

EQUITY - SPAIN

Sector: Auto Components

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Estimates downgrade

Closing price: EUR 11.20 (31 Mar 2022)

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.

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LGT will continue to face an adverse environment throughout 2022e. We downgrade our estimates

THE AUTO SECTOR CONTEXT WILL REMAIN ADVERSE IN 2022E. The auto sector continues to be immersed in the most difficult period of its recent history (lack of semiconductors, supply chain disruptions, exponential growth of energy costs, etc.). The war in Ukraine has only made things worse (the economic uncertainty will not help to stimulate the recovery of vehicle production; still well below 2019 levels).

THAT LEADS US TO DOWNGRADE OUR ESTIMATES... LGT is not immune to this situation and so we downgrade our estimates, delaying the recovery of 2019 levels until 2024e (vs 2023e previously). Specifically, in 2022e we estimate: (i) a return of revenue growth, although more slowly than anticipated (EUR 95.5Mn; +11.1% vs 2021; -11.3% vs previous estimate), (ii) EBITDA of EUR 4Mn (vs EUR 16.8Mn in 2019), under great pressure from high energy costs and (iii) debt still under control (2022e ND: EUR 20Mn, fully in line with 2021).

... DELAYING THE RECOVERY OF 2019 LEVELS UNTIL 2024E. 2022e results will continue to be affected by external factors such as the lack of semi-conductors (that affects vehicle production on the revenue side) and the exponential rise in energy costs (on the costs side). However, the slow recovery of vehicle production volumes (still c. -20% vs 2019) is taking place against a backdrop of theoretically high demand. This allows us to envisage a return to 2019 levels in 2024e (once the current lack of supply has been overcome).

BUT THINGS WILL EVENTUALLY IMPROVE. Focusing on 2024e, the recovery of revenue levels of c. EUR 114Mn (+10% 21e-24e CAGR), together with the normalisation of energy prices, should enable LGT to generate EBITDA of EUR 18Mn (EBITDA margin 15%; fully in line with the 2013-2020 average). A level of EBITDA generation that would return Recurrent FCF to levels of EUR 7Mn (FCF yield 6.5%). Today these numbers would be trading at an EV/EBITDA of 7.8x (vs 5x for the sector based on 2022e consensus).

Market Data

Market Cap (Mn EUR and USD)	112.0	124.6
EV (Mn EUR and USD) ⁽¹⁾	133.1	148.1
Shares Outstanding (Mn)	10.0	
-12m (Max/Med/Mín EUR)	13.20 / 11.78 / 10.05	
Daily Avg volume (-12m Mn EUR)	0.04	
Rotation ⁽²⁾	8.3	
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

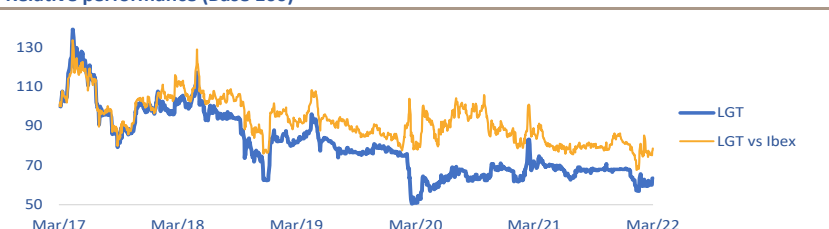
Financials (Mn EUR)

	2021	2022e	2023e	2024e
Adj. nº shares (Mn)	10.0	10.0	10.0	10.0
Total Revenues	85.9	95.5	104.0	114.4
Rec. EBITDA ⁽³⁾	1.5	3.7	10.0	17.2
% growth	-87.2	146.2	166.8	72.4
% Rec. EBITDA/Rev.	1.8	3.9	9.6	15.0
% Inc. EBITDA sector ⁽⁴⁾	34.6	17.6	15.5	7.2
Net Profit	-1.5	-0.5	4.2	9.6
EPS (EUR)	-0.15	-0.05	0.42	0.96
% growth	-124.8	67.9	983.0	129.1
Ord. EPS (EUR)	-0.29	-0.06	0.42	0.96
% growth	-152.3	78.5	762.3	129.1
Rec. Free Cash Flow ⁽⁵⁾	-4.9	-0.2	2.5	7.3
Pay-out (%)	0.0	0.0	0.0	0.0
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	19.9	20.1	17.7	10.4
ND/Rec. EBITDA (x)	13.1	5.4	1.8	0.6
ROE (%)	n.a.	n.a.	9.2	18.4
ROCE (%) ⁽⁵⁾	n.a.	n.a.	6.7	14.5

Ratios & Multiples (x)⁽⁶⁾

P/E	n.a.	n.a.	26.8	11.7
Ord. P/E	n.a.	n.a.	26.8	11.7
P/BV	2.6	2.6	2.4	2.0
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/Sales	1.55	1.39	1.28	1.16
EV/Rec. EBITDA	n.a.	35.7	13.4	7.8
EV/EBIT	n.a.	n.a.	22.7	10.2
FCF Yield (%) ⁽⁵⁾	n.a.	n.a.	2.2	6.5

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	5.2	-6.7	-10.0	-6.7	-22.2	-36.6
vs Ibox 35	5.6	-3.7	-8.6	-3.7	-14.9	-21.4
vs Ibox Small Cap Index	2.8	-9.5	-6.3	-9.5	-39.1	-57.0
vs Eurostoxx 50	5.7	2.8	-9.7	2.8	-33.2	-43.1
vs Sector benchmark ⁽⁴⁾	14.2	6.7	1.7	6.7	-34.3	-37.7

(1) Please refer to Appendix 3.

(2) Rotation is the % of the capitalisation traded - 12m.

(3) Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.1Mn higher due to IFRS 16.

(4) Sector: Stoxx Europe 600 Automobiles & Parts.

(5) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.

(6) 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, Factset and Lighthouse.

