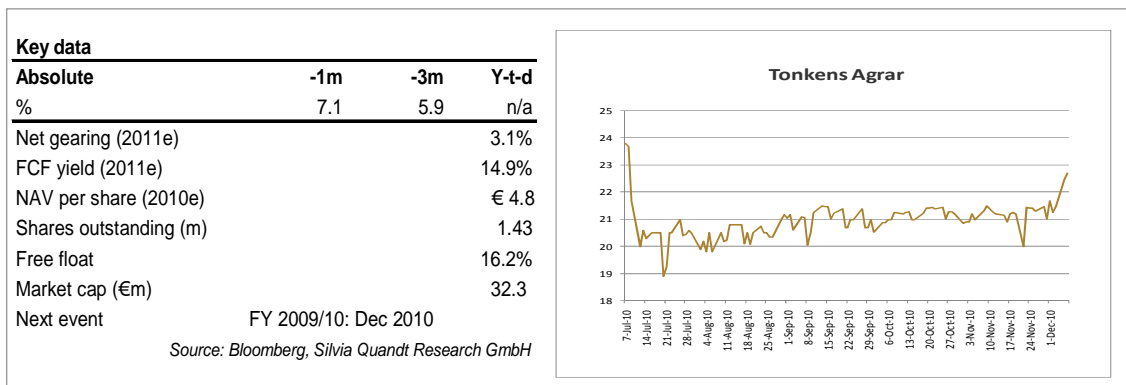




SILVIA QUANDT  
RESEARCH GMBH

# Tonkens Agrar

Potatos in sweet spot – prices surging, harvest outcome better than budget, tp raised to €28(24.50)



<b>Rating: Buy</b>	<b>Target price: €28(24.50)</b>	<b>Close 06/12/10: €22.54</b>	<b>RIC: GTKG.DE</b>
--------------------	---------------------------------	-------------------------------	---------------------

- Tonkens Agrar posted larger harvest for its key agricultural product, potato, in 2010 season, benefitting from superior quality of its arable land located in East Germany and surging prices for potatoes. The latter came afoot of shrinking imports due to drought periods in Southern Europe during summer as well as in Germany. Potato prices have surged as a result, having doubled compared to the management's budget (ie €11 per 100kg) carried at the time of IPO of the firm in June.
- The company boasts superior quality of arable land for planting potatoes and onions, the firm's main agricultural goods (besides milk production etc), compared to competitors, in East Germany (Magdeburger Börde). The supreme location has helped to harvest more potatoes than management had expected according to initial budget, ie in excess of 25,000 tons. Soil in this place has major advantages to store water much better than other soil (containing a lot of sand) in the surroundings.
- **We lift the target price to €28 per share from €24.50 to highlight that the stock has severely lagged peers' multiple expansion recently. At the new target price Tonkens shares trade on approx. 6.8x EV/EBITDA 2011e which marks approx 15% discount to comparables. At yesterday's closing price the stock trades on a mere 5.6x which does not reflect at all, we believe, the company's intrinsic value and growth potential (CAGR EBIT 2009-2013e: +56% pa) in coming years.**

Year end	Sales	EBIT	EPS	P/E	EV/ EBITDA	Yield
June	(€m)	(€m)	(€)	(x)	(x)	(%)
2009	17.7	1.3	0.19	n/a	n/a	n/a
2010e	17.0	2.8	1.04	21.6	11.3	0.0%
2011e	20.8	5.5	2.53	8.9	5.6	0.0%
2012e	23.8	6.9	3.29	6.8	4.0	0.0%

