

6m Results 2019

 Opinion ⁽¹⁾: Below expectations.

 Impact ⁽¹⁾: We have review our estimates.

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Lingotes Especiales (LGT) is a small Spanish industrial company specialising in the design, development, casting and machining of steel components, mainly for use in the automotive industry, where it is a market leader in braking systems (85% sales) with a 12% market share in Europe.

Slowing of growth

FALL IN REVENUE (-5.6% VS. 1H18) because of the turbulent state of the automotive industry (with demand for vehicles falling 3.1% in the EU and 5.7% in Spain in 1H19), with the uncertainties underlined in 2H18 and 1Q19 still present: emissions regulations in Europe, protectionist threats in the US and the loss of cyclical traction (downgrade to 2019e GDP growth in the EU to 1.5% from 1.9% previously).

WITH A WORSENING OF THE EBITDA/REVENUE MARGIN (15.5%; -0.9P.P.) due to a worse revenue mix (61% machined parts vs 63% 2018; an 0.8p.p. decline in the gross margin) and high electricity costs that cannot be passed on to clients (especially to foreign ones; 85% of sales), resulting in EBITDA of EUR 9.3Mn (-10.9% vs 1H18; taking into account the tough comps).

CASH GENERATION HAS RECOVERED with enhanced capacity to convert EBITDA into cash (rec. FCF 1H19: EUR 7.7Mn; +57% vs 1H18) explained mainly by the conclusion of the demanding investment plan with which LGT has improved its castings and machining lines in the last 3 years (CAPEX 1H19 EUR 2.5Mn vs EUR 5.3Mn in 1H18).

WITH A BALANCE SHEET STRENGTH “BEYOND DOUBT”, with net debt of EUR 16.1Mn (-5.5% vs 2018) which we estimate will continue to decline over the year to levels of 0.8x ND/EBITDA thanks to the increase in cash generation. In these circumstances, LGT is reasonably protected against an adverse cycle.

THE DIVIDEND YIELD REMAINS ATTRACTIVE: in June 2019, LGT paid a dividend (2018) of EUR 0.70/share (yield 4.9%, Pay/Out 76.1%). The company has consolidated a pay-out of over 70% in 2013-2018. In 2019 we expect the dividend yield to reach 4.4%, increasing gradually to around 5% in 2021e.

IN CONCLUSION: WE DOWNGRADE OUR ESTIMATES, given the turbulent sector situation (EBITDA 2019e: -17.5% vs previous estimate).

Market Data

Market Cap (Mn EUR and USD)	143.5	161.0
EV (Mn EUR and USD)	161.6	181.4
Shares Outstanding (Mn)	10.0	
-12m (Max/Med/Mín EUR)	17.70 / 14.95 / 11.00	
Daily Avg volume (-12m Mn)	0.09	
Rotation ⁽²⁾	15.37	
Thomson Reuters / Bloomberg	LGT.MC / LGT SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

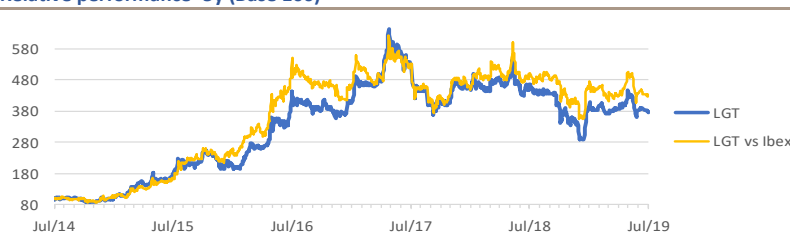
Board of Directors	55.0
Mallorquina de Seguros	6.0
Free Float	39.0

Financials (Mn EUR)

	2018	2019e	2020e	2021e
Adj. n° shares (Mn)	10.0	10.0	10.0	10.0
Total Revenues	115.6	113.3	113.8	116.1
Rec. EBITDA	18.2	17.3	17.7	18.4
% growth	8.9	-4.9	2.1	4.0
% Rec. EBITDA/Rev.	15.8	15.3	15.5	15.8
% Inc. EBITDA sector ⁽³⁾	0.3	-11.6	6.8	6.2
Net Profit	9.2	8.2	8.6	9.5
EPS (EUR)	0.92	0.82	0.86	0.95
% growth	3.0	-10.4	4.5	10.1
Ord. EPS (EUR)	0.92	0.82	0.86	0.95
% growth	3.0	-10.4	4.5	10.1
Rec. Free Cash Flow ⁽⁴⁾	0.7	9.7	9.8	10.0
Pay-out (%)	76.1	76.1	76.1	76.1
DPS (EUR)	0.70	0.63	0.66	0.72
Net financial debt	17.0	14.3	10.9	8.1
ND/Rec. EBITDA (x)	0.9	0.8	0.6	0.4
ROE (%)	21.2	18.3	18.4	19.3
ROCE (%) ⁽⁵⁾	16.5	14.0	14.8	16.0

Ratios & Multiples (x)

	2018	2019e	2020e	2021e
P/E	15.6	17.4	16.7	15.1
Ord. P/E	15.6	17.4	16.7	15.1
P/BV	3.2	3.1	3.0	2.9
Dividend Yield (%)	4.9	4.4	4.6	5.0
EV/Sales	1.40	1.43	1.42	1.39
EV/Rec. EBITDA	8.9	9.3	9.1	8.8
FCF Yield (%) ⁽³⁾	0.5	6.8	6.8	7.0

Relative performance -5y (Base 100)


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

(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) Total volume traded in the share (Mn EUR) -12m vs Mkt Cap. Represents the % of the capitalisation traded -12m.

