

6m Results 2024

 Opinion ⁽¹⁾: Above expectations

 Impact ⁽¹⁾: We will have to raise our estimates

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Business description

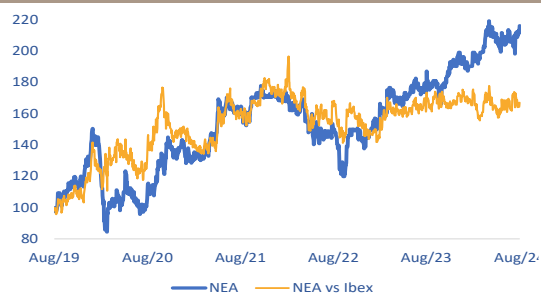
Nicolás Correa (NEA) is a Spanish industrial (Burgos), whose core business is the design and manufacture of chip removal machine tools, specialising in milling machines for the general mechanical engineering industry (aerospace, defense, renewable energy and nuclear sectors standing out). Currently, sales in Spain account for 8% (2023) of the total, with a c. 60% of sales made in the rest of Europe.

Market Data

Market Cap (Mn EUR and USD)	85.5	94.6
EV (Mn EUR and USD) ⁽²⁾	78.0	86.3
Shares Outstanding (Mn)	12.3	
-12m (Max/Med/Mín EUR)	7.04 / 6.29 / 5.33	
Daily Avg volume (-12m Mn EUR)	0.04	
Rotation ⁽³⁾	12.3	
Factset / Bloomberg	NEA-ES / NEA SM	
Close fiscal year	31-Dec	

Shareholders Structure (%) ⁽⁵⁾

Nicolás-Correa Family	29.0
Board (Excl. Nicolás-Correa)	5.6
Jose Maria Galíndez	5.4
Onchena	5.4
Free Float	49.6

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	5.2	2.4	20.4	116.2
vs Ibex 35	3.3	1.8	0.8	67.1
vs Ibex Small Cap Index	6.6	6.6	13.4	61.5
vs Eurostoxx 50	2.7	2.9	4.8	49.4
vs Sector benchmark ⁽⁴⁾	1.0	1.7	-2.1	-8.0

(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.

(5) Others: Masaveu Finanzas 5.0%

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

1H24 earnings: an even more robust business (EBITDA: +44.2%)

TOPLINE GROWTH ACCELERATED (+20.7% VS 1H23) AND EASILY OUTPERFORMED OUR ESTIMATES... (+8% for FY 2024e). The pace of activity picked up in 1H24, with revenue totalling EUR 61Mn (vs EUR 50.6Mn in 1H23). NEA's sales strategy continues to bear fruit, with the company exporting 88% of its products (vs 87% in 1H23). Its main markets are China, Turkey and Germany.

...WITH THE ORDER BOOK BACK TO NORMAL AFTER A RECORD 2023 The order book ended 1H24 at EUR 90Mn (vs EUR 105.5Mn in 1H23), although the company does have some orders already for 2025. The decrease compared to last year was due to two factors: i) lower order intake (-33%) and ii) normalisation of the order book (as expected) after the one-off impact of the contract with Chinese multinational NGC GEARS (EUR 21Mn; >20% of the order book in 1H23).

THE FOCUS IS ON PROFITABILITY (REC. EBITDA MARGIN 1H24: +2.4PP). Despite the challenging backdrop at present (inflation, slowdown in activity), NEA has exploited its competitive position to leverage operating costs (OPEX: +8.9%) to revenue growth (+20.7%), driving a 44.2% increase in recurring EBITDA in 1H24 (EUR 8.9Mn vs EUR 6.2Mn in 1H24) and leaving a recurring EBITDA margin of 14.5% (vs 12.2% in 1H23; 11.7% in 2021 and 11.2% in 2022). Margin growth is a key plank of NEA's strategy; the company has consistently achieved +c.2 pp higher margins than the sector average.

NET PROFIT: +57.1% VS 1H23. Depreciation and amortisation was in line with the year-earlier level, while finance income was higher, enabling the increase in EBITDA to feed through to the bottom line, with NEA delivering net profit in 1H24 of EUR 6.8Mn (vs EUR 4.3Mn).

NO THREAT TO THE NET CASH POSITION. The company's net cash position (temporarily) decreased to EUR 10.1Mn (vs EUR 12.5Mn at year-end 2023) because of the increase in working capital (caused by strong business growth) and the dividend payment (EUR 3.3Mn). We expect a similar net cash position in 2024e to 2023.

