

March 7, 2012

Astarta

Sugar struggles, viva crops

Astarta's 4Q11 gross margin, 4 pp below our estimate, was a slight disappointment, and we do not rule out the next quarterly report will result in more pessimism: sugar prices in Ukraine remain low. While we believe buyers will have a better entry point into Astarta in the near future, we confirm our BUY rating. The company's crop segment will come to the fore this year to keep the EBITDA margin in the double-digits, while most other local sugar peers are expected to just breakeven. The weakness of Astarta's smaller peers and its strong cash generation ability will give it a chance, in our view, to be a sector consolidator in 2012-2013.

Gross margin was 4 pp below our expectations in 4Q11

Astarta's preliminary gross margin was 36% (net of revaluation) in 4Q11, 4 pp less than we anticipated which we believe is attributed to the weakness in company's sugar segment. Adjusted EBITDA margin, net of biological asset revaluation, was 29% in 4Q11, in line with 3Q11, but also below our expectations. We slightly downgrade our 2012 forecasts and do not exclude a further downward revision when detailed 2011 and 1Q12 financials come out (expected in April-May).

4Q11 reported EBITDA harmed by loss from biological revaluation

EBITDA of UAH 17 mln, which Astarta reported on revenues of UAH 1,286 mln in 4Q11, was undermined by a UAH 401 mln loss from the revaluation of biological assets, the largest the company ever posted.

2x decline in profits from sugar in 2012 should be partially offset by crops

With sugar prices continuing to fall (we estimate the current sugar price covers only 92% of Ukraine's average production costs), the profitability of Astarta's sugar business should decline considerably in 2012: we estimate gross profit from the segment to drop almost 2x yoy, even though sales volumes will grow 20% yoy. This will be partially offset by growing profits from crops, which we see exceeding sugar on the back of sales carried-over from 2011 and anticipated 19% growth in land harvested in 2012.

Key forecasts

	2010	2011E	2012E	yoy	2013E	yoy
Revenue, USD mln	293	427	400	-6%	507	27%
Adjusted EBITDA, USD mln	118	141	117	-16%	145	24%
Adjusted EBITDA Margin	40.3%	33.0%	29.4%	-4pp	28.6%	1pp
Net Income, USD mln	91	106	78	-26%	100	28%
Net Margin	31.1%	24.8%	19.6%	-5pp	19.7%	0pp

Source: Concorde Capital

We maintain BUY, but note a better entry point might appear

Though we still fundamentally like Astarta and rate the stock BUY (12M target of PLN 94.5 per share, upside of 42%), we do not see a positive price catalyst in the next couple of months. The stock has appreciated 28% YTD on few triggers, suggesting the existence of a large buyer. We project a 16% yoy decrease in Astarta's adjusted EBITDA in 2012 and note that the next quarterly results should be down strongly on a year-on-year basis. These factors, coupled with a let up in buying pressure, could create a much more attractive entry point.

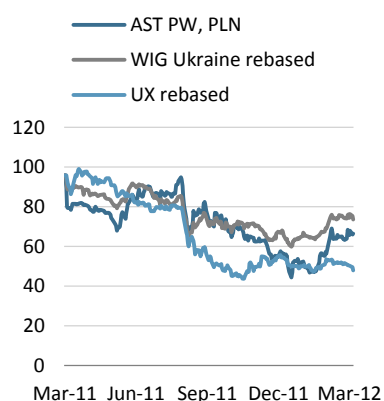
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Bloomberg	AST PW
Reuters	AST=PW
Recommendation	BUY
Price, USD	21.0
12M target, USD	29.8
Price, PLN	66.5
12M target, PLN	94.5
Upside	42%
No of shares, mln	25.0
Market Cap, USD mln	524.1
52-week performance	-38%
52-week range, USD	12.9/33.8
ADT, 12M, USD mln	0.5
Free float, %	37%
Free float, USD mln	193.9

Prices as of Mar. 6, 2012

Price performance



Source: Bloomberg

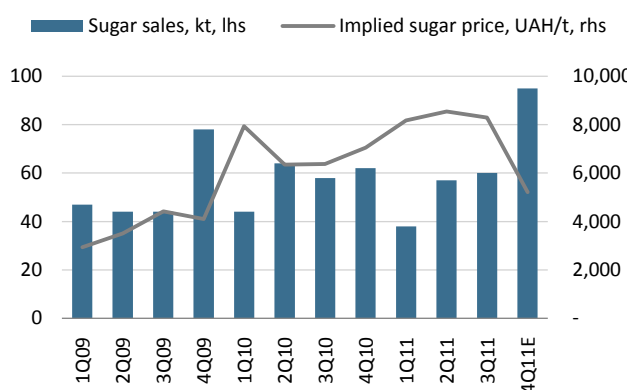
4Q11 takeaways

Gross margin at slight disappointment in 4Q11

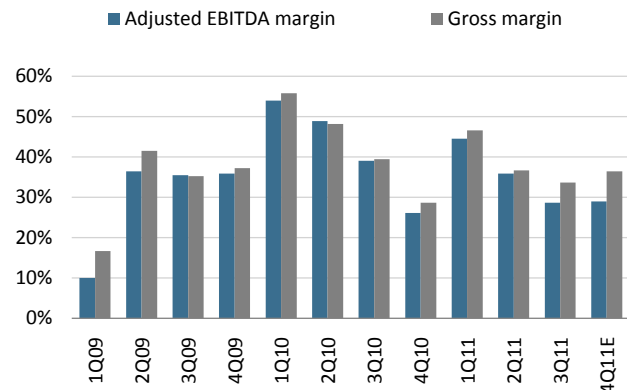
Astarta's sugar sales prices were down 37% qoq in 4Q11, according to our estimates. Though this figure was generally in line with the broad market, it was slightly below our estimate of a one-third correction. As a result, Astarta's gross margin was 36% in 4Q11, but 4 pp below what we expected, leaving us slightly disappointed. At the same time, the company posted a record high sugar sales volume of 90 kt in the quarter. We deem the timing of sales during last quarter a good bet by management, as prices in 1Q12 are even weaker than in 4Q11.

