

EQUITY - SPAIN

Sector: Industrial - Machinery and Equipment

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6m Results 2020

Closing price: EUR 9.00 (28 Sep 2020)

6m Results 2020

Opinion ⁽¹⁾: In lineImpact ⁽¹⁾: We will maintain our estimates

Ana Isabel González García, CIAA – ana.gonzalez@lighthouse-ieaf.com

+34 915 904 226

Desarrollos Especiales de Sistemas de Anclajes (DESA) is a small industrial group with its corporate headquarters in Barcelona (Spain), specialising (>60 years) in the manufacture and sale of fasteners, staples and tools used in the construction, industry and agriculture sectors. It has an international presence (35% of revenue) and is controlled by its core shareholders (c.75% of capital).

Market Data

Market Cap (Mn EUR and USD)	16.1	18.8
EV (Mn EUR and USD) ⁽²⁾	31.3	36.6
Shares Outstanding (Mn)	1.8	
-12m (Max/Med/Mín EUR)	10.00 / 9.47 / 8.45	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	0.0	
Thomson Reuters / Bloomberg	DESA.MC / DESA.SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Maden S.A.	29.9
SARM S.A.	20.0
Gestión Ixua S.L.	16.3
Board Members	8.9
Free Float	24.9

Financials (Mn EUR)

	2019	2020e	2021e	2022e
Adj. nº shares (Mn)	1.8	1.8	1.8	1.8
Total Revenues	42.5	37.7	40.6	42.6
Rec. EBITDA ⁽⁴⁾	2.5	1.8	2.9	3.4
% growth	-2.9	-26.2	55.5	19.1
% Rec. EBITDA/Rev.	5.8	4.9	7.0	8.0
% Inc. EBITDA sector ⁽⁵⁾	3.1	-19.3	22.7	13.6
Net Profit	0.8	-0.1	1.2	1.6
EPS (EUR)	0.46	-0.08	0.65	0.87
% growth	-33.8	-117.7	906.6	34.7
Ord. EPS (EUR)	0.50	0.26	0.65	0.87
% growth	-27.7	-47.7	149.7	34.7
Rec. Free Cash Flow ⁽⁶⁾	-1.0	1.1	1.1	1.3
Pay-out (%)	95.6	0.0	50.0	50.0
DPS (EUR)	0.44	0.00	0.32	0.44
Net financial debt	15.6	15.1	14.6	14.1
ND/Rec. EBITDA (x)	6.3	8.2	5.1	4.2
ROE (%)	6.4	n.a.	9.1	11.7
ROCE (%) ⁽⁶⁾	3.4	0.0	4.4	5.8

Ratios & Multiples (x)⁽⁷⁾

	2019	2020e	2021e	2022e
P/E	19.8	n.a.	13.9	10.3
Ord. P/E	18.1	34.6	13.9	10.3
P/BV	1.3	1.3	1.2	1.2
Dividend Yield (%)	4.8	0.0	3.6	4.9
EV/Sales	0.74	0.83	0.77	0.73
EV/Rec. EBITDA	12.6	17.1	11.0	9.2
EV/EBIT	25.6	n.a.	19.4	14.7
FCF Yield (%) ⁽⁶⁾	n.a.	6.6	6.8	7.9

(1) The opinion about results is in respect of reported EBITDA and its relation to our estimate for the year (12m). The impact reflects whether, as a consequence of these results, we envisage a significant (>5%) upgrade or downgrade to our EBITDA estimates (for any of the estimated years).

(2) Please refer to Appendix 3.

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

(4) Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.3Mn higher due to IFRS 16.

(5) Sector: TR Europe Industrial Machinery and Equipment.

(6) Please see Anex 2 for the theoretical tax rate (ROCE) and recurrent FCF calculation.

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

1H with no surprises, 3Q recovery,...4Q?

“EXPECTED” DECLINE IN REVENUE (EUR 19.6Mn 1H20, -13.6% y/y), impacted by the Covid-19 crisis. The industrial division, previously affected by the economic slowdown, was especially impacted (c. -20% y/y), while the temporary “paralysis” of construction sector activity hit hard (c. -10% y/y in construction, vs. -25.6% for new contracting in Spain in the same period).

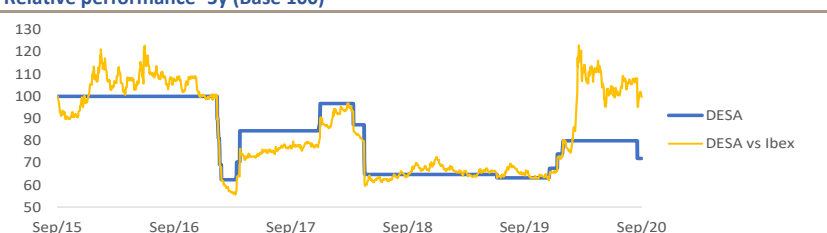
AND THE RESILIENCE OF THE AGRICULTURAL DIVISION (C. +3% Y/Y) JUSTIFYING ITS STRATEGY: although the restrictions imposed during lockdown limited growth in the customer portfolio (more innovative products). However, Group activity gradually recovered in 3Q.

ACCOMPANIED BY A WORSENING OF MARGINS (REC. EBITDA/REVENUES 7.3%, -0.6p.p.), under pressure from the appreciation of the USD and a worse revenue mix. The reduction in total operating costs (-14.8% y/y, helped by the government’s furlough scheme during the pandemic) partly offset the decline in the gross margin (39.4% -1.4p.p. y/y). However, the depreciation of the USD since June will underpin a recovery of margins in 2H.

