

## 9m Results 2020

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

Impact <sup>(1)</sup>: 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.

## 9m20 results in line. And low multiples within reach

### Market Data

Market Cap (Mn EUR and USD)	203.0	240.2
EV (Mn EUR and USD) <sup>(2)</sup>	316.8	374.9
Shares Outstanding (Mn)	101.0	
-12m (Max/Med/Mín EUR)	2.85 / 2.14 / 1.47	
Daily Avg volume (-12m Mn EUR)	0.62	
Rotation <sup>(3)</sup>	78.1	
Thomson Reuters / Bloomberg	ECR.MC / ECR SM	
Close fiscal year	31-Dec	

**AN EXPECTED FALL IN REVENUE (EUR 437.7MN; -18.1% VS 9M19)...** due to the sharp slowdown in business in 2Q20 that resulted in a reduction of both volumes and prices of those products with greater cyclical exposure. 9m20 results already show a recovery of business, the cumulative decline in volumes decreasing to 11.7% (vs 23% in 2Q20).

**...ALTHOUGH THE REC. EBITDA MARGIN REMAINS STABLE,** as it continues to be favoured by the reduction in the cost of the main supplies and procurements. This has resulted in a Rec. EBITDA margin of 8.4% (vs 9.2% in 9m19 and our estimate for the year as a whole of 8.3%) and puts 9m20 Rec. EBITDA at EUR 37Mn (-24.8% vs 9m19).

### Shareholders Structure (%)

Joan Casas Galofre	5.4
Víctor Manuel Rodríguez Martín	5.0
Dimensional Fund Advisors, L.P.	5.0
Montserrat Garcia Pruns	3.1
Free Float	81.5

**AND A SOUND FINANCIAL POSITION (ND EUR 107.1MN; -2.8% VS 2019).** Despite the decline in business (Rec. EBITDA -24.8%), shareholder remuneration (EUR 14Mn) and CAPEX (EUR 27.7Mn), ND was in line with 2019 (EUR 107.1Mn; 2020e ND/EBITDA c. 2x).

### Financials (Mn EUR)

	2019	2020e	2021e	2022e
Adj. n° shares (Mn)	106.2	102.9	101.0	101.0
Total Revenues	677.9	568.1	619.2	672.6
Rec. EBITDA <sup>(4)</sup>	58.0	47.1	50.7	61.7
% growth	-9.7	-18.8	7.6	21.5
% Rec. EBITDA/Rev.	8.6	8.3	8.2	9.2
% Inc. EBITDA sector <sup>(5)</sup>	9.2	-8.0	9.8	8.0
Net Profit	31.0	10.3	14.6	23.8
EPS (EUR)	0.29	0.10	0.14	0.24
% growth	-28.9	-65.7	44.0	63.4
Ord. EPS (EUR)	0.19	0.12	0.14	0.24
% growth	-39.2	-40.6	24.7	63.4
Rec. Free Cash Flow <sup>(6)</sup>	38.1	14.9	6.3	24.8
Pay-out (%)	16.9	0.0	16.9	16.9
DPS (EUR)	0.05	0.00	0.02	0.04
Net financial debt	96.8	104.0	99.8	84.3
ND/Rec. EBITDA (x)	1.7	2.2	2.0	1.4
ROE (%)	11.0	3.6	4.9	7.6
ROCE (%) <sup>(6)</sup>	7.6	3.6	4.6	6.8

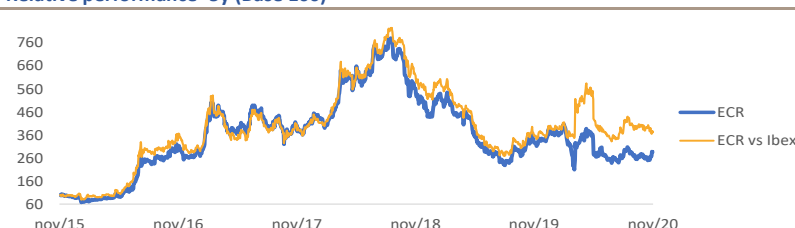
**LOW MULTIPLES ARE ALREADY HERE:** ECR is already trading at a discount to peers in terms of multiples (EV/EBITDA 2020e 6.7x vs c. 11x for peers). Focusing on 2022e, when our estimates envisage a somewhat more optimistic scenario, the ratios are even more attractive (especially in terms of cash generation): (i) FCF Yield 2022e c. 12% and (ii) EV/EBITDA 2022e of 5x (vs c. 7.7x for its main peers).

**AND OFFER THE OPTION TO PLAY THE RECOVERY FROM THE CRISIS:** Despite the current situation, ECR remains profitable from an operating point of view (2020e EBITDA margin: 8.3%) and its financial structure is still sound (2020e ND/EBITDA c. 2x). In our view, ECR's equity story hinges mainly on: (i) the Chlor-Alkali business' high exposure to the recovery of industrial activity (essentially PVC and caustic soda), (ii) the credible argument for the recovery of the price of caustic soda (the principal factor for the generation of ECR's EBITDA) and (iii) the significant investment made in 2017-2020 on which ECR will be able to lever a possible cyclical recovery with higher installed capacity (a driver unaffected by the cycle).

