

Important news

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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.

Bondalti takeover bid: low offer price, does not show ECR's real ability to generate FCF

BONDALTI HAS LAUNCHED TAKEOVER BID FOR 100% OF ERC. Bondalti Iberica (wholly owned by Portuguese industrial group Bondalti Capital, with operations in the industrial chemicals sector) has launched a takeover bid for all shares of ECR at a price of EUR 3.6/share (EUR 329Mn), representing a premium of 41% over the pre-bid closing price (4 March; EUR 2.56). It is an all-cash offer. The deal requires acceptance of at least 75% of the share capital. If this threshold is not met, Bondalti will either (i) keep the ECR shares listed or (ii) launch another bid.

2023: SECTOR TROUGH, WHERE IT COULD STAY THROUGH 1H24. The sector's poor situation was evident in 2023 (e.g. drop in manufacturing PMI, slower industry destocking process than usual), reflecting extremely soft demand. Although we expect sector momentum to remain weak in 1H24e, demand should start to recover in 2H24. However, this hasn't been priced in by the market. ECR's EBITDA 2023 was 1/3 that of 2022... The takeover bid comes, literally and objectively, at the cyclical "trough".

TRAILING 12-MONTH PERFORMANCE (PRE-TAKEOVER BID) AND MARKET VALUE. After the sharp correction by the share price (to 4 May, before the bid, ECR's trailing 12-month performance: -36.3%; -40.2% vs Ibex 35, -39.0% vs sector), our estimates for 2024e (1H24 affected by sector headwinds) put the company trading at an EV/EBITDA multiple of 4.7x vs 7.4x for its European comps (current multiple). The bid price equates to an implicit EV/EBITDA multiple of 6.4x (-14% vs sector). Put another way, the premium offered (c. 41%) is below the sector multiple (at the cyclical "trough"). Applying a 7.4x multiple to recurring EBITDA 2024e we obtain a price per share of EUR 4.3 (+18.2% vs the offer), which means that the takeover bid isn't even reflecting ECR's market value at the bottom of the cycle (and the company's earnings). So, no premium to the sector multiple.

INTRINSIC/REAL VALUATION OF EUR 4.7 PER SHARE. Assuming normalised recurring FCF (see next page), i.e. in a mid-cycle year, we obtain a price of EUR 4.7/share (+29.6% vs the offer price). That would be ECR's real value based on its FCF generation potential during a mid-cycle year (neither a "peak" nor a "trough"). The price offered is well below ECR's intrinsic value. This suggests that the takeover was made considering the cyclical trough in 2023 and the start of 2024.

IN SHORT, THE OFFER PRICE IS BELOW ECR'S INTRINSIC VALUE. If we take normalised recurring FCF (mid-cycle) to calculate ECR's intrinsic or "real" value (see next page), we get a value for ECR that is 29.6% higher than the offer price. Simply and straightforward, the price offered: (i) "mathematically" implies a premium (+41%), resulting from the share's strong underperformance, (ii) is below the market multiple of comps (no premium in terms of EV/EBITDA 2024e) and (iii) is well below ECR's intrinsic/underlying value based on its FCF generative ability. In other words, analysed with a clear head, the numbers indicate that the bid price is low.

Market Data

Market Cap (Mn EUR and USD)	312.7	341.8
EV (Mn EUR and USD) ⁽²⁾	350.7	383.2
Shares Outstanding (Mn)	91.4	
-12m (Max/Med/Mín EUR)	4.62 / 3.09 / 2.28	
Daily Avg volume (-12m Mn EUR)	0.47	
Rotation ⁽³⁾	38.1	
Factset / Bloomberg	ECR-ES / ECR SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Joan Casas Galofre	6.0
Victor Manuel Rodríguez Martín	5.5
Dimensional Fund Advisors, L.P.	5.0
Montserrat Garcia Pruns	3.6
Free Float	79.9

Financials (Mn EUR)

	2023	2024e	2025e	2026e
Adj. nº shares (Mn)	93.8	91.4	91.4	91.4
Total Revenues	755.4	763.7	805.7	822.1
Rec. EBITDA	47.1	57.4	69.7	73.9
% growth	-66.8	21.8	21.5	6.0
% Rec. EBITDA/Rev.	6.2	7.5	8.7	9.0
% Inc. EBITDA sector ⁽⁴⁾	-23.8	14.1	7.9	9.5
Net Profit	27.6	18.2	27.8	31.0
EPS (EUR)	0.29	0.20	0.30	0.34
% growth	-56.0	-32.3	52.5	11.7
Ord. EPS (EUR)	0.09	0.20	0.30	0.34
% growth	-89.8	111.4	52.5	11.7
Rec. Free Cash Flow ⁽⁵⁾	11.4	11.6	16.9	20.1
Pay-out (%)	22.0	24.0	24.0	24.0
DPS (EUR)	0.06	0.05	0.07	0.08
Net financial debt	80.8	77.9	69.0	58.8
ND/Rec. EBITDA (x)	1.7	1.4	1.0	0.8
ROE (%)	7.6	4.9	7.3	7.7
ROCE (%) ⁽⁵⁾	2.8	4.5	6.4	6.9

Ratios & Multiples (x)⁽⁶⁾

	2023	2024e	2025e	2026e
P/E	11.6	17.2	11.3	10.1
Ord. P/E	36.3	17.2	11.3	10.1
P/BV	0.9	0.8	0.8	0.8
Dividend Yield (%)	1.9	1.4	2.1	2.4
EV/Sales	0.46	0.46	0.44	0.43
EV/Rec. EBITDA	7.4	6.1	5.0	4.7
EV/EBIT	26.9	13.2	9.2	8.4
FCF Yield (%) ⁽⁵⁾	3.6	3.7	5.4	6.4

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	42.2	40.7	-15.1	29.5	42.6	15.6
vs Ibex 35	36.3	38.4	-22.6	26.8	14.5	3.6
vs Ibex Small Cap Index	41.6	41.0	-7.3	30.8	54.7	-1.6
vs Eurostoxx 50	33.8	26.6	-27.0	17.8	5.2	-23.1
vs Sector benchmark ⁽⁴⁾	34.3	32.9	-21.9	27.9	20.3	-21.8

(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

1. Conditions for the effectiveness of the offer

The bid is contingent on:

- Acceptance by least 75% plus one share of ECR's capital (i.e. 68,577,151 shares).
- Mandatory authorisation or, as appropriate, non-opposition (not subject to commitments or conditions) from the pertinent anti-trust authorities (the CNMC in Spain and the Portuguese authority).
- Mandatory authorisation (in respect of the Foreign Subsidies Regulation, or FSR) or as appropriate, non-opposition (not subject to commitments or conditions) from the European Commission.

