

EQUITY - SPAIN

Sector: Chemicals

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6m Results 2021 - Estimates upgrade

Closing price: EUR 3.36 (28 Jul 2021)

6m Results 2021

Opinion ⁽¹⁾: Above expectationsImpact ⁽¹⁾: We raise 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.

1H21: very good figures driven by higher PVC prices (we upgrade estimates)

Market Data

Market Cap (Mn EUR and USD)	338.8	401.2
EV (Mn EUR and USD) ⁽²⁾	386.3	457.5
Shares Outstanding (Mn)	101.0	
-12m (Max/Med/Min EUR)	3.66 / 2.47 / 1.68	
Daily Avg volume (-12m Mn EUR)	0.53	
Rotation ⁽³⁾	39.9	
Factset / Bloomberg	ECR-ES / ECR SM	
Close fiscal year	31-Dec	

STRONG SALES GROWTH (28.2% VS 1H20)... at EUR 371.9Mn (+28.2 vs 1H20) mainly due to: (i) the sharp rise in the average price of the company's products (that accounts for c. 65% of the increase; the good performance of PVC, at highs, standing out) and (ii) the larger volume of tonnes sold vs 1H20 (+9.9%). This level of sales not only represents a significant improvement vs 1H20 (logical given the impact of Covid-19), but is also higher than 1H19 (c. 3%; due to the price effect).

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 A VERY SIGNIFICANT IMPROVEMENT IN THE REC. EBITDA MARGIN (11.8% VS 8.8% 1H20). Despite the generalised increase in price of its main procurements (especially EDC and methanol) and utilities (Spanish electricity prices at record highs), the company's high operating leverage resulted in a significant rebound in EBITDA (EUR 44.5Mn vs EUR 26.1Mn in 1H20) with an EBITDA margin of 11.8% (vs 8.8% 1H20).

Financials (Mn EUR)

	2020	2021e	2022e	2023e
Adj. nº shares (Mn)	102.6	101.0	101.0	101.0
Total Revenues	579.3	720.2	728.7	740.6
Rec. EBITDA ⁽⁴⁾	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 ⁽⁵⁾	-3.7	20.7	4.6	6.4
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 ⁽⁶⁾	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 (%) ⁽⁶⁾	3.4	9.5	9.7	9.8

AND A REDUCTION IN NET DEBT (ND: -7.0% VS 2020)... ECR's high cash generation capacity is a fact and 1H21 results have again confirmed this. Despite the increase in working capital (EUR 16.3Mn; to handle the increase in activity) and the buyback of shares for their subsequent cancellation (EUR 3.5Mn), 1H21 net debt decreased to EUR 70.4Mn (-7.0% vs the 2020 close; excluding the impact of IFRS 16).

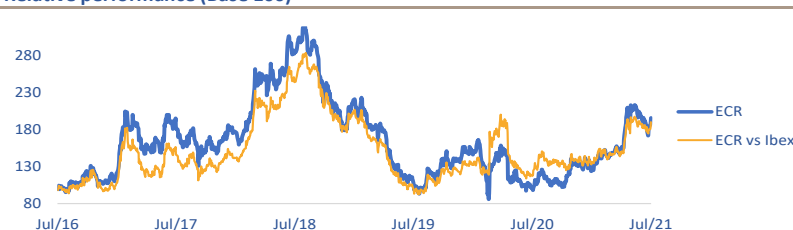
WE UPGRADE OUR ESTIMATES. The company's high operating leverage means a strong performance by sales "triggers" an improvement in all KPIs. This leads us to raise our 2021e Rec. EBITDA to c. EUR 76Mn (Rec. EBITDA margin 10.6%; +9% vs previous estimate).

RESULTS PRICED IN? Despite the excellent performance of the share price (+90% - 12m; +40% vs Ibex Small Caps), 2021e results are trading at a EV/EBITDA of 5x, underpinned by a favourable stage of the cycle that should continue for at least the next two years (Spanish GDP: +6.2% in 2021e and +5.8% in 2022e according to the IMF), providing support for the demand and price of the company's main products with greatest exposure to the cycle (PVC and caustic soda).

