

**6m Results 2020**

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

**Impact** <sup>(1)</sup>: We will maintain our estimates

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**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 (50.3% of capital)

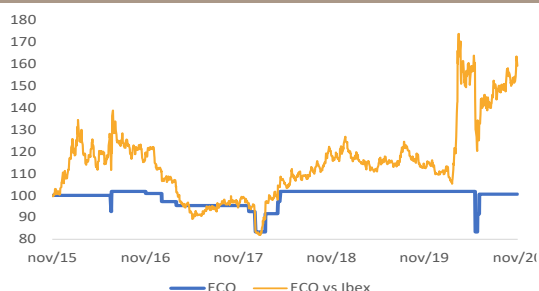
**Market Data**

Market Cap (Mn EUR and USD)	28.4	33.0
EV (Mn EUR and USD) <sup>(2)</sup>	35.1	40.9
Shares Outstanding (Mn)	27.0	
-12m (Max/Med/Min EUR)	1.06 / 1.05 / 0.87	
Daily Avg volume (-12m Mn)	n.m.	
Rotation <sup>(3)</sup>	0.0	
Thomson Reuters / Bloomberg	ECWI.SCT / ECO SM	
Close fiscal year	31-Dec	

**Shareholders Structure (%) <sup>(5)</sup>**

G3T SL	14.0
Brinca 2004 SL	10.8
Onchena	8.0
Acalios	7.3
Free Float	32.2

**Relative performance -5y (Base 100)**



**Stock performance**

(%)	-1m	-3m	-12m	-5Y
Absolute	0.0	0.0	-1.2	0.6
vs Ibex 35	2.6	4.4	39.9	59.2
vs Ibex Small Cap Index	3.0	-4.5	4.2	-23.8
vs Eurostoxx 50	5.7	5.1	18.5	14.4
vs Sector benchmark <sup>(4)</sup>	6.5	4.8	4.6	-15.7

(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 2.

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

(4) vs TR Europe Food Processing.

(5) Others: Jovellanos Cartera 6.3%, Relocation & Exec. Serv. SL 4.8%, Ladan 2002 SL 3.2%, Other Board Members 13.3%

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

## Mixed results: Rec. EBITDA in line, but NP impacted by impairments

**REVENUE +31.9% y/y (EUR 7.1Mn) DRIVEN BY HIGHER SALES VOLUMES (+39% Y/Y).** The worse revenue mix (bigger contribution from nuts and sales formats with lower added value) meant -7.1% in prices. The increased demand for this kind of product since the start of the pandemic, especially through the food retail channel (supermarkets and hypermarkets), has increased the weighting of large food retailers in turnover (with Eroski contributing c. 75% of revenues, c. +5p.p. y/y). Moreover, the pandemic is pushing back the marketing schedule for its higher added value products (Airnuts).

**WORSENING OF MARGINS (12.4% FOR THE GROSS MARGIN, -8.3p.p. y/y):** affected by costlier procurements (to ensure supply), the appreciation of the USD in 1H and the unfavourable sales channel mix. The lack of the hotel and catering sales channel (lockdown: March/April) and the subsequent restrictions (capacity limits, opening hours, etc.) have contributed to this worsening.

**FEEDING THROUGH TO REC. EBITDA (EUR -1.2Mn, -37.6% y/y),** which is in line with the estimate for the year. Besides this, both the impact of the restructuring measures implemented in 1H (EUR -0.3Mn) and the capitalisation of expenses in the company's plantations (EUR 0.5Mn) are in line with annual projections.

**BUT WITH AN UNEXPECTED ADJUSTMENT TO ITS FORESTRY PLANTATIONS (EUR -0.9Mn)** that has impacted the group result (although not CF) this being EUR -2.3Mn (c. -2x y/y), with the ordinary result flat vs. -1y (EUR -1.2Mn). ECO is currently reviewing its procedures in order to reduce the volatility generated by these adjustments in its P/L (and equity).

**INCREASE IN DEBT (ND EUR 14.4Mn, c. +2x y/Y),** due to working capital investment (c. +45% y/y on inventories) and the window of opportunity of the associated financial facilities provided by the current Covid-19 situation (EUR +1.2Mn in financing) to execute the necessary investments.

**IN CONCLUSION, RESULTS IN LINE (REC. EBITDA) ALTHOUGH NP WAS WORSE THAN EXPECTED.** Although Rec. EBITDA is in line with our estimate (EUR -1.3Mn 2020e), we need to revisit our NP estimates, in order to take account of the impact on the group's result of the adjustment to the valuation of its forestry assets (EUR -0.9Mn). ECO's equity story remains intact, with the success of the ongoing capital increase being crucial. ECO has c. EUR 3Mn guaranteed with shareholders (included in our 2020 estimates).

## Appendix 1. Results table

	1H20	1H19	1H20 vs 1H19	2020	2020 vs 2019	2Q20	2Q20 vs 2Q19
<b>Total Revenues</b>	7.1	5.3	31.9%	15.2	13.1%	3.9	40.9%
<b>Rec. EBITDA<sup>(1)</sup></b>	-1.2	-0.9	-37.6%	-1.3	42.0%	-0.7	-34.7%
<i>Rec. EBITDA / Rev.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
<b>EBITDA</b>	-2.3	-0.7	-239.1%	-1.6	38.3%	-1.7	-297.5%
<i>EBITDA / Rev.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
<b>EBIT</b>	-2.1	-0.7	-213.6%	-1.6	24.8%	-1.6	-303.4%
<b>EBT</b>	-2.3	-1.1	-117.1%	-1.8	23.5%	-1.7	-113.8%
<b>NP</b>	-2.3	-1.1	-114.4%	-1.8	17.3%	-1.7	-110.1%
<b>Ordinary NP</b>	-1.2	-1.2	1.6%	-1.5	25.9%	-0.7	22.8%
Rec. FCF	-4.0	-2.4	n.m.				
Net Debt	14.4	7.0	106.4%				
ND/Equity	0.9 x	0.4 x	0.5 x				

(1) Excludes capitalizations and non recurrent expenses.

## Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	28.4	
+ Minority Interests	-	6m Results 2020
+ Provisions & Other L/T Liabilities	1.0	6m Results 2020
+ Net financial debt	14.4	6m Results 2020
- Financial Investments	0.1	6m Results 2020
+/- Others	(8.5)	Lighthouse 2020
<b>Enterprise Value (EV)</b>	<b>35.1</b>	

Note (1): "Others" includes the valuation of the assets in Argentina (USD 2.5Mn in the 2018 consolidated annual accounts) at the current EUR/USD exchange rate and of its forestry assets (EUR 6.3Mn).

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03-Nov-2020	n.a.	1.05	n.a.	n.a.	6m Results 2020	Ana Isabel González García, CIAA
10-Jun-2020	n.a.	1.05	n.a.	n.a.	Initial Coverage	Ana Isabel González García, CIAA

