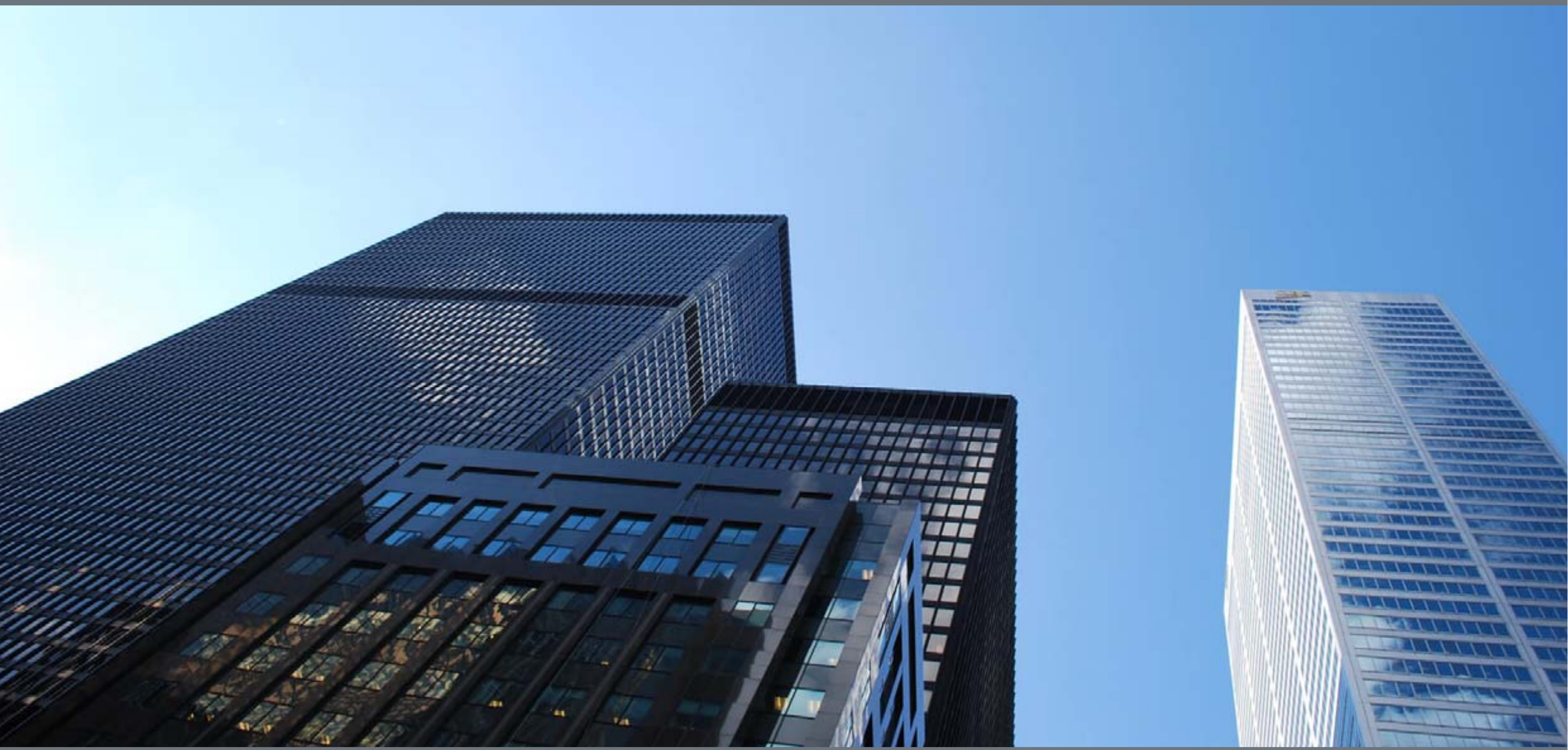

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In this report :

SOCIETE DES CAOUTCHOUCS DE GRAND-BEREBY (SOGB)

RECOMMENDATION:

SOGB

Investment Case

We initiate coverage on SOGB with a **BUY** recommendation based on fair value of **XOF 2 800**. This presents a **potential upside of 21.74%** from the current share price of **XOF 2 300.**
Hence, on the Regional Stock Market (BRVM), the shares of the company (SOGB) are currently undervalued.

Rubber industry: a gloomy year 2020 in perspective

Covid-19 has plunged the Natural Rubber (NR) industry world into one of the worst crises of recent decades. According to the ANRPC (Association of Natural Rubber Producing Countries), world NR production is expected to fall by almost 5% in 2020 due to Coronavirus pandemic, which has led to an overall decline in demand. The main challenge is to assess the impact of this pandemic on the rubber industry, particularly in Côte d'Ivoire and other African countries. As of now, estimates for average NR prices in FY20 show an 8.4% regression YoY with a projected global production of 13.13 million tons (-4.7% YoY) according to ANRPC. Previously, the oversupply of global rubber cultivation led to declining in NR price.

How is SOGB holding up?

In Côte d'Ivoire, the APROMAC (Association of natural Rubber Professionals in Côte d'Ivoire) implemented financial support from the Government granted to producers in the rubber industry in response to the Covid-19 crisis. SOGB's rubber production purchased from outgrowers represents 67% to 70% of its total production. This shows how important it is for the company to have planters keeping a good prospect of the rubber activity as needed. According to our estimates, due to the global downturn of this industry, we anticipate a 1.2% decline in SOGB's rubber sales while volume sold should rise by 4.9% YoY at FY20.

As for the Palm Oil activities (representing 23% of sales), SOGB relies on increases of CPO prices in 2020 which have been on a rallying trend since October 2019, peaking above RM 2 800 (USD 672) per ton on 9th December 2019. Thus, the year 2020 is forecasted to be a good year for palm oil producing countries in terms of remunerative price. Nevertheless, the trade differences between Malaysia and India in October 2020 were projected to dampen the sales and prices further.
According to our previsions, we anticipate a 23.7% increase YoY in sales of SOGB's palm products while total volume sold should surge to nearly 45 282 tons at FY20 (+1.5% YoY).

Oil Refinery Sector

SOGB - BRVM	December 02nd, 2020
Closing Price (XOF)	2 300
Rating:	BUY
Target price (XOF)	2 800
Potential Upside:	21.74%
Beta	1.47
52-week range (XOF):	1 365 – 2 870
Market cap (XOF Mn):	37 695
Shares O/S:	21 601 840
Free Float:	26.87%
Avg. Daily Value (XOF 000):	2 375
Dividend (XOF):	140
Dividend yield:	6.09%

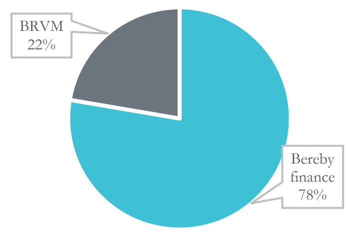
Key Financials

(XOF Mn)	2019A	2020E	2021E	2022E
Revenues:	61 389	63 991	67 182	75 869
EBITDA:	14 234	16 781	17 510	21 791
EBITDA margin (%):	23.19%	26.22%	26.06%	28.72%
Net Profit:	7.36%	9.29%	9.67%	13.05%
Net margin (%):	7.36%	9.29%	9.67%	13.05%
EPS (XOF):	209	275	301	458

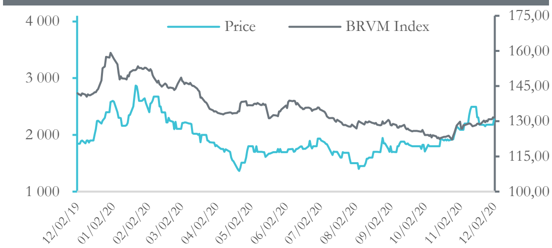
Valuation summary

	2019A	2020E	2021E	2022E
P/E (x):	10.99	8.36	7.65	5.02
P/B (x):	0.94	0.89	0.86	0.80
EV/Sales (x):	1.15	1.03	0.94	0.77
EV/EBITDA (x):	4.96	3.94	3.61	2.68
ROE (%):	8.30%	10.88%	11.49%	15.95%
ROCE (%):	6.73%	9.40%	10.10%	14.42%

Shareholding pattern



Historical Share Price



Valuation summary				
(XOF mn)	Market Cap.	Per share	Upside	Weight
DCF target	43 852	2 000	-11.7%	20%
GGM	32 403	1 500	-30.4%	20%
P/E target	75 606	3 500	17.4%	40%
EV/EBITDA	75 977	3 500	52.2%	20%
Weighted Average	**60 689**			
# of shares (m)	21.602			
Weighted average target value (XOF)	**2 800**			
Current market price	2 300			
Upward (downward)	**21.74%**			
Expected dividend yield 2020	6.09%			
Total expected return	**27.83%**			

WACC calculation	
Debt to capital	30.90%
Equity to capital	69.10%
Beta	1.47
ERP	**5.51%**
RFR	5.95%
Cost of Equity	**14.05%**
Effective interest rate	6.00%
Effective tax rate	**25.00%**
Cost of debt after tax	**4.50%**
WACC	**11.10%**

DCF (XOF mn)	2020e	2021e	2022e
Revenues	63 991	67 182	75 869
EBITDA adjusted	16 781	17 510	21 791
EBIT	9 321	9 858	14 031
Tax rate	25%	25%	25%
Tax on EBIT	1 862	2 027	3 045
Working capital change	458	442	1 562
Net capex	5 500	6 000	6 000
Free cash flow to the firm	**8 961**	**9 041**	**11 183**
Compounding period	1	2	3
Discount factor	0.90	0.81	0.73
Discounted FCF	8 066	7 325	8 155
∑ of discounted FCF	8 066	15 391	23 546
PV of terminal value	56 692	53 968	69 143
Total EV	**64 758**	**69 358**	**92 689**
Net debt (cash)	**22 173**	**22 173**	**22 173**
+ Associate	-	-	-
- Minorities	-	-	-
DCF target market capitalization	**43 852**	**48 453**	**71 783**
Number of shares (m)	**21.60**	**21.60**	**21.60**
Fair value per share (XOF)	**2 000**	**2 200**	**3 300**

Multiple-based valuation (XOF bn)	2020e
Target EV/EBITDA	**5.64**
EBITDA	16 781
Target EV	94 585
Less net debt and other adjustments	18 608
Target market capitalization	75 977
Multiple-based valuation per share (XOF)	**3 500**
Target P/E	**16.86**
EPS	209
Target market capitalization	75 606
Multiple-based valuation per share (XOF)	**3 500**

Country Overview

Côte d'Ivoire, once one of Africa's economic powerhouses, the country fell on hard times in the 1990s marked by a period of social and political instability. However, since the end of the 2010-2011 post-electoral crisis, the country has experienced relative stability despite demonstrations during the 2020 presidential electoral period. This situation intensified political uncertainty in the country which finally seems to have found a lull thanks to the meeting between the two major players Alassane Ouattara and Henry Konan Bédié in November 2020.

From an economic point of view, Côte d'Ivoire remains the center of the commercial activities in West Africa Economic and Monetary Union (WAEMU) area. The country is ranked first producer of cocoa in the world with 40% of market share. Also, the country is on the front row for other agricultural export products such as cashew, rubber, cotton, coffee, palm oil, plantain, pineapple etc. The agricultural sector represents almost 28% of the GDP. Regarding the secondary sector, it represents about 25% of the GDP relates to petroleum refining, energy, food industry and construction. As for the tertiary sector, it weighs 47% of the GDP and mainly concerns telecommunications, transport (port and air), the distribution and financial activities.

The economy has expanded by an average rate of 8% per year since 2012, making Cote d'Ivoire one of the fastest growing economies in the world. However, the country's GDP growth has gradually declined from 10.1% in 2012 to 7.7% in 2017. The real GDP growth was 7.4% in 2018 and 2019. According to the Ivorian's government the economic growth is expected to decline to 1.8% from initial projections of 7.2% due to the impact of the Covid-19 pandemic. Indeed, several sectors of the Ivorian economy, including agriculture, construction, transport, and tourism have been severely affected by the sanitary crisis. However, GDP growth should pick up in 2021 since the global economy is expected to recover from the pandemic.

According to president Alassane Ouattara, domestic containment measures will have shredded incomes and derailed non-essential spending—boding poorly for private consumption—while elevated uncertainty likely constrained investment activity. Moreover, a weak international trading environment and disrupted supply chains are set to have squeezed key oil, cocoa, and cotton exports. Turning to Q3 of 2020, the easing of restrictions should be providing some support.

Nevertheless, we observe that the Ivorian government has been able to contain the pandemic. The curfew has been progressively retracted and other activities such as bars, nights clubs, restaurants, previously stopped as a preventive measure, re-started to operate in Abidjan and other cities.

