

ANÁLISIS Y MERCADOS

Reig Jofre

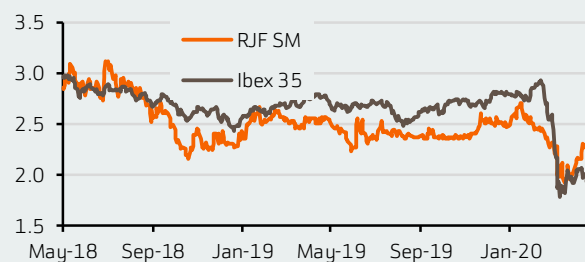
EBITDA increased +43% in 1Q20 fuelled by sales (+26%) and a higher EBITDA margin

Key data at 12th May 2020, 17:35h

Price (€)	2.70	Nº shares (m)	76.1
Ticker Bloomberg	RJF SM	M. Cap. (€m)	205.4
Free-float (%)	37.3	Daily vol. (€m)	0.1

(€mn)	2019	2020e	2021e	2022e
Net group profit	4.9	11.3	15.7	25.2
% inc.	-46.7	129.5	38.8	60.6
EBITDA	19.7	29.9	35.5	46.7
% inc.	20.1	51.8	18.7	31.5
EPS (€)	0.06	0.15	0.21	0.33
% inc.	-46.7	129.5	38.8	60.6
DPS (€)	0.00	0.00	0.00	0.00
% inc.	n.a.	n.a.	n.a.	n.a.
P/E (x)	39.0	18.2	13.1	8.2
EV/EBITDA	12.3	8.5	6.6	4.5
Div. Yield (%)	0.0	0.0	0.0	0.0
P/BV (x)	1.1	1.1	1.0	0.9

Price performance (€)



Performance (%)	1 m.	3 m.	12 m.
Absolute	21.6	10.2	9.8
Relative	26.5	42.0	35.0

Source: Bloomberg and Bankinter Securities Research

Growth in sales and EBITDA accelerated in 1Q20 fuelled by the COVID-19 effect

Sales in 1Q20 were €62.1mn (+25.8%, +9.6% organic, a rate of growth unusually high in the pharma sector), the breakdown per divisions is: Antibiotics and injectables €27.1mn (+11.5%) this favoured by demand of products to combat the COVID-19, consumer healthcare €16.4mn (+6.5%), specialty pharma €18.5mn (+90.7%, organic +6%), fuelled by a product portfolio acquired in 3Q19. **EBITDA** €8.0mn (+43.3%) and 13.0% EBITDA margin (from 11.4%). **EBIT** €4.0mn (+30.4%), **PBT** 3.9mn (+35.2%), **net profit** €3.3mn (+35.3%), **net cash flow** €5.9mn (+60.4%). **NFD** increased to €55.7mn (+5.9% from 4Q19). NFD/EBITDA is 2.5x, not a concern. The **qoq growth rates** are: Sales +16.9%, EBITDA +10.6%, EBIT +38.3%, PBT +47.2%, net profit +23.3% and net cash flow +9.7%.

The key features are organic growth of +10%, a higher EBITDA margin and lower capex

The **increase in sales** reflects a combination of product launches, demand related to the COVID-19 and the acquisition of a range of products from Bioibérica in 3Q19. The boost in sales linked to the COVID-19 crisis should reverse when the pandemic is controlled but ought to be compensated with sales to countries where the virus spread later. The **higher EBITDA margin** results from the product mix, cost efficiencies and lower marketing expenses. Capex declines to €5.5mn (-21%), the investment of the antibiotics line in the Toledo factory was completed in 2019. The only sizeable on-going investment is a new lyophilized and liquid vials plant in Barcelona that should come on-stream in 2021. The prospects for the free cash-flow are enticing, we forecast a 10% FCF yield in 2021e.

Valuation: Our target price is unchanged at €3.80/share

Our **target price** is unchanged at **€3.80/share**. Our valuation considers the possibility that Spain may stop subsidizing drugs used for the relief of osteoarthritis, as it happened in most of the EU. **Reig Jofre leads a clinical study of a nutrition supplement as a treatment against COVID-19.**

Pedro Echeguren

Sales growth of +26% and an increase in the EBITDA and EBIT margins drive the net profit up +35%

Figure 1. Summary results

€mn	1Q19	2Q19	3Q19	4Q19	1Q20	yoY %	qoq %
Antibiotics & Injectables	24.3	24.4	23.9	26.9	27.1	11.5	0.7
Specialty pharma	9.7	8.7	16.7	16.6	18.5	90.7	11.4
Consumer healthcare	15.4	10.3	13.7	9.6	16.4	6.5	70.8
Sales	49.3	43.4	54.3	53.1	62.1	25.8	16.9
Gross profit	31.8	28.2	30.9	35.4	37.5	17.8	5.9
<i>% of sales</i>	<i>64.5</i>	<i>64.9</i>	<i>56.9</i>	<i>66.6</i>	<i>60.4</i>		
Other income	1.3	1.5	1.1	1.8	1.4		
Operating expenses	-27.5	-26.1	-28.8	-29.9	-30.9		
EBITDA	5.6	3.6	3.2	7.3	8.0	43.3	10.6
<i>% of sales</i>	<i>11.4</i>	<i>8.4</i>	<i>5.8</i>	<i>13.7</i>	<i>13.0</i>		
Depreciation	-2.5	-2.7	-3.9	-4.1	-4.0	58.9	-2.0
Impairment & Others	0.0	0.0	0.0	-0.3	0.0		
EBIT	3.1	1.0	-0.7	2.9	4.0	30.4	38.3
<i>% of sales</i>	<i>6.3</i>	<i>2.3</i>	<i>-1.3</i>	<i>5.5</i>	<i>6.5</i>		
Net financial expenses	-0.2	-0.3	-0.2	-0.4	-0.2		
Equity income	0.0	0.0	0.0	0.1	0.0		
Profit before taxes	2.9	0.7	-0.9	2.6	3.9	35.2	47.2
Taxes	-0.4	-0.1	0.1	0.0	-0.6		
Net group profit	2.4	0.6	-0.8	2.7	3.3	35.3	23.3
Net cash flow (NP+D+I-Capitalized exp.)	3.7	1.7	2.0	5.4	5.9	60.4	9.7
Net financial debt	30.2	7.6	46.4	52.6	55.7	84.4	5.9
NFD/LTM EBITDA (x)	1.7	0.4	2.6	2.7	2.5		

