

6m Results 2019

Opinion ⁽¹⁾: In line.

Impact ⁽¹⁾: We will maintain out estimates.

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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 (>70% of EBITDA), ECR being the main producer in Spain (60% of total installed capacity) and among the top 10 at the European level. Sales outside Spain represent 47% of total revenue.

Volume growth in an adverse sector environment. Results in line.

Market Data

Market Cap (Mn EUR and USD)	200.9	223.6
EV (Mn EUR and USD)	358.8	399.2
Shares Outstanding (Mn)	104.9	
-12m (Max/Med/Mín EUR)	5.47 / 3.52 / 1.86	
Daily Avg volume (-12m Mn)	1.12	
Rotation ⁽²⁾	142.7	
Thomson Reuters / Bloomberg	ECR.MC / ECR SM	
Close fiscal year	31-Dec	

GROWTH IN REVENUES (+3.1% VS. 1H18) despite the continuation of the cyclical downswing of the Chlor-Alkali sector (that began in 2H18). The growth in revenue is explained by the volume effect associated with the increase in production capacity of the Chlor-Alkali, PVC, polyols and pharmaceutical products plants. This partly offset the fall in sale prices of the main products (caustic soda and PVC).

Shareholders Structure (%)

Dimensional Fund Advisors, L.P.	5.2
Joan Casas Galofre	4.2
Víctor Manuel Rodríguez Martín	3.4
Montserrat Garcia Pruns	3.1
Free Float	82.7

WITH A DETERIORATION OF THE EBITDA/REVENUES MARGIN (8.8%; -5.7P.P.) explained by the fall in caustic soda prices (-30%) and the increase in supply (EDC +43%) and electricity (+12%) costs, resulting in recurrent EBITDA of EUR 31.9Mn (-37.7% vs 1H18; without losing sight of the demanding comps).

AND HIGHER DEBT (+7.0% VS. 2018), mainly due to the continuation of the investment plan (EUR 21Mn in 1H19), and a EUR 16Mn extraordinary cash outflow to pay for provisions to cover the disassembling of the mercury plants and the rehabilitation of the land, which, together with the shareholder remuneration in 1H19 (EUR 9.6Mn), has taken net debt to EUR 135Mn (< 3x EBITDA; in line, but above the self-imposed 2x limit for payment of a dividend).

Financials (Mn EUR)	2018	2019e	2020e	2021e
Adj. nº shares (Mn)	109.2	104.9	104.9	104.9
Total Revenues	677.1	714.2	743.0	751.6
Rec. EBITDA	64.9	47.2	63.2	68.6
% growth	-7.6	-27.3	33.9	8.5
% Rec. EBITDA/Rev.	9.6	6.6	8.5	9.1
% Inc. EBITDA sector ⁽³⁾	-0.3	6.0	8.6	6.9
Net Profit	44.9	17.5	29.6	34.2
EPS (EUR)	0.41	0.17	0.28	0.33
% growth	3.7	-59.4	68.8	15.8
Ord. EPS (EUR)	0.32	0.17	0.28	0.33
% growth	-28.6	-48.0	68.8	15.8
Rec. Free Cash Flow ⁽⁴⁾	5.6	0.8	23.2	34.0
Pay-out (%)	14.4	0.0	18.0	18.0
DPS (EUR)	0.06	0.00	0.05	0.06
Net financial debt	126.5	156.7	135.6	119.9
ND/Rec. EBITDA (x)	1.9	3.3	2.1	1.7
ROE (%)	17.3	6.4	10.1	10.8
ROCE (%) ⁽⁵⁾	10.9	5.1	7.7	8.5

NON RECURRENT ITEMS CONTINUE TO HOLD BACK FCF RECOVERY. ECR has executed an aggressive investment plan in recent years, which continued in 1H19 (EUR 21Mn), and which, together with the payment of non recurrent provisions, has held back FCF recovery (Negative FCF 1H19: - EUR 2.2Mn in 1H19).

IN CONCLUSION: Results in line with expectations against the backdrop of an adverse Chlor-Alkali sector environment (EBITDA: -37.7%; NP: -62.7%). Despite this situation, the company remains profitable from an operating point of view and its financial structure sound (ND/EBITDA 2019e <3x). We maintain ECR's equity story intact, which is based on a moderate recovery of caustic soda prices from 2020e and the recovery of Free Cash Flow given smaller CAPEX requirements (EUR 25.3Mn in 2020e vs EUR 40.0Mn in 2019e; a driver that is unaffected by the cycle). This should enable recurrent FCF to rocket to EUR 23Mn in 2020e (Free Cash Flow yield 2020e: >10% vs 5.0% for the sector).

