

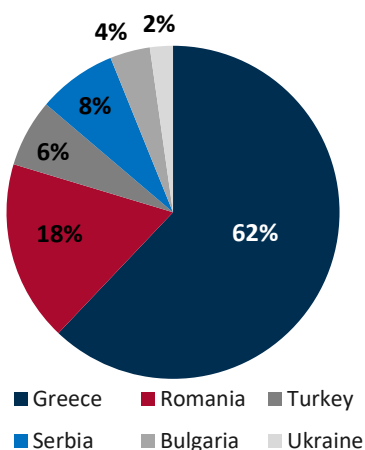
June 2022

Table 1: Key Figures

Key figures	
Bloomberg Ticker	ELTON:GA
Stock Exchange	ATHEX
Industry	Chemicals Chemicals
Sector	Distribution
Market Capitalization (in millions)	€ 5,05
Share Price (1/06/2022)	€ 1,89
52w High	€ 1,995
52w Low	€ 1,55
1-Year change abs. (%)	2,78
1-Year change rel. (%)	1,13
Beta	0,30
Free Float (%)	21

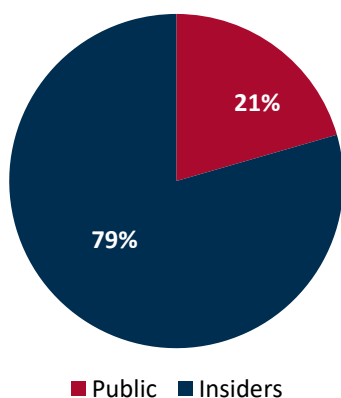
Source: Bloomberg | Company Reports

Figure 1: Revenues by area in 2020



Source: Company Reports

Figure 2 : Ownership share in 2020



Source: Company Reports

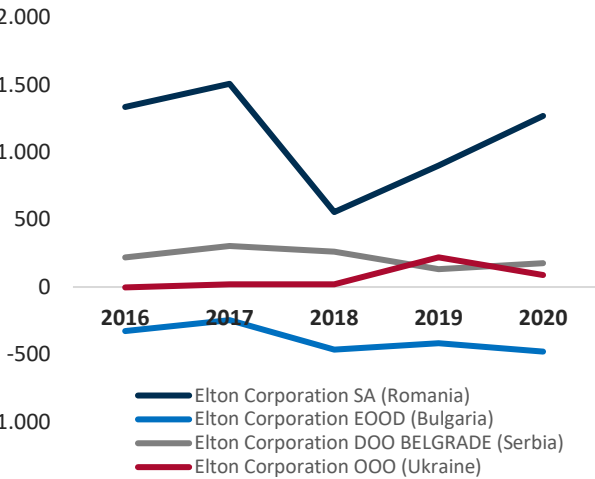
BUSINESS DESCRIPTION

Elton Group of companies is a Greek integrated business group with **40 years of experience in a variety of business sectors, and a leader in international distribution of industrial ingredients**. Initially Elton Chemicals S.A., established in 1981 by Nestor Papathanasiou, as a conversion of Elton Industrial Chemicals LTD, was a distributor of chemical raw materials for the production of pharmaceutical and cosmetic products. The integration of the company began in 1986, with the expansion in the food industry, while in 1989 the group re-established its headquarters and warehouse, enhancing customer service. Seven years later it decided to double its logistics facilities. Elton made numerous strategic decisions, that include both organic growth and M&A strategy. In 1993, Elton further expanded by distributing raw materials for detergents, coatings, adhesives, and inks. The following years the group extended its operations in Greece, by building a center of operations in Thessaloniki.

