

EQUITY - SPAIN

Sector: Healthcare - Medical Devices

Proposed value/momentum indicators
Report without projections, valuation or recommendation
See explanation of this product on page 3 of this report

Report date: 24 Oct 2019
Closing price: EUR 10.95 (23 Oct 2019)

PRIM is a small Spanish company specializing in providing medical and hospital supplies and materials to meet surgical, rehabilitation, physiotherapy and geriatric requirements. Its core market is the local one (89% of 2018 revenue), where it has strengthened its commitment to orthopaedics.

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Crunching the numbers (1H19)

Market Data

Market Cap (Mn EUR and USD)	190.0	211.4
EV (Mn EUR and USD) ⁽¹⁾	164.7	183.3
	(9.9)	(15.9)
Shares Outstanding (Mn)	17.3	
-12m (Max/Med/Min EUR)	12.75 / 11.32 / 10.35	
Daily Avg vol.(-12m Mn EUR)	0.03	
Rotation (%) ⁽²⁾	3.86	
Thomson Reuters / Bloomberg	PRIM.MC / PRM SM	
Close fiscal year	31 Dec	

Shareholders Structure (%)

Board ⁽⁶⁾	25.2
Melca Investments	7.6
Onchena	5.9
Masaveu family	5.0
Free Float	51.8

Financials (Mn EUR)

	2015	2016	2017	2018
Adj. nº shares (Mn)	17.2	16.7	17.3	17.3
Total Revenues	100.1	111.8	122.5	135.8
Rec. EBITDA	13.4	14.1	17.0	19.0
% growth	7.3	5.3	20.1	12.1
% Rec. EBITDA/Rev.	13.4	12.6	13.9	14.0
% Inc. EBITDA sector ⁽³⁾	13.9	11.9	9.5	11.0
Net profit	10.7	13.1	13.9	14.1
EPS (EUR)	0.62	0.78	0.80	0.81
% growth	7.1	25.4	2.5	1.6
Ord. EPS (EUR)	0.62	0.72	0.71	0.76
% growth	0.3	15.3	-0.9	6.6
Rec. Free Cash Flow ⁽⁴⁾	10.9	10.4	9.3	2.1
Pay-out (%)	60.8	60.9	72.1	71.0
DPS (EUR)	0.38	0.48	0.58	0.58
Net financial debt	-14.8	-16.4	-21.9	-15.9
ND/Rec. EBITDA (x)	-1.1	-1.2	-1.3	-0.8
ROE (%)	11.6	13.6	13.4	13.1
ROCE (%)	14.2	18.2	17.5	17.7

Ratios &

Multiples(x)⁽⁵⁾

	2015	2016	2017	2018
P/E	17.6	14.0	13.7	13.4
Ord. P/E	17.5	15.2	15.3	14.4
P/BV	2.1	1.9	1.8	1.7
Dividend Yield (%)	3.5	4.4	5.3	5.3
EV/Sales	1.65	1.47	1.34	1.21
EV/Rec. EBITDA	12.3	11.6	9.7	8.6
FCF Yield (%) ⁽⁴⁾	5.8	5.5	4.9	1.1

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

- (1) Please refer to page 8.
- (2) Total volume traded in the share (Mn EUR) -12m vs Mkt Cap. Represents the % of the capitalisation traded -12m.
- (3) Sector Benchmark: Eurostoxx 600 Health Care.
- (4) Based on recurrent FCF. Please refer to page 7.
- (5) Multiples and ratios calculated over prices at the date of this report.
- (6) Board: Prim Family (9.6%), J.I. Comenge (13.9%) and others (1.7%). Additionally, Ruiz de Alda 4.5%.

HIGH -5Y OPERATING GROWTH RATES (revenues and EBITDA 2013-2018: +9.1% and +11.6% CAGR, respectively), with a c. 1.5.p.p. improvement in the EBITDA margin taking EBITDA 2018 to EUR 19Mn (EBITDA margin 14%).

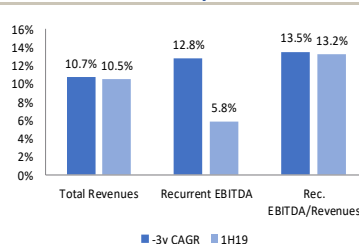
WITH A ROBUST CAPITAL STRUCTURE... Net cash 1H19 EUR 9.9Mn. The cash generation of the last five years not only led to an increase in the company's net cash (vs EUR 4.7Mn of net debt in 2013), but also resulted in PRIM having LT financial investments of EUR 16.1Mn in 1H19 (8.5% of the market cap.).

...AND SIGNIFICANT VALUE GENERATION: business profitability as measured by the ROCE grew continuously from 10.9% in 2013 to 17.7% in 2018, with an average ROCE in 2015-2018 of 17% (vs 15% -5y). In terms of value creation, the company widened the ROCE – WACC differential by 9.6p.p. (11.5p.p. in 2018 vs in 1.9p.p. in 2013).

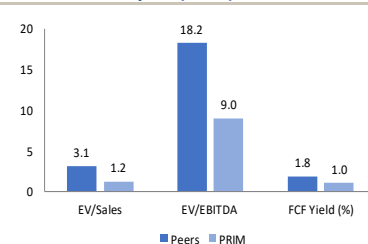
MOMENTUM (1H19) WHAT DO THE MOST RECENT RESULTS SHOW? In 1H19 the -5y revenue growth rate was maintained (>10%), although there was a slowing of growth in EBITDA (recurrent EBITDA 1H19: +5.8%; with a recurrent EBITDA margin of 13.2% vs a -3y average of 13.5%).

IN CONCLUSION: CRUNCHING THE NUMBERS: Stable growth in both revenue and EBITDA (c.10% -5y). Margins seem to have consolidated at levels of 14% (vs 12.5% -5y). The trend is not for the acceleration of growth but rather for the stabilisation of this. PRIM has a very robust capital structure (structurally it has a net cash position). The theoretical valuation exercises carried out (multiples, DCF of 2018 net EBIT) point to a possible "reserve" of value (which the lack of financial projections makes it impossible to verify).

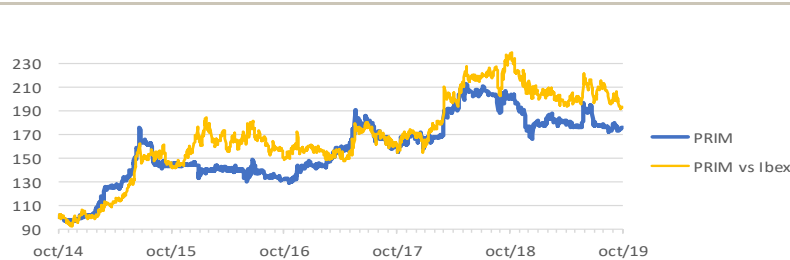
Momentum: Growth -3y vs 1H19



Historical multiples (2018) vs Peers



Relative performance -5y (Base 100)



Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-1.8	-2.2	-12.7	4.3	32.9	75.8
vs Ibex 35	-4.8	-3.3	-18.9	-5.1	28.9	93.5
vs Ibex Small Cap Index	-2.5	-0.6	-15.3	-2.3	-2.6	23.6
vs Eurostoxx 50	-3.7	-4.2	-24.0	-13.2	13.4	48.3
vs sector Benchmark ⁽³⁾	-0.6	-4.2	-23.7	-11.4	13.1	42.8

Contents

1. Purpose of this report

An explanation of the goals of the report, its structure and what not to expect from it.

2. Conclusions

Main ideas arising from the analysis carried out, focusing on margin and revenue growth trends and on the company's valuation and momentum indicators.

3. The company in 6 charts

A quick look at the company's situation: growth in revenue and EBITDA, margins, past and current debt levels, etc.

4. Basic financial information

Historical financial statements model and breakdown of the main Balance sheet, P/L and Cash Flow items.

5. "All the numbers"

Analysis of multiples and ratios relating to what has occurred in the company in the last 5 years.

6. Valuation inputs

Valuation exercises on the basis of the latest results released by the company both relative to the sector and by DCF.

1. Purpose of this report

What is this report? What is its goal?

This report is simply an orderly financial analysis of the company's "verifiable numbers". In other words, an analysis of the financial statements already published. The analysis is based solely on the financial statements for the last five years and the latest half-yearly results published, and on the performance of the share price in this period. At this point it is important to clarify what this report is and what it isn't.

