

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: 6 Nov 2020
 Closing price: EUR 8.40 (5 Nov 2020)

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 409 stores (vs 447 in 2019) in Spain (371) Italy (13), Portugal (22) and Greece (3) in addition to its own online store. Its core market is the local one (> 85% of 2019 revenue)."

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What the numbers are saying today

Market Data

Market Cap (Mn EUR and USD)	14.0	16.6
EV (Mn EUR and USD) ⁽¹⁾	71.7	84.7
	55.9	42.6
Shares Outstanding (Mn)	1.7	
-12m (Max/Med/Min EUR)	19.00 / 17.89 / 8.40	
Daily Avg vol.(-12m Mn EUR)	n.m.	
Rotation (%) ⁽²⁾	0.00	
Thomson Reuters / Bloomberg	LIWA.SCT / LIW SM	
Close fiscal year	31 Dec	

Shareholders Structure (%)

Founding family	76.7
F.F. Bernabé (CEO)	7.6
Free Float	15.7

Financials (Mn EUR)

	2016	2017	2018	2019
Adj. nº shares (Mn)	1.7	1.7	1.7	1.7
Total Revenues	147.7	155.5	156.7	145.3
Rec. EBITDA ⁽³⁾	16.0	21.9	12.5	34.6
% growth	-9.9	36.3	-43.0	178.0
% Rec. EBITDA/Rev.	10.9	14.1	8.0	23.8
% Inc. EBITDA sector ⁽⁴⁾	17.2	3.2	4.3	32.9
Net profit	5.1	9.6	6.4	0.2
EPS (EUR)	3.06	5.74	3.83	0.12
% growth	-16.2	87.5	-33.2	-96.9
Ord. EPS (EUR)	3.68	6.16	4.02	n.a.
% growth	-26.2	67.5	-34.7	n.a.
Rec. Free Cash Flow ⁽⁵⁾	2.6	3.4	-2.3	-11.0
Pay-out (%)	16.3	26.1	0.0	0.0
DPS (EUR)	0.50	1.50	0.00	0.00
Net financial debt	33.4	30.5	32.6	42.6
ND/Rec. EBITDA (x)	2.1	1.4	2.6	1.2
ROE (%)	10.4	17.2	10.2	0.4
ROCE (%)	9.2	13.3	4.5	9.2

Ratios & Multiples(x)⁽⁶⁾

P/E	2.7	1.5	2.2	70.8
Ord. P/E	2.3	1.4	2.1	n.a.
P/BV	0.3	0.2	0.2	0.3
Dividend Yield (%)	6.0	17.9	0.0	0.0
EV/Sales	0.49	0.46	0.46	0.49
EV/Rec. EBITDA	4.5	3.3	5.8	2.1
EV/EBIT	6.8	4.5	12.4	8.3
FCF Yield (%) ⁽⁵⁾	18.7	24.4	n.a.	n.a.

(1) Please refer to page 8.

(2) Rotation represents the % of the capitalisation traded - 12m.

(3) FY 2019 EBITDA is c. EUR 26.4Mn higher due to IFRS 16.

(4) Sector: Stoxx Europe 600 Retail.

(5) Based on recurrent FCF. Please refer to page 7.

(6) Multiples and ratios calculated over prices at the date of this report.

LOW SINGLE-DIGIT REVENUE GROWTH (+2.7% CAGR 2014-2019), showing a certain slowdown in the last three years (flat revenues 2016-2019: -0.5% CAGR 2016-2019) the result of a decline in revenues in 2019 (-7.3% vs 2018). LIW ended 2019 with 447 stores (-3% vs 2018).

WITH MARGINS UNDER PRESSURE, putting 2019 EBITDA (adjusted to strip out the impact of IFRS 16; EUR 26.4Mn) at EUR 8.2Mn (2019 adjusted EBITDA margin 5.7% vs 12.5% in 2014). Which in terms of adjusted EBITDA translates to a fall of 12.2% in the CAGR for 2014-2019 (2014 EBITDA: EUR 15.8Mn).

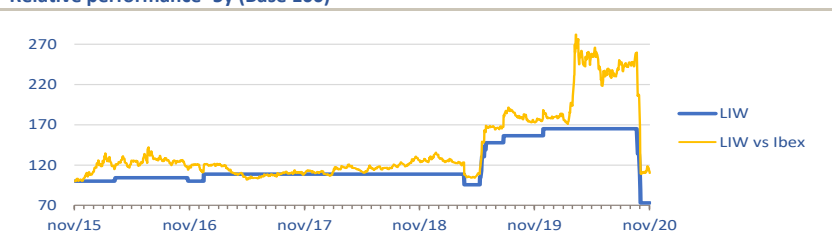
AND AN INCREASE IN DEBT. 2019 net debt was EUR 42.6Mn (vs EUR 27.2Mn in 2014; +57%). The increase in net debt during the period analysed was mainly due to the consumption of cash for CAPEX and working capital.

MOMENTUM WHAT DO THE MOST RECENT RESULTS SHOW? The shock caused by Covid-19 hit head on in 1H20, with revenues falling c. 41%, distancing EBIT from breakeven at EUR -12.3Mn (vs EUR 4Mn in 1H19). And driving **ND to EUR 55.9Mn** (+31% vs 2019). 3Q20 results show a certain recovery of revenue, the decline slowing to 32%.

WHAT IS THE SHARE PRICE TELLING US? Given the sharp fall in the share price (-55.8% YTD), LIW is "apparently" trading today at a > 50% discount to its sector (estimated on the basis of a "theoretical" EV/sales ratio; calculated as the sector EV/Sales ratio adjusted for the margin spread). The conclusion remains intact if we use other multiples (discount of c. 30% vs sector in terms of EV/EBIT). This valuation exercise has the sole use (and goal) of serving as an intuitive "value indicator". But does not represent a valuation *per se*.

IN CONCLUSION: WHAT ARE THE NUMBERS SAYING? Although momentum indicators are not favourable (a fall in revenue, narrowing of margins in 2019 and increase in debt on top of a sector impacted head on by Covid-19 in 1H20), theoretical valuation exercises based on multiples adjusted for the margin spread vs the sector point to a possible "reserve of value" (which the lack of financial projections makes it impossible to verify).

Relative performance -5y (Base 100)



Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-33.3	-55.8	-53.3	-55.8	-32.8	-27.0
vs Ibex 35	-34.2	-55.1	-36.6	-39.0	0.5	10.0
vs Ibex Small Cap Index	-31.6	-57.4	-52.1	-53.9	-37.5	-45.9
vs Eurostoxx 50	-33.2	-55.1	-46.6	-48.5	-22.9	-21.7
vs sector Benchmark ⁽⁴⁾	-33.2	-58.8	-57.7	-56.8	-47.5	-34.0

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

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This report has been prepared on the basis of information available to the public. The report includes a financial analysis of the company covered. The report does not propose any personalised investment recommendation. Investors should consider the contents of this report as just another element in their investment decision-making process. The final two pages of this report contain very important legal information regarding its contents.

Contents

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 relative to the sector.

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.

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) **BUSINESS MOMENTUM.** 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.

