

6m Results 2019

 Opinion ⁽¹⁾: In line.

 Impact ⁽¹⁾: We will maintain our estimates.

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Nicolás Correa (NEA) is a Spanish industrial (Burgos), whose core business is the design and manufacture of chip removal machine tools, specialising in milling machines for the general mechanical engineering industry (aerospace, automotive sectors, etc). Currently, sales in Spain account for 20% (6m19) of the total, with a 52% of sales in Europe. China accounted for 18% in 2018.

NEA delivers

POSITIVE RESULTS DESPITE THE DIFFICULT CYCLICAL BACKDROP, with very high growth in the main P/L items: Revenue EUR 38.0Mn (+16.4%), EBITDA EUR 4.9Mn (+80.5%) and PBT EUR 4.0Mn (a twofold increase).

OPERATING EFFICIENCY PATENT... A simplified operating structure and a focus on profitability have resulted in a significant improvement in EBITDA and EBIT margins to 12.8% and 11.1% (vs. 8.3% and 6.4% in 1H18), 0.8p.p. higher than estimated for 2019 (2019e EBITDA margin: 12.0%).

... AND THE STRENGTH OF THE BALANCE SHEET REMAINS "BEYOND DOUBT", with a net cash position at the 1H19 close of EUR 4.8Mn, boosted by the collection of the amount pending from the sale of the Itziar plant (EUR 4.0Mn). The ability to generate recurrent FCF of c. EUR 6Mn/year (FCF Yield 2019e: 11.7% vs 6.5% for the sector), should allow the company to comfortably achieve a net cash position of over EUR 6Mn in 2019e (13.1% of the Mkt. Cap).

WE HAVEN'T LOST SIGHT OF SECTOR CYCLICALITY. The order book (EUR 33.6Mn; -21% vs 1H18) continues to be impacted by the decline in new orders seen in 4Q18 (c. EUR 11Mn) and 1Q19 (c. EUR 15Mn) vs average new orders for 1H18 of EUR 22Mn. However, new orders began to recover in 2Q19 (c. EUR 22Mn estimated by LH), resulting in an 8% increase in the order book vs 1Q19.

The slowdown in growth in those markets to which NEA is most sensitive (Europe and China: c.85% of revenue) are the main risks. Despite this, the company expects to recover average order book levels of 2018 (c. EUR 40Mn; 20% above the current level), which will enable it to take on 2020 with a similar size order book to that seen at the beginning of 2019.

IN CONCLUSION: Solid results that continue the good trend begun in 2018 and consolidate both operating efficiency and balance sheet strength with: (i) double-digit growth in the main P/L items, (ii) 10.5% of capitalisation in cash and (iii) a high ROCE (>15%). In the light of these results, we maintain our estimates for 2019: Revenue EUR 75Mn and EBITDA EUR 9Mn (EBITDA margin 12%).

Market Data

| | | |
|-----------------------------|--------------------|------|
| Market Cap (Mn EUR and USD) | 45.8 | 50.4 |
| EV (Mn EUR and USD) | 42.1 | 46.3 |
| Shares Outstanding (Mn) | 12.3 | |
| -12m (Max/Med/Mín EUR) | 4.40 / 3.86 / 3.00 | |
| Daily Avg volume (-12m Mn) | 0.07 | |
| Rotation ⁽²⁾ | 40.39 | |
| Thomson Reuters / Bloomberg | NEA.MC / NEA SM | |
| Close fiscal year | 31-Dec | |

Shareholders Structure (%)

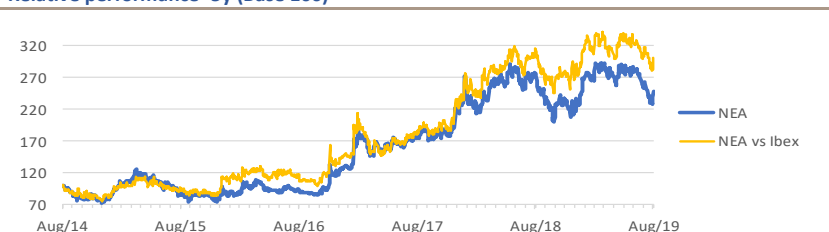
| | |
|------------------------------|------|
| Nicolás-Correa Family | 31.9 |
| Board (Excl. Nicolas-Correa) | 2.0 |
| Free Float | 66.2 |

Financials (Mn EUR)

| | 2018 | 2019e | 2020e | 2021e |
|-------------------------------------|------|-------|-------|-------|
| Adj. nº shares (Mn) | 12.2 | 12.3 | 12.3 | 12.3 |
| Total Revenues | 72.1 | 75.0 | 77.3 | 79.6 |
| Rec. EBITDA | 8.5 | 9.0 | 9.2 | 9.5 |
| % growth | 31.8 | 5.9 | 2.9 | 3.0 |
| % Rec. EBITDA/Rev. | 11.7 | 12.0 | 11.9 | 11.9 |
| % Inc. EBITDA sector ⁽³⁾ | 7.0 | 0.8 | 6.5 | 6.0 |
| Net Profit | 7.9 | 6.8 | 7.0 | 7.0 |
| EPS (EUR) | 0.64 | 0.55 | 0.56 | 0.56 |
| % growth | n.a. | -14.4 | 2.5 | -0.1 |
| Ord. EPS (EUR) | 0.54 | 0.55 | 0.56 | 0.56 |
| % growth | 52.8 | 1.8 | 2.5 | -0.1 |
| Rec. Free Cash Flow ⁽⁴⁾ | 6.2 | 5.3 | 6.0 | 6.0 |
| Pay-out (%) | 23.4 | 30.0 | 30.0 | 30.0 |
| DPS (EUR) | 0.15 | 0.17 | 0.17 | 0.17 |
| Net financial debt | 1.5 | -6.0 | -10.0 | -13.9 |
| ND/Rec. EBITDA (x) | 0.2 | -0.7 | -1.1 | -1.5 |
| ROE (%) | 18.2 | 13.7 | 12.8 | 11.7 |
| ROCE (%) ⁽⁵⁾ | 15.6 | 15.3 | 15.1 | 14.7 |

