



Initiation of coverage

Construction engineering

CLERHP

Calculating a promising future

28 December 2020

Price/sh.	€ 1.42
Market Cap.	€ 14.3m
EV	€ 23.2m
Number of shares	10.07m
Free-Float	23.1%
Code	CLR
Stock Exchange	MAB (BME)
YTD evolution	-5.3%

Shareholders (last update 07/07/2020)

Rhymer Projects Dev., S.L. 48.3%
D. Alejandro Clemares Sempere 13.1%,
D. Félix Ángel Poza Ceballos 6.4%, Victor
Manuel Rodríguez Martín 6.5%,
Autocartera 1.2%

Share evolution



Company description

CLERHP is a company specialized in the integral service of calculation and construction of structures

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**CLERHP ESTRUCTURAS S.A. IS A
RESEARCH CLIENT OF
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**LAST PAGE OF THIS REPORT
INCLUDES A VERY IMPORTANT
DISCLAIMER**

Founded in 2011, CLERHP ESTRUCTURAS, S.A. (from now on CLERHP) is a company specialized in the integral service of structural calculation engineering and construction of structures. CLERHP is based in Murcia, Spain, where it has its consultancy and calculation centre. However, CLERHP service is mainly offered in Latin America, having consolidated a strong growth in recent years (+31% CAGR'14-19) and highlighting its growth in Bolivia, and Paraguay. CLERHP was initially listed back in March 2016 on the Alternative Stock Market (MAB) in Spain, and the accumulated performance since then is +11.8%.

2020 has been a difficult year due to the impact of the pandemic at a global level. CLERHP expects a fall in 2020 Revenue of -29% and -53% in EBITDA, although the company has highlighted that its pipeline remains solid (24.9m euros, +21%) and in 2021 expects Revenue to recover 2019 levels but with a substantial improvement in EBITDA margins (29.7% vs. 19.7% in 2019), due to a mix with less exposure to Spain (with lower margins), and also thanks to the optimisation of response times and construction procedures.

The recent publication of the 2020-23 Business Plan (26/11/2020), and the update of its estimates for the year, shows a positive recovery in activity during 2H'20: -8% in Revenue vs. -50% in 1H'20, and -13.5% in EBITDA vs. -124k euro in 1H'20. On the negative side, CLERHP expects to end the year at levels of 6.8x DN/EBITDA (vs. 2x in 2019), although extrapolating 2H'20 Results, Net Debt/EBITDA levels would be equivalent to 2.6-3.1x.

We believe that following this normalisation of activity, the key in the short term for CLERHP's stock market performance will be the confirmation of growth in Uruguay, and the signing of new projects in all locations. These events would increase the confidence on a fast recovery and, therefore, increase the likelihood to reach the targets linked to the business plan.

The Business Plan 2020-23 includes a slower expansion scenario than the previous plan, but still showing high growth potential: +7% CAGR'19-23 in Revenue, +23.7% CAGR'19-23 in EBITDA, and +37% CAGR'19-23 in Net Profit.

Our base case scenario include estimates aligned with those of CLERHP's Business Plan, obtaining a valuation of € 2.36/sh. (66% upside). A slowdown scenario with Revenue growth of only 2-3%, and EBITDA margins at levels of 27-28% (vs. CLERHP's target of 32-35%), would reduce the valuation to (€ 1.47 sh.) slightly above current price.

According to our estimates, CLERHP is trading at 8x P/E'21, and 5.52x EV/EBITDA'21. There are not listed comparable companies in the same market niche and geographical exposure, but these multiples would not be demanding if CLERHP is able to maintain growth in the coming years to similar levels to the ones seen in the recent past (+30% CAGR'14-19 in EBITDA, +21.5% CAGR'14-19 in Net Profit).

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1. COMPANY DESCRIPTION

CLERHP was incorporated (Clerhp Estructuras S.L.) in August 2011 having its registered office in Murcia, Spain. In 2015, it was transformed into a S.A. (P.L.C.) as a preliminary step before start trading on 10 March 2016 in the MAB growth index (€ 1.27 sh. Initial price).

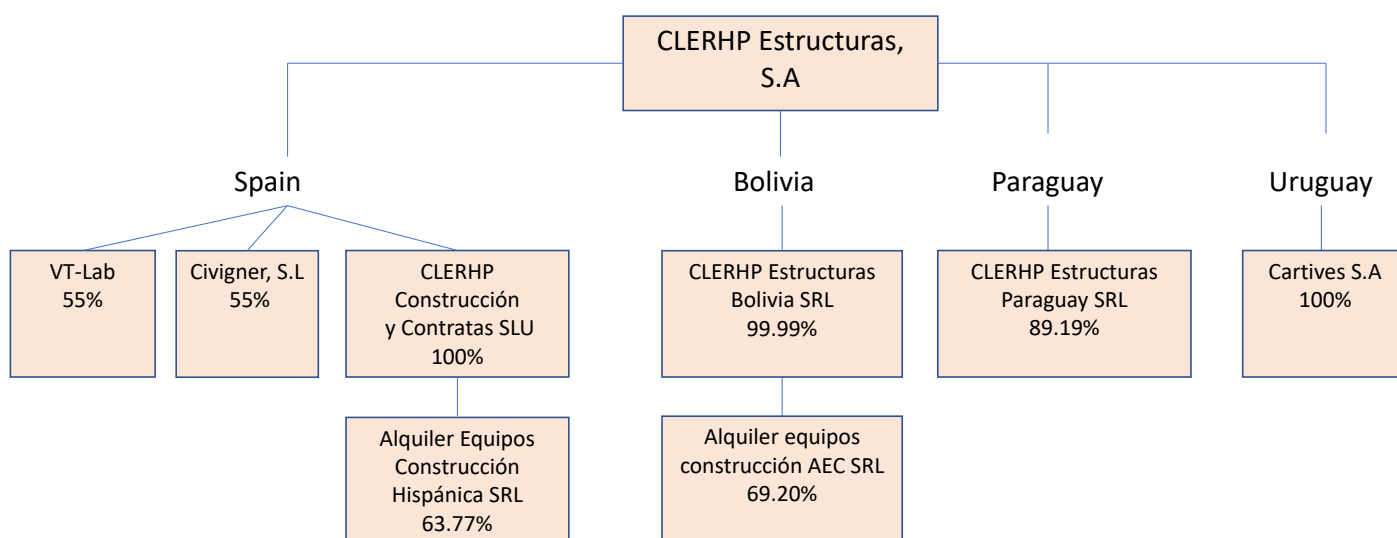
The company's activity is focused on engineering specialized in building structures. They are specialists in the design, calculation and construction of reinforced concrete structures, offering added value through integrated and advanced solutions in construction techniques to increase quality and safety, as well as to optimise costs through more agile procedures. CLERHP also performs structural assessments.

The company offers its engineering services independently or as a partner of local construction companies in Latin America. CLERHP engineering is applied in buildings, shopping centres, offices, hotels, housing and public buildings.

The company is geographically diversified. In addition to Spain, where the engineering consultancy is located, CLERHP currently has business in Bolivia, Paraguay and Uruguay (started last year) which it articulates through subsidiaries in each of the countries.

CLERHP offers an integrated service of calculation and construction of structures, focusing its growth in Latin America

The Group is configured as follows:



Description of activities:

- **Design and calculation:** it has a technical department in Spain (called the Calculation Centre) where the design and calculation of structures for all the group's subsidiaries is carried out. The team is made up of engineers and architects for the optimisation of quality, economy and seismic protection. It carries out the group's R&D functions.

- **Construction of structures:** the company carries out construction work on structures, both of its own design and that of third parties. The company adds value by increasing the efficiency of the structure, gaining market share thanks to the minimization of costs, quality and commitment to deadlines.
- **Structural assessment:** the technical department assesses any concrete structure calculation to check compliance with standards and seismic protection.
- **Machinery rental:** through AEC Hispánica (63.77% CLERHP), it offers construction equipment and machinery rental services in Spain and its Latin American markets. This is a strategic service as it is key to the development of its integrated offer. For this service, it has a subsidiary in Bolivia and another in Spain.

At consolidated level, in 2019 Revenue stood at 13.7m euros and net profit at 1.03m euros, with the following distribution by business segment:

Net Turnover by segment	2014	2015	2016	2017	2018	2019
Technical assistance and consultancy	1,458,845	1,535,032	1,463,048	1,665,137	2,129,526	2,777,871
Construction of structures	2,091,155	2,788,665	3,374,862	3,598,320	8,014,874	10,962,043
Rental of machinery		21,232	143,048		250,410	31,100
Sale of Machinery				20,919	131,759	16,500
TOTAL	3,550,000	4,344,929	4,980,958	5,284,376	10,526,569	13,787,514
Net Turnover weight by segment						
Technical assistance and consultancy	33.6%	35.3%	29.4%	31.5%	20.2%	20.1%
Construction of structures	48.1%	64.2%	67.8%	68.1%	76.1%	79.5%
Rental of machinery	0.0%	0.5%	2.9%	0.0%	2.4%	0.2%
Sale of Machinery	0.0%	0.0%	0.0%	0.4%	1.3%	0.1%
Net Result						
		2015	2016	2017	2018	2019
Technical assistance and consultancy		634,765	402,310	492,383	980,689	756,777
Construction of structures		-540,330	-251,049	-384,789	-128,372	233,868
Rental & Sale of machinery		125,834	-1,222	8,803	208,098	40,499
No activity		-50,587	-40,312	-33,956		
		880,415	880,415	880,415	880,415	1,031,144
Net Result weight by segment						
Technical assistance and consultancy		72.1%	45.7%	55.9%	111.4%	73.4%
Construction of structures		-61.4%	-28.5%	-43.7%	-14.6%	22.7%
Rental & Sale of machinery		14.3%	-0.1%	1.0%	23.6%	3.9%
No activity		-5.7%	-4.6%	-3.9%	0.0%	0.0%
		19.3%	12.5%	9.4%	120.4%	100.0%
Net Result margin by segment						
Technical assistance and consultancy		41.4%	27.5%	29.6%	46.1%	27.2%
Construction of structures		-19.4%	-7.4%	-10.7%	-1.6%	2.1%
Rental & Sale of machinery		354.4%	-29.0%	-120.2%	54.5%	85.1%

Source: CLERHP annual accounts and own elaboration

*2015 Turnover for Technical assistance and consultancy corresponds to Turnover for CLERHP S.L.

At geographical level, the distribution of income is as follows:

Net Turnover by Geography	2015	2016	2017	2018	2019
Bolivia	4,344,929	4,587,334	4,747,944	6,633,394	7,504,593
Paraguay		393,624	526,432	2,972,614	4,211,477
Uruguay					48,391
Spain				920,561	2,023,051
TOTAL	4,344,929	4,980,958	5,274,376	10,526,569	13,787,512
Net Turnover weight by Geography	2015	2016	2017	2018	2019
Bolivia	100.0%	92.1%	90.0%	63.0%	54.4%
Paraguay		7.9%	10.0%	28.2%	30.5%
Uruguay					0.4%
Spain				8.7%	14.7%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

Source: CLERHP annual accounts and own elaboration

1.1. Chronology

Please find below a table with the most important events in financing and business development for CLERHP:

2011	2012	2013	2016	2017	2018	2019	2020
In August 2011, CLERHP Estructuras S.L. was founded	In January 2012, Bolivian market is opened with Riviera project in Santa Cruz	April 2013, project COTA SUR in La Paz, that means the opening of the second city for CLERHP in Bolivia	March 2016, CLERHP is listed on BME Growth in Spain	November 2017, Initiation of the R&D Project with CDTI, spanish state agency for innovation	November 2018, Issue of convertible debt to the VC Inveready G.	May 2019, entry of the group in Montevideo, Uruguay	May 2020, development of an Artificial Intelligence system for the calculation of structures
			April 2016, opening of market in Paraguay with new projects			July 2019, signing of the Smart Fund financing facility with Banco Santander	June 2020, acquisition of Civigner
							October 2020, acquisition of VT-LAB

- Corporate & finance milestones
- Commercial milestones
- R&D milestones

CLERHP's foundation

On 4 August 2011, CLERHP Estructuras, S.R.L. was founded in Spain.

CLERHP is the acronym of the founding partners, the Romero Hernández brothers, and the sponsors who supported its creation: Alejandro Clemares, Antonio Acisclo Ramallo Díaz and Félix Ángel Poza Ceballos. Clemares is also vice-president of the group. The Romero family controls 48% of the shares through the company Rhymar Projects Developer.

CLERHP has more than 8 years of international experience after starting its first project in Bolivia in 2012

- Entry in Bolivia

In December 2011, CLERHP Estructuras Bolivia, S.R.L. was founded (99.97% CLERHP group) and obtained La Riviera & Beauty Plaza project, a 30-storey shopping centre and tower complex. This project started in January 2012.

Below, images of the construction of La Riviera & Beauty Plaza structure are included:



In March 2015, CLERHP exercised an option on the shares that Rhymar Proyectos Developer, S.R.L. had in Alquiler Equipos de Construcción (AEC, 30.80%) and, at the same time, CLERHP Estructuras Bolivia acquired 8.40% of AEC. With this transaction CLERHP reached 54.19% of AEC between its direct and indirect holdings. Subsequently, CLERHP acquired the shares of Rhymar Proyectos Developer, S.R.L. in AEC for 148,656 euros, currently controlling 69.2% of AEC.

One year after starting operations in Santa Cruz, CLERHP was expanding its business to La Paz

- Expansion to la Paz, second city for CLERHP in Bolivia

In April 2013, CLERHP entered the market in La Paz with the COTA SUR project. Bolivia is currently CLERHPS's main market (54% Sales 2019, and 51% of the contracted projects portfolio).

- Transformation into S.A. (P.L.C) and listing on the MAB growth

On 23 June 2015 the AGM of Shareholders agreed to transform the company into a public limited company and to appoint a new Board of Directors made up of 9 members, including two independent members, one of a legal nature and the other of a financial nature.

On 12 November 2015, the General Meeting of Shareholders unanimously decided to request the incorporation of CLERHP into MAB.

In March 2016, CLERHP joined the alternative MAB Growth Market.

The main reasons to go public highlighted by CLERHP are the following:

- To enable access to resources in which the growth of the group can be supported in the future in countries and cities with high growth potential, mainly in Latin America.
- To improve brand positioning, transparency and solvency, at a national and international level and before the main sectorial agents with the aim of facilitating future expansion and growth plans.
- To provide greater liquidity to the current shareholder base, while at the same time enabling the shareholder base to be expanded and new investors to enter.
- To obtain an objective valuation of the company through the trading of the Company's shares in the market. This would provide CLERHP with a market value for possible and future potential corporate transactions.

CLERHP's IPO is a commitment to transparency and strengthens the positioning of the group

- R&D Project initiation

In November 2017, CLERHP started a R&D project with the support of the Centro para el Desarrollo Tecnológico Industrial (CDTI), a Spanish public business agency for the promotion of innovation. This support is channelled through loans and technological advice.

CLERHP has a clear understanding and commitment to technology in this sector.

According to studies by the international consultancy firm McKinsey, the construction sector is among the sectors lagging behind in terms of digitalisation (only ahead of agriculture in the USA with data from 2015) and productivity. CLERHP has a clear digital vision for its business, and proof of this is its commitment to R&D projects, as well as the recent acquisitions of companies with a technological focus that complement existing projects.

CLERHP efforts in R&D, as well as in the purchase of digital companies in the sector, are aimed at continuing to improve its response time capacity and service quality and offering

- Issue of convertible bonds with Inveready Venture Capital

In November 2018, the entry of the Inveready Group venture capital through convertible bonds for 1.5 million euros was agreed. See page 13 for more detail.

