

EQUITY - SPAIN

Sector: Healthcare - Medical Devices

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

Report date: 30 Oct 2020  
Closing price: EUR 8.84 (29 Oct 2020)

PRIM is a small Spanish company specializing in providing medical and hospital supplies and materials to meet surgical, rehabilitation, physiotherapy and geriatric requirements. Its core market is the local one (c. 92% of 2019 revenue), where it has strengthened its commitment to orthopaedics.

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What the numbers are saying today

Market Data

Market Cap (Mn EUR and USD)	153.3	179.0
EV (Mn EUR and USD) <sup>(1)</sup>	133.4	155.8
	(9.5)	(4.9)
Shares Outstanding (Mn)	17.3	
-12m (Max/Med/Min EUR)	12.20 / 10.03 / 8.34	
Daily Avg vol.(-12m Mn EUR)	0.13	
Rotation (%) <sup>(2)</sup>	20.91	
Thomson Reuters / Bloomberg	PRIM.MC / PRM SM	
Close fiscal year	31 Dec	

Shareholders Structure (%)<sup>(7)</sup>

J.I. Comenge	20.0
Prim family	15.2
Fidelity	10.0
Inversiones Melca	7.6
Free Float	37.7

Financials (Mn EUR)

	2016	2017	2018	2019
Adj. nº shares (Mn)	16.7	17.3	17.3	17.3
Total Revenues	111.8	122.5	135.8	152.3
Rec. EBITDA <sup>(3)</sup>	14.1	17.0	19.0	20.5
% growth	5.3	20.1	12.1	7.5
% Rec. EBITDA/Rev.	12.6	13.9	14.0	13.4
% Inc. EBITDA sector <sup>(4)</sup>	10.5	10.9	10.4	15.5
Net profit	13.1	13.9	14.1	11.2
EPS (EUR)	0.78	0.80	0.81	0.65
% growth	25.4	2.5	1.6	-20.5
Ord. EPS (EUR)	0.72	0.71	0.76	0.68
% growth	28.3	-0.9	6.6	-10.1
Rec. Free Cash Flow <sup>(5)</sup>	10.4	9.3	2.1	-5.3
Pay-out (%)	60.9	72.1	71.0	89.4
DPS (EUR)	0.48	0.58	0.58	0.58
Net financial debt	-16.4	-21.9	-15.9	-4.9
ND/Rec. EBITDA (x)	-1.2	-1.3	-0.8	-0.2
ROE (%)	13.6	13.4	13.1	10.2
ROCE (%)	18.2	17.5	17.7	12.3

Ratios & Multiples(x)<sup>(6)</sup>

	2016	2017	2018	2019
P/E	11.3	11.0	10.8	13.7
Ord. P/E	12.3	12.4	11.6	12.9
P/BV	1.5	1.4	1.4	1.4
Dividend Yield (%)	5.4	6.5	6.5	6.5
EV/Sales	1.19	1.09	0.98	0.88
EV/Rec. EBITDA	9.4	7.9	7.0	6.5
EV/EBIT	10.2	8.8	8.0	8.8
FCF Yield (%) <sup>(5)</sup>	6.8	6.1	1.3	n.a.

(1) Please refer to page 8.  
(2) Rotation represents the % of the capitalisation traded - 12m.  
(3) FY 2019 EBITDA is c. EUR 1.2Mn higher due to IFRS 16.  
(4) Sector: Eurostoxx 600 Health Care.  
(5) Based on recurrent FCF. Please refer to page 7.  
(6) Multiples and ratios calculated over prices at the date of this report.  
(7) Others: Masaveu family 5.0%, Ruiz de Alda, F. 4.5%

**HIGH -5Y OPERATING GROWTH RATES:** (2014-2019 revenues and Rec. EBITDA: +10.0% and +10.3% CAGR, respectively), with a c. 0.2.p.p. improvement in the EBITDA margin taking 2019 EBITDA to EUR 20.5Mn (EBITDA margin 13.4%).

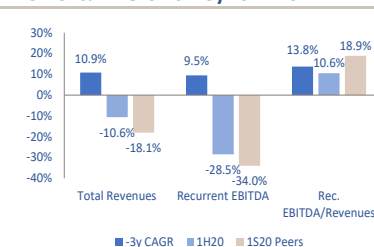
**WITH A ROBUST CAPITAL STRUCTURE...** 1H20 net cash EUR 9.5Mn. The cash generation of recent years has not only led to an increase in the company's net cash but also resulted in PRIM having LT financial investments of EUR 11Mn at the 1H20 close (c. 7% of the market cap.).

**...AND SIGNIFICANT VALUE GENERATION:** business profitability as measured by the ROCE maintained an average level of 15.3% in 2014-2019; even though in 2019 this fell to 12.3% due to an increase in CAPEX and working capital. In terms of value creation, the ROCE – WACC spread is 5p.p. (vs 6p.p. in 2014).

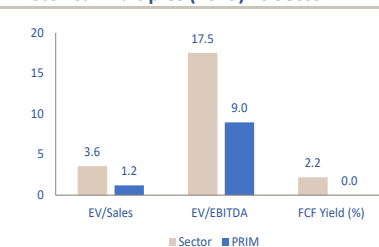
**MOMENTUM (1H20) WHAT DO THE MOST RECENT RESULTS SHOW?** Although the company maintained the growth trend in 1Q20: Revenue +9.5% vs 1Q19 (in line with the growth seen in recent years; +10.0% CAGR 2014-2019), the shock caused by Covid-19 interrupted this trend (Revenues 1H20: -10.6%; although the positive spread vs the sector remains).

**IN CONCLUSION: WHAT ARE THE NUMBERS SAYING?** Stable growth in both revenues and EBITDA (c.10% -5y) and margins which seem to have consolidated at levels of 13.5% (c. 11% in 1H20 despite the circumstances). Today, the trend is for a stabilisation of growth rather than acceleration. PRIM has a very robust capital structure (structurally it has a net cash position). Theoretical valuation exercises (multiples, DCF of 2019 net EBIT) point to a possible “reserve of value” that the lack of financial projections makes it impossible to verify

Momentum: Growth -3y vs 1H20



Historical multiples (2019) vs Sector



Relative performance -5y (Base 100)



Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-2.9	-4.9	-18.9	-22.8	-10.7	-0.8
vs Ibex 35	1.7	6.8	18.9	15.0	42.0	60.9
vs Ibex Small Cap Index	-0.5	-6.7	-15.4	-16.2	-17.6	-25.3
vs Eurostoxx 50	5.5	6.0	-0.8	-2.3	10.2	14.4
vs sector Benchmark <sup>(4)</sup>	4.8	4.2	-16.8	-15.7	-20.9	-4.7

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

## Contents

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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).

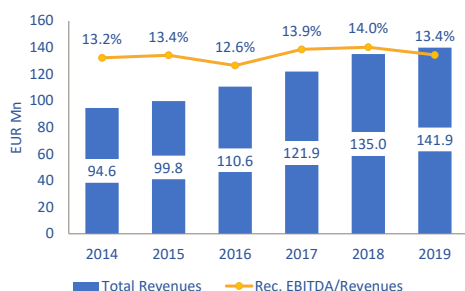
#### B) What it is not: what this report doesn't do nor is intended to do.

- 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

**Chart 1. Revenues vs EBITDA Mg. (2014-2019)**



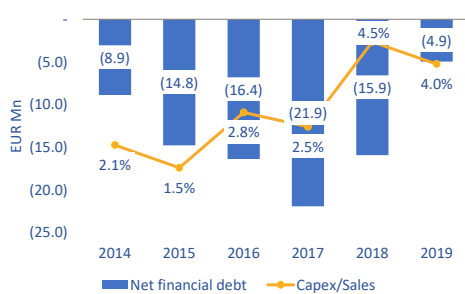
Arising from our analysis of the company's "verifiable numbers", based exclusively on the financial statements already published (2014-2019), we would highlight the following points:

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

#### What happened in 2014-2019?

- **Growth in revenue and EBITDA:** +10.0% and +10.3% CAGR 2014-2019, respectively, with a c. 0.2p.p. improvement in the EBITDA margin taking 2019 EBITDA to EUR 20.5Mn (2019 EBITDA margin, 13.4%; chart 1).
- **With significant cash generation,** maintaining the conversion of c. 60% of EBITDA into cash.
- **And maintaining a net cash position.** Despite the increase in CAPEX and investment in working capital to develop new businesses, PRIM maintained net cash levels in 2014-2019. Moreover, in 2019 it had EUR 13.7Mn in LT financial investments (-14% vs 2018).
- **Without losing the focus on shareholder remuneration.** Maintaining a dividend of c. EUR 10Mn (DPS c. EUR 0.58/share) in 2017 and 2018 (consolidating a pay out of c. 70%). Because of the current climate of uncertainty caused by Covid-19, the company has reduced the 2019 DPS to EUR 0.33/share (pay out of 51%). The average dividend yield -5y is 5.4%.

