Clerhp Estructuras

LIGHTHOUSE
INSTITUTO ESPAÑOL DE ANALISTAS

EQUITY - SPAIN
Sector: Real Estate

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Initiation of Coverage
Independent Equity Research

Clerhp Estructuras (CLR), is a small structural engineering company (vertically integrated). In 2022, it acquired land in the Dominican Republic (DR) to start the Larimar project (construction of c.20,000 apartments and villas, hotels...). Completely changing the company. It would become (from 2025e) essentially a tourism and residential developer in DR. CLR has been listed on BME Growth since March 2016.

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Heading towards "another dimension"

SHARP STEP-UP IN SCALE IN REVENUE... Over the 2016-2023 period, CLR saw revenue rise to EUR 17.5Mn (CAGR 2016-23: 20%).and recurring EBITDA to EUR 4.4Mn (CAGR 2016-23: 33%). This barely scratches the surface in terms of the potential growth in coming years. Our baseline scenario calls for a leap in revenue in 2024e to EUR 29.3Mn in the traditional construction of structures business (100% of the business mix in 2024e). However, revenue growth should then be "astronomical", soaring to EUR 145.9Mn (CAGR 2023-26e: 103%) in 2026e (fuelled by the real estate development business; 90% of the mix in 2026e).

...THANKS TO THE LARIMAR CITY & RESORT PROJECT. In 2022, CLR acquired land in the Dominican Republic (DR) to build a small 'city' (20,000 apartments and villas, hotels, restaurants, etc.), which will drive this take-off in revenue (with a nearly complete change in mix) and recurring EBITDA, turning the company (as of 2025e) essentially into a tourist and real estate developer in the DR.

REC. EBITDA IS SET TO INCREASE BY 8X BETWEEN 2023 (EUR 4.4MN) AND 2026E to EUR 33.9Mn (vs EUR 12.0Mn in 2024e). This improvement is essentially the result of the strong jump in revenue volume caused by Larimar. However, cash generation will still be shaped by working capital investments until 2026e (when the pace of deliveries of residential units accelerates). We do not expect positive FCF until 2026e.

THIS WILL RESHAPE THE COMPANY'S RISK PROFILE. The risk profile will change from higher net debt, especially in 2025e (EUR 67Mn, ND/rec. EBITDA multiple of 5x), before easing considerably in 2026e (EUR 26.9Mn), not to mention the disparity between the size of CLR's current balance sheet (EUR 6.2Mn book value in 2023) and the c.EUR 310Mn investment in Larimar (2024e-26e). This inherently means increased commercial, operational, macroeconomic and funding risk.

A UNIQUE OPPORTUNITY FOR EXPONENTIAL GROWTH, WITH SIGNIFICANT RISK (BUT LOGICALLY, AS THINGS STAND NOW, UNDER CONTROL). 2024e (marketing) and 2025e (start of deliveries) will be crucial for gauging the attractiveness of the growth/risk combination CLR offers the market at present, and the extent to which the enormous valuation upside that, on paper, Larimar enjoys will materialise. Our numbers for 2024e (with no impact from the Larimar City & Resort project) leave the stock trading at an EV/rec. EBITDA multiple of 5.6x (5.0x 2025e; 2.0x 2026e, and so on). CLR is a truly unique investment opportunity among Spanish listed real estate companies. And judging by the numbers, a "must-follow" stock to say the least.

Market Data

Market Cap (Mn EUR and USD)	57.1	61.7
EV (Mn EUR and USD) (1)	66.9	72.3
Shares Outstanding (Mn)	14.1	
-12m (Max/Med/Mín EUR)	5.00 / 3.40 / 2.57	
Daily Avg volume (-12m Mn EUR)	0.09	
Rotation(2)	41.9	
Factset / Bloomberg	CLR-ES / CLR SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)(6)

Romero Family	26.5
Trina World Wide	10.1
Alejandro Clemares Sempere	7.5
Víctor Manuel Rodríguez Martín	6.4
Free Float	44.3

Financials (Mn EUR)	2023	2024e	2025e	2026e
Adj. nº shares (Mn)	13.6	14.1	14.1	14.1
Total Revenues	17.5	29.3	59.2	145.9
Rec. EBITDA	4.4	12.0	13.3	33.9
% growth	*6.0*	*170.9*	*11.6*	*154.3*
% Rec. EBITDA/Rev.	*25.2*	*40.8*	*22.6*	*23.3*
% Inc. EBITDA sector(3)	*5.9*	*10.8*	*6.2*	*6.0*
Net Profit	0.8	7.0	6.2	20.9
EPS (EUR)	0.06	0.50	0.44	1.48
% growth	*-50.5*	*758.9*	*-12.2*	*237.3*
Ord. EPS (EUR)	0.00	0.50	0.44	1.48
% growth	*-97.0*	*n.a.*	*-12.2*	*237.3*
Rec. Free Cash Flow(4)	-2.6	-15.3	-42.1	40.1
Pay-out (%)	*0.0*	*0.0*	*0.0*	*0.0*
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	9.6	24.9	67.0	26.9
ND/Rec. EBITDA (x)	2.2	2.1	5.0	0.8
ROE (%)	*19.0*	*72.7*	*37.9*	*70.0*
ROCE (%)(4)	*37.4*	*31.3*	*14.8*	*31.1*

Ratios & Multiples (x)(5)				
P/E	69.6	8.1	9.2	2.7
Ord. P/E	n.a.	8.1	9.2	2.7
P/BV	9.3	4.3	2.9	1.4
Dividend Yield (%)	*0.0*	*0.0*	*0.0*	*0.0*
EV/Sales	3.82	2.28	1.13	0.46
EV/Rec. EBITDA	15.1	5.6	5.0	2.0
EV/EBIT	13.1	5.6	5.2	2.0
FCF Yield (%)(4)	*n.a.*	*n.a.*	*n.a.*	*70.3*

(1) Please refer to Appendix 3.
(2) Rotation is the % of the capitalisation traded - 12m.
(3) Sector: Stoxx Europe 600 Real State.
(4) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.
(5) Multiples and ratios calculated over prices at the date of this report.
(6) Others: Meca Alcázar 5.1%

Relative performance (Base 100)

Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	5.7	-5.8	47.6	-3.3	114.8	198.5
vs Ibex 35	1.3	-16.2	22.2	-12.4	72.7	142.2
vs Ibex Small Cap Index	-0.4	-15.9	29.9	-12.6	108.0	125.4
vs Eurostoxx 50	3.1	-13.0	25.5	-13.9	67.2	95.2
vs Sector benchmark(3)	0.8	-11.3	25.1	0.1	185.7	306.3

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

CLERHP Estructuras (CLR) is a BME Growth company.

BME Growth is the segment of BME MTF Equity aimed at small and medium sized companies, directed and managed by the Spanish stock market and is subject to the CNMV supervision. BME MTF Equity is not a Regulated Market but instead falls within the classification of a Multilateral Trading Facility (MTF) as defined under the Markets in Financial Instruments Directive (MiFID). In July 2020, BME Growth obtained the status of SME Growth Market, a new category of EU regulations, which in Spain is called Mercado de Pymes en Expansión.

BME Growth is the Spanish equity market for companies of reduced capitalisation which aim to grow, with a special set of regulations, designed specifically for them, and with costs and process tailored to their particular features. Operations in BME Growth (former MAB) started in July 2009. There are currently c.140 companies listed on it. Companies listed on the MAB can choose to present their financial statements under IFRS or the General Accounting Plan (PGC) and Royal Decree 1159/2010 (NOFCAC).

An "astronomical" take-off in revenue and EBITDA. With two components: radical change in sector (from engineering to real estate) and risk

Clerhp (CLR) is a small (vertically integrated) structural engineering company, providing design, calculation, technical assistance and construction management solutions and supplying building equipment and machinery. It operates internationally, in Paraguay and the Dominican Republic. In 2023, Spain accounted for 1% of revenue (vs 15% in 2022), Paraguay for 20% (vs 27%) and the Dominican Republic for 79% (vs 58%). Headquartered in Murcia, CLR has been listed on BME Growth since March 2016.

CLR is a small structural engineering company that won a mega real estate project in the Dominican Republic (DR) in 2022.

In 2022, CLR acquired land in the Dominican Republic to embark on the Larimar City & Resort project, which consists of the development of 2.7 million m² of residential buildings (c.20,000 apartments and villas) and six hotels, restaurants, golf courses, etc. It marked a watershed moment for the company and increases (even further) its exposure to the Dominican Republic. However, it won't have an impact on the P&L until 2025e. This raises a number of questions: What is CLR now? And, from the investor's perspective, what does the Larimar City & Resort project mean for the company? What can be expected of CLR over the 2024e-2026e period? And longer term? What is really behind CLR's equity story? And its risks?

A) The Dominican Republic (DR), an economy with three supports: high growth (CAGR -10y: +5.2%), extreme reliance on tourism and high debt

Real GDP growth of 5.2% CAGR -10y.

The Dominican Republic (DR) is the Caribbean's largest economy, with a population of c.11.2 million in 2023. The DR has enjoyed stable growth over the last few decades, enabling it to bridge the gap in the cost of living with more developed countries. According to the OECD, Real GDP grew at a rate of c.5.2% p.a. from 1993 to 2022.

Two of the country's key sectors: construction and tourism.

Tourism and real estate, two key sectors. In 2023, foreign direct investment (FDI) in the DR's tourism sector amounted to c.USD 1,182Mn and accounted for 26.9% of the country's total (vs 25.6% in 2022), while FDI in the real estate sector reached c.USD 620Mn, representing 14.1% of the total (vs 12.8% in 2022). Average annual FDI in the country's tourism and real estate sectors from 2010 to 2023 represented 22.5% and 14.9% of the total, respectively.

BB- long-term debt rating (Fitch Ratings).

With a fiscal deficit and high debt. In 2022 and 2023, the DR had a fiscal deficit amounting to 3.2% and 3.3% of GDP, respectively. Indeed, the DR has not enjoyed a surplus since (at least) 2016. Meanwhile, public debt in 2023 reached USD 70,946Mn, or 59.0% of GDP, in line with 2022 and up a nominal USD 4,182Mn (+6% vs 2022) from the year before. The credit rating agencies (as at end-October 2023) rated the DR's long-term foreign-currency issuer default rating as follows: (i) Moody's: Ba3 (positive outlook), (ii) S&P: BB (stable), and (iii) Fitch Ratings: BB- (stable).

And strong reliance on the U.S. economy.

Overall, the DR has an economy with the ability to deliver (structural/sustained) GDP growth of c.5%, but not without risks: (i) large reliance on the U.S. economy —so a downturn in the U.S. economy would increase the DR's current account deficit and reduce capital inflows—; (ii) dependence on fuel imports, which makes the current balance sensitive to crude price fluctuations, and (iii) the large share of foreign funds in the country's debt.

A) Vertically integrated company with a CAGR 2016-2023 for revenue of 20% and for recurring EBITDA of 33%. And with limited scope for recurring FCF generation.

High double-digit growth in revenue and recurring EBITDA. From 2016 to 2023, CLR achieved CAGR in revenue and recurring EBITDA of 20% and 33%, respectively. Business volume in 2022 returned to pre-pandemic levels thanks mostly to activity in the Dominican Republic. However, the company was barely able to convert recurring EBITDA into FCF in 2023. This, coupled with the strong impact of the pandemic, explain the increase in net debt, and the subsequent restructuring.

CLR 2016–2023: double-digit revenue and recurring EBITDA growth.

In 2023, total revenue amounted to EUR 17.5Mn (vs. EUR 14.2Mn in 2022) and recurring EBITDA to EUR 4.4Mn (vs. EUR 4.2Mn in 2022). By business line, revenue from construction of structures (the core business to date) totalled EUR 17.3Mn in 2023 (vs EUR 12.0Mn in 2022); i.e. 99% of the total (vs 85% in 2022).

Although the impact of the pandemic and the low recurring EBITDA-to-cash conversion rate led to default on debt payments, and the start of a restructuring process.

2021-2023: debt restructuring. In 2021, the company became strapped for cash due to the economic impact of Covid-19 and the scant cash generation in previous years. This caused it to default on its payment obligations with financial institutions and, accordingly, embark on a debt restructuring process. Finally, on 11 October 2023, CLR entered into a binding agreement for an amount of EUR 6Mn. At year-end 2023, net debt stood at EUR 9.6Mn (vs EUR 11.7Mn at year-end 2022), leaving a ND/rec. EBITDA multiple of 2.2x (vs 2.8x in 2022).

The Larimar project's first phase entails the construction of 2,550 homes, two hotels...

Development of the Larimar City & Resort project. Inecar (99%-owned CLR subsidiary) is overseeing construction of the entire complex (which CLR estimates will take 10-12 years). The first stage entails phases 1 and 2. Phase 1 includes the construction of 14 towers, each 16-storeys high, of 1-, 2- and 3-bedroom apartments. That amounts to nearly 2,550 homes. This phase also includes construction of two hotels, a sports club and other facilities. Estimated deliveries of phase 1 are in 2025e and 2026e.

An assessment of CLR's business model and the impact of the Larimar project provides some key insights:

- CLR is a small engineering (construction of structures) and construction company which (as of 2025e) will essentially become a tourist and residential real estate developer in the Dominican Republic.

- The company looks set to deliver high double-digit growth in revenue and EBITDA over the 2016-2023 period. It will enter the take-off stage in 2024e-2026e thanks to the Larimar City & Resort project. The company's business plan includes an estimated c.17x increase in revenue from 2023 (EUR 17.5Mn). This is a huge jump in scale that completely changes the company.

- Exposure of demand (through Larimar) is to a type of (non-local) foreign customer from developed economies with higher purchasing power, e.g. the U.S. and Canada, which reduces commercial risk.

- It will have exposure for (in a best-case scenario) 10-12 years to a cyclical sector like construction, which is highly macro-sensitive. Especially in an emerging economy.

- CLR has shown limited ability to generate recurring FCF to date (2023). And has no chance to do so until 2026e.

A huge business opportunity (take-off in revenue, rec. EBITDA and FCF). But not without risks.

In conclusion, CLR represents a great opportunity to gain exposure to one of the DR's largest real estate projects (and all the related long-term benefits: take-off in revenue, rec. EBITDA and FCF). But not without risks. As a result, CLR today looks like a major transformation story linked to two variables: growth and risk. Both (especially growth) to a large degree.

B) Step-up in scale (c.8x higher revenue and recurring EBITDA in 2026e than 2023). With a complete change in the revenue mix (towards real estate development)

The company's current situation now begs a question: what we can expect from CLR in the 2024e–2026e period in terms of growth, profitability and recurring FCF generation?

2024e–2026e: sharp jump in revenue to EUR 145.9Mn in 2026e (vs EUR 17.5Mn in 2023) driven by the Larimar project.

Huge growth in revenue (2026e: EUR 145.9Mn vs EUR 17.5Mn in 2023)... Our baseline scenario for 2024e-2026e contemplates revenue reaching EUR 145.9Mn in 2026e (CAGR 2024e-2026e: 123%; vs EUR 302.9Mn estimated by the company) and EUR 29.3Mn in 2024e. This sharp increase is exclusively the result of the Larimar City & Resort project (real estate development business). We estimate deliveries of 350 and 850 homes in 2025e and 2026e, respectively (a "conservative assumption" compared to the 2,100 in the company's business plan on our estimates). This huge growth will change the revenue mix, with the real estate development business accounting for 75% and 90% of the total in 2025e and 2026e, respectively (vs 0% in 2024e).

Rec. EBITDA in 2026e of EUR 33.9Mn, an increase of 8x from 2023.

...and recurring EBITDA (EBITDA 2026e: EUR 33.9Mn vs EUR 4.4Mn in 2023). For 2024e, we estimate recurring EBITDA of EUR 12.0Mn (40.8% margin; vs EUR 4.4Mn in 2023), gradually rising to EUR 33.9Mn in 2026e (23.3% margin), fuelled by the change in the revenue mix. In other words, recurring EBITDA would improve essentially because of the take-off in volume.

Working capital management will shape cash generation over the coming years. Negative impact in 2024e and 2025e. But positive in 2026e.

This will boost cash generation in 2026e (with working capital investment affecting the years until then). Our numbers show negative recurring FCF in 2024e of EUR 15.3Mn due to hefty investment in working capital and the lower pace of deliveries. We expect to see a considerable acceleration in the number of deliveries in 2026e which, coupled with the sharp jump in recurring EBITDA, would give rise to positive recurring FCF of EUR 40.1Mn (118% of recurring EBITDA).

This will be seen in the capital structure over the forecast period.

This will (inevitably) push up debt, which will peak in 2025e (ND 2025e: EUR 67.0Mn; ND/EBITDA 2025e: 5.0x), before easing in 2026e to EUR 26.9Mn. Hefty CAPEX over the coming years will push up net debt to levels of c. EUR 29.6Mn and EUR 67.0Mn in 2024e and 2025e, respectively. Accordingly, leverage will increase significantly, leaving a ND/rec. EBITDA multiple for 2025e of 5.0x. In 2026e, however, net debt should ease to EUR 26.9Mn (thanks to the higher pace of deliveries).

Overall, several takeaways can be seen in our financial projections for the coming years:

- Growth oriented towards the business with the highest potential volume growth (real estate development). Recurring EBITDA is expected to jump from EUR 4.4Mn in 2023 to EUR 33.9Mn in 2026e (recurring EBITDA margin: 23.3%).
- Higher working capital investment requirement (land purchases, construction of apartments, etc.), but cash inflows from customers advances (depending on residential sales).
- Change in capital structure, with a sharp increase in net debt, especially in 2025e. Net debt should decrease considerably in 2026e thanks to the jump in recurring EBITDA and the positive impact of working capital changes (for the higher number of deliveries).
- Step-up in scale in revenue, recurring EBITDA and cash generation, which is heavily contingent on the pace of deliveries over the coming years.

In short, a step-up in scale in revenue, recurring EBITDA, cash generation…heavily contingent on the pace of deliveries over the coming years.

