bankinter Securities

Masmovil

Buy

A brand new company

Strategic transformation via acquisitions. After buying Orange-Jazztel assets (also known as remedies) for less than €50mn and mobile virtual network operator Pepephone for €158mn, the company has recently bought Yoigo, TeliaSonera's Spanish mobile operator for an enterprise value of €612mn. After this strategic move, Masmovil has become the fourth largest telco in Spain.

Benefiting from consolidation

Masmovil is the product of "being at the right moment at the right place", and **benefiting from regulation and sector consolidation.** The European Commission has said time and again that it favours a telecom market with four operators per country, and backed up that statement by blocking the sale of O2 by Telefonica in the United Kingdom, or the TeliaSonera - Telenor merger in Denmark. **From the sector consolidation in Spain, Masmovil was able to buy Orange assets at 0.2x BV and hire the necessary human capital to deliver future strong growth (from €12mn 2015 EBITDA to €235mn in 2019).**

A flexible cost structure

Its profitability will not come so much from growth (after all, Spain is a mature market) but from a smaller and more flexible cost structure (higher weight of variable costs) which allows it to pursue the "value for money" customer, who is being alienated by increased prices. In high-competition areas Masmovil will co-invest with Orange (with very favourable terms), while in low competition areas it will deploy its own network. The company already has 1mn customers (including Pepephone) to which the Yoigo acquisition is adding 3.3mn.

Valuation post-money: €25.5 per share

Due to the substantial upcoming capital increase (€230mn) and convertible bond issue (€261mn), we have valued Masmovil post-money (current market cap of €245mn) at €25.5/share (equity value of €800mn), fully-diluted assuming an average strike price for the convertibles of €33/share, and with Pepephone and Yoigo fully integrated.

Masmovil is an interesting way to play the new European regulatory scenario in the telecom sector, as there is room for a fourth operator that caters to a clientele less interested in "bells and whistles" and more conscious on price. **We initiate our coverage with a Buy recommendation**

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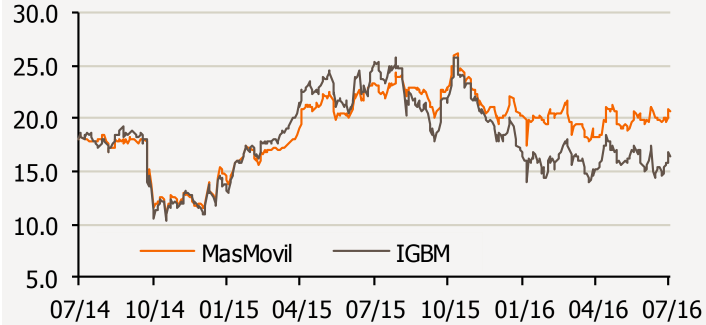
Key data

Price 14 Jul 2016 (€)	20.95	Nº shares (m)**	32
Target price (€)	25.50	M. Cap. (€m)	243
Upside/Downside (%)*	27.0	Daily vol. (€m)	11.7
		Free-float (%)	76

(€Mn)	2015	2016e	2017e	2018e
Net group profit	-1.5	-9.3	16.9	12.2
% inc.	n.a	n.a	n.a	-27.8
EBITDA	10.6	13.7	134.2	171.7
% inc.	1.9	28.6	881.9	27.9
EPS (€)	-0.05	-0.29	0.53	0.39
% inc.	n.a	n.a	n.a	-27.8
DPS (€)	0.00	0.00	0.00	0.00
% inc.	n.a	n.a	n.a	n.a
P/E (x)	n.a.	n.a.	38.7	53.6
EV/EBITDA	25.4	52.9	7.4	5.6
Div. Yield (%)	0.0	0.0	0.0	0.0
P/BV (x)	2.9	8.0	6.6	5.9

Price performance (€)



Performance (%)	1 m.	3 m.	12 m.
Absolute	6.1	12.5	-11.6
Relative	3.1	-4.0	-24.9

*Related to theoretical ex-rights price
**Fully diluted

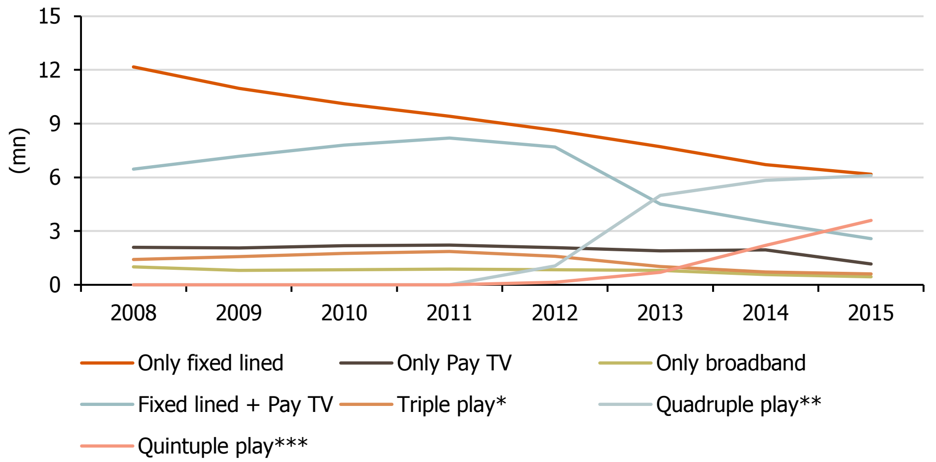
The origins of Masmovil

The strategic transformation of Spanish telecom company Masmovil comes from acquisitions and regulatory policy, so it pays to provide the context in which the company has carried out this strategy.

Opportunities arising from consolidation

The Spanish telecom market has changed significantly over the past four years. In 2012 convergence was just a theory, most customers were mobile only (bundles were marginal) and value-added services (pay-TV) were not a staple. From there the market has quickly evolved driven by technology and competition (see figure 1).

Figure 1. Spanish telecom market 2009 - 2015 by number of contracts



Source: Comisión Nacional de los Mercados y la Competencia (CNMC)

In terms of technology telecom companies invested heavily (more than €15bn) in fiber to the home (FTTH), increasing its reach from 3.2mn building units (BUs) in 2012 to 15mn BUs in 2015 (a 67% CAGR!). To achieve this telcos had to offer value-added services (i.e: premium TV content) to quickly recoup those sinking costs by signing new customers or convince existing ones to upgrade to fibre.

