

**12m Results 2019**

**Opinion** <sup>(1)</sup>: In line.

**Impact** <sup>(1)</sup>: We will maintain our estimates.

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**Business description**

**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 (renewables, aerospace, automotive sectors, etc). Currently, sales in Spain account for 15% (2019) of the total, with a 66% of sales in Europe. China accounted for 11% in 2019.

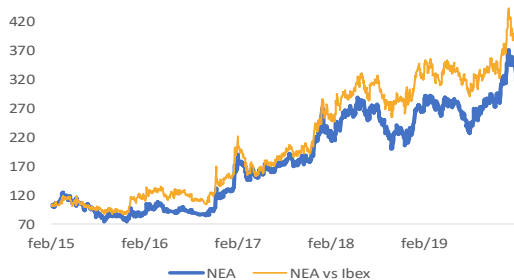
**Market Data**

Market Cap (Mn EUR and USD)	56.3	62.1
EV (Mn EUR and USD) <sup>(2)</sup>	53.2	58.7
Shares Outstanding (Mn)	12.3	
-12m (Max/Med/Mín EUR)	5.60 / 4.28 / 3.42	
Daily Avg volume (-12m Mn)	0.09	
Rotation <sup>(3)</sup>	42.1	
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

**Relative performance -5y (Base 100)**



**Stock performance**

(%)	-1m	-3m	-12m	-5Y
Absolute	-17.2	5.8	14.5	202.6
vs Ibex 35	-10.0	13.5	21.8	287.8
vs Ibex Small Cap Index	-11.5	8.0	19.0	147.0
vs Eurostoxx 50	-7.5	17.7	13.5	227.1
vs Sector benchmark <sup>(4)</sup>	-8.3	16.1	9.0	170.3

- (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 2.
- (3) Rotation represents the % of the capitalisation traded - 12m.
- (4) vs TR Europe Industrial Machinery and Equipment.

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

## 2019 results in line. Fundamentals have responded

We would highlight the performance of: (i) EBITDA, at EUR 9.4Mn (+10.4% vs 2018; in line with our estimates); (ii) the EBITDA margin (12.6%; +0.8p.p. vs 2018); and (iii) the order book (EUR 31.1Mn; 42% of 2019 revenues), which, although -9.6% vs the 2018 close, allows us to remain somewhat optimistic as regards revenue volumes for 2020.

**NO SURPRISES IN REVENUES (EUR 74.3MN VS 72.1MN IN 2018)** which show growth of 3% (in line with our estimates) confirming the trend for orderly growth begun in 2018. We would underline the growth in the company's revenues despite the weak industrial backdrop in Europe where the order book for the machine tools sector fell c. 20%.

**BUT WITH A NOTABLE IMPROVEMENT IN THE EBITDA MARGIN VS 2018 (AS WE WERE EXPECTING)...** boosting 2019 EBITDA by 10.4% to EUR 9.4Mn (EBITDA margin 12.6%; +0.8p.p. vs 2018) confirming the operating efficiency achieved by the company as a result of: (i) a simplified production structure and (ii) a focus on profitability over size.

**...AND A VERY ROBUST CAPITAL STRUCTURE:** with net cash at the end of 2019 of EUR 4.9Mn, boosted by collection of the amount pending on the sale of the Itziar plant (EUR 4Mn; 1Q19) and the business' operating cash generation (Rec. FCF 2019: EUR 4.7Mn).

**MAINTAINING SHAREHOLDER REMUNERATION:** NEA proposes payment of a EUR 2.1Mn dividend (EUR 0.17/share), which represents a pay-out of c. 25% (yield of 3.7%). Compatible with a very healthy capital structure.

**CONCLUSION:** Positive results in line with estimates, confirming the good progress of the business and which further strengthen the balance sheet despite the industrial slowdown seen in Europe: (i) double-digit growth in the main P/L items, (ii) net cash (c. 9% of Mkt Cap) and (iii) a high ROCE (>15%). In the wake of 2019 results, we expect revenue in line in 2020 (c.+3%) with a slightly higher EBITDA margin than that seen in 2019, which should consolidate 2020 EBITDA above EUR 9.0Mn. FCF yield 2019 > 8%.

EUR Mn	12m19 Real	12m18	12m19 Real vs 12m18	12m19 Real 2019e	12m19 Real vs 2019e
<b>Total Revenues</b>	<b>74.3</b>	<b>72.1</b>	<b>3.0%</b>	<b>75.0</b>	<b>-1.0%</b>
<b>Recurrent EBITDA</b>	<b>9.4</b>	<b>8.5</b>	<b>10.4%</b>	<b>9.0</b>	<b>4.3%</b>
Rec. EBITDA/Revenues	12.6%	11.7%	0.8 p.p.	12.0%	0.6 p.p.
<b>EBITDA</b>	<b>9.4</b>	<b>8.5</b>	<b>10.4%</b>	<b>9.0</b>	<b>4.3%</b>
EBITDA/Revenues	12.6%	11.7%	0.8 p.p.	12.0%	0.6 p.p.
<b>EBIT</b>	<b>8.2</b>	<b>7.3</b>	<b>12.7%</b>	<b>7.8</b>	<b>5.4%</b>
<b>PBT</b>	<b>8.0</b>	<b>7.2</b>	<b>11.4%</b>	<b>7.6</b>	<b>4.5%</b>
<b>NP</b>	<b>8.1</b>	<b>7.9</b>	<b>2.4%</b>	<b>6.8</b>	<b>18.9%</b>
<b>Ordinary NP</b>	<b>7.8</b>	<b>6.6</b>	<b>18.3%</b>	<b>6.8</b>	<b>15.5%</b>
Rec. FCF	4.7	4.6	0.6%	5.3	-12.7%
Rec. FCF Yield	8.3%	8.2%	0.0 p.p.	9.5%	-1.2 p.p.
Net Debt	-4.9	1.5	-424%	-6.0	-19.1%
ND / EBITDA	-0.5 x	0.2 x	-0.7 x	-0.7 x	0.1 x

## Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	56.3	
+ Minority Interests	0.8	12m Results 2019
+ Provisions & Other L/T Liabilities	3.3	12m Results 2019
+ Net financial debt	(4.9)	12m Results 2019
- Financial Investments	2.3	12m Results 2019
+/- Others		
<b>Enterprise Value (EV)</b>	<b>53.2</b>	

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
02-Mar-2020	n.a.	4.57	n.a.	n.a.	12m Results 2019	David López Sánchez
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