

EQUITY - SPAIN

Sector: Cyclical goods - Apparel retail

Proposed value/momentum indicators
Report without projections, valuation or recommendation
See explanation of this product on page 3 of this report

Report date: 7 Nov 2019
Closing price: EUR 18.00 (6 Nov 2019)

Liwe (LIW) is a company that designs, makes and sells clothing, footwear and fashion accessories for young people. It markets its products under the INSIDE and INSIDE Shoes brand names through a network of 465 stores (vs 451 in 2018) in Spain (402) Italy (35), Portugal (26) and Greece (2) in addition to its own online store. Its core market is the local one (> 85% of 2018 revenue)."

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Crunching the numbers (1H19)

Market Data

Market Cap (Mn EUR and USD)	30.0	33.4
EV (Mn EUR and USD) ⁽¹⁾	69.5	77.4
	41.7	32.6
Shares Outstanding (Mn)	1.7	
-12m (Max/Med/Min EUR)	18.00 / 16.15 / 11.00	
Daily Avg vol.(-12m Mn EUR)	n.m.	
Rotation (%) ⁽²⁾	2.27	
Thomson Reuters / Bloomberg	LIWA.SCT / LIW SM	
Close fiscal year	31 Dec	

Shareholders Structure (%)

Board ⁽⁷⁾	86.5
Free Float	13.5

Financials (Mn EUR)	2015	2016	2017	2018
Adj. nº shares (Mn)	1.67	1.67	1.67	1.67
Total Revenues	140.8	147.7	155.5	156.7
Rec. EBITDA	17.8	16.0	21.9	12.5
% growth	12.5	-9.9	36.3	-43.0
% Rec. EBITDA/Rev.	12.6	10.9	14.1	8.0
% Inc. EBITDA sector ⁽³⁾	6.4	7.7	-0.8	6.3
Net profit	6.1	5.1	9.6	6.4
EPS (EUR)	3.65	3.06	5.74	3.83
% growth	-3.7	-16.2	87.5	-33.2
Ord.EPS (EUR)	3.71	3.11	5.74	3.83
% growth	-10.7	-16.4	84.7	-33.2
Rec. Free Cash Flow ⁽⁴⁾	-8.4	1.4	2.0	2.0
Pay-out (%)	0.0	16.3	26.1	0.0
DPS (EUR)	0.00	0.50	1.50	0.00
Net financial debt	34.2	33.4	30.5	32.6
ND/Rec. EBITDA (x)	1.9	2.1	1.4	2.6
ROE (%)	13.8	10.4	17.2	10.2
ROCE (%)	13.4	8.1	12.6	4.1

Ratios & Multiples(x)⁽⁵⁾

P/E	4.9	5.9	3.1	4.7
Ord. P/E	4.8	5.8	3.1	4.7
P/BV	0.6	0.6	0.5	0.5
Dividend Yield (%)	0.0	2.8	8.3	0.0
EV/Sales	0.49	0.47	0.45	0.44
EV/Rec. EBITDA	3.9	4.3	3.2	5.6
FCF Yield (%) ⁽⁴⁾	n.a.	4.6	6.6	6.6

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

- (1) Please refer to page 8.
- (2) Total volume traded in the share (Mn EUR) -12m vs Mkt Cap. Represents the % of the capitalisation traded -12m.
- (3) Sector Benchmark:Stoxx Europe 600 Retail.
- (4) Based on recurrent FCF. Please refer to page 7.
- (5) Multiples and ratios calculated over prices at the date of this report.
- (6) vs Stoxx Europe 600 Retail.
- (7) Pardo family (76.8%) and F.F. Bernabé (CEO; 9.7%).

REASONABLE REVENUE GROWTH (+5.6% CAGR 2013-2018) which has slowed somewhat in the last three years (+3.6% CAGR 2015-2018) to very low growth in 2018 (+0.7% vs 2017).

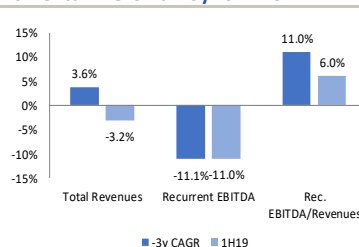
WITH A WORSENING OF THE EBITDA MARGIN (8% OF 2018 REVENUE) of c. 4p.p. (vs 2013) taking 2018 EBITDA to EUR 12.5Mn (-2.8% CAGR 2013-2018 vs growth of c. 10% for the sector in the same period).

AND LOW VALUE GENERATION: business profitability as measured by the ROCE has declined continuously from the 2015 high (13.4%) to 4.2% in 2018, with a -3y average ROCE of 8.3% (vs 10.3% -5y). The decrease in the ROCE in 2018 took the ROCE – WACC spread into negative territory (-0.8p.p. vs +4.9p.p. in 2013) compared to a sector with clear value creation.

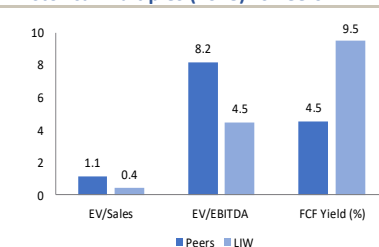
MOMENTUM (1H19) WHAT DO THE MOST RECENT RESULTS SHOW? Although the business is significantly seasonal (c. 60% of revenue is generated in 2H), 1H19 saw an increase in the decline in revenue seen in 2018 (-3.2% vs 1H18) which was -11.2% at the EBITDA level, with the EBITDA margin still under pressure (6% stripping out the impact of IFRS 16 vs a -3y average of 11%).

IN CONCLUSION: CRUNCHING THE NUMBERS: A slowdown in revenue and a significant decline in EBITDA (c.20% -3y). With margins that, stripping out the impact of IFRS 16, remain under pressure (1H19 EBITDA margin: 6% vs 6.5% in 1H18). Although the indicators of momentum are not favourable, the theoretical valuation exercises carried out (multiples, DCF of 2018 net EBIT) point to a possible "reserve" of value (which the lack of financial projections makes it impossible to verify).

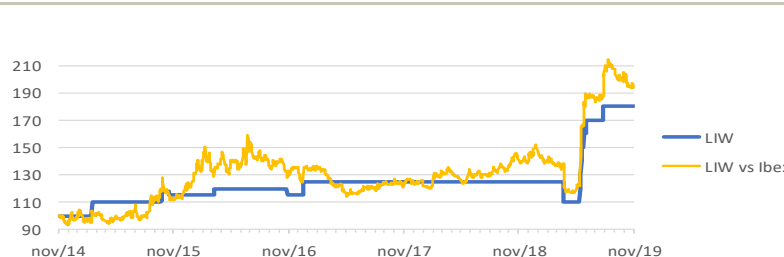
Momentum: Growth -3y vs 1H19



Historical multiples (2018) vs Peers



Relative performance -5y (Base 100)



Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	0.0	0.0	44.0	44.0	56.5	80.0
vs Ibex 35	-4.8	-5.5	37.5	30.6	46.1	94.1
vs Ibex Small Cap Index	-4.0	-4.5	43.4	31.1	6.3	21.7
vs Eurostoxx 50	-6.0	-7.9	26.3	17.9	26.2	49.0
vs sector Benchmark ⁽⁶⁾	-6.2	-9.2	27.2	13.8	31.2	36.2

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1. Purpose of this report

An explanation of the goals of the report, its structure and what not to expect from it.

2. Conclusions

Main ideas arising from the analysis carried out, focusing on margin and revenue growth trends and on the company's valuation and momentum indicators.

3. The company in 6 charts

A quick look at the company's situation: growth in revenue and EBITDA, margins, past and current debt levels, etc.

4. Basic financial information

Historical financial statements model and breakdown of the main Balance sheet, P/L and Cash Flow items.

5. "All the numbers"

Analysis of multiples and ratios relating to what has occurred in the company in the last 5 years.

6. Valuation inputs

Valuation exercises on the basis of the latest results released by the company both relative to the sector and by DCF.

1. Purpose of this report

What is this report? What is its goal?

This report is simply an orderly financial analysis of the company's "verifiable numbers". In other words, an analysis of the financial statements already published. The analysis is based solely on the financial statements for the last five years and the latest half-yearly results published, and on the performance of the share price in this period. At this point it is important to clarify what this report is and what it isn't.

A) What it is: objectives of the report

- 1) **A DESCRIPTION OF THE COMPANY FROM A FINANCIAL POINT OF VIEW:** An orderly presentation of the financial statements and their main items.
- 2) **A FINANCIAL ANALYSIS OF WHAT HAS OCCURRED IN THE LAST 5 YEARS:** Analysis of growth rates, margins, multiples and ratios. Identification of trends.
- 3) **VALUATION EXERCISES:** application of different valuation techniques to the results already obtained by the company with the sole objective that they act as purely theoretical indicators of a potential over- or under-valuation of the business:
 - ✓ Application of EV/Sales adjusted by the margin differential vs the sector and sensitivity analysis of the result.
 - ✓ Differential (premium/discount) vs the sector in terms of EV/EBITDA, EV/EBIT, P/E, P/BV and FCF yield.
 - ✓ Valuation exercised based on the last year closed (Net EBIT / (WACC - G)) and sensitivity analysis of the result.

