



**Independent Research**

Unabhängige Finanzmarktanalyse GmbH

# Research Note



**Figures for FY 2008**

**05/15/2009**

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**Strong, capital-intensive growth****KTG Agrar 4) 5)****Figures for FY 2008****Recommendation: Buy****before:**

as of

⇒ In 2008, KTG Agrar achieved significant growth thanks to a strong expansion in area and full load operation of its biogas plants. Sales rose to EUR26.41m (15.31; our forecast: 25.67). Total operating performance exceeded our expectations with a reported EUR48.22m (31.62; our forecast: 40.61).

⇒ On the profit level, KTG Agrar failed to meet our expectations. EBIT reached EUR7.53m (4.01; our forecast: 9.72) due to higher-than-expected material costs and other expenses resulting from the high pace of growth, among other things. Net income totalled EUR3.94m (year-ago figure, including IPO costs: EUR-2.36m; our forecast: 4.64m). In our opinion, the operating cash flow was unsatisfactory with a reported EUR-9.70m (-15.20). Among other things, prefinancing of the cultivation of market fruits on an increasing area had an impact here.

⇒ KTG Agrar ought to keep growing in 2009 and 2010. Wheat prices dropped by about 50% in year-on-year comparison, but costs have declined significantly as well. KTG plans to expand its acreage to over 30,000 hectares by 2010 and to construct new biogas plants with a capacity of 6 MW (today: 8 MW) by the end of 2009 (investments: EUR25m). Energy production makes the cash flow more stable, but net financial debt ought to keep increasing (December 31, 2008: EUR39.78m (December 31, 2007: EUR23.65m)).

⇒ Due to the higher-than-expected costs in 2008, we lower our EPS forecast for 2009 to EUR1.13 (before: 1.24). Considering the new biogas plants, we predict EPS of EUR1.29 in 2010.

⇒ In our opinion, the high capital requirements for the expansion have increased the company's opportunity/risk profile. However, we feel the share price does not sufficiently reflect the company's growth. The share price might be stimulated if interest in the agricultural sector increases again, e.g. due to the possible decline in the wheat harvest in 2009/10. Our valuation (DCF model) produces a new price target of EUR18.50 (before: 20.50). We reaffirm our Buy recommendation.

<b>Price target</b> (in EUR) (6 months)	<b>18.50</b>
Share price(Xetra) (in EUR)	12.60
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Share price potential	46.83%

**Company date**

Country	GE
Sector	Agriculture
Market segment	Entry Standard
ISIN	DE000A0DN1J4
Reuters	7KTG.DE
Bloomberg	7KT
Internet	www.ktg-agrar.de

**Data shares**

Shares (m)	4.730
Freefloat	42.30%
Market cap. (EURm)	62.0
∅ Trading Volume	3,253
52W High 06/12/08	EUR20.50
52W Low 11/24/08	EUR8.00
Beta	1.30
Volatility (60 days)	45.74

**Multiples**

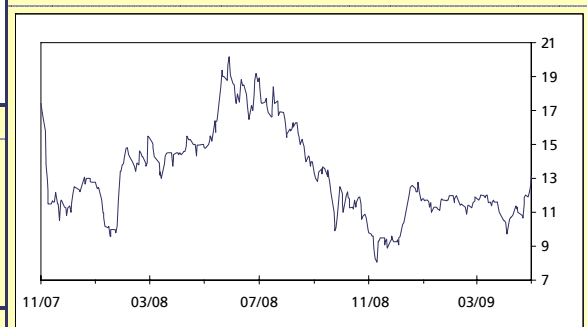
	EV/Sales	EV/EBIT	P/E ratio	Dividend yield
2006	-	-	-	-
2007	5.1	19.3	neg.	0.0%
2008	3.9	13.7	15.7	0.0%
2009e	3.1	10.3	11.1	0.0%
2010e	2.3	8.2	9.8	0.0%

**Performance (in %)**

	1M	3M	6M	12M
absolut	24.8	9.2	33.9	-12.5
related to:				
DAX	21.9	2.9	34.4	21.3

**Index Weighting**

no index membership



AP	FY	Total perf.	EBIT	EBT	EAT	EPS
G.GAAP	2006	17.9	2.5	1.6	1.0	0.23
G.GAAP	2007	31.6	4.0	2.1	-2.4	-0.55
G.GAAP	2008	48.2	7.5	5.3	3.9	0.89
G.GAAP	2009e	54.5	9.8	7.2	5.4	1.13
G.GAAP	2010e	62.6	12.3	8.4	6.1	1.29
CAGR 2006 - 2010e		36.7%	48.9%	51.8%	57.6%	

