

# Reig Jofre

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## Closing the margin gap with its comparables

### A pharma group focused on injectables

Reig Jofre is a pharma group that manufactures and markets **proprietary prescription and OTC pharma products**, distributes **licensed products** and provides **contract manufacturing**. It has a strong **bias** towards **injectables**, antibiotics, and lyophilized products. Other specialties are derma, osteoarticular, ORL, gynaecology and nutrition. The company was founded in 1929 and is controlled and managed by the founding Reig Jofre family. There is a long and successful track record of **acquisitions**, the most recent closed in July 2019. Reig Jofre gained a **market listing** through the acquisition and subsequent merger with Natraceutical in 2014.

### Product launches followed by capacity additions to generate growth in sales

Product launches primarily in antibiotics, lyophilized and specialty pharma have led to a high rate of capacity utilization. New capacity was added in 2019, another addition is scheduled for late 2020e and should contribute to support product launches and increase sales. We expect a **+7.2% sales CAGR in 2019–2024e**. Our estimates do not include the possibility of additional corporate acquisitions or licensing—in new medicaments.

### Margin expansion

The **capex programme** that introduces new and more efficient capacity while upgrading existing equipment that dates back to acquisitions from Boehringer and GSK in 1997 and 2000 will be completed in early 2021e. This should allow to nearly **double the EBITDA margin** to 18.0% in 2023e from 9.8% in 2019. The **EBITDA may increase at a +20.9% CAGR in 2019–2024e**.

### A good start into 2020

Sales in 1Q20 increased +25.8%, +9.6% organic led by launches, demand linked to COVID-19 and the products acquired in 3Q19. The EBITDA margin was 13.0% (9.8% in 2019). **We feel that the strategy is working and that the company delivers on sales growth and higher operating margins while starting to close the margin gap with the peer group.**

### Valuation

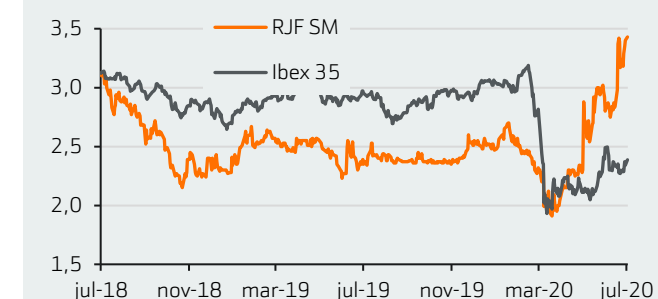
Our target price is €3.80 per share. Reig Jofre's 2020e multiples are at a 20% average discount to the peer group. There is a **possibility that the company may be authorized to manufacture vaccines for humans, including the COVID-19's**. This would improve the investment scenario.

### Key data at 6th July 2020; 17:20h

Price (€)	3.43	N° shares (m)	76.1
Ticker Bloomberg	RJF SM	M. Cap. (€m)	260.9
Free-float (%)	37.3	Daily vol. (€m)	0.2

(€mn)	2019	2020e	2021e	2022e
Net group profit	4.9	11.4	15.7	25.2
% inc.	-46.7	130.9	38.3	60.5
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	130.9	38.3	60.5
DPS (€)	0.00	0.00	0.00	0.00
% inc.	n.a.	n.a.	n.a.	n.a.
P/E (x)	39.0	22.9	16.6	10.3
EV/EBITDA	12.3	10.8	8.9	6.2
Div. Yield (%)	0.0	0.0	0.0	0.0
P/BV (x)	1.1	1.4	1.3	1.1

### Price performance (€)



Performance (%)	1 m.	3 m.	12 m.
Absolute	22.5	61.8	46.0
Relative	17.9	49.6	82.8

Source: Bloomberg and Bankinter Securities Research

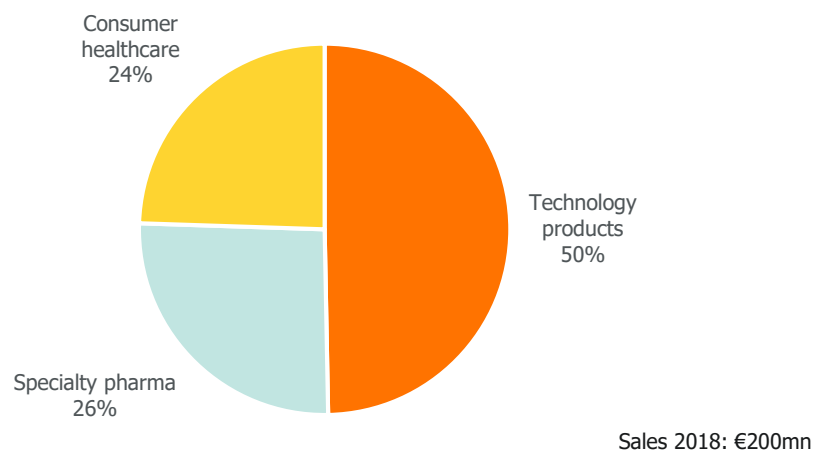
## Reig Jofre at a glance

Reig Jofre is a pharmaceutical group that **(1) researches, manufactures, fills and markets its own medicaments**, **(2) distributes products under license agreements** and provides **(3) contract manufacturing** in the fields of sterile and lyophilized products as well as penicillin and cephalosporin antibiotics. Reig Jofre is the **sixth largest** listed pharma group in Spain per market capitalization.

The **product focus** is on technology products -antibiotics, injectables and lyophilized medicaments- (50% of sales), consumer healthcare (24%) and specialty pharma (26%). There is a **bias towards OTC** products (102 references in this category) while prescription pharma has 64 specialties. **Sales per geography** are split between Spain (45%), other EU countries (44%) and ROW (11%). The company employs 1,121 **workers** in Toledo and Barcelona (**Spain**), Malmoe (**Sweden**) and in a **nutrition** company (Forté Pharma) based in **Monaco** that is the market leader in parapharmacy products in France. In 3Q19 and following a €24mn equity issue, Reig Jofre **acquired** from Bioibérica a **portfolio of specialty pharma products** for €48mn, primarily focused on the treatment of arthrosis and arthritis. The **pipeline** combines new products and biosimilars. It comprises developments in injectables, antibiotics, lyophilized and gynaecology (product extensions and female cancer detection). We expect that in the coming 12 months, new products will be marketed to treat impetigo, nail regeneration, male fertility and molluscum

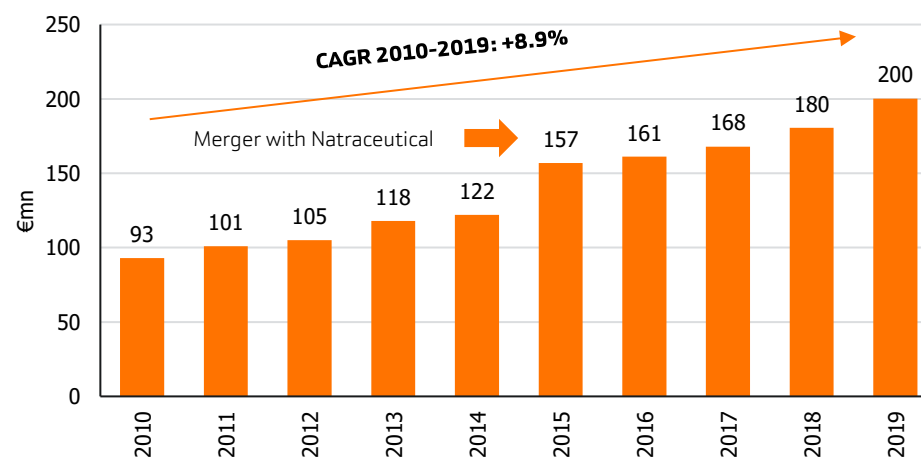
Reig Jofre was set up in 1929. In 2014, it merged with Natraceutical, a company that was listed in 2002. Its main **shareholder** is the Reig Jofre family who owns 63% of the shares. Two domestic family offices, Kaizaharra and Onchena own 10% and 5%, respectively. Traded volumes are moderate but have increased to €93,300 per day in the last 12 months from €54,200 one year ago.

