

EQUITY - SPAIN

Sector: Food - Food Processing

Report date: 4 Jun 2020

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Review of estimates

Closing price: EUR 2.98 (3 Jun 2020)

Borges Agricultural & Industrial Nuts, S.A. (BAIN) 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).

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Market Data

Market Cap (Mn EUR and USD)	69.0	77.5
EV (Mn EUR and USD) ⁽¹⁾	105.2	118.2
Shares Outstanding (Mn)	23.1	
-12m (Max/Med/Min EUR)	3.50 / 3.03 / 2.50	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽²⁾	1.0	
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

Financials (Mn EUR)

	2018	2019e	2020e	2021e
Adj. nº shares (Mn)	23.1	23.1	23.1	23.1
Total Revenues	177.8	182.3	193.3	204.8
Rec. EBITDA ⁽³⁾	2.1	6.4	8.8	10.2
% growth	-63.0	202.1	37.6	16.9
% Rec. EBITDA/Rev.	1.2	3.5	4.5	5.0
% Inc. EBITDA sector ⁽⁴⁾	-0.1	7.7	3.7	14.2
Net Profit	2.4	2.3	3.3	4.3
EPS (EUR)	0.10	0.10	0.14	0.19
% growth	-27.7	-2.8	44.0	28.5
Ord. EPS (EUR)	0.04	0.12	0.15	0.19
% growth	-73.7	201.9	23.6	26.7
Rec. Free Cash Flow ⁽⁵⁾	-4.5	-0.9	-1.3	0.6
Pay-out (%)	0.0	0.0	0.0	0.0
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	38.4	38.6	38.7	36.9
ND/Rec. EBITDA (x)	18.3	6.1	4.4	3.6
ROE (%)	4.1	3.9	5.3	6.4
ROCE (%) ⁽⁵⁾	0.8	2.8	3.7	4.5

Ratios & Multiples (x)⁽⁶⁾

	2018	2019e	2020e	2021e
P/E	28.9	29.7	20.6	16.1
Ord. P/E	72.6	24.0	19.5	15.3
P/BV	1.2	1.1	1.1	1.0
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/Sales	0.59	0.58	0.54	0.51
EV/Rec. EBITDA	50.0	16.5	12.0	10.3
EV/EBIT	n.a.	29.0	21.0	16.6
FCF Yield (%) ⁽⁵⁾	n.a.	n.a.	n.a.	0.9

(1) Please refer to Appendix 3.

(2) Rotation is the % of the capitalisation traded - 12m.

(3) Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.4Mn higher due to IFRS 16..

(4) Sector: TR Europe Food Processing.

(5) Please see Anex 2 for the theoretical tax rate (ROCE) and recurrent FCF calculation.

(6) Multiples and ratios calculated over prices at the date of this report.

Although we downgrade our (m/t) estimates, fundamentals are stronger

COVID-19: WE DOWNGRADE OUR 2020e-2021e ESTIMATES. Lower growth in revenues (average of -2.8% vs. previous estimates), more pronounced in 2019e (-3.5%) putting these at EUR 182.3Mn (+2.5% y/y; -3.3% volume; +5.8% prices), having been affected (4Q19: March, April and May 2020) by the closure of traditional sales channels due to the Covid-19 crisis. With a foreseeable recovery of growth +2y (CAGR +6% +2y). However, we maintain 2019e Rec. EBITDA (EUR 6.4Mn, c. +3x y/y) due to the improvement in the contribution margin (already evident in 9M19).

THE DOWNGRADE IMPACTS ESTIMATES FOR EBITDA AND NP (m/t), which we cut by an annual average of c. -15% and -25% respectively vs. previously, due to the worse mix (-5% in the contribution to +3y revenues of almonds and walnuts) and a smaller contribution from own nut production (c. -5% +3y vs. previously).

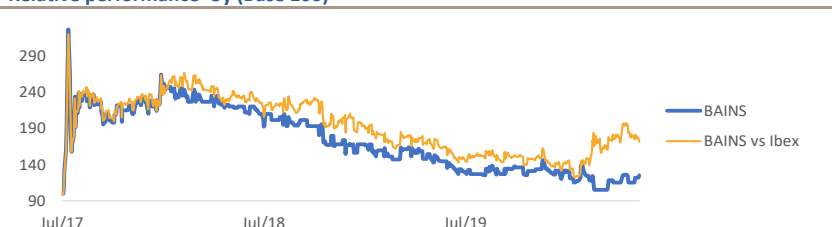
EVEN SO, 2019 WILL BE A PRELUDE TO A GRADUAL IMPROVEMENT IN PROFITABILITY (m/t): 2019E Rec. EBITDA/Revenues 3.5% (+2.3p.p. vs. -1y), increasing to 5.0% +2y, with Rec. EBITDA exceeding the EUR 10Mn threshold (EUR 10.2Mn 2021e, c. 1.5x vs 2019 and 5x vs. 2018).

WITH DEBT BACK TO REASONABLE LEVELS (M/T): ND/Rec. EBITDA 6.1x in 2019 (-2/3 vs. -1y), declining to c. 3.5x, +2y in our central scenario. A "picture" that could be improved by a decrease in CAPEX vs. mid-term estimates and the potential sale of non-core assets (not included in our estimates).

AND TAKING FCF TO BREAK EVEN (2019e): thanks to collections associated with asset sales carried out a year before (EUR 1.5Mn/year 2019-2021e), with break-even for Rec. FCF being delayed until the end of the period (in our central scenario).

IN AN INDUSTRY THAT IS COVID-19-PROOF, THE KEY FACTOR IS THE SPEED OF THE IMPROVEMENT IN MARGINS: The post Covid-19 recovery (2020-2021) will continue to drive BAIN's business (significant recovery of the P/L in 2020e, c. +45% y/y in NP), with CAGRs of +6.0% and +26.9% respectively for revenues and EBITDA +2y, without ruling out the possibility of Rec. FCF break-even happening earlier.

Relative performance -5y (Base 100)



Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	8.8	0.7	-16.8	-0.7	n.a.	n.a.
vs Ibex 35	-1.3	16.3	-1.5	24.4	n.a.	n.a.
vs Ibex Small Cap Index	1.7	8.5	-11.4	10.2	n.a.	n.a.
vs Eurostoxx 50	-2.6	3.8	-16.0	13.8	n.a.	n.a.
vs Sector benchmark ⁽⁴⁾	8.1	2.1	-17.7	3.8	n.a.	n.a.

