



CONCORDE CAPITAL

Ukraine / Food

Dakor

27% of area harvested

August 05, 2008

Current price: USD 27.84
12M Target: USD 53.79

BUY

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Tickers

PFTS DAKOR

Market information

Market price, USD 27.84
52 Wk H/L, USD 31.41/19.45
Chg YTD 4%

MCap, USD mln 159.1
Free float 24.0%
FF MCap, USD mln 38.2

No of shares, mln 5.7
Par Value, UAH 0.25

FSE Ticker WI81
DR Ratio 1:1

**Market information as of 04 Aug 2008, based on PFTS Mid prices*

Corporate Governance

Concorde Rating* A

** 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

Management 76.0%
Institutional investors 24.0%

Dakor finished harvesting crops at 27% of the planted area, with yields ~30-100% higher than we expected. We adjust upwards Dakor's yield projections and upgrade forecasted crop prices. On a different note, last week the company launched its first grain silo, which will enable Dakor to efficiently manage the timing of crop sales. We confirm our BUY recommendation for the stock and upgrade our DCF-based target price to USD 53.79 apiece.

Dakor harvested 27% of crops; yields 30-100% higher than expected

During a phone conversation with us yesterday, Dakor's management confirmed that by the end of July 26.6% of the company's area planted with crops was harvested. The company finished harvesting rapeseed, and is currently collecting early wheat and barley. The management says, no crops were damaged by the recent flood in Western Ukraine. The company reports an average yield of 3 mt per ha of rapeseed, 4 mt per ha of wheat and 5 mt per ha of barley. The yield for wheat came 30% higher than we expected for the entire year, while yields for rapeseed and barley are 100% higher than forecasted, which leads us to upgrade our projections.

Launch of in-house storage facilities will shore up the selling price

On August 1 Dakor launched its first grain silo with a storage capacity of 30 ths mt. We view the move as value accretive for the company. Due to record high harvests in Ukraine this year demand for storage capacities is expected to far surpass supply. The availability of an in-house grain silo will allow Dakor to ensure quality storage and at the same time take advantage of seasonal price volatility by managing the timing of crop sales so as to achieve the highest selling price. By the end of this harvesting season Dakor plans to increase its storage capacity to 50 ths mt, enough to store ~25% of this year's harvest.

Price projections for crops and sugar upgraded

We upgrade the company's effective sugar prices from 2009 onwards. The area sown with sugar beets in Ukraine decreased by 38% in 2008, and in the 2008/09 season we expect sugar supply in the country to be 17% lower than in the previous season while Dakor will be able to grow its sugar production thanks to the in-house beets supply. We also revise our projections for the company's effective prices for agricultural crops after the Food and Agricultural Policy Research Institute (FAPRI) upgraded its expectations for global prices.

1H08 results in line with our expectations

In 1H08, Dakor sold 43% of the sugar we projected for 2008, suggesting that the company should be able to meet our full-year forecast for sugar volume sold. For the period, Dakor's average sugar price was 3% higher than we expected. Dakor's reported interim results support our 2008 full-year projections for its sugar revenues. At the same time, in 2008 we expect more than threefold growth in the company's agricultural sales that should enable Dakor to post a 70% growth in total revenue and improve the EBITDA margin to 31% from last year's 25%. The EBITDA margin in 1H08 was 24% vs. 13% in 1H07.

1H08 vs 1H07

	1H08	1H07	1H08/1H07
Sugar			
Sales, ths mt	51.9	48.1	8%
Price, USD/mt	544.8	499.0	9%
Revenues, USD mln	28.3	24.0	18%
Total			
Revenues, USD mln	33.7	29.7	13%
EBITDA, USD mln	8.2	3.9	112%
EBITDA margin, %	24%	13%	11 p.p.
Net income, USD mln	2.3	1.2	86%
Net margin, %	7%	4%	3 p.p.

Source: Company data

Key financials & ratios, USD mln

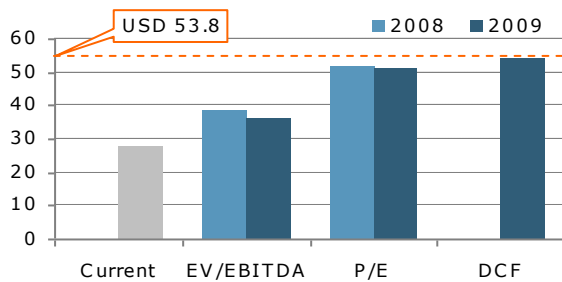
	Revenue	EBITDA margin	Net margin	EV/S	EV/EBITDA	P/E
2007	77	25%	14%	2.9	11.7	14.6
2008E	131	31%	17%	1.7	5.4	7.3
2009E	172	26%	14%	1.4	5.2	6.4