Para facilitar la interpretación de los diferentes resultados se incluye el diferencial de crecimiento histórico de la compañía vs sector. Así como su evolución (¿se amplía? ¿se reduce? ¿es estable?).

- 4) **INDICATORS OF BUSINESS MOMENTUM.** Obtained through an analysis of the last half-yearly results by comparison with the company's historical performance (in absolute terms and relative to the sector).

B) What it is not: what this report doesn't do nor is intended to do.

- 1) **IT IS NEITHER A FUNDAMENTAL ANALYSIS OF THE COMPANY.** Nor an initiation of coverage as it neither analyses the company's strategy nor the possible future business performance.
- 2) **IT IS NOT AN ESTIMATE OF FUTURE RESULTS.** No financial projections of any kind have been prepared (the analysis is carried out on historical financial statements).
- 3) **IT IS NOT A TRUE VALUATION OF THE COMPANY. NO TARGET PRICE IS SET.** A valuation requires an estimation of the future business performance (financial projections) and so is not possible in this report. All the valuation exercises are carried out on a theoretical basis and in the knowledge that, without an opinion on the future business performance, they are incomplete, and their sole use is to act as value indicators. They do not represent a true valuation of the company.
- 4) **IT IS NOT A RECOMMENDATION TO BUY OR SELL THE STOCK.** This report does not propose any kind of investment recommendation either explicitly or implicitly.

IN CONCLUSION: this report is not a conventional fundamental analysis (financial projections, valuation, and recommendation). However, it does aim to be a useful tool for investors to get to know the company better by providing a systematic presentation of the available information so that, in the end, an initial judgement can be made about its potential interest.

2. Conclusions

Arising from our analysis of the company's "actual numbers", based exclusively on the financial statements already published (2013-1H19), we would highlight the following points:

Chart 1. Revenues vs EBITDA Mg. (2013-2018)

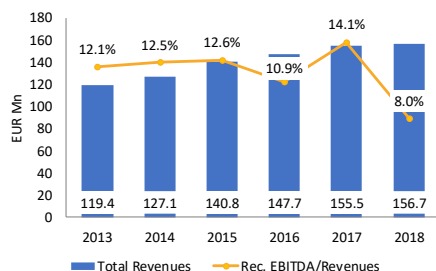


Chart 2 ND vs CAPEX/Sales (2013-2018)

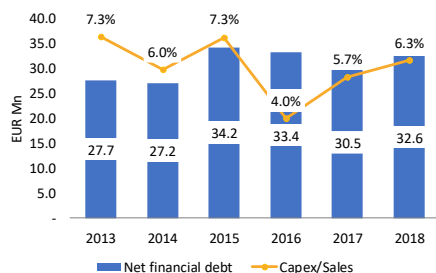


Chart 3 Trends: -5y, -3y and 2018

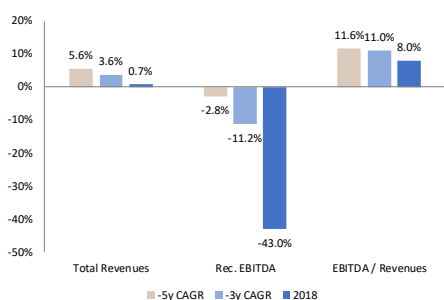
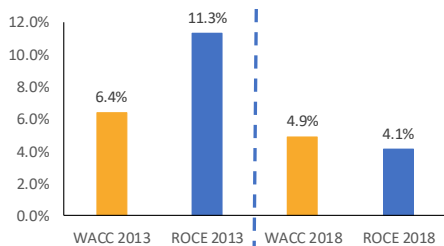


Chart 4. Value generation: ROCE vs WACC



A) Financial analysis of what has occurred in the last five years: trends identified and business momentum

What happened in 2013-2018?

- **Reasonable revenue growth (+5.6% CAGR 2013 - 2018)**, with sales in 2018 of EUR 156.7Mn (vs EUR 119.4Mn in 2013), boosted by the increase in the number of LIW stores (461 at the 2018 close vs 319 in 2013).
- **But with a significant fall in margins (-4.1p.p. In 2013-2018)**, taking 2018 EBITDA to EUR 12.5Mn (EBITDA margin 8.0% vs 12.1% in 2013), a cumulative CAGR decline of 2.8% in 2013-2018.
- **With high CAPEX (80% over 2018 EBITDA) that has restricted cash generation** (cumulative recurrent FCF in 2013 – 2018 of EUR -2Mn), and which has remained constant (on average) at 6% of sales in 2013-2018. The high CAPEX is mainly due to the increase in the number of LIW stores (with 142 openings in 2013-2018; + 50% of 2013 stores), with average CAPEX per store of c. EUR 350k.
- **And growing debt**, 2018 net debt of EUR 32.6Mn (vs 27.7Mn in 2013; + 18%). The increase in net debt is mainly a result of a greater use of credit lines (with a balance drawn down of EUR 7.1Mn in 2018 while in 2013 no amount was drawn down of the credit lines granted). ND/EBITDA was 2.6x in 2018 (vs 1.9x in 2013).

What has been the trend?

- **Growth has decelerated in the last 3 years:** 2015-2018 CAGR for revenue of 3.6% (vs 5.6% in 2013-2018). With a significant decline in EBITDA (-11.1% CAGR 2015-2018 vs -2.1% CAGR -5y).

We would highlight the loss of profitability measured in terms of the ROCE, from 13.4% in 2015 (high of the last 3 years) to 4.9% in 2018.

- **And in 2018?** The slowdown in revenue growth seen in 2015-2018 continues, ending 2018 with very low growth of 0.7% vs 2017 (despite the 5.5% increase in the number of stores; +24 vs 2017).

The EBITDA margin fell significantly, from 14.1% in 2017 (EBITDA c. EUR 22Mn) to 8.0% in 2018 (EBITDA EUR 12.5Mn; -43% vs 2017), c. 4.5p.p. below the average EBITDA margin obtained in 2013-2017 (12.4%).

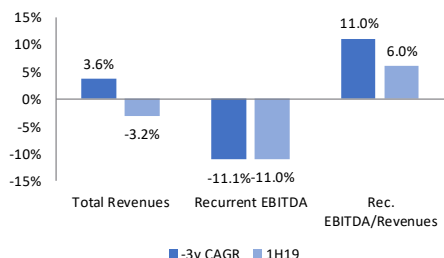
How does LIW's performance (and its trend) compare with its sector?

- **In terms of revenue:** In 2013-2018 the company maintained a negative revenue growth differential vs its main peers of c. 5p.p. which increased in 1H19 (-11p.p.), when the revenue growth of its main peers was c. 7.5% (vs. a fall in revenue of 3.2% for LIW).
- **In terms of margins:** The company's EBIT margin remained c. 1.5 p.p. below that of its main peers in 2013-2017 (average for LIW of 8.6% vs 10.1% for its peers). However, this spread widened in 2018, when the loss of profitability of LIW's business resulted in an EBIT margin of 3.4% (vs a -3y average of 6.5%); while sector peers achieved an improvement of c. 1p.p.

Momentum (1H19): What do the most recent results show?

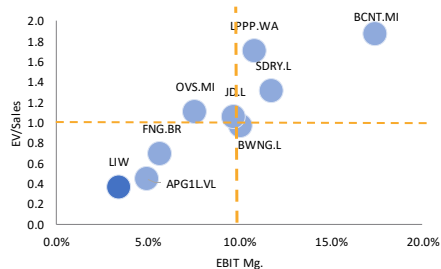
In order to interpret 1H19 results it is important to take into account the seasonality of the business, which generates c. 60% of its revenue in 2H. We draw the following conclusions from 1H19 results:

Chart 5. Momentum: 1H19 vs -3y growth (CAGR)



- **Decline in revenue:** -3.2% vs 1H18, confirming the situation anticipated by the slowdown in revenue growth of the last 3 years. 1H19 revenue was EUR 65.7Mn (vs EUR 67.8Mn 1H18), with an increase of 4 stores vs the 2018 close (14 openings in the last 12 months; below the -5y annual average of c. 25 openings/year).
- **With a significant reduction of EBITDA (-11% vs 1H18)**, that, stripping out the impact of the new accounting treatment arising from the application of IFRS 16 (impact on EBITDA of EUR 13.6Mn) was EUR 3.9Mn (EBITDA margin of 6.0% vs 6.5% 1H18). The loss of profitability fully impacts EBIT which, excluding the IFRS 16 effect (impact of EUR 4.1Mn for financial expenses associated with lease liabilities), was negative for the first time during the period analysed (EBIT 1H19 -EUR 0.1Mn vs EUR 1Mn 1H18).
- **And higher leverage (+30% vs 2018):** mainly due to the greater use of credit lines (EUR 14.6Mn vs EUR 7.1Mn in 2018). 1H19 ND was EUR 41.7Mn (ND/EBITDA 2018: > 3x; vs an average of 2.3x for peers), with 80% of this classified as short term (including EUR 14.6Mn corresponding to credit lines typically renewable annually).

