

## 12m Results 2021

Opinion <sup>(1)</sup>: Above expectationsImpact <sup>(1)</sup>: We will have to raise our estimates

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## Business description

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 chlorinated soda, ECR being the main producer in Spain (60% of total installed capacity) and among the top 10 at the European level.

## Market Data

Market Cap (Mn EUR and USD)	304.9	338.9
EV (Mn EUR and USD) <sup>(2)</sup>	348.9	387.8
Shares Outstanding (Mn)	101.0	
-12m (Max/Med/Min EUR)	3.88 / 3.17 / 2.41	
Daily Avg volume (-12m Mn EUR)	0.71	
Rotation <sup>(3)</sup>	59.3	
Factset / Bloomberg	ECR-ES / ECR SM	
Close fiscal year	31-Dec	

## Shareholders Structure (%)

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

## Relative performance (Base 100)



## Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	6.7	-2.6	25.3	-11.3
vs Ibex 35	9.6	4.5	26.4	2.2
vs Ibex Small Cap Index	6.3	0.3	33.1	-39.9
vs Eurostoxx 50	13.0	8.8	21.3	-23.5
vs Sector benchmark <sup>(4)</sup>	13.3	9.8	18.7	-35.0

(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 2.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) vs Stoxx Europe 600 Chemicals.

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

## Excellent 2021 results, despite the context. We will have to raise estimates

### STRONG REVENUE GROWTH THAT IS HIGHER THAN ESTIMATED: EUR 823.4MN (+42.1% VS 2020)...

In line with 9m21 results, the strong revenue growth is mainly explained by: (i) the sharp rise in the average price of the products sold (that accounts for c. 80% of the increase in sales; the good performance of PVC and caustic soda standing out) and (ii) the larger volume of tonnes sold (+5.6% vs 2020). This is a level of revenue that not only represents a significant improvement vs 2020, but that is also well above levels of 2019 (c. +20%; due to the price effect).

... **DRIVEN BY THE BUSINESSES WITH MOST EXPOSURE TO THE CYCLE.** By businesses, the good performance of the intermediate chemicals business and of the businesses associated with chlorine stand out (2021 sales: +50.3% and +46% vs 2020, respectively); offsetting the temporary decline of -11.9% in the pharmaceutical division's sales (due to lower demand for products such as fusidic acid and erythromycins and their derivatives; a result of the restrictions on mobility adopted to tackle Covid-19).

### AND, DESPITE INFLATIONARY PRESSURES, ECR HAS MANAGED TO IMPROVE MARGINS (REC. EBITDA MARGIN: 10.5%; +2.1P.P. VS 2020).

Despite the generalised rise in the price of its main supplies and procurements (especially the sharp increase in electricity prices), ECR closed 2021 with a Rec. EBITDA margin of 10.5% (vs 8.3% in 2020; in line). This translates to Rec. EBITDA in 2021 of EUR 86.1Mn (vs EUR 48.2Mn in 2020 and our estimate of EUR 76.3Mn).

### ALLOWING NET PROFIT TO "TAKE OFF" AND SHAREHOLDER REMUNERATION TO CONTINUE.

The points above translate to net profit, that amounted to EUR 43.3Mn (vs EUR 6.3Mn in 2020). Consequently, ECR proposes shareholder remuneration in an amount of EUR 21.5Mn divided between: (i) a cash dividend (EUR 0.085/share; yield 2.6%) and (ii) the amount earmarked for the buyback of shares for their cancellation.

### THE HIGH CAPACITY FOR CASH GENERATION HAS ALLOWED A REDUCTION IN NET DEBT (-22% VS 2020).

Despite the increase in working capital (a result of the significant growth in revenues) and CAPEX (EUR 34.2Mn), ECR generated FCF of c. EUR 26Mn (FCF yield c. 8.5%). Cash generation that has allowed a reduction in net debt to EUR 65.8Mn (-22.4% vs 2020).

