

## AUGA: Q4 Results Review

### Revenues declined, but profitability improved

AUGA group (hereinafter referred to as the 'Company') published Q4 2020 results on 26<sup>th</sup> February 2020, which were in line with our expectations. In Q4 2020, the Company's revenues declined by 13.8% y-o-y to EUR 20.8m, primarily due to a significant drop in the crop growing segment's revenue. However, the cost of sales declined at a higher rate of 15.0% y-o-y, which, coupled with much higher subsidies, led to a substantial improvement in the gross profit. The total gain/(loss) on revaluation fell 36% y-o-y to EUR 1.0m which total subsidies received increased more than 8x to EUR 2.5m. The gross profit more than doubled to EUR 3.9m, leading to a gross margin of 19.0% (Q4 2019: 7.7%). The operating expenses grew by 7.2% y-o-y to EUR 3.0m while other income plummeted to EUR 0.05m (-74% y-o-y). The Company recorded an operating profit of EUR 1.1m compared to an operating loss of EUR 0.7m in Q4 2019. The finance cost fell considerably to EUR 1.0m (-51% y-o-y), as the interest expenses related to IFRS 16 dropped by EUR 1.0m on a y-o-y basis. The Company reported a substantial improvement at the bottom line, with total net profit reaching EUR 0.5m, compared to a net loss of EUR 1.9m in Q4 2019.

### Segment Results

- Crop Growing

The crop growing segment's revenues declined by 27% y-o-y to EUR 9.5m, probably due to the early harvesting of sugar beets. The sales of sugar beets were recognised in September instead of October as in the previous year. As of 31<sup>st</sup> December 2020, the current conditions of crops remained good, and the Company has already signed sales contracts for 95% of its forecasted harvest, out of which 63% was sold and delivered to its clients. Due to much higher subsidies received in the latest quarter, this segment's gross profit more than tripled to EUR 2.7m, with a gross margin of 19% (Q4 2019: 7.7%).

- Mushroom Segment

Despite stable sales volume, on a y-o-y basis, the mushroom segment's revenues declined 6.6% y-o-y to EUR 7.1m, while the cost of sales increased by 1.5% y-o-y, leading to a 61% y-o-y decline in gross profit to EUR 0.4m. The revenue from mushroom sales fell 2.8% y-o-y to EUR 6.9m, while the compost sales revenue declined to EUR 0.2m (-56.6% y-o-y). The Company explained that the segment suffered in 2020 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

In Q4 2020, the dairy segment exhibited decent revenue growth of 5.2% y-o-y, with revenues reaching EUR 2.7m, driven by growth in revenues from milk sales. The revenue from milk sales increased 3.8% y-o-y to EUR 2.5m, supported by stable milk prices

Key Numbers (EURm)	2017	2018	2019	2020	2021E*	2022E*
Sales (EURm)	48.8	54.7	71.1	83.1	82.9	87.3
Sales growth (%)	23.1	12.2	29.9	16.8	(0.2)	5.3
Net profit (EURm)	4.9	(6.0)	(3.2)	0.9	5.7	7.4
EPS (EUR)	0.03	(0.03)	(0.01)	0.00	0.03	0.03
P/E (x)	20.5	n.m.	n.m.	110.0	18.0	13.8
Payout per share (EUR)#	-	-	-	-	-	-
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	2.3	2.3	2.2
EV/EBITDA (x)	10.7	32.6	10.1	9.2	8.1	7.9
EV/EBIT (x)	21.8	n.m.	171.5	32.1	16.4	14.9
ROE (%)	6.5	(7.0)	(3.6)	1.0	6.0	7.3

Source: AUGA Group, LHV \*FY 2021E-2022E multiples are based on the share price (1<sup>st</sup> March 2021) of EUR 0.45 per share. # 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

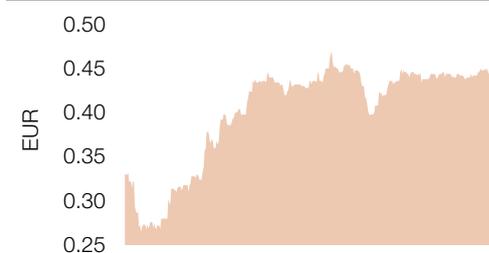
### Share Data, as of 1<sup>st</sup> March 2021

Current Share Price (EUR):	0.45
Fair Value Range (FVR), EUR:	0.45-0.55
Upside, % (to mid-point of FVR):	11.11
52-week High/Low (EUR):	0.478/0.260
3m Avg. Daily Volume (th):	27.57
Market Cap (EURm):	102.34
Ordinary Shares (m):	227.42

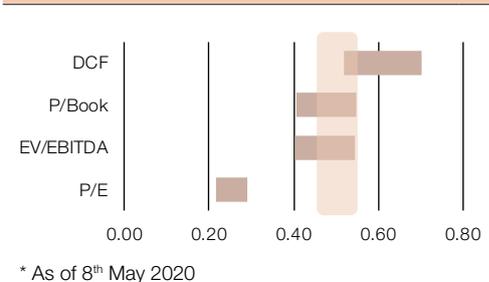
### Key Shareholders, as of 31<sup>st</sup> Dec 2020

