

EQUITY - SPAIN

Sector: Industrial - Equipment Rental

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3m Results 2020
Closing price: EUR 1.09 (12 May 2020)

3m Results 2020

Opinion ⁽¹⁾: In line.

Impact ⁽¹⁾: We will maintain our estimates.

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GAM (GALQ) is a company that specialises in services associated with machinery (it has a fleet of 16,000 pieces of equipment) with a revenue mix diversified by sector and a certain balance between generalist and specialist operator. With 75 branches in 10 countries, it is leader in the Iberian Peninsula (56 branches), where it obtains the bulk of its revenues (>75%), and Latam is the main destination for the company's exports (c.16%).

1Q20 results: no big surprises. Estimates unchanged

Market Data

Market Cap (Mn EUR and USD)	68.4	74.2
EV (Mn EUR and USD) ⁽²⁾	207.6	225.2
Shares Outstanding (Mn)	63.1	
-12m (Max/Med/Mín EUR)	2.12 / 1.39 / 0.98	
Daily Avg volume (-12m Mn EUR)	0.11	
Rotation ⁽³⁾	42.7	
Thomson Reuters / Bloomberg	GALQ.MC / GALQ SM	
Close fiscal year	31-Dec	

NO SURPRISES IN REVENUES (EUR 33.7MMN VS EUR 32.8MMN IN 1Q19) which grew 3% despite the company's business decreasing by c. 15% during March (due to the significant slowdown in the global economy; Spanish GDP 1Q20: -5.2% qoq).

ALTHOUGH COVID-19 IS ALREADY WEIGHING ON EBITDA (-16.2%): which was EUR 8.3Mn (EBITDA margin 24.6%; -5.6p.p. vs 1Q19) the result of a business with high operating leverage that cannot reduce its size at the same speed as its business decreases (the cost-cutting measures adopted by the company were implemented in April, so did not impact 1Q20). The reduction in EBITDA (EUR 1.6Mn) was fully translated to EBIT (-66.7% vs 1Q19).

MAINTAINING A BEARABLE LEVEL OF DEBT. GALQ closed 1Q20 with total net debt of EUR 131.6Mn (ND/EBITDA LTM 3.3x; +8% vs 2019), down by c. 30% vs 1Q19 thanks to the restructuring carried out in 2019.

Shareholders Structure (%)

Francisco Riberas	54.3
Pedro Luis Fernández	5.8
Indumenta Pueri	5.3
Banco Santander	4.5
Free Float	30.1

THE IMPACT OF COVID-19 SHOULD BE CONCENTRATED IN 2020E: The company's activity declined 45% in April, but at the time of writing had recovered levels of 76% (vs levels prior to the start of the crisis), underlining the business' resilience to Covid-19. The main reasons for growth (after the current scenario has been overcome) remain: i) entry in the long-term rental business; ii) entry in businesses other than rental and without CAPEX (distribution, maintenance); and iii) a strong commercial position in the Iberian Peninsula (where it remains leader with c. 10% of market share) and Latam, two regions where rental (vs purchasing) utilisation rates are expected to approach those of the US and Europe. Which implies growth.

IN CONCLUSION: We maintain our estimates in the light of results already impacted by the decline in business resulting from the Covid-19 crisis. The most rational assumption is still the recovery in 24m (post 2020) of similar EBITDA levels to 2019 (c. EUR 33Mn) and margins of 23% (EBITDA adjusted for capitalized expense). Trading at c. 6.3x EV/ EBITDA (2022e).

Financials (Mn EUR)	2019	2020e	2021e	2022e
Adj. nº shares (Mn)	35.5	63.1	63.1	63.1
Total Revenues	143.1	122.3	135.1	142.5
Rec. EBITDA ⁽⁴⁾	33.9	22.5	24.8	32.7
% growth	25.7	-33.5	10.0	32.2
% Rec. EBITDA/Rev.	23.7	18.4	18.3	23.0
% Inc. EBITDA sector ⁽⁵⁾	18.6	-14.4	20.9	9.8
Net Profit	40.0	-4.9	0.4	8.7
EPS (EUR)	1.13	n.a.	0.01	0.14
% growth	n.a.	n.a.	n.a.	n.a.
Ord. EPS (EUR)	n.a.	n.a.	0.01	0.14
% growth	n.a.	n.a.	n.a.	n.a.
Rec. Free Cash Flow ⁽⁶⁾	-4.3	0.2	1.4	4.0
Pay-out (%)	0.0	0.0	0.0	0.0
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	121.9	118.0	105.3	97.3
ND/Rec. EBITDA (x)	3.6	5.2	4.2	3.0
ROE (%)	238.9	n.a.	0.9	17.2
ROCE (%) ⁽⁶⁾	6.2	0.1	2.7	7.8

Ratios & Multiples (x)⁽⁷⁾

P/E	n.a.	n.a.	n.a.	7.8
Ord. P/E	n.a.	n.a.	n.a.	7.8
P/BV	1.3	1.5	1.5	1.2
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/Sales	1.45	1.70	1.54	1.46
EV/Rec. EBITDA	6.1	9.2	8.4	6.3
EV/EBIT	19.1	n.a.	41.4	14.8
FCF Yield (%) ⁽⁶⁾	n.a.	0.3	2.1	5.9

Relative performance -5y (Base 100)



Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-11.1	-42.0	9.0	-30.0	-41.7	-61.1
vs Ibxex 35	-7.0	-14.7	46.9	-1.2	-6.0	-34.9
vs Ibxex Small Cap Index	-15.7	-26.5	27.3	-17.4	-39.8	-62.8
vs Eurostoxx 50	-10.8	-22.5	27.0	-9.1	-26.4	-51.8
vs Sector benchmark ⁽⁵⁾	-13.7	-21.4	24.2	-8.7	-36.8	-63.8

(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 represents the % of the capitalisation traded - 12m.

