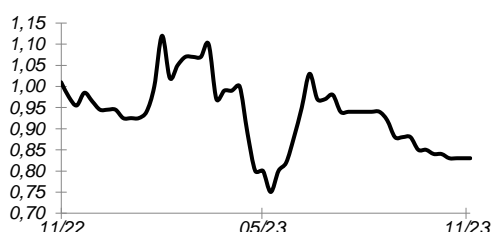




PORTZAMPARC
BNP PARIBAS GROUP

KOMPUESTO

Industrials
16 November 2023



Target Price: €2,00

Price: €0,83

14 November 2023

STRONG BUY (1)

Initiation of coverage

Market
ISIN / Mnemonic ES0105425005 / ALKOM
Reuters / Bloomberg ALKOM.PA / ALKOM :FP
Index Euronext GROWTH

Research partially paid by the issuer

PEA-PME Yes

Market Cap (€m) 10,09
Float (%) 13,5%
Nb of shares (Mio) 12,160
Closing 31-Dec

Shareholding
CCP Masterbatch 32,6%
CCI, SPRL 31,2%
GAM, SA 5,1%
Flottant 13,5%

	22	23e	24e
PER	ns	23,0	8,9
PCF	ns	14,2	5,1
EV/Sales	0,7	0,4	0,4
EV/EBIT	ns	12,5	7,9
PB	1,6	0,7	0,7
Yield	0,0%	0,0%	0,0%
Free Cash Flow Yield	-1,7%	7,1%	19,6%
ROACE	-	-	-

Sales	51,5	52,5	53,8
chge y/y-1	-12,5%	1,9%	2,3%
EBITDA	2,7	4,4	5,0
Underlying EBIT	-0,4	1,8	2,6
% Sales	-0,7%	3,4%	4,8%
EBIT	-0,4	1,8	2,6
% Sales	-0,7%	3,4%	4,8%
Decl.Net inc Group Sh	-1,3	0,4	1,1
% Sales	-2,6%	0,8%	2,1%

EPS	-0,11	0,04	0,09
chge y/y-1	ns	ns	159,1%
Restated EPS	-0,11	0,04	0,09
Net Asset per Share	1,1	1,2	1,3
Net Dividend	0,00	0,00	0,00
NFD	13,1	12,4	10,4

Arnaud Despre, Financial Analyst

+33 (0)2 40 44 94 52
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Bioplastics Ready!

Founded in 1986 by the Duch family, Kompuestos is a Spanish company that manufactures and commercializes high performance additives, masterbatches (colors, additives) and fillers. Their products are marketed to a variety of manufacturers (>450 customers, mainly in Spain, France, and Germany). The group has developed a range of biodegradable/compostable plastics (BIO Solutions) that will support growth and operational leverage in the coming years.

The company is made up of two main divisions, the first being Traditional Products (75% of 2022 sales) and includes the production of fillers, which are mineral fillers with the aim of reducing production costs, reducing carbon footprint and/or adding specific qualities to final plastic products. This division also includes black and white masterbatches, which are often used to give specific characteristics to plastics. The second segment, Specialties (24% of 2022 sales), includes the development of biodegradable and composable resins, as well as certain additives and color masterbatches that are predominantly purely aesthetic.

Growing faster than the market

The average 5y top line growth of Kompuestos was 8.4% (Traditional +7.9% & Specialties +14.4%), well above market growth. This outperformance comes from 1/ a recurrent sales foundation linked to the development of product lines adapted to the customers' specific needs, 2/ the group's competitive advantage in terms of location (proximity and quality of calcium carbonate from quarries in Barcelona), 3/ gradual geographic diversification (Spain 39% of sales in 2022, -5bp vs. 2018 and) with the opening of international sales subsidiaries (notably in South America) and 4/ the strategic development of biodegradable bioplastics (BIO Solutions incl. Neory, Okean, BioExFill), which already have certifications and production capacity. In the longer term, we consider the group to be well positioned with its BIO Solutions range to take full advantage of the bioplastics market ramp-up. We project a 2022-2027 CAGR of +7.1%, which is the trend observed over the last 5 years.

Aiming for segment profitability

We understand that the ramp-up of the BIO Solutions, products with higher added value and where the competitive standing of Kompuestos will be more diversified, will drive the gradual improvement of the gross margin. We expect an increase in gross margin of +320bp by 2028 (vs 2022) to reach 33.5%. Beyond the improvement of the gross margin rate due to the mix effect, the growth of the EBIT margin will mainly come from a better dilution of fixed costs due to the increase in the installed capacity utilization rate (target PZP 2028 32.0% vs 27.4% in 2021 and 16.1% in 2022).

Our analysis reveals a valuation of €2.0 per share. This valuation implies an EV/Sales multiple of 0.7x for 2023 and an EV/EBIT of 8.1x. Strong Buy (1).

Table of Content

SWOT	3
1. Plastic: Is it no longer packing?	4
1.1. Main figures.....	4
1.2. Single-use plastic products at the heart of the problem.....	4
1.3. An evolving regulatory framework.....	5
1.4. Bioplastics and biodegradable plastics, viable options?	6
1.5. Price to support growth	8
2. Kompuestos: Bioplastics ready	11
2.1. Activity description	11
2.2. 63.8% owned by the Duch family.....	13
2.3. Brand new PPE, ideal location.....	13
2.4. Which allows it to develop a wide range of products.....	14
2.5. International ambitions.....	19
3. Structured to deliver	20
3.1. Maintaining double-digit top-line growth.....	20
3.2. Capital Intensity behind them.....	21
3.3. Moving towards peers metrics.....	23
3.4. Energy costs, a competitive advantage?.....	24
3.5. Necessary deleveraging.....	24
3.6. H1 2023 – Confirms the trajectory recovery	25
3.7. Double-digit growth with low leverage	25
4. Valuation – Target price €2.0	27
4.1. Peers valuation: €2.1 per share.....	27
4.2. Discounted Cash Flows: €2.0 per share	28

SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ Family shareholding (62.2% of total capital). ▪ Average 5y growth of +8.4%, well above market growth (Traditional +7.9% & Specialties +14.4%). ▪ Diversified customer base (>450 industrial customers) with recurring sales. ▪ Competitive advantage regarding its supplies (high quality calcium carbonate close to the company's production sites). ▪ Doubling of production capacity between 2016 and 2020 (104kt to 220kt). ▪ BIO Solutions line developed and partly certified, ready for commercial ramp-up (favorable product mix, high gross margin) ▪ Hedging of energy costs 	<ul style="list-style-type: none"> ▪ Highly competitive environment, further increased by the growing demand for the decarbonation of the plastic polymers industry. ▪ Market price intensity (fillers, black and white masterbatches...). Kompuestos has however diversified its offers and can adapt to specific needs and set its price. ▪ High financial leverage (2022 Net Debt/EBITDA 4.9x, gearing 96.5%), but we expect high FCF in the coming years (PZP FCF 2023 & 2024 respectively €0.7m & €2.0m). ▪ Low liquidity of the stock (average volume 30d 2k shares).
Opportunities	Threats
<ul style="list-style-type: none"> ▪ Regulatory framework (Single Use Plastic Directive) ▪ Bioplastics' market CAGR of +16.5% by 2028 ▪ Volatile plastic polymer prices (PE) in the context of fluctuation energy costs, favoring the incorporation of fillers. ▪ Continued international expansion 	<ul style="list-style-type: none"> ▪ Increased competitive environment due to the increasing need of alternatives to traditional plastic polymers. ▪ Managing raw material and energy costs over the next few years. ▪ Maintaining a certain capital intensity in the face of technological change of the sector / risk of new capital raises to maintain this intensity

1. Plastic: Is it no longer packing?

- There has been a worldwide acceleration in the production and use of plastics, with half of the world's plastic produced since 1950 being produced after the year 2000.
- Of the 370 million tons of plastic produced annually worldwide, almost 40% is used for packaging.
- In 2016, one third of the plastic waste generated worldwide, i.e., just over 100 million tons, ended up in the environment with highly damaging impacts on fauna and flora. The oceans are particularly affected with 150 million tons of plastic waste currently floating in it.

1.1. Main figures

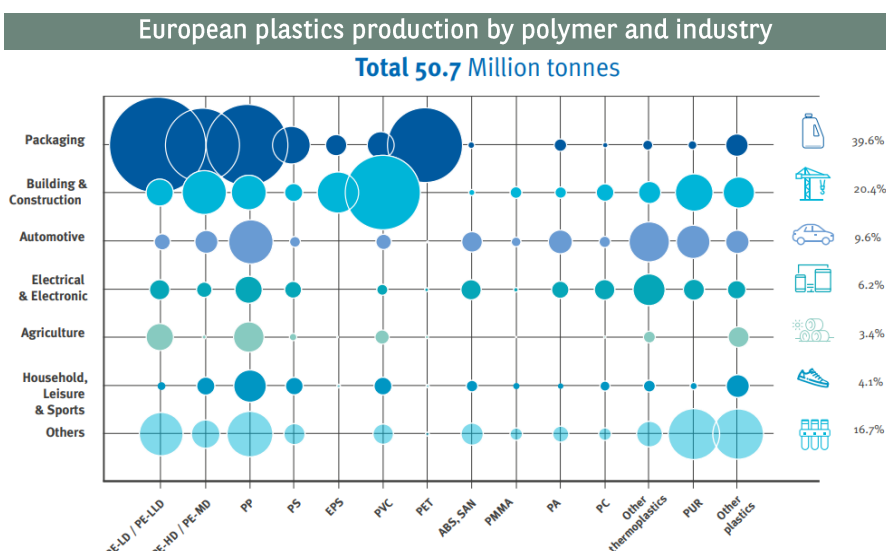
The production and consumption of plastics has increased considerably since 1950 due to the boom of production of consumer goods and its comparative advantages.

From 2 million tons per year in 1950 to around 100 Mt in 1980, plastic production today stands at around 370 Mt, of which 16% in Europe, 19% in America and 50% in Asia where China accounts for two-thirds of that production.

Despite the increasingly negative perception of plastics and growing regulatory pressures, global production is growing by almost 3% per year. This demand will be sustained by the growth in developing countries, the increased use of plastics in consumer goods and as a substitute to heavy, corrosion-prone materials.

Its production should, according to the IEA, reach nearly 600 Mt in 2050.

In Europe, the main industries consuming plastics are the packaging industry (40%), construction (20%), agriculture (17%) and automotive (10%).

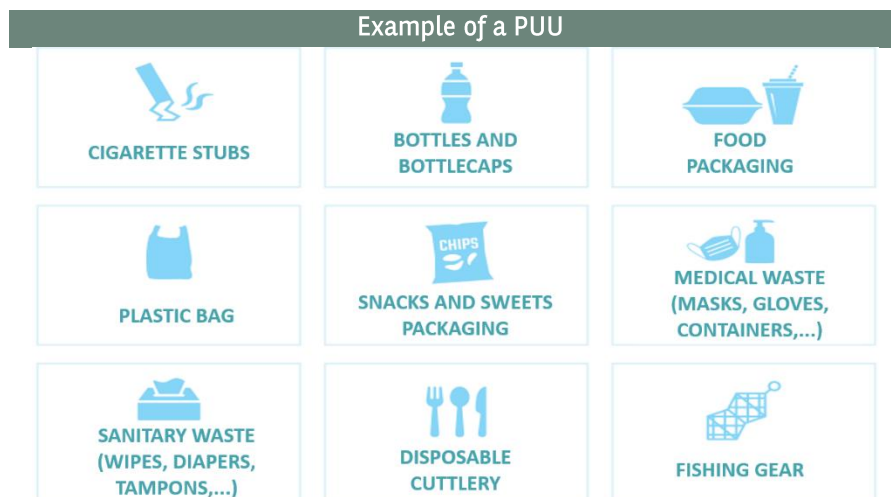


Source: PlasticsEurope

1.2. Single-use plastic products at the heart of the problem

Single-use plastic products are plastic products with a lifespan of less than a year in most cases and always less than three years. These products then go on to become the most common waste found in the natural environment. It is very often food packaging and hygiene products. Overall, single-use items account for nearly 80% of the waste collected as part of the 2018 Ocean Initiatives campaign by the NGO Surfrider Foundation Europe.

