

9m Results 2019

 Opinion ⁽¹⁾: Resultados en línea.

 Impact ⁽¹⁾: Mantenemos estimaciones.

Ana Isabel Gonzalez Garcia – ana.gonzalez@lighthouse-ieaf.com

+34 915 904 226

We maintain our estimates despite the moderate slowdown in the decline in revenue

Results are in line with our estimates at the EBITDA level, but the moderate slowdown in the decline in revenue in 3Q has led us to downgrade our revenue estimates, with no impact on 2019-2021e EBITDA.

REVENUE -12.5% (vs -14.8% 1H19, with a mix: -4.3% y/y volume and -8.2% prices). The y/y decline in sales of walnuts and almonds (77% of total revenue): -30.6% and -8.3% respectively vs. 9M18 stands out. The reasons for this, among others, have been problems with the quality of early varieties (Californian walnuts), delays to harvests and pressure on prices from the import tariff wars. On the other hand, the recovery of almond prices (-1% y/y in the same period, and c. +8% y/y in 3Q19), contrasts with the decline in walnut prices (c. -20% y/y at 9M19), with a recovery of prices in 4Q being ruled out.

EBITDA/REVENUE MARGIN (1.2% 9M19, -1.5p.p. y/y), with -60.8% y/y for EBITDA, negatively impacted by lower volumes (-5.9% y/y excluding subproducts). The expected deceleration of the decline in revenues in 4Q together with operating efficiencies should result in an improvement in this ratio in 2019e (1.7%).

INCREASE IN DEBT IN LINE (ND +7.3% y/y), which has taken ND to highs (EUR 58.6Mn), due to the investments made (EUR 10.7Mn in 12M). Historically, 3Q is the quarter of the year with highest debt for BAIN, with this ratio likely to improve in 4Q.

ORD. PROFIT (-86.3% y/y) and -25% for NP (EUR 1.9Mn), to which extraordinary items contributed 82% (EUR 2Mn from the sale of the popcorn packaging plant in 2Q). The tax rate (22%), is slightly below our forecast for the year (-1p.p.).

Business description

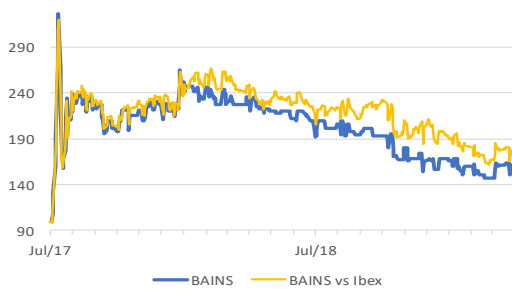
Borges Agricultural & Industrial Nuts, S.A. is a small international group based in Spain (Tarragona), specialising in the agricultural production, processing and B2B marketing of nuts. It has an international presence (58% of 2018 revenue) and is a European benchmark in the almond segment (share of c.7%). Its core shareholder is Borges International Group (89.1% of capital).

Market Data

Market Cap (Mn EUR and USD)	86.1	96.0
EV (Mn EUR and USD)	123.0	137.2
Shares Outstanding (Mn)	23.1	
-12m (Max/Med/Mín EUR)	5.60 / 4.45 / 3.50	
Daily Avg volume (-12m Mn)	n.m.	
Rotation ⁽²⁾	0.73	
Thomson Reuters / Bloomberg	BAINS.MC / BAIN SM	
Close fiscal year	31-May	

Shareholders Structure (%)

Borges International Group	89.1
Board Members	0.3
Free Float	10.6

Relative performance -5y (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	6.3	-6.1	-33.6	n.a.
vs Ibex 35	3.4	-9.1	-30.6	n.a.
vs Ibex Small Cap Index	5.7	-6.5	-26.0	n.a.
vs Eurostoxx 50	0.3	-16.2	-33.4	n.a.
vs Sector benchmark ⁽³⁾	3.7	-15.9	-46.7	n.a.

(1) The opinion about results is in respect of reported EBITDA and its relation to our estimate for the year (12m). The impact reflects whether, as a consequence of these results, we envisage a significant (>5%) upgrade or downgrade to our EBITDA estimates (for any of the estimated years).

