

12m Results 2021

Opinion ⁽¹⁾: In line

Impact ⁽¹⁾: 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 (aerospace, renewables, automotive sectors, etc). Currently, sales in Spain account for 5.9% (2021) of the total, with a 46.2% of sales made in the rest of Europe. China accounted for 31.5% in 2021.

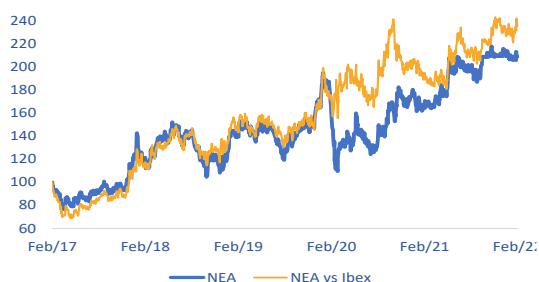
Market Data

Market Cap (Mn EUR and USD)	73.9	83.0
EV (Mn EUR and USD) ⁽²⁾	60.8	68.3
Shares Outstanding (Mn)	12.3	
-12m (Max/Med/Min EUR)	6.26 / 5.64 / 4.70	
Daily Avg volume (-12m Mn EUR)	0.05	
Rotation ⁽³⁾	16.3	
Factset / Bloomberg	NEA-ES / NEA SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Nicolás-Correa Family	31.9
Onchena	5.4
Jose Maria Galíndez	3.3
Board (Excl. Nicolas-Correa)	2.0
Free Float	57.5

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	1.4	0.0	26.6	109.1
vs Ibex 35	2.9	-0.9	22.8	135.6
vs Ibex Small Cap Index	-1.6	-5.3	28.8	36.6
vs Eurostoxx 50	6.8	4.2	17.3	76.8
vs Sector benchmark ⁽⁴⁾	5.3	15.2	18.7	4.0

(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.

2021: Excellent results. The good orderbook figure points to an even better 2022e

STRONG REVENUE GROWTH (EUR 76.5MN; +15.1%)... NEA closed 2021 with revenue of EUR 76.5Mn (+15.1% vs 2020; in line with our estimates), consolidating double-digit growth with an excellent 4Q (4Q revenue: EUR 23.8Mn; +22% vs 4Q20). Growth that not only compares very positively vs 2020, but that also exceeds that recorded in 2019 (+3% vs 2019) and reaching a level not seen since 2008. This confirms the importance of the geographical and sector diversification of NEA's business.

... THE FOCUS REMAINS ON MARGINS (AS WE WERE EXPECTING). Despite the current context of inflationary pressure on supplies, raw materials and transport, NEA has not lost its focus on margins, maintaining a strict control of costs that enabled it to close 2021 with a similar EBITDA margin to that seen in 2020 (12%; only -0.6p.p. vs the maximum seen in 2019). This resulted in Recurrent EBITDA of EUR 9.2Mn (in line with estimates).

THE HIGH CAPACITY FOR CASH GENERATION IS EVIDENT (NET CASH EUR 13MN). In 2021 NEA generated Rec. FCF of EUR 13.4Mn (FCF yield 18%!; driven by the very strong growth in customer advances received) as reflected in the increase in net cash to EUR 13Mn. This level of net cash already represents c. 17.5% of the market cap, allowing the company to maintain a very solid balance sheet structure that underpins its capacity to invest to continue growing and creating value without endangering shareholder remuneration (dividend proposal of EUR 0.2/share; +18% vs the two previous years, yield c. 3.3%).

AND WITH AN ORDER BOOK AT HIGHS. NEA closed 2021 having secured EUR 134Mn of orders. This is a remarkable figure that not only represents very significant growth vs 2020 (+106.8%; logical given a basis for comparison impacted by Covid-19) but also implies growth of +90% vs 2019. This puts the orderbook at EUR 82.6Mn despite the strong growth in revenue (a level not seen since 2007 and that resulted in turnover of > EUR 100Mn in 2008).