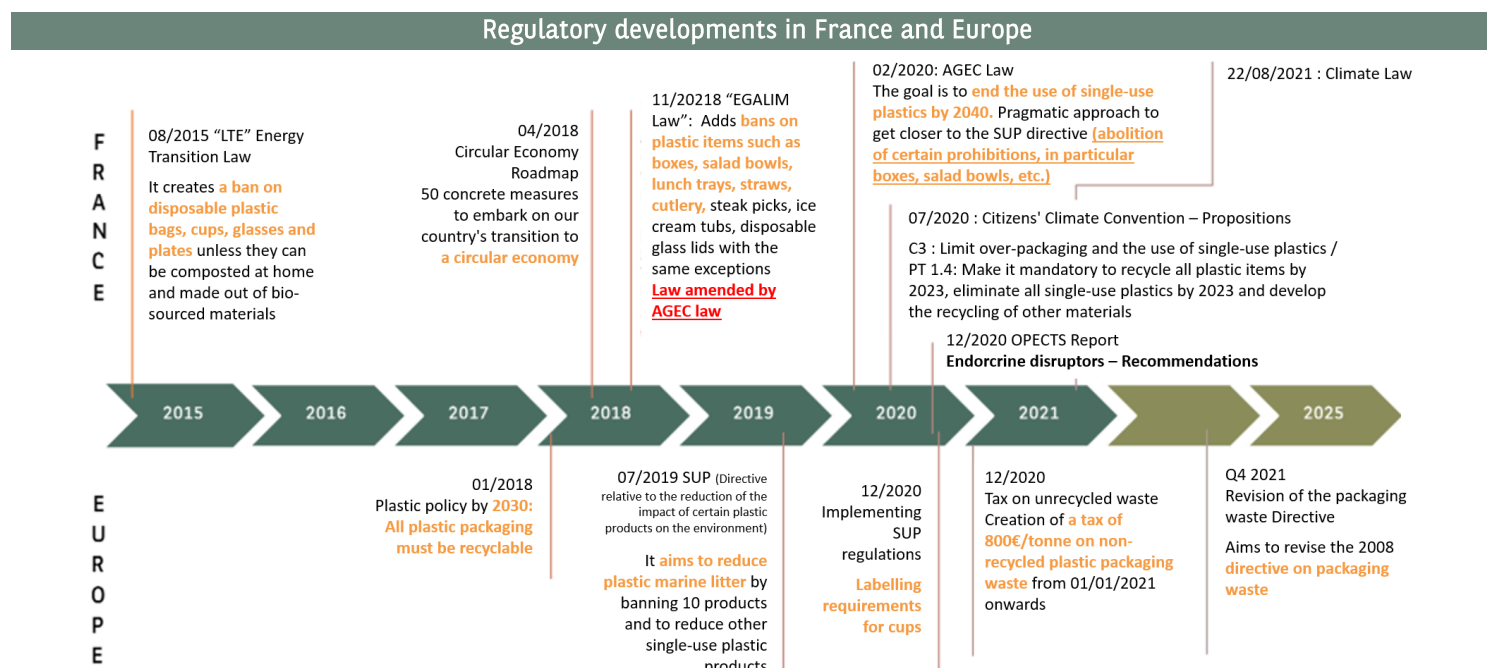
In this context, biodegradable plastics represents the main (best) alternative to single-use plastic items. However, not every single-use plastic can be substitute and sometimes can be hard to recycle (food and hygiene packaging for example).



Source: WWF

1.3. An evolving regulatory framework

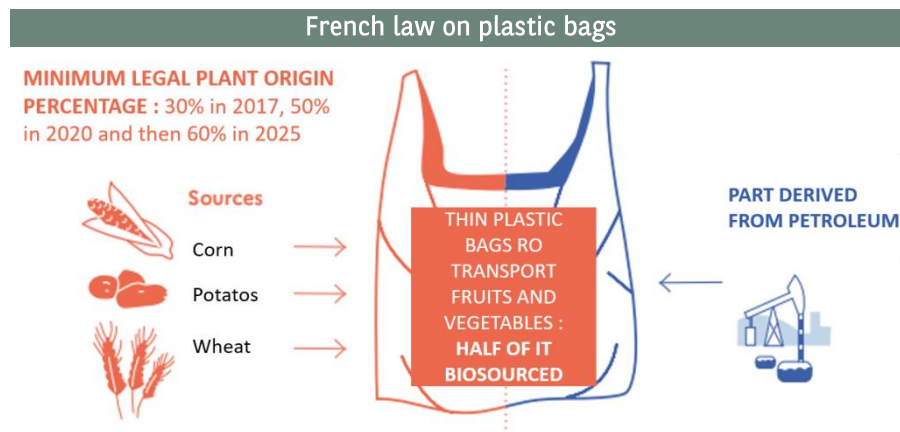
European and French regulations have begun to address this priority of waste reduction at the source, respectively in the SUP Directive (single-use plastics) of June 2019 and the Anti-Waste and Circular Economy Law of February 2020, by banning the commercialization of several single-use plastic products.



Source: Portzamparc

The regulatory framework is tightening on the traditional plastics market. For example, the French law relative to the energy transition for sustainable growth imposes a ban on single-use plastic bags. Only biosourced and compostable plastic bags can be used.

The minimum proportion of biobased plastics required by law will progressively increase over time. This regulatory requirement will thus gradually support the demand for biosourced plastics.



Source: ADEME

1.4. Bioplastics and biodegradable plastics, viable options?

A biobased plastic refers to a plastic that is produced partially or entirely from renewable raw materials. In other words, anything that comes from fossil raw materials would not be considered biosourced.

A biodegradable plastic means that the material can degrade in the presence of microorganisms and under specific conditions. It must therefore meet the European standard EN 13432 of 90% biodegradation in six months maximum to be considered biodegradable. The biodegradation of plastics depends on:

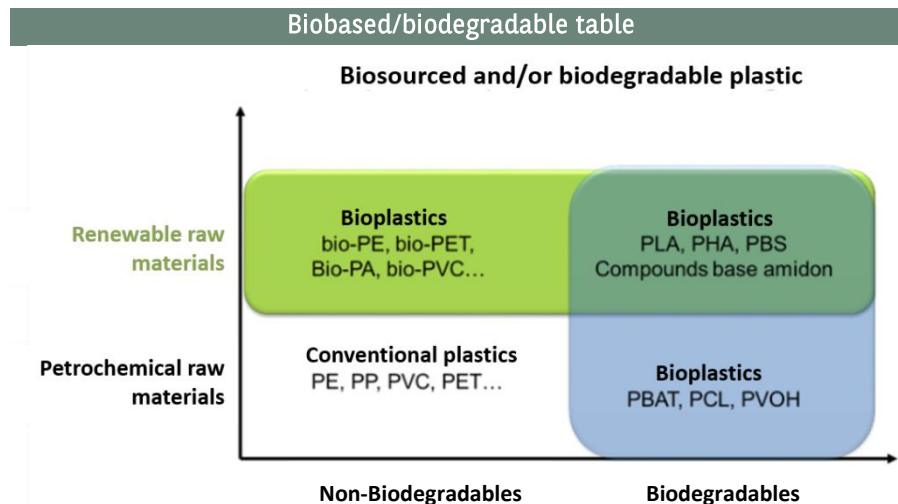
- The environment in which degradation takes place (temperature, humidity, ecosystem, etc.).
- The structure of polymers.
- Product characteristics (thickness, dimensions, surface finish, etc.).

However, it is important to keep in mind that biobased is not necessarily biodegradable.

There is also a water-soluble plastic which means that it can simply dissolve in a solvent (freshwater and seawater). A water-soluble polymer can be dissolved in a solvent without its chemical structure being dissolved, which means that it remains in the environment and causes pollution depending on its chemical properties. Water-soluble is therefore not necessarily synonymous with biodegradable.

Hence there're three different groups of bioplastics (to which we could add a water-soluble subpart):

- Non-biodegradable biosourced or partially biosourced plastics (PE, PET, PP)
- Biodegradable fossil plastics (PBAT, PCL, PVOH)
- Biosourced and biodegradable plastics (PLA, PHA, PBS, TPS)



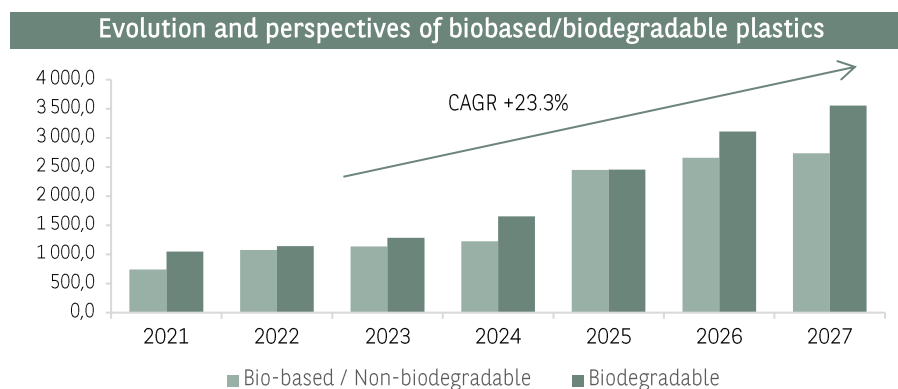
Source: Polyvia

Therefore, there are innovations that could eventually lead to a significant reduction of the plastic pollution currently produced, particularly single-use plastics. But also, largely reduce, if not eliminate our needs of fossil materials to produce these plastics.

Bioplastics (whether biodegradable, biosourced or both) appeared in the 2000s and represents today less than 1% of the world's annual plastic production.

However, compared to the slight decline in global plastics production during the Covid-19 crisis, bioplastics production has continued to grow. This resilience reflects some dynamism with the emergence of new applications and more sophisticated products derived from biosourced plastics.

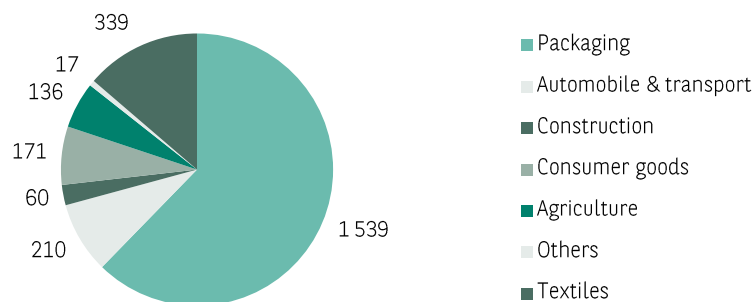
According to the European Bioplastics Conference, global bioplastics production capacity is expected to increase significantly from about 2.2 million tons in 2022 to about 6.3 million tons in 2027. As a result, the share of bioplastics in global production is expected to exceed the 2% mark for the first time.



Source: European Bioplastics Conference

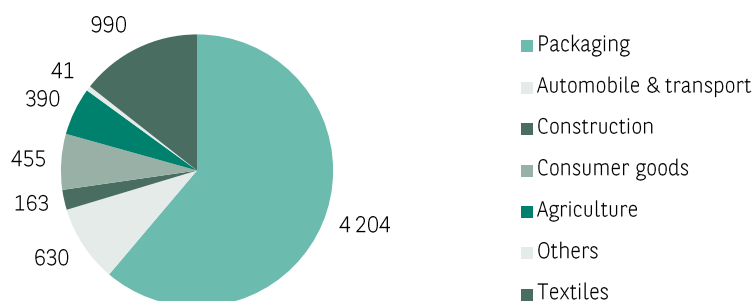
Bioplastics are used for a broadening array of applications, ranging from packaging and consumer products to electronics, automotive and textiles. Packaging remains the largest market segment for bioplastics with 62% (1.5 million tons) of the entire bioplastics market in 2021.

Distribution of bioplastics use by sector (Kt; 2021)



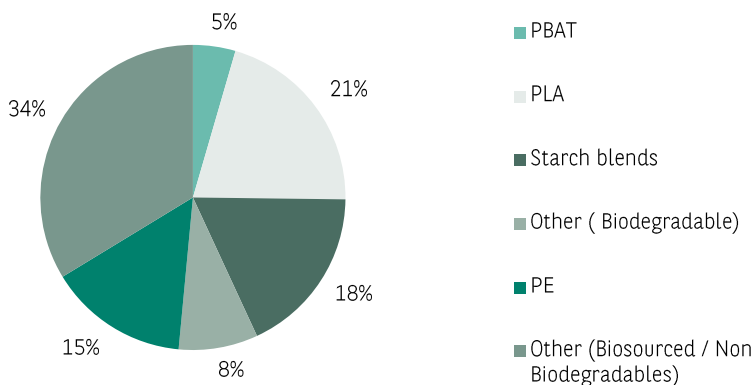
Source: Grand View Research & Portzamparc

Distribution of bioplastic use by sector (Kt; 2030)



Source: Grand View Research & Portzamparc

Global bioplastics production capacity in 2021



Source: European Bioplastics

1.5. Price to support growth

Before the Covid-19 crisis, the main factor slowing down the growth of the bioplastics market was its price positioning versus conventional plastics. With an average price estimated between 3.3€ and 4.7€/kg, it was then on a price multiple of 3x to 4x.

However, the rise in oil prices and the significant rise in energy costs post Ukraine invasion had significantly reduced the gap between conventional plastics and bioplastics in 2022.

Price comparison of traditional and biobased plastics (2021)		
Material	Source	Price (€/kg)
Lignocellulose fibre	Plant	0.4 - 1.2
Cellulose ester	Plant/Petrochemical	4.0 - 20.04
Starches	Plant	0.2 - 2.0
Polylactic acid	Plant	0 - 2.0
PHA	Plant	4.0 - 12.02
PE	Petrochemical	1.31 - 1.6
PP	Petrochemical	1.71 - 2.0
PET	Petrochemical	1.71 - 2.0
PS	Petrochemical	2.0 - 2.4
PVC	Petrochemical	1.71 - 2.02

Source: Petras University, Department of Civil Engineering

The situation, however, tends to normalize in recent weeks, with PE polymers prices returning to a long-term average (-19% in average by the end of October vs n-1) but it is worth noting that bioplastics volumes are also experiencing significant growth, thanks to increasingly substantial installed capacities in Asia (especially PBAT and PLA). This tends to maintain a growing level of competitiveness for bioplastics.