Astarta has yet to report its gross profit structure by segment (it is expected to in April), but we think the sugar segment was responsible for gross profit deterioration in 4Q11, as margins in its crops segment should have stayed high on the back of last year's plentiful harvest.

Astarta sugar sales results



Astarta's margins



Source: Company data, Concorde Capital estimates

Note: We adjust EBITDA by taking out revaluation of biological assets and agricultural produce. Source: Company data, Concorde Capital estimates

Sales in crop segment exceed those of sugar for the first time

Revenues from Astarta's crop segment exceeded those from sugar for the first time in 4Q11, according to our estimates, and reached 48% of total quarterly sales. Astarta sold a record amount of crops in 2011: 3/5 of revenues from its 400 kt of grains and oilseeds sold in 2011 came in 4Q11 (on a harvest of 660 kt in 2011). Astarta has yet to sell 2/5 of its 2011 harvest, which combined with an anticipated increase in harvest volumes in 2012 (on the back of 19% acreage growth), should be the main profitability driver for the company in 2012.

Key quarterly income statement items

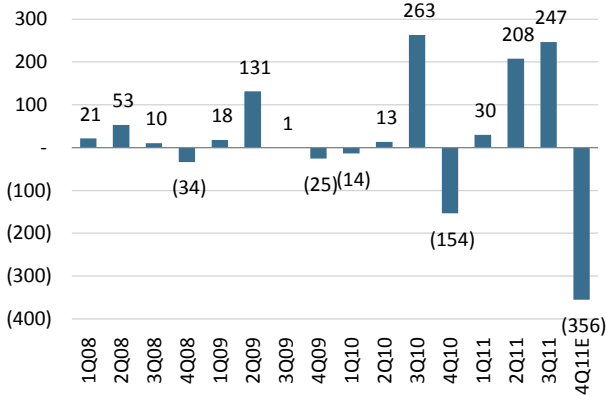
	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11E
Revenues	499	551	532	746	554	754	807	1,286
COGS	(221)	(286)	(322)	(533)	(296)	(477)	(535)	(817)
Gain (loss) from remeasurement of agri produce to fair value	(15)	(22)	79	(45)	(20)	(59)	159	46
Gross profit	263	243	288	169	237	217	431	514
Gain from revaluation of biological assets	1	36	185	(109)	51	267	88	(401)
Administrative expenses	(25)	(19)	(25)	(28)	(26)	(20)	(35)	(39)
Other operating income	(5)	(5)	(8)	27	(8)	(13)	(18)	3
Selling and distribution expenses	(18)	(15)	(14)	(29)	(18)	(17)	(39)	(71)
EBITDA	256	283	471	42	277	478	478	17
EBITDA margin	51%	51%	89%	6%	50%	63%	59%	1%
Adjusted EBITDA	269	270	207	195	246	270	231	373
Adjusted EBITDA margin	54%	49%	39%	26%	45%	36%	29%	29%
Revaluation of bio assets and agri produce, net	(14)	13	263	(154)	30	208	247	(356)
As a % of adjusted EBITDA	-5%	5%	127%	-79%	12%	77%	107%	-95%

Source: Concorde Capital estimates

4Q11 reported EBITDA harmed by loss from biological revaluation

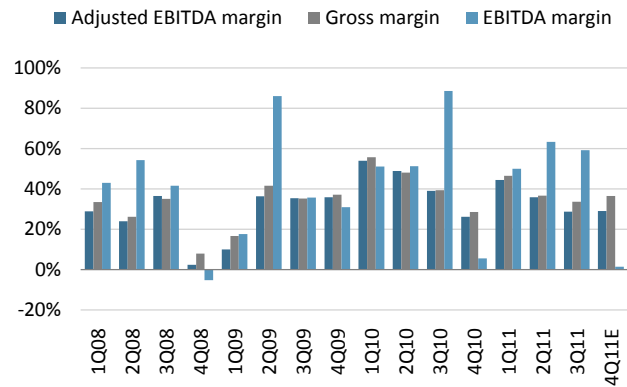
EBITDA of UAH 17 mln, which Astarta reported on revenues of UAH 1,286 mln in 4Q11, was undermined by a UAH 401 mln loss from the revaluation of biological assets and remeasurement of agricultural produce (IAS 41), the largest the company ever posted. IAS 41 revaluation has become comparable in size with gross profit figures over the last three quarters and has become a key driver of movements in reported EBITDA. We strongly believe that the effect from remeasurement of agricultural produce and revaluation of biological assets should be eliminated when financial performance is assessed and thus we think adjusted figures should be considered.