(4) Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 5.7Mn higher due to IFRS 16.

(5) Sector: Eurostoxx 600 Industrial Goods & Services.

(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.

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

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3m20 Results

EUR Mn	3m20	3m19	3m20 vs 3m19	2020e 2020e	2020e vs 2019
Total Revenues	33.7	32.8	2.7%	122.3	-14.5%
Recurrent EBITDA	8.3	9.9	-16.2%	22.5	-33.5%
<i>Rec. EBITDA/Revenues</i>	<i>24.6%</i>	<i>30.2%</i>	<i>-5.6 p.p.</i>	<i>18.4%</i>	<i>-5.3 p.p.</i>
EBITDA¹	8.3	9.9	-16.2%	22.5	-31.2%
<i>EBITDA/Revenues</i>	<i>24.6%</i>	<i>30.2%</i>	<i>-5.6 p.p.</i>	<i>18.4%</i>	<i>-4.5 p.p.</i>
EBIT	0.9	2.7	-66.7%	0.2	-98.2%
NP	-3.8	6.4	-159.4%	-4.9	-112.4%
Net operating result²	-1.2	0.2	n.a.	-4.8	n.a.
Rec. FCF	2.6	0.5	420%	0.2	104.4%
Net Debt ³	131.6	194.8	-32%	118.0	-3.2%

(1) 1Q20 and 1Q19 EBITDA not adjusted for capitalized expense (EUR 7.7Mn in 2019). 2020e EBITDA excludes capitalized expense for EUR 5.5Mn.

(2) Net operating result that excludes: (i) Exchange differences (EUR -2.6Mn in 2020 and 0.8Mn in 2019), (ii) deferred tax assets capitalization (EUR 7.2Mn in 2019) and (iii) financial expenses related to the restructured debt in 2019 (EUR -1.8Mn).

(3) Net debt ex IFRS 16 (EUR 22.9Mn).

Valuation inputs

Inputs for the DCF Valuation Approach

	2020e	2021e	2022e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	9.7	17.5	12.2	190.7		
Market Cap	68.4	At the date of this report				
Net financial debt	121.9	Debt net of Cash (3m Results 2020)				
					Best Case	Worst Case
Cost of Debt	3.2%	Net debt cost			3.0%	3.5%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	2.6%	Kd = Cost of Net Debt * (1-T)			2.4%	2.8%
Risk free rate (rf)	0.9%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	9.0%	R (own estimate)			8.5%	10.0%
Beta (B)	1.2	B (Thomson Reuters)			1.1	1.2
Cost of Equity	11.7%	Ke = Rf + (R * B)			10.2%	12.9%
Equity / (Equity + Net Debt)	36.0%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	64.0%	D			=	=
WACC	5.8%	WACC = Kd * D + Ke * E			5.2%	6.4%
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.

(2) GALQ has unused prior years' deferred tax assets in an amount of EUR 90Mn. Their use would result in a significant reduction in the tax expense going forward.

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
Ashtead Group	AHT.L	11,492.3	17.2	31.1%	7.3	12.6%	3.3	10.8%	45.6%	10.4%	-4.6%
Aggreko	AGGK.L	1,348.1	10.9	7.4%	3.5	0.2%	1.2	1.9%	33.9%	9.6%	27.4%
Cramo	CRA1V.HE	611.8	12.4	12.3%	5.0	2.7%	1.6	3.8%	32.0%	10.6%	-20.2%
VP	VP.L	301.4	6.6	6.5%	4.7	3.6%	1.4	6.4%	29.1%	10.1%	n.a.
Speedy Hire	SDY.L	346.3	23.3	n.a.	5.5	n.a.	1.3	n.a.	23.3%	4.1%	n.a.
HSS Hire Group	HSS.L	58.3	7.5	n.a.	3.2	n.a.	0.6	n.a.	19.5%	0.2%	n.a.
Europe			13.0	14.3%	4.9	4.8%	1.6	5.7%	30.6%	7.5%	0.9%
United Rentals	URI	7,525.3	9.8	30.3%	5.2	7.2%	2.4	5.3%	45.1%	24.2%	-15.5%
Herc Rentals	HRI	584.6	48.6	180.3%	4.5	10.1%	1.6	8.0%	35.6%	45.5%	-3.3%
Mobile Mini	Mini.O	1,151.8	15.8	n.a.	9.7	n.a.	3.9	n.a.	40.0%	11.0%	14.0%
H&E Equipment Services	HEES.O	440.8	7.3	22.6%	4.0	3.9%	1.3	7.4%	33.2%	n.a.	n.a.
GALQ	GALQ.MC	68.4	n.a.	n.a.	9.2	20.6%	1.7	8.0%	18.4%	0.3%	43.3%

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	20.3%	27.5	7.6x
Central	18.3%	24.8	8.4x
Min	16.3%	22.1	9.4x

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	9.0%	10.0%	11.0%		Max	8.0%	6.0%
27.5	5.5	4.1	2.8	Central	4.0%	2.1%	0.1%
24.8	2.8	1.4	0.1	Min	0.1%	n.a.	n.a.
22.1	0.1	(1.3)	(2.6)				