Figure 1. Sales breakdown in 2019



Source: Company and Bankinter Research

Figure 2. Evolution of sales



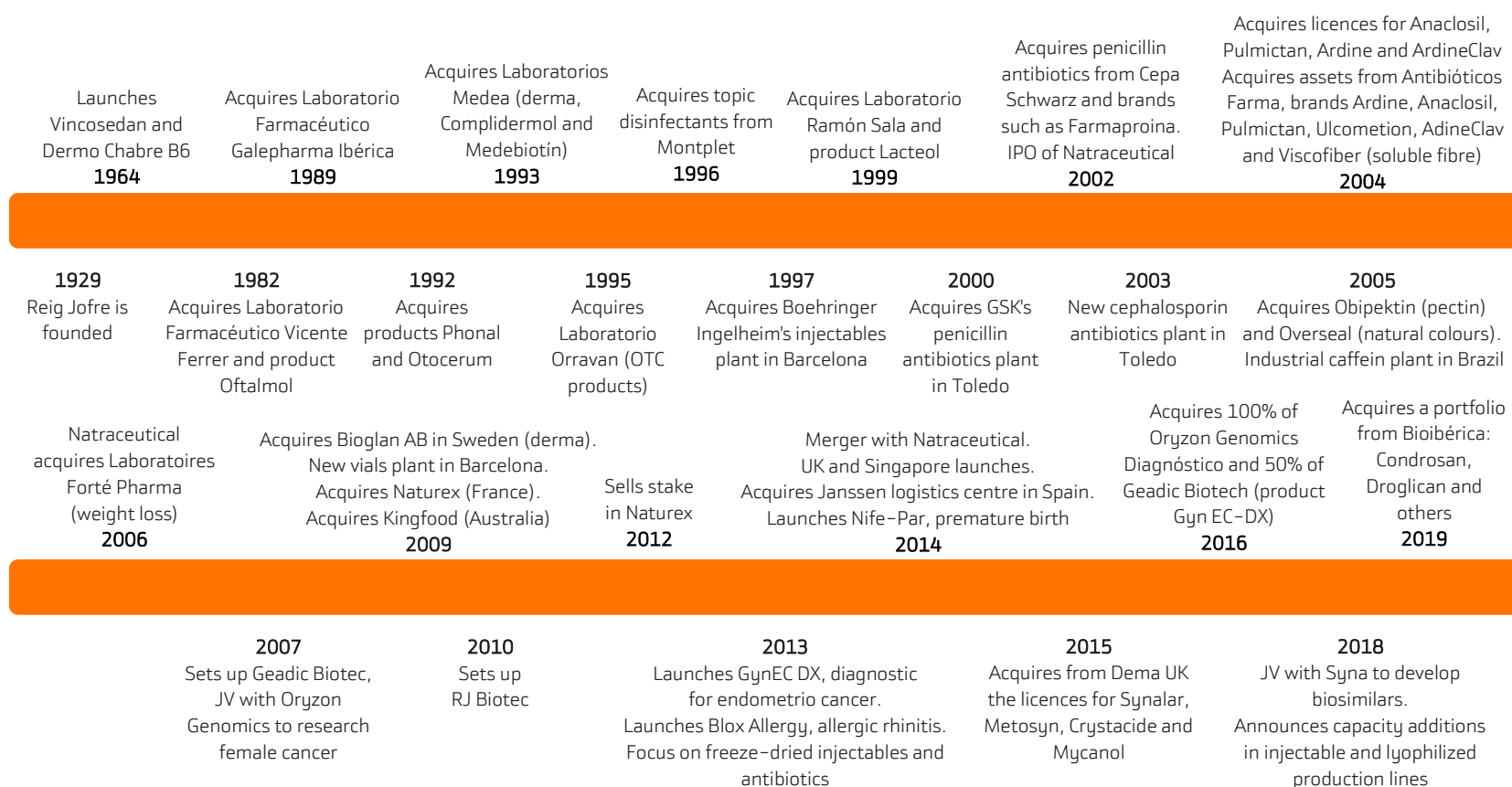
Source: Company and Bankinter Research

Reig Jofre has three **manufacturing plants**. All of them combine own and third party manufacturing:

- **Toledo:** It is dedicated to filling antibiotics (penicillin and cephalosporine). The forms are injectable vials (powder based), orals, sachets and syrups.
- **Barcelona:** Fills lyophilized products, injectables, solid oral forms, liquids and syrups.
- **Malmoe:** Manufactures derma products, mostly creams and lotions in semi solid forms for topic use.

The company has been active in **acquisitions** of pharma groups, assets and product licenses. It merged with Natraceutical in 2014. The last acquisition of licenses was done in 3Q19.

Figure 3. A history of acquisitions



Source: Company and Bankinter Research

## Three product divisions: Technology products, Specialty pharma and Consumer healthcare

The product line-up combines OTC (102 references) and prescription pharma (64 references). It is structured in three divisions:

- 1. Technology products:** Antibiotics, injectables and lyophilized pharma products represented 50% of sales in 2019.
- 2. Specialty pharma:** Accounts for 26% of sales. This division comprises derma, osteoarticular, ORL, gastro, gynaecology and others.
- 3. Consumer healthcare:** This division accounts for the remaining 24% of sales. It covers OTC and nutrition products. The nutrition arm markets nutrition supplements and weight-loss specialties. Its nutrition brand Forté Pharma is the market leader in France.

**Contract manufacturing** is offered to other pharmaceutical companies who outsource their manufacturing processes. Products span a wide range of pharmaceutical forms, including prefilled penicillanic antibiotics (in all dosage forms), cephalosporin antibiotics (powder in vials), lyophilized vials, ampoules and vials, liquids, semi-solids and oral solid forms. This activity represented 18% of sales in 2019, own products and in-licensed represented the remaining 82%.

**Production capacity** in the plant where it fills lyophilized and liquid vials is 15mn vials per year. In 2Q18, Reig Jofre announced it will invest €30mn until 2020 to add 25mn per year of capacity in a new plant to reach 40mn vials per year.

