

3m Results 2020

Opinion ⁽¹⁾: In line.

Impact ⁽¹⁾: We will maintain our estimates.

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Ercros (ECR) is an industrial group manufacturing chemical products that operates through 3 divisions: (i) basic chemicals, (ii) intermediate chemicals and (iii) pharmaceuticals. The core activity is the production of chlorine-caustic soda, ECR being the main producer in Spain (60% of total installed capacity) and among the top 10 at the European level. Sales outside Spain represent 48% of total revenue.

Market Data

Market Cap (Mn EUR and USD)	204.6	221.1
EV (Mn EUR and USD) ⁽²⁾	294.4	318.1
Shares Outstanding (Mn)	104.9	
-12m (Max/Med/Mín EUR)	2.85 / 2.22 / 1.47	
Daily Avg volume (-12m Mn EUR)	0.87	
Rotation ⁽³⁾	107.9	
Thomson Reuters / Bloomberg	ECR.MC / ECR SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Dimensional Fund Advisors, L.P.	5.3
Joan Casas Galofre	5.1
Víctor Manuel Rodríguez Martín	3.5
Montserrat Garcia Pruns	3.2
Free Float	82.9

Financials (Mn EUR)

	2019	2020e	2021e	2022e
Adj. nº shares (Mn)	106.2	104.9	104.9	104.9
Total Revenues	677.9	585.9	619.2	672.1
Rec. EBITDA ⁽⁴⁾	58.0	41.8	46.2	61.7
% growth	-9.7	-28.0	10.7	33.4
% Rec. EBITDA/Rev.	8.6	7.1	7.5	9.2
% Inc. EBITDA sector ⁽⁵⁾	8.3	-8.2	12.7	7.5
Net Profit	31.0	7.6	11.1	24.3
EPS (EUR)	0.29	0.07	0.11	0.23
% growth	-28.9	-75.3	47.0	118.2
Ord. EPS (EUR)	0.19	0.07	0.11	0.23
% growth	-39.2	-63.0	47.0	118.2
Rec. Free Cash Flow ⁽⁶⁾	38.1	12.8	7.4	25.0
Pay-out (%)	16.9	0.0	0.0	0.0
DPS (EUR)	0.05	0.00	0.00	0.00
Net financial debt	96.8	104.1	98.8	75.9
ND/Rec. EBITDA (x)	1.7	2.5	2.1	1.2
ROE (%)	11.0	2.6	3.8	7.9
ROCE (%) ⁽⁶⁾	7.6	3.0	3.9	7.0

Ratios & Multiples (x) ⁽⁷⁾

	2019	2020e	2021e	2022e
P/E	6.7	27.0	18.4	8.4
Ord. P/E	10.0	27.0	18.4	8.4
P/BV	0.7	0.7	0.7	0.6
Dividend Yield (%)	2.5	0.0	0.0	0.0
EV/Sales	0.43	0.50	0.48	0.44
EV/Rec. EBITDA	5.1	7.0	6.4	4.8
EV/EBIT	9.4	20.1	15.5	8.5
FCF Yield (%) ⁽⁶⁾	18.6	6.3	3.6	12.2

(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 3.

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

(4) Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 7.7Mn higher due to IFRS 16.

(5) Sector: Eurostoxx 600 Chemicals.

(6) Please see Anex 2 for the theoretical tax rate (ROCE) and recurrent FCF calculation.

(7) Multiples and ratios calculated over prices at the date of this report.

1Q20 results: the "logic" of a difficult year

The main figures for 1Q20 are: Revenue EUR 158.3Mn vs EUR 182.6Mn (-13.3% vs 1Q19), Rec. EBITDA EUR 11.3Mn (-17%) and net profit EUR 0.8Mn (vs EUR 3.6Mn). As regards the balance sheet, net debt was EUR 111.7Mn (+15.4% vs 2019).

DECLINE IN REVENUES (-13.3% vs 1Q19), due to: (i) the continuation of the cyclical downswing in the Chlor-Alkali sector (that began in 2H18) which continued to squeeze the prices of the main products (c. 76% of the decline in revenue seen in 1Q20), (ii) a smaller volume of products sold, due to the very significant reduction in business caused by the Covid-19 crisis (especially PVC and ATCC; with declines in volume of c. 20%) and (iii) a reduced availability of PVC due to the maintenance stoppage at the VCM plant between February and March.

MAINTAINING A STABLE REC. EBITDA MARGIN (7.1%): favoured by a c.22% reduction in the cost of the company's main procurements and supplies (electricity, gas, methanol, ethylene, and EDC) resulting in Rec. EBITDA of EUR 11.3Mn (EBITDA margin of 7.1%; in line with 1Q19). By businesses, a stand-out was the performance of the EBITDA generated by: (i) the intermediate chemicals division (+59.7%), which "retained" its margin thanks to the fall in the prices of its main raw materials and (ii) pharmaceuticals (+2.1%); which offset the sharp fall in chlorine derivatives (-55.8% vs 1Q20).

