

EQUITY - SPAIN

Sector: Chemicals

Report date: 9 Nov 2022

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9m Results 2022

Closing price: EUR 3.31 (8 Nov 2022)

9m Results 2022

Opinion ⁽¹⁾: In lineImpact ⁽¹⁾: We will maintain 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.

2022e will be a record year, although 3Q is already showing signs of slowdown

Market Data

Market Cap (Mn EUR and USD)	319.7	321.9
EV (Mn EUR and USD) ⁽²⁾	377.3	379.8
Shares Outstanding (Mn)	96.6	
-12m (Max/Med/Mín EUR)	3.81 / 3.13 / 2.68	
Daily Avg volume (-12m Mn EUR)	0.61	
Rotation ⁽³⁾	48.5	
Factset / Bloomberg	ECR-ES / ECR SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Joan Casas Galofre	5.7
Dimensional Fund Advisors, L.P.	5.2
Víctor Manuel Rodríguez Martín	5.0
Montserrat García Pruns	3.4
Free Float	80.7

Financials (Mn EUR)

	2021	2022e	2023e	2024e
Adj. n° shares (Mn)	101.0	98.8	96.6	96.6
Total Revenues	822.9	1,035.4	847.8	862.3
Rec. EBITDA	85.6	114.0	80.3	86.0
% growth	77.4	33.2	-29.5	7.0
% Rec. EBITDA/Rev.	10.4	11.0	9.5	10.0
% Inc. EBITDA sector ⁽⁴⁾	25.9	16.2	-3.8	5.2
Net Profit	43.3	66.5	39.0	43.6
EPS (EUR)	0.43	0.67	0.40	0.45
% growth	603.2	57.1	-40.1	11.9
Ord. EPS (EUR)	0.43	0.67	0.40	0.45
% growth	527.2	55.9	-40.1	11.9
Rec. Free Cash Flow ⁽⁵⁾	4.9	28.9	39.3	35.7
Pay-out (%)	19.0	20.0	22.0	24.0
DPS (EUR)	0.08	0.13	0.09	0.11
Net financial debt	59.6	58.9	43.9	28.0
ND/Rec. EBITDA (x)	0.7	0.5	0.5	0.3
ROE (%)	14.1	19.0	10.3	11.0
ROCE (%) ⁽⁵⁾	11.1	15.4	8.9	9.7

Ratios & Multiples (x)⁽⁶⁾

	2021	2022e	2023e	2024e
P/E	7.7	4.9	8.2	7.3
Ord. P/E	7.7	4.9	8.2	7.3
P/BV	1.0	0.9	0.8	0.8
Dividend Yield (%)	2.5	4.1	2.7	3.3
EV/Sales	0.46	0.36	0.44	0.44
EV/Rec. EBITDA	4.4	3.3	4.7	4.4
EV/EBIT	7.0	4.4	7.4	6.7
FCF Yield (%) ⁽⁵⁾	1.5	9.0	12.3	11.2

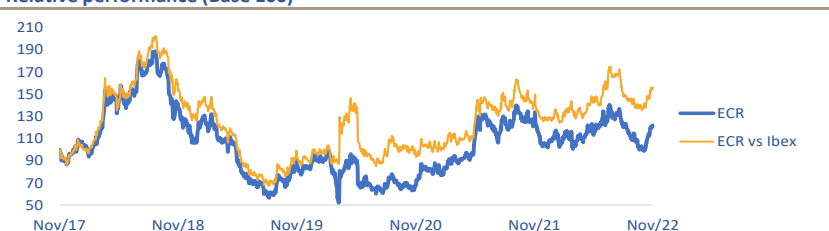
RISING PRICES CONTINUE TO DRIVE REVENUE (+40.9% VS 9M21). ECR closed 9m22 with revenue of EUR 821.4Mn (+40.9% vs 9m21), driven by the sharp increase in prices that continues to offset the loss of volume (-17%) and the mix effect (-8.6%). By divisions, growth in sales of chlorine derivatives is of note (+51.4%; with the increase in the prices of higher volume products - PVC and caustic soda - standing out), followed by pharmacy (+31.4%; continuing the recovery already seen in previous quarters) and intermediate chemicals (+20.6%; more affected by the fall in demand for consumer goods).

THIS HAS RESULTED IN EBITDA OF EUR 88.1Mn (+43.8%). Despite the sharp increase in variable costs (+50%) due to higher energy and raw material costs, ECR managed to maintain an EBITDA margin of c. 11% (+0.2p.p. vs 9m21). This has resulted in 9m22 EBITDA at maximum levels (EUR 88.1Mn; + 43.8% vs 9m21). Record results for the company.

ALTHOUGH 3Q IS ALREADY SHOWING SIGNS OF SLOWDOWN. The combination of smaller volumes and very high energy prices has resulted in a narrowing of margins in 3Q in isolation. However, in our view, 3Q should not be used as a reference for the rest of the year for two reasons: (i) the sharp rebound in caustic soda prices in October (arising from the inelasticity of its demand in a context of smaller chlorine production) and (ii) lower energy prices (see charts 1 and 2 on the following page). This allows us to maintain our estimates (2022e EBITDA: EUR 114Mn and NP EUR 66.5Mn).