REDUCTION OF DEBT (ND EUR 14.6Mn, -7.0% y/y) putting this in line with the estimate for the year. The divestment of working capital (EUR +1Mn y/y; with -30% y/y in inventories) offset higher CAPEX (EUR +0.9Mn y/y). DESA has extended the maturity of its debt (78% at l/t, vs. 32.5% -1y).

WE MAINTAIN OUR NUMBERS due to: 1) proven cost control discipline (1H), 2) the recovery of business (3Q) and 3) the potential implementation of further measures (2H) to defend margins. We envisage a non-recurrent impact of EUR -0.6Mn from restructuring in 2020e (which could turn out to be conservative), enabling the company to reach/exceed (in a better scenario) break-even in EBIT. However, uncertainty over the use of new measures (s/t) to control the second wave of the Covid-19 pandemic at a national level makes it difficult to estimate the final impact that the prolongation of the health crisis will have on the Group’s P/L in 2020. Although in normal conditions (without a second lockdown), the company should easily achieve our estimate of break even (EBIT).

Relative performance -5y (Base 100)



Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-10.0	-10.0	13.9	6.5	-14.8	-28.0
vs Ibxex 35	-5.5	-4.9	54.1	49.8	29.6	-0.4
vs Ibxex Small Cap Index	-8.4	-16.1	13.7	12.4	-24.6	-52.4
vs Eurostoxx 50	-7.4	-10.5	25.3	23.8	-5.8	-32.1
vs Sector benchmark ⁽⁵⁾	-11.7	-16.7	-4.1	7.3	-19.8	-57.1

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

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

Resultados 6M 2020

Tabla de resultados

(EUR Mn)	1H20	1H19 ⁽²⁾	1H20 vs 1H19	2020 (Est.)	2020 (Est.) vs 2019	2Q20	2Q20 vs 2Q19
Total Revenues	19.6	22.7	-13.6%	37.7	-11.3%	8.4	-21.0%
Rec. EBITDA⁽¹⁾	1.4	1.8	-20.5%	1.8	-26.2%	0.5	-29.4%
<i>Rec. EBITDA / Rev.</i>	<i>7.3%</i>	<i>7.9%</i>	<i>-0.6 p.p.</i>	<i>4.9%</i>	<i>-1.0 p.p.</i>	<i>6.5%</i>	<i>-0.8 p.p.</i>
EBITDA	1.4	1.8	-20.5%	1.2	-48.3%	0.5	-29.4%
<i>EBITDA / Rev.</i>	<i>7.3%</i>	<i>7.9%</i>	<i>-0.6 p.p.</i>	<i>3.3%</i>	<i>-2.3 p.p.</i>	<i>6.5%</i>	<i>-0.8 p.p.</i>
EBIT	0.8	1.2	-33.8%	0.0	-99.1%	0.2	-51.3%
EBT	0.7	1.1	-34.7%	-0.1	-112.8%	0.2	-54.0%
NP	0.7	1.1	-34.7%	-0.1	-117.7%	0.2	-54.0%
Rec. FCF	1.2	1.1	17%	1.1	201.7%		
Net Debt	14.6	15.7	-7.0%	15.1	-3.0%		

(1) Excludes capitalizations and non recurrent expenses.

(2) Data restated for the impact of IFRS 16

Valuation inputs

Inputs for the DCF Valuation Approach

	2020e	2021e	2022e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	1.2	1.2	1.3	36.4		
Market Cap	16.1	At the date of this report				
Net financial debt	14.6	Debt net of Cash (6m Results 2020)				
					Best Case	Worst Case
Cost of Debt	1.7%	Net debt cost			1.5%	2.0%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	1.4%	Kd = Cost of Net Debt * (1-T)			1.2%	1.6%
Risk free rate (rf)	0.2%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	9.0%	R (own estimate)			8.5%	9.5%
Beta (B)	1.1	B (Thomson Reuters and Lighthouse)			1.0	1.2
Cost of Equity	10.1%	Ke = Rf + (R * B)			8.7%	11.6%
Equity / (Equity + Net Debt)	52.4%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	47.6%	D			=	=
WACC	6.0%	WACC = Kd * D + Ke * E			5.2%	6.9%
G "Fair"	2.0%				2.0%	1.5%

(1) Terminal value calculated on the recurrent Free Cash Flow "to the Firm" of the last estimated year using the normalised tax rate (T) indicated in the upper table.