Appendix 1. Financial Projections⁽¹⁾

Balance Sheet (EUR Mn)	2015	2016	2017	2018	2019	2020e	2021e	2022e		
Intangible assets	2.3	2.6	2.0	1.2	22.1	22.1	22.1	22.1		
Fixed assets	131.1	131.0	125.1	132.8	138.5	130.2	120.5	121.4		
Other Non Current Assets	5.9	4.8	4.8	3.8	3.6	3.6	3.6	3.6		
Financial Investments	0.8	0.6	0.4	-	0.9	1.6	2.3	3.0		
Goodwill & Other Intangibles	16.2	16.2	16.3	16.5	16.4	16.4	16.4	16.4		
Current assets	52.5	52.7	48.9	47.6	47.4	46.3	47.1	48.6		
Total assets	208.7	208.0	197.5	202.0	228.9	220.1	211.9	215.1		
Equity	1.7	(8.7)	(10.5)	(17.6)	51.1	46.1	46.5	55.3		
Minority Interests	0.6	0.6	0.6	0.2	0.2	0.2	0.2	0.2		
Provisions & Other L/T Liabilities	2.6	2.7	0.4	0.3	8.2	8.2	8.2	8.2		
Other Non Current Liabilities	-	-	-	-	20.2	22.4	24.6	26.8		
Net financial debt	170.7	181.8	178.3	187.1	121.9	118.0	105.3	97.3		
Current Liabilities	33.1	31.6	28.7	31.9	27.4	25.2	27.1	27.3		
Equity & Total Liabilities	208.7	208.0	197.5	202.0	228.9	220.1	211.9	215.1		
										CAGR
P&L (EUR Mn)	2015	2016	2017	2018	2019	2020e	2021e	2022e	15-19	19-22e
Total Revenues	107.0	105.3	117.2	132.2	143.1	122.3	135.1	142.5	7.5%	-0.1%
<i>Total Revenues growth</i>	<i>3.0%</i>	<i>-1.6%</i>	<i>11.4%</i>	<i>12.8%</i>	<i>8.2%</i>	<i>-14.5%</i>	<i>10.5%</i>	<i>5.5%</i>		
COGS	(18.5)	(18.2)	(24.3)	(34.2)	(40.2)	(37.1)	(41.5)	(39.1)		
Gross Margin	88.6	87.1	93.0	98.1	102.9	85.2	93.5	103.4	3.8%	0.2%
<i>Gross Margin/Revenues</i>	<i>82.8%</i>	<i>82.7%</i>	<i>79.3%</i>	<i>74.2%</i>	<i>71.9%</i>	<i>69.7%</i>	<i>69.3%</i>	<i>72.6%</i>		
Personnel Expenses	(33.3)	(33.4)	(33.3)	(36.7)	(39.5)	(35.0)	(39.6)	(40.6)		
Other Operating Expenses	(41.4)	(34.5)	(35.0)	(34.4)	(29.5)	(27.7)	(29.1)	(30.1)		
Recurrent EBITDA	13.9	19.1	24.7	27.0	33.9	22.5	24.8	32.7	25.0%	-1.1%
<i>Recurrent EBITDA growth</i>	<i>32.7%</i>	<i>37.6%</i>	<i>29.4%</i>	<i>8.9%</i>	<i>25.7%</i>	<i>-33.5%</i>	<i>10.0%</i>	<i>32.2%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>13.0%</i>	<i>18.2%</i>	<i>21.1%</i>	<i>20.4%</i>	<i>23.7%</i>	<i>18.4%</i>	<i>18.3%</i>	<i>23.0%</i>		
Restructuring Expense & Other non-rec.	(6.0)	(4.9)	(1.5)	(2.6)	(1.1)	-	-	-		
EBITDA	7.9	14.2	23.3	24.3	32.8	22.5	24.8	32.7	42.6%	0.0%
Depreciation & Provisions	(24.6)	(23.2)	(23.9)	(23.2)	(21.7)	(19.9)	(18.3)	(17.3)		
Capitalized Expense	8.2	7.5	6.3	7.5	7.7	5.5	6.4	6.4		
Rentals (IFRS 16 impact)	-	-	-	-	(7.9)	(7.9)	(7.9)	(7.9)		
EBIT	(8.5)	(1.5)	5.7	8.7	10.9	0.2	5.0	14.0	n.a.	8.8%
<i>EBIT growth</i>	<i>43.7%</i>	<i>82.1%</i>	<i>475.1%</i>	<i>51.4%</i>	<i>25.9%</i>	<i>-98.2%</i>	<i>n.a.</i>	<i>179.4%</i>		
<i>EBIT/Revenues</i>	<i>n.a.</i>	<i>n.a.</i>	<i>4.9%</i>	<i>6.5%</i>	<i>7.6%</i>	<i>0.2%</i>	<i>3.7%</i>	<i>9.8%</i>		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(13.8)	(8.3)	(12.6)	(10.2)	(13.0)	(5.7)	(5.3)	(4.8)		
Income by the Equity Method	-	-	-	-	0.7	0.7	0.7	0.7		
Ordinary Profit	(22.3)	(9.8)	(6.9)	(1.6)	(1.4)	(4.8)	0.5	9.9	-50.1%	n.a.
<i>Ordinary Profit Growth</i>	<i>29.5%</i>	<i>56.1%</i>	<i>29.3%</i>	<i>77.1%</i>	<i>12.7%</i>	<i>-247.5%</i>	<i>109.4%</i>	<i>n.a.</i>		
Extraordinary Results	18.0	-	-	-	44.9	-	-	-		
Profit Before Tax	(4.3)	(9.8)	(6.9)	(1.6)	43.5	(4.8)	0.5	9.9	n.a.	-38.9%
Tax Expense	(2.2)	(1.3)	(0.9)	(2.4)	(3.5)	(0.1)	(0.1)	(1.2)		
<i>Effective Tax Rate</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>8.0%</i>	<i>n.a.</i>	<i>12.0%</i>	<i>12.0%</i>		
Minority Interests	0.6	(0.1)	0.0	(0.1)	(0.0)	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	(5.8)	(11.1)	(7.7)	(4.0)	40.0	(4.9)	0.4	8.7	n.a.	-39.8%
<i>Net Profit growth</i>	<i>79.4%</i>	<i>-91.5%</i>	<i>30.5%</i>	<i>47.9%</i>	<i>n.a.</i>	<i>-112.4%</i>	<i>108.1%</i>	<i>n.a.</i>		
Ordinary Net Profit	(15.7)	(4.9)	(5.4)	0.9	(0.3)	(4.8)	0.4	8.7	-63.9%	n.a.
<i>Ordinary Net Profit growth</i>	<i>38.9%</i>	<i>68.6%</i>	<i>-9.4%</i>	<i>117.3%</i>	<i>-128.6%</i>	<i>n.a.</i>	<i>108.3%</i>	<i>n.a.</i>		
										CAGR
Cash Flow (EUR Mn)	2015	2016	2017	2018	2019	2020e	2021e	2022e	15-19	19-22e
Recurrent EBITDA						22.5	24.8	32.7	25.0%	-1.1%
Rentals (IFRS 16 impact)						(5.7)	(5.7)	(5.7)		
Working Capital Increase						(1.0)	1.1	(1.4)		
Recurrent Operating Cash Flow						15.8	20.2	25.6	3.3%	1.6%
CAPEX						(9.8)	(13.5)	(15.7)		
Net Financial Result affecting the Cash Flow						(5.7)	(5.3)	(4.8)		
Tax Expense						(0.1)	(0.1)	(1.2)		
Recurrent Free Cash Flow						0.2	1.4	4.0	-16.7%	n.a.
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						3.7	11.3	3.9		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						3.9	12.8	7.9	28.9%	-46.2%
Capital Increase						-	-	-		
Dividends						-	-	-		
Net Debt Variation						(3.9)	(12.8)	(7.9)		

