



Capital line

Construction engineering

CLERHP

Capital line and beginning in continuous market

11 March 2021

Price/sh.	€ 1.83
Market Cap.	€ 18.4m
EV	€ 22.2m
Number of shares	10.07m
Free-Float	23.1%
Code	CLR
Stock Exchange	MAB (BME)
YTD evolution	+38.6%

Shareholders (last update 31/12/2020)

Rhymar Projects Dev., S.L. 48.31%
 D. Alejandro Clemares Sempere 12.05%,
 D. Felix Poza Ceballos 6.40%, Victor
 Manuel Rodríguez Martín 6.53%,
 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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On 3 March, CLERHP announced the subscription of a capital line for € 10 m (at current prices 57% of Market Cap. and 38% of the EV'20e) with the alternative investment group LDA Capital Limited. CLERHP will be able to apply for the use of the facility at any time during the next 3 years (see conditions on the next page).

In addition, Rhymar Project Developer, S.L. as majority shareholder granted LDA a call option for 341,000 CLERHP shares (3.5% of the total issued shares) at € 3/sh. to be exercised over the next 3 years.

Finally, CLERHP started trading on the continuous market on Monday 8 March 2021.

The Capital line will allow CLERHP to meet two objectives: (i) to provide comfort to banks and hybrid debt holders by incorporating a line that guarantees the ability to raise capital on demand, **(ii) to have a line of financing for digital projects** that, because they are still at an early stage and do not contribute to cash flows, would be more convenient to finance with equity.

Initially, the market responded to the announcement of the capital facility with a strong rebound of 10% until the closing bell on 5 March prior to CLERHP's listing on the continuous market on 8 March. Since then, CLERHP share has fallen 13.7% but continues to accumulate a strong appreciation of +38.6% in 2021.

In our view, the Capital line strengthens CLERHP's position to face future challenges while reducing the uncertainty still linked to Covid19. Despite CLERHP confirmed the recovery of activity in its 9M'20 Results, including a Q3'20 in 2019 normalised levels, the impact of the Covid19 in the activity would mean closing 2020 with a debt of c. €8.87m of debt or 6.8x ND/EBITDA'20e. These debt levels would be at 3.12x if we extrapolate the expected 2H'20 Results, improving to 2x by the end of 2021 with CLERHP's 20-23 Business Plan estimates (+49% Revenue'21 and in line with 2019, and +208% EBITDA'21 up to € 4m vs. € 2.7m in 2019). In this regard, note that the signed project backlog as of February 2021 exceeded € 25m.

In any case, we believe the key for CLERHP's share price in the short term is the announcement of new contracts that improves the visibility to CLERHP's ambitious Business Plan (+7% CAGR'19-23 in Revenue, +23.7% CAGR'19-23 in EBITDA, and +37% CAGR'19-23 in Net Profit).

According to our estimates, CLERHP is trading at 13.2x P/E'21, and 7.9x EV/EBITDA'21, and 9.9x P/E'22, and 5.9x EV/EBITDA'22. 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).



1. CAPITAL LINE WITH LDA CAPITAL LIMITED

CLERHP may request the use of the facility at any time during the next 3 years. The number of shares to be subscribed in each notification may not exceed the maximum daily volume of shares permitted by BME Growth during the fifteen days prior to the notification of the subscription.

The ability of the Company to issue a Subscription Notification is subject to (i) prior compliance with various conditions relating to delivery by Rhymar Projects Developer, SL, - majority shareholder of the Company, intervening in the agreement as a potential share lender (hereinafter, the Lender), which guarantees the availability of securities for the operation to be carried out - of a number of shares equal to that included by the Company in the Subscription Notification, (ii) that the company meets all the requirements derived from the applicable regulations, (iii) that the Company's shares continue to be admitted to trading and that their trading has not been suspended in the thirty preceding trading days, (iv) the validity of the authorization to the Board of Directors by the Board of Directors. Shareholders of the Company and the remaining permits necessary for the issuance of new shares, (v) the validity of the declarations and CLERHP ESTRUCTURAS, S.A. Av. Europa, 3B, entresuelo 1 30007 Murcia (España) guarantees made by the Company to LDA and in general (vi) the fulfillment by both parties of the commitments assumed in the agreement

Once each Subscription Notification has been received by LDA, a period of fifteen stock market trading days will be opened that will be used as the reference period (hereinafter, the Reference Period) for setting the issue price of the new shares to be subscribed by LDA. During each of the trading days of the Reference Period, LDA may (although it will not be obliged to do so) sell shares of the Company through a single market member for a daily amount that will not exceed one-fifteenth number of shares included in the Subscription Notice.