Chart 6. LIW vs Peers (2018)

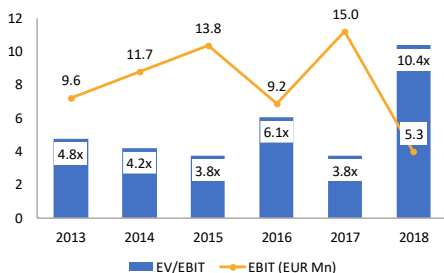


B) Theoretical valuation exercises

In relative terms (vs peers) the company is apparently trading at a 21% discount, estimated on the basis of LIW's theoretical EV/sales. This undervaluation is maintained in terms of EV/EBITDA (4.5x EBITDA 2018; a discount of 45% vs main peers), although decreases in terms of EV/EBIT (10% discount).

In absolute terms (discounted cash flows 2018), the company is trading at an apparent discount of 32%, calculated using 2018 net EBIT (G of 1.5%; WACC 4.8%). The reduction in the ROCE to 4.1% in 2018 (vs 13.4% in 2015) implies a negative ROCE – WACC spread of 0.8p.p., caused by the current profitability of the business, confirmed by 1H19 results and which the lack of financial projections makes it impossible to verify.

Chart 7. Historical EV/EBIT multiples vs EBIT (2013-2018)



In conclusion: crunching the numbers: A slowdown in revenue and a significant decline in EBITDA (c.20% -3y). With margins that, stripping out the impact of IFRS 16, remain under pressure (1H19 EBITDA margin: 6% vs 6.5% in 1H18). Although the indicators of momentum are not favourable, the theoretical valuation exercises carried out (multiples, DCF of 2018 net EBIT) point to a possible “reserve” of value (which the lack of financial projections makes it impossible to verify).

3. The company in 6 charts

Chart 1: Revenues vs Revenues by store

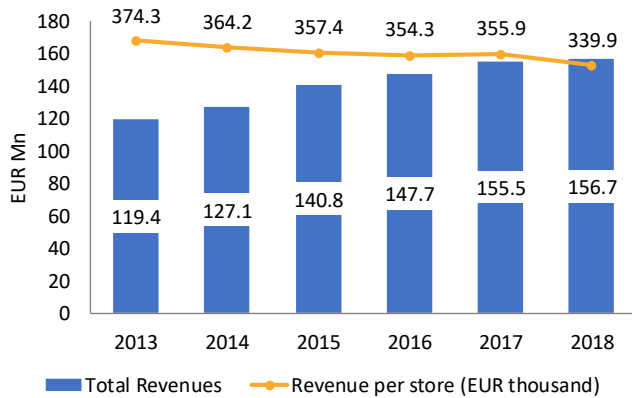


Chart 2: Revenues by Geography (2018)

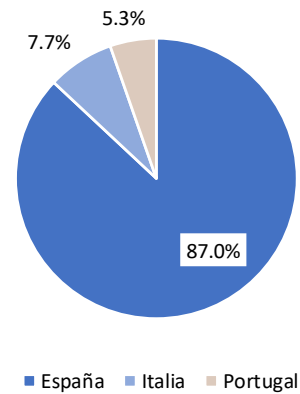


Chart 3: Rec. EBITDA vs EBITDA Mg.

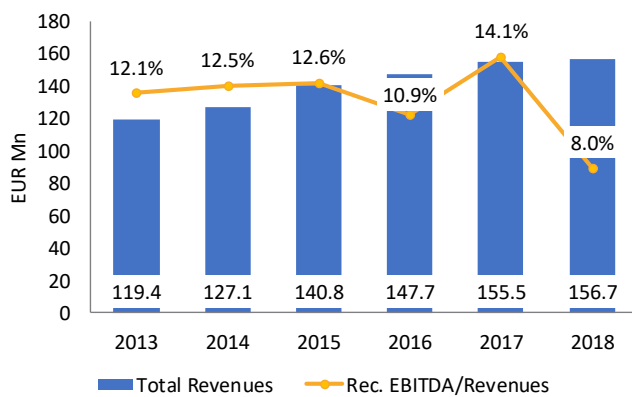


Chart 4: Revenues and EBITDA growth (y/y)

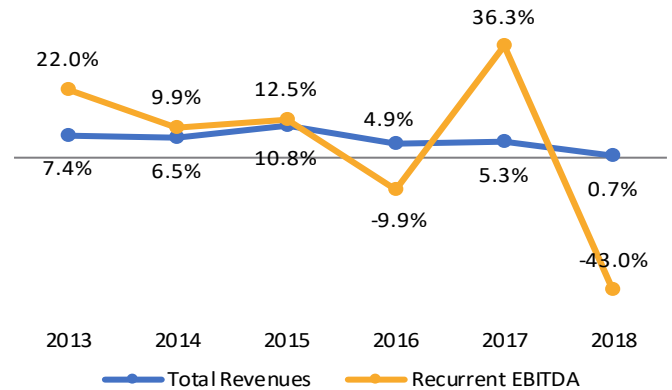


Chart 5: Rec. Free Cash Flow vs CAPEX/Sales

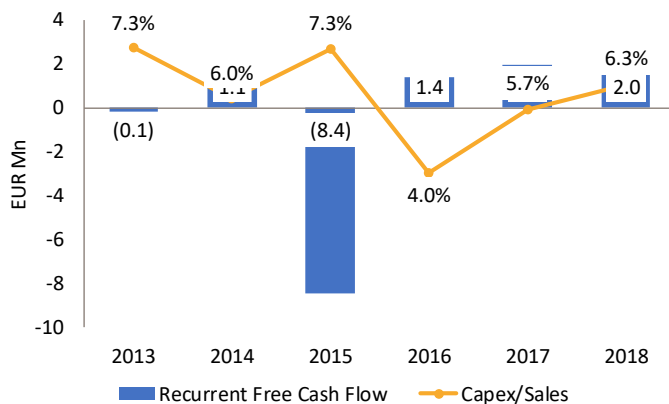
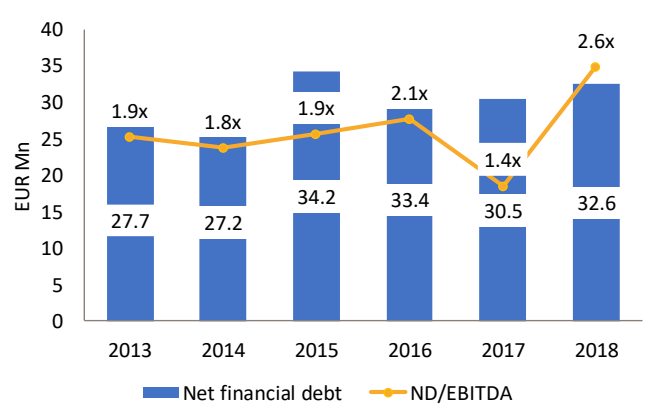