Ratios & Multiples (x) ⁽⁷⁾

	2020	2021e	2022e	2023e
P/E	55.0	10.3	9.5	9.0
Ord. P/E	48.7	9.9	9.5	9.0
P/BV	1.2	1.1	1.0	1.0
Dividend Yield (%)	0.0	1.8	2.1	2.4
EV/Sales	0.67	0.54	0.53	0.52
EV/Rec. EBITDA	8.0	5.1	4.9	4.8
EV/EBIT	25.9	8.4	7.9	7.6
FCF Yield (%) ⁽⁶⁾	12.3	4.9	6.3	8.3

Relative performance (Base 100)



Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-0.1	28.3	91.7	55.7	-31.1	96.1
vs Ibex 35	1.9	29.3	59.1	43.9	-22.1	90.4
vs Ibex Small Cap Index	2.6	29.8	38.7	46.9	-40.0	4.2
vs Eurostoxx 50	-0.5	25.5	54.4	34.8	-40.8	41.8
vs Sector benchmark ⁽⁵⁾	-3.4	22.3	56.3	35.0	-47.9	17.6

(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.

6m Results 2021
Estimates upgrade

Table 1. 1H21 Results

EUR Mn	6m21 Real	6m20	6m21 Real vs 6m20	2021e	2021e vs 2020
Total Revenues	378.3	296.9	27.4%	720.2	24.3%
Recurrent EBITDA¹	44.5	26.1	70.6%	76.3	58.2%
<i>Rec. EBITDA/Revenues</i>	<i>11.8%</i>	<i>8.8%</i>	<i>3.0 p.p.</i>	<i>10.6%</i>	<i>2.3 p.p.</i>
EBITDA	43.8	24.2	81.4%	74.8	58.0%
<i>EBITDA/Revenues</i>	<i>11.6%</i>	<i>8.1%</i>	<i>3.5 p.p.</i>	<i>10.4%</i>	<i>2.2 p.p.</i>
EBIT	29.7	9.5	212.7%	45.9	207.5%
PBT	26.9	5.7	371.5%	40.3	476.9%
NP	20.3	4.4	363.3%	33.0	428.1%
Rec. FCF	10.7	14.9	-28.1%	16.5	-60.4%
Net Debt ²	70.4	75.7	-7.0%	71.3	-5.8%

Note 1: Recurrent EBITDA 1H21 adjusted to strip out the impact of: (i) the reversal of provisions and other extraordinary revenue (EUR 1.2Mn) and (ii) provisioning (EUR 2Mn).

Note 2: Net Debt adjusted to strip out the impact of IFRS 16 (EUR 7.9Mn in 1H21 and EUR 9.1Mn at the 2020 close).

Table 2. Review of estimates

EUR Mn	2021e (New)	Review (%)	2022e (New)	Review (%)	2023e (New)	Review (%)
Total Revenues	720.2	6.3%	728.7	3.1%	740.6	2.9%
Recurrent EBITDA	76.3	9.0%	78.2	0.3%	80.6	0.1%
<i>Recurrent EBITDA growth</i>	<i>58.2%</i>	<i>13.0 p.p.</i>	<i>2.5%</i>	<i>-8.9 p.p.</i>	<i>3.1%</i>	<i>-0.2 p.p.</i>
<i>Rec. EBITDA/Revenues</i>	<i>10.6%</i>	<i>0.3 p.p.</i>	<i>10.7%</i>	<i>-0.3 p.p.</i>	<i>10.9%</i>	<i>-0.3 p.p.</i>
EBIT	45.9	37.9%	48.8	14.6%	50.8	12.8%
Net Profit	33.0	46.6%	35.6	17.5%	37.5	14.5%
Recurrent Free Cash Flow	16.5	180.5%	21.4	-2.8%	28.2	-2.2%
<i>ND / EBITDA</i>	<i>0.9 x</i>	<i>-0.2 x</i>	<i>0.9 x</i>	<i>0.0 x</i>	<i>0.7 x</i>	<i>0.0 x</i>

Note: In the light of 1H21 results we downgrade our estimates for depreciation and provisions from EUR 28Mn to EUR 22Mn (which significantly impacts EBIT and net profit for 2021e and following years).

