

9m 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.

Market Data

Market Cap (Mn EUR and USD)	54.8	60.6
EV (Mn EUR and USD) ⁽²⁾	54.5	60.2
Shares Outstanding (Mn)	12.3	
-12m (Max/Med/Mín EUR)	4.45 / 3.96 / 3.10	
Daily Avg volume (-12m Mn EUR)	0.06	
Rotation ⁽³⁾	30.18	
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 ⁽⁴⁾	9.7	2.9	9.0	8.4
Net Profit	7.9	6.8	7.0	7.0
EPS (EUR)	0.64	0.55	0.56	0.56
% growth	251.8	-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 ⁽⁵⁾	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 (%) ⁽⁶⁾	15.6	15.3	15.1	14.7

Ratios & Multiples (x)

P/E	6.9	8.1	7.9	7.9
Ord. P/E	8.2	8.1	7.9	7.9
P/BV	1.2	1.1	1.0	0.9
Dividend Yield (%)	3.4	3.7	3.8	3.8
EV/Sales	0.76	0.73	0.70	0.68
EV/Rec. EBITDA	6.4	6.1	5.9	5.7
FCF Yield (%) ⁽⁷⁾	11.2	9.8	11.0	11.0

(* 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) Please refer to Appendix 3.

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

(4) Expected EBITDA growth (consensus) for the share's benchmark sector (Thomson Reuters Europe Industrial Machinery and Equipment).

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

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

(7) vs Thomson Reuters Europe Industrial Machinery and Equipment.

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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.

No change: 9m19 results still good

REVENUE GROWTH: +12.0% (EUR 53.7MN VS EUR 47.9MN 9M18), confirming the good trend of orderly growth begun in 2018, and which, if 4Q18 revenues were repeated, would result in 12m sales of c. 75Mn (in line).

WITH A SIGNIFICANT IMPROVEMENT IN THE EBITDA MARGIN (12.7%; +2.3P.P. VS 9M18), boosting 9m19 EBITDA to EUR 6.8Mn (+37.2% vs 9m18) despite the current macro context with a cyclical deceleration of the markets to which NEA is most sensitive (Europe and China). We value very positively the focus on profitability, with sustained margins of over 12% throughout 9m19 (higher than the sector average and +0.7p.p. vs our 2019 estimate).

EBITDA GROWTH FEEDS THROUGH TO PBT (+43.7% VS 9M18). There are no surprises below the EBITDA line; a small impact of amortisation and depreciation and a zero impact of financial expenses enable growth in EBITDA to trickle down to very similar growth in terms of PBT (PBT margin 10.1%; in line with our estimates).

WITH AN ORDER BOOK OF EUR 32.9MN (VS 46.7MN 9M18), impacted by two factors: (i) an unusual number of new orders in 1H18 (well above the average for 2H18) and (ii) a certain delay in customers' decision-taking. However, in 4Q19 NEA expects to recover the order book level of the 2018 close (EUR 34.4Mn; c. 45% over 2020e estimated revenues). This enables a certain optimism to be maintained regarding the volume of revenues estimated for 2020.

AND MAINTAINING A SOUND FINANCIAL STRUCTURE: (NET CASH: EUR 1.5MN). NEA's solid balance sheet is especially interesting in the current context, guaranteeing both financial stability and the flexibility to continue to achieve sustained growth. In these circumstances, NEA is reasonably protected against a (theoretically) adverse cycle.

IN CONCLUSION: NEA confirms its good fundamentals with results that underline both the improvement in its operating efficiency and the strength of its balance sheet. We maintain our estimates in the light of results that are in line in terms of revenues and PBGT; although with an EBITDA margin +0.7p.p. higher than estimated, which should lead to EBITDA of at least EUR 9.0Mn in Dec.19 (FCF yield > 10%).