AND THE MACRO SCENARIO POINTS TO AN UNFAVOURABLE BACKDROP IN 2023E. Looking ahead to 2023e, the macro scenario will be more unfavourable. However, in our opinion, today ECR is well prepared to deal with a recession (with a very healthy balance sheet: 22e ND/EBITDA 0.5x, a key point). Our estimate for 23 EBITDA (c. EUR 80Mn), that already includes the more than likely decline in activity (c. -30% vs 2022e), is compatible with continuing to trade at low multiples (23e EV/EBITDA 4.7x) and, despite the context, cash generation capacity will remain high (23e FCF yield: > 10%).

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	21.9	0.2	-3.5	13.7	42.5	22.0
vs Ibxex 35	13.3	3.6	9.4	23.9	67.4	56.0
vs Ibxex Small Cap Index	17.3	9.4	16.8	33.9	35.7	8.2
vs Eurostoxx 50	10.1	0.6	12.3	30.7	41.0	19.3
vs Sector benchmark ⁽⁴⁾	10.1	-0.4	9.3	31.6	21.6	2.4

(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) Sector: Stoxx Europe 600 Chemicals.

(5) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.

(6) 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.

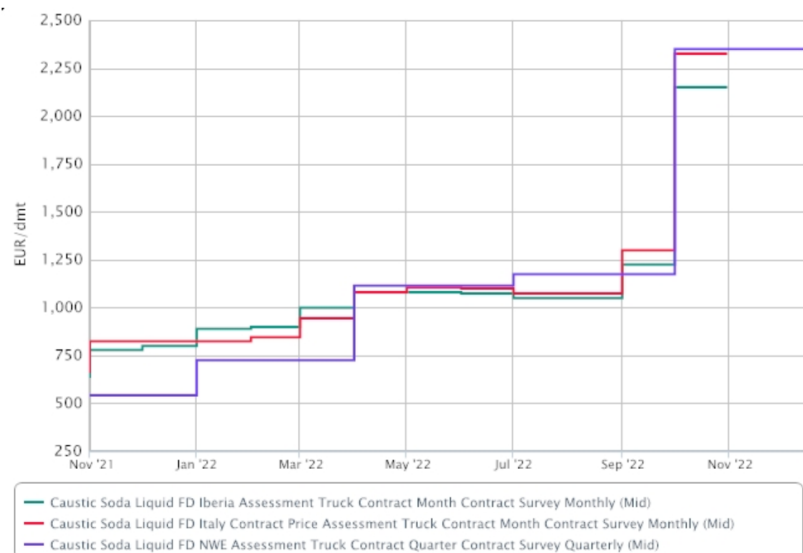
9m Results 2022

Tabla 2. 9m22 Results

EUR Mn	9m22 Real	9m21	9m22 Real vs 9m21	2022e vs 2021	2022e	2021	3Q22 vs 3Q21
Total Revenues	821.4	582.8	40.9%	1035.4	25.8%	257.5	25.9%
Chlorine derivatives	516.9	341.4	51.4%			163.8	35.2%
Intermediate chemicals	208.8	173.1	20.6%			62.6	4.9%
Pharmaceuticals	48.5	36.9	31.4%			15.9	50.0%
Other revenues	47.3	31.4	50.6%			15.2	16.6%
Recurrent EBITDA	88.1	61.3	43.8%	114.0	33.2%	12.9	-22.8%
Rec. EBITDA/Revenues	10.7%	10.5%	0.2 p.p.	11.0%	0.6 p.p.	5.0%	-3.2 p.p.
EBITDA	85.6	59.8	43.1%	114.0	33.8%	12.0	-25.2%
EBITDA/Revenues	10.4%	10.3%	0.2 p.p.	11.0%	0.7 p.p.	4.6%	-3.2 p.p.
EBIT	63.0	38.6	63.3%	85.5	59.3%	4.4	-51%
PBT	61.9	34.6	78.6%	82.1	60.6%	5.1	-35.0%
NP	50.5	26.2	93.1%	66.5	53.7%	4.2	-28%
Tons sold (thousand)	868	932	-6.9%				
Net Debt ¹	74.7	59.6	25.4%	58.9	-1.2%		

Note: Net Debt adjusted to exclude the impact of IFRS 16.

Chart 1: Caustic Soda prices



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Source: ICIS (2022).

Chart 2: TTF (Gas)



Source: Bloomberg.

Valuation inputs

Inputs for the DCF Valuation Approach

	2022e	2023e	2024e	Terminal Value ⁽¹⁾			
Free Cash Flow "To the Firm"	32.2	42.4	38.4	498.7			
Market Cap	319.7	At the date of this report					
Net financial debt	74.7	Debt net of Cash (9m Results 2022)					
					Best Case	Worst Case	
Cost of Debt	4.5%	Net debt cost			4.3%	4.8%	
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=	
Net debt cost	3.6%	Kd = Cost of Net Debt * (1-T)			3.4%	3.8%	
Risk free rate (rf)	3.3%	Rf (10y Spanish bond yield)			=	=	
Equity risk premium	6.0%	R (own estimate)			5.5%	6.5%	
Beta (B)	1.2	B (own estimate)			1.1	1.2	
Cost of Equity	10.5%	Ke = Rf + (R * B)			9.4%	11.1%	
Equity / (Equity + Net Debt)	81.1%	E (Market Cap as equity value)			=	=	
Net Debt / (Equity + Net Debt)	18.9%	D			=	=	
WACC	9.2%	WACC = Kd * D + Ke * E			8.2%	9.7%	
G "Fair"	1.5%				2.0%	1.0%	

(1) The terminal value reflects the NAV of FCF beyond the period estimated with the WACC and G of the central scenario.

