

EQUITY - SPAIN

Sector: Chemicals

 Closing price: EUR 4.48 (10 Apr 2023)
 Report date: 11 Apr 2023 (12:30h)

 Review of estimates
 Independent Equity Research

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.

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2023e: strong cash generation capacity despite normalisation of earnings

Market Data

Market Cap (Mn EUR and USD)	432.8	469.1
EV (Mn EUR and USD) ⁽¹⁾	468.0	507.3
Shares Outstanding (Mn)	96.6	
-12m (Max/Med/Min EUR)	4.48 / 3.42 / 2.68	
Daily Avg volume (-12m Mn EUR)	0.55	
Rotation ⁽²⁾	32.2	
Factset / Bloomberg	ECR-ES / ECR SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Joan Casas Galofre	5.7
Dimensional Fund Advisors, L.P.	5.2
Victor Manuel Rodriguez Martin	5.0
Montserrat Garcia Pruns	3.4
Free Float	80.7

Financials (Mn EUR)

	2022	2023e	2024e	2025e
Adj. n° shares (Mn)	94.2	94.2	94.2	94.2
Total Revenues	1,052.5	827.9	844.6	860.7
Rec. EBITDA	142.1	88.0	92.7	97.1
% growth	52.3	-38.1	5.4	4.8
% Rec. EBITDA/Rev.	13.5	10.6	11.0	11.3
% Inc. EBITDA sector ⁽³⁾	13.9	-4.0	6.7	4.7
Net Profit	63.0	41.0	45.4	48.6
EPS (EUR)	0.67	0.44	0.48	0.52
% growth	52.5	-34.9	10.8	7.1
Ord. EPS (EUR)	0.92	0.45	0.48	0.52
% growth	83.1	-51.6	8.1	7.1
Rec. Free Cash Flow ⁽⁴⁾	41.4	41.5	29.4	37.7
Pay-out (%)	21.8	22.0	24.0	24.0
DPS (EUR)	0.15	0.10	0.12	0.12
Net financial debt	62.8	51.9	43.2	28.7
ND/Rec. EBITDA (x)	0.4	0.6	0.5	0.3
ROE (%)	18.2	11.2	11.8	11.9
ROCE (%) ⁽⁴⁾	16.4	9.7	10.2	10.5

Ratios & Multiples (x) ⁽⁵⁾

	2022	2023e	2024e	2025e
P/E	6.7	10.3	9.3	8.7
Ord. P/E	4.9	10.0	9.3	8.7
P/BV	1.2	1.2	1.1	1.0
Dividend Yield (%)	3.3	2.1	2.6	2.8
EV/Sales	0.44	0.57	0.55	0.54
EV/Rec. EBITDA	3.3	5.3	5.0	4.8
EV/EBIT	5.1	8.2	7.7	7.3
FCF Yield (%) ⁽⁴⁾	9.6	9.6	6.8	8.7

(1) Please refer to Appendix 3.

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

(3) Sector: Stoxx Europe 600 Chemicals.

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

(5) Multiples and ratios calculated over prices at the date of this report.

2022 FEATURED RECORD PROFIT (OUTPERFORMING ESTIMATES)... The sharp jump in caustic soda prices (driven by its inherent counter-cyclical performance in the early stages of the slowdown) coupled with normalisation of energy costs led to considerable margin improvement (Rec. EBITDA margin 2022: 13.6% vs 11.5% in 2021). In turn, this resulted in record figures (EBITDA 2022: EUR 142.9Mn; +52.3% vs 2021 and +13% vs our estimates).

...2023E SHOULD SEE AN (INEVITABLE) NORMALISATION OF ACTIVITY (AND PRICES). We were expecting a strong first quarter (fuelled by the inertia of prices seen in 4Q22), but the drop in demand points to a normalisation of earnings as of 2Q23. Therefore, we are maintaining our estimates, which broadly show 2023e results in line with 2021 levels, adjusted to reflect the impact of the closure of the Flix plant (EBITDA 2023e: EUR 88Mn; -38% vs 2022).

EVEN SO, ECR STILL BOASTS STRONG CASH GENERATION CAPACITY... We estimate CAPEX of c. EUR 40Mn p.a. for the 23e-25e period. Therefore, with EBITDA around EUR 90Mn (our baseline scenario for 2023e), ECR should be able to keep Rec. FCF generation of around EUR 35Mn p.a. over the next few years.

...BODING WELL FOR IT TO MAINTAIN A STRONG BALANCE SHEET. ND/EBITDA 2023E: 0.6X. With strong cash flow generation the company can keep gearing at conservative levels (DN/EBITDA 2023e: 0.6x) while still investing heavily and remunerating shareholders via dividends (yield 23e: 2.1%) and share buybacks (EUR 14.4Mn spent on buybacks in 2022).

