

## **Avangardco reports negative EBITDA in 1Q18**

### **Bus./Industry**

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**Analyst: &ldquo;We retain our view that Avangardco securities are not investable.&rdquo;**

KYIV, June 1, 2018 - Ukraine's largest egg producer Avangardco (AVGR LI, AVINPU) reported its 1Q18 EBITDA turned negative USD 9.06 mln from positive USD 0.1 mln a year ago, Concorde Capital informed clients based on its interim financial results published on May 31. The company's 1Q18 revenue increased 20.9% yoy to USD 41.1 mln (a 5.9% decrease qoq) due to higher sales volume of shell eggs, the company's key product, by 36.9% yoy (an 8.4% decrease qoq) to 493 mln units. At the same time, prices advanced 55.8% yoy (or 4.1% qoq) to UAH 1.76/unit (or 52.4% yoy to US\$ 6.4/unit) in 1Q18. Export volumes of shell eggs surged 6.7x to 200 mln units (a 7.8% qoq decrease) in 1Q18. Also, the company sold 1.65 kt of dry egg products, a 39.0% yoy increase (or 56.6% qoq). Export sales of dry egg product rose 27.2% yoy to 1.4 kt (a 77.1% qoq improvement). The average selling price of dry egg product dropped 27.9% yoy to USD 3.8/kg (a 3.3% qoq increase). In addition, the company conducted grain trading operations that contributed USD 1.1 mln to 1Q18 revenue. (Grain trading operations contributed USD 8.0 mln in 1Q17.) Avangardco's operating cash flow before working capital changes turned to positive USD 9.7 mln from negative USD 1.5 mln year ago, while working capital cash outflow was USD 2.9 mln in 1Q18 (vs. cash inflow of USD 5.7 mln a year ago). The company's total debt rose 2.1% YTD to USD 373.7 mln as of end-March, and its net debt increased 0.16% YTD to USD 348.4 mln. Also, the company reported that it is still in discussions with creditor groups on the restructuring of its Eurobonds and the latest failed coupon payment. Concorde analyst Andriy Perederey added: &ldquo;Avangardco's EBITDA turned negative in 1Q18 due to the revaluation of biological assets by USD 9.1 mln. Also, Avangardco's average selling price of shell eggs was lower than its smaller peer Ovostar (OVO PW). Ovostar's average egg price was US\$ 7.52/unit, or 17.5% higher than for Avangardco in 1Q18. A year ago, the difference was broader (24% higher in 1Q17). &ldquo;Also, the conducting of grain trading operations disturbed the company's P&L due to the technical nature of such operations, when Avangardco purchased grain from the affiliates of Ukrlandfarming PLC at market rates. This influenced the company's revenue but didn't affect its operating and net profit. All in all, we retain our view that Avangardco securities are not investable.&rdquo;

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