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

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Downgrade to estimates

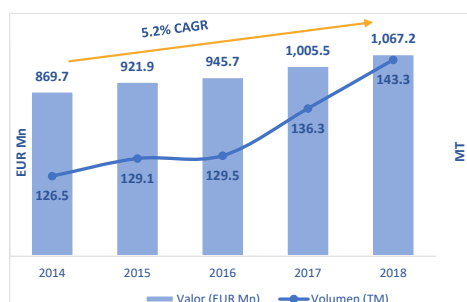
Well positioned in a sector favoured by the current “health crisis”

We have changed the system for naming years vs previous reports, i.e., the year ending 31 May 2020 is now called 2019 (vs. 2020 previously).

Advance estimates provided by the main institutions on the economic impact of the “Covid-19 crisis”, while disheartening, are no longer surprising. Even so, the Bank of Spain has reduced its most optimistic forecast for the the contraction of domestic GDP to -9.5% y/y in 2020, (-2.9p.p. vs. its most favourable scenario of the end of April, when it was estimating -13.6% in the worst-case scenario¹). The same organisation has warned that the crisis will be longer and more severe than expected, with structural damage to the economy (and to consumption).

In addition to these pronouncements, there are the gloomy forecasts for the European market (c. 86% of BAIN’s international revenues in 2018), for which the European Commission predicts a contraction of -7.4% in 2020 (EU-27), rising to -7.7% in the Eurozone.

Chart 1. Household consumption of nuts and dried fruit (Spain)



Source: Report on food in consumption in Spain (Spanish Ministry of Agriculture, Fisheries and Food)

2019 and 2020 distorted by the Covid-19 crisis

The Covid-19 crisis has fully impacted BAIN’s 4Q19 (March, April and May 2020; Spain accounts for c. 40% of revenues), with its effect likely to persist for a good part of 2020 (in the de-escalation).

However, in a scenario which has restricted visits (during lockdown) to, among other places, the supermarket, the food sector has been one of the favoured/least prejudiced industries. In fact, the Covid-19 crisis has changed consumer habits. During the so-called “week of hysteria”², which forced a radical change in consumers’ shopping behaviour due to the state of alarm in Spain, purchases of consumer staples increased by c. +21% y/y. After the purchase of “supplies” during the first few weeks (of, among other things, non-perishable fresh products, such as nuts), shopping habits have gradually normalised.

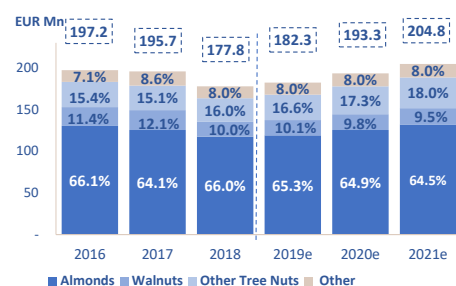
During which demand for nuts has demonstrated its resilience

The health crisis has affected consumer habits, favouring those products considered “healthy” such as nuts, which have increased their presence, together with other snacks, in shopping baskets (+78% y/y in April)³, boosted by the temporary closure of the hotel and catering channel⁴. Even so, the “temporary” closure of traditional channels of consumption (bakery shops and other food processing facilities) has held back the sector. However, the “new normal” could benefit the food industry (+2% in spending on food in 2021 according to Deloitte).

The results and the current macro context lead us to change our estimates

- **Lower growth in revenues (an average of -2.8% per year vs. our initial estimates)**, with a sharper fall in 2019, due to the impact that the restrictions caused by the Covid-19 pandemic has had on the closure of channels (bakery shops and other food processing facilities). We estimate revenue for the year of EUR 182.3Mn (-3.5% vs initial estimates), growing +2.5% vs 2018: -3.3% in volume (vs. flat at 9M19) and +5.8% in price (vs. c.+7% at 9M19), with BAIN’s presence in retail channels (food chains) unable to offset the loss of other markets. We expect BAIN to exceed the EUR 200Mn threshold in the mid term (EUR 204.8Mn in 2021e, with a CAGR of +6% +2y: +5.6% in volume and +0.4% in price).
- **And, although we maintain our estimates for the year (Rec. EBITDA EUR 6.4Mn 2019, c. +3x y/y) and +2.3p.p. in the margin vs. 2018**, due to the improvement in contribution margins (+120% y/y in 9M19 Rec. EBITDA, despite smaller sales volumes (-2.9% y/y). In addition, the impact of IFRS-16 will contribute EUR +0.4M.

Chart 2. Revenues mix



¹ The Bank of Spain in its report “Reference Macroeconomic Scenarios For The Spanish Economy After Covid-19”. The most favourable scenario envisaged an almost immediate recovery after lockdown, while the most unfavourable envisaged the recovery as being incomplete at the end of the year (hotel and leisure sectors).

² The week after the declaration of a state of alarm decreed on 14/03/2020 because of Covid-19, due to an unwarranted fear of shortages.

³ Spanish Ministry of Agriculture, Fisheries and Food: Report on household food consumption (week 14).

⁴ Hotels, restaurants and cafeterias.

Chart 3. EBITDA/Revenues vs. nut self supply (%)

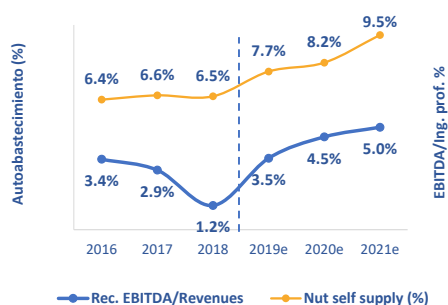


Chart 4. ND/Rec. EBITDA vs Net Debt

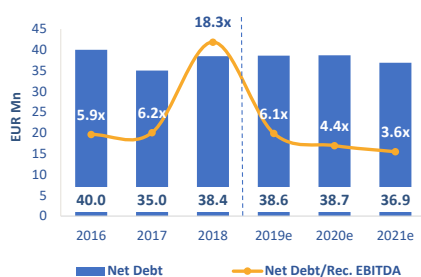


Chart 5. Operating CF, CAPEX, Rec. FCF and FCF

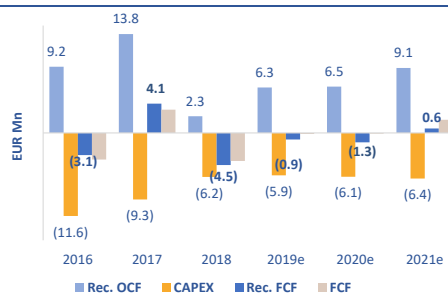
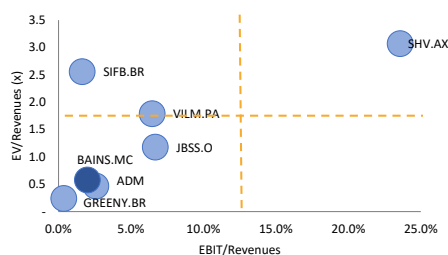