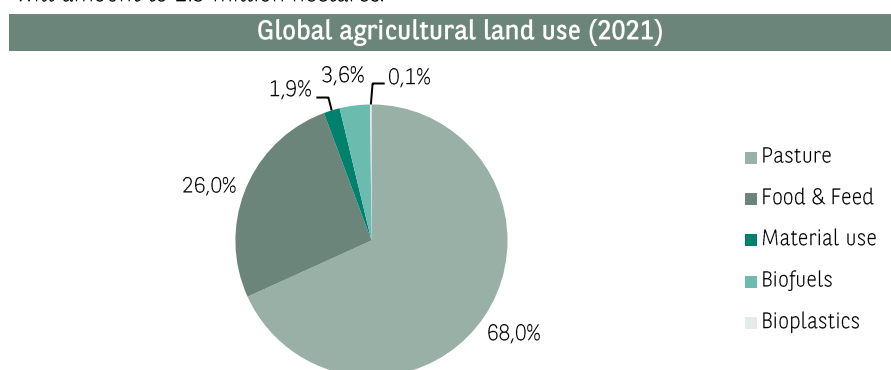
Let's specify that raw material prices for the production of Neory products have also significantly decreased in the past few months, enabling Kompuestos to maintain a good level of gross margin.

Fostered by significant consumer awareness of single-use products and packaging, biobased plastics are breaking away from the image of traditional plastics to boost market expansion. This is also reflected in recent legislation regarding plastics and single-use plastics.

In addition, the production of the raw materials needed to make biodegradable plastics require little arable land or water to grow. It's a significant point considering the current agricultural production shortages and the droughts that are beginning to multiply.

Therefore, the impact of the biodegradable plastics production is minor on agriculture and does not require any specific investments or equipment to develop dedicated land for this purpose.

In 2021, raw materials for bioplastics production occupied 0.7 million hectares, or 0.01% of available agricultural land. In 2026 this figure will increase to 0.06%, which will amount to 2.9 million hectares.



Source: European Bioplastics

- According to research published by Allied Market Research, bioplastic has the potential to reduce CO₂ emissions by 30 to 70 %, compared to traditional plastic.
- The production of bioplastic is an energy-efficient production process, as it requires 65% less energy to produce.
- Bioplastics do not harm the earth or the environment, as these materials are not toxic and can be easily degraded.
- In addition, the emission of greenhouse gases from the bioplastic is minimal during the process of decomposition and reduces the carbon footprint by 42%.

One of the greatest advantages of bioplastic is that it can be produced using renewable resources. The raw materials commonly used for bioplastic production are corn, wheat, and sugarcane (which are abundantly available).

However, there are still significant risks associated with this market. The most important obstacle to its development is its price. New technology requires high R&D costs.

These expenses also mean that this market remains highly concentrated and controlled by large industrial companies with considerable financial resources to fund such research (BASF, Arkema, Solvay, Novamont, Trinseo, Total Corbion, etc.).

The applications for biodegradable and biosourced plastics remain limited. It is therefore necessary to find more solutions in order to have a meaningful impact and significantly reduce the use of traditional plastics.

2. Kompuestos: Bioplastics ready

Founded in 1986 by the Duch family, Kompuestos is a Spanish company that manufactures and markets high performance additives, masterbatches (colors, additives) and fillers. Their products are sold to a diverse range of manufacturers (>450 customers, mainly in Spain, France and Germany).

The purpose of the company is to foster and promote a circular economy through the development of biodegradable bioplastics (BIO Solutions) as well as compounds and raw materials with a lower carbon impact and are easily recyclable.

2.1. Activity description

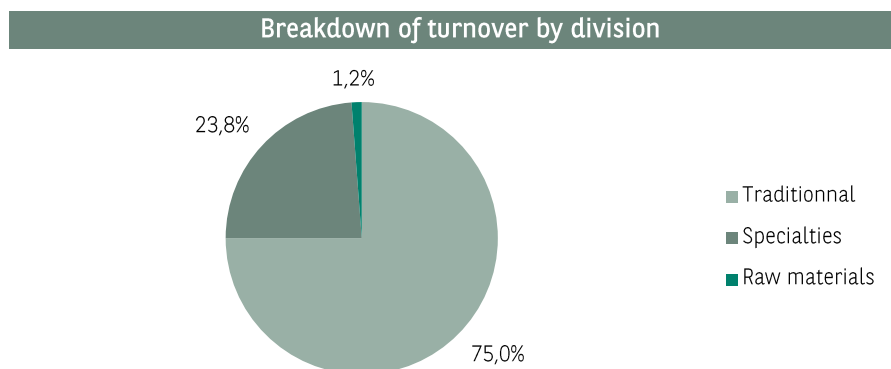
The company is composed of three divisions, the first being Traditional Products (75% of 2022 turnover) and includes the production of fillers, which are mineral fillers with the objective of reducing the cost of production, reducing the carbon impact and/or adding specific qualities to the final plastic products.

This division also includes the black and white masterbatches that are often used to give specific characteristics to plastics.

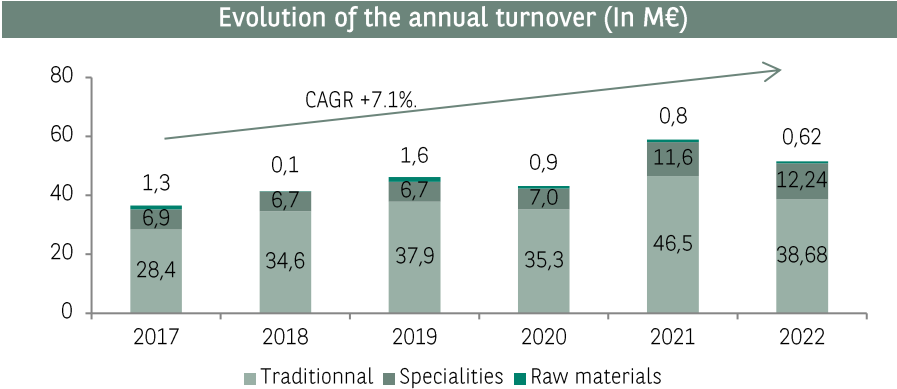
The second division Specialties (23.8% of 2022 turnover) specializes in the development of biodegradable and composable resins, but also certain additives and color masterbatches which can be purely esthetic but also to give specific characteristics to the plastic.

Finally Raw materials (1.2% of 2022 turnover) which consists of the sale of recycled raw materials.

This production is spread over two sites, both located nearby Barcelona with a capacity of 220k tons. The group has had between 2017 and 2019 a high capital intensity in order to double its production capacity (104k tons in 2016).



Source: Company



Source: Company

2.1.1 History

1986	• Founding of Plásticos Compuestos in order to produce and sell fillers made up of mineral and polymeric fillers.
1989	• Inauguration of the first factory, Palau Solita i Plegamans in Barcelona.
1992	• Inauguration of the new black and white masterbatches production line. • Launch of a partnership with Cabot Plastics, a leader in the production of black carbon masterbatches.
2004	• Launch of the first high performance calcium carbonate concentrate for polyethylene film production to enter the marketplace.
2010	• New automated production line in Les Franqueses del Valles (Barcelona) for the production of color masterbatches and additives.
2014	• Change of name from Plásticos Compuestos S.A. to Kompuestos.
2015	• Kompuestos exceeds 30 million euros in revenues.
2018	• Launch of the biodegradable products line (BIO Solutions).

Source: Portzamparc

2.1.2 Management

Ignacio DUCH, President, and CEO

Industrial engineer, specialized in electricity. He previously worked at ITW and Plásticos Celulósicos. Between 1992 and 2003 he was a partner at Cabot Plastics Belgium, S.A., a subsidiary of Cabot Corporation. He is a Director and representative of Corporation Chimique International S.P.R.L., and holds the position of Director, Chief Executive Officer (CEO) and Chairman of the Board. Mr Ignacio Duch is also Chairman of the Board of Directors of CCP Masterbatch, S.L. He graduated from the Polytechnic University of Catalonia.

Nuria Matellán Martín - Financial Director

With a degree in business administration and management, she began her career at Deloitte in Audit. She joined Kompuestos in 2011, she is also a member of the Management Committee.

Ignacio Tauste CAMPO – General Director

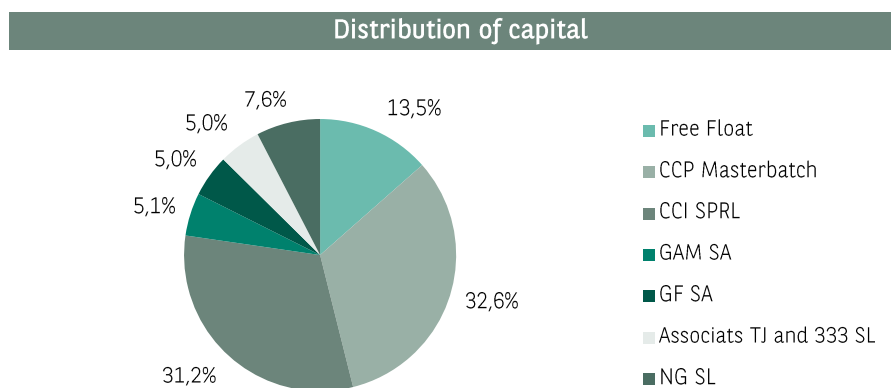
Chemical engineer with a degree from the Polytechnic University of Catalonia, and an executive master's degree in business management from ESADE. He joined Kompuestos in 2010 and became the Chief Operating Officer in 2017. He was appointed as General Director at the end of September 2022 and effective on January 1st, 2023. He is also a member of the Management Committee. He is responsible for managing all industrial operations at Kompuestos.

Dr Grégory COUÉ - Technical Director

A member of Kompuestos since 2015, he is currently the Technical Director, his role is to coordinate and develop new products, as well as fund projects on a national and international scale. Dr Coué obtained his PhD in Biomedical Chemistry from the University of Twente, and obtained a Master of Science and Technology, specializing in polymers, from the University of Bordeaux 1.

2.2. 63.8% owned by the Duch family

Kompuestos is a family business owned by the Duch family directly and indirectly through several subsidiaries namely CCP Masterbatch and Corporation Chimique International S.P.R.L. for a total of 63.8% of all outstanding shares.



Source: Portzamparc

2.3. Brand new PPE, ideal location

The group disposes of recent infrastructures and an environment favorable for a competitive advantage, which allows it to be in control of its entire value chain, from the procurement of raw materials to the final product development.

- "Palau I": Plant housing the logistics, as well as the production line for fillers, white & black masterbatches and the high volume masterbatches.
- "Palau II": The plant includes R&D, laboratories, all central services, and the production line for color masterbatches, additives and "BIO Solutions".

Kompuestos' raw materials are mainly sourced close to the two plants, from calcium carbonate quarries in Barcelona.

This reduces transportation costs and ensures a regular supply of raw materials to produce fillers. In addition, the calcium carbonate produced in this region has a clear competitive advantage thanks to its purity.

To meet the growing demand, the company has been continuously increasing its production capacity since 2016. Thus, the group has increased its capacity from 104kt in 2016 to 220kt in 2019. This will allow Kompuestos to easily double its production in the coming years without significant investments.

2.4. Which allows it to develop a wide range of products

4.1.1. Traditional products

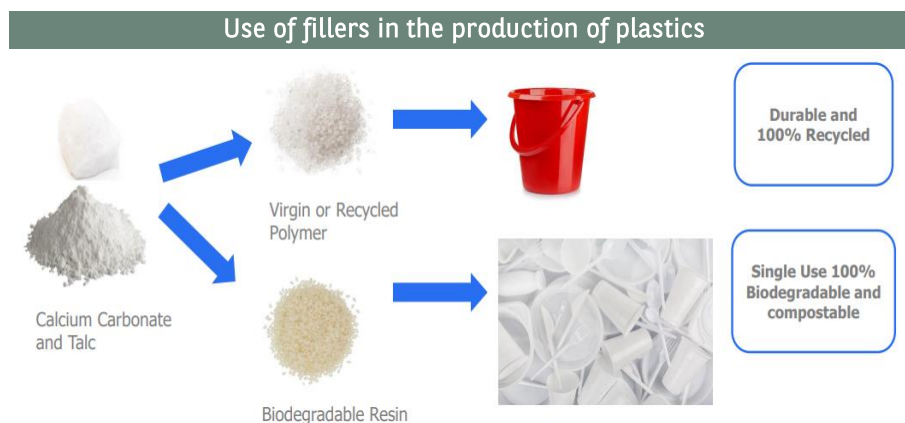
This is currently, Kompuestos' main activity (75% of 2022 turnover). It includes fillers or mineral fillers as well as black and white masterbatches.

The product that Kompuestos markets is named Exfill®. This product is a combination of calcium carbonate and talc which can be blended with different types of plastics: PE, PP, PS and specialized elastomers.

The main use of the Exfill® is to streamline plastic production and therefore reduce production costs by offering the ability to lower the use of polymers in the final plastic product by 14% to 21%. The product is fully recyclable and was designed in a sustainable process to decrease the consumption of petroleum products. Studies show that the use of calcium carbonate filler reduces GHGs by 13%, and energy and fossil fuel consumption by 19% and 15% respectively.

Kompuestos benefits from its privileged access to the high quality raw material necessary for the production of calcium carbonate filler, given its proximity to several of the world's best quarries for extracting this mineral.