Valuation inputs

Inputs for the DCF Valuation Approach

	2021e	2022e	2023e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	19.6	25.9	32.4	n.a.		
Market Cap	338.8	At the date of this report				
Net financial debt	70.4	Debt net of Cash (6m 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)	0.3%	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	12.0%	Ke = Rf + (R * B)			10.5%	13.6%
Equity / (Equity + Net Debt)	82.8%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	17.2%	D			=	=
WACC	10.4%	WACC = Kd * D + Ke * E			9.1%	11.8%
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 Factset	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	60,996.2	11.6	-0.9%	7.0	-0.6%	1.1	0.4%	15.3%	5.8%	7.2%
Solvay	SOLB-BE	11,754.9	15.2	10.8%	7.6	5.0%	1.7	4.8%	22.2%	5.4%	14.4%
Covestro AG	1COV-DE	10,616.1	7.9	-6.2%	4.2	-2.0%	0.8	3.9%	20.0%	13.8%	-16.9%
Akzo Nobel AS	AKZA-NL	18,826.7	22.3	13.0%	13.1	8.3%	2.2	4.5%	16.7%	4.1%	14.6%
Europe			14.3	4.2%	8.0	2.7%	1.4	3.4%	18.5%	7.3%	4.8%
DowDuPont	DOW-US	39,104.1	7.7	-16.8%	5.2	-11.3%	1.2	-1.3%	22.4%	11.3%	-3.0%
Olin Corp	OLN-US	6,289.6	7.2	-1.2%	5.1	1.2%	1.3	0.8%	25.6%	17.2%	7.3%
Westlake	WLK-US	9,010.9	7.6	-14.9%	5.0	-9.1%	1.4	-0.9%	27.6%	12.4%	-1.6%
USA			7.5	-11.0%	5.1	-6.4%	1.3	-0.5%	25.2%	13.7%	0.9%
ECR	ECR-ES	338.8	10.3	6.5%	5.1	3.8%	0.5	1.4%	10.4%	4.9%	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	4.7x
Central	10.7%	78.2	4.9x
Min	10.2%	74.6	5.2x

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	Central
81.9	28.0	25.1	22.1	Max	8.3%	7.4%	6.5%
78.2	24.3	21.4	18.5	Central	7.2%	6.3%	5.5%
74.6	20.7	17.8	14.9	Min	6.1%	5.2%	4.4%