Elton S.A. became listed in the ASE in 2000 and within the same year, the group acquired 52% of Moscholios Chemicals SA. Four years later, the merge with Moscholios was completed, increasing the group's market stake, thus making Elton the leading company in the country's chemical industry. The group has also set up subsidiaries in the Greek market. In 2020, it made the decision to horizontally integrate, through the acquisition of Elton Marmara Turkey. Today, Elton operates in 6 countries with physical presence, while serving 15 countries of territory, with a total of over 259 employees. The current network of the Elton group includes a wide geographical integration in Greece, Cyprus, Albania, North Macedonia, Bulgaria, Moldova, Montenegro, Serbia, Kosovo, Romania, Turkey, and Ukraine. Elton Group offers a wide range of more than 6.000 products; animal nutrition, home care, industrial cleaning products, metal, mining, paper products to name a few, that are distributed to 15.000 customers through 9 logistic centers.

The group has an active presence in 17 markets, with one of the most important being agriculture. Plant nutrition, crop protection and seed solutions are the main segments of this business unit. Some of the products produced are liquid fertilizers, potato seed, cotton seed and soft wheat seed. In addition, since 1981, Elton has established expertise in the food and beverages sector. A list of the main products of this business unit includes salads, sauces, snacks as well as wine and beer, non-alcoholic drinks and olives. Moreover, since 1981, Elton group produces and distributes personal care and cosmetic products. Fragrances and perfumes, toiletries, sun care products and baby care products are only few of the products that the group distributes to the market. Pharma is a crucial market for the group too. Biopharma, OTC, generic drugs, medical devices, and API manufacturers are the main sectors of the Pharma business unit. The group produces a variety of

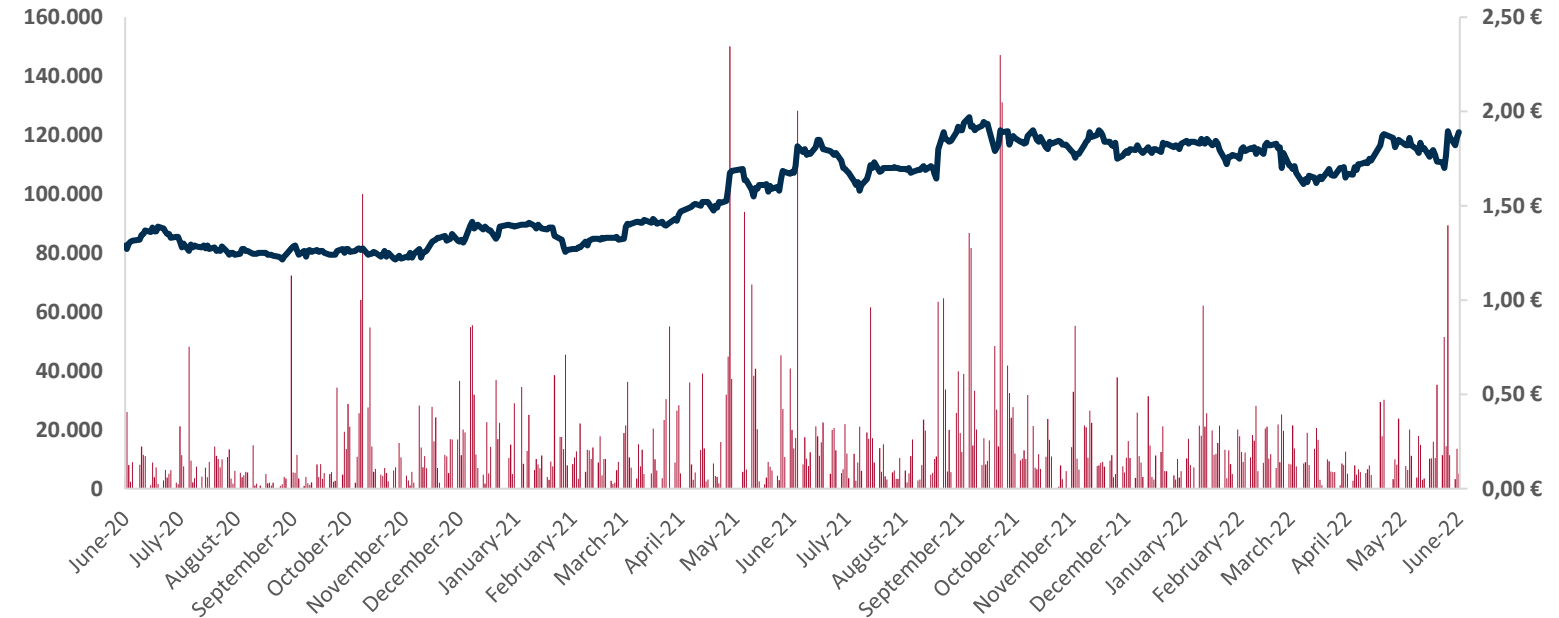
Figure 3: Elton Subsidiaries' Net Profit (in €thousands).