Political Context

Presidential election

31st October 2020

Economic Context

First Coronavirus Case

11th April 2020

On 02nd December 2020

Total Coronavirus Cases

21 361

Deaths

132

Active Cases

219

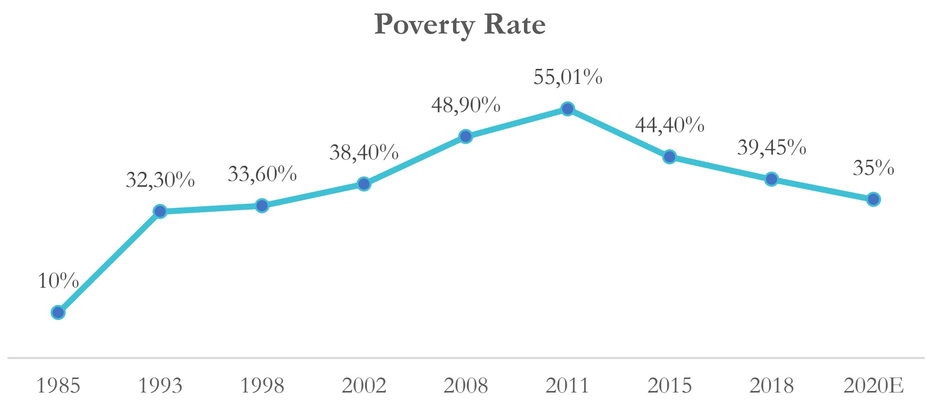
Recovering Rate

98.36%

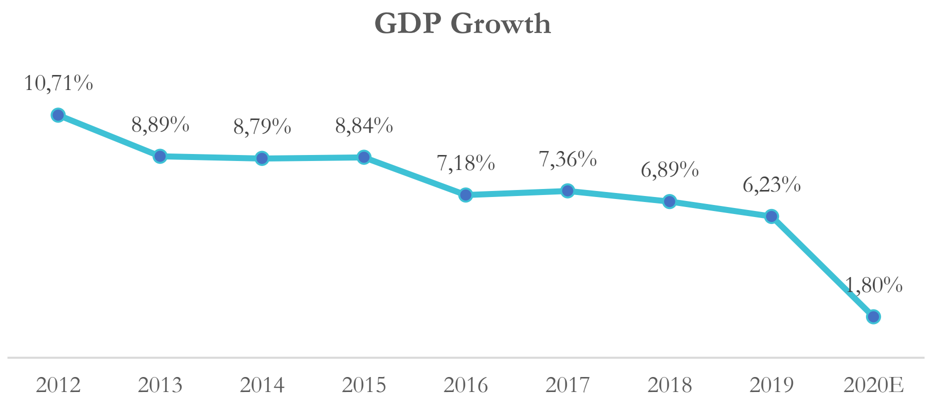
Social Context

The real benefits for the populations are also the increase in the minimum wage from XOF 36 607 to XOF 60 000; the unblocking of salaries after more than 25 years of stagnation; the 88.45% increase in Gross Domestic Product (GDP) per capita (average income per capita) from US$ 1 213 in 2010 to US$ 2 286 in 2019; the creation in 2019 of 73 489 job opportunities for young people, etc. Regarding Social Safety, quarterly transfer of 36 000 FCFA to underprivileged families, the country went from 35 000 households in 2017 to 127 000 in June 2020, with a projection of 227 000 households in December 2020.

Two of biggest problems that faces Cote d'Ivoire are the social inclusion and poverty rate, which is still high in spite of the improving of social and economic conditions in recent years. Indeed, the poverty rate estimated at 55% came down to 39.4% in 2018 and is expected to notch 35% in 2020. Also, the population is complaining about the wealth distribution. Actually, the completion rate is at 35.5% for secondary education, there is a disparity in learning between boys and girls. The local force is lacking skills which are required for the production of highly modern goods and services, the youth unemployment remains high as well at 36% according to the World Bank. These are some of the main challenges to the development of Cote d'Ivoire.
The country should redistribute the wealth from its excellent economic performance, integrate more women into the economy and develop its human capital to improve the skills of labor forces.



Source : Ivorian Government



Industries overview

Global Rubber market

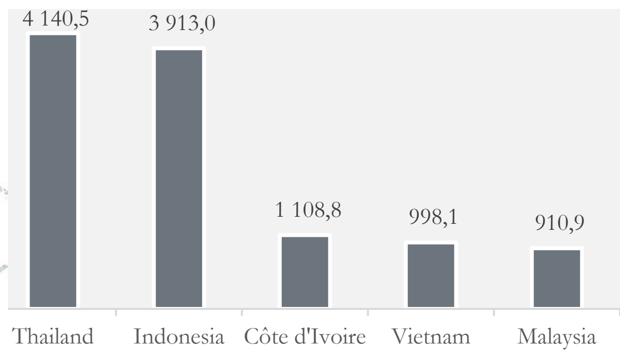
The world's leading producer of natural rubber is Thailand with 4.85 million tons in 2019 (35.66% of global production) followed by Indonesia with 2019 production amounted to 3.3 million tons (24.26% of global production). Natural rubber, also known as caoutchouc, India rubber, latex, and other names, is produced from the rubber tree.

Global sales from natural rubber exports by country totaled USD 13.8 billion in 2019. That amount reflects an average -1.2% drop in value since 2015 when natural rubber shipments were worth USD 13.2 billion. Year over year, exported natural rubber fell by 1.4% to 13.661 million tons in 2019. Among continents, Asian countries exported USD 0.8 billion or 82.3% of international natural rubber sales. African exporters supplied 11% worth of the global total followed by European suppliers at 5%. Accounting for a much smaller percentage of exported natural rubber were shippers in Latin America (1.2%) excluding Mexico but including the Caribbean, North America (0.5%) and Oceania (0.1%) led by Papua New Guinea and Australia.

Among the top exporters, the fastest-growing natural rubber exporters since 2015 were: Laos (+327.9%), Myanmar also called Burma (+136.8%, Côte d'ivoire (+121.1%) and Belgium (+62.4%). Five countries posted declines in their exported natural rubber sales namely: Germany (-63.6%), Thailand (-16.9%), Singapore (-12.6%), Malaysia (-12.2%) and Vietnam (-6.4%). *(ANRPC & World's Top Exports)*

Source: Trade map - International Trade Statistics

Top 5 Natural Rubber Exporting Countries in 2019 (in million USD)



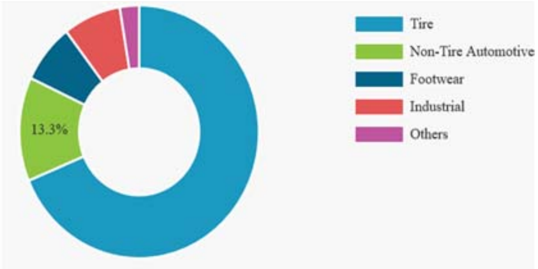
Source: World's Top Exports

According to Fortune business insights, "the global rubber market size was valued at USD 40.77 billion in 2019 and it is projected to reach USD 51.21 billion by 2027 exhibiting a CAGR of 5.3% during the forecast period". The market size in Asia Pacific stood at USD 22.09 billion 2019. Asia-Pacific is the largest producer as well as consumer with Thailand being the largest producing country of natural rubber and China being the largest consumer. Asia Pacific is expected to witness the highest growth in the market across the globe.
Properties such as heat and abrasion resistance make rubber a highly useful and valuable raw material in various end-use industries. The rising demand from the automotive industry for tire and non-tire applications is one of the key rubber market trends. It is majorly used in the manufacturing of tires due to its strong properties, such as tear resistance and toughness.

Growth opportunities for the market: rubber products find applications in various industries such as packaging, manufacturing, engineering, and construction. When combined with various polymers and chemicals, it provides sturdy outcomes in the production of products such as surgical supplies, respirators, pacemakers, and feeding nipples. Some companies operating in the market are specialized in compounding rubber according to the specifications of customers to develop novel products. Hence, the development of novel products is expected to create immense growth opportunities for the market.

Driving factors: rubber is dominantly used as a raw material in the automotive end-use industry to produce a wide variety of products, such as tires, crap tubes, adhesives, hoses, pipes, gaskets, and roll coverings. The increasing demand for tire and non-tire automotive parts is expected to influence market growth.

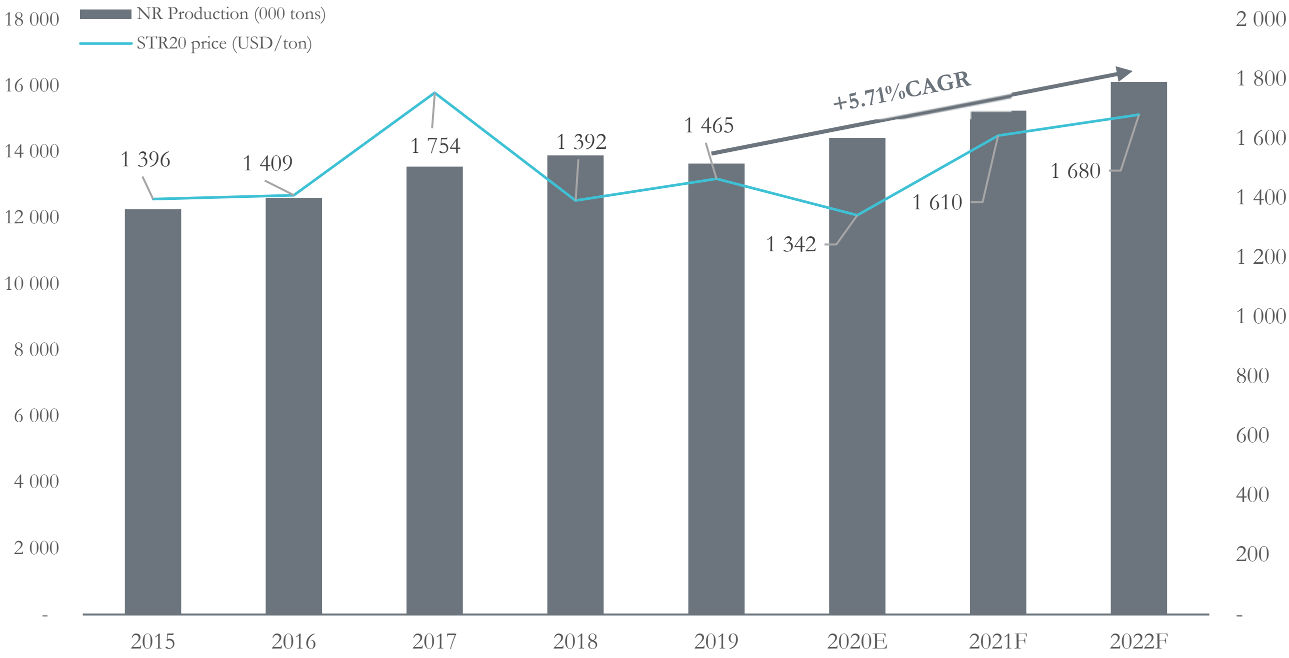
Global Rubber market share, by application, 2019



Restraining factors: the market is gaining impetus through the demand from industries such as automotive, consumer goods, and clothing and footwear, but it faces considerable competition from materials such as polymers & vinyl. Polymers and plastics are generally inexpensive as they are produced in massive quantities across the globe. Moreover, polymers such as PET, PP and ABS have better capabilities such as elasticity, rigidity, anti-slip, and durability, making them superior alternatives. Products such as pipes, seals, and tubes are preferably made of plastics and are significantly replacing rubber-based products in automotive and industrial applications.

Key industry players: the major producers of the product are in Asia leading to a fragmented market. The manufacturers located in North America and Europe are aiming to increase their presence in Asia Pacific to strengthen their position in the market and to drive business growth

Average Narural Rubber price (STRV20) evolution and NR production worldwide since 2015 & 3-years projection



Source : ANRPC, Statista & Markets and markets

Rubber market in Côte d'Ivoire

Hevea Brasiliensis was trialled in Côte d'Ivoire in the 40's but cultivation was undertaken in 1953 by "Compagnie Française de Caoutchouc d'Extrême-Orient et d'Afrique" and Société Africaine de Plantation d'Hévéa (S.A.P.H) a year later.
Following its independence in 1960, Côte d'Ivoire has developed the natural rubber sector through the following actions:

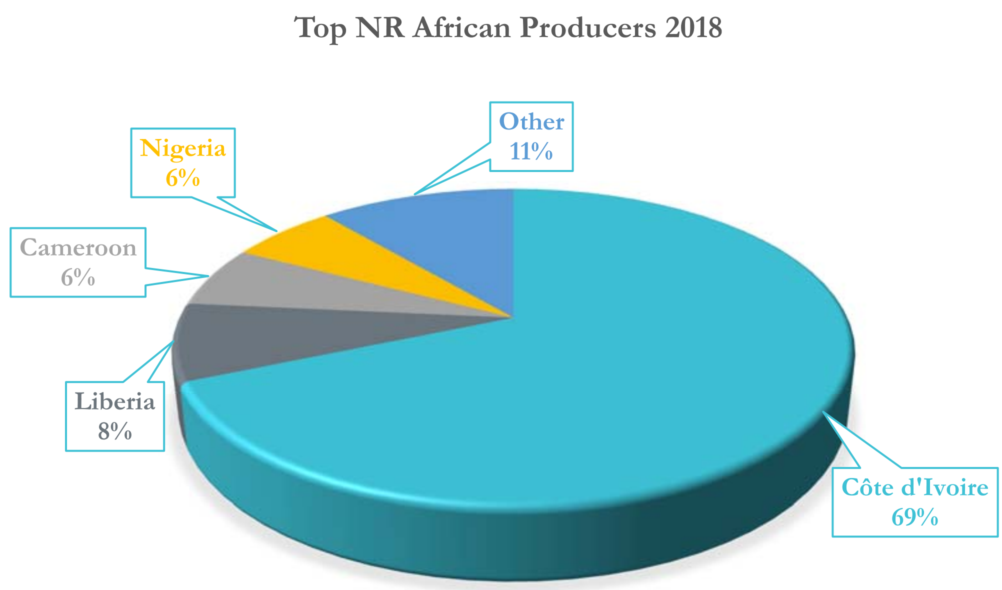
- acquisition of an important stake in S.A.P.H.
- establishing the agro-industrial complex of Grand-Béréby (S.O.G.B.) in 1966.
- encouraging the creation of new village plantations in Bonoua, Grand-Bereby, Dabou and Bettié between 1980 and 1985 and Gagnoa and Daoukro in the late 90's (all areas located in the southern part of the country).