Estimates downgrade

The current situation makes a significant downgrade to estimates inevitable (2022e revenue: -11.3% vs previous estimate)

The auto sector continues to be immersed in the most difficult period of its recent history characterised by a lack of semiconductors, (that prevents the recovery of volumes, not due to a lack of demand, so far, but rather due to a shortage of stock) and supply chain disruptions. In addition, there is the exponential growth of energy costs.

According to ACEA data, vehicle registrations in Europe declined c. 2% in 2021, a year of two very different halves: registrations decreased from the summer, closing December with a strong monthly contraction of 23%. This left the European market below 10 million car sales for the second consecutive year, a figure that is still c. 25% below levels reached in 2019 (and -35% vs highs of 2018; chart 1). This situation was reflected in LGT's results (2021 revenue: -5.8% vs 2020; -25.3% vs 2019).

Chart 1. New Passenger car registrations in Europe (EU27+EFTA) vs LGT Total Revenues (2009-2021)

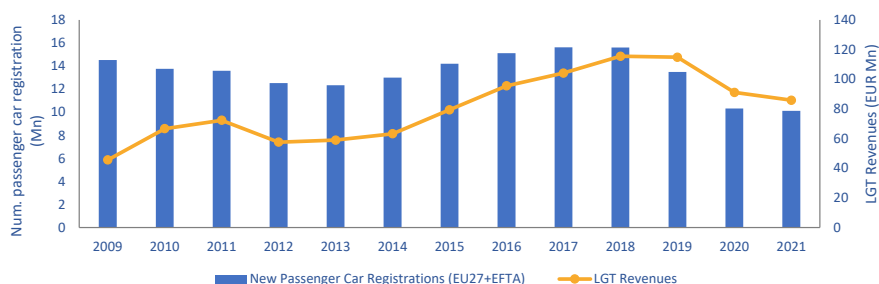
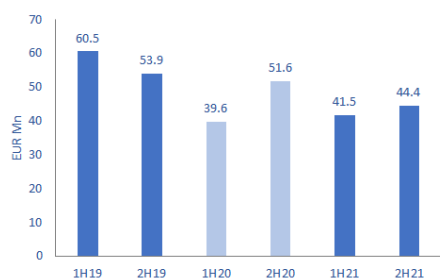


Chart 2. Half-year revenues (1H19 – 2H21)



2021 was a really difficult year for LGT in which rising raw material costs (scrap steel: +53% vs 2020) and electricity prices (the expense for this item increasing c. EUR 5.8Mn; +65% vs 2020; chart 3) coincided with revenue that was still being negatively impacted by the decline in auto sector volumes. By way of reference, the sharp rise in the price of electricity (c. 60% of other operating costs) drove other operating costs to EUR 21.2Mn in 2021 (vs EUR 20.6Mn in 2019, a year in which LGT billed c. 35% more!). Stripping out the impact of the exponential increase in the cost of electricity in 2H21 (charts 3 and 4), 2021 EBITDA would have been EUR 8Mn (vs EUR 2Mn reported).

The above has had an implacable effect on LGT's accounts, reducing EBITDA to EUR 2Mn (a figure even lower than the EUR 4Mn of 2009), impacted by the bad figure for the second half of the year (chart 4). Weak results that are explained mainly by external factors that affect vehicle production (on the revenue side) and the exponential rise in energy costs (on the costs side).

Chart 4. Evolución semestral del EBITDA

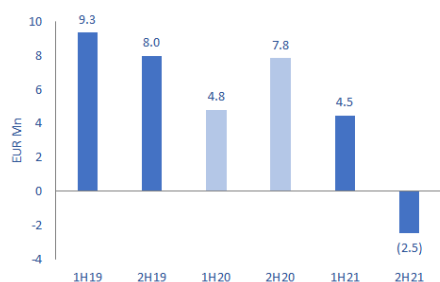
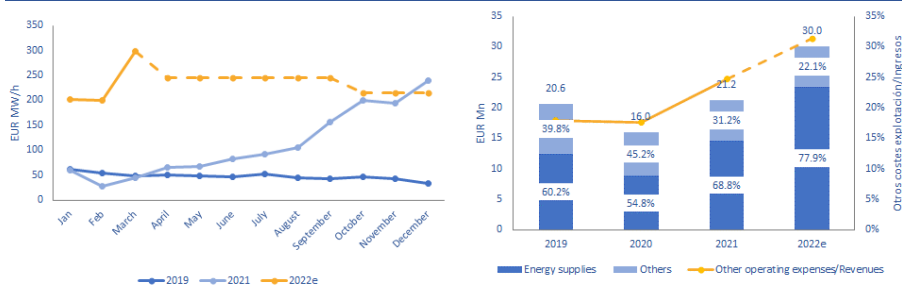


Chart 3. Spanish electricity prices (EUR MW/h) and LGT other operating costs (2019-2022e)



Note: The 2022e electricity price corresponds to futures prices from 30 March 2022.

The sector backdrop is more complex than originally envisaged and leads us to downgrade our estimates (and delay a return of 2019 results to 2024e)

The main challenges facing the sector in 2021 have continued throughout the first quarter of 2022 and the war in Ukraine has only made things worse (the economic uncertainty will not help to stimulate the revival of vehicle production). LGT is not immune to this situation, and so we downgrade our estimates for this year, delaying the recovery of 2019 levels until 2024e (vs 2023e previously). Specifically, in 2022e we estimate:

Chart 5. Total revenues vs Gross Margin (2019-2024e)



- **Revenue: a return to growth, although more slowly than expected (EUR 95.5Mn; -11.3% vs previous estimate).** The main European markets continue at a very weak rate of recovery, with registrations falling even further in the first two months of 2022 (-6.4% vs the same period of 2021). For 2022e as a whole, the ACEA (the European Automobile Manufacturers' Association) expects the supply of chips to stabilise over the year, that should allow an increase of 7.9% in passenger vehicle registrations in Europe.