- Entry in Uruguay

On 21 May 2019, CLERHP announced the integration of the new subsidiary CARTIVES, S.A. and the award of a contract with the company STILER, S.A. for the construction of the reinforced concrete structure of the project called "Torre JOY" located in the city of Montevideo (Uruguay), for an equivalent amount of 1,780,570 euros. In the last update of the Business Plan 2020-23 (November 2020), CLERHP's contracted projects portfolio in Uruguay amounted to 7.5m euros.

- Fondo Smart debt issue with Banco de Santander

In September 2019, CLERHP announced the signing of a framework financing agreement with the fund "Fondo Smart" for a total of 3.15m euros to meet the

needs arising from strong growth for the group in Latin America and for the development of computer applications to improve productivity.

The agreement included 2 draw periods (first until the end of 2019, and the second until the end of 2020), for a maximum of 3 loans. All loans will mature in December 2024 with a grace period until the end of December 2020. The cost of this financing is Euribor +5.5%. In the first draw period, 1m euros was drawn down for the purchase of machinery, international expansion and corporate acquisitions, while in the second draw period the remaining amount available was drawn.

The Fondo Smart is a Banco Santander debt fund that supports innovative SMEs in phases of rapid expansion, allowing them to develop both organic and inorganic growth by covering a wide range of uses (R&D, Capex, M&A operations) and providing a flexible financing structure that allows the satisfactory development of the companies' business plan.

- **Development of an Artificial Intelligence system**

In May 2020, CLERHP developed an Artificial Intelligence system for the calculation of structures that will allow the group to accelerate its bid process thanks to the ability to make immediate quotations with a very high margin of confidence.

- **Acquisition of Civigner**

On 25 June 2020, CLERHP announced the acquisition of 55% of the Spanish startup Civigner S.L. for 500,000 euros.

Civigner S.L. is a technology-based startup that stands out in the civil engineering sector for its adaptation to complex collaborative environments, especially in linear and topographic execution (adaptable to construction and industry). Among its most outstanding uses are public administration, Gis and environment, mining (earthmoving) and port environments.

The capital contributed by CLERHP will be used to continue the development of functionalities for civil engineering and the creation of a specific vertical for the implementation of CLERHP's management systems in order to generate savings and new ways of developing and monetising the acquired software.

- **Acquisition of Visual Technology LAB**

On 3 November 2020, CLERHP announced the acquisition of 55% of Visual Technology Lab, S.L. (VT-Lab.com) to advance its digitisation process. The acquisition amounted to 400,001 euros (130,301 in capital, and 269,700 euros in a loan and a five-year credit line renewable annually).

VT-Lab is a Spanish company specialised in services to increase the productivity of architecture, engineering and construction through the integration of Building Information Modeling (BIM), virtual reality, augmented reality and mixed reality.

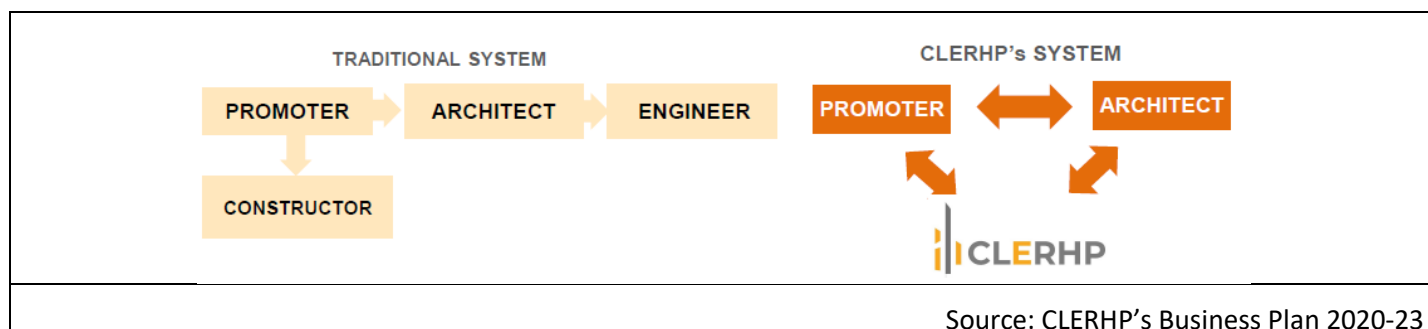
CLERHP has diversified its sources of funding, combining conventional bank debt with debt linked to R&D projects, such as Fondo Smart debt, as well as other hybrid instruments such as convertible bonds

Despite the uncertainty aroused by Covid-19, CLERHP has maintained its commitment to digitalisation by acquiring two small companies with digital projects closely linked to CLERHP's activity

1.2. Business model

CLERHP presents a vertically integrated business model focused on reducing time and intermediaries, but also on designing modern and efficient structures that result in lower costs for the customer.

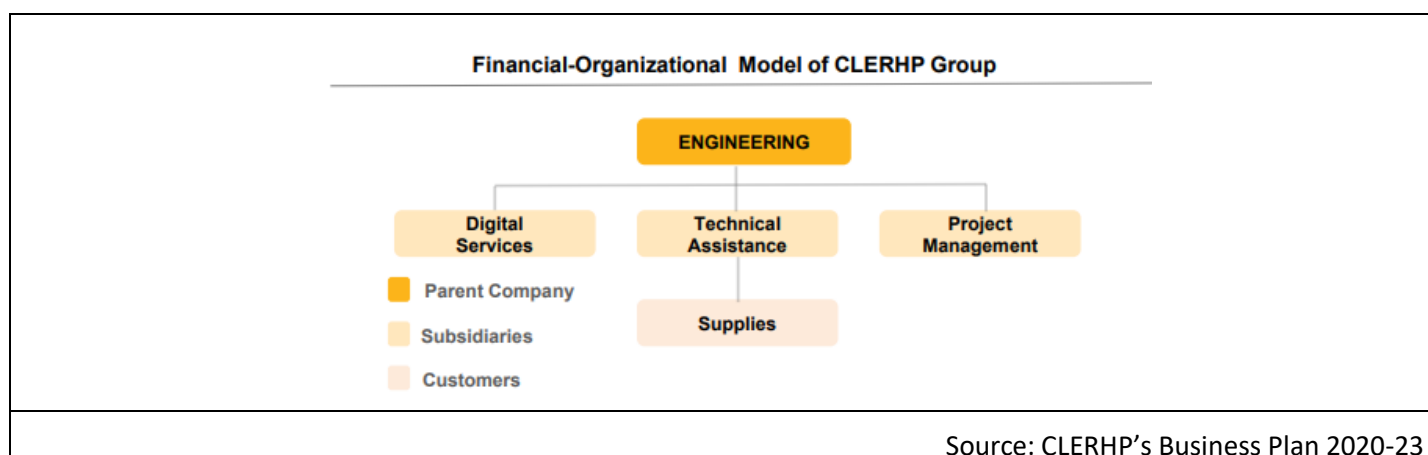
The diagram below shows the value interaction between CLERHP and a service that can range from a simple calculation or assessment on structures to a turnkey service:



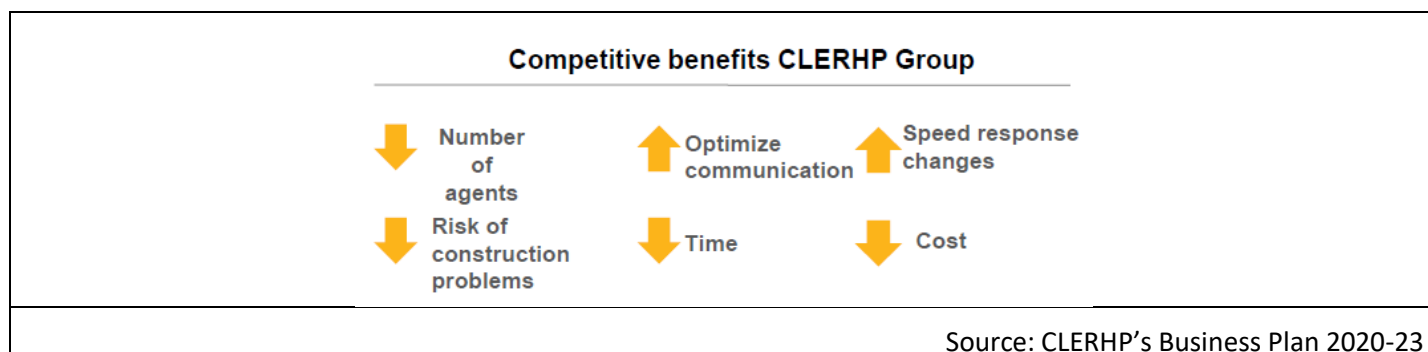
Regarding CLERHP's financial organisation and its billing procedure, we highlight the following aspects.

On the one hand, the presence of CLERHP's parent company in Spain gives the group a significant advantage in terms of financing conditions over other local competitors in its growth markets in Latin America.

On the other hand, the integrated service for the construction of the structures does not include the acquisition of supplies, thus significantly reducing the operational risk for the group. The following diagram shows CLERHP's model as an organisation:



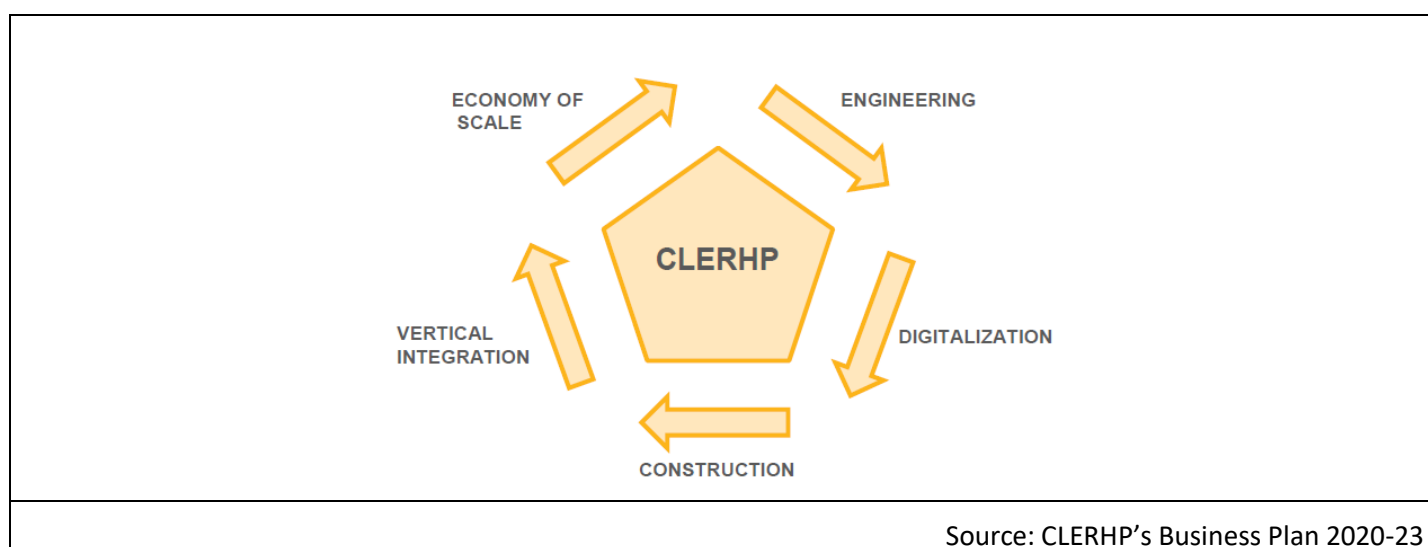
In terms of competitive advantages, CLERHP highlights the points summarised in the diagram below:



CLERHP's added value begins with its responsiveness in making an initial calculation for a quotation. Its experienced team of engineers, and its own technological development, enables CLERHP to respond quickly to its customers' requirements, including advanced calculations for the design of optimal structures in terms of raw material usage.

This comprehensive service would also allow the reduction of players in the process of structure design and implementation, which at the same time would reduce risks in the final result.

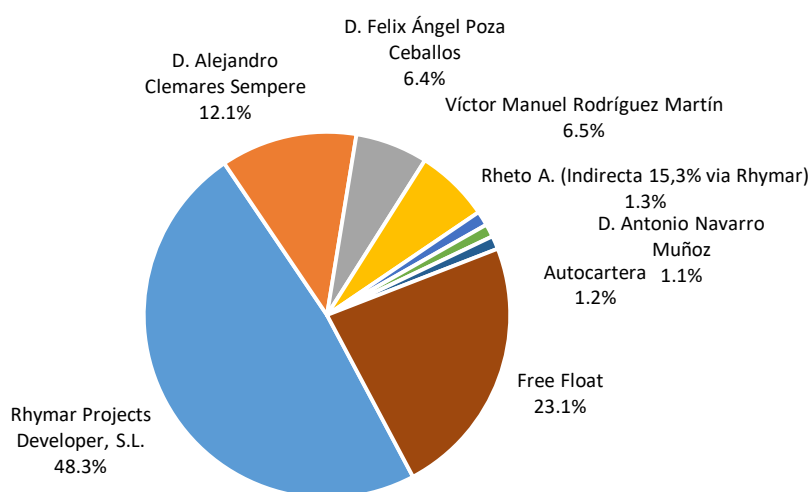
Finally, we highlight the following diagram where CLERHP remarks the relationship of the value chain generated by its integral service:



The process would start with its brand and positioning through its subsidiaries in Latin America. CLERHP's efficient commercial, digital and engineering process would allow a quick response and interaction with the client for the development of a project of the highest quality and efficiency, which would also result in cost savings for the client. Its centralized base for engineering consultancy has enabled the group to grow strongly in recent years, being the group prepared to expand this model to other high growth countries in Latin America or other markets.

1.3. Shareholders

Below is a diagram showing CLERHP's main shareholders (last updated 7 July 2020, own portfolio data as of January 2020):



CLERHP's main shareholder is Rhymer Projects Developer, S.L. with a 48.3% stake

Below is a table showing the significant shareholdings of the relevant CLERHP directors and executives (updated 7 July 2020):

CLERHP Estructuras, S.A. Shareholders	% Direct	% Indirect
Mr. Juan Andrés Romero Hernández. President & CEO	0.28%	15.65%
Mr. Alejandro Clemares Sempere. Dominical Director	12.10%	
Mr. Félix Poza Ceballos. Board Member & CFO	6.40%	
Rhymer Projects Developer, S.L. Dominical Director	48.31%	
Mr. Antonio Navarro Muñoz. Dominical Director	1.14%	
Rheto Arquitectos, S.L.P. Doinical Director	1.28%	15.30%
Mr. Víctor Manuel Rodríguez Martín. Dominical Director	6.53%	
Mr. Pedro José Romero Hernández. Natural person representing Rheto Arquitectos , S.L.P.		15.20%

Source: other relevant information published by CLERHP as of 7 July 2020 and own elaboration. Mr Alejandro Clemares stake is updated as of 11 September 2020

Main stakes of CLERHPS's managers:

Mr. Juan Andrés Romero Hernández, Chief Executive Officer and Chairman of the Board of Directors of CLERHP, holds a total stake (direct + indirect) of 15.93%. This shareholding is structured in the following way:

- 3.21% indirectly from its direct holding of 6.64% in Rhymar Projects Developer, S.L, (6.64% of the 48.31% held by Rhymar in CLERHP).
- 12.44% indirectly through its shareholding in Rheto Arquitectos, S.L.P. (75% Juan Andrés Romero). This company holds 31.68% of Rhymar Projects Developer, S.L. and, therefore, its indirect shareholding in Rhymar Projects Developer, S.L. through this company is 23.76%. In addition, Rheto Arquitectos, S.L.P. has a direct interest of 1.28% in CLERHP.
- 0.28% direct shareholding in CLERHP.