Moreover, given CLR's size now relative to the potential impact of the Larimar project on its P&L and cash generation, the dim visibility at present and the strong reliance of deliveries, there is a strong chance of deviations around these estimates. So, we must ask what the snapshot of revenue, recurring EBITDA margin, cash generation and net debt would be in 2026e (Table 1) if the real estate development business slows down or speeds up in coming years.

- Negative scenario: assuming that the 2023 pace of home sales is sustained (i.e. 500 units per year; vs acceleration in the baseline scenario) and a total of c.860 units are delivered in 2025e and 2026e, this would leave recurring EBITDA and recurring FCF of EUR 18.8Mn and EUR 21.8Mn, respectively, in 2026e (-45% and -46% vs the baseline scenario).
- Positive scenario: if the pace of sales were to accelerate to an average of 1,200 units over the 2024e-2026e period and deliveries reached 470 units and 1,680 units in 2025e and 2026e (in line with CLR's business plan according to our estimates), recurring EBITDA and recurring FCF would reach EUR 78.7Mn and EUR 67.5Mn, respectively, in 2026e (+132% and 68% vs the baseline scenario).

Table 1. Situation in 2026e depending on the evolution of the Larimar project

EUR Mn	Pessimistic	Central	Optimistic
Total Revenues	93.5	145.9	298.2
Total Revenues growth	*78.5%*	*146.7%*	*305.4%*
Gross Margin	**29.0**	**45.2**	**93.3**
Gross Margin (o/Revenues)	*31.0%*	*31.0%*	*31.3%*
Overhead Cost	(10.2)	(11.3)	(14.6)
% o/Revenues	*-10.9%*	*-7.7%*	*-4.9%*
Recurring EBITDA	**18.8**	**33.9**	**78.7**
Rec. EBITDA/Revenues	*20.1%*	*23.3%*	*26.4%*
EBITDA	**18.8**	**33.9**	**78.7**
Rec. EBITDA/Revenues	*20.1%*	*23.3%*	*26.4%*
EBIT	**18.4**	**33.6**	**78.4**
Rec. EBIT/Revenues	19.6%	23.0%	26.3%
Ordinary profit	**12.1**	**29.2**	**76.5**
Recurrent Free Cash Flow	**21.8**	**40.1**	**67.5**
Net financial debt	**57.8**	**26.9**	**(14.1)**

C) To conclude, with the change in activity CLR could well see "astronomical" growth in revenue and EBITDA…

CLR's snapshot is one of a company with the ability to deliver growth in revenue and recurring EBITDA in its traditional construction of structures business (which has a lower commercial, operational, macroeconomic and funding risk profile), but aspiring to achieve a huge step-up in scale in revenue and recurring EBITDA over the 2024e-2026e period. The Larimar City & Resort project will convert CLR into a *de facto* real estate developer. A business that is highly dependent on the pace of deliveries. This could limit CLR's ability to execute its business plan if deliveries are slower than expected. So, attention should focus directly on the pace of sales and deliveries, since this will dictate the performance of all other variables (e.g. revenue, recurring EBITDA, net debt, FCF).

Also, given the project's size and duration (10-12 years in the best-case scenario), we also need to look at the main growth drivers over the longer term:

Ability to generate recurring revenue by operating hotel assets, facility management and maintenance, etc.

- Continuation of construction of the remaining homes (c.20,000 in all). There is always the option of selling part of the land or assigning part of the construction of a plot/tower and other assets (hotels, university, etc.), offering CLR alternatives.
- Operation of hotel assets, golf courses, etc. as they are built, giving rise to a recurring revenue stream.
- Facility management and maintenance (another potential source of recurring revenue). Successful development of the Larimar City & Resorts project would also allow CLR to "cement" its position in the Dominican Republic. This could be important in terms of order book and future revenues. And also its construction of structures business.

D) …but with a risk that is 'almost' tantamount to its growth potential. This is because of the huge mismatch between the size of CLR's balance sheet at present relative to the Larimar project

The sharp step-up in scale means assuming considerable risks:

- Total exposure to an emerging economy over a long period of time —the Dominican Republic accounted for 79% of the company's revenue in 2023 but this share should increase to 90% in 2026e— with safe exposure to different stages of the economic cycle (especially in a heavily tourism- and construction-dependent economy).
- Exposure to a country running a fiscal deficit and a large proportion of foreign currency debt, requiring foreign capital inflows to finance the current account deficit.
- Large mismatch between the investment and management efforts required for the Larimar project and CLR's current balance sheet —equity at year-end 2023 amounted to EUR 6.2Mn— implying a clear risk since it leaves little room to manoeuvre to address unforeseen events (e.g. crises affecting demand, impairments). This is exacerbated by how fast the company will achieve this leap in scale, which will hardly be gradual since it is expected to materialise in just three years. The Larimar project requires an investment of c.EUR 310Mn over the 2024e-2026e period.
- A "discretionary consumer product" profile (holiday property, second homes), so if there is a change in cycle or economic downturn in the countries driving demand (e.g. the U.S., Canada), sales could slow considerably and quickly. This would immediately affect net debt and equity.
- Capital structure: the growth in size will require finance, resulting in a change the company's capital structure. The company would presumably meet this with solutions involving equity, implying sharp dilution for current shareholders.
- Regulatory/political risk, which is always something to bear in mind with emerging economies.

In sum, the word "growth" is inextricably linked to the word "risk". 2024e and 2025e will be crucial for gauging the extent to which the enormous valuation upside that, on paper, Larimar enjoys will materialise.

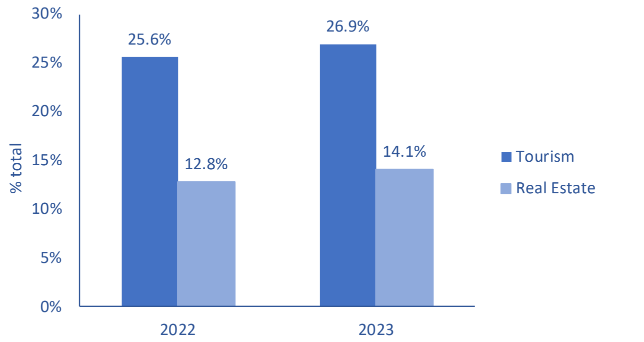
In sum, for CLR we would go so far as to say that the word "growth" is inextricably linked to the word "risk". An inseparable and unavoidable risk in any project entailing a radical change and leap in scale. And this must be viewed as closely entwined with the shift in business model that Larimar represents for CLR. At first glance, the expectation of enormous growth apparently comes against a backdrop of high, but controlled, risk. We think 2024e (marketing and start-up of Larimar) and 2025e (start of deliveries) will be crucial for gauging the attractiveness of the growth/risk combination CLR offers, and the extent to which the enormous valuation upside that, on paper, Larimar enjoys will materialise.

After rallying strongly in 2023, the share price is down 3.3% YTD. Its relative performance -12m is 22.2% vs the Ibex 35 25.1% vs the sector (real estate). Our numbers for 2024e (still no impact of the Larimar City & Resort project) leave the stock trading at an EV/rec. EBITDA multiple of 5.6x (5.0x 2025e, 2.0x 2026e).

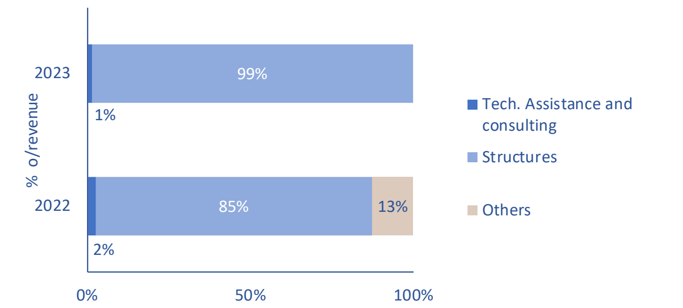
The numbers and 2024e-2026e projections underpin a simple, yet unquestionable, idea: we can't take our eyes off of CLR over the next few months, not even for a second. The possibility of a major investment opportunity is still up for grabs today.

The company in 8 charts

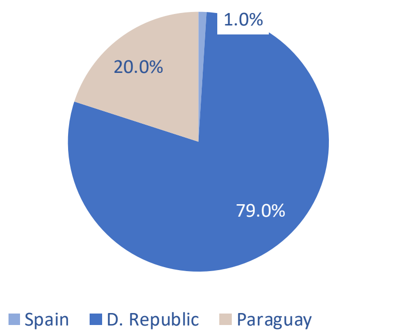
Tourism and construction are two key sectors for the Dominican Republic, attracting a large % of annual FDI to the country



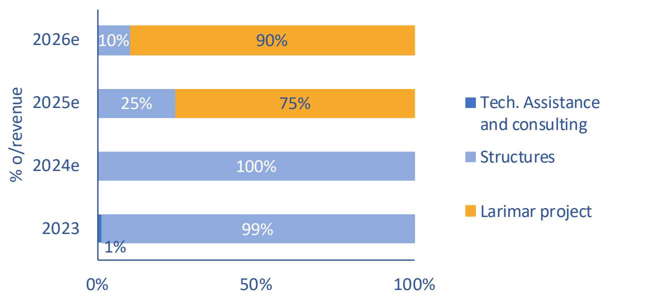
CLR: a business positioned over its customers' entire value chain. Its core business is the construction of structures



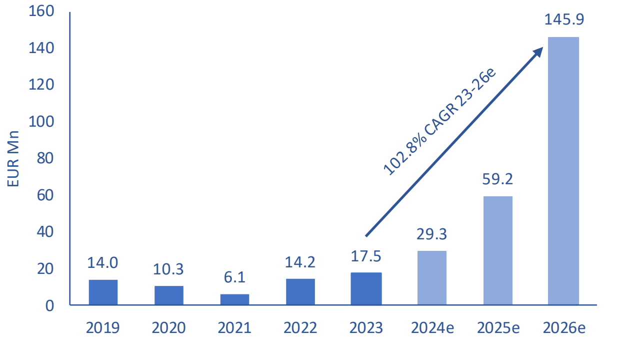
The company has high business concentration in the Dominican Republic, representing 79% of revenue in 2023.



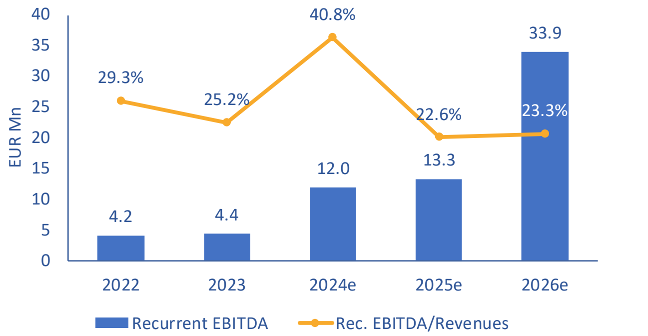
The DR's share of revenue should rise even further with the Larimar project, which will drive complete change in the business mix...



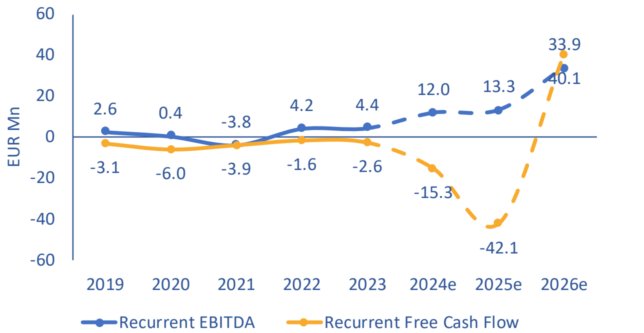
... paving the way for a (very demanding) lift-off in topline revenue in the P&L to EUR 145.9Mn in 2026e



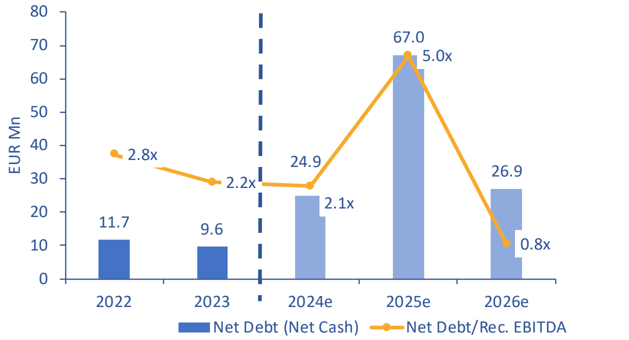
Pushing up recurring EBITDA to EUR 33.9Mn in 2026e (vs EUR 12.0Mn in 2024e), because of strong growth in revenue volume...



... leaving positive rec. FCF generation of EUR 40.1Mn in 2026e (vs EUR -15.3Mn in 2024e). Highly dependent on the pace of deliveries



Increase in ND in 2025e to EUR 67Mn, before tapering off sharply in 2026e (ND of EUR 26.9Mn; ND/rec. EBITDA multiple of 0.8x).



A mega real estate project in the Dominican Republic that will give rise to a radically different company in two years' time

Clerhp Estructuras (CLR), founded in 2011 and parent of Clerhp Group, is engaged in structural engineering, providing design, calculation, technical assistance and construction management solutions and supplying building equipment and machinery. As supplier of architects, builders and developers, CLR has carried out a broad array of building and public works projects, from high-rises to commercial property, offices, hotels, residential real estate and universities. Headquartered in Murcia, CLR has been listed on BME Growth since March 2016.

In 2022, it purchases land in the Dominican Republic to start up the Larimar City & Resort project (through its 99%-owned subsidiary, Ingeniería y Estructuras del Caribe, or Inecar). This marked a watershed moment for the company but won't have an impact on the P&L until 2025.

Chart 1. Current corporate structure

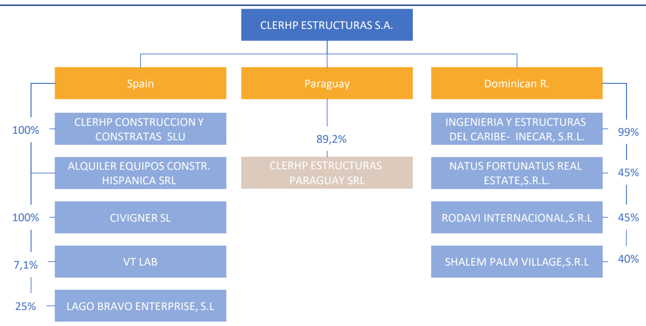
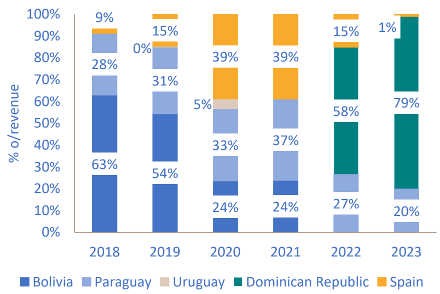


Chart 2. Geographic mix 2018 - 2023



As it stands now, the company gets its earnings exclusively from the structural engineering business. Having disposed of its operations Bolivia in 1H23, its international footprint now extends to Paraguay and the Dominican Republic. At year-end 2023, Spain accounted for 1% of revenue (vs 15% at year-end 2022), Paraguay for 20% (vs 27%) and the Dominican Republic for 79% (vs 58%). There are c.EUR 125Mn worth of projects in the pipeline. We estimate that c.79% of these related to projects in the Dominican Republic and the rest to Paraguay. The vast size of this pipeline adds considerable visibility to the company over the next several years, thereby reducing business risk.

The geographical expansion strategy is predicated on concentrating business in the Dominican Republic (especially in the coming years with the Larimar project). This poses business concentration risk for potential macroeconomic and political imbalances (which are common traits of emerging countries). It also affords CLR a certain advantage over potential competitors wanting to start up operations in the country because of the Dominican market's specialisation —part of CLR's strategy entails entering into partnerships with local engineering firms to achieve greater market penetration— and the excellent positioning the Larimar project will give the company for the next 10-12 years. Meanwhile, the company has 'limited' exposure to currency risk since it does all its business in USD (effectively eliminating exposure to the Dominican peso - DOP).

CLR bases its strategy on vertical integration, from engineering and the calculation, production and commercial areas, to construction and real estate development. This way, CLR limits the use of the middleman in the construction process, thereby lowering costs and shortening project execution times. For the Larimar City & Resort real estate project, CLR will tentatively undertake the entire construction of the project and the procurement of materials. It will only subcontract certain services, such as plumbing and electricity.

Put another way, looking at its traditional business, CLR can now be considered a small structural engineering company that, with the Larimar project, is expanding into the real estate development business.

CLR's main listed peers in Europe are: (i) Strabag (Austria; specialises in building construction, structural engineering, and road construction, civil engineering and the development of facility management projects), (ii) Hochtief (Germany; global infrastructure group with leading positions across its core activities of construction, services and concessions), (iii) ACS (Spain; with a construction division dedicated to residential construction, civil engineering and infrastructure services). (iv) Metrovacesa (Spanish real estate developer), (v) Aedas homes (Spanish real estate developer), (vi) Insur (Spanish real estate company with a business model that combines development residential and tertiary and property management business), (vii) Playa Hotels & Resorts (Netherlands, operates hotels and resorts. It operates in the Yucatan Peninsula, the Pacific Coast, the Dominican Republic and Jamaica).

Vertically integrated business model, with three main lines of business, allowing for greater specialisation and lower costs.

At present, CLR operates through three business lines:

- **Design, structural calculation and technical assistance***:* in line with the commercial strategy, the design and structural calculation businesses are invoiced jointly with technical assistance-related services, as work can be carried out jointly to save costs for customers (by eliminating overlaps) since much of the technical construction work is derived from the structural calculations.

  (i) Design and calculation: entails structural projects, providing architects and their teams with solutions for addressing structural problems in both traditional and singular building design. In short, CLR designs and calculates all the structural elements, e.g. reinforced concrete, steel and wood. It also provides solutions for completely new projects or verification of completed third-party projects.

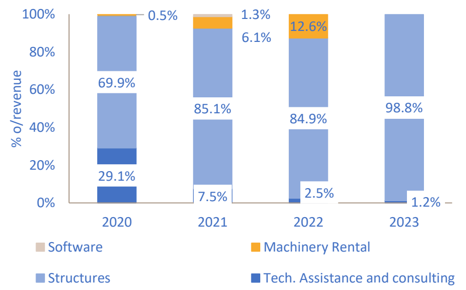
  (ii) Technical assistance: a complementary service to design and calculation, this entails the provision of technical assistance to customers throughout the construction process. It includes monitoring construction progress and execution quality and tracking the process and techniques employed.