IN CONCLUSIONS, WE SHOULD SEE A NORMALISATION OF EARNINGS, BUT STILL STRONG FCF GENERATION. FCF YIELD 23E: 10%. On our numbers, ECR is still trading at an EV/EBITDA of 5.2x (compared to an average of 6.2x for its most direct peers) even after the strong rally by the shares (+38% YTD; +49% 12m), offering a FCF yield above 7% throughout the forecast period. Despite the excellent performance of the share price, multiples could still be 'compelling'.

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	5.9	28.4	49.2	38.3	84.5	9.7
vs Ibex 35	5.6	20.1	37.8	22.2	40.1	15.0
vs Ibex Small Cap Index	10.9	25.8	56.2	23.0	24.9	-0.1
vs Eurostoxx 50	3.9	20.9	33.5	21.7	23.9	-12.5
vs Sector benchmark ⁽³⁾	3.6	25.2	53.8	29.2	31.8	-18.5

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

Report issued by IEAF Servicios de Análisis, S.L.U. Lighthouse is a project of IEAF Servicios de Análisis, S.L.U.

This report has been prepared on the basis of information available to the public. The report includes a financial analysis of the company covered. The report does not propose any personalised investment recommendation. Investors should consider the contents of this report as just another element in their investment decision-making process. The final two pages of this report contain very important legal information regarding its contents.