(3) Expected EBITDA growth (consensus) for the share's benchmark sector (Eurostoxx 600 Automobiles & Parts).

(4) Based on recurrent FCF. Please refer to Appendix 2.

(5) Calculated with a theoretical tax rate. Please refer to Appendix 2.

(6) vs Eurostoxx 600 Automobiles & Parts.

Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-1.7	-2.7	-18.8	30.5	-15.2	277.0
vs Ibex 35	-1.1	1.7	-14.0	21.5	-21.6	332.8
vs Ibex Small Cap Index	-2.9	-1.7	-7.9	19.9	-42.4	195.9
vs Eurostoxx 50	-2.4	-2.2	-19.0	12.5	-28.6	242.8
vs Sector benchmark ⁽⁶⁾	-0.2	11.8	-3.2	20.2	-19.6	296.7

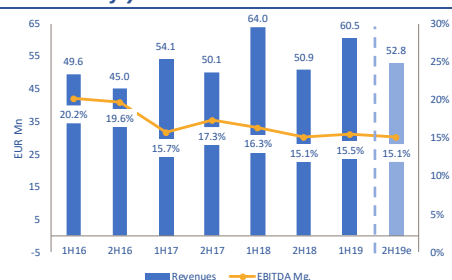
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This report has been prepared on the basis of information available to the public. The report includes a financial analysis of the company covered. The report does not propose any personalised investment recommendation. Investors should consider the 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.

1H19 Results and estimates review

In the light of these results we downgrade our estimates (EBITDA: -17.5% vs previous estimate)

Chart 1. Half-year revenues evolution



Note: 2H19e refers to Lighthouse estimates for 2H19.

Chart 2. Revenues growth (2014-2021e)

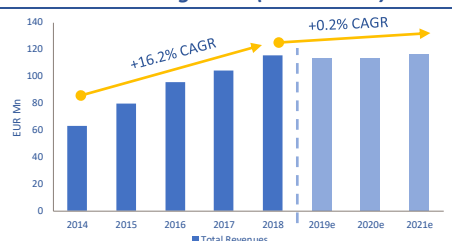
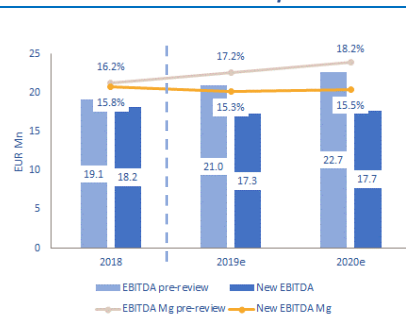
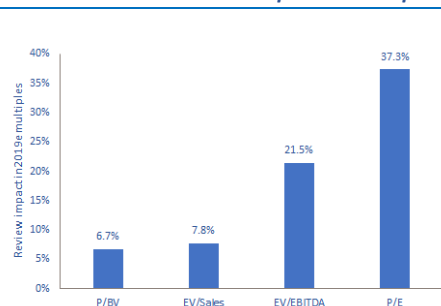


Chart 3. Estimates review impact in EBITDA (1)



Nota: "EBITDA pre-review" refers to estimated EBITDA in the initiation of coverage published on nov 21, 2018.

Chart 4. Estimates review impact in multiples



1H19 results show a slowing of the growth started years ago (Revenue: +16.2% CAGR 2014-2018): (i) a 5.6% fall in revenue vs 1H18 with (ii) a recurrent EBITDA margin of 15.5% (vs 16.3% in 1H18), underlining the difficulty in increasing the margin in the current sector scenario.

The decline in revenue and margins seen during the first half of the year is explained by the fall in demand for vehicles in 1H19 (-3.1% in the EU and -5.7% in Spain), against a backdrop of cyclical deceleration (downgrade to 2019e GDP growth in the EU to 1.5% from 1.9% previously).

Chart 5. 1H19 Results

EUR Mn	1H19	1H18	1H19 vs 1H18	2019e	2019e vs 2018
Total Revenues	60.5	64.0	-5.6%	113.3	-2.0%
Rec. EBITDA	9.3	10.5	-10.9%	17.3	-4.9%
<i>Rec. EBITDA / Rev.</i>	<i>15.5%</i>	<i>16.4%</i>	<i>-0.9 p.p.</i>	<i>15.3%</i>	<i>-0.5 p.p.</i>
EBITDA	9.3	10.5	-10.9%	17.3	-4.9%
<i>EBITDA / Rev.</i>	<i>15.5%</i>	<i>16.4%</i>	<i>-0.9 p.p.</i>	<i>15.3%</i>	<i>-0.5 p.p.</i>
EBT	6.5	7.8	-17.1%	11.6	-5.0%
NP	4.8	5.9	-18.1%	8.2	-10.4%
Ordinary NP	4.8	5.9	-18.1%	8.2	-10.4%
<i>Recurrent FCF</i>	<i>7.7</i>	<i>4.9</i>	<i>57.1%</i>	<i>9.7</i>	<i>n.a.</i>
<i>Rec. FCF Yield</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>0.1</i>	<i>n.a.</i>
Net Debt	16.1	12.9	24.8%	14.3	-16.1%
ND / EBITDA	n.a.	n.a.	n.a.	0.8 x	-0.1 x

Growth in EU vehicle sales has been slowing since 2015: +9.3% in 2015, +6.8% in 2016, +3.4% in 2017, +0.1% in 2018. For 2019e, the ACEA (the European Automobile Manufacturers' Association) has cut its forecast for passenger vehicle sales, now suggesting a fall of 1% (-3% for Spain, according to ANFAC, the Spanish vehicle manufacturers' association).