- **Construction:** entails the construction of planned structures. As required, structural building service is provided using local firms and their people. CLR provides the technology and equipment, as well as the training and technical staff, while local contractors provide unskilled labour.

- **Real estate development:** entails developing the property in the Dominican Republic —CLR is developing the Larimar City & Resort project, the company's only real estate development project— including the entire urban development, construction, procurement of materials and sale of apartments.

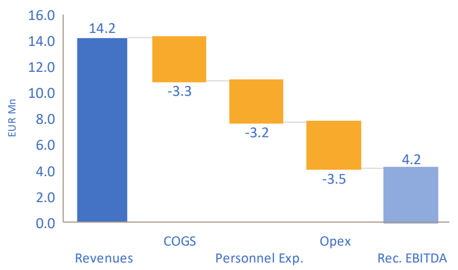
In summary, CLR is involved in the entire engineering and construction process. It centralises the engineering of its projects in Spain and leaves group subsidiaries to provide on-site assistance and customer service. The aim is to achieve economies of scale in the parent.

Chart 3. Sales by business line 2020 - 2023



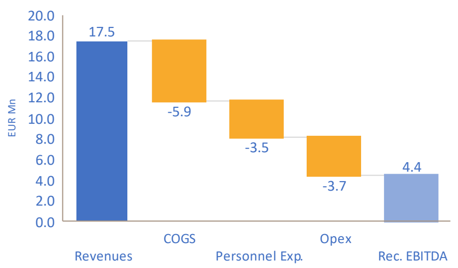
Note: sales detail year 2020 - 2023. All sales would correspond to the design, structural calculations and technical assistance lines.

Chart 4. Recurring EBITDA 2022



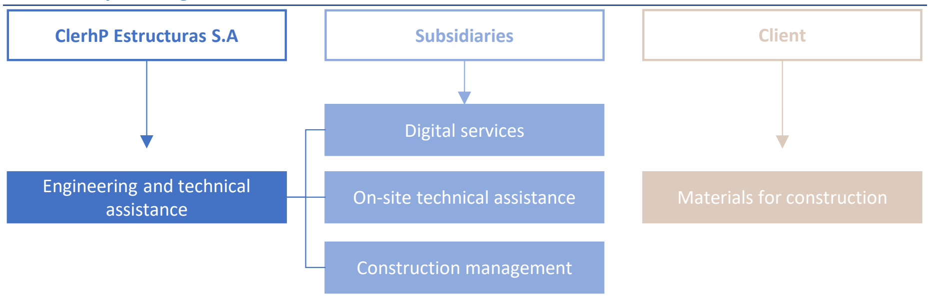
Note: we exclude all revenues/expenses that have no cash impact, such as capitalized expenses. And those that are non-recurring.

Chart 5. Recurring EBITDA 2023



Note: we exclude all revenues/expenses that have no cash impact, such as capitalized expenses. And those that are non-recurring.

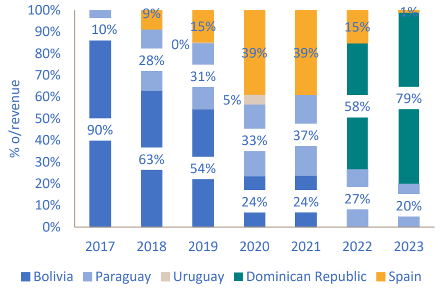
Chart 6. Operating model



2015–2023: expansion in Latin America before ultimately concentrating business in the Dominican Republic.

CLR penetrated the Bolivian market in 2012 thanks to several projects wins. Four years later, in 2016, it started up business in Paraguay with the acquisition of Construcciones Guamora for EUR 0.2Mn. In March that year, the company held its IPO and began trading (on BME Growth).

Chart 7. Geographic mix 2017 - 2023



In 2019, CLR entered Uruguay (although this country's share of the business mix was always negligible). In June 2020, it acquired a 55% stake in Civigner (a web-based CAD system for technical design, calculation, measurement and management) in Spain for EUR 0.5Mn. It secured the remaining 45% in 2021 (for EUR 0.1Mn).

In 2021, CLR took a 30.8% shareholding in Alquiler Equipo Construcción for EUR 0.5Mn in Bolivia and sold its Uruguayan subsidiary. The next year, it disposed of its entire operations in Bolivia, selling all its companies there, including Alquiler Equipo Construcción.

Also in 2021, it started up operations in the Dominican Republic. The same year, cash flow problems flared up, leading to a breach of payment obligations with financial institutions and, consequently, the start of a debt restructuring process. In 2022, the Larimar City & Resort project began.

2021: Debt default. 2023: restructuring agreement

In 2021, the company became strapped for cash due to the economic impact of Covid-19 (e.g. delays in project starts and customer collection, impairment losses on projects in progress) and the scant cash generation in previous years. This caused it to default on the payment obligations of its bank borrowings and begin negotiations with the financial institutions over a debt restructuring. Finally, on 11 October 2023, CLR entered into a binding restructuring agreement with Banco Santander and Caixabank with the following terms and conditions:

- Refinanced instruments: unsecured loans, credit facilities, reverse factoring facilities, receivables factoring, current account overdrafts and credit cards.
- Total debt refinanced: EUR 6.0Mn, falling due on 31 December 2026.

Table 1. Amortization tranches

	2023	2024	2025	2026	Total
Amortization (%)	7.5%	25.0%	30.0%	37.5%	100.0%

- Interest rate: 12-month Euribor rate + 1.5%.
- Upfront cash payments on signing: EUR 0.4Mn to Caixabank and EUR 0.5Mn to Banco Santander.

In addition, CLR carried out two equity raises, one in 2021 and one in 2022: (i) a debt-for-equity swap (30 December 2021) for a total of c.EUR 2.0Mn (issuance of 1,458.935 shares; 14% of pre-increase shares) and (ii) cash capital increase with disapplication of pre-emptive subscription rights (29 June 2022), for EUR 0.4Mn (issuance of 241,565 shares; 2% of pre-increase shares) with Trina WorldWide. Trina WorldWide also purchased 1,036,849 CLR shares (in December 2021 and July 2022) held in treasury stock. Currently, Trina WorldWide controls 10.2% of CLR's share capital.

In 2023, CLR increased capital two more times: (i) a debt-for-equity swap with Rhymar Proyects Developer, an investee of the CEO of CLR, entailing the issuance of 1.7Mn shares (14% of pre-increase shares) worth EUR 2.9Mn and (ii) issuance of 0.6Mn shares (3.5% of pre-increase shares) worth EUR 0.6Mn for Inveready to meet its obligations from the conversion of bonds.

Table 2. Summary table of capital increases 2020 - 2023

Item/ No. of shares	2020	2021	2022	2023
Capital increase in cash			0.2	
Capital stock for offsetting of receivables		1.5		1.7
Capital increase from convertible debentures				0.6
Final shares	**10.1**	**11.5**	**11.8**	**14.1**
% of pre-increase shares		14.5%	2.1%	19.4%
% of shares post capital increase		12.6%	2.1%	16.3%

Overall, the dilution for shareholders not taking part in the equity raises in 2021–23 was 28%.

Larimar & Resort Project, a watershed moment for CLR (but not without risks). The company has changed radically and *de facto* has become a real estate developer.

CLR is developing the Larimar City & Resort project (in Punta Cana, Dominican Republic). It consists of the development of 2.7 million m2 of residential buildings (c.20,000 apartments and villas) and six hotels. It also includes restaurants, a university, shopping centres, a hospital, schools, golf courses, leisure infrastructure with swimming pools, artificial beaches, etc. In other words, it is a "small city".

Ingeniería y Estructuras del Caribe (Inecar, a 99%-owned CLR subsidiary) is overseeing construction of the entire complex (which CLR estimates will take 10-12 years). Clerhp Estructuras will perform project management functions, including design and architecture. The project will be carried out in 10 sequential phases, so the pace of execution can be adjusted. The first stage entails phases 1 and 2. Phase 1 includes the construction of 14 towers, each 16-storeys high, of 1-, 2- and 3-bedroom apartments. Estimated deliveries of phase 1 are in 2025 and 2026. As noted previously, CLR will oversee the entire urban development, construction, and procurement of materials. It is also overseeing 100% of marketing (i.e. no subcontracting).

What the latest numbers "say": strong revenue and EBITDA growth, temporarily interrupted by the pandemic

Looking at the trend in its key metrics (revenue, gross margin, recurring EBITDA, net debt), CLR's performance in 2019-2023 was marked by:

Chart 8. Balance sheet 2019 - 2023

EUR Mn	2019	2020	2021	2022	2023
Intangible Assets	0.4	2.0	2.7	0.8	0.5
Fixed Assets	4.2	4.2	3.4	3.9	4.5
Other Non Current Assets	0.1	0.1	0.3	0.1	0.1
Financial Investments	0.2	1.0	0.9	5.5	3.9
Goodwill & Other Intangilbles	-	0.3	0.2	-	-
Current Assets	7.0	9.7	9.2	13.0	29.1
Total assets	**11.9**	**17.3**	**16.8**	**23.3**	**38.2**
Equity	3.7	1.9	(2.8)	2.2	6.2
Minority Interests	0.3	0.7	0.1	(0.0)	(0.2)
Provisions & Other L/T Liabilities	0.2	0.3	0.2	3.0	4.3
Other Non Current Liabilities	-	-	-	-	-
Net financial debt	5.5	11.5	15.7	11.7	9.6
Current Liabilities	2.1	3.0	3.6	6.4	18.3
Equity & Total Liabilities	**11.9**	**17.3**	**16.8**	**23.3**	**38.2**

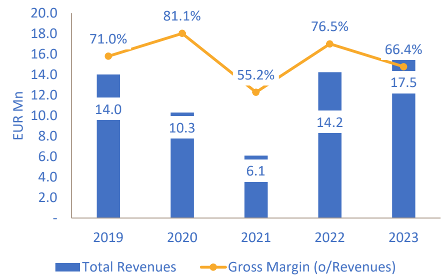
Table 3. Key metrics - P&L (2019 - 2023)

EUR Mn	2019	2020	2021	2022	2023
Total Revenues	14.0	10.3	6.1	14.2	17.5
Total Revenues growth	*31.9%*	*-26.5%*	*-40.9%*	*133.5%*	*23.0%*
Gross Margin	**9.9**	**8.3**	**3.4**	**10.9**	**11.6**
Gross Margin (o/Revenues)	*71.0%*	*81.1%*	*55.2%*	*76.5%*	*66.4%*
Overhead Cost	(7.4)	(7.9)	(7.2)	(6.7)	(7.2)
% o/Revenues	*-52.6%*	*-76.8%*	*-118.1%*	*-47.2%*	*-41.2%*
Recurring EBITDA	**2.6**	**0.4**	**(3.8)**	**4.2**	**4.4**
Rec. EBITDA/Revenues	*18.5%*	*4.2%*	*-62.9%*	*29.3%*	*25.2%*
EBITDA	**2.6**	**0.4**	**(3.8)**	**4.2**	**5.5**
Rec. EBITDA/Revenues	*18.5%*	*4.0%*	*-62.2%*	*29.3%*	*31.2%*
EBIT	**2.0**	**0.2**	**(3.9)**	**3.4**	**5.1**
Rec. EBIT/Revenues	14.3%	2.2%	-63.4%	24.2%	29.2%
Ordinary profit	**1.4**	**(0.9)**	**(5.0)**	**1.4**	**1.0**

- **High double-digit topline growth (CAGR 2016- 2023: 20.0%):** revenue for CLR in 2019 was 2.8x that of 2017, with increases across the board. Revenue in Bolivia amounted to EUR 7.5Mn (vs EUR 4.7Mn in 2017), in Paraguay to c.EUR 4.2Mn (vs EUR 0.5Mn) and in Spain to EUR 2.0Mn (EUR 0 in 2017). Because of the pandemic, revenue over the next two years plunged. However, it fully recovered in 2022 and returned to 2019 levels, driven primarily by the Dominican Republic (DR). Revenue that year reached EUR 8.2Mn in the DR, EUR 3.8Mn in Paraguay and EUR 2.2Mn in Spain. By business line, revenue from construction of structures (the core business) totalled EUR 12.0Mn in 2022 (vs EUR 5.1Mn in 2021), i.e. 85% of the total.

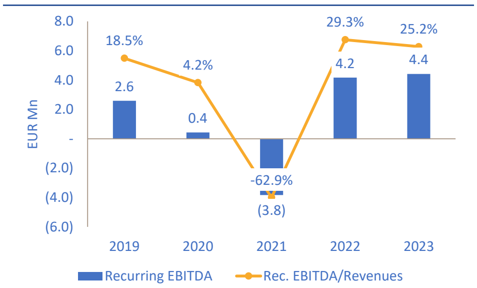
  In 2023, revenue from this business line reached EUR 17.3Mn (vs EUR 12.0Mn 2022), with the increase driven by the company's growth in the DR. And the Larimar project has yet to be reflected in the P&L.

Chart 9. Revenue and gross margin 2019 - 2023



- **With a long-run average gross margin of c.68%:** gross margin has only been lower in 2016 (due to the shift in the geographical and business mixes), 2021 (due to the pandemic) and 2023 (66%). The main cost of sales items includes third-party services (subcontractors for unskilled and specialist labour), leases of machinery and cranes, and purchase of materials.

Chart 10. Recurring EBITDA



- **Recurring EBITDA soared in 2023 to EUR 4.4M (vs EUR 2.6Mn in 2019).** The recurring EBITDA margin was 25.2% in 2023 (vs 18.5% and 29.3% in 2019 and 2022, respectively). Exponential revenue growth (driven by the Dominican Republic) drove a sharp increase in recurring EBITDA to EUR 4.4Mn in 2023 (vs EUR 2.6Mn in 2019, ex-Covid impact).

  However, the company was unable to convert recurring EBITDA into FCF in 2023. This, coupled with the strong impact of the pandemic, explain the increase in net debt (and the subsequent restructuring).

Table 4. Net Debt

EUR Mn	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Debt (Net Cash)	**0.8**	**1.7**	**1.7**	**2.3**	**5.5**	**11.5**	**15.7**	**11.7**	**9.6**
Recurrent EBITDA	0.5	0.6	1.0	1.8	2.6	0.4	-3.8	4.2	4.4
Net Debt/EBITDA Rec.	1.5x	2.8x	1.7x	1.3x	2.1x	26.4x	n.a	2.8x	2.2x
Equity	2.0	2.0	1.8	2.6	3.7	1.9	-2.8	2.2	6.2
Net Debt/Equity	0.4x	0.9x	1.0x	0.9x	1.5x	6.2x	n.a	5.3x	1.6x

- **Net debt of EUR 9.6Mn at year-end 2023.** At year-end 2022, the company had net debt of EUR 11.7Mn. Net debt at year-end 2023 stood at EUR 9.6Mn (with gross debt of EUR 10.9Mn and EUR 1.3Mn of cash). We have excluded other liabilities amounting to EUR 4.2Mn (since it is not a financial debt).

Table 5. Debt maturity at year-end 2023

EUR Mn	2024	2025	2026	2027	2028	Vlore then !	Total
Financial Debt	8.3	0.2	0.2	0.1	0.1	0.1	9.0
Other financial liabilities	3.7						3.7
Derivatives	0.1	0.0	0.0	0.0	0.0	0.1	0.3
Debt with group companies	0.1						0.1
Convertible debentures	0.0		2.6				2.6
Total	**12.2**	**0.2**	**2.9**	**0.2**	**0.1**	**0.2**	**15.8**

Table 6. Shareholder structure

Name	Direct	Indirect	Total
Juan Andrés Romero Hernández*	1.0%	7.8%	8.8%
Rhymar Proyects Developer	25.4%		25.4%
Rheto Arquitectos S.L.P**	0.1%	8.1%	8.1%
Víctor Manuel Rodríguez Martín	6.4%		6.4%
Meca Alcázar	5.1%		5.1%
Trina World Wide	10.2%		10.2%
Pedro José Romero Hernandez***	0.0%	7.8%	7.8%
Alejandro Clemares Sempere	7.5%		7.5%
Rheto Desarrollo y Proyectos S.L****	0.0%	7.6%	7.6%
Free float	44.3%		44.3%
Total	100.0%	31.3%	

* Mr. Juan Andrés Romero Hernández has a total shareholding in Clerhp Estructuras, S.A. of 8.78% as a result of his direct shareholding (1.02%), indirect shareholding of 0.04% through the 75% that he owns in the company Rheto Arquitectos, S.L.P., and indirect shareholding of 1.69% through the direct shareholding of 6.64% that he owns in the company Rhymar Proyects Developer, S.L., indirect shareholding of 1.69% through the direct shareholding of 6.64% that it holds in the company Rhymar Proyects Developer, S.L., and indirect shareholding of 6.04% through the indirect shareholding of 31.68% that Rheto Arquitectos, S.L.P. holds in RHYMAR Proyect Developer SL.

** The total direct and indirect shareholding of Rheto Arquitectos, S.L.P. in Clerhp is 8.11%, as a result of the 31.68% shareholding it holds in Rhymar Proyects Developer, S.L. and the direct shareholding of 0.05% in CLERHP.

*** Mr. Pedro José Romero Hernández, the individual who represents Rheto Arquitectos, S.L.P. on the Board of Directors, holds a total stake in CLERHP of 7.84% as a result of the 0.01% stake held through Rheto Arquitectos, S.L.P., the indirect stake of 5.81% through Rhymar Proyects Developer, S.L. and the indirect stake of 2.01% through its stake in Rheto Arquitectos, S.L.P.

**** The total shareholding of Rheto Desarrollo y Proyectos, S.L. in Clerhp is 7.63%, as a result of the 30.01% stake it holds in Rhymar Proyects Developer, S.L.