### Ratios & Multiples (x) <sup>(7)</sup>

	2019	2020e	2021e	2022e
P/E	6.9	20.1	13.9	8.5
Ord. P/E	10.3	17.4	13.9	8.5
P/BV	0.7	0.7	0.7	0.6
Dividend Yield (%)	2.5	0.0	1.2	2.0
EV/Sales	0.47	0.56	0.51	0.47
EV/Rec. EBITDA	5.5	6.7	6.2	5.1
EV/EBIT	10.2	17.6	13.6	9.3
FCF Yield (%) <sup>(6)</sup>	18.8	7.3	3.1	12.2

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



### Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	7.5	8.1	-11.9	-21.5	-28.5	187.1
vs Ibex 35	-5.1	0.7	4.0	-3.7	-7.7	273.0
vs Ibex Small Cap Index	-1.2	-0.9	-20.1	-25.7	-38.6	89.5
vs Eurostoxx 50	2.7	5.3	-5.1	-14.3	-25.5	181.2
vs Sector benchmark <sup>(5)</sup>	6.0	5.0	-17.8	-25.5	-36.7	126.4

(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 is 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.

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

## 9m20 Results

EUR Mn	9m20	9m19	9m20 vs		2020e vs		3Q20 vs	
			9m19	2020e	2019	3Q20	3Q19	
<b>Total Revenues</b>	<b>437.7</b>	<b>534.2</b>	<b>-18.1%</b>	<b>568.1</b>	<b>-16.2%</b>	<b>140.8</b>	<b>-16.5%</b>	
<b>Recurrent EBITDA</b>	<b>37.0</b>	<b>49.1</b>	<b>-24.8%</b>	<b>47.1</b>	<b>-18.8%</b>	<b>10.8</b>	<b>-37.0%</b>	
<i>Rec. EBITDA/Revenues</i>	<i>8.4%</i>	<i>9.2%</i>	<i>-0.8 p.p.</i>	<i>8.3%</i>	<i>-0.3 p.p.</i>	<i>7.7%</i>	<i>-2.5 p.p.</i>	
<b>EBITDA</b>	<b>35.0</b>	<b>46.5</b>	<b>-24.6%</b>	<b>45.2</b>	<b>-27.6%</b>	<b>10.9</b>	<b>-35.1%</b>	
<i>EBITDA/Revenues</i>	<i>8.0%</i>	<i>8.7%</i>	<i>-0.7 p.p.</i>	<i>8.0%</i>	<i>-1.3 p.p.</i>	<i>7.7%</i>	<i>-2.2 p.p.</i>	
<b>EBIT</b>	<b>12.6</b>	<b>26.8</b>	<b>-53.0%</b>	<b>18.0</b>	<b>-42.3%</b>			
<b>NP</b>	<b>4.6</b>	<b>17.3</b>	<b>-73.6%</b>	<b>10.3</b>	<b>-66.8%</b>			
<b>Net Debt</b>	<b>107.1</b>	<b>110.2</b>	<b>-2.8%</b>	<b>104.0</b>	<b>7.5%</b>			

## Valuation inputs

### Inputs for the DCF Valuation Approach

	2020e	2021e	2022e	Terminal Value <sup>(1)</sup>		
Free Cash Flow "To the Firm"	17.7	11.2	29.4	376.7		
Market Cap	203.0	At the date of this report				
Net financial debt	107.1	Debt net of Cash (9m Results 2020)				
					Best Case	Worst Case
Cost of Debt	3.5%	Net debt cost			3.3%	3.8%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	2.8%	Kd = Cost of Net Debt * (1-T)			2.6%	3.0%
Risk free rate (rf)	0.1%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	9.0%	R (own estimate)			8.5%	9.5%
Beta (B)	1.3	B (Thomson Reuters and Lighthouse)			1.2	1.4
Cost of Equity	11.8%	Ke = Rf + (R * B)			10.3%	13.4%
Equity / (Equity + Net Debt)	65.5%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	34.5%	D			=	=
WACC	8.7%	WACC = Kd * D + Ke * E			7.6%	9.8%
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 June 30, (2020) the company maintains deferred tax assets (off balance-sheet) amounting to EUR 65.1Mn.

### 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	BASF.DE	51,434.8	22.6	29.1%	9.7	13.1%	1.2	4.4%	12.1%	5.0%	-2.9%
Solvay	SOLB.BR	8,893.6	14.7	13.0%	6.1	6.1%	1.3	4.1%	20.9%	8.0%	-2.3%
Covestro AG	1COV.DE	8,489.2	36.8	66.6%	8.3	25.8%	0.9	10.8%	11.2%	2.4%	66.9%
Akzo Nobel AS	AKZO.AS	16,849.5	23.7	14.5%	13.2	10.4%	2.2	4.9%	16.4%	4.6%	9.5%
<b>Europe</b>			<b>24.5</b>	<b>30.8%</b>	<b>9.3</b>	<b>13.8%</b>	<b>1.4</b>	<b>6.0%</b>	<b>15.2%</b>	<b>5.0%</b>	<b>17.8%</b>
DowDuPont	DWDP.K	38,224.6	19.3	12.2%	13.3	6.8%	3.3	4.3%	24.6%	5.7%	6.1%
Olin Corp	OLN	2,799.2	n.a.	50.0%	12.4	27.6%	1.3	8.5%	10.1%	4.7%	31.1%
Westlake	WLK	7,948.1	37.5	41.9%	10.2	12.8%	1.7	5.4%	16.2%	6.3%	0.0%
<b>USA</b>			<b>28.4</b>	<b>34.7%</b>	<b>12.0</b>	<b>15.7%</b>	<b>2.1</b>	<b>6.1%</b>	<b>17.0%</b>	<b>5.6%</b>	<b>12.4%</b>
ECR	ECR.MC	203.0	20.1	53.4%	6.7	16.8%	0.6	8.8%	8.0%	7.3%	84.3%