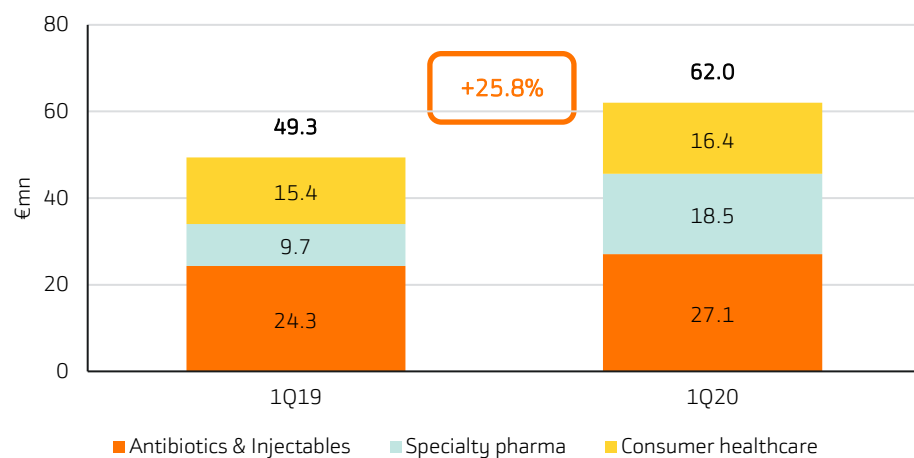
Source: Company and Bankinter Research

Sales growth of +25.8% is driven by specialty pharma and consumer healthcare

Sales increased in 1Q20 to €62.0mn (+25.8%, organic +9.6% a rate of growth that is unusually high in the pharma sector). Sales per division are: Antibiotics and injectables €27.1mn (+11.5%), Specialty pharma €18.5mn (+90.7%, organic +6%) and Consumer healthcare €16.4mn (+6.5%). Specialty pharma was fuelled by the €48mn acquisition of licenses for prescription products primarily for treating arthritis joint pain from Bioibérica in July 2019 that added €8mn to sales in 1Q20. **Sales growth versus 4Q19 is 16.9%**. The COVID-19 has a positive effect on sales of antibiotics and pain killers. All divisions reported higher sales:

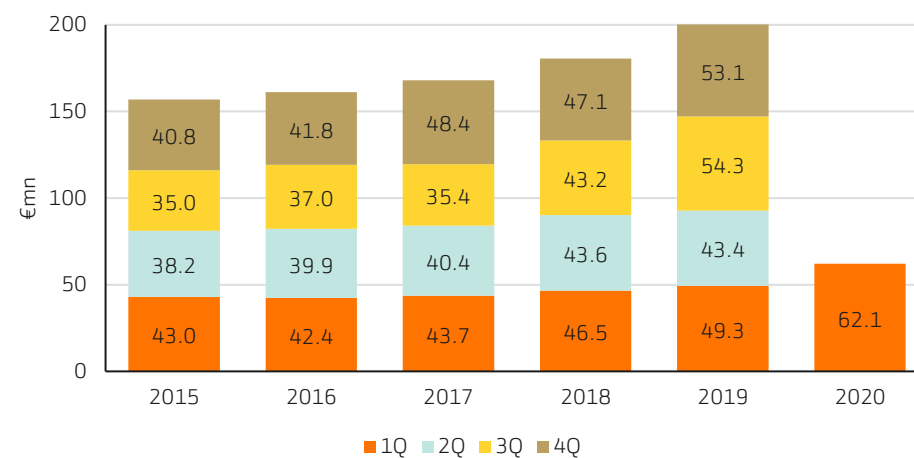
- **Antibiotics and injectable** sales of €27.1mn (+11.5%) benefited from a higher demand related to COVID-19. A new Sodium Oxybate Solution (this is indicated for the treatment of cataplexy in narcolepsy) is being manufactured and sold to clients in Europe.
- **Specialty pharma** sales of €18.5mn (+90.7% +6% organic) rose strongly following the acquisition of licenses from Bioibérica.
- **Consumer healthcare** sales of €16.4mn (+6.5%) continued to increase sales although this activity is likely to suffer from the lockdown during the COVID-19 crisis.

