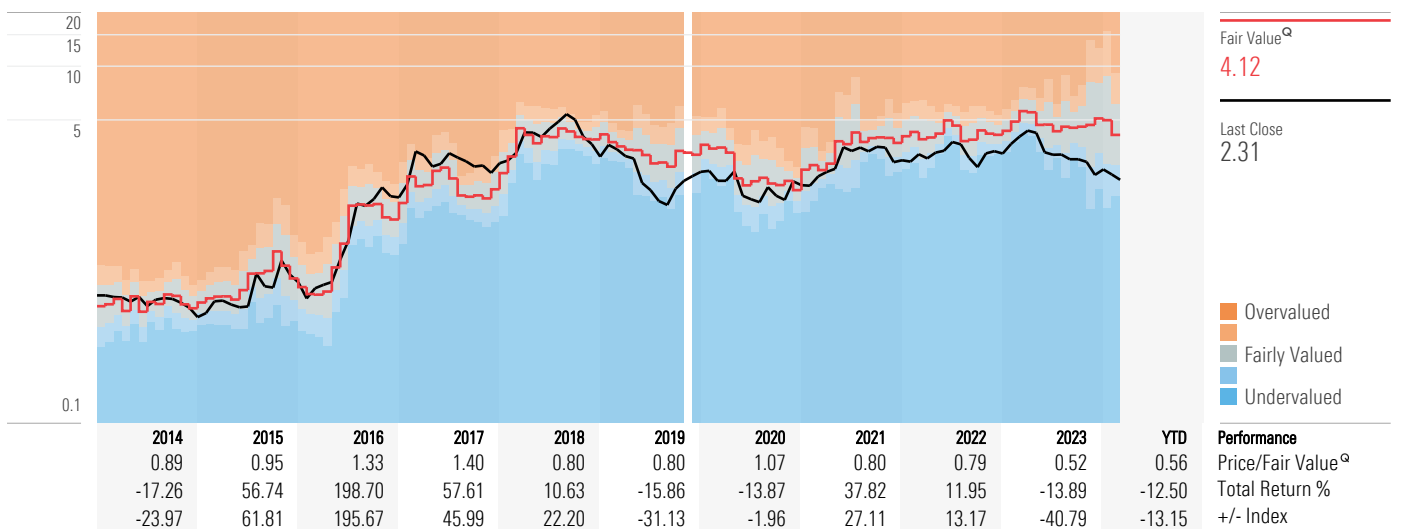


Ercros SA ECR ★★★

23 Feb 2024, 23:34 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	0.6	—	6.49	208.4745 Mil	Small Value	Basic Materials	Chemicals



As of 23 Feb 2024 | Index: Morningstar Spain GR EUR. Fair Value data as of 23 Feb 2024, 23:34 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 16 Feb 2024

Metrics	Value	Percentile in Sector
Earnings Yield (%)	9.7	88.0
Sales Yield (%)	359.5	93.0
Book Value Yield (%)	168.1	83.0
Return on Assets (%)*	2.6	69.0
Revenue(Mil)*	848.7	78.0
Market Value (Mil)	225.5	65.0
Enterprise Value (Mil)	345.2	68.0
EV/MV Ratio	1.5	86.0
Volatility TTM (%)	24.8	20.0
Drawdown TTM (%)	45.1	53.0
Volume (K)	123.6	45.0

*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.

universe and at the 88th and 83rd in the basic materials sector, respectively.

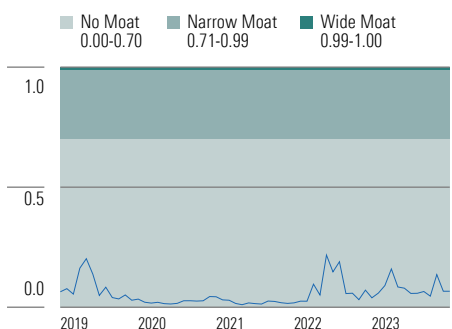
Economic Moat ^Q as of 23 Feb 2024

Quantitatively, we do not believe Ercros has an economic moat. Its moat score of 0.04 sits below the 5th percentile in the basic materials sector. Furthermore, this rating has not changed over the past year, while the company's moat score fell from its maximum of 0.22 in this period (score of 1 indicates greatest economic moat).

The company also maintains a quantitative financial health rating of Moderate. Its score sits at the 39th percentile overall and the 48th percentile in the sector.

Examining the company's financials and market statistics, we find these ratings are principally driven by its book value yield and annualized trailing 12-month volatility. The book value yield is 168.88%, sitting at the 83rd percentile in the basic materials sector. The company's annualized trailing 12-month volatility is 24.79%, corresponding to the 34th percentile in the equity coverage universe and the 21st percentile in the sector.

Economic Moat ^Q History as of 23 Feb 2024



Valuation ^Q as of 23 Feb 2024

Morningstar affirms a 3-star quantitative rating for Ercros. We calculate this outcome using the company's underlying model-driven valuation and uncertainty scores.

The stock's last closing price was 2.28, a discount of 44.76% to its Quantitative Fair Value estimate of 4.13. This discount has ranged between 53.2% and 15.45% over the past year. The stock's price to fair value ratio is at the 25th percentile in our global equity coverage universe for this methodology and at the 44th percentile relative to its peers in the basic materials sector.

Ercros furthermore holds a Extreme quantitative uncertainty rating.

The company's quantitative star rating dates to after 11/24/2023, before which it was 4-star. Similarly, the firm's uncertainty rating changed from Very High to Extreme after 02/21/2024.

