

ANÁLISIS Y MERCADOS

Reig Jofre

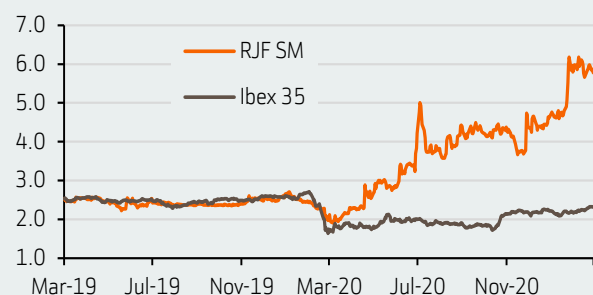
The highlights of 2020 are double-digit sales growth, higher margins and the Janssen COVID vaccine

Key data at 18th March 2022; 17:35h

Price (€)	5.80	N° shares (m)	76.8
Ticker Bloomberg	RJF.SM	M. Cap. (€m)	445.5
Free-float (%)	37.3	Daily vol. (€m)	0.6

(€mn)	2020	2021e	2022e	2023e
Net group profit	5.6	12.0	20.4	25.1
% inc.	14.8	112.3	70.4	22.6
EBITDA	26.5	33.0	44.4	51.5
% inc.	34.8	24.3	34.4	16.2
EPS (€)	0.07	0.16	0.27	0.33
% inc.	14.8	112.3	70.4	22.6
DPS (€)	0.00	0.00	0.00	0.00
% inc.	n.a.	n.a.	n.a.	n.a.
P/E (x)	78.9	37.1	21.8	17.8
EV/EBITDA	18.8	15.1	10.7	8.5
Div. Yield (%)	0.0	0.0	0.0	0.0
P/BV (x)	2.4	2.3	2.1	1.8

Price performance (€)



Performance (%)	1 m.	3 m.	12 m.
Absolute	-1.0	32.6	175.3
Relative	-7.7	25.6	138.2

Source: Bloomberg and Bankinter Securities Research

Double-digit growth in sales in 4Q and in 2020, the EBITDA margin increases to 11.5% in 2020
In 4Q20 sales were €59.7mn (+12.4% yoy), EBITDA €7.3mn (+0.5%), EBIT €2.5mn (-13.6%), PBT €0.1mn (-95%), net profit €0.3mn (-88%), net cash flow €5.0mn (-6.8%). Consequently, **sales in 2020** increased to €230.0 (+14.9% yoy), where Antibiotics and injectables €111.7mn (+12.3%), Specialty pharma €66.1mn (+27.9%) and Consumer healthcare €52.2mn (+6.5%). Superior growth in Specialty pharma reflects the acquisition of licenses for prescription products primarily for treating arthritis joint pain from Bioibérica in July 2019 that added €29mn sales in 2020 (12.6% of total). **EBITDA** €26.5mn (+34.8%, +20.6% adjusted), EBITDA margin 11.5% (9.8% in 2019, 11.0% adjusted). **EBIT** €9.2mn (+45.9%), **PBT** 6.4mn (+21.2%), **net profit** €5.7mn (+14.7%), **net cash flow** €19.3mn (+52.1%). The **net financial debt** increased to €55.1mn (+4.8% from 4Q19 and -19.4% from 3Q20) primarily on capex and related payments. NFD/EBITDA declines to 2.1x (2.7x in 4Q19).

The key features are the expectations of a higher EBITDA margin and the COVID-19 vaccine

Sales growth is sound in Antibiotics and injectables, driven by COVID-19 demand and recent product launches, but may slow down in 2021e until the number of patient visits to doctors and the prescriptions issued recover. The increase in the EBITDA margin reflects cost efficiencies coupled to lower marketing expenses and the contribution from Bioibérica. We expect the EBITDA margin to increase to 17.8% in 2023e (11.5% in 2020), this exceeds the guidance of 15% that we see as conservative. Reig Jofre **is set to manufacture Janssen's COVID vaccine from 2Q21** in a new plant that is to come on-stream in that quarter. This is the main driver behind the recent outperformance.

Valuation: We raise our target price to €6.30 €/share

We raise our **target price** to **€6.30 €/share** from 5.05 €/share as increase our valuation of the COVID vaccine contract with Janssen to €2.30 per share, up from €1.05 per share.

Pedro Echeguren

Sales growth of +12.5% in 4Q20 leads to +14.5% in 2020 while the EBITDA margin improves in 2020

