

## AUGA: Q3 Results Review

### Revenues surged, along with improvement in profitability

AUGA group (hereinafter referred to as the 'Company') published Q3 2020 results on 30<sup>th</sup> November 2020. The Company stated that despite the COVID-19 crisis, the agricultural sector performed better than during the last two years. In particular, there has been a strengthening in the fast-moving consumer goods segment.

In Q3 2020, the Company's revenues increased by 52.0% y-o-y to EUR 27.7m, 38.9% higher than our estimated revenues. The Company also showed significant improvement in profitability. The gross profit almost doubled to EUR 3.3m, while the Company recorded an operating profit of EUR 0.7m (Q3 2019: an operating loss of EUR 0.6m). However, an increase in financial costs from EUR 1.0m in Q3 2019 to EUR 1.6m in Q3 2020 left the Company in the red at the end of the latest quarter. The increase in financial costs was primarily due to IFRS 16 related interest expenses and interest relating to the bonds issued in December 2019.

AUG1L LH : Results Review, EURm	Q3/20A	Q3/19A	% y-o-y	Q3/20E	Dev, abs	Dev, %
Revenue	27.7	18.2	52.0	19.9	7.7	38.9
Gross profit	3.3	1.7	96.8	n.a.	n.a.	n.a.
Operating profit	0.7	(0.6)	n.m.	n.a.	n.a.	n.a.
Net profit	(0.9)	(1.7)	n.m.	0.5 to 1.5	(2.4) to 1.4	n.m.
Gross margin, %	13.7	(13.3)		n.a.		
Operating margin, %	3.1	(4.8)		n.a.		
Net margin, %	(3.7)	(13.2)		2.5 to 7.5		

Source: AUGA group, LHV

The Company indicated that it has signed refinancing agreements with financial institutions for its loans amounting to EUR 38.1m. This is an increase in debt by EUR 11.6m, but with the benefit of a 0.8% reduction in the average interest rate. We perceive this refinancing as a success for the Company, which has been trying to restructure its financing, reducing its current debt, and increasing its non-current debt. This contributes towards its overall strategy of increasing efficiency, reducing greenhouse gas emissions, and developing unique technologies.

Below is the discussion about the Company's segmental performance in 9M 2020:

- Crop Growing**

The crop growing segment's revenues surged 70% y-o-y to EUR 27.9m, on the back of favourable weather conditions and improved efficiency. Also, it has already signed sales contracts for 77% of its forecasted harvest.

Key Numbers (EURm)	2017	2018	2019	2020*	2021*	2022*
Sales (EURm)	48.8	54.7	71.1	77.2	82.9	87.3
Sales growth (%)	23.1	12.2	29.9	8.6	7.4	5.3
Net profit (EURm)	4.9	(6.0)	(3.0)	2.2	5.7	7.4
EPS (EUR)	0.03	(0.03)	(0.01)	0.01	0.03	0.03
P/E (x)	20.5	n.m.	n.m.	45.5	17.7	13.6
Payout per share (EUR) <sup>#</sup>	-	-	-	-	-	-
Payout yield (%)	-	-	-	-	-	-
P/B (x)	1.3	0.9	0.9	1.1	1.0	1.0
EV/Sales (x)	3.0	2.5	2.4	2.4	2.2	2.1
EV/EBITDA (x)	10.7	32.6	10.1	8.4	7.6	7.5
EV/EBIT (x)	21.8	n.m.	152.9	20.7	15.6	14.1
ROE (%)	6.5	(7.0)	(3.3)	2.4	6.0	7.3

Source: AUGA Group, LHV \*FY 2020E-2022E multiples are based on the share price (2<sup>nd</sup> Dec 2020) of EUR 0.444 per share. <sup>#</sup> Payout per share include dividends and share capital reduction.

### Company Profile

Listing Market:	Baltic Main List
Bloomberg Ticker:	AUG1L LH
ISIN:	LT0000127466
Industry:	Consumer Goods
Sector:	Food & Beverage
No. of Employees:	1,314
Website:	www.auga.lt

### Share Data, as of 2<sup>nd</sup> Dec 2020

Current Share Price (EUR):	0.444
Fair Value Range (FVR), EUR:	0.45-0.55
Upside, % (to mid-point of FVR):	12.61
52-week High/Low (EUR):	0.478/0.260
3m Avg. Daily Volume (th):	46.46
Market Cap (EURm):	100.97
Ordinary Shares (m):	227.42