Chart 6: Net Debt vs ND/EBITDA

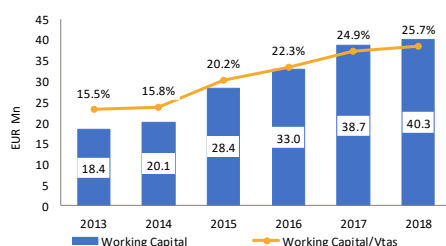


4. Basic financial information
Historical Financial Statements (2013 - 2018)

Balance Sheet (EUR Mn)	2013	2014	2015	2016	2017	2018		
Intangible Assets	1.0	1.2	1.9	1.8	1.3	1.2		
Fixed Assets	42.7	44.6	48.1	47.3	49.8	52.7		
Other Non Current Assets	4.5	5.3	5.3	5.1	5.4	5.5		
Financial Investments	0.6	0.6	0.6	0.4	1.0	0.8		
Goodwill & Other Intangibles	-	-	-	-	-	-		
Current Assets	32.3	34.5	41.5	44.8	53.5	55.1		
Total assets	81.1	86.1	97.3	99.4	111.0	115.3		
Equity	34.6	41.1	47.1	51.3	60.1	64.8		
Minority Interests	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	4.9	3.4	2.9	2.9	5.5	3.1		
Net financial debt	27.7	27.2	34.2	33.4	30.5	32.6		
Current Liabilities	13.9	14.4	13.1	11.8	14.9	14.8		
Equity & Total Liabilities	81.1	86.1	97.3	99.4	111.0	115.3		
							CAGR	
P&L (EUR Mn)	2013	2014	2015	2016	2017	2018	13-18	15-18
Total Revenues	119.4	127.1	140.8	147.7	155.5	156.7	5.6%	3.6%
Total Revenues growth	7.4%	6.5%	10.8%	4.9%	5.3%	0.7%		
COGS	(40.6)	(40.4)	(48.0)	(53.1)	(49.9)	(53.7)		
Gross Margin	78.8	86.7	92.8	94.6	105.7	103.0	5.5%	3.5%
Gross Margin (o/Revenues)	66.0%	68.2%	65.9%	64.1%	67.9%	65.7%		
Personnel Expenses	(32.4)	(37.2)	(38.8)	(39.4)	(41.9)	(45.6)		
Other Operating Expenses	(32.0)	(33.7)	(36.2)	(39.2)	(41.9)	(45.0)		
Recurrent EBITDA	14.4	15.8	17.8	16.0	21.9	12.5	-2.8%	-11.2%
Recurrent EBITDA growth	22.0%	9.9%	12.5%	-9.9%	36.3%	-43.0%		
Rec. EBITDA/Revenues	12.1%	12.5%	12.6%	10.9%	14.1%	8.0%		
Restructuring Expenses	-	-	-	-	-	-		
Other non-recurrent Income / Costs	0.2	(0.6)	(0.1)	-	-	-		
EBITDA	14.6	15.2	17.8	16.0	21.9	12.5	-3.1%	-11.1%
EBITDA growth	22.7%	4.3%	16.9%	-9.7%	36.3%	-43.0%		
EBITDA/Revenues	12.2%	12.0%	12.6%	10.9%	14.1%	8.0%		
Depreciation & Provisions	(5.0)	(5.5)	(6.0)	(6.8)	(6.9)	(7.1)		
Capitalized Expense	-	2.1	2.0	-	-	-		
EBIT	9.6	11.7	13.8	9.2	15.0	5.3	-11.1%	-27.1%
EBIT growth	21.3%	22.3%	17.6%	-33.4%	62.5%	-64.2%		
EBIT/Revenues	8.0%	9.2%	9.8%	6.2%	9.6%	3.4%		
Impact of Goodwill & Others	-	-	-	-	-	-		
Net Financial Result	(1.3)	(3.7)	(5.6)	(2.3)	(2.5)	3.1		
Income by the Equity Method	-	-	-	-	-	-		
Ordinary profit	8.4	8.1	8.2	6.9	12.5	8.5	0.2%	1.0%
Ordinary Profit Growth	35.1%	-3.2%	1.4%	-15.8%	80.9%	-32.3%		
Extraordinary Results	-	-	-	-	-	-		
Profit Before Tax	8.4	8.1	8.2	6.9	12.5	8.5	0.2%	1.0%
Tax Expense	(2.3)	(1.8)	(2.1)	(1.8)	(2.9)	(2.1)		
Effective Tax Rate	27.7%	22.0%	25.8%	26.1%	23.4%	24.5%		
Minority Interest	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-		
Net Profit	6.0	6.3	6.1	5.1	9.6	6.4	1.1%	1.6%
Net Profit growth	38.4%	4.5%	-3.7%	-16.2%	87.5%	-33.2%		
Ordinary Net Profit	6.1	6.8	6.2	5.2	9.6	6.4	0.8%	1.0%
Ordinary Net Profit growth	34.0%	10.8%	-9.1%	-16.4%	84.7%	-33.2%		
							CAGR	
Cash Flow (EUR Mn)	2013	2014	2015	2016	2017	2018	13-18	15-18
Recurrent EBITDA	14.4	15.8	17.8	16.0	21.9	12.5	-2.8%	-11.2%
Working Capital Increase	(2.3)	(1.7)	(8.3)	(4.6)	(5.7)	(1.6)		
Recurrent Operating Cash Flow	12.1	14.2	9.5	11.4	16.2	10.9	-2.2%	4.4%
Capex	(8.7)	(7.6)	(10.2)	(5.9)	(8.8)	(9.9)		
Net Financial Result affecting the Cash Flow	(1.3)	(3.7)	(5.6)	(2.3)	(2.5)	3.1		
Taxes	(2.3)	(1.8)	(2.1)	(1.8)	(2.9)	(2.1)		
Recurrent Free Cash Flow	(0.1)	1.1	(8.4)	1.4	2.0	2.0	n.a.	n.a.
Variation of indebtedness	(2.2)	(0.5)	7.0	(0.9)	(2.9)	2.1		
Net debt / EBITDA (x)	1.9	1.7	1.9	2.1	1.4	2.6		

Main Balance Sheet items breakdown

Chart 1: Working Capital



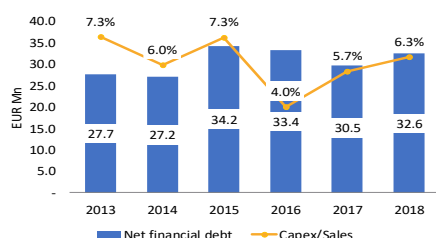
Working Capital breakdown

EUR Mn	2013	2014	2015	2016	2017	2018
Stocks	19.7	33.3	39.4	42.3	50.9	48.8
Clients	0.0	0.8	1.6	2.2	2.0	2.0
Suppliers	(8.0)	(7.3)	(6.2)	(3.4)	(3.6)	(4.6)
Trade working capital	11.7	26.9	34.7	41.2	49.3	46.2
Other Current Assets	12.6	0.3	0.5	0.2	0.7	4.3
Other Current liabilities	(5.9)	(7.1)	(6.8)	(8.5)	(11.3)	(10.2)
Working Capital	18.4	20.1	28.4	33.0	38.7	40.3
(Increase)/decre. In Inventories	9.0	(13.6)	(6.1)	(2.9)	(8.5)	2.0
(Increase)/decre. In Receivables	(0.0)	(0.8)	(0.7)	(0.7)	0.3	0.0
Increase/(decre.) In Payables	0.7	(0.8)	(1.0)	(2.9)	0.2	1.0
(Increase)/decre. In other ST assets	(12.4)	12.2	(0.1)	0.2	(0.5)	(3.6)
Increases/(decre.) In other ST liabilities	0.5	1.3	(0.3)	1.6	2.8	(1.1)
	(2.3)	(1.7)	(8.3)	(4.6)	(5.7)	(1.6)

Working Capital o/Sales

% s/Sales	2013	2014	2015	2016	2017	2018
Stocks	16.5%	26.2%	28.0%	28.7%	32.7%	31.2%
Clients	0.0%	0.7%	1.1%	1.5%	1.3%	1.3%
Suppliers	6.7%	5.7%	4.4%	2.3%	2.3%	2.9%
Trade working capital	9.8%	21.2%	24.7%	27.9%	31.7%	29.5%
Other Current Assets	10.5%	0.3%	0.3%	0.2%	0.4%	2.7%
Other Current liabilities	4.9%	5.6%	4.9%	5.7%	7.3%	6.5%
Working Capital	15.5%	15.8%	20.2%	22.3%	24.9%	25.7%

Chart 2: Net Debt vs CAPEX/Sales



Net financial debt and liquidity breakdown

EUR Mn	2013	2014	2015	2016	2017	2018	1H19
L/T debt	13.1	6.3	8.8	5.0	4.0	5.9	11.7
Corporate debt	-	-	-	-	-	-	-
S/T debt	21.6	27.0	26.9	32.7	31.6	24.1	24.7
Other financial liabilities	1.6	0.6	14.5	12.2	9.9	7.1	14.6
Total financial debt	36.3	33.9	50.2	49.9	45.5	37.2	51.0
Cash	8.1	6.0	15.2	16.0	14.5	4.2	8.9
S/T Investments	0.5	0.6	0.8	0.5	0.4	0.4	0.4
Cash and equivalents	8.6	6.6	15.9	16.5	15.0	4.6	9.3
Net Debt*	27.7	27.2	34.2	33.4	30.5	32.6	41.7
ND/EBITDA	1.9x	1.7x	1.9x	2.1x	1.4x	2.6x	n.a.
ND/BV	0.8x	0.7x	0.7x	0.7x	0.5x	0.5x	0.9x
Debt maturities							
< 1 year	23.1	27.6	41.4	44.9	41.4	31.2	39.3
>1 year < 5	13.1	6.3	8.8	5.0	4.0	5.9	11.7
> 5 year	0.0	0.0	0.0	0.0	0.0	0.0	0.0

* Net financial debt excluding the new accounting treatment of operating leases (IFRS 16) amounting to EUR 146Mn.