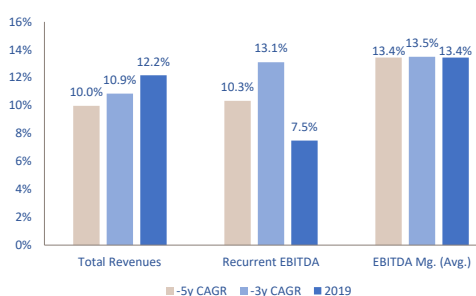
**Chart 2. ND vs CAPEX/Sales (2014-2019)**



#### What has been the trend?

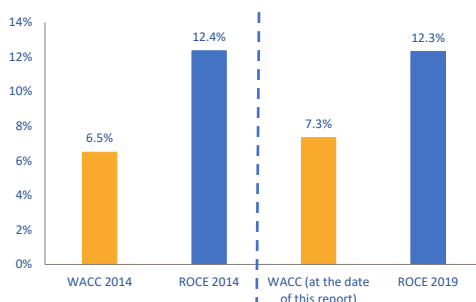
- **Growth has accelerated in the last 3 years:** Revenue and EBITDA show double-digit growth (+10.9% and +13.1% CAGR 2016-2019 respectively), with a higher CAGR than -5y (+0.9p.p. and +2.8p.p., respectively). As regards margins, the company's average EBITDA margin has remained around 13.5% (chart 3) in the last three years. The same is true of the EBIT margin (average -3y: 11.6%).
- **And in 2019?** The double-digit revenue growth rate of the last three years continued in 2019 with growth of 12.2% (vs a CAGR of 10.9% -3y).

**Chart 3. Trends: -5y, -3y and 2019**



However, EBITDA growth, while remaining high, slowed somewhat vs -3y (7.5% vs 13.1% CAGR for 2016-2019). However, although the recurrent EBITDA margin in 2019 was slightly smaller than in 2018 (13.4% vs 14%), margins remained at similar levels to those of -3y (c. 13.5%).

**Chart 4. Value creation: ROCE vs WACC**



And a sound financial position (net cash 2019 EUR 4.9Mn): although c. EUR 11Mn less vs 2018 (EUR 13Mn less if we take into account the reduction in long-term financial investments). 2019 Rec. FCF (EUR -5.3Mn) fell vs the 2014-2018 average (EUR 10Mn) due to an increase in CAPEX (4% of sales vs a -5y average of 2.7%) and working capital (due to higher inventories: 33.4% of sales vs a -5y average of 28.6%). Maintaining a cash-out with which to remunerate shareholders of EUR 10Mn in 2019 and 2018.

We would highlight the trend of business profitability as measured by the ROCE, maintaining an average ROCE in 2014-2019 of 15.3%; even though this fell to 12.3% in 2019 due to an increase in CAPEX and working capital. In terms of value creation, the ROCE – WACC spread is 5p.p. at the date of this report (vs 6p.p. in 2014).

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

	Total Revenues			EBITDA			EBITDA Mg.		
	2019	CAGR -3Y	CAGR -5Y	2019	CAGR -3Y	CAGR -5Y	2019	CAGR -3Y	CAGR -5Y
							(Avg)	(Avg)	(Avg)
Company	12.2%	10.9%	10.0%	7.5%	13.1%	10.3%	13.4%	13.5%	13.4%
Sector	5.5%	6.3%	7.0%	17.4%	6.0%	6.4%	21.0%	20.6%	21.1%
Spread (p.p.)	6.7	4.5	3.0	(9.9)	7.1	3.9	(7.6)	(7.1)	(7.7)

- **In terms of revenue:** The company grew more than its sector in 2014-2019, the growth spread widening to c. 7p.p. in 2019 (vs 3p.p. in 2014-2019).
- **In terms of margins:** The company's average EBITDA margin has remained stable in recent years at 13.5%; in line with that obtained by its main peers with capitalisation < EUR 3bn in 2019. Although smaller than that obtained by the main global players, with margins of 25-30% (which explains the c. 8p.p. negative spread vs the sector during the period analysed).

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

The Covid-19 health crisis led to the halting of all non-essential economic activity (resulting in an unprecedented global recession). Consequently, the company's 1H20 results are totally shaped by the impact of the pandemic. In this situation, perhaps the most interesting question to answer is: how have the company's fundamentals done in this difficult environment?

- **Fall in revenues (-10.3% vs 1H19)...** although in 1Q20 the company maintained the growth trend begun years ago: Revenues +9.5% vs 1Q19 (in line with the growth seen in recent years; +10.0% CAGR 2014-2019), the shock caused by Covid-19 interrupted this trend (although the positive spread vs the sector which saw a contraction of c. 19% vs 1H19 was maintained).
- **...that fed through to EBITDA,** with a decline of 28.5% vs 1H19. However, we would underscore that the company remains profitable from an operating point of view (EBITDA margin c. 10.6%; maintaining a margin in line with that obtained by its main peers with capitalisation < EUR 3bn in 1H20).
- **The balance sheet remains very solid.** Despite the sharp reduction in EBITDA, PRIM still has net cash of EUR 9.5Mn (vs EUR 4.9Mn in 2019). The total financial position (including long-term financial investments) was EUR 20.5Mn (+10% vs. 2019; 13% of the market cap).

## B) Theoretical valuation exercises

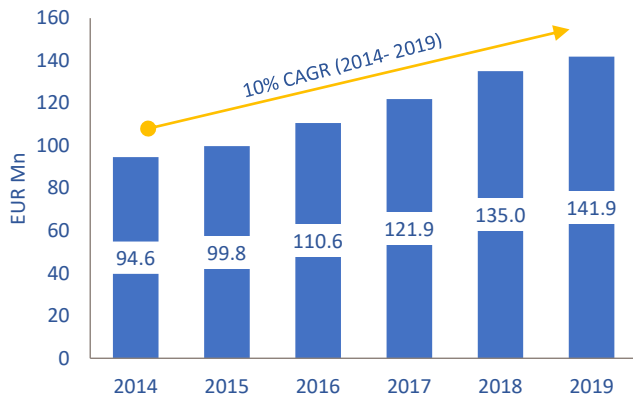
**In relative terms (vs peers) the company is "apparently" trading at a 55.6% discount,** estimated on the basis of PRIM's theoretical EV/sales. This conclusion holds true for other multiples: in terms of EV/EBITDA and EV/EBIT, PRIM is showing "theoretical" discounts of 48.9% and 51.2%, respectively, vs its main comparables.

**In absolute terms (discounted cash flows), the company is trading at an apparent discount of 27.3%,** calculated on the basis of 2019 net EBIT (projected with a G of 2%). The relation 2019 ROCE (12.3%) vs WACC (7.3%; at the date of this report) shows a business clearly creating value.

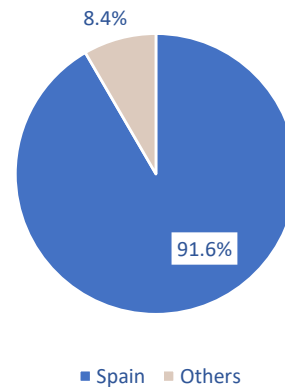
**In conclusion: what are the numbers saying?** Stable growth in both revenues and EBITDA (c. 10%) and margins which seem to have consolidated at levels of around 13.5% in the last five years (vs 12.5% in 2013). The trend is not for the acceleration of growth but rather for the stabilisation of this with positive growth spreads vs the sector although with a negative EBITDA margin/Sales spread vs the sector (-7.7p.p., -5y; -7.6p.p., 2019). PRIM has a very robust capital structure (structurally it has a net cash position). Theoretical valuation exercises (multiples, DCF) point to a significant undervaluation, which, in the absence of financial projections, cannot be considered a valuation *per se* although it can be seen as indicating a possible reserve of value.