Companies tackled the broadband challenge with different strategies, either by buying the necessary infrastructure if they wanted to bypass the rollout phase, or the premium content if they had already laid out the technology. Either way, as margins got initially compressed because of the lower prices / more services dynamic, stronger players initiated consolidation (see figure 2).

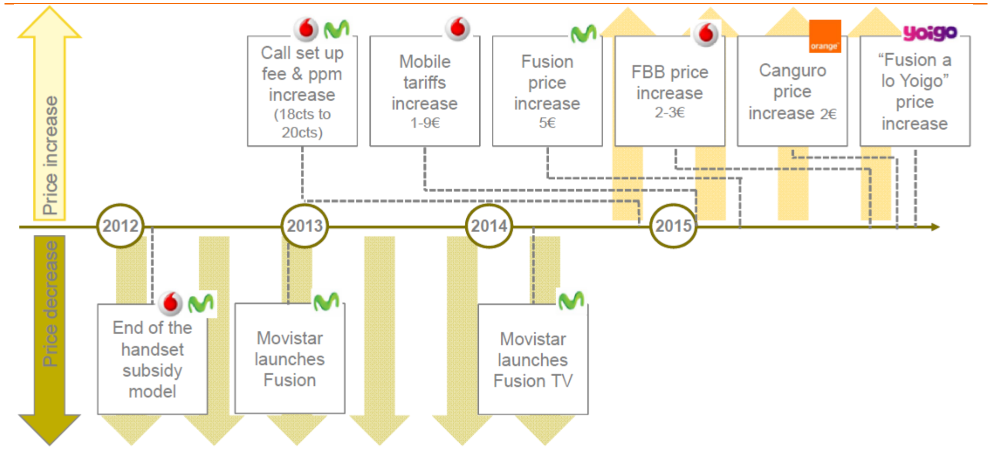
Figure 2. Recent consolidation process in the Spanish telecom market

Company	Buyer	Valuation[1]	Acquisition rational	Mkt Share[2]
ONO	vodafone	€7,2bn	Access to HFC[3] footprint	21 % FBB
Jazztel	orange	€3,4bn	Access to FTTH footprint	27 % FBB
CANAL+	Telefonica	€1,2bn	Access to premium content	71% Pay TV

Source: Bankinter Securities

After an initial period of integrating the acquired companies, management swiftly moved to recover their investment by increasing prices by several Euros (see figure 3).

Figure 3. Evolution of Spanish telecom pricing landscape 2012 - 2015



Source: Masmovil

It is in this context in which the Masmovil value proposition really took hold. With "value for money" customers alienated by increasing prices, Masmovil "no frills" commercial strategy increased its appeal. Moreover, this consolidation opened new opportunities to overcome barriers of entry.

There are two main barriers of entry in the telecom industry: having the infrastructure (either by building or leasing it), and then attracting the necessary demand to make it profitable. Part of Masmovil's equity story comes from the fact that with one clean sweep it has been able to get the necessary infrastructure to grow, and has a more variable structure that prevent the company from folding under the weight of maintenance expenses before it reaches the necessary demand to make it profitable.

How did Masmovil acquire this capability having such a small size? To explain this we have to explain the vision that the European Union (EU) regulator has for the entire sector.

On several occasions the EU Competition Commissioner, Ms. Margrethe Vestager, highlighted the importance of mobile telecommunications services for consumers, stressing the fact that "**consumers do not pay higher prices or face less choice as a results of a proposed takeover**", and that her preferred solution for ensuring post-merger competition in the wireless telecommunications market was to promote the creation of a new operator to enter the market.

This "fourth operator policy" meant that, when Orange wanted to get approval to buy Spanish telecom company Jazztel, it had to agree to sell part of the acquired assets in other to leave the required structure for a fourth operator to compete. In this sense, Masmovil management proved its resourcefulness by convincing both the regulator and Orange that it was the right buyer to become this fourth operator. And in this it won over bigger companies such as Yoigo, Euskaltel or Telecable.

The acquisitions' process: Orange, Pepephone and Yoigo

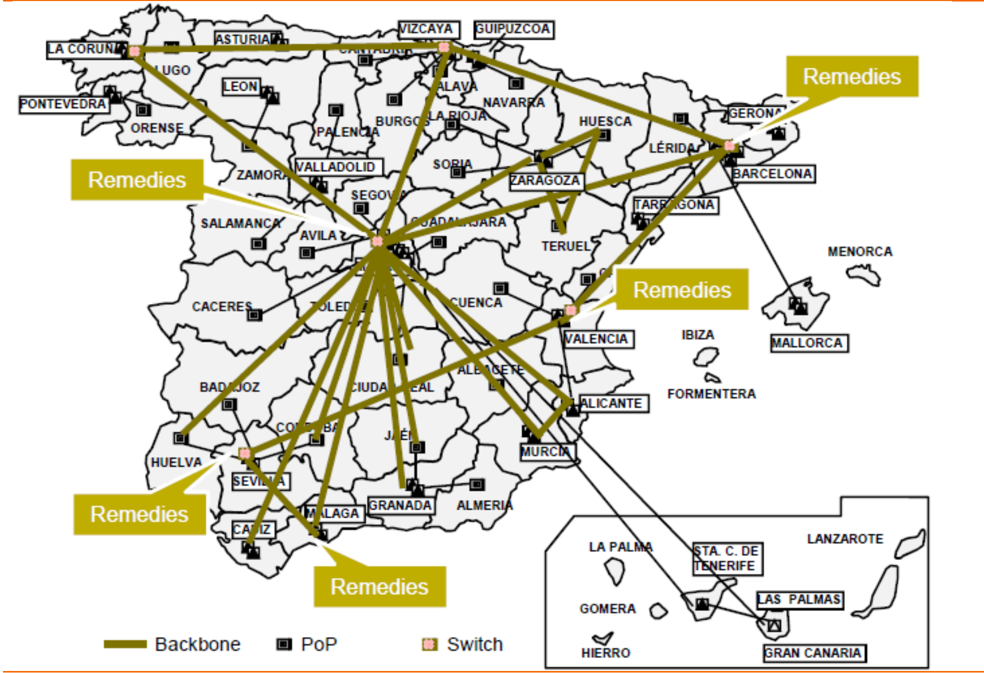
Acquisition of Orange remedies: terms and reasoning behind it.

