

# Reig Jofre

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## 2018 results: A promising outlook derived from capacity additions

### Sales in 4Q18 increased +13.2% qoq

**Sales in 4Q18** increased to €29.6mn (+13.2% qoq and -5.0% yoy), in-line with our 4Q estimate. The main reason behind the yoy decline was a weakened -although expected- performance in Derma. This business is based in Malmoe, Sweden and was negatively affected by a 3% depreciation of the SEK versus the EUR.

Sales of **antibiotics and injectable** benefitted from higher production as supply bottlenecks were reduced -again- in 2018 and by the launch of an anesthetic sold in Indonesia. A new bottling line started up in its plant in Toledo in October increasing capacity by c. 20% and should generate sales in 2019. Sales of **specialty pharma** were undermined by the above-mentioned weakness in derma products while **consumer healthcare** rose strongly following product launches and a marketing refocusing done in Forté Pharma.

In **2018**, sales increased to €180.5mn (+8.6%). Sales per product groups were as follows: **Antibiotics & Injectable** €97.4mn (+6.0%), **specialty pharma** €36.8mn (-3.0%) and **consumer healthcare** €46.3mn (+21.3%). The reporting was simplified in 4Q18 to three product categories, from five. Contract manufacturing accounted for 22% of sales (23% in 2017).

### Net profit increased +5.0% in 2018

The **gross margin** dipped in **4Q18** to 62.7% (64.3% in 4Q17) on a less favourable sales mix and on product launch costs reducing the **EBITDA margin** to 11.4% (from 13.7%). **EBITDA** reached €5.4mn (+57% qoq and -19.2% yoy). A €1.2mn reversal of impairment helped to increase **EBIT** to €4.5mn in 4Q18 (+183% yoy and -2.8% yoy). **PBT** was €4.5mn (+212% qoq and +8.3% yoy). The **net profit** was €5.1mn (+307% qoq and -8.7% yoy) due to positive tax income.

In 2018, the **gross margin** rose to 62.5% from 61.8%. The **EBITDA margin** dipped to 9.1% from 9.4% and **EBITDA** was €16.4mn (+3.8%). **EBIT** amounted to €10.0mn (+11.2% and -2.0% excluding the impairment). Net financial expenses fell to -€0.7 (-30%). **PBT** increased to €9.5mn (+18.5%) and **net profit** to €9.3mn (+5.0%). The tax rate was a mere 2.4%.

### Valuation

Our valuation revolves around a **DCF model** and a 7.2% WACC. We have rolled our model forward one year This results in a new **target price of €3.60 per share, up** from €3.30/share.

### Key data at 11<sup>th</sup> March 2019, 17:35h

Price (€)	2.52	Nº shares (m)	65.1
Ticker Bloomberg	RJF SM	M. Cap. (€m)	163.9
Free-float (%)	27.5	Daily vol. (€m)	0.1

(€mn)	2017	2018	2019e	2020e
Net group profit	8.8	9.2	7.0	8.5
% inc.	14.8	5.3	-24.1	21.8
EBITDA	15.8	16.4	18.0	21.6
% inc.	0.6	3.8	10.1	19.8
EPS (€)	0.13	0.14	0.11	0.13
% inc.	14.8	5.3	-24.1	21.8
DPS (€)	0.05	0.05	0.00	0.00
% inc.	n.a.	-2.1	n.a.	n.a.
P/E (x)	17.4	16.1	23.4	19.2
EV/EBITDA	10.7	10.4	11.5	9.8
Div. Yield (%)	2.0	2.0	0.0	0.0
P/BV (x)	1.1	1.0	1.0	1.0