### 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	9.0%	55.7	5.7x
Central	8.2%	50.7	6.2x
Min	7.4%	45.8	6.9x

#### 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		
EBITDA 21e	3.7%	4.1%	4.5%					
55.7	13.7	11.3	8.8	➔	Max	6.8%	5.6%	4.3%
50.7	8.8	6.3	3.8		Central	4.3%	3.1%	1.9%
45.8	3.8	1.4	(1.1)		Min	1.9%	0.7%	n.a.

## Appendix 1. Financial Projections<sup>(1)</sup>

<b>Balance Sheet (EUR Mn)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>		
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	300.9	304.6	298.7		
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	157.2	169.5	182.5		
<b>Total assets</b>	<b>490.1</b>	<b>485.4</b>	<b>562.6</b>	<b>581.6</b>	<b>584.1</b>	<b>562.1</b>	<b>579.4</b>	<b>587.8</b>		
Equity	175.9	219.8	247.5	272.7	292.1	288.5	303.0	319.5		
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	104.0	99.8	84.3		
Current Liabilities	128.5	121.2	141.7	125.2	119.6	100.2	109.2	118.7		
<b>Equity &amp; Total Liabilities</b>	<b>490.1</b>	<b>485.4</b>	<b>562.6</b>	<b>581.6</b>	<b>584.1</b>	<b>562.1</b>	<b>579.4</b>	<b>587.8</b>		
									<b>CAGR</b>	
<b>P&amp;L (EUR Mn)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	<b>15-19</b>	<b>19-22e</b>
<b>Total Revenues</b>	<b>624.5</b>	<b>606.9</b>	<b>689.3</b>	<b>677.1</b>	<b>677.9</b>	<b>568.1</b>	<b>619.2</b>	<b>672.6</b>	<b>2.1%</b>	<b>-0.3%</b>
<i>Total Revenues growth</i>	2.8%	-2.8%	13.6%	-1.8%	0.1%	-16.2%	9.0%	8.6%		
COGS	(438.5)	(393.8)	(467.9)	(466.9)	(474.4)	(376.2)	(419.9)	(460.1)		
<b>Gross Margin</b>	<b>186.0</b>	<b>213.1</b>	<b>221.3</b>	<b>210.3</b>	<b>203.5</b>	<b>192.0</b>	<b>199.3</b>	<b>212.5</b>	<b>2.3%</b>	<b>1.5%</b>
<i>Gross Margin/Revenues</i>	29.8%	35.1%	32.1%	31.1%	30.0%	33.8%	32.2%	31.6%		
Personnel Expenses	(79.9)	(81.8)	(83.4)	(79.9)	(83.1)	(84.8)	(86.8)	(87.1)		
Other Operating Expenses	(73.7)	(72.8)	(67.7)	(66.1)	(62.4)	(60.0)	(61.8)	(63.8)		
<b>Recurrent EBITDA</b>	<b>32.5</b>	<b>58.4</b>	<b>70.3</b>	<b>64.3</b>	<b>58.0</b>	<b>47.1</b>	<b>50.7</b>	<b>61.7</b>	<b>15.6%</b>	<b>2.0%</b>
<i>Recurrent EBITDA growth</i>	125.5%	79.6%	20.3%	-8.5%	-9.7%	-18.8%	7.6%	21.5%		
<i>Rec. EBITDA/Revenues</i>	5.2%	9.6%	10.2%	9.5%	8.6%	8.3%	8.2%	9.2%		
Restructuring Expense & Other non-rec.	-	-	(21.7)	3.0	4.4	(1.9)	-	-		
<b>EBITDA</b>	<b>32.5</b>	<b>58.4</b>	<b>48.5</b>	<b>67.3</b>	<b>62.4</b>	<b>45.2</b>	<b>50.7</b>	<b>61.7</b>	<b>17.7%</b>	<b>-0.4%</b>
Depreciation & Provisions	(19.9)	(7.4)	(14.2)	(24.2)	(25.1)	(21.1)	(21.4)	(21.4)		
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)		