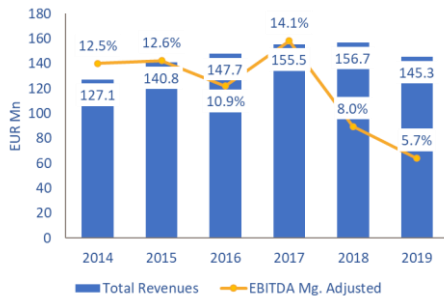
IN CONCLUSION: this report is not a conventional fundamental analysis (financial projections, valuation, and recommendation). However, it does aim to be a useful tool for investors to get to know the company better by providing a systematic presentation of the available information so that, in the end,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

2. Conclusions

Arising from our analysis of the company's "verifiable numbers", based exclusively on the financial statements already published (2014-2019), we would highlight the following points:

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

Chart 1. Revenues & EBITDA Mg.(2014-2019)



Note: 2019 EBITDA Mg. Adjusted to exclude IFRS 16 impact (EUR 26,4Mn in 2019).

Chart 2. ND vs (CAPEX+WC) / Revenues

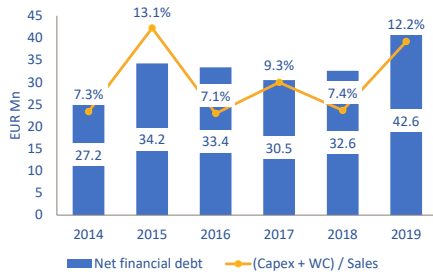
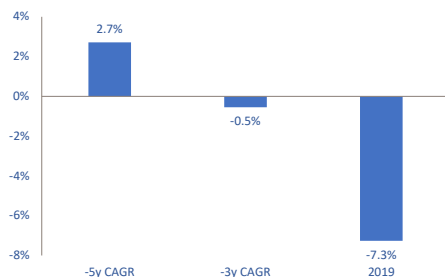


Chart 3. Total revenues trend (-5y, -3y, 2019)



What happened in 2014-2019?

- **Low revenue growth (+2.7% CAGR 2014 – 1H20)**, with sales in 2019 of EUR 145.3Mn (vs EUR 127.1Mn in 2014), boosted by the increase in the number of LIW stores (447 at the 2019 close vs 349 in 2014).
- **With margins under pressure (-7p.p. in 2014-2019 in terms of adjusted EBITDA)**, putting 2019 EBITDA (adjusted to strip out the impact of IFRS 16; chart 1) at EUR 8.2Mn (2019 adjusted EBITDA margin 5.7% vs 12.5% in 2014), accumulating a fall of 12.2% in the CAGR in 2014-2019 (2014 EBITDA: EUR 15.8Mn).
- **Maintaining high CAPEX levels (which have restricted cash generation)**. In 2014-2019 LIW maintained (on average) a CAPEX/sales ratio of c. 5.5%. The high CAPEX is mainly due to the increase in the number of LIW stores (with 98 openings in 2014-2019; +30% of 2014 stores), with average CAPEX per store of c. EUR 350k.
- **And growing debt, 2019 net debt of EUR 42.6Mn (vs EUR 27.7Mn in 2014; + 57%)**. The increase in net debt during the period is essentially explained by the consumption of cash for CAPEX and working capital (cumulative impact in 2015-2019 of c. EUR 40Mn and EUR 30Mn, respectively). 2019 ND/adjusted EBITDA was 4.9x (vs 1.7x in 2014).

What has been the trend?

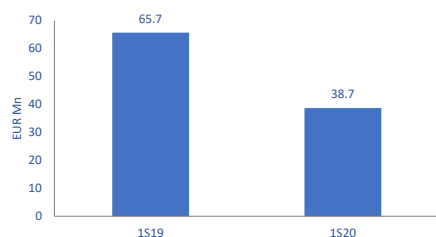
- **Growth has slowed in the last 3 years:** with flat revenues in 2016-2019 (revenues: -0.5% CAGR 2016-2019).
- **And in 2019?** Growth was interrupted, 2019 ending with a 7.3% decline in revenue vs 2018, partly due to the restructuring of the sales network begun in 2019 (with the closure of unprofitable stores which reduced the number of stores by 14 vs 2018).

In terms of profitability, the loss of margin seen in 1H19 results was confirmed, 2019 EBITDA adjusted to strip out the impact of IFRS 16 closing at EUR 8.2Mn (adjusted EBITDA margin of 5.7%; -2.3p.p. vs 2018), c. 6p.p. below the average EBITDA margin obtained in 2014-2018 (11.6%).

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

- **In terms of revenue:** In 2014-2019 the company maintained a negative revenue growth differential vs its main peers of c. 10p.p. which increased in 2019 to > 18p.p. when the revenue growth of its main comparables was c. 11.5% (vs. a fall in revenue of 7.3% for LIW).
- **In terms of margins:** The company's EBIT margin remained c. 2p.p. below that of its main comparables in 2014-2019 (average for LIW of 8% vs 10% for its peers). However, this spread widened in 2018 and 2019, when the loss of profitability of LIW's business resulted in a 2019 EBIT margin of 5.9% (vs a -3y average of 6.6%); while sector comparables achieved an improvement of 0.3p.p.

Chart 4. Revenues (1H20 vs 1H19)

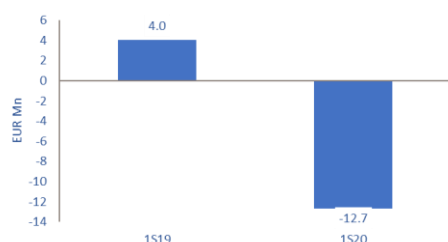


Momentum (1H20): What do the most recent results show?

The health crisis unleashed by Covid-19 has impacted the fashion sector head on, with the temporary closure of stores in the main countries where the company operates (Spain and Italy) in 2Q20. Consequently, the company's 1H20 results were totally shaped by the impact of the pandemic. In this situation, perhaps the most interesting question to ask is: how have the company's fundamentals done in this difficult environment?

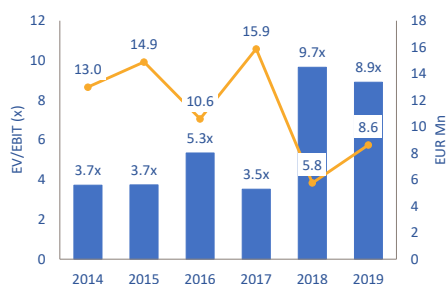
- **Significant decline in revenues (-41% vs 1H19).** The lockdown enforced by the pandemic in 2Q resulted in the temporary closure of the company's bricks and mortar stores, reducing revenue to EUR 38.7Mn (-41% vs 1H19), and the number of stores to 413 (-7.5% vs 2019).
- **... that caused a slump in EBIT (EUR -12.7Mn vs EUR 4Mn in 1H19).** 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 (1H20 EBIT EUR -12.7Mn vs EUR 4Mn in 1H19).
- **Accelerating the consumption of cash (despite lower CAPEX),** mainly due to the very significant impact of Covid-19 on the company's business (Revenues -41%; EBIT -12.7Mn). 1H20 ND was EUR 55.9Mn (+31% vs 2019), with 50% of this classified as short term (including EUR 14.5Mn corresponding to credit lines that are usually renewed annually). The increase in debt has mainly occurred in long-term loans (EUR 30Mn in 1H20 vs EUR 14Mn in 2019).

