Report completed: 03/05/2019 18:00

Sabadell
Research Department 91 782 9157/8
bsanalisis.com

ADL BIONATUR SOLUTIONS

Pharmaceutical and Biotechnology Products

Approaching Full Capacity

Luis Arredondo 917829158
Arredondol@bancsabadell.com

Close (03-05-19): € 1.86/sh.

T.P. Range: € 2.50 -4.11/sh. (+78% upside)

KEY INFORMATION

Reuters / Bloomberg:	ADLB.MC/ADL SM
Market Cap / EV	75 M
# shares:	39.4 M
12M Max/Min:	2.60/1.61
Rel. Perf. IBEX (1, 3, 6 months):	-6.9%/-8.1%/-12.6%
Average volume €M/M shares	0.019/0.01
5 yrs. Beta	0.86
Free-float:	21.7%
Rating(S&P, M, F)	NR / NR / NR

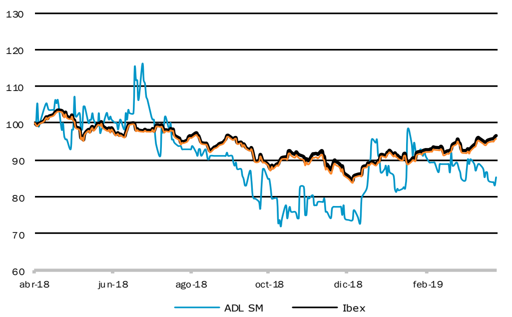
Main shareholders

Black Toro Capital 73,23%, Victor Infante 5,08%

BS(e)	2018	2019e	2020e
Total Income	25	51	60
YoY %	*72.8%*	*103.7%*	*16.5%*
EBITDA	-12	9	13
YoY %	*n.a.*	*n.a.*	*44.0%*
EBITDA Margin	*-48.4%*	*17.9%*	*22.1%*
EBIT	-15	6	10
YoY %	*n.a.*	*n.a.*	*58.1%*
EBIT Margin	*-59.2%*	*12.4%*	*16.8%*
Net Profit	-17	3	6
YoY %	*n.a.*	*n.a.*	*88.7%*
PER SHARE	**2018**	**2019e**	**2020e**
EPS	-0.49	0.09	0.17
YoY %	*n.a.*	*n.a.*	*88.7%*
Adjusted EPS	-0.49	0.09	0.17
YoY %	*n.a.*	*n.a.*	*88.7%*
DPS	0.00	0.00	0.00
YoY %	*n.a.*	*n.a.*	*n.a.*
CFPS	-0.71	-0.34	0.14
YoY %	*n.a.*	*n.a.*	*n.a.*
RATIOS	**2018**	**2019e**	**2020e**
P/E	-3.89x	20.72x	10.98x
Adjusted P/E	-3.89x	20.72x	10.98x
PCF	-2.70x	-5.64x	13.58x
P/BV	3.29x	2.84x	2.26x
ROE	*-84.6%*	*13.7%*	*20.5%*
Yield	*0.0%*	*0.0%*	*0.0%*
EV/Sales	4.27x	2.30x	1.86x
EV/EBITDA	-8.83x	12.88x	8.43x
EV/EBIT	-7.22x	18.60x	11.10x

Source: BS Research

Company vs. IBEX 35



Source: Bloomberg

- This is a **key year for ADL Bionatur.** The company must go ahead with **its plan for the renovation and modernisation of its production facilities** (total investment of €~25 M; €~14 M in 2019), which we expect to finalise in 4Q'19. After its completion, ADL will have a 2,400 m^3 capacity in its CMO division (with utilisation levels of ~63%). Moreover, after the latest contracts signed, ADL has **85% of its capacity committed for the next two years** and is currently in negotiations to hit utilisation levels of 100%, which, in a business with such strong operating leverage, should increase EBITDA margins to ~26% BS(e) (vs. the company's target of 35% in the medium-term).

- The realisation of **R&D projects might bring additional upside** to the business. ADL earmarks €~3 M/year (~5% sales'19e) for R&D projects with two aims. First, to develop already-existing products so that they can be manufactured **more cheaply, faster and in a more sustainable way** through fermentation vs. other procedures such as chemical synthesis or naturally (for example, cannabinoids). Secondly, to develop new products both in the **animal health** segment (the company already has 10 patent families) and the **human health** business, where we stress the company's foray into the microbiota field (microorganisms present in living beings).

- In 3Q'18, the company finalised a **rights issue of € 12 M** with institutional investors, issuing 5.45 M new shares (+16.1% of the capital) at € 2.20/sh. In 4Q'18, it received from **Sodical** (Public Administration of Castilla and León) **a participative loan of € 5 M**, whereby the company has liquidity ensured in the short-term. In 2019, given the investment needs for extending and improving its capacity (€ 14.4 M Capex; ~29% of sales), the company will have to go to the market to **get an additional €~10 M BS(e),** which will mean an increase in its NFD to €~49 M (ex participative loan of €~4 M in BTC). From 2020 on, we forecast a **deleveraging process** that will bring debt to levels below ~2.0x NFD/EBITDA by 2021.

- Following its FY2018 results (released on 12 April 2019), **we maintain our operating estimates unchanged.** These estimates hint at **sales of €~50 M in 2019** (~2x sales'18; in line with the guidance of € 50 M) and EBITDA of €~9 M (vs. €-8.7 M adjusted'18) thanks to more stable indirect staff costs (>40% of indirect costs). This year, ADL expects to obtain a **positive Net Profit,** which we already assumed in our estimates (Net Profit'19 of € 3.1 M). In the long-term, we expect sales growth of +29% CAGR'18-23 and EBITDA of €~22 M in 2023).

- We set a **valuation range of between € 141 and 205 M at EV** (6.5x/7.2x EV/EBITDA), which we obtain through a DCF model (WACC of 9% and g of 2%), assuming both the company's estimates and a base-case scenario with EBITDA'23 -34% below ADL's expectations. On the equity level, this means a **valuation range of between € 2.50 and € 4.11/sh.,** which implies an average upside of +78%.

Index

1. GROWTH AND PROFITABILITY ON THE HORIZON

Full capacity utilisation

The company's short-term strategy aims to invest in **renovating and modernising its production facilities.** These facilities currently occupy an area covering more than 150,000 square metres in Leon, including 4 fermentation plants with a nominal capacity in CMO (~66% of sales 2019e) of 2,370 m^3 (with 8 225 m^3 fermenters and an additional 575 m^3 corresponding to booster tanks, pre-fermenters and 50 m^3 fermenters), which makes them one of the largest fermentation plants for third parties in southern Europe.

Since October 2018, the company has been **occupying 5 of the 8** largest fermenters (225 m^3) owned by the CMO division (~62.5% utilisation). After the signing of the latest contracts with a third party, the company **already has 85% of its capacity committed for the next two years,** which provides high visibility on revenues. The modernisation process of its facilities (including investments totalling €~25 M in 2018 and 2019) will be completed in 4Q'19, when we expect 100% of CMO's capacity to be available.

With the latest awardings, ADL has already 85% of its capacity committed for the next two years

As for the company's target of achieving full capacity utilisation (which we expect for 2020), we note that in February 2019 Amyris (a US company listed on the Nasdaq, leading manufacturer of innovative products through sustainable processes) has closed a deal of US$ 255 M (€~226 M) to develop, licence and market cannabinoids by fermentation. Amyris is already one of ADL Bionatur's main clients (it occupies 3 of CMO's 8 fermenters) and this new contract could have a positive impact on ADL Bionatur, as Amyris might make use of its facilities (either fully or partially) to develop and escalate this product.