Inputs for the Multiples Valuation Approach

Company	Ticker	Reuters	Mkt. Cap	P/E 20e	EPS 20e-22e	EV/EBITDA 20e	EBITDA 20e-22e	EV/Sales 20e	Revenues 20e-22e	EBITDA/Sales 20e	FCF Yield 20e	FCF 20e-22e
RAWLPLUG SA	RWLP.WA		57.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
NORMA GROUP SE	NOEJ.DE		827.8	34.8	91.9%	12.8	40.2%	1.3	7.5%	10.4%	4.5%	43.3%
GRANGES AB	GRANG.ST		571.3	20.2	63.0%	8.4	24.6%	0.8	15.0%	10.1%	12.7%	-9.4%
MOMENTUM GROUP AB	MMGRb.ST		668.0	13.9	n.a.	8.1	n.a.	1.0	n.a.	12.7%	n.a.	n.a.
CHRISTIAN BERNER TECH TRADE AB	CBTTb.ST		41.6	17.3	21.4%	8.2	10.3%	0.7	5.5%	8.9%	n.a.	n.a.
TRIFAST PLC	TRFT.L		169.3	17.8	11.4%	13.9	18.0%	1.1	3.7%	7.9%	9.6%	n.a.
ILLINOIS TOOL WORKS INC	ITW		53,040.9	33.9	15.8%	23.2	12.8%	5.8	7.5%	25.0%	3.3%	10.7%
Broad Range players				23.0	40.7%	12.4	21.2%	1.8	7.9%	12.5%	7.5%	14.9%
BARNES GROUP INC	B		1,558.7	22.3	24.2%	11.1	13.3%	2.3	8.3%	20.8%	8.3%	8.0%
BUFAB AB	BUFAB.ST		436.9	16.8	6.2%	12.1	11.4%	1.4	6.0%	11.5%	n.a.	n.a.
SFS GROUP AG	SFSNCHF.xbo		3,147.6	26.6	18.2%	13.3	12.7%	2.1	6.1%	15.9%	3.7%	8.8%
GEORG FISCHER AG	FIN.S		3,632.2	51.0	71.0%	17.7	32.7%	1.4	8.9%	8.0%	3.8%	11.1%
BERGMAN & BEVING AB	BERGb.ST		217.1	13.0	n.a.	8.0	n.a.	0.8	n.a.	10.2%	n.a.	n.a.
BOSSARD HOLDING AG	BOS.S		990.5	19.8	13.1%	12.5	11.5%	1.6	6.9%	12.5%	5.8%	-4.9%
High Tech Specialty players				24.9	26.5%	12.4	16.3%	1.6	7.2%	13.1%	5.4%	5.7%
DESA	DESA.MC		16.1	n.a.	n.a.	17.1	65.9%	0.8	6.4%	3.3%	6.6%	65.8%

Free Cash Flow sensitivity analysis (2021e)

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

Scenario	EBITDA/Sales 21e	EBITDA 21e	EV/EBITDA 21e
Max	8.0%	3.3	9.6x
Central	7.0%	2.9	11.0x
Min	6.3%	2.6	12.2x

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

Rec. FCF EUR Mn	CAPEX/Sales 21e			Scenario	Rec. FCF/Yield 21e		
EBITDA 21e	1.3%	1.5%	1.7%		Max	9.9%	9.4%
3.3	1.6	1.5	1.4	Central	7.3%	6.8%	6.3%
2.9	1.2	1.1	1.0	Min	5.6%	5.1%	4.6%
2.6	0.9	0.8	0.7				

