

Record year, again

Q4 was significantly above forecast resulting in Linus Agro Group's (LNA) best year ever, and ytd share price gain of +30%. High grain prices, worries about feed supply, successful KG integration, and excellent management were behind the record profits. This was an exceptional year, but we believe the company is attractive on normalized earnings as well and raise our DCF based Fair value.

Best year ever

The FY 2021/22 Net profit of EUR 77m was by far the best ever (last record was EUR 26m in 2012/13) as the Grain, Oilseeds, and Feed segment increased EBIT by 8x and the Product & Services for Farmers segment increased EBIT by 5x vs. last year. Last fiscal year (FY) was an exceptional year and hence, we forecast Net profit of EUR 32m this FY.

KG integrated successfully

The KG reported FY 2021/22 EBIT of EUR 52m means it almost doubled LNA's EBIT from EUR 54m to EUR 106m (sign of successful integration). The KG reported EBIT and acquisition price (EUR 73.5m) implies an attractive EV/EBIT acquisition multiple of 2.7x.

Fair value raised

Our Net profit estimate is raised by 33% this year. This together with a continued favourable market, successful KG integration, and excellent management, prompts us to increase our Base case DCF based Fair value to EUR 2.02/shr. (prev. 1.21).

Key figures (MEUR)

	20/21	21/22	22/23E	23/24E	24/25E
Net sales	942.4	1,896.0	1,904.2	1,955.6	1,994.7
Net sales growth	43.3%	101.2%	0.4%	2.7%	2.0%
EBITDA	33.5	134.3	76.4	78.9	85.3
EBITDA margin	3.6%	7.1%	4.0%	4.0%	4.3%
EBIT	19.6	105.9	48.4	50.6	53.9
EBIT margin	2.1%	5.6%	2.5%	2.6%	2.7%
EV/Sales	0.3	0.2	0.3	0.3	0.3
EV/EBITDA	7.1	3.5	7.6	8.0	7.0
EV/EBIT	12.2	4.4	12.1	12.4	11.1
P/E adj.	9.1	2.4	6.4	6.3	5.9
P/BV	0.7	0.7	0.7	0.6	0.6
EPS adj.	0.09	0.48	0.20	0.20	0.22
EPS growth adj.	41.83%	435.96%	-58.27%	0.65%	8.07%
Div. per share	0.00	0.04	0.04	0.05	0.05
Dividend yield	0.00%	3.13%	3.13%	3.91%	3.92%

Source: Company data, Enlight Research estimates

Fair value range (EUR)

Bull (term. EBIT marg. 3.5%)	2.56
Base (term. EBIT marg. 3.0%)	2.02
Bear (term. EBIT marg. 2.5%)	1.49

Key Data

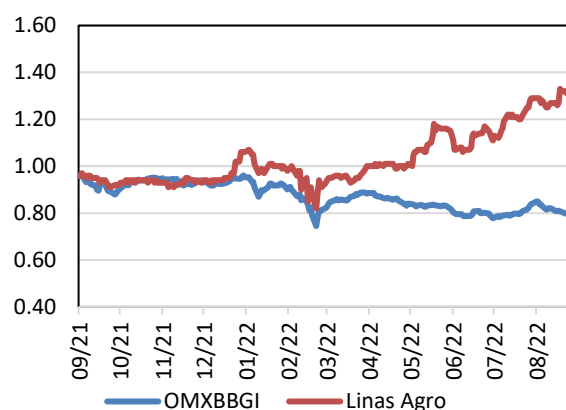
Price (EUR)	1.28
Ticker	LNA1L
Country	Lithuania
Listed	Vilnius (Lithuania)

