
CORPORACIÓN FINANCIERA ALBA

MINI ANALYSIS

FEBRUARY 2024

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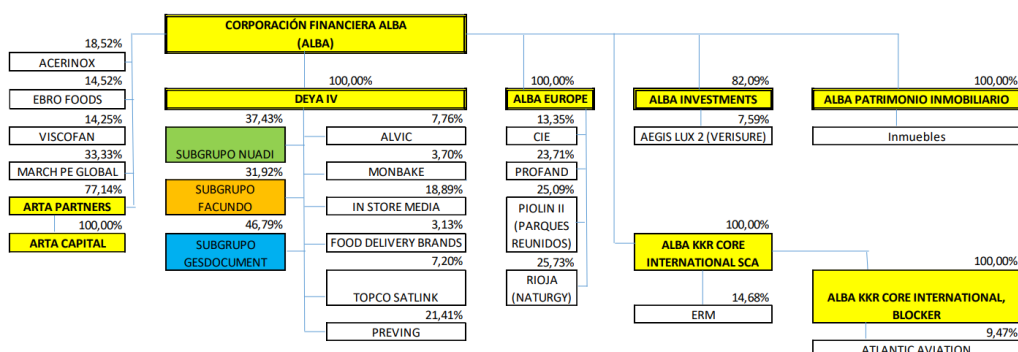
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The company.

Corporación financiera Alba is a Spanish holding that owns significant participation in both public and private companies. It also has investments in Madrid's real estate, including buildings that it rents and parking spaces.

It operates through a series of subsidiaries, hedge funds like Deyá Capital or companies dedicated to real estate investment like Alba Patrimonio Inmobiliario. These subsidiaries are either Spanish or Luxembourgish.



Organizational Chart 31-12-2022

Investments.

Corporación financiera Alba publishes periodically the Net Asset Value of the assets it owns. The last reported NAV by the company is 5732M€ (June 2023). Buying Alba shares offers us the opportunity to buy an indirect ownership in these assets at a significant discount. We will now check these assets.

Public Companies.

Ownership date: 30/06/2023

Public (million €)	Ownership	Market Cap	Value
Acerinox SA (BMEX:ACX)	18.52%	€ 2,465	€ 457
Befesa S.A. (XFRA:BFSA)	8.66%	€ 1,276	€ 111
Cie Automotive SA (BMEX:CIE)	13.66%	€ 2,969	€ 406
Ebro Foods SA (BMEX:EBRO)	14.52%	€ 2,379	€ 345
Global Dominion Access SA (BMEX:DOM)	5.55%	€ 534	€ 30
Naturgy Energy Group SA (BMEX:NTGY)	5.44%	€ 24,415	€ 1,328
Technoprobe (XMIL:TPRO)	4.79%	€ 5,649	€ 271
Viscofan SA (BMEX:VIS)	14.25%	€ 2,520	€ 359
		Total	€ 3,306

As we can see, the value of just the investment in public companies amounts to a total of 3.3 billion euros. The total market cap of Coporación financiera Alba is 2.9 billion € (29/01/2024).

These companies are, in general terms, good companies with a strong competitive position in their markets. Viscofan, for example, is a world leader in the manufacturing of casings for meat

products. It is a well-known company by the financial community because of its quality as a company.

Private Companies.

Ownership date: 30/06/2023

Private	Ownership
Atlantic Aviation	10.45%
ERM	14.58%
Parques Reunidos	24.98%
Profand	23.71%
Verisure (neta minoritarios)	6.23%

Through Deyá Capital	Ownership
Alvic	7.76%
Food Delivery Brands	3.13%
Gesdocument	46.53%
Grupo Facundo	31.72%
In-Store Media	18.88%
Monbake	3.69%
Nuadi	37.43%
Preving	21.41%
Topco Satlink	7.20%

Private companies are a different matter, it is quite difficult to find precise up-to-date information of the companies, Verisure for example has a strong market position but it carries huge amounts of debt. Nonetheless, the portfolio is well diversified across different industries.

When valuing the companies they own, they have been using a WACC of 10.5% on average and an EV/LTM EBITDA of 15.5x on average. It is difficult to know if the valuation of their private companies is done correctly but seems reasonable after checking it hastily.

Real Estate.

The value of the real estate investments is negligible compared to the other investments; I have checked it nonetheless out of curiosity.

Real Estate	Ownership
Square meters	42420
Occupancy rate	88%
Parking spaces	1038

The occupancy rate improved significantly from 78% in 2021 to 88% in 2022. The occupancy rate has been worrisome since the COVID pandemic for many companies, these buildings are located in one of the most valuable areas of Madrid, so I don't see any substantial risk in them.



