

12m Results 2024

 Opinion ⁽¹⁾: Below expectations

 Impact ⁽¹⁾: We will have to lower our estimates

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Business description

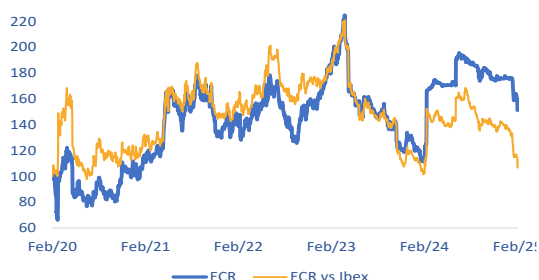
Ercros (ECR) is an industrial group manufacturing chemical products that operates through 3 divisions: (i) basic chemicals, (ii) intermediate chemicals and (iii) pharmaceuticals. The core activity is the production of chlorine-caustic soda, ECR being the main producer in Spain (60% of total installed capacity) and among the top 10 at the European level.

Market Data

Market Cap (Mn EUR and USD)	278.0	291.8
EV (Mn EUR and USD) ⁽²⁾	411.1	431.5
Shares Outstanding (Mn)	91.4	
-12m (Max/Med/Mín EUR)	3.94 / 3.54 / 2.26	
Daily Avg volume (-12m Mn EUR)	0.32	
Rotation ⁽³⁾	29.1	
Factset / Bloomberg	ECR-ES / ECR SM	
Close fiscal year	31-Dec	

Shareholders Structure (%) ⁽⁵⁾

Víctor Manuel Rodríguez Martín	6.1
Joan Casas Galofre	6.0
Dimensional Fund Advisors, L.P.	5.0
Montserrat García Pruns	3.6
Free Float	76.9

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-14.1	-13.4	34.2	51.2
vs Ibex 35	-21.5	-22.7	3.7	6.6
vs Ibex Small Cap Index	-18.6	-24.7	14.3	9.4
vs Eurostoxx 50	-17.7	-23.7	20.1	-0.8
vs Sector benchmark ⁽⁴⁾	-17.9	-18.4	35.5	17.0

(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.

(5) Others: Samson Rock Event Driven Fund 1.4%, Blackrock INC 1.0%

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

12m24 Results: weak (and expected), cycle at lows. Takeover bids are progressing, but slowing down.

12M REVENUE DECLINE (IN LINE)... ECR reported total 12M24 revenues of EUR 692.8Mn (-8.3% YoY; in line). The decline is attributed to weak end-demand (volume, -3.7%), which continues to delay recovery, particularly in the European market. By division: (i) chlorine derivatives sales reached EUR 410.2Mn (-11.0% YoY), (ii) intermediate chemicals declined by -1.4% to EUR 194.6Mn, and (iii) pharmaceuticals dropped to EUR 62.6Mn (-6.6%). In the 4Q alone, growth was c.5% (vs. -0.6% in 3Q), a first indicator of a possible (and very incipient) exit from the cycle's "valley."

...AND A SHARP CONTRACTION OF RECURRING EBITDA (ALSO EXPECTED), which stood at EUR 27.8Mn (vs. EUR 47.1Mn 12M23; -40.9%), with a 4.0% margin (cycle low point; repeating the level seen in 9M24). This is a direct consequence of the impact of weak demand on revenues, along with persistent energy cost pressures. However, it clearly indicates the cyclical low vs. 13.5% margins at the peak (2022). Standalone 4Q24 EBITDA is already clearly above break-even (EUR 5.3Mn; vs. EUR 1.1Mn 3Q). Net income (NI) suffered an inevitable plunge (EUR -11.7Mn), and debt rose sharply (EUR 119.6Mn).

4Q EBITDA SIGNALS THE START OF RECOVERY. 4Q24 results are the cycle's "floor," and we expect them to mark the beginning of recovery. However, we will have to adjust our 2025e numbers (EBITDA EUR 64Mn; margin c.8%) downwards, as significant improvement is not expected until 2H25.

STATUS OF BONDALTI AND ESSECO INDUSTRIAL TAKEOVER BIDS. Both continue (Bondalti at EUR 3.505/share and Esesco at EUR 3.745). However, they have slowed down after being moved to Phase 2 by the competition authority (CNMC), delaying the process. The regulator (CNMV), the Board, and the subscription period and potential competing offers are still pending. We do not expect the offers to be resolved before autumn 2025. The stock price currently trades c.-18.6% vs. the highest offer (Esesco). Approximately 27% of shareholders have communicated their irrevocable intention not to accept either of the two OPAs at current prices, which is, in itself, a strong incentive to improve the offers presented.

IN SUMMARY, RESULTS ARE NOT REFLECTED IN THE STOCK PRICE. AN IMPROVEMENT IN OFFERED PRICES REMAINS LOGICAL. 12M24 results are not reflected in the stock price, although they already show the path of cyclical business recovery, which we expect to become evident in 2H25. This confirms that the OPAs are launched in the cycle's "valley" and at a significant discount to ECR's fundamental value (we estimate EUR 4.7/share based on an EBITDA of EUR 65Mn at the cycle's midpoint: 2.3x 2024 EBITDA with a discount vs. fundamental value of c.-20% in Esesco's OPA). Therefore, the most likely scenario remains a "war" of OPAs with improved offered prices. Recent performance (-13.9% YTD) has increased the discount vs. the highest OPA to -18%: explained by both the slowdown of the OPAs and business weakness. Whether or not there is an improvement in offered prices, the current stock price indicates an evident opportunity. Even in the event of a highly unlikely withdrawal of the offers. That is, in all cases...