According to the company's estimates, Kompuestos own 10% of the market shares in Europe.



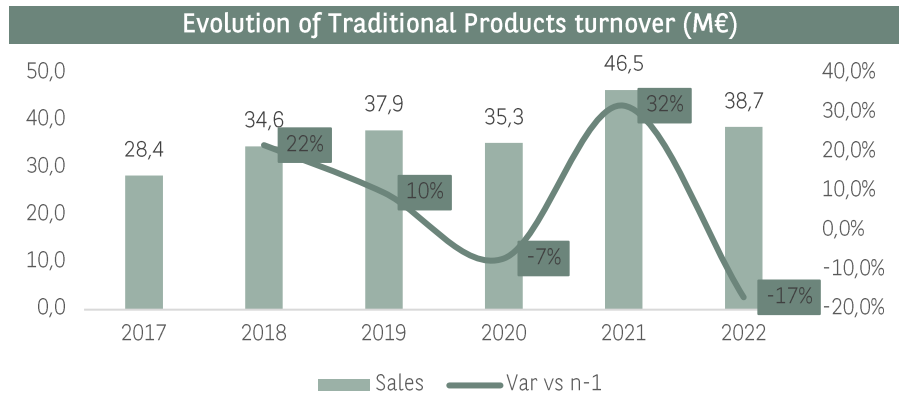
Source: Kompuestos

Beyond the fillers that are added to the primary plastic polymers, there are also blended with other elements called masterbatches to achieve a certain color or specific mechanical characteristics.

These masterbatches have an edge over powders or other techniques of incorporating color or additives to plastic polymers. For example, the ability to combine colors and additives in a single masterbatch can streamline production processes for manufacturers.

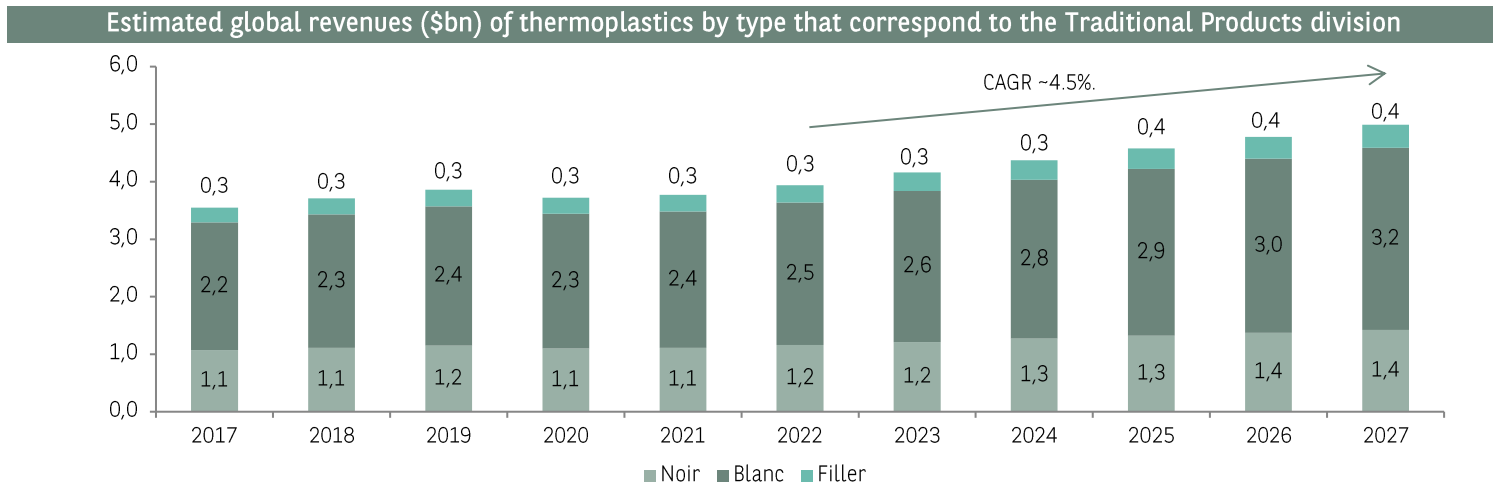
Kompuestos produces black and white masterbatches in this Traditional products line. Black and white masterbatches of different qualities can be combined with additives for UV protection, or for food use.

The CAGR between 2017 and 2022 for this segment is 6.4% with a significant growth (+31.8%) in 2021 due to a strong recovery of the post-covid activity and a disturbed year of 2022 due to a strong price effect and a reduction of volume sold (-17%).



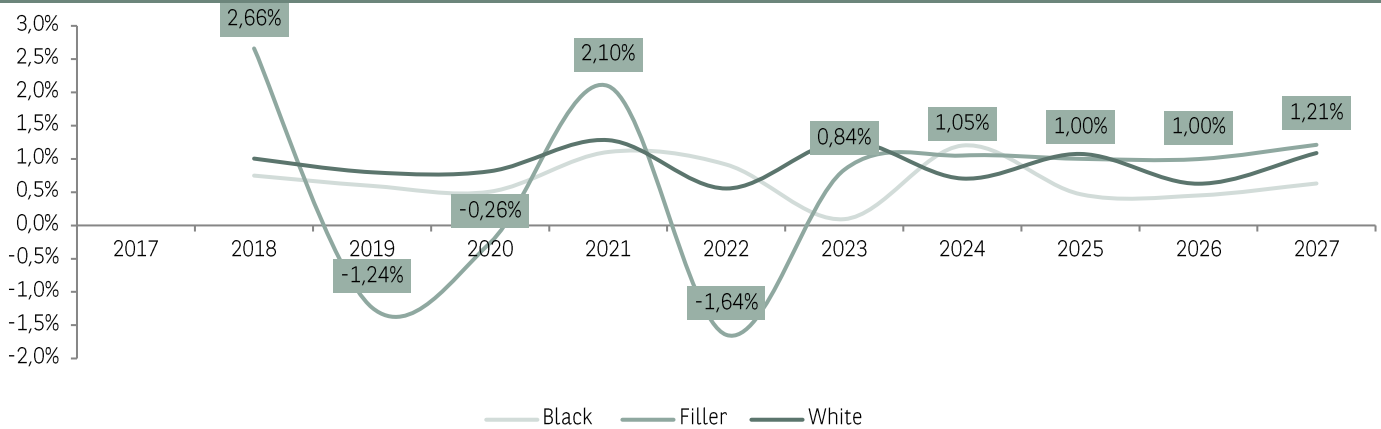
Source: Portzamparc

According to a study conducted by Frost & Sullivan, the market for black and white fillers / masterbatches is expected to grow at a CAGR of approximately 4.5% between 2022 and 2027.



Source: Frost & Sullivan 2021

Anticipated market price effect corresponding to Traditional Products



Source: Frost & Sullivan 2021

Kompuestos offers its customers differentiated and tailor-made additive solutions:

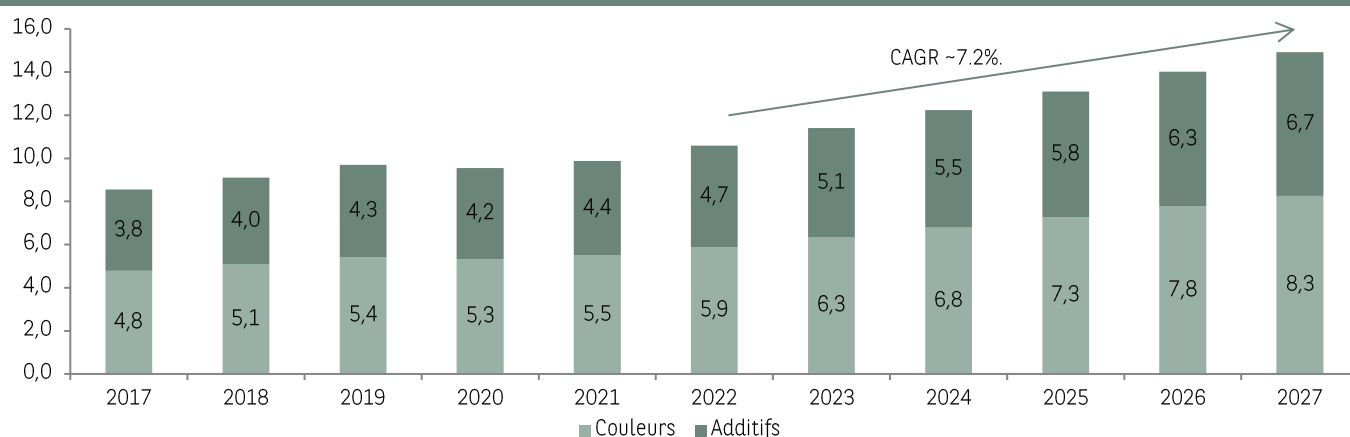
- Properties allowing the recycling of plastics
- Antimicrobial and antibacterial Masterbatches for food use
- Insect repellents for agricultural uses and plastics used outdoors
- Advanced UV and infrared protection systems, maintaining the transparency of plastic resins
- Anti-fogging solutions to prevent water droplets from forming on food packaging

2.4.2 Specialties

This division (24% of 2022 turnover) produces additives that give the final plastic specific properties to meet the needs of each customer. Among these features, the wide range of color masterbatches (>20,000 different color formulations).

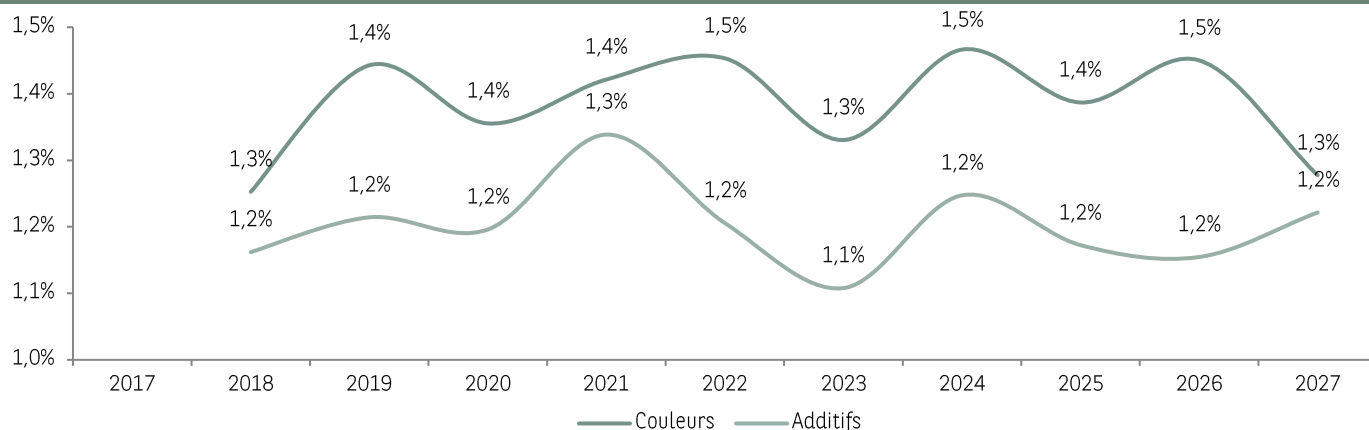
Still according to the Frost and Sullivan study, the growth of the additives and colors masterbatches will be greater than the Traditional Products division growth, with a CAGR of about +7.2% between 2022 and 2027.

Estimated global revenues (\$bn) of thermoplastics by type that correspond to the Specialties division



Source: Frost & Sullivan

Price effect on the market of products corresponding to the Specialties



Source: Portzamparc & Frost & Sullivan

It is also in this division that Kompuestos develops its range of biodegradable and compostable products (BIO Solutions).

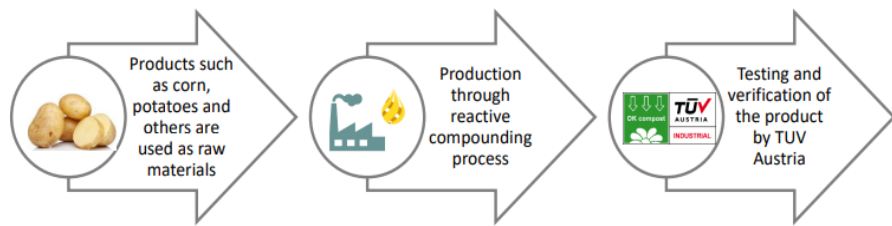
The production method using that type of resin is the same as the one used to produce the traditional plastic. Therefore, it does not require additional investments for manufacturers (Kompuestos clients).

To address all the issues mentioned previously regarding the circular economy, the fight against greenhouse gas emissions, the discarding of plastics in nature, the deterioration of ecosystems and the plastics regulation, Kompuestos has become a new entrant in the circular economy of plastics thanks to two innovative products: biodegradable bioplastics Neory® and Okean™.

While volumes are still modest, the penetration rate among Kompuestos' customer base has increased to 53% in 2021. Industrial customers of colored masterbatches, additives or Kompuestos fillers who need solutions to comply with European regulations on single-use plastics are the priority for business development.

The Biokomp line

Biokomp resins are produced from starch derived from corn, potatoes and grains, and other biodegradable polymers. Biokomp resins are biodegradable and compostable.



