

EQUITY - SPAIN
 Sector: Food Products

 Closing price: EUR 1.00 (19 Jun 2023)
 Report date: 20 Jun 2023 (09:00)

Important news
 Independent Equity Research

Important news
Opinion ⁽¹⁾: Negative

Impact ⁽¹⁾: We will have to lower our estimates

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Business description

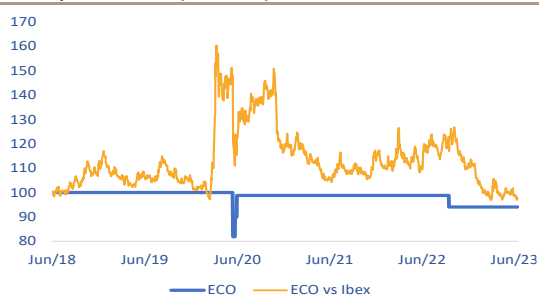
EcoLumber, S.A. (ECO) is a small national group based in Spain (Barcelona), specialised initially in the forestry business. The company has changed strategic direction, positioning itself in the food industry, as a vertically integrated Group, in the production, processing and sale of nuts. It is controlled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

Market Data

Market Cap (Mn EUR and USD)	32.4	35.4
EV (Mn EUR and USD) ⁽²⁾	50.8	55.5
Shares Outstanding (Mn)	32.4	
-12m (Max/Med/Min EUR)	1.05 / 1.01 / 1.00	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	0.7	
Factset / Bloomberg	ECO-ES / ECO SM	
Close fiscal year	31-Dec	

Shareholders Structure (%) ⁽⁵⁾

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

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	0.0	0.0	-4.8	-5.9
vs Ibex 35	-1.9	-7.6	-17.7	-2.7
vs Ibex Small Cap Index	-2.0	2.0	-0.9	-7.2
vs Eurostoxx 50	0.8	-6.8	-24.9	-25.9
vs Sector benchmark ⁽⁴⁾	6.1	1.0	-7.4	-21.1

(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% - 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 Stoxx Europe 600 Food & Beverage.

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

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

Pre-pack, debt restructuring...and confirmation of the strategic turnaround

AFTER THE WEAK RESULTS THAT HAVE BEEN DRAGGING THE COMPANY DOWN SINCE 2020... shaped by 3 main factors: i) poor harvests (due to adverse weather); ii) the macro events of the last 3 years (Covid-19, inflation, dollar appreciation, breakdown of supply chains, etc.); and iii) delays getting the AirNuts (a new value-added product) on the market, keeping margins under pressure (and leaving accumulated losses of EUR 12.5Mn in 2020-2022).

... ECO HAS EMBARKED ON NEGOTIATIONS WITH ITS CREDITORS SEEKING A DEBT RESTRUCTURING AGREEMENT. On 16 June, the company announced pre-insolvency proceedings (article 583 of Spain's Insolvency Law) for Ecolumber (parent) and two subsidiaries, Frutos Secos de la Vega and Uriarte Iturrarte, with the aim of facilitating a restructuring agreement compatible with servicing their existing liabilities. The pre-insolvency protection spans three months (scope for extension).

RESIGNATION OF THE CHAIRMAN OF THE BOARD. The board's chairman, Juan Pi Lorens, has stepped down for personal reasons. The board has agreed to replace him with Joaquín Espallargas Iberní (an independent director of ECO since 2018 and chairman of the Appointments and Remuneration Committee).

CODODAL AGRÍCOLA HAS FILED FOR VOLUNTARY INSOLVENCY PROCEEDINGS as it does not expect to be able to duly service its liabilities. Accompanied by a binding offer for the acquisition of the productive unit. The goal of taking this legal avenue is to maximise the price fetched for the productive unit being sold (walnut and almond tree groves) and speed up the process. Bidders must commit to continuing the business activity (for 2-3 years from when they present their bids) to ensure the continuity of the industrial fabric and the jobs it supports.

HOW DOES THIS AFFECT OUR NUMBERS? ECO has said the decision (sale of assets) was an evident strategic choice for reducing its debt (ND 2022: EUR 17Mn; ND/equity 2022: 2.1x). The insolvency proceedings "protect" the value of the assets. It is, therefore, a logical decision. We will lower our 2023 estimates to reflect the deconsolidation of the agricultural business, the one-off expenses associated with the proceedings and the (probable) need to write down the assets being sold for impairment.

MID/LONG TERM THE STRATEGY REMAINS INTACT, WITH THE SHIFT TOWARDS THE DISTRIBUTION BUSINESS ACCELERATING. Bad news (materialisation of default risk). Also important as 2023e will be a year of transition to our baseline scenario: disposal of estates and strategic focus on distribution. Vertical disintegration of the production chain (sale of assets held for the agricultural business) should unlock deleveraging. However, that shift will not become tangible until after 2023e. In short, ECO remains strategically focused on the distribution business, the success of which will depend on the ultimate rollout of the AirNut product (and materialisation of the expected levels of profitability). The debt restructuring process should be an enabling factor. Despite the strategic rationale for the decisions taken, momentum this year is clearly negative.

Appendix 1. 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)

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
20-Jun-2023	n.a.	1.00	n.a.	n.a.	Important news	Luis Esteban Arribas
12-Jun-2023	n.a.	1.00	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
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

