

6m Results 2023

 Opinion ⁽¹⁾: In line

 Impact ⁽¹⁾: We will maintain our estimates

Luis Esteban Arribas – luis.esteban@lighthouse-ieaf.com

+34 915 904 226

Lingotes Especiales (LGT) is a small Spanish industrial company specialising in the design, development, casting and machining of steel components, mainly for use in the automotive industry, where it is a market leader in braking systems (85% sales) with a 12% market share in Europe.

1H23 earnings in line. The P&L reflects price normalisation

Market Data

Market Cap (Mn EUR and USD)	75.2	82.2
EV (Mn EUR and USD) ⁽²⁾	87.0	95.1
Shares Outstanding (Mn)	10.0	
-12m (Max/Med/Min EUR)	9.01 / 6.96 / 4.93	
Daily Avg volume (-12m Mn EUR)	0.04	
Rotation ⁽³⁾	12.6	
Factset / Bloomberg	LGT-ES / LGT SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Board of Directors	55.0
Mallorquina de Seguros	6.0
Onchena	5.0
Free Float	34.0

Financials (Mn EUR)

	2022	2023e	2024e	2025e
Adj. nº shares (Mn)	10.0	10.0	10.0	10.0
Total Revenues	113.9	106.0	111.3	116.8
Rec. EBITDA	8.0	11.1	14.2	15.2
% growth	430.5	38.6	27.6	7.1
% Rec. EBITDA/Rev.	7.1	10.5	12.8	13.0
% Inc. EBITDA sector ⁽⁴⁾	22.7	14.4	5.1	9.8
Net Profit	3.1	4.5	6.8	7.5
EPS (EUR)	0.31	0.45	0.68	0.75
% growth	312.0	43.3	51.2	11.2
Ord. EPS (EUR)	0.25	0.45	0.68	0.75
% growth	185.4	79.2	51.2	11.2
Rec. Free Cash Flow ⁽⁵⁾	0.6	4.5	5.7	6.5
Pay-out (%)	127.7	89.1	58.9	53.0
DPS (EUR)	0.40	0.40	0.40	0.40
Net financial debt	18.7	18.2	16.5	14.0
ND/Rec. EBITDA (x)	2.3	1.6	1.2	0.9
ROE (%)	6.9	9.5	13.9	14.6
ROCE (%) ⁽⁵⁾	5.3	7.7	11.0	11.9

Ratios & Multiples (x) ⁽⁶⁾

	2022	2023e	2024e	2025e
P/E	24.0	16.8	11.1	10.0
Ord. P/E	30.0	16.8	11.1	10.0
P/BV	1.6	1.6	1.5	1.4
Dividend Yield (%)	5.3	5.3	5.3	5.3
EV/Sales	0.76	0.82	0.78	0.74
EV/Rec. EBITDA	10.8	7.8	6.1	5.7
EV/EBIT	19.4	12.8	8.9	8.1
FCF Yield (%) ⁽⁵⁾	0.7	6.0	7.6	8.7

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 3.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) Sector: Stoxx Europe 600 Automobiles & Parts.

(5) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.

(6) Multiples and ratios calculated over prices at the date of this report.

AN (EXPECTED) DROP IN SALES (-5.4% VS 1H22) DUE TO RAW MATERIAL AND ENERGY PRICE NORMALISATION...

Unlike 2022, when the (positive) revenue performance was the result of the company's ability to pass higher costs through to sales prices, 2023 is seeing the opposite effect. LGT obtained revenue of roughly EUR 52.2Mn in 1H23 (c.89% outside Spain), with a higher volume of parts delivered, but hurt by the price effect.

...GIVING SOME MOMENTUM TO MARGIN RECOVERY.

Lower prices (especially energy) in 1H23 (-20% in overhead vs 1H22) helped drive a recovery in margins, with the EBITDA margin reaching 8.4% (vs 3% in 1H22; but still well below pre-pandemic levels of c. 15%). This fed through to an increase in EBITDA to EUR 4.4Mn (vs EUR 1.7Mn in 1H22) and enabled LGT to report a net profit of EUR 1.4Mn (vs a loss of EUR 0.6Mn in 1H22).

THE BALANCE SHEET IS STRONG (ND 1H23 11.4Mn; ND/EBITDA 23E 1X).

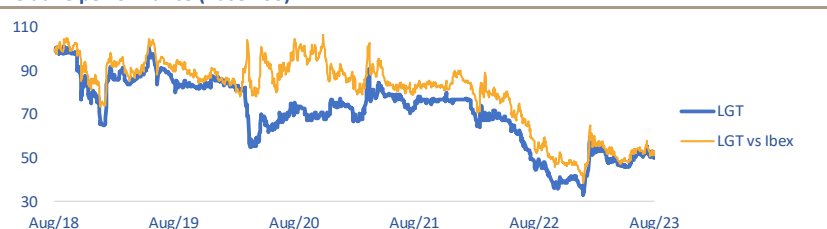
Thanks to working capital management and low CAPEX (EUR 1.7Mn), LGT ended 1H23 with net debt at EUR 11.4Mn, marking a sharp (39.2%) reduction from year-end 2022 levels. It still has to distribute the EUR 4Mn of dividends (in July) approved in June out of unrestricted reserves.

OUR ESTIMATES ARE UNCHANGED.

1H23 earnings were in line with our estimates and lend some visibility to LGT's scope for margin expansion (which we expect to see more of in 2H23). For now, our baseline scenario for FY 2023e calls for revenue of EUR 106Mn and EBITDA of 11.1Mn (EBITDA margin of 10.5%), along with a return to positive FCF (EUR 4.5Mn), which should keep ND at 2022 levels (ND 23e EUR 23.1Mn; ND/EBITDA 23e 1.6x).

WILL THE MARGIN RECOVERY PEAK IN 2023E?

After coming through a 2022 considered "the worse year possible" (shortage of microchips, raw material and energy price inflation, supply chain disruptions), 2023e is shaping up to be a year of transition, which will determine the pace of recovery. LGT's equity story is (essentially) predicated on the rebound/normalisation of margins. Activity in the auto manufacturing sector has yet return to 100%. Price normalisation and a gradual increase in activity through the year should enable LGT to recoup the ground lost in terms of margins. Despite an excellent share price performance YTD (+45%), our numbers put the stock trading at an EV/EBITDA 23e of 7.8x (FCF Yield 23e "now" >5%) with an EBITDA margin 23e 3p.p. below its peers at year-end and a positive differential of > 10p.p. in EBITDA growth to 2025e (CAGR 23e-25e 16.9%).