Appendix 1. Financial Projections⁽¹⁾

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		
Total assets	485.4	562.6	581.6	584.1	543.6	572.6	585.3	596.7		
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		
Equity & Total Liabilities	485.4	562.6	581.6	584.1	543.6	572.6	585.3	596.7		
CAGR										
P&L (EUR Mn)	2016	2017	2018	2019	2020	2021e	2022e	2023e	16-20	20-23e
Total Revenues	606.9	689.3	677.1	677.9	579.3	720.2	728.7	740.6	-1.2%	8.5%
<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)		
Gross Margin	247.5	256.1	242.0	238.6	230.9	275.5	278.3	282.2	-1.7%	6.9%
<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)		
Recurrent EBITDA	58.4	70.3	64.3	58.0	48.2	76.3	78.2	80.6	-4.7%	18.7%
<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)	-	-		
EBITDA	58.4	48.5	67.3	62.4	47.3	74.8	78.2	80.6	-5.1%	19.4%
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)		
EBIT	51.0	34.3	43.2	31.2	14.9	45.9	48.8	50.8	-26.5%	50.3%
<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	-	-	-	-		
Ordinary Profit	45.3	28.7	38.0	25.1	7.0	40.3	43.4	45.7	-37.3%	87.0%
<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)	-	-	-	-		
Profit Before Tax	45.3	28.6	38.0	22.6	7.0	40.3	43.4	45.7	-37.3%	87.0%
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	-	-	-	-	-	-	-	-		
Net Profit	45.2	44.5	44.9	31.0	6.3	33.0	35.6	37.5	-39.0%	81.6%
<i>Net Profit growth</i>	523.8%	-1.5%	0.9%	-30.8%	-79.8%	428.1%	7.7%	5.3%		
Ordinary Net Profit	45.2	50.4	35.0	20.7	7.1	34.3	35.6	37.5	-37.1%	74.4%
<i>Ordinary Net Profit growth</i>	569.1%	11.6%	-30.6%	-40.9%	-65.8%	384.9%	3.8%	5.3%		
CAGR										
Cash Flow (EUR Mn)	2016	2017	2018	2019	2020	2021e	2022e	2023e	16-20	20-23e
Recurrent EBITDA						76.3	78.2	80.6	-4.7%	18.7%
Rentals (IFRS 16 impact)						(7.3)	(7.3)	(7.3)		
Working Capital Increase						(9.6)	(6.3)	(1.8)		
Recurrent Operating Cash Flow						59.4	64.7	71.5	1.4%	-2.0%
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)		
Recurrent Free Cash Flow						16.5	21.4	28.2	-2.8%	-12.2%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						(1.5)	-	-		
Free Cash Flow						15.0	21.4	28.2	-6.5%	-8.0%
Capital Increase						(10.6)	(10.7)	(10.5)		
Dividends						-	(5.9)	(7.1)		
Net Debt Variation						(4.4)	(4.8)	(10.6)		

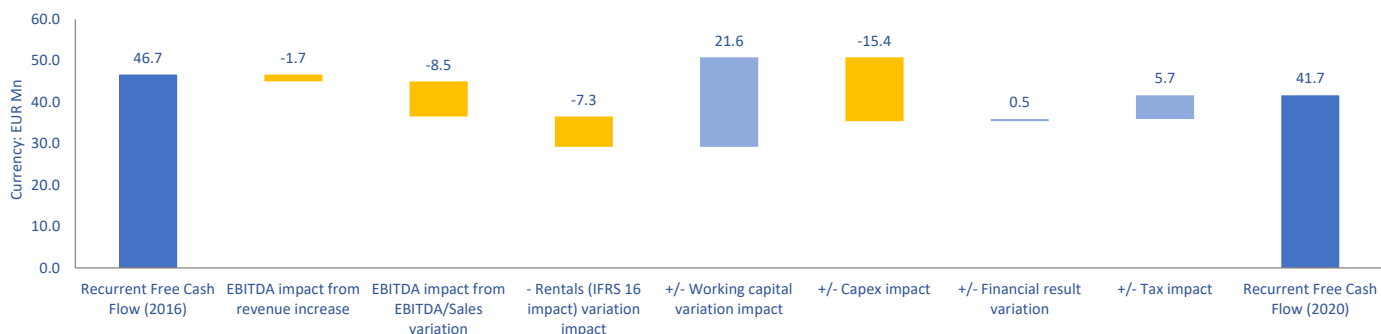
Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 7.8Mn higher due to IFRS 16.

