

AGRIA GROUP HOLDING
INDUSTRY: AGRICULTURAL PRODUCERS
FOCUS ON INVESTMENTS

AGRIA GROUP HOLDING STARTS TO IMPLEMENT A SOLID INVESTMENT PROGRAM DURING THE NEXT TWO YEARS. 2015 HARVEST IS EXPECTED TO BE VERY GOOD, WHILE THE RISING PRICES OF GRAINS ON INTERNATIONAL MARKETS WILL SUPPORT THE TURNOVER AND PROFIT OF THE HOLDING. LACKLUSTER PERFORMANCE DURING THE FIRST QUARTER, BUT NOT SUGGESTING A WORSENING RESULTS FOR THE YEAR.

NEW INVESTMENT PROGRAM IN GRAIN PRODUCTION AND TRADE

Agria Group Holding has new and ambitious plan for investments that will increase grain storage capacity and grain trade turnover. This is the main area of operations and the improvement of assets in storage and transportation will raise substantially the export volumes of the Holding. The storage facilities have capacity of 150,000 tons and the current investment project will add 40,000 tons. The 26% increase should contribute to a respective growth of turnover of the segment of grain trade. Agria plans to acquire additional 1,400 ha of arable land, thus raising the owned land to 7,000 ha. Total planned investments for the next two years in the undergoing projects are EUR 19.5 m, which is twice the amount during the last three years.

POSSIBLE CAPITAL RAISE

The possibility of Agria to raise capital was mentioned in the shareholders' meeting this year, including the increase of the free-float. Those intentions, however, are at least few quarters away from accomplishment. Thus, a stock market reaction is not expected. The capital raise will have very positive effect on the stock's liquidity. Moreover, the funds will be used for additional increase of farmland, which is the largest item in the investment program of the Holding. It aims to increase the share of owned land to 50% of the total that it cultivates and to minimize the risk of fluctuation of farming areas and revenues.

AGRIA FORECASTED DOUBLE-DIGIT GROWTH FOR THE NEXT THREE YEARS

The Holding forecasted 13% annual growth of revenues for the period 2015-2017. This exceeds slightly our previous expectations due to the abovementioned investment program. The big difference is that we calculated nominal turnover growth due to recovery of grain prices that we expect after several years of global surplus and low prices. Agria is building the infrastructure to increase the volumes of grain trade and most of the expected growth is in real volumes. Therefore, we see room for even better performance of annual turnover.

VALUATION: Our one year price target is BGN 15.11 per share. The valuation is based on a DCF model that assumes a growth of revenues due to acquisitions of smaller companies, moderate recovery of grain prices and an investment program that aims to improve profit margins. Considering the expected increase of revenues, the stock represents an attractive long-term investment.

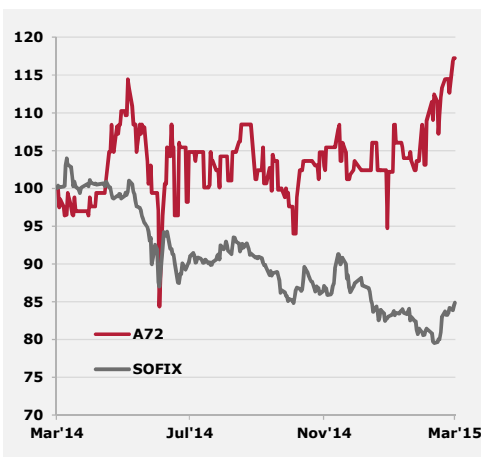
RESULTS ANALYSIS

PREVIOUS RATING: BUY
ONE YEAR PRICE TARGET: BGN 15.11
 (NOVEMBER 13, 2014)
CURRENT PRICE: BGN 9.70

EXCHANGE RATES
EUR/BGN (FIXED): 1.95583
USD/BGN: 1.7860

MARKET DATA

Shares Outstanding: **6.8m**
 Share Capital: **BGN 6.8m**
 Free-float: **20%**
 Treasury Shares: **0%**
 Market Cap.: **BGN 76.5m**
 Avg. Daily Vol.: **BGN 5,000**
 52 Weeks Range: **BGN 7.00-12.95**
 BSE Ticker: **A72**
 Bloomberg: **A72 BU**

