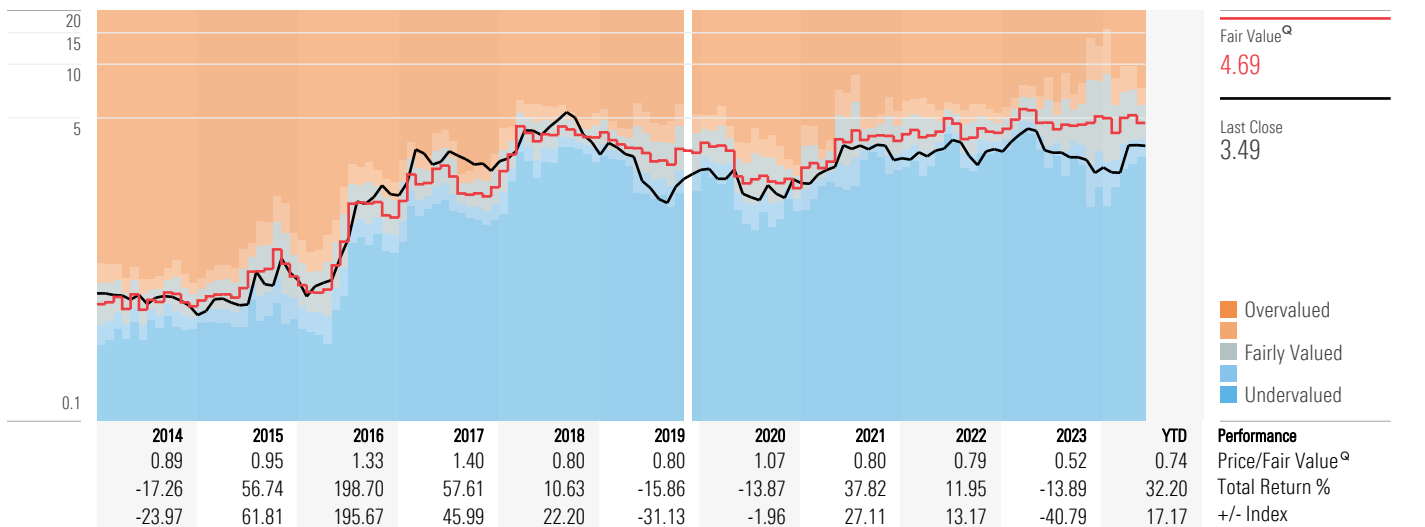


Ercros SA ECR ★★★

Q 20 May 2024, 22:35 UTC

Economic Moat ^Q	Uncertainty ^Q	Price/Fair Value ^Q	ESG Risk Rating Assessment ¹	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
None	Very High	0.7	—	4.30	320.0267 Mil	Small Value	Basic Materials	Chemicals



As of 20 May 2024 | Index: Morningstar Spain GR EUR. Fair Value data as of 20 May 2024, 22:35 UTC.

¹The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating. Lee Davidson, Chief Analytics Officer for Morningstar, Inc, oversees the methodology that supports Quantitative Fair Value Estimates and Quantitative Star Ratings. Mr. Davidson is guided by the Morningstar, Inc. Code of Ethics in carrying out his responsibilities. For information regarding Conflicts of Interests, visit <http://global.morningstar.com/equitydisclosures>.

Key Metrics as of 17 May 2024

Metrics		Percentile in Sector
Earnings Yield (%)	9.0	89.0
Sales Yield (%)	221.0	88.0
Book Value Yield (%)	114.4	76.0
Return on Assets (%)*	3.0	72.0
Revenue(Mil)*	856.9	77.0
Market Value (Mil)	348.1	68.0
Enterprise Value (Mil)	468.9	70.0
EV/MV Ratio	1.4	81.0
Volatility TTM (%)	37.1	38.0
Drawdown TTM (%)	30.6	36.0
Volume (K)	121.3	44.0

*30 Sep 2023

Business Description

Ercros SA is a chemical manufacturing company operating in basic and plastic chemicals divisions, intermediate chemicals division, and pharmaceuticals division. The company's product portfolio includes Caustic soda, Hydrochloric acid, Sodium chloride, Sodium hypochlorite, Glues and resins, Moulding compounds, Pentaerythritol, Erythromycin, Fosfomycin, Fusidic acid, among others. Its products are supplied to various industries including the chemical industry, construction, wood industry, paints, food industry, pharmaceuticals, electric material, and water treatment. The majority of the revenue is derived from the sale of basic chemicals in the local markets.

yield is 9.00%, and its maximum trailing 12-month maximum drawdown is 49.30%. The earnings yield falls at the 89th percentile in the basic materials sector while the drawdown is at the 36th percentile. Over the past year, the company's earnings yield has been between 8.07% and 22.28%; its drawdown has ranged between 27.81% and 49.30%.