Inputs for the Multiples Valuation Approach

Company	Ticker	Factset	Mkt. Cap	P/E 22e	EPS 22e-24e	EV/EBITDA 22e	EBITDA 22e-24e	EV/Sales 22e	Revenues 22e-24e	EBITDA/Sales 22e	FCF Yield 22e	FCF 22e-24e
BASF SE	BAS-DE		44,362.5	7.0	-9.7%	5.9	-3.8%	0.7	-2.2%	12.3%	5.8%	7.4%
Solvay	SOLB-BE		10,331.4	6.6	-10.7%	4.8	-5.5%	1.1	-0.6%	22.2%	9.1%	5.4%
Covestro AG	1COV-DE		7,096.2	12.9	10.6%	5.7	4.8%	0.5	-2.9%	9.6%	n.a.	n.a.
Europe				8.9	-3.3%	5.4	-1.5%	0.8	-1.9%	14.7%	7.4%	6.4%
DowDuPont	DOW-US		34,710.8	7.7	-8.2%	5.0	-5.4%	0.8	-4.1%	16.7%	15.1%	-17.1%
Olin Corp	OLN-US		7,861.3	6.5	-8.3%	4.4	-7.5%	1.1	-3.3%	25.8%	21.0%	-9.1%
Westlake	WLK-US		12,835.5	5.4	-15.1%	3.9	-12.1%	1.1	-5.7%	27.4%	17.9%	-10.5%
USA				6.5	-10.5%	4.4	-8.3%	1.0	-4.4%	23.3%	18.0%	-12.2%
ECR	ECR-ES		319.7	4.9	-18.2%	3.3	-13.2%	0.4	-8.7%	11.0%	9.0%	11.2%

Free Cash Flow sensitivity analysis (2023e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 23e	EBITDA 23e	EV/EBITDA 23e
Max	10.0%	84.6	4.5x
Central	9.5%	80.3	4.7x
Min	9.0%	76.1	5.0x

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

Rec. FCF EUR Mn	CAPEX/Sales 23e				Scenario	Rec. FCF/Yield 23e		
EBITDA 23e	3.1%	3.5%	3.9%					
84.6	46.9	43.5	40.1	➔	Max	14.7%	13.6%	12.5%
80.3	42.7	39.3	35.9		Central	13.3%	12.3%	11.2%
76.1	38.4	35.0	31.6		Min	12.0%	11.0%	9.9%