Figure 4. Sales per activity (2019)

Division	Specialty	Key products	Sales 2019 (€mn)	%
Technology products	Antibiotics	Anaclosil, Ardine, Britapen, Farmaproina, Orbenin	99.5	50
	Injectables & lyophilized	Sulfadiazina, Bivalirudina, Heparina, Fluconazol		
Specialty pharma	Derma	Doxipil, Mometasona Mede, Ciclopirox, Ony-Tec	51.7	26
	ORL	Otocerum, Otospray, Halazon, Budesonida Pulmictan, Milrosina		
Consumer healthcare	Gastro, gynaecology, osteo, others	Orvan gel, GyneC DX, Nife-Par, Citrocil, Condrosan, Droglican	49.0	24
	Nutrition	Forté Pharma products	49.0	24
<b>Total sales</b>			<b>200.2</b>	<b>100</b>
Spain			90.2	45
Other EU countries			87.6	44
Rest of Europe			2.6	1
ROW			19.8	10

Source: Company and Bankinter Research

Figure 5. Product range

Division	Specialty	Distribution	Treatment	Product name	Active principle
Technology products	Antibiotics	Prescription	Antibiotics	Anaclosil	Cloxaciline
			Antibiotics	Ardine	Amoxiciline
			Antibiotics	Ardineclav	Amoxiciline
			Antibiotics	Benoral	Fenoximetilpeniciline
			Antibiotics	Benzetacil	Bencilpeniciline
			Antibiotics	Britapen	Ampiciline
			Antibiotics	Cefazolina	Cefazoline
			Antibiotics	Cefepima	Cefepime
			Antibiotics	Cefotaxima	Cefotaxime
			Antibiotics	Ceftazidima	Ceftazidime
			Antibiotics	Ceftriaxona	Ceftriaxone
			Antibiotics	Cefuroxima	Cefuroxime
			Antibiotics	Farmaproina	Bencilpeniciline
			Antibiotics	Orbenin	Cloxaciline
			Antibiotics	Piperacilina Tazobactam	Piperaciline
	Antibiotics	Sodiopen	Bencilpeniciline		
	Injectables & lyophilized	Prescription	Antibiotics	Sulfato de Estreptomicina	Streptomycine
			Antibiotics	Teicoplanina	Teicoplanine
			Antibiotics	Vancomicina	Vancomicine
			Anesthetic	Remifentanilo	Remifentanile
			Anti bacterial	Sulfadiazina	Sulfamide
			Anticoagulant	Bivalirudina	Bivalirudine
			Anticoagulant	Heparina	Heparine
			Antiemetic	Palonosetron	Palonosetrone
			Cardiovascular	Aleudrina	Isoprenaline
NCS			Midazolam	Midazolam	

Division	Specialty	Distribution	Treatment	Product name	Active principle				
Specialty pharma	Derma	OTC	Skin care	Almond oil	Almonds				
			Skin care	Amniolina	Zinc oxide				
			Skin care	Amnioplus H2O	Zinc oxide				
			Skin care	Mede-baby	-				
			Skin care	Nutridermis	-				
			Skin care	Saliodex	-				
			Skin care	Vaseline	Vaseline				
			Skin care	Vaseline menthol	Vaseline				
			Hair care	Complidermol, 5a, 5α PLUS	Vitamins				
			Hair care	Dermo Chabre-B6	-				
			Hair care	Dermocutil	-				
			Hair care	Mede-H	-				
			Hair care	Resorpil	-				
			Hair care	Tri-Hachemina	-				
			Hair and nail care	Vincogelatin, plus	-				
			Hemorrhoids	Cohortan	Tirotricine				
				Prescription		Skin care	Deripil	Eritromicine	
						Skin care	Dermomycose liquido	Fuchsine	
	Skin care	Eridosis				Eritromicine			
	Skin care	Mometasona				Mometasone			
	Skin care	Mometasona Mede				Mometasone			
	Hair care	Ciclopirox Olamina Capitec				Ciclopirox			
	Nail care	Medebiotin fuerte				Biotine			
	Other	Belladona				Belladona			
	Osteoarticular	OTC					Osteoarticular	Articolageno	Colagen, hyaluronic
							Osteoarticular	Articolageno Nativo Plus	Colagen, hyaluronic
							Osteoarticular	Hialorb COLD	Chondroitine
							Osteoarticular	Hialorb Intraarticular	hyaluronic
							Osteoarticular	Tendoactive	Chondroitine
							Prescription		
			Arthrosis	Droglican	Chondroitine sulphate				
			Arthrosis	Cartisorb	Glucosamine				
Arthrosis	Duartron	Glucosamine							
Gynaecology	Prescription		Gynaecology	GyneC DX	-				
			Gynaecology	Nife-Par	Nifedipine				
			Gynaecology	Pre-par ampollas	Ritodrin				
Other	OTC		Gastro	Citrocil	Dihidroestreptomisine				
			Prescription		Urology	Desmopresina Mede	Desmopresine		
					Respiratory	Budesonida Pulmictan	Budesonide		

Division	Specialty	Distribution	Treatment	Product name	Active principle
Consumer healthcare	Respiratory	OTC	Respiratory	Fodonol	Bencidamine
			Respiratory	Potassic clorate	Potassium clorate
			Respiratory	Halazon	Menthol
			Respiratory	Halazon intense	Menthol
			Respiratory	Otocerum	Chlorine
			Respiratory	Otospray	Docusate
			Respiratory	Milrosina Spray	Resorcin
			Respiratory	Phonal,	Polimixin
			Respiratory	Phonal spray	Polimixin
			Respiratory	Sterimar	Sea water
			Respiratory	Sterimar bebé	Sea wáter
			Respiratory	Sterimar Manganeseo	Sea wáter
			Respiratory	Suero fisiológico	Sodiumclorate
			Disinfectant	OTC	Disinfectant
	Disinfectant	Alcohol Alcomon 70°, 96°			Ethyl alcohol, cetilpiridin
	Disinfectant	Alcohol 96°			Ethyl alcohol
	Disinfectant	Alcohol Menalcol 70°, 96°			Ethyl alc., Clorhexidine
	Disinfectant	Clorhexidina acuosa 2%			Clorhexidine
	Disinfectant	Clorhexidina alcohólica 2%			Clorhexidine
	Disinfectant	Iodina			Povidone
	Disinfectant	Menalmina			Clorhexidine
	Disinfectant	Oximen			Hidrogen peroxide
	Disinfectant	Tintura de yodo			Iodine
	Other	OTC	Other	Ricine oil	Ricine oil
			Other	Distilled water	Water
			Other	Alcohol camphor	Ethyl alcohol
			Other	Alcohol rosemary	Ethyl alcohol
			Other	Lacteol	Lactobacillus acidophillus
			Other	Suentillas	Sodium clorate

Division	Specialty	Distribution	Treatment	Product name	Active principle
			Weight loss	Xtra Slim 700 & Xtra Slim	-
			Weight loss	Xtra Slim 700 Women 45+	-
			Weight loss	Turboslim & Turboslim	-
			Weight loss	Peso Redux	-
			Weight loss	Turboslim Men 24h &	-
			Weight control	Xtra Slim Reductor Apetito	-
			Weight control	Turboslim Calorilight	-
			Other	Turboslim Retención de	-
			Other	Turboslim Vientre Plano	-
			Health supplements	Vitalite 4G Ultraboost	-
			Health supplements	Vitalite 4G Ultraboost	-
			Health supplements	Vitalite 4G Ultraboost Viales	-
			Vitamins	Multivit 4G Energy	-
			Vitamins	Multivit 4G Defensas	-
			Vitamins	Multivit 4G Senior	-
			Vitamins	Energy Multivit Adulto	-
			Vitamins	Multivitkids	-
			Digestion	Forté Lax Transit Activ	-
			Digestion	Forté Lax Express	-
			Sleeping aid	Forté Noche 8h	-
Consumer healthcare	Nutrition (Forté Pharma)	OTC	Sleeping aid	Melatonina 1900 Flash &	-
			Stress	Forté Magnesio Marino 300	-
			Stress	Forté Stress 24h	-
			Stress	Forté Stress Flash	-
			Throat sweets	Caramelos Goma Garganta	-
			Food supplement	Forté Jalea Real Energía	-
			Food supplement	Forté Jalea Real 2000 mg	-
			Food supplement	Forté Propolis 500	-
			Food supplement	Forté Jalea Real 1000 mg	-
			Food supplement	Forté Propolis Spray	-
			Food supplement	Forté Jalea Real Junior Bio	-
			Food supplement	Forté Propolis Pastillas	-
			Detox	Forté Detox 5 Órganos	-
			Concentration	Memorex	-
			Hair loss	Expert Capilar Comprimidos	-
			Hair loss	Expert Anticaída	-
			Hair loss	Expert Capilar Champú	-
			Skin care	Expert Lift Filler	-
			Skin care	Expert Hialurónico	-
			Skin care	Expert Colágeno	-
			Tanning	Expert Solar	-

Source: Company and Bankinter Research



## The current portfolio

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The product portfolio currently marketed by Reig Jofre includes 166 **pharma products** that are sold at chemists or supplied directly to hospitals. There are 102 over-the-counter, **OTC**, or non-prescription products marketed and 64 **prescription pharma products**. Prescription medicines are partly subsidized by the Spanish social security system after a selection process.