Source: Company Reports

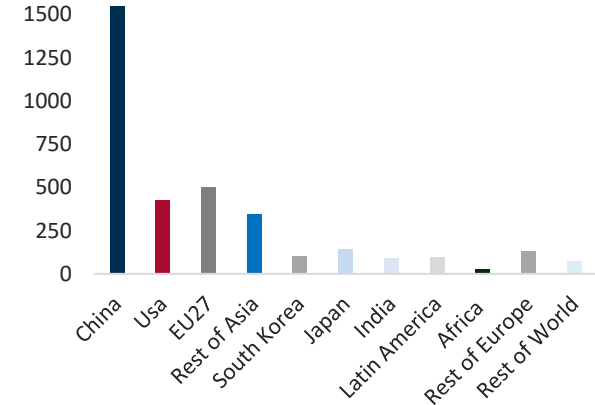
pharma products, as binders, solvents, vitamins, disintegrants, polyols and omega-3 sources. Elton's group vision is to be the preferred distribution partner for both suppliers and buyers of chemical ingredients and other products the group produces, as mentioned in its vision statement. Moreover, providing value to customers, partners, and shareholders, through innovative products, as well as maintaining market leading solutions are very important for the corporate strategy of the group. As corporate social responsibility, a core value of the group, is concerned, plenty of campaigns and initiatives towards the environmentally friendly operation of the group have been established.

Figure 4: Historical Share Price (right) & Volume (left)-2 years.



Source: Capital.gr

Figure 5: Chemical product sales by region in 2020 (in €billions).



Source: Cefic

MARKET OVERVIEW

The EU27's global market share has decreased significantly since 2000. The EU27 chemical market accounts for 14.4% of the world's chemical sales and has seen a sharp decline since 2000. In detail, 20 years ago the EU27 chemical sales were valued at \$411.8 bn making the continent a driving power of the sector. Since then, the world global market has grown almost 2.5 times while the EU27's sales increased by 38%, signaling a slower growth rate and the region's inability to keep up with the rest of the world. However, it wasn't only Europe that failed to keep up with the rest of the world as USA, Japan and Brazil all show their market share plummet since 2010. In contrast, China has emerged as a leading power in the field after seeing its chemical sales almost doubling in the last 10 years from 25.8% to a

Figure 6: EU27 Chemical sales in 2020 by product category.

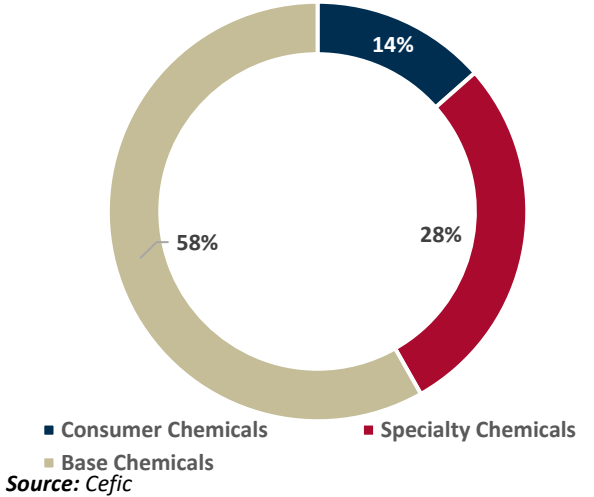


Figure 7:EU27 Sales by region (in €millions).