Separately, ADL Bionatur is already working with cannabinoids, meaning that an agreement in this area would make sense for both parties. We recall that as of November 2018, ADL Bionaturis, in a consortium with the Biotechnology Institute in Leon, kicked off a project to **obtain cannabinoid molecules** (used in different drugs) **by fermentation** (3-year duration), with an aim to reduce their costs and even improve their purity. Moreover, the pharmaceutical cannabis market is **significantly** relevant. **In the US alone,** this market generates **US$~15 Bn,** and this figure is expected to increase to US$ 55 Bn (around +14% CAGR) within the next ten years.

Thus, the company's goal is for the Contract Manufacturing Organization business (CMO-industrial fermentation for third parties) to represent 75% of the sales going forward, whereas the manufacturing and marketing of penicillin derivatives (APIs), with lower margins, will be directed towards obtaining sterile and oral niche products, which generate more added value (and higher returns).

In the long-term, after achieving full capacity, the company might invest an **additional €~15-20 M** in new fermenters to **increase CMO's capacity by +75%** (6 new fermenters). Under normal conditions, this investment would be much higher, but the company already has the necessary space and auxiliary services (water, electricity, treatment plant…) to start operating. In any case, we have not assumed in our estimates any additional investments or their potential contribution to results, as the plans would be carried out no earlier than 2023.

The company invests some € 3 M/year in R&D projects. In the medium-term, it plans to move to the continuous market.

Developing its own product through R&D

The company is **investing heavily in R&D** (around € 3 M/year; ~5% of sales'19e), with two aims. First, to develop already-existing products so that they can be manufactured **more cheaply, faster and in a more sustainable way** by fermentation vs. other procedures such as chemical synthesis or naturally (for example, cannabinoids). Secondly, to develop new products both in the **human health** business (where we stress its foray into the microbiota field) and in the **animal health** segment. In both cases, it aims to produce fermentation products with greater added value and higher margins.

Although it does not yet have the necessary size and liquidity levels, the company's goal is to trade on the **continuous market** in the medium-term.

The 2018 Results left much room for improvement in 2019

The FY2018 results (released on 12 April 2019) came in worse than expected on the operating level, although the outlook for 2019 remains positive. **EBITDA** stood in **negative territory** (€-12.2 M vs. €-1.2 M BS(e) for FY2018), due mainly to costs linked to activity restructurings (including compensations), its performance on the MAB (Alternative Stock Market) and the rights issue of €~12 M executed in July 2018.

Excluding these effects, **normalised EBITDA** came in at **€-8.7 M** (vs. €-10.2 M in 2017), which include the impact in 4Q'18 from a technical problem in a consignment of raw materials in the CMO division that caused a delay in the delivery of finished product (reducing revenues and generating additional expenditures). The incident has been solved, and we do not expect it to occur again going forward.

With this in mind, we maintain our estimates on the operating level unchanged, as **in October 2018** the **company already managed to generate positive EBITDA on a monthly basis** and the FY2018 results are impacted by higher costs linked to **higher activity levels** (mostly indirect staff), which should not increase significantly going forward.

We expect sales growth of +29% CAGR'18-23 to levels of € 85 M in 2023

Additionally, the company has provided a **guidance for sales'19 of €>50 M** (~2x FY2018; in line with € 50.0 M BS(e)), which we believe is feasible. As we have mentioned earlier, the key will lie in an **increased capacity utilisation** (until August 2018, the company only used 2 fermenters in its CMO division; since October, it has been occupying 5 out of the 8 largest fermenters available).

On the **Net Profit** level, the company posted losses of **€-16.7 M,** although it **maintains its guidance of positive Net Profit for 2019** (vs. € 3.1 M BS(e)), while **NFD** came in at **€ 38.9 M** (excluding BTC's participative loan of € 4 M), in line with our estimate of € 38.1 M.

Estimated revenues: increasing visibility

As we have previously mentioned, we will not make any changes to our operating estimates following the FY2018 results. Thus, we expect **sales growth of +29% CAGR'18-23 to levels of € 85 M in 2023** (vs. €~23 M in 2018). The main lever for this growth is the **signing of contracts** in the CMO and APIs divisions, together representing **~70% of our sales estimate for the 2018-2023 period.**

In **CMO** (67% of sales), where we expect a CAGR'18-23 of +28% in revenues, 5 deals were closed in 2018. The most significant one, which totals € 146 M and has a 6-year duration (with turnover increasing YoY; €~19.5 M expected for 2019), is to produce several types of lactose products, which are a necessary ingredient in the manufacturing of baby milk for a German company. Also we stress the two contract extensions agreed in 2018 with **Amyris**, one of the company's main clients (occupying 3 fermenters in CMO), which will generate more than € 20 M in 2019. The latest contract (in 3Q'18) was signed with the French company **Fermentalg** (Euronext – FALG) to produce algal oil (DHA – Omega 3). It came into force in 4Q'18 and will have a noticeable impact starting in 2019 of between € 3 and 5 M per year, with a 3-6-year duration.

The CMO division, where we expect a CAGR'18-23 of +28%, will be the main driver for growth

Within the own product area, **Animal health** (~3% of sales) is expected to see the highest growth rates (+83% CAGR'18-23), and should benefit from a number of relevant contracts including royalties (the revenue model is based on licence agreements with third parties that include the development of prescription and non-prescription products).

From this division, we also highlight the development of R&D projects in the field of human health to manufacture food supplements (probiotic and postbiotic) for regulating the microbiota. In this regard, in February 2019, the company launched, along with **Nutrition Center,** a **line of weight-loss products** based on microbiota balance (varying according to the patient's age), with which it has entered the Pharmaceutical channel.

In the **APIs division** (25% of sales; manufacturer of penicillin derivatives for the production of antibiotics, with long-term contracts with clients such as Boehringer), we expect a growth rate of +14% CAGR'18-23. This growth will be particularly noticeable from the 2H'19 onwards, after registration of its range of oral and sterile products with the regulatory agencies is completed.

In **Biobide** (~5% of sales), a division specialising in designing pre clinical trials based on the zebrafish model, we expect an increase of +26% CAGR'18-23 to € 3.4 M, whereas in **ZIP Solutions** (0.5%), a division dedicated to the development of purification technologies for biological products, we forecast an increase of +64% CAGR'18-23 to € 0.9 M.

Lastly, in **Other revenues,** we forecast € 1.4 M in 2023 based on:

- The partnership agreement signed with the German company **Wacker Chemie AG,** whereby the latter has rented from ADL Bionaturis one its plants one for a 9-year period (that may be extended to 20) for the production of l-cysteine, with ADL Bionatur providing general services (mainly utilities services) and maintenance.
- Revenues from **water treatment services** to third parties. Although our model does not include revenues from this headline, we recall that the company is working on a water treatment plant that is expected to be fully operational in 2020 and which could generate cost savings of between € 0.8 M and € 1 M per year. The plant will treat 3,200,000 m^3 of water, and its excess capacity will be made available to third parties. The Suez group is already in charge of operating and maintaining the infrastructure.