The **distribution channels** combine sales to wholesalers, chemists and hospitals. Reig Jofre sells its products directly in Spain, Portugal, France, UK, Belgium, Sweden and Singapore and has 130 distribution agreements in another 65 countries. Direct sales accounted for 60% of sales in 2019 and the distribution agreements for the remaining 40%.

**Proprietary products** comprise a portfolio that ranges from antibiotics, injectables, lyophilized applications and specialty pharma (derma, respiratory, gynaecology, disinfectants and others) to nutrition supplements, vitamins and weight-loss products. We understand that patents have expired in the majority of its products but are unlikely to attract competing biosimilars due to the limited size of their market.

Sales of **distributed pharma** include an array of OTC and specialty products licensed that are marketed through the same channels as Reig Jofre's own products. Most licenses did not require an upfront payment but there have been exceptions, such as Synalar, Metosyn and Crystacide whose distribution in the UK was licensed from Dema in 2014.

In **2019, sales** increased +11% to €200mn, in-line with our forecast. Per division, **technology products** increased +2% to €100mn, **specialty pharma** increased +41% to €52mn fuelled by a product portfolio acquired in 3Q19 that had sales of €13mn in 2H19 and **consumer healthcare** increased +6% to €49mn. Sales excluding the effect of the portfolio acquired increased +4%. In **1Q20 sales** increased +26% (+10% organic) to €62mn. Per division, **technology products** increased +12% to €27mn, **specialty pharma** +91% (+6% organic) to €19mn and **consumer healthcare** +7% to €16mn.

Our view is that **sales may increase +15% in 2020e** to €230mn, driven by higher sales of specialty pharma and technology products while growth in consumer healthcare should be more moderate. We expect that the new antibiotics production line will contribute to increase sales of specialty pharma. The Bioibérica portfolio (specialty pharma) may represent c.10% of sales.

**Contract manufacturing** accounts for 18% of sales (down from 22% in 2018 as increasing sales of proprietary products left less production capacity available for third-party contracts). This activity spans a wide range of pharmaceutical forms, including penicillanic antibiotics (all dosage forms), cephalosporin antibiotics (powder in vials), lyophilized vials, ampoules and vials, liquids, semi-solids and oral solid forms. Contract manufacturing sales are reported as part of the two product divisions.

## New capacity in injectables and antibiotics may represent 19% of sales in 2024e...

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Reig Jofre owns a plant in **Barcelona** that was acquired from Boehringer Ingelheim in 1997 where it fills **lyophilized and liquid vials** with a **capacity** of 15mn vials per year. The plant in **Toledo** was acquired from GSK in 2000 and enlarged in 2003 and in 2018, where it fills antibiotics and penicillin products. We understand that **capacity utilisation** has been high and that the addition of a new antibiotics line has helped the company to respond efficiently to demand growth and to new product launches.

The company completed in 4Q18 a €7.5mn investment in **Toledo** to **increase penicillin manufacturing and filling capacity** by 33%. We understand that in 2019, production and sales increased in this plant and that they are set to continue increasing in 2020e. Reig Jofre is to complete at the beginning of 2021e a €30mn investment in its **Barcelona** plant to add 25mn vials per year of **capacity** and reach 40mn vials per year. This investment consists of two new lines and preparing a third new line for 10mn vials per year that will require additional capex to be operational. As the capex programme is completed, the new capacity will be primarily dedicated to increase production of the existing range, to manufacture Remikaf, a new **anaesthesia** launched in 2018 in Indonesia, to manufacture a new antibiotic registered in the US in 2019 and manufacture **sodium oxybate**, a prescription treatment against narcolepsy and a new veterinary vaccine against **leishmaniosis** jointly developed with Leti Pharma. Product launches in derma and gynaecology products are also likely.

Our **modelware** considers that the new production lines in Barcelona will run at 40% of capacity in the first year (2021e) increasing to 80%, 95% and 100% in 2022e–2024e. For the capacity addition in Toledo, we have modelled a 25% capacity utilisation in 2019 increasing to 50%, 70%, 95% and 100% in 2020e–2024e. We expect that pricing will be unchanged from the existing contracts. This translates in €55mn of **incremental sales** in 2024e (19% of sales) arising from the **capacity increases**. As a result of the announced capacity additions, **sales of technology** (antibiotics and injectable products) may increase CAGR +9% to €152mn in 2024e, up from €100mn in 2018 and **represent 54% of the total** in 2024e, from 50% in 2019.

We expect that the new lines will be more **cost efficient** than the older capacity that dates to the Boehringer Ingelheim's acquisition in 1997 and GSK's in 2000 and that margins will increase. Our model assumes that the Reig Jofre's **EBITDA margin** will almost double to 18.0% in 2023e from 9.8% in 2019 (9.1% in 2018) as a result of adding more cost-efficient capacity, making improvements in the existing lines and the contribution from the product portfolio recently acquired. The 2025 **guidance** of €300mn sales and €44mn EBITDA (a 15% margin) looks conservative, we estimate €59mn EBITDA (a 17.9% margin) in 2024e.

In 2Q20, there are news suggesting that Reig Jofre, Rovi and Normon **may be authorized to manufacture and market vaccines for humans in Spain**. Currently, Spain only manufactures vaccines for veterinary use. Expectations are that these companies **manufacture the vaccine against COVID-19**, when available. This situation would entail that the new plants run at full capacity from start-up. **If this possibility materializes, we will revise our scenario and estimates to incorporate the effect of contracts to manufacture COVID-19 or other vaccines.**

## ... the products in the pipeline 3% of sales...

Reig Jofre has nineteen new products in its **pipeline** in various stages of development. The company focuses R&D on new applications using known active principles and on improving the dosage. It researches new products and biosimilars and also seeks developments in injectable products, antibiotics, derma (psoriasis) and gynaecology (product extensions, premature birth and female cancer detection).

R&D expenses of c.€12mn in 2019 represented c. 6% of sales. Approximately 43% of this expense was capitalized. We expect that R&D expenses will stay unchanged at €12mn per year in 2020e–2024e.

The company registered in 2019 a **new penicillin-based antibiotic** in the **US**. A veterinary vaccine against **leishmaniosis** was launched in 2019. The capacity additions in the Toledo and Barcelona plants will be partly dedicated to the new launches. Other research works on optimisation for betalamic antibiotics, derma products (psoriasis and anti-infection applications) and gynaecology (product extensions and female cancer detection). Reig Jofre leads a clinical study to determine the potential of the nutrition supplement Manremyc to treat health patients infected with **COVID-19**.