IAS 41 gains (losses), UAH mln, net, quarterly



Source: Company data, Concorde Capital calculations

Adjusted vs. reported margins, quarterly

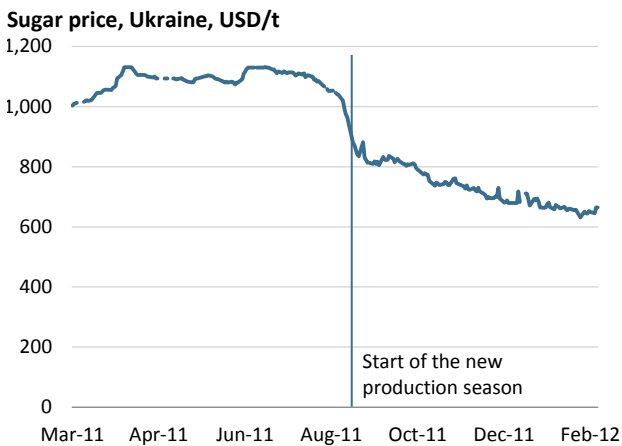


Source: Company data, Concorde Capital estimates

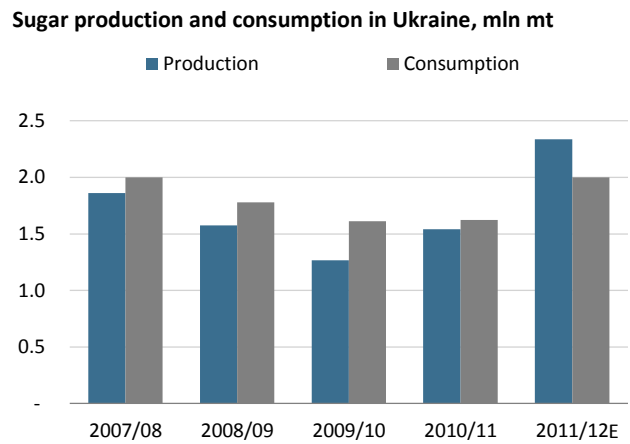
Sugar prices in 2011

The year 2011 was split into two distinct parts for Ukrainian sugar makers: during the first eight months, sugar prices floated in an extremely high range of USD 1,000–1,100/t, supported by three consecutive years of sugar underproduction in Ukraine and import quotas. Astarta sold 155 kt of sugar (62% of 2011 sales) in 9M11 at an average price of USD 1,050/t.

When the sugar production season started in September though, domestic sugar prices fell rapidly on anticipation that domestically production would meet demand next season (September 2011-August 2012). As the sugar beet harvest progressed and exceptional yields were reported, anticipation of even higher output led to even more pressure on prices; larger than anticipated carry-over inventories from the previous season added fuel to the downward price movement, which is still continuing into March 2012.



Source: Company data, Concorde Capital estimates



Source: AAA, Concorde Capital estimates

Sugar market outlook for 2012

Record-high sugar stock-to-use ratio

We maintain our view that sugar stocks at the end of the 2011/12 marketing year (ending in August 2012) will be a record high, creating pressure on local prices. That said, we downgrade our forecast for the stock-to-use ratio from 37% to 27% at the end of 2011/12, incorporating factual production data, early signals that producers will be able to export 3% of output, and our expectations of slightly higher domestic consumption. As a result, we anticipate a faster market recovery: we see the average sugar price in 2013 already able to deliver a 10% markup to average Ukrainian producer costs. Now the sugar price only covers 94% of costs and we project the average sugar price in 2012 at production cost.

Key sugar market data

	2006	2007	2008	2009	2010	2011E	y-o-y
Acreage under sugar beets, ths ha	789	580	386	320	492	553	13%
Sugar beet yield, t/ha	28.3	29.4	35.5	31.5	27.8	36.5	31%
Sugar beets harvested, mln mt	22.34	17.07	13.70	10.07	13.69	20.20	48%
% Sugar beets processed	95%	n/a	89%	91%	95%	94%	
Sugar beet to sugar conversion ratio	11.6%	10.9%	11.5%	12.6%	11.2%	12.5%	1.3pp
Stocks at season start		0.52	0.38	0.18	0.09	0.27	
Sugar output, mln mt	2.59	1.86	1.57	1.27	1.54	2.34	54%
Export, mln mt	-	-	-	-	-	0.07	
Stocks at season end	0.52	0.38	0.18	0.09	0.27	0.53	
Stock-to-use ratio at season end	26%	19%	9%	5%	13%	27%	14pp

Note: The season starts on September 1. Source: AAA, Concorde Capital estimates

Sugar prices continue to be weak

The domestic sugar price has continued decelerating in 2M12, falling by USD 50/t YTD to USD 650/t. This is contrary to our and market players expectations of a rebound as soon as the production season ends in January.

This is also contrary to the trend in Russia (which is a somewhat similar market: a long-term importer with overproduction in 2011 on a strong domestic harvest), where prices have already bounced back 34% from the lows observed in November 2011. While we expect a similar surge in prices in Ukraine, we note this might happen later and to a lesser extent than in Russia. Even with 1.8x yoy growth in domestic beet sugar production in 2011, Russia satisfied only 90% of local demand (with the rest imported) vs. Ukraine's 120% production-to-consumption ratio. Russia is able to more rapidly mitigate overproduction than Ukraine by naturally lowering imports of cane sugar.

White sugar price in Russia, EXW, USD/t



Source: IKAR

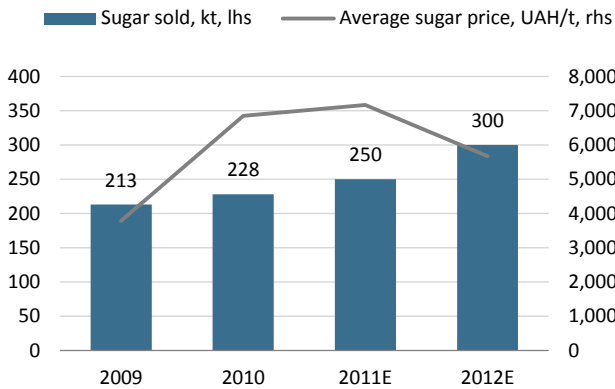
We nevertheless see the sugar price in 2012 averaging 9% above the current level, with growth expected as oversupply eases. We base our projection of the average domestic sugar price in Ukraine in 2012 at UAH 5,670/t on our estimate of the production cost for the average Ukrainian vertically integrated sugar producer in the 2011 season. In the coming years, we conservatively forecast the domestic sugar price to have a 10% gross markup to average Ukrainian production costs.

