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SECTOR	CONSUMER STAPLES	MAIN BUSINESSES (% of revenues)	Pig Production (50%) Slaughterhouse (40%) Arable Production (7%) Biogas (1%) Other (2%)		
INDUSTRY	CONSUMER PRODUCTS		ORIGIN OF REVENUES (%)	Poland (68%) Ukraine (20%) Russia (12%)	
SUB-INDUSTRY	AGRICULTURAL PRODUCERS			NUMBER OF EMPLOYEES	2,350 as of 12/31/2016
COUNTRY OF DOMICILE	Denmark				
SHAREHOLDERS	Polen Invest: 84.7% IFC (World Bank Group): 6.9% Axelgaard Holding: 3.9% 76 Private Danish Investors: 4.5%				
NEXT RELEVANT DATES	28 February: Annual Report 2017 10 April: Annual Shareholders Meeting 29 May/Aug/Nov: Q1/Q2/Q3 2018				

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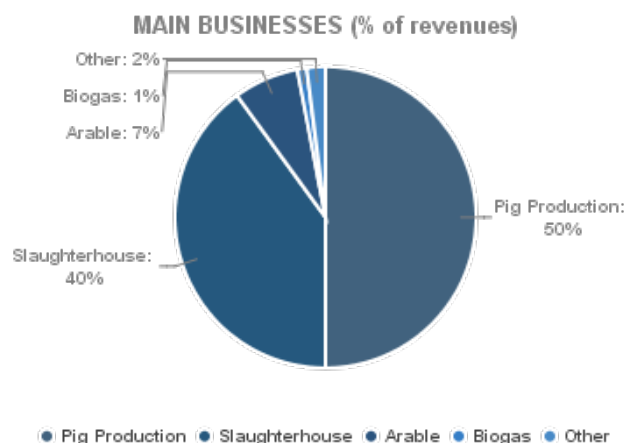
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## QUICK LOOK

Axzon is a Denmark-based food producer specialized in processing of pig meat. The company masters the whole vertical production chain, including pig farming, meat processing, biogas production (heat and electricity) and arable (cereals for pig feed and silage harvest for biogas). Founded in 1994 by Tom Axelgaard, at 31 December 2016 the Axzon Group has 2,350 employees (2,423 in 2015).

## MAIN POINTS

- **OWNERSHIP PROFILE** - 84.7% of share capital is owned by Polen Invest (90 individual Danish investors, mostly pig producers), 6.9% by IFC (World Bank Group member institution with a focus on the private sector in developing countries), 3.9% by Tom Axelgaard (CEO) and the remaining 4.5% by 76 private Danish investors.
- **BUSINESS DIVERSIFICATION (1/3): GEOGRAPHIC** - The Axzon Group operates 44 pig farms located in Poland (34), Ukraine (7) and Russia (3). At 31 December 2016, 68% of revenues were from Poland, 20% from Ukraine and 12% from Russia. Axzon's subsidiary Prime Food's sales of final products are splitted as follows: Poland (77%), Lithuania (5%), Denmark and Canada (4% each), USA (3%), Hong Kong (2%), Others (5%).
- **BUSINESS DIVERSIFICATION (2/3): CLIENTS** - Majority of the pig production in Poland is sold internally to Prime Food while all pig production from Ukraine is sold to third parties. In this regard, Axzon has established relationships with several retail chains (mainly Biedronka and Lidl, marginally Carrefour, Tesco, etc.). In addition, the company sells to industrial processors and wholesalers.
- **BUSINESS DIVERSIFICATION (3/3): SEGMENTS** - At 31 December 2016, 50% of revenues are from Pig production, 40% from Slaughterhouse, 7% from Arable production, 1% from Biogas and 2% from other businesses.
- **QUALITY** - Leadership functions are mainly filled by Danish management and employees training is set according to Danish farming standards, which - as the company argues - helps to preserve integrity in the challenging environment of Eastern Europe.
- **INCOMING CHALLENGES** - Axzon is progressively changing its strategy from being a producer of bulk products towards being a producer of high quality end products. Moreover, Axzon plans to list its shares on the regulated exchange in Copenhagen within the next 2 years.