A) What it is: objectives of the report

- 1) **A DESCRIPTION OF THE COMPANY FROM A FINANCIAL POINT OF VIEW:** An orderly presentation of the financial statements and their main items.
- 2) **A FINANCIAL ANALYSIS OF WHAT HAS OCCURRED IN THE LAST 5 YEARS:** Analysis of growth rates, margins, multiples and ratios. Identification of trends.
- 3) **VALUATION EXERCISES:** application of different valuation techniques to the results already obtained by the company with the sole objective that they act as purely theoretical indicators of a potential over- or under-valuation of the business:
 - ✓ Application of EV/Sales adjusted by the margin differential vs the sector and sensitivity analysis of the result.
 - ✓ Differential (premium/discount) vs the sector in terms of EV/EBITDA, EV/EBIT, P/E, P/BV and FCF yield.
 - ✓ Valuation exercised based on the last year closed (Net EBIT / (WACC - G)) and sensitivity analysis of the result.

Para facilitar la interpretación de los diferentes resultados se incluye el diferencial de crecimiento histórico de la compañía vs sector. Así como su evolución (¿se amplía? ¿se reduce? ¿es estable?).

- 4) **INDICATORS OF BUSINESS MOMENTUM.** Obtained through an analysis of the last half-yearly results by comparison with the company's historical performance (in absolute terms and relative to the sector).

B) What it is not: what this report doesn't do nor is intended to do.

- 1) **IT IS NEITHER A FUNDAMENTAL ANALYSIS OF THE COMPANY.** Nor an initiation of coverage as it neither analyses the company's strategy nor the possible future business performance.
- 2) **IT IS NOT AN ESTIMATE OF FUTURE RESULTS.** No financial projections of any kind have been prepared (the analysis is carried out on historical financial statements).
- 3) **IT IS NOT A TRUE VALUATION OF THE COMPANY. NO TARGET PRICE IS SET.** A valuation requires an estimation of the future business performance (financial projections) and so is not possible in this report. All the valuation exercises are carried out on a theoretical basis and in the knowledge that, without an opinion on the future business performance, they are incomplete, and their sole use is to act as value indicators. They do not represent a true valuation of the company.
- 4) **IT IS NOT A RECOMMENDATION TO BUY OR SELL THE STOCK.** This report does not propose any kind of investment recommendation either explicitly or implicitly.

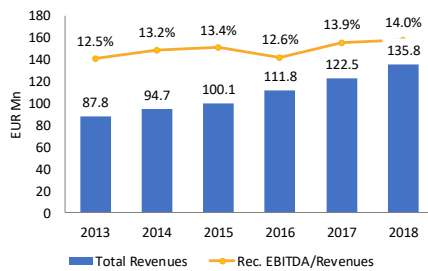
IN CONCLUSION: this report is not a conventional fundamental analysis (financial projections, valuation, and recommendation). However, it does aim to be a useful tool for investors to get to know the company better by providing a systematic presentation of the available information so that, in the end, an initial judgement can be made about its potential interest.

2. Conclusions

Arising from our analysis of the company's "actual numbers", based exclusively on the financial statements already published (2013-2018), we would highlight the following points:

A) Financial analysis of what has happened in the last five years: trends identified and business momentum

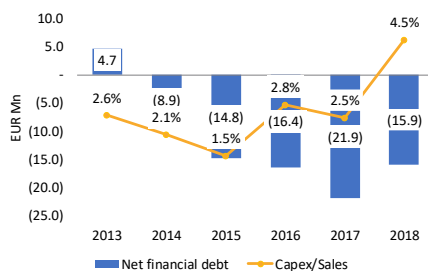
Chart 1. Revenues vs EBITDA Mg. (2013-2018)



What happened in 2013-2018?

- **Growth in revenue and EBITDA:** +9.1% and +11.6% CAGR 2013-2018, respectively, with a c. 1.5p.p. Improvement in the EBITDA margin taking 2018 EBITDA to EUR 19Mn (2018 EBITDA margin: 14.0%; chart 1).
- **With significant cash generation**, maintaining a conversion of c. 60% of EBITDA into cash.
- **And a net cash position.** The cash generation of the last five years not only led to an increase in the company's cash to EUR 15.9Mn in 2018 (vs EUR 4.7Mn of net debt in 2013; chart 2), but also resulted in LT financial investments of EUR 15.9Mn in 2018.
- **With a growing dividend per share**, which peaked in 2018 both in its amount (EUR 0.58; +23% CAGR 2013-2018), and its pay-out (71%). The average dividend yield -5y is 5.5%.

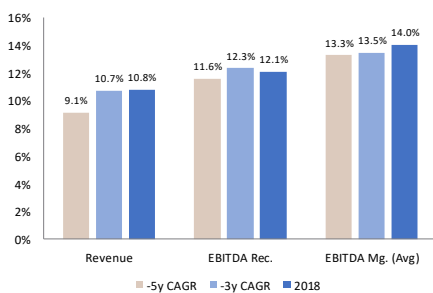
Chart 2. ND vs CAPEX/Sales (2013-2018)



What has been the trend?

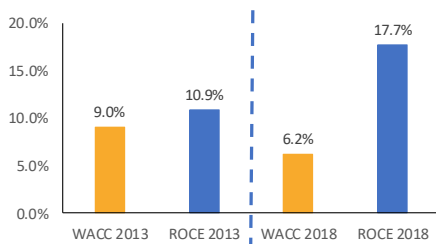
- **Growth has accelerated in the last 3 years:** Revenue and EBITDA show double-digit growth (+10.7% and +12.3% CAGR 2015-2018 respectively), with a higher CAGR than -5y (+1.6p.p. and +0.8p.p. respectively). The company's average EBITDA margin has remained stable over the last three years at around 13.5% (chart 3). The same is true of the EBIT margin (average -3y: 12.1% vs 11.5% in 2016).
- **And in 2018?** Revenue growth seen in the last 3 years stabilised in 2018 with similar growth to that of 2015-2018 (revenues 2018: +10.8% vs CAGR 10.7% -3y). However, in terms of EBITDA, while maintaining double-digit growth rates, its growth showed a certain deceleration vs 2017, with growth of 12.1% (vs a 12.3% CAGR for 2015-2018).

Chart 3. Trends: -5y, -3y and 2018



Margins remained stable: in 2018 the recurrent EBITDA margin was similar to that obtained in 2017 (14%), although slightly higher than the average obtained in the last 3 years (13.5%).

Chart 4. Value generation: ROCE vs WACC



A sound financial position (net cash 2018 EUR 15.9Mn): although c. EUR 6Mn less vs 2017 (-EUR 8Mn if we take into account the reduction of long-term financial investments). FCF 2018 (EUR 2.1Mn) fell vs the 2013-2017 average (EUR 10Mn) due to an increase in CAPEX (4.5% of sales vs -5y average of 2.6%) and working capital (due to higher inventories: 33% of sales vs -5y average of 27%).

We would highlight the trend for business profitability as measured by the ROCE, which grew continuously to 17.7% in 2018 (vs 10.9% in 2013), with an average ROCE in 2015 - 2018 of 17% (vs 15% -5y). In terms of value creation, the company increased the ROCE - WACC spread by 9.6p.p. (11.5p.p. in 2018 vs 1.9p.p. in 2013).

How does PRIM's performance (and its trend) compare with its sector?

	Total Revenues			EBITDA			Mg. EBITDA		
	CAGR -5YR	CAGR -3YR	2018	CAGR -5YR	CAGR -3YR	2018	-5Y (Avg)	3y (Avg)	2018
PRIM	9.1%	10.7%	10.8%	11.6%	12.3%	12.1%	13,3%	13,5%	14,0%
Comparables	9.6%	5.7%	10.7%	10.1%	2.6%	-2.0%	21,1%	20,7%	19,3%
Spread (p.p.)	(0.5)	5.0	0.2	1.5	9.8	14.1	-7,8	-7,2	-5,3

- In terms of revenue:** Over the period 2015-2018 the company maintained a c. 5p.p. positive revenue growth spread vs its main peers, which seems to have normalised from 2018, when revenue growth was in line with the sector (c.11%).
- In terms of margins:** The company's average EBITDA margin has remained stable in recent years at 14%; in line with that obtained by its main peers with capitalisation < 3bn in 2018 (although lower than that obtained by the main global players; c. 30%). The c. 2p.p. reduction in the margin of its main peers in the last five years could indicate a possible catch-up in margins by the company with its sector.

Momentum (1H19): What do the most recent results show?

- Growth in revenues is stabilising:** +10.5% vs 1H18, in line with the growth seen in the last three years (+10.7% CAGR).
- But not in EBITDA,** which grew 5.8% vs 1H18 and is slowing both in absolute terms (-6.6p.p. vs average growth of the last 3 years) and relative terms (the EBITDA of comparables grew c. 20% vs 1H18). The recurrent EBITDA margin fell to 13.2% (vs 14.0% at the 2018 close), although it remains in line with that obtained in 2015-2018 (13.5%).
- The financial position maintains the trend begun in 2018:** With a EUR 6Mn reduction in net cash (-38% vs 2018), which includes the impact of the implementation of IFRS 16 (c. 40% of the reduction). The total financial position (including long-term financial investments) was EUR 26Mn (14% of the market cap).