Astarta outlook for 2012

Sugar segment gross margin to fall from 42%-46% in 2010-11 to 24% in 2012

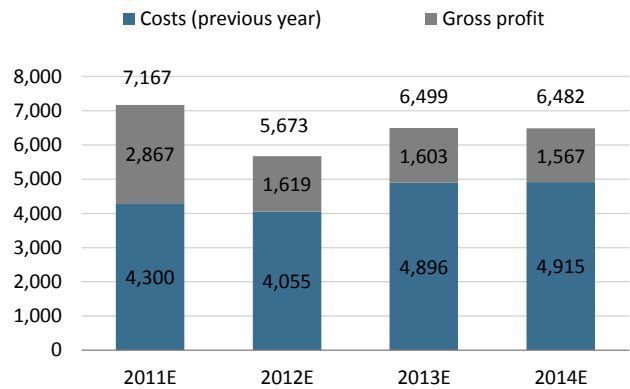
We expect Astarta to sell 300 kt of sugar in 2012 (implying a 15% market share, in line with its share of production) at the average market price. As we see sugar prices declining 21% yoy, more than estimated decrease in production costs, we forecast a 24% gross margin in 2012 from Astarta's sugar segment, vs. 46% in 2010 and an estimated 42% in 2011.

Astarta's sugar sales, kt and selling price, UAH/t



Source: Company data, Concorde Capital estimates

Astarta's sugar selling price vs. costs, UAH/t

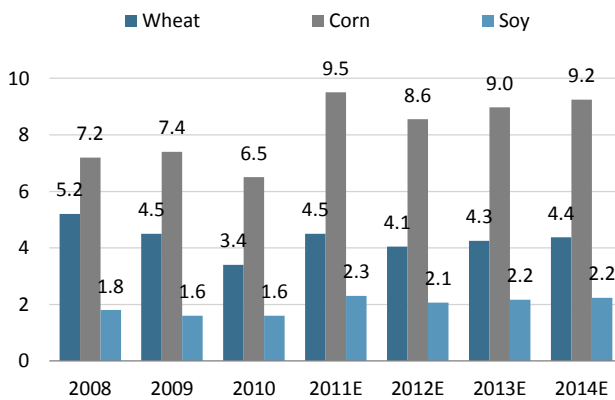


Source: Company data, Concorde Capital estimates

Strong crop segment expected on sales of 2011 harvest

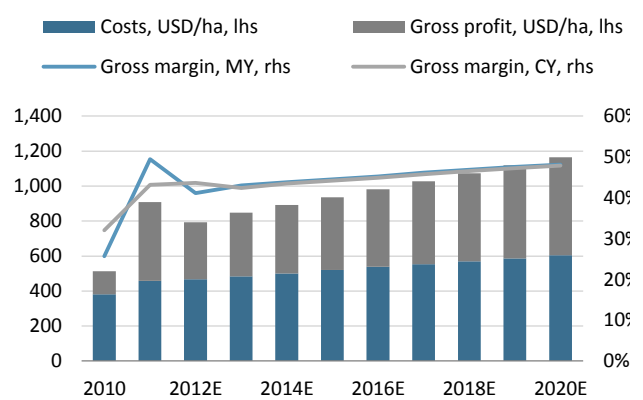
Astarta has yet to sell 2/5 of its 2011 harvest, according to our estimates, carrying forward hefty 2011-harvest margins. In terms of the 2012 harvest, we expect an average 10% yoy decrease in yield, as we normally do not expect 2011's positive weather shock to be repeated. The decline in yield nevertheless will be compensated by more acreage planted, which we see up 19% yoy in 2012.

Astarta's key crops yields, t/ha, gross



Source: Company data, Concorde Capital estimates

Astarta's farming revenues and costs (ex-sugar beet)



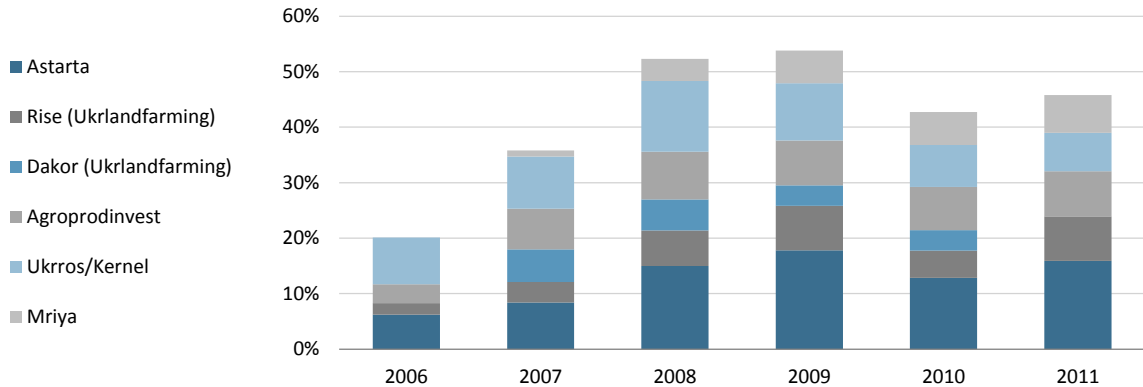
We adjust EBITDA by taking out revaluation of biological assets and agricultural produce. Source: Company data, Concorde Capital estimates

Sugar sector consolidation is coming

We keep our view (expressed in our November 2011 report) that sugar overproduction in 2011 will lead to sector consolidation as smaller and less efficient producers will not be able to maintain the high working capital necessary to stay in business.

