

EQUITY - SPAIN

Health Care Equipment & Supplies

Proposed value/momentum indicators  
Report without projections, valuation or recommendation  
See explanation of this product on page 3 of this report

Report date: 22 Sep 2021  
Closing price: EUR 14.50 (21 Sep 2021)

PRIM is a small Spanish company specializing in providing medical and hospital supplies and materials to meet surgical, rehabilitation, physiotherapy and geriatric requirements. Its core market is the local one (c. 92% of 2020 revenue), where it has strengthened its commitment to orthopaedics.

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What the numbers are saying today

Market Data

Market Cap (Mn EUR and USD)	251.5	294.9
EV (Mn EUR and USD) <sup>(1)</sup>	222.8	261.3
	(18.2)	(18.0)
Shares Outstanding (Mn)	17.3	
-12m (Max/Med/Min EUR)	14.95 / 10.79 / 8.84	
Daily Avg vol.(-12m Mn EUR)	0.05	
Rotation (%) <sup>(2)</sup>	4.93	
Factset / Bloomberg	PRM-ES / PRM SM	
Close fiscal year	31 Dec	

Shareholders Structure (%)<sup>(7)</sup>

J.I. Comenge	20.0
Prim family	15.2
Fidelity	10.0
Inversiones Melca	7.6
Free Float	42.2

Financials (Mn EUR)

	2017	2018	2019	2020
Adj. nº shares (Mn)	17.3	17.3	17.3	17.3
Total Revenues	122.5	135.8	152.3	148.2
Rec. EBITDA <sup>(3)</sup>	17.0	19.0	20.5	20.2
% growth	20.1	12.1	7.5	-1.6
% Rec. EBITDA/Rev.	13.9	14.0	13.4	13.6
% Inc. EBITDA sector <sup>(4)</sup>	13.3	9.1	17.3	5.8
Net profit	13.9	14.1	11.2	6.9
EPS (EUR)	0.80	0.81	0.65	0.40
% growth	2.5	1.6	-20.5	-38.3
Ord. EPS (EUR)	0.71	0.76	0.68	0.65
% growth	11.3	6.6	-10.1	-5.4
Rec. Free Cash Flow <sup>(5)</sup>	9.3	2.1	-5.3	16.6
Pay-out (%)	72.1	71.0	51.0	79.1
DPS (EUR)	0.58	0.58	0.33	0.32
Net financial debt	-21.9	-15.9	-4.9	-18.0
ND/Rec. EBITDA (x)	-1.3	-0.8	-0.2	-0.9
ROE (%)	13.4	13.1	10.2	6.2
ROCE (%)	17.5	17.7	12.5	11.4

Ratios & Multiples(x)<sup>(6)</sup>

	2017	2018	2019	2020
P/E	18.1	17.8	22.4	36.3
Ord. P/E	20.3	19.1	21.2	22.4
P/BV	2.4	2.3	2.3	2.3
Dividend Yield (%)	4.0	4.0	2.3	2.2
EV/Sales	1.82	1.64	1.46	1.50
EV/Rec. EBITDA	13.1	11.7	10.9	11.1
EV/EBIT	14.6	13.3	14.6	16.0
FCF Yield (%) <sup>(5)</sup>	3.7	0.8	n.a.	6.6

(1) Please refer to page 8.  
(2) Rotation represents the % of the capitalisation traded - 12m.  
(3) FY 2019 EBITDA is c. EUR 1.2Mn higher due to IFRS 16.  
(4) Sector: Eurostoxx 600 Health Care.  
(5) Based on recurrent FCF. Please refer to page 7.  
(6) Multiples and ratios calculated over prices at the date of this report.  
(7) Others: Masaveu family 5.0%

**HIGH SINGLE-DIGIT GROWTH IN REVENUES AND EBITDA (+8.2% AND +8.5% CAGR 2015-2020)**, with an average EBITDA margin of 13.5% (13.6% in 2020). Stripping out the impact of Covid-19 (2020 revenue: -2.7%), PRIM recorded double-digit growth in revenue and EBITDA in 2016-2019 (+10.9% and +13.1% CAGR).

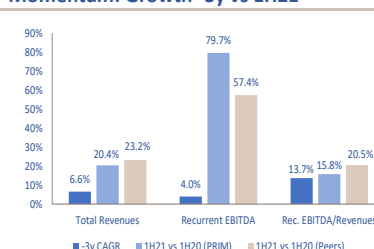
**WITH A VERY ROBUST BALANCE SHEET STRUCTURE ...** net cash of c. EUR 18Mn at the 1H21 close (c. 7% of Mkt. Cap). The cash generation of recent years has not only allowed the company to structurally maintain net cash positions (despite the increase in CAPEX and shareholder remuneration), but also, to maintain financial investments of EUR 11.6Mn (c. 4.5% of the Mkt. Cap) at the 1H21 close.

**...AND SIGNIFICANT AND STABLE VALUE GENERATION:** Business profitability as measured by the ROCE maintained an average level of 15.2% in 2015-2020; even though in 2020 this fell to 11.4% due to: (i) the increase in CAPEX and (ii) the temporary impact of Covid-19 (EBIT 2020: -8.5% vs 2019). In terms of value creation, the ROCE – WACC spread was 4p.p. in 2020 (vs c. 7.5p.p. in 2015).

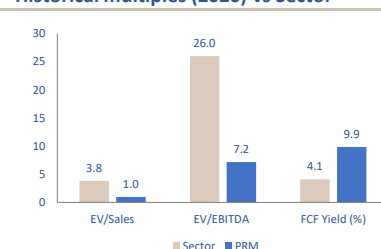
**MOMENTUM (1H21) WHAT DO THE MOST RECENT RESULTS SHOW?** PRIM left the pandemic behind and broke records for sales and EBITDA in 1H21 (EBITDA +28% vs 1H19, 1H21 EBITDA margin 15.8% vs a -3y average of c. 14%).

**CRUNCHING THE NUMBERS** After the impact of Covid-19, today (1H21) the trend is one of acceleration with 2019 levels being clearly exceeded already in 2021 (1H21 EBITDA: +28% vs 1H19), maintaining a very strong capital structure (net cash). Theoretical valuation exercises point to: (i) a reasonable theoretical value (DCF on 2019 net EBIT) and (ii) a possible “reserve of value” detected by multiples (EV/sales ratio adjusted by the margin spread vs the sector) that the lack of financial projections makes it impossible to verify.

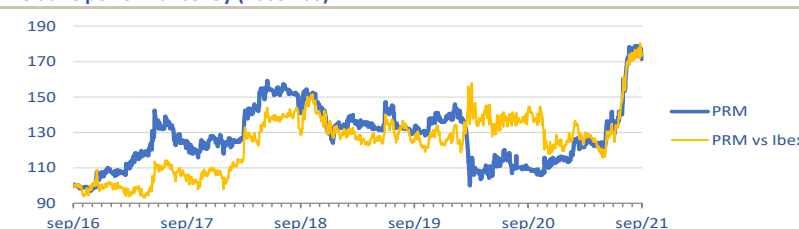
Momentum: Growth -3y vs 1H21



Historical multiples (2020) vs Sector



Relative performance -5y (Base 100)



Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-1.4	29.5	58.3	49.5	23.4	73.7
vs Ibex 35	0.4	33.8	21.0	37.8	35.2	73.7
vs Ibex Small Cap Index	1.3	41.8	26.7	48.0	13.1	0.1
vs Eurostoxx 50	-0.2	29.9	22.1	29.6	3.3	26.4
vs sector Benchmark <sup>(4)</sup>	2.7	24.6	40.9	29.4	-9.1	26.5

(\* ) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

## Contents

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### 1. Purpose of this report

An explanation of the goals of the report, its structure and what not to expect from it.

### 2. Conclusions

Main ideas arising from the analysis carried out, focusing on margin and revenue growth trends and on the company's valuation and momentum indicators.

### 3. The company in 6 charts

A quick look at the company's situation: growth in revenue and EBITDA, margins, past and current debt levels, etc.

### 4. Basic financial information

Historical financial statements model and breakdown of the main Balance sheet, P/L and Cash Flow items.

### 5. "All the numbers"

Analysis of multiples and ratios relating to what has occurred in the company in the last 5 years.

### 6. Valuation inputs

Valuation exercises on the basis of the latest results released by the company both relative to the sector and by DCF.

## 1. Purpose of this report

### What is this report? What is its goal?

This report is simply an orderly financial analysis of the company's "verifiable numbers". In other words, an analysis of the financial statements already published. The analysis is based solely on the financial statements for the last five years and the latest half-yearly results published, and on the performance of the share price in this period. At this point it is important to clarify what this report is and what it isn't.

#### A) What it is: objectives of the report

- 1) **A DESCRIPTION OF THE COMPANY FROM A FINANCIAL POINT OF VIEW:** An orderly presentation of the financial statements and their main items.
- 2) **A FINANCIAL ANALYSIS OF WHAT HAS OCCURRED IN THE LAST 5 YEARS:** Analysis of growth rates, margins, multiples and ratios. Identification of trends.
- 3) **VALUATION EXERCISES:** application of different valuation techniques to the results already obtained by the company with the sole objective that they act as purely theoretical indicators of a potential over- or under-valuation of the business:
  - ✓ Application of EV/Sales adjusted by the margin differential vs the sector and sensitivity analysis of the result.
  - ✓ Differential (premium/discount) vs the sector in terms of EV/EBITDA, EV/EBIT, P/E, P/BV and FCF yield.
  - ✓ Valuation exercised based on DCF carried out on the last year closed (Net EBIT / (WACC - G)) and sensitivity analysis of the result.

