

## EQUITY - SPAIN

Sector: Chemicals

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9m Results 2021

Closing price: EUR 3.52 (9 Nov 2021)

## 9m Results 2021

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

## 9m21: in line, despite rising raw material and electricity prices

## Market Data

Market Cap (Mn EUR and USD)	355.4	412.0
EV (Mn EUR and USD) <sup>(2)</sup>	395.8	458.9
Shares Outstanding (Mn)	101.0	
-12m (Max/Med/Mín EUR)	3.88 / 2.94 / 1.89	
Daily Avg volume (-12m Mn EUR)	0.67	
Rotation <sup>(3)</sup>	47.7	
Factset / Bloomberg	ECR-ES / ECR SM	
Close fiscal year	31-Dec	

**THE GOOD REVENUE PERFORMANCE CONTINUES (+33.4% VS 9M20)...** at EUR 582.8Mn (+33.4% vs 9m20) mainly the result of: (i) the sharp rise in the average price of its products (that accounts for c. 68% of the increase; the good performance of PVC, still at highs, standing out) and (ii) the larger volume of tonnes sold vs 9m20 (+8.9%; c. 25% of the increase in revenue). A level of revenue that not only represents a significant improvement vs 9m20 (logical given the impact of Covid-19), but that is also higher than 9m19 (c. +10%).

## 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

**... ACCOMPANIED BY THE INCREASE IN THE PRICE OF PROCUREMENTS AND ENERGY (SQUEEZING 3Q MARGINS).** The generalised rise in the price of the main procurements and supplies, especially the sharp increase in electricity prices seen in 3Q (average price in September of EUR 156MWh; +32% vs -1m and +73% vs -1y), has put pressure on the gross margin that, despite increasing +23% in absolute terms, declined to 36.8% of revenue in 9m21 (-1.6p.p. vs 1H21 and -2.9p.p. vs 9m20).

Financials (Mn EUR)	2020	2021e	2022e	2023e
Adj. n° shares (Mn)	102.6	101.0	101.0	101.0
Total Revenues	579.3	720.2	728.7	740.6
Rec. EBITDA <sup>(4)</sup>	48.2	76.3	78.2	80.6
% growth	-16.9	58.2	2.5	3.1
% Rec. EBITDA/Rev.	8.3	10.6	10.7	10.9
% Inc. EBITDA sector <sup>(5)</sup>	-3.5	25.0	4.2	6.6
Net Profit	6.3	33.0	35.6	37.5
EPS (EUR)	0.06	0.33	0.35	0.37
% growth	-79.1	436.7	7.7	5.3
Ord. EPS (EUR)	0.07	0.34	0.35	0.37
% growth	-64.7	392.8	3.8	5.3
Rec. Free Cash Flow <sup>(6)</sup>	41.7	16.5	21.4	28.2
Pay-out (%)	0.0	18.0	20.0	22.0
DPS (EUR)	0.00	0.06	0.07	0.08
Net financial debt	75.7	71.3	66.5	55.9
ND/Rec. EBITDA (x)	1.6	0.9	0.9	0.7
ROE (%)	2.2	11.2	11.3	11.2
ROCE (%) <sup>(6)</sup>	3.4	9.5	9.7	9.8

**AND HIGH OPERATING LEVERAGE, THAT LED TO AN INCREASE IN REC. EBITDA TO EUR 61.3MN (+65.8% VS 9M20).** Although the current adverse price environment is squeezing margins (Rec. EBITDA margin 9m21: 10.5% vs 11.8% in 1H21), the high operating leverage has resulted in a significant rebound in Rec. EBITDA to EUR 61.3Mn in 9m21 (vs EUR 37Mn in 9m20).

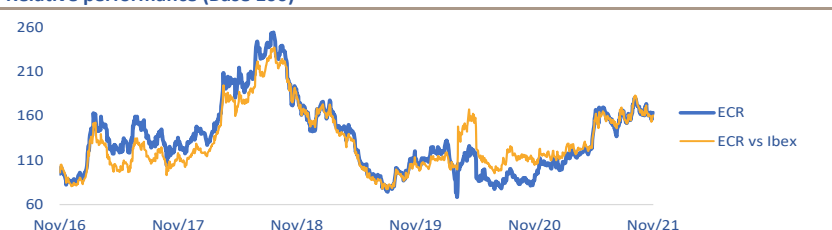
**THE STRENGTH OF THE BALANCE SHEET REMAINS BEYOND DOUBT (ND/EBITDA < 1X).** ECR's high cash generation capacity is a fact. Net debt (ex IFRS 16) has decreased to EUR 66.0Mn (-12.7% vs 2020) despite the increase in working capital consumption (impact of EUR 22Mn) and shareholder remuneration (EUR 6.1Mn).

**DESPITE THE ENVIRONMENT WE MAINTAIN OUR ESTIMATES.** While not losing sight of the fact that in 4Q21 margins will remain under pressure from rising electricity prices, we maintain our 2021e EBITDA estimate of EUR 75Mn underpinned by a favourable cyclical moment, that should continue to provide support for demand for and prices of the company's main products (PVC and caustic soda).

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

P/E	57.7	10.8	10.0	9.5
Ord. P/E	51.1	10.4	10.0	9.5
P/BV	1.3	1.2	1.1	1.0
Dividend Yield (%)	0.0	1.7	2.0	2.3
EV/Sales	0.68	0.55	0.54	0.53
EV/Rec. EBITDA	8.2	5.2	5.1	4.9
EV/EBIT	26.5	8.6	8.1	7.8
FCF Yield (%) <sup>(6)</sup>	11.7	4.6	6.0	7.9

## Relative performance (Base 100)



Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-1.0	-0.7	86.6	63.3	-11.9	63.7
vs Ibex 35	-2.3	-3.0	53.4	45.3	-11.3	60.6
vs Ibex Small Cap Index	-4.8	-2.6	49.5	54.7	-31.3	-11.6
vs Eurostoxx 50	-7.2	-4.5	46.4	33.6	-34.5	15.2
vs Sector benchmark <sup>(5)</sup>	-7.6	-3.3	52.3	35.8	-42.6	-1.7

(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 3.