<b>EBIT</b>	<b>12.7</b>	<b>51.0</b>	<b>34.3</b>	<b>43.2</b>	<b>31.2</b>	<b>18.0</b>	<b>23.2</b>	<b>34.1</b>	<b>25.1%</b>	<b>3.1%</b>
<i>EBIT growth</i>	354.5%	300.4%	-32.8%	25.9%	-27.8%	-42.3%	29.1%	47.1%		
<i>EBIT/Revenues</i>	2.0%	8.4%	5.0%	6.4%	4.6%	3.2%	3.7%	5.1%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(6.2)	(6.3)	(6.4)	(6.3)	(6.5)	(5.8)	(5.9)	(5.5)		
Income by the Equity Method	0.2	0.6	0.7	1.1	0.4	0.4	0.4	0.4		
<b>Ordinary Profit</b>	<b>6.7</b>	<b>45.3</b>	<b>28.7</b>	<b>38.0</b>	<b>25.1</b>	<b>12.6</b>	<b>17.8</b>	<b>29.0</b>	<b>38.9%</b>	<b>5.0%</b>
<i>Ordinary Profit Growth</i>	154.0%	571.4%	-36.7%	32.5%	-34.0%	-49.9%	41.2%	63.4%		
Extraordinary Results	-	-	(0.1)	-	(2.5)	-	-	-		
<b>Profit Before Tax</b>	<b>6.7</b>	<b>45.3</b>	<b>28.6</b>	<b>38.0</b>	<b>22.6</b>	<b>12.6</b>	<b>17.8</b>	<b>29.0</b>	<b>35.3%</b>	<b>8.7%</b>
Tax Expense	0.5	(0.2)	15.9	6.9	8.4	(2.3)	(3.2)	(5.2)		
<i>Effective Tax Rate</i>	n.a.	0.3%	n.a.	n.a.	n.a.	18.0%	18.0%	18.0%		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
<b>Net Profit</b>	<b>7.2</b>	<b>45.2</b>	<b>44.5</b>	<b>44.9</b>	<b>31.0</b>	<b>10.3</b>	<b>14.6</b>	<b>23.8</b>	<b>43.9%</b>	<b>-8.5%</b>
<i>Net Profit growth</i>	215.1%	523.8%	-1.5%	0.9%	-30.8%	-66.8%	41.2%	63.4%		
<b>Ordinary Net Profit</b>	<b>6.7</b>	<b>45.2</b>	<b>50.4</b>	<b>35.0</b>	<b>20.7</b>	<b>11.9</b>	<b>14.6</b>	<b>23.8</b>	<b>32.3%</b>	<b>4.8%</b>
<i>Ordinary Net Profit growth</i>	154.0%	569.1%	11.6%	-30.6%	-40.9%	-42.4%	22.3%	63.4%		
									<b>CAGR</b>	
<b>Cash Flow (EUR Mn)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>	<b>15-19</b>	<b>19-22e</b>
<b>Recurrent EBITDA</b>						<b>47.1</b>	<b>50.7</b>	<b>61.7</b>	<b>15.6%</b>	<b>2.0%</b>
Rentals (IFRS 16 impact)						(7.1)	(7.1)	(7.1)		
Working Capital Increase						7.8	(3.2)	(3.6)		
<b>Recurrent Operating Cash Flow</b>						<b>47.9</b>	<b>40.4</b>	<b>51.0</b>	<b>36.7%</b>	<b>-13.9%</b>
CAPEX						(25.0)	(25.1)	(15.5)		
Net Financial Result affecting the Cash Flow						(5.8)	(5.9)	(5.5)		
Tax Expense						(2.3)	(3.2)	(5.2)		
<b>Recurrent Free Cash Flow</b>						<b>14.9</b>	<b>6.3</b>	<b>24.8</b>	<b>47.9%</b>	<b>-13.3%</b>
Restructuring Expense & Other non-rec.						(6.2)	(2.1)	(2.1)		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						(1.9)	-	-		
<b>Free Cash Flow</b>						<b>6.7</b>	<b>4.2</b>	<b>22.7</b>	<b>14.5%</b>	<b>3.6%</b>
Capital Increase						(8.7)	-	(4.8)		
Dividends						(5.2)	-	(2.5)		
<b>Net Debt Variation</b>						<b>7.3</b>	<b>(4.2)</b>	<b>(15.4)</b>		

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

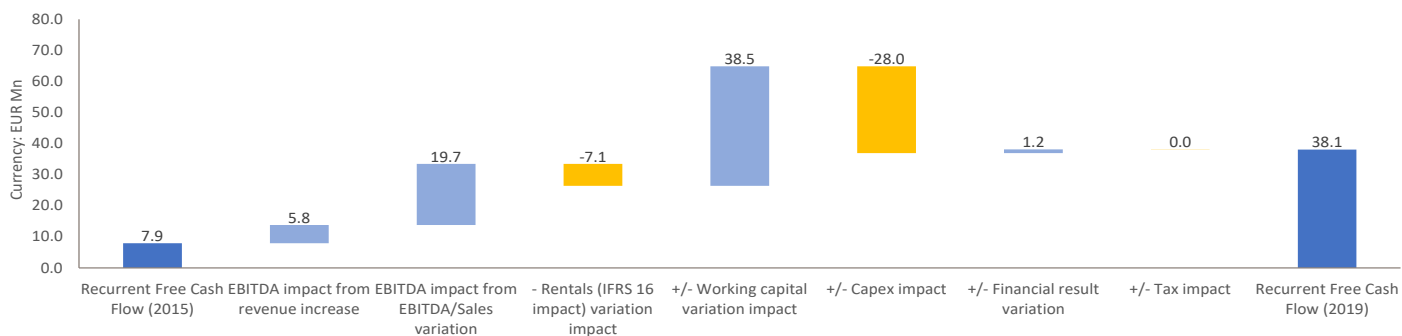
## Appendix 2. Free Cash Flow<sup>(1)</sup>