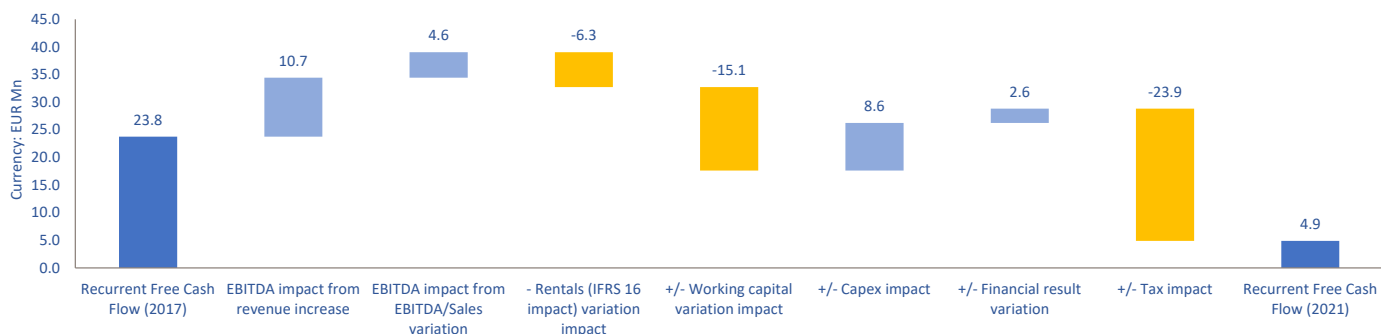
Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e		
Intangible assets	4.1	4.2	19.7	16.1	17.7	18.2	18.7	19.2		
Fixed assets	269.4	281.7	296.9	311.3	324.5	336.9	343.5	349.8		
Other Non Current Assets	25.9	31.7	40.3	38.9	35.7	35.7	35.7	35.7		
Financial Investments	44.9	45.2	42.7	28.8	29.0	29.6	30.2	30.8		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	218.3	218.9	184.5	148.6	248.9	289.4	243.8	247.2		
Total assets	562.6	581.6	584.1	543.6	655.8	709.7	671.9	682.7		
Equity	247.5	272.7	292.1	284.2	331.6	370.0	384.7	408.4		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	84.1	76.5	62.2	55.8	67.6	67.6	67.6	67.6		
Other Non Current Liabilities	-	-	13.4	9.1	6.2	6.2	6.2	6.2		
Net financial debt	89.3	107.3	96.8	75.7	59.6	58.9	43.9	28.0		
Current Liabilities	141.7	125.2	119.6	118.8	190.8	207.1	169.6	172.5		
Equity & Total Liabilities	562.6	581.6	584.1	543.6	655.8	709.7	671.9	682.7		
									CAGR	
P&L (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e	17-21	21-24e
Total Revenues	689.3	677.1	677.9	579.3	822.9	1,035.4	847.8	862.3	4.5%	1.6%
<i>Total Revenues growth</i>	13.6%	-1.8%	0.1%	-14.6%	42.1%	25.8%	-18.1%	1.7%		
COGS	(433.1)	(435.1)	(439.3)	(348.3)	(532.8)	(691.6)	(551.1)	(558.8)		
Gross Margin	256.1	242.0	238.6	230.9	290.0	343.8	296.7	303.5	3.2%	1.5%
<i>Gross Margin/Revenues</i>	37.2%	35.7%	35.2%	39.9%	35.2%	33.2%	35.0%	35.2%		
Personnel Expenses	(83.4)	(79.9)	(83.1)	(84.3)	(87.0)	(93.0)	(94.2)	(94.3)		
Other Operating Expenses	(102.5)	(97.9)	(97.5)	(98.4)	(117.5)	(136.7)	(122.1)	(123.3)		
Recurrent EBITDA	70.3	64.3	58.0	48.2	85.6	114.0	80.3	86.0	5.0%	0.2%
<i>Recurrent EBITDA growth</i>	20.3%	-8.5%	-9.7%	-16.9%	77.4%	33.2%	-29.5%	7.0%		
<i>Rec. EBITDA/Revenues</i>	10.2%	9.5%	8.6%	8.3%	10.4%	11.0%	9.5%	10.0%		
Restructuring Expense & Other non-rec.	(21.7)	3.0	4.4	(0.9)	(0.4)	-	-	-		
EBITDA	48.5	67.3	62.4	47.3	85.2	114.0	80.3	86.0	15.1%	0.3%
Depreciation & Provisions	(14.2)	(24.2)	(25.1)	(27.4)	(25.7)	(22.7)	(23.3)	(23.8)		
Capitalized Expense	-	0.2	0.9	2.3	0.5	0.5	0.5	0.5		
Rentals (IFRS 16 impact)	-	-	(7.1)	(7.3)	(6.3)	(6.3)	(6.3)	(6.3)		
EBIT	34.3	43.2	31.2	14.9	53.7	85.5	51.2	56.4	11.8%	1.6%
<i>EBIT growth</i>	-32.8%	25.9%	-27.8%	-52.1%	259.4%	59.3%	-40.1%	10.1%		
<i>EBIT/Revenues</i>	5.0%	6.4%	4.6%	2.6%	6.5%	8.3%	6.0%	6.5%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(6.4)	(6.3)	(6.5)	(8.5)	(3.1)	(4.0)	(3.7)	(3.2)		
Income by the Equity Method	0.7	1.1	0.4	0.5	0.6	0.6	0.6	0.6		
Ordinary Profit	28.7	38.0	25.1	7.0	51.2	82.1	48.1	53.8	15.6%	1.7%
<i>Ordinary Profit Growth</i>	-36.7%	32.5%	-34.0%	-72.2%	632.4%	60.6%	-41.4%	11.9%		
Extraordinary Results	(0.1)	-	(2.5)	-	-	-	-	-		
Profit Before Tax	28.6	38.0	22.6	7.0	51.2	82.1	48.1	53.8	15.7%	1.7%
Tax Expense	15.9	6.9	8.4	(0.7)	(7.9)	(15.6)	(9.1)	(10.2)		
<i>Effective Tax Rate</i>	n.a.	n.a.	n.a.	10.4%	15.4%	19.0%	19.0%	19.0%		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	44.5	44.9	31.0	6.3	43.3	66.5	39.0	43.6	-0.7%	0.2%
<i>Net Profit growth</i>	-1.5%	0.9%	-30.8%	-79.8%	592.0%	53.7%	-41.4%	11.9%		
Ordinary Net Profit	50.4	35.0	20.7	7.1	43.6	66.5	39.0	43.6	-3.6%	0.0%
<i>Ordinary Net Profit growth</i>	11.6%	-30.6%	-40.9%	-65.8%	517.1%	52.5%	-41.4%	11.9%		
									CAGR	
Cash Flow (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e	17-21	21-24e
Recurrent EBITDA						114.0	80.3	86.0	5.0%	0.2%
Rentals (IFRS 16 impact)						(6.3)	(6.3)	(6.3)		
Working Capital Increase						(24.2)	8.1	(0.5)		
Recurrent Operating Cash Flow						83.5	82.1	79.1	-2.8%	15.8%
CAPEX						(35.0)	(30.0)	(30.0)		
Net Financial Result affecting the Cash Flow						(4.0)	(3.7)	(3.2)		
Tax Expense						(15.6)	(9.1)	(10.2)		
Recurrent Free Cash Flow						28.9	39.3	35.7	-32.6%	94.0%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						28.9	39.3	35.7	n.a.	16.5%
Capital Increase						(20.0)	(10.9)	(11.3)		
Dividends						(8.2)	(13.3)	(8.6)		
Net Debt Variation						(0.7)	(15.0)	(15.8)		