Focusing on LGT, although the recovery of volumes will continue to be slow, we estimate that the increase in prices (in order to pass on the hikes in steel costs and, partly, in electricity costs) should allow LGT to end 2022e with revenue of EUR 95.5Mn (+11.1% vs 2021; chart 5). Revenue that, despite the growth vs 2021 (due to weak comps), only implies growth of +5% vs 2020 and is still close to -17% vs 2019 (in line with the estimate for the European vehicle market).

- **Although the high price of electricity will continue to weigh heavily on EBITDA.** We estimate a strong rebound in the gross margin to c. 60% (vs 53% in 2021 and 58.7% in 2020) as a result of the increase in prices needed to pass on the higher cost of steel (that had a negative impact on the gross margin in 2021 due to the policy of a quarterly price review).

Despite this, we think high energy prices in Spain (that cannot be 100% passed on to sale prices) will continue to negatively impact the P&L. To put things in context, in 1Q22 the average price of electricity in Spain was c. +100% above the average price in 2021 (see chart 3 on the previous page). This will drive other operating costs to c. EUR 30Mn (vs EUR 20.6Mn in 2019; with 20% higher turnover) and keep 2022e EBITDA under pressure (c. EUR 4Mn; charts 6 and 7).

Chart 6. Rec. EBITDA and Rec. EBITDA Mg. (2019-2024e)

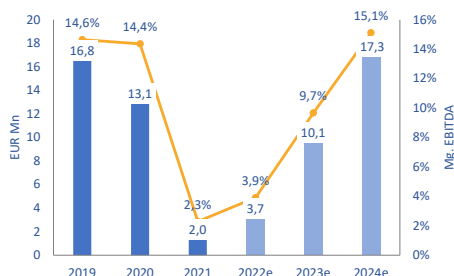


Chart 7. From Revenues to EBITDA (2022e)

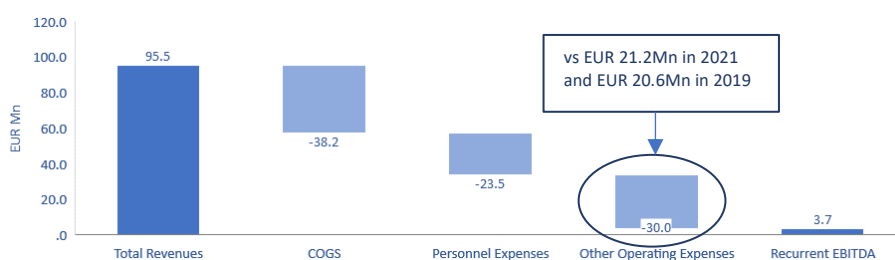
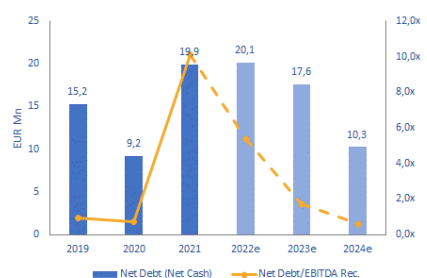


Chart 8. Net Debt and Net Debt/EBITDA (x)

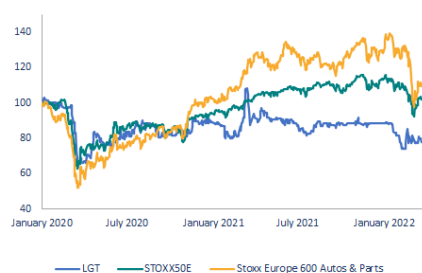


- **Maintaining debt under control (2022e ND: EUR 20Mn; in line with 2020).** We estimate CAPEX of c. EUR 4Mn in 2022e (vs EUR 5Mn in 2021). This should enable LGT to maintain net debt of EUR 20Mn (fully in line with 2021).

The normalisation of EBITDA generation to levels of close to EUR 10Mn in 2023e (EBITDA margin c. 10% vs 2013-2020 average of c. 15%) will return the ND/EBITDA ratio to reasonable levels (< 2x; chart 8).

- **But.... and in the longer term? Things will eventually improve. A return to 2019 levels is possible (in 2024e).** Having reached this point perhaps the most interesting question to ask ourselves is what to expect from LGT in a more normalised context as regards volumes and raw material and electricity prices.

Chart 9. LGT share Price vs Eurostoxx 50 and Stoxx Europe 600 autos & parts since January 2020 (pre Covid-19)



2022e results will continue to be affected by external factors such as the lack of semi-conductors (that affects vehicle production on the revenue side) and the exponential rise in energy costs (on the costs side). But the slow recovery of vehicle production volumes in Europe (-20% vs 2019) is taking place against a backdrop of theoretically high demand, so we transfer the recovery of the revenue lost in 2022e to 2023e and 2024e (when we estimate LGT should return to a level of turnover similar to 2019; table 1).

In our view, the recovery of revenues to EUR 114Mn in 2024e (+10% 2021e-2024e CAGR), together with the normalisation of energy prices, would allow LGT to recover Recurrent EBITDA generation of EUR 18Mn (EBITDA margin 15%; fully in line with the 2013-2020 average). EBITDA generation that should enable LGT to generate Recurrent FCF of EUR 7Mn (FCF yield 6.5%) and reduce net debt to EUR 10.4Mn (ND/EBITDA < 1x).

The performance of the LGT share price -12m (-12.2%) is in line with that of its sector (Stoxx Europe 600 Automobiles & Parts -12m: -10.3%). The expected recovery of revenue and margins in 2024e would be trading today at 7.8x EV/EBITDA (vs c. 5x for LGT's main European peers; based on 2022e consensus).

