMF loans and the issue of €3 billion in Euro bonds over 15 years in September 2017 at 7.4%.

Trend of Ukraine's international reserves (in $ billions)



Source: National Bank of Ukraine

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2 - ... and the outlook brightens

Systemic risks in the Ukrainian financial sector continued to reduce in 2016 and 2017, with some banks being nationalised and others being taken over by foreign players. Ukrainians who had massively withdrawn their assets from banks for fear of seeing them go bankrupt are gradually making deposits again. Companies are doing the same.

Ukrainian banks resume lending to businesses

In 2016, banks started lending again, mainly to individuals. Lending to businesses essentially restarted in H2 2018. The number of loss-making banks fell in 2017, from 33 in 2016 to 18. Doubtful loans remain high on banks' balance sheets but they have sufficient capital to meet them.

During the years in which banks virtually stopped lending to businesses, AgroGeneration worked mainly with Alfabank of Ukraine which was one of the few institutions to continue lending to finance its campaign credits. The situation is easing and the Group is now working with two other institutions, although for smaller amounts, the First Ukrainian International Bank and the Crédit Agricole d'Ukraine.

AgroGeneration maintains privileged relations with AlfaBank and should continue to conduct the bulk of its campaign credits with this establishment. Nevertheless, it is important to limit dependency on a single bank.

The recovery in bank lending should encourage a gradual fall in the cost of financing campaign loans, which fell from 15% in 2015/2016 to 12% in 2016/2017, to 11.3% in 2017/2018 and should be between 10% and 11% in 2018/2019.

Banks used by AgroGeneration

Bank	Borrowings (€m)
Alfabank Ukraine	28,5
First Ukrainian International Bank	1,29
Crédit Agricole Ukraine	0,77

Source: Company

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2 - … and the outlook brightens

2.2 A dynamic take-off in the price of agricultural commodities

While long-term fundamentals argue in favour of higher prices for agricultural commodities due to a demand that is expected to increase sharply (increase in world population, urbanization), these have been in sharp decline since 2013 due to an over-abundance of supply linked to strong harvests throughout the world. 2017 saw a further decrease in prices even though they tended to stabilize at a low point. While no significant increase can be expected in 2018, there are initial signs that global demand is beginning to pick up, while supply is suffering the negative impacts of reduced planting in the USA and an unfavourable climate in South America. Even if price increases are slow due to existing large global stocks (USA, Russia), 2018 should be the first year since 2013 when prices start to recover.

2.2.1 Fundamentals militating in favour of price increases in the medium term

Over the long term, the fundamentals as a whole continue to militate in favour of an increase in demand for agricultural commodities and therefore in their prices, as the current supply is not sufficient to meet the needs.

The main trends in favour of an increase in demand are:

Demand for agricultural commodities is expected to increase…

- ✓ The growth of the world population which should reach 9 billion inhabitants in 2050 against 7 billion today,
- ✓ An increase in per capita income that will lead to an increase in demand for meat, dairy products and vegetables, which requires more intensive use of land,
- ✓ An urban population that is expected to increase by 20% over the next decade due to the expansion of cities in emerging countries.
- ✓ An increase in the price of oil that would make bioenergy more attractive.

Whereas supply will decrease as a result of:

… and the offer decrease

- ✓ The global shortage of arable land due to population growth and urbanization;
- ✓ A slow down in agricultural productivity growth due to lack of fertile land, increased competition for water and climate change;
- ✓ Environmental degradation due to pollution and erosion.

2.2.2 First signs of improvement appearing in the short term

The prices of agricultural commodities reflect a balance between supply and demand on a narrow market, a very limited proportion of commodities are traded on world markets (20% of cereal production, the rest being consumed by the producing countries). As soon as there is the slightest incident that causes a minimal variation in supply, prices fluctuate wildly (King's Law).

Since 2013, agricultural commodity prices have been penalized by abundant harvests in all producing countries thanks to favourable weather conditions. Exporting countries had anticipated strong demand growth that did not materialize due to the economic slowdown.

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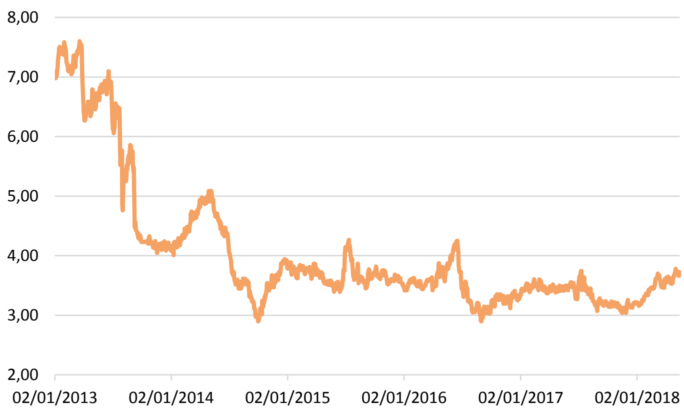
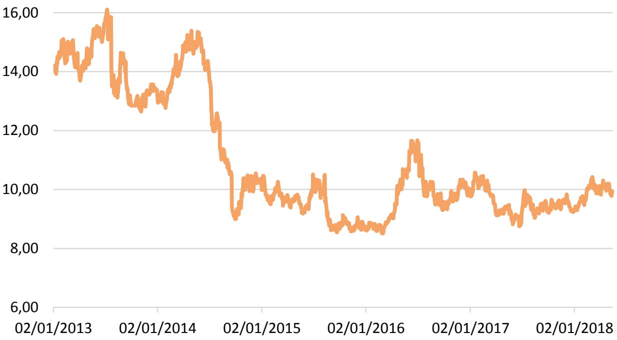
Falling prices have affected all crops

Prices have begun to stabilize since 2015, particularly for soya and corn, while wheat prices have been penalized more by the still abundant harvests in the USA and Russia, which have inflated stocks.

