

3m Results 2021

Opinion ⁽¹⁾: Above expectations
Impact ⁽¹⁾: We raise 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.

Activity accelerated in 1Q21. We significantly upgrade estimates (EV/EBITDA 2021e 5.7x)

Market Data

Market Cap (Mn EUR and USD)	319.1	387.6
EV (Mn EUR and USD) ⁽²⁾	396.6	481.7
Shares Outstanding (Mn)	101.0	
-12m (Max/Med/Min EUR)	3.16 / 2.15 / 1.67	
Daily Avg volume (-12m Mn EUR)	0.42	
Rotation ⁽³⁾	33.5	
Refinitiv / Bloomberg	ECR.MC / ECR SM	
Close fiscal year	31-Dec	

1Q21 RESULTS SHOW A REMARKABLE PERFORMANCE... We highlight: (i) growth in sales of those products most exposed to the cycle (chlorine derivatives and intermediate chemicals; +17.1% and +15.5%, respectively), (ii) significantly widening margins (the 1Q21 EBITDA margin was 12.0% vs 8.2% in 2020 and 8.7% in 2019) as a result of the improvement in the price of products sold and (iii) a financial structure that is still sound, despite the increase in working capital (in order to cope with the increase in activity) and the repurchase of shares for their cancellation (ND 1Q21: EUR 88.3Mn; +16.7% vs 2020).

Shareholders Structure (%)

Joan Casas Galofre	5.4
Victor Manuel Rodríguez Martín	5.0
Dimensional Fund Advisors, L.P.	5.0
Montserrat Garcia Pruns	3.1
Free Float	81.5

THAT LEADS US TO STRONGLY UPGRADE OUR ESTIMATES. The scenario we envisage should allow ECR to reach 2019 revenue levels already in 2021: (2021e revenue: EUR 677.4Mn), maintaining high margins that, while being squeezed by rising electricity prices, should result in Rec. EBITDA of c. EUR 70Mn (+38% vs previous estimate).

Financials (Mn EUR)	2020	2021e	2022e	2023e
Adj. nº shares (Mn)	102.6	102.9	101.0	101.0
Total Revenues	579.3	677.4	706.6	719.8
Rec. EBITDA ⁽⁴⁾	48.2	70.0	78.0	80.6
% growth	-16.9	45.2	11.4	3.3
% Rec. EBITDA/Rev.	8.3	10.3	11.0	11.2
% Inc. EBITDA sector ⁽⁵⁾	-2.8	14.1	5.8	6.4
Net Profit	6.3	22.5	30.3	32.7
EPS (EUR)	0.06	0.22	0.30	0.32
% growth	-79.1	259.2	36.9	8.0
Ord. EPS (EUR)	0.07	0.23	0.30	0.32
% growth	-64.7	235.3	29.8	8.0
Rec. Free Cash Flow ⁽⁶⁾	41.7	5.9	22.0	28.9
Pay-out (%)	0.0	18.0	20.0	22.0
DPS (EUR)	0.00	0.04	0.06	0.07
Net financial debt	75.7	78.5	69.6	56.0
ND/Rec. EBITDA (x)	1.6	1.1	0.9	0.7
ROE (%)	2.2	7.7	9.8	10.1
ROCE (%) ⁽⁶⁾	3.4	6.9	8.5	8.9

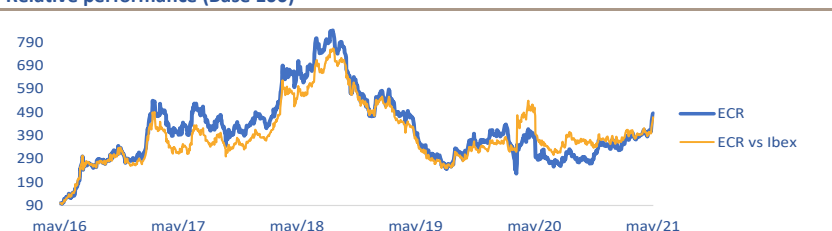
THE LOW MULTIPLES ARE STILL HERE (EV/EBITDA 2021E: 5.7x)... Despite the share price performance (+46.6% YTD; +39.4% vs the Ibex Small Cap), the change of estimates we envisage will return the EV/EBITDA multiple to 5.7x. vs an average of c. 8x-9x for the sector. Focusing on 2022e, when our estimates envisage a somewhat more optimistic scenario, the ratios are even more attractive (especially in terms of cash generation): (i) FCF Yield 2022e c. 7% and (ii) EV/EBITDA 2022e of 5x.

...AND PROVIDE THE OPTION OF LEVERING THE RECOVERY OF INDUSTRIAL ACTIVITY. 1Q21 results not only confirm the forecast for cycle recovery (envisaged already in 2020 results) but also anticipate an attractive horizon. The good performance of ECR's most cyclical divisions (especially the excellent performance of PVC as a result of strong demand) should continue throughout the year (underpinned by the reactivation of industrial activity). And, given that ECR is a cyclical stock that is "ahead of the cycle" it remains a cheap option to play a cyclical recovery that is apparently already being discounted by the rest of the sector (EV/EBITDA 2021e 5.7x vs c. 8x-9x for the sector).

Ratios & Multiples (x) ⁽⁷⁾

P/E	51.8	14.4	10.5	9.8
Ord. P/E	45.9	13.7	10.5	9.8
P/BV	1.1	1.1	1.0	1.0
Dividend Yield (%)	0.0	1.2	1.9	2.3
EV/Sales	0.68	0.59	0.56	0.55
EV/Rec. EBITDA	8.2	5.7	5.1	4.9
EV/EBIT	26.5	11.9	9.3	8.8
FCF Yield (%) ⁽⁶⁾	13.1	1.8	6.9	9.0

Relative performance (Base 100)



Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	20.4	37.4	23.9	46.6	-25.0	386.2
vs Ibex 35	14.7	22.9	-8.0	31.7	-14.3	368.7
vs Ibex Small Cap Index	24.7	35.0	-15.5	39.4	-32.6	155.3
vs Eurostoxx 50	21.4	27.8	-9.4	32.0	-32.3	264.3
vs Sector benchmark ⁽⁵⁾	18.9	25.8	-10.1	33.0	-42.2	206.2

(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) Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR -7.8Mn higher due to IFRS 16.

(5) Sector: Eurostoxx 600 Chemicals.

