

EQUITY - SPAIN
 Sector: Food Products

 Closing price: EUR 1.00 (23 Mar 2023)
 Report date: 24 Mar 2023 (9:00)

Estimates downgrade
 Independent Equity Research

Ecolumber, S.A. (ECO) is a small national group based in Spain (Barcelona), specialised initially in the forestry business. The company has changed strategic direction, positioning itself in the food industry, as a vertically integrated Group, in the production, processing and sale of nuts. It is controlled by the Board of Directors (62% of capital)

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Market Data

Market Cap (Mn EUR and USD)	32.4	34.9
EV (Mn EUR and USD) ⁽¹⁾	50.8	54.7
Shares Outstanding (Mn)	32.4	
-12m (Max/Med/Mín EUR)	1.05 / 1.02 / 1.00	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽²⁾	0.7	
Factset / Bloomberg	ECO-ES / ECO SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)⁽⁶⁾

G3T SL	17.8
Onchena	12.8
Brinca 2004 SL	10.6
Acalios	7.3
Free Float	32.9

Financials (Mn EUR)

	2022	2023e	2024e	2025e
Adj. nº shares (Mn)	32.4	32.4	32.4	32.4
Total Revenues	18.3	21.7	24.8	27.7
Rec. EBITDA	-2.2	-0.7	0.4	1.3
% growth	-10.0	68.3	162.7	200.7
% Rec. EBITDA/Rev.	n.a.	n.a.	1.8	4.8
% Inc. EBITDA sector ⁽³⁾	14.9	8.8	7.9	6.0
Net Profit	-3.0	-1.7	-0.8	0.0
EPS (EUR)	-0.09	-0.05	-0.02	0.00
% growth	-8.8	44.4	55.1	103.2
Ord. EPS (EUR)	-0.10	-0.05	-0.03	0.00
% growth	-13.6	44.9	53.0	102.9
Rec. Free Cash Flow ⁽⁴⁾	-2.9	-2.4	-1.2	-0.3
Pay-out (%)	0.0	0.0	0.0	0.0
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	17.1	19.5	20.7	21.0
ND/Rec. EBITDA (x)	n.a.	n.a.	46.7	15.8
ROE (%)	n.a.	n.a.	n.a.	0.3
ROCE (%) ⁽⁴⁾	n.a.	n.a.	n.a.	2.3

Ratios & Multiples (x)⁽⁵⁾

	2022	2023e	2024e	2025e
P/E	n.a.	n.a.	n.a.	n.a.
Ord. P/E	n.a.	n.a.	n.a.	n.a.
P/BV	3.2	3.9	4.2	4.2
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/Sales	2.77	2.34	2.05	1.83
EV/Rec. EBITDA	n.a.	n.a.	n.a.	38.2
EV/EBIT	n.a.	n.a.	n.a.	n.a.
FCF Yield (%) ⁽⁴⁾	n.a.	n.a.	n.a.	n.a.

(1) Please refer to Appendix 3.

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

(3) Sector: Stoxx Europe 600 Food & Beverage.

(4) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.

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

(6) Others: Otros miembros del Consejo 5.4%, Relocation & Exec. Serv. SL 5.0%, Jovellanos Cartera 5.3%, Transtronic Spain Corp 3.0%

The evolution of revenue and margins leads us to downgrade our estimates

2022 RESULTS: REVENUE GROWTH CONTINUES (EUR 18.3MN; +15.1% VS 2021)

ALTHOUGH MARGINS HAVE NARROWED. ECO ended 2022 with revenue of EUR 18.3Mn (+15.1% vs 2021), although the decline in the gross margin (-3p.p. vs 2021 due to the forex effect; most of its suppliers are international) prevented revenue growth translating to 2022 Rec. EBITDA (EUR -2.2Mn vs EUR -2Mn in 2021). 2022 ND was EUR 17.1Mn (vs EUR 14.2Mn in 2021), a result of the business' operating requirements.

THE DELAY IN THE MARKETING OF AIRNUTS AND POOR HARVESTS HAVE DELAYED THE CHANGE OF STRATEGY.

ECO's main strategic play in recent years has been the development of its new product AirNuts (higher added value) that has done worse than expected after its market launch in 2020. All this, plus the agricultural business' poor harvest in the last two years, has left ECO dependent on its industrial business (with a smaller margin) squeezing numbers.

SO WE DOWNGRADE OUR ESTIMATES.

Our estimates envisage high revenue growth in coming years (+14.8% CAGR 2022-2025e) dependent on the success of the commercial strategy of AirNuts. Our central scenario points to 2023e revenue of EUR 21.7Mn (+18.7% vs 2022) with a significant improvement in the gross margin to 18.9% (+5.9p.p.; explained by the increase in the revenue mix of higher margin products and the ability to pass on the increase in ECO's prices to clients). This translates to 2023e EBITDA of EUR -0.7Mn (vs EUR -2.2Mn in 2022). Negative cash generation will increase 2023e ND to EUR 19.5Mn (60% of the Mkt Cap).