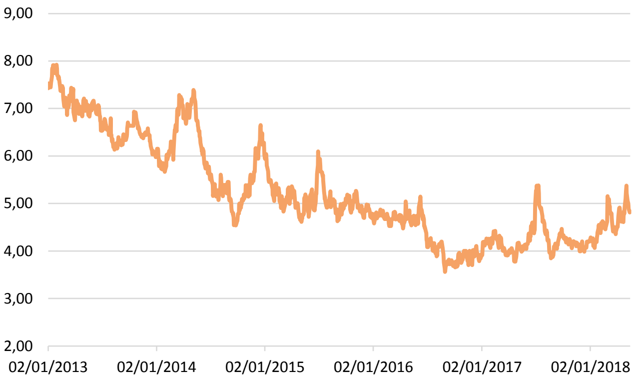
Trend of corn prices



Trend of soya prices



Trend of wheat prices



Source: Factset

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However, since early 2018, following the 2016 and 2017 financial years, prices have begun to recover. This phenomenon is explained by:

- ✓ A supply that should cease to increase due to lower expected harvest quantities in 2018 compared to 2017. The FAO forecasts a 41.2mt reduction in cereal production in 2018, or -1.6% after a record year in 2017. This is due to a less favourable climate in South America, which has an impact on soya crops and the reduction of cultivated areas in the USA, particularly for corn and soya. Russia is also expected to produce less wheat due to lower yields after an exceptional year. Overall, according to the FAO, world wheat production should fall by 11.3mt (-1.5%) and that of other cereals by 36.6mt (-2.6%).

- ✓ World demand up 16mt (+0.6%). Driven mainly by an increase in food production but also of feed especially in countries like Brazil, China, Mexico, Russia and the USA. Wheat consumption should increase by +0.8% and that of other cereals by +0.4% according to the FAO.

These factors should result in a reduction in stocks of cereals of 20.6mt (-2.7%). Although limited, it should be noted that this is the first year stocks will decline since 2013. This should automatically lead to an improvement in the price of agricultural commodities: the World Bank forecasts an improvement of +2.2% in 2018 and +1.3% in 2019.

2017 should see an improvement in the price of agricultural commodities

While it is still difficult to estimate whether the rebound is sustainable, demand should continue to grow steadily. It could be boosted by rising oil prices, which could lead to renewed interest in bioenergy. Moreover, the growth of the world population, which is already a driver of demand in 2018, should have a moderate impact, however, favouring a rebalancing of supply and demand with a shift towards a situation where demand outstrips supply.

As stated in 1.2, even a limited improvement in prices will have a significant impact on AgroGeneration's EBITDA margin thanks to the strong operating leverage effect of the Group's extremely tight cost control, which was further reinforced in 2017 to contend with possible climatic contingencies.

2.2.3 A share price correlated to the price fluctuations in agricultural commodities

Although this is not a surprise, AgroGeneration's share price is strongly correlated with the price of agricultural commodities. Until the uncertainties regarding the political and economic situation in Ukraine were resolved, this correlation was not directly apparent.

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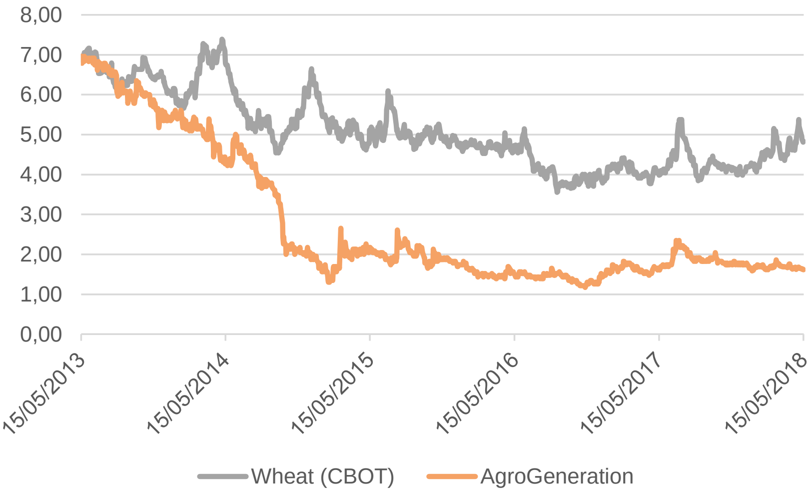
Comparative trend of the price of wheat and of AgroGeneration share price over 5 years



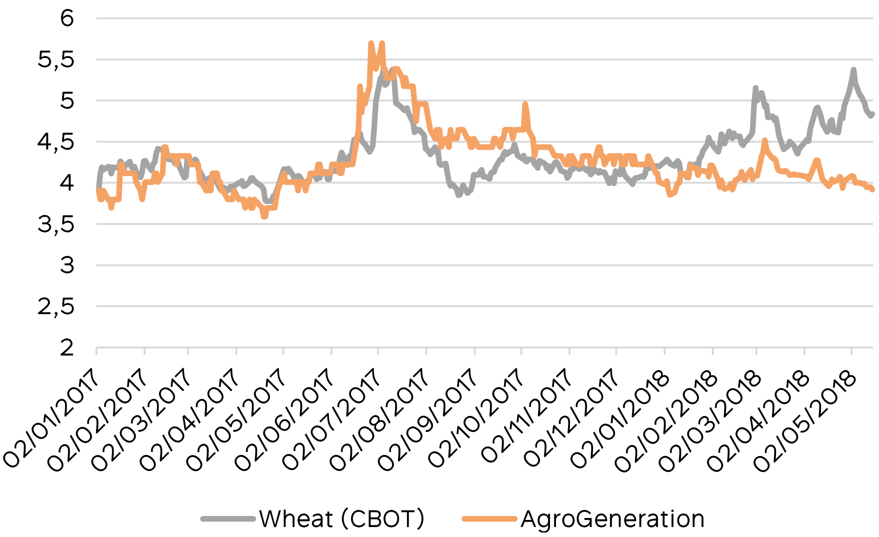
Source: Factset

On the other hand, since the beginning of 2017, when questions concerning the Ukrainian situation were largely resolved and AgroGeneration's financial situation no longer posed problems, AgroGeneration's share price was more closely correlated to changes in the price of agricultural commodities.

