

Company Update

Analyst(s) Re-initiation of coverage

10 May 2024

Buy

from Not rated

Share price: EUR 3.84

closing price as of 09/05/2024

Target price: EUR 12.30

Upside/Downside Potential 220.3%

Reuters/Bloomberg

CLRE.MC/CLR SM

Market capitalisation (EURm) 54

Current N° of shares (m) 14

Free float 44%

Daily avg. no. trad. sh. 12 mth (k) 26

Daily avg. trad. vol. 12 mth (k) 22.01

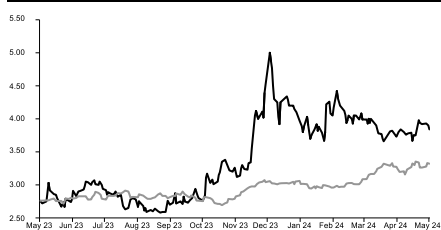
Price high/low 12 months 5.00 / 2.57

Abs Perfs 1/3/12 mths (%) 2.67/-7.91/39.13

Key financials (EUR)	12/23	12/24e	12/25e
Sales (m)	19	31	81
EBITDA (m)	6	11	18
EBITDA margin	34.6%	37.4%	22.1%
EBIT (m)	5	10	16
EBIT margin	27.7%	31.7%	19.8%
Net Profit (adj.)(m)	3	5	12
ROCE	23.6%	64.9%	272.4%
Net debt/(cash) (m)	12	3	(12)
Net Debt Equity	2.0	0.2	-0.4
Net Debt/EBITDA	1.9	0.3	-0.7
Int. cover(EBITDA/Fin.int)	7.8	4.5	5.9
EV/Sales	3.8	1.9	0.5
EV/EBITDA	11.1	5.0	2.3
EV/EBITDA (adj.)	11.1	5.0	2.3
EV/EBIT	13.9	5.9	2.6
P/E (adj.)	17.7	11.0	5.7
P/BV	8.8	3.5	2.3
OpFCF yield	-4.4%	9.8%	27.9%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	0.24	0.35	0.67
BVPS	0.48	1.10	1.68
DPS	0.00	0.00	0.00

Shareholders

Romero Family 27%; Trina World Wide 10%; Alejandro Cremares 8%;



Source: FactSet

CLERHP ESTRUCTURAS IGBM (Rebassed)

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Larimar, CLERHP's hidden value.

The transformation of CLERHP since 2022 has been relevant, it has gone from being an engineering company to being now also the developer of a large real estate project in Punta Cana (Larimar City). The land for this project is already developable, its cost is already closed and is reduced. In addition, the project is eligible for the Confotur tax regime, which allows developers to avoid paying taxes in the Dominican Republic. Sales have already started (EUR 59.7m 2023, EUR 72.5m as of March) and the quality of the product and its positioning lead us to believe that it is possible to sell EUR 956m by 2028. All this will translate into impressive operating cash flow generation in Larimar until 2028 (EUR 238m), which explains the bulk of our CLERHP valuation (EUR 8.8/Share, out of EUR 12.3), reflecting the large hidden value in CLERHP. We resume our coverage of the stock with a Buy recommendation.

- ✓ Historically, CLERHP Estructuras was made up of a group of companies dedicated to structural engineering and specifically to the design, calculation, construction of structures and technical assistance in construction. The bulk of its portfolio is in the Dominican Republic (85% of the total).
- ✓ In 2022, it began its real estate development activity with a large real estate project in Punta Cana (Larimar City) which will involve the construction of 22,000 homes over 10 years. It is a project located 15 km from Punta Cana, the main tourist city in the Dominican Republic and the same distance from the country's main airport (Punta Cana International Airport). It is an inland project where CLERHP aims to create a city not only for tourism but also for temporary or permanent residential demand.
- ✓ CLERHP has promoted the urban re-classification of the land, it is already developable and its acquisition will be carried out in phases with a price already closed. Now it is time to apply for the licences for the building towers that will be constructed, a process that will be carried out in stages and which in principle would already be free of urban development risk.
- ✓ Construction will be carried out by Inecar (a group company) and CLERHP will be in charge of project management and engineering. Earthworks have already started and the first deliveries are expected by the end of 2025.
- ✓ The low cost of land acquisition and a favourable tax regime (Confotur) will allow the operating cash flow generated by this project in the period 2023/2028 to be large (EUR 238m) assuming that 5,599 units are sold. As of December, 585 units had already been sold (EUR 60m).
- ✓ To value Larimar we take into account the cash flows that the project will generate in the period 2023-2028 and discount it conservatively at 20%. We obtain EUR 8.8 per CLERHP share to which we add a valuation for the engineering business of 6x EV/EBITDA24. In total we get a target price of EUR 12.3/share.
- ✓ In 2025 we expect CLERHP to already have a cash position derived from progressive cash generation and support from the capital increases carried out in 2023 and 2024.

CONTENTS

From engineering to real estate development.	3
Larimar on the hunt for the international customer.	5
The project	5
Licenses	6
The Construction	7
Marketing.	7
Competition.	8
A low cost of land and a favorable tax regime maximize Larimar's CF.	9
A great source of value creation.	12
Engineering, focused on the Dominican Republic.	13
Design and calculation of structures	13
Technical assistance on site.	13
Project Management.	14
Construction of structures.	14
A cruising speed of EUR 30m of sales.	14
Efficient engineering.	16
High EBITDA margin due to low costs.	17
Debt will be reduced quickly.	18
Larimar makes up the bulk of the valuation.	20
Risks	22

From engineering to real estate development.

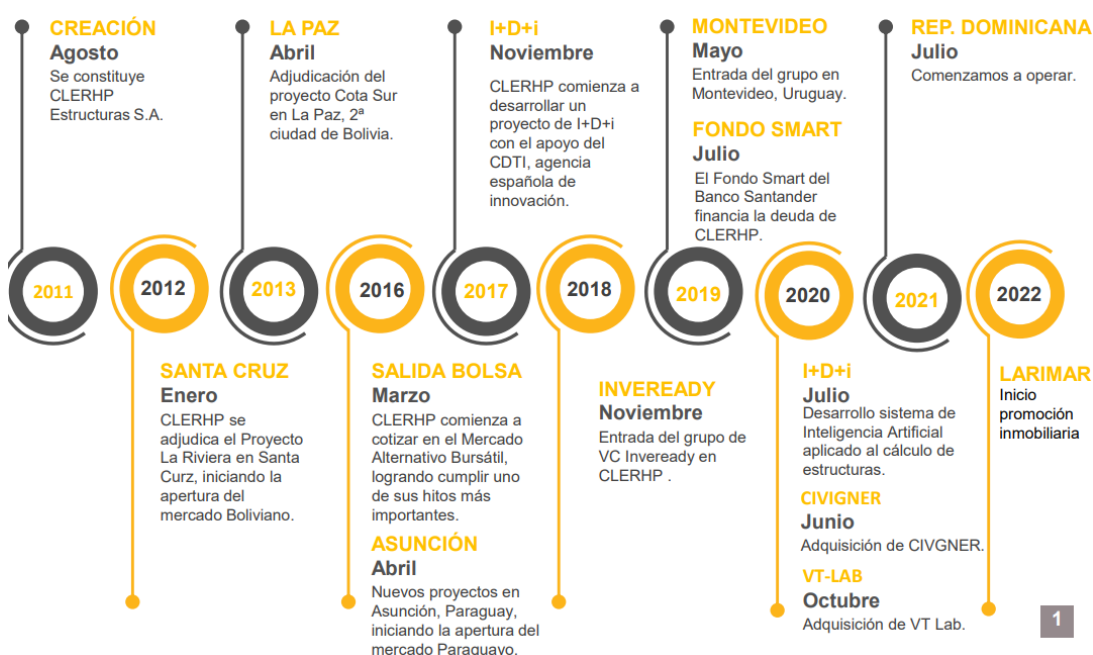
CLERHP Estructuras was established in 2011 as a group of companies dedicated to the engineering of structures and specifically to the design, calculation and construction of structures. It also carried out technical assistance services in construction and also diversified into the construction machinery rental business, although the bulk of the latter business was intra-group.

HISTORICAL PERFORMANCE												
EUR m	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Sales	0.56	0.69	1.46	4.34	4.98	5.27	10.53	13.79	10.58	5.99	14.08	18.52
		22.9%	111.9%	198.0%	14.6%	5.9%	99.6%	31.0%	-23.3%	-43.4%	135.2%	31.5%
EBITDA	-0.07	0.21	0.98	0.52	0.61	0.99	1.98	2.72	1.66	-2.92	4.27	6.41
		-408.8%	375.7%	-47.1%	17.6%	62.7%	99.3%	37.9%	-39.0%	-275.9%	-246.1%	50.1%
Net Income	-0.09	0.11	0.67	0.11	0.11	0.10	0.81	1.03	-1.14	-5.00	1.01	0.74
		-224.7%	528.3%	-83.2%	1.8%	-15.8%	745.3%	26.9%	-210.2%	340.3%	-120.3%	-27.2%

Source: CLERHP

CLERHP is the provider of structural engineering services for architects, construction companies, developers, especially in the building segment, having participated in the development of all types of projects including high-rise buildings, offices, hotels, schools, universities and housing.

The bulk of CLERHP Estructuras' business has been generated abroad, given the high competition and the low prices obtained in the Spanish market. In the first years of its journey, it settled in Bolivia, Paraguay and Uruguay and more recently (2021) began its activity in the Dominican Republic. After covid, the business in Bolivia was sold (its collection will take place in December 2024) and Uruguay was closed.



By companies, CLERHP Estructuras España is in charge of the design, calculation and technical assistance activities. Inecar is the construction subsidiary in the Dominican Republic and CLERHP Estructuras Paraguay is the construction subsidiary in Paraguay, both of which have their own machinery park for the execution of construction.

The turning point was the entry into the infrastructure engineering business in the Dominican Republic in 2021 and especially in 2022 with the launch of the large real estate project Larimar City & Resort in Punta Cana. This project is not just another tourist project, it also aims to attract a residential demand that is looking for permanent or temporary housing.

This real estate project will involve the construction of 22,000 homes on a 3.6 million sq.m² plot that will also include large green areas with giant swimming pools, artificial beaches, restaurants, shops, 6 hotels, a shopping center, a hospital, a university, several schools, a golf course, a sports city, offices, business centers and a casino.

CLERHP will be responsible for the construction of Larimar in the role of project manager.