TODAY ECO IS AT A CROSSROADS, HIGHLY DEPENDENT ON FINANCING.

ECO's equity story hinges on the speed/success of the market penetration of AirNuts, allowing the company to improve margins and approach break-even in EBITDA. High debt is clearly the main restriction of the business model. The evolution of ECO's commercial strategy and its ability to obtain capital will be the key points in 2023. 2023e EV/sales of 2.3x.

Relative performance (Base 100)


Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	0.0	0.0	-4.8	0.0	-5.9	4.5
vs Ibex 35	4.7	-6.0	-10.0	-6.4	-28.1	11.7
vs Ibex Small Cap Index	8.1	-7.0	2.2	-8.5	-41.9	-4.0
vs Eurostoxx 50	1.2	-7.6	-10.9	-8.2	-38.2	-16.5
vs Sector benchmark ⁽³⁾	-1.6	-4.2	-2.5	-4.8	-28.3	-18.0

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

Report issued by IEAF Servicios de Análisis, S.L.U. Lighthouse is a project of IEAF Servicios de Análisis, S.L.U.

This report has been prepared on the basis of information available to the public. The report includes a financial analysis of the company covered. The report does not propose any personalised investment recommendation. Investors should consider the contents of this report as just another element in their investment decision-making process. The final two pages of this report contain very important legal information regarding its contents.

Estimates downgrade

We downgrade our 2023 estimates. The spotlight should be on the evolution of AirNuts and the ability to obtain funding

After the acquisition of Utega in 2019, ECO has demonstrated an ability to achieve double-digit growth (+10.8% CAGR 2019-2022), recording 2022 revenue of EUR 18.3Mn (+15.1% vs 2021). The growth seen in the last year is due to the increase in the volume of tonnes sold to 3,422Tn in 2022 (+7.4% vs 2021) and the partial recovery of prices (+7.7%). Despite this, results are below our estimates (2022 revenue: -11.6% vs previous estimate).

Table 1. 2022 Results

EUR Mn	12m22 Real	12m21	12m22 Real vs 12m21
Total Revenues	18.3	15.9	15.1%
Industrial business	18.0	15.2	18.0%
Agricultural business	0.3	0.7	-50.6%
Gross Margin	2.4	2.5	-6.2%
<i>Rec. EBITDA/Revenues</i>	<i>13.0%</i>	<i>16.0%</i>	<i>-3.0 p.p.</i>
Recurrent EBITDA	-2.2	-2.0	-10.0%
<i>Rec. EBITDA/Revenues</i>	<i>-12.2%</i>	<i>-12.7%</i>	<i>0.6 p.p.</i>
EBITDA	-2.2	-2.1	-6.9%
<i>EBITDA/Revenues</i>	<i>-12.0%</i>	<i>-12.9%</i>	<i>0.9 p.p.</i>
EBIT	-2.6	-2.1	-22.4%
PBT	-3.2	-2.6	-22.0%
NP	-3.0	-2.5	-19.4%
Volumen Total	3,444	3,208	7.4%
Net Debt ¹	17.1	14.2	20%

Note 1: Net Debt adjusted to strip out the impact of IFRS 16.

Margins remain under pressure, with 2022 EBITDA of EUR -2.2Mn (vs EUR -2.1Mn in 2021). The main factors preventing growth in revenue translating to EBITDA in 2022 were: i) the delay in the marketing of AirNuts (a higher margin product, turnover has been worse than estimated), ii) the poor harvest in 2022 due to frosts and adverse weather (preventing the maximum yield from being obtained from the Has under production), iii) the appreciation of the dollar over the year (ECO buys most of its nuts in the US) and iv) nut prices that remain at lows, despite the increase seen in 2022.

Below EBITDA, the weight of amortisation and the fall in capitalisations in 2022 (due to the variation in the fair value of biological assets and the smaller number of hectares still to reach their target production; -32.9% vs 2021) took 2022 EBIT to EUR -2.6Mn (-22.4% vs 2021).

Net Debt increased to EUR 17.1Mn in 2022 (vs EUR 14.2Mn at the 2021 close). This increase is explained by: i) CAPEX, ii) financial costs arising from the high level of debt (ND/Mkt cap 52.6%) and iii) negative cash generation (2022e Rec. FCF EUR -2.9Mn).

2022 results cause us to downgrade our estimates although we maintain high revenue growth (+14.8% CAGR 2022-2025e)

Revenue growth has been slower than expected, mainly due to the lower penetration of AirNuts in the market and the evolution of nut prices. At the end of 2022, 60% of revenue was concentrated in a single client (Eroski; -10p.p. vs 2021). Also, ECO has not been able to improve its margins (2022 gross margin, 13%; -3p.p. vs 2021). The current scenario of slower than expected revenue growth, plus narrower than expected margins, leads us to downgrade our estimates for 2023e-2025e:

- **We expect ECO to maintain high revenue growth (+14.8% CAGR 2022-2025e), although this is highly dependent on the success of sales of AirNuts...** Our assumptions for revenue growth are based on 3 factors: i) the evolution of the industrial business (without AirNuts), ii) of sales of AirNuts and iii) of the agricultural business. ECO has a plantation (28 Ha) of "juglans nigra" walnut trees (in the growth stage) destined for the wood business that will begin to be felled in 2038 (and so do not enter our revenue estimates 2023e-2025e).