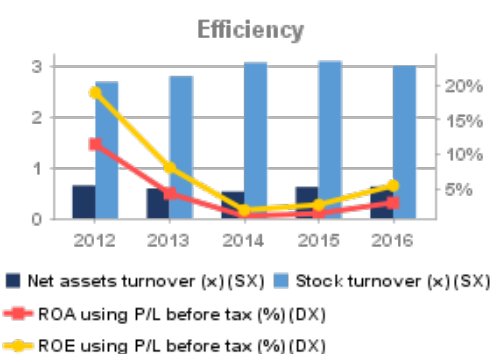
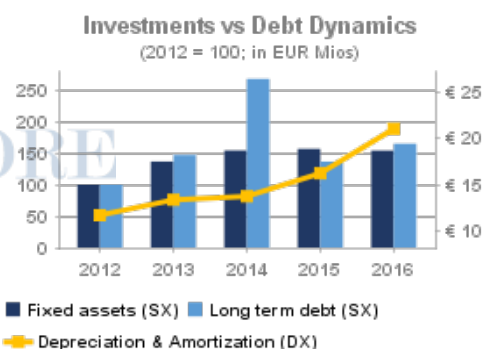
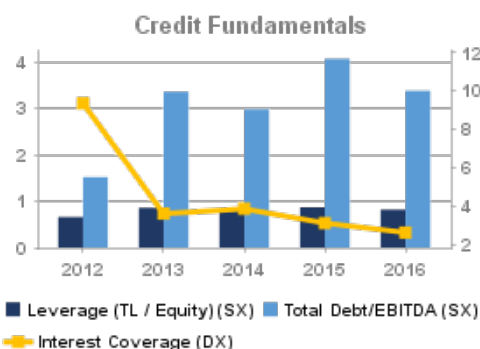
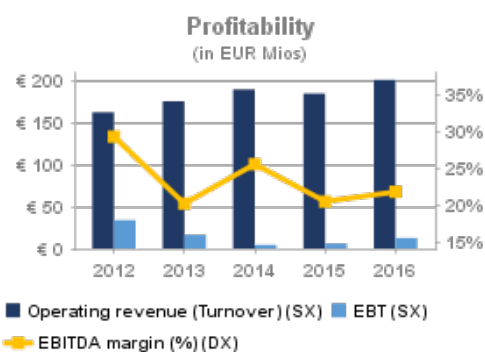
## FIGURES

P&L ACCOUNT					
(in EUR Mios)	Dec-2016	Dec-2015	Dec-2014	Dec-2013	Dec-2012
<b>OPERATING REVENUE (TURNOVER)</b>	<b>201,77</b>	<b>185,4</b>	<b>190,35</b>	<b>176,25</b>	<b>162,95</b>
Costs of goods sold	130,18	122,85	120,39	121,33	99,25
<b>Gross profit</b>	<b>71,59</b>	<b>62,55</b>	<b>69,96</b>	<b>54,92</b>	<b>63,71</b>
<b>Gross margin (%)</b>	<b>35,48%</b>	<b>33,74%</b>	<b>36,75%</b>	<b>31,16%</b>	<b>39,10%</b>
Costs of employees	25,34	24,41	21,24	19,17	16,28
<b>EBITDA</b>	<b>44,09</b>	<b>38,14</b>	<b>48,72</b>	<b>35,74</b>	<b>47,78</b>
<b>EBITDA margin (%)</b>	<b>21,85%</b>	<b>20,57%</b>	<b>25,60%</b>	<b>20,28%</b>	<b>29,32%</b>
Depreciation & Amortization	21,01	16,21	13,73	13,34	11,7
<b>Operating P/L [=EBIT]</b>	<b>23,08</b>	<b>21,93</b>	<b>35</b>	<b>22,4</b>	<b>36,08</b>
<b>EBIT margin (%)</b>	<b>11,44%</b>	<b>11,83%</b>	<b>18,39%</b>	<b>12,71%</b>	<b>22,14%</b>
<b>EBT</b>	<b>12,8</b>	<b>6,09</b>	<b>4,53</b>	<b>16,54</b>	<b>34,11</b>
<b>EBT margin (%)</b>	<b>6,34%</b>	<b>3,29%</b>	<b>2,38%</b>	<b>9,39%</b>	<b>20,93%</b>
<b>P/L for period [=Net income]</b>	<b>12,84</b>	<b>5,53</b>	<b>6,29</b>	<b>16,5</b>	<b>33,99</b>
<b>Profit margin (%)</b>	<b>6,37%</b>	<b>2,99%</b>	<b>3,30%</b>	<b>9,36%</b>	<b>20,86%</b>