Chart 5. Momentum: 1H19 vs -3y growth (CAGR)

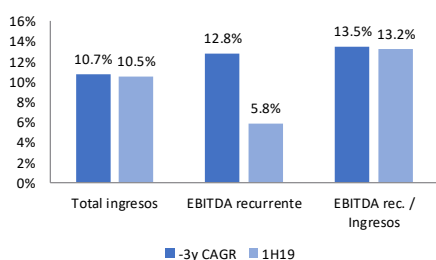


Chart 6. PRIM vs Peers (2018)

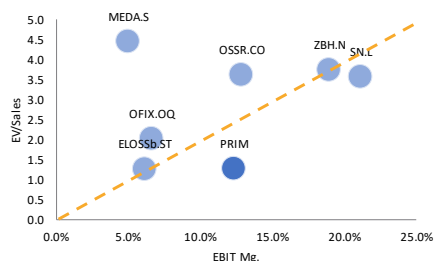
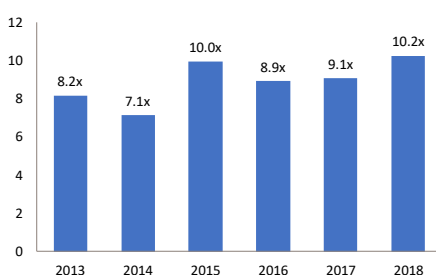


Chart 7. EV/EBIT historical multiples (2013-2018)



B) Theoretical valuation exercises

In relative terms (vs peers) the company is apparently trading at a 49% discount, estimated on the basis of PRIM's theoretical EV/sales. This conclusion holds true for other multiples: in terms of P/BV and EV/EBITDA, PRIM is showing discounts of 30% and 50%, respectively, vs its main comparables.

In absolute terms (discounted cash flows 2018), the company is trading at an apparent discount of 44%, calculated using 2018 net EBIT (G of 2%). The relation 2018 ROCE (17.7%) vs WACC (5.8%) shows a business clearly creating value.

IN CONCLUSION: CRUNCHING THE NUMBERS: Stable growth in both revenue and EBITDA (c.10%) and margins which seem to have consolidated at levels of around 14% (vs 12.5% -5y). The trend is not for the acceleration of growth but rather for the stabilisation of this. Positive growth differentials vs the sector and, perhaps most significantly, a trend towards a reduction of the EBITDA margin/sales spread vs the sector (-7.8 p.p., -5y; -6.8 p.p., 1H19).

PRIM has a very robust capital structure (structurally it has a net cash position). Theoretical valuation exercises (multiples, DCF) point to a significant undervaluation which, in the absence of financial projections, cannot be considered a valuation *per se* although it can be seen as indicating a possible reserve of value.

3. The company in 6 charts

Chart 1: Revenues by business line

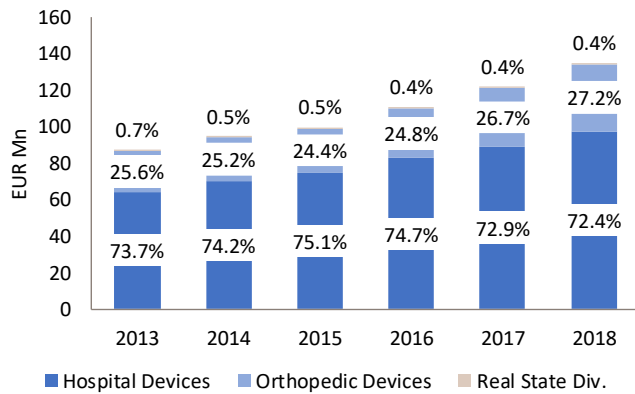


Chart 2: Revenues by Geography (2018)

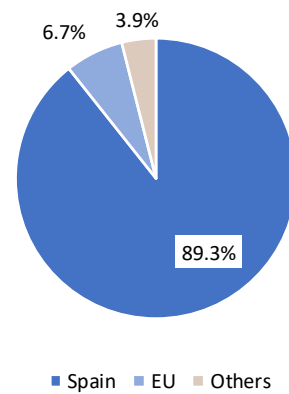


Chart 3: Rec. EBITDA vs EBITDA Mg.

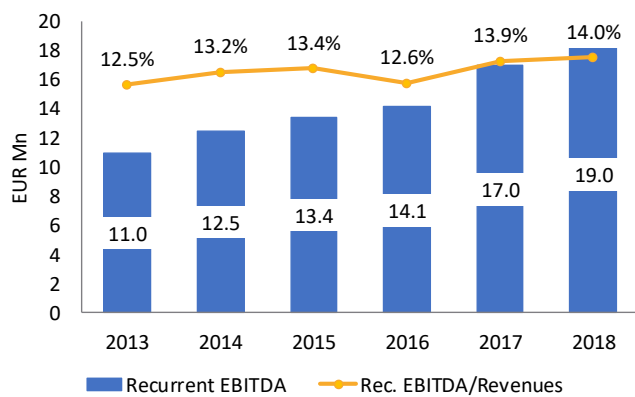


Chart 4: Revenues and EBITDA growth (y/y)

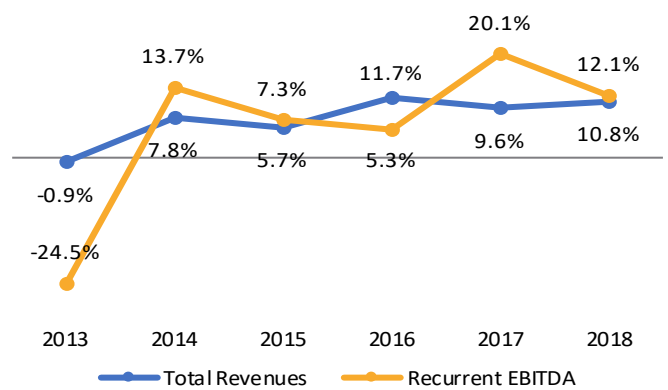


Chart 5: Rec. Free Cash Flow vs CAPEX/Sales

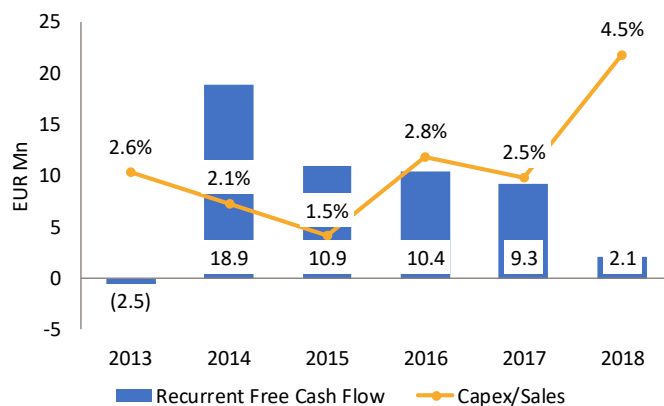
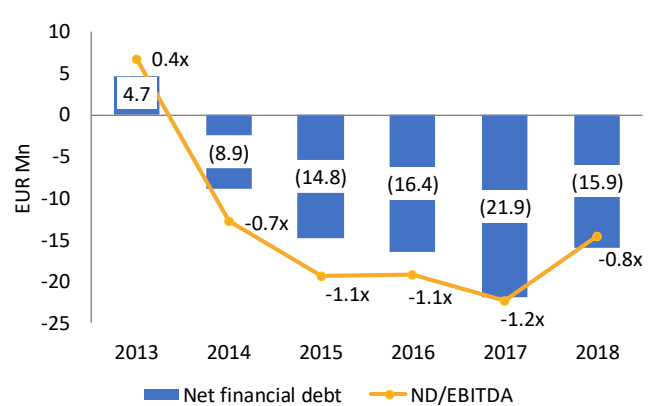