### Price performance (€)



Performance (%)	1 m.	3 m.	12 m.
Absolute	-0.4	7.2	1.2
Relative	-1.3	5.5	5.5

Source: Bloomberg and Bankinter Securities Research

## The 2018 results are marginally ahead of our estimates

Figure 1. Summary results

€mn	4Q17	1Q18	2Q18	3Q18	4Q18	yoy %	qoq %	2017	2018	yoy %	BK estimate
Antibiotics & injectables								91.9	97.4	6.0	
Specialty pharma								37.9	36.8	-3.0	
Consumer healthcare								38.2	46.3	21.3	
<b>Sales</b>	<b>48.4</b>	<b>46.6</b>	<b>43.6</b>	<b>43.2</b>	<b>47.1</b>	<b>-2.6</b>	<b>9.1</b>	<b>168.0</b>	<b>180.5</b>	<b>7.4</b>	<b>180.1</b>
<b>Gross margin</b>	<b>31.1</b>	<b>28.7</b>	<b>28.5</b>	<b>26.1</b>	<b>29.6</b>	<b>-5.0</b>	<b>13.2</b>	<b>103.9</b>	<b>112.8</b>	<b>8.6</b>	<b>111.7</b>
<i>% of sales</i>	<i>64.3</i>	<i>61.6</i>	<i>65.4</i>	<i>60.4</i>	<i>62.7</i>			<i>61.8</i>	<i>62.5</i>		<i>62.0</i>
Other income	2.0	1.2	1.7	1.3	1.4			6.2	5.7		
<b>Total income</b>	<b>50.4</b>	<b>47.8</b>	<b>45.3</b>	<b>44.5</b>	<b>48.6</b>	<b>-3.7</b>	<b>9.1</b>	<b>174.2</b>	<b>186.2</b>	<b>6.9</b>	<b>186.5</b>
Operating expenses	-26.5	-25.2	-27.3	-24.0	-25.6			-94.3	-102.1		
<b>EBITDA</b>	<b>6.6</b>	<b>4.7</b>	<b>2.9</b>	<b>3.4</b>	<b>5.4</b>	<b>-19.2</b>	<b>56.7</b>	<b>15.8</b>	<b>16.4</b>	<b>3.8</b>	<b>17.0</b>
<i>% of sales</i>	<i>13.7</i>	<i>10.1</i>	<i>6.7</i>	<i>7.9</i>	<i>11.4</i>			<i>9.4</i>	<i>9.1</i>		<i>9.5</i>
Depreciation	-2.0	-1.9	-1.9	-1.8	-2.0			-6.8	-7.6		
Impairment & Others	0.0	0.0	0.0	0.0	1.2			0.1	1.2		
<b>EBIT</b>	<b>4.7</b>	<b>2.8</b>	<b>1.1</b>	<b>1.6</b>	<b>4.5</b>	<b>-2.8</b>	<b>183.2</b>	<b>9.0</b>	<b>10.0</b>	<b>11.2</b>	<b>9.2</b>
<i>% of sales</i>	<i>9.6</i>	<i>6.0</i>	<i>2.4</i>	<i>3.7</i>	<i>9.6</i>			<i>5.4</i>	<i>5.6</i>		<i>5.1</i>
Net financial expenses	-0.5	-0.2	-0.2	-0.1	-0.1			-1.0	-0.7		
Equity income	0.0	0.0	0.0	0.0	0.2			0.0	0.2		
<b>Profit before taxes</b>	<b>4.2</b>	<b>2.6</b>	<b>0.8</b>	<b>1.5</b>	<b>4.5</b>	<b>8.3</b>	<b>211.6</b>	<b>8.0</b>	<b>9.5</b>	<b>18.5</b>	<b>8.0</b>
Taxes	1.4	-0.4	-0.1	-0.2	0.5			0.8	-0.2		
<i>Tax rate %</i>	<i>32.9</i>	<i>-15.0</i>	<i>-15.0</i>	<i>-15.0</i>	<i>11.2</i>			<i>10.1</i>	<i>-2.4</i>		
<b>Net group profit</b>	<b>5.5</b>	<b>2.2</b>	<b>0.7</b>	<b>1.2</b>	<b>5.1</b>	<b>-8.7</b>	<b>307.1</b>	<b>8.8</b>	<b>9.3</b>	<b>5.0</b>	<b>8.8</b>
<b>OWC</b>	<b>41.9</b>	<b>42.9</b>	<b>41.6</b>	<b>40.3</b>	<b>40.5</b>	<b>-3.2</b>	<b>0.6</b>	<b>41.9</b>	<b>40.5</b>	<b>-3.2</b>	
OWC/LTM sales (%)	24.9	25.1	23.9	22.2	22.5			24.9	22.5		
<b>Net financial debt</b>	<b>18.3</b>	<b>21.0</b>	<b>20.2</b>	<b>23.3</b>	<b>24.5</b>	<b>33.9</b>	<b>5.2</b>	<b>18.3</b>	<b>24.5</b>	<b>33.9</b>	
NFD/LTM EBITDA (x)	1.2	1.3	1.2	1.3	1.5			1.16	1.49		
NFD/Equity (x)	0.1	0.1	0.1	0.2	0.2			0.13	0.16		

Source: Company and Bankinter Securities Research

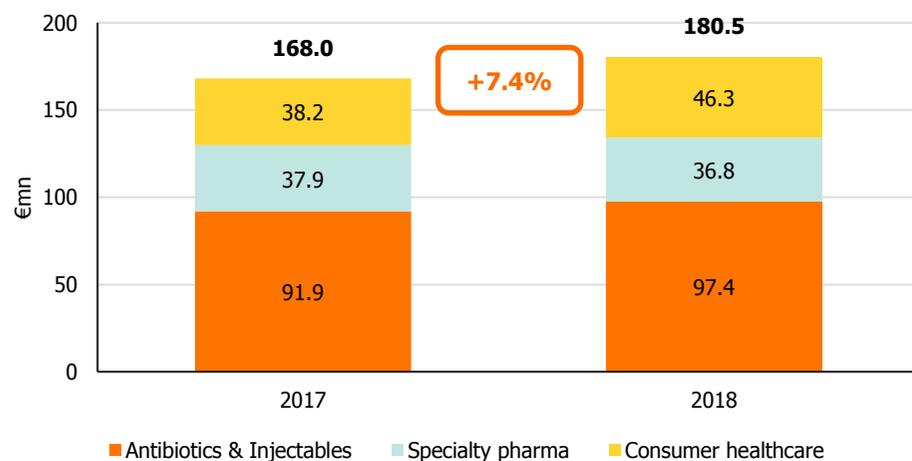
## Sales growth is driven by consumer healthcare, antibiotics and injectable products

**Sales** increased to €180.5mn in 2018 (+7.4% yoy), in-line with our estimate of €180.1mn. This growth rate is the same of 1H18 but declines from 11.5% in 9M18. Sales in 4Q18 were €47.1mn (-2.7% yoy). This main reason behind this decline is lower sales in specialty pharma as Derma sales were negatively affected by a 3% depreciation of the average rate of the SEK versus the EUR in 2018 and price adjustments in Spain. The reporting per product line was simplified in 4Q18 to three categories (from five).

- **Antibiotics and injectable** sales of €97.4mn (+6.0%) was fuelled in 2018 by increasing production as supply bottlenecks were reduced again in 2018. Bottling capacity was increased by c. 20% as a new line in its Toledo antibiotics plant was started-up in October 2018, this should generate additional growth in 2019. The launch of an anesthetic in Indonesia in 4Q18 also contributed to sales.
- **Specialty pharma** sales of €36.8mn (-3.0%) were undermined by lower sales of derma products on unfavourable forex and price adjustments in Spain.
- **Consumer healthcare** sales of €46.3mn (+21.3%) rose following product launches in weight control products, energy supplements and solutions for sleep deprivation.