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

(7) 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, Refinitiv and Lighthouse

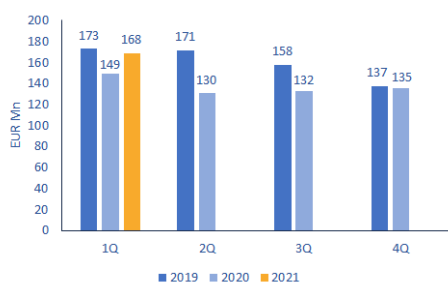
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3m Results 2021
Estimates upgrade

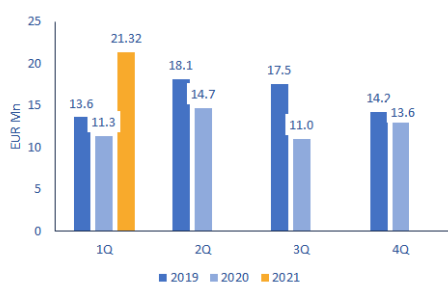
In the light of these 1Q21 results, we upgrade our numbers (Rec. EBITDA 2021e: +38% vs previous estimate)

Chart 1. Sales by quarter (2019-1Q21)



Note 1: Excludes other revenues (EUR 8.8Mn in 3m21).

Chart 2. Recurrent EBITDA by quarter (2019-1Q21)



The main figures for 1Q21 (vs. 1Q20) are: Revenues EUR 177.3Mn (+12.0%), Recurrent EBITDA EUR 21.3Mn (+89.1%; EBITDA Margin 12%) and Net Profit EUR 8.7Mn (vs EUR 0.8Mn in 1Q20). Turning to the balance sheet, Net Debt increased to EUR 88.3Mn (vs EUR 75.7Mn at the 2020 close; +16.7% vs 2020) due to: (i) larger working capital requirements to deal with the rebound in turnover (impact of c. EUR 20Mn on FCF) and (ii) the repurchase of treasury shares for their cancellation in an amount of EUR 1.2M in the first quarter.

By activity, 1Q21 results show a remarkable performance by those businesses with most exposure to the cycle, highlights being: (i) Chlorine derivatives (c. 60% of total sales), with sales growth of 17.1%, especially thanks to the good performance of PVC (both in terms of volume and prices) and (ii) intermediate chemicals (32% of sales) with growth in sales of 15.5%. And, given that the improvement in the price of the products sold (in both divisions) has amply exceeded the increase in the cost of supplies, sales growth has resulted in much higher growth in EBITDA, reaching levels of EUR 12.2Mn in the chlorine derivatives division (vs EUR 3.3Mn in 1Q20) and EUR 8.5Mn in intermediate chemicals (+79% vs 1Q20). On the other hand, the pharmaceuticals division (c. 8% of sales) has seen revenue contract by c. 19%, as it remains affected by weak demand for its products (although this situation should revert as the pandemic weakens and treatment of diseases other than Covid-19 returns to normal).

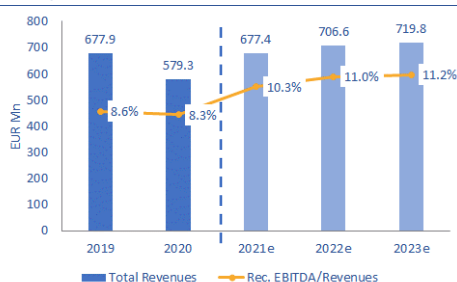
Table 1. 1Q21 Results

EUR Mn	3m21 Real	3m20	3m21 Real vs 3m20
Total Revenues	177.3	158.2	12.0%
Chlorine derivatives	101.2	86.4	17.1%
Intermediate chemica	54.2	46.9	15.5%
Pharmaceuticals	13.1	16.1	-18.9%
Other revenues	8.8	8.8	0.3%
Recurrent EBITDA¹	21.3	11.3	89.1%
<i>Rec. EBITDA/Revenues</i>	<i>12.0%</i>	<i>7.1%</i>	<i>4.9 p.p.</i>
EBITDA	19.8	10.2	94.3%
<i>EBITDA/Revenues</i>	<i>11.2%</i>	<i>6.5%</i>	<i>4.7 p.p.</i>
EBIT	12.8	3.2	301.4%
PBT	11.6	1.4	n.a.
NP	8.7	0.8	n.a.
Net Debt²	88.3	75.7	16.7%

Note 1: Adjusted Rec. EBITDA that strips out non-recurrent revenue and expenses, basically provisioning and other extraordinary expenses (EUR 1.5Mn in 1Q21 and EUR 1.2Mn in 1Q20).

Note 2: Net Debt adjusted to strip out the impact of IFRS 16 (EUR 9Mn in 1Q21 and EUR 9.1Mn at the 2020 close).

Chart 3. Revenue and Rec. EBITDA Mg. (2019-2023e)



The company has begun 2021e more strongly than expected and this suggests an attractive horizon. Causing us to upgrade estimates (2021e-2023e)...

In our opinion, 1Q21 results not only confirm the forecast for cycle recovery (envisaged in 2020 results) but also anticipate an attractive horizon that leads us to upgrade our estimates. Specifically, we highlight:

- **The recovery of 2019 revenue levels in 2021e.** Mainly for two reasons: (i) the volume of tonnes sold already recovered and consolidated pre Covid-19 levels in 1Q21 and (ii) the strength of the prices of the products with greater cyclical exposure; specifically, the lack of PVC should keep its price close to current highs and the price of caustic soda (used widely in industry, with an elasticity vs GDP of c. 1.5) apparently bottomed out in February and has begun its recovery. This leads us to estimate 2021e revenue of EUR 677.4Mn (+9.4% vs previous estimate; + 17% vs 2020).

- **Maintaining high margins (Rec. EBITDA 2021e: EUR 70Mn; EBITDA margin 10%)...** In our view, the improvement in sale prices seen in 1Q21 (that amply exceeded the increase in the cost of their supplies) should enable ECR to keep margins high over the year as a whole (Recurrent EBITDA margin of c. 10%) that should drive Recurrent EBITDA generation to levels of c. EUR 70Mn (+38.1% vs previous estimate). Given the intensive electricity use of the company, our estimates envisage certain pressure on margins due to the increase in electricity prices seen since the beginning of the second quarter.
- **... And a sound financial structure (ND/EBITDA 2021e 1.1x).** ECR's high cash generation capacity is a fact and this will allow it to maintain a sound financial structure over the estimated period although 2021e will be shaped by: (i) high working capital requirements (to deal with the rebound in turnover), (ii) the start of the 3D Strategic Plan (according to which ECR plans to invest c. EUR 92Mn in 2021e-2029e; CAPEX 2021e EUR 30Mn) and (iii) the repurchase of shares for their subsequent cancellation (that we estimate could amount to c. EUR 7Mn in 2021e; 32% of estimated NP).