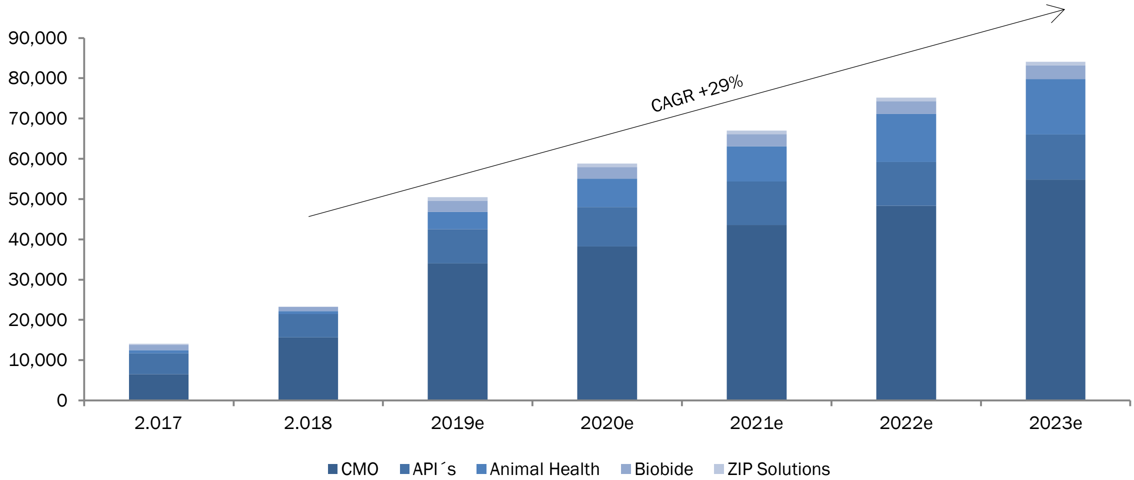
The table below shows our revenues estimates by divisions:

Estimated Revenues

€ thousands	2,017	2,018	2019e	2020e	2021e	2022e	2023e	CAGR'18-23
CMO	6,529	15,671	34,012	38,223	43,594	48,299	54,871	28%
API´s	5,133	5,824	8,491	9,764	10,742	10,956	11,176	14%
Animal Health	833	667	4,316	7,087	8,772	11,854	13,791	83%
Biobide	1,376	1,080	2,770	2,909	3,054	3,207	3,367	26%
ZIP Solutions	180	75	866	811	835	861	886	64%
Revenues	**14,051**	**23,317**	**50,455**	**58,793**	**66,996**	**75,176**	**84,091**	**29%**
Other income	567	1,944	1,010	1,170	1,331	1,357	1,384	-7%
TOTAL INCOME	*14,618*	*25,261*	*51,465*	*59,964*	*68,327*	*76,533*	*85,475*	*28%*

Source: Sabadell Research

Business Volume Peformance



Source: Sabadell Research

Cost structure and performance in margins: strong operating leverage

In our view, the business' fixed-cost structure will allow the EBITDA margin to expand to levels of 26%

As regards **EBITDA margins,** we maintain our operating estimates unchanged. These estimates point to profitability increasing to **levels of ~26%,** boosted by two factors: **(i)** a **more favourable sales mix** stemming from the higher weight expected of activities with higher gross revenues (>45%) in CMO, and **(ii) operating leverage,** as the company has a significant fixed-cost structure. Despite the higher returns implied in our forecast for the EBITDA margins, they still stand below **the company's target of 35%.**

From **variable costs** (~50% of total operating costs) we highlight **direct labour** (~195 workers BS(e)) **and electricity costs.** Looking to 2019, our base-case scenario assumes stable electricity costs. However, we do not rule out occasional rises, as was the case during the first weeks of the year, when electricity costs climbed by ~23% vs. last year (Source: Omie). As for raw materials (mostly cane sugar and paper pulp), under CMO's contracts, it is the client that provides these and meets their cost, meaning that the company's exposure to this type of costs is very low.

Estimated gross revenues by division

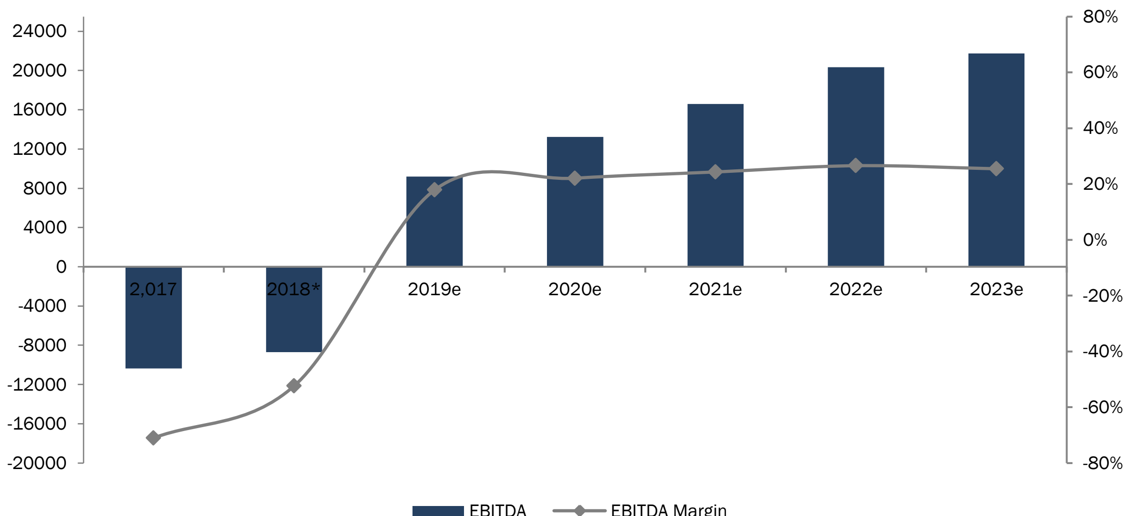
% of revenues	2019e	2020e	2021e	2022e	2023e
CMO	50%	50%	50%	51%	50%
API´s	27%	27%	27%	27%	27%
Animal Health	24%	32%	31%	33%	34%
Biobide	90%	90%	90%	90%	90%
ZIP Solutions	100%	100%	100%	100%	100%
Gross Margin	50%	50%	49%	49%	49%

Source: Sabadell Research

From the company's **fixed costs,** we highlight **indirect labour costs** (>15% of total operating costs), which are related to the approximately 140 employees BS(e) that are not directly involved in production, representing ~40% of the staff (331 employees). Performance in these costs, and particularly in the structure component, was one the factors that have contributed to delay the achievement of positive EBITDA. Additionally, we highlight the weight, in terms of headcount, of the R&D division (62 employees), which accounts for ~19% of the staff and is a sign of the effort made in this field.

With this in mind, our estimates price in **EBITDA of € 9.1 M in 2019e** (vs. €-8.7 M in 2018), underpinned by strong **sales growth** (+65%) and stabilised **indirect labour costs** in 2019.

Estimated EBITDA and EBITDA margin



* Adjusted EBITDA

We are not factoring into our estimates the potential success of some of the company's R&D projects, which, as we have mentioned above, might have a positive impact on its operating profitability. On the other hand, we would like to stress that our estimates are assuming recurring **EBITDA margins of 26% vs. sector average of 33% for the 2019-2022 period.**

Peers Operating Levels

		Revenues		EBITDA		EBITDA Margin	
	Market Cap (€K)	CAGR 13-18	CAGR 18-22	CAGR 13-18	CAGR 18-22	13-18	19-22
LONZA GROUP AG-REG	23,085	10%	5%	20%	9%	21%	29%
CATALENT INC	6,414	n.a	8%	n.a.	n.a.	23%	n.a.
NOVOZYMES A/S-B SHARES	91,432	4%	6%	9%	8%	34%	36%
EVONIK INDUSTRIES AG	12,722	3%	2%	4%	0%	16%	17%
KONINKLIJKE DSM NV	18,614	0%	4%	3%	1%	15%	18%
CHR HANSEN HOLDING A/S	86,785	8%	9%	10%	11%	34%	36%
WACKER CHEMIE AG	4,420	2%	3%	12%	1%	18%	18%
WEIGHTED AVERAGE		**6%**	**7%**	**10%**	**8%**	**30%**	**33%**
ADL BIONATUR	75	n.a	34%	n.a	n.a	n.a	23%

Source: Bloomberg and Sabadell Research

With a positive Net Profit since 2019

Below the EBITDA line, we highlight the performance of **financial costs.** According to our estimates, the company's gross debt will total €~56 M as of YE2019 (vs. €~47 M in 2018; ~40% owed to public bodies), which means an **average cost lower than 4%** BS(e)**.** We expect financial costs to increase to €~2 M in 2019, before decreasing gradually at a rate of -17% YoY until 2023 as the company amortises its debt.

