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SECTOR	Consumer Staples	REVENUE FY18/19 (breakdown)	Sugar Europe (40%) Starch/Sweeteners (33%) Sugar International (21%) Other (6%)
INDUSTRY	Consumer Products	ADJ EBITDA FY18/19 (breakdown)	Sugar International (61%) Starch/Sweeteners (32%) Sugar Europe (14%) Other (-7%)
SUB-INDUSTRY	Agricultural Producers	NUMBER OF EMPLOYEES	25,000
OWNERSHIP	12,000 cooperators		
KEY PEOPLE	Alexis Duval (CEO/Executive Board Chairman) Jean-Charles Lefebvre (Supervisory Board Chairman)		
FINANCIAL CALENDAR	n/a		

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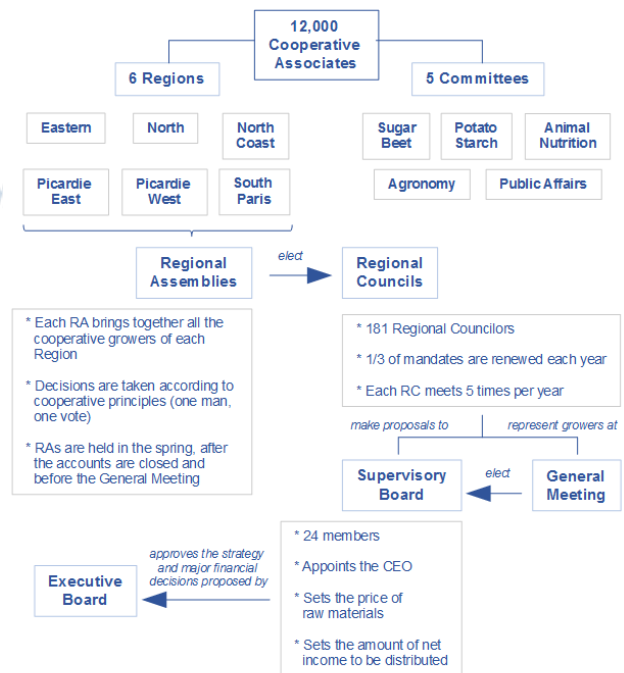
QUICK LOOK

Tereos is a **French cooperative** of 12,000 farmers specialized in the production of **sugar, ethanol, starch and sweeteners**. The group operates **49 industrial sites in 18 countries** (Europe, Brazil, East Africa, China, Southeast Asia). Cooperative partners supply most of the **raw materials** used in the production processes (sugar beet, sugarcane, wheat, corn). The main **customers** are food manufacturing companies, fuel distributors, paper and pharmaceuticals producers.

HIGHLIGHTS

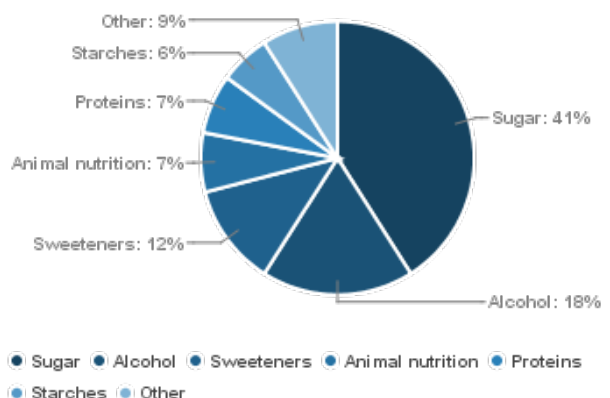
- **STRUCTURE** - In March 2018, the 10 cooperatives that constituted the group gave rise to **Tereos SCA**, organized in 6 regions and 5 specialized committees. According to Fitch, in periods of low sugar prices, the **cooperative structure** of the group has allowed its partners to provide support by accepting reductions in **price complements** (dividend-like payments received by cooperators).
- **GOVERNANCE UPDATE** - The worsening of Tereos' financial situation (due to the fall in sugar price) has led, in the summer of 2018, to the **resignation** of 70 members of the **Council of Regions** (to protest at management strategy) while three members of the **Supervisory Board (SB)** were **expelled** after they accused Tereos of hiding its financial difficulties. In March 2019, **Stephanie Billet** (previously working at French cement maker Lafarge) has replaced Olivier Casanova as **CFO** and, in June 2019, **Jean-Charles Lefebvre** (previously Deputy Chairman of the SB) has replaced Francois Leroux as **Chairman of the SB**. Further reorganizations have involved the **top management** of several divisions of the group.
- **DIVERSIFICATION** - The group generates 40% of revenues in Europe but EBITDA is mainly obtained in **Brazil**: the **Sugar International** business line shows an **adj EBITDA margin of 18%**, compared to **2%** for **Sugar Europe**. The **performance** of the group is thus affected by fluctuations in the price of **sugar** and **Brazil's real**.
- **SUGAR** - Owing to the increase in **supply** and the sharp drop in **price** of sugar in Europe (due to the end of EU quotas in October 2017) and globally (also thanks to favorable weather conditions in some of the main producing countries) many European companies have started operating below **production costs**. Cristal Union, Suedzucker and Nordzucker have recently announced the **closure** of 5 factories in France and Sweden. Tereos has no plans to close any production site (having already closed 8 plants in France in the last decade as part of past restructurings). In March 2019, Tereos has announced that in 2018/19 it would pay its growers in **more installments** than previously defined, maintaining the agreed price of **EUR25/t** for the two-year period 2017/18-2018/19. Starting in 2019/20, the group will align the farmers' remuneration with market prices.

