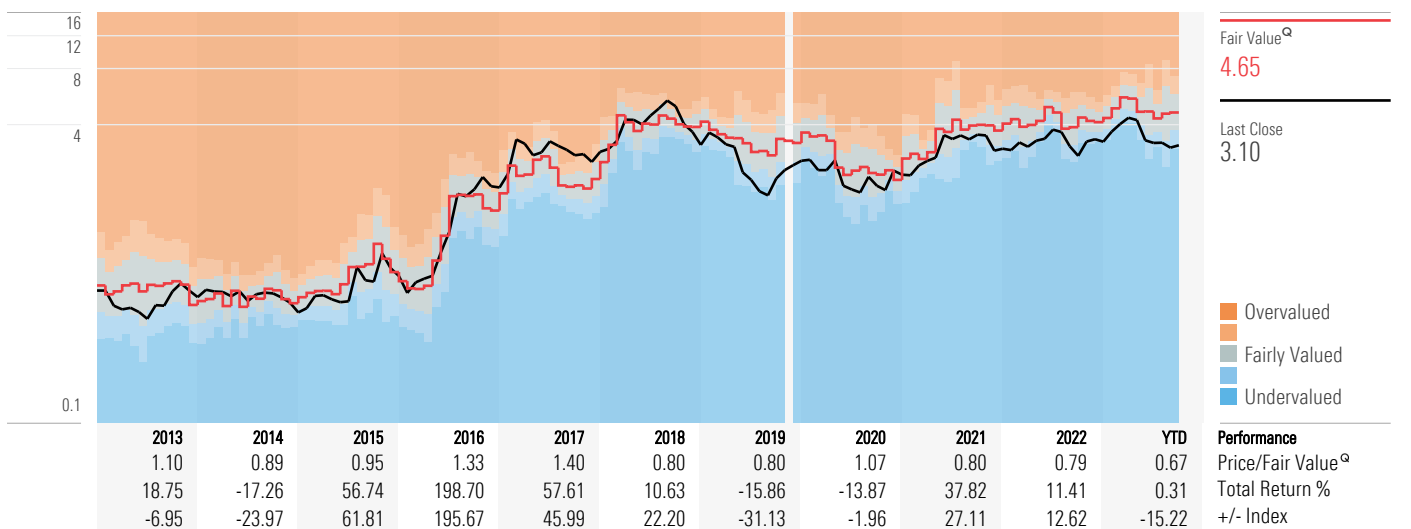


Ercros SA ECR ★★★★★

Q 20 Sep 2023, 22:34 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	0.7	—	4.84	293.5102 Mil	Small Value	Basic Materials	Chemicals



As of 20 Sep 2023 | Index: Morningstar Spain GR EUR. Fair Value data as of 20 Sep 2023, 22:34 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 19 Sep 2023

Metrics		Percentile in Sector
Earnings Yield (%)	12.6	90.0
Sales Yield (%)	285.5	91.0
Book Value Yield (%)	120.0	76.0
Return on Assets (%)*	4.6	76.0
Revenue(Mil)*	942.8	79.0
Market Value (Mil)	313.8	68.0
Enterprise Value (Mil)	432.5	69.0
EV/MV Ratio	1.4	82.0
Volatility TTM (%)	24.8	21.0
Drawdown TTM (%)	35.0	43.0
Volume (K)	136.3	47.0

*30 Jun 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.

Valuation ^Q as of 21 Sep 2023

Ercros achieves a 4-star quantitative star rating based on Morningstar's equity model. This reflects the company's valuation and uncertainty scores under this assessment system.

The Quantitative Fair Value estimate is 4.65, above the previous closing price of 3.10. The stock has been trading between a 36.11% and 13.66% discount to its quantitative fair value over the past year. The stock's current valuation rating sits at the 40th percentile in the coverage universe and 64th percentile in the basic materials sector (higher percentile indicates more undervalued).

The quantitative uncertainty rating for Ercros is Very High.

Our quantitative star rating last differed from the current rating on 09/05/2023; the uncertainty rating last differed on 06/13/2023. The previous ratings were 3 and High, respectively.

The main drivers of the company's valuation and uncertainty are its earnings yield and drawdown. The earnings yield of 13.02% falls at the 89th percentile in the equity universe and the 90th percent-

ile in its sector. The trailing 12-month maximum drawdown of 34.96% corresponds to the 61st percentile overall and the 43rd percentile in the industry.

Economic Moat ^Q as of 20 Sep 2023

With a Morningstar quantitative moat rating of None, the quantitative moat score for Ercros falls at the 7th percentile in the basic materials sector and at the 8th 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 41st percentile overall and 48th 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 124.21%, ranks at the 79th percentile in the covered equity universe and at the 77th percentile among its peers. Meanwhile, its annualized trailing 12-month volatility of 25.00%, falls at the 35th percentile in the universe and the 21st percentile in the basic materials sector.

Fundamentals as of 20 Sep 2023

Ercros reports earnings per share of 0.35. Its return on invested capital is 7.56%. The company maintains a dividend yield of 4.98%, paying out 37.18% of earnings. These values are calculated over a trailing 12-month period.