Looking beyond 2021e, the reduction in the impact of working capital from 2022e will increase Rec. FCF to EUR 22Mn in 2022e and EUR 29Mn in 2023e (Rec. FCF yield of 6.9% and 9.0% for 2022e and 2022e, respectively). That will allow a reduction of Net Debt (ex IFRS 16) to EUR 56Mn in 2023e, despite the significant investment effort (CAPEX 2021e-2023e: EUR 30Mn/year) and shareholder remuneration (maximum payout of 50%), that ECR will carry out via the repurchase of treasury shares for their cancellation and the payment of a dividend (the repurchase of shares will be executed provided payment of a dividend of, at least, 18% of NP in 2021e, 20% in 2022e, 22% in 2023e and 24% in 2024e is envisaged).

Table 2. Review of estimates (2021e-2023e)

EUR Mn	2021e (New)	2021e	Review (%)	2022e (New)	2022e	Review (%)	2023e (New)
Total Revenues	677.4	619.2	9.4%	706.6	672.6	5.1%	719.8
Recurrent EBITDA	70.0	50.7	38.0%	78.0	61.7	26.4%	80.6
<i>Recurrent EBITDA growth</i>	<i>45.2%</i>	<i>7.6%</i>	<i>37.5 p.p.</i>	<i>11.4%</i>	<i>21.5%</i>	<i>-10.2 p.p.</i>	<i>3.3%</i>
<i>Rec. EBITDA/Revenues</i>	<i>10.3%</i>	<i>8.2%</i>	<i>2.1 p.p.</i>	<i>11.0%</i>	<i>9.2%</i>	<i>1.9 p.p.</i>	<i>11.2%</i>
EBIT	33.3	23.2	43.5%	42.6	34.1	24.7%	45.0
Net Profit	22.5	14.6	54.7%	30.3	23.8	27.2%	32.7
Recurrent Free Cash Flow	5.9	6.3	-6.9%	22.0	24.8	-11.2%	28.9
<i>ND / EBITDA</i>	<i>1.1 x</i>	<i>2.0 x</i>	<i>-0.8 x</i>	<i>0.9 x</i>	<i>1.4 x</i>	<i>-0.5 x</i>	<i>0.7 x</i>

And allows low multiples to remain on the table (EV/EBITDA 2021e 5.7x). ...That provides the option of leveraging the recovery of industrial activity

In conclusion, 1Q21 results not only confirm the forecast for cycle recovery but also anticipate an attractive horizon. The recovery of industrial activity should maintain the good performance of prices and volumes seen in 1Q21. In our estimates this translates to EBITDA 2021e of EUR 70Mn that, despite the good share price performance (+46.6% YTD), continues to offer low multiples (EV/EBITDA 2021e 5.7x vs c. 8-9x for the sector). We would underline that our estimates include certain pressure on the margins seen in 1Q21 (EBITDA margin for the year as a whole of 10.3% vs 12% in 1Q21) essentially due to the increase in electricity prices. So, any improvement in this variable during the year would favour ECR and improve our estimates.

Focusing on 2022e, when our estimates envisage an even more optimistic scenario, the ratios are even more attractive (especially in terms of cash generation): (i) FCF Yield 2022e c. 7%, (ii) EV/EBITDA 2022e of 5x and (iii) maintaining a sound financial structure at all times (ND/EBITDA < 1x; despite the investment effort and shareholder remuneration).

Valuation inputs

Inputs for the DCF Valuation Approach

	2021e	2022e	2023e	Terminal Value ⁽¹⁾			
Free Cash Flow "To the Firm"	9.1	26.7	33.1	n.a.			
Market Cap	319.1	At the date of this report					
Net financial debt	88.3	Debt net of Cash (3m Results 2021)					
					Best Case	Worst Case	
Cost of Debt	3.5%	Net debt cost			3.3%	3.8%	
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=	
Net debt cost	2.8%	Kd = Cost of Net Debt * (1-T)			2.6%	3.0%	
Risk free rate (rf)	0.5%	Rf (10y Spanish bond yield)			=	=	
Equity risk premium	9.0%	R (own estimate)			8.5%	9.5%	
Beta (B)	1.3	B (Refinitiv and Lighthouse)			1.2	1.4	
Cost of Equity	12.2%	Ke = Rf + (R * B)			10.7%	13.8%	
Equity / (Equity + Net Debt)	78.3%	E (Market Cap as equity value)			=	=	
Net Debt / (Equity + Net Debt)	21.7%	D			=	=	
WACC	10.2%	WACC = Kd * D + Ke * E			9.0%	11.5%	
G "Fair"	1.5%				1.5%	0.5%	

(1) The terminal value calculated beyond the last FCF estimate does not reflect the company's growth potential (positive/negative) at the date of publication of this report.

Inputs for the Multiples Valuation Approach

Company	Ticker Reuters	Mkt. Cap	P/E 21e	EPS 21e-23e	EV/EBITDA 21e	EBITDA 21e-23e	EV/Sales 21e	Revenues 21e-23e	EBITDA/Sales 21e	FCF Yield 21e	FCF 21e-23e
BASF SE	BASFn.DE	63,515.9	15.3	7.6%	8.4	4.2%	1.2	2.6%	14.4%	4.9%	10.5%
Solvay	SOLB.BR	12,079.5	16.0	12.5%	7.0	6.3%	1.5	5.1%	21.9%	5.4%	7.6%
Covestro AG	1COV.DE	11,120.6	9.6	-2.2%	4.5	2.1%	0.8	4.5%	18.9%	9.7%	-0.6%
Akzo Nobel AS	AKZO.AS	19,288.3	21.7	11.6%	12.9	6.7%	2.2	3.7%	17.4%	4.1%	13.9%
Europe			15.7	7.4%	8.2	4.8%	1.5	4.0%	18.2%	6.0%	7.8%
DowDuPont	DWDP.K	36,289.8	22.2	15.4%	12.5	8.9%	3.2	4.4%	25.6%	4.0%	10.6%
Olin Corp	OLN	6,151.4	9.2	2.4%	5.6	-0.9%	1.4	0.4%	24.7%	15.0%	7.5%
Westlake	WLK	10,932.4	12.1	-12.9%	6.7	-8.3%	1.7	-0.9%	24.9%	7.7%	-7.5%
USA			14.5	1.6%	8.3	-0.1%	2.1	1.3%	25.1%	8.9%	3.6%
ECR	ECR.MC	319.1	14.4	21.6%	5.7	8.4%	0.6	3.1%	10.1%	1.8%	n.a.