Figure 1. Summary results

€mn	4Q19	1Q20	2Q20	3Q20	4Q20	yoy %	2019	2020	yoy %
Antibiotics & Injectables	26.9	27.1	28.6	24.6	31.4	16.7	99.5	111.7	12.3
Specialty pharma	16.6	18.5	14.9	16.0	16.7	0.6	51.7	66.1	27.9
Consumer healthcare	9.6	16.4	10.3	13.9	11.6	20.8	49.0	52.2	6.5
Sales	53.1	62.1	53.8	54.6	59.7	12.4	200.2	230.0	14.9
Gross profit	35.4	37.5	32.3	32.1	38.4	8.4	126.3	140.3	11.1
<i>% of sales</i>	<i>66.6</i>	<i>60.4</i>	<i>60.1</i>	<i>58.9</i>	<i>64.3</i>		<i>63.1</i>	<i>61.0</i>	
Other income	1.8	1.4	1.5	0.8	1.0		5.7	4.7	
Operating eypenses	-29.9	-30.9	-28.9	-26.7	-32.1	7.2	-112.3	-118.4	5.5
EBITDA adjusted							22.0	26.5	20.6
<i>% of sales</i>							<i>11.0</i>	<i>11.5</i>	
EBITDA	7.3	8.0	4.9	6.3	7.3	0.5	19.7	26.5	34.8
<i>% of sales</i>	<i>13.7</i>	<i>13.0</i>	<i>9.2</i>	<i>11.5</i>	<i>12.2</i>		<i>9.8</i>	<i>11.5</i>	
Depreciation	-4.1	-4.0	-4.1	-4.4	-4.4	8.1	-13.1	-17.0	29.2
Impairment & Others	-0.3	0.0	0.0	0.0	-0.4		-0.2	-0.3	
EBIT	2.9	4.0	0.8	1.9	2.5	-13.6	6.3	9.2	45.9
<i>% of sales</i>	<i>5.5</i>	<i>6.5</i>	<i>1.5</i>	<i>3.4</i>	<i>4.2</i>		<i>3.2</i>	<i>4.0</i>	
Net financial expenses	-0.4	-0.2	-0.1	-0.1	-2.5		-1.1	-2.9	
Equity income	0.1	0.0	0.0	0.0	0.1		0.1	0.1	
Profit before taxes	2.6	3.9	0.7	1.7	0.1	-94.7	5.3	6.4	21.2
Taxes	0.0	-0.6	-0.1	-0.3	0.2		-0.4	-0.8	
Net group profit	2.7	3.3	0.6	1.5	0.3	-88.0	4.9	5.7	14.7
Net cash flow (NP+D+I-Capitalized exp.)	5.4	5.9	3.3	5.2	5.0	-6.8	12.7	19.3	52.1
OWC							-6.4	-2.9	
CF from operations							11.7	22.5	92.7
Recurrent capex							-5.0	-10.2	
Free cash flow							6.7	12.3	84.2
Growth capex							-45.4	-20.5	
Cash flow after growth capex							-38.7	-8.2	
Dividends							-0.4	-0.1	
Equity issue							24.0	0.0	
IFRS-16 and Other							-13.0	5.8	
Change in net financial debt							28.1	2.5	
Net financial debt	52.6	55.7	63.1	68.4	55.1	4.8	52.6	55.1	4.8
NFD/LTM EBITDA (x)	2.7	2.5	2.7	2.6	2.1		2.7	2.1	

Source: Company and Bankinter Research

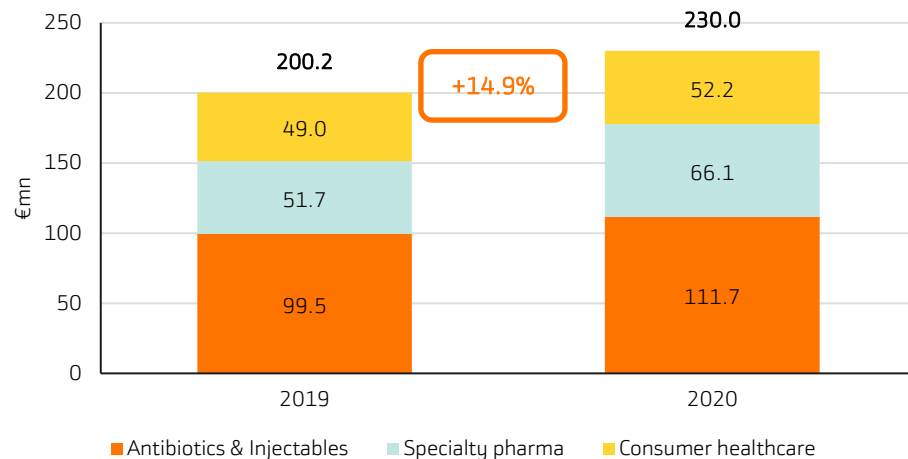
Sales growth of +14.9% in 2020 is fuelled by Specialty pharma and Antibiotics & injectables

Sales increased in 4Q20 to €59.7mn (+12.5% yoy). Sales per division are: Antibiotics and injectables €31.4mn (+16.7%), Specialty pharma €16.7mn (+0.6%) and Consumer healthcare €11.6mn (+20.8%). Consequently, **sales in 2020** increased to €230.0 or +14.9% yoy. Sales per division are: Antibiotics and injectables €111.7mn (+12.3%), Specialty pharma €66.1mn (+27.9%) and Consumer healthcare €52.2mn (+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 €29mn to sales in 2020, or 12.6% of the total. The COVID-19 has led to higher sales of antibiotics, pain killers and other medicaments.

- **Antibiotics and injectable** 2020 sales of €117.7mn (+12.3% yoy) benefited from demand related to COVID-19 in 2Q and 3Q and exports.
- **Specialty pharma** sales of €66.1mn (+27.9% yoy) were fuelled by the licenses acquired from Bioibérica that generated €29mn in sales. Other products dip -2% (-6% at 9M20) as less prescriptions are issued by doctors during the pandemic.
- **Consumer healthcare** sales of €52.2mn (+6.5%) combines OTC sales (+10%) fuelled by alcohols, disinfectants and chlorhexidine and sales of Forté Pharma products (vitamins, nutrition supplements) that increased to €42Mn (+6%).