Valuation ^Q as of 18 May 2024

Morningstar maintains a 3-star quantitative star rating for Ercros, derived from the firm's valuation and uncertainty scores.

The company's shares last closed at 3.50, below our quantitative fair value estimate of 4.73. These shares have traded between a 53.2% and 22.58% discount to their fair value estimate over the past year. In Morningstar's equity coverage universe for this methodology, the company's valuation rating lands at the 41st percentile; in the basic materials sector, the firm's score lies at the 63rd percentile (meaning the shares are more undervalued than 63% of stocks in the sector).

Furthermore, Ercros maintains a quantitative valuation uncertainty rating of Very High.

The company has held this star rating since the previous rating of 4, which was last assigned on 11/24/2023. The uncertainty rating for Ercros has remained Very High since the previous rating of Extreme, which was last assigned on 03/26/2024.

The key factors behind these ratings are the company's earnings yield and drawdown. The earnings

Economic Moat ^Q as of 20 May 2024

With a Morningstar quantitative moat rating of None, the quantitative moat score for Ercros falls at the 14th percentile in the basic materials sector and at the 12th in the equity coverage universe. The company has maintained its None quantitative moat rating for the last year.

We also assign a Moderate quantitative financial health rating to Ercros. The company's raw score on this metric, termed Distance to Default, ranks at the 22nd percentile overall and 26th in the basic materials sector. Furthermore, this financial health rating has stayed Moderate over the last year.

Supporting these ratings are the company's book value yield and annualized trailing 12-month volatility. The book value yield of 114.42%, ranks at the 77th percentile in the covered equity universe and at the 76th percentile among its peers. Meanwhile, its annualized trailing 12-month volatility of 37.12%, falls at the 58th percentile in the universe and the 38th percentile in the basic materials sector.

Fundamentals as of 18 May 2024

Ercros maintains earnings per share of 0.19. The shares offer a dividend yield of 4.26%. These values are calculated over a trailing 12-month period. As of last market close, Ercros has a price-to-earnings ratio of 11.11, falling below the 28th percent-

Ercros SA ECR ★★★

Q 20 May 2024, 22:35 UTC

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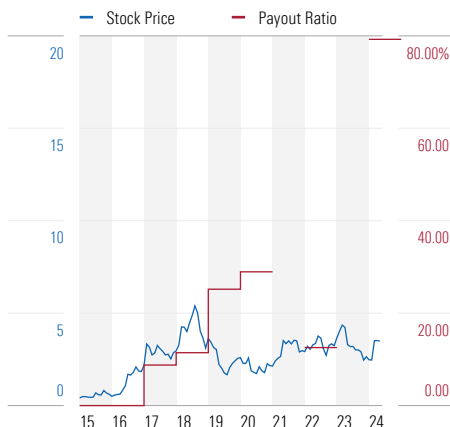
Earnings as of 17 May 2024

Earnings	%	Percentile in Sector
Dividend Yield*	4.3	70.0
Payout Ratio*	47.6	58.0
Price to Earnings	11.1	28.0
Price to Cash Flow	6.4	20.0
ROIC**	—	—

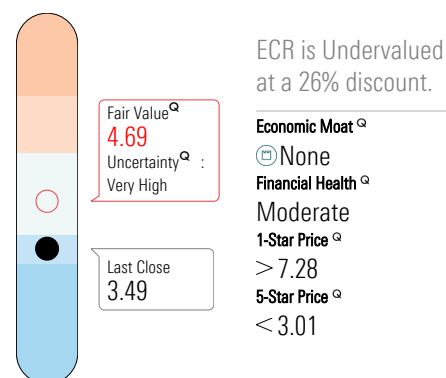
*30 Apr 2024

**30 Sep 2023

Dividends as of 20 May 2024



Valuation ^Q as of 20 May 2024



ile in its sector (where a lower percentile means a lower ratio) and ranging between 4.41 and 12.39 over the past year. The company's price-to-free cash flow ratio is 6.43, falling at the 20th percentile in its sector and ranging between 4.19 and 6.6 over the past year.