Appendix 2. Free Cash Flow⁽¹⁾

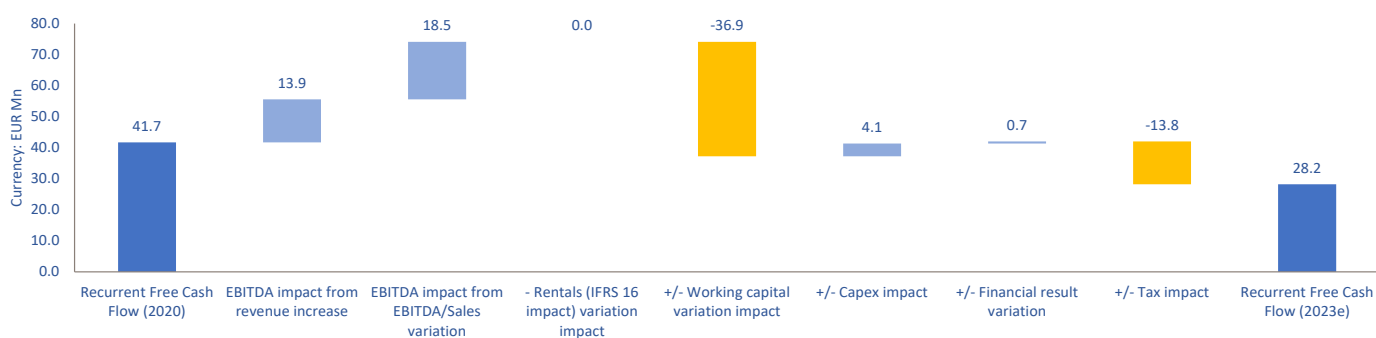
A) Cash Flow Analysis (EUR Mn)	2017	2018	2019	2020	2021e	2022e	2023e	CAGR	
								17-20	20-23e
Recurrent EBITDA	70.3	64.3	58.0	48.2	76.3	78.2	80.6	-11.8%	18.7%
<i>Recurrent EBITDA growth</i>	20.3%	-8.5%	-9.7%	-16.9%	58.2%	2.5%	3.1%		
<i>Rec. EBITDA/Revenues</i>	10.2%	9.5%	8.6%	8.3%	10.6%	10.7%	10.9%		
- 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)		
= Recurrent Operating Cash Flow	57.1	47.2	79.8	76.0	59.4	64.7	71.5	10.0%	-2.0%
<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)		
= Recurrent Free Cash Flow	23.8	5.6	38.1	41.7	16.5	21.4	28.2	20.6%	-12.2%
<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)	-	-		
= Free Cash Flow	1.9	5.6	20.4	36.2	15.0	21.4	28.2	n.a.	-8.0%
<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>	7.0%	1.7%	11.2%	12.3%	4.9%	6.3%	8.3%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	0.6%	1.7%	6.0%	10.7%	4.4%	6.3%	8.3%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
Recurrent FCF(FY - 1)	46.7	23.8	5.6	38.1	41.7	16.5	21.4		
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		
= Recurrent EBITDA variation	11.9	(6.0)	(6.2)	(9.8)	28.1	1.9	2.4		
- 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		
= Recurrent Operating Cash Flow variation	(14.7)	(9.9)	32.6	(3.8)	(16.6)	5.3	6.9		
+/- 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)		
= Recurrent Free Cash Flow variation	(22.9)	(18.2)	32.5	3.6	(25.2)	4.9	6.8		
Recurrent Free Cash Flow	23.8	5.6	38.1	41.7	16.5	21.4	28.2		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
EBIT	34.3	43.2	31.2	14.9	45.9	48.8	50.8	-24.2%	50.3%
* <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)		
Recurrent EBITDA	70.3	64.3	58.0	48.2	76.3	78.2	80.6	-11.8%	18.7%
- 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)		
= Recurrent Operating Cash Flow	57.1	47.2	79.8	76.0	59.4	64.7	71.5	10.0%	-2.0%
- 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)		
= Recurrent Free Cash Flow (To the Firm)	14.3	5.1	42.7	40.3	21.1	25.9	32.4	41.4%	-7.0%
<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)	-	-		
= Free Cash Flow "To the Firm"	14.2	5.1	48.4	40.3	19.6	25.9	32.4	41.7%	-7.0%
<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>	3.7%	1.3%	11.1%	10.4%	5.5%	6.7%	8.4%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	3.7%	1.3%	12.5%	10.4%	5.1%	6.7%	8.4%		