Ratios & Multiples (x)

| | 2018 | 2019e | 2020e | 2021e |
|------------------------------|------|-------|-------|-------|
| P/E | 5.8 | 6.8 | 6.6 | 6.6 |
| Ord. P/E | 6.9 | 6.8 | 6.6 | 6.6 |
| P/BV | 1.0 | 0.9 | 0.8 | 0.7 |
| Dividend Yield (%) | 4.1 | 4.4 | 4.6 | 4.6 |
| EV/Sales | 0.58 | 0.56 | 0.54 | 0.53 |
| EV/Rec. EBITDA | 5.0 | 4.7 | 4.6 | 4.4 |
| FCF Yield (%) ⁽³⁾ | 13.4 | 11.7 | 13.2 | 13.1 |

Relative performance -5y (Base 100)


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

- 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).
- Total volume traded in the share (Mn EUR) -12m vs Mkt Cap. Represents the % of the capitalisation traded -12m.
- Expected EBITDA growth (consensus) for the share's benchmark sector (Thomson Reuters Europe Industrial Machinery and Equipment).
- Based on recurrent FCF. Please refer to Appendix 2.
- Calculated with a theoretical tax rate. Please refer to Appendix 2.
- vs Thomson Reuters Europe Industrial Machinery and Equipment.

Stock performance (%)

| | -1m | -3m | -12m | YTD | -3Y | -5Y |
|------------------------------------|------|-------|-------|------|-------|-------|
| Absolute | -4.4 | -13.3 | -11.0 | 14.5 | 162.0 | 148.0 |
| vs Ibex 35 | -2.5 | -9.9 | -4.4 | 10.9 | 158.2 | 201.9 |
| vs Ibex Small Cap Index | -2.7 | -8.8 | 9.2 | 10.1 | 97.7 | 101.0 |
| vs Eurostoxx 50 | -3.4 | -16.0 | -10.9 | 0.3 | 131.7 | 129.6 |
| vs Sector benchmark ⁽⁶⁾ | -1.0 | -11.7 | 2.9 | 4.0 | 136.3 | 107.6 |

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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

| EUR Mn | 1H19 | 1H18 | 1H19 vs 1H18 | 2019e | 2019e vs 2018 | 2Q19 | 2Q19 vs 2Q18 |
|---------------------------|--------------|-------------|-----------------|--------------|------------------|--------------|-----------------|
| Total Revenues | 38.0 | 32.6 | 16.4% | 75.0 | 4.0% | 19.9 | 18.2 |
| Rec. EBITDA | 4.9 | 2.7 | 80.5% | 9.0 | 5.9% | 2.5 | 1.9 |
| <i>Rec. EBITDA / Rev.</i> | <i>12.8%</i> | <i>8.3%</i> | <i>4.6 p.p.</i> | <i>12.0%</i> | <i>0,2 p.p.</i> | <i>12.4%</i> | <i>10.4%</i> |
| EBITDA | 4.9 | 2.7 | 80.5% | 9.0 | 5.9% | 2.5 | 1.9 |
| <i>EBITDA / Rev.</i> | <i>12.8%</i> | <i>8.3%</i> | <i>4.6 p.p.</i> | <i>12.0%</i> | <i>0,2 p.p.</i> | <i>12.4%</i> | <i>10.4%</i> |
| PBT | 4.0 | 2.0 | 97.6% | 7.6 | 6.7% | 2.1 | 1.5 |
| Rec. FCF | 3.7 | 3.4 | 10.3% | 5.3 | -13.2% | | |
| <i>Rec. FCF Yield</i> | <i>n.a.</i> | <i>n.a.</i> | <i>n.a.</i> | <i>11.7%</i> | <i>-1.8 p.p.</i> | | |
| Net Debt | -4.8 | 4.8 | n.a. | -6.0 | n.a. | | |
| ND / EBITDA | n.a. | n.a. | n.a. | -0,7 x | -0,9 x | | |

(1) Rec. EBITDA and EBITDA exclude capitalized expense (EUR 0.1Mn in 1H19 and 1H18).

Valuation inputs

Inputs for the DCF Valuation Approach

| | 2019e | 2020e | 2021e | Terminal Value ⁽¹⁾ | | |
|--------------------------------|--------|---|-------|-------------------------------|-----------|------------|
| Free Cash Flow "To the Firm" | 9.5 | 6.1 | 6.1 | 82 | | |
| Market Cap | 45.8 | At the date of this report | | | | |
| Net financial debt | -4.8 | 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) | 20.0% | T (Normalised tax rate) | | | = | = |
| Net debt cost | 1.6% | $K_d = \text{Cost of Net Debt} * (1-T)$ | | | 1.6% | 2.0% |
| Risk free rate (rf) | 0.1% | 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 | 8.3% | $K_e = R_f + (R * B)$ | | | 7.8% | 10.5% |
| Equity / (Equity + Net Debt) | 100.0% | E (Market Cap as equity value) | | | = | = |
| Net Debt / (Equity + Net Debt) | 0.0% | D | | | = | = |
| WACC | 8.3% | $WACC = K_d * D + K_e * E$ | | | 7.8% | 10.5% |
| 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 | 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 |
|-------------------------|----------|----------|-------------|--------------|---------------|----------------|--------------|------------------|------------------|---------------|--------------|
| Atlas Copco | ATCOa.ST | 32,401.7 | 16.8 | 10.0% | 13.9 | 5.5% | 3.6 | 4.6% | 25.6% | 4.2% | 5.6% |
| Georg Fischer | FIN.S | 3,055.5 | 11.4 | -1.0% | 7.6 | 1.8% | 1.0 | 1.5% | 12.7% | 5.3% | 0.5% |
| Danieli | DANI.MI | 989.3 | 11.8 | n.a. | 0.5 | n.a. | 0.0 | n.a. | 9.3% | -1.2% | n.a. |
| Machine-tools | | | 13.3 | 4.5% | 7.3 | 3.7% | 1.5 | 3.0% | 15.9% | 2.8% | 3.0% |
| Fidia | FDA.MI | 19.4 | 9.5 | n.a. | 8.4 | n.a. | 0.6 | n.a. | 7.3% | 23.2% | n.a. |
| Starrag | STGN.S | 147.0 | 13.5 | 15.2% | 6.6 | 13.4% | 0.4 | 1.6% | 6.3% | 7.4% | 12.2% |
| Datron AG | DARG.DE | 39.8 | 8.2 | n.a. | 3.7 | n.a. | 0.5 | n.a. | 12.1% | 5.8% | n.a. |
| Milling machines | | | 10.4 | 15.2% | 6.2 | 13.4% | 0.5 | 1.6% | 8.6% | 12.1% | 12.2% |
| Nicolás Correa | NEA.MC | 45.8 | 6.8 | 1.2% | 4.69 | 3.0% | 0.56 | 3.0% | 12.0% | 9.3% | -19.8% |

