

EQUITY - SPAIN

Sector: Machinery

Closing price: EUR 6.06 (29 Mar 2023)
Report date: 30 Mar 2023 (8:30h)

Important news
Independent Equity Research

Important news

Opinion ⁽¹⁾: Positive

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

David López Sánchez – david.lopez@lighthouse-ieaf.com
+34 915 904 226

NEA demonstrates its contracting ability: signing its biggest ever order (EUR 21Mn)

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.

THE CONTRACT: NEA has announced the signing of a contract for over EUR 21Mn with Chinese multinational NGC GEARS (global benchmark in wind farm sector solutions). The contract consists of the installation of 10 large machining centres and high precision technology in 3 different plants.

Market Data

Market Cap (Mn EUR and USD)	74.6	80.3
EV (Mn EUR and USD) ⁽²⁾	64.1	69.0
Shares Outstanding (Mn)	12.3	
-12m (Max/Med/Mín EUR)	6.06 / 5.11 / 4.10	
Daily Avg volume (-12m Mn EUR)	0.02	
Rotation ⁽³⁾	8.3	
Factset / Bloomberg	NEA-ES / NEA SM	
Close fiscal year	31-Dec	

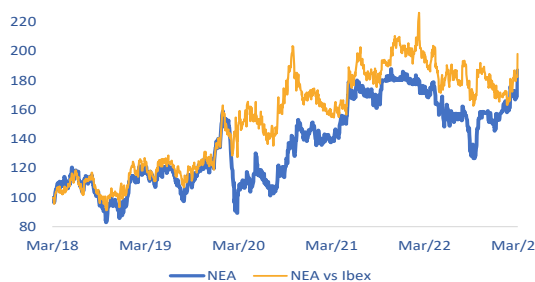
HIGHLY SIGNIFICANT FROM BOTH A QUANTITATIVE POINT OF VIEW... It is the largest order in NEA's history. Although the announcement makes no reference to the deadline or margins, it is obviously very important quantitatively speaking. It is equivalent to: i) 22% of the order book at the end of 2022 (at highs) and ii) 21% of turnover in 2022. Assuming an EBITDA margin of 11.5% (average -3y) it would imply EBITDA of c. EUR 2.5Mn (23% of 2022 EBITDA).

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

...AND FROM A QUALITATIVE ONE. WHY? For several reasons: i) due to the type of product, involving high precision technology (high precision machining of large parts requires very sophisticated solutions), ii) due to the sector involved (renewable energy), iii) due to the impact on the geographical revenue mix (with an increase in the company's presence in China, where wind turbine orders are at maximum levels), iv) because it significantly increases the visibility of results and v) because it is an excellent indicator of the company's contracting ability (that confirms its good competitive and brand position).

Relative performance (Base 100)



THE VISIBILITY PROVIDED BY THE ORDER BOOK TODAY IS EVEN GREATER. Despite the context, NEA ended 2022 with EUR 128Mn of new orders, meaning it closed 2022 with an order book at highs (EUR 93.9Mn; +13.7% vs 2021). An order book that already provided very high visibility for 2023e results and that with this contract we can say that NEA has already completed its production capacity for this year (2023e).

Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	9.0	28.7	8.5	87.2
vs Ibex 35	13.0	18.1	3.2	98.3
vs Ibex Small Cap Index	19.0	19.5	19.0	74.6
vs Eurostoxx 50	9.2	17.1	2.7	48.7
vs Sector benchmark ⁽⁴⁾	9.0	16.4	17.8	23.6

CONFIRMING OUR IDEA OF NEA HAVING A "CYCLE OF ITS OWN". In our last report on NEA published on February 28, we said that 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 (and not necessarily parallel to the macro cycle). Something that is reinforced by today's announcement.

WHAT CAN WE EXPECT FROM NEA IN 2023E? ITS MULTIPLES REMAIN OBJECTIVELY ATTRACTIVE. In 2023e, the momentum of an excellent orderbook (that we have called "its own cycle") should enable NEA to maintain double-digit growth in both revenue and EBITDA. Revenue growth of 10% would point to sales in 2023e of EUR 110Mn (fully underpinned by the orderbook figure) and EBITDA of EUR 13Mn (+19% vs 2022). Numbers that, after yesterday's increase in the share price (+9.1%), would continue to trade at 5x 23e EV/EBITDA.