Chart 6. EV/Sales and EBIT/Sales 2021e vs main peers



- **We downgrade our m/t estimates for Rec. EBITDA (by an average of -15.5% a year)**, to EUR 10.2Mn +2y (-17.4% vs. initial estimate), due to a combination of: i) a worse revenue mix: a smaller contribution to revenues from almonds and walnuts (an average of c. 75% +3y, c. -5p.p. vs. previous estimates) and 2) a smaller contribution from own nut production (c. -5% cumulative +3y vs. the original estimate, although the self-supply ratio will still improve). However, BAIN has additional mechanisms with which to improve its margins (l/t), via a greater penetration of more lucrative processed products (based on nuts).
- **“Freezing” investment, due to Covid-19, at the figure “estimated” up until the declaration of a state of alarm:** EUR 5.9Mn of CAPEX 2019 (-13.4% in 2019 vs. our previous estimate) and maintaining m/t annual investment (c. EUR 6Mn +2y), that could be smaller if there is no increase in plantations.
- **Resulting in the containment of group debt (ND EUR 38.6Mn 2019e, +0.4% y/y)**, reducing the ND/Rec. EBITDA ratio to 6.1x in the year, (-0.3x vs. our previous estimate), returning debt to reasonable levels in the m/t (c. 3.5x. +2y). On the other hand, lower m/t CAPEX plus the potential sale of non-core assets, not included in our estimates, would help to improve the “picture” (BAIN has property assets valued at EUR 2.7Mn available for sale on its balance sheet).
- **Although the financial charge will increase in two ways:** on the one hand, due to higher banking expenses impacting the operating result (EUR -0.7Mn in 2019, c. +80% y/y) and on the other, due to the increase in financial expenses (EUR -0.7Mn, vs. EUR 0.02Mn -1y)
- **Weighing on NP in the short/mid term:** EUR 2.3Mn 2019 (-10.1% vs initial estimate), equalling -1y, and reducing our numbers by an annual average of c. -25% +2y, taking it to EUR 4.4Mn at the end of the period (c. +2x vs. -2y). Our estimates (stripping out extraordinary items) include an average tax rate of 23% in the estimated period.
- **With FCF reaching break-even already in 2019**, boosted by collections associated with asset sales made a year before (EUR 1.5Mn/year 2019-2021). Recurrent FCF break-even will be delayed +2y (in our central scenario).

Tabla 5. Revisión de estimaciones

EUR Mn	2019e (New)	Review (%)	2020e (New)	Review (%)	2021e (New)	Review (%)
Total Revenues	182.3	-3.5%	193.3	-2.8%	204.8	-2.0%
Recurrent EBITDA	6.4	0.1%	8.8	-13.6%	10.2	-17.4%
<i>Recurrent EBITDA growth</i>	<i>202.1%</i>	<i>0.3 p.p.</i>	<i>37.6%</i>	<i>-21.8 p.p.</i>	<i>16.9%</i>	<i>-5.3 p.p.</i>
<i>Rec. EBITDA/Revenues</i>	<i>3.5%</i>	<i>0.1 p.p.</i>	<i>4.5%</i>	<i>-0.6 p.p.</i>	<i>5.0%</i>	<i>-0.9 p.p.</i>
Net Profit	2.3	-9.9%	3.3	-24.0%	4.3	-25.9%
Recurrent Free Cash Flow	-0.9	74.1%	-1.3	-314.2%	0.6	-74.9%
<i>ND / EBITDA</i>	<i>8.0 x</i>	<i>1.6 x</i>	<i>5.8 x</i>	<i>2.0 x</i>	<i>4.8 x</i>	<i>2.0 x</i>

Conclusion: the post Covid-19 recovery will continue to drive BAIN’s business

The Covid-19 crisis will leave scars, changing consumers’ spending priorities. The great uncertainty caused by this crisis (a key factor in family consumption), could result in a moderation of consumption vs. previous crises, with a significant bias towards “safe” products (favouring BAIN’s business model), healthy food and value for money. Against this backdrop, BAIN is an option for weathering the crisis due to: i) the defensive nature of its business (positioned in an expanding market: almonds and walnuts), with CAGRs that are higher than the average for the food industry, ii) an ability to accelerate the improvement in margins (l/t), although contingent on price pressure caused by occasional market imbalances, iii) the potential to bring forward break-even in Rec. FCF (by restraining CAPEX), and (iv) a play on sustainability in its business model.