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-3.3	7.6	9.4	44.7	-30.2	-50.0
vs Ibex 35	-0.6	4.8	-5.0	27.6	-48.6	-48.0
vs Ibex Small Cap Index	-3.1	3.5	3.5	29.2	-47.8	-53.5
vs Eurostoxx 50	-1.9	6.6	-7.0	26.6	-48.9	-60.0
vs Sector benchmark ⁽⁴⁾	-3.4	-0.1	-6.2	18.9	-58.7	-57.1

(* Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

Report issued by IEAF Servicios de Análisis, S.L.U. Lighthouse is a project of IEAF Servicios de Análisis, S.L.U.

This report has been prepared on the basis of information available to the public. The report includes a financial analysis of the company covered. The report does not propose any personalised investment recommendation. Investors should consider the contents of this report as just another element in their investment decision-making process. The final two pages of this report contain very important legal information regarding its contents.

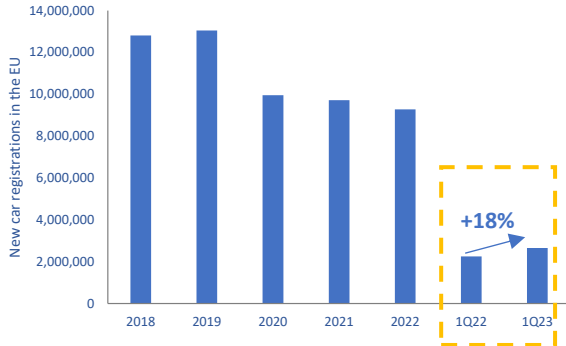
Table 1. 1H23 Results

EUR Mn	6m23 Real	6m22	6m23 Real vs		2023e vs 2022
			6m22	2023e	
Total Revenues	52.2	55.2	-5.4%	106.0	-7.0%
Gross margin	28.7	32.3	-11.1%	60.2	-7.5%
<i>Gross Margin/Revenues</i>	<i>55.0%</i>	<i>58.5%</i>	<i>-3.5 p.p.</i>	<i>56.8%</i>	<i>-0.3 p.p.</i>
Recurrent EBITDA¹	4.4	1.7	161.0%	11.1	38.6%
<i>Rec. EBITDA/Revenues</i>	<i>8.4%</i>	<i>3.1%</i>	<i>5.4 p.p.</i>	<i>10.5%</i>	<i>3.5 p.p.</i>
EBITDA⁽¹⁾	4.4	1.7	161.0%	11.1	25.8%
<i>EBITDA/Revenues</i>	<i>8.4%</i>	<i>3.1%</i>	<i>5.4 p.p.</i>	<i>10.5%</i>	<i>2.7 p.p.</i>
EBIT	2.2	-0.4	n.a.	6.8	51.1%
PBT	1.9	-0.6	420.9%	6.0	46.7%
NP	1.4	-0.6	340.8%	4.5	43.3%
		12m22			
Net Debt	11.4	18.7	-39.2%	18.2	-2.8%

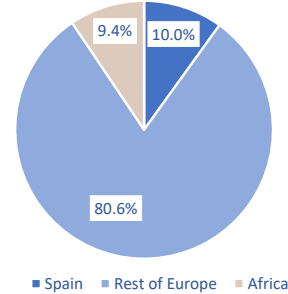
(1) Recurrent and adjusted EBITDA adjusted to strip out the impact of capitalised expenses (EUR 0.9Mn and EUR 0.6Mn in 1S23 and 1S22, respectively).

The company in 8 charts

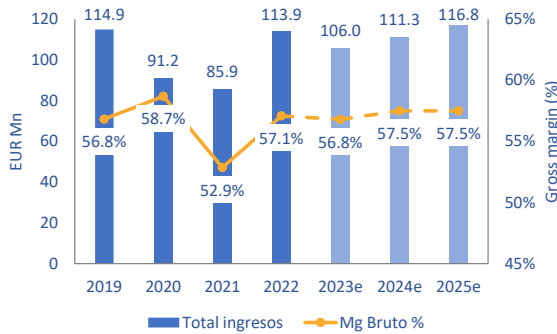
Vehicle registrations in Europe are on the rise in 2023 (but still lower than in 2019)



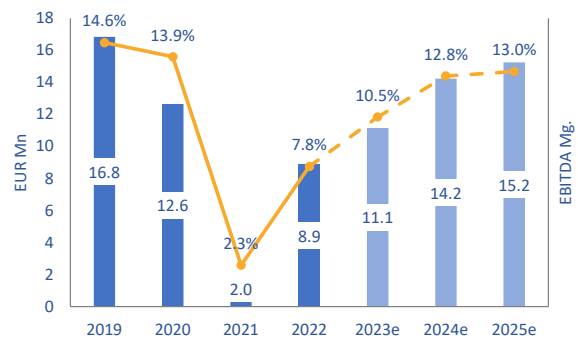
Exports make up 90% of revenue, with Europe as the main revenue source



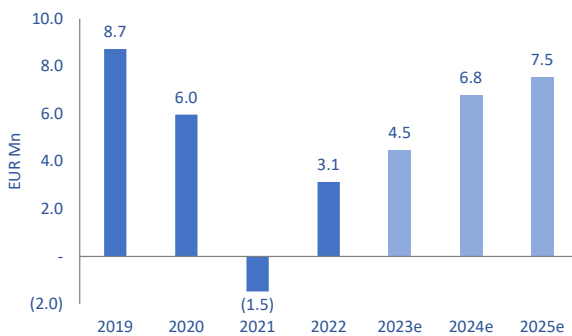
Despite higher volumes, lower prices in 2023e will undermine revenue growth



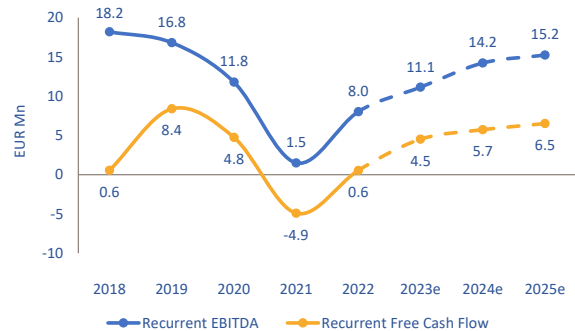
There is still plenty of room for margins (still heavily penalised by high raw material costs) to recover



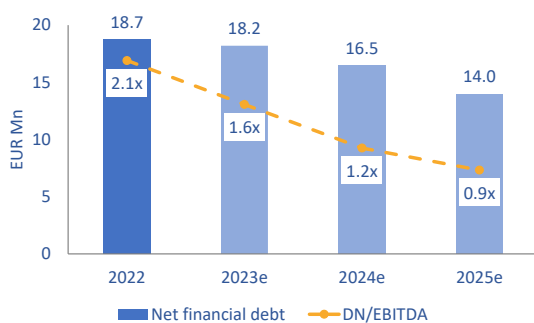
With no significant impact on finance costs, LGT will convert c. 50% of EBITDA into net profit



