



CONCORDE CAPITAL

Ukraine / Food

Astarta

Target revision on upgraded plans

July 03, 2008

Current price: USD 17.2/ EUR 10.9
12M Target: USD 23.0/ EUR 14.6

BUY

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Tickers

Bloomberg AST PW

Market information

Market price, EUR	10.9
USD	17.18
MCap, EUR mln	272.0
USD mln	429.5
Chg YTD	38%
Hi/Lo YTD, EUR	14.4/7.7
USD	22.7/11.2
No of shares, mln	25.0
Avg Mon Tr Vol YTD, USD mln	0.29
Free float	20.0%
Free float, EUR mln	53.9
USD mln	85.3

Corporate Governance

Concorde Rating Q

* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

Shareholders

V.Ivanchyk	40%
V.Korotkov	40%
Other	20%

Last week, Astarta's management announced updated targets for 2008-12, highlighted by more active expansion of their agricultural business than we previously anticipated. Based on the plans, and solid 2007 and 1Q08 financial results, we upgrade our projections for the company. Our new target price of USD 23.0 implies 34% upside. BUY.

Astarta targets 67% increase in land by 2013

The key element of Astarta's new plans for 2008-12 announced last week by management is the active expansion of its agricultural business. The company intends to increase land under cultivation to 250 ths ha by the end of 2012, 25% more than our previous projections. Given that Astarta's track record of quadrupling its land under lease from 36 ths ha in 2003 to over 150 ths ha today, we align our projections for the company's land expansion with those of Astarta's management.

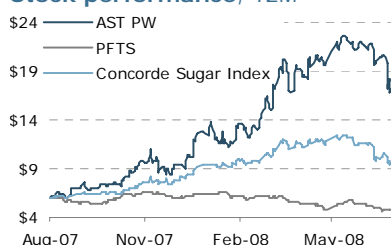
Sugar market conditions favorable

We view current conditions on the sugar market as favorable for players with a large share of internal beets in production, Astarta included. Third-party beets will be at a deficit this season as the area sowed by beets in Ukraine declined by 32% yoy in 2008. We expect that sugar makers dependent on these third-party beets to be forced to cut production, opening up opportunities for their competitors to soak up additional market share. We estimate that over 70% of Astarta's beets used this year will be grown in-house.

Valuation

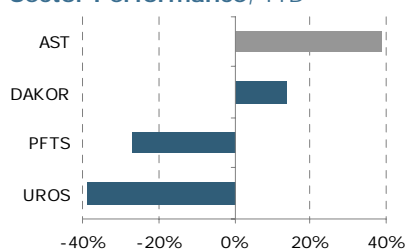
We base our new target price on DCF, as we believe that this method best captures the growth potential of Astarta's agricultural business. The DCF-implied price of USD 23 per share suggests 34% upside. Peer comparison offers a range of USD 19.3-23.4 per share.

Stock performance, 12M

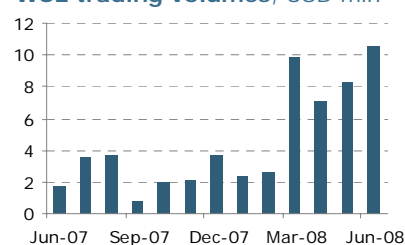


Source: Bloomberg, PFTS. Note: Concorde Sugar Index is MCap-weighted; includes Astarta, Dakor and Ukrros

Sector Performance, YTD



WSE trading volumes, USD mln



Key financials & ratios, USD mln

	Revenue	EBITDA margin	Net margin	EV/Sales	EV/EBITDA	P/E
2007	127.0	33.8%	24.7%	3.4	9.9	11.3
2008E	213.3	29.6%	14.0%	2.1	7.1	11.9
2009E	267.3	28.2%	14.8%	1.7	6.1	9.0

Spot exchange rate: 4.85 UAH/USD

Valuation

MAIN ASSUMPTIONS USED IN DCF MODELING

- Land under cultivation by the company will reach 250 ths ha by 2013, compared to the 200 ths ha we expected earlier
- The moratorium on the sale of agricultural land will be lifted in 2008-09, and the company will buy out its land in 2009-2011
- The company will gradually increase crop yields to the current EU average in 10 years time

REVISION OF PROJECTIONS

We adjust our projections of Astarta's effective agricultural crop prices based on domestic and world's market developments since our last report in February 2008 and updated forecasts of world's prices by the Food and Agricultural Policy Research Institute (USA). As before, we assume flat prices from 2008 onward.

Crops	Price forecast, USD/mt	
	Old	New
Wheat	189	220
Corn	177	210
Barley	183	250
Sunflower	560	500

We upgrade our sugar price projections from 2009 onward. We estimate that sugar production in the country in September 2008-August 2009 will be 17% lower than we initially expected due to smaller area planted with sugar beets.

