

EQUITY - SPAIN

Sector: Machinery

Report date: 1 Sep 2022
Distribution time: 9:00

6m Results 2022 - Estimates downgrade

Closing price: EUR 5.10 (31 Aug 2022)

6m Results 2022

Opinion ⁽¹⁾: Below expectations

Impact ⁽¹⁾: We lower our estimates

David López Sánchez – david.lopez@lighthouse-ieaf.com

+34 915 904 226

Nicolás Correa (NEA) is a Spanish industrial (Burgos), whose core business is the design and manufacture of chip removal machine tools, specialising in milling machines for the general mechanical engineering industry (aerospace, defense, renewable energy and nuclear sectors standing out). Currently, sales in Spain account for 5.9% (2021) of the total, with a 46.2% of sales made in the rest of Europe. China accounted for 31.5% in 2021.

A 1H of contrasts: excellent in terms of revenue, but suffering (unavoidable) pressure on margins

AN EXCELLENT REVENUE PERFORMANCE. Strong revenue growth (EUR 45.5Mn; +19.2% vs 1H21) that consolidates NEA's capacity for double-digit growth and confirms the importance of its diversification both by geography (c. 95% of revenue are exports, the EU being its core market) and sector (its exposure to the defence, renewable energy and nuclear sectors standing out).

ALTHOUGH THE CURRENT CONTEXT IS SQUEEZING MARGINS (1H22 EBITDA: -4.7%). The gross margin has worsened to 53.0% (vs 55.8% in 1H21 and 56.7% in 2021). In addition, the increase in personnel costs to EUR 9.4Mn (+15.4%) and in other operating costs (+21.5%) has prevented growth in EBITDA, that closed 1H22 at EUR 4.3Mn (-4.7% vs 1H21). This translates to an EBITDA margin of 9.5% (-2.4p.p. vs 1H21 but maintaining a positive spread to the sector, with margins of c. 6-7%).

MAINTAINING THE STRENGTH OF THE BALANCE SHEET (IN NET CASH). The net cash pile declined to EUR 6.8Mn (vs EUR 12.2Mn at the 2021 close) due to the increase in working capital (required for the strong growth in activity). A level of net cash that endorses NEA's investment capacity and its potential for continuing to grow and create value (in July 2022 NEA acquired 88% of NC Service Milling Machines, a company specialising in the installation, post-sales service and maintenance of machine tools, with a high level of specialisation in the CORREA brand, for EUR 2.4Mn).

WE DOWNGRADE OUR ESTIMATES..... Despite the excellent performance of revenues, margins are lower than expected. This leads us to downgrade our projections: now our central scenario points to levels of EBITDA similar to those seen in 2021 (2022e EBITDA: EUR 9.4Mn, -14% vs previous estimate; 2022e EBITDA margin 10.2% vs 9.5% in 1H).

... BUT FUNDAMENTALS REMAIN VERY SOUND. We highlight: (i) order book at highs (EUR 74.8Mn, +67% vs 1H21; that "protects" NEA's activity in coming quarters), (ii) a good competitive position (able to maintain a positive margin gap to the sector), (iii) a diversified business (by sector and geography) and (iv) a strong balance sheet (1H22 net cash: c. 11% of the Mkt. Cap). 2022e EV/EBITDA of 5.8x (5x in 2023e).

Market Data

Market Cap (Mn EUR and USD)	62.8	63.2
EV (Mn EUR and USD) ⁽²⁾	54.8	55.1
Shares Outstanding (Mn)	12.3	
-12m (Max/Med/Mín EUR)	6.09 / 5.53 / 4.80	
Daily Avg volume (-12m Mn EUR)	0.04	
Rotation ⁽³⁾	17.0	
Factset / Bloomberg	NEA-ES / NEA SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Nicolás-Correa Family	29.0
Jose Maria Galíndez	5.4
Onchena	5.4
Board (Excl. Nicolas-Correa)	2.0
Free Float	58.2

Financials (Mn EUR)

	2021	2022e	2023e	2024e
Adj. nº shares (Mn)	12.3	12.3	12.3	12.3
Total Revenues	78.2	91.6	95.7	98.1
Rec. EBITDA	9.2	9.4	11.1	12.1
% growth	12.7	2.4	18.4	8.6
% Rec. EBITDA/Rev.	11.7	10.2	11.6	12.3
% Inc. EBITDA sector ⁽⁴⁾	18.9	16.4	17.4	14.1
Net Profit	5.6	6.0	7.2	8.1
EPS (EUR)	0.45	0.49	0.59	0.65
% growth	-4.5	7.4	20.4	11.7
Ord. EPS (EUR)	0.46	0.49	0.59	0.65
% growth	-2.9	5.7	20.4	11.7
Rec. Free Cash Flow ⁽⁵⁾	13.3	0.8	5.9	6.9
Pay-out (%)	37.2	34.6	28.7	25.7
DPS (EUR)	0.17	0.17	0.17	0.17
Net financial debt	-13.1	-9.3	-13.2	-18.0
ND/Rec. EBITDA (x)	-1.4	-1.0	-1.2	-1.5
ROE (%)	9.6	9.7	10.9	11.2
ROCE (%) ⁽⁵⁾	11.2	11.7	13.1	14.2

