

**12m Results 2023**

 Opinion <sup>(1)</sup>: Above expectations

 Impact <sup>(1)</sup>: We will have to raise our estimates

Enrique Andrés Abad, CFA – enrique.andres@institutodeanalistas.com

+34 915 904 226

## FY23 earnings: "lift-off" in recurring EBITDA to EUR 3.8Mn (2x rec. EBITDA 2022)

**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 (c.65% of capital).

**Market Data**

Market Cap (Mn EUR and USD)	8.5	9.3
EV (Mn EUR and USD) <sup>(2)</sup>	20.4	22.3
Shares Outstanding (Mn)	12.2	
-12m (Max/Med/Mín EUR)	1.12 / 0.87 / 0.70	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation <sup>(3)</sup>	5.0	
Factset / Bloomberg	KOM-ES / KOM SM	
Close fiscal year	31-Dec	

**Shareholders Structure (%) <sup>(5)</sup>**

Ignacio Duch and family	63.8
Noriande Global	8.1
Gestión y administración	5.1
Gant Finance	5.0
Free Float	13.0

**Relative performance (Base 100)**

**Stock performance (%)**

	-1m	-3m	-12m	-5Y
Absolute	-8.5	-11.4	-35.8	n.a.
vs Ibex 35	-12.1	-13.7	-42.6	n.a.
vs Ibex Small Cap Index	-7.4	-11.3	-30.6	n.a.
vs Eurostoxx 50	-12.8	-19.3	-45.5	n.a.
vs Sector benchmark <sup>(4)</sup>	-14.9	-15.7	-42.1	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.

(5) Others: Associats TJ 5.0%

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

**DROP IN REVENUE (AS EXPECTED) ...** KOM obtained total revenue in 2023 of EUR 46.2Mn (-10.4% vs 2022; -16.5% vs our estimates), with the decline due to lower prices vs 2022, as sales volume (in tonnes sold) was 7.9% higher. The share of the international business in the revenue mix was largely unchanged (59% vs 61% in 2022).

**...BUT RECURRING EBITDA DOUBLED TO EUR 3.8MN.** The sharp improvement in gross margin (+4p.p. vs 2022) to 34.3% (vs 30.3% and 32.7% in 2022 and 1H23, respectively), coupled with a fall in other operating expenses (-16.9% vs 2022), led to a twofold increase in recurring EBITDA to EUR 3.8Mn (vs EUR 1.9Mn in 2022). We see room for further margin expansion given KOM's operational gearing and, especially, the scalability of the capacity increases already made. And this should feed through to higher recurring FCF. Below EBITDA, amortisation and depreciation was down by EUR 2.9Mn from the year before. We are upgrading our estimates for recurring EBITDA 2024e – 2026e.

**NET DEBT: EUR 11.8MN (VS EUR 12.5 MN IN 2022).** KOM ended 2023 with EUR 11.8Mn of net debt, leaving an ND/rec. EBITDA multiple of 3.1x 2023 (vs 6.5x 2022). Net finance expense for the year amounted to EUR 1.5Mn and continued to weigh on the bottom line, which was close to break-even (net loss of EUR 0.1Mn in 2023 vs a net loss of EUR 1.3Mn in 2022).

**FY23 EARNINGS: KOM'S EQUITY STORY IS STARTING TO TAKE SHAPE.** Earnings in 2023 confirmed margin expansion (2x rec. EBITDA 2022), which was already apparent in 1H23. KOM's equity story is starting to take shape: improvement in profitability and higher share of biodegradable products (the mainstay of KOM's strategy) in the mix. With a direct impact on margins and a "leap" in EBITDA.

