

6m Results 2021

Opinion ⁽¹⁾: Below expectations

Impact ⁽¹⁾: We will maintain our estimates

David López Sánchez – david.lopez@lighthouse-ieaf.com

+34 915 904 226

Business description

Kompuestos (KOM), is a Spanish chemical company (Barcelona), that produces mineral based concentrates (fillers) and colour and additive concentrates (masterbatches) for the plastics transformation industry, including resins for the creation of bioplastics. With a nominal production capacity of 220,510 tonnes, it is controlled and run by the founding family (62.2% of capital).

Market Data

Market Cap (Mn EUR and USD)	29.4	34.4
EV (Mn EUR and USD) ⁽²⁾	39.4	46.0
Shares Outstanding (Mn)	12.2	
-12m (Max/Med/Min EUR)	2.76 / 2.48 / 2.20	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	6.1	
Factset / Bloomberg	KOM-ES / KOM SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Ignacio Duch and family	62.2
Free Float	37.8

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-2.4	3.4	-9.0	n.a.
vs Ibex 35	-5.2	0.1	-34.7	n.a.
vs Ibex Small Cap Index	-2.8	6.6	-31.7	n.a.
vs Eurostoxx 50	-6.5	0.2	-36.3	n.a.
vs Sector benchmark ⁽⁴⁾	-5.9	2.1	-31.5	n.a.

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 2.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) vs Stoxx Europe 600 Chemicals.

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

1H21: A return to high revenue growth, but with pressure on margins

STRONG REVENUE GROWTH (+33.5% VS 1H20)... After the 2020 stoppage, 1H21 results evidence a recovery of KOM's growth levels, with revenue of EUR 30Mn (+33.5% vs 1H20; +23% vs 1H19), boosted by the larger volume of tonnes sold (+18% vs 1H20; with a good performance by the specialities business that has higher added value) and higher prices for its products (c. +15% vs 1H20).

... ALTHOUGH MARGINS ARE UNDER PRESSURE. The general increase in KOM's raw materials and main supplies translated to a loss of 2.3p.p. in gross margin terms, this closing 1H21 at 27.3% (vs 29.6% in 1H20 and 30.1% for the whole of 2020). This was below our estimate for the year as a whole (2021e: 29.5%).

AND, DESPITE THE BACKDROP, EBIT WAS POSITIVE AGAIN. In 1H21 KOM generated EBIT of EUR 0.4Mn (vs losses of EUR -0.2Mn in 1H20) although the c. 2p.p. contraction of the gross margin and the c. 20% increase in other operating expenses (mainly because of a higher energy bill) cut the EBIT margin to 1.4% (vs 3.4% expected for 2021e).

THE FOCUS REMAINS ON DEBT REDUCTION (ND: -6.4% VS 2020). Working capital management in 1H21 meant KOM generated EUR 0.8Mn of cash flow, that translated to a reduction in ND to EUR 10.2Mn (-6.4% vs 2020). This implies a ND/Equity ratio of 0.7x (in line with levels seen in 2020 and 2019). We would underscore that in 1H21 KOM made an early repayment of EUR 1Mn on the Alteralia loan (EUR 3Mn remains pending) that should allow the company to reduce the cost of debt already from 2H21.

WE MAINTAIN OUR ESTIMATES, ALTHOUGH THE 1H21 GROSS MARGIN IS A WAKE-UP CALL. We maintain our estimates in the light of revenue in line (and with strong growth) and expectations for the recovery of the 2019 margin in 2H21 (thanks to the focus on niche products). But we should not lose sight of the 1H21 gross margin figure (-2p.p. vs our estimate for the year as a whole), that could be explained by the current (circumstantial) difficulty in passing on to sale prices the increase in costs (prices of main raw materials and transport).