Figure 2. Sales per product line



Source: Company and Bankinter Research

Figure 3. Sales per quarter

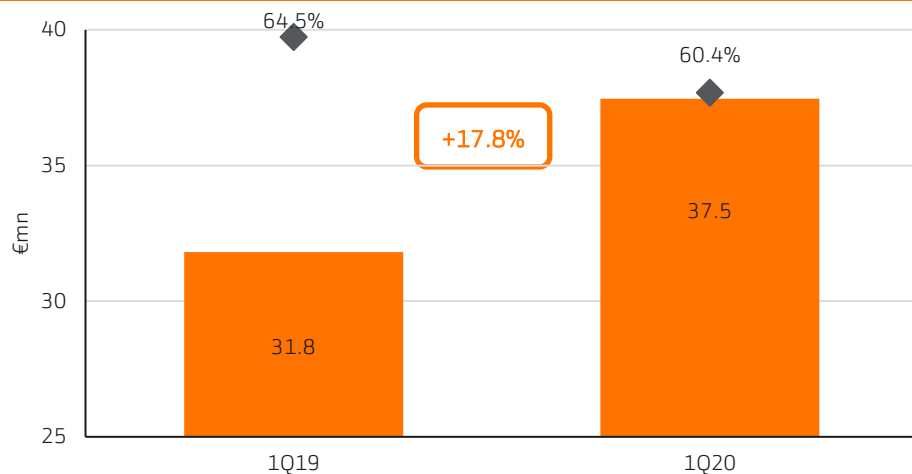


Source: Company and Bankinter Research

Gross profit increased +17.8%

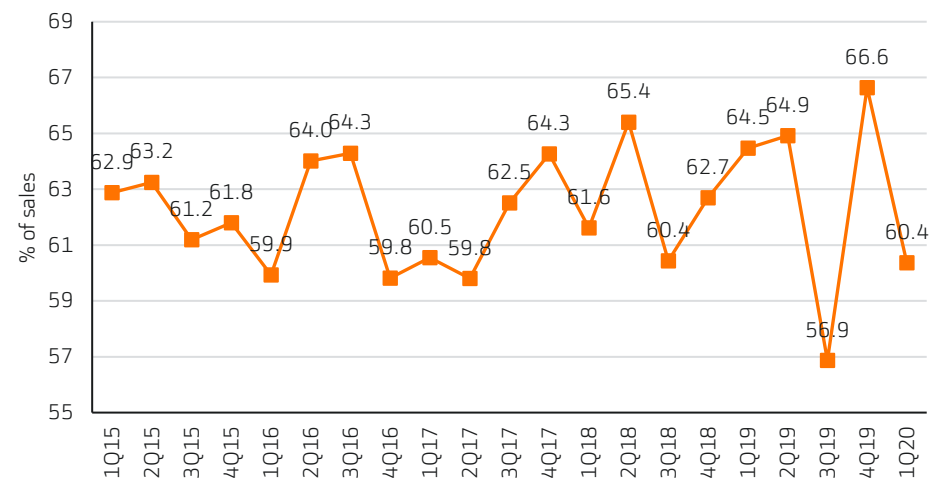
- The **gross profit** increased in 1Q20 to €37.5mn (+17.8% yoy), and +5.9% qoq.
- The **gross margin** declined in 1Q20 to 60.4% from 64.5% in 1Q19 (and 66.6% in 4Q20, this was a five-year high). This reflects a combination of a less favourable sales mix and the effect of the costs associated to the portfolio acquired from Bioibérica whose manufacturing is subcontracted.

Figure 4. Gross profit and margin



Source: Company and Bankinter Research

Figure 5. Gross margin per quarter

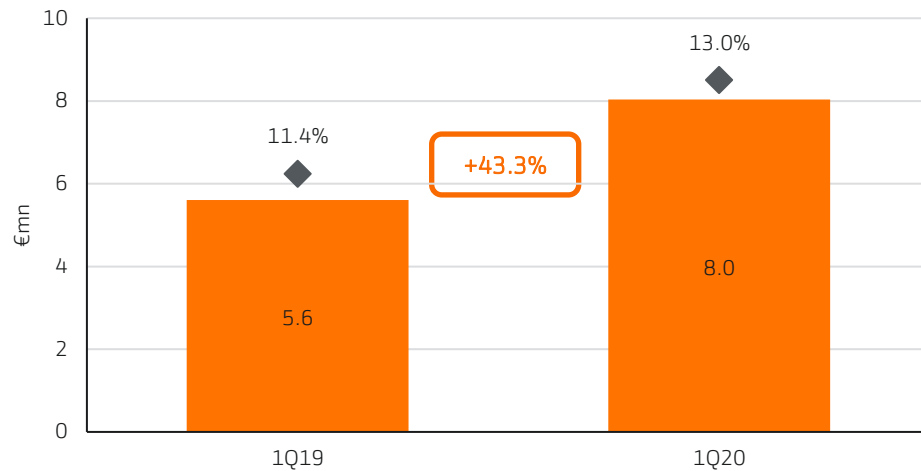


Source: Company and Bankinter Research

The EBITDA increased +43.3%

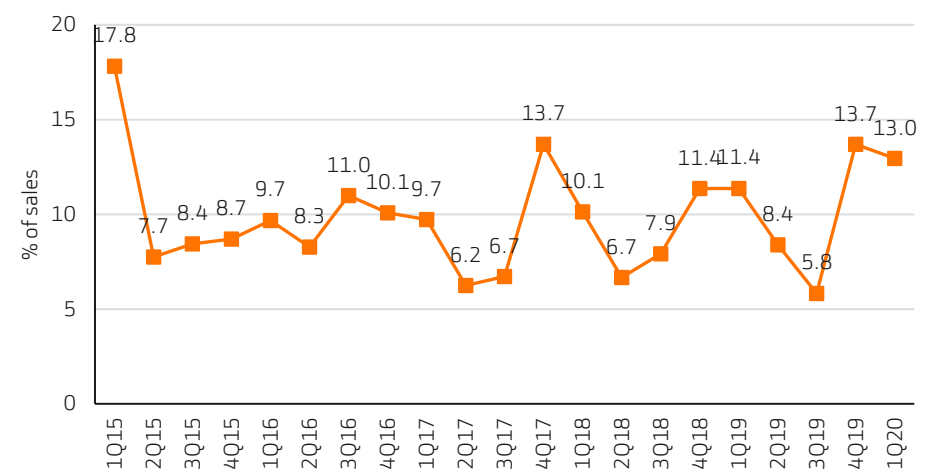
- The EBITDA in 1Q20 was €8.0mn (+43.3%).
- The EBITDA margin increased in to 13.0% from 11.4% in 1Q19 (13.7% in 4Q19) fuelled by a combination of sales growth and cost efficiencies.