D. Pedro José Romero Hernández, CLERHP's delegate in Bolivia, has a total (direct and indirect) shareholding in CLERHP of 15.20% as a result of the following:

- 0.32% indirect due to the direct participation of Rheto Arquitectos (25% Pedro José Romero) in CLERHP.
- 3.83% indirectly due to Rheto Arquitectos (25% Pedro José Romero) direct shareholding of 31.68% in Rhymar Projects Developer, S.L which, in turn, has a 48.21% shareholding in CLERHP.
- 11.05% indirectly through its direct shareholding of 22.85% in Rhymar Projects Developer, S.L which, in turn, has a 48.21% stake in CLERHP.

1.4. Hybrid Capital instruments:

We highlight the convertible bonds subscribed by Inveready Convertible Finance I, FCR and Convertible Finance Capital, SCR S.A. on 21 February 2019 for 1.5m euros. These bonds were issued in 15 bonds of 100,000 euros and have a duration of 7 years, although these have a conversion option as from the third year anniversary (21 February 2022) at a price of 1.4 euros/sh. (compared with 1.5 euros/sh. at the time of publication of this report).

The most relevant conditions of these obligations are the following:

- Annual interest rate of 4.425%, payable quarterly.
- Additional annual interest rate of 4.425% to be capitalised at the nominal value of each bond issued and payable at maturity in new or old shares on the conversion date.
- The bonds will mature within 7 years from the date of issue and may be converted at any time after the third year at a price of 1.4 euros/sh.

Our calculations indicate that the internal rate of return for holders of these bonds in case they hold them throughout the period would be 8.35%.

If holders decide to convert just after the third year anniversary, we estimate a capitalised value of 1,708,511 euros which would be equivalent to 1.2 M shares (conversion price of 1.4 euros/sh.). According to our calculations, the IRR of these instruments would vary as follows depending on the realisable market price of CLERHP:

Price euros/sh.	1.2	1.4	1.6	1.8	2.0	2.2	2.4	2.6
IRR (%)	2.21%	7.36%	12.05%	16.37%	20.38%	24.14%	27.67%	31.02%

The outcome of this analysis suggests that a good stock market performance of CLERHP's share would significantly increase the rate of return for bond holders in case they would convert early just after the third year anniversary (February 2022) and were able to sell their holdings. Sales prices above 1.5 euros/sh. would already show IRR above 9% (compared to 8.35% for holding the instrument until maturity).

On our base case scenario valuation (see page 32), the early execution of this conversion option (just after the third anniversary) would have an impact of -5% on our base case valuation (+12% shares, debt reduction of 1.5m euros or 17% of total net debt 2020e, 13.5% of total gross debt 2020e).

2. LATIN AMERICA MARKET

CLERHP has focused its growth on Latin America and this commitment has allowed the group to grow at a very rapid pace since the start of the first project in Bolivia in 2012. Below, we detail the current situation of the main countries for CLERHP.

2.1. Bolivia

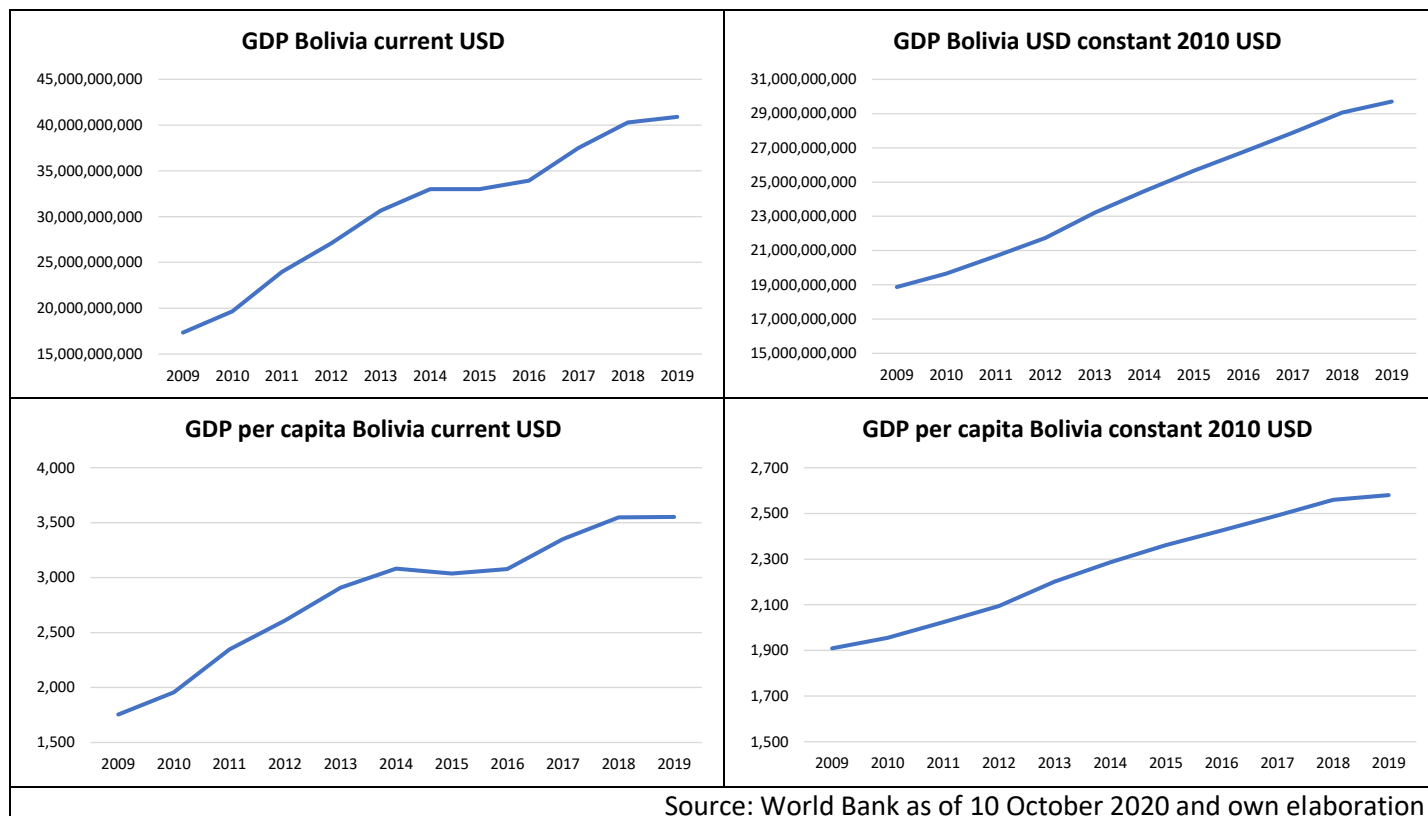
Bolivia is currently the main country in CLERHP revenues' (54% of revenues in 2019, and 63% in 2018), as well as the main country in the future project portfolio with 51% of the total (12.7m euros, at 26 November 2020). Therefore, and despite the growth in other countries such as Uruguay, we expect that the country will continue to be one of the largest contributors of projects for CLERHP business in the near future.

Regarding the economic development of the country, Bolivia's GDP in 2019 amounted to 40,985m USD (+9% CAGR'09-19 at current prices, + 4.6% at constant prices in USD, base 2010), while the GDP per capita of the country stood at 3,552 USD (+7% CAGR'09-19 at current prices, + 3.1% at constant prices in USD, base 2010).

Graphs showing the development of GDP and GDP per capita in Bolivia are included below:

Bolivia is the main and most important geographical area for CLERHP

Despite the expected expansion, its strong weight in the current contracted projects portfolio (51% of total), leads us to expect that it will continue to maintain a strong weight in CLERHP's profits and revenues



The Central Bank of Bolivia (hereinafter BCB) has recently estimated (December 2020) a drop in GDP for 2020 of 8.4%.

The fiscal deficit would hit levels of 11.1% at the end of 2020 according to the BCB, and inflation in 2020 would amount to 1.1%.

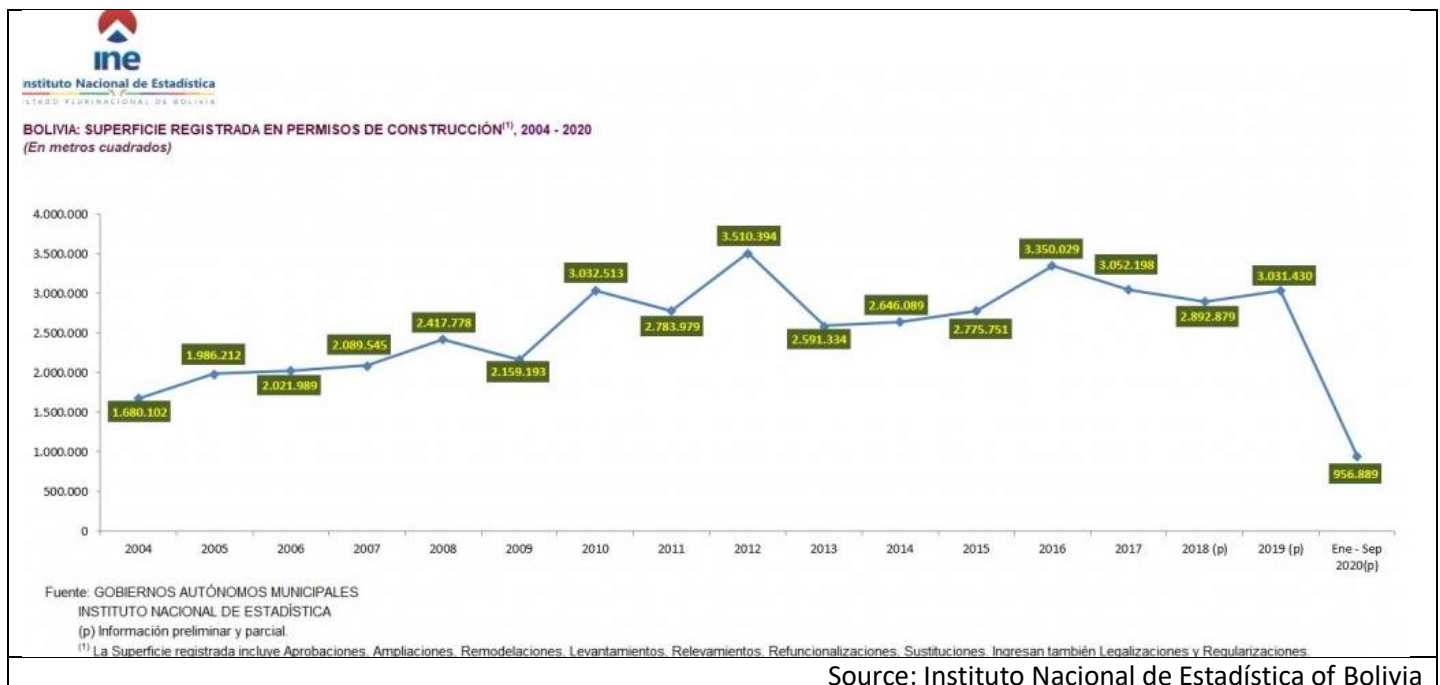
Construction Industry in Bolivia

The construction industry in Bolivia is one of the most important in the country and has enjoyed significant growth in recent years, having increased the weight of private construction activity and public works in the economy from 3.85% of GDP in 2010 to 4.57% in 2019, ranking as the ninth economic activity by weight in GDP.

Despite this positive growth for the industry, the trend since 2017 has been one of deceleration, leading the sector to grow less than the country's economy in 2019 with a slight final growth of + 1.9% in 2019 vs. + 2.4% in Bolivia's GDP (in local currency at constant prices since 2010).

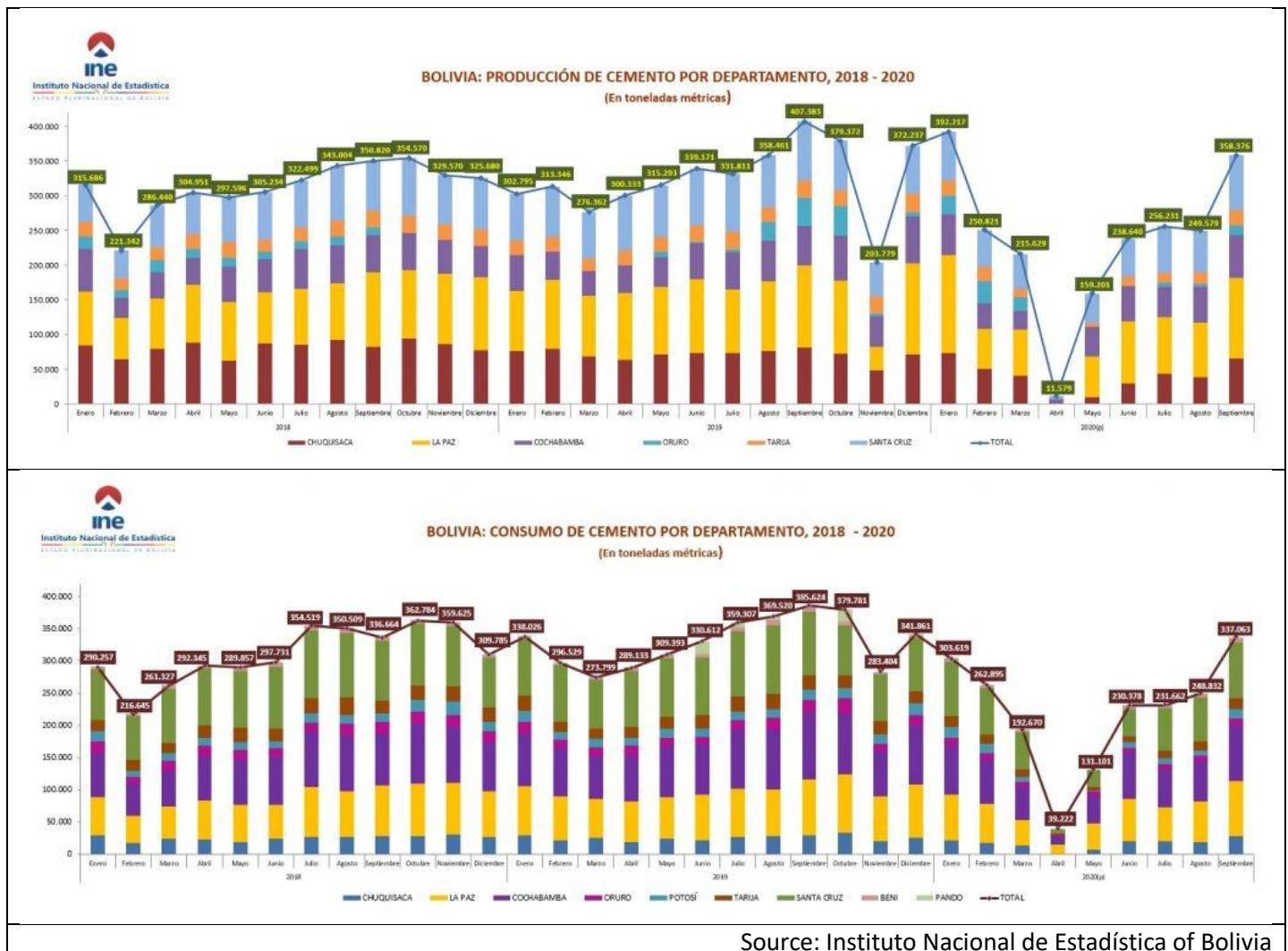
Other relevant data of the sector such as the construction permits granted reflected a slight rebound in 2019 after consecutive drops in 2017 and 2018. The accumulated data until September 2020 reflects the strong impact on activity by Covid-19: 956,889 m2 as of September 2020 vs 3m in 2019.