The terms of the acquisition were the following:

Fibre to the home (FTTH): Masmovil pays €89mn to buy 740k FTTH BUs located in thirteen major urban areas including Madrid, Barcelona, Valencia, Seville and Malaga. Orange will operate the network for a transition period of 12 months. Orange will have the right to access this same network up to 40% of its capacity (the system can support up to 70% utilization), by paying €69mn. So, in the end **Masmovil is acquiring this network at a net cost of €20mn.**

Apart from buying an asset (see figure 4) with a replacement value of over €100mn for a net acquisition cost of €20mn, Masmovil gets the bonus of having variable maintenance costs. Instead of paying €7mn (the annual cost for a network of that size) right from the start, Orange will pay this amount. Only as Masmovil adds connections to the network it will pay for its proportional part of the maintenance cost.

Figure 4. Masmovil infrastructure including remedies (excluding Pepephone and Yoigo).2012 - 2015



Source: Masmovil

DSL: Masmovil will access (not buy, hence no burdening maintenance capex) the Orange DSL network (18.6mn BUs or 80% of the Spanish population) for a total of 8 years paying €29mn over that period, 30% in the first 4 years and 70% in the last 4. This amount is being financed by Orange at a 0% interest rate.

How could Masmovil get such a favourable deal? In our view, there are two reasons. The first is the already mentioned policy from the regulator. Both Telefonica (with its botched sale of O2) and TeliaSonera and Telenor (with their blocked merger in Denmark) can attest to the risks of not following the regulator's guidelines. Would have Orange risked its €3.4bn Jazztel acquisition over some costs that its management knew that could be easily recouped via merger synergies (both in revenues and expenses)? Following this, it is very improbable that Orange would renege on its side of the deal due to the fact that the European Commission monitors its implementation.

So, if selling some assets to establish a fourth operator in Spain was a must for Orange, why choosing Masmovil? Our view is that Orange's choice was based on Masmovil being smaller than other bidders such as Yoigo or Euskaltel, so it was less of a commercial threat to Orange itself.

Although Masmovil was no stranger to acquisitions (see figure 5), the deal became a stepping stone to overcome the first barrier of entry: having the infrastructure. For the next barrier, the acquisition of mobile virtual network operator (MVNO) Pepephone helped in delivering the demand to make it profitable.

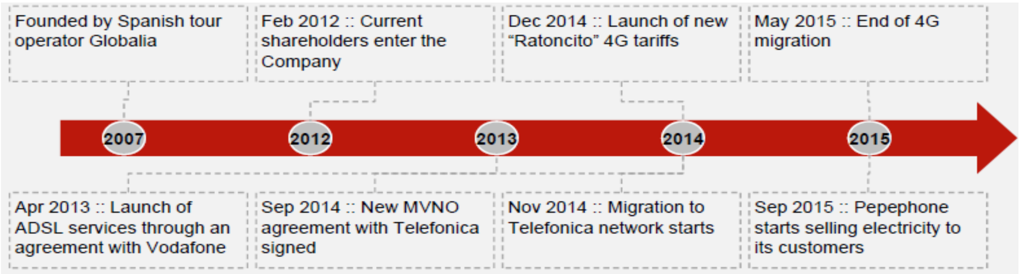
Figure 5. Masmovil past acquisitions before the Orange deal

Source: Masmovil

Pepephone acquisition.

Pepephone is the second biggest MVNO in Spain (behind Yoigo), with 460k mobile and 35k DSL customers generating 2015 revenues and EBITDA of €64mn and €13mn respectively.

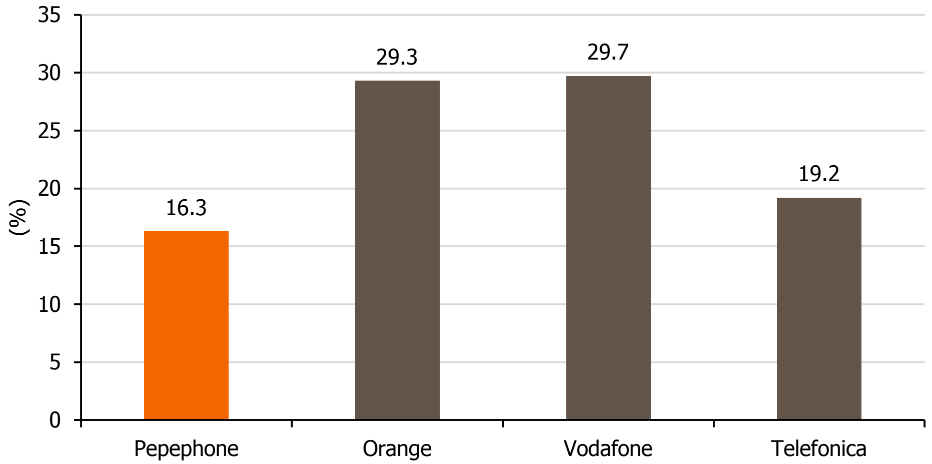
Figure 6. Pepephone history 2007 -



Source: Masmovil

In spite of being a new company and having experienced customer CAGR of 35% over the past four years, Pepephone enjoyed the lowest sector churn rate (see figure 7) and scored high in independent customer satisfaction surveys.

Figure 7. Pepephone 1H15 churn rate vs. competitors



Source: Masmovil

Masmovil valued Pepephone at an enterprise value (EV) of €158mn or 12.1x 2015 EBITDA (the closing is expected in 2H16 subject to satisfactory anti-trust approvals and confirmatory due diligence). This valuation does not assume any synergies, which are always tricky. In our experience, acquirers tend to overplay them and people tend to forget the potential benefits after the first year**. Hence we have not focused on synergies but on contract renegotiations we have clearly identified and that can be delivered without staff attrition**. We come up with about €13mn in additional EBITDA:

- Pepephone had 35k DSL customers, for whom it was paying €22/month to Vodafone to provide access to them. Thanks to Masmovil's leased access to Orange DSL network these customers (once they are integrated), will only cost €10.6/month, or €4.8mn less per year.