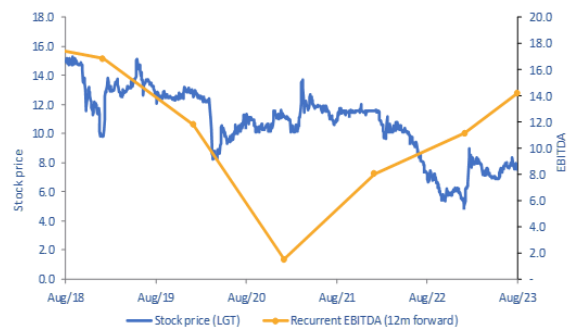
A company with strong potential to generate FCF (with recovery likely to be visible already in 2023e)



Cash generation should bring gearing back to levels of c. 1.5x ND/EBITDA in 2023e



Earnings in 2023e could provide a catalyst by making margin improvement appear more credible



Valuation inputs
Inputs for the DCF Valuation Approach

	2023e	2024e	2025e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	5.1	6.3	7.0	106.0		
Market Cap	75.2	At the date of this report				
Net financial debt	11.4	Debt net of Cash (6m Results 2023)				
					Best Case	Worst Case
Cost of Debt	4.5%	Net debt cost			4.3%	4.8%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	3.6%	$K_d = \text{Cost of Net Debt} * (1-T)$			3.4%	3.8%
Risk free rate (rf)	3.6%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	6.0%	R (own estimate)			5.5%	6.5%
Beta (B)	1.1	B (own estimate)			1.0	1.1
Cost of Equity	10.2%	$K_e = R_f + (R * B)$			9.1%	10.7%
Equity / (Equity + Net Debt)	86.9%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	13.1%	D			=	=
WACC	9.3%	$WACC = K_d * D + K_e * E$			8.3%	9.8%
G "Fair"	2.0%				2.0%	1.5%

(1) The terminal value reflects the NAV of FCF beyond the period estimated with the WACC and G of the central scenario.

Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 23e	EPS 23e-25e	EV/EBITDA 23e	EBITDA 23e-25e	EV/Sales 23e	Revenues 23e-25e	EBITDA/Sales 23e	FCF Yield 23e	FCF 23e-25e
CIE Automotive	CIE-ES	3,340.5	10.6	10.0%	7.1	6.5%	1.2	3.8%	17.4%	10.2%	14.1%
Gestamp	GEST-ES	2,474.6	7.6	20.0%	3.8	9.5%	0.4	6.5%	11.5%	11.9%	16.4%
Faurecia	EO-FR	4,325.7	9.9	50.1%	4.6	11.8%	0.5	6.0%	11.5%	14.1%	42.3%
Voestalpine	VOE-AT	5,187.8	7.8	-0.6%	3.8	-0.7%	0.4	-1.4%	11.0%	9.1%	-18.8%
Auto-Parts			9.0	19.9%	4.8	6.8%	0.7	3.7%	12.8%	11.3%	13.5%
Brembo SPA	BRE-IT	4,249.6	13.0	10.2%	7.1	8.1%	1.2	6.1%	17.3%	5.6%	17.3%
Brake Systems			13.0	10.2%	7.1	8.1%	1.2	6.1%	17.3%	5.6%	17.3%
LGT	LGT-ES	75.2	16.8	29.7%	7.8	16.9%	0.8	5.0%	10.5%	6.0%	20.1%

Free Cash Flow sensitivity analysis (2024e)
A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 24e	EBITDA 24e	EV/EBITDA 24e
Max	14.1%	15.7	5.5x
Central	12.8%	14.2	6.1x
Min	11.5%	12.8	6.8x

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

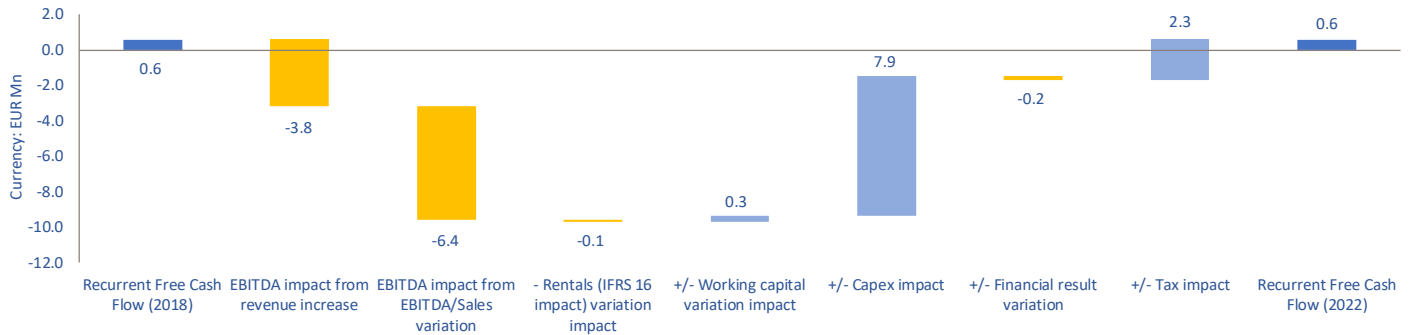
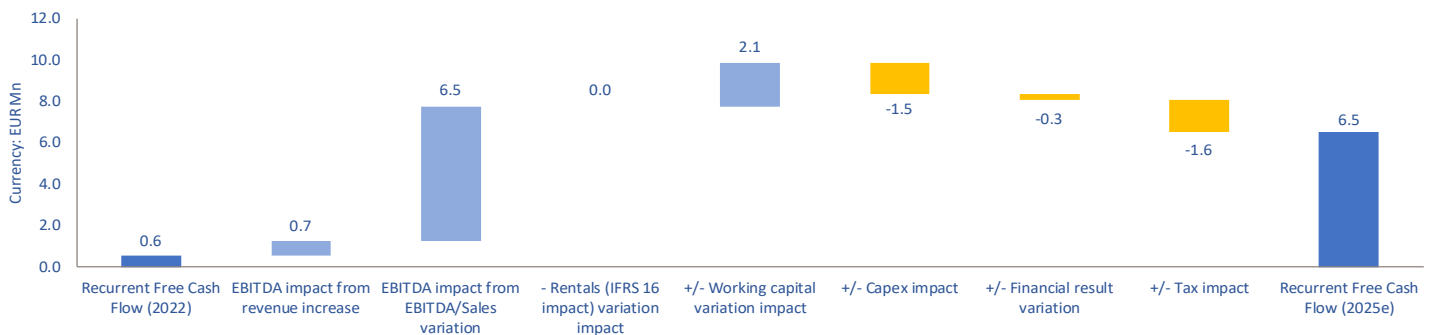
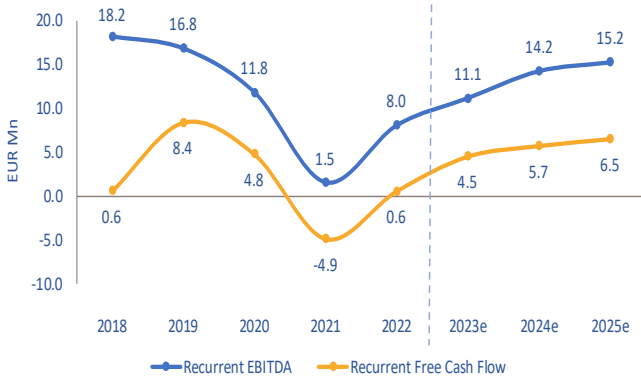
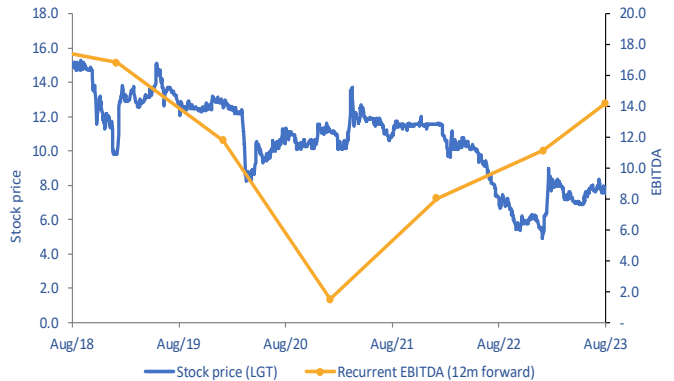
Rec. FCF EUR Mn	CAPEX/Sales 24e			Scenario	Rec. FCF/Yield 24e		
	4.0%	4.5%	5.0%		Max	Central	Min
EBITDA 24e	4.0%	4.5%	5.0%	Max	10.3%	9.5%	8.8%
15.7	7.7	7.2	6.6	Central	8.4%	7.6%	6.9%
14.2	6.3	5.7	5.2	Min	6.4%	5.7%	5.0%
12.8	4.8	4.3	3.7				

Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e		
Intangible assets	0.5	0.9	1.1	1.6	1.5	2.7	3.9	5.1		
Fixed assets	55.1	56.8	57.2	57.1	56.5	55.8	55.3	54.8		
Other Non Current Assets	0.6	0.5	0.4	1.2	0.8	0.8	0.8	0.8		
Financial Investments	0.6	0.6	0.2	0.2	0.2	0.2	0.2	0.2		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	29.5	28.9	28.3	25.7	32.2	30.0	31.5	33.0		
Total assets	86.3	87.7	87.3	85.9	91.3	89.6	91.8	94.0		
Equity	44.5	46.2	45.1	43.7	46.8	47.3	50.1	53.6		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	1.7	1.5	8.3	1.4	0.9	0.9	0.9	0.9		
Other Non Current Liabilities	-	0.2	0.1	0.2	0.1	0.1	0.1	0.1		
Net financial debt	17.0	15.2	9.2	19.9	18.7	18.2	16.5	14.0		
Current Liabilities	23.1	24.6	24.5	20.7	24.7	23.1	24.2	25.4		
Equity & Total Liabilities	86.3	87.7	87.3	85.9	91.3	89.6	91.8	94.0		
										CAGR
P&L (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Total Revenues	115.6	114.9	91.2	85.9	113.9	106.0	111.3	116.8	-0.4%	0.8%
<i>Total Revenues growth</i>	<i>10.9%</i>	<i>-0.6%</i>	<i>-20.7%</i>	<i>-5.8%</i>	<i>32.7%</i>	<i>-7.0%</i>	<i>5.0%</i>	<i>5.0%</i>		
COGS	(48.7)	(49.6)	(37.7)	(40.5)	(48.9)	(45.8)	(47.3)	(49.7)		
Gross Margin	66.9	65.3	53.5	45.4	65.0	60.2	64.0	67.2	-0.7%	1.1%
<i>Gross Margin/Revenues</i>	<i>57.9%</i>	<i>56.8%</i>	<i>58.7%</i>	<i>52.9%</i>	<i>57.1%</i>	<i>56.8%</i>	<i>57.5%</i>	<i>57.5%</i>		
Personnel Expenses	(28.1)	(27.8)	(25.2)	(22.7)	(23.3)	(23.6)	(24.8)	(26.0)		
Other Operating Expenses	(20.5)	(20.6)	(16.5)	(21.2)	(33.7)	(25.4)	(25.0)	(25.9)		
Recurrent EBITDA	18.2	16.8	11.8	1.5	8.0	11.1	14.2	15.2	-18.5%	23.7%
<i>Recurrent EBITDA growth</i>	<i>8.9%</i>	<i>-7.5%</i>	<i>-29.9%</i>	<i>-87.2%</i>	<i>430.5%</i>	<i>38.6%</i>	<i>27.6%</i>	<i>7.1%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>15.8%</i>	<i>14.6%</i>	<i>12.9%</i>	<i>1.8%</i>	<i>7.1%</i>	<i>10.5%</i>	<i>12.8%</i>	<i>13.0%</i>		
Restructuring Expense & Other non-rec.	-	-	0.8	0.5	0.8	-	-	-		
EBITDA	18.2	16.8	12.6	2.0	8.9	11.1	14.2	15.2	-16.5%	19.8%
Depreciation & Provisions	(5.5)	(5.5)	(4.5)	(5.1)	(5.5)	(5.4)	(5.5)	(5.6)		
Capitalized Expense	0.1	0.4	0.7	1.0	1.2	1.2	1.2	1.2		
Rentals (IFRS 16 impact)	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)		
EBIT	12.8	11.7	8.7	(2.2)	4.5	6.8	9.8	10.8	-23.0%	33.8%
<i>EBIT growth</i>	<i>3.7%</i>	<i>-8.7%</i>	<i>-25.8%</i>	<i>-124.9%</i>	<i>308.2%</i>	<i>51.1%</i>	<i>44.5%</i>	<i>9.6%</i>		
<i>EBIT/Revenues</i>	<i>11.1%</i>	<i>10.2%</i>	<i>9.5%</i>	<i>n.a.</i>	<i>3.9%</i>	<i>6.4%</i>	<i>8.8%</i>	<i>9.2%</i>		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.2)	(0.3)	(0.3)	(0.3)	(0.4)	(0.8)	(0.8)	(0.7)		
Income by the Equity Method	(0.4)	-	-	-	-	-	-	-		
Ordinary Profit	12.2	11.4	8.4	(2.5)	4.1	6.0	9.0	10.1	-24.0%	35.1%
<i>Ordinary Profit Growth</i>	<i>2.6%</i>	<i>-6.6%</i>	<i>-26.6%</i>	<i>-129.6%</i>	<i>264.4%</i>	<i>46.7%</i>	<i>51.2%</i>	<i>11.2%</i>		
Extraordinary Results	-	-	(0.4)	0.5	-	-	-	-		
Profit Before Tax	12.2	11.4	8.0	(2.0)	4.1	6.0	9.0	10.1	-24.0%	35.1%
Tax Expense	(3.0)	(2.7)	(2.1)	0.5	(0.9)	(1.5)	(2.3)	(2.5)		
<i>Effective Tax Rate</i>	<i>24.7%</i>	<i>23.7%</i>	<i>25.7%</i>	<i>n.a.</i>	<i>23.2%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	9.2	8.7	6.0	(1.5)	3.1	4.5	6.8	7.5	-23.6%	34.1%
<i>Net Profit growth</i>	<i>3.1%</i>	<i>-5.3%</i>	<i>-31.6%</i>	<i>-124.8%</i>	<i>312.0%</i>	<i>43.3%</i>	<i>51.2%</i>	<i>11.2%</i>		
Ordinary Net Profit	9.2	8.7	5.6	(2.9)	2.5	4.5	6.8	7.5	-27.8%	44.4%
<i>Ordinary Net Profit growth</i>	<i>3.1%</i>	<i>-5.3%</i>	<i>-35.7%</i>	<i>-152.3%</i>	<i>185.4%</i>	<i>79.2%</i>	<i>51.2%</i>	<i>11.2%</i>		
										CAGR
Cash Flow (EUR Mn)	2018	2019	2020	2021	2022	2023e	2024e	2025e	18-22	22-25e
Recurrent EBITDA						11.1	14.2	15.2	-18.5%	23.7%
Rentals (IFRS 16 impact)						(0.1)	(0.1)	(0.1)		
Working Capital Increase						0.5	(0.4)	(0.4)		
Recurrent Operating Cash Flow						11.6	13.8	14.8	-22.8%	39.1%
CAPEX						(4.8)	(5.0)	(5.0)		
Net Financial Result affecting the Cash Flow						(0.8)	(0.8)	(0.7)		
Tax Expense						(1.5)	(2.3)	(2.5)		
Recurrent Free Cash Flow						4.5	5.7	6.5	-0.9%	n.a.
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						4.5	5.7	6.5	9.6%	78.0%
Capital Increase						-	-	-		
Dividends						(4.0)	(4.0)	(4.0)		
Net Debt Variation						(0.5)	(1.7)	(2.5)		

Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2019	2020	2021	2022	2023e	2024e	2025e	CAGR	
								19-22	22-25e
Recurrent EBITDA	16.8	11.8	1.5	8.0	11.1	14.2	15.2	-21.8%	23.7%
<i>Recurrent EBITDA growth</i>	-7.5%	-29.9%	-87.2%	430.5%	38.6%	27.6%	7.1%		
<i>Rec. EBITDA/Revenues</i>	14.6%	12.9%	1.8%	7.1%	10.5%	12.8%	13.0%		
- Rentals (IFRS 16 impact)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)		
+/- Working Capital increase	2.1	0.6	(1.3)	(2.5)	0.5	(0.4)	(0.4)		
= Recurrent Operating Cash Flow	18.9	12.3	0.1	5.5	11.6	13.8	14.8	-33.8%	39.1%
<i>Rec. Operating Cash Flow growth</i>	22.2%	-35.0%	-99.0%	n.a.	111.4%	18.8%	7.2%		
<i>Rec. Operating Cash Flow / Sales</i>	16.4%	13.5%	0.1%	4.8%	10.9%	12.4%	12.6%		
- CAPEX	(7.5)	(5.5)	(5.2)	(3.6)	(4.8)	(5.0)	(5.0)		
- Net Financial Result affecting Cash Flow	(0.2)	(0.3)	(0.3)	(0.4)	(0.8)	(0.8)	(0.7)		
- Taxes	(2.8)	(1.8)	0.5	(0.9)	(1.5)	(2.3)	(2.5)		
= Recurrent Free Cash Flow	8.4	4.8	(4.9)	0.6	4.5	5.7	6.5	-59.5%	n.a.
<i>Rec. Free Cash Flow growth</i>	n.a.	-43.4%	-202.9%	111.4%	708.3%	26.8%	13.8%		
<i>Rec. Free Cash Flow / Revenues</i>	7.3%	5.2%	n.a.	0.5%	4.3%	5.2%	5.6%		
- Restructuring expenses & others	-	0.8	0.5	0.8	-	-	-		
- Acquisitions / + Divestments	0.4	-	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	0.5	(0.2)	-	-	-		
= Free Cash Flow	8.8	5.6	(4.0)	1.2	4.5	5.7	6.5	-49.1%	78.0%
<i>Free Cash Flow growth</i>	994.4%	-36.3%	-171.2%	129.0%	290.9%	26.8%	13.8%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	11.2%	6.3%	n.a.	0.7%	6.0%	7.6%	8.7%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	11.7%	7.4%	n.a.	1.5%	6.0%	7.6%	8.7%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
Recurrent FCF(FY - 1)	0.6	8.4	4.8	(4.9)	0.6	4.5	5.7		
EBITDA impact from revenue increase	(0.1)	(3.5)	(0.7)	0.5	(0.6)	0.6	0.7		
EBITDA impact from EBITDA/Sales variation	(1.3)	(1.6)	(9.6)	6.0	3.7	2.5	0.3		
= Recurrent EBITDA variation	(1.4)	(5.0)	(10.3)	6.5	3.1	3.1	1.0		
- Rentals (IFRS 16 impact) variation impact	(0.1)	(0.0)	(0.0)	-	-	-	-		
+/- Working capital variation impact	4.9	(1.5)	(1.9)	(1.2)	3.0	(0.9)	(0.0)		
= Recurrent Operating Cash Flow variation	3.4	(6.6)	(12.2)	5.4	6.1	2.2	1.0		
+/- CAPEX impact	4.0	2.1	0.2	1.7	(1.2)	(0.2)	(0.0)		
+/- Financial result variation	(0.0)	(0.1)	(0.0)	(0.1)	(0.4)	0.0	0.1		
+/- Tax impact	0.5	1.0	2.3	(1.5)	(0.5)	(0.8)	(0.3)		
= Recurrent Free Cash Flow variation	7.8	(3.6)	(9.6)	5.5	4.0	1.2	0.8		
Recurrent Free Cash Flow	8.4	4.8	(4.9)	0.6	4.5	5.7	6.5		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
EBIT	11.7	8.7	(2.2)	4.5	6.8	9.8	10.8	-27.3%	33.8%
* Theoretical Tax rate	23.7%	25.7%	0.0%	23.2%	25.0%	25.0%	25.0%		
= Taxes (pre- Net Financial Result)	(2.8)	(2.2)	-	(1.0)	(1.7)	(2.5)	(2.7)		
Recurrent EBITDA	16.8	11.8	1.5	8.0	11.1	14.2	15.2	-21.8%	23.7%
- Rentals (IFRS 16 impact)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)		
+/- Working Capital increase	2.1	0.6	(1.3)	(2.5)	0.5	(0.4)	(0.4)		
= Recurrent Operating Cash Flow	18.9	12.3	0.1	5.5	11.6	13.8	14.8	-33.8%	39.1%
- CAPEX	(7.5)	(5.5)	(5.2)	(3.6)	(4.8)	(5.0)	(5.0)		
- Taxes (pre- Financial Result)	(2.8)	(2.2)	-	(1.0)	(1.7)	(2.5)	(2.7)		
= Recurrent Free Cash Flow (To the Firm)	8.6	4.6	(5.1)	0.9	5.1	6.3	7.0	-53.3%	n.a.
<i>Rec. Free Cash Flow (To the Firm) growth</i>	960.0%	-46.6%	-211.6%	117.2%	483.9%	23.1%	11.7%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	7.5%	5.0%	n.a.	0.8%	4.8%	5.7%	6.0%		
- Acquisitions / + Divestments	0.4	-	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	0.5	(0.2)	-	-	-		
= Free Cash Flow "To the Firm"	9.0	4.6	(4.7)	0.7	5.1	6.3	7.0	-58.2%	n.a.
<i>Free Cash Flow (To the Firm) growth</i>	768.6%	-48.9%	-201.7%	114.1%	679.9%	23.1%	11.7%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	9.9%	5.3%	n.a.	1.0%	5.9%	7.3%	8.1%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	10.3%	5.3%	n.a.	0.8%	5.9%	7.3%	8.1%		