We anticipate the market leaders, namely Astarta, Kernel, Agroproinvest, Ukrlandfarming and Mriya to consolidate up to 75% of the market in 2012-13 from 40% in 2010.

Market shares of top producers



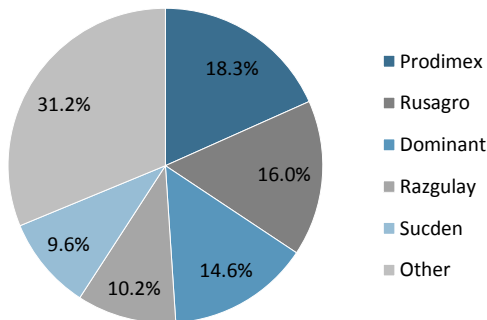
Source: Ukrtsukur, Agriculture Ministry, Concorde Capital estimates

We believe the Ukrainian market is heading in the direction of the Russian white sugar market, which is more consolidated, with the top-5 players accounting for 69% of output, as of 2010, vs. 43% in Ukraine.

The weakness of Astarta's smaller peers and its strong cash generation ability make it a likely to be a sector consolidator in 2012-2013, in our view. We note however that we do not account for possible M&A transactions in our model; any such deals most likely will be a positive surprise.

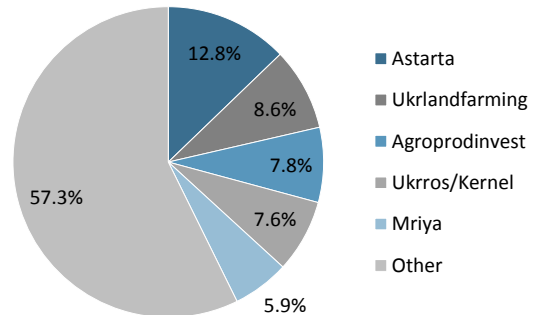
Top white sugar producers, 2010, by volume

Russia



Source: Soyuzrossakhar

Ukraine



Source: Ukrtsukur Capital estimates

VALUATION

We use DCF to arrive at a target price of USD 29.8 per share (PLN 94.5); upside of 42%. BUY. For detailed operating assumptions, please refer to the next page.

DCF output, UAH mln

	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
EBITDA	1,121	963	1,191	1,315	1,431	1,524	1,613	1,701	1,756	1,809
EBIT	952	764	965	1,065	1,158	1,239	1,319	1,398	1,444	1,488
Effective Tax Rate	2%	2%	3%	5%	7%	10%	10%	10%	10%	10%
Taxed EBIT	933	749	936	1,012	1,077	1,115	1,187	1,259	1,299	1,339
Plus D&A	169	199	226	249	273	285	294	303	312	322
Less CapEx	(684)	(755)	(684)	(602)	(614)	(382)	(316)	(321)	(327)	(333)
Less change in OWC	(320)	(504)	(243)	(203)	(246)	(258)	(223)	(189)	(218)	(195)
FCFF	-	-	235	456	490	759	943	1,051	1,066	1,133
WACC	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%
Sum of disc't'd CF's			3,255							
Terminal Value										11,355
Disc't'd TV			4,273							
Firm value			7,527				Portion due to TV			56.8%
Less Net Debt			(1,564)							
Equity Value as of 07 March 2013			5,963				Implied exit EBITDA Multiple			6.3 x
Perpetuity Growth Rate										3.0%
Fair price of ord. share			UAH 239							
			USD 29.8							
			PLN 94.5*							

* At PLN/USD rate of 3.17 as of March 6

Source: Concorde Capital estimates

Sensitivity analysis, PLN per share

	Perpetuity Growth Rate					Exit Multiple (EBITDA)					
	2.0%	2.5%	3.0%	3.5%	4.0%	4.3 x	5.3 x	6.3 x	7.3 x	8.3 x	
WACC						WACC					
-3.0%	109.3	113.2	117.4	122.1	127.3	-3.0%	90.8	104.1	117.4	130.7	144.0
-2.0%	101.6	105.3	109.2	113.6	118.5	-2.0%	84.4	96.8	109.2	121.6	134.0
-1.0%	94.5	97.9	101.6	105.7	110.2	-1.0%	78.5	90.0	101.6	113.2	124.7
+0.0%	87.9	91.1	94.5	98.3	102.5	+0.0%	72.9	83.7	94.5	105.3	116.1
+1.0%	81.8	84.7	87.9	91.5	95.4	+1.0%	67.8	77.8	87.9	98.0	108.1
+2.0%	76.0	78.8	81.8	85.1	88.8	+2.0%	63.0	72.4	81.8	91.2	100.6
+3.0%	70.7	73.2	76.0	79.2	82.6	+3.0%	58.5	67.3	76.0	84.8	93.6

Source: Concorde Capital estimates

WACC decomposition

	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Debt-to-Equity	0.38	0.44	0.34	0.33	0.34	0.34	0.33	0.33	0.33	0.33
Avg. after-tax Interest Rate	8.0%	7.5%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.3%
Ukr. Eurobonds YTM	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Equity premium	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Comp.-specif. prem.	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Cost of Equity	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%
WACC	13.4%	13.0%	13.4%	13.4%	13.3%	13.3%	13.3%	13.3%	13.3%	13.3%
WACC to Perpetuity	13.3%									