- Pepephone also had another contract, this time with Telefonica, to have mobile data transmission for its 500k customers, at an annual cost of €35mn. Based on similar contracts, Masmovil management thinks it can renegotiate the terms and slash c. €8mn.

With these, the acquisition multiple of Pepephone goes down to 6.1x 2015 EBITDA. Evidently, the main risk is doing a smooth integration. On this issue, even though nothing should be taken for granted, we think that Masmovil executive management (bringing experience from bigger telcos), and past acquisitions (ten companies acquired in the 2014 - 2015 period) provide good foundations for the integration.

And finally, the acquisition of Yoigo.

On June 21st, Masmovil announced the acquisition of Yoigo for an EV of €612mn (Yoigo ended 2015 with a net debt of €50mn) or 7.3x EBITDA 2015. To this amount we would have to add a 96mn€ earn-out payment if Masmovil reaches an EBITDA of €300mn in 2019. If this EBITDA turns out below 210mn€ there will be no payment. This acquisition and Pepephone's will be financed 40% with capital (and convertible debt) and 60% through debt (senior and subordinated). The maximum average dilution of Masmovil current shareholders would be 60%.

If we add up the maximum bonus payment (discounted at a WACC of 7.8%) then Masmovil would be buying an EV of about €685mn or 8.2x EBITDA 2015. Even assuming this Masmovil is buying at a lower ratio than when Vodafone bought Spanish cable operator Ono (9.2x EBITDA), Euskaltel went public (10.5x EBITDA), or Orange bought Jazztel (12x EBITDA).

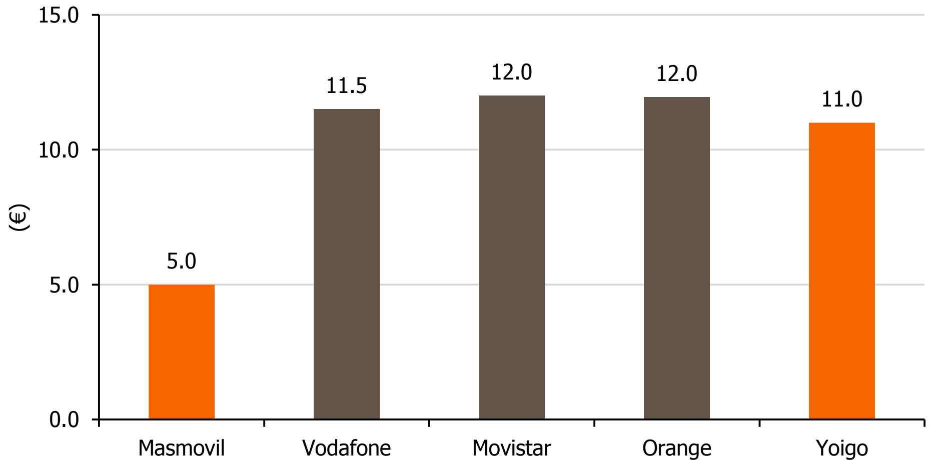
Masmovil plans to generate €60mn of additional EBITDA via cost efficiencies from 2017 to 2019, requiring €50mn of additional investments (including acquisition costs). Yoigo brings 3.3mn mobile customers, a network that covers 85% of the population in the 1.8GHz - 2.1GHz frequency spectrum, a distribution force of 800 points of sale and a staff of 100 people.

In our view this deal shows Masmovil management prowess at dealmaking, taking into account that UK company Zegona had an exclusivity period of 12 weeks and could not reach an agreement, and Masmovil closed it in less than three weeks, grabbing one of the last remaining assets in the Spanish telecom market.

Masmovil commercial strategy.

And how does Masmovil plan to use all these assets? Its management stresses that it has a dual strategy that relies on being present on both major cities and small populations. On the first front the company is going after the niche of "value for money" customers (see figure 8), and on the second the company is casting a much larger net as it will be the main data provider, because major telecom operators have shunned these locations to concentrate on areas in which they have recently deployed significant amounts of capital in next generation networks (NGN), either in fixed or mobile access.

Figure 8. Masmovil "value for money": monthly fee per GB (2015)



Source: Masmovil

What is Masmovil strategy for its FTTH? Masmovil strategy for broadband has three pillars.

- Remedies (that cover 740k households).
- Co-investment.
- Masmovil deploying its own network.

Remedies.
We have already covered this deal when explaining the agreement with Orange. This high-speed network allows Masmovil to be present in urban areas (where competition is high) and conduct much more flexible commercial initiatives since its costs are variable thanks to maintenance being paid on the basis of connected customers, not the already installed network.

Co-investment.

Apart from the aforementioned remedies, Masmovil has a co-investment agreement with Orange to grow its footprint. Because of high requirements to avoid traffic jams, expansion in densely-populated areas costs about 135€ per building unit (BU). We think that Masmovil could pay Orange 50% of this amount in those urban areas in which it chooses to be commercially active (not necessarily all the new footprint into which Orange is expanding). The upside here is that Masmovil would be entering this highly competitive market where capex costs run around 135€/BU with a 50% discount, so its investment has more chances of being more profitable faster than incumbents.

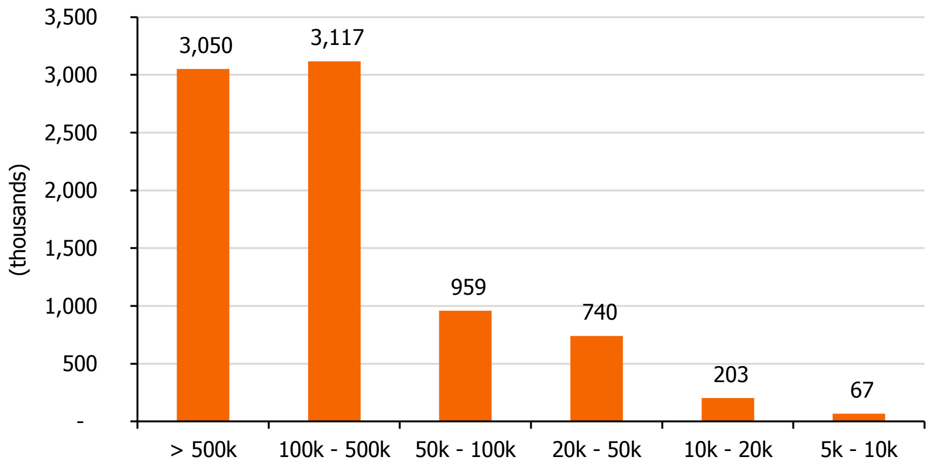
The agreement would also allow Orange to pay that same amount in low competition markets (population below 50k) where Masmovil will lay its own network. Since city hall constraints are lower in those areas (public officials actually are trying to lure this kind of investment into their communities), we calculate that cost per building unit goes down to c. 85€/BU.

