ALANTRA
Equities

SPANISH DAILY
01 July 2022, 08:00 AM CET

Market, Currency & Interest Rates Data

Index Performances	Last	Change
Ibex 35	8,098.7	-1.1%
S&P 500	3,785.4	-0.9%
Stoxx 50	3,454.9	-1.7%
Currency & Interest Rates		
EUR/USD	1.05	
EUR/GBP	0.86	
1Y Euribor (%)	1.07	+0 bp
10Y Bond Yield (%)	2.46	-13 bp
10Y Bond Spread (bp)	109	+1 bp

Best & Worst Performances

Best	Last	Change
Grifols	18.04	+6.2%
Acciona Energia	36.78	+2.7%
Indra	9.13	+2.2%
Pharma Mar	67.30	+1.5%
Worst		
Ence	3.26	-5.2%
Acerinox	9.24	-4.7%
Sacyr	2.29	-4.7%
Gestamp	3.30	-4.6%

Company News

Grifols (€18.04, NEUTRAL, TP €19.19)
Cutting estimates & TP after CMD

Applus+ (€6.60, BUY, TP €11.00)
Cancellation of Costa Rica SVI contract

EiDF (€65.40, SPONSORED RESEARCH)
Raising estimates after new strategic plan

Brief News

Repsol (€14.05, STRONG BUY, TP €19.70)
To acquire a renewable platform in Italy?

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GRIFOLS

Cutting estimates & TP after CMD

- **CMD highlights.** Yesterday, Grifols held its annual CMD, were we highlight:
  1) **Delays in financial targets.** Management indicated that the targets set for 2024 (€2.2bn EBITDA and reducing leverage to <3.5X) and 2026 (€2.8bn EBITDA) will be delayed by c.1Y due to: 1) cost inflation from persistently high donor fees and rising wages, especially in the US; and 2) the launch of products from the Biotest pipeline (which come at much higher margins than the rest of the group) are now expected for 2024-25 (vs. 2023-24 previously). This is a negative surprise to us (we were expecting €2.3bn EBITDA in 2024), mostly on the cost side (especially donor fees).
  2) **Downplaying rights issue rumours.** The message from the board is that they are not envisaging a capital increase at the moment. Indeed, the official message could not convey otherwise, but with the high leverage and delayed targets, we think that the rights issue risk is on the rise.
  3) **Measures to reduce leverage.** Grifols is selling the hospital software business for c.$100m (expected and in line), and reiterates its commitment to reducing capex, not engaging in M&A, no dividend payments, and focus on cost-cutting until leverage reaches the targets. Debt at floating rates is now at 35% of the total.
  4) **Innovation.** As expected, plenty of focus on innovation, which has become a strategic pillar since 2Y ago. We highlight: a) the initiation of a new phase 3 confirmatory trial on AMBAR; To initiate a new confirmatory phase 3 trial on AMBAR; b) new projects in hepatitis B and cytomegalovirus (CMV).
- **Cutting estimates & TP.** We only fine-tune our plasma volumes and sales (ex-Biotest), but now expect higher costs and delayed launch of fibrinogen and trimodulin, leading us to cut our 2023-24 EBITDA estimates by 10-13% and EPS by 20-21% p.a. We now expect 2024 EBITDA of €1.97bn, with leverage remaining very high at 4.6X adj. ND/EBITDA. We cut our TP by 8% to €19.2p.s.
- **We remain Neutral.** Operating prospects deteriorate even though plasma collection volumes continue on their recovery path, while Biotest, which has been a major bet pushing leverage to risky levels, will take longer to bear fruit. This makes the B/S issues worse, and we see rising risk of a capital increase. In this context, and with the shares trading roughly in line with our TP, we stick to our Neutral stance on the shares.

