

AgriNurture: Adding Value

Maria Arlysa Narciso
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Our coverage report on AgriNurture released last year focused on the company's identity and growth potential. Less than a year after its listing by introduction, the company has already announced plans for its follow-on offering. Proceeds are said to be used for expansion and development.

Earlier per share target was P26, pricing in ANI's aggressive expansion plans and the sustainability of farming operations. Plans of investor entry, farming and facility development for this year reinforces the attainability of our estimates. All other risks, such as effects of the dry spell, turned to still be in favor of ANI.

El Nino Background

The severe El Nino occurrence is causing widespread damage in different parts of the country. According to the latest estimate, the worth of the damage has gone up to a staggering P11B. The government assures that this will just be a minor setback in the GDP. However, supply is fast becoming a concern despite the assurance of good economic growth.

The prevailing drought roused a major concern on the production and output of the Agriculture sector. Not only has it damaged farms but it has also cut back supply of major farming goods. Demand has risen but with limited supply available. Though this is the case, listed company AgriNurture (ANI) is quite unruffled with the phenomenon. With sufficient preparation and a steady to improving core business, ANI is ahead of the crisis.

Turning Crisis to Opportunities

AgriNurture's advance preparation softened the negative impacts of the dry spell to farm output. Irrigation and other water reservoirs were installed just in time for the drought. Meanwhile, green houses were also put up to aid in providing a better environment for their seedlings.

The El Nino has tightened food supply as more crops and farmlands are damaged. The chance of not meeting the strong demand for food with sufficient supply is quite significant. In the case of ANI, the increasing demand can drive earnings up as prices are expected to rise. The lack of supply, coupled with increasing demand, will push prices of goods, including cost per kilo, higher.

Growth Points

ANI continues to invest in the development of its facilities and farming methods to better improve their business and operations. There are three key areas which they have identified as strengths and/or growth drivers:



- **Farming and Wet Market Expansion** Exports remain brisk for ANI. They have now included banana and pineapple in their product lines. China and Middle East, with their growing middle class, are their focus in exports aside from the other Asian countries. In terms of farming, ANI is looking into developing rice, corn, and high value vegetables.
- **Cold Storage** ANI plans to put up more cold storage facilities to control the shelf life of its goods. Especially now that we are under a dry spell, such facilities will help lower the risk of spoilage.
- **Manpower Value** The firm places great value on knowledge. They aim to acquire the necessary knowledge for farming development and operations. This will significantly improve and bring progress in ANI's business.

Investment Updates

Joint ventures with other firms are currently in place. ANI has formed a partnership with its affiliate, Beidahuang, for a rice seedling project while other foreign firms continue to pour in investments in the company.

Attainable

Those areas of growth mentioned earlier create greener pastures for ANI. The rapid expansion, farming and facility developments, and the entry of new investors in the company lead to greater attainability of earnings goals. Our 2010 EPS projection is in line with the aggressive measures that will be taken by ANI this year. The Company estimates an EPS between P1.50 to P2 while our projection is on the high end, P1.99 for the year. As ANI pursues their expansion plans and other projects this year, this target EPS can easily be reached.

All these recent developments in ANI point to a strong year for the company. We remain confident that ANI will be able to deliver solid earnings by the end of the year. With all those developments considered, we are keeping our positive rating on ANI.

Maria Arlysa Narciso
Analyst

AB Capital Securities, Inc.
3F Phinma Plaza,
39 Plaza Drive, Rockwell Center
Makati City, Philippines
Tel. 898-7555

Email: abcsi@abcapital.com.ph
Website: www.abcapitalonline.com

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