

## EQUITY - SPAIN

Sector: Trading Companies &amp; Distributors

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12m Results 2021

Closing price: EUR 1.31 (25 Feb 2022)

## 12m Results 2021

Opinion<sup>(1)</sup>: In lineImpact<sup>(1)</sup>: We will have to raise our estimates

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## Business description

GAM (GALQ) is a company specialising in services associated with machinery hire (it has a fleet of 16,000 pieces of equipment) with a revenue mix diversified by sector and a certain balance between generalist and specialist operator. With 75 branches in 10 countries, it is leader in the Iberian Peninsula (56 branches), where it obtains the bulk of its revenues (>75%), and Latam is the main destination for the company's exports

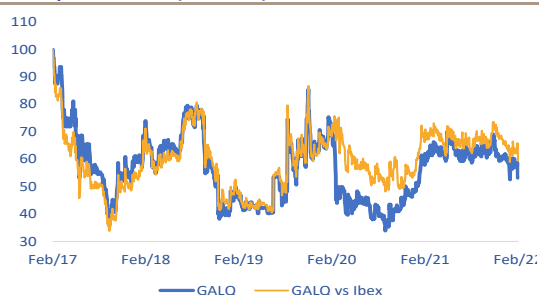
## Market Data

Market Cap (Mn EUR and USD)	123.5	138.8
EV (Mn EUR and USD) <sup>(2)</sup>	255.8	287.7
Shares Outstanding (Mn)	94.6	
-12m (Max/Med/Mín EUR)	1.72 / 1.52 / 1.29	
Daily Avg volume (-12m Mn EUR)	0.05	
Rotation <sup>(3)</sup>	10.4	
Factset / Bloomberg	GALQ-ES / GALQ SM	
Close fiscal year	31-Dec	

## Shareholders Structure (%)

Francisco Riberas & Family	58.2
Indumenta Pueri	10.0
Pedro Luis Fernández	5.8
Banco Santander	4.4
Free Float	21.6

## Relative performance (Base 100)



## Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-4.7	-20.4	-14.1	-46.7
vs Ibex 35	-4.8	-17.1	-15.9	-40.6
vs Ibex Small Cap Index	-7.3	-19.6	-10.6	-65.0
vs Eurostoxx 50	-2.2	-14.0	-20.3	-55.6
vs Sector benchmark <sup>(4)</sup>	-2.0	-10.4	-18.0	-62.9

(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 2.

(3) Rotation is the % of the capitalisation traded - 12m.

(4) vs Stoxx Europe 600 Industrial Goods & Services.

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

## A confirmed and credible growth story. But as yet unnoticed by the market

**DOUBLE-DIGIT GROWTH IN REVENUE (+26% VS 2020) ...** GALQ closed 2021 with EUR 168.3Mn in revenue, consolidating the double-digit growth seen over the whole year. Growth that compares very positively not only to 2020, but that also implies growth of 17.6% vs 2019. A notable performance that confirms the unique growth story that GALQ represents in the industrial sector.

**... DRIVEN BY ITS THREE BUSINESS LINES.** On one hand, in line with what was seen in 9m21 results, we would underscore the good performance of the no-CAPEX business (+42% accounting for 37.4% of the revenue mix; +4p.p. vs 2020) and of the long-term rental business (+36.1%). On the other, the short-term rental business (the one most impacted by Covid-19) saw growth accelerate to +12% (vs 9% in 9m21; although it still remains below levels of 2019, providing an additional opportunity for growth in 2022e).

**RECURRENT EBITDA, EUR 36.2Mn (IN LINE WITH EXPECTATIONS).** The increase in the weighting in the revenue mix of the no-CAPEX and long-term rental business (with smaller margins than the traditional rental business) to 56.6% (vs 51% in 2020) has reduced the Recurrent EBITDA margin (adjusted for capitalised expenses) to 22.1% (-1.4p.p. vs 2020; fully in line with expectations). This has resulted in Recurrent EBITDA of EUR 37.1Mn (+18.2% vs 2020).

**EASILY EXCEEDING BREAK-EVEN IN NET PROFIT.** All the above translates to 2021 net profit of EUR 2.6Mn: clearly exceeding breakeven in ordinary profit for the first time in the last decade, in a year which got better as it went on (losses of EUR -0.9Mn in 1H21 vs net profit of EUR 3.5Mn in the second half in isolation).

**WITH NET DEBT RISING TO EUR 148Mn DUE TO HIGHER CAPEX...** GALQ ended 2021 with net debt of EUR 131Mn (ND/Rec. EBITDA 3.6x) mainly due to the increase in CAPEX (2021 CAPEX: EUR 31.1Mn vs EUR 21.8Mn in 2020) in anticipation of delays to machinery delivery times by manufacturers and of price increases caused by inflation (duplicating the stock of machinery). As this increased investment occurred mainly in the second half of the year, it is not yet fully visible in terms of revenue and FCF generation.

