

EQUITY - SPAIN

Sector: Machinery

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6m Results 2021

Closing price: EUR 9.50 (30 Sep 2021)

6m Results 2021

Opinion ⁽¹⁾: Above expectationsImpact ⁽¹⁾: We will have to raise our estimates

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Business description

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 (30% of revenue) and is controlled by its core shareholders (c.75% of capital).

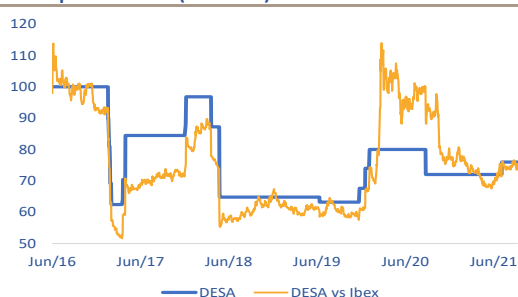
Market Data

Market Cap (Mn EUR and USD)	17.0	19.7
EV (Mn EUR and USD) ⁽²⁾	27.6	32.0
Shares Outstanding (Mn)	1.8	
-12m (Max/Med/Min EUR)	9.50 / 9.09 / 9.00	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	0.0	
Factset / Bloomberg	DESA-ES / 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

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	0.0	5.6	5.6	-24.0
vs Ibex 35	0.8	5.9	-19.4	-24.1
vs Ibex Small Cap Index	3.2	12.7	-16.9	-56.6
vs Eurostoxx 50	3.7	6.0	-16.7	-43.6
vs Sector benchmark ⁽⁴⁾	8.9	4.0	-23.0	-59.1

(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 1.

(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.

Very good results, leading us to upgrade estimates again: P/E c. 7x.

REVENUE GROWTH ACCELERATING (EUR 25.9MN; +32.3% VS 1H20)... DESA's business continues to gain traction and generated revenue of EUR 25.9Mn in 1H21 (+32.3% vs 1H20); driven by the international business (c. +60% vs 1H20). Although perhaps the most important aspect is that revenue volume is now 14.3% above 1H19 (with pre Covid-19 business levels, implying sound growth beyond the effect of the smaller 1H20 comparison base).

... ACCOMPANIED BY A SIGNIFICANT IMPROVEMENT IN THE GROSS MARGIN (EUR 9.2MN; +41.8% VS 1H20). In percentage terms, the gross margin increased by 2.4p.p. to 35.6%. This margin improvement was mainly underpinned by: (i) higher production capacity usage, (ii) the favourable revenue mix and (iii) the ability to pass on increases in the prices of its main procurements to clients.

MAXIMISING EBITDA LEVELS (EUR 3.4MN; +140% VS 1H20). The improved profitability in terms of gross margin is amplified at the EBITDA level as a result of the cost containment policy implemented in recent years. This has allowed EBITDA to record highs, driving the EBITDA margin to 13.3% (vs an average of c. 6% -5y) and comfortably exceeding our EBITDA estimate for 2021.

AND CONTINUING TO REDUCE DEBT (ND: -10% VS 2020). DESA closed 1H21 with net debt of EUR 10.6Mn (-10% vs the 2020 close), revealing the company's capacity for cash generation (ND: -33% vs 2019) with conversion in cash of c. 30% of the EBITDA generated in 1H21 taking the company's debt to reasonable levels (2021e ND/EBITDA: c. 2.3x).

IN CONCLUSION, VERY GOOD RESULTS THAT LEAD US TO SIGNIFICANTLY UPGRADE OUR ESTIMATES FOR 2021 AND THE FOLLOWING YEARS. 1H21 results show an outstanding performance and significantly beat our estimates for all P&L items. And now what? Assuming the business' characteristic cyclicity in 2H (c. 46% of revenue in 2018 and 2019; with lower revenue in August and December), 2021e results point to revenue of c. EUR 48Mn, with EBITDA of c. EUR 4.5-5Mn (c. +25% vs previous estimate). 2021e results that at the date of this report would be trading at an EV/EBITDA of < 6x and P/E of c. 7-8x. Something the market seems to be ignoring (-18% vs Ibex Small Cap, -1y); in a company that: (i) has capacity for growth (high single-digit?), (ii) is profitable (EBITDA margin c. 10%) and (iii) has debt under control (2021e ND/EBITDA c. 2x).

Table 1. 1H21 Results

EUR Mn	6m21		6m21 Real		6m21 Real	
	Real	6m20	6m19	vs 6m20	vs 6m19	
Total Revenues	25.9	19.6	22.7	32.3%	14.3%	
Recurrent EBITDA	3.4	1.4	1.8	141.6%	92.2%	
<i>Rec. EBITDA/Revenues</i>	<i>13.3%</i>	<i>7.3%</i>	<i>7.9%</i>	<i>6.0 p.p.</i>	<i>5.4 p.p.</i>	
EBIT	2.7	0.8	1.2	244.9%	128.2%	
PBT	2.6	0.7	1.1	259.9%	135.1%	
Ordinary NP	2.6	0.7	0.8	259.9%	220.8%	
Net Debt	10.6	11.7	15.7	-9.9%	-32.7%	

Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	17.0	
+ Minority Interests	-	6m Results 2021
+ Provisions & Other L/T Liabilities	0.1	6m Results 2021
+ Net financial debt	10.6	6m Results 2021
- Financial Investments	0.1	6m Results 2021
+/- Others		
Enterprise Value (EV)	27.6	

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
01-Oct-2021	n.a.	9.50	n.a.	n.a.	6m Results 2021	David López Sánchez
01-Mar-2021	n.a.	9.00	n.a.	n.a.	12m Results 2020 - Estimates upgrade	Ana Isabel González García, CIIA
28-Jan-2021	n.a.	9.00	n.a.	n.a.	Estimates upgrade	Ana Isabel González García, CIIA
30-Oct-2020	n.a.	9.00	n.a.	n.a.	9m Results 2020	Ana Isabel González García, CIIA
29-Sep-2020	n.a.	9.00	n.a.	n.a.	6m Results 2020	Ana Isabel González García, CIIA
02-Jul-2020	n.a.	10.00	n.a.	n.a.	Estimates downgrade	Ana Isabel González García, CIIA
02-Mar-2020	n.a.	10.00	n.a.	n.a.	12m Results 2019	Ana Isabel González García, CIIA
23-Dec-2019	n.a.	8.45	n.a.	n.a.	Initiation of Coverage	Ana Isabel González García, CIIA