Should authorisation by the CNMC, the AoC or the European Commission be subject to any conditions or obligations imposed on Bondalti, this must be disclosed by Bondalti to the Spanish Securities Exchange Commission (CNMV) and the market promptly, irrespective of whether it accepts or rejects them. If Bondalti notifies its decision not to accept them, it will be deemed that the related authorisation was not obtained and, therefore, it should withdraw its offer.

If the bid is settled, but Bondalti (subject to a prior waiver of the minimum acceptance condition) does not reach the 75% of ECR share capital threshold at the settlement date, Bondalti will decide whether to (i) keep the ECR shares listed or (ii) draw up a new offer for delisting the shares.

Generally, bids for 100% of a company's shares require acceptance by at least 90% of the capital for the bidder to effect a squeeze-out. Since this takeover bid is apparently hostile and not an agreed-upon deal with the company's core shareholders -Joan Casas Galofre (6.0%), Víctor Manuel Rodríguez Martín (5.5%) and Montserrat Garcia Pruns (3.6%)- who hold a combined 15.1% of the shares, the possibility of reaching 90% acceptance and effecting a squeeze out (i.e. forced delisting) is hardly a given as things stand.

2. Market multiple valuation

We estimate ECR's current market value at EUR 57.4Mn, taking as a reference its European peer EV/EBITDA multiple (7.4x; with a margin for error of +/- 5%) and multiplying it by our recurring EBITDA 2024e estimate (still affected by sector headwinds). This gives an EV within a range of EUR 405.6–448.2Mn, which adjusted (for net debt, provisions and other non-current liabilities and financial assets) would give a range for the share price of EUR 4.0 – 4.5. This equates to a spread of 11.7%-24.6% to Bondalti's EUR 3.6 per share offer. So, the price offered is clearly below the (EV/EBITDA) multiple at which the sector is trading taking 2024e earnings.

Table 1. Valuation by EV/EBITDA 2024e multiple

		Base case	
Recurring EBITDA 2024e	57.4	57.4	57.4
Peers Multiple - Europe	7.1x	7.4x	7.8x
Enterprise Value	405.6	426.9	448.2
- Minority Interest	-	-	-
- Provisions & Other L/T Liabilities	(23.6)	(23.6)	(23.6)
'- Net financial debt	(80.8)	(80.8)	(80.8)
+ Financial investments	66.5	66.5	66.5
Equity Value	367.6	389.0	410.3
Number of shares	91.4	91.4	91.4
Price/shares	4.0	4.3	4.5
Differential o/takeover bid	11.7%	18.2%	24.6%

* Financial assets include: (i) the present value (EUR 43.9Mn) of recognised and unrecognised deferred tax assets of EUR 40.6Mn and EUR 28.5Mn, respectively, discounted (we have assumed a period between 2024 - 2033 for their application) at a WACC of 8.9% (see page 6). For further details, see section 6 (o) of the 2023 annual accounts. And (ii) other non-current assets, primarily income taxes receivable, amounting to EUR 19.4Mn.

3. Intrinsic valuation

Second, we valued the company considering potential earnings for a mid-cycle year. This is key for an extremely cyclical company like ECR, where earnings in the different stages of the cycle vary widely. This exercise provides us with an estimated intrinsic or underlying value, free from the determining factor of the current stage in the company's cycle (i.e. at its trough).

We start with average recurring EBITDA of EUR 65Mn and then make the pertinent adjustments: (i) average cash outflow 2019 -2026e as a result of IFRS 16, (ii) the impact of working capital changes (in line with the historical average cash inflow/outflow due to working capital changes over the 2013-2023 period), (iii) annual maintenance CAPEX (without considering any investments to expand installed capacity) and (iv) a 25% income tax rate. This gives us a normalised recurring FCF (EUR 34.5 Mn; mid-cycle), which we discount in perpetuity to calculate equity value (EV).

This yields an estimated EV of EUR 426.6Mn, or a price per share of EUR 4.7 (+ 29.6% vs the price in the takeover bid).

In our EV calculation, we discounted recurring FCF using a WACC of 8.9% (see breakdown of the calculation on page 6) and a growth rate 'g' of 1.5%. Rates of 1% and 2% would give a share price of EUR 4.3 and 5.0, respectively.

Table 2. Intrinsic valuation

EBIT	33
<i>Theoretical Tax rate</i>	25%
= Taxes (pre-net financial result)	(8.3)
Recurring EBITDA	65
- IFRS 16 impact	(7.2)
+/- Working Capital increase	-
= Recurring Operating Cash Flow	57.8
- Capex	(15.0)
Taxes (pre-financial result)	(8.3)
Recurring Free Cash Flow (To the firm)	34.5
Enterprise Value	464.5
- Minority Interest	-
- Provisions & Other L/T Liabilities	(23.6)
¹ - Net financial debt	(80.8)
+ Financial investments	66.5
Equity Value	426.6
Number of shares	91.4
Price/shares	4.7
Takeover Bid	329.2
Price/shares	3.6
Differential o/takeover bid	29.6%

Note: we have assumed no impact from working capital changes (broadly in line with the average impact of EUR -0.3Mn between 2013 and 2023). As for CAPEX, we assumed EUR 15Mn/year, which reflects the level of annual maintenance CAPEX of recent years, excluding growth CAPEX or capacity increases.

4. Conclusion

In short, the takeover bid price is far below ECR's intrinsic value based on its FCF potential in a mid-cycle year, which is 29.6% above that price. Moreover, it is 15% below the market price derived from the EV/EBITDA multiples fetched by its European comps, despite being at the "trough" of the cycle (including the earnings cycle).

By way of example, ECR's 2023 EBITDA was one-third that of 2022... The bid is being launched truly at the bottom of the cycle. And the premium offered (c.+40%) should be seen in the context of the company's recent share price performance: at the time of the announcement (5 March), ERC had underperformed the Ibex 35 and its sector by -40.2% and -39.0%, respectively, on a trailing 12-month basis.

In other words, analysed with a clear head, the bid price is low. The premium offered is no match for current peer multiples. And it is well below Ercros' intrinsic or fundamental value. That which expresses or reflects the company's real FCF generation potential in a mid-cycle year.