Chart 3: Market Cap. vs EV



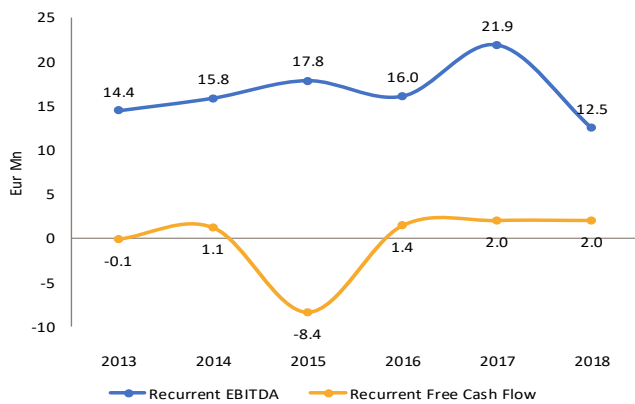
Average Enterprise Value (2013-2018)

Enterprise Value	2013	2014	2015	2016	2017	2018	Last Closing*
Price per share (Avg.)	7.41	10.00	11.02	11.73	12.50	12.50	18.00
Market Cap (Avg.)	13.6	18.3	18.6	19.7	20.8	20.8	30.0
+ Minority Interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Provisions & Other L/T Liabilities	3.9	4.2	3.1	2.9	4.2	4.3	3.1
+ Net financial debt	28.8	27.5	30.7	33.8	31.9	31.5	41.7
- Financial Investments	-0.6	-0.6	-0.6	-0.5	-0.7	-0.9	-5.3
+/- Others EV adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise Value	45.7	49.4	51.9	55.9	56.3	55.8	69.5

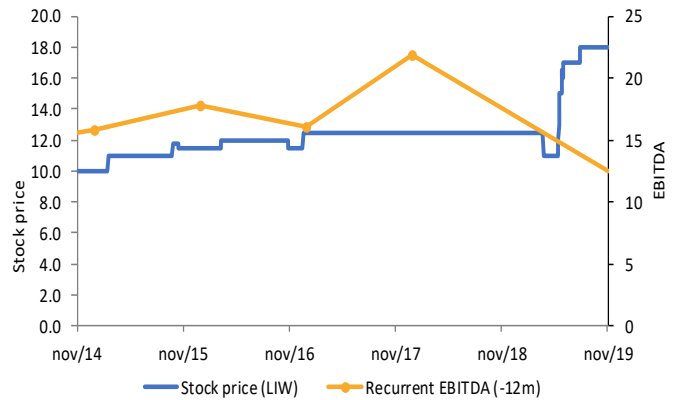
*Current fiscal year according to last quarterly results available

Recurrent Free Cash Flow analysis

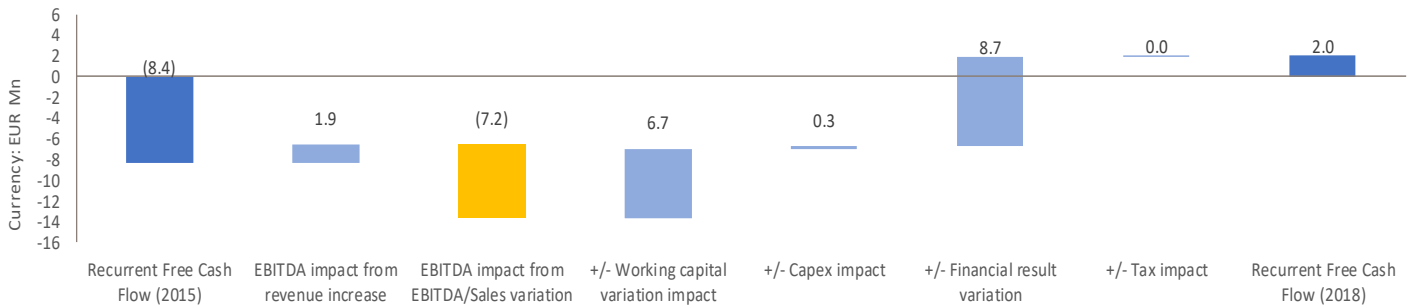
Evolución del EBITDA recurrente vs Free Cash Flow recurrente



Comportamiento del precio de la acción vs EBITDA (-12m)

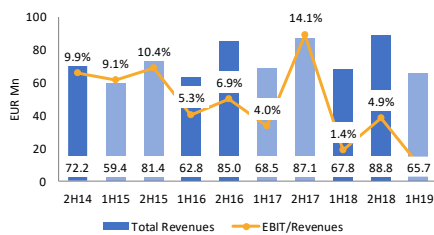


Análisis de la variación acumulada del Free Cash Flow Recurrente (2015 - 2018)



Seasonality and trends

Chart 4: Half-year: Revenues and EBIT Margin



Half year P&L: Seasonality

Half year P&L (EUR Mn)	2H14	1H15	2H15	1H16	2H16	1H17	2H17	1H18	2H18	1H19
Total Revenues	72.2	59.4	81.4	62.8	85.0	68.5	87.1	67.8	88.8	65.7
Revenues growth (YoY)	n.a.	n.a.	12.7%	5.7%	4.3%	9.1%	2.5%	-0.9%	2.0%	-3.2%
Recurrent EBITDA	10.9	7.1	10.8	7.0	9.0	5.8	16.1	4.4	8.1	3.9
Rec. EBITDA growth (YoY)	n.a.	n.a.	-1.0%	-0.9%	-15.9%	-16.9%	77.4%	-24.1%	-49.8%	-11.0%
Rec. EBITDA/Revenues	15.0%	11.9%	13.2%	11.1%	10.7%	8.5%	18.4%	6.5%	9.1%	6.0%
EBITDA	10.9	7.1	10.8	7.0	9.0	5.8	16.1	4.4	8.1	3.9
EBITDA growth (YoY)	n.a.	n.a.	-1.0%	-0.9%	-15.9%	-16.9%	77.4%	-24.1%	-49.8%	-11.0%
EBIT	7.1	5.4	8.4	3.3	5.9	2.7	12.2	1.0	4.4	-0.1
EBIT growth (YoY)	n.a.	n.a.	18.7%	-38.4%	-30.2%	-17.7%	107.6%	-64.6%	-64.2%	-108.0%
EBIT/Revenues	9.9%	9.1%	10.4%	5.3%	6.9%	4.0%	14.1%	1.4%	4.9%	-0.1%
Net Profit	3.7	2.6	3.5	2.7	2.4	2.4	7.1	1.8	4.6	1.4
Net profit growth (YoY)	n.a.	n.a.	-7.3%	1.5%	-29.4%	-7.8%	190.8%	-25.4%	-35.9%	-22.8%

** For comparison purposes vs 1H18, 1H19 excludes the new accounting treatment of operating leases (IFRS 16) with a negative impact of EUR 13.6Mn and EUR 4.1Mn over reported EBITDA and EBIT, respectively.

Trend analysis

y/y change	2013	2014	2015	2016	2017	2018	1H18	1H19
Total Revenues	7.4%	6.5%	10.8%	4.9%	5.3%	0.7%	-0.9%	-3.2%
Recurrent EBITDA	22.0%	9.9%	12.5%	-9.9%	36.3%	-43.0%	-24.1%	-11.0%
Rec. EBITDA/Revenues (p.p.)	1.4	0.4	0.2	(1.8)	3.2	(6.1)	(2.0)	(0.5)
EBIT	21.3%	22.3%	17.6%	-33.4%	62.5%	-64.2%	-64.6%	-108.0%
EBIT/Revenues (p.p.)	0.9	1.2	0.6	(3.6)	3.4	(6.2)	(2.6)	(1.5)
Net Profit	38.4%	4.5%	-3.7%	-16.2%	87.5%	-33.2%	-25.4%	-22.8%
Net financial debt	-7.4%	-1.8%	25.9%	-2.5%	-8.6%	6.8%		
Net debt / EBITDA (x)	-0.6x	-0.2x	0.2x	0.2x	-0.7x	1.2x		

5. "All the numbers"