PRICE PERFORMANCE


in kBGN, excl. ratios	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015
REVENUES	52,220	44,196	15,689	7,933	52,958	46,249	14,523
EBITDA	3,817	4,828	3,184	3,174	5,892	9,196	2,016
EBIT	2,452	5,689	1,741	2,213	4,922	8,211	454
NET PROFIT	1,651	4,237	1,741	1,490	4,143	7,455	454
EQUITY	56,501	60,739	62,486	64,042	63,586	70,989	70,586
ROE	15.17%	16.66%	15.09%	14.96%	18.51%	22.72%	20.12%
ROA	13.59%	15.73%	15.30%	15.13%	19.22%	25.09%	22.51%
EBITDA MARGIN	15.22%	10.97%	10.97%	12.50%	14.14%	17.46%	16.67%
NET PROFIT MARGIN	7.42%	6.41%	6.45%	7.60%	9.61%	12.07%	11.13%
EPS	0.05	0.13	0.03	0.03	0.07	0.13	0.01
DEBT/EQUITY	1.24	1.03	0.94	1.13	1.25	0.91	1.04
P/E	4.01	3.58	6.23	5.97	5.12	3.90	5.65
P/B	0.61	0.60	0.94	0.89	0.95	0.89	1.14
EV/EBITDA	6.01	5.88	7.43	8.31	7.92	5.54	7.24

*Ratios and multiples are on ttm basis

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ANALYST'S COMMENT

2015 will bring a very good grain harvest in Bulgaria and the beginning of huge investment program when considering Agria. We want to emphasize on the latter as the harvest and the results for the first quarter are in line with normal operations of the Holding. The investment program for the next two year is significant and will exceed BGN 39 m, compared to the twice-lower investments for the past three years.

The undergoing projects include the 26% increase of grain silos that will support a corresponding growth of grain trade along with investments in transportation vehicles and logistic infrastructure. These investments should increase the turnover and the nominal profits from the main activities. However, the largest funds are planned into the agricultural production, where margins are higher. More than 70% of investments will be used in acquisitions of owned arable land that is expected to increase to 7,000 ha from the current 5,600 ha. Agria will focus on the irrigation of land that should limit the negative effects from climate anomalies and additionally raise margins from the better crop yield. The bottom line is that the Holding will increase its land assets and revenues, along with its position as an exporter of grains. Agria already had positive results in the last few years following this strategy. We don't consider the investments as a new milestone for the company. They are, however, an intensification of long-term growth policy that have positive results so far.

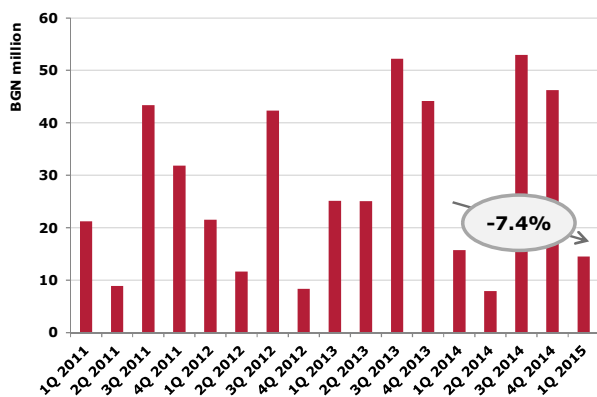
Concerning the short-term events, Agria reported a weaker first quarter in terms of profit. The higher costs are not representative for the overall trend due to the small period and the specifics of the grain trade during the winter. The consolidated revenues fell 6%, whereas EPS was BGN 0.07 as compared to BGN 0.26 a year ago. EPS for the total 2014 was BGN 2.18, following the strong results during the second half of the year and the received subsidies for agricultural producers in the country.

The dollar prices of grains were stable in the region during the last four quarters but the appreciation of the US dollar has positive effect for producers and traders in Bulgaria. The dollar appreciation should stimulate the export from the region. The forecasts for this year's harvest of wheat in Bulgaria point to 4.5 m tons. The average crop per ha is 4.51 tons and is 5.6% higher as compared to year ago. The quality of produced grains also is better than 2014. The prices of wheat is expected to fall further on the domestic market on top of the 16% decline as compared to a year ago. The same trend is observed in Hungary, whereas wheat price in Ukraine fell even lower.

The rising dollar quotes of wheat in the USA and France diverged to the stable prices in the region. As a result of the expectations of better crop, the local market should be under pressure, whereas exporters might benefit from the higher prices abroad. Agria should benefit as a trading company and large exporter if domestic prices decline until the divergence of wheat quotes in the USA and Western Europe remains in place.

