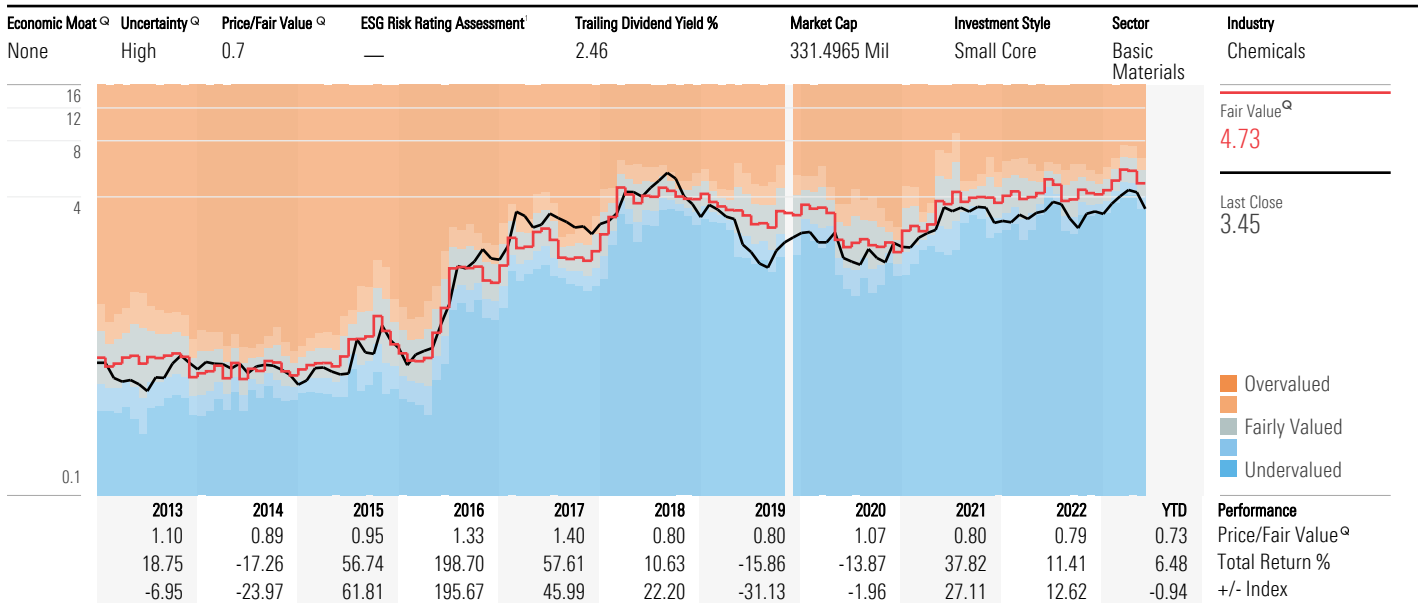


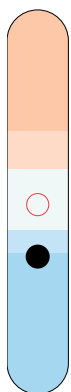
# Ercros SA ECR ★★★★★

26 May 2023, 22:36 UTC



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## Valuation as of 26 May 2023



Fair Value<sup>Q</sup>  
**4.73**  
Uncertainty<sup>Q</sup> :  
High

Last Close  
3.45

ECR is Under Valued at a 27% discount.

### Economic Moat

None

### Financial Health

Moderate

### 1-Star Price

> 6.48

### 5-Star Price

< 3.45

## Financials as of 26 May 2023 (Fiscal Year End 31 Dec 2019)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD	Fiscal
625	604	618	603	681	672	670	569	772	999	218	Revenue (Mil)
9.64	0.18	16.85	41.45	45.33	44.75	31.18	19.27	58.71	92.30	22.44	Operating Income (Mil)
1.54	0.03	2.73	6.88	6.65	6.66	4.66	3.39	7.6	9.24	10.29	Operating Margin (%)
-3.75	-6.29	7.24	45.17	44.58	44.59	31.04	6.26	43.30	62.99	12.73	Net Income (Mil)
-0.04	-0.06	0.06	0.40	0.40	0.41	0.29	0.06	0.43	0.64	0.13	Diluted Earnings/Share
23.86	9.82	14.00	37.70	43.81	48.21	59.43	74.59	70.35	88.02	88.02	Operating Cash Flow (Mil)
-4.35	-6.19	-9.15	-18.71	-42.84	-32.87	-21.47	-11.13	-12.90	-27.18	-27.18	Capital Spending (Mil)
19.51	3.63	4.85	18.99	0.97	15.34	37.96	63.46	57.45	60.84	60.84	Free Cash Flow (Mil)
104	110	114	114	112	109	106	103	101	98	96	Avg Shares Outstand(Mil)
—	—	—	—	0.04	0.05	0.06	0.05	—	0.09	0.15	Dividend Per Share

## Valuation as of 26 May 2023

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Current	Calendar
1.10	0.89	0.95	1.33	1.40	0.80	0.80	1.07	0.80	0.79	0.73	Price/Fair Value <sup>Q</sup>
0.08	0.07	0.12	0.34	0.48	0.49	0.39	0.38	0.46	0.31	0.35	Price/Sales
—	6.56	—	7.33	6.27	7.13	10.74	12.47	13.50	4.79	5.15	Price/Earnings
11.91	0.84	3.43	4.84	14.20	—	9.95	3.15	4.23	5.03	3.77	Price/Cash Flow
0.30	0.25	0.40	1.08	1.37	1.27	0.96	0.77	0.98	0.90	0.91	Price/Book

## Operating Performance as of 26 May 2023 (Fiscal Year End 31 Dec 2019)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Q3	Fiscal (%)
-0.64	-1.16	1.4	8.43	7.69	7.44	4.92	1.0	6.66	8.65	1.84	Return on Assets
-2.17	-3.7	4.21	22.82	19.08	17.25	10.99	2.17	14.06	18.2	3.51	Return on Equity
0.83	-0.18	3.74	14.86	13.13	12.45	8.0	2.37	10.72	13.92	3.27	Rtn on Invested Capital

## 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.

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The quantitative report on equities consists of data, statistics and quantitative equity ratings on equity securities. Morningstar, Inc.'s quantitative equity ratings are forward looking and are generated by a statistical model that is based on Morningstar Inc.'s analyst-driven equity ratings and quantitative statistics. Given the nature of the quantitative report and the quantitative ratings, there is no one analyst in which a given report is attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative equity ratings used in this report. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities.

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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.

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

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

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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/](https://sustainalytics.com/esg-ratings/)

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