WITH AN INCREASE IN DEBT (+15.4% vs 2019), explained mainly by: (i) the repurchase of shares for their subsequent redemption (c. EUR 7Mn), (ii) the payment of the investments made and (iii) the change in working capital, which took the company's net debt to EUR 111.7Mn (ex IFRS 16).

IN CONCLUSION: 1Q20 results impacted by: (i) retail prices that remain under pressure due to the sector downswing and (ii) a loss of volume. ECR has demonstrated its ability to sustain margins, which together with the recovery of caustic soda prices since April, enables us to maintain our estimates for 2020 unchanged. Looking ahead to 2022e, the recovery of industrial activity should pull the retail prices of the products with greatest exposure to the cycle (caustic soda and PVC) upwards, which, in a prudent scenario, should result in EBITDA of, at least, EUR 62Mn (EV/EBITDA 2022e 4.8x).

Relative performance -5y (Base 100)



Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-23.4	-30.4	-22.9	-23.8	-23.5	322.1
vs Ibex 35	-16.8	5.9	7.5	11.1	27.4	635.0
vs Ibex Small Cap Index	-21.4	-5.3	-4.3	-3.8	-15.5	342.0
vs Eurostoxx 50	-19.0	-3.1	-6.1	3.4	0.8	450.8
vs Sector benchmark ⁽⁵⁾	-20.0	-13.6	-19.0	-8.0	-15.6	363.9

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

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3m20 Results

EUR Mn	3m20	3m19	3m20 vs 3m19
Total Revenues	158.3	182.6	-13.3%
Chlorine derivatives	86.4	105.6	-18.2%
Intermediate chemicals	46.9	52.4	-10.5%
Pharmaceuticals	16.1	14.8	8.6%
Other revenues	8.9	9.8	-8.8%
Recurrent EBITDA¹	11.3	13.6	-17.0%
<i>Rec. EBITDA/Revenues</i>	<i>7.1%</i>	<i>7.4%</i>	<i>-0.3 p.p.</i>
EBITDA	10.2	13.2	-22.8%
<i>EBITDA/Revenues</i>	<i>6.5%</i>	<i>7.2%</i>	<i>-0.8 p.p.</i>
EBIT	3.2	6.7	-52.2%
NP	0.8	3.7	-77.5%
Net Debt²	111.7	131.0	-14.7%

(1) Rec. EBITDA adjusted to exclude non recurrent income and expenses (mainly related to a disassembling provision amounting to EUR 1.2Mn in 1Q20)

(2) Net Debt ex IFRS 16.

Valuation inputs

Inputs for the DCF Valuation Approach

	2020e	2021e	2022e	Terminal Value ⁽¹⁾			
Free Cash Flow "To the Firm"	17.7	12.3	29.4	358.9			
Market Cap	204.6	At the date of this report					
Net financial debt	111.7	Debt net of Cash (3m Results 2020)					
					Best Case	Worst Case	
Cost of Debt	3.5%	Net debt cost			3.0%	4.0%	
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=	
Net debt cost	2.8%	Kd = Cost of Net Debt * (1-T)			2.4%	3.2%	
Risk free rate (rf)	0.8%	Rf (10y Spanish bond yield)			=	=	
Equity risk premium	9.0%	R (own estimate)			8.5%	9.5%	
Beta (B)	1.3	B (Thomson Reuters)			1.3	1.4	
Cost of Equity	12.5%	Ke = Rf + (R * B)			11.9%	13.6%	
Equity / (Equity + Net Debt)	64.7%	E (Market Cap as equity value)			=	=	
Net Debt / (Equity + Net Debt)	35.3%	D			=	=	
WACC	9.1%	WACC = Kd * D + Ke * E			8.5%	10.0%	
G "Fair"	1.0%				1.5%	0.5%	

(1) Terminal value calculated on the recurrent Free Cash Flow "to the Firm" of the last estimated year using the normalised tax rate (T) indicated in the upper table.

(2) At year end (2019) the company maintains deferred tax assets (off balance-sheet) amounting to EUR 65.1Mn (calculated using a 25% tax rate).

Inputs for the Multiples Valuation Approach

Company	Ticker	Reuters	Mkt. Cap	P/E 20e	EPS 20e-22e	EV/EBITDA 20e	EBITDA 20e-22e	EV/Sales 20e	Revenues 20e-22e	EBITDA/Sales 20e	FCF Yield 20e	FCF 20e-22e
BASF SE	BASFn.DE		38,811.8	17.2	30.0%	8.3	14.3%	1.0	5.2%	12.4%	7.9%	-17.1%
Solvay	SOLB.BR		7,258.4	11.1	8.4%	5.4	2.9%	1.1	3.7%	20.2%	9.0%	-8.2%
Covestro AG	1COV.DE		5,232.0	n.a.	n.a.	7.9	34.7%	0.6	7.6%	8.0%	1.9%	52.8%
Akzo Nobel AS	AKZO.AS		13,427.9	21.3	17.0%	11.9	11.3%	1.8	4.5%	14.9%	5.1%	10.9%
Europe				16.5	18.5%	8.4	15.8%	1.1	5.2%	13.9%	6.0%	9.6%
DowDuPont	DWDP.K		30,733.3	15.8	17.2%	10.6	6.0%	2.5	4.3%	23.6%	6.4%	14.0%
Olin Corp	OLN		1,656.8	n.a.	n.a.	8.8	26.0%	0.9	6.0%	10.3%	6.5%	53.5%
Westlake	WLK		4,685.5	31.7	52.8%	7.6	11.1%	1.2	5.1%	15.6%	11.7%	1.4%
USA				23.8	35.0%	9.0	14.3%	1.5	5.1%	16.5%	8.2%	23.0%
ECR	ECR.MC		204.6	27.0	79.1%	7.0	21.5%	0.5	7.1%	7.1%	6.3%	85.8%