Free Cash Flow sensitivity analysis (2022e)

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

Scenario	EBITDA/Sales 22e	EBITDA 22e	EV/EBITDA 22e
Max	12.1%	85.7	4.6x
Central	11.0%	78.0	5.1x
Min	9.9%	70.2	5.6x

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

Rec. FCF EUR Mn	CAPEX/Sales 22e			Scenario	Rec. FCF/Yield 22e		
	EBITDA 22e	3.8%	4.2%		4.6%	Max	Central
85.7	32.6	29.8	27.0	Max	10.2%	9.3%	8.5%
78.0	24.9	22.0	19.2	Central	7.8%	6.9%	6.0%
70.2	17.1	14.3	11.4	Min	5.4%	4.5%	3.6%

Appendix 1. Financial Projections⁽¹⁾

Balance Sheet (EUR Mn)	2016	2017	2018	2019	2020	2021e	2022e	2023e		
Intangible assets	5.9	4.1	4.2	19.7	16.1	16.1	16.1	16.1		
Fixed assets	249.2	269.4	281.7	296.9	311.3	313.4	315.3	317.1		
Other Non Current Assets	7.0	25.9	31.7	40.3	38.9	38.9	38.9	38.9		
Financial Investments	38.7	44.9	45.2	42.7	28.8	28.8	28.8	28.8		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	184.6	218.3	218.9	184.5	148.6	165.4	176.9	181.3		
Total assets	485.4	562.6	581.6	584.1	543.6	562.5	576.0	582.1		
Equity	219.8	247.5	272.7	292.1	284.2	299.5	316.7	334.2		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	71.0	84.1	76.5	62.2	55.8	55.8	55.8	55.8		
Other Non Current Liabilities	-	-	-	13.4	9.1	9.1	9.1	9.1		
Net financial debt	73.4	89.3	107.3	96.8	75.7	78.5	69.6	56.0		
Current Liabilities	121.2	141.7	125.2	119.6	118.8	119.5	124.7	127.0		
Equity & Total Liabilities	485.4	562.6	581.6	584.1	543.6	562.5	576.0	582.1		
CAGR										
P&L (EUR Mn)	2016	2017	2018	2019	2020	2021e	2022e	2023e	16-20	20-23e
Total Revenues	606.9	689.3	677.1	677.9	579.3	677.4	706.6	719.8	-1.2%	7.5%
<i>Total Revenues growth</i>	<i>-2.8%</i>	<i>13.6%</i>	<i>-1.8%</i>	<i>0.1%</i>	<i>-14.6%</i>	<i>16.9%</i>	<i>4.3%</i>	<i>1.9%</i>		
COGS	(359.4)	(433.1)	(435.1)	(439.3)	(348.3)	(420.1)	(437.4)	(444.8)		
Gross Margin	247.5	256.1	242.0	238.6	230.9	257.3	269.2	274.9	-1.7%	6.0%
<i>Gross Margin/Revenues</i>	<i>40.8%</i>	<i>37.2%</i>	<i>35.7%</i>	<i>35.2%</i>	<i>39.9%</i>	<i>38.0%</i>	<i>38.1%</i>	<i>38.2%</i>		
Personnel Expenses	(81.8)	(83.4)	(79.9)	(83.1)	(84.3)	(84.7)	(86.4)	(88.1)		
Other Operating Expenses	(107.3)	(102.5)	(97.9)	(97.5)	(98.4)	(102.5)	(104.8)	(106.2)		
Recurrent EBITDA	58.4	70.3	64.3	58.0	48.2	70.0	78.0	80.6	-4.7%	18.7%
<i>Recurrent EBITDA growth</i>	<i>79.6%</i>	<i>20.3%</i>	<i>-8.5%</i>	<i>-9.7%</i>	<i>-16.9%</i>	<i>45.2%</i>	<i>11.4%</i>	<i>3.3%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>9.6%</i>	<i>10.2%</i>	<i>9.5%</i>	<i>8.6%</i>	<i>8.3%</i>	<i>10.3%</i>	<i>11.0%</i>	<i>11.2%</i>		
Restructuring Expense & Other non-rec.	-	(21.7)	3.0	4.4	(0.9)	(1.5)	-	-		
EBITDA	58.4	48.5	67.3	62.4	47.3	68.5	78.0	80.6	-5.1%	19.4%
Depreciation & Provisions	(7.4)	(14.2)	(24.2)	(25.1)	(27.4)	(27.9)	(28.1)	(28.2)		
Capitalized Expense	0.0	-	0.2	0.9	2.3	-	-	-		
Rentals (IFRS 16 impact)	-	-	-	(7.1)	(7.3)	(7.3)	(7.3)	(7.3)		
EBIT	51.0	34.3	43.2	31.2	14.9	33.3	42.6	45.0	-26.5%	44.5%
<i>EBIT growth</i>	<i>300.4%</i>	<i>-32.8%</i>	<i>25.9%</i>	<i>-27.8%</i>	<i>-52.1%</i>	<i>123.0%</i>	<i>27.9%</i>	<i>5.7%</i>		
<i>EBIT/Revenues</i>	<i>8.4%</i>	<i>5.0%</i>	<i>6.4%</i>	<i>4.6%</i>	<i>2.6%</i>	<i>4.9%</i>	<i>6.0%</i>	<i>6.3%</i>		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(6.3)	(6.4)	(6.3)	(6.5)	(8.0)	(5.8)	(5.7)	(5.1)		
Income by the Equity Method	0.6	0.7	1.1	0.4	-	-	-	-		
Ordinary Profit	45.3	28.7	38.0	25.1	7.0	27.5	36.9	39.9	-37.3%	78.8%
<i>Ordinary Profit Growth</i>	<i>571.4%</i>	<i>-36.7%</i>	<i>32.5%</i>	<i>-34.0%</i>	<i>-72.2%</i>	<i>293.6%</i>	<i>34.3%</i>	<i>8.0%</i>		
Extraordinary Results	-	(0.1)	-	(2.5)	-	-	-	-		
Profit Before Tax	45.3	28.6	38.0	22.6	7.0	27.5	36.9	39.9	-37.3%	78.8%
Tax Expense	(0.2)	15.9	6.9	8.4	(0.7)	(4.9)	(6.6)	(7.2)		
<i>Effective Tax Rate</i>	<i>0.3%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>10.4%</i>	<i>18.0%</i>	<i>18.0%</i>	<i>18.0%</i>		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	45.2	44.5	44.9	31.0	6.3	22.5	30.3	32.7	-39.0%	73.6%
<i>Net Profit growth</i>	<i>523.8%</i>	<i>-1.5%</i>	<i>0.9%</i>	<i>-30.8%</i>	<i>-79.8%</i>	<i>260.3%</i>	<i>34.3%</i>	<i>8.0%</i>		
Ordinary Net Profit	45.2	50.4	35.0	20.7	7.1	23.8	30.3	32.7	-37.1%	66.6%
<i>Ordinary Net Profit growth</i>	<i>569.1%</i>	<i>11.6%</i>	<i>-30.6%</i>	<i>-40.9%</i>	<i>-65.8%</i>	<i>236.4%</i>	<i>27.3%</i>	<i>8.0%</i>		
CAGR										
Cash Flow (EUR Mn)	2016	2017	2018	2019	2020	2021e	2022e	2023e	16-20	20-23e
Recurrent EBITDA						70.0	78.0	80.6	-4.7%	18.7%
Rentals (IFRS 16 impact)						(7.3)	(7.3)	(7.3)		
Working Capital Increase						(16.1)	(6.3)	(2.1)		
Recurrent Operating Cash Flow						46.6	64.3	71.2	1.4%	-2.1%
CAPEX						(30.0)	(30.0)	(30.0)		
Net Financial Result affecting the Cash Flow						(5.8)	(5.7)	(5.1)		
Tax Expense						(4.9)	(6.6)	(7.2)		
Recurrent Free Cash Flow						5.9	22.0	28.9	-2.8%	-11.5%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestitures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						(1.5)	-	-		
Free Cash Flow						4.4	22.0	28.9	-6.5%	-7.3%
Capital Increase						(7.2)	(9.1)	(9.2)		
Dividends						-	(4.1)	(6.1)		
Net Debt Variation						2.8	(8.9)	(13.6)		