A) Cash Flow Analysis (EUR Mn)	2016	2017	2018	2019	2020e	2021e	2022e	CAGR	
								16-19	19-22e
<b>Recurrent EBITDA</b>	<b>58.4</b>	<b>70.3</b>	<b>64.3</b>	<b>58.0</b>	<b>47.1</b>	<b>50.7</b>	<b>61.7</b>	<b>-0.2%</b>	<b>2.0%</b>
<i>Recurrent EBITDA growth</i>	79.6%	20.3%	-8.5%	-9.7%	-18.8%	7.6%	21.5%		
<i>Rec. EBITDA/Revenues</i>	9.6%	10.2%	9.5%	8.6%	8.3%	8.2%	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	7.8	(3.2)	(3.6)		
<b>= Recurrent Operating Cash Flow</b>	<b>71.8</b>	<b>57.1</b>	<b>47.2</b>	<b>79.8</b>	<b>47.9</b>	<b>40.4</b>	<b>51.0</b>	<b>3.6%</b>	<b>-13.9%</b>
<i>Rec. Operating Cash Flow growth</i>	214.5%	-20.5%	-17.4%	69.1%	-39.9%	-15.6%	26.1%		
<i>Rec. Operating Cash Flow / Sales</i>	11.8%	8.3%	7.0%	11.8%	8.4%	6.5%	7.6%		
- CAPEX	(18.7)	(42.8)	(42.1)	(37.1)	(25.0)	(25.1)	(15.5)		
- Net Financial Result affecting Cash Flow	(6.3)	(6.4)	(6.3)	(5.1)	(5.8)	(5.9)	(5.5)		
- Taxes	(0.2)	15.9	6.9	0.4	(2.3)	(3.2)	(5.2)		
<b>= Recurrent Free Cash Flow</b>	<b>46.7</b>	<b>23.8</b>	<b>5.6</b>	<b>38.1</b>	<b>14.9</b>	<b>6.3</b>	<b>24.8</b>	<b>-6.6%</b>	<b>-13.3%</b>
<i>Rec. Free Cash Flow growth</i>	487.4%	-49.1%	-76.4%	579.7%	-61.0%	-57.5%	292.9%		
<i>Rec. Free Cash Flow / Revenues</i>	7.7%	3.4%	0.8%	5.6%	2.6%	1.0%	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)	-	-	(1.9)	-	-		
<b>= Free Cash Flow</b>	<b>47.3</b>	<b>1.9</b>	<b>5.6</b>	<b>20.4</b>	<b>6.7</b>	<b>4.2</b>	<b>22.7</b>	<b>-24.4%</b>	<b>3.6%</b>
<i>Free Cash Flow growth</i>	297.4%	-95.9%	187.4%	264.9%	-67.3%	-36.5%	435.1%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	23.0%	11.7%	2.8%	18.8%	7.3%	3.1%	12.2%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	23.3%	1.0%	2.8%	10.1%	3.3%	2.1%	11.2%		
<b>B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)</b>									
<b>Recurrent FCF(FY - 1)</b>	<b>7.9</b>	<b>46.7</b>	<b>23.8</b>	<b>5.6</b>	<b>38.1</b>	<b>14.9</b>	<b>6.3</b>		
EBITDA impact from revenue increase	(0.9)	7.9	(1.2)	0.1	(9.4)	4.2	4.4		
EBITDA impact from EBITDA/Sales variation	26.8	3.9	(4.7)	(6.3)	(1.5)	(0.6)	6.6		
<b>= Recurrent EBITDA variation</b>	<b>25.9</b>	<b>11.9</b>	<b>(6.0)</b>	<b>(6.2)</b>	<b>(10.9)</b>	<b>3.6</b>	<b>10.9</b>		
- Rentals (IFRS 16 impact) variation impact	-	-	-	(7.1)	-	-	-		
+/- Working capital variation impact	23.1	(26.6)	(3.9)	45.9	(21.0)	(11.1)	(0.4)		
<b>= Recurrent Operating Cash Flow variation</b>	<b>49.0</b>	<b>(14.7)</b>	<b>(9.9)</b>	<b>32.6</b>	<b>(31.9)</b>	<b>(7.5)</b>	<b>10.6</b>		
+/- CAPEX impact	(9.6)	(24.1)	0.7	5.0	12.1	(0.1)	9.6		
+/- Financial result variation	(0.0)	(0.1)	0.0	1.3	(0.7)	(0.1)	0.3		
+/- Tax impact	(0.6)	16.1	(9.0)	(6.4)	(2.7)	(0.9)	(2.0)		
<b>= Recurrent Free Cash Flow variation</b>	<b>38.7</b>	<b>(22.9)</b>	<b>(18.2)</b>	<b>32.5</b>	<b>(23.2)</b>	<b>(8.5)</b>	<b>18.5</b>		
<b>Recurrent Free Cash Flow</b>	<b>46.7</b>	<b>23.8</b>	<b>5.6</b>	<b>38.1</b>	<b>14.9</b>	<b>6.3</b>	<b>24.8</b>		
<b>C) "FCF to the Firm" (pre debt service) (EUR Mn)</b>									
<b>EBIT</b>	<b>51.0</b>	<b>34.3</b>	<b>43.2</b>	<b>31.2</b>	<b>18.0</b>	<b>23.2</b>	<b>34.1</b>	<b>-15.2%</b>	<b>3.1%</b>
* <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)	-	-	-	(3.2)	(4.2)	(6.1)		
<b>Recurrent EBITDA</b>	<b>58.4</b>	<b>70.3</b>	<b>64.3</b>	<b>58.0</b>	<b>47.1</b>	<b>50.7</b>	<b>61.7</b>	<b>-0.2%</b>	<b>2.0%</b>
- Rentals (IFRS 16 impact)	-	-	-	(7.1)	(7.1)	(7.1)	(7.1)		
+/- Working Capital increase	13.5	(13.2)	(17.1)	28.8	7.8	(3.2)	(3.6)		
<b>= Recurrent Operating Cash Flow</b>	<b>71.8</b>	<b>57.1</b>	<b>47.2</b>	<b>79.8</b>	<b>47.9</b>	<b>40.4</b>	<b>51.0</b>	<b>3.6%</b>	<b>-13.9%</b>
- CAPEX	(18.7)	(42.8)	(42.1)	(37.1)	(25.0)	(25.1)	(15.5)		
- Taxes (pre- Financial Result)	(0.2)	-	-	-	(3.2)	(4.2)	(6.1)		
<b>= Recurrent Free Cash Flow (To the Firm)</b>	<b>53.0</b>	<b>14.3</b>	<b>5.1</b>	<b>42.7</b>	<b>19.7</b>	<b>11.2</b>	<b>29.4</b>	<b>-6.9%</b>	<b>-11.7%</b>
<i>Rec. Free Cash Flow (To the Firm) growth</i>	286.8%	-73.1%	-64.4%	742.2%	-53.9%	-43.2%	162.8%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	8.7%	2.1%	0.7%	6.3%	3.5%	1.8%	4.4%		
- Acquisitions / + Divestments	0.6	-	-	5.7	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	(0.1)	-	-	(1.9)	-	-		
<b>= Free Cash Flow "To the Firm"</b>	<b>53.6</b>	<b>14.2</b>	<b>5.1</b>	<b>48.4</b>	<b>17.7</b>	<b>11.2</b>	<b>29.4</b>	<b>-3.3%</b>	<b>-15.3%</b>
<i>Free Cash Flow (To the Firm) growth</i>	203.6%	-73.5%	-64.2%	855.5%	-63.4%	-36.9%	162.8%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	16.7%	4.5%	1.6%	13.5%	6.2%	3.5%	9.3%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	16.9%	4.5%	1.6%	15.3%	5.6%	3.5%	9.3%		