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 | 12.9% | 10.0 | 4.2x |
| Central | 11.9% | 9.2 | 4.6x |
| Min | 10.9% | 8.5 | 5.0x |

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

| Rec. FCF EUR Mn | CAPEX/Sales 20e | | | Scenario | FCF/Yield 20e | | |
|-----------------|-----------------|------|------|----------|---------------|---------|-------|
| | 1.5% | 2.5% | 3.5% | | Max | Central | Min |
| EBITDA 20e | 10.0 | 9.2 | 8.5 | Max | 16.5% | 14.8% | 13.2% |
| | 7.6 | 6.8 | 6.0 | Central | 14.8% | 13.2% | 11.5% |
| | 6.8 | 6.0 | 5.3 | Min | 13.2% | 11.5% | 9.8% |
| | 6.0 | 5.3 | 4.5 | | | | |

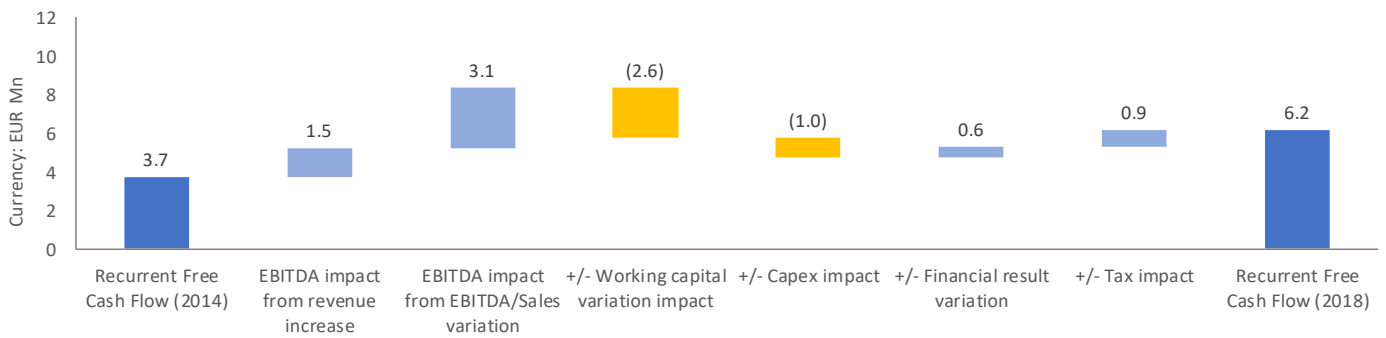
Appendix 1. Financial Statements

| Balance Sheet (EUR Mn) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019e | 2020e | 2021e | | |
|--|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|---------------|
| Intangible assets | 0.2 | 0.7 | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | | |
| Fixed assets | 22.8 | 22.4 | 17.0 | 16.7 | 12.7 | 13.8 | 14.4 | 15.1 | | |
| Other Non Current Assets | 10.4 | 10.4 | 9.8 | 9.6 | 10.5 | 10.5 | 10.5 | 10.5 | | |
| Financial Investments | 1.0 | 0.9 | 2.9 | 2.5 | 6.4 | 2.4 | 2.4 | 2.5 | | |
| Goodwill & Other Intangibles | 9.5 | 9.5 | 9.5 | 9.5 | 9.5 | 9.5 | 9.5 | 9.5 | | |
| Current assets | 32.5 | 28.8 | 28.2 | 30.6 | 36.2 | 37.6 | 38.7 | 39.8 | | |
| Total assets | 76.4 | 72.6 | 67.8 | 69.4 | 75.5 | 74.0 | 75.8 | 77.6 | | |
| Equity | 32.7 | 34.3 | 37.2 | 39.4 | 47.1 | 52.1 | 57.0 | 61.9 | | |
| Minority Interests | 3.4 | 3.4 | 0.7 | 0.7 | 0.8 | 0.9 | 1.1 | 1.2 | | |
| Provisions & Other L/T Liabilities | 2.7 | 2.7 | 2.1 | 2.1 | 2.3 | 2.3 | 2.3 | 2.3 | | |
| Net financial debt | 16.4 | 14.5 | 12.1 | 8.1 | 1.5 | (6.0) | (10.0) | (13.9) | | |
| Current Liabilities | 21.2 | 17.7 | 15.8 | 19.0 | 23.8 | 24.7 | 25.4 | 26.2 | | |
| Equity & Total Liabilities | 76.4 | 72.6 | 67.8 | 69.4 | 75.5 | 74.0 | 75.8 | 77.6 | | |
| CAGR | | | | | | | | | | |
| P&L (EUR Mn) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019e | 2020e | 2021e | 14-18 | 18-21e |
| Total Revenues | 56.5 | 56.2 | 60.5 | 59.2 | 72.1 | 75.0 | 77.3 | 79.6 | 6.3% | 3.3% |
| <i>Total Revenues growth</i> | 1.4% | -0.5% | 7.7% | -2.1% | 21.8% | 4.0% | 3.0% | 3.0% | | |
| COGS | (26.6) | (25.8) | (27.2) | (26.6) | (32.1) | (33.4) | (34.4) | (35.4) | | |
| Gross Margin | 29.9 | 30.4 | 33.3 | 32.6 | 40.1 | 41.7 | 42.9 | 44.2 | 7.5% | 3.3% |
| <i>Gross Margin/Revenues</i> | 53.0% | 54.1% | 55.0% | 55.1% | 55.5% | 55.5% | 55.5% | 55.5% | | |
| Personnel Expenses | (15.3) | (16.4) | (16.6) | (14.8) | (16.9) | (17.5) | (18.0) | (18.5) | | |
| Other Operating Expenses | (10.8) | (10.3) | (11.1) | (11.4) | (14.6) | (15.2) | (15.7) | (16.2) | | |
| Recurrent EBITDA | 3.8 | 3.7 | 5.6 | 6.4 | 8.5 | 9.0 | 9.2 | 9.5 | 22.0% | 3.9% |
| <i>Recurrent EBITDA growth</i> | 181.4% | -2.6% | 49.3% | 15.8% | 31.8% | 5.9% | 2.9% | 3.0% | | |
| <i>Rec. EBITDA/Revenues</i> | 6.8% | 6.6% | 9.2% | 10.9% | 11.7% | 12.0% | 11.9% | 11.9% | | |
| Restructuring Expenses | - | - | - | (2.1) | - | - | - | - | | |