We expect the industrial business line to maintain a similar performance to that seen to date in terms of volume (+5.3% CAGR 2022-2025e), accompanied by an increase in the retail price of nuts (+5% in 2023e; due to the increase in costs being passed on to prices).

AirNuts (made out of a mixture of rice flour and various kinds of nut: almonds, pistachios and peanuts) are the key element of our business model. ECO has made investments in R+D for the development of this innovative product that has a higher price (and higher added value) and that will be the main driver of growth in coming years. After two years in which AirNuts has failed to achieve the expected results due to its low market penetration, in 2023e we estimate revenue for this line of EUR 1.6Mn (vs EUR 0.3Mn in 2022), due to the marketing effort and the signing of contracts with both domestic and international clients after the presentation of the product at Alimentaria (a food fair held in Barcelona in March 2022).

Finally, we expect the hectares planted to reach their maximum production capacity in 2025e (420 Tn). We estimate 2023e revenue of EUR 0.5Mn from the production of 195Tn (130Tn in 2022), depending on the evolution of the harvest.

All the above lead us to estimate 2023e revenue of EUR 21.7Mn (+18.7% vs 2022): an estimate that is highly dependent on the commercial success of the new product (AirNuts). If our estimates are met, in 2025e, with a positive evolution of revenue (with sales of AirNuts of EUR 3.7Mn in 2025e; 13% of 2025e revenue vs 1.5% in 2022) and a full harvest, ECO would obtain revenue of EUR 27.7Mn (vs EUR 18.3Mn in 2022).

- **... leading to an improvement in margins, although EBITDA will remain below break-even in 2023e (2023e EBITDA EUR -0.7Mn):** Our model reflects an improvement in the gross margin for three reasons: i) the ability to pass on the increase in costs to prices in 2023e (especially in the industrial line), ii) the normalisation of the forex effect and iii) the increase in the weighting of sales of AirNuts in the revenue mix to 7% of 2023e revenue (vs 1.5% in 2022). All this, plus ECO's ability to control costs and the fixed component of personnel costs, will make it possible to improve EBITDA in 2023e (EUR -0.7Mn), although this is still below break-even.
- **Positive NP will have to wait until 2025e:** Below EBITDA we estimate amortisation of c. EUR 1Mn, and high financial costs, due to rising interest rates. And an increasingly smaller capitalisation of expenses (due to the smaller number of Has yet to enter production). This will keep NP below break-even, until at least after 2025e.
- **The level of debt and access to capital are today the main restrictions of our model (2023E ND EUR 19.5Mn; 60% of the Mkt Cap):** We consider ECO's level of debt to be high: 2022 ND EUR 17.1Mn (EUR 5Mn are loans with partners). We do not expect positive Rec. FCF until after 2025e, so the cash consumption necessary to finance its activity will increase ND to EUR 21Mn in 2025e (65% of the Mkt Cap), after being unable to capture the capital necessary to buy new plantations in the last two years (strategic objective). In our view, the options to relieve the stressed financial situation are: i) the capture of capital that results in the entry of new investors (in 2021 loans with current shareholders were capitalised for EUR 2.8Mn) or ii) asset sales (ECO has EUR 0.6Mn in assets held for sale).

2023e is going to be a key year for demonstrating ECO's ability to obtain funding and the (final) outcome of its commercial commitment to AirNuts

In conclusion, 2022 results place us at a crossroads. The exchange rate impact subtracts -3p.p. from the gross margin (13% in 2022 vs 16% in 2021), preventing the good performance of revenue in 2022 (+15.1% vs 2021) translating to EBITDA. In this context (of low margins), the take-off of its new product (AirNuts) with higher added value and potentially attractive to consumers, could change this situation. Everything hinges on the growth of AirNuts.

The level of debt is, at the date of this report, the main restriction of our model both due to the level reached and, above all, due to its foreseeable evolution (ECO will continue to consume FCF in the next 3 years). This makes the search for funding the keystone.