THE THESIS AROUND NEA IS LOOKING BETTER AND BETTER. NEA's equity story is predicated on a combination of factors that at first glance seem crystal clear and that the market will find increasingly difficult to ignore. A niche business model (precision machinery), a diversified mix (which reduces risk) and consistent double-digit growth (CAGR 2019-2023: 10.4%; 1H24 revenue: +20.1% vs 1H23). NEA also commands higher margins than the rest of the sector (EBITDA margin +2pp vs sector average) and clear value creation (ROCE-WACC spread of 4.5pp). Moreover, it offers a dividend yield of c.4%, along with a net cash position (strengthening the idea of a low-risk industrial business model). In a nutshell, NEA's 1H24 earnings performance handily beat expectations, prompting us to revise up our estimates. If its 2H24 performance is like last year's, we could see revenue of c.EUR 130Mn and EBITDA of c.EUR 19Mn (EUR 14.1Mn in 2023).

And despite the share price performance (LTM +20.4%), NEA is still trading at lower multiples than its sector peers (EV/EBITDA c. 8x vs c. 4x for NEA), boding well for (considerable) upside.

Appendix 1. Results table

EUR Mn	6m24		6m24 Real		2024e vs	
	Real	6m23	vs 6m23	2024e	2023	
Total Revenues	61.0	50.6	20.7%	119.3	8.0%	
Recurrent EBITDA	8.9	6.2	44.2%	15.2	7.8%	
<i>Rec. EBITDA/Revenues</i>	<i>14.5%</i>	<i>12.2%</i>	<i>2.4 p.p.</i>	<i>12.7%</i>	<i>0.0 p.p.</i>	
EBITDA	8.9	6.4	39.0%	15.2	9.2%	
<i>EBITDA/Revenues</i>	<i>14.5%</i>	<i>12.6%</i>	<i>1.9 p.p.</i>	<i>12.7%</i>	<i>0.1 p.p.</i>	
EBIT	7.8	5.4	45.1%	12.8	7.7%	
NP	6.8	4.3	57.1%	10.5	1.9%	
New orders	43.5	65.5	-33.6%			
Order book	90.0	105.5	-14.7%			
		2023				
Net Cash¹	-10.1	-12.5	19.1%			

(1) Note 1. Net Cash 2023 and 2022 adjusted to strip out the impact of IFRS 16.

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	85.5	
+ Minority Interests	1.1	6m Results 2024
+ Provisions & Other L/T Liabilities	5.0	6m Results 2024
+ Net financial debt	(10.1)	6m Results 2024
- Financial Investments	3.5	6m Results 2024
+/- Others		
Enterprise Value (EV)	78.0	

LIGHTHOUSE

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
02-Sep-2024	n.a.	6.94	n.a.	n.a.	6m Results 2024	Luis Esteban Arribas, CESGA
27-May-2024	n.a.	6.78	n.a.	n.a.	Small & Micro Caps (Spain)	Alfredo Echevarría Otegui
29-Feb-2024	n.a.	6.40	n.a.	n.a.	12m Results 2023	Luis Esteban Arribas, CESGA
01-Sep-2023	n.a.	6.01	n.a.	n.a.	6m Results 2023	Luis Esteban Arribas, CESGA
12-Jun-2023	n.a.	5.57	n.a.	n.a.	Small & Micro Caps (Spain)	David López Sánchez
30-Mar-2023	n.a.	5.63	n.a.	n.a.	Important news	David López Sánchez
28-Feb-2023	n.a.	4.90	n.a.	n.a.	12m Results 2022	David López Sánchez
01-Sep-2022	n.a.	4.78	n.a.	n.a.	6m Results 2022 - Estimates downgrade	David López Sánchez
01-Mar-2022	n.a.	5.47	n.a.	n.a.	12m Results 2021	David López Sánchez
16-Nov-2021	n.a.	5.47	n.a.	n.a.	9m Results 2021	David López Sánchez
01-Sep-2021	n.a.	5.25	n.a.	n.a.	6m Results 2021 - Estimates upgrade	David López Sánchez
01-Mar-2021	n.a.	4.21	n.a.	n.a.	12m Results 2020	David López Sánchez
16-Nov-2020	n.a.	4.50	n.a.	n.a.	9m Results 2020	David López Sánchez
01-Sep-2020	n.a.	3.69	n.a.	n.a.	6m Results 2020 - Estimates upgrade	David López Sánchez
18-May-2020	n.a.	3.32	n.a.	n.a.	3m Results 2020	David López Sánchez
23-Apr-2020	n.a.	3.25	n.a.	n.a.	Estimates downgrade	David López Sánchez
02-Mar-2020	n.a.	3.94	n.a.	n.a.	12m Results 2019	David López Sánchez
18-Nov-2019	n.a.	3.84	n.a.	n.a.	9m Results 2019	David López Sánchez
02-Sep-2019	n.a.	3.21	n.a.	n.a.	6m Results 2019	David López Sánchez
16-May-2019	n.a.	3.50	n.a.	n.a.	3m Results 2019	David López Sánchez
11-Apr-2019	n.a.	3.51	n.a.	n.a.	Estimates upgrade	David López Sánchez
01-Mar-2019	n.a.	3.35	n.a.	n.a.	12m Results 2018	David López Sánchez
17-Jan-2019	n.a.	3.01	n.a.	n.a.	Initiation of Coverage	David López Sánchez