Chart 5. EBIT (1H20 vs 1H19)



B) Theoretical valuation exercises

Chart 7. Evolución del EV/EBIT vs EBIT (2014-2019)



In relative terms (vs peers) the company is apparently trading at a >50% discount, estimated on the basis of LIW's theoretical EV/sales ratio calculated as the EV/sales ratio of the sector adjusted by the EBIT margin spread between the company and the sector. The conclusion remains intact if we use other multiples (discount of c. 35% vs sector in terms of EV/EBIT). This valuation exercise has the sole use (and goal) of serving as a "value indicator". But does not represent a valuation *per se*.

In conclusion: what are the numbers saying? The slowing of revenue growth in 2015-2018 had a dramatic postscript in 2019 (revenues: -7.3% vs 2018), with margins that, if we strip out the impact of IFRS 16, remain under pressure (adjusted 2019 EBITDA margin: 5.7% vs an average margin of c. 10% in 2014-2018). Although momentum indicators are not favourable (Covid-19 has impacted the sector head on), theoretical valuation exercises based on multiples adjusted for the margin spread vs the sector 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 (2014-2019)

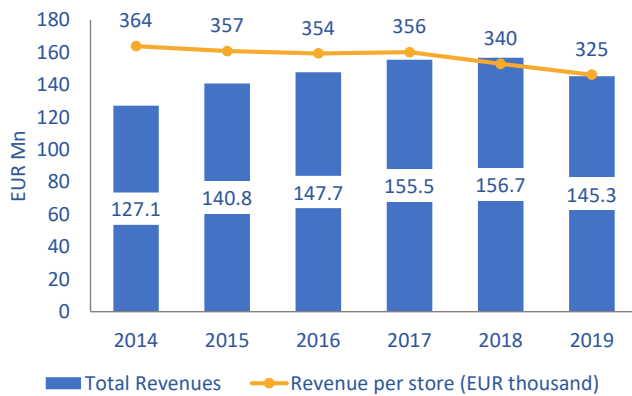


Chart 2: Revenues by Geography (2019)

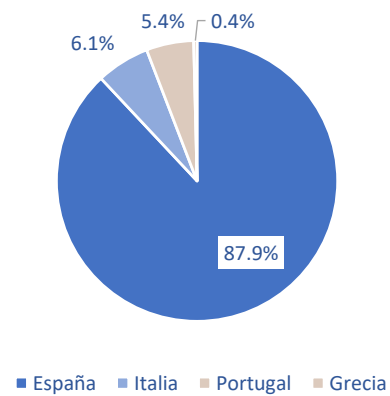


Chart 3: Revenues and Gross margin growth (y/y)

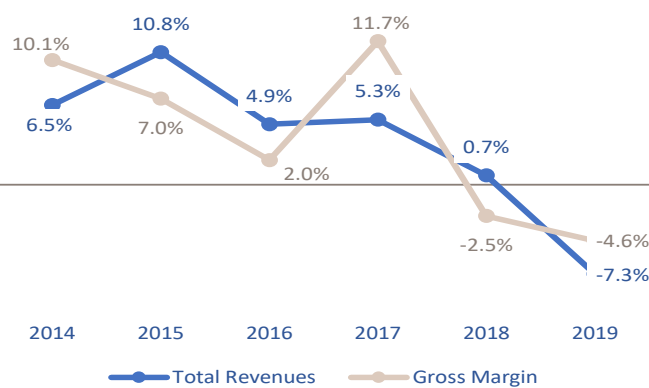


Chart 4: EBIT and Net Profit 2014-2019

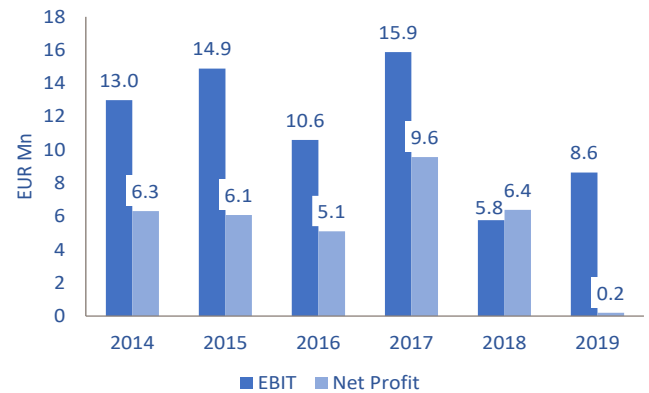


Chart 5: Rec. Free Cash Flow vs (CAPEX + WC) / Sales

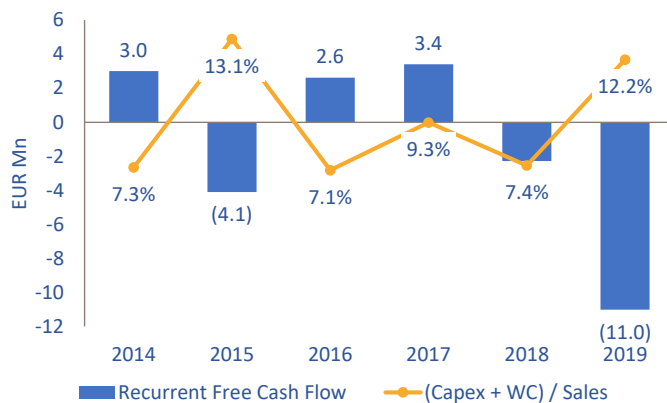
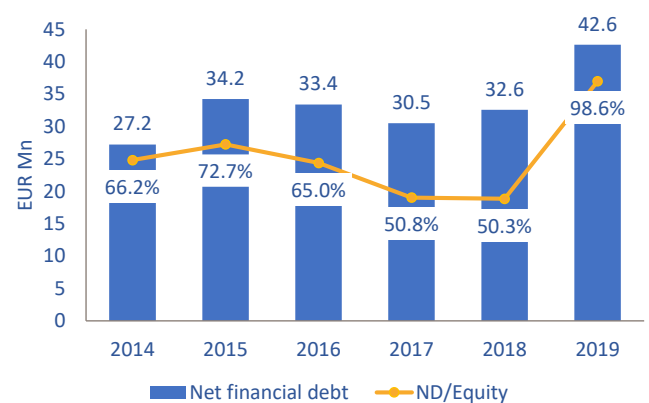


Chart 6: Net Debt vs ND/Equity



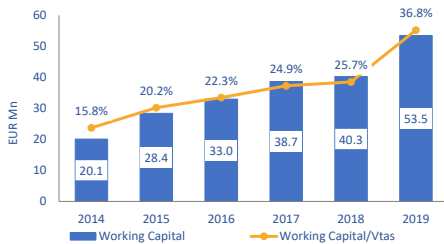
4. Basic financial information
Historical Financial Statements (2014 - 2019) ⁽¹⁾

