

EQUITY - SPAIN

Sector: Trading Companies & Distributors

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12m Results 2022
 Independent Equity Research

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Opinion ⁽¹⁾: In line

Impact ⁽¹⁾: We will maintain our estimates

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Business description

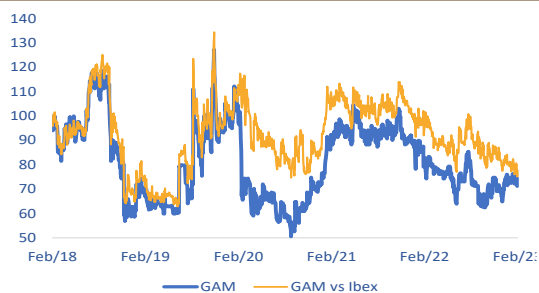
GAM (GALQ) is a company specialising in services associated with machinery hire (it has a fleet of 16,000 pieces of equipment) with a revenue mix diversified by sector and a certain balance between generalist and specialist operator. With 75 branches in 10 countries, it is leader in the Iberian Peninsula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

Market Data

Market Cap (Mn EUR and USD)	115.4	122.4
EV (Mn EUR and USD) ⁽²⁾	310.4	329.2
Shares Outstanding (Mn)	94.6	
-12m (Max/Med/Mín EUR)	1.41 / 1.21 / 1.03	
Daily Avg volume (-12m Mn EUR)	0.01	
Rotation ⁽³⁾	2.9	
Factset / Bloomberg	GAM-ES / GAM 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	21.5

Relative performance (Base 100)

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-0.8	1.7	-10.3	-25.8
vs Ibex 35	-4.3	-9.9	-19.0	-22.3
vs Ibex Small Cap Index	-1.7	-10.7	-12.9	-38.4
vs Eurostoxx 50	-2.2	-5.6	-16.9	-39.8
vs Sector benchmark ⁽⁴⁾	-2.9	-5.1	-12.2	-44.8

(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.

12m22 results: Excellent results (in line with expectations) that bode well for a good 2023e

SHARP GROWTH IN SALES TO A NEW ALL-TIME HIGH (EUR 223.4Mn; +32.7% VS 2021)... GAM reported revenue in 2022 of EUR 223.4Mn (+32.7% vs 2021; organic growth of 23%), furthering the double-digit growth seen in recent quarters. Analysing 4Q22 in isolation, GAM showed continued strong growth, with revenue of EUR 57.3Mn (+25.1% vs 4Q21). The increase was fully in line with our estimates.

...EXPLAINED BY ITS THREE BUSINESS LINES... As we noted with the company's 9m22 results, perhaps most interestingly, this high business growth occurred in its three areas of activity. On the one hand, there is the continuing good performance of: (i) the recurrent business (+50% vs 2021), which contributes an orderbook with average cycles of four years and (ii) the no-CAPEX business (+33% vs 2021), which does not require additional structure and capital (such as distribution, trading, maintenance, etc.). And on the other, the conventional business (the one most affected by the pandemic in 2020), which has already returned to 2019 levels (Revenue: EUR 90.8Mn; +24% vs 2021). Higher growth in the recurrent and no-CAPEX businesses increased their weighting in the revenue mix to 59% (vs 56% in 2021).

AND ACCOMPANIED BY AN IMPROVEMENT IN MARGINS. 2022 RECURRENT EBITDA: EUR 50.6Mn (+38.9% VS 2021). Despite the current context (that squeezes the gross margin due to higher fuel and spare parts costs), the strong revenue growth translated to remarkable growth in recurrent EBITDA (+38.9% vs 2021) to EUR 50.6Mn (EBITDA margin of 22.7% vs 21.6% in 2021).

DESPITE THE INCREASE IN NET DEBT, THE COMPANY WAS ABLE TO INCREASE EARNINGS WHILE REDUCING GEARING. GAM ended 2022 with adjusted net debt of EUR 179Mn (+20.1% vs 2021), due mostly to its high CAPEX and ongoing M&A. Recurrent ND/EBITDA in 2022 was 3.5x (vs 4.1x in 2021). Meanwhile, the long-term financing raised in December improves the debt structure and maturity schedule.