A shareholder body with significant representation by board members (33% of share capital) and free float of c.44%

Shareholdings of institutional investors are not significant. The company's core shareholders are Juan Andrés Romero Hernández (proprietary director, Chairman and CEO) with 8.8% of the total share capital, Rhymar Proyects Developer (proprietary director) with 25.4%, Rheto Arquitectos (proprietary director) with 8.1% and Victor Manuel Rodríguez Martín (proprietary director) with 6.4%. In all, board members directly control 32.9% of share capital.

Trina WorldWide (10.2% shareholding; no seat on the board) is a global smart energy solutions provider, offering PV (photovoltaic) products and services. It has been a shareholder since June 2022.

In conclusion, what is CLR 'really' today? On what is its business idea based?

CLR is (still) today a structural engineering and construction services small cap. However, in 2022 it acquired land in the Dominican Republic to develop the Larimar City & Resort project (construction of c.20,000 apartments, hotels, restaurants, etc. over —in a best-case scenario— the next 10-12 years. And this changes the company completely in four ways:

- Size: CLR's business plan includes an estimated c.17x increase in revenue from 2023 (EUR 17.5Mn) to 2026e (EUR 302.9Mn).
- Activity: CLR will go from being a conventional Spanish engineering and construction company to an integrated upstream developer in the Dominican Republic.
- Capital structure: the growth in size will require finance, resulting in a change the company's capital structure. Presumably, this will imply sharp dilution for current shareholders.
- Risk: the opportunity for exponential growth brought by Larimar necessarily entails risks: commercial, operational or execution, macro (single-country project; emerging economy) and financing.

So, we should view CLR as a company faced with a enormous challenge/opportunity that will completely change the company. In every way. CLR was engaged in engineering. Now it will become a tourism developer in the DR…

¿ What defines CLR's business model? On what is it predicated as of 2024e?

- **Vertically integrated company:** with control over entire process, from engineering, calculation and design to construction and property development. This enables it to shorten execution times and lower the related costs (by eliminating overlaps). And buoyed by recurring EBITDA margins in 2019 and 2023 (two years without pandemic impacts) of 18.5% and 25.2%, respectively.

- **Large pipeline of projects.** At year-end 2023, CLR had projects in the pipeline worth c.EUR 125Mn, i.e. c.7x 2023 revenue of EUR 17.5Mn. The vast size of this pipeline adds visibility to the company over the next several years, thereby reducing business risk. On our estimates, c.79% of the pipeline currently relates to the Dominican Republic.

- **Larimar & Resort Project.** Exposure to a mega real estate project for (in a best-case scenario) the next c.12 years entailing the construction of a small 'city' (20,000 apartments, restaurants, hotels, casinos, a hospital, etc.) in Punta Cana. This will drive a major leap in revenue and recurring EBITDA (2025). But it will also result in much higher operational and financing risk.

- **Demand (Larimar) from developed economies.** Exposure to a type of (non-local) foreign customer, from the USA and Canada, among others, with higher purchasing power. This mitigates demand risk, since exposure is not to a single geography and the reliance on the Dominican market is not high.
- **Step-up in scale:** CLR's business plan includes an estimated c.17x increase in revenue from 2023 (EUR 17.5Mn) to 2026e (EUR 302.9Mn). This is highly dependent on the speed of execution of the residential properties.
- **Host of options:** CLR has the option of selling the land to build homes or assign management of part of the assets (e.g. hotels, restaurants) to potential investors in exchange for consideration. This would reduce the operational or financing stress if it ultimately decides to go down this path.
- **Exposure to cyclical sectors (construction, tourism).** Exposure for 10-12 years to a cyclical sector like construction, which is highly macro-sensitive. Towards the end 2023, the DR cut interest rates (good news for the local construction sector). The cyclicality of the DR's tourism industry is mitigated to some extent by the country's good year-round weather.
- **Recurring EBITDA-to-cash conversion. In other words, FCF generation.** So far, CLR has shown limited recurring EBITDA-to-cash conversion ability, with negative recurring FCF since 2016 (barring 2017, when it reached break-even).
- **Balance sheet/project mismatch.** The company ended 2023 with equity of EUR 6.2Mn. Relative to the mega real estate project it is developing, this implies a clear theoretical (financial and accounting) risk since its leaves little room to manoeuvre to address unforeseen events (e.g. crises affecting demand, impairments.

In conclusion, CLR's commitment to the Larimar project (and, therefore, concentrating its operations in the Dominican Republic) provides the company with a great opportunity to gain exposure to one of the country's largest real estate projects (and all the related long-term benefits: take-off in revenue, rec. EBITDA and FCF). It is a project that changes the company.

However, it also poses some significant risks, since it will involve a major investment and management effort in the light of the company's current size (with revenue in 2023 of EUR 17.5Mn, rec. EBITDA of EUR 4.4Mn and a net carrying amount at year-end 2023 of EUR 6.2Mn) and the fact that it just completed a debt restructuring process derived from the impact of the pandemic). The project also exposes CLR to an emerging economy over a long period (10-12 years), with safe exposure to the different stages of the economic cycle (especially in a heavily tourism- and construction-dependent economy).

CLR today looks like a major transformation story linked to two variables: growth and risk. Both (especially growth) to a large degree.

The Dominican Republic (a key market for CLR): strong growth in GDP (CAGR -30Y: c.+5%) and heavy reliance on tourism.

CLR's business is highly dependent on the economy of the Dominican Republic (DR), with this market representing 58% and 79%, respectively, of its total revenue in 2023 and 2022. Moreover, the company's reliance on the DR should only increase over the coming years given the importance of the Larimar City & Resort project (construction and tourism sectors, both highly cyclical). Therefore, we decided to assess the outlook for the country's main macroeconomic variables.

Global growth is projected at 3.1% in 2024e and 3.2% in 2025e according to the International Monetary Fund (IMF), on account of greater-than-expected resilience in the United States and some emerging economies. The forecast, however, is below the historical (2000-2019) average of 3.8%, with restrictive monetary policies and low underlying productivity growth weighing on economic activity.

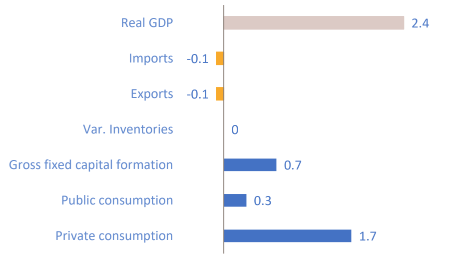
Specifically, in the United States (the Dominican Republic's main export partner and source of tourists by number), growth is projected to fall to 2.1% in 2024e (vs 2.5% in 2023) and 1.7% in 2025e, due to: (i) the lagged effects of monetary policy tightening (+525 b.p., March 2022–July 2023), (ii) softening in labour markets (lower employment and wage growth) and (iii) households drawing down on their accumulated pandemic-era savings.

For economies in Central America and the Dominican Republic (CADR), the Economic Commission for Latin America and the Caribbean (ECLAC) projects average weighted growth of 3.7% in 2023e (vs. 4.8% in 2022), with the slowdown due mainly to softer foreign trade and lower domestic demand.

The Dominican Republic: the fastest growth in GDP and GDP per capita of any country in Central America over the last 10 years

The Dominican Republic (DR) is the Caribbean's largest economy, with a population of c.11.2 million in 2022. It has a representative democracy (general elections slated for 2024) and Latin America's 7th largest economy. ECLAC projects growth of c.4% for 2024e (vs 12.3%, 4.9% and 2.4% in 2021, 2022 and 2023, respectively), suggesting that even despite the adverse international backdrop of recent years (e.g. high inflation, soaring interest rates, supply chain disruptions), the DR has been able to grow faster than the average for Central America over the past year 10 years (see table 7).

Chart 11. Impact (%) on real GDP 2023 by item (Dominican Rep.)



Source: Vice-Ministry of Economic and Social Analysis of the Dominican Republic.

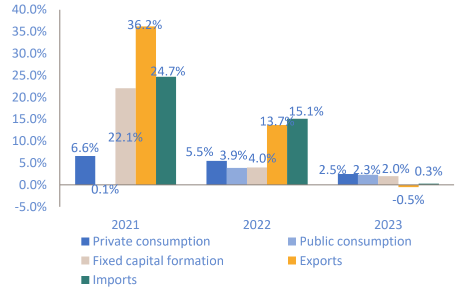
Table 7. GDP growth rate at constant prices for Central American countries and the DR

Country	2014	2015	2016	2017	2018	2019	2020	2021	2022	Average
Costa Rica	3.5%	3.7%	4.2%	4.2%	2.6%	2.4%	-4.3%	7.9%	4.6%	3.2%
El Salvador	1.7%	2.4%	2.5%	2.3%	2.4%	2.4%	-7.8%	11.2%	2.6%	2.2%
Guatemala	4.4%	4.1%	2.7%	3.1%	3.4%	4.0%	-1.8%	8.0%	4.1%	3.6%
Honduras	3.1%	3.8%	3.9%	4.8%	3.8%	2.7%	-9.0%	12.5%	4.0%	3.3%
Nicaragua	4.8%	4.8%	4.6%	4.6%	-3.4%	-2.9%	-1.8%	10.3%	3.8%	2.8%
Panama	5.1%	5.7%	5.0%	5.6%	3.7%	3.3%	-17.7%	15.8%	10.8%	4.1%
Dominican Rep.	**7.1%**	**6.9%**	**6.7%**	**4.7%**	**7.0%**	**5.1%**	**-6.7%**	**12.3%**	**4.9%**	**5.3%**

Source: Economic Commission for Latin America and the Caribbean.

Looking at real GDP by components in 2022 (taking the latest available report from the Vice-Ministry of Economic and Social Analysis of the Dominican Republic), final consumption grew by 5.4% on the back of increases of 5.5% and 3.9%, respectively, in private and public consumption. The growth of public consumption was an attempt to mitigate the inflationary impact on the country's people and its productive landscape. Exports of goods and services grew by 13.7% and represented 3 p.p. of total GDP growth (4.9%), in line with the 47.5% increase in tourism revenue (in USD). The latter increase was the result of a larger flow of non-resident passengers (7.2Mn in 2022). Imports of goods and services in 2022 soared by 15.1%, detracting 4.7 p.p. from total GDP growth owing to the larger U.S. dollar value of total imports (mainly oil).

Chart 12. Year-on-year change in real GDP by expenditure approach, 2021 - 2023



Source: Vice-Ministry of Economic and Social Analysis of the Dominican Republic.

In 2023, GDP growth slowed to 2.4% (from 4.9% in 2022), still driven primarily by private (2.5% vs 5.5% in 2022) and public consumption (2.3% vs 3.9% in 2022), as well as fixed capital formation (2% vs 4% in 2022). Growth in exports and imports was flat (see Chart 12).

Over the past few decades, IMF data indicate that the DR has had one the highest cumulative average real per capita growth rates in all of Latin America, moving up from 15th place in 1980 to 7th place in 2020 (by growth rate) trailing Panama, Chile, Uruguay, Argentina, Costa Rica and Mexico. Over just the 2014-2022 period, GDP per capita for the DR has comfortably outstripped that of these countries. Poverty is still widespread, however, due to high levels of inequality.

Table 8. Gross Domestic Product per capita (constant prices; annual rate of change)

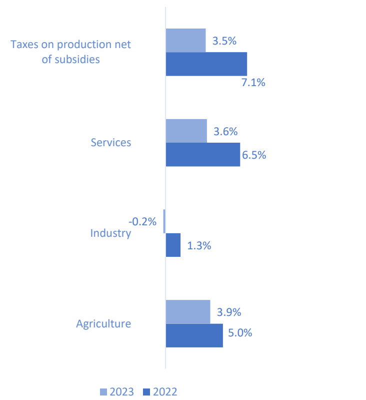
Country	2014	2015	2016	2017	2018	2019	2020	2021	2022	Average
Costa Rica	2.4%	2.6%	3.2%	3.1%	1.7%	1.5%	-5.0%	-7.3%	4.0%	0.7%
El Salvador	1.3%	2.0%	2.2%	2.0%	2.3%	2.3%	-8.0%	10.8%	2.5%	1.9%
Guatemala	2.5%	2.2%	0.9%	1.3%	1.7%	2.5%	-3.2%	6.5%	2.7%	1.9%
Honduras	1.2%	2.0%	2.1%	3.0%	2.1%	0.9%	-10.4%	10.8%	2.5%	1.5%
Nicaragua	3.3%	3.3%	3.1%	3.2%	-4.7%	-4.2%	-3.1%	8.8%	2.3%	1.3%
Panama	3.3%	3.9%	3.1%	3.8%	2.0%	1.6%	-18.9%	14.3%	9.4%	2.5%
Chile	0.8%	1.1%	0.6%	-0.2%	2.1%	-1.0%	-7.4%	10.6%	1.9%	0.9%
Uruguay	2.9%	0.0%	1.4%	1.5%	0.0%	0.7%	-6.3%	5.4%	5.0%	1.2%
Mexico	1.2%	1.5%	0.6%	0.8%	1.0%	-1.1%	-9.3%	5.2%	3.2%	0.3%
Argentina	-3.5%	1.7%	-3.0%	1.9%	-3.4%	-2.7%	-10.5%	10.1%	4.4%	-0.6%
Dominican Rep.	**5.7%**	**5.7%**	**5.4%**	**3.5%**	**5.8%**	**3.9%**	**-7.7%**	**11.1%**	**3.8%**	**4.1%**
Average	**1.9%**	**2.4%**	**1.8%**	**2.2%**	**1.0%**	**0.4%**	**-8.2%**	**7.8%**	**3.9%**	**1.4%**

Source: Economic Commission for Latin America and the Caribbean.

Tourism and construction, two key industries for the Dominican Republic

Looking at industry trends in 2022, the services sector was the DR's main economic driver, with growth of 6.5%. The main contributors were: (i) hotel, bar and restaurant activities, with growth of 24% (vs 39.5% in 2021; most services are tourism-centric, so this sector provides a good proxy), (ii) health care, with growth of 11% (vs -0.3%) and (iii) public administration, with growth of 8.5% (vs -1.7% in 2021).

Chart 13. Real GDP growth by sector of origin 2022 - 2023 (%)



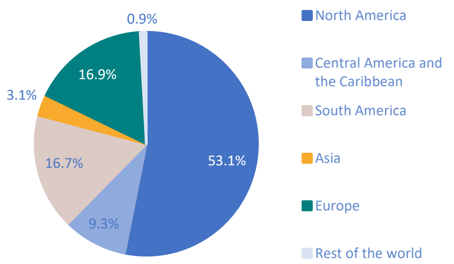
Source: Vice-Ministry of Economic and Social Analysis of the Dominican Republic.

Industry (growth of 1.3%) and construction (0.6% vs. 23.4% in 2021) struggled in 2022, hurt by high-cost inflation. The situation changed last year, with the year-on-year rate of headline inflation easing considerably (-3.67 p.p.) compared to the inflation rate recorded in January 2023, from 7.24% to 3.57% by year-end 2023. Core inflation also trended downward in 2023, to 4.3% according to the DR's Macroeconomic Analysis Directorate.

The services sector represented slightly over 90% (4.5 p.p.) of economic growth in 2022. Hotels, bars and restaurants contributed 1.3 p.p. of GDP growth that year, driven by a 43.4% increase in the volume of non-resident tourists to 7.2Mn in 2022 (vs. 5.2Mn and 6.4Mn in 2013 and 2019, respectively) to 8.1Mn in 2023.

The trends witnessed in 2022 largely remained intact in 2023, although the pace of growth eased. The services sector grew by 3.6% vs 2022, driven primarily by growth of 10.7% in hotels, bars and restaurants and 10% in the health care sector. Growth in construction activity gathered momentum in 2023 to 2.1% (vs 0.6% in 2022). This was mostly the result of the acceleration in 3Q23 to 5.5% according to the Dominican Republic's Central Bank (BCRD), as overall activity recovered. Helping spur on activity were monetary stimulus measures (rate cuts) and higher public spending.

Chart 14. Arrival of non-resident foreigners to the DR by air in 2023

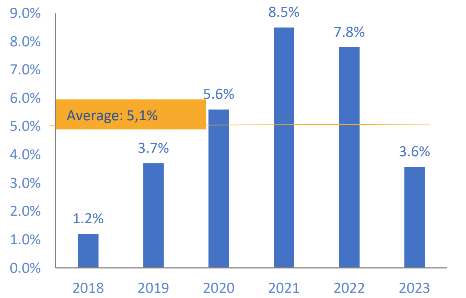


Source: Central Bank of the Dominican Republic.

Once again, the services sector was the largest contributor, still representing 90% (2.1 p.p.) of economic growth in 2023. Hotels, bars and restaurants contributed 0.6 p.p. and construction 0.3p.p. of GDP growth. These figures clearly illustrate the Dominican Republic's large dependence on those sectors.

Foreign direct investment (FDI) in the DR in 2022 totalled USD 4,099Mn according to the BCRD, up c.USD 900Mn (+28%) from the year before. This also accounted for 35% of overall investment for the year in Central America. Meanwhile, 25% or c.USD 1,000Mn (vs USD 965Mn in 2021) was earmarked for the tourism sector, reaching this mark for the first time ever. In 2023, FDI increased by 7% to USD 4,390Mn. Cumulative FDI in the tourism sector between 2010 and 2023 totalled USD 9,182Mn, i.e. an average of 22.5% of total FDI per year.

Chart 15 Consumer price variation (Dominican Rep.)



Source: Macroeconomic Analysis Directorate of the Dominican Republic.