Through this strategy Masmovil plans to reach 1mn building units (from none in 2015) in 2018e.

Own network.

Masmovil will deploy its own network in areas that incumbents have bypassed due to their focus on high-density urban locations. This has led to the digital divide actually growing in terms of part of the population being left behind in terms of having access to broadband as more than 85% of the high-speed network was built in towns with a population above 50k (see figure 9).

Figure 9. Households covered by FTTH in Spain by population.

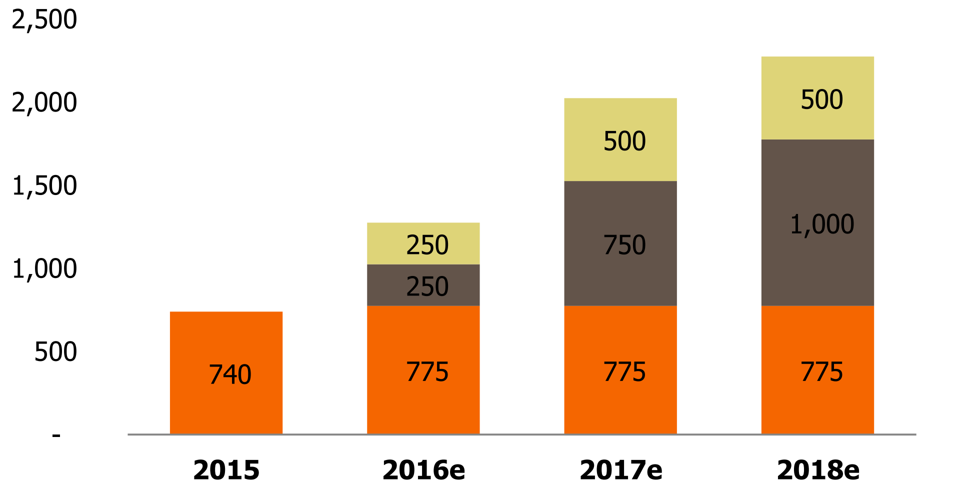


Source: Masmovil

Because of this divide, town councils in small populations are particularly welcoming towards NGN installators, thus granting permits in a shorter period of time and with fewer restrictions when compared to high-competition areas. That is why installation costs decrease from 135€ / BU to 85€ / BU.

By 2018e Masmovil has the goal of having a network that covers 400k building units and achieve a 2.5% market share (see figure 10). These numbers do not take into account what Pepephone and Yoigo will bring to the figure.

Figure 10. Masmovil plan for the FTTH market 2015 - 2018e (excludes Yoigo and Pepephone).



Source: Masmovil

Does Masmovil have any experience in laying out NGN?

It is an important question since part of its equity story is based on the successful expansion of its own network.

In 2014 Masmovil bought EMBOU, a Spanish telecommunications company active in laying and managing broadband networks in Northern Spain (Aragon region) in low-competition markets, having achieved a penetration of c. 35% (15k building units in a 43k population market). To complement this know-how in the residential market, Masmovil bought telecom company NEO last year, a company with experience in providing broadband access to businesses and the public sector. So even though growth poses challenges for Masmovil, we think the company has the human capital to lead it.

Does Masmovil have the adequate management team?

As we have seen, Masmovil grew from €1mn in EBITDA in 2013 to €12mn in 2015, and had the goal of reaching €70mn in 2018e at the time it bought Pepephone (2015 EBITDA of €13mn). That has to be updated since the acquisition of Yoigo (2015 EBITDA of €84mn). Explosive growth brings its own set of problems and sometimes management teams are not able to cope with it. So does it have the right management to ride this upswing?

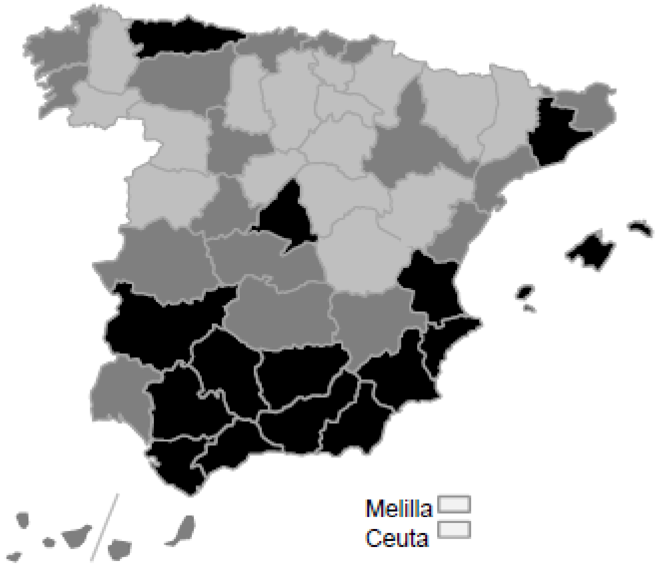
Apart from the recent experience of integrating several small companies over the last two years, on this issue Masmovil benefited from sector consolidation which had freed up management talent. The company has been able to buffet its senior ranks with experienced telecom executives:

- Broadband: Network Deployment Director Vodafone.
- COO: Marketing and Commercialization Director ORANGE.
- CFO: Finance Director Vodafone Enterprise Unit.
- IR, Corp. Finance: Head of IR Indra.
- Operations: Operations Director ONO.
- Online: Responsible of online sales ONO.
- Planning: Financial Planning Responsible ONO.
- Purchasing: Purchasing Director ONO.

Does Masmovil have the necessary commercial reach?

Laying out the infrastructure only goes so far, Masmovil has to deliver customer growth in order to make it profitable. For this the company already had a franchise network throughout Spain, with more presence in coastal areas and populations with less than 50k/pop (see figure 11).