| Other non-recurrent Income / Costs | - | - | - | - | - | - | - | - | | |
| EBITDA | 3.8 | 3.7 | 5.6 | 4.3 | 8.5 | 9.0 | 9.2 | 9.5 | 22.0% | 3.9% |
| <i>EBITDA growth</i> | 181.4% | -2.6% | 49.3% | -22.1% | 95.7% | 5.9% | 2.9% | 3.0% | | |
| <i>EBITDA/Sales</i> | 6.8% | 6.6% | 9.2% | 7.3% | 11.7% | 12.0% | 11.9% | 11.9% | | |
| Depreciation & Provisions | (1.6) | (1.7) | (2.2) | (1.4) | (1.3) | (1.2) | (1.3) | (1.3) | | |
| Capitalized Expense | 0.1 | 0.3 | 0.0 | - | 0.1 | - | - | - | | |
| EBIT | 2.4 | 2.3 | 3.4 | 3.0 | 7.3 | 7.8 | 7.9 | 8.2 | 32.1% | 4.0% |
| <i>EBIT growth</i> | 162.2% | -4.6% | 48.4% | -11.9% | 143.9% | 6.9% | 2.4% | 2.8% | | |
| <i>EBIT/Revenues</i> | 4.2% | 4.1% | 5.6% | 5.0% | 10.1% | 10.3% | 10.3% | 10.3% | | |
| Impact of Goodwill & Others | - | - | - | - | - | - | - | - | | |
| Net Financial Result | (1.1) | (0.9) | (0.6) | (0.3) | (0.5) | (0.2) | (0.1) | (0.1) | | |
| Income by the Equity Method | 0.0 | (0.1) | 0.0 | (0.3) | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Ordinary Profit | 1.3 | 1.3 | 2.7 | 2.4 | 6.8 | 7.6 | 7.9 | 8.1 | 50.4% | 6.2% |
| <i>Ordinary Profit Growth</i> | n.a. | 1.6% | 103.9% | -13.6% | 186.2% | 12.5% | 3.1% | 3.3% | | |
| Extraordinary Results | - | - | 1.9 | - | 0.4 | - | - | - | | |
| Profit Before Tax | 1.3 | 1.3 | 4.7 | 2.4 | 7.2 | 7.6 | 7.9 | 8.1 | 52.5% | 4.3% |
| Tax Expense | 0.0 | (0.2) | 0.1 | (0.0) | 0.9 | (0.7) | (0.8) | (1.0) | | |
| <i>Effective Tax Rate</i> | n.a. | 12.3% | n.a. | 0.2% | n.a. | 9.3% | 9.8% | 12.7% | | |
| Minority Interests | 0.0 | 0.2 | (0.6) | (0.1) | (0.2) | (0.2) | (0.2) | (0.2) | | |
| Discontinued Activities | - | - | - | - | - | - | - | - | | |
| Net Profit | 1.4 | 1.4 | 4.1 | 2.2 | 7.9 | 6.8 | 7.0 | 7.0 | 55.3% | -4.1% |
| <i>Net Profit growth</i> | n.a. | 0.2% | 203.0% | -45.6% | 251.8% | -13.8% | 2.5% | -0.1% | | |
| Ordinary Net Profit | 1.3 | 1.4 | 2.1 | 4.3 | 6.6 | 6.8 | 7.0 | 7.0 | 48.9% | 1.6% |
| <i>Ordinary Net Profit growth</i> | n.a. | 0.7% | 56.3% | 104.4% | 52.8% | 2.5% | 2.5% | -0.1% | | |
| CAGR | | | | | | | | | | |
| Cash Flow (EUR Mn) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019e | 2020e | 2021e | 14-18 | 18-21e |
| Recurrent EBITDA | | | | | | 9.0 | 9.2 | 9.5 | 22.0% | 3.9% |
| Working Capital Increase | | | | | | (0.5) | (0.4) | (0.4) | | |
| Recurrent Operating Cash Flow | | | | | | 8.5 | 8.8 | 9.1 | 8.1% | 5.6% |
| CAPEX | | | | | | (2.3) | (1.9) | (2.0) | | |
| Net Financial Result affecting the Cash Flow | | | | | | (0.2) | (0.1) | (0.1) | | |
| Tax Expense | | | | | | (0.7) | (0.8) | (1.0) | | |
| Recurrent Free Cash Flow | | | | | | 5.3 | 6.0 | 6.0 | 13.7% | -0.8% |
| Restructuring Expense & Others | | | | | | - | - | - | | |
| - Acquisitions / + Divestures of assets | | | | | | - | - | - | | |
| Extraordinary Inc./Exp. Affecting Cash Flow | | | | | | 4.0 | - | - | | |
| Free Cash Flow | | | | | | 9.3 | 6.0 | 6.0 | 11.4% | -7.2% |
| Capital Increase | | | | | | - | - | - | | |
| Dividends | | | | | | (1.8) | (2.0) | (2.1) | | |
| Net Debt Variation | | | | | | (7.5) | (4.0) | (3.9) | | |