Accordingly, we downgrade our estimates (2019e- 2021e).

The fall in volumes seen in 1H19 both in the EU and in Spain, together with 1.7p.p. lower than expected margins lead us to a revision of our estimates which can be summarised in three main lines:

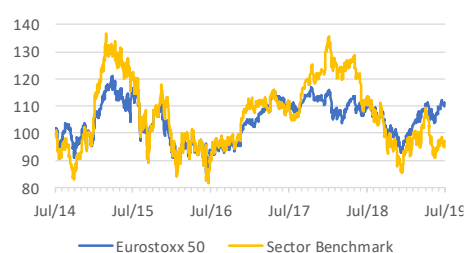
- **Revenue (EUR 113.3Mn; -7.2% vs previous estimate)**, negatively impacted mainly by the fall in volumes expected both in the EU and in Spain, which we expect to reverse slightly in 2H19e and moderate the decline in revenue (revenue 2H19e: +3.7% vs 2H18).
- **EBITDA (EUR 17.3Mn; -17.5% vs previous estimate)**, resulting mainly from a downgrade to the EBITDA/Sales margin to 15.3% (vs 17.2% previously) due to the difficulty in increasing the margin in the current sector situation. We believe that the investments made in recent years have strengthened LGT's competitive position and its ability to maintain margins close to 15% (vs 13.2% in the sector). A normalisation of the sector scenario would allow margins to be increased to over 16%.
- **Net profit (-29% vs previous estimate)**. The above points fully impact 2019e net profit, which we expect to be around EUR 8.2Mn (-10.4% vs 2018). Given the company's operating leverage, any normalisation of the business situation fully impacts NP.

For 2020e we expect flat revenue with a slight recovery of the EBITDA margin (to 15.5%), that should allow EBITDA to return to c. EUR 18Mn.

Chart 6. Review of estimates (2019e – 2021e)

EUR Mn	2019e (New)	Review (%)	2020e (New)	Review (%)	2021e (New)
Total Revenues	113.3	-7.2%	113.8	-8.5%	116.1
Recurrent EBITDA	17.3	-17.5%	17.7	-22.1%	18.4
<i>Recurrent EBITDA growth</i>	<i>-4.9%</i>	<i>-14.8 p.p.</i>	<i>2.1%</i>	<i>-5.8 p.p.</i>	<i>4.0%</i>
<i>Rec. EBITDA/Revenues</i>	<i>15.3%</i>	<i>-1.9 p.p.</i>	<i>15.5%</i>	<i>-2.7 p.p.</i>	<i>15.8%</i>
Net Profit	8.2	-29.0%	8.6	-33.2%	9.5
Recurrent Free Cash Flow	9.7	-23.3%	9.8	-30.2%	10.0
<i>ND / EBITDA</i>	<i>0.8 x</i>	<i>0.5 x</i>	<i>0.6 x</i>	<i>0.5 x</i>	<i>0.4 x</i>

Chart 7. Sector Benchmark¹ vs Eurostoxx 50



Note: Sector benchmark refers to Eurostoxx 600 Automobiles & Parts.

In conclusion: Current auto sector momentum is not good. The same is true for the components sector: 1) Hypersensitivity to GDP against a backdrop of evident cyclical deceleration; 2) unfavourable regulations; 3) the need to digest the impact of technological change; and 4) a negative impact on consumers, who are delaying purchasing decisions given the regulatory and technical uncertainty. All this has a multiplier effect on the negative cyclical situation. Despite this scenario, in which the cycle and sector momentum seem to be “playing against” the company, our LGT equity story remains intact, based on the recovery of Free Cash Flow due to smaller CAPEX requirements (EUR 4.8Mn in 2019e vs EUR 11.5Mn in 2018) once the demanding investment plan carried out during the last three years has been concluded, allowing recurrent FCF to shoot up to levels of EUR 10Mn in 2019e (Free Cash Flow yield 2019e: 6.8% vs 3.9% for the sector).

Valuation inputs

Inputs for the DCF Valuation Approach

	2019e	2020e	2021e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	9.9	9.8	10.1	174		
Market Cap	143.5	At the date of this report				
Net financial debt	17.0	Debt net of Cash (last financial year)				
					Best Case	Worst Case
Cost of Debt	2.0%	Net debt cost			2.0%	2.5%
Effective tax rate (T)	25.0%	T (Normalised tax rate)			=	=
Net debt cost	1.5%	Kd = Cost of Net Debt * (1-T)			1.5%	1.9%
Risk free rate (rf)	0.4%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	6.0%	R (own estimate)			5.5%	6.5%
Beta (B)	1.4	B (Thomson Reuters)			1.4	1.6
Cost of Equity	8.5%	Ke = Rf + (R * B)			8.1%	10.8%
Equity / (Equity + Net Debt)	89.4%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	10.6%	D			=	=
WACC	7.8%	WACC = Kd * D + Ke * E			7.4%	9.9%
G "Razonable"	1.5%				2.0%	1.0%

(1) Perpetuo calculado sobre Free Cash Flow "to the Firm" recurrente del último año estimado. Para más detalle ver Anexo 2.