Source: Company data, Silvia Quandt Research GmbH

# Tonkens Agrar AG

	Year end 30 June, in €m			
	2009	2010e	2011e	2012e
<b>Price target</b>				
€ 28.00				
<b>Up/downside</b>				
24.2%				
<b>Rating</b>				
<b>Buy</b>				
<b>Current price</b>				
€ 22.54				
<b>Headquarter</b>				
Tonkens Agrar AG				
Sülzetal				
Germany				
<b>IR</b>				
Gerrit Tonkens (CEO)				
<a href="mailto:mail@tonkens-agrar.de">mail@tonkens-agrar.de</a>				
+ 49 392 0541 74 10				
<b>Stock data</b>				
<b>Main market</b>				
Entry Standard				
<b>Market cap (m):</b>				
€ 32.3				
<b>No. of shares (m)</b>				
1.432				
<b>Daily volume (shares m)</b>				
0.0015				
<b>Indices</b>				
DAX All Food & Beverages				
<b>Next event</b>				
FY 2009/10: Dec 2010				
<b>Profit loss</b>				
Sales	17.7	17.0	20.8	23.8
y-o-y in %		-3.7%	22.2%	14.6%
EBITDA	2.1	3.7	6.6	8.3
EBIT	1.3	2.8	5.5	6.9
EBIT margin in %	7.5%	16.5%	26.5%	29.0%
Net income	0.2	1.5	3.6	4.7
<b>EPS SQR (€)</b>	<b>0.19</b>	<b>1.04</b>	<b>2.53</b>	<b>3.29</b>
y-o-y in %		438.8%	143.0%	30.0%
<b>EPS consensus (€)</b>				
<b>DPS (€)</b>		0.00	0.00	0.00
Payout ratio %		0.0%	0.0%	0.0%
Dividend yield %		n/a	n/a	n/a
<b>Cash flow</b>				
Net income	0.2	1.5	3.6	4.7
Depreciation/Amortisation	0.8	0.9	1.1	1.4
Working capital movements	-10.8	-1.7	-1.0	-1.0
Operating cash flow	-3.4	0.8	4.2	5.5
Net capex	-0.2	-0.2	-1.7	-5.2
Free cash flow	-3.7	0.6	2.5	0.3
Free cash flow yield	-71.3%	7.1%	14.9%	1.4%
<b>Balance sheet/Key ratios</b>				
Total Assets	28.3	29.7	39.2	44.3
Closing net debt (cash)	-10.5	-8.5	-0.7	-0.5
Gearing	247.8%	137.1%	36.0%	3.1%
Capex ratio (tangible)	1.9%	2.0%	14.1%	32.8%
ROE	6.1%	22.8%	29.1%	24.4%
ROCE	15.0%	15.3%	28.0%	30.4%
ROA	17.5%	18.9%	37.2%	40.5%
<b>Valuation</b>				
Enterprise value		41.8	37.0	32.9
Book value		8.4	17.4	22.1
Market cap		32.3	32.3	32.3
EV/Sales		246%	177.7%	138.2%
EV/EBITDA		11.3	5.6	4.0
PER		21.6	8.9	6.8
PBV		4.7	2.5	1.6

Source: Silvia Quandt Research estimates, Reuters

## Comparable valuation reflecting Tonkens Agrar is undervalued

(in million, local currency)		EBITDA ROS 2011e	EV/EBITDA 2011e
Astarta Holding	Netherlands (€)	33.0%	8.9
Cresud	Argentina (ARS)	47.7%	8.6
KTG Agrar	Germany (€)	36.5%	7.1
MHP	Ukraine (\$)	33.2%	7.3
<b>Peer group Tonkens Agrar (Median)</b>		<b>34.9%</b>	<b>8.0</b>

**Tonkens Agrar AG** 31.8%

% to peer group -8.7%

Source: Silvia Quandt Research GmbH estimates, Reuters Knowledge



# Tonkens Agrar

## Disclaimer

This analysis was prepared by Harald Gruber, Head of Chemicals, Basic Goods and Renewable Energy, and was first published 07 December 2010, Silvia Quandt Research GmbH, Grüneburgweg 18, 60322 Frankfurt is responsible for its preparation. German Regulatory Authority: Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Graurheindorfer Str. 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt.

Publication according to article 5 (4) no. 3 of the German Regulation concerning the analysis of financial instruments (Finanzanalyseverordnung):

Number of recommendations from Silvia Quandt Research GmbH in 2009	Thereof recommendations for issuers to which investment banking services were provided during the preceding twelve months
Buys: 70	28
Neutral: 24	2
Avoid: 7	0

### Company disclosures

Article 34b of the German Securities Trading Act (Wertpapierhandelsgesetz) in combination with the German regulation concerning the analysis of financial instruments (Finanzanalyseverordnung) requires an enterprise preparing a securities analysis to point out possible conflicts of interest with respect to the company or companies that are the subject of the analysis. A conflict of interest is presumed to exist, in particular, if an enterprise preparing a security analysis:

- holds more than 5 % of the share capital of the company or companies analysed;
- has **lead managed or co-lead managed** a public offering of the securities of the company or companies in the previous 12 months;
- has provided **investment banking services** for the company or companies analysed during the last 12 months for which a compensation has been or will be paid;
- is serving as a liquidity provider for the company's securities by issuing buy and sell orders;
- is party to an agreement with the company or companies that is the subject of the analysis relating to the production of the recommendation;
- or the analyst covering the issue has **other significant financial interests** with respect to the company or companies that are the subject of this analysis, for example holding a seat on the company's boards.