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

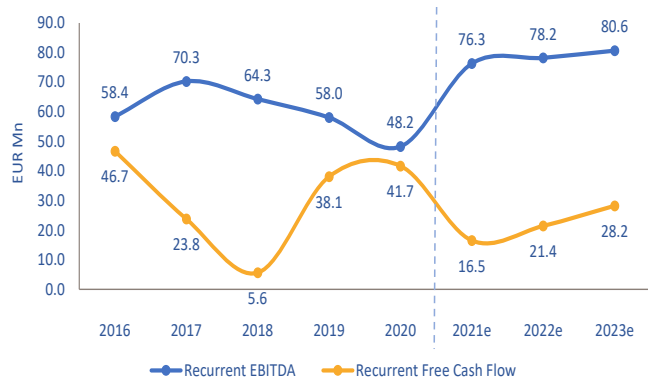
Recurrent Free Cash Flow accumulated variation analysis (2016 - 2020)



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	338.8	
+ Minority Interests	-	6m Results 2021
+ Provisions & Other L/T Liabilities	17.5	6m Results 2021
+ Net financial debt	70.4	6m Results 2021
- Financial Investments	35.8	6m Results 2021
+/- Others ⁽¹⁾	(4.6)	Lighthouse 2021
Enterprise Value (EV)	386.3	

(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	CAGR 20-23e
Total Revenues	609.3	686.0	639.5	625.0	603.7	618.3	606.9	689.3	677.1	677.9	579.3	720.2	728.7	740.6	-0.5%	8.5%
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%		
EBITDA	10.9	26.9	21.1	29.0	19.1	36.7	58.4	48.5	67.3	62.4	47.3	74.8	78.2	80.6	15.9%	19.4%
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%		
Net Profit	(14.0)	(0.9)	(11.7)	(0.3)	(7.1)	7.2	45.2	44.5	44.9	31.0	6.3	33.0	35.6	37.5	9.4%	81.6%
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%		
Free Cash Flow	(18.7)	3.6	3.1	19.5	21.9	4.9	47.3	1.9	5.6	20.4	36.2	15.0	21.4	28.2	14.7%	-8.0%
ND/EBITDA (x) ⁽³⁾	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	10.3x	9.5x	9.0x		
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	0.54x	0.53x	0.52x		
EV/EBITDA (x) ⁽³⁾	15.4x	5.6x	8.8x	7.1x	9.1x	5.2x	5.3x	8.7x	7.0x	6.2x	6.5x	5.2x	4.9x	4.8x		
Absolute performance	-48.6%	-4.8%	-41.2%	18.8%	-17.3%	56.7%	198.7%	55.4%	8.9%	-17.8%	-15.8%	55.7%				
Relative performance vs Ibx 35	-37.8%	9.6%	-38.3%	-2.2%	-20.2%	68.8%	204.8%	44.7%	28.1%	-26.5%	-0.4%	43.9%				