Appendix 1. Financial Projections⁽¹⁾

Balance Sheet (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e		
Intangible assets	-	0.2	0.3	0.2	0.1	7.3	7.2	7.1		
Fixed assets	7.4	56.5	65.0	71.9	74.4	78.8	81.8	85.1		
Other Non Current Assets	0.4	2.6	2.4	2.1	1.8	1.8	1.8	1.8		
Financial Investments	0.0	0.3	0.3	0.5	5.0	3.5	2.1	0.6		
Goodwill & Other Intangibles	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Current assets	0.6	76.1	66.8	61.5	63.3	58.2	61.9	64.7		
Total assets	8.4	135.6	134.7	136.2	144.6	149.6	154.8	159.3		
Equity	10.8	49.1	52.6	56.4	59.0	61.3	64.6	68.9		
Minority Interests	0.6	3.0	2.2	2.2	2.3	2.3	2.3	2.3		
Provisions & Other L/T Liabilities	0.0	3.3	3.1	2.9	3.2	3.2	3.2	3.2		
Other Non Current Liabilities	-	-	-	-	-	7.2	7.2	7.2		
Net financial debt	(3.6)	36.6	40.0	35.0	38.4	38.6	38.7	36.9		
Current Liabilities	0.6	43.7	36.8	39.7	41.7	37.0	38.7	40.7		
Equity & Total Liabilities	8.4	135.6	134.7	136.2	144.6	149.6	154.8	159.3		
										CAGR
P&L (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e	16-18	18-21e
Total Revenues	2.6	66.2	197.2	195.7	177.8	182.3	193.3	204.8	-5.0%	4.8%
<i>Total Revenues growth</i>	<i>n.a.</i>	<i>n.a.</i>	<i>197.9%</i>	<i>-0.7%</i>	<i>-9.2%</i>	<i>2.5%</i>	<i>6.0%</i>	<i>5.9%</i>		
COGS	(0.7)	(57.8)	(163.7)	(163.2)	(149.2)	(150.2)	(158.2)	(165.1)		
Gross Margin	1.9	8.4	33.5	32.5	28.6	32.1	35.1	39.6	-7.7%	11.5%
<i>Gross Margin/Revenues</i>	<i>71.5%</i>	<i>12.7%</i>	<i>17.0%</i>	<i>16.6%</i>	<i>16.1%</i>	<i>17.6%</i>	<i>18.2%</i>	<i>19.3%</i>		
Personnel Expenses	(0.3)	(3.8)	(11.9)	(12.6)	(12.8)	(12.8)	(12.7)	(13.6)		
Other Operating Expenses	(0.3)	(4.1)	(14.8)	(14.2)	(13.6)	(12.9)	(13.6)	(15.8)		
Recurrent EBITDA	1.2	0.5	6.8	5.7	2.1	6.4	8.8	10.2	-44.3%	69.4%
<i>Recurrent EBITDA growth</i>	<i>179.5%</i>	<i>-56.3%</i>	<i>n.a.</i>	<i>-16.0%</i>	<i>-63.0%</i>	<i>202.1%</i>	<i>37.6%</i>	<i>16.9%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>48.0%</i>	<i>0.8%</i>	<i>3.4%</i>	<i>2.9%</i>	<i>1.2%</i>	<i>3.5%</i>	<i>4.5%</i>	<i>5.0%</i>		
Restructuring Expense & Other non-rec.	(0.0)	0.0	(0.5)	(0.3)	(0.2)	(0.7)	(0.3)	(0.3)		
EBITDA	1.2	0.5	6.3	5.4	1.9	5.7	8.5	10.0	-45.3%	74.0%
Depreciation & Provisions	(0.2)	(0.7)	(3.0)	(3.1)	(3.3)	(3.2)	(3.5)	(3.7)		
Capitalized Expense	0.2	0.5	0.9	1.7	2.3	1.6	0.4	0.4		
Rentals (IFRS 16 impact)	-	-	-	-	-	(0.4)	(0.4)	(0.4)		
EBIT	1.2	0.4	4.2	4.0	0.9	3.6	5.0	6.4	-52.7%	89.3%
<i>EBIT growth</i>	<i>174.3%</i>	<i>-66.2%</i>	<i>934.3%</i>	<i>-4.7%</i>	<i>-76.5%</i>	<i>287.0%</i>	<i>37.8%</i>	<i>27.1%</i>		
<i>EBIT/Revenues</i>	<i>46.1%</i>	<i>0.6%</i>	<i>2.1%</i>	<i>2.0%</i>	<i>0.5%</i>	<i>2.0%</i>	<i>2.6%</i>	<i>3.1%</i>		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	0.1	(0.2)	(0.0)	(0.0)	0.0	(0.7)	(0.7)	(0.8)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	1.3	0.2	4.2	4.0	1.0	3.0	4.3	5.6	-52.1%	80.1%
<i>Ordinary Profit Growth</i>	<i>188.6%</i>	<i>-84.1%</i>	<i>n.a.</i>	<i>-4.8%</i>	<i>-75.9%</i>	<i>211.0%</i>	<i>46.2%</i>	<i>28.5%</i>		
Extraordinary Results	-	-	-	-	2.0	-	-	-		
Profit Before Tax	1.3	0.2	4.2	4.0	3.0	3.0	4.3	5.6	-15.0%	22.9%
Tax Expense	(0.4)	(0.1)	(0.7)	(0.4)	(0.7)	(0.6)	(1.0)	(1.3)		
<i>Effective Tax Rate</i>	<i>27.0%</i>	<i>44.3%</i>	<i>16.7%</i>	<i>9.3%</i>	<i>21.8%</i>	<i>21.8%</i>	<i>23.0%</i>	<i>23.0%</i>		
Minority Interests	(0.1)	(0.0)	(0.2)	(0.3)	0.0	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	0.9	0.1	3.3	3.3	2.4	2.3	3.3	4.3	-14.9%	21.6%
<i>Net Profit growth</i>	<i>152.8%</i>	<i>-88.5%</i>	<i>n.a.</i>	<i>0.3%</i>	<i>-27.7%</i>	<i>-2.8%</i>	<i>44.0%</i>	<i>28.5%</i>		
Ordinary Net Profit	0.9	0.1	3.7	3.6	0.9	2.9	3.5	4.5	-49.2%	67.8%
<i>Ordinary Net Profit growth</i>	<i>157.2%</i>	<i>-85.3%</i>	<i>n.a.</i>	<i>-1.7%</i>	<i>-73.7%</i>	<i>201.9%</i>	<i>23.6%</i>	<i>26.7%</i>		
										CAGR
Cash Flow (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e	16-18	18-21e
Recurrent EBITDA						6.4	8.8	10.2	-44.3%	69.4%
Rentals (IFRS 16 impact)						(0.4)	(0.4)	(0.4)		
Working Capital Increase						0.4	(1.9)	(0.8)		
Recurrent Operating Cash Flow						6.3	6.5	9.1	-49.9%	57.5%
CAPEX						(5.9)	(6.1)	(6.4)		
Net Financial Result affecting the Cash Flow						(0.7)	(0.7)	(0.8)		
Tax Expense						(0.6)	(1.0)	(1.3)		
Recurrent Free Cash Flow						(0.9)	(1.3)	0.6	-20.0%	28.8%
Restructuring Expense & Other non-rec.						(0.7)	(0.3)	(0.3)		
- Acquisitions / + Divestitures of assets						1.5	1.5	1.5		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						(0.1)	(0.1)	1.8	-2.8%	35.1%
Capital Increase						-	-	-		
Dividends						-	-	-		
Net Debt Variation						0.1	0.1	(1.8)		

Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.4Mn higher due to IFRS 16.