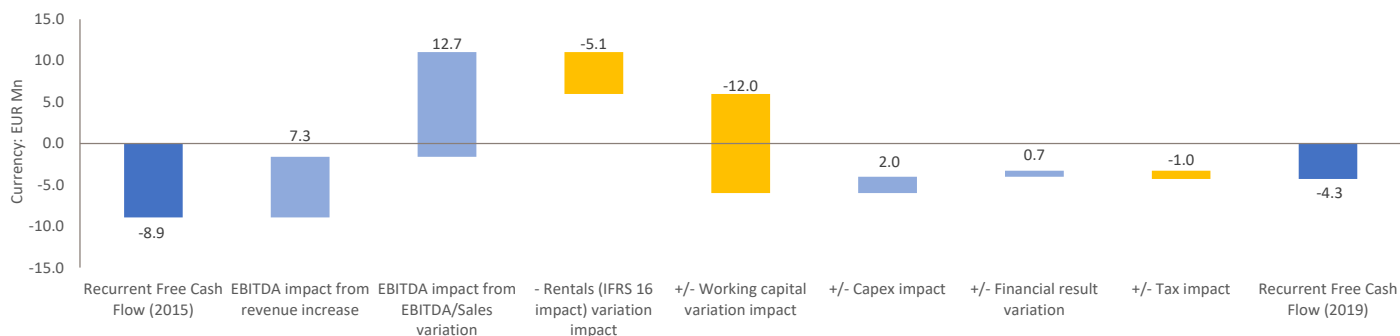
Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 5.7Mn higher due to IFRS 16.