Table 1. Estimates downgrade (2022e-2024e)

EUR Mn	2022e (New)	2022e	Review (%)	2023e (New)	2023e	Review (%)	2024e (New)
Total Revenues	95.5	107.6	-11.3%	104.0	115.1	-9.6%	114.4
Recurrent EBITDA	3.7	15.6	-76.1%	10.0	18.0	-44.5%	18.0
<i>Recurrent EBITDA growth</i>	<i>146.2%</i>	<i>27.3%</i>	<i>119 p.p.</i>	<i>166.8%</i>	<i>10.6%</i>	<i>156 p.p.</i>	<i>72.4%</i>
<i>Rec. EBITDA/Revenues</i>	<i>3.9%</i>	<i>14.5%</i>	<i>-11 p.p.</i>	<i>9.6%</i>	<i>15.0%</i>	<i>-5 p.p.</i>	<i>15.0%</i>
EBIT	-0.3	10.8	-103.0%	5.9	12.4	-52.7%	13.0
Net Profit	-0.5	7.8	-106.1%	4.2	9.1	-53.9%	9.6
Recurrent Free Cash Flow	-0.2	7.8	-103.0%	2.5	7.8	-68.6%	7.3
Deuda Neta	20.1	8.1	147.9%	17.7	6.6	169.6%	10.4
<i>ND / EBITDA</i>	<i>5.4 x</i>	<i>0.5 x</i>	<i>4.9 x</i>	<i>1.8 x</i>	<i>0.4 x</i>	<i>1.4 x</i>	<i>0.6 x</i>

Appendix 1. Financial Projections⁽¹⁾

Balance Sheet (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e		
Intangible assets	0.4	0.5	0.9	1.1	1.6	2.6	3.7	4.7		
Fixed assets	49.5	55.1	56.8	57.2	57.1	56.2	55.8	55.9		
Other Non Current Assets	0.6	0.6	0.5	0.4	1.2	1.2	1.2	1.2		
Financial Investments	0.7	0.6	0.6	0.2	0.2	0.2	0.2	0.2		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	28.8	29.5	28.9	28.3	25.7	27.2	29.3	31.0		
Total assets	80.1	86.3	87.7	87.3	85.9	87.4	90.2	93.0		
Equity	42.3	44.5	46.2	45.1	43.7	43.2	47.4	57.0		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	1.9	1.7	1.5	8.3	1.4	1.4	1.4	1.4		
Other Non Current Liabilities	-	-	0.2	0.1	0.2	0.2	0.2	0.2		
Net financial debt	10.7	17.0	15.2	9.2	19.9	20.1	17.7	10.4		
Current Liabilities	25.2	23.1	24.6	24.5	20.7	22.4	23.5	24.0		
Equity & Total Liabilities	80.1	86.3	87.7	87.3	85.9	87.4	90.2	93.0		
										CAGR
P&L (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e	17-21	21-24e
Total Revenues	104.2	115.6	114.9	91.2	85.9	95.5	104.0	114.4	-4.7%	10.0%
<i>Total Revenues growth</i>	9.0%	10.9%	-0.6%	-20.7%	-5.8%	11.1%	9.0%	10.0%		
COGS	(41.6)	(48.7)	(49.6)	(37.7)	(40.5)	(38.2)	(43.7)	(48.6)		
Gross Margin	62.6	66.9	65.3	53.5	45.4	57.3	60.3	65.8	-7.7%	13.2%
<i>Gross Margin/Revenues</i>	60.1%	57.9%	56.8%	58.7%	52.9%	60.0%	58.0%	57.5%		
Personnel Expenses	(26.7)	(28.1)	(27.8)	(25.2)	(22.7)	(23.5)	(25.1)	(26.9)		
Other Operating Expenses	(19.2)	(20.5)	(20.6)	(16.5)	(21.2)	(30.0)	(25.3)	(21.7)		
Recurrent EBITDA	16.7	18.2	16.8	11.8	1.5	3.7	10.0	17.2	-45.1%	n.a.
<i>Recurrent EBITDA growth</i>	-12.1%	8.9%	-7.5%	-29.9%	-87.2%	146.2%	166.8%	72.4%		
<i>Rec. EBITDA/Revenues</i>	16.0%	15.8%	14.6%	12.9%	1.8%	3.9%	9.6%	15.0%		
Restructuring Expense & Other non-rec.	-	-	-	0.8	0.5	-	-	-		
EBITDA	16.7	18.2	16.8	12.6	2.0	3.7	10.0	17.2	-41.4%	n.a.
Depreciation & Provisions	(5.0)	(5.5)	(5.5)	(4.5)	(5.1)	(5.0)	(5.0)	(5.1)		
Capitalized Expense	0.6	0.1	0.4	0.7	1.0	1.0	1.0	1.0		
Rentals (IFRS 16 impact)	-	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)		
EBIT	12.4	12.8	11.7	8.7	(2.2)	(0.3)	5.9	13.0	-21.4%	n.a.
<i>EBIT growth</i>	-18.8%	3.7%	-8.7%	-25.8%	-124.9%	85.0%	n.a.	121.5%		
<i>EBIT/Revenues</i>	11.9%	11.1%	10.2%	9.5%	n.a.	n.a.	5.6%	11.4%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)		
Income by the Equity Method	(0.2)	(0.4)	-	-	-	-	-	-		
Ordinary Profit	11.9	12.2	11.4	8.4	(2.5)	(0.6)	5.6	12.8	-21.9%	92.7%
<i>Ordinary Profit Growth</i>	-16.1%	2.6%	-6.6%	-26.6%	-129.6%	74.5%	983.0%	129.1%		
Extraordinary Results	-	-	-	(0.4)	0.5	-	-	-		
Profit Before Tax	11.9	12.2	11.4	8.0	(2.0)	(0.6)	5.6	12.8	-21.4%	n.a.
Tax Expense	(3.0)	(3.0)	(2.7)	(2.1)	0.5	0.2	(1.4)	(3.2)		
<i>Effective Tax Rate</i>	25.1%	24.7%	23.7%	25.7%	n.a.	n.a.	25.0%	25.0%		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	8.9	9.2	8.7	6.0	(1.5)	(0.5)	4.2	9.6	-21.3%	n.a.
<i>Net Profit growth</i>	-14.9%	3.1%	-5.3%	-31.6%	-124.8%	67.9%	983.0%	129.1%		
Ordinary Net Profit	8.9	9.2	8.7	5.6	(2.9)	(0.6)	4.2	9.6	-23.5%	74.0%
<i>Ordinary Net Profit growth</i>	-14.9%	3.1%	-5.3%	-35.7%	-152.3%	78.5%	762.3%	129.1%		
										CAGR
Cash Flow (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e	17-21	21-24e
Recurrent EBITDA						3.7	10.0	17.2	-45.1%	n.a.
Rentals (IFRS 16 impact)						(0.1)	(0.1)	(0.1)		
Working Capital Increase						0.3	(1.0)	(1.2)		
Recurrent Operating Cash Flow						3.9	8.8	15.8	-68.4%	n.a.
CAPEX						(4.0)	(4.7)	(5.2)		
Net Financial Result affecting the Cash Flow						(0.3)	(0.3)	(0.2)		
Tax Expense						0.2	(1.4)	(3.2)		
Recurrent Free Cash Flow						(0.2)	2.5	7.3	-46.8%	51.6%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						(0.2)	2.5	7.3	-55.1%	56.3%
Capital Increase						-	-	-		
Dividends						-	-	-		
Net Debt Variation						0.2	(2.5)	(7.3)		