Figures in EURm except EpS, hist. PERs based on averaged share prices

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<b>DCF model KTG Agrar</b>										
EURm	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e
Sales	32.15	43.22	54.22	63.15	67.89	72.98	78.45	84.34	90.66	97.46
Growth y-o-y	21.7%	34.4%	25.4%	16.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Total operating performance	54.49	62.60	77.39	88.80	94.02	99.52	105.32	111.43	117.86	126.70
Growth y-o-y	13.0%	14.9%	23.6%	14.7%	5.9%	5.9%	5.8%	5.8%	5.8%	7.5%
EBIT margin (in % of total operating performance)	17.9%	19.6%	21.4%	23.2%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
<b>EBIT</b>	<b>9.77</b>	<b>12.25</b>	<b>16.54</b>	<b>20.59</b>	<b>23.50</b>	<b>24.88</b>	<b>26.33</b>	<b>27.86</b>	<b>29.47</b>	<b>31.68</b>
- Income taxes	-2.74	-3.43	-4.63	-5.77	-6.58	-6.97	-7.37	-7.80	-8.25	-8.87
+ Amortisation and depreciation	2.85	4.99	6.18	7.09	7.52	7.96	8.43	8.91	9.43	10.14
+/- Change in long-term provisions	0.26	0.39	0.48	0.55	0.59	0.62	0.66	0.70	0.74	0.79
+/- Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Gross operating cash flow</b>	<b>10.16</b>	<b>14.20</b>	<b>18.57</b>	<b>22.48</b>	<b>25.03</b>	<b>26.50</b>	<b>28.04</b>	<b>29.67</b>	<b>31.38</b>	<b>33.73</b>
+/- Change in net working capital	-5.78	-5.56	-7.90	-5.18	-1.03	-0.88	-0.70	-4.21	-4.52	-4.86
+/- Investments in fixed assets	-32.68	-7.80	-8.33	-8.01	-9.40	-9.95	-10.53	-11.14	-11.79	-12.67
<b>Free cash flow</b>	<b>-28.30</b>	<b>0.84</b>	<b>2.34</b>	<b>9.29</b>	<b>14.60</b>	<b>15.67</b>	<b>16.80</b>	<b>14.32</b>	<b>15.07</b>	<b>16.20</b>
<b>Present values</b>	<b>-26.76</b>	<b>0.73</b>	<b>1.86</b>	<b>6.73</b>	<b>9.69</b>	<b>9.52</b>	<b>9.34</b>	<b>7.29</b>	<b>7.02</b>	<b>6.91</b>
Total present values	32.33									
Terminal value	95.45									
										in % of total value : 75%
Value of operating business	127.78									
+ Cash and cash equivalents	11.50									
- Financial debt and minority interest	-51.29									
<b>Fair market value of equity</b>	<b>88.00</b>									
Number of shares outstanding (m)	4.730									
<b>Fair value per share (Euro)</b>	<b>18.60</b>									

<b>Model parameters / Entity DCF model :</b>					
Target capital structure ->	Equity :	40%	Financial debt :	60%	
Risk-free rate :	4.50%	Beta :	1.3	Risk premium debt:	2.2%
		Risk premium :	8.0%	Tax shield :	28.0%
		Cost of equity :	14.9%	Cost of debt :	4.8%
<b>Growth rate FCF :</b>	<b>1.5%</b>	<b>WACC :</b>	<b>8.85%</b>	<b>Date :</b>	<b>05/14/09</b>

Source: Independent Research

<b>Sensitivity analysis (Euro)</b>					
		<b>Discount rate</b>			
		8.3%	8.8%	9.3%	9.8%
<b>Growth</b>	0.5%	18.44	16.01	13.87	11.96
	1.0%	19.88	17.23	14.90	12.84
	1.5%	22.04	<b>18.60</b>	16.06	13.83
	2.0%	23.44	20.18	17.38	14.94

Source: Independent Research

## Disclaimer

### Recommendation shares - Single Issuer -:

Buy:	According to our assessment, the stock should register an absolute profit of at least 15% within a 6-month period.
Accumulate:	According to our assessment, the stock should register an absolute profit between 0% and 15% within a 6-month period.
Reduce:	According to our assessment, the stock should register an absolute loss between 0% and 15% within a 6-month period.
Sell:	According to our assessment, the stock should register an absolute loss of at least 15% within a 6-month period.

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## Summary of the evaluation principles used:

### Analyses of shares:

In valuing companies standard and accepted valuation methods (amongst others the Discounted Cash Flow Method (DCF Method), Peer Group Analysis) are applied. Under the DCF Method the capitalised value of the issuers is calculated which shows the sum of the discounted company results, i.e. the current value of the issuer's future net distributions. The capitalised value is therefore determined with reference to the anticipated future company results and the capitalisation yield applied. Under the Peer Group Analysis Method issuers quoted on the Stock Exchange are valued with reference to the comparison of ratio indices (e.g. price earnings ratio, price to book ratio, enterprise value / sales, enterprise value / EBITDA, enterprise value / EBIT). The comparability of the ratio indices is determined above all by business activity and commercial prospects.

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