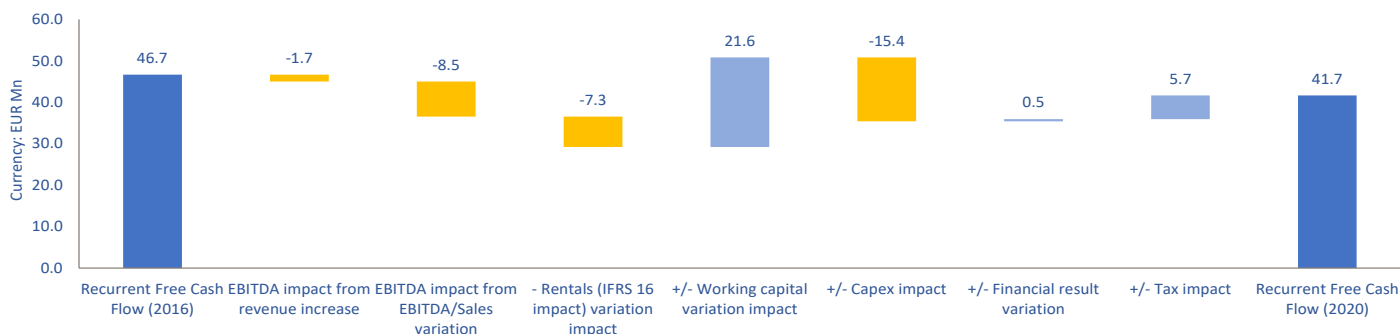
Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR -7.8Mn higher due to IFRS 16.