(2) Total volume traded in the share (Mn EUR) -12m vs Mkt Cap. Represents the % of the capitalisation traded -12m.

(3) vs Thomson Reuters Europe Food Processing.

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Thomson Reuters and Lighthouse

	3Q19	3Q19 vs 3Q18	9M19	9M18	9M19 vs 9M18	2019e	2019 vs 2018
Total Revenues	40.5	-7%	131.4	150.2	-12.5%	179.5	-8.3%
Walnuts	0.0	-99%	14.6	21.0	-30.6%	17.0	-28.5%
Almonds	27.6	5%	86.7	94.6	-8.3%	120.9	-3.7%
Other nuts	11.0	47%	21.0	22.2	-5.4%	31.8	7.7%
Other products	1.8	-61%	9.1	12.3	-26.4%	9.8	-42.0%
Rec. EBITDA ⁽¹⁾	0.8	n.s.	1.7	4.3	-60.4%	3.0	-46.8%
Rec. EBITDA / Rev.	2.0%	1.8 p.p.	1.3%	2.9%	-1.6 p.p.	1.7%	-1.2 p.p.
EBITDA ⁽¹⁾	0.7	n.a.	1.6	4.0	-60.8%	3.1	-42.1%
EBITDA / Rev.	n.d.	n.d.	1.2%	2.7%	-1.5 p.p.	1.7%	-1.0 p.p.
EBT	0.4	n.a.	2.5	3.0	-17.4%	3.0	-23.7%
NP	0.4	n.a.	1.9	2.5	-25.0%	2.3	-30.0%
Ordinary NP	0.4	n.a.	0.3	2.5	-86.3%	0.7	-79.2%
Ha. managed ⁽³⁾	2,518.0	4.9%	2,518.0	2,401.5	4.9%	2,518.0	4.9%
Volume ⁽²⁾	7,960	1.8%	26,373	28,012	-5.9%	32,145	-12%
Tns. produced ⁽³⁾	-	n.a.	2,290	2,185	4.8%	2,290	4.8%
Net Debt	n.a.	n.a.	58.6	54.7	7.3%	37.2	6.3%
ND / EBITDA	n.a.	n.a.	37.1 x	13.6 x	23.6 x	12.0 x	5.5 x

⁽¹⁾ EBITDA and Rec. EBITDA adjusted. It excludes capitalized expense.

⁽²⁾ Excluding subproducts.

⁽³⁾ Producción ajustada by the hectares sold.

Changes to estimates

Any reference to the results of the period to 9M refers to the period between 1 June of the previous year and 28 February of the corresponding year.

In the light of these results we have changed our estimates moderately

Results have been impacted by weak revenues from the main products sold (walnuts and almonds, whose volumes fell y/y -11% and -8% respectively), accounting for 76% of the decline in Group revenue at 9M19.

Weak 3Q revenues have led us to downgrade our revenue projections c. -6% y/y until 2021 (EUR 179.5Mn 2019e, -8.3% y/y), without these changes impacting our EBITDA estimates. However, smaller working capital investment (after the decline in revenues) will have a slightly positive effect on NP (due to lower financial costs), which even so, as we had anticipated, will touch lows in 2019 (-30% y/y). BAIN's equity story remains intact.

EUR Mn	2019e (New)	Review (%)	2020e (New)	Review (%)	2021e (New)	Review (%)
Total Revenues	179.5	-6.2%	189.0	-6.2%	198.8	-6.2%
Recurrent EBITDA	3.0	0.0%	6.4	0.0%	10.1	0.0%
<i>Recurrent EBITDA growth</i>	<i>-46.8%</i>	<i>0.0 p.p.</i>	<i>112.0%</i>	<i>0.1 p.p.</i>	<i>56.7%</i>	<i>-0.1 p.p.</i>
<i>Rec. EBITDA/Revenues</i>	<i>1.7%</i>	<i>0.1 p.p.</i>	<i>3.4%</i>	<i>0.2 p.p.</i>	<i>5.1%</i>	<i>0.3 p.p.</i>
Net Profit	2.3	0.7%	3.0	0.7%	4.8	0.7%
Recurrent Free Cash Flow	-3.7	-30.9%	-3.1	-3.8%	1.0	12.8%
<i>ND / EBITDA</i>	<i>12.0 x</i>	<i>-0.5 x</i>	<i>6.2 x</i>	<i>-0.3 x</i>	<i>3.7 x</i>	<i>-0.2 x</i>