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

(4) Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 7.8Mn higher due to IFRS 16.

(5) Sector: Stoxx Europe 600 Chemicals.

(6) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. 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, Factset and Lighthouse.

## 9m Results 2021

**Table 1. 9m21 Results**

EUR Mn	9m21 Real	9m20	9m21 Real vs 9m20	2021e	2021e vs 2020
<b>Total Revenues</b>	<b>582.8</b>	<b>436.8</b>	<b>33.4%</b>	<b>720.2</b>	<b>24.3%</b>
<b>Recurrent EBITDA<sup>1</sup></b>	<b>61.3</b>	<b>37.0</b>	<b>65.8%</b>	<b>76.3</b>	<b>58.2%</b>
<i>Rec. EBITDA/Revenues</i>	<i>10.5%</i>	<i>8.5%</i>	<i>2.1 p.p.</i>	<i>10.6%</i>	<i>2.3 p.p.</i>
<b>EBITDA</b>	<b>59.8</b>	<b>35.0</b>	<b>70.8%</b>	<b>74.8</b>	<b>58.0%</b>
<i>EBITDA/Revenues</i>	<i>10.3%</i>	<i>8.0%</i>	<i>2.2 p.p.</i>	<i>10.4%</i>	<i>2.2 p.p.</i>
<b>EBIT</b>	<b>38.6</b>	<b>12.6</b>	<b>206.4%</b>	<b>45.9</b>	<b>207.5%</b>
<b>PBT</b>	<b>36.6</b>	<b>5.7</b>	<b>n.a.</b>	<b>40.3</b>	<b>476.9%</b>
<b>NP</b>	<b>26.2</b>	<b>4.6</b>	<b>471.7%</b>	<b>33.0</b>	<b>428.1%</b>
Tons sold (thousand)	932	856	8.9%		
Net Debt <sup>2</sup>	66.0	75.7	-12.8%	71.3	-5.8%

- (1) Rec. EBITDA adjusted to strip out the impact of non-recurrent items (EUR 1.5Mn in 9m21 and EUR 1.9Mn in 9m20).  
(2) Net Debt adjusted to strip out the impact of IFRS 16 (EUR 6.7Mn in 9m21 and EUR 9.1Mn in 2020).

## Valuation inputs

### Inputs for the DCF Valuation Approach

	2021e	2022e	2023e	Terminal Value <sup>(1)</sup>		
Free Cash Flow "To the Firm"	19.6	25.9	32.4	n.a.		
Market Cap	355.4	At the date of this report				
Net financial debt	66.0	Debt net of Cash (9m Results 2021)				
					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)	0.4%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	9.0%	R (own estimate)			8.5%	9.5%
Beta (B)	1.3	B (own estimate)			1.2	1.4
Cost of Equity	12.1%	Ke = Rf + (R * B)			10.6%	13.7%
Equity / (Equity + Net Debt)	84.3%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	15.7%	D			=	=
WACC	10.6%	WACC = Kd * D + Ke * E			9.3%	12.0%
G "Fair"	1.5%				1.5%	0.5%

(1) The terminal value calculated beyond the last FCF estimate does not reflect the company's growth potential (positive/negative) at the date of publication of this report.

### Inputs for the Multiples Valuation Approach

Company	Ticker	Mkt. Cap	P/E 21e	EPS 21e-23e	EV/EBITDA 21e	EBITDA 21e-23e	EV/Sales 21e	Revenues 21e-23e	EBITDA/Sales 21e	FCF Yield 21e	FCF 21e-23e
BASF SE	BAS-DE	56,679.3	9.6	-4.6%	6.5	-1.9%	1.0	-0.7%	14.9%	6.1%	6.8%
Solvay	SOLB-BE	10,990.0	12.1	8.3%	6.6	5.1%	1.5	5.0%	22.9%	6.7%	12.0%
Covestro AG	1COV-DE	10,680.1	6.7	-10.1%	4.2	-5.5%	0.9	1.9%	20.5%	13.9%	-11.0%
Europe			9.4	-2.1%	5.8	-0.8%	1.1	2.1%	19.4%	8.9%	2.6%
DowDuPont	DOW-US	37,534.6	6.5	-16.6%	4.7	-12.5%	1.1	-3.1%	22.6%	12.3%	-10.5%
Olin Corp	OLN-US	8,503.7	7.4	-1.6%	5.2	-0.5%	1.5	2.0%	28.3%	16.2%	1.4%
Westlake	WLK-US	11,038.3	6.9	-14.2%	4.4	-8.9%	1.4	1.9%	31.1%	13.1%	2.8%
USA			6.9	-10.8%	4.8	-7.3%	1.3	0.3%	27.3%	13.9%	-2.1%
ECR	ECR-ES	355.4	10.8	6.5%	5.2	3.8%	0.5	1.4%	10.4%	4.6%	37.2%

### Free Cash Flow sensitivity analysis (2022e)

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

Scenario	EBITDA/Sales 22e	EBITDA 22e	EV/EBITDA 22e
Max	11.2%	81.9	4.8x
Central	10.7%	78.2	5.1x
Min	10.2%	74.6	5.3x