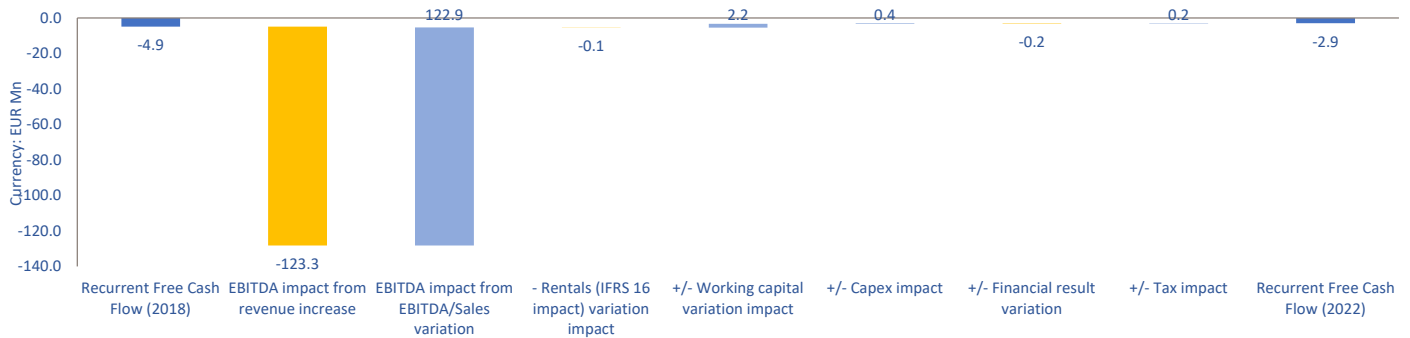
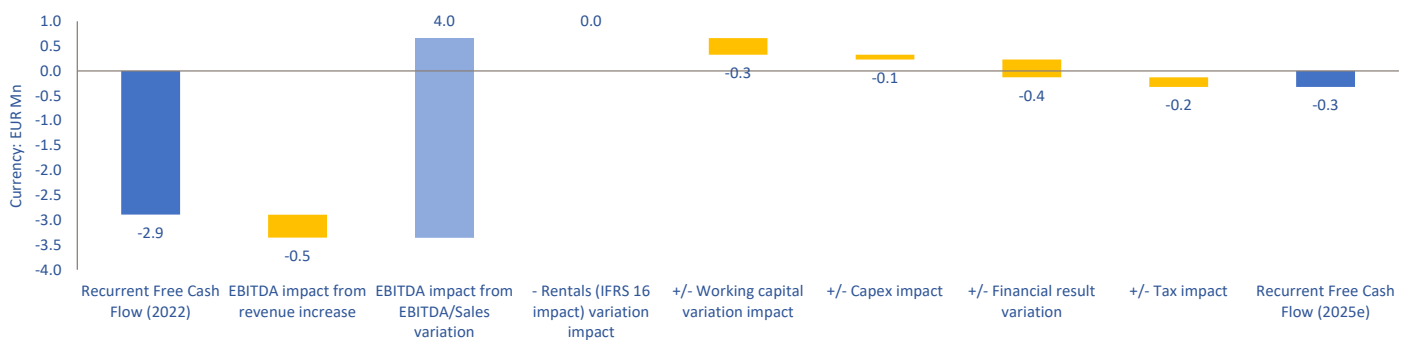
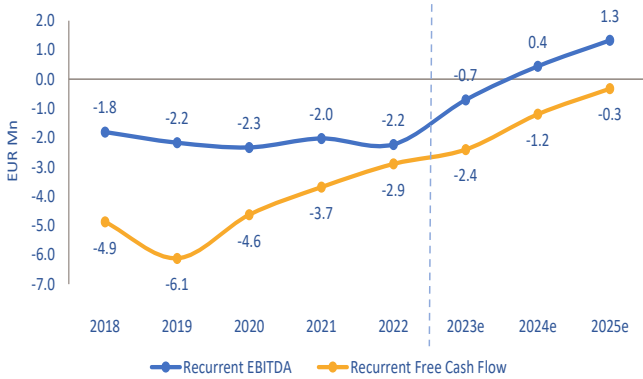
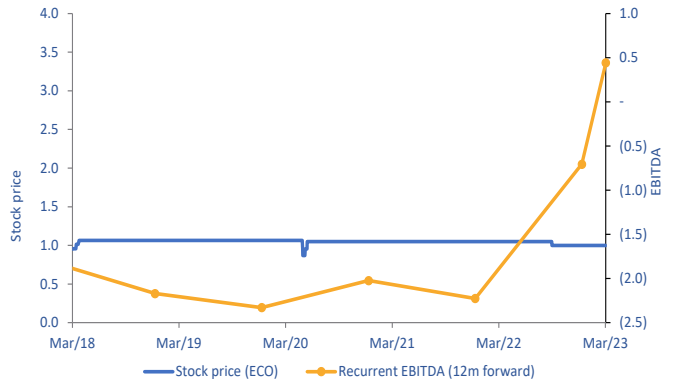
2023 will be the year in which to test the success of ECO's commercial strategy and its ability to relieve its stressed financial situation. ECO's equity story hinges exclusively on the speed/success of the market penetration of AirNuts, and its ability to improve margins and approach break-even in EBITDA.

Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
Intangible assets	3.7	4.1	4.1	3.9	3.5	4.1	4.5	4.9		
Fixed assets	16.9	19.1	16.3	16.3	16.3	15.9	15.5	15.1		
Other Non Current Assets	0.0	0.1	0.4	0.4	0.6	0.6	0.6	0.6		
Financial Investments	0.1	0.1	1.8	0.6	0.6	0.6	0.6	0.6		
Goodwill & Other Intangibles	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9		
Current assets	5.0	5.9	5.0	6.7	7.4	8.3	9.0	9.5		
Total assets	29.7	33.3	31.4	32.0	32.3	33.3	34.1	34.7		
Equity	19.9	17.6	12.6	13.0	10.1	8.4	7.7	7.7		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	1.1	1.2	1.2	1.1	1.0	1.0	1.0	1.0		
Other Non Current Liabilities	-	1.2	1.5	1.4	1.2	1.2	1.2	1.2		
Net financial debt	5.9	10.2	14.3	14.2	17.1	19.5	20.7	21.0		
Current Liabilities	2.8	3.1	1.9	2.3	3.0	3.3	3.6	3.9		
Equity & Total Liabilities	29.7	33.3	31.4	32.0	32.3	33.3	34.1	34.7		
P&L (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Total Revenues	0.2	13.4	15.3	15.9	18.3	21.7	24.8	27.7	<i>n.a.</i>	14.8%
<i>Total Revenues growth</i>	<i>27.4%</i>	<i>n.a.</i>	<i>13.8%</i>	<i>4.0%</i>	<i>15.1%</i>	<i>18.7%</i>	<i>14.3%</i>	<i>11.6%</i>		
COGS	(0.5)	(11.3)	(13.1)	(13.4)	(15.9)	(17.6)	(19.4)	(21.3)		
Gross Margin	(0.3)	2.2	2.2	2.5	2.4	4.1	5.4	6.4	74.8%	39.2%
<i>Gross Margin/Revenues</i>	<i>n.a.</i>	<i>16.2%</i>	<i>14.6%</i>	<i>16.0%</i>	<i>13.0%</i>	<i>18.9%</i>	<i>21.8%</i>	<i>23.2%</i>		
Personnel Expenses	(0.5)	(1.5)	(2.0)	(2.0)	(2.0)	(2.1)	(2.2)	(2.2)		
Other Operating Expenses	(1.0)	(2.9)	(2.6)	(2.5)	(2.6)	(2.7)	(2.8)	(2.9)		
Recurrent EBITDA	(1.8)	(2.2)	(2.3)	(2.0)	(2.2)	(0.7)	0.4	1.3	-5.4%	37.5%
<i>Recurrent EBITDA growth</i>	<i>9.5%</i>	<i>-20.3%</i>	<i>-7.4%</i>	<i>13.1%</i>	<i>-10.0%</i>	<i>68.3%</i>	<i>162.7%</i>	<i>200.7%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>1.8%</i>	<i>4.8%</i>		
Restructuring Expense & Other non-rec.	(0.0)	(0.3)	(0.3)	(0.0)	0.0	-	-	-		
EBITDA	(1.8)	(2.5)	(2.6)	(2.1)	(2.2)	(0.7)	0.4	1.3	-5.0%	37.6%
Depreciation & Provisions	(0.2)	(0.5)	(0.6)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)		
Capitalized Expense	1.7	1.0	0.2	1.0	0.7	0.6	0.4	0.4		
Rentals (IFRS 16 impact)	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)		
EBIT	(0.3)	(2.2)	(3.1)	(2.1)	(2.6)	(1.2)	(0.2)	0.7	-68.0%	31.6%
<i>EBIT growth</i>	<i>75.0%</i>	<i>-564.3%</i>	<i>-43.1%</i>	<i>31.6%</i>	<i>-22.4%</i>	<i>55.2%</i>	<i>86.0%</i>	<i>543.4%</i>		
<i>EBIT/Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>2.6%</i>		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.1)	(0.2)	(0.7)	(0.5)	(0.6)	(0.6)	(0.7)	(0.7)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	(0.5)	(2.4)	(3.8)	(2.6)	(3.2)	(1.8)	(0.8)	0.0	-61.7%	26.2%
<i>Ordinary Profit Growth</i>	<i>67.4%</i>	<i>-415.7%</i>	<i>-58.7%</i>	<i>31.5%</i>	<i>-22.0%</i>	<i>44.4%</i>	<i>53.0%</i>	<i>103.2%</i>		
Extraordinary Results	-	-	(1.5)	-	-	-	-	-		
Profit Before Tax	(0.5)	(2.4)	(5.3)	(2.6)	(3.2)	(1.8)	(0.8)	0.0	-61.7%	26.2%
Tax Expense	-	0.2	0.3	0.1	0.2	0.1	0.1	(0.0)		
<i>Effective Tax Rate</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>10.0%</i>		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	(0.5)	(2.2)	(5.0)	(2.5)	(3.0)	(1.7)	(0.8)	0.0	-59.3%	26.2%
<i>Net Profit growth</i>	<i>67.4%</i>	<i>-377.5%</i>	<i>-122.6%</i>	<i>49.3%</i>	<i>-19.4%</i>	<i>44.4%</i>	<i>55.1%</i>	<i>103.2%</i>		
Ordinary Net Profit	(0.5)	(2.1)	(3.6)	(2.6)	(3.2)	(1.8)	(0.8)	0.0	-62.6%	26.2%
<i>Ordinary Net Profit growth</i>	<i>67.7%</i>	<i>-349.1%</i>	<i>-72.5%</i>	<i>27.6%</i>	<i>-24.7%</i>	<i>44.9%</i>	<i>53.0%</i>	<i>102.9%</i>		
Cash Flow (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Recurrent EBITDA						(0.7)	0.4	1.3	-5.4%	37.5%
Rentals (IFRS 16 impact)						(0.1)	(0.1)	(0.1)		
Working Capital Increase						(0.6)	(0.4)	(0.3)		
Recurrent Operating Cash Flow						-1.4	-0.1	0.9	12.5%	33.7%
CAPEX						(0.5)	(0.5)	(0.5)		
Net Financial Result affecting the Cash Flow						(0.6)	(0.7)	(0.7)		
Tax Expense						0.1	0.1	(0.0)		
Recurrent Free Cash Flow						(2.4)	(1.2)	(0.3)	12.2%	51.9%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						(2.4)	(1.2)	(0.3)	30.6%	48.0%
Capital Increase						-	-	-		
Dividends						-	-	-		
Net Debt Variation						2.4	1.2	0.3		

Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
								19-22	22-25e
Recurrent EBITDA	(2.2)	(2.3)	(2.0)	(2.2)	(0.7)	0.4	1.3	-0.9%	37.5%
<i>Recurrent EBITDA growth</i>	-20.3%	-7.4%	13.1%	-10.0%	68.3%	162.7%	200.7%		
<i>Rec. EBITDA/Revenues</i>	n.a.	n.a.	n.a.	n.a.	n.a.	1.8%	4.8%		
- Rentals (IFRS 16 impact)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)		
+/- Working Capital increase	(0.6)	(0.3)	(1.4)	0.0	(0.6)	(0.4)	(0.3)		
= Recurrent Operating Cash Flow	(2.9)	(2.7)	(3.5)	(2.3)	(1.4)	(0.1)	0.9	7.3%	33.7%
<i>Rec. Operating Cash Flow growth</i>	26.4%	6.1%	-29.7%	34.6%	40.3%	94.2%	n.a.		
<i>Rec. Operating Cash Flow / Sales</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.3%		
- CAPEX	(3.2)	(1.9)	0.1	(0.4)	(0.5)	(0.5)	(0.5)		
- Net Financial Result affecting Cash Flow	(0.2)	(0.3)	(0.3)	(0.3)	(0.6)	(0.7)	(0.7)		
- Taxes	0.2	0.3	0.1	0.2	0.1	0.1	(0.0)		
= Recurrent Free Cash Flow	(6.1)	(4.6)	(3.7)	(2.9)	(2.4)	(1.2)	(0.3)	22.1%	51.9%
<i>Rec. Free Cash Flow growth</i>	-25.6%	24.3%	20.4%	21.5%	17.0%	50.2%	73.1%		
<i>Rec. Free Cash Flow / Revenues</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
- Restructuring expenses & others	-	-	-	-	-	-	-		
- Acquisitions / + Divestments	-	(0.5)	1.0	0.6	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow	(6.1)	(5.2)	(2.6)	(2.3)	(2.4)	(1.2)	(0.3)	27.9%	48.0%
<i>Free Cash Flow growth</i>	38.1%	15.7%	48.7%	13.4%	-4.7%	50.2%	73.1%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2019	2020	2021	2022	2023e	2024e	2025e		
Recurrent FCF(FY - 1)	(4.9)	(6.1)	(4.6)	(3.7)	(2.9)	(2.4)	(1.2)		
EBITDA impact from revenue increase	(122.6)	(0.3)	(0.1)	(0.3)	(0.4)	(0.1)	0.1		
EBITDA impact from EBITDA/Sales variation	122.3	0.1	0.4	0.1	1.9	1.2	0.8		
= Recurrent EBITDA variation	(0.4)	(0.2)	0.3	(0.2)	1.5	1.1	0.9		
- Rentals (IFRS 16 impact) variation impact	(0.1)	(0.0)	0.0	-	-	-	-		
+/- Working capital variation impact	1.5	0.4	(1.1)	1.4	(0.6)	0.2	0.1		
= Recurrent Operating Cash Flow variation	1.0	0.2	(0.8)	1.2	0.9	1.3	1.0		
+/- CAPEX impact	(2.4)	1.3	2.0	(0.5)	(0.1)	(0.0)	(0.0)		
+/- Financial result variation	(0.1)	(0.1)	(0.0)	(0.0)	(0.3)	(0.1)	(0.0)		
+/- Tax impact	0.2	0.1	(0.2)	0.1	(0.1)	(0.0)	(0.1)		
= Recurrent Free Cash Flow variation	(1.2)	1.5	0.9	0.8	0.5	1.2	0.9		
Recurrent Free Cash Flow	(6.1)	(4.6)	(3.7)	(2.9)	(2.4)	(1.2)	(0.3)		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
EBIT	(2.2)	(3.1)	(2.1)	(2.6)	(1.2)	(0.2)	0.7	-6.2%	31.6%
* Theoretical Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%		
= Taxes (pre- Net Financial Result)	-	-	-	-	-	-	(0.1)		
Recurrent EBITDA	(2.2)	(2.3)	(2.0)	(2.2)	(0.7)	0.4	1.3	-0.9%	37.5%
- Rentals (IFRS 16 impact)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)		
+/- Working Capital increase	(0.6)	(0.3)	(1.4)	0.0	(0.6)	(0.4)	(0.3)		
= Recurrent Operating Cash Flow	(2.9)	(2.7)	(3.5)	(2.3)	(1.4)	(0.1)	0.9	7.3%	33.7%
- CAPEX	(3.2)	(1.9)	0.1	(0.4)	(0.5)	(0.5)	(0.5)		
- Taxes (pre- Financial Result)	-	-	-	-	-	-	(0.1)		
= Recurrent Free Cash Flow (To the Firm)	(6.1)	(4.6)	(3.5)	(2.7)	(1.9)	(0.6)	0.3	23.3%	28.3%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	-28.2%	23.8%	25.3%	20.8%	31.0%	67.9%	150.4%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.1%		
- Acquisitions / + Divestments	-	(0.5)	1.0	0.6	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow "To the Firm"	(6.1)	(5.2)	(2.4)	(2.1)	(1.9)	(0.6)	0.3	29.4%	28.9%
<i>Free Cash Flow (To the Firm) growth</i>	37.6%	15.1%	53.0%	11.6%	11.7%	67.9%	150.4%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.6%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.6%		