Source: Kompuestos

These Biokomp resins can be used to produce, among other things



Source: Kompuestos

- Biodegradable and compostable plastic bags (shopping bags or food packaging).
- Plates, cups, disposable cutlery, films, packaging and rigid food containers. They are also biodegradable and compostable and are deemed to be viable products in France, Italy and Spain despite their single-use function.
- Mulching sheets for agriculture: these plastic sheets for agricultural use are made using "Neory" and offer an eco-friendly alternative to traditional plastics, while retaining their technical properties and functionalities. Its mulching sheets degrade into CO₂ and organic matter, acting as a nutrient for crops.

The Okean line

In addition to Biokomp products, Kompuestos produces "Okean", a plastic designed to be fully biodegradable, turning into CO₂ and water. "Okean" is rapidly biodegradable in fresh and marine waters, and helps to significantly reduce plastic waste in rivers, seas, lakes or any other natural marine environment.

Also, because Okean is mainly made from renewable raw materials, it produces less carbon dioxide than fossil-based polymers. It offers an ecological alternative to single-use plastics.

TÜV AUSTRIA

Kompuestos has obtained multiple certifications, many of which are issued by TÜV AUSTRIA.

TÜV AUSTRIA is a major European certification agency regarding the compostable criteria of industrial products. The standards considered are aligned with those of the European Union.

TÜV AUSTRIA "OK Compost INDUSTRIAL"

- Biodegradation > 90% within 6 months
- Disintegrated material within 3 months. After 12 weeks, no more than 10% of the original mass should remain.
- Low concentration of heavy metals and fluorine.

- The germination rate and biomass of the plant growing in the compost containing the test material must be greater than 90% of the germination rate and biomass of a plant growing in conventional compost.

TÜV AUSTRIA "OK Compost HOME"

- Biodegradation tested at room temperature (between 20°C and 30°C).
- The biodegradation period should be tested over a maximum period of 12 months.
- Disintegrated material within 3 months. After 12 weeks, no more than 10% of the original mass should remain.

TÜV AUSTRIA "OK Biodegradable SOIL"

- This certification is of great use in agriculture, because as a result of the biodegradation of the materials, it contributes to the nutrition of the soil and does not pollute it.
- It has no disintegration criteria, however a risk of visual contamination is not accepted.

TÜV AUSTRIA "OK Biodegradable Water"

- Material that is biodegradable in freshwater to reduce plastic pollution in rivers, lakes and other freshwater sources.
- The materials must meet 90% of the relative or absolute biodegradation of European standards EN ISO 14851 or EN ISO 14852, in temperatures between 20°C and 25°C after 56 days of testing.

Number of certifications obtained or in the process of being obtained by 31/12/2020

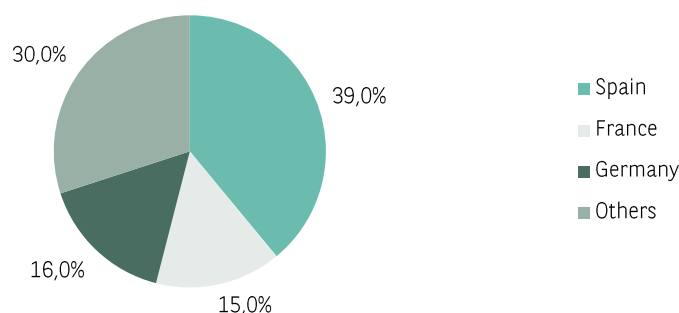
Type of compound	TÜV Austria "OK Compost INDUSTRIAL"	TÜV Austria "OK Compost HOME"	TÜV Austria "OK Biodegradable SOIL"	TÜV Austria "OK Biodegradable WATER"
Resins	9	4	0	0
Masterbatches	5	4	3	6

Source: Portzamparc

2.5. International ambitions

Still very much a national player, more than half of Kompuestos's revenues come from sales generated abroad. Most of its overseas sales are made in Europe (70% of sales in 2022) and 30% in other countries.

Geographical distribution of turnover (2022)



Source: Société

3. Structured to deliver

3.1. Maintaining double-digit top-line growth

The average 5y growth (incl. 2022) of Kompuestos's top line was 8.4%, well above market growth (traditional +2.1% & Specialties +4.3%).

This outperformance is due to:

- A basis of recurrent sales linked to the development of product ranges adapted to the needs of the addressed customers.
- The Group competitive advantage in terms of location (proximity and quality of calcium carbonate extracted from quarries in Barcelona).
- Gradual geographic diversification (Spain 39% of sales in 2022, -510bp vs. 2018) and with the opening of international sales outlets (notably in South America).
- The strategic path of development of biodegradable bioplastics (BIO Solutions incl. Biokomp, Okean, BioExFill), which already have certifications and production capacity.

The year 2023 is expected to slightly increase (PZP Sales +1.9% to 52.5M€) impacted by a significant increase in some expenses and where the group favors the margin per unit vs. volume. In a price decrease environment since this summer, this implies a capacity utilization rate growth (PZP utilization rate 2023 21.0% vs 27.4% in 2021 and 16.1% in 2022) and a higher margin per unit.

On a long-term basis, we consider the group to be well positioned with its BIO Solutions range to take full advantage of the bioplastics ramp-up. We project a 2022-2028 CAGR of +8.2%, i.e., +120bp over the trend observed between 2017 and 2022.

Sales estimates 2017 – 2028e (M€)											
	2018	2019	2020	2021	2022	2023 e	2024 e	2025 e	2026 e	2027 e	2028 e
Sales	41.4	46.3	43.2	58.9	51.5	52,5	53,8	57,9	64,7	72,8	82,8
Var. n-1	13.2%	11.8%	-6.8%	36.5%	12.5%	1,9%	2,3%	7,7%	11,7%	12,5%	13,7%
Traditional	34.6	37.9	35.3	46.5	38.7	38,6	37,5	38,1	39,6	41,0	42,5
Var. n-1	21.8%	9.7%	-7.0%	31.8%	16.9%	-0,3%	-2,8%	1,7%	4,0%	3,5%	3,5%
Specialties	6.7	6.7	7.0	11.6	12.2	13,3	15,6	19,1	24,4	31,1	39,7
Var. n-1	-2.9%	0.3%	4.1%	64.8%	17.3%	8,9%	17,3%	22,4%	27,5%	27,5%	27,5%
Commo.	0.1	1.6	0.9	0.8	0.8	0,6	0,6	0,6	0,6	0,6	0,6
Var. n-1	NS	NS	NS	-1.3%	0.0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

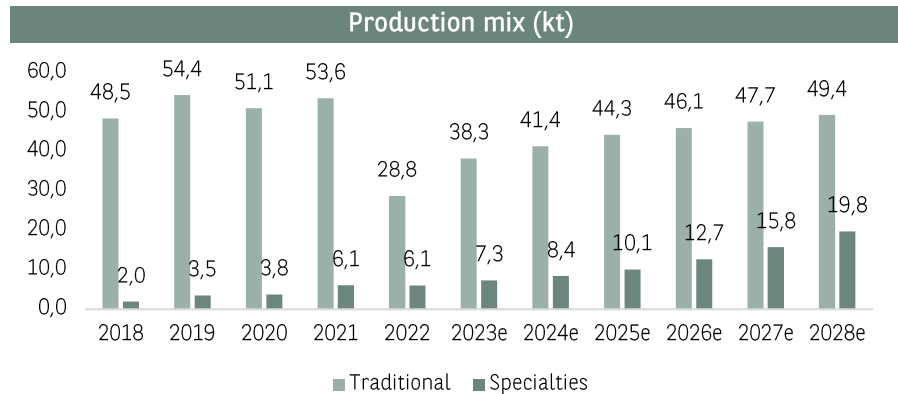
Source: Portzamparc

These projections are based on an average volume increase of +12.3% and a price effect of -6.7% for the Traditional Products division between 2022 and 2028. We anticipate a significant decline in prices in 2023 after a huge increase in the segment's average prices of c.+50% in 2022 (higher transport, energy, and raw materials costs, etc.) and potentially -25% in 2023.

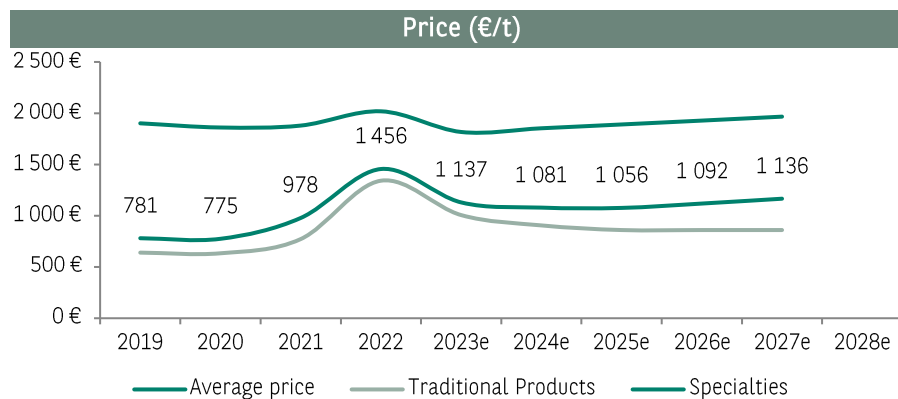
At the same time, most of the Group's growth will come from the Specialties segment, with a projected average volume growth of +21.8% and a flat price effect.

It is worth noting that the Kompuestos production facility is flexible and allows rapid adaptation to market demands: fillers can be produced on the black and white

masterbatches' lines; the BIO Solutions range can be produced on the additives and colors masterbatches' lines.



Source: Portzamparc estimation



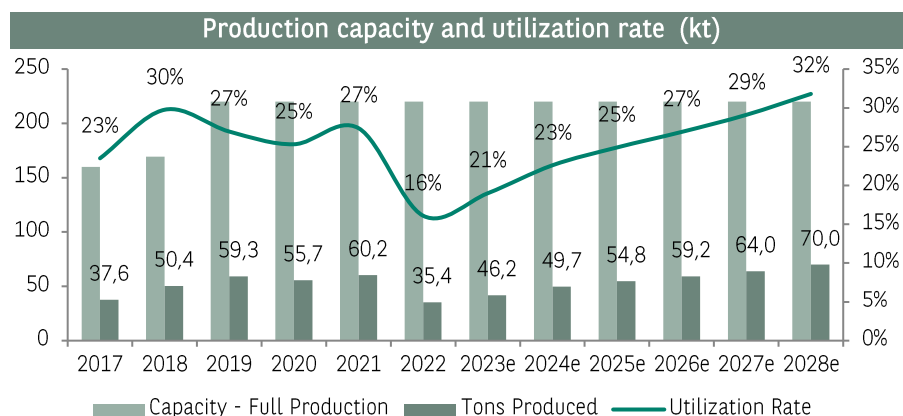
Source: Portzamparc

3.2. Capital Intensity behind them

Kompuestos has invested around €19.8m between 2017 and 2022, with a mix of €7.1m in R&D and €11.7m in CAPEX.

The group has continued to develop specific ranges, including of course the BIO Solutions line, but also and above all doubled its production capacity: 104.2kt in 2016, +55.9kt in 2017, +9.4kt in 2018 (specific to the launch of the Bio line), +50.5kt in 2019.

The utilization rate of the production capacity has at the same time increased from 23.0% in 2017 to 27.4% in 2021. Management specifies that the optimal utilization rate is 80-85%, which implies the realization of our forecasts without significant additional CAPEX (PZP target utilization rate 31.8% in 2028). This apparent "low" normative utilization rate finds its explanation in the fact that the production line is used for several products. As such a switch between products requires a timeout.



Source: Portzamparc

The capital intensity and R&D were financed by:

- Average Operational Cash Flow of €2.4m between 2017-2021,
- Two capital increase operations over this period (€1.9m in 2018, fully subscribed by the majority shareholder; €5m in 2019 at the time of the IPO)
- Financial debt (syndicated loan for €10m in 2 tranches: €4m over 7 years and a credit line of €6m set up over 3 years with annual renovation for 2 additional year possible, first renovation will be in 2024).
- A Covid-19 financial aid (PGE type) of €5m over 5 years, at a rate of 1.9% then extended to 8 years and at a rate of 2.4% at the end of 2021.
- A loan granted by Alteralia in 2018 for €5m, Euribor rate +6 to +7pts. €2m were repaid early. Besides, another €5m loan with a fix rate which matures on 31 May 2028 has been granted by Santander Asset Management to make an early repayment of the Alteralia loan.
- R&D expenditure will remain a strategic component for the group in order to keep adapting products according to customer needs. However, the operating leverage linked to the ramp-up of production unit utilization rates should progressively dilute the amount vs the Operational Cash Flow (PZP Invest. R&D 1.5%e of sales in 2023, 0.8%e in 2028; vs. 3.8% in 2020).

CAPEX & R&D projections (€m)											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Intangible fixed assets	-1.5	-1.4	-1.6	-1.3	-0.9	-0.8	-0.7	-0.6	-0.6	-0.6	-0.7
% Sales	3.7%	3.1%	3.8%	2.3%	1.7%	1.5%	1.3%	1.0%	0.9%	0.8%	0.8%
PPE	-2.2	-4.0	-1.8	-1.5	-0.5	-0.5	-0.5	-0.6	-0.6	-0.7	-0.8
% Sales	5.2%	8.7%	4.1%	2.6%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

Source: Portzamparc

3.3. Moving towards peers metrics

The group does not detail its Traditional Product/Specialties margin mix. However, we understand that the ramp-up of the BIO Solutions, products with higher added value and where Kompuestos' competitive positioning will be more diversifying will drive the gradual improvement of the gross margin.