Table 9. Foreign direct investment by economic activity (2010 - 2023)

Sector	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Average
Tourism	**8.9%**	**4.7%**	**5.2%**	**12.9%**	**13.6%**	**30.5%**	**32.8%**	**19.7%**	**33.7%**	**32.9%**	**37.3%**	**30.5%**	**25.6%**	**26.9%**	**22.5%**
Commerce / Industry	**28.0%**	**15.6%**	**40.0%**	**20.3%**	**27.5%**	**16.7%**	**17.2%**	**38.2%**	**21.3%**	**11.8%**	**17.2%**	**9.6%**	**14.9%**	**15.7%**	**21.0%**
Telecommunications	24.7%	2.4%	-0.7%	9.4%	11.6%	15.2%	-11.0%	1.9%	-9.5%	10.3%	-4.8%	2.6%	4.7%	-0.7%	**4.0%**
Energy	5.3%	11.4%	9.7%	22.6%	15.9%	-4.4%	-0.3%	1.8%	8.0%	9.2%	16.8%	8.7%	18.3%	24.4%	**10.5%**
Financial	4.6%	5.9%	5.1%	7.6%	9.4%	8.6%	5.2%	2.5%	7.0%	3.1%	3.2%	3.6%	4.2%	3.1%	**5.2%**
Free Trade Zones	3.5%	6.5%	5.2%	7.5%	8.6%	10.7%	9.3%	7.4%	9.2%	8.6%	9.1%	8.9%	9.0%	7.9%	**8.0%**
Mining	11.9%	46.5%	37.2%	4.7%	-1.7%	0.3%	20.2%	11.5%	7.3%	7.4%	-0.3%	16.8%	9.1%	6.3%	**12.7%**
Real Estate	**13.1%**	**7.0%**	**6.5%**	**13.7%**	**13.8%**	**18.7%**	**24.4%**	**15.3%**	**20.4%**	**14.6%**	**17.7%**	**16.8%**	**12.8%**	**14.1%**	**14.9%**
Transportation	0.0%	0.0%	-8.1%	1.3%	1.2%	3.7%	2.3%	1.7%	2.5%	2.0%	3.8%	2.5%	1.5%	2.2%	**1.2%**
Total investment (USD Mn)	**2,024**	**2,277**	**3,142**	**1,991**	**2,209**	**2,205**	**2,407**	**3,571**	**2,535**	**3,021**	**2,560**	**3,197**	**4,099**	**4,390**	**2,830**

Source: Central Bank of the Dominican Republic.

Another variable underlining the positive momentum of tourism in the DR is the increase in the hotel occupancy rate of 5.6 p.p. between January and June 2023 to 77.3% (vs 71.7% in the same period of 2022). Areas enjoying the highest occupancy are Punta Cana/Bavaro (the site of the Larimar City & Resort project) and La Romana/Bayahibe.

Construction is another impact sector for the DR, representing 15.2% and 14.7%, respectively, of GDP in 2022 and 2023 (vs 11.3% and 14.3% in 2018 and 2021) according to the BCRD.

Sector growth in recent years —CAGR of 13% in local currency over the past decade— has been driven by both public and private investment in low- and medium-cost residential developments (with the aim of reducing the country's housing deficit), private investment in commercial premises and the enlargement of hotel complexes and capacity, not to mention execution of publicly-funded plans to rebuild and maintain public infrastructure.

Table 10. Weight as % of GDP by sector (2010 - 2023)

Sector	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Average
Agriculture	6.1%	5.6%	5.4%	5.3%	5.2%	5.5%	5.5%	5.3%	5.1%	5.2%	6.0%	5.7%	5.8%	6.4%	5.6%
Mining and quarrying	0.4%	0.8%	0.9%	1.9%	2.0%	1.6%	2.0%	1.9%	1.7%	1.8%	2.0%	1.8%	1.4%	1.2%	1.5%
Local manufacturing	12.0%	11.8%	11.6%	11.2%	11.2%	11.4%	11.1%	10.8%	10.8%	10.6%	10.9%	11.5%	11.6%	10.6%	11.2%
Free trade zone manufacturing	3.3%	3.3%	3.4%	3.4%	3.3%	3.3%	3.3%	3.3%	3.3%	3.2%	3.5%	3.6%	3.3%	3.1%	3.3%
Construction	10.1%	10.2%	9.9%	10.1%	10.7%	10.2%	9.5%	10.5%	11.4%	12.0%	12.2%	14.3%	15.2%	14.7%	11.5%
Services	61.4%	61.9%	62.6%	61.6%	61.2%	61.1%	61.6%	61.1%	60.2%	59.9%	58.8%	56.0%	55.9%	57.4%	60.0%
Taxes on products net of subsidies	6.7%	6.3%	6%	6.5%	6.3%	7.0%	7.1%	7.2%	7.4%	7.4%	6.5%	7.0%	6.7%	6.5%	6.8%
GDP	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Central Bank of the Dominican Republic.

Fiscal situation and public debt: fiscal deficit since 2016, with a stable/positive debt rating from rating agencies.

The Central Government of the Dominican Republic reported a fiscal deficit amounting to 3.2% of GDP in 2022 (vs -2.9% in 2021), impacted by economic measures to address of effects of inflation (on costs of filling the grocery cart and the productive system). The same trend was seen in 2023, with the fiscal deficit ending the year at 3.3% of GDP. The DR has not enjoyed a fiscal surplus since (at least) 2016. The objective of the next few years is to sustain public expenditure in order to support economic growth, but still keeping an eye on fiscal sustainability.

The ratio of government revenue to GDP in 2022 and 2023 was 15.3% and 15.7%, respectively (vs 14.4% in 2019). Government revenue in the DR for the 2019-2022 period, excluding 2020 (affected by Covid), amounted to 97.2%, 101.1% and 100.7% of target levels (2019, 2021 and 2022, respectively).

Table 11. Central Government Indicators (2016 - 2023)

Sector	2016	2017	2018	2019	2020	2021	2022	2023
Total revenues / GDP	13.9%	14.0%	14.2%	14.4%	14.2%	15.6%	15.3%	15.7%
Total expenditures / GDP	16.9%	17.4%	16.5%	18.0%	22.5%	18.3%	18.7%	19.1%
Fiscal balance / GDP	**-3.1%**	**-3.1%**	**-2.2%**	**-3.5%**	**-7.9%**	**-2.9%**	**-3.2%**	**-3.3%**

Source: Ministry of Economy, Planning and Development of the Dominican Republic.

Meanwhile, central government debt in 2023 amounted to USD 54,829Mn (vs USD 51,855Mn in 2022), equivalent to 45.6% of GDP (in line with 2022). Of the total, 71% (USD 38,854Mn) was foreign debt, which increased by 7% vs 2022 (USD 36,357.6Mn). And of the country's foreign debt, c.76% is held by foreign private creditors, mostly in government bonds. Domestic debt stood at USD 15,975Mn (vs USD 15,497Mn in 2022).

Table 12. Consolidated debt of the Dominican Republic 2021 - 2023

	2021		2022		2023	
Detail (USD Mn)	Amount	% of GDP	Amount	% of GDP	Amount	% of GDP
Consolidated public debt	**59,199.7**	**62.6%**	**66,764.5**	**58.6%**	**70,946.3**	**59.0%**
External debt	**34,278.4**	**36.3%**	**37,448.8**	**32.8%**	**39,952.9**	**33.2%**
Central Government	33,335.4	35.3%	36,351.6	31.9%	38,848.1	32.3%
Rest of NFPS	6.0	0.0%	6.0	0.0%	6.0	0.0%
Central Bank	937.1	1.0%	1,091.3	1.0%	1,098.8	0.9%
Net domestic debt	**24,921.3**	**26.4%**	**29,315.7**	**25.7%**	**30,993.4**	**25.8%**
Central Government	13,886.5	14.7%	15,191.0	13.3%	15,753.6	13.1%
Rest of NFPS	444.4	0.5%	306.0	0.3%	221.1	0.2%
Central Bank	12,964.1	13.7%	16,181.0	14.2%	17,304.6	14.4%
Intergovernmental debt	-2,373.7	-2.5%	-2,362.3	-2.1%	-2,285.9	-1.9%

Source: Ministry of Economy, Planning and Development of the Dominican Republic.

Adding non-financial public sector (NFPS) and BCRD debt, the DR's public debt in 2023 amounted to USD 70,946Mn (see table 12), or 59.0% of GDP, in line with the stock of debt and a nominal USD 4,182Mn (+6%) higher than in 2022. Put another way, the bad news is that the absolute level of debt continued to rise, despite remaining stable as a percentage of GDP as this growth came in an inflationary environment (where debt in real terms is worth less).

The country's gross international reserves at year-end 2023 stood at USD 15,464Mn. This equates to c.5.9 months of goods and services imports (excluding free trade zone imports), which is above IMF recommendations.

The credit rating agencies (as at end-October 2023) rated the DR's long-term foreign-currency issuer default rating as follows: (i) Moody's: Ba3 (positive outlook), (ii) S&P: BB (stable), and (iii) Fitch Ratings: BB- (stable). Fitch highlighted as positive factors the country's track record of robust economic growth, a diversified export structure and high per capita GDP. The last time the country defaulted was in 1982.

The agency also pointed out factors that could lead to further revisions: (i) upgrades: implementation of policy measures that strengthens fiscal flexibility and improves currency composition of government debt; and (ii) downgrades: deterioration of the government debt/GDP and interest/revenues ratios. Factors that could trigger this deterioration include loosening of fiscal policy and lower-than-expected growth.

Table 13. Ratings and outlook for foreign-currency sovereign long term debt

Country and agency	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama	Dominican Republic
Moody's	B2 (Stable)	Caa3 (Stable)	Ba1 (Stable)	B1 (Stable)	B3 (Stable)	Baa2 (Negative)	Ba3 (Positive)
S&P	B+ (Stable)	CCC+ (Stable)	BB (Stable)	BB- (Stable)	B (Stable)	BBB (Stable)	BB (Stable)
Fitch	BB-(Stable)	CCC+ (SP)	BB (Stable)	NC	B- (Positive)	BBB- (Negative)	BB- (Stable)

Source: Vice-Ministry of Economic and Social Analysis of the Dominican Republic.

Balance of payments: current account deficit, offset by foreign direct investment (FDI)

In 2022, the trend of exports and imports of goods and services drove a 43.8% increase (USD 5,367Mn) in the trade deficit in goods, from USD 11,796Mn (c. 12.5% of GDP) in 2021 to USD 17,162Mn (c. 14.9% of GDP), which was partially offset by the improvement in the trade surplus in services of 48.0% (USD 1,787Mn) to USD 5,493Mn (vs USD 3,706Mn in 2021). Including primary and secondary income, the current account deficit (trade balances plus primary and secondary income) increased significantly, to USD 6,548Mn (vs USD 2,685Mn in 2021), representing c.5.5% of GDP (vs 2.8% in 2021).

Current account imbalances in 2022 were offset by foreign direct investment (USD 4,099Mn in 2022; +28% vs 2021). Loans at varying maturities represented a combined debt of USD 1,453Mn, i.e. an increase of USD 1,379Mn of short-, medium- and long-term debt.

The 2023 performance still shows a current account deficit of USD 4,376Mn according to the BCRD, i.e. an improvement of USD 2,173Mn vs 2022 driven primarily by a reduction in oil imports (owing to lower prices of oil and oil by-products) and an increase in the trade surplus in services of USD 1,785Mn, to USD 7,279Mn (vs USD 5,493.5Mn in 2022).

Table 14. Current account balance balances 2019-2023 (USD Mn)

Items	2019	2020	2021	2022	2023
Current account	-1,187.9	-1,337.3	-2,685.3	-6,548.9	-4,376.3
Goods	-9,075.1	-6,803.1	-11,795.6	-17,162.4	-15,891.2
Services	5,058.3	1,390.6	3,706.5	5,493.5	7,278.7
Primary Income	-4,068.9	-3,825.0	-4,710.5	-4,311.0	-5,437.6
Secondary Income	6,897.8	7,900.2	10,114.3	9,431.0	9,673.8

Source: Vice-Ministry of Economic and Social Analysis of the Dominican Republic.

In a snapshot: an economy (DR) with three structural supports: high growth (CAGR -10y: +5.2%), extreme reliance on tourism and high debt.

In a nutshell, the DR has enjoyed stable growth over the last few decades, enabling it to bridge the gap in the cost of living with more developed countries. Real GDP grew at an annual average of c.5.2% from 1993 to 2022 according to the OECD.

Over that period, investment became the fastest growing component of domestic demand. The combination of capital accumulation and productivity gains resulted in a marked increase in GDP per worker, which has represented over 50% of real per capita GDP over the past two decades.

Reforms undertaken that have boosted FDI include: (i) deregulation of foreign exchange transactions, (ii) elimination of price controls, (iii) removal of restrictions on foreign investment, (iv) new trade agreements, and (v) the creation of tax and tariff incentives.

To further narrow the gap with more developed economies going forward, the DR needs to implement a number of reforms to raise productivity, such as: (i) reducing barriers to entrepreneurship, (ii) creating a level playing field by reducing administrative red tape and promoting free competition, (iii) lowering restrictions on trade in services and (iv) addressing the problem of a shrinking working-age population.

Lastly, the country's external accounts are exposed to several risks: (i) large reliance on the U.S. economy, the DR's primary export market for goods and services and the main source of FDI —so a downturn in the U.S. economy would increase the DR's current account deficit and reduce capital inflows—; (ii) the dependence on fuel imports, which makes the current balance sensitive to crude price fluctuations, (iii) the large share of foreign funds in the country's debt; and (iv) the need for fiscal consolidation to bring public debt under control —a turn for the worse in investor sentiment and a reduction in capital inflows could make it difficult for the DR to fund its current account deficit—.

Where does CLR stand? As we see it, the company's entry into the Dominican Republic in 2021 (the where) through the Larimar City & Resort project plus the structural engineering business (the what), makes CLR totally exposed to the tourism and construction sectors, the two largest GDP contributors in the DR (the why) and the ones enjoying the greatest momentum (the when) fuelled by a sharp increase in non-resident tourists in 2022 and 2023 and expectations that the uptrend will continue, the reduction in inflation, and cuts to interest rates in the DR (end of 2023). Demand stems primarily from developed economies (e.g. the U.S., Canada, Spain), making it more resilient to negative stages of the economic cycle.

CLR's vertical integration strategy (the how), which underpins the company's business model, ranging from structural engineering to construction and development, leaves CLR poised to take benefit from the strong growth driver represented by the DR's tourism sector for all the business areas/lines with (direct and indirect) exposure to this industry. For CLR, this affects its entire value chain: the construction/engineering business as well as the residential development business.

Sharp topline growth (CAGR 2023-26e: 103%), with 8x higher recurring EBITDA in 2026e vs 2023. And (logically) higher risk.

FY23 earnings featured: (i) 23% growth in revenue, driven by construction of structures in the Dominican Republic (the country in which CLR concentrates most of its activity), (ii) a pipeline of c.EUR 125Mn worth of projects, (iii) contraction in the recurring EBITDA margin to 25.2% (EBITDA of EUR 4.4Mn) vs 29.3% in 2022 (EUR 4.2Mn) and (iv) a reduction in net debt to EUR 9.6Mn (vs EUR 11.7Mn in 2022).

In 2022, CLR acquired land in the Dominican Republic to carry out the Larimar City & Resort project (see Business description section, page 10), which consists of the development of 2.7 million m2 of residential buildings (c.20,000 apartments and villas) and six hotels, restaurants, golf courses, etc. The first phase includes the construction of 14 towers, each 16-storeys high, of 1-, 2- and 3-bedroom apartments (nearly 2,550 homes). In other words, this marked a watershed moment for the company in terms of its size and type of activity, with a radical change in the business mix (from engineering and construction to residential real estate development). This project will not have an impact on the P&L until 2025e but will on cash starting this year.

In November 2023, CLR disclosed to the market its business plan until 2026e (see table 15), which points to a quantum leap in revenue and profitability over the 2024e-2026e period. In 2025e and 2026e, taking our estimate of c.EUR 15Mn of annual revenue for construction of structures, the Larimar City & Resort project would account for the remaining revenue implicit in the company's business plan, amounting to c.EUR 60Mn in 2025e and c.EUR 285Mn in 2026e. This would imply the delivery of c.450 and c.1,700 homes in 2025e and 2026e, respectively.

Table 15. Clerhp's Business Plan 2024e - 2026e

EUR Mn	2024e	2025e	2026e
Revenue	32.5	75.1	302.9
Capitalized expenses	0.2	0.2	0.3
Direct costs	(11.6)	(46.1)	(205.8)
Gross margin	**21.1**	**29.3**	**97.3**
% of sales	*65.1%*	*38.9%*	*32.1%*
Personnel expenses	(4.0)	(4.0)	(4.1)
Overhead	(3.6)	(3.8)	(4.0)
EBITDA	**13.5**	**21.4**	**89.3**
% of sales	*41.6%*	*28.5%*	*29.5%*
Depreciation and amortization	(1.9)	(1.7)	(1.5)
Impairment and other results			
EBIT	**11.6**	**19.7**	**87.8**
Financial results	**1.5**	**(2.0)**	**(1.7)**
Income before taxes	**13.1**	**17.7**	**86.1**

All of the above begs three key questions: (i) what is the company's real capacity for growth in the medium and long term? (ii) how will the Larimar City project impact its margins and cash generation? and, last but not least; (iii) how much will it have to invest and fund? The answer to those questions requires systematic analysis of the company's statement of profit or loss and balance sheet. That will provide insight as to CLR's capacity to develop a project of this magnitude over the coming years.

Strong capacity for revenue growth thanks to tourism and real estate sector tailwinds in the Dominican Republic (revenue CAGR 2023-26e: 103%).

