



Aragvi FY2020 IFRS financials

Aragvi holding (Trans-Oil group), Moldova's largest agro-producer, recently posted IFRS financials for the full year ending on June 30, 2020 as well as an operating update for three months ending on September 30. Naturally, the released figures reflect the sharp deterioration in the operating environment that started in early March 2020 due to the spread of the pandemic. That said, the results topped our expectations, indicating that Aragvi's credit profile still looks quite resilient. However, we suggest refraining from forming long positions in HY instruments for now due to high volatility and uncertainty on the back of the upcoming US presidential elections and new lockdowns worldwide. Still as soon as market sentiment improves Aragvi 24 (YTM10,25%) can become an appealing buying opportunity.

FY2020 FINANCIAL HIGHLIGHTS:

- The top line came out 47% higher y-o-y, reaching almost \$808 mln thanks to strong results of the Operating and Marketing segment that resulted from an effective international marketing programme (the group managed to sell 2 827 mt of commodities of all types, + 43% y-o-y). The Crushing and Refining segment even outperformed in terms of growth rates because of increased crop production in Moldova and rebound in commodity prices. However, the bulk of consolidated turnover (79%) still comes from the commodities trading unit.
- On the half year basis sales decreased by almost 25% to \$350 mln in 2H20. The decline was attributed to a significant failure of the Marketing division (-40% half-on-half). Partly this reduction was offset by the Crushing segment that added 45% compared to 1H20. Extraction plants processed 455,000 tonnes of sunflower seeds in 12M20 (+90% y-o-y), setting a new production record.
- Additionally, Aragvi faced a margin decrease - consolidated EBITDA margin in 2020 fell to 11.8% from 14.5% in 2019 due to costs inflation in the Origination and Marketing segment. As of 2H20 EBITDA margin stood at 10.9% vs 12.5% in 1H20.
- Net income for FY2020 was \$24 mln, a 15% increase y-o-y.
- Free cash flow (FCF) turned positive in 2H20 (\$69 mln vs -\$97 mln in 1H20) thanks to release of working capital. At the same time OCF pre-changes in working capital slipped by 28% in 2H20 (half-on-half). CAPEX hasn't changed since January-June 2020 (\$7 mln).
- The debt profile has undergone some mixed changes since its last reading for 1H20. Specifically, Aragvi's total debt declined by \$10 mln half-on-half down to \$467 mln. Almost all borrowings were still denominated in hard currency (around 97% in USD). At the same time, the net leverage ratio materially deteriorated due to a decline in RMIs and lower EBITDA. Namely, the Net Debt (adjusted for RMIs)/ annualized EBITDA ratio for 2H20 stood at 3.3x compared to 1.9x as of FY1H20. The Net leverage ratio calculated on an annual basis (for FY20) equals 2,7x. We view the current debt burden of the group as acceptable, which is especially important for HY category issuers. Short term obligations always account for almost ¼ of the total portfolio.
- This summer Moldova faced a significant drought that cut the country's overall crop of major agricultural commodities by almost 50%. Against this background, the results of the group's Crushing and refining segment weakened materially in July-September 2020 and are expected to decrease going forward. Sunflower procession

declined by almost 40% y-o-y and by 85% q-o-q. This drop will obviously affect Aragvi's financials for 1H21 (ending December 31, 2020) as the Crushing division used to add more than 20% to the consolidated turnover.

KEY FINANCIAL DATA, IFRS

\$, mln	FY20	FY19	FY18	FY17	2H ended	1H20 ended
					30.06.20	31.12.19
Revenue	814	552	458	350	350	464
YoY change, %	47.5%	20.5%	30.9%	15.0%		
Gross margin	18.9%	20.5%	22.1%	21.4%	19.4%	18.3%
Operating profit	84	69	51	35	33	51
EBITDA	96	80	60	45	38	58
YoY change, %	20.0%	33.3%	33.3%			
EBITDA margin	11.8%	14.5%	13.1%	12.9%	10.9%	12.5%
Net Income	39	34	26	11	15	24
OFC	-14	-56	10	13	76	-90
Net CAPEX	14	5	7	10	7	7
FCF	-28	-61	3	3	69	-97
Total assets	860	719	525	535	860	838
Total equity	332	284	243	217	332	308
Total debt	467	394	248	265	467	477
Short term debt, %	27.4%	17.3%	73.8%	67.5%	27.4%	28.7%
Net Debt	407	319	222	256	407	412
RMI	203	146	84	74	203	248
Net Debt (adj)	255	210	159	201	255	226
Net Debt/EBITDA	4.2	4.0	3.7	5.7	5.4	3.6
Net Debt (adj)/EBITDA	2.7	2.6	2.7	4.5	3.3	1.9
EBITDA/ interest paid	2.3	3.0	2.4	2.0	2.2	2.5
Total Debt/Equity	1.4	1.4	1.0	1.2	1.4	1.5

Source: Company data, ITI Capital estimates

CONTACT LIST

Trading

Mikhail Durov | Fixed Income Trader | Mikhail.Durov@iticapital.com

Sales

Aleksandr Panfilov | Head of Fixed Income Sales | Aleksandr.Panfilov@iticapital.com

Research

Iskander Lutsko | Head of Research, Chief Investment Strategist | Iskander.Lutsko@iticapital.com

Olga Nikolaeva | Senior Fixed Income Research Analyst | Olga.Nikolaeva@iticapital.com

Stanislav Yudin | Senior analyst, Equity Research | Stanislav.Yudin@iticapital.com

Irina Fomkina | Research Analyst | Irina.Fomkina@iticapital.com

Elizaveta Herne | Research Analyst | Elizaveta.Herne@iticapital.com

Oleg Makarov | Chief Editor | Oleg.Makarov@iticapital.ru

CONTACT DETAILS:

ITI Capital Limited
Level 33 Tower 42,
25 Old Broad Street,
London EC2N 1HQ,
United Kingdom

PHONE:

+44 (0) 20 3889 8333
+44 (0) 20 3889 8331

WEB:

iticapital.com

ITI Capital Ltd. (hereinafter, the "Company") is not responsible for and does not give any warranties in connection with the transfer of marketing materials. This marketing document is for information purposes only. Any information in this document is based on data obtained from sources believed by the Company to be reliable, but no representations, guarantees or warranties are made by the Company with regard to the accuracy, completeness or suitability of the data. The information contained herein does not constitute the provision of investment advice. It is not intended to be nor should it be construed as an offer or solicitation to acquire, or dispose of, any of the financial instruments and/or securities mentioned in this document and will not form the basis or a part of any contract or offer.

Neither the Company, nor its affiliates, principals, directors, employees or agents accept any liability for any direct or consequential loss arising from any use of this marketing document and any accompanying materials. Investors should make their own investment decisions using their own independent advisors, as they believe necessary and based upon their specific financial situations and investment objectives when investing. This material is not intended for the use of Private Customers as that term is defined under the Financial Services and Markets Act 2000 in the United Kingdom. This material has been approved for publication in the United Kingdom and European Union by ITI Capital Limited, authorised and regulated by the Financial Services Authority and a member firm of the London Stock Exchange.