Recurrent Free Cash Flow accumulated variation analysis (2018 - 2022)

Recurrent Free Cash Flow accumulated variation analysis (2022 - 2025e)

Recurrent EBITDA vs Recurrent Free Cash Flow

Stock performance vs EBITDA 12m forward

Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	75.2	
+ Minority Interests	-	6m Results 2023
+ Provisions & Other L/T Liabilities	0.7	6m Results 2023
+ Net financial debt	11.4	6m Results 2023
- Financial Investments	0.2	6m Results 2023
+/- Others		
Enterprise Value (EV)	87.0	

Appendix 4. Historical performance ⁽¹⁾

Historical performance (EUR Mn)															CAGR	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	12-22	22-25e
Total Revenues	57.8	62.1	63.3	79.5	95.6	104.2	115.6	114.9	91.2	85.9	113.9	106.0	111.3	116.8	7.0%	0.8%
Total Revenues growth	n.a.	7.4%	2.0%	25.5%	20.3%	9.0%	10.9%	-0.6%	-20.7%	-5.8%	32.7%	-7.0%	5.0%	5.0%		
EBITDA	6.0	7.7	8.7	13.2	19.0	16.7	18.2	16.8	12.6	2.0	8.9	11.1	14.2	15.2	3.9%	19.8%
EBITDA growth	n.a.	27.6%	13.2%	50.8%	44.6%	-12.1%	8.9%	-7.5%	-24.9%	-84.4%	350.1%	25.8%	27.6%	7.1%		
EBITDA/Sales	10.5%	12.4%	13.8%	16.6%	19.9%	16.0%	15.8%	14.6%	13.9%	2.3%	7.8%	10.5%	12.8%	13.0%		
Net Profit	2.5	4.0	4.0	6.7	10.5	8.9	9.2	8.7	6.0	(1.5)	3.1	4.5	6.8	7.5	2.2%	34.1%
Net Profit growth	n.a.	58.1%	0.0%	69.1%	56.0%	-14.9%	3.1%	-5.3%	-31.6%	-124.8%	312.0%	43.3%	51.2%	11.2%		
Adjusted number shares (Mn)	10.9	9.9	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0		
EPS (EUR)	0.23	0.40	0.40	0.67	1.05	0.89	0.92	0.87	0.60	-0.15	0.31	0.45	0.68	0.75	3.1%	34.1%
EPS growth	n.a.	74.2%	-1.1%	69.1%	56.0%	-14.9%	3.1%	-5.3%	-31.6%	n.a.	n.a.	43.3%	51.2%	11.2%		
Ord. EPS (EUR)	0.23	0.40	0.40	0.67	1.05	0.89	0.92	0.87	0.56	-0.29	0.25	0.45	0.68	0.75	0.8%	44.4%
Ord. EPS growth	n.a.	74.2%	-1.1%	69.1%	56.0%	-14.9%	3.1%	-5.3%	-35.7%	n.a.	n.a.	79.2%	51.2%	11.2%		
CAPEX	(2.0)	(3.5)	(3.5)	(6.1)	(18.1)	(10.0)	(11.5)	(7.5)	(5.5)	(5.2)	(3.6)	(4.8)	(5.0)	(5.0)		
CAPEX/Sales %	3.4%	5.6%	5.5%	7.7%	18.9%	9.6%	9.9%	6.5%	6.0%	6.1%	3.1%	4.5%	4.5%	4.3%		
Free Cash Flow	8.5	0.8	0.7	10.3	(0.3)	(0.7)	0.8	8.8	5.6	(4.0)	1.2	4.5	5.7	6.5	#####	78.0%
ND/EBITDA (x) ⁽²⁾	0.0x	0.7x	0.7x	-0.2x	0.2x	0.6x	0.9x	0.9x	0.7x	10.1x	2.1x	1.6x	1.2x	0.9x		
P/E (x)	7.1x	5.7x	7.4x	10.2x	11.4x	17.3x	10.7x	14.4x	18.8x	n.a.	16.6x	16.8x	11.1x	10.0x		
EV/Sales (x)	0.42x	0.56x	0.76x	1.04x	1.53x	1.82x	1.11x	1.32x	1.52x	1.64x	0.64x	0.82x	0.78x	0.74x		
EV/EBITDA (x) ⁽²⁾	4.0x	4.5x	5.5x	6.3x	7.7x	11.4x	7.0x	9.0x	10.9x	n.a.	8.3x	7.8x	6.1x	5.7x		
Absolute performance	-6.6%	41.1%	27.5%	133.6%	74.3%	29.0%	-36.4%	27.8%	-10.7%	3.2%	-55.0%	44.7%				
Relative performance vs Ibx 35	-2.0%	16.2%	23.0%	151.6%	77.9%	20.1%	-25.2%	14.3%	5.6%	-4.4%	-52.3%	27.6%				

Note 1: The multiples are historical, calculated based on the price and EV at the end of each year, except (if applicable) in the current year, when multiples would be given at current prices. The absolute and relative behavior corresponds to each exercise (1/1 to 31/12). The source, both historical multiples and the evolution of the price, is Factset.

