

OPINION ON 2018 HARVESTS - COMPANY CONTACT

ADVERSE WEATHER CONDITIONS

Adverse weather conditions weighed on AgroGenerations' early harvests. The drought diminished yields while the rain in July affected their quality. It could therefore not fully benefit from the price hike in agricultural commodities. This will negatively impact the EBITDA in the order of -€9m. Instead of returning to the 2016 EBITDA, it will remain close to that of 2017 affected by the impact of the drought on late harvests (sunflower and maize). This changes our forecasts for 2018 and 2019 as planned investments are delayed in the long-term. Our target price is reduced from €0.59 to €0.50. BUY rating maintained.

Claire Barbaret
+33 1 44 88 77 93
cbarbaret@invest-securities.com

A negative impact of the drought then rain.....

AgroGeneration has published production estimates for its early harvests (50,000 hectares out of 106,000 cultivated). They were affected by the drought of late spring, which weighed on yields (see p2), particularly in eastern Ukraine, and the July rains, which degraded the quality of wheat and barley, will mean that the group will not fully benefit from the hike in agricultural commodity prices. Their impact on EBITDA is estimated at € 9m. It will not differ much from that of 2017 (€ 9.1m), a financial year in which the drought weighed on late harvests, instead of returning to a level close to that of 2016 (€ 19.4m).

... which does not call into question the prospects of future financial years

The concurrence of adverse weather conditions for two consecutive years is extremely rare. We expect a return to the norm in 2019 (or even in 2018 on the late harvests which appear to be favourable). The decrease in costs since 2014 and an increase in agricultural commodities prices will favour a significant EBITDA increase. However, we are adjusting our forecasts due to a delay in initially planned production investments.

A continually sound financial situation

These events do not call into question the financial situation. As the 2018 capex is more limited, the group should generate FCF (before financial expenses). In addition, the issue of ORNANes (bonds redeemable in cash and shares), the first three tranches of which raised € 3m, could continue, favouring a decrease in WCR and the financing of part of the crop loan, the rest being carried out by AlfaBank Ukraine. From 2019 and the reimbursement of the 2015 OSRANes in shares, disbursements related to financial expenses (€ 4.7m) will disappear.

Downward adjustments of our 2018 forecasts and our price target

We are adjusting our 2018/2019 forecasts to take in account the impact of weather events and the lag of some investments. Our 2018/2019 sales decreased from €69.9m / €82.1m to €60.1m / €75.7m and our 2018/2019 EBITDA from €19.5m / €28.8m to € 9.8m / €22.4m. Our EPS absorb the dilution associated with the 3.2m shares resulting from the ORNANes. Our target price is reduced from €0.59 to €0.50. BUY rating maintained.

in € / share	2018e	2019e	2020e																																																															
Adjusted EPS	0,00	0,06	0,10	<div style="text-align: right;">.../...</div> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">key points</th> <th colspan="3"></th> </tr> </thead> <tbody> <tr> <td>Share price (€)</td> <td></td> <td></td> <td style="text-align: right;">0,33</td> </tr> <tr> <td>Number of Shares (m)</td> <td></td> <td></td> <td style="text-align: right;">219,4</td> </tr> <tr> <td>Market cap. (€m)</td> <td></td> <td></td> <td style="text-align: right;">73</td> </tr> <tr> <td>Free float (€m)</td> <td></td> <td></td> <td style="text-align: right;">35</td> </tr> <tr> <td>ISIN</td> <td></td> <td></td> <td style="text-align: right;">FR0010641449</td> </tr> <tr> <td>Ticker</td> <td></td> <td></td> <td style="text-align: right;">ALAGR-FR</td> </tr> <tr> <td>DJ Sector</td> <td></td> <td></td> <td style="text-align: right;">Process Industries</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: center;">1m</td> <td style="text-align: center;">3m</td> <td style="text-align: center;">Ytd</td> </tr> <tr> <td>Absolute perf.</td> <td style="text-align: center;">-2,9%</td> <td style="text-align: center;">-15,7%</td> <td style="text-align: center;">-12,1%</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Relative perf.</td> <td style="text-align: center;">-0,7%</td> <td style="text-align: center;">-12,0%</td> <td style="text-align: center;">-7,6%</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>			key points				Share price (€)			0,33	Number of Shares (m)			219,4	Market cap. (€m)			73	Free float (€m)			35	ISIN			FR0010641449	Ticker			ALAGR-FR	DJ Sector			Process Industries												1m	3m	Ytd	Absolute perf.	-2,9%	-15,7%	-12,1%				Relative perf.	-0,7%	-12,0%	-7,6%			
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au 31/12	2018e	2019e	2020e																																																															
PE	n.s.	5,7x	3,3x																																																															
EV/Sales	2,00x	1,52x	1,11x																																																															
EV/EBITDA	12,3x	5,1x	3,0x																																																															
EV/EBITA	33,0x	7,0x	3,8x																																																															
FCF yield*	6,5%	16,6%	29,4%																																																															
Div. yield (%)	n.s.	n.s.	n.s.																																																															