Ratios & Multiples (x)⁽⁶⁾

	2021	2022e	2023e	2024e
P/E	11.3	10.5	8.7	7.8
Ord. P/E	11.1	10.5	8.7	7.8
P/BV	1.1	1.0	0.9	0.8
Dividend Yield (%)	3.3	3.3	3.3	3.3
EV/Sales	0.70	0.60	0.57	0.56
EV/Rec. EBITDA	6.0	5.8	4.9	4.5
EV/EBIT	7.5	7.2	6.0	5.5
FCF Yield (%) ⁽⁵⁾	21.2	1.2	9.4	11.0

Relative performance (Base 100)



Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	0.0	-0.4	-9.0	-12.6	49.0	112.8
vs Ibex 35	3.4	11.8	2.1	-3.4	66.5	177.9
vs Ibex Small Cap Index	3.2	17.2	2.9	-4.1	25.6	68.2
vs Eurostoxx 50	5.4	7.3	8.6	6.8	45.2	107.0
vs Sector benchmark ⁽⁴⁾	13.1	14.2	-10.4	-14.0	-39.5	0.4

(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: Europe Industrial Machinery.

(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.

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

6m Results 2022

Estimates downgrade

Table 1. 1H22 Results

EUR Mn	6m22 Real	6m21	6m22 Real vs 6m21	2022e	2022e vs 2021
Total Revenues	45.5	38.2	19.2%	91.6	17.1%
Recurrent EBITDA	4.3	4.6	-4.7%	9.4	2.4%
<i>Rec. EBITDA/Revenues</i>	<i>9.5%</i>	<i>11.9%</i>	<i>-2.4 p.p.</i>	<i>10.2%</i>	<i>-1.5 p.p.</i>
EBITDA	4.3	4.6	-4.7%	9.4	3.7%
<i>EBITDA/Revenues</i>	<i>9.5%</i>	<i>11.9%</i>	<i>-2.4 p.p.</i>	<i>10.2%</i>	<i>-1.3 p.p.</i>
EBIT	3.4	3.7	-6.9%	7.6	4.1%
NP	2.7	2.7	0.2%	6.0	7.4%
New orders	40.3	55.1	-26.9%		
Order book	74.8	44.8	67.0%		

	1S22	2021	
Net Cash ¹	-6.8	-12.2	44.7%

Note 1: 1H22 and 2021 net cash not adjusted to strip out the impact of IFRS 16 (EUR 0.7Mn at the 2021 close).

Valuation inputs

Inputs for the DCF Valuation Approach

	2022e	2023e	2024e	Terminal Value ⁽¹⁾			
Free Cash Flow "To the Firm"	(1.1)	6.4	7.3	81.9			
Market Cap	62.8	At the date of this report					
Net financial debt	-6.8	Debt net of Cash (6m Results 2022)					
					Best Case	Worst Case	
Cost of Debt	3.8%	Net debt cost			3.5%	4.0%	
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=	
Net debt cost	3.0%	Kd = Cost of Net Debt * (1-T)			2.8%	3.2%	
Risk free rate (rf)	2.7%	Rf (10y Spanish bond yield)			=	=	
Equity risk premium	7.0%	R (own estimate)			6.5%	7.5%	
Beta (B)	1.2	B (own estimate)			1.1	1.3	
Cost of Equity	11.1%	Ke = Rf + (R * B)			9.9%	12.5%	
Equity / (Equity + Net Debt)	100.0%	E (Market Cap as equity value)			=	=	
Net Debt / (Equity + Net Debt)	0.0%	D			=	=	
WACC	11.1%	WACC = Kd * D + Ke * E			9.9%	12.5%	
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	Mkt. Cap	P/E 22e	EPS 22e-24e	EV/EBITDA 22e	EBITDA 22e-24e	EV/Sales 22e	Revenues 22e-24e	EBITDA/Sales 22e	FCF Yield 22e	FCF 22e-24e
Georg Fischer	FLN-CH	4,445.8	16.7	11.6%	9.3	8.3%	1.2	3.7%	12.4%	4.1%	32.6%
Makino	6135-JP	765.3	7.5	-3.5%	3.2	0.9%	0.4	1.2%	11.0%	2.8%	n.a.
Starrag	STGN-CH	130.1	11.6	12.9%	5.7	11.0%	0.4	3.3%	7.0%	7.3%	0.5%
Tornos Holding	TOHN-CH	102.3	6.4	-14.9%	3.5	-7.8%	0.4	5.1%	10.5%	n.a.	n.a.
Datron AG	DAR-DE	45.7	11.7	7.9%	4.8	7.4%	0.6	5.1%	11.8%	6.2%	13.5%
Machine-tools			10.8	2.8%	5.3	4.0%	0.6	3.7%	10.6%	5.1%	15.6%
NEA	NEA-ES	62.8	10.5	16.0%	5.8	13.4%	0.6	3.5%	10.2%	1.2%	n.a.