The recent decorrelation comes from the impact on the results of the drought at the end of the 2017 financial year. As this does not call into question the future prospects of AgroGeneration, we believe that this situation is temporary. The price should thus benefit from the recent rebound in agricultural commodity prices.

AgroGeneration's share price is now correlated to the price of agricultural commodities

AgroGeneration share price trend compared to the price of wheat since July 2016



Source: Factset

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2 - … and the outlook brightens

2.3 Improved financial flexibility through OSRANE redemption

Following the merger of Harmélia and AgroGeneration at the end of 2013, debt reached €78.8m, or a gearing of 154%. The marked deterioration of the economic situation and the fall of the hryvnia contributed to a significant reduction in equity from €51m at the end of 2013 to €6.6m€ at the end of 2014, i.e. a gearing of 1175%.

As the situation was not sustainable, the Group initiated financial restructuring by issuing €59.8m of OSRANE in March 2015. The interest on this issue is posted as debt and the principal as equity, the securities being fully redeemed as shares. Three million additional OSRANEs were issued at the end of 2015 to an American investor in order to further consolidate AgroGeneration's financial position in a difficult environment.

AgroGeneration will save €4.7m over a full year after the OSRANE redemption

The lifetime of the OSRANE is 4 years. In March 2019, the securities will be fully converted into AgroGeneration shares. From this date, interest will no longer be paid, i.e. a saving of €4.7m/year. The cash thus generated can be reallocated to lease new land.

If it is estimated that the cost of leasing additional hectares is around €550/hectare in working capital, AgroGeneration could thus increase the area under its control by 8500 hectares/year from mid-2019 (approximately 8% of the 110 000 currently under its control).

This factor as well as the rise in the prices of agricultural commodities will favour growth of turnover. The favourable impact of operating leverage will promote a significant upturn in EBITDA.

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3 - A REBOUND IN RESULTS FROM 2018

3.1 An improvement in turnover growth **p.18**

3.2 Margins that benefit from operating leverage **p.21**

3.3 Favourable cash generation improving the financial situation **p.22**

3.3.1 Positive cash generation from 2018 p.22
3.3.2 Rapid debt reduction p.23

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3 - A rebound in results from 2018

The 2017 result was penalized by the impact of the drought at the end of harvesting and the still depressed agricultural commodity prices. The 2018 financial year should be marked by a rebound in turnover thanks to increased areas under cultivation and a slight increase in the price of agricultural commodities. From 2019, the positive impact of the OSRANE redemption on cash flow generation will enable AgroGeneration to improve the areas under its control The continued rebound in the price of agricultural commodities coupled with an increase in the number of hectares under cultivation will favour an acceleration in turnover growth. Thanks to very strict control of costs operating leverage will facilitate improvement of the results and CF generation.

3.1 An improvement in turnover growth

AgroGeneration's turnover depends on its production of agricultural commodities. The latter depends on several factors:

- ✓ The total number of hectares exploited by AgroGeneration, knowing that the totality is not cultivated because there are fallow areas which, however, represent less than 10% of the total land area. In 2017 AgroGeneration sold two farms representing 2,800 hectares. From 2019 and the OSRANE redemption, we estimate that AgroGeneration will be able to lease an additional 8 500 hectares/year over a full year.

- ✓ The distribution by crop of cultivated land, bearing in mind that a rotation is carried out every year in order not to impoverish the soil (particularly after sunflower cultivation). This depends on AgroGeneration's choice to optimize its margins.

AgroGeneration favours EBITDA over returns

- ✓ Yields per hectare of land have increased in recent years, but are not too high, in order to avoid generating significant additional input costs. This factor is partly dependent on AgroGeneration's choices but also varies according to climatic vagaries, the Group favouring the notion of gross margin and EBITDA per hectare over that of yield.

- ✓ The average price per tonne per crop, which is set by the markets and over which AgroGeneration has no influence. However, thanks to its trading teams, the Group can optimize its selling prices by taking advantage of temporary price increases. In addition, an increasingly large share of turnover is generated by exports where prices are higher and a proportion of the harvest is placed in stock for sale when prices are most favourable.

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AgroGeneration favours EBITDA over returns

The main assumptions retained for our model are:

- ✓ After another slight decline in the 2017 financial year, agricultural commodity prices are expected to rebound slightly in 2018, with a slight downturn in the supply of cereals whereas demand will rise steadily. We have made the assumption that prices will rise over 7 years to revert to 2013 levels;
- ✓ No significant change in crop distribution in 2018 compared to 2017 except for a significant reduction in corn. In subsequent years, we estimated that there would be few rotations;
- ✓ Yields will not very different from those of 2017 except for corn and sunflowers - penalized by drought in 2017;
- ✓ A stable hryvnia/dollar exchange rate compared to current levels, with prices denominated in dollars.

In 2018, we anticipate a significant increase in turnover (+28%) linked to a slight increase in the price of agricultural commodities, a higher proportion of export sales, for which prices are higher, and a smaller proportion of the harvest placed in stock to be sold the following year. On the other hand, the high stocks of 105,000 tonnes at the end of 2017 due to climatic conditions will be sold in 2018, which will also contribute to an increase in turnover over this financial year. In addition, areas under cultivation increase by 1,000 hectares.

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On the basis of these assumptions, our production and sales forecasts are shown in the following table.

