

12m Results 2019

Opinion ⁽¹⁾: In line

Impact ⁽¹⁾: We will maintain our estimates

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Business description

Borges Agricultural & Industrial Nuts, S.A. 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).

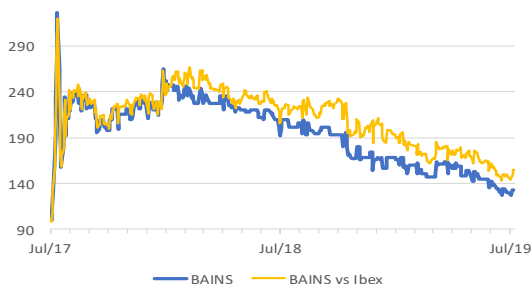
Market Data

Market Cap (Mn EUR and USD)	73.1	81.0
EV (Mn EUR and USD)	110.0	121.9
Shares Outstanding (Mn)	23.1	
-12m (Max/Med/Min EUR)	5.00 / 3.93 / 3.02	
Daily Avg volume (-12m Mn)	n.m.	
Rotation ⁽²⁾	0.80	
Thomson Reuters / Bloomberg	BAINS.MC / BAIN SM	
Close fiscal year	31-May	

Shareholders Structure (%)

Borges International Group	89.1
Board Members	0.3
Free Float	10.6

Relative performance -5y (Base 100)



Stock performance (%)

(%)	-1m	-3m	-12m	-5Y
Absolute	-4.8	-18.1	-36.8	n.a.
vs Ibex 35	-2.4	-12.7	-30.5	n.a.
vs Ibex Small Cap Index	-2.8	-12.3	-26.1	n.a.
vs Eurostoxx 50	-4.6	-17.0	-35.7	n.a.
vs Sector benchmark ⁽³⁾	-9.0	-25.1	-50.5	n.a.

(1) The opinion about results is in respect of reported EBITDA and its relation to our estimate for the year (12m). The impact reflects whether, as a consequence of these results, we envisage a significant (>5%) upgrade or downgrade to our EBITDA estimates (for any of the estimated years).

(2) Total volume traded in the share (Mn EUR) -12m vs Mkt Cap. Represents the % of the capitalisation traded -12m.

(3) vs Thomson Reuters Europe Food Processing.

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

Results in line in a year saved by capitalisations and extraordinary items

Any reference to the results of the period to 12M refers to the period between 1 June of the previous year and 31 May of the corresponding year.

REVENUES IN LINE -9.2% YoY (vs -12.5% 9M, with a mix: -2.9% volume and -6.2% prices, reflecting a slowing of their decline (-1.4p.p. and -2p.p. respectively vs. 9M19). The fall in sales of walnuts and almonds (76% of total revenue) accounts for 79% of the decline in revenues: -25.2% and -6.4% YoY respectively vs. 2018. The mix is disparate: walnut prices fell 22% YoY (still affected by problems of quality, delays to harvests and pressure on prices from the trade wars), with almond prices only falling 1%. However, prices of both products are likely to pick up, favoured by the short selling of 60mTns of the 2018 California walnut harvest and by the recent downgrade to almond production announced by the NASS (-3% YoY in July vs. c. +10% in May).

WITH A FURTHER WORSENING OF THE EBITDA/REVENUE MARGIN (1% 2019, -1.8 p.p. YoY), with the fall in prices (-6.2% YoY) justifying c. 50% of the decline in EBITDA. Operating efficiencies and a favourable trend for prices should lead to an improvement in this ratio in 2020e (c. +2p.p.).

AN INCREASE IN DEBT (ND +11% YoY, +4p.p. VS. 2019e), with ND of EUR 39.7Mn (vs. EUR 35,8Mn -1y) and recurrent FCF of EUR -3.3Mn (-11% vs. the projected figure), due to the smaller investment made (EUR 6.2Mn, 80% vs. estimate).

ORD. PROFIT IN LINE (-79.7% YoY) and -28.9% for NP (EUR 2.3Mn), in a year saved by capitalisations (EUR 2.3Mn) and extraordinary items (EUR +2Mn from the sale of the popcorn packaging plant in 2Q). The tax rate (21.8%) is slightly below our forecast for the year (-1.2p.p.).

A recovery of margins in 2020 is feasible, but highly dependent on the trend for prices (for which, at present, there is scant visibility).

	2019 (Real)	2018	(Real) vs 2018	2019 (Est.)	Real vs Est	4Q19	4Q18 vs 4Q18
Total Revenues	177.8	195.7	-9.2%	179.5	-1.0%	46.4	1.9%
Walnuts	17.8	23.8	-25.2%	17.0	4.6%	3.2	16.1%
Almonds	117.4	125.4	-6.4%	120.9	-2.9%	30.6	-0.7%
Other nuts	28.4	29.6	-3.7%	33.9	-16.0%	7.4	1.4%
Other products	14.2	17.0	-16.1%	7.8	82.2%	5.2	11.7%
Rec. EBITDA	1.7	5.7	-70.2%	3.0	-44.0%	0.0	-100.4%
Rec. EBITDA / Rev.	1.0%	2.9%	-2.0 p.p.	1.7%	-0.7 p.p.	0.0%	-3.1 p.p.
EBITDA	1.7	5.4	-68.3%	3.1	-45.3%	0.1	-91.2%
EBITDA / Rev.	1.0%	2.7%	-1.8 p.p.	1.7%	-0.8 p.p.	0.3%	-2.6 p.p.
PBT	3.0	4.0	-24.1%	3.0	-0.5%	0.6	-44.0%
NP	2.3	3.3	-28.9%	2.3	1.5%	0.4	-41.8%
Ordinary NP	0.7	3.6	-79.7%	0.7	7.6%	0.4	-49.4%
Ha. managed	2,531.0	2,401.5	5.4%	2,518.0	0.5%		
Volume ⁽²⁾	35,191	36,421	-3.4%	34,284	2.6%		
Tns. produced	2,291	2,409	-4.9%	2,290	0.0%		
Rec. FCF	-3.3	4.1	-180.7%	-3.7	-11%		
Rec. FCF Yield	n.a.	5.6%	n.a.	n.a.	n.a.		
Net Debt	39.7	35.8	11.1%	37.2	6.9%		
ND / EBITDA	23.5 x	6.7 x	3.5 x	12.0 x	2.0 x		

(1) EBITDA and Rec. EBITDA adjusted exclude capitalized expense.

(2) Excluding subproducts.

(3) Includes financial leasings

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
01-Aug-2019	n.a.	3.16	n.a.	n.a.	12m Results 2019	Ana Isabel González García
25-Apr-2019	n.a.	3.72	n.a.	n.a.	9m Results 2019	Ana Isabel González García
11-Apr-2019	n.a.	3.84	n.a.	n.a.	Initial Coverage	Ana Isabel González García