	2013	2014	2015	2016	2017	2018	CAGR	
							13-18	15-18
MARKET DATA								
Price (yearly avg.)	7.41	10.00	11.02	11.73	12.50	12.50		
Market capitalisation EUR Mn(yearly avg.)	13.6	18.3	18.6	19.7	20.8	20.8		
Performance								
Absolute	0.0%	90.5%	0.0%	15.0%	8.7%	0.0%	11.0%	4.3%
vs Ibex 35	-17.6%	83.8%	7.7%	17.4%	1.2%	17.6%		
vs Sector benchmark	-18.6%	93.8%	-9.1%	20.7%	9.6%	10.1%		
PER SHARE DATA								
Adj. nº shares (Mn)	1.67	1.67	1.67	1.67	1.67	1.67	0.0%	0.0%
EPS (EUR)	3.63	3.79	3.65	3.06	5.74	3.83	1.1%	1.6%
BVPS (reported)	20.80	24.66	28.27	30.81	36.04	38.90	13.3%	11.2%
Rec. FCF per share	-0.09	0.69	-5.06	0.83	1.18	1.18	n.a.	n.a.
DPS (EUR)	0.00	0.00	0.00	0.50	1.50	0.00	n.a.	n.a.
% pay-out	0.0%	0.0%	0.0%	16.3%	26.1%	0.0%		
ENTERPRISE VALUE yearly average (EUR Mn)								
Market capitalisation EUR Mn(yearly avg.)	13.6	18.3	18.6	19.7	20.8	20.8	9.0%	3.9%
+ Minority interests	0.0	0.0	0.0	0.0	0.0	0.0		
+ Provisions & Other L/T Liabilities	3.9	4.2	3.1	2.9	4.2	4.3		
+ Net financial debt	28.8	27.5	30.7	33.8	31.9	31.5		
- Financial Investments	-0.6	-0.6	-0.6	-0.5	-0.7	-0.9		
(=) Enterprise value (yearly avg.)	45.7	49.4	51.9	55.9	56.3	55.8	4.1%	2.4%
KEY FINANCIAL METRICS								
Year-on-year growth								
Total Revenues	7.4%	6.5%	10.8%	4.9%	5.3%	0.7%		
Recurrent EBITDA	22.0%	9.9%	12.5%	-9.9%	36.3%	-43.0%		
EBIT	21.3%	22.3%	17.6%	-33.4%	62.5%	-64.2%		
Profit Before Tax	35.1%	-3.2%	1.4%	-15.8%	80.9%	-32.3%		
Net Profit	38.4%	4.5%	-3.7%	-16.2%	87.5%	-33.2%		
EPS (EUR)	38.4%	4.4%	-3.7%	-16.2%	87.5%	-33.2%		
Margins (on revenue)								
Recurrent EBITDA	12.1%	12.5%	12.6%	10.9%	14.1%	8.0%		
Gross margin	66.0%	68.2%	65.9%	64.1%	67.9%	65.7%		
EBIT	8.0%	9.2%	9.8%	6.2%	9.6%	3.4%		
Profit Before Tax	7.0%	6.4%	5.8%	4.7%	8.0%	5.4%		
Net Profit	5.1%	5.0%	4.3%	3.5%	6.1%	4.1%		
Ordinary Net Profit	5.1%	5.4%	4.4%	3.5%	6.1%	4.1%		
Other key financial metrics								
Income tax rate (>0 if income)	27.7%	22.0%	25.8%	26.1%	23.4%	24.5%		
Capex/Sales	7.3%	6.0%	7.3%	4.0%	5.7%	6.3%		
Working capital/Sales	15.5%	15.8%	20.2%	22.3%	24.9%	25.7%		
Capital Employed/Sales	55.8%	56.0%	59.4%	59.0%	61.2%	63.6%		
Net debt/EBITDA	1.9x	1.7x	1.9x	2.1x	1.4x	2.6x		
Net debt/Equity	80.0%	66.2%	72.7%	65.0%	50.8%	50.3%		
Assets (excash)/Equity	2.3x	2.1x	2.1x	1.9x	1.8x	1.8x		
ROE (reported)	19.1%	16.7%	13.8%	10.4%	17.2%	10.2%		
ROCE (reported)	11.3%	13.3%	13.4%	8.1%	12.6%	4.1%		
WACC	6.4%	6.0%	4.9%	4.2%	4.7%	4.9%		
BALANCE SHEET (EUR Mn)								
Fixed assets & Intangible	43.7	45.8	50.0	49.1	51.0	53.9		
Working capital	18.4	20.1	28.4	33.0	38.7	40.3		
Total assets (ex-cash)	81.1	86.1	97.3	99.4	111.0	115.3		
Equity	34.6	41.1	47.1	51.3	60.1	64.8		
Net debt / (cash)	27.7	27.2	34.2	33.4	30.5	32.6		
Capital Employed	66.7	71.1	83.7	87.2	95.1	99.7		
PROFIT & LOSS (EUR Mn)								
Total Revenues	119.4	127.1	140.8	147.7	155.5	156.7	5.6%	3.6%
Recurrent EBITDA	14.4	15.8	17.8	16.0	21.9	12.5	-2.8%	-11.2%
Depreciation & Provisions	-5.0	-5.5	-6.0	-6.8	-6.9	-7.1		
EBIT	9.6	11.7	13.8	9.2	15.0	5.3	-11.1%	-27.1%
Net Financial Result	-1.3	-3.7	-5.6	-2.3	-2.5	3.1		
Profit Before Tax	8.4	8.1	8.2	6.9	12.5	8.5	0.2%	1.0%
Income tax rate (>0 if income)	-2.3	-1.8	-2.1	-1.8	-2.9	-2.1		
Minorities and discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0		
Net Profit	6.0	6.3	6.1	5.1	9.6	6.4	1.1%	1.6%
Ordinary Net Profit	6.1	6.8	6.2	5.2	9.6	6.4	0.8%	1.0%
CASH-FLOW (EUR Mn)								
Recurrent EBITDA	14.4	15.8	17.8	16.0	21.9	12.5		
Working Capital Increase	-2.3	-1.7	-8.3	-4.6	-5.7	-1.6		
Capex	-8.7	-7.6	-10.2	-5.9	-8.8	-9.9		
Taxes	-2.32	-1.78	-2.12	-1.80	-2.92	-2.07		
Net Financial Result affecting the Cash Flow	-1.3	-3.7	-5.6	-2.3	-2.5	3.1		
Rec. Free Cash Flow to Equity (FCFE)	-0.1	1.1	-8.4	1.4	2.0	2.0	n.a.	n.a.
Rec. Free Cash Flow to the Firm (FCFF)	1.0	4.0	-4.1	3.2	3.9	-0.4	n.a.	-55.2%
PROFIT & LOSS (EUR Mn)								
Equity multiples								
P/E	2.2x	2.9x	3.1x	3.9x	2.2x	3.3x		
Ord. P/E	2.2x	2.7x	3.0x	3.8x	2.2x	3.3x		
P/BV	0.4x	0.4x	0.4x	0.4x	0.3x	0.3x		
FCFE yield	n.a.	6.3%	n.a.	7.0%	9.4%	9.5%		
Dividend Yield (%)	0.0%	0.0%	0.0%	4.2%	12.0%	0.0%		
Enterprise Value multiples								
EV/Sales	0.4x	0.4x	0.4x	0.4x	0.4x	0.4x		
EV/EBITDA	3.2x	3.1x	2.9x	3.5x	2.6x	4.5x		
EV/EBIT	4.8x	4.2x	3.8x	6.1x	3.8x	10.4x		
EV/CE	0.7x	0.7x	0.6x	0.6x	0.6x	0.6x		
FCFF yield (to EV)	2.2%	8.1%	-8.0%	5.7%	6.9%	-0.7%		

6. Valuation inputs

Main peers in detail: ratios and multiples (2019e)