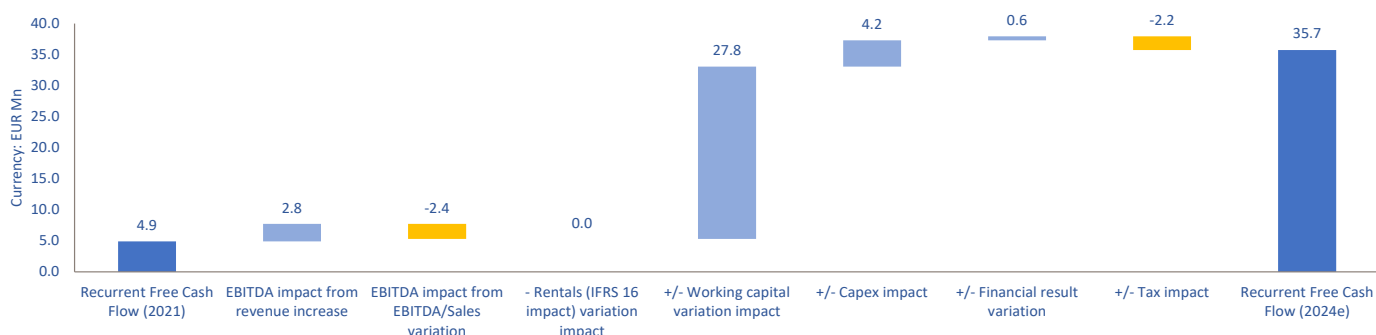
Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2018	2019	2020	2021	2022e	2023e	2024e	CAGR	
								18-21	21-24e
Recurrent EBITDA	64.3	58.0	48.2	85.6	114.0	80.3	86.0	10.0%	0.2%
<i>Recurrent EBITDA growth</i>	-8.5%	-9.7%	-16.9%	77.4%	33.2%	-29.5%	7.0%		
<i>Rec. EBITDA/Revenues</i>	9.5%	8.6%	8.3%	10.4%	11.0%	9.5%	10.0%		
- Rentals (IFRS 16 impact)	-	(7.1)	(7.3)	(6.3)	(6.3)	(6.3)	(6.3)		
+/- Working Capital increase	(17.1)	28.8	35.0	(28.3)	(24.2)	8.1	(0.5)		
= Recurrent Operating Cash Flow	47.2	79.8	76.0	51.0	83.5	82.1	79.1	2.6%	15.8%
<i>Rec. Operating Cash Flow growth</i>	-17.4%	69.1%	-4.8%	-32.9%	63.8%	-1.6%	-3.6%		
<i>Rec. Operating Cash Flow / Sales</i>	7.0%	11.8%	13.1%	6.2%	8.1%	9.7%	9.2%		
- CAPEX	(42.1)	(37.1)	(34.1)	(34.2)	(35.0)	(30.0)	(30.0)		
- Net Financial Result affecting Cash Flow	(6.3)	(5.1)	(5.8)	(3.8)	(4.0)	(3.7)	(3.2)		
- Taxes	6.9	0.4	5.6	(8.0)	(15.6)	(9.1)	(10.2)		
= Recurrent Free Cash Flow	5.6	38.1	41.7	4.9	28.9	39.3	35.7	-4.4%	94.0%
<i>Rec. Free Cash Flow growth</i>	-76.4%	579.7%	9.4%	-88.2%	489.7%	35.9%	-9.0%		
<i>Rec. Free Cash Flow / Revenues</i>	0.8%	5.6%	7.2%	0.6%	2.8%	4.6%	4.1%		
- Restructuring expenses & others	-	-	-	-	-	-	-		
- Acquisitions / + Divestments	-	5.7	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(4.7)	(22.1)	(6.4)	17.7	-	-	-		
= Free Cash Flow	0.9	21.7	35.2	22.6	28.9	39.3	35.7	n.a.	16.5%
<i>Free Cash Flow growth</i>	-2.4%	n.a.	62.1%	-35.9%	27.8%	35.9%	-9.0%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	1.8%	11.9%	13.0%	1.5%	9.0%	12.3%	11.2%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	0.3%	6.8%	11.0%	7.1%	9.0%	12.3%	11.2%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
Recurrent FCF(FY - 1)	23.8	5.6	38.1	41.7	4.9	28.9	39.3		
EBITDA impact from revenue increase	(1.2)	0.1	(8.4)	20.3	22.1	(20.7)	1.4		
EBITDA impact from EBITDA/Sales variation	(4.7)	(6.3)	(1.4)	17.0	6.3	(13.0)	4.2		
= Recurrent EBITDA variation	(6.0)	(6.2)	(9.8)	37.3	28.4	(33.7)	5.6		
- Rentals (IFRS 16 impact) variation impact	-	(7.1)	(0.2)	1.0	-	-	-		
+/- Working capital variation impact	(3.9)	45.9	6.2	(63.3)	4.1	32.3	(8.6)		
= Recurrent Operating Cash Flow variation	(9.9)	32.6	(3.8)	(25.0)	32.5	(1.4)	(3.0)		
+/- CAPEX impact	0.7	5.0	3.0	(0.1)	(0.8)	5.0	-		
+/- Financial result variation	0.0	1.3	(0.7)	2.0	(0.2)	0.3	0.5		
+/- Tax impact	(9.0)	(6.4)	5.1	(13.6)	(7.6)	6.5	(1.1)		
= Recurrent Free Cash Flow variation	(18.2)	32.5	3.6	(36.8)	24.0	10.4	(3.5)		
Recurrent Free Cash Flow	5.6	38.1	41.7	4.9	28.9	39.3	35.7		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
EBIT	43.2	31.2	14.9	53.7	85.5	51.2	56.4	7.5%	1.6%
* <i>Theoretical Tax rate</i>	0.0%	0.0%	10.4%	15.4%	19.0%	19.0%	19.0%		
= Taxes (pre- Net Financial Result)	-	-	(1.6)	(8.2)	(16.2)	(9.7)	(10.7)		
Recurrent EBITDA	64.3	58.0	48.2	85.6	114.0	80.3	86.0	10.0%	0.2%
- Rentals (IFRS 16 impact)	-	(7.1)	(7.3)	(6.3)	(6.3)	(6.3)	(6.3)		
+/- Working Capital increase	(17.1)	28.8	35.0	(28.3)	(24.2)	8.1	(0.5)		
= Recurrent Operating Cash Flow	47.2	79.8	76.0	51.0	83.5	82.1	79.1	2.6%	15.8%
- CAPEX	(42.1)	(37.1)	(34.1)	(34.2)	(35.0)	(30.0)	(30.0)		
- Taxes (pre- Financial Result)	-	-	(1.6)	(8.2)	(16.2)	(9.7)	(10.7)		
= Recurrent Free Cash Flow (To the Firm)	5.1	42.7	40.3	8.5	32.2	42.4	38.4	18.7%	65.5%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	-64.4%	742.2%	-5.6%	-79.0%	280.4%	31.5%	-9.4%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	0.7%	6.3%	7.0%	1.0%	3.1%	5.0%	4.5%		
- Acquisitions / + Divestments	-	5.7	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(4.7)	(22.1)	(6.4)	17.7	-	-	-		
= Free Cash Flow "To the Firm"	0.4	26.3	33.9	26.2	32.2	42.4	38.4	n.a.	13.6%
<i>Free Cash Flow (To the Firm) growth</i>	-97.1%	n.a.	28.5%	-22.7%	23.1%	31.5%	-9.4%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	1.3%	11.3%	10.7%	2.2%	8.5%	11.2%	10.2%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	0.1%	7.0%	9.0%	6.9%	8.5%	11.2%	10.2%		