Relative performance -5y (Base 100)



Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	8.0	23.6	22.3	36.9	205.8	270.8
vs Ibex 35	9.1	13.7	19.8	26.3	186.9	306.3
vs Ibex Small Cap Index	8.9	15.5	20.5	27.4	113.4	144.1
vs Eurostoxx 50	4.7	9.3	5.1	10.7	151.3	205.7
vs Sector benchmark ⁽⁷⁾	-4.9	-3.6	-0.4	4.2	130.9	151.3

9m19 Results

EUR Mn	9m19	9m18	9m19 vs 9m18	2019e 2019e	2019e vs 2018	3Q19	3Q19 vs 3Q18
Total Revenues	53.7	47.9	12.0%	75.0	4.0%	15.7	2.5%
Recurrent EBITDA	6.8	5.0	37.2%	9.0	5.9%	1.9	-14.7%
<i>Rec. EBITDA/Revenues</i>	<i>12.7%</i>	<i>10.3%</i>	<i>2.3 p.p.</i>	<i>12.0%</i>	<i>0.2 p.p.</i>	<i>12.3%</i>	<i>-2.5 p.p.</i>
EBITDA	6.8	5.0	37.2%	9.0	5.9%	1.9	-14.7%
<i>EBITDA/Revenues</i>	<i>12.7%</i>	<i>10.3%</i>	<i>2.3 p.p.</i>	<i>12.0%</i>	<i>0.2 p.p.</i>	<i>12.3%</i>	<i>-2.5 p.p.</i>
PBT	5.4	3.8	43.7%	7.6	6.7%	1.4	-19.0%
Net Debt	-1.4	n.a.	n.a.	-6.0	n.a.	n.a.	n.a.
ND / EBITDA	n.a.	n.a.	n.a.	-0.7 x	-0.8 x	n.a.	n.a.

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	74		
Market Cap	54.8	At the date of this report				
Net financial debt	-1.4	Debt net of Cash (9m Results)				
					Best Case	Worst Case
Cost of Debt	2.4%	Net debt cost			2.0%	2.8%
Effective tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	1.9%	Kd = Cost of Net Debt * (1-T)			1.6%	2.2%
Risk free rate (rf)	0.5%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	7.0%	R (own estimate)			6.5%	7.5%
Beta (B)	1.3	B (Thomson Reuters)			1.2	1.4
Cost of Equity	9.6%	Ke = Rf + (R * B)			8.3%	11.0%
Equity / (Equity + Net Debt)	100.0%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	0.0%	D			=	=
WACC	9.6%	WACC = Kd * D + Ke * E			8.3%	11.0%
G "Reasonable"	2.0%				2.5%	1.5%

(1) Terminal value calculated on the recurrent Free Cash Flow "to the Firm" of the last estimated year using the normalised tax rate (T) indicated in the upper table.

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	40,148.9	26.1	6.2%	16.5	4.7%	4.2	4.2%	25.7%	3.4%	13.5%
Georg Fischer	FIN.S	3,622.4	18.8	13.3%	11.2	13.4%	1.2	2.6%	10.5%	4.0%	22.6%
Danieli	DANI.MI	1,060.4	17.9	29.1%	2.2	9.0%	0.2	9.8%	8.6%	7.8%	20.9%
Machine-tools			20.9	16.2%	10.0	9.0%	1.9	5.5%	14.9%	5.1%	19.0%
Fidia	FDA.MI	21.2	n.a.	n.a.	n.a.	n.a.	0.7	n.a.	0.2%	-0.5%	n.a.
Starrag	STGN.S	141.9	38.8	88.5%	10.7	47.0%	0.4	3.2%	3.8%	7.6%	7.8%
Datron AG	DARG.DE	40.7	11.0	n.a.	4.8	n.a.	0.6	n.a.	12.2%	5.7%	n.a.
Milling machines			24.9	88.5%	7.7	47.0%	0.6	3.2%	5.4%	4.3%	7.8%
NEA	NEA.MC	54.8	8.1	1.2%	6.07	3.0%	0.73	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	5.4x
Central	11.9%	9.2	5.9x
Min	10.9%	8.5	6.4x

