A Work Project, presented as part of the requirements for the Award of a Master's degree in Finance from the Nova School of Business and Economics.

Private Equity Challenge: Potential Leveraged Buyout of AUGA Group

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Abstract: This Investment Committee Paper was performed by a group of students from the Master's in Finance Program, being intended for academic purposes only. The core objective of this work project is to assess AUGA's attractiveness as an LBO target. The group elaborated a value creation strategy and an operating model for the investment proposal, backed by a full-blown company and market evaluation, and by the company's valuation. The group suggested an optimal capital structure for the transaction and possible exit strategies, deriving potential returns for the fund on the exit year. This individual paper will focus on Valuation, Capital Structure, Returns and Due Diligence.

Keywords: Private Equity Challenge, Leveraged Buyout, Organic Food Industry, AUGA

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Agenda

GROUP SLIDES

Executive Summary of the IC paper

INDIVIDUAL SLIDES

REFERENCES

Executive Summary

AUGA's pioneering business model and leading position in a thriving market offers a unique opportunity for investment

Company Overview

AUGA Group is the **largest vertically integrated organic food producer** in **Europe**, and is based in **Lithuania**. In **2020** revenues amounted to **€83M**, of which **73%** came from exports. AUGA operates across **4** segments: **crop growing**, **dairy**, **mushrooms** and **FMCG** overarched by **2** types: **commodities** and **end-user products**. The company operates under an organic farming model that contributes to: i) **economies of scale**, ii) **vertical integration**, iii) **full traceability** and iv) **synergies** across segments.

€15.7M
Adj. EBITDA (2020)

39.6K ha
of arable land

Products sold in
37
countries

Market Overview

AUGA is inserted amongst the **organic foods market**, which has observed a **continuous positive growth trend** over the past two decades**: 10.5% CAGR** (2001-2020). The largest being **North America** and **EU** and accounting for **>90% of revenues** (+€100B). Growth has been driven by increasing consumer inclination towards processes organic foods and policymaker incentives. The market is expected to keep rising at a **12.5% CAGR** until 2025.

€119B
market size

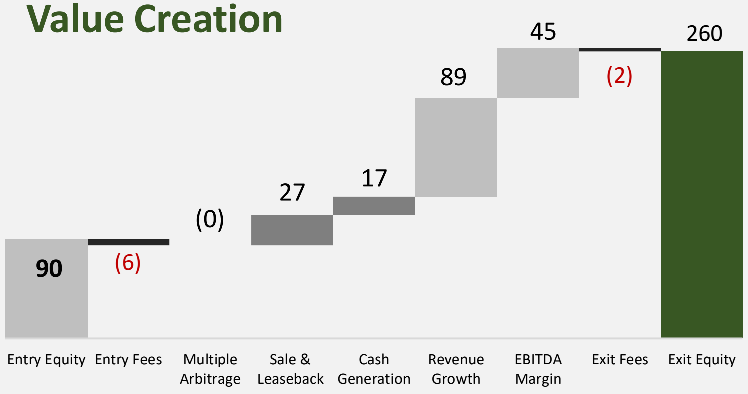
+90%
of revenues in NA and EU

+64%
of sales through general retailers

Investment Thesis

1. **Shifting focus towards AUGA's end-user product segments** is our overarching value creation initiative, enabling a path to i) increased brand awareness and ii) a more profitable business.
   a. **FMCG**: Increase marketing & selling capabilities by forming a dedicated department and hiring a new **Head of Expansion**. The latter will help drive **internationalization strategy to selected markets** and build an **online sales channel.**
   b. **Mushrooms**: Reshape portfolio mix and transition to fully organic production.
2. **Operational improvements across the entire business**
   a. **Sale & Leaseback Operation:** Sell-off remaining owned land (11.9%) and transition to leasing.
   b. **Working capital optimization:** Improve cash generation

Value Creation



Valuation

After a comprehensive analysis of **multiple valuation methods**, we relied on a **precedent transactions** approach (8-year period) to ensure high comparability with recent industry deals. Consequently, we applied a **11.8x EBITDA multiple** to AUGA's 2020 **adjusted EBITDA** (€15.7M). The latter resulted on a **€185.6M EV** and a **€90M required equity ticket for the investment.**

Transaction

Sources of capital	€ M	%	Uses of capital		
Unitranche	**101.8**	**53.1%**	**EV**	**185.6**	**97%**
FRI	**84.8**	**46%**	**Fees**	**6.3**	**3%**
Ordinary Equity	**5.3**	**4%**			
Institutional Investor	4.8	2%			
Sweet Equity	0.5	0.2%			
Total	**192**	**100%**	**Total**	**192**	**100%**

Exit Options

Given the forecasted increase of global organic food demand, we foresee an increased market inclination for organic food producers/manufactures. With that said, we believe the most viable exit option would be a **strategic sale**. With various possible bidders that have experience in managing similar firms and can acquire synergies.

Exit Year	Exit Multiple	IRR	MoM
2025	11.8x	**22.4%**	**2.75x**

Company Overview

Largest vertically integrated European organic agribusiness player

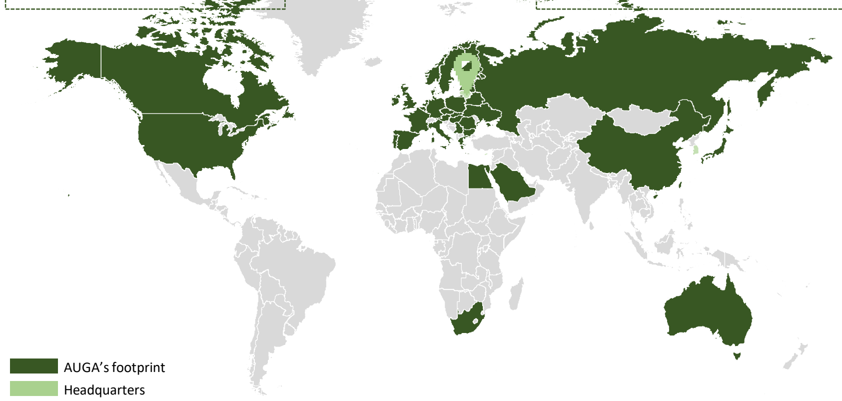
Company Snapshot

- AUGA is the **leading vertically-integrated organic food** producer in Europe. Listed on the **Vilnius and Warsaw stock exchanges.**
- The company was **founded in 1994 in Lithuania**, and started **organic farming in 2015** with organic mushrooms production, in **2018** became a **fully certified organic farming** company .
- AUGA produces a wide range of organic food products going from organic commodities to end-user products
- **Workforce of 1,271 employees** with **100% domestic production** and **70% of sales** are exports.
- Shareholder structure formed by **individuals with high track record** in the industry, but also **key institutions such as the EBRD**.

Geographical Footprint

HQs in Vilnius, Lithuania

Exports to 37 countries (2020)



1994	Baltic Champs, mushroom-growing business, is founded
2014	Merger between Baltic Champs and Agrowill Group
2015	**Starts organic farming, with the supply of organic mushrooms**
2016	Renamed to AUGA Group and launch of organic packaged vegetables
2018	Fully certified organic farming and launch of organic soups, milk and grain products; €36m SPO conducted
2019	Expansion of export markets and product range; First €20m green bond issued
2020	2020-2025 strategy approved

Key Facts

1,271
Employees as of 2020

€83.1m
FY20 Revenues
(CAGR '16-'20: 20.33%)

€15.7m
2020 Adjusted EBITDA
(19% margin)

€92.0m
2020 net debt
(5.9x net debt/ EBITDA)

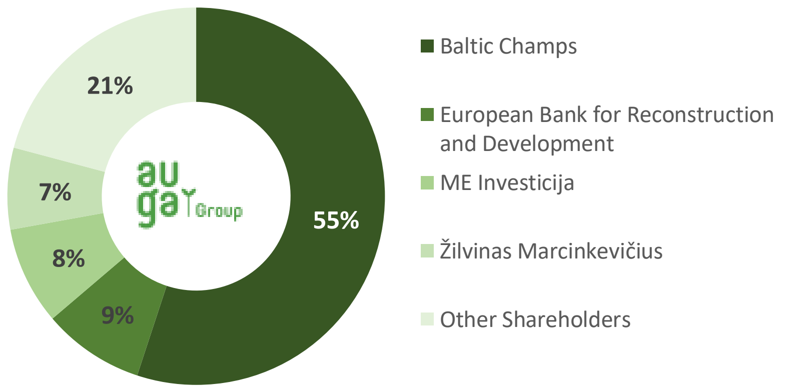
39,000
Ha of **organic arable land**

11.9%
Of land owned, with the rest being leased

3,471
Number of **dairy cows** as of 2020

12,900
Tons of **mushrooms sold** in 2020

Shareholder Structure



Company Overview

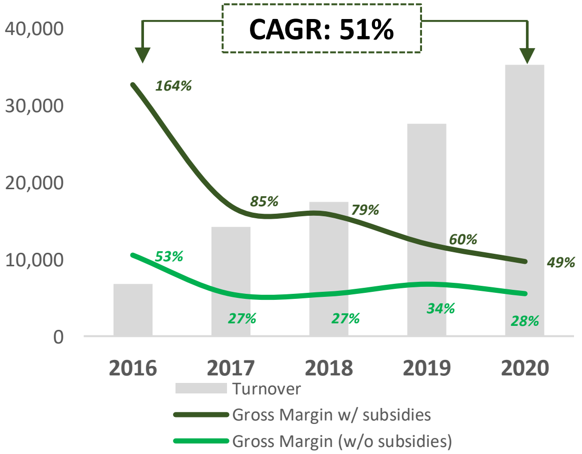
AUGA has 4 business segments ranging from raw and processed commodities to end-user goods

Commodities

Crop Growing

On 39k ha of land, AUGA grows and sells: **Organic Wheat, Organic Vegetables and others** (Cash Crops) and **Organic Feed** for livestock.

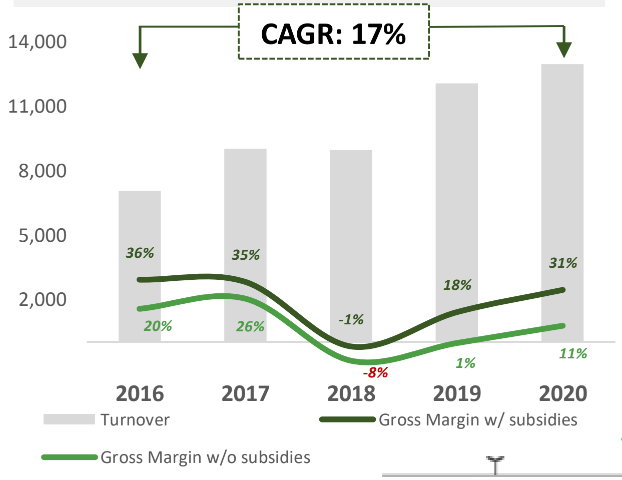
- **42% of total turnover** in 2020.
- **COGS have been increasing at a higher pace than Revenues**, with **subsidies being a key buffer for the profitability of the segment.**
- **Accounting for EU subsidies** ,which reduce the COGS for the segment, Gross Margin reduces substantially until 2018.
- The decrease of gross margins is explained by the **decreasing weight of subsidies over total revenues** and the **2018 underperforming year due to extreme weather events**.



Dairy

The dairy segment includes **Organic Milk Production, Cattle Raising** and **Milk Commodities.**

- **15.6% of total turnover** in 2020.
- Operates in **18** farms with **3.4k** cows. Produces **25k tones** of milk per year.
- Revenues driven by **rising proportion of organic milk.** Share of non-organic milk **steeply decreased**, representing 4% of the segment's revenues.
- **This segment is dependent on subsidies** which drove Gross Margin from 11% to 31% in 2020.
- **2018 was directly affected by bad weather** which drove the cost of feed to increase substantially lowering the margins in that year.

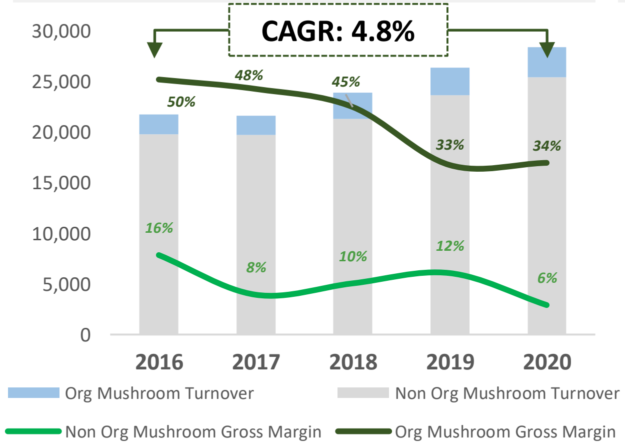


End-User Products

Mushrooms

The mushroom segment includes **Non-Organic** (93%) **& Organic Mushroom** (7%) and **Seedbed Production.**

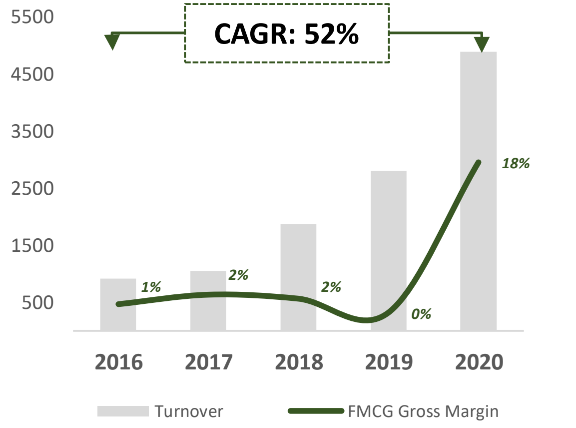
- Produces **12k tones** of mushrooms annually.
- **36% of total turnover in 2020.**
- Revenues are **increasing at 5% on average,** driven by an increasing revenue growth of organic mushrooms which still account for only 10% of the segment's revenues.
- **Gross Margin of non-organic is unstable and low** when compared to **organic mushrooms** which is **substantially higher at 30% over the last two years**.