AgroGeneration turnover estimate

	2014	2015	2016	2017p	2018e	2019e	2020e	2021e
Hectares controlled	120 000	120 000	120 000	110 000	110 000	114 250	122 750	131 250
Growth	*0%*	*0%*	*0%*	*-8%*	*0%*	*4%*	*7%*	*7%*
Hectares harvested	103 366	108 000	108 985	105 433	106 000	109 680	117 840	126 000
Split/crop (ha)								
Wheat	27 144	45 360	36 479	29 640	40 280	41 678	41 678	41 678
Rapeseed	6 485	8 640	4 876	4 086	5 300	4 387	4 387	4 387
Barley	12 729	10 800	11 228	8 589	7 420	7 678	7 678	7 678
Corn	8 400	5 400	5 437	9 280	3 180	3 290	3 290	3 290
Sunflower	32 043	19 440	29 988	30 275	28 620	31 807	31 807	31 807
Peas	11 452	9 720	11 587	13 361	10 600	12 065	12 065	12 065
Soybean	4 018	7 560	8 354	6 586	6 360	6 581	6 581	6 581
Others	1 094	1 080	1 036	3 617	4 240	2 194	2 194	2 194
In percentage								
Wheat	26%	42%	33%	28%	38%	38%	38%	38%
Rapeseed	6%	8%	4%	4%	5%	4%	4%	4%
Barley	12%	10%	10%	8%	7%	7%	7%	7%
Corn	8%	5%	5%	9%	3%	3%	3%	3%
Sunflower	31%	18%	28%	29%	27%	29%	29%	29%
Peas	11%	9%	11%	13%	10%	11%	11%	11%
Soybean	4%	7%	8%	6%	6%	6%	6%	6%
Others	1%	1%	1%	3%	4%	2%	2%	2%
Yields (t/ha)								
Wheat	5,2	4,1	4,4	5,2	5,0	5,1	5,2	5,2
Rapeseed	2,9	2,6	2,0	2,5	2,5	2,5	2,5	2,5
Barley	4,7	4,2	4,1	4,0	4,0	4,1	4,1	4,1
Corn	6,5	4,9	6,7	5,5	6,7	6,7	6,7	6,7
Sunflower	2,5	2,5	2,6	1,8	2,6	2,6	2,6	2,6
Peas	2,2	1,9	3,1	2,5	2,4	3,0	3,0	3,0
Soybean	1,8	1,5	1,9	1,9	1,8	1,9	1,9	1,9
Others	11,6	13,9	13,9	2,5	2,5	2,5	2,5	2,5
Average	3,9	3,5	3,6	3,4	3,7	3,8	3,8	3,8
Production (tons)								
Wheat	142 054	188 000	159 091	154 128	201 400	212 560	216 728	216 728
Rapeseed	18 682	22 560	9 874	10 215	13 250	10 968	10 968	10 968
Barley	60 248	45 120	46 472	34 356	29 680	31 478	31 478	31 478
Corn	54 571	26 320	38 948	51 040	21 306	22 046	22 046	22 046
Sunflower	79 840	48 880	77 843	54 495	74 412	82 699	82 699	82 699
Peas	25 640	18 800	32 891	33 403	25 440	36 194	36 194	36 194
Soybean	7 287	11 280	16 132	12 513	11 448	12 504	12 504	12 504
Others	12 642	15 040	5 952	9 043	10 600	5 484	5 484	5 484
Total	400 964	376 000	387 203	359 192	387 536	413 932	418 100	418 100
Average price (inc VAT)								
Wheat	164	130	128	118	120	128	138	148
Rapeseed	322	310	375	335	355	368	377	387
Barley	145	115	118	116	118	122	132	144
Corn	135	110	101	97	101	105	115	126
Sunflower	312	385	265	233	255	278	304	332
Peas	200	254	249	250	252	265	278	292
Soybean	416	400	400	400	400	420	432	443
Others	200	200	100	90	92	94	96	97
Production value (Inc VAT)								
Wheat	23,3	24,4	20,4	18,2	24,2	27,2	29,9	32,2
Rapeseed	6,0	7,0	3,7	3,4	4,7	4,0	4,1	4,2
Barley	8,8	5,2	5,5	4,0	3,5	3,8	4,2	4,5
Corn	7,4	2,9	3,9	5,0	5,2	5,5	5,7	6,0
Sunflower	24,9	18,8	19,0	12,7	19,0	23,0	25,1	27,5
Peas	5,1	4,8	8,1	8,4	6,4	9,6	10,1	10,6
Soybean	3,0	4,5	6,5	5,0	4,6	5,3	5,4	5,5
Others	2,5	3,0	0,6	0,8	1,0	0,5	0,5	0,5
Production (inc VAT	**81,1**	**70,6**	**81,2**	**68,9**	**82,2**	**94,7**	**102,0**	**109,2**
Production (excl VA	**64,6**	**58,9**	**67,6**	**57,4**	**68,5**	**78,9**	**85,0**	**91,0**
VAT (20%)	16,5	11,8	13,5	11,5	13,7	15,8	17,0	18,2
Inventories								
In tons	0,0	0,0	79 000	105 000	80 000	82 400	84 872	87 418
In value	0,0	0,0	11,9	15,6	15,6	11,9	12,2	12,6
	64,6	58,9	55,7	41,8	52,9	67,0	72,8	78,4
Sales of agricultural								
	0,0	0,0	3,5	11,4	16,0	14,0	16,6	17,0
Inventories sales								
Services and others	0,0	0,0	0,8	1,0	1,0	1,1	1,1	1,2
Total revenues	64,6	58,9	60,0	54,2	69,9	82,1	90,5	96,6

Source: Invest Securities

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3 - A rebound in results from 2018

3.2 Margins that benefit from operating leverage

Cost control encourages margin growth

The main factors impacting on AgroGeneration's margins are:

- ✓ Trends in commodities prices taken into account in our turnover forecast.
- ✓ Cost control, as mentioned in 1.2, whereas the costs trend is linked to the number of hectares under cultivation, the exchange rate and the agricultural commodities price trend.
- ✓ Biological assets (IFRS 41) that is plants grown for future sale, i.e. plants in the ground that must be taken into account at the fair value of the crops. They are valued up to harvest. Hence at each financial statement closing date the biological assets (in this case mainly winter seedlings) are retained at fair value less sale costs until the date of harvest. The value of biological assets varies according to climatic conditions, potential yields and prices. Any change in these parameters has a significant impact on the income statement. At the end of 2017, a 10% change in the assumptions used to calculate the value of biological assets would have had an impact of +/- €2.7m on the gross margin.

