

# AGM: No dividend now, next year possible

## Elarg Agricultural Land Opportunity Fund REIT

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Agriculture

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Elarg REIT released the minutes of the General Shareholder Meeting held on July 15<sup>th</sup>.

The main message is the **confirmed** position that there will be **no dividend payment** from the 2010 (adjusted) profit. On the other hand, Mr. Vesselin Danev, Executive Director of Agromanage AD, the new largest shareholder, pointed out that **the losses accumulated by the pre-2008 management of Elarg (amounting to circa €4m) have been reduced to less than €0.72m by the end of 2010**, and he expects that, after the loss is fully covered in 2011, **Elarg may pay out dividends out of the 2011 profit**.

This is supported by the intensified sale of land by Elarg – in 2011q1 Elarg sold 347.2Ha for €0.76m, and if the prepayment ratio and prices in 2011q2 have remained the same, we should be looking at additional revenue from land sales amounting to almost €1m in the second quarter. The profit rate in 2011q1 was 90% (sale price of €2190/Ha, book value of the land sold €1152/Ha), and the Management would likely deliver even higher returns in the next quarters. Moreover, together with the decision of the Board of Directors from Feb'2011 to allow sale of land to retire debt, we would likely be looking at exercising of the early repayment option on the bond issue, which would lower the interest costs.

Other information from the Meeting:

- The General Shareholder Meeting was held on the backup date, due to lack of quorum on the first date. **The postponed date allowed Agromanage AD, Elarg's new largest shareholder, to vote at the meeting.**
- 71.54% of the capital was represented at the Meeting, with only a few small shareholders (holding just 0.23% of the capital) present. Looking at the number of shares represented, Allianz Bulgaria companies and Doverie companies have not changed their shares (16.80% and 5.01% respectively) since the last financials (as of 31 March 2011). The other large shareholder, Kairos Investments (7.49%) was not represented.

### BUY

Est. Share Price:	€ 0.67
Current Market Price:	€ 0.36
Upside Potential:	87%
CoE:	14.00%
Tickers:	BSE: 4EC; BBG: 4EC BU
Mkt. Cap. (€ m):	€ 21.4
Turnover last 12m (€ m):	€ 11.4 (incl. QVT sale)
12M High:	€ 0.42
12M Low:	€ 0.27
12M Average:	€ 0.33
Abs. Performance 3m:	0%
Abs. Performance 6m:	12%
Abs. Performance 12m:	26%

€ million	09	10	11e
Revenues	2.0	2.6	2.7
Oper. & adm.exp.	(1.3)	(2.1)	(1.2)
Inv. Portfolio income	0.0	0.6	0.2
<b>Net Income</b>	<b>(1.6)</b>	<b>(1.4)</b>	<b>1.0</b>
<b>Total Assets</b>	<b>45.8</b>	<b>41.8</b>	<b>41.9</b>
Total Liabilities	11.1	8.5	8.2
Equity	34.7	33.3	33.7
RoA (%)	(4.0)	(3.6)	2.3
RoE (%)	(4.5)	(4.1)	2.9
<b>BVPS (€)</b>	<b>0.58</b>	<b>0.56</b>	<b>0.56</b>

### 12-month performance



Source: BSE, ACP

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**Buy** – the stock is expected to bring in total return\* greater than the company's cost of equity +5%;

**Hold** – the stock is expected to bring in total return between +/-5% of the company's cost of equity;

**Sell** – the stock is expected to bring in total return less than the company's cost of equity -5%.

\*Total Return – The return on an investment, including income from dividends and interest, as well as appreciation or depreciation in the price of the security, over a given time period, usually one year.

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