Appendix 1. Financial Projections⁽¹⁾

Balance Sheet (EUR Mn)	2015	2016	2017	2018	2019	2020e	2021e	2022e	CAGR	
Intangible assets	0.4	0.5	0.5	0.6	1.1	0.9	0.7	0.4		
Fixed assets	9.0	10.8	11.2	11.4	13.0	13.9	13.6	13.4		
Other Non Current Assets	2.6	2.5	2.3	2.0	1.7	1.7	1.7	1.7		
Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	18.5	19.2	20.5	22.2	22.7	20.5	21.4	22.5		
Total assets	30.6	33.0	34.4	36.2	38.5	37.1	37.5	38.1		
Equity	10.1	10.7	11.5	12.7	12.5	12.4	13.0	13.7		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	0.6	0.6	0.7	0.7	0.6	0.6	0.6	0.6		
Other Non Current Liabilities	-	-	-	-	0.4	0.4	0.4	0.4		
Net financial debt	12.0	13.2	12.6	13.4	15.6	15.1	14.6	14.1		
Current Liabilities	7.9	8.5	9.7	9.3	9.4	8.5	8.9	9.3		
Equity & Total Liabilities	30.6	33.0	34.4	36.2	38.5	37.1	37.5	38.1		
P&L (EUR Mn)	2015	2016	2017	2018	2019	2020e	2021e	2022e	15-19	19-22e
Total Revenues	34.1	34.6	38.1	41.1	42.5	37.7	40.6	42.6	5.7%	0.1%
<i>Total Revenues growth</i>	5.7%	1.7%	9.9%	7.8%	3.5%	-11.3%	7.7%	5.0%		
COGS	(20.8)	(20.6)	(23.2)	(24.5)	(25.7)	(23.0)	(24.8)	(26.2)		
Gross Margin	13.2	14.0	14.9	16.6	16.8	14.7	15.8	16.5	6.2%	-0.7%
<i>Gross Margin/Revenues</i>	38.8%	40.5%	39.0%	40.3%	39.6%	39.1%	38.8%	38.7%		
Personnel Expenses	(6.9)	(7.2)	(7.4)	(7.7)	(7.8)	(7.4)	(6.8)	(6.8)		
Other Operating Expenses	(5.0)	(5.0)	(5.2)	(6.3)	(6.5)	(5.5)	(6.1)	(6.3)		
Recurrent EBITDA	1.3	1.8	2.2	2.6	2.5	1.8	2.9	3.4	17.4%	10.9%
<i>Recurrent EBITDA growth</i>	8.8%	39.3%	21.8%	15.3%	-2.9%	-26.2%	55.5%	19.1%		
<i>Rec. EBITDA/Revenues</i>	3.8%	5.3%	5.8%	6.2%	5.8%	4.9%	7.0%	8.0%		
Restructuring Expense & Other non-rec.	(0.1)	0.1	-	-	(0.1)	(0.6)	-	-		
EBITDA	1.2	1.9	2.2	2.6	2.4	1.2	2.9	3.4	19.2%	12.5%
Depreciation & Provisions	(0.8)	(0.8)	(0.9)	(1.0)	(1.0)	(1.1)	(1.1)	(1.1)		
Capitalized Expense	-	-	-	0.1	0.0	0.0	0.0	0.0		
Rentals (IFRS 16 impact)	-	-	-	-	(0.2)	(0.2)	(0.2)	(0.2)		
EBIT	0.4	1.1	1.3	1.7	1.2	0.0	1.6	2.1	34.5%	20.5%
<i>EBIT growth</i>	-13.1%	191.9%	17.1%	31.5%	-27.1%	-99.1%	n.a.	32.6%		
<i>EBIT/Revenues</i>	1.1%	3.1%	3.3%	4.1%	2.9%	0.0%	4.0%	5.0%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.5)	(0.3)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)		
Income by the Equity Method	-	-	-	-	-	-	-	-		
Ordinary Profit	(0.1)	0.8	1.1	1.5	1.1	(0.1)	1.5	2.0	79.9%	24.3%
<i>Ordinary Profit Growth</i>	8.3%	702.8%	40.8%	42.0%	-29.7%	-112.8%	n.a.	34.7%		
Extraordinary Results	-	-	-	-	-	-	-	-		
Profit Before Tax	(0.1)	0.8	1.1	1.5	1.1	(0.1)	1.5	2.0	79.9%	24.3%
Tax Expense	(0.0)	(0.1)	(0.2)	(0.3)	(0.3)	(0.0)	(0.4)	(0.5)		
<i>Effective Tax Rate</i>	n.a.	14.4%	21.7%	19.0%	23.8%	n.a.	23.8%	23.8%		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	(0.1)	0.6	0.8	1.2	0.8	(0.1)	1.2	1.6	68.9%	24.3%
<i>Net Profit growth</i>	92.1%	590.0%	28.8%	46.8%	-33.8%	-117.7%	906.6%	34.7%		
Ordinary Net Profit	0.0	0.6	0.8	1.2	0.9	0.5	1.2	1.6	n.a.	20.7%
<i>Ordinary Net Profit growth</i>	101.0%	n.a.	47.4%	46.8%	-27.7%	-47.7%	149.7%	34.7%		
Cash Flow (EUR Mn)	2015	2016	2017	2018	2019	2020e	2021e	2022e	15-19	19-22e
Recurrent EBITDA						1.8	2.9	3.4	17.4%	10.9%
Rentals (IFRS 16 impact)						(0.2)	(0.2)	(0.2)		
Working Capital Increase						1.3	(0.5)	(0.7)		
Recurrent Operating Cash Flow						2.9	2.2	2.5	65.7%	9.7%
CAPEX						(1.7)	(0.6)	(0.6)		
Net Financial Result affecting the Cash Flow						(0.1)	(0.1)	(0.1)		
Tax Expense						(0.0)	(0.4)	(0.5)		
Recurrent Free Cash Flow						1.1	1.1	1.3	0.0%	47.6%
Restructuring Expense & Other non-rec.						(0.6)	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						0.5	1.1	1.3	0.6%	46.0%
Capital Increase						-	-	-		
Dividends						-	(0.6)	(0.8)		

Net Debt Variation

(0.5) (0.5) (0.5)

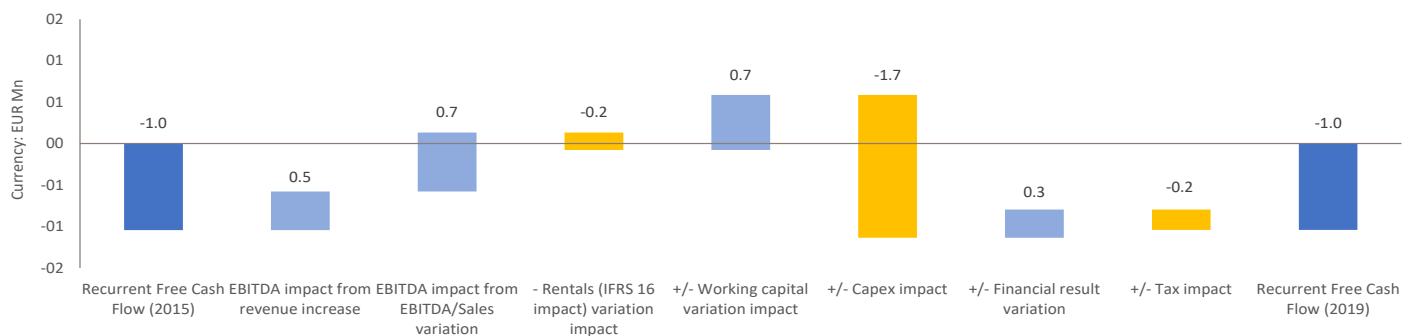
Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.3Mn higher due to IFRS 16.