Market Cap (EURm) 205

Net debt (EURm) 275

Shares (m) 160

Free float 20%



Price range

52-week high	1.33
52-week low	0.82

Analyst

ResearchTeam@enlightresearch.net

Coverage frequency

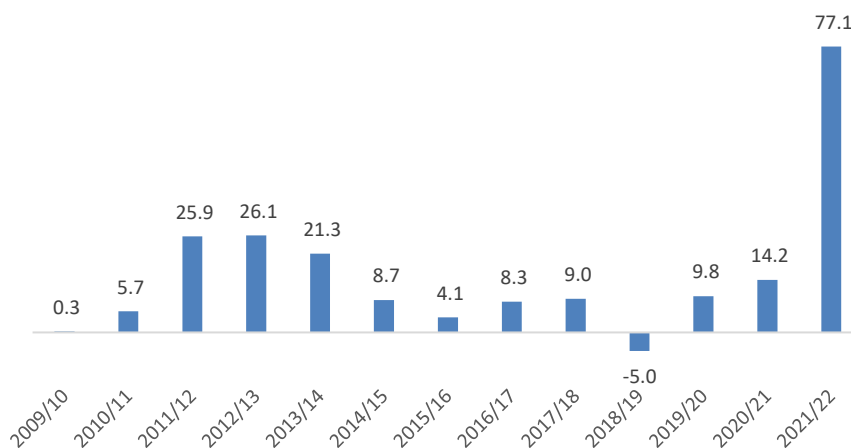
2x per year

Key takeaways

Record year

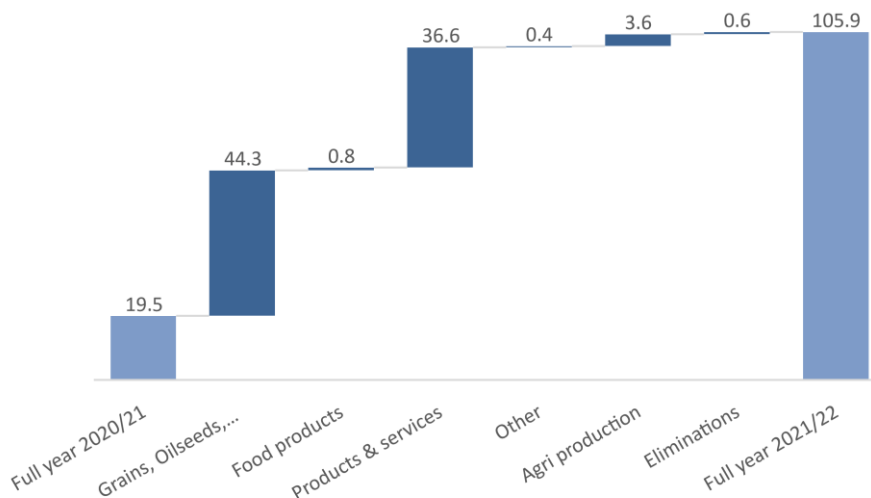
The 2021/22 was by far the best fiscal year in LNA’s history as the Net profit (attributable to shareholders) increased by more than 5x to EUR 77m (EUR 30m est.) compared to the previous year. The main drivers of the record year were the Grain, Oilseeds, and Feeds and the Product & Services for Farmers segments. The Grain, Oilseeds and Feeds segment’s 2021/22 EBIT increased by more than 8x to EUR 50m from EUR 6m last fiscal year, while the Product & Services for Farmers segment EBIT increased by more than 5x to EUR 45m from EUR 9m last year. The stellar performance has made LNA the best performing share on the main list this year with a gain of +30%, widely outperforming the Baltic Benchmark Index decline of around 17%. We believe the record year is a result of favorable market conditions, successful acquisition, and excellent management.

Linus Agro Group Net profit since IPO (EURm)



Source: Company reports, 2009-2013 LTL converted to euro at 3.4528

Linus Agro EBIT development per segment 2020/21 to 2021/22

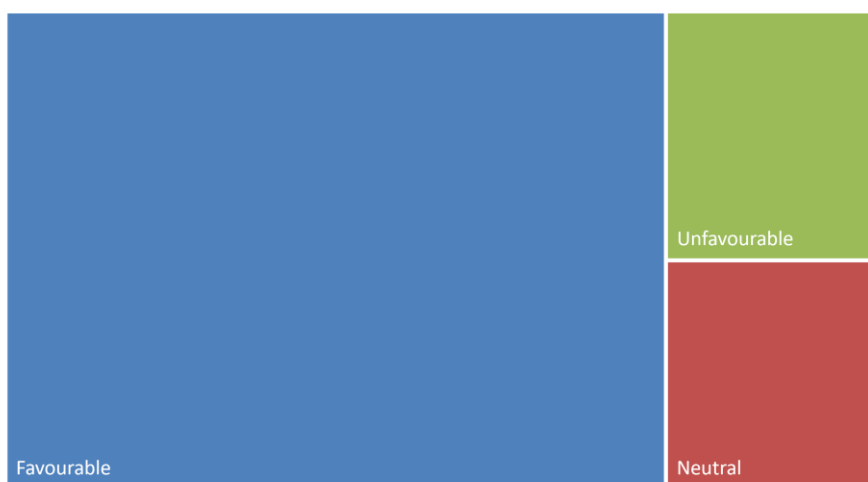


Source: Company reports

Majority of sub-segments in favourable market

LNA reports according to five segments (Grain, Oilseeds, and Feed, Product & Services for Farming, Agricultural Production, Food Products, and Other activities). Each segment has sub-segments for which revenue and revenue growth are reported. Based on the reported sub-segment figures, we conclude that around 75% of LNA's addressable market is in a favourable state with strong revenues and growth with about 12% neutral and 13% unfavourable. We believe the sub-segments Feed trading and Trade in seeds, plant care products, and fertilizers contributed the most to LNA's record profits, as well as their respective main segment profits (see below table for our view per sub-segment).

Sub-segment Heat map by Revenues



Source: Enlight Research (based on company sub-segment comments)

Segment	Market situation	2021/22 Income and growth	Market favourable/unfavourable
Grain, Oilseeds, and Feed		EUR 1.1bn +65%	
Feed	No compound feed production activity prior to KG acquisition. Farmers have cash after good 2021 harvest. War in Ukraine increased feed demand due to supply concerns from Russia, Belarus, and Ukraine.	EUR 514m +215%	Favourable
Grain trading	High grain prices and supply disruptions (Ukraine) create difficult but profitable trade opportunities	EUR 663m +29%	Favourable
Product & Services for Farming		EUR 375m +117%	
Trade in seeds, plant care products and fertilizers	Sanctions against Russia and Belarus has led to limited supply of fertilizers and record price levels.	EUR 290m +183%	Favourable
Sale of agri machinery, spare parts, and servicing	Unpredictable market due to uncertainties regarding the supply chain and farmers willingness to buy.	EUR 76m +14%	Neutral
Installation of grain facilities and livestock farms	Unpredictable market due to uncertainties regarding the supply chain.	EUR 12m +38%	Neutral
Agricultural Production		EUR 26m +37%	

Crop production	Lower grain quality and quantity offset by higher grain prices	EUR 21m +4%	Neutral
Milk & Cattle sales	High raw milk price	EUR 18m +37%	Favourable
Food Products		EUR 344m +377%	
Poultry	Cost inflation and overproduction pressure market profitability	EUR 253m +261%	Unfavourable
Flour, instant food products, breadcrumbs, bread mixes	Stable demand	EUR 93m +100%	Neutral
Other activities	Stable demand but rising input prices is a challenge	EUR 31m +100%	Neutral

Source: Enlight Research (based on company sub-segment comments)