Ratios & Multiples (x)

P/E	4.7	11.5	6.8	5.9
Ord. P/E	6.0	11.5	6.8	5.9
P/BV	0.7	0.7	0.7	0.6
Dividend Yield (%)	3.1	0.0	2.6	3.1
EV/Sales	0.53	0.50	0.48	0.48
EV/Rec. EBITDA	5.5	7.6	5.7	5.2
FCF Yield (%) ⁽³⁾	2.8	0.4	11.6	16.9

Relative performance -5y (Base 100)



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

- (1) The opinion about results is in respect of reported EBITDA and its relation to our estimate for the year (12m). The impact reflects whether, as a consequence of these results, we envisage a significant (>5%) upgrade or downgrade to our EBITDA estimates (for any of the estimated years).
- (2) Total volume traded in the share (Mn EUR) -12m vs Mkt Cap. Represents the % of the capitalisation traded -12m.
- (3) Expected EBITDA growth (consensus) for the share's benchmark sector (Eurostoxx 600 Chemicals).
- (4) Based on recurrent FCF. Please refer to Appendix 2.
- (5) Calculated with a theoretical tax rate. Please refer to Appendix 2.
- (6) vs Eurostoxx 600 Chemicals.

Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-1.9	-37.7	-60.4	-38.5	10.7	298.1
vs Ibex 35	-2.7	-35.8	-58.0	-43.1	2.7	369.9
vs Ibex Small Cap Index	-3.0	-35.4	-54.8	-42.8	-23.8	224.8
vs Eurostoxx 50	-4.2	-38.1	-60.6	-47.6	-6.4	258.7
vs Sector benchmark ⁽⁶⁾	-3.1	-38.4	-59.6	-48.2	-9.6	216.8

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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.

1H19 Results

EUR Mn	1H19	1H18	1H19 vs 1H18	2019e	2019e vs 2018
Total Revenues	364.1	353.2	3.1%	714.2	5.5%
Chlorine derivatives	214.0	209.4	2.2%	n.a.	n.a.
Intermediate chemicals	102.1	97.5	4.7%	n.a.	n.a.
Pharmaceuticals	29.3	27.8	5.5%	n.a.	n.a.
Other revenues	18.7	18.5	0.9%	n.a.	n.a.
Rec. EBITDA	31.9	51.3	-37.7%	47.2	-30.5%
<i>Rec. EBITDA</i>	8.8%	14.5%	-5.7 p.p.	6.6%	-2.3 p.p.
Rec. EBITDA / Rev.	29.7	46.2	-35.7%	47.2	-30.5%
<i>EBITDA</i>	8.2%	13.1%	-4.9 p.p.	6.6%	-2.3 p.p.
EBT	16.7	33.3	-50.0%	27.8	-36.6%
EBIT	10.5	28.1	-62.7%	17.5	-61.0%
NP	12.7	33.2	-61.7%	17.5	-50.0%
Recurrent FCF (*)	14.0	2.3	n.a.	0.8	n.a.
<i>Rec. FCF Yield (%)</i>	n.a.	n.a.	n.a.	0.4	n.a.
Net Debt	135.4	110.2	22.9%	156.7	23.8%
Net Debt	n.a.	n.a.	n.a.	3.3 x	1.4 x

(*) Recurrent FCF does not include extraordinary payments related to non-recurrent provisions amounting to EUR 16.2Mn.

Note: 1H19 Recurrent FCF has been driven by a reduction in working capital needs (aprox. EUR 9Mn impact). Working capital normalization during 2H19 will imply a reduction in Recurrent FCF in line with our estimates.

Valuation inputs

Inputs for the DCF Valuation Approach

	2019e	2020e	2021e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	(17.9)	26.6	36.8	718		
Market Cap	200.9	At the date of this report				
Net financial debt	126.5	Debt net of Cash (last financial year)				
					Best Case	Worst Case
Cost of Debt	4.0%	Net debt cost			3.0%	4.5%
Effective tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	3.2%	Kd = Cost of Net Debt * (1-T)			2.4%	3.6%
Risk free rate (rf)	0.4%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	6.0%	R (own estimate)			5.5%	6.5%
Beta (B)	1.4	B (Thomson Reuters)			1.4	1.5
Cost of Equity	8.5%	Ke = Rf + (R * B)			8.1%	10.2%
Equity / (Equity + Net Debt)	61.4%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	38.6%	D			=	=
WACC	6.5%	WACC = Kd * D + Ke * E			5.9%	7.6%
G "Razonable"	1.0%				1.5%	0.5%

(1) Perpetuo calculado sobre Free Cash Flow "to the Firm" recurrente del último año estimado. Para más detalle ver Anexo 2.