Tereos: Internal Structure



Source: Tereos, Banca Promos

PRODUCT PORTFOLIO 2018/19 (% of Revenue)



- **OUTLOOK** - The 'Ambitions 2022' strategic plan aims to achieve an **adj EBITDA of EUR600/700m** and a **net-debt-to-adj-EBITDA ratio of 3.5x**. The company wants to **diversify** and **internationalize** its business to face the shrinkage in sugar demand in **developed markets** (*due to increasing attention by western consumers to healthier lifestyles*) compensated, globally, by greater consumption in **emerging economies**. Tereos expects the global sugar market to switch to a **deficit** in 2019/20-2020/21, after about 10 years of surplus of production over consumption.
- **REORGANISATION** - In June 2018, Tereos has announced that it wants to open its business to **new investors**, within **2-3 years**, selling a **minority stake** through a **capital increase** in view of a subsequent **IPO**. Reuters has reported contacts with **Nordzucker** for a potential merger (*not confirmed by the two groups*). **Cristal Union's** CEO has said he wants to be part of the potential consolidation of the sector.

FINANCIAL STATEMENTS

INCOME STATEMENT

(in EUR mln)	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Revenue	4438,30	4987,00	4819,20	4201,00	4300,20
Cost of Revenue	3709,70	4019,60	3831,80	3425,60	n/a
Gross Profit	728,60	967,40	987,40	775,40	n/a
<i>Gross Margin</i>	<i>16,42%</i>	<i>19,40%</i>	<i>20,49%</i>	<i>18,46%</i>	<i>n/a</i>
Personnel Expenses	n/a	n/a	n/a	n/a	525,70
EBITDA	217,00	488,30	619,30	457,50	481,20
<i>EBITDA Margin</i>	<i>4,89%</i>	<i>9,79%</i>	<i>12,85%</i>	<i>10,89%</i>	<i>11,19%</i>
Depreciation and Amortization	367,00	385,00	382,00	358,00	350,90
EBIT	-150,00	103,30	237,30	99,50	130,30
<i>EBIT Margin</i>	<i>-3,38%</i>	<i>2,07%</i>	<i>4,92%</i>	<i>2,37%</i>	<i>3,03%</i>
Pre-Tax Income	-265,40	0,10	160,30	1,80	19,60
<i>Pre-Tax Margin</i>	<i>-5,98%</i>	<i>0,00%</i>	<i>3,33%</i>	<i>0,04%</i>	<i>0,46%</i>
Net Income	-242,30	-23,00	73,10	-20,00	43,20
<i>Net Income Margin</i>	<i>-5,46%</i>	<i>-0,46%</i>	<i>1,52%</i>	<i>-0,48%</i>	<i>1,00%</i>