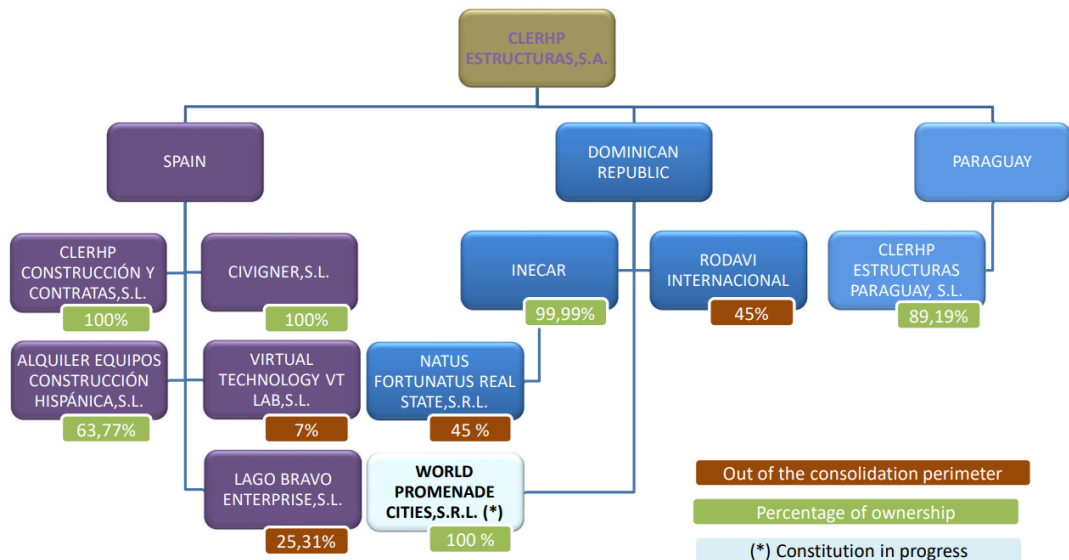
This is an activity that CLERHP has not carried out so far, but it has ample experience in the technical assistance of the work. This activity consists of providing technical assistance throughout the construction process of the structure. It includes the monitoring of the progress of the work and the quality of the execution, as well as the monitoring of the construction processes and the techniques used. It is a specific service of the structures branch and complementary to the project management. In large building projects, a separate supervision of each of the engineering projects is carried out, supervised by a project manager, who coordinates the interaction between all of them. CLERHP will carry out the latter role in Larimar.

CLERHP will contribute its machinery to the construction of Larimar and will subcontract the rest of the activities, among others to the local construction company Rodavi Internacional, in which CLERHP has a 45% stake (it will be in charge of providing labor).

There are other companies within CLERHP's organizational chart, including Natus Fortunatus Real Estate, a developer in the Dominican Republic specializing in low-cost housing but which in principle will not participate in Larimar.

There is also Civigner, a technology company that has a Web application with integrated functions of 2D/3D drawing, design, interoperability, GIS and calculation aimed at civil engineering, construction and industrial projects.

Another technology company is Vt Lab, which combines the BIM (Building Information Modeling) methodology with augmented and virtual reality technologies with the purpose of digitizing and making processes in different sectors more efficient.



Larimar on the hunt for the international customer.

The project

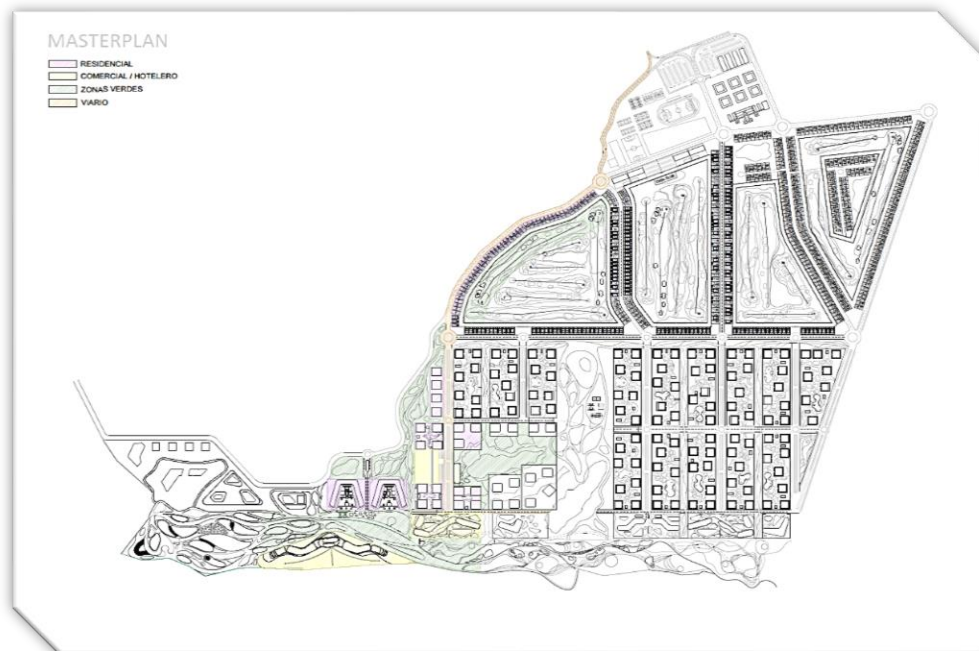
Larimar City & Resort is a large real estate project in Punta Cana and specifically in Farallón de Verón. It is located 15 km from Punta Cana, the main tourist city of the Dominican Republic and the same distance from the country's main airport (Punta Cana International Airport).

It is an inland project where CLERHP aims to create a city not only for tourism but also focused on temporary or permanent residential demand.

The project is on a cliff which allows you to enjoy a beautiful view of Punta Cana. Along the cliff, CLERHP plans to build a promenade in the style of Mediterranean beaches that will include extensive green areas, large swimming pools and artificial beaches surrounded by green areas, restaurants and shops.



In addition, this project will have: 1) 22,000 apartments and villas; 2) sports equipment; 3) 6 hotels; 4) an 18-hole golf course; 5) a shopping mall; 4) a clinic; (5) a university; 6) offices and business centers; 7) Casino.



It is a city designed with all kinds of services so that customers do not have to leave it and that it includes the best of the beach and the city. The gastronomic and commercial offer will be enhanced to try to attract customers from outside Larimar who decide to spend a day in this new city.

The project is intended, among others, at the American client and among them at the Dominican client, who in the USA represent a population of 2.4 million inhabitants with 0.9 million in NY. It would be a customer fleeing Mexico's growing insecurity and looking for good value for money.

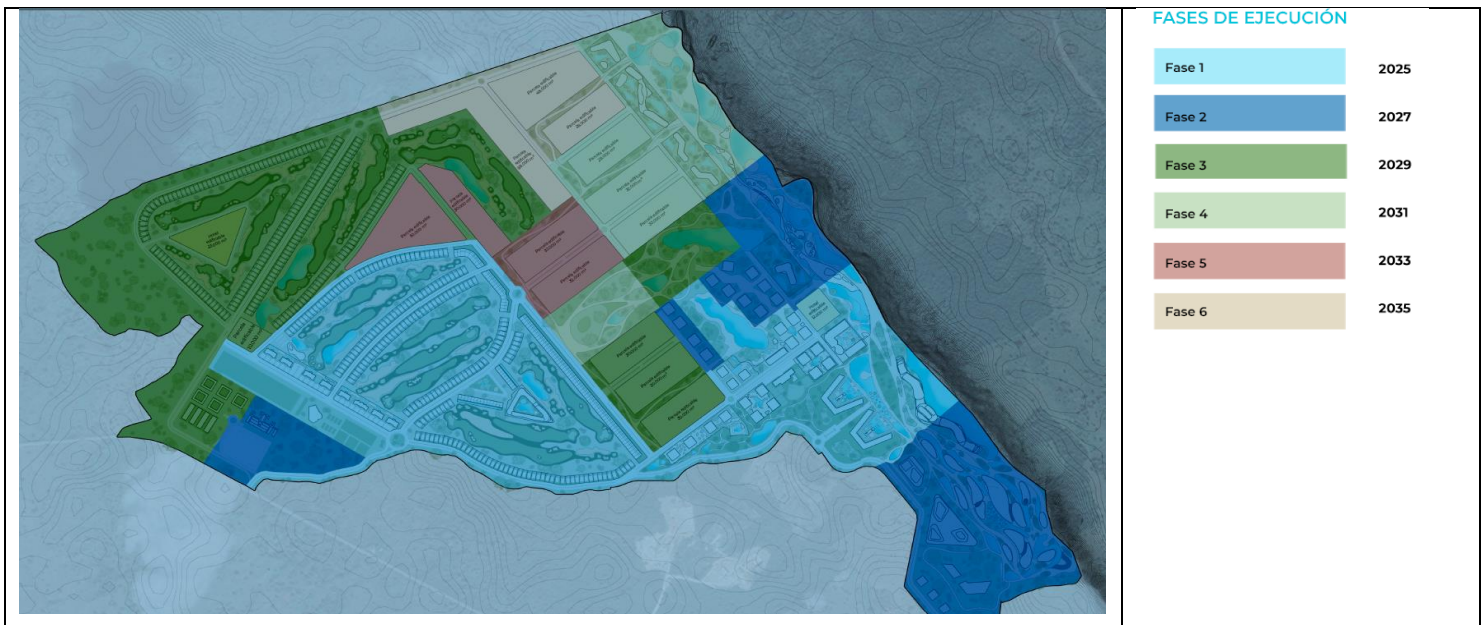
The construction of this project will last ten years and will consist of six phases that will overlap. CLERHP has communicated the details of the first phase that includes the construction of 2,550 apartments in 14 towers of 16 storeys with 1, 2 and 3 bedroom apartments. In our estimates, we have included an additional phase and in total we have considered that 5,599 homes and plots are sold and accounted for in the period (2023-2028). This is a conservative approach given that from the point of view of cash (which is not accounting) the phases overlap and in the years 2027/2028 the homes to be delivered in 2029/20230 will already be sold.

As of December, sales amounted to EUR 59.7m (EUR 72.5m as of March) and \$11.4m (EUR 9.5m) would have been collected, largely dedicated to acquiring the first phase of the land. The first deliveries are expected by the end of 2025. Other Larimar magnitudes on CLERHP's balance sheet are: 1) EUR 3m stocks; 2) land amounting to EUR 5.8m (advances to suppliers).

The project is accounted for in dollars.

What we have not included in our estimates are other types of income that CLERHP will receive, including: 1) the impact of the costs of maintaining the development; 2) the income from the other assets that will be developed, such as hotels, restaurants or shopping areas; 3) the business of short rent, which consists of renting the home in the periods when the owner of the home is not there.

In this sense, CLERHP has reached an agreement for the management of the short rental of a thousand homes (with Archipelago International).



Licenses

The reclassification of the land from rustic to developable land has already been achieved by the Ministries of Tourism and Environment. The written notification will be received in the coming days, although it already appears in the system of these ministries as approved with category A. From an urban planning point of view, what is missing are the licenses for the construction of the buildings, which will be requested progressively in a technical process in which the structure of the building and the different facilities are checked, among others.

