

EQUITY - SPAIN

Sector: Machinery

 Closing price: EUR 5.56 (28 Feb 2023)
 Report date: 28 Feb 2023 (18:00h)

12m Results 2022
 Independent Equity Research

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Opinion ⁽¹⁾: Above expectations

Impact ⁽¹⁾: We will have to raise our estimates

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Business description

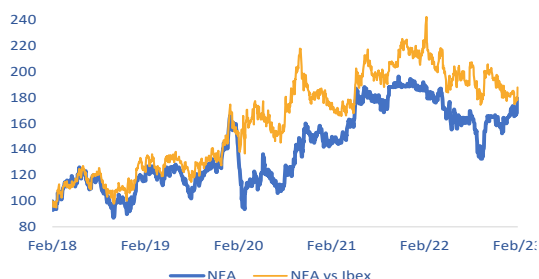
Nicolás Correa (NEA) is a Spanish industrial (Burgos), whose core business is the design and manufacture of chip removal machine tools, specialising in milling machines for the general mechanical engineering industry (aerospace, defense, renewable energy and nuclear sectors standing out). Currently, sales in Spain account for 8% (2022) of the total, with a c. 50% of sales made in the rest of Europe.

Market Data

Market Cap (Mn EUR and USD)	68.5	72.6
EV (Mn EUR and USD) ⁽²⁾	58.0	61.5
Shares Outstanding (Mn)	12.3	
-12m (Max/Med/Mín EUR)	5.88 / 5.12 / 4.10	
Daily Avg volume (-12m Mn EUR)	0.03	
Rotation ⁽³⁾	10.4	
Factset / Bloomberg	NEA-ES / NEA SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Nicolás-Correa Family	29.0
Jose Maria Galíndez	5.4
Onchena	5.4
Board (Excl. Nicolas-Correa)	2.0
Free Float	58.2

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	7.8	8.6	-4.7	79.7
vs Ibex 35	3.9	-3.8	-14.1	88.1
vs Ibex Small Cap Index	6.8	-4.7	-7.5	49.2
vs Eurostoxx 50	6.1	0.7	-11.9	45.6
vs Sector benchmark ⁽⁴⁾	8.0	-1.2	1.0	22.3

(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 2.

(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.

NEA: An excellent 2022 (EBITDA: +21%). Taking advantage of "its own cycle"

NEA CONFIRMS ITS ABILITY TO CONTINUE GROWING REVENUE AT DOUBLE DIGITS (EUR 98.2MN; +28% VS 2021). NEA's revenues have grown by +28% to EUR 98.2Mn, a record figure. This consolidates double-digit revenue growth with a second excellent half-year (2H22 revenue in isolation: EUR 52.7Mn; +37.2% vs 2H21!). And confirms the appropriate commercial strategy and good competitive position.

AND GOOD PERFORMANCE BY MARGINS (BETTER THAN EXPECTED). Very positive improvement in the EBITDA margin (despite the complicated backdrop), that ended 2022 at 11.1% (vs 9.5% in 1H22 and our estimate of 10.4%) thanks to the recovery of the gross margin in the second half of the year and the containment of fixed costs (+20% vs 2021). This has resulted in EBITDA of EUR 10.9Mn (+21% vs 2021; exceeding our estimates by 15%).

AND MAINTAINING A VERY ROBUST BALANCE SHEET STRUCTURE (NET CASH: EUR 10.7MN). Despite higher investment and shareholder remuneration, NEA closed 2022 with net cash of EUR 10.7Mn (16% of the Market Cap). A very healthy balance sheet endorsing the company's investment capacity and potential to continue growing and generating value (also via non-organic growth). Balance sheet strength that is especially interesting at the current time of sharp rises in interest rates and so more expensive financing.

ORDER BOOK AT HIGHS (EUR 93.9MN; +13.7%). Despite the atmosphere of deceleration and its belonging to a sector that is very sensitive to the macro, NEA closed 2022 with EUR 128Mn of new orders taking the order book to all-time highs (EUR 93.9Mn; +13.7% vs 2021). This provides enormous visibility (and differential) if we look to 2023e (NEA will have almost completed its production capacity for this year).

INCREASING SHAREHOLDER REMUNERATION (DIVIDEND YIELD 4.1%): NEA proposes payment of a EUR 2.8Mn dividend (EUR 0.23/share; +15% vs -1y), which represents a pay-out of c. 30% (dividend yield of 4.1%). This could serve as an indicator of the company's confidence in the strength of its balance sheet.

A "CYCLE OF ITS OWN" THAT POINTS TO A GOOD 2023E AND LEADS US TO UPGRADE OUR ESTIMATES. TRADING AT 5.3X 2022 EV/EBITDA. The small size of NEA and the diversification of its orderbook both by geographies and sectors (with exposure to Defence, Renewable energy and Nuclear) allows us to talk of it having a cycle of its own (not necessarily parallel to the macro cycle). In 2023e, the momentum of an excellent orderbook (that we have called its "own cycle") will enable NEA to maintain double-digit growth in both revenue and EBITDA: despite continuing to trade at a 2022 PER of 7.4x and 2022 EV/EBITDA of 5.3x, that suggests further upside (bearing in mind we are talking about a company with growth in EBITDA -5y of 11% CAGR).

These results could/should act as a catalyst for the share as they will probably lead to an upgrade in market estimates and to the extent that they prove that the ability of the company to grow and generate value in this context is real. Something that, in the light of current valuation multiples, is probably not yet discounted in the share price (performance -12m vs Ibex 35: -14.1%).

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.	5.22	n.a.	n.a.	12m Results 2022	David López Sánchez
01-Sep-2022	n.a.	5.10	n.a.	n.a.	6m Results 2022 - Estimates downgrade	David López Sánchez
01-Mar-2022	n.a.	5.84	n.a.	n.a.	12m Results 2021	David López Sánchez
16-Nov-2021	n.a.	5.84	n.a.	n.a.	9m Results 2021	David López Sánchez
01-Sep-2021	n.a.	5.60	n.a.	n.a.	6m Results 2021 - Estimates upgrade	David López Sánchez
01-Mar-2021	n.a.	4.49	n.a.	n.a.	12m Results 2020	David López Sánchez
16-Nov-2020	n.a.	4.79	n.a.	n.a.	9m Results 2020	David López Sánchez
01-Sep-2020	n.a.	3.93	n.a.	n.a.	6m Results 2020 - Estimates upgrade	David López Sánchez
18-May-2020	n.a.	3.54	n.a.	n.a.	3m Results 2020	David López Sánchez
23-Apr-2020	n.a.	3.46	n.a.	n.a.	Estimates downgrade	David López Sánchez
02-Mar-2020	n.a.	4.21	n.a.	n.a.	12m Results 2019	David López Sánchez
18-Nov-2019	n.a.	4.09	n.a.	n.a.	9m Results 2019	David López Sánchez
02-Sep-2019	n.a.	3.42	n.a.	n.a.	6m Results 2019	David López Sánchez
16-May-2019	n.a.	3.73	n.a.	n.a.	3m Results 2019	David López Sánchez
11-Apr-2019	n.a.	3.74	n.a.	n.a.	Estimates upgrade	David López Sánchez
01-Mar-2019	n.a.	3.57	n.a.	n.a.	12m Results 2018	David López Sánchez
17-Jan-2019	n.a.	3.21	n.a.	n.a.	Initiation of Coverage	David López Sánchez