Free Cash Flow sensitivity analysis (2023e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 23e	EBITDA 23e	EV/EBITDA 23e
Max	12.8%	12.3	4.5x
Central	11.6%	11.1	4.9x
Min	10.4%	10.0	5.5x

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

Rec. FCF EUR Mn	CAPEX/Sales 23e				Scenario	Rec. FCF/Yield 23e		
EBITDA 23e	2.2%	2.5%	2.8%					
12.3	7.3	7.0	6.8	➔	Max	11.7%	11.2%	10.8%
11.1	6.2	5.9	5.6		Central	9.8%	9.4%	8.9%
10.0	5.0	4.7	4.5		Min	8.0%	7.6%	7.1%

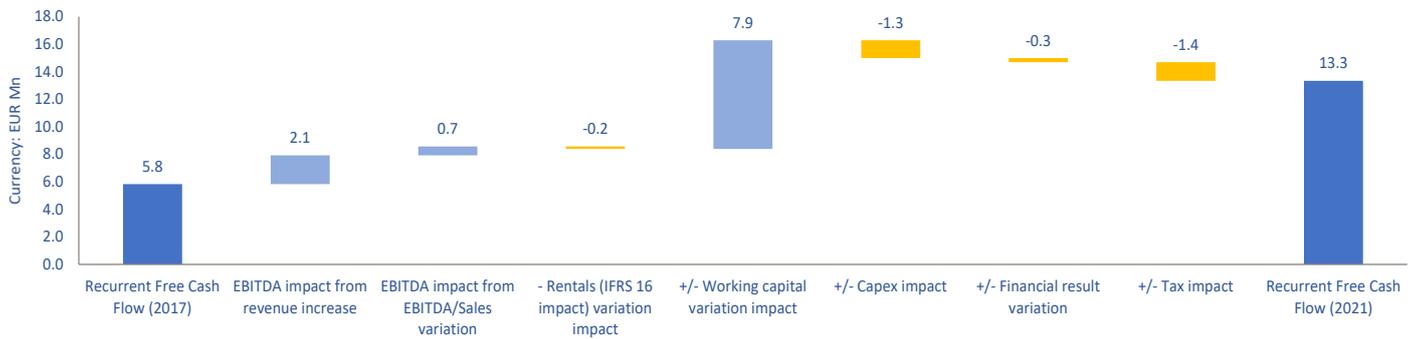
Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e		
Intangible assets	0.4	0.3	1.0	1.0	1.1	1.1	1.1	1.1		
Fixed assets	16.7	12.7	13.8	14.8	15.3	18.4	19.0	19.5		
Other Non Current Assets	9.6	10.8	11.6	11.6	11.0	11.0	11.0	11.0		
Financial Investments	2.5	6.0	2.0	2.1	2.5	3.1	3.7	4.3		
Goodwill & Other Intangibles	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5		
Current assets	30.6	36.2	37.1	40.6	51.1	61.3	63.5	64.7		
Total assets	69.4	75.5	75.2	79.7	90.5	104.5	107.8	110.2		
Equity	39.4	47.1	53.0	56.3	59.6	63.5	68.6	74.6		
Minority Interests	0.7	0.8	0.8	0.7	0.4	0.5	0.7	0.8		
Provisions & Other L/T Liabilities	2.1	3.3	3.6	3.5	3.6	3.6	3.6	3.6		
Other Non Current Liabilities	-	-	0.8	0.8	0.8	0.8	0.8	0.8		
Net financial debt	8.1	1.5	(4.9)	(1.8)	(13.1)	(9.3)	(13.2)	(18.0)		
Current Liabilities	19.0	22.8	21.8	20.1	39.3	45.4	47.3	48.4		
Equity & Total Liabilities	69.4	75.5	75.2	79.7	90.5	104.5	107.8	110.2		
CAGR										
P&L (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e	17-21	21-24e
Total Revenues	59.2	72.1	74.3	67.5	78.2	91.6	95.7	98.1	7.2%	7.8%
<i>Total Revenues growth</i>	-2.1%	21.7%	3.0%	-9.1%	15.8%	17.1%	4.5%	2.5%		
COGS	(26.6)	(32.1)	(34.0)	(29.2)	(34.2)	(42.4)	(43.6)	(44.1)		
Gross Margin	32.6	40.0	40.2	38.3	44.0	49.2	52.2	53.9	7.8%	7.0%
<i>Gross Margin/Revenues</i>	55.1%	55.5%	54.2%	56.7%	56.3%	53.7%	54.5%	55.0%		
Personnel Expenses	(14.8)	(16.9)	(17.7)	(17.8)	(18.8)	(21.1)	(21.6)	(22.2)		
Other Operating Expenses	(11.4)	(14.7)	(13.2)	(12.3)	(16.0)	(18.7)	(19.4)	(19.7)		
Recurrent EBITDA	6.4	8.4	9.3	8.1	9.2	9.4	11.1	12.1	9.3%	9.6%
<i>Recurrent EBITDA growth</i>	15.8%	31.0%	11.0%	-13.0%	12.7%	2.4%	18.4%	8.6%		
