

EQUITY - SPAIN

Sector: Machinery

 Closing price: EUR 13.40 (27 Feb 2023)
 Report date: 28 Feb 2023 (9:00h)

12m Results 2022
 Independent Equity Research

12m Results 2022
Opinion ⁽¹⁾: In line

Impact ⁽¹⁾: We will maintain our estimates

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2022, in line. An industrial company with low risk, trading at 6x 23e EV/EBITDA

Business description

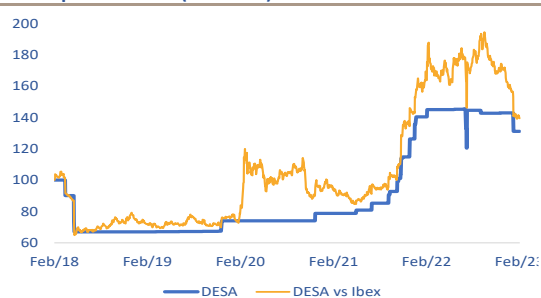
Desarrollos Especiales de Sistemas de Anclajes (DESA) is a small industrial group with its corporate headquarters in Barcelona (Spain), specialising (>60 years) in the manufacture and sale of fasteners, staples and tools used in the construction, industry and agriculture sectors. It has an international presence (30% of revenue) and is controlled by its core shareholders (c.75% of capital).

Market Data

Market Cap (Mn EUR and USD)	24.0	25.4
EV (Mn EUR and USD) ⁽²⁾	35.1	37.2
Shares Outstanding (Mn)	1.8	
-12m (Max/Med/Mín EUR)	14.87 / 14.61 / 12.31	
Daily Avg volume (-12m Mn EUR)	n.m.	
Rotation ⁽³⁾	0.2	
Factset / Bloomberg	DESA-ES / DESA SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Maden S.A.	29.9
SARM S.A.	20.0
Gestión Ixua S.L.	16.3
Board Members	8.9
Free Float	24.9

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-8.2	-8.0	-6.5	31.2
vs Ibex 35	-10.7	-16.9	-14.8	39.4
vs Ibex Small Cap Index	-9.0	-18.7	-10.7	8.0
vs Eurostoxx 50	-9.7	-14.2	-12.6	6.8
vs Sector benchmark ⁽⁴⁾	-8.0	-14.9	-2.0	-9.9

(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 Europe Industrial Machinery.

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

MID SINGLE-DIGIT GROWTH IN REVENUES (+4.8% VS 2021). DESA closed 2022 with revenue of EUR 50.4Mn (+4.8% vs 2021; that implies a new high for annual turnover and consolidates the business' capacity for growth, only interrupted in 2020).

... BUT MARGIN PRESSURE PREVENTED THIS REVENUE GROWTH FROM BEING TRANSLATED TO EBITDA (EUR 5.2Mn; -10.7% VS 2021). In percentage terms, the gross margin narrowed by 2.4p.p. to 37.8% (vs 40.2% in 2021 and an average of 40% over 2016-2021) due to the increase in raw material costs that the company has not fully passed on to prices (prioritising maintaining the competitiveness of its tariffs). This, despite the company's strict control of costs (operating costs: +2.4% vs 2021) translated to Rec. EBITDA of EUR 5.2Mn (-10.7% vs 2021), in line with our estimates.

THE SPIN-OFF OF THE PROPERTY BUSINESS GENERATED A CAPITAL GAIN OF EUR 1MN. In 2022 the spin-off of the property business in favour of a newly created subsidiary (fully owned by the company) was approved. This unlocked the fair value of the properties (capital gain of EUR 1Mn, with an impact on EBIT).

WORKING CAPITAL CONSUMPTION INCREASED NET DEBT (+12.8% VS 2021). DESA closed 2022 with net debt of EUR 13.0Mn (vs EUR 11.5Mn in 2021). An increase explained mainly by greater working capital needs (impact of c. EUR -3.5Mn in FCF). Gearing levels are still reasonable (2.5x ND/EBITDA) and compatible with the company's dividend policy: dividend of EUR 2Mn charged to 2022 results, of which EUR 1.5Mn has already been paid out and EUR 0.5Mn (€0.28/share) will be paid on March 3, 2023 (dividend yield 8.3%; payout c. 55%).