BALANCE SHEET					
(in EUR Mios)	Dec-2016	Dec-2015	Dec-2014	Dec-2013	Dec-2012
<b>ASSETS</b>					
Cash & cash equivalent	10,05	7,68	14,27	4,52	5,59
Other current assets	21,28	16,21	26,04	19,05	16,88
Debtors	9,03	10,64	7,66	7,61	7,88
Stock	66,73	59,58	61,9	62,79	60,41
<b>CURRENT ASSETS</b>	<b>97,04</b>	<b>86,43</b>	<b>95,6</b>	<b>89,46</b>	<b>85,16</b>
Other fixed assets	1,01	0,62	16,27	13,59	10,84
Tangible fixed assets	314,1	322,41	299,75	259,11	199,32
Intangible fixed assets	13,35	11,32	12,8	18,72	3,46
<b>FIXED ASSETS</b>	<b>328,46</b>	<b>334,35</b>	<b>328,82</b>	<b>291,42</b>	<b>213,62</b>
<b>TOTAL ASSETS</b>	<b>425,5</b>	<b>420,78</b>	<b>424,42</b>	<b>380,88</b>	<b>298,78</b>
<b>LIABILITIES &amp; EQUITY</b>					
Other current liabilities	13,05	12,51	13,96	9,47	6,34
Creditors	8,82	7,84	7,72	8,84	6,16
Loans	84,91	102,29	41,48	63,16	33,91
<b>CURRENT LIABILITIES</b>	<b>106,78</b>	<b>122,64</b>	<b>63,16</b>	<b>81,48</b>	<b>46,4</b>
Long term debt	63,98	52,97	103,88	57,02	38,86
<b>NON-CURRENT LIABILITIES</b>	<b>85,28</b>	<b>73,11</b>	<b>127,45</b>	<b>94,19</b>	<b>72,04</b>
<b>SHAREHOLDERS FUNDS</b>	<b>233,43</b>	<b>225,04</b>	<b>233,81</b>	<b>205,2</b>	<b>180,33</b>
<b>TOTAL SHAREH. FUNDS &amp; LIAB.</b>	<b>425,5</b>	<b>420,78</b>	<b>424,42</b>	<b>380,88</b>	<b>298,78</b>

FREE CASH FLOW TO THE FIRM					
(in EUR Mios)	Dec-2016	Dec-2015	Dec-2014	Dec-2013	Dec-2012
Interest Expense	8,76	7,03	9,06	6,2	3,85
Tax Rate	22%	23,5%	24,5%	25%	25%
Capex	(18,7)	(34,17)	(34,17)	(48,42)	(26,09)
Working Capital	66,95	62,39	61,84	61,56	62,13
<b>FCFF</b>	<b>(44,96)</b>	<b>(69,43)</b>	<b>(69,15)</b>	<b>(75,49)</b>	<b>(39,65)</b>

Source: Bureau Van Dijk - Financial Statements (audited by PwC/Deloitte)



- RESULTS 2012/2016** - From 2012 to 2016 Axzon experienced a progressive increase in Turnover while EBITDA was quite stable. Total Debt (Loans + LT Debt) more than doubled over the same period, mainly due to a sharp increase in ST Debt. In 2015 and 2016 Current Assets (about 70% of CA were Inventories) have been remarkably lower than Current Liabilities (roughly 80% of CL were ST Loans).