<i>Rec. EBITDA/Revenues</i>	10.9%	11.7%	12.6%	12.0%	11.7%	10.2%	11.6%	12.3%		
Restructuring Expense & Other non-rec.	(2.1)	-	-	-	(0.1)	-	-	-		
EBITDA	4.3	8.4	9.3	8.1	9.0	9.4	11.1	12.1	20.2%	10.1%
Depreciation & Provisions	(1.4)	(1.3)	(1.3)	(1.5)	(1.6)	(1.6)	(1.8)	(1.9)		
Capitalized Expense	-	0.1	0.3	-	-	-	-	-		
Rentals (IFRS 16 impact)	-	-	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)		
EBIT	3.0	7.2	8.2	6.5	7.3	7.6	9.1	10.0	25.0%	11.3%
<i>EBIT growth</i>	-11.9%	142.1%	13.4%	-20.5%	12.0%	4.1%	20.6%	9.9%		
<i>EBIT/Revenues</i>	5.0%	10.0%	11.0%	9.6%	9.3%	8.3%	9.5%	10.2%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.3)	(0.5)	(0.2)	(0.1)	(0.6)	(0.5)	(0.5)	(0.4)		
Income by the Equity Method	(0.3)	0.0	0.1	0.1	0.4	0.6	0.6	0.6		
Ordinary Profit	2.4	6.7	8.0	6.5	7.0	7.6	9.2	10.3	31.2%	13.4%
<i>Ordinary Profit Growth</i>	-13.6%	184.0%	18.3%	-18.9%	8.9%	8.3%	20.4%	11.7%		
Extraordinary Results	-	0.4	-	-	-	-	-	-		
Profit Before Tax	2.4	7.1	8.0	6.5	7.0	7.6	9.2	10.3	31.2%	13.4%
Tax Expense	(0.0)	0.9	0.2	(0.6)	(1.4)	(1.5)	(1.8)	(2.1)		
<i>Effective Tax Rate</i>	0.2%	n.a.	n.a.	9.0%	19.4%	20.0%	20.0%	20.0%		
Minority Interests	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	2.2	7.8	8.1	5.8	5.6	6.0	7.2	8.1	25.6%	13.1%
<i>Net Profit growth</i>	-45.6%	250.0%	2.8%	-28.4%	-3.3%	7.4%	20.4%	11.7%		
Ordinary Net Profit	4.3	6.6	7.8	5.8	5.7	6.0	7.2	8.1	6.9%	12.4%
<i>Ordinary Net Profit growth</i>	104.4%	51.5%	19.1%	-26.3%	-1.7%	5.7%	20.4%	11.7%		
CAGR										
Cash Flow (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e	17-21	21-24e
Recurrent EBITDA						9.4	11.1	12.1	9.3%	9.6%
Rentals (IFRS 16 impact)						(0.2)	(0.2)	(0.2)		
Working Capital Increase						(4.1)	(0.3)	(0.1)		
Recurrent Operating Cash Flow						5.1	10.7	11.8	25.2%	-12.6%
CAPEX						(2.3)	(2.4)	(2.5)		
Net Financial Result affecting the Cash Flow						(0.5)	(0.5)	(0.4)		
Tax Expense						(1.5)	(1.8)	(2.1)		
Recurrent Free Cash Flow						0.8	5.9	6.9	23.0%	-19.6%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						(2.4)	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						(1.7)	5.9	6.9	27.4%	-19.4%
Capital Increase						-	-	-		
Dividends						(2.1)	(2.1)	(2.1)		
Net Debt Variation						3.7	(3.8)	(4.9)		