RESULTS IN LINE. WE MAINTAIN OUR ESTIMATES. Our 2023e estimates are a continuation of the trend seen in 2017-2021 and basically envisage mid-single-digit revenue growth (c. +4%) and a recovery of the gross margin to levels close to the average of the last 5 years (39.5% vs 37.8% in 2022). The above, together with strict control of costs, should allow DESA to recover in 2023e EBITDA levels of 2021 (c. EUR 6Mn; +15% vs 2022). 23e EV/EBITDA c. 6x.

Table 1. 12m22 Results

EUR Mn	12m22 Real	12m22 Real	12m22 Real	12m22 Real	12m22 Real
	Real	12m21	vs 12m21	2022e	vs 2022e
Total Revenues	50.4	48.1	4.8%	51.5	-2.1%
Gross margin	19.0	19.3	-1.6%	20.0	-4.7%
% Gross margin	37.8%	40.2%	-2.4 p.p.	38.8%	-1.4 p.p.
Recurrent EBITDA	5.2	5.8	-10.7%	5.4	-2.7%
Rec. EBITDA/Revenues	10.4%	12.2%	-1.8 p.p.	10.4%	-1.7 p.p.
EBIT¹	5.1	4.6	12.6%	4.1	25.4%
PBT	4.8	4.3	9.8%	3.7	29.4%
NP	3.6	3.8	-4.9%	3.0	21.4%
Ordinary NP	2.8	3.8	-26.2%	3.0	-5.8%

	Net Debt ²	13.0	11.5	12.8%	11.4	5.6%
(1)	2022 EBIT includes EUR 1.1Mn from the change in the fair value of the properties affected by the spin-off of the property business.					
(2)	Net Debt excludes the impact of IFRS 16 (EUR 0.3Mn and EUR 0.4Mn in 2022 and 2021). Net Debt includes discounted trade bills pending maturity (EUR 4.4Mn and EUR 3.4Mn in 2022 and 2021); excluding these amounts, ND was EUR 8.6Mn and EUR 8.1Mn in 2022 and 2021.					

Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	24.0	
+ Minority Interests	-	12m Results 2022
+ Provisions & Other L/T Liabilities	0.6	12m Results 2022
+ Net financial debt	13.0	12m Results 2022
- Financial Investments	2.5	12m Results 2022
+/- Others		
Enterprise Value (EV)	35.1	

LIGHTHOUSE

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
28-Feb-2023	n.a.	13.40	n.a.	n.a.	12m Results 2022	David López Sánchez
30-Sep-2022	n.a.	14.57	n.a.	n.a.	6m Results 2022	David López Sánchez
19-Apr-2022	n.a.	14.81	n.a.	n.a.	Estimates upgrade	David López Sánchez
02-Mar-2022	n.a.	14.81	n.a.	n.a.	12m Results 2021	David López Sánchez
01-Oct-2021	n.a.	8.71	n.a.	n.a.	6m Results 2021	David López Sánchez
01-Mar-2021	n.a.	8.05	n.a.	n.a.	12m Results 2020 - Estimates upgrade	Ana Isabel González García, CIIA
28-Jan-2021	n.a.	8.05	n.a.	n.a.	Estimates upgrade	Ana Isabel González García, CIIA
30-Oct-2020	n.a.	7.56	n.a.	n.a.	9m Results 2020	Ana Isabel González García, CIIA
29-Sep-2020	n.a.	7.56	n.a.	n.a.	6m Results 2020	Ana Isabel González García, CIIA
02-Jul-2020	n.a.	7.56	n.a.	n.a.	Estimates downgrade	Ana Isabel González García, CIIA
02-Mar-2020	n.a.	7.56	n.a.	n.a.	12m Results 2019	Ana Isabel González García, CIIA
23-Dec-2019	n.a.	7.56	n.a.	n.a.	Initiation of Coverage	Ana Isabel González García, CIIA