The liberalisation of the sector took place in 1994 and was followed by a restructuring period which ended in 2001, against a backdrop of falling world market prices.

Fortunately, a five-year long campaign to promote outgrowers plantations and an intense promotion of the sector between 2008 and 2012 lead to a revitalization of the natural rubber sector, mainly under the authority of the Government and the Association of rubber professionals (Association des Professionnels du Caoutchouc Naturel-**APROMAC**). This association is in charge of regulating the sector as well as setting the purchase price of rubber from out-growers. A recent reform aims to further stabilize the sector. The promotion period coincided with the sharp increase of Natural Rubber prices propelled by the growing demand.

Natural rubber competes with other cash crops such as cocoa and palm oil, and usually occupies the 3rd or 4th place in the Ivorian economy. In 2017, it accounted for 10.7% of the country's exports, valuing around USD 1.1 billion.

Côte d'Ivoire is the largest producer of natural rubber in Africa with a production of 780 000 tons representing 5.71% of the world natural rubber production in 2019. Total area under cultivation is around 634.1 thousand hectares and it is the livelihood of about 800 000 people who participate in various aspects of the value chain.
With the new areas which should come into production this year because farmers have abandoned cocoa to turn to rubber, the harvest will reach 850 000 tons and then 950 000 tons in 2021, estimates the general secretary of Apromac, Akpangni Attobra.



Source : APROMAC

Côte d'Ivoire is the 5th producing country of natural rubber in the world after Thailand, Indonesia, Vietnam, and China. The country remains the number one in Africa (68.6% of production in 2018). The rubber industry has been through a crisis of overproduction and a consequence of the wave of plantations carried out between 2010 and 2012, the time when rubber flirted with 6 dollars per kg. Therefore, this situation strongly affected the Ivorian rubber sector where the number one (SAPH) came out with a negative net profit in 2018 at XOF -848 million and rebounded to XOF 3 375 million in 2019. Thanks to its overall margin and its multitask activity, SOGB was able to come out with a positive net profit in 2018 of XOF 2 977 million and rallied at XOF 4 520 million in 2019. Thus, Côte d'Ivoire remaind highly exposed to the international selling price of rubber.

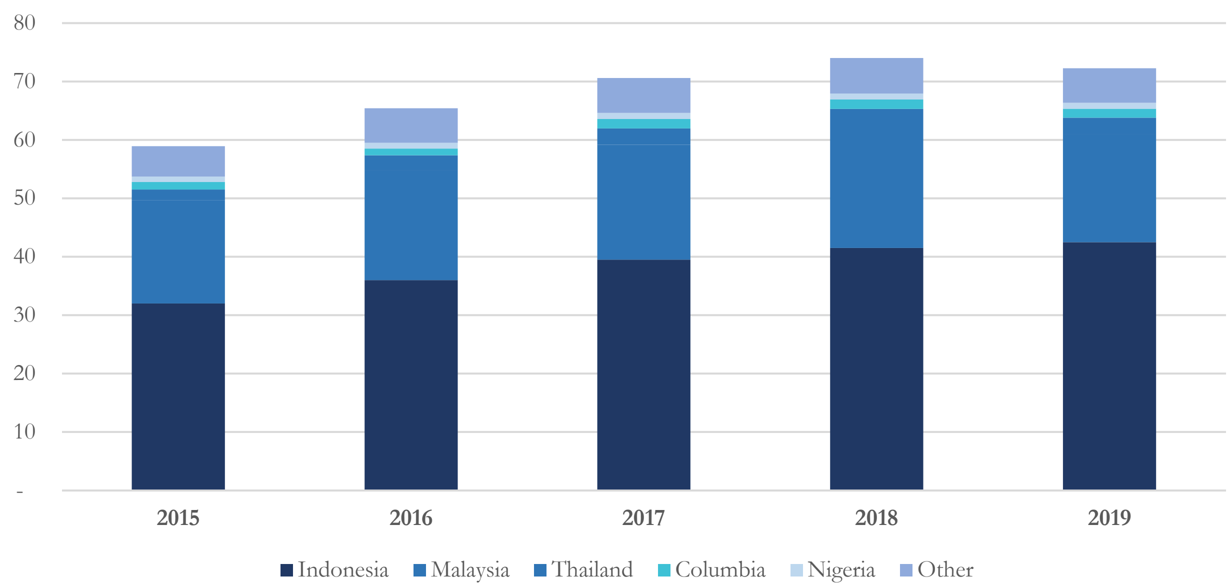
The rubber sector in Côte d'Ivoire is mainly dominated by two companies (SAPH and SOGB) accounting for 32.3% of total rubber production in the country. The largest natural rubber producer of the country is SAPH (Société Africaine de Plantation d'Hévéa), which produced 187 572 tons in 2019. The company plans to attain 225 000 tons this year and is counting on the renewed investment in plantations and processing facilities in recent years. Then comes in the second place SOGB with 64 343 tons of natural rubber produced in 2019.
The others relevant actors in the sectors are Tropical Rubber Côte d'Ivoire (TRCI), the Cavally Rubber Company (CHC), Rubber Company of Pakidie (CCP), South Comoe Rubber and Agricultural Exploitation of TEHUI (EXAT). SOGB, TRCI and SAPH are the only players that own industrial plantations, unlike other players; consequently, they do only purchase all their raw materials from out-growers. Thus, these competitors act as traders and show lower margins.

Global palm oil market

Palm oil is the most consumed edible oil in the world, having surpassed all others in 2015. Palm oil and palm kernel oil are extracted from the oil palm's fruit flesh and seed, respectively, providing ingredients for numerous edible and personal care products as well as feedstock for biofuels. Breaking consumption down by industry sector, the processed food industry consumes approximately 72% of all palm oil production, the personal care and cleaning products industry consumes 18%, and the biofuel industry consumes the remaining 10%.

Crude palm is likely to remain an integral part of consumer diets, despite ban on its inclusion in dairy products in certain countries. Raw red oil is one of the most widely consumed products across the world and is likely to remain a dominant segment. The production of palm oil is dominated by Indonesia and Malaysia, which together accounted for 83–85% of total palm oil produced since 2015.

Top 5 palm oil producers in 2019 (Millions of tons)



Source : APROMAC

Global sales from palm oil exports by country totaled an estimated USD 23.2 billion in 2019. Overall, the value of palm oil exports fell by an average -20.8% for all exporting countries since 2015 when palm oil shipments were valued at USD 29.3 billion. Year over year, international palm oil sales decreased by -24.7% from 2018 to 2019.

Led by Indonesia, Asian countries generated the highest dollar worth of exported palm oil during 2019 with shipments valued at USD 19.3 billion or 83.2% of the global total. In second place were European exporters at 7.6% while 5.9% of worldwide palm oil shipments originated from Latin American countries excluding Mexico but including the Caribbean. Smaller percentages came from Oceanian countries (1.9%) headed by Papua New Guinea, then exporters in Africa (1%) and North America (0.4%).

The largest exporting countries of crude palm oil and its fractions in 2019 were Indonesia (USD 10.4 billion; 44.8% of total palm oil exports), Malaysia (USD 8.3 billion; 36% of total palm oil exports), and the Netherlands (re-export) (USD 1 billion; 4.4% of total palm oil exports). Among the top exporters, the fastest-growing palm oil exporters since 2015 were: Thailand (+202.5%), Italy (+134.8%), Colombia (+48.8%) and Denmark (+42.5%).

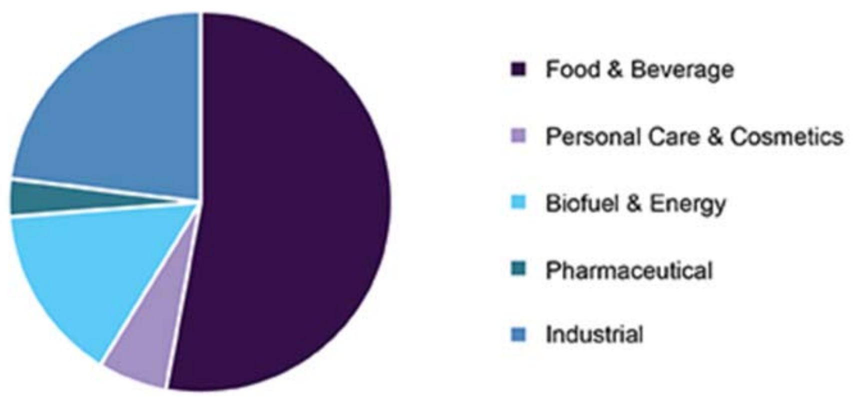
International purchases of imported palm oil cost an estimated total USD 24.5 billion in 2019. Overall, the value of palm oil imports decreased by 19.6% for all importing countries since 2015 when international purchases of palm oil cost USD 30.5 billion. Year over year, palm oil imports dropped 21.4% from 2018 to 2019. The largest importing countries were India (USD 5.4 billion; 21.9% of total palm oil imports), China (USD 4.1 billion; 16.7% of total palm oil imports), and Netherland (USD 1.7 billion; 6.9% of total palm oil imports). Among the top 15, the fastest-growing markets for palm oil since 2015 were: Spain (+36.5%), South Korea (+24.4%), United States (+17.1%) and Japan (+12.6%).

Overall, palm oil supply outpaced demand in recent years, with palm oil-producing countries ending up with stocks that increased from over 8 million to 11 million tons from 2015 to 2018. From 2018 onward, demand started outpacing supply, with stocks estimated to decrease to close to 8 million tons by 2020.

Increasing population, slow income growth and the backdrop of declining arable land across developed nations has prompted its plantations to meet burgeoning regional food needs, which is likely to remain a significant factor behind the segment's growth. Kernel products are still widely utilized to make soaps, cosmetics, and detergents in end-use industries. It has specialized applications in confectionery fats and other divisions under bakery sector. However, recent ban on the products and derivatives in dairy industry has hampered growth in the segment. The product is also widely utilized in bakery sector for diverse applications. Other derivates of the product such as cake or expeller products are also widely utilized for a wide array of applications including animal feed and more. Growing consumption of meat & poultry products in emerging economies such as China, India, and others has driven the demand for nutritional animal feed, at a low cost, which has boosted kernel consumption in its production. (*World's Top Exports*)

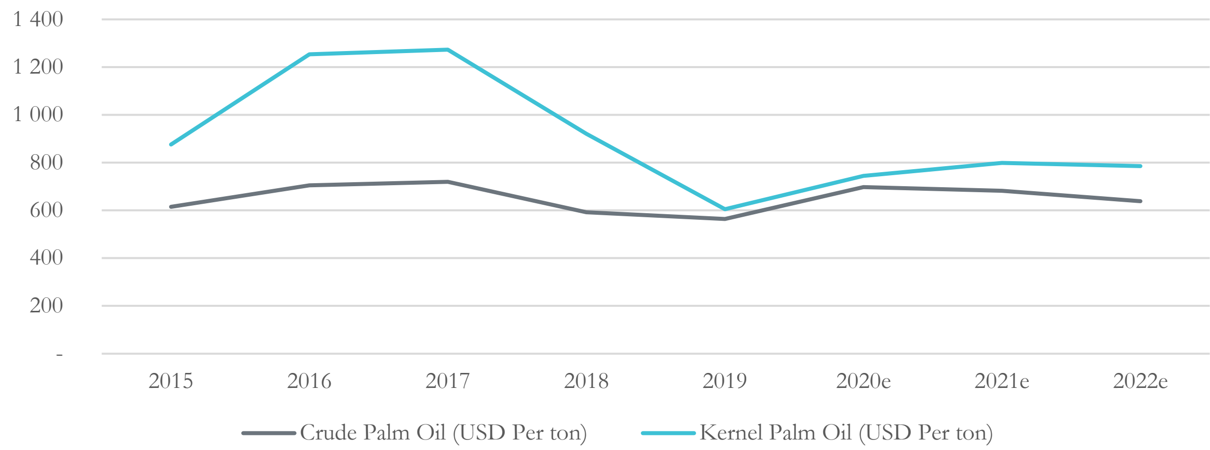
Global Palm oil market volume share, by end use, 2019

The food & beverage industry is another prominent end-user, where palm oil finds major applications as an edible cooking oil. It is considered as an economical alternative to other cooking oils such as the ones sourced from soybean and sunflower and has high acceptance among food processors which is expected to boost segment growth.



Source : grandviewresearch.com

CPO market price evolution and projection



Source: REA Holding CPO, Bursa Malaysia, investing.com

Since 2015, CPO average price decreased 2.15% CAGR in 2019 and has been on a meteoric rise in the final quarter of 2019 underpinned by lower output against higher export demand and on prospect of higher biodiesel commitments. Higher biodiesel commitments in the 3 key palm producing countries Indonesia, Malaysia and Thailand increasing to B30, B20 and B10 respectively was a catalyst for higher prices in the last quarter of 2019. Bullish price outlook fueled by a mix of fundamentals and sentiments lifted the benchmark CPO Futures by 41% or US$ 214 from the start of October to the end of December while notching a peak of RM 3 092 or US$ 747/ton to 3 years high prices.