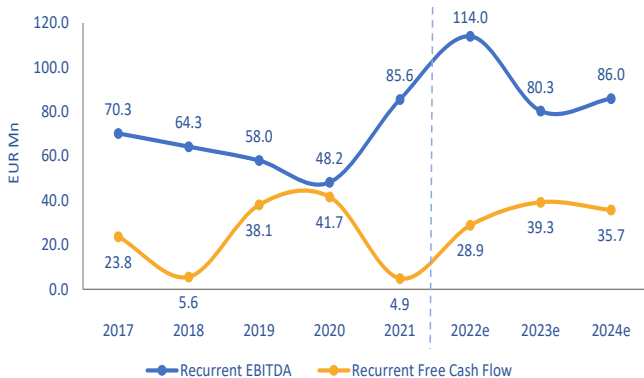
Recurrent Free Cash Flow accumulated variation analysis (2017 - 2021)



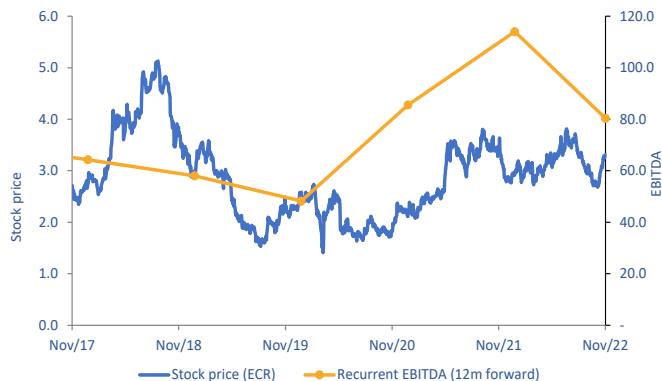
Recurrent Free Cash Flow accumulated variation analysis (2021 - 2024e)



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	319.7	
+ Minority Interests	-	9m Results 2022
+ Provisions & Other L/T Liabilities	17.3	9m Results 2022
+ Net financial debt	74.7	9m Results 2022
- Financial Investments	34.6	6m Results 2022
+/- Others		
Enterprise Value (EV)	377.3	

Appendix 4. Historical performance (1)