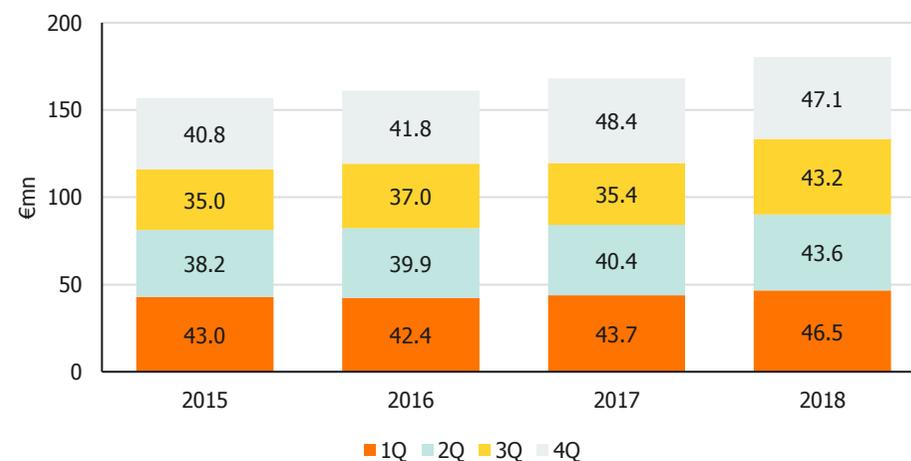
Contract manufacturing accounted for 22% of sales, almost unchanged from 23% in 2017.

Figure 2. Sales per product line



Source: Company and Bankinter Securities Research

Figure 3. Sales per quarter

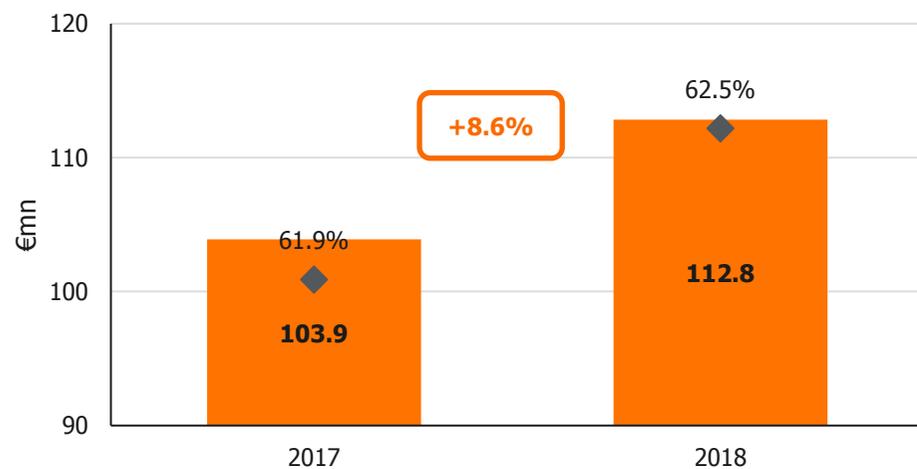


Source: Company and Bankinter Securities Research

## Gross margin widened to 62.5%

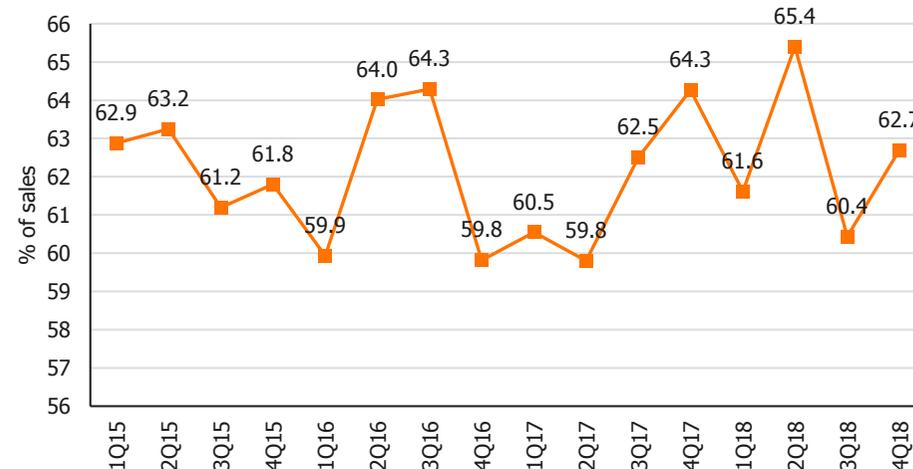
- The **gross profit** widened by +8.6% in 2018 to €112.8mn, surpassing the growth rate of sales.
- The **gross margin** increased to 62.5% from 61.9% in 2017.
- The increase in the margin was driven by a combination of a 21.3% growth in consumer healthcare sales, this includes Forté Pharma whose products have larger margins than the average, and a 6.0% growth in sales of antibiotics & injectable.