Our baseline scenario for 2024e-2026e contemplates growth in revenue to EUR 145.9Mn in 2026e (CAGR 2023-2026e: 103%; cumulative revenue of EUR 234Mn). These numbers illustrate just how big an impact the Larimar City & Resort project will have on the P&L from 2025e. That year is when delivery of the apartments in the first phase will begin. We are not estimating any M&A-led growth. What are the key growth drivers? By business line:

Chart 16. Total revenues (103% CAGR 2023-2026e)

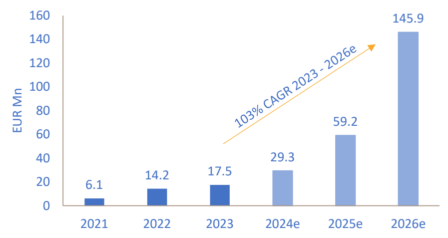


Chart 17. Revenue performance by business line

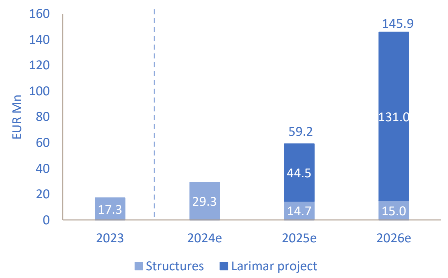


Chart 18. Business mix 2023 - 2026e

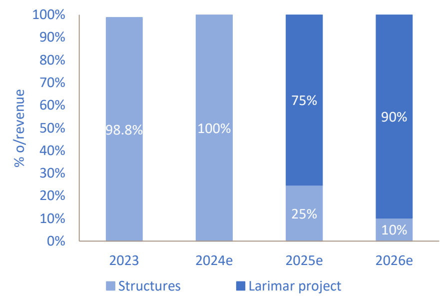
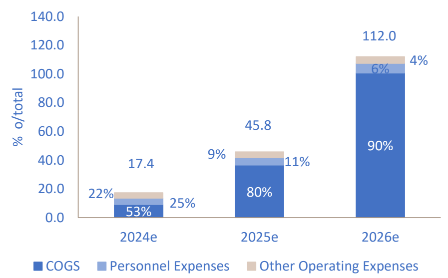


Chart 19. Cost structure



- **Construction of structures.** We estimate 70.0% (organic) revenue growth in 2024e to EUR 29.3Mn thanks to execution of the projects in the pipeline. Looking at the geographical mix, Paraguay looks set to contribute around EUR 6Mn of annual revenue, with the remainder (EUR 23Mn) coming from the Dominican Republic. In 2024e, this business should account for 100% of revenue.

  For 2025e and 2026e, our projections assume a considerable decrease in the share of construction of structures in the revenue mix due to: (i) the concentration of CLR's resources in the real estate development business, for which we estimate revenue of EUR 15Mn per year in 2025e-2026e (vs EUR 29.3Mn in 2024e) and (ii) the impact of the Larimar City & Resort project on the P&L, detracting from the construction business. We expect it to represent 25% of the mix in 2025e, before falling to 10% in 2026e. In 2023, it was "literally" 100%. Also in 2024e.

- **Larimar project (real estate development).** Our baseline scenario shows an acceleration of sales —CLR sold c.480 homes in 2023 according to our estimates— to 1,000 units per year in 2024e and 2025e and 1,300 in 2026e. This is predicated on CLR stepping up its marketing efforts, part of which will have to be outsourced. Our assumptions include an average selling price (ASP) of c.EUR 0.12Mn for 2023 (EUR 0.18Mn in 2026e).

  We have also assumed the start of construction in 2024e and a period of c.30 months until delivery of the homes. This implies deliveries of some 350 homes in 2025e and 850 in 2026e (see sensitivity analysis on page 22). This is a "conservative" assumption, implying delivery of 1,200 homes between 2025e and 2026e, compared to the target included in the company's business plan of c.2,100. This would generate revenue of EUR 44.5Mn and EUR 131.0Mn in 2025e and 2026e, respectively. It would also completely change the revenue mix, with this business contributing 75% of the total in 2025e and 90% in 2026e (vs 0% in 2024e).

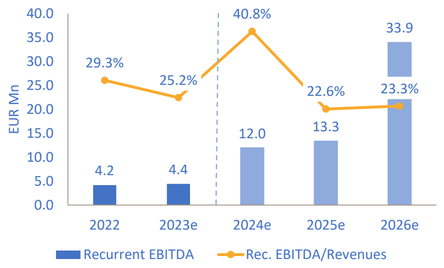
In short, we are estimating a "lift-off" of revenue in 2024e-2026e, having identified two triggers: (i) the sharp jump in revenue in 2024e (c.2x 2023) from the construction of structures (primarily) in the Dominican Republic, underpinned by the large volume of projects in the pipeline (which increases the business line's visibility for the coming years) and (ii) the start of home deliveries in the next two years (developer business), mostly in 2026e, which will concentrate the bulk of CLR's efforts (and which explains why the large step-up in size in construction of structures is not sustainable over time).

CLR's equity story in a nutshell rest on executing the step-up in scale via the real estate development business (completely changing the revenue mix) in the Dominican Republic. The company's vertical integration strategy will help in this respect. CLR's risk profile, however, would also change as the company adopts a much more working capital-intensive business model, a different capital structure (with high financing needs) and greater exposure to the economic cycle, with excessive concentration of revenue in a single country, but greater potential for cash generation (as a result of the "lift-off" of revenue and recurring EBITDA). In other words, it presents a combination of growth and risk. Both to a large degree.

The change in the revenue mix would drive a considerable increase in Rec. EBITDA, to EUR 33.9Mn in 2026e (23.3% of revenue) because of the sharp growth in revenue. For the forecast period (2024e-2026e), we estimate a considerable, but gradual narrowing of gross margin because of the change in the business mix (due to the exponential growth in development revenue), from 66.4% in 2023 to 31% in 2026e (vs 38% in 2025e). This is because real estate development is inherently more COGS-intensive (e.g. procurement of materials, purchases of land). In 2026e, we estimate that the Larimar project will account for 90% of consolidated revenue.

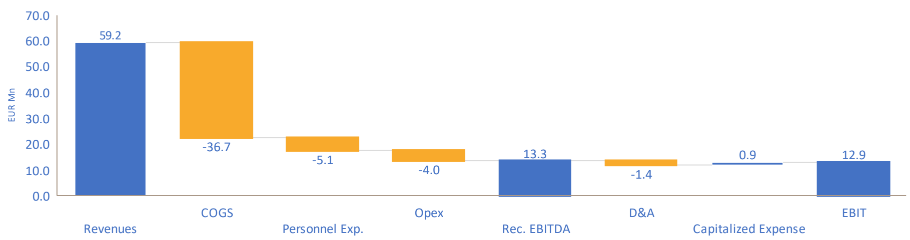
Meanwhile, in 2024e we are projecting an increase in overhead to EUR 8.2Mn (+14% vs 2023; 28.0% of revenue), made up of EUR 4.4Mn of personnel expenses (+26% vs 2023; 15% of 2024 revenue) associated with indirect labour and EUR 4.0Mn of other operating expenses (13% of revenue). The estimated increase in personnel expenses is the result of larger headcount from the construction of structures activity and staff increases to cater to higher revenue volume than at present (in 2025e and 2026e).

Chart 20. Recurring EBITDA



Our estimates for 2025e and 2026e assume a sharp improvement in recurring EBITDA to EUR 33.9Mn (vs EUR 12.0Mn in 2024e). This, not to mention the lift-off of revenue in 2024e-2026e, is a core part of CLR's equity story: achieving a sharp increase in recurring EBITDA that will feed through to higher cash generation. This is highly dependent on the pace of home deliveries.

Chart 21. Revenue to EBIT 2025e



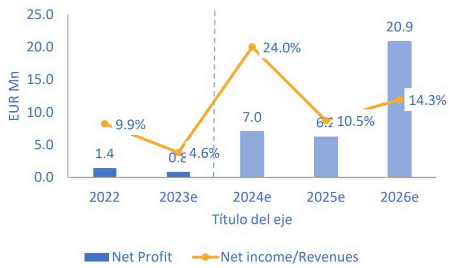
Margin expansion would derive essentially from the strong jump in topline revenue, of 8.4x the 2023 level in 2026e (compared to the company's estimate of a 17x increase). That year should feature a strong increase in revenue of c.2x the 2025e level. In other words, Rec. EBITDA would improve essentially because of the take-off in volume. As noted previously, this will completely change the revenue mix. In 2024e, construction of structures should account for 100% of revenue, whereas in 2026e, real estate development should account for 90% of the total.

With a (proven) ability to turn a profit (above break-even, except for 2020 and 2021 because of pandemic-related impacts). Net profit 2026e: EUR 20.9Mn

Below the EBITDA line, we would highlight:

- **Depreciation and amortisation**. We estimate annual depreciation and amortisation expenses of c.EUR 1.4Mn over the forecast period. We are not estimating significant capitalisation of costs (c.EUR 0.9Mn p.a.).
- **Finance costs.** We expect borrowings to increase because of the hefty CAPEX contemplated over the forecast period (ND 2025e: EUR 67.0Mn; ND/rec. EBITDA 5.0x). An estimated 850 homes will be delivered in 2026e, leaving room to slash debt to EUR 26.9Mn (ND/rec. EBITDA of 0.8x). Again, this will depend heavily on the pace of the home deliveries. And, therefore, working capital management.

Chart 22. Net income

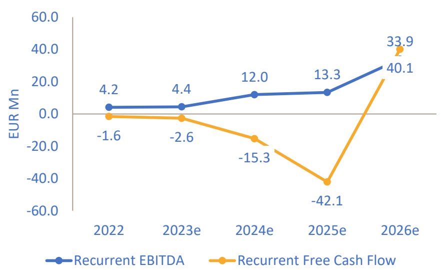


As a result, net profit is forecast at EUR 7.0Mn in 2024e. Looking to 2026e, the sharp growth in revenue, coupled with the anticipated EBITDA margin expansion, is expected to push net profit to EUR 20.9Mn (14.3% of 2026e revenue). We do not estimate any dividend distribution. The focus of the business today is on developing and building the Larimar City & Resort project, which will require massive investment (in relation to the company's size) over the next 10-12 years (in a best-case scenario).

CLR will need to invest heavily in working capital. We estimate delivery of 850 homes in 2026e, enabling the company to achieve positive FCF....

The large number of estimated deliveries in 2025e and 2026e (350 and 850 units, respectively), coupled with ongoing construction of the remaining homes in phase 1 and the rest of the project's phases, will push up CLR's working capital requirement due to: (i) land purchases, which we estimate will amount to c.EUR 50Mn (2023-2026e), and (ii) the cost of developing the land and building the homes, which we estimate will amount to c.EUR 260Mn.

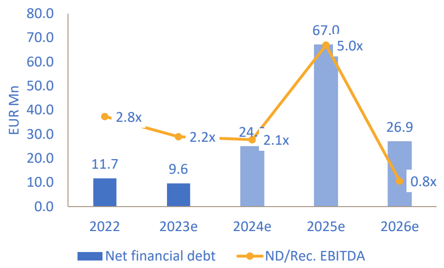
Chart 23. Recurring EBITDA and Recurring FCF



Meanwhile, sales of homes also generate cash inflows through collection of part of the price upfront at the time of sale (16%-20% of the price) and monthly instalments until delivery of the home, triggering a sharp increase in advances received from customers. The customer pays the rest of the price at the time of delivery. So, we estimate strong cash outflows due to working capital investments in 2024e and 2025e, but strong cash inflows in 2026e from working capital changes, driving FCF generation and a strong increase in recurring EBITDA. We estimate average CAPEX (2024e–2026e) of c.EUR 3.5Mn (vs EUR 2.1Mn in 2023).

The high levels of investment contemplated mean that the company is not expected to generate positive free cash flow in either 2024e or 2025e. The reason is obvious: the large investments needed to develop and build phase 1 of the Larimar City & Resort project. Our baseline scenario factors in recurring negative FCF in 2024e of EUR 15.3Mn. Given EBITDA momentum and the positive impact of working capital changes, FCF should increase to EUR 40Mn in 2026e (118% of recurring EBITDA).

Chart 24. Net debt and ND/ Recurring EBITDA



...inevitably pushing up net debt, to EUR 67.0Mn (ND/recurring EBITDA: 5.0x) in 2025e, before it falls back to EUR 26.9Mn in 2026e.

At year-end 2023, CLR had net debt of EUR 9.6Mn. Hefty CAPEX over the coming years will push up net debt to levels of c. EUR 67.0Mn and EUR 26.9Mn in 2025e and 2026e, respectively. Accordingly, leverage will increase significantly, assuming a ND/rec. EBITDA multiple for 2025e of 5.0x, before falling to 0.8x in 2026e. Finance costs would rise as a result, to c.EUR 4Mn in 2025e and 2026e, respectively.

What would happen if...?

Given the company's size now relative to the potential impact of the Larimar project on its P&L and cash generation, not to mention the dim visibility at present, there is a strong chance of deviations around these estimates. So, we must ask what the "snapshot" of revenue, recurring EBITDA margin, cash generation and net debt would be in 2026e (Table 16) if the real estate development business slows down or speeds up.

Assuming that the 2023 pace of home sales is sustained (i.e. 500 units per year; vs a strong acceleration of sales in the baseline scenario) and a total of c.860 units are delivered in 2025e and 2026e, this would leave recurring EBITDA and recurring FCF of EUR 18.8Mn and EUR 21.8Mn, respectively, in 2026e. By the same token, if the pace of sales were to accelerate (favourable scenario) to an average of 1,200 units over the 2024e-2026e period and deliveries reached 470 units and 1,680 units in 2025e and 2026e, recurring EBITDA and recurring FCF would reach EUR 78.7Mn and EUR 67.5Mn, respectively, in 2026e.

Table 16. Situation in 2026e depending on the evolution of the Larimar project

EUR Mn	Pessimistic	Central	Pessimistic
Total Revenues	93.5	145.9	298.2
Total Revenues growth	*78.5%*	*146.7%*	*305.4%*
Gross Margin	**29.0**	**45.2**	**93.3**
Gross Margin (o/Revenues)	*31.0%*	*31.0%*	*31.3%*
Overhead Cost	(10.2)	(11.3)	(14.6)
% o/Revenues	*-10.9%*	*-7.7%*	*-4.9%*
Recurring EBITDA	**18.8**	**33.9**	**78.7**
Rec. EBITDA/Revenues	*20.1%*	*23.3%*	*26.4%*
EBITDA	**18.8**	**33.9**	**78.7**
Rec. EBITDA/Revenues	*20.1%*	*23.3%*	*26.4%*
EBIT	**18.4**	**33.6**	**78.4**
Rec. EBIT/Revenues	19.6%	23.0%	26.3%
Ordinary profit	**12.1**	**29.2**	**76.5**
Recurrent Free Cash Flow	**21.8**	**40.1**	**67.5**
Net financial debt	**57.8**	**26.9**	**(14.1)**

In short, a (very demanding) lift-off of revenue and profitability, with faster growth in 2026e (with an 8x increase in recurring EBITDA vs 2023). This would completely change the company.

The "snapshot" of CLR today is one of a small structural engineering firm with business centralised in the Dominican Republic (whose economy relies heavily on the tourism and real estate sectors) and an equity story that includes a (nearly complete) change in the business mix as a result of the mega Larimar City & Resort real estate project. This project will also reshape the company's risk profile. Our estimates (2024e-2026e) and investment thesis pivot around:

- Sharp revenue growth (CAGR 2023-2026e: 103%). Real estate development's share of the business mix is set to rise to 90% of revenue in 2026e. CLR would go from being a small structural engineering firm to a vertically integrated (single-country) real estate developer.

- Growth oriented towards the business with the highest potential volume. Recurring EBITDA is expected to jump from EUR 4.4Mn in 2023 (rec. EBITDA margin: 25.2%) to EUR 33.9Mn (rec. EBITDA margin: 23.3%) in 2026e (despite the sharp contraction of gross margin).

- Higher working capital investment requirement (land purchases, construction of apartments, etc.), offset by cash inflows from customers advances (depending on residential sales) in terms of cash consumption.

We estimate a negative impact from working capital changes in 2024e and 2025e, but a positive impact in 2026e on the back of higher expected deliveries. The business model is, therefore, highly dependent on the pace of deliveries, which will largely dictate the generation of recurring FCF and the level of financial leverage in the forecast period. And, accordingly, the company's risk profile. We estimate negative recurring FCF of EUR 15.3Mn in 2024e and EUR 42.1Mn in 2025e, and positive recurring FCF of EUR 40.1Mn in 2026e.

- Change in capital structure, with a sharp increase in net debt, especially in 2025e to EUR 67.0Mn. Net debt should decrease considerably in 2026e thanks to the jump in recurring EBITDA and the positive impact of working capital changes. This further evidences how important deft cash management is.

In sum, the numbers show a company set to show a sizeable leap in scale over the 2024e-2026e period (in terms of revenue and EBITDA) driven by the Larimar project and the concentration of business in the Dominican Republic, with 8.4x higher revenue in 2026e than in 2023. In 2024e, structural engineering revenue looks set to nearly double, to EUR 29.3Mn. With the focus on the real estate development business in 2025e and 2026e, revenue and recurring EBITDA growth should accelerate even further. All of this will depend heavily on the pace of home deliveries. That will also determine the company's level of indebtedness and, therefore, its strategy beyond 2026e.

However, there are some significant risks: (i) mismatch between investment and management effort in the Larimar project and CLR's size —the company ended 2023 with EUR 6.2Mn of equity vs an investment of c.EUR 310Mn in Larimar in 2024-2026— and (ii) exposure to an emerging economy over a long period of time (10-12 years in a best-case scenario), with safe exposure to different stages of the economic cycle (especially in a heavily tourism- and construction-dependent economy). The strategic shift caused by the Larimar project inherently implies greater commercial, operational, macroeconomic and financing risk for CLR.

So, as we see it, CLR represents a growth story that unquestionably (as discussed above) combines both sides of the coin: growth and risk. The company will be fully exposed to two of the sectors that contribute most to the Dominican Republic's GDP and attract the most foreign investment. But both are highly cyclical, and their growth requires hefty investment (and therefore financing.

Valuation inputs

Inputs for the DCF Valuation Approach

	2024e	2025e	2026e	Terminal Value (1)		
Free Cash Flow "To the Firm"	**(13.8)**	**(39.1)**	**43.2**	**n.a.**		
Market Cap	**57.1**	At the date of this report				
Net financial debt	**9.6**	Debt net of Cash (12m Results 2023)				
					Best Case	Worst Case
Cost of Debt	6.0%	Net debt cost			5.8%	6.3%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	**4.8%**	**Kd = Cost of Net Debt * (1-T)**			**4.6%**	**5.0%**
Risk free rate (rf)	3.3%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	11.7%	R (own estimate)			11.2%	12.2%
Beta (B)	1.2	B (own estimate)			1.1	1.3
Cost of Equity	**17.3%**	**Ke = Rf + (R * B)**			**15.6%**	**19.1%**
Equity / (Equity + Net Debt)	85.6%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	14.4%	D			=	=
WACC	**15.5%**	**WACC = Kd * D + Ke * E**			**14.0%**	**17.1%**
G "Fair"	**2.0%**				**2.0%**	**1.5%**

(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.
Note: Dominican Republic equity risk premiun has been taken as a reference (source: Pablo Fernandez). Since practically all P&L is generated in the Dominican Republic (79% of revenues 2023 and with prospects to increase significantly in the coming years).