Below, a graph showing the time evolution in the granting of construction permits in Bolivia per m2 is included:



Covid-19 impact and World Bank forecasts

As we have seen with the granting of permits, Covid-19 is having a strong impact on the sector in 2020. Other data that confirm this effect have been the evolution of cement production, as well as local cement consumption. In the following graphs, it can be seen how in April 2020 the sector was practically stopped, to reactivate with greater speed in June and September.



Like other countries in the area, the Bolivian government has adopted different measures to help the economy and the labour market. Despite these measures, the World Bank expects Bolivia's GDP to decrease by 5.9% in 2020, already showing a slight recovery of 2.1% in 2021. This expected evolution is slightly better than for the average for the whole of the countries of South America (-7.4% in 2020 and + 2.7% in 2021).

New Government in Bolivia

On October 18th, 2020, elections were held in Bolivia where the MAS, party of the previous president Evo Morales, won and the new president Luis, Mr. Luis Arce, was elected.

Mr. Arce was minister of economy with Evo Morales, standing out as one of the most moderate members of the Bolivian government, and considered one of the supporters of the positive performance of the economy in the latest legislative periods.

In a recent press release (December 7th, 2020), the BCB estimated that the fiscal deficit for the country would end the year at 11.1% of GDP, after a fall in GDP in 2020 that would stand at 8.4% (vs -5.9% of the World Bank forecast in current USD).

The interim government in February 2020 had set the target of reducing the deficit from 7.2% at the end of 2019 to 5% in 2022. But the BCB now holds that the previous contractive fiscal policies and expense control were wrong and that it will resume the economic model called “productive community social” without any further detail on specific objectives.

To sum up, and despite the short-term economic uncertainty, Bolivia continues to require strong public and private investment in infrastructure and housing. As an example of this, the Ministry of Public Works, in its multinational Plan for the Reduction of the Housing Deficit 2021-25, pointed to a housing deficit in the country of 1.7m homes (0.7m in urban areas and 1m in rural areas). With the aim of reducing the most serious cases, it was planned to implement the construction and improvement of 76,535 housing solutions through subsidies, credit or mixed solutions.

The current situation under Covid-19, and its negative impact on world demand for oil and other raw materials, could continue to burden the economy of the region in the coming months, although the acceleration in the recovery of the sector indicators since June seems positive.

We believe that CLERHP is well positioned in the country as its strong sales growth in recent years show (+14.6% CAGR'15-19). CLERHP offers its whole service catalogue in the country, including the rental of machinery, and has already participated in numerous projects where it has been able to demonstrate its competitive advantage over other competitors.

The MAS, the party of former President Evo Morales, has returned to power after the recent elections in October 2020

Mr. Arce was minister of economy with Evo Morales, standing out as one of the most moderate members of the Bolivian government, having built up good international relations with the financial sector

2.2. Paraguay

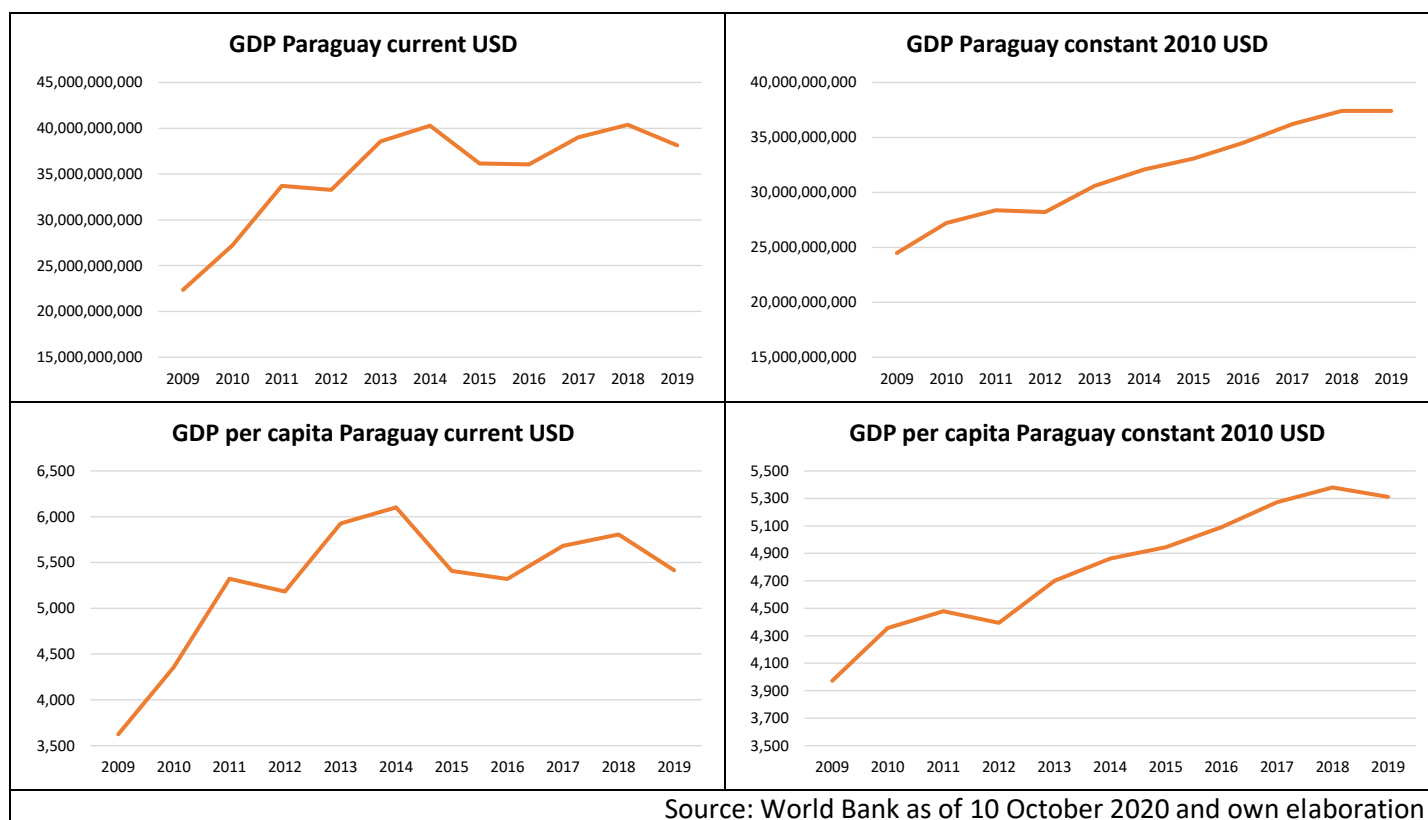
Paraguay is currently the second country in sales for CLERHP (30.5% of revenues in 2019, and 28.2% in 2018).

The country was one of the fastest growing economies in the Latino America area. As an example of this growth, Paraguay's GDP stood at 38,145m USD in 2019 vs. 22,341 M USD in 2009 and vs. 7,196 M USD in 2003 (+ 1.5% CAGR'03-19 at current prices, +4.1% CAGR'03-19 at constant prices in USD based on 2010; +5.5% CAGR'03-19 at current prices, and +4.3% CAGR'09-19 at constant prices in dollars based on 2010).

Paraguay's GDP per capita stood at 5,414 USD in 2019 (+4% CAGR'09-19 at current prices, +2.9% CAGR'09-19 at constant prices in USD, base 2010).

Graphs showing the development of GDP and GDP per capita in Paraguay are included below:

Paraguay was, in 2019, the second market by sales for CLERHP (30.5%), and is currently also second in the contracted projects portfolio (30.2%)



The party in the government of Paraguay is currently the “Colorado party”. This conservative party has been in power since 1947 except for the period between 2008 and 2012.

The president of Paraguay is Mr. Mario Abdo Benitez, who replaced Horacio Cartes in 2018. Despite the dominance of the Colorado party in recent times, Mario Abdo made clear in an interview in the FT in 2019 that the democratic character of the

country is not in doubt, and that he will not seek to change the constitution to run for re-election as proposed by his predecessor and that generated protests.

In this interview Abdo also reiterated that the fight against corruption will continue to be one of the main ways to attract more foreign investment, along with keeping taxes and energy costs low, as well as investment in infrastructure and human capital.

During 2019, the country made several bond issues that were well received by investors, and the finance minister of the country has stressed that its objective is to work to achieve investment grade rating for Paraguay's debt. Paraguay's current credit rating is Ba1 with a stable Outlook for Moody's, and BB+ with a stable Outlook for Fitch, both ratings just one notch away from reaching investment grade, although in the case of Moody's the country has been at these levels since 2015, while for Fitch the current levels of its note were already reached in 2018.

Paraguay targets to reach investment grade for its credit rating. It is currently just one step away for both Fitch and Moody's

Construction industry and evolution in 2020

The construction sector in general (infrastructure, retail, residential and corporate) has become an important engine of the Paraguayan economy with a GDP weight of 6.1%.

In 2019, the Paraguayan economy repeated the GDP levels of 2018 due to very adverse weather conditions that had a strong impact on the primary sector (-4%, 11% of total GDP), and on the result of the water and hydroelectric generation business (-11.2%, 7.2% of total GDP) with one of the worst water crises in Brazil that has affected the water production of the binational companies. On the other side, the construction sector registered a growth of just 1.1% in 2019, mainly due to an adverse weather in the first half (heavy rains), and a slow pace of execution of public works due to the transition from one government to another

2019 was a weak year for the Paraguayan economy due to a very adverse weather that impacted the hydroelectric generation business (7.2% of GDP in 2019, -11% vs. 2018)

The first forecast of GDP growth in 2020 for the Central Bank of Paraguay was 4.1% supported by a normalization of the weather with a positive effect on weather and hydroelectric production, as well as by a dynamic evolution of the manufacturing and construction industry. Regarding the latter, the Central Bank highlighted the execution of investment plans in infrastructure by the government, such as road networks, construction of social housing in municipalities, and the Chacarita habitability improvement project, all of which had already begun in the second half of 2019

The situation of Covid-19 has invalidated the initial expectations of the Central Bank but the October 2020 review pointed to a slight fall for all of 2020 of only -1,5% (vs. -3.5% of the initial forecast in the scenario Covid-19). This limited fall will place Paraguay as one of the least affected economies in the region, thanks to a very positive performance of the primary sector (+8%), registering an exceptional soybean harvest, and a great development of the construction sector (+7%) which

also helped, together with the food sector, to a lower-than-initially expected drop in the manufacturing sector.

In the last World Bank review (June 2020), the international organization estimated a drop in Paraguay's GDP of -2.8% in 2020 and a growth of 4.2% in 2021. These forecasts compare with a drop in GDP for the South America area of 7.4% in 2020, and a growth in 2021 of 2.7%.

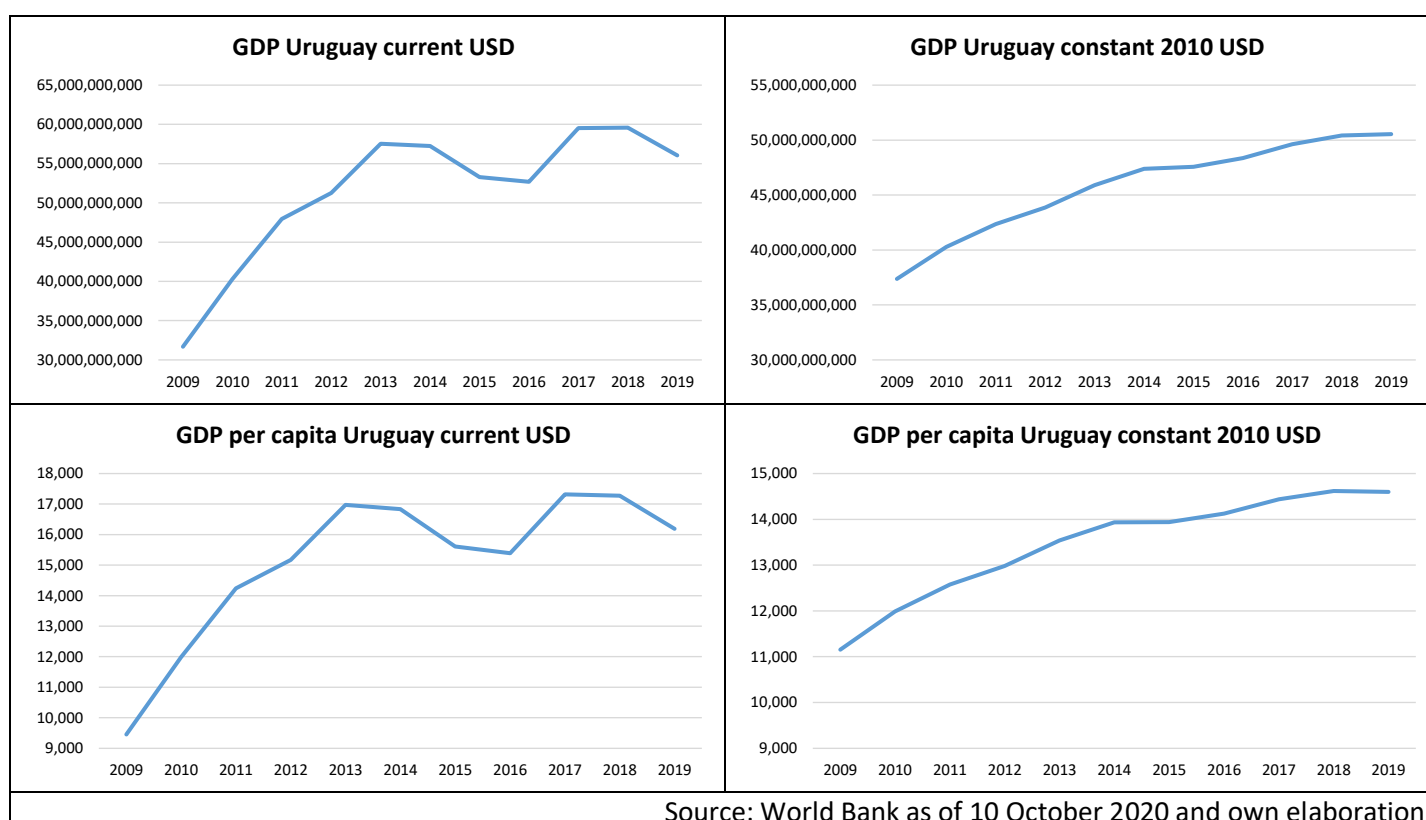
The most relevant factors for the real estate sector development are the increase in the purchasing power of the population (GDP per capita has almost doubled in the last 10 years), the urbanization process due to the transfer of population to urban areas (35% of the population still lives in rural areas), the strong presence of investors (attracted by the macro stability and attractive taxation regulation) and the scarce supply of land in Asunción that has led to price increases, favouring high-rise construction and development of the mortgage financial system.

2.3. Uruguay

Uruguay is a new market for CLERHP, and because of this in 2019 this unit still registered a low level of income (48,391 euros, 0.4% of CLERHP's total Revenue). Despite its reduced contribution in Revenue, the contracted projects portfolio for the country already weights 18% of the total of CLERHP with 4,6m euros, a similar level to CLERHP contracted projects portfolio in Bolivia, the group's main contributor, back in 2017. This shows the strong growth potential of this company.