Chart 6: Net Debt vs ND/EBITDA

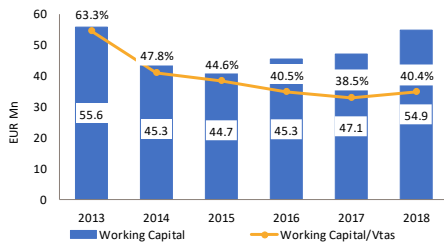


4. Basic financial information
Historical Financial Statements (2013 - 2018)

Balance Sheet (EUR Mn)	2013	2014	2015	2016	2017	2018		
Intangible Assets	0.2	0.3	0.2	3.2	3.2	4.4		
Fixed Assets	12.2	12.8	12.3	12.3	12.3	13.8		
Other Non Current Assets	3.6	1.0	1.2	1.2	0.2	0.2		
Financial Investments	15.9	23.8	18.0	19.6	17.9	15.9		
Goodwill & Other Intangibles	1.6	1.6	1.6	3.6	4.2	4.2		
Current Assets	71.5	63.4	63.9	67.0	73.8	81.6		
Total assets	104.9	102.8	97.3	106.9	111.5	120.1		
Equity	83.8	92.7	92.2	100.8	106.1	108.8		
Minority Interests	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	0.4	0.9	0.6	0.7	0.7	0.4		
Net financial debt	4.7	(8.9)	(14.8)	(16.4)	(21.9)	(15.9)		
Current Liabilities	15.9	18.1	19.3	21.7	26.6	26.7		
Equity & Total Liabilities	104.9	102.8	97.3	106.9	111.5	120.1		
							CAGR	
P&L (EUR Mn)	2013	2014	2015	2016	2017	2018	13-18	15-18
Total Revenues	87.8	94.7	100.1	111.8	122.5	135.8	9.1%	10.7%
Total Revenues growth	-0.9%	7.8%	5.7%	11.7%	9.6%	10.8%		
COGS	(39.3)	(41.7)	(45.9)	(52.3)	(57.2)	(62.9)		
Gross Margin	48.5	52.9	54.1	59.5	65.4	73.0	8.5%	10.4%
Gross Margin (o/Revenues)	55.2%	55.9%	54.1%	53.2%	53.3%	53.7%		
Personnel Expenses	(25.3)	(26.9)	(26.8)	(29.2)	(31.0)	(33.4)		
Other Operating Expenses	(12.2)	(13.5)	(13.9)	(16.1)	(17.4)	(20.5)		
Recurrent EBITDA	11.0	12.5	13.4	14.1	17.0	19.0	11.6%	12.3%
Recurrent EBITDA growth	-24.5%	13.7%	7.3%	5.3%	20.1%	12.1%		
Rec. EBITDA/Revenues	12.5%	13.2%	13.4%	12.6%	13.9%	14.0%		
Restructuring Expenses	-	-	-	-	-	-		
Other non-recurrent Income / Costs	0.4	0.1	0.3	1.2	0.6	0.7		
EBITDA	11.4	12.6	13.8	15.3	17.6	19.8	11.7%	12.8%
EBITDA growth	-24.8%	11.0%	9.1%	11.4%	14.9%	12.2%		
EBITDA/Revenues	12.9%	13.3%	13.7%	13.7%	14.4%	14.6%		
Depreciation & Provisions	(1.4)	(0.8)	(2.3)	(2.3)	(2.4)	(3.0)		
Capitalized Expense	-	-	-	-	-	-		
EBIT	10.0	11.8	11.5	13.0	15.2	16.8	10.9%	13.5%
EBIT growth	-21.9%	18.4%	-3.0%	13.6%	17.0%	10.0%		
EBIT/Revenues	11.4%	12.5%	11.5%	11.6%	12.4%	12.3%		
Impact of Goodwill & Others	-	0.1	0.7	(0.0)	-	0.0		
Net Financial Result	1.8	2.4	2.4	1.8	1.6	1.3		
Income by the Equity Method	0.0	0.0	0.1	0.1	0.1	-		
Ordinary profit	11.8	14.3	14.6	14.9	16.9	18.0	8.8%	7.2%
Ordinary Profit Growth	-9.5%	20.7%	2.3%	1.9%	13.4%	6.7%		
Extraordinary Results	-	-	-	-	1.4	0.5		
Profit Before Tax	11.8	14.3	14.6	14.9	18.3	18.5	9.4%	8.2%
Tax Expense	(3.6)	(4.3)	(3.9)	(1.8)	(4.4)	(4.4)		
Effective Tax Rate	30.4%	30.2%	26.8%	12.0%	24.0%	23.8%		
Minority Interest	-	-	-	-	-	-		
Discontinued Activities	1.4	-	-	-	-	-		
Net Profit	9.6	10.0	10.7	13.1	13.9	14.1	7.9%	9.7%
Net Profit growth	5.5%	3.4%	7.4%	22.4%	6.1%	1.6%		
Ordinary Net Profit	8.6	10.6	10.7	12.1	12.4	13.2	8.9%	7.1%
Ordinary Net Profit growth	-8.4%	23.7%	0.7%	12.5%	2.6%	6.6%		
							CAGR	
Cash Flow (EUR Mn)	2013	2014	2015	2016	2017	2018	13-18	15-18
Recurrent EBITDA	11.0	12.5	13.4	14.1	17.0	19.0	11.6%	12.3%
Working Capital Increase	(9.5)	10.3	0.6	(0.6)	(1.8)	(7.8)		
Recurrent Operating Cash Flow	1.5	22.8	14.0	13.5	15.1	11.3	49.0%	-7.0%
Capex	(2.2)	(1.9)	(1.5)	(3.2)	(3.0)	(6.1)		
Net Financial Result affecting the Cash Flow	1.8	2.4	2.4	1.8	1.6	1.3		
Taxes	(3.6)	(4.3)	(3.9)	(1.8)	(4.4)	(4.4)		
Recurrent Free Cash Flow	(2.5)	18.9	10.9	10.4	9.3	2.1	n.a.	-42.8%
Variation of indebtedness	14.1	(13.6)	(5.9)	(1.6)	(5.6)	6.0		
Net debt / EBITDA (x)	0.4	-0.7	-1.1	-1.2	-1.3	-0.8		

Main Balance Sheet items breakdown

Chart 1: Working Capital



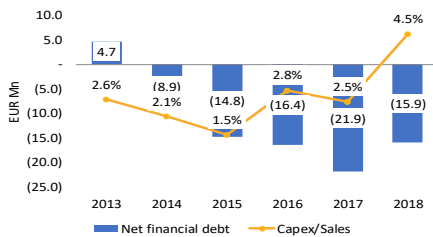
Working Capital breakdown

EUR Mn	2013	2014	2015	2016	2017	2018
Stocks	18.5	20.8	26.3	33.7	39.5	44.3
Clients	52.1	41.6	37.3	33.1	34.1	37.0
Suppliers	(8.7)	(9.5)	(11.0)	(12.7)	(15.8)	(14.9)
Trade working capital	61.9	52.9	52.6	54.0	57.8	66.4
Other Current Assets	0.9	1.0	0.3	0.2	0.2	0.3
Other Current liabilities	(7.2)	(8.6)	(8.2)	(9.0)	(10.9)	(11.9)
Working Capital	55.6	45.3	44.7	45.3	47.1	54.9
(Increase)/decre. In Inventories	(1.4)	(2.3)	(5.5)	(7.4)	(5.8)	(4.8)
(Increase)/decre. In Receivables	(7.0)	10.5	4.2	4.2	(1.0)	(2.9)
Increase/(decre.) In Payables	(0.6)	0.8	1.5	1.7	3.0	(0.9)
(Increase)/decre. In other ST assets	(0.8)	(0.0)	0.7	0.0	0.0	(0.1)
Increases/(decre.) In other ST liabilities	0.3	1.4	(0.4)	0.8	1.9	1.0
	(9.5)	10.3	0.6	(0.6)	(1.8)	(7.8)

Working Capital o/Sales

% s/Sales	2013	2014	2015	2016	2017	2018
Stocks	21.0%	22.0%	26.3%	30.1%	32.2%	32.6%
Clients	59.3%	43.9%	37.3%	29.6%	27.8%	27.3%
Suppliers	9.9%	10.0%	11.0%	11.4%	12.9%	10.9%
Trade working capital	70.5%	55.9%	52.6%	48.3%	47.1%	48.9%
Other Current Assets	1.1%	1.0%	0.3%	0.2%	0.2%	0.2%
Other Current liabilities	8.2%	9.1%	8.2%	8.0%	8.9%	8.7%
Working Capital	63.3%	47.8%	44.6%	40.5%	38.5%	40.4%

