



Latin America Equity Research: Argentina

Industrials – Agricultural Machinery

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Agrometal S.A.I.

BYMA: AGRO Monte Maíz, Córdoba Currency: ARS

What ROE is the market pricing in?

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ROE versus cost of equity drives value

A company creates value only when its sustainable return on equity (ROE) exceeds the return shareholders require (Ke): above Ke it is worth more than book (P/BV > 1,0x), below Ke less. Reading the second formula backwards turns the price into an expectation: given Ke and g, it shows which long-term ROE investors are paying for.

$$\text{Justified P/BV} = (\text{ROE} - g) / (\text{Ke} - g)$$

$$\text{Implied ROE} = g + \text{P/BV} \times (\text{Ke} - g)$$

Cost of equity: 13,3% real in USD

Component	Value	Source
Risk-free rate (UST 10Y)	5,09%	Fed H.15, 16-Oct-26
Beta × ERP (1,24 × 4,23%)	5,25%	Damodaran Jan-26, global Machinery (unlevered; net cash)
Country risk premium	5,62%	EMBI Argentina, 365-day avg
Ke, nominal USD	16,0%	
US expected inflation	2,35%	UST 10Y breakeven, H.15
Ke, real USD	13,3%	(1,160 / 1,0235) – 1

ROE: history versus what the market pays for

Real ROE (IAS 29 statements)	ROE	Justified P/BV
Median 2019–2025	8,3%	0,52x
Market-implied (at 0,72x)	10,4%	0,72x
Full cycle 2019–2025 — base case	10,4%	0,72x
Downside: 2024–2025 average	6,7%	0,36x

Real ROE on average equity (IAS 29): 2019 –14,2% · 2020 30,2% · 2021 49,3% · 2022 15,2% · 2023 –21,1% · 2024 8,3% · 2025 5,1% · LTM Jun-26 2,7%. Full-cycle ROE = Σ net income / Σ average equity, all restated to Jun-26 pesos with the IAS 29 factors implied by each annual report. The cycle spans the 2020–22 boom and the 2023 drought year (211% inflation; inflation-exposure loss ARS 9.328m). Ke 13,3% and g 2,95% real in all rows.

Ke (real)	Implied ROE
11,0%	8,7%
13,3%	10,4%
15,0%	11,6%

A lower Ke lowers the ROE the market needs: at 11,0% it is 8,7%, close to the 2019–25 median (8,3%).

Conclusion

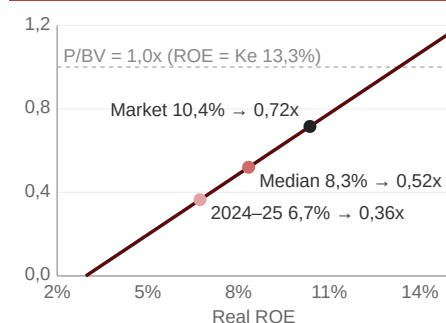
At 0,72x book the market prices in a real ROE of 10,4% — exactly AGRO's full-cycle 2019–25 ROE (10,4%, justified P/BV 0,72x). The stock is fairly priced for an average cycle, not cheap: LTM ROE is only 2,7%, so the price already assumes a recovery. If ROE stays at 2024–25 levels (6,7%) the justified P/BV falls to 0,36x (≈ ARS 15,9 per share). Upside needs conviction in an above-average farm-machinery cycle.

Technical Note

ROE vs Ke

Price BYMA, 19-Oct-26 (ARS)	31,2
Market cap (ARS bn)	37,4
Market P/BV (x)	0,72
Equity, Jun-26 (ARS bn)*	52,3
Shares outstanding (m)	1.200,0
Book value / share, Jun-26 (ARS)	43,6

Justified P/BV vs ROE



Model inputs (real, USD)

Ke	13,3%
Long-term growth (g)	2,95%
Base-case ROE (normalized)	10,4%
Justified P/BV (x)	0,72x
Market-implied ROE	10,4%

Context, Jun-26

Net debt / EBITDA, LTM (x)	–0,04x
EBITDA margin, LTM	15,5%
ROE, last 12 months	2,7%

* Equity at 30-Jun-26, condensed statements p.4; 1.200,0m ordinary shares, no treasury shares (note 10.1, p.40). Net cash ARS 0,6 bn. LTM = FY25 restated to Jun-26 pesos – 1H25 + 1H26. Equity is in June-26 pesos and the price in October-26 pesos, which slightly overstates P/BV.

Sources: Agrometal financial statements (CNV), Federal Reserve H.15, Damodaran, Rava (EMBI), BYMA; MCB Advisor estimates.

“In God we trust, all others must bring data.”

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