Para facilitar la interpretación de los diferentes resultados se incluye el diferencial de crecimiento histórico de la compañía vs sector. Así como su evolución (¿se amplía? ¿se reduce? ¿es estable?).

- 4) **INDICATORS OF BUSINESS MOMENTUM.** Obtained through an analysis of the last half-yearly results by comparison with the company's historical performance (in absolute terms and relative to the sector).

#### B) What it is not: what this report doesn't do nor is intended to do.

- 1) **IT IS NEITHER A FUNDAMENTAL ANALYSIS OF THE COMPANY.** Nor an initiation of coverage as it neither analyses the company's strategy nor the possible future business performance.
- 2) **IT IS NOT AN ESTIMATE OF FUTURE RESULTS.** No financial projections of any kind have been prepared (the analysis is carried out on historical financial statements).
- 3) **IT IS NOT A TRUE VALUATION OF THE COMPANY. NO TARGET PRICE IS SET.** A valuation requires an estimation of the future business performance (financial projections) and so is not possible in this report. All the valuation exercises are carried out on a theoretical basis and in the knowledge that, without an opinion on the future business performance, they are incomplete, and their sole use is to act as value indicators. They do not represent a true valuation of the company.
- 4) **IT IS NOT A RECOMMENDATION TO BUY OR SELL THE STOCK.** This report does not propose any kind of investment recommendation either explicitly or implicitly.

**IN CONCLUSION: this report is not a conventional fundamental analysis (financial projections, valuation, and recommendation). However, it does aim to be a useful tool for investors to get to know the company better by providing a systematic presentation of the available information so that, in the end, an initial judgement can be made about its potential interest.**

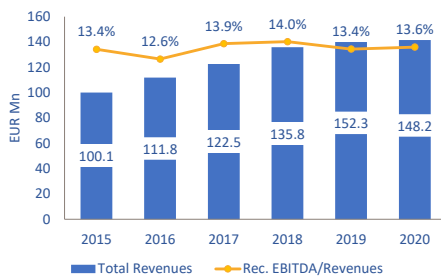
## 2. Conclusions

Based on an analysis of the financial statements already published (2015-1H21), we would highlight the following points:

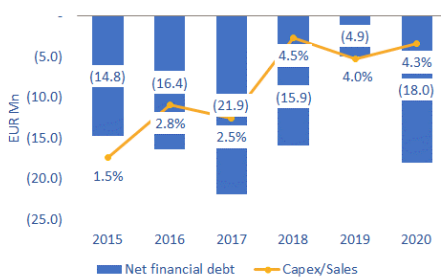
- **Financial analysis of what has happened in the last five years: trends identified and business momentum**

### What happened in 2015-2020?

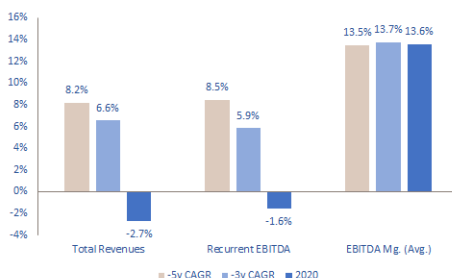
**Chart 1. Revenues and EBITDA Mg. (2015-2020)**



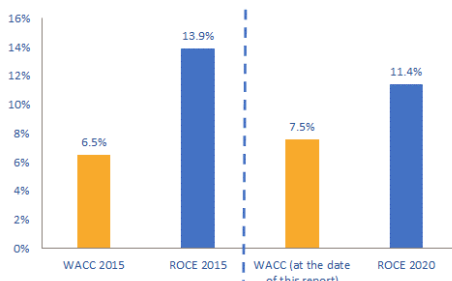
**Chart 2. Net Cash vs CAPEX/Sales (2015-2020)**



**Chart 3. Trends: -5y, -3y and 2020**



**Chart 4. Value creation: ROCE vs WACC**



- **Growth in revenue and EBITDA:** +8.2% and +8.5% CAGR in 2015-2020, respectively, maintaining an average Rec. EBITDA margin of 13.5% (13.6% in 2020; despite the impact of Covid-19). This allowed PRIM to generate Rec. EBITDA of EUR 20.2Mn in 2020 (2020 Rec. EBITDA margin: 13.6%; Chart 1).
- **With significant cash generation,** maintaining the conversion of c. 60% of EBITDA into cash in 2015-2020 (2020 FCF to the firm yield: c. 10%).
- **And structurally in a net cash position.** Despite the increase in CAPEX and investment in working capital to develop new businesses, PRIM structurally maintained net cash levels in 2015-2020 (Chart 2). At the 2020 close PRIM had net cash of EUR 18Mn (excluding the impact of IFRS 16 and derivatives) and L/T financial investments of EUR 12.7Mn.
- **Without losing the focus on shareholder remuneration (2020 dividend yield: c. 3%),** consolidating pay-out levels of c. 70% in 2015-2020 (2020 DPS: EUR 0.31/share vs pre Covid-19 levels of EUR 0.58/share in 2018).

### What has been the trend?

- **Growth accelerated in 2016-2019 (pre Covid-19)...** with double-digit growth in revenue and EBITDA (+10.9% and +13.1% CAGRs, respectively, in 2016-2019), maintaining an average EBITDA margin of around 13.5%.
- **...And, despite the interruption in 2020 (due to the impact of Covid-19),** margins are resilient and the balance sheet structure remains very sound. The Covid-19 health crisis led to the halting of all non-essential economic activity (resulting in an unprecedented global recession). In this context, the most interesting question is how did the company's fundamentals respond in this difficult environment?

Despite the interruption of the double-digit growth in revenue seen in 2016-2019 (2020 revenue: -2.7% vs 2019; Chart 3), PRIM's margins proved to be very resilient (2020 EBITDA margin: +3p.p. vs 1H20; in line vs -3y average), which reduced the decline in terms of Rec. EBITDA to 1.6% vs 2019 (compared to a contraction of c. 30% in the first half of 2020).

And, although CAPEX remained above the historical average (4% of sales in 2020 vs an average of c. 2%), the c. 5p.p. reduction in working capital investment (vs 2019) allowed PRIM to generate Rec. FCF of EUR 16.6Mn, increasing its net cash position to c. EUR 18Mn in 2020 (vs EUR 5Mn in 2019; which demonstrates the company's high capacity for cash generation).

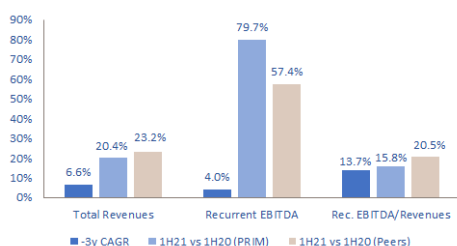
The ROCE was 11.4% in 2020; a reduction of 6.6p.p. vs levels reached in 2015-2018 (c. 18%) mainly due to the increase in CAPEX and in levels of working capital for the development of new businesses.

**How does PRIM's performance (and its trend) compare with the sector?**

	Total Revenues			EBITDA			EBITDA Mg.		
	2020	CAGR -3Y	CAGR -5Y	2020	CAGR -3Y	CAGR -5Y	2020	CAGR -3Y (Avg)	CAGR -5Y (Avg)
Company	-2.7%	6.6%	8.2%	-1.6%	5.9%	8.5%	13.4%	13.6%	13.5%
Sector	-10.9%	0.4%	2.9%	-28.0%	-10.0%	-2.7%	21.0%	16.7%	20.0%
Spread (p.p.)	8.2	6.2	5.2	26.4	15.8	11.2	(7.6)	(3.1)	(6.5)

- In terms of revenue:** The company grew more than its sector in 2015-2020, the growth spread widening to c. 8p.p. in 2020 (vs 5p.p. in 2015-2020).
- In terms of margins:** The company's average EBITDA margin has remained stable in recent years at c. 13.5%; in line with that obtained by its main peers with capitalisation < EUR 3bn in 2019 although smaller than that obtained by the main global players, with margins of 25-30% (which explains the 6.5p.p. negative spread vs the sector in 2015-2020).

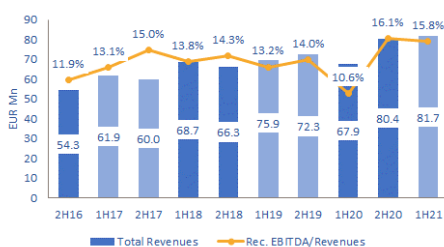
**Chart 5. Momentum: -3y growth and 1H21 vs 1H20**



**Momentum (1H21): What do the most recent results show?**

- PRIM broke its record for sales and left the pandemic behind...** With turnover of EUR 81.7Mn in the first half of 2021, 20.4% more than in the same period of 2020 and 7.6% more than in 2019, prior to the pandemic.
- ... with an improved EBITDA margin (1H21 EBITDA margin: 15.8%).** The positive performance by sales, plus the significant rebound in margins (1H21 EBITDA margin c. 16% vs a -3y average of c. 14%; Chart 5), enabled PRIM to generate Rec. EBITDA of EUR 12.9Mn in 1H21 (28% more than in the same period of 2019!). Taking EBITDA generation to all-time highs.
- Maintaining a sound balance sheet at all times.** With net cash at the 1H21 close of c. EUR 18Mn (including c. EUR 3Mn in IFRS 16 liabilities; estimated by Lighthouse), the strength of the balance sheet remains beyond doubt. The total financial position (including long-term financial investments) amounts to c. EUR 30Mn (c. 12% of the market cap at the date of this report).