Balance Sheet (EUR Mn)	2014	2015	2016	2017	2018	2019		
Intangible Assets	1.2	1.9	1.8	1.3	1.2	97.9		
Fixed Assets	44.6	48.1	47.3	49.8	52.7	48.1		
Other Non Current Assets	5.3	5.3	5.1	5.4	5.5	12.0		
Financial Investments	0.6	0.6	0.4	1.0	0.8	1.8		
Goodwill & Other Intangibles	-	-	-	-	-	-		
Current Assets	34.5	41.5	44.8	53.5	55.1	64.4		
Total assets	86.1	97.3	99.4	111.0	115.3	224.3		
Equity	41.1	47.1	51.3	60.1	64.8	43.2		
Minority Interests	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	3.4	2.9	2.9	5.5	3.1	4.4		
Other Non Current Liabilities	-	-	-	-	-	123.2		
Net financial debt	27.2	34.2	33.4	30.5	32.6	42.6		
Current Liabilities	14.4	13.1	11.8	14.9	14.8	10.9		
Equity & Total Liabilities	86.1	97.3	99.4	111.0	115.3	224.3		
							CAGR	
P&L (EUR Mn)	2014	2015	2016	2017	2018	2019	14-19	16-19
Total Revenues	127.1	140.8	147.7	155.5	156.7	145.3	2.7%	-0.5%
Total Revenues growth	6.5%	10.8%	4.9%	5.3%	0.7%	-7.3%		
COGS	(40.4)	(48.0)	(53.1)	(49.9)	(53.7)	(47.0)		
Gross Margin	86.7	92.8	94.6	105.7	103.0	98.3	2.5%	1.3%
Gross Margin (o/Revenues)	68.2%	65.9%	64.1%	67.9%	65.7%	67.6%		
Personnel Expenses	(37.2)	(38.8)	(39.4)	(41.9)	(45.6)	(45.0)		
Other Operating Expenses	(33.7)	(36.2)	(39.2)	(41.9)	(45.0)	(18.7)		
Recurrent EBITDA	15.8	17.8	16.0	21.9	12.5	34.6	17.0%	29.3%
Recurrent EBITDA growth	9.9%	12.5%	-9.9%	36.3%	-43.0%	178.0%		
Rec. EBITDA/Revenues	12.5%	12.6%	10.9%	14.1%	8.0%	23.8%		
Restructuring Expense & Others	(0.6)	(0.1)	-	-	-	-		
Depreciation & Provisions	15.2	17.8	16.0	21.9	12.5	34.6	17.9%	29.3%
Depreciation & Provisions	(4.3)	(4.9)	(5.4)	(6.0)	(6.7)	(7.0)		
Capitalized Expense	2.1	2.0	-	-	-	-		
Rentals (IFRS 16 impact)	-	-	-	-	-	(19.0)		
EBIT	13.0	14.9	10.6	15.9	5.8	8.6	-7.9%	-6.6%
EBIT growth	24.9%	14.6%	-28.8%	49.8%	-63.7%	49.7%		
EBIT/Revenues	10.2%	10.6%	7.2%	10.2%	3.7%	5.9%		
Impact of Goodwill & Others	-	-	-	-	-	-		
Net Financial Result	(3.7)	(5.6)	(2.3)	(2.5)	3.1	(9.9)		
Income by the Equity Method	-	-	-	-	-	-		
Ordinary profit	9.3	9.3	8.3	13.4	8.9	(1.3)	n.a.	n.a.
Ordinary Profit Growth	1.9%	-0.7%	-10.5%	61.6%	-33.8%	-114.6%		
Extraordinary Results	(1.2)	(1.1)	(1.4)	(0.9)	(0.4)	1.8		
Profit Before Tax	8.1	8.2	6.9	12.5	8.5	0.5	-43.5%	-59.2%
Tax Expense	(1.8)	(2.1)	(1.8)	(2.9)	(2.1)	(0.3)		
Effective Tax Rate	22.0%	25.8%	26.1%	23.4%	24.5%	57.7%		
Minority Interest	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-		
Net Profit	6.3	6.1	5.1	9.6	6.4	0.2	-50.0%	-66.1%
Net Profit growth	4.5%	-3.7%	-16.2%	87.5%	-33.2%	-96.9%		
Ordinary Net Profit	7.8	6.9	6.1	10.3	6.7	(1.3)	n.a.	n.a.
Ordinary Net Profit growth	19.8%	-11.1%	-11.3%	67.5%	-34.7%	-119.3%		
							CAGR	
Cash Flow (EUR Mn)	2014	2015	2016	2017	2018	2019	14-19	16-19
Recurrent EBITDA	15.8	17.8	16.0	21.9	12.5	34.6	17.0%	29.3%
Rentals (IFRS 16 impact)	-	-	-	-	-	(26.4)		
Working Capital Increase	(1.7)	(8.3)	(4.6)	(5.7)	(1.6)	(13.3)		
Recurrent Operating Cash Flow	14.2	9.5	11.4	16.2	10.9	-5.0	n.a.	n.a.
Capex	(7.6)	(10.2)	(5.9)	(8.8)	(9.9)	(4.5)		
Net Financial Result affecting the Cash Flow	(1.8)	(1.3)	(1.1)	(1.0)	(1.1)	(1.3)		
Taxes	(1.8)	(2.1)	(1.8)	(2.9)	(2.1)	(0.3)		
Recurrent Free Cash Flow	3.0	(4.1)	2.6	3.4	(2.3)	(11.0)	n.a.	n.a.
Variation of indebtedness	(0.5)	7.0	(0.9)	(2.9)	2.1	10.0		
Net debt / EBITDA (x)	1.7	1.9	2.1	1.4	2.6	1.2		

Note 1: FY 2019 EBITDA is c. EUR 26.4Mn higher due to IFRS 16.

Main Balance Sheet items breakdown

Chart 1: Working Capital



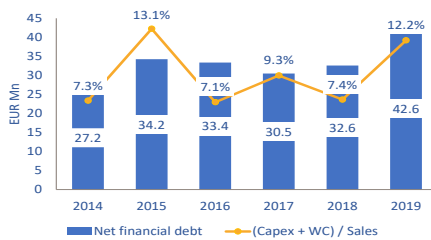
Working Capital breakdown

EUR Mn	2014	2015	2016	2017	2018	2019
Stocks	33.3	39.4	42.3	50.9	48.8	59.1
Clients	0.8	1.6	2.2	2.0	2.0	1.9
Suppliers	(7.3)	(6.2)	(3.4)	(3.6)	(4.6)	(3.2)
Trade working capital	26.9	34.7	41.2	49.3	46.2	57.7
Other Current Assets	0.3	0.5	0.2	0.7	4.3	3.4
Other Current liabilities	(7.1)	(6.8)	(8.5)	(11.3)	(10.2)	(7.7)
Working Capital	20.1	28.4	33.0	38.7	40.3	53.5
(Increase)/decre. In Inventories	(13.6)	(6.1)	(2.9)	(8.5)	2.0	(10.3)
(Increase)/decre. In Receivables	(0.8)	(0.7)	(0.7)	0.3	0.0	0.1
Increase/(decre.) In Payables	(0.8)	(1.0)	(2.9)	0.2	1.0	(1.4)
(Increase)/decre. In other ST assets	12.2	(0.1)	0.2	(0.5)	(3.6)	0.8
Increases/(decre.) In other ST liabilities	1.3	(0.3)	1.6	2.8	(1.1)	(2.6)
	(1.7)	(8.3)	(4.6)	(5.7)	(1.6)	(13.3)