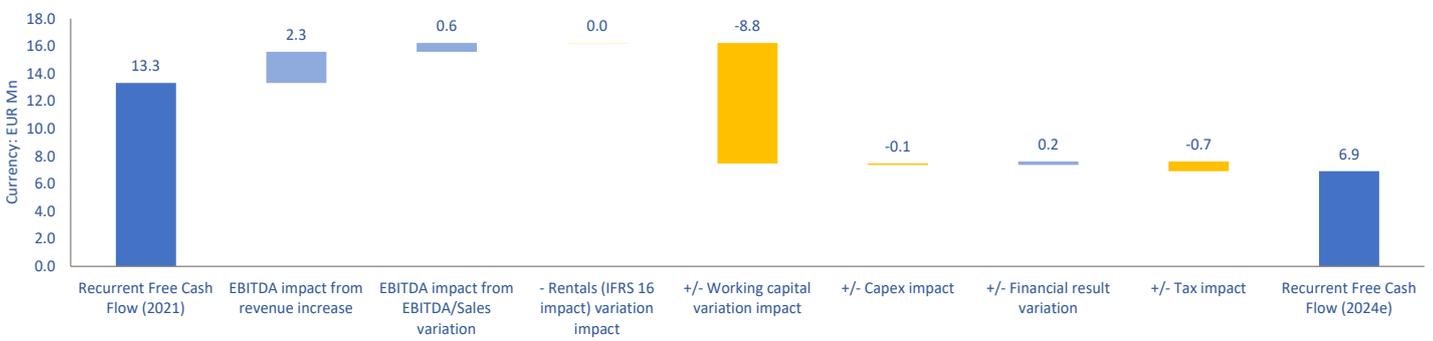
Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2018	2019	2020	2021	2022e	2023e	2024e	CAGR	
								18-21	21-24e
Recurrent EBITDA	8.4	9.3	8.1	9.2	9.4	11.1	12.1	2.9%	9.6%
<i>Recurrent EBITDA growth</i>	31.0%	11.0%	-13.0%	12.7%	2.4%	18.4%	8.6%		
<i>Rec. EBITDA/Revenues</i>	11.7%	12.6%	12.0%	11.7%	10.2%	11.6%	12.3%		
- Rentals (IFRS 16 impact)	-	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)		
+/- Working Capital increase	(1.8)	(1.9)	(5.2)	8.7	(4.1)	(0.3)	(0.1)		
= Recurrent Operating Cash Flow	6.6	7.2	2.8	17.6	5.1	10.7	11.8	38.4%	-12.6%
<i>Rec. Operating Cash Flow growth</i>	-7.5%	9.0%	-61.6%	533.5%	-71.0%	108.8%	10.5%		
<i>Rec. Operating Cash Flow / Sales</i>	9.2%	9.8%	4.1%	22.6%	5.6%	11.1%	12.0%		
- CAPEX	(1.9)	(1.8)	(2.8)	(2.3)	(2.3)	(2.4)	(2.5)		
- Net Financial Result affecting Cash Flow	(0.2)	(0.1)	(0.2)	(0.6)	(0.5)	(0.5)	(0.4)		
- Taxes	(1.0)	(1.0)	(0.7)	(1.4)	(1.5)	(1.8)	(2.1)		
= Recurrent Free Cash Flow	3.6	4.4	(0.9)	13.3	0.8	5.9	6.9	55.2%	-19.6%
<i>Rec. Free Cash Flow growth</i>	-38.8%	22.1%	-120.7%	n.a.	-94.4%	685.1%	17.4%		
<i>Rec. Free Cash Flow / Revenues</i>	4.9%	5.9%	n.a.	17.0%	0.8%	6.2%	7.1%		
- Restructuring expenses & others	0.0	-	-	-	-	-	-		
- Acquisitions / + Divestments	-	-	-	-	(2.4)	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	1.4	4.0	-	(0.1)	-	-	-		
= Free Cash Flow	5.0	8.4	(0.9)	13.2	(1.7)	5.9	6.9	38.5%	-19.4%
<i>Free Cash Flow growth</i>	-0.9%	68.1%	-110.8%	n.a.	-112.7%	452.2%	17.4%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	5.7%	6.9%	n.a.	21.2%	1.2%	9.4%	11.0%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	7.9%	13.3%	n.a.	21.0%	n.a.	9.4%	11.0%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
Recurrent FCF(FY - 1)	5.8	3.6	4.4	(0.9)	13.3	0.8	5.9		
EBITDA impact from revenue increase	1.4	0.3	(0.9)	1.3	1.6	0.4	0.3		
EBITDA impact from EBITDA/Sales variation	0.6	0.7	(0.4)	(0.2)	(1.4)	1.3	0.7		
= Recurrent EBITDA variation	2.0	0.9	(1.2)	1.0	0.2	1.7	1.0		
- Rentals (IFRS 16 impact) variation impact	-	(0.2)	(0.0)	(0.0)	(0.0)	-	-		
+/- Working capital variation impact	(2.5)	(0.2)	(3.2)	13.8	(12.8)	3.8	0.2		
= Recurrent Operating Cash Flow variation	(0.5)	0.6	(4.5)	14.9	(12.5)	5.6	1.1		
+/- CAPEX impact	(0.9)	0.2	(1.0)	0.5	0.0	(0.1)	(0.1)		
+/- Financial result variation	0.2	0.1	(0.1)	(0.4)	0.1	0.0	0.2		
+/- Tax impact	(1.0)	(0.1)	0.3	(0.6)	(0.2)	(0.3)	(0.2)		
= Recurrent Free Cash Flow variation	(2.3)	0.8	(5.3)	14.2	(12.6)	5.1	1.0		
Recurrent Free Cash Flow	3.6	4.4	(0.9)	13.3	0.8	5.9	6.9		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
EBIT	7.2	8.2	6.5	7.3	7.6	9.1	10.0	0.3%	11.3%
* <i>Theoretical Tax rate</i>	0.0%	0.0%	9.0%	19.4%	20.0%	20.0%	20.0%		
= Taxes (pre- Net Financial Result)	-	-	(0.6)	(1.4)	(1.5)	(1.8)	(2.0)		
Recurrent EBITDA	8.4	9.3	8.1	9.2	9.4	11.1	12.1	2.9%	9.6%
- Rentals (IFRS 16 impact)	-	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)		
+/- Working Capital increase	(1.8)	(1.9)	(5.2)	8.7	(4.1)	(0.3)	(0.1)		
= Recurrent Operating Cash Flow	6.6	7.2	2.8	17.6	5.1	10.7	11.8	38.4%	-12.6%
- CAPEX	(1.9)	(1.8)	(2.8)	(2.3)	(2.3)	(2.4)	(2.5)		
- Taxes (pre- Financial Result)	-	-	(0.6)	(1.4)	(1.5)	(1.8)	(2.0)		
= Recurrent Free Cash Flow (To the Firm)	4.7	5.5	(0.6)	13.9	1.3	6.4	7.3	43.4%	-19.2%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	-23.4%	16.3%	-110.8%	n.a.	-90.6%	394.2%	13.7%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	6.5%	7.4%	n.a.	17.8%	1.4%	6.7%	7.5%		
- Acquisitions / + Divestments	-	-	-	-	(2.4)	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	1.4	4.0	-	(0.1)	-	-	-		
= Free Cash Flow "To the Firm"	6.1	9.5	(0.6)	13.8	(1.1)	6.4	7.3	31.4%	-19.0%
<i>Free Cash Flow (To the Firm) growth</i>	14.9%	56.0%	-106.3%	n.a.	-108.1%	675.7%	13.7%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	8.6%	10.0%	n.a.	25.3%	2.4%	11.8%	13.4%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	11.1%	17.3%	n.a.	25.1%	n.a.	11.8%	13.4%		