Global Palm Oil production declined in late 2015 as a result of El Nino effect in Indonesia and Malaysia which together account for 85% - 90% of market share. As demand from India (first palm oil consuming country in the world with 9.2 million tons in 2015) and European countries was relatively high, CPO price began to rise at USD 793 per ton in December 2016 and continued to increase in January 2017 at USD 823 per ton. CPO price then increased by 2.2% from 2016 to 2017 before dropping 11.48% CAGR from 2017 to 2019. The CPO was decreasing by 19.3% to USD 601 per ton on average in 2018 from USD 717 per ton in the previous year. According to GAPKI (the indonesia palm oil association), the average price of CPO in 2018 was USD 595.5 per metric ton or decreasing by 17% (YoY). A result of benchmarking toward 11 CPO public companies (among 19 CPO public companies) listed at Indonesia Stock Exchange shows that their sales trend (on average) in 2018 was increasing by 13.8%. Meanwhile, the sales trend for six of the 11 companies (54.5%) was declining. The decreasing price of CPO was still the main factor leading to the sales decrease.

The main reason for the declining price of CPO commodities in the global market in 2018 is the trade war between the USA and China. Due to the price decline, the increasing trend of B20 (and B30) biodiesel cannot evade most of the CPO companies from facing declining revenue. Several other factors are contributing to the declining price and include decline in oil-gas exports, due to negative campaigns in Europe, the imposition of high import duties in India.

There is not much difference in CPO price trend in 2019 if compared to 2018. The USA-China trade war is still the main factor that makes the CPO prices down.

Other factors contributing to the declining price of CPO commodity in the international market are the global and regional political turmoil that causes volatility in financial markets, the not-yet solved Brexit issue in Europe, the security turmoil in Hong Kong, and the slight impact of El Nino in Indonesian territory in 2019.

In 2019, CPO prices increased during in the last two months of 2019. But this rise could not cover the decline in the performance of palm oil companies throughout the year.

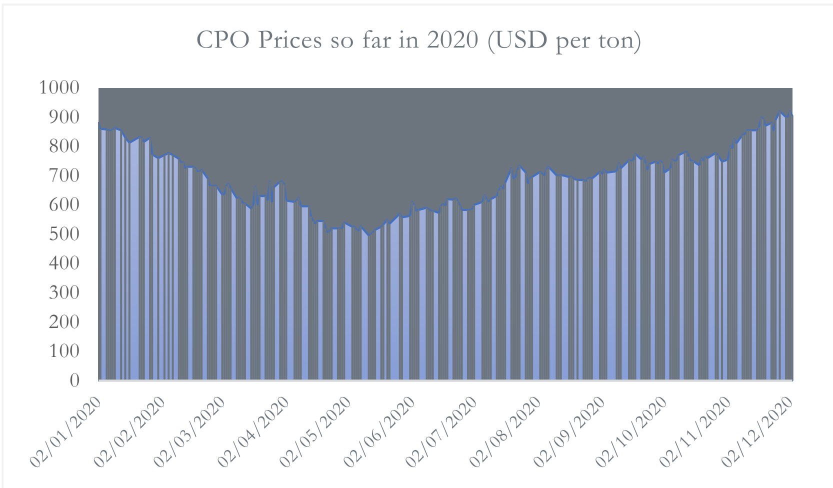
Performance trend in Q1/2020 (YoY) and prospects for FY/2020

It is believed that the increasing sales trend was related to the increasing price of CPO during the first quarter of 2020. Their profit was also increasing positively, in line with the significant increase of the US dollar exchange rate against IDR (Indonesian Rupiah) during the quarter. In fact, the US dollar exchange rate touched the worst level since June 17th, 1998, when it reached IDR 15 585 per USD.

The increasing price of CPO in the first quarter of 2020 was caused by the dry season, smog, and climate phenomena, such as positive Indian Ocean Dipole (IOD) that resulted in the decreasing supply of palm oil. This is contrary to the fact that this year 2020 is expected to be a momentum for the two largest palm oil-producing countries in the world, namely Indonesia and Malaysia, to increase their domestic demand through their B30 and B20 programs. These programs had led to the occurrence of large purchases of CPO and eventually drove up the price of CPO before the end of the year. The CPO price started its rally in mid-October 2019, nonstop, and continuously. In due course, the CPO price became expensive and drew many parties to make profit.

On another side, the strengthening rate of Malaysia Ringgit against the US dollar also makes it difficult for the CPO price to increase significantly. It is a fact that if the CPO price is set in ringgit, so when the ringgit strengthens against the US dollar, the CPO price will become more expensive.

The year 2020 is marked by the Covid-19 pandemic, which globally impacted various industries including the palm oil industry. On May 2020, according to the Indonesian Palm Oil Association (GAPKI), the oil plantations and palm oil mills were safe from the Covid-19 pandemic and they kept conducting their operations normally. Its chairman Tofan Mahdi stated that the palm oil industries were still safe until then, from the Covid-19 pandemic.



Source : GAPKI

However, as shown on the graph above, CPO prices progressively decreased during the first half of the year because of countries restrictions to contain the pandemic, which reduced demand. CPO price then reached its lowest on 12th May, at USD 496 per ton before surging from the second half the year and reaching its highest at the end of November at USD 920 per ton, higher than the price at the same period last year. So far (2nd December), the average CPO prices is at USD 691.12 per ton, while predictions show an average price of USD 696.9 per ton for the year 2020.

Palm oil is associated with major social and environmental issues in growing countries.

The market advisory firm Research and Markets predicts that the global market value of the palm oil sector will experience a 5.7% compound annual growth rate (CAGR) from 2019 to 2024, reaching a total production of 107.6 million tons by 2024. However, the overall sector faces important economic, social, and environmental challenges that cannot be overlooked. From an economic perspective, changes in trade policies by the large palm oil importers, such as an increase in applied tariffs or the imposition of countervailing duties to address allegedly unfair trade practices involving biodiesel, can have significant impacts on the sector.

For example, India is the largest importer of palm oil, but efforts to promote local production and processing of oilseeds by adopting tariffs or other import-related policies could affect domestic palm oil demands and increase domestic oilseed prices.

The European Commission confirmed in August 2019, for its part, the imposition of countervailing duties on imported biodiesel from Indonesia, which is produced primarily from palm oil, to protect its domestic production. To respond to European efforts to move away from importing biodiesel, Indonesia might have to increase its biodiesel exports to other trading partners, such as China and Russia.

From a social perspective, the increasing efforts by India and Indonesia to boost domestic consumption of palm oil and ensure a secure supply of biofuels could have a negative impact on food security. In Asian countries, as in other developing regions, palm oil plays a critical role in diets as a nutritious and affordable food staple that is widely used for cooking daily meals. If palm oil is diverted from the food industry to produce biofuels, this may influence its price and availability for domestic food consumption, which is especially concerning for the Asian region. Oil palm plantations are associated with cases of land-grabbing in Africa, where large palm oil-producing companies have convinced farmers to lease their land and transition to out-grower schemes, which reduces their land access and control. As a result of these lease agreements, smallholder farmers and communities have lost access to farmland, preventing them from growing staple commodities and other cash crops that are essential to ensuring a nutritious diet and helping them diversify their income sources. Furthermore, several studies report cases of human rights abuses against palm oil workers in large plantations, who are forced to work long hours and are exposed to hazardous chemical ingredients.

From an environmental perspective, there are crucial concerns associated with palm oil production. Oil palm plantations grow in humid tropical conditions, which can be found 8–10 degrees north and south of the equator. This band of suitable growing areas for palm oil may be disrupted by climate change, as palm oil yields are sensitive to weather fluctuations such as droughts and flooding. Another issue concerning palm oil involves the negative environmental impacts of its cultivation. According to many advocacy groups, the sector has become synonymous with deforestation and biodiversity loss, as large tracts of tropical forests and peatlands have been converted for palm oil production, affecting close to 200 threatened species, including the orangutan, the Sumatran tiger, and the pygmy elephant. As of 2018, palm oil plantations take up close to 18 million hectares of land. Palm oil-driven deforestation has been most prominent in Southeast Asia and Central and Western Africa. For instance, over 50% of all deforestation on the island of Borneo, Indonesia, between 2005 and 2015 was associated with palm oil production. These negative impacts have spurred the launch of the International Palm Oil Free Certification Accreditation Programme in Australia in 2017, which is now approved to certify in 15 countries and is awaiting clearance from five more. To date, over 1 000 products have been certified to be palm oil free. *(International Insititute for Sustainable Development [IISD])*

Palm oil market in Côte d'Ivoire

Côte d'Ivoire remains competitive in the continental sector, thanks to an orchard of 250 000 ha distributed as follows: 175 000 ha of village plantations (PV) and 75 000 ha of industrial plantations (IP). The sector according to the most recent figures, brews a turnover of just over XOF 500 billion and supports 2 million people with 200 000 regular jobs. The production of palm oil represents 3.13% of Ivorian GDP. This ambition is the symbol of the competitiveness of the oil palm sector, which allows Côte d'Ivoire to occupy honorable world and African ranks for cash crops. Côte d'Ivoire is the second largest producer of African diets with 1 800 000 tons per year. It occupies this position just after Nigeria, with which it provides most of the 4% of global market share provided by Africa.

The palm oil sector in Cote d'Ivoire is dominate by five companies: PALMCI, SIPEF-CI (ADAM AFRIQUE), PALMAFRIQUE, SOGB, and DEKEL OIL.

PALMCI is the leading company of palm oil producing more than half of the country's output in 2018. It manages 39 845 ha of industrial plantations (IP) located on 8 sites in the south of Cote d'Ivoire.

ADAM AFRIQUE Group has various subsidiaries which are SIPEF-CI and United Oil Company (UOC). Created in 1998, SIPEF-CI operates 13 599 ha of industrial plantations distributed over 4 633 ha immature and 8 966 ha mature.

Secondly ranked after PALMCI, ADAM AFRIQUE Group provides seed to outgrowers in the Sikensi region where it has a branch that produces palm oil and refined coconut oil. This branch was set up to minimize costs and increase production through easy and quick access to plantations close to the plant. The oil produced from the palm kernel, serves as raw material for the soap factory in Abidjan.

Born from the privatization of the former Palm industry in 1997, PALMAFRIQUE owns and manages 8 400 hectares of industrial plantations spread over 3 sites. It has commercial relations with nearly 4 500 small and medium-sized farmers totaling more than 17 000 hectares of oil palm plantations. The palm systems are treated by 2 oil mills with an annual capacity of 200 000 tons located at Eloka (S/P de Bingerville) and Yassap (Department of Dabou). PALMAFRIQUE also has a palm kernel press in Yassap and a soap factory in Yopougon.

DEKEL OIL Côte d'Ivoire has 176 palm oil estates covering 1 899 ha of land within a radius of up to 80 km of Ayenouan village. DEKEL OIL Côte d'Ivoire has aimed to solve the overproduction problem and deficit of absorption capacity generally observed during the second quarter of the year (peak periods).

The National Agricultural Investment Program (PNIA) decided to set the third Palm Plan in the global strategy of development of the different agricultural sectors. This third palm plan is the opportunity for the Ivorian Government to show the importance of the Palm Oil in the economy. The main objective of this national plan is to increase the Ivorian production of crude palm oil from 400 000 tons today to 600 000 tons to 2020.

Palm oil in the Ivorian economy

The palm sector occupies a crucial place in West African economies, for two reasons. First of all, and this is all the truer in Côte d'Ivoire, because the oil of palm is one of the essential products in the household basket and that the increase of its price constitutes a potential factor of social destabilization. In addition, almost all palm bunches are processed locally, for example a well-structured sector which directly or indirectly supports, in this country, of two million people, or 10% of the population, and exports 45% of its production (in 2017) in the sub-region. In total, according to some estimates, the oil industry palm would provide around 2% of Côte d'Ivoire's gross domestic product.

This sector has a considerable advantage due to the sharp increase expected in national and sub-regional consumption of palm oil, mainly for food, since its other uses, especially cosmetics, are still in their infancy.

In the main consuming countries of sub-Saharan Africa, demand is expected to increase by almost 50% by 2030, compared to 2017, and cannot be completely satisfied by local productions. Côte d'Ivoire therefore benefits with a major commercial potential, by targeting a clientele that sources more in addition to Asian countries: Benin, for example, imported almost one half a billion dollars in palm oil in 2017. *(FARM)*

Realizing this potential implies, however, greatly increasing the productivity of small planters, which is today around 4.5 tons of fresh fruit bunches per hectare according to official estimates - probably around 7 tons per ha when counting self-consumption and informal market - compared to nearly 22 to 25 tons per ha in agro-industrial plantations. The improvement of yields also depends on the reduction of rural poverty and the improvement of the competitiveness of Ivorian production compared with imported oils, therefore the sector's capacity to create jobs, a major challenge facing sub-Saharan Africa due to its demographic growth. Increasing productivity can also have positive benefits for the environment, by limiting the area under cultivation, provided, however, that it is accompanied by strict public regulations aimed at controlling deforestation.

Unlike other productions, it is hard to believe on the organizational improvement between producers in the sector which has proven its worth and for which the AIPH is "the linchpin". Note that unlike the palm oil sector in Asia, in Côte d'Ivoire, production is carried out on large plantations which include a processing unit, as well as small planters who represent 60% of national production. *(Comodafrica)*

The articulation between these two groups of actors, apparently, is done well. On large plantations, yields are already very high, almost optimal, at around 20 tons per ha according to the AIPH (22 to 25 tons per ton, according to Maxime Cumunel); we are at around 30 tons per ha in Asia, the difference being mainly due to climatic reasons. The trump card to play is to increase the yields of small planters, today around 4.5 tons per ha, or even 7 tons per ha if we take into account self-consumption and market sales informal a yield 3 to 5 times lower than in Asia, according to AIPH.
Roughly speaking, the productivity of these small Ivorian planters is the only adjustment variable to increase production in Côte d'Ivoire since industrial plantations are at their maximum yield and there is no question of increasing the areas in cutting forests. Maxime Cumunel recalls that not only three-quarters of Ivorian forests have disappeared since the 1980s, but this continues at a rate close to 3% per year. But, says the author, "the production of palm oil contributes less to deforestation than that of rubber and cocoa".