**Chart 6. Evolución semestral de ingresos y Mg. EBITDA**

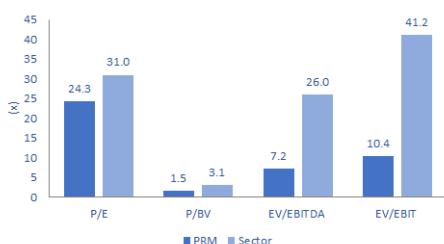


**A) Theoretical valuation exercises**

**In relative terms (multiples vs peers) the company is "apparently" trading at a 25% discount,** estimated on the basis of PRIM's theoretical EV/sales. This conclusion holds true using other multiples: 2019 results (pre Covid-19) would be trading at an EV/EBITDA and EV/EBIT (at the date of this report) of 11.2x and 15x, respectively (vs a 2021e EV/EBITDA of c. 20x for its main peers).

**In absolute terms (discounted cash flows based on 2019 results), the company would be trading at an "apparent" premium of c. 10%,** calculated on the basis of net EBIT for 2019 (assuming a catch-up of pre Covid-19 results) and projected with a G of 3% (to reflect the good business momentum in 1H21; turnover and EBITDA generation at all-time highs). The differential between 2020 ROCE (11.4%) and WACC (7.5%; at the date of this report) shows a business that is clearly creating value (even more so if we use pre Covid-19 levels of ROCE as a reference: average of c. 16% in 2016-2019).

**Chart 7. Historical valuation multiples (2020)**

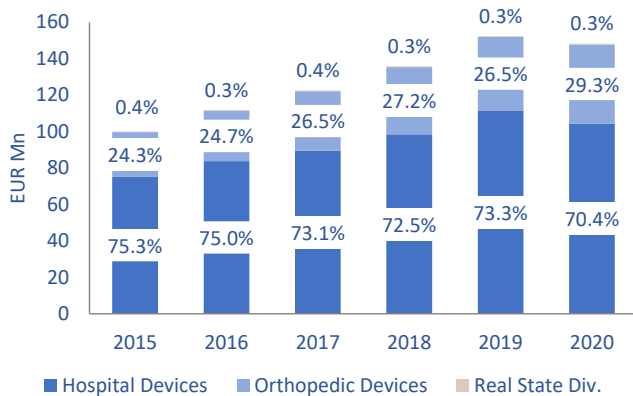


Note: All the multiples and ratios are calculated from trading prices at the close of 2020.

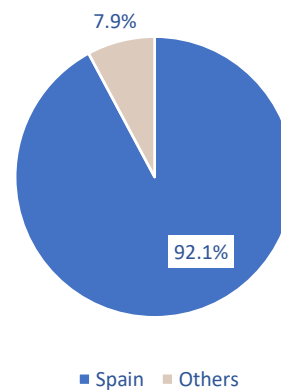
**In conclusion:** What are the numbers saying? PRIM left the pandemic behind and broke its records for sales and EBITDA in 1H21 (EBITDA +28% vs 1H19!) with a 1H21 EBITDA margin of 15.8% (vs a -3y average of c. 14%). The trend then is one of an acceleration of growth with 2019 levels being exceeded already in 2021, maintaining a very healthy capital structure (structurally with a net cash position). Theoretical valuation exercises point (apparently) to a discount of c. 30% in terms of multiples and a "reasonable valuation" in absolute terms (premium of c. 10%), that, in the absence of financial projections, cannot be considered a valuation per se, although it can be seen as indicating a possible reserve of value (if we assume a catch-up in margins with the sector).

**3. The company in 6 charts**

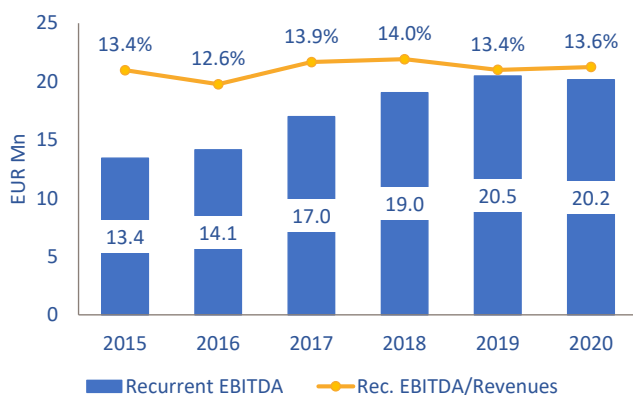
**Chart 1: Revenues (2015-2020)**



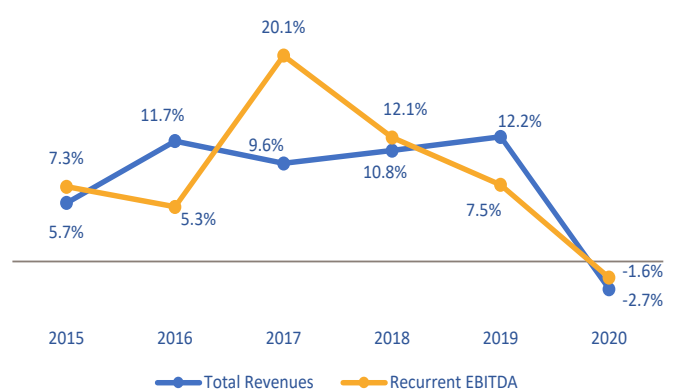
**Chart 2: Revenues by Geography (2020)**



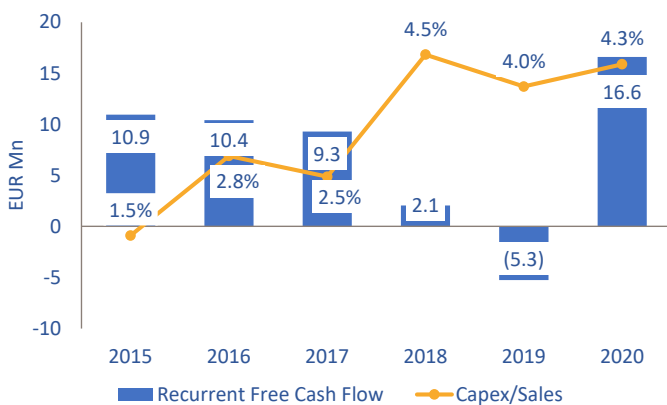
**Chart 3: Rec. EBITDA vs EBITDA Mg.**



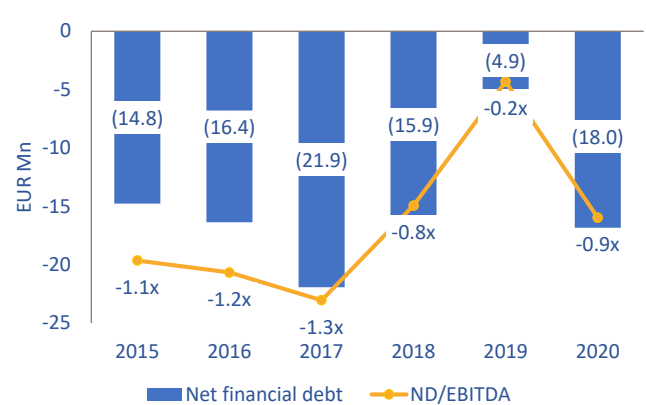
**Chart 4: Revenues and EBITDA growth (y/y)**



**Chart 5: Rec. Free Cash Flow vs CAPEX/Sales**



**Chart 6: Net Debt vs ND/EBITDA**





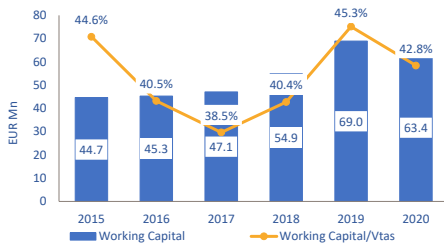
**4. Basic financial information**
**Historical Financial Statements (2015 - 2020) <sup>(1)</sup>**