Inputs for the Multiples Valuation Approach

Company	Ticker Reuters	Mkt. Cap	P/E 19e	EPS 19e-21e	EV/EBITDA 19e	EBITDA 19e-21e	EV/Sales 19e	Revenues 19e-21e	EBITDA/Sales 19e	FCF Yield 19e	FCF 19e-21e
BASF SE	BASFn.DE	56,993.3	11.0	-3.0%	7.9	3.4%	1.2	2.2%	15.1%	7.2%	-7.6%
Solvay	SOLB.BR	9,864.3	9.9	6.3%	5.8	4.9%	1.2	3.4%	21.4%	7.7%	6.2%
Covestro AG	1COV.DE	7,841.6	7.7	-13.7%	4.5	-4.4%	0.7	1.0%	15.7%	6.8%	-29.0%
Akzo Nobel AS	AKZO.AS	19,736.0	19.3	14.4%	15.7	12.4%	2.1	2.3%	13.4%	2.4%	22.2%
Europe			11.9	1.0%	8.5	4.1%	1.3	2.2%	16.4%	6.1%	n.a.
DowDuPont	DWDP.K	49,276.0	5.8	-41.0%	4.7	-39.6%	1.0	-46.9%	21.6%	3.8%	-37.0%
Olin Corp	OLN	3,163.8	9.6	8.9%	5.2	3.2%	0.9	-1.9%	18.0%	9.9%	15.0%
Westlake	WLK	7,971.1	8.8	-7.2%	5.8	-2.3%	1.3	2.1%	22.7%	7.2%	-4.0%
USA			8.0	-13.1%	5.3	-12.9%	1.1	-15.6%	20.7%	0.1	n.a.
Ercros	ECR.MC	200.9	11.5	39.8%	7.6	20.5%	0.50	2.6%	6.6%	0.4%	n.a.

Free Cash Flow sensitivity analysis (2020e)

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

Scenario	EBITDA/Sales 20e	EBITDA 20e	EV/EBITDA 20e
Max	9.5%	70.6	5.1x
Central	8.5%	63.2	5.7x
Min	7.5%	55.8	6.4x

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

Rec. FCF EUR Mn	CAPEX/Sales 20e			Scenario	FCF/Yield 20e		
EBITDA 20e	2.4%	3.4%	4.4%		Max	19.0%	15.3%
70.6	38.1	30.7	23.2	Central	15.3%	11.6%	7.9%
63.2	30.7	23.2	15.8	Min	11.6%	7.9%	4.2%
55.8	23.2	15.8	8.4				