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Valuation summary, USD



DCF valuation

	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
EBITDA	200	223	273	331	382	400	376	382	371	371
EBIT	167	188	235	293	343	360	335	341	328	328
Tax Rate	3%	3%	3%	25%	25%	25%	25%	25%	25%	25%
Taxed EBIT	162	182	228	220	257	270	251	255	246	246
Plus D&A	33	35	37	38	39	40	41	42	43	43
Less CapEx	(111)	(146)	(181)	(149)	(120)	(51)	(49)	(49)	(48)	(49)
Less change in OWC	41	(77)	(43)	(27)	(47)	(12)	(6)	5	6	11
FCFF	-	(6)	42	82	129	247	237	254	247	252
WACC	17%	17%	15%	12%	12%	11%	11%	11%	11%	11%
Terminal Value										2,850
										7.7x
Firm value		1,853								
Portion due to TV		59%								
Less Net Debt		(332)								
Equity Value		1,522								
Implied share price, USD		53.8								

Sensitivity analysis

Implied share price, USD

WACC	Perpetuity Growth Rate				
	1.0%	1.5%	2.0%	2.5%	3.0%
-3.0%	62.7	65.2	68.0	71.1	74.6
-2.0%	58.0	60.3	62.9	65.8	69.0
-1.0%	53.6	55.8	58.2	60.8	63.8
+0.0%	49.6	51.6	53.8	56.3	59.0
+1.0%	45.8	47.7	49.7	52.0	54.6
+2.0%	42.4	44.1	46.0	48.1	50.5
+3.0%	39.2	40.8	42.5	44.5	46.7

Implied share price, USD

WACC to perpetuity	Perpetuity Growth Rate				
	1.0%	1.5%	2.0%	2.5%	3.0%
8.0%	63.2	67.2	71.8	77.3	83.9
9.0%	57.5	60.6	64.1	68.1	72.8
10.0%	53.1	55.5	58.3	61.4	64.9
11.0%	49.6	51.6	53.8	56.3	59.0
12.0%	46.7	48.4	50.2	52.3	54.5
13.0%	44.4	45.8	47.3	49.0	50.9
14.0%	42.4	43.6	45.0	46.4	47.9

Peer valuation

	Country	MCap, USD mln	EV/EBITDA		P/E	
			2008E	2009E	2008E	2009E
Dakor	Ukraine	159.1	5.4	5.2	7.3	6.4
International peers						
Agrana	Austria	1190.3	7.0	6.3	14.8	12.1
Danisco	Netherlands	3237.4	8.6	8.4	14.6	14.6
Razdulyay	Russia	786.0	6.3	6.1	11.7	9.8
Suedzucker	Germany	3558.2	6.9	5.8	21.9	15.1
Tate&Lyle	GB	3606.0	6.6	6.1	10.0	9.4
Ebro Puleva	Spain	2654.6	7.9	7.2	12.6	11.4
Average			7.2	6.6	14.3	12.1
Median			7.0	6.2	13.6	11.8
Implied price, USD						
Implied Price by Average, USD			40.5	39.5	54.3	52.2
Implied Price by Median, USD			38.6	36.1	51.8	50.9
Upside (Downside) by Average			31%	28%	75%	69%
Upside (Downside) by Median			25%	17%	67%	65%

Source: Bloomberg, Thomson Financial, Concorde Capital estimates

Financial Statements, IFRS

Income Statement Summary, USD mln

	2007	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Net Revenues	77	131	172	207	241	274	289	301	308	314	316
Cost Of Sales	(57)	(86)	(113)	(133)	(150)	(167)	(178)	(188)	(194)	(198)	(200)
Gross Profit	20	46	59	74	91	107	111	112	114	116	116
Other Operating Income/Costs. net	4	4	-	-	-	-	-	-	-	-	-
SG&A	(5)	(9)	(14)	(19)	(24)	(30)	(30)	(36)	(37)	(41)	(41)
EBITDA	19	40	45	55	67	77	81	76	77	75	75
<i>EBITDA margin, %</i>	<i>25%</i>	<i>31%</i>	<i>26%</i>	<i>27%</i>	<i>28%</i>	<i>28%</i>	<i>28%</i>	<i>25%</i>	<i>25%</i>	<i>24%</i>	<i>24%</i>
Depreciation	(4)	(7)	(7)	(8)	(8)	(8)	(8)	(8)	(8)	(9)	(9)
EBIT	16	33	38	48	59	69	73	68	69	66	66
<i>EBIT margin, %</i>	<i>20%</i>	<i>25%</i>	<i>22%</i>	<i>23%</i>	<i>25%</i>	<i>25%</i>	<i>25%</i>	<i>23%</i>	<i>22%</i>	<i>21%</i>	<i>21%</i>
Interest Expense	(7.3)	(10.5)	(11)	(11)	(12)	(13)	(13)	(12)	(10)	(9)	(10)
Financial income	1	1	-	-	-	-	-	-	-	-	-
Other income/(expense)	2	(2)	(1)	(2)	(2)	(2)	0	(0)	0	(0)	-
PBT	11	22	25	35	46	55	60	55	59	57	56
Tax	(0)	(1)	(1)	(1)	(11)	(14)	(15)	(14)	(15)	(14)	(14)
Net Income	11	22	25	34	34	41	45	41	44	43	42
<i>Net Margin, %</i>	<i>14%</i>	<i>17%</i>	<i>14%</i>	<i>16%</i>	<i>14%</i>	<i>15%</i>	<i>16%</i>	<i>14%</i>	<i>14%</i>	<i>14%</i>	<i>13%</i>