Chart 2: Net Debt vs CAPEX/Sales

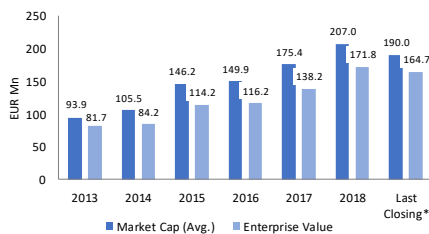


Net financial debt and liquidity breakdown

EUR Mn	2013	2014	2015	2016	2017	2018	1H19
L/T debt	2.7	0.8	0.1	-	-	-	4.7
Corporate debt	-	-	-	-	-	-	-
S/T debt	2.9	2.0	2.1	1.6	2.1	0.8	4.1
Other financial liabilities	2.1	2.1	2.0	3.4	2.2	1.6	0.7
Total financial debt	7.7	4.8	4.2	5.0	4.4	2.3	9.5
Cash	2.1	9.3	3.8	6.2	15.7	8.8	15.0
S/T Investments	0.9	4.4	15.1	15.2	10.6	9.4	4.4
Cash and equivalents	3.0	13.7	18.9	21.4	26.3	18.3	19.4
Net Debt	4.7	(8.9)	(14.8)	(16.4)	(21.9)	(15.9)	(9.9)
ND/EBITDA*	-0.8x	0.4x	-0.6x	-1.0x	-0.9x	-1.1x	-0.5x
ND/BV	0.1x	-0.1x	-0.2x	-0.2x	-0.2x	-0.1x	-0.1x
Debt maturities							
< 1 year	2.9	2.0	2.1	1.6	2.1	0.8	4.1
>1 year < 5	4.8	2.8	2.1	3.4	2.2	1.6	5.4
> 5 year	0.0	0.0	0.0	0.0	0.0	0.0	0.0

*ND/EBITDA 1H19 calculated over LTM EBITDA

Chart 3: EV vs Market Cap



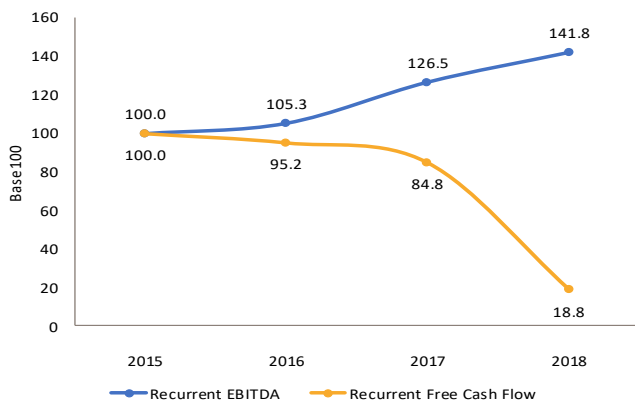
Average Enterprise Value (2013-2018)

Enterprise Value	2013	2014	2015	2016	2017	2018	Last Closing*
Price per share (Avg.)	5.41	6.08	8.43	8.62	10.10	11.90	10.95
Market Cap (Avg.)	93.9	105.5	146.2	149.9	175.4	207.0	190.0
+ Minority Interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Provisions & Other L/T Liabilities	0.3	0.7	0.8	0.6	0.7	0.5	0.7
+ Net financial debt	-2.4	-2.1	-11.8	-15.6	-19.1	-18.9	-9.9
- Financial Investments	-10.2	-19.9	-20.9	-18.8	-18.7	-16.9	-16.1
+/- Others EV adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise Value	81.7	84.2	114.2	116.2	138.2	171.8	164.7

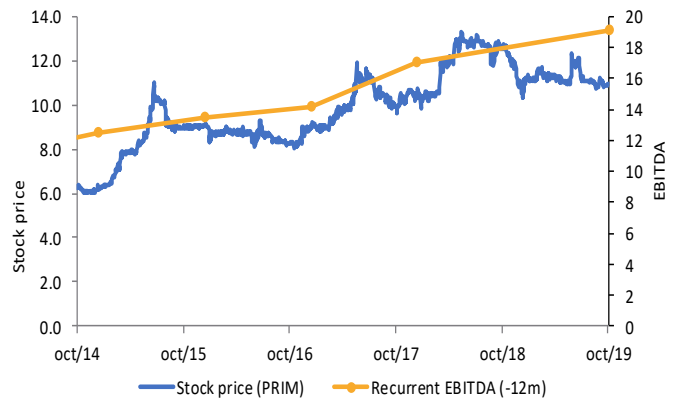
*Current fiscal year according to last quarterly results available

Recurrent Free Cash Flow analysis

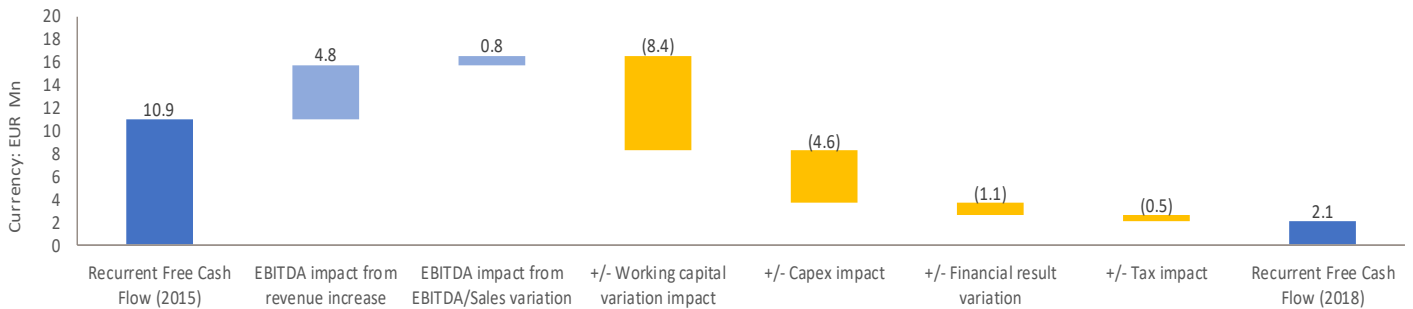
Evolución del EBITDA recurrente vs Free Cash Flow recurrente



Comportamiento del precio de la acción vs EBITDA (-12m)

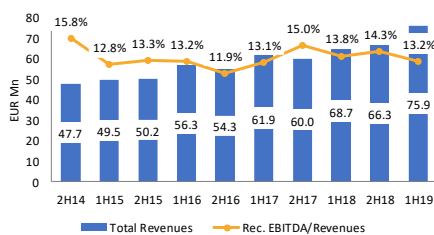


Análisis de la variación acumulada del Free Cash Flow Recurrente (2015 - 2018)



Seasonality and trends

Chart 4: Half-year: Revenues and EBITDA Margin



Half year P&L: Seasonality

Half year P&L (EUR Mn)	2H14	1H15	2H15	1H16	2H16	1H17	2H17	1H18	2H18	1H19
Total Revenues	47.7	49.5	50.2	56.3	54.3	61.9	60.0	68.7	66.3	75.9
Revenues growth (YoY)	n.a.	n.a.	5.2%	13.6%	8.2%	9.9%	10.5%	11.0%	10.5%	10.5%
Recurrent EBITDA	7.5	6.4	6.7	7.5	6.5	8.1	9.0	9.5	9.5	10.0
Rec. EBITDA growth (YoY)	n.a.	n.a.	-10.9%	17.2%	-3.7%	9.1%	39.2%	16.6%	5.8%	5.8%
Rec. EBITDA/Revenues	15.8%	12.8%	13.3%	13.2%	11.9%	13.1%	15.0%	13.8%	14.3%	13.2%
EBITDA	7.6	6.4	7.0	7.5	7.6	8.2	9.6	9.6	10.2	10.3
EBITDA growth (YoY)	n.a.	n.a.	-8.1%	16.9%	8.9%	8.7%	26.2%	17.2%	6.6%	7.5%
EBIT	6.7	5.5	6.0	6.5	6.5	6.9	8.3	8.1	8.7	7.9
EBIT growth (YoY)	n.a.	n.a.	-10.3%	19.4%	8.4%	6.1%	27.8%	17.3%	4.0%	-1.9%
EBIT/Revenues	14.0%	11.0%	12.0%	11.6%	12.0%	11.2%	13.9%	11.8%	13.0%	10.5%
Net Profit	5.4	5.3	5.4	5.7	7.4	6.6	7.3	6.9	7.2	5.4
Net profit growth (YoY)	n.a.	n.a.	0.8%	8.0%	36.3%	16.7%	-1.4%	3.6%	-0.8%	-21.2%

Trend analysis

y/y change	2013	2014	2015	2016	2017	2018	1H18	1H19
Total Revenues	-0.9%	7.8%	5.7%	11.7%	9.6%	10.8%	-49.4%	10.5%
Recurrent EBITDA	-24.5%	13.7%	7.3%	5.3%	20.1%	12.1%	-50.2%	5.8%
Rec. EBITDA/Revenues (p.p.)	(3.9)	0.7	0.2	(0.8)	1.2	0.2	(0.2)	(0.6)
EBIT	-21.9%	18.4%	-3.0%	13.6%	17.0%	10.0%	-51.7%	-1.9%
EBIT/Revenues (p.p.)	(3.1)	1.1	(1.0)	0.2	0.8	(0.1)	(0.5)	(1.3)
Net Profit	5.5%	3.4%	7.4%	22.4%	6.1%	1.6%	-51.2%	-21.2%
Net financial debt	149.8%	-288.6%	-66.6%	-10.8%	-33.9%	27.4%		
Net debt / EBITDA (x)	1.1x	-1.1x	-0.4x	-0.1x	-0.1x	0.5x		