Source: Company data, Concorde Capital estimates

Operating assumptions

Sugar segment assumptions

	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Acreage under sugar beets, ths ha	34	39	43	49	54	58	62	64	64	64	64	64
Sugar beets yield, t/ha	41	35	49	42	43	44	46	47	48	50	51	53
Sugar beets processed, mln mt	1,530	1,560	2,600	2,502	2,726	3,007	3,302	3,512	3,627	3,747	3,870	3,997
<i>Grown in-house</i>	90%	90%	81%	82%	85%	85%	86%	86%	86%	86%	85%	85%
<i>Tolling/purchased</i>	10%	10%	19%	18%	15%	15%	14%	14%	14%	14%	15%	15%
Sugar beet to sugar conversion ratio, %	14.7%	12.7%	14.2%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%
Sugar produced, kt	225	198	370	337	367	405	445	473	488	504	521	538
Sugar sold, kt	213	228	250	300	350	386	404	424	444	464	473	483
Astarta sugar production cost, UAH/t		4,300	4,055	4,896	4,915	5,067	5,225	5,390	5,560	5,738	5,922	6,113
Ukraine average production cost, UAH/t		5,128	5,673	5,908	5,893	6,052	6,217	6,387	6,562	6,743	6,854	7,008
Average selling price, UAH/t	3,789	6,856	7,167	5,673	6,499	6,482	6,657	6,838	7,025	7,218	7,376	7,540
Revenue, UAH mln	807	1,563	1,792	1,702	2,275	2,501	2,692	2,897	3,116	3,349	3,491	3,640
Gross profit, UAH mln	272	713	748	410	559	577	610	647	687	728	731	735
Gross margin, %	34%	46%	42%	24%	25%	23%	23%	22%	22%	22%	21%	20%

Source: Company data, Concorde Capital estimates

Crops segment assumptions

	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Total landbank, ths ha	175	200	247	247	270	290	300	300	300	300	300	300
Planted, ths ha	151	167	197	234	257	276	285	285	285	285	285	285
<i>% of total</i>	86%	84%	80%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Acreage breakdown												
Wheat	21%	18%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
Corn	9%	12%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Barley	17%	13%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Soy	10%	16%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%
Sunflower	8%	8%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Sugar beet	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%
Other	13%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%
Crop yields, t/ha												
Wheat	4.5	3.4	4.5	4.1	4.3	4.4	4.5	4.6	4.8	4.9	5.0	5.1
Corn	7.4	6.5	9.5	8.6	9.0	9.2	9.5	9.8	10.0	10.3	10.5	10.7
Barley	3.0	2.6	3.0	2.7	2.8	2.9	3.0	3.1	3.2	3.2	3.3	3.4
Soy	1.6	1.6	2.3	2.1	2.2	2.2	2.3	2.4	2.4	2.5	2.5	2.6
Sunflower	2.7	2.0	2.1	1.9	1.9	2.0	2.0	2.1	2.2	2.2	2.3	2.3
Sugar beet	40.5	35.4	50.0	42.5	43.4	44.7	46.0	47.3	48.5	49.7	50.8	51.8
Marketing year data												
Revenue, USD/ha	595	513	908	794	848	891	936	982	1,028	1,073	1,119	1,164
Costs, USD/ha	0	381	459	467	484	501	520	538	554	570	587	604
Gross profit, USD/ha	0	132	449	326	365	390	417	444	474	503	532	560
Gross margin, MY	0	26%	49%	41%	43%	44%	45%	45%	46%	47%	48%	48%
Calendar year figures, USD mln												
Revenue	49	54	135	127	155	179	198	210	221	231	241	251
Gross profit	14	17	58	55	66	78	87	94	101	108	114	120
Gross margin	29%	32%	43%	44%	42%	43%	44%	45%	46%	47%	47%	48%
Inventories balance, USD mln												
Agricultural produce at year start	23	20	36	38	54	67	77	85	90	95	99	103
Value of harvest	46	70	138	143	168	189	205	215	225	236	246	255
Sales	49	54	135	127	155	179	198	210	221	231	241	251
Agricultural produce at year end	20	36	38	54	67	77	85	90	95	99	103	108

Source: Company data, Concorde Capital estimates

Other segment assumptions

	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Cattle farming sales, UAH mln	104	184	285	341	359	376	395	415	436	458	480	504
Change yoy (%)	44.1%	77.6%	54.5%	20.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Cattle farming gross margin	14%	34%	34%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Other sales, UAH mln	36	22	22	22	22	22	23	23	23	23	24	24
Change yoy (%)	54.2%	-40.7%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Other sales gross margin	12%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%

Source: Company data, Concorde Capital estimates

Peer comparison

Compared to global peers, Astarta is trading with a slight discount on 2012 EV/EBITDA and a larger discount on 2013 EV/EBITDA and P/E multiples. We believe that Astarta should trade at a premium to global peers, since its better growth opportunities (we project a 7% 10Y CAGR in Astarta's EBITDA) compensate for sovereign risk of Ukraine.