As of last market close, Ercros has a price-to-earnings ratio of 7.96, falling at the 24th percentile in its sector (where a lower percentile means a lower ratio) and ranging between 3.91 and 8.05 over the

Ercros SA ECR ★★★★★

Q 20 Sep 2023, 22:34 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	0.7	—	4.84	293.5102 Mil	Small Value	Basic Materials	Chemicals

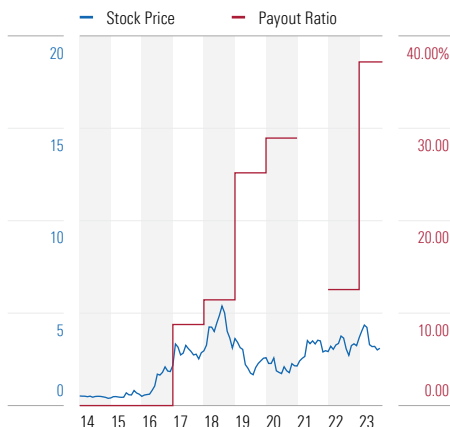
Earnings as of 19 Sep 2023

Earnings	%	Percentile in Sector
Dividend Yield*	5.0	73.0
Payout Ratio*	37.2	50.0
Price to Earnings	8.0	24.0
Price to Cash Flow	6.2	24.0
ROIC**	7.6	77.0

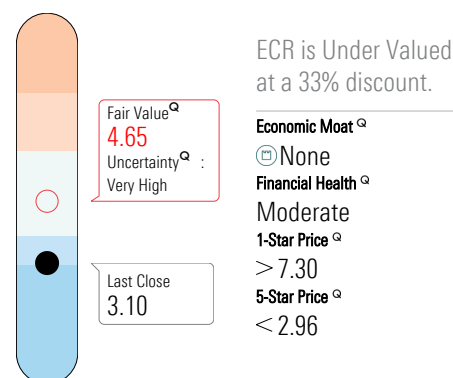
*31 Aug 2023

**30 Jun 2023

Dividends as of 20 Sep 2023



Valuation^Q as of 20 Sep 2023



Economic Moat^Q

None

Financial Health^Q

Moderate

1-Star Price^Q

> 7.30

5-Star Price^Q

< 2.96

past year. The company's price-to-free cash flow ratio is 6.21, falling at the 24th percentile in its sector and ranging between 4.5 and 8.71 over the past year.

Contact

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http://www.ercros.es

Financials as of 20 Sep 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	429	Revenue (Mil)
9.64	0.18	16.85	41.45	45.33	44.75	31.18	19.27	58.71	92.30	24.19	Operating Income (Mil)
1.54	0.03	2.73	6.88	6.65	6.66	4.66	3.39	7.6	9.24	5.64	Operating Margin (%)
-3.75	-6.29	7.24	45.17	44.58	44.59	31.04	6.26	43.30	62.99	16.54	Net Income (Mil)
-0.04	-0.06	0.06	0.40	0.40	0.41	0.29	0.06	0.43	0.64	0.17	Diluted Earnings/Share
23.86	9.82	14.00	37.70	43.81	48.21	59.43	74.59	70.35	88.02	15.90	Operating Cash Flow (Mil)
-4.35	-6.19	-9.15	-18.71	-42.84	-32.87	-21.47	-11.13	-12.90	-27.18	-18.27	Capital Spending (Mil)
19.51	3.63	4.85	18.99	0.97	15.34	37.96	63.46	57.45	60.84	-2.37	Free Cash Flow (Mil)
104	110	114	114	112	109	106	103	101	98	97	Avg Shares Outstand(Mil)

Valuation as of 20 Sep 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	0.67	Price/Fair Value ^Q
0.08	0.07	0.12	0.34	0.48	0.49	0.39	0.38	0.46	0.30	0.34	Price/Sales
—	6.56	—	7.33	6.27	7.13	10.74	12.47	13.50	4.79	7.68	Price/Earnings
11.91	0.84	3.43	4.84	14.20	—	9.95	3.15	4.23	4.81	4.03	Price/Cash Flow
0.30	0.25	0.40	1.08	1.37	1.27	0.96	0.77	0.98	0.86	0.81	Price/Book

Operating Performance as of 20 Sep 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	0.57	Return on Assets
-2.17	-3.7	4.21	22.82	19.08	17.25	10.99	2.17	14.06	18.2	1.07	Return on Equity
0.83	-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 20 Sep 2023

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Current	Calendar (%)
—	—	—	—	0.04	0.05	0.06	0.05	—	0.09	0.15	Dividend Per Share
—	—	—	—	1.4	1.61	2.34	2.32	—	2.62	4.84	Trailing Dividend Yield
—	—	—	—	0.81	3.52	3.67	4.01	—	3.13	6.54	Buyback Yield

Appendix

Economic Moat [®]History as of 20 Sep 2023 (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
2023	0.04	0.06	0.09	0.16	0.08	0.08	0.06	0.06	0.05	—	—	—
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
2018	0.03	0.04	0.07	0.09	0.03	0.05	0.09	0.08	0.08	0.02	0.03	0.07

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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.

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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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

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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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