Actively seeking new strategies to accelerate the improvement in margins

BAIN has taken advantage of the results release to announce a new project in the pistachio segment (one of the most profitable crops), for which it has added 116.5 Has. in 3Q19 (1.1x those reported in 1H19). Total hectares under management amount to 2,518 (+4.8% vs. the area initially projected for 2019). However, the development of this new project will not require additional CAPEX as it involves agreements with co-operatives of producers. When these new plantations are in full production (7-8 years), the self-supply of nuts will increase (>10%), helping to accelerate margin improvement in the longer term, and FCF generation.

In conclusion, we maintain our projections for the Group, expecting a gradual improvement in margins from 2019, underpinned by the increased self-supply of nuts when the most recent plantations enter full production. Moreover, sales of processed products with higher added value (almond butter) will also contribute to this improvement that will be supported by the implementation of new strategies (such as the new pistachio project).

IMPORTANT LEGAL INFORMATION REGARDING THIS REPORT

LIGHTHOUSE

Lighthouse is a project of IEAF Servicios de Análisis S.L.U. Lighthouse is a research project funded by Bolsas y Mercados Españoles S.A. Lighthouse aims to improve the research coverage of the "orphan stocks" of the Spanish market: those which lack real and continuous research coverage. Lighthouse reports will not include valuation and target price. Lighthouse does not seek to provide investment advice to any natural or legal person. For this reason, Lighthouse will not provide a valuation, target price or investment recommendation for any of the securities analysed.

IEAF Servicios de Análisis S.L.U. is a Spanish company whose corporate purpose is:

- 1º) To provide information and financial analysis regarding securities issued by any class of legal person traded on official secondary markets, and specifically those securities which are not the object of the recurrent provision of information and analysis by financial analysts who participate in the markets.
- 2º) To publicise and update the aforementioned financial reports and analysis, in addition to the monitoring and following of the securities on which the information and analysis is provided.
- 3º) To prepare studies and projects aimed at proposing and implementing measures to improve the information and financial analysis of securities traded on official secondary markets.

IEAF Servicios de Análisis S.L.U. is a company whose sole shareholder is the Instituto Español de Analistas Financieros (IEAF), a professional, not for profit association.

DISCLAIMER

The Instituto Español de Analistas Financieros (IEAF) hereby certifies that the analyst of IEAF Servicios de Análisis S.L.U. whose name figures as the author of this report, expresses views that reflect their personal and independent opinion of the company analysed without these implying, either directly or indirectly, a personalised recommendation of the company analysed for purposes of providing investment advice. This report is based on the preparation of detailed financial projections from information available to the public and following traditional fundamental research methodology (i.e. it is not a technical or quantitative analysis report). For the analysis methodology used in the preparation of this report, please contact the analyst directly; contact details are included on the front page of this report.

The report includes basic information regarding the main parameters to be used by an investor when making their own valuation (whether by discounted cash flows or multiples). These parameters are the personal opinion or estimate of the analyst. The person receiving this report should use their own judgement when using these parameters and should consider them as another element in their decision-making process in respect of investment. These parameters do not represent a personalised investment recommendation.

Rules governing confidentiality and conflicts of interest

None of the following rules governing confidentiality and conflicts of interest (12) is applicable to this report:

1. This report is non-independent research as it has been commissioned by the company analysed (issuer).
2. In the last 12 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., has had Investment Banking mandates or has managed or co-managed a public offering of the securities of the issuer, or has received compensation from said issuer for Investment Banking services, that exclude brokerage services for prepaid fees.
3. In the next 6 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., expects to receive or intends to obtain compensation for Investment Banking services provided to this company that exclude brokerage services for prepaid fees.
4. The Investment Analyst or a member of the Research Department or a member of their household has a long position in the shares or derivatives of the corresponding issuer.
5. The Investment Analyst or a member of the Research Department or a member of their household has a short position in the shares or derivatives of the corresponding issuer.
6. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a long position of over 0.5% of the issuer's capital.
7. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a short position of over 0.5% of the issuer's capital.
8. At the end of the month immediately prior to the publication of this report, or of the previous month if the report is published in the ten days following the end of the month, the company analysed (the issuer) or any of its subsidiaries held 5% or more of any class of equity security of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U.
9. A senior director or officer of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., or a member of their department is a director, officer, advisor or member of the Board of Directors of the issuer and/or one of its subsidiaries.
10. The Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., acts as broker for the Issuer for the corresponding prepaid fees.
11. The contents of this report have been reviewed by the issuer prior to its publication.
12. The issuer has made changes to the contents of this report prior to its distribution.

The Investment Analysts who have prepared this Investment Analysis are employees of IEAF Servicios de Análisis S.L.U. These analysts have received (or will receive) compensation according to the general earnings of IEAF Servicios de Análisis S.L.U. To obtain a copy of the Code of Conduct of IEAF Servicios de Análisis S.L.U. (in respect of the Management of Conflicts of Interest in the research department), please use the e-mail address secretaria@ieaf.es or consult the contents of this Code at www.ieaf.es.

IEAF Servicios de Análisis S.L.U. is compensated by Bolsas y Mercados Españoles, S.A. for the preparation of this report. This report should be considered as just another element in the taking of investment decisions.

A report issued by IEAF servicios de análisis S.L.U.

All rights reserved. The unauthorised use or distribution of this report is prohibited. This document has been prepared and distributed, according to the provisions of the MiFID II by IEAF Servicios de Análisis S.L.U. Its corporate activity is regulated by the CNMV (the Spanish Securities Exchange Commission). The information and opinions expressed in this document do not represent nor are they intended to represent an offer or a solicitation to buy or sell the securities (in other words, the securities mentioned in this report and related warrants, options, rights or interests). The information and opinions contained in this document are based upon information available to the public and have been obtained from sources believed to be reliable by IEAF Servicios de Análisis S.L.U., but no guarantee is given regarding their accuracy or completeness. All comments and estimates reflect solely the opinion of IEAF Servicios de Análisis S.L.U. and do not offer any implicit or explicit guarantee. All the opinions expressed are subject to change without prior warning. This document does not take into account the specific investment objectives, financial position, risk profile or other specific aspects of the person who receives this document, and accordingly they should exercise their own judgement in this respect. Neither the Instituto Español de Analistas Financieros nor its subsidiary, IEAF Servicios de Análisis S.L.U., assumes any responsibility for direct or indirect losses arising from the use of the published research, except in the event of negligent conduct by IEAF Servicios de Análisis S.L.U. The information contained in this report is approved for distribution to professional clients, eligible counterparties and professional advisers, but not for distribution to private individuals or retail clients. Its reproduction, distribution or

publication for any purpose without the written authorisation of IEF Servicios de Análisis S.L.U. is prohibited. The Instituto Español de Analistas Financieros (IEAF) and/or its subsidiary IEF Servicios de Análisis S.L.U., their employees and directors, may hold a position (long or short) in an investment knowing that this issuer will be the object of analysis and that this analysis will be distributed to institutional investors. Any further information regarding the contents of this report will be provided upon request. IEF Servicios de Análisis S.L.U. intends to publish (at least) one quarterly report or note updating the information on the company analysed.

United States. IEF Servicios de Análisis S.L.U. is not registered in the United States and, consequently, is not subject to the regulations of that country governing the preparation of research and the independence of analysts. This report is distributed solely to major US institutional investors, in reliance on the exemption from registration provided by Rule 15a-6 of the US Securities Exchange Act of 1934, as amended (the "Exchange Act"), and interpretations of this made by the US Securities Exchange Commission.

Major US Institutional Investors. This report will be distributed to "major US institutional investors", as defined by Rule 15a-6 of the US Securities Exchange Commission and of the US Securities Exchange Act of 1934.

Recommendation History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
25-Apr-2019	n.a.	3.72	n.a.	n.a.	9m Results 2019	Ana Isabel González García
11-Apr-2019	n.a.	3.84	n.a.	n.a.	Initial Coverage	Ana Isabel González García