Figure 6. EBITDA and margin



Source: Company and Bankinter Research

Figure 7. EBITDA margin per quarter

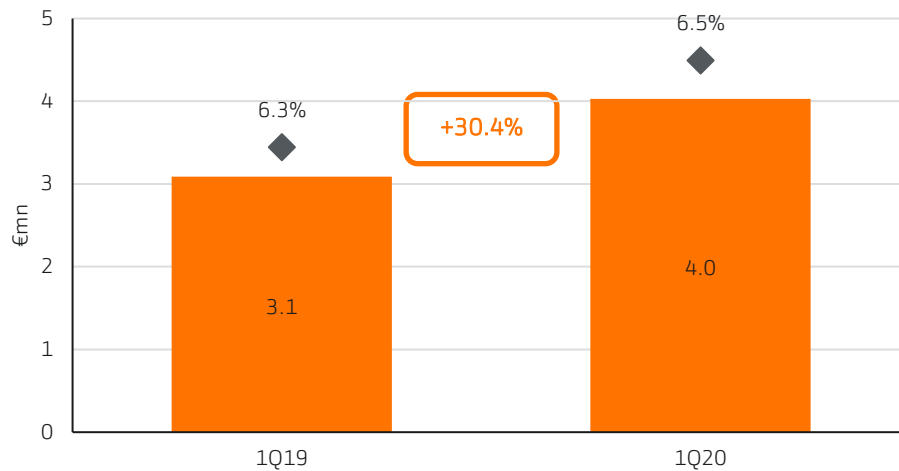


Source: Company and Bankinter Research

A +59% hike in depreciation slows down the growth rate of EBIT to +30.4%

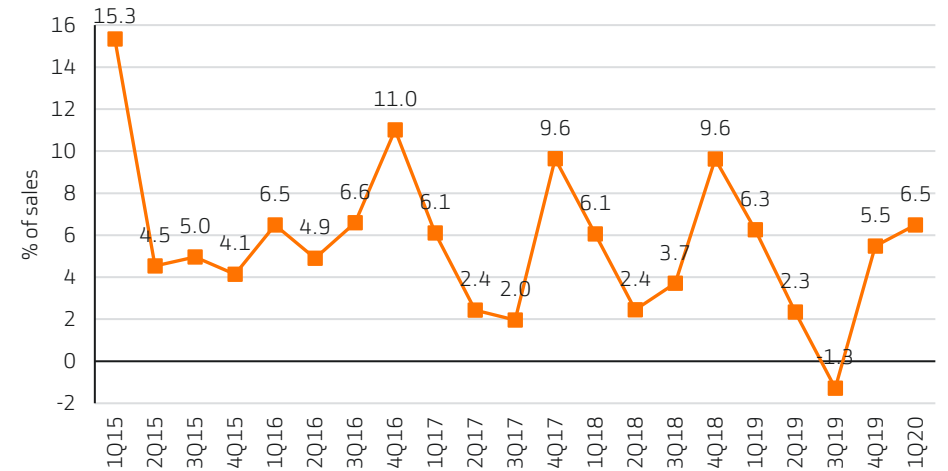
- EBIT increased in 1Q20 to €4.0mn (+30.4%). A +59% hike in depreciation related primarily to the incorporation of manufacturing assets (the main investment is a new antibiotics line in Toledo that was started up in 2019) and intangibles related to the products acquired from Bioibérica offset the growth in EBITDA.
- The EBIT margin increased in 1Q20 to 6.5% of sales from 6.3% in 1Q19 (5.5% in 4Q19).