FMCG

The **FMCG** segment offers a multitude of products (**Soups, Canned Products, others**). **Strategic segment** since it has seen the **highest growth across AUGA's portfolio** and due to the demand for organic products (long shelf-life products).

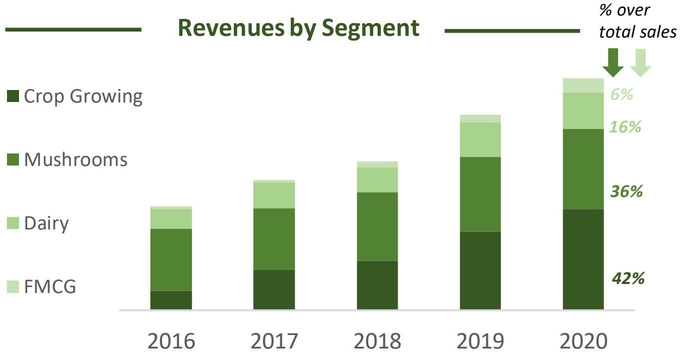
- **6% of total turnover** in 2020.
- Exporting to **31 countries** (vs. 23 in 2019) under AUGA-labelled brand.
- Fastest-growing segment with a **52% CAGR.**
- Relatively low Gross Margin until 2019. **In 2020**, with the **acquisition of a manufacturer** gross margin **increased substantially to 18%,** as the firm became less reliant on contract manufacturing.

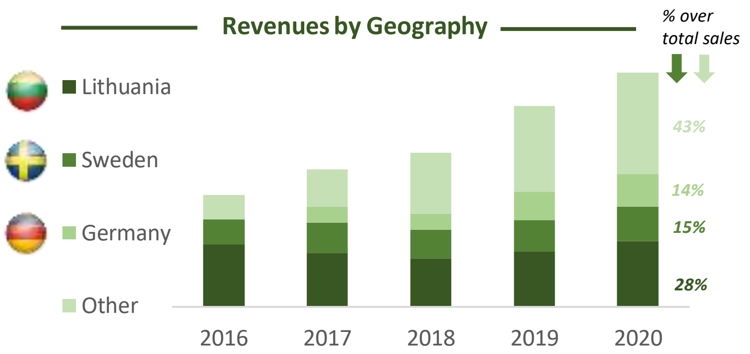


Company Overview

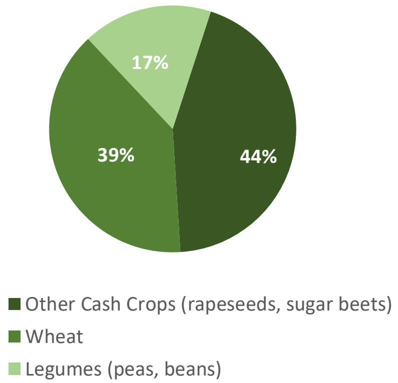
Strong presence in the Baltic region, with Crop growing and Mushrooms accounting for 80% of sales volume in 2020

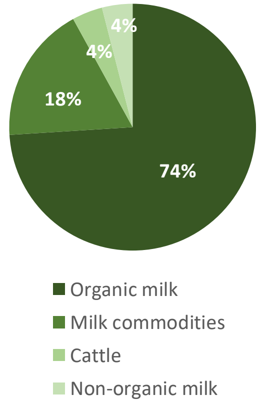
Group Revenue Breakdown per Segment and Geography

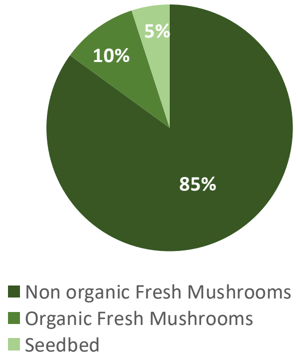


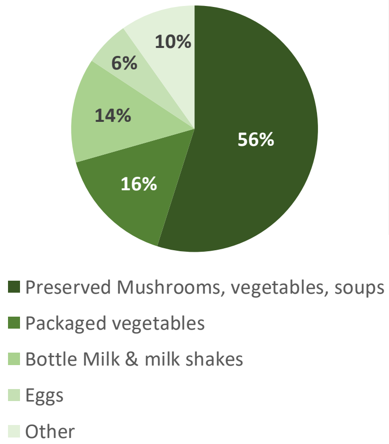


Revenue Breakdown per Segment (2020)









Distribution channels

Alternative channel Wholesalers

Alternative channel Wholesalers

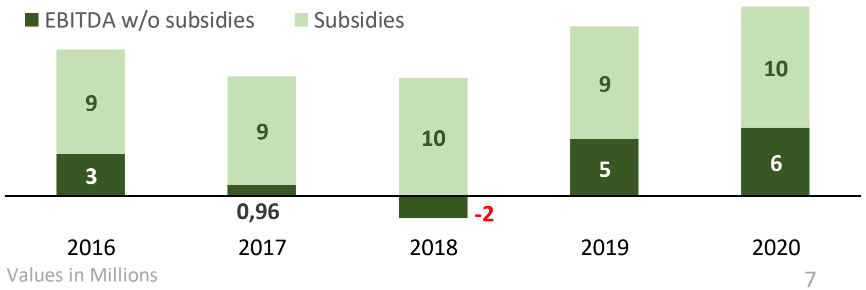
Alternative channel Wholesalers

Alternative channel Retailers

Subsidies Impact On Auga's Results

- **Subsidies** are a **key component of** AUGA's business, a firm who is developing a **recent sustainable business model** on an industry that, despite its undoubtedly potential, is still not consolidated.
- The European Union, as part of the **Green deal** set up in 2019, has the **Farm to Fork Strategy** at the heart of this deal, addressing the challenges of sustainable food systems. EU targets 25% of arable land as organic in 2030 (currently 8%).
- The financing of such subsidies is conducted through the **Common Agricultural Policy Funds (CAP).** The multiannual financial framework 2021-27 total budget has € 386.6bn to CAP, composed by **two funds,** the **European agricultural guarantee fund (EAGF)** - €291.1bn allocation - and the **European agricultural fund for rural development (EAFRD)** - €95.5bn allocation.
- On average, **subsidies are €266/ha among EU members, with AUGA receiving a slightly lower value of €252/ha** as of today.
- Starting from 2023, the EU will apply a **minimum of € 200/ha** for all member-states and expects this value **to increase to € 215/ha in 2027** with an increasing support on the **organic farming component.**

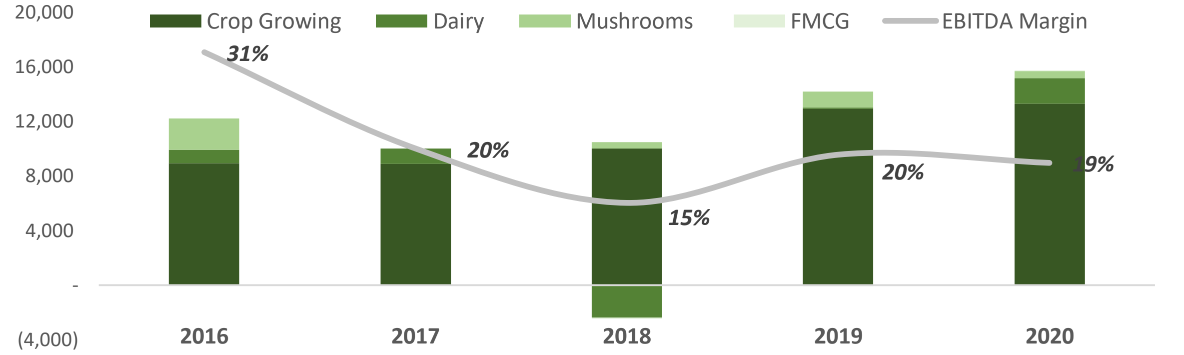
€252/ha	**€266/ha**	**€200/ha**
AUGA's subsidies in 2020	Average subsidies across EU	EU Subsidy threshold by 2023



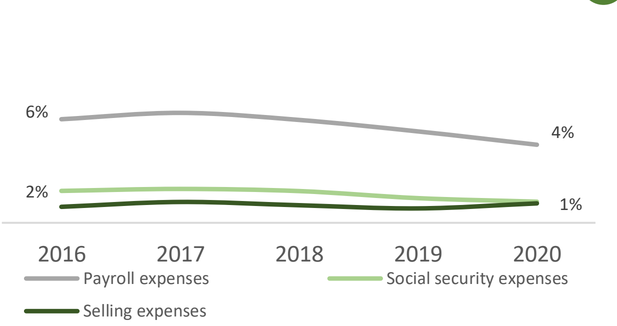
Historical Financials (1/2)

AUGA has grown steadily in line with the fast-growing organic sector and has reached stable and consistent margins

EBITDA per Segment

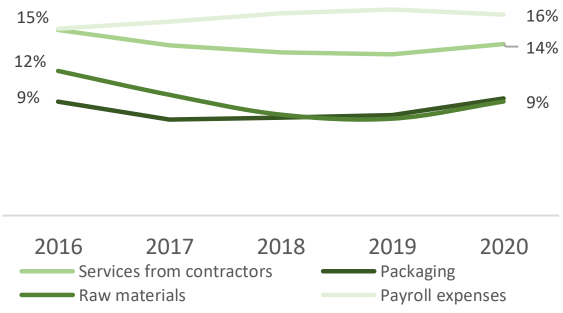


OPEX Breakdown



OPEX breakdown as a % of revenues

COGS Breakdown



COGS breakdown as a % of revenues

Income Statement in EUR 000	2016	2017	2018	2019	2020
Revenues (1)	39,630	48,784	54,749	71,134	83,074
COGS	(21,324)	(30,733)	(37,214)	(48,549)	(58,254)
Gross Profit (2)	**18,306**	**18,051**	**17,535**	**22,585**	**24,820**
Gross Margin	*46%*	*37%*	*32%*	*32%*	*30%*
Operating Expenses	(6,262)	(8,366)	(9,706)	(8,695)	(9,279)
Other Recurring Income (3)	122	260	155	141	122
Adjusted EBITDA (4)	**12,166**	**9,945**	**7,984**	**14,031**	**15,663**
EBITDA Margin	*31%*	*20%*	*15%*	*20%*	*19%*
Gain (loss) on initial recognition of a biol. asset	(868)	4,159	(5,262)	3,082	5,175
Reported EBITDA	**11,298**	**14,104**	**2,722**	**17,113**	**20,838**
Other non-recurring Income	5	91	2,598	603	1,228
One-off provision expense	-	-	-	(2,073)	-
D&A (5)	(6,108)	(6,978)	(8,069)	(13,035)	(13,535)
Write-off, impairment losses	(1,172)	(520)	(1,189)	(1,601)	(1,634)
EBIT	**4,023**	**6,697**	**(3,938)**	**1,007**	**6,897**
EBIT Margin	*10%*	*14%*	*-7%*	*1%*	*8%*

Income Statement Highlights

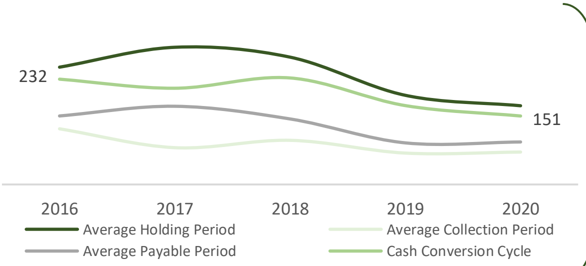
1. Revenues grew at a **20.3% CAGR** (2016-2020), supported by an increase in exporting activity**, increasing crop-growing revenues** and fast-growing **FMCG.**
2. 2016: **gross margins around 45%,** mainly due to **entry in organic farming business. COGS items** (Organic Fertilizers or Seeds) **were still low** and the **weight of subsidies was sizeable** (22% of Revenues).
   - **As AUGA scaled** (2018): subsidies stabilized and costs associated with labour, organic fertilizers, seeds and land rent grew their weight over Revenues. **2018 was a challenging year** as Revenue growth decreased, due to **extreme weather events.** The firm has been able to reach **steady Gross Margins in the last years.**
3. **Since 2018, AUGA's OPEX as % of revenues has decreased,** which demonstrates the firm's capacity to **stabilize its cost structure whilst growing.**
4. The **EBITDA follows the same trend as Gross Profit.** Nonetheless, the gap between Gross and EBITDA Margin shortens throughout the period. **OPEX diminished throughout the period** (16% in 2016 to 11% in 2020), **EBITDA Margins stabilize in the last two years.**
5. AUGA **invested in new machinery and equipment, and made strategic acquisitions, leading to a rise in D&A.** In 2019, the **D&A related to right-of-use assets started to be incorporated,** following IFRS 16 standards.