Inputs for the Multiples Valuation Approach

Company	Ticker Reuters	Mkt. Cap	P/E 19e	EPS 19e-21e	EV/EBITDA 19e	EBITDA 19e-21e	EV/Sales 19e	Revenues 19e-21e	EBITDA/Sales 19e	FCF Yield 19e	FCF 19e-21e
CIE Automotive	CIEA.MC	2,918.0	10.1	13.2%	7.3	12.9%	1.3	12.8%	17.5%	9.9%	7.6%
Gestamp	GEST.MC	2,648.5	9.3	8.0%	5.7	8.3%	0.7	6.1%	11.6%	-1.1%	49.7%
Faurecia	EPED.PA	5,566.5	6.1	6.2%	3.1	9.2%	0.3	3.8%	11.0%	8.3%	12.1%
Voestalpine	VOES.VI	4,193.2	8.3	-3.7%	4.7	1.3%	0.6	0.8%	12.5%	6.3%	8.9%
Auto-Parts			8.5	5.9%	5.2	7.9%	0.7	5.9%	13.1%	5.8%	19.6%
Brembo SPA	BRBI.MI	3,244.9	10.7	1.8%	7.0	5.2%	1.3	2.6%	18.8%	3.4%	15.9%
HalDEX AB	HLDX.ST	213.1	13.5	2.0%	6.1	6.6%	0.6	-0.8%	9.7%	2.8%	-1.9%
SHW AG	HLDX.ST	125.2	7.8	-14.8%	3.3	-3.0%	0.4	4.8%	11.1%	-1.3%	-53.0%
Lingotes Especiales	LGT.MC	143.5	17.4	7.3%	9.33	3.0%	1.43	1.2%	15.3%	6.8%	1.3%

Free Cash Flow sensitivity analysis (2020e)

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

Scenario	EBITDA/Sales 20e	EBITDA 20e	EV/EBITDA 20e
Max	16.5%	18.8	8.6x
Central	15.5%	17.7	9.1x
Min	14.5%	16.6	9.8x

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

Rec. FCF EUR Mn	CAPEX/Sales 20e				FCF/Yield 20e			
EBITDA 20e	3.3%	4.3%	5.3%		Scenario	FCF/Yield 20e		
18.8	12.1	10.9	9.8	➔	Max	8.4%	7.6%	6.8%
17.7	10.9	9.8	8.6		Central	7.6%	6.8%	6.0%
16.6	9.8	8.6	7.5		Min	6.8%	6.0%	5.2%