In this respective analysis the following of the above-mentioned conflicts of interests exist: none

Silvia Quandt Research GmbH, Silvia Quandt & Cie. AG, and its affiliated companies regularly hold shares of the analysed company or companies in their trading portfolios. The views expressed in this analysis reflect the personal views of the analyst about the subject securities or issuers. No part of the analyst's compensation was, is or will be directly or indirectly tied to the specific recommendations or views expressed in this analysis. It has not been determined in advance whether and at what intervals this report will be updated.

Equity Recommendation Definitions Silvia Quandt Research GmbH analysts rate the shares of the companies they cover on an absolute basis using a 6 - 12-month target price. 'Buys' assume an upside of more than 20 % from the current price during the following 6 - 12-months. These securities are expected to out-perform their respective sector indices. Securities with an expected under-performance to their respective sector index are rated 'avoids'. Securities where the current share price is within a 5 % range of the sector performance are rated 'neutral'. Securities prices used in this report are closing prices of the day before publication unless a different date is stated. With regard to unlisted securities median market prices are used based on various important broker sources (OTC-Market).

Disclaimer This publication has been prepared and published by Silvia Quandt Research GmbH, a subsidiary of Silvia Quandt & Cie. AG. This publication is intended solely for distribution to professional and business customers of Silvia Quandt & Cie. AG. It is not intended to be distributed to private investors or private customers. Any information in this report is based on data obtained from publicly available information and sources considered to be reliable, but no representations or guarantees are made by Silvia Quandt Research GmbH with regard to the accuracy or completeness of the data or information contained in this report. The opinions and estimates contained herein constitute our best judgement at this date and time, and are subject to change without notice. Prior to this publication, the analysis has not been communicated to the analysed companies and changed subsequently. This report is for information purposes only; it is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the securities mentioned in this

report. In compliance with statutory and regulatory provisions, Silvia Quandt & Cie. AG and Silvia Quandt Research GmbH have set up effective organisational and administrative arrangements to prevent and avoid possible conflicts of interests in preparing and transmitting analyses. These include, in particular, inhouse information barriers (Chinese walls). These information barriers apply to any information which is not publicly available and to which any of Silvia Quandt & Cie. AG and Silvia Quandt Research GmbH or its affiliates may have access from a business relationship with the issuer. For statutory or contractual reasons, this information may not be used in an analysis of the securities and is therefore not included in this report. Silvia Quandt & Cie. AG and Silvia Quandt Research GmbH, its affiliates and/or clients may conduct or may have conducted transactions for their own account or for the account of other parties with respect to the securities mentioned in this report or related investments before the recipient has received this report. Silvia Quandt & Cie. AG and Silvia Quandt Research GmbH or its affiliates, its executives, managers and employees may hold shares or positions, possibly even short sale positions, in securities mentioned in this report or in related investments. Silvia Quandt & Cie. AG in particular may provide banking or other advisory services to interested parties. Neither Silvia Quandt Research GmbH, Silvia Quandt & Cie. AG or its affiliates nor any of its officers, shareholders or employees accept any liability for any direct or consequential loss arising from any use of this publication or its contents. Copyright and database rights protection exists in this publication and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of Silvia Quandt Research GmbH. All rights reserved. Any investments referred to herein may involve significant risk, are not necessarily available in all jurisdictions, may be illiquid and may not be suitable for all investors. The value of, or income from, any investments referred to herein may fluctuate and/or be affected by changes in exchange rates. Past performance is not indicative of future results. Investors should make their own investment decisions without relying on this publication. Only investors with sufficient knowledge and experience in financial matters to evaluate the merits and risks should consider an investment in any issuer or market discussed herein and other persons should not take any action on the basis of this publication.

Specific notices of possible conflicts of interest with respect to issuers or securities forming the subject of this report according to US or English law: None

This publication is issued in the United Kingdom only to persons described in Articles 19, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 and is not intended to be distributed, directly or indirectly, to any other class of persons (including private investors). Neither this publication nor any copy of it may be taken or transmitted into the United States of America or distributed, directly or indirectly, in the United States of America.

Frankfurt am Main, 07.12.2010

**Silvia Quandt Research GmbH**

Grüneburgweg 18  
60322 Frankfurt

Tel: + 49 69 95 92 90 93 -0

Fax: + 49 69 95 92 90 93 – 11