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main peers 2023e

		Auto-Parts				Brake Systems		
		CIE				Average	Brembo SPA	LGT
EUR Mn		Automotive	Gestamp	Faurecia	Voestalpine			
Market data	Ticker (Factset)	CIE-ES	GEST-ES	EO-FR	VOE-AT		BRE-IT	LGT-ES
	Country	Spain	Spain	France	Austria		Italy	Spain
	Market cap	3,340.5	2,474.6	4,325.7	5,187.8		4,249.6	75.2
	Enterprise value (EV)	5,021.8	5,287.8	14,154.1	6,939.4		4,870.9	87.0
Basic financial information	Total Revenues	4,050.0	12,117.5	26,999.5	16,663.7		3,978.5	106.0
	Total Revenues growth	5.5%	13.0%	6.1%	-8.6%	4.0%	9.6%	-7.0%
	2y CAGR (2023e - 2025e)	3.8%	6.5%	6.0%	-1.4%	3.7%	6.1%	5.0%
	EBITDA	705.3	1,390.0	3,102.6	1,832.1		688.4	11.1
	EBITDA growth	11.4%	16.5%	33.0%	-20.0%	10.2%	20.2%	25.8%
	2y CAGR (2023e - 2025e)	6.5%	9.5%	11.8%	-0.7%	6.8%	8.1%	16.9%
	EBITDA/Revenues	17.4%	11.5%	11.5%	11.0%	12.8%	17.3%	10.5%
	EBIT	512.7	685.3	1,439.2	1,022.1		434.3	6.8
	EBIT growth	12.4%	30.9%	59.3%	-34.0%	17.2%	30.6%	51.1%
	2y CAGR (2023e - 2025e)	7.2%	13.5%	20.2%	-3.2%	9.4%	10.3%	25.9%
	EBIT/Revenues	12.7%	5.7%	5.3%	6.1%	7.4%	10.9%	6.4%
	Net Profit	319.7	323.1	423.3	625.8		326.8	4.5
	Net Profit growth	9.1%	24.3%	210.9%	-35.7%	52.1%	11.5%	43.3%
	2y CAGR (2023e - 2025e)	9.4%	19.0%	50.5%	-3.6%	18.8%	10.6%	29.7%
	CAPEX/Sales %	5.2%	7.4%	6.9%	7.0%	6.6%	8.7%	4.5%
Free Cash Flow	339.1	294.2	611.1	470.5		240.1	4.5	
Net financial debt	1,105.7	2,030.9	6,778.5	1,926.3		375.2	18.2	
ND/EBITDA (x)	1.6	1.5	2.2	1.1	1.6	0.5	1.6	
Pay-out	32.2%	28.5%	17.2%	35.1%	28.2%	30.9%	89.1%	
Multiples and Ratios	P/E (x)	10.6	7.6	9.9	7.8	9.0	13.0	16.8
	P/BV (x)	2.4	1.0	0.9	0.6	1.2	2.0	1.6
	EV/Revenues (x)	1.2	0.4	0.5	0.4	0.7	1.2	0.8
	EV/EBITDA (x)	7.1	3.8	4.6	3.8	4.8	7.1	7.8
	EV/EBIT (x)	9.8	7.7	9.8	6.8	8.5	11.2	12.8
	ROE	23.0	13.6	8.6	8.1	13.3	15.3	9.5
	FCF Yield (%)	10.2	11.9	14.1	9.1	11.3	5.6	6.0
	DPS	0.85	0.16	0.42	1.24	0.67	0.31	0.40
	Dvd Yield	3.1%	3.7%	1.9%	4.3%	3.2%	2.4%	5.3%

Note 1: Financial data, multiples and ratios based on market consensus (Factset). In the case of the company analyzed, own estimates (Lighthouse).

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

LIGHTHOUSE

Calle Núñez de Balboa, 108 1ª Planta

28006 Madrid

T: +34 915 904 226

<https://institutodeanalistas.com/lighthouse>

Alfredo Echevarría Otegui

Head of research

alfredo.echevarria@lighthouse-ieaf.com

Luis Esteban Arribas, CESGA

Equity research

luis.esteban@lighthouse-ieaf.com

Enrique Andrés Abad, CFA

Equity research

enrique.andres@lighthouse-ieaf.com

Jesús López Gómez, CESGA

ESG Analyst & Data analytics

jesus.lopez@lighthouse-ieaf.com

All Lighthouse research documents are available simultaneously on the Lighthouse website (<https://institutodeanalistas.com/lighthouse>) and via third-party aggregators such as Bloomberg, Factset, Capital IQ and Refinitiv.

IMPORTANT LEGAL INFORMATION REGARDING THIS REPORT

LIGHTHOUSE

Lighthouse is a project of IEAF Servicios de Análisis S.L.U. Lighthouse is a research project funded by Bolsas y Mercados Españoles S.A. Lighthouse aims to improve the research coverage of the "orphan stocks" of the Spanish market: those which lack real and continuous research coverage. Lighthouse reports will not include valuation and target price. Lighthouse does not seek to provide investment advice to any natural or legal person. For this reason, Lighthouse will not provide a valuation, target price or investment recommendation for any of the securities analysed.

IEAF Servicios de Análisis S.L.U. is a Spanish company whose corporate purpose is:

1º) To provide information and financial analysis regarding securities issued by any class of legal person traded or not on official secondary markets, and especially (but not exclusively) those securities which are not the object of the recurrent provision of information and analysis by financial analysts who participate in the markets.

2º) To publicise and update the aforementioned financial reports and analysis, in addition to the monitoring and following of the securities on which the information and analysis is provided.

3º) To prepare studies and projects aimed at proposing and implementing measures to improve the information and financial analysis of securities traded on official secondary markets.

IEAF Servicios de Análisis S.L.U. is a company whose sole shareholder is the Instituto Español de Analistas Financieros, a professional, not for profit association.

DISCLAIMER

The Instituto Español de Analistas Financieros hereby certifies that the analyst of IEAF Servicios de Análisis S.L.U. whose name figures as the author of this report, expresses views that reflect their personal and independent opinion of the company analysed without these implying, either directly or indirectly, a personalised recommendation of the company analysed for purposes of providing investment advice. This report is based on the preparation of detailed financial projections from information available to the public and following traditional fundamental research methodology (i.e. it is not a technical or quantitative analysis report). For the analysis methodology used in the preparation of this report, please contact the analyst directly; contact details are included on the front page of this report.

The report includes basic information regarding the main parameters to be used by an investor when making their own valuation (whether by discounted cash flows or multiples). These parameters are the personal opinion or estimate of the analyst. The person receiving this report should use their own judgement when using these parameters and should consider them as another element in their decision-making process in respect of investment. These parameters do not represent a personalised investment recommendation.