## THE INDUSTRY

- MARKET OVERVIEW** - The market for pig meat is volatile and cyclical: after years of low EU pork prices, in 2016 export of pork meat from EU started to increase, with a positive impact on prices (largely due to higher import from China, the largest consumer of pig meat). Axzon's business is significantly affected by the purchase price of pigs (main raw material) and the selling price of pork meat (main product).
- MARKET POSITION** - The company is the 2nd largest pig producer in both Poland and Ukraine, among top 10 pig meat processors in Poland, and 1st Polish on-farm biogas operator.

Revenues Dynamics (2012=100)					
Company	Dec-2016	Dec-2015	Dec-2014	Dec-2013	Dec-2012
AXZON A/S	123,82	113,77	116,81	108,16	100,00
HKSCAN OYJ	73,57	75,37	81,44	83,96	100,00
ROS AGRO PLC	144,81	101,56	113,23	96,64	100,00
IDAVANG A/S	94,84	85,57	110,73	99,75	100,00

EBITDA margin %					
Company	Dec-2016	Dec-2015	Dec-2014	Dec-2013	Dec-2012
AXZON A/S	21,85	20,57	25,60	20,28	29,32
HKSCAN OYJ	3,32	3,72	6,51	3,30	4,93
ROS AGRO PLC	23,54	33,81	29,58	15,89	22,34
IDAVANG A/S	25,39	22,01	32,01	17,81	21,98

EBT Margin %					
Company	Dec-2016	Dec-2015	Dec-2014	Dec-2013	Dec-2012
AXZON A/S	6,34	3,29	2,38	9,39	20,93
HKSCAN OYJ	0,04	0,11	2,46	0,31	0,56
ROS AGRO PLC	16,05	33,75	28,79	8,63	13,32
IDAVANG A/S	14,54	6,50	16,00	2,04	10,15

Interest cover					
Company	Dec-2016	Dec-2015	Dec-2014	Dec-2013	Dec-2012
AXZON A/S	2,64	3,12	3,87	3,61	9,36
HKSCAN OYJ	1,06	0,65	2,99	0,35	1,13
ROS AGRO PLC	3,82	10,55	114,76	2,19	4,35
IDAVANG A/S	2,87	1,85	2,77	1,06	2,40

Note: In 2014 Ros Agro experienced both a sharp increase in EBIT (+471%) and a decrease in Interest Expense (-89%).

Net Financial Debts / Ebitda					
Company	Dec-2016	Dec-2015	Dec-2014	Dec-2013	Dec-2012
AXZON A/S	3,15	3,87	2,69	3,24	1,41
HKSCAN OYJ	2,09	1,57	0,96	2,94	2,01
ROS AGRO PLC	1,85	1,78	0,15	2,24	2,50
IDAVANG A/S	2,50	3,34	1,67	4,70	3,55

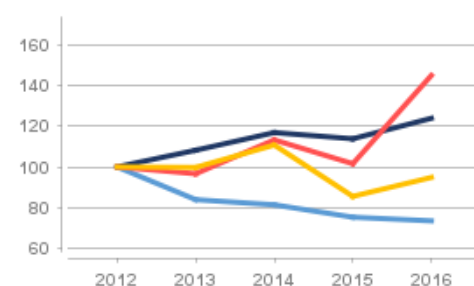
Current ratio					
Company	Dec-2016	Dec-2015	Dec-2014	Dec-2013	Dec-2012
AXZON A/S	0,91	0,71	1,51	1,10	1,84
HKSCAN OYJ	0,89	1,01	0,87	1,07	0,98
ROS AGRO PLC	2,98	2,07	1,72	2,52	1,67
IDAVANG A/S	1,96	1,09	1,20	1,41	2,08

Leverage ratio (Asset based) %					
Company	Dec-2016	Dec-2015	Dec-2014	Dec-2013	Dec-2012
AXZON A/S	54,86	53,48	55,09	53,88	60,36
HKSCAN OYJ	47,93	50,85	37,11	51,51	33,06
ROS AGRO PLC	61,00	54,50	47,27	63,58	37,00
IDAVANG A/S	43,78	34,42	34,75	36,91	38,83

Net assets turnover					
Company	Dec-2016	Dec-2015	Dec-2014	Dec-2013	Dec-2012
AXZON A/S	0,63	0,62	0,53	0,59	0,65
HKSCAN OYJ	3,27	3,31	3,11	3,43	3,38
ROS AGRO PLC	0,67	0,78	0,80	1,13	0,66
IDAVANG A/S	0,75	0,86	0,70	0,94	0,62

