

**EQUITY - SPAIN**

Sector: Machinery

 Closing price: EUR 6.00 (29 Mar 2023)  
 Report date: 30 Mar 2023 (8:30h)

**Important news**  
 Independent Equity Research

**Important news**
**Opinion** <sup>(1)</sup>: Positive

**Impact** <sup>(1)</sup>: We will have to raise our estimates

 David López Sánchez – david.lopez@lighthouse-ieaf.com  
 +34 915 904 226

**Business description**

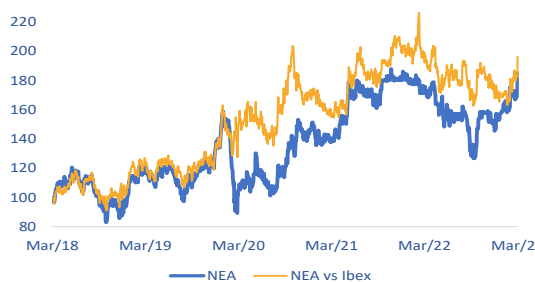
**Nicolás Correa (NEA)** is a Spanish industrial (Burgos), whose core business is the design and manufacture of chip removal machine tools, specialising in milling machines for the general mechanical engineering industry (aerospace, defense, renewable energy and nuclear sectors standing out). Currently, sales in Spain account for 8% (2022) of the total, with a c. 50% of sales made in the rest of Europe.

**Market Data**

Market Cap (Mn EUR and USD)	73.9	79.5
EV (Mn EUR and USD) <sup>(2)</sup>	63.4	68.2
Shares Outstanding (Mn)	12.3	
-12m (Max/Med/Mín EUR)	6.00 / 5.11 / 4.10	
Daily Avg volume (-12m Mn EUR)	0.03	
Rotation <sup>(3)</sup>	9.3	
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

**Relative performance (Base 100)**

**Stock performance (%)**

	-1m	-3m	-12m	-5Y
Absolute	7.9	27.4	7.5	85.3
vs Ibex 35	11.8	16.8	2.1	96.1
vs Ibex Small Cap Index	16.7	17.2	16.7	71.2
vs Eurostoxx 50	8.1	15.9	1.6	47.2
vs Sector benchmark <sup>(4)</sup>	6.6	13.8	15.2	20.8

(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 2.

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

(4) vs Europe Industrial Machinery.

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

## NEA demonstrates its contracting ability: signing its biggest ever order (EUR 21Mn)

**THE CONTRACT:** NEA has announced the signing of a contract for over EUR 21Mn with Chinese multinational NGC GEARS (global benchmark in wind farm sector solutions). The contract consists of the installation of 10 large machining centres and high precision technology in 3 different plants.

**HIGHLY SIGNIFICANT FROM BOTH A QUANTITATIVE POINT OF VIEW...** It is the largest order in NEA's history. Although the announcement makes no reference to the deadline or margins, it is obviously very important quantitatively speaking. It is equivalent to: i) 22% of the order book at the end of 2022 (at highs) and ii) 21% of turnover in 2022. Assuming an EBITDA margin of 11.5% (average -3y) it would imply EBITDA of c. EUR 2.5Mn (23% of 2022 EBITDA).

**...AND FROM A QUALITATIVE ONE. WHY?** For several reasons: i) due to the type of product, involving high precision technology (high precision machining of large parts requires very sophisticated solutions), ii) due to the sector involved (renewable energy), iii) due to the impact on the geographical revenue mix (with an increase in the company's presence in China, where wind turbine orders are at maximum levels), iv) because it significantly increases the visibility of results and v) because it is an excellent indicator of the company's contracting ability (that confirms its good competitive and brand position).

**THE VISIBILITY PROVIDED BY THE ORDER BOOK TODAY IS EVEN GREATER.** Despite the context, NEA ended 2022 with EUR 128Mn of new orders, meaning it closed 2022 with an order book at highs (EUR 93.9Mn; +13.7% vs 2021). An order book that already provided very high visibility for 2023e results and that with this contract we can say that NEA has already completed its production capacity for this year (2023e).

**CONFIRMING OUR IDEA OF NEA HAVING A "CYCLE OF ITS OWN".** In our last report on NEA published on February 28, we said that the small size of NEA and the diversification of its orderbook both by geographies and sectors (with exposure to Defence, Renewable Energy and Nuclear) allows us to talk of it having a cycle of its own (and not necessarily parallel to the macro cycle). Something that is reinforced by today's announcement.

**WHAT CAN WE EXPECT FROM NEA IN 2023E? ITS MULTIPLES REMAIN OBJECTIVELY ATTRACTIVE.** In 2023e, the momentum of an excellent orderbook (that we have called "its own cycle") should enable NEA to maintain double-digit growth in both revenue and EBITDA. Revenue growth of 10% would point to sales in 2023e of EUR 110Mn (fully underpinned by the orderbook figure) and EBITDA of EUR 13Mn (+19% vs 2022). Numbers that, after yesterday's increase in the share price (+9.1%), would continue to trade at 5x 23e EV/EBITDA.

In other words, objectively attractive multiples for a company with these growth prospects (c. +10% CAGR 22-25e, estimated by Lighthouse), high P/L visibility (due to the good orderbook figure) and favourable outlook for contracting. From a mid- and long-term outlook this contract can be said to change the company (for the better) in the knowledge that more structural growth should imply more value.

## Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	73.9	
+ Minority Interests	1.0	12m Results 2022
+ Provisions & Other L/T Liabilities	2.9	12m Results 2022
+ Net financial debt	(10.7)	12m Results 2022
- Financial Investments	3.7	12m Results 2022
+/- Others		
<b>Enterprise Value (EV)</b>	<b>63.4</b>	

## LIGHTHOUSE

Calle Basílica, 17, 1ª Planta, Oficinas  
28020 Madrid  
T: +34 915 904 226  
[institutodeanalistas.com/lighthouse](https://institutodeanalistas.com/lighthouse)

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### Alfredo Echevarría Otegui

Head of research

alfredo.echevarria@lighthouse-ieaf.com

### David López Sánchez

Equity research

david.lopez@lighthouse-ieaf.com

### Luis Esteban Arribas

Equity research

luis.esteban@lighthouse-ieaf.com

### Enrique Andrés Abad

Equity research

enrique.andres@lighthouse-ieaf.com

### Jesús López Gómez

ESG Analyst & Data analytics

jesus.lopez@lighthouse-ieaf.com

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#### Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
30-Mar-2023	n.a.	6.00	n.a.	n.a.	Important news	David López Sánchez
28-Feb-2023	n.a.	5.22	n.a.	n.a.	12m Results 2022	David López Sánchez
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