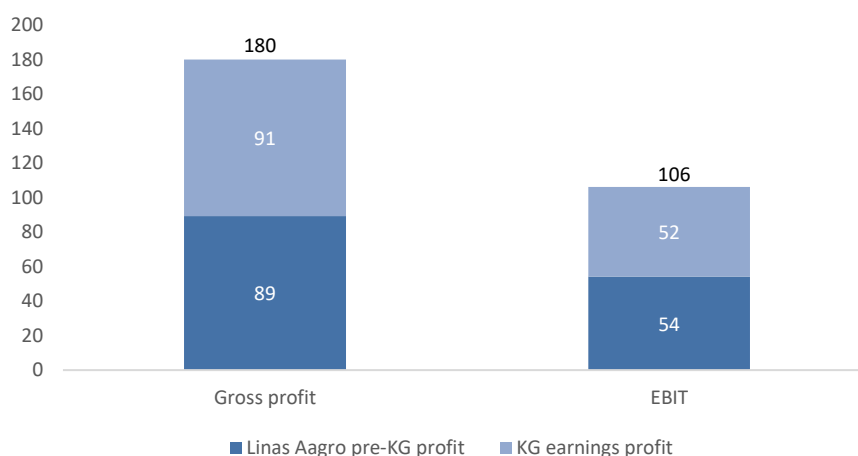
KG acquisition boosting profits

In 2021/22, the KG acquisition added 68% or EUR 766m in Revenues to Linus Agro Group for a total turnover of EUR 1.9bn, which makes it the second largest company on the Baltic Stock Exchange in terms of sales (after Ignitis Grupe EUR ~3bn). Perhaps more important, KG almost doubled the Gross profit and the EBIT of Linus Agro Group boosting the Gross margin by 1.6 percentage point and the EBIT by 0.8 percentage points while keeping the Net debt/EBITDA at a comfortable 2.1x. The larger part of KG's crop division business has been integrated into Linus Agro Group. We regard the KG acquisition as favourable for Linus Agro Group's shareholders. Adding the previously announced KG acquisition price of EUR 73.5m to the 5-yr average Net debt of EUR 69.0m indicates a KG acquisition EV of EUR 142.5m. Given the reported 2021/22 KG EBIT of EUR 51.9m, the implied EV/EBIT for the KG acquisition is 2.7x, which is very attractive in our view.

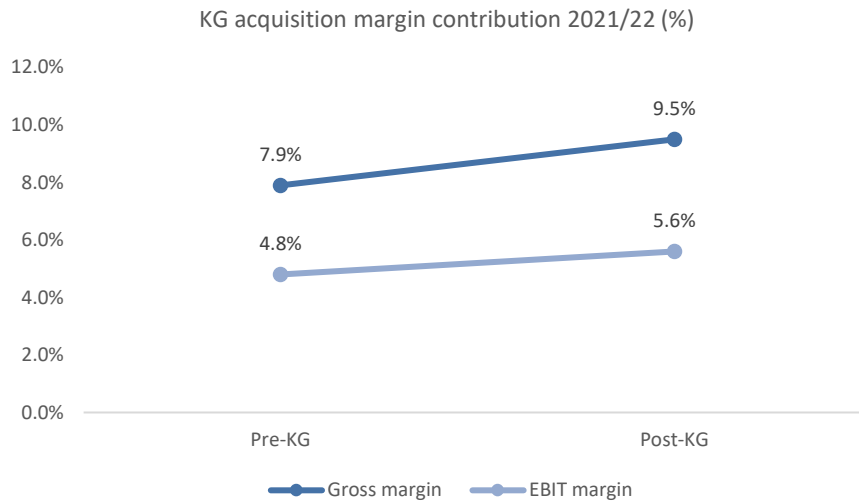
Estimated KG acquisition multiple	2021/22
KG acquisition price	73.5
KG assumed Net debt (5-yr avg.)	69.0
EV	142.5
KG EBIT 2021/22	51.9
EV/EBIT	2.7

Source: Company (KG acquisition price, KG 2021/22 EBIT), Enlight Research (KG Net debt)

KG acquisition profit contribution 2021/22 (EURm)



Source: Company 2021/22 webinar presentation

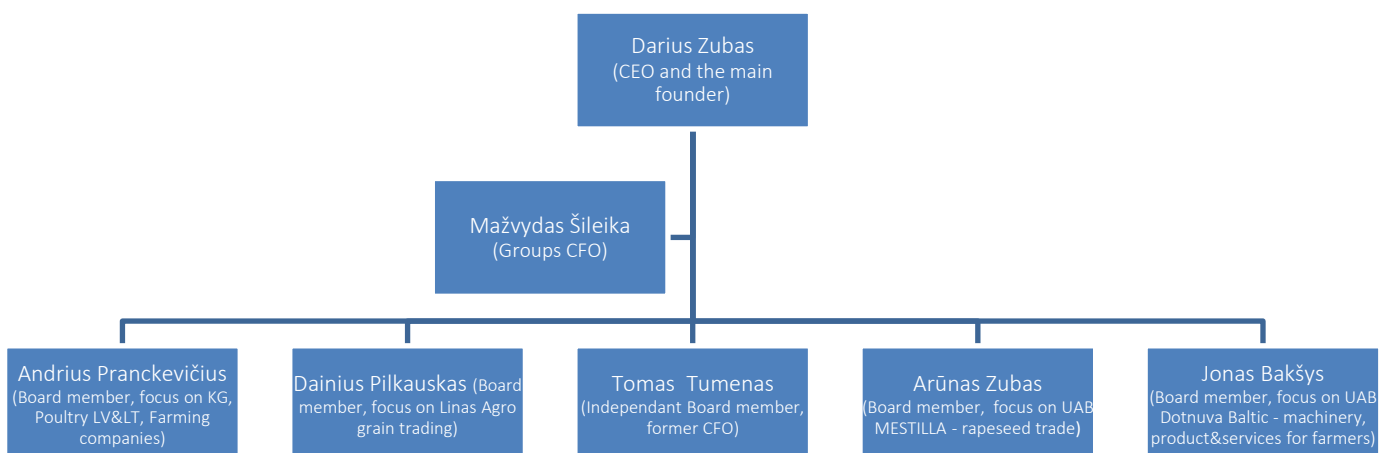


Source: Company 2021/22 webinar presentation

Excellent management

We believe management deserves credit for the strong 2021/22. Even though the market conditions have been favourable, the fiscal year was not without challenges. Below are some of the challenges that we believe management handled successfully:

