

**EQUITY - SPAIN**

Sector: Chemicals

 Closing price: EUR 3.35 (13 Jun 2023)  
 Report date: 14 Jun 2023 (13:30h)

**Important news - Estimates downgrade**

Independent Equity Research

**Important news**

 Opinion <sup>(1)</sup>: Negative

 Impact <sup>(1)</sup>: We lower 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.

## 1H23 expected to reflect weak sector momentum. We are lowering our forecast (EBITDA 23e: -13%).

Based on the results up to the end of April and visibility into May and June, ECR has provided revenue and EBITDA estimate ranges for 1H23.

**DEMAND WEAKNESS IS PALPABLE...** Specifically, in 1H23, ECR is expecting revenue from finished products (> 96% of total revenue) of EUR 420Mn-430Mn, which would imply a drop of between 21% and 19% from 1H22, respectively. A contraction in line with our estimates for the year as a whole (c.-20%).

**...WITH MARGIN CONTRACTION ALREADY TANGIBLE.** In 1H23, ECR is looking for EBITDA of EUR 45-50Mn (-43% and -37% vs. 1H22, which would imply EBITDA margin contraction of c.3.5pp vs. 1H22) and net profit of EUR 15-20Mn. Looking at 2Q, the trading update implies EBITDA of c. EUR 20Mn (-60% vs. 2Q22), driven mainly by the drop in caustic soda prices initiated in 1Q23 and ongoing earnings weakness in the intermediate chemicals business (already tangible in 1Q23).

**FORESHADOWING A WEAKER THAN EXPECTED 1H23.** Given the business' seasonality, the first-half results tend to be higher than in the second-half (mainly thanks to 2Q, typically the strongest quarter of the year). Although our estimates already factored in EBITDA margin contraction, this trading update suggests margin erosion will be c.0.5pp higher than we were forecasting.

**WE ARE LOWERING OUR FORECASTS (EBITDA 2023E: -13,5%).** The current weak sector momentum is expected to continue throughout the entire second half. That has prompted us to cut our EBITDA margin forecast by 1pp to 9.5%: EBITDA 2023e of c. EUR 75Mn (-13.5% from our last set of estimates). In the wake of the recent share price contraction, the stock is trading at an EV/EBITDA multiple (on our new numbers) of 4.8x.

**WE THINK EARNINGS WILL RECOVER IN 2024E.** 2023e should mark the "floor" for ERC's earnings. Although visibility remains poor, the improvement in demand expected in the chemicals sector from 2024e should push ERC's EBITDA back to c. EUR 90Mn (EV/EBITDA 24e: c.4x vs. c.6x for its main comps).

**Market Data**

Market Cap (Mn EUR and USD)	323.6	349.6
EV (Mn EUR and USD) <sup>(2)</sup>	363.6	392.8
Shares Outstanding (Mn)	96.6	
-12m (Max/Med/Min EUR)	4.80 / 3.52 / 2.68	
Daily Avg volume (-12m Mn EUR)	0.56	
Rotation <sup>(3)</sup>	44.2	
Factset / Bloomberg	ECR-ES / ECR SM	
Close fiscal year	31-Dec	

**Shareholders Structure (%)**

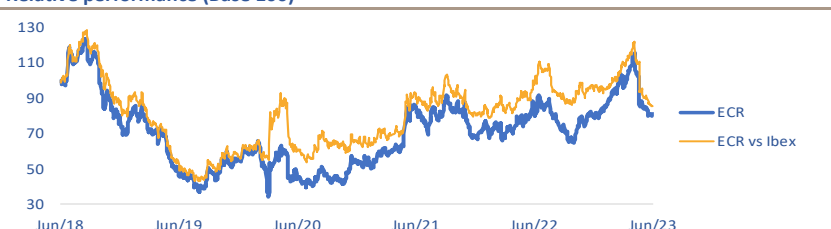
Joan Casas Galofre	5.7
Víctor Manuel Rodríguez Martín	5.0
Dimensional Fund Advisors, L.P.	5.0
Montserrat Garcia Pruns	3.4
Free Float	80.9