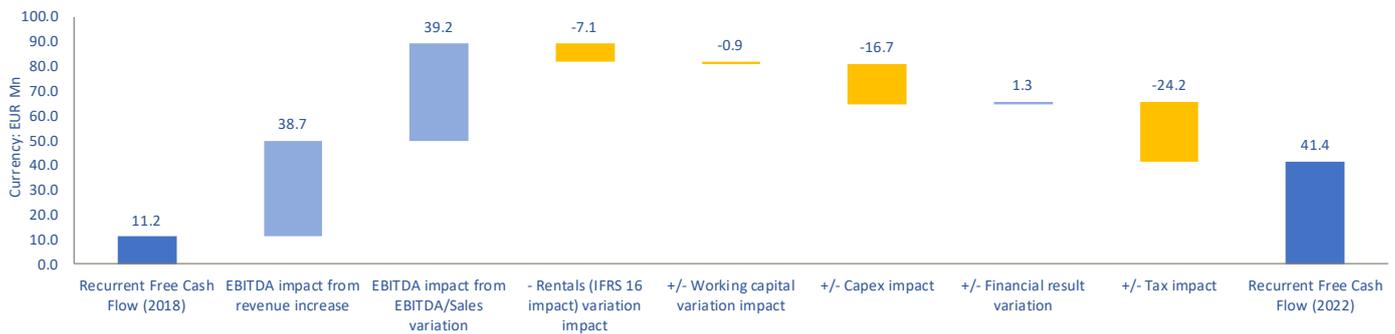
Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e		
Intangible assets	4.2	19.7	16.1	17.7	31.3	32.1	32.8	33.6		
Fixed assets	281.7	296.9	311.3	324.5	341.5	356.6	370.7	379.0		
Other Non Current Assets	31.7	40.3	38.9	35.7	34.4	34.4	34.4	34.4		
Financial Investments	45.2	42.7	28.8	29.0	39.2	40.1	41.0	41.8		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	218.9	184.5	148.6	248.9	239.9	188.7	191.6	195.2		
Total assets	581.6	584.1	543.6	655.8	686.2	651.8	670.4	683.9		
Equity	272.7	292.1	284.2	331.6	360.7	372.1	396.8	422.4		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	76.5	62.2	55.8	67.6	86.6	86.6	86.6	86.6		
Other Non Current Liabilities	-	13.4	9.1	6.2	12.3	12.3	12.3	12.3		
Net financial debt	107.3	96.8	75.7	59.6	62.8	51.9	43.2	28.7		
Current Liabilities	125.2	119.6	118.8	190.8	163.8	128.8	131.4	133.9		
Equity & Total Liabilities	581.6	584.1	543.6	655.8	686.2	651.8	670.4	683.9		
CAGR										
P&L (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Total Revenues	677.1	677.9	579.3	811.8	1,052.5	827.9	844.6	860.7	11.7%	-6.5%
<i>Total Revenues growth</i>	<i>-1.8%</i>	<i>0.1%</i>	<i>-14.6%</i>	<i>40.1%</i>	<i>29.6%</i>	<i>-21.3%</i>	<i>2.0%</i>	<i>1.9%</i>		
COGS	(435.1)	(439.3)	(348.3)	(525.5)	(692.6)	(537.6)	(544.8)	(555.1)		
Gross Margin	242.0	238.6	230.9	286.3	359.9	290.3	299.8	305.5	10.4%	-5.3%
<i>Gross Margin/Revenues</i>	<i>35.7%</i>	<i>35.2%</i>	<i>39.9%</i>	<i>35.3%</i>	<i>34.2%</i>	<i>35.1%</i>	<i>35.5%</i>	<i>35.5%</i>		
Personnel Expenses	(79.9)	(83.1)	(84.3)	(83.6)	(89.6)	(91.2)	(94.8)	(94.8)		
Other Operating Expenses	(97.9)	(97.5)	(98.4)	(109.4)	(128.2)	(111.1)	(112.4)	(113.6)		
Recurrent EBITDA	64.3	58.0	48.2	93.3	142.1	88.0	92.7	97.1	21.9%	-11.9%
<i>Recurrent EBITDA growth</i>	<i>-8.5%</i>	<i>-9.7%</i>	<i>-16.9%</i>	<i>93.4%</i>	<i>52.3%</i>	<i>-38.1%</i>	<i>5.4%</i>	<i>4.8%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>9.5%</i>	<i>8.6%</i>	<i>8.3%</i>	<i>11.5%</i>	<i>13.5%</i>	<i>10.6%</i>	<i>11.0%</i>	<i>11.3%</i>		
Restructuring Expense & Other non-rec.	3.0	4.4	(0.9)	(0.4)	(20.2)	-	-	-		
EBITDA	67.3	62.4	47.3	92.9	121.9	88.0	92.7	97.1	16.0%	-7.3%
Depreciation & Provisions	(24.2)	(25.1)	(27.4)	(25.2)	(23.4)	(24.9)	(25.9)	(26.7)		
Capitalized Expense	0.2	0.9	2.3	0.5	0.8	0.8	0.8	0.8		