Sources: AUGA Group Annual Reports and Interim Financial Statements

Historical Financials (2/2)

Recent years show AUGA's growing cash conversion potential, even with a novel business model requiring substantial investments

Balance Sheet in EUR 000	2016	2017	2018	2019	2020
Cash and cash equivalents	**1,650**	**620**	**2,281**	**3,732**	**2,541**
Inventory	15,157	25,547	28,708	28,958	30,435
Trade Receivables	13,367	10,765	14,573	13,322	16,084
Current Biological Assets	5,223	10,111	14,390	16,035	17,052
Trade Payables	13,577	20,322	19,997	18,154	21,614
Adjusted NWC	**20,170**	**26,101**	**37,674**	**40,161**	**41,957**
Adjusted NWC as a % of Revenues	*51%*	*54%*	*69%*	*56%*	*51%*
Property Plant & Equipment	76,262	85,235	92,891	91,897	97,009
Total Assets	**122,090**	**148,548**	**171,890**	**206,723**	**213,702**
Return on Assets	*32.46%*	*32.84%*	*31.85%*	*34.41%*	*38.87%*
Total Debt	31,990	43,591	55,862	93,993	94,540
Total Net Debt	**30,340**	**42,971**	**53,581**	**90,261**	**91,999**
Net Financial Debt (excl. lease obligations)	**26.913**	**36.984**	**45.692**	**54.112**	**58.317**
Net Financial Debt/Adjusted EBITDA	*2,2x*	*3,7x*	*5,7x*	*3,9x*	*3,7x*



- Regardless of **long Cash Conversion Cycle** (working capital-intensive business), **improving between 2016 and 2020** (-31%).
- Average **Holding and Collection period diminish cycles by, respectively, 26% and 42%.**

Free Cash Flow in EUR 000	2016	2017	2018	2019	2020
Adjusted EBITDA	**12,166**	**9,945**	**7,984**	**14,013**	**15,663**
Cash Taxes	-	-	-	-	-
Δ Adjusted NWC	**(9,378)**	**(3,867)**	**(17,832)**	**(4,238)**	**2,559**
CAPEX	(4,343)	(6,643)	(6,230)	(3,241)	(7,997)
Maintenance CAPEX	**(1,737)**	**(1,097)**	**(1,801)**	**(904)**	**(2,158)**
As a % of Revenues	*4%*	*2%*	*3%*	*1%*	*3%*
Expansion CAPEX	**(2,606)**	**(5,546)**	**(4,429)**	**(2,337)**	**(5,839)**
As a % of Revenues	*7%*	*11%*	*8%*	*3%*	*7%*
Unlevered Free Cash Flow	(1.555)	(565)	(16.077)	6.556	10.225
FCF Conversion (as a % of Adj. EBITDA)	*-13%*	*-6%*	*-201%*	*47%*	*65%*

Sources: AUGA Group Annual Reports and Interim Financial Statements

Balance Sheet Highlights

1. **Two major changes in the cash balance are due to strategic acquisitions in 2017 and 2020**, to expand production capacity for crops and FMCG segments. **Cash balances remained stable** over past years.
2. Adjusted NWC includes current biological assets (cultivated crops). **High variances in NWC and increase in % of Revenues** (2018) due to integration of acquisitions in firm's financial statements. Led to expansion of land and production capacity, leading to **increases in current biological assets and inventories**
   - **NWC dynamics have stabilized with long Cash Conversion Cycle** (decreasing from 232 to 151 days) as the firm improved NWC management, **optimizing average holding and collection periods.**
3. Until 2018, the firm **increased leverage to fund expansion**. **EBITDA growth** and **stabilizing Net Financial Debt** over last 2 years**, Net Financial Debt/Adjusted EBITDA ratio has decreased,** improving liquidity.
   - **Interest-bearing debt stable** since 2017, with strategy shift from ST to LT financing over past years: **5-Year Green Bond Issuance in 2019 (20 M)**

Cash Flow Highlights

4. **Expansion CAPEX includes strategic acquisitions for expansion of cultivated land area** and moving towards **FMCG.** Stable as % of Revenues with decrease in 2019, (Avg: 7% of Revenues). Strategic acquisitions include:
   - **2017: Acquisition of KTG Group** (5.2 million). Total operational and land capacity increased by 30%
   - **2018**: **Acquisition of UAB Raseiniu** (2.42 million), **which managed 5,200 ha of land capacity**.
   - **2020 – Acquisition of Grybai** (4.5 million), **increase production capacity in FMCG segment**
   - Maintenance CAPEX: **renewal of agricultural equipment and machinery**. 3% of Revenues on average over the past 5 years
5. **Unlevered FCF** has **grown considerably** until 2020. Although AUGA **no positive CF until 2019** due to early stage in full organic food production, the last two years showcase its growth potential, with 65% of Free Cash Flow **generation in 2020**

Market Overview

Organic food demand is being driven by consumers and policymakers

Global food system is responsible for 30% of global GHG emission

Changing the way we produce food to lower emissions

Organic food production has been driven by increasing consumer awareness towards the environment and policymaker incentive

Organic Farming

1 **Limited environmental impact**

→ Promotes and enhances biodiversity, biological cycles and soil biological activity

2 **Production using ecologically based pest controls and organic fertilizers** (derived from plant and animal waste)

→ The use of synthetic fertilisers in traditional agriculture make up ~80% of global nitrous oxide (N2O) emissions

→ The average conventional apple contains 4 different pesticides residues

3 **Highly regulated production system boosts consumer trust**

→ Food must be produced under strict government guidelines

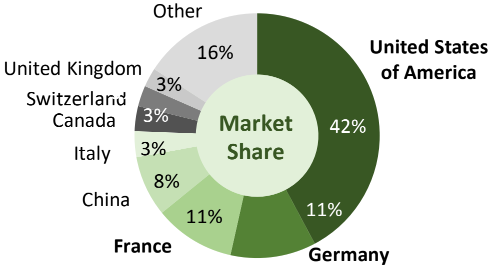
→ **Minimally processed**

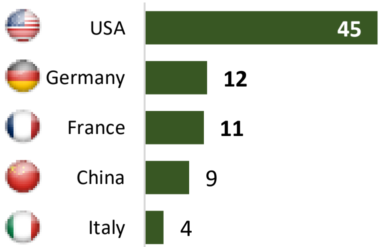
→ **The use of GMOs is prohibited**

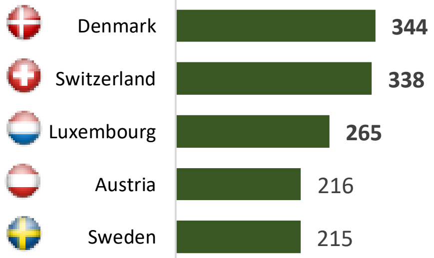
→ **Traceable**

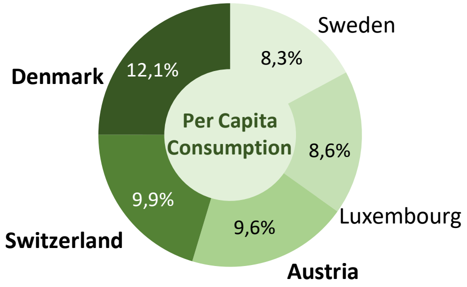
Leading to	Consumer choice	
High quality foods	75%	Would change their consumption habits to reduce environmental impact.
Increased nutritional benefits	71%	Say that sustainability criteria influence their purchasing habits
Longer shelf-life	48%	Plan to change their product choices following sustainability criteria

Market Size	The global Organic Food market is worth over €119B	The leading single markets is the **USA** (€54B). Followed by the **EU** (€49B) and **China** (€10B). Similarly, a region overview leads to the same results: **NA** (45%), **EU** (43%) and **Asia** (10%)
Regional Markets	North America is the largest regional Organic Food market and is worth: +€54B	**~90%** of revenue are made up in North America and Europe. The **largest** organic food retail markets are: the **USA** (€45 bn), **Germany** (€12 bn) and **France** (€11 bn)
Per Capita Consumption	In Denmark, the per capita Organic Food consumption is €344 and €338 in Switzerland	The **European** continent showcases the highest per capita consumptions, globally. **Denmark** and **Switzerland** come first, followed by, **Luxembourg**, **Austria** and **Sweden**.
Organic Food Share	12% of the Danish food market is Organic	The country with the highest organic food share, **globally**, is **Denmark** (12,1%). Followed by **Switzerland** (9,9%), **Austria** (9,6%), **Luxembourg** (8,6%) and **Sweden** (8,3%).









Sources: FiBL: Organic Farming 2020; Presentation of AUGA Group 2021

Investment thesis

Explore end-user products to enhance AUGA's brand value and reduce exposure to market price dynamics

Deal Rationale

A novel & fast-growing industry presenting the right timing for investment

- Organic Food sales **CAGR** of **10%** since 2001 and **expected to grow at 12% until 2025**
- **Perfect timing for entry** with rising global demand for organically-sourced food products led by the **US** (€45 bn) followed by **Germany (**€12 bn) and **France (**€45 bn)
- Growth accelerated by consumer trends towards **healthier and sustainably-sourced products** and initiatives such as **EU's Farm-to-Fork Strategy** to promote a **net zero carbon continent by 2050**
- **Higher demand** for organic **end-user products** such as **ready-to-eat / processed foods** which offer a fast solution to meet customers' rising needs

A differentiated player in Europe with strong projected growth trajectories

- **Leading vertically-integrated organic** farm-to-shelf producer in Europe, differentiated through **synergies between segments,** innovative **land cultivation** and **full traceability** from source to end-user products
- **Solid Revenue CAGR** between 2016-2020 of 20%
- AUGA has been able to **stabilize its fixed cost structure** over the years and became **less dependent on subsidies** as it grew **in scale** and has **consolidated its position**
- **The firm is shifting** towards a business model targeting more **end-user and higher margin products**, reducing its **exposure to volatile organic commodities** and differentiating its own **AUGA-branded products**

Value Creation Initiatives

1 Shift focus towards AUGA's end-user product segments

FMCG

How?

- Strengthen **Marketing and Selling capabilities** to capture **customers** and drive **brand awareness** (experienced **Head of Expansion**)
- Defining a **strategic internationalization roadmap**
- Develop **online sales** channel (Nordic and Baltic regions)
- Increase **production capacity**

Why?

- Less dependent on prices **fluctuation of organic commodities and on wholesalers' bargaining power**
- Strong potential to **differentiate and gain/retain customers** with AUGA's own brand
- Tap **profitable** and **higher-margin** segments which **reduce subsidies impact**

Mushrooms

How?

- **Market Consolidation**
- Portfolio Mix Reshape to **full-organic mushroom production**
- Reduce COGS through the introduction of **robotics technology**

Why?

- Organic mushrooms benefit from **high price premium** and **higher margins vs. non-organic**
- **High labor costs** associated with growing and picking with opportunity for optimization

2 Operational improvements

Overall Company

How?

- **Sale & Leaseback** of remaining cultivated land portfolio (**11.9%).**
- **Working Capital optimization** through technological tracking of inventory and increased bargaining power with rising end-user products proportion in firm's portfolio

Why?

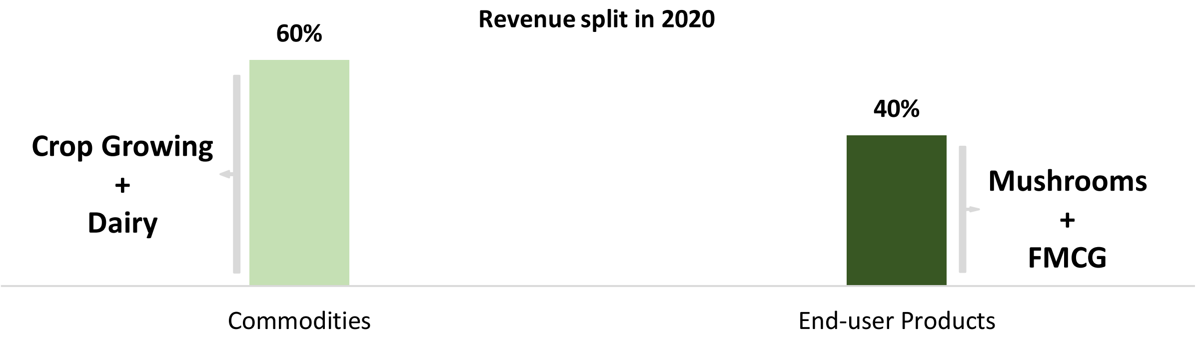
- **Sale & Leaseback** proceeds to fund **future growth initiatives** in the end-user product focus
- **Improve cash generation,** providing capability for **deleveraging**

Value Creation

Developing the necessary capabilities to enable scaling AUGA's end-user segment

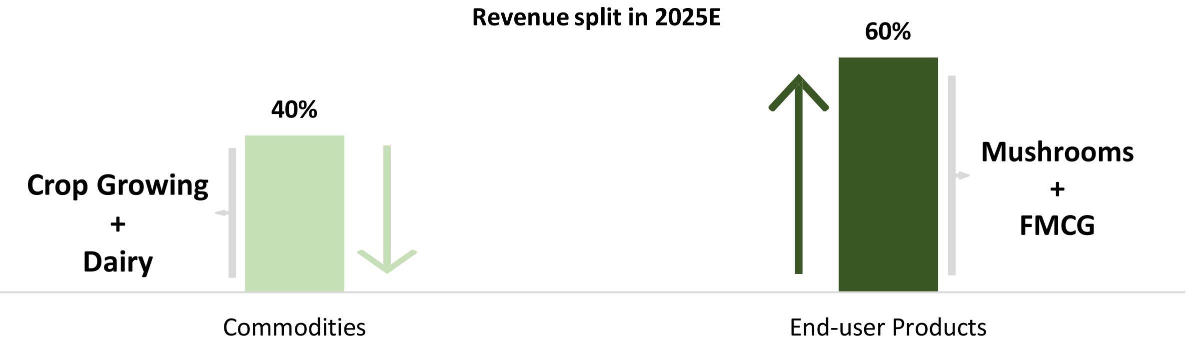
Rationale

The backbone of our value creation strategy is to **expand** AUGA's **end user segment**, by gradually **transitioning** the company's **revenue split**.