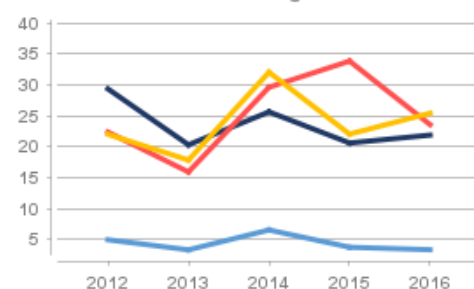
ROA using P/L before tax %					
Company	Dec-2016	Dec-2015	Dec-2014	Dec-2013	Dec-2012
AXZON A/S	3,01	1,45	1,07	4,34	11,42
HKSCAN OYJ	0,09	0,26	5,94	0,61	1,17
ROS AGRO PLC	9,12	19,70	25,63	4,83	5,89
IDAVANG A/S	9,03	4,13	12,33	1,13	5,45

Revenues Dynamics (2012=100)



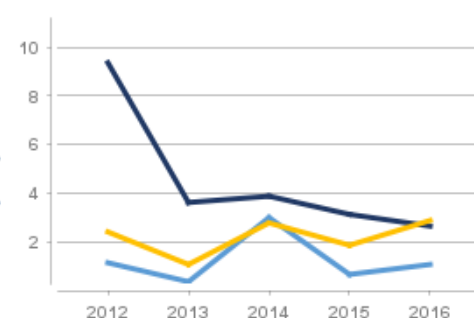
AXZON A/S HKSCAN OYJ ROS AGRO PLC  
IDAVANG A/S

EBITDA margin %



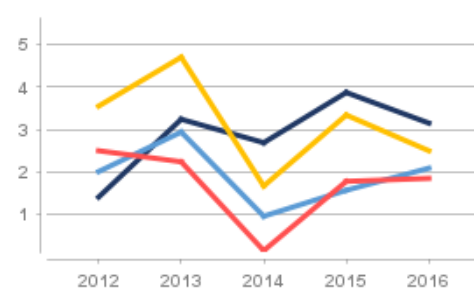
AXZON A/S HKSCAN OYJ ROS AGRO PLC  
IDAVANG A/S

Interest cover



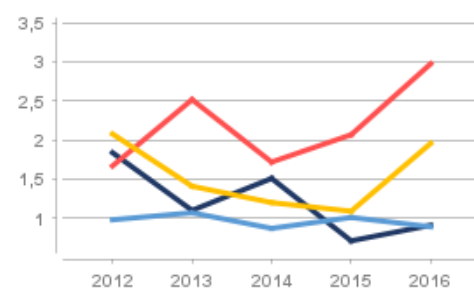
AXZON A/S HKSCAN OYJ IDAVANG A/S

Net Financial Debts / Ebitda



AXZON A/S HKSCAN OYJ ROS AGRO PLC  
IDAVANG A/S

Current ratio



AXZON A/S HKSCAN OYJ ROS AGRO PLC  
IDAVANG A/S

Source: Bureau Van Dijk - Financial Statements

## BUSINESS CASE

## AXZON A/S - Sr. Secured - Euro - Float EURIBOR 3M + 450 bps - May 2021 (DK0030398979)

YTM / YTC:	4.09% / 5.18%	CREDIT RISK RATING	Not Rated
SPREAD vs BMK	441 DM	COUNTRY RATING (Moody's)	Denmark: Aaa Stable; Poland: A2 Stable; Russia: Ba1 Stable; Ukraine: Caa2 Positive
MD/MDTC	0.21	PD (1Y)	n.a.
LIQUIDITY RISK	From Relevant to Critical	Z SCORE / Z' SCORE (*)	1.85 / 1.44
OUTST. / MIN. PIECE	EUR 135 Mios / (100+1k)	P/B	n.a.
CDS EUR 5Y	n.a.	P/E	n.a.
MARKET VALUE	n.a.	WACC	n.a.
EV	n.a.		

