

## 3m 2020 Results

**Opinion** <sup>(1)</sup>: Below expectations

**Impact** <sup>(1)</sup>: We will have to trim our estimates

Ana Isabel González García, CIAA – ana.gonzalez@lighthouse-ieaf.com

+34 915 904 226

**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 2019 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).

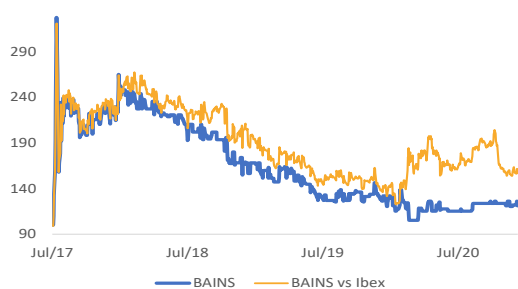
### Market Data

Market Cap (Mn EUR and USD)	66.6	81.4
EV (Mn EUR and USD) <sup>(2)</sup>	109.0	133.2
Shares Outstanding (Mn)	23.1	
-12m (Max/Med/Min EUR)	3.30 / 2.85 / 2.50	
Daily Avg volume (-12m Mn)	n.m.	
Rotation <sup>(3)</sup>	0.8	
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	0.0	-2.0	-4.0	n.a.
vs Ibex 35	0.0	-18.5	13.5	n.a.
vs Ibex Small Cap Index	-6.1	-21.4	-19.3	n.a.
vs Eurostoxx 50	-1.7	-11.9	1.2	n.a.
vs Sector benchmark <sup>(4)</sup>	-3.0	0.0	0.5	n.a.

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% or 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 2.

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

(4) vs TR Europe Food Processing.

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

## 1Q20 hit head on by the competitive avalanche caused by Covid-19

**Any reference to the results (3M 2020) refers to the period between June 1 and August 31 of the corresponding year.**

**SHARP DECLINE IN REVENUES (-20.1% y/y 1Q20)** with a mix comprised of -12.2% volumes (-9.2% excluding subproducts) and -7.9% prices, mainly due to a worse performance by almond sales (c. -30% y/y, contributing c.63% of total turnover, -8p.p. y/y), which was not offset by increased sales of other products (c. +45% y/y for walnuts), against a backdrop of weakness of the hotel, restaurant and catering channel due to the Covid-19 crisis.

**IN A CONTEXT OF LOW PRICES (ALMONDS).** The combination of a bumper harvest in the US (+18% y/y), and the temporary closure of some of its markets (India, etc.) due to Covid-19, has led to US surpluses being diverted towards the European market, resulting in a sharp drop in the price of almonds, the main product sold by BAIN. This product is trading at 10-year lows (its average price being below EUR 3.1/Kg in the local market in August).

**SINKING Rec. EBITDA (EUR -2.5Mn 1Q20, vs. EUR -0.2Mn -1y)**, hit further by the FIFO impact (falling prices). The gradual reversal of this effect over the course of the year plus a favourable impact on margins from self-supply (2Q) should improve the picture, although it will be difficult to achieve break even this year.

**AND THE BOTTOM LINE (EUR -2.3Mn NP 1Q20, vs. EUR -0.2Mn -1y)** that, on the other hand, has benefited from a favourable tax effect that offset the increased financial burden.

**INCREASED DEBT (+18.6% y/y):** EUR 54.9Mn ND 1Q20 (EUR +8.5Mn vs. -1y), due mainly to the increase in working capital investment (c. +18% y/y on inventories).

**TO CONCLUDE, IN 2020 IT WILL BE DIFFICULT TO NEUTRALISE THE IMBALANCE IN THE MARKET ACCENTUATED BY COVID-19 (1Q).** Although the reopening of international nut markets (from the end of the summer) has stabilised prices (almonds; local market), making feasible an improvement in the gross margin in 2020, it will be difficult for this to offset the losses generated in 1Q. In addition, the improvement in margins remains highly dependent on prices, where visibility remains low given the current situation of the Covid-19 pandemic and the varying speeds of vaccination of the population. We will downgrade our estimates.

## Appendix 1. Results table

	1Q20 (Real)	1Q19	1T20 vs 1T19
<b>Total Revenues</b>	<b>34.6</b>	<b>43.3</b>	<b>-20.1%</b>
Walnuts	3.1	2.2	43.8%
Almonds	21.8	30.8	-29.1%
Other nuts	7.3	7.8	-6.8%
Other products	2.4	2.6	-6.8%
<b>Rec. EBITDA<sup>(1)</sup></b>	<b>-2.5</b>	<b>-0.2</b>	<b>1527.7%</b>
<i>Rec. EBITDA / Rev.</i>	<i>-7.3%</i>	<i>-0.4%</i>	<i>-6.9 p.p.</i>
<b>EBITDA<sup>(1)</sup></b>	<b>-2.6</b>	<b>-0.3</b>	<b>874.3%</b>
<i>EBITDA / Rev.</i>	<i>-7.6%</i>	<i>-0.6%</i>	<i>-6.9 p.p.</i>
<b>PBT</b>	<b>-3.0</b>	<b>-0.4</b>	<b>637.4%</b>
<b>NP</b>	<b>-2.3</b>	<b>-0.3</b>	<b>594.5%</b>
<b>Ordinary NP</b>	<b>-2.2</b>	<b>-0.3</b>	<b>571.8%</b>
Ha. managed	2,509.0	2,523.0	-0.6%
Volume <sup>(2)</sup>	6,811	7,501	-9.2%
Tns. produced	-	0	n.a.
Net Debt	54.9	46.3	18.6%
ND /Equity	0.9 x	0.8 x	0.2 x

<sup>(1)</sup> EBITDA and Rec. EBITDA adjusted. It excludes capitalized expense.

<sup>(2)</sup> Excluding subproducts.

## Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	66.6	
+ Minority Interests	2.2	3m Results 2020
+ Provisions & Other L/T Liabilities	2.7	3m Results 2020
+ Net financial debt	44.2	12m Results 2019
- Financial Investments	4.0	3m Results 2020
+/- Others <sup>(1)</sup>	(2.7)	Lighthouse 2020
<b>Enterprise Value (EV)</b>	<b>109.0</b>	

(1) Inversiones inmobiliarias disponibles para la venta (indicado en informes de gestión)

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04-Jan-2021	n.a.	2.88	n.a.	n.a.	3m Results 2020	Ana Isabel González García, CIA
03-Aug-2020	n.a.	2.80	n.a.	n.a.	12m Results 2019	Ana Isabel González García, CIA
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.	Initiation of Coverage	Ana Isabel González García, CIA