**...AND CONTINUING M&A.** GALQ continues with its strategy of non-organic growth with the acquisitions of Recamasa and Ascendum (impact on FCF of c. EUR 8Mn); in addition to the acquisition of GDH in January 2022 (making GALQ the main distributor of the Hyster-Yale brands in Iberia).

**IN CONCLUSION, VERY GOOD RESULTS (AND IN LINE) THAT PRESENT AN ATTRACTIVE HORIZON: 2022E EV/EBITDA 5.5X.** GALQ ended 2021 comfortably exceeding 2019 figures both in terms of revenue and EBITDA, in a year that improved as it progressed. Focusing on 2022e, we will have to upgrade our estimates to reflect the impact of non-organic growth: 2022e EBITDA c. EUR 50Mn? That would lead to levels of EV/EBITDA of c. 5.5x (vs c. 6.5x for the sector). And that points to a credible equity story of clear growth that to date has gone unnoticed by the market (share price performance -12m: -14.1%; -15.9% vs IBEX 35).

## Appendix 1. Results table

EUR Mn	12m21		12m21 Real		12m21 Real	
	Real	12m20	vs 12m20	2021e	vs 2021e	
Short-term	73.0	65.4	11.6%	62.5	16.8%	
Long term	32.4	23.8	36.1%	33.5	-3.3%	
Without Capex	62.9	44.4	41.7%	60.3	4.3%	
<b>Total Revenues</b>	<b>168.3</b>	<b>133.6</b>	<b>26.0%</b>	<b>161.6</b>	<b>4.1%</b>	
<b>Recurrent EBITDA<sup>1 2</sup></b>	<b>37.1</b>	<b>31.4</b>	<b>18.2%</b>	<b>36.5</b>	<b>1.7%</b>	
<i>Rec. EBITDA/Revenues</i>	<i>22.1%</i>	<i>23.5%</i>	<i>-1.4 p.p.</i>	<i>22.6%</i>	<i>-0.5 p.p.</i>	
<b>EBITDA<sup>2</sup></b>	<b>36.4</b>	<b>31.4</b>	<b>16.0%</b>	<b>36.5</b>	<b>-0.2%</b>	
<i>EBITDA/Revenues</i>	<i>21.6%</i>	<i>23.5%</i>	<i>-1.9 p.p.</i>	<i>22.6%</i>	<i>-0.9 p.p.</i>	
<b>EBIT</b>	<b>11.0</b>	<b>9.6</b>	<b>14.8%</b>	<b>14.3</b>	<b>-23.0%</b>	
<b>Beneficio neto</b>	<b>2.6</b>	<b>1.2</b>	<b>119.3%</b>	<b>6.6</b>	<b>n.a.</b>	
<b>Net Debt<sup>3</sup></b>	<b>131.3</b>	<b>90.1</b>	<b>45.7%</b>	<b>119.9</b>		

(1) Recurrent EBITDA adjusted to strip out the impact of non-recurrent expenses (EUR 0.7Mn in 2021).

(2) Recurrent EBITDA and EBITDA adjusted to exclude capitalised expenses (EUR 7.1Mn and EUR 6.3Mn in 2021 and 2020, respectively).

(3) Net Debt adjusted to exclude the impact of IFRS 16 (EUR 17.2Mn and EUR 18.5Mn in 2021 y 2020, respectively).

## Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	123.5	
+ Minority Interests	0.4	12m Results 2021
+ Provisions & Other L/T Liabilities	6.6	12m Results 2021
+ Net financial debt	131.3	12m Results 2021
- Financial Investments	5.9	12m Results 2021
+/- Others		
<b>Enterprise Value (EV)</b>	<b>255.8</b>	

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
28-Feb-2022	n.a.	1.31	n.a.	n.a.	12m Results 2021	David López Sánchez
11-Nov-2021	n.a.	1.58	n.a.	n.a.	9m Results 2021	David López Sánchez
02-Aug-2021	n.a.	1.48	n.a.	n.a.	6m Results 2021	David López Sánchez
31-May-2021	n.a.	1.67	n.a.	n.a.	3m Results 2021	David López Sánchez
25-Feb-2021	n.a.	1.46	n.a.	n.a.	12m Results 2020	David López Sánchez
23-Dec-2020	n.a.	1.16	n.a.	n.a.	Estimates upgrade	David López Sánchez
10-Nov-2020	n.a.	1.01	n.a.	n.a.	9m Results 2020	David López Sánchez
21-Oct-2020	n.a.	0.96	n.a.	n.a.	6m Results 2020	David López Sánchez
13-May-2020	n.a.	1.07	n.a.	n.a.	3m Results 2020	David López Sánchez
08-Apr-2020	n.a.	1.21	n.a.	n.a.	Initiation of Coverage	David López Sánchez