The sharp decline in 2021 (-180bp to 28.2%) is linked to the sudden inflation of raw materials (calcium carbonate, masterbatches polymers...).

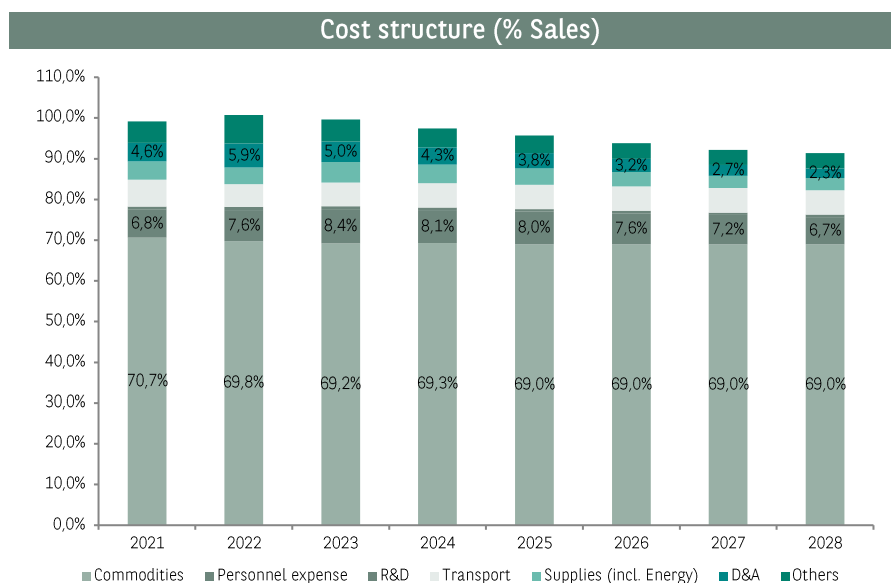
We expect a gross margin rate gain of +320bp by 2028 (vs 2022) to reach 33.5%.

Sales & Gross Margin projections (€m)											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Traditional	34.6	37.9	35.3	46.5	38.7	38,6	37,5	38,1	39,6	41,0	42,5
Var. n-1	21.8%	9.7%	-7.0%	31.8%	-16.9%	-0.3%	-2.8%	1.7%	4.0%	3.5%	3.5%
Specialties	6.7	6.7	7.0	11.6	12.2	13,3	15,6	19,1	24,4	31,1	39,7
Var. n-1	-2.9%	0.3%	4.1%	64.8%	6.0%	8.9%	17.3%	22.4%	27.5%	27.5%	27.5%
Commodities	0.1	1.6	0.9	0.8	0.6	0,6	0,6	0,6	0,6	0,6	0,6
Var. n-1	-93.4%	1830.1%	-46.9%	-1.3%	-26.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales	41.4	46.3	43.2	58.9	51.5	52,5	53,8	57,9	64,7	72,8	82,8
Var vs n-1	13.2%	11.8%	-6.8%	36.5%	-12.5%	1,9%	2,3%	7,7%	11,7%	12,5%	13,7%
Change in inventories	0.5	0.3	0.2	-0.6	0.1	0,0	0,0	0,0	0,0	0,0	0,0
% Sales	1.2%	0.7%	0.6%	-1.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Commodities	-30.0	-32.6	-30.5	-41.6	-36.0	-34,9	-35,7	-38,5	-43,0	-48,4	-55,0
% Sales	-72.4%	-70.4%	-70.6%	-70.7%	-69.8%	-66,5%	-66,5%	-66,5%	-66,5%	-66,5%	-66,5%
Gross Margin	11.9	14.1	13.0	16.6	15.6	17,6	18,0	19,4	21,7	24,4	27,7
% CA	28.8%	30.4%	30.0%	28.2%	30.3%	33,5%	33,5%	33,5%	33,5%	33,5%	33,5%

Source: Portzamparc

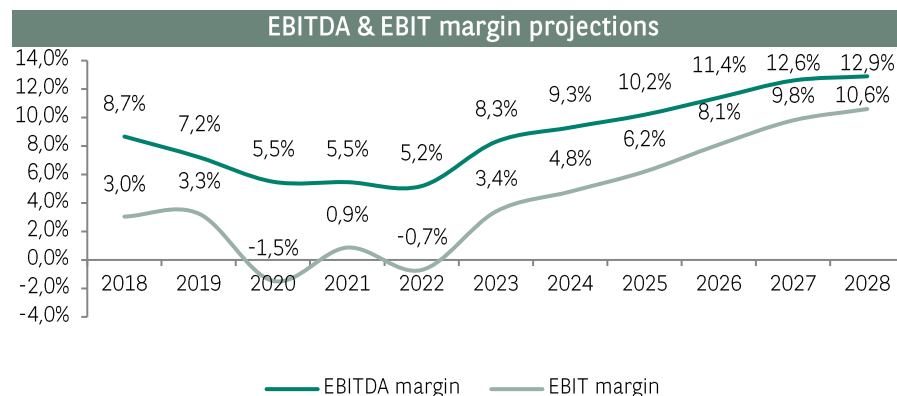
Beyond the improvement in the gross margin rate due to the mix effect, the growth in EBIT margin will primarily come from a better dilution of fixed costs due to the increase in the utilization rate (target PZP 2028 31.8% vs. 16.1% in 2022; D&A impact +250bp by 2028).

For 2022, as the group has put margin ahead of volume, the cash cost structure decreased by €6.8m to €48.9m, for an EBIT margin decrease by -160bp to -0.7%.



Source: Portzamparc

Thus, we project an EBIT margin of 10.6% in 2028, i.e. an EBIT CAGR of +50.0% between 2021 and 2028.



Source: Portzamparc

Finally, the EBIT margin should gradually normalize and tend towards the industry standards (Europe / Chemical Specialties EBIT margin range 10y 12-15%).

3.4. Energy costs, a competitive advantage?

The group has incurred a sharp increase in energy costs in 2021, from €1.4m in 2020 (3.2% of sales) to €2.6m in 2021 (4.4% of sales). For 2022, we understand that the group's hedging strategy allowed to avoid significant inflation during the year, and this is also expected to be the case for 2023.

3.5. Necessary deleveraging

The capital intensity and R&D of the last few years has resulted in a financial leverage level of almost 5.0x at the end of 2022 (Net Debt/EBITDA 4.9x).

Kompuestos has covenants linked to the syndicated financing of €10m and asked a waiver for 2022 which was granted by all the banks who are part of the syndicated financing.

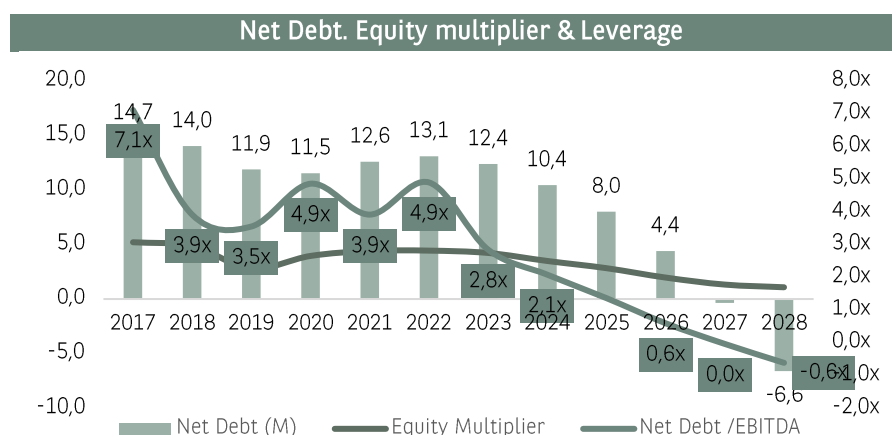
It also has restrictions regarding its ability to distribute dividends (Net Debt/EBITDA <2.5x) and its ability to invest (CAPEX/M&A...). This is not very problematic, as the capital intensity is now behind them.

Operational Cash Flow should sharply increase in 2023 (PZP €2.0m, WCR effect - €1.0m), and FCF will be positive (PZP €0.7m). Cash generation will accelerate gradually over 2024-2025-2026 with CFOs of €3.2m, €3.6m and €4.8m respectively.

Kompuestos will consequently see an easing of its Operational Cash Flow situation from 2026 onwards and its financial leverage should at that point fall below 1.0x (PZP Net Debt/EBITDA 0.6x).

Cash Flow Projections (€m)											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Profit/(Loss)	0.6	0.3	-2.0	-0.6	-1.8	0.4	1.1	2.0	3.5	5.2	6.6
Amortisation/Depreciation	2.3	1.8	2.6	2.7	3.0	2.6	2.4	2.3	2.2	2.1	2.0
Subsidy Allocation	-0.3	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Financial Expenses	0.8	1.1	1.2	1.2	1.5	1.2	1.1	0.9	0.6	0.2	0.0
Other income / expenses	-0.2	-0.4	0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flows after taxes	3.2	2.9	2.0	3.2	2.7	4.2	4.6	5.2	6.2	7.4	8.5
Changes in Working capital	0.0	1.6	2.4	-0.3	-0.1	-1.0	-0.4	-0.7	-0.8	-1.2	-0.8
Other cash flows	0.0	0.1	0.6	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flows from Operating activities	2.4	3.5	3.9	1.8	1.0	2.0	3.2	3.6	4.8	6.1	7.7
Intangible fixed assets	-1.5	-1.4	-1.6	-1.3	-0.9	-0.8	-0.7	-0.6	-0.6	-0.6	-0.7
% Sales	3.7%	3.1%	3.8%	2.3%	1.7%	1.5%	1.3%	1.0%	0.9%	0.8%	0.8%
Property. Plant & Equipment	-2.2	-4.0	-1.8	-1.5	-0.5	-0.5	-0.5	-0.6	-0.6	-0.7	-0.8
% Sales	5.2%	8.7%	4.1%	2.6%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Other Financial Assets	0.0	-0.4	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
% Sales	0.1%	0.8%	0.5%	0.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash flows from Investments	-3.7	-5.8	-3.4	-2.9	-1.2	-1.3	-1.2	-1.2	-1.2	-1.3	-1.5
Capital Increase	1.9	4.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash flows from financing (excl. Debt)	1.9	4.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt	14.0	11.9	11.5	12.6	13.1	12.4	10.4	8.0	4.4	-0.4	-6.6

Source: Portzamparc



Source: Portzamparc

3.6. H1 2023 – Confirms the trajectory recovery

We highlight an improvement in sequential production (S1 revenue of €25.9 million. -10.2% vs. prior year) in an adverse economic context with continued high raw material volatility. This S1 top line supports our annual scenario of landing at €50.8 million (-1.5% vs. prior year. S2 2023 +9.6% estimated).

In addition to an improvement in the gross margin rate (32.7%. +70bp vs. prior year), the group demonstrates excellent control over its OPEX in S1 with a slight reduction in personnel expenses (-€2.0 million vs. -€2.1 million in the prior year) and, notably, a significant decrease in external charges (€4.4 million vs. €5.1 million in the prior year), further confirming our margin scenario for the full fiscal year (unadjusted EBITDA margin 2023 of 5.4% vs. 5.2% in the prior year).

3.7. Double-digit growth with low leverage

The current valuation of Kompuestos (EV €21.7m. market cap. at 13/11/2023 i.e. EV/Sales and EV/EBITDA multiples of 0.4x and 5.0x respectively) is significantly lower

than peers one. The sector multiples on average 5y are respectively 1.9x and 10.9x (source Factset; Chemical Specialties industry).

We believe that the increase in Bio's market share, the rise in the utilization rate of its production lines, the associated operating leverage as well as a future easing of the group's financial situation should progressively restore the group's multiples and bring them closer to peers, albeit with a discount due to a less margined business profile (lower economies of scale and less internalization of the value chain vs. conglomerates in the sector) and a much lower liquidity of the company's stock (market cap. €10.0m, free float 13.5%).