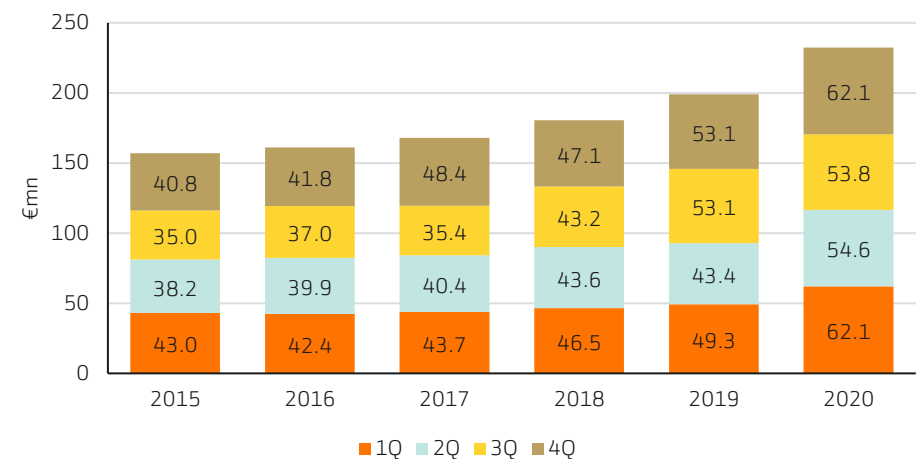
Contract manufacturing declined to 15% of sales (18% in 2019) as more production capacity was dedicated to own products.

Figure 2. Sales per product line



Source: Company and Bankinter Research

Figure 3. Sales per quarter

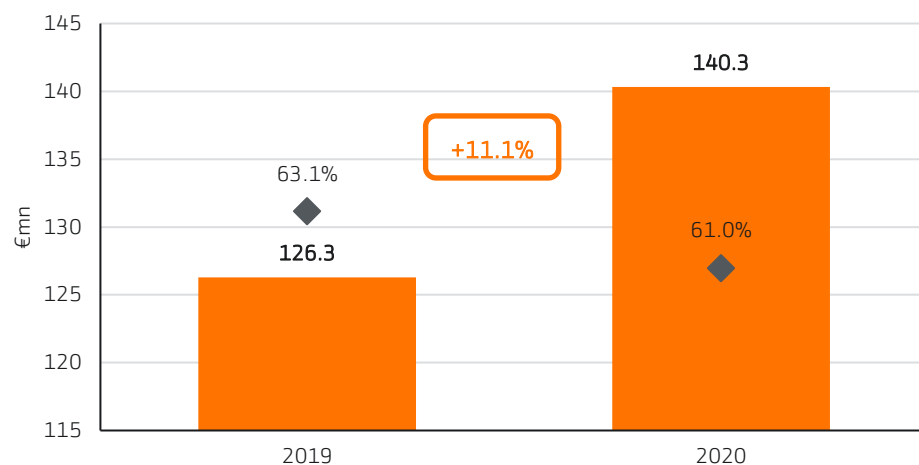


Source: Company and Bankinter Research

Gross profit increased +11.1%

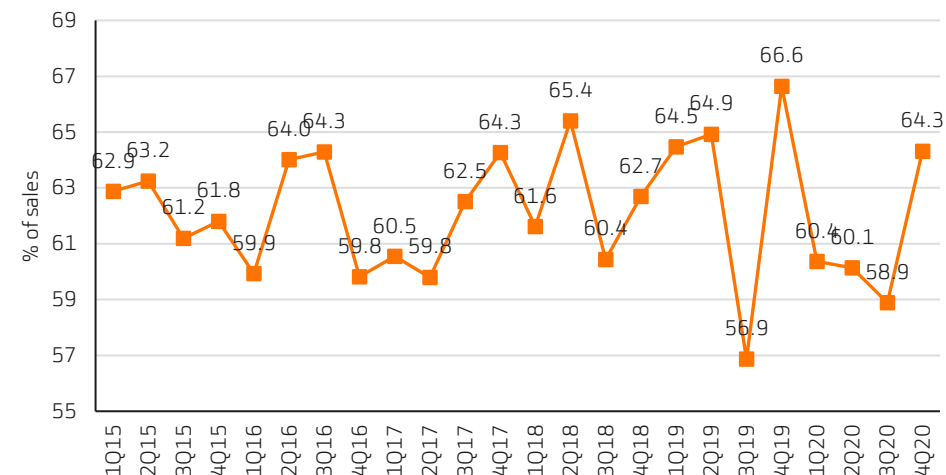
- The **gross profit** increased in **4Q20** to €38.4mn (+8.4% yoy) and in **2020** to €140.3mn (+11.1% yoy).
- The **gross margin** rose in **4Q20** (64.3%) from 3Q20 (58.9%) but is lower than that of 4Q19 (66.6%). This is a result of the sales mix with a higher weight of products related to the COVID-19. Consequently, this margin declined in **2020** to 61.0% from 63.1% in 2019. However, this decline also reflects a combination of higher costs associated to the portfolio acquired from Bioibérica, whose manufacturing is subcontracted. The negative effect of Bioibérica's products gross margin is more than offset further down the P&L as it has a higher EBITDA margin than other products.
- We expect the gross margins to recover from 2021e as contract manufacturing increases (Johnson & Johnson COVID-19 vaccine and other contracts) following the start-up of the Barcelona plant expected at the end of 2Q21.