Appendix 2. Free Cash Flow⁽¹⁾

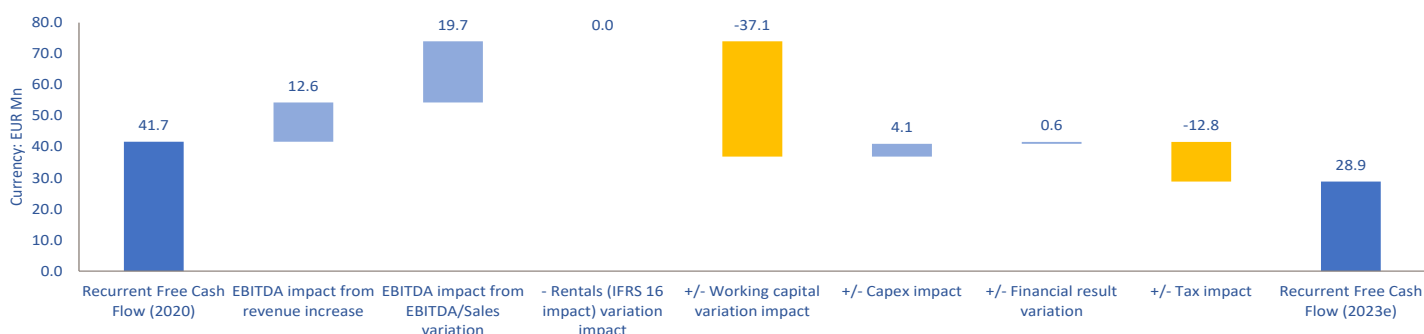
A) Cash Flow Analysis (EUR Mn)	2017	2018	2019	2020	2021e	2022e	2023e	CAGR	
								17-20	20-23e
Recurrent EBITDA	70.3	64.3	58.0	48.2	70.0	78.0	80.6	-11.8%	18.7%
<i>Recurrent EBITDA growth</i>	20.3%	-8.5%	-9.7%	-16.9%	45.2%	11.4%	3.3%		
<i>Rec. EBITDA/Revenues</i>	10.2%	9.5%	8.6%	8.3%	10.3%	11.0%	11.2%		
- Rentals (IFRS 16 impact)	-	-	(7.1)	(7.3)	(7.3)	(7.3)	(7.3)		
+/- Working Capital increase	(13.2)	(17.1)	28.8	35.0	(16.1)	(6.3)	(2.1)		
= Recurrent Operating Cash Flow	57.1	47.2	79.8	76.0	46.6	64.3	71.2	10.0%	-2.1%
<i>Rec. Operating Cash Flow growth</i>	-20.5%	-17.4%	69.1%	-4.8%	-38.6%	38.0%	10.6%		
<i>Rec. Operating Cash Flow / Sales</i>	8.3%	7.0%	11.8%	13.1%	6.9%	9.1%	9.9%		
- CAPEX	(42.8)	(42.1)	(37.1)	(34.1)	(30.0)	(30.0)	(30.0)		
- Net Financial Result affecting Cash Flow	(6.4)	(6.3)	(5.1)	(5.8)	(5.8)	(5.7)	(5.1)		
- Taxes	15.9	6.9	0.4	5.6	(4.9)	(6.6)	(7.2)		
= Recurrent Free Cash Flow	23.8	5.6	38.1	41.7	5.9	22.0	28.9	20.6%	-11.5%
<i>Rec. Free Cash Flow growth</i>	-49.1%	-76.4%	579.7%	9.4%	-85.9%	274.9%	31.0%		
<i>Rec. Free Cash Flow / Revenues</i>	3.4%	0.8%	5.6%	7.2%	0.9%	3.1%	4.0%		
- Restructuring expenses & others	(21.7)	-	(23.4)	(5.5)	-	-	-		
- Acquisitions / + Divestments	-	-	5.7	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(0.1)	-	-	-	(1.5)	-	-		
= Free Cash Flow	1.9	5.6	20.4	36.2	4.4	22.0	28.9	n.a.	-7.3%
<i>Free Cash Flow growth</i>	-95.9%	187.4%	264.9%	77.2%	-87.9%	403.4%	31.0%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	7.5%	1.8%	11.9%	13.1%	1.8%	6.9%	9.0%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	0.6%	1.8%	6.4%	11.4%	1.4%	6.9%	9.0%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
Recurrent FCF(FY - 1)	46.7	23.8	5.6	38.1	41.7	5.9	22.0		
EBITDA impact from revenue increase	7.9	(1.2)	0.1	(8.4)	8.2	3.0	1.4		
EBITDA impact from EBITDA/Sales variation	3.9	(4.7)	(6.3)	(1.4)	13.6	4.9	1.1		
= Recurrent EBITDA variation	11.9	(6.0)	(6.2)	(9.8)	21.8	8.0	2.6		
- Rentals (IFRS 16 impact) variation impact	-	-	(7.1)	(0.2)	-	-	-		
+/- Working capital variation impact	(26.6)	(3.9)	45.9	6.2	(51.1)	9.7	4.2		
= Recurrent Operating Cash Flow variation	(14.7)	(9.9)	32.6	(3.8)	(29.3)	17.7	6.8		
+/- CAPEX impact	(24.1)	0.7	5.0	3.0	4.1	-	-		
+/- Financial result variation	(0.1)	0.0	1.3	(0.7)	(0.1)	0.1	0.5		
+/- Tax impact	16.1	(9.0)	(6.4)	5.1	(10.5)	(1.7)	(0.5)		
= Recurrent Free Cash Flow variation	(22.9)	(18.2)	32.5	3.6	(35.8)	16.2	6.8		
Recurrent Free Cash Flow	23.8	5.6	38.1	41.7	5.9	22.0	28.9		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
EBIT	34.3	43.2	31.2	14.9	33.3	42.6	45.0	-24.2%	44.5%
* <i>Theoretical Tax rate</i>	0.0%	0.0%	0.0%	10.4%	18.0%	18.0%	18.0%		
= Taxes (pre- Net Financial Result)	-	-	-	(1.6)	(6.0)	(7.7)	(8.1)		
Recurrent EBITDA	70.3	64.3	58.0	48.2	70.0	78.0	80.6	-11.8%	18.7%
- Rentals (IFRS 16 impact)	-	-	(7.1)	(7.3)	(7.3)	(7.3)	(7.3)		
+/- Working Capital increase	(13.2)	(17.1)	28.8	35.0	(16.1)	(6.3)	(2.1)		
= Recurrent Operating Cash Flow	57.1	47.2	79.8	76.0	46.6	64.3	71.2	10.0%	-2.1%
- CAPEX	(42.8)	(42.1)	(37.1)	(34.1)	(30.0)	(30.0)	(30.0)		
- Taxes (pre- Financial Result)	-	-	-	(1.6)	(6.0)	(7.7)	(8.1)		
= Recurrent Free Cash Flow (To the Firm)	14.3	5.1	42.7	40.3	10.6	26.7	33.1	41.4%	-6.4%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	-73.1%	-64.4%	742.2%	-5.6%	-73.6%	150.7%	24.0%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	2.1%	0.7%	6.3%	7.0%	1.6%	3.8%	4.6%		
- Acquisitions / + Divestments	-	-	5.7	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(0.1)	-	-	-	(1.5)	-	-		
= Free Cash Flow "To the Firm"	14.2	5.1	48.4	40.3	9.1	26.7	33.1	41.7%	-6.4%
<i>Free Cash Flow (To the Firm) growth</i>	-73.5%	-64.2%	855.5%	-16.8%	-77.3%	191.8%	24.0%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	3.6%	1.3%	10.8%	10.2%	2.7%	6.7%	8.3%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	3.6%	1.3%	12.2%	10.2%	2.3%	6.7%	8.3%		

Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR -7.8Mn higher due to IFRS 16.