Figure 8. EBIT and margin



Source: Company and Bankinter Research

Figure 9. EBIT margin per quarter

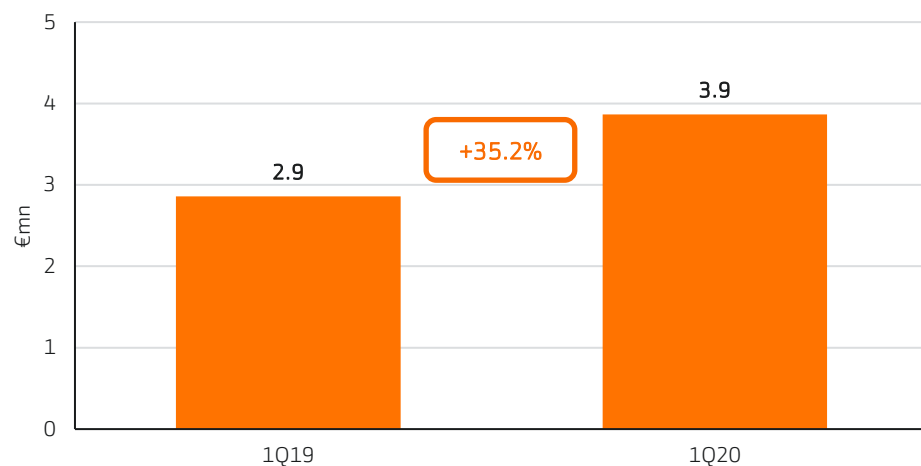


Source: Company and Bankinter Research

Profit before taxes and net profit increase +35%, the net cash flow +60%

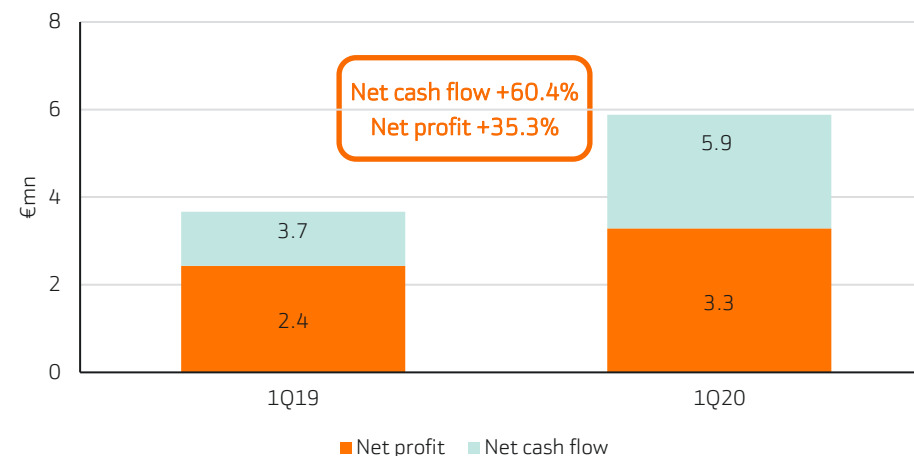
- In 1Q20, the **profit before taxes** increased to €3.9mn (+35.2%) and the **net profit** to €3.3mn (+35.3%). Financial expenses remained broadly in-line with those of a year ago and contributed to push the rate of growth of the PBT above that of EBIT.
- In 1Q20, the **net profit** increased at a similar rate as the PBT.
- The **net cash flow** (net profit + depreciation + impairment on fixed assets – capitalized R&D expenses) increased in 1Q20 to €5.9mn (+60.4%). In our opinion, this is a key indicator to assess the evolution of Reig Jofre's results.

Figure 10. Profit before taxes



Source: Company and Bankinter Research

Figure 11. Net profit and cash flow (net profit + depreciation + impairment – Capitalized exp.)

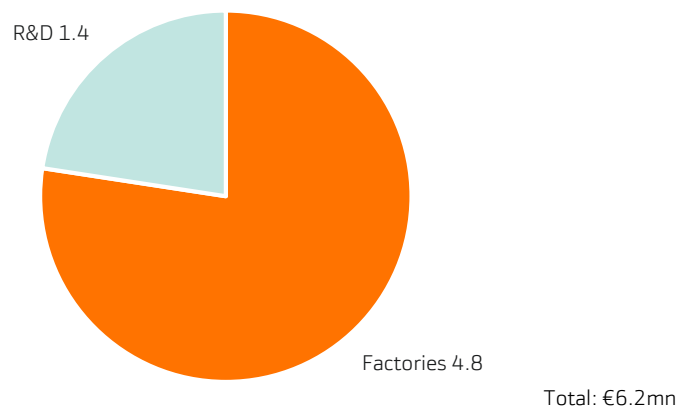


Source: Company and Bankinter Research

Capex and net financial debt

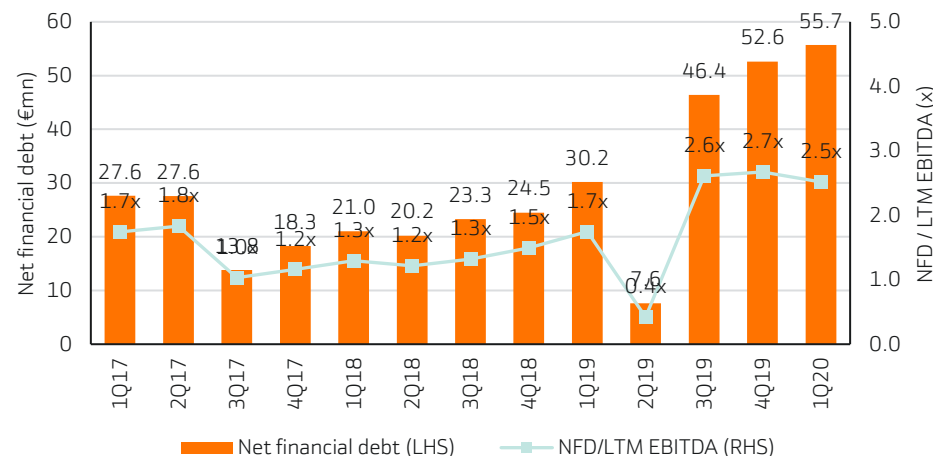
- **Capex** in 1Q20 was lower at €5.5mn than the 7.0Mn of 1Q19. The completion and start-up of a new antibiotics line in the Toledo plant entailed a reduction in capex.
- The **investment** in a new injectables plant in Barcelona accounts for the bulk of capex: €4.8mn in 1Q20.
- **Fight against the COVID-19**: Reig Jofre leads a clinical study to determine the potential of the nutrition supplement Manremyc to treat health professionals infected with COVID-19.
- The **net financial debt** increased to €55.7mn from €52.6 in December 2019 (+5.9%).
- The current and non-current liabilities include €26mn of **pending payments** related to the Bioibérica acquisition, due in 2020 and 2021.
- **NFD/ LTM EBITDA** is 2.5x, not a concern.

Figure 12. Capex breakdown (in €mn)



Source: Company and Bankinter Research

Figure 13. Net financial debt



Source: Company and Bankinter Research

Our target price is unchanged at €3.80 per share

In recent reports, we valued Reig Jofre using a **sum-of-the parts** model that revolved around a **DCF-model**. We valued separately (1) the company excluding the portfolio recently acquired from Bioibérica (at €3.63 per share) and (2) this portfolio at €0.17 €/share. The company will not report separately the acquired licenses from the existing businesses, in our last report we changed our method to a DCF model.

Our assumed **WACC** is 7.4% and the **terminal growth "g"** rate 0.0%. Our **target price is unchanged at €3.80 per share**. This is for December 2020.