**3. The company in 6 charts**

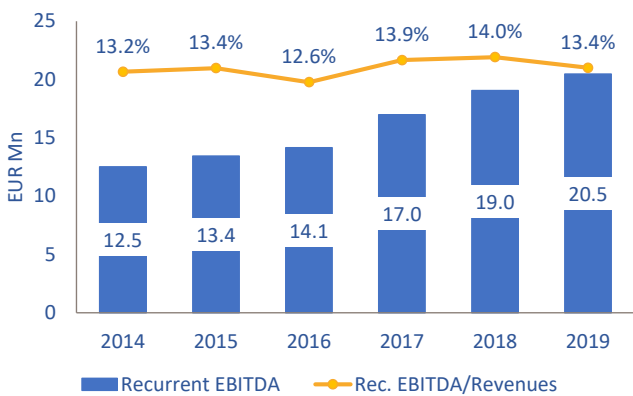
**Chart 1: Total Revenues (2014-2019)**



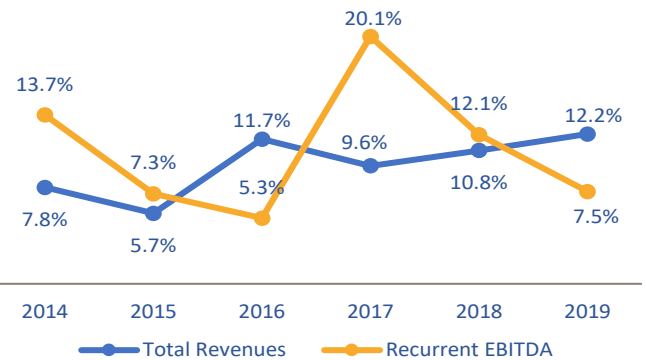
**Chart 2: Revenues by Geography (2019)**



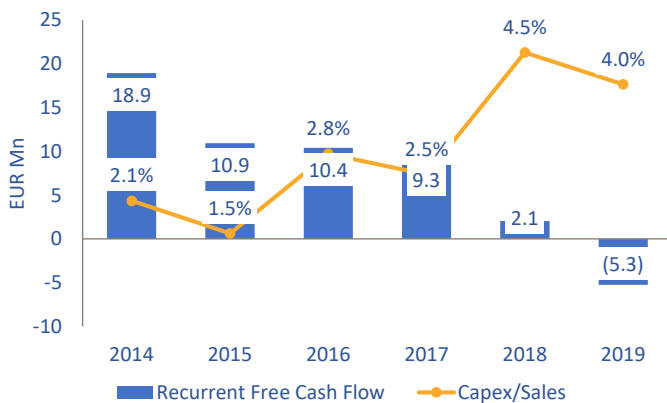
**Chart 3: Rec. EBITDA vs EBITDA Mg.**



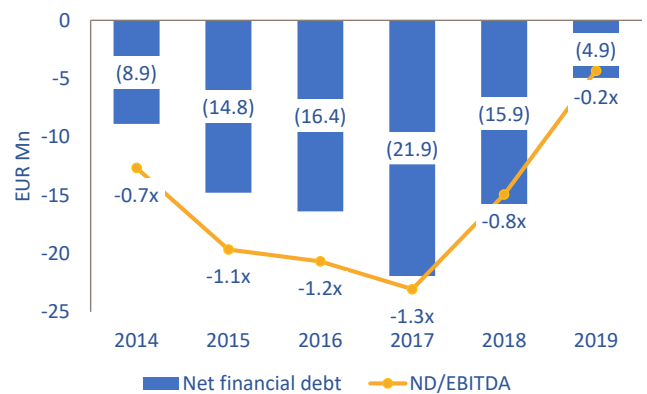
**Chart 4: Revenues and EBITDA growth (y/y)**



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



**Chart 6: Net Debt vs ND/EBITDA**



**4. Basic financial information**
**Historical Financial Statements (2014 - 2019) <sup>(1)</sup>**

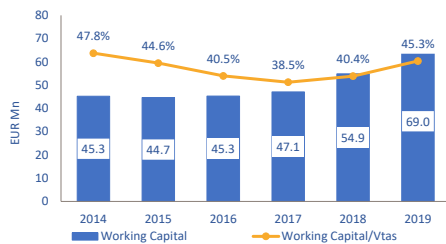
<b>Balance Sheet (EUR Mn)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>		
Intangible Assets	0.3	0.2	3.2	3.2	4.4	6.1		
Fixed Assets	12.8	12.3	12.3	12.3	13.8	16.0		
Other Non Current Assets	1.0	1.2	1.2	0.2	0.2	0.2		
Financial Investments	23.8	18.0	19.6	17.9	15.9	13.7		
Goodwill & Other Intangibles	1.6	1.6	3.6	4.2	4.2	4.2		
Current Assets	63.4	63.9	67.0	73.8	81.6	97.8		
<b>Total assets</b>	<b>102.8</b>	<b>97.3</b>	<b>106.9</b>	<b>111.5</b>	<b>120.1</b>	<b>137.9</b>		
Equity	92.7	92.2	100.8	106.1	108.8	111.1		
Minority Interests	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	0.9	0.6	0.7	0.7	0.4	0.9		
Other Non Current Liabilities	-	-	-	-	-	2.1		
Net financial debt	(8.9)	(14.8)	(16.4)	(21.9)	(15.9)	(4.9)		
Current Liabilities	18.1	19.3	21.7	26.6	26.7	28.8		
<b>Equity &amp; Total Liabilities</b>	<b>102.8</b>	<b>97.3</b>	<b>106.9</b>	<b>111.5</b>	<b>120.1</b>	<b>137.9</b>		
							CAGR	
<b>P&amp;L (EUR Mn)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>14-19</b>	<b>16-19</b>
<b>Total Revenues</b>	<b>94.7</b>	<b>100.1</b>	<b>111.8</b>	<b>122.5</b>	<b>135.8</b>	<b>152.3</b>	<b>10.0%</b>	<b>10.9%</b>
Total Revenues growth	7.8%	5.7%	11.7%	9.6%	10.8%	12.2%		
COGS	(41.7)	(45.9)	(52.3)	(57.2)	(62.9)	(73.4)		
<b>Gross Margin</b>	<b>52.9</b>	<b>54.1</b>	<b>59.5</b>	<b>65.4</b>	<b>73.0</b>	<b>78.9</b>	<b>8.3%</b>	<b>9.9%</b>
Gross Margin (o/Revenues)	55.9%	54.1%	53.2%	53.3%	53.7%	51.8%		
Personnel Expenses	(26.9)	(26.8)	(29.2)	(31.0)	(33.4)	(36.2)		
Other Operating Expenses	(13.5)	(13.9)	(16.1)	(17.4)	(20.5)	(22.2)		
<b>Recurrent EBITDA</b>	<b>12.5</b>	<b>13.4</b>	<b>14.1</b>	<b>17.0</b>	<b>19.0</b>	<b>20.5</b>	<b>10.3%</b>	<b>13.1%</b>
Recurrent EBITDA growth	13.7%	7.3%	5.3%	20.1%	12.1%	7.5%		
Rec. EBITDA/Revenues	13.2%	13.4%	12.6%	13.9%	14.0%	13.4%		
Restructuring Expense & Others	0.1	0.3	1.2	0.6	0.7	(0.3)		
<b>Depreciation &amp; Provisions</b>	<b>12.6</b>	<b>13.8</b>	<b>15.3</b>	<b>17.6</b>	<b>19.8</b>	<b>20.1</b>	<b>9.8%</b>	<b>9.5%</b>
Depreciation & Provisions	(0.8)	(2.3)	(2.3)	(2.4)	(3.0)	(3.7)		
Capitalized Expense	-	-	-	-	-	-		
Rentals (IFRS 16 impact)	-	-	-	-	-	(1.2)		
<b>EBIT</b>	<b>11.8</b>	<b>11.5</b>	<b>13.0</b>	<b>15.2</b>	<b>16.8</b>	<b>15.2</b>	<b>5.2%</b>	<b>5.3%</b>
EBIT growth	18.4%	-3.0%	13.6%	17.0%	10.0%	-9.2%		
EBIT/Revenues	12.5%	11.5%	11.6%	12.4%	12.3%	10.0%		
Impact of Goodwill & Others	0.1	0.7	(0.0)	-	0.0	-		
Net Financial Result	2.4	2.4	1.8	1.6	1.3	1.4		
Income by the Equity Method	0.0	0.1	0.1	0.1	-	-		
<b>Ordinary profit</b>	<b>14.3</b>	<b>14.6</b>	<b>14.9</b>	<b>16.9</b>	<b>18.0</b>	<b>16.6</b>	<b>3.0%</b>	<b>3.7%</b>
Ordinary Profit Growth	20.7%	2.3%	1.9%	13.4%	6.7%	-7.9%		
Extraordinary Results	-	-	-	1.4	0.5	0.4		
<b>Profit Before Tax</b>	<b>14.3</b>	<b>14.6</b>	<b>14.9</b>	<b>18.3</b>	<b>18.5</b>	<b>17.0</b>	<b>3.6%</b>	<b>4.5%</b>
Tax Expense	(4.3)	(3.9)	(1.8)	(4.4)	(4.4)	(5.8)		
Effective Tax Rate	30.2%	26.8%	12.0%	24.0%	23.8%	34.1%		
Minority Interest	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-		
<b>Net Profit</b>	<b>10.0</b>	<b>10.7</b>	<b>13.1</b>	<b>13.9</b>	<b>14.1</b>	<b>11.2</b>	<b>2.4%</b>	<b>-5.0%</b>
Net Profit growth	3.4%	7.4%	22.4%	6.1%	1.6%	-20.5%		
<b>Ordinary Net Profit</b>	<b>9.9</b>	<b>10.5</b>	<b>12.1</b>	<b>12.4</b>	<b>13.2</b>	<b>11.9</b>	<b>3.6%</b>	<b>-0.6%</b>
Ordinary Net Profit growth	23.7%	5.3%	15.2%	2.6%	6.6%	-10.1%		
							CAGR	
<b>Cash Flow (EUR Mn)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>14-19</b>	<b>16-19</b>
<b>Recurrent EBITDA</b>	<b>12.5</b>	<b>13.4</b>	<b>14.1</b>	<b>17.0</b>	<b>19.0</b>	<b>20.5</b>	<b>10.3%</b>	<b>13.1%</b>
Rentals (IFRS 16 impact)	-	-	-	-	-	(1.2)		
Working Capital Increase	10.3	0.6	(0.6)	(1.8)	(7.8)	(14.1)		
<b>Recurrent Operating Cash Flow</b>	<b>22.8</b>	<b>14.0</b>	<b>13.5</b>	<b>15.1</b>	<b>11.3</b>	<b>5.2</b>	<b>-25.7%</b>	<b>-27.4%</b>
Capex	(1.9)	(1.5)	(3.2)	(3.0)	(6.1)	(6.0)		
Net Financial Result affecting the Cash Flow	2.4	2.4	1.8	1.6	1.3	1.4		
Taxes	(4.3)	(3.9)	(1.8)	(4.4)	(4.4)	(5.8)		
<b>Recurrent Free Cash Flow</b>	<b>18.9</b>	<b>10.9</b>	<b>10.4</b>	<b>9.3</b>	<b>2.1</b>	<b>(5.3)</b>	<b>n.a.</b>	<b>n.a.</b>
Variation of indebtedness	(13.6)	(5.9)	(1.6)	(5.6)	6.0	11.0		
Net debt / EBITDA (x)	-0.7	-1.1	-1.2	-1.3	-0.8	-0.2		

