

MCB Agricole: The Cheaper the Better

MCB Agricole's share price has dropped by 87% to \$1.7 in 2H2008, while Ukrainian peers have declined by 76% on average. MCB Agricole, being one of the best performing agricultural companies in Ukraine, is now traded far cheaper than any of its Ukrainian peers. Rapid drop in MCB Agricole share price last month was caused by the sale of a large block of shares through the market by the distressed shareholder. However, the company remains fundamentally strong, being relatively unaffected by the crisis and crops prices dropdown, because of insignificant leverage and high margins (38% EBITDA margin in 2008).

Whereas recent news of the MCB Agricole are quite optimistic:

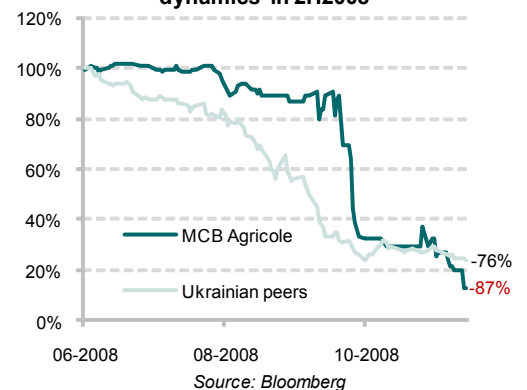
- MCB Agricole's has successfully finished the harvesting campaign: actual yields are 17% higher than expected and sown area is consistent with expansion schedule.
- the company's winter sowing campaign results are in line with plans. Winter crops account for 59 ths ha which is 50% higher than last year and are comprised of the following: wheat - 33,500 ha, rapeseed - 19,214 ha, rye - 3,400 ha, barley - 2,700 ha
- MCB Agricole follows its land acquisition plans and currently controls over 100 ths ha of land bank
- the company management system was awarded the ISO 9001:2000 certificate confirming compliance with international standards of quality management
- Recent conference call with the management reiterated the sustainability and continuity of company's development strategy. It is still oriented at the expansion of the land bank planted and more effective farming process.

The company is now 3-4 times undervalued compared to Ukrainian peers looking both at EV/EBITDA multiple with 240% upside and EV/Land planted multiple with 300% upside.

We revised our DCF valuation of MCB Agricole due to increasing cost of capital, crops prices dropdown, restricted access to bank lending, and overheads prices dropdown. In view of the above, updated DCF-based fair price of MCB Agricole is \$13.4 per share.

Outperform	
Industry	Agriculture
Exchange	FSE
Symbol	4WG1
Price, \$ per share	1.7
12-m price target, \$	9.4
Implied return	453%
Dividend per share, \$	-
52-week price range	1.7-15.4
Shares out (mln)	17.2
Market Cap (mln)	29
Free Float (%)	24%
Value of float (\$mln)	7

MCB Agricole's vs Ukrainian peers share price dynamics in 2H2008



	MCB Agricole	Mriya	Landkom	MHP	Astarta
Stock Exchange	FSE	FSE	LSE AIM	LSE	WSE
Ticker	4GW1 GR	MAYA GR	LKI LN	MHPC LI	AST PW
Mcap, \$mln	28,6	165,1	33,4	526,1	110,5
Free Float, %	24%	20%	60%	22%	20%
Land Planted, ths ha*	88	91	30	150	145
EV/EBITDA, 2008	1,6	8,1	3,3	3,2	6,7
EV/Land Planted	348	1946	1113	not applicable	1624

*Area under summer crops 2008 and winter crops 2009

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We refer to the following potential conflict(s) of interest

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