According to CLERHP, it would be a risk-free process that depends on the approval of the city council and a technical committee (Mivet).

Water is not an issue in this development given that the land has large pockets of water. It is a somewhat calcareous water that will require some treatment to make it suitable for human consumption.

There will be a wastewater treatment plant that will recycle water for irrigation and also a rainwater network with a storm tank for reuse of rainwater after treatment.

The Construction

CLERHP will carry out the engineering and construction of structures, provide the project management service for the entire project and provide machinery. CLERHP will subcontract the construction of the rest of the project and will be responsible for the procurement of materials. CLERHP has not yet closed agreements with suppliers, with whom they will seek not to have to make a large stockpile of materials and to make it as close as possible to a "just in time" method with suppliers that will be mainly international.

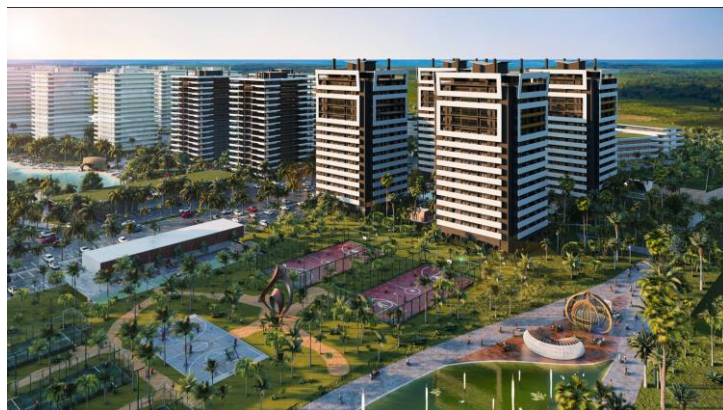
Work on the ground has already begun with the opening of roads, land clearing, topography, geotechnical studies and the earthworks that CLERHP is carrying out with its own machinery.

CLERHP estimates that the construction process will take between 13 and 14 months, although it manages a wider margin (up to 18/19 months) in case of delays. With this, it should start building the first homes in May to deliver the first homes by the end of 2025.

Marketing.

The marketing of the homes is carried out both internally and externally. A call center has been set up with internal salespeople from within the company and marketing is also carried out internally. For external marketing, they have reached agreements with international brokers (REMAX, Century21 among others) and local brokers.

There are four products marketed in Larimar. The cheapest property is the Paradise Tower (the first photo below left) whose average price would currently be \$120,000 with an area of 80 sq.m². They would be followed by the homes of the Prime Tower (\$140,000, 80 sq.m²) that would bring together the bulk of the pre-sales. Of the four towers on the market, 3 are practically sold and the fourth is at 50%.



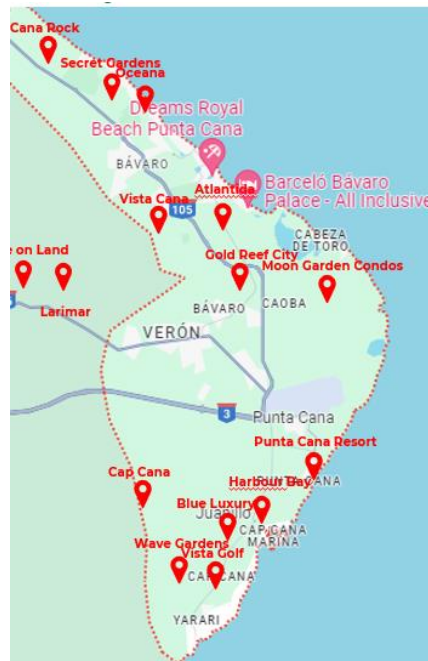
The highest average prices correspond to \$160,000 for the Breeze Towers (95sq.m²), or \$285,000 for the Horizon View Towers (120sq.m²), although the price of some units can reach up to \$800,000.



Competition.

Larimar will have to face two types of competition:

- **Great developments.** This group includes Cap Cana, a large real estate project with a long history, but focused on a client with greater purchasing power than in the case of Larimar. Vista Cana is also a large project divided into small projects with different owners and a heterogeneous customer profile. At Cana Rock they are more focused on the concept of vacations while Larimar is a combination of permanent residence and some vacation
- **Residential projects** promoted by local developers, including the Atlántida, Moon Garden Condos, Cruise on Land and Gold Reef City developments.



A low cost of land and a favorable tax regime maximize Larimar's CF.

We expect Larimar pre-sales to rise to \$1.032m in the 2023-2028 period. As of December, Larimar's pre-sales amounted to 585 units and we expect them to increase to 1,262 active units in 2024 and 1,548 in 2025. In total, until 2028 we expect the number of homes sold to rise to 5,489, to which would be added the sale of 110 plots.

The average prices of the different projects vary from \$120,000 for homes in the Paradise Towers (80sq. m²), to \$140,000 for the Prime Towers (80sq.m²), \$160,000 for the Breeze Towers (95sq.m²), or \$285,000 for the Horizon View Towers (120sq.m²).

The price differential with the competition is wide, so CLERHP is carrying out price increases above inflation. We have conservatively considered price increases in line with inflation and the evolution of the average price is marked by the product mix.

LARIMAR PRESALES							
\$ m	2023	2024e	2025e	2026e	2027e	2028e	TOTAL
Housing units	585	1,257	1,503	1,229	487	428	5,489
Land plots	0	5	45	5	45	10	110
TOTAL	585	1,262	1,548	1,234	532	438	5,599
House price (\$)	112,256	183,707	190,828	198,589	206,197	214,800	185,794
Variation		63.6%	3.9%	4.1%	3.8%	4.2%	
Land plots price (\$)	105,000	109,389	113,732	118,249	122,997	127,976	118,825
Variation		4.2%	4.0%	4.0%	4.0%	4.0%	
Housing units CF	65.7	230.9	286.8	244.1	100.4	91.9	1,020
Land plots CF	0.0	0.5	5.1	0.6	5.5	1.3	13
TOTAL CF	65.7	231.5	291.9	244.7	106.0	93.2	1,033
Average size unit (sq.m.)	80	89.4	91.3	92.0	92.2	92.3	
Price sq.m.	1,403	1,959	2,036	2,118	2,201	2,291	

Source: GVC Gaesco estimates

To determine the cash inflow schedule of these pre-sales, we take into account that 20% of the price of the property is received at the time of signing, 35% during construction and 45% at delivery.

PRESALES CASH FLOW SCHEDULE							
\$ m	2023	2024e	2025e	2026e	2027e	2028e	TOTAL
Deliveries 25	11.3	15.9	22.2				49.4
Deliveries 26	0.0	60.7	106.3	136.7			303.7
Deliveries 27			64.0	112.0	144.0		319.9
Deliveries 28				69.4	121.4	156.1	346.9
TOTAL	11.3	76.6	192.5	318.0	265.4	156.1	1,019.8
Land plots	0.0	0.5	5.1	0.6	5.5	1.3	13.1
TOTAL	11.3	77.1	197.6	318.6	270.9	157.4	1,032.9

Source: GVC Gaesco estimates

Among the costs we have taken into account are:

- **Land.** The cost of the land (\$53m) will be disbursed in phases, although it is a price that has already been fixed. Phase I land has been acquired and phase II land is being acquired. The title deed to the Phase I land should be in the name of the company in May. This is a reduced cost (\$53m) and for the period 2023-2028 the accounting cost of land (\$13m) only represents 1% of accounting sales.
- **Cost of construction.** This cost represents 48% of accounting sales for the 2023-2028 period. We assume a construction cost of (\$850/sq.m²) and have grown it as well as home sale prices in line with inflation.

- **Cost of urbanization.** The urbanization cost of these first two phases will amount to EUR 80m, which represents 8% of the total. Here we have taken the reference given by the company.
- **Other costs.** These include sales commissions and a wide range of costs, including administration, project drafting and licensing.
- **Taxes.** Projects in certain tourist hubs in the Dominican Republic can avoid paying taxes if they meet the conditions established to benefit from the Confotur tax regime. CLERHP will apply for this tax system, first for the whole of the development and then building by building, so we have not included any amount of taxes. CLERHP is going to apply this month to take advantage of this tax regime for the whole urbanization once the approval of the project has been obtained by the Ministry of the Environment.
- CLERHP is working on raising **financing** to deal with months in which the cash inflows from pre-sales do not cover the payment of the different costs, especially for the cost of urbanization. In our estimates, we have considered a maximum financing of \$25m in 2025, which is reflected in the financial costs we have taken into account (11% cost).

LARIMAR CASH FLOW						
\$ m	2024e	2025e	2026e	2027e	2028e	TOTAL
Sales	77.1	197.6	318.6	270.9	157.4	1,021.6
Construction cost	-15.0	-88.6	-150.1	-159.4	-82.9	-495.9
Land Plots	-11.9	-24.1	-11.7	0.0	0.0	-47.7
Urbanization	-9.9	-34.1	-6.4	-15.0	-15.0	-80.3
Commissions	-22.9	-24.8	-20.8	-9.0	-7.9	-85.4
Indirect costs	-12.3	-11.5	-10.7	-10.7	-10.7	-55.8
OPERATING CASH FLOW	5.3	14.6	118.9	76.8	40.9	256.5
Financial cost	-0.8	-2.2	0.0	0.0	0.0	-3.0
Financial income	0.2	0.6	1.8	3.5	4.8	10.8
Guarantees	-0.6	-0.5	-1.5	-1.0	0.0	-3.5
CF	4.1	12.5	119.3	79.4	45.6	260.8
Net Debt (+), Net Cash (-)	-4.1	-16.5	-135.8	-215.2	-260.8	

Source: GVC Gaesco estimates

In total, we expect cash flow generation in the first two phases, excluding pre-sales of units to be delivered in 2029/2030, to rise to \$256m, before financial result. The year with the highest cash flow will be 2026, as it is the year with the highest number of pre-sales.

In a developer, the evolution of cash flow differs from the evolution of accounting EBITDA.

The main differences between accounting EBITDA and CF come from: 1) Accounting EBITDA includes the total cost when there is a part of it that has been disbursed before the delivery of the property; 2) There is accounting income that has already been received previously from a cash point of view.

In our CLERHP model, this difference between Larimar's accounting EBITDA and CF's movement is reflected in working capital.