Key historical and projected ratios											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
EBITDA margin	8.7%	7.2%	5.5%	5.5%	5.2%	8,3%	9,3%	10,2%	11,4%	12,6%	12,9%
EBIT margin	3.4%	3.1%	-1.9%	0.9%	-0.7%	3,4%	4,8%	6,2%	8,1%	9,8%	10,6%
Net margin	1.2%	0.6%	-3.7%	-0.7%	-2.6%	0,8%	2,1%	3,5%	5,4%	7,1%	7,9%
Net margin group share	1.2%	0.6%	-3.7%	-0.7%	-2.6%	0,8%	2,1%	3,5%	5,4%	7,1%	7,9%
ROA	1.3%	0.7%	-3.9%	-1.0%	-3.5%	1,1%	3,0%	5,2%	8,5%	11,3%	12,0%
ROE	3.9%	1.5%	-10.4%	-2.7%	-9.9%	3,1%	7,4%	11,8%	16,9%	20,1%	20,3%
ROCE	5.7%	6.4%	-2.9%	2.5%	-1.7%	8,5%	12,6%	17,7%	26,0%	34,7%	42,1%
Dividend pay out	0.0%	0.0%	0.0%	0.0%	0.0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Net Debt (M)	14.0	11.9	11.5	12.6	13.1	12,4	10,4	8,0	4,4	-0,4	-6,6
Total Financial Debt / Assets	45.1%	33.8%	38.6%	38.5%	40.9%	40,1%	35,6%	30,8%	22,9%	16,7%	15,3%
Total Financial Debt / Equity	133.4%	76.5%	102.3%	108.0%	115.0%	110,0%	88,9%	70,0%	45,6%	29,6%	26,0%
Equity Multiplier	3.0x	2.3x	2.7x	2.8x	2.8x	2,7x	2,5x	2,3x	2,0x	1,8x	1,7x
Gearing	115.4%	70.2%	75.8%	85.1%	96.5%	88,5%	69,0%	46,7%	21,3%	-1,4%	-20,4%
Net Debt /EBITDA	3.9x	3.5x	4.9x	3.9x	4.9x	2,8x	2,1x	1,4x	0,6x	0,0x	-0,6x
EV		48.6	41.4	35.0	22.3	21,7	21,0	19,0	16,6	13,0	8,2
PE		134.5 x	-18.9 x	-60.7 x	-7.8x	23,0 x	8,9 x	4,9 x	2,9 x	1,9 x	1,5 x
EV/EBITDA		14.5 x	17.5 x	10.9 x	8.3x	5,0 x	4,2 x	3,2 x	2,2 x	1,4 x	0,8 x
EV/EBIT		32.3 x	-65.3 x	68.4 x	-61.3x	12,0 x	8,1 x	5,3 x	3,2 x	1,8 x	0,9 x
EV/Sales		1.1 x	1.0 x	0.6 x	0.4x	0,4 x	0,4 x	0,3 x	0,3 x	0,2 x	0,1 x
FCFF		-2.0	0.5	-1.0	-0.4	0,7	2,0	2,4	3,6	4,8	6,2
FCFF Yield		-4.1%	1.2%	-2.9%	-1.7%	3,3%	9,3%	12,9%	21,8%	36,7%	76,0%

Source: Portzamparc

4. Valuation – Target price €2.0

4.1. Peers valuation: €2.1 per share

Our peers sample is composed of the following companies:

Peers selection	
Avient Corporation	Avient Corp. engages in the business of thermoplastic compounds. It specializes in polymer materials, services, and solutions with operations in specialty polymer formulations, color and additive systems, plastic sheet and packaging solutions and polymer distribution. It operates through the Color, Additives and Inks and Specialty Engineered Materials segments. The firm's products include polymer distribution, screen printing inks, and thermoplastic elastomers. Its services include IQ design and color services.
Covestro AG	Covestro AG engages in the manufacture and supply of polymers. It operates through the Performance Materials and Solutions and Specialties segments. The Performance Materials segment develops, produces, and supplies materials such as standard polyurethanes and polycarbonates, as well as base chemicals. The Solutions and Specialties segment consolidates Covestro's solutions and specialties businesses and combines chemical products with application technology services.
Cabot Corporation	Cabot Corp. is a global specialty chemicals and performance materials company. Its products are rubber and specialty grade carbon blacks, specialty compounds, fumed metal oxides, activated carbons, inkjet colorants, and aerogel. The company operates through the following segments: Reinforcement Materials, Performance Chemicals, and Purification Solutions.
Hexpol AB	HEXPOL AB engages in the manufacture and sale of polymer compounds and engineered products. It offers polymers group with strong global market positions in advanced polymer compounds (Compounding), gaskets for plate heat exchangers (Gasket), and polymer materials for truck and tractor wheel applications (Wheels).
Lanxess AG	Lanxess AG is a holding company, which engages in the provision of specialty chemicals. It operates through the following business segments: Consumer Protection, Specialty Additives, and Advanced Intermediates. The Consumer Protection segment refers to operational business units that manufacture consumer protection products in chemical production processes. The Specialty Additives includes operational business units that manufacture additives in chemical production processes. The Advanced Intermediates segment relates to operational business areas that essentially manufacture standardized and high-volume products in capital-intensive and predominantly continuous production processes.
Synthomer Plc	Synthomer Plc engages in the development, marketing, and sale of polymer products derived from petrochemical monomers. It operates through the following segments: Performance Elastomers, Functional Solutions, Industrial Specialties, Acrylate Monomers, and Adhesive Technologies.
Wacker Chemie AG	Wacker Chemie AG engages in the manufacture and distribution of chemical products. It operates through the following segments: Silicones, Polymers, Biosolutions, Polysilicons, and Other. The Biosolutions segment fabricates fine chemicals, such as proteins, cyclodextrins, cysteine, and acetate solid resins.

Source: Factset

Let's specify that for this methodology, due to size and liquidity reasons, we apply a discount based on a research report of Eric-Eugène GRENA (size discount of -25% applied on price per share).

Peers' valuation							
	EV	EV/Sales			EV/EBIT		
		2023	2024	2025	2023	2024	2025
Mean	10 110	1,1x	1,0x	0,9x	20,2x	13,7x	8,5x
Median	5 325	1,0x	1,0x	0,9x	14,6x	11,1x	8,5x
Avient Corporation	4 545	1,5x	1,4x	1,3x	14,8x	12,5x	10,6x
Covestro AG	11 728	0,8x	0,7x	0,6x	55,1x	18,7x	10,6x
Cabot Corporation	5 325	1,4x	1,3x	1,2x	9,7x	8,3x	7,6x
Hexpol AB	37 026	1,6x	1,6x	1,5x	10,0x	9,6x	9,1x
Lanxess AG	4 823	0,7x	0,6x	0,3x	-	25,8x	6,3x
Synthomer Plc	1 017	0,5x	0,4x	0,4x	17,4x	10,1x	7,0x
Wacker Chemie AG	6 305	1,0x	1,0x	0,9x	14,3x	11,1x	8,5x
Price / share (mean)		2,74	2,78	2,75	1,58	1,65	1,49
Price / share (median)		2,50	2,65	2,85	0,95	1,23	1,47

Source: Portzamparc

4.2. Discounted Cash Flows: €2.0 per share

The main assumptions adopted in our model are summarized as follows:

- Integration of our scenario over the period 2023-28.
- Growth landing at +2.0% in 2033 and infinite growth at +2.0%.
- Gradual decline in EBIT margin between 2028 (10.6%) and our normative margin level (7.5%).
- Stabilization of the tax rate at 25.0% throughout the projections.
- Overall stable level of BFR/Sales with a normative level at 10.0% (working capital growth compared to sales growth).
- Discount rate of 15.2% (target gearing 15.2% based on peers, cost of equity 16.4% with size premium applied on sector beta).
- Terminal value is calculated using the discounted cash flow method from the normative FCF.

Our analysis reveals a valuation of €2.0 per share. This valuation implies an EV/Sales multiple of 0.7x for 2023 and an EV/EBIT of 8.1x.

	DCF (M€)											
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Normatif
Sales	52.5	53.8	57.9	64.7	72.8	82.8	87.7	90.4	93.1	94.9	96.8	98.8
Y/Y%	1.9%	2.3%	7.7%	11.7%	12.5%	13.7%	6.0%	3.0%	3.0%	2.0%	2.0%	2.0%
EBITDA Group	4.4	5.0	5.9	7.4	9.2	10.7	10.7	10.4	10.0	9.5	8.9	8.4
% CA	8.3%	9.3%	10.2%	11.4%	12.6%	12.9%	12.2%	11.5%	10.7%	10.0%	9.2%	8.5%
D&A	-2.6	-2.4	-2.3	-2.2	-2.1	-2.0	-1.8	-1.5	-1.2	-1.0	-1.0	-1.0
% CA	-4.9%	-4.5%	-4.0%	-3.3%	-2.8%	-2.4%	-2.1%	-1.7%	-1.3%	-1.1%	-1.0%	-1.0%
EBIT	1.8	2.6	3.6	5.2	7.1	8.7	8.9	8.9	8.8	8.5	7.9	7.4
%CA	3.4%	4.8%	6.2%	8.1%	9.8%	10.6%	10.1%	9.8%	9.4%	8.9%	8.2%	7.5%
Taxes	-0.1	-0.4	-0.7	-1.2	-1.7	-2.2	-2.2	-2.2	-2.2	-2.1	-2.0	-1.8
% EBIT	-8.0%	-14.4%	-18.8%	-22.2%	-24.3%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%
EBIT after tax	1.7	2.2	2.9	4.1	5.4	6.6	6.7	6.6	6.6	6.4	6.0	5.5
% CA	3.2%	4.1%	5.0%	6.3%	7.4%	7.9%	7.6%	7.3%	7.1%	6.7%	6.2%	5.6%
D&A	2.6	2.4	2.3	2.2	2.1	2.0	1.8	1.5	1.2	1.0	1.0	1.0
% CA	4.9%	4.5%	4.0%	3.3%	2.8%	2.4%	2.1%	1.7%	1.3%	1.1%	1.0%	1.0%
Capex	-1.3	-1.2	-1.2	-1.2	-1.3	-1.5	-1.5	-1.4	-1.3	-1.2	-1.1	-1.0
% CA	-2.5%	-2.3%	-2.0%	-1.9%	-1.8%	-1.8%	-1.7%	-1.5%	-1.4%	-1.3%	-1.1%	-1.0%
Working capital requ.	-1.0	-0.4	-0.7	-0.8	-1.2	-0.8	-0.4	-0.2	-0.2	-0.2	-0.2	-0.2
ΔWCR / ΔSales		-29.3%	-17.4%	-11.9%	-14.6%	-8.0%	-8.4%	-8.7%	-9.0%	-9.3%	-9.7%	-10.0%
Free Cash Flow Firm	1.9	3.1	3.3	4.2	4.9	6.2	6.6	6.5	6.2	6.0	5.7	5.4
FCFF (disc.)	1.9	2.6	2.5	2.7	2.8	3.0	2.8	2.4	2.0	1.6	1.4	

Source: Portzamparc

Bridge EV to Equity value (€m)	
Enterprise Value	35.2
-Net Debt 2022	13.1
+Financial Assets	1.6
-Provisions	0.2
Equity Valuation	23.5
Number of Shares	12.0
Price per share	2.0 €

Source: Portzamparc

Sensitivity analysis		EBITDA margin				
		7,5%	8,0%	8,5%	9,0%	9,5%
WACC	14,2%	2,0	2,1	2,2	2,3	2,4
	14,7%	1,9	2,0	2,1	2,2	2,2
	15,2%	1,8	1,9	2,0	2,0	2,1
	15,7%	1,7	1,8	1,9	1,9	2,0
	16,2%	1,6	1,7	1,8	1,8	1,9

Source: Portzamparc

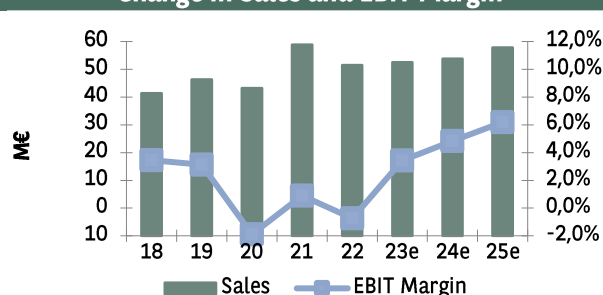
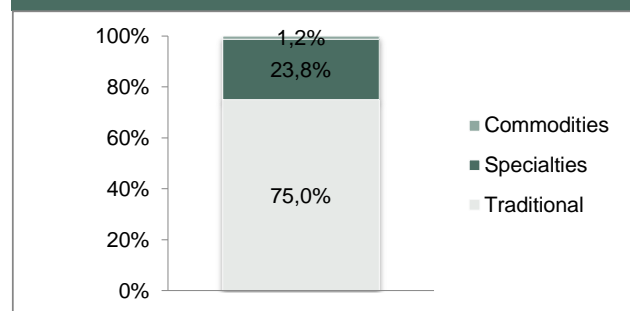
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P&L Account	18	19	20	21	22	23e	24e	25e
Sales	41,4	46,3	43,2	58,9	51,5	52,5	53,8	57,9
<i>chge y/y-1</i>	13,2%	11,8%	-6,8%	36,5%	-12,5%	1,9%	2,3%	7,7%
<i>organic chge</i>	13,2%	11,8%	-6,8%	36,5%	-12,5%	1,9%	2,3%	7,7%
EBITDA	3,6	3,3	2,4	3,2	2,7	4,4	5,0	5,9
Underlying EBIT	1,3	1,5	-0,6	0,5	-0,4	1,8	2,6	3,6
<i>chge y/y-1</i>	+ / + +	19,6%	+ / -	- / +	+ / -	- / +	43,9%	38,0%
EBIT	1,4	1,4	-0,8	0,5	-0,4	1,8	2,6	3,6
RCAI	0,6	0,3	-2,0	-0,6	-1,8	0,6	1,5	2,7
Tax Rate	-	-	-	-	-	-	-	-
Declared Group Net income	0,5	0,3	-1,6	-0,4	-1,3	0,4	1,1	2,0
Restated Group Net income	0,5	0,3	-1,6	-0,4	-1,3	0,4	1,1	2,0
<i>chge y/y-1</i>	+ / + +	-45,7%	+ / -	- / -	+ / + +	- / +	+ / + +	79,9%
AACR Sales 2020 / 2024e	5,6%							
Gross Margin (%)	28,8%	30,4%	30,0%	28,2%	30,3%	33,5%	33,5%	33,5%
Operating Margin (%)	3,4%	3,1%	-1,9%	0,9%	-0,7%	3,4%	4,8%	6,2%
Net margin (%)	1,2%	0,6%	-3,7%	-0,7%	-2,6%	0,8%	2,1%	3,5%
Tax Rate (%)	-	-	-	-	-	-	-	-
Cost of personnel / Sales (%)	-8,3%	-8,0%	-8,3%	-6,8%	-7,6%	-	-	-
Sales/employees (K€)	604	625	550	746	644	-	-	-
<i>chge y/y-1</i>	+ / + +	3,5%	-12,1%	35,7%	-13,6%	-	-	-
Avg nb of staff	69	74	79	79	80	-	-	-
<i>chge y/y-1</i>	+ / + +	8,0%	6,1%	0,6%	1,3%	-	-	-

