

6m Results 2024

 Opinion ⁽¹⁾: In line

 Impact ⁽¹⁾: We will maintain our estimates

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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)	9.2	10.3
EV (Mn EUR and USD) ⁽²⁾	21.5	24.0
Shares Outstanding (Mn)	12.2	
-12m (Max/Med/Mín EUR)	0.92 / 0.79 / 0.63	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	5.1	
Factset / Bloomberg	KOM-ES / KOM SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

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	10.9	-5.6	-19.1	-69.6
vs Ibex 35	9.4	-5.6	-33.3	-76.6
vs Ibex Small Cap Index	12.4	-2.6	-24.9	-77.4
vs Eurostoxx 50	10.1	-2.5	-30.1	-79.1
vs Sector benchmark ⁽⁴⁾	10.3	-2.8	-24.2	-78.4

(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.

1H24: Margin expansion is the key and makes up for the drop in revenue. FCF yield of c.10%

REVENUE OF EUR 23.1MN IN 1H24 (VS EUR 25.9MN IN 1H23)... KOM reported revenue in 1H24 of EUR 23.1Mn (-10.9% vs 1H23, 48% of 2024e revenue). The drop was due to two factors: 1) the revenue mix, and 2) soft demand in the latter part of 1H, caused by the staggered decline in prices of the main polymers, resulting in delays in customers' purchasing decisions. The revenue slump was price-driven, not volume-driven (-1% vs 1H23). Considering the seasonality of revenue—1H always accounts for > 50% of total revenue—we will have to revise downwards our current revenue estimates for 2024e (+3.8%).

...BUT (AS WAS THE CASE IN 2023) MARGINS CONTINUED TO EXPAND. Earnings for 1H24 were virtually a 'carbon copy' of 1H23, with weak revenue but strong gross margin expansion, which flowed through to EBITDA. Gross margin in 1H24 improved to 35.4% (+2.7pp vs 1H23). KOM's equity story is predicated on margin expansion and the proof is in its strategy. The company looks set to deliver a gross margin in 2024e of c.34% vs 28% in 2021. The increase hinges on an increasingly profitable revenue mix thanks to the larger weight of speciality products (28% of revenue in 1H24 vs 21% in 1H23). Continuous improvement in gross margin made up for the drop in revenue, lifted the EBITDA/revenue margin (8.2%; +0.4pp) and left EBITDA virtually 'flat' (EUR 1.9Mn, -6.5% vs 1H23). This performance is in line with our expectation for the full year (EUR 4.2Mn). Our EBITDA 2024e estimates are unchanged.

INCREASE IN NET DEBT TO EUR 12.2MN (EUR 11.8MN IN 2023). The production capacity enlargements made in the 2015-2020 period (CAPEX c. EUR 17Mn), coupled with investments to develop new products, have caused debt to soar (to EUR 12.2Mn in 1H24).

THIS MEANS KOM'S EQUITY STORY IS STILL MARGIN IMPROVEMENT. Until revenue trends reverse (especially through improved prices), KOM's equity story will remain one of margin improvement for the better mix (i.e., higher share of biodegradable products), along with operational gearing and the scalability of investments already made. The company more than doubled its 2022 EBITDA margin (3.8%) and the reasons remain intact. We are keeping our estimated margin of c.10% in 2026.

A HIGHLY ATTRACTIVE FCF YIELD (WHICH THE DROP IN REVENUE HAS "CLOUDED" THE MARKET'S VISION)... KOM's improved profitability is a unique case and has been ignored by the market (TTM: KOM -33.3% vs IBEX). However, the situation is one where the drop in revenue can be remedied but margin expansion is structural. Math is stubborn. If KOM can get revenue back to 2021 levels (c. EUR 59Mn), it could see EBITDA over EUR 5Mn and EV/EBITDA of c.4x. We are sticking with our EBITDA and FCF 2024e estimates. Our forecast for FCF for 2024e (c. EUR 1.0Mn) gives an FCF Yield 2024e of c.10%. The fall in 1H24 revenue has overshadowed what is clearly plenty of upside.

Kompuestos (KOM) is a BME Growth company.

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Appendix 1. Results table

EUR Mn			6m24 vs	2024e vs	
	6m24	6m23	6m23	2024e	2023
Total Revenues	23.1	25.9	-10.9%	48.0	3.8%
Gross margin	8.2	8.5	-3.7%	16.5	4.0%
Gross margin/Revenues	35.4%	32.7%	2.7 p.p.	34.3%	0.0 p.p.
Recurrent EBITDA ¹	1.9	2.0	-6.5%	4.2	9.9%
Rec. EBITDA/Revenues	8.2%	7.8%	0.4 p.p.	8.7%	0.5 p.p.
EBITDA ¹	1.9	2.0	-8.1%	4.2	8.6%
EBITDA/Revenues	8.1%	7.9%	0.2 p.p.	8.7%	0.4 p.p.
EBIT	0.8	0.9	-10.4%	2.0	47.1%
PBT	0.0	0.2	-76.1%	0.7	n.a.
NP	0.0	0.1	-77.1%	0.5	n.a.
Net Debt	12.2	12.9	-5.5%	10.9	-7.5%

Note 1: Recurring EBITDA and EBITDA adjusted to exclude the impact of capitalized expenses.

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	9.2	
+ Minority Interests	-	Rdos. 6m 2024
+ Provisions & Other L/T Liabilities	0.3	Rdos. 6m 2024
+ Net financial debt	12.2	Rdos. 6m 2024
- Financial Investments	0.2	Rdos. 6m 2024
+/- Others		
Enterprise Value (EV)	21.5	

LIGHTHOUSE

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
28-Aug-2024	n.a.	0.76	n.a.	n.a.	6m Results 2024	Alfredo Echevarría Otegui
27-May-2024	n.a.	0.80	n.a.	n.a.	Small & Micro Caps (Spain)	Alfredo Echevarría Otegui
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