However, the takeover offer has three clear advantages:

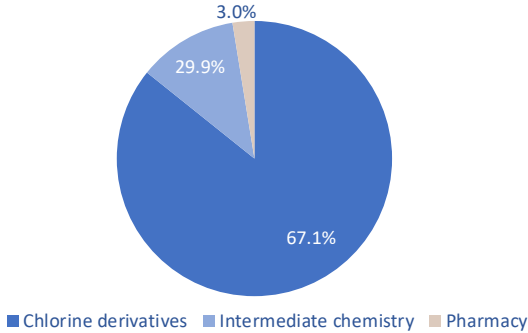
(i) It highlights the fact that ERC (pre-announcement) was trading well below its comps. And that its 2024e earnings are not priced in.

(ii) It makes it clear that ECR is an acquisition target (today and in the future) because its attributes (size, profitability, low net debt) make it attractive for the sector. That suggests that its share price should start to price these features in as they are not circumstantial (Bondalti's current interest) but rather structural (sector interest in companies with characteristics like those of ECR). This is an advantage ECR's shareholders will continue to benefit from in the future.

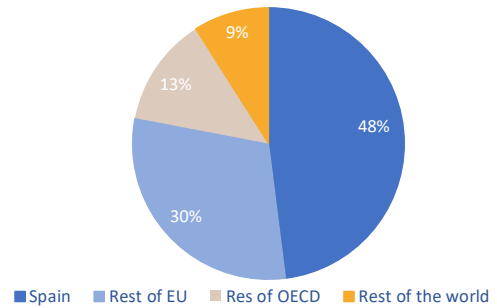
(iii) It evidences the fact that ECR's market value is currently being penalised (cyclical trough, which explains this opportunistic offer), a circumstance that should prove temporary and change very soon (2H24), with the market likely to start to price that upside in ahead of the shift in fundamentals.

The company in 8 charts

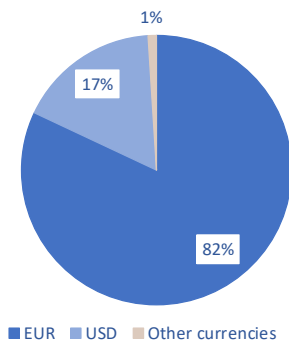
High exposure to the industrial cycle, especially through its chlorine derivatives business (% of EBITDA 2023)



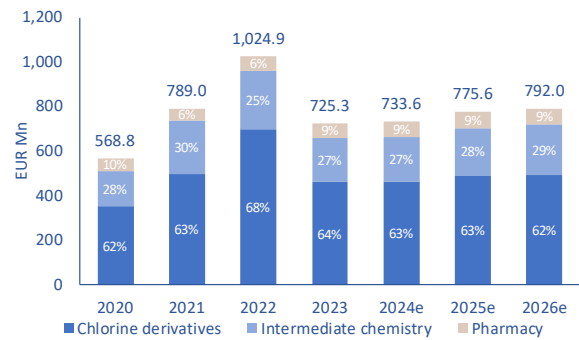
With 52% of sales coming from outside Spain in 2023



Although 82% of the sales were in EUR and 17% in USD in 2023

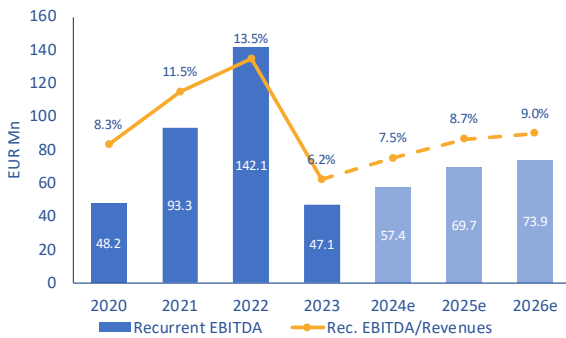


After record results in 2022, in 2023 we witnessed lower activity, which should start to recover in 2H24.

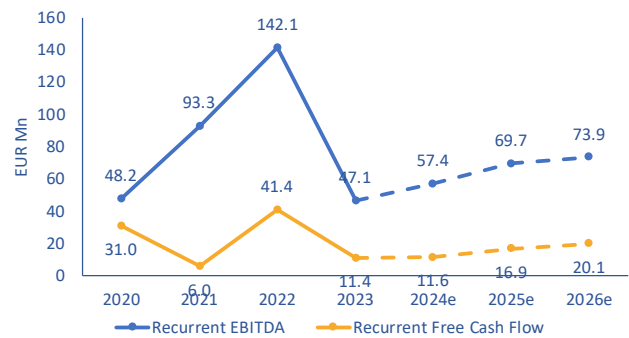


Nota: exclude otros ingresos

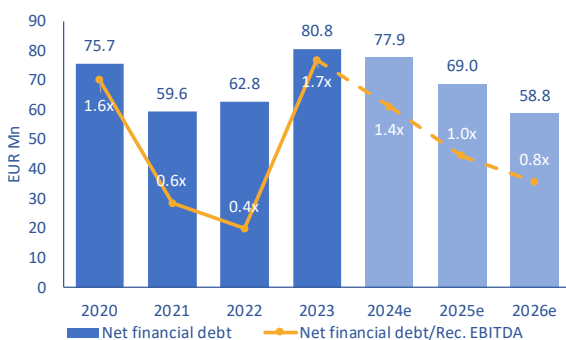
Lower energy costs and business growth should enable ERC to keep its EBITDA margin > 7%



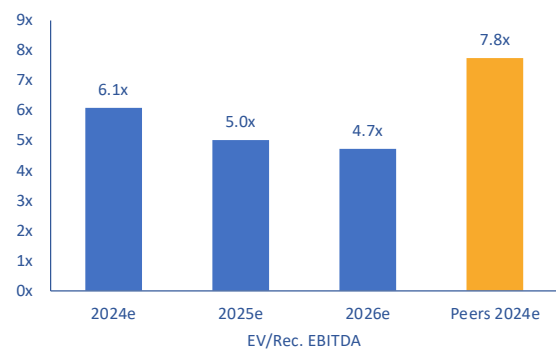
And despite high CAPEX, the ability to generate FCF should remain positive



A very robust balance sheet (ND/EBITDA 2024e: 1.4x)



Trading at relatively low multiples (EV/EBITDA 2024e: 6.1x)