✓ Other items affecting the income statement are:

- ✓ Fixed agricultural tax: the tax base is not based on the company's pre-tax result, but on a very small percentage (around 0.45% from 1 January 2015) of the land register value of the leased land. AgroGeneration does not actually pay corporation tax.
- ✓ Foreign exchange losses related to the fall in the hryvnia, the debt being mainly denominated in dollars and Euro. A large proportion of these do not have a cash effect. After being high in 2014 and 2015 they reduced in 2016 to rise again in 2017.

Trend of AgroGeneration's exchange losses

€k	2014	2015	2016	2017
Realised foreign exchange losses	14 860	10 859	2 982	-132
Unrealised foreign exchange losses	12 316	2 491	1 752	-5 647
Foreign exchange gains and losses	27 176	13 350	4 734	-5 779

Source: Company

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These factors lead us to the next projected income statement:

AgroGeneration Results Forecast

€m	2014	2015	2016	2017	2018e	2019e	2020e	2021e
REVENUE	64,6	58,9	60,3	54,2	69,9	82,1	90,5	96,6
Change in fair value of finished goods and fair value adjustment at the harvest date	1,4	1,2	3,7	3,3	3,3	3,3	3,3	3,3
Change of fair value of biological assets	0,7	4,8	0,0	0,0	0,0	0,0	0,0	0,0
Raw materials, purchases services and leasing	-42,9	-35,2	-37,2	-39,7	-43,2	-45,4	-47,1	-50,0
VALUE ADDED	23,9	29,7	26,7	17,7	29,9	39,9	46,7	49,8
VA margin	*37,0%*	*50,5%*	*44,3%*	*32,7%*	*42,8%*	*48,6%*	*51,6%*	*51,6%*
Personnel costs	-8,3	-6,6	-6,6	-7,0	-8,3	-9,0	-9,5	-10,1
Operating subsidies	6,3	3,4	1,0	0,0	0,0	0,0	0,0	0,0
Other expenses	-1,5	-6,4	-1,7	-1,7	-2,1	-2,1	-2,1	-2,1
EBITDA	20,4	20,0	19,4	9,1	19,5	28,8	36,0	38,6
EBITDA margin	*31,6%*	*34,0%*	*32,2%*	*16,7%*	*27,9%*	*35,1%*	*39,8%*	*40,0%*
Depreciations	-7,3	-8,6	-7,6	-8,3	-6,1	-6,1	-6,1	-6,1
Total depreciations and provisions	-7,3	-8,6	-7,6	-8,3	-6,1	-6,1	-6,1	-6,1
OPERATING PROFIT	13,1	11,4	11,8	0,8	13,4	22,7	29,9	32,5
EBIT margin	*20,3%*	*19,4%*	*19,6%*	*1,5%*	*19,2%*	*27,7%*	*33,1%*	*33,6%*
Financial income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1,0
Financial expenses	-8,9	-7,9	-7,4	-6,6	-5,6	-4,4	-3,1	-2,8
Other financial expenses and exchange impact	-27,3	-11,7	-5,1	-7,5	0,0	0,0	0,0	1,0
Financial net expenses	-36,2	-19,6	-12,5	-14,1	-5,6	-4,4	-3,1	-0,8
CURRENT INCOME	-23,1	-8,2	-0,7	-13,3	7,8	18,3	26,8	31,7
Income Tax	0,0	0,2	-0,2	0,1	0,0	0,0	0,0	0,0
Profit after tax of discontinued operations	1,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0
NET INCOME	-21,7	-7,9	-0,9	-13,2	7,8	18,3	26,8	31,7
Minorities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
NET INCOME GROUP SHARE	-21,7	-7,9	-0,9	-13,2	7,8	18,3	26,8	31,7
Net margin	*-33,5%*	*-13,5%*	*-1,5%*	*-24,4%*	*11,1%*	*22,4%*	*29,6%*	*32,8%*

Source: Invest Securities

We anticipate an EBITDA margin of 40% in 2021

We estimate that the EBITDA margin should increase from 2018 onwards thanks to the increase in agricultural commodity prices to reach 40% in 2021. The downturn in 2017 is purely cyclical and has encouraged better cost control with a significant leverage effect on margins as prices recover.

3.4 Favourable cash generation improving the financial situation

3.3.1 Positive cash generation from 2018

The CF was negative in 2018 not only because of the reduction in EBITDA but also because of significant capex, AgroGeneration having undertaken the modernisation of its fleet of machines at a cost of €5m. Conversely, the WCR decreased given the longer payment terms negotiated with suppliers. This represents a cost and limits bargaining power vis-a-vis suppliers, hence the situation should not become perennial.

From 2018, the CF should become positive, EBITDA returning to a level close to that of 2016 and investments at a level in the order of -€2m/year.

This trend should accelerate in 2019 thanks to continued EBITDA growth, investments remaining limited and the impact over half a year of the OSRANE redemption which represents €4.7m over a full year.