	EUR Mn	Basic Net SpA	Apranga APB	N Brown	OVS SpA	FNG NV	LPP SA	JD Sports	Superdry PLC	Average
Market data	Ticker (Reuters)	JD.L	LPPP.WA	OVS.MI	BWNG.L	SDRY.L	BCNT.MI	FNG.BR	APG1L.VL	
	Country	UK	Poland	Italy	UK	UK	Italy	Belgium	Lithuania	
	Market cap	8,404.9	3,617.9	417.6	401.4	405.2	308.9	160.3	115.7	
	Enterprise value (EV)	10,935.4	4,178.6	1,713.8	968.6	364.9	392.8	378.7	186.9	
Basic financial information	Total Revenues	6,654.5	2,178.0	1,390.2	1,037.0	1,008.2	228.0	605.7	201.3	
	Total Revenues growth	23.5%	16.1%	-4.6%	-2.3%	-0.2%	46.5%	18.3%	7.5%	13.1%
	2y CAGR (2019e - 2021e)	8.9%	11.9%	2.2%	2.1%	1.8%	n.a.	15.7%	3.2%	6.5%
	EBITDA	635.9	296.7	147.0	153.7	100.4	37.0	83.0	n.a.	
	EBITDA growth	12.6%	3.7%	-4.4%	-44.0%	-5.0%	12.0%	60.0%	n.a.	5.0%
	2y CAGR (2019e - 2021e)	10.7%	12.0%	16.5%	2.7%	9.9%	n.a.	16.5%	n.a.	11.4%
	EBITDA/Revenues	9.6%	13.6%	10.6%	14.8%	10.0%	16.2%	13.7%	n.a.	12.6%
	Net Profit	370.7	156.3	53.2	74.9	40.6	24.0	20.7	8.4	
	Net Profit growth	22.8%	32.7%	110.1%	n.a.	n.a.	14.2%	79.1%	11.0%	45.0%
	2y CAGR (2019e - 2021e)	12.1%	11.5%	8.1%	6.3%	18.9%	n.a.	28.3%	1.8%	12.4%
	Capex	230	208.1	50.1	43.5	28.2	n.a.	22.0	n.a.	
	CAPEX/Sales %	3.4%	9.6%	3.6%	4.2%	2.8%	n.a.	3.6%	n.a.	4.5%
	Free Cash Flow	256.5	72.4	59.1	30.4	38.6	n.a.	18.8	n.a.	
Net financial debt	(312.3)	(194.5)	316.7	541.4	(64.6)	45.0	187.0	n.a.		
ND/EBITDA (x)	(0.5)	(0.7)	2.2	3.5	(0.6)	1.2	2.3	n.a.	1.1	
Outstanding Shares	973.2	1.8	226.8	284.4	81.9	51.9	10.0	55.3		
Pay-out	5.6%	15.5%	7.8%	33.8%	35.4%	28.1%	0.0%	n.a.	18.0%	
Multiples and Ratios	P/E (x)	22.5	23.7	7.7	5.2	10.2	13.0	7.5	13.9	13.0
	P/BV (x)	6.3	4.5	0.5	1.0	1.3	2.4	0.5	n.a.	2.3
	EV/Revenues (x)	1.6	1.9	1.2	0.9	0.4	1.7	0.6	0.9	1.2
	EV/EBITDA (x)	17.2	14.1	11.7	6.3	3.6	10.6	4.6	n.a.	9.7
	ROE	28.6	20.5	5.7	20.4	9.6	19.6	6.4	14.6	15.7
	FCF Yield (%)	3.1	2.0	14.2	7.6	9.5	n.a.	11.7	n.a.	8.0
	DPS	0.0	13.2	0.0	0.1	0.2	0.1	-	n.a.	1.9
	Price Close	8.6	1,951.3	1.8	1.4	4.9	5.1	14.3	2.1	
	Dvd Yield	0.2%	0.7%	1.0%	6.3%	3.6%	2.6%	0.0%	n.a.	2.1%

Múltiplos: Sector Apparel & Accesories retail (Backward-looking)

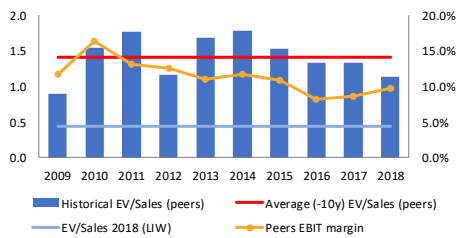
Company	Ticker (Reuters)	Market cap	P/E ord. 2018	EPS 18-20e CAGR	P/B 2018	ROE 2018	EV/EBITDA 2018	EBITDA 18-20e CAGR	EV/sales 2018	Sales 18-20e CAGR	2018 EBIT margin	FCFE yield 2018	FCFE 18-20e CAGR
JD Sports Fashion PLC	JD.L	8,405	17.0x	17.8%	3.9x	38.2%	8.9x	11.4%	0.9x	17.0%	8.0%	2.3%	29%
LPP SA	LPPP.WA	3,618	28.5x	22.3%	5.6x	27.3%	11.1x	8.5%	1.7x	14.9%	10.9%	-0.1%	n.a.
OVS SpA	OVS.MI	418	11.8x	49.1%	0.3x	3.8%	4.4x	1.1%	0.5x	-0.8%	6.1%	6.4%	61%
N Brown Group PLC	BWNG.L	401	n.a.	n.a.	0.8x	-14.9%	3.2x	-24.5%	0.8x	-0.6%	22.6%	-28.0%	n.a.
Superdry PLC	SDRY.L	405	n.a.	n.a.	0.9x	-25.5%	4.4x	3.1%	0.5x	0.3%	5.7%	-32.9%	n.a.
Basic Net SpA	BCNT.MI	309	10.9x	3.1%	2.4x	24.2%	8.8x	15.4%	1.9x	25.2%	17.5%	6.7%	79%
FNG NV	FNG.BR	160.3	15.3x	49.4%	0.6x	4.8%	6.8x	42.7%	0.7x	22.9%	5.7%	4.5%	124%
Apranga APB	APG1L.VL	115.7	11.7x	8.1%	1.7x	16.1%	5.2x	167.2%	0.4x	5.9%	5.0%	-3.8%	n.a.
Average			15.9x	25.0%	2.0x	9.2%	6.6x	28.1%	0.9x	10.6%	10.2%	-5.6%	73.1%
Median			13.6x	20.0%	1.3x	10.4%	6.0x	10.0%	0.8x	10.4%	7.1%	1.1%	69.9%
LIWE	LIWA.SCT	30	3.3x	n.a.	0.3x	10.2%	4.5x	n.a.	0.4x	n.a.	3.4%	-0.7%	n.a.

Múltiplos: Sector Apparel & Accesories retail (Forward-Looking)

Company	Ticker (Reuters)	Market cap	P/E ord. 2019e	EPS 19e-21e CAGR	P/B 2019e	ROE 2019e	EV/EBITDA 2019e	EBITDA 19e-21e CAGR	EV/sales 2019e	Sales 19-21e CAGR	2019e EBIT margin	FCFE yield 2019e	FCFE 19e-21e CAGR
JD Sports Fashion PLC	JD.L	8,405	22.5x	12.2%	6.3x	28.6%	17.2x	10.7%	1.6x	8.9%	8.0%	3.1%	20%
LPP SA	LPPP.WA	3,618	23.7x	13.3%	4.5x	20.5%	14.1x	12.0%	1.9x	11.9%	9.6%	2.0%	32%
OVS SpA	OVS.MI	418	7.7x	6.8%	0.5x	5.7%	11.7x	16.5%	1.2x	2.2%	6.4%	14.2%	15%
N Brown Group PLC	BWNG.L	401	5.2x	5.2%	1.0x	20.4%	6.3x	2.7%	0.9x	2.1%	11.2%	7.6%	20%
Superdry PLC	SDRY.L	405	10.2x	19.6%	1.3x	9.6%	3.6x	9.9%	0.4x	1.8%	6.2%	9.5%	-1%
Basic Net SpA	BCNT.MI	309	13.0x	n.a.	2.4x	19.6%	10.6x	n.a.	1.7x	n.a.	13.6%	n.a.	n.a.
FNG NV	FNG.BR	160	7.5x	20.7%	0.5x	6.4%	4.6x	16.5%	0.6x	15.7%	6.7%	11.7%	44%
Apranga APB	APG1L.VL	116	13.9x	3.3%	n.a.	14.6%	n.a.	n.a.	0.9x	3.2%	n.a.	n.a.	n.a.
Average			13.0x	11.6%	2.3x	15.7%	9.7x	11.4%	1.2x	6.5%	8.8%	8.0%	21.8%
Median			11.6x	12.2%	1.3x	17.1%	10.6x	11.4%	1.1x	3.2%	8.0%	8.5%	20.3%

"Theoretical" valuation exercises with multiples

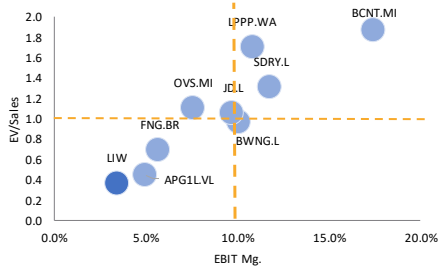
Chart 1: EV/Sales valuation inputs



"Theoretical" valuation exercise based on EV/Sales (2018) (*)

Valuation inputs	2018		
Sector EBIT Mg.	9.8%	Theoretical EV/Sales	0.5
Company EBIT Margin	3.4%	* 2018 Sales	156.7
Adjustment factor	0.35	= Company EV Valuation	77.3
Sector EV/Sales (-10y avg.)	1.4	- Minority Interests	-
* Adjustment Factor	0.35	- Provisions & Other L/T Liabilities	3.1
Company Theoretical EV/Sales vs 2018 Company EV/Sales	0.49	- Net financial debt	41.7
Premium / (Discount) o/ EV/Sales	-27.9%	+ Financial Investments	5.3
		+/- Others EV adjustments	-
		= Equity valuation (*)	37.8
		vs Mkt Cap at the date of this report	30.0
		Premium / (Discount)	-20.7%

Chart 2: LIW vs Peers (2018)

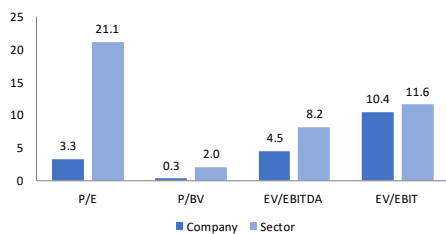


Sensitivity analysis: Theoretical EV/Sales to changes in EBIT Mg. and premium (discount) o/sector EV/Sales (*)

A) Theoretical EV/Sales				B) Premium / (Discount)			
EV/Sales Premium	Mg. EBIT			EV/Sales Premium	Mg. EBIT		
	3.1%	3.4%	3.7%		-10%	3.1%	3.4%
-10%	0.41	0.44	0.48	-10%	25.1%	-0.3%	-17.2%
0%	0.45	0.49	0.54	0%	-3.3%	-20.7%	-32.8%
10%	0.50	0.54	0.59	10%	-21.2%	-34.2%	-43.4%

(*) The sector's EV/sales ratio has been adjusted by the margin spread between the company and its sector. A 10% premium (discount) has been applied in the sensitivity analysis in order to reflect the impact on the multiple (and on the relative valuation) of using a higher or lower multiple than that of the sector depending on the company's growth rate vs the sector and the possible evolution of its margin (vs that of the sector).