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	7.6	6.8	6.0	Max	13.8%	12.4%	11.0%
9.2	6.8	6.0	5.3	Central	12.4%	11.0%	9.6%
8.5	6.0	5.3	4.5	Min	11.0%	9.6%	8.2%

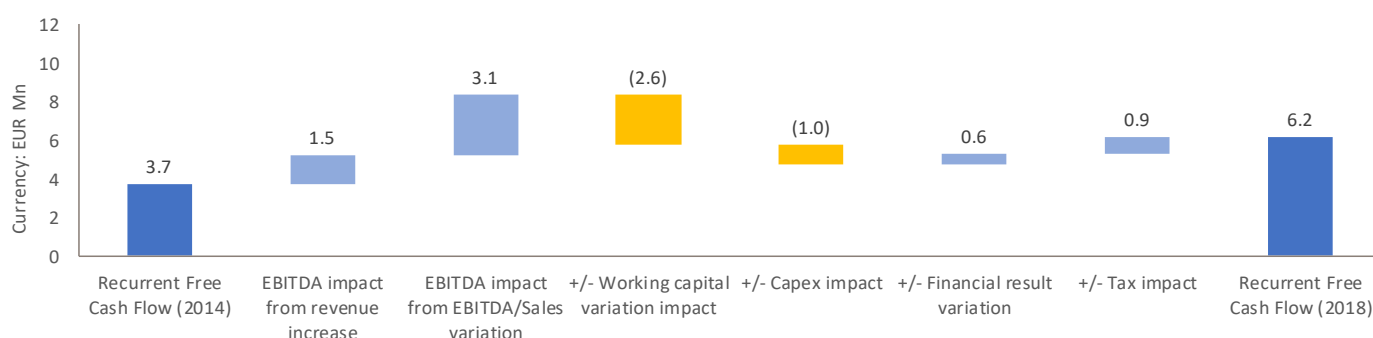
Appendix 1. Financial Projections

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>	591.5%	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)		

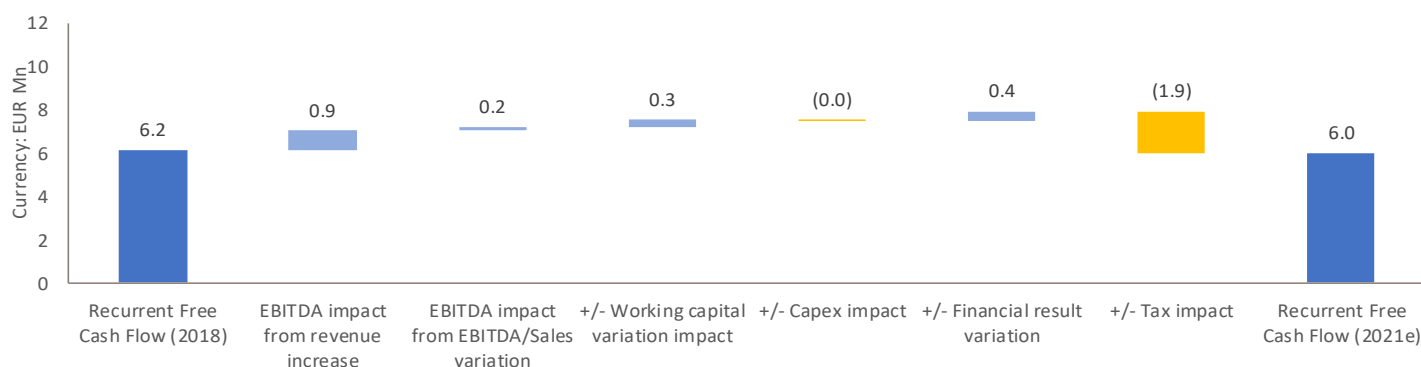
Appendix 2. Free Cash Flow

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>	2.6%	5.1%	10.6%	11.2%	9.8%	11.0%	11.0%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	4.3%	5.3%	9.1%	13.7%	17.1%	11.0%	11.0%		
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%
* 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>	3.8%	5.5%	10.4%	8.0%	7.3%	7.9%	7.6%		
- 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>	4.0%	6.2%	11.3%	10.6%	10.1%	11.2%	11.1%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	5.6%	6.6%	9.7%	13.1%	17.4%	11.2%	11.1%		