Historical performance (EUR Mn)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e	CAGR 11-21	CAGR 21-24e
Total Revenues	686.0	677.5	625.0	603.7	618.3	602.5	689.3	677.1	677.9	579.3	822.9	1,035.4	847.8	862.3	1.8%	1.6%
Total Revenues growth	12.6%	-1.2%	-7.8%	-3.4%	2.4%	-2.5%	14.4%	-1.8%	0.1%	-14.6%	42.1%	25.8%	-18.1%	1.7%		
EBITDA	16.2	8.4	24.5	16.9	32.9	61.5	48.5	67.3	62.4	47.3	85.2	114.0	80.3	86.0	18.0%	0.3%
EBITDA growth	456.2%	-48.2%	190.5%	-31.1%	95.3%	87.0%	-21.1%	38.6%	-7.2%	-24.2%	80.0%	33.8%	-29.5%	7.0%		
EBITDA/Sales	2.4%	1.2%	3.9%	2.8%	5.3%	10.2%	7.0%	9.9%	9.2%	8.2%	10.4%	11.0%	9.5%	10.0%		
Net Profit	(0.8)	(12.1)	(0.3)	(7.1)	7.2	45.2	44.5	44.9	31.0	6.3	43.3	66.5	39.0	43.6	49.4%	0.2%
Net Profit growth	94.2%	n.a.	97.4%	n.a.	202.0%	523.8%	-1.5%	0.9%	-30.8%	-79.8%	592.0%	53.7%	-41.4%	11.9%		
Adjusted number shares (Mn)	100.6	100.8	103.5	111.5	114.0	114.1	112.3	109.2	106.2	102.6	101.0	98.8	96.6	96.6		
EPS (EUR)	-0.01	-0.12	0.00	-0.06	0.06	0.40	0.40	0.41	0.29	0.06	0.43	0.67	0.40	0.45	49.4%	1.7%
EPS growth	94.2%	n.a.	97.4%	n.a.	n.a.	n.a.	0.1%	3.7%	-28.9%	-79.1%	n.a.	57.1%	-40.1%	11.9%		
Ord. EPS (EUR)	-0.01	-0.12	0.00	-0.06	0.06	0.40	0.45	0.32	0.19	0.07	0.43	0.67	0.40	0.45	49.5%	1.5%
Ord. EPS growth	94.2%	n.a.	97.4%	n.a.	n.a.	n.a.	13.4%	-28.6%	-39.2%	-64.7%	n.a.	55.9%	-40.1%	11.9%		
CAPEX	(8.1)	(16.1)	(4.4)	(6.2)	(9.2)	(18.7)	(42.8)	(42.1)	(37.1)	(34.1)	(34.2)	(35.0)	(30.0)	(30.0)		
CAPEX/Sales %	1.2%	2.4%	0.7%	1.0%	1.5%	3.1%	6.2%	6.2%	5.5%	5.9%	4.2%	3.4%	3.5%	3.5%		
Free Cash Flow	3.4	3.4	19.6	23.4	6.6	20.5	0.9	0.9	21.7	35.2	22.6	28.9	39.3	35.7	20.9%	16.5%
ND/EBITDA (x) ⁽²⁾	3.3x	17.3x	5.2x	6.1x	2.8x	1.3x	1.8x	1.6x	1.6x	1.6x	0.7x	0.5x	0.5x	0.3x		
P/E (x)	n.a.	n.a.	n.a.	n.a.	8.9x	4.3x	6.7x	7.1x	8.4x	34.6x	6.8x	4.9x	8.2x	7.3x		
EV/Sales (x)	0.18x	0.27x	0.28x	0.24x	0.26x	0.48x	0.60x	0.69x	0.57x	0.53x	0.44x	0.36x	0.44x	0.44x		
EV/EBITDA (x) ⁽²⁾	7.6x	22.1x	7.3x	8.7x	5.0x	4.7x	8.5x	6.9x	6.2x	6.5x	4.2x	3.3x	4.7x	4.4x		
Absolute performance	-4.8%	-41.2%	18.7%	-17.3%	56.7%	198.7%	57.0%	9.9%	-15.8%	-14.0%	37.8%	13.7%				
Relative performance vs Ibxex 35	9.6%	-38.3%	-2.2%	-20.2%	68.8%	204.8%	46.2%	29.2%	-24.7%	1.7%	27.7%	23.9%				

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: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main peers 2022e