Rules governing confidentiality and conflicts of interest

None of the following rules governing confidentiality and conflicts of interest (12) is applicable to this report:

1. This report is non-independent research as it has been commissioned by the company analysed (issuer).

2. In the last 12 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., has had Investment Banking mandates or has managed or co-managed a public offering of the securities of the issuer, or has received compensation from said issuer for Investment Banking services, that exclude brokerage services for prepaid fees.

3. In the next 6 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., expects to receive or intends to obtain compensation for Investment Banking services provided to this company that exclude brokerage services for prepaid fees.

4. The Investment Analyst or a member of the Research Department or a member of their household has a long position in the shares or derivatives of the corresponding issuer.

5. The Investment Analyst or a member of the Research Department or a member of their household has a short position in the shares or derivatives of the corresponding issuer.

6. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a long position of over 0.5% of the issuer's capital.

7. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a short position of over 0.5% of the issuer's capital.

8. At the end of the month immediately prior to the publication of this report, or of the previous month if the report is published in the ten days following the end of the month, the company analysed (the issuer) or any of its subsidiaries held 5% or more of any class of equity security of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U.

9. A senior director or officer of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., or a member of their department is a director, officer, advisor or member of the Board of Directors of the issuer and/or one of its subsidiaries.

10. The Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., acts as broker for the Issuer for the corresponding prepaid fees.

11. The contents of this report related to the financial analysis, financial projections, valuation, investment summary and opinion of the analyst have been reviewed by the issuer prior to its publication.

12. The issuer has made changes to the contents of this report prior to its distribution.

The Investment Analysts who have prepared this Investment Analysis are employees of IEAF Servicios de Análisis S.L.U. These analysts have received (or will receive) compensation according to the general earnings of IEAF Servicios de Análisis S.L.U. To obtain a copy of the Code of Conduct of IEAF Servicios de Análisis S.L.U. (in respect of the Management of Conflicts of Interest in the research department), please use the e-mail address secretaria@institutodeanalistas.com or consult the contents of this Code at <https://institutodeanalistas.com>.

IEAF Servicios de Análisis S.L.U. is compensated by Bolsas y Mercados Españoles, S.A. for the preparation of this report. This report should be considered as just another element in the taking of investment decisions.

A report issued by IEAF servicios de análisis S.L.U.

All rights reserved. The unauthorised use or distribution of this report is prohibited. This document has been prepared and distributed, according to the provisions of the MiFID II by IEAF Servicios de Análisis S.L.U. Its corporate activity is regulated by the CNMV (the Spanish Securities Exchange Commission). The information and opinions expressed in this document do not represent nor are they intended to represent an offer or a solicitation to buy or sell the securities (in other words, the securities mentioned in this report and related warrants, options, rights or interests). The information and opinions contained in this document are based upon information available to the public and have been obtained from sources believed to be reliable by IEAF Servicios de Análisis S.L.U., but no guarantee is given regarding their accuracy or completeness. All comments and estimates reflect solely the opinion of IEAF Servicios de Análisis S.L.U. and do not offer any implicit or explicit guarantee. All the opinions expressed are subject to change without prior warning. This document does not take into account the specific investment objectives, financial position, risk profile or other specific aspects of the person who receives this document, and accordingly they should exercise their own judgement in this respect. Neither the Instituto Español de Analistas Financieros nor its subsidiary, IEAF Servicios de Análisis S.L.U., assumes any responsibility for direct or indirect losses arising from the use of the published research, except in the event of negligent conduct by IEAF Servicios de Análisis S.L.U. The information contained in this report is approved for distribution to professional clients, eligible counterparties and professional advisers, but not for distribution to private individuals or retail clients. Its reproduction, distribution or

publication for any purpose without the written authorisation of IEAF Servicios de Análisis S.L.U. is prohibited. The Instituto Español de Analistas Financieros and/or its subsidiary IEAF Servicios de Análisis S.L.U., their employees and directors, may hold a position (long or short) in an investment knowing that this issuer will be the object of analysis and that this analysis will be distributed to institutional investors. Any further information regarding the contents of this report will be provided upon request. IEAF Servicios de Análisis S.L.U. intends to publish (at least) one quarterly report or note updating the information on the company analysed.

United States. IEAF Servicios de Análisis S.L.U. is not registered in the United States and, consequently, is not subject to the regulations of that country governing the preparation of research and the independence of analysts. This report is distributed solely to major US institutional investors, in reliance on the exemption from registration provided by Rule 15a-6 of the US Securities Exchange Act of 1934, as amended (the "Exchange Act"), and interpretations of this made by the US Securities Exchange Commission.

Major US Institutional Investors. This report will be distributed to "major US institutional investors", as defined by Rule 15a-6 of the US Securities Exchange Commission and of the US Securities Exchange Act of 1934.

Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
03-Aug-2023	n.a.	7.52	n.a.	n.a.	6m Results 2023	Luis Esteban Arribas
12-Jun-2023	n.a.	7.80	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
01-Mar-2023	n.a.	8.01	n.a.	n.a.	12m Results 2022	David López Sánchez
31-Oct-2022	n.a.	5.85	n.a.	n.a.	9m Results 2022	David López Sánchez
03-Aug-2022	n.a.	6.87	n.a.	n.a.	6m Results 2022 - Estimates upgrade	David López Sánchez
01-Apr-2022	n.a.	10.78	n.a.	n.a.	Estimates downgrade	David López Sánchez
02-Mar-2022	n.a.	10.25	n.a.	n.a.	12m Results 2021	David López Sánchez
03-Aug-2021	n.a.	11.02	n.a.	n.a.	6m Results 2021 - Estimates downgrade	David López Sánchez
01-Mar-2021	n.a.	10.46	n.a.	n.a.	12m Results 2020	David López Sánchez
30-Oct-2020	n.a.	10.50	n.a.	n.a.	9m Results 2020	David López Sánchez
28-Jul-2020	n.a.	11.01	n.a.	n.a.	Estimates downgrade	David López Sánchez
28-Feb-2020	n.a.	12.31	n.a.	n.a.	12m Results 2019	David López Sánchez
28-Oct-2019	n.a.	12.45	n.a.	n.a.	9m Results 2019	David López Sánchez
22-Jul-2019	n.a.	13.28	n.a.	n.a.	6m Results 2019 - Estimates downgrade	David López Sánchez
13-May-2019	n.a.	13.78	n.a.	n.a.	3m Results 2019	David López Sánchez
01-Mar-2019	n.a.	13.38	n.a.	n.a.	12m Results 2018	David López Sánchez
22-Nov-2018	n.a.	11.31	n.a.	n.a.	Initiation of Coverage	David López Sánchez