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

Rec. FCF EUR Mn	CAPEX/Sales 22e			Scenario	Rec. FCF/Yield 22e		
EBITDA 22e	3.7%	4.1%	4.5%	Max	7.9%	7.1%	6.2%
81.9	28.0	25.1	22.1	Central	6.8%	6.0%	5.2%
78.2	24.3	21.4	18.5	Min	5.8%	5.0%	4.2%
74.6	20.7	17.8	14.9				

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

Balance Sheet (EUR Mn)	2016	2017	2018	2019	2020	2021e	2022e	2023e		
Intangible assets	5.9	4.1	4.2	19.7	16.1	16.1	16.1	16.1		
Fixed assets	249.2	269.4	281.7	296.9	311.3	319.7	327.7	335.1		
Other Non Current Assets	7.0	25.9	31.7	40.3	38.9	38.9	38.9	38.9		
Financial Investments	38.7	44.9	45.2	42.7	28.8	28.8	28.8	28.8		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	184.6	218.3	218.9	184.5	148.6	169.1	173.9	177.9		
<b>Total assets</b>	<b>485.4</b>	<b>562.6</b>	<b>581.6</b>	<b>584.1</b>	<b>543.6</b>	<b>572.6</b>	<b>585.3</b>	<b>596.7</b>		
Equity	219.8	247.5	272.7	292.1	284.2	306.7	325.6	345.5		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	71.0	84.1	76.5	62.2	55.8	55.8	55.8	55.8		
Other Non Current Liabilities	-	-	-	13.4	9.1	9.1	9.1	9.1		
Net financial debt	73.4	89.3	107.3	96.8	75.7	71.3	66.5	55.9		
Current Liabilities	121.2	141.7	125.2	119.6	118.8	129.6	128.2	130.3		
<b>Equity &amp; Total Liabilities</b>	<b>485.4</b>	<b>562.6</b>	<b>581.6</b>	<b>584.1</b>	<b>543.6</b>	<b>572.6</b>	<b>585.3</b>	<b>596.7</b>		
<b>CAGR</b>										
P&L (EUR Mn)	2016	2017	2018	2019	2020	2021e	2022e	2023e	16-20	20-23e
<b>Total Revenues</b>	<b>606.9</b>	<b>689.3</b>	<b>677.1</b>	<b>677.9</b>	<b>579.3</b>	<b>720.2</b>	<b>728.7</b>	<b>740.6</b>	<b>-1.2%</b>	<b>8.5%</b>
<i>Total Revenues growth</i>	-2.8%	13.6%	-1.8%	0.1%	-14.6%	24.3%	1.2%	1.6%		
COGS	(359.4)	(433.1)	(435.1)	(439.3)	(348.3)	(444.6)	(450.3)	(458.4)		
<b>Gross Margin</b>	<b>247.5</b>	<b>256.1</b>	<b>242.0</b>	<b>238.6</b>	<b>230.9</b>	<b>275.5</b>	<b>278.3</b>	<b>282.2</b>	<b>-1.7%</b>	<b>6.9%</b>
<i>Gross Margin/Revenues</i>	40.8%	37.2%	35.7%	35.2%	39.9%	38.3%	38.2%	38.1%		
Personnel Expenses	(81.8)	(83.4)	(79.9)	(83.1)	(84.3)	(86.0)	(86.4)	(86.4)		
Other Operating Expenses	(107.3)	(102.5)	(97.9)	(97.5)	(98.4)	(113.3)	(113.7)	(115.1)		
<b>Recurrent EBITDA</b>	<b>58.4</b>	<b>70.3</b>	<b>64.3</b>	<b>58.0</b>	<b>48.2</b>	<b>76.3</b>	<b>78.2</b>	<b>80.6</b>	<b>-4.7%</b>	<b>18.7%</b>
<i>Recurrent EBITDA growth</i>	79.6%	20.3%	-8.5%	-9.7%	-16.9%	58.2%	2.5%	3.1%		
<i>Rec. EBITDA/Revenues</i>	9.6%	10.2%	9.5%	8.6%	8.3%	10.6%	10.7%	10.9%		
Restructuring Expense & Other non-rec.	-	(21.7)	3.0	4.4	(0.9)	(1.5)	-	-		
<b>EBITDA</b>	<b>58.4</b>	<b>48.5</b>	<b>67.3</b>	<b>62.4</b>	<b>47.3</b>	<b>74.8</b>	<b>78.2</b>	<b>80.6</b>	<b>-5.1%</b>	<b>19.4%</b>
Depreciation & Provisions	(7.4)	(14.2)	(24.2)	(25.1)	(27.4)	(21.6)	(22.1)	(22.6)		
Capitalized Expense	0.0	-	0.2	0.9	2.3	-	-	-		
Rentals (IFRS 16 impact)	-	-	-	(7.1)	(7.3)	(7.3)	(7.3)	(7.3)		
<b>EBIT</b>	<b>51.0</b>	<b>34.3</b>	<b>43.2</b>	<b>31.2</b>	<b>14.9</b>	<b>45.9</b>	<b>48.8</b>	<b>50.8</b>	<b>-26.5%</b>	<b>50.3%</b>
<i>EBIT growth</i>	300.4%	-32.8%	25.9%	-27.8%	-52.1%	207.5%	6.3%	4.0%		
<i>EBIT/Revenues</i>	8.4%	5.0%	6.4%	4.6%	2.6%	6.4%	6.7%	6.9%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(6.3)	(6.4)	(6.3)	(6.5)	(8.0)	(5.6)	(5.4)	(5.1)		
Income by the Equity Method	0.6	0.7	1.1	0.4	-	-	-	-		
<b>Ordinary Profit</b>	<b>45.3</b>	<b>28.7</b>	<b>38.0</b>	<b>25.1</b>	<b>7.0</b>	<b>40.3</b>	<b>43.4</b>	<b>45.7</b>	<b>-37.3%</b>	<b>87.0%</b>
<i>Ordinary Profit Growth</i>	571.4%	-36.7%	32.5%	-34.0%	-72.2%	476.9%	7.7%	5.3%		
Extraordinary Results	-	(0.1)	-	(2.5)	-	-	-	-		
<b>Profit Before Tax</b>	<b>45.3</b>	<b>28.6</b>	<b>38.0</b>	<b>22.6</b>	<b>7.0</b>	<b>40.3</b>	<b>43.4</b>	<b>45.7</b>	<b>-37.3%</b>	<b>87.0%</b>
Tax Expense	(0.2)	15.9	6.9	8.4	(0.7)	(7.3)	(7.8)	(8.2)		
<i>Effective Tax Rate</i>	0.3%	n.a.	n.a.	n.a.	10.4%	18.0%	18.0%	18.0%		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
<b>Net Profit</b>	<b>45.2</b>	<b>44.5</b>	<b>44.9</b>	<b>31.0</b>	<b>6.3</b>	<b>33.0</b>	<b>35.6</b>	<b>37.5</b>	<b>-39.0%</b>	<b>81.6%</b>
<i>Net Profit growth</i>	523.8%	-1.5%	0.9%	-30.8%	-79.8%	428.1%	7.7%	5.3%		
<b>Ordinary Net Profit</b>	<b>45.2</b>	<b>50.4</b>	<b>35.0</b>	<b>20.7</b>	<b>7.1</b>	<b>34.3</b>	<b>35.6</b>	<b>37.5</b>	<b>-37.1%</b>	<b>74.4%</b>
<i>Ordinary Net Profit growth</i>	569.1%	11.6%	-30.6%	-40.9%	-65.8%	384.9%	3.8%	5.3%		
<b>CAGR</b>										
Cash Flow (EUR Mn)	2016	2017	2018	2019	2020	2021e	2022e	2023e	16-20	20-23e
<b>Recurrent EBITDA</b>						<b>76.3</b>	<b>78.2</b>	<b>80.6</b>	<b>-4.7%</b>	<b>18.7%</b>
Rentals (IFRS 16 impact)						(7.3)	(7.3)	(7.3)		
Working Capital Increase						(9.6)	(6.3)	(1.8)		
<b>Recurrent Operating Cash Flow</b>						<b>59.4</b>	<b>64.7</b>	<b>71.5</b>	<b>1.4%</b>	<b>-2.0%</b>
CAPEX						(30.0)	(30.0)	(30.0)		
Net Financial Result affecting the Cash Flow						(5.6)	(5.4)	(5.1)		
Tax Expense						(7.3)	(7.8)	(8.2)		
<b>Recurrent Free Cash Flow</b>						<b>16.5</b>	<b>21.4</b>	<b>28.2</b>	<b>-2.8%</b>	<b>-12.2%</b>
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestitures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						(1.5)	-	-		
<b>Free Cash Flow</b>						<b>15.0</b>	<b>21.4</b>	<b>28.2</b>	<b>-6.5%</b>	<b>-8.0%</b>
Capital Increase						(10.6)	(10.7)	(10.5)		
Dividends						-	(5.9)	(7.1)		
<b>Net Debt Variation</b>						<b>(4.4)</b>	<b>(4.8)</b>	<b>(10.6)</b>		