Rentals (IFRS 16 impact)	-	(7.1)	(7.3)	(6.3)	(7.1)	(6.9)	(6.8)	(6.9)		
EBIT	43.2	31.2	14.9	61.8	92.2	56.9	60.8	64.3	20.8%	-11.3%
<i>EBIT growth</i>	<i>25.9%</i>	<i>-27.8%</i>	<i>-52.1%</i>	<i>314.0%</i>	<i>49.0%</i>	<i>-38.2%</i>	<i>6.7%</i>	<i>5.7%</i>		
<i>EBIT/Revenues</i>	<i>6.4%</i>	<i>4.6%</i>	<i>2.6%</i>	<i>7.6%</i>	<i>8.8%</i>	<i>6.9%</i>	<i>7.2%</i>	<i>7.5%</i>		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(6.3)	(6.5)	(8.5)	(3.1)	(5.1)	(5.3)	(4.9)	(4.3)		
Income by the Equity Method	1.1	0.4	0.5	0.6	0.9	0.9	0.9	0.9		
Ordinary Profit	38.0	25.1	7.0	59.3	88.0	52.5	56.8	60.8	23.3%	-11.6%
<i>Ordinary Profit Growth</i>	<i>32.5%</i>	<i>-34.0%</i>	<i>-72.2%</i>	<i>749.1%</i>	<i>48.3%</i>	<i>-40.3%</i>	<i>8.1%</i>	<i>7.1%</i>		
Extraordinary Results	-	(2.5)	-	-	-	-	-	-		
Profit Before Tax	38.0	22.6	7.0	59.3	88.0	52.5	56.8	60.8	23.3%	-11.6%
Tax Expense	6.9	8.4	(0.7)	(9.9)	(17.3)	(10.5)	(11.4)	(12.2)		
<i>Effective Tax Rate</i>	<i>n.a.</i>	<i>n.a.</i>	<i>10.4%</i>	<i>16.7%</i>	<i>19.7%</i>	<i>20.0%</i>	<i>20.0%</i>	<i>20.0%</i>		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	(6.1)	(7.7)	(1.0)	-	-		
Net Profit	44.9	31.0	6.3	43.3	63.0	41.0	45.4	48.6	8.8%	-8.3%
<i>Net Profit growth</i>	<i>0.9%</i>	<i>-30.8%</i>	<i>-79.8%</i>	<i>592.0%</i>	<i>45.5%</i>	<i>-34.9%</i>	<i>10.8%</i>	<i>7.1%</i>		
Ordinary Net Profit	35.0	20.7	7.1	49.7	86.9	42.0	45.4	48.6	25.5%	-17.6%
<i>Ordinary Net Profit growth</i>	<i>-30.6%</i>	<i>-40.9%</i>	<i>-65.8%</i>	<i>603.6%</i>	<i>74.7%</i>	<i>-51.6%</i>	<i>8.1%</i>	<i>7.1%</i>		
CAGR										
Cash Flow (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Recurrent EBITDA						88.0	92.7	97.1	21.9%	-11.9%
Rentals (IFRS 16 impact)						(6.9)	(6.8)	(6.9)		
Working Capital Increase						16.2	(0.3)	(1.0)		
Recurrent Operating Cash Flow						97.3	85.6	89.2	25.5%	-8.7%
CAPEX						(40.0)	(40.0)	(35.0)		
Net Financial Result affecting the Cash Flow						(5.3)	(4.9)	(4.3)		
Tax Expense						(10.5)	(11.4)	(12.2)		
Recurrent Free Cash Flow						41.5	29.4	37.7	38.7%	-3.1%
Restructuring Expense & Other non-rec.						(1.0)	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						40.5	29.4	37.7	n.a.	24.7%
Capital Increase						(15.9)	(11.6)	(12.2)		
Dividends						(13.8)	(9.0)	(10.9)		
Net Debt Variation						(10.9)	(8.7)	(14.5)		