	2007		Old projections		New projections	
	Expected	Actual	2008E	2009E	2008E	2009E
Effective sugar price, USD/mt	510	504	528	538	528	543
Sugar sales, ths mt	120	141	172	195	193	238
Revenues from sugar, USD mln	61	71	91	105	102	129
Revenues from crops, USD mln	35	31	49	68	87	105
Total revenues, USD mln	124	127	163	206	213	267
EBITDA, USD mln	31	43	44	60	63	75
margin, %	25%	34%	27%	29%	30%	28%
Net income, USD mln	20	31	20	38	30	40
margin, %	16%	25%	12%	19%	14%	15%

DCF valuation

	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F
EBITDA	315	373	494	586	633	671	694	710	701
EBIT	256	312	431	521	568	605	627	644	634
<i>Tax Rate</i>	3%	3%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	249	303	323	390.6	425.7	453.7	470.3	482.8	475.8
Plus D&A	59	61	64	65	66	67	67	67	67
Less CapEx	(160)	(256)	(285)	(270)	(208)	(135)	(98)	(99)	(97)
Less change in OWC	(77)	(34)	(3)	(6)	(55)	(50)	(32)	(35)	(12)
FCFF	-	73	98	179	228	335	406	415	434
WACC	16.2%	15.9%	13.4%	12.7%	11.9%	11.1%	11.0%	10.9%	10.8%
							Perpetuity growth rate		2.0%
							WACC to perpetuity		11.0%
Terminal Value									4,913
							Implied exit EBITDA multiple		7.0x
Firm value	3,288								
Portion due to TV									57.8%
Less Net Debt	(476)								
Equity Value	2,812								

Sensitivity analysis

Implied Equity Value, UAH mln

WACC	Perpetuity Growth Rate				
	1.0%	1.5%	2.0%	2.5%	3.0%
-3.0%	3,256	3,380	3,517	3,670	3,843
-2.0%	3,022	3,136	3,263	3,405	3,564
-1.0%	2,805	2,911	3,028	3,159	3,307
+0.0%	2,605	2,703	2,812	2,933	3,070
+1.0%	2,420	2,510	2,611	2,724	2,851
+2.0%	2,248	2,332	2,426	2,531	2,648
+3.0%	2,089	2,168	2,254	2,352	2,461

Implied Equity Value, UAH mln

WACC to perpetuity	Perpetuity Growth Rate				
	1.0%	1.5%	2.0%	2.5%	3.0%
8.0%	3,281	3,477	3,706	3,977	4,302
9.0%	2,998	3,149	3,321	3,520	3,753
10.0%	2,779	2,899	3,034	3,187	3,362
11.0%	2,605	2,703	2,812	2,933	3,070
12.0%	2,463	2,545	2,635	2,734	2,844
13.0%	2,347	2,416	2,491	2,574	2,665
14.0%	2,249	2,308	2,373	2,443	2,519

Peer valuation

	Country	MCap, USD mln	EV/EBITDA		P/E	
			2008E	2009E	2008E	2009E
Astarta	Ukraine	355.3	7.1	6.1	11.9	9.0
International peers						
Agrana	Austria	1,514.5	7.3	6.1	13.5	10.0
Danisco	Netherlands	3,049.1	7.7	7.1	12.6	12.0
Razgulyay	Russia	976.8	7.8	7.6	14.8	13.0
Suedzucker	Germany	3,456.9	6.8	5.3	20.0	12.9
Tate&Lyle	GB	3,741.2	6.7	6.1	10.4	9.7
Ebro Puleva	Spain	2,901.4	8.3	7.5	14.1	12.4
Average			7.4	6.6	14.2	11.7
Median			7.5	6.6	13.8	12.2
Implied price, USD						
Implied Price by Average, USD			18.2	19.2	20.6	22.3
Implied Price by Median, USD			18.4	19.3	20.0	23.4
Upside (Downside) by Average			6%	12%	20%	30%
Upside (Downside) by Median			7%	12%	16%	36%

Source: Bloomberg, Thomson Financial, Concorde Capital estimates

Financial statements, IFRS

Income statement summary, USD mln

	2007	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F
Net Revenues	127.0	213.3	267.3	333	395	430	458	477	496	511	527
Change y-o-y	48.1%	68.0%	25.3%	24.7%	18.5%	8.8%	6.7%	4.0%	4.0%	3.1%	3.0%
Gross Profit	41	90	108	142	168	183	195	202	207	211	213
EBITDA	42.9	63.2	75.4	102	121	132	140	145	148	149	150
EBITDA margin. %	33.8%	29.6%	28.2%	30.6%	30.6%	30.7%	30.5%	30.3%	29.9%	29.2%	28.5%
Depreciation	(7.6)	(11.8)	(12.3)	(13)	(13)	(14)	(14)	(14)	(14)	(14)	(14)
EBIT	35	51	63	89	107	118	126	131	134	135	136
EBIT margin. %	27.8%	24.1%	23.6%	26.6%	27.2%	27.5%	27.5%	27.4%	27.0%	26.4%	25.8%
Interest Expense	(10.2)	(14.8)	(18)	(17)	(17)	(16)	(18)	(20)	(20)	(21)	(23)
Other income/(expense)	6	(6)	(5)	(5)	(5)	(5)	(4)	(3)	(2)	(2)	(2)
PBT	31	31	41	67	86	97	104	108	112	111	111
Tax	(0)	(1)	(1)	(17)	(21)	(24)	(26)	(27)	(28)	(28)	(28)
Effective tax rate	1%	3%	3%	25%	25%	25%	25%	25%	25%	25%	25%
Net Income	31.3	29.9	39.5	50	64	73	78	81	84	84	83
Net Margin. %	24.7%	14.0%	14.8%	15.0%	16.3%	17.0%	17.1%	16.9%	17.0%	16.3%	15.7%