A sector at work in the face of real challenges

The Ivorian palm oil industry is functional and well structured. It is based on the complementarity of industrial production and village plantations, at degrees depending on the company. In the context of effective contracting, it is this complementarity which allows the performance of industrialists and, thus, of the sector in its together. The Interprofessional Oil Palm Association (AIPH) is the backbone of the sector. It brings together large industrial companies, which work with around 40 000 out-growers, supervised by cooperatives recognized by the State and very active in collecting, training, and maintaining tracks.

The Ivorian palm oil sector is severely tested by increased competition and the sharp drop in world prices for vegetable oils recorded in recent years. The low level of prices, which were halved compared to their historic peak, threatens the economic equilibrium of the sector. In the short term, this one makes the round back, thanks to an interprofessional mechanism for smoothing prices assumed by manufacturers. But the viability of outgrowers plantations and cooperatives is questioned because many works at a loss. This crisis is reinforced by increased competition on the Ivorian market. For ten years, this has seen the establishment of new industrial players, who do not are all involved in the inter-profession. The heightened competition is reflected also by lower remunerative prices for manufacturers, even though oils imported from Europe benefit from a better image with consumers. These companies employ over 21 000 people in primary and secondary processing. The AIPH promotes dialogue between all the players in the sector, in order to better coordinate its various links. It is also involved in setting the prices paid to producers. Note that such interprofessional structuring is exceptional in West Africa, a fortiori for production intended for local markets and not intended to be exported to high-income countries.

Three types of initiatives are generally carried out simultaneously: increasing the productivity of planters, by modifying technical itineraries and using improved plant material; training and awareness-raising for producers and their families facing the problem of deforestation, particularly regarding climate change; finally, the distribution of tree seedlings, in particular for the demarcation of village plantations, which are often poorly defined.

Ivorian palm oil production is shared between out-growers plantations and industrial plantations. The first, around 40 000, cultivate 175 000 hectares (or 4.3 hectares on average per worker), with a low yield, of the order of 5 to 8 tons per ha. Industrial plantations exploit 75 000 hectares, with a productivity significantly higher (around 12 tons per ha). Primary processing plants produce, from the fruit fruit bunches, about 560 000 tons of crude oil.

All outgrowers face two major difficulties: a chronic labor shortage, especially during the harvest period, and a lack of available land to expand their operations.

A very elaborated method of fixing prices

The price paid by processors to producers can be broken down into three parts.
The base amount is the "AIPH price", defined monthly by the interprofession according to fluctuations in international crude oil prices: producers receive about 12% of this price when collecting bunches. This amount is calculated based on a crucial indicator: the rate of oil extraction on the bunch delivered, set by inter-professional agreement at 21.5%. However, the theoretical extraction rate of best available plant material is approaching 28% and the average effective rate is approaching 22-23%; this hiatus generates frank opposition between producers and buyers. The regimes are weighed according to a procedure in which objectivity is guaranteed by the manufacturer, in conjunction with the cooperatives.

In the event of a crisis, the AIPH price may be temporarily disconnected from the evolution of world prices for crude oil. When the interprofession judges these prices excessively low or excessively high, it has the power to trigger a smoothing mechanism, which dampens price fluctuations to the benefit, respectively, of producers or processors. However, this mechanism can only work for a relatively short period of time.
Two amounts are deducted from the interprofessional price due to producers: on the one hand, a 1.5% tax on planters, levied by manufacturers who then return it to the State; on the other hand, a 2.5% contribution, intended for professional agricultural organizations.

This contribution dissociates itself, for two thirds, into a sum paid directly by the manufacturer to the cooperative and, for one third, to a guarantee fund.

The price net of any levy is paid to the producer as quickly as possible, ideally by transfer to a bank account, the main agro-industrialists pushing planters to bank.

Source: FARM

Company profile

Since its accession to independence in 1960, Côte d'Ivoire has pursued a strategy of economic growth based on the development of agriculture. This strategy was notably materialized by the introduction of rubber cultivation with a view to diversifying perennial crops. As part of the development policy of the South West region, the Ivorian State, in collaboration with the CGEM (Compagnie Générale des Etablissements Michelin) created the SOGB in 1969 with the following missions:

- Create and manage more than 13 000 ha of rubber tree plantations;
- Create a natural rubber processing unit;
- Promote a modern peasantry capable of adapting to rubber farming techniques.

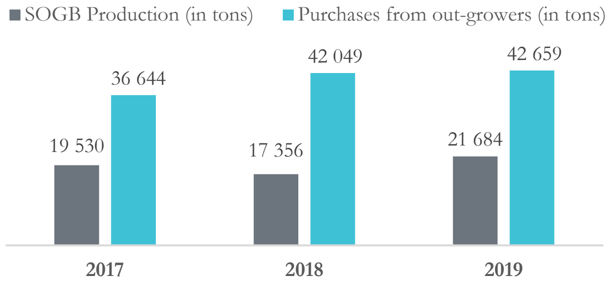
Between 1994 and 1996, after storm wind damage on nearly 1 000 ha of rubber trees, the Ivorian government privatized the palm and rubber sectors. The Ivorian State is therefore withdrawing from production structures to entrust the buyers with development missions for the village and industrial sector.
Socfin, associated with a national investor, acquires a majority stake in the capital of SOGB. After the creation of nearly 4 500 ha of village rubber plantations in 1999, SOGB started the creation of 6 000 ha of oil palm plantations to improve the valuation ratio of the concession. In 2004, the company commissioned an oil mill of 30 tons/hour before the construction of an oil terminal at the port of San Pedro in 2010 and its extension to 45 tons/hour in 2014. SOGB obtained in 2018 the ISO 9001 and 14 001 certifications and installed its 4th rubber dryer.

Thus, SOGB specializes in the production of palm and rubber products. The company was established on the San Pedro – Tabou axis, in Grand-Béréby and exploits 34 712 ha concession out of which 16 657 ha are intended to rubber activities, 7 471 ha for palm oil, 2 212 ha are preserved in protected areas and the rest for the factories. Here, the rain gauge has averaged 1 684 mm per year over the past 10 years, thus providing a framework conducive to crop development.
In addition to its industrial plantations, SOGB assists other farmers growing rubber and palm oil in three Southwest regions which are: *Bereby-Tabou, Touih-Méagui and Grabo*. The company accounts for 8 674 direct employees including 6 007 permanents employees and about 30 848 out-growers.

SOGB's Rubber activity

SOGB's rubber is produced by rubber trees, mostly from village plantations, whose operating plantations represent 80% of total plantations available for the company (81 820 ha). Operating industrial plantations for SOGB is 16 432.
In order to collect the latex milk from tree, an incision is made in the bark of the rubber tree – which is called 'tapping'. Depending on the use, following the tapping stage the latex milk is processed in different ways.
About 70% of natural latex is used for tires. Other products made of natural rubber are e.g., mattresses, condoms, shoe soles, hot water bottles, balloons, rubber boots and seal rings. Natural rubber can be substituted by synthetic rubber for some applications. Synthetic rubber is made from petroleum (i.e., fossil fuel). In many products - such as car tires - natural as well as synthetic rubber is used.

SOGB rubber production since 2017



The plantation yield of the company was 1.82 tons/ha in 2019 against 1.54 tons/ha in 2018 (21 684 tons in 2019 against 19 530 tons in 2017 for a total production under production of 11 933 ha in 2019 against 10 721 ha). The high number of productions from out-growers plantations has been possible through 22 673 hardworking planters. SOGB has an installed machining capacity of 10 tons/hour which allowed to exports around 100% of its manufactured production. In this context, the company exported 62 609 tons of rubber in 2019 against 54 902 tons in 2017, for a total amount of XOF 46.9 billion in 2019 against XOF 51.3 billion in 2017 (-4.33% CAGR). This drop has been due to **constant plunge of average selling price** of rubber products (XOF 749 555 in 2019 against XOF 933 981 in 2017) despite consistent surge of production.

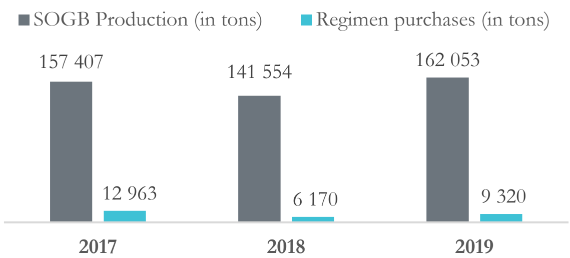
SOGB's Palm oil activity

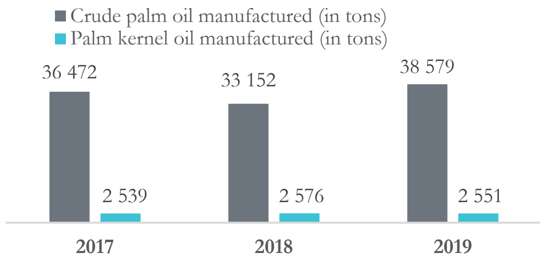
In 1999, to better promote the SOGB concession, palm oil activity was introduced on the SOGB plantation. It allowed the development of land not suitable for rubber cultivation which had moreover been left fallow after an unsuccessful rice-growing project.
It was made into two phases:

- Assessment of techniques and development of technical itineraries.
- Realization of plantations.

Palm oil is an edible vegetable oil that comes from the fresh fruit bunches of palm oil trees, the scientific name is Elaeis guineensis. Two types of oil can be produced; crude palm oil comes from squeezing the fleshy fruit, and palm kernel oil which comes from crushing the kernel, or the stone in the middle of the fruit. Palm oil is in nearly everything – it is in close to 50% of the packaged products we find in supermarkets, everything from pizza, doughnuts and chocolate, to deodorant, shampoo, toothpaste and lipstick. It is also used in animal feed and as a biofuel in many parts of the world.

SOGB palm oil and palm kernel oil production





As for the palm oil activity, around 95% of total production is made by SOGB while the remaining regimens are purchased from village planters on 1 291 ha of operating plantation for 82 registered planters.
The production efficiency of SOGB was 21.7 tons/ha in 2019 against 18.9 tons/ha in the previous year showing improvement of plant performance which increased the company production to 162 053 tons in 2019 against 157 407 tons in 2017 on 7 471 ha of plantation under production. The oil mill capacity is 45 tons/hour while the palmistry capacity is only 2 tons/hour with an extraction rate of 22.51% and 37.32% respectively in 2019. Thus, for crude palm oil, the company was able to sell 38 461 tons in 2019, 34 053 tons in 2018 and 34 502 tons in 2017 for an amount of XOF 12.4 billion in 2019, XOF 11.9 billion in 2018 and XOF 15.8 billion in 2017 which represents a decline of 11.5% CAGR. This drop has been mostly due to a 16.2% decrease in selling price over the period.

Recent results commentary

Financial Analysis

Amounts (XOF mn)	2016	2017	2018	2019	2016 – 2019 CAGR
Rubber activity turnover	38 502	51 277	41 886	46 929	**6.82%**
Percentage of Total Turnover	*68,5%*	*73,2%*	*73,9%*	*76,5%*	
Palm activity turnover	16 045	17 211	13 334	13 303	**-6.06%**
Percentage of Total Turnover	*28,5%*	*24,6%*	*23,5%*	*21,7%*	
Total Turnover	**56 227**	**70 043**	**56 700**	**61 389**	**2.97%**
Growth rate	*5.15%*	*24.57%*	*-19.05%*	*8.27%*	
Gross Profit	**42 323**	**51 934**	**40 733**	**43 546**	**0.95%**
Gross margin	*75.27%*	*74.15%*	*71.84%*	*70.93%*	
Ebitda	**14 505**	**21 399**	**11 506**	**14 234**	**-0.63%**
Ebitda margin	*25.80%*	*30.55%*	*20.29%*	*23.19%*	
Ebit	**8 392**	**14 682**	**4 418**	**6 815**	**-6.70%**
Ebit margin	*14.92%*	*20.96%*	*7.79%*	*11.10%*	
Net Income	**6 157**	**10 428**	**2 977**	**4 520**	**-9.79%**
Net margin	*10.95%*	*14.89%*	*5.25%*	*7.36%*	

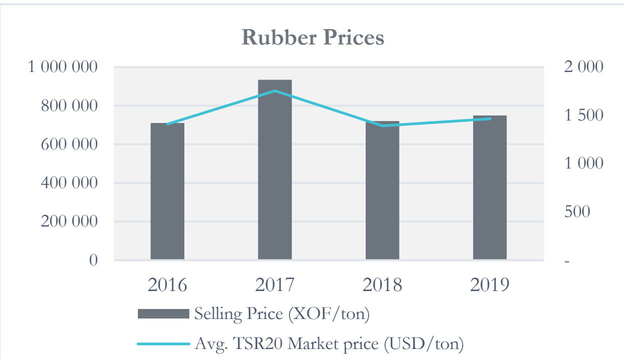
Source : annual reports

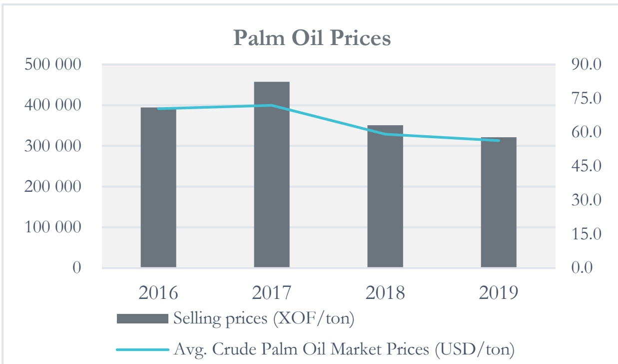
The combined effect of volume sold and selling price of rubber product has been the motor of the 2.97% CAGR rise in turnover over the period 2017-2019 (XOF 61.4 in 2019 against XOF 56.2 billion in 2016). During the reviewed period, rubber volume sold increased by 4.9% CAGR from 54 215 tons in 2016 to 62 909 tons in 2019 while the selling price increased by 1.8% CAGR from XOF 710 168 per ton in 2016 to XOF 749 555 per ton in 2019. SOGB's rubber activity represents 76.5% of the total activities, including palm products activity which represents 21.7% of the company's total activities. Thus, despite a 6.1% drop in palm products activity turnover (from XOF 16.0 billion in 2016 to XOF 13.3 billion in 2019 mostly because of fall in selling prices of palm oil (-6.6%) and kernel palm oil (-17.9%) during the same period), consolidated turnover slightly rose by 2.97% CAGR during the period 2017-2019 at XOF 61.4 billion in 2019 up from XOF 56.2 billion in 2016.