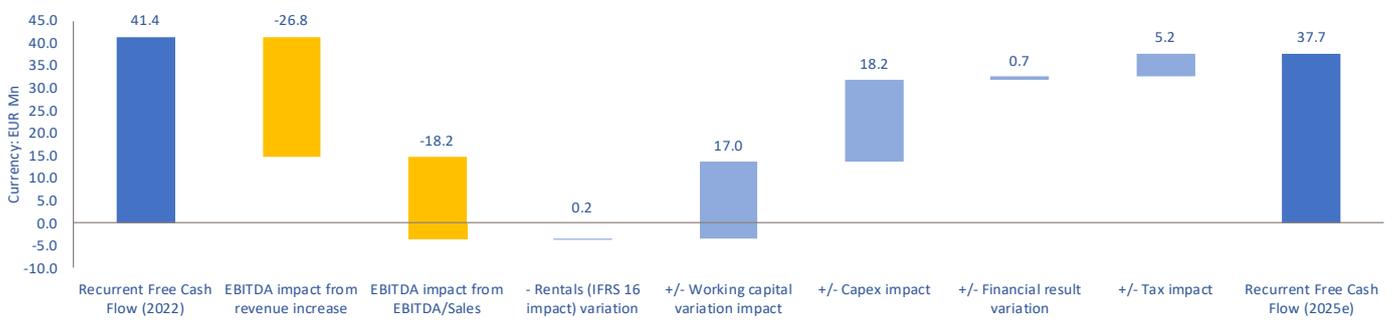
Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
								19-22	22-25e
Recurrent EBITDA	58.0	48.2	93.3	142.1	88.0	92.7	97.1	34.8%	-11.9%
<i>Recurrent EBITDA growth</i>	-9.7%	-16.9%	93.4%	52.3%	-38.1%	5.4%	4.8%		
<i>Rec. EBITDA/Revenues</i>	8.6%	8.3%	11.5%	13.5%	10.6%	11.0%	11.3%		
- Rentals (IFRS 16 impact)	(7.1)	(7.3)	(6.3)	(7.1)	(6.9)	(6.8)	(6.9)		
+/- Working Capital increase	28.8	35.0	(28.3)	(18.0)	16.2	(0.3)	(1.0)		
= Recurrent Operating Cash Flow	79.8	76.0	58.7	117.0	97.3	85.6	89.2	13.6%	-8.7%
<i>Rec. Operating Cash Flow growth</i>	69.1%	-4.8%	-22.7%	99.4%	-16.8%	-12.1%	4.2%		
<i>Rec. Operating Cash Flow / Sales</i>	11.8%	13.1%	7.2%	11.1%	11.8%	10.1%	10.4%		
- CAPEX	(54.9)	(35.8)	(39.6)	(53.2)	(40.0)	(40.0)	(35.0)		
- Net Financial Result affecting Cash Flow	(6.5)	(8.5)	(3.1)	(5.1)	(5.3)	(4.9)	(4.3)		
- Taxes	8.4	(0.7)	(9.9)	(17.3)	(10.5)	(11.4)	(12.2)		
= Recurrent Free Cash Flow	26.8	31.0	6.0	41.4	41.5	29.4	37.7	15.7%	-3.1%
<i>Rec. Free Cash Flow growth</i>	138.9%	15.8%	-80.5%	585.0%	0.2%	-29.3%	28.3%		
<i>Rec. Free Cash Flow / Revenues</i>	3.9%	5.4%	0.7%	3.9%	5.0%	3.5%	4.4%		
- Restructuring expenses & others	-	-	-	-	(1.0)	-	-		
- Acquisitions / + Divestments	-	-	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(5.0)	4.2	16.5	(22.0)	-	-	-		
= Free Cash Flow	21.7	35.2	22.6	19.4	40.5	29.4	37.7	-3.7%	24.7%
<i>Free Cash Flow growth</i>	n.a.	62.1%	-35.9%	-14.0%	108.6%	-27.5%	28.3%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	6.2%	7.2%	1.4%	9.6%	9.6%	6.8%	8.7%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	5.0%	8.1%	5.2%	4.5%	9.4%	6.8%	8.7%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
Recurrent FCF(FY - 1)	11.2	26.8	31.0	6.0	41.4	41.5	29.4		
EBITDA impact from revenue increase	0.1	(8.4)	19.4	27.7	(30.3)	1.8	1.8		
EBITDA impact from EBITDA/Sales variation	(6.3)	(1.4)	25.7	21.1	(23.8)	2.9	2.7		
= Recurrent EBITDA variation	(6.2)	(9.8)	45.1	48.8	(54.1)	4.7	4.4		
- Rentals (IFRS 16 impact) variation impact	(7.1)	(0.2)	1.0	(0.8)	0.2	0.1	(0.1)		
+/- Working capital variation impact	45.9	6.2	(63.3)	10.3	34.2	(16.6)	(0.7)		
= Recurrent Operating Cash Flow variation	32.6	(3.8)	(17.3)	58.3	(19.7)	(11.7)	3.6		
+/- CAPEX impact	(18.4)	19.2	(3.8)	(13.6)	13.2	-	5.0		
+/- Financial result variation	(0.2)	(2.0)	5.3	(1.9)	(0.2)	0.4	0.5		
+/- Tax impact	1.5	(9.1)	(9.2)	(7.4)	6.8	(0.9)	(0.8)		
= Recurrent Free Cash Flow variation	15.6	4.2	(24.9)	35.4	0.1	(12.2)	8.3		
Recurrent Free Cash Flow	26.8	31.0	6.0	41.4	41.5	29.4	37.7		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
EBIT	31.2	14.9	61.8	92.2	56.9	60.8	64.3	43.5%	-11.3%
* Theoretical Tax rate	0.0%	10.4%	16.7%	19.7%	20.0%	20.0%	20.0%		
= Taxes (pre- Net Financial Result)	-	(1.6)	(10.3)	(18.1)	(11.4)	(12.2)	(12.9)		
Recurrent EBITDA	58.0	48.2	93.3	142.1	88.0	92.7	97.1	34.8%	-11.9%
- Rentals (IFRS 16 impact)	(7.1)	(7.3)	(6.3)	(7.1)	(6.9)	(6.8)	(6.9)		
+/- Working Capital increase	28.8	35.0	(28.3)	(18.0)	16.2	(0.3)	(1.0)		
= Recurrent Operating Cash Flow	79.8	76.0	58.7	117.0	97.3	85.6	89.2	13.6%	-8.7%
- CAPEX	(54.9)	(35.8)	(39.6)	(53.2)	(40.0)	(40.0)	(35.0)		
- Taxes (pre- Financial Result)	-	(1.6)	(10.3)	(18.1)	(11.4)	(12.2)	(12.9)		
= Recurrent Free Cash Flow (To the Firm)	24.9	38.6	8.8	45.7	45.9	33.4	41.3	22.5%	-3.3%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	132.8%	55.4%	-77.3%	421.5%	0.5%	-27.2%	23.6%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	3.7%	6.7%	1.1%	4.3%	5.5%	4.0%	4.8%		
- Acquisitions / + Divestments	-	-	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(5.0)	4.2	16.5	(22.0)	-	-	-		
= Free Cash Flow "To the Firm"	19.8	42.9	25.3	23.7	45.9	33.4	41.3	6.1%	20.4%
<i>Free Cash Flow (To the Firm) growth</i>	72.2%	116.3%	-41.0%	-6.5%	94.0%	-27.2%	23.6%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	5.3%	8.3%	1.9%	9.8%	9.8%	7.1%	8.8%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	4.2%	9.2%	5.4%	5.1%	9.8%	7.1%	8.8%		