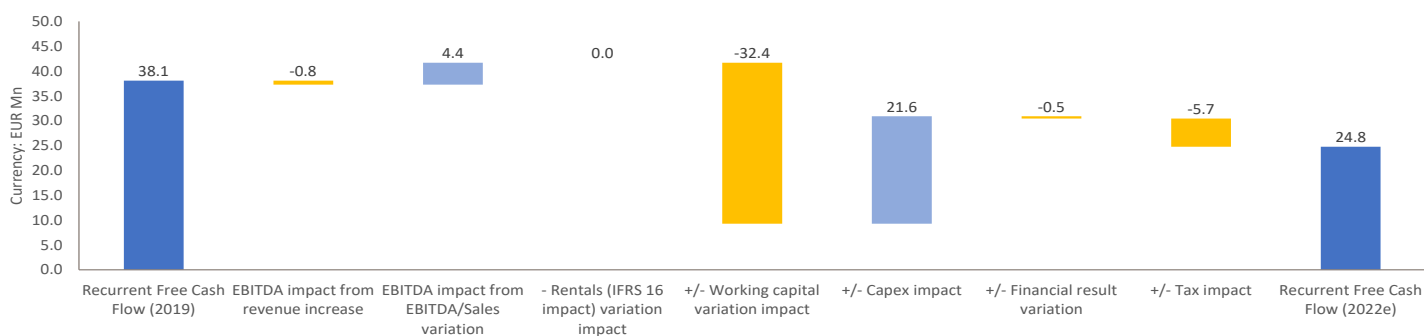
Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 7.7Mn higher due to IFRS 16.

Note 2: 2019 working capital decrease (EUR 28.8Mn) was 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).