Figure 11. Masmovil: distribution network by province



Source: Masmovil

The future integration of Pepephone and Yoigo is going to change this**. Its main corporate strategy will continue to focus on "value for money" customers, or users that are interested in core usage such as voice and data** and less on extras like premium TV (see figure 11), and we think that the commercial approach would be two-fold as Pepephone gets 80% of its new customers via web, while Yoigo relies more on 'bricks and mortar' stores (800 nationwide).

It makes sense that **Pepephone will continue to operate as a separate brand** (fully integrated in terms of mid and back-office processes), and Masmovil is intregrated into Yoigo store network to deliver the convergence offering that Yoigo needs. Masmovil delivers the assets for this (FTTH and DSL) and Yoigo provides the customers (3.3mn) and the mobile network.

Figure 12. Masmovil 'triple-play' offer compared to peers (May 2015).

	Masmovil	Movistar	Vodafone	Orange
Name	Fibra óptica	Fusión Contigo	One S	Canguro
Fibre	300 MB	300 MB	300 MB	300 MB
Fixed line	unlimited calls to other fixed lines + 60m to mobile numbers	unlimited calls to other fixed lines	unlimited calls to other fixed lines	unlimited calls to other fixed lines + 1,000m to mobile numbers
Mobile	Unlimited calls + 3 GB of data	200m of calls + 2 GB of data	200m of calls + 2 GB of data	200m of calls + 2 GB of data
TV	No	Canal + Yomvi	Vodafone TV free for 3 months	No
Contract length	No contract length	No contract length	No contract length	12 months
Monthly fee	52.99Eur	62Eur	62Eur	58,95Eur

Source: Expansion.

The focus on the price-conscious buyer has been a staple of Masmovil, having won twice in a row the Spanish Consumers Association (OCU) auction to provide telephone services to its members (over 50k), as the best balanced price-service offer.

How would we know that Masmovil is being successful at this commercial integration? We should see that Yoigo's churn rate (the highest of the sector at more than 30% last year) goes down since an important part of this attrition comes from the lack of a convergent offer.

Summing up: SWOT analysis

Masmovil is the product of smart management (deal making, focus on value), regulatory decisions (requiring a fourth operator in Spain) and sector consolidation (that has left market gaps in the process). We believe that most of its value creation will come from a more efficient structure (with more variable costs) and merger synergies (more than €80mn at net present value).

Strengths

- More efficient cost basis than its peers (more variable costs), thanks to the assets acquired and leased from Orange. Masmovil accessed key infrastructure at fire sale prices (c. €50mn for a network whose development cost totalled €500mn).

- With the acquisitions of Pepephone and Yoigo in the last three months, the company has added 3.8mn users to its 0.5mn base. These acquisitions were done at lower multiples (i.e: 7.3x EBITDA for Yoigo before synergies) than the valuation of established players (i.e: Orange bought Jazztel at 12x EBITDA, Vodafone Ono at 9x). In other words, Masmovil acquired the critical mass faster and cheaper: just the integration of Pepephone generates an additional €13mn at EBITDA level.

Weaknesses

- More than a weakness, it is a question mark: can its management drive such a significant growth (from €12mn EBITDA in 2015 to more than €200mn in 2019e), without losing focus?

Opportunities

- Sector consolidation has alienated users that balk at price increases. In this context, Masmovil 'no frills' philosophy does have a market. Its equity story is not stealing customers from Telefonica, Vodafone or Orange, only 'picking up' the ones expelled by these operators and catering to them with a lighter cost structure.

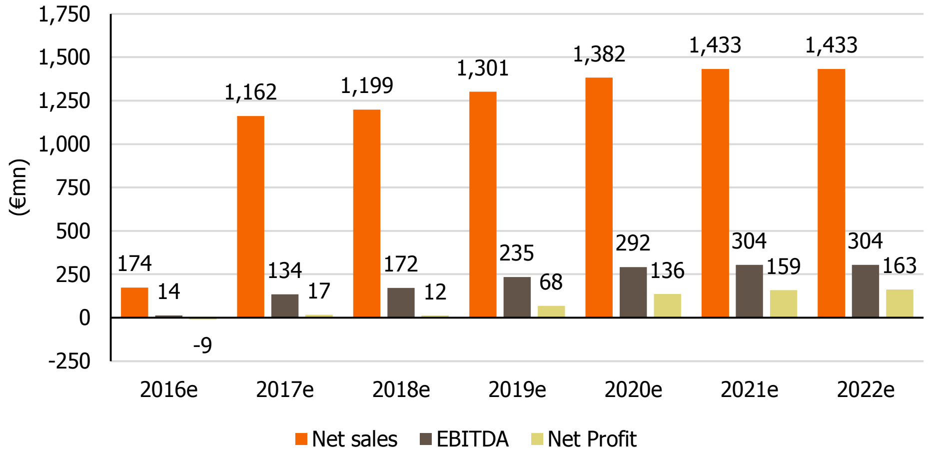
Threats

- Acquiring two different and bigger companies in such a short period is a big challenge. Synergies from contract renegotiation are easier to get than intangibles such as corporate culture, recognizable brand image and customer satisfaction. And in our view not delivering the latter can turn sour a deal that made all sense on paper.

Estimates 2016e–2022e.

Our estimates for Masmovil include all the recent acquisitions (remedies, Pepephone and Yoigo). We begin our merged projections on 2017 and for the sake of simplicity we have assumed that acquisition capex (€770mn) also takes place that year. Apart from this, we have also worked with the organic growth that will come from NGN and the DSL assets (see figure 13).

Figure 13. Revenues, EBITDA and net profit of Masmovil 2016e–2022e.