- Acquisition and integration of KG Group, a company almost similar in size to Linus Agro Group. The integration of competing products within goods and services for farmers into one company (AB Linus Agro) is worth highlighting.
- Minimize the losses of the Poultry operations (Food segment) that suffered from high energy and feed costs as well as tough international competition.
- Successfully selling three out of four companies in Russia and Belarus. Only one small company in Belarus is left to sell.
- Re-directing supply chains and sales channels following Russia’s invasion of Ukraine.
- Implementation of an effective management/steering model (see below).



Source: Linus Agro Group, Enlight Research

Valuation

Peer valuation

We have excluded the Ukrainian companies Astarta and Agroton from our peer universe. Below peer table includes Linus Agro Group with KG from 15 July 2021, and hence the multiples appear higher for 2021 (we use current Market cap and EV). The year 2022 is the first year KG is consolidated for a full year. Based on estimated EV/EBITDA 2022 (LNA's recently reported fiscal year 2021/22), LNA is trading at discount of around 50% to the peer group (4.3x vs. peer avg. of 8.9x). Worth noting is that 2021/22 was an exceptionally good year for LNA. On more normalized 2023 and 2024 multiples, LNA is trading in line with the peer group. In our view, LNA's increased focus on food products (following KG acquisition) could motivate a premium to peers as shown by Fodelia's and Raisio's premium multiples.

Linus Agro Group peer valuation

Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	EV (last)	EV/EBITDA 2021	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E
FirstFarms A/S	FFARMS	DKK	75.20	569	888	7.8	8.1	7.4	7.4
Auga	AUG1L	EUR	0.43	99	214	23.6	8.4	7.9	7.8
Orior AG	ORON	CHF	73.90	483	622	9.7	9.7	9.3	8.9
Fodelia	FODA OYJ	EUR	4.67	35	47	19.6	14.8	10.1	7.9
Raisio Oyj K	RAIKV	EUR	2.11	335	343	11.2	12.7	10.4	9.1
Podravka D.D.	PODR	HRK	576	4039	4621	7.6	8.6	7.9	7.2
Adecoagro	AGRO	USD	8.92	990	1,612	3.7	3.5	3.3	3.7
Bonduelle	BON	EUR	13.10	421	632	5.0	5.3	5.8	5.5
Average						11.0	8.9	7.7	7.2
Linus Agro Group	LNA1L	EUR	1.28	202	581	17.3	4.3	7.6	7.4

Source: MarketScreener (all peers excl. Auga), Enlight Research (Auga), 2021 including KG as of 15 July, share prices on 13 September 2022

DCF valuation

Our Base case DCF valuation assume a terminal sales growth of 2.0% and a terminal EBIT margin of 3.0% (increase from 2.5% due to the KG acquisition) resulting in a Fair value of EUR 2.02 (1.21 prev.) per share (upside of around 58%). Our Bear and Bull case Fair value per share is EUR 1.49 (0.77 prev.), and EUR 2.56 (1.65 prev.), respectively. The only difference between our different scenarios is the assumed terminal EBIT margin, which is 2.5% for our Bear case and 3.5% for our Bull case. See below table for DCF value sensitivity to different parameters.

DCF Valuation Scenarios	Bear	Base	Bull
WACC	8.0%	8.0%	8.0%
Terminal sales growth	2.0%	2.0%	2.0%
Terminal EBIT margin	2.5%	3.0%	3.5%
Fair Value per share	1.49	2.02	2.56
Upside/Downside (last price)	16%	58%	100%

Source: Enlight Research

Sensitivity parameters	Base case		Test values & Results										
	Step												
Equity beta	1.20	0.10	0.70	0.80	0.90	1.00	1.10	1.20	1.30	1.40	1.50	1.60	1.70
Fair value (DCF)	2.02		3.13	2.86	2.62	2.41	2.21	2.02	1.85	1.69	1.55	1.41	1.28
Target debt ratio*	45.0 %	3.0 %	30%	33%	36%	39%	42%	45%	48%	51%	54%	57%	60%
Fair value (DCF)	2.02		1.22	1.35	1.50	1.66	1.83	2.02	2.23	2.45	2.70	2.98	3.29
Risk-free interest rate	3.0 %	0.2 %	2.0 %	2.2 %	2.4 %	2.6 %	2.8 %	3.0 %	3.2 %	3.4 %	3.6 %	3.8 %	4.0 %
Fair value (DCF)	2.02		2.45	2.36	2.27	2.18	2.10	2.02	1.94	1.87	1.80	1.73	1.66

Source: Enlight Research, *Debt/(Debt + Equity)

Forecast vs. Outcome

By segment

The Q4-21/22 Grain, Oilseeds, and Feed segment revenues came in 49% or EUR 103m above forecast as grain trading benefited from high grain prices and the feed business benefited from feed supply worries. The Product & services for farming reported 59% or EUR 44m higher than expected revenues, while the Food products segment came 29% or EUR 23m above forecast. The Agricultural production and Other product segment revenues came slightly below our estimates with a EUR 0.7m and EUR 1.7m, respectively, negative deviation. The Group revenues were 44% or EUR 168m above forecast. At the operating profit level, all segments except the Other products came above our estimate. The Grain, Oilseeds, and Feed segment contributed to EUR 36m out of the EUR 50m positive EBIT deviation.