Our model assumes that the pipeline generates €10mn **sales** in 2024e, or 3% of the total sales.

Figure 6. Products in the pipeline

Status	Estimated time to market	Parmaceuticals	Pharma / Medical devices / Nutrition
Pre-market	<1 year		<ul style="list-style-type: none"> <li>➤ Nail regeneration</li> <li>➤ Male fertility</li> <li>➤ Molluscum</li> </ul>
Under submission	1 year	<ul style="list-style-type: none"> <li>➤ 3 Injectable/lyophilised</li> <li>➤ 2 β-lactam antibiotic</li> </ul>	<ul style="list-style-type: none"> <li>➤ Impetigo</li> </ul>
Planned submission	2 years	<ul style="list-style-type: none"> <li>➤ 1 β-lactam antibiotic</li> </ul>	<ul style="list-style-type: none"> <li>➤</li> </ul>
Clinical data presentation	>2 years	<ul style="list-style-type: none"> <li>➤</li> </ul>	<ul style="list-style-type: none"> <li>➤ Fungic infection (phase III)</li> <li>➤ Nife-Par (post approval)</li> <li>➤ GynEC (post approval)</li> </ul>
Under development	>2 years	<ul style="list-style-type: none"> <li>➤ 3 Injectable/lyophilised</li> <li>➤ 2 β-lactam antibiotic</li> </ul>	<ul style="list-style-type: none"> <li>➤ Biosimilar (JV with Syna Therapeutics)</li> </ul>

Source: Reig Jofre

## ... and the specialty pharma portfolio acquired from Bioibérica 10% of sales...

In July 2019, Reig Jofre closed the **acquisition** from Bioibérica of a **portfolio of prescription pharma products primarily for the treatment of arthrosis and arthritis for €48mn**. There are potential additional payments linked to milestones. The best-selling medicaments are Condrosan and Droglican (chondroitin sulfate) with an estimated 50% market share in Spain and are not subject to patents. There is also a line of **nutrition products**, we understand that sales in this line are less meaningful. In 2H19, the portfolio generated **sales of €13.3mn**. Bioibérica will continue manufacturing the active ingredients for Reig Jofre although Reig Jofre may eventually take over manufacturing. This move would benefit obtaining additional economies of scale that we have forecasted may reach 16% of the operating costs. Reig Jofre incorporated 51 employees from Bioibérica. This acquisition was **financed** with a combination of the funds raised from a €24mn equity issue and financial debt.

Spain may stop subsidizing drugs used for the relief of osteoarthritis, as it happened in most of the EU. The unsubsidized OTC retail price per month of Condrosan, Reig Jofre's treatment against osteoarthritis is €15.30.

Our **estimates** consider that sales of this portfolio increase +6% to €28.3mn in 2020e and stay unchanged in subsequent years. This represents 10% of sales in 2024e. We estimate a 26.0% EBITDA margin in 2019 for this portfolio (this is superior to the group's 9.8% margin in 2019) that may increase to 37.8% in 2024e as synergies are generated assuming that operating costs are trimmed conservatively -16% by 2024e.

This acquisition complements Reig Jofre's portfolio of prescription pharma products while the nutrition products may be rapidly integrated in the Forté Pharma product range. It also gives exposure to a higher margin line-up of products and the company should be able to boost the margin of the acquired portfolio by generating economies of scale.

Figure 7. Bioibérica portfolio estimates

€mn	2H19	2020e	2021e	2022e	2023e	2024e
<b>Sales</b>	<b>13.3</b>	<b>28.3</b>	<b>28.3</b>	<b>28.3</b>	<b>28.3</b>	<b>28.3</b>
% chg.	-	+6.3	-	-	-	-
Operating costs	-9.8	-20.9	-20.9	-20.9	-20.9	-20.9
<b>EBITDA before synergies</b>	<b>3.5</b>	<b>7.4</b>	<b>7.4</b>	<b>7.4</b>	<b>7.4</b>	<b>7.4</b>
EBITDA margin before synergies	26.0	26.0	26.0	26.0	26.0	26.0
Synergies	-	1.0	2.1	3.4	3.4	3.4
Synergies as % of operating costs	-	5.0	10.0	16.0	16.0	16.0
<b>EBITDA after synergies</b>	<b>3.5</b>	<b>8.4</b>	<b>9.5</b>	<b>10.7</b>	<b>10.7</b>	<b>10.7</b>
EBITDA margin after synergies (%)	26.0	29.7	33.4	37.8	37.8	37.8
Depreciation (assets and PPA)	-2.3	-4.6	-4.6	-4.6	-4.6	-4.6
<b>EBIT</b>	<b>1.2</b>	<b>3.8</b>	<b>4.9</b>	<b>6.1</b>	<b>6.1</b>	<b>6.1</b>
EBIT margin (%)	8.7	13.4	17.1	21.6	21.6	21.6

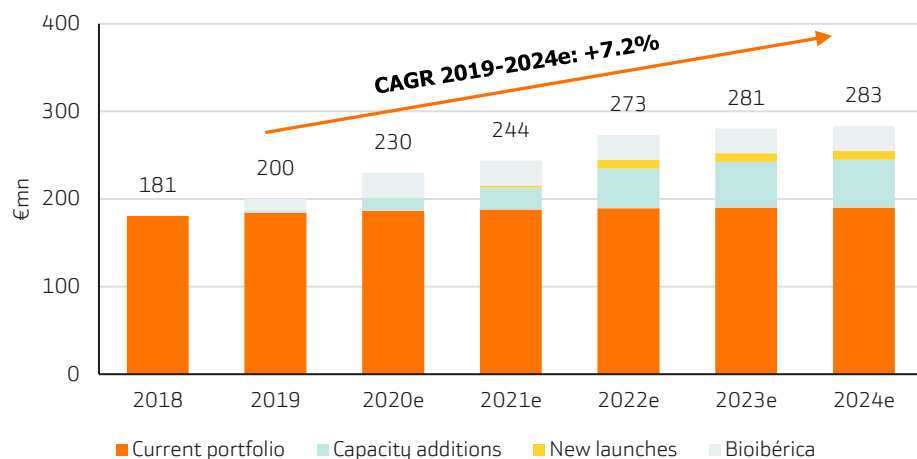
Source: Bankinter Research

## Sales growth of 7% CAGR in 2019–2024e...

We expect sales of €283 in 2024e, a +7.2% CAGR from 2019. Growth should be driven by **capacity increases** in antibiotics and injectables and by the inorganic contribution from the **Bioibérica portfolio**.

- Sales of **technology products excluding capacity additions** may be unchanged from c.€100mn in 2019-2024e. We understand that the factories in this division are operating near their full capacity (excluding the capacity addition in Toledo) and that unless selling prices increase (we do not expect this to happen), sales may well stay unchanged
- **Specialty pharma excluding Bioibérica** may experience a similar sales pattern as technology. We have only considered the existing product portfolio, although Reig Jofre may well continue to acquire distribution licenses to add new medicines to its product range.
- **Consumer healthcare** sales are likely to increase reflecting a higher demand for nutrition and other products featured in this segment.
- **Capacity additions in technology**: Capacity will increase in injectables as 25mn vials per year are added to the existing 15mn in 2020e and penicillin manufacturing and filling capacity increased by 33% in 2019. We expect that pricing will be unchanged from the existing contracts. This translates in €55mn of incremental sales in 2024e, or 19% of the total.
- **New launches**: We expect that sales of own products in the last stages of development may reach €10mn or 3% of sales by 2024e.
- **Bioibérica (specialty pharma)**: Sales may reach €28mn or 10% of sales in 2024e.