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3 - A rebound in results from 2018

Cash-flow table of AgroGeneration

Cash Flow Statement (€m)	2014	2015	2016	2017e	2018e	2019e	2020e	2021e
Net earnings	(23,1)	(7,9)	(0,9)	(13,2)	7,8	18,3	26,8	31,7
Depr. & Prov.	(7,3)	(7,0)	(7,6)	(5,7)	(6,1)	(6,1)	(6,1)	(6,1)
Other non cash impacts	27,0	6,5	(0,2)	5,3	(2,9)	(1,5)	0,0	0,0
Declared Cash Flow	**11,2**	**5,6**	**6,5**	**(2,2)**	**11,0**	**23,0**	**32,9**	**37,8**
Change in WCR	0,9	(4,2)	(6,8)	(1,7)	(5,5)	(6,2)	(4,3)	(3,1)
Operating Cash Flow	**12,1**	**1,4**	**(0,3)**	**(3,9)**	**5,5**	**16,8**	**28,6**	**34,7**
Capital Expenditure	(2,4)	(1,6)	(2,1)	(7,1)	(2,0)	(3,4)	(3,4)	(3,4)
o/w maintenance	*(2,3)*	*(1,6)*	*(2,1)*	*(7,1)*	*(2,0)*	*(3,4)*	*(3,4)*	*(3,4)*
Financial Investments	(2,0)	(1,1)	(1,1)	(2,2)	0,0	0,0	0,0	0,0
Assets sales	1,4	0,2	0,1	2,8	0,0	0,0	0,0	0,0
Investing Cash Flow	**(3,0)**	**(2,6)**	**(3,1)**	**(6,5)**	**(2,0)**	**(3,4)**	**(3,4)**	**(3,4)**
Dividends	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Rights' issue	0,1	1,9	0,0	0,0	0,0	0,0	0,0	0,0
Others	41,6	32,0	21,0	13,3	0,0	0,0	0,0	0,0
Debt repayment	(37,8)	(30,6)	(16,5)	(4,1)	(1,3)	(1,3)	(1,3)	0,0
Exchange rate gains/losses	(14,9)	(3,5)	(1,7)	(0,3)	0,0	0,0	0,0	0,0
Financing Cash Flow	**(10,9)**	**(0,3)**	**2,8**	**8,9**	**(1,3)**	**(1,3)**	**(1,3)**	**0,0**
Change in cash	**(1,81)**	**(1,5)**	**(0,7)**	**(1,5)**	**2,2**	**12,1**	**24,0**	**31,3**

Source: Invest Securities

The improvement in cash flow generation will make it possible to finance campaign loans without resorting to high levels of short-term debt.

In addition, AgroGeneration will have more latitude to carry out external growth operations (farm acquisitions) in a context where many opportunities exist, many of AgroGeneration's competitors having suffered from the deterioration of the economic situation and the sustained low prices of agricultural commodities.

We anticipate positive CF generation from 2018 onwards

3.3.2 Rapid debt reduction

To recall, following the merger of Harmélia and AgroGeneration at the end of 2013, debt reached €78.8m, or a gearing of 154%. This was partly related to the fact that Konkur (SBF IV) had issued $40m of debt in favour of the new structure to balance parities at the time of the merger. In addition, the former AgroGeneration had financed its growth through debt and had a net debt of €14.3m at the end of 2012.

The marked deterioration of the economic situation and the fall of the hryvnia contributed to a significant reduction in equity from €51m at the end of 2013 to €6.6m at the end of 2014, i.e. a gearing of 1175%.

As the situation was not sustainable, the Group initiated financial restructuring by issuing €59.8m of OSRANE. The interest on this issue is posted as debt and the principal as equity.

In addition, the company's fixed assets were written down by €44.9m in 2013 and €22.2m in 2014, which had an impact on the Group's equity. In 2015 and 2017, it was able to restate the tangible assets which were appraised by an independent expert for €38.2m and €3.6m respectively, broken-down as an increase of €39.9m and €4.1m in the fair value of certain fixed assets (notably agricultural machinery), which directly increased equity with a reduction of €1.6m and €0.4m in other fixed assets posted in the income statement.

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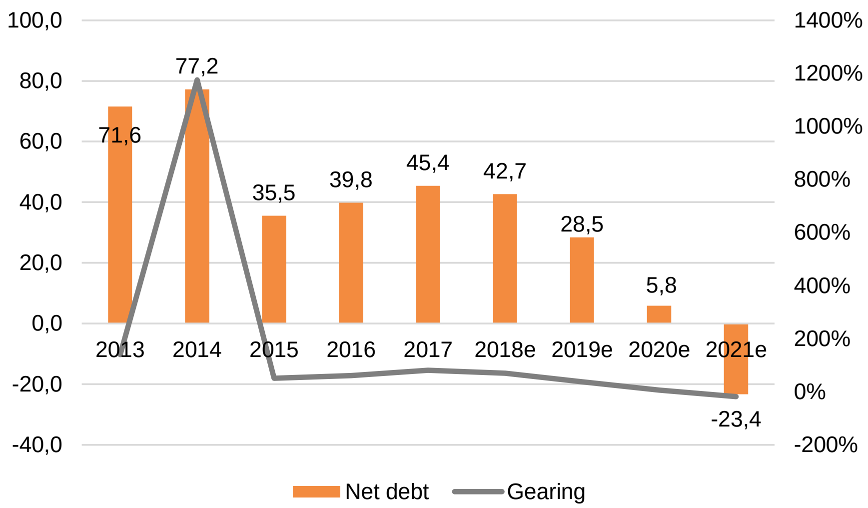
3 - A rebound in results from 2018

AgroGeneration should be net cash positive from 2021 onwards

The debt with the EBRD (€6.3m) was also renegotiated at the time of restructuring, with repayments staggered from 2016 onwards, but at a rate that rose from Libor+8% to Libor+8.5%.

Change in net debt and gearing



Source: Invest Securities

The balance sheet should return to a positive net cash position from 2021 onwards, excluding acquisitions.