Vision

By the end of the holding period we envision **AUGA branded products** will **dominate** the company's annual **revenue**. **Contributing to**: **i)** a more profitable business model **ii)** less dependency on subsidies and **iii)** increased brand awareness across the European organic food spectrum



How?

1.) Establishing a new **Marketing and Selling** department

- **Objective:** Boost in-house marketing and selling capabilities, leveraging external and internal expertise to **drive FMCG expansion** and **increase AUGA's brand awareness**. **How:**
  - i. Consolidate the existing **marketing**, **commerce** and **business development** departments into one
  - ii. 5-10% of AUGA's annual Operating Expenses will be allocated to the Marketing and Selling department
  - iii. Onboard a **Head of Expansion** to lead department: targeting **Nestle** Baltics **Senior Marketing Manager** with proven track record in **FMCG** segment
  - iv. Compensation: **~60K** base salary + **2%** Sweet Equity

2.) Defining a strategic **Internationalization Roadmap**

- **Objective:** Establishing a path to scale AUGA's FMCG segment in both **new** and **existing** markets characterized by strong growth trajectories.
- **How:** Undergo a detailed market analysis and implementing a straightforward evaluation to support decision making. Followed by entry strategies in 4 selected markets.

3.) Building an **Online Sales Channel**

- **Objective:** Develop an e-commerce segment to foster AUGA's 'Farm-to-Shelf' strategy, leverage higher margins and establish brand in neighbouring Nordic and Baltic regions
- **How: i)** Create an online AUGA marketplace, **ii)** building a storage/distribution hub and **iii)** exploit the novel Marketing and Expansion department efforts to drive online brand awareness campaigns.

4.) Converging to fully **Organic Mushroom Production**

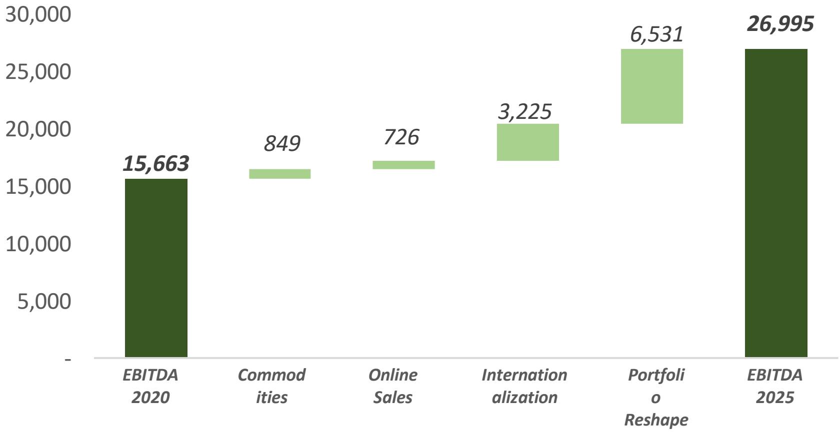
- **Objective:** Gradually transitioning to organic mushroom production and exploiting higher margins

Business Plan

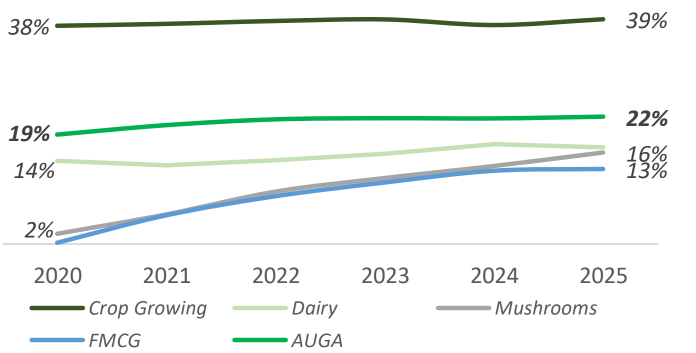
Focused strategy on end-user products brings about sustained EBITDA growth and improved margins

Income Statement in EUR 000	2020	2021E	2022E	2023E	2024E	2025E	CAGR 21-25
Crop Growing	17,175	19,182	19,093	18,053	17,627	17,849	
Dairy	3,961	3,347	3,496	3,641	3,827	3,776	
Mushrooms	2,807	4,014	5,686	6,781	8,283	10,220	
FMCG	878	1,788	3,365	5,572	8,614	11,409	
Total Gross Profit	**24,820**	**28,330**	**31,640**	**34,046**	**38,351**	**43,254**	**11.7%**
Gross Margin	*30%*	*31%*	*33%*	*34%*	*34%*	*35%*	
Operating Expenses	(9,279)	(9,892)	(10,949)	(12,248)	(14,306)	(16,417)	
OPEX as % of Revenues	*11%*	*11%*	*11%*	*12%*	*13%*	*13%*	
Other Recurring Income	122	117	134	136	136	158	
EBITDA	**15,663**	**18,556**	**20,825**	**21,934**	**24,181**	**26,995**	**11.5%**
EBITDA Margin	*19%*	*20%*	*21%*	*22%*	*22%*	*22%*	
Other non-recurring Income	1,228	-	-	-	-	-	
D&A	(13,535)	(11,816)	(12,120)	(11,453)	(11,517)	(11,531)	
Write-off, impairment losses	(1,634)	(2,089)	(2,084)	(1,994)	(1,984)	(1,972)	
EBIT	**6,897**	**6,751**	**8,715**	**10,485**	**12,668**	**15,468**	**17.5%**
EBIT Margin	*8%*	*7%*	*9%*	*10%*	*11%*	*13%*	

EBITDA Bridge



EBITDA Margins



Drivers & Key Assumptions

Gross Margin:

- Throughout the investment period, AUGA **improves its gross margin by 4%** until 2025
- In the Mushroom segment the implementation of **Robotics technology in the production process** lowers payroll expenses, allowing for optimization of Gross Margin for the segment by 3%
- **Capacity expansion of the FMCG's existing production unit implemented from 2022** enables a reduced reliance on contract manufacturing towards integrated production and the further development of economies of scale, increasing gross margin by 4% for this segment.

OPEX

- **Strengthening the Marketing & Selling Department** focused on the **Internationalization of the FMCG segment, hiring a senior marketing manager** from Nestlé Baltics, making him **Head of Expansion,** contributing to additional operating expenses incurred
- **Implementation of AUGA's online marketplace and its e-commerce specialized team** from 2022 onwards pushes OPEX to 13% of Revenues

EBITDA

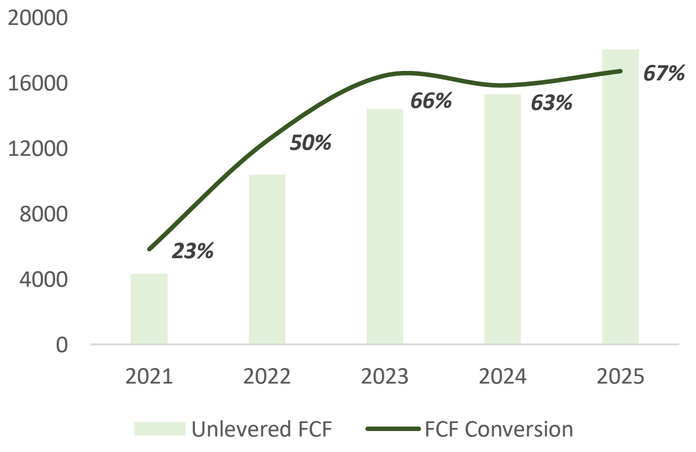
- **EBITDA 71% growth** from €15.6m in 2020 to €27m in 2025.
- **Focus on end-user products**, driven by the **restructuring** of the **mushroom portfolio mix** and the **FMCG expansion to new markets** fuels EBITDA growth and its margin improvements, being AUGA's main **drivers for growth.**

Business Plan

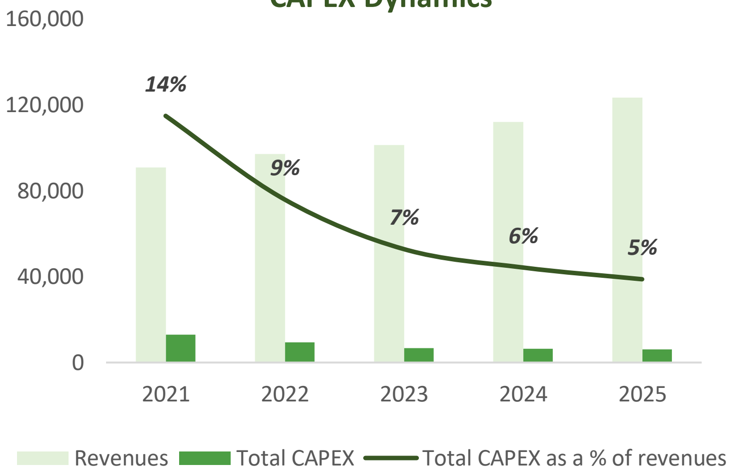
EBITDA growth along with optimized NWC and steady CAPEX enhance a robust cash flow generation

FCF in EUR 000	2020A	2021E	2022E	2023E	2024E	2025E
EBITDA	**15 663**	**18,556**	**20,825**	**21,934**	**24,181**	**26,995**
(-) Cash Taxes	**0**	**(1,013)**	**(1,307)**	**(1,573)**	**(1,900)**	**(2,320)**
(-) Change in Adj. Net Working Capital	**2 559**	**(226)**	**39**	**723**	**(805)**	**(695)**
Change in Trade Receivables	(2 762)	(615)	(310)	109	(862)	(850)
average collection period	*71*	67	64	61	58	55
Change in Inventory	(1 477)	(1,302)	(728)	(95)	(2,147)	(2,081)
average holding period	*191*	186	181	177	172	168
Change in Trade Payables	(2 902)	(1,131)	(855)	(520)	(1,752)	(1,789)
average payable period	*102*	102	102	102	102	102
(-) Maintenance CAPEX	**(2 158)**	**(4,248)**	**(2,734)**	**(2,969)**	**(3,199)**	**(3,913)**
as a % of Revenues	*-3%*	*-5%*	*-3%*	*-3%*	*-3%*	*-3%*
(-) Expansion CAPEX	**(5 839)**	**(8,742)**	**(6,446)**	**(3,692)**	**(2,959)**	**(2,027)**
as a % of Revenues	*-7%*	*-10%*	*-7%*	*-4%*	*-3%*	*-2%*
Unlevered FCF	**10.225**	4,327	10,377	14,424	15,318	18,039
FCF conversion	*65%*	23%	50%	66%	63%	67%

Cash Conversion



CAPEX Dynamics



Drivers & Key Assumptions

Cash Taxes:

- The **statutory tax rate – 15%** – applied in Lithuania to business companies was assumed during all the holding period
- Until 2020, AUGA had considerable deferred tax assets. We assume **all income to be taxable from 2021 onwards**

Net Working Capital Optimization:

- **Continuous improvement** of cash conversion cycle (51 days decrease), fuelled by **average collection and holding periods** due to:
  - Focus on end-user products brings **bargaining power** given the firm's **differentiation** and **exclusivity** among the products it offers
  - Higher capacity to set more **advantageous supply contracts** with big wholesalers and retailers – **pressure to collect earlier**
  - **Improving inventory monitoring and better sales and demand forecasting** lead to a reduction of average holding period of 21 days towards industry average

CAPEX:

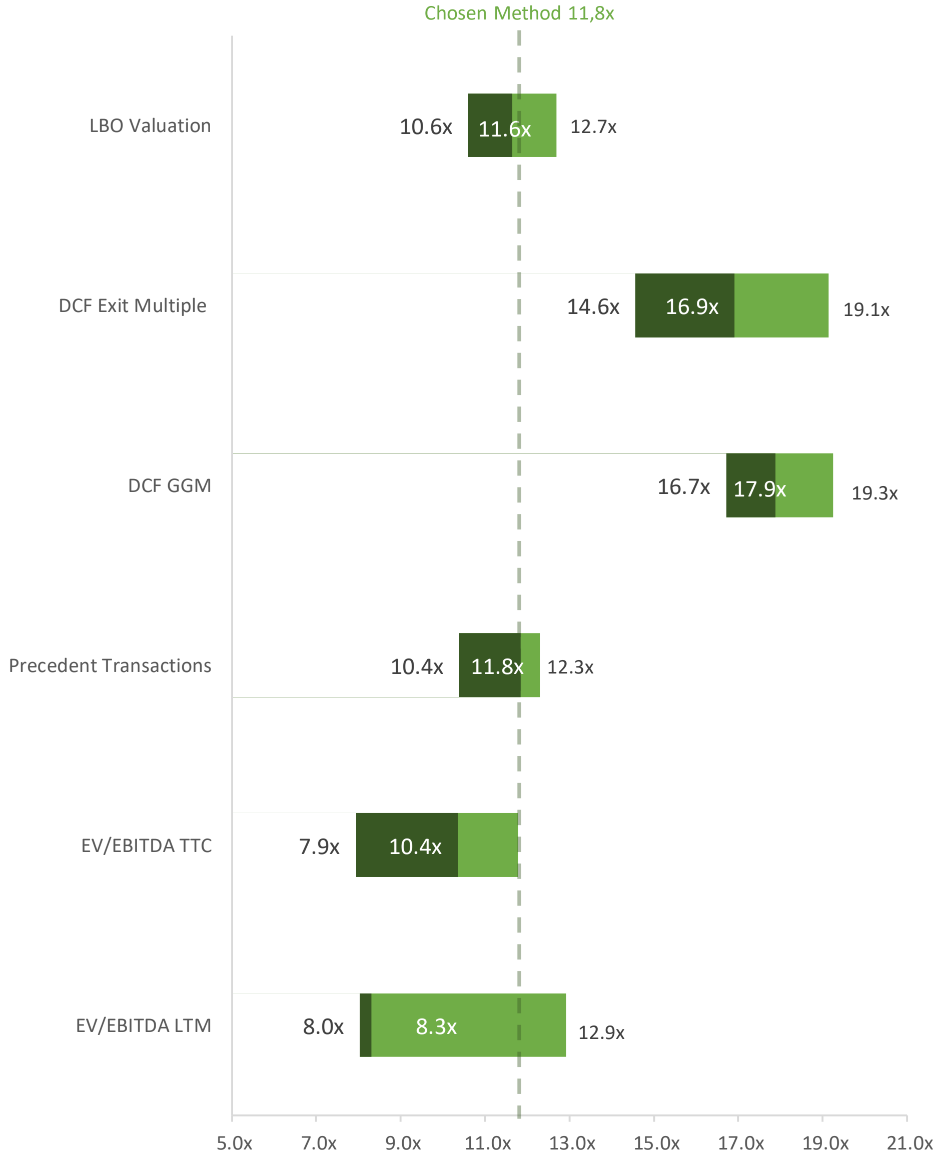
- **Mushroom technological improvements of €1.75m** explain the rise in maintenance CAPEX in 2021. Afterwards, a 3% assumption as % of sales is assumed as per historical figures
- **Investment of €4.6m in the duplication of installed production capacity** of FMCG unit and **investment in the construction of an operational hub for the online distribution channel of €1.3m** drive expansion investment to increase substantially in 2021
- Less expansion requirements from that year on make the **expansion CAPEX as % of sales smoothly decrease** throughout the remaining years

Unlevered FCF:

- From the investment period 2020-2025, **FCF increased by c. 77%,** keeping a steady cash conversion as % of EBITDA from 2023 onwards

Valuation

An 11,8x multiple given by Precedent Transactions was selected, ensuring higher comparability with recent industry deals



Final decision

Precedent Transactions (11,8x)

Analysis of **selected 9 past transactions** in the last 8 year-period, of comparable price considerations and in the same scope on terms of product offering and geography.

This method gives a more granular view on the appetite of financial sponsors and strategic acquirers for agri-food production firms over the past years. Additionally, we select this method as the most appropriate one for valuation as: 1) majority of transactions are on the **same span in terms of size (mid-market) and geography** and 2) certain transactions selected of **Private Equity firms focused on sustainable agribusiness buying out firms with a very similar profile to AUGA** (e.g. Paine Schwartz Partners)

Other Valuation Methods Considered

EV/EBITDA LTM (8.3x)

Selection of 7 industry peers to understand how the market is valuing firms in the agribusiness span. Analysis performed using Bloomberg metrics comparing size, capital structure, product offering and geographical presence. **This method is not reliable** as AUGA has significant differences in terms of **size, product offering and geographical presence**

EV/EBITDA Through-The-Cycle (10,4x)

Same criteria of EV/EBITDA LTM but with the **range of the past 5 years analysed.**

We observe a decrease in overall multiples especially in 2020, with a through-the-cycle analysis bringing a more comprehensive overview of the market valuation of the industry in recent years

LBO Valuation (11,9x)

Method of valuation comprised of defining certain IRRs and backsolving it, allowing for the calculation of the entry price needed for the target IRR for the investment.

IRRs defined are in the 20%-30% range

DCF Gordon Growth (17,9x) / DCF Exit Multiple (16,9x)

Gordon Growth Model: Inputs used were the FCF forecasts, **WACC of 7.1%** using peers' information and **terminal growth rate** as a conservative scenario for Lithuania's Long-term GDP Growth of **1%**

Exit Multiple Method: Terminal Value as an exit EBITDA multiple to the exit year (2025). Assumed no difference in entry/exit multiples (**11,8x**)

Sources: Reuters, Bloomberg, Mergermarket

Capital Structure

The acquisition will be executed with 53,1% Debt and 46,9% Equity, with a sweet equity component of 531k

Sources of Capital	€ M	xEBITDA	%
Unitranche Loan	**101,8**	**6,5x**	**53,1%**
Total Acquisition Debt	**101,8**	**6,5x**	**53,1%**
Fixed Return Instrument	**84,8**	**5,4x**	**44,2%**
Ordinary Equity	**5,3**	**0,3x**	**2,8%**
Institutional Investor	4,8	0,3x	2,5%
Sweet Equity	0,5	0,03x	0,3%
Total Equity	**90,1**	**5,8x**	**46,9%**
Total Sources	**192**	**12,3x**	**100%**

Uses of Capital	%	€ M
EBITDA 2020		15,7
Entry Multiple	11,8x	
Enterprise Value		**185,6**
Net Financial Debt		58,3
Lease Obligations (Debt-Like)		33,7
Total Net Debt		**92,0**
AUGA's Equity Value		**93,6**
Total Fees	**3,4%**	**6,3**
Arrangement Fee	1,0%	1,9
DD Fees	0,6%	1,1
M&A Advisor Fees	0,8%	1,5
Upfront fee	1,0%	1,9
Total Uses		**192**

Sources

Acquisition Debt

- **Unitranche Loan facility from direct lender** (e.g. Invesco), 6-year maturity with single bullet principal repayment

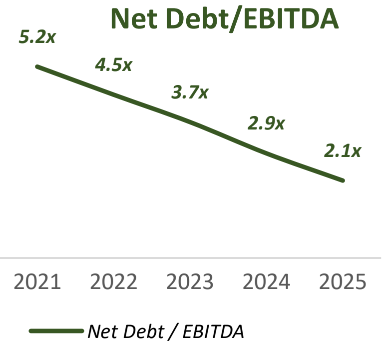
Equity

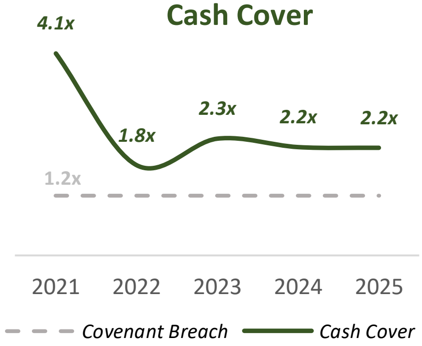
- **Fund Equity Ticket (90,1M):** Fixed Return Instrument with 8 years PIK interest + Institutional Ordinary Equity
- **Management Package**
  - **Sweet Equity** of 531k reflecting senior management and new Head of Expansion's 2x annual salary invested in the equity commitment. Represents **10% of ordinary equity**
  - **Equity Ratchet** defining an **additional 2% of ordinary equity to management** if the fund achieves IRR above 25%
  - **Cash Compensation of 50% of annual salary to management**
  - **Residual pre-deal share ownership** by top executives of 0,06%[1].

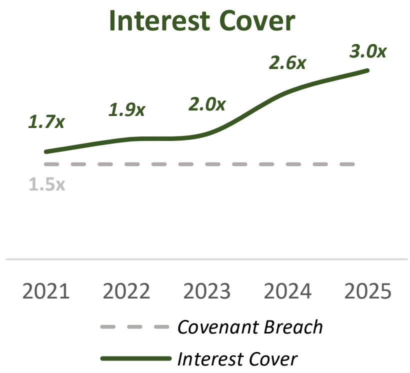
Interests and Repayments

- **Unitranche Loan**: 7% + EURIBOR, 6-year bullet repayment
- **Fixed Return Instrument**: 8% PIK (payment-in-kind) element

Bank Case Credit Statistics







Bank Case Covenants

- **Net Debt/EBITDA**: The leverage ratio decreases quickly, fostered by the **Sale & Leaseback transaction and strong cash generation**, ending at a low level of 1,1x EBITDA in 2025
- **Cash Cover**: Set at a limit of 1,2x, it is continuously well above this level, with the worst year being at 2,4x demonstrating firm's **solid cash generation ability**
- **Interest Cover**: Covenant respected during the holding period and interest-paying ability increased through the years

Notes: (1) CEO (Kestutis Juscius) owns a controlling share of 55% of AUGA pre-deal, which is not accounted in senior management's ownership. More information on ownership structure in page 6

Exit Options

Strategic sale would be the most appealing exit option to sell at a competitive multiple

Exit multiple – 11.8x

- The forecasted exit multiple is **11.8x**, the same as the entry multiple. Although AUGA will focus more on own branded end-user products, those segments already **account for 40% of sales** and were planned to be **triggered before the acquisition.** Moreover, AUGA will **keep its commodities business** active, thus maintaining its "traditional organic agricultural producer" nature. As such, we see the firm well positioned to **keep its high multiple** given the the trendy organic food market but **not moving to higher multiples**

1 Strategic sale – *International players*

- Upside:
  - Worldwide leading consumer food end-user products, **willing to acquire** a **key organic producer** in Europe
  - Take advantage from their facilities and multiple distribution channels
- Downside:
  - Buyer may be hostile and does not promote a smooth acquisition and transition process

2 Secondary sale - *Financial sponsors*

Global industry funds

- Upside: Funds with diversified risk and experience with **leveraging positions** in investments with **tickets of hundreds of millions**
- Downside: The **scope and rationale** behind these PE's investment strategy

Agri-business funds

- Upside: PEs with historical track record creating value within **agriculture related companies.**
- Downside: Less **capacity to stay competitive** among an organized acquisition process

3 IPO

- Upside: Higher market **liquidity** and opportunity for a **broader range** of investors.
- Downside: **Uncertainty** regarding global IPO environment, with **interest rates** likely to rise

Strategic sale – *exit option decision*

- **M&A activity has been breaking records**, as a consequence of low interest rates and a post-pandemic scenario with many financial sponsors and big corporate groups with huge cash reserves to deploy into the economy (**€1.5 trillion of unspent cash only on the PE side)**. Although some variables might change (namely the likely interest rates rise until our exit year), we believe that by **hiring an Investment Bank to conduct an organized sell-side M&A process (around €1-2 million cost)**, AUGA would benefit from **key Strategic Players** entering into stage and considering acquiring a leading player in the European organic farming,

1 General Mills

- **Broad organic portfolio**, with offering products that go from bread to frozen fruits. Auga's portfolio would complement what GM is currently offering

2 Nestlé

- Strong logistics and presence in **Central and Northern Europe**; recent M&A transactions in the area with **"Bountiful company"** and **"Mindful Chef"** acquisitions

3 Unilever

- Undertaking an ambitious and responsible program to **change the world´s food system**
- Brands like Bango or Knorr are implementing **sustainable practices**

4 DANONE

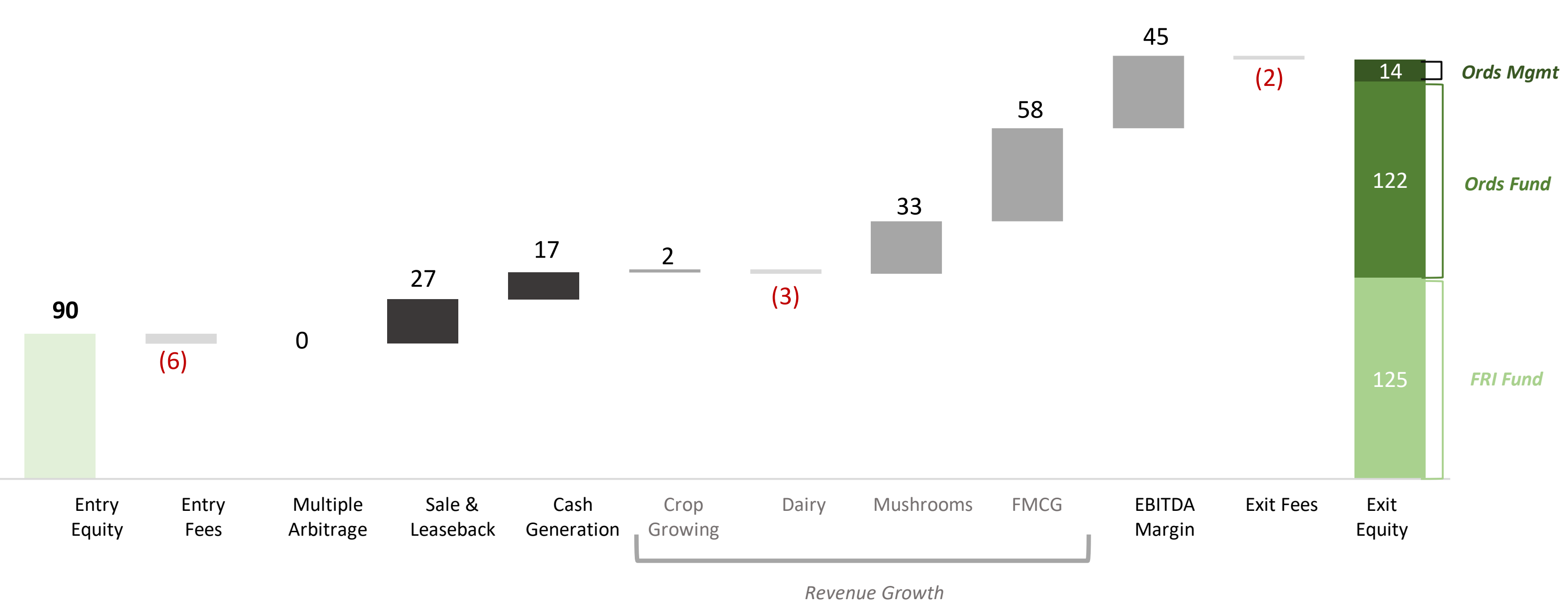
- Would find **strong synergies with the dairy segment,** as for Danone it could be an opportunity to have an **owned commodities supplier** and **promote organic yogurts**