Figure 8. Evolution of sales



Source: Company and Bankinter Research

Figure 9. Sales forecasts

€mn	2018	2019	2020e	2021e	2022e	2023e	2024e	%CAGR 19-24e
Technology products	97.4	97.0	97.0	97.0	97.0	97.0	97.0	
Specialty pharma	36.8	38.4	38.4	38.4	38.4	38.4	38.4	
Consumer healthcare	46.3	49.0	51.1	52.7	53.9	54.7	54.7	
<b>Current portfolio</b>	<b>180.5</b>	<b>184.4</b>	<b>186.5</b>	<b>188.1</b>	<b>189.3</b>	<b>190.1</b>	<b>190.1</b>	
<b>Capacity additions</b>		<b>2.5</b>	<b>15.2</b>	<b>25.0</b>	<b>45.5</b>	<b>52.3</b>	<b>55.0</b>	
<b>Bioibérica portfolio</b>		<b>13.3</b>	<b>28.3</b>	<b>28.3</b>	<b>28.3</b>	<b>28.3</b>	<b>28.3</b>	
Derma				1.4	5.4	5.4	5.4	
Gynaecology				1.1	4.5	4.5	4.5	
<b>New launches</b>			<b>0.0</b>	<b>2.5</b>	<b>9.9</b>	<b>9.9</b>	<b>9.9</b>	
<b>Total sales</b>	<b>180.5</b>	<b>200.2</b>	<b>230.0</b>	<b>243.8</b>	<b>273.0</b>	<b>280.5</b>	<b>283.3</b>	<b>7.2</b>

Source: Company and Bankinter Research

## ... while EBITDA increases 21% CAGR on higher margins

Reig Jofre has a **similar gross margin** versus its domestic comparables (Almirall, Rovi and Faes). The average **gross margin** for the peer group in 2019 was 65.8%, while Reig Jofre's had a 63.1% margin that year. However, **EBITDA margins** differ. In the peer group, it averages 28.7% with a 16%–36% range. Reig Jofre's 9.8% EBITDA margin is well below the peer group average. The main difference is found in labour & other expenses: 50% of sales, versus a 34% average for the peer group, a situation that we believe is partly a reflection of the age of its production facilities.

Figure 10. Gross margin and EBITDA margin peer comparison in 2019

% of sales	Almirall	Rovi	Faes	Peer group average	Reig Jofre	Comments
Sales (€mn)	853.1	381.3	357.4		200.2	
<b>Gross margin</b>	<b>70.8%</b>	<b>56.6%</b>	<b>63.6%</b>	<b>65.8%</b>	<b>63.1%</b>	<b>Average margin is 65.6%</b>
Capitalized expenses	-	-	-	-	2.8%	
Other income	6.5%	-	7.2%	5.1%	0.1%	License-out revenues
R&D	-10.8%	-7.7%	-1.2%	-7.9%	-6.0%	
Labour & Other expenses	-30.8%	-32.8%	-44.1%	-34.3%	-50.1%	Higher costs to sales in Reig Jofre
<b>EBITDA</b>	<b>35.7%</b>	<b>16.1%</b>	<b>25.6%</b>	<b>28.7%</b>	<b>9.8%</b>	<b>Room for improvement in RJF</b>

Source: Company and Bankinter Research

We expect that as a result of adding more efficient capacity, revamping some of its older manufacturing facilities, launching internally developed products and the contribution from Bioibérica and its synergies, Reig Jofre's **EBITDA margin will climb to 18.0%** in 2023e, from the current 9.1%, but still below the peer group's average. As a result of increasing sales in 2019–2024e and rising EBITDA margins, the **EBITDA may increase at a 20.9% CAGR** in 2019–2024e, well ahead of sales growth. This increase in EBITDA is a key feature of Reig Jofre. **Our estimates are more aggressive than the guidance of a 15% EBITDA margin** in 2025.

Figure 11. EBITDA margin estimates

€mn	2018	2019	2020e	2021e	2022e	2023e	2024e	%CAGR 19-24e
<b>EBITDA margins (%)</b>								
Current portfolio	9.1	11.6	12.0	12.3	12.9	12.6	11.6	
Capacity additions: Antibiotics Toledo	-	-51.4	8.0	15.0	23.0	25.0	25.0	
Capacity additions: Injectables Barcelona	-	-	-5.0	15.0	23.0	25.0	25.0	
New launches: Derma	-	-	-	-10.1	23.0	23.2	25.0	
New launches: Gynaecology	-	-	-	-10.1	23.0	23.2	25.0	
Bioibérica portfolio	-	26.0	29.7	33.4	37.8	37.8	37.8	
<b>EBITDA margin (%)</b>	<b>9.1</b>	<b>9.8</b>	<b>13.0</b>	<b>14.6</b>	<b>17.1</b>	<b>18.0</b>	<b>17.9</b>	
Sales (€mn)	180.5	200.2	230.0	243.8	273.0	280.5	283.3	7.2%
EBITDA (€mn)	16.4	19.7	29.9	35.5	46.7	50.5	50.8	20.9%

Source: Company and Bankinter Research

Figure 12. P&amp;L forecasts

€mn	2018	2019	2020e	2021e	2022e	2023e	2024e	%CAGR 19-24e	Comments
Current portfolio	180.5	184.4	186.5	188.1	189.3	190.1	190.1		
Capacity additions	0.0	2.5	15.2	25.0	45.5	52.3	55.0		
New launches	0.0	0.0	0.0	2.5	9.9	9.9	9.9		
Bioibérica	0.0	13.3	28.3	28.3	28.3	28.3	28.3		
<b>Sales</b>	<b>180.5</b>	<b>200.2</b>	<b>230.0</b>	<b>243.8</b>	<b>273.0</b>	<b>280.5</b>	<b>283.3</b>	<b>7.2</b>	New capacity, launches and Bioibérica
Purchases	-67.6	-73.9	-82.8	-85.3	-95.6	-98.2	-99.1		
<b>Gross margin</b>	<b>112.9</b>	<b>126.3</b>	<b>147.2</b>	<b>158.5</b>	<b>177.5</b>	<b>182.3</b>	<b>184.1</b>	<b>7.8</b>	
<b>% margin</b>	<b>62.5</b>	<b>63.1</b>	<b>64.0</b>	<b>65.0</b>	<b>65.0</b>	<b>65.0</b>	<b>65.0</b>		
Capitalized items	4.8	5.6	5.8	6.0	6.5	7.1	9.5		
Other income	0.8	0.1	0.1	0.1	0.1	0.1	0.1		
Labour	-52.1	-57.1	-59.4	-61.8	-64.3	-66.9	-68.3		Increased manpower
R&D	-9.5	-12.0	-12.0	-12.0	-12.0	-12.0	-12.0		Stable at €12mn per year
Other expenses	-30.6	-33.1	-41.6	-45.1	-50.9	-49.9	-52.5		
Marketing	-9.9	-10.1	-10.1	-10.1	-10.1	-10.1	-10.1		
<b>EBITDA</b>	<b>16.4</b>	<b>19.7</b>	<b>29.9</b>	<b>35.5</b>	<b>46.7</b>	<b>50.5</b>	<b>50.8</b>	<b>20.9</b>	Steady growth
<b>% margin</b>	<b>9.1</b>	<b>9.8</b>	<b>13.0</b>	<b>14.6</b>	<b>17.1</b>	<b>18.0</b>	<b>17.9</b>		More efficient capacity, Bioibérica and Product launches boost the margin
Depreciation	-7.6	-13.1	-16.2	-16.9	-17.6	-18.4	-19.3	16.8	
Other	1.2	-0.2	0.0	0.0	0.0	0.0	0.0		
<b>EBIT</b>	<b>10.0</b>	<b>6.3</b>	<b>13.7</b>	<b>18.6</b>	<b>29.1</b>	<b>32.1</b>	<b>31.5</b>	<b>37.9</b>	Follows EBITDA growth
<b>% margin</b>	<b>5.6</b>	<b>3.2</b>	<b>6.0</b>	<b>7.6</b>	<b>10.7</b>	<b>11.5</b>	<b>11.1</b>		
Financial income	0.1	0.1	0.1	0.1	0.1	0.1	0.2		
Financial expenses	-0.8	-1.0	-1.4	-1.4	-1.4	-1.4	-1.4		
Other financials	0.0	-0.2	0.0	0.0	0.0	0.0	0.0		
<b>Net financial result</b>	<b>-0.7</b>	<b>-1.1</b>	<b>-1.3</b>	<b>-1.3</b>	<b>-1.3</b>	<b>-1.2</b>	<b>-1.2</b>		Debt is not an issue
Equity income	0.2	0.1	0.1	0.1	0.1	0.1	0.1		
<b>PBT</b>	<b>9.5</b>	<b>5.3</b>	<b>12.5</b>	<b>17.4</b>	<b>27.9</b>	<b>31.0</b>	<b>30.4</b>	<b>41.8</b>	High-growth
Taxes	-0.2	-0.4	-1.3	-1.7	-2.8	-4.7	-4.6		
Tax rate (%)	-24.3	-68.6	-100.0	-100.0	-100.0	-150.0	-150.0		We foresee a higher tax rate
<b>Net group profit</b>	<b>9.3</b>	<b>4.9</b>	<b>11.3</b>	<b>15.7</b>	<b>25.2</b>	<b>26.4</b>	<b>25.9</b>	<b>39.2</b>	