<b>Balance Sheet (EUR Mn)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>		
Intangible Assets	0.2	3.2	3.2	4.4	6.1	6.4		
Fixed Assets	12.3	12.3	12.3	13.8	16.0	16.6		
Other Non Current Assets	1.2	1.2	0.2	0.2	0.2	0.2		
Financial Investments	18.0	19.6	17.9	15.9	13.7	12.7		
Goodwill & Other Intangibles	1.6	3.6	4.2	4.2	4.2	4.2		
Current Assets	63.9	67.0	73.8	81.6	97.8	88.0		
<b>Total assets</b>	<b>97.3</b>	<b>106.9</b>	<b>111.5</b>	<b>120.1</b>	<b>137.9</b>	<b>128.0</b>		
Equity	92.2	100.8	106.1	108.8	111.1	111.7		
Minority Interests	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	0.6	0.7	0.7	0.4	0.9	6.8		
Other Non Current Liabilities	-	-	-	-	2.1	2.9		
Net financial debt	(14.8)	(16.4)	(21.9)	(15.9)	(4.9)	(18.0)		
Current Liabilities	19.3	21.7	26.6	26.7	28.8	24.6		
<b>Equity &amp; Total Liabilities</b>	<b>97.3</b>	<b>106.9</b>	<b>111.5</b>	<b>120.1</b>	<b>137.9</b>	<b>128.0</b>		
							CAGR	
<b>P&amp;L (EUR Mn)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>15-20</b>	<b>17-20</b>
<b>Total Revenues</b>	<b>100.1</b>	<b>111.8</b>	<b>122.5</b>	<b>135.8</b>	<b>152.3</b>	<b>148.2</b>	<b>8.2%</b>	<b>6.6%</b>
Total Revenues growth	5.7%	11.7%	9.6%	10.8%	12.2%	-2.7%		
COGS	(45.9)	(52.3)	(57.2)	(62.9)	(73.4)	(72.9)		
<b>Gross Margin</b>	<b>54.1</b>	<b>59.5</b>	<b>65.4</b>	<b>73.0</b>	<b>78.9</b>	<b>75.4</b>	<b>6.8%</b>	<b>4.9%</b>
Gross Margin (o/Revenues)	54.1%	53.2%	53.3%	53.7%	51.8%	50.8%		
Personnel Expenses	(26.8)	(29.2)	(31.0)	(33.4)	(36.2)	(36.4)		
Other Operating Expenses	(13.9)	(16.1)	(17.4)	(20.5)	(22.2)	(18.8)		
<b>Recurrent EBITDA</b>	<b>13.4</b>	<b>14.1</b>	<b>17.0</b>	<b>19.0</b>	<b>20.5</b>	<b>20.2</b>	<b>8.5%</b>	<b>5.9%</b>
Recurrent EBITDA growth	7.3%	5.3%	20.1%	12.1%	7.5%	-1.6%		
Rec. EBITDA/Revenues	13.4%	12.6%	13.9%	14.0%	13.4%	13.6%		
Restructuring Expense & Others	0.3	1.2	0.6	0.7	(0.3)	(0.3)		
<b>Depreciation &amp; Provisions</b>	<b>13.8</b>	<b>15.3</b>	<b>17.6</b>	<b>19.8</b>	<b>20.1</b>	<b>19.8</b>	<b>7.6%</b>	<b>4.0%</b>
Depreciation & Provisions	(2.3)	(2.3)	(2.4)	(3.0)	(3.7)	(4.7)		
Capitalized Expense	-	-	-	-	-	-		
Rentals (IFRS 16 impact)	-	-	-	-	(1.2)	(1.2)		
<b>EBIT</b>	<b>11.5</b>	<b>13.0</b>	<b>15.2</b>	<b>16.8</b>	<b>15.2</b>	<b>13.9</b>	<b>4.0%</b>	<b>-3.0%</b>
EBIT growth	-3.0%	13.6%	17.0%	10.0%	-9.2%	-8.5%		
EBIT/Revenues	11.5%	11.6%	12.4%	12.3%	10.0%	9.4%		
Impact of Goodwill & Others	0.7	(0.0)	-	0.0	-	-		
Net Financial Result	2.4	1.8	1.6	1.3	1.4	0.9		
Income by the Equity Method	0.1	0.1	0.1	-	-	-		
<b>Ordinary profit</b>	<b>14.6</b>	<b>14.9</b>	<b>16.9</b>	<b>18.0</b>	<b>16.6</b>	<b>14.8</b>	<b>0.3%</b>	<b>-4.3%</b>
Ordinary Profit Growth	2.3%	1.9%	13.4%	6.7%	-7.9%	-10.8%		
Extraordinary Results	-	-	1.4	0.5	0.4	(5.5)		
<b>Profit Before Tax</b>	<b>14.6</b>	<b>14.9</b>	<b>18.3</b>	<b>18.5</b>	<b>17.0</b>	<b>9.3</b>	<b>-8.6%</b>	<b>-20.0%</b>
Tax Expense	(3.9)	(1.8)	(4.4)	(4.4)	(5.8)	(2.4)		
Effective Tax Rate	26.8%	12.0%	24.0%	23.8%	34.1%	26.0%		
Minority Interest	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-		
<b>Net Profit</b>	<b>10.7</b>	<b>13.1</b>	<b>13.9</b>	<b>14.1</b>	<b>11.2</b>	<b>6.9</b>	<b>-8.4%</b>	<b>-20.8%</b>
Net Profit growth	7.4%	22.4%	6.1%	1.6%	-20.5%	-38.3%		
<b>Ordinary Net Profit</b>	<b>10.5</b>	<b>12.1</b>	<b>12.4</b>	<b>13.2</b>	<b>11.9</b>	<b>11.2</b>	<b>1.4%</b>	<b>-3.2%</b>
Ordinary Net Profit growth	5.3%	15.2%	2.6%	6.6%	-10.1%	-5.5%		
							CAGR	
<b>Cash Flow (EUR Mn)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>15-20</b>	<b>17-20</b>
<b>Recurrent EBITDA</b>	<b>13.4</b>	<b>14.1</b>	<b>17.0</b>	<b>19.0</b>	<b>20.5</b>	<b>20.2</b>	<b>8.5%</b>	<b>5.9%</b>
Rentals (IFRS 16 impact)	-	-	-	-	(1.2)	(1.2)		
Working Capital Increase	0.6	(0.6)	(1.8)	(7.8)	(14.1)	5.6		
<b>Recurrent Operating Cash Flow</b>	<b>14.0</b>	<b>13.5</b>	<b>15.1</b>	<b>11.3</b>	<b>5.2</b>	<b>24.5</b>	<b>11.8%</b>	<b>17.5%</b>
Capex	(1.5)	(3.2)	(3.0)	(6.1)	(6.0)	(6.4)		
Net Financial Result affecting the Cash Flow	2.4	1.8	1.6	1.3	1.4	0.9		
Taxes	(3.9)	(1.8)	(4.4)	(4.4)	(5.8)	(2.4)		
<b>Recurrent Free Cash Flow</b>	<b>10.9</b>	<b>10.4</b>	<b>9.3</b>	<b>2.1</b>	<b>(5.3)</b>	<b>16.6</b>	<b>8.7%</b>	<b>21.4%</b>
Variation of indebtedness	(5.9)	(1.6)	(5.6)	6.0	11.0	(13.1)		
Net debt / EBITDA (x)	-1.1	-1.2	-1.3	-0.8	-0.2	-0.9		

Note 1: FY 2019 EBITDA is c. EUR 1.2Mn higher due to IFRS 16.

## Main Balance Sheet items breakdown

**Chart 1: Working Capital**



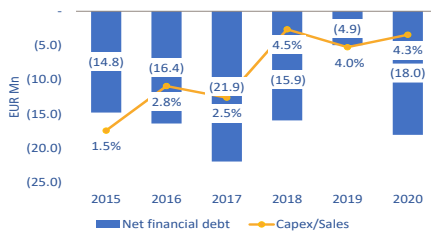
**Working Capital breakdown**

EUR Mn	2015	2016	2017	2018	2019	2020
Stocks	26.3	33.7	39.5	44.3	50.8	49.4
Clients	37.3	33.1	34.1	37.0	46.6	37.5
Suppliers	(11.0)	(12.7)	(15.8)	(14.9)	(16.3)	(15.0)
<b>Trade working capital</b>	<b>52.6</b>	<b>54.0</b>	<b>57.8</b>	<b>66.4</b>	<b>81.1</b>	<b>72.0</b>
Other Current Assets	0.3	0.2	0.2	0.3	0.3	1.1
Other Current liabilities	(8.2)	(9.0)	(10.9)	(11.9)	(12.5)	(9.7)
<b>Working Capital</b>	<b>44.7</b>	<b>45.3</b>	<b>47.1</b>	<b>54.9</b>	<b>69.0</b>	<b>63.4</b>
(Increase)/decre. In Inventories	(5.5)	(7.4)	(5.8)	(4.8)	(6.5)	1.4
(Increase)/decre. In Receivables	4.2	4.2	(1.0)	(2.9)	(9.6)	9.1
Increase/(decre.) In Payables	1.5	1.7	3.0	(0.9)	1.4	(1.3)
(Increase)/decre. In other ST assets	0.7	0.0	0.0	(0.1)	(0.0)	(0.8)
Increases/(decre.) In other ST liabilities	(0.4)	0.8	1.9	1.0	0.6	(2.8)
	<b>0.6</b>	<b>(0.6)</b>	<b>(1.8)</b>	<b>(7.8)</b>	<b>(14.1)</b>	<b>5.6</b>

**Working Capital o/Sales**

% s/Sales	2015	2016	2017	2018	2019	2020
Stocks	26.3%	30.1%	32.2%	32.6%	33.4%	33.3%
Clients	37.3%	29.6%	27.8%	27.3%	30.6%	25.3%
Suppliers	11.0%	11.4%	12.9%	10.9%	10.7%	10.1%
<b>Trade working capital</b>	<b>52.6%</b>	<b>48.3%</b>	<b>47.1%</b>	<b>48.9%</b>	<b>53.3%</b>	<b>48.5%</b>
Other Current Assets	0.3%	0.2%	0.2%	0.2%	0.2%	0.8%
Other Current liabilities	8.2%	8.0%	8.9%	8.7%	8.2%	6.5%
<b>Working Capital</b>	<b>44.6%</b>	<b>40.5%</b>	<b>38.5%</b>	<b>40.4%</b>	<b>45.3%</b>	<b>42.8%</b>