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

		Europe					USA				
		BASF SE	Solvay	Covestro AG	Akzo Nobel AS	Average	DowDuPont	Olin Corp	Westlake	Average	ECR
Market data	EUR Mn										
Ticker (Factset)		BAS-DE	SOLB-BE	1COV-DE	AKZA-NL		DOW-US	OLN-US	WLK-US		ECR-ES
Country		Germany	Belgium	Germany	Netherlands		United States	United States	United States		Spain
Market cap		60,996.2	11,754.9	10,616.1	18,826.7		39,104.1	6,289.6	9,010.9		338.8
Enterprise value (EV)		77,751.2	16,148.9	11,475.1	20,900.7		51,389.4	9,246.1	11,743.3		386.3
Basic financial information	Total Revenues	72,941.3	9,609.8	13,630.9	9,561.2		43,906.1	7,082.5	8,514.5		720.2
	Total Revenues growth	23.3%	-1.1%	27.3%	12.1%	15.4%	34.4%	45.1%	33.9%	37.8%	24.3%
	2y CAGR (2021e - 2023e)	0.4%	4.8%	3.9%	4.5%	3.4%	-1.3%	0.8%	-0.9%	-0.5%	1.4%
	EBITDA	11,150.1	2,134.6	2,721.3	1,593.7		9,831.3	1,810.1	2,350.6		74.8
	EBITDA growth	56.8%	15.7%	80.8%	19.9%	43.3%	124.7%	292.8%	124.0%	180.5%	58.0%
	2y CAGR (2021e - 2023e)	-0.6%	5.0%	-2.0%	8.3%	2.7%	-11.3%	1.2%	-9.1%	-6.4%	3.8%
	EBITDA/Revenues	15.3%	22.2%	20.0%	16.7%	18.5%	22.4%	25.6%	27.6%	25.2%	10.4%
	EBIT	7,108.5	1,333.5	1,930.9	1,247.1		7,123.6	1,337.7	1,678.1		45.9
	EBIT growth	115.1%	60.9%	164.9%	29.2%	92.5%	226.7%	n.a.	325.8%	276.3%	207.5%
	2y CAGR (2021e - 2023e)	-1.2%	8.3%	-6.6%	9.9%	2.6%	-15.2%	1.6%	-14.4%	-9.3%	5.1%
	EBIT/Revenues	9.7%	13.9%	14.2%	13.0%	12.7%	16.2%	18.9%	19.7%	18.3%	6.4%
	Net Profit	5,045.1	686.4	1,338.1	852.9		5,056.0	874.0	1,201.8		33.0
	Net Profit growth	447.0%	161.0%	191.5%	33.9%	208.4%	390.6%	206.3%	331.0%	309.3%	428.1%
	2y CAGR (2021e - 2023e)	-1.0%	13.6%	-6.1%	9.6%	4.0%	-17.6%	1.7%	-16.5%	-10.8%	6.5%
CAPEX/Sales %	5.1%	7.2%	5.9%	2.8%	5.2%	3.1%	2.4%	6.5%	4.0%	4.2%	
Free Cash Flow	3,519.9	637.1	1,465.2	773.8		4,436.4	1,083.3	1,115.8		15.0	
Net financial debt	15,253.7	3,224.3	1,943.3	1,884.7		8,722.8	2,332.5	1,302.1		71.3	
ND/EBITDA (x)	1.4	1.5	0.7	1.2	1.2	0.9	1.3	0.6	0.9	0.9	
Pay-out	62.1%	56.1%	33.7%	46.2%	49.5%	34.9%	12.2%	9.9%	19.0%	18.0%	
Multiples and Ratios	P/E (x)	11.6	15.2	7.9	22.3	14.3	7.7	7.2	7.6	7.5	10.3
	P/BV (x)	1.7	1.6	1.6	3.7	2.2	2.9	3.1	1.4	2.5	1.1
	EV/Revenues (x)	1.1	1.7	0.8	2.2	1.4	1.2	1.3	1.4	1.3	0.5
	EV/EBITDA (x)	7.0	7.6	4.2	13.1	8.0	5.2	5.1	5.0	5.1	5.1
	EV/EBIT (x)	10.9	12.1	5.9	16.8	11.4	7.2	6.9	7.0	7.0	8.4
	ROE	14.8	10.7	20.3	16.4	15.6	37.4	42.6	18.8	32.9	11.2
	FCF Yield (%)	5.8	5.4	13.8	4.1	7.3	11.3	17.2	12.4	13.7	4.9
	DPS	3.41	3.73	2.44	2.06	2.91	2.39	0.68	0.93	1.33	0.06
Dvd Yield	5.1%	3.3%	4.4%	2.0%	3.7%	4.5%	1.7%	1.3%	2.5%	1.8%	

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).

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
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