FROM LARIMAR EBITDA TO CF					
\$ m	2024	2025	2026	2027	2028
Accounted EBITDA	0.5	7.8	84.1	98.9	105.8
Cash Flow	5.3	14.6	118.9	76.8	40.9
WC MOVEMENT	4.8	6.8	34.8	-22.1	-64.9

Source: GVC Gaesco estimates

ACCOUNTED SALES						
\$ m	2024	2025	2026	2027	2028	TOTAL
Housing units		440	1,698	1,658	1,693	5,489
Land plots	5	45	5	45	10	110
UNITS	5	485	1,703	1,703	1,703	5,599
Housing units sales		49.4	303.7	319.9	346.9	1,019.8
Land plots	0.5	5.1	0.6	5.5	1.3	13.1
TOTAL SALES	0.5	54.5	304.3	325.4	348.1	1,032.9
Price per housing unit		112,256	178,847	192,940	204,876	
		0.0%	59.3%	7.9%	6.2%	

Source: GVC Gaesco estimates

We estimate that the first deliveries will take place in 2025 (cash inflows have already started in 2023) and that they will reach 485 units. In the following years is when the bulk of the deliveries are brought together with just over 1,700 units per year.

If we compare the evolution of costs from a cash and accounting point of view, we can see how the difference comes from the cost of land (EUR 53m including what was disbursed in 2023). From an accounting point of view, the part corresponding to deliveries (EUR 13m) is allocated, while the total cost is included in the cash flow.

The expected EBITDA margin is very high (28%/30% in 2026/2028) as a result of the low cost of land, 1% of total accounting sales.

In total, we expect cumulative profit to reach \$301m in the 2024-2028 period, with the highest amount recorded in 2028.

LARIMAR RESULTS ACCOUNT						
\$ m	2024e	2025e	2026e	2027e	2028e	TOTAL
Sales	0.5	54.5	304.3	325.4	348.1	1,032.9
Construction cost	0.0	-29.9	-147.2	-152.9	-165.8	-495.9
Land Plots	0.0	-1.1	-4.2	-4.1	-4.2	-13.5
Urbanization	0.0	-6.5	-24.9	-24.3	-24.8	-80.5
Commissions	0.0	-4.6	-25.9	-27.7	-29.6	-87.8
Indirect costs	0.0	-4.7	-18.0	-17.6	-17.9	-58.1
EBITDA	0.5	7.8	84.1	98.9	105.8	297.1
Financial cost	-0.8	-2.2	0.0	0.0	0.0	-3.0
Financial income	0.2	0.6	1.8	3.5	4.8	10.8
Guarantees	-0.6	-0.5	-1.5	-1.0	0.0	-3.6
Net income	-0.7	5.7	84.5	101.4	110.6	301.3

Source: GVC Gaesco estimates

A great source of value creation.

To value Larimar we take our operating cash flow estimates that assume pre-sales of 5,599 homes and plots and we have not taken into account any pre-sales of the homes to be delivered in 2029 and 2020.

Although Larimar already has the requalification of the land and the licenses from the Ministries of Tourism and Environment, we think that it is a project not exempt from several risks (execution, geopolitical) so we take into account a high discount rate (20%).

Through a cash flow discount, we obtain equity of EUR 151m (December 2024) taking into account an estimated net cash of EUR 4m.

The number of shares we count for CLERHP includes the current number of shares: 14 million and we add:

- 0.7M shares from the convertible debenture conversion announced in January 2024
- 1.5 million shares from securities lending
- 0.9 million shares estimated for the future conversion of the remaining 11 convertibles.
- We deduct treasury stock

This would value Larimar at EUR 8.8 per diluted share of CLERHP. A 5% increase in the discount rate would result in a 7% drop in our CLERHP TP. If Larimar were not eligible for the Confotur tax regime, the impact on CLERHP's target price would be 21% (EUR 6.2/share for Larimar).

LARIMAR DISCOUNTED CASH FLOW					
EUR m	2024e	2025e	2026e	2027e	2028e
CF	4.9	13.5	110.1	71.1	37.8
Discount rate	20.0%				
Discount factor	1.0	0.8	0.7	0.6	0.5
Discounted cash flow		11.2	76.5	41.2	18.2
December 2024 EV	147.1				
2024 net cash	-3.8				
Equity	150.9				
CLERHP diluted shares	17.2				
Contribution to CLERHP TP (EUR/Share)	8.8				

Source: GVC Gaesco estimates

Engineering, focused on the Dominican Republic.

CLERHP Estructuras España carries out the engineering of structures and specifically the design, calculation and construction of structures. He also provides the service of project manager both internally (Larimar) and externally (Shalem Palm Village).

Design and calculation of structures

What is structural design? It consists of defining the geometry of the structure, the dimension of the elements that make it up and their resistance to different load stresses. In addition, construction details are specified so that the project behaves as planned in the calculations.

The structural calculation of a building consists of the use of mathematical equations that test the strength of materials, and thus be able to find the deformations, stresses and internal forces that act on a structure, whether it is resistant skeletons or buildings. In the same way, the structural calculation of a building uses a dynamic analysis, which will evaluate the dynamic behavior of the aforementioned structures and the appearance of possible harmful vibrations for a certain building structure.

CLERHP carries out structural engineering work for its subsidiaries. It has a centralized technical department that carries out the design and calculation of the structures, while performing the functions of R+D+i. It has highly trained technicians for the design and calculation of structures, a team capable of executing the construction of these structures and personnel to train local subcontractors in the use of appropriate techniques and tools to obtain maximum quality, safety and efficiency.

CLERHP is the provider of structural calculation and design services for architects, construction companies and developers and the objective pursued by structural engineering is the optimization of the structure both in terms of its behavior, its ease of execution and its cost. The design and calculation of all structural elements in reinforced concrete, steel and wood is developed. These services are carried out on new projects or can also be project verification services carried out by third parties.

The main competition comes from local engineering firms that usually have a high market share or local engineers who work directly for the client. CLERHP grows autonomously, although it also carries out collaborations with some of these local engineering firms and engineers. With this strategy, CLERHP obtains a rapid penetration in the market, while at the same time loading workload to this activity and that of technical assistance. The local engineering company participates in a project with a technology that does not yet exist in its market, which allows it to sell itself as a pioneer in this type of project.

CLERHP has developed its own IT tools, such as the ERP management system that automatically corrects a project's cost predictions, allowing it to react in advance to correct deviations. The system is able to identify cost overruns due to activity delays and the need to increase production capacity or re-plan works to adjust them to the available means.

Technical assistance on site.

It is a complementary service to the previous one and consists of providing technical assistance throughout the construction process of the structure. It consists of monitoring the progress of the work and the quality of the execution, as well as the monitoring of the construction processes and the techniques used.

It is a specific service of the structures branch and complementary to the project management. In large building projects, a separate supervision of each of the engineering projects is carried out, supervised by a project manager, who coordinates the interaction between all of them.

CLERHP invoices the design and calculation services and the technical assistance services jointly, although these activities are differentiated in terms of costs and nature. This responds to a commercial strategy that offers the customer a joint service, with cost savings since a

large part of the technical work of the construction derives from the calculation and duplication is avoided.

This commercial strategy is complemented by strategic alliances with local engineering firms to achieve greater customer acquisition to whom the full range of services are offered.

Here the competition comes from small local engineering companies and engineers more focused on small projects.

Project Management.

This is a new activity in the company, but CLERHP has the experience of providing technical assistance in the construction of structures. It will provide this service internally (Larimar) and externally (Shalem Palm Village).

It will be in charge of the planning of the project, it will not execute the construction (this will be taken care of by Inecar, a company of the group) but it will be in charge of supervising its execution and will coordinate all the agents involved, from architects and engineers to subcontractors and suppliers.

The project management services that CLERHP will provide to Larimar may result in revenues of EUR 25m, but this income will not be reflected in the consolidated income due to intra-group adjustments.

The revenues that will appear in sales will come from the Shalem Palm Village contract in Boca Chica, which will mean a 10-year revenue of EUR 57m.

Construction of structures.

It consists of the construction of the projected structures. It provides the technology, equipment, training and technical staff, while the local construction company provides the unskilled labor. In the case of Paraguay, it has its own staff of operators

CLERHP invoices for the construction service, with the client being responsible for the acquisition of the necessary materials. Everything that remains in the building is provided by the client and what is necessary for the construction of the structure is provided by CLERHP. In this way, the level of risk assumed with customers is better controlled, reducing the impact of a possible non-payment.

This activity is carried out by the subsidiaries in the various markets.

The competition comes from local construction companies that offer the complete construction and are not specialized in the construction of structures per se. Sometimes these construction companies are clients of CLERHP. In others, they are part of the consortium in which CLERHP participates for turnkey projects.

CLERHP works outsourced to local companies with which it has no legal relationship. There are several companies with which he works, thus avoiding dependence. For minor services, it has a wide range of providers.

In the case of material supply, CLERHP acts as an advisor, offering customers a wide range of suppliers. But it does not directly mediate or provide resources for the purchase.

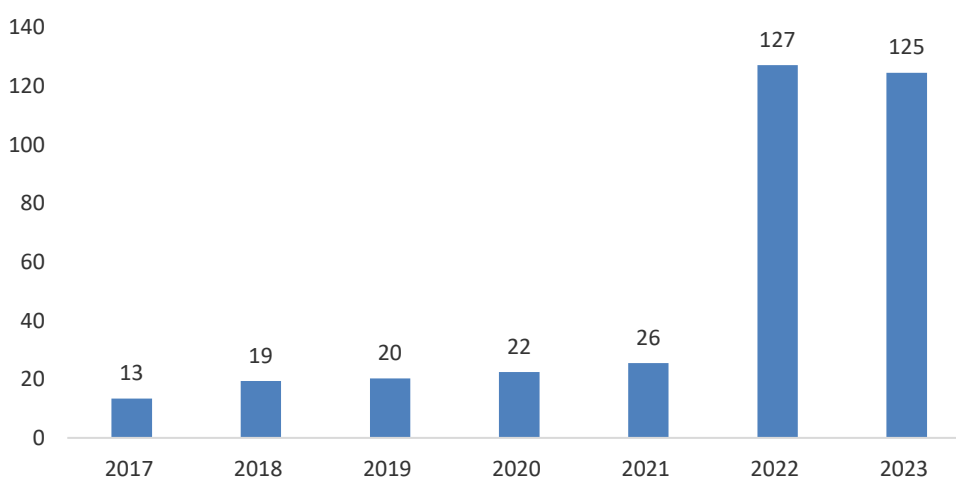
A cruising speed of EUR 30m of sales.

Historically, CLERHP had a presence in Bolivia, Uruguay, Paraguay and more recently the Dominican Republic. Bolivia has been sold (payment has been in machinery), Uruguay was closed years ago and in Paraguay the activity is maintained, although it is limited (EUR 4m sales, EUR 16m backlog).

As of December 2023, the backlog amounted to EUR 125m (EUR 124m as of March 2024) of which the bulk (EUR 96m, 85%) came from the Dominican Republic and the rest from Paraguay.

Within this portfolio, the Shalem Palm Village contract in Boca Chica stands out for its importance, where the construction of 24,000 apartments and other types of buildings (hotels, shopping center, hospital, schools) stands out for its importance. It is estimated to last 10 years and the first phase will include the development of 2,400 apartments. CLERHP has a 26% stake in the development company (Shalem Palm Village SRL), although it does not consolidate it, and its role here is that of engineer and builder of the structures and project manager. The first contract is for the engineering and construction of structures for the first phase of this project (EUR 14m and 14 months execution period). The second is the project management contract for the total project amounting to EUR 57m. In total, these two contracts represent 63% of the total backlog as of December.