Note 1: FY 2019 EBITDA is c. EUR 1.2Mn higher due to IFRS 16.



## Main Balance Sheet items breakdown

Chart 1: Working Capital



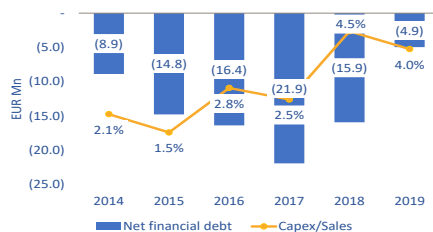
Working Capital breakdown

EUR Mn	2014	2015	2016	2017	2018	2019
Stocks	20.8	26.3	33.7	39.5	44.3	50.8
Clients	41.6	37.3	33.1	34.1	37.0	46.6
Suppliers	(9.5)	(11.0)	(12.7)	(15.8)	(14.9)	(16.3)
<b>Trade working capital</b>	<b>52.9</b>	<b>52.6</b>	<b>54.0</b>	<b>57.8</b>	<b>66.4</b>	<b>81.1</b>
Other Current Assets	1.0	0.3	0.2	0.2	0.3	0.3
Other Current liabilities	(8.6)	(8.2)	(9.0)	(10.9)	(11.9)	(12.5)
<b>Working Capital</b>	<b>45.3</b>	<b>44.7</b>	<b>45.3</b>	<b>47.1</b>	<b>54.9</b>	<b>69.0</b>
(Increase)/decre. In Inventories	(2.3)	(5.5)	(7.4)	(5.8)	(4.8)	(6.5)
(Increase)/decre. In Receivables	10.5	4.2	4.2	(1.0)	(2.9)	(9.6)
Increase/(decre.) In Payables	0.8	1.5	1.7	3.0	(0.9)	1.4
(Increase)/decre. In other ST assets	(0.0)	0.7	0.0	0.0	(0.1)	(0.0)
Increases/(decre.) In other ST liabilities	1.4	(0.4)	0.8	1.9	1.0	0.6
	<b>10.3</b>	<b>0.6</b>	<b>(0.6)</b>	<b>(1.8)</b>	<b>(7.8)</b>	<b>(14.1)</b>

Working Capital o/Sales

% s/Sales	2014	2015	2016	2017	2018	2019
Stocks	22.0%	26.3%	30.1%	32.2%	32.6%	33.4%
Clients	43.9%	37.3%	29.6%	27.8%	27.3%	30.6%
Suppliers	10.0%	11.0%	11.4%	12.9%	10.9%	10.7%
<b>Trade working capital</b>	<b>55.9%</b>	<b>52.6%</b>	<b>48.3%</b>	<b>47.1%</b>	<b>48.9%</b>	<b>53.3%</b>
Other Current Assets	1.0%	0.3%	0.2%	0.2%	0.2%	0.2%
Other Current liabilities	9.1%	8.2%	8.0%	8.9%	8.7%	8.2%
<b>Working Capital</b>	<b>47.8%</b>	<b>44.6%</b>	<b>40.5%</b>	<b>38.5%</b>	<b>40.4%</b>	<b>45.3%</b>

Chart 2: Net Debt vs CAPEX/Sales

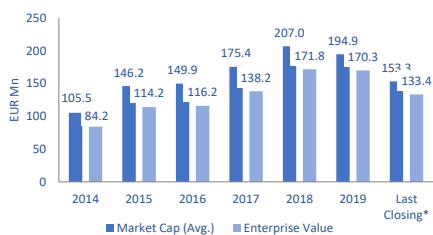


Net financial debt and liquidity breakdown

EUR Mn	2014	2015	2016	2017	2018	2019	1H20
L/T debt	0.8	0.1	-	-	-	2.5	14.4
Corporate debt	-	-	-	-	-	-	-
S/T debt	2.0	2.1	1.6	2.1	0.8	3.6	6.9
Other financial liabilities	2.1	2.0	3.4	2.2	1.6	0.7	-
<b>Total financial debt</b>	<b>4.8</b>	<b>4.2</b>	<b>5.0</b>	<b>4.4</b>	<b>2.3</b>	<b>6.8</b>	<b>21.4</b>
Cash	9.3	3.8	6.2	15.7	8.8	5.5	27.3
S/T Investments	4.4	15.1	15.2	10.6	9.4	6.2	3.5
<b>Cash and equivalents</b>	<b>13.7</b>	<b>18.9</b>	<b>21.4</b>	<b>26.3</b>	<b>18.3</b>	<b>11.7</b>	<b>30.9</b>
<b>Net Debt</b>	<b>(8.9)</b>	<b>(14.8)</b>	<b>(16.4)</b>	<b>(21.9)</b>	<b>(15.9)</b>	<b>(4.9)</b>	<b>(9.5)</b>
ND/EBITDA (x)*	-0.7x	-1.1x	-1.2x	-1.3x	-0.8x	-0.2x	-0.5x
ND/BV (%)	-9.6%	-16.0%	-16.2%	-20.7%	-14.6%	-4.5%	-8.3%
<b>Debt maturities</b>							
< 1 year	2.0	2.1	1.6	2.1	0.8	3.6	6.9
>1 year < 5	2.8	2.1	3.4	2.2	1.6	3.2	14.4
> 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)