Figure 4. Gross profit and margin



Source: Company and Bankinter Research

Figure 5. Gross margin per quarter

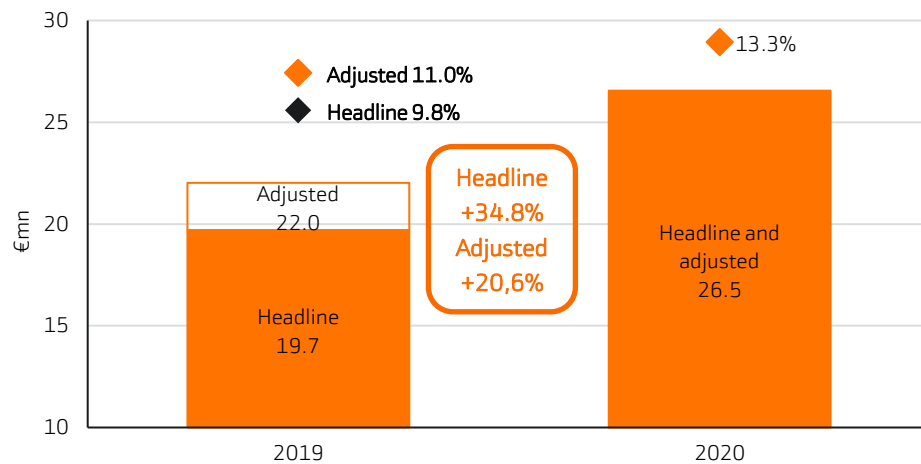


Source: Company and Bankinter Research

The EBITDA increased +34.8% and +20.6% adjusted

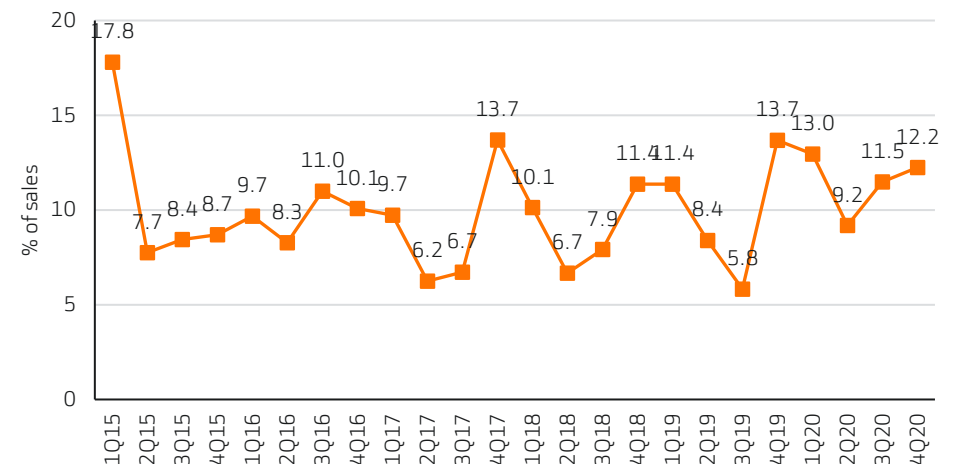
- The EBITDA increased in 4Q20 to €7.3mn (+0.5% yoy) and in 2020 to €26.5mn (+34.8% yoy), the adjusted EBITDA increases +20.6% in 2020.
- The EBITDA margin declined marginally in 4Q20 to 12.2% from 13.7% in 4Q19 but increased in 2020 to 11.5% from 9.8% a year ago (and 11.0% adjusted). The improvement in this margin reflects a combination of a lower gross margin, a decline in R&D expenses (-7.5%) as a project has seen delays, labour expenses increased +16.3%, somehow above the rate of growth of sales and, other expenses were reduced by -5.6% on lower commercial and marketing costs. The product portfolio acquired from Bioibérica has a higher EBITDA margin that the group's average.