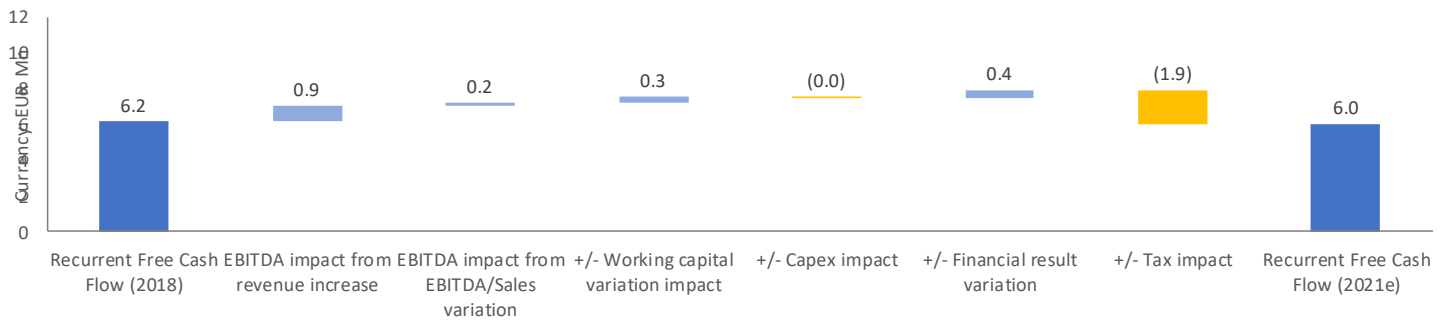
Appendix 2. Free Cash Flow

| A) Cash Flow Analysis (EUR Mn) | 2015 | 2016 | 2017 | 2018 | 2019e | 2020e | 2021e | CAGR | |
|---|--------------|------------|------------|------------|--------------|------------|--------------|--------------|--------------|
| | | | | | | | | 15-18 | 18-21e |
| Recurrent EBITDA | 3.7 | 5.6 | 6.4 | 8.5 | 9.0 | 9.2 | 9.5 | 31.6% | 3.9% |
| <i>Recurrent EBITDA growth</i> | -2.6% | 49.3% | 15.8% | 31.8% | 5.9% | 2.9% | 3.0% | | |
| <i>Rec. EBITDA/Revenues</i> | 6.6% | 9.2% | 10.9% | 11.7% | 12.0% | 11.9% | 11.9% | | |
| +/- Working Capital increase | 0.2 | -1.3 | 0.8 | (0.7) | (0.5) | (0.4) | (0.4) | | |
| = Recurrent Operating Cash Flow | 3.9 | 4.3 | 7.2 | 7.7 | 8.5 | 8.8 | 9.1 | 25.3% | 5.6% |
| <i>Rec. Operating Cash Flow growth</i> | -30.6% | 9.0% | 67.8% | 7.4% | 9.5% | 4.4% | 3.0% | | |
| <i>Rec. Operating Cash Flow / Sales</i> | 7.0% | 7.1% | 12.1% | 10.7% | 11.3% | 11.4% | 11.4% | | |
| - CAPEX | (1.5) | (0.9) | (1.0) | (1.9) | (2.3) | (1.9) | (2.0) | | |
| - Net Financial Result affecting Cash Flow | (0.9) | (0.6) | (0.3) | (0.5) | (0.2) | (0.1) | (0.1) | | |
| - Taxes | (0.2) | 0.1 | (0.0) | 0.9 | (0.7) | (0.8) | (1.0) | | |
| = Recurrent Free Cash Flow | 1.4 | 2.8 | 5.8 | 6.2 | 5.3 | 6.0 | 6.0 | 63.2% | -0.8% |
| <i>Rec. Free Cash Flow growth</i> | -61.6% | 97.3% | 108.4% | 5.7% | -13.2% | 12.8% | -0.3% | | |
| <i>Rec. Free Cash Flow / Revenues</i> | 2.5% | 4.6% | 9.8% | 8.5% | 7.1% | 7.8% | 7.6% | | |
| - Restructuring expenses & others | 0.1 | (0.1) | 0.0 | - | - | - | - | | |
| - Acquisitions / + Divestments | 0.9 | 0.2 | 1.2 | - | - | - | - | | |
| +/- Extraordinary Inc./Exp. affecting Cash Flow | - | - | (2.1) | 1.4 | 4.0 | - | - | | |
| = Free Cash Flow | 2.4 | 2.9 | 5.0 | 7.5 | 9.3 | 6.0 | 6.0 | 47.1% | -7.2% |
| <i>Free Cash Flow growth</i> | -51.7% | 23.8% | 71.4% | 50.1% | 24.1% | -35.5% | -0.3% | | |
| <i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i> | 3.1% | 6.1% | 12.7% | 13.4% | 11.7% | 13.2% | 13.1% | | |
| <i>Free Cash Flow Yield (s/Mkt Cap)</i> | 5.2% | 6.4% | 10.9% | 16.4% | 20.4% | 13.2% | 13.1% | | |
| B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn) | | | | | | | | | |
| | 2015 | 2016 | 2017 | 2018 | 2019e | 2020e | 2021e | | |
| Recurrent FCF(FY - 1) | 3.7 | 1.4 | 2.8 | 5.8 | 6.2 | 5.3 | 6.0 | | |
| EBITDA impact from revenue increase | (0.0) | 0.3 | (0.1) | 1.4 | 0.3 | 0.3 | 0.3 | | |
| EBITDA impact from EBITDA/Sales variation | (0.1) | 1.5 | 1.0 | 0.6 | 0.2 | (0.0) | (0.0) | | |