Source: Company and Bankinter Research

## The net financial debt peaks in 2020e, not a concern and the company may be free of debt in 2024e

We forecast €75mn **capex** (6% of sales) in 2020e–2024e. In 2020e the company should complete its program to add capacity. After 2020e, we foresee maintenance capex and R&D. R&D represents 57% of our capex estimate.

Figure 13. Capex estimates

€mn	2018	2019	2020e	2021e	2022e	2023e	2024e	2020e-2024e	% of total
Recurrent	3.4	3.8	3.9	4.0	4.5	5.0	5.0	22.4	30
New capacity: Barcelona	12.5	16.0	10.0					10.0	13
Bioibérica		48.0						-	-
R&D	5.2	5.8	6.4	6.6	7.5	8.6	13.2	42.4	57
IFRS-16 & other		5.5							
<b>Capex</b>	<b>21.1</b>	<b>79.1</b>	<b>20.3</b>	<b>10.6</b>	<b>12.0</b>	<b>13.6</b>	<b>18.2</b>	<b>74.8</b>	<b>100</b>
<i>% of sales</i>	<i>11.7</i>	<i>39.5</i>	<i>8.8</i>	<i>4.4</i>	<i>4.4</i>	<i>4.8</i>	<i>6.4</i>	<i>4.9</i>	

Source: Company and Bankinter Research

We forecast a 22% OWC/Sales ratio, this was 2018's figure and is consistent with the peer group., the 2019 figure of 16% is distorted by acquisition debt. We do not expect cash **dividends**. The company has done scrip issues in the last years, this policy is likely to be maintained. The **net financial debt** was €52.6mn in 2019, there is an additional €28mn of acquisition (non-financial) debt due to Bioibérica. We understand that €15mn will be paid in 2020 and €13mn in 2021. We expect NFD to rise to €65mn in 2020e as the operating cash flow cannot be enough to pay €10mn capex in the new plant in Barcelona and €15mn due to Bioibérica in 2020e. However, debt is not a concern, the NFD/EBITDA is likely to decline after 2019 and we expect that the company will be free of NFD in 2024e. Our estimates do not consider additional acquisitions.

Figure 14. Cash flow forecasts

€mn	2018	2019	2020e	2021e	2022e	2023e	2024e	Comment
<b>EBITDA</b>	<b>16.4</b>	<b>19.7</b>	<b>29.9</b>	<b>35.5</b>	<b>46.7</b>	<b>50.5</b>	<b>50.8</b>	
Net financial cost	-0.7	-1.0	-1.2	-1.2	-1.2	-1.2	-1.1	
Taxes & other from operations	-0.9	-0.6	-1.3	-1.7	-2.8	-4.7	-4.6	
OWC (ex Bioibérica in 2020e)	0.0	-6.4	-4.7	-2.2	-4.6	-1.5	-0.7	2019 and 20 marked by build-up post acquisition
<b>Operating cash flow</b>	<b>14.8</b>	<b>11.7</b>	<b>22.7</b>	<b>30.3</b>	<b>38.1</b>	<b>43.2</b>	<b>44.4</b>	
Capex	-20.9	-43.9	-20.3	-10.6	-12.0	-13.6	-18.4	
Bioibérica		-20.0	-15.0	-13.0				
<b>Free cash flow to equity</b>	<b>-6.2</b>	<b>-52.2</b>	<b>-12.6</b>	<b>6.7</b>	<b>26.1</b>	<b>29.6</b>	<b>26.0</b>	Positive in 2021e
<b>Equity issue</b>		24.0						Partly finances the Bioibérica acquisition
<b>Change in net debt</b>	<b>6.2</b>	<b>28.2</b>	<b>12.6</b>	<b>-6.7</b>	<b>-26.1</b>	<b>-29.6</b>	<b>-26.0</b>	We expect NFD to decline in 2021-2024e
<b>Net financial debt</b>	<b>24.5</b>	<b>52.6</b>	<b>65.3</b>	<b>58.6</b>	<b>32.6</b>	<b>3.0</b>	<b>-23.0</b>	NFD peaks at €65mn in 2020e, then declines
NFD/EBITDA (x)	1.5x	2.7x	2.2x	1.7x	0.7x	0.1x	-0.5x	Peaks at 2.7x, debt is not an issue

Source: Company and Bankinter Research



## Our valuation is €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 only reports the sales of the acquired licenses from the existing businesses but not the operating results that are blended with the group's other business lines. 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 15. DCF model

€mn	2021e	2022e	2023e	2024e
EBIT	18.6	29.1	32.1	31.5
Tax rate on EBIT	-10%	-10%	-15%	-15%
<b>NOPLAT</b>	<b>16.7</b>	<b>26.2</b>	<b>27.3</b>	<b>26.8</b>
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
<b>Free cash flow</b>	<b>20.8</b>	<b>27.2</b>	<b>30.6</b>	<b>27.0</b>
Terminal value				363.9
EV/EBITDA terminal value				7.2
<b>Flow to discount</b>	<b>20.8</b>	<b>27.2</b>	<b>30.6</b>	<b>390.8</b>
Discount factor (x)	0.93	0.87	0.81	0.75
<b>NPV of flow</b>	<b>19.4</b>	<b>23.5</b>	<b>24.7</b>	<b>293.7</b>
<b>EV</b>	<b>361.3</b>			