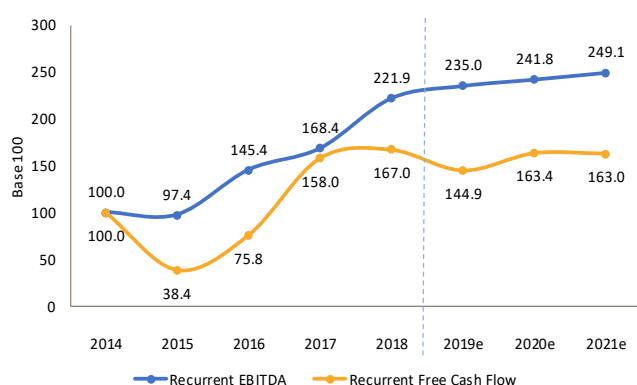
Recurrent Free Cash Flow accumulated variation analysis (2014 - 2018)



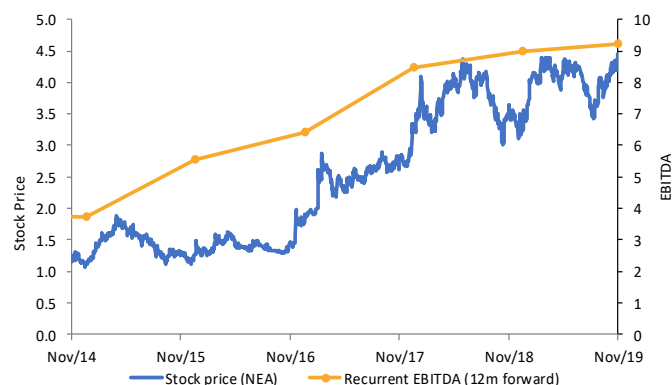
Recurrent Free Cash Flow accumulated variation analysis (2018 - 2021e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward



Appendix 3. EV breakdown at the date of this report

	EUR Mn	Fuente
Market Cap	54.8	
+ Minority Interests	0.7	6m Results
+ Provisions & Other L/T Liabilities	2.7	6m Results
+ Net financial debt	(1.4)	9m Results
- Financial Investments	2.3	6m Results
+/- Others		
Enterprise Value (EV)	54.5	

Appendix 4. 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%	-141.1%	-106.0%	176.4%	-192.5%	164.2%	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%	-217.3%	-68.1%	108.0%	n.a.	95.7%	543.6%	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.	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 %	4.1%	4.6%	1.9%	3.0%	1.2%	3.2%	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	8.1x	7.9x	7.9x		
EV/Sales (x)	0.4x	0.7x	0.9x	0.5x	0.9x	0.6x	0.5x	0.5x	0.5x	0.8x	0.5x	0.7x	0.7x	0.7x		
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	6.1x	5.9x	5.7x		
Absolute performance	-41.6%	-22.0%	-35.7%	-30.1%	-32.4%	85.0%	-15.8%	17.0%	36.9%	83.1%	1.7%	36.9%				
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%	26.3%				