BALANCE SHEET

(in EUR mln)	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
ASSETS					
Cash and Near Cash Items	540,30	461,80	571,50	380,50	389,20
Short-Term Investments	338,30	401,50	344,20	234,90	305,20
Accounts and Notes Receivable	447,20	491,10	532,00	385,10	395,50
Inventories	1101,00	1211,30	1156,60	958,60	1037,30
Other Current Assets	74,60	81,20	64,50	49,20	47,50
TOTAL CURRENT ASSETS	2501,40	2646,90	2668,80	2008,30	2174,70
Long-Term Investments	82,70	74,40	138,10	123,70	163,90
Net Fixed Assets	2501,10	2493,70	2570,30	2461,30	2497,10
Other Long-Term Assets	1633,40	1627,20	1688,00	1688,90	1629,80
TOTAL LONG-TERM ASSETS	4217,20	4195,30	4396,40	4273,90	4290,80
TOTAL ASSETS	6718,60	6842,20	7065,20	6282,20	6465,50
LIABILITIES + EQUITY					
Accounts Payable	696,40	597,80	558,70	528,30	527,50
Short-Term Borrowings	1097,00	786,80	1377,10	1273,60	1283,30
Other Short-Term Liabilities	98,90	47,90	41,90	41,10	47,20
TOTAL CURRENT LIABILITIES	1892,20	1432,50	1977,70	1843,00	1858,00
Long-Term Borrowings	2458,50	2535,60	2262,30	1750,00	1717,60
Other Long-Term Liabilities	128,10	195,60	136,70	112,70	112,30
TOTAL LONG-TERM LIABILITIES	2586,60	2731,20	2399,00	1862,70	1829,90
TOTAL EQUITY	2239,80	2678,50	2688,50	2576,50	2777,60
TOTAL LIABILITIES + EQUITY	6718,60	6842,20	7065,20	6282,20	6465,50

CASH FLOW STATEMENT

(in EUR mln)	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Cash from Operating Activities	374,00	520,00	415,00	372,00	331,00
Cash from Investing Activities	-443,00	-494,00	-628,00	-265,00	-396,00
Cash from Financing Activities	-24,00	-68,00	-15,00	-83,00	79,00
Free Cash Flow	209,00	325,00	265,00	63,00	-38,00
FREE CASH FLOW TO FIRM	400,20	546,97	478,54	288,38	149,28

BS and CFS cash dynamics not directly comparable due to different reclassification logics

Profitability and Efficiency (1)



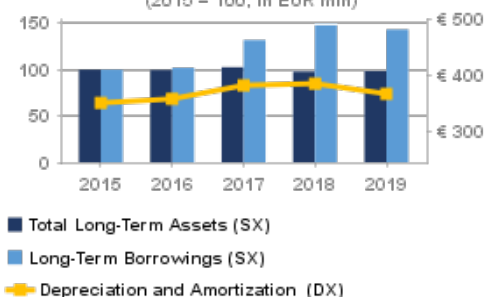
Profitability and Efficiency (2)



Credit Fundamentals



Investments vs Debt



Revenue (2015=100)					
Company	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
TEREOS	103,21	115,97	112,07	97,69	100,00
SUEDZUCKER	99,65	103,03	95,55	94,24	100,00
CRISTAL UNION	n/a	n/a	254,75	n/a	100,00
RAIZEN	230,06	151,48	125,07	121,85	100,00

EBITDA Margin					
Company	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
TEREOS	4,89	9,79	12,85	10,89	11,19
SUEDZUCKER	-5,24	11,20	10,69	7,91	5,99
CRISTAL UNION	n/a	n/a	n/a	n/a	n/a
RAIZEN	12,97	21,07	26,90	30,16	26,72

Net Debt to EBITDA					
Company	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
TEREOS	12,34	5,04	4,40	5,26	4,79
SUEDZUCKER	n/a	1,08	0,60	1,10	1,46
CRISTAL UNION	n/a	n/a	n/a	n/a	n/a
RAIZEN	3,06	2,40	2,10	1,92	2,55

Interest Coverage					
Company	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
TEREOS	-0,54	0,31	0,74	0,29	0,46
SUEDZUCKER	-37,96	14,18	13,68	7,07	3,77
CRISTAL UNION	n/a	n/a	6,89	n/a	2,19
RAIZEN	1,09	1,32	1,90	2,16	1,16