Working Capital o/Sales

% s/Sales	2014	2015	2016	2017	2018	2019
Stocks	26.2%	28.0%	28.7%	32.7%	31.2%	40.7%
Clients	0.7%	1.1%	1.5%	1.3%	1.3%	1.3%
Suppliers	5.7%	4.4%	2.3%	2.3%	2.9%	2.2%
Trade working capital	21.2%	24.7%	27.9%	31.7%	29.5%	39.7%
Other Current Assets	0.3%	0.3%	0.2%	0.4%	2.7%	2.4%
Other Current liabilities	5.6%	4.9%	5.7%	7.3%	6.5%	5.3%
Working Capital	15.8%	20.2%	22.3%	24.9%	25.7%	36.8%

Chart 2: Net Debt vs CAPEX/Sales

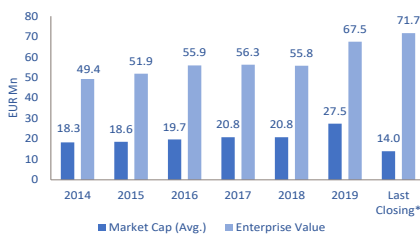


Net financial debt and liquidity breakdown

EUR Mn	2014	2015	2016	2017	2018	2019	1520
L/T debt	6.3	8.8	5.0	4.0	5.9	14.0	30.5
Corporate debt	-	-	-	-	-	-	-
S/T debt	27.0	26.9	32.7	31.6	24.1	25.6	22.1
Other financial liabilities	0.6	14.5	12.2	9.9	7.1	6.1	10.7
Total financial debt	33.9	50.2	49.9	45.5	37.2	45.7	63.3
Cash	6.0	15.2	16.0	14.5	4.2	3.0	7.4
S/T Investments	0.6	0.8	0.5	0.4	0.4	0.1	-
Cash and equivalents	6.6	15.9	16.5	15.0	4.6	3.1	7.4
Net Debt	27.2	34.2	33.4	30.5	32.6	42.6	55.9
ND/EBITDA (x)*	1.7x	1.9x	2.1x	1.4x	2.6x	1.2x	n.a.
ND/BV (%)	66.2%	72.7%	65.0%	50.8%	50.3%	98.6%	183.3%
Debt maturities							
< 1 year	27.0	26.9	32.7	31.6	24.1	25.6	22.1
>1 year < 5	6.8	23.3	17.2	13.9	13.0	20.1	41.2
> 5 year	0.0	0.0	0.0	0.0	0.0	0.0	0.0

*ND/EBITDA 1H20 calculated over LTM EBITDA

Chart 3: Market Cap. vs EV



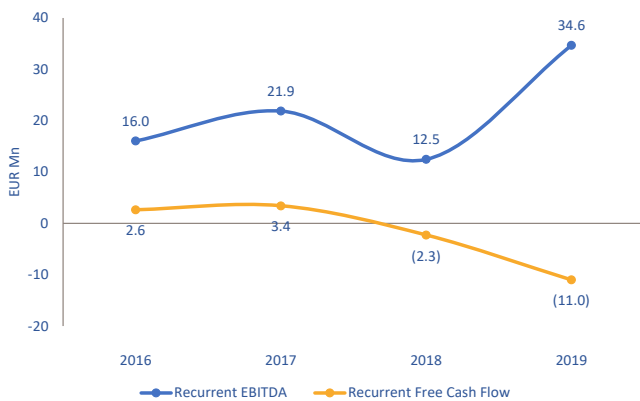
Average Enterprise Value (2014-2019)

Enterprise Value	2014	2015	2016	2017	2018	2019	Last Closing*
Price per share (yearly avg.)	10.00	11.02	11.73	12.50	16.23	11.23	8.40
Market Cap (Avg.)	18.3	18.6	19.7	20.8	20.8	27.5	14.0
+ Minority Interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Provisions & Other L/T Liabilities	4.2	3.1	2.9	4.2	4.3	3.7	3.0
+ Net financial debt	27.5	30.7	33.8	31.9	31.5	37.6	55.9
- Financial Investments	-0.6	-0.6	-0.5	-0.7	-0.9	-1.3	-1.2
+/- Others EV adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise Value	49.4	51.9	55.9	56.3	55.8	67.5	71.7

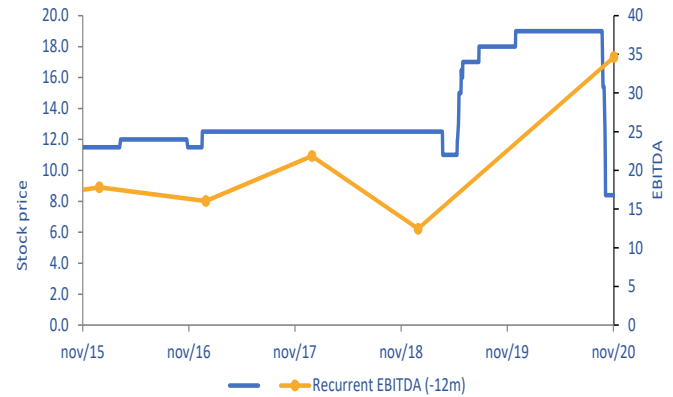
* Current fiscal year according to the latest available data. Price per share and mkt. cap. at the date of this report.

Recurrent Free Cash Flow analysis

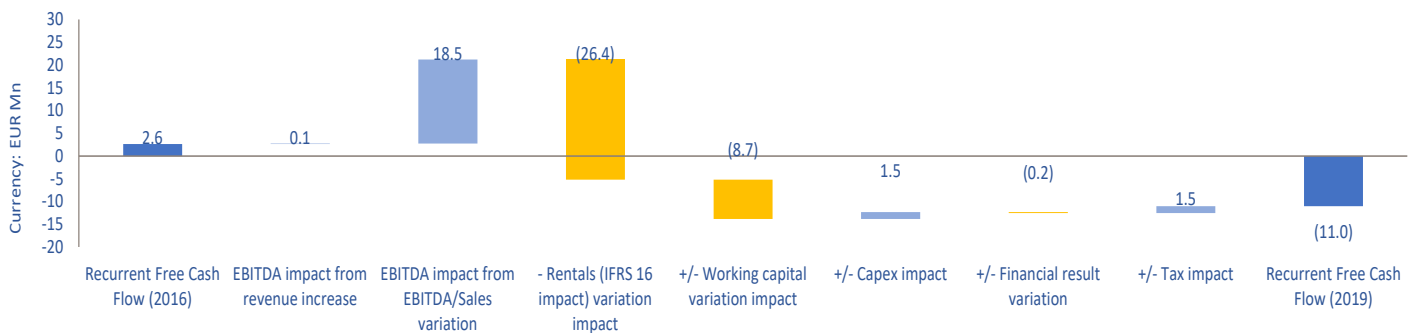
Evolución del EBITDA recurrente vs Free Cash Flow recurrente



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

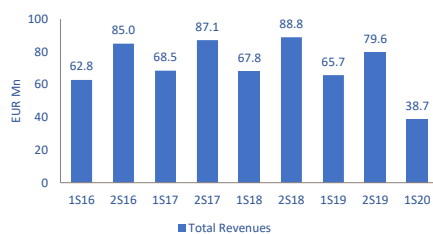


Análisis de la variación acumulada del Free Cash Flow Recurrente (2016 - 2019)