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 5. Main Competitors 2019e

Market data	EUR Mn	Machine-tools				Milling machines				
		Atlas Copco	Georg Fischer	Danieli	Average	Starrag	Fidia	Datron AG	Tornos Holding	NEA
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		40,148.9	3,622.4	1,060.4		141.9	21.2	40.7	125.6	54.8
Enterprise value (EV)		41,228.3	4,037.5	489.0		144.6	35.8	33.3	93.5	54.5
Total Revenues		9,745.7	3,432.5	2,615.1		353.2	49.0	57.5	189.3	75.0
Total Revenues growth		3.8%	-15.5%	3.6%	-2.7%	2.3%	-15.1%	3.2%	-0.8%	4.0%
2y CAGR (2019e - 2021e)		4.2%	2.6%	9.8%	5.5%	3.2%	n.a.	n.a.	-1.1%	3.0%
EBITDA		2,504.5	359.5	225.7		13.6	0.1	7.0	16.5	9.0
EBITDA growth		4.4%	-24.1%	0.8%	-6.3%	-31.1%	-89.3%	15.7%	-3.3%	5.9%
2y CAGR (2019e - 2021e)		4.7%	13.4%	9.0%	9.0%	47.0%	n.a.	n.a.	-6.3%	3.0%
EBITDA/Revenues		25.7%	10.5%	8.6%	14.9%	3.8%	0.2%	12.2%	8.7%	12.0%
EBIT		2,129.6	242.3	122.7		3.7	(1.3)	5.3	13.2	7.8
EBIT growth		2.6%	-29.3%	2.2%	-8.2%	-62.8%	-203.4%	2.3%	-3.3%	6.9%
2y CAGR (2019e - 2021e)		5.3%	18.0%	5.6%	9.6%	129.1%	n.a.	n.a.	-8.4%	2.6%
EBIT/Revenues		21.9%	7.1%	4.7%	11.2%	1.0%	-2.7%	9.1%	7.0%	10.3%
Net Profit		1,616.4	180.2	66.8		3.7	(2.0)	n.a.	12.7	6.8
Net Profit growth		0.5%	-27.3%	15.1%	-3.9%	-50.9%	-26.9%	n.a.	-6.9%	-13.8%
2y CAGR (2019e - 2021e)		5.4%	16.7%	23.9%	15.3%	88.4%	n.a.	n.a.	-17.1%	1.2%
CAPEX/Sales %		-2.7%	-5.5%	-2.8%	-3.7%	-1.8%	-1.0%	n.a.	-4.4%	n.a.
Free Cash Flow		1,371.8	143.7	87.7		10.8	(0.1)	2.3	6.5	9.3
Net financial debt		822.1	162.8	(574.2)		n.a.	14.4	n.a.	(35.1)	(6.0)
ND/EBITDA (x)		0.3	0.5	(2.5)	(0.6)	n.a.	180.1	n.a.	(2.1)	(0.7)
Pay-out		48.1%	45.8%	16.7%	36.9%	80.9%	n.a.	n.a.	40.8%	30.0%
P/E (x)		26.1	18.8	17.9	20.9	38.8	n.a.	11.0	9.7	8.1
P/BV (x)		9.0	2.7	0.6	4.1	0.9	3.0	1.2	1.2	1.1
EV/Revenues (x)		4.2	1.2	0.2	1.9	0.4	0.7	0.6	0.5	0.7
EV/EBITDA (x)		16.5	11.2	2.2	10.0	10.7	n.a.	4.8	5.7	6.1
EV/EBIT (x)		19.4	16.7	4.0	13.3	39.4	n.a.	6.4	7.1	7.0
ROE		37.2	13.6	3.6	18.1	2.2	(20.8)	13.0	12.8	13.7
FCF Yield (%)		3.4	4.0	7.8	5.1	7.6	(0.5)	5.7	5.1	9.8
DPS		0.64	20.16	0.15	6.98	0.88	n.a.	0.30	0.26	0.17
Dvd Yield		1.9%	2.3%	0.9%	1.7%	2.1%	n.a.	2.9%	4.2%	3.7%

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
18-Nov-2019	n.a.	4.45	n.a.	n.a.	9m Results 2019	David López Sánchez
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