We notice a good performance of SOGB in 2017 in term of turnover (+24.6% YoY) at XOF 70 billion. This surge was essentially due to higher average selling prices of all products: XOF 933 981 per ton (+31.5% YoY) for rubber average selling prices, XOF 457 573 per ton (+16.0% YoY) for average palm oil selling prices and XOF 621 771 per ton (+1.2%) for average kernel palm oil selling prices.

At the start of the year 2017, natural rubber prices continued the strong upward trend that began in the last quarter of 2016, in the context of sustained demand and following fears of a possible reduction in supply linked to flooding in southern Thailand, the world's leading producer of natural rubber. Some experts estimated that the floods could reduce Thai production by more than 7% in 2017, which was around 360 000 tons.

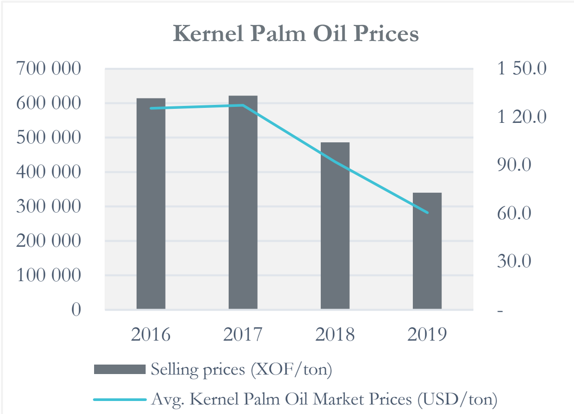
In this context, natural rubber prices reached 2 300 USD/ton during the month of February, their highest level since the end of 2013.





Global Palm Oil production declined in late 2015 as a result of El Nino effect in Indonesia and Malaysia which together account for 85% - 90% of market share. As demand from India (first palm oil consuming country in the world with 9.2 million tons in 2015) and European countries was relatively high, CPO price began to rise at USD 793 per ton in December 2016 and continued to increase in January 2017 at USD 823 per ton. CPO price then increased by 2.2% from 2016 to 2017 before dropping 11.48% CAGR from 2017 to 2019. Crude Palm Oil prices decreased over the last two years as global production rebounded from 65.34 million tons during 2016/2017 to 70.58 million tons during 2017/2018 and to 74.02 million tons during 2018/2019 (*statista.com*).

In 2019, Indonesia and Malaysia, the leading producers of palm oil worldwide have increased their productions by 23% and 33% respectively since 2015, reflecting a strong post El-Nino recovery. Thus, for the above-mentioned reasons, SOGB's selling prices have been faithfully impacted by the global evolution of palm products market prices over the reviewed period.



The average rubber market prices (TSR20) increased by 1.3% CAGR over the reviewed period from 1 409 USD per ton in 2016 to 1 465 USD per ton in 2019. Average crude palm oil market prices declined by 7.1% CAGR while average palm kernel oil market prices declined by 21.6% CAGR over the same period, notching an average of 564 USD per ton and 605 USD per ton respectively in 2019.

EBITDA slightly decreased by 0.63% CAGR over the period 2016 – 2019 mainly due to loss in gross margin over the same period at 70.93% in 2019 against 75.27% in 2016. However, the EBITDA margin has improved to 23.19% in 2019 (against 20.29% in 2018). EBIT also declined by 6.70% per year on average and stood at XOF 6.8 billion in 2019. This lower performance is a result of the drop of EBITDA and the continuous increase in depreciation expenses (+6.67% CAGR) over the period due to recent investments for the increase of the capacity of rubber plant, the rejuvenation of the orchard and agricultural and non-agricultural investments. Nevertheless, compared to 2018, both the EBIT and EBIT margin improved (+54.25% YoY for EBIT and +330 bps for EBIT margin). Financial charges rose 15.53% CAGR from XOF 865 million in 2016 to XOF 999 million in 2019.

Effective tax rate was 22.17% in 2019 againts 11.52% in 2018, 23.67% in 2017 and 15.00% in 2016. However, normal tax rate in the country being 25%, the lower level of SOGB income tax is a result of exonerations on investment made by the company.

The net income dropped by 9.79% CAGR from 2016 and stood at XOF 4.5 billion in 2019 with a net margin of 7.36% against 10.95% in 2016. However, net income increased by 51.82% YoY in 2019, in line with the rise of EBIT in a year. The net margin also improved +210 bps YoY despite a higher amount of tax paid during the year (XOF 1.29 billion in FY19 Vs XOF 388 million in FY18) following a fiscal adjustment.

As for the condition of the industrial equipment and the plantations, which is expressed by the net assets to gross assets ratio, we note a poor condition over the reviewed period. This ratio dropped to 0.49 in 2019 against 0.51 in 2018 and 0.53 in 2017. SOGB has been reducing its investments policy over the last 3 years as the investment to depreciation ratio dipped to 0.51 in 2019 up from 0.87 in 2018, 1.12 in 2017. This drop observed is mainly linked to the end of the increasing production capacity program of rubber plant with the extension of a 4th dryer in 2017 . In addition, the investment strategy of the company has been to slow down its investments toward the plantation rejuvenation program during the period 2019-2020 due to budgetary reasons mostly linked to fall of international price. In FY19, the total net amount invested was XOF 3.77 billion vs XOF 5.50 billion in FY16 (-11.83 CAGR). Over the period, the company has invested a total net amount of XOF 22.97 million.

SOGB has been facing a deterioration of its working capital since 2017 which stands at XOF 10.55 billion in FY19 against XOF 7.40 billion in FY17 (after an improvement with regards to FY16 where the working capital was XOF 12.67 billion).

In fact, this deterioration was mainly due to a 7.40% increase of stocks each year on average since FY17 and a 9.30% decrease of other payables each year on average since FY17. The increase of stocks resulted in to the rise of days of stocks to 86 days in 2019 against 82 days in 2018, 61 days in 2017 and 71 days in 2016.

The cumulative cash flows from operations over the period 2017 – 2019 (XOF 36.97 billion) has been sufficient to finance the investments needs of the company (XOF 17.47 billion). However, SOGB has been generous toward its shareholders with the payment of dividend amounted to XOF 21.08 billion over the period. The remaining cashflows from operations (XOF 19.50 billion) has not been suffiscient to finance dividend payments over the period. Thus, the company raised more funds through debt (XOF 8.80 billion) over the same period while keeping its financial leverage (Net debt/Equity) below 50%: 43.55% in 2019 against 42.73% in 2018, 25.12% in 2017 and 36.78% in 2016. This leverage level gives the possibility to the company to benefit from financial partners in order to finance future investments.

In term of profitability, the Return on Capital Employed (ROCE) has been declining over the period (8.21% in 2016 against 6.50% in 2019) in line with the loss in activities margin over the period. As for ROE, it has also been degraded over the reviewed period, from 10.15% in 2016 to 8.30% in 2019. However, the leverage has been favorable over the period, keeping the ROE higher than the ROCE.

SWOT Analysis

STRENGTHS

- Highest margin among other players in the country (rubber & palm activities);
- Diversified portfolio (Rubber, Palm and Kernel oils);
- Excellent operating charges management policy;
- Large plantation with better production yield;
- One site for all activities;
- Member of rubber and palm oil associations.

WEAKNESSES

- Strong dependance on the rubber activity with weighs more than 75% of the turnover;
- Limited areas for industrial plantations (rubber and palm trees);
- Dependance on Rubber and Palm oil leading countries regarding selling prices

OPPORTUNITIES

- Ambitious policies of the Ivorian governement for increasing rubber production in the country;
- A well structured rubber industry in the country keen to increase village planters' production;
- Reduction of offers from Malaysia or Indonesia should boost selling prices;
- The surge of the Ivorian middle class should increase the domestic consumption;
- El Nino effects should dip global production and therefore increase CPO prices.

THREATS

- Over production of Rubber or Palm oil products should decrease selling prices
- the depreciation of USD against Euro (pegged to XOF).
- Strong competition in the local market for rubber and palm oil industries.
- More outgrowers' plantations that have lower yields.

Overview of commodities market in 2020

The year 2020 is marked by the crisis linked to the pandemic which has shaken the entire world economy, particularly the automobile industry, the main user of natural rubber for the manufacture of tyres. The same gloom is expected among the main importing countries: still according to ANRPC estimates, natural rubber imports from China, the world's largest consumer, should fall by 5.1% compared to last year to reach 4.8 million tons, while demand from India, the world's second largest consumer of rubber, could contract by 21.3%. As a result, world production of natural rubber (as opposed to synthetic rubber, made from oil) is expected to fall by 4.7% to 13.13 million tons. An unfavorable situation which, in the short term, will mechanically affect the main African producing countries (Liberia, Cameroon, Nigeria, Ghana and especially Côte d'Ivoire [more than 70% of African production]). However, this will not alter the expansion plans of the major African operators in the sector, which are based on long cycles. The Ivorian agro-industrial company Sifca, for example, inaugurated in March the second latex processing unit of its Ghanaian subsidiary, Ghana Rubber Estates Limited (Grel). Business continues, crisis or not.
So, rubber price is expected to fall by 8.4% compared to the previous year to an average of **1 342 USD** per ton for 2020.

As for palm oil activities, early in the year, Council of Palm Oil Producing Countries (CPOPC) had forecasted that the year 2020 is to be a good year for palm oil in terms of remunerative prices for the palm oil producing countries. The average monthly Malaysian delivered price of crude palm oil (CPO) as a global benchmark has fluctuated between the high of RM 3 013 (USD 875) in January and low of RM 2 074 (USD 510) in May 2020 and has registered a five-month average of RM 2 496 (USD 659) per ton. Comparatively, the average price of CPO in 2019 was RM 2 119 (USD 564) per ton with a high of RM 2 813 (USD 860) in December and a low of RM 1 879 (USD 481) in July 2019.
The spread of COVID-19 is attributable to the abrupt decline of the prices since January 2020. It has even disrupted the global economic, political, social, and financial structures.
Malaysia Palm Oil Council (MPOC) predicted prices should hit RM 2 594 (USD 746) per ton in the second half of 2020, and average at RM 2 337 (USD 661) per ton for 2020. There is potential for an upward increase in prices if palm oil production in Indonesia and Malaysia turns out lower than the market forecast. Lower production in palm oil producing countries, increasing biodiesel mandates, and robust food demand would be the key price drivers in 2020. According to MOPOC, CPO prices should remain higher, compared to 2019 and hit an average of **USD 696.9** per ton in 2020.

SOGB's activities trend in 2020

Particulars (Mn XOF)	Q1/2019	Q1/2020	Variation	2019
Turnover	13 720	16 767	+22.2%	61 389
Ebit	759	6 596	+195.0%	6 815
Net Income	608	1 848	+204.2%	4 520

During the first quarter, both rubber price index STR20 and CPO prices surged compared to the same period last year, allowing the selling prices of SOGB's palm and rubber products to be soaring 35% and 15% YoY. Thus, the company posted a XOF 16.8 billion turnover (+22.2% Vs at the same period in 2019) supported by the increases of prices and volumes. Ebit soared 1.95 times at XOF 6.6 billion in Q1/20 against XOF 759 million at the same period last year, as the company proves to have proper operating charges management.
Net income followed the same trend, and notched XOF 1.8 billion (+204.2% YoY), allowing the company to nicely start the year on a good momentum.