Appendix 2. Free Cash Flow⁽¹⁾

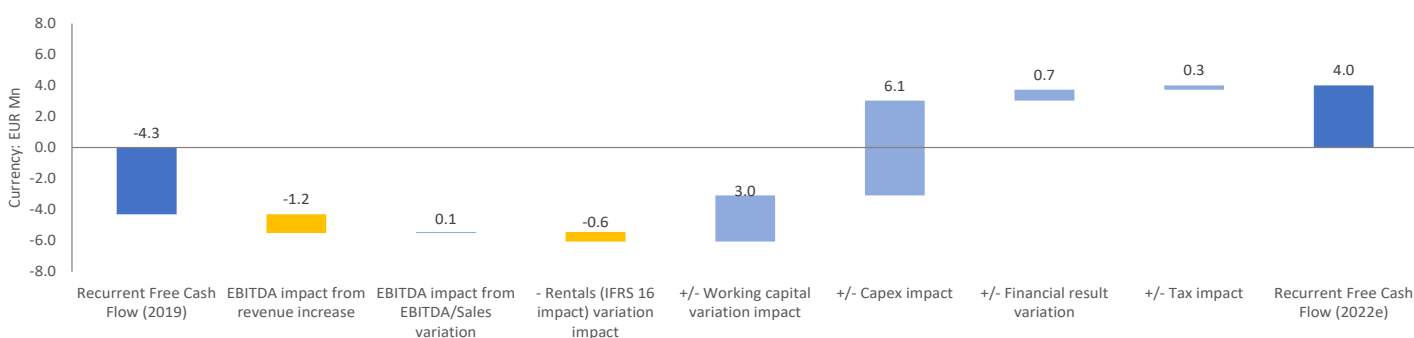
A) Cash Flow Analysis (EUR Mn)	2016	2017	2018	2019	2020e	2021e	2022e	CAGR	
								16-19	19-22e
Recurrent EBITDA	19.1	24.7	27.0	33.9	22.5	24.8	32.7	21.0%	-1.1%
<i>Recurrent EBITDA growth</i>	37.6%	29.4%	8.9%	25.7%	-33.5%	10.0%	32.2%		
<i>Rec. EBITDA/Revenues</i>	18.2%	21.1%	20.4%	23.7%	18.4%	18.3%	23.0%		
- Rentals (IFRS 16 impact)	-	-	-	(5.1)	(5.7)	(5.7)	(5.7)		
+/- Working Capital increase	(1.8)	0.9	4.6	(4.4)	(1.0)	1.1	(1.4)		
= Recurrent Operating Cash Flow	17.4	25.7	31.5	24.4	15.8	20.2	25.6	12.1%	1.6%
<i>Rec. Operating Cash Flow growth</i>	-19.2%	48.0%	22.7%	-22.5%	-35.3%	27.9%	26.8%		
<i>Rec. Operating Cash Flow / Sales</i>	16.5%	21.9%	23.8%	17.1%	12.9%	15.0%	18.0%		
- CAPEX	(31.3)	(22.9)	(24.8)	(21.8)	(9.8)	(13.5)	(15.7)		
- Net Financial Result affecting Cash Flow	(4.4)	(4.4)	(4.4)	(5.5)	(5.7)	(5.3)	(4.8)		
- Taxes	(0.6)	(0.5)	(1.2)	(1.5)	(0.1)	(0.1)	(1.2)		
= Recurrent Free Cash Flow	(19.0)	(2.1)	1.0	(4.3)	0.2	1.4	4.0	-39.1%	n.a.
<i>Rec. Free Cash Flow growth</i>	112.5%	-88.8%	n.a.	n.a.	n.a.	637.9%	184.4%		
<i>Rec. Free Cash Flow / Revenues</i>	n.a.	n.a.	0.8%	n.a.	0.2%	1.0%	2.8%		
- Restructuring expenses & others	(4.9)	(1.5)	(2.6)	(1.1)	-	-	-		
- Acquisitions / + Divestments	16.1	7.0	6.0	4.2	3.7	11.3	3.9		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	(1.5)	52.0	-	-	-		
= Free Cash Flow	(7.8)	3.4	2.9	50.8	3.9	12.8	7.9	n.a.	-46.2%
<i>Free Cash Flow growth</i>	n.a.	n.a.	-14.2%	n.a.	-92.4%	230.5%	-37.9%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	n.a.	n.a.	1.5%	n.a.	0.3%	2.1%	5.9%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	n.a.	4.9%	4.2%	74.3%	5.6%	18.6%	11.6%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
Recurrent FCF(FY - 1)	(8.9)	(19.0)	(2.1)	1.0	(4.3)	0.2	1.4		
EBITDA impact from revenue increase	(0.2)	2.2	3.2	2.2	(4.9)	2.4	1.4		
EBITDA impact from EBITDA/Sales variation	5.5	3.4	(1.0)	4.7	(6.4)	(0.1)	6.6		
= Recurrent EBITDA variation	5.2	5.6	2.2	6.9	(11.4)	2.2	8.0		
- Rentals (IFRS 16 impact) variation impact	-	-	-	(5.1)	(0.6)	-	-		
+/- Working capital variation impact	(9.3)	2.7	3.6	(8.9)	3.4	2.2	(2.6)		
= Recurrent Operating Cash Flow variation	(4.1)	8.3	5.8	(7.1)	(8.6)	4.4	5.4		
+/- CAPEX impact	(7.6)	8.4	(1.9)	3.1	12.0	(3.7)	(2.2)		
+/- Financial result variation	1.8	(0.0)	0.0	(1.1)	(0.2)	0.4	0.5		
+/- Tax impact	(0.2)	0.2	(0.8)	(0.2)	1.3	0.1	(1.1)		
= Recurrent Free Cash Flow variation	(10.1)	16.9	3.1	(5.3)	4.5	1.2	2.6		
Recurrent Free Cash Flow	(19.0)	(2.1)	1.0	(4.3)	0.2	1.4	4.0		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
EBIT	(1.5)	5.7	8.7	10.9	0.2	5.0	14.0	n.a.	8.8%
* <i>Theoretical Tax rate</i>	0.0%	0.0%	0.0%	0.0%	0.0%	12.0%	12.0%		
= Taxes (pre- Net Financial Result)	-	-	-	-	-	(0.6)	(1.7)		
Recurrent EBITDA	19.1	24.7	27.0	33.9	22.5	24.8	32.7	21.0%	-1.1%
- Rentals (IFRS 16 impact)	-	-	-	(5.1)	(5.7)	(5.7)	(5.7)		
+/- Working Capital increase	(1.8)	0.9	4.6	(4.4)	(1.0)	1.1	(1.4)		
= Recurrent Operating Cash Flow	17.4	25.7	31.5	24.4	15.8	20.2	25.6	12.1%	1.6%
- CAPEX	(31.3)	(22.9)	(24.8)	(21.8)	(9.8)	(13.5)	(15.7)		
- Taxes (pre- Financial Result)	-	-	-	-	-	(0.6)	(1.7)		
= Recurrent Free Cash Flow (To the Firm)	(14.0)	2.8	6.7	2.7	6.0	6.1	8.3	n.a.	46.2%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	519.2%	n.a.	139.8%	-60.2%	127.1%	1.5%	35.5%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	n.a.	2.4%	5.0%	1.9%	4.9%	4.5%	5.8%		
- Acquisitions / + Divestments	16.1	7.0	6.0	4.2	3.7	11.3	3.9		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	(1.5)	52.0	-	-	-		
= Free Cash Flow "To the Firm"	2.1	9.8	11.2	58.9	9.7	17.5	12.2	n.a.	-40.8%
<i>Free Cash Flow (To the Firm) growth</i>	-93.1%	356.1%	14.0%	428.2%	-83.5%	80.1%	-30.1%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	n.a.	1.3%	3.2%	1.3%	2.9%	2.9%	4.0%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	1.0%	4.7%	5.4%	28.4%	4.7%	8.4%	5.9%		

Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 5.7Mn higher due to IFRS 16.