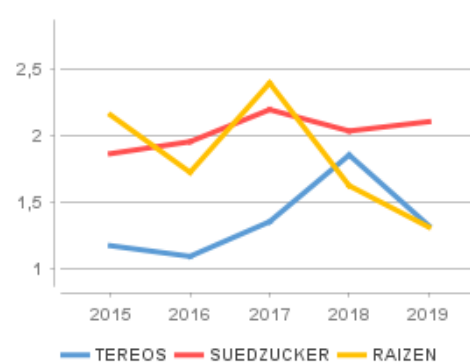
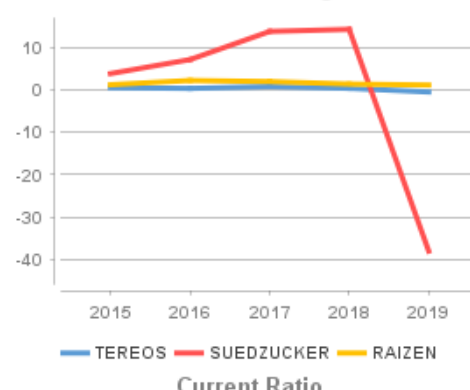
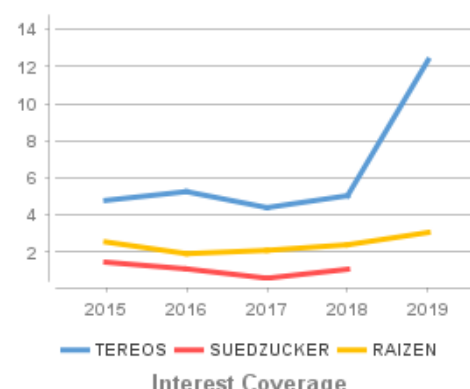
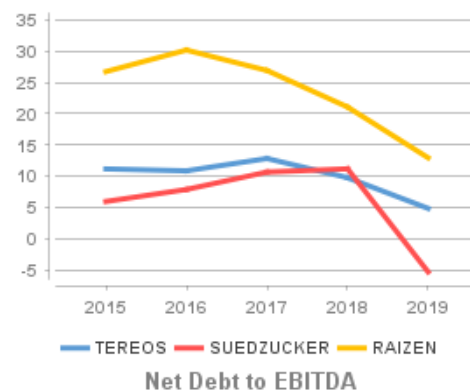
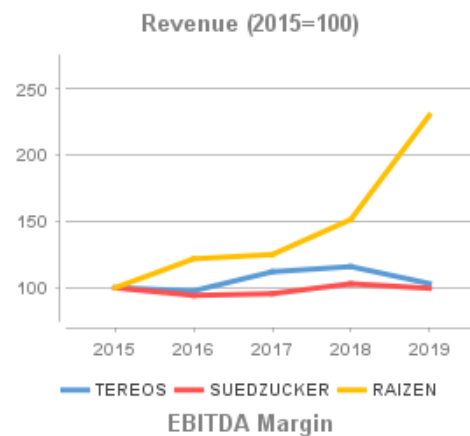
FCF to Total Debt					
Company	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
TEREOS	0,06	0,10	0,07	0,02	-0,01
SUEDZUCKER	-0,07	0,09	0,19	0,19	0,09
CRISTAL UNION	n/a	n/a	n/a	n/a	n/a
RAIZEN	0,07	0,23	0,33	0,19	0,19

Current Ratio					
Company	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
TEREOS	1,32	1,85	1,35	1,09	1,17
SUEDZUCKER	2,10	2,03	2,19	1,95	1,86
CRISTAL UNION	n/a	n/a	1,46	n/a	3,57
RAIZEN	1,31	1,62	2,39	1,72	2,15

Common Equity to Total Assets					
Company	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
TEREOS	28,15	33,69	32,70	30,85	31,84
SUEDZUCKER	38,22	44,02	45,79	46,86	44,94
CRISTAL UNION	n/a	n/a	57,06	n/a	70,27
RAIZEN	29,00	35,98	39,47	37,08	31,16

Asset Turnover					
Company	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
TEREOS	0,65	0,72	0,72	0,66	0,65
SUEDZUCKER	0,77	0,77	0,77	0,77	0,79
CRISTAL UNION	n/a	n/a	n/a	n/a	0,44
RAIZEN	0,84	0,61	0,53	0,54	0,49

Return on Assets					
Company	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
TEREOS	-3,57	-0,33	1,10	-0,31	0,65
SUEDZUCKER	-9,49	2,42	2,69	1,53	0,54
CRISTAL UNION	n/a	n/a	n/a	n/a	1,07
RAIZEN	1,76	2,66	6,06	4,57	0,56