Particulars (Mn XOF)	H1/2019	H1/2020	Variation	2019
Turnover	29 411	33 494	+13.9%	61 389
Ebit	3 748	5 242	+39.9%	6 815
EBT	3 212	4 777	+48.7%	5 850
Net Income	2 681	3 683	+37.4%	4 520

On H1/2020, turnover surged 13.9% YoY and stood at XOF 33.5 billion. This rise has been brought by the rebound of CPO prices compared to its low-level last year, which subsequently allowed the company to bring up its selling prices by 31%. The rise of CPO prices is a result of lesser supply from producing countries due to sanitary restrictions employed around the world in response to the global pandemic. The combined effect of SOGB palm products selling prices and volume sold (+16% YoY) highly contributed to the rise of the turnover on the first half. As for rubber activity, selling prices sightly rose compared to last year, by +2% with a relatively stable volume sold. In this context, Ebit is up by 39.9% YoY which confirms the proper operating charges management of the company since the first quarter (rosing by only 2% YoY). Thus, Ebit stood at XOF 5.2 billion on H1/2020 against XOF 3.7 billion on H1/2019. In the same trend, EBT rose by 48.7%, due to a 13.0% decline in financial charges.
Thus, the net income notched XOF 3.7 billion (+37.4% YoY) despite a huger amount of tax paid (XOF 1.1 billion on H1/2020 against XOF 418 million on H1/2020). In fact, the effective tax rate stood at 22.90% Vs 16.53% at the same period last year.

Particulars (Mn XOF)	Q3/2019	Q3/2020	Variation	2019
Turnover	46 539	47 741	+2.6%	61 389
EBT	5 131	6 596	+28.5%	6 815
Net Income	4 144	4 836	+16.7%	4 520

On the third quarter of the year 2020, SOGB results was mainly characterized by a 31% increase in CPO prices along the increase of volume sold which allowed the turnover to surge 2.6% YoY despite the fall of rubber selling price over the period. This result shows how the year 2020 has been affected by the pandemic, as Q1/2020 results was significantly better on a good note with higher selling prices of both CPO and rubber. SOGB has been able to mitigate operating charges and come out with a Net Income up by 16.7% YoY, at XOF 4.8 billion in Q3/2020. Indeed, these results show that the 2020 performance will be better than one of 2019 since the company has already outperform the net income of full year 2019 (XOF 4.52 billion).

We believe that for the last quarter, the performance of SOGB should be in a relatively finer way compared to the second quarter and third quarter results.

Forecasting assumptions 2020 to 2022

Rubber activity - Production

Forecasting periods	2019	2020e	2021e	2022e
SOGB Production (Tons)	21 684	22 664	23 938	24 302
Production efficiency (Yields)	1.817	1.820	1.820	1.820
Purchase from out-growers plantations (tons)	42 659	44 365	46 584	47 049
Total Production (Tons)	**64 343**	**67 030**	**70 522**	**71 352**

We anticipate a +3.9% CAGR of SOGB production during the forecasting period on a plantation under production of 11 933 ha in 2019, 12 453 ha in 2020, 13 153 ha in 2021 and 13 353 ha in 2022 on the back of the investments plans towards the replanting in rubber trees and the maintain of immature crops.
As for purchases from out-growers, we await a 3.3% increase per year on average, as out-growers' productions are expected to rise according to APROMAC on the back of massive help toward the sector. In fact, the association is very dedicated to technically follow out-growers.

Rubber activity - Sales

Forecasting periods	2019	2020e	2021e	2022e
Volume sold (tons)	62 609	65 689	69 112	69 925
Avg. Selling price (XOF per Kg)	*749.56*	*706.01*	*743.24*	*847.69*
Avg. STR20 Futures (USD per ton)	*1 465*	*1 342*	*1 610*	*1 680*
USD/XOF projected rates	*586.1*	*578.1*	*512.9*	*560.6*
Total Sales (Mn XOF)	**46 929**	**46 377**	**51 366**	**59 275**

In line with total production, volume sold should also rise over the period from 62 609 tons in 2019 to 69 925 tons in 2022 (+3.8% CAGR).
Rubber sales for the company are expected to surge 8.1% CAGR over the period on the back of the combined effect of rising volumes and average selling prices. SOGB rubber selling prices are highly depending on STR20. Over the period, estimates futures for the STR20 according to STATISTA are shown in the table above.
After the 8.38% drop YoY this year, STR20 prices are expected to jump from by 25.18% for the next two years allowing the company selling prices to also rise by 20.07% for the next two years, according to our estimates based on the trends between STR20 and SOGB average selling prices. USD/XOF average rates are also true drivers of SOGB rubber prices. USD/XOF yearly average is projected to fall 1.47% CAGR from 2019 to 2022.

Thus, we anticipate a rise in the sales of rubber over the period 2019 – 2020, from XOF 46.93 billion in 2019 to XOF 59.28 billion in 2022.

Palm activity - Production

Forecasting periods	2019	2020e	2021e	2022e
SOGB's own productions (Tons)	162 053	162 121	162 121	162 121
Production efficiency (Yields)	*21.7*	*21.7*	*21.7*	*21.7*
Regimen purchased from out-growers (Tons)	9 320	11 184	14 539	18 901
Total Production (Tons)	**171 373**	**173 305**	**176 660**	**181 022**

SOGB relies mostly on the production by out-growers as its production efficiency (yield) is at highest and we expect the operating plantation area to remain stable over the forecasting period, at 7 417 ha. Thus, with a slight increase of production efficiency (+0.1% CAGR over three years), SOGB's own production is expected to remain relatively stable over the next two years. A rise of the production efficiency might be possible through the replanting plan strategy announced by the company.
Moreover, production efficiency from out-growers is expected to rise until 2022 as association of palm planters (AIPH) are trying to technically develop this activity allowing out-growers to increase their productions. Thus, fresh fruit bunches purchased by SOGB should increase by 26.6% CAGR from 2019 to 2022.

Thus, we anticipate a CAGR of +2.2% for total production of fresh fruit bunches (FFB), from 171 373 tons in 2019 to 181 022 tons in 2022.

Palm activity – Manufactured production

Forecasting periods	2019	2020e	2021e	2022e
Palm Oil (Tons)	38 579	38 994	39 748	40 730
Palm Kernel (Tons)	6 872	6 941	7 075	7 250
Palm Kernel Oil (Tons)	2 551	2 568	2 618	2 682
Palm kernel cake (Tons)	3 667	3 720	3 792	3 886

Palm oil is obtained from the treatment of the fresh fruit bunches, and around 21-23% becomes the palm oil. Thus, out of total production of fresh fruit bunches, we have maintained the extraction rate at 22.5%, as in 2019 for the next three full years. So, palm oil production should follow the same trend as FFB production (+1.8% CAGR) over the period from 38 579 tons in 2019 to 40 730 tons in 2022.

Palm kernel is the seed obtained out of the treatment of the palm fruit and is also treated in order to get the palm kernel oil. Almost 4% of the FFB manufactured becomes the seed. Subsequently, SOGB usually treats the whole number of seed and then obtains the kernel oil (representing an average extraction rate of about 40%). Palm kernel oil should then go up to 2 682 tons in 2022 against 2 551 tons in 2019.

As for Palm Kernel cake, we expect a 2% CAGR from 3 667 tons in 2019 to 3 886 tons in 2022. This produdct is used as some animals food. About 50% of the palm kernel treatment becomes palm kernel cake.

Palm activity – Total sales

Forecasting periods	2019	2020e	2021e	2022e
Palm Oil (MXOF)	12 364	15 286	13 520	14 176
Avg. Selling prices (XOF/Ton)	*321 466*	*392 017*	*340 134*	*348 060*
Avg. CPO Prices (USD/Ton)	*563.94*	*696.93*	*681.56*	*638.10*
Palm Kernel Oil (MXOF)	849	1 060	1 029	1 134
Avg. Selling prices (XOF/Ton)	*340 026*	*412 947*	*393 152*	*422 650*
Avg. PKO Prices (USD/Ton	*604.8*	*744.1*	*798.4*	*785.3*
Oil cakes (MXOF)	90	111	98	103
Avg. Selling prices (XOF/Ton)	*24 542*	*29 793*	*25 850*	*26 453*
Sales of palm oil activities (MXOF)	***13 303***	***16 457***	***14 647***	***15 413***

Average CPO prices are a key driver to the company's total sales for palm oil activities, as it affects the average selling prices in local currency. Average CPO prices are expected to rise by 4.2% CAGR from 2019 at USD 563.94 per ton to XOF 638.10 per ton in 2022. However, according to Bursa Malaysia, CPO prices are expected to jump this year at USD 696.93 per ton before declining in 2021 (-2.2% YoY) and in 2022 (-6.4% YoY). These projections of CPO prices might be subject to updates when required.

SOGB's average selling prices in local currency should follow the same trend, as in previous years. The relationships between SOGB's selling prices, CPO prices and USD/XOF rates allow us to estimate a CAGR of 2.7% of the average selling prices in local curency over the same period despite the 1.47 CAGR fall of USD/XOF rate. Palm Oil sales should therefore surge by 4.7% CAGR from XOF 12 364 billion in 2019 to XOF 14 176 billion in 2022.

Crude Palm Oil sales represent about 93% of total sales relating to the palm activity.

Sales of palm kernel oil is expected to rise 10.1% CAGR from XOF 849 million in 2019 to XOF 1 134 million in 2022 in line with average selling price of this product.
Likewise, sales of oil cakes are expected to rise 4.5% CAGR from XOF 90 million in 2019 to XOF 103 million in 2022.

Based on these prices and estimates, we therefore anticipate a XOF 62.6 billion turnover at the end of this year compared to company predictions of XOF 63 billion.

Income statement forecasting data

Forecasting periods (Mn XOF)	2019	2020e	2021e	2022e
Turnover	61 389	63 991	67 182	75 869
Gross Profit	41 255	43 920	44 892	49 943
Gross margin	*70.93%*	*72.22%*	*70.23%*	*68.85%*
Ebitda	14 234	16 781	17 510	21 791
Ebitda margin	*23.19%*	*26.22%*	*26.06%*	*28.72%*
Ebit	6 815	9 321	9 858	14 031
Net income	**4 520**	**5 942**	**6 494**	**9 904**
Net margin	*7.36%*	*9.29%*	*9.67%*	*13.05%*

Turnover is therefore expected to be soaring over the forecasting period from XOF 61.4 billion in 2019 to XOF 75.9 billion in 2022. (+7.31% CAGR)
The gross margin is expected to be on a downward trend over the next two years, sliding up to 72.22% in 2020 from 70.93% in FY19 and then gradually falling to 70.23% in 2021 and 68.85% in 2022. This is mainly explained by higher rises of purchases of raw materials compared to rises of turnover. In fact, purchases of raw materials are expected to increase from XOF 20.7 billion in 2019 to XOF 26.5 billion in 2022 (+8.55% CAGR). The fall of gross margin is linked to the amplification of competition which induces the premium payment to outgrowers. Purchases of raw materials mainly concern rubber purchases (95.9% of total purchases) whose purchase prices are expected to surge 3.96% CAGR from 2019 to 2022. Moreover, volume purchases from out-growers are expected to rise by 3.32% CAGR from 2019 to 2022.
However, we anticipate a gradual increase of Ebitda margins over the forecasting period as we expect the company to keep maintain a good management of its operating charges. Ebitda should rise by 15.25% CAGR from XOF 14.2 billion in 2019 to XOF 21.8 billion in 2022.

Depreciations is expected to increase only by 1.51% CAGR over the forecasting period to stand at XOF 7.8 billion in 2022 allowing the Ebit to double to XOF 14.0 billion in 2022 from XOF 6.8 billion in 2019. SOGB decides to reduce its investment program over the period.

Thus, the net margin should follow the same trend (from 7.36% in 2019 to 13.05% in 2022). Financial charges should be pulled back over the period as SOGB plans to maintain lower leverage by reducing external sources of financing their investments. So, the net income should be soaring to XOF 9.9 billion in 2022 up from XOF 4.5 billion in 2019 and XOF 5.9 billion in 2020 (+29.88% CAGR FY19 – FY22e).
With regards to our forecasts, ROCE and ROE are expected to notch 6.73% and 8.30% respectively.

Investment & financing plan

SOGB budgeted its investment expenses to XOF 5.3 billion. 32% of these investments would be directed towards the replanting in rubber trees and the maintain of immature crops. These investments will be financed through bank loans.

ROCE Analysis

Forecasting periods (Mn XOF)	2019	2020e	2021e	2022e
Net Asset	65 358	63 398	61 745	59 985
Working Capital Requirements	10 545	11 003	11 446	13 008
Capital Employed	**75 903**	**74 401**	**73 191**	**72 993**
Shareholders' Equity	52 875	55 793	57 733	62 242
Net Debt	23 059	18 608	15 658	10 741
Capital Invested	**75 903**	**74 401**	**73 191**	**72 993**
ROCE	**6.73%**	**9.40%**	**10.10%**	**14.42%**

Valuation analysis

We believe that the most appropriate methology to value SOGB overall, is the Discounted Cash Flow method (DCF) because most participants on the market use this method as a market proxy for companies like SOGB. Furthermore, we have analyzed this stock on the basis of some other valutation analysis: Gordon Growth Model (GGM), EV/Ebitda multiple and the P/E multiple. We found that SOGB stock price should oscillate between XOF 1 600 and XOF 3 500, while our target value is at XOF 2 800. This target price is a result of our weighted average for the four different valuation methods.

In addition, we could have used a sum-of-the-parts analysis for SOGB as it carries two business divisions (Rubber and Palm activities). Nevertheless, the company revenues are mostly out of one of these two activities (over 75% for rubber activity) and business drivers and fundamental look same. We have therefore chosen our peers comparebles accordingly, having both divisions combined.