Figure 4. Gross profit and margin



Source: Company and Bankinter Securities Research

Figure 5. Gross margin per quarter

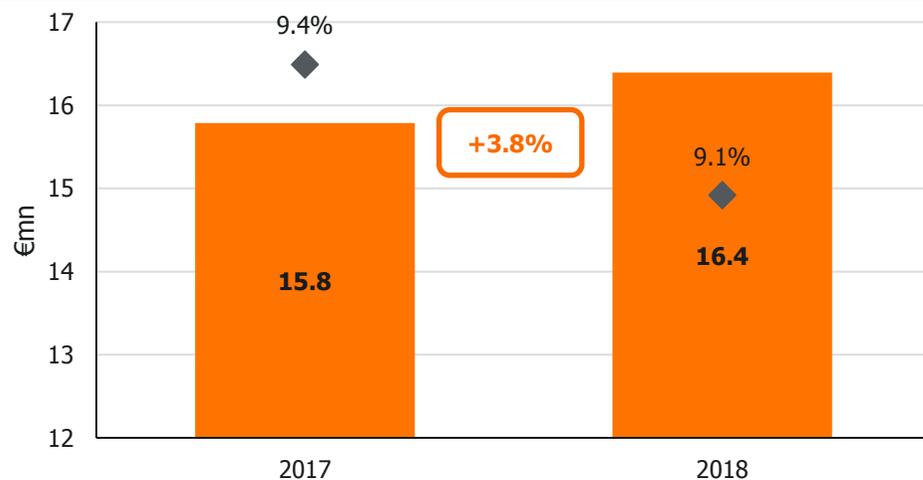


Source: Company and Bankinter Securities Research

## EBITDA increased by +3.8%

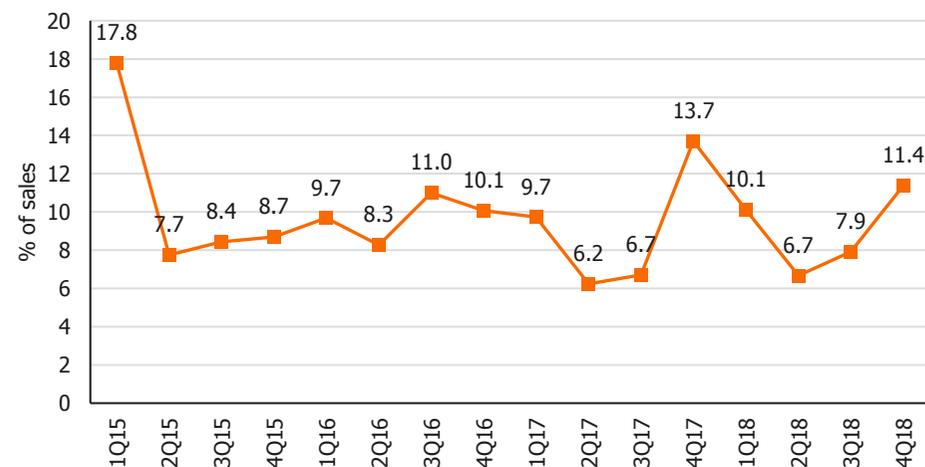
- **EBITDA** increased in 2018 to €16.4mn (+3.8%).
- The **EBITDA margin** declined to 9.1% in 2018 from 9.4% in 2017 on a weaker margin during 4Q18 (11.4% versus 13.7% in 3Q17). We understand that this is a one-off effect related to the ramp-up of the new antibiotics line that the company opened in Toledo in October 2018 and to higher than expected marketing costs associated with the new launches in Consumer healthcare and antibiotics.

Figure 6. EBITDA and margin



Source: Company and Bankinter Securities Research

Figure 7. EBITDA margin per quarter

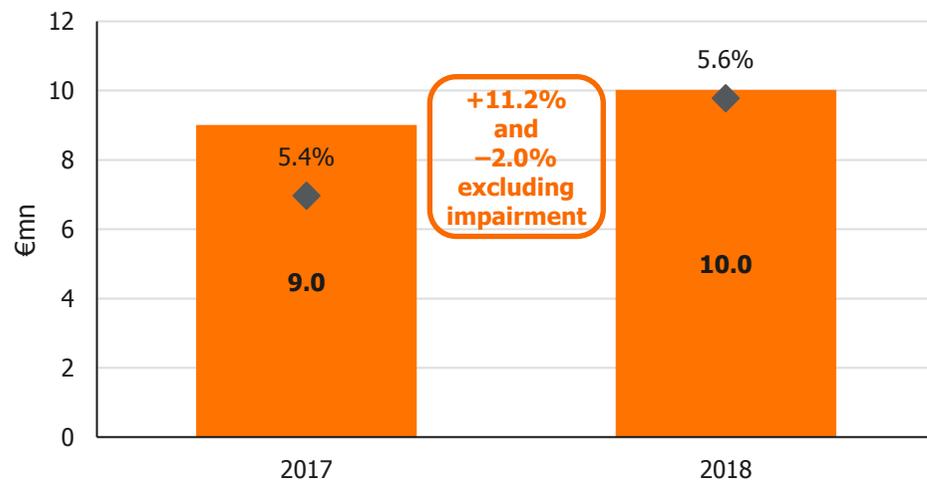


Source: Company and Bankinter Securities Research

## EBIT grew +11.2%

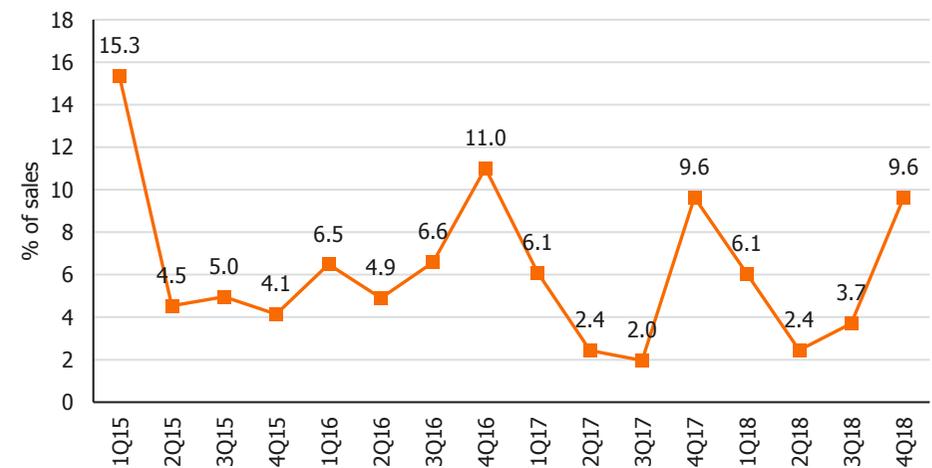
- **EBIT** grew in 2018 to €10.0mn (+11.2%). The EBIT includes €1.2mn of positive impairment as the book value of the properties in Barcelona was revised up. Excluding this effect, EBIT dipped by –2.0%.
- The EBIT margin rose to 5.6% of sales from 5.4% in 2017, or to 4.9% excluding the impairment.
- Our scenario contemplated moderate declines in the EBIT margin during 2018e and 2019e (to 5.1% and 4.9%, respectively) as a result of higher depreciation stemming from the investments in its Barcelona and Toledo factories. Our margin estimate for 2018 excluding impairments was 5.1%.