Source: Bankinter Research

	Mn€	€/share
<b>EV</b>	<b>361.3</b>	<b>4.75</b>
Other investments	5.1	0.07
Equity accounted subsidiaries	1.7	0.02
Less: NFD 2020e	-65.3	-0.86
Less: Bioibérica acquisition debt 2020e	-13.0	-0.17
Less: Provisions 2020e	-1.0	-0.01
<b>Equity value</b>	<b>288.7</b>	<b>3.80</b>

Figure 16. 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

Figure 17. Peer group comparison

Company name	Ticker	Price (€)	Mkt Cap (€mn)	EV (€mn)	1M Price Chg (%)	3M Price Chg (%)	6M Price Chg (%)	1 Yr Price Chg (%)
<b>Reig Jofre</b>	<b>RJF SM</b>	<b>3.43</b>	<b>261</b>	<b>326</b>	<b>22.5</b>	<b>61.8</b>	<b>30.3</b>	<b>46.0</b>
Rovi	ROVI SM	25.30	1,419	1,384	9.5	11.5	3.7	26.5
Faes	FAE SM	3.62	1,033	930	-0.4	2.1	-27.6	-10.9
Almirall	ALM SM	11.73	2,048	2,406	-1.0	11.3	-19.9	-28.7
Grifols	GRF SM	27.03	15,795	21,883	-3.9	-12.8	-14.0	3.3

Name	P/E 2020e	P/E 2021e	EV/EBITDA 2020e	EV/EBITDA 2021e	P/CF 2020e	P/CF 2021e	P/Book	Dividend Yield %
<b>Reig Jofre</b>	<b>21.3</b>	<b>15.4</b>	<b>10.3</b>	<b>8.5</b>	<b>11.1</b>	<b>9.1</b>	<b>1.3</b>	<b>n.d.</b>
Rovi	41.1	24.7	23.2	15.5	26.7	18.5	4.1	0.9
Faes	13.1	11.8	8.9	7.5	11.4	10.3	2.1	4.9
Almirall	18.9	19.4	8.9	8.6	8.7	8.7	1.5	1.8
Grifols	19.0	16.1	13.7	11.9	13.7	12.0	2.9	1.5
<b>Weighted average</b>	<b>20.2</b>	<b>16.8</b>	<b>13.6</b>	<b>11.6</b>	<b>14.0</b>	<b>12.0</b>	<b>2.8</b>	<b>1.6</b>

Source: Bankinter Research

The **multiples comparison** against the listed Spanish comparables also suggests good value for Reig Jofre.

The company does not pay cash **dividends**. Instead, it does scrip issues with a set price for buying back the subscription rights.

Its equity free cash flow becomes positive in 2021e and the **FCF yield** is 2.6%, 10.0% and 11.3% in 2021e, 2022e and 2023e.

## 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

Our assumed WACC is 7.4% and the terminal growth "g" rate 0.0%.

### 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, this is ahead of the 15% guidance for 2025

#### 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
- Authorization to manufacture vaccines (and COVID-19)

### Risk factors

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

Figure 18. Profit and loss account and cash flow statement

(€mn)	2017	2018	2019	2020e	2021e	2022e
<b>Profit and loss account</b>						
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
<b>EBIT</b>	<b>8.9</b>	<b>10.0</b>	<b>6.3</b>	<b>13.7</b>	<b>18.6</b>	<b>29.1</b>
<i>% inc.</i>	-23.6	11.5	-36.9	117.9	35.3	56.6
Net financial result	-1.0	-0.7	-1.1	-1.2	-1.2	-1.2
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	12.6	17.4	28.0
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
<b>Net group profit</b>	<b>8.8</b>	<b>9.2</b>	<b>4.9</b>	<b>11.4</b>	<b>15.7</b>	<b>25.2</b>
<i>% inc.</i>	14.8	5.3	-46.7	130.9	38.3	60.5
EPS (€)	0.12	0.12	0.06	0.15	0.21	0.33
<i>% inc.</i>	14.8	5.3	-46.7	130.9	38.3	60.5
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.
<b>Cash flow statement</b>						
Net cash flow	15.6	15.6	18.3	27.5	32.6	42.8
<i>% inc.</i>	34.3	0.2	17.1	50.4	18.5	31.2
OWC change	14.6	1.3	8.2	-19.7	-2.2	-4.6
Capex	-9.2	-21.0	-50.4	-20.3	-23.6	-12.0
<b>Free cash flow</b>	<b>21.0</b>	<b>-4.0</b>	<b>-23.9</b>	<b>-12.5</b>	<b>6.8</b>	<b>26.2</b>
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
<b>Change in net cash/(net financial debt)</b>	<b>11.0</b>	<b>-6.2</b>	<b>-28.2</b>	<b>-12.6</b>	<b>6.7</b>	<b>26.1</b>

Source: Company and Bankinter Research

Figure 19. Balance sheet and margins

(€mn)	2017	2018	2019	2020e	2021e	2022e
<b>Balance sheet</b>						
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	52.1	54.3	58.9
Other assets/(liabilities) net	11.0	11.9	-2.3	-2.3	10.7	10.7
<b>Capital employed (CE)</b>	<b>159.9</b>	<b>174.2</b>	<b>230.8</b>	<b>254.8</b>	<b>263.8</b>	<b>262.9</b>
Shareholders' equity	141.6	149.8	178.2	189.6	205.3	230.5
Minority interests	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Net financial debt	18.3	24.5	52.6	65.3	58.6	32.6
<b>Margins (%)</b>						
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	90.3	92.4	103.8
EBITDA/Capital employed	9.9	9.4	8.5	11.7	13.5	17.8
ROCE	5.6	5.7	2.7	5.4	7.0	11.1
ROE	6.2	6.2	2.8	6.0	7.7	10.9
<b>Gearing (x)</b>						
Net financial debt/Capital employed	0.1	0.1	0.2	0.3	0.2	0.1
Net financial debt/EBITDA	1.2	1.5	2.7	2.2	1.7	0.7
EBIT/Net financial result	8.9	14.4	5.6	11.2	14.9	24.0

Source: Company and Bankinter Research

Figure 20. Main shareholders

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

Source: Company and Bankinter Research

Figure 21. 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 22. 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	130.9	38.3	60.5
CFPS (€)	0.21	0.21	0.24	0.36	0.43	0.56
% inc.	34.3	0.2	17.1	50.4	18.5	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	6.4	8.3	12.3
ROE (%)	6.2	6.2	2.8	6.0	7.7	10.9
<b>Price (€)</b>						
Max.	3.90	3.19	2.76	n.a.	-	-
Min.	2.24	2.12	2.21	n.a.	-	-
Last	2.34	2.28	2.52	3.42	3.42	3.42
<b>P/E (x)</b>						
Max.	33.8	26.3	42.7	-	-	-
Min.	19.4	17.5	34.2	-	-	-
Last	20.3	18.8	39.0	22.9	16.6	10.3
Relative	0.5	0.5	1.1	0.6	0.4	0.3
<b>P/CF (x)</b>						
Max.	19.0	15.5	11.5	-	-	-
Min.	10.9	10.3	9.2	-	-	-
Last	11.4	11.1	10.5	9.4	8.0	6.1
Relative	0.5	0.5	0.4	0.4	0.3	0.3
<b>Yield (%)</b>						
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
<b>P/BV (x)</b>						
Max.	2.1	1.6	1.2	-	-	-
Min.	1.2	1.1	0.9	-	-	-
Last	1.3	1.2	1.1	1.4	1.3	1.1
Relative	0.5	0.5	0.5	0.6	0.5	0.5

Source: Company and Bankinter Research

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