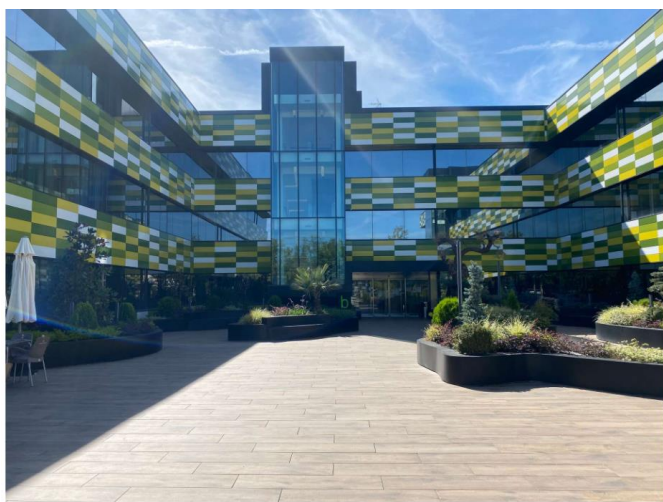
Castellana 42 (4 500 m²)



Castellana 89 (20 000m²)



Castellana 44 (6 000m²)



Oasis (11 000 m²)

Castellana is a prime area in Madrid, one of the most expensive. It is well connected and it is the heart of Madrid's financial sector. Offices cost at least 6000€ per square meter and can reach up to 10000€.

The three buildings at Castellana can be valued conservatively at 215 million euros.

Ownership & Remuneration.

Ownership.

It is important to check who the owners of the holding are, it is important that the management is risking their own capital, but, as we will see in "Risks" due to the current legislation this will imply a series of risks for minority shareholders. In this case, Corporación Financiera, Alba acts as the investment vehicle for the March family. The March family is one of the richest in Spain, with origins in the Spanish island of Mallorca. The fortune comes from banking.

Accionista	% Participación
D. Carlos March Delgado	21,05%
D. Juan March Delgado	20,56%
Banca March, S.A.	15,03%
D. Juan March de la Lastra	8,76%
D. Juan March Juan	5,10%
D ^a . Catalina March Juan	4,63%
D ^a . Gloria March Delgado	3,72%

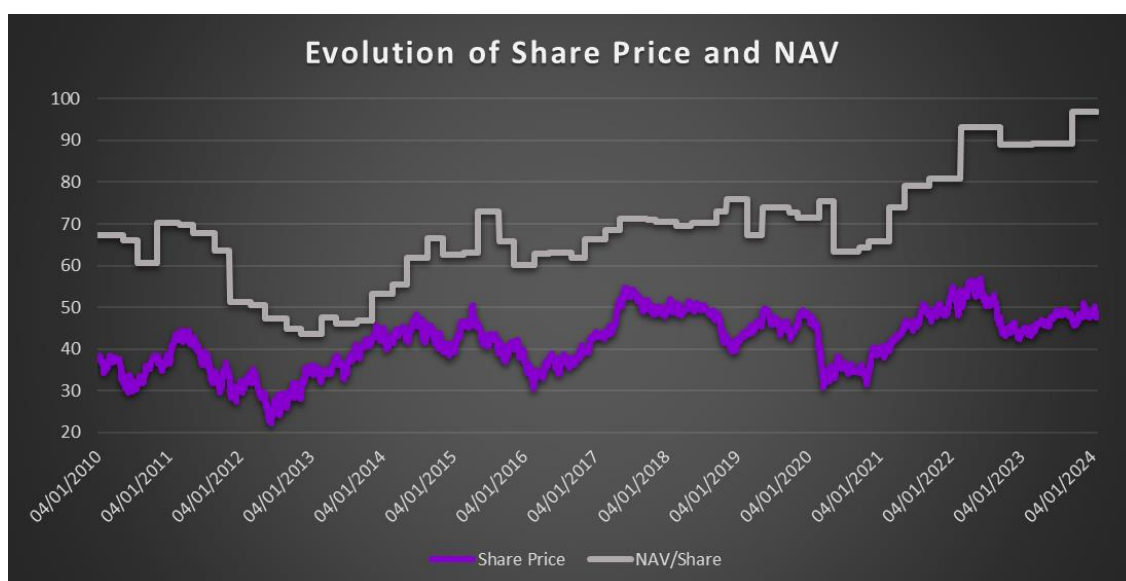
Remuneration.