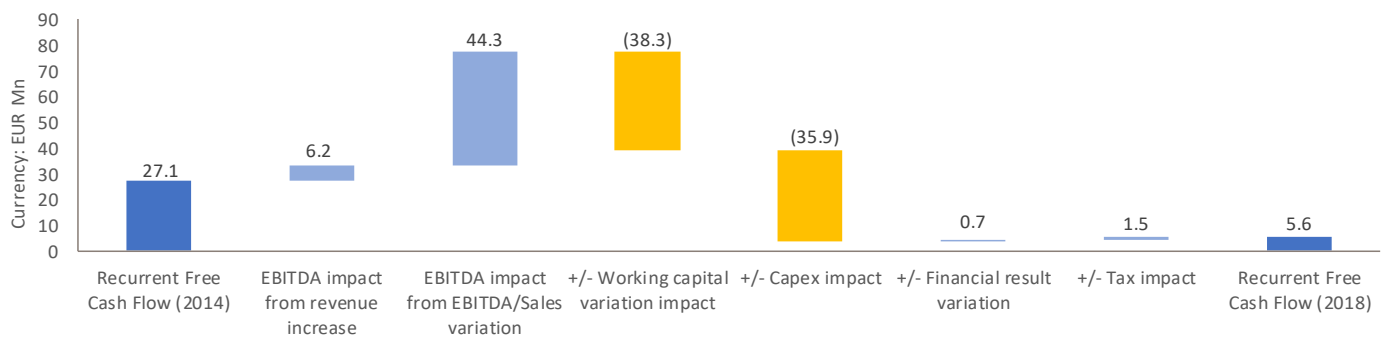
Appendix 1. Financial Statements

Balance Sheet (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
									14-18	18-21e
Intangible assets	5.6	6.5	5.9	4.1	4.2	4.4	4.5	4.7		
Fixed assets	245.7	235.3	249.2	269.4	300.5	321.0	325.9	325.7		
Other Non Current Assets	0.9	2.5	7.0	25.9	31.7	31.7	31.7	31.7		
Financial Investments	40.4	40.4	38.7	44.9	45.2	45.7	46.3	46.8		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	208.3	205.3	184.6	218.3	218.9	235.9	242.5	244.0		
Total assets	500.8	490.1	485.4	562.6	600.5	638.7	650.9	652.9		
Equity	168.2	175.9	219.8	247.5	272.3	278.7	308.3	326.3		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	62.8	66.2	71.0	84.1	76.5	56.5	54.4	52.3		
Net financial debt	128.8	119.5	73.4	89.3	126.5	156.7	135.6	119.9		
Current Liabilities	141.1	128.5	121.2	141.7	125.2	146.7	152.6	154.4		
Equity & Total Liabilities	500.8	490.1	485.4	562.6	600.5	638.7	650.9	652.9		
P&L (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
Total Revenues	607.3	624.5	606.9	689.3	677.1	714.2	743.0	751.6	2.8%	3.5%
<i>Total Revenues growth</i>	-4.2%	2.8%	-2.8%	13.6%	-1.8%	5.5%	4.0%	1.2%		
COGS	(444.4)	(438.5)	(393.8)	(467.9)	(466.9)	(517.3)	(526.5)	(526.7)		
Gross Margin	162.9	186.0	213.1	221.3	210.3	196.9	216.5	224.9	6.6%	2.3%
<i>Gross Margin/Revenues</i>	26.8%	29.8%	35.1%	32.1%	31.1%	27.6%	29.1%	29.9%		
Personnel Expenses	(78.8)	(79.9)	(81.8)	(83.4)	(79.9)	(82.3)	(84.7)	(83.3)		
Other Operating Expenses	(69.7)	(73.7)	(72.8)	(67.7)	(65.5)	(67.4)	(68.5)	(69.1)		
Recurrent EBITDA	14.4	32.5	58.4	70.3	64.9	47.2	63.2	68.6	45.7%	1.8%
<i>Recurrent EBITDA growth</i>	-49.2%	125.5%	79.6%	20.3%	-7.6%	-27.3%	33.9%	8.5%		
<i>Rec. EBITDA/Revenues</i>	2.4%	5.2%	9.6%	10.2%	9.6%	6.6%	8.5%	9.1%		
Restructuring Expenses	-	-	-	(21.7)	-	-	-	-		
Other non-recurrent Income / Costs	-	-	-	-	3.0	-	-	-		
EBITDA	14.4	32.5	58.4	48.5	67.9	47.2	63.2	68.6	47.3%	0.3%
<i>EBITDA growth</i>	-49.2%	125.5%	79.6%	-16.9%	40.0%	-30.5%	33.9%	8.5%		
<i>EBITDA/Sales</i>	2.4%	5.2%	9.6%	7.0%	10.0%	6.6%	8.5%	9.1%		