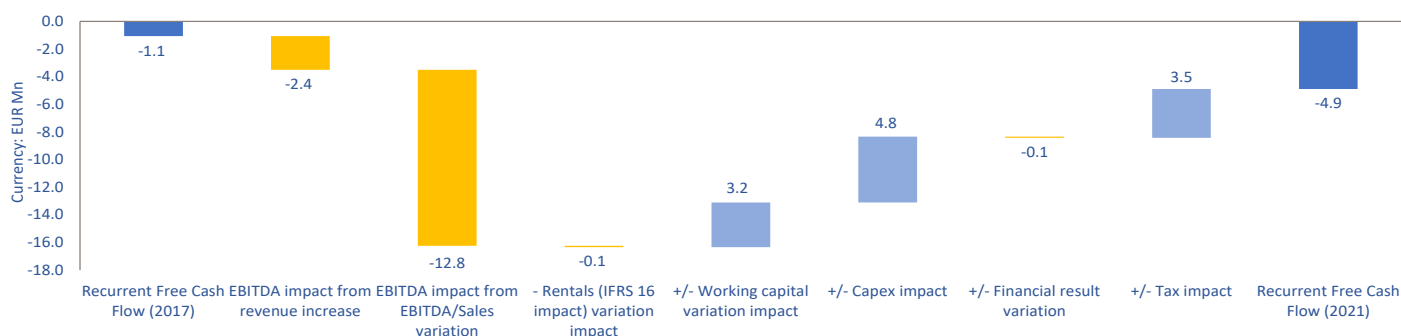
Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.1Mn higher due to IFRS 16.