| = Recurrent EBITDA variation | (0.1) | 1.8 | 0.9 | 2.0 | 0.5 | 0.3 | 0.3 | | |
| +/- Working capital variation impact | (1.6) | (1.5) | 2.0 | (1.5) | 0.2 | 0.1 | (0.0) | | |
| = Recurrent Operating Cash Flow variation | (1.7) | 0.4 | 2.9 | 0.5 | 0.7 | 0.4 | 0.3 | | |
| +/- CAPEX impact | (0.6) | 0.6 | (0.1) | (0.9) | (0.3) | 0.3 | (0.1) | | |
| +/- Financial result variation | 0.2 | 0.2 | 0.3 | (0.2) | 0.3 | 0.0 | 0.0 | | |
| +/- Tax impact | (0.2) | 0.3 | (0.1) | 0.9 | (1.6) | (0.1) | (0.3) | | |
| = Recurrent Free Cash Flow variation | (2.3) | 1.4 | 3.0 | 0.3 | (0.8) | 0.7 | (0.0) | | |
| Recurrent Free Cash Flow | 1.4 | 2.8 | 5.8 | 6.2 | 5.3 | 6.0 | 6.0 | | |
| C) "FCF to the Firm" (pre debt service) (EUR Mn) | | | | | | | | | |
| | 2015 | 2016 | 2017 | 2018 | 2019e | 2020e | 2021e | CAGR | |
| EBIT | 2.3 | 3.4 | 3.0 | 7.3 | 7.8 | 7.9 | 8.2 | 47.2% | 4.0% |
| * Theoretical tax rate | 12.3% | 0.0% | 0.2% | 0.0% | 9.3% | 9.8% | 12.7% | | |
| = Taxes (pre- Net Financial Result) | (0.3) | - | (0.0) | - | (0.7) | (0.8) | (1.0) | | |
| Recurrent EBITDA | 3.7 | 5.6 | 6.4 | 8.5 | 9.0 | 9.2 | 9.5 | 31.6% | 3.9% |
| +/- Working Capital increase | 0.2 | (1.3) | 0.8 | (0.7) | (0.5) | (0.4) | (0.4) | | |
| = Recurrent Operating Cash Flow | 3.9 | 4.3 | 7.2 | 7.7 | 8.5 | 8.8 | 9.1 | 25.3% | 5.6% |
| - CAPEX | (1.5) | (0.9) | (1.0) | (1.9) | (2.3) | (1.9) | (2.0) | | |
| - Taxes (pre- Financial Result) | (0.3) | - | (0.0) | - | (0.7) | (0.8) | (1.0) | | |
| = Recurrent Free Cash Flow (To the Firm) | 2.2 | 3.4 | 6.1 | 5.8 | 5.5 | 6.1 | 6.1 | 38.8% | 1.6% |
| <i>Rec. Free Cash Flow (To the Firm) growth</i> | -54.4% | 54.9% | 83.5% | -5.9% | -5.1% | 11.6% | -0.9% | | |
| <i>Rec. Free Cash Flow (To the Firm) / Revenues</i> | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | | |
| - Acquisitions / + Divestments | 0.9 | 0.2 | 1.2 | - | - | - | - | | |
| +/- Extraordinary Inc./Exp. affecting Cash Flow | - | - | (2.1) | 1.4 | 4.0 | - | - | | |
| = Free Cash Flow "To the Firm" | 3.1 | 3.6 | 5.3 | 7.1 | 9.5 | 6.1 | 6.1 | 32.8% | -5.3% |
| <i>Free Cash Flow (To the Firm) growth</i> | -43.8% | 17.4% | 47.4% | 35.2% | 32.7% | -35.4% | -0.9% | | |
| <i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i> | 5.1% | 8.0% | 14.6% | 13.7% | 13.0% | 14.5% | 14.4% | | |
| <i>Free Cash Flow "To the Firm" - Yield (o/EV)</i> | 7.3% | 8.5% | 12.6% | 17.0% | 22.5% | 14.5% | 14.4% | | |

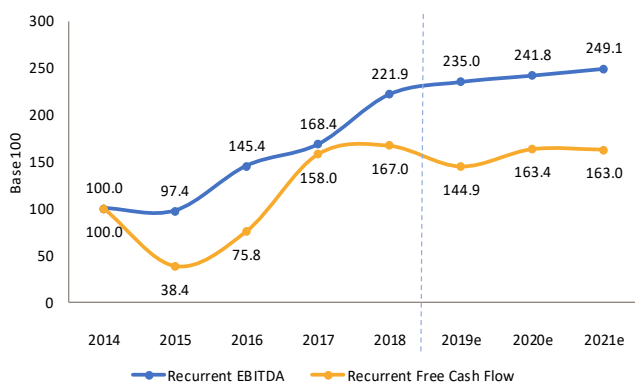
Recurrent Free Cash Flow accumulated variation analysis (2014 - 2018)