Free Cash Flow sensitivity analysis (2021e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 21e	EBITDA 21e	EV/EBITDA 21e
Max	8.5%	52.4	5.6x
Central	7.5%	46.2	6.4x
Min	6.5%	40.0	7.4x

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

Rec. FCF EUR Mn	CAPEX/Sales 21e			Scenario	Rec. FCF/Yield 21e		
	2.3%	3.3%	4.3%		Max	Central	Min
EBITDA 21e	2.3%	3.3%	4.3%	Max	9.7%	6.6%	3.6%
52.4	19.8	13.6	7.4	Central	6.6%	3.6%	0.6%
46.2	13.6	7.4	1.2	Min	3.6%	0.6%	n.a.
40.0	7.4	1.2	(5.0)				

Appendix 1. Financial Projections⁽¹⁾

Balance Sheet (EUR Mn)	2015	2016	2017	2018	2019	2020e	2021e	2022e		
Intangible assets	6.5	5.9	4.1	4.2	19.7	20.6	21.5	22.4		
Fixed assets	235.3	249.2	269.4	281.7	297.0	298.5	297.8	292.4		
Other Non Current Assets	2.5	7.0	25.9	31.7	40.3	40.3	40.3	40.3		
Financial Investments	40.4	38.7	44.9	45.2	42.7	43.1	43.5	43.9		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	205.3	184.6	218.3	218.9	184.5	160.1	169.0	181.8		
Total assets	490.1	485.4	562.6	581.6	584.1	562.5	572.2	580.8		
Equity	175.9	219.8	247.5	272.7	292.1	285.7	296.8	321.1		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	66.2	71.0	84.1	76.5	62.2	56.0	53.9	51.9		
Other Non Current Liabilities	-	-	-	-	13.4	13.4	13.4	13.4		
Net financial debt	119.5	73.4	89.3	107.3	96.8	104.1	98.8	75.9		
Current Liabilities	128.5	121.2	141.7	125.2	119.6	103.4	109.2	118.6		
Equity & Total Liabilities	490.1	485.4	562.6	581.6	584.1	562.5	572.2	580.8		
										CAGR
P&L (EUR Mn)	2015	2016	2017	2018	2019	2020e	2021e	2022e	15-19	19-22e
Total Revenues	624.5	606.9	689.3	677.1	677.9	585.9	619.2	672.1	2.1%	-0.3%
<i>Total Revenues growth</i>	<i>2.8%</i>	<i>-2.8%</i>	<i>13.6%</i>	<i>-1.8%</i>	<i>0.1%</i>	<i>-13.6%</i>	<i>5.7%</i>	<i>8.5%</i>		
COGS	(438.5)	(393.8)	(467.9)	(466.9)	(474.4)	(401.7)	(428.6)	(463.5)		
Gross Margin	186.0	213.1	221.3	210.3	203.5	184.1	190.6	208.6	2.3%	0.8%
<i>Gross Margin/Revenues</i>	<i>29.8%</i>	<i>35.1%</i>	<i>32.1%</i>	<i>31.1%</i>	<i>30.0%</i>	<i>31.4%</i>	<i>30.8%</i>	<i>31.0%</i>		
Personnel Expenses	(79.9)	(81.8)	(83.4)	(79.9)	(83.1)	(82.6)	(83.2)	(83.9)		
Other Operating Expenses	(73.7)	(72.8)	(67.7)	(66.1)	(62.4)	(59.8)	(61.2)	(63.1)		
Recurrent EBITDA	32.5	58.4	70.3	64.3	58.0	41.8	46.2	61.7	15.6%	2.0%
<i>Recurrent EBITDA growth</i>	<i>125.5%</i>	<i>79.6%</i>	<i>20.3%</i>	<i>-8.5%</i>	<i>-9.7%</i>	<i>-28.0%</i>	<i>10.7%</i>	<i>33.4%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>5.2%</i>	<i>9.6%</i>	<i>10.2%</i>	<i>9.5%</i>	<i>8.6%</i>	<i>7.1%</i>	<i>7.5%</i>	<i>9.2%</i>		
Restructuring Expense & Other non-rec.	-	-	(21.7)	3.0	4.4	-	-	-		