Source: Tereos, Bloomberg, Banca Promos

- RESULTS** - Tereos has closed in the red 3 of the last 5 FYs. **FY19** - with a halved **EBITDA margin** YoY and influenced by the introduction of **IFRS 15** - is the only one with a **negative EBIT** as well as the one with the deepest **loss**. Revenue **volatility** (*due to the dynamics of sugar price*) and low margins were the background for the decrease in **interest coverage**, **ROE** and **ROA** seen in the last 2 years. Balance sheet wise, a divergence between the growth in **LT debt** and the stability in **LT assets** has emerged in the 3-year period FY17/19. In FY19, due to the lower operating cash flow generation, the increase in **free cash flow** that started in FY16 has been finally interrupted.
- MARKET** - **Brazil** and **India** are the two largest sugar producers in the world followed by the **EU**, **Thailand** and **China**. India is close to overtake Brazil as the largest global producer thanks to the **subsidies** of the Indian government to domestic producers and Brazil's greater propensity to produce **ethanol**, given the low price of sugar. In February 2018, Brazil turned to the **WTO** to ascertain the legality of Indian subsidies. A favorable outcome for Brazil could lead to an increase in sugar prices given the productive **inefficiency** of Indian refiners. **EU** wise, the **liberalization** of the sugar market in **2017** - with the abolition of output and export **quotas** - has led to an increase in **supply** and a marked fall in **prices**.
- INDUSTRY** - Tereos (*the only sugar group among peers active on 4 continents*) is the **3rd largest sugar producer in the world**, the 1st in France and the 3rd in Brazil. In Europe (*where Tereos has a market share of 14%*) there are 6 other major players: Germany's **Suedzucker** (*a listed company, the largest refiner in Europe and the world*), **Nordzucker** and **Pfeifer & Langen**, France's **Cristal Union** (*a cooperative with 9,800 members, the 4th largest producer in Europe*), UK's **British Sugar** and Breda-based **Royal Cosun**. In Brazil, Tereos competes with **Raizen**, **Biosev** and **Odebrecht**. Cristal Union and Suedzucker are among its main comps also in the ethanol market (*Tereos is the 2nd largest European producer*). Brazil's **Raizen**, which has stood out in terms of **revenue** growth, hasn't avoided the drop in **EBITDA margin** that has hit its **European peers** in the last years. Although it is **Suedzucker** to show, in FY19, the most abrupt collapse in **interest coverage** (*which, however, remains permanently <1 for Tereos*) it is Tereos that records the most marked increase in the **net-debt-to-EBITDA** ratio.

INVESTMENT CASE

Tereos Finance Groupe I (TEREOS) - Sr Unsecured - Fixed 4,125% - 16 June 2023 - FR0013183571

YIELD TO MATURITY	10.44%	COUNTRY RATINGS (Moody's, S&P Fitch)	France: Aa2 (Positive), AA (Stable), AA (Stable) Brazil: Ba2 (Stable), BB- (Stable), BB- (Stable)
G-SPREAD	1101 bps vs EUR France Sovereign Curve	BOND RATING	S&P BB- (RR 30%) Fitch: B+ (RR 0%)
I-SPREAD	1072 bps vs Euro Swaps Curve (\$45)	BBG PD (1Y)	0.081%
ASW	921 bps vs Euro Swaps Curve (\$45)	Z-SCORE	0.0914
MODIFIED DURATION	3.31	GOVERNING LAW	French Law
REOFFER PRICE	99.257	TIMELINESS OF RESULTS REPORTING	Moderate
OUTST. / MIN. PIECE	EUR600m / 100k + 100k		
BOND LIQUIDITY	Moderate		
ECB ELIGIBLE	No		
LEVEL OF CORPORATE DISCLOSURE	Moderate		

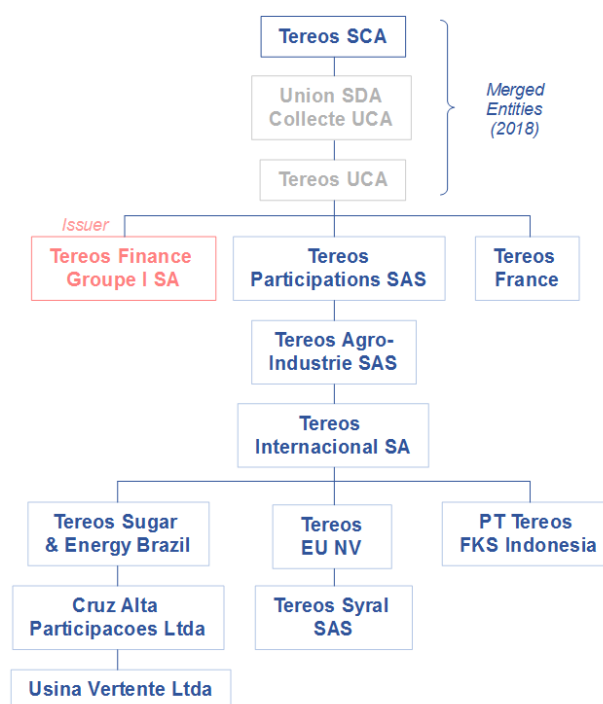
MAIN EXTERNAL RISK FACTORS - Positive (↑) / Negative (↓) Bond Price Correlation