Average Enterprise Value (2014-2019)

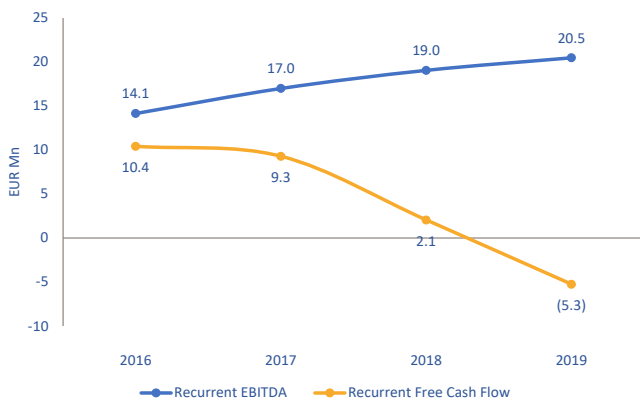
Enterprise Value	2014	2015	2016	2017	2018	2019	Last Closing*
Price per share (yearly avg.)	6.08	8.43	8.62	10.10	11.90	11.23	8.84
<b>Market Cap (Avg.)</b>	<b>105.5</b>	<b>146.2</b>	<b>149.9</b>	<b>175.4</b>	<b>207.0</b>	<b>194.9</b>	<b>153.3</b>
+ Minority Interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Provisions & Other L/T Liabilities	0.7	0.8	0.6	0.7	0.5	0.7	0.6
+ Net financial debt	-2.1	-11.8	-15.6	-19.1	-18.9	-10.4	-9.5
- Financial Investments	-19.9	-20.9	-18.8	-18.7	-16.9	-14.8	-11.0
+/- Others EV adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Enterprise Value (average)</b>	<b>84.2</b>	<b>114.2</b>	<b>116.2</b>	<b>138.2</b>	<b>171.8</b>	<b>170.3</b>	<b>133.4</b>

\*Last closing: 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

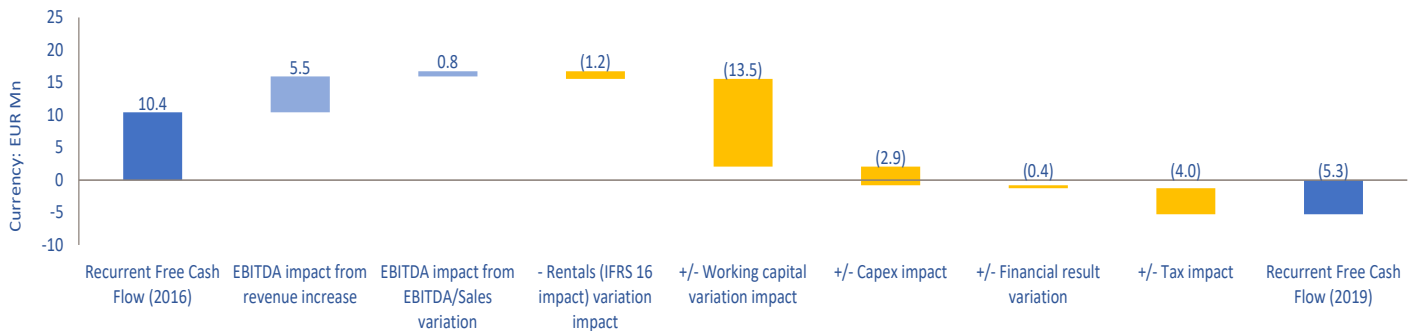
### Evolución del EBITDA recurrente vs Free Cash Flow recurrente



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

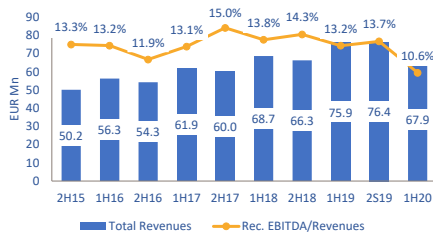


### Análisis de la variación acumulada del Free Cash Flow Recurrente (2016 - 2019)



## Seasonality and trends

**Chart 4: Half-year: Revenues and EBITDA Margin**



### Half year P&L: Seasonality

Half year P&L (EUR Mn)	2H15	1H16	2H16	1H17	2H17	1H18	2H18	1H19	2S19	1H20
Total Revenues	50.2	56.3	54.3	61.9	60.0	68.7	66.3	75.9	76.4	67.9
Revenues growth (YoY)	n.a.	n.a.	8.2%	9.9%	10.5%	11.0%	10.5%	10.5%	15.2%	-10.6%
Recurrent EBITDA	6.7	7.5	6.5	8.1	9.0	9.5	9.5	10.0	10.4	7.2
Rec. EBITDA growth (YoY)	n.a.	n.a.	-3.7%	9.1%	39.2%	16.6%	5.8%	5.8%	9.7%	-28.5%
Rec. EBITDA/Revenues	13.3%	13.2%	11.9%	13.1%	15.0%	13.8%	14.3%	13.2%	13.7%	10.6%
EBITDA	7.0	7.5	7.6	8.2	9.6	9.6	10.2	10.3	9.9	7.2
EBITDA growth (YoY)	n.a.	n.a.	8.9%	8.7%	26.2%	17.2%	6.6%	7.5%	-3.4%	-30.1%
EBIT	6.0	6.5	6.5	6.9	8.3	8.1	8.7	7.9	7.3	4.4
EBIT growth (YoY)	n.a.	n.a.	8.4%	6.1%	27.8%	17.3%	4.0%	-1.9%	-16.0%	-44.5%
EBIT/Revenues	12.0%	11.6%	12.0%	11.2%	13.9%	11.8%	13.0%	10.5%	9.5%	6.5%
Net Profit	5.4	5.7	7.4	6.6	7.3	6.9	7.2	5.4	5.8	3.6
Net profit growth	n.a.	n.a.	36.3%	16.7%	-1.4%	3.6%	-0.8%	-21.2%	-19.9%	-33.2%

### Trend analysis

YoY Change	2014	2015	2016	2017	2018	2019	1H19	1H20
Total Revenues	7.8%	5.7%	11.7%	9.6%	10.8%	12.2%	10.5%	-10.6%
Recurrent EBITDA	13.7%	7.3%	5.3%	20.1%	12.1%	7.5%	5.8%	-28.5%
Rec. EBITDA/Revenues (p.p.)	0.7	0.2	(0.8)	1.2	0.2	(0.6)	(0.6)	(2.6)
EBIT	18.4%	-3.0%	13.6%	17.0%	10.0%	-9.2%	-1.9%	-44.5%
EBIT/Revenues (p.p.)	1.1	(1.0)	0.2	0.8	(0.1)	(2.4)	(1.3)	(4.0)
Net Profit	3.4%	7.4%	22.4%	6.1%	1.6%	-20.5%	-21.2%	-33.2%
Net financial debt	-288.6%	-66.6%	-10.8%	-33.9%	27.4%	68.9%		
Net debt / EBITDA (x)	-1.1x	-0.4x	-0.1x	-0.1x	0.5x	0.6x		