EXCELLENT RESULTS (IN LINE WITH EXPECTATIONS) THAT BODE WELL FOR A GOOD 2023E. OUR ESTIMATES ARE UNCHANGED. Even despite widespread inflation and supply chain disruptions, GAM delivered an excellent performance in 2022, fully in line with our estimates. Reported results show that the strategy executed in recent years is bearing fruit: the recurrent business (which contributes an orderbook with four-year cycles) and the no-CAPEX business now make up c. 60% of the revenue mix (vs c. 35% in 2019) that provides recurrence and reduces cyclicity. What about 2023e? We maintain our estimates, which basically call for revenue of EUR 250Mn (+11% vs 2022) and recurrent EBITDA of c. EUR 60Mn in 2023e (+14.6% vs 2022).

GROWTH, PROFITABILITY AND VALUE. TRADING AT 4.9X 23E EV/EBITDA. GAM has shifted its strategy in recent years, which itself is an equity story. The fruits of this strategy are now emerging. The snapshot of these results is a company that is growing, is profitable and has reduced its risk profile and cyclicity considerably (which is especially interesting judging by its current multiples). The market has apparently shrugged off the company's improved earnings so far. After the 12m share price performance (-19.1% vs Ibex 35), our 2023e estimates are trading at 4.9x 2023e EV/EBITDA.

Appendix 1. Results table

EUR Mn	12m22		12m22 Real		12m22 Real	
	Real	12m21	vs 12m21	2022e	vs 2022e	
Short-term	90.8	73	24.4%	91.3	-0.5%	
Long term	48.7	32.4	50.3%	47.6	2.3%	
Without Capex	83.8	62.9	33.2%	84.5	-0.8%	
Total Revenues	223.3	168.3	32.7%	223.4	0.0%	
Recurrent EBITDA¹	50.6	36.4	38.9%	52.0	-2.6%	
<i>Rec. EBITDA/Revenues</i>	<i>22.7%</i>	<i>21.6%</i>	<i>1.0 p.p.</i>	<i>23.3%</i>	<i>-0.6 p.p.</i>	
EBITDA²	50.1	35.7	40.3%	52.0	-3.5%	
<i>EBITDA/Revenues</i>	<i>22.4%</i>	<i>21.2%</i>	<i>1.2 p.p.</i>	<i>23.3%</i>	<i>-0.8 p.p.</i>	
EBIT	16.7	11.0	51.1%	16.9	-1.7%	
Net profit	7.7	2.6	191.1%	6.4	19.7%	
Net Debt	179.0	149.0	20.1%	168.9	6.0%	
ND / EBITDA	3.5 x	4.1 x	-0.6 x	3.3 x		

(1) Recurrent EBITDA adjusted to strip out non-recurrent expenses (EUR 0.5Mn in 2022 and EUR 0.7Mn in 2021).

(2) Recurrent EBITDA and adjusted EBITDA stripping out the impact of capitalised expenses (EUR 8Mn in 2022 and EUR 7.1Mn in 2021).

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	115.4	
+ Minority Interests	4.0	12m Results 2022
+ Provisions & Other L/T Liabilities	17.7	12m Results 2022
+ Net financial debt	179.0	12m Results 2022
- Financial Investments	5.7	12m Results 2022
+/- Others		
Enterprise Value (EV)	310.4	

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
01-Mar-2023	n.a.	1.22	n.a.	n.a.	12m Results 2022	David López Sánchez
02-Nov-2022	n.a.	1.06	n.a.	n.a.	9m Results 2022	David López Sánchez
05-Aug-2022	n.a.	1.20	n.a.	n.a.	6m Results 2022	David López Sánchez
29-Apr-2022	n.a.	1.27	n.a.	n.a.	3m Results 2022 - Estimates upgrade	David López Sánchez
28-Feb-2022	n.a.	1.31	n.a.	n.a.		David López Sánchez
11-Nov-2021	n.a.	1.58	n.a.	n.a.	12m Results 2021	David López Sánchez
02-Aug-2021	n.a.	1.48	n.a.	n.a.	9m Results 2021	David López Sánchez
31-May-2021	n.a.	1.67	n.a.	n.a.	6m Results 2021	David López Sánchez
25-Feb-2021	n.a.	1.46	n.a.	n.a.	3m Results 2021	David López Sánchez
23-Dec-2020	n.a.	1.16	n.a.	n.a.	12m Results 2020	David López Sánchez
10-Nov-2020	n.a.	1.01	n.a.	n.a.	Estimates upgrade	David López Sánchez
21-Oct-2020	n.a.	0.96	n.a.	n.a.	9m Results 2020	David López Sánchez
13-May-2020	n.a.	1.07	n.a.	n.a.	6m Results 2020	David López Sánchez
08-Apr-2020	n.a.	1.21	n.a.	n.a.	3m Results 2020	David López Sánchez
					Initiation of Coverage	David López Sánchez