**Financials (Mn EUR)**

	2022	2023e	2024e	2025e
Adj. n <sup>o</sup> shares (Mn)	94.2	93.8	91.4	91.4
Total Revenues	1,052.5	800.4	847.0	863.1
Rec. EBITDA	142.1	76.1	89.1	93.5
% growth	52.3	-46.5	17.2	4.9
% Rec. EBITDA/Rev.	13.5	9.5	10.5	10.8
% Inc. EBITDA sector <sup>(4)</sup>	14.6	-7.1	7.6	6.0
Net Profit	63.0	31.0	41.7	44.8
EPS (EUR)	0.67	0.33	0.46	0.49
% growth	52.5	-50.5	37.7	7.5
Ord. EPS (EUR)	0.92	0.34	0.46	0.49
% growth	83.1	-63.0	33.4	7.5
Rec. Free Cash Flow <sup>(5)</sup>	41.4	22.5	23.7	34.0
Pay-out (%)	21.8	22.0	24.0	24.0
DPS (EUR)	0.15	0.07	0.11	0.12
Net financial debt	62.8	69.6	62.4	49.7
ND/Rec. EBITDA (x)	0.4	0.9	0.7	0.5
ROE (%)	18.2	8.6	11.1	11.2
ROCE (%) <sup>(5)</sup>	16.4	7.6	9.3	9.6

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

	2022	2023e	2024e	2025e
P/E	5.0	10.1	7.4	6.8
Ord. P/E	3.6	9.8	7.4	6.8
P/BV	0.9	0.9	0.8	0.8
Dividend Yield (%)	4.4	2.2	3.3	3.5
EV/Sales	0.35	0.45	0.43	0.42
EV/Rec. EBITDA	2.6	4.8	4.1	3.9
EV/EBIT	3.9	8.1	6.4	6.0
FCF Yield (%) <sup>(5)</sup>	12.8	6.9	7.3	10.5

**Relative performance (Base 100)**


Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-5.8	-19.0	0.1	3.4	79.2	-19.2
vs Ibex 35	-6.8	-22.2	-12.2	-8.8	40.0	-14.3
vs Ibex Small Cap Index	-8.3	-15.8	5.9	-6.5	35.2	-19.2
vs Eurostoxx 50	-6.4	-23.7	-19.4	-9.8	30.0	-35.3
vs Sector benchmark <sup>(4)</sup>	-1.3	-19.9	-0.5	-0.5	41.5	-34.1

(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) Sector: Stoxx Europe 600 Chemicals.

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

(6) 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, Factset and Lighthouse.

## Important news

### Estimates downgrade

**Table 1. Estimates review**

EUR Mn	2023e (New)	Review (%)	2024e (New)	Review (%)	2025e (New)	Review (%)
<b>Total Revenues</b>	<b>800.4</b>	<b>-3.3%</b>	<b>847.0</b>	<b>0.3%</b>	<b>863.1</b>	<b>0.3%</b>
<b>Recurrent EBITDA</b>	<b>76.1</b>	<b>-13.5%</b>	<b>89.1</b>	<b>-3.9%</b>	<b>93.5</b>	<b>-3.8%</b>
<i>Recurrent EBITDA growth</i>	<i>-46.5%</i>	<i>-8.4 p.p.</i>	<i>17.2%</i>	<i>11.8 p.p.</i>	<i>4.9%</i>	<i>0.1 p.p.</i>
<i>Rec. EBITDA/Revenues</i>	<i>9.5%</i>	<i>-1.1 p.p.</i>	<i>10.5%</i>	<i>-0.5 p.p.</i>	<i>10.8%</i>	<i>-0.5 p.p.</i>
<b>EBIT</b>	<b>44.9</b>	<b>-21.0%</b>	<b>56.9</b>	<b>-5.9%</b>	<b>60.3</b>	<b>-5.7%</b>
<b>Net Profit</b>	<b>31.0</b>	<b>-23.7%</b>	<b>41.7</b>	<b>-7.0%</b>	<b>44.8</b>	<b>-6.8%</b>
<b>Recurrent Free Cash Flow</b>	<b>22.5</b>	<b>-27.6%</b>	<b>23.7</b>	<b>-18.0%</b>	<b>34.0</b>	<b>-8.8%</b>
<i>ND / EBITDA</i>	<i>0.9 x</i>	<i>0.2 x</i>	<i>0.7 x</i>	<i>0.1 x</i>	<i>0.5 x</i>	<i>0.1 x</i>