Quarterly Segment deviations

Revenue	Q4-21/22	Q4-21/22	Difference	
	Estimate	Actual	EURm	%
Grain, Oilseeds, and Feed	210.7	313.7	103.0	49%
Product & services for farming	75.2	119.6	44.4	59%
Agricultural production	7.2	6.6	-0.7	-9%
Food products	78.7	101.8	23.1	29%
Other products	8.2	6.5	-1.7	-20%
Total	380.0	548.1	168.2	44%

Revenue growth	Q4-21/22	Q4-21/22	Difference	
	Estimate	Actual	EURm	%-pts
Grain, Oilseeds, and Feed	44.9%	115.7%	na	70.8
Product & services for farming	22.1%	94.1%	na	72.1
Agricultural production	75.9%	59.8%	na	-16.1
Food products	300.0%	417.4%	na	117.3
Other products	nm	nm	na	nm
Total	64.6%	137.5%		72.9

Operating profit (bef. elim.)	Q4-21/22	Q4-21/22	Difference	
	Estimate	Actual	EURm	%
Grain, Oilseeds, and Feed	3.1	39.1	36.0	1167%
Product & services for farming	4.1	8.1	4.0	99%
Agricultural production	8.2	15.2	7.0	85%
Food products	1.5	6.2	4.7	312%
Other products	1.3	-0.1	-1.3	-106%
Total	18.1	68.5	50.3	278%

Operating margin (bef. elim.)	Q4-21/22	Q4-21/22	Difference	
	Estimate	Actual	EURm	%-pts
Grain, Oilseeds, and Feed	1.5%	12.5%	na	11.0
Product & services for farming	5.4%	6.8%	na	1.3
Agricultural production	113.4%	231.0%	na	117.6
Food products	1.9%	6.1%	na	4.2
Other products	15.4%	-1.2%	na	-16.6
Total	4.8%	12.5%	na	7.7

Source: Company reports, Enlight Research

Group

The Q4-21/22 Sales was 44% or EUR 168m better than expected. Despite a 36% higher than expected Cost of sales, the Gross profit was 118% or EUR 46m above forecast. The positive deviation at the Gross profit line expanded at the Operating profit line which was 296% or EUR 50m better than expected (this is Operating profit after eliminations, hence the difference to previous segment deviation table) due to lower than estimated Operating expenses and higher than estimated Other income. The Q4-21/22 Net profit was 351% or EUR 42m above our estimate.

Group deviations

P&L	Q4-21/22	Q4-21/22	Difference	
	Estimate	Actual	EURm	%
Total Sales	380.0	548.1	168.2	44%
Cost of sales	-340.7	-462.7	-122.0	36%
Gross profit	39.3	85.4	46.1	118%
Operating expense	-25.7	-26.9	-1.2	5%
Other income	2.6	8.0	5.4	211%
Other expenses	-1.5	0.0	1.5	-101%
Operating profit	16.8	66.5	49.7	296%
<i>Financial net</i>	<i>-3.0</i>	<i>-5.4</i>	<i>-2.4</i>	<i>81%</i>
Pre-tax profit	13.8	61.1	47.3	342%
Tax	-2.0	-7.9	-5.9	291%
Net profit	11.8	53.3	41.5	351%
Depreciation	8.4	2.0	-6.4	-77%
EBITDA	23.1	68.5	45.4	196%

Revenue growth	Q4-21/22	Q4-21/22	Difference	
	Estimate	Actual	EURm	%-pts
Total sales y-on-y	64.6%	137.5%	na	72.9

Margins	Q4-21/22	Q4-21/22	Difference	
	Estimate	Actual	EURm	%-pts
Gross margin	10.3%	15.6%	na	5.2
EBITDA margin	6.1%	12.5%	na	6.4
Operating margin	4.4%	12.1%	na	7.7
Pre-tax margin	3.6%	11.1%	na	7.5
Net margin	3.1%	9.7%	na	6.6

Source: Company reports, Enlight Research

Estimate changes

Our Group sales is raised by around 6% in the forecast period 2022/23 to 2024/25, which is mainly a result of a 10% increase in the sales estimates for the Grain, Oilseeds, and Feed segment estimates following the successful integration of KG companies (particularly the Feed business). Our Pre-tax profit estimates are raised by 27.3% for 2022/23 from EUR 29.4m to EUR 37.4m, followed by minor adjustments for 2023/24 and 2023/25. For this fiscal year (2022/23), we double our dividend per share forecast to EUR 0.04 from EUR 0.02, indicating a yield of 3.1%. Our dividend for the subsequent fiscal year is also raised by EUR 0.02 per share to EUR 0.05 per share, indicating a yield close to 4%.