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
Metrovacesa	MVC-ES	1,366.6	40.6	18.7%	24.0	9.5%	2.3	5.0%	9.7%	8.0%	-17.5%
Aedas Homes	AEDAS-ES	863.5	8.8	0.6%	8.9	1.2%	1.4	-0.4%	15.6%	12.8%	-1.3%
Playa Hotels & Resorts	PLYA-US	1,049.1	15.6	25.6%	8.3	4.2%	2.3	0.9%	27.7%	0.3%	n.a.
Insur	ISUR-ES	143.8	11.3	-2.5%	12.6	-1.5%	2.1	-6.2%	16.4%	n.a.	n.a.
Real estate and Tourism			19.1	10.6%	13.5	3.4%	2.0	-0.1%	17.4%	7.0%	-9.4%
Strabag	STR-AT	4,870.7	8.9	n.a.	1.1	n.a.	0.1	n.a.	7.4%	n.a.	n.a.
Hochtief	HOT-DE	8,066.4	13.6	12.2%	5.7	11.2%	0.3	5.2%	4.5%	7.1%	24.6%
ACS	ACS-ES	10,692.7	15.7	12.1%	5.6	6.7%	0.3	3.7%	5.3%	7.5%	6.9%
Engineering and Construction			12.8	12.1%	4.1	9.0%	0.2	4.4%	5.7%	7.3%	15.7%
CLR	CLR-ES	57.1	8.1	72.1%	5.6	68.4%	2.3	n.a.	40.8%	n.a.	n.a.

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	24.9%	14.7	4.5x
Central	22.6%	13.3	5.0x
Min	20.3%	12.0	5.6x

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

Rec. FCF EUR Mn	CAPEX/Sales 25e		
EBITDA 25e	5.4%	6.0%	6.6%
14.7	(40.4)	(40.8)	(41.1)
13.3	(41.8)	(42.1)	(42.5)
12.0	(43.1)	(43.5)	(43.8)

What could go wrong?

We consider risks to be those that could have a significant negative impact on our projections, mainly those for operating profit and free cash flow:

1. **Slowdown in deliveries**. Buying land and building houses is, after all, the industrial part of the development business. The difficulty and risk lie in selling the homes developed. The interest rate environment at present, coupled with the delayed impact of interest-rate hikes at macroeconomic level, could cause a slowdown in demand for housing, which would inevitably affect CLR's development business by pushing back estimated deliveries of developments (in turn implying higher cash burn and narrower margins).

   To illustrate, a decrease in estimated deliveries in 2026e to 550 (vs 850 in our baseline scenario) would result in a reduction in consolidated revenue of c. 36% and of EBITDA of c. 45%.

2. **Increase in building costs and the impact on development margins.** CLR's real estate business is vertically integrated. However, increases in costs for either land purchases and/or building materials would have an adverse impact on our estimates for margins and EBITDA. Our current estimates call for a contraction in gross margin due to the change in business mix —sudden drop in engineering's "share"— from 66% in 2023 to 31% in 2024e. A further 1.5 p.p. contraction to 29.5% would cause a 6% reduction in EBITDA in 2026e.

3. **Working capital management.** Trade receivables in 2023 amounted to c.EUR 22.2Mn, or 127% of revenue (vs c.EUR 9.2Mn in 2022; 65% of revenue). Therefore, if customers experienced financial difficulties or failed to partially or fully satisfy their contractual obligations, this could undermine the collection of invoices and trade bills, thereby affecting FCF.

4. **High business concentration in the Dominican Republic.** Revenue from operations in the Dominican Republic accounted for 79% of the total in 2023 (vs 58% in 2022). So, CLR is extremely exposed to the macro situation of that country (an emerging economy), which itself is a risk factor for the company.

5. **Currency risk:** The entire currency exposure of CLR's P&L is to the USD, since both its revenue and overhead are denominated in that currency. Therefore, it is exposed to foreign currency risk. Any USD depreciation against the EUR would pose a risk to CLR's EBITDA (to the extent of the depreciation).

6. **Exposure to cyclical sectors in an emerging economy.** The company has exposure to cyclical sectors, such as construction and tourism, over the next 10-12 years, with safe exposure to different stages of the economic cycle. Both of these are highly macro-sensitive sectors.

7. **Disparity in the size of the Larimar City & Resort project relative to CLR's current balance sheet.** The company ended 2023 with equity of EUR 6.2Mn. Relative to the mega real estate project it is developing, this implies a clear theoretical (financial and accounting) risk since its leaves little room to manoeuvre to address unforeseen events (e.g. crises affecting demand, impairments).

8. **Lower-than-expected operating leverage.** Our estimates point to a reduction in fixed overhead (assuming a small variable component), taking the total (personnel expenses + other operating expenses) to 28.0% of revenue in 2024e (vs 41.2% in 2023). Maintaining overhead at 41.2% of revenue would reduce the 2024e recurring EBITDA margin to 27.6% (vs c.40.8% estimated). This would imply a 32.3% reduction in 2024e recurring EBITDA.

9. **Indebtedness.** CLR ended 2023 with net debt of EUR 9.6Mn. Our estimates have net debt rising to EUR 67.0Mn in 2025e (due to working capital investments, e.g. land purchases, housing construction), before falling to EUR 27Mn in 2026e (due to the strong cash inflow arising from the sharp increase in recurring EBITDA and working capital changes). Lower-than-expected deliveries (to 550) would leave net debt in 2026e at EUR 57.8Mn.

A board 'apparently' aligned with non-controlling shareholders, with independent members making up a third

The company was founded in August 2011 by Juan Andrés Romero Hernández (Chairman and CEO), Alejandro Clemares Sempere (former Deputy Chairman), Juan Evangelista Alonso Becerra (former proprietary director) and Félix Poza Ceballos (former director and CFO). Of the founders, Juan Andrés, Alejandro and Félix Poza are still shareholders (see Table 17), with the latter holding shares representing less than 4%. CLR has been listed on BME Growth since March 2016.

Table 17. Main shareholders

Nombre	Directa	Indirecta	Total
Juan Andrés Romero Hernández*	1.0%	7.8%	8.8%
Rhymar Proyects Developer	25.4%		25.4%
Rheto Arquitectos S.L.P**	0.1%	8.1%	8.1%
Víctor Manuel Rodríguez Martín	6.4%		6.4%
Meca Alcázar	5.1%		5.1%
Trina World Wide	10.2%		10.2%
Pedro José Romero Hernandez***	0.0%	7.8%	7.8%
Alejandro Clemares Sempere	7.5%		7.5%
Rheto Desarrollo y Proyectos S.L****	0.0%	7.6%	7.6%
Free float	44.3%		44.3%
Total	100.0%	31.3%	

* Mr. Juan Andrés Romero Hernández has a total shareholding in Clerhp Estructuras, S.A. of 8.78% as a result of his direct shareholding (1.02%), indirect shareholding of 0.04% through the 75% that he owns in the company Rheto Arquitectos, S.L.P., and indirect shareholding of 1.69% through the direct shareholding of 6.64% that he owns in the company Rhymar Proyects Developer, S.L., indirect shareholding of 1.69% through the direct shareholding of 6.64% that it holds in the company Rhymar Proyects Developer, S.L., and indirect shareholding of 6.04% through the indirect shareholding of 31.68% that Rheto Arquitectos, S.L.P. holds in RHYMAR Proyect Developer SL.
** The total direct and indirect shareholding of Rheto Arquitectos, S.L.P. in Clerhp is 8.11%, as a result of the 31.68% shareholding it holds in Rhymar Proyects Developer, S.L. and the direct shareholding of 0.05% in CLERHP.
*** Mr. Pedro José Romero Hernández, the individual who represents Rheto Arquitectos, S.L.P. on the Board of Directors, holds a total stake in CLERHP of 7.84% as a result of the 0.01% stake held through Rheto Arquitectos, S.L.P., the indirect stake of 5.81% through Rhymar Proyects Developer, S.L. and the indirect stake of 2.01% through its stake in Rheto Arquitectos, S.L.P.
**** The total shareholding of Rheto Desarrollo y Proyectos, S.L. in Clerhp is 7.63%, as a result of the 30.01% stake it holds in Rhymar Proyects Developer, S.L.

1. **A board of directors with scant presence of independent members.** Since Félix Poza Ceballos (former proprietary director) resigned in February citing personal reasons, CLR's Board of Directors comprises six members, of whom four are proprietary (67%) and two are independent (33%) directors. There are no female directors. Board members directly control 33% of the company's capital. This would appear to imply that they are aligned with the interests of non-controlling shareholders. Alejandro Clemares Sempere also stepped down for personal reasons in February 2023.

   The board must have at least five and no more than 15 members. Directors are appointed for a term of four years and may be re-elected at the General Shareholders' Meeting for one or more four-year periods.

Table 18. Key corporate governance metrics

KPI	2021	2022	2023
% of independent directors	22%	33%	29%
% of proprietary directors	78%	67%	71%
% of executive directors	0%	0%	0%
% of other directors	0%	0%	0%
% of women on the board of directors	0%	0%	0%
% of women on total workforce	11%	8%	20%
Board remuneration / personnel expenses	7%	8%	11%

1. **Audit committee independence.** The audit committee is composed of José Ángel Morenete Vega, José Ramón García Mateo and Víctor Manuel Rodríguez Martín, two independent directors and a proprietary director, respectively, thereby ensuring the committee's independence.
2. **Director remuneration.** Total remuneration paid to directors in 2023 was c.EUR 0.4Mn (11% of personnel expenses; vs 8% in 2022). In addition, CLR has no pension or life insurance obligations with key management personnel or any of its current or former directors.
3. **Golden parachute clauses:** at the time of writing, there were no guarantee or golden parachute clauses for termination of directors' or senior managers' contracts or employment, or for a change of control of the company.
4. **Shareholder remuneration.** CLR does not have a dividend policy and does not expect to approve any distributions in the coming years. The business is currently focused on developing and building up the order book, which requires capital. Meanwhile, no share buyback plans have been approved.
5. **Related party balances and transactions.** CLR ended 2023 with EUR 4.0Mn of payables to related parties (vs EUR 2.1Mn in 2022). These amounts are with: (i) Lago Bravo Enterprises (EUR 1.8Mn), (ii) Visual Technology (EUR 0.3Mn), (iii) Rheto Arquitectos (EUR 1.0Mn), which is also a CLR shareholder, and (iv) World Promenade (EUR 1.0Mn). CLR holds a 25.46% stake and Visual Tech. a 7% stake in Lago Bavo.

   CRL also has a payable of EUR 1.7Mn to Rhymar Proyect y Desarrollos, S.L and Rheto Arquitectos (companies controlled by Juan and Pedro Romero) arising from two share loans, arranged so it could have treasury shares. If the shares are sold, it reimburses the shareholders through a share capital increase. Meanwhile, the Group also owes EUR 2.2Mn to shareholders, payable in shares.

Table 19. Current Board of Directors

Name	Category	Position	Date
Juan Andrés Romero Hernández	President and CEO	Proprietary	29/06/2023
Pedro José Romero Hernández	Member	Proprietary	29/06/2023
Alberto Jesús Muñoz Sánchez-Miguel	Member	Proprietary	29/06/2023
Victor Manuel Rodríguez Martín	Member	Proprietary	29/06/2023
José Ángel Morenete Vega	Member	Independent	29/06/2023
José Ramón García Mateo	Member	Independent	29/06/2023

Note: Alberto Jesús Muñoz Sánchez-Miguel is the representative on the board of Rhymar Proyects Developer. And Pedro José Romero Hernández of Rheto Arquitectos S.L

Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024e**	**2025e**	**2026e**
Intangible assets	0.4	2.0	2.7	0.8	0.5	1.5	2.4	3.4
Fixed assets	4.2	4.2	3.4	3.9	4.5	6.8	8.9	11.3
Other Non Current Assets	0.1	0.1	0.3	0.1	0.1	0.1	0.1	0.1
Financial Investments	0.2	1.0	0.9	5.5	3.9	3.9	3.9	3.9
Goodwill & Other Intangilbles	-	0.3	0.2	-	-	-	-	-
Current assets	7.0	9.7	9.2	13.0	29.1	59.5	137.5	220.7
Total assets	**11.9**	**17.3**	**16.8**	**23.3**	**38.2**	**71.7**	**152.8**	**239.3**
Equity	3.7	1.9	(2.8)	2.2	6.2	13.2	19.4	40.3
Minority Interests	0.3	0.7	0.1	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)
Provisions & Other L/T Liabilities	0.2	0.3	0.2	3.0	4.3	4.3	4.3	4.3
Other Non Current Liabilities	-	-	-	-	-	-	-	-
Net financial debt	5.5	11.5	15.7	11.7	9.6	24.9	67.0	26.9
Current Liabilities	2.1	3.0	3.6	6.4	18.3	29.6	62.3	168.1
Equity & Total Liabilities	**11.9**	**17.3**	**16.8**	**23.3**	**38.2**	**71.7**	**152.8**	**239.3**

									CAGR	
P&L (EUR Mn)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024e**	**2025e**	**2026e**	**19-23**	**23-26e**
Total Revenues	**14.0**	**10.3**	**6.1**	**14.2**	**17.5**	**29.3**	**59.2**	**145.9**	***5.7%***	***n.a.***
Total Revenues growth	*31.9%*	*-26.5%*	*-40.9%*	*133.5%*	*23.0%*	*67.7%*	*101.7%*	*146.7%*		
COGS	(4.1)	(1.9)	(2.7)	(3.3)	(5.9)	(9.2)	(36.7)	(100.7)		
Gross Margin	**9.9**	**8.3**	**3.4**	**10.9**	**11.6**	**20.2**	**22.5**	**45.2**	***4.0%***	***57.3%***
Gross Margin/Revenues	*71.0%*	*81.1%*	*55.2%*	*76.5%*	*66.4%*	*68.8%*	*38.0%*	*31.0%*		
Personnel Expenses	(5.1)	(4.6)	(3.6)	(3.2)	(3.5)	(4.4)	(5.1)	(6.8)		
Other Operating Expenses	(2.2)	(3.3)	(3.6)	(3.5)	(3.7)	(3.8)	(4.0)	(4.5)		
Recurrent EBITDA	**2.6**	**0.4**	**(3.8)**	**4.2**	**4.4**	**12.0**	**13.3**	**33.9**	***14.3%***	***97.3%***
Recurrent EBITDA growth	*43.7%*	*-83.2%*	*-979.3%*	*208.8%*	*6.0%*	*170.9%*	*11.6%*	*154.3%*		
Rec. EBITDA/Revenues	*18.5%*	*4.2%*	*n.a.*	*29.3%*	*25.2%*	*40.8%*	*22.6%*	*23.3%*		
Restructuring Expense & Other non-rec.	0.0	(0.0)	0.0	-	1.0	-	-	-		
EBITDA	**2.6**	**0.4**	**(3.8)**	**4.2**	**5.5**	**12.0**	**13.3**	**33.9**	***20.4%***	***83.9%***
Depreciation & Provisions	(0.7)	(1.0)	(1.0)	(1.2)	(1.3)	(1.0)	(1.4)	(1.3)		
Capitalized Expense	0.1	0.8	0.9	0.5	0.9	0.9	0.9	0.9		
Rentals (IFRS 16 impact)	-	-	-	-	-	-	-	-		
EBIT	**2.0**	**0.2**	**(3.9)**	**3.4**	**5.1**	**11.9**	**12.9**	**33.6**	***26.3%***	***87.3%***
EBIT growth	*23.4%*	*-88.8%*	*n.a.*	*188.9%*	*48.7%*	*133.3%*	*8.5%*	*159.9%*		
EBIT/Revenues	*14.3%*	*2.2%*	*n.a.*	*24.2%*	*29.2%*	*40.6%*	*21.8%*	*23.0%*		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.6)	(1.2)	(1.1)	(2.1)	(4.1)	(2.0)	(4.3)	(4.3)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	**1.4**	**(0.9)**	**(5.0)**	**1.4**	**1.0**	**9.9**	**8.7**	**29.2**	***-7.6%***	***n.a.***
Ordinary Profit Growth	*0.6%*	*-168.2%*	*-427.5%*	*127.4%*	*-26.1%*	*879.8%*	*-12.2%*	*237.3%*		
Extraordinary Results	-	-	-	-	-	-	-	-		
Profit Before Tax	**1.4**	**(0.9)**	**(5.0)**	**1.4**	**1.0**	**9.9**	**8.7**	**29.2**	***-7.6%***	***n.a.***
Tax Expense	(0.4)	(0.2)	(0.1)	(0.2)	(0.3)	(2.8)	(2.5)	(8.4)		
Effective Tax Rate	*25.5%*	*n.a.*	*n.a.*	*13.6%*	*28.7%*	*28.7%*	*28.7%*	*28.7%*		
Minority Interests	(0.1)	0.0	0.1	0.0	0.1	-	-	-		
Discontinued Activities	-	-	-	0.2	-	-	-	-		
Net Profit	**1.0**	**(1.1)**	**(5.0)**	**1.4**	**0.8**	**7.0**	**6.2**	**20.9**	***-5.0%***	***n.a.***
Net Profit growth	*19.9%*	*-211.6%*	*-360.1%*	*127.8%*	*-42.7%*	*785.9%*	*-12.2%*	*237.3%*		
Ordinary Net Profit	**1.0**	**(0.9)**	**(4.9)**	**1.2**	**0.0**	**7.0**	**6.2**	**20.9**	***-54.3%***	***n.a.***
Ordinary Net Profit growth	*1.8%*	*-189.8%*	*-466.5%*	*124.9%*	*-96.6%*	*n.a.*	*-12.2%*	*237.3%*		