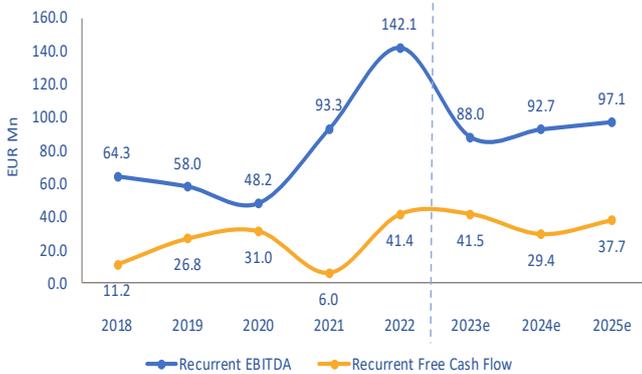
Recurrent Free Cash Flow accumulated variation analysis (2018 - 2022)



Recurrent Free Cash Flow accumulated variation analysis (2022 - 2025e)



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	432.8	
+ Minority Interests	-	12m Results 2022
+ Provisions & Other L/T Liabilities	11.7	12m Results 2022
+ Net financial debt	62.8	12m Results 2022
- Financial Investments	39.2	12m Results 2022
+/- Others		
Enterprise Value (EV)	468.0	

Appendix 4. Historical performance ⁽¹⁾

Historical performance (EUR Mn)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
															12-22	22-25e
Total Revenues	677.5	625.0	603.7	618.3	602.5	686.0	677.1	677.9	579.3	811.8	1,052.5	827.9	844.6	860.7	4.5%	-6.5%
Total Revenues growth	-1.2%	-7.8%	-3.4%	2.4%	-2.5%	13.8%	-1.3%	0.1%	-14.6%	40.1%	29.6%	-21.3%	2.0%	1.9%		
EBITDA	8.4	24.5	16.9	32.9	61.5	61.0	67.3	62.4	47.3	92.9	121.9	88.0	92.7	97.1	30.6%	-7.3%
EBITDA growth	-48.2%	190.5%	-31.1%	95.3%	87.0%	-0.9%	10.3%	-7.2%	-24.2%	96.3%	31.2%	-27.8%	5.4%	4.8%		
EBITDA/Sales	1.2%	3.9%	2.8%	5.3%	10.2%	8.9%	9.9%	9.2%	8.2%	11.4%	11.6%	10.6%	11.0%	11.3%		
Net Profit	(12.1)	(0.3)	(7.1)	7.2	45.2	44.6	44.9	31.0	6.3	43.3	63.0	41.0	45.4	48.6	21.8%	-8.3%
Net Profit growth	n.a.	97.4%	n.a.	202.0%	523.8%	-1.3%	0.7%	-30.8%	-79.8%	592.0%	45.5%	-34.9%	10.8%	7.1%		
Adjusted number shares (Mn)	100.8	103.5	111.5	114.0	114.1	112.3	109.2	106.2	102.6	98.8	94.2	94.2	94.2	94.2		
EPS (EUR)	-0.12	0.00	-0.06	0.06	0.40	0.40	0.41	0.29	0.06	0.44	0.67	0.44	0.48	0.52	22.4%	-8.3%
EPS growth	n.a.	97.4%	n.a.	n.a.	n.a.	0.3%	3.5%	-28.9%	-79.1%	n.a.	52.5%	-34.9%	10.8%	7.1%		
Ord. EPS (EUR)	-0.12	0.00	-0.06	0.06	0.40	0.40	0.32	0.19	0.07	0.50	0.92	0.45	0.48	0.52	25.5%	-17.6%
Ord. EPS growth	n.a.	97.4%	n.a.	n.a.	n.a.	0.3%	-19.3%	-39.2%	-64.7%	n.a.	83.1%	-51.6%	8.1%	7.1%		
CAPEX	(16.1)	(4.4)	(6.2)	(9.2)	(18.7)	(42.8)	(36.5)	(54.9)	(35.8)	(39.6)	(53.2)	(40.0)	(40.0)	(35.0)		
CAPEX/Sales %	2.4%	0.7%	1.0%	1.5%	3.1%	6.2%	5.4%	8.1%	6.2%	4.9%	5.1%	4.8%	4.7%	4.1%		
Free Cash Flow	3.4	19.6	23.4	6.6	20.5	1.1	(1.4)	21.7	35.2	22.6	19.4	40.5	29.4	37.7	19.1%	24.7%
ND/EBITDA (x) ⁽²⁾	17.3x	5.2x	6.1x	2.8x	1.3x	1.6x	1.6x	1.6x	1.6x	0.6x	0.5x	0.6x	0.5x	0.3x		
P/E (x)	n.a.	n.a.	n.a.	8.9x	4.3x	6.7x	7.1x	8.4x	34.6x	6.6x	4.8x	10.3x	9.3x	8.7x		
EV/Sales (x)	0.27x	0.28x	0.24x	0.26x	0.48x	0.60x	0.69x	0.57x	0.53x	0.45x	0.36x	0.57x	0.55x	0.54x		
EV/EBITDA (x) ⁽²⁾	22.1x	7.3x	8.7x	5.0x	4.7x	6.8x	6.9x	6.2x	6.5x	3.9x	3.1x	5.3x	5.0x	4.8x		
Absolute performance	-41.2%	18.7%	-17.3%	56.7%	198.7%	57.0%	9.9%	-15.8%	-14.0%	37.8%	11.3%	38.3%				
Relative performance vs Ibx35	-38.3%	-2.2%	-20.2%	68.8%	204.8%	46.2%	29.2%	-24.7%	1.7%	27.7%	17.9%	22.2%				

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 Factset.