On the **tax** level, we assume an effective rate of 25% on earnings before taxes, which in principle should delay cash outflows until 2022.

Consolidated P&L Statement

€ thousands	2,017	2,018	2019e	2020e	2021e	2022e	2023e	CAGR'18-23
Revenues	14,051	23,317	50,455	58,793	66,996	75,176	84,091	29%
Other income	567	1,944	1,010	1,170	1,331	1,357	1,384	-7%
Total Income	**14,618**	**25,261**	**51,465**	**59,964**	**68,327**	**76,533**	**85,475**	**28%**
COGS	(9,221)	(10,618)	(26,488)	(30,723)	(35,294)	(39,387)	(44,236)	33%
Gross Margin	**5,397**	**14,643**	**24,977**	**29,241**	**33,033**	**37,146**	**41,239**	**23%**
% of revenues	*38%*	*63%*	*50%*	*50%*	*49%*	*49%*	*49%*	
Other operating costs	(15,776)	(26,857)	(15,790)	(16,008)	(16,426)	(16,822)	(19,492)	-6%
EBITDA	(10,379)	(12,214)	9,187	13,232	16,607	20,324	21,747	-212%
Margin	*-73.9%*	*-52.4%*	*18.2%*	*22.5%*	*24.8%*	*27.0%*	*26%*	
Var %	*n.a*	*n.a*	*n.a*	*44%*	*26%*	*22%*	*7%*	
Depreciation & Amortization	(2,212)	(2,732)	(2,826)	(3,176)	(3,554)	(3,962)	(3,977)	8%
EBIT	(12,591)	(14,946)	6,361	10,056	13,053	16,362	17,770	-204%
Financial result	(1,151)	(1,019)	(2,178)	(2,163)	(1,940)	(1,283)	(1,036)	0%
Other financial results	523	(842)	0	0	0	0	0	-100%
EBT	(13,220)	(16,807)	4,183	7,894	11,113	15,079	16,734	-200%
Tax	375	90	(1,046)	(1,973)	(2,778)	(3,770)	(4,184)	-316%
Tax rate	*-2.8%*	*-0.5%*	*-25.0%*	*-25.0%*	*-25.0%*	*-25.0%*	*-25.0%*	116%
Minority Interests	0	(22)	0	0	0	0	0	n.a
Net Profit	(12,844)	(16,695)	3,137	5,920	8,335	11,309	12,551	-194%

Source: Sabadell Research

Upgrading of facilities, a strategic priority

On the cash level, our estimates point to **Capex increasing to € 15.4 M in 2019** (vs. € 7.4 M previously; ~31% of sales'19) in order to reflect the 2018 investments that were not executed (put off until the following year). Excluding the heavy investments expected for 2019, the company would generate average FCFE yield of 10.7% over the 2019-23 period. Including these investments, we would have to wait until **2020** to see **FCFE yield levels of ~9%** (13% in 2021).

Cash flows

€ thousands	2,017	2,018	2019e	2020e	2021e	2022e	2023e
EBITDA	(10,379)	(12,214)	9,187	13,232	16,607	20,324	21,747
Working capital	324	1,126	(2,082)	(1,133)	(1,113)	(818)	(1,148)
Tax	(1)	0	0	0	(991)	(3,770)	(4,184)
Other operating cash flows	(0)	0	0	0	0	0	0
CASH FLOW FROM OPERATIONS	(10,056)	(11,088)	7,106	12,100	14,503	15,737	16,415
CAPEX	(7,499)	(11,194)	(15,416)	(3,176)	(3,554)	(3,962)	(4,300)
Tangible	*(5,077)*	*(9,417)*	*(14,400)*	*(2,140)*	*(2,497)*	*(2,884)*	*(3,200)*
Intangible	*(2,421)*	*(1,777)*	*(1,016)*	*(1,036)*	*(1,057)*	*(1,078)*	*(1,100)*
Disposals	36	1,509	0	0	0	0	0
CASH FLOW FROM ACTIVITIES	(7,463)	(9,685)	(15,416)	(3,176)	(3,554)	(3,962)	(4,300)
Interest payment	(841)	(893)	(1,463)	(1,430)	(1,307)	(1,195)	(1,100)
Dividend payment	0	0	0	0	0	0	0
Capital Increase	0	12,000	0	0	0	0	0
Other	13,293	(938)	(716)	(733)	(633)	(89)	64
CHANGE IN NET DEBT	(5,067)	(10,603)	(10,489)	6,761	9,009	10,492	11,080
FCF	(17,519)	(20,772)	(8,310)	8,924	10,949	11,775	12,116
FCF Yield	-23%	-28%	-11%	12%	15%	16%	16%
FCFE	(18,360)	(22,603)	(10,489)	6,761	9,009	10,492	11,080
FCFE Yield	-24%	-30%	-14%	9%	12%	14%	15%

Source: Sabadell Research

New financing and deleveraging process

Considering the debt amortization schedule (see table below), according to our estimates, the company would need to go to the market for **an additional €~10 M** (with NFD totalling €~49 M ex BTC's participative loan of € 4 M; part of the € 7 M owed to BTC) to invest in modernising its facilities (€ 14.4 M in 2019). From 2020 onwards, the company will initiate a **deleveraging process** that will bring the **NFD/EBITDA ratio to levels below 2.0x already in 2021.**