* After tax op. FCF before WCR

Source : Factset, Invest Securities estimates

Production estimates for early crops (4 September 2018)

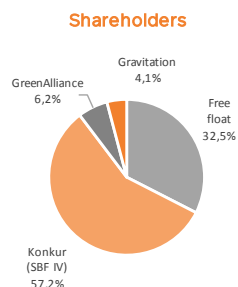
Crops	2017			2018		
	Hectares	Production (tons)	Yield (t/ha)	Hectares	Production (tons)	Yield (t/ha)
Wheat	29 640	152 663	5,2	38 878	142 942	3,7
Barley	8 569	33 948	4	7 427	26 192	3,5
Rapeseed	4 086	10 472	2,6	6 687	16 956	2,5
Total	42 295	197 083		52 992	186 090	

Source: Company

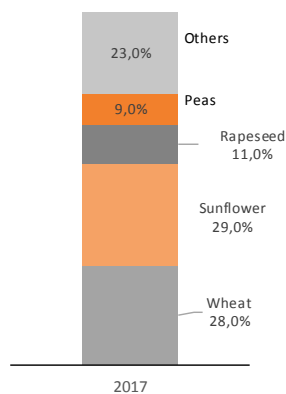
INVESTMENT THESIS

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



Crops breakdown



Share information	2013	2014	2015	2016	2017	2018e	2019e	2020e
Published EPS (€)	-0,09	-0,03	-0,08	-0,01	-0,12	-0,02	0,11	0,21
Adjusted EPS (€)	-0,09	-0,03	-0,03	0,00	-0,05	0,00	0,06	0,10
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.	n.s.	5,7x	3,3x
EV/Sales	3,18x	2,50x	2,21x	1,84x	2,50x	2,00x	1,52x	1,11x
VE/EBITDA	n.s.	7,9x	6,5x	5,7x	14,9x	12,3x	5,1x	3,0x
VE/EBITA	n.s.	12,3x	11,4x	9,4x	165,3x	33,0x	7,0x	3,8x
Op. FCF bef. WCR yield	n.s.	11,2%	14,1%	15,6%	1,5%	6,5%	16,6%	29,4%
Op. FCF yield	n.s.	11,7%	10,9%	9,4%	0,2%	6,0%	9,7%	24,0%
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	0,33	0,33	0,33
Market cap.	98,3	84,2	94,3	70,6	90,0	73,3	73,3	73,3
Net Debt	71,6	77,2	35,5	39,8	45,4	46,7	41,5	21,8
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	120,0	114,7	95,1

