

6m Results 2023
Opinion ⁽¹⁾: In line

Impact ⁽¹⁾: We will maintain our estimates

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Business description

Kompuestos (KOM), is a Spanish chemical company (Barcelona), that produces mineral based concentrates (fillers) and colour and additive concentrates (masterbatches) for the plastics transformation industry, including resins for the creation of bioplastics. With a nominal production capacity of 220,510 tonnes, it is controlled and run by the founding family (c.65% of capital).

Market Data

Market Cap (Mn EUR and USD)	10.9	11.8
EV (Mn EUR and USD) ⁽²⁾	24.0	25.9
Shares Outstanding (Mn)	12.2	
-12m (Max/Med/Mín EUR)	1.64 / 1.03 / 0.75	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	13.2	
Factset / Bloomberg	KOM-ES / KOM SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Ignacio Duch and family	63.8
Free Float	36.2

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-4.3	12.5	-45.1	n.a.
vs Ibex 35	-2.3	9.0	-53.4	n.a.
vs Ibex Small Cap Index	-2.1	9.1	-47.9	n.a.
vs Eurostoxx 50	-0.4	13.6	-53.9	n.a.
vs Sector benchmark ⁽⁴⁾	-0.3	13.5	-48.4	n.a.

(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 2.

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

(4) vs Stoxx Europe 600 Chemicals.

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

1H23 earnings in line. Margin expansion -the crux of the equity story- is confirmed

REVENUE OF EUR 25.9Mn IN 1H23 (VS EUR 28.9Mn IN 1H22) ... KOM reported revenue in 1H23 of EUR 25.9Mn (-10.2% vs 1H22; 47% of 2023e revenue). The YoY decline was caused by a policy of sharp price hikes (which undermined volumes) and an adverse macroeconomic landscape (e.g. drop in manufacturing PMI, commodity price volatility), resulting in a slower-than-expected recovery in volumes. Considering the seasonality of revenue -over the past four years 1H has accounted for > 50% of total revenue- we will probably have to fine-tune our estimates. Our current estimates call for revenue in 2023e of EUR 55.3Mn (+7.3% vs 2022), but the 1H23 performance points to 12m revenue of EUR 51Mn.

...ALTHOUGH PROFITABILITY CONTINUES TO IMPROVE. Gross margin improved to 32.7% (EUR 8.5Mn) in 1H23 (vs 32.0% and 30.3% in 1H22 and 2022, respectively). Lower personnel expenses (-6.1% vs 1H22) and other operating expenses (-13.4% vs 1H22) sustained recurring EBITDA at EUR 2.0Mn (margin of 7.8% vs 6.7% and 3.8% in 1H22 and 2022, respectively). We see scope for further margin expansion given KOM's operational gearing and, especially, the scalability of the capacity increases already made. With no major investments required over the medium term, the improvement in profitability should help showcase KOM's ability to generate cash flow. We are still estimating EBITDA 2023e of over EUR 3Mn.

NET DEBT OF EUR 12.9Mn 1H23 (VS EUR 12.5Mn AT Y/E 2022). The production capacity enlargements made in the 2015-2020 period (CAPEX c. EUR 17Mn), coupled with the investments to develop new products and the pressure on margins sustained in recent years, have caused net debt to soar (to EUR 12.9Mn in 1H23) and FCF generation should begin decreasing already in 2023.

THE EQUITY STORY IS STILL MARGIN IMPROVEMENT. The focus remains on the improvement in profitability and the increased weighting of biodegradable products in the mix (the mainstay of KOM's strategy). The improvement in margins is not surprising and 1H23 earnings suggest this is actually doable.

A COMPELLING FCF YIELD. Visibility is low, but the market appears to be pricing in 2022 results in perpetuity (share price performance -12m c. -45.1%). Therefore, our estimates are "already" factoring in low multiples in 2023e: 7.0x EV/EBITDA (vs 8.2x of its main peers). The key takeaways for KOM in any event are its high 2023e FCF yield (10.2%), which is clearly the result of the drop in the share price, and more importantly its ability to generate FCF, which the market appears to be ignoring at present. For this reason, the key still lies in margin expansion. Confirmation in 2H23 of margin improvement (already seen in 1H) could make KOM a good investment opportunity. Margins are still the metric to watch.

Kompuestos (KOM) is a BME Growth company.

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Appendix 1. 1S 2023 Results

EUR Mn	6m23		6m23 Real vs 6m22
	Real	6m22	
Total Revenues	25.9	28.9	-10.2%
Gross margin	8.5	9.3	-8.4%
<i>Gross margin/Revenues</i>	<i>32.7%</i>	<i>32.0%</i>	<i>0.7 p.p.</i>
Recurrent EBITDA¹	2.0	1.9	5.0%
<i>Rec. EBITDA/Revenues</i>	<i>7.8%</i>	<i>6.7%</i>	<i>1.1 p.p.</i>
EBITDA¹	2.0	1.9	8.2%
<i>EBITDA/Revenues</i>	<i>7.9%</i>	<i>6.5%</i>	<i>1.3 p.p.</i>
EBIT	0.9	0.7	19.4%
PBT	0.2	0.3	-35.5%
NP	0.1	0.2	-30.1%

Note 1: Rec. EBITDA and EBITDA adjusted to exclude the impact of capitalised expenses (EUR 0.4Mn and EUR 0.3Mn in 1S22 y 1S23, respectively).

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	10.9	
+ Minority Interests	-	6m Results 2023
+ Provisions & Other L/T Liabilities	0.4	6m Results 2023
+ Net financial debt	12.9	6m Results 2023
- Financial Investments	0.2	6m Results 2023
+/- Others		
Enterprise Value (EV)	24.0	

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
29-Aug-2023	n.a.	0.90	n.a.	n.a.	6m Results 2023	Enrique Andres Abad
12-Jun-2023	n.a.	0.88	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
08-May-2023	n.a.	0.80	n.a.	n.a.	3m Results 2023 - Estimates downgrade	David López Sánchez
31-Oct-2022	n.a.	1.07	n.a.	n.a.	6m Results 2022 - Estimates downgrade	David López Sánchez
15-Feb-2022	n.a.	1.94	n.a.	n.a.	12m 2021 Preliminary results	David López Sánchez
29-Oct-2021	n.a.	2.42	n.a.	n.a.	6m Results 2021	David López Sánchez
28-Jul-2021	n.a.	2.38	n.a.	n.a.	Initiation of Coverage	David López Sánchez