Global sugar peers

Company	Ticker	Country	MCap		EV/Sales			EV/EBITDA			P/E		
			USD mln	USD mln	2011E	2012E	2013F	2011E	2012E	2013F	2011E	2012E	2013F
Astarta	AST PW	Ukraine	554	700	1.6	1.8	1.4	5.0	6.0	4.8	5.2	7.1	5.5
Suedzucker	SZU GR	Germany	5,607	8,464	1.0	0.9	0.9	7.9	6.3	6.2	15.7	11.3	10.5
Tate & Lyle	TATE LN	Britain	5,257	5,974	1.4	1.2	1.2	8.9	8.3	8.0	16.5	12.6	12.2
KWS Saat	KWS GR	Germany	1,485	1,552	1.3	1.2	1.2	8.1	8.1	7.6	14.7	16.1	15.0
Shree Renuka Sugars	SHRS IN	India	523	2,226	1.3	1.1	1.1	6.7	6.7	5.9	5.7	8.4	6.0
Xiwang Sugar	2088 HK	China	173	361	0.6	0.6	0.6				5.2	4.7	8.1
Delta Sugar	SUGR EY	Egypt	440	411	1.7	1.6	1.5	5.0	6.0	6.6	7.6	7.2	7.5
Viro Tvornica Secera	VIRORA CZ	Croatia	110	233	1.1	1.1	1.0	8.8	8.7	8.0	8.8	8.7	8.1
Assosiated British Foods	ABF LN	Britain	15,215	17,919	1.0	0.9	0.9	8.9	7.8	7.3	16.6	14.1	13.0
Harmonic mean					1.1	1.0	1.0	7.4	7.3	7.0	9.2	9.0	9.2

Source: Bloomberg, Concorde Capital

Compared to Russian peers, Astarta trades at a premium on 2012 multiples, which we deem justified given the cyclicity of the sugar business in Ukraine, which punishes Astarta in earnings in 2012.

Looking closer at Russian peers, we note that Rusagro's multiples are depressed because of an unexpected one-off loss from cane sugar processing the company reported and related weak 9M11 financials, which were far less than what investors anticipated from the company, which IPOed in April 2011. Meanwhile, Razgulyay multiples are affected by high leverage and relatively low stock liquidity, in our view.

Russian sugar peers

Company	Ticker	Country	MCap		EV/Sales			EV/EBITDA			P/E		
			USD mln	USD mln	2011E	2012E	2013F	2011E	2012E	2013F	2011E	2012E	2013F
Astarta	AST PW	Ukraine	554	700	1.6	1.8	1.4	5.0	6.0	4.8	5.2	7.1	5.5
Razgulyay	GRAZ RX	Russia	180	1,030	1.1	1.0	1.0	6.5	6.3	5.9	34.0	6.6	3.8
Rusagro	AGRO LI	Russia	826	1,125	0.9	0.8	0.8	7.3	3.6	3.1	11.7	4.5	4.3
Average					1.0	0.9	0.9	6.9	4.9	4.5	22.8	5.6	4.1

Source: Bloomberg, Concorde Capital

Among Ukrainian peers, we expect Astarta's earnings to come under the most pressure this year, as neither we nor consensus sees EBITDA declining in any name other than Astarta. Astarta trades slightly cheaper than Kernel on 2012 multiples and at a more significant discount on 2013 multiples. Compared to MHP and Milkiland, Astarta trades at higher multiples at the moment, though all three names are below their fair multiples, in our view. Astarta's premium to Avangard is justified, in our opinion, as the latter's multiples are depressed mainly due to corporate governance risk.

Ukrainian consumer goods peers

Company	Ticker	Country	MCap		EV/Sales			EV/EBITDA			P/E		
			USD mln	USD mln	2011E	2012E	2013F	2011E	2012E	2013F	2011E	2012E	2013F
Astarta	AST PW	Ukraine	554	700	1.6	1.8	1.4	5.0	6.0	4.8	5.2	7.1	5.5
Kernel	KER PW	Ukraine	1,801	2,417	1.4	1.1	1.0	8.0	6.8	6.4	8.1	7.2	6.8
MHP	MHPC LI	Ukraine	1,488	2,264	2.0	1.9	1.6	6.0	5.5	4.7	6.6	6.1	5.2
Avangard	AVGR LI	Ukraine	570	658	1.2	1.0	0.9	2.9	2.4	2.4	3.1	2.7	2.7
Ovostar	OVO PW	Ukraine	194	191	3.9	2.5	1.7	10.0	8.0	4.5	12.8	10.7	5.9
Milkiland	MLK PW	Ukraine	167	236	0.6	0.6	0.5	4.9	4.5	3.9	7.9	6.0	4.9
Harmonic mean					1.3	1.1	0.9	5.3	4.6	4.0	6.2	5.4	4.6