Figure 6. EBITDA and margin



Source: Company and Bankinter Research

Figure 7. EBITDA margin per quarter

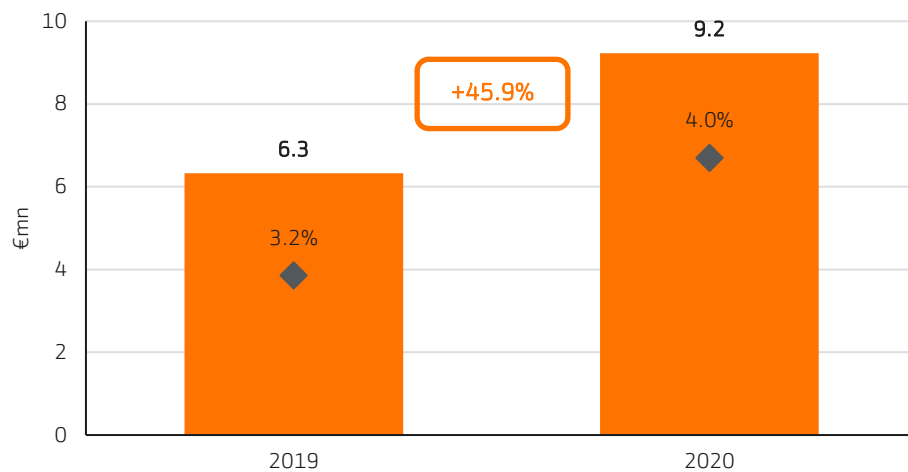


Source: Company and Bankinter Research

The EBIT increased +45.9%

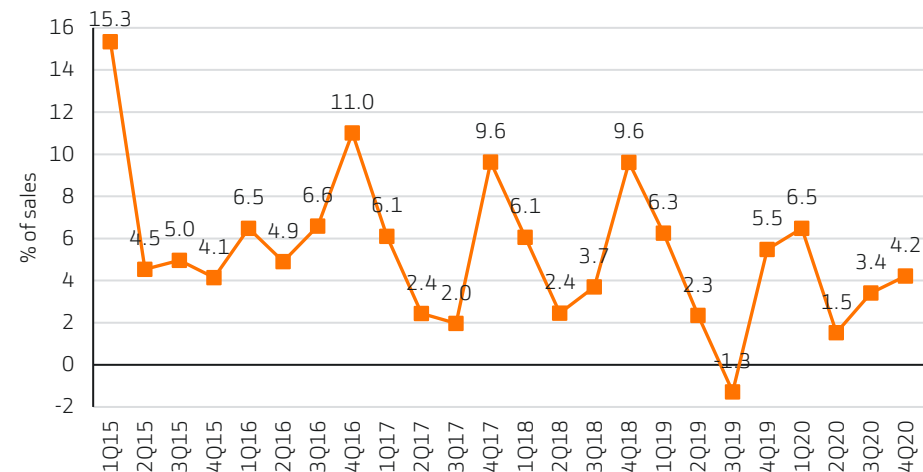
- EBIT in 4Q20 was €2.5mn (-13.6% yoy). The main reason behind this decline is the increase in depreciation (+8.1% yoy), that relates primarily to the incorporation of manufacturing assets (the main investment is a new antibiotics line in Toledo that was started up in 2019) and intangibles (the products acquired from Bioibérica). In 2020, EBIT amounted to €9.2mn (+45.9% yoy). Year depreciation was €17.0mn (+29.2%). We foresee higher depreciation going forward after the plant in Barcelona becomes operational later in 2021.
- The EBIT margin in 4Q20 of 4.2% of sales compares with 5.5% in 4Q19, while in 2020 it was 4.0% (and 3.2% in 2019).

Figure 8. EBIT and margin



Source: Company and Bankinter Research

Figure 9. EBIT margin per quarter

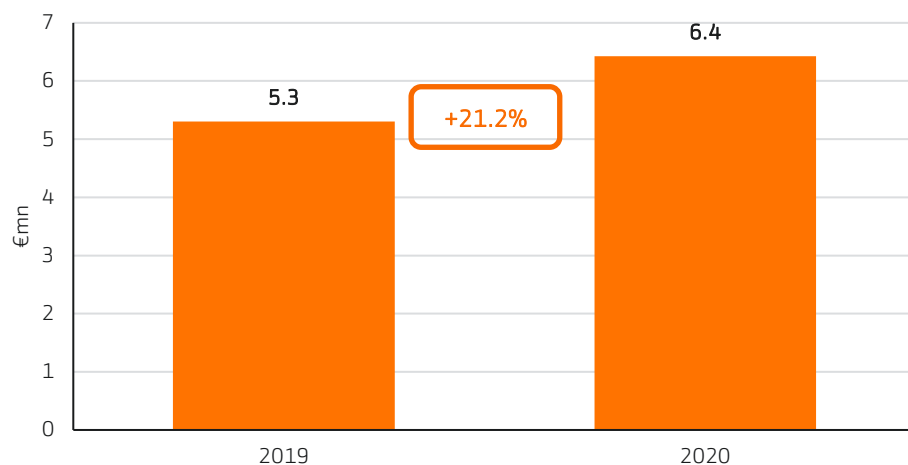


Source: Company and Bankinter Research

PBT increased +21.2%, net profit +14.7%, net cash flow +52.1%

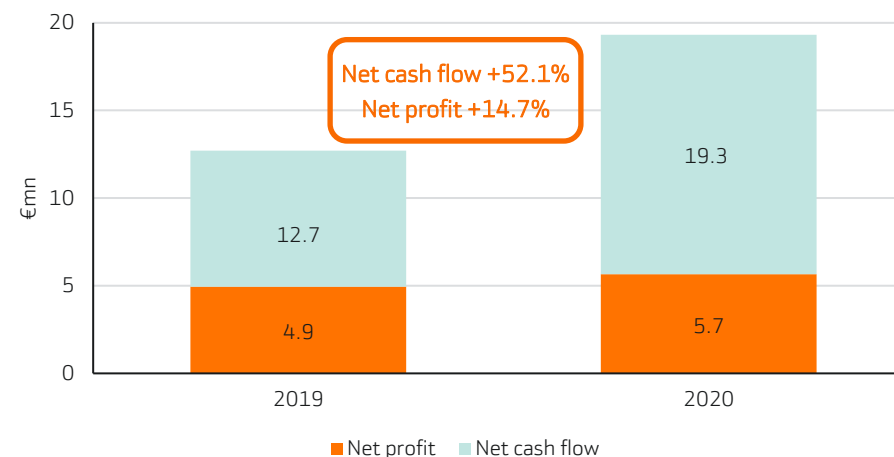
- In 4Q20, the **profit before taxes** was €0.1mn (-94.7% yoy) and the **net profit** €0.3mn (-88.0%). The PBT includes a -€2.0mn one-off financial impairment related to a Bioibérica earn-out. Excluding this effect, PBT in 4Q20 would have declined -22,4%. In **2020**, the profit before taxes was €6.4mn (+21.2% yoy) and the net profit €5.7mn (+14.7% yoy).
- The **net cash flow** (net profit + depreciation + impairment on fixed assets – capitalized R&D expenses) declined in **4Q20** to €5.0mn (-6.8% yoy) and in **2020** it increased to €19.3mn (+52.1% yoy). **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 4Q20** contracted to €3.4mn (-19.0% yoy) and to €15.8mn (-28.2%) in 2020. This includes €11.8mn of industrial capex and €3.9mn of capitalized R&D. The completion (and start-up) of a new antibiotics line in the Toledo plant in 2019 and the near completion of a new injectables plant in Barcelona that should be operational in 2Q21 entailed lower capex in 2020. The **investment** in the plant in Barcelona (€5.5mn) accounts for 35% of the total of capex in 2020. The lockdown has caused delays in building the plant that is expected to enter operation in 2Q21.
- **Free cash-flow** in 2020 increased to €12.3mn (+84.2) and -€8.2mn after growth capex. This includes +€22.5mn from operations (+92.7% yoy), -€10.2mn recurrent capex and -€20.5mn expansion capex. **Net financial debt** declined in 4Q20 to €55.1mn, -19,4% qoq from 3Q20 and +4.8% yoy in 2020. The main reasons for the higher debt are the Bioibérica acquisition and the new plant In Barcelona. Non-current liabilities include a €15mn **pending payment** to Bioibérica due in 2021. OWC/sales declined to 19% in 2020 from 26% in 2019.
- **NFD/ LTM EBITDA** is 2.1x, down from 2.6x in 9M20 and 2.7x in 2019. Debt is not a concern.