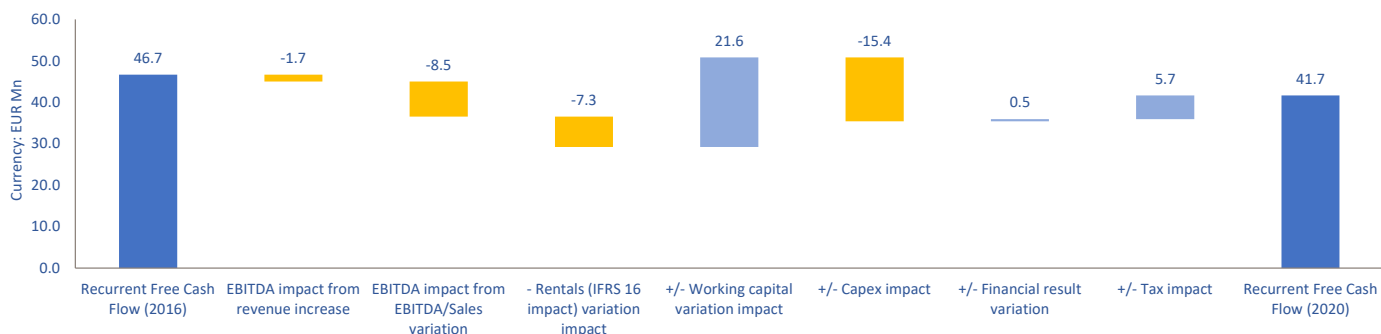
Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 7.8Mn higher due to IFRS 16.