Source: Bloomberg, Concorde Capital

Financials

Income statement, USD mln

	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Net Revenues	190	293	427	400	507	563	610	653	695	740	771	804
Change y-o-y	N/M	54.4%	45.4%	-6.3%	26.9%	11.1%	8.3%	7.0%	6.5%	6.4%	4.3%	4.3%
Cost Of Sales	(112)	(156)	(248.2)	(252)	(325)	(364)	(393)	(421)	(450)	(480)	(503)	(527)
Gross Profit	78	138	178	147	182	200	217	232	245	259	268	277
SG&A	(18)	(21)	(33)	(30)	(37)	(39)	(43)	(46)	(49)	(52)	(54)	(56)
Other Operating Income, net	(3)	1	(4)	-	-	-	-	-	-	-	-	-
Adjusted EBITDA*	57	118	141	117	145	160	175	186	197	207	214	221
Adjusted EBITDA margin. %	29.7%	40.3%	33.0%	29.4%	28.6%	28.5%	28.6%	28.5%	28.3%	28.1%	27.8%	27.4%
Depreciation	(12)	(17)	(21)	(24)	(28)	(30)	(33)	(35)	(36)	(37)	(38)	(39)
EBIT*	45	101	119	93	118	130	141	151	161	171	176	181
EBIT margin. %	23.5%	34.4%	28.0%	23.3%	23.2%	23.1%	23.2%	23.1%	23.1%	23.1%	22.8%	22.6%
Interest Expense	(18)	(16)	(12)	(13)	(14)	(14)	(16)	(17)	(18)	(18)	(19)	(19)
Financial income	0	0	-	-	-	-	-	-	-	-	-	-
Other income/(expense)	1	6	-	-	-	-	-	-	-	-	-	-
PBT*	28	91	108	80	103	115	125	134	143	153	157	162
Tax	(1)	1	(2)	(2)	(3)	(6)	(9)	(13)	(14)	(15)	(16)	(16)
Effective tax rate	2%	-1%	2%	2%	3%	5%	7%	10%	10%	10%	10%	10%
Net Income*	28	91	106	78	100	110	117	121	129	137	142	146
Net Margin. %	14.6%	31.1%	24.8%	19.6%	19.7%	19.5%	19.1%	18.5%	18.6%	18.6%	18.4%	18.2%
Dividend Declared	-	-	-	-	-	55	64	84	103	117	120	124

*Net of remeasurement of agricultural produce and revaluation of biological assets

Balance sheet, USD mln

	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Current Assets	156	253	302	360	401	432	466	502	534	562	592	619
Cash & Equivalents	3	3	0	5	7	7	8	8	9	10	10	10
Trade Receivables	11	17	26	24	30	34	37	39	42	44	46	48
Inventories*	130	211	244	301	326	348	376	405	431	452	477	500
Other current assets	12	22	32	30	38	42	46	49	52	56	58	61
Fixed Assets	179	216	291	350	416	464	510	526	532	538	543	547
PP&E, net	153	187	253	314	370	413	455	467	469	472	473	475
Other Fixed Assets	27	30	38	36	46	51	55	59	63	67	69	72
Total Assets	335	469	593	710	817	895	976	1,028	1,066	1,100	1,135	1,166
Shareholders' Equity	172	278	385	454	554	609	661	697	723	744	765	787
Share Capital	0	0	0	0	0	0	0	0	0	0	0	0
Reserves and Other*	171	278	385	454	554	609	661	697	723	744	765	787
Current Liabilities	70	100	109	112	112	121	134	141	145	156	161	157
ST Interest Bearing Debt	47	76	71	76	66	70	79	82	82	89	91	84
Trade Payables	6	7	12	13	16	18	20	21	22	24	25	26
Other Current Liabilities	18	17	25	23	30	33	36	38	41	43	45	47
LT Liabilities	93	91	99	144	151	166	181	189	198	200	208	222
LT Interest Bearing Debt	76	74	75	122	122	134	146	152	159	159	165	177
Other LT	17	16	24	23	29	32	34	37	39	42	43	45
Total Liabilities & Equity	335	469	593	710	817	895	976	1,028	1,066	1,100	1,135	1,166

*For forecasted periods, does not include the effect of remeasurement of agricultural produce and revaluation of biological assets

Cash flow statement, USD mln

	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Net Income	28	91	106	78	100	110	117	121	129	137	144	150
Depreciation	12	18	21	24	28	30	33	35	36	37	38	39
Non-operating & non-cash items	23	11	1	1	(4)	(2)	(2)	(1)	(1)	(1)	(1)	(1)
Changes in working capital	(43)	(92)	(40)	(61)	(30)	(25)	(30)	(31)	(27)	(23)	(27)	(32)
Operating Cash Flow	20	28	87	42	94	113	118	123	136	150	154	156
Capital Expenditures, net	(15)	(45)	(86)	(92)	(83)	(73)	(75)	(47)	(38)	(39)	(40)	(41)
Other Investments, net	7	(9)	-	-	-	-	-	-	-	-	-	-
Investing Cash Flow	(7)	(53)	(86)	(92)	(83)	(73)	(75)	(47)	(38)	(39)	(40)	(41)
Net Borrowings/(repayments)	(10)	29	(3)	55	(10)	16	21	9	6	7	9	13
Dividends Paid	-	-	-	-	-	(55)	(64)	(84)	(103)	(117)	(122)	(128)
Other	(1)	(5)	-	-	-	-	-	-	-	-	-	-
Financing Cash Flow	(11)	23	(3)	55	(10)	(39)	(43)	(75)	(97)	(110)	(114)	(115)
Beginning Cash Balance	1	3	1	0	5	7	7	8	8	9	10	10
Ending Cash Balance	3	1	0	5	7	7	8	8	9	10	10	11
Net Cash Inflows/Outflows	1	(1)	(1)	5	1	1	1	1	1	1	0	0

Source: Company data, Concorde Capital estimates

APPENDICES

Analyst certification

I, Yegor Samusenko, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Date	12M target price, USD	Market price, USD	Rating	Action
22-Feb-08	16.9	13.1	BUY	Initiate
03-Jul-08	23.0	17.2	BUY	Maintain
24-Nov-08	17.0	4.7	BUY	Maintain
15-Jun-10	29.1	18.4	BUY	Maintain
09-Aug-11	26.4	25.4	HOLD	Downgrade
17-Nov-11	29.8	19.2	BUY	Upgrade
07-Mar-12	29.1	21.0	BUY	Maintain

Company: Target price vs. share performance, USD per share



Covered by Yegor Samusenko since August 2011
 Source: Bloomberg, Concorde Capital

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