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

AUG1L : Results Review, EURm	Q4/20A	Q4/19A	Y-o-Y Change (%)	Q4/20E	FY/20A	FY/19A	Y-o-Y Change (%)
Net sales	20.8	24.1	(14)	20 to 25	83.1	71.1	17
Mushrooms	7.1	7.6	(7)		30.0	28.7	4
Dairy	2.6	2.5	5		10.8	10.1	7
Crop Growing	9.5	13.0	(27)		37.4	29.5	27
End-Consumer Packaged Goods	1.6	1.0	61		4.9	2.8	76
Gross profit	3.9	1.8	114		15.8	9.8	61
EBITDA	5.1	4.7	9		21.1	17.1	23
Operating profit	1.1	(0.7)	(252)		6.0	1.0	497
Net profit	0.5	(1.9)	(127)	0.0 to 1.5	0.9	(3.2)	n.m.
Gross margin, %	19.0	7.7			19.0	13.8	
EBITDA margin, %	24.7	19.5			25.4	24.1	
Operating margin, %	5.1	(2.9)			7.2	1.4	
Net margin, %	2.5	(8.0)			1.1	(4.5)	

Source: Auga Group, LHV

AUG1L: Segment Results Review	Q4/20A	Q4/19A	Y-o-Y Change (%)	FY/20A	FY/19A	Y-o-Y Change (%)
<b>Crop Growing, EURm</b>						
Sales revenue	9.5	13.0	(27)	37.4	29.5	27
Cost of sales	(9.4)	(12.7)	(26)	(38.2)	(30.5)	25
Inventory write-offs	(0.5)	(0.8)	(43)	(1.4)	(1.5)	(7)
<b>Result of sales of agricultural produce</b>	<b>(0.4)</b>	<b>(0.5)</b>	<b>(27)</b>	<b>(2.3)</b>	<b>(2.5)</b>	<b>(10)</b>
Gain (loss) on revaluation of agricultural produce	1.2	1.4	(15)	7.7	5.3	45
Subsidies	1.9	(0.1)	n.m.	7.5	5.2	44
<b>Gross profit of crop growing segment</b>	<b>2.7</b>	<b>0.8</b>	<b>224</b>	<b>12.9</b>	<b>8.0</b>	<b>62</b>
<b>Dairy Segment, EURm</b>						
Total quantity of products sold, thousand tonnes	6.3	6.1	3	26.1	25.2	3
Milk	6.1	5.9	3	25.4	24.5	4
Cattle	0.2	0.2	(6)	0.7	0.7	(4)
Revenue	2.7	2.5	5	10.8	10.1	7
Milk	2.5	2.4	4	10.1	9.4	7
Cattle	0.2	0.2	25	0.8	0.7	4
Cost of sales	(2.7)	(3.0)	(12)	(10.4)	(10.7)	(2)
Milk	(2.5)	(2.9)	(14)	(9.7)	(9.9)	(2)
Cattle	(0.2)	(0.2)	25	(0.8)	(0.7)	4
Revaluation of biological assets	(0.2)	0.1	n.m.	(2.5)	(2.2)	15
Total subsidies	0.6	0.4	50	2.5	2.0	24
<b>Gross profit of dairy segment</b>	<b>0.4</b>	<b>0.0</b>	<b>n.m.</b>	<b>0.4</b>	<b>(0.7)</b>	<b>(158)</b>
<b>Mushroom Segment, EURm</b>						
Mushrooms sold, thousand tonnes	3.3	3.2	0	12.9	12.3	5
Revenue	7.1	7.6	(7)	30.0	28.7	4
Mushroom sales revenue	6.9	7.1	(3)	28.4	26.3	8
Compost sales revenue	0.2	0.5	(57)	1.6	2.4	(32)
Cost of sales	(6.7)	(6.6)	2	(28.3)	(26.2)	8
Cost of mushrooms sold	(6.6)	(5.9)	12	(26.9)	(23.7)	13
Cost of compost sold	(0.1)	(0.7)	(85)	(1.4)	(2.5)	(45)
<b>Gross profit of mushroom growing segment</b>	<b>0.4</b>	<b>1.0</b>	<b>(61)</b>	<b>1.8</b>	<b>2.5</b>	<b>(30)</b>
<b>Fast Moving Consumer Goods (FMCG), EURm</b>						
Revenue	1.6	1.0	61	4.9	2.8	76
Cost of goods sold	(1.1)	(0.9)	13	(4.1)	(2.8)	50
<b>Gross profit of FMCG segment</b>	<b>0.5</b>	<b>0.0</b>	<b>n.m.</b>	<b>0.8</b>	<b>0.0</b>	<b>n.a.</b>

Source: AUGA Group, LHV

and an improvement in milk yields. The average milk yield in Q4 2020 was 20.2 kg/cow/day (+5.1% y-o-y). The Company's average price of milk sold was c.a. EUR 400/t. The revenue from cattle increased by 25% y-o-y to EUR 0.20 in Q4 2020. The cost of sales dropped 12.3% y-o-y to EUR 2.7m, which, along with a EUR 0.2m increase in subsidies, led to a gross profit of EUR 0.4m compared to nil gross profit in Q4 2019. The drop in cost of sales was driven by a decline of EUR 0.4m in milk-related cost of sales.

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 jumped to EUR 1.6m (+60.8% y-o-y). The growth came from all markets, especially from the US, Japan, Sweden, and the Baltics, with the COVID-19 pandemic driving the demand for organic and long shelf-life products. During 2020, preserved mushrooms, vegetables, and soups represented 56% 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 1<sup>st</sup> March 2021 was EUR 0.45 per share).

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Date and time of sign-off: Tuesday 2<sup>nd</sup> March, 08:00**Disclaimer**

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- Buy- Expected return of more than 10% within 12-18 months (including dividends)
- Neutral- Expected return from -5% to 10% within 12-18 months (including dividends)
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