EBITDA	32.5	58.4	48.5	67.3	62.4	41.8	46.2	61.7	17.7%	-0.4%
Depreciation & Provisions	(19.9)	(7.4)	(14.2)	(24.2)	(25.1)	(21.0)	(21.1)	(20.9)		
Capitalized Expense	0.1	0.0	-	0.2	0.9	0.9	0.9	0.9		
Rentals (IFRS 16 impact)	-	-	-	-	(7.1)	(7.1)	(7.1)	(7.1)		
EBIT	12.7	51.0	34.3	43.2	31.2	14.6	19.0	34.6	25.1%	3.5%
<i>EBIT growth</i>	<i>354.5%</i>	<i>300.4%</i>	<i>-32.8%</i>	<i>25.9%</i>	<i>-27.8%</i>	<i>-53.1%</i>	<i>29.9%</i>	<i>81.9%</i>		
<i>EBIT/Revenues</i>	<i>2.0%</i>	<i>8.4%</i>	<i>5.0%</i>	<i>6.4%</i>	<i>4.6%</i>	<i>2.5%</i>	<i>3.1%</i>	<i>5.1%</i>		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(6.2)	(6.3)	(6.4)	(6.3)	(6.5)	(5.8)	(5.8)	(5.4)		
Income by the Equity Method	0.2	0.6	0.7	1.1	0.4	0.4	0.4	0.4		
Ordinary Profit	6.7	45.3	28.7	38.0	25.1	9.2	13.6	29.6	38.9%	5.7%
<i>Ordinary Profit Growth</i>	<i>154.0%</i>	<i>571.4%</i>	<i>-36.7%</i>	<i>32.5%</i>	<i>-34.0%</i>	<i>-63.2%</i>	<i>47.0%</i>	<i>118.2%</i>		
Extraordinary Results	-	-	(0.1)	-	(2.5)	-	-	-		
Profit Before Tax	6.7	45.3	28.6	38.0	22.6	9.2	13.6	29.6	35.3%	9.4%
Tax Expense	0.5	(0.2)	15.9	6.9	8.4	(1.7)	(2.4)	(5.3)		
<i>Effective Tax Rate</i>	<i>n.a.</i>	<i>0.3%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>18.0%</i>	<i>18.0%</i>	<i>18.0%</i>		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	7.2	45.2	44.5	44.9	31.0	7.6	11.1	24.3	43.9%	-7.9%
<i>Net Profit growth</i>	<i>215.1%</i>	<i>523.8%</i>	<i>-1.5%</i>	<i>0.9%</i>	<i>-30.8%</i>	<i>-75.6%</i>	<i>47.0%</i>	<i>118.2%</i>		
Ordinary Net Profit	6.7	45.2	50.4	35.0	20.7	7.6	11.1	24.3	32.3%	5.5%
<i>Ordinary Net Profit growth</i>	<i>154.0%</i>	<i>569.1%</i>	<i>11.6%</i>	<i>-30.6%</i>	<i>-40.9%</i>	<i>-63.4%</i>	<i>47.0%</i>	<i>118.2%</i>		
										CAGR
Cash Flow (EUR Mn)	2015	2016	2017	2018	2019	2020e	2021e	2022e	15-19	19-22e
Recurrent EBITDA						41.8	46.2	61.7	15.6%	2.0%
Rentals (IFRS 16 impact)						(7.1)	(7.1)	(7.1)		
Working Capital Increase						8.1	(3.0)	(3.5)		
Recurrent Operating Cash Flow						42.8	36.1	51.1	36.7%	-13.8%
CAPEX						(22.5)	(20.4)	(15.5)		
Net Financial Result affecting the Cash Flow						(5.8)	(5.8)	(5.4)		
Tax Expense						(1.7)	(2.4)	(5.3)		
Recurrent Free Cash Flow						12.8	7.4	25.0	47.9%	-13.1%
Restructuring Expense & Other non-rec.						(6.2)	(2.1)	(2.1)		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						6.6	5.3	22.9	14.5%	3.8%
Capital Increase						(8.7)	-	-		
Dividends						(5.2)	-	-		
Net Debt Variation						7.3	(5.3)	(22.9)		

Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 7.7Mn higher due to IFRS 16.