Nombre	Remuneración fija	Dietas	Remuneración por pertenencia a comisiones del consejo	Sueldo	Retribución variable a corto plazo	Retribución variable a largo plazo	Indemnización	Otros conceptos	Total ejercicio 2022	Total ejercicio 2021
Don JUAN MARCH DE LA LASTRA	425		30			549			1.004	505
Don JUAN MARCH JUAN	425		30			366			821	447
Don ANTONIO MARÍA PRADERA JAUREGUI	100		50						150	140
Doña ANA MARÍA PLAZA ARREGUI	100		35						135	135
Doña CLAUDIA MAGALI PICKHOLZ	100		40						140	133
Don IGNACIO DE COLMENARES BRUNET	100		30						130	65
Doña MARÍA EUGENIA GIRÓN DÁVILA	100		50						150	150
Doña MARÍA LUISA GUIBERT UCIN	100		30						130	130
Doña SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN	100		45			915			1.060	1.020

The total compensation of directors amounted to 4.260 million € in 2022. There were also benefits granted from the appreciation of the stock from 2019 to 2022.

Discount analysis.

In this section we will discuss the historical discount between the share price and the NAV published by the company. This is by far the most important part of this analysis. The data covers from January 2010 to January 2024. The date on which the NAV updates is the date of publication, not the date to which the NAV refers.

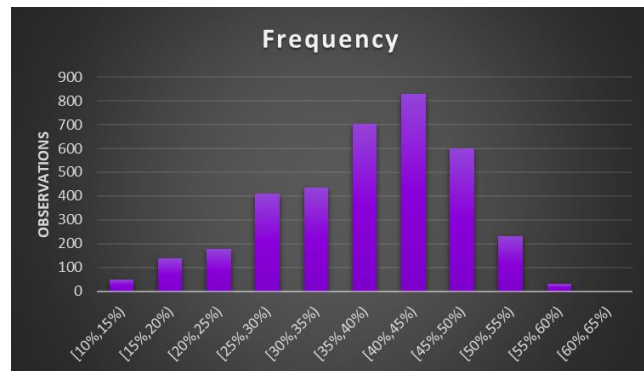


The NAV has grown consistently excluding the 2012-2014 period, especially difficult years to Spain. The share price also shows a slight tendency to follow the NAV. A linear regression between the two variables shows a $R^2=0.46$.



In the chart above we can see that the discount, calculated as $1 - \frac{\text{Share Price}}{\text{NAV}}$, is currently almost at its highest level, with a 51%. This level of discount has only been surpassed during the COVID lockdown and during the European debt crisis.

Discount	
Min	10%
Max	59%
Mean	38%
Median	39%
Std Deviation	9%
Current (31-1-2024)	51%



The average discount has been 38% with most observations between 35% and 50%. The current discount of 51% offers a truly great opportunity to buy.

Risks.

The main risk, in my opinion, when investing in Corporación financiera Alba is the risk of a takeover by the March family at a price below fair value. The interests of minority shareholders are not entirely well protected by the Spanish law. The main way that the law uses to defend minority shareholders is the idea of “fair price”, the takeover bid must be made at a “fair price”, this price must follow certain rules established in the law and must also be approved by the CNMV, the Spanish public entity that regulates stock exchanges. It is relatively easy to justify a price below intrinsic value, it is common knowledge that small changes in certain valuation parameters can lead up to big changes in valuation estimates.

The main laws that I have checked are *Real Decreto 1066/2007, régimen de las ofertas públicas de adquisición de valores* and *texto refundido de la Ley del Mercado de Valores*.

The main ideas that affect our investment case are:

- i) The offer must be made to all shareholders.
- ii) It must be paid with money

iii) The exclusion bid, and the price must be accepted by the board of the company and approved in the general shareholder's meeting, simple majority is enough.

iv) The offer and the price must be approved by the CNMV.

The March family owns approximately 70% of the company so this is a real risk and there have been several controversial cases in Spain regarding this kind of operation.

Controversial cases.

There have been several cases in Spain when minority shareholders have complained that the company was taken over at a below than reasonable price, some cases are Barón de Ley and Cementos Portland.

Even though I have done some research on these companies, I have not spent enough time to come to a justified valuation of them. Barón de Ley seems like a very interesting company with good assets. What I can conclude is that even though these takeovers may be made at undervalued prices, it seems difficult to lose money in the case they are taken over.

Even some outrageous situations have happened, Barón de Ley for example had been accumulating cash, 54M€ in total. Mozuelo, the company used the cash of Barón de Ley itself to finance at very low interest rates the takeover of the company.

In another example, the premium paid for Cementos Portland by FCC was just of 12.5%.

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