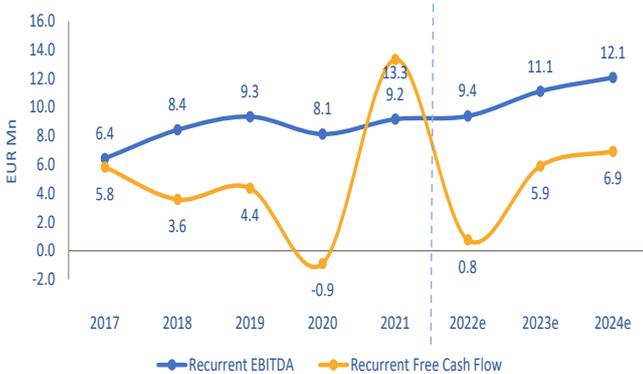
Recurrent Free Cash Flow accumulated variation analysis (2017 - 2021)



Recurrent Free Cash Flow accumulated variation analysis (2021 - 2024e)



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	62.8	
+ Minority Interests	0.5	6m Results 2022
+ Provisions & Other L/T Liabilities	2.7	6m Results 2022
+ Net financial debt	(6.8)	6m Results 2022
- Financial Investments	3.1	6m Results 2022
+/- Others ⁽¹⁾	(1.2)	6m Results 2022
Enterprise Value (EV)	54.8	

(1) Related to the market value of treasury stock

Appendix 4. Historical performance (1)