Financial Ratios	FY19	FY20	FY21	FY22E	FY23E	FY24E
EBITDA (€m)	1,439	1,532	1,148	1,311	1,649	1,969
Net Profit (€m)	625	619	183	341	547	839
EPS (€)	0.91	0.90	0.27	0.50	0.80	1.22
Adj. EPS (€)	1.01	1.13	0.60	0.65	0.98	1.34
P/E (x)	25.6	26.4	65.4	31.2	19.5	12.7
P/E Adj. (x)	23.0	20.9	29.1	23.8	15.8	11.6
EV/EBITDA (x)	16.2	16.3	18.9	16.7	12.9	10.4
Debt/EBITDA (x)	4.8	4.9	7.6	7.7	5.7	4.6
P/BV (x)	3.8	3.7	2.6	2.1	2.0	1.7
ROE (%)	14.4	15.3	7.4	7.8	10.6	12.7
DPS (€)	0.36	0.36	-	-	-	-
Dividend yield (%)	1.4	1.3	-	-	-	-

(*) Historical multiples based on average share price of the year

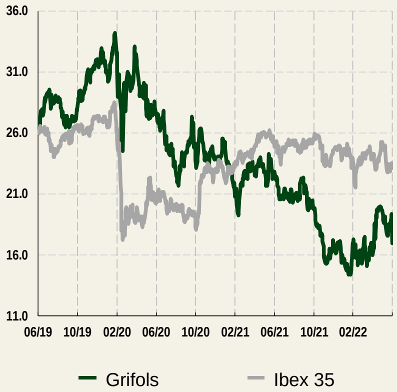
NEUTRAL

	Class A	Class B
Target Price (*)	€ 19.19	$ 20.05
Share Price (*)	€ 18.04	$ 11.88
Upside	+6%	+69%

(*) Class B in USD
(**) *Share price at the close of 30 June 2022

GRLS.MC / GRF SM	
Market Cap	€ 11,682 m
Enterprise Value	€ 21,324 m
Free Float	€ 3,299 m
Nº Shares	688 m
Average Daily Volume	€ 17 m

Performance	1m	3m	12m
Absolute %	-14.4	8.7	-25.6
Relative %	-8.2	11.6	-20.5



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APPLUS+

Cancellation of Costa Rica SVI contract

- **Details.** The government of Costa Rica has decided not to extend the current statutory vehicle inspection (SVI) contract, which is operated by Applus and ends in July 2022. The government has indicated that the SVI service will be interrupted for two months, and after that, they will appoint a temporary provider and launch a tender that could take up to two years. The concession accounts for c.7% of Applus' SVI revenues or 2% of group revenues and, although fully consolidated, Applus has a 44% net participation in it.

- **A negative surprise.** The sudden cancellation of the contract is unexpected, as the lack of a tender process pointed to an extension of the current contract until a new longer-term concession could be launched. The abrupt termination of the contract, with Costa Rica suspending the service in the country for two months, makes us think that the decision has been politically motivated.

- **Trimming EPS and TP to reflect the impact.** We were assuming that the concession would be extended for a couple of years and that the group would then be eligible for the retender, and thus, we assumed that the contract was a going concern. In our estimates, the contract accounted for 2% of sales and 4% of operating profits, and 2% of net profit (given the 56% minority ownership). We therefore cut our estimates accordingly from 2023 (half of the impact in 2022). We also trim our TP by 3% to €11p.s. to reflect this impact.

- **No read-across for other concessions and no relevant renewal risk.** With this, Applus has only lost 3 concessions since 2008, whilst it has renewed 21 and won 22 new ones over the period. We do not see implications from this loss for the other concessions of the group, and continue to believe that Applus can grow in this business given the positive industry trends and its strong track-record. After this, and the renewals of Ireland (2020) and Galicia (2022), Applus does not have any relevant upcoming renewals in the SVI business.