**Chart 2: Net Debt vs CAPEX/Sales**

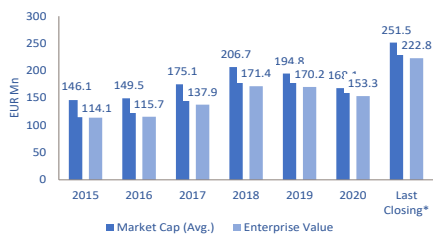


**Net financial debt and liquidity breakdown**

EUR Mn	2015	2016	2017	2018	2019	2020	1H21
L/T debt	0.1	-	-	-	2.5	11.1	12.1
Corporate debt	-	-	-	-	-	-	-
S/T debt	2.1	1.6	2.1	0.8	3.6	6.4	8.0
Other financial liabilities	2.0	3.4	2.2	1.6	0.7	0.1	0.3
<b>Total financial debt</b>	<b>4.2</b>	<b>5.0</b>	<b>4.4</b>	<b>2.3</b>	<b>6.8</b>	<b>17.6</b>	<b>20.3</b>
Cash	3.8	6.2	15.7	8.8	5.5	31.8	34.8
S/T Investments	15.1	15.2	10.6	9.4	6.2	3.8	3.7
<b>Cash and equivalents</b>	<b>18.9</b>	<b>21.4</b>	<b>26.3</b>	<b>18.3</b>	<b>11.7</b>	<b>35.6</b>	<b>38.5</b>
<b>Net Debt</b>	<b>(14.8)</b>	<b>(16.4)</b>	<b>(21.9)</b>	<b>(15.9)</b>	<b>(4.9)</b>	<b>(18.0)</b>	<b>(18.2)</b>
ND/EBITDA (x)*	-1.1x	-1.2x	-1.3x	-0.8x	-0.2x	-0.9x	-0.7x
ND/BV (%)	-16.0%	-16.2%	-20.7%	-14.6%	-4.5%	-16.1%	-15.3%
<b>Debt maturities</b>							
< 1 year	2.1	1.6	2.1	0.8	3.6	6.4	8.0
>1 year < 5	2.1	3.4	2.2	1.6	3.2	11.2	12.3
> 5 year	0.0	0.0	0.0	0.0	0.0	0.0	0.0

\*ND/EBITDA 1H21 calculated over LTM EBITDA

**Chart 3: Market Cap. vs EV**



**Average Enterprise Value (2014-2019)**

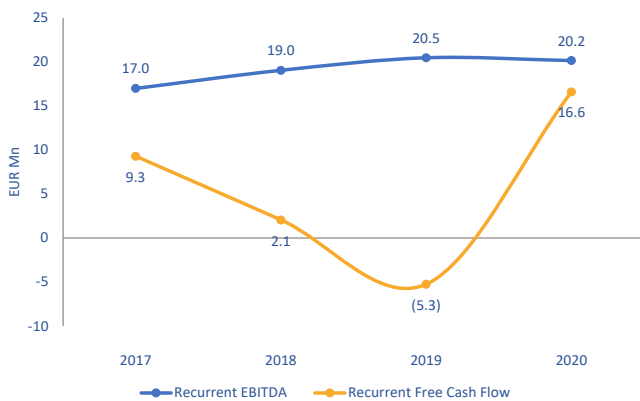
Enterprise Value	2015	2016	2017	2018	2019	2020	Last Closing*
Price per share (yearly avg.)	8.42	8.62	10.09	11.92	11.23	9.69	14.50
<b>Market Cap (Avg.)</b>	<b>146.1</b>	<b>149.5</b>	<b>175.1</b>	<b>206.7</b>	<b>194.8</b>	<b>168.1</b>	<b>251.5</b>
+ Minority Interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Provisions & Other L/T Liabilities	0.8	0.6	0.7	0.5	0.7	3.9	0.8
+ Net financial debt	-11.8	-15.6	-19.1	-18.9	-10.4	-11.5	-18.2
- Financial Investments	-20.9	-18.8	-18.7	-16.9	-14.8	-13.2	-11.6
+/- Others EV adjustments	0.0	0.0	0.0	0.0	0.0	6.0	0.3
<b>Enterprise Value</b>	<b>114.1</b>	<b>115.7</b>	<b>137.9</b>	<b>171.4</b>	<b>170.2</b>	<b>153.3</b>	<b>222.8</b>

\* Current fiscal year according to the latest available data. Price per share and mkt. cap. at the date of this report.



## Recurrent Free Cash Flow analysis

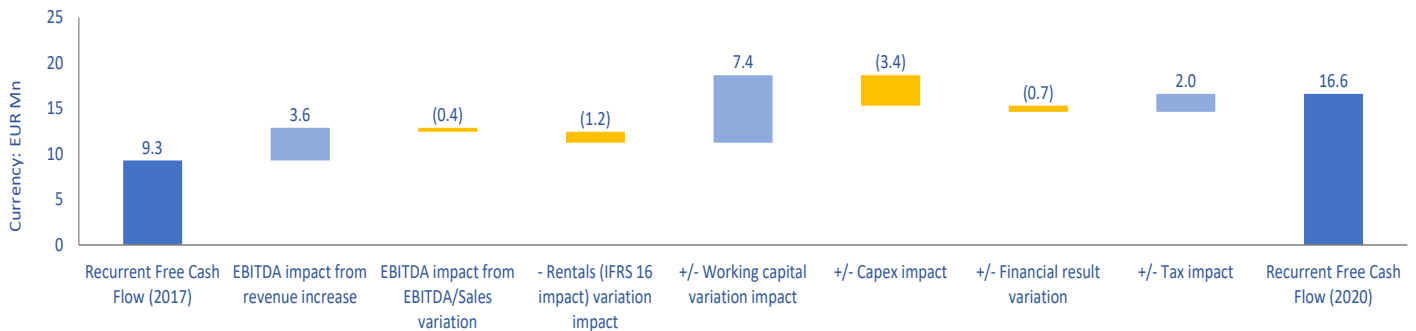
### Evolución del EBITDA recurrente vs Free Cash Flow recurrente



### Comportamiento del precio de la acción vs EBITDA (-12m)

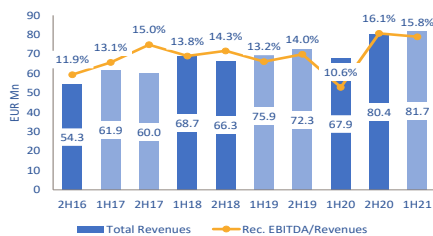


### Análisis de la variación acumulada del Free Cash Flow Recurrente (2017 - 2020)



## Seasonality and trends

**Chart 4: Half-year: Revenues and EBITDA Margin**



### Half year P&L: Seasonality

Half year P&L (EUR Mn)	2H16	1H17	2H17	1H18	2H18	1H19	2H19	1H20	2H20	1H21
Total Revenues	54.3	61.9	60.0	68.7	66.3	75.9	72.3	67.9	80.4	81.7
Revenue growth (YoY)	n.a.	n.a.	10.5%	11.0%	10.5%	10.5%	9.0%	-10.6%	11.2%	20.4%
Recurrent EBITDA	6.5	8.1	9.0	9.5	9.5	10.0	10.1	7.2	13.0	12.9
EBITDA growth (YoY)	n.a.	n.a.	39.2%	16.6%	5.8%	5.8%	6.3%	-28.5%	28.3%	79.7%
EBITDA/Revenues	11.9%	13.1%	15.0%	13.8%	14.3%	13.2%	14.0%	10.6%	16.1%	15.8%
EBITDA	7.6	8.2	9.6	9.6	10.2	10.3	9.5	7.2	12.6	12.9
EBITDA growth (YoY)	n.a.	n.a.	26.2%	17.2%	6.6%	7.5%	-6.5%	-30.1%	32.4%	79.7%
EBIT	6.5	6.9	8.3	8.1	8.7	7.9	6.0	4.4	9.5	9.8
EBIT growth (YoY)	n.a.	n.a.	27.8%	17.3%	4.0%	-1.9%	-31.1%	-44.5%	59.2%	121.4%
EBIT/Revenues	12.0%	11.2%	13.9%	11.8%	13.0%	10.5%	8.3%	6.5%	11.8%	12.0%
Net Profit	7.4	6.6	7.3	6.9	7.2	5.4	1.5	3.6	3.3	10.5
Net profit growth	n.a.	n.a.	-1.4%	3.6%	-0.8%	-21.2%	-79.4%	-33.2%	120.9%	190.1%

### Trend analysis

YoY Change	2015	2016	2017	2018	2019	2020	1H20	1H21
Total Revenues	5.7%	11.7%	9.6%	10.8%	12.2%	-2.7%	-10.6%	20.4%
Recurrent EBITDA	7.3%	5.3%	20.1%	12.1%	7.5%	-1.6%	-28.5%	79.7%
Rec. EBITDA/Revenues (p.p.)	0.2	(0.8)	1.2	0.2	(0.6)	0.2	(2.6)	5.2
EBIT	-3.0%	13.6%	17.0%	10.0%	-9.2%	-8.5%	-44.5%	121.4%
EBIT/Revenues (p.p.)	(1.0)	0.2	0.8	(0.1)	(2.4)	(0.6)	(4.0)	5.5
Net Profit	7.4%	22.4%	6.1%	1.6%	-20.5%	-38.3%	-33.2%	190.1%
Net financial debt	-66.6%	-10.8%	-33.9%	27.4%	68.9%	-264.4%		
Net debt / EBITDA (x)	-0.4x	-0.1x	-0.1x	0.5x	0.6x	-0.7x		

5. "All the numbers"