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main peers 2023e

Market data	EUR Mn	Europe				USA				Average	ECR
		BASF SE	Solvay	Covestro AG	Average	DowDuPont	Olin Corp	Westlake	Average		
Ticker (Factset)		BAS-DE	SOLB-BE	1COV-DE		DOW-US	OLN-US	WLK-US		ECR-ES	
Country		Germany	Belgium	Germany		USA	USA	USA		Spain	
Market cap		44,463.6	10,958.2	7,003.5		36,292.6	6,972.1	13,572.3		432.8	
Enterprise value (EV)		64,014.6	14,612.6	9,379.6		47,691.6	9,510.1	17,085.4		468.0	
Basic financial information	Total Revenues	83,725.5	13,312.3	16,263.9		46,157.6	7,791.9	12,901.9		827.9	
	Total Revenues growth	-4.1%	-17.2%	-9.5%	-10.3%	-12.1%	-9.9%	-11.5%	-11.1%	-21.3%	
	2y CAGR (2023e - 2025e)	2.9%	4.2%	4.2%	3.8%	3.8%	3.6%	2.4%	3.3%	2.0%	
	EBITDA	8,913.8	2,825.6	1,235.8		5,930.3	1,576.1	2,693.6		88.0	
	EBITDA growth	-16.3%	-11.4%	9.7%	-6.0%	-20.5%	-28.3%	-29.5%	-26.1%	-27.8%	
	2y CAGR (2023e - 2025e)	12.4%	4.0%	30.6%	15.7%	16.6%	6.5%	9.5%	10.9%	5.1%	
	EBITDA/Revenues	10.6%	21.2%	7.6%	13.2%	12.8%	20.2%	20.9%	18.0%	10.6%	
	EBIT	5,035.2	1,909.1	379.5		3,365.5	1,030.9	1,683.3		56.9	
	EBIT growth	-25.5%	-15.8%	58.8%	5.8%	-31.6%	-36.6%	-40.8%	-36.3%	-38.2%	
	2y CAGR (2023e - 2025e)	17.5%	6.1%	76.8%	33.4%	25.6%	12.1%	16.7%	18.1%	6.2%	
	EBIT/Revenues	6.0%	14.3%	2.3%	7.6%	7.3%	13.2%	13.0%	11.2%	6.9%	
	Net Profit	3,631.6	1,219.1	154.4		1,998.4	664.2	1,151.0		41.0	
	Net Profit growth	679.2%	-36.0%	156.8%	266.7%	-52.5%	-45.7%	-44.2%	-47.5%	-34.9%	
2y CAGR (2023e - 2025e)	18.0%	8.1%	n.a.	13.0%	33.7%	12.3%	19.0%	21.6%	8.9%		
CAPEX/Sales %	7.2%	8.5%	5.0%	6.9%	4.6%	2.9%	7.2%	4.9%	4.8%		
Free Cash Flow	2,579.5	841.1	139.5		2,274.1	953.1	1,138.0		40.5		
Net financial debt	17,616.8	2,342.2	2,610.3		10,665.5	2,216.6	1,849.9		51.9		
ND/EBITDA (x)	2.0	0.8	2.1	1.6	1.8	1.4	0.7	1.3	0.6		
Pay-out	84.4%	36.3%	40.7%	53.8%	94.2%	16.5%	14.5%	41.7%	22.0%		
Multiples and Ratios	P/E (x)	10.9	8.5	42.5	20.6	17.4	10.1	11.5	13.0	10.3	
	P/BV (x)	1.1	1.0	1.0	1.0	2.0	3.2	1.3	2.2	1.2	
	EV/Revenues (x)	0.8	1.1	0.6	0.8	1.0	1.2	1.3	1.2	0.6	
	EV/EBITDA (x)	7.2	5.2	7.6	6.6	8.0	6.0	6.3	6.8	5.3	
	EV/EBIT (x)	12.7	7.7	24.7	15.0	14.2	9.2	10.1	11.2	8.2	
	ROE	9.9	11.7	2.3	8.0	11.4	31.6	11.7	18.3	11.2	
	FCF Yield (%)	5.8	7.7	2.0	5.2	6.3	13.7	8.4	9.4	9.6	
	DPS	3.40	4.27	0.33	2.67	2.61	0.76	1.30	1.56	0.10	
Dvd Yield	7.0%	4.1%	0.9%	4.0%	5.1%	1.4%	1.2%	2.6%	2.1%		

Note 1: Financial data, multiples and ratios based on market consensus (Factset). 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).

Appendix 6. Valuation inputs

Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value ⁽¹⁾			
Free Cash Flow "To the Firm"	45.9	33.4	41.3	520.9			
Market Cap	432.8	At the date of this report					
Net financial debt	62.8	Debt net of Cash (12m Results 2022)					
					Best Case	Worst Case	
Cost of Debt	4.5%	Net debt cost			4.3%	4.8%	
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=	
Net debt cost	3.6%	Kd = Cost of Net Debt * (1-T)			3.4%	3.8%	
Risk free rate (rf)	3.2%	Rf (10y Spanish bond yield)			=	=	
Equity risk premium	6.0%	R (own estimate)			5.5%	6.5%	
Beta (B)	1.2	B (own estimate)			1.1	1.2	
Cost of Equity	10.4%	Ke = Rf + (R * B)			9.3%	11.0%	
Equity / (Equity + Net Debt)	87.3%	E (Market Cap as equity value)			=	=	
Net Debt / (Equity + Net Debt)	12.7%	D			=	=	
WACC	9.6%	WACC = Kd * D + Ke * E			8.5%	10.1%	
G "Fair"	1.5%				2.0%	1.0%	

(1) The terminal value reflects the NAV of FCF beyond the period estimated with the WACC and G of the central scenario.

Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 23e	EPS 23e-25e	EV/EBITDA 23e	EBITDA 23e-25e	EV/Sales 23e	Revenues 23e-25e	EBITDA/Sales 23e	FCF Yield 23e	FCF 23e-25e
BASF SE	BAS-DE	44,463.6	10.9	14.2%	7.2	12.4%	0.8	2.9%	10.6%	5.8%	-3.2%
Solvay	SOLB-BE	10,958.2	8.5	6.7%	5.2	4.0%	1.1	4.2%	21.2%	7.7%	16.2%
Covestro AG	1COV-DE	7,003.5	42.5	n.a.	7.6	30.6%	0.6	4.2%	7.6%	2.0%	n.a.
Europe			20.6	10.4%	6.6	15.7%	0.8	3.8%	13.2%	5.2%	6.5%
DowDuPont	DOW-US	36,292.6	17.4	34.1%	8.0	16.6%	1.0	3.8%	12.8%	6.3%	19.2%
Olin Corp	OLN-US	6,972.1	10.1	29.7%	6.0	6.5%	1.2	3.6%	20.2%	13.7%	9.2%
Westlake	WLK-US	13,572.3	11.5	22.9%	6.3	9.5%	1.3	2.4%	20.9%	8.4%	20.9%
USA			13.0	28.9%	6.8	10.9%	1.2	3.3%	18.0%	9.4%	16.4%
ECR	ECR-ES	432.8	10.3	8.9%	5.3	5.1%	0.6	2.0%	10.6%	9.6%	-3.6%

Free Cash Flow sensitivity analysis (2024e)

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

Scenario	EBITDA/Sales 24e	EBITDA 24e	EV/EBITDA 24e
Max	11.5%	96.9	4.8x
Central	11.0%	92.7	5.0x
Min	10.5%	88.5	5.3x

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

FCF Rec. EUR Mn	CAPEX/Sales 24e				Scenario	Rec. FCF/Yield 24e		
EBITDA 24e	4.2%	4.7%	5.2%		Max	8.7%	7.8%	6.8%
96.9	37.8	33.6	29.4	➔	Central	7.8%	6.8%	5.8%
92.7	33.6	29.4	25.1		Min	6.8%	5.8%	4.8%
88.5	29.4	25.1	20.9					

LIGHTHOUSE

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
11-Apr-2023	n.a.	4.48	n.a.	n.a.	Review of estimates	David López Sánchez
22-Feb-2023	n.a.	3.96	n.a.	n.a.	12m Results 2022	David López Sánchez
09-Nov-2022	n.a.	3.31	n.a.	n.a.	9m Results 2022	David López Sánchez
03-Aug-2022	n.a.	3.46	n.a.	n.a.	6m Results 2022	David López Sánchez
15-Jun-2022	n.a.	3.30	n.a.	n.a.	Estimates upgrade	David López Sánchez
04-May-2022	n.a.	3.31	n.a.	n.a.	3m Results 2022	David López Sánchez
25-Feb-2022	n.a.	2.96	n.a.	n.a.	12m Results 2021	David López Sánchez
10-Nov-2021	n.a.	3.45	n.a.	n.a.	9m Results 2021	David López Sánchez
29-Jul-2021	n.a.	3.29	n.a.	n.a.	6m Results 2021 - Estimates upgrade	David López Sánchez
12-May-2021	n.a.	3.10	n.a.	n.a.	3m Results 2021 - Estimates upgrade	David López Sánchez
26-Feb-2021	n.a.	2.36	n.a.	n.a.	12m Results 2020	David López Sánchez
16-Nov-2020	n.a.	1.97	n.a.	n.a.	9m Results 2020	David López Sánchez
03-Aug-2020	n.a.	1.70	n.a.	n.a.	6m Results 2020 - Estimates upgrade	David López Sánchez
15-May-2020	n.a.	1.87	n.a.	n.a.	3m Results 2020	David López Sánchez
30-Apr-2020	n.a.	2.55	n.a.	n.a.	Estimates downgrade	David López Sánchez
02-Mar-2020	n.a.	2.19	n.a.	n.a.	12m Results 2019	David López Sánchez
06-Nov-2019	n.a.	2.32	n.a.	n.a.	9m Results 2019 - Estimates upgrade	David López Sánchez
29-Jul-2019	n.a.	1.84	n.a.	n.a.	6m Results 2019	David López Sánchez
03-Jun-2019	n.a.	2.08	n.a.	n.a.	Initiation of Coverage	David López Sánchez