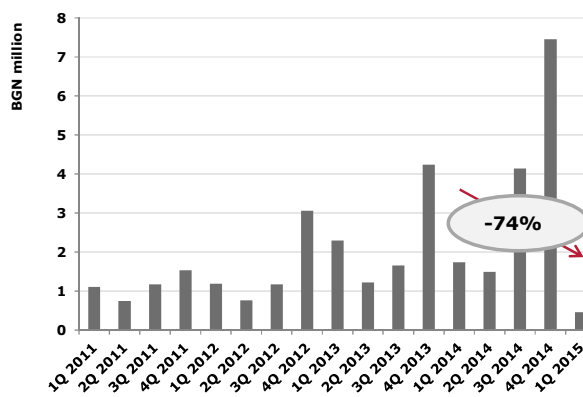
We rate Agria a BUY and we value the stock with a premium to the current market price. This is driven by number of positive factors, which we believe should support the mid-term performance of the company. The impact of possible capital raise on the valuation and the return for investors has two sides. On one the hand, is the improvement of free-float, market capitalization and liquidity that presently are seen as the biggest brake to the Bulgarian stock market. On the other, are the positive effects on financial results as the capital inflows would expand the land acquisitions and would support profit margins. Agria is a leveraged company with debt-to-equity ratio of 1, thus the capital raise is needed to continue the growth of assets. The Holding, however, generates solid profit. When maintaining the debt-to-equity ratio unchanged, Agria will have at its disposal BGN 30 m per year to invest. This is enough to cover the planned investments.

QUARTERLY REVENUES



Source: Company data

QUARTERLY PROFITS



Source: Company data

QUARTERLY DATA (UNAUDITED)

Income Statement ('000 BGN)	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Revenue	8,354	25,121	25,070	52,220	44,196	15,689	7,933	52,958	46,249	14,523
Operating Expenses	6,860	24,030	24,849	51,354	40,566	14,932	8,121	50,818	40,288	15,194
Change in Inventories	(9,019)	(3,695)	(4,585)	10,553	(4,511)	(1,662)	(7,415)	12,872	(2,792)	(4,156)
Cost of Material	5,295	3,921	8,310	4,586	3,897	2,465	8,572	8,694	4,532	4,983
Cost of Labor	556	516	555	577	578	585	693	1,491	1,079	1,153
Cost of External Services	5,314	930	1,603	2,636	6,286	846	1,062	2,942	8,318	1,367
Depreciation and Amortization	1,078	1,182	1,265	1,365	(861)	765	961	970	985	954
Net Book Value of Assets Sold	3,607	21,066	17,633	31,611	35,105	11,919	4,196	23,798	27,953	10,862
Other Costs	(9,019)	(3,695)	(4,585)	10,553	(4,511)	(1,662)	(7,415)	12,872	(2,792)	(4,156)
Operating Income	4,533	3,031	1,955	2,452	5,689	2,419	2,213	4,922	8,211	1,062
Interest Expense	701	737	740	801	854	678	723	779	774	620
NET INCOME	3,053	2,294	1,219	1,651	4,237	1,741	1,490	4,143	7,455	454

Balance Sheet ('000 BGN)	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Cash & Near Cash Items	674	1,696	2,286	1,592	2,008	2,208	1,811	3,519	3,261	3,313
Accounts & Notes Receivable	20,073	22,529	31,464	36,659	40,638	36,775	50,058	43,867	36,622	40,964
Inventories	58,208	54,445	44,207	41,709	36,100	34,883	39,389	28,610	36,923	36,299
Total Current Assets	79,070	79,049	78,365	80,402	78,883	74,058	91,439	76,288	77,009	80,861
Net Fixed Assets	45,871	48,757	49,399	49,365	51,501	51,822	54,185	62,412	63,278	66,645
Other Long-Term Assets	7,256	12,871	12,934	12,921	12,905	13,716	13,733	15,559	13,022	12,817
Total Long-Term Assets	53,127	61,628	62,333	62,286	64,406	65,538	67,918	77,971	76,300	79,462
Total Assets	132,197	140,677	140,698	142,688	143,289	139,596	159,357	154,259	153,309	160,323
Accounts Payable	7,677	10,976	10,645	7,858	12,313	10,949	15,597	5,352	12,783	10,703
Short-Term Borrowings	53,822	51,630	47,487	50,757	45,699	42,708	52,073	53,119	39,712	47,889
Other Short-Term Liabilities	21	87	437	431	736	1,228	705	1,128	1,027	599
Total Current Liabilities	61,520	62,693	58,569	59,046	58,748	54,885	68,375	59,599	53,522	59,191
Long-Term Borrowings	14,631	17,789	19,357	19,227	17,135	16,180	20,057	26,076	24,646	25,832
Other Long-Term Liabilities	4,411	6,564	7,922	7,914	6,667	6,045	6,883	4,998	4,152	4,714
Total Long-Term Liabilities	19,042	24,353	27,279	27,141	23,802	22,225	26,940	31,074	28,798	30,546
Total Liabilities	80,562	87,046	85,848	86,187	82,550	77,110	95,315	90,673	82,320	89,737
Total Equity	51,635	53,631	54,850	56,501	60,739	62,486	64,042	63,586	70,989	70,586
Total Liabilities & Equity	132,197	140,677	140,698	142,688	143,289	139,596	159,357	154,259	153,309	160,323

