

6m Results 2023

 Opinion ⁽¹⁾: Below expectations

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

Luis Esteban Arribas, CESGA – luis.esteban@institutodeanalistas.com

+34 915 904 226

Business description

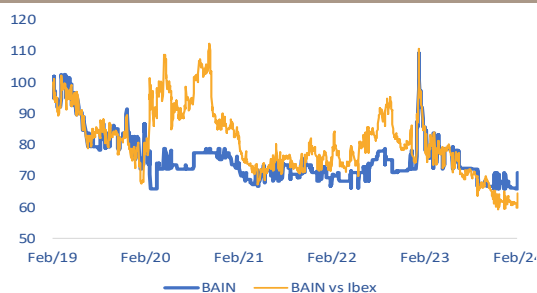
Borges Agricultural & Industrial Nuts, S.A. (BAIN) is a small international group based in Spain (Tarragona), specialising in the agricultural production, processing and B2B marketing of nuts. It has an international presence (50% of 2022 revenue) and is a European benchmark in the almond segment (share of c.7%). Its core shareholder is Borges International Group (89.1% of capital).

Market Data

| | | |
|------------------------------------|--------------------|-------|
| Market Cap (Mn EUR and USD) | 62,5 | 67,6 |
| EV (Mn EUR and USD) ⁽²⁾ | 124,8 | 135,0 |
| Shares Outstanding (Mn) | 23,1 | |
| -12m (Max/Med/Mín EUR) | 3,26 / 2,75 / 2,50 | |
| Daily Avg volume (-12m Mn EUR) | n.m. | |
| Rotation ⁽³⁾ | 0,7 | |
| Factset / Bloomberg | BAIN-ES / BAIN SM | |
| Close fiscal year | 31-May | |

Shareholders Structure (%)

| | |
|----------------------------|------|
| Borges International Group | 89,1 |
| Board Members | 0,2 |
| Free Float | 10,6 |

Relative performance (Base 100)

Stock performance (%)

| | -1m | -3m | -12m | -5Y |
|------------------------------------|------|------|-------|-------|
| Absolute | 6,3 | 8,0 | -17,2 | -28,9 |
| vs Ibex 35 | 3,5 | 5,6 | -24,5 | -35,4 |
| vs Ibex Small Cap Index | 8,6 | 7,5 | -9,3 | -37,6 |
| vs Eurostoxx 50 | -2,6 | -3,3 | -27,6 | -52,3 |
| vs Sector benchmark ⁽⁴⁾ | 3,4 | 6,3 | -11,5 | -33,0 |

(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.

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

1H23 Results: Penalized by the drop in volumes in walnuts and almonds

SLUMP IN VOLUMES IMPLIED A CONTRACTION IN REVENUE (-17.3% VS 1H22)...

BAIN ended 1H23 with revenue of EUR 61.5Mn (-19% volume effect | +1.7% price effect, thanks mainly to pistachio prices). Lower sales of walnuts and almonds (56.6% of total revenue vs 75% in 1H22) are the main reason for the downtrend in revenue (-15.2% and -40.3% YoY, respectively). The good news came from "other nuts and dried fruit" as it was a good year for pistachios (+62.7% vs 1H22). In addition, the drought and weather conditions hurt the harvest (tonnes of output 1H23: -10%).

... ALTHOUGH WALNUT AND ALMOND PRICES APPEAR TO HAVE HIT BOTTOM.

The prices of the main products sold by BAIN, almonds and walnuts, have fallen by 37% and 15% in the last 12 months, respectively. However, we think prices may have bottomed out for three reasons: i) late flowering which has created the initial expectation that US almond production will be lower; ii) walnut and almond prices are at record lows; and iii) weak production in Spain (due to the lack of water along the Mediterranean). Watch for a potential slow (and partial) recovery in prices.

