

6m Results 2022

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Opinion ⁽¹⁾: Below expectations

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Impact ⁽¹⁾: We lower our estimates

A consumer business that is holding its ground

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 (c.50% of capital)

A RETURN TO REVENUE GROWTH. 1H 2021 (-1%) saw the stabilisation of sales post Covid-19. 1H 2022 (+9.5%) has seen growth recover in especially difficult conditions: 1) a macro context that is very adverse for the consumption sector (hyperinflation, worsening of confidence), 2) a fall in Eroski Group sales (-7%; continuing to lose importance in the mix: <60%), and 3) the delay to the take-off of the turnover of Air Nuts. Growth in revenue in 1H 2022 was based on the increase in the customer base, pointing to a business that is genuinely able to grow in this environment.

Market Data

Market Cap (Mn EUR and USD)	27.0	26.5
EV (Mn EUR and USD) ⁽²⁾	36.9	36.1
Shares Outstanding (Mn)	27.0	
-12m (Max/Med/Min EUR)	1.05 / 1.05 / 1.00	
Daily Avg volume (-12m Mn EUR)	n.a.	
Rotation ⁽³⁾	n.a.	
Factset / Bloomberg	ECO-ES / ECO SM	
Close fiscal year	31-Dec	

ALTHOUGH ANNUAL SALES (2022E) WILL BE SMALLER THAN EXPECTED. On paper, 1H 2022 turnover makes it impossible to achieve annual revenue of EUR 18 Mn (current estimate). 1H growth was comprised of +4% in volumes and prices rises of 5-6% (below the +15% estimated). Assuming flat volumes in 2H and the consolidation of current prices, 2022e revenue would be EUR 16 – 16.5 Mn. In addition, the current context will delay the take-off of Air Nuts.

Shareholders Structure (%) ⁽⁵⁾

G3T SL	17.8
Onchena	12.8
Brinca 2004 SL	10.6
Acalios	7.3
Free Float	31.7

GOOD MARGINS DESPITE EVERYTHING. As happened in 1H 2021, the main take-away from these results is margins. 1H 2022 Rec. EBITDA, EUR -1.4 Mn: repeating 1H 2021 levels, despite the rebound in costs (energy, phytosanitary products, fertilizers, etc.), the investment required by Air Nuts, and the 2 p.p. reduction in the gross margin (that can be considered logical).

Relative performance (Base 100)



RESILIENCE, BUT THE MACRO CONTEXT INEVITABLY DELAYS BREAK EVEN. The good performance by revenue and flat structural costs offset the narrowing of the gross margin (a long way from pre-pandemic levels: 11.6% vs 16.2% 1H 2021). Delaying break even (conditional on revenue of c. EUR 20 Mn). But with a favourable reading: ECO runs a genuinely resilient consumer business. Stable net debt (EUR 16.4 Mn).

THE RECOVERY OF PRICES WILL BE THE CATALYST (BUT NOT IN 2022). If we shine the spotlight on the company's core and recurrent business (the sale of nuts) the main lever of growth (beyond 2022) is still the increase in walnut and almond prices. A recovery that is mathematically inevitable (upside of >30% vs 2019 prices) but that the macro slump of 2022 is sure to delay. Solid goodwill (CAGR for revenue 1H 2019 – 1H 2022, +12%). The company's equity story comprises three factors: 1) price rises, 2) revenue growth (CAGR 2022-2024 of c.+12%) and 3) a return to pre-pandemic gross margin levels (>15%). This would automatically imply break even. The potential "take off" of Air Nuts would be an additional catalyst (or an accelerator of break-even). 2022e EV/Sales of c. c.2x.

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-4.8	-4.8	-4.8	0.5
vs Ibex 35	3.2	4.7	13.7	41.6
vs Ibex Small Cap Index	5.2	12.4	16.2	-15.1
vs Eurostoxx 50	2.2	-0.8	16.2	8.8
vs Sector benchmark ⁽⁴⁾	1.8	-1.9	0.8	-11.2

Table 1. 1H Results 22

EUR Mn	6m22 Real	6m21	6m22 Real vs 6m21
Total Revenues	7.6	7.0	9.5%
Gross Margin (o/Revenues)	11.6%	13.6%	-1.9 p.p.
Recurrent EBITDA	-1.4	-1.3	-3.3%
Rec. EBITDA/Revenues	-17.8%	-18.8%	1.1 p.p.
EBITDA	-1.0	-0.9	-13.8%
EBITDA/Revenues	-12.8%	-12.4%	-0.5 p.p.
EBIT	-1.4	-1.3	-8.4%
PBT	-1.6	-1.5	-6.4%
NP	-1.6	-1.5	-6.5%
Ordinary NP	-2.1	-2.0	-1.0%
Net Debt ¹	16.4	16.8	-2.6%
ND / Equity	1.4 x	1.5 x	-0.1 x

(1) Note 1. ND includes loans with shareholders: EUR 0Mn in 1H22 (EUR 2.7Mn in 1H21).

(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 1.

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

(4) vs Stoxx Europe 600 Food & Beverage.

(5) Others: Jovellanos Cartera 5.3%, Relocation & Exec. Serv. SL 5.0%, Transtronic Spain Corp 3.6%, Other Board Members 6.0%

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

Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	27.0	
+ Minority Interests	-	6m Results 2022
+ Provisions & Other L/T Liabilities	0.8	6m Results 2022
+ Net financial debt	16.4	6m Results 2022
- Financial Investments	0.1	6m Results 2022
+/- Others ⁽¹⁾	(7.3)	Lighthouse 2022
Enterprise Value (EV)	36.9	

(1) Non-strategic assets held for sales (Land in Spain valued at EUR 0,6Mn) and other forestry assets in Spain (EUR 6,7Mn)

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
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