Figure 12. Capex breakdown (in €mn)

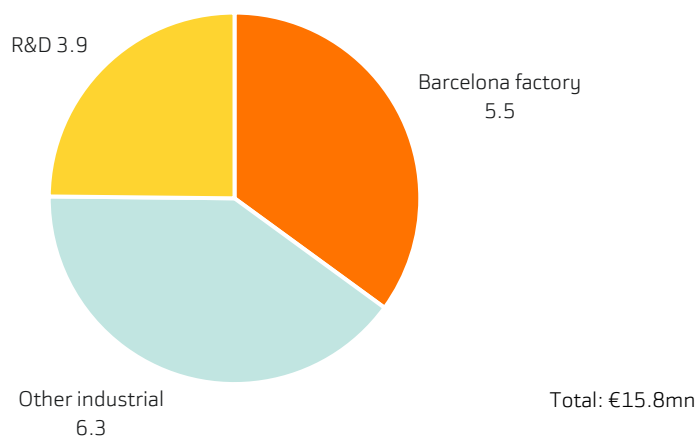
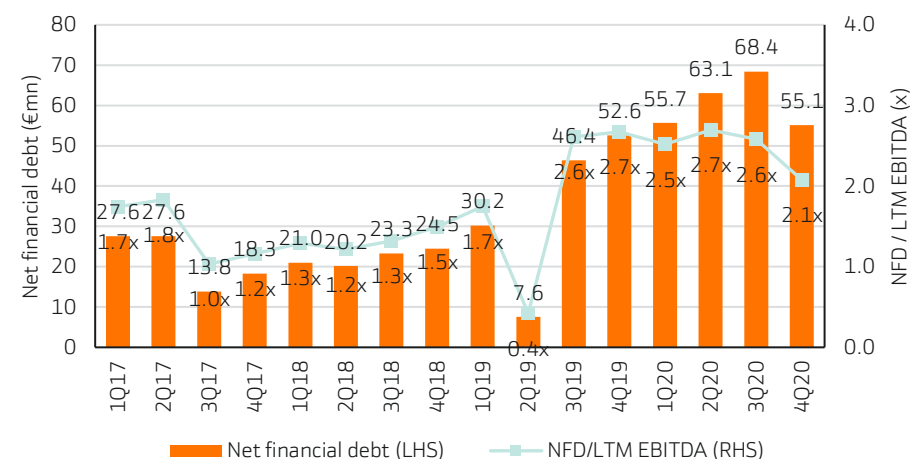


Figure 13. Net financial debt



Reig Jofre to start manufacturing Janssen's (Johnson & Johnson) COVID-19 vaccine in 2021

In March, Janssen (a wholly owned subsidiary of Johnson & Johnson) received the conditional marketing authorization for its **COVID-19 vaccine candidate in Europe**, a few weeks after receiving the equivalent authorization in the U.S. This is the fourth vaccine authorized in Europe after those developed by Moderna, Pfizer and AstraZeneca & the University of Oxford. Janssen's vaccine offers the advantage of requiring a single shot, while the other three need to administer a second dose. This vaccine may be stored at -20°C and kept for weeks at between 2°C and 8°C, this is another advantage versus its two main competitors, Moderna's and Pfizer, whose vaccines require much lower temperatures. Its efficacy is 67%, this is below the 96% of the two main competing vaccines.

Reig Jofre has entered into an agreement with Janssen to manufacture its COVID-19 vaccine. Reig Jofre has a plant nearing the end of construction in Barcelona that was planned to fill injectable sterile products but **looks set to be dedicated to manufacture the COVID-19 vaccine.** The plant is expected to enter commercial operation in 2Q21 after a €30mn investment. The company has a **long-standing experience in filling vials** in another plant also located in Barcelona.

The new plant has a filling capacity of 70 million vials per year and may be enlarged with additional capex. Manufacturing the COVID-19 vaccine would entail a high rate of capacity utilization from the start of operations. We estimate that Reig Jofre starts manufacturing this vaccine in 2Q21e at a rate of 50 million per year.

In our opinion, the possibility of manufacturing the COVID-19 vaccine is the main driver that explains the recent outperformance of Reig Jofre's shares.

We raise our target price to €6.30 per share from 5.05 € per share

We value Reig Jofre using a **DCF model** that considers four flows and a terminal value.