Recurrent Free Cash Flow accumulated variation analysis (2018 - 2022)

Recurrent Free Cash Flow accumulated variation analysis (2022 - 2025e)

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	32.4	
+ Minority Interests	-	12m Results 2022
+ Provisions & Other L/T Liabilities	0.8	12m Results 2022
+ Net financial debt	17.1	12m Results 2022
- Financial Investments	0.1	12m Results 2022
+/- Others ⁽¹⁾	0.6	12m Results 2022
Enterprise Value (EV)	50.8	

(1) Non-strategic assets held for sales (Land in Spain valued at EUR 0,6Mn)

Appendix 4. Main peers 2023e

		European Industry				Others		
EUR Mn		Select Harvest Limited	Vilmorin & Cie	SIPEF	TIPIAK SA	Average	Archer-Daniels-Midland Company	ECO
Market data	Ticker (Factset)	SHV-AU	RIN-FR	SIP-BE	TIPI-FR		ADM-US	ECO-ES
	Country	Australia	France	Belgium	France		USA	Spain
	Market cap	292.8	976.3	630.5	53.5		37,807.1	32.4
	Enterprise value (EV)	525.2	2,307.2	659.7	115.8		46,606.9	50.8
Basic financial information	Total Revenues	97.6	1,743.5	396.7	246.9		94,157.2	21.7
	Total Revenues growth	-20.5%	9.9%	-21.0%	3.1%	-7.1%	0.9%	18.7%
	2y CAGR (2023e - 2025e)	27.7%	3.7%	-0.4%	3.3%	8.6%	0.5%	12.9%
	EBITDA	(8.0)	421.5	138.0	19.3		5,415.6	(0.7)
	EBITDA growth	-166.9%	19.2%	-35.2%	n.a.	-60.9%	25.3%	67.9%
	2y CAGR (2023e - 2025e)	n.a.	5.7%	-2.9%	6.4%	3.1%	-2.6%	97.1%
	EBITDA/Revenues	n.a.	24.2%	34.8%	7.8%	22.3%	5.8%	n.a.
	EBIT	(28.2)	145.7	88.9	7.5		4,034.5	(1.2)
	EBIT growth	-750.9%	47.9%	-46.9%	3.8%	-186.5%	19.5%	55.2%
	2y CAGR (2023e - 2025e)	85.1%	9.6%	-4.6%	26.8%	29.2%	-1.2%	61.9%
	EBIT/Revenues	n.a.	8.4%	22.4%	3.0%	11.3%	4.3%	n.a.
	Net Profit	(24.0)	100.7	58.2	4.2		3,460.5	(1.5)
	Net Profit growth	-729.9%	9.2%	-43.4%	1.6%	-190.6%	-13.2%	46.0%
	2y CAGR (2023e - 2025e)	73.3%	13.0%	-5.2%	16.0%	24.3%	-4.3%	44.1%
	CAPEX/Sales %	18.2%	14.8%	19.0%	5.3%	14.3%	1.2%	2.4%
Free Cash Flow	(12.8)	41.1	32.7	1.1		2,536.8	(2.4)	
Net financial debt	130.7	951.4	7.2	65.4		5,137.7	19.5	
ND/EBITDA (x)	n.a.	2.3	0.1	3.4	1.9	0.9	n.a.	
Pay-out	-1.2%	41.9%	33.5%	n.a.	24.7%	26.0%	0.0%	
Multiples and Ratios	P/E (x)	n.a.	9.6	10.8	12.5	11.0	10.9	n.a.
	P/BV (x)	1.1	0.6	0.8	0.8	0.8	1.7	3.9
	EV/Revenues (x)	5.4	1.3	1.7	0.5	2.2	0.5	2.3
	EV/EBITDA (x)	n.a.	5.5	4.8	6.0	5.4	8.6	n.a.
	EV/EBIT (x)	n.a.	15.8	7.4	15.5	12.9	11.6	n.a.
	ROE	n.a.	6.7	7.4	6.7	6.9	15.2	n.a.
	FCF Yield (%)	n.a.	4.2	5.2	2.1	3.8	6.7	n.a.
	DPS	0.00	1.84	1.87	2.00	1.43	1.60	0.00
Dvd Yield	0.1%	4.3%	3.1%	3.4%	2.7%	2.3%	0.0%	