Depreciation & Provisions	(19.5)	(19.9)	(7.4)	(14.2)	(24.2)	(19.5)	(20.3)	(20.5)		
Capitalized Expense	0.0	0.1	0.0	-	0.2	0.2	0.2	0.2		
EBIT	(5.0)	12.7	51.0	34.3	43.9	27.8	43.0	48.2	<i>n.a.</i>	3.2%
<i>EBIT growth</i>	<i>n.a.</i>	<i>n.a.</i>	300.4%	-32.8%	27.8%	-36.6%	54.7%	12.1%		
<i>EBIT/Revenues</i>	<i>n.a.</i>	2.0%	8.4%	5.0%	6.5%	3.9%	5.8%	6.4%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(7.7)	(6.2)	(6.3)	(6.4)	(7.0)	(6.5)	(6.6)	(6.0)		
Income by the Equity Method	0.2	0.2	0.6	0.7	1.1	0.6	0.6	0.6		
Ordinary Profit	(12.5)	6.7	45.3	28.7	38.0	21.9	36.9	42.8	<i>n.a.</i>	4.0%
<i>Ordinary Profit Growth</i>	<i>n.a.</i>	<i>n.a.</i>	571.4%	-36.7%	32.5%	-42.4%	68.8%	15.8%		
Extraordinary Results	-	-	-	(0.1)	-	-	-	-		
Profit Before Tax	(12.5)	6.7	45.3	28.6	38.0	21.9	36.9	42.8	<i>n.a.</i>	4.0%
Tax Expense	5.4	0.5	(0.2)	15.9	6.9	(4.4)	(7.4)	(8.6)		
<i>Effective Tax Rate</i>	<i>n.a.</i>	<i>n.a.</i>	0.3%	<i>n.a.</i>	<i>n.a.</i>	20.0%	20.0%	20.0%		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	0.8	-	-	-	-	-	-	-		
Net Profit	(6.3)	7.2	45.2	44.5	44.9	17.5	29.6	34.2	<i>n.a.</i>	-8.6%
<i>Net Profit growth</i>	67.7%	<i>n.a.</i>	523.8%	-1.5%	0.9%	-61.0%	68.8%	15.8%		
Ordinary Net Profit	(12.5)	6.7	45.2	50.4	35.0	17.5	29.6	34.2	<i>n.a.</i>	-0.7%
<i>Ordinary Net Profit growth</i>	<i>n.a.</i>	<i>n.a.</i>	569.1%	11.6%	-30.6%	-50.0%	68.8%	15.8%		
Cash Flow (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
Recurrent EBITDA						47.2	63.2	68.6	45.7%	1.8%
Working Capital Increase						0.5	(0.7)	0.3		
Recurrent Operating Cash Flow						47.7	62.5	68.9	7.7%	12.9%
CAPEX						(40.0)	(25.3)	(20.3)		
Net Financial Result affecting the Cash Flow						(6.5)	(6.6)	(6.0)		
Tax Expense						(0.4)	(7.4)	(8.6)		
Recurrent Free Cash Flow						0.8	23.2	34.0	-32.6%	82.4%
Restructuring Expense & Others						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						(20.0)	(2.1)	(2.1)		
Free Cash Flow						(19.1)	21.2	31.9	-32.6%	78.6%
Capital Increase						(4.5)	-	(11.0)		
Dividends						(6.5)	-	(5.3)		
Net Debt Variation						30.2	(21.2)	(15.6)		