Figure 8. EBIT and margin



Source: Company and Bankinter Securities Research

Figure 9. EBIT margin per quarter

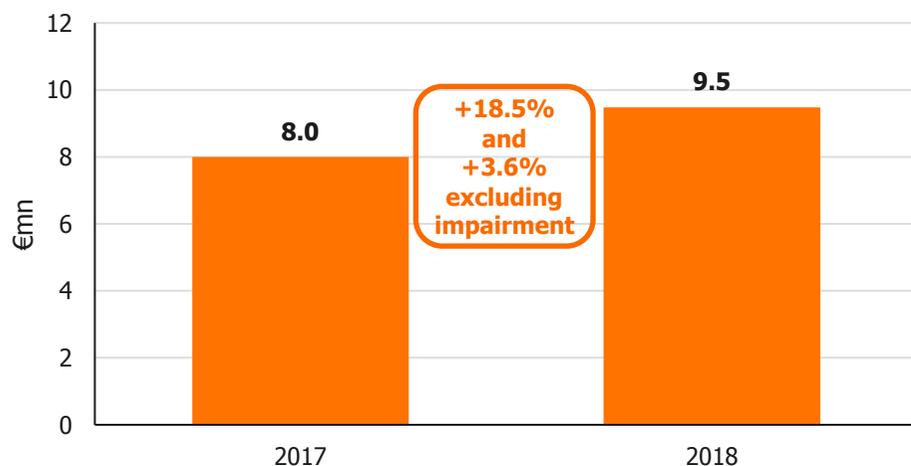


Source: Company and Bankinter Securities Research

## Profit before taxes and net profit also increased

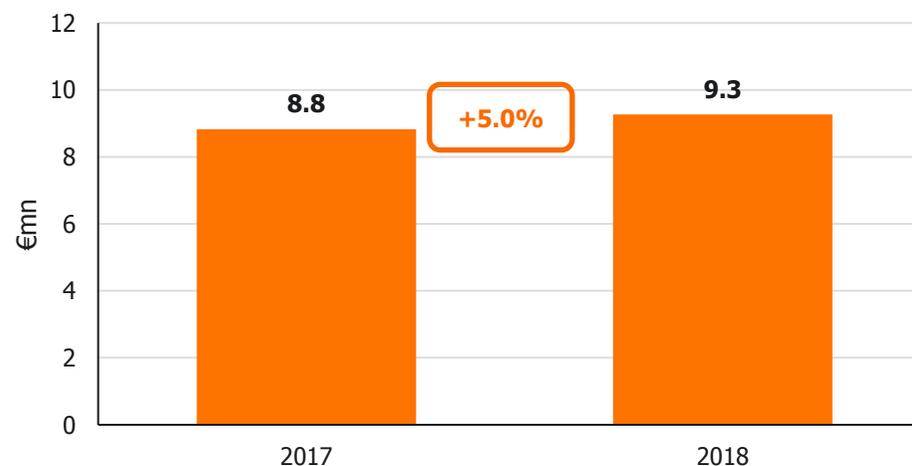
- In 2018, **profit before taxes** increased to €9.5mn, +9.5% and +3.6% excluding the effect from the impairment. its rate of growth increased from that of the EBIT.
- **Net financial expenses** declined to –€0.7mn. This coupled to the equity income of €0.2mn from a subsidiary incorporated in 2018 which is 50/50 owned by Reig Jofre and LeanBiotics allowed to accelerate growth in the profit before taxes.
- The **net profit** increased more moderately to €5.0mn (+5.0%) as in 2018 the company accounted a tax charge while in 2017 it received income from taxes.