Valuation inputs

Inputs for the DCF Valuation Approach

	2024e	2025e	2026e	Terminal Value ⁽¹⁾			
Free Cash Flow "To the Firm"	16.3	21.4	24.2	n.a.			
Market Cap	312.7	At the date of this report					
Net financial debt	80.8	Debt net of Cash (12m 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)	3.1%	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	10.3%	Ke = Rf + (R * B)			9.2%	10.9%	
Equity / (Equity + Net Debt)	79.5%	E (Market Cap as equity value)			=	=	
Net Debt / (Equity + Net Debt)	20.5%	D			=	=	
WACC	8.9%	WACC = Kd * D + Ke * E			8.0%	9.5%	
G "Fair"	1.5%				2.0%	1.0%	

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

Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 24e	EPS 24e-26e	EV/EBITDA 24e	EBITDA 24e-26e	EV/Sales 24e	Revenues 24e-26e	EBITDA/Sales 24e	FCF Yield 24e	FCF 24e-26e
BASF SE	BAS-DE	43,852.5	13.7	15.7%	7.7	10.1%	0.9	4.1%	11.8%	2.4%	74.4%
Solvay	SOLB-BE	2,488.1	6.4	17.8%	5.8	7.7%	1.2	0.6%	20.7%	16.4%	1.9%
Covestro AG	1COV-DE	9,111.7	61.4	n.a.	8.8	20.5%	0.8	7.5%	9.2%	2.5%	64.4%
Europe			27.1	16.7%	7.4	12.8%	1.0	4.1%	13.9%	7.1%	46.9%
DowDuPont	DOW-US	36,587.8	18.8	29.4%	8.4	15.0%	1.2	4.9%	13.8%	5.0%	18.2%
Olin Corp	OLN-US	6,301.8	15.2	35.3%	7.3	10.0%	1.4	4.1%	18.9%	8.1%	29.6%
Westlake	WLK-US	16,728.7	19.9	25.5%	8.6	11.3%	1.7	5.4%	20.0%	5.1%	13.8%
USA			17.9	30.1%	8.1	12.1%	1.4	4.8%	17.6%	6.1%	20.6%
ECR	ECR-ES	312.7	17.2	30.5%	6.1	13.5%	0.5	3.8%	7.5%	3.7%	31.5%

Free Cash Flow sensitivity analysis (2025e)

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

Scenario	EBITDA/Sales 25e	EBITDA 25e	EV/EBITDA 25e
Max	9.1%	73.0	4.8x
Central	8.7%	69.7	5.0x
Min	8.3%	66.5	5.3x

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

Rec. FCF EUR Mn	CAPEX/Sales 25e				Rec. FCF/Yield 25e		
EBITDA 25e	3.4%	3.8%	4.2%	Scenario			
73.0	23.4	20.1	16.9	Max	7.5%	6.4%	5.4%
69.7	20.1	16.9	13.7	Central	6.4%	5.4%	4.4%
66.5	16.9	13.7	10.5	Min	5.4%	4.4%	3.3%