Our **valuation includes manufacturing the COVID-19 vaccine**. We assume that 250 million doses are manufactured annually at a price of 0.35€ per dose and that this activity accounts for 26% of sales in 2022e. We now value this contract at 2.30 €/share (previous 1.05 €/share). We expect a +1.9% CAGR sales growth between 2020 and 2025e in its other products. Our assumed **WACC** is 7.1% and the **terminal growth** rate 0.95% as we expect that the company will continue to further develop its pipeline and introduce new products. Our **target price is revised to 6.30 € per share** (from €5.05) **as manufacturing the COVID-19 vaccine for Janssen looks set to become a reality in a few months and we increase our valuation of this contract**. Our target price is for December 2021.

Figure 14. DCF model

€mn	2022e	2023e	2024e	2025e
EBIT	23,6	30,3	38,5	38,5
Tax rate on EBIT	-10,0%	-15,0%	-15,0%	-15,0%
NOPLAT	21,2	25,7	32,7	32,8
Depreciation	20,8	21,3	21,7	22,0
OWC	-9,3	-1,4	-0,5	0,2
Capex	-9,0	-9,7	-11,0	-11,0
Free cash flow	23,7	35,9	42,9	43,9
Terminal value				541,6
EV/EBITDA terminal value				9,0
Flow to discount	23,7	35,9	42,9	585,5
Discount factor (x)	0,93	0,87	0,82	0,76
NPV of flow	22,1	31,3	35,0	445,8
EV	534,2			

Source: Bankinter Research

	Mn€	€/share
EV	534,2	6,96
Other investments	3,6	0,05
Equity accounted subsidiaries	1,4	0,02
Less: NFD 2021e	-54,8	-0,71
Less: Provisions 2021e	-0,3	0,00
Equity value	484,1	6,30

Figure 15. Sensitivity analysis

		Terminal growth rate (%)						
€/share		-0,6	-0,1	0,5	1,0	1,5	2,0	2,5
WACC (%)	8.1	4,51	4,75	5,03	5,34	5,70	6,12	6,61
	7.6	4,83	5,10	5,42	5,79	6,21	6,71	7,31
	7.1	5,18	5,50	5,87	6,30	6,81	7,42	8,16
	6.6	5,58	5,96	6,40	6,91	7,53	8,28	9,21
	6.1	6,05	6,49	7,02	7,64	8,40	9,35	10,55

Source: Bankinter Research

Figure 16. 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 (%)
Reig Jofre	RJF SM	5.78	441	499	-2.7	31.6	32.1	176.2
Rovi	ROVI SM	44.60	2,501	2,524	-2.2	17.4	49.2	111.5
Faes	FAE SM	3.675	1,093	972	-1.7	0.6	3.7	20.1
Almirall	ALM SM	12.22	2,177	2,467	11.1	11.6	24.3	35.9
Grifols	GRF SM	21.78	12,884	18,958	-5.0	-12.8	-10.3	-26.1

Name	P/E 2021e	P/E 2022e	EV/EBITDA 2021e	EV/EBITDA 2022e	P/CF 2021e	P/CF 2022e	P/Book	Dividend Yield %
Reig Jofre	37.0	21.7	15.1	10.7	16.5	12.0	2.3	n.d.
Rovi	25.1	12.1	19.9	10.0	19.9	10.6	5.5	1.4
Faes	12.7	11.3	8.4	7.4	11.0	10.0	2.0	5.6
Almirall	24.9	22.2	10.5	9.3	10.2	9.5	1.6	1.7
Grifols	17.2	15.7	12.0	10.9	11.8	10.9	2.3	2.0
Weighted average	19.3	15.9	12.6	10.5	12.7	10.7	2.6	2.0

Source: Bankinter Research

Reig Jofre 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 0.1%, 5.1% and 7.9% in 2021e, 2022e and 2023e.

Valuation methodology

Valuation method

We value Reig Jofre using a DCF-model. This considers flows for 2022e–2025e and a terminal value. The possibility that an agreement to manufacture the COVID-19 vaccine for Janssen generates orders is included in our valuation and is 2.30 €/share. Our valuation and target price is for December 2021.

Key assumptions

We use a WACC of 7.1% and a terminal growth “g” rate of 0.95%.

Target price scenarios

Base €6.30

- COVID vaccine: run rate of 250mn doses/year; 40% in 2021 and 90% in 2022 and 100% thereafter
- EBITDA margin increases to 18% in 2024e, from 12% in 2020
- The COVID-19 vaccine is valued at €2.30 per share

Bull €7.55

- As in base except,
- EBITDA margin stable at 20% in 2024e and thereafter

Bear €4.00

- As in base except:
- COVID-19 vaccine not manufactured by the company

Key drivers

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

Catalysts

- Manufacturing the COVID-19 vaccine for Janssen Pharma
- New license agreements
- Corporate acquisitions
- Completion of €60mn capex programme in 2017-2021

Risk factors

- Spain stopping subsidizing Symptomatic Slow Action Drugs for Osteoarthritis marketed by Bioibérica to treat arthrosis.
- Confinement results in less patient visits to doctors and less prescriptions issued