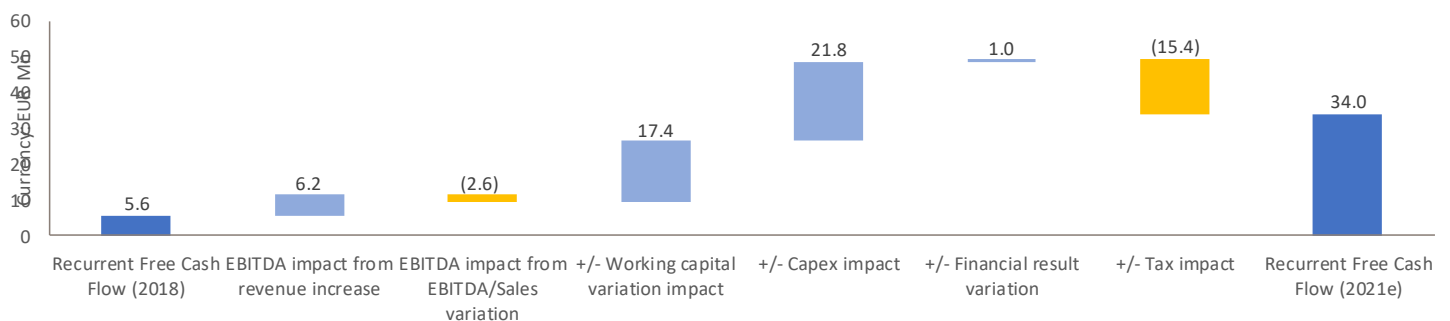
Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
								15-18	18-21e
Recurrent EBITDA	32.5	58.4	70.3	64.9	47.2	63.2	68.6	25.9%	1.8%
<i>Recurrent EBITDA growth</i>	125.5%	79.6%	20.3%	-7.6%	-27.3%	33.9%	8.5%		
<i>Rec. EBITDA/Revenues</i>	5.2%	9.6%	10.2%	9.6%	6.6%	8.5%	9.1%		
+/- Working Capital increase	(9.7)	13.5	(13.2)	(17.1)	0.5	(0.7)	0.3		
= Recurrent Operating Cash Flow	22.8	71.8	57.1	47.8	47.7	62.5	68.9	27.9%	12.9%
<i>Rec. Operating Cash Flow growth</i>	-35.8%	214.5%	-20.5%	-16.2%	-0.3%	31.1%	10.1%		
<i>Rec. Operating Cash Flow / Sales</i>	3.7%	11.8%	8.3%	7.1%	6.7%	8.4%	9.2%		
- CAPEX	(9.2)	(18.7)	(42.8)	(42.1)	(40.0)	(25.3)	(20.3)		
- Net Financial Result affecting Cash Flow	(6.2)	(6.3)	(6.4)	(7.0)	(6.5)	(6.6)	(6.0)		
- Taxes	0.5	(0.2)	15.9	6.9	(0.4)	(7.4)	(8.6)		
= Recurrent Free Cash Flow	7.9	46.7	23.8	5.6	0.8	23.2	34.0	-11.0%	82.4%
<i>Rec. Free Cash Flow growth</i>	-70.6%	487.4%	-49.1%	-76.4%	-85.2%	n.a.	46.3%		
<i>Rec. Free Cash Flow / Revenues</i>	1.3%	7.7%	3.4%	0.8%	0.1%	3.1%	4.5%		
- Restructuring expenses & others	-	-	(21.7)	-	-	-	-		
- Acquisitions / + Divestments	4.0	0.6	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	(0.1)	-	(20.0)	(2.1)	(2.1)		
= Free Cash Flow	11.9	47.3	1.9	5.6	(19.1)	21.2	31.9	-22.2%	78.6%
<i>Free Cash Flow growth</i>	-56.1%	297.4%	-95.9%	187.4%	n.a.	n.a.	50.9%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	4.0%	23.2%	11.8%	2.8%	0.4%	11.6%	16.9%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	5.9%	23.5%	1.0%	2.8%	n.a.	10.5%	15.9%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2015	2016	2017	2018	2019e	2020e	2021e		
Recurrent FCF(FY - 1)	27.1	7.9	46.7	23.8	5.6	0.8	23.2		
EBITDA impact from revenue increase	0.4	(0.9)	7.9	(1.2)	3.6	1.9	0.7		
EBITDA impact from EBITDA/Sales variation	17.7	26.8	3.9	(4.1)	(21.3)	14.1	4.6		
= Recurrent EBITDA variation	18.1	25.9	11.9	(5.3)	(17.7)	16.0	5.4		
+/- Working capital variation impact	(30.9)	23.1	(26.6)	(3.9)	17.6	(1.2)	1.0		
= Recurrent Operating Cash Flow variation	(12.8)	49.0	(14.7)	(9.3)	(0.1)	14.8	6.3		
+/- CAPEX impact	(3.0)	(9.6)	(24.1)	0.7	2.1	14.7	5.0		
+/- Financial result variation	1.5	(0.0)	(0.1)	(0.6)	0.5	(0.2)	0.6		
+/- Tax impact	(4.9)	(0.6)	16.1	(9.0)	(7.3)	(7.0)	(1.2)		
= Recurrent Free Cash Flow variation	(19.1)	38.7	(22.9)	(18.2)	(4.8)	22.4	10.8		
Recurrent Free Cash Flow	7.9	46.7	23.8	5.6	0.8	23.2	34.0		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
EBIT	12.7	51.0	34.3	43.9	27.8	43.0	48.2	51.0%	3.2%
* Theoretical tax rate	0.0%	0.3%	0.0%	0.0%	20.0%	20.0%	20.0%		
= Taxes (pre- Net Financial Result)	-	(0.2)	-	-	(5.6)	(8.6)	(9.6)		
Recurrent EBITDA	32.5	58.4	70.3	64.9	47.2	63.2	68.6	25.9%	1.8%
+/- Working Capital increase	(9.7)	13.5	(13.2)	(17.1)	0.5	(0.7)	0.3		
= Recurrent Operating Cash Flow	22.8	71.8	57.1	47.8	47.7	62.5	68.9	27.9%	12.9%
- CAPEX	(9.2)	(18.7)	(42.8)	(42.1)	(40.0)	(25.3)	(20.3)		
- Taxes (pre- Financial Result)	-	(0.2)	-	-	(5.6)	(8.6)	(9.6)		
= Recurrent Free Cash Flow (To the Firm)	13.7	53.0	14.3	5.7	2.1	28.7	38.9	-25.2%	89.5%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	-53.4%	286.8%	-73.1%	-59.9%	-62.8%	n.a.	35.8%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	2.2%	8.7%	2.1%	0.8%	0.3%	3.9%	5.2%		
- Acquisitions / + Divestments	4.0	0.6	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	(0.1)	-	(20.0)	(2.1)	(2.1)		
= Free Cash Flow "To the Firm"	17.6	53.6	14.2	5.7	(17.9)	26.6	36.8	-31.3%	86.0%
<i>Free Cash Flow (To the Firm) growth</i>	-40.0%	203.6%	-73.5%	-59.6%	n.a.	n.a.	38.6%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	3.8%	14.8%	4.0%	1.6%	0.6%	8.0%	10.8%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	4.9%	14.9%	3.9%	1.6%	n.a.	7.4%	10.3%		