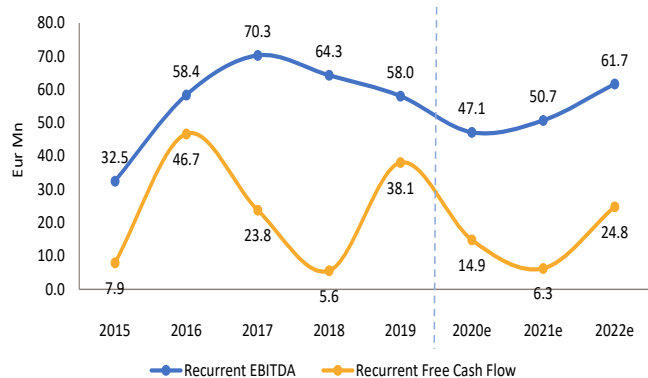
### Recurrent Free Cash Flow accumulated variation analysis (2015 - 2019)



### 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	203.0	
+ Minority Interests	-	6m Results 2020
+ Provisions & Other L/T Liabilities	54.3	6m Results 2020
+ Net financial debt	107.1	9m Results 2020
- Financial Investments	47.6	6m Results 2020
+/- Others		
<b>Enterprise Value (EV)</b>	<b>316.8</b>	

## Appendix 4. Historical performance <sup>(1)(2)</sup>

Historical performance (EUR Mn)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e	CAGR	
															09-19	19-22e
<b>Total Revenues</b>	<b>606.3</b>	<b>609.3</b>	<b>686.0</b>	<b>639.5</b>	<b>625.0</b>	<b>603.7</b>	<b>624.5</b>	<b>606.9</b>	<b>689.3</b>	<b>677.1</b>	<b>677.9</b>	<b>568.1</b>	<b>619.2</b>	<b>672.6</b>	<b>1.1%</b>	<b>-0.3%</b>
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%	-16.2%	9.0%	8.6%		
<b>EBITDA</b>	<b>(13.7)</b>	<b>10.9</b>	<b>26.9</b>	<b>21.1</b>	<b>29.0</b>	<b>19.1</b>	<b>32.5</b>	<b>58.4</b>	<b>48.5</b>	<b>67.3</b>	<b>62.4</b>	<b>45.2</b>	<b>50.7</b>	<b>61.7</b>	<b>20.7%</b>	<b>-0.4%</b>
EBITDA growth	-132.5%	179.3%	148.0%	-21.5%	37.0%	-34.1%	70.5%	79.6%	-16.9%	38.6%	-7.2%	-27.6%	12.3%	21.5%		
EBITDA/Sales	n.a.	1.8%	3.9%	3.3%	4.6%	3.2%	5.2%	9.6%	7.0%	9.9%	9.2%	8.0%	8.2%	9.2%		
<b>Net Profit</b>	<b>(51.0)</b>	<b>(14.0)</b>	<b>(0.9)</b>	<b>(11.7)</b>	<b>(0.3)</b>	<b>(7.1)</b>	<b>7.2</b>	<b>45.2</b>	<b>44.5</b>	<b>44.9</b>	<b>31.0</b>	<b>10.3</b>	<b>14.6</b>	<b>23.8</b>	<b>10.1%</b>	<b>-8.5%</b>
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%	-66.8%	41.2%	63.4%		
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	102.9	101.0	101.0		
EPS (EUR)	-0.51	-0.14	-0.01	-0.12	0.00	-0.06	0.06	0.40	0.40	0.41	0.29	0.10	0.14	0.24	9.9%	-6.9%
EPS growth	74.9%	72.6%	93.6%	n.a.	97.3%	n.a.	n.a.	n.a.	0.1%	3.7%	-28.9%	-65.7%	44.0%	63.4%		
Ord. EPS (EUR)	-0.50	-0.14	-0.01	-0.11	0.00	-0.06	0.06	0.40	0.45	0.32	0.19	0.12	0.14	0.24	9.1%	6.5%
Ord. EPS growth	75.1%	72.0%	94.3%	n.a.	97.1%	n.a.	n.a.	n.a.	13.4%	-28.6%	-39.2%	-40.6%	24.7%	63.4%		
CAPEX	(36.6)	(8.1)	(8.1)	(15.8)	(4.2)	(4.6)	(9.2)	(18.7)	(42.8)	(42.1)	(37.1)	(25.0)	(25.1)	(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%	4.4%	4.1%	2.3%		
<b>Free Cash Flow</b>	<b>2.6</b>	<b>(18.7)</b>	<b>3.6</b>	<b>3.1</b>	<b>19.5</b>	<b>21.9</b>	<b>11.9</b>	<b>47.3</b>	<b>1.9</b>	<b>5.6</b>	<b>20.4</b>	<b>6.7</b>	<b>4.2</b>	<b>22.7</b>	<b>22.8%</b>	<b>3.6%</b>
ND/EBITDA (x) <sup>(3)</sup>	n.a.	8.7x	3.0x	6.9x	5.3x	6.8x	3.7x	1.3x	1.8x	1.6x	1.6x	2.3x	2.0x	1.4x		
P/E (x)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	9.7x	4.6x	7.2x	7.6x	8.8x	20.1x	13.9x	8.5x		
EV/Sales (x)	0.40x	0.27x	0.22x	0.29x	0.33x	0.29x	0.30x	0.51x	0.61x	0.70x	0.58x	0.56x	0.51x	0.47x		
EV/EBITDA (x) <sup>(3)</sup>	n.a.	15.4x	5.6x	8.8x	7.1x	9.1x	5.8x	5.3x	7.0x	6.2x	7.0x	7.0x	6.2x	5.1x		
Absolute performance	-13.1%	-48.6%	-4.8%	-41.2%	18.8%	-17.3%	56.7%	198.7%	55.4%	8.9%	-17.8%	-21.5%				
Relative performance vs Ibx 35	-33.1%	-37.8%	9.6%	-38.3%	-2.2%	-20.2%	68.8%	204.8%	44.7%	28.1%	-26.5%	-3.7%				