Seasonality and trends

Chart 4: Half-year: Revenues



Half year P&L: Seasonality

Half year P&L (EUR Mn)	1S16	2S16	1S17	2S17	1S18	2S18	1S19	2S19	1S20
Total Revenues	62.8	85.0	68.5	87.1	67.8	88.8	65.7	79.6	38.7
Revenues growth (YoY)	n.a.	4.3%	9.1%	2.5%	-0.9%	2.0%	-3.2%	-10.4%	-41.1%
Recurrent EBITDA	7.0	9.0	5.8	16.1	4.4	8.1	17.5	17.1	-0.6
Rec. EBITDA growth (YoY)	n.a.	-23.1%	-16.9%	77.4%	-24.1%	-49.8%	297.3%	112.7%	-103.5%
Rec. EBITDA/Revenues	11.1%	10.7%	8.5%	18.4%	6.5%	9.1%	26.7%	21.5%	n.a.
EBITDA	7.0	9.0	5.8	16.1	4.4	8.1	17.5	17.1	-0.6
EBITDA growth (YoY)	n.a.	-23.1%	-16.9%	77.4%	-24.1%	-49.8%	297.3%	112.7%	-103.5%
EBIT	3.3	5.9	2.7	12.2	1.0	4.4	4.0	4.6	-12.7
EBIT growth (YoY)	n.a.	-30.2%	-17.7%	107.6%	-64.6%	-64.2%	318.2%	4.9%	-415.1%
EBIT/Revenues	5.3%	6.9%	4.0%	14.1%	1.4%	4.9%	6.1%	5.8%	n.a.
Net Profit	2.7	2.4	2.4	7.1	1.8	4.6	1.4	-1.2	-12.7
Net profit growth	n.a.	-29.4%	-7.8%	190.8%	-25.4%	-35.9%	-22.8%	-126.5%	n.a.

5. "All the numbers"

	2014	2015	2016	2017	2018	2019	CAGR	
							14-19	16-19
MARKET DATA								
Price per share	10.00	11.50	12.50	12.50	19.00	11.45		
Market capitalisation (EUR Mn)	18.3	19.2	20.8	20.8	20.8	31.7		
Avg. Daily Traded Volume (EUR Mn)	0.04	0.06	0.03	0.04	0.05	0.03		
Performance								
Absolute	90.5%	0.0%	15.0%	8.7%	0.0%	52.0%	2.7%	-2.9%
vs Ibex 35	83.8%	7.7%	17.4%	1.2%	17.6%	35.9%		
vs Sector benchmark	93.8%	-9.1%	20.7%	9.6%	10.1%	11.0%		
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)	3.79	3.65	3.06	5.74	3.83	0.12	-50.0%	-66.1%
BVPS (reported)	24.66	28.27	30.81	36.04	38.90	25.92	1.0%	-5.6%
Rec. FCF per share	1.80	-2.46	1.57	2.05	-1.36	-6.61	n.a.	n.a.
DPS (EUR)	0.00	0.00	0.50	1.50	0.00	0.00	n.a.	-100.0%
% pay-out	0.0%	0.0%	16.3%	26.1%	0.0%	0.0%		
ENTERPRISE VALUE (EUR Mn)								
Market capitalisation (EUR Mn)	18.3	19.2	20.8	20.8	20.8	31.7	11.6%	15.0%
+ Minority Interests	0.0	0.0	0.0	0.0	0.0	0.0		
+ Provisions & Other L/T Liabilities	3.4	2.9	2.9	5.5	3.1	4.4		
+ Net financial debt	27.2	34.2	33.4	30.5	32.6	42.6		
- Financial Investments	-0.6	-0.6	-0.4	-1.0	-0.8	-1.8		
(-) Enterprise value (year-end)	48.4	55.7	56.7	55.9	55.7	76.9	9.7%	10.7%
KEY FINANCIAL METRICS								
Year-on-year growth								
Total Revenues	6.5%	10.8%	4.9%	5.3%	0.7%	-7.3%		
Recurrent EBITDA	9.9%	12.5%	-9.9%	36.3%	-43.0%	178.0%		
EBIT	24.9%	14.6%	-28.8%	49.8%	-63.7%	49.7%		
Profit Before Tax	-3.2%	1.4%	-15.8%	80.9%	-32.3%	-94.5%		
Net Profit	4.5%	-3.7%	-16.2%	87.5%	-33.2%	-96.9%		
EPS (EUR)	4.4%	-3.7%	-16.2%	87.5%	-33.2%	-96.9%		
Margins (on revenue)								
Recurrent EBITDA	12.5%	12.6%	10.9%	14.1%	8.0%	23.8%		
Gross margin	68.2%	65.9%	64.1%	67.9%	65.7%	67.6%		
EBIT	10.2%	10.6%	7.2%	10.2%	3.7%	5.9%		
Profit Before Tax	6.4%	5.8%	4.7%	8.0%	5.4%	0.3%		
Net Profit	5.0%	4.3%	3.5%	6.1%	4.1%	0.1%		
Ordinary Net Profit	6.1%	4.9%	4.1%	6.6%	4.3%	n.a.		
Other key financial metrics								
Income tax rate (>0 if income)	22.0%	25.8%	26.1%	23.4%	24.5%	57.7%		
Capex/Sales	6.0%	7.3%	4.0%	5.7%	6.3%	3.1%		
Working capital/Sales	15.8%	20.2%	22.3%	24.9%	25.7%	36.8%		
Capital Employed/Sales	56.0%	59.4%	59.0%	61.2%	63.6%	60.8%		
Net debt/EBITDA	1.7x	1.9x	2.1x	1.4x	2.6x	1.2x		
Net debt/Equity	66.2%	72.7%	65.0%	50.8%	50.3%	98.6%		
Assets (excash)/Equity	2.1x	2.1x	1.9x	1.8x	1.8x	5.2x		
ROE (reported)	16.7%	13.8%	10.4%	17.2%	10.2%	0.4%		
ROCE (reported)	14.7%	14.3%	9.2%	13.3%	4.5%	9.2%		
WACC	5.8%	4.8%	4.1%	4.3%	4.5%	4.5%		
BALANCE SHEET (EUR Mn)								
Fixed assets & Intangible	45.8	50.0	49.1	51.0	53.9	146.1		
Working capital	20.1	28.4	33.0	38.7	40.3	53.5		
Total assets (ex-cash)	86.1	97.3	99.4	111.0	115.3	224.3		
Equity	41.1	47.1	51.3	60.1	64.8	43.2		
Net debt / (cash)	27.2	34.2	33.4	30.5	32.6	42.6		
Capital Employed	71.2	83.7	87.2	95.1	99.7	88.4		
PROFIT & LOSS (EUR Mn)								
Total Revenues	127.1	140.8	147.7	155.5	156.7	145.3	2.7%	-0.5%
Recurrent EBITDA	15.8	17.8	16.0	21.9	12.5	34.6	17.0%	29.3%
Depreciation & Provisions	-4.3	-4.9	-5.4	-6.0	-6.7	-7.0		
EBIT	13.0	14.9	10.6	15.9	5.8	8.6	-7.9%	-6.6%
Net Financial Result	-3.7	-5.6	-2.3	-2.5	3.1	-9.9		
Profit Before Tax	8.1	8.2	6.9	12.5	8.5	0.5	-43.5%	-59.2%
Income tax rate (>0 if income)	-1.8	-2.1	-1.8	-2.9	-2.1	-0.3		
Minorities and discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0		
Net Profit	6.3	6.1	5.1	9.6	6.4	0.2	-50.0%	-66.1%
Ordinary Net Profit	7.8	6.9	6.1	10.3	6.7	-1.3	n.a.	n.a.
CASH-FLOW (EUR Mn)								
Recurrent EBITDA	15.8	17.8	16.0	21.9	12.5	34.6		
Rentals (IFRS 16 impact)	0.0	0.0	0.0	0.0	0.0	-26.4		
Working Capital Increase	-1.7	-8.3	-4.6	-5.7	-1.6	-13.3		
Capex	-7.6	-10.2	-5.9	-8.8	-9.9	-4.5		
Taxes	-1.8	-2.1	-1.8	-2.9	-2.1	-0.3		
Net Financial Result affecting the Cash Flow	-3.7	-5.6	-2.3	-2.5	3.1	-9.9		
Rec. Free Cash Flow to Equity (FCFE)	3.0	-4.1	2.6	3.4	-2.3	-11.0	n.a.	n.a.
Rec. Free Cash Flow to the Firm (FCFF)	3.7	-4.5	2.7	3.6	-0.5	-9.5	n.a.	n.a.
RATIOS AND MULTIPLES								
Equity multiples								
P/E	2.9x	3.2x	4.1x	2.2x	3.3x	n.a.		
Ord. P/E	2.4x	2.8x	3.4x	2.0x	3.1x	n.a.		
P/BV	0.4x	0.4x	0.4x	0.3x	0.3x	0.7x		
FCFE yield	16.4%	n.a.	12.6%	16.4%	n.a.	n.a.		
Dividend Yield (%)	0.0%	0.0%	4.0%	12.0%	0.0%	0.0%		
Enterprise Value multiples								
EV/Sales	0.4x	0.4x	0.4x	0.4x	0.4x	0.5x		
EV/EBITDA	3.1x	3.1x	3.5x	2.6x	4.5x	2.2x		
EV/EBIT	3.7x	3.7x	5.3x	3.5x	9.7x	8.9x		
EV/CE	0.7x	0.7x	0.6x	0.6x	0.6x	0.9x		
FCFF yield (to EV)	7.7%	-8.2%	4.8%	6.5%	-0.9%	-12.3%		