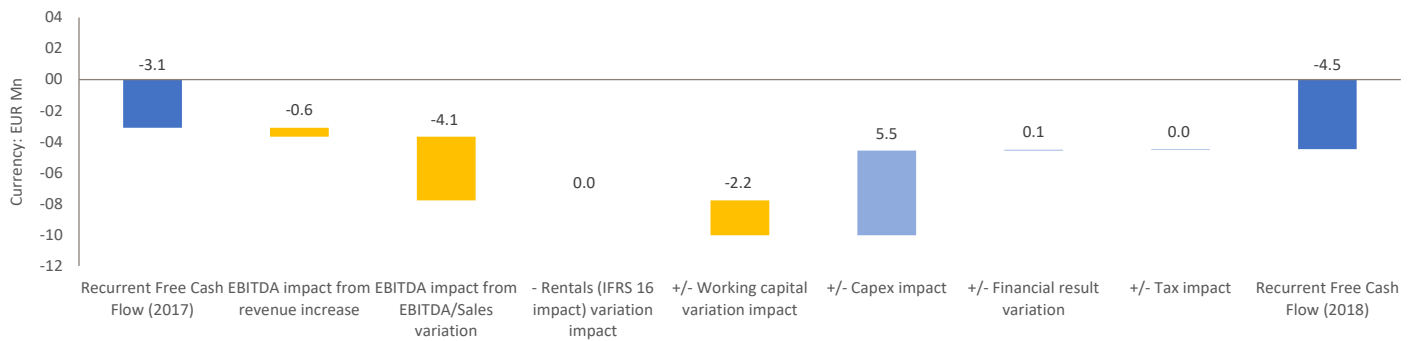
Appendix 2. Free Cash Flow⁽¹⁾

A) Cash Flow Analysis (EUR Mn)	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
								16-18	18-21e
Recurrent EBITDA		6.8	5.7	2.1	6.4	8.8	10.2	-44.3%	69.4%
<i>Recurrent EBITDA growth</i>		<i>n.a.</i>	<i>-16.0%</i>	<i>-63.0%</i>	<i>202.1%</i>	<i>37.6%</i>	<i>16.9%</i>		
<i>Rec. EBITDA/Revenues</i>		<i>3.4%</i>	<i>2.9%</i>	<i>1.2%</i>	<i>3.5%</i>	<i>4.5%</i>	<i>5.0%</i>		
- Rentals (IFRS 16 impact)		-	-	-	(0.4)	(0.4)	(0.4)		
+/- Working Capital increase		2.5	8.1	0.2	0.4	(1.9)	(0.8)		
= Recurrent Operating Cash Flow		9.2	13.8	2.3	6.3	6.5	9.1	-49.9%	57.5%
<i>Rec. Operating Cash Flow growth</i>		<i>129.1%</i>	<i>49.4%</i>	<i>-83.2%</i>	<i>172.8%</i>	<i>2.2%</i>	<i>40.1%</i>		
<i>Rec. Operating Cash Flow / Sales</i>		<i>4.7%</i>	<i>7.0%</i>	<i>1.3%</i>	<i>3.5%</i>	<i>3.3%</i>	<i>4.4%</i>		
- CAPEX		(11.6)	(9.3)	(6.2)	(5.9)	(6.1)	(6.4)		
- Net Financial Result affecting Cash Flow		(0.0)	(0.0)	0.0	(0.7)	(0.7)	(0.8)		
- Taxes		(0.7)	(0.4)	(0.7)	(0.6)	(1.0)	(1.3)		
= Recurrent Free Cash Flow		(3.1)	4.1	(4.5)	(0.9)	(1.3)	0.6	-20.0%	28.8%
<i>Rec. Free Cash Flow growth</i>		<i>91.2%</i>	<i>231.3%</i>	<i>-209.7%</i>	<i>79.7%</i>	<i>-44.0%</i>	<i>147.2%</i>		
<i>Rec. Free Cash Flow / Revenues</i>		<i>n.a.</i>	<i>2.1%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.3%</i>		
- Restructuring expenses & others		(0.6)	(0.6)	(0.2)	(0.7)	(0.3)	(0.3)		
- Acquisitions / + Divestments		0.0	(0.2)	0.7	1.5	1.5	1.5		
+/- Extraordinary Inc./Exp. affecting Cash Flow		-	-	-	-	-	-		
= Free Cash Flow		(3.7)	3.2	(3.9)	(0.1)	(0.1)	1.8	-2.8%	35.1%
<i>Free Cash Flow growth</i>		<i>89.4%</i>	<i>187.1%</i>	<i>-221.4%</i>	<i>96.3%</i>	<i>25.7%</i>	<i>n.a.</i>		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>		<i>n.a.</i>	<i>5.9%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.9%</i>		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>		<i>n.a.</i>	<i>4.7%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>2.6%</i>		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2015	2016	2017	2018	2019e	2020e	2021e		
Recurrent FCF(FY - 1)			(3.1)	4.1	(4.5)	(0.9)	(1.3)		
EBITDA impact from revenue increase			(0.0)	(0.5)	0.1	0.4	0.5		
EBITDA impact from EBITDA/Sales variation			(1.0)	(3.1)	4.2	2.0	1.0		
= Recurrent EBITDA variation			(1.1)	(3.6)	4.3	2.4	1.5		
- Rentals (IFRS 16 impact) variation impact			-	-	(0.4)	-	-		
+/- Working capital variation impact			5.7	(7.9)	0.1	(2.3)	1.1		
= Recurrent Operating Cash Flow variation			4.6	(11.5)	4.0	0.1	2.6		
+/- CAPEX impact			2.3	3.1	0.2	(0.2)	(0.3)		
+/- Financial result variation			(0.0)	0.1	(0.7)	-	(0.1)		
+/- Tax impact			0.3	(0.3)	0.0	(0.4)	(0.3)		
= Recurrent Free Cash Flow variation			7.2	(8.6)	3.6	(0.4)	1.9		
Recurrent Free Cash Flow			4.1	(4.5)	(0.9)	(1.3)	0.6		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
EBIT		4.2	4.0	0.9	3.6	5.0	6.4	-52.7%	89.3%
* <i>Theoretical Tax rate</i>		<i>16.7%</i>	<i>9.3%</i>	<i>21.8%</i>	<i>21.8%</i>	<i>23.0%</i>	<i>23.0%</i>		
= Taxes (pre- Net Financial Result)		(0.7)	(0.4)	(0.2)	(0.8)	(1.2)	(1.5)		
Recurrent EBITDA		6.8	5.7	2.1	6.4	8.8	10.2	-44.3%	69.4%
- Rentals (IFRS 16 impact)		-	-	-	(0.4)	(0.4)	(0.4)		
+/- Working Capital increase		2.5	8.1	0.2	0.4	(1.9)	(0.8)		
= Recurrent Operating Cash Flow		9.2	13.8	2.3	6.3	6.5	9.1	-49.9%	57.5%
- CAPEX		(11.6)	(9.3)	(6.2)	(5.9)	(6.1)	(6.4)		
- Taxes (pre- Financial Result)		(0.7)	(0.4)	(0.2)	(0.8)	(1.2)	(1.5)		
= Recurrent Free Cash Flow (To the Firm)		(3.1)	4.1	(4.0)	(0.4)	(0.8)	1.2	-14.6%	32.0%
<i>Rec. Free Cash Flow (To the Firm) growth</i>		<i>91.2%</i>	<i>233.8%</i>	<i>-198.1%</i>	<i>90.4%</i>	<i>-104.6%</i>	<i>253.4%</i>		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>		<i>n.a.</i>	<i>2.1%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.6%</i>		
- Acquisitions / + Divestments		0.0	(0.2)	0.7	1.5	1.5	1.5		
+/- Extraordinary Inc./Exp. affecting Cash Flow		-	-	-	-	-	-		
= Free Cash Flow "To the Firm"		(3.1)	3.9	(3.3)	1.1	0.7	2.7	-4.3%	41.1%
<i>Free Cash Flow (To the Firm) growth</i>		<i>91.3%</i>	<i>227.6%</i>	<i>-185.2%</i>	<i>132.3%</i>	<i>-37.9%</i>	<i>302.9%</i>		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>		<i>n.a.</i>	<i>3.9%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>1.2%</i>		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>		<i>n.a.</i>	<i>3.7%</i>	<i>n.a.</i>	<i>1.0%</i>	<i>0.6%</i>	<i>2.6%</i>		