IN CONCLUSION, VERY POSITIVE RESULTS AND IN LINE WITH ESTIMATES. THE EXCELLENT ORDERBOOK FIGURE POINTS TO AN EVEN BETTER 2022. Very solid results (and fully in line with expectations) that underline the capacity to maintain margins and generate cash in an adverse scenario characterised by inflationary pressure (FCF yield c. 18%). Looking at 2022e, we maintain our estimate for the consolidation of levels of EBITDA of c. EUR 11Mn (c. +20% vs 2021); a level well within reach if we take into account that the current orderbook (fully executable in 2022) should allow NEA to generate 2022e revenue of over c. EUR 85Mn (+11% vs 2021), maintaining a Recurrent EBITDA margin of c. 12%. Despite the difficult geopolitical and macro backdrop, the current orderbook situation (very little exposure to Russia, customer advances...) reasonably protects NEA's 2022e and means we see more upside than downside risk of changes to estimates.

The share price performance -12m has been positive (+26.6%) but apparently insufficient to take multiples up to the sector average (EV/EBITDA c. 8x vs c. 5.5x for NEA), that suggests there is further upside.

Appendix 1. Results table

EUR Mn	12m21		12m21 Real		12m21 Real		4Q21 vs
	Real	12m20	vs 12m20	2021e	vs 2021e	4Q21	4Q20
Total Revenues	76.5	66.5	15.1%	74.8	2.3%	23.8	22.1%
Recurrent EBITDA	9.2	8.1	12.7%	9.5	-3.1%	3.7	17.1%
<i>Rec. EBITDA/Revenues</i>	<i>12.0%</i>	<i>12.2%</i>	<i>-0.2 p.p.</i>	<i>12.6%</i>	<i>-0.7 p.p.</i>	<i>15.4%</i>	<i>-0.7 p.p.</i>
EBITDA	9.0	8.1	11.3%	9.5	-4.3%	3.5	13.4%
<i>EBITDA/Revenues</i>	<i>11.8%</i>	<i>12.2%</i>	<i>-0.4 p.p.</i>	<i>12.6%</i>	<i>-0.8 p.p.</i>	<i>14.9%</i>	<i>-1.1 p.p.</i>
EBIT	7.3	6.5	12.0%	7.8	-6.5%		
NP	5.6	5.8	-3.3%	6.5	-14.6%		
Rec. FCF	13.4	-0.3	n.a.				
<i>Rec. FCF Yield</i>	<i>18.2%</i>	<i>-0.4%</i>	<i>18.5 p.p.</i>				
Net Cash ¹	-13.0	-1.7	n.a.				
New orders	134.0	64.8	106.8%				
Order book	82.6	28.2	192.9%				

(1) Net cash adjusted to strip out the impact of IFRS 16 (EUR 0.7Mn in 2021).

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	73.9	
+ Minority Interests	0.4	12m Results 2021
+ Provisions & Other L/T Liabilities	2.2	12m Results 2021
+ Net financial debt	(13.0)	12m Results 2021
- Financial Investments	2.7	12m Results 2021
+/- Others		
Enterprise Value (EV)	60.8	

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
01-Mar-2022	n.a.	6.00	n.a.	n.a.	12m Results 2021	David López Sánchez
16-Nov-2021	n.a.	6.00	n.a.	n.a.	9m Results 2021	David López Sánchez
01-Sep-2021	n.a.	5.76	n.a.	n.a.	6m Results 2021 - Estimates upgrade	David López Sánchez
01-Mar-2021	n.a.	4.74	n.a.	n.a.	12m Results 2020	David López Sánchez
16-Nov-2020	n.a.	5.06	n.a.	n.a.	9m Results 2020	David López Sánchez
01-Sep-2020	n.a.	4.27	n.a.	n.a.	6m Results 2020 - Estimates upgrade	David López Sánchez
18-May-2020	n.a.	3.85	n.a.	n.a.	3m Results 2020	David López Sánchez
23-Apr-2020	n.a.	3.76	n.a.	n.a.	Estimates downgrade	David López Sánchez
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.	Estimates upgrade	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.	Initiation of Coverage	David López Sánchez