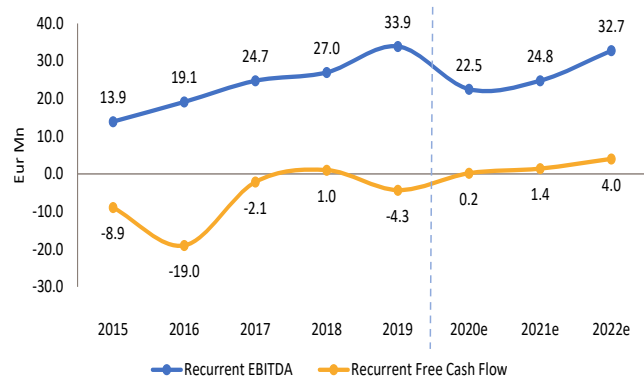
Recurrent Free Cash Flow accumulated variation analysis (2015 - 2019)



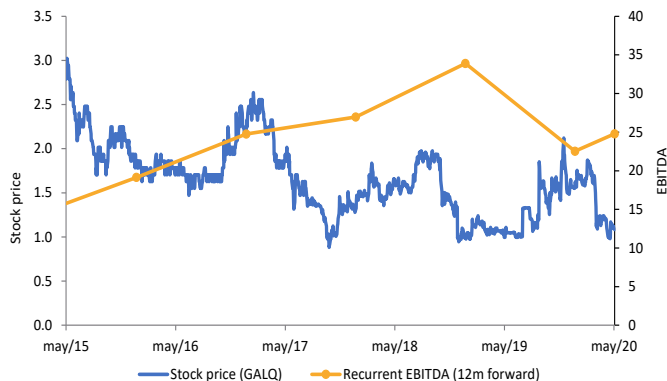
Recurrent Free Cash Flow accumulated variation analysis (2019 - 2022e)



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	68.4	
+ Minority Interests	0.2	12m Results 2019
+ Provisions & Other L/T Liabilities	8.2	12m Results 2019
+ Net financial debt	131.6	3m Results 2020
- Financial Investments	0.9	12m Results 2019
+/- Others	-	12m Results 2019
Enterprise Value (EV)	207.6	

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	
															09-19	19-22e
Total Revenues	283.5	242.8	205.3	139.6	120.8	103.9	107.0	105.3	117.2	132.2	143.1	122.3	135.1	142.5	-6.6%	-0.1%
<i>Total Revenues growth</i>	<i>-25.0%</i>	<i>-14.3%</i>	<i>-15.4%</i>	<i>-32.0%</i>	<i>-13.5%</i>	<i>-14.0%</i>	<i>3.0%</i>	<i>-1.6%</i>	<i>11.4%</i>	<i>12.8%</i>	<i>8.2%</i>	<i>-14.5%</i>	<i>10.5%</i>	<i>5.5%</i>		
EBITDA	77.0	60.0	24.0	14.5	11.5	14.3	7.9	14.2	23.3	24.3	32.8	22.5	24.8	32.7	-8.2%	0.0%
<i>EBITDA growth</i>	<i>-47.5%</i>	<i>-22.1%</i>	<i>-60.0%</i>	<i>-39.6%</i>	<i>-20.5%</i>	<i>24.1%</i>	<i>-44.5%</i>	<i>79.3%</i>	<i>63.6%</i>	<i>4.7%</i>	<i>34.5%</i>	<i>-31.2%</i>	<i>10.0%</i>	<i>32.2%</i>		
<i>EBITDA/Sales</i>	<i>27.2%</i>	<i>24.7%</i>	<i>11.7%</i>	<i>10.4%</i>	<i>9.5%</i>	<i>13.8%</i>	<i>7.4%</i>	<i>13.5%</i>	<i>19.8%</i>	<i>18.4%</i>	<i>22.9%</i>	<i>18.4%</i>	<i>18.3%</i>	<i>23.0%</i>		
Net Profit	(8.9)	(62.9)	(128.1)	(61.3)	(17.3)	(28.6)	(5.8)	(11.1)	(7.7)	(4.0)	40.0	(4.9)	0.4	8.7	<i>n.a.</i>	-39.8%
<i>Net Profit growth</i>	<i>-165.6%</i>	<i>-604.0%</i>	<i>-103.5%</i>	<i>52.1%</i>	<i>71.8%</i>	<i>-65.0%</i>	<i>79.6%</i>	<i>-91.5%</i>	<i>30.5%</i>	<i>47.9%</i>	<i>n.a.</i>	<i>-112.4%</i>	<i>108.1%</i>	<i>n.a.</i>		
Adjusted number shares (Mn)	3.9	5.6	5.8	5.8	5.8	6.4	24.1	42.8	43.0	43.0	35.5	63.1	63.1	63.1		
EPS (EUR)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.13	n.a.	0.01	0.14	<i>n.a.</i>	-50.3%
<i>EPS growth</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>		
Ord. EPS (EUR)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.02	n.a.	n.a.	0.01	0.14	<i>n.a.</i>	<i>n.a.</i>
<i>Ord. EPS growth</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>		
CAPEX	(10.0)	(5.0)	(3.6)	(0.7)	(0.3)	(0.3)	(23.7)	(31.3)	(22.9)	(24.8)	(21.8)	(9.8)	(13.5)	(15.7)		
<i>CAPEX/Sales %</i>	<i>3.5%</i>	<i>2.1%</i>	<i>1.8%</i>	<i>0.5%</i>	<i>0.2%</i>	<i>0.2%</i>	<i>22.2%</i>	<i>29.7%</i>	<i>19.5%</i>	<i>18.8%</i>	<i>15.2%</i>	<i>8.0%</i>	<i>10.0%</i>	<i>11.0%</i>		
Free Cash Flow	74.7	45.0	33.1	42.0	38.4	16.5	18.4	(7.8)	3.4	2.9	50.8	3.9	12.8	7.9	-3.8%	-46.2%
<i>ND/EBITDA (x)⁽³⁾</i>	<i>7.1x</i>	<i>8.3x</i>	<i>18.7x</i>	<i>6.8x</i>	<i>4.0x</i>	<i>18.3x</i>	<i>21.5x</i>	<i>12.8x</i>	<i>7.7x</i>	<i>7.7x</i>	<i>3.7x</i>	<i>5.2x</i>	<i>4.2x</i>	<i>3.0x</i>		
<i>P/E (x)</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>7.8x</i>		
<i>EV/Sales (x)</i>	<i>2.4x</i>	<i>2.3x</i>	<i>2.3x</i>	<i>0.8x</i>	<i>0.7x</i>	<i>2.7x</i>	<i>2.3x</i>	<i>2.6x</i>	<i>2.0x</i>	<i>1.7x</i>	<i>1.5x</i>	<i>1.7x</i>	<i>1.5x</i>	<i>1.5x</i>		
<i>EV/EBITDA (x)⁽³⁾</i>	<i>9.0x</i>	<i>9.4x</i>	<i>19.4x</i>	<i>8.0x</i>	<i>7.0x</i>	<i>19.4x</i>	<i>31.6x</i>	<i>19.3x</i>	<i>10.0x</i>	<i>9.4x</i>	<i>6.7x</i>	<i>9.2x</i>	<i>8.4x</i>	<i>6.3x</i>		
<i>Absolute performance</i>	<i>-10.9%</i>	<i>-66.2%</i>	<i>-74.8%</i>	<i>5.3%</i>	<i>80.0%</i>	<i>-70.8%</i>	<i>14.3%</i>	<i>16.7%</i>	<i>-41.1%</i>	<i>-22.4%</i>	<i>56.3%</i>	<i>-30.0%</i>	<i>14.3%</i>	<i>14.3%</i>		
<i>Relative performance vs Ibxex 35</i>	<i>-31.4%</i>	<i>-59.1%</i>	<i>-71.0%</i>	<i>10.4%</i>	<i>48.2%</i>	<i>-71.9%</i>	<i>23.1%</i>	<i>19.1%</i>	<i>-45.1%</i>	<i>-8.8%</i>	<i>39.8%</i>	<i>n.a.</i>				