## Valuation inputs

### Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value <sup>(1)</sup>			
Free Cash Flow "To the Firm"	27.2	28.4	38.3	495.1			
Market Cap	323.6	At the date of this report					
Net financial debt	67.5	Debt net of Cash (3m Results 2023)					
					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)	3.4%	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	10.6%	Ke = Rf + (R * B)			9.4%	11.2%	
Equity / (Equity + Net Debt)	82.7%	E (Market Cap as equity value)			=	=	
Net Debt / (Equity + Net Debt)	17.3%	D			=	=	
WACC	9.4%	WACC = Kd * D + Ke * E			8.4%	9.9%	
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	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	41,805.6	10.2	12.9%	6.8	11.4%	0.7	3.0%	11.0%	5.8%	2.6%
Solvay	SOLB-BE	11,402.9	8.1	1.6%	5.0	2.0%	1.1	2.3%	22.1%	8.0%	7.7%
Covestro AG	1COV-DE	7,932.8	40.9	n.a.	7.7	24.3%	0.7	4.4%	8.5%	3.2%	64.3%
Europe			19.7	7.2%	6.5	12.6%	0.8	3.3%	13.9%	5.7%	24.8%
DowDuPont	DOW-US	34,794.5	17.1	34.2%	8.0	15.2%	1.0	4.3%	13.0%	6.8%	12.5%
Olin Corp	OLN-US	6,257.6	9.1	31.3%	5.8	7.3%	1.3	5.3%	21.9%	14.3%	11.3%
Westlake	WLK-US	13,708.8	10.6	10.7%	6.0	4.8%	1.3	2.3%	22.4%	8.1%	14.7%
USA			12.2	25.4%	6.6	9.1%	1.2	4.0%	19.1%	9.7%	12.8%
ECR	ECR-ES	323.6	10.1	21.6%	4.8	10.8%	0.5	3.8%	9.5%	6.9%	25.8%

### 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	11.0%	93.4	3.9x
Central	10.5%	89.1	4.1x
Min	10.0%	84.9	4.3x

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

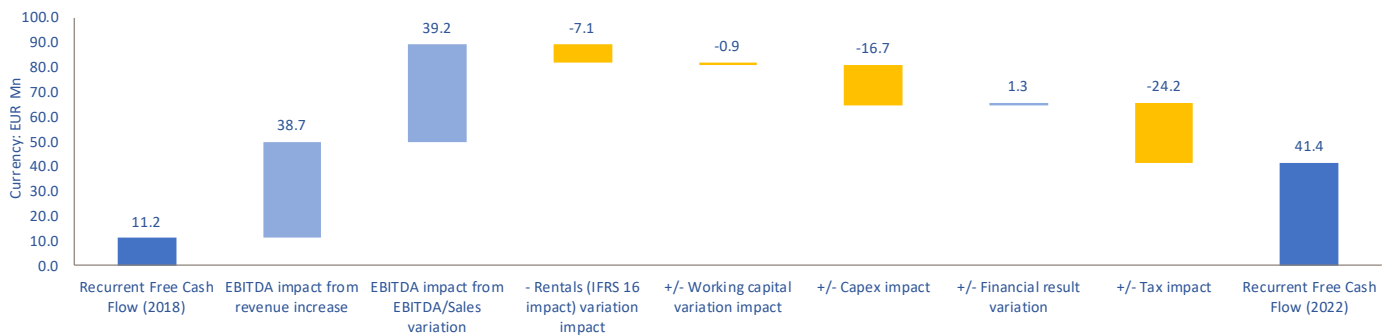
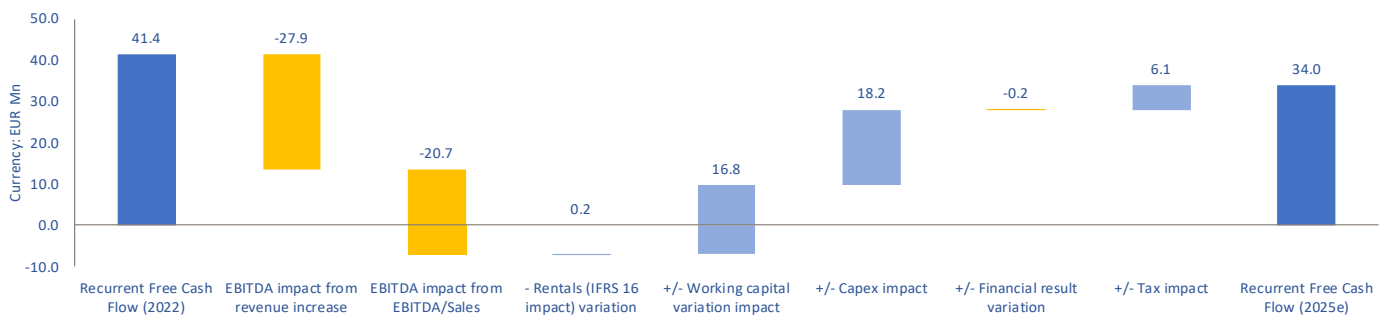
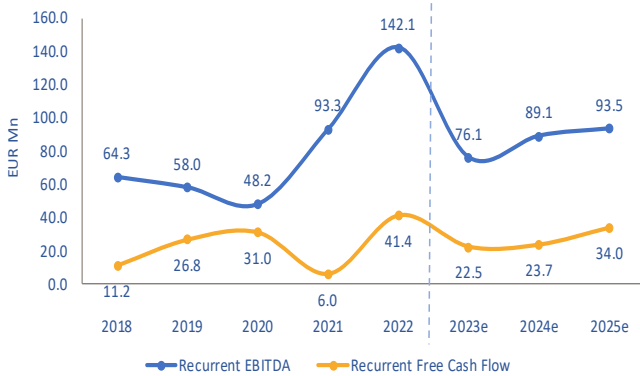
Rec. FCF EUR Mn	CAPEX/Sales 24e				Rec. FCF/Yield 24e		
EBITDA 24e	4.2%	4.7%	5.2%	Scenario			
93.4	32.2	28.0	23.7	Max	9.9%	8.6%	7.3%
89.1	28.0	23.7	19.5	Central	8.6%	7.3%	6.0%
84.9	23.7	19.5	15.3	Min	7.3%	6.0%	4.7%

## Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
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	361.4	375.2	383.2		
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	188.6	198.4	202.1		
<b>Total assets</b>	<b>581.6</b>	<b>584.1</b>	<b>543.6</b>	<b>655.8</b>	<b>686.2</b>	<b>656.6</b>	<b>681.8</b>	<b>695.1</b>		
Equity	272.7	292.1	284.2	331.6	360.7	363.5	388.6	412.1		
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	69.6	62.4	49.7		
Current Liabilities	125.2	119.6	118.8	190.8	163.8	124.5	131.8	134.3		
<b>Equity &amp; Total Liabilities</b>	<b>581.6</b>	<b>584.1</b>	<b>543.6</b>	<b>655.8</b>	<b>686.2</b>	<b>656.6</b>	<b>681.8</b>	<b>695.1</b>		
<b>P&amp;L (EUR Mn)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>18-22</b>	<b>22-25e</b>
<b>Total Revenues</b>	<b>677.1</b>	<b>677.9</b>	<b>579.3</b>	<b>811.8</b>	<b>1,052.5</b>	<b>800.4</b>	<b>847.0</b>	<b>863.1</b>	<b>11.7%</b>	<b>-6.4%</b>
<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>-24.0%</i>	<i>5.8%</i>	<i>1.9%</i>		
COGS	(435.1)	(439.3)	(348.3)	(525.5)	(692.6)	(524.3)	(550.5)	(561.0)		
<b>Gross Margin</b>	<b>242.0</b>	<b>238.6</b>	<b>230.9</b>	<b>286.3</b>	<b>359.9</b>	<b>276.1</b>	<b>296.4</b>	<b>302.1</b>	<b>10.4%</b>	<b>-5.7%</b>
<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>34.5%</i>	<i>35.0%</i>	<i>35.0%</i>		
Personnel Expenses	(79.9)	(83.1)	(84.3)	(83.6)	(89.6)	(91.1)	(94.8)	(94.8)		
Other Operating Expenses	(97.9)	(97.5)	(98.4)	(109.4)	(128.2)	(109.0)	(112.5)	(113.8)		
<b>Recurrent EBITDA</b>	<b>64.3</b>	<b>58.0</b>	<b>48.2</b>	<b>93.3</b>	<b>142.1</b>	<b>76.1</b>	<b>89.1</b>	<b>93.5</b>	<b>21.9%</b>	<b>-13.0%</b>
<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>-46.5%</i>	<i>17.2%</i>	<i>4.9%</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>9.5%</i>	<i>10.5%</i>	<i>10.8%</i>		
Restructuring Expense & Other non-rec.	3.0	4.4	(0.9)	(0.4)	(20.2)	-	-	-		
<b>EBITDA</b>	<b>67.3</b>	<b>62.4</b>	<b>47.3</b>	<b>92.9</b>	<b>121.9</b>	<b>76.1</b>	<b>89.1</b>	<b>93.5</b>	<b>16.0%</b>	<b>-8.5%</b>
Depreciation & Provisions	(24.2)	(25.1)	(27.4)	(25.2)	(23.4)	(25.1)	(26.2)	(27.0)		
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)		
<b>EBIT</b>	<b>43.2</b>	<b>31.2</b>	<b>14.9</b>	<b>61.8</b>	<b>92.2</b>	<b>44.9</b>	<b>56.9</b>	<b>60.3</b>	<b>20.8%</b>	<b>-13.2%</b>
<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>-51.3%</i>	<i>26.8%</i>	<i>6.0%</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>5.6%</i>	<i>6.7%</i>	<i>7.0%</i>		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(6.3)	(6.5)	(8.5)	(3.1)	(5.1)	(5.7)	(5.7)	(5.2)		
Income by the Equity Method	1.1	0.4	0.5	0.6	0.9	0.9	0.9	0.9		
<b>Ordinary Profit</b>	<b>38.0</b>	<b>25.1</b>	<b>7.0</b>	<b>59.3</b>	<b>88.0</b>	<b>40.0</b>	<b>52.1</b>	<b>56.0</b>	<b>23.3%</b>	<b>-14.0%</b>
<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>-54.5%</i>	<i>30.0%</i>	<i>7.5%</i>		
Extraordinary Results	-	(2.5)	-	-	-	-	-	-		
<b>Profit Before Tax</b>	<b>38.0</b>	<b>22.6</b>	<b>7.0</b>	<b>59.3</b>	<b>88.0</b>	<b>40.0</b>	<b>52.1</b>	<b>56.0</b>	<b>23.3%</b>	<b>-14.0%</b>
Tax Expense	6.9	8.4	(0.7)	(9.9)	(17.3)	(8.0)	(10.4)	(11.2)		
<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)	-	-		
<b>Net Profit</b>	<b>44.9</b>	<b>31.0</b>	<b>6.3</b>	<b>43.3</b>	<b>63.0</b>	<b>31.0</b>	<b>41.7</b>	<b>44.8</b>	<b>8.8%</b>	<b>-10.8%</b>
<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>-50.7%</i>	<i>34.2%</i>	<i>7.5%</i>		
<b>Ordinary Net Profit</b>	<b>35.0</b>	<b>20.7</b>	<b>7.1</b>	<b>49.7</b>	<b>86.9</b>	<b>32.0</b>	<b>41.7</b>	<b>44.8</b>	<b>25.5%</b>	<b>-19.8%</b>
<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>-63.1%</i>	<i>30.0%</i>	<i>7.5%</i>		
<b>Cash Flow (EUR Mn)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>18-22</b>	<b>22-25e</b>
<b>Recurrent EBITDA</b>						<b>76.1</b>	<b>89.1</b>	<b>93.5</b>	<b>21.9%</b>	<b>-13.0%</b>
Rentals (IFRS 16 impact)						(6.9)	(6.8)	(6.9)		
Working Capital Increase						12.0	(2.5)	(1.1)		
<b>Recurrent Operating Cash Flow</b>						<b>81.2</b>	<b>79.8</b>	<b>85.4</b>	<b>25.5%</b>	<b>-10.0%</b>
CAPEX						(45.0)	(40.0)	(35.0)		
Net Financial Result affecting the Cash Flow						(5.7)	(5.7)	(5.2)		
Tax Expense						(8.0)	(10.4)	(11.2)		
<b>Recurrent Free Cash Flow</b>						<b>22.5</b>	<b>23.7</b>	<b>34.0</b>	<b>38.7%</b>	<b>-6.4%</b>
Restructuring Expense & Other non-rec.						(1.0)	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
<b>Free Cash Flow</b>						<b>21.5</b>	<b>23.7</b>	<b>34.0</b>	<i>n.a.</i>	<b>20.5%</b>
Capital Increase						(14.5)	(9.8)	(11.2)		
Dividends						(13.8)	(6.8)	(10.0)		
<b>Net Debt Variation</b>						<b>6.8</b>	<b>(7.1)</b>	<b>(12.7)</b>		

## Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
								19-22	22-25e
<b>Recurrent EBITDA</b>	<b>58.0</b>	<b>48.2</b>	<b>93.3</b>	<b>142.1</b>	<b>76.1</b>	<b>89.1</b>	<b>93.5</b>	<b>34.8%</b>	<b>-13.0%</b>
<i>Recurrent EBITDA growth</i>	-9.7%	-16.9%	93.4%	52.3%	-46.5%	17.2%	4.9%		
<i>Rec. EBITDA/Revenues</i>	8.6%	8.3%	11.5%	13.5%	9.5%	10.5%	10.8%		
- 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)	12.0	(2.5)	(1.1)		
<b>= Recurrent Operating Cash Flow</b>	<b>79.8</b>	<b>76.0</b>	<b>58.7</b>	<b>117.0</b>	<b>81.2</b>	<b>79.8</b>	<b>85.4</b>	<b>13.6%</b>	<b>-10.0%</b>
<i>Rec. Operating Cash Flow growth</i>	69.1%	-4.8%	-22.7%	99.4%	-30.6%	-1.7%	7.0%		
<i>Rec. Operating Cash Flow / Sales</i>	11.8%	13.1%	7.2%	11.1%	10.1%	9.4%	9.9%		
- CAPEX	(54.9)	(35.8)	(39.6)	(53.2)	(45.0)	(40.0)	(35.0)		
- Net Financial Result affecting Cash Flow	(6.5)	(8.5)	(3.1)	(5.1)	(5.7)	(5.7)	(5.2)		
- Taxes	8.4	(0.7)	(9.9)	(17.3)	(8.0)	(10.4)	(11.2)		
<b>= Recurrent Free Cash Flow</b>	<b>26.8</b>	<b>31.0</b>	<b>6.0</b>	<b>41.4</b>	<b>22.5</b>	<b>23.7</b>	<b>34.0</b>	<b>15.7%</b>	<b>-6.4%</b>
<i>Rec. Free Cash Flow growth</i>	138.9%	15.8%	-80.5%	585.0%	-45.8%	5.6%	43.2%		
<i>Rec. Free Cash Flow / Revenues</i>	3.9%	5.4%	0.7%	3.9%	2.8%	2.8%	3.9%		
- Restructuring expenses & others	-	-	-	-	(1.0)	-	-		
- Acquisitions / + Divestments	-	-	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(5.0)	4.2	16.5	(22.0)	-	-	-		
<b>= Free Cash Flow</b>	<b>21.7</b>	<b>35.2</b>	<b>22.6</b>	<b>19.4</b>	<b>21.5</b>	<b>23.7</b>	<b>34.0</b>	<b>-3.7%</b>	<b>20.5%</b>
<i>Free Cash Flow growth</i>	n.a.	62.1%	-35.9%	-14.0%	10.5%	10.5%	43.2%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	8.3%	9.6%	1.9%	12.8%	6.9%	7.3%	10.5%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	6.7%	10.9%	7.0%	6.0%	6.6%	7.3%	10.5%		
<b>B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)</b>									
	2019	2020	2021	2022	2023e	2024e	2025e		
<b>Recurrent FCF(FY - 1)</b>	<b>11.2</b>	<b>26.8</b>	<b>31.0</b>	<b>6.0</b>	<b>41.4</b>	<b>22.5</b>	<b>23.7</b>		
EBITDA impact from revenue increase	0.1	(8.4)	19.4	27.7	(34.0)	4.4	1.7		
EBITDA impact from EBITDA/Sales variation	(6.3)	(1.4)	25.7	21.1	(32.0)	8.6	2.6		
<b>= Recurrent EBITDA variation</b>	<b>(6.2)</b>	<b>(9.8)</b>	<b>45.1</b>	<b>48.8</b>	<b>(66.0)</b>	<b>13.0</b>	<b>4.3</b>		