Cash Flow Statement ('000 BGN)	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Cash From Operations	(2,199)	6,540	13,060	11,714	36,815	7,630	1,890	7,705	26,486	6,128
Cash From Investing Activities	(9,527)	(4,344)	(6,092)	(6,723)	(8,280)	(665)	(1,491)	(13,369)	(15,992)	(1,419)
Cash from Financing Activities	11,822	(1,174)	(5,356)	(4,073)	(27,201)	(6,765)	(596)	7,175	(9,241)	(4,657)
Net Changes in Cash	96	1,022	1,612	918	1,334	200	(197)	1,511	1,253	52
End-of-period cash	674	1,696	2,286	1,592	2,008	2,208	1,811	3,519	3,261	3,313

COMPANY OVERVIEW

COMPANY PROFILE

Agria Group is a holding that includes companies in the field of agricultural production and grain trade and processing. The grain trade and export contribute to the majority of consolidated revenues. Agria had developed an effective structure in the trade with grains; from the providing of raw materials to the delivery to Constanta, Varna and Burgas Ports cargo terminals at the Black Sea. The assets of The Group include grain storage capacity of 150,000 tons and a mill with 30,000 tons annual capacity.

The agricultural production is the second largest segment in the Group. The main cultures grown are wheat, barley, maize, sunflower and rapeseed. The cultivated area in 2014 were 20,000 ha, of which 5,300 ha own land.

Companies of Agria trade with nutrients, chemicals for plant protection, fuels and lubricants. The Holding's operations include import of sowing-seeds made by global plant breeding companies like Monsanto and KWS SAAT as a partnership to finance the production of rapeseed and wheat for the region of Northeast Bulgaria. Agria is a GMO-free producer.

FUNDAMENTAL STORY

Bulgaria is a traditional producer of grains and Agria is a sizable player on the market with its storage capacity and export operations. Its main advantages are the large scale of operations and the very good location and capacity of storage facilities.

The prices of grains are at multi-year lows due to the ample supplies after two years of excess production. Demand of grains rises steadily, which could provide a boost to prices in case of weak harvest. Additional increase to the top line of Agria should come from acquisitions of small agricultural producers.

The profitability of Agria should improve due to the investments in irrigation of plots near water sources, the modern machines for cost-efficient agriculture and the usage of hybrid seeds from leading brands that increase crop yields.

The subsidizing of agricultural production in Bulgaria contributes substantially to the financial results of Agria. The payments depend on the arable land and the investments in machine and equipment. Expected payments for 2015 are 10% higher y-o-y.

STRENGTHS AND OPPORTUNITIES

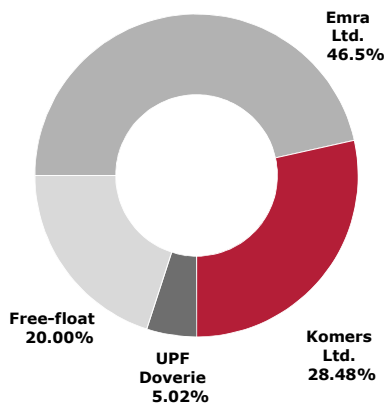
- Large scale of operations in the lucrative agricultural sector that receives sizable government support in EU. Agria receives subsidies for arable land and for investments in machine and equipment.
- Gradual increase of operations and acquisitions of smaller agricultural producers. One of the biggest Bulgarian companies in the sector.
- Value of owned land corresponds to two-thirds of the current market capitalization. Undervalued when comparing to net assets and profits.
- Synergy between different segments.
- Stable increase of demand of grains worldwide and favorable conditions for Bulgarian producers.