Sources: Reuters, Mergermarket

Returns

The LBO acquisition of AUGA would give the fund an IRR of 22.4% and returns of 2,75x within a 5-year holding period

Returns Breakdown



Key Remarks

- **Entry and exit fees** are within the dimension of the transaction (M&A fees) and focused on key due diligence needs
- It is clearly **highlighted the importance of the value creation initiatives,** namely the **shift reinforcement to end-user products** – higher differentiation and brand value – in AUGA's business model
- **Deleveraging effect** is the highest driver to the returns recorded, given the **high Cash-In** that the firm is able to to conduct as a consequence of fully leasing the land
- **Crop Growing and Dairy** do not generate returns but **contribute to the sustainable model enhancement.**

Institutional & Management Returns

Returns	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Mgmt Exit Ords Proceeds	2	5	7	10	14	17	21
Mgmt Equity	0,5	0,5	0,5	0,5	0,5	0,5	0,5
Management Returns	**3,1x**	**8,9x**	**12,4x**	**18,4x**	**25,4x**	**31,3x**	**40,0x**
IRR Management		**199%**	**131%**	**107%**	**91%**	**78%**	**69%**
Funds Proceeds (Sub loans+Ords)	106	141	166	203	246	284	336
Fund Equity	90	90	90	90	90	90	90
Fund Returns	**1,2x**	**1,6x**	**1,9x**	**2,3x**	**2,7x**	**3,2x**	**3,8x**
IRR Fund		**26%**	**23%**	**23%**	**22%**	**21%**	**21%**

Exit year

- Management team expected to be highly rewarded by the fulfilment of the projected business plan, earning in 2025 around **€10M,** corresponding to **25,4x Management Returns and an IRR of 91%**
- Regarding the fund, **returns of 2,75x and IRR of 22,4%** are expected in a base scenario, i.e., with no multiple arbitrage, translating into **€246M.**

IRR	Exit Year				
22.4%	2023	2024	**2025**	2026	2027
Exit Multiple 10.8x	17,8%	19,3%	19,9%	19,3%	19,3%
11.3x	20,3%	21,0%	21,2%	20,3%	20,0%
11.8x	22,8%	22,7%	**22,4%**	21,2%	20,8%
12.3x	25,2%	24,3%	23,6%	22,1%	21,5%
12.8x	27,5%	25,8%	24,7%	23,0%	22,2%

Agenda

GROUP SLIDES

INDIVIDUAL SLIDES
Valuation, Capital Structure, Returns and Due Diligence

REFERENCES

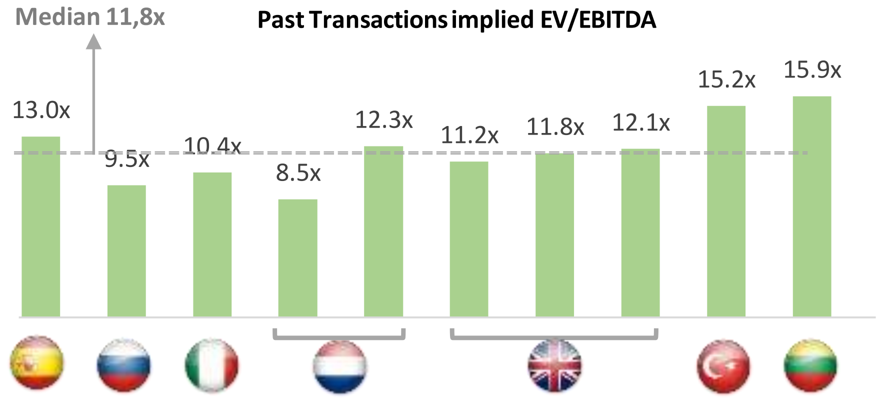
Valuation

Past transactions within Europe provide the most accurate price range for AUGA, with an EV/EBITDA Median of 11,8x

Precedent transactions

Year	Target	Acquirer	Deal geography	Stake (%)	Deal value (€m)	EV/Revenue '20	EV/EBITDA '20
2019	Louis Dreyfus	Margarita Louis-Dreyfus (Private Investor)		17	900	0,4x	12,3x
2017	Cherkizovo Group	MB Capital Europe		21	175	1,1x	9,5x
2016	Glencore Agriculture	British Columbia		10	550	0,3x	8,5x
2016	Rovensa Group	Bridgepoint		100	456	2,0x	13,0
2015	Suba Seeds	Paine Schwartz Partners		100	80	1,4x	10,4x
2015	Spearhead International	Paine Schwartz Partners		100	324	1,2x	11,8x
2014	Wheyfeed	ForFarmers		100	6	0,7x	11,2x
2014	Auga Group AB	Vretola Holdings; Baltic Champs Group		55	67	3,8x	15,9x
2014	Ar Tarim Organik Gida	Tumer Tarim Hayvancilik		100	17	6,1x	15,2x
2013	Continental Farmers	United Farmers Holding Company		100	88	2,8x	12,1x
					Average	**2,0x**	**11,9x**
					Median	**1,2x**	**11,8x**

- We considered the past transactions within **a 8 year period** (from 2013 onwards) **in Europe**, in order to have the **regional criteria** as accurate as possible, given that AUGA's main exports are in the European region
- Regarding the Agriculture branches the **main criteria** was to consider transactions **involving organic farming related businesses**. Afterwards, the **types of products offered** were highly taken into consideration, looking at crop cultivation or animal husbandry
- The **deal size** was also a key factor, and despite the quite high range of deal values, we got an **average of €260 m** – slightly above Auga's transaction price
- It is also relevant to mention the number of **Private Equity and Investment Management firms** in the acquirer's side, highlighting the **interest from financial sponsors** in sustainable and innovative food production chains



Sources: Mergermarket

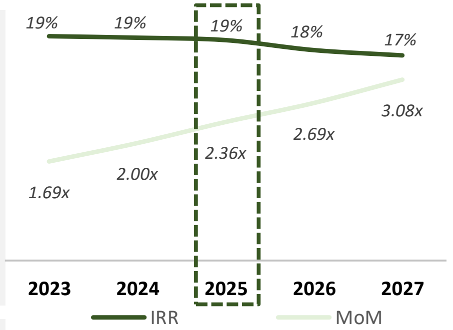
Capital Structure

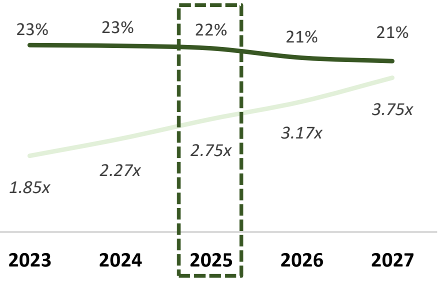
Selected debt package to finance the transaction comprised by a single Unitranche Loan, giving a debt portion of 53,1%

- Although AUGA has already accessed capital markets in its Green Bond Issuance, it is still operating in a consolidating sector and in the mid-market space. After careful consideration, the debt structure decision is narrowed down to: **a main European Bank with a branch focused in the Eastern/Baltic region which lends at lower costs** but with less flexible conditions or a **Global Private Lender (e.g. Invesco, Barings, Oaktree) which offers more room for leverage while at higher interest margins**

Lender	Overview	Debt Terms
Santander Corporate & Investment Banking	**Santander Bank Polska - Polish Branch of Banco Santander, a leading European Bank and one of the largest at a global scale**. Third-largest bank in Poland offering lending solutions for large corporations and with solid expertise in leveraged-buyout debt financing in its CIB division. ➢ Typical debt structure offered are **Senior Secured Loans** (1st lien) with rather **onerous covenants** ➢ Debt facility **not higher than 3,75x LTM EBITDA**	**Term Loan A** with annual interest payment of Euribor (0% floor) **plus a margin of 4%. Amortized** over the holding period with remaining principal repayment at maturity (5 years) **Term Loan B** with annual interest payment of EURIBOR (0% floor) plus a **margin of 5%. Bullet principal repayment** after 6 years
Invesco	**Invesco - Global investment management firm headquartered in the US, with a Specialized Direct Lending arm**. Its debt fund strategies include conceding **unitranche loans** ➢ Unitranche loan is a **hybrid loan package combining senior and junior debt** into a **single tranche term facility** with a **blended interest rate** falling between both types of debt Leverage ratio with a direct lender counterparty is more flexible at a max level **of 6,5x LTM EBITDA**	**Unitranche Loan** with annual interest payment of EURIBOR (0% floor) plus a **margin of 7%** (blended interest rate between senior and junior facilities) reflecting higher leverage and looser covenants **Bullet principal repayment at maturity** (6 years)

Potential Returns for the Fund





Final Selection

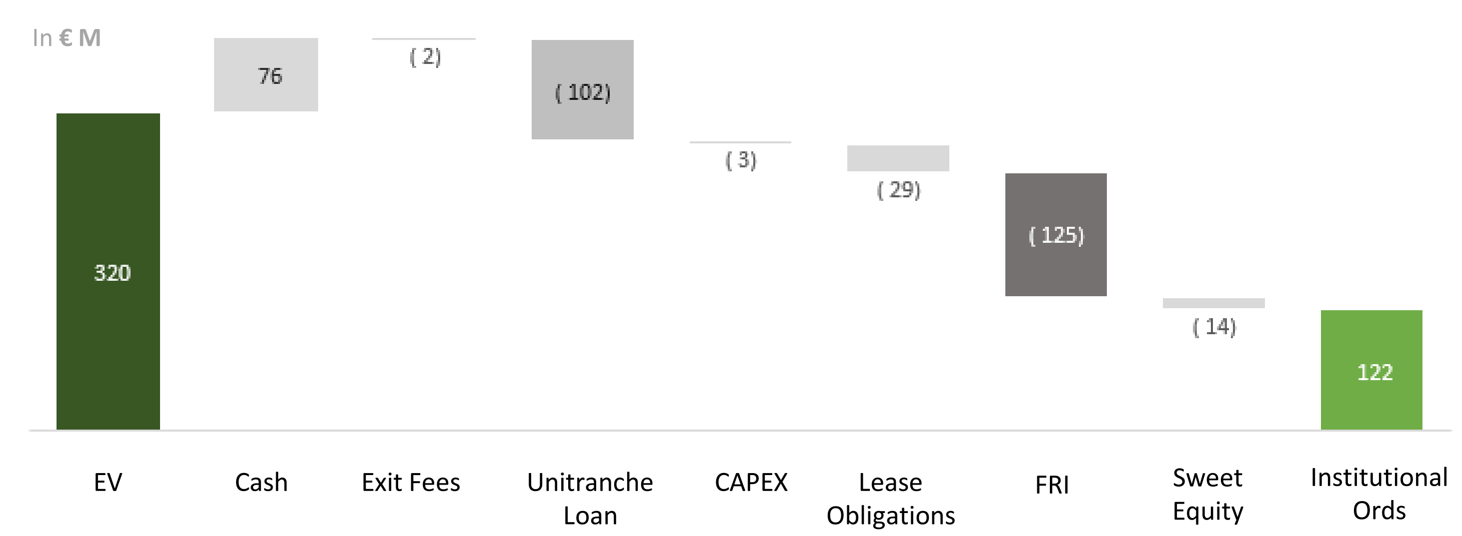
- A thorough analysis on both debt packages led us to conclude on which structure was optimal for our specific case. We have decided to select **Invesco's** as it gave **more room for leverage** (6.5x) in the capital structure than in the bank lending scenario where only a threshold of 3.75x was allowed. Besides, a single debt instrument with a single bullet repayment leads to no amortized debt over the holding period
- This chosen debt structure allows us to **raise 102M in debt** in comparison with Santander's proposed structure of only 59M, ultimately leading to **amplified returns in the context of an LBO**, following a rigorous compliance with **settled financial covenants of 1.5x for Interest Cover and 1.2x for Cash Cover**

Sources: Santander Corporate & Investment Banking, Invesco (Nuno Caetano), Team's own assessment

Returns

Earnings from the investment claimed according to seniority and sensitivity analysis illustrates the flexibility of the deal