Note: All the multiples and ratios are calculated from trading prices at the close of each year.

6. Valuation inputs

Main peers in detail: ratios and multiples (2020e)

	EUR Mn	JD Sports	LPPP	OVS SpA	N Brown	Superdry	Basic Net	FNG NV	Apranga	Average
Market data	Ticker (Reuters)	JD.L	LPPP.WA	OVS.MI	BWNG.L	SDRY.L	BCNT.MI	FNG.BR	APG1L.VL	
	Country	USA	UK	Italy	USA	United Kingdo	Italy	Belgium	Lithuania	
	Market cap	8,039.4	2,665.5	184.5	279.7	144.6	170.6	38.9	86.1	
	Enterprise value (EV)	9,347.9	3,172.5	1,497.0	840.0	460.6	250.8	257.8	120.4	
Basic financial information	Total Revenues	6,455.6	1,825.5	1,031.4	780.0	655.8	n.a.	n.a.	181.0	
	Total Revenues growth	-11.2%	-20.8%	-25.0%	-21.8%	-18.5%	n.a.	n.a.	-11.7%	-18.2%
	2y CAGR (2020e - 2022e)	10.3%	18.8%	14.3%	5.6%	12.3%	n.a.	n.a.	2.1%	10.6%
	EBITDA	944.4	279.1	158.7	96.4	65.3	n.a.	n.a.	n.a.	
	EBITDA growth	-20.1%	-40.8%	-47.7%	-64.6%	7.6%	n.a.	n.a.	n.a.	-33.1%
	2y CAGR (2020e - 2022e)	16.2%	27.7%	20.3%	6.6%	29.5%	n.a.	n.a.	n.a.	20.1%
	EBITDA/Revenues	14.6%	15.3%	15.4%	12.4%	10.0%	n.a.	n.a.	n.a.	13.5%
	Net Profit	244.5	(0.3)	(16.3)	28.8	(24.2)	n.a.	n.a.	2.5	
	Net Profit growth	-18.1%	n.a.	-88.4%	-9.7%	-85.2%	n.a.	n.a.	-72.9%	-54.9%
	2y CAGR (2020e - 2022e)	39.2%	n.a.	n.a.	30.0%	n.a.	n.a.	n.a.	11.4%	26.8%
	Capex	179	144.2	32.7	22.0	15.9	n.a.	n.a.	1.6	
	CAPEX/Sales %	2.8%	7.9%	3.2%	2.8%	2.4%	n.a.	n.a.	0.9%	3.3%
	Free Cash Flow	216.3	(110.2)	(151.8)	n.a.	(12.8)	n.a.	n.a.	n.a.	
Net financial debt	(705.8)	482.5	453.1	431.8	17.6	n.a.	n.a.	n.a.		
ND/EBITDA (x)	(0.7)	1.7	2.9	4.5	0.3	n.a.	n.a.	n.a.	1.7	
Outstanding Shares	973.2	1.8	226.2	288.7	82.0	53.7	10.0	55.3		
Pay-out	1.8%	0.0%	0.0%	0.0%	-1.6%	n.a.	n.a.	0.0%	0.0%	
Multiples and Ratios	P/E (x)	32.7	n.a.	n.a.	6.8	n.a.	n.a.	n.a.	31.4	23.7
	P/BV (x)	5.6	3.7	0.2	0.8	0.8	n.a.	n.a.	n.a.	2.2
	EV/Revenues (x)	1.4	1.7	1.5	1.1	0.7	n.a.	n.a.	0.7	1.2
	EV/EBITDA (x)	9.9	11.4	9.4	8.7	7.1	n.a.	n.a.	n.a.	9.3
	ROE (%)	17.3	0.6	(1.4)	8.0	(48.9)	n.a.	n.a.	4.2	(3.4)
	FCF Yield (%)	2.7	(4.1)	(82.3)	n.a.	(9.0)	n.a.	n.a.	n.a.	(23.2)
	DPS	0.0	-	-	-	0.0	n.a.	n.a.	-	0.0
	Price Close	8.4	1,456.1	0.8	0.6	1.8	2.8	3.5	1.6	
	Dvd Yield	0.1%	0.0%	0.0%	0.0%	0.3%	n.a.	n.a.	0.0%	0.1%