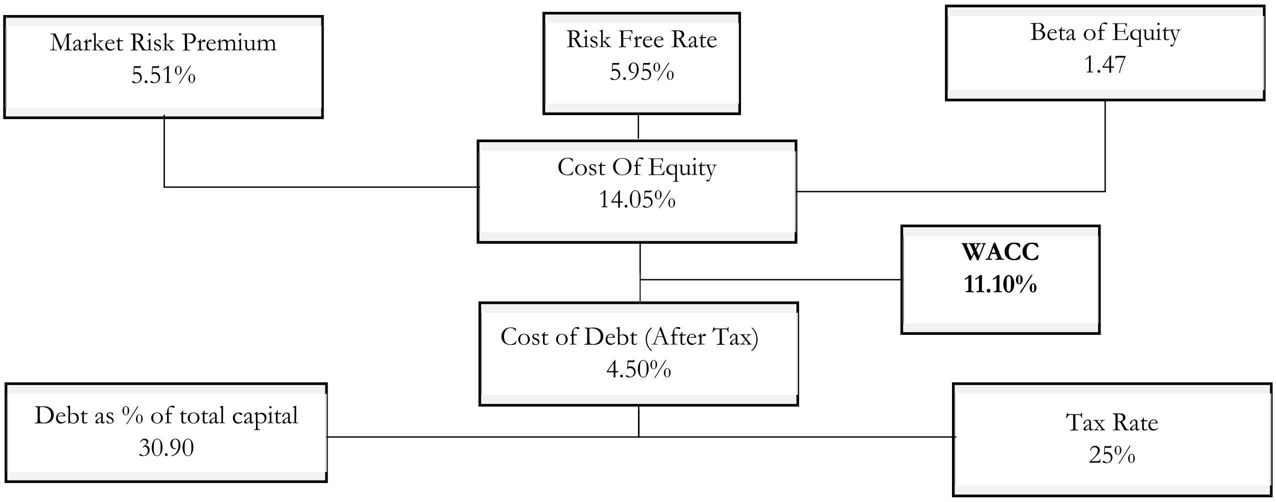
We recommend a **BUY** action on the shares of SOGB based on our valuation methodologies. the current stock price is at XOF 2 300 which represent a potential upside of **21.74%.**

DCF Valuation

We found necessary to use this valuation method, as it is a true indicator of the company's value. In our view, cashflows are more likely to be assertained as drivers and fundamentals related to the company can easily be caught.
Below is the table summarizing our DCF valuation.

DCF model	2020e	2021e	2022e
PV of Cashflows (XOF mn)	64 758	69 358	92 689
Debt (XOF mn)	22 173	22 173	22 173
Cash (XOF mn)	1 267	1 267	1 267
Shareholders' value (XOF mn)	43 852	48 453	71 783
Shares outstanding	21 601 840	21 601 840	21 601 840
Shareholder value per share (XOF)	**2 000**	**2 200**	**3 300**

WACC Inputs and Outputs



We provide a sensitivity analysis hereunder:

Shareholder value per share		XOF 3 323
Changing	By	Changed value by
USD/XOF exchange rate	5%	19.20%
STR20 (Rubber price)	5%	13.45%
CPO Price	5%	5.75%
Turnover	5%	32.07%
Operating Costs	5%	-15.30%

Gordon Growth Model (GGM)

SOGB's dividend distribution policy has not been so clear throught recent years for a payout ratio of 99.43% and 101.57% and 66.90% in 2017, 2018 and 2019 respectively. Despite this fact, participants use this valuation for SOGB as the company has been paying dividends on a regular basis (for more than 10 years) to shareholders. We anticipate a payout ratio of 67% for the next two years. Therefore, we value the company on the basis of Dividend Per Share (XOF 140 in 2020).

Below is the table summarizing our GGM valuation.

Gordon Growth Model (GGM)	2020e
DPS	140
Expected dividend yield	9.2%
Growth rate	0.0%
Shareholder value per share (XOF)	**1 500**

EV/EBITDA method

We value SOGB on the basis of 1.11x FY19 EV/EBITDA multiple, below its current average peer group trading multiple (5.64x).

Below is the table summarizing our EV/EBITDA valuation.

EV/EBITDA model (Avg. Peers 5.64)	2020e
Ebidta (XOF mn)	16 781
EV (XOF mn)	94 585
Net debt (XOF mn)	18 608
Market Cap (XOF mn)	75 977
Shares outstanding	21 601 840
Shareholder value per share (XOF)	**3 500**

Price to Earning model

We value SOGB on the basis of a 10.99x FY19 P/E multiple, that is below its current average peer group trading multiple (16.86x). In our view, SOGB deserves a premium relative to peers because of the difference in market capitalizations (USD 91.43 million for SOGB against USD 483.29 million for average peers) and business segments. In fact, small cap companies are mostly based in our region (ECOWAS), and their business segments are limited compared to companies with larger cap. For example large cap companies may be manufacturing rubber for end use such as tires and other automobile uses.
Our peers selection allows us to fairly estimate SOGB value.

Below is the table summarizing our P/E valuation.

P/E model (Avg. peers 16.86x)	2020E
EPS (XOF)	209
Number of shares	21 601 840
Shareholder value per share (XOF)	**3 500**

Below is the table summarizing our valuation methods and the weights we have provided for each one of them.

Valuations methods	Weight Factors	2020E
DCF model	20%	2 000
P/E model	40%	3 500
EV/EBITDA model	20%	3 500
GGM model	20%	1 500
Shareholder value per share (XOF)	**100%**	**2 800**

Our valuation analysis helps us derive a 12-months target price of **XOF 2 800** for SOGB based on FY19 numbers (Peers) and our estimates for next two years (DCF) which suggest that SOGB should be trading at a **21.74%** above its current market share (XOF 2 300). This essentially means to us that SOGB stock price is relatively **undervalued** on the regional market and hence. we urge investors to **BUY** shares of SOGB on the regional financial market.

Peers comparables

Below is the detailed table summarizing all the trading multiples for comparables and peers of SOGB's two business divisions on FY19 basis:

Companies	Ticker	Country	Market Cap. (US$ mn)	P/E multiple	EV/EBITDA multiple	Clos. Price as of 2nd Dec*
Sumitomo Riko Co Ltd	5191.T	Japan	534.61	32.70x	2.88x	536.0
The Okomu Oil Palm Company PLC.	OKOMUOI.LG	Nigeria	200.57	15.02x	8.77x	80.0
Presco PLC	PRESCO.LG	Nigeria	183.72	25.99x	11.70x	69.90
Benso Oil Palm Plantation Ltd	BOPP.GH	Ghana	11.89	7.65x	2.63x	2.0
National Tyre Services Limited	NTS.ZI	Zimbabwe	0.19	7.65x	ns	0.27
Batu Kawan Berhad	BTKW.KL	Malaysia	1727.36	20.48x	4.78x	17.62
Harrisons Malayalam Limited	HRMA.NS	India	26.69	21.22x	13.11x	106.5
Palmci	PALC	Côte d'Ivoire	46.94	Ns	3.73x	1 650.0
SAPH	SPHC	Côte d'Ivoire	63.02	10.06x	2.01x	1 340.0
SOGB	SOGC	Côte d'Ivoire	91.43	10.99x	1.11x	2 300.0
Weighted average before discount			**288.64**	**16.86**	**5.64**	
Weighted average after discount			**288.64**	**16.86**	**5.64**	

** Prices are based on local currencies.*

Sumitomo Riko Co Ltd formerly Tokai Rubber Industries. Ltd.. is a manufacturer of rubber and resin products for automobile use. The Company operates in two business segments. The Automobile Supplies segment manufactures anti-vibration rubbers. hoses and interior parts for automotive use. The General Industrial Supplies segment produces precision resin blade roll. anti-vibration rubber for vehicles. housing. bridges. and electronic equipment. high-pressure hoses. transport hoses. among others.

The Okomu Oil Palm Company PLC. is a Nigeria-based company engaged in cultivation of oil palm, processing of fresh fruit bunches into crude palm oil for resale, rubber plantation and processing of rubber lumps to rubber cake for export. The Company operates through two segments: Palm oil products and Rubber products.

Presco PLC Presco Plc is an agro industrial company. The Company is engaged in the development of oil palm plantations, palm oil milling, palm kernel processing and vegetable oil refining. It specializes in the cultivation of oil palms and in the extraction, refining and fractioning of crude palm oil into vegetable oil and palm stearin. Its products include refined bleached and deodorized palm oil; palm olein; palm stearin; palm fatty acid distillate; palm kernel oil, including crude and refined, and palm kernel cake.

Benso Oil Palm Plantation Ltd Benso Oil Palm Plantation Limited is a Ghana-based company engaged in the business of growing oil palm. The Company owns over 5,000 hectares of oil palm plantation in Ghana. The Company is a subsidiary of Wilmar International Limited.

National Tyre Services Limited National Tyre Services Limited is engaged in reprocessing and the retailing of tires. The Company is a retailer of new tires and tubes (imported and locally manufactured). Its other main activity is relugging of agriculture and earth moving tires and the procurement of truck tires for the Zimbabwe Transport Industry.

Batu Kawan Berhad Batu is an investment holding company. The Company operates through four segments: Plantation, Manufacturing, Property development and Investment holding/Others. The Plantation segment is engaged in cultivation and processing of palm and rubber products, refining of palm products, kernel crushing and trading of palm products. The Manufacturing segment is engaged in manufacturing of chemicals and transportation services, oleochemicals, non-ionic surfactants and esters, rubber gloves, parquet flooring products, pharmaceutical products, and storing and distribution of bulk liquid.

Harrisons Malayalam Limited is a holding company. The Company is a plantation company, which has presence in both tea and rubber crops besides minor crops, such as pineapple, cardamom, pepper and other spices. Its segments include tea, rubber and others. The Other segments comprise Plant Tissue Culture, Fruits, Spices and others and Wyanaad Medical Fund. Its principal products/services include plantations-tea, plantations-rubber, custom blended tea, rubber products and exports.

Palmci has been a subsidiary of SIFCA since 1997. It specializes in the operation of oil palm plantations, and the production of crude palm oil and palm kernel oil. Palmci sells almost all of its annual production of around 280 000 tonnes of crude palm oil to Sania. With more than 7 000 employees and a network of 6 Integrated Agricultural Units, PALMCI has 10 factories and 40 000 Ha of industrial plantations. It supervises 28 000 village planters with a total of 145 000 ha of private plantations. Its share capital is XOF 20 billion.

Société Africaine de Plantations d'Hévéas (SAPH) is a subsidiary of SIFCA since 1999. The company is the leading producer of natural rubber in West Africa, with more than 163 000 tonnes machined per year. With 5 400 employees and a network of 5 Integrated Agricultural Units, SAPH operates 24 400 hectares of industrial plantations, and supervises some 29 000 rubber planters. The company has been listed on the Regional Stock Exchange of Securities (BRVM - Abidjan) since 1996. Its share capital is XOF 14.6 billion.

KEY FIGURES

Income statement (XOF mn)	2018	2019	2020e	2021e	2022e
Revenues	**56 700**	**61 389**	**63 991**	**67 182**	**75 869**
Cost of sales	19 877	20 134	20 071	22 290	25 926
Gross profit	40 733	43 546	46 211	47 183	52 234
Operating charges	31 717	31 486	31 628	31 893	32 688
EBITDA	**11 506**	**14 234**	**16 781**	**17 510**	**21 791**
EBITDA margin	*20.29%*	*23.19%*	*26.22%*	*26.06%*	*28.72%*
Depratiations & Amortiz.	7 088	7 419	7 460	7 653	7 760
EBIT	**4 418**	**6 815**	**9 321**	**9 858**	**14 031**
EBIT margin	*7.79%*	*11.10%*	*14.57%*	*14.67%*	*18.49%*
Net interest income (expense)	(81)	(965)	(1 225)	(1 045)	(790)
Profit before tax	**3 365**	**5 808**	**7 804**	**8 521**	**12 950**
Taxes	388	1 288	1 862	2 027	3 045
Net profit	**2 977**	**4 520**	**5 942**	**6 494**	**9 904**
Net margin	*5.25%*	*7.36%*	*9.29%*	*9.67%*	*13.05%*

Balance sheet (XOF mn)	2018	2019	2020e	2021e	2022e
Cash and equivalents	331	1 267	3 187	2 638	2 545
Receivables	6 548	6 311	6 630	6 961	7 861
Inventories	12 710	14 463	15 109	15 862	17 914
Tangible fixed assets	66 363	64 740	62 780	61 127	59 367
Other assets	555	618	618	618	618
Total assets	**86 507**	**87 399**	**88 324**	**87 206**	**88 304**
Payables	12 842	10 229	10 736	11 378	12 766
Provisions for risks	2 005	2 123	2 123	2 123	2 123
Bank overdrafts	17 135	12 079	10 079	7 079	4 079
Long term debts	3 147	10 094	9 594	9 094	7 094
Total liabilities	**35 128**	**34 524**	**32 532**	**29 673**	**26 062**
Shareholders equity	51 378	52 875	55 793	57 533	62 242
Total liabilities & equity	**86 507**	**87 399**	**88 324**	**87 206**	**88 304**

Cash flow (XOF mn)	2018	2019	2020e	2021e	2022e
Change in working capital	(987)	4 129	458	442	1 562
Cashflow from operations	11 263	13 064	14 919	15 483	18 746
Net capex	6 190	3 768	5 500	6 000	6 000
Free cash flow	**61 289**	**2 503**	**8 961**	**9 041**	**11 183**
Equity raised/(bought back)	-	-	-	-	-
Dividends paid	**10 369**	**3 024**	**3 024**	**3 981**	**4 351**
Net cash flow	60 342	1 485	7 445	7 705	10 102

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