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4 - A VALUE OF €0.6/SHARE

4.1 - A DCF of €0.6/share	**p.26**
3.1.1 16.75% WACC	p.26
3.1.2 Assumptions adopted	p.26
3.1 3 - A value of €0.6/security	**p.27**
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4.3 - A valuation of €0.6/share	**p.29**

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4 - A value of €0.6/share

Ukraine's"risk-free" rate remains very high

Our valuation is based on a DCF. It is difficult to find companies similar to AgroGeneration as most operate in other countries or are vertically integrated. Our valuation is based on a scenario that incorporates agricultural commodity prices restored to pre-2013 levels by 2025. It includes a lower number of new hectares under control than planned in our last study, as well as the impact of the drought at the end of 2017. On the basis of a DCF it is €0.6, equivalent to that of our update at the beginning of the year following the profit warning at the end of December.

4.1 - A DCF of €0.6/share

4.1.1 16.75% WACC

The main assumptions used in the WACC calculation are:

- ✓ a "risk-free" rate, which is the long-term rate in Ukraine, i.e. 16%. In fact, the country risk, the main risk weighing on AgroGeneration, is included in this rate;
- ✓ it is not possible to find a realistic measure of the market premium in Ukraine, so we have chosen the French market risk premium, which seems realistic or even prudent given the high “risk-free” rate;
- ✓ a Beta of 1, the particularly high"risk-free" rate incorporating the risk specific to the security.

These elements result in a WACC of 16.75% (vs 16.15% in our last study) which appears to largely incorporate the Ukrainian risk which should decrease as the Ukrainian situation normalizes.

WACC Calculation	
Market premium	6,00%
Risk free rate	16,00%
Beta	1,00
Cost of equity	**22,00%**
Cost of debt	9,80%
Income tax rate	0,00%
Net cost of debt	**9,80%**
Discount rate	**16,75%**

Source: Invest Securities

4.1.2. Assumptions adopted

Our calculations are based on our forecasts to 2027.

For the calculation of the terminal value, we used the 2027 turnover and applied an operating margin of 33.6% equivalent to that achieved in 2021.

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4 - A value of €0.6/share

The perpetual growth rate used is 2%.

This leads to the following forecasts:

€m	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e
Revenue	69,9	82,1	90,5	96,6	100,5	103,5	106,6	109,8	112,0	114,2
Growth	*+16,9%*	*+17,4%*	*+10,2%*	*+6,7%*	*+4,0%*	*+3,0%*	*+3,0%*	*+3,0%*	*+2,0%*	*+2,0%*
EBIT	13,4	22,7	29,9	32,5	33,8	34,8	35,8	36,9	37,7	38,4
Ebit margin	*19,2%*	*27,7%*	*33,1%*	*33,6%*	*33,6%*	*33,6%*	*33,6%*	*33,6%*	*33,6%*	*33,6%*
Depreciations and provisions	-6,1	-6,1	-6,1	-3,8	-4,2	-5,0	-5,6	-6,2	-6,4	-6,5
EBITDA	19,5	28,8	36,0	36,3	38,0	39,8	41,5	43,2	44,0	44,9
Income tax rate	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*
Theoretical income tax	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net operating CF	**19,5**	**28,8**	**36,0**	**36,3**	**38,0**	**39,8**	**41,5**	**43,2**	**44,0**	**44,9**
WCR change	-5,5	-6,2	-4,3	-4,6	-4,8	-4,9	-5,1	-5,2	-5,3	-5,4
% of revenue	*7,9%*	*7,6%*	*4,8%*	*4,8%*	*4,8%*	*4,8%*	*4,8%*	*4,8%*	*4,8%*	*4,8%*
Investments	-2,0	-3,4	-3,4	-6,0	-6,1	-6,2	-6,4	-6,5	-6,6	-6,8
Operating free cash flow	**12,1**	**19,3**	**28,4**	**25,7**	**27,1**	**28,7**	**30,1**	**31,5**	**32,1**	**32,8**
Discount coefficient	0,91	0,78	0,67	0,57	0,49	0,42	0,36	0,31	0,26	0,23
Discounted operating free cash flows	**11,0**	**15,1**	**19,0**	**14,8**	**13,3**	**12,1**	**10,9**	**9,7**	**8,5**	**7,4**

Source: Invest Securities

The change in working capital requirement should decrease from 2020 onwards thanks to smaller amounts in stock year on year.

4.1 3 - A value of €0.6/share

The valuation using DCF is €0.6/share

Based on these different assumptions, and incorporating the the dilution linked to the forthcoming conversion of the OSRANE, our valuation is 0.6€/share.

Value (€m)	
Sum of discounted free cash flows	121,9
Terminal value	50,7
Enterprise value	172,5
Net debt	45,4
Provisions	0,5
Equity value	**126,6**
Number of shares	219 626 600
Value/share (€)	**0,60**

Source: Invest Securities

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3 - A value of €0.6/share

4.1.4 Sensitivity Analysis

A sensitivity analysis, focusing on changes in values of 0.5% below and above the WACC and perpetual growth rates gives estimates between €0.5 and €0.74 per security. The relatively high sensitivity is explained by the Group's strong growth with higher (non-discounted) cash flows at the end of the period.

WACC	Growth Rate						
	0,50%	1,00%	1,50%	2,00%	2,50%	3,00%	3,50%
15,25%	0,66	0,67	0,68	0,69	0,71	0,72	0,74
15,75%	0,63	0,64	0,65	0,66	0,67	0,68	0,70
16,25%	0,60	0,61	0,62	0,63	0,64	0,65	0,66
16,75%	0,57	0,58	0,59	0,60	0,61	0,62	0,63
17,25%	0,55	0,55	0,56	0,57	0,58	0,59	0,60
17,75%	0,52	0,53	0,54	0,54	0,55	0,56	0,57
18,25%	0,50	0,51	0,51	0,52	0,53	0,53	0,54

Source: Invest Securities

4.2 A valuation of €0.45/share, using the comparables method

We also made a valuation using the comparables method. We tried to find comparables whose activity is centred on the exploitation of agricultural land. Many companies are vertically integrated, either in cattle or poultry farming (Linas) or in the manufacture of sunflower oil (Kernel) and food products (Linas). They may also operate in the logistics sector, e.g. Linas. In addition, some operate in several countries (Linas). AdecoAgro, for its part, is present in South America.