Group estimate changes

Sales (EURm)	2022/23E	2023/24E	2024/25E
Old estimate	1,794	1,848	1,885
New estimate	1,904	1,956	1,995
Change	110	107	109
Change (pct)	6.1%	5.8%	5.8%

EBIT (EURm)	2022/23E	2023/24E	2024/25E
Old estimate	40.8	49.9	50.9
New estimate	48.4	50.6	53.9
Change	7.7	0.7	3.0
Change (pct)	18.8%	1.4%	5.8%

Pre-tax Profit (EURm)	2022/23E	2023/24E	2024/25E
Old estimate	29.4	38.1	40.0
New estimate	37.4	38.0	41.1
Change	8.0	-0.1	1.1
Change (pct)	27.3%	-0.2%	2.7%

Net profit (EURm)	2022/23E	2023/24E	2024/25E
Old estimate	24.2	31.4	33.0
New estimate	32.2	32.4	35.0
Change	8.0	1.0	2.0
Change (pct)	33.1%	3.0%	6.1%

Dividend (EUR)	2022/23E	2023/24E	2024/25E
Old estimate	0.02	0.03	0.03
New estimate	0.04	0.05	0.05
Change	0.02	0.02	0.02
Change (pct)	100.0%	66.7%	62.6%

Source: Enlight Research

Forecast

Grains, Oilseeds, and Feed

	Q1-21/22	Q2-21/22	Q3-21/22	Q4-21/22	Q1-22/23E	Q2-22/23E	Q3-22/23E	Q4-22/23E	2021/22	2022/23E
Revenue (external)	258.1	226.7	321.3	313.7	276.1	238.0	330.9	330.6	1119.7	1175.7
Revenue growth y-on-y	50.4%	26.9%	76.4%	115.7%	7.0%	5.0%	3.0%	5.4%	65.2%	5.0%
Operating profit	3.0	-3.4	11.5	39.1	2.8	2.4	3.3	5.7	50.2	14.1
Operating margin	1.1%	-1.5%	3.6%	12.5%	1.0%	1.0%	1.0%	1.7%	4.5%	1.2%

Product & services for farming

	Q1-21/22	Q2-21/22	Q3-21/22	Q4-21/22	Q1-22/23E	Q2-22/23E	Q3-22/23E	Q4-22/23E	2021/22	2022/23E
Revenue (external)	89.5	91.1	75.0	119.6	80.5	77.4	63.8	97.2	375.2	318.9
Revenue growth y-on-y	95.9%	165.3%	137.5%	94.1%	-10.0%	-15.0%	-15.0%	-18.7%	116.6%	-15.0%
Operating profit	7.8	17.5	12.0	8.1	6.4	6.2	5.1	7.8	45.4	25.5
Operating margin	8.8%	19.2%	15.9%	6.8%	8.0%	8.0%	8.0%	8.0%	12.1%	8.0%

Agricultural production

	Q1-21/22	Q2-21/22	Q3-21/22	Q4-21/22	Q1-22/23E	Q2-22/23E	Q3-22/23E	Q4-22/23E	2021/22	2022/23E
Revenue (external)	5.8	5.9	8.1	6.6	6.1	6.2	8.5	6.9	26.4	27.7
Revenue growth y-on-y	20.2%	11.8%	59.0%	59.8%	5.0%	5.0%	5.0%	5.0%	36.6%	5.0%
Operating profit	-0.5	-0.5	0.8	15.2	0.1	0.1	0.1	9.0	15.1	9.2
Operating margin	-8.1%	-7.7%	10.3%	231.0%	1.0%	1.0%	1.0%	130.2%	57.2%	33.2%

Food products

	Q1-21/22	Q2-21/22	Q3-21/22	Q4-21/22	Q1-22/23E	Q2-22/23E	Q3-22/23E	Q4-22/23E	2021/22	2022/23E
Revenue (external)	78.6	82.6	80.6	101.8	86.5	86.8	87.0	90.2	343.6	350.5
Revenue growth y-on-y	355%	378%	353%	417%	10%	5%	8%	-11%	377%	2%
Operating profit	3.2	-3.4	-7.2	6.2	0.6	0.6	0.6	1.2	-1.2	3.1
Operating margin	4.1%	-4.1%	-8.9%	6.1%	0.7%	0.7%	0.7%	1.4%	-0.4%	0.9%

Other products

	Q1-21/22	Q2-21/22	Q3-21/22	Q4-21/22	Q1-22/23E	Q2-22/23E	Q3-22/23E	Q4-22/23E	2021/22	2022/23E
Revenue (external)	8.0	9.5	7.0	6.5	7.8	8.1	7.7	7.8	31.1	31.4
Revenue growth y-on-y	61485%	22030%	17503%	na	na	na	na	na	32270%	1%
Operating profit	2.4	-0.6	-1.4	-0.1	0.1	0.1	0.1	0.1	0.3	0.5
Operating margin	29.9%	-6.3%	-20.2%	-1.2%	1.5%	1.5%	1.5%	1.5%	1.0%	1.5%

Income statement

	Q1-21/22	Q2-21/22	Q3-21/22	Q4-21/22	Q1-22/23E	Q2-22/23E	Q3-22/23E	Q4-22/23E	2021/22	2022/23E
Revenues	440.0	415.8	492.1	548.1	457.0	416.5	498.0	532.7	1,896.0	1,904.2
Cost of sales	-402.4	-389.1	-454.0	-462.7	-427.3	-389.4	-465.7	-477.1	-1,708.2	-1,759.5
Gross profit	37.6	26.8	38.1	85.4	29.7	27.1	32.4	55.6	187.8	144.7
Operating expense	-24.0	-21.9	-23.5	-26.9	-22.8	-20.8	-24.9	-36.2	-96.3	-104.7
Other income	3.0	4.7	7.0	8.0	3.7	3.3	4.0	4.3	22.7	15.2
Other expenses	-2.2	-0.8	-5.4	0.0	-1.4	-1.2	-1.5	-2.7	-8.4	-6.8
Operating profit	14.4	8.8	16.1	66.5	9.1	8.3	10.0	21.0	105.9	48.4
Financial net	-1.6	-2.7	-3.0	-5.4	-2.8	-2.8	-2.8	-2.8	-12.8	-11.0
Pre-tax profit	12.8	6.0	13.1	61.1	6.4	5.6	7.2	18.2	93.1	37.4
Tax	-1.2	-1.8	-2.6	-7.9	-1.2	-1.0	-1.3	-1.8	-13.5	-5.2
Minority	-1.2	0.0	0.2	-1.5	-0.1	-0.1	-0.1	-0.1	-2.5	-0.3
Net profit	10.3	4.2	10.8	51.8	5.2	4.5	5.8	16.4	77.1	31.9
Depreciation	9.2	8.8	8.4	2.0	7.0	7.0	7.0	7.3	28.4	28.3
EBITDA	23.6	17.5	24.6	68.5	16.1	15.3	17.0	28.3	134.3	76.7