We examine the financials and market statistics for Ercros to determine these ratings. Its earnings yield is 9.73% and its book value yield is 168.88%. These fall at the 84th and 86th percentiles in the equity

Fundamentals as of 23 Feb 2024

The earnings per share for Ercros is 0.19. The firm maintains a dividend yield of 6.06%. We calculate the above figures over a trailing 12-month period.

Examining valuation further, we find Ercros holds a price-to-earnings ratio of 10.28, a figure greater than 31% of its sector peers. The company's price-to-free cash flow ratio is 4.19, greater than 13% of its sector peers. These values are calculated using the stock's price at last market close.

Contact

Avinguda Diagonal, 593-595, Barcelona, — 08014 +34 934393009

Ercros SA ECR ★★★

Q 23 Feb 2024, 23:34 UTC

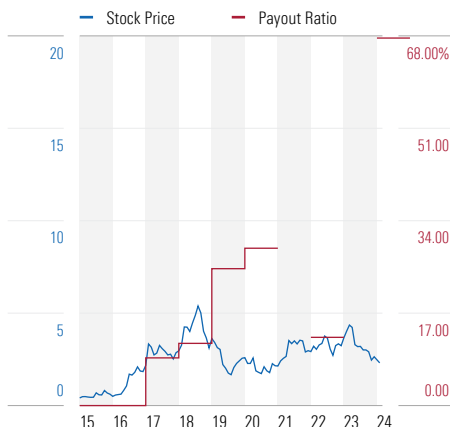
Economic Moat ^Q	Uncertainty ^Q	Price/Fair Value ^Q	ESG Risk Rating Assessment ¹	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
None	Very High	0.6	—	6.49	208.4745 Mil	Small Value	Basic Materials	Chemicals

Earnings as of 16 Feb 2024

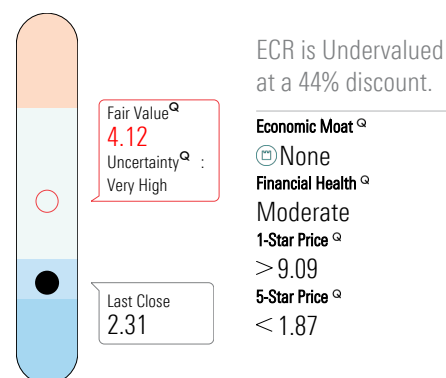
Earnings	%	Percentile in Sector
Dividend Yield*	6.1	81.0
Payout Ratio*	67.6	75.0
Price to Earnings	10.3	31.0
Price to Cash Flow	4.2	13.0
ROIC**	—	—

*31 Jan 2024
**30 Sep 2023

Dividends as of 23 Feb 2024



Valuation ^Q as of 23 Feb 2024



Economic Moat ^Q

None

Financial Health ^Q

Moderate

1-Star Price ^Q

> 9.09

5-Star Price ^Q

< 1.87

Contact

—
<http://www.ercros.es>

Financials as of 23 Feb 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	—	585	Revenue (Mil)
0.18	16.85	41.45	45.33	44.75	31.18	19.27	58.71	92.30	—	17.35	Operating Income (Mil)
0.03	2.73	6.88	6.65	6.66	4.66	3.39	7.6	9.24	—	2.97	Operating Margin (%)
-6.29	7.24	45.17	44.58	44.59	31.04	6.26	43.30	62.99	—	5.68	Net Income (Mil)
-0.06	0.06	0.40	0.40	0.41	0.29	0.06	0.43	0.64	—	0.06	Diluted Earnings/Share
9.82	14.00	37.70	43.81	48.21	59.43	74.59	70.35	88.02	—	15.90	Operating Cash Flow (Mil)
-6.19	-9.15	-18.71	-42.84	-32.87	-21.47	-11.13	-12.90	-27.18	—	-18.27	Capital Spending (Mil)
3.63	4.85	18.99	0.97	15.34	37.96	63.46	57.45	60.84	—	-2.37	Free Cash Flow (Mil)
110	114	114	112	109	106	103	101	98	—	97	Avg Shares Outstand(Mil)

Valuation as of 23 Feb 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	0.56	Price/Fair Value ^Q
0.07	0.12	0.34	0.48	0.49	0.39	0.38	0.46	0.30	0.31	0.27	Price/Sales
6.56	—	7.33	6.27	7.13	10.74	12.47	13.50	4.79	11.90	10.41	Price/Earnings
0.84	3.43	4.84	14.20	—	9.95	3.15	4.23	4.81	3.26	2.85	Price/Cash Flow
0.25	0.40	1.08	1.37	1.27	0.96	0.77	0.98	0.86	0.69	0.60	Price/Book

Operating Performance as of 23 Feb 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	—	0.57	Return on Assets
-3.7	4.21	22.82	19.08	17.25	10.99	2.17	14.06	18.2	—	1.07	Return on Equity
-0.18	3.74	14.86	13.13	12.45	8.0	2.37	10.72	13.92	—	0.81	Rtn on Invested Capital

Dividends as of 23 Feb 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	0.15	Dividend Per Share
—	—	—	1.4	1.61	2.34	2.32	—	2.62	—	6.49	Trailing Dividend Yield
—	—	—	0.81	3.52	3.67	4.01	—	3.13	—	8.78	Buyback Yield

Appendix

Economic Moat [®]History as of 23 Feb 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	0.04	—	—	—	—	—	—	—	—	—	—
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

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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").

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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

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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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