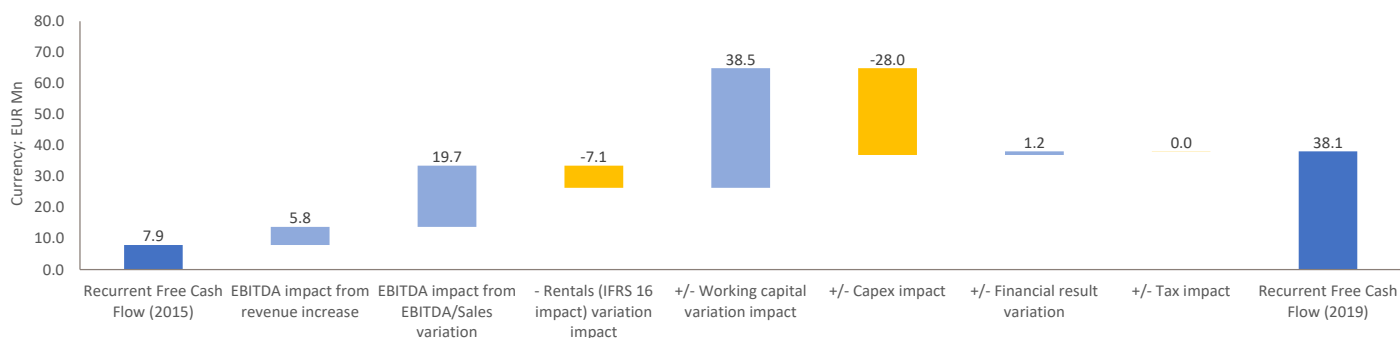
Appendix 2. Free Cash Flow⁽¹⁾

A) Cash Flow Analysis (EUR Mn)	2016	2017	2018	2019	2020e	2021e	2022e	CAGR	
								16-19	19-22e
Recurrent EBITDA	58.4	70.3	64.3	58.0	41.8	46.2	61.7	-0.2%	2.0%
<i>Recurrent EBITDA growth</i>	79.6%	20.3%	-8.5%	-9.7%	-28.0%	10.7%	33.4%		
<i>Rec. EBITDA/Revenues</i>	9.6%	10.2%	9.5%	8.6%	7.1%	7.5%	9.2%		
- Rentals (IFRS 16 impact)	-	-	-	(7.1)	(7.1)	(7.1)	(7.1)		
+/- Working Capital increase*	13.5	(13.2)	(17.1)	28.8	8.1	(3.0)	(3.5)		
= Recurrent Operating Cash Flow	71.8	57.1	47.2	79.8	42.8	36.1	51.1	3.6%	-13.8%
<i>Rec. Operating Cash Flow growth</i>	214.5%	-20.5%	-17.4%	69.1%	-46.4%	-15.7%	41.6%		
<i>Rec. Operating Cash Flow / Sales</i>	11.8%	8.3%	7.0%	11.8%	7.3%	5.8%	7.6%		
- CAPEX	(18.7)	(42.8)	(42.1)	(37.1)	(22.5)	(20.4)	(15.5)		
- Net Financial Result affecting Cash Flow	(6.3)	(6.4)	(6.3)	(5.1)	(5.8)	(5.8)	(5.4)		
- Taxes	(0.2)	15.9	6.9	0.4	(1.7)	(2.4)	(5.3)		
= Recurrent Free Cash Flow	46.7	23.8	5.6	38.1	12.8	7.4	25.0	-6.6%	-13.1%
<i>Rec. Free Cash Flow growth</i>	487.4%	-49.1%	-76.4%	579.7%	-66.3%	-42.5%	237.7%		
<i>Rec. Free Cash Flow / Revenues</i>	7.7%	3.4%	0.8%	5.6%	2.2%	1.2%	3.7%		
- Restructuring expenses & others	-	(21.7)	-	(23.4)	(6.2)	(2.1)	(2.1)		
- Acquisitions / + Divestments	0.6	-	-	5.7	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	(0.1)	-	-	-	-	-		
= Free Cash Flow	47.3	1.9	5.6	20.4	6.6	5.3	22.9	-24.4%	3.8%
<i>Free Cash Flow growth</i>	297.4%	-95.9%	187.4%	264.9%	-67.6%	-19.7%	329.8%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	22.8%	11.6%	2.7%	18.6%	6.3%	3.6%	12.2%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	23.1%	1.0%	2.7%	10.0%	3.2%	2.6%	11.2%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
Recurrent FCF(FY - 1)	7.9	46.7	23.8	5.6	38.1	12.8	7.4		
EBITDA impact from revenue increase	(0.9)	7.9	(1.2)	0.1	(7.9)	2.4	3.9		
EBITDA impact from EBITDA/Sales variation	26.8	3.9	(4.7)	(6.3)	(8.4)	2.1	11.5		
= Recurrent EBITDA variation	25.9	11.9	(6.0)	(6.2)	(16.3)	4.5	15.4		
- Rentals (IFRS 16 impact) variation impact	-	-	-	(7.1)	-	-	-		
+/- Working capital variation impact	23.1	(26.6)	(3.9)	45.9	(20.7)	(11.2)	(0.4)		
= Recurrent Operating Cash Flow variation	49.0	(14.7)	(9.9)	32.6	(37.0)	(6.7)	15.0		
+/- CAPEX impact	(9.6)	(24.1)	0.7	5.0	14.6	2.1	5.0		
+/- Financial result variation	(0.0)	(0.1)	0.0	1.3	(0.7)	(0.0)	0.5		
+/- Tax impact	(0.6)	16.1	(9.0)	(6.4)	(2.1)	(0.8)	(2.9)		
= Recurrent Free Cash Flow variation	38.7	(22.9)	(18.2)	32.5	(25.2)	(5.5)	17.6		
Recurrent Free Cash Flow	46.7	23.8	5.6	38.1	12.8	7.4	25.0		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
EBIT	51.0	34.3	43.2	31.2	14.6	19.0	34.6	-15.2%	3.5%
* <i>Theoretical Tax rate</i>	0.3%	0.0%	0.0%	0.0%	18.0%	18.0%	18.0%		
= Taxes (pre- Net Financial Result)	(0.2)	-	-	-	(2.6)	(3.4)	(6.2)		
Recurrent EBITDA	58.4	70.3	64.3	58.0	41.8	46.2	61.7	-0.2%	2.0%
- Rentals (IFRS 16 impact)	-	-	-	(7.1)	(7.1)	(7.1)	(7.1)		
+/- Working Capital increase*	13.5	(13.2)	(17.1)	28.8	8.1	(3.0)	(3.5)		
= Recurrent Operating Cash Flow	71.8	57.1	47.2	79.8	42.8	36.1	51.1	3.6%	-13.8%
- CAPEX	(18.7)	(42.8)	(42.1)	(37.1)	(22.5)	(20.4)	(15.5)		
- Taxes (pre- Financial Result)	(0.2)	-	-	-	(2.6)	(3.4)	(6.2)		
= Recurrent Free Cash Flow (To the Firm)	53.0	14.3	5.1	42.7	17.7	12.3	29.4	-6.9%	-11.7%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	286.8%	-73.1%	-64.4%	742.2%	-58.6%	-30.7%	140.2%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	8.7%	2.1%	0.7%	6.3%	3.0%	2.0%	4.4%		
- Acquisitions / + Divestments	0.6	-	-	5.7	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	(0.1)	-	-	-	-	-		
= Free Cash Flow "To the Firm"	53.6	14.2	5.1	48.4	17.7	12.3	29.4	-3.3%	-15.3%
<i>Free Cash Flow (To the Firm) growth</i>	203.6%	-73.5%	-64.2%	855.5%	-63.5%	-30.7%	140.2%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	18.0%	4.8%	1.7%	14.5%	6.0%	4.2%	10.0%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	18.2%	4.8%	1.7%	16.5%	6.0%	4.2%	10.0%		