Contact

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+34 934393009

<http://www.ercros.es>

Financials as of 20 May 2024 (Fiscal Year End 31 Dec 2019)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Fiscal
604	618	603	681	672	670	569	772	999	707	183	Revenue (Mil)
0.18	16.85	41.45	45.33	44.75	31.18	19.27	58.71	92.30	10.84	6.55	Operating Income (Mil)
0.03	2.73	6.88	6.65	6.66	4.66	3.39	7.6	9.24	1.53	3.58	Operating Margin (%)
-6.29	7.24	45.17	44.58	44.59	31.04	6.26	43.30	62.99	27.59	3.05	Net Income (Mil)
-0.06	0.06	0.40	0.40	0.41	0.29	0.06	0.43	0.64	0.29	0.03	Diluted Earnings/Share
9.82	14.00	37.70	43.81	48.21	59.43	74.59	70.35	80.78	54.58	54.58	Operating Cash Flow (Mil)
-6.19	-9.15	-18.71	-42.84	-32.87	-21.47	-11.13	-12.90	-24.95	-14.19	-14.19	Capital Spending (Mil)
3.63	4.85	18.99	0.97	15.34	37.96	63.46	57.45	55.83	40.38	40.38	Free Cash Flow (Mil)
110	114	114	112	109	106	103	101	98	94	94	Avg Shares Outstand(Mil)

Valuation as of 20 May 2024

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar
0.89	0.95	1.33	1.40	0.80	0.80	1.07	0.80	0.79	0.52	0.74	Price/Fair Value ^Q
0.07	0.12	0.34	0.48	0.49	0.39	0.38	0.46	0.30	0.31	0.48	Price/Sales
6.56	—	7.33	6.27	7.13	10.74	12.47	13.50	4.79	11.90	18.44	Price/Earnings
0.84	3.43	4.84	14.20	—	9.95	3.15	4.23	4.81	3.26	5.85	Price/Cash Flow
0.25	0.40	1.08	1.37	1.27	0.96	0.77	0.98	0.86	0.69	0.87	Price/Book

Operating Performance as of 20 May 2024 (Fiscal Year End 31 Dec 2019)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Q3	Fiscal (%)
-1.16	1.4	8.43	7.69	7.44	4.92	1.0	6.66	8.65	3.86	0.47	Return on Assets
-3.7	4.21	22.82	19.08	17.25	10.99	2.17	14.06	18.2	7.62	0.84	Return on Equity
-0.18	3.74	14.86	13.13	12.45	8.0	2.37	10.72	13.92	6.32	0.65	Rtn on Invested Capital

Dividends as of 20 May 2024

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar (%)
—	—	—	0.04	0.05	0.06	0.05	—	0.09	0.15	0.10	Dividend Per Share
—	—	—	1.4	1.61	2.34	2.32	—	2.62	—	4.3	Trailing Dividend Yield
—	—	—	0.81	3.52	3.67	4.01	—	3.13	—	3.49	Buyback Yield

Appendix

Economic Moat [©]History as of 20 May 2024 (No Moat: 0.00-0.70, Narrow Moat: 0.70-0.99, Wide Moat: 0.99-1.00)

Year	January	February	March	April	May	June	July	August	September	October	November	December
2024	0.14	0.08	0.10	0.10	0.09	—	—	—	—	—	—	—
2023	0.04	0.06	0.09	0.16	0.08	0.08	0.06	0.06	0.07	0.05	0.14	0.07
2022	0.02	0.03	0.02	0.10	0.05	0.22	0.15	0.19	0.06	0.06	0.03	0.07
2021	0.04	0.03	0.03	0.02	0.01	0.02	0.02	0.01	0.03	0.02	0.02	0.02
2020	0.03	0.02	0.02	0.02	0.01	0.01	0.02	0.03	0.03	0.03	0.03	0.04
2019	0.06	0.08	0.05	0.16	0.20	0.14	0.05	0.08	0.04	0.03	0.05	0.03

Quantitative Equity Report Overview

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Quantitative Equity Ratings

Morningstar's quantitative equity ratings consist of: (i) Quantitative Fair Value Estimate, (ii) Quantitative Star Rating, (iii) Quantitative Uncertainty, (iv) Quantitative Economic Moat, and (v) Quantitative Financial Health (collectively the "Quantitative Ratings").