### IN CONCLUSION, VERY GOOD RESULTS THAT WILL LEAD US TO UPGRADE OUR ESTIMATES: MULTIPLES REMAIN ATTRACTIVE.

Solid results (and better than estimated) that underline the cash generation capacity of the business against a backdrop of inflationary pressures. Looking to 2022e, the good performance of prices in 2H21 will lead us to upgrade our numbers, raising revenues and EBITDA (to, at least, levels seen in 2021; c. +15% vs previous estimate?); with the support of a favourable cyclical moment that should continue to underpin demand for the main products sold by the divisions with greatest exposure to the cycle.

After yesterday's market punishment because of the start of war between Russia and Ukraine (ECR -4.4% vs -2.8% for the IBEX 35), 2021 results trade at c. 4.2x EV/EBITDA (vs c. 5x for the sector);

## Appendix 1. Results table

EUR Mn	12m21		12m21 Real		12m21 Real		4Q21 vs	
	Real	12m20	vs 12m20	2021e	vs 2021e	4Q21	4Q20	
<b>Total Revenues</b>	<b>823.4</b>	<b>579.3</b>	<b>42.1%</b>	<b>720.2</b>	<b>14.3%</b>	<b>240.6</b>	<b>68.8%</b>	
<b>Recurrent EBITDA<sup>1</sup></b>	<b>86.1</b>	<b>48.2</b>	<b>78.4%</b>	<b>76.3</b>	<b>12.8%</b>	<b>24.8</b>	<b>119.8%</b>	
<i>Rec. EBITDA/Revenues</i>	<i>10.5%</i>	<i>8.3%</i>	<i>2.1 p.p.</i>	<i>10.6%</i>	<i>-0.1 p.p.</i>	<i>10.3%</i>	<i>2.4 p.p.</i>	
<b>EBITDA</b>	<b>85.7</b>	<b>47.3</b>	<b>81.0%</b>	<b>74.8</b>	<b>14.6%</b>	<b>25.9</b>	<b>110.3%</b>	
<i>EBITDA/Revenues</i>	<i>10.4%</i>	<i>8.2%</i>	<i>2.2 p.p.</i>	<i>10.4%</i>	<i>0.0 p.p.</i>	<i>10.8%</i>	<i>2.1 p.p.</i>	
<b>EBIT</b>	<b>53.7</b>	<b>14.9</b>	<b>259.4%</b>	<b>45.9</b>	<b>16.9%</b>	<b>15.1</b>	<b>n.a.</b>	
<b>PBT</b>	<b>51.2</b>	<b>7.0</b>	<b>n.a.</b>	<b>40.3</b>	<b>27.0%</b>			
<b>NP</b>	<b>43.3</b>	<b>6.3</b>	<b>n.a.</b>	<b>33.0</b>	<b>31.0%</b>			
Rec. FCF	26.1	40.6	-35.7%	16.5	58.3%			
Tons sold (thousand)	1,228	1,162	5.7%					
Net Debt	65.8	84.8	-22.4%	71.3	-7.6%			

(1) Recurrent EBITDA adjusted to strip out: (i) the reversal of provisions and other extraordinary revenue (EUR 6.6Mn) and (ii) provisioning and other extraordinary expenses (EUR 6.9Mn).

## Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	304.9	
+ Minority Interests	-	12m Results 2021
+ Provisions & Other L/T Liabilities	15.1	12m Results 2021
+ Net financial debt	65.8	12m Results 2021
- Financial Investments	30.3	12m Results 2021
+/- Others <sup>(1)</sup>	(6.6)	Lighthouse 2021
<b>Enterprise Value (EV)</b>	<b>348.9</b>	

(1) Related to the market value of Treasury Stock.

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
25-Feb-2022	n.a.	3.02	n.a.	n.a.	12m Results 2021	David López Sánchez
10-Nov-2021	n.a.	3.52	n.a.	n.a.	9m Results 2021	David López Sánchez
29-Jul-2021	n.a.	3.36	n.a.	n.a.	6m Results 2021 - Estimates upgrade	David López Sánchez
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