Figure 14. DCF model

€mn	2021e	2022e	2023e	2024e
EBIT	18.6	29.1	32.1	31.5
Tax rate on EBIT	0.0	0.0	0.0	0.0
NOPLAT	16.7	26.2	27.3	26.8
Depreciation	16.9	17.6	18.4	19.3
OWC	-2.2	-4.6	-1.5	-0.7
Capex	-10.6	-12.0	-13.6	-18.4
Free cash flow	20.8	27.2	30.6	27.0
Terminal value				363.9
EV/EBITDA terminal value				7.2
Flow to discount	20.8	27.2	30.6	390.8
Discount factor (x)	0.93	0.87	0.81	0.75
NPV of flow	19.4	23.5	24.7	293.7
EV	361.3			

Source: Bankinter Research

	Mn€	€/share
EV	361.3	4.75
Other investments	5.1	0.07
Equity accounted subsidiaries	1.7	0.02
Less: NFD 2020e	-50.4	-0.66
Less: Acquisition debt 2020e	-28.0	-0.37
Less: Provisions 2020e	-1.0	-0.01
Equity value	288.7	3.80

Figure 15. Sensitivity analysis

		Terminal growth rate (%)						
€/share		-1.5	-1.0	-0.5	0.0	0.5	1.0	1.5
WACC (%)	8.4	2.76	2.90	3.05	3.23	3.42	3.64	3.89
	7.9	2.97	3.12	3.30	3.49	3.72	3.97	4.27
	7.4	3.19	3.37	3.57	3.80	4.06	4.36	4.71
	6.9	3.44	3.65	3.88	4.14	4.45	4.81	5.23
	6.4	3.72	3.96	4.23	4.54	4.91	5.34	5.86

Source: Bankinter Research

Valuation methodology

Valuation method

We value Reig Jofre using a DCF-model. This considers flows for 2021e–2024e and a terminal value. Our valuation is for December 2020.

Key assumptions

We use a WACC of 7.4% and a terminal growth “g” rate of 0%.

Target price scenarios

Base €3.80

- Stable sales of the current portfolio after 2019e
- New capacity at 95% of utilization in the 4th year of operation
- EBITDA margin increases to 18% in 2023e, from 10% in 2019

Bull €4.75

- Sales of the current portfolio as in base
- New capacity at 95% of utilization in 2nd year of operation
- EBITDA margin peaks at 18% in 2023e

Bear €2.85

- Sales of the current portfolio as in base
- New capacity at 50% of utilization in the 4th year of operation
- EBITDA margin peaks at 14% in 2023e

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

- Spain stopping subsidizing Sysadoa drugs (Symptomatic Slow Action Drugs for Osteoarthritis) used to treat arthrosis (marketed by Bioibérica).
- Pipeline risks

Figure 16. Profit and loss account and cash flow statement

(€mn)	2017	2018	2019	2020e	2021e	2022e
Profit and loss account						
Sales	168.0	180.5	200.2	230.0	243.8	273.0
<i>% inc.</i>	4.3	7.4	10.9	14.9	6.0	12.0
Cost of goods sold	-64.1	-67.6	-73.9	-82.8	-85.3	-95.6
Gross margin	103.9	112.8	126.3	147.2	158.5	177.5
Operating costs	-88.1	-96.5	-106.6	-117.3	-123.0	-130.8
EBITDA	15.8	16.4	19.7	29.9	35.5	46.7
<i>% inc.</i>	0.6	3.8	20.1	51.8	18.7	31.5
Depreciation	-6.8	-6.4	-13.4	-16.2	-16.9	-17.6
EBIT	8.9	10.0	6.3	13.7	18.6	29.1
<i>% inc.</i>	-23.6	11.5	-36.9	117.9	35.3	56.6
Net financial result	-1.0	-0.7	-1.1	-1.3	-1.3	-1.3
Equity accounted earnings	0.0	0.2	0.1	0.1	0.1	0.1
Other results	0.0	0.0	0.0	0.0	0.0	0.0
Profit before taxes	7.9	9.4	5.3	12.5	17.4	27.9
Corporate tax	0.8	-0.2	-0.4	-1.3	-1.7	-2.8
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
Net group profit	8.8	9.2	4.9	11.3	15.7	25.2
<i>% inc.</i>	14.8	5.3	-46.7	129.5	38.8	60.6
EPS (€)	0.12	0.12	0.06	0.15	0.21	0.33
<i>% inc.</i>	14.8	5.3	-46.7	129.5	38.8	60.6
DPS (€)	0.05	0.05	0.00	0.00	0.00	0.00
<i>% inc.</i>	-2.2	-3.5	n.a.	n.a.	n.a.	n.a.
Cash flow statement						
Net cash flow	15.6	15.6	18.3	27.5	32.6	42.8
<i>% inc.</i>	34.3	0.2	17.1	50.0	18.7	31.2
OWC change	14.6	1.3	8.2	-4.7	-2.2	-4.6
Capex	-9.2	-21.0	-50.4	-20.3	-10.6	-12.0
Free cash flow	21.0	-4.0	-23.9	2.4	19.8	26.1
Dividends paid	-0.1	-0.4	-0.4	0.0	0.0	0.0
Other variations	-9.9	-1.8	-3.9	-0.1	-0.1	-0.1
Change in net cash/(net financial debt)	11.0	-6.2	-28.2	2.3	19.6	26.0