Figure 10. Profit before taxes



Source: Company and Bankinter Securities Research

Figure 11. Net profit

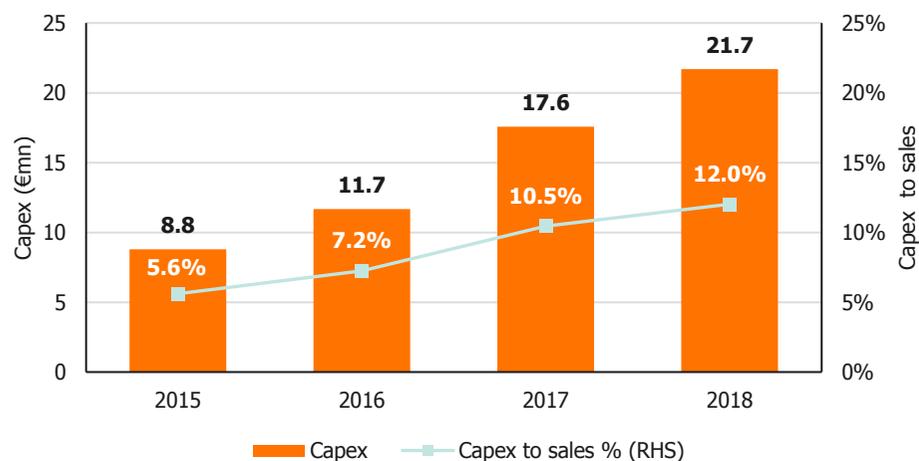


Source: Company and Bankinter Securities Research

## Capex and net financial debt

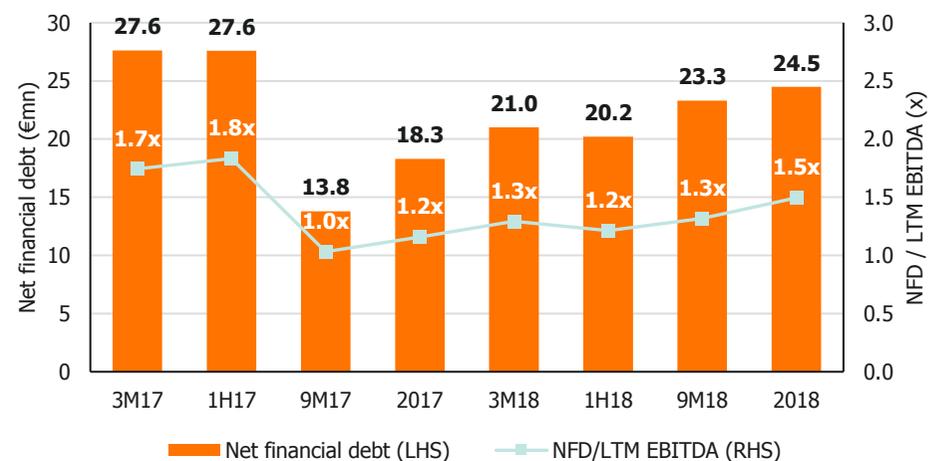
- **Capex** in 2018 increased to €21.7mn (+23%), or 12% of sales
- Capex splits in €15.9mn in capacity additions in the Toledo and Barcelona plants and in mandatory investments in labelling to combat and counterfeiting. An additional €4.8mn were dedicated to R&D and €1.0mn to licenses and joint ventures.
- The **net financial debt** increased to €24.5mn from €23.3 in 2017, primarily as a result of capex.
- **NFD/ EBITDA** is 1.5x, not a concern.
- **OWC/ sales** declined slightly in to 22.5%, from 24.9% in 2017.

Figure 12. Capex



Source: Company and Bankinter Securities Research

Figure 13. Net financial debt



Source: Company and Bankinter Securities Research

## We adjust our forecasts, the changes are negligible

Figure 14. P&L forecasts

€mn	2017	2018e	2019e	2020e	2021e	2022e	2023e	2024e	% CAGR 18–24e	Comment
Current portfolio	168.0	180.5	180.5	180.5	180.5	180.5	180.5	180.5		
Capacity additions			2.5	15.2	25.0	45.5	52.3	55.0		
Pipeline					2.5	9.9	9.9	9.9		
<b>Sales</b>	<b>168.0</b>	<b>180.5</b>	<b>183.0</b>	<b>195.7</b>	<b>208.0</b>	<b>235.9</b>	<b>242.7</b>	<b>245.4</b>	<b>5.3</b>	<b>Driven by capacity additions</b>
Purchases	-64.1	-67.6	-67.7	-68.5	-72.8	-82.6	-84.9	-85.9		
<b>Gross margin</b>	<b>103.9</b>	<b>112.8</b>	<b>115.3</b>	<b>127.2</b>	<b>135.2</b>	<b>153.3</b>	<b>157.7</b>	<b>159.5</b>	<b>5.9</b>	
<b>Margin (%)</b>	<b>61.9</b>	<b>62.5</b>	<b>63.0</b>	<b>65.0</b>	<b>65.0</b>	<b>65.0</b>	<b>65.0</b>	<b>65.0</b>		<i>Moderate gain in margin</i>
Capitalized items	3.7	4.8	5.0	5.2	5.4	5.6	5.8	6.0		
Other income	2.4	0.8	0.9	0.9	0.9	0.9	0.9	0.9		
Labour	-49.4	-52.1	-51.9	-59.2	-61.6	-64.1	-66.6	-67.3		Increased manpower
R&D	-8.0	-9.5	-9.5	-9.5	-9.5	-9.5	-9.5	-9.5		Stable at €9.5mn per year
Other expenses	-31.5	-34.0	-35.1	-35.6	-36.6	-40.8	-40.7	-41.5		
Marketing	-5.5	-6.5	-6.6	-7.3	-7.8	-8.8	-9.1	-9.2		In-line with gross margin
<b>EBITDA</b>	<b>15.8</b>	<b>16.4</b>	<b>18.0</b>	<b>21.6</b>	<b>26.0</b>	<b>36.6</b>	<b>38.6</b>	<b>39.0</b>	<b>15.5</b>	<b>More efficient capacity and launches boost the margin</b>
<b>Margin (%)</b>	<b>9.4</b>	<b>9.1</b>	<b>9.9</b>	<b>11.0</b>	<b>12.5</b>	<b>15.5</b>	<b>15.9</b>	<b>15.9</b>		
Depreciation	-6.8	-7.6	-8.8	-10.5	-11.2	-12.0	-12.8	-13.6		Reflects increasing capex
Impairment	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0		
<b>EBIT</b>	<b>9.0</b>	<b>10.0</b>	<b>9.2</b>	<b>11.2</b>	<b>14.8</b>	<b>24.6</b>	<b>25.8</b>	<b>25.4</b>	<b>16.8</b>	<b>On the rise</b>
<b>Margin (%)</b>	<b>5.4</b>	<b>5.6</b>	<b>5.0</b>	<b>5.7</b>	<b>7.1</b>	<b>10.4</b>	<b>10.6</b>	<b>10.3</b>		
Net financial result	-1.0	-0.7	-1.0	-1.1	-1.1	-1.1	-1.1	-1.0		Debt is not an issue
Equity income	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Profit before taxes</b>	<b>8.0</b>	<b>9.5</b>	<b>8.2</b>	<b>10.0</b>	<b>13.6</b>	<b>23.5</b>	<b>24.7</b>	<b>24.3</b>	<b>17.0</b>	<b>High-growth</b>
Taxes	0.8	-0.2	-1.2	-1.5	-2.0	-4.7	-4.9	-4.9		Higher taxation
<b>Net profit</b>	<b>8.8</b>	<b>9.3</b>	<b>7.0</b>	<b>8.5</b>	<b>11.6</b>	<b>18.8</b>	<b>19.8</b>	<b>19.5</b>	<b>13.2</b>	

Source: Company and Bankinter Securities Research

## We increase our valuation to €3.60 per share, from €3.30 per share

We value Reig Jofre using a **DCF-model** that considers flows for 2020e–2024e and a terminal value. Our assumed cost of equity is 8.5%, cost of debt (pre-tax) 2.5% and debt financing is 25%. The resulting **WACC is 7.2%**. We use a **terminal growth “g”** rate of 0%.

We have rolled our model forward by one year and as a result, our **EV estimate** increases to €246mn, from €232mn and our **equity value estimate** to €234mn, from €215mn.