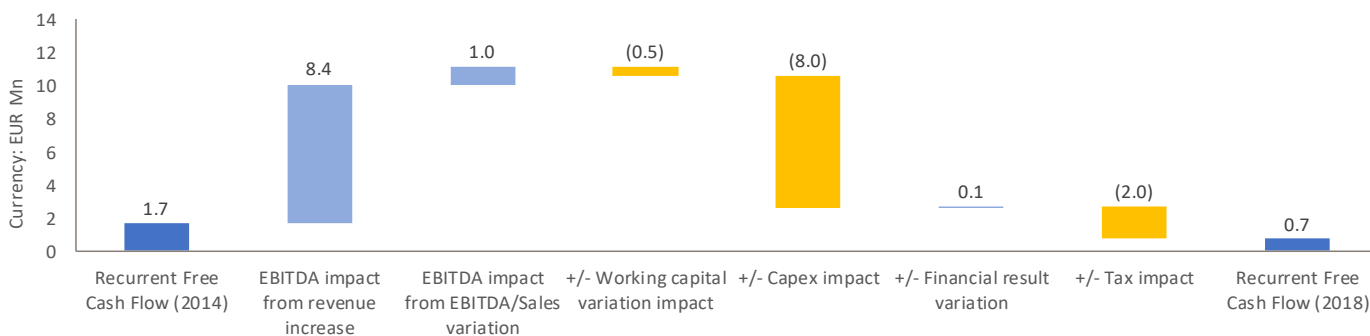
Appendix 1. Financial Statements

Balance Sheet (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e		
Intangible assets	1.0	0.3	0.2	0.4	0.5	0.5	0.5	0.5		
Fixed assets	30.6	31.6	45.6	49.5	55.1	54.2	53.4	52.8		
Other Non Current Assets	0.8	0.9	0.7	0.6	0.6	0.6	0.6	0.6		
Financial Investments	1.2	1.2	0.9	0.7	0.6	0.3	-	-		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	17.8	18.4	20.6	28.8	29.5	29.0	29.1	29.6		
Total assets	51.3	52.4	68.0	80.1	86.3	84.5	83.5	83.5		
Equity	32.1	35.8	41.4	42.3	44.5	45.7	48.0	50.3		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	2.6	2.3	2.0	1.9	1.7	1.7	1.7	1.7		
Net financial debt	5.7	(2.2)	3.1	10.7	17.0	14.3	10.9	8.1		
Current Liabilities	11.0	16.5	21.5	25.2	23.1	22.8	22.9	23.4		
Equity & Total Liabilities	51.3	52.4	68.0	80.1	86.3	84.5	83.5	83.5		
									CAGR	
P&L (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e	14-18	18-21e
Total Revenues	63.3	79.5	95.6	104.2	115.6	113.3	113.8	116.1	16.2%	0.2%
<i>Total Revenues growth</i>	7.3%	25.5%	20.3%	9.0%	10.9%	-2.0%	0.5%	2.0%		
COGS	(24.6)	(29.2)	(33.7)	(41.6)	(48.7)	(48.0)	(48.0)	(48.9)		
Gross Margin	38.7	50.3	62.0	62.6	66.9	65.2	65.8	67.2	14.7%	0.2%
<i>Gross Margin/Revenues</i>	61.1%	63.3%	64.8%	60.1%	57.9%	57.6%	57.8%	57.9%		
Personnel Expenses	(17.2)	(19.9)	(24.1)	(26.7)	(28.1)	(27.6)	(27.7)	(28.2)		
Other Operating Expenses	(12.8)	(17.2)	(18.9)	(19.2)	(20.5)	(20.4)	(20.4)	(20.6)		
Recurrent EBITDA	8.7	13.2	19.0	16.7	18.2	17.3	17.7	18.4	20.2%	0.3%
<i>Recurrent EBITDA growth</i>	22.0%	50.8%	44.6%	-12.1%	8.9%	-4.9%	2.1%	4.0%		
<i>Rec. EBITDA/Revenues</i>	13.8%	16.6%	19.9%	16.0%	15.8%	15.3%	15.5%	15.8%		
Restructuring Expenses	-	-	-	-	-	-	-	-		
Other non-recurrent Income / Costs	-	-	-	-	-	-	-	-		
EBITDA	8.7	13.2	19.0	16.7	18.2	17.3	17.7	18.4	20.2%	0.3%
<i>EBITDA growth</i>	22.0%	50.8%	44.6%	-12.1%	8.9%	-4.9%	2.1%	4.0%		
<i>EBITDA/Sales</i>	13.8%	16.6%	19.9%	16.0%	15.8%	15.3%	15.5%	15.8%		
Depreciation & Provisions	(3.6)	(4.0)	(3.8)	(5.0)	(5.5)	(5.7)	(5.6)	(5.6)		
Capitalized Expense	0.2	-	-	0.6	0.1	-	-	-		
EBIT	5.3	9.2	15.2	12.4	12.8	11.6	12.1	12.8	24.5%	0.1%
<i>EBIT growth</i>	51.0%	72.2%	65.8%	-18.8%	3.7%	-9.4%	4.0%	6.4%		
<i>EBIT/Revenues</i>	8.4%	11.5%	15.9%	11.9%	11.1%	10.2%	10.6%	11.1%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.3)	(0.2)	(0.2)		
Income by the Equity Method	-	-	(0.8)	(0.2)	(0.4)	(0.4)	(0.4)	-		
Ordinary Profit	5.0	8.9	14.2	11.9	12.2	11.0	11.5	12.6	24.9%	1.1%
<i>Ordinary Profit Growth</i>	57.1%	77.7%	59.3%	-16.1%	2.6%	-10.1%	4.5%	10.1%		
Extraordinary Results	-	-	-	-	-	-	-	-		
Profit Before Tax	5.0	8.9	14.2	11.9	12.2	11.0	11.5	12.6	24.9%	1.1%
Tax Expense	(1.0)	(2.2)	(3.7)	(3.0)	(3.0)	(2.7)	(2.9)	(3.2)		
<i>Effective Tax Rate</i>	20.7%	24.5%	26.1%	25.1%	24.7%	25.0%	25.0%	25.0%		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	4.0	6.7	10.5	8.9	9.2	8.2	8.6	9.5	23.3%	1.0%
<i>Net Profit growth</i>	58.1%	69.1%	56.0%	-14.9%	3.0%	-10.4%	4.5%	10.1%		
Ordinary Net Profit	4.0	6.7	10.6	8.9	9.2	8.2	8.6	9.5	23.3%	1.0%
<i>Ordinary Net Profit growth</i>	58.1%	69.1%	58.3%	-16.1%	3.0%	-10.4%	4.5%	10.1%		
									CAGR	
Cash Flow (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e	14-18	18-21e
Recurrent EBITDA						17.3	17.7	18.4	20.2%	0.3%
Working Capital Increase						0.3	0.0	(0.1)		
Recurrent Operating Cash Flow						17.6	17.7	18.3	24.3%	5.8%
CAPEX						(4.8)	(4.8)	(4.9)		
Net Financial Result affecting the Cash Flow						(0.3)	(0.2)	(0.2)		
Tax Expense						(2.7)	(2.9)	(3.2)		
Recurrent Free Cash Flow						9.7	9.8	10.0	-19.0%	n.a.
Restructuring Expense & Others						-	-	-		
- Acquisitions / + Divestures of assets						-	(0.1)	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						9.7	9.7	10.0	6.0%	n.a.
Capital Increase						-	-	-		
Dividends						(7.0)	(6.3)	(7.2)		
Net Debt Variation						(2.7)	(3.4)	(2.8)		