For further details please see the official communication of CLERHP ESTRUCTURAS, S.A. of 3 March 2021.

LDA Capital Limited is a US-based alternative investment group with international presence (more than 200 deals in 43 countries with an aggregate value of USD 10Bn). LDA Capital Limited has recently closed similar deals with other European listed companies such as Crescent NV and Netweek Spa.



2. CALL OPTION LDA CAPITAL LIMITED

In addition to the announcement by CLERHP of the subscription of the Capital line with LDA Capital Rhymar, Project Developer, S.L., as majority shareholder, announced the granting to LDA of an option for 341,000 CLERHP shares (3.5% of the total number of shares currently issued) at € 3/sh. to be exercised over the next 3 years.

We understand this call option as part of the payment of the subscription of the capital line, so its strike price (€ 3/sh, +64% vs. closing price) would have a limited value as a valuation reference for CLERHP.

Our base case scenario includes estimates aligned with those of CLERHP's Business Plan, obtaining a valuation of € 2.36/sh. (28.9% 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. (-19.6% potential). 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. (+44% upside). This acceleration would allow the completion of a new market (new city) which would bring in € 2.5-3m in total, plus further progress on a second new market.

Digital projects linked to the 2020 acquisitions of Civigner S.L. and Visual Technology LAB could be a source of growth for CLERHP in the future, but we do not have sufficient information about them yet.

3. 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
Intangible Assets	6,099	12,576	9,484	287,197	421,104	352,818	296,059	250,928	215,10
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	7,014,15
Investments in Group companies	31,913	4,913	4,913	1,913	6,396	352,000	352,000	352,000	352,00
Financial assets	47,347	25,242	27,218	43,833	171,853	351,155	351,155	351,155	351,15
Deferred tax assets	0	0	0	439	90,316	83,000	83,000	83,000	83,00
Non-Current Trade receivables	0	0	0	0	23,543	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	8,015,41
Inventories	608,322	686,508	808,483	1,027,674	1,215,490	2,048,347	2,046,425	1,723,748	1,733,62
Financial receivables	35,641	176,302	115,009	121,028	176,243	176,243	176,243	176,243	176,24
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	5,547,59
Operating receivables	900,215	243,527	147,258	116,027	1,446,394	1,446,394	1,446,394	1,003,984	1,003,98
Prepaid expenses	90	6,630	7,783	9,773	23,502	23,502	23,502	23,502	23,50
Liquid funds	520,361	364,048	431,328	2,073,613	640,630	2,194,000	2,430,000	2,755,000	4,459,00
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	12,943,94
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	20,959,35
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	10,434,86
Minority interests	214,644	223,922	141,895	213,841	267,886	316,886	438,886	678,886	1,022,88
Provisions	18,598	28,818	32,543	25,210	67,784	-54,000	-52,000	-52,000	-52,00
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	8,434,54
Operating liabilities	825,266	604,806	799,039	2,598,726	2,109,623	2,761,063	2,227,495	833,073	921,50
Other liabilities	0	8,223	0	0	189,124	189,124	189,124	189,124	189,12
Deferred taxes	0	0	0	0	8,433	8,433	8,433	8,433	8,43
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	20,959,35

Source: CLERHP Results and own estimates

4. 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
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	18,079,20
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	865,61
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	-5,179,69
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	13,765,12
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	-4,905,73
Other operating income	11,330	32,465	0	90,562	218,550	66,000	73,000	73,000	73,00
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	-2,549,16
EBITDA	518,203	609,203	989,574	2,054,477	2,722,874	1,300,561	4,013,715	5,279,310	6,383,22
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	-1,320,86
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	5,062,35
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	-460,62
EBT	415,305	236,496	249,270	1,375,461	1,384,021	-292,483	2,650,286	3,693,372	4,601,73
Taxes	-245,635	-126,769	-166,829	-495,046	-353,127	-218,368	-736,779	-1,045,224	-1,302,29
Consolidated Net Profit	169,670	109,727	82,441	880,415	1,030,894	-510,851	1,913,506	2,648,148	3,299,44
Minority interest	57,645	-4,361	-13,801	67,714	56,421	49,000	122,000	240,000	344,00
Net income	112,025	114,088	96,242	812,701	974,473	-559,851	1,791,506	2,408,148	2,955,44
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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