

6m Results 2021

Opinion ⁽¹⁾: Below expectations

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 (62.2% of capital).

Market Data

Market Cap (Mn EUR and USD)	29.4	34.4
EV (Mn EUR and USD) ⁽²⁾	39.4	46.0
Shares Outstanding (Mn)	12.2	
-12m (Max/Med/Min EUR)	2.76 / 2.48 / 2.20	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	6.1	
Factset / Bloomberg	KOM-ES / KOM SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Ignacio Duch and family	62.2
Free Float	37.8

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-2.4	3.4	-9.0	n.a.
vs Ibex 35	-5.2	0.1	-34.7	n.a.
vs Ibex Small Cap Index	-2.8	6.6	-31.7	n.a.
vs Eurostoxx 50	-6.5	0.2	-36.3	n.a.
vs Sector benchmark ⁽⁴⁾	-5.9	2.1	-31.5	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.

1H21: A return to high revenue growth, but with pressure on margins

STRONG REVENUE GROWTH (+33.5% VS 1H20)... After the 2020 stoppage, 1H21 results evidence a recovery of KOM's growth levels, with revenue of EUR 30Mn (+33.5% vs 1H20; +23% vs 1H19), boosted by the larger volume of tonnes sold (+18% vs 1H20; with a good performance by the specialities business that has higher added value) and higher prices for its products (c. +15% vs 1H20).

... ALTHOUGH MARGINS ARE UNDER PRESSURE. The general increase in KOM's raw materials and main supplies translated to a loss of 2.3p.p. in gross margin terms, this closing 1H21 at 27.3% (vs 29.6% in 1H20 and 30.1% for the whole of 2020). This was below our estimate for the year as a whole (2021e: 29.5%).

AND, DESPITE THE BACKDROP, EBIT WAS POSITIVE AGAIN. In 1H21 KOM generated EBIT of EUR 0.4Mn (vs losses of EUR -0.2Mn in 1H20) although the c. 2p.p. contraction of the gross margin and the c. 20% increase in other operating expenses (mainly because of a higher energy bill) cut the EBIT margin to 1.4% (vs 3.4% expected for 2021e).

THE FOCUS REMAINS ON DEBT REDUCTION (ND: -6.4% VS 2020). Working capital management in 1H21 meant KOM generated EUR 0.8Mn of cash flow, that translated to a reduction in ND to EUR 10.2Mn (-6.4% vs 2020). This implies a ND/Equity ratio of 0.7x (in line with levels seen in 2020 and 2019). We would underscore that in 1H21 KOM made an early repayment of EUR 1Mn on the Alteralia loan (EUR 3Mn remains pending) that should allow the company to reduce the cost of debt already from 2H21.

WE MAINTAIN OUR ESTIMATES, ALTHOUGH THE 1H21 GROSS MARGIN IS A WAKE-UP CALL. We maintain our estimates in the light of revenue in line (and with strong growth) and expectations for the recovery of the 2019 margin in 2H21 (thanks to the focus on niche products). But we should not lose sight of the 1H21 gross margin figure (-2p.p. vs our estimate for the year as a whole), that could be explained by the current (circumstantial) difficulty in passing on to sale prices the increase in costs (prices of main raw materials and transport).

Table 1. 1H21 Results

	6m21	6m21 Real	2021e vs	2020
EUR Mn	Real	6m20	vs 6m20	2021e
Total Revenues	30.0	22.4	33.5%	54.6
Mass production	23.8	18.4	29.5%	
Specialities	5.6	3.5	61.5%	
Raw Materials	0.5	0.6	-4.8%	
Other income	0.0	0.0	-73.7%	
Recurrent EBITDA¹	1.2	0.7	71.6%	3.3
Rec. EBITDA/Revenues	4.0%	3.1%	0.9 p.p.	6.1%
EBIT	0.4	-0.2	352.7%	1.9
NP	0.0	-0.6	97.0%	0.7
Free Cash Flow	0.8	0.8	7.6%	-0.4
Net Debt	10.2	10.9	-6.4%	11.3
ND / EBITDA	0.7 x	0.7 x	0.0 x	0.7 x

(1) Recurrent EBITDA adjusted to strip out: (i) expenses associated with extraordinary operations (EUR 0.1Mn in 1H21 and EUR 0.2Mn in 1H20) and (ii) capitalised R+D expenses (EUR 0.7Mn in 1H21 and EUR 0.5Mn in 1H20).

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Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	29.4	
+ Minority Interests	-	6m Results 2021
+ Provisions & Other L/T Liabilities	0.2	6m Results 2021
+ Net financial debt	10.2	6m Results 2021
- Financial Investments	0.1	6m Results 2021
+/- Others ⁽¹⁾	(0.3)	Lighthouse
Enterprise Value (EV)	39.4	

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

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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