	2015	2016	2017	2018	2019	2020	CAGR	
							15-20	17-20
<b>MARKET DATA</b>								
Price per share	9.01	8.90	10.35	10.50	11.45	9.70		
Market capitalisation (EUR Mn)	156.3	154.4	179.5	182.1	198.6	168.3		
Avg. Daily Traded Volume (EUR Mn)	0.07	0.06	0.10	0.09	0.12	0.04		
<b>Performance</b>								
Absolute	43.0%	-1.2%	16.3%	1.4%	9.0%	-15.3%	1.5%	-2.1%
vs Ibex 35	54.0%	0.8%	8.3%	19.3%	-2.5%	0.2%		
vs Sector benchmark	24.8%	10.1%	14.0%	4.2%	-15.1%	-12.3%		
<b>PER SHARE DATA</b>								
Adj. nº shares (Mn)	17.16	16.74	17.33	17.33	17.32	17.32	0.2%	0.0%
EPS (EUR)	0.62	0.78	0.80	0.81	0.65	0.40	-8.5%	-20.7%
BVPS (reported)	5.38	6.03	6.12	6.28	6.41	6.45	3.7%	1.8%
Rec. FCF per share	0.64	0.62	0.54	0.12	-0.30	0.96	8.5%	21.4%
DPS (EUR)	0.38	0.46	0.58	0.58	0.33	0.31	-3.6%	-18.5%
% pay-out	60.1%	58.8%	72.0%	70.9%	51.0%	78.3%		
<b>ENTERPRISE VALUE (EUR Mn)</b>								
Market capitalisation (EUR Mn)	156.3	154.4	179.5	182.1	198.6	168.3	1.5%	-2.1%
+ Minority Interests	0.0	0.0	0.0	0.0	0.0	0.0		
+ Provisions & Other L/T Liabilities	0.6	0.7	0.7	0.4	0.9	6.8		
+ Net financial debt	-14.8	-16.4	-21.9	-15.9	-4.9	-18.0		
- Financial Investments	-18.0	-19.6	-17.9	-15.9	-15.9	-12.7		
(-) Enterprise value (year-end)	124.1	119.1	140.4	150.7	180.9	144.4	3.1%	0.9%
<b>KEY FINANCIAL METRICS</b>								
<b>Year-on-year growth</b>								
Total Revenues	5.7%	11.7%	9.6%	10.8%	12.2%	-2.7%		
Recurrent EBITDA	7.3%	5.3%	20.1%	12.1%	7.5%	-1.6%		
EBIT	-3.0%	13.6%	17.0%	10.0%	-9.2%	-8.5%		
Profit Before Tax	2.3%	1.9%	22.8%	1.4%	-8.2%	-45.1%		
Net Profit	7.4%	22.4%	6.1%	1.6%	-20.5%	-38.3%		
EPS (EUR)	7.1%	25.4%	2.5%	1.6%	-20.5%	-38.3%		
<b>Margins (on revenue)</b>								
Recurrent EBITDA	13.4%	12.6%	13.9%	14.0%	13.4%	13.6%		
Gross margin	54.1%	53.2%	53.3%	53.7%	51.8%	50.8%		
EBIT	11.5%	11.6%	12.4%	12.3%	10.0%	9.4%		
Profit Before Tax	14.6%	13.3%	14.9%	13.6%	11.2%	6.3%		
Net Profit	10.7%	11.7%	11.3%	10.4%	7.4%	4.7%		
Ordinary Net Profit	10.5%	10.8%	10.1%	9.7%	7.8%	7.6%		
<b>Other key financial metrics</b>								
Income tax rate (>0 if income)	26.8%	12.0%	24.0%	23.8%	34.1%	26.0%		
Capex/Sales	1.5%	2.8%	2.5%	4.5%	4.0%	4.3%		
Working capital/Sales	44.6%	40.5%	38.5%	40.4%	45.3%	42.8%		
Capital Employed/Sales	60.0%	58.6%	54.6%	57.0%	61.3%	59.3%		
Net debt/EBITDA	-1.1x	-1.2x	-1.3x	-0.8x	-0.2x	-0.9x		
Net debt/Equity	-16.0%	-16.2%	-20.7%	-14.6%	-4.5%	-16.1%		
Assets (excash)/Equity	1.1x	1.1x	1.1x	1.1x	1.2x	1.1x		
ROE (reported)	11.6%	13.6%	13.4%	13.1%	10.2%	6.2%		
ROCE (reported)	13.9%	18.2%	17.5%	17.7%	12.5%	11.4%		
WACC	6.5%	6.7%	6.2%	6.4%	6.2%	5.5%		
<b>BALANCE SHEET (EUR Mn)</b>								
Fixed assets & Intangible	12.6	15.5	15.5	18.2	22.1	23.0		
Working capital	44.7	45.3	47.1	54.9	69.0	63.4		
Total assets (ex-cash)	97.3	106.9	111.5	120.1	137.9	128.0		
Equity	92.2	100.8	106.1	108.8	111.1	111.7		
Net debt / (cash)	-14.8	-16.4	-21.9	-15.9	-4.9	-18.0		
Capital Employed	60.1	65.6	67.0	77.4	93.3	87.9		
<b>PROFIT &amp; LOSS (EUR Mn)</b>								
Total Revenues	100.1	111.8	122.5	135.8	152.3	148.2	8.2%	6.6%
Recurrent EBITDA	13.4	14.1	17.0	19.0	20.5	20.2	8.5%	5.9%
Depreciation & Provisions	-2.3	-2.3	-2.4	-3.0	-3.7	-4.7		
EBIT	11.5	13.0	15.2	16.8	15.2	13.9	4.0%	-3.0%
Net Financial Result	2.4	1.8	1.6	1.3	1.4	0.9		
Profit Before Tax	14.6	14.9	18.3	18.5	17.0	9.3	-8.6%	-20.0%
Income tax rate (>0 if income)	-3.9	-1.8	-4.4	-4.4	-5.8	-2.4		
Minorities and discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0		
Net Profit	10.7	13.1	13.9	14.1	11.2	6.9	-8.4%	-20.8%
Ordinary Net Profit	10.5	12.1	12.4	13.2	11.9	11.2	1.4%	-3.2%
<b>CASH-FLOW (EUR Mn)</b>								
Recurrent EBITDA	13.4	14.1	17.0	19.0	20.5	20.2		
Rentals (IFRS 16 impact)	0.0	0.0	0.0	0.0	-1.2	-1.2		
Working Capital Increase	0.6	-0.6	-1.8	-7.8	-14.1	5.6		
Capex	-1.5	-3.2	-3.0	-6.1	-6.0	-6.4		
Taxes	-3.9	-1.8	-4.4	-4.4	-5.8	-2.4		
Net Financial Result affecting the Cash Flow	2.4	1.8	1.6	1.3	1.4	0.9		
Rec. Free Cash Flow to Equity (FCFE)	10.9	10.4	9.3	2.1	-5.3	16.6	8.7%	21.4%
Rec. Free Cash Flow to the Firm (FCFF)	9.4	8.8	8.5	1.2	-5.4	14.5	9.0%	19.8%
<b>PROFIT &amp; LOSS (EUR Mn)</b>								
<b>Equity multiples</b>								
P/E	14.6x	11.8x	12.9x	12.9x	17.7x	24.3x		
Ord. P/E	14.9x	12.8x	14.5x	13.8x	16.8x	15.0x		
P/BV	1.7x	1.5x	1.7x	1.7x	1.8x	1.5x		
FCFE yield	7.0%	6.7%	5.2%	1.1%	n.a.	9.9%		
Dividend Yield (%)	4.2%	5.2%	5.6%	5.5%	2.9%	3.2%		
<b>Enterprise Value multiples</b>								
EV/Sales	1.2x	1.1x	1.1x	1.1x	1.2x	1.0x		
EV/EBITDA	9.2x	8.4x	8.3x	7.9x	8.8x	7.2x		
EV/EBIT	10.8x	9.1x	9.2x	9.0x	11.9x	10.4x		
EV/CE	2.1x	1.8x	2.1x	1.9x	1.9x	1.6x		
FCFF yield (to EV)	7.6%	7.4%	6.0%	0.8%	-3.0%	10.1%		

Note: All the multiples and ratios are calculated from trading prices at the close of each year.

**6. Valuation inputs**

**Main peers in detail: ratios and multiples (2021e)**

		Healthcare - Medical devices						
EUR Mn		Zimmer Biomet Holdings Inc	Smith & Nephew PLC	Ossur hf	Orthofix Medical Inc	Medartis Holding AG	Elos Medtech AB	Average
Market data	Ticker (Factset)	ZBH-US	SN-GB	OSSR-DK	OFIX-US	MED-CH	ELOS.B-SE	
	Country	USA	UK	Iceland	USA	Switzerland	Sweden	
	Market cap	25,428.9	13,547.9	2,594.6	646.2	1,246.0	153.4	
	Enterprise value (EV)	31,241.8	15,383.3	2,930.5	600.6	1,191.7	196.2	
Basic financial information	Total Revenues	6,914.4	4,573.3	629.7	401.8	138.0	73.7	
	Total Revenues growth	15.4%	10.5%	13.7%	15.9%	19.8%	29.3%	17.4%
	2y CAGR (2021e - 2023e)	4.5%	5.7%	7.9%	6.0%	16.8%	11.4%	8.7%
	EBITDA	2,253.1	1,173.7	139.9	54.4	23.4	16.1	
	EBITDA growth	43.2%	17.3%	55.7%	275.5%	28.9%	105.2%	87.6%
	2y CAGR (2021e - 2023e)	10.6%	11.0%	10.5%	15.0%	26.6%	10.2%	14.0%
	EBITDA/Revenues	32.6%	25.7%	22.2%	13.5%	16.9%	21.9%	22.1%
	EBIT	1,842.5	700.6	99.6	0.9	9.2	10.5	
	EBIT growth	165.9%	38.4%	109.5%	107.9%	167.0%	438.0%	171.1%
	2y CAGR (2021e - 2023e)	8.9%	19.2%	15.1%	n.a.	43.3%	10.6%	19.4%
	EBIT/Revenues	26.6%	15.3%	15.8%	0.2%	6.7%	14.3%	13.2%
	Net Profit	1,399.5	632.3	67.0	13.3	8.2	7.6	
	Net Profit growth	n.a.	55.5%	n.a.	517.8%	n.a.	113.8%	229.1%
2y CAGR (2021e - 2023e)	10.7%	15.1%	17.9%	43.2%	37.5%	10.2%	22.4%	
Multiples and Ratios	CAPEX/Sales %	4.9%	9.7%	3.7%	n.a.	8.0%	10.2%	7.3%
	Free Cash Flow	883.4	519.6	54.3	n.a.	6.1	2.9	
	Net financial debt	5,400.7	1,624.3	278.4	n.a.	0.1	22.8	
	ND/EBITDA (x)	2.4	1.4	2.0	n.a.	0.0	1.4	1.4
	Pay-out	12.1%	43.6%	10.0%	n.a.	0.0%	15.7%	16.3%
	P/E (x)	18.3	21.0	36.7	65.6	n.a.	24.7	33.3
	P/BV (x)	2.1	2.9	4.8	n.a.	6.1	3.1	3.8
	EV/Revenues (x)	4.5	3.4	4.7	1.5	8.6	2.7	4.2
	EV/EBITDA (x)	13.9	13.1	20.9	11.0	n.a.	12.2	14.2
	EV/EBIT (x)	17.0	22.0	29.4	n.a.	n.a.	18.7	21.7
ROE	11.2	13.7	13.0	n.a.	3.4	12.7	10.8	
FCF Yield (%)	3.5	3.8	2.1	n.a.	0.5	1.9	2.3	
DPS	0.82	0.32	0.02	n.a.	0.00	0.15	0.26	
Dvd Yield	0.7%	2.0%	0.3%	n.a.	0.0%	0.7%	0.7%	