Exit Waterfall



Key Remarks

- At the exit year, 2025, AUGA is expected to generate an EBITDA of 27M. Assuming no multiple arbitrage at exit (same entry multiple of 11,8x), **the firm is valued at an EV of € 319,88M**
- The distribution of proceeds respects the seniority of each claims, after incurring in payment of exit fees.
- The Unitranche Loan facility of € 102M is paid followed by the repayment of the remainder of the CAPEX facility incurred and operating lease obligations which are defined as debt-like
- Afterwards, the Fixed Return Instrument provided by Fund is paid, followed by Ordinary Equity composed of Management's equity package and Institutional Ordinary shares

Capital Structure Sensitivity Analysis – Fund IRR

IRR		Exit Year				
	22.4%	2023	2024	**2025**	2026	2027
Acq.Leverage	4,5x	11,1%	13,8%	15,3%	15,3%	15,7%
	5,5x	16,4%	17,9%	18,5%	18,0%	18,1%
	6,5x	22,8%	22,7%	**22,4%**	21,2%	20,8%
	7,5x	30,9%	28,7%	27,2%	25,2%	24,2%
	8,5x	41,7%	36,6%	33,4%	30,2%	28,5%

- Showcases the **impact of the use of initial leverage to amplify returns for the fund**
- Base scenario of 6,5x leverage. A 1x increase in leverage would impact IRR positively in 4,8%

IRR		Exit Year				
	22.4%	2023	2024	**2025**	2026	2027
Interest Rate Unitranche A	6.0%	23,4%	23,2%	22,8%	21,6%	21,0%
	6.5%	23,1%	22,9%	22,6%	21,4%	20,9%
	7.0%	22,8%	22,7%	**22,4%**	21,2%	20,8%
	7.5%	22,5%	22,5%	22,2%	21,1%	20,7%
	8.0%	22,2%	22,2%	22,0%	20,9%	20,6%

- Demonstrates **impact of interest rate variations**
- An interest rate increase of 50 bps would have a minimal negative impact on IRR of 0,2% (and 0,2% vice-versa)

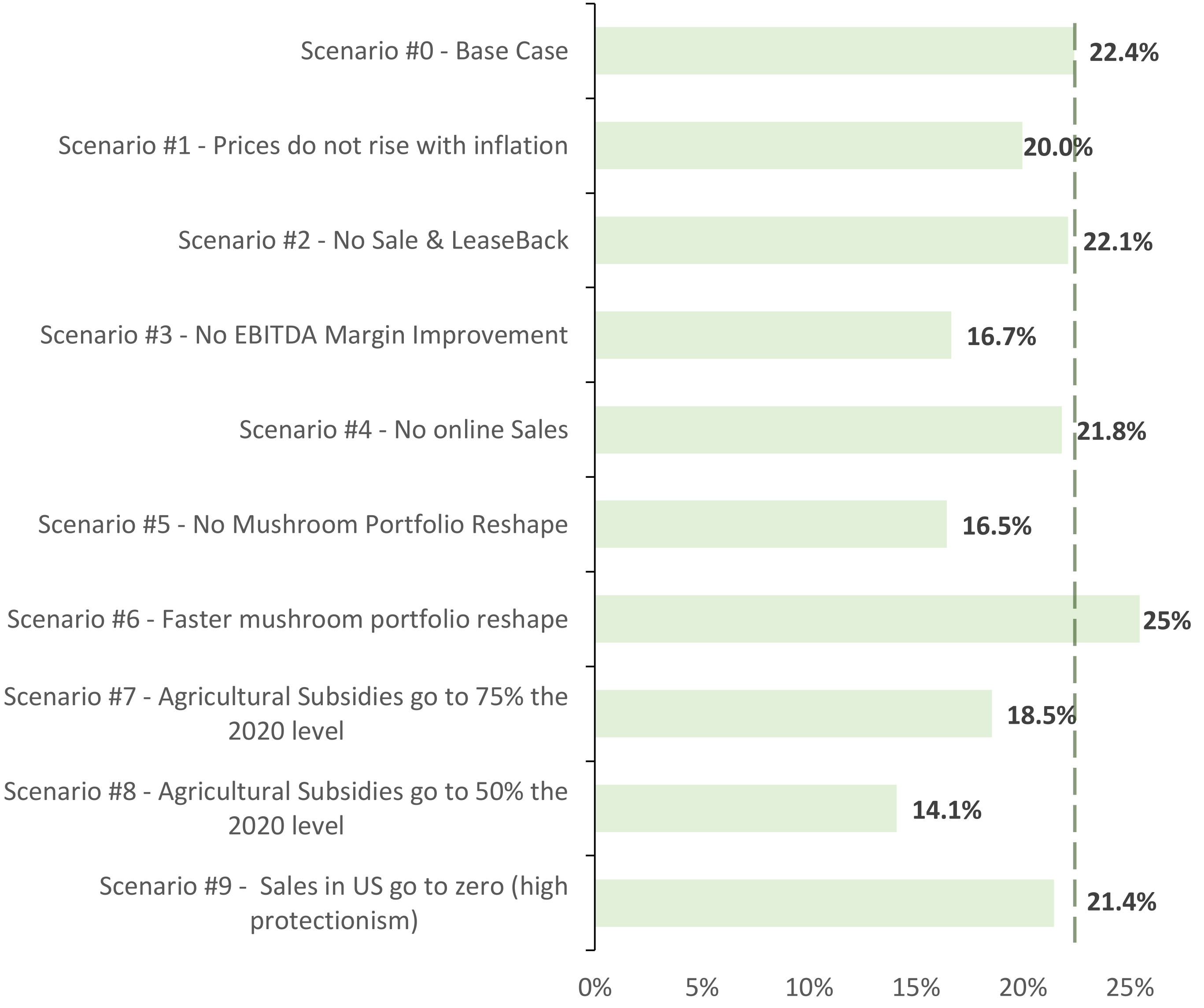
IRR		Exit Year				
	22.4%	2023	2024	**2025**	2026	2027
Sweet Equity	6,0%	23,3%	23,2%	22,9%	21,6%	21,2%
	8,0%	23,1%	23,0%	22,6%	21,4%	21,0%
	10,0%	22,8%	22,7%	**22,4%**	21,2%	20,8%
	12,0%	22,5%	22,4%	22,2%	21,0%	20,6%
	14,0%	22,2%	22,2%	21,9%	20,8%	20,4%

- Table shows levels of **management equity incentive through Sweet Equity and its effect on Fund's returns**
- Increasing management's stake in ordinary equity by 2% would impact IRR by a negative 0,3%

Returns

Different scenarios were taken in consideration, concluding that AUGA is able to withstand most of their potential risks

Scenario analysis of Internal Rate of Return - IRR



0. The base case of AUGA's LBO **yields a 22.4% Internal Rate of Return for the Fund.**
1. Even if the forecasted inflation for the coming years is not considered in the model estimations, this will not have a significant impact on the IRR.
2. The completion of the **Sale & Leaseback value creation initiative does not have a major impact in the Fund's IRR** of the transaction.
3. **The EBITDA margin improvements have a relevant impact on the IRR**. If these are not attained the fund's IRR will decrease to 16.7%.
4. The successful creation of the new online sales channel **will not have any major impact** on the fund's IRR.
5. **Mushroom portfolio reshape has a significant impact on the fund's IRR**, showing the importance of this value creation initiative.
6. With a faster **mushroom portfolio revamp towards organic production, the fund's IRR will firmly increase.**
7. **The subsidies have a relevant impact on the IRR.** In the unlikely scenario that subsidies decrease to 75% the 2020 level, the fund's IRR will be 18.5%.
8. Considering an even more austere and improbable scenario where the **subsidies decrease to 50% the 2020 level, the fund earns a 14.1% IRR.**
9. Even if a strict protectionism **policy is implemented in the US, and the sales in this market turn out to be 0**, the fund's IRR would continue to be 21.4%.

Due Diligence

Outlining the key focus areas for AUGA's due diligence

Focus		Under Analysis	Critical Points	Provider	Estimated Time
Commercial	Business Model	▪ In-depth evaluation of product and sales mix ▪ Relationship with key stakeholders (clients, distributors, etc.)	▪ Draw a report on future market trends ▪ Outline optimal company structure	CIVITTA	*60 Days*
	Market Entries	▪ Assess most appropriate market entry strategies ▪ Identify relevant markets for AUGA's expansion	▪ Perform deep analysis on expansion needs ▪ Draw an expansion map		
Real Estate	Land Valuation	▪ Validate land book value ▪ Validate capital gains from **Sale & Leaseback** operation	▪ Accounting rules and past compliance ▪ Identify similar land plots	CBRE | Baltics	*45 Days*
	Property Management	▪ Conduct analysis over land lease agreements ▪ Assure maintenance capex	▪ Assess contractual terms with 3rd parties ▪ Identify potential contractual issues		
Agro	Subsidies	▪ Determine organic subsidies recurrence and requirements ▪ Provide potential investment subsidized opportunities	▪ Revise European regulatory requirements ▪ Define upcoming subsidies to be attributed	UL	*60 Days*
	On-site Assessment	▪ Collection and analysis of technical data: climate impact ▪ Re-evaluate farming equipment fleet	▪ Assess forecasted climate conditions ▪ Validate operating infrastructure		
Valuation	Valuation	▪ Ask for advisory on the potential deal value ▪ Conduct extensive analysis to identify hidden assets	▪ Present well-supported valuation ▪ Test and analyse different possible scenarios	Nordea	*60 Days*
	Exit Options	▪ Advise on suitable exit strategy ▪ Reach out to potential investors and prepare for roadshow	▪ Present suitable exit option ▪ Source for investors and negotiate deal		
Full Due Diligence			**Total Cost**	**€ 1.1M**	**Max: 60 Days**

Multiple Arbitrage Sensitivity Analysis

Sensitivity Analysis

Fund IRR - Exit Year VS Exit Multiple (Multiple Arbitrage)

IRR

		Exit Year				
	22.4%	2023	2024	2025	2026	2027
Exit Multiple	10.8x	17,8%	19,3%	19,9%	19,3%	19,3%
	11.3x	20,3%	21,0%	21,2%	20,3%	20,0%
	11.8x	22,8%	22,7%	22,4%	21,2%	20,8%
	12.3x	25,2%	24,3%	23,6%	22,1%	21,5%
	12.8x	27,5%	25,8%	24,7%	23,0%	22,2%

Fund Money Multiple - Exit Year VS Exit Multiple (Multiple Arbitrage)

MM

		Exit Year				
	2.7x	2023	2024	2025	2026	2027
Exit Multiple	10.8x	1,6x	2,0x	2,5x	2,9x	3,4x
	11.3x	1,7x	2,1x	2,6x	3,0x	3,6x
	11.8x	1,9x	2,3x	2,7x	3,2x	3,8x
	12.3x	2,0x	2,4x	2,9x	3,3x	3,9x
	12.8x	2,1x	2,5x	3,0x	3,5x	4,1x

Sensitivity Analysis

Management IRR - Exit Year VS Exit Multiple (Multiple Arbitrage)

IRR

		Exit Year				
	91%	2023	2024	2025	2026	2027
Exit Multiple	10.8x	102%	93%	83%	72%	65%
	11.3x	118%	100%	87%	75%	67%
	11.8x	131%	107%	91%	78%	69%
	12.3x	143%	113%	95%	80%	71%
	12.8x	154%	119%	98%	82%	73%

Management MM - Exit Year VS Exit Multiple (Multiple Arbitrage)

MM

		Exit Year				
	25.4x	2023	2024	2025	2026	2027
Exit Multiple	10.8x	8,3x	13,8x	20,4x	25,8x	33,9x
	11.3x	10,3x	16,1x	22,9x	28,6x	36,9x
	11.8x	12,4x	18,4x	25,4x	31,3x	40,0x
	12.3x	14,4x	20,6x	28,0x	34,1x	43,0x
	12.8x	16,5x	22,9x	30,5x	36,9x	46,1x

Sources: AUGA Group Annual Reports and Interim Financial Statements

Exit Year Sensitivity Analysis

Sensitivity Analysis 2024E

IRR- Entry/Exit Multiple - 2024E

IRR		Entry Multiple				
	22,7%	10.8x	11.3x	11.8x	12.3x	12.8x
Exit Multiple	10.8x	25,2%	22,1%	19,3%	16,8%	14,6%
	11.3x	27,0%	23,8%	21,0%	18,5%	16,3%
	11.8x	28,7%	25,5%	22,7%	20,2%	17,9%
	12.3x	30,4%	27,2%	24,3%	21,7%	19,4%
	12.8x	32,0%	28,8%	25,8%	23,2%	20,9%

MM - Entry/Exit Multiple - 2024E

MM		Entry Multiple				
	2.3x	10.8x	11.3x	11.8x	12.3x	12.8x
Exit Multiple	10.8x	2,46x	2,22x	2,03x	1,86x	1,72x
	11.3x	2,60x	2,35x	2,15x	1,97x	1,83x
	11.8x	2,75x	2,48x	2,27x	2,08x	1,93x
	12.3x	2,89x	2,62x	2,39x	2,20x	2,03x
	12.8x	3,04x	2,75x	2,51x	2,31x	2,14x

