

### 12m Results 2018

Opinion <sup>(1)</sup>: Above expectations

Impact <sup>(1)</sup>: 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, automotive sectors, etc). Currently, sales in Spain account for 11% of the total (2018). Among the 90% of exports Europe (52%) and China (19%) stand out.

### Market Data

Market Cap (Mn EUR and USD)	49.1	55.9
EV (Mn EUR and USD)	52,3	59.5
Shares Outstanding (Mn)	12.3	
-12m (High/Avg/Low EUR)	4,37 / 3,76 / 3,00	
Daily Avg vol.(-12m Mn EUR)	0.1	
Rotation <sup>(2)</sup>	61.0	
Thomson Reuters / Bloomberg	NEA.MC / NEA SM	

### Shareholders Structure (%)

Nicolás-Correa Family	31.8
Desmasa	3.3
Board (Excl. Nicolas-Correa)	1.9
Free Float	62.9

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



### Stock performance

(%)	-1m	-3m	-12m	-5Y
Absolute	-0.2	12.4	15.3	125.4
vs Ibex 35	-2.6	10.3	22.3	145.7
vs Ibex Small Cap Index	-1.3	7.1	20.4	93.4
vs Eurostoxx 50	-5.1	8.0	20.2	115.2
vs Sector benchmark <sup>(3)</sup>	-3.7	3.8	39.7	126.5

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

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

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

## NEA continues to beat expectations:

Excellent results. We would highlight the good performance of: (i) EBITDA, at EUR 8.9Mn (+106.5% vs 2017; +27% vs our estimates); (ii) the EBITDA margin (12.5%; +5.2p.p vs 2017); and (iii) the order book (EUR 34.4Mn; +15.8% vs 2017), which allows us to remain somewhat optimistic as regards revenue volumes for 2019.

**+21.0% INCREASE IN REVENUE** (EUR 71.7Mn; +9.6% higher than our estimates), mainly driven by higher revenue from milling machines sales both at the parent Nicolás Correa (high added value machines), and the subsidiary Hypatia (less personalised).

**THE EBITDA/REVENUE MARGIN BEAT EXPECTATIONS (12.5%, +1.7P.P.)**, mainly thanks to continued cost control and improved productivity (the gross margin was 55.8%; in line with our estimates).

**NET PROFIT INCREASED C. 4x (EUR 8.0MN vs EUR 2.2Mn)** boosted by the good performance in EBITDA and other items as EUR 0.8Mn positive tax result. With financial costs at minimums (EUR 0.5Mn) and EUR 10.4Mn in deferred assets (which will keep the tax rate very low in coming years), the equity story will hinge exclusively on the company's ability to maintain its competitive position.

**A FCF YIELD OF C. 10% (CONVERSION OF C. 60% OF EBITDA IN CF)**, operating growth in the business, together with a positive tax result and lower than expected CAPEX (-25%), have led to a significant increase in recurrent FCF (EUR 5.1Mn).

**ACHIEVING A DE FACTO NET CASH POSITION:** Cash generation in 2018 has allowed an 80% reduction in net debt vs 2017 (ND/EBITDA 2018: 0.18x). We would underline that at the reporting date there are some EUR 4.0Mn pending collection from the sale of the Itziar plant (December 2018; EUR 5.0Mn) that will be received during the first half of 2019.

**RESUMPTION OF DIVIDEND PAYMENTS:** NEA proposes payment of a EUR 1.8Mn dividend (EUR 0.15/share), which represents a pay-out of c. 25% (yield of 3.7%), compatible with NEA's very healthy capital structure.

	2018 (Real)	2018 (Est.)	Real vs Est	2017	2018 (Real) vs 017	2018 (Est.) vs 017	4T018	4T017
<b>Total Revenues</b>	71.7	65.4	9.6%	59.2	21.0%	10.4%	23.8	26.3%
<b>Rec. EBITDA</b>	8.7	7.0	23.6%	6.4	35.3%	9.5%	3.7	-16.4%
<b>Rec. EBITDA / Rev.</b>	12.1%	10.8%	1.4 p.p.	10.9%	1.3 p.p.	-0.1 p.p.	15.7%	-8.1 p.p.
<b>EBITDA</b>	8.9	7.0	27.0%	4.3	106.5%	62.6%	3.7	-16.4%
<b>EBITDA / Rev.</b>	12.5%	10.8%	1.7 p.p.	7.3%	5.2 p.p.	3.5 p.p.	15.7%	-8.1 p.p.
<b>EBIT</b>	7.1	5.8	22.3%	3.0	139.5%	95.9%	334.6%	33.6%
<b>NP</b>	8.0	4.7	69.6%	2.2	257.9%	111.0%	n.a.	n.a.
<b>Ordinary NP</b>	7.8	4.5	73.3%	4.5	73.9%	0.3%	n.a.	n.a.
<b>Rec. FCF</b>	5.1	2.8	84%	5.8	-12.7%	-52.4%		
<b>Rec. FCF Yield</b>	10.3%	5.6%	4.7 p.p.	11.9%	-1.5 p.p.	-0.5 p.p.		
<b>Net Debt</b>	1.6	4.4	-62%	8.1	-80%	-46%		
<b>ND / EBITDA</b>	0.2 x	0.6 x	-0.4 x	1.9 x	-1.7 x	-1.3 x		

(1) 2018 (Est) includes EUR 1.0Mn related to deferred tax assets application.

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
01-mar-2019	n.a.	3,99	n.a.	n.a	12 Results 2018	David López Sánchez
17-ene-2019	n.a.	3,59	n.a.	n.a	Initial Coverage	David López Sánchez