

12m 2021 Preliminary results

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).

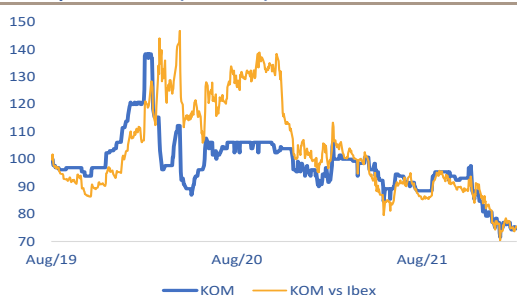
Market Data

Market Cap (Mn EUR and USD)	23.6	26.7
EV (Mn EUR and USD) ⁽²⁾	33.6	38.0
Shares Outstanding (Mn)	12.2	
-12m (Max/Med/Min EUR)	2.76 / 2.36 / 1.86	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	2.7	
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	-0.5	-23.0	-19.2	n.a.
vs Ibex 35	2.2	-18.5	-24.1	n.a.
vs Ibex Small Cap Index	4.6	-19.8	-17.5	n.a.
vs Eurostoxx 50	4.6	-17.2	-26.5	n.a.
vs Sector benchmark ⁽⁴⁾	8.0	-14.8	-25.6	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 1.

(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.

2021 results: revenue beats expectations, but with margins (temporarily) under pressure

KOM has released preliminary 2021 results with information on revenue, EBITDA and net profit (without including balance sheet information). Audited 2021 results will be released at the end of March (when we will update our estimates). We highlight:

BETTER THAN EXPECTED REVENUE (+35% VS 2020; +8% VS OUR ESTIMATES) ...

Preliminary 2021 results confirm KOM's return to double-digit growth: revenue was EUR 59Mn (+35% vs 2020; +8% vs our estimates), driven both by the higher volume of tonnes sold and by the increase in the prices of its products (calcium carbonate fillers and colour and additive concentrates for the plastics industry). A very positive revenue figure that represents a new high for KOM and that, after the 2020 hiatus, is now already 27% above 2019 levels.

... ALTHOUGH THE INCREASE IN THE PRICE OF PROCUREMENTS AND ENERGY COSTS CONTINUES TO PRESSURE MARGINS.

The general increase in the prices of KOM's raw materials and main supplies (e.g.: in 2021 Spanish electricity prices hit highs with increases of > 150% vs 2020) has prevented an improvement in margins.

EBITDA, EUR 3.6MN. KOM closed 2021 with EBITDA (not adjusted for capitalised expenses) of EUR 3.6Mn (+27% vs 2020). Assuming the capitalisation policy of 2020 continues (EUR 1.2Mn), 2021 EBITDA adjusted for capitalisations would be c. EUR 2.4Mn (vs our estimate of EUR 3.3Mn). This difference is explained essentially by the very strong (temporary) impact of energy costs in 2H21 (c. EUR 1Mn; estimated by KOM).

AND NET PROFIT STILL AT BREAK EVEN. KOM closed 2021 with net profit of EUR - 0.7Mn (vs EUR -1.3Mn in 2020).

IN CONCLUSION, MIXED RESULTS: AND NOW WHAT? On the one hand, we would underscore the good performance of revenue (that significantly beat our estimate and confirms the growth story we see behind KOM) but, on the other, margins were disappointing (due to higher prices of procurements and energy costs). Despite this, we think KOM will be able to pass on (at least) the impact of energy costs to its prices (thanks to the focus on niche products), that should make feasible the expected improvement in margins in 2022e. That, together with better than expected revenue, leads us to maintain our estimates: 2022e Recurrent EBITDA c. EUR 4Mn (2022e Rec. EBITDA margin c. 6% vs c. 4% at present). Numbers that today would be trading at c. 8x EV/EBITDA.

KOM'S EQUITY STORY IS INTACT. In our opinion, KOM combines a business that is growing (2016-2021 revenue: +15.5% CAGR; something that has been demonstrated by 2021 results) and that has the ability to generate positive NP, with a positioning in a still embryonic industry (bioplastics). The central pillar of KOM's equity story is still the improvement in the margin (today still below that of the sector: KOM's EBIT margin < 4% vs c. 10% for its sector). An improvement of margins that is logical (purely by taking advantage of its operating leverage and the capacity increases already made), and that despite being difficult to achieve, should begin to be visible in 2022e.

Kompuestos (KOM) is a BME Growth company

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Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	23.6	
+ 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⁾	(0.2)	Lighthouse
Enterprise Value (EV)	33.6	

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

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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