Balance Sheet

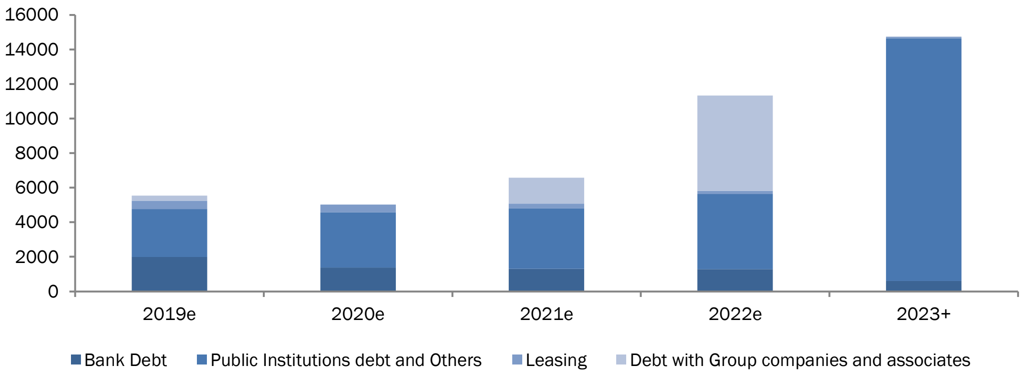
€ thousands	2,017	2,018	2019e	2020e	2021e	2022e	2023e
Intangible assets	13,049	14,095	14,689	15,095	15,311	15,333	15,156
Tangible fixed assets	29,093	37,370	49,366	48,960	48,744	48,722	49,222
Other non current assets	736	1,075	1,075	1,075	1,075	1,075	1,075
Non current financial assets	1,658	1,281	1,281	1,281	1,281	1,281	1,281
Deferred tax assets	4,807	4,806	3,760	1,787	0	0	0
Inventories	7,225	6,558	5,362	5,937	6,541	6,880	7,515
Receivables	5,820	8,930	8,302	9,667	11,197	12,545	14,014
Current financial assets	3,352	1,173	1,173	1,173	1,173	1,173	1,173
Cash and cash equivalents	3,008	3,951	3,023	5,484	9,033	8,122	14,067
TOTAL ASSETS	68,747	79,239	88,031	90,459	94,356	95,131	103,503
Shareholder´s equity	24,801	19,760	22,897	28,817	37,152	48,461	61,012
Grants	1,165	1,434	1,434	1,434	1,434	1,434	1,434
Financial debt	35,257	46,803	56,364	52,063	46,605	35,201	30,067
Deferred tax liabilities	409	493	493	493	493	493	493
Current provisions	53	218	218	218	218	218	218
Payables	7,062	10,530	6,624	7,432	8,453	9,323	10,279
TOTAL LIABILITIES	68,747	79,239	88,031	90,459	94,356	95,131	103,503
NET DEBT*	32,249	38,532	48,675	41,541	32,129	27,080	16,000
NET DEBT* / EBITDA	n.a	n.a	5.3x	3.1x	1.9x	1.3x	0.7x

* Does not include a 4 M euros equity loan granted by BTC in 2018

Source: Sabadell Research

The chart below shows **the maturity schedule of the company's financial debt.** Excluding bank credit lines (€ 3.6 M), which we assume will be renewed on an annual basis, the company's most relevant debt maturities will take place from 2022 on (~60% of the total).

Debt amortization schedule



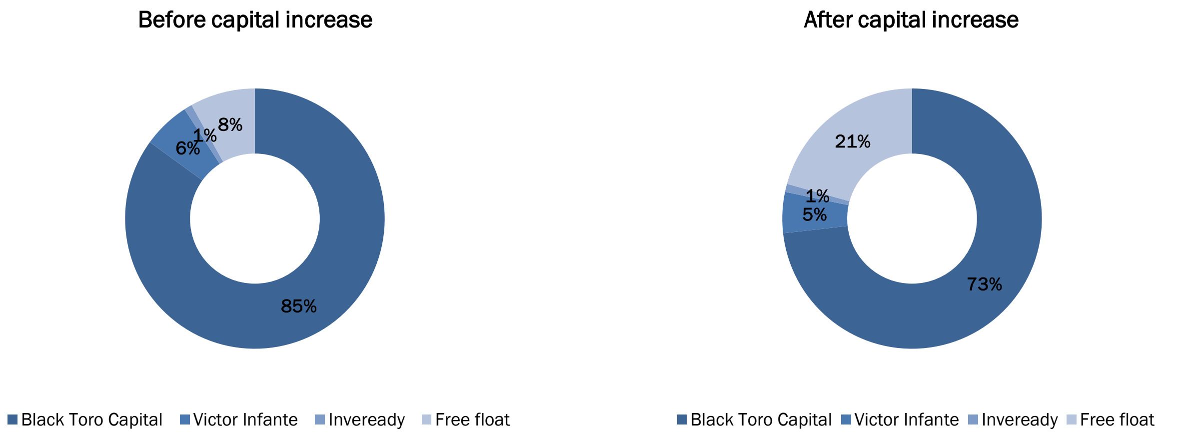
Source: Sabadell Research

We stress that, as of July'18, ADL successfully completed a **rights issue of € 12 M** with institutional investors, issuing 5.45 M new shares (+16.1% of the capital) at a price of € 2.20/sh. (a discount of -4%), whereas in October 2018, it received from Sodical a **participative loan of € 5 M** (maturing in 7 years, with a 3-year grace period; at Euribor +2% plus a variable amount linked to the turnover). The company has earmarked these funds for investment in extending and improving its productive capacity, which is a strategic priority to ADL and which we expect to be completed by late 2019. Thus, we estimate that over € 14 M will be invested to this end this year (~94% of the estimated Capex for 2019), with annual investments of €~2.5 M starting in 2020.

We estimate that the company will need to go to the market for an additional €~10 M

Additionally, the rights issue has allowed the company to **improve the liquidity of its shares** (to an average of >20,000 shares on a daily basis), increasing the **free float** to **~21%** (vs. 8% previously). Thus, according to the new shareholding structure, Black Toro Capital would hold a 73.2% stake (vs. 85% previously), whereas Víctor Infante (founder and CEO of Bionaturis) would hold a ~5.1% stake.

Shareholding structure before and after the rights issue



Source: Company and Sabadell Research

2. VALUATION RANGE

EV Valuation

We value the company through a discounted cash flow model with a **WACC of 9%** and a **g of ~2%.**

Estimated DCF

€ thousands	2019e	2020e	2021e	2022e	2023e
EBIT	6,361	10,056	13,053	16,362	17,770
Tax	-1,590	-2,514	-3,263	-4,091	-4,443
Depreciation & Amortization	2,826	3,176	3,554	3,962	3,977
Working Capital	-2,082	-1,133	-1,113	-818	-1,148
CAPEX	-15,416	-3,176	-3,554	-3,962	-3,977
FCF	**-9,901**	**6,410**	**8,677**	**11,454**	**12,180**

Source: Sabadell Research

As we have mentioned earlier, we maintain our operating estimates unchanged. However, we raise Capex'19 to € 14.4 M (vs. € 6.4 M previously) to show the delay in investment in production plants (from 2018 to 2019). Based on the aforementioned discounted cash flow model, **our new base-case scenario shows a floor valuation for ADL of € 141 M at EV, which implies a 6.5x EV/EBITDA ratio.** If we assume the company's operating estimates, we would obtain a valuation of €~205 M EV, 7.2x EBITDA. With this in mind, we establish **a valuation range of between € 141 M and € 205 M at EV.**

Sensitivity analysis of EV valuation to recurring EBITDA and WACC

		EBITDA 2023				
		12.6	18.0	21.7	23.7	28.4
WACC	10.0%	68.1	99.2	120.8	131.9	159.2
	9.5%	73.0	106.8	130.4	142.5	172.3
	9.0%	78.5	115.6	141.4	154.6	187.2
	8.5%	84.9	125.6	154.0	168.5	204.4
	8.0%	92.3	137.3	168.7	184.8	224.4

Implied EV/EBITDA

		EBITDA 2023				
		12.6	18.0	21.7	23.7	28.4
WACC	10.0%	5.4x	5.5x	5.6x	5.6x	5.6x
	9.5%	5.8x	5.9x	6.0x	6.0x	6.1x
	9.0%	6.2x	6.4x	6.5x	6.5x	6.6x
	8.5%	6.7x	7.0x	7.1x	7.1x	7.2x
	8.0%	7.3x	7.6x	7.8x	7.8x	7.9x

Source: Sabadell Research

After adding to our EV valuation a NFD'18 of € 42.9 M (including the participative loan of € 4 M from BTC) we obtain a **price per share of between € 2.50/sh. and € 4.11/sh.,** producing an average of € 3.30/sh. (+78% upside).

