

6m Results 2021

Opinion ⁽¹⁾: Above expectations

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

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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 (58% of 2019 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).

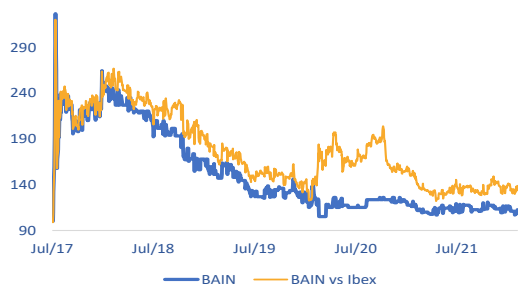
Market Data

Market Cap (Mn EUR and USD)	62.0	69.7
EV (Mn EUR and USD) ⁽²⁾	102.8	115.4
Shares Outstanding (Mn)	23.1	
-12m (Max/Med/Min EUR)	2.88 / 2.69 / 2.54	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	0.9	
Factset / Bloomberg	BAIN-ES / BAIN SM	
Close fiscal year	31-May	

Shareholders Structure (%)

Borges International Group	89.1
Board Members	0.3
Free Float	10.6

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-2.9	-4.3	-2.9	n.a.
vs Ibex 35	-1.4	-5.1	-5.8	n.a.
vs Ibex Small Cap Index	-5.7	-9.4	-1.2	n.a.
vs Eurostoxx 50	2.4	-0.3	-10.0	n.a.
vs Sector benchmark ⁽⁴⁾	-2.7	-3.3	-19.8	n.a.

(3) 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).

(4) Please refer to Appendix 2.

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

(6) vs Stoxx Europe 600 Food & Beverage.

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

The strong recovery in margins will lead us to upgrade 2021e and 2022e estimates.

Any reference to the results (6M 2021) refers to the period between June 1 and November 30 of the corresponding year.

RECOVERY OF REVENUE DELAYED... 1H21 can be considered the floor for revenue as the levels seen in 1H20 were maintained (a period totally affected by the impact of the pandemic on the HORECA channel). Sales fell -6.3%, delaying the expected recovery and pointing to 12m 2021 turnover of c. EUR 140 Mn (still a long way from pre-Covid levels: c. EUR 180 Mn). Sales of almonds have recovered their weighting in the mix (67% vs 60% 1H20), returning to 2019 levels with an immediate impact on profitability thanks to the performance of prices (c.+35%).

...BUT MARGINS HAVE REACHED ALL-TIME HIGHS. Both in terms of gross margin, that doubled that of 1H20 (27.3% vs 14.4%), and EBITDA/Sales: above 8% vs previous highs of c.3% (2016, 2017). The EBITDA margin takes BAIN closer to the main sector players. Factors responsible for the improvement in margins include: i) the increase in prices vs 1H21, ii) the commercial management and policy and iii) the gradual approach to full production of the hectares planted in 2015/2016.

ORDINARY NP CONSOLIDATES ABOVE EUR 3 MN. Stripping out the impact of the capital gain from the sale of Borges of California, 2020 results showed losses (c.EUR 4 Mn). 2021 Ordinary NP will be clearly above break even (we will raise our estimates).

ALL THIS HAS LED TO A CLEAR RATIONALISATION OF GEARING. Net debt is still high but more bearable. The performance of the operating result and investment has resulted in a significant reduction in gearing: 0.5x equity (vs 0.9x 1H20).

IN CONCLUSION: THE STRONG MARGIN IMPROVEMENT IMPLIES AN UPGRADE TO ESTIMATES. The recovery of 2019 revenue levels remains pending and has been delayed until 2022. However, the consolidation of current levels of EBITDA margin opens up an unexpected growth opportunity that apparently is not being discounted by the market (BAIN -12M vs IBEX35, -8%): 2021e EV/Sales of 0.7x, with large discounts vs the main sector players. We will have to upgrade our estimates to take Rec. EBITDA to levels of > EUR 5 Mn 2021e (vs EUR 2.7 Mn at present). In the long term, almond prices continue to show significant potential to levels seen in 2019 (> +30%).

Table 1. Results 6m 2021

EUR Mn	6m21 Real	6m20	6m21 Real vs 6m20	2021e	2021e vs 2020
Total Revenues	71.5	76.3	-6.3%	170.9	19.2%
Walnuts	6.4	9.9	-35.4%	16.3	14.0%
Almonds	47.9	45.8	4.7%	112.7	24.8%
Other nuts	17.2	20.6	-16.7%	41.8	8.0%
Gross Mg. %	27.3%	14.4%	89.3%	16.4%	0.0 p.p.
Rec. EBITDA ⁽¹⁾	5.9	-2.5	336.9%	3.4	414.4%
Rec. EBITDA/Revenues	8.3%	-3.3%	11.6 p.p.	2.0%	2.7 p.p.
EBITDA ⁽¹⁾	5.9	-2.7	317.4%	2.7	245.5%
PBT	4.3	-3.3	229.5%	0.5	-93.8%
Ordinary NP	3.4	-2.6	232.7%	0.9	119.2%
Net Debt ⁽²⁾	35.9	51.5	-30%	38.4	16%

(1) EBITDA and Rec. EBITDA adjusted. It excludes capitalized expense (EUR 0.5Mn in 2021 and EUR 1.1Mn in 2020).

(2) Net Debt adjusted to exclude the impact of: (i) IFRS 16 (7.7Mn and 7.6Mn in 1H21 and 1H20) and (ii) real estate assets held for sale (EUR 2.7Mn)

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	62.0	
+ Minority Interests	-	6m Results 2021
+ Provisions & Other L/T Liabilities	7.2	6m Results 2021
+ Net financial debt	35.9	6m Results 2021
- Financial Investments	(0.3)	6m Results 2021
+/- Others ⁽¹⁾	(2.7)	Lighthouse 2021
Enterprise Value (EV)	102.8	

(1) Real State Assets held for sale

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Notes and Reports History

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