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

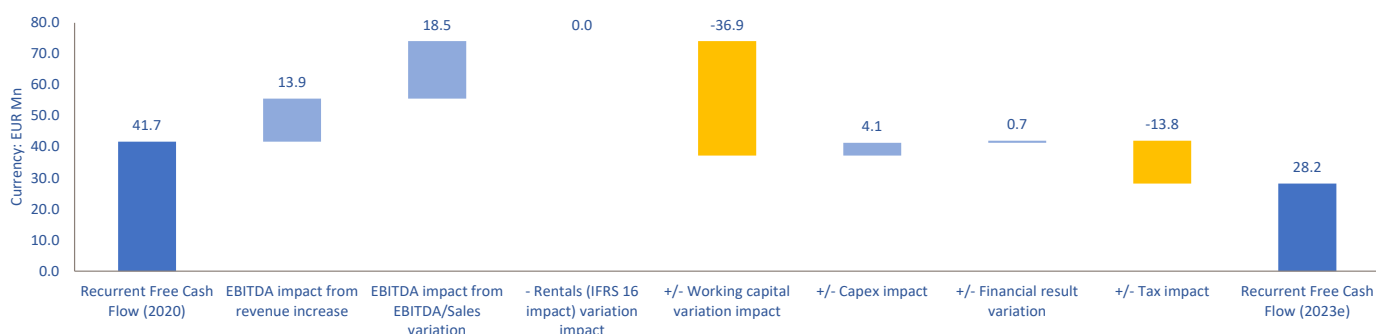
A) Cash Flow Analysis (EUR Mn)	2017	2018	2019	2020	2021e	2022e	2023e	CAGR	
								17-20	20-23e
<b>Recurrent EBITDA</b>	<b>70.3</b>	<b>64.3</b>	<b>58.0</b>	<b>48.2</b>	<b>76.3</b>	<b>78.2</b>	<b>80.6</b>	<b>-11.8%</b>	<b>18.7%</b>
<i>Recurrent EBITDA growth</i>	20.3%	-8.5%	-9.7%	-16.9%	58.2%	2.5%	3.1%		
<i>Rec. EBITDA/Revenues</i>	10.2%	9.5%	8.6%	8.3%	10.6%	10.7%	10.9%		
- Rentals (IFRS 16 impact)	-	-	(7.1)	(7.3)	(7.3)	(7.3)	(7.3)		
+/- Working Capital increase	(13.2)	(17.1)	28.8	35.0	(9.6)	(6.3)	(1.8)		
<b>= Recurrent Operating Cash Flow</b>	<b>57.1</b>	<b>47.2</b>	<b>79.8</b>	<b>76.0</b>	<b>59.4</b>	<b>64.7</b>	<b>71.5</b>	<b>10.0%</b>	<b>-2.0%</b>
<i>Rec. Operating Cash Flow growth</i>	-20.5%	-17.4%	69.1%	-4.8%	-21.8%	8.9%	10.6%		
<i>Rec. Operating Cash Flow / Sales</i>	8.3%	7.0%	11.8%	13.1%	8.2%	8.9%	9.7%		
- CAPEX	(42.8)	(42.1)	(37.1)	(34.1)	(30.0)	(30.0)	(30.0)		
- Net Financial Result affecting Cash Flow	(6.4)	(6.3)	(5.1)	(5.8)	(5.6)	(5.4)	(5.1)		
- Taxes	15.9	6.9	0.4	5.6	(7.3)	(7.8)	(8.2)		
<b>= Recurrent Free Cash Flow</b>	<b>23.8</b>	<b>5.6</b>	<b>38.1</b>	<b>41.7</b>	<b>16.5</b>	<b>21.4</b>	<b>28.2</b>	<b>20.6%</b>	<b>-12.2%</b>
<i>Rec. Free Cash Flow growth</i>	-49.1%	-76.4%	579.7%	9.4%	-60.4%	29.9%	31.8%		
<i>Rec. Free Cash Flow / Revenues</i>	3.4%	0.8%	5.6%	7.2%	2.3%	2.9%	3.8%		
- Restructuring expenses & others	(21.7)	-	(23.4)	(5.5)	-	-	-		
- Acquisitions / + Divestments	-	-	5.7	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(0.1)	-	-	-	(1.5)	-	-		
<b>= Free Cash Flow</b>	<b>1.9</b>	<b>5.6</b>	<b>20.4</b>	<b>36.2</b>	<b>15.0</b>	<b>21.4</b>	<b>28.2</b>	<i>n.a.</i>	<b>-8.0%</b>
<i>Free Cash Flow growth</i>	-95.9%	187.4%	264.9%	77.2%	-58.6%	42.9%	31.8%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	6.7%	1.6%	10.7%	11.7%	4.6%	6.0%	7.9%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	0.5%	1.6%	5.8%	10.2%	4.2%	6.0%	7.9%		
<b>B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)</b>									
<b>Recurrent FCF(FY - 1)</b>	<b>46.7</b>	<b>23.8</b>	<b>5.6</b>	<b>38.1</b>	<b>41.7</b>	<b>16.5</b>	<b>21.4</b>		
EBITDA impact from revenue increase	7.9	(1.2)	0.1	(8.4)	11.7	0.9	1.3		
EBITDA impact from EBITDA/Sales variation	3.9	(4.7)	(6.3)	(1.4)	16.3	1.0	1.1		
<b>= Recurrent EBITDA variation</b>	<b>11.9</b>	<b>(6.0)</b>	<b>(6.2)</b>	<b>(9.8)</b>	<b>28.1</b>	<b>1.9</b>	<b>2.4</b>		
- Rentals (IFRS 16 impact) variation impact	-	-	(7.1)	(0.2)	-	-	-		
+/- Working capital variation impact	(26.6)	(3.9)	45.9	6.2	(44.6)	3.4	4.4		
<b>= Recurrent Operating Cash Flow variation</b>	<b>(14.7)</b>	<b>(9.9)</b>	<b>32.6</b>	<b>(3.8)</b>	<b>(16.6)</b>	<b>5.3</b>	<b>6.9</b>		
+/- CAPEX impact	(24.1)	0.7	5.0	3.0	4.1	-	-		
+/- Financial result variation	(0.1)	0.0	1.3	(0.7)	0.1	0.2	0.4		
+/- Tax impact	16.1	(9.0)	(6.4)	5.1	(12.8)	(0.6)	(0.4)		
<b>= Recurrent Free Cash Flow variation</b>	<b>(22.9)</b>	<b>(18.2)</b>	<b>32.5</b>	<b>3.6</b>	<b>(25.2)</b>	<b>4.9</b>	<b>6.8</b>		
<b>Recurrent Free Cash Flow</b>	<b>23.8</b>	<b>5.6</b>	<b>38.1</b>	<b>41.7</b>	<b>16.5</b>	<b>21.4</b>	<b>28.2</b>		
<b>C) "FCF to the Firm" (pre debt service) (EUR Mn)</b>									
<b>EBIT</b>	<b>34.3</b>	<b>43.2</b>	<b>31.2</b>	<b>14.9</b>	<b>45.9</b>	<b>48.8</b>	<b>50.8</b>	<b>-24.2%</b>	<b>50.3%</b>
* <i>Theoretical Tax rate</i>	0.0%	0.0%	0.0%	10.4%	18.0%	18.0%	18.0%		
= Taxes (pre- Net Financial Result)	-	-	-	(1.6)	(8.3)	(8.8)	(9.1)		
<b>Recurrent EBITDA</b>	<b>70.3</b>	<b>64.3</b>	<b>58.0</b>	<b>48.2</b>	<b>76.3</b>	<b>78.2</b>	<b>80.6</b>	<b>-11.8%</b>	<b>18.7%</b>
- Rentals (IFRS 16 impact)	-	-	(7.1)	(7.3)	(7.3)	(7.3)	(7.3)		
+/- Working Capital increase	(13.2)	(17.1)	28.8	35.0	(9.6)	(6.3)	(1.8)		
<b>= Recurrent Operating Cash Flow</b>	<b>57.1</b>	<b>47.2</b>	<b>79.8</b>	<b>76.0</b>	<b>59.4</b>	<b>64.7</b>	<b>71.5</b>	<b>10.0%</b>	<b>-2.0%</b>
- CAPEX	(42.8)	(42.1)	(37.1)	(34.1)	(30.0)	(30.0)	(30.0)		
- Taxes (pre- Financial Result)	-	-	-	(1.6)	(8.3)	(8.8)	(9.1)		
<b>= Recurrent Free Cash Flow (To the Firm)</b>	<b>14.3</b>	<b>5.1</b>	<b>42.7</b>	<b>40.3</b>	<b>21.1</b>	<b>25.9</b>	<b>32.4</b>	<b>41.4%</b>	<b>-7.0%</b>
<i>Rec. Free Cash Flow (To the Firm) growth</i>	-73.1%	-64.4%	742.2%	-5.6%	-47.6%	22.5%	25.2%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	2.1%	0.7%	6.3%	7.0%	2.9%	3.5%	4.4%		
- Acquisitions / + Divestments	-	-	5.7	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(0.1)	-	-	-	(1.5)	-	-		
<b>= Free Cash Flow "To the Firm"</b>	<b>14.2</b>	<b>5.1</b>	<b>48.4</b>	<b>40.3</b>	<b>19.6</b>	<b>25.9</b>	<b>32.4</b>	<b>41.7%</b>	<b>-7.0%</b>
<i>Free Cash Flow (To the Firm) growth</i>	-73.5%	-64.2%	855.5%	-16.8%	-51.3%	31.9%	25.2%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	3.6%	1.3%	10.8%	10.2%	5.3%	6.5%	8.2%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	3.6%	1.3%	12.2%	10.2%	5.0%	6.5%	8.2%		

Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 7.8Mn higher due to IFRS 16.

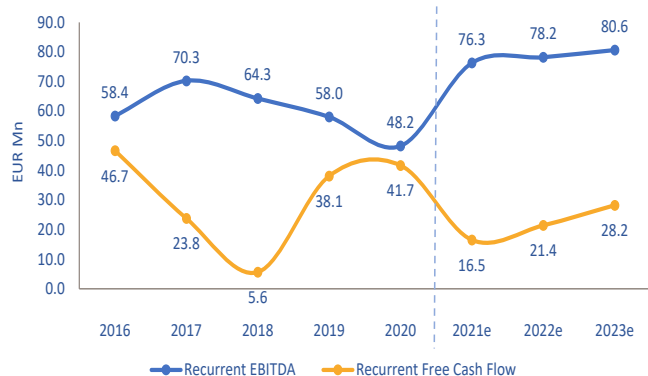
### Recurrent Free Cash Flow accumulated variation analysis (2016 - 2020)



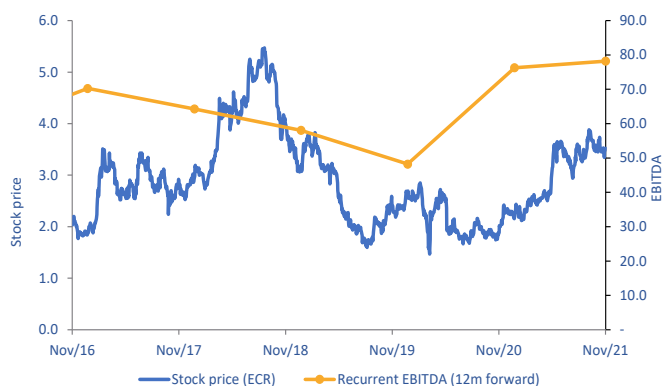
### Recurrent Free Cash Flow accumulated variation analysis (2020 - 2023e)



### 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	355.4	
+ Minority Interests	-	9m Results 2021
+ Provisions & Other L/T Liabilities	17.0	9m Results 2021
+ Net financial debt	66.0	9m Results 2021
- Financial Investments	35.8	6m Results 2021
+/- Others <sup>(1)</sup>	(6.9)	Lighthouse 2021
<b>Enterprise Value (EV)</b>	<b>395.8</b>	

(1) Related to the market value of Treasury Stock.