Balance sheet summary, USD mln

	2007	2008F	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F
Current Assets	128	159	184	199	212	275	359	453	551	664	757
Cash & Equivalents	2	1	4	5	6	49	117	201	288	391	477
Trade Receivables	12	23	30	52	61	69	73	76	79	82	84
Inventories	99	112	121	105	102	111	119	124	130	135	138
Other current assets	16	24	30	37	43	47	50	52	55	56	58
Fixed Assets	125	147	190	240	285	318	333	341	348	359	366
PP&E, net	114	137	153	168	175	183	187	188	189	193	193
Other Fixed Assets	11	10	37	72	110	135	146	152	159	166	173
Total Assets	254	306	374	438	497	593	692	794	900	1,024	1,123
Shareholders' Equity	145.4	178.6	220.3	273	337	413	492	572	657	754	837
Share Capital	74	75	76	77	77	78	78	78	78	80	80
Reserves and Other	71	103	144	195	260	336	414	495	579	675	757
Current Liabilities	85	85	112	134	120	141	150	156	163	169	174
ST Interest Bearing Debt	66	53	66	77	51	64	69	72	74	77	79
Trade Payables	8	15	24	31	37	42	45	47	49	51	53
Other Current Liabilities	10	17	22	27	32	34	37	38	40	41	42
LT Liabilities	24	42	42	32	41	39	50	65	80	101	112
LT Interest Bearing Debt	6	40	39	29	37	35	46	60	75	96	106
Other LT	18	2	3	3	4	4	5	5	5	5	5
Total Liabilities & Equity	254	306	374	438	497	593	692	794	900	1,024	1,123

Source: Company data. Concorde Capital estimates

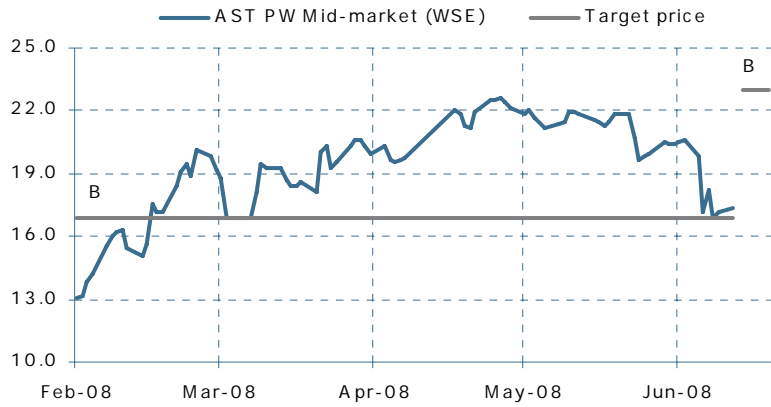
Appendix - Disclosures

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Astarta

Date	Target price USD	Market Price USD	Recommendation	Action
22-Feb-08	16.9	13.1	BUY	Initiate
01-July-08	23.0	17.2	BUY	Maintain



Investment Ratings

The time horizon for target prices in Concorde Capital's research is 12 months unless otherwise stated. Concorde Capital employs three basic investment ratings: Buy, Hold and Sell. Typically, Buy recommendation is associated with an upside of 15% or more from the current market price; Sell is prompted by downside from the current market price (upside <0%); Hold recommendation is generally for limited upside within 15%. Though investment ratings are generally induced by the magnitude of upside, they are not derived on this basis alone. In certain cases, an analyst may have reasons to establish a recommendation where the associated range given above does not correspond. Temporary discrepancies between an investment rating and its upside at a specific point in time due to price movement and/or volatility will be permitted; Concorde Capital may revise an investment rating at its discretion. A recommendation and/or target price might be placed Under Review when impelled by corporate events, changes in finances or operations. Investors should base decisions to Buy, Hold or Sell a stock on the complete information regarding the analyst's views in the research report and on their individual investment objectives and circumstances.

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Buy	58	50%
Hold	22	19%
Sell	18	16%
Under Review	18	16%
Total	116	100%

Investment banking clients*

Buy	6	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
Total	6	100%

* Within the last twelve month period, Concorde Capital has obtained compensation from these companies for investment banking services.

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