- **We maintain our positive view.** The news is negative and unexpected, but the impact is manageable and does not change our fundamental view on Applus, which remains positive. We reiterate our Buy rating on the shares on the back of: 1) strong growth prospects; 2) the expected capital relocation (selling parts of O&G and investing in higher growth/margin businesses); 3) the expected renewal of IDIADA (tender expected to be completed in 2023); and 4) the strong valuation appeal, with the shares trading at 8X22 adjusted P/E.

Financial Ratios	FY19	FY20	FY21	FY22E	FY23E	FY24E
EBITDA (€m)	197	118	175	195	206	223
Net Profit (€m)	56	(158)	32	59	69	82
EPS (€)	0.39	(1.11)	0.23	0.41	0.48	0.58
Adj. EPS (€)	0.74	0.29	0.67	0.79	0.90	1.00
P/E (x)	28.7	n.m.	37.4	16.1	13.7	11.5
P/E Adj. (x)	15.1	26.2	12.5	8.3	7.3	6.6
EV/EBITDA (x)	12.0	16.5	12.2	9.3	8.1	6.9
Debt/EBITDA (x)	2.2	3.4	2.8	2.4	1.9	1.4
P/BV (x)	2.1	1.9	2.0	1.6	1.4	1.3
ROE (%)	7.2	(27.0)	5.2	9.7	10.4	11.2
DPS (€)	-	0.15	0.15	0.17	0.18	0.19
Dividend yield (%)	-	2.0	1.8	2.5	2.7	2.8

(*) Historical multiples based on average share price of the year

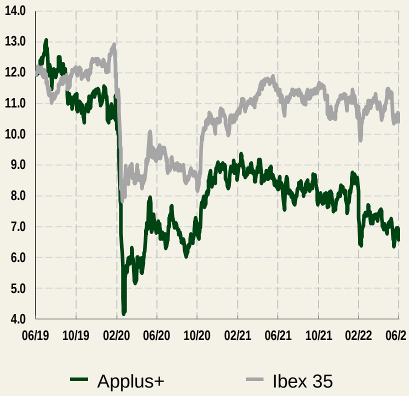
BUY

Target Price	€ 11.00
Share Price (*)	€ 6.60
Upside	+67%

*Share price at the close of 30 June 2022

APPS.MC / APP SM	
Market Cap	€ 944 m
Enterprise Value	€ 1,817 m
Free Float	€ 944 m
Nº Shares	143 m
Average Daily Volume	€ 1 m

Performance	1m	3m	12m
Absolute %	-7.4	-13.9	-19.4
Relative %	-0.4	-11.3	-15.2



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EIDF

Raising estimates after new strategic plan

- **Improved operating prospects.** Yesterday, EiDF presented a new strategic plan raising its targets for the 2022-25 period to reflect: a) an increase in the prospects for the self-consumption business, further underpinned by the increase in electricity prices; b) an increase in its solar PV pipeline (from 0.7GW to 2.2GW) and, as a result, of the number of assets in operation (1.2GW in 2025 vs. 737MW before); and c) the acquisition of ODF and Nagini in supply.

- **The new targets.** As a result of the above, EiDF has increased its EBITDA targets for the period, from €26m to €30m (2022), from €40m to €63m (23) from €66m to €90m (24) and from €77m to €106m (25). By business, generation EPC should account for 43% of the EBITDA in 2025 (41% in 2022), Supply 30% (vs. 15%), self-consumption 15% (vs. 40%), and generation 12% (vs. 4%).

- **Raising estimates**. We are raising our EBITDA estimates sharply to reflect the improved prospects, by 10% in 2022 and by 30-40% p.a. in 2023-25. We now expect EBITDA of €36m in 2022, above EiDF's target, growing sharply from then on, reaching €54m (2023), €77m (24) and €95m (25), the latter 10-15% below the company's guidance. We expect net profit to grow from €8m in 2021 to €23m in 2022 and €63m in 2025, implying +70% CAGR over the period.