- 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	30.0	(14.5)	1.4		
<b>= Recurrent Operating Cash Flow variation</b>	<b>32.6</b>	<b>(3.8)</b>	<b>(17.3)</b>	<b>58.3</b>	<b>(35.9)</b>	<b>(1.3)</b>	<b>5.6</b>		
+/- CAPEX impact	(18.4)	19.2	(3.8)	(13.6)	8.2	5.0	5.0		
+/- Financial result variation	(0.2)	(2.0)	5.3	(1.9)	(0.6)	0.0	0.4		
+/- Tax impact	1.5	(9.1)	(9.2)	(7.4)	9.3	(2.4)	(0.8)		
<b>= Recurrent Free Cash Flow variation</b>	<b>15.6</b>	<b>4.2</b>	<b>(24.9)</b>	<b>35.4</b>	<b>(19.0)</b>	<b>1.3</b>	<b>10.2</b>		
<b>Recurrent Free Cash Flow</b>	<b>26.8</b>	<b>31.0</b>	<b>6.0</b>	<b>41.4</b>	<b>22.5</b>	<b>23.7</b>	<b>34.0</b>		
<b>C) "FCF to the Firm" (pre debt service) (EUR Mn)</b>									
	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
<b>EBIT</b>	<b>31.2</b>	<b>14.9</b>	<b>61.8</b>	<b>92.2</b>	<b>44.9</b>	<b>56.9</b>	<b>60.3</b>	<b>43.5%</b>	<b>-13.2%</b>
* 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)	(9.0)	(11.4)	(12.1)		
<b>Recurrent EBITDA</b>	<b>58.0</b>	<b>48.2</b>	<b>93.3</b>	<b>142.1</b>	<b>76.1</b>	<b>89.1</b>	<b>93.5</b>	<b>34.8%</b>	<b>-13.0%</b>
- 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)	12.0	(2.5)	(1.1)		
<b>= Recurrent Operating Cash Flow</b>	<b>79.8</b>	<b>76.0</b>	<b>58.7</b>	<b>117.0</b>	<b>81.2</b>	<b>79.8</b>	<b>85.4</b>	<b>13.6%</b>	<b>-10.0%</b>
- CAPEX	(54.9)	(35.8)	(39.6)	(53.2)	(45.0)	(40.0)	(35.0)		
- Taxes (pre- Financial Result)	-	(1.6)	(10.3)	(18.1)	(9.0)	(11.4)	(12.1)		
<b>= Recurrent Free Cash Flow (To the Firm)</b>	<b>24.9</b>	<b>38.6</b>	<b>8.8</b>	<b>45.7</b>	<b>27.2</b>	<b>28.4</b>	<b>38.3</b>	<b>22.5%</b>	<b>-5.7%</b>
<i>Rec. Free Cash Flow (To the Firm) growth</i>	132.8%	55.4%	-77.3%	421.5%	-40.5%	4.6%	34.8%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	3.7%	6.7%	1.1%	4.3%	3.4%	3.4%	4.4%		
- Acquisitions / + Divestments	-	-	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(5.0)	4.2	16.5	(22.0)	-	-	-		
<b>= Free Cash Flow "To the Firm"</b>	<b>19.8</b>	<b>42.9</b>	<b>25.3</b>	<b>23.7</b>	<b>27.2</b>	<b>28.4</b>	<b>38.3</b>	<b>6.1%</b>	<b>17.4%</b>
<i>Free Cash Flow (To the Firm) growth</i>	72.2%	116.3%	-41.0%	-6.5%	14.9%	4.6%	34.8%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	6.8%	10.6%	2.4%	12.6%	7.5%	7.8%	10.5%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	5.4%	11.8%	7.0%	6.5%	7.5%	7.8%	10.5%		