Note 1: Financial data, multiples and ratios based on market consensus (Factset). 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 5. Valuation inputs

Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	(1.9)	(0.6)	0.3	n.a.		
Market Cap	32.4	At the date of this report				
Net financial debt	17.1	Debt net of Cash (12m Results 2022)				
					Best Case	Worst Case
Cost of Debt	4.5%	Net debt cost			4.3%	4.8%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	3.6%	Kd = Cost of Net Debt * (1-T)			3.4%	3.8%
Risk free rate (rf)	3.3%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	6.0%	R (own estimate)			5.5%	6.5%
Beta (B)	0.8	B (own estimate)			0.7	0.9
Cost of Equity	8.1%	Ke = Rf + (R * B)			7.1%	9.1%
Equity / (Equity + Net Debt)	65.5%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	34.5%	D			=	=
WACC	6.5%	WACC = Kd * D + Ke * E			5.8%	7.3%
G "Fair"	2.0%				2.0%	1.5%

(1) The terminal value calculated beyond the last FCF estimate does not reflect the company's growth potential (positive/negative) at the date of publication of this report.

Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 23e	EPS 23e-25e	EV/EBITDA 23e	EBITDA 23e-25e	EV/Sales 23e	Revenues 23e-25e	EBITDA/Sales 23e	FCF Yield 23e	FCF 23e-25e
Select Harvest Limited	SHV-AU	292.8	n.a.	73.3%	n.a.	n.a.	5.4	27.7%	n.a.	n.a.	79.4%
Vilmorin & Cie	RIN-FR	976.3	9.6	13.1%	5.5	5.7%	1.3	3.7%	24.2%	4.2%	67.3%
SIPEF	SIP-BE	630.5	10.8	-5.6%	4.8	-2.9%	1.7	-0.4%	34.8%	5.2%	-17.9%
TIPIAK SA	TIPI-FR	53.5	12.5	17.0%	6.0	6.4%	0.5	3.3%	7.8%	2.1%	n.a.
European Industry			11.0	24.5%	5.4	3.1%	2.2	8.6%	22.3%	3.8%	42.9%
Archer-Daniels-Midland (ADM-US)		37,807.1	10.9	0.9%	8.6	-2.6%	0.5	0.5%	5.8%	6.7%	n.a.
ECO	ECO-ES	32.4	n.a.	44.1%	n.a.	97.1%	2.3	12.9%	n.a.	n.a.	63.4%

Free Cash Flow sensitivity analysis (2024e)

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

Scenario	EBITDA/Sales 24e	EBITDA 24e	EV/EBITDA 24e
Max	2.0%	0.5	103.3x
Central	1.8%	0.4	114.9x
Min	1.6%	0.4	129.4x

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

FCF Rec. EUR Mn	CAPEX/Sales 24e		
	EBITDA 24e	2.1%	2.3%
0.5	(1.1)	(1.1)	(1.2)
0.4	(1.1)	(1.2)	(1.2)
0.4	(1.2)	(1.2)	(1.3)

LIGHTHOUSE

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
24-Mar-2023	n.a.	1.00	n.a.	n.a.	Estimates downgrade	Luis Esteban Arribas
02-Mar-2023	n.a.	1.00	n.a.	n.a.	12m Results 2022	Luis Esteban Arribas
03-Oct-2022	n.a.	1.00	n.a.	n.a.	6m Results 2022 - Estimates downgrade	Alfredo Echevarría Otegui
02-Mar-2022	n.a.	1.05	n.a.	n.a.	12m Results 2021	Alfredo Echevarría Otegui
01-Oct-2021	n.a.	1.05	n.a.	n.a.	6m Results 2021	Alfredo Echevarría Otegui
02-Jul-2021	n.a.	1.05	n.a.	n.a.	Estimates upgrade	Ana Isabel González García, CIIA
17-May-2021	n.a.	1.05	n.a.	n.a.	3m Results 2021	Ana Isabel González García, CIIA
04-Mar-2021	n.a.	1.05	n.a.	n.a.	12m Results 2020 - Estimates downgrade	Ana Isabel González García, CIIA
23-Dec-2020	n.a.	1.05	n.a.	n.a.	9m Results 2020 - Estimates downgrade	Ana Isabel González García, CIIA
03-Nov-2020	n.a.	1.05	n.a.	n.a.	6m Results 2020	Ana Isabel González García, CIIA
10-Jun-2020	n.a.	1.05	n.a.	n.a.	Initiation of Coverage	Ana Isabel González García, CIIA