Despite Uruguay is a new market, it already accounts for 18% of the total contracted projects portfolio (as of November 2020)

Graphs showing the performance of GDP and GDP per capita for Uruguay are included below:



Under the left government of the "Frente Amplio", it was one of the countries that recorded one of the best economic performances in the region in recent years (from 2004 to 2019 Uruguay GDP registered a CAGR of +4% at constant 2010 USD, and +9.9% at current USD). However, the recent stagnation of the economy (1.6% real GDP in 2018 and +0.2% real GDP in 2019), led to a very close victory for the conservative party Nacional. The new president, Mr. Luis Lacalle Pou, aims to improve competitiveness, and reduce the current fiscal deficit (5% of GDP), without increasing the tax burden, already one of the largest in the region. In Lacalle estimates, his government could cut up to 900m USD from state spending without compromising public jobs.

Uruguay stands out as the only country in Latin America with an investment grade credit rating

The World Bank in its June update estimated a drop in GDP in 2020 for Uruguay of -3.7% (vs. +2.5% Pre-Covid forecast) and a growth in 2021 of 4.6% (vs. +3.5% pre-

Covid estimate). These forecasts compare with a fall in GDP for South America of 7.4% in 2020, and a growth in 2021 of 2.7%. The IMF forecasts for the evolution of GDP for Uruguay are similar to those of the World Bank: -3% this year and 5% in 2021.

Data from Central Bank of Uruguay reflected until June 2020 a sharp decline in the economy due to Covid-19: year-on-year drop of 1.4% for GDP in 1Q'20 and 10.6% for 2Q'20, with a generalized drop in all sectors except the transport sector, although with a strong deterioration in Commerce and Restaurants (-3.1% 1Q'20 and -31.4% 2Q'20). The construction sector registered a 4.6% drop in 1Q'20 and a 6.5% drop in 2Q'20. Additional falls in Q2 were due to the need of a special license to operate in April and due to a slower pace of activity thereafter.

The World Bank estimates for Uruguay a fall in GDP in 2020 of 3.7% vs. -7.4% for the region. In 2021, the forecast is +4.6% vs. +2.7% of expected growth for the region

2.4. Spain

Spain accounted for 14.7% in CLERHP's total Revenue. Despite the fact that the group's parent company is located in Spain, and that engineering consulting services are located in the country, Spain is not a priority market for the group due to the high internal competition and poor economic prospects, which are now additionally burdened by the strong impact of Covid-19 in Spain. The ECB expects a GDP drop of 12.4% for Spain in 2020. The Construction sector in Spain represented 5.9% of GDP in 2019.

An example of this lower interest in the country in the very short term is the review of growth in Spain in the Group's new Strategic Plan, going from 7.8m euros in 2018 and from 300,000 euros in 2019 to not be part of its current contracted projects portfolio.

Although the country is not a priority growth target for the group in the short term, the long experience and recognition in the sector, combined with a potential reduction of competitors in the sector, which is highly fragmented and impacted by the crisis, could open up new specific opportunities for CLERHP in Spain in the near future.

3. BUSINESS PLAN 2020-23

On 26 November 2020, CLERHP published its new Business Plan for the period 2020-23. The previous Business Plan was published in May 2019 and covered the period 2019-21. This 2019-21 plan substantially improved the figures of the plan published only one year earlier (Plan 2018-20) due to the good rate of growth in the project portfolio that CLERHP was experiencing during 2019.

The following table compares the results achieved and the objectives of the current and previous business plans:

CLERHP										
	2017	2018	2019	2020 e	2021 e	2022 e	2023 e	CAGR 17-20	CAGR 17-21	CAGR 17-23
Net Revenue	5,274,376	10,526,569	13,787,513	9,709,696	13,580,820	15,729,200	18,079,200	22.56%	26.67%	22.79%
%	5.9%	99.6%	31.0%	-29.6%	39.9%	15.8%	14.9%			
Net Revenue Business Plan 2018-20		8,043,000	9,250,000	10,637,000				26.34%		
Net Revenue Business Plan 2019-21			13,448,000	15,465,000	17,785,000			43.13%	35.51%	
Net Revenue Business Plan 2020-23				9,710,000	13,581,000	15,729,000	18,079,000	22.56%	26.67%	27.94%
EBITDA	989,574	2,054,477	2,722,874	1,300,561	4,013,715	5,279,310	6,383,227	9.54%	41.91%	36.44%
%	62.4%	107.6%	32.5%	-52.2%	208.6%	31.5%	20.9%			
EBITDA Business Plan 2018-20		1,771,000	2,435,000	3,127,000				46.74%		
EBITDA Business Plan 2019-21			2,694,000	3,490,000	4,653,000			52.22%	47.26%	
EBITDA Business Plan 2020-23				1,299,000	4,033,000	5,280,000	6,373,000	9.49%	42.08%	36.40%
EBIT	615,997	1,628,592	2,009,745	635,415	3,178,948	4,189,966	5,062,358	1.04%	50.72%	42.06%
%	186.2%	164.4%	23.4%	-68.4%	400.3%	31.8%	20.8%			
EBIT Business Plan 2018-20		1,259,000	1,794,000	2,417,000				57.72%		
EBIT Business Plan 2019-21			1,854,000	2,470,000	34,333,000			58.87%	173.23%	
EBIT Business Plan 2020-23				639,000	3,181,000	4,189,000	5,075,000	1.23%	50.75%	26.64%
Net income	96,242	812,701	974,473	-559,851	1,791,506	2,408,148	2,955,445	-279.85%	135.40%	76.96%
%	-15.6%	744.4%	19.9%	-157.5%	-420.0%	34.4%	22.7%			
Net income Business Plan 2018-20		965,000	1,409,000	1,813,000				166.08%		
Net income Business Plan 2019-21			1,134,000	1,656,000	2,510,000			158.17%	125.98%	
Net income Business Plan 2020-23				-498,000	2,086,000	2,851,000	3,510,000	-272.96%	115.77%	36.86%
Eps	0.010	0.081	0.097	-0.056	0.178	0.239	0.293			
Margins	0	0	0	0	0	0	0			
EBITDA	18.8%	19.5%	19.7%	13.4%	29.6%	33.6%	35.3%			
EBIT	11.7%	15.5%	14.6%	6.5%	23.4%	26.6%	28.0%			
Net	1.8%	7.7%	7.1%	-5.8%	13.2%	15.3%	16.3%			
Net Debt	1,935,590	2,640,425	5,685,831	8,878,631	7,859,807	6,652,960	3,975,543	66.15%	41.95%	25.99%
Net Debt Business Plan 2018-20		1,663,000	1,311,000	151,000				-57.27%		
Net Debt Business Plan 2019-21			4,533,000	3,977,000	2,476,000			27.13%	6.35%	
Net Debt Business Plan 2020-23				8,874,000	7,789,000	6,490,000	3,836,000	66.13%	41.63%	12.08%
CAPEX	575,231	2,206,909	1,326,626	3,453,534	756,805	1,214,081	1,272,363	81.75%		
CAPEX Business Plan 2018-20		773,000	1,300,000	1,000,000				20.24%		
CAPEX Business Plan 2019-21			2,688,000	1,888,000	1,888,000			48.61%	34.60%	
CAPEX Business Plan 2020-23				3,250,000	743,000	1,203,000	1,258,000	78.11%	6.61%	13.93%
Leverage										
Financial	99.6%	92.7%	143.3%	241.2%	141.2%	81.3%	34.7%			
Operating	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
EBITDA/interest expenses	8.8 x	15.5 x	7.3 x	3.3 x	7.6 x	10.6 x	13.9 x			
Net Debt/EBITDA	2.0 x	1.3 x	2.1 x	6.8 x	2.0 x	1.3 x	0.6 x			
Net Debt/EBITDA Business Plan 2018-20	0.0 x	0.8 x	0.5 x	0.1 x						
Net Debt/EBITDA Business Plan 2019-21	0.0 x	0.0 x	1.7 x	3.1 x	0.6 x					
Net Debt/EBITDA Business Plan 2020-23	0.0 x	0.0 x	0.0 x	6.8 x	1.9 x	1.2 x	0.6 x			
Implied ratios at Target Price										
P/E	0.0 x	0.0 x	0.0 x	-42.5 x	13.3 x	9.9 x	8.1 x			
EV/EBITDA	0.0 x	0.0 x	0.0 x	25.1 x	7.9 x	5.8 x	4.4 x			
EV/EBIT	0.0 x	0.0 x	0.0 x	14.5 x	2.6 x	1.7 x	1.0 x			
yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
Source:										
Shares (Millions)	10.08	10.08	10.08	10.08	10.08	10.08	10.08			

CLERHP Results vs. Business Plan. 2020e y 2021e figures are 2020-23 Business Plan estimates and Researchfy estimates (aligned with Business Plan 2020-23)

3.1. Covid-19 has delayed the expected fast expansion

2018-20 Business Plan (published on 30 May 2018) included very ambitious growth in P&L, combined with a rapid reduction of CLERHP's debt position: +26% CAGR'17-20 in Net Revenue, +46.7% CAGR'17-20 in EBITDA, +166% CAGR'17-20 in Net Profit, and a reduction in Net Debt/EBITDA'17 from 2x to 1x in 2020.

On the other hand, Plan 2019-21 (published on 27 May 2019) strongly increased the figures of Plan 2018-20. CLERHP increased 2020 Revenue target to 15.4m euros vs. 10.6m euros of the previous target under the 2018-20 Business Plan.

However, the unexpected impact of the pandemic in 2020 has delayed the foreseen project development and CLERHP has recently (November 2020) reduced the estimate for 2020 Revenue to 9.7 M euros (-29% vs. 2019 and -37% vs. pre-Covid 2020 target).

The 2019-21 plan included the following expected performance: +35.5% CAGR'17-21 in sales, +47.26% CAGR'17-21 in EBITDA, +126% CAGR'17-20 in Net Profit, and a reduction of debt levels from 2x net debt/EBITDA'19 to 0.6x in 2021.

- **CLERHP still foresee a strong increase in margins**

As part of the 2019-21 Business plan, CLERHP foresee an EBITDA 2020 margin of 36% (vs. 29% pf the 2018-20 Business plan) and vs. 13% after the Covid-19 impact. Despite this deterioration in 2020, CLERHP has targeted a strong EBITDA margin of 29-30% in 2021. This estimate is good news as the margins obtained in 2018-2019 moved in a range of 19-20% and therefore these estimates reflect CLERHP confidence in the positive impact that the improvement in its procedures and technology in recent times is already having in costs and time response.

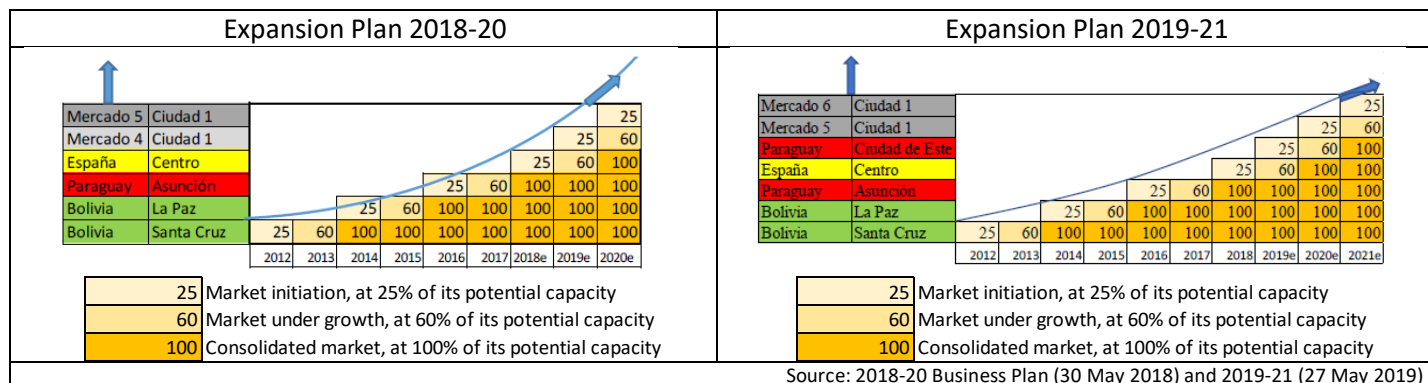
- **The Investment level during 2020 was clearly above expectations**

Regarding the indebtedness evolution, 2020 has seen a much higher level of investments than initially forecasted which, together with the impact of Covid-19 on the development of the business, explains the increase in indebtedness at the end of the year up to c.7x net debt/EBITDA. CLERHP has highlighted in its new plan that the indebtedness adjusted to the result for the 2H'20 would already be at levels of 2.62x NFD/EBITDA, which reflects the normalisation of its activity during the second part of the year.

- **CLERHP is conservative in its expansion plan vs. previous plan**

Regarding the expansion strategy, and despite the positive second half of 2020, we believe CLERHP has chosen to be conservative in its estimates because of the uncertainty that still exists regarding the impact and recovery in the economy by Covid-19.

In the previous plan, CLERHP was expecting to grow in two additional cities in international markets in 2020 and 2021, but this has finally been limited to entering Uruguay due to the impact of the Covid-19 (additional growth delayed to 2022). Besides this, Spain was not performing as expected even before the emergence of Covid-19 due to the weak situation of the economy at the end of 2019.

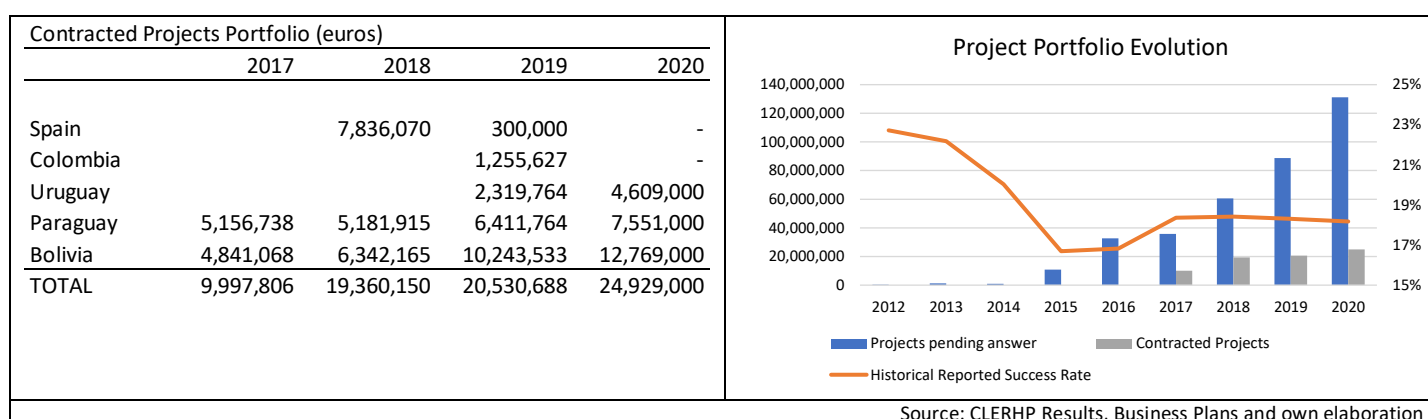


3.2. New Business Plan 2020-23

CLERHP's new Business Plan highlights the pillars on which the company bases its competitive advantage: (i) engineering and innovation, (ii) vertical integration and reduction of intermediaries, (iii) new business capture capacity, (iv) economies of scale, (v) team talent and, finally, (vi) risk minimization.

These points have already been developed in the Business Model section (pages 9-11), so we will now focus on the evolution of the portfolio, and the new estimates.

