

**6m Results 2023**
**Opinion** <sup>(1)</sup>: Below expectations

**Impact** <sup>(1)</sup>: 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	34,2
EV (Mn EUR and USD) <sup>(2)</sup>	50,5	53,2
Shares Outstanding (Mn)	32,4	
-12m (Max/Med/Mín EUR)	1,00 / 1,00 / 1,00	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation <sup>(3)</sup>	0,7	
Factset / Bloomberg	ECO-ES / ECO SM	
Close fiscal year	31-Dec	

**Shareholders Structure (%) <sup>(5)</sup>**

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	0,0	-5,9
vs Ibex 35	0,9	0,5	-18,7	-5,7
vs Ibex Small Cap Index	6,0	7,6	-10,2	-10,3
vs Eurostoxx 50	2,3	1,9	-17,2	-24,1
vs Sector benchmark <sup>(4)</sup>	5,6	8,7	5,8	-12,8

(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.

## 1H23 earnings: restructuring makes 2023e a year of transition

**STRONG TOPLINE GROWTH (EUR 10.3Mn; +34% VS 1H22)...** ECO reported EUR 10.3Mn of revenue in 1H23 (vs EUR 7.6Mn in HS22), showcasing its ability to deliver double-digit growth (+34.7% vs 1H22). The increase was due almost exclusively to large retail outlets (Eroski; 60% of 2022 revenue) in the traditional business (+33%), which upped its share in the mix by volume (+27%) and featured some recovery in prices (+6%). The company's long-term growth strategy is still being shaped by the delay in the take-off by AirNuts -which has underperformed initial estimates-

**...AND CONSIDERABLE MARGIN EXPANSION.** Gross margin in 1H23 was 18.5% (+6.9p.p. vs 1H22), underpinned primarily by new public contract awards in 2023e, which enabled the company to pass the increase in costs on to prices. This, coupled with lower overhead (23.13% of revenue in 1H23 vs 29.4% in 1H22), resulted in rec. EBITDA of EUR -0.4Mn (vs EUR -1.4Mn in 1H22). Figures were in line with our estimates.

**HOWEVER, RESTRUCTURING HURT THE BOTTOM LINE.** The key impacts arising from the pre-insolvency (by two subsidiaries) and voluntary insolvency (Cododal Agrícola) proceedings that have hurt ECO's bottom line include: i) the recognition of impairment losses on biological assets due to lower-than-expected growth in trees planted (EUR -1.6Mn), ii) the goodwill impairment (EUR -3.4Mn) recognised on the Utega group acquisition (2019) and iii) the loss due to the discontinuation of the agricultural business (EUR -4.8Mn).

**ECO STILL HAS TWO SUBSIDIARIES IN PRE-INSOLVENCY PROCEEDINGS SEEKING A DEBT RESTRUCTURING AGREEMENT.** On 16 June 2023, Ecolumber (parent) and Frutos Secos de la Vega and Uriarte Iturrarte (subsidiaries) announced jointly pre-insolvency proceedings. The hope is to have a restructuring plan -the two subsidiaries already have one published- approved by the end of October. Cododal Agrícola filed for voluntary insolvency proceedings, and we expect the situation will continue until a potential buyer is found.

**NET DEBT IS STEADY (ND 1H23: EUR 17.1Mn VS EUR 17Mn IN 2022).** The company's net debt at the end of 1H23 was virtually unchanged. The trend in ND is the result of: i) the discontinuation of the agricultural business, ii) the sale of the timber plantation in Oropesa and iii) a higher working capital requirement.

**IN SUM: OPERATING PROFIT (REC. EBITDA) WAS IN LINE WITH EXPECTATIONS, BUT ACCOUNTING PROFIT (NET PROFIT) WAS BELOW.** While AirNuts (a crucial part of the company's equity story) has fared poorly, growth in the traditional business (retail) vindicates ECO's new strategy. The restructuring announced in June will impact 2023e earnings. Our estimates point to revenue of EUR 22.6Mn (with 2H affected by the business' seasonality) and rec. EBITDA of EUR -0.8Mn. Due to asset impairment, we estimate the company will show an accounting loss of around EUR 13.4Mn. Accordingly, ECO looks set to show negative equity at year-end 2023e (but below half of its share capital). ECO's momentum is clearly negative, contingent entirely on approval of the restructuring plan (average forgiveness of 60% of debt, including the sale of the agricultural business). Therefore, 2023e has become a year of transition for ECO. Everything depends on AirNuts taking off.

## Appendix 1. Results table

EUR Mn	6m23	6m23 Real vs		2023e vs	
	Real	6m22	6m22	2023e	2022
<b>Total Revenues</b>	<b>10,3</b>	<b>7,6</b>	<b>34,7%</b>	<b>22,6</b>	<b>23,6%</b>
<b>Gross Margin</b>	<b>1,9</b>	<b>0,9</b>	<b>114,5%</b>	<b>4,1</b>	<b>72,3%</b>
<i>Rec. EBITDA/Revenues</i>	<i>18,5%</i>	<i>11,6%</i>	<i>6,9 p.p.</i>	<i>18,1%</i>	<i>5,1 p.p.</i>
<b>Recurrent EBITDA</b>	<b>-0,4</b>	<b>-1,4</b>	<b>72,5%</b>	<b>-0,8</b>	<b>65,8%</b>
<i>Rec. EBITDA/Revenues</i>	<i>-3,6%</i>	<i>-17,8%</i>	<i>14,1 p.p.</i>	<i>-3,4%</i>	<i>8,8 p.p.</i>
<b>EBITDA</b>	<b>-0,7</b>	<b>-1,4</b>	<b>50,8%</b>	<b>-0,8</b>	<b>65,4%</b>
<i>EBITDA/Revenues</i>	<i>-6,5%</i>	<i>-17,8%</i>	<i>11,3 p.p.</i>	<i>-3,4%</i>	<i>8,7 p.p.</i>
<b>EBIT</b>	<b>-2,6</b>	<b>-1,4</b>	<b>-87,2%</b>	<b>-4,7</b>	<b>-79,0%</b>
<b>PBT</b>	<b>-11,2</b>	<b>-1,6</b>	<b>n.a.</b>	<b>-13,5</b>	<b>-159,6%</b>
<b>NP</b>	<b>-11,2</b>	<b>-1,6</b>	<b>n.a.</b>	<b>-13,4</b>	<b>-166,7%</b>
<b>Ordinary NP</b>	<b>-2,8</b>	<b>-1,7</b>	<b>-65,7%</b>	<b>-5,2</b>	<b>-62,5%</b>
		<b>12m22</b>			
		<b>Real</b>			
Net Debt <sup>1</sup>	17,1	17,0	1%	17,9	5%

(1) Note 1: Net Debt adjusted to strip out the impact of IFRS 16 (EUR 0 In 1H23 y EUR 1Mn In 2022).

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

	EUR Mn	Source
Market Cap	32,4	
+ Minority Interests	-	6m Results 2023
+ Provisions & Other L/T Liabilities	1,0	6m Results 2023
+ Net financial debt	17,1	6m Results 2023
- Financial Investments	0,1	6m Results 2023
+/- Others		6m Results 2023
<b>Enterprise Value (EV)</b>	<b>50,5</b>	

## LIGHTHOUSE

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
06-Oct-2023	n.a.	1.00	n.a.	n.a.	6m Results 2023	Luis Esteban Arribas
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