**5. "All the numbers"**

	2014	2015	2016	2017	2018	2019	CAGR	
							14-19	16-19
<b>MARKET DATA</b>								
Price per share	6.30	9.01	8.90	10.35	10.50	11.45		
Market capitalisation (EUR Mn)	109.3	156.3	154.4	182.1	181.3	201.2		
Avg. Daily Traded Volume (EUR Mn)	0.04	0.06	0.03	0.04	0.05	0.03		
<b>Performance</b>								
Absolute	9.4%	43.0%	-1.2%	16.3%	1.4%	9.0%	12.7%	8.8%
vs Ibox 35	5.5%	54.0%	0.8%	8.3%	19.3%	-2.5%		
vs Sector benchmark	-7.5%	24.8%	10.1%	14.0%	4.2%	-15.1%		
<b>PER SHARE DATA</b>								
Adj. nº shares (Mn)	17.10	17.16	16.74	17.33	17.33	17.32	0.3%	1.2%
EPS (EUR)	0.58	0.62	0.78	0.80	0.81	0.65	2.1%	-6.1%
BVPS (reported)	5.42	5.38	6.03	6.12	6.28	6.41	3.4%	2.1%
Rec. FCF per share	1.11	0.64	0.62	0.54	0.12	-0.30	n.a.	n.a.
DPS (EUR)	0.54	0.38	0.48	0.58	0.58	0.33	-9.3%	-11.5%
% pay-out	92.5%	60.8%	60.9%	72.1%	71.0%	51.0%		
<b>ENTERPRISE VALUE (EUR Mn)</b>								
Market capitalisation (EUR Mn)	109.3	156.3	154.4	182.1	181.3	201.2	13.0%	9.2%
+ Minority Interests	0.0	0.0	0.0	0.0	0.0	0.0		
+ Provisions & Other L/T Liabilities	0.9	0.6	0.7	0.7	0.4	0.9		
+ Net financial debt	-8.9	-14.8	-16.4	-21.9	-15.9	-4.9		
- Financial Investments	-23.8	-18.0	-19.6	-17.9	-15.9	-13.7		
(-) Enterprise value (year-end)	77.5	124.1	119.1	143.0	149.9	183.5	18.8%	15.5%
<b>KEY FINANCIAL METRICS</b>								
<b>Year-on-year growth</b>								
Total Revenues	7.8%	5.7%	11.7%	9.6%	10.8%	12.2%		
Recurrent EBITDA	13.7%	7.3%	5.3%	20.1%	12.1%	7.5%		
EBIT	18.4%	-3.0%	13.6%	17.0%	10.0%	-9.2%		
Profit Before Tax	20.7%	2.3%	1.9%	22.8%	1.4%	-8.2%		
Net Profit	3.4%	7.4%	22.4%	6.1%	1.6%	-20.5%		
EPS (EUR)	2.7%	7.1%	25.4%	2.5%	1.6%	-20.5%		
<b>Margins (on revenue)</b>								
Recurrent EBITDA	13.2%	13.4%	12.6%	13.9%	14.0%	13.4%		
Gross margin	55.9%	54.1%	53.2%	53.3%	53.7%	51.8%		
EBIT	12.5%	11.5%	11.6%	12.4%	12.3%	10.0%		
Profit Before Tax	15.1%	14.6%	13.3%	14.9%	13.6%	11.2%		
Net Profit	10.5%	10.7%	11.7%	11.3%	10.4%	7.4%		
Ordinary Net Profit	10.5%	10.5%	10.8%	10.1%	9.7%	7.8%		
<b>Other key financial metrics</b>								
Income tax rate (>0 if income)	30.2%	26.8%	12.0%	24.0%	23.8%	34.1%		
Capex/Sales	2.1%	1.5%	2.8%	2.5%	4.5%	4.0%		
Working capital/Sales	47.8%	44.6%	40.5%	38.5%	40.4%	45.3%		
Capital Employed/Sales	64.3%	60.0%	58.6%	54.6%	57.0%	61.3%		
Net debt/EBITDA	-0.7x	-1.1x	-1.2x	-1.3x	-0.8x	-0.2x		
Net debt/Equity	-9.6%	-16.0%	-16.2%	-20.7%	-14.6%	-4.5%		
Assets (excash)/Equity	1.1x	1.1x	1.1x	1.1x	1.1x	1.2x		
ROE (reported)	11.3%	11.6%	13.6%	13.4%	13.1%	10.2%		
ROCE (reported)	12.4%	13.9%	18.2%	17.5%	17.7%	12.3%		
WACC	6.5%	6.7%	6.2%	6.4%	6.2%	5.5%		
<b>BALANCE SHEET (EUR Mn)</b>								
Fixed assets & Intangible	13.1	12.6	15.5	15.5	18.2	22.1		
Working capital	45.3	44.7	45.3	47.1	54.9	69.0		
Total assets (ex-cash)	102.8	97.3	106.9	111.5	120.1	137.9		
Equity	92.7	92.2	100.8	106.1	108.8	111.1		
Net debt / (cash)	-8.9	-14.8	-16.4	-21.9	-15.9	-4.9		
Capital Employed	60.9	60.1	65.6	67.0	77.4	93.3		
<b>PROFIT &amp; LOSS (EUR Mn)</b>								
Total Revenues	94.7	100.1	111.8	122.5	135.8	152.3	10.0%	10.9%
Recurrent EBITDA	12.5	13.4	14.1	17.0	19.0	20.5	10.3%	13.1%
Depreciation & Provisions	-0.8	-2.3	-2.3	-2.4	-3.0	-3.7		
EBIT	11.8	11.5	13.0	15.2	16.8	15.2	5.2%	5.3%
Net Financial Result	2.4	2.4	1.8	1.6	1.3	1.4		
Profit Before Tax	14.3	14.6	14.9	18.3	18.5	17.0	3.6%	4.5%
Income tax rate (>0 if income)	-4.3	-3.9	-1.8	-4.4	-4.4	-5.8		
Minorities and discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0		
Net Profit	10.0	10.7	13.1	13.9	14.1	11.2	2.4%	-5.0%
Ordinary Net Profit	9.9	10.5	12.1	12.4	13.2	11.9	3.6%	-0.6%
<b>CASH-FLOW (EUR Mn)</b>								
Recurrent EBITDA	12.5	13.4	14.1	17.0	19.0	20.5		
Rentals (IFRS 16 impact)	0.0	0.0	0.0	0.0	0.0	-1.2		
Working Capital Increase	10.3	0.6	-0.6	-1.8	-7.8	-14.1		
Capex	-1.9	-1.5	-3.2	-3.0	-6.1	-6.0		
Taxes	-4.3	-3.9	-1.8	-4.4	-4.4	-5.8		
Net Financial Result affecting the Cash Flow	2.4	2.4	1.8	1.6	1.3	1.4		
Rec. Free Cash Flow to Equity (FCFE)	18.9	10.9	10.4	9.3	2.1	-5.3	n.a.	n.a.
Rec. Free Cash Flow to the Firm (FCFF)	17.4	9.4	8.8	8.5	1.2	-5.4	n.a.	n.a.
<b>PROFIT &amp; LOSS (EUR Mn)</b>								
<b>Equity multiples</b>								
P/E	11.0x	14.6x	11.8x	13.1x	12.8x	17.9x		
Ord. P/E	11.0x	14.9x	12.8x	14.7x	13.8x	17.0x		
P/BV	1.2x	1.7x	1.5x	1.7x	1.7x	1.8x		
FCFE yield	17.3%	7.0%	6.7%	7.0%	5.1%	1.1%		
Dividend Yield (%)	8.6%	4.2%	5.4%	5.6%	5.5%	2.9%		
<b>Enterprise Value multiples</b>								
EV/Sales	0.8x	1.2x	1.1x	1.2x	1.1x	1.2x		
EV/EBITDA	6.2x	9.2x	8.4x	8.4x	7.9x	9.0x		
EV/EBIT	6.6x	10.8x	9.1x	9.4x	8.9x	12.1x		
EV/CE	1.3x	2.1x	1.8x	2.1x	1.9x	2.0x		
FCFF yield (to EV)	22.4%	7.6%	7.4%	5.9%	0.8%	-2.9%		

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)

