

## 12m Results 2021

**Opinion** <sup>(1)</sup>: In line

**Impact** <sup>(1)</sup>: We will maintain 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)	64.8	66.1
EV (Mn EUR and USD) <sup>(2)</sup>	89.7	91.5
Shares Outstanding (Mn)	23.1	
-12m (Max/Med/Min EUR)	2.88 / 2.70 / 2.52	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation <sup>(3)</sup>	0.7	
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	0.7	7.7	3.7	-10.9
vs Ibex 35	1.1	13.3	11.7	15.1
vs Ibex Small Cap Index	4.5	18.2	14.7	-32.0
vs Eurostoxx 50	-4.5	10.4	15.1	-16.7
vs Sector benchmark <sup>(4)</sup>	-6.1	10.4	1.6	-29.5

(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.

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

## 12m 2021 results: margins continue to recover (despite the fall in revenue)

**THE RECOVERY OF REVENUE IS DELAYED (SOMETHING ALREADY ANTICIPATED BY 1H 2021 RESULTS).** Revenue in line with expectations (EUR 136.1 Mn, -5.1%) after 1H 2021 (-6.3%), that implies a repeat of 2020 (100% shaped by the impact of the pandemic on the HORECA channel; EUR 143.4 Mn). And a delayed return to pre COVID-19 levels (c-EUR 180 Mn in 2018 and 2019). An -11.8% decrease in the volume sold (c.35,400 Tns) that explains the performance in sales. Almonds continue to recover weighting in the mix (67% vs 60% in 2020) that explains the increase in prices (although still a long way from 2019 levels).

**...BUT THE MARGIN RECOVERY CONTINUES AND MORE THAN OFFSETS THE FALL IN REVENUE.** At the gross margin level (22.1% vs 16.3% 2020) the strong recovery seen in 1H has been consolidated and this is the most interesting aspect of these results due to the mid and long term repercussions. For two reasons: 1) it reflects the effect of greater self-supply, and 2) it has benefited from the recovery of almonds in the mix (and their impact on prices). Two causes that we think will continue over time (especially the almond price effect) and that imply further upside for gross margin improvement, already at 5y highs (before now always in the 15-17% range). This improvement explains the step-up in Rec. EBITDA, that is more “worthy” against a backdrop of falling revenue. And that leads us, despite the delay in the recovery of revenue (beyond 2023) to maintain our 2022 EBITDA estimates.

**ORDINARY NP IS POSITIVE AGAIN.** Stripping out the impact of the capital gain from the sale of Borges of California on 2020 results, ordinary NP fell to EUR -3.8 Mn. Recovering break even in 2021 (although below levels seen in 1H: EUR 3.4 Mn).

**GEARING CONTINUES TO DECREASE.** Net debt is still high but increasingly more bearable. The performance of EBITDA (and its impact on FCF generation) has enabled the de-leveraging of the business to continue (0.4x ND/Equity: the lowest level of the last 5y).

**IN CONCLUSION: THE STRONG MARGIN IMPROVEMENT ALLOWS US TO MAINTAIN ESTIMATES.** The recovery of 2019 revenue levels remains pending and has been delayed until 2023. However, the consolidation of current levels of profitability (gross margin and EBITDA) implies the possibility of “weathering” the very bad macro backdrop for the consumer sector (declining economic growth and high inflation). We downgrade 2022 revenue to EUR 140 Mn but with a gross margin > 20% we maintain 2022 EBITDA estimates at EUR 5-6 Mn. In the long term, almond prices continue to show significant potential to levels seen in 2019 (> +30%). An attractive driver but in the mid term (2023) held back by the macro situation. EV/Sales 0.7x, still well below peers.

EUR Mn	12m21	12m20	2020	12m21 vs 2020
<b>Total Revenues</b>	<b>136.1</b>	<b>143.4</b>	<b>-5.1%</b>	
<b>Gross Margin</b>	<b>30.2</b>	<b>23.4</b>	<b>29.1%</b>	
Gross Margin / Revenues)	22.2%	16.3%	5.9 p.p.	
<b>Recurrent EBITDA <sup>(1)</sup></b>	<b>4.1</b>	<b>-1.2</b>	<b>441.7%</b>	
Rec. EBITDA/Revenues	3.0%	-0.8%	3.8 p.p.	
<b>EBIT</b>	<b>1.1</b>	<b>-3.6</b>	<b>130.6%</b>	
<b>PBT</b>	<b>0.1</b>	<b>7.9</b>	<b>-98.7%</b>	
<b>NP</b>	<b>0.0</b>	<b>5.7</b>	<b>-100.0%</b>	
<b>Ordinary NP</b>	<b>0.2</b>	<b>-3.8</b>	<b>105.3%</b>	
Net Debt	26.9	31.1		
ND / EQUITY	0.4 x	0.5 x		

(1) Rec. EBITDA It excludes capitalized expense (EUR 1.1Mn in 2021 and EUR 1.8Mn in 2020).

## Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	64.8	
+ Minority Interests	-	12m Results 2021
+ Provisions & Other L/T Liabilities	0.4	12m Results 2021
+ Net financial debt	26.9	12m Results 2021
- Financial Investments	(0.3)	12m Results 2021
+/- Others <sup>(1)</sup>	(2.7)	12m Results 2021
<b>Enterprise Value (EV)</b>	<b>89.7</b>	

(1) Real State Assets held for sale

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