Sensitivity Analysis 2025E

IRR- Entry/Exit Multiple - 2025E

IRR		Entry Multiple				
	22.4%	10.8x	11.3x	11.8x	12.3x	12.8x
Exit Multiple	10.8x	24,6%	22,1%	19,9%	17,9%	16,1%
	11.3x	25,9%	23,4%	21,2%	19,2%	17,3%
	11.8x	27,2%	24,7%	22,4%	20,4%	18,5%
	12.3x	28,4%	25,9%	23,6%	21,5%	19,7%
	12.8x	29,6%	27,0%	24,7%	22,6%	20,8%

MM - Entry/Exit Multiple - 2025E

MM		Entry Multiple				
	2.7x	10.8x	11.3x	11.8x	12.3x	12.8x
Exit Multiple	10.8x	3,00x	2,72x	2,48x	2,28x	2,11x
	11.3x	3,17x	2,86x	2,61x	2,40x	2,22x
	11.8x	3,33x	3,01x	2,75x	2,53x	2,34x
	12.3x	3,49x	3,16x	2,88x	2,65x	2,45x
	12.8x	3,66x	3,31x	3,02x	2,77x	2,57x

Sensitivity Analysis 2026E

IRR- Entry/Exit Multiple - 2026E

IRR		Entry Multiple				
	21.2%	10.8x	11.3x	11.8x	12.3x	12.8x
Exit Multiple	10.8x	23,2%	21,1%	19,3%	17,6%	16,1%
	11.3x	24,2%	22,1%	20,3%	18,6%	17,1%
	11.8x	25,2%	23,1%	21,2%	19,5%	18,0%
	12.3x	26,1%	24,0%	22,1%	20,5%	18,9%
	12.8x	27,0%	24,9%	23,0%	21,3%	19,8%

MM - Entry/Exit Multiple - 2026E

MM		Entry Multiple				
	3.2x	10.8x	11.3x	11.8x	12.3x	12.8x
Exit Multiple	10.8x	3,49x	3,15x	2,88x	2,65x	2,45x
	11.3x	3,67x	3,32x	3,03x	2,78x	2,58x
	11.8x	3,85x	3,48x	3,17x	2,92x	2,70x
	12.3x	4,02x	3,64x	3,32x	3,05x	2,83x
	12.8x	4,20x	3,80x	3,47x	3,19x	2,95x

Sources: AUGA Group Annual Reports and Interim Financial Statements

Unitranche Loan Interest Rate Sensitivity Analysis

Sensitivity Analysis

Fund IRR - Exit Year VS Unitranche Interest Rate

IRR		Exit Year				
	22.4%	2023	2024	2025	2026	2027
Interest Rate Unitranche A	6.0%	23,4%	23,2%	22,8%	21,6%	21,0%
	6.5%	23,1%	22,9%	22,6%	21,4%	20,9%
	7.0%	22,8%	22,7%	22,4%	21,2%	20,8%
	7.5%	22,5%	22,5%	22,2%	21,1%	20,7%
	8.0%	22,2%	22,2%	22,0%	20,9%	20,6%

Fund MM - Exit Year VS Unitranche Interest Rate

MM		Exit Year				
	2.75x	2023	2024	2025	2026	2027
Interest Rate Unitranche A	6.0%	1,88x	2,30x	2,79x	3,23x	3,81x
	6.5%	1,86x	2,28x	2,77x	3,20x	3,78x
	7.0%	1,85x	2,27x	2,75x	3,17x	3,75x
	7.5%	1,84x	2,25x	2,73x	3,15x	3,73x
	8.0%	1,83x	2,23x	2,70x	3,12x	3,70x

Sensitivity Analysis

Management IRR - Exit Year VS Unitranche A Interest Rate

IRR		Exit Year				
	91%	2023	2024	2025	2026	2027
Interest Rate Unitranche A	6.0%	134%	109%	92%	78%	70%
	6.5%	133%	108%	92%	78%	70%
	7.0%	131%	107%	91%	78%	69%
	7.5%	130%	106%	90%	77%	69%
	8.0%	128%	105%	90%	77%	69%

Management MM - Exit Year VS Unitranche A Interest Rate

MM		Exit Year				
	25.4x	2023	2024	2025	2026	2027
Interest Rate Unitranche A	6.0%	12,9x	19,0x	26,3x	32,3x	41,0x
	6.5%	12,6x	18,7x	25,8x	31,8x	40,5x
	7.0%	12,4x	18,4x	25,4x	31,3x	40,0x
	7.5%	12,1x	18,0x	25,0x	30,8x	39,5x
	8.0%	11,9x	17,7x	24,6x	30,4x	39,0x

Sources: AUGA Group Annual Reports and Interim Financial Statements

Due Diligence

A successful commercial and real estate due diligence will be key for Auga's business model credibility

	Focus	Under Analysis	Critical Points	Provider	Estimated Time
Commercial	Growth forecast and outlook	▪ Macro analysis (inflation, GDP) ▪ Confirmation and testing of Macroeconomic assumptions	▪ Confirm rationale of assumptions ▪ Outline economic forecast	CIVITTA	30 Days
	Peers Assessment	▪ Assess competitive landscape ▪ Analyse strategic position in key markets	▪ Develop a deep-dive analysis on competitors ▪ Evaluate market dynamics		
	Business Model	▪ In-depth evaluation of product and sales mix ▪ Relationship with key stakeholders (clients, distributors, etc.)	▪ Draw a report on future market trends ▪ Outline optimal company structure		
	Market Entries	▪ Assess most appropriate market entry strategies ▪ Identify relevant markets for AUGA's expansion	▪ Perform deep analysis on expansion needs ▪ Draw an expansion map		
	Online Marketplace	▪ In-depth analysis of online organic food market ▪ Assess key drivers: acquisition, conversion and retention	▪ Analysis of online channel launch needs ▪ Estimate CPA dynamics within organic market		
Real Estate	Land Valuation	▪ Validate land book value ▪ Validate capital gains from **Sale & Leaseback** operation	▪ Accounting rules and past compliance ▪ Identify similar land plots	CBRE | Baltics	45 Days
	Property Management	▪ Conduct analysis over land lease agreements ▪ Assure maintenance capex	▪ Assess contractual terms with 3rd parties ▪ Identify potential contractual issues		
Insurance	Contracts	▪ Verify ongoing insurance contracts ▪ Determine suitability for organic farming sector	▪ Assure insurance covers abides by legal requirements	Willis Towers Watson	45 Days
	Coverage	▪ Benchmark insurance contract's terms and prices ▪ Analyse best practices for the organic farming sector	▪ Outline key insured areas ▪ Draw a full insurance map		

Due Diligence

Ensuring accounts accuracy and undergoing an effective agricultural assessment are cornerstones for AUGA's valuation

	Focus	Under Analysis	Critical Points	Provider	Estimated Time
Financial	Accounting	▪ Examine accounting methodologies and accuracy ▪ Study consolidation of accounts and cash management	▪ Check for any material misstatements ▪ Confirm inexistence of fraudulent practices	EY Building a better working world	40 Days
	Fiscal	▪ Tax compliance ▪ Audit model tax assumptions	▪ Assure tax payments' schedule is updated ▪ Inspect for outstanding tax litigations		
Legal	Licensing	▪ Verify production, organic and commercial licenses ▪ Determine firm's legal capacity to operate in the sector	▪ Assure compliance with EC organic production guidelines and international commerce principals	COBALT	60 Days
	Litigations	▪ Verify pending litigations and ongoing legal processes ▪ Understand major legal liabilities with key stakeholders	▪ Validate provisions' level of credibility ▪ Assess potential future financial obligations		
	Contracts in place	▪ Review contracts with key stakeholders ▪ Identify potential losses for AUGA	▪ Revise contractual clauses ▪ Draft future land rental terms		
Agricultural	Subsidies	▪ Determine organic subsidies recurrence and requirements ▪ Provide potential investment subsidized opportunities	▪ Revise European regulatory requirements ▪ Define upcoming subsidies to be attributed	UL	60 Days
	Soil and Water	▪ Review available land and determine soil composition ▪ Assess water availability and irrigation assets	▪ Run exhaustive soil tests ▪ Assure soils' capacity and quality		
	On-site Assessment	▪ Collection and analysis of technical data: climate impact ▪ Re-evaluate farming equipment fleet	▪ Assess forecasted climate conditions ▪ Validate operating infrastructure		
	Organic Model	▪ Review Auga's agricultural development plan (SOFA) ▪ Benchmark cross-segment harvest yields	▪ Determine environmental benefit ▪ Assess and quantify synergies (cost saving)		

Due Diligence

Key management team with strong governance compliance and monitoring will enhance AUGA's business

Focus		Under Analysis	Critical Points	Provider	Estimated Time
Management	Management Team	▪ Appraise AUGA's management performance ▪ Structure a suitable bonus system for the company	▪ Identify key areas of improvement ▪ Draw a performance-based bonus system	CVO RECRUITMENT & HEADHUNTING	*40 Days*
	New Hires	▪ Identify key hiring profiles to address FMCG expansion strategy ▪ Define performance assessment metrics	▪ Extensive profile screening ▪ Run interviews and assess candidates' skills		
Governance	Control Structure	▪ Clearly define the management roles ▪ Benchmark best governance practices in the industry	▪ Draft an exhaustive organogram ▪ Assess roles assuring no conflict of interests	KPMG	*15 Days*
	Culture	▪ Define company culture to determine main challenges ▪ Ensure competence and alignment of interests	▪ Identify eventual cultural breaches ▪ Raise red flags on issues of integration		
Logistics	Distribution Channels	▪ Assess current distributors contracts and sellers' network ▪ Identify opportunities for online channel development	▪ Outline a distributors' map per region ▪ Arrange meetings with shipping carriers	Deloitte.	*30 Days*
	FMCG Hub	▪ Evaluate production forecasts and storage capacity ▪ Develop inventory and order management solutions	▪ Identify improvement opportunities ▪ Ensure quick; reliable; accurate fulfilment		
Valuation	Valuation	▪ Ask for advisory on the potential deal value ▪ Conduct extensive analysis to identify hidden assets	▪ Present well-supported valuation ▪ Test and analyse different possible scenarios	Nordea	*60 Days*
	Exit Options	▪ Advise on suitable exit strategy ▪ Reach out to potential investors and prepare for roadshow	▪ Present suitable exit option ▪ Source for investors and negotiate deal		
Full Due Diligence			**Total Cost**	**€1.1 M**	**Max: 60 Days**

Individual Reflection

Private Equity Outlook 2021

Coming out of the sharpest contraction since the Great Depression, the world continues to adjust to a new economic reality. 2021 has been a great year for the global private equity (PE) industry.

Pent-up requests for deals were unleashed in the second half of 2020 taking after a brief hiatus as the COVID-19 pandemic sent economies all over the world into lockdown. This momentum shows no signs of slowing down as 2022 becomes closer and closer. It doesn't matter which metric is used to assess the industry's success, the numbers speak for themselves. In the first three quarters of 2021, there were a total of 4,605 buyouts, breaking the annual record for worldwide PE volume. In terms of value, the rebound is even more dramatic, with the industry on track to break records. The US$1.17 trillion in transactions reported from January to September 2021 has now surpassed every previous full-year number dating back to 2015.

In other words, the value of yearly PE deals is expected to more than quadruple year over year. The previous high of US$846.8 billion, established in 2007, just before the financial crisis put a stop to the period's credit boom, has already been shattered. Mega club transactions have also made a comeback in recent activity. In June, private equity titans Blackstone, The Carlyle Group, and Hellman & Friedman teamed together to buy Medline. This brisk activity is fueled by a number of causes. To rehabilitate economies and limit the pandemic's disruptive effects, unprecedented levels of monetary and fiscal stimulus have been employed, sending public equity and private capital market values rising in the process.

Fundraising has been plentiful, much like dealmaking. According to Preqin, private equity firms collected US$630 billion in the first nine months of 2021. If present trends continue, the business might break past milestones this year, topping US$1.2 trillion.

Individual Reflection

Private Equity Outlook 2021 (Cont)

Mega funds, in particular, are becoming more visible. Blue-chip managers have reaped the benefits of investor demand, raising their biggest vehicles to date in many cases. For example, Hellman & Friedman Capital Partners X, which raised $24.4 billion in July, or Carlyle Fund XI, which, if it meets its objective of US$27 billion, would become the biggest PE fund ever raised.

In accordance with the great amount of Dealmaking and Fundraising, Exits are keeping pace with the strong PE buyout market. Stock markets boosted by stimulus which helps GPs to raise valuations and prepare assets for IPOs, a trend that began in the second half of this year. Exits totalled US$666.8 billion in the first three quarters of 2021, a record high.

In a very short time, environmental, social, and governance (ESG) challenges have risen to the top of the business agenda. Major institutional investors such as BlackRock, State Street, and Vanguard Group have thrown down the gauntlet to corporations to start taking action on climate challenges, which was previously nothing more than a talking point. As a result, PE will have to go with the flow as consumers, workers, and LPs demand more sustainable and socially responsible corporate conduct from portfolio companies.

There are a lot of reasons to be optimistic about the Private Equity business. Deals are being cut at a rate not seen in years, and cash is being obtained from investors with relative ease, following the most disruptive year in recent memory.

Agenda

GROUP SLIDES

INDIVIDUAL SLIDES

REFERENCES

References – Web Sources

Company reports, presentations and initiation coverage:

- Consolidated Annual Reports: https://auga.lt/wp-content/uploads/2021/04/AUGA-group-Annual-Report-EN.pdf
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- Enlight Research Report: https://auga.lt/wp-content/uploads/2021/03/20210310-AUG-Q4-20-Update-Published.pdf

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