Chart 3: Valuation multiples (2018)



Other ratios and valuation multiples (2018)

	Equity multiples		Enterprise Value multiples		Free Cash Flow Yield
	P/E	P/BV	EV/EBITDA	EV/EBIT	FCF to Equity
Company	3.3	0.3	4.5	10.4	9.5%
Sector	21.1	2.0	8.2	11.6	4.5%
Premium / Discount	-84.6%	-84.1%	-45.1%	-9.8%	-109.9%

"Theoretical" valuation exercises with DCF

WACC (at the date of this report)

			Best Case	Worst Case
Net financial debt	41.7	Debt net of Cash (1H19)		
Cost of Debt	2.8%	Net debt cost	1.8%	3.8%
Effective tax rate (T)	20.0%	T (Normalised tax rate)	=	=
Cost of Net Debt	2.2%	Kd = Cost of Net Debt * (1-T)	1.4%	3.0%
Risk free rate (rf)	0.3%	Rf (10y Spanish bond yield)	=	=
Equity risk premium	7.0%	R (own estimate)	6.0%	7.5%
Beta (B)	1.1	B (Thomson Reuters)	1.0	1.2
Cost of Equity	8.3%	Ke = Rf + (R*B)	6.5%	9.6%
Equity / (Equity + Net Debt)	41.9%	E (Market Cap as equity value)	=	=
Net Debt / (Equity + Net Debt)	58.1%	D	=	=
WACC	4.8%	WACC = Kd*D + Ke*E	3.6%	5.8%

Assumptions (2018)

EBIT 2018	5.3
Normalised tax rate (T)	20.0%
Long term growth rate (G)	1.5%
ROCE 2018	4.1%
WACC (at the date of this report) (*)	4.8%
Adjustment factor o/net EBIT	= 1 - (G / ROCE)
Adjustment factor applied	63.8%

"Theoretical" absolute valuation based on net EBIT2018) (*)

Theoretical value based on 2018 Net EBIT = EBIT (1-t)*Adjustment factor / (WACC - G)

Theoretical Enterprise Value (At the date of this report)	83.7
- Net financial debt (actual)	41.7
- Minority Interests	0.0
- Provisions & Other L/T Liabilities	3.1
+/- Others EV adjustments	0.0
+ Financial Investments	5.3
= Equity valuation (*)	44.2
vs Mkt Cap at the date of this report	30.0
Premium / (Discount)	-32.2%

(*) Given the lack of financial projections for the future performance of the business, the valuation exercise described above relates the company's "theoretical value" to the main value generation drivers of any business: (i) the l/t growth rate (G), (ii) the return on capital employed (ROCE) and (iii) the cost of capital (WACC). The main drawback of this model is that it assumes both the ROCE and the growth rate (G) remain constant over the long term, so it does not represent a true valuation of the company. This valuation exercise has the sole use (and goal) of serving as a "value indicator" but does not represent a valuation per se.

Implied multiples (2018)

Valuation multiples	Sector	Company	Premium / Discount
EV/Sales	1.1	0.5	-53.0%
EV/EBITDA	8.2	6.7	-17.6%
EV/EBIT	11.6	15.7	35.4%
P/BV	2.0	0.7	-66.3%
P/E	21.1	6.9	-67.2%

Sensitivity analysis

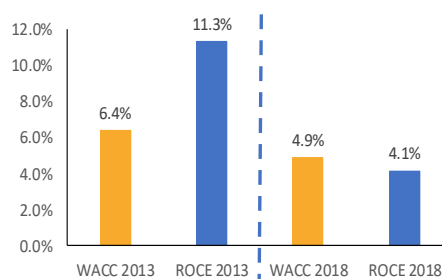
A) "Theoretical" Equity valuation (EUR Mn)

ROCE	Long term growth rate (G)		
	1.0%	1.5%	2.0%
3.7%	43.9	39.1	32.7
4.1%	46.8	44.2	40.7
4.5%	49.2	48.4	47.3

B) Premium / (Discount)

ROCE	Long term growth rate (G)		
	1.0%	1.5%	2.0%
3.7%	-31.6%	-23.4%	-8.3%
4.1%	-35.9%	-32.2%	-26.3%
4.5%	-39.1%	-38.0%	-36.5%

Value creation: ROCE vs Cost of Capital (WACC)



Growth and momentum: to measure the company's historical growth vs sector. And (1H19) business momentum

Chart 4: Growth spread (Revenues)

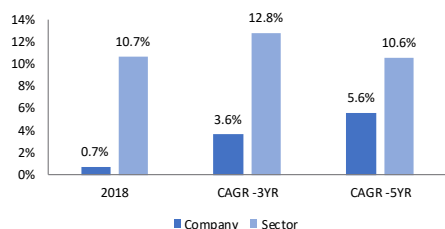


Chart 5: Momentum indicators (growth)1H19 vs 1H18

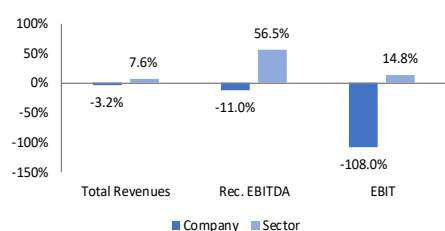
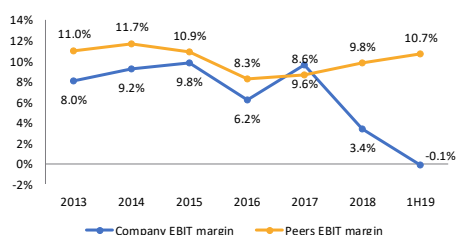


Chart 6: EBIT. Mg. Vs sector



Note: 1H19 LIW EBIT margin excludes the new accounting treatment of operating leases (IFRS16) with a negative impact of EUR 4.1Mn over reported EBIT. Including the treatment of IFRS 16 EBIT margin will amount to 6.1%.

Growth spread vs sector

	Total Revenues			EBITDA			EBIT		
	2018	CAGR -3YR	CAGR -5YR	2018	CAGR -3YR	CAGR -5YR	2018	CAGR -3YR	CAGR -5YR
Company	0.7%	3.6%	5.6%	-43.0%	-11.2%	-2.8%	-64.2%	-27.1%	-11.1%
Sector	10.7%	12.8%	10.6%	21.5%	9.9%	9.6%	30.0%	10.2%	10.6%
Spread (p.p.)	(9.9)	(9.2)	(5.0)	(64.5)	(21.1)	(12.5)	(94.3)	(37.3)	(21.7)

Key Momentum indicators

	Company			Sector Avg			Sector
	1H19	2018	Difer.	1H19	2018	Difer.	CAGR 18-20e
Total Revenues	-3.2%	0.7%	(3.9)	7.6%	10.7%	(3.0)	11.5%
Rec. EBITDA	-11.0%	-43.0%	32.0	56.5%	21.5%	35.0	10.1%
EBITDA / Revenues	6.0%	8.0%	(0.0)	17.1%	13.5%	3.6	(0.1)
EBIT	-108.0%	-64.2%	(43.8)	14.8%	30.0%	(15.2)	6.4%
EBIT/Rev.	-0.1%	3.4%	(0.0)	10.7%	9.8%	0.9	(0.3)

Historical growth vs momentum indicators

Spread vs Sector (p.p.)	Var. -5yr	Var. -3yr	2018	1H19
Total Revenues	(5.0)	(9.2)	(9.9)	(10.8)
Rec. EBITDA	(12.5)	(21.1)	(64.5)	(67.5)
EBITDA / Revenues	(2.5)	(2.9)	(5.6)	(11.2)
EBIT	(21.7)	(37.3)	(94.3)	(122.8)
EBIT/Rev.	(3.4)	(5.3)	(6.4)	(10.8)

(*) For ease of interpretation of the different valuation exercises performed within this report, the company's historical growth differential vs the sector is included together with the evolution of this (-5y, -3y, last financial year and current trading).

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
07-Nov-2019	n.a.	18.00	n.a.	n.a.	Analysis of Historical Financial Statements	David López Sánchez