Source: Company and Bankinter Research

Figure 17. Balance sheet and margins

(€mn)	2017	2018	2019	2020e	2021e	2022e
Balance sheet						
Net fixed assets	107.0	121.4	199.5	203.7	197.4	191.8
Net financial assets	0.0	0.3	1.2	1.3	1.4	1.6
Operating working capital (OWC)	41.9	40.5	32.3	37.1	39.3	43.9
Other assets/(liabilities) net	11.0	11.9	-2.3	-2.3	-2.3	-2.3
Capital employed (CE)	159.9	174.2	230.8	239.8	235.8	234.9
Shareholders' equity	141.6	149.8	178.2	189.5	205.2	230.3
Minority interests	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Net financial debt	18.3	24.5	52.6	50.4	30.7	4.7
Margins (%)						
Gross margin/Sales	61.9	62.5	63.1	64.0	65.0	65.0
EBITDA/Sales	9.4	9.1	9.8	13.0	14.6	17.1
EBIT/Sales	5.3	5.5	3.1	6.0	7.6	10.7
Sales/Capital employed	105.1	103.6	86.8	95.9	103.4	116.2
EBITDA/Capital employed	9.9	9.4	8.5	12.5	15.1	19.9
ROCE	5.6	5.7	2.7	5.7	7.9	12.4
ROE	6.2	6.2	2.8	6.0	7.6	10.9
Gearing (x)						
Net financial debt/Capital employed	0.1	0.1	0.2	0.2	0.1	0.0
Net financial debt/EBITDA	1.2	1.5	2.7	1.7	0.9	0.1
EBIT/Net financial result	8.9	14.4	5.6	10.5	14.4	23.0

Source: Company and Bankinter Research

Figure 18. Main shareholders

Family Reig Jofre:	62.7%
Kaizaharra:	10.1%
Onchena:	5.5%
Treasury stock:	0.5%

Source: Company and Bankinter Research

Figure 19. Company information

Address:	Av. de les Flors 08970 Sant Joan Despí Spain
Website:	www.reigjofre.com
CEO:	Ignasi Biosca
COO:	Gabriel Roig
CFO:	Roser Gomila (+34 93 480 6710)

Source: Company and Bankinter Research

Figure 20. Market ratios

(€)	2017	2018	2019	2020e	2021e	2022e
EPS (€)	0.12	0.12	0.06	0.15	0.21	0.33
% inc.	14.8	5.3	-46.7	129.5	38.8	60.6
CFPS (€)	0.21	0.21	0.24	0.36	0.43	0.56
% inc.	34.3	0.2	17.1	50.0	18.7	31.2
DPS (€)	0.05	0.05	0.00	0.00	0.00	0.00
% inc.	-2.2	-3.5	n.a.	n.a.	n.a.	n.a.
BVPS (€)	1.86	1.97	2.34	2.49	2.70	3.03
% inc.	6.3	5.8	19.0	6.3	8.3	12.3
ROE (%)	6.2	6.2	2.8	6.0	7.6	10.9
Price (€)						
Max.	3.90	3.19	2.76	3.15	-	-
Min.	2.24	2.12	2.21	1.87	-	-
Last	2.34	2.28	2.52	2.70	2.70	2.70
P/E (x)						
Max.	33.8	26.3	42.7	-	-	-
Min.	19.4	17.5	34.2	-	-	-
Last	20.3	18.8	39.0	18.2	13.1	8.2
Relative	0.5	0.5	1.1	0.5	0.4	0.2
P/CF (x)						
Max.	19.0	15.5	11.5	-	-	-
Min.	10.9	10.3	9.2	-	-	-
Last	11.4	11.1	10.5	7.5	6.3	4.8
Relative	0.5	0.5	0.4	0.3	0.3	0.2
Yield (%)						
Max.	2.1	2.1	0.0	-	-	-
Min.	1.2	1.4	0.0	-	-	-
Last	2.0	2.0	0.0	0.0	0.0	0.0
Relative	2.5	2.5	0.0	0.0	0.0	0.0
P/BV (x)						
Max.	2.1	1.6	1.2	-	-	-
Min.	1.2	1.1	0.9	-	-	-
Last	1.3	1.2	1.1	1.1	1.0	0.9
Relative	0.5	0.5	0.5	0.5	0.4	0.4

Source: Company and Bankinter Research

DISCLAIMER

This report has been commissioned by Laboratorio Reig Jofre, S.A. The entity responsible for preparing this document, as well as the data, opinions, estimates and forecasts contained herein is Bankinter, S.A., which is subject to supervision by the Spanish Securities Market Regulator (CNMV) and recorded under entry 49 in this supervisor's official register. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Bankinter S.A. at the time of publication.

Bankinter, S.A. or any Bankinter Company (together "Bankinter Group") holds a net or long position of 0,5% or more in the share capital of the following issuing entities calculated in accordance with Article 3 of Regulation (EU) No 236/2012 and with Chapters III and IV of Commission Delegated Regulation (EU) No 918/2012 (1), a statement to that effect specifying whether the net position is long or short: Not applicable.

The following entities subject to analysis have a stake of 5% or more in the share capital of Bankinter S.A. or any Bankinter Group companies: Not applicable

Bankinter Group, in the last twelve months, has acted as a market maker or liquidity provider in the financial instruments of the issue or has been lead manager or co-lead manager joint global coordinator/syndicate member of any private or publicly disclosed offer of the financial instruments of the issuer: Not applicable

Bankinter Group is party to an agreement with the issuer relating to the provision of services of investment firms set out in Sections A and B of Annex I to Directive 2014/65/EU of the European Parliament and of the Council having been, such agreement, in effect over the previous 12 months or has given rise during the same period to the obligation to pay or receive compensation: Not applicable

Bankinter Group is party to an agreement with the issuer relating the production of this report: Laboratorio Reig Jofre,S.A.

Other interests applicable to the employees of Bankinter, S.A. or of any Bankinter Group companies or other persons closely associated pursuant to the following entities analysed in this report: Not applicable.

Bankinter Group may receive or intend to seek compensation for investment banking services in the next three months from or in relation to an issuer mentioned in this report.

Any Company mentioned in this report may have been provided with sections of this report prior its publication in order to verify its factual accuracy.