Source: Bankinter Securities

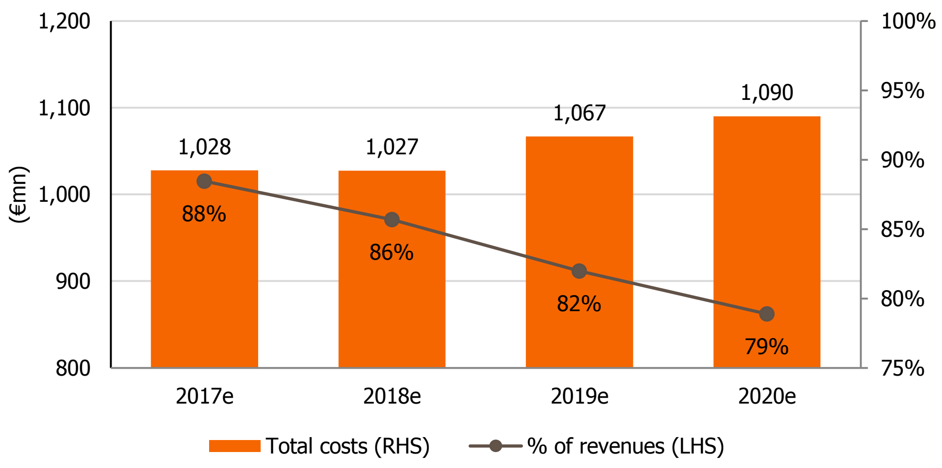
Projecting with merged assets is difficult as executives have to focus on two areas:

- Network and Technology integration: merging two legacy and packaged networks into one is difficult, much more as you need to provide figure service.
- Marketing and Customer service: customers expect more, not less, from these events. And competitors are quick to take advantage of any faults in the process.

We have assumed the €13mn coming from renegotiating contracts at Pepephone, and the €60mn of efficiencies that Masmovil management believes that can be generated in Yoigo (consequently we include the €50mn that would be needed in additional investment to achieve them).

To avoid getting lost when projecting synergies we used a cost calculator (figure 14) to measure the improvement of the combined assets, thus in 2020e the weight of operating costs (ex-depreciation and amortization) declined to 77% of revenues (from about 90% pro-forma in our calculations).

Figure 14. Evolution of operating costs of Masmovil 2015 - 2020e.



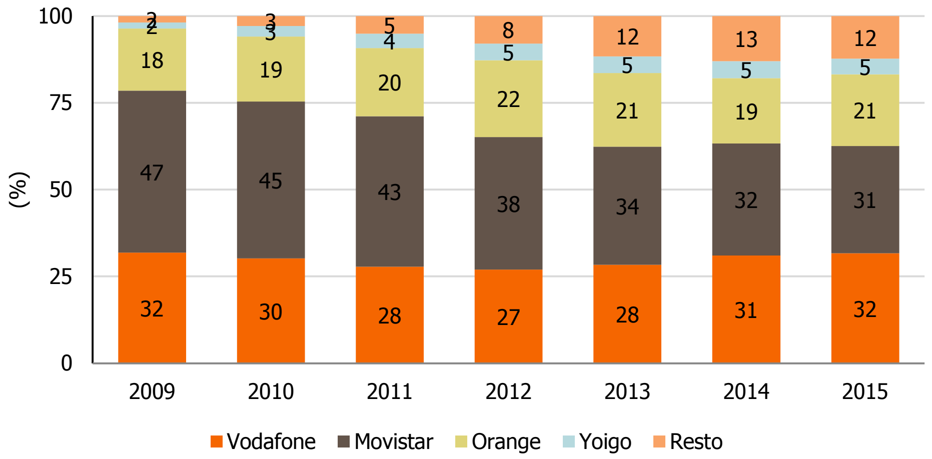
Source: Masmovil

Our assumptions are in the mid-low range as the merged company reaches an EBITDA of €235mn. The acquisition of Yoigo states that if the combined company reaches a 2019e EBITDA of €300mn Masmovil will pay an additional €96mn. If the EBITDA turns out to be below €210mn there will be no additional payment, so the bonus payment is scalable. We also have to take into account that Yoigo brings €340mn of tax credits, which explains our low tax bracket.

As you could read throughout the report, the transformational changes that are taking place at Masmovil are changing the whole picture. Past performance helps in the sense of how management thinks and implements. We still have to know more about the merger with Yoigo (initiatives to lower churn rate? client segmentation? corporate culture?).

Looking forward and to monitor value creation we would focus on synergy creation and avoiding customer loss. As of December 2015 Yoigo has a market share of 5% in terms of revenues (figure 15).

Figure 15. Market of share of the Spanish mobile market (by revenues) 2009–2015



Source: CNMC

Equity valuation

We have valued Masmovil using a DCF with a weighted average cost of capital of 7.8%. We start our discounted cash flow model on 2017e as it is the first year of the new company. We use a fairly long estimate scenario (2017e – 2022e) and a terminal multiple that is the inverse of WACC. We are not very keen on perpetual growth models as they imply incremental returns on capital that are perpetually greater than WACC. Hence, our valuation assumes that Masmovil can generate economic value during this estimate period, past that we equal returns to our WACC assumption.

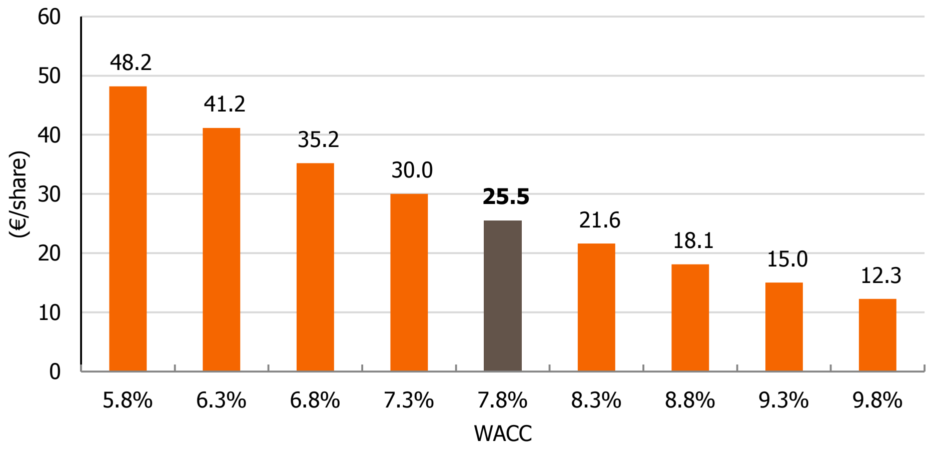
Our valuation is post-money, including both the €230mn capital increase (approved on June 23rd at a price of €19.55/share), and the €261mn convertible bond issue that will finance Yoigo acquisition (average strike price of €33/share).