Appendix 1. Results table

EUR Mn	12m24	12m23	12m24 vs
			12m23
Total Revenues	692.8	755.4	-8.3%
Chlorine derivatives	410.2	460.8	-11.0%
Intermediate chemicals	194.6	197.4	-1.4%
Pharmaceuticals	62.6	67.1	-6.6%
Other revenues	25.4	30.1	-15.8%
Recurrent EBITDA	27.8	47.1	-40.9%
Rec. EBITDA/Revenues	4.0%	6.2%	-2.2 p.p.
EBITDA	28.6	43.3	-34.0%
EBITDA/Revenues	4.1%	5.7%	-1.6 p.p.
EBIT	-3.1	13.0	-124.1%
PBT	-12.3	5.0	-343.4%
NP	-11.7	27.6	-142.3%
Tons sold (thousand)	938	974	-3.7%

	12m24	12m23	12m24 vs
			12m23
Net Debt	119.6	80.8	48.0%

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	278.0	
+ Minority Interests	-	12m Results 2024
+ Provisions & Other L/T Liabilities	23.8	12m Results 2024
+ Net financial debt	119.6	12m Results 2024
- Financial Investments	10.3	12m Results 2024
+/- Others		
Enterprise Value (EV)	411.1	

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
26-Feb-2025	n.a.	3.04	n.a.	n.a.	12m Results 2024	Alfredo Echevarría Otegui
07-Nov-2024	n.a.	3.62	n.a.	n.a.	9m Results 2024	Alfredo Echevarría Otegui
30-Jul-2024	n.a.	3.88	n.a.	n.a.	6m Results 2024 - Estimates downgrade	Enrique Andrés Abad, CFA
28-Jun-2024	n.a.	3.42	n.a.	n.a.	Important news	Enrique Andrés Abad, CFA
27-May-2024	n.a.	3.43	n.a.	n.a.	Small & Micro Caps (Spain)	Alfredo Echevarría Otegui
30-Apr-2024	n.a.	3.46	n.a.	n.a.	3m Results 2024	Enrique Andrés Abad, CFA
08-Mar-2024	n.a.	3.35	n.a.	n.a.	Important news	Enrique Andrés Abad, CFA
29-Feb-2024	n.a.	2.36	n.a.	n.a.	12m Results 2023	Enrique Andrés Abad, CFA
08-Nov-2023	n.a.	2.79	n.a.	n.a.	9m Results 2023 - Estimates downgrade	Enrique Andrés Abad, CFA
27-Jul-2023	n.a.	3.15	n.a.	n.a.	6m Results 2023	Enrique Andrés Abad, CFA
14-Jun-2023	n.a.	3.16	n.a.	n.a.	Important news - Estimates downgrade	David López Sánchez
12-Jun-2023	n.a.	3.13	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
03-May-2023	n.a.	3.96	n.a.	n.a.	3m Results 2023	David López Sánchez
11-Apr-2023	n.a.	4.22	n.a.	n.a.	Review of estimates	David López Sánchez
22-Feb-2023	n.a.	3.73	n.a.	n.a.	12m Results 2022	David López Sánchez
09-Nov-2022	n.a.	3.12	n.a.	n.a.	9m Results 2022	David López Sánchez
03-Aug-2022	n.a.	3.26	n.a.	n.a.	6m Results 2022	David López Sánchez
15-Jun-2022	n.a.	3.11	n.a.	n.a.	Estimates upgrade	David López Sánchez
04-May-2022	n.a.	3.12	n.a.	n.a.	3m Results 2022	David López Sánchez
25-Feb-2022	n.a.	2.79	n.a.	n.a.	12m Results 2021	David López Sánchez
10-Nov-2021	n.a.	3.25	n.a.	n.a.	9m Results 2021	David López Sánchez
29-Jul-2021	n.a.	3.10	n.a.	n.a.	6m Results 2021 - Estimates upgrade	David López Sánchez
12-May-2021	n.a.	2.92	n.a.	n.a.	3m Results 2021 - Estimates upgrade	David López Sánchez
26-Feb-2021	n.a.	2.23	n.a.	n.a.	12m Results 2020	David López Sánchez
16-Nov-2020	n.a.	1.86	n.a.	n.a.	9m Results 2020	David López Sánchez
03-Aug-2020	n.a.	1.60	n.a.	n.a.	6m Results 2020 - Estimates upgrade	David López Sánchez
15-May-2020	n.a.	1.76	n.a.	n.a.	3m Results 2020	David López Sánchez
30-Apr-2020	n.a.	2.40	n.a.	n.a.	Estimates downgrade	David López Sánchez
02-Mar-2020	n.a.	2.06	n.a.	n.a.	12m Results 2019	David López Sánchez
06-Nov-2019	n.a.	2.19	n.a.	n.a.	9m Results 2019 - Estimates upgrade	David López Sánchez
29-Jul-2019	n.a.	1.73	n.a.	n.a.	6m Results 2019	David López Sánchez
03-Jun-2019	n.a.	1.96	n.a.	n.a.	Initiation of Coverage	David López Sánchez