SUPERFLUOUS OVERHEAD CUT RECURRING EBITDA BY HALF. Despite a wider gross margin (1H23e: 25%; +2.1% vs 1H22), thanks to the increase in pistachio and other nut prices, overhead (EUR 14.3Mn; -5.4% vs 1H22) put pressure on recurring EBITDA, which declined to EUR 1Mn in 1H23, below our estimates (-44.5% vs 1H22).

BAIN REPORTED A NET LOSS OF EUR 1.7MN, HURT BY FINANCE COSTS. Although depreciation charges were in line with our estimates (addition of 47 hectares to the pistachio project), higher interest rates sent finance costs soaring to EUR 1.5Mn, leaving a net loss of EUR 1.7Mn (net loss of EUR 0.3Mn in 1H22).

INCREASE IN LEVERAGE (ND/EQUITY: 1X), ALBEIT STILL UNDER CONTROL, due to the business' seasonality (and earnings), which drove net debt to EUR 57.4Mn at the 1H23 close (+17.5% vs 1H22), reflecting a higher working capital requirement, which more than offset the drop in CAPEX (EUR 1.1Mn; -77%).

ESTIMATE FINE-TUNING. The drop in sales volumes (for the first time since the sale of the California business in 2020) evidences (inevitably) the business' weak momentum. The slump in demand for dried fruit and nuts outside Spain is key (-7.4% vs 1H22).

As a result, we are forecasting 2023e revenue of c. EUR 115-125Mn in 2023 (-15% vs our last estimates) and negative 2023e EBITDA of EUR -0.7Mn. Developments around the harvest in California and growth in demand are the main potential catalysts for a business that is currently watchful for signs of a sector turnaround. Those catalysts could unlock significant upside via price recovery. Current multiples (EV/revenue 2023e: 1x) point to significant (theoretical) valuation upside. But momentum remains weak.

Appendix 1. Results table

| EUR Mn | 6m23 | | 6m23 Real |
|-------------------------------------|-------------|-------------|------------------|
| | Real | 6m22 | vs 6m22 |
| Total Revenues | 61.5 | 74.3 | -17.3% |
| Walnuts | 5.0 | 5.9 | -15.2% |
| Almonds | 29.7 | 49.8 | -40.3% |
| Other nuts | 21.8 | 13.4 | 62.7% |
| Other products | 4.9 | 5.2 | -5.5% |
| Recurrent EBITDA¹ | 1.0 | 1.9 | -44.9% |
| <i>Rec. EBITDA/Revenues</i> | <i>1.7%</i> | <i>2.6%</i> | <i>-0.9 p.p.</i> |
| EBITDA¹ | 1.1 | 2.0 | -44.0% |
| <i>EBITDA/Revenues</i> | <i>1.8%</i> | <i>2.6%</i> | <i>-0.9 p.p.</i> |
| EBIT | -0.8 | 0.0 | n.a. |
| PBT | -2.3 | -0.7 | -221.6% |
| NP | -1.7 | -0.3 | -397.9% |
| Ha. managed | 2,545 | 2,498 | 1.9% |
| Volume ² | 12,988 | 16,045 | -19.1% |
| Tns. Produced | 2,419 | 2,688 | -10.0% |
| Net Debt ³ | 55.3 | 46.6 | 18.7% |
| ND / Equity ³ | 1.0 x | 0.8 x | 0.2 x |

(1) Adjusted EBITDA and Rec. EBITDA exclude capitalisations.

(2) Excluding subproducts.

(3) Net Debt adjusted to strip out: (i) the impact of IFRS 16 (EUR 7.8Mn and EUR 7.6Mn in 1H23 and 1H22, respectively) and (ii) property investments held for sale (EUR 2.7Mn in 1H23 and 1H22).