5. "All the numbers"

	2013	2014	2015	2016	2017	2018	CAGR	
							13-18	15-18
MARKET DATA								
Price (yearly avg.)	5.41	6.08	8.43	8.62	10.10	11.90		
Market capitalisation EUR Mn(yearly avg.)	93.9	105.5	146.2	149.9	175.4	207.0		
Price (yearly avg.)	0.03	0.04	0.06	0.03	0.04	0.06		
Performance								
Absolute	9.9%	9.4%	43.0%	-1.2%	16.3%	1.4%	17.1%	12.2%
vs ibex 35	-9.5%	5.5%	54.0%	0.8%	8.3%	19.3%		
vs Sector benchmark	-8.7%	-7.5%	24.8%	10.1%	14.0%	4.2%		
PER SHARE DATA								
Adj. nº shares (Mn)	16.99	17.10	17.16	16.74	17.33	17.33	0.4%	0.3%
EPS (EUR)	0.57	0.58	0.62	0.78	0.80	0.81	7.5%	9.3%
BVPS (reported)	4.93	5.42	5.38	6.03	6.12	6.28	5.0%	5.3%
Rec. FCF per share	-0.15	1.11	0.64	0.62	0.54	0.12	n.a.	-42.9%
DPS (EUR)	0.21	0.54	0.38	0.48	0.58	0.58	22.9%	15.1%
% pay-out	36.3%	92.5%	60.8%	60.9%	72.1%	71.0%		
ENTERPRISE VALUE yearly average (EUR Mn)								
Market capitalisation EUR Mn(yearly avg.)	93.9	105.5	146.2	149.9	175.4	207.0	17.1%	12.3%
+ Minority Interests	0.0	0.0	0.0	0.0	0.0	0.0		
+ Provisions & Other L/T Liabilities	0.3	0.7	0.8	0.6	0.7	0.5		
+ Net financial debt	-2.4	-2.1	-11.8	-15.6	-19.1	-18.9		
- Financial Investments	-10.2	-19.9	-20.9	-18.8	-18.7	-16.9		
(=) Enterprise value (yearly avg.)	81.7	84.2	114.2	116.2	138.2	171.8	16.0%	14.6%
KEY FINANCIAL METRICS								
Year-on-year growth								
Total Revenues	-0.9%	7.8%	5.7%	11.7%	9.6%	10.8%		
Recurrent EBITDA	-24.5%	13.7%	7.3%	5.3%	20.1%	12.1%		
EBIT	-21.9%	18.4%	-3.0%	13.6%	17.0%	10.0%		
Profit Before Tax	-9.5%	20.7%	2.3%	1.9%	22.8%	1.4%		
Net Profit	5.5%	3.4%	7.4%	22.4%	6.1%	1.6%		
EPS (EUR)	5.1%	2.7%	7.1%	25.4%	2.5%	1.6%		
Margins (on revenue)								
Recurrent EBITDA	12.5%	13.2%	13.4%	12.6%	13.9%	14.0%		
Gross margin	55.2%	55.9%	54.1%	53.2%	53.3%	53.7%		
EBIT	11.4%	12.5%	11.5%	11.6%	12.4%	12.3%		
Profit Before Tax	13.5%	15.1%	14.6%	13.3%	14.9%	13.6%		
Net Profit	11.0%	10.5%	10.7%	11.7%	11.3%	10.4%		
Ordinary Net Profit	9.8%	11.2%	10.7%	10.8%	10.1%	9.7%		
Other key financial metrics								
Income tax rate (>0 if income)	30.4%	30.2%	26.8%	12.0%	24.0%	23.8%		
Capex/Sales	2.6%	2.1%	1.5%	2.8%	2.5%	4.5%		
Working capital/Sales	63.3%	47.8%	44.6%	40.5%	38.5%	40.4%		
Capital Employed/Sales	83.2%	64.3%	60.0%	58.6%	54.6%	57.0%		
Net debt/EBITDA	0.4x	-0.7x	-1.1x	-1.2x	-1.3x	-0.8x		
Net debt/Equity	5.6%	-9.6%	-16.0%	-16.2%	-20.7%	-14.6%		
Assets (excash)/Equity	1.3x	1.1x	1.1x	1.1x	1.1x	1.1x		
ROE (reported)	11.9%	11.3%	11.6%	13.6%	13.4%	13.1%		
ROCE (reported)	10.9%	13.2%	14.2%	18.2%	17.5%	17.7%		
WACC	9.0%	6.5%	6.7%	6.2%	6.4%	6.2%		
BALANCE SHEET (EUR Mn)								
Fixed assets & Intangible	12.3	13.1	12.6	15.5	15.5	18.2		
Working capital	55.6	45.3	44.7	45.3	47.1	54.9		
Total assets (ex-cash)	104.9	102.8	97.3	106.9	111.5	120.1		
Equity	83.8	92.7	92.2	100.8	106.1	108.8		
Net debt / (cash)	4.7	-8.9	-14.8	-16.4	-21.9	-15.9		
Capital Employed	73.1	60.9	60.1	65.6	67.0	77.4		
PROFIT & LOSS (EUR Mn)								
Total Revenues	87.8	94.7	100.1	111.8	122.5	135.8	9.1%	10.7%
Recurrent EBITDA	11.0	12.5	13.4	14.1	17.0	19.0	11.6%	12.3%
Depreciation & Provisions	-1.4	-0.8	-2.3	-2.3	-2.4	-3.0		
EBIT	10.0	11.8	11.5	13.0	15.2	16.8	10.9%	13.5%
Net Financial Result	1.8	2.4	2.4	1.8	1.6	1.3		
Profit Before Tax	11.8	14.3	14.6	14.9	18.3	18.5	9.4%	8.2%
Income tax rate (>0 if income)	-3.6	-4.3	-3.9	-1.8	-4.4	-4.4		
Minorities and discontinued operations	1.4	0.0	0.0	0.0	0.0	0.0		
Net Profit	9.6	10.0	10.7	13.1	13.9	14.1	7.9%	9.7%
Ordinary Net Profit	8.6	10.6	10.7	12.1	12.4	13.2	8.9%	7.1%
CASH-FLOW (EUR Mn)								
Recurrent EBITDA	11.0	12.5	13.4	14.1	17.0	19.0		
Working Capital Increase	-9.5	10.3	0.6	-0.6	-1.8	-7.8		
Capex	-2.2	-1.9	-1.5	-3.2	-3.0	-6.1		
Taxes	-3.60	-4.32	-3.91	-1.79	-4.38	-4.41		
Net Financial Result affecting the Cash Flow	1.8	2.4	2.4	1.8	1.6	1.3		
Rec. Free Cash Flow to Equity (FCFE)	-2.5	18.9	10.9	10.4	9.3	2.1	n.a.	-42.8%
Rec. Free Cash Flow to the Firm (FCFF)	-3.2	17.9	9.6	8.8	8.5	1.2	n.a.	-49.8%
PROFIT & LOSS (EUR Mn)								
Equity multiples								
P/E	9.7x	10.6x	13.7x	11.4x	12.6x	14.7x		
Ord. P/E	10.9x	9.9x	13.6x	12.4x	14.2x	15.7x		
P/BV	1.1x	1.1x	1.6x	1.5x	1.7x	1.9x		
FCFE yield	n.a.	18.0%	7.5%	6.9%	5.3%	1.0%		
Dividend Yield (%)	3.7%	8.7%	4.4%	5.3%	5.7%	4.8%		
Enterprise Value multiples								
EV/Sales	0.9x	0.9x	1.1x	1.0x	1.1x	1.3x		
EV/EBITDA	7.4x	6.7x	8.5x	8.2x	8.1x	9.0x		
EV/EBIT	8.2x	7.1x	10.0x	8.9x	9.1x	10.2x		
EV/CE	1.1x	1.4x	1.9x	1.8x	2.1x	2.2x		
FCFF yield (to EV)	-3.9%	21.3%	8.4%	7.6%	6.1%	0.7%		

6. Valuation inputs

Main peers in detail: ratios and multiples (2019e)