Appendix 2. Free Cash Flow⁽¹⁾

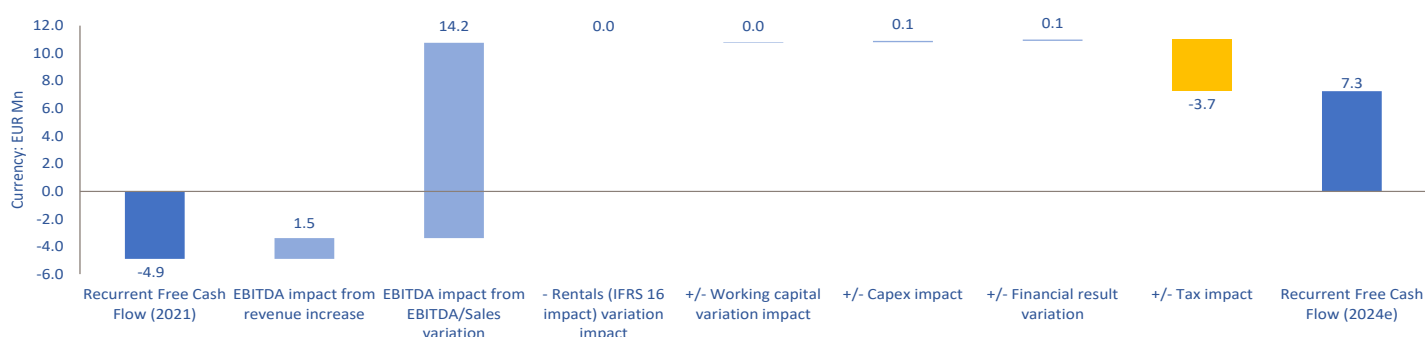
A) Cash Flow Analysis (EUR Mn)	2018	2019	2020	2021	2022e	2023e	2024e	CAGR	
								18-21	21-24e
Recurrent EBITDA	18.2	16.8	11.8	1.5	3.7	10.0	17.2	-56.3%	n.a.
<i>Recurrent EBITDA growth</i>	8.9%	-7.5%	-29.9%	-87.2%	146.2%	166.8%	72.4%		
<i>Rec. EBITDA/Revenues</i>	15.8%	14.6%	12.9%	1.8%	3.9%	9.6%	15.0%		
- Rentals (IFRS 16 impact)	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)		
+/- Working Capital increase	(2.8)	2.1	0.6	(1.3)	0.3	(1.0)	(1.2)		
= Recurrent Operating Cash Flow	15.4	18.9	12.3	0.1	3.9	8.8	15.8	-80.1%	n.a.
<i>Rec. Operating Cash Flow growth</i>	26.8%	22.2%	-35.0%	-99.0%	n.a.	124.6%	79.3%		
<i>Rec. Operating Cash Flow / Sales</i>	13.4%	16.4%	13.5%	0.1%	4.1%	8.5%	13.8%		
- CAPEX	(11.5)	(7.5)	(5.5)	(5.2)	(4.0)	(4.7)	(5.2)		
- Net Financial Result affecting Cash Flow	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)		
- Taxes	(3.2)	(2.8)	(1.8)	0.5	0.2	(1.4)	(3.2)		
= Recurrent Free Cash Flow	0.6	8.4	4.8	(4.9)	(0.2)	2.5	7.3	n.a.	51.6%
<i>Rec. Free Cash Flow growth</i>	155.1%	n.a.	-43.4%	-202.9%	95.3%	n.a.	195.4%		
<i>Rec. Free Cash Flow / Revenues</i>	0.5%	7.3%	5.2%	n.a.	n.a.	2.4%	6.3%		
- Restructuring expenses & others	-	-	0.8	0.5	-	-	-		
- Acquisitions / + Divestments	0.2	0.4	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	0.5	-	-	-		
= Free Cash Flow	0.8	8.8	5.6	(4.0)	(0.2)	2.5	7.3	-91.0%	56.3%
<i>Free Cash Flow growth</i>	216.3%	994.4%	-36.3%	-171.2%	94.2%	n.a.	195.4%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	0.5%	7.5%	4.2%	n.a.	n.a.	2.2%	6.5%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	0.7%	7.8%	5.0%	n.a.	n.a.	2.2%	6.5%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
Recurrent FCF(FY - 1)	(1.1)	0.6	8.4	4.8	(4.9)	(0.2)	2.5		
EBITDA impact from revenue increase	1.8	(0.1)	(3.5)	(0.7)	0.2	0.3	1.0		
EBITDA impact from EBITDA/Sales variation	(0.3)	(1.3)	(1.6)	(9.6)	2.0	5.9	6.2		
= Recurrent EBITDA variation	1.5	(1.4)	(5.0)	(10.3)	2.2	6.2	7.2		
- Rentals (IFRS 16 impact) variation impact	-	(0.1)	(0.0)	(0.0)	-	-	-		
+/- Working capital variation impact	1.8	4.9	(1.5)	(1.9)	1.6	(1.3)	(0.2)		
= Recurrent Operating Cash Flow variation	3.3	3.4	(6.6)	(12.2)	3.8	4.9	7.0		
+/- CAPEX impact	(1.5)	4.0	2.1	0.2	1.2	(0.7)	(0.5)		
+/- Financial result variation	0.0	(0.0)	(0.1)	(0.0)	0.0	0.0	0.1		
+/- Tax impact	(0.2)	0.5	1.0	2.3	(0.4)	(1.6)	(1.8)		
= Recurrent Free Cash Flow variation	1.6	7.8	(3.6)	(9.6)	4.7	2.7	4.8		
Recurrent Free Cash Flow	0.6	8.4	4.8	(4.9)	(0.2)	2.5	7.3		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
EBIT	12.8	11.7	8.7	(2.2)	(0.3)	5.9	13.0	-29.4%	n.a.
* <i>Theoretical Tax rate</i>	24.7%	23.7%	25.7%	0.0%	0.0%	25.0%	25.0%		
= Taxes (pre- Net Financial Result)	(3.2)	(2.8)	(2.2)	-	-	(1.5)	(3.3)		
Recurrent EBITDA	18.2	16.8	11.8	1.5	3.7	10.0	17.2	-56.3%	n.a.
- Rentals (IFRS 16 impact)	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)		
+/- Working Capital increase	(2.8)	2.1	0.6	(1.3)	0.3	(1.0)	(1.2)		
= Recurrent Operating Cash Flow	15.4	18.9	12.3	0.1	3.9	8.8	15.8	-80.1%	n.a.
- CAPEX	(11.5)	(7.5)	(5.5)	(5.2)	(4.0)	(4.7)	(5.2)		
- Taxes (pre- Financial Result)	(3.2)	(2.8)	(2.2)	-	-	(1.5)	(3.3)		
= Recurrent Free Cash Flow (To the Firm)	0.8	8.6	4.6	(5.1)	(0.1)	2.7	7.4	n.a.	51.1%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	187.8%	960.0%	-46.6%	-211.6%	98.4%	n.a.	177.5%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	0.7%	7.5%	5.0%	n.a.	n.a.	2.6%	6.5%		
- Acquisitions / + Divestments	0.2	0.4	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	-	0.5	-	-	-		
= Free Cash Flow "To the Firm"	1.0	9.0	4.6	(4.7)	(0.1)	2.7	7.4	-86.7%	53.1%
<i>Free Cash Flow (To the Firm) growth</i>	284.1%	768.6%	-48.9%	-201.7%	98.3%	n.a.	177.5%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	0.6%	6.5%	3.4%	n.a.	n.a.	2.0%	5.6%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	0.8%	6.8%	3.4%	n.a.	n.a.	2.0%	5.6%		

Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.1Mn higher due to IFRS 16.

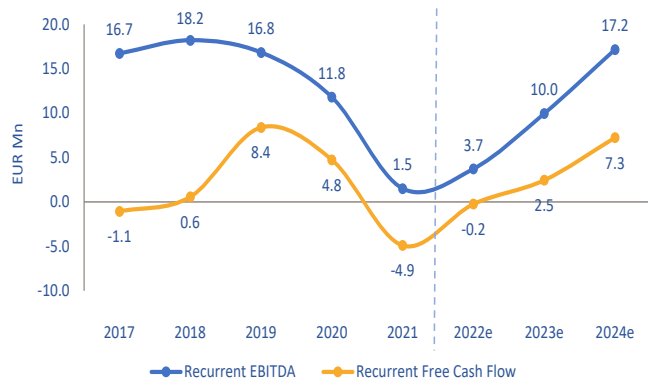
Recurrent Free Cash Flow accumulated variation analysis (2017 - 2021)



Recurrent Free Cash Flow accumulated variation analysis (2021 - 2024e)



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	112.0	
+ 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)	133.1	