Table 1. 1H21 Results

	6m21	6m21 Real	2021e vs	2020
EUR Mn	Real	6m20	vs 6m20	2021e
Total Revenues	30.0	22.4	33.5%	54.6
Mass production	23.8	18.4	29.5%	
Specialities	5.6	3.5	61.5%	
Raw Materials	0.5	0.6	-4.8%	
Other income	0.0	0.0	-73.7%	
Recurrent EBITDA¹	1.2	0.7	71.6%	3.3
Rec. EBITDA/Revenues	4.0%	3.1%	0.9 p.p.	6.1%
EBIT	0.4	-0.2	352.7%	1.9
NP	0.0	-0.6	97.0%	0.7
Free Cash Flow	0.8	0.8	7.6%	-0.4
Net Debt	10.2	10.9	-6.4%	11.3
ND / EBITDA	0.7 x	0.7 x	0.0 x	0.7 x

(1) Recurrent EBITDA adjusted to strip out: (i) expenses associated with extraordinary operations (EUR 0.1Mn in 1H21 and EUR 0.2Mn in 1H20) and (ii) capitalised R+D expenses (EUR 0.7Mn in 1H21 and EUR 0.5Mn in 1H20).

Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	29.4	
+ Minority Interests	-	6m Results 2021
+ Provisions & Other L/T Liabilities	0.2	6m Results 2021
+ Net financial debt	10.2	6m Results 2021
- Financial Investments	0.1	6m Results 2021
+/- Others ⁽¹⁾	(0.3)	Lighthouse
Enterprise Value (EV)	39.4	

(1) Related to the market value of Treasury Stock.

IMPORTANT LEGAL INFORMATION REGARDING THIS REPORT

LIGHTHOUSE

Lighthouse is a project of IEAF Servicios de Análisis S.L.U. Lighthouse is a research project funded by Bolsas y Mercados Españoles S.A. Lighthouse aims to improve the research coverage of the "orphan stocks" of the Spanish market: those which lack real and continuous research coverage. Lighthouse reports will not include valuation and target price. Lighthouse does not seek to provide investment advice to any natural or legal person. For this reason, Lighthouse will not provide a valuation, target price or investment recommendation for any of the securities analysed.

IEAF Servicios de Análisis S.L.U. is a Spanish company whose corporate purpose is:

- 1º) To provide information and financial analysis regarding securities issued by any class of legal person traded on official secondary markets, and specifically those securities which are not the object of the recurrent provision of information and analysis by financial analysts who participate in the markets.
 - 2º) To publicise and update the aforementioned financial reports and analysis, in addition to the monitoring and following of the securities on which the information and analysis is provided.
 - 3º) To prepare studies and projects aimed at proposing and implementing measures to improve the information and financial analysis of securities traded on official secondary markets.
- IEAF Servicios de Análisis S.L.U. is a company whose sole shareholder is the Instituto Español de Analistas Financieros (IEAF), a professional, not for profit association.

DISCLAIMER

The Instituto Español de Analistas Financieros (IEAF) hereby certifies that the analyst of IEAF Servicios de Análisis S.L.U. whose name figures as the author of this report, expresses views that reflect their personal and independent opinion of the company analysed without these implying, either directly or indirectly, a personalised recommendation of the company analysed for purposes of providing investment advice. This report is based on the preparation of detailed financial projections from information available to the public and following traditional fundamental research methodology (i.e. it is not a technical or quantitative analysis report). For the analysis methodology used in the preparation of this report, please contact the analyst directly; contact details are included on the front page of this report.

The report includes basic information regarding the main parameters to be used by an investor when making their own valuation (whether by discounted cash flows or multiples). These parameters are the personal opinion or estimate of the analyst. The person receiving this report should use their own judgement when using these parameters and should consider them as another element in their decision-making process in respect of investment. These parameters do not represent a personalised investment recommendation.

Rules governing confidentiality and conflicts of interest

None of the following rules governing confidentiality and conflicts of interest (12) is applicable to this report:

1. This report is non-independent research as it has been commissioned by the company analysed (issuer).
2. In the last 12 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., has had Investment Banking mandates or has managed or co-managed a public offering of the securities of the issuer, or has received compensation from said issuer for Investment Banking services, that exclude brokerage services for prepaid fees.
3. In the next 6 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., expects to receive or intends to obtain compensation for Investment Banking services provided to this company that exclude brokerage services for prepaid fees.
4. The Investment Analyst or a member of the Research Department or a member of their household has a long position in the shares or derivatives of the corresponding issuer.
5. The Investment Analyst or a member of the Research Department or a member of their household has a short position in the shares or derivatives of the corresponding issuer.
6. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a long position of over 0.5% of the issuer's capital.
7. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a short position of over 0.5% of the issuer's capital.
8. At the end of the month immediately prior to the publication of this report, or of the previous month if the report is published in the ten days following the end of the month, the company analysed (the issuer) or any of its subsidiaries held 5% or more of any class of equity security of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U.
9. A senior director or officer of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., or a member of their department is a director, officer, advisor or member of the Board of Directors of the issuer and/or one of its subsidiaries.
10. The Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., acts as broker for the Issuer for the corresponding prepaid fees.
11. The contents of this report related to the financial analysis, financial projections, valuation, investment summary and opinion of the analyst have been reviewed by the issuer prior to its publication.
12. The issuer has made changes to the contents of this report prior to its distribution.

The Investment Analysts who have prepared this Investment Analysis are employees of IEAF Servicios de Análisis S.L.U. These analysts have received (or will receive) compensation according to the general earnings of IEAF Servicios de Análisis S.L.U. To obtain a copy of the Code of Conduct of IEAF Servicios de Análisis S.L.U. (in respect of the Management of Conflicts of Interest in the research department), please use the e-mail address secretaria@ieaf.es or consult the contents of this Code at www.ieaf.es.

IEAF Servicios de Análisis S.L.U. is compensated by Bolsas y Mercados Españoles, S.A. for the preparation of this report. This report should be considered as just another element in the taking of investment decisions.

A report issued by IEAF servicios de análisis S.L.U.

All rights reserved. The unauthorised use or distribution of this report is prohibited. This document has been prepared and distributed, according to the provisions of the MiFID II by IEAF Servicios de Análisis S.L.U. Its corporate activity is regulated by the CNMV (the Spanish Securities Exchange Commission). The information and opinions expressed in this document do not represent nor are they intended to represent an offer or a solicitation to buy or sell the securities (in other words, the securities mentioned in this report and related warrants, options, rights or interests). The information and opinions contained in this document are based upon information available to the public and have been obtained from sources believed to be reliable by IEAF Servicios de Análisis S.L.U., but no guarantee is given regarding their accuracy or completeness. All comments and estimates reflect solely the opinion of IEAF Servicios de Análisis S.L.U. and do not offer any implicit or explicit guarantee. All the opinions expressed are subject to change without prior warning. This document does not take into account the specific investment objectives, financial position, risk profile or other specific aspects of the person who receives this document, and accordingly they should exercise their own judgement in this respect. Neither the Instituto Español de Analistas Financieros nor its subsidiary, IEAF Servicios de Análisis S.L.U., assumes any responsibility for direct or indirect losses arising from the use of the published research, except in the event of negligent conduct by IEAF Servicios de Análisis S.L.U. The information contained in this report is approved for distribution to professional clients, eligible counterparties and professional advisers, but not for distribution to private individuals or retail clients. Its reproduction, distribution or

publication for any purpose without the written authorisation of IEAF Servicios de Análisis S.L.U. is prohibited. The Instituto Español de Analistas Financieros (IEAF) and/or its subsidiary IEAF Servicios de Análisis S.L.U., their employees and directors, may hold a position (long or short) in an investment knowing that this issuer will be the object of analysis and that this analysis will be distributed to institutional investors. Any further information regarding the contents of this report will be provided upon request. IEAF Servicios de Análisis S.L.U. intends to publish (at least) one quarterly report or note updating the information on the company analysed.

United States. IEAF Servicios de Análisis S.L.U. is not registered in the United States and, consequently, is not subject to the regulations of that country governing the preparation of research and the independence of analysts. This report is distributed solely to major US institutional investors, in reliance on the exemption from registration provided by Rule 15a-6 of the US Securities Exchange Act of 1934, as amended (the "Exchange Act"), and interpretations of this made by the US Securities Exchange Commission.

Major US Institutional Investors. This report will be distributed to "major US institutional investors", as defined by Rule 15a-6 of the US Securities Exchange Commission and of the US Securities Exchange Act of 1934.

Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
29-Oct-2021	n.a.	2.42	n.a.	n.a.	6m Results 2021	David López Sánchez
28-Jul-2021	n.a.	2.38	n.a.	n.a.	Initiation of Coverage	David López Sánchez