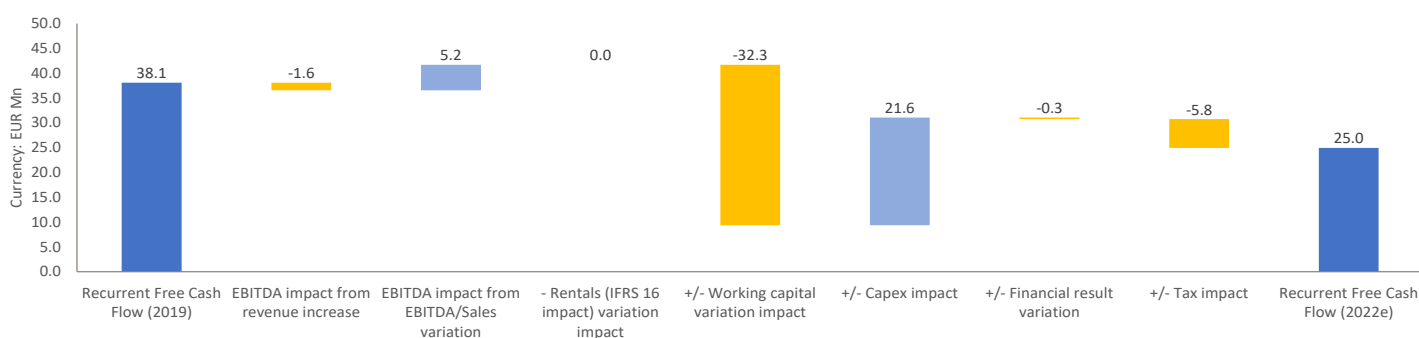
Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 7.7Mn higher due to IFRS 16.

* 2019 working capital increase (EUR 28.8Mn) is due to a decrease in: (i) inventories (EUR 15.4Mn; mainly explained by inventory management and the fall in prices of the main raw materials used by the company) and (ii) receivables (EUR 12.1Mn).

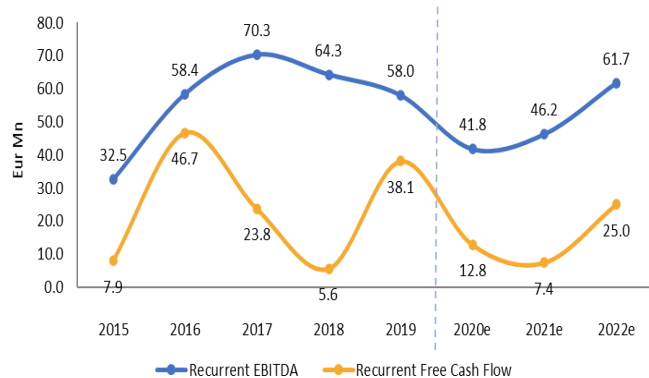
Recurrent Free Cash Flow accumulated variation analysis (2015 - 2019)



Recurrent Free Cash Flow accumulated variation analysis (2019 - 2022e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward



Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	204.6	
+ Minority Interests	-	3m Results 2020
+ Provisions & Other L/T Liabilities	20.7	3m Results 2020
+ Net financial debt	111.7	3m Results 2020
- Financial Investments	42.7	12m Results 2019
+/- Others		
Enterprise Value (EV)	294.4	