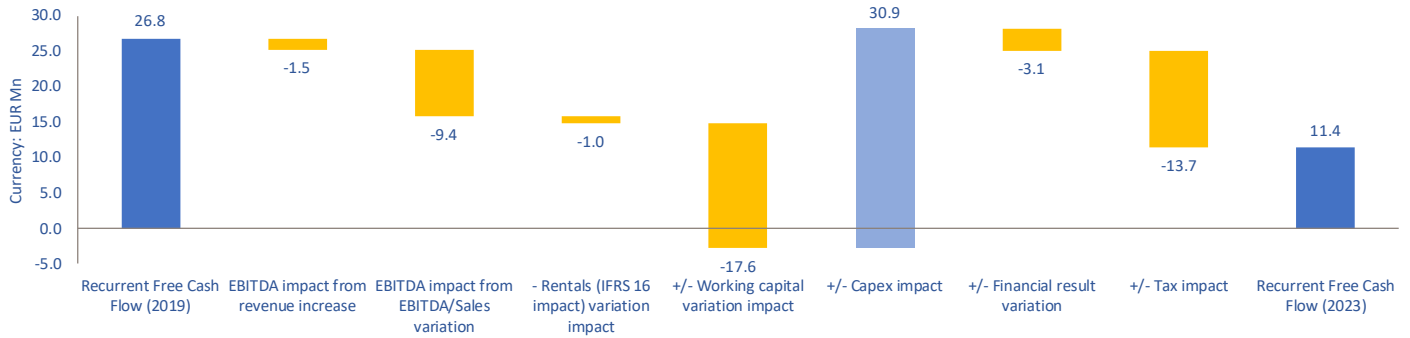
Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2019	2020	2021	2022	2023	2024e	2025e	2026e		
Intangible assets	19.7	16.1	17.7	31.3	29.2	30.2	31.1	32.1		
Fixed assets	296.9	311.3	324.5	341.5	345.1	350.4	356.3	363.6		
Other Non Current Assets	40.3	38.9	35.7	34.4	40.6	40.6	40.6	40.6		
Financial Investments	42.7	28.8	29.0	39.2	57.0	58.6	60.2	61.8		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	184.5	148.6	248.9	239.9	170.2	181.2	190.1	193.6		
Total assets	584.1	543.6	655.8	686.2	642.1	661.0	678.3	691.8		
Equity	292.1	284.2	331.6	360.7	363.1	372.6	392.4	413.4		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	62.2	55.8	67.6	86.6	83.6	83.6	83.6	83.6		
Other Non Current Liabilities	13.4	9.1	6.2	12.3	9.3	9.3	9.3	9.3		
Net financial debt	96.8	75.7	59.6	62.8	80.8	77.9	69.0	58.8		
Current Liabilities	119.6	118.8	190.8	163.8	105.3	117.6	124.1	126.6		
Equity & Total Liabilities	584.1	543.6	655.8	686.2	642.1	661.0	678.3	691.8		
CAGR										
P&L (EUR Mn)	2019	2020	2021	2022	2023	2024e	2025e	2026e	19-23	23-26e
Total Revenues	677.9	579.3	811.8	1,052.5	755.4	763.7	805.7	822.1	2.7%	2.9%
<i>Total Revenues growth</i>	<i>0.1%</i>	<i>-14.6%</i>	<i>40.1%</i>	<i>29.6%</i>	<i>-28.2%</i>	<i>1.1%</i>	<i>5.5%</i>	<i>2.0%</i>		
COGS	(439.3)	(348.3)	(525.5)	(692.6)	(494.7)	(492.6)	(517.3)	(527.0)		
Gross Margin	238.6	230.9	286.3	359.9	260.8	271.1	288.5	295.1	2.2%	4.2%
<i>Gross Margin/Revenues</i>	<i>35.2%</i>	<i>39.9%</i>	<i>35.3%</i>	<i>34.2%</i>	<i>34.5%</i>	<i>35.5%</i>	<i>35.8%</i>	<i>35.9%</i>		
Personnel Expenses	(83.1)	(84.3)	(83.6)	(89.6)	(91.6)	(92.5)	(93.7)	(94.7)		
Other Operating Expenses	(97.5)	(98.4)	(109.4)	(128.2)	(122.0)	(121.2)	(125.0)	(126.5)		
Recurrent EBITDA	58.0	48.2	93.3	142.1	47.1	57.4	69.7	73.9	-5.1%	16.2%
<i>Recurrent EBITDA growth</i>	<i>-9.7%</i>	<i>-16.9%</i>	<i>93.4%</i>	<i>52.3%</i>	<i>-66.8%</i>	<i>21.8%</i>	<i>21.5%</i>	<i>6.0%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>8.6%</i>	<i>8.3%</i>	<i>11.5%</i>	<i>13.5%</i>	<i>6.2%</i>	<i>7.5%</i>	<i>8.7%</i>	<i>9.0%</i>		
Restructuring Expense & Other non-rec.	4.4	(0.9)	(0.4)	(20.2)	(3.8)	-	-	-		
EBITDA	62.4	47.3	92.9	121.9	43.3	57.4	69.7	73.9	-8.7%	19.5%
Depreciation & Provisions	(25.1)	(27.4)	(25.2)	(23.4)	(23.5)	(24.7)	(25.1)	(25.6)		
Capitalized Expense	0.9	2.3	0.5	0.8	1.0	1.0	1.0	1.0		
Rentals (IFRS 16 impact)	(7.1)	(7.3)	(6.3)	(7.1)	(7.8)	(7.1)	(7.3)	(7.4)		
EBIT	31.2	14.9	61.8	92.2	13.0	26.6	38.3	41.9	-19.6%	47.6%
<i>EBIT growth</i>	<i>-27.8%</i>	<i>-52.1%</i>	<i>314.0%</i>	<i>49.0%</i>	<i>-85.9%</i>	<i>104.1%</i>	<i>43.9%</i>	<i>9.5%</i>		
<i>EBIT/Revenues</i>	<i>4.6%</i>	<i>2.6%</i>	<i>7.6%</i>	<i>8.8%</i>	<i>1.7%</i>	<i>3.5%</i>	<i>4.8%</i>	<i>5.1%</i>		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(6.5)	(8.5)	(3.1)	(5.1)	(9.6)	(5.4)	(5.2)	(4.7)		
Income by the Equity Method	0.4	0.5	0.6	0.9	1.6	1.6	1.6	1.6		
Ordinary Profit	25.1	7.0	59.3	88.0	5.0	22.8	34.7	38.8	-33.1%	97.5%
<i>Ordinary Profit Growth</i>	<i>-34.0%</i>	<i>-72.2%</i>	<i>749.1%</i>	<i>48.3%</i>	<i>-94.3%</i>	<i>352.1%</i>	<i>52.5%</i>	<i>11.7%</i>		
Extraordinary Results	(2.5)	-	-	-	-	-	-	-		
Profit Before Tax	22.6	7.0	59.3	88.0	5.0	22.8	34.7	38.8	-31.3%	97.5%
Tax Expense	8.4	(0.7)	(9.9)	(17.3)	23.8	(4.6)	(6.9)	(7.8)		
<i>Effective Tax Rate</i>	<i>n.a.</i>	<i>10.4%</i>	<i>16.7%</i>	<i>19.7%</i>	<i>n.a.</i>	<i>20.0%</i>	<i>20.0%</i>	<i>20.0%</i>		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	(6.1)	(7.7)	(1.2)	-	-	-		
Net Profit	31.0	6.3	43.3	63.0	27.6	18.2	27.8	31.0	-2.9%	4.0%
<i>Net Profit growth</i>	<i>-30.8%</i>	<i>-79.8%</i>	<i>592.0%</i>	<i>45.5%</i>	<i>-56.2%</i>	<i>-34.0%</i>	<i>52.5%</i>	<i>11.7%</i>		
Ordinary Net Profit	20.7	7.1	49.7	86.9	8.8	18.2	27.8	31.0	-19.2%	52.0%
<i>Ordinary Net Profit growth</i>	<i>-40.9%</i>	<i>-65.8%</i>	<i>603.6%</i>	<i>74.7%</i>	<i>-89.8%</i>	<i>106.1%</i>	<i>52.5%</i>	<i>11.7%</i>		
CAGR										
Cash Flow (EUR Mn)	2019	2020	2021	2022	2023	2024e	2025e	2026e	19-23	23-26e
Recurrent EBITDA						57.4	69.7	73.9	-5.1%	16.2%
Rentals (IFRS 16 impact)						(7.1)	(7.3)	(7.4)		
Working Capital Increase						1.3	(2.4)	(1.0)		
Recurrent Operating Cash Flow						51.6	60.0	65.6	-10.9%	9.3%
CAPEX						(30.0)	(31.0)	(33.0)		
Net Financial Result affecting the Cash Flow						(5.4)	(5.2)	(4.7)		
Tax Expense						(4.6)	(6.9)	(7.8)		
Recurrent Free Cash Flow						11.6	16.9	20.1	-19.2%	20.9%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						11.6	16.9	20.1	-26.4%	46.7%
Capital Increase						(2.3)	(3.0)	(5.0)		
Dividends						(6.4)	(5.0)	(5.0)		
Net Debt Variation						(2.9)	(8.9)	(10.1)		