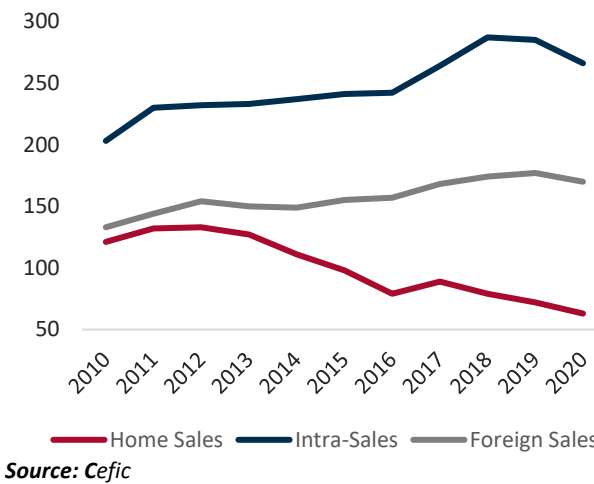
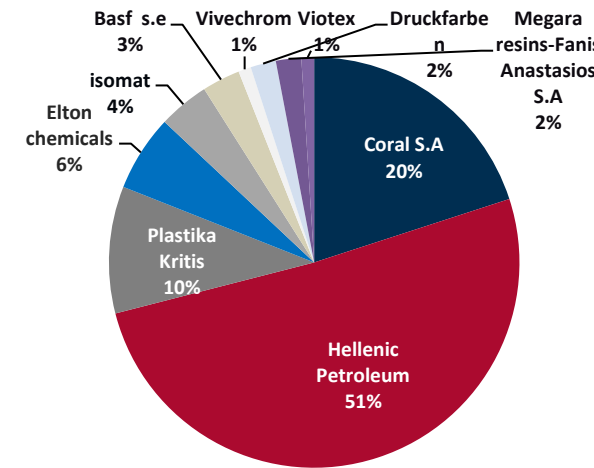


Figure 8: Top 10 Greek companies active in the chemical industry, by market share.



Source: Companies Reports

staggering 44.6%. Just like other emerging countries that managed to take a big chunk of the developed countries’ market share, China intensified its R & D efforts, used its massive industrial capabilities and managed to keep the labor cost low. Another reason behind the EU27’s decreased market share is the fact that 4 countries (Germany, France, Italy and Netherlands) are responsible for almost 66% of the total production, which means that most of the other 20 Member States’ contributions are minor, including Greece’s.

European countries are focused on exporting chemical products.

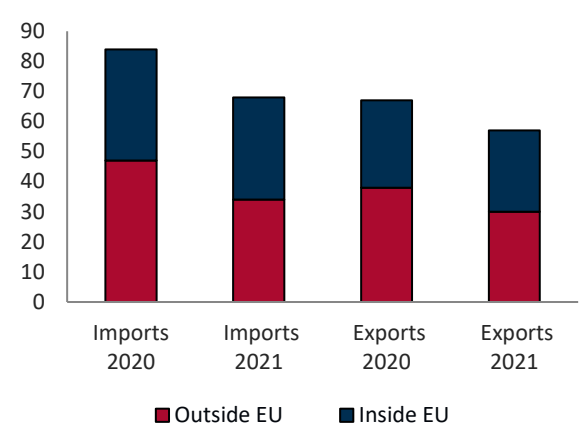
Home sales in Europe have been decreasing by over 6% per annum to the point that they have lost half of their value since 2010. On the other hand, intra-sales value is up 31% since 2010 which indicates that the EU has been encouraging trade between its member states while trying to boost growth and competitiveness amongst them. These efforts have not been in vain as the EU27 foreign sales value has increased by 2.5% per annum or 28% in total since 2010. In total more than one third of the total production is being sold in foreign countries like the USA, UK, and China.