Appendix 4. Historical performance ⁽¹⁾⁽²⁾

Historical performance (EUR Mn)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e	CAGR	
															09-19	19-22e
Total Revenues	606.3	609.3	686.0	639.5	625.0	603.7	624.5	606.9	689.3	677.1	677.9	585.9	619.2	672.1	1.1%	-0.3%
Total Revenues growth	-29.1%	0.5%	12.6%	-6.8%	-2.3%	-3.4%	3.5%	-2.8%	13.6%	-1.8%	0.1%	-13.6%	5.7%	8.5%		
EBITDA	(13.7)	10.9	26.9	21.1	29.0	19.1	32.5	58.4	48.5	67.3	62.4	41.8	46.2	61.7	n.a.	-0.4%
EBITDA growth	-132.5%	179.3%	148.0%	-21.5%	37.0%	-34.1%	70.5%	79.6%	-16.9%	38.6%	-7.2%	-33.1%	10.7%	33.4%		
EBITDA/Sales	n.a.	1.8%	3.9%	3.3%	4.6%	3.2%	5.2%	9.6%	7.0%	9.9%	9.2%	7.1%	7.5%	9.2%		
Net Profit	(51.0)	(14.0)	(0.9)	(11.7)	(0.3)	(7.1)	7.2	45.2	44.5	44.9	31.0	7.6	11.1	24.3	n.a.	-7.9%
Net Profit growth	74.9%	72.6%	93.6%	n.a.	97.3%	n.a.	202.0%	523.8%	-1.5%	0.9%	-30.8%	-75.6%	47.0%	118.2%		
Adjusted number shares (Mn)	100.6	100.6	100.6	100.8	103.5	111.5	114.0	114.1	112.3	109.2	106.2	104.9	104.9	104.9		
EPS (EUR)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.06	0.40	0.40	0.41	0.29	0.07	0.11	0.23	n.a.	-7.5%
EPS growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.1%	3.7%	-28.9%	-75.3%	47.0%	n.a.		
Ord. EPS (EUR)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.06	0.40	0.45	0.32	0.19	0.07	0.11	0.23	n.a.	5.9%
Ord. EPS growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	13.4%	-28.6%	-39.2%	-63.0%	47.0%	n.a.		
CAPEX	(36.6)	(8.1)	(8.1)	(15.8)	(4.2)	(4.6)	(9.2)	(18.7)	(42.8)	(42.1)	(37.1)	(22.5)	(20.4)	(15.5)		
CAPEX/Sales %	6.0%	1.3%	1.2%	2.5%	0.7%	0.8%	1.5%	3.1%	6.2%	6.2%	5.5%	3.8%	3.3%	2.3%		
Free Cash Flow	2.6	(18.7)	3.6	3.1	19.5	21.9	11.9	47.3	1.9	5.6	20.4	6.6	5.3	22.9	22.8%	3.8%
ND/EBITDA (x) ⁽³⁾	n.a.	8.7x	3.0x	6.9x	5.3x	6.8x	3.7x	1.3x	1.8x	1.6x	1.6x	2.5x	2.1x	1.2x		
P/E (x)	n.a.	n.a.	n.a.	6.9x	n.a.	n.a.	9.7x	4.6x	7.2x	7.6x	8.8x	27.0x	18.4x	8.4x		
EV/Sales (x)	0.4x	0.3x	0.2x	0.3x	0.3x	0.3x	0.3x	0.5x	0.6x	0.7x	0.6x	0.5x	0.5x	0.4x		
EV/EBITDA (x) ⁽³⁾	n.a.	15.4x	5.6x	8.8x	7.1x	9.1x	5.8x	5.3x	8.7x	7.0x	6.2x	7.0x	6.4x	4.8x		
Absolute performance	-13.1%	-48.6%	-4.8%	-41.2%	18.8%	-17.3%	56.7%	198.7%	55.4%	8.9%	-17.8%	-23.8%				
Relative performance vs Ibxex 35	-33.1%	-37.8%	9.6%	-38.3%	-2.2%	-20.2%	68.8%	204.8%	44.7%	28.1%	-26.5%	n.a.				

Note 1: The multiples are historical, calculated based on the price and EV at the end of each year, except (if applicable) in the current year, when multiples would be given at current prices.

The absolute and relative behavior corresponds to each exercise (1/1 to 31/12). The source, both historical multiples and the evolution of the price, is Thomson Reuters.

Note 2: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 7.7Mn higher due to IFRS 16.