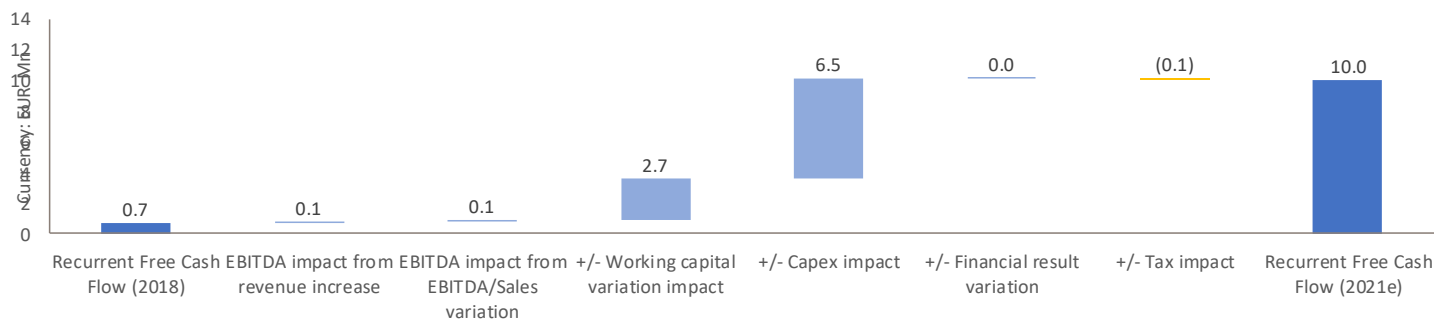
Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
								15-18	18-21e
Recurrent EBITDA	13.2	19.0	16.7	18.2	17.3	17.7	18.4	11.4%	0.3%
<i>Recurrent EBITDA growth</i>	50.8%	44.6%	-12.1%	8.9%	-4.9%	2.1%	4.0%		
<i>Rec. EBITDA/Revenues</i>	16.6%	19.9%	16.0%	15.8%	15.3%	15.5%	15.8%		
+/- Working Capital increase	4.8	2.9	(4.5)	(2.8)	0.3	0.0	(0.1)		
= Recurrent Operating Cash Flow	18.0	21.9	12.2	15.4	17.6	17.7	18.3	-5.0%	5.8%
<i>Rec. Operating Cash Flow growth</i>	178.1%	21.6%	-44.4%	26.8%	13.8%	0.8%	3.3%		
<i>Rec. Operating Cash Flow / Sales</i>	22.7%	22.9%	11.7%	13.4%	15.5%	15.6%	15.8%		
- CAPEX	(6.1)	(18.1)	(10.0)	(11.5)	(4.8)	(4.8)	(4.9)		
- Net Financial Result affecting Cash Flow	(0.3)	(0.2)	(0.2)	(0.2)	(0.3)	(0.2)	(0.2)		
- Taxes	(2.2)	(3.7)	(3.0)	(3.0)	(2.7)	(2.9)	(3.2)		
= Recurrent Free Cash Flow	9.4	(0.1)	(1.1)	0.7	9.7	9.8	10.0	-57.8%	n.a.
<i>Rec. Free Cash Flow growth</i>	472.1%	n.a.	791.1%	n.a.	n.a.	0.3%	2.3%		
<i>Rec. Free Cash Flow / Revenues</i>	11.9%	n.a.	n.a.	0.6%	8.6%	8.6%	8.6%		
- Restructuring expenses & others	-	-	-	-	-	-	-		
- Acquisitions / + Divestments	0.9	(0.2)	0.4	0.2	-	(0.1)	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow	10.3	(0.3)	(0.7)	0.9	9.7	9.7	10.0	-55.1%	n.a.
<i>Free Cash Flow growth</i>	n.a.	n.a.	121.8%	n.a.	941.8%	-0.7%	3.3%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	6.6%	n.a.	n.a.	0.5%	6.8%	6.8%	7.0%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	7.2%	n.a.	n.a.	0.7%	6.8%	6.7%	7.0%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2015	2016	2017	2018	2019e	2020e	2021e		
Recurrent FCF(FY - 1)	1.7	9.4	(0.1)	(1.1)	0.7	9.7	9.8		
EBITDA impact from revenue increase	2.2	2.7	1.7	1.8	(0.4)	0.1	0.4		
EBITDA impact from EBITDA/Sales variation	2.2	3.2	(4.0)	(0.3)	(0.5)	0.3	0.3		
= Recurrent EBITDA variation	4.4	5.9	(2.3)	1.5	(0.9)	0.4	0.7		
+/- Working capital variation impact	7.1	(2.0)	(7.4)	1.8	3.0	(0.2)	(0.1)		
= Recurrent Operating Cash Flow variation	11.5	3.9	(9.7)	3.3	2.1	0.1	0.6		
+/- CAPEX impact	(2.6)	(12.0)	8.1	(1.5)	6.7	(0.0)	(0.1)		
+/- Financial result variation	0.0	0.0	(0.0)	(0.0)	(0.0)	0.0	0.0		
+/- Tax impact	(1.1)	(1.5)	0.7	(0.0)	0.3	(0.1)	(0.3)		
= Recurrent Free Cash Flow variation	7.8	(9.6)	(0.9)	1.8	9.0	0.0	0.2		
Recurrent Free Cash Flow	9.4	(0.1)	(1.1)	0.7	9.7	9.8	10.0		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
EBIT	9.2	15.2	12.4	12.8	11.6	12.1	12.8	11.8%	0.1%
* Theoretical tax rate	24.5%	25.0%	25.0%	24.7%	25.0%	25.0%	25.0%		
= Taxes (pre- Net Financial Result)	(2.3)	(3.8)	(3.1)	(3.2)	(2.9)	(3.0)	(3.2)		
Recurrent EBITDA	13.2	19.0	16.7	18.2	17.3	17.7	18.4	11.4%	0.3%
+/- Working Capital increase	4.8	2.9	(4.5)	(2.8)	0.3	0.0	(0.1)		
= Recurrent Operating Cash Flow	18.0	21.9	12.2	15.4	17.6	17.7	18.3	-5.0%	5.8%
- CAPEX	(6.1)	(18.1)	(10.0)	(11.5)	(4.8)	(4.8)	(4.9)		
- Taxes (pre- Financial Result)	(2.3)	(3.8)	(3.1)	(3.2)	(2.9)	(3.0)	(3.2)		
= Recurrent Free Cash Flow (To the Firm)	9.6	0.0	(0.9)	0.8	9.9	9.9	10.1	-56.3%	n.a.
<i>Rec. Free Cash Flow (To the Firm) growth</i>	407.9%	-100.0%	n.a.	n.a.	n.a.	0.0%	2.9%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	12.1%	0.0%	n.a.	0.7%	8.7%	8.7%	8.7%		
- Acquisitions / + Divestments	0.9	(0.2)	0.4	0.2	-	(0.1)	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	-	-	-	-		
= Free Cash Flow "To the Firm"	10.5	(0.2)	(0.6)	1.0	9.9	9.8	10.1	-53.9%	n.a.
<i>Free Cash Flow (To the Firm) growth</i>	967.0%	n.a.	187.7%	n.a.	856.9%	-0.9%	3.9%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	6.0%	0.0%	n.a.	0.5%	6.1%	6.1%	6.3%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	6.5%	n.a.	n.a.	0.6%	6.1%	6.0%	6.3%		