**Multiples: Medical devices and orthopedic sector (Backward-looking: 2020)**

EUR Mn	Ticker (Factset)	Market cap	P/E ord. 2020	EPS 20-22e CAGR	P/B 2020	ROE 2020	EV/EBITDA 2020	EBITDA 20-22e CAGR	EV/sales 2020	Sales 20-22e CAGR	2020 EBIT margin	FCFE yield 2020	FCFE 20-22e CAGR
Zimmer Biomet Holdings, Inc.	ZBH-US	25,429	32.6x	86.9%	2.4x	-1.1%	21.0x	26.0%	5.5x	10.1%	11.6%	2.5%	41%
Smith & Nephew PLC	SN-GB	13,548	28.0x	18.9%	3.0x	9.0%	20.2x	15.8%	4.9x	8.4%	12.2%	3.0%	15%
Ossur hf.	OSSR-DK	2,595	65.1x	131.2%	5.5x	1.1%	36.1x	31.8%	5.9x	11.0%	8.6%	2.5%	9%
Orthofix Medical, Inc.	OFIX-US	646	n.a.	n.a.	2.1x	0.7%	49.2x	104.1%	2.1x	10.7%	n.a.	7.1%	n.a.
Medartis Holding AG	MED-CH	1,246	n.a.	n.a.	6.3x	-0.4%	22.4x	32.4%	3.5x	17.4%	3.0%	0.4%	102%
Elos Medtech AB Class B	ELOS.B-SE	153	29.1x	243.7%	3.3x	6.7%	14.2x	49.2%	2.0x	20.3%	3.4%	9.2%	15%
<b>Average</b>			<b>38.7x</b>	<b>120.2%</b>	<b>3.8x</b>	<b>2.7%</b>	<b>27.2x</b>	<b>43.2%</b>	<b>4.0x</b>	<b>13.0%</b>	<b>7.8%</b>	<b>4.1%</b>	<b>36.5%</b>
<b>Median</b>			<b>30.9x</b>	<b>109.0%</b>	<b>3.2x</b>	<b>0.9%</b>	<b>21.7x</b>	<b>32.1%</b>	<b>4.2x</b>	<b>10.9%</b>	<b>8.6%</b>	<b>2.7%</b>	<b>15.4%</b>
PRIM, S.A.	PRM-ES	251.5	24.3x	n.a.	1.5x	6.2%	7.2x	n.a.	1.0x	n.a.	9.4%	10.1%	n.a.

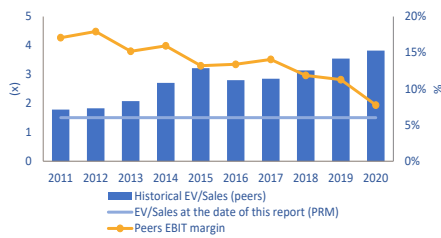
Note: Historical multiples (backward-looking) calculated from trading prices at the year close. Mkt. cap at the date of this report.

**Multiples: Medical devices and orthopedic sector (Forward-Looking: 2021e)**

EUR Mn	Ticker (Factset)	Market cap	P/E ord. 2021e	EPS 21e-23e CAGR	P/B 2021e	ROE 2021e	EV/EBITDA 2021e	EBITDA 21e-23e CAGR	EV/sales 2021e	Sales 21e-23e CAGR	2021e EBIT margin	FCFE yield 2021e	FCFE 21e-23e CAGR
Zimmer Biomet Holdings, Inc.	ZBH-US	25,429	18.3x	10.5%	2.1x	11.2%	13.9x	10.6%	4.5x	4.5%	26.6%	3.5%	35%
Smith & Nephew PLC	SN-GB	13,548	21.0x	16.1%	2.9x	13.7%	13.1x	11.0%	3.4x	5.7%	15.3%	3.8%	16%
Ossur hf.	OSSR-DK	2,595	36.7x	15.6%	4.8x	13.0%	20.9x	10.5%	4.7x	7.9%	15.8%	2.1%	31%
Orthofix Medical, Inc.	OFIX-US	646	65.6x	64.7%	n.a.	n.a.	11.0x	15.0%	1.5x	6.0%	0.2%	n.a.	n.a.
Medartis Holding AG	MED-CH	1,246	n.a.	45.8%	6.1x	3.4%	n.a.	26.6%	8.6x	16.8%	6.7%	0.5%	25%
Elos Medtech AB Class B	ELOS.B-SE	153	24.7x	10.2%	3.1x	12.7%	12.2x	10.2%	2.7x	11.4%	14.3%	1.9%	102%
<b>Average</b>			<b>33.3x</b>	<b>27.2%</b>	<b>3.8x</b>	<b>10.8%</b>	<b>14.2x</b>	<b>14.0%</b>	<b>4.2x</b>	<b>8.7%</b>	<b>13.2%</b>	<b>2.3%</b>	<b>41.7%</b>
<b>Median</b>			<b>24.7x</b>	<b>15.9%</b>	<b>3.1x</b>	<b>12.7%</b>	<b>13.1x</b>	<b>10.8%</b>	<b>3.9x</b>	<b>6.9%</b>	<b>14.8%</b>	<b>2.1%</b>	<b>30.5%</b>

**"Theoretical" valuation exercises with multiples**

**Chart 1: EV/Sales valuation inputs**

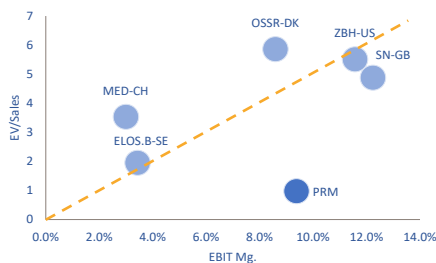


**"Theoretical" valuation exercise based on EV/Sales (2020) (\*)**

Valuation inputs	2020		
Sector EBIT Mg. (2019)	12.2%	Theoretical EV/Sales	2.3
Company EBIT Margin (2019)	10.0%	* 2020 Sales	148.2
<b>Adjustment factor</b>	<b>0.82</b>	<b>= Company EV Valuation</b>	<b>336.9</b>
Sector EV/Sales (-10y avg.)	2.8	- Minority Interests	-
* Adjustment Factor	0.82	- Provisions & Other L/T Liabilities	0.8
<b>Company Theoretical EV/Sales vs 2020 Company EV/Sales</b>	<b>1.5</b>	- Net financial debt	(18.2)
<b>Premium / (Discount) o/ EV/Sales</b>	<b>-33.9%</b>	+ Financial Investments	11.6
		+/- Others EV adjustments	(0.3)
		<b>= Equity valuation (**)</b>	<b>365.6</b>
		vs Mkt Cap at the date of this report	251.5
		<b>Premium / (Discount)</b>	<b>-31.2%</b>

(\*) Under normal conditions, a theoretical valuation exercise based on EV/Sales would be carried out on the last closed year (2020). However, as 2020 was not a typical year (and PRIM's 1H21 results show a clear recovery) we consider it more appropriate for the valuation exercise to be based on 2019 results.

**Chart 2: PRM vs Peers (2020)**



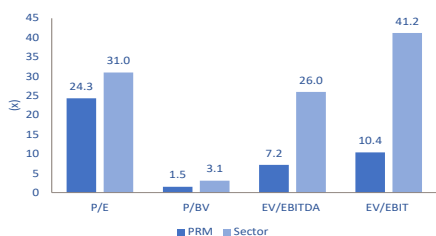
**Sensitivity analysis: Theoretical EV/Sales to changes in EBIT Mg. and premium (discount) o/sector EV/Sales (\*)**

A) Theoretical EV/Sales				B) Premium / (Discount)			
EV/Sales Premium	Mg. EBIT			EV/Sales Premium	Mg. EBIT		
	9.0%	10.0%	11.0%		9.0%	10.0%	11.0%
-10%	1.8	2.0	2.3	-10%	-16.6%	-24.2%	-30.6%
0%	2.0	<b>2.3</b>	2.5	0%	-24.2%	<b>-31.2%</b>	-37.0%
10%	2.2	2.5	2.8	10%	-30.6%	-37.0%	-42.4%

(\*) The sector's EV/sales ratio has been adjusted by the margin spread between the company and its sector. A 10% premium (discount) has been applied in the sensitivity analysis in order to reflect the impact on the multiple (and on the relative valuation) of using a higher or lower multiple than that of the sector depending on the company's growth rate vs the sector and the possible evolution of its margin (vs that of the sector). This valuation exercise has the sole use (and goal) of serving as a "value indicator". It does not represent a valuation per se.