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 5.7Mn 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

		Europe							USA						
		Ashtread Group	Aggreko	Cramo	VP	Speedy Hire	HSS Hire Group	Average	United Rentals	Herc Rentals	Mobile Mini	H&E Equipment Services	Average	GALQ	
Market data	EUR Mn	AHT.L	AGGK.L	CRA1V.HE	VP.L	SDY.L	HSS.L		URI	HRI	Mini.O	HEES.O		GALQ.MC	
	Country	UK	UK	Finland	UK	UK	UK		USA	USA	USA	USA		Spain	
	Market cap	11,492.3	1,348.1	611.8	301.4	346.3	58.3		7,525.3	584.6	1,151.8	440.8		68.4	
	Enterprise value (EV)	17,573.7	1,993.1	990.0	595.2	525.2	253.9		17,744.7	2,439.2	1,953.5	1,472.3		207.6	
Basic financial information	Total Revenues	5,257.5	1,700.9	619.0	434.1	410.1	402.2		7,529.5	1,533.7	505.5	1,113.7		122.3	
	<i>Total Revenues growth</i>	<i>-7.9%</i>	<i>-10.8%</i>	<i>1.0%</i>	<i>2.0%</i>	<i>-12.5%</i>	<i>3.4%</i>	<i>-4.1%</i>	<i>-9.7%</i>	<i>-14.0%</i>	<i>-7.5%</i>	<i>-7.4%</i>	<i>-2.7%</i>	<i>-14.5%</i>	
	<i>2y CAGR (2020e - 2022e)</i>	<i>10.8%</i>	<i>1.9%</i>	<i>3.8%</i>	<i>6.4%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>5.7%</i>	<i>5.3%</i>	<i>8.0%</i>	<i>n.a.</i>	<i>7.4%</i>	<i>6.6%</i>	<i>8.0%</i>	
	EBITDA	2,396.0	575.9	198.0	126.3	95.7	78.4		3,397.6	546.2	202.1	370.2		22.5	
	<i>EBITDA growth</i>	<i>-11.2%</i>	<i>-12.1%</i>	<i>5.7%</i>	<i>3.5%</i>	<i>-18.7%</i>	<i>5.5%</i>	<i>-4.5%</i>	<i>-9.2%</i>	<i>-14.7%</i>	<i>-0.4%</i>	<i>-10.7%</i>	<i>-3.4%</i>	<i>-31.2%</i>	
	<i>2y CAGR (2020e - 2022e)</i>	<i>12.6%</i>	<i>0.2%</i>	<i>2.7%</i>	<i>3.6%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>4.8%</i>	<i>7.2%</i>	<i>10.1%</i>	<i>n.a.</i>	<i>3.9%</i>	<i>6.5%</i>	<i>20.6%</i>	
	<i>EBITDA/Revenues</i>	<i>45.6%</i>	<i>33.9%</i>	<i>32.0%</i>	<i>29.1%</i>	<i>23.3%</i>	<i>19.5%</i>	<i>30.6%</i>	<i>45.1%</i>	<i>35.6%</i>	<i>40.0%</i>	<i>33.2%</i>	<i>36.6%</i>	<i>18.4%</i>	
	EBIT	1,146.8	246.1	75.0	63.2	25.4	27.4		1,262.6	107.7	127.2	126.6		0.2	
	<i>EBIT growth</i>	<i>-23.8%</i>	<i>-9.9%</i>	<i>31.2%</i>	<i>11.7%</i>	<i>-45.9%</i>	<i>12.4%</i>	<i>-4.0%</i>	<i>-34.3%</i>	<i>-51.2%</i>	<i>-9.2%</i>	<i>-24.6%</i>	<i>-21.2%</i>	<i>-98.2%</i>	
	<i>2y CAGR (2020e - 2022e)</i>	<i>25.2%</i>	<i>2.0%</i>	<i>8.9%</i>	<i>5.5%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>10.4%</i>	<i>24.8%</i>	<i>35.7%</i>	<i>n.a.</i>	<i>11.5%</i>	<i>20.8%</i>	<i>734.0%</i>	
	<i>EBIT/Revenues</i>	<i>21.8%</i>	<i>14.5%</i>	<i>12.1%</i>	<i>14.6%</i>	<i>6.2%</i>	<i>6.8%</i>	<i>12.7%</i>	<i>16.8%</i>	<i>7.0%</i>	<i>25.2%</i>	<i>11.4%</i>	<i>16.6%</i>	<i>0.2%</i>	
	Net Profit	727.3	128.0	50.0	43.4	2.5	4.5		782.8	9.5	73.2	63.8		(4.9)	
	<i>Net Profit growth</i>	<i>-23.2%</i>	<i>-16.1%</i>	<i>36.4%</i>	<i>15.1%</i>	<i>-92.1%</i>	<i>300.0%</i>	<i>36.7%</i>	<i>-25.3%</i>	<i>-77.6%</i>	<i>-2.0%</i>	<i>-18.0%</i>	<i>-5.2%</i>	<i>-112.4%</i>	