Growth

	Q1-21/22	Q2-21/22	Q3-21/22	Q4-21/22	Q1-22/23E	Q2-22/23E	Q3-22/23E	Q4-22/23E	2021/22	2022/23E
Revenues y-on-y	83.8%	76.5%	107.9%	137.5%	3.9%	0.2%	1.2%	-2.8%	101.2%	0.4%

Margins

	Q1-21/22	Q2-21/22	Q3-21/22	Q4-21/22	Q1-22/23E	Q2-22/23E	Q3-22/23E	Q4-22/23E	2021/22	2022/23E
Gross profit margin	8.5%	6.4%	7.7%	15.6%	6.5%	6.5%	6.5%	10.4%	9.9%	7.6%
EBITDA margin	5.4%	4.2%	5.0%	12.5%	3.5%	3.7%	3.4%	5.3%	7.1%	4.0%
Operating profit margin	3.3%	2.1%	3.3%	12.1%	2.0%	2.0%	2.0%	3.9%	5.6%	2.5%
Pre-tax profit margin	2.9%	1.4%	2.7%	11.1%	1.4%	1.3%	1.4%	3.4%	4.9%	2.0%
Net profit margin	2.3%	1.0%	2.2%	9.5%	1.1%	1.1%	1.2%	3.1%	4.1%	1.7%

Source: Company reports (historic), Enlight Research (estimates)

Risk factors

Below risk factors are not a complete list of risks related to Linas Agro Group, but rather a list of risks that we view as the most important to highlight given the current environment. For examples of additional risks, we recommend reading the Company's Annual Reports.

Large acquisition

Large acquisitions entail challenges such as e.g., merging operations and corporate culture. There is no guarantee that the Kauno Grudai acquisition will be successful, but the first year of combined operations showed some positive synergies. If acquisition in long-term turns out unsuccessful, our forecast is most likely too optimistic.

Financial leverage

Following the Kauno Grudai acquisition, our estimated Net debt to EBITDA multiple is above 4x, which could be regarded as high, although not uncommon following an acquisition. Worth noting is that LNA's pre-acquisition Net debt to EBITDA multiple has been higher than 4x so from this perspective it might be regarded as less of a risk factor.

Dividend policy

The company does not have an official dividend policy yet, though there are indications for it to come. This does not mean that dividends cannot be paid out. However, we believe a stated dividend policy increases the confidence that dividends will be paid when there are funds available.

COVID-19

COVID-19 restrictions could affect the Food segment (poultry) negatively due to its exposure to the HORECA sector.

Livestock

The risk of a severe animal disease is not factored into our estimates. If one of Linas Agro Group's poultry or dairy farms is hit by a severe animal disease, our estimates will most likely have to be adjusted downwards.

Share liquidity

The low free float of 20% means the liquidity in the share is lower relative to most similar sized companies. We would welcome a distribution from the main shareholders in order to increase the share liquidity and thereby lower the risk in the share.

Russia – Ukraine risk

The company managed to sell 3 out of 4 companies in Russia and Belarus, therefore limiting the geopolitical risk. The main challenge is to replace goods previously supplied from Russia and Belarus.

Income Statement	20/21	21/22	22/23E	23/24E	24/25E
Net sales	942	1896	1904	1956	1995
Total operating costs	-909	-1762	-1828	-1877	-1909
EBITDA	34	134	76	79	85
Depr. & Amort.	-14	-28	-28	-28	-31
One-off EBIT items	0	0	0	0	0
EBIT	20	106	48	51	54
Financial net	-3	-13	-11	-13	-13
Pre-tax profit	17	93	37	38	41
Taxes	-3	-13	-5	-5	-6
Minority interest	0	-2	0	0	0
Other items	0	0	0	0	0
Net profit	14	77	32	32	35

Balance Sheet	20/21	21/22	22/23E	23/24E	24/25E
			E	E	E
Cash and cash equivalent	18	21	25	25	26
Receivables	114	315	316	325	332
Inventories	89	245	362	362	359
Other current assets	30	53	53	53	53
Total current assets	252	634	756	766	770
Tangible assets	129	165	162	225	219
Goodwill & intangible assets	5	10	10	10	10
Lease & Investment properties	23	25	32	37	40
Long-term Investments	3	2	2	2	2
Associated companies	0	0	0	0	0
Other long-term assets	10	37	37	37	37
Total fixed assets	169	239	243	311	309
Total Assets	421	873	1000	1077	1078
Accounts payable	64	206	207	213	217
Short-term IB debt	80	190	269	299	275
Other current liabilities	25	76	76	76	76
Total current liabilities	169	472	553	588	569
Long-term IB debt	13	67	95	105	97
Convertibles & Lease liab.	33	40	32	37	40
Deferred tax liab.	1	2	2	2	2
Provisions	0	0	0	0	0
Other long-term liab.	9	11	11	11	11
Total long-term liab.	56	119	140	155	149
Total Liabilities	225	591	692	743	718
Minority interest	2	10	10	10	10
Shareholders' equity	194	272	297	323	350
Total liabilities and equity	421	873	1000	1077	1078