Although there are no companies in the sector that are perfectly comparable to ADL Bionatur, we highlight that our valuation has an implied ratio of 6.5x EV/EBITDA, far below the 19.6x weighted average for the sector.

Peer EV/EBITDA ratios

	Market cap (€K)	EV/EBITDA 2019e	EV/EBITDA 2020e	EV/EBITDA 13-18	EV/EBITDA 18-22
LONZA GROUP AG-REG	23,085	16.0x	14.5x	29.2x	14.3x
CATALENT INC	6,414	13.8x	11.9x	18.7x	12.3x
NOVOZYMES A/S-B SHARES	91,432	17.1x	16.5x	20.4x	16.2x
EVONIK INDUSTRIES AG	12,722	7.1x	6.7x	7.1x	6.4x
KONINKLIJKE DSM NV	18,614	11.3x	10.6x	14.4x	10.4x
CHR HANSEN HOLDING A/S	86,785	29.1x	26.2x	40.9x	26.4x
WACKER CHEMIE AG	4,420	5.7x	6.7x	4.8x	5.8x
WEIGHTED AVERAGE		19.6x	18.2x	26.3x	18.1x
ADL BIONATUR	75	15.4x	10.7x	n.a	n.a

Source: Bloomberg and Sabadell Research

3. SWOT ANALYSIS

In our opinion, the company's main **strengths** are:

- **Production facilities**

  The company's production capacity (2,400 m^3) allows it to obtain economies of scale, putting it in a good position to seize the expected growth in the market (5.9% CAGR according to Grand View Research). Furthermore, as we have stated, it has the location and conditions needed to increase its capacity in the future with minimal investments.

  Additionally, the company's facilities are able to produce under GMP (Good Manufacturing Practices) standards, as they are certified by US (FDA-- Food and Drug Administration) and European (EDQM-- European Directorate for the Quality of Medicine and Healthcare, and the EMA-- European Medicines Agency) authorities, among others (the Japanese FMA and the Korean KFDA), allowing it to market its products in the main global markets.

Strong production capacity, know how and vertical integration are the company's main strengths

- **Know-how**

  The capacity to produce different types of fermentations on the industrial level (the company has a 1,100 m^3 pilot plant) makes ADL an attractive and versatile company. Moreover, its ability to renew and expand contracts with internationally-renowned clients shows that its products meet the strict quality standards demanded globally.

- **Vertical integration**

  ADL's reverse integration into Bionaturis in April'18 will allow the new company to market and manufacture the products developed internally by the animal healthcare division (part of the former Bionaturis) in the Leon facilities, which to date had been handled by third parties. Furthermore, this has strengthened the quality assurance and R&D teams, fostering the development of new areas of work (e.g. microbiota).

The company's main **weakness** is its strong operating leverage. Its fixed cost structure is large (especially indirect personnel costs), meaning highly demanding break-even levels that make it necessary to have a substantially large sales volume in order to be profitable.

The biggest **opportunity** is the realisation of its R&D strategy. On one hand is the internal development and production of niche products (in animal and human healthcare) that should ensure the company's future growth. On the other hand is the possibility of creating new products through fermentation (already-existing or not) with a lower cost, and also more quickly and sustainably (e.g. biofuels or cannabinoids).

ADL's main driver is the success of its R&D strategy, whereas client concentration and rising electricity prices are the biggest risks

In our opinion, this possibility of fermentation is what makes the sector appealing and what would be generating the bright outlook for the industry. According to the Grand View Research study, the nutritional and pharmaceutical fermentation market (with an expected size of around US$ 11 Bn) will grow at a CAGR of +5.9% through 2024, whereas the Market Watch places global growth for the fermentation-derived ingredients (nutritional and non-nutritional) market at +8.7% annually over the 2018-23 period.

Looking at **risks,** the biggest one that we see is client concentration, as the company's most important customer accounts for nearly 40% of revenues forecast over the 2018-20 period. Separately, fermentation is an energy-intensive activity, and electricity costs have risen around +23% over the first weeks of 2019. We expect electricity prices to remain stable in 2019, but a structural rise in this cost could delay the expected increase in margins.

4. ANNEX: ADL BIONATUR SOLUTIONS

ADL Bionatur Solutions (ADL SM Equity in Bloomberg) is the result of a combination of businesses agreed upon in November 2017 between Antibióticos de León (not listed) and Bioorganic Research and Services (BNT, listed on the MAB, or Alternative Equity Market). The former carried out a reverse integration into the latter. The deal was carried out through a capital increase by BNT in April 2018 that was fully subscribed by Black Toro Capital (100% Antibióticos de León) by means of a non-monetary contribution of 100% of the shares representing its capital.

- **Antibióticos de León**

Founded in 1949 under the name of **Antibióticos, S.A.,** it initiated its activity by packaging penicillin and streptomycin. It became one of the main pharmaceutical companies in Spain with a production of 500 tons of antibiotics annually, employing some 1,500 workers.

In 2014 it was **acquired by Black Toro Capital** with the aim of resuming its operations after it filed for bankruptcy in 2013 as a result of several frauds from the former management.

The price paid for its assets was € 9 M and included the commitment of keeping the workforce of 170 employees. The new company was renamed Antibióticos de León, S.L.U., and its sales are generated mostly in Europe (87%), America (7.6%) and the Middle East (4.5%). It currently has **two business lines**:

ADL Bionatur Solutions is the result of combining the businesses of Antibióticos de León and Bioorganic Research and Services

- **Contract Manufacturing Organization Services** (CMO) (73% of sales), including the production of high value-added fermentations for third-party products such as antitumor compounds, enzymes, vitamins, antibiotics, food supplements and biofuels. Additionally, ADL offers services to its clients to optimise production and product escalation processes through the manufacturing of compounds, thanks to the experience of its workforce in this kind of technology and its capacity in laboratories, in the pilot plant and on an industrial level. Furthermore, it also provides technological assessment, enhancement and technology transfer services.
- **Manufacturing and commercialisation of beta-lactam active pharmaceutical ingredients** (penicillin derivatives) **for the production of** (oral or injectable) **API antibiotics** (27% of sales).

- **Bionaturis**

Bionaturis is a biotech company offering **products and services** to the **veterinary pharmaceutical sector.** It has been **listed on the MAB** since 2012 and has **10 patent families.** It carries out its activities through **3 companies/divisions**:

- **Bioorganic Research and Services, S.A.** (Jerez de la Frontera) (37% of sales) specialises in the animal healthcare segment by developing products (mainly antigens, food additives and probiotics, obtained through the fermentation process), both prescription and over-the-counter, for both livestock and pets. The revenue model is based on signing third-party licensing agreements on the products in the development portfolio. Each agreement may include down payments at the time of signing, milestone payments and/or R&D payments, among other things, meaning the group can obtain revenues from these programmes before the products hit the market, or without being registered or marketed.
- **BBD Biophenix, S.L.U. - Biobide** (San Sebastián) (59% of sales) develops efficacy and toxicity trials, applying the zebrafish model for third parties (Contract Research Organisation-- CRO), which include pharmaceutical, biotech, petrochemical and cosmetic companies.
- **Zera Intein Protein Solutions, S.L.U. – ZIP Solutions** (Barcelona) (4% of sales) heads the CDMO division (Contract Development and Manufacturing Organization) through the development of biological product purification technologies in the biotech, pharmaceutical, veterinarian and industrial sectors. Its business model is based on holding licenses for systems developed for other companies.