E/C/PM Backlog



With this portfolio, CLERHP would have already more than contracted the sales to be accounted for in 2024 and would have 84%/77% of the sales in 2025/2026, assuming that there are no delays in the planned execution schedule.

In our estimates, we include sales in line with the company in 2023 and for the following years in the region of EUR 30m in sales, with an EBITDA margin tending to 30%.

The costs of the engineering activity grow moderately due to the capitalization of part of them as Larimar develops.

ENGINEERING ACCOUNT									
EUR m	2020	2021	2022	2023	2024e	2025e	2026e	2027e	2028e
Sales	10.6	6.0	14.1	18.5	30.0	30.6	31.2	31.8	32.5
Direct costs	-5.6	-2.7	-3.3	-5.9	-11.4	-11.6	-11.9	-12.1	-12.3
Gross Margin	4.9	3.3	10.7	12.6	18.6	19.0	19.4	19.7	20.1
Other Income	1.0	1.0	0.6						
Operating costs	-2.2	-3.6	-3.9	-3.7	-3.8	-4.0	-4.2	-4.5	-4.7
Structure Personnel	-2.1	-3.6	-3.2	-3.5	-3.9	-4.3	-4.5	-4.8	-5.0
EBITDA	1.7	-2.9	4.3	6.4	11.0	10.7	10.6	10.5	10.4
DC margin	46.7%	54.5%	76.2%	68.3%	62.0%	62.0%	62.0%	62.0%	62.0%
Operating costs	-20.8%	-59.6%	-27.5%	-20.0%	-12.5%	-13.0%	-13.5%	-14.0%	-14.5%
Structure Personnel	-19.6%	-60.5%	-22.8%	-18.9%	-13.0%	-14.0%	-14.5%	-15.0%	-15.5%
EBITDA Margin	15.7%	-48.8%	30.3%	34.6%	36.5%	35.0%	34.0%	33.0%	32.0%

Source. CLERHP. GVC Gaesco Estimates

Efficient engineering.

CLERHP's business model aims to reduce the number of agents in the construction process. In the traditional system, the developer entrusts the design of the project to an architect on the one hand and a builder on the other. On the other hand, the architect requires the services of an engineer for the design and calculation of structures.

CLERHP can execute both the design and calculation of structures as well as the construction of the structure.



The competitive advantages of this system are that the execution time of the work is shortened by reducing the number of agents involved and the cost is reduced. Also, having its own engineering allows it to configure a product with high added value, which is why it differs from full-cycle construction companies, but not specialized in structural engineering.

Ventajas competitivas Grupo Clerhp



CLERHP is highly specialized and focused on a small number of activities related to structural engineering, which it complements with investment in a strategic service for the development of structural engineering, such as the rental of heavy machinery. In countries where CLERHP is present, not having a good machinery park can result in a high barrier to entry or can affect the quality of the service of infrastructure engineering.

In the various markets in which it operates, CLERHP provides a turnkey structural engineering project service, including design and calculation, technical assistance and construction. The engineering services themselves are carried out in the central technical department, while the construction work is carried out by subcontractors or directly by CLERHP, as is the case in Paraguay.

Relying on the central technical department, CLERHP is able to execute the project in less time, cost and greater security than its local competitors. In general, these local competitors are not specialized and it is the case that some of them end up becoming customers, by subcontracting the structural engineering work to CLERHP and executing the rest of the work themselves.

High EBITDA margin due to low costs.

We expect EUR 335m of EBITDA to be generated in the 2023-2028 period with an average margin of 30%. This high margin is due to a low cost of land (1% of sales) and the containment of structural and general costs. In addition, this high margin in the first few years is partly due to the fact that part of the operating costs and structural costs are capitalised, i.e. they are included as work in progress in inventory as Larimar develops.

EBITDA BREAKDOWN							
EUR m	2023	2024e	2025e	2026e	2027e	2028e	TOTAL
Larimar Sales		0.5	50.5	281.7	301.3	322.3	956.4
			9866.4%	458.2%	7.0%	7.0%	
Larimar EBITDA		0.5	7.2	77.9	91.6	98.0	275.1
			1452%	983%	18%	7%	
Engineering Sales	18.5	30.0	30.6	31.2	31.8	32.5	174.6
			2%	2%	2%	2%	
Engineering EBITDA	6.4	11.0	10.7	10.6	10.5	10.4	59.6
			-2%	-1%	-1%	-1%	
TOTAL SALES	18.5	30.5	81.1	312.9	333.2	354.8	1,131.0
			166%	286%	6%	7%	
TOTAL EBITDA	6.4	11.4	17.9	88.5	102.1	108.4	334.7
			57%	394%	15%	6%	
EBITDA Margin	34.6%	37.4%	22.1%	28.3%	30.6%	30.5%	29.6%

Source. GVC Gaesco Estimates

The total profit generated in the period 2023-2028 amounts to EUR 305m, benefiting from a financial result that becomes positive as cash is generated in Larimar and also by the fact that we have assumed that Larimar will have the tax regime (Confotur) that will allow it not to pay taxes, so that the taxes considered correspond to the engineering activity.

RESULTS ACCOUNT							
EUR m	2023	2024e	2025e	2026e	2027e	2028e	TOTAL
Sales	18.5	30.5	81.1	312.9	333.2	354.8	1,131.0
EBITDA	6.4	11.4	17.9	88.5	102.1	108.4	334.7
D&A/Other	-1.3	-1.7	-1.8	-2.0	-2.1	-2.2	-11.2
Financial result	-0.8	-2.5	-3.0	-2.1	0.7	2.2	-5.6
BAI	1.0	7.1	13.0	84.4	100.7	108.4	314.6
Taxes	-0.3	-1.7	-1.5	-1.6	-2.3	-2.6	-9.9
Net income	0.7	5.5	11.6	82.8	98.4	105.8	304.7
EBITDA margin	34.6%	37.4%	22.1%	28.3%	30.6%	30.5%	29.6%

Source. GVC Gaesco Estimates

Debt will be reduced quickly.

We expect net debt to reduce rapidly from EUR 12.2m in 2023 to a cash position of EUR 243m in 2028, i.e. cash generation of EUR 257m.

CASH FLOW							
EUR m	2023	2024e	2025e	2026e	2027e	2028e	TOTAL
EBITDA	6.4	11.4	17.9	88.5	102.1	108.4	334.7
Working Capital	-0.3	4.5	6.3	32.2	-20.4	-60.1	-37.8
Adjustments	-5.4	-4.4	-2.7	-2.7	-2.6	-2.6	-20.3
Operating CF	0.7	11.5	21.6	118.1	79.1	45.7	276.6
Financial result	-0.8	-2.5	-3.0	-2.1	0.7	2.2	-5.6
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes	-0.1	-1.7	-1.5	-1.6	-2.3	-2.6	-9.7
CF	-0.2	7.3	17.1	114.3	77.5	45.3	261.2
Investments	-2.3	-2.0	-2.0	-2.0	-2.0	-2.0	-12.3
Divestments	0.2						
Other/Share issue	3.7	4.0	0.0	0.0	0.0	0.0	7.7
FREE CASH FLOW	1.3	9.3	15.1	112.3	75.5	43.3	256.8
Net Debt (+), Net Cash (-)	12.2	2.9	-12.2	-124.5	-200.0	-243.3	

Source. GVC Gaesco Estimates

The main differences between accounting EBITDA and CF come from: 1) Accounting EBITDA includes the total cost when there is a part of it that has been disbursed before the delivery of the property; 2) There is accounting income that has already been received previously from a cash point of view.

In our CLERHP model, this difference between accounting EBITDA and CF movement is reflected in working capital.

Thus, compared to an increase of EUR 335m in EBITDA in the period 2023-2028, the increase in operating cash flow is EUR 277m and the difference is explained by the fact that the CF includes the cost of all land (EUR 53m) while from an accounting point of view only the part that corresponds to this period is allocated (EUR 13m). There is also EUR 20m of WC impairment that we have included in the engineering business and within the adjustments item.

FROM EBITDA TO CF						
EUR m	2024e	2025e	2026e	2027e	2028e	TOTAL
EBITDA Larimar	0.5	7.2	77.9	91.6	98.0	275.1
CF Larimar	4.9	13.5	110.1	71.1	37.8	237.5
WC adjustment	4.5	6.3	32.2	-20.4	-60.1	-37.6
Engineering EBITDA	11.0	10.7	10.6	10.5	10.4	53.2
Operating CF	15.9	24.2	120.7	81.7	48.3	290.8
EBITDA	11.4	17.9	88.5	102.1	108.4	328.3

Source. GVC Gaesco Estimates

In 2023, there was a capital increase of EUR 3.7m from the conversion of convertible bonds into shares and the capitalisation of share loans. In 2023, EUR 1.6m in funding was also raised from securities lending.

In 2024 we include EUR 1m of capital increase for the conversion of convertibles announced in January 2024 and for the conversion of share loans (EUR 4.6m, 1.5 million shares). From a cash point of view, we deduct EUR 1.6m from this last amount, which corresponds to 0.75 million shares that have already been used to improve the financial situation in 2023.

The financial result includes the financial cost of the parent company and the financing that CLERHP is going to raise for months in which the cash inflows from pre-sales do not cover

the payment of the different costs. In our estimates, we have considered a maximum financing of \$25m in 2025, which is reflected in the financial costs we have taken into account (11% cost). As cash generation accelerates, the financial result becomes positive thanks to higher financial income. This item also includes the cost of the amounts guaranteed by the advances received at Larimar.

The taxes correspond to those that will be paid in the engineering division since for Larimar we have assumed that CLERHP is subject to the Confotur tax regime.

In investments we include an annual amount of EUR 2m for the purchase of machinery.

Within gross debt there are several types of debt:

- **Convertibles.** In 2023, there were EUR 1.8m of convertibles that would correspond to 11 bonds from the second issue. CLERHP's intention is to buy back these bonds so as not to have to issue new shares, although the power is held by Inveready.
- **Bank debt.** EUR 5.9m was refinanced and EUR 0.9m was cancelled. The cost is Euribor 12 months plus 2.5%. The maturity is December 2026 although there are partial repayments (7.5% in 23, 25% in 24, 30% in 2025 and 37.5% in 2026).
- **Another type of debt.** This includes the debt to the CEO for the securities loan that it facilitates to the company and that allows for debt reduction.