Appendix 2. Free Cash Flow⁽¹⁾

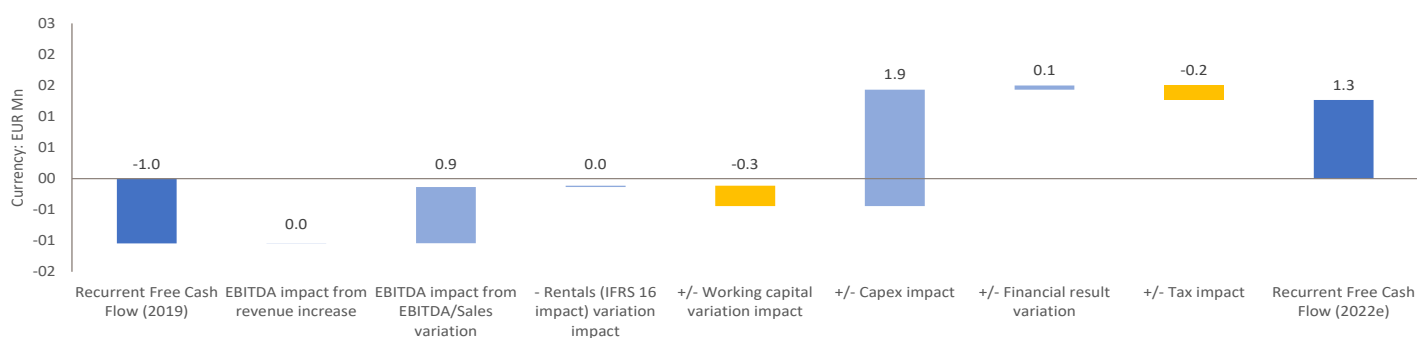
	2016	2017	2018	2019	2020e	2021e	2022e	CAGR	
								16-19	19-22e
A) Cash Flow Analysis (EUR Mn)									
Recurrent EBITDA	1.8	2.2	2.6	2.5	1.8	2.9	3.4	10.9%	10.9%
<i>Recurrent EBITDA growth</i>	<i>39.3%</i>	<i>21.8%</i>	<i>15.3%</i>	<i>-2.9%</i>	<i>-26.2%</i>	<i>55.5%</i>	<i>19.1%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>5.3%</i>	<i>5.8%</i>	<i>6.2%</i>	<i>5.8%</i>	<i>4.9%</i>	<i>7.0%</i>	<i>8.0%</i>		
- Rentals (IFRS 16 impact)	-	-	-	(0.2)	(0.2)	(0.2)	(0.2)		
+/- Working Capital increase	(0.1)	(0.1)	(2.1)	(0.4)	1.3	(0.5)	(0.7)		
= Recurrent Operating Cash Flow	1.7	2.1	0.5	1.9	2.9	2.2	2.5	2.8%	9.7%
<i>Rec. Operating Cash Flow growth</i>	<i>593.5%</i>	<i>23.9%</i>	<i>-78.0%</i>	<i>298.6%</i>	<i>54.9%</i>	<i>-25.8%</i>	<i>14.8%</i>		
<i>Rec. Operating Cash Flow / Sales</i>	<i>5.0%</i>	<i>5.6%</i>	<i>1.1%</i>	<i>4.4%</i>	<i>7.7%</i>	<i>5.3%</i>	<i>5.8%</i>		
- CAPEX	(1.1)	(1.1)	(1.3)	(2.5)	(1.7)	(0.6)	(0.6)		
- Net Financial Result affecting Cash Flow	(0.3)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)		
- Taxes	(0.1)	(0.2)	(0.3)	(0.3)	(0.0)	(0.4)	(0.5)		
= Recurrent Free Cash Flow	0.2	0.6	(1.2)	(1.0)	1.1	1.1	1.3	-92.7%	47.6%
<i>Rec. Free Cash Flow growth</i>	<i>119.4%</i>	<i>212.3%</i>	<i>-294.5%</i>	<i>15.2%</i>	<i>201.7%</i>	<i>3.7%</i>	<i>15.2%</i>		
<i>Rec. Free Cash Flow / Revenues</i>	<i>0.6%</i>	<i>1.7%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>2.8%</i>	<i>2.7%</i>	<i>3.0%</i>		
- Restructuring expenses & others	0.1	-	-	(0.1)	(0.6)	-	-		
- Acquisitions / + Divestments	(1.7)	-	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow	(1.4)	0.6	(1.2)	(1.1)	0.5	1.1	1.3	6.6%	46.0%
<i>Free Cash Flow growth</i>	<i>-19.6%</i>	<i>145.1%</i>	<i>-294.5%</i>	<i>7.1%</i>	<i>140.4%</i>	<i>138.7%</i>	<i>15.2%</i>		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	<i>1.3%</i>	<i>3.9%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>6.6%</i>	<i>6.8%</i>	<i>7.9%</i>		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	<i>n.a.</i>	<i>3.9%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>2.9%</i>	<i>6.8%</i>	<i>7.9%</i>		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
Recurrent FCF(FY - 1)	(1.0)	0.2	0.6	(1.2)	(1.0)	1.1	1.1		
EBITDA impact from revenue increase	0.0	0.2	0.2	0.1	(0.3)	0.1	0.1		
EBITDA impact from EBITDA/Sales variation	0.5	0.2	0.2	(0.2)	(0.4)	0.9	0.4		
= Recurrent EBITDA variation	0.5	0.4	0.3	(0.1)	(0.7)	1.0	0.5		
- Rentals (IFRS 16 impact) variation impact	-	-	-	(0.2)	0.0	-	-		
+/- Working capital variation impact	1.0	0.0	(2.0)	1.7	1.7	(1.8)	(0.2)		
= Recurrent Operating Cash Flow variation	1.5	0.4	(1.7)	1.4	1.0	(0.8)	0.3		
+/- CAPEX impact	(0.3)	0.0	(0.2)	(1.3)	0.8	1.1	(0.0)		
+/- Financial result variation	0.2	0.1	0.0	0.0	0.0	0.1	0.0		
+/- Tax impact	(0.1)	(0.1)	(0.1)	0.0	0.2	(0.4)	(0.1)		
= Recurrent Free Cash Flow variation	1.2	0.4	(1.9)	0.2	2.1	0.0	0.2		
Recurrent Free Cash Flow	0.2	0.6	(1.2)	(1.0)	1.1	1.1	1.3		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
EBIT	1.1	1.3	1.7	1.2	0.0	1.6	2.1	3.9%	20.5%
* <i>Theoretical Tax rate</i>	<i>14.4%</i>	<i>21.7%</i>	<i>19.0%</i>	<i>23.8%</i>	<i>0.0%</i>	<i>23.8%</i>	<i>23.8%</i>		
= Taxes (pre- Net Financial Result)	(0.2)	(0.3)	(0.3)	(0.3)	-	(0.4)	(0.5)		
Recurrent EBITDA	1.8	2.2	2.6	2.5	1.8	2.9	3.4	10.9%	10.9%
- Rentals (IFRS 16 impact)	-	-	-	(0.2)	(0.2)	(0.2)	(0.2)		
+/- Working Capital increase	(0.1)	(0.1)	(2.1)	(0.4)	1.3	(0.5)	(0.7)		
= Recurrent Operating Cash Flow	1.7	2.1	0.5	1.9	2.9	2.2	2.5	2.8%	9.7%
- CAPEX	(1.1)	(1.1)	(1.3)	(2.5)	(1.7)	(0.6)	(0.6)		
- Taxes (pre- Financial Result)	(0.2)	(0.3)	(0.3)	(0.3)	-	(0.4)	(0.5)		
= Recurrent Free Cash Flow (To the Firm)	0.5	0.8	(1.1)	(0.9)	1.2	1.2	1.3	-57.4%	51.1%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	<i>190.3%</i>	<i>63.5%</i>	<i>-238.1%</i>	<i>15.9%</i>	<i>231.7%</i>	<i>-3.7%</i>	<i>14.1%</i>		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	<i>1.4%</i>	<i>2.1%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>3.2%</i>	<i>2.9%</i>	<i>3.1%</i>		
- Acquisitions / + Divestments	(1.7)	-	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow "To the Firm"	(1.2)	0.8	(1.1)	(0.9)	1.2	1.2	1.3	8.7%	51.1%
<i>Free Cash Flow (To the Firm) growth</i>	<i>-125.0%</i>	<i>165.6%</i>	<i>-238.1%</i>	<i>15.9%</i>	<i>231.7%</i>	<i>-3.7%</i>	<i>14.1%</i>		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	<i>1.6%</i>	<i>2.5%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>3.9%</i>	<i>3.7%</i>	<i>4.3%</i>		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	<i>n.a.</i>	<i>2.5%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>3.9%</i>	<i>3.7%</i>	<i>4.3%</i>		

Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.3Mn higher due to IFRS 16.

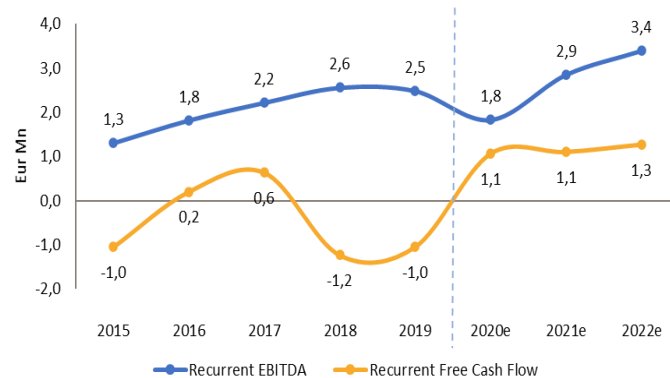
Recurrent Free Cash Flow accumulated variation analysis (2015 - 2019)



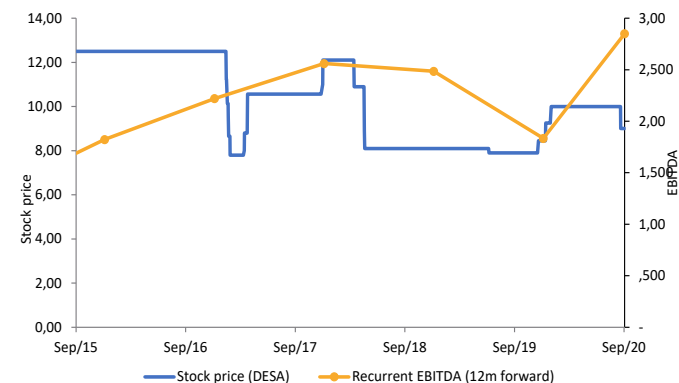
Recurrent Free Cash Flow accumulated variation analysis (2019 - 2022e)