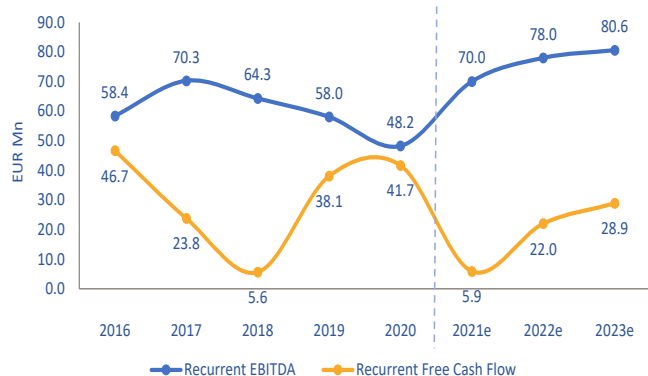
Recurrent Free Cash Flow accumulated variation analysis (2016 - 2020)



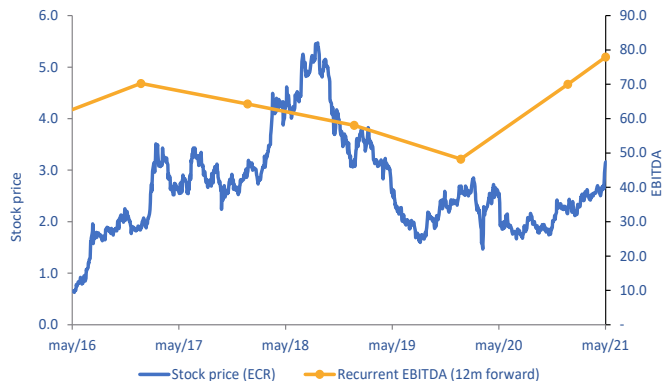
Recurrent Free Cash Flow accumulated variation analysis (2020 - 2023e)



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	319.1	
+ Minority Interests	-	3m Results 2021
+ Provisions & Other L/T Liabilities	17.9	3m Results 2021
+ Net financial debt	88.3	3m Results 2021
- Financial Investments	28.8	12m Results 2020
+/- Others		
Enterprise Value (EV)	396.6	

Appendix 4. Historical performance (1)(2)

Historical performance (EUR Mn)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e	CAGR 10-20	CAGR 20-23e
Total Revenues	609.3	686.0	639.5	625.0	603.7	618.3	606.9	689.3	677.1	677.9	579.3	677.4	706.6	719.8	-0.5%	7.5%
<i>Total Revenues growth</i>	0.5%	12.6%	-6.8%	-2.3%	-3.4%	2.4%	-1.8%	13.6%	-1.8%	0.1%	-14.6%	16.9%	4.3%	1.9%		
EBITDA	10.9	26.9	21.1	29.0	19.1	36.7	58.4	48.5	67.3	62.4	47.3	68.5	78.0	80.6	15.9%	19.4%
<i>EBITDA growth</i>	179.3%	148.0%	-21.5%	37.0%	-34.1%	92.6%	59.0%	-16.9%	38.6%	-7.2%	-24.2%	44.8%	13.8%	3.3%		
<i>EBITDA/Sales</i>	1.8%	3.9%	3.3%	4.6%	3.2%	5.9%	9.6%	7.0%	9.9%	9.2%	8.2%	10.1%	11.0%	11.2%		
Net Profit	(14.0)	(0.9)	(11.7)	(0.3)	(7.1)	7.2	45.2	44.5	44.9	31.0	6.3	22.5	30.3	32.7	9.4%	73.6%
<i>Net Profit growth</i>	72.6%	93.6%	n.a.	97.3%	n.a.	202.0%	523.8%	-1.5%	0.9%	-30.8%	-79.8%	260.3%	34.3%	8.0%		
Adjusted number shares (Mn)	100.6	100.6	100.8	103.5	111.5	114.0	114.1	112.3	109.2	106.2	102.6	102.9	101.0	101.0		
EPS (EUR)	-0.14	-0.01	-0.12	0.00	-0.06	0.06	0.40	0.40	0.41	0.29	0.06	0.22	0.30	0.32	9.3%	74.5%
<i>EPS growth</i>	72.6%	93.6%	n.a.	97.3%	n.a.	n.a.	n.a.	0.1%	3.7%	-28.9%	-79.1%	n.a.	36.9%	8.0%		
Ord. EPS (EUR)	-0.14	-0.01	-0.11	0.00	-0.06	0.06	0.40	0.45	0.32	0.19	0.07	0.23	0.30	0.32	9.5%	67.5%
<i>Ord. EPS growth</i>	72.0%	94.3%	n.a.	97.1%	n.a.	n.a.	n.a.	13.4%	-28.6%	-39.2%	-64.7%	n.a.	29.8%	8.0%		
CAPEX	(8.1)	(8.1)	(15.8)	(4.2)	(4.6)	(7.4)	(18.7)	(42.8)	(42.1)	(37.1)	(34.1)	(30.0)	(30.0)	(30.0)		
<i>CAPEX/Sales %</i>	1.3%	1.2%	2.5%	0.7%	0.8%	1.2%	3.1%	6.2%	6.2%	5.5%	5.9%	4.4%	4.2%	4.2%		
Free Cash Flow	(18.7)	3.6	3.1	19.5	21.9	4.9	47.3	1.9	5.6	20.4	36.2	4.4	22.0	28.9	14.7%	-7.3%
<i>ND/EBITDA (x)⁽³⁾</i>	8.7x	3.0x	6.9x	5.3x	6.8x	3.3x	1.3x	1.8x	1.6x	1.6x	1.6x	1.1x	0.9x	0.7x		
<i>P/E (x)</i>	n.a.	n.a.	n.a.	n.a.	n.a.	9.7x	4.6x	7.2x	7.6x	8.8x	35.3x	14.4x	10.5x	9.8x		
<i>EV/Sales (x)</i>	0.27x	0.22x	0.29x	0.33x	0.29x	0.31x	0.51x	0.61x	0.70x	0.58x	0.53x	0.59x	0.56x	0.55x		
<i>EV/EBITDA (x)⁽³⁾</i>	15.4x	5.6x	8.8x	7.1x	9.1x	5.2x	5.3x	8.7x	7.0x	6.2x	6.5x	5.8x	5.1x	4.9x		
<i>Absolute performance</i>	-48.6%	-4.8%	-41.2%	18.8%	-17.3%	56.7%	198.7%	55.4%	8.9%	-17.8%	-15.8%	46.6%	5.1x	4.9x		
<i>Relative performance vs Ibx 35</i>	-37.8%	9.6%	-38.3%	-2.2%	-20.2%	68.8%	204.8%	44.7%	28.1%	-26.5%	-0.4%	31.7%				

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 Refinitiv.