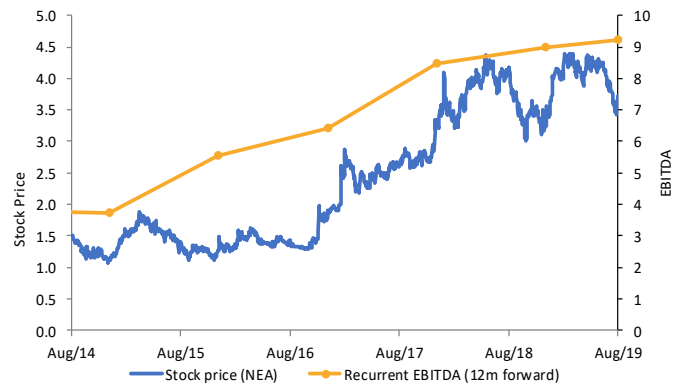
Recurrent Free Cash Flow accumulated variation analysis (2018 - 2021e)



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 | 116.0 | 58.0 | 34.0 | 63.9 | 31.7 | 54.7 | 56.5 | 56.2 | 60.5 | 59.2 | 72.1 | 75.0 | 77.3 | 79.6 | -4.6% | 3.3% |
| Total Revenues growth | 26.9% | -50.0% | -41.3% | 87.9% | -50.4% | 72.7% | 3.2% | -0.5% | 7.7% | -2.1% | 21.8% | 4.0% | 3.0% | 3.0% | | |
| EBITDA | 6.4 | (2.6) | (5.4) | 4.1 | (3.8) | 2.4 | 3.8 | 3.7 | 5.6 | 4.3 | 8.5 | 9.0 | 9.2 | 9.5 | 2.9% | 3.9% |
| EBITDA growth | 26.9% | n.a. | 106.0% | n.a. | n.a. | n.a. | 56.5% | -2.6% | 49.3% | -22.1% | 95.7% | 5.9% | 2.9% | 3.0% | | |
| EBITDA/Sales | 5.5% | n.a. | n.a. | 6.4% | n.a. | 4.5% | 6.8% | 6.6% | 9.2% | 7.3% | 11.7% | 12.0% | 11.9% | 11.9% | | |
| Net Profit | 4.4 | (5.1) | (8.6) | 0.7 | (7.1) | (0.3) | 1.4 | 1.4 | 4.1 | 2.2 | 7.9 | 6.8 | 7.0 | 7.0 | 6.1% | -4.1% |
| Net Profit growth | 1.2% | n.a. | 68.1% | n.a. | n.a. | -95.7% | n.a. | 0.2% | 203.0% | -45.6% | 251.8% | -13.8% | 2.5% | -0.1% | | |
| Adjusted number shares (Mn) | 12.5 | 12.5 | 12.4 | 12.3 | 12.2 | 12.2 | 12.2 | 12.2 | 12.2 | 12.2 | 12.2 | 12.3 | 12.3 | 12.3 | | |
| EPS (EUR) | 0.35 | n.a. | n.a. | 0.06 | n.a. | n.a. | 0.11 | 0.11 | 0.34 | 0.18 | 0.64 | 0.55 | 0.56 | 0.56 | | |
| EPS growth | 1.9% | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.2% | n.a. | -45.6% | n.a. | -14.4% | 2.5% | -0.1% | | |
| Ord. EPS (EUR) | 0.33 | n.a. | n.a. | 0.04 | n.a. | n.a. | 0.11 | 0.11 | 0.17 | 0.35 | 0.54 | 0.55 | 0.56 | 0.56 | | |
| Ord. EPS growth | -2.1% | n.a. | n.a. | n.a. | n.a. | n.a. | 0.7% | 56.3% | n.a. | 52.8% | 1.8% | 2.5% | -0.1% | | | |
| CAPEX | 4.8 | 2.7 | 0.7 | 1.9 | 0.4 | 1.7 | (0.9) | (1.5) | (0.9) | (1.0) | (1.9) | (2.3) | (1.9) | (2.0) | | |
| CAPEX/Sales % | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1.6% | 2.6% | 1.5% | 1.7% | 2.7% | 3.0% | 2.5% | 2.5% | | |
| Free Cash Flow | (6.5) | (8.5) | (0.3) | (4.5) | (1.6) | 0.3 | 4.9 | 2.4 | 2.9 | 5.0 | 7.5 | 9.3 | 6.0 | 6.0 | n.a. | -7.2% |
| ND/EBITDA (x) ⁽²⁾ | 0.7x | n.a. | n.a. | 3.6x | n.a. | 5.3x | 4.3x | 3.9x | 2.2x | 1.9x | 0.2x | -0.7x | -1.1x | -1.5x | | |
| P/E (x) | 8.4x | n.a. | n.a. | 18.5x | n.a. | n.a. | 9.9x | 11.5x | 5.2x | 17.5x | 5.1x | 6.8x | 6.6x | 6.6x | | |
| EV/Sales (x) | 0.4x | 0.7x | 0.9x | 0.5x | 0.9x | 0.6x | 0.5x | 0.5x | 0.8x | 0.5x | 0.5x | 0.6x | 0.5x | 0.5x | | |
| EV/EBITDA (x) ⁽²⁾ | 6.8x | n.a. | n.a. | 7.6x | n.a. | 13.1x | 6.8x | 7.1x | 5.6x | 10.4x | 4.6x | 4.7x | 4.6x | 4.4x | | |
| Absolute performance | -41.6% | -22.0% | -35.7% | -30.1% | -32.4% | 85.0% | -15.8% | 17.0% | 36.9% | 83.1% | 1.7% | 14.5% | | | | |
| Relative performance vs Ibx 35 | -3.6% | -40.0% | -22.1% | -19.5% | -29.1% | 52.4% | -18.8% | 26.0% | 39.7% | 70.5% | 19.6% | 10.9% | | | | |

