

9m Results 2020

Opinion ⁽¹⁾: In line

Impact ⁽¹⁾: We will have to trim 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).

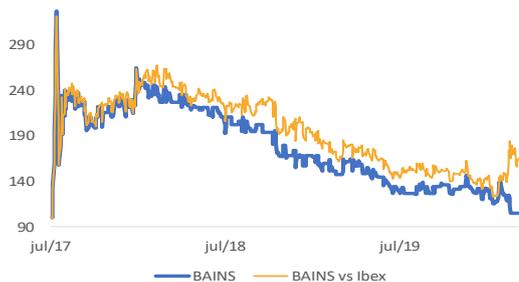
Market Data

Market Cap (Mn EUR and USD)	57.9	63.9
EV (Mn EUR and USD) ⁽²⁾	120.7	133.3
Shares Outstanding (Mn)	23.1	
-12m (Max/Med/Min EUR)	3.90 / 3.16 / 2.50	
Daily Avg volume (-12m Mn)	n.m.	
Rotation ⁽³⁾	1.3	
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	-15.5	-17.8	-35.9	n.a.
vs Ibex 35	10.6	18.7	-11.1	n.a.
vs Ibex Small Cap Index	10.8	12.3	-14.5	n.a.
vs Eurostoxx 50	1.7	11.5	-22.3	n.a.
vs Sector benchmark ⁽⁴⁾	-13.1	-9.8	-37.2	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) Please refer to Appendix 1.

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

(4) vs TR Europe Food Processing.

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

9m in line. Pending “Covid-19” impact in 4Q

REVENUES, +7%, IN LINE WITH “PRE COVID-19” EXPECTATIONS. Growth in line with expectations for the whole year (before the current crisis). Stable volumes (-1.8%) and excellent performance by prices for both walnuts and almonds (67% of the revenue mix; prices, +12%, 9m). Prices have continued to benefit from expectations for a smaller US almond harvest and for a smaller than expected Chilean walnut crop.

THE BUSINESS HAS BEEN FAVOURED BY A DRIVER THAT SHOULD HAVE CONTINUITY (IN A “NORMAL” CONTEXT...). The strategic takeaway from these results is the impact on margins of growth in the production of proprietary plantations (+15%, 9m O2O), favoured by a good year for pistachios and a strong increase in almond production (+231%). This driver (an increased weighting of proprietary product in the mix) can be seen as structural.

WHICH IMPLIES BETTER MARGINS (BUT STILL WELL BELOW SECTOR LEVELS). The trend of previous quarters has continued, with a recovery of the EBITDA/Sales margin, that, in normal conditions, would suggest levels of c.3% in 2020 (vs 1.2% 2019). The gradual entry into production of proprietary plantations, together with a favourable backdrop for prices has resulted in a 9m margin of 2.8%.

THE BUSINESS MODEL REMAINS UNDER PRESSURE FROM NET DEBT. Growth in proprietary plantations and development costs imply mid-term pressure via leverage. In 9m 2020, ND exceeded 60 Mn EUR (excluding assets held for sale) with high working capital consumption (5.5 Mn EUR) offset by much lower than expected CAPEX (c.3 Mn EUR; vs a 12m estimate of c.7 Mn EUR).

WHAT CAN BE EXPECTED FROM 4Q AND FROM 2021? BAIN's 9m figures would allow us to maintain our estimates in a normal situation. But what about now? The company shows strong and credible signs of resilience to the Covid-19 crisis: 1) International diversification; 2) exposure to a more protected sector (food); and 3) an industrial client (nut processor) and so without BAIN having direct exposure to the hotel and catering segment (the one with greatest risk). However, despite all this we have to slightly downgrade our 2020e numbers (without endangering EBITDA 12m 2020 > c.5 Mn EUR). Our estimates for 2021 and following years also have to be downgraded.

	9m 2020	9m 2019	9m20 vs 9m19	3Q20	3Q20 vs 3Q19	2020e	2020e vs 2019
Total Revenues	140.6	131.4	7.0%	42.0	3.7%	189.0	6.3%
Walnuts	15.5	14.6	5.9%	3.6	n.s.	12.6	-29.0%
Almonds	94.2	86.7	8.7%	28.2	2.0%	140.0	19.3%
Other nuts	22.5	21.0	7.1%	6.7	-38.9%	28.0	-12.5%
Other products	8.4	9.1	-7.3%	3.5	94.8%	8.3	-21.9%
Rec. EBITDA ⁽¹⁾	3.3	1.5	120.0%	0.0	-96.9%	6.4	201.8%
Rec. EBITDA / Rev.	2.3%	1.1%	1.2 p.p.	0.1%	-1.9 p.p.	3.4%	2.2 p.p.
EBITDA ⁽¹⁾	3.9	1.8	116.7%	1.0	36.0%	6.2	229.7%
EBITDA / Rev.	2.8%	1.4%	1.4 p.p.	2.3%	0.5 p.p.	3.3%	2.2 p.p.
PBT	2.0	2.5	-20.0%	-0.7	n.s.	3.3	11.4%
NP	1.5	1.9	-21.1%	-0.6	n.s.	2.6	7.9%
Ordinary NP	1.5	0.3	n.s.	-0.6	n.s.	2.6	245.2%
Ha. managed	2,568.6	2,518.0	2.0%				
Volume ⁽²⁾	25,911	26,373	-1.8%				
Tns. produced	2,635	2,290	15.1%				
Net Debt	62.4	56.3	10.8%				
ND / Rec. EBITDA	18.9x	37.5x	-18.6x				

⁽¹⁾ EBITDA and Rec. EBITDA adjusted. It excludes capitalized expense. IFRS-16 impact: EUR +0.3Mn.

⁽²⁾ Excluding subproducts.

Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	57.9	
+ Minority Interests	3.0	9m Results 2020
+ Provisions & Other L/T Liabilities	2.4	9m Results 2020
+ Net financial debt	62.4	9m Results 2020
- Financial Investments	5.0	9m Results 2020
+/- Others	-	9m Results 2020
Enterprise Value (EV)	120.7	

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Recommendation History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
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.	Initial Coverage	Ana Isabel González García, CIIA