Note 2: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR -7.8Mn higher due to IFRS 16.

Note 3: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main peers 2021e

	Europe					USA				Average	ECR
	EUR Mn	BASF SE	Solvay	Covestro AG	Akzo Nobel AS	DowDuPont	Olin Corp	Westlake			
Market data	Ticker (Reuters)	BASF.DE	SOLB.BR	1COV.DE	AKZO.AS		DWDP.K	OLN	WLK		ECR.MC
	Country	Germany	Belgium	Germany	Netherlands		USA	USA	USA		Spain
	Market cap	63,515.9	12,079.5	11,120.6	19,288.3		36,289.8	6,151.4	10,932.4		319.1
	Enterprise value (EV)	80,359.6	14,704.4	11,246.6	20,938.3		41,850.5	9,023.3	13,198.1		396.6
Basic financial information	Total Revenues	66,322.3	9,549.9	13,269.2	9,326.8		13,065.6	6,506.8	7,883.8		677.4
	<i>Total Revenues growth</i>	12.1%	-1.7%	23.9%	9.3%	10.9%	-22.2%	37.3%	27.6%	14.2%	16.9%
	<i>2y CAGR (2021e - 2023e)</i>	2.6%	5.1%	4.5%	3.7%	4.0%	4.4%	0.4%	-0.9%	1.3%	3.1%
	EBITDA	9,575.5	2,091.5	2,505.9	1,625.0		3,349.4	1,608.5	1,960.1		68.5
	<i>EBITDA growth</i>	-12.8%	11.5%	65.5%	10.2%	18.6%	-15.3%	223.7%	92.3%	100.2%	44.8%
	<i>2y CAGR (2021e - 2023e)</i>	4.2%	6.3%	2.1%	6.7%	4.8%	8.9%	-0.9%	-8.3%	-0.1%	8.4%
	EBITDA/Revenues	14.4%	21.9%	18.9%	17.4%	18.2%	25.6%	24.7%	24.9%	25.1%	10.1%
	EBIT	5,707.9	1,275.6	1,678.7	1,274.1		2,622.5	1,118.9	1,316.1		33.3
	<i>EBIT growth</i>	-20.4%	48.8%	121.5%	14.4%	41.1%	86.5%	n.a.	243.8%	165.1%	123.0%
	<i>2y CAGR (2021e - 2023e)</i>	5.9%	7.5%	-0.1%	8.0%	5.3%	9.6%	-3.4%	-12.1%	-2.0%	16.3%
	EBIT/Revenues	8.6%	13.4%	12.7%	13.7%	12.1%	20.1%	17.2%	16.7%	18.0%	4.9%
	Net Profit	4,074.3	727.4	1,176.1	875.9		1,682.3	721.6	912.5		22.5
	<i>Net Profit growth</i>	377.0%	166.6%	159.1%	29.2%	183.0%	171.1%	190.4%	197.1%	186.2%	260.3%
	<i>2y CAGR (2021e - 2023e)</i>	7.1%	13.5%	0.4%	8.3%	7.4%	11.3%	-5.9%	-13.8%	-2.8%	20.5%
	CAPEX/Sales %	5.6%	7.4%	6.1%	2.9%	5.5%	5.2%	2.5%	7.2%	5.0%	-4.4%
	Free Cash Flow	3,111.4	658.0	1,075.9	793.9		1,461.5	922.5	847.0		4.4
	Net financial debt	14,511.0	3,258.1	1,284.4	1,594.2		6,630.0	2,435.8	1,381.2		78.5
	<i>ND/EBITDA (x)</i>	1.5	1.6	0.5	1.0	1.1	2.0	1.5	0.7	1.4	1.1
	<i>Pay-out</i>	75.9%	53.2%	33.7%	46.3%	52.3%	48.4%	14.5%	12.7%	25.2%	18.0%
Multiples and Ratios	<i>P/E (x)</i>	15.3	16.0	9.6	21.7	15.7	22.2	9.2	12.1	14.5	14.4
	<i>P/BV (x)</i>	1.8	1.7	1.9	3.6	2.2	1.8	3.5	2.0	2.4	1.1
	<i>EV/Revenues (x)</i>	1.2	1.5	0.8	2.2	1.5	3.2	1.4	1.7	2.1	0.6
	<i>EV/EBITDA (x)</i>	8.4	7.0	4.5	12.9	8.2	12.5	5.6	6.7	8.3	5.7
	<i>EV/EBIT (x)</i>	14.1	11.5	6.7	16.4	12.2	16.0	8.1	10.0	11.4	11.9
	ROE	11.0	9.9	17.7	15.9	13.6	8.0	44.4	16.0	22.8	7.7
	FCF Yield (%)	4.9	5.4	9.7	4.1	6.0	4.0	15.0	7.7	8.9	1.8
	DPS	3.37	3.75	2.15	2.12	2.85	1.11	0.66	0.91	0.89	0.04
	Dvd Yield	4.9%	3.3%	3.7%	2.1%	3.5%	1.6%	1.7%	1.1%	1.5%	1.2%

Note 1: Financial data, multiples and ratios based on market consensus (Refinitiv). 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
12-May-2021	n.a.	3.16	n.a.	n.a.	3m Results 2021 - Estimates upgrade	David López Sánchez
26-Feb-2021	n.a.	2.41	n.a.	n.a.	12m Results 2020	David López Sánchez
16-Nov-2020	n.a.	2.01	n.a.	n.a.	9m Results 2020	David López Sánchez
03-Aug-2020	n.a.	1.73	n.a.	n.a.	6m Results 2020 - Estimates upgrade	David López Sánchez
15-May-2020	n.a.	1.95	n.a.	n.a.	3m Results 2020	David López Sánchez
30-Apr-2020	n.a.	2.66	n.a.	n.a.	Estimates downgrade	David López Sánchez
02-Mar-2020	n.a.	2.28	n.a.	n.a.	12m Results 2019	David López Sánchez
06-Nov-2019	n.a.	2.42	n.a.	n.a.	9m Results 2019 - Estimates upgrade	David López Sánchez
29-Jul-2019	n.a.	1.92	n.a.	n.a.	6m Results 2019	David López Sánchez
03-Jun-2019	n.a.	2.22	n.a.	n.a.	Initiation of Coverage	David López Sánchez