Income statement (€m)	2013	2014	2015	2016	2017	2018e	2019e	2020e
Sales	53,7	64,6	58,9	60,3	54,2	60,1	75,7	85,8
chg.	+63,7%	+20,3%	-8,9%	+2,4%	-10,1%	+11,0%	+25,8%	+13,4%
EBITDA	-9,8	20,4	20,0	19,4	9,1	9,8	22,4	31,3
EBITA	-16,8	13,1	11,4	11,8	0,8	3,6	16,3	25,2
chg.	n.s.	n.s.	-13,1%	+3,3%	-93,0%	+343,6%	+348,5%	+54,7%
EBIT	-16,8	13,1	11,4	11,8	0,8	3,6	16,3	25,2
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	-2,0	11,9	22,1
Adjusted net att. profit	-22,6	-21,7	-7,9	-0,9	-11,8	-2,0	11,9	22,1
chg.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	+85,2%

Cash flow statement (€m)	2013	2014	2015	2016	2017	2018e	2019e	2020e
EBITDA	-9,8	20,4	20,0	19,4	9,1	9,8	22,4	31,3
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	7,8	19,0	27,9
Change in WCR	13,5	0,9	-4,2	-6,8	-1,7	-0,5	-7,9	-5,2
Operating FCF	-0,4	18,9	14,2	10,4	0,3	7,2	11,1	22,8
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	-1,3	5,3	19,7

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	30,8	38,7	43,9
Group equity capital	51,1	6,6	69,5	65,4	56,1	51,2	61,7	83,8
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	46,7	41,5	21,8

hors dépôts de garantie

Financial ratios	2013	2014	2015	2016	2017	2018e	2019e	2020e
EBITDA margin	n.s.	31,6%	34,0%	32,2%	16,7%	16,2%	29,6%	36,5%
EBITA margin	n.s.	20,3%	19,4%	19,6%	1,5%	6,0%	21,5%	29,4%
Adjusted Net Profit/Sales	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	15,8%	25,8%
ROCE	n.s.	15,7%	9,5%	10,9%	0,8%	3,7%	15,8%	23,8%
ROE adjusted	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	19,4%	26,4%
Gearing	140,2%	1175,0%	72,9%	63,8%	81,0%	91,3%	67,2%	26,0%
ND/EBITDA (in x)	n.s.	3,8x	2,5x	2,2x	5,0x	4,8x	1,8x	0,7x