**MAIN TAKEAWAY: STRONG IMPROVEMENT IN EBITDA. TRADING AT FCF YIELD 2023 OF 9%.** KOM's 2023 earnings put it trading at an FCF yield of 9.0% and an EV/recurring EBITDA multiple of 5.4x, clearly the result of the plunge in the share price, to all-time lows (KOM -73.1% over the last 3 years, -77.6% vs Ibex 35, -76.4% vs sector). In the last 12 months, KOM's shares have plummeted 35.8%. This means that the market is still "clearly" shrugging off the scope for improvement in recurring EBITDA and FCF. The 2024e-2026e period will be crucial to gauge KOM's real ability to sustain the "leap" shown in 2023 and, as a result, deliver sustained improvement in profitability and cash generation. The stock's 2023 multiples indicate/confirm that, in the wake of the sharp fall in the share price, valuation upside can be considerable. Both in absolute terms and relative to the sector. FCF yield levels (approaching 10%) say it all ...

**Table 1. 2023 Results**

EUR Mn	12m23	12m23 Real	12m23 Real	12m23 Real	12m23 Real
	Real	12m22	vs 12m22	2023e	vs 2023e
<b>Total Revenues</b>	46.2	51.6	-10.4%	55.3	-16.5%
<b>Gross margin</b>	15.8	15.6	1.4%	17.6	-10.3%
<i>Gross margin/Revenues</i>	34.3%	30.3%	4.0 p.p.	31.9%	2.4 p.p.
<b>Recurrent EBITDA<sup>1</sup></b>	3.8	1.9	95.8%	3.4	10.5%
<i>Rec. EBITDA/Revenues</i>	8.2%	3.8%	4.4 p.p.	6.2%	2.0 p.p.
<b>EBITDA<sup>1</sup></b>	3.8	1.7	125.9%	3.4	11.9%
<i>EBITDA/Revenues</i>	8.3%	3.3%	5.0 p.p.	6.2%	2.1 p.p.
<b>EBIT</b>	1.4	-0.4	454.5%	1.6	-11.8%
<b>PBT</b>	-0.1	-1.8	93.2%	0.2	-153.5%
<b>NP</b>	-0.1	-1.3	91.4%	0.2	-163.8%
<b>Net Debt</b>	11.8	12.5	-5.4%	11.4	3.9%

Note 1: Rec. EBITDA and EBITDA adjusted to exclude the impact of capitalised expenses.

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## Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	8.5	
+ Minority Interests	-	12m Results 2023
+ Provisions & Other L/T Liabilities	0.3	12m Results 2023
+ Net financial debt	11.8	12m Results 2023
- Financial Investments	0.2	12m Results 2023
+/- Others		
<b>Enterprise Value (EV)</b>	<b>20.4</b>	

## LIGHTHOUSE

Calle Núñez de Balboa, 108 1ª Planta  
28006 Madrid  
T: +34 915 904 226  
[institutodeanalistas.com/lighthouse](https://institutodeanalistas.com/lighthouse)

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**Alfredo Echevarría Otegui**  
Head of research  
alfredo.echevarria@institutodeanalistas.com

**Luis Esteban Arribas, CESGA**  
Equity research  
luis.esteban@institutodeanalistas.com

**Enrique Andrés Abad, CFA**  
Equity research  
enrique.andres@institutodeanalistas.com

**José Miguel Cabrera van Grieken**  
Equity research  
jose.cabrera@institutodeanalistas.com

**Jesús López Gómez, CESGA**  
ESG Analyst & Data analytics  
jesus.lopez@institutodeanalistas.com

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
13-Mar-2024	n.a.	0.70	n.a.	n.a.	12m Results 2023	Enrique Andrés Abad, CFA
29-Aug-2023	n.a.	0.90	n.a.	n.a.	6m Results 2023	Enrique Andrés Abad, CFA
12-Jun-2023	n.a.	0.88	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
08-May-2023	n.a.	0.80	n.a.	n.a.	3m Results 2023 - Estimates downgrade	David López Sánchez
31-Oct-2022	n.a.	1.07	n.a.	n.a.	6m Results 2022 - Estimates downgrade	David López Sánchez
15-Feb-2022	n.a.	1.94	n.a.	n.a.	12m 2021 Preliminary results	David López Sánchez
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