Regarding the updated portfolio, below we include the evolution of the contracted projects portfolio, the evolution of tendered projects and the success rate.



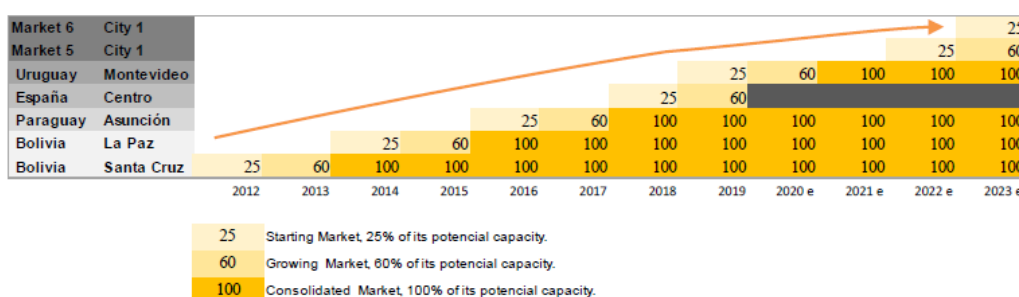
The contracted projects portfolio in 2020 is 149% higher than the one at the end of 2017. This growth reflects the strength of CLERHP's commercial position in the countries where it is present. It should be noted that thanks to the economies of scale and the improved processes, CLERHP expects EBITDA margins to improve

substantially from levels of 18-19% in 2018-19 to margins closer to 30-35%. Margins that CLERHP was already expecting in 2020 but that the Covid situation did not allow to consolidate.

Despite the good progress of the contracted projects portfolio even in 2020, the impact of the Covid-19 has meant a slowdown in the expansion plans with respect to what was foreseen in the previous Business Plan. In the following diagram, CLERHP reflects its new expectations for the expansion process. It is noticeable that Spain is completely out from the new expansion plan in the short/medium-term, while expansion plans in Uruguay remain in place. The entry into a new market is now delayed until 2022 due to the current uncertainty.

CLERHP Group Growth Model

The following graph represents the company's market opening strategy in the coming years. Considering that a normal market can contribute sales of between €2.5 and 3 million per year once consolidated (it could vary according to the exchange rate).



Source: 2020-23 CLERHP's Business Plan (26 November 2020)

Below new estimates for CLERHP's income statement and balance sheet for the period 2020-23 are included:

P&L CONSOLIDATED					
	2019	2020 e	2021 e	2022 e	2023 e
Thousands of Euros					
Net Amount of the Turnover	13.788	9.710	13.581	15.729	18.079
Direct Cost	-7.852	-5.041	-5.824	-6.418	-7.273
Marging	5.935	4.669	7.756	9.312	10.806
% on turnover	43,05%	48,09%	0,00%	0,00%	0,00%
Work Carried Out by the Company for Assets	136	674	699	813	866
Other Operating Incomes	219	66	73	73	73
Structure Staff Costs	-1.320	-1.993	-2.308	-2.566	-2.823
General Expenses	-2.247	-2.117	-2.188	-2.352	-2.549
EBITDA	2.723	1.299	4.033	5.280	6.373
% on turnover	19,75%	13,38%	29,70%	33,57%	35,25%
Amortization	-723	-818	-880	-1.090	-1.298
Impairment and Gains(losses) on Disposals of Non-Curren	-54	158	28		
Allocation to Profit(loss) of Grants Related to Non-	8				
Financial Assets and Others					
Other Gains	55				
EBIT	2.010	639	3.181	4.189	5.075
% on turnover	14,58%	6,58%	23,42%	26,63%	28,07%
Financial Incomes	37				
Financial Expenses	-373	-390	-514	-532	-540
Exchange Differences	-69	-529			
Impairment and Gains(losses) from Disposal of Financial					
Instruments	-221				
Financial Result	-626	-919	-514	-532	-540
EBT	1.384	-280	2.667	3.658	4.536
% on turnover	10,04%	-2,89%	19,64%	23,25%	25,09%
Corporation Tax	-353	-218	-580	-807	-1.026
Net Profit	1.031	-498	2.086	2.851	3.510
% on turnover	7,48%	-5,13%	15,36%	18,13%	19,41%

CONSOLIDATED BALANCE					
	2019	2020 e	2021 e	2022 e	2023 e
Thousands of Euros					
NON-CURRENT ASSETS	4.917	8.068	7.993	8.316	8.484
Fixed Assets	4.625	7.282	7.208	7.530	7.698
Invest. In Group Companies and Partners L/T	6	352	352	352	352
Financial Investments L/T	172	350	350	350	350
Deferred Tax Assets	90	83	83	83	83
Non Current Customers	24				
CURRENT ASSETS	7.751	9.636	10.392	10.470	12.783
Stocks	1.215	2.058	2.068	1.708	1.658
Customers and Other Debtors	5.695	5.110	5.620	5.733	6.393
Customers and Other Debtors	2.992	2.557	2.709	2.402	2.646
Goods in progress	2.704	2.553	2.911	3.331	3.746
Accruals S/T	24	24	24	24	24
Invest. In Group Companies and Partners S/T	13	33	33	33	33
Financial Investments S/T	163	217	217	217	217
Cash	641	2.194	2.430	2.755	4.459
TOTAL ASSETS	12.668	17.703	18.385	18.786	21.267
NET WORTH	3.967	3.924	5.993	8.815	12.297
Own Funds	3.714	3.409	5.374	7.985	11.151
Share Capital	403	403	403	403	403
Stock Issue Premium	1.017	1.017	1.017	1.017	1.017
Reserves	1.438	2.670	2.122	4.087	6.698
Own Equity Shares	-119	-133	-133	-133	-133
Period Earnings	974	-548	1.965	2.611	3.166
Adjustmens for value change	-40	-52	-42	-42	-42
Conversion Differences	-40	-52	-42	-42	-42
Grants	25	250	222	194	166
External Partners	268	317	439	679	1.023
NON CURRENT LIABILITIES	4.483	8.797	7.879	6.835	5.649
Long Term Provisions	30	-42	-40	-40	-40
Long Term Debts	2.877	7.303	6.295	5.158	3.875
Debts for acquisitions	170				
Inveready Bonds	1.406	1.536	1.624	1.717	1.814
CURRENT LIABILITIES	4.218	4.982	4.513	3.136	3.321
Short Term Debts	2.052	2.229	2.300	2.370	2.606
Short Term Debts with Group Companies	19				
Suppliers and Other Creditors	2.110	2.765	2.226	778	727
Short Term Provisions	38	-12	-12	-12	-12
TOTAL LIABILITIES	12.668	17.703	18.385	18.786	21.267

Source: 2020-23 CLERHP's Business Plan (26 November 2020)

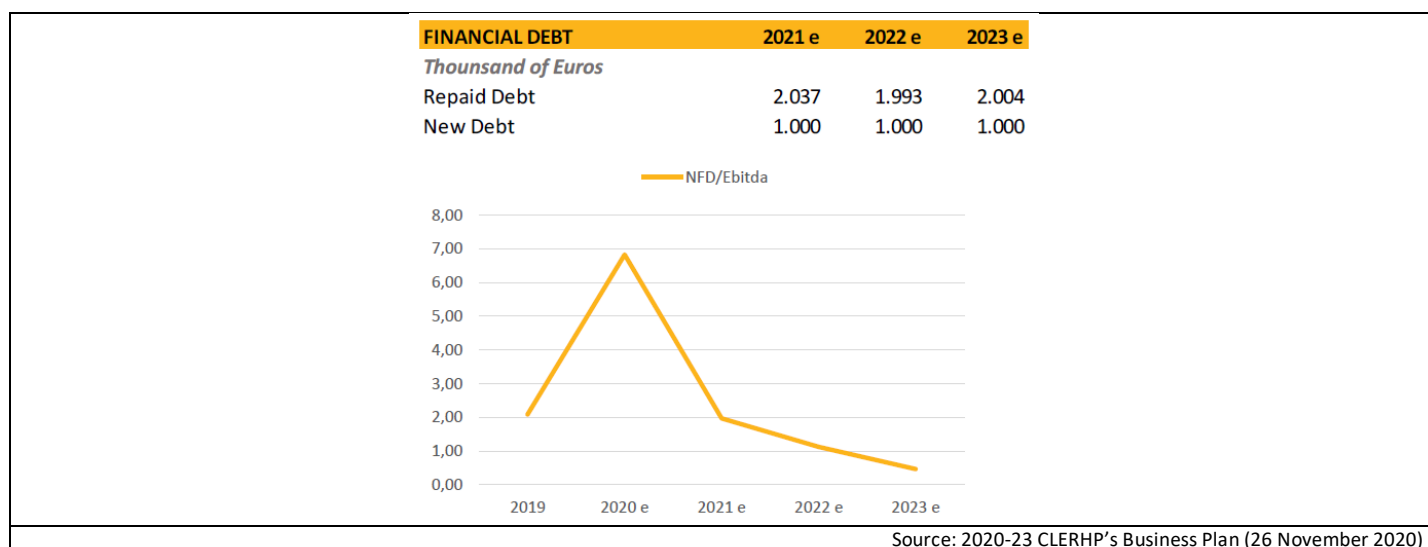
CLERHP's new estimates were published on 26 November 2020, and should be a close picture of 2020. CLERHP expects a fall in sales in 2020 of 29.6%, an improvement of Gross Margin (48% vs. 43% in 2019), a fall in EBITDA of 53% with a worsening of the EBITDA margin from 19% to 13%, and a negative Net Profit of 0.5m euros vs. positive 1m euros in 2019.

The slowdown in projects was not passed on to the Gross Margin thanks to CLERHP's business model. Despite this, the EBITDA margin saw a sharp deterioration due to an increase in the cost structure linked to the growth of the engineering team and the R&D team.

In terms of the balance sheet, CLERHP has invested heavily in 2020. As an example of this, Fixed Assets increased by 56% to 7.2m euros, and Total Assets increased by +39% to 17.7m euros.

Regarding indebtedness, CLERHP expects to end 2020 at levels of 6.86x net debt/EBITDA, which would already stand at 2x at the end of 2021 and less than 1x in 2023. CLERHP highlighted that extrapolating the result for the second half of 2020, the company's net debt/EBITDA would be at 2.62x vs. 6.83x expected by the end of 2020.

Below a graph from CLERHP showing the expected evolution of indebtedness is included:



4. FINANCIAL EVOLUTION

4.1. Historical evolution

In recent years CLERHP has recorded a strong growth in Revenue, only interrupted by the global impact of the Covid-19 in 2020.

CLERHP's CAGR'14-19 in Revenue was +31%, and +18% for the period 2014-20. The evolution of EBITDA was also very positive, with similar growth rates, although margins have been improving since 2015 until 2020, when the impact of Covid-19 on the normal development of projects distorts any comparison.

In terms of debt, CLERHP fluctuated between 1 and 3x net debt/EBITDA between 2014 and 2019, closing 2019 at 2x. However, the high rate of investment during 2020, and the impact in Results due to Covid, will bring indebtedness to 6.83x Net Debt/EBITDA according to CLERHP's recent revised estimates (Business Plan updated 26 November 2020). It should be noted that extrapolating the 2H'20 EBITDA for the full year, the 2020 Net Debt/EBITDA would be at 2.62x in CLERHP's estimate and c.3.1x in our estimates.

In 2020 CLERHP has reached a record level of investment (3.4m euros estimated), acquiring 2 technological startups and increasing its fleet of cranes for its expansion plans in new markets

CLERHP									
	2014	2015	2016	2017	2018	2019	2020 e	CAGR 14-19	CAGR 14-20
Net Revenues	3,550,000	4,344,929	4,980,958	5,274,376	10,526,569	13,787,513	9,710,000	31.18%	18.26%
%		22.4%	14.6%	5.9%	99.6%	31.0%	-29.6%		
EBITDA	726,000	518,203	609,203	989,574	2,054,477	2,722,874	1,299,000	30.26%	12.34%
%		-28.6%	17.6%	62.4%	107.6%	32.5%	-52.3%		
EBIT	586,000	359,450	215,268	615,997	1,628,592	2,009,745	639,000	27.95%	1.75%
%		-38.7%	-40.1%	186.2%	164.4%	23.4%	-68.2%		
Net income	368,000	112,025	114,088	96,242	812,701	974,473	-498,000	21.50%	-206.24%
%		-69.6%	1.8%	-15.6%	744.4%	19.9%	-151.1%		
Eps			0.011	0.010	0.081	0.097	-0.049		
Margins									
EBITDA	20.5%	11.9%	12.2%	18.8%	19.5%	19.7%	13.4%		
EBIT	16.5%	8.3%	4.3%	11.7%	15.5%	14.6%	6.6%		
Net	10.4%	2.6%	2.3%	1.8%	7.7%	7.1%	-5.1%		
Net Debt		772,737	1,824,338	1,935,590	2,640,425	5,685,831	8,878,631		
ROE		5.6%	5.7%	5.3%	30.8%	26.3%	-14.8%		
ROCE		11.7%	6.1%	19.6%	40.1%	23.8%	4.3%		
Multiples									
P/E			130.7 x	117.9 x	14.3 x	13.4 x	-28.7 x		
EV/EBITDA			27.48 x	13.43 x	6.95 x	6.87 x	17.85 x		
EV/EBIT			9.51 x	3.37 x	1.75 x	2.96 x	14.39 x		
yield			0.0%	0.0%	0.0%	0.0%	0.0%		
P/BV			2.95	2.21	1.14	1.03	0.81		
Leverage									
Financial		34.9%	82.1%	99.6%	92.7%	143.3%	241.2%		
Operating					0.0%	0.0%	0.0%		
EBITDA/interest expenses		4.8 x	4.9 x	8.8 x	15.5 x	7.3 x	3.3 x		
Net Debt/EBITDA		1.5 x	3.0 x	2.0 x	1.3 x	2.1 x	6.8 x		
Capex		959,442	765,650	575,231	2,206,909	1,326,626	3,453,534		
Shares (Millions)			10.08	10.08	10.08	10.08	10.08		

Source: CLERHP 2015-2019 Annual Reports and 2020-23 Business Plan. Capex'20e is a Researchfy estimate.

4.2. Expected Results: positive recovery in the 2H'20

The following table summarises the P&L account from 2017 to 2020 and Half Year Results for 2019 and 2020. Note that the figures for 2020 are based on CLERHP recently updated (as of 26 November 2020) forecast included in its 2020-23 Business Plan, and thus we do not expect relevant changes to the final figures.

	2017	2018	2019	2020e	1H'19	2H'19	1H'20	2H'20e
Net Revenue	5,274,376	10,527,000	13,788,000	9,710,000	6,902,000	6,886,000	3,437,000	6,273,000
Gross Margin	3,839,279	5,429,000	6,071,000	4,669,000	3,056,000	3,015,000	1,717,000	2,952,000
Gross Margin (%)	72.8%	51.6%	44.0%	48.1%	44.3%	43.8%	50.0%	47.1%
EBITDA	1,025,968	1,976,000	2,723,000	1,299,000	1,078,000	1,645,000	-124,000	1,423,000
EBITDA margin (%)	19.5%	18.8%	19.7%	13.4%	15.6%	23.9%	-3.6%	22.7%
EBIT	615,997	1,629,000	2,010,000	639,000	884,000	1,126,000	-536,000	1,175,000
EBIT margin (%)	11.7%	15.5%	14.6%	6.6%	12.8%	16.4%	-15.6%	18.7%
Net Financial cost	-366,727	-253,000	-626,000	-280,000	-226,000	-400,000	-484,000	204,000
Net Profit	82,441	881,000	1,031,000	-498,000	447,000	584,000	-1,152,000	654,000
		8.4%	7.5%	-5.1%	6.5%	8.5%	-33.5%	10.4%
Net Financial Debt	1,935,590	2,640,425	5,685,831	8,874,000		5,685,831	6241000	8,874,000
NFD/EBITDA	1.89	1.34	2.09	6.83		1.73	-	3.12

Source: CLERHP Results and own elaboration

The key of CLERHP's 2020 estimates is that these reflect a strong recovery during the second half of 2020, from -50% Revenue in H1'20 to - 8% in H2'20, and from - 43% in EBITDA in 1H'20 to -13.5% in the 2H'20. Extrapolating the EBITDA 2H'20 figure for the full year, Net Debt would be at 3.1x (2.62x in CLERHP's estimates) vs 6.83x Net Debt CLERHP's estimate for 2020.