## Appendix 4. Historical performance (1)(2)

Historical performance (EUR Mn)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e	CAGR	
															10-20	20-23e
<b>Total Revenues</b>	<b>609.3</b>	<b>686.0</b>	<b>639.5</b>	<b>625.0</b>	<b>603.7</b>	<b>618.3</b>	<b>606.9</b>	<b>689.3</b>	<b>677.1</b>	<b>677.9</b>	<b>579.3</b>	<b>720.2</b>	<b>728.7</b>	<b>740.6</b>	<b>-0.5%</b>	<b>8.5%</b>
Total Revenues growth	0.5%	12.6%	-6.8%	-2.3%	-3.4%	2.4%	-1.8%	13.6%	-1.8%	0.1%	-14.6%	24.3%	1.2%	1.6%		
<b>EBITDA</b>	<b>10.9</b>	<b>26.9</b>	<b>21.1</b>	<b>29.0</b>	<b>19.1</b>	<b>36.7</b>	<b>58.4</b>	<b>48.5</b>	<b>67.3</b>	<b>62.4</b>	<b>47.3</b>	<b>74.8</b>	<b>78.2</b>	<b>80.6</b>	<b>15.9%</b>	<b>19.4%</b>
EBITDA growth	179.3%	148.0%	-21.5%	37.0%	-34.1%	92.6%	59.0%	-16.9%	38.6%	-7.2%	-24.2%	58.0%	4.6%	3.1%		
EBITDA/Sales	1.8%	3.9%	3.3%	4.6%	3.2%	5.9%	9.6%	7.0%	9.9%	9.2%	8.2%	10.4%	10.7%	10.9%		
<b>Net Profit</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>6.3</b>	<b>33.0</b>	<b>35.6</b>	<b>37.5</b>	<b>9.4%</b>	<b>81.6%</b>
Net Profit growth	72.6%	93.6%	n.a.	97.3%	n.a.	202.0%	523.8%	-1.5%	0.9%	-30.8%	-79.8%	428.1%	7.7%	5.3%		
Adjusted number shares (Mn)	100.6	100.6	100.8	103.5	111.5	114.0	114.1	112.3	109.2	106.2	102.6	101.0	101.0	101.0		
EPS (EUR)	-0.14	-0.01	-0.12	0.00	-0.06	0.06	0.40	0.40	0.41	0.29	0.06	0.33	0.35	0.37	9.3%	82.6%
EPS growth	72.6%	93.6%	n.a.	97.3%	n.a.	n.a.	n.a.	0.1%	3.7%	-28.9%	-79.1%	n.a.	7.7%	5.3%		
Ord. EPS (EUR)	-0.14	-0.01	-0.11	0.00	-0.06	0.06	0.40	0.45	0.32	0.19	0.07	0.34	0.35	0.37	9.5%	75.3%
Ord. EPS growth	72.0%	94.3%	n.a.	97.1%	n.a.	n.a.	n.a.	13.4%	-28.6%	-39.2%	-64.7%	n.a.	3.8%	5.3%		
CAPEX	(8.1)	(8.1)	(15.8)	(4.2)	(4.6)	(7.4)	(18.7)	(42.8)	(42.1)	(37.1)	(34.1)	(30.0)	(30.0)	(30.0)		
CAPEX/Sales %	1.3%	1.2%	2.5%	0.7%	0.8%	1.2%	3.1%	6.2%	6.2%	5.5%	5.9%	4.2%	4.1%	4.1%		
<b>Free Cash Flow</b>	<b>(18.7)</b>	<b>3.6</b>	<b>3.1</b>	<b>19.5</b>	<b>21.9</b>	<b>4.9</b>	<b>47.3</b>	<b>1.9</b>	<b>5.6</b>	<b>20.4</b>	<b>36.2</b>	<b>15.0</b>	<b>21.4</b>	<b>28.2</b>	<b>14.7%</b>	<b>-8.0%</b>
ND/EBITDA (x) <sup>(3)</sup>	8.7x	3.0x	6.9x	5.3x	6.8x	3.3x	1.3x	1.8x	1.6x	1.6x	1.6x	1.0x	0.9x	0.7x		
P/E (x)	n.a.	n.a.	n.a.	n.a.	n.a.	9.7x	4.6x	7.2x	7.6x	8.8x	35.3x	10.8x	10.0x	9.5x		
EV/Sales (x)	0.27x	0.22x	0.29x	0.33x	0.29x	0.31x	0.51x	0.61x	0.70x	0.58x	0.53x	0.55x	0.54x	0.53x		
EV/EBITDA (x) <sup>(3)</sup>	15.4x	5.6x	8.8x	7.1x	9.1x	5.2x	5.3x	8.7x	7.0x	6.2x	6.5x	5.3x	5.1x	4.9x		
Absolute performance	-48.6%	-4.8%	-41.2%	18.8%	-17.3%	56.7%	198.7%	55.4%	8.9%	-17.8%	-15.8%	63.3%				
Relative performance vs Ibxex 35	-37.8%	9.6%	-38.3%	-2.2%	-20.2%	68.8%	204.8%	44.7%	28.1%	-26.5%	-0.4%	45.3%				

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 Factset.

Note 2: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 7.8Mn higher due to IFRS 16.