		Healthcare - Medical devices						
EUR Mn		Zimmer Biomet Holdings Inc	Smith & Nephew PLC	Ossur hf	Orthofix Medical Inc	Medartis Holding AG	Elos Medtech AB	Average
Market data	Ticker (Reuters)	ZBH.N	SN.L	OSSR.CO	OFIX.OQ	MEDA.S	ELOSSb.ST	
	Country	USA	UK	Iceland	USA	Switzerland	Sweden	
	Market cap	24,946.1	16,929.4	2,487.4	908.4	420.2	65.2	7,626.1
	Enterprise value (EV)	32,412.1	18,764.2	2,725.3	880.5	350.2	60.5	9,198.8
Basic financial information	Total Revenues	7,210.7	4,576.4	623.0	423.2	120.0	67.2	2,170.1
	Total Revenues growth	4.2%	7.0%	16.6%	7.1%	11.3%	5.8%	8.7%
	2y CAGR (2019e - 2021e)	2.7%	4.5%	6.7%	8.1%	13.8%	8.6%	7.4%
	EBITDA	2,490.9	1,333.5	136.9	77.5	16.4	11.8	677.8
	EBITDA growth	12.2%	4.5%	52.3%	82.4%	28.1%	27.5%	34.5%
	2y CAGR (2019e - 2021e)	3.1%	8.0%	11.5%	9.2%	20.7%	12.8%	10.9%
	EBITDA/Revenues	34.5%	29.1%	22.0%	18.3%	13.7%	17.6%	22.5%
	Net Profit	1,460.8	768.0	74.6	30.7	4.1	3.8	390.3
	Net Profit growth	n.a.	32.9%	7.2%	166.1%	9.8%	82.0%	59.6%
	2y CAGR (2019e - 2021e)	7.0%	5.7%	11.9%	14.3%	54.1%	26.3%	19.9%
	Capex	414	361.4	32.3	n.a.	18.1	8.8	166.9
	CAPEX/Sales %	5.7%	7.9%	5.2%	n.a.	15.1%	13.1%	9.4%
	Free Cash Flow	1,334.2	639.6	65.3	25.3	(14.5)	(2.0)	341.3
Net financial debt	6,818.7	1,465.2	261.5	n.a.	(94.7)	31.4	1,696.4	
ND/EBITDA (x)	2.7	1.1	1.9	n.a.	(5.8)	2.7	0.5	
Outstanding Shares	203.5	876.0	426.5	18.9	10.6	7.6		
Pay-out	12.2%	40.9%	13.3%	n.a.	0.0%	21.1%	17.5%	
Multiples and Ratios	P/E (x)	17.3	21.4	35.5	29.9	n.a.	19.9	24.8
	P/BV (x)	2.0	3.6	4.8	n.a.	2.1	n.a.	3.1
	EV/Revenues (x)	4.5	4.1	4.4	2.1	2.9	0.9	3.1
	EV/EBITDA (x)	13.0	14.1	19.9	11.4	21.4	5.1	14.1
	ROE	9.5	17.0	13.9	n.a.	1.7	7.7	10.0
	FCF Yield (%)	5.3	3.8	2.6	2.8	(3.4)	(3.1)	1.3
	DPS	0.9	0.4	0.0	n.a.	-	0.1	0.3
	Price Close	121.5	19.4	5.9	47.7	35.8	9.4	
Dvd Yield	0.7%	1.8%	0.4%	n.a.	0.0%	1.1%	0.8%	

Multiples: Medical devices and orthopedic sector (Backward-looking)

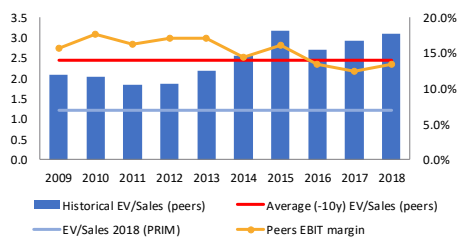
Company	Ticker (Reuters)	Market cap	P/E ord. 2018	EPS 18-20 CAGR	P/B 2018	ROE 2018	EV/EBITDA 2018	EBITDA 18-20 CAGR	EV/sales 2018	Sales 18-20 CAGR	2018 EBIT margin	FCFE yield 2018	FCFE 18-20 CAGR
Zimmer Biomet Holdings I	ZBH.N	24,946	n.a.	n.a.	1.7x	-2.4%	11.6x	7.2%	3.7x	3.4%	19.0%	0.1%	608%
Smith & Nephew PLC	SN.L	16,929	24.7x	21.4%	3.5x	16.4%	11.9x	6.7%	3.6x	5.8%	21.1%	2.2%	37%
Ossur hf	OSSR.CO	2,487	25.5x	10.1%	4.0x	18.7%	21.4x	32.3%	3.6x	12.2%	12.9%	2.2%	22%
Orthofix Medical Inc	OFIX.OQ	908	74.9x	72.8%	3.0x	7.2%	18.6x	41.5%	2.0x	7.3%	6.6%	1.5%	83%
Medartis Holding AG	MEDA.S	420	n.a.	13.5%	3.0x	2.0%	37.3x	17.0%	4.4x	12.0%	5.0%	-0.4%	n.a.
Elos Medtech AB	ELOSSb.ST	65	25.4x	44.7%	1.1x	6.5%	8.6x	19.7%	1.3x	7.1%	6.2%	-0.7%	n.a.
Average			37.6x	32.5%	2.7x	8.1%	18.2x	20.8%	3.1x	8.0%	11.8%	0.8%	187.7%
Median			25.5x	21.4%	3.0x	6.9%	15.2x	18.4%	3.6x	7.2%	9.8%	0.8%	60.1%
Prim SA	PRIM.MC	190	14.7x	n.a.	1.9x	13.1%	9.0x	n.a.	1.3x	n.a.	12.3%	0.7%	n.a.

Multiples: Medical devices and orthopedic sector(Forward-Looking)

Company	Ticker (Reuters)	Market cap	P/E ord. 2019e	EPS 19-21e CAGR	P/B 2019e	ROE 2019e	EV/EBITDA 2019e	EBITDA 19-21e CAGR	EV/sales 2019e	Sales 19-21e CAGR	2019e EBIT margin	FCFE yield 2019e	FCFE 19-21e CAGR
Zimmer Biomet Holdings I	ZBH.N	24,946	17.3x	6.7%	2.0x	9.5%	13.0x	3.1%	4.5x	2.7%	26.8%	5.3%	10%
Smith & Nephew PLC	SN.L	16,929	21.4x	8.2%	3.6x	17.0%	14.1x	8.0%	4.1x	4.5%	20.6%	3.8%	19%
Ossur hf	OSSR.CO	2,487	35.5x	15.1%	4.8x	13.9%	19.9x	11.5%	4.4x	6.7%	15.6%	2.6%	21%
Orthofix Medical Inc	OFIX.OQ	908	29.9x	12.0%	n.a.	n.a.	11.4x	9.2%	2.1x	8.1%	10.2%	2.8%	39%
Medartis Holding AG	MEDA.S	420	n.a.	57.1%	2.1x	1.7%	21.4x	20.7%	2.9x	13.8%	5.4%	-3.5%	n.a.
Elos Medtech AB	ELOSSb.ST	65	19.9x	24.1%	n.a.	7.7%	5.1x	12.8%	0.9x	8.6%	9.4%	-3.1%	n.a.
Average			24.8x	20.5%	3.1x	10.0%	14.1x	10.9%	3.1x	7.4%	14.7%	1.3%	22.0%
Median			21.4x	13.6%	2.8x	9.5%	13.5x	10.3%	3.5x	7.4%	12.9%	2.7%	19.9%

"Theoretical" valuation exercises with multiples

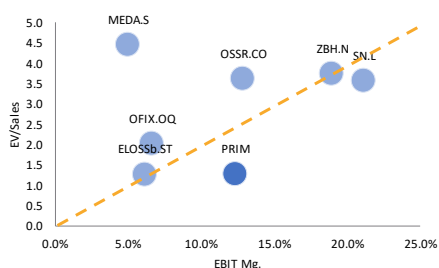
Chart 1: EV/Sales valuation inputs



"Theoretical" valuation exercise based on EV/Sales (2018) (*)

Valuation inputs	Último cierre		
Sector EBIT Mg.	11.8%	Theoretical EV/Sales	2.6
Company EBIT Margin	12.3%	* 2018 Sales	135.8
Adjustment factor	1.05	= Company EV Valuation	348.0
Sector EV/Sales (-10y avg.)	2.5	- Minority Interests	-
* Adjustment Factor	1.05	- Provisions & Other L/T Liabilities	0.7
Company Theoretical EV/Sales	2.6	- Net financial debt	(9.9)
vs 2018 Company EV/Sales	1.3	+ Financial Investments	16.1
Premium / (Discount) o/ EV/Sales	-50.6%	+/- Others EV adjustments	-
		= Valoración Equity Compañía (*)	373.3
		vs Mkt Cap at the date of this report	190.0
		Premium / (Discount)	-49.1%

Chart 2: PRIM vs Peers (2018)

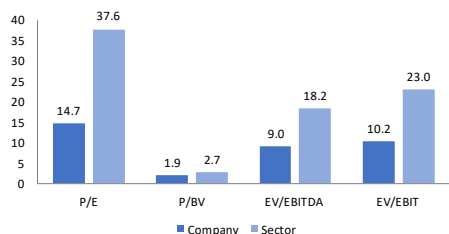


Sensitivity analysis: Theoretical EV/Sales to EBIT Mg. Changes and premium (discount) o/sector EV/Sales (*)

A) Theoretical EV/Sales				B) Premium / (Discount)			
EV/Sales Premium	Mg. EBIT			EV/Sales Premium	Mg. EBIT		
	11.3%	12.3%	13.3%		11.3%	12.3%	13.3%
	-10%	2.1	2.3		2.5	-10%	-39.3%
0%	2.4	2.6	2.8	0%	-45.0%	-49.1%	-52.7%
10%	2.6	2.8	3.0	10%	-49.6%	-53.5%	-56.7%

(*) The sector's EV/sales ratio has been adjusted by the margin spread between the company and its sector. A 10% premium (discount) has been applied in the sensitivity analysis in order to reflect the impact on the multiple (and on the relative valuation) of using a higher or lower multiple than that of the sector depending on the company's growth rate vs the sector and the possible evolution of its margin (vs that of the sector).