We believe that the improvement of operations reflected in the 2H'20 results would help CLERHP to better manage the different facilities with their lenders and investors while it focus to resume growth in new markets.

5. SWOT ANALYSIS

Below is a SWOT analysis of CLERHP is included:

Weaknesses:

- CLERHP's small size and limited diversification makes it more susceptible to crisis in its sector.
- The bulk of CLERHP's revenue has origin in emerging markets in Latin America.
- Its business lines are considered a commodity when are separately offered, especially in Europe and other developed markets.
- High indebtedness (6.8x ND/EBITDA'20e, 2.6x adjusted for 2H'20) due to the investment process and the impact of the Covid-19, especially in 2Q20.

The geographic diversification is still limited having a great weight of its Revenue from Bolivia (54% of total Revenue) and Paraguay (30% of total Revenue)

Threats:

- Slowing down of growth in Latin America.
- Potential increase of defaults or cancellation of projects due to Covid-19. CLERHP does not acquire the supplies for the works, which limits potential losses due to the paralysis or loss of a project in development.
- Tightening of banking and financing conditions in 2021 as a result of the increase in non-performing loans for banks.
- Sector Cyclicity.

The growing competition and potential regulatory changes are the main threats

Strengths:

- Excellent track record in capturing and developing business in Bolivia and Paraguay.
- Integrated turnkey business with its own technology and processes.
- Financing at a better cost than the majority of local competitors in their growth markets.
- The purchase of supplies is the responsibility of the client, reducing operational risk.

CLERHP's competitive advantage lies in its capability to complete calculation proposals in a short period of time and its turnkey offering

Opportunities:

- Expansion into high-growth markets.
- The commitment to digitalisation and the continuous improvement of processes may add new lines of business in the future.
- Acquisitions of local companies in target markets could bring out synergies, accelerate expansion, and increase economies of scale.

The main opportunities for CLERHP are the export of its business model to other markets in Latin America, and the digitalisation process

A summary table of the SWOT analysis for CLERHP is included below:

<p>WEAKNESSES</p> <ul style="list-style-type: none"> - Reduced size - The bulk of the income comes from emerging Latin American markets - Its business lines when separately offered are considered a commodity, especially in Europe and other developed markets - High indebtedness (6.8x DN/EBITDA'20e, 2.6x extrapolating EBITDA 2H'20) 	<p>THREATS</p> <ul style="list-style-type: none"> - Slowdown in growth in Latin America - Potential increase in defaults or cancellation of projects due to Covid - Tightening of financing conditions in 2021 as a result of the increase of non-performing loans for banks - Sector Cyclicalit
<p>STRENGTHS</p> <ul style="list-style-type: none"> - Excellent track record in capturing and developing business in Bolivia and Paraguay - Integrated turnkey business with own technology and processes - Financing capacity at a better cost than local competitors in their growth markets - The purchase of supplies is the responsibility of the customer, reducing operational risk 	<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> - Expansion into high-growth markets - The commitment to digitalisation and the ongoing improvement of processes may add new lines of business in the future - The acquisitions of local companies in target markets could bring out synergies and increase economies of scale

6. VALUATION

CLERHP is a medium sized company with high international growth in emerging Latin American countries, and operates in a niche of the construction sector as it is the integrated service of structure calculation and construction of these.

Given the current uncertainty of the Covid-19, we have chosen to calculate a base case valuation scenario aligning our estimates to those recently offered by CLERHP (26 November 2020) in its 2020-23 business plan, for later studying other scenarios.

Base Case Valuation: fulfilment of the 2020-23 Business Plan

For the base case scenario, we have aligned our estimates with those offered by CLERHP in its Business Plan 2020-23, published on 26 November

Our base case valuation (2.36 euros/sh.) includes estimates aligned with those of CLERHP (see page 26). In summary, these estimates include:

- CAGR'19-23 in Net Revenue +7%

This growth in Net Revenue would be supported by growth in Uruguay and the entry into two other markets, one from 2022 (with a contribution of up to 60% in the second year, 2023) and the other one in 2023. It should be noted that CLERHP, as an approximation, calculates an increase in income of 2.5-3m euros per market once optimum development has been reached. Uruguay did not make a significant contribution in 2019, but it already accounts for 18% of the portfolio, which means that there are good expectations for its contribution to this expected growth.

- CAGR'19-23% in EBITDA +23%

The higher growth in EBITDA is due to greater EBITDA margins that CLERHP expects to achieve: 29% in 2021, 33.5% in 2022, and 35% in 2023. These margins are clearly superior to those seen previously (18.8-20% between 2017 and 2019), and is explained by an expected mix without projects in Spain, where related costs are higher than for the rest of geographies and thus margins are lower.

- Reduction of Net Debt/EBITDA from 6.8x in 2020 to 0.6x in 2023

The combination of a rapid recovery (see CLERHP's 2H'20 Results on page 29), the expected growth in Uruguay and other markets, and a clearly lower pace of investment in the following years compared to 2020 (3.4m euros estimated vs. 756k euros expected in 2021, and levels of 1.2m euros in 2020 and 2023), would allow the indebtedness reduction from expected levels of 6.8x Net Debt/EBITDA'20 (2.7-3.1x extrapolating the expected EBITDA of 2H'20) to levels of only 0.6x in 2023.

Below a summary of estimates for this scenario is included:

CLERHP												
	2014	2015	2016	2017	2018	2019	2020 e	2021 e	2022 e	2023 e	CAGR 14-19	CAGR 19-23
Net Revenue	3,550,000	4,344,929	4,980,958	5,274,376	10,526,569	13,787,513	9,709,696	13,580,820	15,729,200	18,079,200	31.18%	7.01%
%		22.4%	14.6%	5.9%	99.6%	31.0%	-29.6%	39.9%	15.8%	14.9%		
Revenue Business Plan 2020-23							9,710,000	13,581,000	15,729,000	18,079,000		7.01%
Revenues Consensus							15,400,000	19,300,000	20,600,000			
%							11.7%	25.3%	6.7%			
EBITDA	726,000	518,203	609,203	989,574	2,054,477	2,722,874	1,300,561	4,013,715	5,279,310	6,383,227	30.26%	23.74%
%		-28.6%	17.6%	62.4%	107.6%	32.5%	-52.2%	208.6%	31.5%	20.9%		
EBITDA Business Plan 2020-23							1,299,000	4,033,000	5,280,000	6,373,000		23.69%
EBITDA Consensus							3,400,000	4,700,000	5,100,000			
%							24.9%	38.2%	8.5%			
EBIT	586,000	359,450	215,268	615,997	1,628,592	2,009,745	635,415	3,178,948	4,189,966	5,062,358	27.95%	25.98%
%		-38.7%	-40.1%	186.2%	164.4%	23.4%	-68.4%	400.3%	31.8%	20.8%		
EBIT Business Plan 2020-23							639,000	3,181,000	4,189,000	5,075,000		26.06%
EBIT Consensus							2,600,000	3,700,000	4,000,000			
Net income	368,000	112,025	114,088	96,242	812,701	974,473	-559,851	1,791,506	2,408,148	2,955,445	21.50%	7.01%
%		-69.6%	1.8%	-15.6%	744.4%	19.9%	-157.5%	-420.0%	34.4%	22.7%		
Net Income Business Plan 2020-23							-498,000	2,086,000	2,851,000	3,510,000		37.76%
Net income Consensus							1,600,000	2,400,000	2,700,000			
Eps			0.011	0.010	0.081	0.097	-0.056	0.178	0.239	0.293		
Margins												
EBITDA	20.5%	11.9%	12.2%	18.8%	19.5%	19.7%	13.4%	29.6%	33.6%	35.3%		
EBIT	16.5%	8.3%	4.3%	11.7%	15.5%	14.6%	6.5%	23.4%	26.6%	28.0%		
Net	10.4%	2.6%	2.3%	1.8%	7.7%	7.1%	-5.8%	13.2%	15.3%	16.3%		
Net Debt		772,737	1,824,338	1,935,590	2,640,425	5,685,831	8,878,631	7,859,807	6,652,960	3,975,543		
Net Debt Business Plan 2020-23							8,874,000	7,789,000	6,490,000	3,836,000		
Net Debt consensus							7,300,000	8,100,000	6,900,000			
ROE		5.6%	5.7%	5.3%	30.8%	26.3%	-16.6%	34.9%	32.1%	28.3%		
ROCE		11.7%	6.1%	19.6%	40.1%	23.8%	4.3%	19.9%	23.6%	25.3%		
Multiples												
P/E			130.7 x	117.9 x	14.3 x	13.4 x	-25.6 x	8.0 x	5.9 x	4.8 x		
EV/EBITDA			27.48 x	13.43 x	6.95 x	6.87 x	17.83 x	5.52 x	3.97 x	2.86 x		
EV/EBIT			9.51 x	3.37 x	1.75 x	2.96 x	14.47 x	2.61 x	1.75 x	0.99 x		
yield			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
P/BV			2.95	2.21	1.14	1.03	0.81	0.78	0.77	0.68		
Leverage												
Financial		34.9%	82.1%	99.6%	92.7%	143.3%	241.2%	141.2%	81.3%	34.7%		
Operating			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
EBITDA/interest expenses		4.8 x	4.9 x	8.8 x	15.5 x	7.3 x	3.3 x	7.6 x	10.6 x	13.9 x		
Net Debt/EBITDA		1.5 x	3.0 x	2.0 x	1.3 x	2.1 x	6.8 x	2.0 x	1.3 x	0.6 x		
Implied ratios at Target Price												
P/E							-42.5 x	13.3 x	9.9 x	8.1 x		
EV/EBITDA							25.1 x	7.9 x	5.8 x	4.4 x		
EV/EBIT							14.5 x	2.6 x	1.7 x	1.0 x		
yield							0.0%	0.0%	0.0%	0.0%		
Capex		959,442	765,650	575,231	2,206,909	1,326,626	3,453,534	756,805	1,214,081	1,272,363		
Capex Business Plan 2020-23								743,000	1,203,000	1,258,000		
Shares (Millions)		0.00	10.08	10.08	10.08	10.08	10.08	10.08	10.08	10.08		

Source: Researchfy estimates, CLERHP's Business Plan 2020-23 targets (26/11/2020) and GVC Gaesco estimates for consensus (initiation of coverage 15 June 2020)

The key for the fulfilment of this scenario is not only the recovery in Revenue, which would be on track given the 2H'20 results implied in CLERHP's year-end estimates, but also the activation of new orders to support the positive growth CLERHP expects. It should be noted that the 2020-23 guide includes the delay in entering other markets due to the current uncertainty.

On the other hand we believe that the consolidation of CLERHP's expected EBITDA margins will be key. The rationale behind the improvement (mix of higher margins explained by a lower weight of Spain, and improved procedures), supports it but we believe that the delivery of results consolidating these margins will undoubtedly support the evolution of CLERHP's share price.

Pessimistic Scenario: slowdown and lower margins

If we consider a scenario of a strong economic slowdown where CLERHP would only be able to grow at +2/+3% levels in Revenue in 2022 and 2023, and where EBITDA margins would be at levels of 28-29% (well below the 33-35% range for the business plan targets), the valuation for CLERHP would be at levels of 1.47 euros/sh., slightly above the current price.

Note that in this scenario CLERHP has assets (machinery) which in the absence of expansion in new markets would not be needed in the short term and which it could sell to offset part of the impact of the slowdown.

CLERHP: Pessimistic Scenario

	2014	2015	2016	2017	2018	2019	2020 e	2021 e	2022 e	2023 e	CAGR 14-19	CAGR 19-23
Net Revenue	3,550,000	4,344,929	4,980,958	5,274,376	10,526,569	13,787,513	9,709,696	13,580,820	14,000,000	14,300,000	31.18%	0.92%
%		22.4%	14.6%	5.9%	99.6%	31.0%	-29.6%	39.9%	3.1%	2.1%		
Revenue Business Plan 2020-23							9,710,000	13,581,000	15,729,000	18,079,000		7.01%
Revenues Consensus							15,400,000	19,300,000	20,600,000			
%							11.7%	25.3%	6.7%			
EBITDA	726,000	518,203	609,203	989,574	2,054,477	2,722,874	1,300,561	3,518,015	3,925,797	4,171,381	30.26%	11.25%
%		-28.6%	17.6%	62.4%	107.6%	32.5%	-52.2%	170.5%	11.6%	6.3%		
EBITDA Business Plan 2020-23							1,299,000	4,033,000	5,280,000	6,373,000		23.69%
EBITDA Consensus							3,400,000	4,700,000	5,100,000			
%							24.9%	38.2%	8.5%			
EBIT	586,000	359,450	215,268	615,997	1,628,592	2,009,745	635,415	2,683,248	2,836,452	2,850,512	27.95%	9.13%
%		-38.7%	-40.1%	186.2%	164.4%	23.4%	-68.4%	322.3%	5.7%	0.5%		
EBIT Business Plan 2020-23							639,000	3,181,000	4,189,000	5,075,000		26.06%
EBIT Consensus							2,600,000	3,700,000	4,000,000			
Net income	368,000	112,025	114,088	96,242	812,701	974,473	-559,851	1,429,177	1,518,910	1,536,195	21.50%	12.05%
%		-69.6%	1.8%	-15.6%	744.4%	19.9%	-157.5%	-355.3%	6.3%	1.1%		
Net Income Business Plan 2020-23							-498,000	2,086,000	2,851,000	3,510,000		37.76%
Net income Consensus							1,600,000	2,400,000	2,700,000			
Eps			0.011	0.010	0.081	0.097	-0.056	0.142	0.151	0.152		
Margins												
EBITDA	20.5%	11.9%	12.2%	18.8%	19.5%	19.7%	13.4%	25.9%	28.0%	29.2%		
EBIT	16.5%	8.3%	4.3%	11.7%	15.5%	14.6%	6.5%	19.8%	20.3%	19.9%		
Net	10.4%	2.6%	2.3%	1.8%	7.7%	7.1%	-5.8%	10.5%	10.8%	10.7%		
Net Debt		772,737	1,824,338	1,935,590	2,640,425	5,685,831	8,878,631	8,148,800	7,267,665	5,484,484		
Net Debt Business Plan 2020-23							8,874,000	7,789,000	6,490,000	3,836,000		
Net Debt consensus							7,300,000	8,100,000	6,900,000			
ROE		5.6%	5.7%	5.3%	30.8%	26.3%	-16.6%	30.0%	24.3%	19.8%		
ROCE		11.7%	6.1%	19.6%	40.1%	23.8%	4.3%	16.8%	16.7%	15.3%		
Multiples												
P/E			130.7 x	117.9 x	14.3 x	13.4 x	-25.6 x	10.0 x	9.4 x	9.3 x		
EV/EBITDA			27.48 x	13.43 x	6.95 x	6.87 x	17.83 x	6.38 x	5.50 x	4.75 x		
EV/EBIT			9.51 x	3.37 x	1.75 x	2.96 x	14.47 x	3.20 x	2.77 x	2.18 x		
yield			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
P/BV			2.95	2.21	1.14	1.03	0.81	0.78	0.80	0.74		
Leverage												
Financial		34.9%	82.1%	99.6%	92.7%	143.3%	241.2%	156.6%	106.3%	64.6%		
Operating			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
EBITDA/interest expenses		4.8 x	4.9 x	8.8 x	15.5 x	7.3 x	3.3 x	6.6 x	7.6 x	8.2 x		
Net Debt/EBITDA		1.5 x	3.0 x	2.0 x	1.3 x	2.1 x	6.8 x	2.3 x	1.9 x	1.3 x		
Implied ratios at Target Price												
P/E							-26.5 x	10.4 x	9.8 x	9.7 x		
EV/EBITDA							18.3 x	6.5 x	5.6 x	4.9 x		
EV/EBIT							14.5 x	3.2 x	2.8 x	2.2 x		
yield							0.0%	0.0%	0.0%	0.0%		
Capex		959,442	765,650	575,231	2,206,909	1,326,626	3,453,534	756,805	1,214,081	1,272,363		
Capex Business Plan 2020-23								743,000	1,203,000	1,258,000		
Shares (Millions)		0.00	10.08	10.08	10.08	10.08	10.08	10.08	10.08	10.08		

Source: own estimates

Optimistic scenario: growth acceleration

In case CLERHP would be able to accelerate its expansion by 12 months compared to the plan drawn in the 2020-23 Business Plan (CAGR'20-23e of +8.35% vs. +5.67% in the current Business Plan), CLERHP's valuation would improve to levels of 2.63 euros/sh. This acceleration would allow the complete or almost complete development of a new market (new city) which would bring in 2.5-3m euros in total, plus further progress on a second new market. We consider that the current Business Plan includes in 2023 a new market developed at 60%, and another second new market at only 25% (same year of entry). In our estimates, this scenario would mean at least 1m euros more in Revenue than the 2020-23 Business Plan.