Historical performance (EUR Mn)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e	CAGR	
															11-21	21-24e
Total Revenues	63.9	31.7	54.7	55.6	55.9	60.5	59.2	72.1	74.3	67.5	78.2	91.6	95.7	98.1	2.0%	7.8%
Total Revenues growth	105.5%	-50.4%	72.7%	1.6%	0.5%	8.3%	-2.1%	21.7%	3.0%	-9.1%	15.8%	17.1%	4.5%	2.5%		
EBITDA	2.3	(6.3)	1.4	3.0	3.7	5.6	4.3	8.4	9.3	8.1	9.0	9.4	11.1	12.1	14.7%	10.1%
EBITDA growth	125.5%	-375.1%	122.2%	110.6%	23.4%	51.8%	-22.1%	94.5%	11.0%	-13.0%	11.3%	3.7%	18.4%	8.6%		
EBITDA/Sales	3.6%	n.a.	2.6%	5.3%	6.5%	9.2%	7.3%	11.7%	12.6%	12.0%	11.6%	10.2%	11.6%	12.3%		
Net Profit	0.5	(7.1)	(0.1)	1.4	1.4	4.1	2.2	7.8	8.1	5.8	5.6	6.0	7.2	8.1	28.6%	13.1%
Net Profit growth	105.2%	n.a.	98.8%	n.a.	0.2%	203.0%	-45.6%	250.0%	2.8%	-28.4%	-3.3%	7.4%	20.4%	11.7%		
Adjusted number shares (Mn)	12.3	12.2	12.2	12.2	12.2	12.2	12.2	12.3	12.3	12.2	12.3	12.3	12.3	12.3		
EPS (EUR)	0.04	-0.58	-0.01	0.11	0.11	0.34	0.18	0.64	0.66	0.47	0.45	0.49	0.59	0.65	28.6%	13.1%
EPS growth	n.a.	n.a.	98.8%	n.a.	0.2%	n.a.	-45.6%	n.a.	2.8%	-27.8%	-4.5%	7.4%	20.4%	11.7%		
Ord. EPS (EUR)	0.04	-0.58	-0.01	0.11	0.11	0.17	0.35	0.54	0.64	0.47	0.46	0.49	0.59	0.65	28.8%	12.4%
Ord. EPS growth	n.a.	n.a.	98.8%	n.a.	0.2%	56.3%	n.a.	51.3%	19.0%	-25.7%	-2.9%	5.7%	20.4%	11.7%		
CAPEX	(1.9)	(0.4)	(1.7)	(0.9)	(1.5)	(0.9)	(1.0)	(1.9)	(1.8)	(2.8)	(2.3)	(2.3)	(2.4)	(2.5)		
CAPEX/Sales %	3.0%	1.3%	3.2%	1.7%	2.7%	1.5%	1.7%	2.7%	2.4%	4.1%	3.0%	2.5%	2.5%	2.5%		
Free Cash Flow	(4.5)	(1.6)	0.3	3.2	1.9	2.9	5.0	5.0	8.4	(0.9)	13.2	(1.7)	5.9	6.9	17.3%	-19.4%
ND/EBITDA (x) (2)	8.8x	n.a.	14.7x	6.1x	2.3x	2.2x	1.9x	0.2x	-0.5x	-0.2x	-1.4x	-1.0x	-1.2x	-1.5x		
P/E (x)	25.2x	n.a.	n.a.	8.8x	10.3x	4.6x	15.6x	4.6x	6.6x	9.8x	12.9x	10.5x	8.7x	7.8x		
EV/Sales (x)	0.57x	1.10x	0.73x	0.63x	0.49x	0.56x	0.81x	0.54x	0.67x	0.81x	0.80x	0.60x	0.57x	0.56x		
EV/EBITDA (x) (2)	15.7x	n.a.	28.2x	11.7x	7.5x	6.2x	11.1x	4.7x	5.3x	6.8x	6.9x	5.8x	4.9x	4.5x		
Absolute performance	-30.1%	-32.4%	85.0%	-15.8%	17.0%	36.9%	83.1%	1.7%	48.5%	7.6%	25.7%	-12.6%				
Relative performance vs Ibxex 35	-19.5%	-29.1%	52.4%	-18.8%	26.0%	39.7%	70.5%	19.6%	32.8%	27.2%	16.5%	-3.4%				