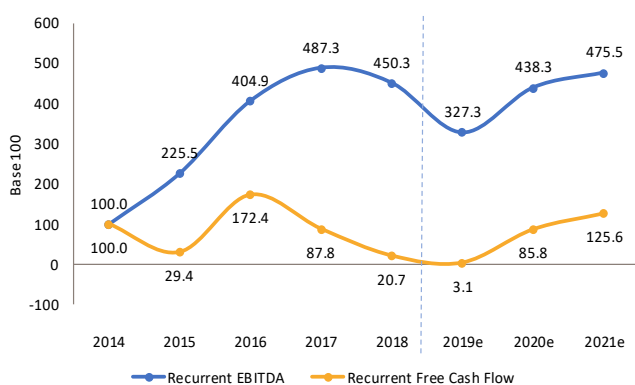
Recurrent Free Cash Flow accumulated variation analysis (2014 - 2018)



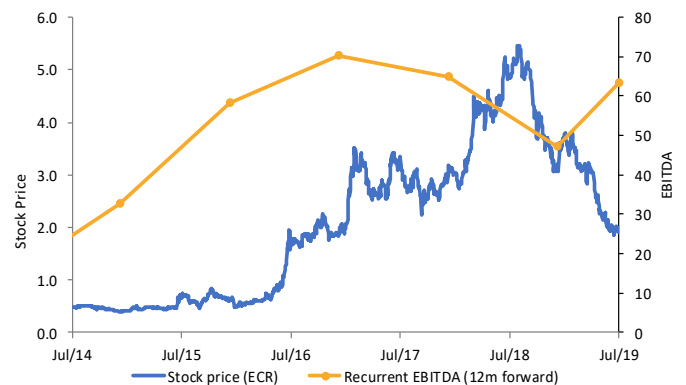
Recurrent Free Cash Flow accumulated variation analysis (2018 - 2021e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward



Appendix 3. Historical performance ⁽¹⁾

Historical performance (EUR Mn)															CAGR	
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e	08 - 18	18-21e
Total Revenues	834.6	569.8	609.3	686.0	639.5	625.0	607.3	624.5	606.9	689.3	677.1	714.2	743.0	751.6	-2.1%	3.5%
Total Revenues growth	-1.6%	-31.7%	6.9%	12.6%	-6.8%	-2.3%	-2.8%	2.8%	-2.8%	13.6%	-1.8%	5.5%	4.0%	1.2%		
EBITDA	42.1	(13.7)	10.9	26.9	21.1	28.9	14.4	32.5	58.4	48.5	67.9	47.2	63.2	68.6	4.9%	0.3%
EBITDA growth	51.2%	n.a.	n.a.	148.0%	-21.5%	36.8%	-50.1%	125.5%	79.6%	-16.9%	40.0%	-30.5%	33.9%	8.5%		
EBITDA/Sales	5.0%	n.a.	1.8%	3.9%	3.3%	4.6%	2.4%	5.2%	9.6%	7.0%	10.0%	6.6%	8.5%	9.1%		
Net Profit	(203.3)	(51.0)	(14.0)	(0.9)	(11.7)	(0.3)	(6.3)	7.2	45.2	44.5	44.9	17.5	29.6	34.2	n.a.	-8.6%
Net Profit growth	506.7%	-74.9%	-72.6%	-93.6%	n.a.	-97.3%	n.a.	n.a.	523.8%	-1.5%	0.9%	-61.0%	68.8%	15.8%		
Adjusted number shares (Mn)	100.6	100.6	100.6	100.6	100.8	103.5	111.5	114.0	114.1	112.3	109.2	104.9	104.9	104.9		
EPS (EUR)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.06	0.40	0.40	0.41	0.17	0.28	0.33		
EPS growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.1%	3.7%	-59.4%	68.8%	15.8%		
Ord. EPS (EUR)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.06	0.40	0.45	0.32	0.17	0.28	0.33		
Ord. EPS growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	13.4%	-28.6%	-48.0%	68.8%	15.8%		
CAPEX	(38.7)	(36.6)	(8.1)	(8.1)	(15.8)	(4.2)	(6.2)	(9.2)	(18.7)	(42.8)	(42.1)	(40.0)	(25.3)	(20.3)		
CAPEX/Sales %	4.6%	6.4%	1.3%	1.2%	2.5%	0.7%	1.0%	1.5%	3.1%	6.2%	6.2%	5.6%	3.4%	2.7%		
Free Cash Flow	(39.5)	2.6	(18.7)	3.6	3.1	19.5	27.1	11.9	47.3	1.9	5.6	(19.1)	21.2	31.9	n.a.	78.6%
ND/EBITDA (x) ⁽²⁾	3.7x	n.a.	8.7x	3.0x	6.9x	5.3x	8.9x	3.7x	1.3x	1.8x	1.9x	3.3x	2.1x	1.7x		
P/E (x)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	9.7x	4.6x	7.2x	7.6x	11.5x	6.8x	5.9x		
EV/Sales (x)	0.4x	0.4x	0.3x	0.2x	0.3x	0.3x	0.3x	0.3x	0.5x	0.6x	0.7x	0.5x	0.5x	0.5x		
EV/EBITDA (x) ⁽²⁾	7.5x	n.a.	15.4x	5.6x	8.8x	7.1x	12.0x	5.8x	5.3x	8.7x	6.7x	7.6x	5.7x	5.2x		
Absolute performance	-44.8%	-13.1%	-48.6%	-4.8%	-41.2%	18.8%	-17.3%	56.7%	198.7%	55.4%	8.9%	-38.5%				
Relative performance vs Ibx 35	-8.9%	-33.1%	-37.8%	9.6%	-38.3%	-2.2%	-20.2%	68.8%	204.8%	44.7%	28.1%	-43.1%				

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 Thomson Reuters.