Our **target price increases to €3.60 per share from €3.30 per share.**

Figure 15. DCF model

€mn	2020e	2021e	2022e	2023e	2024e
EBIT	11.1	14.8	24.6	25.8	25.4
Less capitalized expenses	-5.2	-5.4	-5.6	-5.8	-6.0
Tax rate on EBIT	-15.0%	-15.0%	-20.0%	-20.0%	-20.0%
<b>NOPLAT</b>	<b>5.1</b>	<b>8.0</b>	<b>15.2</b>	<b>16.0</b>	<b>15.5</b>
Depreciation	10.5	11.2	12.0	12.8	13.6
OWC	-2.7	-2.9	-6.7	-1.6	-0.7
Capex	-15.9	-7.0	-7.0	-7.2	-8.0
<b>Free cash flow</b>	<b>-3.1</b>	<b>9.3</b>	<b>13.5</b>	<b>20.0</b>	<b>20.5</b>
Terminal value					283.7
EV/EBITDA terminal value (x)					7.3
<b>Flow to discount</b>	<b>-3.1</b>	<b>9.3</b>	<b>13.5</b>	<b>20.0</b>	<b>304.2</b>
Discount factor (x)	0.93	0.87	0.81	0.76	0.71
<b>NPV of flow</b>	<b>-2.9</b>	<b>8.1</b>	<b>11.0</b>	<b>15.1</b>	<b>214.6</b>
<b>EV</b>	<b>245.6</b>				

Source: Bankinter Securities Research

Figure 16. Sum of the parts valuation

	€mn	€/share
EV	245.6	3.78
Financial assets (book value)	7.1	0.11
Tax credit	6.3	0.10
Less: NFD 2018e	-24.5	-0.38
Less: provisions 2018e	-0.8	-0.01
<b>Equity value</b>	<b>234.0</b>	<b>3.60</b>

Source: Bankinter Securities Research

Figure 17. Sensitivity analysis

		WACC (%)				
	€/share	5.2	6.2	7.2	8.2	9.2
Terminal growth	1.5%	7.14	5.48	4.40	3.65	3.09
	1.0%	6.36	5.01	4.09	3.43	2.93
	0.5%	5.75	4.62	3.83	3.24	2.79
	0.0%	5.26	4.29	3.60	3.07	2.66
	-0.5%	4.85	4.01	3.40	2.92	2.55
	-1.0%	4.51	3.77	3.22	2.71	2.45
	-1.5%	4.21	3.57	3.07	2.67	2.35

Source: Bankinter Securities Research

## Valuation methodology

### Valuation method

We value Reig Jofre using a DCF-model that considers flows for 2020e–2024e and a terminal value. Our valuation is for December 2019.

### Key assumptions

Our cost of equity is 8.5%, the cost of debt (pre-tax) is 2.5% and we assume that debt finances 25% of the capital employed. The resulting WACC is 7.2%. We use a terminal growth “g” rate of 0%.

### Price target scenarios

#### Base €3.60

- Stable sales of the current portfolio after 2018e
- New capacity at 95% of utilization in the 4<sup>th</sup> year of operation
- EBITDA margin increases to 16% in 2022e

#### Bull €4.03

- Sales of the current portfolio as in base
- New capacity at 95% of utilization in 2<sup>nd</sup> year of operation
- EBITDA margin reaches 17% in 2021e

#### Bear €2.48

- Sales of the current portfolio as in base
- New capacity at 50% of utilization in the 4<sup>th</sup> year of operation
- Sales from new launches as in base
- EBITDA margin peaks at 15% in 2022e

### Key drivers

- Sales growth driven by new capacity and product launches
- Increasing margins as more efficient capacity is added

### Catalysts

- New license agreements
- Corporate acquisitions
- Roll out of the capex programme

### Risk factors

- Disposal of Natra’s 13% stake
- Pipeline risks

Figure 18. Profit and loss account and cash flow statement

(€mn)	2015	2016	2017	2018	2019e	2020e
<b>Profit and loss account</b>						
Sales	156.9	161.1	168.0	180.5	183.0	195.7
% inc.	<i>n.a.</i>	2.7	4.3	7.4	1.4	7.0
Cost of goods sold	-59.1	-61.4	-64.1	-67.6	-67.7	-68.5
Gross margin	97.8	99.8	103.9	112.8	115.3	127.2
Operating costs	-80.7	-84.1	-88.1	-96.5	-97.2	-105.6
EBITDA	17.1	15.7	15.8	16.4	18.0	21.6
% inc.	<i>n.a.</i>	-8.3	0.6	3.8	10.1	19.8
Depreciation	-5.4	-4.0	-6.8	-6.4	-8.8	-10.5
<b>EBIT</b>	<b>11.7</b>	<b>11.7</b>	<b>8.9</b>	<b>10.0</b>	<b>9.2</b>	<b>11.2</b>
% inc.	<i>n.a.</i>	0.0	-23.6	11.5	-7.4	20.7
Net financial result	-0.7	0.2	-1.0	-0.7	-1.0	-1.1
Equity accounted earnings	0.0	0.0	0.0	0.2	0.0	0.0
Other results	0.0	0.0	0.0	0.0	0.0	0.0
Profit before taxes	11.0	11.9	7.9	9.4	8.2	10.0
Corporate tax	-2.3	-4.3	0.8	-0.2	-1.2	-1.5
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net group profit</b>	<b>8.7</b>	<b>7.6</b>	<b>8.8</b>	<b>9.2</b>	<b>7.0</b>	<b>8.5</b>
% inc.	<i>n.a.</i>	-12.3	14.8	5.3	-24.1	21.8
EPS (€)	0.13	0.12	0.13	0.14	0.11	0.13
% inc.	<i>n.a.</i>	-12.3	14.8	5.3	-24.1	21.8
DPS (€)	0.00	0.00	0.05	0.05	0.00	0.00
% inc.	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	-2.1	<i>n.a.</i>	<i>n.a.</i>
<b>Cash flow statement</b>						
Net cash flow	14.1	11.6	15.6	15.6	15.8	19.0
% inc.	<i>n.a.</i>	-17.7	34.3	0.2	1.1	20.1
OWC change	-33.2	-23.3	14.6	1.3	-5.5	-2.7
Capex	-9.2	-13.6	-9.2	-21.0	-25.6	-15.9
<b>Free cash flow</b>	<b>-28.2</b>	<b>-25.3</b>	<b>21.0</b>	<b>-4.0</b>	<b>-15.3</b>	<b>0.4</b>
Dividends paid	0.0	0.0	-0.1	-0.4	0.0	0.0
Other variations	14.1	10.1	-9.9	-1.8	-5.0	-5.2
<b>Change in net cash/(net financial debt)</b>	<b>-14.1</b>	<b>-15.2</b>	<b>11.0</b>	<b>-6.2</b>	<b>-20.3</b>	<b>-4.8</b>