DCF valuation	Cash flow, mEUR		
WACC (%)	7.99 %	NPV FCF (2022-2024)	-44
Assumptions 2022-2028 (%)		NPV FCF (2025-2031)	283
Sales CAGR	2.12 %	NPV FCF (2032-)	367
Avg. EBIT margin	2.75 %	Non-operating assets	14
Fair value per share (EUR)	2.02	Interest-bearing debt	-296
Share price (EUR)	1.28	Fair value estimate	324

Free Cash Flow	20/2	21/22	22/23E	23/24E	24/25E
	1		E		
Operating profit	20	106	48	51	54
Depreciation	14	28	28	28	31
Working capital chg	7	-186	-117	-3	0
Other Operating CF items	-2	-18	-7	-7	-8
Operating Cash Flow	38	-70	-48	69	78
Net investments	11	-91	-25	-91	-26
Other items	1	2	0	0	0

Capital structure	20/21	21/22	22/23E	23/24E	24/25E
Equity ratio	46.6%	32.3%	30.8%	31.0%	33.4%
Debt / Equity ratio	64.9%	109.0%	133.3%	136.6%	117.6%
Gearing %	55.0%	97.7%	120.8%	124.8%	107.1%
Net debt/EBITDA	3.2	2.1	4.9	5.3	4.5

Profitability	20/21	21/22	22/23E	23/24E	24/25E
ROE	7.6%	33.1%	11.3%	10.4%	10.4%
FCF yield	38.2%	-87.5%	-35.4%	-11.0%	25.5%
EBITDA margin	3.6%	7.1%	4.0%	4.0%	4.3%
EBIT margin	2.1%	5.6%	2.5%	2.6%	2.7%
PTP margin	1.8%	4.9%	2.0%	1.9%	2.1%
Net margin	1.5%	4.1%	1.7%	1.7%	1.8%

Valuation	20/21	21/22	22/23E	23/24E	24/25E
P/E	9.1	2.4	6.4	6.3	5.9
P/E adjusted	9.1	2.4	6.4	6.3	5.9
P/Sales	0.1	0.1	0.1	0.1	0.1
EV/Sales	0.3	0.2	0.3	0.3	0.3
EV/EBITDA	7.1	3.5	7.6	8.0	7.0
EV/EBIT	12.2	4.4	12.1	12.4	11.1
P/BV	0.7	0.7	0.7	0.6	0.6
P/BV tangible	0.7	0.7	0.7	0.7	0.6

Per share ratios	20/21	21/22	22/23E	23/24E	24/25E
EPS	0.09	0.48	0.20	0.20	0.22
EPS, adjusted	0.09	0.48	0.20	0.20	0.22
Operating CF/share	0.24	-0.44	-0.30	0.43	0.49
Free Cash Flow/share	0.31	-1.00	-0.45	-0.14	0.33
BV/share	1.23	1.69	1.85	2.02	2.18
Tangible BV/share	1.21	1.68	1.84	2.00	2.17
Div. per share	0.00	0.04	0.04	0.05	0.05
Div. payout ratio	0.0%	8.3%	19.9%	24.8%	23.0%
Dividend yield	0.0%	3.1%	3.1%	3.9%	3.9%

Shareholders	Capital	Votes
Akola ApS (Denmark)	140.675	68.52 %
Darius Zubas	21.824	10.63 %
UAB INVLT Asset Management	11.600	5.65 %

Key people	
CEO	Darius Zubas
CFO	Mazydas Sileika
IR	Dovile Jakucione
Chairman	

P/E $\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS $\frac{\text{Profit before extraordinary items and taxes – income taxes + minority interest}}{\text{Number of shares}}$
P/Sales $\frac{\text{Market cap}}{\text{Sales}}$	DPS Dividend for financial period per share
P/BV $\frac{\text{Price per share}}{\text{Shareholders' equity + taxed provisions per share}}$	CEPS $\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF $\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share $\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value) Market cap + Net debt + Minority interest at market value – share of associated companies at market value	Sales/Share $\frac{\text{Sales}}{\text{Number of shares}}$
Net debt Interest-bearing debt – financial assets	EBITDA/Share $\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Number of shares}}$
EV/Sales $\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share $\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	EAFI/Share $\frac{\text{Pre-tax profit}}{\text{Number of shares}}$
EV/EBIT $\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share $\frac{\text{Total assets – non-interest-bearing debt}}{\text{Number of shares}}$
Div yield, % $\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets Balance sheet total
Payout ratio, % $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes – income taxes + minority interest}}$	Interest coverage (x) $\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share $\frac{\text{Financial assets – interest-bearing debt}}{\text{Number of shares}}$	Asset turnover (x) $\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, % $\frac{\text{Operating profit + financial income + extraordinary items}}{\text{Balance sheet total – interest-free short-term debt – long-term advances received and accounts payable (average)}}$	Debt/Equity, % $\frac{\text{Interest-bearing debt}}{\text{Shareholders' equity + minority interest + taxed provisions}}$
ROCE, % $\frac{\text{Profit before extraordinary items + interest expenses + other financial costs}}{\text{Balance sheet total – non-interest-bearing debt (average)}}$	Equity ratio, % $\frac{\text{Shareholders' equity + minority interest + taxed provisions}}{\text{Total assets – interest-free loans}}$
ROE, % $\frac{\text{Profit before extraordinary items – income taxes}}{\text{Shareholders' equity + minority interest + taxed provisions (average)}}$	CAGR, % Cumulative annual growth rate = Average growth rate per year

Disclaimer

Enlight Research OÜ's main valuation methods are discounted cash flow valuation and peer valuation with common multiples such as Price to Earnings, Enterprise Value to EBITDA, dividend yield etc. Aforementioned methods are used to estimate a company's fair value according to the following three scenarios: Bull (positive), Base (main scenario), and Bear (negative).

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