The production share of the three main product categories has been stable since 2014. Base chemicals can be divided in 3 sub-categories: petrochemicals which are obtained from petroleum by refining, polymers (plastic) and basic inorganics (fertilizers), production has dropped from 59.6% to 58% since 2014 mainly due to the reduction in the polymers production which has declined by -1.1%. Moreover, both consumer (soaps or perfumes) and special chemicals’ (inks and glues) production share has increased by 0.9% and 0.5% respectively. In 2020, the rubber and plastics products were the most supplied in the market followed by construction materials and paper products. Till 2023 it is forecasted that the chemical industry will grow at an annual rate of 2.1%, with health-related and specialty chemicals having the biggest growth prospect while consumer and base chemicals are expected to have negative growth rates.

Chemical Industry is one of the largest processing sectors in Greece. It specializes in specific parts of the raw chemicals and products’ market. It consists of 939 businesses, that are mostly active in the production of specialty and consumer chemicals, with a combined workforce of over 17,700 personnel.

Chemical products’ gross added value was measured around €633 mn which accounts for 0.3% of the Greek GDP. They rank fifth among the most exported products in Greece and make up 5.3% of the total exports. More specifically, the total chemical products’ export value is around €1.7bl and the main destinations are Turkey, Italy, Bulgaria, Cyprus, Serbia and other E.U. countries like Germany, France and Spain. On the other side, chemical products’ imports are worth €4.6bl and 61% of them are coming from countries with the largest chemical industries in the E.U., while 3% comes from Saudi Arabia and Turkey.

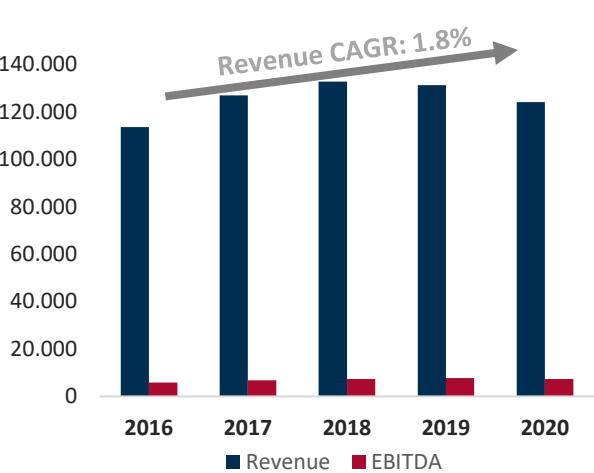
Figure 9: Greek chemical industry imports and exports (in € millions)



Source: Panhellenic Exporters Association

During the Covid-19 outbreak, the Greek chemical industry played a vital part in the fight against the pandemic by responding quickly and supplying the market with raw materials for masks, sanitizers, Plexiglas etc. Despite the increased production, the chemical industry was among the sectors that took a hit during the pandemic and in April 2020 it received aid from the Greek state.

Figure 10: Revenue, EBITDA & CAGR (in € thousands)