		Salud - Suministros hospitalarios						
EUR Mn		Zimmer Biomet Holdings Inc	Smith & Nephew PLC	Ossur hf	Orthofix Medical Inc	Medartis Holding AG	Elos Medtech AB	Average
Datos Mercado	Ticker (Reuters)	ZBH.N	SN.L	OSSR.CO	OFIX.OQ	MEDA.S	ELOSSB.ST	
	País	USA	UK	Iceland	USA	Switzerland	Sweden	
	Market cap	23,737.7	13,237.8	2,453.2	524.2	520.3	56.0	6,754.9
	Enterprise value (EV)	30,160.8	15,201.1	2,733.6	481.4	461.4	46.1	8,180.7
Información financiera básica	Total Ingresos	5,784.0	4,026.5	537.0	318.1	109.3	57.2	1,805.3
	Cto. Total Ingresos	-18.8%	-12.2%	-12.3%	-22.5%	-8.9%	-12.9%	-14.6%
	2y TACC (2020e - 2022e)	11.5%	8.7%	9.7%	11.8%	16.4%	9.7%	11.3%
	EBITDA	1,727.9	962.0	90.0	23.8	15.7	12.6	472.0
	Cto. EBITDA	-22.9%	-30.2%	-32.6%	-35.1%	-16.3%	5.4%	-21.9%
	2y TACC (2020e - 2022e)	21.5%	20.4%	28.7%	54.1%	30.7%	7.4%	27.1%
	EBITDA/Ingresos	29.9%	23.9%	16.8%	7.5%	14.4%	22.0%	19.1%
	Beneficio Neto	857.7	492.7	21.0	(5.3)	(2.8)	3.6	227.8
	Cto. Beneficio Neto	-15.0%	-7.9%	-65.8%	-78.9%	n.a.	-2.5%	-34.1%
	2y TACC (2020e - 2022e)	35.3%	27.4%	87.2%	n.a.	n.a.	23.0%	43.2%
	Capex	343	304.4	26.4	17.6	8.5	4.6	117.4
	CAPEX/Ventas	5.9%	7.6%	4.9%	5.5%	7.8%	8.1%	6.6%
Múltiplos y Ratios	Free Cash Flow	523.2	405.5	44.7	38.5	5.2	6.6	170.6
	Deuda financiera Neta	5,900.2	1,363.1	242.4	n.a.	(78.4)	25.0	1,490.5
	DN/EBITDA (x)	3.4	1.4	2.7	n.a.	(5.0)	2.0	0.9
	Acciones en circulación	206.7	877.0	424.6	18.9	11.7	8.1	
	Pay-out	20.2%	45.7%	17.2%	n.a.	0.0%	25.7%	21.8%
	P/E (x)	27.8	25.1	n.a.	n.a.	n.a.	18.1	23.7
	P/BV (x)	2.0	2.9	5.0	n.a.	2.7	1.2	2.7
	EV/Ingresos (x)	5.2	3.8	5.1	1.5	4.2	0.8	3.4
	EV/EBITDA (x)	17.5	15.8	30.4	20.2	29.4	3.7	19.5
	ROE	6.5	9.7	6.5	n.a.	(2.3)	6.7	5.4
FCF Yield (%)	2.2	3.1	1.8	7.4	1.0	11.6	4.5	
DPA	0.8	0.3	0.0	n.a.	-	0.1	0.2	
Precio de cierre	114.6	15.1	5.8	27.1	44.2	7.9		
Dvd Yield	0.7%	1.7%	0.1%	n.a.	0.0%	1.4%	0.8%	

### Multiples: Medical devices and orthopedic sector (Backward-looking)

EUR Mn	Ticker (Reuters)	Market cap	PER 2019	BPA 19-21e TACC	P/BV 2019	ROE 2019	EV/EBITDA 2019	EBITDA 19-21e TACC	EV/Vtas 2019	Vtas 19-21e TACC	Mg. EBIT 2019	FCFE yield 2019	FCFE 19-21e TACC
Zimmer Biomet Holdings Inc	ZBH.N	23,738	27.3x	16.8%	2.5x	7.7%	15.3x	3.8%	4.8x	-1.7%	18.9%	4.0%	10%
Smith & Nephew PLC	SN.L	13,238	35.5x	19.4%	4.3x	14.8%	14.9x	-3.7%	4.5x	-0.6%	20.4%	1.7%	37%
Ossur hf	OSSR.CO	2,453	50.5x	6.7%	6.0x	16.4%	24.1x	1.9%	5.3x	-0.8%	15.4%	2.1%	1%
Orthofix Medical Inc	OFIX.OQ	524	n.a.	n.a.	2.8x	-8.2%	20.2x	19.0%	1.8x	-4.2%	3.4%	n.a.	n.a.
Medartis Holding AG	MEDA.S	520	n.a.	74.9%	2.4x	1.5%	21.6x	5.7%	3.4x	4.6%	5.7%	n.a.	-55%
Elos Medtech AB	ELOSSB.ST	56	22.3x	12.4%	1.6x	9.7%	9.0x	6.1%	1.6x	-1.8%	9.4%	n.a.	n.a.
Media			33.9x	26.1%	3.3x	7.0%	17.5x	5.5%	3.6x	-0.8%	12.2%	2.6%	-1.8%
Mediana			31.4x	16.8%	2.7x	8.7%	17.7x	4.7%	3.9x	-1.3%	12.4%	2.1%	5.5%
Prim SA	PRIM.MC	153.3	17.9x	n.a.	1.8x	10.2%	9.0x	n.a.	1.2x	n.a.	10.0%	-2.9%	n.a.

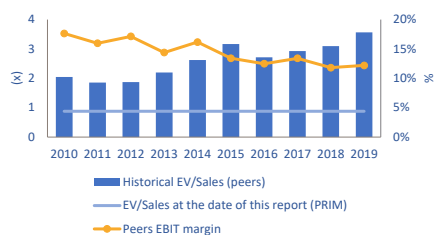
Note: Historical multiples (backward-looking) calculated from trading prices at the year close. Mkt. cap at the date of this report.

### Multiples: Medical devices and orthopedic sector (Forward-Looking)

EUR Mn	Ticker (Reuters)	Market cap	PER 2020e	BPA 20e-22e TACC	P/BV 2020e	ROE 2020e	EV/EBITDA 2020e	EBITDA 20e-22e TACC	EV/Vtas 2020e	Vtas 20e-22e TACC	Mg. EBIT 2020e	FCFE yield 2020e	FCFE 20e-22e TACC
Zimmer Biomet Holdings Inc	ZBH.N	23,738	27.8x	35.5%	2.2x	6.5%	17.5x	21.5%	5.2x	11.5%	20.6%	2.2%	62%
Smith & Nephew PLC	SN.L	13,238	25.1x	25.9%	4.0x	9.7%	15.8x	20.4%	3.8x	8.7%	14.0%	3.1%	34%
Ossur hf	OSSR.CO	2,453	n.a.	85.3%	5.8x	6.5%	30.4x	28.7%	5.1x	9.7%	7.3%	1.8%	31%
Orthofix Medical Inc	OFIX.OQ	524	n.a.	n.a.	NaN	n.a.	20.2x	54.1%	1.5x	11.8%	-3.8%	7.3%	-13%
Medartis Holding AG	MEDA.S	520	n.a.	n.a.	2.5x	-2.3%	29.4x	30.7%	4.2x	16.4%	2.4%	1.0%	-7%
Elos Medtech AB	ELOSSB.ST	56	18.1x	23.2%	1.5x	6.7%	3.7x	7.4%	0.8x	9.7%	11.7%	11.7%	15%
Media			23.7x	42.5%	3.2x	5.4%	19.5x	27.1%	3.4x	11.3%	8.7%	4.5%	20.3%
Mediana			25.1x	30.7%	2.5x	6.5%	18.8x	25.1%	4.0x	10.6%	9.5%	2.6%	23.0%

**"Theoretical" valuation exercises with multiples**

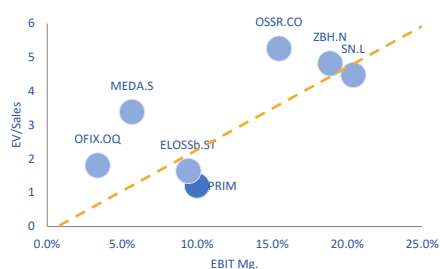
**Chart 1: EV/Sales valuation inputs**



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

Valuation inputs	2019		
Sector EBIT Mg.	12.2%	Theoretical EV/Sales	2.1
Company EBIT Margin	10.0%	* 2019 Sales	152.3
Adjustment factor	<b>0.82</b>	= <b>Company EV Valuation</b>	<b>325.1</b>
Sector EV/Sales (-10y avg.)	2.6	- Minority Interests	-
* Adjustment Factor	0.82	- Provisions & Other L/T Liabilities	0.6
<b>Company Theoretical EV/Sales vs 2019 Company EV/Sales</b>	<b>0.9</b>	- Net financial debt	(9.5)
<b>Premium / (Discount) o/ EV/Sales</b>	<b>-59.0%</b>	+ Financial Investments	11.0
		+/- Others EV adjustments	-
		= <b>Equity valuation (**)</b>	<b>345.1</b>
		vs Mkt Cap at the date of this report	153.3
		<b>Premium / (Discount)</b>	<b>-55.6%</b>

**Chart 2: PRIM vs Peers (2019)**



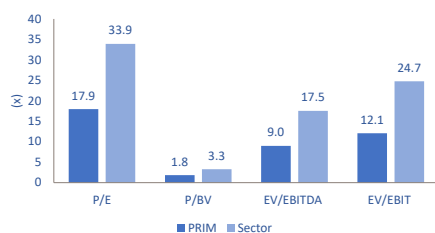
**Sensitivity analysis: Theoretical EV/Sales to changes in EBIT Mg. and premium (discount) o/sector EV/Sales (\*)**