Sugar price	↑	Weather conditions	↓
Ethanol price	↑	USD/BRL	↓
Oil price	↑		

Source: Bloomberg, Tereos, Banca Promos

- DEBT** - Tereos' **high leverage** is due to (*especially foreign*) **M&A** transactions carried out by the company in the past, such as the purchase for **USD202m** of Brazil's **Guarani SA** from Petrobras in December 2016. As stated by Maxime Puget (S&P), Tereos has had to fund its growth with **cash flows** and **debt** because, as a cooperative, it cannot raise **equity**. Net debt at March 2019 was EUR2.5bn corresponding to a **net-debt-to-adj-EBITDA ratio of 9.1x** (*4.0x in March 2018*). At the same date, the **average debt maturity** was **3.4 years**.

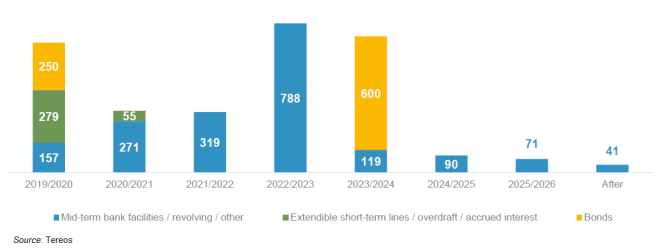
- BOND** - Tereos Finance Groupe I (*an entity established in 1998 to manage the group's financing needs*) has issued two **senior unsecured bonds** (*guaranteed by Tereos SCA*): i) **EUR500m 4.25%-2020** (FR0011439900); ii) **EUR600m 4.125%-2023** (FR0013183571). In March 2019, Tereos has repaid, one year in advance, half of its 2020 bond, thanks to a EUR250m loan (*due in September 2022, carrying a rate lower than 4.25% but not disclosed*) obtained from **BNP Paribas**, **Natixis** and **Rabobank**. According to Reuters, as of April 15, 2019, Tereos has not been able to collect bids from any of the 10 banks contacted during a **syndication round** to redistribute 50 out of 250 million of this loan. Stephanie Billet (CFO) has stated that Tereos may go to the bond market or draw on **cash** (*EUR540m*) and **unused credit lines** (*EUR476m*) to repay, in March 2020, the remaining 50% of the bond.



Source: Bloomberg, Tereos, Banca Promos

- RATING** - On December 21, 2018, **S&P** has lowered the issuer credit rating of Tereos SCA to **BB-** from **BB** (*negative outlook*), bringing the rating of the bonds of Tereos Finance Groupe I to **BB-** from **BB**. According to S&P, the issue and recovery ratings of the bonds are constrained by their **subordination to a substantial amount of debt held by subsidiaries and by the unsecured nature of the notes**. On March 4, 2019, **Fitch** has lowered the long-term issuer default rating of Tereos SCA to **BB-** from **BB** (*stable outlook*). The rating of the two bonds has been cut to **B+** from **BB-**. **Moody's** withdrew its rating on Tereos in December 2015.

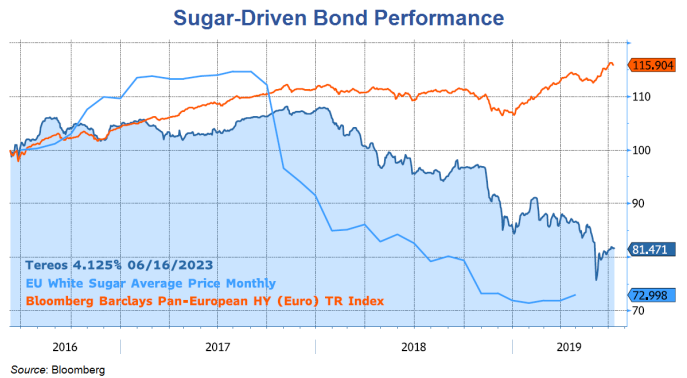
DEBT AMORTIZATION SCHEDULE ON 31 MARCH 2019 (ME)