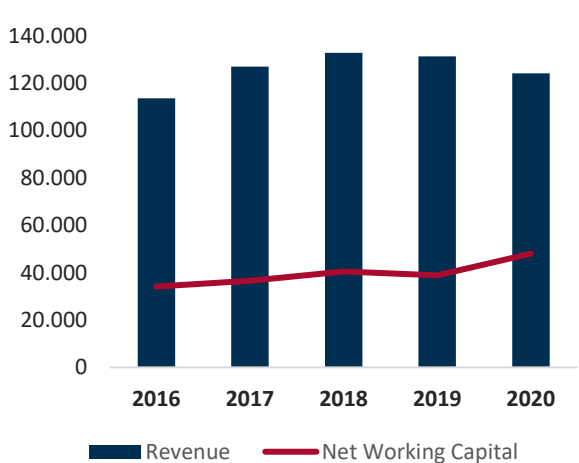
Source: Company reports

FINANCIAL ANALYSIS

ELTON’s revenue marks satisfactory growth over the years, with gross and net margins remaining on the same levels. Elton SA managed to grow its revenue from €113.5mn in 2016 to €124mn in 2020 with a CAGR of 1.8%. During this 5-year period the highest revenue recorded was that of €131mn in 2019, while in the following year, COVID-19 forced lockdown measures to the general population and the company was hit, showing a 5% decrease in revenue. The gross profit margin rose from 16% to 17%, overall, during this 5-year period and the net profit margin remained unchanged at 4%, indicating that expenses increase at the same rate EBITDA does.

In 2020, the company has managed to reduce its leverage compared to previous years. In fact, financial leverage was increasing rapidly, starting at 33% in 2016 and reaching 43% in 2019, as the company started taking out bigger loans to finance its expanding activities. Specifically, during the 2016-2020 period Elton SA concluded a total of 5 loans for an accumulated €15.3mn and issued 2 joint bonds, one with Eurobank for the amount of €3mn and one with Piraeus Bank for another €3mn. In 2020, ELTON’s Net debt decreased by 43%, as the company decided that its expanding strategy at that time of extreme market volatility could be risky and managed to reduce leverage by paying back around 60% of its short-term borrowings. In addition, the company’s free cash flow yield skyrocketed to 25.9% in 2020, after being lower than 5% during 2016-2019. This is a result of its drastically improved ability to pay back debt and other obligations.

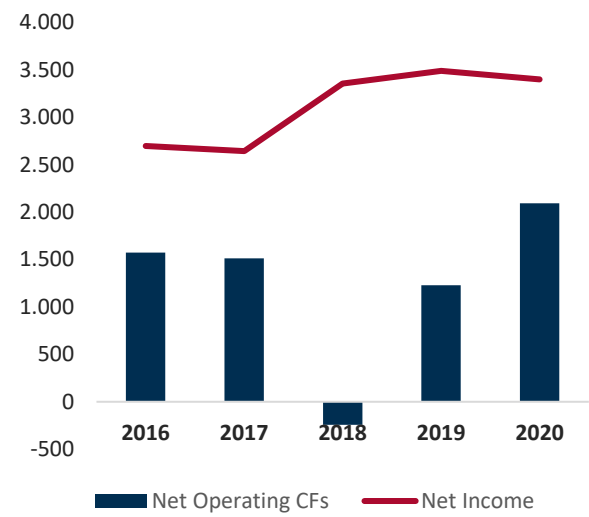
Figure 11: Revenue to Net Working Capital (in € thousands)



Source: Company reports

The company has been investing in its numerous subsidiaries in the Balkan region. Since 2016, Elton has been allocating around €8,7mn every year in its Greek subsidiary, with the amount increasing to €10mn in 2020. This action proved to be profitable for the company, since its subsidiary’s profit before taxes increased by almost 150% in 2020. The Bulgarian subsidiary has been recording losses from 2016 to 2020, with the group deciding to invest around €400k yearly to amend the situation, and around €3mn in the Serbian subsidiary which managed to increase its profitability from €300k to €600k in the last 6

Figure 12: Net Operating CFs to Net Income (in €thousands)

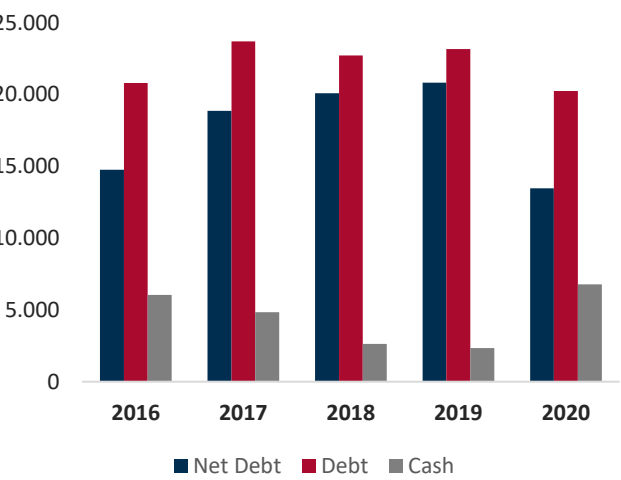


Source: Company reports

years. Lastly, the Group made an effort to expand its Ukrainian subsidiary, providing €1.5mn in 2020, double that of its 2016’s €700k investment. Unfortunately, this plan has come to a halt as company’s 30.000 sq. feet logistics center has been bombed and destroyed.