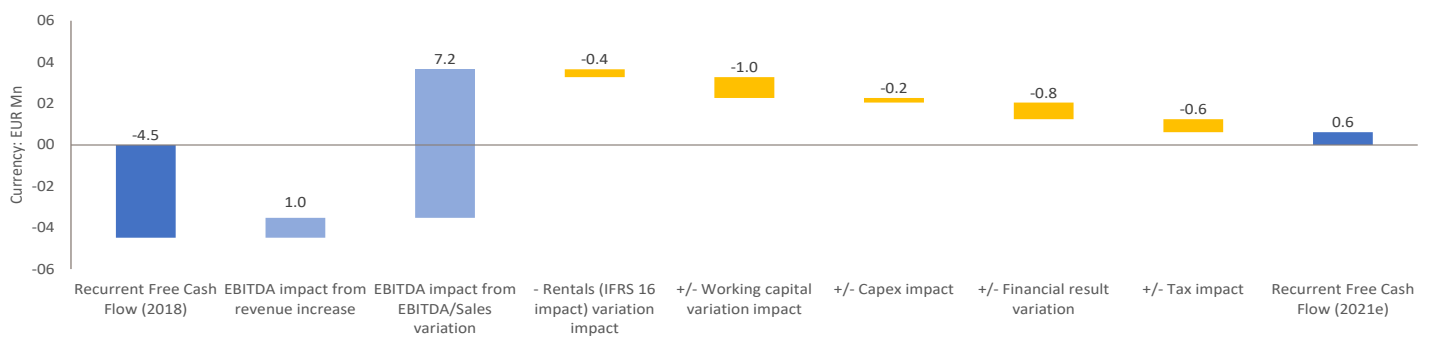
Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.4Mn higher due to IFRS 16.

Note 2: In 2015 there was a change in the perimeter, thus the information is not comparable. In 2016 the reverse merger of Borges S.A.U. was carried out.

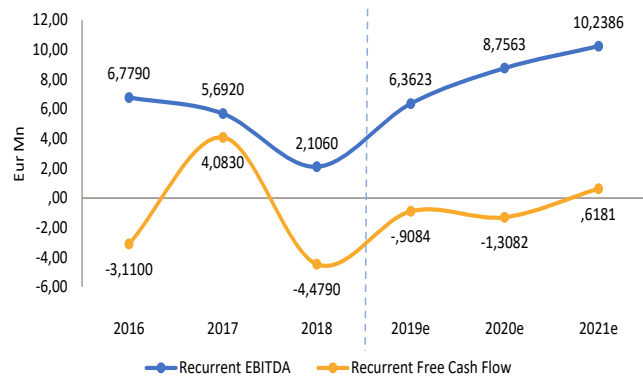
Recurrent Free Cash Flow accumulated variation analysis (2017-2018)



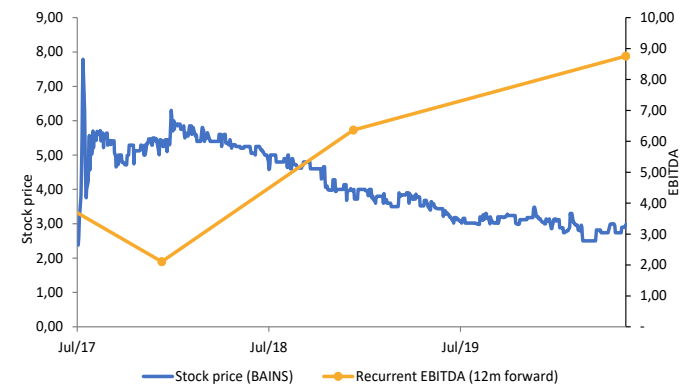
Recurrent Free Cash Flow accumulated variation analysis (2018 - 2021e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward



Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	69.0	
+ Minority Interests	2.4	9m Results 2019
+ Provisions & Other L/T Liabilities	3.0	9m Results 2019
+ Net financial debt	38.6	Lighthouse 2019e
- Financial Investments	5.0	9m Results 2019
+/- Others	(2.7)	Lighthouse & BAIN
Enterprise Value (EV)	105.2	

Note: BAIN has available real estate assets valued at EUR 2,71Mn (9M 2019 results)

Appendix 4. Historical performance ⁽¹⁾⁽²⁾

Historical performance (EUR Mn)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
															16-18	18-21e
Total Revenues									197.2	195.7	177.8	182.3	193.3	204.8	-5.0%	4.8%
<i>Total Revenues growth</i>									197.9%	-0.7%	-9.2%	2.5%	6.0%	5.9%		
EBITDA									6.3	5.4	1.9	5.7	8.5	10.0	-45.3%	74.0%
<i>EBITDA growth</i>									n.a.	-15.3%	-64.6%	199.0%	50.0%	17.5%		
<i>EBITDA/Sales</i>									3.2%	2.7%	1.1%	3.1%	4.4%	4.9%		
Net Profit									3.3	3.3	2.4	2.3	3.3	4.3	-14.9%	21.6%
<i>Net Profit growth</i>									n.a.	0.3%	-27.7%	-2.8%	44.0%	28.5%		
Adjusted number shares (Mn)									23.1	23.1	23.1	23.1	23.1	23.1		
EPS (EUR)									0.14	0.14	0.10	0.10	0.14	0.19	-14.8%	21.6%
<i>EPS growth</i>									n.a.	0.4%	-27.7%	-2.8%	44.0%	28.5%		
Ord. EPS (EUR)									0.16	0.16	0.04	0.12	0.15	0.19	-49.1%	67.8%
<i>Ord. EPS growth</i>									n.a.	-1.6%	-73.7%	n.a.	23.6%	26.7%		
CAPEX									(11.6)	(9.3)	(6.2)	(5.9)	(6.1)	(6.4)		
<i>CAPEX/Sales %</i>									5.9%	4.8%	3.5%	3.3%	3.2%	3.1%		
Free Cash Flow									(3.7)	3.2	(3.9)	(0.1)	(0.1)	1.8	-2.8%	35.1%
<i>ND/EBITDA (x) ⁽²⁾</i>									6.3x	6.5x	20.3x	6.8x	4.6x	3.7x		
<i>P/E (x)</i>									38.3x	27.7x	29.1x	29.7x	20.6x	16.1x		
<i>EV/Sales (x)</i>									0.49x	0.80x	0.67x	0.58x	0.54x	0.51x		
<i>EV/EBITDA (x) ⁽²⁾</i>									15.2x	29.4x	n.a.	18.6x	12.4x	10.5x		
<i>Absolute performance</i>									n.a.	n.a.	-27.3%	-24.2%				
<i>Relative performance vs Ibx 35</i>									n.a.	n.a.	-14.5%	-32.2%				

Note 1: The multiples are historical, calculated based on the price and EV at the end of each year, except (if applicable) in the current year, when multiples would be given at current prices.

The absolute and relative behavior corresponds to each exercise (1/1 to 31/12). The source, both historical multiples and the evolution of the price, is Thomson Reuters.

Note 2: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.4Mn higher due to IFRS 16.

Note 3: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main Competitors 2019e

	EUR Mn	European Industry				Benchmark		Global	
		Greenyard NV	Sipef NV	Vilmorin & Cie SA	Average	Select Harvests	John B Sant Filippo	ADM	BAINS
Market data	Ticker (Reuters)	GREENY.BR	SIFB.BR	VILM.PA		SHV.AX	JBSS.O	ADM	BAINS.MC
	Country	Belgium	Belgium	France		Australia	States of Ar	States of Ar	Spain
	Market cap	235.2	470.8	1,075.6		375.0	854.6	20,034.8	69.0
	Enterprise value (EV)	973.3	566.7	2,491.0		567.5	909.0	27,036.2	105.2
	Total Revenues	4,004.7	221.5	1,390.7		184.8	770.8	57,677.0	182.3
Basic financial information	Total Revenues growth	2.4%	-7.7%	3.3%	-0.7%	339.3%	0.3%	2.8%	2.5%
	2y CAGR (2019e - 2021e)	3.2%	19.6%	3.9%	8.9%	-4.6%	5.4%	2.3%	6.0%
	EBITDA	100.0	40.5	299.8		56.2	66.5	2,371.1	5.7
	EBITDA growth	556.0%	-48.9%	-0.6%	168.8%	507.4%	7.4%	-8.0%	199.0%
	2y CAGR (2019e - 2021e)	9.7%	57.3%	7.9%	25.0%	-5.6%	n.a.	16.5%	32.8%
	EBITDA/Revenues	2.5%	18.3%	21.6%	14.1%	30.4%	8.6%	4.1%	3.1%
	EBIT	14.7	3.6	89.8		43.6	51.5	1,485.3	3.6
	EBIT growth	126.3%	-92.1%	-12.0%	7.4%	n.a.	6.0%	-15.5%	287.0%
	2y CAGR (2019e - 2021e)	76.5%	n.a.	18.8%	47.6%	-5.5%	n.a.	18.6%	32.3%
	EBIT/Revenues	0.4%	1.6%	6.5%	2.8%	23.6%	6.7%	2.6%	2.0%
	Net Profit	(10.0)	(5.3)	77.9		32.8	34.7	1,264.9	2.3
	Net Profit growth	-94.8%	n.a.	1.3%	-46.7%	n.a.	12.8%	-18.6%	-2.8%
	2y CAGR (2019e - 2021e)	76.1%	n.a.	7.9%	42.0%	-10.8%	n.a.	16.5%	36.0%
	CAPEX/Sales %	-1.0%	-26.8%	-16.0%	-14.6%	-12.6%	-1.7%	-1.3%	-3.3%
	Free Cash Flow	(9.0)	(33.5)	35.2		13.0	10.9	708.3	(0.1)
Net financial debt	414.5	96.1	1,066.0		17.0	23.8	7,229.3	38.6	
ND/EBITDA (x)	4.1	2.4	3.6	3.4	0.3	0.4	3.0	6.1	
Pay-out	0.0%	n.a.	39.7%	19.9%	57.7%	15.9%	55.6%	0.0%	
Multiples and Ratios	P/E (x)	n.a.	n.a.	14.6	14.6	11.0	24.2	16.1	29.7
	P/BV (x)	0.5	0.8	1.0	0.8	1.6	3.9	1.2	1.1
	EV/Revenues (x)	0.2	2.6	1.8	1.5	3.1	1.2	0.5	0.6
	EV/EBITDA (x)	9.7	14.0	8.3	10.7	10.1	13.7	11.4	16.5
	EV/EBIT (x)	n.a.	n.a.	27.7	27.7	13.0	17.7	18.2	29.0
	ROE	1.1	n.a.	6.1	3.6	13.5	15.9	7.4	3.9
	FCF Yield (%)	n.a.	n.a.	0.5	0.5	7.2	7.1	n.a.	n.a.
	DPS	0.00	n.a.	1.35	0.68	0.20	0.48	1.25	0.00
	Dvd Yield	0.0%	n.a.	2.9%	1.4%	5.1%	0.7%	3.5%	0.0%