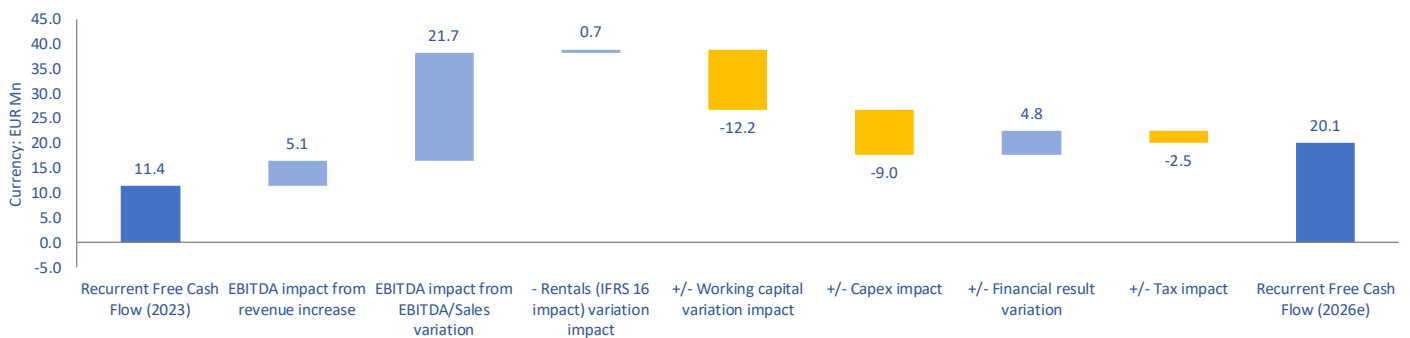
Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2020	2021	2022	2023	2024e	2025e	2026e	CAGR	
								20-23	23-26e
Recurrent EBITDA	48.2	93.3	142.1	47.1	57.4	69.7	73.9	-0.8%	16.2%
<i>Recurrent EBITDA growth</i>	-16.9%	93.4%	52.3%	-66.8%	21.8%	21.5%	6.0%		
<i>Rec. EBITDA/Revenues</i>	8.3%	11.5%	13.5%	6.2%	7.5%	8.7%	9.0%		
- Rentals (IFRS 16 impact)	(7.3)	(6.3)	(7.1)	(8.1)	(7.1)	(7.3)	(7.4)		
+/- Working Capital increase	35.0	(28.3)	(18.0)	11.2	1.3	(2.4)	(1.0)		
= Recurrent Operating Cash Flow	76.0	58.7	117.0	50.2	51.6	60.0	65.6	-12.9%	9.3%
<i>Rec. Operating Cash Flow growth</i>	-4.8%	-22.7%	99.4%	-57.1%	2.7%	16.3%	9.3%		
<i>Rec. Operating Cash Flow / Sales</i>	13.1%	7.2%	11.1%	6.6%	6.8%	7.4%	8.0%		
- CAPEX	(35.8)	(39.6)	(53.2)	(24.0)	(30.0)	(31.0)	(33.0)		
- Net Financial Result affecting Cash Flow	(8.5)	(3.1)	(5.1)	(9.6)	(5.4)	(5.2)	(4.7)		
- Taxes	(0.7)	(9.9)	(17.3)	(5.3)	(4.6)	(6.9)	(7.8)		
= Recurrent Free Cash Flow	31.0	6.0	41.4	11.4	11.6	16.9	20.1	-28.4%	20.9%
<i>Rec. Free Cash Flow growth</i>	15.8%	-80.5%	585.0%	-72.5%	2.1%	45.4%	19.0%		
<i>Rec. Free Cash Flow / Revenues</i>	5.4%	0.7%	3.9%	1.5%	1.5%	2.1%	2.4%		
- Restructuring expenses & others	-	-	-	(1.2)	-	-	-		
- Acquisitions / + Divestments	-	-	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	4.2	16.5	(22.0)	(3.8)	-	-	-		
= Free Cash Flow	35.2	22.6	19.4	6.4	11.6	16.9	20.1	-43.4%	46.7%
<i>Free Cash Flow growth</i>	62.1%	-35.9%	-14.0%	-67.2%	82.4%	45.4%	19.0%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	9.9%	1.9%	13.2%	3.6%	3.7%	5.4%	6.4%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	11.3%	7.2%	6.2%	2.0%	3.7%	5.4%	6.4%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2020	2021	2022	2023	2024e	2025e	2026e		
Recurrent FCF(FY - 1)	26.8	31.0	6.0	41.4	11.4	11.6	16.9		
EBITDA impact from revenue increase	(8.4)	19.4	27.7	(40.1)	0.5	3.2	1.4		
EBITDA impact from EBITDA/Sales variation	(1.4)	25.7	21.1	(54.9)	9.8	9.2	2.8		
= Recurrent EBITDA variation	(9.8)	45.1	48.8	(95.0)	10.3	12.4	4.2		
- Rentals (IFRS 16 impact) variation impact	(0.2)	1.0	(0.8)	(1.0)	1.0	(0.2)	(0.1)		
+/- Working capital variation impact	6.2	(63.3)	10.3	29.2	(9.9)	(3.7)	1.5		
= Recurrent Operating Cash Flow variation	(3.8)	(17.3)	58.3	(66.8)	1.4	8.4	5.6		
+/- CAPEX impact	19.2	(3.8)	(13.6)	29.2	(6.0)	(1.0)	(2.0)		
+/- Financial result variation	(2.0)	5.3	(1.9)	(4.5)	4.2	0.3	0.4		
+/- Tax impact	(9.1)	(9.2)	(7.4)	12.0	0.7	(2.4)	(0.8)		
= Recurrent Free Cash Flow variation	4.2	(24.9)	35.4	(30.0)	0.2	5.3	3.2		
Recurrent Free Cash Flow	31.0	6.0	41.4	11.4	11.6	16.9	20.1		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2020	2021	2022	2023	2024e	2025e	2026e	CAGR	
EBIT	14.9	61.8	92.2	13.0	26.6	38.3	41.9	-4.4%	47.6%
* Theoretical Tax rate	10.4%	16.7%	19.7%	0.0%	20.0%	20.0%	20.0%		
= Taxes (pre- Net Financial Result)	(1.6)	(10.3)	(18.1)	-	(5.3)	(7.7)	(8.4)		
Recurrent EBITDA	48.2	93.3	142.1	47.1	57.4	69.7	73.9	-0.8%	16.2%
- Rentals (IFRS 16 impact)	(7.3)	(6.3)	(7.1)	(8.1)	(7.1)	(7.3)	(7.4)		
+/- Working Capital increase	35.0	(28.3)	(18.0)	11.2	1.3	(2.4)	(1.0)		
= Recurrent Operating Cash Flow	76.0	58.7	117.0	50.2	51.6	60.0	65.6	-12.9%	9.3%
- CAPEX	(35.8)	(39.6)	(53.2)	(24.0)	(30.0)	(31.0)	(33.0)		
- Taxes (pre- Financial Result)	(1.6)	(10.3)	(18.1)	-	(5.3)	(7.7)	(8.4)		
= Recurrent Free Cash Flow (To the Firm)	38.6	8.8	45.7	26.2	16.3	21.4	24.2	-12.1%	-2.6%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	55.4%	-77.3%	421.5%	-42.6%	-37.9%	31.1%	13.5%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	6.7%	1.1%	4.3%	3.5%	2.1%	2.7%	2.9%		
- Acquisitions / + Divestments	-	-	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	4.2	16.5	(22.0)	(3.8)	-	-	-		
= Free Cash Flow "To the Firm"	42.9	25.3	23.7	22.4	16.3	21.4	24.2	-19.4%	2.6%
<i>Free Cash Flow (To the Firm) growth</i>	116.3%	-41.0%	-6.5%	-5.2%	-27.4%	31.1%	13.5%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	11.0%	2.5%	13.0%	7.5%	4.6%	6.1%	6.9%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	12.2%	7.2%	6.7%	6.4%	4.6%	6.1%	6.9%		