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					Average	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	51,434.8	8,893.6	8,489.2	16,849.5		38,224.6	2,799.2	7,948.1		203.0	
Enterprise value (EV)	67,836.8	11,663.6	9,698.2	18,369.5		55,759.4	5,907.7	10,486.1		316.8	
<b>Total Revenues</b>	<b>57,524.1</b>	<b>9,192.8</b>	<b>10,477.4</b>	<b>8,501.3</b>		<b>17,029.2</b>	<b>4,700.3</b>	<b>6,332.6</b>		<b>568.1</b>	
Total Revenues growth	-3.0%	-18.1%	-15.6%	-8.4%		-11.3%	-11.3%	-13.8%		-12.6%	
2y CAGR (2020e - 2022e)	4.4%	4.1%	10.8%	4.9%		6.0%	8.5%	5.4%		6.1%	
<b>EBITDA</b>	<b>6,988.8</b>	<b>1,922.1</b>	<b>1,172.3</b>	<b>1,391.3</b>		<b>4,181.3</b>	<b>475.9</b>	<b>1,024.1</b>		<b>45.2</b>	
EBITDA growth	-22.2%	-13.9%	-27.1%	-2.2%		-16.4%	-3.0%	-37.3%		-19.5%	
2y CAGR (2020e - 2022e)	13.1%	6.1%	25.8%	10.4%		13.8%	6.8%	12.8%		15.7%	
EBITDA/Revenues	12.1%	20.9%	11.2%	16.4%		15.2%	24.6%	10.1%		17.0%	
<b>EBIT</b>	<b>3,209.4</b>	<b>1,116.5</b>	<b>418.9</b>	<b>1,038.6</b>		<b>3,195.6</b>	<b>(278.3)</b>	<b>356.5</b>		<b>18.0</b>	
EBIT growth	-33.7%	-7.0%	-52.6%	-2.2%		-23.9%	29.6%	-223.1%		-42.3%	
2y CAGR (2020e - 2022e)	25.5%	8.0%	55.7%	12.2%		25.4%	8.4%	73.2%		38.9%	
EBIT/Revenues	5.6%	12.1%	4.0%	12.2%		8.5%	18.8%	n.a.		12.2%	
<b>Net Profit</b>	<b>2,237.2</b>	<b>602.3</b>	<b>213.1</b>	<b>704.6</b>		<b>2,006.5</b>	<b>(211.1)</b>	<b>206.7</b>		<b>10.3</b>	
Net Profit growth	-12.1%	n.a.	-61.7%	27.0%		-15.6%	n.a.	-49.9%		-49.9%	
2y CAGR (2020e - 2022e)	29.2%	12.2%	78.4%	14.8%		33.7%	10.1%	39.8%		31.5%	
CAPEX/Sales %	5.4%	6.2%	6.9%	2.6%		5.2%	5.1%	7.6%		5.8%	
<b>Free Cash Flow</b>	<b>2,584.7</b>	<b>707.7</b>	<b>203.4</b>	<b>779.0</b>		<b>2,186.2</b>	<b>130.0</b>	<b>508.4</b>		<b>6.7</b>	
Net financial debt	14,532.7	3,683.7	888.2	1,081.2		13,454.3	2,512.9	1,995.7		104.0	
ND/EBITDA (x)	2.1	1.9	0.8	0.8		1.4	3.2	5.3		3.5	
Pay-out	125.4%	62.1%	101.3%	57.4%		86.5%	38.1%	-56.5%		12.5%	
<b>P/E (x)</b>	<b>22.6</b>	<b>14.7</b>	<b>36.8</b>	<b>23.7</b>		<b>24.5</b>	<b>19.3</b>	<b>37.5</b>		<b>28.4</b>	
P/BV (x)	1.4	1.1	1.5	2.7		1.7	1.1	2.4		1.7	
EV/Revenues (x)	1.2	1.3	0.9	2.2		1.4	3.3	1.3		2.1	
EV/EBITDA (x)	9.7	6.1	8.3	13.2		9.3	13.3	10.2		12.0	
EV/EBIT (x)	21.1	10.4	23.2	17.7		18.1	17.4	n.a.		23.4	
ROE	4.1	3.0	4.1	10.9		5.5	4.9	n.a.		4.7	
FCF Yield (%)	5.0	8.0	2.4	4.6		5.0	5.7	4.7		5.6	
DPS	3.05	3.62	1.18	1.90		2.44	1.02	0.74		0.89	
Dvd Yield	5.5%	4.3%	2.7%	2.2%		3.7%	2.0%	4.1%		2.5%	

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).

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
16-Nov-2020	n.a.	2.01	n.a.	n.a.	9m Results 2020	David López Sánchez
03-Aug-2020	n.a.	1.73	n.a.	n.a.	6m Results 2020	David López Sánchez
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