Figure 16. Discounted cash flow model for Masmovil (post-money).

(€mn)	2017e	2018e	2019e	2020e	2021e	2022e	
EBITDA	134	172	235	292	304	304	
Amortization	-98	-141	-143	-127	-122	-118	
EBIT	36	31	92	165	182	186	
Taxes on EBIT	-9	-8	-23	-41	-45	-46	
NOPAT	**27**	**23**	**69**	**124**	**136**	**139**	
Amortization	98	141	143	127	122	118	
Gross cash flow	125	164	**212**	**251**	**258**	**257**	
Working capital	0	-4	5	1	3	4	
Capex	-863	-108	-91	-90	-93	-93	**Exit value**
Free cash flow	**-737**	**52**	**125**	**162**	**168**	**168**	**2,143**
Discounted cash flow	-737	48	108	129	124	115	1,362
							Terminal multiple
NPV	1,149						**12.7**
Net debt 2017e	-341						
Minorities	0						
Equity value	**808**						
Number of shares (Mn)	32						
Target price per share (€)	**25.5**						
WACC	7.8%						

Source: Bankinter Securities.

Figure 17. Sensitivity analysis using different WACC



Source: Bankinter Securities

Main figures

P&L account (€m)

	2015	2016e	2017e	2018e
Sales	**130.2**	**174.2**	**1,161.7**	**1,199.0**
% inc.	69.1	33.7	567.1	3.2
Cost of goods sold	-89.5	-119.7	-697.8	-720.2
Gross margin	**40.8**	**54.5**	**463.9**	**478.8**
Operating costs	-30.1	-40.8	-329.7	-307.1
EBITDA	**10.6**	**13.7**	**134.2**	**171.7**
% inc.	1.9	28.6	881.9	27.9
Depreciation	-10.1	-22.9	-97.9	-141.0
EBIT	**0.5**	**-9.3**	**36.3**	**30.7**
% inc.	n.a	n.a	n.a	-15.4
Net financial result	-2.5	-3.2	-16.4	-16.4
Equity accounted earnings	0.0	0.0	0.0	0.0
Other results	0.0	0.0	0.0	0.0
Profit before taxes	**-2.0**	**-12.4**	**19.9**	**14.3**
Corporate tax	0.5	3.1	-3.0	-2.1
Minority interests	0.0	0.0	0.0	0.0
Net group profit	**-1.5**	**-9.3**	**16.9**	**12.2**
% inc.	n.a	n.a	n.a	-27.8
EPS (€)	-0.05	-0.29	0.53	0.39
% inc.	n.a	518.2	-281.1	-27.8
DPS (€)	0.00	0.00	0.00	0.00
% inc.	n.a	n.a	n.a	n.a

Source: Bankinter Securities

Cash flow statement and Balance sheet (€m)

	2015	2016e	2017e	2018e
Net cash flow	11.6	-0.2	101.4	135.1
% inc.	n.a	n.a	n.a	33.3
OWC change	1.2	-7.5	0.0	-3.8
Capex	-22.2	-60.0	-862.5	-107.9
Free cash flow	-10.6	-60.2	-761.1	27.2
Dividends paid	0.0	0.0	0.0	0.0
Other debt variations	0.0	0.0	0.0	0.0

	2015	2016e	2017e	2018e
Net fixed assets	96.1	133.2	897.7	864.6
Net financial assets	2.9	2.9	2.9	2.9
Operating working capital (OWC)	-31.8	-24.3	-274.3	-270.5
Other assets/(liabilities) net	30.2	36.5	-85.3	-85.0
Capital employed (CE)	**97.4**	**148.2**	**541.1**	**512.1**
Shareholders' equity	90.7	81.4	98.3	110.5
Minority interests	0.0	0.0	0.0	0.0
Net financial debt	9.5	69.7	340.8	313.5

Source: Bankinter Securities

Margins (%)

	2015	2016e	2017e	2018e
Gross margin/Sales	31%	31%	40%	40%
EBITDA/Sales	0.1	0.1	0.1	0.1
EBIT/Sales	0.0	-0.1	0.0	0.0
Sales/Capital employed	1.3	1.2	2.1	2.3
EBITDA/Capital employed	0.1	0.1	0.2	0.3
ROCE	0.0	-0.1	0.1	0.0
ROE	0.0	-0.1	0.2	0.1

Source: Bankinter Securities

Gearing (x)

	2015	2016e	2017e	2018e
Net financial debt/Capital employed	0.1	0.5	0.6	0.6
Net financial debt/EBITDA	0.9	5.1	2.5	1.8
EBIT/Net financial result	-0.2	2.9	-2.2	-1.9
Number of employees	270.0	270.0	367.0	353.0

Source: Bankinter Securities

Ratios

(€)	2015	2016e	2017e	2018e
EPS (€)	-0.05	-0.29	0.53	0.39
% inc.				
CFPS (€)	0.99	-0.01	3.20	4.27
% inc.				
DPS (€)	n.a.	n.a.	n.a.	n.a.
% inc.				
BVPS (€)	7.7	2.6	3.1	3.5
% inc.				
ROE (%)	-2%	-11%	19%	12%
Price (€)				
Max.	26.2			
Min.	12.1			
Last	22.1	20.7	20.7	20.7
Number of shares (Mn)				
Weighted average	11.8			
Year-end	11.8	31.6	31.6	31.6
Market cap. (Mn€)				
Average				
Year-end	260.3	653.2	653.2	653.2

	2015	2016e	2017e	2018e
P/E (x)				
Max.	n.a.			
Min.	n.a.			
Last	n.a.	n.a.	38.7	53.6
Relative				
P/CF (x)				
Max.	26.6			
Min.	12.3			
Last	22.4	n.a.	6.4	4.8
Relative				
Yield (%)				
Max.	n.a.			
Min.	n.a.			
Last	n.a.			
Relative	n.a.	n.a.	n.a.	n.a.
P/BV (x)				
Max.	3.4			
Min.	1.6			
Last	2.9	8.0	6.6	5.9
Relative				

Source: Bankinter Securities

Shareholder structure

	%
Mr. Jose Poza	14.6
Norsis Creaciones	9.2
EDM Gestion	4.1
Santander AM	2.5

Source: Bloomberg

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