[Ukrlandfarming revenue falls 31%, EBITDA 44% in 2017]

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Posted by:
Posted on : 2018/6/5 23:55:05

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KYIV, June 5, 2018 - Net revenue of Ukraine’s leading agricultural holding Ukrlandfarming (ULF, UKRLAN) fell 31% yoy to USD 658 mln in 2017, Concorde Capital informed its clients today based on ULF’s audited financial report. It was driven mostly by a 45% yoy decline in revenue from its “distribution” segment (distribution of machinery and agricultural raw materials) to USD 157 mln. In its core segment, crop production, revenue decreased 20% yoy to USD 278 mln. The company’s land bank under operation decreased 5.8% yoy to 570,000 ha as of end-2017.   The company’s gross profit dropped 67% yoy to USD 62.6 mln and EBITDA slid 44% yoy to USD 91.0 mln. Its bottom line improved slightly to negative USD 158.6 mln. Ukrlandfarming’s operating cash flow before working capital changes fell 58% yoy to USD 81.6 mln and net cash generated from operations (before payment of coupons on bonds) plummeted 80% yoy to USD 11.0 mln. Its net cash outflow for investment plunged 81% yoy to just USD 3.8 mln. The company had no significant borrowings or repayment during the year and paid just 12.5 mln in interest on its debt (down 48% yoy) in 2017.   Its total debt increased 5.3% yoy to USD 1,756 mln and net debt rose 5.9% yoy to USD 1,682 mln as of end-2017, implying a net debt-to-EBITDA ratio of 18.5x (up from 9.8x a year before).   Concorde analyst Alexander Paraschiy added: “The company’s 2017 results turned out to be weaker than in its financial model confirmed by auditors and presented in late 2017 to some creditors. Therefore, things seem to be getting worse than the company was expecting just a year before. That means the company’s creditors are unlikely to count any more on debt restructuring conditions offered last December (including on the bonds of ULF and Avangardco a 50% haircut, extension to 2027 and coupons of 2.5%-4.0%). “Bondholders should also consider an intension of the company’s owner Oleg Bakhmatyuk to resolve its outstanding debt issues with Ukraine’s central bank and Deposit Guarantee Fund - some of such debts are not consolidated by ULF, but will likely be repaid from its cash flow. Moreover, resolving of debt issues to state bodies might be Bakhmatyuk’s top priority.   “We estimate that additional debt of Bakhmatyuk to state bodies (outside ULF balance) is USD 500-600 mln, which brings total Bakhmatyuk’s debt obligation to ULF creditors and Ukrainian governmental bodies at about USD 2.3 bln. This is about three times more than fair value of Bakhmatyuk’s business, as we estimated it in our August 2016 report. All in all, we remain on the position that we see no value in the Eurobonds of ULF or Avangardco.

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