A) Theoretical EV/Sales				B) Premium / (Discount)			
EV/Sales Premium	Mg. EBIT			EV/Sales Premium	Mg. EBIT		
	9.0%	10.0%	11.0%		9.0%	10.0%	11.0%
-10%	1.7	1.9	2.1	-10%	-45.9%	-50.9%	-55.1%
0%	1.9	<b>2.1</b>	2.3	0%	-50.9%	<b>-55.6%</b>	-59.4%
10%	2.1	2.3	2.6	10%	-55.1%	-59.4%	-62.9%

(\*) 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
PRIM	17.9	1.8	9.0	12.1	n.a.
Sector	33.9	3.3	17.5	24.7	2.2%
<b>Premium / Discount</b>	<b>-47.1%</b>	<b>-44.6%</b>	<b>-48.9%</b>	<b>-51.2%</b>	<b>n.a.</b>

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

### "Theoretical" valuation exercises with DCF (\*)

#### WACC (at the date of this report)

			Best Case	Worst Case
Net financial debt	-9.5	Debt net of Cash (1H20)		
Cost of Debt	4.0%	Net debt cost	3.0%	5.0%
Effective tax rate (T)	20.0%	T (Normalised tax rate)	=	=
<b>Cost of Net Debt</b>	<b>3.2%</b>	<b>Kd = Cost of Net Debt * (1-T)</b>	<b>2.4%</b>	<b>4.0%</b>
Risk free rate (rf)	0.1%	Rf (10y Spanish bond yield)	=	=
Equity risk premium	9.0%	R (own estimate)	8.5%	9.5%
Beta (B)	0.8	B (Thomson Reuters)	0.7	0.9
<b>Cost of Equity</b>	<b>7.3%</b>	<b>Ke = Rf + (R*B)</b>	<b>6.1%</b>	<b>8.7%</b>
Equity / (Equity + Net Debt)	100.0%	E (Market Cap as equity value)	=	=
Net Debt / (Equity + Net Debt)	0.0%	D	=	=
<b>WACC</b>	<b>7.3%</b>	<b>WACC = Kd*D + Ke*E</b>	<b>6.1%</b>	<b>8.7%</b>

#### Assumptions (2019)

EBIT 2019	15.2
Normalised tax rate (T)	20.0%
Long term growth rate (G)	2.0%
ROCE 2019	12.3%
WACC (at the date of this report) (*)	7.3%
Adjustment factor o/net EBIT	= 1 - (G / ROCE)
Adjustment factor applied	83.8%

#### "Theoretical" absolute valuation based on net EBIT 2019

Theoretical value based on 2019 Net EBIT = EBIT (1-t)\*Adjustment factor / (WACC - G)

Theoretical Enterprise Value (At the date of this report)	191.0
- Net financial debt	(9.5)
- Minority Interests	0.0
- Provisions & Other L/T Liabilities	0.6
+/- Others EV adjustments	0.0
+ Financial Investments	11.0
<b>= Equity valuation</b>	<b>210.9</b>
vs Mkt Cap at the date of this report	153.3
<b>Premium / (Discount)</b>	<b>-27.3%</b>

(\*) 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.

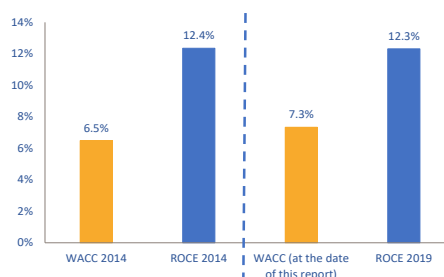
#### Sector historical multiples vs Company Implied multiples (o/Theoretical EV and Mkt. Cap.

Valuation multiples	Sector	PRIM	Premium / Discount
EV/Sales	3.6	1.3	-64.8%
EV/EBITDA	17.5	9.3	-46.8%
EV/EBIT	24.7	12.6	-49.2%
P/BV	3.3	1.9	-42.0%
P/E	33.9	18.8	-44.6%

#### Sensitivity analysis

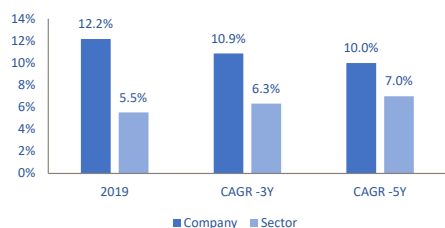
A) "Theoretical" Equity valuation (EUR Mn)				B) Premium / (Discount)			
ROCE	Long term growth rate (G)			ROCE	Long term growth rate (G)		
	1.5%	2.0%	2.5%		1.5%	2.0%	2.5%
11.3%	200.8	207.7	216.0	11.3%	-23.6%	-26.2%	-29.0%
12.3%	203.0	<b>210.9</b>	220.5	12.3%	-24.5%	<b>-27.3%</b>	-30.4%
13.3%	204.9	213.7	224.3	13.3%	-25.2%	-28.2%	-31.6%

#### Value creation: ROCE vs Cost of Capital (WACC)

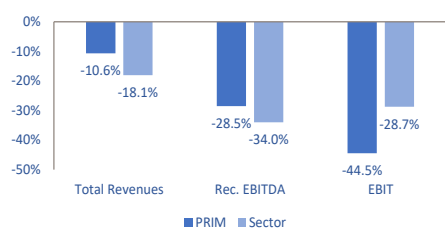


## Growth and momentum: to measure the company's historical growth vs sector. And (1H20) business momentum

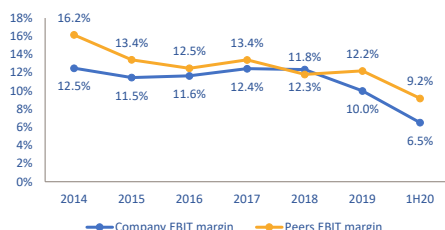
**Chart 4: Growth spread (Revenues)**



**Chart 5: Momentum indicators (growth)1H20 vs 1H19**



**Chart 6: EBIT. Mg. Vs sector**



**Growth spread vs sector**

	Total Revenues			EBITDA			EBIT		
	2019	CAGR -3Y	CAGR -5Y	2019	CAGR -3Y	CAGR -5Y	2019	CAGR -3Y	CAGR -5Y
Company	12.2%	10.9%	10.0%	7.5%	13.1%	10.3%	-9.2%	5.3%	5.2%
Sector	5.5%	6.3%	7.0%	17.4%	6.0%	6.4%	11.9%	2.5%	3.9%
Spread (p.p.)	6.7	4.5	3.0	(9.9)	7.1	3.9	(21.1)	2.8	1.3

**Key Momentum indicators**

	PRIM			Sector Avg			Sector
	1H20	2019	Dif. (p.p.)	1H20	2019	Dif. (p.p.)	CAGR 19-21e
Total Revenues	-10.6%	12.2%	(22.8)	-18.1%	5.5%	(23.6)	0.7%
Rec. EBITDA	-28.5%	7.5%	(36.0)	-34.0%	17.4%	(51.3)	7.1%
EBITDA/Revenues	10.6%	13.4%	(2.9)	18.9%	21.0%	(2.1)	1.9p.p.
EBIT	-44.5%	-9.2%	(35.3)	-28.7%	11.9%	(40.6)	4.5%
EBIT/Rev.	6.5%	10.0%	(3.5)	9.2%	12.2%	(3.0)	1.6p.p.

**Historical growth vs momentum indicators**

Company vs Sector Spread (p.p.)	Var. -5yr	Var. -3yr	2019	1H20
Total Revenues	3.0	4.5	6.7	7.4
Rec. EBITDA	3.9	7.1	(9.9)	5.5
EBITDA/Revenues	2.1	0.4	(7.6)	(8.3)
EBIT	1.3	2.8	(21.1)	(15.8)
EBIT/Rev.	1.5	(1.4)	(2.2)	(2.7)

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

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### Recommendation History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
30-Oct-2020	n.a.	8.84	n.a.	n.a.	Analysis of Historical Financial Statements	David López Sánchez
24-Oct-2019	n.a.	10.95	n.a.	n.a.	Analysis of Historical Financial Statements	David López Sánchez