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

Appendix 4. Main Competitors 2019e

		Europe					USA					
EUR Mn		BASF SE	Solvay	Covestro AG	Akzo Nobel AS	Average	DowDuPont	Olin Corp	Westlake	Average	Cia	
Market data	Ticker (Reuters)	BASFn.DE	SOLB.BR	1COV.DE	AKZO.AS		DWDP.K	OLN	WLK		ECR.MC	
	Country	Germany	Belgium	Germany	Netherlands		USA	USA	USA		Spain	
	Market cap	56,993.3	9,864.3	7,841.6	19,736.0	23,608.8	49,276.0	3,163.8	7,971.1	20,137.0	200.9	
	Enterprise value (EV)	76,705.3	13,365.5	9,483.5	20,017.0	29,892.8	78,006.0	5,939.2	10,467.3	31,470.8	358.8	
Basic financial information	Total Revenues	64,034.3	10,769.6	13,495.7	9,526.9	24,456.6	76,471.1	6,321.5	7,942.3	30,245.0	714.2	
	Total Revenues growth	2.2%	-4.7%	-7.7%	2.9%	-1.8%	2.0%	4.4%	5.5%	4.0%	5.5%	
	2y CAGR (2019e - 2021e)	2.2%	3.4%	1.0%	2.3%	2.2%	-46.9%	-1.9%	2.1%	-15.6%	2.6%	
	EBITDA	9,652.0	2,307.3	2,125.1	1,277.2	3,840.4	16,509.7	1,137.0	1,800.4	6,482.3	47.2	
	EBITDA growth	-3.8%	8.4%	-32.6%	23.3%	-1.2%	25.4%	9.1%	-0.8%	11.2%	-30.5%	
	2y CAGR (2019e - 2021e)	3.4%	4.9%	-4.4%	12.4%	4.1%	-39.6%	3.2%	-2.3%	-12.9%	20.5%	
	EBITDA/Revenues	15.1%	21.4%	15.7%	13.4%	16.4%	21.6%	18.0%	22.7%	20.7%	6.6%	
	Net Profit	5,051.7	937.0	1,029.3	752.4	1,942.6	8,633.7	317.4	856.2	3,269.1	17.5	
	Net Profit growth	35.7%	34.6%	-43.7%	65.4%	23.0%	151.0%	11.0%	-5.0%	52.3%	-61.0%	
	2y CAGR (2019e - 2021e)	-2.3%	6.3%	-12.7%	9.6%	0.2%	-41.2%	6.2%	-10.4%	-15.1%	39.8%	
CAPEX/Sales %	5.9%	7.4%	6.9%	2.6%	5.7%	1.2%	5.7%	7.1%	4.7%	-5.6%		
Free Cash Flow	4,082.4	752.0	810.5	610.8	1,563.9	8,443.7	443.1	850.0	3,245.6	(19.1)		
Net financial debt	17,717.5	3,129.6	1,335.9	821.2	5,751.0	12,443.4	2,703.9	1,560.3	5,569.2	156.7		
ND/EBITDA (x)	1.8	1.4	0.6	0.6	1.1	0.8	2.4	0.9	1.3	3.3		
Pay-out	59.1%	40.3%	44.1%	59.3%	50.7%	9.1%	38.0%	13.7%	20.3%	0.0%		
Multiples and Ratios	P/E (x)	11.0	9.9	7.7	19.3	11.9	5.8	9.6	8.8	8.0	11.5	
	P/BV (x)	1.5	1.0	1.5	2.8	1.7	1.2	1.2	1.2	1.2	0.7	
	EV/Revenues (x)	1.2	1.2	0.7	2.1	1.3	1.0	0.9	1.3	1.1	0.5	
	EV/EBITDA (x)	7.9	5.8	4.5	15.7	8.5	4.7	5.2	5.8	5.3	7.6	
	ROE	13.3	8.6	11.0	7.2	10.0	5.5	6.0	8.8	6.8	6.4	
	FCF Yield (%)	7.2	7.7	6.8	2.4	6.1	3.8	9.9	7.2	6.9	0.4	
Dvd Yield	5.3%	3.9%	5.5%	2.3%	4.2%	1.6%	3.7%	1.5%	2.2%	0.0%		

Note 1: Financial data, multiples and ratios based on market consensus (Thomson Reuters). 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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Recommendation History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
29-Jul-2019	n.a.	1.92	n.a.	n.a.	6m Results 2019	David López Sánchez
03-Jun-2019	n.a.	2.22	n.a.	n.a.	Initial Coverage	David López Sánchez