CLERHP: Optimistic Scenario												
	2014	2015	2016	2017	2018	2019	2020 e	2021 e	2022 e	2023 e	CAGR 14-19	CAGR 19-23
Net Revenue	3,550,000	4,344,929	4,980,958	5,274,376	10,526,569	13,787,513	9,709,696	14,000,000	17,000,000	19,000,000	31.18%	8.35%
%		22.4%	14.6%	5.9%	99.6%	31.0%	-29.6%	44.2%	21.4%	11.8%		
Revenue Business Plan 2020-23							9,710,000	13,581,000	15,729,000	18,079,000		7.01%
Revenues Consensus							15,400,000	19,300,000	20,600,000			
%							11.7%	25.3%	6.7%			
EBITDA	726,000	518,203	609,203	989,574	2,054,477	2,722,874	1,300,561	4,246,528	6,006,843	6,910,385	30.26%	26.22%
%		-28.6%	17.6%	62.4%	107.6%	32.5%	-52.2%	226.5%	41.5%	15.0%		
EBITDA Business Plan 2020-23							1,299,000	4,033,000	5,280,000	6,373,000		23.69%
EBITDA Consensus							3,400,000	4,700,000	5,100,000			
%							24.9%	38.2%	8.5%			
EBIT	586,000	359,450	215,268	615,997	1,628,592	2,009,745	635,415	3,411,760	4,917,499	5,589,516	27.95%	29.14%
%		-38.7%	-40.1%	186.2%	164.4%	23.4%	-68.4%	436.9%	44.1%	13.7%		
EBIT Business Plan 2020-23							639,000	3,181,000	4,189,000	5,075,000		26.06%
EBIT Consensus							2,600,000	3,700,000	4,000,000			
Net income	368,000	112,025	114,088	96,242	812,701	974,473	-559,851	1,959,502	2,932,774	3,343,791	21.50%	36.10%
%		-69.6%	1.8%	-15.6%	744.4%	19.9%	-157.5%	-450.0%	49.7%	14.0%		
Net Income Business Plan 2020-23							-498,000	2,086,000	2,851,000	3,510,000		37.76%
Net income Consensus							1,600,000	2,400,000	2,700,000			
Eps			0.011	0.010	0.081	0.097	-0.056	0.194	0.291	0.332		
Margins												
EBITDA	20.5%	11.9%	12.2%	18.8%	19.5%	19.7%	13.4%	30.3%	35.3%	36.4%		
EBIT	16.5%	8.3%	4.3%	11.7%	15.5%	14.6%	6.5%	24.4%	28.9%	29.4%		
Net	10.4%	2.6%	2.3%	1.8%	7.7%	7.1%	-5.8%	14.0%	17.3%	17.6%		
Net Debt		772,737	1,824,338	1,935,590	2,640,425	5,685,831	8,878,631	7,866,019	6,450,832	3,496,781		
Net Debt Business Plan 2020-23							8,874,000	7,789,000	6,490,000	3,836,000		
Net Debt consensus							7,300,000	8,100,000	6,900,000			
ROE		5.6%	5.7%	5.3%	30.8%	26.3%	-16.6%	37.0%	35.8%	29.0%		
ROCE		11.7%	6.1%	19.6%	40.1%	23.8%	4.3%	21.1%	27.0%	27.1%		
Multiples												
P/E			130.7 x	117.9 x	14.3 x	13.4 x	-25.6 x	7.3 x	4.9 x	4.3 x		
EV/EBITDA			27.48 x	13.43 x	6.95 x	6.87 x	17.83 x	5.22 x	3.46 x	2.58 x		
EV/EBIT			9.51 x	3.37 x	1.75 x	2.96 x	14.47 x	2.43 x	1.45 x	0.81 x		
yield			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
P/BV			2.95	2.21	1.14	1.03	0.81	0.78	0.75	0.66		
Leverage												
Financial		34.9%	82.1%	99.6%	92.7%	143.3%	241.2%	137.2%	72.7%	27.9%		
Operating			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
EBITDA/interest expenses		4.8 x	4.9 x	8.8 x	15.5 x	7.3 x	3.3 x	8.0 x	12.2 x	15.5 x		
Net Debt/EBITDA		1.5 x	3.0 x	2.0 x	1.3 x	2.1 x	6.8 x	1.9 x	1.1 x	0.5 x		
Implied ratios at Target Price												
P/E							-47.4 x	13.6 x	9.1 x	7.9 x		
EV/EBITDA							27.2 x	8.1 x	5.5 x	4.3 x		
EV/EBIT							14.5 x	2.4 x	1.4 x	0.8 x		
yield							0.0%	0.0%	0.0%	0.0%		
Capex		959,442	765,650	575,231	2,206,909	1,326,626	3,453,534	756,805	1,214,081	1,272,363		
Capex Business Plan 2020-23								743,000	1,203,000	1,258,000		
Shares (Millions)			10.08	10.08	10.08	10.08	10.08	10.08	10.08	10.08		

Fuente: own estimates

7. DRIVERS

In our opinion, the current share price reflects a continuity of the uncertainty about the evolution of the economy in 2021 despite the good recovery shown in 2H'20 earnings according to CLERHP's recent 2020 estimates included in the 2020-23 Business Plan (published 26 November 2020).

In order to see new positive revaluation of CLERHP's share price the following points would be key:

In the short term:

- Capturing new projects

After the recent update of estimates for 2020, CLERHP would have already recover a normal pace of activity. However, we believe that the market will now look to the announcement of new contracts to confirm the recovery in the economies of the countries where it operates, and new contracts will be good indicators to measure the degree of fulfilment of the Business Plan targets too.

In the short term the main driver would be the confirmation of new contracts and the evolution in Uruguay

- Results: growth in Uruguay and evolution of margins

The second part of 2020 is likely to confirm the recovery of normal levels activity. The next publications of results will be relevant to know more about the recovery of the growth path, as well as the improvement of margins included in the Business plan, ambitious compared to those seen in previous years.

In the medium/long term:

- Decision by holders of convertible bonds from February 2022

As discussed on page 13, prices of CLERHP's share above 1.5 euros/sh. would make holders of convertibles (1.5m euros) to consider an early conversion, possible as early as February 2022 (conversion price 1.4 euros/sh.). An early conversion would have a limited dilutive impact on our valuation of c.5%.

Progress in entering new markets and the consolidation of margins at budgeted levels would be great news in the medium/long term

- Entry in new markets

CLERHP's track record in Bolivia and Paraguay has been very positive and, in our opinion, the confirmation of the entrance in other markets would be welcomed by the market.

- Margins consolidation

Improvements in CLERHP's procedures and economies of scale are the main pillars of CLERHP's projected EBITDA margin improvement (32-35% in 2022 and 2023). EBITDA margins in 2017-2019 were stable at levels of 18-20%, although to a large extent they would not be comparable due to the investments and activity in Spain which would have penalised them due to their lower margins.

8. BALANCE SHEET

Below CLERHP's Balance Sheet for the period 2015 to 2019, and estimates for 2020 to 2023 linked to our base case valuation, are included:

Balance Sheet (€ Million)	2015	2016	2017	2018	2019	2020 e	2021 e	2022 e	2023 e
Intangible Assets	6,099	12,576	9,484	287,197	421,104	352,818	296,059	250,928	215,106
Property, plant and equipment	1,248,722	1,392,549	1,196,702	2,849,088	4,203,767	6,906,173	6,856,969	7,026,836	7,014,153
Investments in Group companies	31,913	4,913	4,913	1,913	6,396	352,000	352,000	352,000	352,000
Financial assets	47,347	25,242	27,218	43,833	171,853	351,155	351,155	351,155	351,155
Deferred tax assets	0	0	0	439	90,316	83,000	83,000	83,000	83,000
Non-Current Trade receivables	0	0	0	0	23,543	0	0	0	0
TOTAL NON-CURRENT ASSETS	1,334,081	1,435,280	1,238,317	3,182,470	4,916,979	8,045,146	7,939,183	8,063,920	8,015,413
Inventories	608,322	686,508	808,483	1,027,674	1,215,490	2,048,347	2,046,425	1,723,748	1,733,622
Financial receivables	35,641	176,302	115,009	121,028	176,243	176,243	176,243	176,243	176,243
Trade receivables	952,630	2,139,017	2,393,070	3,655,708	4,248,986	3,724,267	4,167,265	4,826,494	5,547,590
Operating receivables	900,215	243,527	147,258	116,027	1,446,394	1,446,394	1,446,394	1,003,984	1,003,984
Prepaid expenses	90	6,630	7,783	9,773	23,502	23,502	23,502	23,502	23,502
Liquid funds	520,361	364,048	431,328	2,073,613	640,630	2,194,000	2,430,000	2,755,000	4,459,000
TOTAL CURRENT ASSETS	3,017,259	3,616,032	3,902,931	7,003,823	7,751,245	9,612,753	10,289,829	10,508,971	12,943,941
TOTAL ASSETS	4,351,340	5,051,312	5,141,248	10,186,293	12,668,224	17,657,899	18,229,013	18,572,891	20,959,354
Stockholders' equity	1,999,734	1,997,157	1,800,853	2,634,478	3,698,913	3,363,762	5,127,268	7,507,416	10,434,860
Minority interests	214,644	223,922	141,895	213,841	267,886	316,886	438,886	678,886	1,022,886
Provisions	18,598	28,818	32,543	25,210	67,784	-54,000	-52,000	-52,000	-52,000
Financial liabilities	1,293,098	2,188,386	2,366,918	4,714,038	6,326,461	11,072,631	10,289,807	9,407,960	8,434,543
Operating liabilities	825,266	604,806	799,039	2,598,726	2,109,623	2,761,063	2,227,495	833,073	921,508
Other liabilities	0	8,223	0	0	189,124	189,124	189,124	189,124	189,124
Deferred taxes	0	0	0	0	8,433	8,433	8,433	8,433	8,433
Total Equity and Liabilities	4,351,340	5,051,312	5,141,248	10,186,293	12,668,224	17,657,899	18,229,013	18,572,891	20,959,354

Source: CLERHP Results and own estimates

9. PROFIT & LOSS ACCOUNT

A summary of CLERHP's P&L for the period 2010 to 2019, and estimates for the period 2020 to 2023 linked to our base valuation, are included below:

P&L (€ Million)	2015	2016	2017	2018	2019	2020 e	2021 e	2022 e	2023 e
Net Revenue	4,344,929	4,980,958	5,274,376	10,526,569	13,787,513	9,709,696	13,580,820	15,729,200	18,079,200
Change (%)	22.4%	14.6%	5.9%	99.6%	31.0%	-29.6%	39.9%	15.8%	14.9%
Works completed (R&D)	0	0	0	253,905	135,509	674,222	699,096	812,988	865,616
Supplies & works 3rd parties	-1,917,415	-2,034,866	-1,435,097	-3,290,175	-4,057,721	-2,815,812	-3,850,162	-4,372,718	-5,179,691
Gross Profit	2,427,514	2,946,092	3,839,279	7,490,299	9,865,301	7,568,106	10,429,753	12,169,470	13,765,126
margin (%)	55.9%	59.1%	72.8%	71.2%	71.6%	77.9%	76.8%	77.4%	76.1%
Staff cost	-534,615	-824,646	-996,692	-2,929,034	-5,113,927	-4,216,831	-4,301,168	-4,611,645	-4,905,731
Other operating income	11,330	32,465	0	90,562	218,550	66,000	73,000	73,000	73,000
Other operating expenses	-1,386,026	-1,544,708	-1,853,013	-2,597,350	-2,247,050	-2,116,714	-2,187,870	-2,351,515	-2,549,167
EBITDA	518,203	609,203	989,574	2,054,477	2,722,874	1,300,561	4,013,715	5,279,310	6,383,227
margin (%)	11.9%	12.2%	18.8%	19.5%	19.7%	13.4%	29.6%	33.6%	35.3%
Amortization charges	-245,031	-421,839	-409,971	-347,028	-722,516	-822,414	-862,768	-1,089,345	-1,320,869
Allocation of subsidies	0	0	0	0	8,433	0	0	0	0
Impairments and disposals of asse	96,312	7,688	49,520	-5,293	-53,658	157,268	28,000	0	0
<i>Other Results</i>	-10,034	20,216	-13,126	-73,564	54,612	0	0	0	0
EBIT	359,450	215,268	615,997	1,628,592	2,009,745	635,415	3,178,948	4,189,966	5,062,358
margin (%)	8.3%	4.3%	11.7%	15.5%	14.6%	6.5%	23.4%	26.6%	28.0%
Net Financial Results	55,855	21,228	-366,727	-253,131	-625,724	-927,898	-528,662	-496,594	-460,622
EBT	415,305	236,496	249,270	1,375,461	1,384,021	-292,483	2,650,286	3,693,372	4,601,736
Taxes	-245,635	-126,769	-166,829	-495,046	-353,127	-218,368	-736,779	-1,045,224	-1,302,291
Consolidated Net Profit	169,670	109,727	82,441	880,415	1,030,894	-510,851	1,913,506	2,648,148	3,299,445
Minority interest	57,645	-4,361	-13,801	67,714	56,421	49,000	122,000	240,000	344,000
Net income	112,025	114,088	96,242	812,701	974,473	-559,851	1,791,506	2,408,148	2,955,445
margin (%)	2.6%	2.3%	1.8%	7.7%	7.1%	-5.8%	13.2%	15.3%	16.3%

Source: CLERHP Results and own estimates

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