[Kernel EBITDA falls 14% yoy in 3QFY16, still a positive surprise](#)

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Analyst: “Kernel’s stock trades at an attractive EV/EBITDA multiple of 3.4x and we reiterate our BUY recommendation for it.”

KYIV, May 31, 2016 (UBO) - The 3QFY16 EBITDA for Kernel (KER PW), Ukraine’s largest sunflower oil producer and among its leading grain traders, dropped 14% yoy to USD 98.9 mln, Concorde Capital informed clients, based on Kernel’s quarterly earnings for January-March 2016 released on May 30. The result is 15% better than Bloomberg’s consensus estimates and 8% higher than Concorde Capital’s projections.   The key driver was EBITDA in its bulk oil segment, which slid 52% yoy to USD 33.6 mln in 3QFY16, as its crushing margin deteriorated this year due to higher competition for sunflower seed and a tolling agreement for new capacities, which diluted somewhat the margin. Farming demonstrated a 2.6x EBITDA surge to USD 33 mln (backed by good yield and lower costs) which compensated for the majority of the EBITDA decrease in its oil segment. Kernel also reported that a sufficient spring rainfall has created favorable moisture accumulation in the soil, which is good for the development of all its key crops. Total FY2017 planted acreage stands at 382,000 hectares (-1% yoy).   Kernel generated EBITDA of USD 299 mln in 9MFY16, which is a 12% yoy decrease.   CapEx of USD 35.6 mln during the quarter (compared to USD 3.4 mln a year ago) many reflected the first tranche payment for a recently acquired sunflower seed crushing plant. Net debt decreased 37% yoy to USD 303 mln as of end-March, pushing net debt/EBITDA to 0.8x vs. 1.1x a year ago.   Concorde analyst Roman Topolyuk added: “Kernel impressed the market with its quarterly results, with the main surprise coming from its farming segment. With such results, Kernel is demonstrating its resilient business model: its different business segments can be volatile on a standalone basis, but tend to contribute to the company’s relatively stable earnings.   “Meanwhile, good weather conditions so far have created grounds for the solid performance of its farming segment in FY2017 as well, while the recovery of its crushing margin – which we anticipate next season – could lead to EBITDA growth in 2017. Kernel’s stock trades at an attractive EV/EBITDA multiple of 3.4x and we reiterate our BUY recommendation for it.”

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