Balance Sheet	18	19	20	21	22	23e	24e	25e
Equity value (group's share)	12,2	16,9	15,2	14,8	13,6	14,0	15,1	17,1
Net Financial Debt	14,0	11,9	11,5	12,6	13,1	12,4	10,4	8,0
Other	-0,3	-0,3	-0,6	-0,8	-1,4	-1,4	-1,4	-1,4
Invested Capital	25,9	28,5	26,1	26,6	25,2	25,0	24,1	23,7
Net Fixed Assets	21,1	25,2	25,7	26,2	25,0	23,8	22,6	21,4
<i>o/w goodwill</i>	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<i>o/w financial assets</i>	0,3	0,4	0,8	1,0	1,6	1,6	1,6	1,6
WCR	5,2	3,7	1,2	1,5	1,8	2,8	3,1	3,9
Capital employed	25,9	28,5	26,1	26,6	25,2	25,0	24,1	23,7
Gearing (%)	115,4%	70,2%	75,8%	85,1%	96,5%	88,5%	69,0%	46,7%
WCR/Sales (%)	12,5%	8,0%	2,9%	2,5%	3,5%	5,3%	5,9%	6,7%
Net Financial Debt/EBITDA (x)	3,9	3,5	4,9	3,9	4,9	2,8	2,1	1,4
ROE (%)	3,9%	1,5%	ns	ns	ns	3,1%	7,4%	11,8%
ROACE (%) after normative tax	-	-	-	-	-	-	-	-

Cash Flow statement	18	19	20	21	22	23e	24e	25e
Cash Flow	2,5	1,8	0,8	2,0	1,1	3,0	3,6	4,3
Change in WCR	0,0	1,6	2,4	-0,3	-0,1	-1,0	-0,4	-0,7
Capital expenditures	-3,7	-5,5	-3,4	-2,8	-1,3	-1,3	-1,2	-1,2
% of Sales	8,9%	11,8%	7,9%	4,8%	2,6%	2,5%	2,3%	2,0%
Free Cash Flow	-1,2	-2,1	-0,1	-1,1	-0,4	0,7	2,0	2,4
Asset disposal	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Financial Investments	0,0	-0,4	-0,2	-0,1	-0,1	0,0	0,0	0,0
Dividends	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Capital increase	1,9	4,6	0,0	0,0	0,0	0,0	0,0	0,0
Other	0,1	0,2	-0,1	0,0	-0,3	0,0	0,0	0,0
Change in Net Financial Debt	0,7	2,2	0,4	-1,1	-0,5	0,7	2,0	2,4
Net Financial Debt	14,0	11,9	11,5	12,6	13,1	12,4	10,4	8,0

Change in Sales and EBIT Margin



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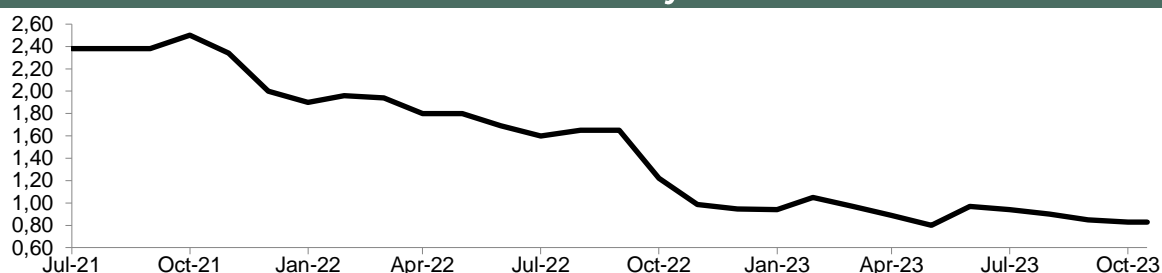
Data per Share	18	19	20	21	22	23e	24e	25e
EPS	2,36	0,02	-0,13	-0,03	-0,11	0,04	0,09	0,17
chge y/y-1	+/++	-99,1%	+/-	- -/-	+/++	-/+	+/++	79,9%
CFPS	3,5	0,2	0,0	-0,1	0,0	0,1	0,2	0,2
NAPS	60,0	1,4	1,3	1,2	1,1	1,2	1,3	1,4
Net Dividend (distributed y+1)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Payout (%)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
AACR EPS 2020 / 2024e	ns							
AACR CFPS 2020 / 2024e	53,7%							

Valuation	18	19	20	21	22	23e	24e	25e
PER (x)	-	-	-	ns	ns	23,0	8,9	4,9
PCF (x)	-	-	-	ns	ns	14,2	5,1	4,1
PNAV (x)	-	-	-	1,9	1,6	0,7	0,7	0,6
EV/Sales (x)	-	-	-	0,7	0,7	0,4	0,4	0,3
EV/EBITDA (x)	-	-	-	12,9	13,1	5,2	4,1	3,1
EV/EBIT (x)	-	-	-	ns	ns	12,5	7,9	5,1
Free Cash Flow Yield (%)	-	-	-	-3,6%	-1,7%	7,1%	19,6%	24,5%
Yield (%)	-	-	-	0,0%	0,0%	0,0%	0,0%	0,0%
Market Cap (M€)	-	-	-	29,0	22,0	10,1	10,1	10,1
Enterprise Value (EV)	-	-	-	41,5	35,1	22,5	20,5	18,1
Reference Price (€)	-	-	-	2,4	1,8	0,8	0,8	0,8
Nb of shares (Mio)	0,203	12,156	12,156	12,156	12,156	12,156	12,156	12,156
Restated Nb of shares (Mio)	0,203	12,038	12,038	12,017	12,017	12,017	12,017	12,017
% dilution	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Listing Date	23/07/2021							
Adjusted Listing Price	-							

Intermediate Data	18	19	20	21	22	23
Q1 Sales	-	-	-	-	-	-
Q2 Sales	-	-	-	-	-	-
H1 Sales	-	-	-	30,0	28,9	25,9
H1 EBIT	-	-	-	0,4	0,7	0,9
H1 restated Net result Group share	-	-	-	0,0	0,2	0,1
H1 Operating Margin	-	-	-	1,4%	2,5%	3,3%
H1 Net Margin	-	-	-	-0,1%	0,6%	0,5%
Q3 Sales	-	-	-	-	-	-
Q4 Sales	-	-	-	-	-	-
H2 Sales	-	-	-	28,9	22,6	-
H2 EBIT	-	-	-	0,1	-1,1	-
H2 restated Net result Group share	-	-	-	-0,4	-1,5	-
H2 Operating Margin	-	-	-	0,4%	-4,9%	-
H2 Net Margin	-	-	-	-1,3%	-6,7%	-

Growth Rate (y/y-1)						
Q1 Sales	-	-	-	-	-	-
Q2 Sales	-	-	-	-	-	-
Q3 Sales	-	-	-	-	-	-
Q4 Sales	-	-	-	-	-	-
H1 Sales	-	-	-	-/+	-3,6%	-10,2%
H2 Sales	-	-	-	-/+	-21,8%	-
H1 EBIT	-	-	-	-/+	74,8%	18,5%
H2 EBIT	-	-	-	-/+	+/-	-

Price History



Disclosure

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- A list of stocks prohibited for staff members, which contains all the stocks monitored by the financial analysis department and all the stocks under contract with the brokerage firm.
- A list of stocks under surveillance, which lists primarily stocks for which one or more staff members in the brokerage firm has confidential information
- A public list of prohibited stocks, which lists stocks for which a financial operation is in progress and for which property asset operations or financial analysis publications are no longer allowed.

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Rating and Target price history <https://www.midcaps.portzamparc.fr/wp-content/fileadmin/pubt/avertissements.pdf>

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Companies in which BNP PARIBAS detains participations: <https://wealthmanagement.bnpparibas/fr/conflict-of-interest.html>

Compulsory disclosures

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STRONG BUY (1): Expected return in excess of +15%

BUY (2): Expected return of between +5% and +15%

HOLD (3): Expected return of between -5% and +5%

REDUCE (4): Expected return of between -5% and -15%

SELL (5): Expected return of less than -15% or poor visibility on the fundamentals of the company.

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Unless otherwise specified, all prices are previous day's closing prices.

Ratings applied to the issuer in the past 12 months

The following table shows the changes of rating and target price made by the financial analysis department of Portzamparc over a 12-month period.

Recommendations are updated either when a comment is made in connection with an official or legal publication, or when an exceptional event occurs (external growth, significant agreements).

Date	Analyst	Target Price	Closing Price	Old Recommendation	New Recommendation
21/04/2023 8:30	Arnaud Despre		€1		STRONG BUY (1)

Potential conflicts of interest for PORTZAMPARC

Company	Potential conflicts of interest
Kompuestos	6

1. Portzamparc holds or controls 5% or more of the issuer's share capital;
2. The issuer, or its main shareholders, hold or control, directly or indirectly, 5% or more of Portzamparc's share capital;
3. Portzamparc has been lead manager or co-lead manager in a public offering of financial instruments of the issuer in the past 12 months;
4. Portzamparc is market maker for the financial instruments of the issuer;
5. Portzamparc has entered into a liquidity agreement with the issuer;
6. Portzamparc and the issuer have signed an analysis service agreement whereby Portzamparc has undertaken to produce and disseminate investment research on the issuer. Research report produced in accordance with charter of good practices regarding sponsored research. Research partially paid by the issuer, limited distribution;
7. Portzamparc has received payment from the issuer in consideration for the provision of investment services or financial advisory services in the last 12 months;
8. The author of this document or any person who has assisted in its preparation (or a member of their household), and any person who, while not involved in the preparation of the report, has had, or can be reasonably assumed to have had, access to material elements of this document prior to its dissemination, holds a net or short position representing more than 0.5% of the issuer's share capital;
9. The rating published in this document has been disclosed to the issuer prior to publication and dissemination and subsequently amended prior to its dissemination.

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Nantes : 13 rue de la Brasserie - BP 38629 - 44186 Nantes Cedex 4

Paris : 16 rue de Hanovre - 75002 Paris - 33 (0) 1 40 17 50 08

Research

Nicolas ROYOT, CFA
Co-head of Financial Analysis

nicolas.royot@bnpparibas.com

Maxence DHOURY, CFA
Co-head of Financial Analysis

maxence.dhoury@bnpparibas.com

Arnaud DESPRE
Financial Analyst

arnaud.despre@bnpparibas.com

Nicolas MONTEL
Financial Analyst

nicolas.montel@bnpparibas.com

Jeremy SALLEE, CFA
Financial Analyst

jeremy.sallee@bnpparibas.com

Gaétan CALABRO
Financial Analyst

gaetan.calabro@bnpparibas.com

Mohamed KAABOUNI
Financial Analyst

mohamed.kaabouni@bnpparibas.com

Augustin SOCIE
Financial Analyst

augustin.socie@bnpparibas.com

Clément BASSAT, CFA
Financial Analyst

clement.bassat@bnpparibas.com

Nicolas DELMAS
Financial Analyst

nicolas.delmas@bnpparibas.com

Alice GARDAN
Head of Corporate Access

alice.gardan@bnpparibas.com

Manon BERNARD
Publishing&Corporate Access

manon.bernard@bnpparibas.com

Amandine PRIGENT
Publishing&Corporate Access

amandine.prigent@bnpparibas.com

Phone

33 (0) 2 40 44 94 09

Institutional Sales

François BREDOUX
Head of Equity Sales

33 (0) 2 40 44 95 21
francois.bredoux@bnpparibas.com

Henri TASSO
Equity Sales

33 (0) 2 40 44 95 41
henri.tasso@bnpparibas.com

Henrique CRISTINO
Equity Sales

33 (0) 2 40 44 95 31
henrique.cristino@bnpparibas.com

Nitin KHEDNAH
Equity Sales

33 (0) 2 40 44 95 11
nitin.khednah@bnpparibas.com

Alexandre LE DROGOFF
Equity Sales

33 (0) 2 40 44 95 48
alexandre.ledrogoft@bnpparibas.com

Céline BOURBAN
Equity Sales

33 (0) 2 40 44 95 04
celine.bourban@bnpparibas.com

Franck JAUNET
Head of Trading, Sales-Trading

33 (0) 2 40 44 95 26
franck.jaunet@bnpparibas.com

Nantes : 13 rue de la Brasserie - BP 38629 - 44186 Nantes Cedex 4

Paris : 16 rue de Hanovre - 75002 Paris – Phone : 33 (0) 1 40 17 50 08



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