**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	323.6	
+ Minority Interests	-	3m Results 2023
+ Provisions & Other L/T Liabilities	11.7	12m Results 2022
+ Net financial debt	67.5	3m Results 2023
- Financial Investments	39.2	12m Results 2022
+/- Others		
<b>Enterprise Value (EV)</b>	<b>363.6</b>	



## Appendix 4. Historical performance <sup>(1)</sup>

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	800.4	847.0	863.1	4.5%	-6.4%
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%	-24.0%	5.8%	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	76.1	89.1	93.5	30.6%	-8.5%
EBITDA growth	-48.2%	190.5%	-31.1%	95.3%	87.0%	-0.9%	10.3%	-7.2%	-24.2%	96.3%	31.2%	-37.6%	17.2%	4.9%		
EBITDA/Sales	1.2%	3.9%	2.8%	5.3%	10.2%	8.9%	9.9%	9.2%	8.2%	11.4%	11.6%	9.5%	10.5%	10.8%		
Net Profit	(12.1)	(0.3)	(7.1)	7.2	45.2	44.6	44.9	31.0	6.3	43.3	63.0	31.0	41.7	44.8	21.8%	-10.8%
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%	-50.7%	34.2%	7.5%		
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	93.8	91.4	91.4		
EPS (EUR)	-0.12	0.00	-0.06	0.06	0.40	0.40	0.41	0.29	0.06	0.44	0.67	0.33	0.46	0.49	22.4%	-9.9%
EPS growth	n.a.	97.4%	n.a.	n.a.	n.a.	0.3%	3.5%	-28.9%	-79.1%	n.a.	52.5%	-50.5%	37.7%	7.5%		
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	0.34	0.46	0.49	25.5%	-19.0%
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%	-63.0%	33.4%	7.5%		
CAPEX	(16.1)	(4.4)	(6.2)	(9.2)	(18.7)	(42.8)	(36.5)	(54.9)	(35.8)	(39.6)	(53.2)	(45.0)	(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%	5.6%	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	21.5	23.7	34.0	19.1%	20.5%
ND/EBITDA (x) <sup>(2)</sup>	17.3x	5.2x	6.1x	2.8x	1.3x	1.6x	1.6x	1.6x	1.6x	0.6x	0.5x	0.9x	0.7x	0.5x		
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	10.1x	7.4x	6.8x		
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	0.45x	0.43x	0.42x		
EV/EBITDA (x) <sup>(2)</sup>	22.1x	7.3x	8.7x	5.0x	4.7x	6.8x	6.9x	6.2x	6.5x	3.9x	3.1x	4.8x	4.1x	3.9x		
Absolute performance	-41.2%	18.7%	-17.3%	56.7%	198.7%	57.0%	9.9%	-15.8%	-14.0%	37.8%	11.3%	3.4%	4.1x	3.9x		
Relative performance vs Ibx5	-38.3%	-2.2%	-20.2%	68.8%	204.8%	46.2%	29.2%	-24.7%	1.7%	27.7%	17.9%	-8.8%				