Appendix 4. Historical performance ⁽¹⁾⁽²⁾

Historical performance (EUR Mn)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e	CAGR	
															11-21	21-24e
Total Revenues	71.7	56.0	59.0	63.3	79.5	95.6	104.2	115.6	114.9	91.2	85.9	95.5	104.0	114.4	1.8%	10.0%
Total Revenues growth	n.a.	-22.0%	5.5%	7.3%	25.5%	20.3%	9.0%	10.9%	-0.6%	-20.7%	-5.8%	11.1%	9.0%	10.0%		
EBITDA	9.7	4.2	7.2	8.7	13.2	19.0	16.7	18.2	16.8	12.6	2.0	3.7	10.0	17.2	-14.7%	n.a.
EBITDA growth	n.a.	-56.4%	69.7%	22.0%	50.8%	44.6%	-12.1%	8.9%	-7.5%	-24.9%	-84.4%	89.6%	166.8%	72.4%		
EBITDA/Sales	13.5%	7.5%	12.1%	13.8%	16.6%	19.9%	16.0%	15.8%	14.6%	13.9%	2.3%	3.9%	9.6%	15.0%		
Net Profit	3.6	0.3	2.5	4.0	6.7	10.5	8.9	9.2	8.7	6.0	(1.5)	(0.5)	4.2	9.6	-9.2%	n.a.
Net Profit growth	n.a.	-92.9%	876.0%	58.1%	69.1%	56.0%	-14.9%	3.1%	-5.3%	-31.6%	-124.8%	67.9%	983.0%	129.1%		
Adjusted number shares (Mn)	11.0	11.0	10.9	9.9	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0		
EPS (EUR)	0.33	0.02	0.23	0.40	0.67	1.05	0.89	0.92	0.87	0.60	-0.15	-0.05	0.42	0.96	-9.4%	n.a.
EPS growth	n.a.	-92.9%	n.a.	74.3%	67.3%	56.0%	-14.9%	3.1%	-5.3%	-31.6%	n.a.	67.9%	n.a.	n.a.		
Ord. EPS (EUR)	0.33	0.02	0.23	0.40	0.67	1.05	0.89	0.92	0.87	0.56	-0.29	-0.06	0.42	0.96	-11.2%	74.0%
Ord. EPS growth	n.a.	-92.9%	n.a.	74.3%	67.3%	56.0%	-14.9%	3.1%	-5.3%	-35.7%	n.a.	78.5%	n.a.	n.a.		
CAPEX	(2.8)	(2.7)	(2.0)	(3.5)	(6.1)	(18.1)	(10.0)	(11.5)	(7.5)	(5.5)	(5.2)	(4.0)	(4.7)	(5.2)		
CAPEX/Sales %	3.9%	4.8%	3.4%	5.5%	7.7%	18.9%	9.6%	9.9%	6.5%	6.0%	6.1%	4.2%	4.5%	4.5%		
Free Cash Flow	1.8	2.0	9.0	0.7	10.3	(0.3)	(0.7)	0.8	8.8	5.6	(4.0)	(0.2)	2.5	7.3	-15.6%	56.3%
ND/EBITDA (x) ⁽²⁾	0.8x	1.7x	0.0x	0.7x	-0.2x	0.2x	0.6x	0.9x	0.9x	0.7x	10.1x	5.4x	1.8x	0.6x		
P/E (x)	7.7x	93.8x	13.1x	9.4x	12.5x	13.5x	19.9x	12.0x	15.5x	20.3x	n.a.	n.a.	26.8x	11.7x		
EV/Sales (x)	0.55x	0.63x	0.46x	0.63x	0.51x	0.92x	1.48x	1.70x	1.10x	1.68x	1.65x	1.39x	1.28x	1.16x		
EV/EBITDA (x) ⁽²⁾	4.1x	8.3x	3.8x	4.6x	3.1x	4.6x	9.2x	10.8x	7.5x	12.1x	n.a.	35.7x	13.4x	7.8x		
Absolute performance	-13.2%	-13.1%	36.7%	24.8%	123.3%	69.0%	25.4%	-38.2%	23.2%	-10.7%	-0.8%	-6.7%				
Relative performance vs Ibxex 35	-0.1%	-8.9%	12.6%	20.4%	140.5%	72.5%	16.7%	-27.3%	10.2%	5.6%	-8.1%	-3.7%				

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 Factset.

Note 2: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 0.1Mn higher due to IFRS 16.

Note 3: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main peers 2022e

		Auto-Parts					Brake Systems			
		CIE					Average			LGT
EUR Mn		Automotive	Gestamp	Faurecia	Voestalpine	Average	Brembo SPA	Haldex AB	Average	LGT
Market data	Ticker (Factset)	CIE-ES	GEST-ES	EO-FR	VOE-AT		BRE-IT	HLDX-SE		LGT-ES
	Country	Spain	Spain	France	Austria		Italy	Sweden		Spain
	Market cap	2,530.3	1,832.1	3,507.8	4,823.6		3,277.9	193.2		112.0
	Enterprise value (EV)	4,328.9	4,775.5	7,436.5	7,887.9		3,721.7	271.9		133.1
Basic financial information	Total Revenues	3,613.7	9,667.2	24,484.8	15,419.6		3,020.5	517.8		95.5
	Total Revenues growth	10.5%	19.5%	56.8%	3.3%	22.5%	8.7%	16.4%	12.6%	11.1%
	2y CAGR (2022e - 2024e)	7.8%	10.8%	-2.8%	n.a.	5.3%	5.4%	4.2%	4.8%	9.5%
	EBITDA	629.8	1,101.6	2,450.0	2,122.3		531.4	62.9		3.7
	EBITDA growth	9.6%	n.a.	52.9%	-2.4%	20.0%	9.0%	18.1%	13.6%	89.6%
	2y CAGR (2022e - 2024e)	10.7%	13.1%	14.4%	n.a.	12.7%	6.7%	8.6%	7.6%	n.a.
	EBITDA/Revenues	17.4%	11.4%	10.0%	13.8%	13.1%	17.6%	12.1%	14.9%	3.9%
	EBIT	449.1	493.0	1,073.3	1,294.8		310.9	41.6		(0.3)
	EBIT growth	8.7%	n.a.	43.2%	-5.5%	15.4%	14.0%	27.1%	20.6%	85.0%
	2y CAGR (2022e - 2024e)	12.3%	21.7%	38.5%	n.a.	24.2%	9.6%	10.3%	9.9%	n.a.
	EBIT/Revenues	12.4%	5.1%	4.4%	8.4%	7.6%	10.3%	8.0%	9.2%	n.a.
	Net Profit	296.3	221.9	503.9	899.3		230.1	26.1		(0.5)
	Net Profit growth	11.3%	43.2%	n.a.	-7.5%	15.7%	6.7%	19.9%	13.3%	67.9%
2y CAGR (2022e - 2024e)	14.8%	31.0%	49.2%	n.a.	31.7%	9.6%	14.0%	11.8%	n.a.	
CAPEX/Sales %	5.3%	6.5%	5.5%	5.8%	5.8%	8.0%	4.3%	6.1%	4.2%	
Free Cash Flow	300.1	196.3	560.7	815.8		190.0	25.3		(0.2)	
Net financial debt	1,234.0	2,072.1	7,484.6	2,169.9		294.4	102.4		20.1	
ND/EBITDA (x)	2.0	1.9	3.1	1.0	2.0	0.6	1.6	1.1	5.4	
Pay-out	n.a.	n.a.	29.3%	24.7%	27.0%	n.a.	32.3%	32.3%	0.0%	
Multiples and Ratios	P/E (x)	8.5	8.0	6.4	5.4	7.1	14.1	7.4	10.7	n.a.
	P/BV (x)	2.2	1.0	0.9	0.7	1.2	1.8	1.1	1.4	2.6
	EV/Revenues (x)	1.2	0.5	0.3	0.5	0.6	1.2	0.5	0.9	1.4
	EV/EBITDA (x)	6.9	4.3	3.0	3.7	4.5	7.0	4.3	5.7	35.7
	EV/EBIT (x)	9.6	9.7	6.9	6.1	8.1	12.0	6.5	9.3	n.a.
	ROE	25.8	12.2	14.0	12.6	16.2	12.7	14.3	13.5	n.a.
	FCF Yield (%)	11.9	10.7	16.0	16.9	13.9	5.8	13.1	9.4	n.a.
	DPS	0.73	0.11	1.07	1.24	0.79	0.27	0.17	0.22	0.00
Dvd Yield	3.6%	3.6%	4.5%	4.6%	4.1%	2.7%	4.4%	3.5%	0.0%	