Figure 17. Profit and loss account and cash flow statement

(€mn)	2018	2019	2020	2021e	2022e	2023e
Profit and loss account						
Sales	180.5	200.2	230.1	268.1	326.0	336.0
<i>% inc.</i>	7.4	10.9	14.9	16.5	21.6	3.1
Cost of goods sold	-67.6	-73.9	-89.8	-104.5	-123.9	-124.3
Gross margin	112.8	126.3	140.3	163.5	202.1	211.7
Operating costs	-96.5	-106.6	-113.8	-130.5	-157.7	-160.1
EBITDA	16.4	19.7	26.5	33.0	44.4	51.5
<i>% inc.</i>	3.8	20.1	34.8	24.3	34.4	16.2
Depreciation	-6.4	-13.4	-17.3	-18.8	-20.8	-21.3
EBIT	10.0	6.3	9.2	14.2	23.6	30.3
<i>% inc.</i>	11.5	-36.9	46.1	54.4	65.7	28.4
Net financial result	-0.7	-1.1	-2.9	-1.0	-1.0	-0.9
Equity accounted earnings	0.2	0.1	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	9.4	5.3	6.4	13.3	22.7	29.5
Corporate tax	-0.2	-0.4	-0.8	-1.3	-2.3	-4.4
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	9.2	4.9	5.6	12.0	20.4	25.1
<i>% inc.</i>	5.3	-46.7	14.8	112.3	70.4	22.6
EPS (€)	0.12	0.06	0.07	0.16	0.27	0.33
<i>% inc.</i>	5.3	-47.2	14.8	112.3	70.4	22.6
DPS (€)	0.05	0.04	0.00	0.00	0.00	0.00
<i>% inc.</i>	-3.5	-13.3	n.a.	n.a.	n.a.	n.a.
Cash flow statement						
Net cash flow	15.6	18.3	23.0	30.8	41.2	46.3
<i>% inc.</i>	0.2	17.1	25.6	33.9	34.0	12.4
OWC change	1.3	8.2	3.1	-19.6	-9.3	-1.4
Capex	-21.0	-50.4	-30.7	-10.7	-9.0	-9.7
Free cash flow	-4.0	-23.9	-4.6	0.5	22.9	35.2
Dividends paid	-0.4	-0.4	-0.1	0.0	0.0	0.0
Other variations	-1.8	-3.9	2.2	-0.1	-0.1	-0.1
Change in net cash/(net financial debt)	-6.2	-28.2	-2.5	0.4	22.8	35.2

Source: Company and Bankinter Research

Figure 18. Balance sheet and margins

(€mn)	2018	2019	2020	2021e	2022e	2023e
Balance sheet						
Net fixed assets	121.4	199.5	198.1	190.0	178.2	166.6
Net financial assets	0.3	1.2	1.3	1.4	1.5	1.6
Operating working capital (OWC)	40.5	32.3	29.2	48.9	58.2	59.6
Other assets/(liabilities) net	11.9	-2.3	11.0	11.0	11.0	11.0
Capital employed (CE)	174.2	230.8	239.6	251.2	248.9	238.8
Shareholders' equity	149.8	178.2	184.5	196.5	217.0	242.0
Minority interests	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Net financial debt	24.5	52.6	55.1	54.8	32.0	-3.2
Margins (%)						
Gross margin/Sales	62.5	63.1	61.0	61.0	62.0	63.0
EBITDA/Sales	9.1	9.8	11.5	12.3	13.6	15.3
EBIT/Sales	5.5	3.1	4.0	5.3	7.2	9.0
Sales/Capital employed	103.6	86.8	96.0	106.7	131.0	140.7
EBITDA/Capital employed	9.4	8.5	11.1	13.1	17.8	21.6
ROCE	5.7	2.7	3.8	5.7	9.5	12.7
ROE	6.2	2.8	3.1	6.1	9.4	10.4
Gearing (x)						
Net financial debt/Capital employed	0.1	0.2	0.2	0.2	0.1	0.0
Net financial debt/EBITDA	1.5	2.7	2.1	1.7	0.7	-0.1
EBIT/Net financial result	14.4	5.6	3.2	14.4	24.7	34.5

Source: Company and Bankinter Research

Figure 19. Main shareholders

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

Source: Company and Bankinter Research

Figure 20. 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 21. Market ratios

c	2018	2019	2020	2021e	2022e	2023e
EPS (€)	0.12	0.06	0.07	0.16	0.27	0.33
% inc.	5.3	-47.2	14.8	112.3	70.4	22.6
CFPS (€)	0.21	0.24	0.30	0.40	0.54	0.60
% inc.	0.2	15.9	25.6	33.9	34.0	12.4
DPS (€)	0.05	0.04	0.00	0.00	0.00	0.00
% inc.	-3.5	-13.3	n.a.	n.a.	n.a.	n.a.
BVPS (€)	1.97	2.32	2.40	2.56	2.83	3.15
% inc.	5.8	17.8	3.6	6.5	10.4	11.5
ROE (%)	6.2	2.8	3.1	6.1	9.4	10.4
Price (€)						
Max.	3.2	2.8	5.3	-	-	-
Min.	2.1	2.2	1.9	-	-	-
Last	5.8	5.8	5.8	5.8	5.8	5.8
P/E (x)						
Max.	26.7	46.7	75.7	-	-	-
Min.	17.5	36.7	27.1	-	-	-
Last	48.3	96.7	78.9	37.1	21.8	17.8
Relative	0.9	1.7	1.5	0.7	0.4	0.3
P/CF (x)						
Max.	19.1	16.5	21.0	-	-	-
Min.	12.7	13.2	7.4	-	-	-
Last	40.9	35.0	23.0	16.5	7.7	6.9
Relative	0.8	0.7	0.6	0.4	0.3	0.3
Yield (%)						
Max.	-	-	-	-	-	-
Min.	-	-	-	-	-	-
Last	-	-	-	0.0	0.0	0.0
Relative	11.3	9.8	0.0	0.0	0.0	0.0
P/BV (x)						
Max.	1.4	1.2	2.2	-	-	-
Min.	0.9	0.9	0.8	-	-	-
Last	3.0	2.5	2.4	2.3	2.0	1.8
Relative	0.9	0.7	0.7	0.7	0.6	0.5

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.