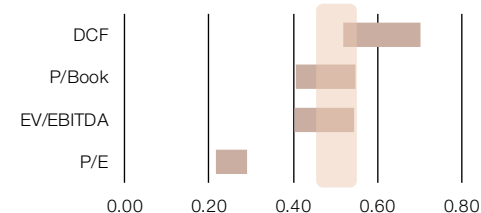
### Key Shareholders, as of 30<sup>th</sup> Sep 2020

Baltic Champs Group UAB	55.04%
EBRD	8.71%
UAB "ME Investicija"	8.39%
Žilvinas Marcinkevičius	7.00%

### 12-Month Price Performance



### LHV Fair Value Range: EUR 0.45-0.55\*



\* As of 8<sup>th</sup> May 2020

<b>AUG1L: Segment Results Review</b>	<b>9M 20A</b>	<b>9M 19A</b>	<b>% y-o-y</b>
<b>Crop Growing, EURm</b>			
Total revenue of sold agricultural produce	27.9	16.5	69.5
Total cost of sold agricultural produce	28.8	17.7	62.5
Total inventory write-offs	1.0	0.7	32.9
<b>Result of sales of agricultural produce</b>	<b>(1.9)</b>	<b>(2.0)</b>	<b>n.m.</b>
Gain (loss) on revaluation of agricultural produce	6.5	3.9	67.4
Total subsidies	5.6	5.3	5.7
<b>Gross profit of crop growing segment per period</b>	<b>10.2</b>	<b>7.1</b>	<b>42.5</b>
<b>Mushroom Segment, EURm</b>			
Total revenues	22.9	21.1	8.5
Total cost of sales	21.6	19.6	9.8
<b>Gross profit of mushroom growing segment</b>	<b>1.4</b>	<b>1.5</b>	<b>(8.7)</b>
<b>Dairy Segment, EURm</b>			
Total revenues of dairy segment	8.2	7.6	7.9
Total cost of dairy segment	7.8	7.6	2.0
Revaluation of biological assets	(2.3)	(2.3)	n.m.
Total subsidies	2.0	1.7	18.1
<b>Gross profit of dairy segment</b>	<b>0.0</b>	<b>(0.7)</b>	<b>n.m.</b>
<b>End-Consumer Packaged Goods, EURm</b>			
Total revenue from end-consumer packaged goods sales	3.4	1.8	83.6
Total cost of sales of end-consumer packaged goods	3.1	1.8	68.7
<b>Gross profit of end-consumer packaged goods</b>	<b>0.3</b>	<b>0.0</b>	<b>n.m.</b>

Source: AUGA group, LHV

With stronger yields for most of the major crops and significantly higher revenues, the Company experienced decent growth in gross profit from EUR 7.1m in 9M 2019 to EUR 10.2m in 9M 2020.

- **Mushroom Segment**

The mushroom segment's revenues grew by 8.5% y-o-y to EUR 22.9m. This was supported by the stronger yields, a 7% increase in volumes sold (c.a. 9,652t), a further shift to organic mushrooms (7.6% of total volume), and an annual increase in the selling price.

However, due to changes in market conditions and fluctuations caused by the COVID-19 pandemic, the gross profit for the segment declined by 9% y-o-y to EUR 1.4m. The Company explained that the segment suffered due to a decline in demand from the catering sector and compost export market. Additionally, an exceptionally strong forest mushroom season resulted in a decline in the demand for grown mushrooms.

- **Dairy Segment**

The dairy segment also exhibited solid revenue growth of 7.9% y-o-y, with revenues reaching EUR 8.2m. The Company stated that the price of its organic milk (which now accounts for 93% of milk sold) had remained stable. However, the costs have increased by 2% y-o-

y during the corresponding period as the 2018/19 drought adversely impacted the forage crop yields.

The Company has reiterated that it is focused on efficiency and increasing the milk yields per cow, which would reduce costs and increase production quantities. It is also incurring large short-term losses on the revaluation of its biological assets due to its strategic decision to change its herd from being older individuals to younger ones.

- **Fast-Moving Consumer Goods ('FMCG')**

The fast-moving consumer goods segment's revenues surged to EUR 3.4m (+84% y-o-y). The growth came from all the markets, especially the US and Swedish markets, with the COVID-19 pandemic driving the demand for organic and long shelf-life products. Preserved mushrooms, vegetables, and soups represented 65% of revenues generated by this segment. This segment's performance may improve further as a result of the acquisition of Grybai LT, as this acquisition will open the doors for producing new products.

Our fair value range for the Company is EUR 0.45-0.55 (closing price as of 2<sup>nd</sup> December 2020 was EUR 0.444 per share).

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Date and time of sign-off: Thursday 3<sup>rd</sup> Dec, 13:00**Disclaimer**

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