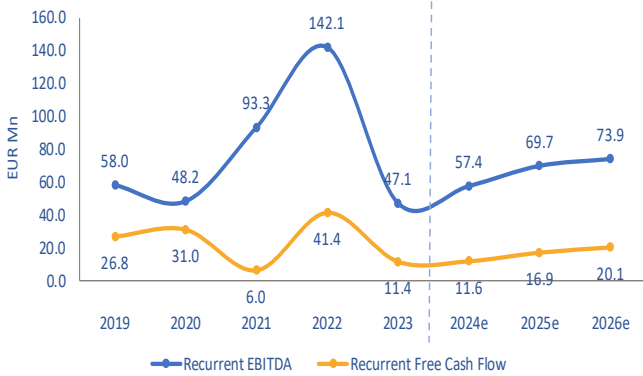
Recurrent Free Cash Flow accumulated variation analysis (2019 - 2023)



Recurrent Free Cash Flow accumulated variation analysis (2023 - 2026e)



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	312.7	
+ Minority Interests	-	12m Results 2023
+ Provisions & Other L/T Liabilities	23.6	12m Results 2023
+ Net financial debt	80.8	12m Results 2023
- Financial Investments	66.5	12m Results 2023
+/- Others		
Enterprise Value (EV)	350.7	

Appendix 4. Historical performance (1)

Historical performance (EUR Mn)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e	CAGR	
															13-23	23-26e
Total Revenues	633.7	607.3	624.5	606.9	689.3	677.1	677.9	579.3	811.8	1,052.5	755.4	763.7	805.7	822.1	1.8%	2.9%
Total Revenues growth	-8.2%	-4.2%	2.8%	-2.8%	13.6%	-1.8%	0.1%	-14.6%	40.1%	29.6%	-28.2%	1.1%	5.5%	2.0%		
EBITDA	24.5	16.9	32.9	61.5	61.0	59.6	62.4	47.3	92.9	121.9	43.3	57.4	69.7	73.9	5.9%	19.5%
EBITDA growth	190.5%	-31.1%	95.3%	87.0%	-0.9%	-2.3%	4.8%	-24.2%	96.3%	31.2%	-64.5%	32.5%	21.5%	6.0%		
EBITDA/Sales	3.9%	2.8%	5.3%	10.1%	8.8%	8.8%	9.2%	8.2%	11.4%	11.6%	5.7%	7.5%	8.7%	9.0%		
Net Profit	(0.3)	(7.1)	7.2	45.2	44.6	44.9	31.0	6.3	43.3	63.0	27.6	18.2	27.8	31.0	56.5%	4.0%
Net Profit growth	97.4%	n.a.	202.0%	523.8%	-1.3%	0.7%	-30.8%	-79.8%	592.0%	45.5%	-56.2%	-34.0%	52.5%	11.7%		
Adjusted number shares (Mn)	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	91.4		
EPS (EUR)	0.00	-0.06	0.06	0.40	0.40	0.41	0.29	0.06	0.44	0.67	0.29	0.20	0.30	0.34	58.0%	4.9%
EPS growth	97.4%	n.a.	n.a.	n.a.	0.3%	3.5%	-28.9%	-79.1%	n.a.	52.5%	-56.0%	-32.3%	52.5%	11.7%		
Ord. EPS (EUR)	0.00	-0.06	0.06	0.40	0.40	0.41	0.19	0.07	0.50	0.92	0.09	0.20	0.30	0.34	41.6%	53.3%
Ord. EPS growth	97.4%	n.a.	n.a.	n.a.	0.3%	3.5%	-52.6%	-64.7%	n.a.	83.1%	-89.8%	n.a.	52.5%	11.7%		
CAPEX	(4.4)	(6.2)	(9.2)	(18.7)	(42.8)	(42.1)	(54.9)	(35.8)	(39.6)	(53.2)	(24.0)	(30.0)	(31.0)	(33.0)		
CAPEX/Sales %	0.7%	1.0%	1.5%	3.1%	6.2%	6.2%	8.1%	6.2%	4.9%	5.1%	3.2%	3.9%	3.8%	4.0%		
Free Cash Flow	19.6	23.4	6.6	20.5	1.1	2.9	21.7	35.2	22.6	19.4	6.4	11.6	16.9	20.1	#####	46.7%
ND/EBITDA (x) ⁽²⁾	5.2x	6.1x	2.8x	1.3x	1.6x	1.9x	1.6x	1.6x	0.6x	0.5x	1.9x	1.4x	1.0x	0.8x		
P/E (x)	n.a.	n.a.	8.6x	4.1x	6.4x	6.8x	8.1x	33.3x	6.4x	4.7x	9.0x	17.2x	11.3x	10.1x		
EV/Sales (x)	0.28x	0.24x	0.26x	0.47x	0.60x	0.69x	0.57x	0.53x	0.45x	0.36x	0.44x	0.46x	0.44x	0.43x		
EV/EBITDA (x) ⁽²⁾	7.3x	8.7x	5.0x	4.7x	6.8x	7.8x	6.2x	6.5x	3.9x	3.1x	7.7x	6.1x	5.0x	4.7x		
Absolute performance	18.7%	-17.3%	56.7%	198.7%	57.0%	9.9%	-15.8%	-14.0%	37.8%	11.3%	-15.3%	29.5%				
Relative performance vs Ibx 35	-2.2%	-20.2%	68.8%	204.8%	46.2%	29.2%	-24.7%	1.7%	27.7%	17.9%	-31.0%	26.8%				