In other words, objectively attractive multiples for a company with these growth prospects (c. +10% CAGR 22-25e, estimated by Lighthouse), high P/L visibility (due to the good orderbook figure) and favourable outlook for contracting. From a mid- and long-term outlook this contract can be said to change the company (for the better) in the knowledge that more structural growth should imply more value.

(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 1.
(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.

Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	74.6	
+ Minority Interests	1.0	12m Results 2022
+ Provisions & Other L/T Liabilities	2.9	12m Results 2022
+ Net financial debt	(10.7)	12m Results 2022
- Financial Investments	3.7	12m Results 2022
+/- Others		
Enterprise Value (EV)	64.1	

LIGHTHOUSE

Calle Basílica, 17, 1ª Planta, Oficinas
28020 Madrid
T: +34 915 904 226
institutodeanalistas.com/lighthouse

Alfredo Echevarría Otegui

Head of research

alfredo.echevarria@lighthouse-ieaf.com

David López Sánchez

Equity research

david.lopez@lighthouse-ieaf.com

Luis Esteban Arribas

Equity research

luis.esteban@lighthouse-ieaf.com

Enrique Andrés Abad

Equity research

enrique.andres@lighthouse-ieaf.com

Jesús López Gómez

ESG Analyst & Data analytics

jesus.lopez@lighthouse-ieaf.com

All Lighthouse research documents are available simultaneously on the Lighthouse website (institutodeanalistas.com/lighthouse) and via third-party aggregators such as Bloomberg, Factset, Capital IQ and Refinitiv.

IMPORTANT LEGAL INFORMATION REGARDING THIS REPORT

LIGHTHOUSE

Lighthouse is a project of IEAF Servicios de Análisis S.L.U. Lighthouse is a research project funded by Bolsas y Mercados Españoles S.A. Lighthouse aims to improve the research coverage of the "orphan stocks" of the Spanish market: those which lack real and continuous research coverage. Lighthouse reports will not include valuation and target price. Lighthouse does not seek to provide investment advice to any natural or legal person. For this reason, Lighthouse will not provide a valuation, target price or investment recommendation for any of the securities analysed.

IEAF Servicios de Análisis S.L.U. is a Spanish company whose corporate purpose is:

1º) To provide information and financial analysis regarding securities issued by any class of legal person traded or not on official secondary markets, and especially (but not exclusively) those securities which are not the object of the recurrent provision of information and analysis by financial analysts who participate in the markets.

2º) To publicise and update the aforementioned financial reports and analysis, in addition to the monitoring and following of the securities on which the information and analysis is provided.

3º) To prepare studies and projects aimed at proposing and implementing measures to improve the information and financial analysis of securities traded on official secondary markets.

IEAF Servicios de Análisis S.L.U. is a company whose sole shareholder is the Instituto Español de Analistas Financieros, a professional, not for profit association.

DISCLAIMER

The Instituto Español de Analistas Financieros hereby certifies that the analyst of IEAF Servicios de Análisis S.L.U. whose name figures as the author of this report, expresses views that reflect their personal and independent opinion of the company analysed without these implying, either directly or indirectly, a personalised recommendation of the company analysed for purposes of providing investment advice. This report is based on the preparation of detailed financial projections from information available to the public and following traditional fundamental research methodology (i.e. it is not a technical or quantitative analysis report). For the analysis methodology used in the preparation of this report, please contact the analyst directly; contact details are included on the front page of this report.

The report includes basic information regarding the main parameters to be used by an investor when making their own valuation (whether by discounted cash flows or multiples). These parameters are the personal opinion or estimate of the analyst. The person receiving this report should use their own judgement when using these parameters and should consider them as another element in their decision-making process in respect of investment. These parameters do not represent a personalised investment recommendation.