<i>2y CAGR (2020e - 2022e)</i>	<i>28.2%</i>	<i>3.9%</i>	<i>11.4%</i>	<i>11.3%</i>	<i>n.a.</i>	<i>n.a.</i>	<i>13.7%</i>	<i>24.1%</i>	<i>200.1%</i>	<i>n.a.</i>	<i>18.6%</i>	<i>52.1%</i>	<i>n.a.</i>		
<i>CAPEX/Sales %</i>	<i>-14.4%</i>	<i>-15.5%</i>	<i>-16.8%</i>	<i>-17.5%</i>	<i>-8.3%</i>	<i>-11.7%</i>	<i>-14.0%</i>	<i>-10.0%</i>	<i>-18.3%</i>	<i>-5.1%</i>	<i>-24.2%</i>	<i>-15.0%</i>	<i>-8.0%</i>		
Free Cash Flow	1,200.6	131.2	64.8	31.9	13.4	0.1		1,813.1	267.9	125.6	n.a.		3.9		
Net financial debt	4,360.0	565.8	n.a.	161.1	76.0	211.6		8,779.0	1,675.9	720.5	1,401.2		118.0		
<i>ND/EBITDA (x)</i>	<i>1.8</i>	<i>1.0</i>	<i>n.a.</i>	<i>1.3</i>	<i>0.8</i>	<i>2.7</i>		<i>2.6</i>	<i>3.1</i>	<i>3.6</i>	<i>3.8</i>		<i>5.2</i>		
<i>Pay-out</i>	<i>28.0%</i>	<i>33.1%</i>	<i>58.1%</i>	<i>35.8%</i>	<i>226.8%</i>	<i>0.0%</i>	<i>63.6%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>67.7%</i>	<i>58.3%</i>		<i>25.3%</i>	<i>0.0%</i>	
Multiples and Ratios	<i>P/E (x)</i>	<i>17.2</i>	<i>10.9</i>	<i>12.4</i>	<i>6.6</i>	<i>23.3</i>	<i>7.5</i>	<i>13.0</i>	<i>9.8</i>	<i>48.6</i>	<i>15.8</i>	<i>7.3</i>	<i>15.7</i>	<i>n.a.</i>	
	<i>P/BV (x)</i>	<i>3.0</i>	<i>0.8</i>	<i>1.4</i>	<i>1.2</i>	<i>1.2</i>	<i>n.a.</i>	<i>1.5</i>	<i>1.9</i>	<i>n.a.</i>	<i>1.9</i>	<i>1.4</i>	<i>1.4</i>	<i>1.5</i>	
	<i>EV/Revenues (x)</i>	<i>3.3</i>	<i>1.2</i>	<i>1.6</i>	<i>1.4</i>	<i>1.3</i>	<i>0.6</i>	<i>1.6</i>	<i>2.4</i>	<i>1.6</i>	<i>3.9</i>	<i>1.3</i>	<i>1.8</i>	<i>1.7</i>	
	<i>EV/EBITDA (x)</i>	<i>7.3</i>	<i>3.5</i>	<i>5.0</i>	<i>4.7</i>	<i>5.5</i>	<i>3.2</i>	<i>4.9</i>	<i>5.2</i>	<i>4.5</i>	<i>9.7</i>	<i>4.0</i>	<i>4.8</i>	<i>9.2</i>	
	<i>EV/EBIT (x)</i>	<i>15.3</i>	<i>8.1</i>	<i>13.2</i>	<i>9.4</i>	<i>20.6</i>	<i>9.2</i>	<i>12.7</i>	<i>14.1</i>	<i>22.7</i>	<i>15.4</i>	<i>11.6</i>	<i>14.0</i>	<i>n.a.</i>	
	<i>ROE</i>	<i>18.4</i>	<i>7.1</i>	<i>11.3</i>	<i>n.a.</i>	<i>3.8</i>	<i>n.a.</i>	<i>10.1</i>	<i>24.5</i>	<i>22.6</i>	<i>14.2</i>	<i>19.0</i>	<i>19.3</i>	<i>n.a.</i>	
	<i>FCF Yield (%)</i>	<i>10.4</i>	<i>9.6</i>	<i>10.6</i>	<i>10.1</i>	<i>4.1</i>	<i>0.2</i>	<i>7.5</i>	<i>24.2</i>	<i>45.5</i>	<i>11.0</i>	<i>n.a.</i>	<i>27.5</i>	<i>0.3</i>	
	<i>DPS</i>	<i>0.42</i>	<i>0.17</i>	<i>0.65</i>	<i>0.39</i>	<i>0.01</i>	<i>0.00</i>	<i>0.27</i>	<i>0.00</i>	<i>0.00</i>	<i>1.12</i>	<i>1.04</i>	<i>0.46</i>	<i>0.00</i>	
	<i>Dvd Yield</i>	<i>1.7%</i>	<i>3.2%</i>	<i>4.7%</i>	<i>5.3%</i>	<i>1.7%</i>	<i>0.0%</i>	<i>2.8%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>4.3%</i>	<i>8.5%</i>	<i>2.7%</i>	<i>0.0%</i>	

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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Recommendation History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
13-May-2020	n.a.	1.08	n.a.	n.a.	3m Results 2020	David López Sánchez
08-Apr-2020	n.a.	1.23	n.a.	n.a.	Initial Coverage	David López Sánchez