The Quantitative Ratings are calculated daily and derived from the analyst-driven ratings of a company's peers as determined by statistical algorithms. Morningstar, Inc. ("Morningstar", "we", "our") calculates Quantitative Ratings for companies whether or not it already provides analyst ratings and qualitative coverage. In some cases, the Quantitative Ratings may differ from the analyst ratings because a company's analyst-driven ratings can significantly differ from other companies in its peer group.

i. **Quantitative Fair Value Estimate:** Intended to represent Morningstar's estimate of the per share dollar amount that a company's equity is worth today. Morningstar calculates the Quantitative Fair Value Estimate using a statistical model derived from the Fair Value Estimate Morningstar's equity analysts assign to companies. Please go to <http://global.morningstar.com/equitydisclosures> for information about Fair Value Estimate Morningstar's equity analysts assign to companies.

ii. **Quantitative Economic Moat:** Intended to describe the strength of a firm's competitive position. It is calculated using an algorithm designed to predict the Economic Moat rating a Morningstar analyst would assign to the stock. The rating is expressed as Narrow, Wide, or None.

Narrow – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 70% but less than 99%.

Wide – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 99%.

None – assigned when the probability of an analyst receiving a "Wide Moat" rating by an analyst is less than 70%.

iii. **Quantitative Star Rating:** Intended to be the summary rating based on the combination of our Quantitative Fair Value Estimate, current market price, Quantitative Uncertainty Rating, and momentum. The rating is expressed as One-Star, Two-Star, Three-Star, Four-Star, and Five-Star.

★ – the stock is overvalued with a reasonable margin of safety.

*Log (Quant FVE/Price) < -1*Quantitative Uncertainty*

*Micro-Caps: Log (Quant FVE/Price) < -1.5*Quantitative Uncertainty*

★★ – the stock is somewhat overvalued.

*Log (Quant FVE/Price) between (-1*Quantitative Uncertainty, -0.5*Quantitative Uncertainty)*

*Micro-Caps: Log (Quant FVE/Price) between (-1.5*Quantitative Uncertainty, -0.75*Quantitative Uncertainty)*

★★★ – the stock is approximately fairly valued.

*Log (Quant FVE/Price) between (-0.5*Quantitative Uncertainty, 0.5*Quantitative Uncertainty)*

*Micro-Caps: Log (Quant FVE/Price) between (-0.75*Quantitative Uncertainty, 0.75*Quantitative Uncertainty)*

★★★★ – the stock is somewhat undervalued.

*Log (Quant FVE/Price) between (0.5*Quantitative Uncertainty, 1*Quantitative*

Uncertainty)

*Micro-Caps: Log (Quant FVE/Price) between (0.75*Quantitative Uncertainty, 1.5*Quantitative Uncertainty)*

★★★★★ – the stock is undervalued with a reasonable margin of safety.

*Log (Quant FVE/Price) > 1*Quantitative Uncertainty*

*Micro-Caps: Log (Quant FVE/Price) > 1.5*Quantitative Uncertainty*

After the initial calculation for the star rating, there is a final filtering step based on the momentum of the company. We rank the companies based on their 12-1 month momentum, then restrict those below the 30th percentile to a maximum of 3 stars.

iv. **Quantitative Uncertainty:** Intended to represent Morningstar's level of uncertainty about the accuracy of the Quantitative Fair Value Estimate. Generally, the lower the Quantitative Uncertainty, the narrower the potential range of outcomes for that particular company. The rating is expressed as Low, Medium, High, Very High, and Extreme.

Low – the interquartile range for possible fair values is less than 10%

Medium – the interquartile range for possible fair values is less than 15% but greater than 10%

High – the interquartile range for possible fair values is less than 35% but greater than 15%

Very High – the interquartile range for possible fair values is less than 80% but greater than 35%

Extreme – the interquartile range for possible fair values is greater than 80%

v. **Quantitative Financial Health:** Intended to reflect the probability that a firm will face financial distress in the near future. The calculation uses a predictive model designed to anticipate when a company may default on its financial obligations. The rating is expressed as Weak, Moderate, and Strong.

Weak – assigned when Quantitative Financial Health < 0.2

Moderate – assigned when Quantitative Financial Health is between 0.2 and 0.7

Strong – assigned when Quantitative Financial Health > 0.7

Other Definitions

i. **Last Close** – Price of the stock as of the close of the market of the last trading day before date of the report.

ii. **Quantitative Valuation** – Using the below terms, intended to denote the relationship between the security's **Last Price** and Morningstar's quantitative fair value estimate for that security.

Undervalued – Last Price is below Morningstar's quantitative fair value estimate.

Fairly Valued – Last Price is in line with Morningstar's quantitative fair value estimate.

Fairly Valued – Last Price is in line with Morningstar's quantitative fair value estimate.

Overvalued – Last Price is above Morningstar's quantitative fair value estimate.

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Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score.

Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree

of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit sustainalytics.com/esg-ratings/

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