(\*\*) The adjustments made to the company's theoretical EV (minority interests, provisions, ND, etc.) correspond to the figures reported in 1H21.

**Chart 3: Historical Valuation multiples (2020)**



**Other ratios and valuation multiples (2020)**

	Equity multiples		Enterprise Value multiples		Free Cash Flow Yield
	P/E	P/BV	EV/EBITDA	EV/EBIT	FCF to Equity
PRM	24.3	1.5	7.2	10.4	9.9%
Sector	31.0	3.1	26.0	41.2	4.1%
<b>Premium / Discount</b>	<b>-21.5%</b>	<b>-50.6%</b>	<b>-72.4%</b>	<b>-74.8%</b>	<b>5.8p.p.</b>

(\*) Historical multiples for the company and its sector are calculated from year end prices.

**"Theoretical" valuation exercises with DCF**

**WACC (at the date of this report)**

			Best Case	Worst Case
Net financial debt	-18.2	Debt net of Cash (1H21)		
Cost of Debt	4.0%	Net debt cost	3.0%	5.0%
Effective tax rate (T)	20.0%	T (Normalised tax rate)	=	=
<b>Cost of Net Debt</b>	<b>3.2%</b>	<b>Kd = Cost of Net Debt * (1-T)</b>	<b>2.4%</b>	<b>4.0%</b>
Risk free rate (rf)	0.3%	Rf (10y Spanish bond yield)	=	=
Equity risk premium	9.0%	R (own estimate)	8.5%	9.5%
Beta (B)	0.8	B (own estimate)	0.7	0.9
<b>Cost of Equity</b>	<b>7.5%</b>	<b>Ke = Rf + (R*B)</b>	<b>6.3%</b>	<b>8.9%</b>
Equity / (Equity + Net Debt)	100.0%	E (Market Cap as equity value)	=	=
Net Debt / (Equity + Net Debt)	0.0%	D	=	=
<b>WACC</b>	<b>7.5%</b>	<b>WACC = Kd*D + Ke*E</b>	<b>6.3%</b>	<b>8.9%</b>

**Assumptions (2020)(\*\*)**

EBIT 2019	15.2
Normalised tax rate (T)	20.0%
Long term growth rate (G)	3.0%
ROCE 2019	12.5%
WACC (at the date of this report) (*)	7.5%
Adjustment factor o/net EBIT	= 1 - (G / ROCE)
Adjustment factor applied	75.9%

**"Theoretical" absolute valuation based on net EBIT2020 (\*)**

Theoretical value based on 2019 Net EBIT = EBIT (1-t)\*Adjustment factor / (WACC - G)

Theoretical Enterprise Value (At the date of this report)	204.0
- Net financial debt	(18.2)
- Minority Interests	0.0
- Provisions & Other L/T Liabilities	0.8
+/- Others EV adjustments	0.3
+ Financial Investments	11.6
<b>= Equity valuation</b>	<b>232.7</b>
vs Mkt Cap at the date of this report	251.5
<b>Premium / (Discount)</b>	<b>8.1%</b>

(\*) Given the lack of financial projections for the future performance of the business, the valuation exercise described above relates the company's "theoretical value" to the main value generation drivers of any business: (i) the l/t growth rate (G), (ii) the return on capital employed (ROCE) and (iii) the cost of capital (WACC). The main drawback of this model is that it assumes both the ROCE and the growth rate (G) remain constant over the long term. This valuation exercise has the sole use (and goal) of serving as a "value indicator" but does not represent a valuation per se.

(\*\*) Under normal conditions, a theoretical DCF valuation exercise based on Net EBIT (Net EBIT / (WACC - G)) would be carried out on the last closed year (2020). However, as 2020 was not a typical year (and PRIM's 1H21 results show a clear recovery) we consider it more appropriate for the valuation exercise to be based on 2019 results.

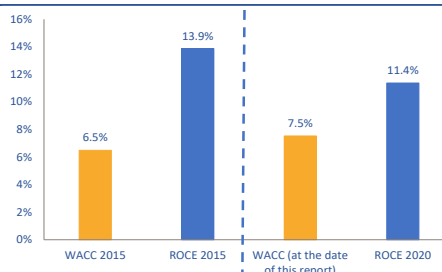
**Sector historical multiples vs Company Implied multiples (o/Theoretical EV and Mkt. Cap.**

Valuation multiples	Sector	PRM	Premium / Discount
EV/Sales	3.8	1.4	-64.0%
EV/EBITDA	26.0	10.1	-61.1%
EV/EBIT	41.2	14.7	-64.4%
P/BV	3.1	2.1	-31.7%
Ord. P/E	31.0	20.8	-33.0%

**Sensitivity analysis**

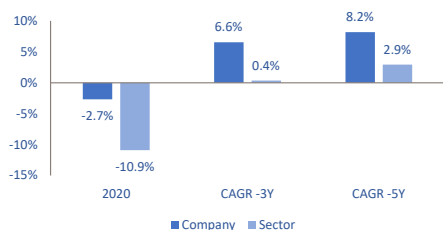
A) "Theoretical" Equity valuation (EUR Mn)				B) Premium / (Discount)			
ROCE	Long term growth rate (G)			ROCE	Long term growth rate (G)		
	2.5%	3.0%	3.5%		2.5%	3.0%	3.5%
11.5%	217.9	227.1	238.5	15.4%	10.8%	5.4%	
12.5%	222.1	<b>232.7</b>	245.9	13.2%	<b>8.1%</b>	2.3%	
13.5%	225.7	237.5	252.2	11.4%	5.9%	-0.3%	

**Value creation: ROCE vs Cost of Capital (WACC)**

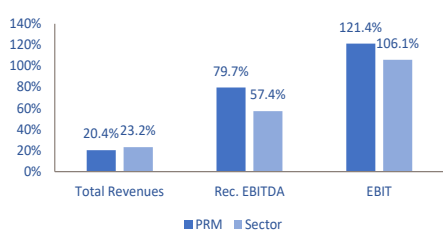


## Growth and momentum: to measure the company's historical growth vs sector. And (1H21) business momentum

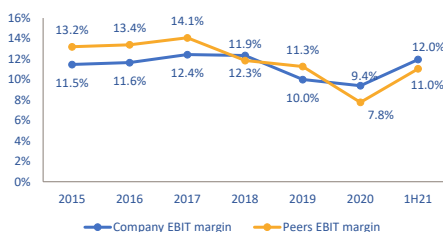
**Chart 4: Growth spread (Revenues)**



**Chart 5: Momentum indicators (growth)1H21 vs 1H20**



**Chart 6: EBIT. Mg. Vs sector**



**Growth spread vs sector**

	Total Revenues			EBITDA			EBIT		
	2020	CAGR -3Y	CAGR -5Y	2020	CAGR -3Y	CAGR -5Y	2020	CAGR -3Y	CAGR -5Y
Company	-2.7%	6.6%	8.2%	-1.6%	5.9%	8.5%	-8.5%	-3.0%	4.0%
Sector	-10.9%	0.4%	2.9%	-28.0%	-10.0%	-2.7%	-49.3%	-21.1%	-8.3%
Spread (p.p.)	8.2	6.2	5.2	26.4	15.8	11.2	40.7	18.2	12.2

**Key Momentum indicators**

	PRM			Sector Avg			Sector
	1H21	2020	Dif. (p.p.)	1H21	2020	Dif. (p.p.)	CAGR 2020 2022
Total Revenues	20.4%	-2.7%	23.1	23.2%	-10.9%	34.1	13.0%
Rec. EBITDA	79.7%	-1.6%	81.2	57.4%	-28.0%	85.4	43.2%
EBITDA/Revenues	15.8%	13.6%	2.2	20.5%	16.7%	3.8	6.7p.p.
EBIT	121.4%	-8.5%	129.9	106.1%	-49.3%	155.3	83.3%
EBIT/Rev.	12.0%	9.4%	2.6	11.0%	7.8%	3.3	7.0p.p.

**Historical growth vs momentum indicators**

Company vs Sector Spread (p.p.)	Var. -5yr	Var. -3yr	2020	1H21
Total Revenues	5.2	6.2	8.2	(2.8)
Rec. EBITDA	11.2	15.8	26.4	22.3
EBITDA/Revenues	4.8	4.9	(3.1)	(4.7)
EBIT	12.2	18.2	40.7	15.3
EBIT/Rev.	3.4	3.3	1.6	0.9

(\*) For ease of interpretation of the different valuation exercises performed within this report, the company's historical growth differential vs the sector is included together with the evolution of this (-5y, -3y, last financial year and current trading).



## IMPORTANT LEGAL INFORMATION REGARDING THIS REPORT

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### Recommendation History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
22-Sep-2021	n.a.	14.50	n.a.	n.a.	Analysis of Historical Financial Statements	David López Sánchez
30-Oct-2020	n.a.	8.84	n.a.	n.a.	Analysis of Historical Financial Statements	David López Sánchez
24-Oct-2019	n.a.	10.95	n.a.	n.a.	Analysis of Historical Financial Statements	David López Sánchez