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 2024e

		Europe			USA					
EUR Mn		BASF SE	Solvay	Covestro AG	Average	DowDuPont	Olin Corp	Westlake	Average	ECR
Market data	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	43,852.5	2,488.1	9,111.7		36,587.8	6,301.8	16,728.7		312.7
	Enterprise value (EV)	63,890.5	5,447.6	11,892.2		48,116.2	8,944.2	19,357.3		350.7
Basic financial information	Total Revenues	70,043.7	4,571.4	14,705.2		41,616.6	6,462.0	11,296.1		763.7
	Total Revenues growth	1.7%	-11.2%	2.3%	-2.4%	1.9%	3.4%	-1.6%	1.2%	1.1%
	2y CAGR (2024e - 2026e)	4.1%	0.6%	7.5%	4.1%	4.9%	4.1%	5.4%	4.8%	3.8%
	EBITDA	8,249.9	946.7	1,348.5		5,722.8	1,224.4	2,258.1		57.4
	EBITDA growth	12.4%	-22.2%	41.5%	10.6%	22.0%	-5.4%	6.0%	7.5%	32.5%
	2y CAGR (2024e - 2026e)	10.1%	7.7%	20.5%	12.8%	15.0%	10.0%	11.3%	12.1%	13.5%
	EBITDA/Revenues	11.8%	20.7%	9.2%	13.9%	13.8%	18.9%	20.0%	17.6%	7.5%
	EBIT	4,302.1	635.0	468.1		3,208.7	708.9	1,221.4		26.6
	EBIT growth	25.8%	-30.1%	485.1%	160.3%	39.4%	-9.3%	8.4%	12.8%	104.1%
	2y CAGR (2024e - 2026e)	17.5%	10.7%	50.6%	26.3%	23.2%	17.5%	23.5%	21.4%	25.5%
	EBIT/Revenues	6.1%	13.9%	3.2%	7.7%	7.7%	11.0%	10.8%	9.8%	3.5%
	Net Profit	2,815.2	354.7	141.0		1,935.8	408.0	840.0		18.2
	Net Profit growth	n.a.	-33.8%	171.2%	68.7%	266.0%	-3.1%	92.9%	118.6%	-34.0%
	2y CAGR (2024e - 2026e)	18.7%	15.7%	n.a.	17.2%	29.6%	25.8%	26.1%	27.2%	30.5%
CAPEX/Sales %	8.6%	8.4%	5.5%	7.5%	6.6%	3.3%	8.2%	6.0%	3.9%	
Free Cash Flow	1,065.3	408.4	226.8		1,813.5	513.5	847.4		11.6	
Net financial debt	18,483.3	1,654.0	2,548.0		11,539.9	2,312.6	1,369.3		77.9	
ND/EBITDA (x)	2.2	1.7	1.9	2.0	2.0	1.9	0.6	1.5	1.4	
Pay-out	104.7%	68.3%	43.0%	72.0%	96.5%	23.5%	24.8%	48.3%	24.0%	
Multiples and Ratios	P/E (x)	13.7	6.4	61.4	27.1	18.8	15.2	19.9	17.9	17.2
	P/BV (x)	1.2	1.0	1.4	1.2	2.1	3.1	1.3	2.2	0.8
	EV/Revenues (x)	0.9	1.2	0.8	1.0	1.2	1.4	1.7	1.4	0.5
	EV/EBITDA (x)	7.7	5.8	8.8	7.4	8.4	7.3	8.6	8.1	6.1
	EV/EBIT (x)	14.9	8.6	25.4	16.3	15.0	12.6	15.8	14.5	13.2
	ROE	9.1	15.7	2.2	9.0	11.4	20.2	6.4	12.7	4.9
	FCF Yield (%)	2.4	16.4	2.5	7.1	5.0	8.1	5.1	6.1	3.7
	DPS	3.30	2.33	0.32	1.99	2.65	0.76	1.63	1.68	0.05
Dvd Yield	6.7%	9.9%	0.7%	5.8%	5.1%	1.5%	1.2%	2.6%	1.4%	

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).

LIGHTHOUSE

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
08-Mar-2024	n.a.	3.42	n.a.	n.a.	Important news	Enrique Andrés Abad, CFA
29-Feb-2024	n.a.	2.41	n.a.	n.a.	12m Results 2023	Enrique Andrés Abad, CFA
08-Nov-2023	n.a.	2.85	n.a.	n.a.	9m Results 2023 - Estimates downgrade	Enrique Andrés Abad, CFA
27-Jul-2023	n.a.	3.22	n.a.	n.a.	6m Results 2023	Enrique Andrés Abad, CFA
14-Jun-2023	n.a.	3.22	n.a.	n.a.	Important news - Estimates downgrade	David López Sánchez
12-Jun-2023	n.a.	3.19	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
03-May-2023	n.a.	4.03	n.a.	n.a.	3m Results 2023	David López Sánchez
11-Apr-2023	n.a.	4.31	n.a.	n.a.	Review of estimates	David López Sánchez
22-Feb-2023	n.a.	3.81	n.a.	n.a.	12m Results 2022	David López Sánchez
09-Nov-2022	n.a.	3.18	n.a.	n.a.	9m Results 2022	David López Sánchez
03-Aug-2022	n.a.	3.32	n.a.	n.a.	6m Results 2022	David López Sánchez
15-Jun-2022	n.a.	3.18	n.a.	n.a.	Estimates upgrade	David López Sánchez
04-May-2022	n.a.	3.19	n.a.	n.a.	3m Results 2022	David López Sánchez
25-Feb-2022	n.a.	2.85	n.a.	n.a.	12m Results 2021	David López Sánchez
10-Nov-2021	n.a.	3.32	n.a.	n.a.	9m Results 2021	David López Sánchez
29-Jul-2021	n.a.	3.16	n.a.	n.a.	6m Results 2021 - Estimates upgrade	David López Sánchez
12-May-2021	n.a.	2.98	n.a.	n.a.	3m Results 2021 - Estimates upgrade	David López Sánchez
26-Feb-2021	n.a.	2.27	n.a.	n.a.	12m Results 2020	David López Sánchez
16-Nov-2020	n.a.	1.89	n.a.	n.a.	9m Results 2020	David López Sánchez
03-Aug-2020	n.a.	1.63	n.a.	n.a.	6m Results 2020 - Estimates upgrade	David López Sánchez
15-May-2020	n.a.	1.80	n.a.	n.a.	3m Results 2020	David López Sánchez
30-Apr-2020	n.a.	2.45	n.a.	n.a.	Estimates downgrade	David López Sánchez
02-Mar-2020	n.a.	2.10	n.a.	n.a.	12m Results 2019	David López Sánchez
06-Nov-2019	n.a.	2.23	n.a.	n.a.	9m Results 2019 - Estimates upgrade	David López Sánchez
29-Jul-2019	n.a.	1.77	n.a.	n.a.	6m Results 2019	David López Sánchez
03-Jun-2019	n.a.	2.00	n.a.	n.a.	Initiation of Coverage	David López Sánchez