EUR m	2022	2023	Coments
Convertible bonds	3.1	1.8	Rate 8.8% (PIK 4.4%). Rate 7.85% (PIK 3.85%). Maturity 2026. Conversion price EUR 1.4/Share.
Bank loans	9.6	8.2	5.9m refinanced debt. Maturity 2026. Euribor 12m + 1,5%
Other debt	3.7	4.9	Debt with CEO (EUR 2,2m), Enisa (0,2m), CDTI (0,3m)
Leases debt	0.0	0.0	Financial leases debt
GROSS DEBT	16.4	14.9	
Cash and FI	2.9	2.7	EUR 1,5m from Bolivia sale not included (dic 24 completion)
TOTAL	13.5	12.2	

Source. GVC Gaesco Estimates

DEBT RATIOS											
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024e	2025e
ND (+), NC (-)	0.7	1.7	1.8	2.5	5.7	11.3	14.9	13.5	12.2	2.9	-12.2
ND/EBITDA	1.4	2.7	1.8	1.3	2.1	6.8	-5.1	3.2	1.9	0.3	-0.7
ND/Equity	0.4	0.8	1.0	1.0	1.5	5.0	-5.6	3.7	2.0	0.2	-0.4
EBITDA/Fin result	4.9	4.9	8.8	16.0	8.1	3.2	-3.1	3.8	7.8	4.5	5.9
EBITDA/Fin result (CF)	-0.3	4.9	8.8	16.0	9.6	3.2	-3.1	3.8	7.8	4.5	5.9

Source. GVC Gaesco Estimates

Larimar makes up the bulk of the valuation.

We reached a valuation of CLERHP in December 2024 of EUR 211m (EUR 12.3/Share) where the bulk of it comes from Larimar (EUR 8.8/Share) and in which we discount cash flows until 2028 at a rate of 20%.

SUM OF THE PARTS VALUATION				
EUR m	EV	ND	Equity	EUR/Share
Larimar	147.1	-3.8	150.9	8.8
Ingeniería	65.7	5.3	60.4	3.5
TOTAL	212.8	1.6	211.3	12.3
Shares			17.2	
TP			12.3	

Net Debt (+), Net Cash (-).

Source. GVC Gaesco Estimates

The rest of the activities in which it is present are the engineering and construction of structures and it has also begun to provide project management services internally (Larimar) and externally.

In the engineering business, there are several companies listed in Spain, Técnicas Reunidas, Elecnor and Duro Felguera, the latter in a difficult financial situation. Abroad, there are large engineering companies that trade at higher multiples than Spanish companies.

ENGINEERING COMPANIES PEER GROUP RATIOS													
Company	Market Cap	EV/EBITDA 24	EV/EBITDA 25	P/E 24	P/E 25	P/BV 24	EBITDA Mg 24	EBITDA Mg 25	ND/EBITDA 24	ROE 24	ROCE 24	Dividend Yield 24	
Técnicas Reunidas	721.1	1.9	1.5	6.7	6.3	1.7	4.7%	4.6%	-1.6	22.0%	16.5%	0.0%	
Elecnor	1,723.7	6.6	6.7	15.7	14.0	-	7.2%	7.6%	0.2	-	-	2.1%	
Saipem	4,347.5	3.5	2.8	13.2	8.7	-	9.8%	10.8%	0.1	-	-	2.3%	
Arcadis	5,443.4	11.3	9.6	19.9	16.6	4.4	12.5%	13.3%	1.4	22.1%	-	1.7%	
Larsen&Toubro	52,872.0	19.0	16.1	28.5	23.3	4.8	11.8%	12.2%	3.0	17.1%	15.2%	1.0%	
Hyundai Engineering	2,700.2	1.6	1.2	6.7	6.3	0.5	3.4%	3.7%	-2.0	6.9%	6.7%	1.7%	
Samsung Engineering	3,445.9	3.7	2.9	8.1	7.7	1.3	8.4%	8.3%	-2.2	15.6%	19.3%	0.0%	
GS Engineering	930.2	8.4	6.8	6.3	5.3	0.3	3.8%	4.6%	5.6	4.8%	3.7%	5.0%	
Fluor	6,194.7	8.3	6.5	13.8	12.1	2.8	3.7%	3.9%	-2.1	20.4%	15.1%	0.0%	
Halliburton	30,318.9	6.9	6.0	11.0	9.4	2.9	22.3%	22.9%	0.9	28.2%	21.3%	1.8%	
Jacobs Engineering	17,375.9	13.0	11.8	18.6	16.2	2.8	9.0%	9.3%	1.1	14.7%	13.2%	0.8%	
Halliburton	30,318.9	6.9	6.0	11.0	9.4	2.9	22.3%	22.9%	0.9	28.2%	21.3%	1.8%	
AECOM	12,149.5	13.7	12.2	21.5	19.1	5.6	15.0%	15.4%	1.7	26.3%	19.0%	0.2%	
Average		8.1	6.9	13.9	11.9	#N/D	10.3%	10.7%	0.5	-	-	1.4%	

Source: JCF

If we take into account the M&A in Spain, we look at the sale of Cobra to Vinci in which the estimated EV/EBITDA ratio reached 6.4x.

If we focus on construction companies, there is no listed company that only carries out construction activity. All of them are diversified into other capital-intensive activities such as concessions or services. These businesses involve heavy investments and low EBITDA until the asset matures, which explains, for example, Ferrovial's large ratio.

CONTRACTORS RATIOS					
	EV/EBITDA 24	EV/EBITDA 25	P/E (adj.) 24	P/E (adj.) 25	Net Debt/EBITDA 24
ACS	7.1	6.7	21.6	19.9	0.3
Ferrovial	27.4	24.5	nm	nm	5.9
FCC	6.5	6.0	11.9	11.0	1.5
Sacyr	7.7	7.6	19.0	13.9	5.4
Vinci	6.6	6.0	12.8	11.8	1.1
Eiffage	5.1	4.6	9.5	8.6	2.4
Mota	3.9	3.8	11.9	10.8	2.4
Average	9.2	8.5	14.5	12.7	2.7

Source: ESN, GVC Gaesco

For our valuation of this division, we have used a ratio of 6x, which is higher than the 4.5/5x range that we use to value construction activity in our valuations by sum of parts of Spanish construction companies.

This ratio differential is justified by: 1) **business model**. CLERHP combines two activities that are separately a commodity (engineering, construction), in a union that generates added value by reducing project costs, which is shared between both parties; 2) CLERHP's profitability is higher than that of these companies.

On the contrary, it has a high concentration of both geographically and in terms of customers.

The net debt we have included in our valuation is our estimate for 2024 adjusted by the estimated debt of convertibles at maturity.

The number of shares we count for CLERHP includes the current number of shares: 14 million and we add:

- 0.7million shares from the convertible debenture conversion announced in January 2024
- 1.5 million shares from securities lending
- 0.9 million shares estimated for the future conversion of the remaining convertibles at maturity.

We include a sensitivity analysis of our valuation to the discount rate we use to value Larimar and the EV/EBITDA ratio we consider in the engineering division. A 5% increase in Larimar's discount rate translates to a 7% decrease in our price target. And a decrease in the EV/EBITDA ratio from 6x to 5x implies a decrease of 5%.

		EV ENGINEERING		
		5x	6x	7x
RATE	15%	12.6	13.2	13.9
	20%	11.7	12.3	12.9
	25%	10.8	11.5	12.1
	30%	10.1	10.8	11.4

Risks

These risks include:

Urban risk. The reclassification of the land from rustic to developable land has already been achieved by the Ministries of Tourism and Environment. The written notification will be received in the coming days, although it already appears in the system of these ministries as approved with category A. From an urban planning point of view, what is missing are the licenses for the construction of the buildings, which will be requested progressively in a technical process in which the structure of the building and the different facilities are checked, among others. According to CLERHP, it would be a risk-free process that depends on the approval of the city council and a technical committee (Mivet).

Confotur Risk. Projects in certain tourist hubs in the Dominican Republic can avoid paying taxes if they meet the conditions established to benefit from the Confotur tax regime. CLERHP will apply for this tax system, first for the whole of the development and then building by building, so we have not included any amount of taxes. CLERHP is going to apply this month to take advantage of this tax regime for the whole urbanization once the approval of the project has been obtained by the Ministry of the Environment.

Product risk. CLERHP projects a city away from the beach and focused on a combination of residential and vacation demand, which differs from the products currently on the market.

Execution risk. Until now, CLERHP has not carried out the project management service for the construction of buildings, but it has, on the one hand, carried out the technical assistance of the construction of the structure of the buildings. **Risk of material procurement.** CLERHP has experience in the supply of materials for the construction of structures, acting as an advisor, offering customers a wide range of suppliers. In a project of this magnitude and novelty such as Larimar, it is essential that the homes are delivered without delay, for which the supply of materials is key and it may be necessary to give up a "just in time" approach even at the cost of financing a greater working capital.

Risks due to client concentration, it is important for CLERHP to be able to diversify the client portfolio in order to reduce their trading power, and to dilute the negative impact that could occur after losing one of them. Within this portfolio, the Shalem Palm Village contract in Boca Chica stands out for its importance, where the construction of 24,000 apartments and other types of buildings (hotels, shopping center, hospital, schools) stands out for its importance. It is estimated to last 10 years and the first phase will include the development of 2,400 apartments. CLERHP has a 26% stake in the development company (Shalem Palm Village SRL), although it does not consolidate it, and its role here is that of engineer and builder of the structures and project manager. The first contract is for the engineering and construction of structures for the first phase of this project (EUR 14m and 14 months execution period). The second is the project management contract for the total project amounting to EUR 57m. In total, these two contracts represent 63% of the total backlog as of December.

Risk of geographical concentration. As of December 2023, the backlog amounted to EUR 125m, of which the bulk (EUR 96m, 85%) came from the Dominican Republic and the rest from Paraguay. **Geopolitical risk** exists given that the countries in which CLERHP operates show a different degree of institutional, political, regulatory and economic development than in Europe. To give an example, according to the 2023 Corruption Perceptions Index, the Dominican Republic ranks 108th (out of 180) and to put it in context Spain has a better position (36th). Additionally, the neighboring country (Haiti) is going through a difficult situation after the assassination of the previous president, with the country in the hands of violent armed groups.

Exchange rate risk. The Dominican Republic's revenues are dollarized while the parent company's debt is in euros. It is not currently dollar-hedged. **Working capital management risk.** One of the key aspects when managing a construction company is proper management of working capital within a cyclical business. **Listing risks,** one of the risks of trading on the MAB is that liquidity is usually low. In our opinion, the fact that it has a small structure translates into a **high concentration of executive tasks** in the hands of the company's CEO.