									CAGR	
Cash Flow (EUR Mn)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024e**	**2025e**	**2026e**	**19-23**	**23-26e**
Recurrent EBITDA						**12.0**	**13.3**	**33.9**	***14.3%***	***97.3%***
Rentals (IFRS 16 impact)						-	-	-		
Working Capital Increase						(19.2)	(45.2)	22.6		
Recurrent Operating Cash Flow						**-7.2**	**-31.8**	**56.5**	***52.5%***	***n.a.***
CAPEX						(3.2)	(3.6)	(3.6)		
Net Financial Result affecting the Cash Flow						(2.0)	(4.3)	(4.3)		
Tax Expense						(2.8)	(2.5)	(8.4)		
Recurrent Free Cash Flow						**(15.3)**	**(42.1)**	**40.1**	***4.0%***	***n.a.***
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						**(15.3)**	**(42.1)**	**40.1**	***19.2%***	***n.a.***
Capital Increase						-	-	-		
Dividends						-	-	-		
Net Debt Variation						**15.3**	**42.1**	**(40.1)**		

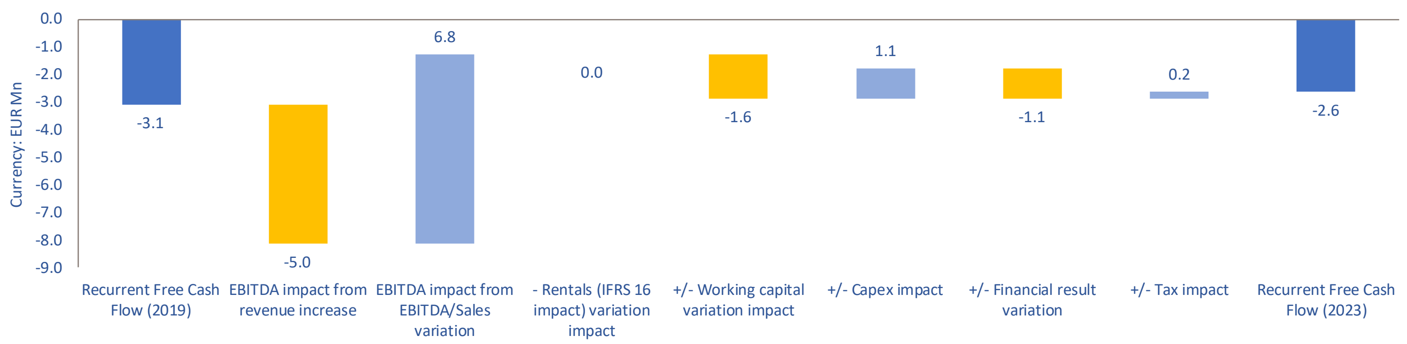
Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2020	2021	2022	2023	2024e	2025e	2026e	CAGR 20-23	CAGR 23-26e
Recurrent EBITDA	**0.4**	**(3.8)**	**4.2**	**4.4**	**12.0**	**13.3**	**33.9**	***n.a.***	***97.3%***
Recurrent EBITDA growth	*-83.2%*	*-979.3%*	*208.8%*	*6.0%*	*170.9%*	*11.6%*	*154.3%*		
Rec. EBITDA/Revenues	*4.2%*	*n.a.*	*29.3%*	*25.2%*	*40.8%*	*22.6%*	*23.3%*		
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	(1.8)	1.0	(0.9)	(4.2)	(19.2)	(45.2)	22.6		
= Recurrent Operating Cash Flow	**(1.4)**	**(2.8)**	**3.3**	**0.2**	**(7.2)**	**(31.8)**	**56.5**	***28.5%***	***n.a.***
Rec. Operating Cash Flow growth	*n.a.*	*-99.8%*	*216.0%*	*-94.7%*	*n.a.*	*-342.8%*	*277.4%*		
Rec. Operating Cash Flow / Sales	*n.a.*	*n.a.*	*22.9%*	*1.0%*	*n.a.*	*n.a.*	*38.7%*		
- CAPEX	(3.9)	(0.0)	(2.6)	(1.0)	(3.2)	(3.6)	(3.6)		
- Net Financial Result affecting Cash Flow	(0.5)	(0.9)	(2.1)	(1.7)	(2.0)	(4.3)	(4.3)		
- Taxes	(0.2)	(0.1)	(0.2)	(0.1)	(2.8)	(2.5)	(8.4)		
= Recurrent Free Cash Flow	**(6.0)**	**(3.9)**	**(1.6)**	**(2.6)**	**(15.3)**	**(42.1)**	**40.1**	***23.9%***	***n.a.***
Rec. Free Cash Flow growth	*-92.9%*	*34.9%*	*59.6%*	*-67.6%*	*-479.8%*	*-175.6%*	*195.3%*		
Rec. Free Cash Flow / Revenues	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*27.5%*		
- Restructuring expenses & others	-	0.0	-	1.0	-	-	-		
- Acquisitions / + Divestments	(0.2)	-	1.6	0.2	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	(0.2)	-	-	-	-	-		
= Free Cash Flow	**(6.2)**	**(4.1)**	**0.1**	**(1.4)**	**(15.3)**	**(42.1)**	**40.1**	***39.4%***	***n.a.***
Free Cash Flow growth	*-91.9%*	*34.1%*	*101.9%*	*n.a.*	*n.a.*	*-175.6%*	*195.3%*		
Recurrent Free Cash Flow - Yield (s/Mkt Cap)	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*70.3%*		
Free Cash Flow Yield (s/Mkt Cap)	*n.a.*	*n.a.*	*0.1%*	*n.a.*	*n.a.*	*n.a.*	*70.3%*		

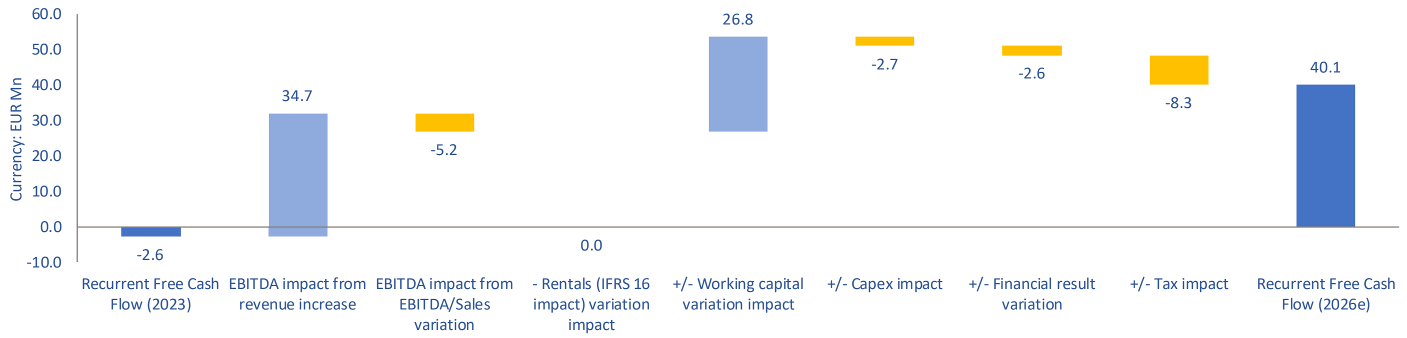
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)	2020	2021	2022	2023	2024e	2025e	2026e
Recurrent FCF(FY - 1)	**(3.1)**	**(6.0)**	**(3.9)**	**(1.6)**	**(2.6)**	**(15.3)**	**(42.1)**
EBITDA impact from revenue increase	(0.7)	(0.2)	(5.1)	1.0	3.0	12.2	19.6
EBITDA impact from EBITDA/Sales variation	(1.5)	(4.1)	13.1	(0.7)	4.6	(10.8)	1.0
= Recurrent EBITDA variation	**(2.2)**	**(4.3)**	**8.0**	**0.3**	**7.6**	**1.4**	**20.6**
- Rentals (IFRS 16 impact) variation impact	-	-	-	-	-	-	-
+/- Working capital variation impact	0.8	2.9	(1.9)	(3.3)	(14.9)	(26.0)	67.8
= Recurrent Operating Cash Flow variation	**(1.4)**	**(1.4)**	**6.1**	**(3.1)**	**(7.4)**	**(24.7)**	**88.4**
+/- CAPEX impact	(1.8)	3.8	(2.5)	1.6	(2.3)	(0.3)	(0.1)
+/- Financial result variation	0.1	(0.4)	(1.1)	0.3	(0.3)	(2.2)	(0.1)
+/- Tax impact	0.2	0.1	(0.1)	0.1	(2.7)	0.3	(5.9)
= Recurrent Free Cash Flow variation	**(2.9)**	**2.1**	**2.3**	**(1.1)**	**(12.7)**	**(26.8)**	**82.3**
Recurrent Free Cash Flow	**(6.0)**	**(3.9)**	**(1.6)**	**(2.6)**	**(15.3)**	**(42.1)**	**40.1**

C) "FCF to the Firm" (pre debt service) (EUR Mn)	2020	2021	2022	2023	2024e	2025e	2026e	CAGR 20-23	CAGR 23-26e
EBIT	**0.2**	**(3.9)**	**3.4**	**5.1**	**11.9**	**12.9**	**33.6**	***n.a.***	***87.3%***
** Theoretical Tax rate*	*0.0%*	*0.0%*	*13.6%*	*0.0%*	*28.7%*	*28.7%*	*28.7%*		
= Taxes (pre- Net Financial Result)	-	-	(0.5)	-	(3.4)	(3.7)	(9.6)		
Recurrent EBITDA	**0.4**	**(3.8)**	**4.2**	**4.4**	**12.0**	**13.3**	**33.9**	***n.a.***	***97.3%***
- Rentals (IFRS 16 impact)	-	-	-	-	-	-	-		
+/- Working Capital increase	(1.8)	1.0	(0.9)	(4.2)	(19.2)	(45.2)	22.6		
= Recurrent Operating Cash Flow	**(1.4)**	**(2.8)**	**3.3**	**0.2**	**(7.2)**	**(31.8)**	**56.5**	***28.5%***	***n.a.***
- CAPEX	(3.9)	(0.0)	(2.6)	(1.0)	(3.2)	(3.6)	(3.6)		
- Taxes (pre- Financial Result)	-	-	(0.5)	-	(3.4)	(3.7)	(9.6)		
= Recurrent Free Cash Flow (To the Firm)	**(5.3)**	**(2.8)**	**0.2**	**(0.8)**	**(13.8)**	**(39.1)**	**43.2**	***46.8%***	***n.a.***
Rec. Free Cash Flow (To the Firm) growth	*-100.2%*	*46.3%*	*107.6%*	*-466.5%*	*n.a.*	*-182.6%*	*210.6%*		
Rec. Free Cash Flow (To the Firm) / Revenues	n.a.	n.a.	1.5%	n.a.	n.a.	n.a.	29.6%		
- Acquisitions / + Divestments	(0.2)	-	1.6	0.2	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	(0.2)	-	-	-	-	-		
= Free Cash Flow "To the Firm"	**(5.5)**	**(3.1)**	**1.9**	**(0.6)**	**(13.8)**	**(39.1)**	**43.2**	***52.8%***	***n.a.***
Free Cash Flow (To the Firm) growth	*-98.0%*	*44.2%*	*160.9%*	*-130.9%*	*n.a.*	*-182.6%*	*210.6%*		
Rec. Free Cash Flow To the Firm Yield (o/EV)	*n.a.*	*n.a.*	*0.3%*	*n.a.*	*n.a.*	*n.a.*	*64.6%*		
Free Cash Flow "To the Firm" - Yield (o/EV)	*n.a.*	*n.a.*	*2.8%*	*n.a.*	*n.a.*	*n.a.*	*64.6%*		

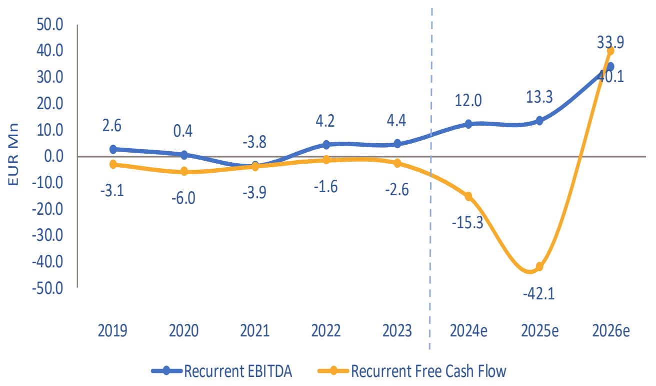
Recurrent Free Cash Flow accumulated variation analysis (2019 - 2023)



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	57.1	
+ Minority Interests	(0.2)	12m Results 2023
+ Provisions & Other L/T Liabilities	4.3	12m Results 2023
+ Net financial debt	9.6	12m Results 2023
- Financial Investments	3.9	12m Results 2023
+/- Others		
Enterprise Value (EV)	**66.9**	

Appendix 4. Main peers 2024e

	EUR Mn	Real estate and Tourism: Metrovacesa	Aedas Homes	Playa Hotels & Resorts	Insur	Average	Engineering and Construction: Strabag	Hochtief	ACS	Average	CLR
Market data	Ticker (Factset)	MVC-ES	AEDAS-ES	PLYA-US	ISUR-ES		STR-AT	HOT-DE	ACS-ES		CLR-ES
	Country	Spain	Spain	Netherlands	Spain		Austria	Germany	Spain		Spain
	Market cap	1,366.6	863.5	1,049.1	143.8		4,870.7	8,066.4	10,692.7		57.1
	Enterprise value (EV)	1,570.3	1,369.5	2,052.9	387.6		1,497.0	7,561.9	11,107.2		66.9
Basic financial information	Total Revenues	672.7	985.4	886.2	187.4		18,242.2	29,767.5	37,384.4		29.3
	Total Revenues growth	*14.7%*	*-8.3%*	*-2.1%*	*33.5%*	*9.5%*	*3.3%*	*7.2%*	*4.6%*	*5.0%*	*67.7%*
	2y CAGR (2024e - 2026e)	*5.0%*	*-0.4%*	*0.9%*	*-6.2%*	*-0.1%*	*n.a.*	*5.2%*	*3.7%*	*4.4%*	*n.a.*
	EBITDA	65.4	153.8	245.9	30.7		1,351.2	1,334.7	1,968.9		12.0
	EBITDA growth	*432.8%*	*-10.2%*	*2.9%*	*64.8%*	*122.6%*	*43.4%*	*62.7%*	*41.7%*	*49.2%*	*119.2%*
	2y CAGR (2024e - 2026e)	*9.5%*	*1.2%*	*4.2%*	*-1.5%*	*3.4%*	*n.a.*	*11.2%*	*6.7%*	*9.0%*	*68.4%*
	EBITDA/Revenues	*9.7%*	*15.6%*	*27.7%*	*16.4%*	*17.4%*	*7.4%*	*4.5%*	*5.3%*	*5.7%*	*40.8%*
	EBIT	60.0	149.5	156.9	26.4		787.3	942.3	1,339.6		11.9
	EBIT growth	*560.3%*	*-10.5%*	*-3.8%*	*80.9%*	*156.7%*	*88.5%*	*88.1%*	*59.8%*	*78.8%*	*133.3%*
	2y CAGR (2024e - 2026e)	*14.3%*	*0.8%*	*11.3%*	*-2.2%*	*6.0%*	*n.a.*	*11.0%*	*9.0%*	*10.0%*	*67.9%*
	EBIT/Revenues	*8.9%*	*15.2%*	*17.7%*	*14.1%*	*14.0%*	*4.3%*	*3.2%*	*3.6%*	*3.7%*	*40.6%*
	Net Profit	34.1	95.0	67.2	12.5		535.9	571.2	686.0		7.0
	Net Profit growth	*263.6%*	*-12.9%*	*34.9%*	*10.9%*	*74.1%*	*-15.0%*	*9.3%*	*-12.1%*	*-5.9%*	*785.9%*
	2y CAGR (2024e - 2026e)	*19.1%*	*2.3%*	*24.0%*	*-1.5%*	*11.0%*	*n.a.*	*14.0%*	*12.5%*	*13.3%*	*72.1%*
	CAPEX/Sales %	*3.4%*	*0.4%*	*8.4%*	*33.0%*	*11.3%*	*n.a.*	*1.0%*	*1.5%*	*1.3%*	*11.0%*
	Free Cash Flow	108.8	110.8	3.4	(6.9)		n.a.	569.9	801.4		(15.3)
	Net financial debt	294.4	363.2	775.4	253.1		(2,129.4)	(187.6)	384.9		24.9
	ND/EBITDA (x)	4.5	2.4	3.2	8.3	4.6	n.a.	n.a.	0.2	0.2	2.1
	Pay-out	*383.2%*	*86.3%*	*0.0%*	*47.2%*	*129.2%*	*37.4%*	*63.1%*	*80.1%*	*60.2%*	*0.0%*
Multiples and Ratios	P/E (x)	40.6	8.8	15.6	11.3	19.1	8.9	13.6	15.7	12.8	8.1
	P/BV (x)	0.9	0.9	2.0	0.9	1.2	1.0	5.4	2.0	2.8	4.3
	EV/Revenues (x)	2.3	1.4	2.3	2.1	2.0	0.1	0.3	0.3	0.2	2.3
	EV/EBITDA (x)	24.0	8.9	8.3	12.6	13.5	1.1	5.7	5.6	4.1	5.6
	EV/EBIT (x)	26.2	9.2	13.1	14.7	15.8	1.9	8.0	8.3	6.1	5.6
	ROE	*2.1*	*10.2*	*12.9*	*8.0*	*8.3*	*11.3*	*39.3*	*12.6*	*21.1*	*72.7*
	FCF Yield (%)	*8.0*	*12.8*	*0.3*	*n.a.*	*7.0*	*n.a.*	*7.1*	*7.5*	*7.3*	*n.a.*
	DPS	*0.86*	*1.88*	*0.00*	*0.32*	*0.77*	*2.00*	*4.79*	*2.11*	*2.97*	*0.00*
	Dvd Yield	*9.6%*	*9.5%*	*0.0%*	*4.2%*	*5.8%*	*4.9%*	*4.6%*	*5.4%*	*4.9%*	*0.0%*

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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14-May-2024	n.a.	4.06	n.a.	n.a.	Initiation of Coverage	Enrique Andrés Abad, CFA

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