Balance Sheet Summary, USD mln

	2007	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Current Assets	112	91	114	127	137	150	157	164	166	184	205
Cash & Equivalents	1	1	3	3	4	4	6	9	9	27	48
Trade Receivables	27	8	12	21	31	41	45	49	51	53	53
Inventories	54	69	86	86	83	83	83	82	81	79	78
Other current assets	30	13	14	17	19	22	23	24	25	25	25
Fixed Assets	57	74	98	126	148	163	166	168	169	169	168
PP&E, net	55	72	81	87	90	92	94	96	98	99	100
Other Fixed Assets	2	2	18	39	58	71	71	71	71	70	69
Total Assets	169	165	213	253	285	314	323	331	335	353	373
Shareholders' Equity	70.0	93.4	119	152	166	182	200	212	226	238	251
Share Capital	21	21	21	21	21	21	21	21	21	21	21
Reserves and Other	49	72	98	131	144	161	179	191	204	217	230
Current Liabilities	77	52	47	42	49	56	60	64	68	70	72
ST Interest Bearing Debt	51	40	31	21	24	27	29	30	31	31	32
Trade Payables	22	5	8	11	13	15	17	18	21	23	24
Accrued Wages	0	-	-	-	-	-	-	-	-	-	-
Accrued Taxes	1	-	-	-	-	-	-	-	-	-	-
Other Current Liabilities	3	7	9	10	12	14	14	15	15	16	16
LT Liabilities	22	19	46	59	70	76	63	55	42	45	51
LT Interest Bearing Debt	17	19	46	58	69	74	61	54	41	44	51
Other LT	5	0	0	0	0	0	0	0	0	0	0
Total Liabilities & Equity	169	165	213	253	285	314	323	331	335	353	373

Cash Flow Statement Summary, USD mln

	2007	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Net Income	11	22	25	34	34	41	45	41	44	43	42
D&A	4	7	7	8	8	8	8	8	8	9	9
Non-operating and non-cash items	0	(5)	(17)	(21)	(20)	(12)	(0)	(0)	(0)	1	1
Changes in working capital	-	8	(16)	(9)	(5)	(10)	(2)	(1)	1	1	2
Operating Cash Flow	15	32	(1)	12	17	27	50	48	53	53	55
Capital Expenditures, net	(13)	(22)	(14)	(14)	(10)	(10)	(10)	(10)	(10)	(10)	(10)
Other Investments, net	-	-	-	-	-	-	-	-	-	-	-
Investing Cash Flow	(13)	(22)	(14)	(14)	(10)	(10)	(10)	(10)	(10)	(10)	(10)
Net Borrowings/(repayments)	24	(10)	16	3	15	8	(11)	(6)	(12)	4	6
Dividends Paid	-	-	-	-	(21)	(25)	(27)	(29)	(31)	(30)	(30)
Equity Financing & Other	(24)	-	-	-	-	-	-	-	-	-	-
Financing Cash Flow	-	(10)	16	3	(6)	(16)	(38)	(35)	(43)	(26)	(23)
Beginning Cash Balance	1	1	1	3	3	4	4	6	9	9	27
Ending Cash Balance	1	1	3	3	4	4	6	9	9	27	48
Exchange Rate Impact	1	0	2	1	1	0	2	3	0	17	22
Net Cash Inflows/Outflows	11	22	25	34	34	41	45	41	44	43	42

UAH/USD Exchange Rates

	2007	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Average	5.05	4.99	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95
Year-end	5.05	4.95	4.90	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95

Source: Company data, Concorde Capital estimates

Appendix - Disclosures

Analyst certification

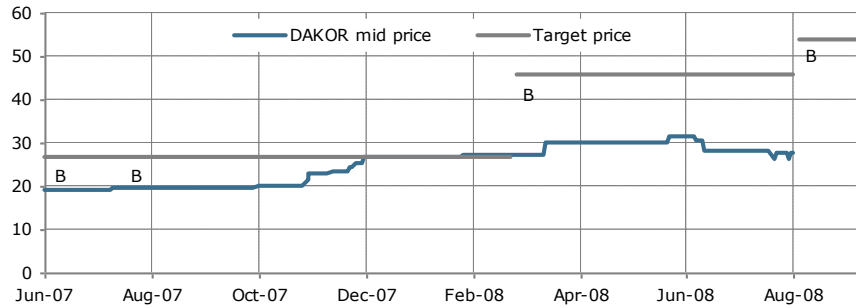
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Dakor

Date	Target price USD	Market Price USD	Recommendation	Action
30-May-07	26.6	19.2*	BUY	Initiating
04-Jul-07	26.6	19.3	BUY	Maintain
25-Feb-08	45.7	27.3	BUY	Maintain
05-Aug-08	53.8	27.8	BUY	Maintain

* adjusted for additional share issues

Target price history, USD per share



Investment Ratings

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Buy	80	70%
Hold	19	17%
Sell	7	6%
Under Review	8	7%
Total	114	100%

Investment banking clients*

Buy	7	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
Total	7	100%

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

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