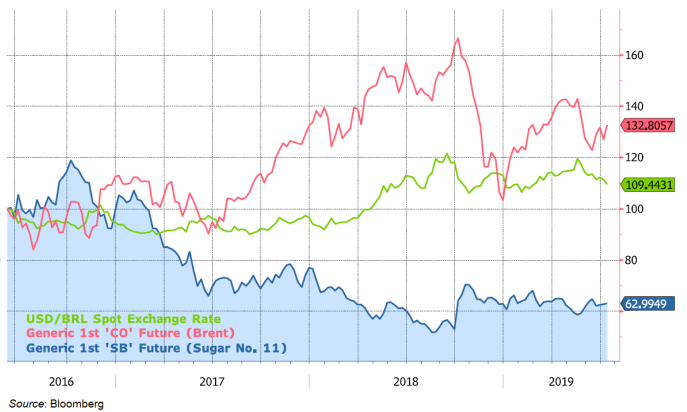
- PUT/CALL** - If there is a **Change of Control** and, due to the CoC, the rating of the bond is downgraded, the holders of the **4.125%-2023 notes** have the right to request their repayment at par. Moreover, the issuer can redeem the bonds, in whole or in part, at par, as from **March 16, 2023** (*Residual maturity call option*).

RISK FACTORS

- SUGAR** - The global sugar price, **weighed down** by the negative dynamics of the European sugar price, has suffered a **sharp fall** in 2017 and a less marked decline in 2018. The **recovery** recorded since September 2018 has not, for the time being, given a clear inversion of trend but rather a **stabilization** at levels slightly above the **lows** of the last **5 years**.
- USD/BRL** - The depreciation of the **Brazil's real (BRL)** against the US dollar (**USD**) tends to increase the competitiveness of Brazil's **export**, encourages farmers in the country to increase **production** but helps keeping international sugar **prices** at low levels.
- ETHANOL/OIL** - The price of sugar is **correlated** with that of ethanol and oil. High crude-oil prices and/or low sugar prices encourage, especially in Brazil, the use of **sugarcane** to produce ethanol instead of sugar. A lower sugar production in Brazil can be associated with a subsequent increase in its price globally.



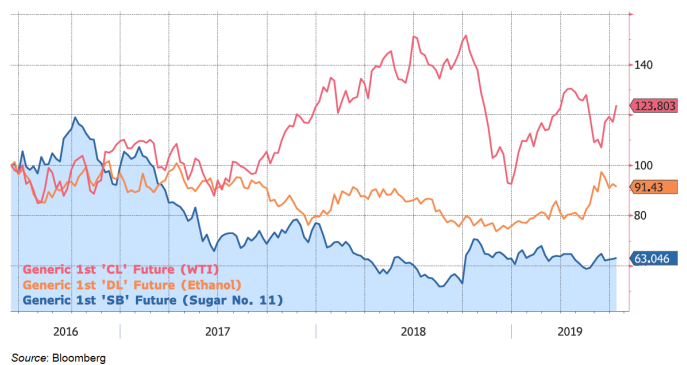
USD/BRL-Sugar: A Negative Correlation



COMPANY UPDATE

- On June 12, 2019, Tereos has announced it will **exit** its **Joint Venture** with Italy's **ETEA**, through the purchase of the French part of the JV (*Sedalcol France*) and the sale of the Italian and British parts (*Sedamyl SpA and Sedalcol UK*). The deal will generate **EUR220m** of **liquidity** for Tereos, allowing the company to reduce its **net debt** in equal measure.

Brazilian Trade-Off



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The degree of liquidity of the bond shown in the "Investment Case" table is defined - on the basis of a qualitative assessment - with reference to the following scale: Illiquid, Weak, Moderate, Satisfactory, Liquid. The level of corporate disclosure and the timeliness of results reporting shown in the "Investment Case" table is defined - on the basis of a qualitative assessment - with reference to the following scale: Adequate, Moderate, Inadequate. As of the date of this report, Banca Promos monitors the following bond issuers: Astaldi, Banca Sistema, Casino Guichard-Perrachon, Estra, Fincantieri, Goodvalley (Axzon), Kedrion, La Tecnica nel Vetro, Moby, Tereos, Wind Tre.