5. FINANCIAL DATA

PROFIT & LOSS	2017	2018	2019e	2020e	2021e	2022e	CAGR 18/22
Total Income	14.6	25.3	51.5	60.0	68.3	75.2	**31.34%**
YOY%	*n.a.*	*72.8%*	*103.7%*	*16.5%*	*13.9%*	*12.2%*	
EBITDA	-10.4	-12.2	9.2	13.2	16.6	20.3	n.a.
YOY%	*n.a.*	*n.a.*	*n.a.*	*44.0%*	*25.5%*	*22.4%*	
EBITDA Margin	*-71.0%*	*-48.4%*	*17.9%*	*22.1%*	*24.3%*	*27.0%*	
EBIT	-12.6	-14.9	6.4	10.1	13.1	16.4	n.a.
YOY%	*n.a.*	*n.a.*	*n.a.*	*58.1%*	*29.8%*	*25.4%*	
EBIT Margin	*-86.1%*	*-59.2%*	*12.4%*	*16.8%*	*19.1%*	*21.8%*	
Net Financial Expenses	-1.2	-1.0	-2.2	-2.2	-1.9	-1.2	**4.19%**
YOY%	*n.a.*	*n.a.*	*113.8%*	*-0.7%*	*-10.3%*	*-29.1%*	
Taxes		0.4	1.3	-1.1	-2.0	-2.0	n.a.
Tax Rate(%)	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	
Minority / EBIT (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Net Profit	-12.8	-16.7	3.1	5.9	8.3	11.4	n.a.
Shares	5.1	33.9	33.9	33.9	33.9	33.9	
EPS	-2.52 €	-0.49 €	0.09 €	0.17 €	0.25 €	0.34 €	n.a.
YOY%	*n.a.*	*-80.5%*	*-118.8%*	*88.7%*	*40.8%*	*33.5%*	
Adjusted EPS	-2.52 €	-0.49 €	0.09 €	0.17 €	0.25 €	0.34 €	n.a.
YOY%	*n.a.*	*-80.5%*	*-118.8%*	*88.7%*	*40.8%*	*33.5%*	
DPS	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	n.a.
Payout (%)	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	
Yield (%)	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	
Capex	7.5	11.2	15.4	3.2	3.6	4.0	**-22.87%**

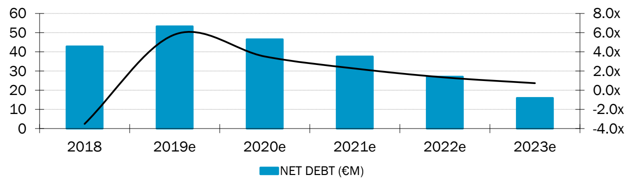
CASH FLOW (€ M)	2017	2018	2019e	2020e	2021e	2022e	CAGR 18/22
NET PROFIT	-12.8	-16.7	3.1	5.9	8.3	11.4	n.a.
Depreciation	2.2	2.7	2.8	3.2	3.6	4.0	**9.7%**
Changes in working capital	-0.3	-1.1	2.1	1.1	1.1	0.8	n.a.
Investments	7.5	11.2	15.4	3.2	3.6	-4.0	n.a.
Adjustments	12.7	13.4	1.0	2.0	1.8	0.1	**-68.4%**
Free Cash Flow	-5.1	-10.6	-10.5	6.8	9.0	18.6	n.a.
- Dividends	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
Free Cash Flow (ex dividends)	-5.1	-10.6	-10.5	6.8	9.0	18.6	n.a.

BALANCE SHEET (€ M)	2017	2018	2019e	2020e	2021e	2022e	CAGR 18/22
Fixed Assets	42.1	51.5	64.1	64.1	64.1	64.4	**5.76%**
Net Current Assets	6.0	5.0	7.0	8.2	9.3	10.1	**19.48%**
% Net Current Assets / Sales	*40.9%*	*19.6%*	*13.7%*	*13.6%*	*13.6%*	*13.4%*	**-9.03%**
Shareholders Equity	24.8	19.8	22.9	28.8	37.2	62.2	**33.20%**
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
Net Debt	32.2	42.9	53.3	46.6	37.6	16.4	**-21.33%**
Net Debt / Equity	*1.3x*	*2.2x*	*2.3x*	*1.6x*	*1.0x*	*0.3x*	
NetDebt / EBITDA	*-3.1x*	*-3.5x*	*5.8x*	*3.5x*	*2.3x*	*0.8x*	
ROE	*-51.8%*	*-84.6%*	*13.7%*	*20.5%*	*22.4%*	*18.3%*	
ROCE	*-21.4%*	*-23.7%*	*6.3%*	*10.0%*	*13.1%*	*15.6%*	

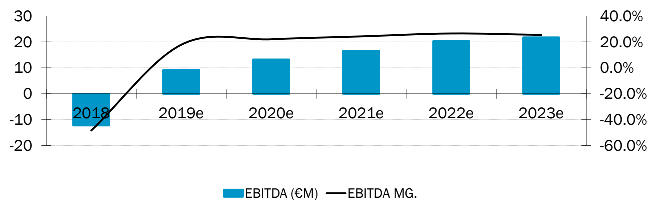
MARKET RATIOS	2017	2018	2019e	2020e	2021e	2022e
EV/Sales	*2.82x*	*4.27x*	*2.30x*	*1.86x*	*1.50x*	*1.14x*
EV/EBITDA	*-3.97x*	*-8.83x*	*12.88x*	*8.43x*	*6.18x*	*4.20x*
ROCE/WACC	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
P/E	*-0.70x*	*-3.89x*	*20.72x*	*10.98x*	*7.80x*	*6.07x*
Adjusted P/E	*-0.70x*	*-3.89x*	*20.72x*	*10.98x*	*7.80x*	*6.07x*
P/CF	*-0.51x*	*-2.70x*	*-5.64x*	*13.58x*	*9.00x*	*6.54x*
P/BV	*0.36x*	*3.29x*	*2.84x*	*2.26x*	*1.75x*	*1.11x*
FCF Yield	*-42.5%*	*-19.3%*	*-7.0%*	*8.0%*	*10.7%*	*13.9%*

6. OPERATIONS DATA

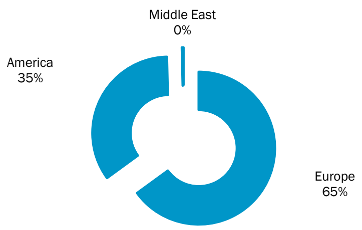
NET DEBT and NET DEBT/EBITDA



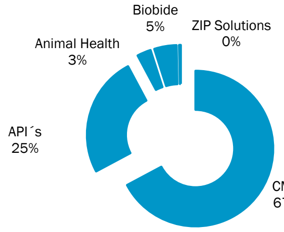
EBITDA and EBITDA MG.