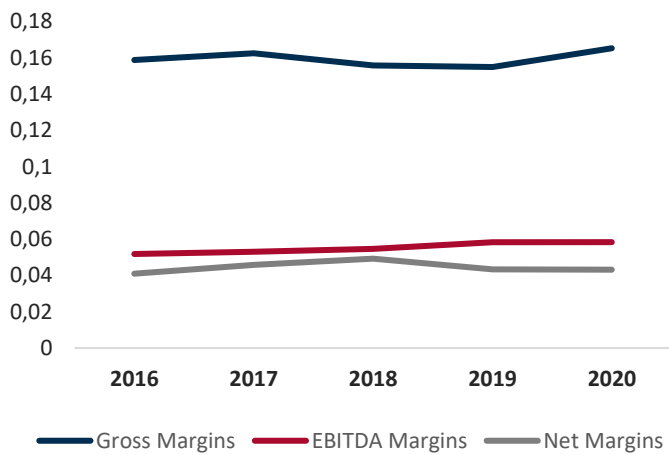
The company’s income tax has been steadily increasing since 2016, thus indicating growth in revenues. Last year, Elton paid €1.15mn in income tax, which compared to 2016’s €0.91mn tax is a 28% increase. Also, the tax rate was increased from 25% to 27% resulting in a steady net margin of 2% over the last 4 years.

Figure 13: Cash, Debt & Net Debt (in €thousands)



Source: Company reports

Figure 14: Gross, EBITDA & Net Margins



Source: Company reports

Table 2: Key Financials

Key Financials											
	2016	2017	2018	2019	2020		2016	2017	2018	2019	2020
Margins						Debt					
Gross margin	17%	17%	17%	16%	17%	Net debt / Equity	33%	39%	40%	43%	29%
EBITDA margin	5%	5%	5%	6%	6%	Net debt / EBITDA	275%	291%	283%	295%	211%
EBIT margin	5%	4%	5%	5%	5%	Efficiency					
Net margin	3%	2%	3%	3%	3%	FCF yield	4,4%	-4,9%	-0,2%	-0,9%	25,9%
Growth rates						Cash realization	57%	-7%	35%	62%	275%
Sales growth	7,7%	10,6%	4,4%	-1,1%	-5,8%	Dividends					
Assets growth	0,4%	6,4%	-2,2%	3,3%	-2,6%	Divident per share	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €
Equity growth	4,3%	1,6%	2,7%	2,6%	1,4%	Divident yield	0,1%	0,1%	0,0%	0,0%	0,0%
Performance						Liquidity					
ROE	5,3%	6,7%	6,7%	6,4%	6,7%	DSO	130	129	118	127	122
ROA	3,0%	3,5%	3,8%	3,5%	3,8%	DIO	71	76	77	77	78
ROCE	6,6%	8,0%	8,3%	7,7%	6,9%	DPO	55	58	51	50	54
"Multipliers"						Cash conv. cycle	147	147	145	154	146
P / E	9,1	10,7	9,3	13,7	10,3	Current ratio	2,0	2,0	2,3	2,1	3,0
EV / EBITDA	6,8	8,3	7,3	9,0	7,2	Quick ratio	0,8	0,8	0,9	0,8	1,3
P / BV	0,5	0,7	0,6	0,9	0,7	Cash ratio	0,2	0,0	0,2	0,1	0,0

Source: Company Reports / Finance Club Research

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