Note 1: Financial data, multiples and ratios based on market consensus (Factset). 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).

Appendix 6. Valuation inputs

Inputs for the DCF Valuation Approach

	2022e	2023e	2024e	Terminal Value ⁽¹⁾			
Free Cash Flow "To the Firm"	(0.1)	2.7	7.4	119.8			
Market Cap	112.0	At the date of this report					
Net financial debt	19.9	Debt net of Cash (12m Results 2021)					
					Best Case	Worst Case	
Cost of Debt	1.4%	Net debt cost			1.2%	1.7%	
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=	
Net debt cost	1.1%	$K_d = \text{Cost of Net Debt} * (1-T)$			0.9%	1.3%	
Risk free rate (rf)	1.4%	Rf (10y Spanish bond yield)			=	=	
Equity risk premium	8.0%	R (own estimate)			7.5%	8.5%	
Beta (B)	1.1	B (own estimate)			1.0	1.1	
Cost of Equity	10.2%	$K_e = R_f + (R * B)$			8.9%	10.8%	
Equity / (Equity + Net Debt)	84.9%	E (Market Cap as equity value)			=	=	
Net Debt / (Equity + Net Debt)	15.1%	D			=	=	
WACC	8.9%	$WACC = K_d * D + K_e * E$			7.7%	9.4%	
G "Fair"	2.0%				2.0%	1.5%	

(1) The terminal value reflects the NAV of FCF beyond the period estimated with the WACC and G of the central scenario.

Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 22e	EPS 22e-24e	EV/EBITDA 22e	EBITDA 22e-24e	EV/Sales 22e	Revenues 22e-24e	EBITDA/Sales 22e	FCF Yield 22e	FCF 22e-24e
CIE Automotive	CIE-ES	2,530.3	8.5	15.7%	6.9	10.7%	1.2	7.8%	17.4%	11.9%	19.7%
Gestamp	GEST-ES	1,832.1	8.0	28.9%	4.3	13.1%	0.5	10.8%	11.4%	10.7%	33.9%
Faurecia	EO-FR	3,507.8	6.4	38.5%	3.0	14.4%	0.3	-2.8%	10.0%	16.0%	34.9%
Voestalpine	VOE-AT	4,823.6	5.4	n.a.	3.7	n.a.	0.5	n.a.	13.8%	16.9%	n.a.
Auto-Parts			7.1	27.7%	4.5	12.7%	0.6	5.3%	13.1%	13.9%	29.5%
Brembo SPA	BRE-IT	3,277.9	14.1	10.1%	7.0	6.7%	1.2	5.4%	17.6%	5.8%	15.7%
Hallex AB	HLDX-SE	193.2	7.4	13.4%	4.3	8.6%	0.5	4.2%	12.1%	13.1%	22.2%
Brake Systems			10.7	11.7%	5.7	7.6%	0.9	4.8%	14.9%	9.4%	18.9%
LGT	LGT-ES	112.0	n.a.	n.a.	35.7	n.a.	1.4	9.5%	3.9%	n.a.	n.a.

Free Cash Flow sensitivity analysis (2023e)

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

Scenario	EBITDA/Sales 23e	EBITDA 23e	EV/EBITDA 23e
Max	10.6%	11.0	12.1x
Central	9.6%	10.0	13.4x
Min	8.6%	8.9	14.9x

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

FCF Rec. EUR Mn	CAPEX/Sales 23e			Scenario	Rec. FCF/Yield 23e		
	4.0%	4.5%	5.0%		Max	Central	Min
EBITDA 23e	4.0	3.5	3.0	Max	3.6%	3.1%	2.7%
11.0	4.0	3.5	3.0	Central	2.7%	2.2%	1.7%
10.0	3.0	2.5	1.9	Min	1.7%	1.3%	0.8%
8.9	1.9	1.4	0.9				

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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-Apr-2022	n.a.	11.20	n.a.	n.a.	Estimates downgrade	David López Sánchez
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