Note 3: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main Competitors 2020e

Market data	Europe					USA				Average	ECR
	EUR Mn	BASF SE	Solvay	Covestro AG	Akzo Nobel AS	DowDuPont	Olin Corp	Westlake			
Ticker (Reuters)	BASF.DE	SOLB.BR	1COV.DE	AKZO.AS		DWDP.K	OLN	WLK			ECR.MC
Country	Germany	Belgium	Germany	Netherlands		USA	USA	USA			Spain
Market cap	38,811.8	7,258.4	5,232.0	13,427.9		30,733.3	1,656.8	4,685.5			204.6
Enterprise value (EV)	58,411.0	10,400.4	6,565.0	15,124.1		45,876.6	4,708.5	7,869.4			294.4
Total Revenues	56,375.9	9,587.8	10,485.0	8,508.3		18,392.8	5,153.1	6,616.0			585.9
Total Revenues growth	-5.0%	-14.6%	-15.5%	-8.3%	-10.8%	-4.2%	-5.5%	-8.6%	-6.1%	-13.6%	
2y CAGR (2020e - 2022e)	5.2%	3.7%	7.6%	4.5%	5.2%	4.3%	6.0%	5.1%	5.1%	7.1%	
EBITDA	6,998.8	1,939.3	834.3	1,269.8		4,343.0	532.9	1,030.0			41.8
EBITDA growth	-22.1%	-13.2%	-48.1%	-10.7%	-23.5%	0.8%	-29.8%	-17.9%	-15.6%	-33.1%	
2y CAGR (2020e - 2022e)	14.3%	2.9%	34.7%	11.3%	15.8%	6.0%	26.0%	11.1%	14.3%	21.5%	
EBITDA/Revenues	12.4%	20.2%	8.0%	14.9%	13.9%	23.6%	10.3%	15.6%	16.5%	7.1%	
EBIT	3,396.6	1,163.2	68.0	926.8		3,232.7	(17.2)	333.9			14.6
EBIT growth	-29.9%	-3.1%	-92.3%	-12.7%	-34.5%	31.1%	-107.6%	-46.0%	-40.9%	-53.1%	
2y CAGR (2020e - 2022e)	24.6%	2.9%	224.3%	14.5%	66.6%	9.9%	n.a.	26.6%	18.2%	53.7%	
EBIT/Revenues	6.0%	12.1%	0.6%	10.9%	7.4%	17.6%	n.a.	5.0%	11.3%	2.5%	
Net Profit	2,121.1	645.0	(3.6)	622.3		1,976.3	(161.6)	135.9			7.6
Net Profit growth	-16.7%	n.a.	n.a.	12.1%	-2.3%	n.a.	n.a.	-67.0%	-67.0%	-75.6%	
2y CAGR (2020e - 2022e)	32.1%	10.6%	n.a.	16.0%	19.5%	14.0%	n.a.	45.7%	29.9%	79.1%	
CAPEX/Sales %	-5.5%	-7.5%	-7.0%	-2.4%	-5.6%	-5.5%	-4.7%	-8.2%	-6.1%	-3.8%	
Free Cash Flow	3,075.2	655.7	99.9	687.6		1,974.6	106.2	545.2			6.6
Net financial debt	15,075.0	3,323.6	1,589.4	1,062.8		13,836.5	2,820.0	2,004.0			104.1
ND/EBITDA (x)	2.2	1.7	1.9	0.8	1.7	3.2	5.3	1.9	3.5	2.5	
Pay-out	135.9%	57.9%	n.a.	62.6%	85.5%	42.0%	-73.8%	92.0%	20.1%	0.0%	
P/E (x)	17.2	11.1	n.a.	21.3	16.5	15.8	n.a.	31.7	23.8	27.0	
P/BV (x)	1.0	0.8	1.1	2.1	1.2	0.8	0.9	0.8	0.8	0.7	
EV/Revenues (x)	1.0	1.1	0.6	1.8	1.1	2.5	0.9	1.2	1.5	0.5	
EV/EBITDA (x)	8.3	5.4	7.9	11.9	8.4	10.6	8.8	7.6	9.0	7.0	
EV/EBIT (x)	17.2	8.9	n.a.	16.3	14.2	14.2	n.a.	23.6	18.9	20.1	
ROE	5.3	6.3	n.a.	9.8	7.1	3.7	n.a.	2.8	3.2	2.6	
FCF Yield (%)	7.9	9.0	1.9	5.1	6.0	6.4	6.5	11.7	8.2	6.3	
DPS	3.14	3.62	1.56	1.83	2.54	1.11	0.74	0.97	0.94	0.00	
Dvd Yield	7.4%	5.3%	5.5%	2.7%	5.2%	2.7%	7.0%	2.7%	4.1%	0.0%	

Note 1: Financial data, multiples and ratios based on market consensus (Thomson Reuters). In the case of the company analyzed, own estimates (Lighthouse).

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Note 3: Please note that peer's data is as of the date of this report and consensus could not fully reflect the impact in estimates of the Covid-19 effect.

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Recommendation History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
15-May-2020	n.a.	1.95	n.a.	n.a.	3m Results 2020	David López Sánchez
30-Apr-2020	n.a.	2.66	n.a.	n.a.	Review of estimates	David López Sánchez
02-Mar-2020	n.a.	2.28	n.a.	n.a.	12m Results 2019	David López Sánchez
06-Nov-2019	n.a.	2.42	n.a.	n.a.	9m Results 2019	David López Sánchez
29-Jul-2019	n.a.	1.92	n.a.	n.a.	6m Results 2019	David López Sánchez
03-Jun-2019	n.a.	2.22	n.a.	n.a.	Initial Coverage	David López Sánchez