CLERHP Estructuras: Summary tables

PROFIT & LOSS (EURm)	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Sales	6.0	14.1	18.5	30.5	81.1	313
Cost of Sales & Operating Costs	-8.9	-9.8	-12.1	-19.1	-63.2	-224.4
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	-2.9	4.3	6.4	11.4	17.9	88.5
EBITDA (adj.)*	-2.9	4.3	6.4	11.4	17.9	88.5
Depreciation	-1.0	-1.0	-1.5	-1.7	-1.8	-2.0
Depreciation of Right-of-Use	0	0	0	0	0	0
EBITA	-3.9	3.2	5.0	9.7	16.1	86.5
EBITA (adj.)*	-3.9	3.2	5.0	9.7	16.1	86.5
EBIT	-3.9	3.1	5.1	9.7	16.1	86.5
EBIT (adj.)*	-3.9	3.1	5.1	9.7	16.1	86.5
Net Financial Interest	-0.9	-1.1	-0.8	-2.5	-3.0	-2.1
Other Financials	0.3	-0.3	-0.9	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	-0.5	-0.6	-2.4	0.0	0.0	0.0
Earnings Before Tax (EBT)	-5.0	1.0	1.0	7.1	13.0	84.4
Tax	-0.1	-0.2	-0.3	-1.7	-1.5	-1.6
<i>Tax rate</i>	<i>n.m.</i>	<i>18.7%</i>	<i>28.1%</i>	<i>23.4%</i>	<i>11.2%</i>	<i>1.9%</i>
Discontinued Operations	0.0	0.2	0.0	0.0	0.0	0.0
Minorities	0.1	0.0	0.0	0.0	0.0	0.0
Net Profit (reported)	-5.0	1.0	0.7	5.5	11.6	82.8
Net Profit (adj.)	-4.9	1.7	3.1	5.5	11.6	82.8
CASH FLOW (EURm)	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Cash Flow from Operations before change in NWC	5.6	3.4	0.1	2.8	10.7	82.1
Change in Net Working Capital	-1.3	-7.3	-0.3	4.5	6.3	32.2
Cash Flow from Operations	4.3	-3.8	-0.2	7.3	17.1	114
Capex	-1.9	-3.0	-2.3	-2.0	-2.0	-2.0
Net Financial Investments	0.1	1.8	0.2	0.0	0.0	0.0
Free Cash Flow	2.5	-5.0	-2.4	5.3	15.1	112
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	-6.1	6.4	3.7	4.0	0.0	0.0
Change in Net Financial Debt	-3.6	1.4	1.3	9.3	15.1	112
NOPLAT	-4.0	2.5	3.7	7.4	14.3	84.8
BALANCE SHEET & OTHER ITEMS (EURm)	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Net Tangible Assets	3.4	4.0	4.7	5.0	5.1	5.2
Net Intangible Assets (incl. Goodwill)	2.9	2.2	0.5	0.5	0.5	0.4
Right-of-Use Assets (Lease Assets)	0.0	0.0	0.0	0.0	0.0	0.0
Net Financial Assets & Other	2.3	2.4	2.7	2.7	2.7	2.7
Total Fixed Assets	8.7	8.6	7.9	8.2	8.3	8.3
Inventories	3.2	3.6	12.2	76.9	203	184
Trade receivables	4.2	7.6	15.1	16.4	43.5	168
Other current assets	0.0	3.9	1.6	0.0	0.1	0.3
Cash (-)	-0.9	-2.9	-2.7	-20.4	-41.4	-124.5
Total Current Assets	8.3	18.0	31.5	114	288	477
Total Assets	17.1	26.6	39.5	121.8	296.5	485.3
Shareholders Equity	-2.7	3.7	6.2	17.2	28.8	112
Minority	0.1	-0.0	-0.2	-0.2	-0.2	-0.2
Total Equity	-2.6	3.6	6.0	17.1	28.6	111
Long term interest bearing debt	4.6	4.2	5.7	0.5	0.5	0.5
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Lease Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.2	0.2	0.2	-5.8	-8.5	-11.1
Total Long Term Liabilities	4.9	4.4	5.9	-5.3	-8.0	-10.7
Short term interest bearing debt	11.2	12.1	9.2	22.8	28.7	-0.5
Trade payables	3.6	6.4	18.3	87.3	247	385
Other current liabilities	0.0	0.0	0.1	0.0	0.0	0.0
Total Current Liabilities	14.8	18.6	27.6	110	276	385
Total Liabilities and Shareholders' Equity	17.1	26.6	39.5	121.8	296.5	485.3
Net Capital Employed	12.5	17.3	18.4	14.1	8.0	-24.2
Net Working Capital	3.8	8.7	10.5	6.0	-0.4	-32.6
GROWTH & MARGINS	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
<i>Sales growth</i>	<i>-43.4%</i>	<i>135.2%</i>	<i>31.5%</i>	<i>64.7%</i>	<i>165.8%</i>	<i>286.0%</i>
EBITDA (adj.)* growth	n.m.	n.m.	50.1%	78.2%	56.8%	394.4%
<i>EBITA (adj.)* growth</i>	<i>n.m.</i>	<i>n.m.</i>	<i>53.0%</i>	<i>95.2%</i>	<i>66.1%</i>	<i>438.7%</i>
<i>EBIT (adj.)* growth</i>	<i>n.m.</i>	<i>n.m.</i>	<i>67.6%</i>	<i>88.6%</i>	<i>66.1%</i>	<i>438.7%</i>

CLERHP Estructuras

GROWTH & MARGINS	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Net Profit growth	n.m.	n.m.	76.2%	77.9%	111.8%	616.3%
EPS adj. growth	n.m.	n.m.	49.0%	47.1%	92.5%	616.3%
DPS adj. growth						
EBITDA (adj)* margin	n.m.	30.3%	34.6%	37.4%	22.1%	28.3%
EBITA (adj)* margin	-65.3%	23.0%	26.8%	31.7%	19.8%	27.6%
EBIT (adj)* margin	n.m.	21.7%	27.7%	31.7%	19.8%	27.6%
RATIOS	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Net Debt/Equity	n.m.	3.7	2.0	0.2	-0.4	-1.1
Net Debt/EBITDA	-5.1	3.2	1.9	0.3	-0.7	-1.4
Interest cover (EBITDA/Fin.interest)	n.m.	3.8	7.8	4.5	5.9	41.8
Capex/D&A	202.2%	245.1%	183.7%	114.8%	108.6%	99.9%
Capex/Sales	31.8%	21.0%	12.7%	6.6%	2.5%	0.6%
NWC/Sales	63.7%	61.6%	56.5%	19.6%	-0.5%	-10.4%
ROE (average)	2304.4%	355.5%	62.5%	46.6%	50.2%	117.9%
ROCE (adj.)	-38.8%	16.7%	23.6%	64.9%	272.4%	-314.6%
WACC	7.9%	9.2%	9.8%	10.9%	11.8%	6.1%
ROCE (adj.)/WACC	-4.9	1.8	2.4	6.0	23.1	n.m.
PER SHARE DATA (EUR)***	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Average diluted number of shares	10.1	10.9	12.9	15.6	17.2	17.2
EPS (reported)	-0.50	0.09	0.06	0.35	0.67	4.82
EPS (adj.)	-0.49	0.16	0.24	0.35	0.67	4.82
BVPS	-0.27	0.34	0.48	1.10	1.68	6.49
DPS	0.00	0.00	0.00	0.00	0.00	0.00
VALUATION	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
EV/Sales	4.8	3.0	3.8	1.9	0.5	n.m.
EV/EBITDA	n.m.	9.8	11.1	5.0	2.3	n.m.
EV/EBITDA (adj.)*	n.m.	9.8	11.1	5.0	2.3	n.m.
EV/EBITA	-7.4	12.9	14.3	5.9	2.6	-0.8
EV/EBITA (adj.)*	-7.4	12.9	14.3	5.9	2.6	-0.8
EV/EBIT	n.m.	13.7	13.9	5.9	2.6	n.m.
EV/EBIT (adj.)*	n.m.	13.7	13.9	5.9	2.6	n.m.
P/E (adj.)	n.m.	15.1	17.7	11.0	5.7	0.8
P/BV	n.m.	7.2	8.8	3.5	2.3	0.6
Total Yield Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/CE	2.8	2.8	4.5	5.0	8.0	2.6
OpFCF yield	17.4%	-24.0%	-4.4%	9.8%	27.9%	208.0%
OpFCF/EV	8.3%	-16.3%	-3.6%	9.4%	36.0%	-159.3%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield (gross)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV AND MKT CAP (EURm)	12/2021	12/2022	12/2023	12/2024e	12/2025e	12/2026e
Price** (EUR)	1.36	2.41	4.20	3.84	3.84	3.84
Outstanding number of shares for main stock	10.1	11.8	14.1	14.1	14.1	14.1
Total Market Cap	13.7	28.4	59.1	54.0	54.0	54.0
Gross Financial Debt (+)	15.8	16.3	14.9	23.3	29.2	0.0
Cash & Marketable Securities (-)	-0.9	-2.9	-2.7	-20.4	-41.4	-124.5
Net Financial Debt	14.9	13.5	12.2	2.9	-12.2	-124.5
Lease Liabilities (+)	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt	14.9	13.5	12.2	2.9	-12.2	-124.5
Other EV components	0.1	0.0	-0.2	-0.2	0.0	0.0
Enterprise Value (EV adj.)	28.7	41.8	71.1	56.7	41.8	-70.5

Source: Company, GVC Gaesco Valores estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.)= EBITDA (or EBITA) +/- Non Recurrent Expenses/Income and where EBIT (adj.)= EBIT +/- Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

***EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.

Sector: Materials, Construction & Infrastructure/Construction

Company Description: CLERHP provides structure engineering and construction in building activity. Also executes a big housing development in Dominican Republic.