Appendix 2. EV breakdown at the date of this report

| | EUR Mn | Source |
|--------------------------------------|--------------|-----------------|
| Market Cap | 62,5 | |
| + Minority Interests | - | 6m Results 2023 |
| + Provisions & Other L/T Liabilities | 9,1 | 6m Results 2023 |
| + Net financial debt | 55,3 | 6m Results 2023 |
| - Financial Investments | (0,6) | 6m Results 2023 |
| +/- Others ⁽¹⁾ | (2,7) | 6m Results 2023 |
| Enterprise Value (EV) | 124,8 | |

(1) Inversiones inmobiliarias disponibles para la venta

LIGHTHOUSE

Calle Núñez de Balboa, 108 1ª Planta
28006 Madrid
T: +34 915 904 226
institodeanalistas.com/lighthouse

Alfredo Echevarría Otegui

Head of research

alfredo.echevarria@institodeanalistas.com

Luis Esteban Arribas, CESGA

Equity research

luis.esteban@institodeanalistas.com

Enrique Andrés Abad, CFA

Equity research

enrique.andres@institodeanalistas.com

José Miguel Cabrera van Grieken

Equity research

jose.cabrera@institodeanalistas.com

Jesús López Gómez, CESGA

ESG Analyst & Data analytics

jesus.lopez@institodeanalistas.com

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Notes and Reports History

| Date of report | Recommendation | Price (EUR) | Target price (EUR) | Period of validity | Reason for report | Analyst |
|----------------|----------------|-------------|--------------------|--------------------|--|----------------------------------|
| 26-Feb-2024 | n.a. | 2.70 | n.a. | n.a. | 6m Results 2023 | Luis Esteban Arribas, CESGA |
| 31-Jul-2023 | n.a. | 2.76 | n.a. | n.a. | 12m Results 2022 - Estimates downgrade | Luis Esteban Arribas, CESGA |
| 12-Jun-2023 | n.a. | 2.96 | n.a. | n.a. | Small & Micro Caps (Spain) | David López Sánchez |
| 27-Feb-2023 | n.a. | 3.26 | n.a. | n.a. | 6m Results 2022 - Estimates downgrade | Luis Esteban Arribas, CESGA |
| 01-Aug-2022 | n.a. | 2.80 | n.a. | n.a. | 12m Results 2021 | Alfredo Echevarría Otegui |
| 01-Mar-2022 | n.a. | 2.68 | n.a. | n.a. | 6m Results 2021 | Alfredo Echevarría Otegui |
| 02-Aug-2021 | n.a. | 2.60 | n.a. | n.a. | 12m Results 2020 | Ana Isabel González García, CIIA |
| 17-Jun-2021 | n.a. | 2.72 | n.a. | n.a. | Estimates upgrade | Ana Isabel González García, CIIA |
| 12-Apr-2021 | n.a. | 2.62 | n.a. | n.a. | 9m Results 2020 | Ana Isabel González García, CIIA |
| 02-Mar-2021 | n.a. | 2.70 | n.a. | n.a. | 6m Results 2020 - Estimates downgrade | Ana Isabel González García, CIIA |
| 04-Jan-2021 | n.a. | 2.88 | n.a. | n.a. | 3m Results 2020 | Ana Isabel González García, CIIA |
| 03-Aug-2020 | n.a. | 2.80 | n.a. | n.a. | 12m Results 2019 | Ana Isabel González García, CIIA |
| 04-Jun-2020 | n.a. | 2.98 | n.a. | n.a. | Estimates downgrade | Ana Isabel González García, CIIA |
| 31-Mar-2020 | n.a. | 2.50 | n.a. | n.a. | 9m Results 2020 | Ana Isabel González García, CIIA |
| 02-Mar-2020 | n.a. | 2.96 | n.a. | n.a. | 6m Results 2020 | Ana Isabel González García, CIIA |
| 16-Oct-2019 | n.a. | 3.18 | n.a. | n.a. | 3m Results 2020 | Ana Isabel González García, CIIA |
| 01-Aug-2019 | n.a. | 3.16 | n.a. | n.a. | 12m Results 2019 | Ana Isabel González García, CIIA |
| 25-Apr-2019 | n.a. | 3.72 | n.a. | n.a. | 9m Results 2019 | Ana Isabel González García, CIIA |
| 11-Apr-2019 | n.a. | 3.84 | n.a. | n.a. | Initiation of Coverage | Ana Isabel González García, CIIA |