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		
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		41,805.6	11,402.9	7,932.8		34,794.5	6,257.6	13,708.8		323.6
Enterprise value (EV)		60,992.6	14,705.9	10,723.3		46,884.3	9,030.0	17,098.7		363.6
Basic financial information	Total Revenues	81,740.8	13,295.2	16,408.1		44,932.6	7,174.0	12,785.1		800.4
	Total Revenues growth	-6.4%	-17.3%	-8.7%	-10.8%	-14.7%	-17.3%	-12.6%	-14.9%	-24.0%
	2y CAGR (2023e - 2025e)	3.0%	2.3%	4.4%	3.3%	4.3%	5.3%	2.3%	4.0%	3.8%
	EBITDA	9,009.2	2,944.5	1,391.6		5,838.8	1,569.3	2,863.4		76.1
	EBITDA growth	-15.4%	-4.1%	23.5%	1.3%	-22.0%	-28.9%	-25.3%	-25.4%	-37.6%
	2y CAGR (2023e - 2025e)	11.4%	2.0%	24.3%	12.6%	15.2%	7.3%	4.8%	9.1%	10.8%
	EBITDA/Revenues	11.0%	22.1%	8.5%	13.9%	13.0%	21.9%	22.4%	19.1%	9.5%
	EBIT	5,166.5	2,039.7	509.6		3,355.7	1,036.3	1,850.3		44.9
	EBIT growth	-23.6%	-3.8%	113.2%	28.6%	-32.0%	-36.5%	-35.2%	-34.6%	-51.3%
	2y CAGR (2023e - 2025e)	16.0%	2.2%	54.8%	24.3%	23.3%	11.8%	9.0%	14.7%	16.0%
	EBIT/Revenues	6.3%	15.3%	3.1%	8.3%	7.5%	14.4%	14.5%	12.1%	5.6%
	Net Profit	3,726.4	1,241.6	217.2		1,911.8	669.3	1,292.2		31.0
	Net Profit growth	694.3%	-34.8%	179.8%	279.8%	-54.7%	-45.5%	-37.5%	-45.9%	-50.7%
2y CAGR (2023e - 2025e)	16.2%	6.2%	92.6%	38.3%	33.6%	13.3%	9.3%	18.7%	20.1%	
CAPEX/Sales %	7.4%	9.0%	5.0%	7.1%	4.7%	3.1%	7.6%	5.1%	5.6%	
Free Cash Flow	2,443.4	915.7	253.4		2,374.5	893.5	1,108.5		21.5	
Net financial debt	17,493.6	2,058.2	2,521.5		10,679.4	2,264.5	1,878.0		69.6	
ND/EBITDA (x)	1.9	0.7	1.8	1.5	1.8	1.4	0.7	1.3	0.9	
Pay-out	81.9%	34.8%	33.5%	50.1%	99.8%	16.5%	12.2%	42.8%	22.0%	
Multiples and Ratios	P/E (x)	10.2	8.1	40.9	19.7	17.1	9.1	10.6	12.2	10.1
	P/BV (x)	1.0	1.0	1.1	1.0	1.9	2.8	1.3	2.0	0.9
	EV/Revenues (x)	0.7	1.1	0.7	0.8	1.0	1.3	1.3	1.2	0.5
	EV/EBITDA (x)	6.8	5.0	7.7	6.5	8.0	5.8	6.0	6.6	4.8
	EV/EBIT (x)	11.8	7.2	21.0	13.4	14.0	8.7	9.2	10.6	8.1
	ROE	10.2	12.5	2.6	8.5	11.1	31.2	12.5	18.3	8.6
	FCF Yield (%)	5.8	8.0	3.2	5.7	6.8	14.3	8.1	9.7	6.9
	DPS	3.39	4.17	0.38	2.65	2.65	0.76	1.23	1.55	0.07
Dvd Yield	7.2%	3.9%	0.9%	4.0%	5.4%	1.6%	1.1%	2.7%	2.2%	

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).

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#### Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
14-Jun-2023	n.a.	3.35	n.a.	n.a.	Important news - Estimates downgrade	David López Sánchez
12-Jun-2023	n.a.	3.32	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
03-May-2023	n.a.	4.20	n.a.	n.a.	3m Results 2023	David López Sánchez
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