Source: Company and Bankinter Securities Research

**Figure 19. Balance sheet and margins**

(€mn)	2015	2016	2017	2018	2019e	2020e
<b>Balance sheet</b>						
Net fixed assets	85.9	96.7	107.0	121.4	143.2	153.9
Net financial assets	10.3	1.8	1.3	1.9	1.9	1.9
Operating working capital (OWC)	33.2	56.5	41.9	40.5	46.0	48.7
Other assets/(liabilities) net	10.4	7.7	9.6	10.3	10.3	10.3
<b>Capital employed (CE)</b>	<b>139.8</b>	<b>162.6</b>	<b>159.9</b>	<b>174.2</b>	<b>201.5</b>	<b>214.8</b>
Shareholders' equity	125.7	133.3	141.6	149.8	156.8	165.3
Minority interests	0.0	0.0	0.0	-0.1	-0.1	-0.1
Net financial debt	14.1	29.3	18.3	24.5	44.8	49.6
<b>Margins (%)</b>						
Gross margin/Sales	62.3	61.9	61.9	62.5	63.0	65.0
EBITDA/Sales	10.9	9.7	9.4	9.1	9.9	11.0
EBIT/Sales	7.5	7.3	5.3	5.5	5.0	5.7
Sales/Capital employed	112.2	99.1	105.1	103.6	90.8	91.1
EBITDA/Capital employed	12.2	9.6	9.9	9.4	9.0	10.1
ROCE	8.4	7.2	5.6	5.7	4.6	5.2
ROE	6.9	5.7	6.2	6.2	4.5	5.2
<b>Gearing (x)</b>						
Net financial debt/Capital employed	0.1	0.2	0.1	0.1	0.2	0.2
Net financial debt/EBITDA	0.8	1.9	1.2	1.5	2.5	2.3
EBIT/Net financial result	16.7	-54.9	8.9	14.4	9.1	9.8

Source: Company and Bankinter Securities Research

**Figure 20. Main shareholders**

Family Reig Jofre:	72.1%
Natra:	12.8%
Treasury stock:	0.5%

Source: Company and Bankinter Securities Research

**Figure 21. Company information**

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Website:	www.reigjofre.com
CEO:	Ignasi Biosca
COO:	Gabriel Roig
CFO:	Roser Gomila (+34 93 480 6710)

Source: Company and Bankinter Securities Research

Figure 22. Market ratios

(€)	2015	2016	2017	2018	2019e	2020e
EPS (€)	0.13	0.12	0.13	0.14	0.11	0.13
% inc.	<i>n.a.</i>	-12.3	14.8	5.3	-24.1	21.8
CFPS (€)	0.22	0.18	0.24	0.24	0.24	0.29
% inc.	<i>n.a.</i>	-17.7	34.3	0.2	1.1	20.1
DPS (€)	0.00	0.00	0.05	0.05	0.00	0.00
% inc.	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	-2.1	<i>n.a.</i>	<i>n.a.</i>
BVPS (€)	1.96	2.08	2.18	2.30	2.41	2.54
% inc.	<i>n.a.</i>	6.1	4.8	5.8	4.7	5.4
ROE (%)	6.9	5.7	6.2	6.2	4.5	5.2
<b>Price (€)</b>						
Max.	7.82	3.73	3.90	3.19	<i>n.a.</i>	-
Min.	3.43	2.52	2.24	2.12	<i>n.a.</i>	-
Last	3.45	3.12	2.34	2.28	2.52	2.52
<b>P/E (x)</b>						
Max.	58.4	31.7	28.9	22.5	-	-
Min.	25.6	21.5	16.6	14.9	-	-
<b>Last</b>	<b>25.8</b>	<b>26.6</b>	<b>17.4</b>	<b>16.1</b>	<b>23.4</b>	<b>19.2</b>
Relative	0.8	0.8	0.5	0.5	0.7	0.6
<b>P/CF (x)</b>						
Max.	36.1	20.9	16.3	13.3	-	-
Min.	15.8	14.1	9.3	8.8	-	-
<b>Last</b>	<b>15.9</b>	<b>17.5</b>	<b>9.7</b>	<b>9.5</b>	<b>10.4</b>	<b>8.6</b>
Relative	0.8	0.9	0.5	0.5	0.5	0.4
<b>Yield (%)</b>						
Max.	0.0	0.0	2.1	2.2	-	-
Min.	0.0	0.0	1.2	1.4	-	-
<b>Last</b>	<b>0.0</b>	<b>0.0</b>	<b>2.0</b>	<b>2.0</b>	<b>0.0</b>	<b>0.0</b>
Relative	0.0	2.0	2.5	0.0	0.0	0.0
<b>P/BV (x)</b>						
Max.	4.0	1.8	1.8	1.4	-	-
Min.	1.8	1.2	1.0	0.9	-	-
<b>Last</b>	<b>1.8</b>	<b>1.5</b>	<b>1.1</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>
Relative	0.9	0.7	0.5	0.5	0.5	0.5

Source: Company and Bankinter Securities Research

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