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	16.1	
+ Minority Interests	-	6m Results 2020
+ Provisions & Other L/T Liabilities	0.6	6m Results 2020
+ Net financial debt	14.6	6m Results 2020
- Financial Investments	0.1	6m Results 2020
+/- Others	-	6m Results 2020
Enterprise Value (EV)	31.3	

Appendix 4. Historical performance (1)(2)

Historical performance (EUR Mn)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e	CAGR Sep-20	19-22e
Total Revenues	10.9	23.7	36.9	31.9	31.9	32.2	34.1	34.6	38.1	41.1	42.5	37.7	40.6	42.6	14.6%	0.1%
Total Revenues growth	-24.3%	117.3%	55.4%	-13.4%	-0.1%	1.1%	5.7%	1.7%	9.9%	7.8%	3.5%	-11.3%	7.7%	5.0%		
EBITDA	(0.0)	(0.7)	1.7	(0.2)	0.4	1.2	1.2	1.9	2.2	2.6	2.4	1.2	2.9	3.4	57.2%	12.5%
EBITDA growth	-101.4%	n.a.	331.8%	-113.1%	295.2%	177.4%	-1.8%	62.4%	15.7%	15.3%	-6.8%	-48.3%	131.1%	19.1%		
EBITDA/Sales	n.a.	n.a.	4.6%	n.a.	1.4%	3.7%	3.5%	5.5%	5.8%	6.2%	5.6%	3.3%	7.0%	8.0%		
Net Profit	(0.7)	0.4	0.0	(1.0)	(0.6)	(1.7)	(0.1)	0.6	0.8	1.2	0.8	(0.1)	1.2	1.6	12.0%	24.3%
Net Profit growth	-205.7%	157.2%	-91.8%	n.a.	41.4%	-193.4%	92.1%	590.0%	28.8%	46.8%	-33.8%	-117.7%	906.6%	34.7%		
Adjusted number shares (Mn)	1.1	1.5	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8		
EPS (EUR)	-0.67	0.29	0.02	-0.55	-0.32	-0.94	-0.07	0.36	0.47	0.69	0.46	-0.08	0.65	0.87	10.4%	24.3%
EPS growth	n.a.	n.a.	-93.3%	n.a.	41.4%	n.a.	92.1%	n.a.	29.1%	46.9%	-33.8%	n.a.	n.a.	34.7%		
Ord. EPS (EUR)	-0.34	0.18	0.04	-0.47	-0.23	-0.08	0.00	0.32	0.47	0.69	0.50	0.26	0.65	0.87	13.2%	20.7%
Ord. EPS growth	-93.1%	n.a.	-75.8%	n.a.	51.9%	66.3%	n.a.	n.a.	47.7%	46.9%	-27.7%	-47.7%	n.a.	34.7%		
CAPEX	(0.4)	(0.3)	(0.7)	(0.1)	(0.4)	(0.5)	(0.8)	(1.1)	(1.1)	(1.3)	(2.5)	(1.7)	(0.6)	(0.6)		
CAPEX/Sales %	3.4%	1.3%	2.0%	0.4%	1.2%	1.6%	2.3%	3.1%	2.8%	3.0%	5.9%	4.5%	1.5%	1.5%		
Free Cash Flow	1.4	0.8	(0.7)	2.9	0.6	(0.0)	(1.2)	(1.4)	0.6	(1.2)	(1.1)	0.5	1.1	1.3	-10.9%	46.0%
ND/EBITDA (x) ⁽³⁾	n.a.	n.a.	7.6x	n.a.	24.9x	9.1x	10.1x	6.9x	5.7x	5.2x	6.5x	12.2x	5.1x	4.2x		
P/E (x)	n.a.	42.2x	n.a.	n.a.	n.a.	n.a.	n.a.	34.5x	25.8x	11.8x	18.6x	n.a.	13.9x	10.3x		
EV/Sales (x)	1.7x	1.5x	1.0x	1.1x	1.1x	1.0x	1.0x	1.0x	0.9x	0.7x	0.7x	0.8x	0.8x	0.7x		
EV/EBITDA (x) ⁽³⁾	n.a.	n.a.	21.4x	n.a.	n.a.	28.1x	29.6x	18.8x	15.7x	11.1x	13.1x	25.4x	11.0x	9.2x		
Absolute performance	-20.0%	22.5%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-3.2%	-33.1%	4.3%	6.5%				
Relative performance vs Ibx 35	-38.4%	48.4%	17.4%	4.9%	-17.6%	-3.5%	7.7%	2.1%	-9.9%	-21.3%	-6.7%	49.8%				

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 Thomson Reuters.

Note 2: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.3Mn higher due to IFRS 16.

Note 3: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main Competitors 2020e