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 | | Atlas Copco | Georg Fischer | Danieli | Average | Starrag | Fidia | Datron AG | Tornos Holding | Nicolás Correa |
|-----------------------------|-------------------------|-------------|---------------|---------|----------|-------------|--------|-----------|----------------|----------------|
| Market data | Ticker (Reuters) | ATCOa.ST | FIN.S | DANI.MI | | STGN.S | FDA.MI | DARG.DE | TOHN.S | NEA.MC |
| | Country | Sweden | Switzerland | Italy | | Switzerland | Italy | Germany | Switzerland | Spain |
| | Market cap | 32,401.7 | 3,055.5 | 989.3 | 12,148.8 | 147.0 | 19.4 | 39.8 | 124.3 | 45.8 |
| | Enterprise value (EV) | 32,977.5 | 3,472.9 | 118.4 | 12,189.6 | 149.7 | 35.5 | 29.9 | 92.0 | 42.1 |
| Basic financial information | Total Revenues | 9,227.8 | 3,593.8 | 2,653.8 | 5,158.5 | 364.0 | 58.0 | 66.0 | 201.9 | 75.0 |
| | Total Revenues growth | -1.8% | -11.5% | 5.1% | -2.7% | 5.4% | 0.4% | 10.0% | 5.8% | 4.0% |
| | 2y CAGR (2019e - 2021e) | 4.6% | 1.5% | n.a. | 3.0% | 1.6% | n.a. | n.a. | -2.0% | 3.0% |
| | EBITDA | 2,364.3 | 457.9 | 246.4 | 1,022.9 | 22.8 | 4.2 | 8.0 | 17.0 | 9.0 |
| | EBITDA growth | -1.4% | -3.3% | 10.1% | 1.8% | 15.8% | 467.6% | 14.3% | -0.6% | 5.9% |
| | 2y CAGR (2019e - 2021e) | 5.5% | 1.8% | n.a. | 3.7% | 13.4% | n.a. | n.a. | -1.6% | 3.0% |
| | EBITDA/Revenues | 25.6% | 12.7% | 9.3% | 15.9% | 6.3% | 7.3% | 12.1% | 8.4% | 12.0% |
| | Net Profit | 1,478.7 | 247.3 | 107.6 | 611.2 | 9.4 | 1.8 | n.a. | 12.2 | 6.8 |
| | Net Profit growth | -8.1% | -0.2% | 85.6% | 25.7% | 26.5% | n.a. | n.a. | -10.3% | -13.8% |
| | 2y CAGR (2019e - 2021e) | 7.6% | 1.3% | n.a. | 4.5% | 17.4% | n.a. | n.a. | -8.6% | 1.2% |
| | Capex | 271 | 189.9 | 81.7 | 180.8 | 6.4 | 0.9 | n.a. | 8.3 | -2.3 |
| | CAPEX/Sales % | 2.9% | 5.3% | 3.1% | 3.8% | 1.8% | 1.6% | n.a. | 4.1% | -3.0% |
| | Free Cash Flow | 1,519.0 | 219.4 | 161.1 | 633.1 | 10.0 | 2.2 | 8.9 | 15.0 | 9.3 |
| Net financial debt | 666.7 | 155.6 | (942.1) | (39.9) | n.a. | 6.9 | (8.9) | (33.6) | (6.0) | |
| ND/EBITDA (x) | 0.3 | 0.3 | (3.8) | (1.1) | n.a. | 1.6 | (1.1) | (2.0) | (0.7) | |
| Outstanding Shares | 1,215.3 | 4.1 | 74.4 | n.a. | 3.4 | 5.1 | 4.0 | 19.5 | 12.3 | |
| Pay-out | 51.8% | 35.2% | 11.5% | 32.8% | 31.4% | 42.3% | n.a. | 42.4% | 30.0% | |
| Multiples and Ratios | P/E (x) | 16.8 | 11.4 | 11.8 | 13.3 | 13.5 | 9.5 | 8.2 | 8.6 | 6.8 |
| | P/BV (x) | 7.5 | 2.2 | 0.6 | 3.4 | 0.9 | 1.5 | 1.2 | 1.2 | 0.9 |
| | EV/Revenues (x) | 3.6 | 1.0 | 0.0 | 1.5 | 0.4 | 0.6 | 0.5 | 0.5 | 0.6 |
| | EV/EBITDA (x) | 13.9 | 7.6 | 0.5 | 7.3 | 6.6 | 8.4 | 3.7 | 5.4 | 4.7 |
| | ROE | 36.3 | 14.4 | 3.7 | 18.1 | 2.2 | 12.1 | n.a. | 14.0 | 13.7 |
| | FCF Yield (%) | 4.2 | 5.3 | (1.2) | 2.8 | 7.4 | 23.2 | 5.8 | 5.2 | 11.7 |
| | DPS | 0.6 | 21.3 | 0.2 | 7.4 | 0.9 | 0.2 | 0.3 | 0.3 | 0.2 |
| | Price Close | 27.2 | 745.1 | 14.8 | | 43.6 | 3.8 | 10.0 | 6.3 | 3.7 |
| Dvd Yield | 2.3% | 2.9% | 1.1% | 2.1% | 2.0% | 4.0% | 3.0% | 4.2% | 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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| Date of report | Recommendation | Price (EUR) | Target price (EUR) | Period of validity | Reason for report | Analyst |
|----------------|----------------|-------------|--------------------|--------------------|---------------------|---------------------|
| 02-Sep-2019 | n.a. | 3.72 | n.a. | n.a. | 6m Results 2019 | David López Sánchez |
| 16-May-2019 | n.a. | 4.17 | n.a. | n.a. | 3m Results 2019 | David López Sánchez |
| 11-Apr-2019 | n.a. | 4.18 | n.a. | n.a. | Review of estimates | David López Sánchez |
| 01-Mar-2019 | n.a. | 3.99 | n.a. | n.a. | 12m Results 2018 | David López Sánchez |
| 17-Jan-2019 | n.a. | 3.59 | n.a. | n.a. | Initial Coverage | David López Sánchez |