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

EUR Mn	Ticker (Reuters)	Market cap	P/E ord. 2019	EPS 19-21e CAGR	P/B 2019	ROE 2019	EV/EBITDA 2019	EBITDA 19-21e CAGR	EV/sales 2019	Sales 19-21e CAGR	2019 EBIT margin	FCFE yield 2019	FCFE 19-21e CAGR
JD Sports Fashion PLC	JD.L	8,039	32.5x	15.9%	7.1x	31.3%	9.7x	-0.8%	1.6x	-0.1%	8.9%	6.3%	-21%
LPP SA	LPPP.WA	2,666	36.9x	-49.6%	5.5x	21.8%	8.7x	-16.2%	1.8x	-4.6%	9.4%	2.4%	n.a.
OVS SpA	OVS.MI	184	n.a.	n.a.	0.5x	-16.8%	5.3x	-20.6%	1.2x	-2.2%	6.6%	5.7%	114%
N Brown Group PLC	BWNG.L	280	6.0x	4.5%	1.5x	11.4%	2.9x	-37.4%	0.8x	-9.7%	23.8%	n.a.	n.a.
Superdry PLC	SDRY.L	145	n.a.	n.a.	1.6x	-90.2%	7.4x	24.8%	0.6x	-3.7%	-4.8%	n.a.	n.a.
Basic Net SpA	BCNT.MI	171	13.3x	n.a.	2.4x	25.0%	8.3x	n.a.	1.4x	n.a.	12.4%	6.5%	n.a.
FNG NV	FNG.BR	39	2.8x	n.a.	0.6x	7.7%	2.3x	n.a.	0.4x	n.a.	5.4%	n.a.	n.a.
Apranga APB	APG1L.VL	86	12.6x	-45.3%	2.1x	19.1%	5.8x	n.a.	0.9x	-5.3%	5.8%	n.a.	n.a.
Average			17.3x	-18.6%	2.7x	1.2%	6.3x	-10.0%	1.1x	-4.3%	8.4%	5.2%	46.3%
Median			12.9x	-20.4%	1.9x	15.2%	6.6x	-16.2%	1.0x	-4.1%	7.7%	6.0%	46.3%
Liwe Espanola SA	LIWA.SCT	14.0	n.a.	n.a.	0.7x	0.4%	2.2x	n.a.	0.5x	n.a.	5.9%	-12.3%	n.a.

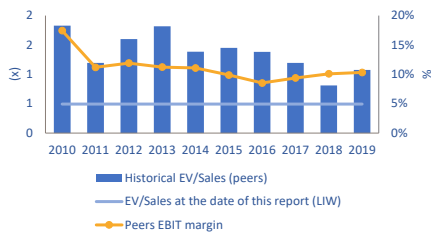
Note: Historical multiples (backward-looking) calculated from trading prices at the year close. Mkt. cap at the date of this report.

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

EUR Mn	Ticker (Reuters)	Market cap	P/E ord. 2020e	EPS 20e-22e CAGR	P/B 2020e	ROE 2020e	EV/EBITDA 2020e	EBITDA 20e-22e CAGR	EV/sales 2020e	Sales 20e-22e CAGR	2020e EBIT margin	FCFE yield 2020e	FCFE 20e-22e CAGR
JD Sports Fashion PLC	JD.L	8,039	32.7x	37.2%	6.3x	17.3%	9.9x	16.2%	1.4x	10.3%	6.0%	2.7%	44%
LPP SA	LPPP.WA	2,666	n.a.	517.6%	5.0x	0.6%	11.4x	27.7%	1.7x	18.8%	2.2%	n.a.	n.a.
OVS SpA	OVS.MI	184	n.a.	n.a.	0.6x	-1.4%	9.4x	20.3%	1.5x	14.3%	2.9%	n.a.	n.a.
N Brown Group PLC	BWNG.L	280	6.8x	19.1%	2.2x	8.0%	8.7x	6.6%	1.1x	5.6%	7.8%	n.a.	n.a.
Superdry PLC	SDRY.L	145	n.a.	n.a.	2.5x	-48.9%	7.1x	29.5%	0.7x	12.3%	-3.2%	n.a.	n.a.
Basic Net SpA	BCNT.MI	171	n.a.	n.a.	NaN	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
FNG NV	FNG.BR	39	n.a.	n.a.	NaN	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Apranga APB	APG1L.VL	86	31.4x	9.5%	NaN	4.2%	n.a.	n.a.	0.7x	2.1%	2.4%	n.a.	n.a.
Average			23.7x	145.9%	3.3x	-3.4%	9.3x	20.1%	1.2x	10.6%	3.0%	2.7%	43.6%
Median			31.4x	28.2%	2.5x	2.4%	9.4x	20.3%	1.3x	11.3%	2.6%	2.7%	43.6%

"Theoretical" valuation exercises with multiples

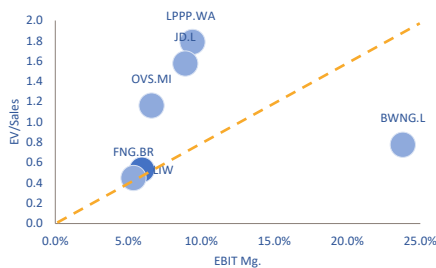
Chart 1: EV/Sales valuation inputs



"Theoretical" valuation exercise based on EV/Sales (2019) (*)

Valuation inputs	2019		
Sector EBIT Mg.	10.3%	Theoretical EV/Sales	0.8
Company EBIT Margin	5.9%	* 2019 Sales	145.3
Adjustment factor	0.58	= Company EV Valuation	114.8
Sector EV/Sales (-10y avg.)	1.4	- Minority Interests	-
* Adjustment Factor	0.58	- Provisions & Other L/T Liabilities	3.0
Company Theoretical EV/Sales vs 2019 Company EV/Sales	0.5	- Net financial debt	55.9
Premium / (Discount) o/ EV/Sales	-37.6%	+ Financial Investments	1.2
		+/- Others EV adjustments	-
		= Equity valuation (**)	57.2
		vs Mkt Cap at the date of this report	14.0
		Premium / (Discount)	-75.5%

Chart 2: LIW vs Peers (2019)



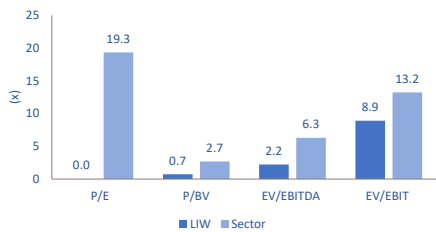
Sensitivity analysis: Theoretical EV/Sales to changes in EBIT Mg. and premium (discount) o/sector EV/Sales (*)

		A) Theoretical EV/Sales					B) Premium / (Discount)		
		Mg. EBIT					Mg. EBIT		
		4.9%	5.9%	6.9%			4.9%	5.9%	6.9%
EV/Sales Premium	-10%	0.6	0.7	0.8	EV/Sales Premium	-10%	-50.5%	-69.3%	-77.8%
	0%	0.7	0.8	0.9		0%	-63.0%	-75.5%	-81.7%
	10%	0.7	0.9	1.0		10%	-70.4%	-79.6%	-84.4%

(*) 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). This valuation exercise has the sole use (and goal) of serving as a "value indicator". It does not represent a valuation per se.

(**) The adjustments made to the company's theoretical EV (minority interests, provisions, ND, etc.) correspond to the figures reported in 1H20.

Chart 3: Historical Valuation multiples (2019)



Other ratios and valuation multiples (2019)

	Equity multiples		Enterprise Value multiples		Free Cash Flow Yield
	P/E	P/BV	EV/EBITDA	EV/EBIT	FCF to Equity
LIW	n.a.	0.7	2.2	8.9	n.a.
Sector	19.3	2.7	6.3	13.2	5.2%
Premium / Discount	n.a.	-72.5%	-64.7%	-32.6%	n.a.

(*) Historical multiples for the company and its sector are calculated from year end prices.

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Recommendation History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
06-Nov-2020	n.a.	8.40	n.a.	n.a.	Analysis of Historical Financial Statements	David López Sánchez
07-Nov-2019	n.a.	18.00	n.a.	n.a.	Analysis of Historical Financial Statements	David López Sánchez