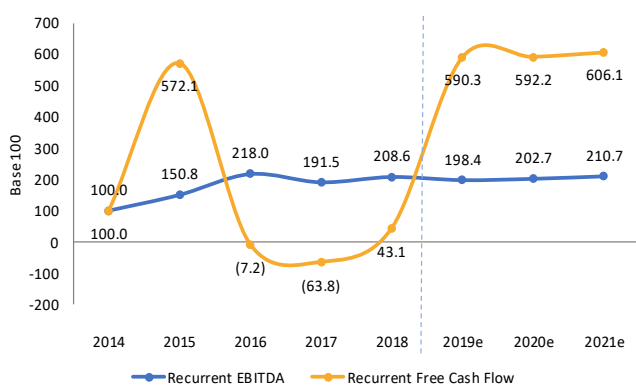
Recurrent Free Cash Flow accumulated variation analysis (2014 - 2018)



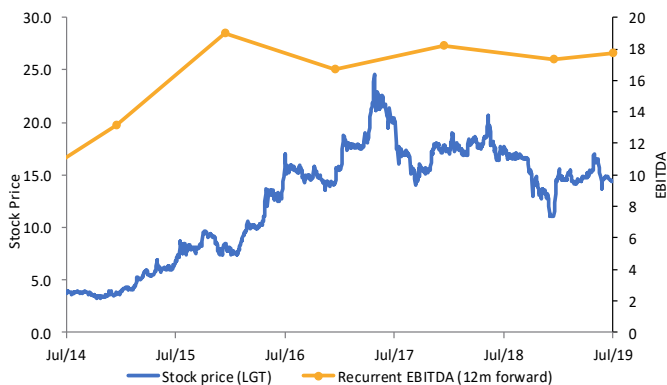
Recurrent Free Cash Flow accumulated variation analysis (2018 - 2021e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward



Appendix 3. Historical performance ⁽¹⁾

Historical performance (EUR Mn)															CAGR	
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e	08 - 18	18-21e
Total Revenues	76.1	45.6	66.7	72.4	57.6	58.1	63.3	79.5	95.6	104.2	115.6	113.3	113.8	116.1	4.3%	0.2%
Total Revenues growth	3.1%	-40.1%	46.3%	8.6%	-20.4%	0.8%	8.9%	25.5%	20.3%	9.0%	10.9%	-2.0%	0.5%	2.0%		
EBITDA	10.1	5.1	11.7	10.4	5.0	6.4	8.7	13.2	19.0	16.7	18.2	17.3	17.7	18.4	6.0%	0.3%
EBITDA growth	-0.3%	-49.6%	129.5%	-11.6%	-51.3%	26.1%	37.3%	50.8%	44.6%	-12.1%	8.9%	-4.9%	2.1%	4.0%		
EBITDA/Sales	13.3%	11.2%	17.6%	14.3%	8.7%	10.9%	13.8%	16.6%	19.9%	16.0%	15.8%	15.3%	15.5%	15.8%		
Net Profit	3.1	0.7	4.4	3.6	0.3	2.5	4.0	6.7	10.5	8.9	9.2	8.2	8.6	9.5	11.6%	1.0%
Net Profit growth	-8.3%	-78.3%	561.3%	-17.9%	-92.9%	876.0%	58.1%	69.1%	56.0%	-14.9%	3.0%	-10.4%	4.5%	10.1%		
Adjusted number shares (Mn)	10.7	10.7	11.0	11.0	11.0	10.9	9.9	10.0	10.0	10.0	10.0	10.0	10.0	10.0		
EPS (EUR)	0.29	0.06	0.40	0.33	0.02	0.23	0.40	0.67	1.05	0.89	0.92	0.82	0.86	0.95		
EPS growth	-5.8%	-78.3%	n.a.	-17.9%	-92.9%	n.a.	74.3%	67.3%	56.0%	-14.9%	3.0%	-10.4%	4.5%	10.1%		
Ord. EPS (EUR)	0.29	0.06	0.40	0.33	0.02	0.23	0.40	0.67	1.06	0.89	0.92	0.82	0.86	0.95		
Ord. EPS growth	-5.8%	-78.3%	n.a.	-17.9%	-92.9%	n.a.	74.3%	67.3%	58.3%	-16.1%	3.0%	-10.4%	4.5%	10.1%		
CAPEX	5.9	4.0	5.9	2.8	2.7	1.7	(3.5)	(6.1)	(18.1)	(10.0)	(11.5)	(4.8)	(4.8)	(4.9)		
CAPEX/Sales % ¹	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.5%	7.7%	18.9%	9.6%	9.9%	4.3%	4.3%	4.3%		
Free Cash Flow	(2.0)	2.7	7.1	1.8	2.0	8.3	0.7	10.3	(0.3)	(0.7)	0.9	9.7	9.7	10.0	n.a.	n.a.
ND/EBITDA (x) ⁽²⁾	1.7x	2.7x	0.6x	0.7x	1.4x	0.0x	0.7x	-0.2x	0.2x	0.6x	0.9x	0.8x	0.6x	0.4x		
P/E (x)	10.8x	48.1x	7.3x	7.7x	93.8x	13.1x	9.4x	12.5x	13.5x	19.9x	12.0x	17.4x	16.7x	15.1x		
EV/Sales (x)	0.6x	1.0x	0.6x	0.5x	0.5x	0.6x	0.7x	1.0x	1.5x	1.8x	1.1x	1.4x	1.4x	1.4x		
EV/EBITDA (x) ⁽²⁾	4.9x	9.1x	3.3x	3.3x	6.2x	5.2x	4.9x	6.2x	7.6x	11.2x	6.9x	9.3x	9.1x	8.8x		
Absolute performance	-12.7%	-3.7%	-2.6%	-13.2%	-13.1%	36.7%	24.8%	123.3%	69.0%	25.4%	-38.2%	30.5%				
Relative performance vs Ibex 35	44.2%	-25.8%	18.0%	-0.1%	-8.9%	12.6%	20.4%	140.5%	72.5%	16.7%	-27.3%	21.5%				