Chart 3: Valuation multiples (2018)



Other ratios and valuation multiples (2018)

	Equity multiples		Enterprise Value multiples		Free Cash Flow Yield
	P/E	P/BV	EV/EBITDA	EV/EBIT	FCF to Equity
Company	14.7	1.9	9.0	10.2	1.0%
Sector	37.6	2.7	18.2	23.0	1.8%
Premium / Discount	-61.0%	-30.3%	-50.5%	-55.4%	46.3%

"Theoretical" valuation exercises with DCF

WACC (at the date of this report)

Net financial debt	-9.9	Debt net of Cash (1H19)		
Cost of Debt	3.4%	Net debt cost	Best Case	Worst Case
Effective tax rate (T)	20.0%	T (Normalised tax rate)	2.4%	4.4%
Cost of Net Debt	2.7%	Kd = Cost of Net Debt * (1-T)	1.9%	3.5%
Risk free rate (rf)	0.2%	Rf (10y Spanish bond yield)	=	=
Equity risk premium	7.0%	R (own estimate)	6.0%	7.5%
Beta (B)	0.8	B (Thomson Reuters)	0.7	0.9
Cost of Equity	5.8%	Ke = Rf + (R*B)	4.4%	6.9%
Equity / (Equity + Net Debt)	100.0%	E (Market Cap as equity value)	=	=
Net Debt / (Equity + Net Debt)	0.0%	D	=	=
WACC	5.8%	WACC = Kd*D + Ke*E	4.4%	6.9%

Assumptions (2018)

EBIT 2018	16.8
Normalised tax rate (T)	20.0%
Long term growth rate (G)	2.0%
ROCE 2018	17.7%
WACC (at the date of this report) (*)	5.8%
Adjustment factor o/net EBIT	= 1 - (G / ROCE)
Adjustment factor applied	88.7%

"Theoretical" absolute valuation based on net EBIT2018) (*)

Theoretical value based on 2018 Net EBIT = EBIT (1-t)*Adjustment factor / (WACC - G)

Theoretical Enterprise Value (At the date of this report)	316.3
- Net financial debt (actual)	(9.9)
- Minority Interests	0.0
- Provisions & Other L/T Liabilities	0.7
+/- Others EV adjustments	0.0
+ Financial Investments	16.1
= Valoración Equity Compañía (*)	341.5
vs Mkt Cap at the date of this report	190.0
B) Premium / (Discount)	-44.4%

(*) Given the lack of financial projections for the future performance of the business, the valuation exercise described above relates the company's "theoretical value" to the main value generation drivers of any business: (i) the l/t growth rate (G), (ii) the return on capital employed (ROCE) and (iii) the cost of capital (WACC). The main drawback of this model is that it assumes both the ROCE and the growth rate (G) remain constant over the long term, so it does not represent a true valuation of the company. This valuation exercise has the sole use (and goal) of serving as a "value indicator" but does not represent a valuation per se.

Implied multiples (2018)

Valuation multiples	Sector	Company	Premium / Discount
EV/Sales	3.1	2.3	-24.7%
EV/EBITDA	18.2	16.6	-8.9%
EV/EBIT	23.0	18.9	-17.8%
P/BV	2.7	3.1	14.9%
P/E	37.6	24.2	-35.7%

Sensitivity analysis

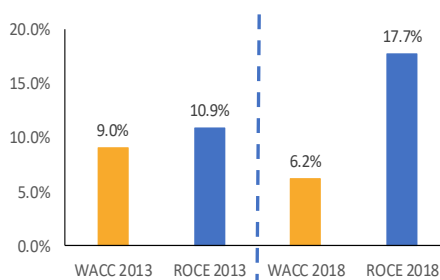
A) "Theoretical" Equity valuation (EUR Mn)

ROCE	Long term growth rate (G)		
	1.5%	2.0%	2.5%
15.7%	309.9	336.4	371.0
17.7%	313.3	341.5	378.4
19.7%	316.0	345.6	384.3

B) Premium / (Discount)

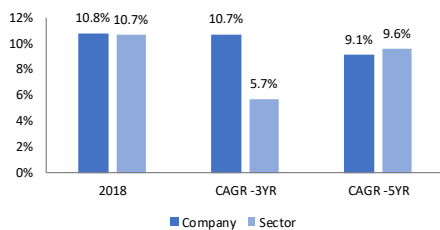
ROCE	Long term growth rate (G)		
	1.5%	2.0%	2.5%
15.7%	-38.7%	-43.5%	-48.8%
17.7%	-39.4%	-44.4%	-49.8%
19.7%	-39.9%	-45.0%	-50.6%

Value creation: ROCE vs Cost of Capital (WACC)



Growth and momentum: to measure the company's historical growth vs sector. And (1H19) business momentum

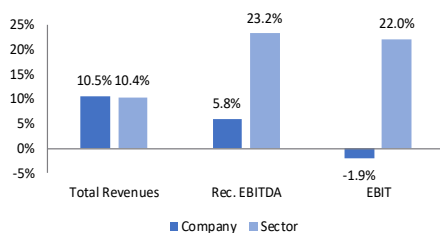
Chart 4: Growth spread (Revenues)



Growth spread vs sector

	Total Revenues			EBITDA			EBIT		
	2018	CAGR -3YR	CAGR -5YR	2018	CAGR -3YR	CAGR -5YR	2018	CAGR -3YR	CAGR -5YR
Company	10.8%	10.7%	9.1%	12.1%	12.3%	11.6%	10.0%	13.5%	10.9%
Sector	10.7%	5.7%	9.6%	-2.0%	2.6%	10.1%	-8.0%	5.7%	12.6%
Spread (p.p.)	0.2	5.0	(0.5)	14.1	9.8	1.5	18.1	7.8	(1.7)

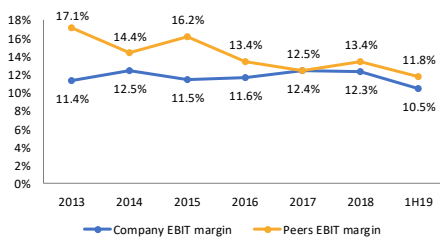
Chart 5: Momentum indicators (growth)1H19 vs 1H18)



Key Momentum indicators

	Company			Sector Avg			Sector
	1H19	2018	Difer.	1H19	2018	Difer.	CAGR 18-20e
Total Revenues	10.5%	10.8%	(0.3)	10.4%	10.7%	(0.3)	8.0%
Rec. EBITDA	5.8%	12.1%	(6.3)	23.2%	-2.0%	25.2	20.8%
EBIT/Revenues	13.2%	14.0%	(0.0)	20.1%	19.3%	0.8	1.8
EBIT	-1.9%	10.0%	(12.0)	22.0%	-8.0%	30.1	25.9%
EBIT/Rev.	10.5%	12.3%	(0.0)	11.4%	11.8%	(0.4)	1.9

Chart 6: EBIT. Mg. Vs sector



Historical growth vs momentum indicators

Spread vs Sector (p.p.)	Var. -5yr	Var. -3yr	2018	1H19
Total Revenues	(0.5)	5.0	0.2	0.1
Rec. EBITDA	1.5	9.8	14.1	(17.4)
EBIT/Revenues	3.3	2.7	(5.3)	(6.9)
EBIT	(1.7)	7.8	18.1	(24.0)
EBIT/Rev.	3.5	2.5	0.5	(1.0)

(*) For ease of interpretation of the different valuation exercises performed within this report, the company's historical growth differential vs the sector is included together with the evolution of this (-5y, -3y, last financial year and current trading).

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
24-Oct-2019	n.a.	10.95	n.a.	n.a.	Analysis of Historical Financial Statements	David López Sánchez