European Coverage of the Members of ESN 1/2

Automobiles & Parts	Mem(*)	Piaggio	BAK	Bonduelle	CIC	Cnh Industrial	BAK
Brembo	BAK	Richemont	CIC	Campani	BAK	Corticeira Amorim	CBI
Cie Automotive	GVC	Smcp	CIC	Carlsberg As-B	CIC	Ctt	CBI
Ferrari	BAK	Swatch Group	CIC	Danone	CIC	Danieli	BAK
Forvia	CIC	Technogym	BAK	Diageo	CIC	Dassault Aviation	CIC
Gestamp	GVC	Trigano	CIC	Ebro Foods	GVC	Datalogic	BAK
Landi Renzo	BAK	Ubisoft	CIC	Fleury Michon	CIC	De Nora	BAK
Michelin	CIC	Energy	Mem(*)	Heineken	CIC	Desa	GVC
Opmobility	CIC	Averne Group	CIC	Italian Wine Brands	BAK	Edenred	CIC
Pirelli & C.	BAK	Cgg	CIC	Lans on-Boc	CIC	Eleonor	GVC
Renault	CIC	Eni	BAK	Laurent Perrier	CIC	Elis	CIC
Sogefi	BAK	Galp Energia	CBI	Ldc	CIC	Enav	BAK
Stellantis	BAK	Gas Plus	BAK	Lindt & Sprüngli	CIC	Enogia	CIC
Valeo	CIC	Gtt	CIC	Nestle	CIC	Exel Industries	CIC
Banks	Mem(*)	Maurel Et Prom	CIC	Orsero	BAK	Fincantieri	BAK
Banco Sabadell	GVC	Pic	BAK	Pernod Ricard	CIC	Getlink	CIC
Banco Santander	GVC	Repsol	GVC	Remy Cointreau	CIC	Global Dominion	GVC
Bankinter	GVC	Rubis	CIC	Tipiak	CIC	Haulotte Group	CIC
Bbva	GVC	Saipem	BAK	Vs cofan	GVC	Interpump	BAK
Bnp Paribas	CIC	Technip Energies	CIC	Vranken	CIC	Legrand	CIC
Caixabank	GVC	Tecnicas Reunidas	GVC	Healthcare	Mem(*)	Leonardo	BAK
Credem	BAK	Tenaris	BAK	Amplifon	BAK	Lisi	CIC
Credit Agricole Sa	CIC	Totalenergies	CIC	Atrys Health	GVC	Logista	GVC
Intesa Sanpaolo	BAK	Vallourec	CIC	Biomerieux	CIC	Manitou	CIC
Societe Generale	CIC	Fin. Serv. Holdings	Mem(*)	Dias orin	BAK	Nbi Bearings Europe	GVC
Unicaja Banco	GVC	Cir	BAK	El En.	BAK	Nexans	CIC
Basic Resources	Mem(*)	Corp. Financiera Alba	GVC	Essilorluxottica	CIC	Nicolas Correa	GVC
Acerinox	GVC	Eurazeo	CIC	Eurofins	CIC	Osai	BAK
Altri	CBI	First Capital	BAK	Fine Foods	BAK	Prosegur	GVC
Arcelormittal	GVC	Gbl	CIC	Genfit	CIC	Prosegur Cash	GVC
Ence	GVC	Peugeot Invest	CIC	Gpi	BAK	Prysmian	BAK
The Navigator Company	CBI	Tip Tamburi Investment Partners	BAK	Guerbet	CIC	Rexel	CIC
Tubacex	GVC	Wendel	CIC	Imd	BAK	Saes	BAK
Chemicals	Mem(*)	Fin. Serv. Industrials	Mem(*)	Ipsen	CIC	Safran	CIC
Air Liquide	CIC	Dovalue	BAK	Prim Sa	GVC	Salcef	BAK
Arkema	CIC	Euronext	CIC	Reordati	BAK	Schneider Electric Se	CIC
Mgis	BAK	Nexi	BAK	Sartorius Stedim	CIC	Talgo	GVC
Plásticos Compuestos	GVC	Tinxta	BAK	Vetoquinol	CIC	Teleperformance	CIC
Consumer Products & Services	Mem(*)	Financial Services Banks	Mem(*)	Virbac	CIC	Thales	CIC
Abeo	CIC	Amundi	CIC	Vytrus Biotech	GVC	Tikehau Capital	CIC
Beneteau	CIC	Anima	BAK	Industrial Goods & Services	Mem(*)	Verallia	CIC
Capelli	CIC	Azimut	BAK	Airbus Se	CIC	Vidrala	GVC
De Longhi	BAK	Banca Generali	BAK	Als tom	CIC	Zignago Vetro	BAK
Fila	BAK	Banca Ifis	BAK	Antin Infrastructure	CIC	Insurance	Mem(*)
Geox	BAK	Banca Mediolanum	BAK	Applus	GVC	Axa	CIC
Givaudan	CIC	Banca Sistema	BAK	Arteche	GVC	Catalana Occidente	GVC
Groupe Seb	CIC	Bff Bank	BAK	Avio	BAK	Generali	BAK
Hermes Intl.	CIC	Dws	CIC	Biesse	BAK	Linea Directa Asseguradora	GVC
Hexsom	CIC	Fincoobank	BAK	Bollore	CIC	Mapfre	GVC
Interparfums	CIC	Generalfinance	BAK	Bureau Veritas	CIC	Revo Insurance	BAK
Kaufman & Broad	IAC	Illimity Bank	BAK	Caf	GVC	Materials, Construction	Mem(*)
Kering	CIC	Mediobanca	BAK	Catenon	GVC	Abp Novivelli	BAK
L'Oreal	CIC	Poste Italiane	BAK	Cellnex Telecom	GVC	Acs	GVC
Lvmh	CIC	Food & Beverage	Mem(*)	Cembre	BAK	Aena	GVC
Maisons Du Monde	CIC	Ab Inbev	CIC	Chargeurs	CIC	Ariston Holding	BAK
Ovs	BAK	Advini	CIC	Clasquin	IAC	Buzzi	BAK

29 April 2024

European Coverage of the Members of ESN 2/2

Cementir	BAK	Winfarm	CIC	Lottomatica Group	BAK
Cementos Mblins	GVC	Real Estate	Mem(*)	Melia Hotels International	GVC
Clerhp Estructuras	GVC	Igd	BAK	Nh Hotel Group	GVC
Orh	CIC	Inmobiliaria Colonial	GVC	Pluxee	CIC
Eiffage	CIC	Inversa Prime	GVC	Sicity By Car	BAK
Fcc	GVC	Ktes ios Socimi	GVC	Sodexo	CIC
Ferrovial	GVC	Lar España	GVC	Utilities	Mem(*)
Fluidra	GVC	Merlin Properties	GVC	A2A	BAK
Groupe Adp	CIC	Realia	GVC	Acciona	GVC
Groupe Poujoulat	CIC	Retail	Mem(*)	Acciona Energia	GVC
Heidelberg Materials	CIC	Aramis Group	CIC	Acea	BAK
Herige	CIC	Burberry	CIC	Audax	GVC
Holcim	CIC	Fnac Darty	CIC	Derichebourg	CIC
Imerys	CIC	Inditex	GVC	Edp	CBI
Maire Tecnimont	BAK	Unieuro	BAK	Enagas	GVC
Mbla Engil	CBI	Technology	Mem(*)	Encavis Ag	CIC
Obrascon Huarte Lain	GVC	Agile Content	GVC	Endesa	GVC
Sacyr	GVC	Almawave	BAK	Enel	BAK
Saint-Gobain	CIC	Alten	CIC	Engie	CIC
Sergeferrari Group	CIC	Amadeus	GVC	Erg	BAK
Sika	CIC	Atos	CIC	Greenvolt	CBI
Spie	CIC	Axway Software	CIC	Hera	BAK
Tarkett	CIC	Capgemini	CIC	Holaluz	GVC
Thermador Groupe	CIC	Dassault Systemes	CIC	Iberdrola	GVC
Vicat	CIC	Digital Value	BAK	Iren	BAK
Vinci	CIC	Esi Group	CIC	Italgas	BAK
Webuild	BAK	Gigas Hosting	GVC	Naturgy	GVC
Media	Mem(*)	Indra Sistemas	GVC	Neoen	CIC
Arnoldo Mondadori Editore	BAK	Izeritis	GVC	Opdenenergy	GVC
Atresmedia	GVC	Lleida.Net	GVC	Redeia	GVC
Believe	CIC	Neurones	CIC	Ren	CBI
Deezer	CIC	Ovhcloud	CIC	Seche Environnement	CIC
Digital Bros	BAK	Sopra Steria Group	CIC	Snam	BAK
Fill Up Media	CIC	Spindox	BAK	Solaria	GVC
GI Events	CIC	Tier1 Technology	GVC	Solarprofit	GVC
Il Sole 24 Ore	BAK	Vs iativ	CIC	Terna	BAK
Ipsos	CIC	Vogo	CIC	Veolia	CIC
Jodecaux	CIC	Worldline	CIC	Volitalia	CIC
Lagardere	CIC	Telecommunications	Mem(*)		
MB	CIC	Bouygues	CIC		
Mogroup	GVC	Nos	CBI		
Nrj Group	CIC	Orange	CIC		
Prisa	GVC	Parlem Telecom	GVC		
Publicis	CIC	Telefonica	GVC		
Tf1	CIC	Unidata	BAK		
Universal Music Group	CIC	Travel & Leisure	Mem(*)		
Vivendi	CIC	Accor	CIC		
Vocento	GVC	Compagnie Des Alpes	CIC		
Personal Care, Drug & Grocery	Mem(*)	Edreams Odigeo	GVC		
Bic	CIC	Elior	CIC		
Carrefour	CIC	Fdj	CIC		
Casino	CIC	Groupe Paribouche	IAC		
Jeronimo Martins	CBI	Hunyuers	CIC		
Marr	BAK	I Grandi Viaggi	BAK		
Sonae	CBI	Ibersol	CBI		
Unilever	CIC	Int. Airlines Group	GVC		

29 April 2024

LEGEND:	BEHIND: Banca Akros	CIC: CIC Market Solutions	CBI: Cash-Investment Bank	GVC: GVC Gaesco Values
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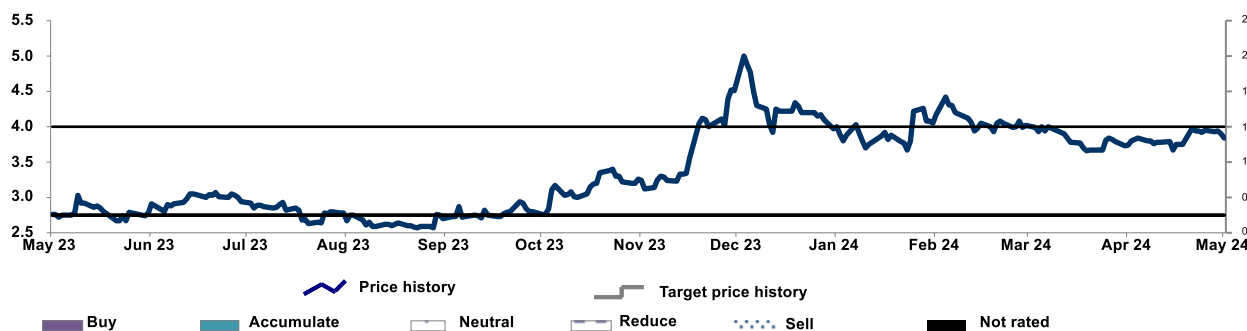
Recommendation history for CLERHP ESTRUCTURAS

Date	Recommendation	Target price	Price at change date
11-Nov-22	Not rated		1.92
02-Nov-21	Rating Suspended		1.17

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows GVC Gaesco Valores continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.

Current analyst: Rafael Fernández de Heredia (since 01/12/2018)



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GVC Gaesco Valores, S.V., S.A. Ratings Breakdown

Recommendation	Nr. of stocks covered	%
Buy	63	79%
Accumulate	7	9%
Neutral	8	10%
Reduce	1	1%
Sell	1	1%

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