

## 12m Results 2021

Opinion <sup>(1)</sup>: Above expectationsImpact <sup>(1)</sup>: 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).

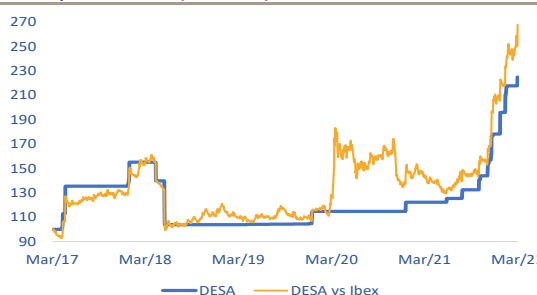
## Market Data

Market Cap (Mn EUR and USD)	27.7	30.9
EV (Mn EUR and USD) <sup>(2)</sup>	38.9	43.4
Shares Outstanding (Mn)	1.8	
-12m (Max/Med/Min EUR)	15.50 / 10.33 / 8.42	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation <sup>(3)</sup>	1.0	
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	3.3	26.3	84.1	125.0
vs Ibex 35	10.1	30.4	88.4	167.9
vs Ibex Small Cap Index	3.8	22.8	93.3	51.2
vs Eurostoxx 50	15.9	40.2	81.2	102.5
vs Sector benchmark <sup>(4)</sup>	16.0	57.1	82.0	17.0

(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 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.

## 2021 results: +20% in revenues leading to a doubling of EBITDA

**SIGNIFICANT REVENUE GROWTH (EUR 48.1 MN; +21.3% VS 2020)...** DESA has confirmed the excellent revenue performance anticipated in 1H21 results. With the industrial division (+32%; weight of 38% in the mix) standing out. Agriculture and Construction (weight of 20% in the mix each) grew by the same amount (c.+20%). The international business remains dynamic: both in Industrial (+48%) and Agriculture (+38%). All divisions did better than in 2019 (+13.7% on average). Growth was underpinned 50/50 by improvements in volumes and in prices.

**... WITH THE GROSS MARGIN REPEATING 2020 LEVELS.** A stable sales mix, with a small increase in the weight of Industrial (+ 3 p.p vs Retail) and an almost perfect translation to the sale price of increases in the cost of raw materials. Both factors resulted in a repetition of the 2020 gross margin (40%; unchanged in the last 5 years).

**THE STEP-UP IN REVENUES IMPLIES MARGINS AT ALL-TIME HIGHS.** Rec. EBITDA took off significantly (EUR 5.6 Mn) doubling 2019 levels both in absolute terms and in margin (11.6% vs 5.6%). The improvement is explained simply by the business' operating leverage in a context of strong revenue growth (>+20% vs CAGR 2016-2021, +7.1%). An atypical growth environment to which efficient production management has been added.

**RATIONALISING THE GEARING RATE.** DESA closed 2021 with net debt of EUR 11.5 Mn, fully in line with 2020. The generation of operating CF (plus the decline in the tax rate) has offset the consumption of working capital for the rebuilding of inventories (at higher cost due to more expensive raw materials). CAPEX at usual levels (< EUR 1.0 Mn). Gearing has halved (2.0x ND/EBITDA) evidencing a low level of financial risk.

**IN CONCLUSION: VERY GOOD RESULTS, REPEATABLE?** The central scenario (within the enormous current uncertainty) is to consolidate levels of revenue and EBITDA (and so margins) achieved in 2021. Returning in 2022 to growth rates of c.5-6%. After the rally of the last 12 months (c.+80% in absolute terms) the share is trading the step-up in 2021 results at ratios that remain low in relation to the sector. The repetition of EBITDA in 2022 would imply an EV/EBITDA of 6.9x with a P/E of 7,3x. In addition, the business model has proven to be very resilient in the last two years with low levels of operating and financial risk: a circumstance that is especially interesting when interpreting multiples in the current market context...

Table 1. Results 12m2021

EUR Mn	12m21 Real	12m20	12m21 Real vs 12m20
Total Revenues	48.1	39.7	21.3%
Gross Mg.	19.3	15.9	22.0%
Gross Mg./Revenues	40.2%	40.0%	0.2 p.p.
Rec. EBITDA <sup>(1)</sup>	5.6	2.7	110.6%
Rec. EBITDA/Revenues	11.6%	8.4%	3.2 p.p.
EBITDA	5.8	2.8	106.3%
EBITDA/Revenues	12.2%	7.1%	5.0 p.p.
EBIT	4.6	1.4	222.0%
PBT	4.4	1.2	248.8%
NP	3.8	0.9	315.6%
Net Debt <sup>(2)</sup>	11.5	11.4	1.3%
ND / EBITDA	2.0 x	4.0 x	-2.0 x

(1) Excludes capitalizations and non recurrent expenses/income.

(2) Net Debt adjusted exclude the impact of IFRS 16 (EUR 0.5Mn and EUR 0.3Mn in 2021 and 2020). In addition, net debt includes: (i) fixed asset providers (EUR 0.7Mn and EUR 0.8Mn in 2021 and 2020) and (ii) financing of working capital (EUR 3.5Mn and EUR 0.5Mn in 2021 and 2020); excluding these amounts, ND would be EUR 7.3Mn and EUR 9.9Mn in 2021 and 2020.

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

	EUR Mn	Source
Market Cap	27.7	
+ Minority Interests	-	12m Results 2021
+ Provisions & Other L/T Liabilities	0.2	12m Results 2021
+ Net financial debt	11.5	12m Results 2021
- Financial Investments	0.5	12m Results 2021
+/- Others		
<b>Enterprise Value (EV)</b>	<b>38.9</b>	

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
02-Mar-2022	n.a.	15.50	n.a.	n.a.	12m Results 2021	David López Sánchez
01-Oct-2021	n.a.	9.12	n.a.	n.a.	6m Results 2021	David López Sánchez
01-Mar-2021	n.a.	8.42	n.a.	n.a.	12m Results 2020 - Estimates upgrade	Ana Isabel González García, CIIA
28-Jan-2021	n.a.	8.42	n.a.	n.a.	Estimates upgrade	Ana Isabel González García, CIIA
30-Oct-2020	n.a.	7.91	n.a.	n.a.	9m Results 2020	Ana Isabel González García, CIIA
29-Sep-2020	n.a.	7.91	n.a.	n.a.	6m Results 2020	Ana Isabel González García, CIIA
02-Jul-2020	n.a.	7.91	n.a.	n.a.	Estimates downgrade	Ana Isabel González García, CIIA
02-Mar-2020	n.a.	7.91	n.a.	n.a.	12m Results 2019	Ana Isabel González García, CIIA
23-Dec-2019	n.a.	7.91	n.a.	n.a.	Initiation of Coverage	Ana Isabel González García, CIIA