LEGAL NOTICE

This document has to be considered in accordance to article 36 of the Commission Delegated Regulation (EU) as a marketing communication. This document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The information contained in this report has been obtained from or is based on public sources believed to be reliable sources. Although reasonable care has been taken to ensure that the information on which this report is based on is not inconsistent or erroneous at the time of publication, we cannot confirm that it is accurate, complete or up to date and, therefore, it should not be assumed to be such. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition, it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations

Target prices are established based on expected performance until the end of the calendar year. Target prices are generally calculated using the discounted cash flow method or the relative valuation method, although alternative valuation techniques may be used. Recommendations are absolute and well-founded.

This document and the data, opinions, estimates, forecasts and recommendations contained herein are provided for information purposes only and do not constitute investment advice. They should therefore not be treated as a personal recommendation to the investor reading this document. Unless otherwise indicated in this report, there is no intention to publish report updates.

Furthermore, this report does not constitute a prospectus or other offering and should not, under any circumstances, be treated as an offer or solicitation to buy, sell, subscribe or trade any securities or other financial instrument. Any decision to buy or sell the securities issued by the company/companies included in this research report taken by the reader of this report should be made taking into account existing public information on these securities and, where applicable, the content of the prospectus on these securities filed with the CNMV, and therefore available from the CNMV and the pertinent Stock Exchange Governing Body, as well as from the entities issuing these securities.

Any investor reading this document must be aware that the securities or instruments referred to herein may not be suitable for their investment objectives or financial position, and that past performance does not guarantee future performance. Any investment decision regarding these securities or instruments must be taken on the basis of the individual criteria of the investor and/or advisors appointed by the investor. Investors should therefore seek financial advice regarding the appropriateness of investing in shares or any financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be achieved. Furthermore, this document is intended to be used by market professionals (eligible counterparties and professional clients but not retail clients). Retail clients must not rely on this document. Bankinter Group does/do not accept liability for any direct or indirect loss suffered as a result of using the information contained in this report.

The employees of other departments of Bankinter S.A. or any Bankinter Group companies may provide opinions that contradict those contained in this document. Also, in certain cases, a security may be covered by more than one analyst within Bankinter Group. Each of these analysts may use different methodologies to value the security and, as a result, the recommendations may differ and the price targets and estimates of each may vary widely. Furthermore, Bankinter Group's trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

No part of this document can be (i) copied, photocopied or duplicated in any way, form or medium, (ii) distributed or redistributed, or (iii) quoted, without Bankinter S.A.'s prior written consent.

Distribution of the report in the US: According to Rule 15A-6 Securities Exchange Act and exemptions, this report can only be distributed to Major U.S. institutional Investor (MII) and does not recommend the use of Bankinter S.A. to affect any trade. Bankinter S.A. may not initiate contact with the MII to follow up on the report. The report is not provided under any express or implied understanding that the receipt will direct commission income to Bankinter S.A.

The distribution of this report in other jurisdictions in which the distribution thereof is restricted by law is prohibited. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction."

NOTICE TO US INVESTORS

This report was prepared, approved, published and distributed by Bankinter S.A. company located outside of the United States (a "non-US Group Company"). This report is distributed in the U.S. by LXM LLP USA, a U.S. registered broker dealer, on behalf of Bankinter, S.A. only to major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934 (the "Exchange Act")) pursuant to the exemption in Rule 15a-6 and any transaction effected by a U.S. customer in the securities described in this report must be effected through LXM LLP USA.

Neither the report nor any analyst who prepared or approved the report is subject to U.S. legal requirements or the Financial Industry Regulatory Authority, Inc. ("FINRA") or other regulatory requirements pertaining to research reports or research analysts. No non-US Group Company is registered as a broker-dealer under the Exchange Act or is a member of the Financial Industry Regulatory Authority, Inc. or any other U.S. self-regulatory organization.

ANALYST CERTIFICATION.

Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report. Please bear in mind that (i) Bankinter, S.A. is the employer of the research analyst(s) responsible for the content of this report and (ii) research analysts preparing this report are resident outside the United States and are not associated persons of any US regulated broker-dealer and that therefore the analyst(s) is/are not subject to supervision by a US broker-dealer, and are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with US rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

IMPORTANT US REGULATORY DISCLOSURES ON SUBJECT COMPANIES.

This material was produced by Analysis Bankinter, S.A. solely for information purposes and for the use of the recipient. It is not to be reproduced under any circumstances and is not to be copied or made available to any person other than the recipient. It is distributed in the United States of America by LXM LLP USA and elsewhere in the world by Bankinter, S.A. or an authorized affiliate of Bankinter, S.A. This document does not constitute an offer of, or an invitation by or on behalf of Bankinter, S.A. or its affiliates or any other company to any person, to buy or sell any security. The information contained herein has been obtained from published information and other sources, which Bankinter, S.A. or its Affiliates consider to be reliable. None of Bankinter S.A. accepts any liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Emerging securities markets may be subject to risks significantly higher than more established markets. In particular, the political and economic environment, company practices and market prices and volumes may be subject to significant variations. The ability to assess such risks may also be limited due to significantly lower information quantity and quality. By accepting this document, you agree to be bound by all the foregoing provisions.

LXM LLP USA assumes responsibility for the research reports content in regards to research distributed in the U.S. LXM LLP USA or its affiliates has not managed or co-managed a public offering of securities for the subject company in the past 12 months, has not received compensation for investment banking services from the subject company in the past 12 months, does not expect to receive and does not intend to seek compensation for investment banking services from the subject company in the next 3 months. LXM LLP USA has never owned any class of equity securities of the subject company. There are not any other actual, material conflicts of interest of LXM LLP USA at the time of the publication of this research report. As of the publication of this report LXM LLP USA, does not make a market in the subject securities.