- **How will the plan be financed?** According to our estimates, EiDF will need to invest c.€0.8bn over 2022-25 (equivalent to c.1X its market cap). Part of this capex, however, will be invested through different SPVs with partners and will not be consolidated (EiDF will retain 75-90% of the JVs but will share its control with its partners), therefore, we estimate a net investment for EiDF of c.€300m. This will increase the group's debt from €6m (2021) to €54m in 2022 and €163m in 2025, implying 2X debt/EBITDA, which is high considering that c.70% of the EBITDA will come from EPC and supply. As a result, we would not rule out a capital increase to partially finance the investment effort.

- **Our view.** The presentation of the new strategic plan and the upgrade of the targets only 8 months after having been announced confirm the promising prospects for the self-consumption in Spain, especially for industrial clients, the niche where EiDF is strong. This leading positioning, together with the integrated business model in renewables (generation & supply), makes EiDF an attractive investment alternative in the renewable space.

Financial Ratios	FY19	FY20	FY21	FY22E	FY23E	FY24E
EBITDA (€m)	1.8	2.1	10.5	35.6	53.5	77.1
Net profit (€m)	1.0	1.0	7.5	23.5	35.4	51.2
EPS (€)	0.95	0.93	0.6	1.6	2.4	3.5
Adj. EPS (*) (€)	0.95	0.93	0.6	1.7	2.4	3.5
P/E (x)	0.0	0.0	27.4	40.4	26.8	18.5
P/E Adj. (x)	0.0	0.0	25.9	39.1	26.8	18.5
EV/EBITDA (x)	0.0	0.0	18.9	27.8	19.3	13.9
Debt/EBITDA (x)	(1.6)	1.0	0.5	1.5	1.8	1.7
P/BV (x)	0.0	0.0	8.4	14.3	9.3	6.2
ROE (%)	20.6	17.7	30.6	35.5	34.9	33.5
DPS (€)	0.0	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	n.a.	n.a.	0.0	0.0	0.0	0.0

(*) Historical multiples based on average share price of the year

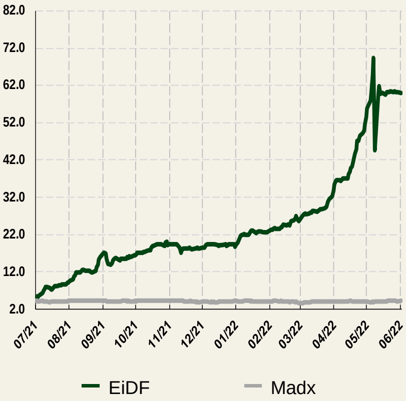
SPONSORED RESEARCH

Share Price	€ 65.40

*Share price at the close of 30 June 2022

EIDF.MC/ EIDF SM	
Market Cap	€ 888 m
Enterprise Value	€ 989 m
Free Float	€ 131 m
Nº Shares	14 m
Average Daily Volume	€ 1 k

Performance	1m	3m	12m
Absolute %	9.0	124.7	1,093
Relative %	15.1	127.4	1,097



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Repsol (€14.05, STRONG BUY, TP €19.70): To acquire a renewable platform in Italy?

According to press sources, Repsol and Ardian could jointly bid for a majority stake in PLT, an Italian renewables platform, for a price in the region of €1bn. PLT owns and operates c.300MW, of which 2/3 is wind, and the rest solar PV and biomass.

Our view. Growing in renewables remains a priority for Repsol, and part of this growth could be conducted through bolt-on acquisitions, like the one mentioned in Italy. Therefore, the above news is not a surprise. Leaving price considerations aside (information on PLT's pipeline is very limited), the deal would allow Repsol to enter a new market (it is currently present in Spain, the US, and Chile) and to accelerate its growth plans in renewables in a context in which Repsol has deep pockets given the sale of 25% of its renewable business and the extra cash that it is making thanks to the increase in oil & gas prices. We stick to our Strong Buy recommendation.

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