Source : company, Invest Securities Estimates

Next events

H1 2018 Results : 9/10/2018

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

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

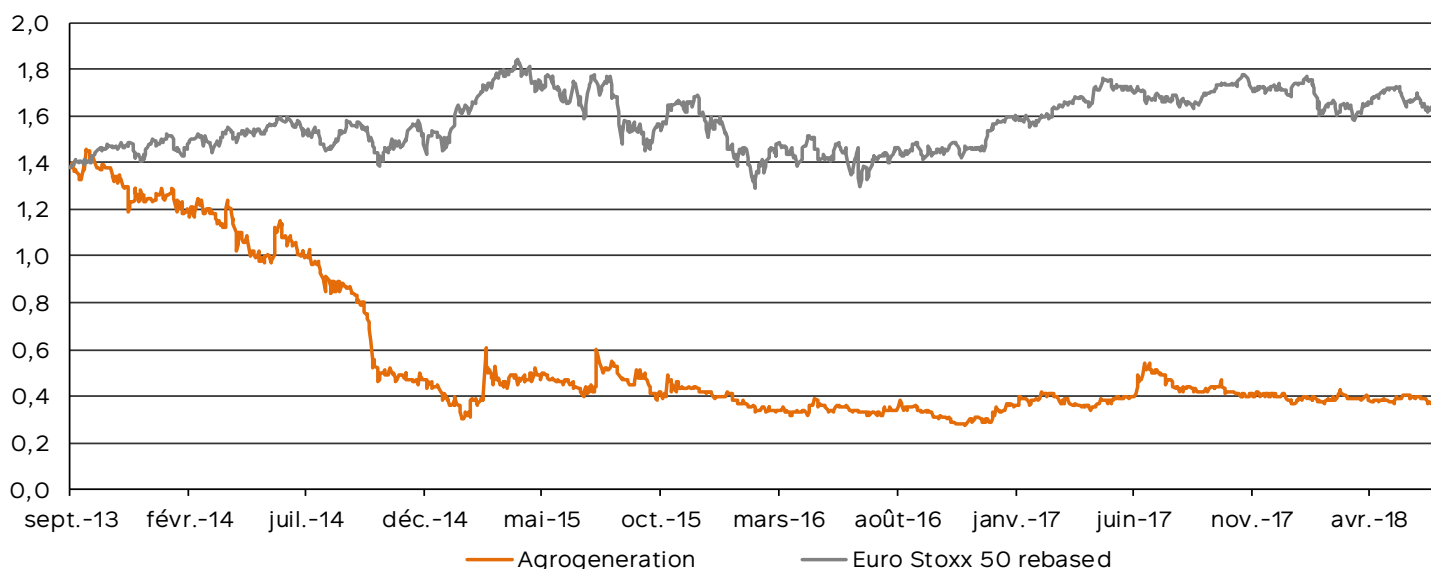
WEAKNESSES

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

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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MANAGEMENT

Marc-Antoine Guillen
CEO

+33 1 44 88 77 80
maguillen@invest-securities.com

Jean-Emmanuel Vernay
Managing Director

+33 1 44 88 77 82
jevernay@invest-securities.com

Anne Bellavoine
Deputy Managing Director

+33 1 55 35 55 75
abellavoine@invest-securities.com

EQUITY RESEARCH

Maxime Dubreil
Head of Equity Research

+33 1 44 88 77 98
mdubreil@invest-securities.com

Claire Barbaret
Média / Stock-Picking

+33 1 44 88 77 93
cbarbaret@invest-securities.com

Johann Carrier
Stock-Picking

+33 1 44 88 77 88
jcarrier@invest-securities.com

Martial Descoutures
Pharma/ Biotechs

+33 1 44 88 88 09
mdescoutures@invest-securities.com

Bruno Duclos
Real Estate

+33 1 73 73 90 25
bduclos@invest-securities.com

Benoit Faure-Jarrosion
Real Estate

+33 1 44 88 77 88
bfaure-jarrosion@invest-securities.com

Christian Guyot
Consumer Goods

+33 1 80 97 22 01
cguyot@invest-securities.com

Matthieu Lavillunière, CFA
Technology

+33 1 73 73 90 34
mlavilluniere@invest-securities.com

Vladimir Minot
Real Estate

+33 1 73 73 90 25
vminot@invest-securities.com

Jean-Louis Sempé
Automotive

+33 1 73 73 90 35
jlsampe@invest-securities.com

Thibaut Voglimacci
Medtechs / Biotechs

+33 1 44 88 77 95
tvoglimacci@invest-securities.com

Laurent Wilk
Cleantech

+33 1 44 88 77 97
lwilk@invest-securities.com

TRADING FLOOR

Pascal Hadjedj
Head of Primary Sales

+33 1 55 35 55 61
phadjedj@invest-securities.com

Eric d'Aillières
Senior Advisor

+33 1 55 35 55 62
edaillieres@invest-securities.com

François Habrias
Institutional Sales

+33 1 55 35 55 70
fhabras@invest-securities.com

Dominique Humbert
Sales trading

+33 1 55 35 55 64
dhumbert@invest-securities.com

Bertrand Le Mollé-Montanguon
Institutional Sales

+33 1 55 35 55 74
blmm@invest-securities.com

Ralph Olmos
Institutional Sales

+33 1 55 35 55 72
rolmos@invest-securities.com

Kaspar Stuart
Institutional Sales

+33 1 55 35 55 65
kstuart@invest-securities.com

Renaud Vallette Viallard
Institutional Sales

+33 1 72 38 26 32
rvv@invest-securities.com

Frédéric Vals
Institutional Sales

+33 1 55 35 55 71
fvals@invest-securities.com

CORPORATE BROKING & ISSUER MARKETING

Thierry Roussilhe
Head

+33 1 55 35 55 66
troussilhe@invest-securities.com

Amaury Dada
Executive

+33 1 73 73 90 31
adada@invest-securities.com

Claude Bouyer
Senior Advisor

+33 1 44 88 88 02
cbouyer@invest-securities.com