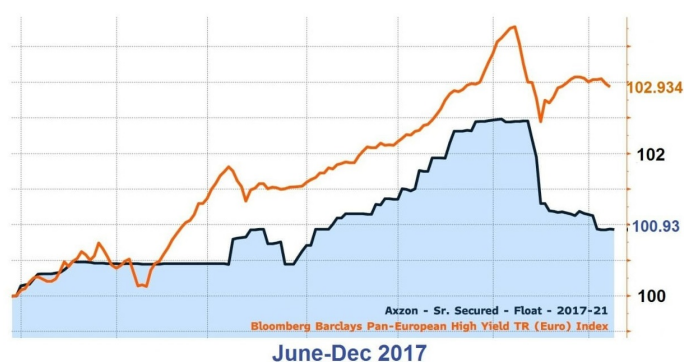
## MAIN EXTERNAL RISK / RETURN FACTORS

Country/Currency Risk (**)	PLN/EUR ↓ (High Exposure/Low Volatility)	Pigs Price	↓
	UAH/EUR ↓ (Moderate Exposure/High Volatility)	Pork Meat Price (USD)	↑
	RUB/EUR ↓ (Low Exposure/Moderate Volatility)	Swine Diseases	↓

(\*) Private firm model

(\*\*) The Danish Krone (DKK) is pegged to the Euro (EUR)

Source: Bloomberg, Financial Statements



- **GUARANTORS** - The bonds will be secured with a share pledge in respect of all shares in Axzon's subsidiaries Danosha, Poldanor and Prime Food, as well as pledge over any shareholder loans or material intra company loans. The lenders under the Super Senior Revolving Credit Facility will be paid with the proceeds from the enforcement of Security Interests (the collateral) in priority to the bondholders.
- **CALL OPTIONS** - Not callable during the first 24 months, then callable at a price equal to par plus 50/25/0 % of initial coupon after 24/36/42 months respectively. Moreover, the company may, in connection with an eventual equity listing, repay up to 35% of the aggregate principal amount of the bonds at a price equal to par plus 50% of the coupon, together with accrued but unpaid interest.
- **CHANGE OF CONTROL** - Investor put at 101%.
- **INCURRENCE TEST** - Net Interest Bearing Debt/EBITDA fixed herd price (Net Leverage) not greater than 2.75x for any additional debt raised.
- **RESTRICTED PAYMENTS** - Dividends or cash contributions to Restricted Subsidiaries are allowed if in compliance with the Incurrence Test (post such payments).
- **OTHER COVENANTS** - Inter alia, cross default, restrictions on distributions, mergers, demergers, acquisitions, disposals, financial indebtedness, negative pledge, financial support, subsidiary distribution.

- **RATING AND UOP** - Neither the notes nor the issuer are rated: the former are not included in the ECB list of eligible assets. The net proceeds of the issue will be used for refinancing, repayment of shareholder loan, make a cash contribution to the Russian subsidiary, pay out an extraordinary dividend to Axzon's shareholders of EUR 10 million

## MAIN RISKS

- **CURRENCY RISK** - Axzon (headquartered in Denmark) operates in Poland, Russia and Ukraine, and no financial instruments are used to hedge positions in foreign currencies. In particular, since Russia's annexation of Crimea in 2014, the Ukrainian currency has depreciated significantly (to a lesser extent, also RUB has depreciated) and the National Bank of Ukraine has introduced capital control measures. Only recently the Bank has started to ease the control regime.
- **COUNTRY RISK** - Around 30% of Axzon's revenues are from countries that are, or have recently been, characterized by economic downturn, political instability, corruption and military turmoil. Since 2014, Russia has been subject to sanctions imposed by the EU and the US. Meanwhile, the eastern part of Ukraine continues to be marked by war. Moreover, Axzon is not permitted to own land in Ukraine and Russia.
- **BIOSECURITY RISK** - In 2016, one of the Russian farms was infected with African Swine Fever, reducing number of sows as well as current and future production. Neither the Ukrainian farms nor the Polish farms have been infected with the disease. However, since 2014, ASF has made direct exports of pork meat from the affected countries (e.g. Ukraine) to big markets, like China and the EU, impossible.

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