



## Trans-oil (Aragvi Finance International): proven progress in operating profile

On January 31, Trans-oil (Aragvi Finance International) released strong trading update for 6 months ended 31.12.2019. Total sales reached \$464 mln, +65% yoy. Revenue added 47% qoq, making up \$276 mln. Despite Origination and Marketing segment (commodities trading unit) continued to demonstrate strong performance (+18% qoq in terms of revenue) and comprised the bulk of consolidated turnover (85% for 6M2020), the most noticeable progress was seen in Crushing and Refining division, that underperformed earlier due to capacity upgrade and unfavorable price environment. During October-December 2019 Aragvi set a new production record and crushed 166,000 tonnes of seeds (+388% qoq) that together with the rebound of vegetable oil market led to unprecedented sales surge: \$62 mln compared to just \$7 mln for July-September 2019.

As for 6M FY2019/2020 Aragvi managed to sell 1.717 mln tonnes of commodities of all types, showing an upside of 73%. This was reached thanks to better crops in Moldova as well as strong marketing programme implementation.

Other changes in company's operating profile relate to acquisition of 100 new railcars (total fleet now comprises out of 175 units) in late December 2019. The deal will support margins going forward through transportation costs reduction. It will also help to reduce operational risks by decreasing dependency on state-owned railway company.

The company's only trading eurobond **Aragvi 24 (YTM 9.6%)** showed negative price dynamics over the last days due to increased market volatility and lower demand for risk.

That said we are still positive on the notes assuming them one of the best picks in EM high yield segment. We believe the issue will see price recovery as soon as investor sentiment improves.

## OPERATING DATA

	3M ended 31.12.2019	3M ended 30.09.2019	Q-o-Q change, %	3M ended 30.06.2019	Q-o-Q change, %	6M ended 31.12.2019	6M ended 31.12.2018	Y-o-Y change, %
<b>Origination &amp; Marketing</b>								
Volume originated and sold, '000 tonnes	870	712	22%	511	39%	1582	928	70%
Segment revenue, \$ mln	214	181	18%	117	55%	395	248	59%
<b>Crushing &amp; refining</b>								
Sunflower seeds processed, '000 tonnes	166	34	388%	14	143%	200	88	127%
Crude oil produced, '000 tonnes	71	15	373%	7	114%	86	38	126%
Meal produced, '000 tonnes	61	13	369%	6	117%	74	33	124%
Bottled oil produced, '000 tonnes	0	2	-100%	7	-71%	2	3	-33%
Segment revenue, \$ mln	62	7	786%	18	-61%	69	34	103%
<b>Total revenue, USD min</b>	<b>276</b>	<b>188</b>	<b>47%</b>	<b>139</b>	<b>35%</b>	<b>464</b>	<b>282</b>	<b>65%</b>
<b>Sales by types of commodities, '000 tonnes</b>								
Sunflower seeds	193	245	-21%	0		438	306	43%
Barley	56	65	-14%	17	282%	121	29	317%
Wheat	247	316	-22%	181	75%	563	305	85%
Corn	243	25	872%	187	-87%	268	164	63%
Other	239	70	241%	168	-58%	309	189	63%
<b>Total</b>	<b>995</b>	<b>722</b>	<b>38%</b>	<b>553</b>	<b>31%</b>	<b>1717</b>	<b>994</b>	<b>73%</b>

Source: Company data, ITI Capital estimates

## ARAGVI 24 PRICE PERFORMANCE



Source: Bloomberg, ITI Capital

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