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 2022e

		Machine-tools							
EUR Mn		Georg Fischer	Makino	Starrag	Tornos Holding	Datron AG	Average	NEA	
Market data	Ticker (Factset)	FI.N-CH	6135-JP	STGN-CH	TOHN-CH	DAR-DE		NEA-ES	
	Country	Switzerland	Japan	Switzerland	Switzerland	Germany		Spain	
	Market cap	4,445.8	765.3	130.1	102.3	45.7		62.8	
	Enterprise value (EV)	4,553.2	558.7	123.6	71.2	32.4		54.8	
Basic financial information	Total Revenues	3,943.6	1,575.7	305.7	193.6	57.0		91.6	
	Total Revenues growth	4.0%	17.7%	2.5%	10.8%	5.2%	8.1%	17.1%	
	2y CAGR (2022e - 2024e)	3.7%	1.2%	3.3%	5.1%	5.1%	3.7%	3.5%	
	EBITDA	488.9	173.6	21.5	20.4	6.7		9.4	
	EBITDA growth	20.8%	31.1%	580.6%	-16.0%	n.a.	154.2%	3.7%	
	2y CAGR (2022e - 2024e)	8.3%	0.9%	11.0%	-7.8%	7.4%	4.0%	13.4%	
	EBITDA/Revenues	12.4%	11.0%	7.0%	10.5%	11.8%	10.6%	10.2%	
	EBIT	353.5	117.8	13.8	16.5	5.6		7.6	
	EBIT growth	29.4%	45.3%	360.0%	-18.0%	2.1%	83.8%	4.1%	
	2y CAGR (2022e - 2024e)	10.7%	-0.5%	15.5%	-12.5%	8.1%	4.3%	15.1%	
	EBIT/Revenues	9.0%	7.5%	4.5%	8.5%	9.8%	7.8%	8.3%	
	Net Profit	264.1	99.9	11.2	16.1	4.0		6.0	
	Net Profit growth	21.1%	15.6%	303.7%	-22.3%	n.a.	79.5%	7.4%	
2y CAGR (2022e - 2024e)	11.5%	-3.6%	12.8%	-14.7%	7.9%	2.8%	16.0%		
CAPEX/Sales %	4.7%	5.7%	1.7%	5.5%	n.a.	4.4%	2.5%		
Free Cash Flow	184.1	21.6	9.5	(3.6)	2.8		(1.7)		
Net financial debt	(45.9)	(155.9)	(23.2)	(6.2)	n.a.		(9.3)		
ND/EBITDA (x)	(0.1)	(0.9)	(1.1)	(0.3)	n.a.		(1.0)		
Pay-out	37.9%	22.5%	30.5%	24.9%	n.a.	29.0%	34.6%		
Multiples and Ratios	P/E (x)	16.7	7.5	11.6	6.4	11.7	10.8	10.5	
	P/BV (x)	2.6	0.6	0.7	1.1	n.a.	1.3	1.0	
	EV/Revenues (x)	1.2	0.4	0.4	0.4	0.6	0.6	0.6	
	EV/EBITDA (x)	9.3	3.2	5.7	3.5	4.8	5.3	5.8	
	EV/EBIT (x)	12.9	4.7	9.0	4.3	5.8	7.4	7.2	
	ROE	15.6	7.4	6.4	17.8	n.a.	11.8	9.7	
	FCF Yield (%)	4.1	2.8	7.3	n.a.	6.2	5.1	1.2	
	DPS	1.22	0.93	1.02	0.20	0.20	0.72	0.17	
	Dvd Yield	2.3%	2.9%	2.6%	3.9%	1.7%	2.7%	3.3%	

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).

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 (IEAF), a professional, not for profit association.

DISCLAIMER

The Instituto Español de Analistas Financieros (IEAF) 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@ieaf.es or consult the contents of this Code at www.ieaf.es.

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 (IEAF) 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
01-Sep-2022	n.a.	5.10	n.a.	n.a.	6m Results 2022 - Estimates downgrade	David López Sánchez
01-Mar-2022	n.a.	5.84	n.a.	n.a.	12m Results 2021	David López Sánchez
16-Nov-2021	n.a.	5.84	n.a.	n.a.	9m Results 2021	David López Sánchez
01-Sep-2021	n.a.	5.60	n.a.	n.a.	6m Results 2021 - Estimates upgrade	David López Sánchez
01-Mar-2021	n.a.	4.49	n.a.	n.a.	12m Results 2020	David López Sánchez
16-Nov-2020	n.a.	4.79	n.a.	n.a.	9m Results 2020	David López Sánchez
01-Sep-2020	n.a.	3.93	n.a.	n.a.	6m Results 2020 - Estimates upgrade	David López Sánchez
18-May-2020	n.a.	3.54	n.a.	n.a.	3m Results 2020	David López Sánchez
23-Apr-2020	n.a.	3.46	n.a.	n.a.	Estimates downgrade	David López Sánchez
02-Mar-2020	n.a.	4.21	n.a.	n.a.	12m Results 2019	David López Sánchez
18-Nov-2019	n.a.	4.09	n.a.	n.a.	9m Results 2019	David López Sánchez
02-Sep-2019	n.a.	3.42	n.a.	n.a.	6m Results 2019	David López Sánchez
16-May-2019	n.a.	3.73	n.a.	n.a.	3m Results 2019	David López Sánchez
11-Apr-2019	n.a.	3.74	n.a.	n.a.	Estimates upgrade	David López Sánchez
01-Mar-2019	n.a.	3.57	n.a.	n.a.	12m Results 2018	David López Sánchez
17-Jan-2019	n.a.	3.21	n.a.	n.a.	Initiation of Coverage	David López Sánchez