There is no real comparable for AgroGeneration

We eliminated Black Earth from our sample because the company is in liquidation. It carried out the same business as AgroGeneration, but in Russia where it owned the land rather than leasing it. We excluded from our sample Ukrainian companies that only raised poultry, because the model is not identical to that of grain and oilseed farming.

Our valuation is based on two types of multiples: EBIT and EBITDA. The different valuations obtained are shown in the following table:

	EV/EBITDA		EV/EBIT		PE	
	2018	2019	2018	2019	2018	2019
AdecoAgro	6,5 x	6,5 x	6,0 x	6,0 x	4,5 x	269,3 x
Linas Agrogroup AB	8,3 x	8,8 x	15,2 x	18,2 x	10,8 x	28,0 x
Kernel	5,6 x		6,5 x	6,0 x	6,7 x	4,5 x
Median	**6,5 x**	**7,7 x**	**6,5 x**	**6,0 x**	**6,7 x**	**28,0 x**
EV AgroGeneration (€m)	188,8	149,5	148,3	135,1	123,1	
Equity value (€m)	142,8	103,6	102,4	89,2	52,2	513,7
Average (m€)	109,5					
Value/share (€)	0,50					
Value/share (€) after a 12% discount	0,45					

Source: Invest Securities

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3 - A value of €0.6/share

If a discount of 12% is applied because the comparables used have higher market capitalisations, the valuation is €0.45 per share.

However, the economic model of these comparables is not identical to that of AgroGeneration and the potential for improved results is greater at AgroGeneration, which will fully benefit from the leverage effect on its results generated by a rebound in the price of agricultural commodities. For this reason we discarded this method.

4.3 - A valuation of €0.6/share

Of the two methods used, we preferred the intrinsic DCF method because it takes better account of the company's characteristics; the comparables do not have the same characteristics as AgroGeneration.

We maintain our BUY rating with an unchanged target of €0.6 per share.

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SWOT ANALYSIS

STRENGTHS

- Significant size with 110,000 hectares under control
- Sound financial situation thanks to the OSRANE
- Significant cost savings that create high operating leverage

WEAKNESSES

- High financial costs and high reliance on a single bank
- High WCR
- Impact of trends in the price of agricultural commodities

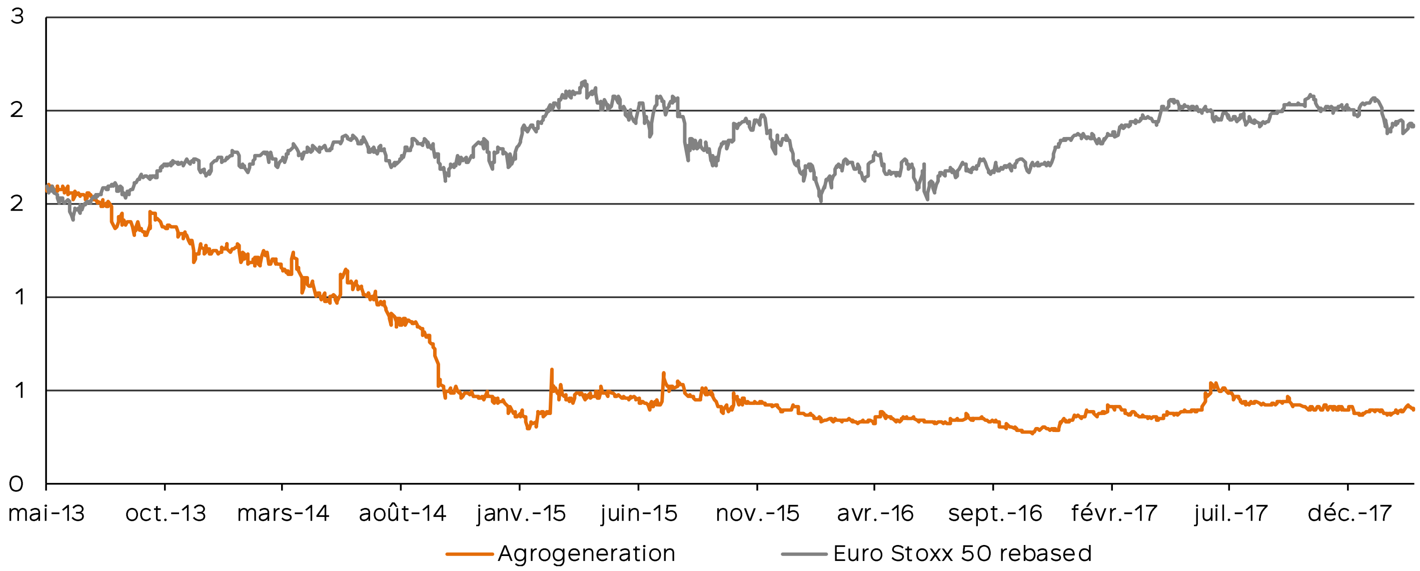
OPPORTUNITIES

- Significant operating leverage as soon as agricultural commodity prices recover
- Increase in world population and decrease in agricultural land area worldwide
- Consolidation of the sector

THREATS

- Spread of conflict in the Donbass
- Adverse weather conditions that would reduce the quantities harvested
- Continued good harvests in other regions of the world

SHARE PRICE TREND OVER 5 YEARS



IDENTIFICATION OF CONFLICTS OF INTEREST

	Corporate Finance	Treasury stocks holding	Prior communication to company	Analyst's personal interest	Liquidity contract	Listing Sponsor	Research Contract
Agrogeneration	No	No	Yes	No	No	No	Yes

NOTE

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