Note 1: Financial data, multiples and ratios based on market consensus (Thomson Reuters). In the case of the company analyzed, own estimates (Lighthouse).

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 6. Valuation inputs

Inputs for the DCF Valuation Approach

	2019e	2020e	2021e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	1.1	0.7	2.7	132.9		
Market Cap	69.0	At the date of this report				
Net financial debt	38.6	Debt net of Cash (Lighthouse 2019e)				
					Best Case	Worst Case
Cost of Debt	2.0%	Net debt cost			1.5%	2.5%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	1.6%	$K_d = \text{Cost of Net Debt} * (1-T)$			1.2%	2.0%
Risk free rate (rf)	0.6%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	9.0%	R (own estimate)			8.5%	9.5%
Beta (B)	0.8	B (Thomson Reuters and Lighthouse)			0.7	0.9
Cost of Equity	7.9%	$K_e = Rf + (R * B)$			6.6%	9.2%
Equity / (Equity + Net Debt)	64.1%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	35.9%	D			=	=
WACC	5.6%	$WACC = K_d * D + K_e * E$			4.6%	6.6%
G "Fair"	2.0%				2.5%	1.5%

(1) Terminal value calculated on the discounted recurrent Free Cash Flow "to the Firm" 2023e (Revenues EUR 230Mn), in order to reflect the impact of the increase in the level of nuts self supply on the normalized margin (EBITDA/Revenues: 6.8%). The standardized effective tax rate (T) indicated in the table above is applied.

Note: BAIN has available real estate assets valued at EUR 2,71Mn (9M 2019 results)

Inputs for the Multiples Valuation Approach

Company	Ticker Reuters	Mkt. Cap	P/E 19e	EPS 19e-21e	EV/EBITDA 19e	EBITDA 19e-21e	EV/Sales 19e	Revenues 19e-21e	EBITDA/Sales 19e	FCF Yield 19e	FCF 19e-21e
Greenyard NV	GREENY.BR	235.2	n.a.	78.2%	9.7	9.7%	0.2	3.2%	2.5%	n.a.	n.a.
Sipef NV	SIFB.BR	470.8	n.a.	n.a.	14.0	57.3%	2.6	19.6%	18.3%	n.a.	88.2%
Vilmorin & Cie SA	VILM.PA	1,075.6	14.6	10.7%	8.3	7.9%	1.8	3.9%	21.6%	0.5%	25.9%
Pharming Industry			14.6	44.5%	10.7	25.0%	1.5	8.9%	14.1%	0.5%	57.1%
Select Harvests	SHV.AX	375.0	11.0	-9.7%	10.1	-5.6%	3.1	-4.6%	30.4%	7.2%	31.3%
ADM	ADM	20,034.8	16.1	15.0%	11.4	16.5%	0.5	2.3%	4.1%	n.a.	45.7%
John B Sant Filippo	JBSS.O	854.6	24.2	8.9%	13.7	n.a.	1.2	5.4%	8.6%	7.1%	n.a.
Non European International players			13.6	2.6%	10.8	5.5%	1.8	-1.2%	17.2%	7.2%	38.5%
BAINS	BAINS.MC	69.0	29.7	36.0%	16.5	32.8%	0.6	6.0%	3.1%	n.a.	n.a.

Free Cash Flow sensitivity analysis (2020e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 20e	EBITDA 20e	EV/EBITDA 20e
Max	5.5%	10.7	9.8x
Central	4.5%	8.8	12.0x
Min	3.5%	6.8	15.4x

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

FCF Rec. EUR Mn	CAPEX/Sales 20e			Scenario	Rec. FCF/Yield 20e		
EBITDA 20e	2.2%	3.2%	4.2%		Max	3.7%	0.9%
10.7	2.6	0.6	(1.3)	Central	0.9%	n.a.	n.a.
8.8	0.6	(1.3)	(3.2)	Min	n.a.	n.a.	n.a.
6.8	(1.3)	(3.2)	(5.2)				

IMPORTANT LEGAL INFORMATION REGARDING THIS REPORT

LIGHTHOUSE

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
04-Jun-2020	n.a.	2.98	n.a.	n.a.	Review of estimates	Ana Isabel González García, CIA
31-Mar-2020	n.a.	2.50	n.a.	n.a.	9m Results 2020	Ana Isabel González García, CIA
02-Mar-2020	n.a.	2.96	n.a.	n.a.	6m Results 2020	Ana Isabel González García, CIA
16-Oct-2019	n.a.	3.18	n.a.	n.a.	3m Results 2020	Ana Isabel González García, CIA
01-Aug-2019	n.a.	3.16	n.a.	n.a.	12m Results 2019	Ana Isabel González García, CIA
25-Apr-2019	n.a.	3.72	n.a.	n.a.	9m Results 2019	Ana Isabel González García, CIA
11-Apr-2019	n.a.	3.84	n.a.	n.a.	Initial Coverage	Ana Isabel González García, CIA

