

12m Results 2021

Opinion ⁽¹⁾: Below expectations

Impact ⁽¹⁾: We will have to lower our estimates

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Business description

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.

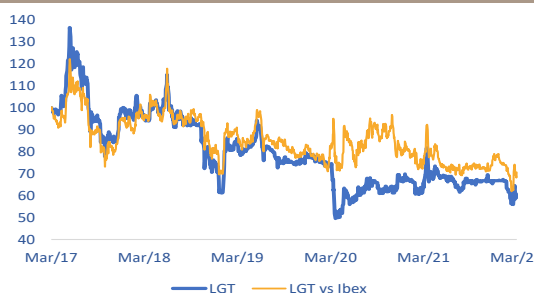
Market Data

Market Cap (Mn EUR and USD)	106.5	118.7
EV (Mn EUR and USD) ⁽²⁾	127.6	142.2
Shares Outstanding (Mn)	10.0	
-12m (Max/Med/Min EUR)	14.70 / 11.96 / 10.05	
Daily Avg volume (-12m Mn EUR)	0.05	
Rotation ⁽³⁾	12.7	
Factset / Bloomberg	LGT-ES / LGT SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Board of Directors	55.0
Mallorquina de Seguros	6.0
Onchena	5.0
Free Float	34.0

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-3.6	-10.9	-10.1	-40.7
vs Ibex 35	2.7	-8.0	-8.0	-29.4
vs Ibex Small Cap Index	-3.2	-13.3	-5.6	-60.2
vs Eurostoxx 50	8.1	-1.1	-11.5	-46.6
vs Sector benchmark ⁽⁴⁾	10.0	-0.6	-13.8	-43.1

(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 Stoxx Europe 600 Automobiles & Parts.

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

2021: The "perfect storm" intensifies

DECLINE IN REVENUE (EUR 86.3Mn; -5.3% VS 2020)... The second half of the year continued to be affected by the insufficient availability of semi-conductors already seen in 1H21 results (the main reason preventing the recovery of auto production volumes). Specifically, European auto production fell by c. -5% in 2020 (and by c. -26% vs 2019). This prevented LGT's revenues from recovering, these ending 2021 down c. -5% vs 2020 (EUR 86.3Mn vs EUR 95Mn of our estimates; still c. -25% vs 2019 levels).

... THAT WEIGHS HEAVILY ON EBITDA (EUR 2Mn; -83% VS 2020). In addition to lower demand and production, raw materials and supplies have risen in price (e.g.: Spanish electricity costs at all-time highs), coinciding with sale prices that have yet to reflect the agreed rises. The gross margin decreased to 53% (-5.6p.p. vs 2020), that together with high operating leverage (that prevents the company from reducing its structure at the same pace as its activity declines), reduced Rec. EBITDA to EUR 2Mn (-83% vs 2020).

LEAVING NET PROFIT AT BREAK-EVEN (EUR -1.5Mn). The two points above translated fully to 2021 net profit, that ended the year with a loss of EUR -1.5Mn (vs EUR 6Mn in 2020 and EUR 8.7Mn in 2019).

... THAT LED TO AN INCREASE IN NET DEBT. Net debt ended 2021 at EUR 19.9Mn (EUR 9.2Mn in 2020) as a result of lower operating CF generation (EUR 1.7Mn vs EUR 11.5Mn in 2020) that meant the investments made (CAPEX EUR 5.7Mn) could not be offset. In addition, in 2021 the dividend was paid against 2019 earnings (that had been pending due to the Covid-19 situation) in an amount of EUR 7Mn.

IN CONCLUSION: POOR RESULTS THAT WILL INEVITABLY MEAN A DOWNGRADE TO ESTIMATES. LGT closed a very difficult 2021 in which the lack of semi-conductors, supply chain disruptions and inflation weighed heavy on results. We will have to downgrade our estimates to reflect a slower recovery of revenue and a certain difficulty in translating the increase in costs to sale prices. Given this lack of visibility, the recovery of 2019 levels does not seem feasible until, at least, 2024e (vs 2023e in our previous estimate). However, a theoretical recovery of 2019 results (EBITDA 2019: EUR 17Mn) would be trading today at c. 7.5x EV/EBITDA; a recovery, that, when it happens the market will discount in advance.

Table 1. 2021 Results

EUR Mn	12m21 Real	12m20	vs 12m20
Total Revenues	86.3	91.2	-5.3%
Gross Margin/Revenues	53.1%	58.7%	-5.6 p.p.
Recurrent EBITDA¹	2.0	11.8	-83.3%
Rec. EBITDA/Revenues	2.3%	12.9%	-10.7 p.p.
EBITDA	2.0	12.6	-84.4%
EBITDA/Revenues	2.3%	13.9%	-11.6 p.p.
NP	-1.5	6.0	-124.6%
Rec. FCF	-4.0	4.0	-202%
Net Debt	19.9	9.2	116%

1: Rec. EBITDA and EBITDA adjusted to exclude capitalised expenses (EUR 1Mn and EUR 0.7Mn in 2021 and 2020).

Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	106.5	
+ Minority Interests	-	12m Results 2021
+ Provisions & Other L/T Liabilities	1.4	12m Results 2021
+ Net financial debt	19.9	12m Results 2021
- Financial Investments	0.2	12m Results 2021
+/- Others		
Enterprise Value (EV)	127.6	

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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.	10.65	n.a.	n.a.	12m Results 2021	David López Sánchez
03-Aug-2021	n.a.	11.45	n.a.	n.a.	6m Results 2021 - Estimates downgrade	David López Sánchez
01-Mar-2021	n.a.	11.30	n.a.	n.a.	12m Results 2020	David López Sánchez
30-Oct-2020	n.a.	11.35	n.a.	n.a.	9m Results 2020	David López Sánchez
28-Jul-2020	n.a.	11.90	n.a.	n.a.	Estimates downgrade	David López Sánchez
28-Feb-2020	n.a.	13.30	n.a.	n.a.	12m Results 2019	David López Sánchez
28-Oct-2019	n.a.	13.45	n.a.	n.a.	9m Results 2019	David López Sánchez
22-Jul-2019	n.a.	14.35	n.a.	n.a.	6m Results 2019 - Estimates downgrade	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.	Initiation of Coverage	David López Sánchez