Rules governing confidentiality and conflicts of interest

None of the following rules governing confidentiality and conflicts of interest (12) is applicable to this report:

1. This report is non-independent research as it has been commissioned by the company analysed (issuer).
2. In the last 12 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., has had Investment Banking mandates or has managed or co-managed a public offering of the securities of the issuer, or has received compensation from said issuer for Investment Banking services, that exclude brokerage services for prepaid fees.
3. In the next 6 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., expects to receive or intends to obtain compensation for Investment Banking services provided to this company that exclude brokerage services for prepaid fees.
4. The Investment Analyst or a member of the Research Department or a member of their household has a long position in the shares or derivatives of the corresponding issuer.
5. The Investment Analyst or a member of the Research Department or a member of their household has a short position in the shares or derivatives of the corresponding issuer.
6. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a long position of over 0.5% of the issuer's capital.
7. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a short position of over 0.5% of the issuer's capital.
8. At the end of the month immediately prior to the publication of this report, or of the previous month if the report is published in the ten days following the end of the month, the company analysed (the issuer) or any of its subsidiaries held 5% or more of any class of equity security of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U.
9. A senior director or officer of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., or a member of their department is a director, officer, advisor or member of the Board of Directors of the issuer and/or one of its subsidiaries.
10. The Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., acts as broker for the Issuer for the corresponding prepaid fees.
11. The contents of this report related to the financial analysis, financial projections, valuation, investment summary and opinion of the analyst have been reviewed by the issuer prior to its publication.
12. The issuer has made changes to the contents of this report prior to its distribution.

The Investment Analysts who have prepared this Investment Analysis are employees of IEAF Servicios de Análisis S.L.U. These analysts have received (or will receive) compensation according to the general earnings of IEAF Servicios de Análisis S.L.U. To obtain a copy of the Code of Conduct of IEAF Servicios de Análisis S.L.U. (in respect of the Management of Conflicts of Interest in the research department), please use the e-mail address secretaria@institutodeanalistas.com or consult the contents of this Code at www.ieaf.es.

IEAF Servicios de Análisis S.L.U. is compensated by Bolsas y Mercados Españoles, S.A. for the preparation of this report. This report should be considered as just another element in the taking of investment decisions.

A report issued by IEAF servicios de análisis S.L.U.

All rights reserved. The unauthorised use or distribution of this report is prohibited. This document has been prepared and distributed, according to the provisions of the MiFID II by IEAF Servicios de Análisis S.L.U. Its corporate activity is regulated by the CNMV (the Spanish Securities Exchange Commission). The information and opinions expressed in this document do not represent nor are they intended to represent an offer or a solicitation to buy or sell the securities (in other words, the securities mentioned in this report and related warrants, options, rights or interests). The information and opinions contained in this document are based upon information available to the public and have been obtained from sources believed to be reliable by IEAF Servicios de Análisis S.L.U., but no guarantee is given regarding their accuracy or completeness. All comments and estimates reflect solely the opinion of IEAF Servicios de Análisis S.L.U. and do not offer any implicit or explicit guarantee. All the opinions expressed are subject to change without prior warning. This document does not take into account the specific investment objectives, financial position, risk profile or other specific aspects of the person who receives this document, and accordingly they should exercise their own judgement in this respect. Neither the Instituto Español de Analistas Financieros nor its subsidiary, IEAF Servicios de Análisis S.L.U., assumes any responsibility for direct or indirect losses arising from the use of the published research, except in the event of negligent conduct by IEAF Servicios de Análisis S.L.U. The information contained in this report is approved for distribution to professional clients, eligible counterparties and professional advisers, but not for distribution to private individuals or retail clients. Its reproduction, distribution or publication for any purpose without the written authorisation of IEAF Servicios de Análisis S.L.U. is prohibited. The Instituto Español de Analistas Financieros and/or its subsidiary IEAF

Servicios de Análisis S.L.U., their employees and directors, may hold a position (long or short) in an investment knowing that this issuer will be the object of analysis and that this analysis will be distributed to institutional investors. Any further information regarding the contents of this report will be provided upon request. IEAF Servicios de Análisis S.L.U. intends to publish (at least) one quarterly report or note updating the information on the company analysed.

United States. IEAF Servicios de Análisis S.L.U. is not registered in the United States and, consequently, is not subject to the regulations of that country governing the preparation of research and the independence of analysts. This report is distributed solely to major US institutional investors, in reliance on the exemption from registration provided by Rule 15a-6 of the US Securities Exchange Act of 1934, as amended (the "Exchange Act"), and interpretations of this made by the US Securities Exchange Commission.

Major US Institutional Investors. This report will be distributed to "major US institutional investors", as defined by Rule 15a-6 of the US Securities Exchange Commission and of the US Securities Exchange Act of 1934.

Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
30-Mar-2023	n.a.	6.06	n.a.	n.a.	Important news	David López Sánchez
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