WEAKNESSES AND THREADS

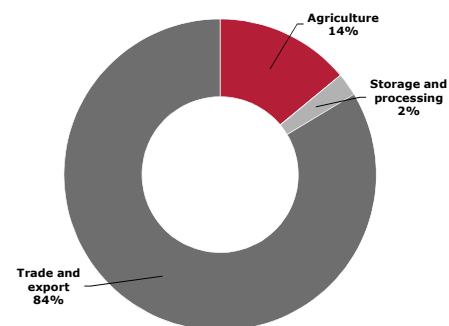
- Low prices of grains due to ample supplies
- Strong rivalry among domestic players, mainly on the international trade
- Possible changes in the subsidizing of agricultural producers

SHAREHOLDERS' STRUCTURE

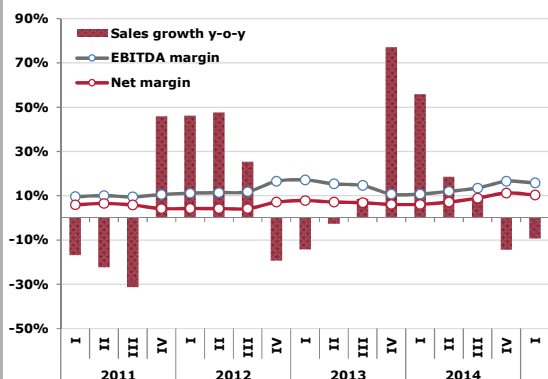
Shareholders' structure



SALES BREAKDOWN



MARGINS



Source: Company data; 12 months trailing data

PRICE TRIGGERS

- Recovery of Bulgarian stock market
- Increase of grain prices
- Dividend announcement
- Forthcoming acquisitions of smaller companies

YEARLY DATA

STATEMENT OF INCOME (IN '000 BGN)	2011	2012	2013	2014
SALES	108,085	87,220	153,754	132,340
OPERATING EXPENSES	99,796	76,753	140,079	114,159
CHANGE IN INVENTORIES	(4,219)	(4,192)	(2,791)	1,003
COST OF MATERIAL	17,562	17,967	20,806	24,263
COST OF LABOUR	1,477	1,890	2,236	3,848
COST OF EXTERNAL SERVICES	7,371	9,097	11,444	13,168
DEPRECIATION AND AMORTIZATION	3,138	3,926	2,951	3,681
NET BOOK VALUE OF ASSETS SOLD	73,749	47,983	104,678	67,866
OTHER COSTS	718	82	755	330
OPERATING INCOME	8,289	10,467	13,675	18,181
INTEREST EXPENSE	2,187	2,726	3,123	2,954
FOREIGN EXCHANGE LOSSES (GAINS)	366	91	(37)	22
NET NON-OPERATING LOSSES (GAINS)	672	709	597	376
PRETAX INCOME	5,064	6,941	9,992	14,829
INCOME TAX EXPENSE	502	776	598	0
INCOME BEFORE XO ITEMS	4,562	6,165	9,394	14,829
EXTRAORDINARY LOSS NET OF TAX	0	0	0	0
MINORITY INTEREST	0	0	0	0
NET INCOME	4,562	6,165	9,394	14,829
EARNINGS PER SHARE IN BGN	0.67	0.91	1.38	2.18
BALANCE SHEET (IN '000 BGN)	2011	2012	2013	2014
CASH AND NEAR CASH ITEMS	578	674	2,008	3,261
SHORT-TERM INVESTMENTS	0	0	0	0
ACCOUNTS AND NOTES RECEIVABLE	17,039	20,073	40,522	36,622
INVENTORIES	32,585	58,208	36,106	36,923
OTHER CURRENT ASSETS	213	115	236	203
TOTAL CURRENT ASSETS	50,415	79,070	78,872	77,009
LT INVESTMENTS AND LT RECEIVABLES	5	5	5	5
NET FIXED ASSETS	39,152	45,871	51,501	63,278
OTHER LONG-TERM ASSETS	4,853	7,251	12,900	13,017
TOTAL LONG-TERM ASSETS	44,010	53,127	64,406	76,300
TOTAL ASSETS	94,425	132,197	143,278	153,309
ACCOUNTS PAYABLE	2,230	7,677	12,316	12,783
SHORT-TERM BORROWINGS	25,413	53,822	51,317	39,712
OTHER SHORT-TERM LIABILITIES	272	21	735	1,027
TOTAL CURRENT LIABILITIES	27,915	61,520	64,368	53,522
LONG-TERM BORROWINGS	19,272	14,631	13,144	24,646
OTHER LONG-TERM LIABILITIES	1,051	4,411	5,021	4,152
TOTAL LONG-TERM LIABILITIES	20,323	19,042	18,165	28,798
TOTAL LIABILITIES	48,238	80,562	82,533	82,320
TOTAL PREFERRED EQUITY	0	0	0	0
MINORITY INTEREST	0	0	0	0
SHARE CAPITAL & APIC	6,800	6,800	6,800	6,800
RETAINED EARNINGS & OTHER EQUITY	39,387	44,835	53,945	64,189
TOTAL EQUITY	46,187	51,635	60,745	70,989
WORKING CAPITAL	94,425	132,197	143,278	153,309
NUMBER OF SHARES:	6,800,000	6,800,000	6,800,000	6,800,000
PRICE IN BGN - PERIOD END:	3.05	3.15	4.95	8.50
MARKET CAP IN '000 BGN - PERIOD END:	20,747	21,413	33,653	57,800