Market data	EUR Mn	Europe				USA				Average	ECR
		BASF SE	Solvay	Covestro AG	Average	DowDuPont	Olin Corp	Westlake	Average		
Ticker (Factset)		BAS-DE	SOLB-BE	1COV-DE		DOW-US	OLN-US	WLK-US			ECR-ES
Country		Germany	Belgium	Germany		USA	USA	USA			Spain
Market cap		44,362.5	10,331.4	7,096.2		34,710.8	7,861.3	12,835.5			319.7
Enterprise value (EV)		63,904.7	14,423.2	9,915.4		47,432.2	10,640.1	16,892.5			377.3
Total Revenues		88,073.8	13,658.1	18,090.8		56,878.0	9,436.1	15,864.7			1,035.4
Total Revenues growth		12.1%	19.5%	13.8%	15.1%	4.2%	6.6%	35.6%	15.5%	25.8%	
2y CAGR (2022e - 2024e)		-2.2%	-0.6%	-2.9%	-1.9%	-4.1%	-3.3%	-5.7%	-4.4%	-8.7%	
EBITDA		10,872.8	3,031.0	1,740.1		9,493.0	2,437.5	4,348.1			114.0
EBITDA growth		1.1%	38.5%	-43.3%	-1.2%	-10.9%	6.3%	19.6%	5.0%	33.8%	
2y CAGR (2022e - 2024e)		-3.8%	-5.5%	4.8%	-1.5%	-5.4%	-7.5%	-12.1%	-8.3%	-13.2%	
EBITDA/Revenues		12.3%	22.2%	9.6%	14.7%	16.7%	25.8%	27.4%	23.3%	11.0%	
EBIT		7,064.4	2,219.6	808.9		6,724.3	1,817.1	3,270.6			85.5
EBIT growth		1.6%	73.1%	-64.0%	3.6%	-14.2%	6.5%	16.7%	3.0%	59.3%	
2y CAGR (2022e - 2024e)		-7.0%	-9.2%	9.0%	-2.4%	-8.8%	-11.6%	-15.1%	-11.8%	-18.8%	
EBIT/Revenues		8.0%	16.3%	4.5%	9.6%	11.8%	19.3%	20.6%	17.2%	8.3%	
Net Profit		5,105.6	1,549.6	501.7		4,623.3	1,311.5	2,371.6			66.5
Net Profit growth		-8.2%	64.3%	-69.0%	-4.3%	-25.9%	1.8%	19.1%	-1.7%	53.7%	
2y CAGR (2022e - 2024e)		-7.3%	-12.7%	10.6%	-3.1%	-9.3%	-16.3%	-16.3%	-13.9%	-19.1%	
CAPEX/Sales %		4.6%	6.5%	5.2%	5.5%	3.2%	2.4%	6.2%	4.0%	3.4%	
Free Cash Flow		2,578.7	937.4	(38.1)		5,230.5	1,651.4	2,296.3			28.9
Net financial debt		17,223.4	2,717.3	2,658.8		10,769.5	1,952.7	2,651.2			58.9
ND/EBITDA (x)		1.6	0.9	1.5	1.3	1.1	0.8	0.6	0.8	0.5	
Pay-out		61.0%	27.4%	57.0%	48.5%	44.8%	9.7%	6.7%	20.4%	20.0%	
P/E (x)		7.0	6.6	12.9	8.9	7.7	6.5	5.4	6.5	4.9	
P/BV (x)		1.0	1.0	0.9	0.9	2.0	3.3	1.3	2.2	0.9	
EV/Revenues (x)		0.7	1.1	0.5	0.8	0.8	1.1	1.1	1.0	0.4	
EV/EBITDA (x)		5.9	4.8	5.7	5.4	5.0	4.4	3.9	4.4	3.3	
EV/EBIT (x)		9.0	6.5	12.3	9.3	7.1	5.9	5.2	6.0	4.4	
ROE		14.0	15.0	6.7	11.9	25.9	51.1	23.8	33.6	19.0	
FCF Yield (%)		5.8	9.1	n.a.	7.4	15.1	21.0	17.9	18.0	9.0	
DPS		3.39	4.11	1.48	2.99	2.79	0.80	1.25	1.61	0.13	
Dvd Yield		7.0%	4.2%	4.0%	5.1%	5.7%	1.4%	1.2%	2.8%	4.1%	

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
09-Nov-2022	n.a.	3.31	n.a.	n.a.	9m Results 2022	David López Sánchez
03-Aug-2022	n.a.	3.46	n.a.	n.a.	6m Results 2022	David López Sánchez
15-Jun-2022	n.a.	3.30	n.a.	n.a.	Estimates upgrade	David López Sánchez
04-May-2022	n.a.	3.31	n.a.	n.a.	3m Results 2022	David López Sánchez
25-Feb-2022	n.a.	2.96	n.a.	n.a.	12m Results 2021	David López Sánchez
10-Nov-2021	n.a.	3.45	n.a.	n.a.	9m Results 2021	David López Sánchez
29-Jul-2021	n.a.	3.29	n.a.	n.a.	6m Results 2021 - Estimates upgrade	David López Sánchez
12-May-2021	n.a.	3.10	n.a.	n.a.	3m Results 2021 - Estimates upgrade	David López Sánchez
26-Feb-2021	n.a.	2.36	n.a.	n.a.	12m Results 2020	David López Sánchez
16-Nov-2020	n.a.	1.97	n.a.	n.a.	9m Results 2020	David López Sánchez
03-Aug-2020	n.a.	1.70	n.a.	n.a.	6m Results 2020 - Estimates upgrade	David López Sánchez
15-May-2020	n.a.	1.87	n.a.	n.a.	3m Results 2020	David López Sánchez
30-Apr-2020	n.a.	2.55	n.a.	n.a.	Estimates downgrade	David López Sánchez
02-Mar-2020	n.a.	2.19	n.a.	n.a.	12m Results 2019	David López Sánchez
06-Nov-2019	n.a.	2.32	n.a.	n.a.	9m Results 2019 - Estimates upgrade	David López Sánchez
29-Jul-2019	n.a.	1.84	n.a.	n.a.	6m Results 2019	David López Sánchez
03-Jun-2019	n.a.	2.08	n.a.	n.a.	Initiation of Coverage	David López Sánchez