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

Appendix 4. Main Competitors 2019e

	EUR Mn	Auto-Parts				Average	Brake Systems			Lingotes Esp.
		CIE Automotive	Gestamp	Faurecia	Voestalpine		Brembo SPA	HalDEX AB	SHW AG	
Market data	Ticker (Reuters)	CIEA.MC	GEST.MC	EPED.PA	VOES.VI		BRBI.MI	HLDX.ST	SW1.DE	LGT.MC
	Country	Spain	Spain	France	Austria		Italy	Sweden	Germany	Spain
	Market cap	2,918.0	2,648.5	5,566.5	4,193.2	3,831.6	3,244.9	213.1	125.2	143.5
	Enterprise value (EV)	4,265.9	6,111.6	6,376.2	7,992.4	6,186.5	3,649.2	304.0	170.2	161.6
Basic financial information	Total Revenues	3,365.5	9,176.3	18,907.8	13,508.8	11,239.6	2,774.1	518.3	459.0	113.3
	Total Revenues growth	11.1%	7.4%	7.9%	-0.4%	6.5%	5.1%	2.8%	9.0%	-2.0%
	2y CAGR (2019e - 2021e)	12.8%	6.1%	3.8%	0.8%	5.9%	2.6%	-0.8%	4.8%	1.2%
	EBITDA	587.4	1,063.1	2,084.3	1,683.7	1,354.6	522.8	50.1	51.0	17.3
	EBITDA growth	9.0%	10.9%	-2.0%	37.1%	13.8%	8.9%	14.0%	35.5%	-4.9%
	2y CAGR (2019e - 2021e)	12.9%	8.3%	9.2%	1.3%	7.9%	5.2%	6.6%	-3.0%	3.0%
	EBITDA/Revenues	17.5%	11.6%	11.0%	12.5%	13.1%	18.8%	9.7%	11.1%	15.3%
	Net Profit	273.3	307.5	770.2	553.3	476.1	276.1	21.6	12.0	8.2
	Net Profit growth	19.7%	7.7%	1.1%	20.6%	12.3%	14.3%	43.2%	283.3%	-10.4%
	2y CAGR (2019e - 2021e)	13.2%	8.1%	3.7%	-4.0%	5.2%	1.7%	2.0%	4.1%	7.3%
	Capex	235	865.5	1,345.6	956.4	n.a.	224.0	29.9	32.5	4.8
	CAPEX/Sales %	7.0%	9.4%	7.1%	7.1%	7.7%	8.1%	5.8%	7.1%	4.3%
Free Cash Flow	248.7	120.2	501.7	461.4	333.0	177.1	17.3	13.4	9.7	
Net financial debt	1,262.5	2,473.8	1,865.8	3,498.6	n.a.	106.3	60.5	19.0	14.3	
ND/EBITDA (x)	2.1	2.3	0.9	2.1	1.9	0.2	1.2	0.4	0.8	
Outstanding Shares	128.9	575.5	137.7	176.7	n.a.	325.2	44.2	6.4	10.0	
Pay-out	31.4%	28.0%	23.5%	34.6%	29.4%	26.9%	29.2%	15.8%	76.1%	
Multiples and Ratios	P/E (x)	10.1	9.3	6.1	8.3	8.5	10.7	13.5	7.8	17.4
	P/BV (x)	3.3	1.3	1.3	0.6	1.6	2.3	1.2	1.0	3.1
	EV/Revenues (x)	1.3	0.7	0.3	0.6	0.7	1.3	0.6	0.4	1.4
	EV/EBITDA (x)	7.3	5.7	3.1	4.7	5.2	7.0	6.1	3.3	9.3
	ROE	32.3	15.4	17.7	5.7	17.8	19.5	13.4	8.9	18.3
	FCF Yield (%)	9.9	(1.1)	8.3	6.3	5.8	3.4	2.8	(1.3)	6.8
	DPS	0.7	0.1	1.3	1.1	0.8	0.2	0.1	0.3	0.6
	Price Close	22.6	4.6	40.1	23.4	n.a.	9.7	4.8	19.4	14.4
	Dvd Yield	2.9%	3.3%	3.3%	4.6%	3.5%	2.4%	3.0%	1.5%	4.4%

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
22-Jul-2019	n.a.	14.35	n.a.	n.a.	6m Results 2019	David López Sánchez
13-May-2019	n.a.	15.45	n.a.	n.a.	3m Results 2019	David López Sánchez
01-Mar-2019	n.a.	15.00	n.a.	n.a.	12m Results 2018	David López Sánchez
22-Nov-2018	n.a.	12.68	n.a.	n.a.	Initial Coverage	David López Sánchez