CASH FLOW STATEMENT (IN '000 BGN)	2011	2012	2013	2014
NET INCOME	8,283	15,676	14,067	9,128
DEPRECIATION & AMORTIZATION	16,636	15,256	14,413	13,968
OTHER NON-CASH ADJUSTMENTS	7,399	4,239	(3,570)	(2,997)
CHANGES IN NON-CASH CAPITAL	(4,368)	(4,577)	5,823	3,975
CASH FROM OPERATIONS	27,950	30,594	30,733	24,074
DISPOSAL OF FIXED ASSETS	40	247	819	0
CAPITAL EXPENDITURES	(10,970)	(7,876)	(21,185)	(45,890)
INCREASE IN INVESTMENTS	(206)	(14)	(88)	0
DECREASE IN INVESTMENTS	13	21	15	19
OTHER INVESTING ACTIVITIES	52	79	41	(41)
CASH FROM INVESTING ACTIVITIES	(11,071)	(7,543)	(20,398)	(45,911)
DIVIDENDS PAID	(1,622)	(1,280)	(2,575)	(1,600)
CHANGE IN SHORT-TERM BORROWINGS	(6,477)	(670)	4,698	92
CHANGE IN LONG-TERM BORROWINGS	(16,467)	(14,870)	(8,834)	12,974
INCREASE IN CAPITAL STOCKS	0	0	641	0
DECREASE IN CAPITAL STOCKS	0	0	0	0
OTHER FINANCIAL ACTIVITIES	1,451	(3,670)	(4,332)	10,733
CASH FROM FINANCING ACTIVITIES	(23,115)	(20,490)	(10,402)	22,199
NET CHANGES IN CASH	(6,236)	2,561	(67)	362
END-OF-PERIOD CASH	894	3,455	3,385	3,747
CASH PER SHARE	0.22	0.83	0.82	0.90

FINANCIAL AND PERFORMANCE INDICATORS	2011	2012	2013	2014
VALUATION				
PRICE/EARNINGS (P/E)	4.55	3.47	3.58	3.90
PRICE/BOOK (P/B)	0.45	0.41	0.55	0.81
PRICE/SALES (P/S)	0.19	0.25	0.22	0.44
EV (IN '000 BGN)	64,854	89,192	96,106	118,897
EV/EBITDA	5.67	6.20	5.78	5.44
PROFITABILITY				
RETURN ON COMMON EQUITY	10.59%	12.60%	16.72%	24.19%
RETURN ON ASSETS	5.28%	5.44%	6.82%	10.39%
RETURN ON INVESTED CAPITAL	8.02%	8.14%	10.05%	13.92%
EBITDA MARGIN	10.57%	16.50%	10.81%	16.52%
OPERATING MARGIN	7.67%	12.00%	8.89%	13.74%
NET INCOME MARGIN	4.22%	7.07%	6.11%	11.21%
DIVIDEND				
DIVIDEND YIELD				
DIVIDEND PER SHARE				
LIQUIDITY				
CURRENT RATIO	1.81	1.29	1.23	1.44
QUICK RATIO	0.63	0.34	0.66	0.75
CREDIT				
LT DEBT/EQUITY	0.42	0.28	0.22	0.35
TOTAL DEBT/EQUITY	0.97	1.33	1.06	0.91
TOTAL DEBT/TOTAL ASSETS	0.47	0.52	0.45	0.42
EBIT/INTEREST EXPENSE	3.79	3.84	4.38	6.15

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BUY	More than 5% higher as compared to SOFIX and BG40 performance
HOLD	Market performance, +/-5% as compared to SOFIX and BG40
SELL	More than 5% lower as compared to SOFIX and BG40 performance

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