		Broad Range players					High Tech Specialty players					DESA		
		NORMA GROUP SE	GRANGES AB	MOMENTUM GROUP AB	TRIFAST PLC	BERGMAN & BEVING AB	Average	GEORG FISCHER AG	BOSSARD HOLDING AG	BUFAB AB	SFS GROUP AG	BARNES GROUP INC	Average	DESA
Market data	EUR Mn	NOEJ.DE	GRANG.ST	MMGRb.ST	TRFT.L	BERGb.ST		FIN.S	BOS.S	BUFAB.ST	SFSNCHF.xbo	B		DESA.MC
Country		Germany	Sweden	Sweden	UK	Sweden		Switzerland	Switzerland	Sweden	Switzerland	USA		Spain
Market cap		827.8	571.3	668.0	169.3	217.1		3,632.2	990.5	436.9	3,147.6	1,558.7		16.1
Enterprise value (EV)		1,231.4	849.4	933.4	203.7	321.4		4,049.6	1,170.4	619.7	3,173.4	2,111.1		31.3
Total Revenues		926.8	1,005.1	910.5	184.8	394.3		2,864.6	750.7	444.4	1,501.0	915.0		37.7
Total Revenues growth		-15.8%	-11.9%	61.7%	-18.0%	5.8%	4.4%	-16.5%	-7.1%	7.3%	-8.6%	-31.2%		-11.2%
2y CAGR (2020e - 2022e)		7.5%	15.0%	n.a.	3.7%	n.a.	8.8%	8.9%	6.9%	6.0%	6.1%	8.3%		7.2%
EBITDA		96.0	101.1	115.7	14.7	40.1		229.4	93.8	51.0	239.2	190.0		1.2
EBITDA growth		-39.7%	-20.1%	122.3%	-30.4%	22.1%	10.8%	-23.9%	-10.5%	-10.7%	-21.8%	-36.5%		-20.7%
2y CAGR (2020e - 2022e)		40.2%	24.6%	n.a.	18.0%	n.a.	27.6%	32.7%	11.5%	11.4%	12.7%	13.3%		16.3%
EBITDA/Revenues		10.4%	10.1%	12.7%	7.9%	10.2%	10.2%	8.0%	12.5%	11.5%	15.9%	20.8%		13.7%
EBIT		41.6	50.4	62.0	18.2	23.1		109.8	76.0	34.3	148.9	116.1		0.0
EBIT growth		-62.1%	-38.9%	122.9%	36.5%	29.8%	17.6%	-36.6%	-13.9%	-2.0%	-31.6%	-45.0%		-25.8%
2y CAGR (2020e - 2022e)		72.9%	47.2%	n.a.	n.a.	n.a.	60.0%	58.7%	13.1%	17.1%	18.3%	18.1%		25.1%
EBIT/Revenues		4.5%	5.0%	6.8%	9.8%	5.9%	6.4%	3.8%	10.1%	7.7%	9.9%	12.7%		8.9%
Net Profit		19.5	29.1	43.4	17.1	15.1		67.0	58.5	21.9	126.8	69.6		(0.1)
Net Profit growth		-66.7%	-49.0%	117.9%	n.a.	41.6%	11.0%	-57.8%	-16.4%	-9.1%	-33.4%	-50.7%		-33.5%
2y CAGR (2020e - 2022e)		n.a.	62.9%	n.a.	n.a.	n.a.	62.9%	74.5%	11.8%	16.7%	14.5%	24.9%		28.5%
CAPEX/Sales %		-4.9%	-4.3%	n.a.	-2.1%	n.a.	-3.8%	-4.8%	-4.8%	-1.4%	-6.9%	-3.9%		-4.4%
Free Cash Flow		37.1	74.3	n.a.	16.2	n.a.		139.1	57.2	n.a.	115.2	128.1		0.5
Net financial debt		359.2	249.2	229.5	17.1	176.7		206.5	141.8	168.8	(80.5)	514.7		15.1
ND/EBITDA (x)		3.7	2.5	2.0	1.2	4.4	2.8	0.9	1.5	3.3	(0.3)	2.7		1.6
Pay-out		46.5%	33.9%	24.8%	27.9%	46.5%	35.9%	47.5%	47.3%	37.2%	49.9%	45.0%		45.4%
P/E (x)		34.8	20.2	13.9	17.8	13.0	19.9	51.0	19.8	16.8	26.6	22.3		27.3
P/BV (x)		1.3	1.3	2.2	n.a.	1.4	1.5	2.9	3.6	2.3	2.6	1.5		2.6
EV/Revenues (x)		1.3	0.8	1.0	1.1	0.8	1.0	1.4	1.6	1.4	2.1	2.3		1.8
EV/EBITDA (x)		12.8	8.4	8.1	13.9	8.0	10.2	17.7	12.5	12.1	13.3	11.1		13.3
EV/EBIT (x)		29.6	16.9	15.1	11.2	13.9	17.3	36.9	15.4	18.0	21.3	18.2		22.0
ROE		2.7	6.7	n.a.	10.1	n.a.	6.5	5.9	19.5	12.4	10.5	6.4		10.9
FCF Yield (%)		4.5	12.7	n.a.	9.6	n.a.	8.9	3.8	5.8	n.a.	3.7	8.3		5.4
DPS		0.28	0.13	0.39	0.04	0.26	0.22	7.77	3.02	0.22	1.69	0.61		2.66
Dvd Yield		1.1%	1.7%	2.9%	3.1%	3.1%	2.4%	0.9%	2.0%	1.9%	2.0%	2.0%		1.8%

Note 1: Financial data, multiples and ratios based on market consensus (Thomson Reuters). 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).

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
29-Sep-2020	n.a.	9.00	n.a.	n.a.	6m Results 2020	Ana Isabel González García, CIA
02-Jul-2020	n.a.	10.00	n.a.	n.a.	Review of estimates	Ana Isabel González García, CIA
02-Mar-2020	n.a.	10.00	n.a.	n.a.	12m Results 2019	Ana Isabel González García, CIA
23-Dec-2019	n.a.	8.45	n.a.	n.a.	Initial Coverage	Ana Isabel González García, CIA