SALES BY DIVISION 2018



SALES BY REGION 2018



Research Department

Assistants

Ana Torrente: TorrenteA@bancsabadell.com
Eamon Donoghue: DonoghueE@bancsabadell.com
Concha Galán: GalanC@bancsabadell.com
Héctor Vicente: VicenteH@bancsabadell.com

Head of Research

Nicolás Fernández: FernandezNi@bancsabadell.com

Financials

Esther Castro: CastroEs@bancsabadell.com
M.ª Paz Ojeda: OjedaM@bancsabadell.com

Utilities, Gas & Energy

Javier Esteban: EstebanJ@bancsabadell.com
Álvaro del Pozo: Alvaro.DelPozo@bancsabadell.com

TMTs

Andrés Bolumburu: BolumburuA@bancsabadell.com
Álvaro del Pozo: Alvaro.DelPozo@bancsabadell.com

Industrials

Francisco Rodríguez: RodriguezFra@bancsabadell.com
Óscar Rodríguez: RodriguezOsc@bancsabadell.com
Alfredo del Cerro: delCerroA@bancsabadell.com
Luis Arredondo: ArredondoL@bancsabadell.com

Pharmaceuticals, Chemicals & Paper

Javier Esteban: EstebanJ@bancsabadell.com
Luis Arredondo: ArredondoL@bancsabadell.com

Construction, Building Materials, Real Estate & REITs

Ignacio Romero: RomeroIgnacio@bancsabadell.com
Alfredo del Cerro: delCerroA@bancsabadell.com
Luis Arredondo: ArredondoL@bancsabadell.com

Retail, Logistics. Food & Beverage

Ignacio Romero: RomeroIgnacio@bancsabadell.com
Arancha Piñeiro: PineiroA@bancsabadell.com

Hotels, Transportation & Motorways

Francisco Rodríguez: RodriguezFra@bancsabadell.com

Derivatives, Technical & Quantitative Analysis

Diego Ferrer: FerrerDiego@bancsabadell.com

Small&Medium Team

Javier Esteban: EstebanJ@bancsabadell.com
Ignacio Romero: RomeroIgnacio@bancsabadell.com
Alfredo del Cerro: delCerroA@bancsabadell.com
Luis Arredondo: ArredondoL@bancsabadell.com

Eurostoxx50 Team

Francisco Rodríguez: RodriguezFra@bancsabadell.com
Arancha Piñeiro: PineiroA@bancsabadell.com
Óscar Rodríguez: RodriguezOsc@bancsabadell.com
Álvaro del Pozo: Alvaro.DelPozo@bancsabadell.com

Equity Strategy and Credit Strategy

Glen Spencer Chapman: chapmang@bancsabadell.com
Diego Ferrer: FerrerDiego@bancsabadell.com
Diego Fernández: FernandezDi@bancsabadell.com
Virginia Romero: RomeroVi@bancsabadell.com
Lola Arias: ariasd@bancsabadell.com
Israel González: israel.gonzalez@bancsabadell.com
Álvaro Ferrero: FerreroAl@bancsabadell.com
Antonio Martos: AnMartos@bancsabadell.com

Specialist Sales

Jorge Llorente: LlorenteJo@bancsabadell.com
Manuel Yagüez: YagueezM@bancsabadell.com
Pedro Álvarez: AlvarezPe@bancsabadell.com

External Agents

Eduardo de la Fuente: Eduardo_delafuente@agentes.bancsabadell.com

Disclaimer without investment advice

This report was prepared objectively and independently upon request of the company analysed herein, based on a research service contract signed between the two parties. Banco de Sabadell participated in the distribution of the capital increase carried out by the company in July of 2018. The Research Unit of Banco de Sabadell, S.A. has taken all necessary control measures to ensure that there is no conflict of interest in the valuation.

This report was prepared objectively and independently by the Research Unit of Banco de Sabadell, S.A. based on available public information, using information from sources considered reliable; but Banco de Sabadell, S.A. shall accept no liability for possible errors in these sources or the formulation of the information, nor for notifying any change in its opinion or the information contained in the same or used in its preparation.

Banco de Sabadell, S.A. is subject to the supervision of the Spanish securities supervisor, the Comisión Nacional del Mercado de Valores (CNMV), and the Central Bank of Spain.

This report was prepared by the Research Unit of Banco de Sabadell, S.A. in order to provide its customers with general information at the date the report is issued, and is subject to amendments without prior notice. Banco de Sabadell, S.A. does not undertake to notify these changes nor update the content of this document. Under no circumstance does it contain personalized recommendations nor represents any advice in investment matters. Neither this document nor its contents form an offer, invitation or request for the purchase or subscription of securities or other instruments or the acquisition or cancellation of investments, nor shall it be construed as a contract or commitment.

Investors must make their own investment decisions, based on their specific profitability objectives and financial position, using the independent advice they deem appropriate and not simply using the content of this report. The investments discussed or recommended in this report may or may not be interesting for all investors. Banco de Sabadell, S.A. accepts no liability for any direct or indirect loss which may arise as a result of the use of this document or its content. The investor must take into account that the past performance of the securities or instruments or the historic results of the investments do not guarantee the future performance or results. The price of the securities or instruments or the results of the investments may vary against the investor's interest and even signify the loss of the initial investment. Transactions on futures, options and high return securities or instruments may involve heavy risks and are not appropriate for all investors. In fact, in certain investments, the losses may be greater than the initial investment, requiring the investor make additional contributions to cover all these losses. Therefore, prior to carrying out transactions with such instruments, investors must be aware of how they operate, the rights and obligations inherent to them and the risks they entail, together with the underlying assets of the same. There may be no secondary market for these instruments.

When an investment is made in a currency other than the investor's reference currency, the evolution of the exchange rate may negatively affect the investment, both as regards its market value and its return.

Banco de Sabadell, S.A., together with its advisors, directors or employees may: have a significant commercial relation with the company or companies to which this document refers; be part of the governing bodies of such company or companies; hold a direct or indirect position in any of the securities or instruments issued by such companies; trade with such securities or instruments on its own account or third parties' account, even acting as a market maker of the same or provider of liquidity; hold rights of any kind to acquire securities issued by the company or companies analyzed, or directly and fundamentally associated with them; provide advisory services or other kind of services to the issuer of such securities or instruments; have interests in or carry out transactions related to the same, prior to or subsequent to the publication of this report, to the extent permissible by applicable law.

Notwithstanding the provisions of the preceding paragraph, Banco Sabadell Group has established action procedures and measures of control which appear in the Internal Code of Conduct of the Banco Sabadell Group in the securities market (approved by the Board of Directors of Banco Sabadell on November 26, 2009) applicable to the members of the Research Unit of Banco Sabadell, S.A., to prevent and avoid any conflict of interest in the discharge of its duties. These measures include the obligation of members of the Research Unit of Banco de Sabadell, S.A. to inform of any conflict of interest to which they may be subject due to family relationships, their personal assets or any other reason and to keep this information updated, and to establish the barriers and measures to separate the various areas of businesses the company engages in related with tradable securities or financial instruments and with regard to the other business areas and departments of Banco de Sabadell, S.A. in accordance with the current law, so that the information and documentation of each business area is kept and used within the same and the activity of each one is carried out independently of the others. The employees of other departments in Banco de Sabadell, S.A. or any other companies of the Banco Sabadell Group may provide market comments, orally or in writing or investment strategies to customers which reflect opinions contrary to those expressed herein; similarly, Banco de Sabadell, S.A. or any other Banco Sabadell Group companies may adopt investment decisions on their own account which are inconsistent with the recommendations contained in this document.

The Internal Code of Conduct can be consulted on the corporate website of the Banco Sabadell Group (www.bancosabadell.com).

This report may not be distributed in the United States or in any jurisdiction in which distribution may be restricted by law.

Banco de Sabadell, S.A., directly or indirectly, or any associated company may have been a directing or co-directing company during the 12 months prior to a public offering of any of the issuers whose securities are mentioned in the recommendations contained in this document or may have lent investment banking services during the 12 months prior to any of the issuers whose securities are mentioned in the recommendations contained in this report. Banco de Sabadell, S.A. may be party to an agreement with an issuer relating to the formulation of the recommendation.

The remuneration of the analysts who prepared these reports is not directly or indirectly associated with the recommendations or opinions expressed in same. The remuneration factors of the analysts may include the results of Banco de Sabadell, S.A., part of which may be generated by investment banking activities.