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

## Appendix 5. Main peers 2021e

Market data	EUR Mn	Europe				USA				ECR
		BASF SE	Solvay	Covestro AG	Average	DowDuPont	Olin Corp	Westlake	Average	
Ticker (Factset)		BAS-DE	SOLB-BE	1COV-DE		DOW-US	OLN-US	WLK-US		ECR-ES
Country		Germany	Belgium	Germany		USA	USA	USA		Spain
Market cap		56,679.3	10,990.0	10,680.1		37,534.6	8,503.7	11,038.3		355.4
Enterprise value (EV)		74,581.3	15,102.8	12,889.9		49,534.2	11,189.4	13,285.3		395.8
<b>Total Revenues</b>		<b>76,854.0</b>	<b>9,962.3</b>	<b>14,895.6</b>		<b>47,120.0</b>	<b>7,576.7</b>	<b>9,630.5</b>		<b>720.2</b>
Total Revenues growth		29.9%	2.6%	39.1%	23.9%	41.6%	52.4%	48.7%	47.6%	24.3%
2y CAGR (2021e - 2023e)		-0.7%	5.0%	1.9%	2.1%	-3.1%	2.0%	1.9%	0.3%	1.4%
<b>EBITDA</b>		<b>11,452.4</b>	<b>2,282.2</b>	<b>3,059.4</b>		<b>10,643.7</b>	<b>2,147.6</b>	<b>2,995.4</b>		<b>74.8</b>
EBITDA growth		61.1%	23.7%	103.3%	62.7%	138.9%	357.5%	180.3%	225.6%	58.0%
2y CAGR (2021e - 2023e)		-1.9%	5.1%	-5.5%	-0.8%	-12.5%	-0.5%	-8.9%	-7.3%	3.8%
<b>EBITDA/Revenues</b>		<b>14.9%</b>	<b>22.9%</b>	<b>20.5%</b>	<b>19.4%</b>	<b>22.6%</b>	<b>28.3%</b>	<b>31.1%</b>	<b>27.3%</b>	<b>10.4%</b>
<b>EBIT</b>		<b>7,806.3</b>	<b>1,489.1</b>	<b>2,243.7</b>		<b>8,053.3</b>	<b>1,656.7</b>	<b>2,278.5</b>		<b>45.9</b>
EBIT growth		136.2%	79.6%	207.8%	141.2%	262.6%	n.a.	467.6%	365.1%	207.5%
2y CAGR (2021e - 2023e)		-4.5%	4.1%	-10.1%	-3.5%	-17.4%	0.7%	-12.0%	-9.5%	5.1%
<b>EBIT/Revenues</b>		<b>10.2%</b>	<b>14.9%</b>	<b>15.1%</b>	<b>13.4%</b>	<b>17.1%</b>	<b>21.9%</b>	<b>23.7%</b>	<b>20.9%</b>	<b>6.4%</b>
<b>Net Profit</b>		<b>5,600.9</b>	<b>789.8</b>	<b>1,602.0</b>		<b>5,777.3</b>	<b>1,166.2</b>	<b>1,629.6</b>		<b>33.0</b>
Net Profit growth		485.2%	170.2%	249.0%	301.5%	450.4%	239.3%	473.8%	387.8%	428.1%
2y CAGR (2021e - 2023e)		-4.6%	11.4%	-10.4%	-1.2%	-19.0%	-1.8%	-15.0%	-11.9%	6.5%
CAPEX/Sales %		4.6%	6.9%	5.4%	5.6%	3.0%	2.2%	6.4%	3.9%	4.2%
<b>Free Cash Flow</b>		<b>3,464.3</b>	<b>738.1</b>	<b>1,489.7</b>		<b>4,612.1</b>	<b>1,378.8</b>	<b>1,449.6</b>		<b>15.0</b>
Net financial debt		15,249.8	2,980.5	1,651.2		9,188.3	2,155.6	2,315.9		71.3
ND/EBITDA (x)		1.3	1.3	0.5	1.1	0.9	1.0	0.8	0.9	0.9
Pay-out		55.8%	49.9%	37.2%	47.7%	31.0%	9.3%	7.6%	16.0%	18.0%
<b>P/E (x)</b>		<b>9.6</b>	<b>12.1</b>	<b>6.7</b>	<b>9.4</b>	<b>6.5</b>	<b>7.4</b>	<b>6.9</b>	<b>6.9</b>	<b>10.8</b>
P/BV (x)		1.6	1.5	1.6	1.5	2.6	3.7	1.6	2.6	1.2
EV/Revenues (x)		1.0	1.5	0.9	1.1	1.1	1.5	1.4	1.3	0.5
EV/EBITDA (x)		6.5	6.6	4.2	5.8	4.7	5.2	4.4	4.8	5.2
EV/EBIT (x)		9.6	10.1	5.7	8.5	6.2	6.8	5.8	6.2	8.6
ROE		16.2	12.3	23.5	17.3	39.2	50.4	23.3	37.6	11.2
FCF Yield (%)		6.1	6.7	13.9	8.9	12.3	16.2	13.1	13.9	4.6
DPS		3.40	3.82	3.23	3.48	2.42	0.69	0.97	1.36	0.06
Dvd Yield		5.5%	3.7%	5.8%	5.0%	4.8%	1.3%	1.1%	2.4%	1.7%

Note 1: Financial data, multiples and ratios based on market consensus (Factset). 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).

## IMPORTANT LEGAL INFORMATION REGARDING THIS REPORT

### LIGHTHOUSE

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#### Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
10-Nov-2021	n.a.	3.52	n.a.	n.a.	9m Results 2021	David López Sánchez
29-Jul-2021	n.a.	3.36	n.a.	n.a.	6m Results 2021 - Estimates upgrade	David López Sánchez
12-May-2021	n.a.	3.16	n.a.	n.a.	3m Results 2021 - Estimates upgrade	David López Sánchez
26-Feb-2021	n.a.	2.41	n.a.	n.a.	12m Results 2020	David López Sánchez
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 - Estimates upgrade	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.	Estimates downgrade	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 - Estimates upgrade	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.	Initiation of Coverage	David López Sánchez

